

**ALASKA STATE LEGISLATURE**  
**SENATE RESOURCES STANDING COMMITTEE**

March 3, 2025

3:30 p.m.

**MEMBERS PRESENT**

Senator Cathy Giessel, Chair  
Senator Bill Wielechowski, Vice Chair  
Senator Matt Claman  
Senator Forrest Dunbar  
Senator Scott Kawasaki  
Senator Shelley Hughes  
Senator Robert Myers

**MEMBERS ABSENT**

All members present

**OTHER LEGISLATORS PRESENT**

Senator Kelly Merrick  
Representative Robyn Niayuq Burke  
Representative Jeremy Bynum  
Representative Julie Coulombe

**COMMITTEE CALENDAR**

CONFIRMATION HEARING(S)

- HEARD

SENATE BILL NO. 92

"An Act establishing an income tax on certain entities producing or transporting oil or gas in the state; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 92

SHORT TITLE: CORP. INCOME TAX; OIL & GAS ENTITIES

SPONSOR(S): SENATOR(S) YUNDT

02/10/25 (S) READ THE FIRST TIME - REFERRALS

02/10/25 (S) RES, FIN  
02/19/25 (S) RES AT 3:30 PM BUTROVICH 205  
02/19/25 (S) Heard & Held  
02/19/25 (S) MINUTE (RES)  
03/03/25 (S) RES AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

JESSIE CHMIELOWSKI, Appointee  
Alaska Oil and Gas Conservation Commission (AOGCC)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified as the appointee for Alaska Oil and Gas Conservation Commission.

SENATOR ROBERT YUNDT, District N  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Sponsor of SB 92.

KARA MORIARTY, President  
Alaska Oil and Gas Association (AOGA)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to SB 92.

MICHAEL WILLIAMS, Corporate Tax Manager  
Tax Division  
Department of Revenue (DOR)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions on SB 92.

JERRY WEBRE, President  
Little Red Services  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to SB 92.

LESTER BLACK, Incoming President  
Alaska Support Industry Alliance  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to SB 92.

KELLY DROOP, Regional Manager  
Pape Kenworth  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to SB 92.

KATIE CAPOZZI, President  
Alaska Chamber of Commerce

Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to SB 92.

LEILA KIMBRELL, Executive Director  
Resource Development Counsel for Alaska  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to SB 92.

THOMAS WALSH, Managing Partner  
Petrotechnical Resources of Alaska, LLC (PRA)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to SB 92.

CAROLINE STORM, Executive Director  
Coalition for Education Equity  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 92.

#### **ACTION NARRATIVE**

[3:30:44 PM](#)

CHAIR GIESSEL called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Myers, Dunbar, Kawasaki Claman, Wielechowski, Hughes and Chair Giessel.

#### **CONFIRMATION HEARING(S)**

#### **COMMISSIONER, ALASKA OIL AND GAS CONSERVATION COMMISSION**

[3:31:39 PM](#)

CHAIR GIESSEL announced the confirmation hearing of the Alaska Oil and Gas Conservation Commission (AOGCC) appointee Jessie L. Chmielowski.

[3:32:09 PM](#)

CHAIR GIESSEL reviewed AS 31.05.009 describing the qualifications for members of the AOGCC.

[Original punctuation provided.]

**Sec. 31.05.009. Qualifications of members.** Members shall be qualified as follows:

- (1) one member shall be a petroleum engineer who
  - (A) holds a certificate of registration as an engineer under

AS 08.48 and, under regulations adopted to implement that chapter, has qualified as a petroleum engineer; or

(B) has earned a degree from a university in the field of engineering and has at least 10 years of professional subsurface experience in the oil and gas industry in drilling, well operations, production process operations, reservoir engineering, or a combination thereof; for the purposes of this subparagraph, a person meets the requirement of earning a degree in the field of engineering if the person obtains an undergraduate or graduate degree in engineering that meets the requirements for program accreditation by the Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology and the person completes university or industry training specific to petroleum engineering that illustrates application of engineering principles to the problems encountered and methods used in the petroleum industry, including drilling, production, reservoir engineering, fluid flow through subsurface formations, and hydrocarbon transportation;

(2) one member shall be a geologist who

(A) holds a certification as a professional geologist under AS 08.02.011 and has professional experience in the field of petroleum geology; or

(B) has earned a degree in the field of geology from a university accredited in the field of geology and has a minimum of 10 years professional experience in the field of petroleum geology; and

(3) one member who **shall have training or experience that gives the person a fundamental understanding of the oil and gas industry in the state** [NEED NOT BE CERTIFIED, TRAINED, OR EXPERIENCED IN EITHER THE FIELD OF PETROLEUM ENGINEERING OR THE FIELD OF PETROLEUM GEOLOGY].

[3:33:12 PM](#)

CHAIR GIESSEL noted that Ms. Chmielowski was a re-appointment to the position.

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JESSIE CHMIELOWSKI, Appointee, Alaska Oil and Gas Conservation Commission (AOGCC), Anchorage, Alaska, testified as the Commission-Designee for Alaska Oil and Gas Conservation Commission. She served on the commission for six years and said

it would be an honor to continue to serve the AOGCC's mission to safeguard Alaska's oil, gas, and geothermal resources. She said she led the team in securing federal grants, establishing Alaska's first orphan well plugging and abandonment program, which has received \$50 million in grants with an additional \$43 million potentially available. The funding will be used to plug nine wells in the southcentral region this year and to ensure all orphan wells are remediated. She also prioritized advancing carbon capture, use, and storage (CCUS) initiatives and was working to gain primacy for Class VI wells from the EPA, having submitted a draft regulation package to the Department of Law and the EPA.

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MS. CHMIELOWSKI highlighted her experience in resource development, particularly in overseeing public hearings, drafting rules, and issuing orders for significant oil fields. She noted key achievements such as orders for Santos' Pikka field and ConocoPhillips' Coyote and Minke fields, and her role in addressing ConocoPhillips' [2022] CD1 gas release. Additionally, she represented Alaska on the national level with the Interstate Oil and Gas Compact Commission (IOGCC), securing federal funding for orphan wells and serving on the steering committee. She stated her strong commitment to Alaska, emphasizing the value of continuity and her desire to sustain the state's natural resources for future generations.

[3:36:45 PM](#)

SENATOR DUNBAR asked whether there were concerns about the availability of federal funds for abandoned wells. He noted that funding had been paused.

[3:37:22 PM](#)

MS. CHMIELOWSKI affirmed the temporary pause on funding. She said states were able to withdraw funds for well plugging and abandonment as of a week prior with IOGCC approval. She noted that the Secretary of the Interior was a former chair of the IOGCC and was familiar with and supportive of the well plugging and abandonment program.

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SENATOR MYERS asked Ms. Chmielowski to describe her professional philosophy toward regulating oil and gas on the spectrum between following the letter of the law and protecting people, the resource and the environment without going beyond that protection.

[3:38:23 PM](#)

MS. CHMIELOWSKI said her philosophy was pro-responsible development following good oil field practices and state regulations. She said [AOGCC] decisions were based on engineering, geology and the law to address and adapt to new circumstances as they arose; to protect Alaska's resources for the long term.

[3:38:52 PM](#)

SENATOR MYERS posed a hypothetical in which a law wasn't effectively providing protection and was impeding operations. He asked whether Ms. Chmielowski would be willing to recommend modifications to or removal of statutes or regulations.

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MS. CHMIELOWSKI said there was a frequently used process to grant variances or waivers to regulations. She said a variance may be enacted to meet the intention of a regulation with an outcome that is equal to or better than that required. She said a waiver of regulations may be employed with good technical justification which would allow something to proceed even though it does not satisfy the letter of the law.

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SENATOR MYERS suggested that a company might violate the letter of the law, but not endanger the resource, personnel or the environment. He asked whether AOGCC would consider those factors when determining a potential penalty for the company.

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MS. CHMIELOWSKI said it would. She said AOGCC generally worked with operators on the front end to plan and prevent violations. She said there were nine criteria AOGCC employed for enforcement decisions, including environmental impact and gains to the company resulting from the violation. She said [AOGCC might issue] a violation rather than a financial penalty.

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SENATOR KAWASAKI asked how frequently AOGCC employed variances or waivers and whether she knew what the commissions [variance and waiver] record was since she was appointed.

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MS. CHMIELOWSKI said the records of decisions and actions [by AOGCC] could be provided to the committee. She said AOGCC preferred to work with operators on the front-end to prevent violations and help operators be successful. She emphasized

however that when operators fail to follow approved programs, AOGCC must follow up, especially in the case of safety issues. She noted a significant event that occurred during her tenure: the [ConocoPhillips] CD1 gas release which resulted in a large AOGCC investigation, a hearing and a public process. She said a significant penalty of over a million dollars resulted.

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SENATOR WIELECHOWSKI asked whether there was currently a vacancy on the commission.

[3:43:00 PM](#)

MS. CHMIELOWSKI said the public commissioner position was currently vacant. She said the AOGCC operated on a quorum of two.

[3:43:14 PM](#)

SENATOR WIELECHOWSKI asked how long the position had been vacant.

[3:43:19 PM](#)

MS. CHMIELOWSKI said the position was vacated in July 2024.

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SENATOR WIELECHOWSKI noted that the position had been vacant for eight or nine months and opined that it was a long time.

[3:43:33 PM](#)

MS. CHMIELOWSKI said during her tenure there had been at least two times that the public commissioner position had been vacant for 6 months.

[3:43:45 PM](#)

SENATOR WIELECHOWSKI asked for the purpose of the AOGCC public commissioner.

[3:43:59 PM](#)

MS. CHMIELOWSKI said the position was required by statute and she surmised the intent was to represent the public in general rather than engineering or geology perspectives. She said the commissioners all consider the public process and protecting the public interest to be a critical role of the AOGCC. She noted that a third commissioner would be required in the case of a split opinion between the two commissioners in place.

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SENATOR WIELECHOWSKI said it seemed like a long time to have the position representing the public remain vacant. He asked the appointee to define the mission of the AOGCC.

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MS. CHMIELOWSKI said the major goals of AOGCC were to:

- encourage greater recovery of hydrocarbons
- prevent the waste of hydrocarbons
- protect the rights of the owners of hydrocarbon resources
- protect fresh groundwater sources
- protect human health and safety during well operations

[3:45:10 PM](#)

SENATOR WIELECHOWSKI noted that one of AOGCCs goals was to prevent waste. He asked whether Ms. Chmielowski was familiar with a 2017 Cook Inlet gas leak by Hilcorp.

[3:45:30 PM](#)

MS. CHMIELOWSKI said she was not working at AOGCC at the time of the leak, but that she was aware of it.

[3:45:37 PM](#)

SENATOR WIELECHOWSKI said there were questions at the time about whether gas leaking into the inlet was waste and whether it was something AOGCC could act on. He asked whether she knew how much gas leaked in the 2017 incident.

[3:46:00 PM](#)

MS. CHMIELOWSKI said she did not know the number and was not sure it had been determined.

[3:46:09 PM](#)

SENATOR WIELECHOWSKI asked whether she agreed that gas leaking into Cook Inlet in that [2017] instance could be considered waste.

[3:46:17 PM](#)

MS. CHMIELOWSKI referred to a letter from the AOGCC dated June 2024 which she opined more eloquently defined waste as it applied to upstream oil and gas operations. She said the 2017 leak was not waste over which AOGCC had jurisdiction. She said there was a specific definition of upstream oil and gas waste that was consistent across multiple states' oil and gas commissions.

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SENATOR WIELECHOWSKI quoted from the June 2024 AOGCC letter, "The primary purpose behind the prohibition against waste is to maximize ultimate resource recovery." He opined that gas leaking into Cook Inlet would be a loss to the state and a failure by the resource developer to maximize resource recovery. He asked whether Ms. Chmielowski agreed.

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MS. CHMIELOWSKI said her interpretation of resource recovery was from the subsurface. She explained that recovery began at the subsurface and waste was prevented by properly managing the reservoir, by drilling wells in the correct locations and by ensuring proper reservoir pressure, etc. She said once the resource had been measured and the owner paid their share, the definition of oil and gas recovery from upstream oil and gas conservation law had been satisfied.

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SENATOR WIELECHOWSKI asked whether any other agency investigated the [2017] gas leak.

[3:48:17 PM](#)

MS. CHMIELOWSKI said several agencies investigated, including Department of Environmental Conservation (DEC), Pipeline and Hazardous Materials Safety Administration (PHMSA) and others. She said she could provide that information.

[3:48:34 PM](#)

SENATOR WIELECHOWSKI asked whether it was her opinion that AOGCC would not be responsible for investigating a similar large gas leak in the future.

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MS. CHMIELOWSKI said AOGCC did investigate [the 2017 gas leak] and would investigate future gas leaks to determine the source of the leak, the nature of the material leaked and whether AOGCC had jurisdiction.

[3:49:10 PM](#)

SENATOR WIELECHOWSKI asked whether AOGCC would have jurisdiction and would investigate if there was a future gas leak like the leak that occurred in Cook Inlet in 2017. He asked whether AOGCC would issue potential remedies or act in response to a similar gas leak.

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MS. CHMIELOWSKI said the AOGCC would investigate and would have power to act only as AOGCC was authorized, which was upstream of the fiscal meter.

[3:50:04 PM](#)

CHAIR GIESSEL opened public testimony on the appointment of Jessie Chmielowski to the Alaska Oil and Gas Conservation Commission (AOGCC).

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CHAIR GIESSEL held public testimony open.

**SB 92-CORP. INCOME TAX; OIL & GAS ENTITIES**

[3:50:52 PM](#)

CHAIR GIESSEL announced the consideration of SENATE BILL NO. 92 "An Act establishing an income tax on certain entities producing or transporting oil or gas in the state; and providing for an effective date."

[3:51:43 PM](#)

SENATOR ROBERT YUNDT, District N, Alaska State Legislature, Juneau, Alaska, briefly introduced SB 92. He said the goal of SB 92 was to level the playing field and ensure that all oil and gas companies that work in Alaska were taxed on the same level playing field, whether they're a C corporation or an S corporation. He emphasized that S corporations outside of oil and gas [sector] who make less than 5 million a year would not be included in SB 92.

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CHAIR GIESSEL opened public testimony on SB 92.

[3:53:50 PM](#)

KARA MORIARTY, President, Alaska Oil and Gas Association (AOGA), Anchorage, Alaska, testified on behalf of AOGA in opposition to SB 92. She explained that AOGA, a professional trade association for oil and gas producers, required unanimous consensus of members on tax matters. She said AOGA opposed SB 92 claiming that it imposed a new discriminatory income tax on select firms. She said SB 92 targeted pass-through entities in the oil and gas sector with incomes exceeding \$5 million, affecting a small number of companies out of over 11,000 S corporations in Alaska. She highlighted unintended consequences of SB 92, including retroactivity, potential double taxation, and the impact on business confidence and fiscal stability. She urged proper modeling and analysis, noting the potential impacts of SB 92 to

Alaska tax policy and to the industry's ability to remain competitive under additional pressure from stagnant oil prices and reduced investments. She emphasized positive contributions of the oil and gas industry to Alaska's economy, including increased production and job creation, and urged the committee to reject SB 92.

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CHAIR GIESSEL asked where AOGA anticipated double taxation under SB 92.

[3:58:40 PM](#)

MS. MORIARTY noted the need for clarification and said analysis and modeling of SB 92 would help identify those issues. She suggested major corporations in Alaska may have private subsidiaries and LLCs that would be subject to taxes under SB 92 in addition to the corporate income tax they already paid.

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CHAIR GIESSEL asked whether AOGA's concern would be removed if double taxation was addressed.

MS. MORIARTY answered potentially.

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SENATOR CLAMAN noted AOGCC's unanimous decision by members to oppose SB 92 and the perception that SB 92 targeted one or more entities. He asked whether AOGCC membership took a position regarding legislation that would apply to all S corporations in Alaska rather than just one or two.

[4:00:06 PM](#)

CHAIR GIESSEL clarified that the question was for AOGA members, not AOGCC.

SENATOR CLAMAN affirmed.

[4:00:23 PM](#)

MS. MORIARTY said there were currently 16 AOGA member companies that all opposed SB 92. She said AOGA had not analyzed legislation that would tax all 11,000 plus corporations in the state and said such legislation had not been introduced to the legislature.

[4:01:06 PM](#)

SENATOR CLAMAN asked whether AOGA found that C corporations were currently experiencing double taxation.

[4:01:28 PM](#)

MS. MORIARTY said it was her understanding that C corporations were paying taxes legally required by the corporate income tax system.

[4:01:45 PM](#)

SENATOR WIELECHOWSKI asked whether it was Ms. Moriarty's understanding that [British Petroleum] BP paid the corporate income tax during the several decades they did business in Alaska.

[4:02:00 PM](#)

MS. MORIARTY said it was her understanding that BP paid all their legally required taxes in the state of Alaska.

[4:02:08 PM](#)

SENATOR WIELECHOWSKI asked if it was also her understanding that Exxon, Conoco and Santos paid corporate income taxes in Alaska.

[4:02:15 PM](#)

MS. MORIARTY said that it was her understanding that all AOGA's member companies paid all their required taxes in the state of Alaska. She recalled several years prior when there were negative income taxes because prices were so low, sometimes negative.

[4:02:40 PM](#)

SENATOR WIELECHOWSKI asked for the rationale behind one of the major producers not paying corporate income tax while all the rest do. He asked why that one company should get preferential treatment.

[4:02:56 PM](#)

MS. MORIARTY said it was fair to say that companies were attracted to Alaska for a variety of reasons. She pointed out that in 1980 Alaska chose not to have an income tax for individuals as well as pass-through entities. She said Hilcorp was a private company when they came to Alaska thirteen years ago and they came to Alaska to invest millions and now billions of dollars in Cook Inlet and the North Slope. She said the law was in place at that time.

[4:03:51 PM](#)

SENATOR WIELECHOWSKI asked whether she recalled that when BPs assets were being purchased [by Hilcorp], there were discussions about the fact that, as an S corporation, Hilcorp would be

exempt from the taxes incurred by a C corporation. He said there were calls for that to be fixed.

[4:04:12 PM](#)

MS. MORIARTY said she did recall that and referred to a recent memo from the Department of Revenue, highlighting an increase in production in Prudhoe Bay, a 45-year-old field, since Hilcorp's arrival on the North Slope. She pointed to Hilcorp's track record in Alaska - creating jobs and revitalizing Cook Inlet which, she suggested, delayed the necessity for the legislature to make a policy decision.

[4:05:34 PM](#)

SENATOR HUGHES emphasized the constitutional mandate to maximize resource development benefits. She questioned whether the concept of fair share in oil resource development should encompass corporate taxes. She differentiated between corporate tax, applicable to all industries, and the specific taxes related to oil production. She noted that oil production tax and royalty take are more significant revenue sources for the state than the general corporate tax. She sought confirmation on whether the fair share included corporate taxes or was limited to oil-specific taxes.

[4:06:50 PM](#)

MS. MORIARTY answered that the concept of a fair share was subjective, including in the context of corporate income tax. She suggested that from an industry perspective, the government take included:

- royalties paid to the state as the landowner
- production taxes
- corporate income taxes
- property taxes paid to local governments

MS. Moriarty highlighted local property taxes, noting that they were crucial for communities like the Fairbanks North Star Borough. She emphasized that the oil and gas industry viewed all these taxes as part of the government's take, and that the decision to include corporate income tax in determining the maximum benefit to the people [of Alaska] was up to the legislature.

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SENATOR HUGHES opined that maximum benefit included production taxes and royalties, not corporate taxes. She concurred that modeling for SB 92 was necessary. She asked whether it was

AOGA's view that increased taxes led to decreased investment, decreased jobs and ultimately decreased production.

[4:09:36 PM](#)

MS. MORIARTY answered that, for any business, higher payments to government leaves less capital for businesses to invest back into themselves. She said this reduction in funds limits expansion. She suggested that front-line contractors in Alaska could offer further insight due to their direct exposure to policy effects.

[4:10:32 PM](#)

CHAIR GIESSEL stated that SB 92 related to oil and gas companies that are not organized as C corporations. She said these companies typically have fewer than 100 shareholders and do not have non-resident aliens as shareholders. She noted the Department of Revenue (DOR), Tax Division's reluctance to name the specific company or companies affected by SB 92 and asked if AOGA would be willing to disclose whether there was only one company that would be affected by SB 92 or if there were others that could be impacted.

[4:11:38 PM](#)

MS. MORIARTY answered that two of AOGAs member companies were registered as S corporations in the state of Alaska and that they very well could have profits over \$5 million.

[4:12:09 PM](#)

SENATOR WIELECHOWSKI referred to recent lease expenditure numbers provided by the Department of Revenue compared with figures from 2015:

- In 2015, Prudhoe Bay had \$773 million in capital expenditures, which declined to \$346.7 million in preliminary 2024 figures.
- Operating expenditures (OPEX) in 2015 were \$2.5 billion, but they dropped to \$1.37 billion in 2020.
- The number of jobs in the oil industry at Prudhoe Bay declined from over 15,000 in 2013 to approximately 8,000, representing a roughly 50 percent reduction.

SENATOR WIELECHOWSKI concluded that tax cuts did not lead to increased investment or job creation at Prudhoe Bay.

[4:13:49 PM](#)

MS. MORIARTY countered that the significant oil price crash in 2015 and 2016 led to a loss of jobs and increased efficiency among operators. She highlighted the new operator on the North

Slope in Prudhoe Bay for their focus on driving costs to the lowest levels and contributing to efficiency improvements. She said that despite the economic downturn, production in Prudhoe Bay surpassed forecasts, indicating improved efficiency and higher production rates. She stated that the change in tax policy in 2013 aimed to direct expenses towards production, which is now evident in the increased efficiency and production levels. She said contractors were busier currently than they were in the pipeline days because of projects like the Pikka project and the National Petroleum Reserve in Alaska (NPR), and an uptick in business and drilling wells in Prudhoe versus maintenance projects.

[4:16:09 PM](#)

SENATOR WIELECHOWSKI noted the failure of the initiative referendum in 2014 and its subsequent impact on job losses and investments. He said that despite oil prices remaining above \$90 per barrel post-referendum, BP announced layoffs of around 400 to 475 employees. He emphasized the contradiction between promised job creation and actual job cuts by BP.

SENATOR WIELECHOWSKI agreed with the concept of government take as a comprehensive measure including corporate income tax and acknowledged the difficulty of determining the optimal value or benefit derived from natural resources. He asked whether [a structure in which] some companies pay no tax in one component [of government take] was achieving the maximum benefit [for the state].

[4:17:19 PM](#)

MS. MORIARTY said [AOGA] companies were adhering to the current policy and laws, which led to a significant return to the state in increased royalties and production. She theorized this would not have been the case considering the shift of Prudhoe Bay in the BP portfolio. She reiterated that the current contractor may not pay corporate income tax, but she said they have been good for the state of Alaska regarding royalties, production for the long term and extending the life of the field.

[4:18:16 PM](#)

SENATOR WIELECHOWSKI recollected the More Alaska Production Act, which initially promised increased oil production to 1 million barrels per day within a decade. He noted current output was below 500,000 barrels daily and that recent growth was not on state-owned lands, but in the federally owned lands in the National Petroleum Reserve-Alaska (NPR), where the state

offered \$1 billion in tax incentives but does not receive any royalties due to federal ownership.

[4:19:04 PM](#)

CHAIR GIESSEL noted that the memo under discussion from Department of Revenue (DOR) was in response to questions from the committee following the February 20, 2025 hearing of SB 92. She said the memo was available to the public online.

[4:19:40 PM](#)

SENATOR DUNBAR noted that government structured tax incentives or tax cuts to incentivize something and would not offer incentives for something already in place. He noted the observation that when Hilcorp came to Alaska, they were a private corporation and were aware Alaska didn't have a corporate income tax on S corporations. He asked whether it was Ms. Moriarty's assertion that had they expected to pay a corporate income tax, Hilcorp would not have purchased BPS assets.

[4:20:14 PM](#)

MS. MORIARTY said she was not suggesting that and said Hilcorp's corporate status had not changed since they came to Alaska.

MS. MORIARTY recalled participating in debates regarding the goal of producing a million barrels per day. She explained that the sources of oil production for that goal included offshore resources, oil from federal lands such as ANWR and NPRA, and increased drilling in both new areas and existing fields.

[4:21:33 PM](#)

SENATOR DUNBAR asked whether Willow or Pikka were S corporations.

[4:21:55 PM](#)

MS. MORIARTY said they were not.

[4:22:00 PM](#)

SENATOR DUNBAR asked whether those corporations which were making by far the largest investments in the state, were paying corporate income taxes.

[4:22:06 PM](#)

MS. MORIARTY said due to tax-payer confidentiality, she did not know what their corporate income tax returns looked like. She reiterated that, to her knowledge, all AOGA member companies filed taxes legally in the state of Alaska.

[4:22:23 PM](#)

SENATOR DUNBAR asked when Santos began making serious investments in Alaska.

[4:22:34 PM](#)

MS. MORIARTY said the original parent company was OilSearch. She did not recall the year they first picked up leases in Alaska.

[4:22:54 PM](#)

SENATOR DUNBAR asked whether Santos was a C corporation when they entered the state and whether they were currently a C corporation.

[4:23:00 PM](#)

MS. MORIARTY affirmed that, from her knowledge, they were.

[4:23:36 PM](#)

SENATOR MYERS posed a hypothetical situation in which a C corporation had a wholly owned subsidiary which handled their pipelines. He asked whether the corporation would be double taxed on revenues that first passed through the pipeline-owned/operated corporation under SB 92.

[4:24:32 PM](#)

MICHAEL WILLIAMS, Corporate Tax Manager, Tax Division, Department of Revenue (DOR), Anchorage, Alaska, answered that double taxation would not necessarily result in the example described. He explained that typically a group of corporations operate as a C corporation and if they own a Limited Liability Company (LLC) outright, or 100 percent, then the LLC will be treated as a corporation as is the rest of the C corporation. He offered an alternative to the hypothetical in which the LLC was half owned by a C corporation and half owned by some other entity for which the LLC was pass-through. In that situation he said the LLC would become a taxable entity if it had more than \$5 million in income: half the income would attribute to the owners of the LLC and the other half to the C corporation. So, he said, for the C corporation there was the potential for double taxation. He said DOR suggested ways to fix that in SB 92.

[4:26:14 PM](#)

CHAIR GIESSEL recognized Senator Merrick, Representative Burke and Representative Bynam.

[4:26:22 PM](#)

CHAIR GIESSEL opened public testimony on SB 92.

[4:26:47 PM](#)

JERRY WEBRE, President, Little Red Services, Anchorage, Alaska, introduced himself and said Little Red Services operated on the North Slope and strongly opposed SB 92. He reported that Hilcorp's production had increased significantly, from 17,000 barrels per day when BP sold the field to 50,000 barrels per day, providing substantial resources to the state. He said passing SB 92 could create higher energy costs, harm Alaskan suppliers and jobs, and disincentivize further investment in 2025, as Hilcorp planned to invest \$1 billion to increase production on the North Slope and in Cook Inlet. He also said Hilcorp planned to spend \$200 million per year in Cook Inlet.

MR. WEBRE said given Alaska's need for economic growth and new investment and the departure of so many oil and gas operators, it was not the time to raise taxes on the industry. He said proper modeling and analysis were needed to assess the full impact on affected businesses. He said the Little Red Services team urged the legislature to promote healthy relations with producers and not discourage producers from investing in Alaska.

[4:30:27 PM](#)

SENATOR WIELECHOWSKI asked for the source of the numbers provided in the testimony:

- \$1 billion planned investment by Hilcorp
- \$200 million per year investment in Cook Inlet
- etc.

SENATOR WIELECHOWSKI explained that the legislature did not have access to that information and asked whether that data and its source could be provided to the committee.

[4:30:51 PM](#)

MR. WEBRE said it was industry knowledge, gathered from working in the business and talking with clients.

[4:31:01 PM](#)

SENATOR WIELECHOWSKI asked for written documentation.

MR. WEBRE said he could not provide written documentation.

[4:31:12 PM](#)

CHAIR GIESSEL recognized Representative Coulombe.

[4:31:37 PM](#)

LESTER BLACK, Incoming President, Alaska Support Industry Alliance, Anchorage, Alaska, introduced himself and said the Alaska Support Industry Alliance, was a 46-year-old professional trade organization with over 500 member companies and 35,000 employees in Alaska. He said the Alliance opposed SB 92, arguing that targeting one company, Hilcorp, in one industry was not a well-thought-out tax policy and could lead to uncertainty, which is harmful to investment. He highlighted the negative impact of retroactive tax changes, citing the exit of British Petroleum as an example of how such policies can jeopardize future growth and investment in Alaska. He pointed out that SB 92 would affect 125 Alaskan companies that work for Hilcorp, many of whom were Alliance members, and asserted that smaller Alaskan companies would be disproportionately impacted compared with larger companies based outside Alaska.

Mr. Black observed support from the current administration in Washington DC for significant growth in Alaska's resource development. He acknowledged the effort to address budget shortfalls in the short term but warned that unstable tax policies could jeopardize Alaska's private sector, natural gas supply, and future tax revenues. He urged against the passage of SB 92.

[4:34:48 PM](#)

KELLY DROOP, Regional Manager, Pape Kenworth, Anchorage, Alaska, testified in opposition to SB 92. In addition to her position at Kenworth, Ms. Droop said she also served on the Resource Development Council and the Alaska Support Industry Alliance. She expressed concerns about SB 92's potential impact on Alaska's private sector, oil and gas industry, and overall business climate. She warned that altering tax policy post-investment could deter future investments, jeopardizing affordable energy and Alaska businesses. She urged the legislature to maintain stability to foster growth and the tax base rather than increasing tax rates after companies have made investment decisions.

[4:36:24 PM](#)

KATIE CAPOZZI, President, Alaska Chamber of Commerce, Anchorage, Alaska, introduced herself and testified against SB 92, expressing strong opposition on behalf of the chamber, which represented over 700 businesses and 58,000 workers. She said SB 92 conflicted with the chamber's policies to support the oil and gas industry and to oppose new targeted taxes for any industry. She argued that SB 92 could jeopardize one in six jobs in Alaska

and undermine the state's energy sector by discouraging investment and production, potentially reducing state revenue in the long term. She said SB 92 lacked independent economic analysis and could set a precedent for taxing other S corporations in other industries, such as fishing, banking and medical care. She urged against the passage of SB 92.

[4:39:14 PM](#)

CHAIR GIESSEL noted testimony based on a perception that SB 92 targeted oil and gas producers and that taxation would be more acceptable if it were more broadly applied. She noted Ms. Capozzi's apparent concern that SB 92 would lead to broader application [of corporate taxation] to other S corporations and asked for clarification.

[4:39:57 PM](#)

MS. CAPOZZI noted that there had not been legislation introducing taxes on all S corporations, but she acknowledged that the Chamber was likely to oppose such measures. She said that signaling to any potential future business investor that if a business is successful and making money, that business might be the next target for a change in the tax system does not promote a positive investment climate in the state.

[4:40:42 PM](#)

SENATOR WIELECHOWSKI noted that the state had a \$536 million deficit between the current closing fiscal year and the next. He asked whether the Chamber could offer any support for the legislature as it worked to close the deficit.

[4:41:10 PM](#)

MS. CAPOZZI said the Chamber advocated for a sustainable fiscal plan and emphasized the need for a functioning spending cap before considering broad-based tax measures. She said a spending cap was essential to ensure fiscal responsibility and prevent excessive spending during deficits. Without this assurance, she said the business community was hesitant to support broad-based revenue measures.

[4:42:06 PM](#)

SENATOR WIELECHOWSKI asked what spending cap level the Chamber would support. He noted that to achieve a zero deficit would require a spending cut of \$350 million. He asked what sort of broad-based measures the Chamber would support, for example a sales tax or personal income tax.

[4:42:35 PM](#)

MS. CAPOZZI noted that spending caps were proposed every year but did not get far enough to have hearings or to be vetted. She said there had not been a proposal that allowed for analysis and meaningful work toward a solution.

[4:43:13 PM](#)

SENATOR WIELECHOWSKI asked whether the Chamber would consider supporting a sales tax or personal income tax as broad-based measures.

[4:43:22 PM](#)

MS. CAPOZZI said that until there was a serious spending cap in place, she did not anticipate Chamber proposals or support for revenue measures.

[4:43:40 PM](#)

SENATOR DUNBAR noted past advocacy by the Chamber for a spending cap. He asked whether the Chamber envisioned a spending cap that included the [Permanent Fund Dividend] PFD or if the PFD would be outside of the spending cap.

[4:44:03 PM](#)

MS. CAPOZZI said Chamber membership had differing opinions on whether a spending cap would include the PFD. She argued that the opportunity to have hearings on a spending cap would allow for analysis and vetting of various options. She said the Chamber did not have a position regarding whether the PFD would be in or out [of a spending cap].

[4:44:37 PM](#)

SENATOR WIELECHOWSKI noted the claims that SB 92 was targeted on the [oil and gas] industry. He observed that in 2013 the legislature passed SB 21 and voters tried to repeal SB 21 in 2014. He recalled that the [the oil and gas] industry made a series of promises during that time, that if the legislature massively cut oil taxes, there would be more jobs, more investment, more revenue for the state, a growing permanent fund dividend and a million barrels of oil per day. He asserted that [instead], the state has:

- 50 percent of the jobs
- 50 percent of the investment
- much less than 50 percent of the state revenue
- about 25 percent of the PFD
- less than 500,000 barrels [of oil] per day

SENATOR WIELECHOWSKI maintained that SB 92 was not a target on the industry. He said the oil and gas industry did not fulfill the promises made [to the state] in exchange for massive tax cuts.

[4:46:04 PM](#)

LEILA KIMBRELL, Executive Director, Resource Development Council (RDC) for Alaska, Anchorage, Alaska, introduced and outlined the RDC's representation of various industries including fishing, tourism, timber, mining, and oil and gas. She emphasized RDC's long-standing advocacy for a strong private sector, responsible fiscal policies, and stable tax policies to encourage long-term investment and economic expansion. She asserted that SB 92 does not align with these principles, as it unfairly targets S corporations in the oil and gas sector without considering other sectors with similar income thresholds. She highlighted SB 92's retroactive nature and suggested potential legal and constitutional issues. She suggested SB 92 could negatively impact future resource development and Alaska's competitiveness.

MS. KIMBRELL warned that SB 92 could lead to less investment, development, production, and job opportunities, ultimately reducing state revenue and threatening long-term economic growth.

[4:49:22 PM](#)

SENATOR HUGHES noted RDC's representation of the mining industry. She said support for SB 92 was in part based on the non-renewable nature of oil and gas. She noted that mining also involved non-renewable resources and that there were S corporations in the mining industry. She asked whether RDC was concerned that the mining industry [might be targeted] next.

[4:50:13 PM](#)

MS. KIMBRELL affirmed RDC's concern that a measure targeting one industry for revenue could lead to future targeted revenue attempts for other industries. She said it was important to recognize the chilling message sent by SB 92 to investors in other resource development industries such as mining.

[4:50:57 PM](#)

SENATOR HUGHES noted RDC's concerns regarding constitutionality. She opined that SB 92 narrowly targets specific resource development companies for the 9.4 percent corporate tax, suggesting it may infringe on equal protection rights. She observed that the current 9.5 percent corporate tax applies to all C corporations, but SB 92 would apply only to S corporations

in resource development. She suggested that SB 92 should be referred to the Judiciary Committee and to Department of Law (DOL). She asked whether RDCs constitutionality concerns were for the broader implications or were more focused on the single company.

[4:52:43 PM](#)

MS. KIMBRELL acknowledged the complexity of thoroughly analyzing a legislative bill and concurred with calls for rigorous modeling [of SB 92]. She deferred the recommendation for subsequent committee referral to the appropriate legislative body.

[4:53:35 PM](#)

SENATOR HUGHES clarified that it was not her intention that SB 92 be applied to all S corporations to address questions of equal protection.

[4:54:21 PM](#)

THOMAS WALSH, Managing Partner, Petrotechnical Resources of Alaska, LLC (PRA), Anchorage, Alaska, testified in opposition to SB 92. He stated that SB 92 targeted Hilcorp and would also impact other independent explorers and smaller companies exploring in Alaska, which could discourage investment in the state. He highlighted Hilcorp's arrival in Alaska in 2012 when Cook Inlet gas production was declining, and said their investments delayed a gas supply crisis by 15 to 20 years. He said Hilcorp's investments in Cook Inlet and the North Slope were essential for maintaining gas supply and revitalizing oil production from legacy fields. He argued that SB 92 would create a major disincentive for independent operators to invest in Alaska, which he said was not in the best interest of Alaskans.

MR. WALSH found it ironic that the proceeds of SB 92 would fund energy projects, given Hilcorp's pivotal role in sustaining the state's energy infrastructure.

[4:57:38 PM](#)

SENATOR WIELECHOWSKI commented regarding testimony charging SB 92 with targeting one specific company. He noted that the committee asked Department of Revenue (DOR) which entities would be impacted by SB 92 and DOR declined to specify.

[4:58:09 PM](#)

SENATOR DUNBAR noted that Mr. Walsh suggested SB 92 proceeds would be spent on grid upgrades and explained that the legislature could not designate [revenue] funds to any specific

spending. He said there was still hope for Federal grants [for grid support]. He emphasized that education funding was his highest priority.

[4:58:52 PM](#)

CHAIR GIESSEL explained that previous iterations of SB 92 did indicate that revenue generated should fund energy projects.

[4:59:09 PM](#)

SENATOR DUNBAR apologized to Mr. Walsh and said he was not aware of that history.

[4:59:42 PM](#)

CAROLINE STORM, Executive Director, Coalition for Education Equity, Anchorage, Alaska, testified in support of SB 92. She emphasized the urgent need to address the chronically underfunded school system in Alaska and pointed out that 20 students in Sleetmute were attending school in a condemned building. She argued that the legislature must raise revenue to meet its constitutional obligation to fund education and maintenance projects. She urged the committee to pass SB 92 to address these critical funding gaps.

[5:01:02 PM](#)

CHAIR GIESSEL kept public testimony on SB 92 open.

[5:01:09 PM](#)

CHAIR GIESSEL held SB 92 in committee.

[5:01:44 PM](#)

CHAIR GIESSEL discussed the cash credit program initiated in 2012, in which the State of Alaska provided cash payments to companies that invested in drilling [oil and gas] wells. She said the program resulted in significant financial strain, with billions of dollars spent on cash credits the state could not afford. She highlighted the unique challenge Alaska faces due to the absence of a personal income tax since 1980 and said other states without personal income tax have developed alternative methods to tax companies, particularly S corporations and LLCs. She emphasized the need to address this taxation issue to stabilize the state's financial situation.

[5:03:22 PM](#)

There being no further business to come before the committee, Chair Giessel adjourned the Senate Resources Standing Committee meeting at 5:03 p.m.