

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

April 17, 2017

5:00 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator John Coghill, Vice Chair
Senator Natasha von Imhof
Senator Bert Stedman
Senator Shelley Hughes
Senator Kevin Meyer
Senator Bill Wielechowski

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE 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."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 111

SHORT TITLE: OIL & GAS PRODUCTION TAX;PAYMENTS;CREDITS

SPONSOR(s): RESOURCES

| | | |
|----------|-----|---------------------------------|
| 02/08/17 | (H) | READ THE FIRST TIME - REFERRALS |
| 02/08/17 | (H) | RES, FIN |

02/08/17 (H) TALERICO OBJECTED TO INTRODUCTION
 02/08/17 (H) INTRODUCTION RULED IN ORDER
 02/08/17 (H) SUSTAINED RULING OF CHAIR Y23 N15 E2
 02/08/17 (H) RES AT 1:00 PM BARNES 124
 02/08/17 (H) Heard & Held
 02/08/17 (H) MINUTE(RES)
 02/13/17 (H) RES AT 1:00 PM BARNES 124
 02/13/17 (H) Heard & Held
 02/13/17 (H) MINUTE(RES)
 02/17/17 (H) RES AT 1:00 PM BARNES 124
 02/17/17 (H) Heard & Held
 02/17/17 (H) MINUTE(RES)
 02/20/17 (H) RES AT 1:00 PM BARNES 124
 02/20/17 (H) Heard & Held
 02/20/17 (H) MINUTE(RES)
 02/22/17 (H) RES AT 1:00 PM BARNES 124
 02/22/17 (H) Heard & Held
 02/22/17 (H) MINUTE(RES)
 02/22/17 (H) RES AT 6:30 PM BARNES 124
 02/22/17 (H) Heard & Held
 02/22/17 (H) MINUTE(RES)
 02/24/17 (H) RES AT 1:00 PM BARNES 124
 02/24/17 (H) Heard & Held
 02/24/17 (H) MINUTE(RES)
 02/27/17 (H) RES AT 1:00 PM BARNES 124
 02/27/17 (H) Heard & Held
 02/27/17 (H) MINUTE(RES)
 02/27/17 (H) RES AT 7:00 PM CAPITOL 106
 02/27/17 (H) Heard & Held
 02/27/17 (H) MINUTE(RES)
 03/01/17 (H) RES AT 1:00 PM BARNES 124
 03/01/17 (H) Heard & Held
 03/01/17 (H) MINUTE(RES)
 03/01/17 (H) RES AT 6:00 PM BARNES 124
 03/01/17 (H) Heard & Held
 03/01/17 (H) MINUTE(RES)
 03/06/17 (H) RES AT 1:00 PM BARNES 124
 03/06/17 (H) Scheduled but Not Heard
 03/06/17 (H) RES AT 6:30 PM BARNES 124
 03/06/17 (H) Heard & Held
 03/06/17 (H) MINUTE(RES)
 03/08/17 (H) RES AT 1:00 PM BARNES 124
 03/08/17 (H) Heard & Held
 03/08/17 (H) MINUTE(RES)
 03/08/17 (H) RES AT 6:00 PM BARNES 124
 03/08/17 (H) Heard & Held
 03/08/17 (H) MINUTE(RES)

03/09/17 (H) RES AT 5:00 PM BARNES 124
 03/09/17 (H) -- Testimony <Invitation Only> --
 03/10/17 (H) RES AT 1:00 PM BARNES 124
 03/10/17 (H) Heard & Held
 03/10/17 (H) MINUTE(RES)
 03/11/17 (H) RES AT 12:00 AM BARNES 124
 03/11/17 (H) <Bill Held Over to 3/13/17>
 03/13/17 (H) RES AT 1:00 PM BARNES 124
 03/13/17 (H) Heard & Held
 03/13/17 (H) MINUTE(RES)
 03/14/17 (H) RES AT 3:00 PM BARNES 124
 03/14/17 (H) Moved CSHB 111(RES) Out of Committee
 03/14/17 (H) MINUTE(RES)
 03/15/17 (H) RES RPT CS(RES) NT 4DP 4DNP 1AM
 03/15/17 (H) DP: PARISH, DRUMMOND, JOSEPHSON, TARR
 03/15/17 (H) DNP: TALERICO, BIRCH, RAUSCHER, JOHNSON
 03/15/17 (H) AM: WESTLAKE
 03/20/17 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/20/17 (H) Heard & Held
 03/20/17 (H) MINUTE(FIN)
 03/21/17 (H) FIN AT 9:00 AM HOUSE FINANCE 519
 03/21/17 (H) Heard & Held
 03/21/17 (H) MINUTE(FIN)
 03/21/17 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/21/17 (H) Heard & Held
 03/21/17 (H) MINUTE(FIN)
 03/22/17 (H) FIN AT 9:00 AM HOUSE FINANCE 519
 03/22/17 (H) Heard & Held
 03/22/17 (H) MINUTE(FIN)
 03/22/17 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/22/17 (H) Heard & Held
 03/22/17 (H) MINUTE(FIN)
 03/23/17 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/23/17 (H) Heard & Held
 03/23/17 (H) MINUTE(FIN)
 03/24/17 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/24/17 (H) Heard & Held
 03/24/17 (H) MINUTE(FIN)
 03/25/17 (H) FIN AT 10:00 AM HOUSE FINANCE 519
 03/25/17 (H) Heard & Held
 03/25/17 (H) MINUTE(FIN)
 03/27/17 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/27/17 (H) Heard & Held
 03/27/17 (H) MINUTE(FIN)
 04/07/17 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 04/07/17 (H) Heard & Held
 04/07/17 (H) MINUTE(FIN)

04/08/17 (H) FIN AT 1:00 PM HOUSE FINANCE 519
 04/08/17 (H) Moved CSHB 111(FIN) Out of Committee
 04/08/17 (H) MINUTE(FIN)
 04/09/17 (H) FIN RPT CS(FIN) NT 4DP 4DNP 2NR 1AM
 04/09/17 (H) DP: GARA, GUTTENBERG, SEATON, FOSTER
 04/09/17 (H) DNP: WILSON, THOMPSON, PRUITT, TILTON
 04/09/17 (H) NR: ORTIZ, GRENN
 04/09/17 (H) AM: KAWASAKI
 04/10/17 (H) MOVED TO BOTTOM OF CALENDAR
 04/11/17 (H) TRANSMITTED TO (S)
 04/11/17 (H) VERSION: CSHB 111(FIN)(EFD FLD)
 04/12/17 (S) READ THE FIRST TIME - REFERRALS
 04/12/17 (S) RES, FIN
 04/13/17 (S) RES WAIVED PUBLIC HEARING NOTICE,RULE
 23
 04/13/17 (S) FIN WAIVED PUBLIC HEARING NOTICE,RULE
 23
 04/14/17 (S) RES AT 3:00 PM BUTROVICH 205
 04/14/17 (S) Heard & Held
 04/14/17 (S) MINUTE(RES)
 04/15/17 (S) RES AT 9:00 AM SENATE FINANCE 532
 04/15/17 (S) Heard & Held
 04/15/17 (S) MINUTE(RES)
 04/15/17 (S) FIN AT 9:01 AM SENATE FINANCE 532
 04/15/17 (S) <Pending Referral> Uniform Rule 23
 Waived
 04/15/17 (S) FIN AT 2:00 PM SENATE FINANCE 532
 04/15/17 (S) <Pending Referral> Uniform Rule 23
 Waived
 04/15/17 (S) RES AT 2:00 PM SENATE FINANCE 532
 04/15/17 (S) Heard & Held
 04/15/17 (S) MINUTE(RES)
 04/17/17 (S) RES AT 1:00 PM BUTROVICH 205
 04/17/17 (S) Heard & Held
 04/17/17 (S) RES AT 5:00 PM BUTROVICH 205

WITNESS REGISTER

CURTIS THAYER, President and CEO
 Alaska Chamber of Commerce
 Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

PETE STOKES, representing himself
 Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

KARL HANNEMAN, CEO
International Tower Hill Mines LTD.
Fairbanks, Alaska
POSITION STATEMENT: Testified in opposition to HB 111.

JAMES MCMILAN
Teamsters Local 959
Fairbanks, Alaska
POSITION STATEMENT: Testified in opposition to HB 111.

SANDRA UDELHOVEN, representing herself
Wasilla, Alaska
POSITION STATEMENT: Testified in opposition to HB 111.

KATI CAPOZZI, representing herself
Eagle River, Alaska
POSITION STATEMENT: Testified in opposition to HB 111.

GARVIN BUCARIA, representing himself
Wasilla, Alaska
POSITION STATEMENT: Testified in opposition to HB 111.

DAVID SCOTT, representing himself
Juneau, Alaska
POSITION STATEMENT: Testified in support of HB 111.

RADA KHADJINOVA, representing herself
Anchorage, Alaska
POSITION STATEMENT: Testified in opposition to HB 111.

MAYNARD TAPP, representing himself
Anchorage, Alaska
POSITION STATEMENT: Testified in opposition to HB 111.

RENEE LIMOGE REEVE, Deputy Director
Alaska Support Industry Alliance
Anchorage, Alaska
POSITION STATEMENT: Testified in opposition to HB 111.

DAVID OTNESS, representing himself
Cordova, Alaska
POSITION STATEMENT: Testified in support of HB 111.

BOB SHAVELSON, representing himself
Homer, Alaska
POSITION STATEMENT: Testified in support of HB 111.

MAKO HAGGERTY, representing himself
Homer, Alaska

POSITION STATEMENT: Testified in support of HB 111.

CORAL HOWE, representing herself
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

MARISA SHARRAH, President
Greater Fairbanks Chamber of Commerce
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

CARL PORTMAN, representing himself
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

BOBBY REDDELL, representing himself
Udelhoven Oil Field System Services
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

CYNTHIA HENRY, representing herself
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

TERESA IMM, Senior Vice President
Arctic Slope Regional Corporation
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

GEORGE PIERCE, representing himself
Kasilof, Alaska

POSITION STATEMENT: Testified in support of HB 111.

DAVE HANSON, representing himself
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 111.

BRUCE BUSTAMANTE, President
Anchorage Chamber of Commerce
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

GAIL PHILLIPS, Board Member
Keep Alaska Competitive Coalition

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

CATHY DUXBURY, representing herself

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

JILL SCHAEFER, representing herself

Kenai, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

ALLEN ICET, representing himself

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

KATE BLAIR, Government and Public Affairs Manager

Tesoro Alaska

Nikiski, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

KEVIN DURLING, President

Petroleum Equipment and Services, Inc.

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

TOM WALSH, Managing Partner and Founder

Petrotechnical Resources of Alaska

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

JEANINE ST. JOHN, representing herself

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

ALICIA SIIRA, Deputy Director

Alaska Miners Association

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

BILL BREDAR, representing himself

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

LARRY HOWELL, representing himself

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

MARLEANNA HALL, Executive Director
Resource Development Council
Anchorage, Alaska
POSITION STATEMENT: Testified in opposition to HB 111.

LAURIE FAGNANI, President
MSI Communications
Anchorage, Alaska
POSITION STATEMENT: Testified in opposition to HB 111.

ALEX HALL, representing himself
Anchorage, Alaska
POSITION STATEMENT: Testified in opposition to HB 111.

DAVE CRUZ, President and CEO
Cruz Companies of Alaska
Palmer, Alaska
POSITION STATEMENT: Testified in opposition to HB 111.

CHRISTOPHER BEHNKE, representing himself
Fairbanks, Alaska
POSITION STATEMENT: Testified in support of HB 111.

TOM BOUTIN, representing himself
Juneau, Alaska
POSITION STATEMENT: Testified in opposition to HB 111.

CYNTHIA DAU, representing herself
Juneau, Alaska
POSITION STATEMENT: Testified in opposition to HB 111.

KAREN GLASS, representing herself
Douglas, Alaska
POSITION STATEMENT: Testified in support of HB 111.

WOLFGANG FALKE, representing himself
Fairbanks, Alaska
POSITION STATEMENT: Testified in support of HB 111.

WYCHE FORD, Alaska General Manager
Fluor Alaska, Inc.
Anchorage, Alaska
POSITION STATEMENT: Testified in opposition to HB 111.

JUDY CRONDAHL, representing herself
Juneau, Alaska
POSITION STATEMENT: Testified in support of HB 111.

BRYAN CLEMENZ, Senior Vice President
Bristol Bay Industrial
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

EDWARD WITBECK, representing himself
Kenai, Alaska

POSITION STATEMENT: Testified in favor of HB 111.

KEITH SILVER, representing himself
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

WILLIAM HARRINGTON, representing himself
Anchorage, Alaska

POSITION STATEMENT: Testified on relooking at HB 111.

LAURA BONNER, representing herself
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 111.

MICHAEL JESPERSEN, representing himself
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

LISA REIDER, representing himself
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

JIM PLAQUET, representing himself
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

PAUL D. KENDALL, representing himself
Anchorage, Alaska

POSITION STATEMENT: Did not provide a position on HB 111.

ARAS WORTHINGTON, representing himself
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

VERN JOHNSON, representing himself
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

HARI DEV SINGH KHALSA, representing himself

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 111.

ABIGAIL ST. CLAIR, representing herself

Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

JESSICA WORTHINGTON, representing herself

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

LAUREN MOSS, representing herself

Soldotna, Alaska

POSITION STATEMENT: Testified in support of HB 111.

ACTION NARRATIVE

[5:00:14 PM](#)

CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 5:00 p.m. Present at the call to order were Senators Hughes, Stedman, and Chair Giessel. Senators Wielechowski, Meyer, Coghill, and Von Imhof joined the meeting shortly thereafter.

HB 111-OIL & GAS PRODUCTION TAX; PAYMENTS; CREDITS

[5:00:30 PM](#)

CHAIR GIESSEL announced the consideration of HB 111. She noted that a hearing with invited witnesses ended about 45 minutes ago, and now the committee will hear public testimony. Testimony will be limited to two minutes.

[5:01:38 PM](#)

CURTIS THAYER, President and CEO, Alaska Chamber of Commerce, Anchorage, said the chamber is dedicated to improving the environment for business in Alaska. Alaska's oil and gas industry contributes \$8 for every \$1 invested, so Alaska has reaped over \$61 billion in taxes over the last nine years. He said current fiscal policy needs to be competitive for an industry that is right now discovering huge finds. The chamber has concerns with HB 111. Alaskans should understand what new taxes will mean to their employers and to the state's economy. Businesses will not invest in an undisciplined state, he said. The fiscal challenge the state is facing is not new. Alaska needs to provide a stable fiscal policy to incentivize industry to do business in Alaska. The state has encouraged new companies to explore, but "we, as the state, needs to invest in ourselves

for the long term, not the short term." Does HB 111 increase oil production? "No," he answered.

[5:03:45 PM](#)

PETE STOKES, representing himself, Anchorage, said he is opposed to HB 111. He said he grew up on the Kenai Peninsula and is a licensed petroleum engineer. He works as an oil and gas consultant, and he has laid off 40 percent of his professional staff since 2014, which can be turned around with increased oil prices. He said HB 111 is the seventh major tax change in 12 years, and no sovereign changes its fiscal regime as often. This is a very big increase in oil and gas taxes. The state is in a budget crisis due to the low price of oil. Increasing taxes will drive away investment to produce future projects, such as Smith Bay and other major new developments. The companies may be unable or unwilling to invest because of the state's ever-changing position on oil taxes. They have other places to invest that have more fiscal stability, he opined. Cashable credits are not sustainable, but NOL credits with uplift should be in place to encourage future exploration for the benefit of all Alaskans. Think of NOLs as investments that are the future of Alaska oil revenue, he suggested, and jobs for his offspring. On Saturday, a consultant showed a chart of future Caelus Energy development that would result in extending the lives of the pipeline into the 2040s and beyond, which could result in \$50 billion in revenue to the state. The state made its fiscal terms attractive to investments with the tax policy changes of SB 21, and it resulted in North Slope production having no decline in 2015.

[5:07:09 PM](#)

KARL HANNEMAN, CEO, International Tower Hill Mines LTD., Fairbanks, said his company is working toward building a gold mine just north of Fairbanks, and he is a board member of RDC [Resource Development Council]. He understands that HB 111 would be the seventh production tax change in twelve years, and the last policy change produced tangible results. The recently announced oil plays could result in much needed new oil in the pipeline if Alaska maintains a stable tax policy that encourages additional investment that will be needed for the next three years. He said not to risk driving away investment at a time when he would like to see a growth in oil production. The oil industry pays most of the state taxes, and in his book, the industry pays their fair share. Targeted taxes on any industry would simply be sending the wrong message at the wrong time.

[5:08:45 PM](#)

JAMES MCMILAN, Teamsters Local 959, Fairbanks, said his union represents active and retired members throughout Alaska. He said he appreciates legislation addressing Alaska's budget shortfall and the tough decision to balance its budget, including adjustments to the permanent fund and new revenue sources. He expressed concerns about negatively impacting exploration and production of oil. Increasing the oil in the pipeline should be a priority; more production means more revenue for teamster members and more jobs. Consider the impact of current and future production, especially during low oil prices. The teamsters supported SB 21 and the industry invested in projects. Members are working for ConocoPhillips and a new drill site west of CD5. One of the teamster's largest contractors is building an eight-mile gravel road and a pad. The GMT1 project has created over 250 jobs for members and others. ConocoPhillips kept its commitment to the project even with declining oil prices. He asked the committee not to move HB 111.

[5:11:13 PM](#)

SANDRA UDELHOVEN, representing herself Wasilla, said she is against HB 111 because she has seen the oil industry contribute to the state. It has grown and gone through ups and downs, just like the people of Alaska. If this bill is not squashed, more and more people will leave Alaska. The oil and gas industry can go to foreign countries or to the Lower 48, and "as a matter of fact, they have." They will continue to leave until Alaska becomes a stable environment that is friendly to industry. As a resident of Wasilla, she feels that Alaska is sending the wrong message. Of the companies that support the oil industry, some have grown, and some have gone away, and a lot of people are leery to invest. "They are waiting to see what happens with you guys in Juneau." Oil and gas has a huge impact on Alaska, and she finds it incredible to be talking about this. From her heart, she is asking the committee not to pass HB 111.

[5:13:24 PM](#)

KATI CAPOZZI, representing herself, Eagle River, said the industry has made it quite clear that HB 111 would not encourage exploration or production. The tax policy in place has. When industry succeeds, we all succeed. She urged the committee to reject policies that will not contribute to Alaska success today and in the future.

[5:14:45 PM](#)

GARVIN BUCARIA, representing himself, Wasilla, said the Alaska Department of Labor reports that petroleum-related jobs last year suffered a decline, and state government jobs also

declined. The petroleum industry is the number one industry in Alaska and the state needs to encourage it. House Bill 111 is too complex, and it must not increase taxes at low per-barrel prices. He supports encouraging production in newly discovered fields and incentivizing maximum production in existing fields. He said not to increase oil taxes and to fund and pay oil tax credits. Governor Walker's expenditures for an LNG pipeline is contrary to economic logic, and funds should be cut. Natural gas has to be reinjected to sustain oil production. He said he is opposed to HB 111.

[5:17:24 PM](#)

DAVID SCOTT, representing himself, Juneau, said he has lived in Alaska for eight years and is retired after 35 years working on oil and gas infrastructure. He supports HB 111. Senate Bill 21 was a cancer and it is time to cut it away. He expressed amazement of the people who support this bill and how little they really know.

[5:17:36 PM](#)

RADA KHADJINOVA, representing herself, Anchorage, said she serves on two boards and she manages an engineering consulting company. She cares about the wellbeing of the state, and her family loves Alaska. She recently graduated with a degree in environmental permitting. She said she left Russia due to upheaval and unpredictable policies in the early nineties. House Bill 111 passed the House, so there are legislators who are convinced that they are doing the right thing by striking a balance given that oil prices are different. Alaska cannot control the price of oil, but it can create a business climate to encourage investment that will increase production. She said HB 111 is like cutting open the golden goose to get eggs before they mature in the form of projects that employ thousands of oil workers. What legislators have been considering up to this point is a tax model, she said. There is no systematic analysis, and billions of dollars are at risk of going to other regions where the price of doing business is lower and more predictable. Legislators and citizens should know the facts before passing HB 111.

[5:19:40 PM](#)

MAYNARD TAPP, representing himself Anchorage, said Senator Giessel represents him and does an amazing job. He asked the committee to defeat any proposed taxes on the oil and gas industry that challenge production, like HB 111. He said New York is advertising a tax holiday to encourage investors, so it does not make any sense for Alaska "to tax the people we want to

stay here." He said SB 21 slowed or stopped the reduction in oil production. Alaskans should not break its word. Alaska cannot afford to create an unending administrative bureaucracy to collect taxes. He suggested increasing revenues by increasing production of oil and gas in the pipeline.

[5:21:47 PM](#)

RENEE LIMOGUE REEVE, Deputy Director, Alaska Support Industry Alliance, Anchorage, said the alliance is a 40-year-old oil, gas, and mining trade association. Members provide support to those industries, but explorers, developers, and owner/operators cannot be members of the alliance. She said HB 111 is a bad bill, and the number one policy statement for her group is to do no harm to oil tax policies. Policies should increase production and attract investment and development. The revenue from that activity is essential to the state, and the jobs are essential to members of the alliance and other Alaskans. The bill goes far beyond changing cashable credits, and it is a tax increase that will negatively impact the oil and gas industry. She said she will provide the committee with training numbers from the North Slope training cooperative coupled with oil prices from 2008 to 2016. She noted that every operator on the North Slope requires employees to have a cooperative card. The training number and oil price for 2015 tell the real story, and that is that the industry is hurting as are the members of the alliance. Any policy that costs the industry will have a negative impact on Alaska and on the oil industry, she stated. The training totals will likely be lower with HB 111. She said to put HB 111 aside and enact policies that increase oil development and jobs for Alaskans.

[5:24:25 PM](#)

DAVID OTNESS, representing himself, Cordova, said he respects the oil industry and what it has done for Alaska over the years. He is a lifelong Alaskan who has worked on the pipeline and participated in a lot of other oil-associated activities, but Alaska is hurting as a result of SB 21. "If we're only taking in \$0.9 billion versus the \$8 billion that went out to the companies, there's something wrong with that equation." If the industry is taking a hit, Alaska is taking one heck of a hit disproportionately. As soon as SB 21 passed, BP laid off 200 people, and the oil companies knew what coming due to the fracking explosion and the Saudi production. "We set ourselves up for a fall," and the industry minimized their pain. Senator Stedman and Representative Gara were aware and tried to bring the issue up at the time. As far as oil companies being impacted by this, he said, they plan ahead a lot further, and we are all

aware of that. People are complaining about Alaska changing its taxes, but it was the industry that wanted change last time. Rather than tweaking ACES, the state ended up really hurting. It is worth having another look at this.

[5:27:11 PM](#)

BOB SHAVELSON, representing himself, Homer, said he is concerned about the wellbeing of his children. He has heard arguments against HB 111 that are the same arguments that have been repeated for decades regarding negative investment environments and the loss of jobs. It is not a coincidence that those exact arguments are being used by the oil companies in South Dakota, Pennsylvania, Texas, and New York, because that is the standard industry line. Corporations are expected to vigorously represent shareholder interests and to maximize their return—that is their fiduciary duty. At the same time, as understood by Jay Hammond, it is the duty of the legislature to represent Alaskans as the shareholders of our resources just as vigorously. Mr. Shavelson said he is willing to pay an income tax to support seniors and schools but not before the oil companies pay their fair share. The profits of BP in Alaska are outrageous. Oil companies are getting some of the highest returns in Alaska as compared to the nation and the world. That is not fair; we need to support our kids and our seniors. House Bill 111 is a step in the right direction. The production tax should increase.

[5:29:31 PM](#)

MAKO HAGGERTY, representing himself, Homer, said the previous speaker said much of what Mr. Haggerty wanted to say. He said he is willing to pay an income tax, because he likes Alaska and plans to spend the rest of his life in Alaska. He wants to contribute to the health of the state. Alaska is not as healthy economically as it used to be. It threw all its eggs into the oil basket. The oil companies need to step up; every Alaskan is being asked to step up right now, and there is no reason why the industry shouldn't as well. He said he supports HB 111, and he is thankful Representatives Josephson and Tarr brought it forward.

[5:30:57 PM](#)

CORAL HOWE, representing herself, Fairbanks, said she owns a small events business to bring joy to different events throughout Alaska. She said her grandfather came to Alaska in the gold rush. She said she has children and grandchildren in the state, and they would all like to have good jobs. She said HB 111 will create an environment where her family will have to leave. It is frightening that young people will have to leave.

She made her money in Alaska, but she cannot say that will be the case for her offspring. The oil companies "provide a wonderful way for us to get this tremendous resource that we have in the State of Alaska out and into the public hands." In her business, 70 percent is related, somehow, to the money that comes from the oil industry. In 2016, her "numbers" went down 25 percent, and most was due to all sorts of companies going down. She said to not support HB 111.

[5:33:40 PM](#)

MARISA SHARRAH, President, Greater Fairbanks Chamber of Commerce, Fairbanks, said the chamber advocates on a variety of issues, but job creation is the common thread. The chamber strongly opposes HB 111, which would bring the fifth tax increase to the oil industry in ten years. Targeted taxes are not supported by the chamber. The oil industry works in a challenging and expensive environment, and a constantly changing tax structure only compounds those challenges, she added. Oil companies make five and ten-year plans on where to take their billions of dollars, and Alaska's tax policies are not attractive to the oil industry. It is a global market, and she suggests comparing policies with other regions so that Alaska can compete. Investors will choose the projects with the best returns, and it is the legislature's responsibility to create an environment to yield the maximum benefit for the state, which is increased oil production. A bill like HB 111 is a step backward. The state should focus on benefits to Alaska's treasury as well as jobs. Industry has seen a loss of 4,000 jobs. Combining that loss with the loss of thousands of indirect jobs shows that a competitive tax structure is in the best interest of the state.

[5:35:56 PM](#)

CARL PORTMAN, representing himself, Anchorage, said he was raised in Fairbanks. He is concerned about the economy and the trans-Alaska pipeline, which is three quarters empty. The best way to generate revenue is to increase oil production through the pipeline. Alaska must first attract the investment required to develop new prospects, and Alaska has to compete for that investment. He opposes HB 111, because it raises the cost of projects and will do nothing to encourage industry to move forward with new fields. Higher taxes have a negative impact on investment in Alaska and on revenue. The voter-approved tax regime is working, he said. Production is expected to average 524,000 barrels per day, up from the fall forecast. The numbers are 7 percent greater than the fall forecast and are expected to go up in 2017, which will mark the second consecutive year of increased production on the North Slope, the first time since

1988. Alaska could be on the cusp of an oil renaissance. There are resources to grow production. To pull Alaska out of the recession it needs a major injection of capital to bring new fields on line. Unfortunately, HB 111 will likely kill new investment and result in fewer jobs. He said he is a proud "pipeliner" from 1975. The pipeline accounted for 20 percent of domestic production and now the nearly empty pipe accounts for much less, but with the right policy, Alaska can double throughput.

[5:39:13 PM](#)

BOBBY REDDELL, Udelhoven Oil Field System Services, Anchorage, said he opposes HB 111. Alaska keeps on shifting its taxes based on the government deficit. Businesses will find other locations to invest where they can work in stable conditions. The oil industry needs a stable tax policy to make investment decisions for the future.

[5:39:58 PM](#)

CYNTHIA HENRY, representing herself, Anchorage, said she owns retail stores in Fairbanks and Anchorage. She opposes HB 111. The Senate has given her the confidence that it will help the state with the fiscal challenges. She is dismayed that HB 11 passed the House, noting that it was by a razor thin margin. Raising oil taxes will weaken Alaska's ability to attract new investment and new production. The North Slope increased production for the second consecutive season, and it has been 30 years since that has happened. That is a long time. She said SB 21 is working, and HB 111 would mean more job losses and a deepening recession. That is not a recipe for a bright future for Alaska.

[5:41:48 PM](#)

TERESA IMM, Senior Vice President, Arctic Slope Regional Corporation, Anchorage, said she manages lands and resources for the Arctic Slope Regional Corporation (ASRC), which is the largest Alaskan-owned company and has about 5,000 in-state employees. It is in a unique position as an [Alaska Native Claims Settlement Act] corporation. It is a landowner, resource owner, lessor, lessee, producer, and explorer, and ASRC provides services to the oil industry. Passage of HB 111 will impact ASRC in many ways. The majority of its revenue is based on oil, and its investments stay in the state. She expressed concern that ASRC's resources will become stranded with a policy like HB 111. There has been a downturn in revenues along with lower oil prices, and ASRC is diversifying its portfolio to counteract the downturn. The decline in the TAPS throughput affects the entire

economy, "so we're at a pivotal point where we must reinvigorate the industry that we all depend on and not further burden it with higher oil taxes," she said. If the legislature fails to take a pragmatic approach toward the oil industry, Alaska will become an unattractive investment.

[5:44:37 PM](#)

GEORGE PIERCE, representing himself, Kasilof, said Alaska's hostile environment is similar to Norway's hostile environment, but Norway has made better decisions with its tax policy. Alaska gives one third of its general fund to pay for credits to oil and gas companies. For every dollar, Alaska gets back 45 cents. "We are so friendly the Tax Foundation says we are number three in business friendliness in all 50 states. How friendly do we need to be?" He said Alaska needs to self-correct its net base system when prices rise and fall. New oil pays zero taxes until the price is \$75 per barrel. "Net" means negative to the state, he stated. Why did our cost structure double in the last 10 years? What big projects are coming on line? Bring data forward, he said. Alaska is the only place that does the flip from gross to net in the world, and HB 111 is against this pattern, "and I agree with that." He stressed transparency and fixing the NOL. He said to fix carry-forward losses, get rid of the credits, and harden the floor to the tax. It takes seven to ten years to come on line, "and they still get all these credits. That's bad for Alaskans." The legislature and the governor took the permanent fund dividend and gave it to the oil industry to develop Alaska's resources. That is pretty sad. He said that someone noted that people no longer have confidence in SB 21, and it is because there is no revenue, to speak of, since it was passed. He urged the committee to pass HB 111.

[5:47:32 PM](#)

DAVE HANSON, representing himself, Anchorage, said to step back and not look at the bill as "for or against," but as an adjustment. Part of the bill is a tax increase, he said, and part of it is adjusting the tax credit program. "I do not support HB 111 tax increases; I do support HB 111's modification of the tax credit program, because I want it to be a sustainable, long-term program as an economic tool." The tax credit program is flawed; up to a third is spent on projects that have little or no chance of ever leading to production. Cash can be paid for credits even though a project may never owe any production taxes, he stressed. Transparency has been mentioned, and it is interesting that we do not know who gets the money and what it is used for or how much stays in the state or goes to dividend holders in New York City. "It's our money.

We have a right to know." Transparency should be a price of receiving the credits—a choice an oil company can make. It is like a gift. He said Alaska cannot afford the current program. The state is accumulating a huge debt of over \$1 billion, and no one talks about how Alaska is going to pay for it. Some of this is remedied through HB 111, and he encouraged a more careful look at the bill and the portions that improve the tax credit program.

[5:52:07 PM](#)

BRUCE BUSTAMANTE, President, Anchorage Chamber of Commerce, Anchorage, said there are over 920 business members in the chamber, and they believe that investors have to have a stable environment, and HB 111 does not provide that. There have been numerous attempts to change oil taxes in the last 12 years, and the chamber has always advocated for a fair and stable tax environment, which is critical to Alaska's economic stability. Trying to address the fiscal crisis by changing the tax structure will make matters worse. The chamber would rather see reductions in government jobs or the permanent fund, and possibly a broad-based tax on residents. Right now, changing oil taxes would discourage investment in the industry. Alaska should encourage investments to help the economy and create more jobs. "The Anchorage chamber will continue to oppose targeted taxes and those targeted taxes on the oil and gas industry and actively advocate on behalf of the members." He said Anchorage Chamber of Commerce opposes HB 111 and has written comments.

CHAIR GIESSEL encouraged everyone to submit comments in writing.

[5:52:30 PM](#)

GAIL PHILLIPS, Board Member, Keep Alaska Competitive Coalition, Anchorage, said the Keep Alaska Competitive Coalition is an organization with 5,000 members, including Alaskans, business groups, and Native organizations. Oil companies are not members, and the group does not accept funds from them. The group is concerned about HB 111 as it reads today. She has seen many of Alaska's fiscal booms and busts and many versions of oil tax legislation, and she urged the committee to amend the bill and focus on making sure Alaska does not increase taxes on the oil industry. The oil tax bill passed in 2013 opened the doors to Alaska, and the industry responded. The current version of HB 111 will weaken the state's competitive position to develop new prospects and increase productions. "We cannot increase oil production by increasing taxes," she stated. The oil industry is the biggest participant in Alaska's fiscal plan, and policies must keep the oil industry strong and growing. The bill does not

do this. Alaska can control its business climate and the future of Alaska—a future that encourages investment in Alaska and puts more oil through the pipeline. She said she has a petition signed by 600 Alaskans to reject the provisions that increase oil taxes or create unworkable bureaucracy.

[5:54:55 PM](#)

CATHY DUXBURY, representing herself, Anchorage, said she has sent many emails, and she is very opposed to HB 111. She does not understand how "you guys go to Juneau and...the first thing on your agenda is let's see how much more we can tax the oil industry." The legislature has changed oil taxes seven or eight times in 12 years. "I think the oil tax gets changed every 15 minutes," she said. People thought voting to uphold SB 21 in a 2014 referendum was the end of the story. Production started to go up. She said she has been working a long time, and she has a son with a new business and grandchildren in the school system. In ten years, there will not be anyone left in Alaska to tax. The oil industry is our bed and butter, and she is tired of people who say they do not pay a fair share, because the oil companies pay more than their fair share. Her company has laid off over 500 employees, and it reduced its charitable giving by up to 60 percent. She had high hopes for finding new oil, but Alaska seems like it does not want new production. "You cannot tax more oil into the pipeline, because if you could, our pipeline would be full."

[5:57:17 PM](#)

JILL SCHAEFFER, representing himself, Kenai, said she is a contractor and an assembly member in Kenai. She opposes HB 111. Its main goal is to bring money into the economy, but it will do the opposite. The main goal of the bill is as a job killer. Without jobs, people like herself will move, and there will be no kids in the school, so Alaskans will not have to worry about paying taxes. She encouraged a bill showing that Alaska has a stable, industry-friendly environment.

[5:58:35 PM](#)

ALLEN ICET, representing himself, Anchorage, said he is opposed to HB 111. All legislators would agree that the solution is more oil in the pipeline and by raising taxes on something, you get less. Over the past few years he has a number of friends who work in the industry, but they lost jobs, and HB 111 does not encourage the industry to hire more people.

[5:59:52 PM](#)

KATE BLAIR, Government and Public Affairs Manager, Tesoro Alaska, Nikiski, said Tesoro Corporation is a Fortune 100 company and is an independent refinery marketer of petroleum products. Tesoro operates seven refineries in the western US, with a combined capacity of 895,000 barrels per day and an ownership in a logistics business, which includes interest in Tesoro Logistics. Its first refinery was in Nikiski, and it has a crude capacity of 72,000 barrels per day. Tesoro Alaska assets also include a 69-mile pipeline from Nikiski to Anchorage for transporting its refined products, and that has helped the growth of the international air cargo business. The refinery meets most of the state's demand for gasoline and is a reliable supply for Alaskans. The company has 250 family-wage jobs in Alaska, with an Alaskan-hire rate of 97 percent. Tesoro does not produce oil and gas in Alaska, so it doesn't weigh in on those taxes, but in-state production matters. Any loss in production would affect Tesoro, because it uses Alaska crude from Cook Inlet and the North Slope. "We refine every drop of that Cook Inlet crude, and we purchase North Slope crude." Declining production would hurt the Tesoro refinery. The transparency language in HB 111 would require Tesoro to disclose confidential business information and may violate antitrust laws. The language also requires the Department of Revenue to make public the potential monetary benefits to the state of the projects claimed under the refinery tax credit, and there is no clear mechanism to calculate benefits, so it would be subjective and open to political distortion. She told the committee to assess how the bill will affect production, because production matters.

[6:03:43 PM](#)

KEVIN DURLING, President, Petroleum Equipment and Services, Inc., Anchorage, said he is the past president of the Alaska Support Industry Alliance and a board member of the March of Dimes. He said he opposes HB 111, and he asked why new taxes would be levied on an industry that has paid more in taxes than it has generated in revenue. Why would we penalize the oil industry that spends \$3 to \$4 billion a year to produce oil with little or no return on investment? At what point does the government look at the industry that has flattened a production decline that was projected to be 5 to 8 percent and turned it around to an increase? How will the industry survive if corporations are required to release well costs? Many companies will be unable to work on the project, he said, because it will be contrary to their contracts that require confidentiality. He noted that his business has been hard hit by low oil prices, and his revenue is down 20 percent and has 10 fewer Alaskans working for him. Oil prices are slowly moving up. He said he is an

optimist, and Alaska activity levels will begin an upward trend, but by changing the rules, the upward trend will be blunted and the 7,000 Alaskans who have lost their jobs will be looking for work in other states. He said to look to the permanent fund and other sources for funding, including unfilled positions.

[6:06:53 PM](#)

TOM WALSH, Managing Partner and Founder, Petro-technical Resources of Alaska, Anchorage, said Petro-technical Resources of Alaska (PRA) is an oil and gas consulting firm and has worked with a number of entities, including Native corporations, the government, and oil and gas companies. His business celebrated its 20th anniversary in Alaska last week. This year, the business is down about 50 percent from prior years because of the price of oil. He expressed hope that the policies made in Juneau will not exacerbate the problem. The Lower 48 is recovering handsomely right now, he said. He opposes HB 111, which is a major tax increase to all of PRA's clients, and it undoes all of the progress to attract new investors to Alaska, including financial institutions that fund the industry. The bill represents the seventh change to the tax system in 13 years. The intent to reduce Alaska's cash credit payments is understandable, but it is flawed because the state has shared in the pain of the prolonged oil price collapse. He has heard that SB 21 has brought in more revenue than ACES would have in the low prices. The widely-held belief that the state cannot afford to pay tax credits should be countered with the question of if it can afford not to invest in the oil industry. The concept of the credit system did not cause the state's financial crisis. He said he is baffled by testimony downplaying the impact of total government take on projects. The tax burden is a major impact to net present values and projects. The projects are marginal.

[6:10:02 PM](#)

JEANINE ST. JOHN, representing herself, Anchorage, said she is giving personal testimony today in opposition to tax increases from SB 21. She said she understands the need to eliminate cashable credits for now, but she believes in paying the outstanding credits as a moral obligation of the state. Alaska has a valuable resource, and it should be encouraging more oil in the pipeline, so Alaska can have jobs and royalties. She said she looks forward to amendments to HB 111. She thanked everyone for trying to understand complex tax policy, and encouraged simplifying the process. Put the jobs back in place and keep oil flowing, she requested.

[6:12:01 PM](#)

ALICIA SIIRA, Deputy Director, Alaska Miners Association (AMA), Anchorage, said the AMA represents the mining industry throughout Alaska, with 1,500 members, including miners, geologists, oil and gas service companies, and others. She said a healthy oil and gas industry is crucial to a healthy mining industry. One of the issues of concern to AMA is tax policies that incentivize oil and gas production, and HB 111 is not that kind of policy. It is the seventh change in 12 years and is punitive to the oil and tax industry, resulting in less investments and a deepening recession. She said to abandon HB 111 and look for a sustainable budget by reducing spending, using the permanent fund, and instituting broad-based taxes, except for taxes on existing taxpayers who are already a part of the revenue base.

[6:14:10 PM](#)

BILL BREDAR, representing himself, Anchorage, said he is a petroleum geologist and explored for oil beginning in 1976. He is a full-time resident raising four children, and he is against HB 111. The investment timeframe for oil explorers and developers is 30 years, and Prudhoe Bay will be celebrating 40 years in June. When investing, there are many risks that must be taken into account, he explained, including geologic risk. He listed developments he was involved in. A stable taxation regime is a key component for investing in the long life of an oil field, and HB 111 can be described as ACES for low oil prices, he said. Hardening the minimum tax floor would increase taxes at a time when the oil industry is hurting and will show that Alaska is not to be trusted. Changing the tax regime now will send a negative signal and increase risk.

[6:16:38 PM](#)

LARRY HOWELL, representing himself, Anchorage, said he has lived in Alaska since before the pipeline. He said HB 111 is the same tax structure of ACES at low oil prices. When he was the general manager of the Alaska Support Industry Alliance, ACES did not work. There is something wrong with a state that changes a tax regime seven times in over 40 years, which equates to an unstable investment environment. Alaska is taxing away the industry. When he was 19 years old, he was out of money. No one had ever attended college in his family. He left Oregon on funds borrowed from a professor, hitch-hiked to Fairbanks, camped on the Chena River, and made the rounds at the union halls. He was hired by the pipeline union and worked 60 weeks. He sold "booze" in the camps and earned a six-figure income. "I'm the guy in the Alaska pipeline movie that bootlegged that whiskey north of the Yukon River," he said. The oil industry created the first

college graduate in his family. He lived the dream with his wife and kids and helped with community projects, including a homeless shelter in Anchorage. He said his 33-year-old son works for Boeing in Seattle and told him it does not seem like things are going well in Alaska. He said, "Dad, I'm thinking Alaska is not the land of opportunity that it was for you and mom." Alaska can control its business environment, but HB 111 will do nothing more than discourage investment in oil.

[6:20:01 PM](#)

MARLEANNA HALL, Executive Director, Resource Development Council, Anchorage, said her members are the lifeblood of Alaska's economy. Raising taxes on companies during low prices is not sound fiscal policy, and it adds instability. The bill will increase costs for the largest private industry in Alaska and will send Alaska to the bottom of the competitive scale. She said an oil company testified earlier about its investments since 2013 when SB 21 was passed. The bill was affirmed by Alaskans in 2014. Another company spoke to the recent opportunities and reflected on the need for investor confidence with regard to prices, tax policy, and other uncertainties. Increasing taxes on the oil and gas industry will not increase throughput in the pipeline or encourage new development on the North Slope. Taxes will deter investments and create lower state revenue over the long run. "When you incentive something, you get more of it." She said to incentivize drilling and aim for next year's production to be higher. She urged rejection of HB 111.

[6:22:32 PM](#)

LAURIE FAGNANI, President, MSI Communications, Anchorage, said she has been a small business owner for over 20 years, and her 23 employees depend on the oil and gas industry. She has seen a steady reduction in the level of spending by the oil and gas sector, and it is increasingly difficult to run a business in this environment and keep Alaskans on the payroll. Low oil prices have hurt, as have restrictions on oil and gas activity on federal lands. What has hurt even more is the state's changing tax structures, she stated. When the price of oil goes down and the cost of business goes up, something has to give. When the legislature raises taxes, it is people like her and her staff who shoulder the burden. She asks herself what the economy would be like if instead of taxing the industry, the state worked with industry to increase production. She listed oil companies and said, "they have given us hope," but HB 111 is sending the wrong signal that Alaska is not a stable place to invest.

6:24:51 PM

ALEX HALL, representing himself, Anchorage, said he wants to live in Alaska, and "we need jobs." He said he opposes HB 111.

6:25:46 PM

DAVE CRUZ, President and CEO, Cruz Companies of Alaska, Palmer, said his firm develops resources and said that HB 111 is bad for the industry. "We have no ability to create stability when in six times we changed the rules in 11 years, and we wonder why companies are not interested in doing business up here." He spent three years trying to get SB 21 passed, so he is asking that the Senate kill HB 111.

6:27:06 PM

CHRISTOPHER BEHNKE, representing himself, Fairbanks, said he is a third generation Alaskan and a graduate student at UAF, which has suffered outrageous cuts in the last couple of years, but big oil receives large subsidies. He said he supports HB 111 and rigorous tax reform. The Alaska oil industry does not pay its fair share compared to the rest of the world, despite what some people have said. "Stability" seems to be bandied about haphazardly by those in the industry, but there is no stability in global oil production. It is a fundamentally volatile industry, and Alaska needs an adaptive tax regime that accounts for volatility and does not require taking the permanent fund dividend away from Alaskans for big oil subsidies. The resources belong to Alaskans, not oil corporations. Alaska's constitution allows for resources to benefit Alaskans, not big oil. As a fiscal conservative, he said he is opposed to subsidies and handouts, and subsidizing the most profitable corporations in the world is offensive. Next year, Alaska will pay three quarters of a billion dollars in subsidies to companies that have slashed employment. Except for some independent companies, the majors have virtually ignored exploration. It is an outrage that oil subsidies are the third largest item in Alaska's budget, and the legislature will only cut the PFD, cut university spending. Alaska needs tax reforms that are not designed by oil lobbyists; it needs aggressive solutions besides corporate handouts. He said he supports HB 111.

6:29:06 PM

TOM BOUTIN, representing himself, Juneau, said he is opposed to changing oil taxes unless it increases production. He recalled the state changing from an oil severance tax to a profits tax. He said he went door-to-door three years ago to explain why Ballot Measure 1 was a bad idea (the referendum on SB 21). The

change to a profits tax worked as intended: when oil prices were high, Alaskans shared in the upside, and even when profits are low, income flows into the state. Now that prices are lower, the state wants to renege on the deal. Not paying the credits is wrong and addresses a problem that does not exist. Alaska does not have a cash flow problem, it has an imbalance between amounts available for ongoing appropriations. The state came close to a cash flow problem in 2003, but it is not there now. Unless the Department of Natural Resources buys oil rigs, the state will continue to depend on the oil companies. The state should ask the companies what it can do to help make Alaska more economic.

[6:31:03 PM](#)

CYNTHIA DAU, representing herself, Juneau, said she is against HB 111 as written. She is "feeling the pinch" by living in Juneau, and she asked the committee to remove tax breaks from big oil companies. "We need to find our footing as residents. We need our senior homes. They are the very people who built this great state." She asked that the committee not overburden their constituents with further taxation and lowering PFDs. She said a family friend is thinking that Alaska is not a place she can afford to return to. Ms. Dau suggested looking at an education tax. Alaska needs oil but not oil company tax breaks. She said to take another look at HB 111.

[6:32:43 PM](#)

KAREN GLASS, representing herself, Douglas, said her parents were Alaskan homesteaders in 1946. She strongly supports HB 111 because oil companies must pay Alaska for the oil removed from the state at huge profits. It is not fair for Alaskans to suffer with reduced PFDs, education cuts, increased taxes, and drastically reduced government services. The state employs many, and she is a public health microbiologist. Oil prices will likely not increase due to alternative energy sources, so the state will continue to pay oil companies for their drilling costs. Because of SB 21, the state pays out more in oil credits than it is receiving in production taxes. This is not fair to Alaskans. "Why are we making all Alaskans suffer to pay state dollars to the richest companies in the world?" If HB 111 does not change this, and if oil prices do not go up significantly, Alaska will continue to subsidize oil companies at the expense of residents. Senate Bill 21 is not working, and that is why the state has a huge budget deficit with many vital government services like the pioneer homes and public health and other vital services being cut.

[6:35:48 PM](#)

WOLFGANG FALKE, representing himself, Fairbanks, said he worked on the pipeline. It is not a good idea to throw good money after bad. There is a problem due to the price of oil. If oil cannot be pumped out with a reasonable return, leave it there. It will not go bad, he said. Futures generations may use it, but others think that the sun is a better source of energy. The state should make good on its promise of tax credits, but it could be changed as it is very bad business sense.

[6:37:45 PM](#)

WYCHE FORD, Alaska General Manager, Fluor Alaska, Anchorage, said Fluor Alaska provides engineering and construction services to oil and gas and mining infrastructure. He urged the committee to reject HB 111. Current tax policy could use some adjustments, but HB 111 imposes major changes once again. Particularly harmful to the bright spot of helping independents and differential to the majors, changing tax policy really affects the ability to progress projects. Unlike the majors, they rely more on outside financing. The long-time horizon for projects makes it difficult to use outside financing. It increases the hurdle for what really is a bright spot right now. He suggested stability and tweaks to the tax regime, but the major changes in HB 111 will be harmful to the bright spot of successful exploration by independents.

[6:39:21 PM](#)

JUDY CRONDAHL, representing herself, Juneau, said she is the grandmother of 6th-generation Alaskans. She spoke in favor of HB 111. She was amused to hear a testifier say if her business changed its prices frequently, she would lose her business. Ms. Crondahl said that every time she fills the gas tank in her car, the price changes, but she still fills her tank. Changing price does not have a lot to do with it. Without changes to the oil tax and credit system, the legislature is going to be demanding that every Alaskan give up more than \$1,000 of their permanent fund dividend. Every Alaskan—from a newborn to the elderly living in poverty, from students who are saving for college, to students who are in college—and yet the state wants to continue this favorable tax and credit policy for the wealthiest industry in the world. These are our resources; we deserve to get a fair price for them. You can change the price that you charge the oil industry. It is our oil. It is our money. You represent us.

[6:41:27 PM](#)

BRYAN CLEMENZ, Senior Vice President, Bristol Bay Industrial, Anchorage, said he is the past chair for the University of

Alaska, College of Engineering and Mines, and he is the current president of the Support Industry Alliance. He said Alaska needs an oil and gas policy that incentivizes investment with jobs and the promise of economic diversity at its very core. Companies that he has worked for employ thousands of Alaskans. Day after day, week after week, he hears of individuals who have already left Alaska due to lost jobs or who are waiting for a job, as well as those who have jobs and are considering leaving the state. We are telling the energy and financial industries that Alaska is not a place to invest, and we are telling our neighbors that it may be time to pack up and leave Alaska.

[6:43:28 PM](#)

EDWARD WITBECK, representing himself, Kenai, said he is a retired oil field worker. He said HB 111 is a good start, and he suggested cutting all of the incentives. The oil companies will not leave; they make money at \$5 a barrel. The industry is lying to the legislature. Senator Meyers is a ConocoPhillips employee, as is Senator Micciche. That is a conflict of interest—it's cancer within the body. Don't be fooled, he said, the companies will make money at \$5 per barrel. No incentives are needed, and HB 111 is a good start.

[6:44:59 PM](#)

KEITH SILVER, representing himself, Anchorage, said he does not work for the oil industry, but he has an interest in resource development as a resident. Resource development is expensive in Alaska, and companies have to deal with the fiscal policy in the jurisdiction where they invest their billions of dollars. It needs to be fair and consistent, and HB 111 fails the consistency test, because it changes taxes for the seventh time in 12 years. It is not fair, because it eliminates many of the credits. It is not competitive with most jurisdictions, because of Alaska's weather and access issues. Without credits, he was told that Anchorage would have to import natural gas, and that is a perfect example of how incentive credits can work. Caelus Energy announced a large oilfield on state land, as did another company, and it would be a costly mistake to discourage explorers from developing these prospects.

[6:47:00 PM](#)

WILLIAM HARRINGTON, representing himself, Anchorage, said he is retired and on a fixed income. "What a day of heavy-weight public testimony. So many numbers!" He said he read the bill and is more confused. Everyone is waving a flag saying, "I want the best for Alaskans," but everyone is voting along caucus lines. Back to the drawing board with this measure, because oil has

been paying for 40 years and legislators have been spending. Construction workers say, "Poor planning on your part does not constitute an emergency on mine." He said he hopes that the denizens in the Senate will work on keeping the state on an even keel, otherwise he knows what color his lifejacket is.

[6:48:14 PM](#)

LAURA BONNER, representing himself, Anchorage, said the committee has a difficult job as oil taxes are always complicated. Historically, Alaska's share of oil revenues has been about 30 percent from all sources, including royalties, corporate tax, production tax, and property tax. It did not matter on the tax structure, even when oil was \$9 per barrel. House Bill 111 will not get Alaska back to the 30 percent, but it prevents credits from being used to reduce tax liability below the minimum tax, and it provides for more transparency and reporting, including credits earned but not cashed. Passage of this bill is an important piece of a responsible plan for Alaska's fiscal stability. Oil company welfare must not take precedence over state services like public safety. She said she supports HB 111 and asked the committee to work on shared facilities, so small producers will also have access to put their oil down the pipeline.

[6:49:55 PM](#)

MICHAEL JESPERSEN, representing himself, Anchorage, said he is extremely opposed to HB 111. It is a joke that Alaska has already changed oil taxes six times in 11 years, and now "you want to go for seven in twelve?" How can we say something isn't working when it changes so often? He said he has never worked for an oil company or a business that depends on the oil industry. He works in the tourism industry, and his hotel depends on oil industry travel, which is down, so every hotel in Alaska is fighting for what's left. Rates are going down, which is good for travelers, but it doesn't do anything for his bottom line. "Please kill this bill, it hurts everybody."

[6:51:39 PM](#)

LISA REIDER, representing himself, Anchorage, said she is an engineer and a single mom working for a contractor to the oil industry. She said she is opposed to HB 111 but believes there could be a compromise. The increase in taxes reduces the amount of money that oil companies can pay employees and for capital work. The credits mean that companies like Caelus Energy cannot get off the ground to get its financing for wells. She said SB 21 is working, and work is being generated. With an increase in the tax, she does not believe that the number of employees will

be able to remain. She and her family will move out of Alaska and have to look for work elsewhere, as will a lot of people. "Big oil is little me and my children; there is no conspiracy or greed." Big oil contributes a lot to the state and charity functions, and she encouraged a revised HB 111.

[6:53:56 PM](#)

JIM PLAQUET, representing himself, Fairbanks, said he is a 43-year member of the operating engineers local 302 and his granddaughter is a sixth-generation Alaskan. He said he opposes HB 111 in its current form. It goes too far and raises taxes. Alaska needs to attract investment and not send it to North Dakota or Texas. Alaska cannot increase oil production by increasing taxes. Raising taxes on oil drives away investment at a time when we should be attracting investment.

[6:55:19 PM](#)

PAUL D. KENDALL, representing himself, Anchorage, said some comments so far have been fictitious. "My dividend money did not go to the oil companies." He said the governor stole that money and will use it to do a \$2.5 billion bond sale for PERS and TRS. He said he thinks the funds are located in a New York bank, "and those big boys see lots of criminals; they see lots of actions and know damn well the state that Alaska is in." Governor Walker is strategizing behind the scenes trying to blame the oil companies, but it is "your fault." The oil companies could not do this without Alaska leaders, "so there is no way out for you." He said the elephant in the room is PERS, TRS, and the public employee unions. He said he is getting tired of being called a freeloader, while the guy next to him is living on \$80,000 a year. "Sixty to seventy percent of the population is between Homer and Palmer, and the governor stole that money and you folks let him get away with it; that's about \$920 million out of our pocket here." He said legislators need to "do full-time leadership." The state needs to get ready for a new future with artificial intelligence, nanotechnology, and robotics—.

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ARAS WORTHINGTON, representing himself, Anchorage, said he is opposed to HB 111. He said a friend has been laid off by the oil industry, and she is one of many. It has been hard to make a living here. He left college in 1992 and wanted to work in Alaska, but it took him a year to find a good job. He has been in the oil industry since, but his friends are not, so he asked to vote against the bill.

[6:59:36 PM](#)

VERN JOHNSON, representing himself, Anchorage, said he has lived in Alaska for 17 years, and HB 111 is flawed. It needs a lot of work, and increasing taxes on oil will create short-term relief but will harm the oil industry in the long term. This is not a time to limit (unclear) oils, and a hard floor will also cause a problem for the small producers. He said he knows that some investment decisions by the oil industry were on the structure of SB 21, and it will be difficult to attract investments if the state does not honor those provisions. Alaska is not going to be competitive with the world unless it has a stable environment.

[7:01:39 PM](#)

HARI DEV SINGH KHALSA, representing himself, Juneau, said the last time he worked for an oil company was during [the construction of] the pipeline. Alaska has the lowest oil taxes of any first world country. The oil companies made \$114 billion in profit last year. He said he does not understand why Alaska needs to give them money as corporate welfare—it boggles his mind that the permanent fund dividend goes to them, and the dividend will slowly shrink back to nothing, and then all the oil resources will be gone.

[7:02:49 PM](#)

ABIGAIL ST. CLAIR, representing herself, Wasilla, said she opposes HB 111 because Alaskans cannot afford it. The state is in a recession. There are parts of the budget where the state can be more resourceful. The legislature has changed the state's production tax twice since 2013, and it is attempting to toss the voter-approved SB 21. There is no reason to make unnecessary cuts, "just because you have a spending problem." She said the state has thousands of paid unfilled positions, and she asked why the legislature is giving that money to the departments. She does not believe in micromanaging, but she believes in spending money wisely and wants to stop the cycle of waste. She said HB 111 will weaken the ability to attract new prospects or increase production.

[7:04:14 PM](#)

JESSICA WORTHINGTON, representing herself, Anchorage, said she is a wife and mother. House Bill 111 will have an adverse impact on the Alaska economy and encourage responsible citizens to leave Alaska. Uncertainty discourages economic development for everyone in the state.

[7:04:51 PM](#)

LAUREN MOSS, representing herself, Soldotna, said she is retired and on a fixed income. She said she is in favor of HB 111. It is

time for all participants in Alaska's economy to pitch in their fair share, and the corporate involvement in this state has never really come to its full potential in contributing to the base economy of Alaska, even when oil was at a very high price, the taxes paid was never sufficient. She said she is not an expert, but she hesitates to pay an income tax until she knows that the corporations that have benefited to the tune of billions of dollars from this state's resources are ready to pay their fair share. They have benefited much more than any single citizen of Alaska from the extraction of Alaska's resources. It is time for them to step up so this state does not suffer declines in education, public safety, public service, and infrastructure. The damage of SB 26 needs to be repaired, and HB 111 is a step in the right direction.

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CHAIR GIESSEL closed public testimony and held HB 111 in committee.

[7:07:42 PM](#)

There being no further business to come before the committee, Chair Giessel adjourned the Senate Resources Committee at 7:07 p.m.