

SENATE FINANCE COMMITTEE

April 29, 2017

9:02 a.m.

[9:02:32 AM](#)

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair  
Senator Click Bishop, Vice-Chair  
Senator Shelley Hughes  
Senator Peter Micciche  
Senator Donny Olson  
Senator Natasha von Imhof (via teleconference)

MEMBERS ABSENT

Senator Lyman Hoffman, Co-Chair

ALSO PRESENT

Elstun Lauesen, Self, Juneau; Judy Crondahl, Self, Juneau; Senator Cathy Giessel; Senator John Coghill; Representative Tammie Wilson.

PRESENT VIA TELECONFERENCE

Gail Philips, KEEP Alaska, Anchorage; Andy Bond, Self, Anchorage; James McMilon, Teamsters Local 959, Fairbanks; Tom Walsh, Self, Anchorage; Keith Silver, Self, Anchorage; Carl Portman, Self, Anchorage; Ben Mulligan, Self, Anchorage; Curtis Thayer, President and CEO, Alaska Chamber, Anchorage; Kati Capozzi, Self, Anchorage; Cathy Duxbury, Self, Anchorage; Jim Plaquet, Self, Birch Lake; Mike Coons, Self, Palmer; Joe Rintala, Teamsters Local 959, Anchorage; Alex Vaughan, Self, Anchorage; William Willenbrunk, Self, Anchorage; James Udelhoven, Self, Kasilof; Kelly Droop, Self, Anchorage; Ben Anglen, Self, Anchorage; Faith Martineau, Self, Eagle River; Bart Meyer, Self, Sitka; Stacey Wayne, Self, Sitka; Marleanna Hall, Executive Director Resource Development Council, Anchorage;

Rebecca Logan, General Manager, Alaska Support Industry Alliance, Anchorage; Renee Limoge Reeve, Self, Anchorage; Sandra Udelhoven, Self, Kanik; Jake Jacobson, Self, Kodiak; Pamela Miller, Self, Fairbanks; John Sonin, Self, Juneau; Karla Hart, Self, Juneau; Alicia Siira, Executive Director, Alaska Miners Association, Anchorage; Jeremy Price, Alaska Director, Americans for Prosperity, Anchorage; Mike Davidson, Self, Girdwood; Gary McDonald, Self, Anchorage; Stephen Sorensen, Self, Juneau; Michael Jespersen, Self, Anchorage; Tim Gallagher, Self, Anchorage; John Shively, Self, Anchorage; Joan Franz, Self, Fairbanks; Edward Wesley, Self, Anchorage; Evelyn Trefon, Self, Newhalen; Wendy Alward, Self, Anchorage; Frank Kelty, Self, Unalaska; Maynard Tapp, Self, Anchorage; Bonnie Lillie, Self, Anchorage; Cameron Cowles, Self, Anchorage.

SUMMARY

CSHB 111(FIN)(efd fld)

OIL & GAS PRODUCTION TAX;PAYMENTS;CREDITS

CSHB 111(FIN)(efd fld) was HEARD and HELD in committee for further consideration.

#hb111

CS FOR HOUSE BILL NO. 111(FIN)(efd fld)

"An Act relating to the oil and gas production tax, tax payments, and credits; relating to interest applicable to delinquent oil and gas production tax; relating to carried-forward lease expenditures based on losses and limiting those lease expenditures to an amount equal to the gross value at the point of production of oil and gas produced from the lease or property where the lease expenditure was incurred; relating to information concerning tax credits, lease expenditures, and oil and gas taxes; relating to the disclosure of that information to the public; relating to an adjustment in the gross value at the point of production; and relating to a legislative working group."

[9:04:10 AM](#)

^PUBLIC TESTIMONY

[9:04:16 AM](#)

GAIL PHILIPS, KEEP ALASKA, ANCHORAGE (via teleconference), testified in support of the most recent version of the bill. She opposed restructuring of the current oil and gas tax policy.

[9:05:10 AM](#)

ANDY BOND, SELF, ANCHORAGE (via teleconference), testified in support of the most recent version of the bill, and opposed the house version of the bill. He felt that Alaska could not compete at the lower cost of oil and gas production in the lower 48.

[9:07:03 AM](#)

JAMES MCMILON, TEAMSTERS LOCAL 959, FAIRBANKS (via teleconference), testified against legislation that would negatively impact the oil and gas production. He stressed that more production would result in more jobs.

[9:09:17 AM](#)

TOM WALSH, SELF, ANCHORAGE (via teleconference), shared that his company was suffering from low oil prices. He spoke against the legislation.

[9:10:56 AM](#)

KEITH SILVER, SELF, ANCHORAGE (via teleconference), testified that he wanted the state to have a consistent fiscal policy.

[9:12:40 AM](#)

CARL PORTMAN, SELF, ANCHORAGE (via teleconference), spoke against early versions of the bill. He felt that the committee substitute had a reasonable compromise. He felt that the best way to produce revenue for the state was to increase oil production.

[9:15:17 AM](#)

BEN MULLIGAN, SELF, ANCHORAGE (via teleconference), spoke in support of the current committee substitute of the bill.

[9:16:32 AM](#)

CURTIS THAYER, PRESIDENT AND CEO, ALASKA CHAMBER, ANCHORAGE (via teleconference), spoke in support of the committee substitute version of the bill.

[9:18:11 AM](#)

KATI CAPOZZI, SELF, ANCHORAGE (via teleconference), spoke in support of the current version of the bill, but did not support any change of the policy. She urged the committee to make no further changes to the bill.

[9:19:01 AM](#)

ELSTUN LAUESEN, SELF, JUNEAU, spoke against the current version of the bill.

[9:22:28 AM](#)

JUDY CRONDAHL, SELF, JUNEAU, shared a story about a legislator who did not have a hand. She spoke in support of the house version of the legislation.

[9:25:24 AM](#)

CATHY DUXBURY, SELF, ANCHORAGE (via teleconference), felt that the legislature should not continually change the oil and gas tax structure.

[9:26:29 AM](#)

JIM PLAQUET, SELF, BIRCH LAKE (via teleconference), spoke in support of the current version of the bill.

[9:27:45 AM](#)

MIKE COONS, SELF, PALMER (via teleconference), spoke in support of the focusing on the votes of the Alaskans.

[9:30:13 AM](#)

JOE RINTALA, TEAMSTERS LOCAL 959, ANCHORAGE (via teleconference), spoke in support of the current version of the legislation.

[9:32:53 AM](#)

ALEX VAUGHAN, SELF, ANCHORAGE (via teleconference), spoke in support of legislation that encouraged oil production and development.

[9:35:32 AM](#)

WILLIAM WILLENBRUNK, SELF, ANCHORAGE (via teleconference), spoke in support of the current version of the bill.

[9:36:55 AM](#)

JAMES UDELHOVEN, SELF, KASILOF (via teleconference), spoke in support of the most recent version of the bill.

[9:38:15 AM](#)

KELLY DROOP, SELF, ANCHORAGE (via teleconference), testified in support of the current version of the bill.

[9:39:27 AM](#)

BEN ANGLLEN, SELF, ANCHORAGE (via teleconference), spoke against the original house version of the bill, and in support of the current version.

[9:41:39 AM](#)

FAITH MARTINEAU, SELF, EAGLE RIVER (via teleconference), spoke in support of the current version of the bill.

[9:43:14 AM](#)

BART MEYER, SELF, SITKA (via teleconference), testified in support of the house version of the legislation.

[9:45:30 AM](#)

STACEY WAYNE, SELF, SITKA (via teleconference), spoke in support of the house version of the bill.

[9:48:53 AM](#)

MARLEANNA HALL, EXECUTIVE DIRECTOR RESOURCE DEVELOPMENT COUNCIL, ANCHORAGE (via teleconference),

[9:51:04 AM](#)

REBECCA LOGAN, GENERAL MANAGER, ALASKA SUPPORT INDUSTRY ALLIANCE, ANCHORAGE (via teleconference), spoke in support of the current legislation.

[9:52:20 AM](#)

RENEE LIMOGRE REEVE, SELF, ANCHORAGE (via teleconference), spoke in support of legislation that supported oil and gas production and development.

[9:53:25 AM](#)

SANDRA UDELHOVEN, SELF, KANIK (via teleconference), testified in support of the current version of the legislation.

[9:54:56 AM](#)

JAKE JACOBSON, SELF, KODIAK (via teleconference), opposed all oil credits.

[9:56:51 AM](#)

PAMELA MILLER, SELF, FAIRBANKS (via teleconference), spoke against oil tax credits. She supported the house version of the bill.

[10:00:24 AM](#)

AT EASE

[10:01:26 AM](#)

RECONVENED

[10:01:32 AM](#)

Co-Chair MacKinnon announced that there was an attempt to determine the revenue that the oil industry had produced for the state.

[10:02:25 AM](#)

JOHN SONIN, SELF, JUNEAU (via teleconference), spoke in support of the house version of the bill.

[10:06:02 AM](#)

AT EASE

[10:06:31 AM](#)

RECONVENED

[10:06:38 AM](#)

Co-Chair MacKinnon announced that from 2006 to 2014 the state paid \$7.4 billion in credits, and received \$40 billion in revenue.

[10:07:04 AM](#)

KARLA HART, SELF, JUNEAU (via teleconference), spoke in support of the house version of the legislation.

Co-Chair MacKinnon announced that there was a limitation on the time that an uplift could occur. She stated that there was an expiration on the credit, she remarked that 7 years matched the federal code for deductibility for losses. Ms. Hart felt that a large economic decision should not be made in a hasty manner.

Senator Micciche stressed that cash credits were not sustainable, and Alaska had the only cash credits in the world.

[10:12:28 AM](#)

ALICIA SIIRA, EXECUTIVE DIRECTOR, ALASKA MINERS ASSOCIATION, ANCHORAGE (via teleconference), testified in support of the bill.

[10:14:25 AM](#)

JEREMY PRICE, ALASKA DIRECTOR, AMERICANS FOR PROSPERITY, ANCHORAGE (via teleconference), spoke in support of predictable tax rates for industry.

[10:16:30 AM](#)

MIKE DAVIDSON, SELF, GIRWOOD (via teleconference), testified in support of the house version of the bill.

[10:19:41 AM](#)

GARY MCDONALD, SELF, ANCHORAGE (via teleconference), spoke in support of the legislation.

[10:21:22 AM](#)

STEPHEN SORENSEN, SELF, JUNEAU (via teleconference), wondered whether there was a calculation that would allow Alaskans to understand whether an oil company could deduct their costs over a ten-year period, and whether the revenue to Alaska would be sufficient to pay for the state services.

Co-Chair MacKinnon announced that deducting expenses was a standard business practice. Mr. Sorenson stated that there would be a cash flow problem when businesses could deduct 100 percent of their costs over a short period of time.

Co-Chair MacKinnon stated that the losses were carried forward at 35 cents on the dollar.

[10:25:23 AM](#)

Senator Micciche remarked that there was a current system where certain allowable costs could be written off, and there was no requirement that they produce oil to receive reimbursement. He stressed that it was a problem. There was an attempt to change the structure to only provide a credit after production. Mr. Sorenson agreed and continued to make his point as previously stated.

[10:29:27 AM](#)

MICHAEL JESPERSON, SELF, ANCHORAGE (via teleconference), spoke against changing the tax structure.

[10:30:43 AM](#)

TIM GALLAGHER, SELF, ANCHORAGE (via teleconference), supported legislation that would encourage a healthy oil and gas industry.

[10:33:11 AM](#)

JOHN SHIVELY, SELF, ANCHORAGE (via teleconference), spoke in support of the senate version of the bill.

[10:35:48 AM](#)

JOAN FRANZ, SELF, FAIRBANKS (via teleconference), spoke in support of the house version of the bill.

[10:37:20 AM](#)

EDWARD WESLEY, SELF, ANCHORAGE (via teleconference), spoke in support of the bill.

[10:39:46 AM](#)

EVELYNN TREFON, SELF, NEWHALEN (via teleconference), spoke against credits to oil companies.

[10:41:05 AM](#)

WENDY ALWARD, SELF, ANCHORAGE (via teleconference), supported the legislation.

[10:42:30 AM](#)

FRANK KELTY, SELF, UNALASKA (via teleconference), supported the house version of the bill.

[10:45:03 AM](#)

MAYNARD TAPP, SELF, ANCHORAGE (via teleconference), did not support adding costs to government operations or small businesses.

Senator Micciche wondered whether Mr. Tapp supported the senate or house version of the bill. Mr. Tapp replied that he was in support of the revised version of HB 111.

[10:48:02 AM](#)

BONNIE LILLIE, SELF, ANCHORAGE (via teleconference), testified in support of the bill.

[10:49:40 AM](#)

CAMERON COWLES, SELF, ANCHORAGE (via teleconference), spoke in support of the bill. He echoed the Ms. Lillie's remarks.

Co-Chair MacKinnon CLOSED public testimony.

Senator Micciche felt that it might be difficult for some testifiers to understand the issues.

Vice-Chair Bishop thanked the testifiers.

Co-Chair MacKinnon appreciated the impact of the public hearing. She announced that public comments could be submitted by email.

CSHB 111(FIN)(efd fld) was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

[10:54:33 AM](#)

The meeting was adjourned at 10:54 a.m.