

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

April 5, 2016

3:30 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Mia Costello, Vice Chair
Senator John Coghill
Senator Peter Micciche
Senator Bert Stedman
Senator Bill Stoltze
Senator Bill Wielechowski

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Dan Ortiz

COMMITTEE CALENDAR

CONFIRMATION HEARING

Alaska Gasline Development Corporation
Joey Merrick

- CONFIRMATION ADVANCED

HOUSE BILL NO. 247

"An Act relating to confidential information status and public record status of certificates from the oil and gas tax credit fund; relating to a minimum for gross value at information in the possession of the Department of Revenue; relating to interest the point of production; relating to lease expenditures and tax credits for municipal applicable to delinquent tax; relating to disclosure of oil and gas production tax credit entities; adding a definition for "qualified capital expenditure"; adding a definition for information; relating to refunds for the gas storage facility tax credit, the liquefied "outstanding liability to the state"; repealing oil and gas exploration incentive credits; natural gas storage facility tax credit, and the qualified in-state oil refinery repealing the

limitation on the application of credits against tax liability for lease infrastructure expenditures tax credit; relating to the minimum tax for certain oil and expenditures incurred before January 1, 2011; repealing provisions related to the gas production; relating to the minimum tax calculation for monthly installment monthly installment payments for estimated tax for oil and gas produced before payments of estimated tax; relating to interest on monthly installment payments of January 1, 2014; repealing the oil and gas production tax credit for qualified capital estimated tax; relating to limitations for the application of tax credits; relating to oil and expenditures and certain well expenditures; repealing the calculation for certain lease gas production tax credits for certain losses and expenditures; relating to limitations for expenditures applicable before January 1, 2011; making conforming amendments; and nontransferable oil and gas production tax credits based on oil production and the providing for an effective date." alternative tax credit for oil and gas exploration; relating to purchase of tax credit

- <PENDING REFERRAL>

SENATE BILL NO. 130

"An Act relating to confidential information status and public record status of certificates from the oil and gas tax credit fund; relating to a minimum for gross value at information in the possession of the Department of Revenue; relating to interest the point of production; relating to lease expenditures and tax credits for municipal applicable to delinquent tax; relating to disclosure of oil and gas production tax credit entities; adding a definition for "qualified capital expenditure"; adding a definition for information; relating to refunds for the gas storage facility tax credit, the liquefied "outstanding liability to the state"; repealing oil and gas exploration incentive credits; natural gas storage facility tax credit, and the qualified in-state oil refinery repealing the limitation on the application of credits against tax liability for lease infrastructure expenditures tax credit; relating to the minimum tax for certain oil and expenditures incurred before January 1, 2011; repealing provisions related to the gas production; relating to the minimum tax calculation for monthly installment monthly installment payments for estimated tax for oil and gas produced before payments of estimated tax; relating to interest on monthly installment payments of January 1, 2014; repealing the oil and gas production tax credit for qualified capital estimated tax; relating to limitations for the application of tax credits; relating to oil and expenditures and

certain well expenditures; repealing the calculation for certain lease gas production tax credits for certain losses and expenditures; relating to limitations for expenditures applicable before January 1, 2011; making conforming amendments; and nontransferable oil and gas production tax credits based on oil production and the providing for an effective date." alternative tax credit for oil and gas exploration; relating to purchase of tax credit

- HEARD & HELD

SENATE BILL NO. 129

"An Act creating the oil and gas infrastructure development program and the oil and gas infrastructure development fund in the Alaska Industrial Development and Export Authority; relating to the interest rates of the Alaska Industrial Development and Export Authority; relating to the sustainable energy transmission and supply development and Arctic infrastructure development programs of the Alaska Industrial Development and Export Authority; relating to dividends from the Alaska Industrial Development and Export Authority; and adding definitions for 'oil and gas development infrastructure' and 'proven reserves.'"

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 130

SHORT TITLE: TAX;CREDITS;INTEREST;REFUNDS;O & G

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/19/16	(S)	READ THE FIRST TIME - REFERRALS
01/19/16	(S)	RES, FIN
04/04/16	(S)	RES AT 3:30 PM BUTROVICH 205
04/04/16	(S)	Heard & Held
04/04/16	(S)	MINUTE(RES)
04/05/16	(S)	RES AT 3:30 PM BUTROVICH 205

BILL: SB 129

SHORT TITLE: AIDEA: FUNDS; LOANS; PROGRAMS; DIVIDEND

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/19/16	(S)	READ THE FIRST TIME - REFERRALS
01/19/16	(S)	RES, FIN
04/05/16	(S)	RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

JOEY MERRICK

Eagle River, Alaska

POSITION STATEMENT: Appointee to the Alaska Gasline Development Corporation (AGDC).

RANDALL HOFFBECK, Commissioner

Department of Revenue (DOR)

Juneau, Alaska

POSITION STATEMENT: Answered questions on SB 130.

KEN ALPER, Director

Tax Division

Department of Revenue (DOR)

Juneau, Alaska

POSITION STATEMENT: Continued the overview of Alaska oil and gas tax reform and commented on SB 130.

JOHN SPRINGSTEEN, Executive Director

Alaska Industrial Development and Export Authority (AIDEA)

Anchorage, Alaska

POSITION STATEMENT: Presented SB 129.

GENE THERRIAULT, staff

Alaska Industrial Development and Export Authority (AIDEA)

Anchorage, Alaska

POSITION STATEMENT: Commented on SB 129.

FRED PARADY, Deputy Commissioner

Department of Commerce, Community and Economic Development

Anchorage, Alaska

POSITION STATEMENT: Answered questions on SB 129.

ACTION NARRATIVE

[3:30:51 PM](#)

CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Stedman, Stoltze, Coghill, Wielechowski, and Chair Giessel.

Confirmation Hearing
Alaska Gasline Development Corporation

[3:31:47 PM](#)

CHAIR GIESSEL announced consideration of the governor's appointment to the Alaska Gasline Development Corporation (AGDC) and invited Joey Merrick to review his work history as it relates to the AGDC Board.

[3:31:53 PM](#)

JOEY MERRICK, Eagle River, Alaska, appointee to the Alaska Gasline Development Corporation (AGDC), said his background in gas and oil-related work started in 1989 when he was an apprentice through the Laborers' Union. He worked on many pipelines on the North Slope ranging from gas to water to oil at every stage of development. He was there to unload the pipe and, at the end of the day, to hydro test and complete the entire project.

[3:33:10 PM](#)

SENATOR COSTELLO joined the committee.

MR. MERRICK said he also worked a lot on the TransAlaska Pipeline System (TAPS) from Pump Station 1 to Valdez, and ended up in Valdez for a number of years overseeing several major projects from 2000 to 2001. Mr. Merrick said he is also very involved in workforce development; he is a trustee on both the Laborer's Training Trust and on the Pipeline Training School in Fairbanks. He is president of both the Alaska Petroleum Joint Craft Council (APJCC) and the District Council of Laborers. He covers the North Slope as well as the pipeline, refinery, power plants, and everything else in the construction industry.

He negotiates contracts with industry and the AGDC and knows how important it is that everybody gets a fair deal at the end of the day. Some of his strengths relate to knowing how to put those good deals together. Mr. Merrick said it's an honor to serve on the board and to work on getting the best project for Alaskans.

CHAIR GIESSEL said many of them know Mr. Merrick who has an impressive resume. She knows that the AGDC board takes a lot of one's time and asked how he manages to balance that with his family life and other commitments.

MR. MERRICK responded that he has a very busy life. His three kids are very involved in athletics and school. He said it is also true that his job at the Laborers' Union is demanding. He has a good team both at work and at home. He thinks this is the most important thing he could be doing for the members that he represents, the people of Alaska, and his family. He wants to

make sure that they have the same opportunities he has been afforded.

CHAIR GIESSEL, finding no one to testify on Mr. Merrick's appointment, closed public testimony.

SENATOR STOLTZE reflected on the skill balance of the other members and asked what strengths and skills Mr. Merrick brings to the board that the others lack.

MR. MERRICK answered that his construction experience complements other expertise on the board. His negotiating skills would also be an asset to the board, as well as his history with workforce development.

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SENATOR STOLTZE said it seems like the bulk of his petroleum-related work was done from 1991 to 2003 and asked him to specifically elaborate on his experience in petroleum-related work. He noted Mr. Merrick might have worked with a mutual acquaintance, Wade Blasingame.

MR. MERRICK said he worked with Wade Blasingame with Houston Contracting and Houston NANA, H.D. Price, and Price Ahtna. He has worked at every project stage: as a laborer on the ground, as a foreman and general foreman on the crew, as the superintendent, and as a manager in Valdez. He worked at Alpine and actually put in a mile-long pipe under the Coleville River, one of the biggest bores ever done under a river at the time. He has been on numerous jobs on the North Slope with a lot of different pipelines. Later on in 2000-2002 he worked in Valdez.

MR. MERRICK said most of his work was done on the North Slope; he worked at Atigun Pass during the reroute and was the general foreman doing the bypass of Pump Station 3. He worked on big projects in Valdez including the fire water system and ballast water projects, berth work, valve replacement, and tearing down tanks and bringing them back up.

SENATOR STOLTZE related that he knew Mr. Merrick who had been a great community contributor in youth sports and other community activities.

CHAIR GIESSEL said in accordance with AS 39.05.080 the Resources Committee reviewed and recommends forwarding the following appointment to a joint session for consideration: the Alaska Gasline Development Corporation Board of Directors: Joey Merrick

II, Eagle River, appointed 9/14/2015, term expires 9/13/2020. This does not reflect an intent by any of the members to vote for or against the confirmation of the individual during any further sessions.

CHAIR GIESSEL recognized Representative Ortiz in the audience.

SB 130-TAX CREDITS;INTEREST;REFUNDS;O & G

[Contains discussion of HB 247.]

3:45:00 PM

CHAIR GIESSEL announced consideration of SB 130 and invited Mr. Alper to continue the Department of Revenue's presentation that will begin on slide 31.

RANDALL HOFFBECK, Commissioner, Department of Revenue (DOR), Juneau, Alaska, said Director Alper will continue the presentation, but he was available for questions on SB 130.

KEN ALPER, Director, Tax Division, Department of Revenue (DOR), Juneau, Alaska, said slide 31 has the title "Impact on Specific Industry Sectors." Slide 32 points out how particular sectors of the oil and gas economy would be impacted by the specific provisions of the bill at different price points. He said the provisions of SB 130 do not impact the North Slope major producer at higher prices (generally above \$85/barrel where the minimum tax kicks in). Below that level is where the minimum tax tends to take precedence over the 35 percent net tax. The bill attempts to raise the minimum tax from 4 percent to 5 percent.

In a period of very low prices such as now, and especially into a second consecutive year, the issue of using net operating loss (NOL) credits to reduce payments below the minimum tax floor comes into play, and SB 130 would prevent that from happening. It would cause those additional NOL credits to be rolled forward and be added to the stack of NOL credits for use in a future year after the price has recovered.

CHAIR GIESSEL asked at what price the 12.5 percent royalty begins to spiral upward to over 100 percent.

MR. ALPER answered that happens when the profits begin to be very constrained at anywhere less than \$50/barrel.

3:48:23 PM

SENATOR STEDMAN asked what taking the floor from 4 to 5 percent means in dollars and what the trigger point is to get out of it. At some point, he also wanted a discussion on the per-barrel sliding credit when the floor gets triggered, which the Senate hadn't heard, because it was put in by the House. He also wanted to know if they had NOL credit figures for FY15/16/17 and what the expectations are for them getting paid off.

MR. ALPER explained that he would try to "unpack" Senator Stedman's questions. First off, he would deliver details of raising the floor from 4 to 5 percent and the trigger point in his follow-up presentation tomorrow, but under the current system, \$78 is the cross-over point of existing the minimum tax. Because of the way the cost and tax curves work the higher the minimum tax gets, the higher the cross-over gets. It's in the high \$70s at the 4 percent level and it will be in the \$80s at the 5 percent level.

The fiscal note to the original bill did not delve into stacking up of net operating loss (NOL) credits, because the numbers didn't become apparent until the spring revenue forecast. An updated fiscal note currently attached to the House companion bill, CSHB 247, has numbers for both the original bill and the amended bill. Hardening the floor raises revenue by \$150 to \$200 million a year at these prices, but the NOL that is forced to be carried over due to the floor hardening and raising goes up to about \$700 million in a couple of years and to about \$1.5 billion by 2019/20.

SENATOR STEDMAN followed up saying a verbal answer is kind of okay, but it would be beneficial for the committee to see the current NOL operating and capital numbers for FY16/17 on paper. Lawmakers, as policy makers, need to clearly recognize the magnitude of what they are dealing with. He also needs help with how much of the non-deductible capital costs are applicable to the carry-forward credits, and a clear understanding of how Cook Inlet and Middle Earth are being treated differently than the North Slope.

MR. ALPER said Mr. Stickle was back in the office taking notes as they speak, and the stacking up of the NOL credits is in the most current fiscal note, which is on BASIS. He clarified when he says \$700 million or \$1.5 billion, that's in credits - after the multiplication of whatever the much larger loss was, multiplying times the credit percentage.

[3:54:19 PM](#)

Slide 33 shows that the North Slope new or smaller producers that have built the newer fields will see no change at higher oil prices, but a more substantial impact below the 85 percent range. Because of the nature of the GVR, the new oil tax provisions of SB 21, their per-barrel credit is allowed to drop taxes to zero (the production from those fields is not susceptible to the minimum tax). SB 130 attempts to harden the floor by making new oil susceptible to the minimum tax, as well. So, effectively there is an increase in some cases from a zero to a 5 percent gross tax that would substantially impact the smaller producers more than the major producers. Likewise, if the company is an operating loss, the gross value reduction (GVR) that is used for the benefit of new oil cannot be used to increase the size of an NOL. The intent is that the NOL would be limited to 35 percent of the actual cash flow loss and not the more synthetic calculated loss that includes the GVR.

SENATOR STEDMAN asked if a company has a \$27 million credit for FY17, if any interest accrues. How is it treated once it exists and is not turned into cash?

MR. ALPER answered that he wasn't sure what provision he was referring to, but the floor hardening and the requirement of having an operating loss carry forward for the major producers is very much deferring of an obligation (because it would still need to be issued; the deductions would simply be taken in a future year), but the third bullet on slide 33 would be the elimination of a benefit (it would not roll forward). If that number is \$27 million, it means that the companies in question would have an operating loss credit that would be \$27 million less than it would be if they were able to use the GVR in that calculation.

[3:57:10 PM](#)

Slide 34 talks about the impacts to a new project developer on the North Slope building its first oil field but not currently producing oil and gas. The NOL credit is baked in at 35 percent as a provision of SB 21. That is not changed. The credit is earned, and the question then becomes how to cash it out. Here there is a little fork in the road. If it's a large company with global revenues in excess of \$10 billion, the state won't cash out that credit. They can sell it to another company or they can hold it until they have a liability. For the smaller companies with revenues below \$10 billion, an annual cap of \$25 million per company that would be paid out in a single year is being proposed. Any credits in excess of that number would be

effectively rolled forward to a future year and continue adding to the stack of unpaid credits.

SENATOR STEDMAN said he assumed they would see some modeling on credits under both the current statute and under the proposed changes, so they can visualize how the treasury was going to deal with the NOLs two or three years out.

MR. ALPER said he is talking about two different stacks of NOLs: the ones that are not refundable, because they are owned by the major producers, a number that gets quite high, and the earned credits that are cashable, but capped annually, stacking up alongside them. He would bring a slide tomorrow that would put some numbers on it. He explained that the fiscal note has a negative number in savings in some years. That is the result of credits being earned in one year and the state saving money by not cashing them out since cashable credits are capped at \$25 million/year, roll forward to be paid out in another year. However, there are circumstances in years three or four, based on available information, when the state is cashing out more credits than it otherwise would have under the status quo, because some of the older ones that rolled forward stack up on top of each other.

SENATOR STEDMAN rephrased his previous question; when he talked about the creation of NOL carry forwards, he was talking about companies with less than \$10 billion in one category and the others in another category, but the Revenue Sources Book lumps them all together.

MR. ALPER said he will provide those numbers to him, and the Tax Division would help get him whatever he is looking for.

[4:02:13 PM](#)

He explained that in Cook Inlet, (slide 35) the existing producer who is selling oil and gas generally to the Anchorage bowl and the Southcentral utility market is paying low to zero taxes due to the tax caps that have been in place since 2006 and will be there through 2021. Those companies are currently eligible for repurchase of their QCE and WLE credits in the 20-40 percent range. A typical project is around 30 percent, so the state is effectively paying 30 percent of that spending.

SB 130 repeals those specific credits. In a broad sense if a company is not in an operating loss situation, it's perfectly reasonable that they pay zero tax, but refunding the credits to the company that is paying zero tax while earning a profit seems

a little bit unnecessary, or possibly even excessive, given the state's current fiscal situation. They are not looking to touch upon the tax caps themselves, which remain on the books through the end of 2021.

[4:03:46 PM](#)

Slide 36 captures the new Cook Inlet field developer that currently gets a 25 percent NOL credit that gets stacked along with what he described for the producers in the previous slide. Those two credits taken together tend to mean the state is providing reimbursement in the neighborhood of 50-60 percent for ongoing work in the Cook Inlet right now. By repealing those capital and well credits, the intent of the legislation is to reduce the state's level of ongoing support to 25 percent.

MR. ALPER explained that the 50 percent level seems excessive given the fiscal realities and the need to prioritize. The choice was made to prioritize the operating loss credit and continue the support at 35 percent. Of that 25 percent NOL credit, the same limitations on repurchase kick in as those on the previous slide. The larger companies, should that kind of multi-national be operating in Cook Inlet, would not be able to cash those certificates and the smaller companies would be limited by the \$25 million annual cap. Everything in excess of that gets carried forward.

[4:05:17 PM](#)

Slide 37 covered the Interior/Frontier area, or Middle Earth, that is getting 65 percent credits for exploration. That means the 40 percent exploration credit under most circumstances and a 25 percent NOL. In development they are in the same paradigm as the Cook Inlet folks: the 25 percent NOL plus the weighted average of the capital and well credits. By repealing the capital credits the developer, once they are proven and have found something, fall under the same 25 percent category that the Cook Inlet developer does. However, because there is a need to find that resource in the first place and because there has been a previous legislative decision made to encourage people to find and explore for oil and gas in the Interior basins, the exploration credits have been previously extended through 2022. That is not being touched in the legislation before them, which means the state will continue to support exploration work at the 65 percent level in Nenana and Glennallen.

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SENATOR COGHILL said these credits have been pretty much dormant and the expectation is the other credits that apply within the Cook Inlet have been more valuable.

MR. ALPER said these credits are the ones that have been used. The dormant ones are the super credits (80 percent for the Interior and 75 percent for seismic) that were created in 2012 and those are scheduled for sunset. Although one explorer, the Ahtna Corporation, has talked about an extension.

SENATOR STEDMAN asked what other basins are doing in response to the lower prices and what kind of credits or fiscal health they have extended to the industry over the last several years. He also wanted some comparative work done on Texas or North Dakota.

CHAIR GIESSEL replied that analytica had responded to similar questions in other committees and she would ask them to provide that information to this committee.

SENATOR COSTELLO wanted to know the driving principles behind SB 130.

COMMISSIONER HOFFBECK explained that they looked at the credits in three categories: ones that weren't used, ones that were used differently than intended, and ones that had worked well. The ones that didn't work the way they were intended were either credits that weren't used or when the focus of the use was not where it was intended. A prime example is some of the Cook Inlet Recovery Act credits that were put in place to try and deal with energy security in Southcentral Alaska, but were equally applied to oil exploration and development. Everything was done to preserve the Net Operating Loss Credit, but with some caps on it. There are no taxes on oil in Cook Inlet and there is no energy security issue there now, either.

SENATOR COSTELLO asked if the administration's other revenue generating bills have an overall driving principle. Were decisions made based on modeling that was done first?

COMMISSIONER HOFFBECK answered that the entire reason behind these bills is revenues and being able to afford the credits.

[4:11:27 PM](#)

SENATOR WIELECHOWSKI said the real behavior they have tried to incentivize is gas exploration in Cook Inlet, the Interior and the frontier areas to have gas for local communities, but what seems to be happening is that a lot of money is being used for

oil exploration and development and asked if it is possible to develop a system that provides incentives for gas only?

MR. ALPER answered it's doable. They started looking at it this year when the question started to be asked about the oil versus gas split. The department looked through historic Cook Inlet credits and came up with roughly a two-thirds/one-third metric. Sometimes it's a question of the bill's construction; it has to be worded in a way that focuses on gas. That is when the drafters get nervous, because there is a tendency "to not ring-fence." It's similar to cost allocation issues on the North Slope and why the gross value reduction is structured the way it is as part of gross rather than part of net. The most technically complicated maneuver is how to divide up the lease expenditures. In some ways, it is a more solvable problem in Cook Inlet because the taxes are already broken out by field (it's a multiplier by field), more like the ELF was structured on the North Slope in the past. It's a challenge, but it's not impossible, he said.

SENATOR WIELECHOWSKI asked for rough numbers on how much the state would save if they would allow the continuation of gas credits but not oil credits in Cook Inlet.

MR. ALPER answered that the overall savings would be about one-third of that amount because about two-thirds of the money is currently supporting gas. That changes from year to year and scenario to scenario.

COMMISSIONER HOFFBECK said this has almost become a backward looking analysis of the credits, because going forward when people look for gas, sometimes they find oil and vice versa, and generally they find them together. So, there would have to be some kind of allocation of the credits based on the productions.

[4:14:21 PM](#)

MR. ALPER said slides 38 & 39 are a very high level summary of some of the fiscal note information for both the original version and the latest modifications based on the spring forecast. So, at the time they introduced the bill they estimated it to be about a \$500 million piece of legislation, at least in its initial year. Of that, about \$200 million in reductions comes from the repeal of certain provisions as well as the elimination of "loopholes or unforeseen circumstances in statute." A second \$200 million comes from deferred payments on credits. The great bulk of that was in the \$25 million caps and similar provisions that said companies are going to be earning

certificates but the state was not going to be fully funding them in the first year. A couple of other provisions fall in that category. Finally, there is additional revenue in the neighborhood of about \$100 million between strengthening the minimum tax, which was worth about \$50 million, and then the increase to 5 percent from 4 percent brings in about another \$50 million.

MR. ALPER said a little bit of additional revenue comes from the proposed interest rate reform, but interestingly, only the revenue from non-oil and gas taxes. He explained that the interest rate statutes are in the general revenue statutes that apply to all 24 taxes. If that change is made and the state gets a little bit more interest money from a cigarette tax or a corporate income tax, that show up in the fiscal note going to the General Fund (GF), but the oil and gas tax assessments end up going into the Constitutional Budget Reserve, so they aren't in the fiscal note as going to the GF.

MR. ALPER said the department did a much more granular model once they had the spring forecast and prepared a fiscal note in a table format more comparable to what the previous administration did during the SB 21 hearings and this model is very much a work in progress. Based on that and the latest information on some revised company spending information including in Cook Inlet, the actual elimination part was only going to eliminate about \$50 million a year at first, but then the deferral went up to \$550 million. This is from a lot of ongoing work in larger projects that would get capped at the \$25 million level. That's about \$600 million in immediate revenue savings with some of that rolling into future years.

A big reason for the jump in NOL credits is that some companies were losing more money than they thought they were going to lose. A second big reason, which took them a little bit by surprise, was that the exploration numbers for last year were far larger than originally anticipated. And that is simply because of the credit sunseting. If people were planning on exploration work in the next five or 10 years, it was worth their while to front-load that work and get it done now, because on the North Slope, in particular, the state has 85 percent credit support for exploration work. Companies leapt at the opportunity.

Meanwhile, on the revenue side, Mr. Alper said, hardening of the floor would bring in about \$185 million, about \$50 million more than thought, mainly because more of the major producers have

operating losses and will therefore pay more money above that to get to the minimum tax that the department had calculated six months ago.

4:18:10 PM

Now the state is seeing a bill of well over \$700 million, although that number drops off dramatically in the next couple of years. Part of that is because of the inadequacies of their credit forecasting. They simply don't know what companies are going to be doing workwise two or three years from now, because the companies themselves don't know. The department uses the same somewhat conservative methodology that goes into its production forecast based on what companies tell them. They go out to them twice a year and ask what wells they are going to drill and what projects they are going to do and try to build that into some sort of a forecast both of spending and revenue production. It's all tied together in the same data set along with the credit forecast.

4:18:38 PM

SENATOR MICCICHE joined the committee.

MR. ALPER said the bill was written with an effective date of July 1, 2016, essentially next fiscal year, but honoring all existing credits meant they would be paid in full prior to the effective date, and the department wants to make sure there is adequate funding to pay for those credits before messing around with any caps or changes.

He recapped that there is the \$200 million through the credit veto from the previous session when the Governor limited the credit repurchase to \$500 million. The department's revised estimate for FY17 is \$575 million in credits (\$575 million plus the \$200 million carry over) that will be fully paid before any of the provisions of the bill kick in. Anything earned in the first half of this calendar year prior to the effective date would also come in under the old system, and therefore, enough money is needed to pay those.

The bill contemplates a \$1 billion transition fund in a one-time appropriation to the Tax Credit Fund. The number \$926,575,000 is in a fund cap fiscal note attached to this bill. There is no magic to that number; it is simply the difference between the \$73.4 million in the operating budget and around \$1 billion. The expectation is, were the bill fully implemented as written, the annual cost of refundable tax credits would be in the

neighborhood of \$100 million and could be part of the regular appropriation process going forward.

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SENATOR STEDMAN asked the difference in making the effective date of July 1, 2016, January 1, 2016 or January 1, 2017, since January 1, 2016, is extremely retroactive.

COMMISSIONER HOFFBECK responded that the thought process on a fairly immediate effective date was to prevent a flight to credits with a January 1, 2017 effective date. They have heard a lot of testimony in the last few committees about the importance of the summer season particularly in Cook Inlet, and the July 1, 2016 effective date may have been too aggressive. Having the retroactive effective date was not seen as being useful in the process.

MR. ALPER added that he got some push back from his staff based on changing anything in other than a calendar year. He explained that for parts of the bill that are referred to when a credit is earned for an activity (capital credit, for example), any date on the calendar is fine as long as they get the work done and can effectively show receipts. However, those that impact the overall tax calculation - changes to operating loss credits and that sort of thing - is where there is tremendous resistance to anything other than a calendar year based change, because of the nature of the production tax filings. There have been a couple of years when the department had to effectively split a company's tax returns in two and do them both in parallel, because of a tax change in the middle of the calendar year.

SENATOR WIELECHOWSKI asked if the state would be honoring the existing estimated \$625 million in credits to be earned and payable in FY17.

COMMISSIONER HOFFBECK answered that those credits were already earned in CY15 and come due on July 1, 2016, which is FY17.

[4:24:05 PM](#)

MR. ALPER said slide 44 shows how this fits into the Governor's overall fiscal plan. He explained that the Governor introduced 10 bills at the beginning of this session: 8 traditional tax bills: the income tax, the 3 consumption taxes (tobacco, alcohol, motor fuel), 3 business taxes (fish, mining, and the cruise ship head tax), plus the Permanent Fund Protection Act, and the Alaska Industrial Development and Export Authority (AIDEA) loan bill. The intent of those bills taken together with

the budget cuts were proposed to balance the budget for FY19 - to transition the state from the structural deficits it is in now to something where it can consistently have a balanced budget in place by two years from now - based on projections, at least, at the time last fall when they were putting this together. This broader package, specifically this tax credit, is looking at some sort of certainty. Industry knows the current situation is unstable and they know something is going to change. The administration wants to change it and get it over with and let them have a little bit of certainty going forward.

Likewise, Mr. Alper said, the governor's fiscal plan offers some funding certainty to the financing community if there is a big delta between what the state is offering in credits and what it will be able to repay. They learned that last year with just the line item veto and it could potentially get a lot worse if the situation doesn't get better. Meanwhile, as the state is withdrawing some support for ongoing development, they thought this companion AIDEA loan bill (SB 129) would be an important feature. It creates a fourth fund at the AIDEA to concentrate on oil and gas development loans.

MR. ALPER said that AIDEA has given loans in the oil and gas industry; it invests throughout Alaska's economy. But the Revolving Loan Fund attempts to be a diversified portfolio that touches upon all sectors of the economy. Oil and gas loans tend to be quite large and a diversified portfolio could very easily become unbalanced with them. The thought was to create a new fourth fund in addition to the Revolving Loan Fund, the Energy Transmission Fund, and the Arctic Infrastructure Fund. Quite specifically, development loans are for proven reserves not exploration. They envision that the resource, itself, the value in the ground, would be part of the collateral that could be offered on those loans.

A fiscal note capitalizes the fund with \$200 million to make the first loans. One of the features in that legislation is that all repayments could be deferred for several years, the idea being to make a loan for building an oil field, for instance, which might take five years. Once it is in production, they would be able to start making payments, and it's a revolving fund so that money could come back and be used to make other loans. That is how the fiscal plan ties together with SB 130 as one of the 10 pieces.

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Meanwhile the DOR must administer all of this. It has a fairly complex and comprehensive Tax Revenue Management System that is in its final stages of development. Its portal is called "Revenue Online" and it allows for online filing. All of the tax types are currently functional within what is called "TRMS." He thanked the legislature, particularly Senator Stedman, who chaired Senate Finance at that moment in 2011 when \$34 million got appropriated to buy the system. It has been very much a successful software megaproject for the State of Alaska.

So, talking to the software developer about the legislation and the many changes before them, they are estimating it will take a little over \$1 million in a one-time cost - for programming, testing, and use of staff. They don't anticipate any additional changes to administer the program; staffing needs will not change. A fairly robust amendment process will start this summer to implement any changes in this legislation as well as some other oil and gas regulatory changes that have been building up over the last couple of years.

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Finally, he said, all their presentations are out on BASIS where staff has access to them.

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SENATOR STEDMAN remarked that the Senate had never been asked to look at other committee presentations before, particularly ones in the House.

MR. ALPER said he would provide the presentations to Chair Giessel so that they could be put online as part of this committee's record and be easy to find for everybody.

CHAIR GIESSEL, finding no further questions, said SB 130 would be held in committee.

[4:31:18 PM](#)

At ease

SB 129-AIDEA: FUNDS; LOANS; PROGRAMS; DIVIDEND

[4:32:36 PM](#)

CHAIR GIESSEL announced consideration of SB 129.

JOHN SPRINGSTEEN, Executive Director, Alaska Industrial Development and Export Authority (AIDEA), Anchorage, Alaska introduced himself.

GENE THERRIAULT, staff, Alaska Industrial Development and Export Authority (AIDEA), Anchorage, Alaska, introduced himself.

FRED PARADY, Deputy Commissioner, Department of Commerce, Community and Economic Development (DCCED), Anchorage, Alaska, introduced himself.

MR. SPRINGSTEEN said the focus of SB 129 is adding tools to AIDEA to support oil and gas developers. This bill requests creating an Oil and Gas Infrastructure Development Program/Fund to support the oil and gas industry by making investments in supporting infrastructure to include roads, pads, gathering system, camps, and other facilities. This bill is not to make investments in wells and reservoir development.

The infrastructure would provide support to increase oil and gas production, bring new fields on line, attract new investment, increase future state revenues, royalties and taxes, and support energy security for the state.

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SENATOR WIELECHOWSKI said this is supporting the basic infrastructure that nobody else wants to do, because they don't get a return on it, and asked what kind of return AIDEA gets on a road, for instance, that they invest in.

MR. SPRINGSTEEN answered that returns are deal by deal, but it ranges from 6 percent to 12 percent, or potentially more depending on what partner they are working with and what is on the other side.

SENATOR WIELECHOWSKI asked why AIDEA would not invest in wells, for example.

MR. SPRINGSTEEN answered there is "an expression of disinterest" by oil and gas developers for AIDEA to participate below the ground in the reservoir development.

SENATOR WIELECHOWSKI said that didn't make sense to him, because that's where the money is, and asked why the state would want to take away its ability to make extraordinary rates of return.

MR. SPRINGSTEEN answered that AIDEA provides a lot of support for industrial developments in the State of Alaska and has other vehicles for making those kinds of returns through royalty and tax revenue.

SENATOR WIELECHOWSKI asked if he would object to an amendment that allowed AIDEA the ability to invest in those sorts of things.

MR. SPRINGSTEEN answered that it's a measure of what risks AIDEA would engage in, what type of collateral is available for the project, and what type of partners they have on the financing side. There could be potential for that kind of participation, but generally it's been AIDEA's role to provide support for industrial development in Alaska rather than the actual development itself. The Red Dog Mine road to port, for example, is a partnership between the state and the Teck mining company, where they focus on the resource development, because they have specific expertise in it. AIDEA supports the infrastructure consisting of the road, the port system, and the warehousing system.

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SENATOR MICCICHE asked if AIDEA has any commercial industrial loans with a variable rate based on profitability of the person/company holding the loan.

MR. SPRINGSTEEN answered that AIDEA has entered into transactions where they finance a deal and adjust the rate considering the types of risks and collateral, but in deference to its 735,000 shareholders, they need to be conservative in their stewardship of the AIDEA funds.

SENATOR MICCICHE said he specifically asked about a variable return rate based on profitability, which is a little different than risk.

MR. SPRINGSTEEN replied that generally AIDEA enters into fixed rate loans, but in the case of the Red Dog Mine road and port facility, an annual assessment is part of the arrangement; there is also some participation in terms of a kicker for an uptick in zinc prices, for instance. It is gauged to the metrics of the particular industry rather than the profitability of the company, which is out of their control.

SENATOR MICCICHE said he would like to learn more of whatever AIDEA can share about the difference between risk and profitability for the Red Dog arrangement.

MR. SPRINGSTEEN responded that he will provide what is publically available and, under their confidentiality statute,

they can provide additional information as long as he complies with the statute.

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MR. SPRINGSTEEN said in his view, AIDEA has roughly 735,000 shareholders, the population of the State of Alaska, who are represented by the Alaska State Legislature, an institutional shareholder in the governor, a seven-member board appointed by the institutional shareholder, and the AIDEA staff managing the day-to-day business. AIDEA currently has three funds and two special appropriation projects. Today the majority of AIDEA's core day-to-day business of providing capital and partnering with industry to help drive the state's economic engines is done through its Revolving Loan Fund. He explained that the Revolving Loan Fund has investments across the state, which are relatively aligned with industry and commerce in the state.

CHAIR GIESSEL said that Senator Micciche noted that he left the Kenai Peninsula off of his map of investments.

SENATOR STOLTZE noted that was to ensure the fish could reach the Mat-Su area.

MR. SPRINGSTEEN said he would adjust that. He said the Revolving Loan Fund has a diversified portfolio of investments and Alaska businesses and operates under the prudent investor rule. It has historically made select investments that support oil and gas development in the state: a loan for a drill rig in Cook Inlet with Blue Crest, road and pad construction on the North Slope, and a loan for a camp in Deadhorse. Additional investments by the Revolving Loan Fund in projects that support oil and gas development could outweigh what is currently a diversified portfolio.

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SENATOR MICCICHE said he was unaware that AIDEA had invested in a car wash.

MR. SPRINGSTEEN replied that there are multiple Alaska Laser Car Washes and many are in Anchorage; they participate through their loan participation program primarily. He said the oil and gas industry continues to be a crucial contributor to the state and for AIDEA to continue supporting it, it would be beneficial for it to have a separate tool and fund solely focused on supporting oil and gas development by making investments in infrastructure. Infrastructure investment means roads, camps, pads, processing facilities, gathering systems, and similar above-the-ground

assets. Among the criteria AIDEA uses to qualify projects, the infrastructure investment must be for a field with proven reserves, because that serves as part of the collateral.

He said the definition in the bill uses the Society for Petroleum Engineers definition. Representative Hawker and industry representatives want this definition aligned with Alaska statute and the SEC definition.

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MR. SPRINGSTEEN said SB 129 has an opt-out provision in section 12. If a developer uses this program, he would opt out of certain tax credits going forward. He knew from conversations with industry representatives that they are resistant to this provision. However, use of the program would be at their option.

SENATOR COSTELLO asked if that provision exists for companies that are accessing AIDEA loans in the diversified portfolio.

MR. SPRINGSTEEN replied that it does not exist currently.

SENATOR COSTELLO asked if there are federal guidelines dictating what a diversified portfolio has to look like.

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MR. SPRINGSTEEN answered the fund is managed using conversations with their chief financial officer, ratings agencies and the board about maintaining a well-diversified portfolio following the prudent investor rule; it's not a strict federal guideline.

CHAIR GIESSEL said he alluded to the "proven reserves" term and asked if it was correct that companies asked to use the state statute definition.

MR. SPRINGSTEEN answered yes; they were asked to align with existing statutory definitions.

CHAIR GIESSEL asked if they had not offered any amendment to the legislation in the other body.

MR. SPRINGSTEEN said that is correct. He said that it's important for AIDEA to evaluate the risks of a project, itself, in terms of interest rates. Among these are: the operating performance of the field, the size of the field, projected costs and cash flow, capabilities of the operation, borrower credit worthiness, commitments by the owner and by financing partners who are backing the field development, their expectation of

financial returns, collateral to be made available to AIDEA, and the benefit to the state, including tax and royalty revenue, and employment.

CHAIR GIESSEL asked what capacity AIDEA has to evaluate the project itself under review for investment.

MR. SPRINGSTEEN answered because AIDEA has a broad portfolio of investments throughout the state, it has some amount of limited expertise, but sometimes they call in specific technical expertise for reservoir evaluation and evaluation of the plans for development that don't exist within AIDEA.

SENATOR COSTELLO said language on page 5, section 9, makes it sound like AIDEA can have different interest rates for each program, and his explanation made it sound like the entire fund would have a particular interest rate. She asked if there was a problem with the language.

MR. SPRINGSTEEN responded that the interest rates are based on each particular project, but that language would be clarified.

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He said language in the Sustainable Energy Transmission and Supply (SETS), the Arctic Infrastructure Development Program/Fund and the oil and gas infrastructure programs allow investment of up to 50 percent or guarantee of a loan up to \$25 million for an eligible project. The SETS and Arctic Infrastructure current limits are 33 percent or \$20 million with legislature approval for amounts above that. He handed the presentation over to Mr. Therriault to do a sectional analysis.

[4:49:13 PM](#)

MR. THERRIAULT said the real meat of the bill in setting up the new fund is in section 12. Sections 1-3 add the new fund to AIDEA's existing suite of funds with respect to calculation of the dividend to the state.

Sections 4-9 also add the new fund into the sections of statute that talk about the interest that is to be charged for the different programs. Sections 4-8 are all existing statutory language. Section 9 is where specific language is added to give AIDEA the flexibility through regulations to set interest rates reflecting the risk on the particular project they are being asked to invest in.

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CHAIR GIESSEL noted that the Working Group spoke with ING and Bank of America last summer, and that is something they take into account as well.

MR. THERRIAULT said sections 10-11 propose to adjust existing limits for SETS and the Arctic development Program/Fund. Right now the limits are for projects above 33 percent participation or a loan guarantee above \$20 million. For the new fund they are proposing a limit of up to 50 percent or a loan guarantee of up to \$25 million. AIDEA thinks there is some benefit to having consistent limitations across the different investment tools just for ease in understanding where the limits are. However, this is a separate policy call for the legislature to make.

Section 12 establishes the new fund. The statutory framework follows along with the framework that was used when the legislature established the SETS Fund and the Arctic Infrastructure Development Program/Fund. A provision specific to this fund is the requirement that a project proposer would have to select between using this loan mechanism and continuing to access oil and gas credits. That is also spelled out in this section.

Section 13 provides definitions. Fleshing out the definition of "proven reserve" is one of the things they anticipate doing by taking proposed language back to the House Resources Committee. He explained that a concern with the SEC definition of "proven reserves" is that it looks at the previous 12-year price for commodities. Some House members also want to look forward at what the anticipated price is going to be, if in fact the reserves are going to be used as part of the collateral for the loan. The final portion of section 13 says the definition of oil and gas infrastructure is surface infrastructure and for proven reserves. That is the end of the bill.

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CHAIR GIESSEL found no questions on the sectional analysis.

MR. SPRINGSTEEN said AIDEA performs its due diligence process prior to investment. These include technical due-diligence, reviewing the field and reserves, the operator, the development plan, what type of infrastructure is being requested to support the developments, financial due diligence, which includes a look at credit worthiness, commitments, collateral, project economics, and financial stress testing. Equally important are benefits to the state for job creation and revenue. In addition

to AIDEA staff, they hire financial and technical experts and the AIDEA board makes the final investment decision.

He explained the four phases of their decision-making process:

1. Suitability assessment for alignment with AIDEA's mission
2. Project feasibility analysis
3. Structuring a deal and performing detailed due diligence for the project.
4. Finalizing closing agreements and contracts.

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In terms of financing repayment generally, Mr. Springsteen said, upon the establishment of the fund, AIDEA makes investments based on market rates to reflect project risk and benefits to the state. Loans are repaid with interest and AIDEA pays a dividend to the state.

He walked them through AIDEA's general framework for best-fit products (slide 15). On the bottom axis was the project stage going from concept to development to construction to operation. The left axis is risk and cost of capital (which generally run together). The curve represents the idea that as one moves through the different project stages, the risk is being reduced, so one should be eligible for less expensive sources of capital. The line on the top bar represents early stage projects (generally equity heavy) and late stage projects (can accommodate more debt).

The orange boxes on the curve delineate the different types of capital available at different stages of the project. In the concept stage there is seed capital, which can take the form of grants or equity. Then as a project is de-risked, it becomes available for venture finance, which is still very expensive, but for projects going through concept to development maybe less expensive than the initial equity. Further down in the construction stage a project may be eligible for a private equity investment and, as it moves through the process, be eligible for longer term construction loans and long-term debt and bonds, which can be less expensive.

The big blue box illustrates what AIDEA looks for in a best fit project near the construction stage. So, generally these six factors are: operation experience, capital contribution (stuff that has been done previously), final design (plans and specifications), complete permits, signed purchase agreements, and signed sales agreements. It's generally much easier for developers with signed sales agreements to raise capital,

because they have a destination for a product as opposed to an "if you build it they will come" type of approach.

4:59:07 PM

In summary, Mr. Springsteen said, this bill will support a specific program in AIDEA to finance oil and gas infrastructure. The fields for which infrastructure would be built must have proven reserves and meet AIDEA's criteria based on its due diligence process. Finance terms would be market-based considering the project risks, commitments, and benefits to the state.

He said that AIDEA originally submitted a zero fiscal note saying it would absorb program costs with existing resources, but they understand the legislature is considering HB 247 and SB 130, which if approved, would direct \$200 million to this program. The board believes that the program in and of itself is valuable, but any capitalization would just make it more effective.

CHAIR GIESSEL, referring to slide 15, asked if oil companies have signed sales agreements.

MR. SPRINGSTEEN answered that would be one of the first things that AIDEA would look at for other industries and developers. It's less of an issue in this circumstance with a commodity market able to sell at ANS West Coast price or some similar price. Slide 15 illustrated the general framework for vetting of all projects.

SENATOR MICCICHE said when one thinks about overall state risk, he wondered with the two bill numbers right next to each other, why SB 129 wasn't a piece of SB 130. Because SB 129 risks the legislature encumbering the state with another \$200 million, but not touch credits. Did they consider that as another risk to the state, because he does?

MR. SPRINGSTEEN answered, on behalf of the board, that there is an interest in having this be a separate program, because of the increasing balance and diversification issues in their Revolving Loan Fund. Having this program move forward was an important step for the Authority, the funding being a separate question.

SENATOR MICCICHE asked if AIDEA has the ability to do everything in this bill without the carrot on page 8, lines 15-22 (Section 12), and why, because it would have been a simpler bill to move

this section into SB 130. He was trying to understand the strategy.

5:02:38 PM

FRED PARADY, Deputy Commissioner, Department of Commerce, Community and Economic Development (DCCED), Juneau, Alaska, said he serves on AIDEA's board, and explained that the package of bills arose out of board direction. AIDEA monitors what is in slide 4 in the context of diversification of their portfolio. The basic premise is that with oil and gas risk tipping up over 14 percent, it's become the dominant factor in their diversification. The block for mining, which represented 20 percent of the fund, is almost exclusively the Red Dog Project, which is a maturing concern, and does not pose the same risk profile. The idea was to create a separate fund so the risk could be separate and not have it overwhelm the Revolving Loan Fund.

MR. SPRINGSTEEN added that the Revolving Loan Fund supports some other very important programs for the state including their Commercial Finance Program, where they engage in loan participations. A federal credit union or a commercial bank works directly with borrowers and AIDEA can provide very cost effective financing for up to 90 percent of a loan.

SENATOR MICCICHE said he didn't want to remotely sound confrontational, but the percentage of total existing, approved capacity projects has several sectors in the 10-11 percent range.

MR. PARADY said looking forward, and seeing the turmoil in the oil and gas industry, and the kind of projects coming in the door for evaluation, this sector appears to be significant to the board. AIDEA has already been working with Brooks Range Petroleum on the Mustang Project, and BlueCrest Energy on the Cosmopolitan Project. AIDEA has already been involved in this sector. The opportunity is significant, as well, but they don't want to unbalance the basic composition of the Revolving Loan Fund.

SENATOR MICCICHE said he didn't have a problem with the concept, but he worries that with AIDEA some things have gone good and some things have gone bad. It's the nature of the business. He is trying to understand the focus and worries about the state's additional exposure.

CHAIR GIESSEL said the fiscal note is dated April 1, and the last sentence is, "Capitalization of the fund is contingent on the passage of SB 130 or HB 247." She said the \$200 million was not in a fiscal note before and asked if the \$200 million is still in the other two bills.

MR. SPRINGSTEEN answered yes.

[5:07:03 PM](#)

CHAIR GIESSEL asked if they could pull \$200 million from SB 130 because it's actually in SB 129.

MR. THERRIAULT explained that the original fiscal note that came with the bill from AIDEA was zero, because it was just setting up the mechanism and they know AIDEA can absorb all of that cost, because it has been through the process twice with SETS and the Arctic Fund. The modified fiscal note was to acknowledge that there was this other legislation out there, plus a proposed budget amendment that would actually appropriate money into the fund. But that appropriation is clearly a separate policy call. This new updated fiscal note acknowledges that the cost of setting up the fund is still zero, but through other action the legislature takes, money may be put into the fund. AIDEA believes there is value to the creation of the fund, itself. If money is put into the fund it becomes a more valuable tool.

SENATOR COGHILL asked if the 50 percent in sections 10 and 11 is for all three funds and if there had been pressure to go from one-third to 50 percent in the other funds and if there is an actual project out there looking for 50 percent participation.

[5:09:04 PM](#)

MR. SPRINGSTEEN answered the conversations are for AIDEA to be an equal partner rather than a minority partner in program development, whether it's Arctic infrastructure, SETS, or oil and gas infrastructure development.

SENATOR WIELECHOWSKI said the bill mentions Arctic development and asked how "Arctic" is defined.

MR. SPRINGSTEEN answered that it runs along the Yukon and down to the Aleutian Chain roughly. It is a line through the middle of the state. However, a provision under the Arctic Infrastructure Development Program/Fund supports financing of port developments in south Alaska that support Arctic development.

[5:10:33 PM](#)

SENATOR WIELECHOWSKI asked if he means all of Alaska.

MR. SPRINGSTEEN answered "sort-of."

CHAIR GIESSEL said it sounds like the federal Arctic Policy Commission definition of the Arctic is being used, but somewhere something is written down that it includes the reach of infrastructure outside of that defined Arctic area.

MR. SPRINGSTEEN said yes. The idea that ports are not necessarily independent of each other that there is cooperation between the different types of facilities that ultimately ports in Southeast Alaska are beneficial and can support the Arctic area.

CHAIR GIESSEL added that Seward was an example of an industrial port and Vigor operates a shipyard in Ketchikan.

[5:11:50 PM](#)

SENATOR MICCICHE said he needed to go to another meeting and wanted to make a final statement. He worries about what the executive director of the Alaska Municipal Bond Bank told them at the last Finance Committee meeting: that Alaska's bonding capacity is maxed out. He worries about being further encumbered with the current \$4.1 billion problem they are dealing with and has become extremely conservative on creating new funds. However, he would keep an open mind.

MR. SPRINGSTEEN mentioned that AIDEA has a long history of issuing conduit revenue bonds where AIDEA is named as the issuer, but the bonds themselves are backed solely by the project revenue. Those were the first tools used by AIDEA before it had an account of its own. AIDEA's Revolving Loan Fund is separate from the state and it has maintained its AA-plus bond rating, a fact that was recently affirmed by Standard and Poor's.

SENATOR MICCICHE thanked him for the explanation and said he was more worried about the initial fund capitalization.

[5:13:33 PM](#)

SENATOR COGHILL said Alaska would be doing oil and gas development for a long while, but he struggles with the reach into SB 130 and asked about industry's perspective.

MR. SPRINGSTEEN answered there was resistance from industry representatives to not being eligible for tax credits going forward if the AIDEA program was utilized.

SENATOR WIELECHOWSKI said he sees that AIDEA gets two things out of this investment: the return on the investment, which is 6 to 12 percent, but also potential jobs being created and new oil. He asked if Mr. Springsteen had some sort of analysis on how much other benefits the state has accrued from AIDEA's investments and a forward-looking forecast.

MR. SPRINGSTEEN responded that they do track jobs that come along with AIDEA funding as well as the returns it receives. They have not performed an analysis of additional taxes and royalties, but they could do that.

SENATOR WIELECHOWSKI said the sooner he could get that information the more helpful it would be to his case.

MR. THERRIAULT added that he will supply a definition of "Arctic." He clarified that SB 129 sets up the fund. The fiscal note acknowledges a proposal to put money into it, but passage of this legislation by itself doesn't endow it with the \$200 million. That is contingent on other policy calls.

SENATOR COSTELLO followed up on her earlier question about using the "program" in section 5, because the SETS Fund and the Arctic Fund are referred to in statute as "the AIDEA programs," and said she found that "program" was used correctly.

[5:17:34 PM](#)

CHAIR GIESSEL adjourned the Senate Resources Standing Committee meeting at 5:17 p.m.