

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

February 9, 2022

1:09 p.m.

MEMBERS PRESENT

Representative Josiah Patkotak, Chair
Representative Grier Hopkins, Vice Chair
Representative Zack Fields
Representative Calvin Schrage
Representative Sara Hannan
Representative George Rauscher
Representative Mike Cronk
Representative Ronald Gillham
Representative Tom McKay

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 287

"An Act making an appropriation for oil and gas tax credits; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 287

SHORT TITLE: A: OIL & GAS TAX CREDIT FUND APPROP.

SPONSOR(S): REPRESENTATIVE(S) RAUSCHER

01/21/22	(H)	READ THE FIRST TIME - REFERRALS
01/21/22	(H)	RES, FIN
02/09/22	(H)	RES AT 1:00 PM BARNES 124

WITNESS REGISTER

RYAN MCKEE, Staff
Representative George Rauscher
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Rauscher, prime sponsor of HB 287, presented a sectional analysis of the bill.

KARA MORIARTY, President/CEO
Alaska Oil and Gas Association
Anchorage, Alaska

POSITION STATEMENT: Provided invited testimony in support of HB 287.

CONOR BELL, Fiscal Analyst
Legislative Finance Division
Legislative Agencies and Offices
Juneau, Alaska

POSITION STATEMENT: During the hearing on HB 287, provided invited testimony on the technical aspects of the bill.

COLLEEN GLOVER, Director
Tax Division
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: During the hearing on HB 287, answered questions.

BENJAMIN JOHNSON, President/CEO
BlueCrest Energy, Inc.
Dallas, Texas

POSITION STATEMENT: Testified in support of HB 287.

TOM WALSH, Managing Partner
Petrotechnical Resources of Alaska
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 287.

REBECCA LOGAN, CEO
Alaska Support Industry Alliance
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 287.

ED MARTIN, JR.
Kenai, Alaska

POSITION STATEMENT: Testified in support of HB 287.

JOHN HENDRIX, President & CEO
Furie Operating Alaska, LLC
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 287.

ACTION NARRATIVE

[1:09:52 PM](#)

CHAIR JOSIAH PATKOTAK called the House Resources Standing Committee meeting to order at 1:09 p.m. Representatives McKay, Cronk, Rauscher, Hannan, Gillham, Schrage, and Patkotak were present at the call to order. Representatives Fields and Hopkins arrived as the meeting was in progress.

HB 287-A: OIL & GAS TAX CREDIT FUND APPROP.

[1:10:23 PM](#)

CHAIR PATKOTAK announced that the only order of business would be HOUSE BILL NO. 287, "An Act making an appropriation for oil and gas tax credits; and providing for an effective date."

[1:11:15 PM](#)

REPRESENTATIVE RAUSCHER, as prime sponsor, introduced HB 287. He explained that HB 287 provides \$60 million dollars still owed to certain companies for oil tax credit that was overlooked in the 2022 state budget. An oversight by legislators occurred in 2021 while trying to decide the proper funding source for the oil tax credit amount of \$60 million, and HB 287 provides that funding from the undesignated general fund. Hundreds of millions of dollars are still owed certain companies in Alaska for their portion of these oil tax credits. The state has an agreement to repay them by making annual installments from the budget. Paying what is owed to the state's business partners by statute will protect the state's credit rating and put confidence back into the state's investors. Last year the state was \$60 million short of that requirement and by rights is behind in its payment; this bill reverses that by paying the overdue note.

[1:13:37 PM](#)

RYAN MCKEE, Staff, Representative Rauscher, Alaska State Legislature, on behalf of Representative Rauscher, prime sponsor of HB 287, provided a sectional analysis of the bill. He explained that Section 1 appropriates \$60 million from the general fund to the oil and gas tax credit fund (AS 43.55.028). Section 2 specifies that the appropriation made in Section 1 is for the capitalization of a fund and does not lapse. Section 3 provides that this act takes effect immediately under AS 01.10.070(c).

1:15:14 PM

REPRESENTATIVE CRONK inquired about success stories that have come from these tax credits.

CHAIR PATKOTAK stated that an answer could be provided after public testimony.

1:15:40 PM

REPRESENTATIVE HANNAN referenced "sweeps" and asked whether information is available from Legislative Legal Services or the Department of Law (DOL) regarding line 7 which states that the fund does not lapse.

REPRESENTATIVE RAUSCHER deferred to state agency representatives to provide an answer.

CHAIR PATKOTAK suggested the answer be provided during invited testimony.

1:17:02 PM

REPRESENTATIVE PATKOTAK announced the committee would hear invited testimony on HB 287.

1:17:30 PM

KARA MORIARTY, President/CEO, Alaska Oil and Gas Association (AOGA), provided invited testimony in support of HB 287. She stated that AOGA is the professional trade association for the oil and gas industry, representing most of the companies exploring, producing, refining, and transporting in Alaska. An AOGA priority is to maintain fiscal stability and consistency, which includes a long-term solution for the payment of over \$600 million in outstanding liability for the refundable tax credit program, sometimes called cashable credits, a program that has ended but the payments remain.

MS. MORIARTY recounted that the legislature created the oil and gas tax credit program over a decade ago to incentivize and encourage small producers with less than 50,000 barrels per day of production to come to Alaska and explore. Companies like ExxonMobil, ConocoPhillips, and BP were never eligible and never received any of these cashable credits, and they would not receive any of the \$60 million appropriation in HB 287. Originally the credits were not cashable, but the legislature

allowed for direct cash payments after the program started. Numerous small companies came to Alaska and other existing small companies and refineries invested money in exploration projects, production enhancements, and refinery upgrades and expansions. The state also benefitted because, to ensure that the credit would be approved, the companies had to provide proprietary data that they would not normally provide to the state. However, companies have yet to be fully paid.

MS. MORIARTY further recounted that when the credit program was no longer feasible due to the state's fiscal position several years ago, all these cashable credits, which were investment-based production tax credits for the North Slope and Cook Inlet, were completely phased out with the passage of House Bill 247 in 2016 and House Bill 111 in 2017. The gas storage facility and refinery credits have also now sunset. This means the state no longer offers refundable or cashable oil and gas tax credits.

MS. MORIARTY related that nearly half of AOGA's membership is impacted by this outstanding liability. These include Petro Star, an in-state refinery and wholly owned subsidiary of Arctic Slope Regional Corporation; explorers like Repsol, which has a 49 percent stake in the Pikka Project; and small producers like BlueCrest Energy, Eni, Furie-Hex, and Glacier Oil and Gas. They all earned these credits by investing in Alaska to explore and hopefully develop resources under the letter of the law.

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MS. MORIARTY said today's question is not whether the state should have offered this oil and gas tax credit program. Rather, today's question with HB 287 is, "Should the state pay the minimum statutory payment as outlined in AS 43.55.028 for the credit they have already earned?" Statewide, hundreds of millions of barrels of oil and trillions of cubic feet of natural gas sit in the ground waiting to be developed by many of the very same companies that were influenced to invest in Alaska by the state's credit programs. Even strictly Alaska focused companies rely on owners and investors from all over the world. While prices are higher today than a year ago, the industry has not fully recovered from the pandemic. There are currently 30 percent less workers in Alaska than in September 2019, the highest percentage of any industry in the state. Competition for capital has never been greater and payment for the pending cashable credits is a key consideration for some companies evaluating their current and future investments in Alaska compared with investment opportunities elsewhere.

MS. MORIARTY recounted that in 2018 the legislature attempted to pay down this outstanding debt by passing House Bill 331, a subject-to-appropriation bond program. However, in September 2020 the Alaska Supreme Court found this program unconstitutional. While the state waited for the court to decide the fate of the bonding program, there was zero funding for these credits during fiscal years 2020 and 2021. In fiscal year 2022 (FY 22) the legislature funded a portion of the minimum payment, and HB 287 would fund the remaining portion for the current fiscal year. The governor has included the minimum statutory payment in his proposed budget for FY 23, which the legislature will vote on later this session.

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MS. MORIARTY said AOGA recognizes the structural fiscal challenges faced by the State of Alaska. Therefore, AOGA is not advocating for a full immediate payout of the more than \$600 million for the credits, nor is AOGA advocating for the program to return. Also, AOGA does not support any notion to tax others to cover this tab. What AOGA does support is that the state fund the minimum statutory payment and HB 287 would true-up this fiscal year to the statutory minimum amount. Providing funding for this statutory minimum payment is very important as it would send a message to investors, producing companies, explorers, refineries, and financial institutions that Alaska has a stable and attractive business environment and is a trusted partner.

[1:25:57 PM](#)

CONOR BELL, Fiscal Analyst, Legislative Finance Division, Legislative Agencies and Offices, provided invited testimony on the technical aspects of HB 287. He stated that the ability to cash out these credits was phased out in 2016 and 2017 and that large producers are ineligible, although for large producers the credits are transferable. If a smaller producer has cashable tax credits but is unable to use them in its own production tax payments, the small producer can sell those credits to a major producer that can then apply them against its tax liability. The Department of Revenue (DOR) estimates that there will be \$587 million remaining in cashable tax credits at the end of FY 22. That could change depending on if major producers have a large tax liability and decide it is worthwhile to purchase credits from smaller producers that they can then use against their own tax liability.

MR. BELL, regarding the appropriation, related that historically 10-15 percent of the amount of production taxes levied has been appropriated. The percentage is based on the production tax calculation before factoring in credits, he explained, so it is an amount larger than looking at the total production tax revenue forecasted and dividing by 10. It is 10 percent when oil prices are forecasted to be above \$60 per barrel and 15 percent when oil prices are forecasted to be below \$60 per barrel. Statute doesn't specify, but DOR typically uses the spring forecast. Also, instead of basing the appropriation on the actual revenue in a fiscal year, the division bases the appropriation on the spring projection in DOR's forecast. There is some ambiguity in the statute as to how to interpret both of those things, and there is ambiguity as to whether the appropriation should be made on the gross before taking out credits or should be made after credits, but [the Legislative Finance Division] uses the interpretation the Department of Revenue applies and that is what is being spoken to here. Based on DOR's forecasted oil price and production, DOR's forecast of production tax credits was \$114 million. Originally, \$114 million was in the FY 22 budget, with \$60 million of that coming from the constitutional budget reserve (CBR). Since the CBR vote was not achieved, the \$54 million from the general fund was distributed into the oil and gas tax credit fund, and the \$60 million was not appropriated. So, HB 287 would make up that \$60 million to get to that \$114 million forecasted in DOR's spring forecast.

MR. BELL, regarding Representative Hannan's question, said he doesn't foresee [sweeps] being an issue here since these appropriations will be made to the oil and gas tax credit fund and distributed to producers and companies before the end of the fiscal year. By the end of the year the balance would be zero again, so no sweep would occur.

[1:31:24 PM](#)

REPRESENTATIVE HANNAN sought to understand the mechanics. She asked whether the oil and gas tax credit fund must be capitalized annually for any tax credits to be paid out.

MR. BELL replied that he isn't sure if it is required, but historically it has. He explained that a complicated set of factors determines who gets paid first, but since there are plenty of firms waiting for that money, there would be no issue in distributing that money before the end of the fiscal year.

[1:32:18 PM](#)

REPRESENTATIVE HANNAN addressed the terms "capitalization" and "does not lapse" [in Section 2 of the bill] and asked whether this is an unusual way to do an appropriation. She said she does not dispute that the state owes tax credits, but she is questioning the mechanism of this payment. She offered her understanding that a bill cannot be passed which binds a future legislature but noted that HB 287 would establish a one-time appropriation and speaks about it not lapsing.

REPRESENTATIVE RAUSCHER responded that he would speak with the drafters at Legislative Legal Services and provide the committee with an answer for why the language is drafted this way.

[1:33:46 PM](#)

REPRESENTATIVE CRONK requested that Ms. Moriarty share some success stories from the tax credit.

MS. MORIARTY answered that there are many success stories. She said there are companies that came to Alaska that were eligible for the credits, such as Hilcorp. Hilcorp was eligible for the credits because its production at the time was under 50,000 barrels a day while it was solely in Cook Inlet. Hilcorp was successful and purchased some assets on the North Slope prior to purchasing Prudhoe Bay. Once Hilcorp purchased those assets it was no longer qualified for cashable credits.

[1:35:19 PM](#)

REPRESENTATIVE FIELDS asked whether he is correct in recalling that the legislature voted to appropriate funds but didn't have enough votes for a super majority to appropriate the funds from the CBR.

MR. BELL confirmed that is correct. He said \$54 million was appropriated from the general fund and \$60 million would have been appropriated from the constitutional budget reserve, but there was no draw from the CBR.

REPRESENTATIVE FIELDS noted that Representative Wool has a bill to backfill other programs that were swept, which relates to the same failure to achieve a super majority. He asked that HB 287 be contextualized with Representative Wool's bill.

MR. BELL responded that he cannot speak to Representative Wool's bill offhand, but he will investigate that and get back to the committee with an answer.

REPRESENTATIVE FIELDS expressed his frustration, as he voted to fund these. Every year, he opined, the administration has tried to leverage legislators' votes on the budget as a way of achieving an overdraw of the permanent fund for which the administration does not have the votes. When there aren't the votes for an overdraw, then here things are. It is frustrating for industry and many other programs.

[1:37:10 PM](#)

REPRESENTATIVE RAUSCHER offered his understanding that many companies that had credits coming to them had to sell their interest for pennies on the dollar, and some of those companies no longer exist for a variety of reasons, including this.

MS. MORIARTY confirmed that some companies which had qualified for and generated a lot of credits have left Alaska, Caelus Energy being one. Caelus sold its only asset, the Ooguruk [offshore oil field in the Beaufort Sea], and Caelus was a major lease holder as well. Caelus is no longer in Alaska partly because it was not getting paid on a consistent basis. Other companies that are still in Alaska have had to either sell their credits for much less value or refinance their loans for a much higher interest rate. Some contractors were also impacted when companies didn't have the ability to pay their bills. So, there have been good stories as well as challenging stories.

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REPRESENTATIVE HANNAN asked whether a company must be actively in business in Alaska to receive the tax credits that it is owed. For example, whether a company would still be eligible to receive the tax credits that it is owed if it didn't sell its credits and didn't go bankrupt but is no longer in Alaska.

MS. MORIARTY offered her understanding that many of the companies which are no longer in Alaska sold their assets to somebody else, who now holds that tax credit certificate. She deferred to Ms. Colleen Glover to confirm whether her understanding is correct.

[1:40:24 PM](#)

REPRESENTATIVE HANNAN offered her understanding that the credit is with the lease, so if a company no longer holds the lease, it can no longer get the credit, so it is the same as selling off the asset in some other way.

MS. MORIARTY answered "potentially," but qualified that she is only speaking to those examples that she is aware of. She deferred to Ms. Glover for further clarification.

[1:41:03 PM](#)

COLLEEN GLOVER, Director, Tax Division, Department of Revenue (DOR), specified that there are tax credits and then there is the cash provision, which is limited to small producers or explorers. They are transferable to other entities and those entities don't have to be major oil producers, they can be transferred to any oil and gas production taxpayer that has a tax liability. So, they can be sold and used by another oil and gas production taxpayer.

MS. GLOVER explained that as far as the tax credit, there are some limitations when a company changes or leases change. If the company fails, much of it is based on tax identification and how the company is structured, so it depends on what the business transaction is. If a company goes out of business and sells things, sometimes those credits go with the new company, but there are many factors in play, not just one. It is situational, and there are some instances wherein interests in leases can be sold to somebody else and those tax credits don't go with that lease interest. The entity can transfer the tax credit to the new lessee, but the new lessee doesn't qualify for cash.

MS. GLOVER addressed the question of whether it must be a business in Alaska. She stated that if [an entity] is still a business and received tax credit while doing business in Alaska, that entity can still qualify for the cash if it is still entitled to it, even if the entity has left Alaska.

[1:43:36 PM](#)

REPRESENTATIVE HANNAN requested a breakdown of how much is owed in cashable credits versus tax credits.

MS. GLOVER replied that by law [DOR] must issue an annual report of who got cash disbursements. A report was issued yesterday and is available on DOR's website; it shows who received the \$54

million that was disbursed late last year. The report also shows that \$565 million is the balance remaining as of the end of last year.

REPRESENTATIVE HANNAN asked whether the \$565 million is owed in cash credits versus the tax credit.

MS. GLOVER responded that [the \$565 million] is the tax credits that are eligible for cash. She explained that the \$565 million figure is dynamic in that someone wanting to transfer or sell their tax credits can do that at any time and then withdraw their application for cash. Also, the certificate holder can use it against their own tax liability.

[1:45:38 PM](#)

MS. GLOVER addressed the oil and gas tax credit fund. She said the money that goes into the oil and gas tax credit fund remains in the fund. Sometimes there are small balances and then the fund can earn interest that can be used for disbursement. It is difficult to do a distribution that equals exactly \$50 million to the penny when disbursing to 20 plus people. So, sometimes it will be rounded up if there is enough money or rounded down. For example, the actual disbursement was \$54,197,896 because there were some other monies in the fund.

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REPRESENTATIVE HANNAN explained she wants to ensure that this legislation is constructed in a way that achieves its goal. She asked whether the oil and gas tax credit fund is subject to a sweep or has ever been subject to a sweep and, if not, whether the bill's phrase "does not lapse" suffices to keep it from being a "sweepable" fund.

MS. GLOVER qualified she is not a budget expert and cannot talk about sweeping and lapsing. However, she said, based on her own history over the past five years it has not been swept. The oil and gas tax credit fund is within the tax statute, it is appropriated into the fund, it is only used to disburse money on these tax credits, and it can earn money as well.

MR. BELL stated that Ms. Glover's clarification is helpful because he was unaware of the small balances that may be carried forward. He said he does not know if the oil and gas tax credit fund can be swept and will research it and get an answer back to the committee.

REPRESENTATIVE FIELDS offered his appreciation for the line of questions from Representative Hannan. He said his interest is in fulfilling an obligation as well as in preventing cascading problems from the lack of a sweep, and that he doesn't want this program or other programs to face uncertainty and instability.

[1:48:59 PM](#)

MS. MORIARTY addressed Representative Hannan's question on whether these credits could be going to companies no longer in Alaska. She said the answer is yes. But, she continued, even if a company is no longer in Alaska, under the credit program a company had to spend money in Alaska first, then apply for the credit, and then get paid the credit.

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REPRESENTATIVE FIELDS asked whether it is accurate to tell constituents that when the State of Alaska is paying out these tax credits, it is following resource development or exploration activity in Alaska only; it is not a random payment to a bank.

MS. GLOVER suggested that constituents be directed to DOR's website to look at the oil and gas production report, which is public, and which shows the entities that received money and how much money they received. It is local companies primarily. She said she can attest to whom the money is given but she cannot attest to what these companies do with the money once it is received. Some companies may have loans against the credit, so they could be assigned to a financial institution because the company borrowed against these credits; but in that case, it is still an obligation that these companies owed the money.

REPRESENTATIVE FIELDS remarked that the payment follows the investment.

[1:52:09 PM](#)

REPRESENTATIVE HANNAN clarified she was not asserting that the state shouldn't be paying tax credits owed if a company was no longer in Alaska. Rather, she was asking whether there is a requirement that a company must still be doing business in Alaska.

[1:53:00 PM](#)

REPRESENTATIVE MCKAY said he senses that the committee is generally supportive of HB 287. He related that he retired from ConocoPhillips in 2015 and his first project after that was for the Native corporation Ahtna, Incorporated. Ahtna drilled an exploratory gas well at Tolsona at a cost of about \$25 million, which was a dry hole, and which shows the risk involved with drilling oil and gas wells. He next worked for BlueCrest which drilled several oil and gas wells from the beach at Anchor Point that are still producing. That oil is being sold and refined in Alaska and the natural gas is heating homes in the Anchorage area. This program helped him and many others, he added, and these credits need to be paid because investment needs to be attracted to Alaska.

[1:55:57 PM](#)

REPRESENTATIVE RAUSCHER said he appreciates the committee's questions and looks forward to the public testimony.

[1:56:15 PM](#)

REPRESENTATIVE PATKOTAK opened public testimony on HB 287.

[1:57:06 PM](#)

BENJAMIN JOHNSON, President/CEO, BlueCrest Energy, Inc., specified that BlueCrest is a Cook Inlet developer in the Cosmopolitan Unit. He encouraged committee members to look forward at the positive benefits of honoring prior commitments and bringing new investments into Alaska. He related that he grew up in Kenai and has worked in the industry in Alaska and around the country. BlueCrest was formed in 2012 to invest in Alaska, and a major factor of that was Alaska's tax credit program. After joining with some individual investors, a discovery was made in 2013 in a huge new gas field and oil zone in Cosmopolitan. Discovery, however, was just the start and now BlueCrest must develop and produce it. Based on the laws that were in effect at the time, BlueCrest's development budget relied on the state bridge share of the investments under the tax credit program. Upon starting and investing over \$300 million, with the state owing BlueCrest about \$100 million in tax credits at the time, the law was changed to stop the program and the state also stopped paying the credits already earned.

MR. JOHNSON explained that BlueCrest's investors continued as much as they could, but BlueCrest has been unable to raise new investment now for several years. Development of BlueCrest's

large oil field has just started and the huge, proved gas field is completely undeveloped. All this oil and gas would be used by Alaska residents, none of it would be exported, and future state royalties alone would likely be over \$500 million. BlueCrest has talked with every major investment bank and large private equity group in the world, but it is afraid to invest in Alaska. By starting to honor the statutory tax credit payments, Alaska can have a tremendous future ahead. Making this payment under HB 287 would bring last year's payments up to the statutory minimum and would be a great start.

[1:59:34 PM](#)

TOM WALSH, Managing Partner, Petrotechnical Resources of Alaska (PRA), noted that PRA is a 25-year-old integrated oil and gas consulting company that works for most everyone involved in the energy industry in Alaska. He stated that PRA has clients who earned these cashable credits in the past, and these credits have helped tremendously in discovering and developing new gas and oil opportunities. Many of these companies and PRA clients have been harmed by the delay in receiving payments and some have gone bankrupt. In addition to those who are directly impacted, the trickledown has been significant, including lost revenue to PRA because some of these companies have been unable to pay for PRA's consulting services.

MR. WALSH stated that the ability to finance projects has been impacted. He related that PRA has done due diligence projects for some investors in Alaska and they are clearly concerned about the state not appropriating funds to pay these past credits, which damages [the state's] credibility. It is time to clean that up, and HB 287 is a critical piece of business for the state. He offered his appreciation to Representative Rauscher for putting forth HB 287.

[2:02:39 PM](#)

REBECCA LOGAN, CEO, Alaska Support Industry Alliance, noted that the alliance is a 43-year-old trade association whose members provide support to the companies doing the exploration, development, and production of Alaska's resources. She thanked the sponsor for bringing forward HB 287. She addressed the impact of nonpayment on investment and on other companies. She pointed out that when the tax credits were first vetoed in 2015, it wasn't just the companies that weren't paid, it was also many small businesses in Alaska, including the contractors that the alliance represents. Some alliance members received a delayed

payment, some received a greatly reduced payment, and some have received no payment, all of which are a tough thing for a small contractor. One aspect of this is that contractors in Alaska have been unwilling to invest capital that keeps their businesses going and thriving so that when there is increased activity, they are ready to take that on. Paying these credits and getting back on a regular payment schedule will do a lot to increase the confidence in Alaska's businesses to support the industry.

[2:04:21 PM](#)

ED MARTIN, JR., stated he is a 56-year resident of Alaska who worked on the Alaska pipeline when he was 19 years old. He expressed his frustration with the legislature for failing to honor the contracts into which it has entered. This statutory law was created by the legislature and should be honored. These credits should be paid because it affects many families within the state and because these companies came to Alaska to invest, explore, and take the risk. He urged that HB 287 be passed.

[2:06:44 PM](#)

JOHN HENDRIX, President & CEO, Furie Operating Alaska, LLC, noted that he started on the North Slope in 1980 as a newly graduated engineer, and he has worked on six continents in oil and gas but is a resident of Alaska. He stated that HB 287 is a step in the right direction to regain Alaska's reputation and to regain trust in the state. He pointed out that the state not paying tax credits was a major factor in the past owners of Furie being forced out by creditors and they are who he bought the company from. These are major investors whom he must still deal with today and they are due the credits.

MR. HENDRIX noted that since 2020 Furie is the only 100 percent Alaska-family-owned oil and gas company in the state. Furie employs Alaskans and is up 800 percent in Alaska hire in less than two years and wants to continue this. All of Furie's gas serves Alaskans at prices at the home comparable to Texas and less than Mississippi. To rebuild this company, he must be able to attract money. He has a good stake in the Cook Inlet, but he must bring money in, and it is very difficult. The State of Alaska's reputation is one that everyone bears, and it hurts Furie because tax credits is the big one.

MR. HENDRIX pointed out that Furie must pay royalties at 25 percent off the top. The talk is always about taxes, he said,

but the state makes a lot of money from royalties. He further stated that Furie pays unjust property tax of four times what the IRS enterprise value is on his company. It must be remembered that 10-15 percent of those taxes that oil and gas companies pay were designated by statute to pay this bill. When oil is over \$60/barrel, 10 percent goes into the fund to pay this, and when oil is under \$60/barrel, it is 15 percent. The problem now is that [the state is] working in arrears and having to make all these different allocations.

MR. HENDRIX stated that Alaska must honor her obligation and pay the remaining 53 percent like HB 287 designates, and for future years. If not, Alaska's reputation [will scare away] investors for years to come, which will hurt more than just oil and gas companies. He needs to raise capital to pay for his future work and to employ Alaskans. If he raises capital he has jobs and pays increased royalties and taxes to the state, but first legislators must fix the state's reputation. He urged the committee to support HB 287.

[2:10:53 PM](#)

REPRESENTATIVE PATKOTAK ascertained that no one else wished to testify and closed public testimony on HB 287.

[2:11:11 PM](#)

REPRESENTATIVE HANNAN asked whether HB 287 is a one-year appropriation.

REPRESENTATIVE RAUSCHER replied that HB 287 provides a one-time payment. He stated that he would accept clarifying amendments to the bill's language, but he would like any amendments to be prepared by the drafters at Legislative Legal Services to prevent any problems going forward.

[2:12:14 PM](#)

REPRESENTATIVE SCHRAGE clarified that this is coming from the general fund, not the earnings reserve.

[2:12:36 PM](#)

MS. GLOVER specified that the lapsing language for this fund can be found in AS 43.55.028(f), which states that money in the oil and gas tax credit fund remaining at the end of a fiscal year

does not lapse and remains available for expenditure in successive fiscal years.

[2:13:28 PM](#)

REPRESENTATIVE SCHRAGE stated that it still needs to be clarified whether the lapse is different from the sweep.

REPRESENTATIVE PATKOTAK said he looks forward to working with the sponsor to get this and other information that has been requested today.

[2:14:26 PM](#)

REPRESENTATIVE PATKOTAK announced that HB 287 was held over.

[2:15:15 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:15 p.m.