SB
305
(FILE 4)

SFIN

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SB 305

Public Testimony

Alaska State Legislature

Please enter into the record my testimony to the SFIN
Committee name

Committee on SB305, dated 4-19-06
Bill/Subject

If the oil & petroleum and mining industries can afford all the advertising and the expensive lobbyists, then they can afford to pay the taxes. If they are so righteous why don't they pay up everything that they already owe.

I believe that failing to increase the taxes will simply mean that the legislature is in the pocket and on the payroll of the petroleum industry. Our resources are going to be gone someday and if they leave as they threaten, we will just end up selling the oil to someone else because it is a precious and dwindling commodity. Alaska is like the only girl at the prom, if one doesn't dance with us there'll be 25 others that will want to. **Lobbyist do not reflect the constituency, they reflect the money!**

Signed: Geoffrey Tamplin
Testifier

PO Box 545 Palmer, Alaska 99645
Address

373-3910
Phone number

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THE FOLLOWING DOCUMENT(S) ARE POOR ORIGINAL COPIES

FAIRBANKS
CHAMBER
OF COMMERCE

800 Cushman St., Suite 114, Fairbanks, AK 99701
phone: (907) 452-1105, fax: (907) 456-6968
e-mail: staff@fairbankschamber.org
website: www.fairbankschamber.org

Introduced By: Board of Directors
Date Introduced: April 10, 2006
Date Passed: April 10, 2006
Date Transmitted: April 11, 2006
Date Amended: April 18, 2006

A RESOLUTION OF THE
GREATER FAIRBANKS CHAMBER OF COMMERCE (GFCC)
IN SUPPORT OF A NEW PETROLEUM PRODUCTION TAX (PPT) FOR ALASKA

Resolution 06-0410, as amended

WHEREAS, it is the mission of the Greater Fairbanks Chamber of Commerce (GFCC) to support and advocate for a strong investment and economic development climate; and

WHEREAS, the oil and gas industry dramatically impacts multiple segments of the private-sector economy; and

WHEREAS, oil and gas royalties and taxes currently provide nearly 90 percent of the State's general revenue; and

WHEREAS, Alaska's oil production rate of decline urgently requires arrest; and

WHEREAS, the current rates of investment by industry are inadequate to arrest or improve this decline; and

WHEREAS, once declining oil production reaches 600,000 bpd, the viability of Interior refineries will be severely compromised; and

WHEREAS, the existing severance tax system - Economic Limit Factor (ELF) – is currently not in the best interest of all stakeholders; and

WHEREAS, a globally recognized new tax system- petroleum production tax (PPT) - has been proposed by the Governor; and

WHEREAS, the PPT ultimately approved by the Legislature will directly impact how attractive Alaska is for investment;

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the GFCC supports legislation that embodies the following goals and tenets:

- a reasonable increase of return to Alaska;
- provides strong incentive for maximum statewide oil and gas exploration and development investment by the industry;
- furthers a 50-year vision to extend the North Slope oil production infrastructure;
- is nationally and globally competitive;
- lends itself to ease of administration;
- expeditiously advances a gas pipeline project;

AND BE IT FURTHER RESOLVED that a tax rate higher than 20 percent and a total tax take that substantially exceeds the PPT legislations' original version - as does the Senate Resources CS – could very well be counter productive to the GFCC goals and tenets outlined above.

AND BE IT FURTHER RESOLVED that copies of this resolution be sent to Governor Frank Murkowski, the Alaska Legislature, the GFCC membership, the statewide media, Alaska State Chamber of Commerce, Anchorage Chamber of Commerce, Resource Development Council, Alaska Oil and Gas Association, The Alliance and FEDC.

Approved the 18th day of April, 2006

Marilyn Romano

Marilyn Romano
GFCC Board Chair

Lanien M Livingston

Lanien Livingston
President/CEO

Margaret Russell

Margaret Russell
Government Affairs Committee Co-Chair

Charlie Boddy

Charlie Boddy
Government Affairs Committee Co-Chair

Rhonda P. Boyles

Rhonda Boyles
Natural Resources Committee Chair

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April 18, 2006

The Honorable Frank Murkowski, Governor
& The Alaska State Legislature
Alaska State Capitol
Juneau, AK. 99801

Dear Governor and Legislators,

The Greater Fairbanks Chamber of Commerce (GFCC) recognizes and applauds the efforts of the Governor and the Legislature thus far in addressing the shortfalls of the current economic limit factor severance tax (ELF), through the introduction of a new tax system – petroleum production tax (PPT).

The mission of the GFCC is to support and advocate for a strong investment and economic development climate. Therefore, we have been carefully following the testimony, deliberations and developments of HB488 and SB305 - clearly, the most critical legislation set forth in decades.

As these bills continue to progress, the GFCC remains strong that the final PPT product should embody:

- *A reasonable increase of return to Alaska*
- *Strong Incentive for maximum statewide oil and gas exploration and development investment by industry*
- *Furtherance of a 50-year vision to extend the North Slope oil production infrastructure*
- *Competitiveness both nationally and globally*
- *Simplified administration*
- *Expedient advancement for a gas pipeline project*

With these goals and tenets in mind, we offer you the following input regarding key components of the PPT legislation for your thoughtful consideration.

Tax Rate

A 20% tax rate, combined with other government royalties and takes, represents a fair and reasonable return on Alaska's oil and gas resources. A higher tax rate could exceed that fair and reasonable threshold and become a barrier to vitally needed investment - including a gas pipeline project.

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Progressivity

A reasonable progressivity factor which allows the State to share in a highly profitable market may be appropriate. However, it should be in direct ratio to the greater risk that Alaska bears in a low price environment, easy to understand, simple to process, and should be based on Alaska prices (ANSC) rather than West Texas Intermediate (WTI).

Transition or claw-back

A simplified transition or claw-back provision for recovery of capital expenditures is an appropriate and responsible policy that advances Alaska's partnership and reputation with the industry by acknowledging investment in the last five years, even during periods of extremely low oil prices.

Standard deduction

The standard deduction provision is an important tool to attract new, smaller companies and investors in the oil and gas industry. It should encourage investment **statewide** - exploration and development on the North Slope and in promising basins, including Bristol Bay, Yukon Flats and Nenana Basin.

Effective Date

A retroactive tax is counter-intuitive to any good tax policy. Therefore, the effective taxation date should not precede the effective date of the legislation.

Cook Inlet

A provision to address the Cook Inlet gas industry and protect Alaska's natural gas consumers from direct adverse consequences of PPT should be further considered.

Testimony and debate regarding these provisions centers around "fair share", "attractive climate for investment", and what the "tipping or breaking point" might be. Legislative discussion also occasionally unveils a disturbing mindset of some – one that a gas pipeline project "probably won't happen" or "is speculative at best".

To approach a new tax regime at this critical juncture with any short term vision - one that focuses on maximization of short-term revenue gains while potentially jeopardizing long-term revenue and development - is simply unacceptable.

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Ultimately, a tax rate higher than 20 percent and a total tax take that substantially exceeds the PPT legislations' original version – as does the Senate Resources CS - could very well be counter productive to the GFCC goals and tenets outlined above.

The GFCC will remain engaged as you progress in your deliberations and search for balance and consensus. Your Legislative charge contained in Alaska's Constitution Article 8, Section 2 is one that we all take very seriously. It states *"The legislature shall provide for the* ***utilization, development****, and conservation* ***of all natural*** *resources belonging to the State, including land and waters,* ***for the maximum benefit of its people****."* (*emphasis added)*

The ***maximum benefit*** is predicated upon an attractive investment climate that will encourage and further ***maximum development*** of Alaska's oil and gas resources.

Sincerely,

Marilyn F. Romano

Marilyn Romano
GFCC Board Chair

Margaret Russell

Margaret Russell
Government Affairs Committee Co-Chair

Charlie R. Boddy

Charlie Boddy
Government Affairs Committee Co-Chair

Rhonda P. Boyles

Rhonda Boyles
Natural Resources Committee Chair

Distribution: The GFCC Membership, the statewide media, Alaska State Chamber of Commerce, Anchorage Chamber of Commerce, Resource Development Council, Alaska Oil and Gas Association, The Alliance and FEDC.

Alaska State Legislature

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Committee name

Committee on ________________SB305______________, dated_____4-19-06________________
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Signed: Geoffrey Tamplin
Testifier

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Address

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Phone number

Do The Math

Do the math. It's not rocket science.

Legislators hired one of the world's top oil consultants to advise them. Unfortunately, they don't appear to have heard a word he said.

If you read between the lines of Daniel Johnston's report to the Legislature, he said the Governor's proposal would bind Alaska to a sales agreement that is 35 percent below what many other oil producers would be willing to pay for Alaska's oil. According to Johnston's report, the average host country kept 67 percent of the proceeds when oil was bringing in $20 per barrel. Now that oil is selling at $60 per barrel, oil-producing countries throughout the world keep approximately 92 percent of the sale proceeds.

But don't take my word for it. Check out the entire report by clicking on the link to "Legislature's Paid Consultant Said" at http://repmod.info. And do the math.

According to Alaska's leading oil economist, Richard Fineberg, Alaska's combined income from the oil, (royalty oil, severance tax, income tax and property tax) add up to a 33 percent taking from a $53 barrel of oil, and the feds take an additional 13 percent, for a total of 46 percent, making Alaska the lowest taxing major oil producer in the world. Effectively, we pay $32.40 per barrel to BP, ExxonMobil and Conoco Phillips for the same service most owner-states pay only $4.80 to obtain. Another way to say it: We pay seven times as much as the rest of the world to get our oil produced. And according to the Wood MacKenzie report to the legislature, the oil company's claim of higher costs in Alaska is deceptive hype If the Governor's proposal passes, we will be locked into a deal to pay about five times as much for the next 30 years.

If our Legislature did what i should and doubled our current 33 percent take to 66 percent, and the feds continued to keep 13 percent, we would still remain one of the lowest taxing major producers in the world — with a significantly different effect. **The increased state revenue would be sufficient to restore municipal revenue sharing, eliminate 100 percent of all local sales and property taxes, restore power equalization, and pay every man, woman and child in Alaska a $3,000 annual dividend.** Do the math.

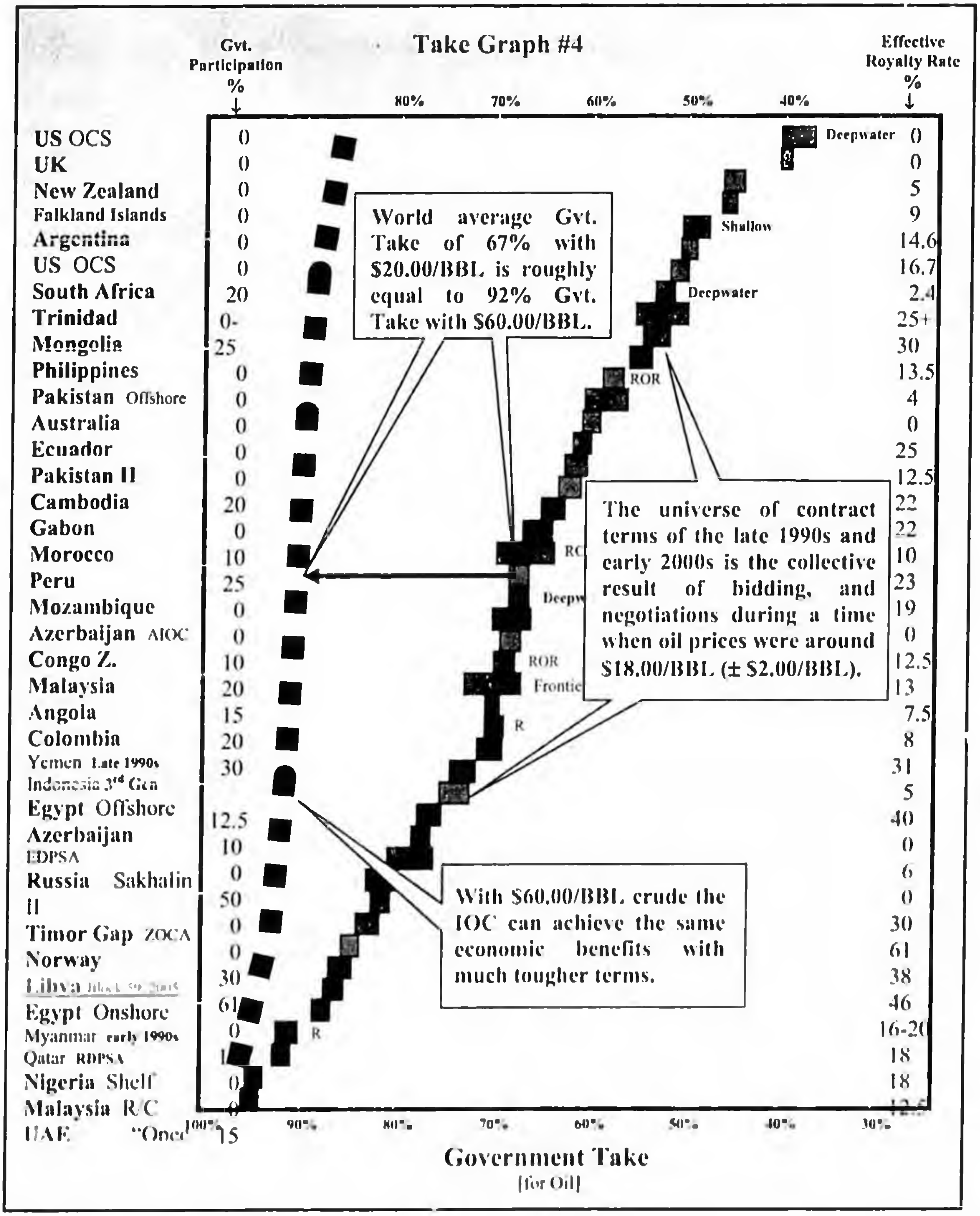
If the Governor's proposal is adopted, Alaska will be locked into an agreement for the next 30 years to sell both its gas and its oil at 35 percent below the world average profit retention by oil producing host countries. This would be a mistake that, under the Governor's proposed "Contract," future legislatures could not undo.

Alaska's future well-being depends on the general public's grasp of the points made in Johnston's report to the Legislature. It is a publicly owned document. On page 47, you will find a statement in the middle of a chart paging the world average profit retention at 92 percent. As you view the chart, keep in mind that the chart is upside down from an owner state prospective. It was developed to show oil company executives what countries offer the highest return on investments through the lowest taxes. You can reprint and publish it for distribution in any way you wish.

The Governor's arguments won't wash with the public if enough people are armed with a reference point by which to measure the Governor's plan. High taxes? Compared to what? Compared to whom? Without such a reference point, the public is unable to determine whether to support or oppose the plan.

With wide enough recognition of these facts, a tidal wave of opposition to the Governor's plan might soon hit Juneau. So do it. Do the math.

Ray Metcalfe RayinAK@aol.com 907-344-4514



What terms would yield the same economic benefit at $60/BBL?

465-2187
465-3805
2 pages

Chairwoman Green:

I had a family situation arise that prevented me from being able to attend the public comment opportunity this past Saturday. I at least wanted to fax in what I had planned to say:

"Ms Chairwoman: Thank you for the opportunity to say a few words this morning regarding the current PPT discussion going on in Juneau and all around this state. I was in the capital building this past Thursday for the very first time to meet with my State Senator, Bettye Davis, on this very issue.

I wanted to express my concern as her constituent that the legislature appears to be moving in the direction of over complicating and over-taxing the industry on this issue. My wife and I moved to Anchorage in 1994 we had one child at that time and have since had three more. We love it here and want to stay; however if the balance between the "producers", the state of Alaska, and "support industry" is miss-aligned we will all loose.

I am perplexed by the vocal minority that have the position of "sock it to em" or "make them bleed" mentality when asked how they feel about "Big Oil" here in Alaska. This is an attitude a lot like "road rage."

Just as our roads are filled with countless "expert" drivers, our state is also filled with countless "expert" oil industry economists. These wanna-be economists suffer from "Producer Rage" just like wanna-be NASCAR drivers suffer from road rage.

Some drivers suffer from road rage simply because the car next to them is bigger, is newer, or has a lot of fancy after-market additions to their vehicle. Some Alaskans suffer from "Producer Rage" because the producer companies are bigger, newer, or they have a lot of support industry companies that work with and may even like the producers.

Some drivers experience road rage because they feel every other driver should behave just like them. If they are in a hurry everyone should be driving faster. If they are on a leisure drive, everyone should be driving slower. Some Alaskans experience Producer Rage because they feel the Producers should behave just like them. If they are busy and making lots of money – then the Producers should be busy and making lots of money, if they are slow then the Producers should be slow.

The main cause of road rage is either real or perceived bad driving by "morons" who in the road rage sufferer's opinion should not even be on the road at all. The main risk involved with road rage is the danger that it places upon everyone on the road when the rage is acted out. Road rage endangers the offender, the rager, and all other traffic on the road. The main cause of Producer Rage is either real or perceived bad business decisions made by the Producers who in the Producer Rage sufferer's opinion should not even be making big oil decisions at all. And just like road rage, when Producer Rage is acted out it endangers everyone in the economy – the Producers, the ragers, and all other citizens of this great state.

Ms Chairwoman – please watch out for Producer Rage. We seem to have many Alaskans who have had producer rage for a long time and some that have recently been duped into getting producer rage by their neighborhood producer rage experts. Just like road rage – this rage is dangerous and should not be encouraged or tolerated.

One recent example is the rage against ConocoPhillips for having the audacity to meet together with non-profits to whom ConocoPhillips has given literally millions of dollars. Just like road rage, the hypocrisy of this recent outbreak of producer rage is sad and alarming.

Good drivers sometimes make mistakes. Good companies sometimes make mistakes as well. When a good or even a bad driver makes a mistake they do not deserve vigilante road rage. More importantly neither do the innocent by-standers with whom we share the road. The best course of action is to get over the mistake and keep traffic flowing smoothly and safely. The producers are good drivers in the in the biggest industry in our state. They are not perfect and we should discuss concerns and issues. We should not act out in producer rage and run them off the road. This would endanger ourselves, the producers, other "drivers" and innocent pedestrians and bystanders. The risks are far too great and the stakes are far too high. Especially if you consider that in this analogy the producers would be akin to trucks delivering gasoline to neighborhood stations, so the very drivers who are out raged can fill up their cars.

I would hate for me or my family or the local manufacturing company for whom I work or the most significant industry in our state to be the unintended victims of unwarranted and unacceptable Producer Rage.

Thanks for listening.

Reed Christensen
5039 Bryn Mawr Ct
Anchorage, AK 99508

7901 E. 130th Avenue
Anchorage, Alaska 99516
April 9, 2006

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Senate Finance Committee
Alaska State Capitol Building
Juneau, Alaska 99801

Dear House Committee *Members*:

This is to urge you to ignore the pressure that is being put on you by the oil industry. Instead, listen to the consultants you have hired. If the oil industrry wants you to listen to them more closely, ask them to show you the numbers, the real numbers rather than the ones they are using in their PR campaigns. For example, the latest one I have heard deals with investments in Alberta. My partial conclusion is that it takes big investments to make the Alberta tar sands profitable but that is offset by price of oil, the increases in technology, and their close proximity to markets in the U.S. (so far). The province of Alberta (the government) is paying a considerable environmental price for this oil.

As a stockholder in BP (and other energy companies via index stocks), I am happy enough the these companies are increasing dividends and buying back some of their shares of stock, but I am also aware that they are investing overseas in risky countries where they have lost money before (like Russia). I wonder how much Alaska profit is going into such investments and into their downstream investments in refineries and gas stations in China and India , for example. Again, show me the numbers; show me how Alaska profits have been reinvested here and will be reinvested here in the future instead of being invested or otherwise spent elsewhere.

In regard to Alaskan jobs: (1) In 2003, BP Exploration Alaska Inc had, a 30.8% non resident worker rate, VECO had 26.6% rate, AMOCO Corp had 39.8 and Conoco Phillips inherited the good Arco rate so it stands at 13.1% . (2) "Although Alaska's oil production represents 58 percent of BP's domestic production and 84 percent of Conoco/Phillips' production, company headquarters are located in other parts of the nation and world. This is also true for many of the oil field service companies and contractors." (3) "Since 1979, Alaska has been the nation's number two oil-producing state but one would not know it from the size of its workforce. In 2002 Texas produced 15 percent more oil than Alaska employing an oil industry workforce of 133,802, 15 times larger than Alaska's." (references: *Alaska Economic Trends)* This last quote is an indication of how productive Alaska's oil wells are. Directional drilling techniques and 3D computer program seismic techniques make the industry even more productive. (Read: fewer workers.)

Please do not be intimidated by suggestions that non-profits will be hurt if you change the oil industry tax structure. We should be paying our own way and taking care of our own people anyway. No handouts. Only you can see that we get a fair return on *our oil* to pay for that and many other obligations in this large state with its spread out population.

Sincerely,

John T. Jensen

JOHN T. JENSEN

Alaska State Legislature

Please enter into the record my testimony to the Senate Finance
committee name

committee on PPT, dated 4-7-2006.
bill/subject

(for 4-8-2006 hearings)

— 2 pages including this cover

—

Signed: ______________________
Testifier

____
Representing (Optional)

____
Address

____
Phone No.

Good-day, 4/07/2006

My name is James Spinka and I have lived and worked for BP in Alaska for twenty-six years. I have raised three children and currently have eight grandchildren, all residents in Alaska. I have been a registered voter here the whole time. I work on the North Slope at GC-1 as a Lead Technician. I would have written earlier but I was at work getting GC-2 production back on line through our facility. I received an e-mail update from the company, from Angus Walker, that mentioned as a concerned Alaska resident I may want to convey my opinion of the Oil Tax Legislation. My opinion is that BP is a foreign oil company based and controlled from England. BP is still British Petroleum. BP is not interested in how Alaska residents fare, for a very good example of this refer to the article printed in the Clarion on March 31st of this year about Aetna's management of the state's insurance. Well, Aetna has managed BP health insurance in the same way for two years, only for BP employees that are residents of Alaska outside of Anchorage they've managed to blatantly discriminate. Since BP is self insured our state Insurance Commissioner has little control, they come under Department Of Labor direction ERISA. According to the DOL they can discriminate against Alaskans because we are not a protected group! The more Aetna denies claims based on Usual Customary and Reasonable charges the more Aetna gets in bonuses because DOL/ERISA rules allow nominal profit for BP or they become an insurance company. So, BP takes a business expense thereby reducing the profit margin and reducing taxes, sound familiar. What do you think will happen if BP is paying the state its share based on their "Profits".

Last week I mailed out a copy of the Clarion article first to Maureen Johnson, the Performance Unit Leader of BP in Alaska and to Sandy Beitel the Human Resources manager for BP in Alaska. I then sent the same article to BP peers on the West Operating area of Prudhoe Bay. I have enclosed one response which I received from Rique Williams. I have Rique's permission to use his response. Rique lives in the Seattle, Washington area. I work with people that live in the cities of Los Angeles, Houston, Seattle, Cleveland, and Phoenix also, in the states of Florida, Montana and Louisiana and this seems to be a common theme, better insurance coverage if you don't live in Alaska. BP will tell you they have started an Advocacy group/person to reconcile insurance issues. Well, I called, and the Advocate told me if Aetna administered according to the plan then she can't help me. The issue is: Aetna says the Alaska Heart Institute charged above the UC for putting stints in my wife's heart. AHI charges at the 75th percentile of the Ingenix Fee Analyzer. Ingenix figures UC charges for many if not all states. Most healthcare professionals use Ingenix or similar service to establish fee scales per coded procedure. By comparison the codes in question Aetna said AHI charged above UC Aetna said the UC charge would have been paid at the 50th percentile.

The bottom line is: It is BP management's job to maximize profits for the company and I favor that whole heartedly. I am a shareholder. But, I'm an Alaskan first as is my family and the residents of our state need to receive a square deal. Alaska residents working for BP at Prudhoe should be receiving at least as good of healthcare coverage as the folks commuting to Alaska to work and work for the same company. There are more than enough people in our state government ready and willing to give BP anything they request. Please feel free to contact me at 907-262-3807.

Respectfully,
Jim Spinka
400 Endicott dr
Soldotna, Ak 99669

Alaska State Legislature

Please enter into the record my testimony to the Senate Finance
committee name

Committee on SB 305, dated 4-1-06
bill # / subject public hearing date

What we do with regard with taxing "OUR" oil is and will effect Alaska and it's citizens for years to come or until the oil runs out. We currently allow the oil companies to produce from the "best producing wells" and those wells could and do happen to be those wells that Alaska doesn't receive any tax revenue. Check it out! The oil and gas committee can colaberate that fact.

If, in fact, the oil companies are our partners, than our fair share surely is 50 % after their 38% profit margin would you not think? At 47 dollars a barrel and at a rate of 50 cents on the dollar for every dollar over 40 dollars a barrel the state would not see a deficit ever. Think "PEAK OIL" it's that time folks better get our fair share now!

Do what is right with regard to this tax situation ,please push my Tax scheme 50% 0n every dollar over 40 dollars a barrel and the state will not see a budget deficit after next year.

Why would you approve a tax scheme that will ultimately place us in a future continued budget deficit ? Approve my idea and we will still benefit if the price does as the Department of Revenue's wizards say it will.

(See also attached 2 page article from the Anchorage Daily News, March 30, 2006)

Signed: Ed Martin, Jr.
Testifier

Self
Representing (optional)

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595-1632
Phone number

adn.com
Anchorage Daily News

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Budget approved by House

$7.5 BILLION: Lawmakers on both sides of aisle call it unsustainable.

By MATT VOLZ
The Associated Press

(Published: March 30, 2006)

JUNEAU -- Good thing the price of North Slope crude closed at $64.50 Wednesday.

If not for the windfall profits brought by those high oil prices, the state would be operating in the red next year under the budget approved Wednesday by the Alaska House.

The House's budget for fiscal 2007, which begins July 1, includes a 6 percent increase over last year in state treasury spending for operating costs.

That doesn't take into account another $1.2 billion in state money that would go to the state's public education fund and for capital projects, according to an analysis by the Legislative Finance Division.

The $7.5 billion budget includes federal, state and other sources of money that will be used to increase spending in every state governmental agency.

The budget passed the House 27-12, but lawmakers on both sides of the aisle say it's unsustainable and something needs to be done about the rise in spending.

"This budget is underwater, it's in deficit," said Rep. Norm Rokeberg, R-Anchorage.

The Senate Finance Committee is still in the process of closing out its own budget subcommittees. The two chambers will eventually meet in a conference committee to finalize the spending plan for next year.

Without the surpluses from this and last year paying for some of next year's programs, the House's budget would have the state in a $285.5 million deficit next year, the Legislative Finance Division's analysis reads.

The creeping budget is due to a number things. The increase in federal money coming to Alaska has slowed. The price of fuel has made running the Alaska Marine Highway System and other operations more costly. Fixed program costs continue to rise steadily, and there is also pressure to increase the number of state programs and employees when fiscal times are good like now.

Even with the increases over last year's budget, the House's spending plan still reduces by 5 percent the one Gov. Frank Murkowski proposed in December.

The governor's budget director, Cheryl Frasca, told House Finance Committee members last week that their cuts to Murkowski's budget were too deep, particularly those to the Department of Corrections and for rural energy aid.

Most House Democrats also disagreed with the House's product, saying while bloated, the budget shortchanges municipalities, the elderly and some health services.

Democrats failed to pass amendments to save an additional $700 million of next year's surplus, restart the $250 dividend program for elderly residents and bulk up funding for substance abuse and fetal alcohol syndrome programs.

If oil prices remain high next year, the state can count on saving more money. But after that, the price of oil is forecast by the Department of Revenue to drop to $46.90 per barrel, which would plunge Alaska into a deficit if there isn't a fix.

One change in the works that would affect that outcome is a plan to replace Alaska's oil production tax with a tax based on oil companies' net profits. That system, if approved, would bring the state hundreds of millions more in revenue each year when the price of oil is high.

But that's not enough, lawmakers say. A long-range fiscal plan is needed.

"The state can't afford to wait any longer," said Rep. Max Gruenberg, D-Anchorage.

Vote tally on state operating budget

Results Wednesday as the Alaska House, on a 27-12 vote, passed the 2007 state operating budget. Conferees from the House and Senate will meet later in the session to work out a final budget.

Voting yes were 24 Republicans and three Democrats. Voting no were 11 Democrats and 1 Republican.

A yes vote is for passing the budget.

Representatives are listed by name and hometown.

YES VOTES

- Republicans: Anderson, Anchorage; Chenault, Nikiski; Coghill, North Pole; Elkins, Ketchikan; Gatto, Palmer; Harris, Valdez; Hawker, Girdwood; Holm, Fairbanks; Kelly, Fairbanks; Kohring, Wasilla; Kott, Eagle River; LeDoux, Kodiak; Lynn, Anchorage; McGuire, Anchorage; Meyer, Anchorage; Neuman, Big Lake; Olson, Kenai; Ramras, Fairbanks; Rokeberg, Anchorage; Samuels, Anchorage; Seaton, Homer; Stoltze, Chugiak; Thomas, Haines; Weyhrauch, Juneau.

- Democrats: Kapsner, Bethel; Foster, Nome; Moses, Unalaska.

NO VOTES

- Republicans: Dahlstrom, Eagle River.

- Democrats: Berkowitz, Anchorage; Cissna, Anchorage; Crawford, Anchorage; Croft, Anchorage; Gara, Anchorage; Gardner, Anchorage; Gruenberg, Anchorage; Guttenberg, Fairbanks; Joule, Kotzebue; Kerttula, Juneau; Salmon, Beaver.

DID NOT VOTE

- Republicans: Wilson, Wrangell.

Print Page | Close Window

Dear Legislators,

The gas and oil resource issue is the most important subject facing Alaskans today. Oil is why we don't pay State tax and why we get a Dividend. I wish Gov. Murkowski understood the value of our non-renewable petroleum resources a little better. I was born in Alaska in the 1950s and have casually watched it all my life. What he is proposing would lock us into a contract for 30 years to receive far less on a new combined gas and oil contract, than what we're presently making on just the oil at today's low production rate, it seems.

I remember when the oil companies paid about 1 billion in 1968 to get the first few 20-mile by 40-mile leases on the North Slope. Jay Hammond was the only smart, God-fearing governor we ever had that put some of those early lease billions in a savings account called the Permanent Fund, before all the burocrats could blow it all in. We have drawn some of the interest off to distribute to all Alaskans as a dividend, so kids could buy clothes for school and to offset the high cost of home heating fuel. I remember they promised us 12% of the oil as Alaska's royalty. We didn't realize when they transport and market it for us they'd keep most of the profit on our 12%. I'm not sure if they pay for all the maintenance and production costs out of our 12%, or why we get so little.

I remember when they used to pump 2 million barrels a day through the pipeline, but it's old and can't withstand the pressure now so it's like 800,000 barrels a day x 365 days x $80/ barrel = $124 billion a year, minus the like $4 billion they gave Alaska last year for our royalty and tax share. They'll make a lot like $3,600 trillion over 30 years. Murkowski wants to lock us in for 30 years to less than 1 billion a year on a new combined gas and oil contract it seems. I'm sorry we just can't live on that. I regret deeply that I voted for him so many times over the years. It seems like he's trying to pull a fast one on us like when he slid his daughter into office without our say. He seems to be all about running the State for personal gain. I think he should be impeached. Sincerely, Mrs. Burroughs

Annette Burroughs
649 Brewster St
Fairbanks AK 99712
907 457-4516

April 4, 2006

Petroleum Production Tax CS SB 305

- Every one of the changes in the Senate Finance Committee CS jeopardizes oil & gas investment in our state, which means the Senate Finance Committee is jeopardizing the future of every small business owner in Alaska that supports the oil & gas industry. Every current **AND** prospective producer has testified to that effect, including the independents Alaska is trying to lure to explore here.

- The gas fields of Cook Inlet provide gas to the local utilities that supply electricity and distribute natural gas to Anchorage and Kenai Peninsula area residents. The PPT as currently proposed will increase the severance tax on the majority of the gas used to supply the utility companies. The utility sales contracts recognize that production taxes are a cost. Any increase in taxes will therefore result in a direct increase in the cost of natural gas and electricity supplied to residential and business consumers. In addition, the two large industrial users of gas, the fertilizer plant and the LNG plant, ultimately must absorb any increase in the cost of gas making them less competitive in the world market.

- If enacted, the CS will leave Alaska with the **highest tax rate** and **highest cost structure in the United States**, putting Alaska at a competitive disadvantage for new investment.

- Our concern for the future of Alaskans is compounded by the lack of a state fiscal plan for managing surpluses in a high-price environments like we're currently experiencing. How will we balance the budget when prices are low? The state budget was slightly more than $2 billion two years ago; it's projected to be as high as $3.8 billion in another two years.

- As the President of the Alliance and also as President of my own company, I urge you to choose sustainable economic growth through new investment over unsustainable government growth through higher taxes in crafting new severance tax methodology.

- Reject changes represented in CS SB305.

Sincerely,

James Gilbert
President of the Alliance

President of Udelhoven Oilfield Services, Inc.
184 E 53rd Ave
Anchorage, AK 99518

Residences:
9201 Main Tree Dr.
Anchorage, AK. 99507

35290 King Salmon Ave.
Funny River, AK. 99688

JG

Testimony on Oil Taxes, Senate Hearing, 8 APR 2006

I am here to present a reality check and a big Hoorah to those Legislators who have developed the backbone to stand up for Alaska and honor their oaths despite pressure from a gullible governor and legions of oil industry lobbyists.

To the honorable: **HOORAH!**

Reality check. Big Oil is engaged in a disinformation campaign to con Alaskans on oil taxes and a gas pipeline. No matter how often a phony story is repeated, it does not make it true.

There are no state or Federal laws or regulations requiring Big Oil's ad campaign to be truthful. They're not trying to sell you a product or get you to buy stock. It is the legal duty of oil executives to maximize return to stockholders by any legal means necessary.

I expect you'll get non profits testifying for no taxes in response to what is essentially extortion by Conoco. Conoco representatives effectively threaten to stop their funding if taxes were changed. If Alaska had an independent attorney general there would likely be a criminal investigation.

Big Oil will not walk away from Alaska because oil taxes are raised to a level compared to other countries in the world. Other oil companies are prepared to step in to earn the huge profits available.

The oil companies were making profits in the 80's when oil was about $9 a barrel and wages were high enough for little Kenai to support a Nordstrom store. Since then they have run off most unions, dropped wages, and Kenai's Nordstrom's is long gone.

Other countries are nationalizing their oil resources freezing Big Oil out. Why else do you think some big players who left Alaska in the past are returning? Remember the oil executive who last week [redacted] smiled and declined to answer if they were going to pay Libya's 90% to get back in country?

The oil was not created by the oil industry as Big Oil would like the gullible to believe. If they could get the oil without hiring a single person, they would. When the oil is gone, they will leave and likely leave a mess behind.

Big oil is implying that lower oil taxes will soon get a natural gas pipeline built. And pigs will fly too! Big Oil is using it as a carrot to con some Alaskans, like our governor, into lower taxes on oil.

Conoco/Phillips is buying Burlington Resources, a major holder of natural gas reserves in the lower 48 and Canada for about 30 billions. Does anyone think CP management is stupid enough to flood the market with Alaska gas and destroy its investment in Burlington?

Other big holders of Alaska gas have gas interests elsewhere they can bring to market sooner and at higher profit. There is no benefit to them to build an Alaskan natural gas pipeline any time within the next 10 to 15 years, and the Canadians are insisting their gas goes to market first maybe by 2011. Alaskan gas is in the ground. It won't go anywhere. There is no big cost to keep it there, and it will just keep increasing in value. Pure economics and pure profit motives drive big companies!

Stand firm for Alaska's fair share on oil! Hoorah!

PO BOX 1994
William Phillips, Kenai, Alaska 99611

William Phillips

THE ALLIANCE

... for responsible development of Alaska's Oil, Gas & Mineral Resources

ALLIANCE SENATE FINANCE TESTIMONY
CSSB 305
April 8, 2006

Thank you, Chairwoman Green. My name is Paul Laird, and I'm general manager of the Alaska Support Industry Alliance. I'm testifying on behalf of the Alliance, a trade organization representing companies that provide goods and services to Alaska's oil, gas and mining industries.

Madam Chairwoman, members of the Finance Committee, the Alliance, and our 400 members, and their 30,000 Alaskan employees have one simple message for you with regard to a new profits-based oil and gas production tax: Don't gamble with our future.

We need a healthy oil industry and steady, long-term oil production.

We need a gas pipeline.

We need sustainable state revenues.

We need oil and gas investment, and the jobs and business opportunities it provides.

The original 20/20 deal negotiated with the producers brings us closer to all of them.

The committee substitute to Senate Bill 305, in its current form, puts all of them at risk.

A billion dollars a year in the hand beats two billion in the bush, and there's too much at stake to jeopardize it all just to make state government even bigger.

Don't gamble with our future. Adopt the 20/20 plan in its original form.

ALASKA SUPPORT INDUSTRY ALLIANCE
360 W. Benson Blvd., Suite 200 • Anchorage, Alaska 99503 • Phone (907) 563-2226 • Fax (907) 561-8870 • www.alaskaalliance.com

NORTHWEST TECHNICAL SERVICES

April 7, 2006

Testimony at Anchorage LIO Office

The Honorable Lyda Green
The Honorable Gary Wilken
Co-Chairmen, Senate Finance Committee,
Vice-Chairman Con Bunde and Committee members
Juneau, Alaska

Subject: CSSB 305

Thank you for hearing my testimony, today, Saturday, April 7, 2006. At this time, I ask that you and your committee reexamine the changes made to SB305 which are contained in Senate Resources Committee substitute, CSSB 305.

As General Manager for Northwest Technical Services, a company which provides employees to a variety of industries, including the oil industry, I usually approach you and other members of the Legislature on matters that deal very specifically with Wage and Hour, Worker's Compensation and Workforce Training both in title and content. In this case, however, I am concerned that the impact on the workforce and future employment for NWTS' 100+ employees and other Alaska workers may not be quite as evident to others as it is to us.

The crux of the matter is – the more money that goes into the State government in taxes, the less money there will be for investment by the companies in the private sector into new projects and the redefinition of current fields to stem declining production. Reduction of investment will mean reduction of jobs some of which are directly related to the oil and gas industry, many of which are the "fallout jobs" where most Alaskans work, i.e. at grocery stores, hardware stores, the State of Alaska, etc.

It has also been made very clear that the PPT is, in some fashion, being tied to the gas contract. This impacts even more jobs and opportunities – for Alaskans and, to go beyond our borders, for other U. S. citizens. It has taken us far too long to get to this point in history to jeopardize it now with a taxation rate that could result in a tax and cost rate higher than anywhere else in the United States. This gas line is our future and the future of our state. The monies it will generate will far outweigh those we might realize by the change in the tax rate that has been proposed by the House Resource Committee.

4401 Business Park Boulevard, Bldg N, Ste 26 • Anchorage, AK 99503-4580 • 907 562-1633 • 907 562-5875 fax
E-Mail: ak@pdstech.com • Website: www.NWTS-ak.com

Senator Lyda Green
Senator Gary Wilken
Co-Chairmen, Senate Finance Committee
Vice Chairman Con Bunde and Committee Members
April 7, 2006
PageTwo

I ask that as you deliberate over the next few days as to which changes you are going to retain prior to sending this Bill forward, you step back and consider all the ramifications of these decisions, particularly the impact on jobs, future development and the quality of life for this and the next generations of Alaskan citizens.

With the resistance of the U.S. Congress to the opening of ANWR, this is our next "big strike". As Senator Ted Stevens' affirmed in his address to the Legislative body, it is a decision that will set the course of the State of Alaska for many years to come.

Respectfully yours,

Mary E. Shields
General Manager

SB305,

Thank you for this opportunity to speak on the Committee Substitute to [redacted]

Madame [redacted], Chairman, my name is Hillary McIntosh and I live in South Anchorage. I am here to tell you how your decisions on this tax bill will affect my family. My husband and I both derive our livelihood from the oil and gas industry...reaching further, so does my sister, brother-in-law, uncle and many friends. I am sure this is a common statement among most Alaskans.

Every producer, majors and independents, has indicated that higher taxes as proposed by the legislature will result in less investment in the Slope. What does that mean to me? What does that mean to my husband, my family members and friends that support the oil and gas industry? I believe it means fewer opportunities for professional growth, a fear of job instability and a distinct disincentive to stay in Alaska.

Short term revenues for government are not worth throwing away long-term investment for Alaska's future. How will this all pan out when my daughter graduates from college in 2027? Will she want to stay in Alaska? Will the oil and gas market be thriving then? It may not be if you overstep the producers' threshold. Don't let Alaska's biggest export become its children.

Less money to invest in the majors' own industry will certainly mean less money to invest in Alaska's communities as well. Between my husband and me, we sit on several boards and are involved in many area non-profit entities. In fact, I even work for a non-profit. The oil industry, majors and their contractors, have been very generous to the non-profit community and it would be detrimental if their support is reduced due to your important decisions on this tax. Less investment in our communities means less support for programs that I value and feel Alaska's children need.

In the event that community support is reduced, will the State of Alaska subsidize the difference? What plan is in place to manage these windfall profits?

You can shave a sheep many times, but you can only skin him once. I watch gavel to gavel, I read the papers, I watch the news, I've read the bills themselves...and I think the changes made to the Governor's bill have destroyed the delicate balance between state and industry needed to ensure a healthy economy and much-needed gas line. Let's not forget that two years of negotiations went into the agreement. I am not asking you to "give in" to the producers' every whim, but I am asking you to think about the negative externalities your changes will cause and how Alaska's future may look in 10, 20 or 30 years. Do not stray too far from the Governor's proposal. Please do not jeopardize my family's future in Alaska.

Hillary McIntosh
2530 Cleo Avenue
Anchorage, AK 99516

DOWLAND — BACH

LYNN C. JOHNSON
PRESIDENT

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RE: Senate Finance Hearing RE: CS SB # 305 April 8, 2006

Good morning Chairwoman Green and other distinguished members of the Senate Finance Committee. My name is Lynn Johnson, and I am a 32 year Alaska resident and President and co-founder of Dowland-Bach Corporation, a 31 year old Alaska manufacturing and specialty design and fabrication firm. As you know, I have spoken to most of you in person in Juneau, and am once again very honored to be able to present my opinions on the PPT taxation issue. I am a past President of the Alaska Support Industry Alliance, the Anchorage International Rotary Club, and currently serve on several boards, including the American Red Cross of Alaska, Girdwood 2020, the Whittier Ports and Harbors Commission, and the Alaska Export Council.

As many of you know, our firm is one of the rare manufacturing firms in the State of Alaska. We employ 28 people year round, and have taken great pride that we essentially avoided the cyclical ramp up and ramp down over the past 31 years. We were the Export Council's "Small Business" Exporter of the Year in 2002, primarily for our manufacturing and exporting of wellhead control systems to Colombia, South America. In this instance, we used the knowledge and expertise that we learned on the North Slope to expand our controls and systems business to another oil basin of the world. This controls and systems niche that we compete in serves us well worldwide, but the bulk or our business still does originate from the North Slope and Cook Inlet. For that reason, I urge you to think very seriously about substantially changing any portion of Governor Murkowski's PPT proposal. To make additional investment in Alaska not attractive through excessive taxation would devastate companies like ours and my fellow member companies of the Alaska Support Industry Alliance.

As a business owner, I am a firm believer that economies grow through the private sector, and not necessarily public sector expansion. Several of you on the Finance Committee are small business owners like me and I am sure that you have a great deal of empathy for my point here. Greatly increased production taxes on North Slope oil will curtail investment in facilities and additional expansions necessary on the North Slope and Cook Inlet to extend production the keep TAPS full. With excessive taxation, as we have all heard time and time again, investment capital from the major producers will flow to other oil basins of the world.

In summary, lets think about this increased taxation issue from our personal perspective. If the personal tax rate on our individual incomes suddenly doubled or tripled, would you be that willing to work that extra two or three hours of overtime?? In addition, let's consider the message that we are sending to the oil industry head corporate offices worldwide. We want to double or triple your taxes on oil, we want you to continue to invest hundreds and hundreds of millions of dollars yearly in our Alaskan economy and we also you want to build a 25 billion dollar gas pipeline as soon as possible. Does that sound like to good plan to a shareholder of one of the major producers that owns stock and has no real concern about Alaska?? That shareholder is just concerned that his investment in that oil stock and where the oil comes from is none of his or her concern. For that very reason, hold the tax rates down and keep Alaska competitive with other oil producing basins of the world. Do we want the industry in Alaska for another ten or fifteen years or another fifty??? I think the answer to that question is crystal clear. We need to let the industry know this by making Alaska a good climate in which to invest over the long term. Please think long and hard about any substantial changes in taxation. The Governor's original PPT plan as submitted is a compromise that benefits everyone in the long run. Please keep your committee substitute as close as possible to the original version. The economic future of Alaska depends on it. Thank you.

8 April 2006

To: Members of the Senate Finance Committee:-

My name is Maynard Tapp, I am an Alaska dreamer since 1954; an Alaskan worker since 1972; an Alaskan business owner since 1985; and an Alaskan resident since 1990.

I prefer a Production Profits Tax of 15% / 20%.

What ***SHOULD*** the primary driver in the debate regarding CSSB305 and CSHB488.

CREATE AN INVESTMENT CLIMATE THAT PUTS ALASKA AT (OR NEAR) THE TOP OF INVESTMENT OPPORTUNITIES FOR OUR PARTNER'S THE "PRODUCERS".

THIS SAME CLIMATE WILL ALSO RAISE OUR OPPORTUNITY TO ATTRACT NEW INVESTORS.

HOW DO WE INCREASE PRODUCTION TO ENSURE THE LONG-TERM BENEFITS FROM ALASKA'S PEOPLES RESOURCES?

WHAT CAN YOU AS LEGISLATORS DO TO GROW THE SOURCE OF OUR WEALTH?

I BELIEVE WE MUST TRUST OUR PARTNERS, OUR FELLOW CITIZENS, THOSE WHO HAVE INVESTED BILLIONS IN THE STATE OF ALASKA ACCRUING BILLIONS TO THE ALASKA TREASURY.

UNDEVELOPED ALASKAN RESOURCES HAVE NO VALUE TO ALASKA'S PEOPLE IF THOSE RESOURCES ARE LEFT IN THE GROUND.

I have learned from the various presentations on the PPT presented by the economists, and producers, and the legislators of the State of Alaska. You, the Leaders/Managers of Alaska's resources must use this information to help make informed decisions. **ULTIMATELY THE EXPERTS WILL LEAVE AND WE WILL BE LEFT WITH THE RESULTS OF YOUR ACTIONS, NOT THEIRS. THE EXPERTS DON'T LIVE HERE, WE DO.**

Do you do everything your dentist/doctor/lawyer tells you to do? NO! You make informed choices.

These bills need to be fashioned as **"RESOURCE DEVELOPMENT"** legislation not as tax revenue bills.

ARE YOU LOOKING AT THE RIGHT SET OF NUMBER, TAX or RETURN ON INVESTMENT?

IS OUR GOAL TO GROW THE RESOURCE OR GROW THE GOVERNMENT?

We are all partners in this deal; the government, the people, and the "producers".

The **"producers"** reinvest the revenues and grow the source of those revenues.

The **people** get jobs from/and related to the "producers" reinvestment, grow their wealth; spend money in the community, and grow its wealth, and viability.

The **government** takes its share and fund's the government.

As a partner, shouldn't the government **support the growth of the revenue resource** and not the growth of the government. Ultimately, the growth of the revenue source supports the growth of government but within our means.

I believe the 20% / 20% is the wrong number, it should be closer to a 15% / 20% PPT. **What do your expert say the PPT number should be to attain 0% to 3% rate of decline?** What are you doing to ensure the states revenue source lasting long enough to meet the needs of Alaska's next generation?

Today production is declining at 6% per year. Starting at 880,000 bbld I calculate the pipeline being mechanically inoperable by 2015. Then what?

The new technologies to bring viscous oil to market are not easy, guaranteed, or cheap.

What can you do to encourage investment? It doesn't seem like raising the tax does anything to put more money into exploration. We cannot tax our way to state solvency, in the long run we must invest/grow our way to state solvency and success.

I started a business here twenty years ago waiting for the stars to align.

1. Continuing investment on the Northslope

2. Build the Alaska Gas Pipeline to the lower 48.

3. Get legislation in place to encourage development of ANWR.

What are you, our state representatives in the House and Senate, doing to encourage development and growth of our resource pool, the source of our populations wealth and source of Alaska's state revenues? Please invest in growing the "seed corn" to keep Alaska growing, now and into the future.

Thank-you
Maynard Tapp
200 West 34th Ave. #809
Anchorage, Alaska -- 99503

My Name is Shirley Nelsen and I am here to tell you how I feel about the Tax bill before the legislature and how it will affect my family. My husband And my livelihood both depend on the oil and gas industry. All of the producers have stated that higher taxes will reduce investments on the slope. We need to look at the long term effects of this bill versus the short term .

We need to provide a strong incentive for the oil industry to re-invest in Alaska. This will ensure jobs now and jobs for our children and their children. This will also provide an incentive for our children to stay in Alaska instead of leaving the state to find employment.

The out come of this tax will affect every community in the state, and The economy in each community would suffer if we force the oil industry to take their investment dollars to other counties and the lower 48.

Please think long and hard before you tax the oil companies out of the State of Alaska.

Shirley Nelsen
6801 Lewis Place
Anchorage, AK 99507

Alaska State Chamber of Commerce

Resolution 2006-002

Supporting a change in the oil production tax structure for the st ıte of Alaska

Whereas Alaska's oil production will continue to decline over the next few years; and

Whereas, the current oil and gas tax structure which includes ELF based reductions will eventually provide zero taxes to the state; and

Whereas, nearly all oil developing governments base their tax structure on a net profit tax system; and

Whereas the current production tax provides little or no incentive for oil & gas development in Alaska; and

Whereas repealing the current oil and gas production tax while providing new incentives for investment would be best for the long-term interest of the State of Alaska; and so therefore

Be it Resolved that the Alaska State Chamber of Commerce supports a revision to the current Alaska oil & gas production tax; and let it be

Further resolved that the Alaska State Chamber of Commerce supports a change in production tax to a net profit tax with tax incentives for oil & gas exploration and reinvestment.

In witness thereto, this resolution is signed by Joan McCoy, Chair of the Board of Directors of the Alaska State Chamber of Commerce and by Wayne A. Stevens, President of the Alaska State Chamber of Commerce.

Signed this 22nd day of February 2006

ALASKA STATE CHAMBER OF COMMERCE

Joan McCoy
Chair

ATTEST:

Wayne A. Stevens

Wayne A. Stevens
President/CEO

Wayne Stevens

The Alaska State Chamber of Commerce supports a revision to the current Alaska oil & gas production tax. We also support a change in production tax, to a net profit tax with tax incentives for oil & gas exploration and reinvestment.

Through the PPT legislation, the Legislature has the opportunity to help define the pace of North Slope oil production for both the near- and long-term.

While the oil and gas industry in the State appears to be generally supportive of the Governor's 20/20 oil tax proposal, the State Chamber stands firm with its traditional position that any increase in taxes needs to be carefully scrutinized for detrimental impacts on investment in the State.

If the Legisiature chooses a tax rate that is higher than that proposed by the Governor, the Chamber has serious concerns about the impact on exploration and other investment, job growth and economic development in the State. We believe higher taxes could accelerate the rate of production decline, with even greater impact on jobs and economic growth in the State.

The Chamber is concerned that calls for a greater tax take from the oil and gas industry may result in damage to the long-term future for Alaskans in favor of a short term unsustainable revenue gain.

Current North Slope production is not declining because taxes are too low.

While the Legislature addresses an increase in oil taxes, the Chamber recommends they also consider developing a long-term state fiscal plan that would make Alaska a more stable economy attractive to private sector investment.

ANCHORAGE CHAMBER
OF COMMERCE

April 8, 2006

Good morning. For the record, my name is Stacy Schubert. I am president of the Anchorage Chamber of Commerce.

Thank you for the opportunity to comment on the CS for SB305.

The core mission of any chamber of commerce is to protect and promote the interests of business. At the Anchorage Chamber of Commerce, our 1,150 members are comprised primarily of small businesses. In fact, 47% of our membership has 10 or fewer full-time year-round employees. Another 15% of our membership has fewer than 25 employees.

Our Board of Directors just yesterday passed a resolution that supports the petroleum production tax proposed by the Administration. I'll repeat that – our board of directors supports the petroleum production tax as proposed by the Administration.

Our Board recognizes the significant contributions the oil industry makes to the State's revenue, and that further exploration and development are critical to maintaining a healthy economy. Businesses in Anchorage rely on the expenditures made by the industry to remain vibrant and healthy contributors. Our restaurants rely on the disposable income of employees of explorer and producer companies to eat in their bakeries and deli's. Our retail stores rely on these employees for regular purchases. Our professional services businesses rely on these employees for their business needs.

So it is with great concern that our board of directors has watched as the legislature considers tax proposals that would increase government take using a "more tax revenue now is better than more revenue later" approach. Alaskans rely on the investment of oil and gas producers in this state. It is disconcerning to see what our future might look like when we disincentive industry to explore and develop Alaska's rich resources.

Furthermore, half of our State's population lives in Anchorage. One in nine jobs in Anchorage exists because of our relationship with rural Alaska. Sixty-seven percent of our State's population is dependant on the Cook Inlet for natural gas. It is therefore important to our board that the existing Cook Inlet tax structure remain in place, as is, so to protect against negative, unintended consequences that the PPT could create.

In closing, our board supports the Administrations proposal and requests an exemption for explorers and producers in the Cook Inlet area. Long-term investment is much more important than short-term gains to the state through increased tax. Alaska's future – our businesses, jobs, economies – are at stake – and it is for that reason that we are concerned with the CS.

Thank you for the opportunity to testify today on behalf of the Anchorage Chamber of Commerce.

ANCHORAGE CHAMBER OF COMMERCE

Anchorage Chamber of Commerce
Board of Directors
Resolution 2005/06-20
In support of the New Petroleum Production Tax
Proposed by the State of Alaska's Administration

WHEREAS, the Anchorage Chamber of Commerce supports and encourages economic development and has been on record for many years supporting a fiscal plan for the State of Alaska; and

WHEREAS, the oil and gas industry currently provides 80-90 percent of the State's general revenue; and

WHEREAS, gas development in Alaska is dependent on a healthy Alaska oil industry; and

WHEREAS, to achieve the Alaska Department of Revenue's production forecast, industry investment needs to at least double to an annual level of $2-$3 billion; and

WHEREAS, the Cook Inlet natural gas industry supplies energy to 67% of Alaskans, and any proposed petroleum production tax needs to recognize and avoid the negative consequences to consumer energy; and

WHEREAS, a new petroleum production tax has been proposed by the Administration to replace the Economic Limit Factor (ELF); and

WHEREAS, an effective, petroleum production tax should accomplish several goals including:

a. shifting to the worldwide standard of a production profits tax structure is expected to generate increased revenue for the state of Alaska;
b. providing a basis for fiscal stability for the oil and gas industry thereby encouraging gas pipeline construction;
c. addressing the interests of both large and small producers;
d. encouraging investment in technology and infrastructure to maximize North Slope oil production;
e. creating an environment that encourages exploration and development of all of Alaska's oil and gas resource base;
f. stirring economic development which, in turn, will provide new jobs and new business opportunities;

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the Anchorage Chamber of Commerce supports the new petroleum production tax as it was originally presented to the Alaska Legislature, with the caveat that the proposal be amended to protect against any adverse consequences to the existing Cook Inlet tax structure,

AND BE IT FURTHER RESOLVED that copies of this resolution be sent to The Honorable Senators Stevens and Murkowski, and Representative Young, and other members of U.S. Congress, Governor Frank Murkowski, the Alaska Legislature, the Anchorage Chamber membership, the Anchorage Chamber State/National Affairs Committee, statewide media, the Alaska State Chamber of Commerce, Resource Development Council, Alaska Oil & Gas Association, The Alaska Support Industry Alliance, Chambers of Commerce Statewide, and Commonwealth North.

Approved the 7th Day of April 2006

Mary Ann Pease | Stacy Schubert

Mary Ann Pease, 2005-2006 Chair | Stacy Schubert, President

<u>Saturday PPT Testimony</u> – Lon Wilson, President, The Wilson Agency, LLC

I have concerns about the proposed new oil tax. I believe that Alaska's future as a stable economy is dependent on the encouragement of investment by the private sector. The oil and gas industry is one of our most important private sector segments. It helps support much of the service industry by its presence. The imposition of higher taxes will have a negative impact on jobs, business opportunities, investment, and long-term state revenues.

If you think about, it, just because you can produce doesn't mean that you will. No matter what the available resource, it will only be pursued if it is advantageous to you to do so. Let's picture that working one job, 40 hours a week, you sit squarely in the middle of your tax bracket. Now let's say you accept a second job and that additional 20 hours a week just barely bumps you into the next tax bracket. Let's imagine that by jumping into the next bracket, your tax rate is such that you take home no more money than you were taking home with one job. You make more, but your take-home remains the same. Would you do it? Wouldn't it seem that your time (your resources) could be better spent invested elsewhere?

Thinking like any logical person that is working to make a living, most likely, seeing no profit from the additional 20 hours of work a week, you would decide against that job or that investment. I am afraid the oil companies will look at it the same way.

Right now, they have "one job." They have production costs, taxes, and abandonment costs associated with that one job. If by working 20 hours more a week, or in their case, building a gas pipeline, looking for new reservoirs etc., they do not see a positive net effect, or more specifically, an economically justifiable positive net effect, then there is no reason for them to expand their investment in Alaska.

I ask that you be cautious with the imposition of higher taxes. We have a lot of potential with projects such as the gas pipeline. Don't jeopardize our states economic future in favor of a short term gain.