

SCOMM

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Official Business

ALASKA STATE LEGISLATURE

HOUSE SPECIAL COMMITTEE ON OIL AND GAS

Representative Kurt Olson, Chair
State Capitol, Room 408
Juneau, AK 99801-1182
Phone 907-465-2693 Fax 907-465-3835

Saturday, October 20, 2007

Noon - 5 pm

Room 519

AGENDA

HB 2001

Oil and Gas Tax Amendments

Presentation by: Governor's Production Tax Team

“Alaska’s Global Competitiveness under ACES”

Marcia Davis, Deputy Commissioner, Dept. of Revenue

Bob George, Gaffney, Cline & Associates

Rich Ruggiero, Gaffney, Cline & Associates

Roger Marks – Economist, Dept. of Revenue

Torsten Wucherphennig – PFC Energy

Michael D. Williams – Economist, Dept. of Revenue

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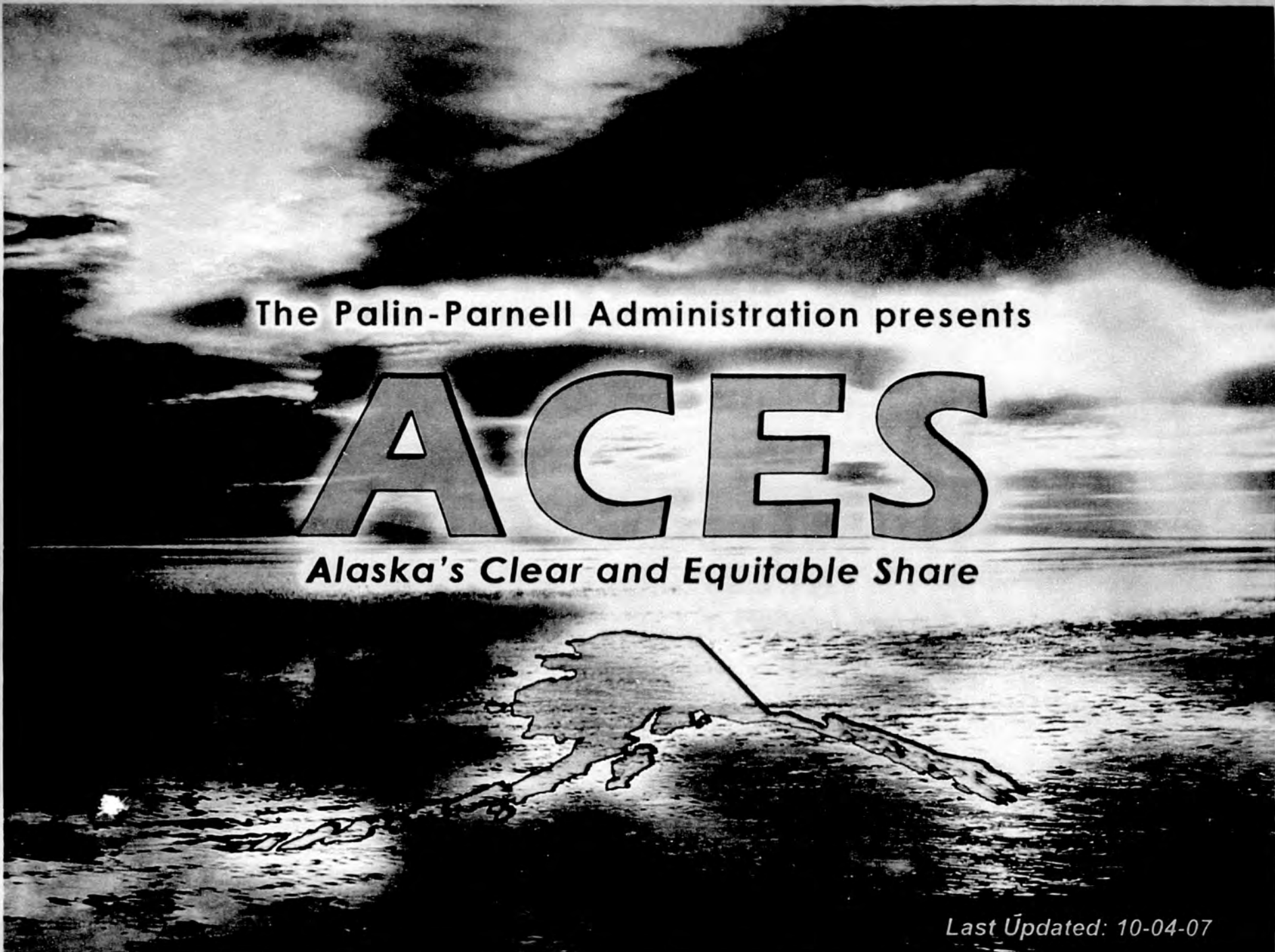
Representative Ralph Samuels
Representative Nancy Dahlstrom
Representative Scott Kawasaki

Representative Jay Ramras
Representative Mark Neuman
Representative Mike Doogan

HB 2001 Bill Packet Information October 20, 2007

Enclosed Documents:

- ACES - Power Point Presentation
- Gaffney, Cline & Assoc. - Memorandum dated October 16, 2007
- Government Take Comparison
Torsten Wucherpennig, Manager Asset Valuation, PFC Energy
- Government Competition for Oil & Gas Investment
Michael D. Williams, Chief Economist, Dept, of Revenue
- "Comparable Salaries..." Study - Requested by Chair Olson - 10/19/07
- Public Comments



The Palin-Parnell Administration presents

ACES

Alaska's Clear and Equitable Share

Last Updated: 10-04-07

ACES VS. PPT SCHEMATIC

ACES

Alaska's Clear and Equitable Share

ANS West Coast Price

- (minus Shipping/TAPS)

= Gross Value at the Point of Production

- (minus upstream capital costs [less 30 cents/bbl])

- (minus upstream operating costs)

= Net Income

	PPT	ACES	\$ DFNC
Base Tax Rate on Net Income	22.5%	25.0%	\$0.2 B
Plus Progressivity Surcharge:			
Per Barrel Net Income "Kicker"	\$40	\$30	\$0.2 B
Surcharge Rate applied to Net Income	0.25% / \$	0.20% / \$	
(Minus Credits)			
- (Capital (023a) [20%])	Yes	Yes	
- (NOL (023b))	Yes	Yes	
- (Transition [TIE] (023i))	Yes	No	\$0.2 B
- (Small Producer (024) [\$12mm])	Yes	Yes	
- (Exploration (025))	Yes	Yes	
= Tax Payment	\$1.4 B	\$2.0 B	\$0.60

FLOOR

ACES

Alaska's Clear and Equitable Share

PPT - HIGHER OF:

PPT Net Tax Payment

vs.

4% of Gross Income
(If ANS West Coast above \$25/bbl)

ACES

**FOR EACH UNIT WITH CUMULATIVE PRODUCTION OVER ONE BILLION BARRELS
AND DAILY PRODUCTION OVER 100,000 BARRELS PER DAY
PAYMENT IS HIGHER OF:**

ACES Net Tax Payment

vs.

10% of Gross



Alaska's Clear and Equitable Share

Measuring Government Fair Share: New Fields and Legacy Fields

Principles



- Fair share to government is an objective of fiscal systems (from the perspective of government)
- Based on international competitive opportunities commensurate with risk: make Alaska an attractive place to invest
- Needs to be an objective measurement of fair share that is systematically comparable
- The pattern of development is a) first comes investment, then b) returns are realized in subsequent years
- Measurement needs to recognize that investment decisions are based on forward-looking economics
- New fields are different from legacy fields

New Fields



- All costs are prospective
- Look at “take”
 - Take is a life-cycle concept
 - Percentage of economic rent going to government
 - Economic rent is gross revenues less costs (before taxes)
 - Discounting recognizes cost of capital – timing of take matters

- Many costs have already been incurred
- Measurements that look at cash flow in a single year can be deceptive as:
 - Large costs are often incurred in discreet time-frames (lumpiness)
 - Returns are realized after these investments
 - A single year cannot depict the economic picture
 - Systematic international comparisons for a particular year are meaningless

Legacy Fields: Marginal Tax Rate



- Look at share of the incremental dollar going to government (marginal tax rate [MTR])
 - Derived by looking at total per barrel government revenues at one price, and then increasing the price by one dollar
 - The difference in per barrel government revenues (from that at the lower price) is the marginal tax rate
 - Increasing the price by one dollar has no effect on costs
 - Cost issues are minimized
 - Limitations of annual “share” data

Alaska and its Competitors



Alaska's Clear and Equitable Share

- Governments use two major methods to take their fair share
- Royalty & Production Taxes
 - Developed nations
 - Stable democratic governments
 - Diverse economies
- Production Sharing Contracts (PSC)
 - Developing nations
 - Less stable governments – fiscal system administered by contract
 - Oil centered economies – better geology
- Alaska should be compared with tax/royalty jurisdictions
 - UK, Norway, Gulf of Mexico, Alberta, Canada
 - Under PPT & ACES, Alaska government take & MTR is between UK and Norway

Fundamental Changes from Past Efforts



- Data base
 - More exhaustive inventory of international jurisdictions (PFC effort)
 - Real projects (PFC effort)
 - Internal Schlumberger PEEP model with detailed fiscal systems – real projects analyzed
- Two fundamental changes to approach
 - Differences between legacy and new fields
 - Comparison to relevant competition

The Palin-Parnell Administration presents

ACES

Alaska's Clear and Equitable Share



Last Updated: 10-20-07

ACES VS. PPT SCHEMATIC

ACES

Alaska's Clear and Equitable Share

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ACES

Alaska's Clear and Equitable Share

PPT - HIGHER OF:

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ACES

Alaska's Clear and Equitable Share

ACES Net Tax Payment

PAYMENT IS HIGHER OF:

Measuring Government Fair Share: New Fields and Legacy Fields

(If ANS West Coast above \$250M)

4% of Gross Income

VS

PPT Net Tax Payment

PPT - HIGHER OF:

LEGOS

Alaska's Clear and Equitable Share

VCE2

Principles

ACES

Alaska's Clear and Equitable Share

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ACES

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- Fair share to government is an objective of fiscal

Principles

Alaska's Clear and Equitable Share

VCE2

Legacy Fields

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- **Two fundamental changes to approach**

- Differences between legacy and new fields

- Comparison to relevant competition



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October 16, 2007

MEMORANDUM

RE: Oil Company Capital Spending

Oil companies are by definition in business to make a profit. Their actions are aimed at removing or preventing any barriers to achieving increased profits. Taxes are a barrier to achieving profits and when raised serve to reduce profits and when lowered serve to increase profits. Thus, oil companies are naturally predisposed to oppose any increase in taxes. With all things being equal (which they rarely are), oil companies would preferentially invest in areas with the lowest taxes, however this is not the real world calculus.

When materiality and prospectivity are added to the investment decision criteria, oil companies quite often end up investing in countries with relatively high or above average tax rates. They do so because they believe (and often realize) that investments in those countries will provide access to new reserves and will generate significant profits. Similarly, countries that offer extraordinary potential (like Angola, Russia and Kazakhstan) are able to command a greater share of the total pie while, at the other extreme areas which have extremely favorable tax regimes (like Ireland and Morocco) still do not attract significant industry interest.

The oil companies are – rationally – resisting initiatives to increase their effective tax burdens and attempting to boil down the issue of fiscal policy and its impact on their capital investment decision making to a single factor: **the effective tax rate**. But the issue is not that simple. The oil companies must, if they are to remain in existence, do a good job at profitably replacing the reserves that they are currently producing. The number of locales in the world that offer the larger oil companies the needed level of materiality to do that are limited in number. ExxonMobil, BP, Chevron and ConocoPhillips for example, together produce over 12 million barrels of oil equivalent per day – to simply replace their production they need to find a Kuparuk size accumulation every 8 to 9 months!

The oil companies have compared Alaska's tax regime to mainly other lower 48 United States tax regimes; however, such a comparison would only be valid for a small portion of their overall investment capital spending. Lehman recently published a survey of 350 companies that showed estimated total worldwide capital spending in 2007 of just over US\$300 billion of which roughly one quarter or US\$77 billion would be in the United States (including Alaska). Overall, 2007 numbers represented over a 20% increase for international (i.e. non-US or Canada) spending with United States spending up slightly and Canadian spending down.

Looking at just the United States, expected 2007 spending represents an increase of 4.8% over 2006. A further breakdown of the numbers by Lehman shows that smaller

UNITED KINGDOM

UNITED STATES

SINGAPORE

AUSTRALIA

ARGENTINA

MOSCOW

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MEMORANDUM

October 16, 2007

Page 2

companies (those with annual spending under US\$1 billion) were estimating increasing their spending by some 10+% for 2007 while the large oil companies were only expecting spending in the United States to increase 1.2%.

The Lehman data seem to be corroborated by data in the oil companies' annual reports. Gaffney, Cline & Associates reviewed annual reports for BP, Chevron, ConocoPhillips and ExxonMobil for 2002 through 2006. Where available, capital spending data overall and in the United States for the upstream sector were used. Where such geographic breakdown was not provided data for corporate spending were used to arrive at the numbers below. The key piece of information is not the absolute value, but the trend of where the main players in Alaska are spending the bulk of their investment dollar. For upstream spending BP's investments outside the United States represented 50% to 75% of their overall total. Similar numbers for Chevron were 67% to 71%, ConocoPhillips 63% to 75% and ExxonMobil 77% to 85%.

		Capital Spending (\$millions)									
		2006		2005		2004		2003		2002	
BP:	US	\$6,592	50%	\$3,870	38%	\$3,913	36%	\$3,906	26%	\$3,100	32%
	International	\$6,526	50%	\$6,367	62%	\$7,095	64%	\$11,286	74%	\$6,559	68%
	TOTAL	\$13,118		\$10,237		\$11,008		\$15,192		\$9,659	
Exxon:	US	\$2,486	15%	\$2,142	15%	\$1,922	16%	\$2,125	18%	\$2,357	23%
	International	\$13,745	85%	\$12,328	85%	\$9,793	84%	\$9,863	82%	\$8,037	77%
	TOTAL	\$16,231		\$14,470		\$11,715		\$11,988		\$10,394	
Conoco:	Alaska	\$820	9%	\$746	11%	\$645	12%	\$570	13%	\$706	22%
	US (Continental)	\$2,008	21%	\$891	13%	\$669	12%	\$848	19%	\$499	15%
	International	\$6,685	70%	\$5,047	76%	\$3,935	75%	\$3,090	68%	\$2,071	63%
	TOTAL	\$9,513		\$6,684		\$5,249		\$4,508		\$3,276	
Chevron:	US	\$4,123	32%	\$2,450	29%	\$1,820	29%	\$1,641	29%	\$1,888	30%
	International	\$8,696	68%	\$5,939	71%	\$4,501	71%	\$4,034	71%	\$4,395	70%
	TOTAL	\$12,819		\$8,389		\$6,321		\$5,675		\$6,283	

Moreover, the review of the annual reports show investment by these four companies in significant projects in jurisdictions that have average and marginal tax rates above those in place or proposed in Alaska.

In deciding where to invest, tax policy is one of the factors considered but is demonstrably not, in and of itself, the controlling factor.



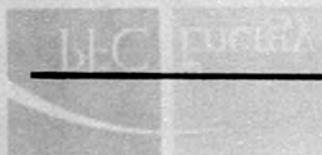
Strategic Advisors in Global Energy

Government Take Comparison

Prepared for the Department of Revenue, State of Alaska
Torsten Wucherpfennig, Manager Asset Valuation, PFC Energy

20 October 2007





30 October 2003

Government Take

Prepared for the Department of Revenue, State of Alaska

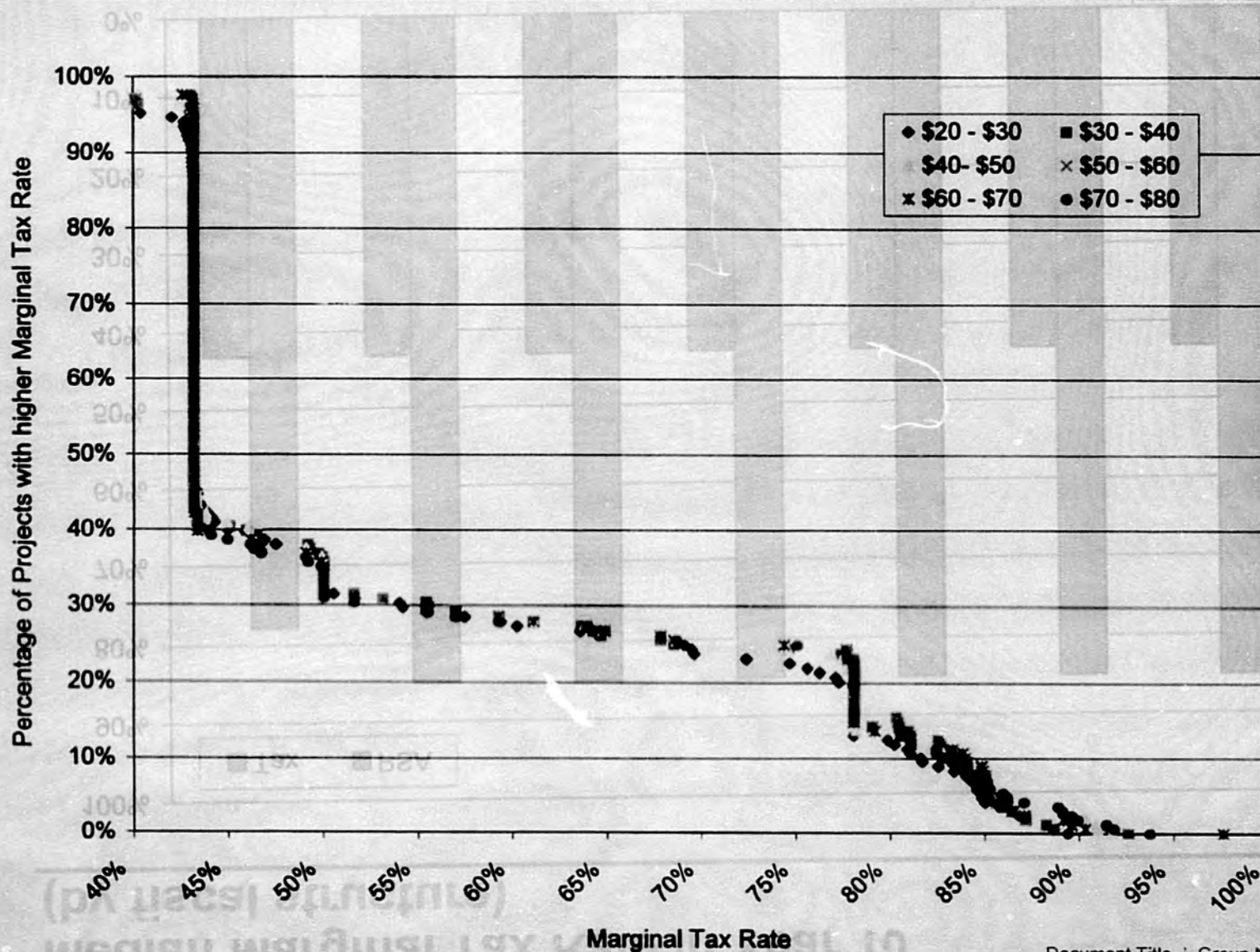
Government Take Comparison



Strategic Advisors in Global Energy

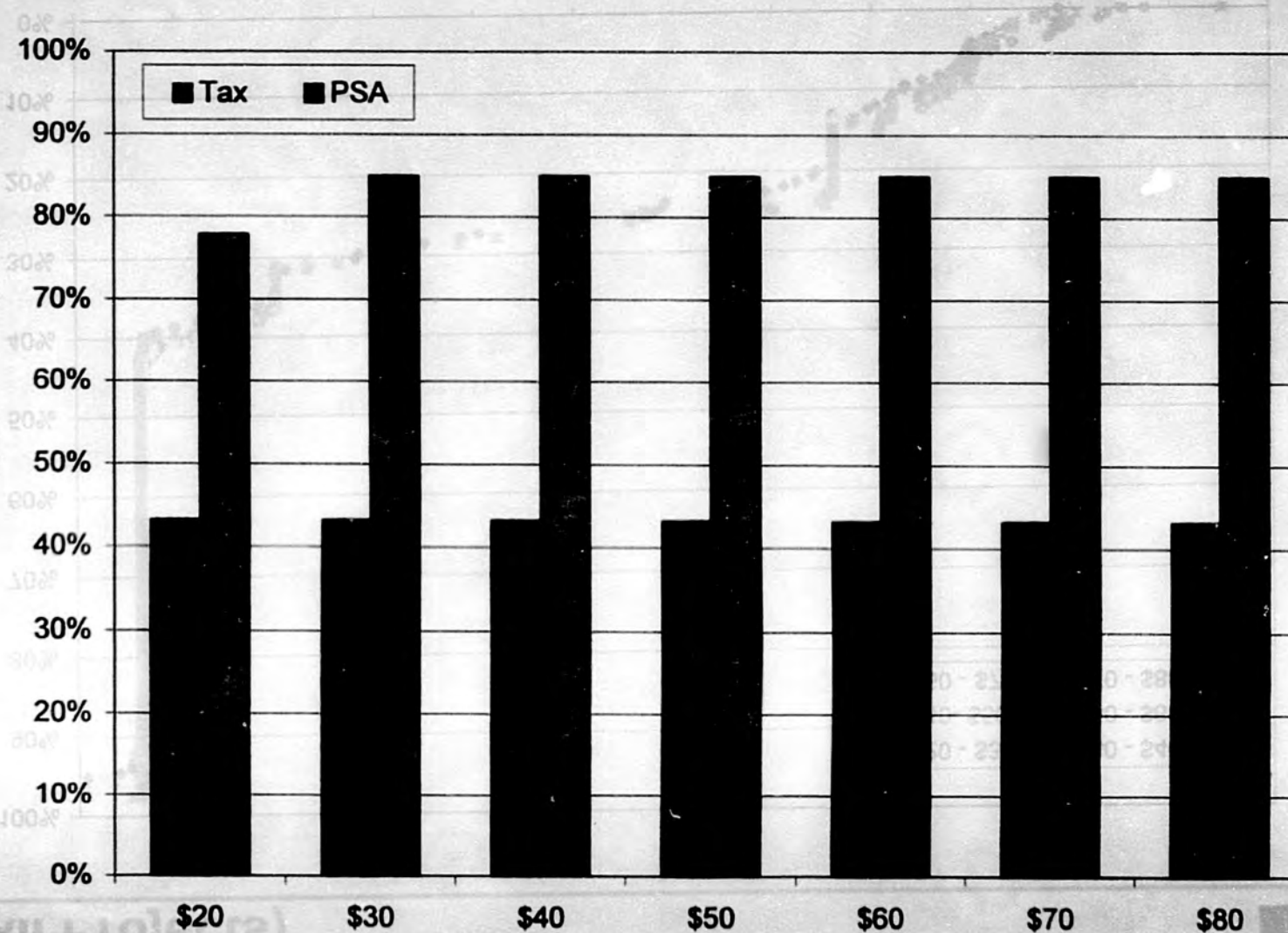
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Distribution Marginal Tax Rate of 190 fields (All Projects)

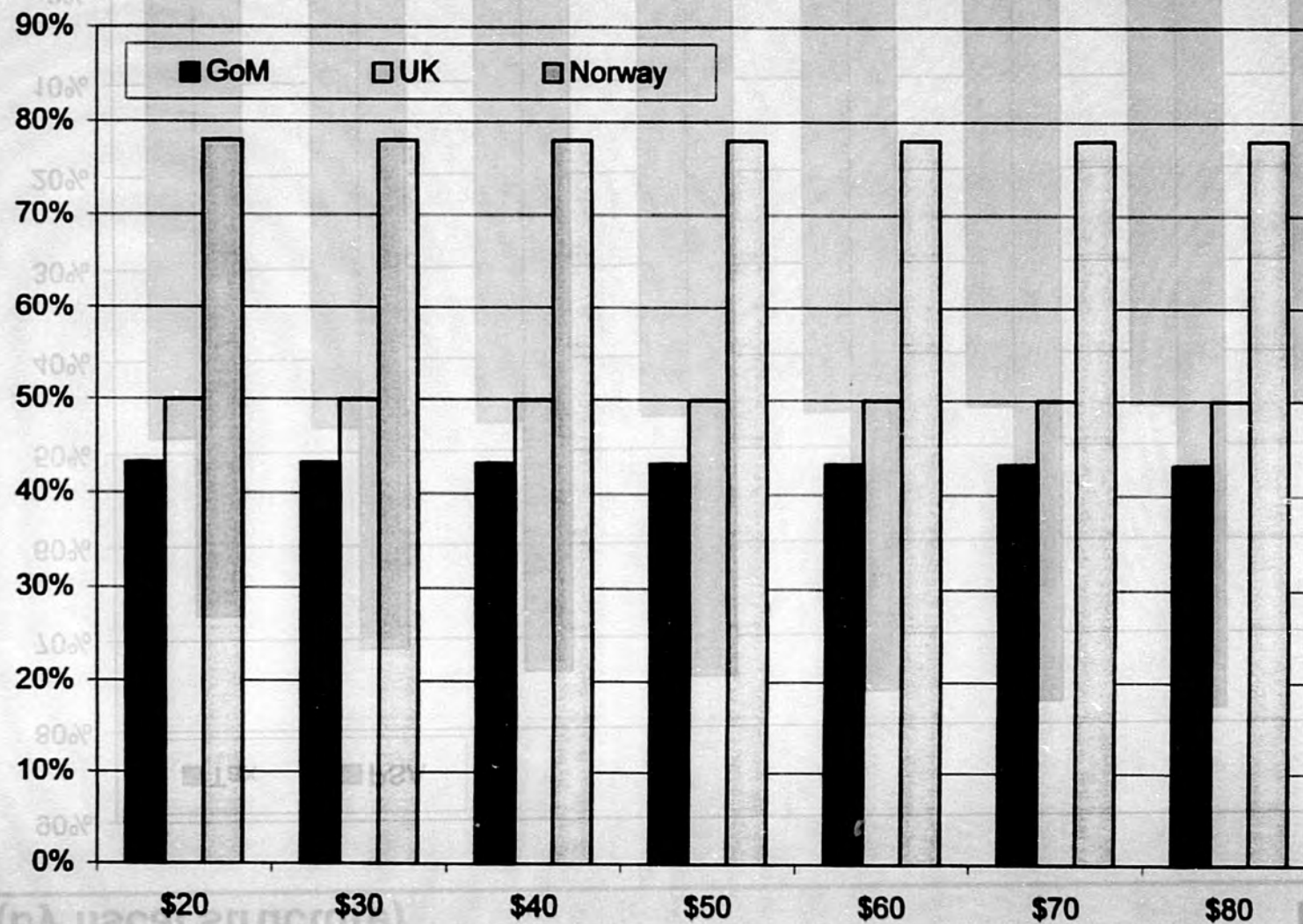


Median Marginal Tax Rate in Year 10 (by fiscal structure)

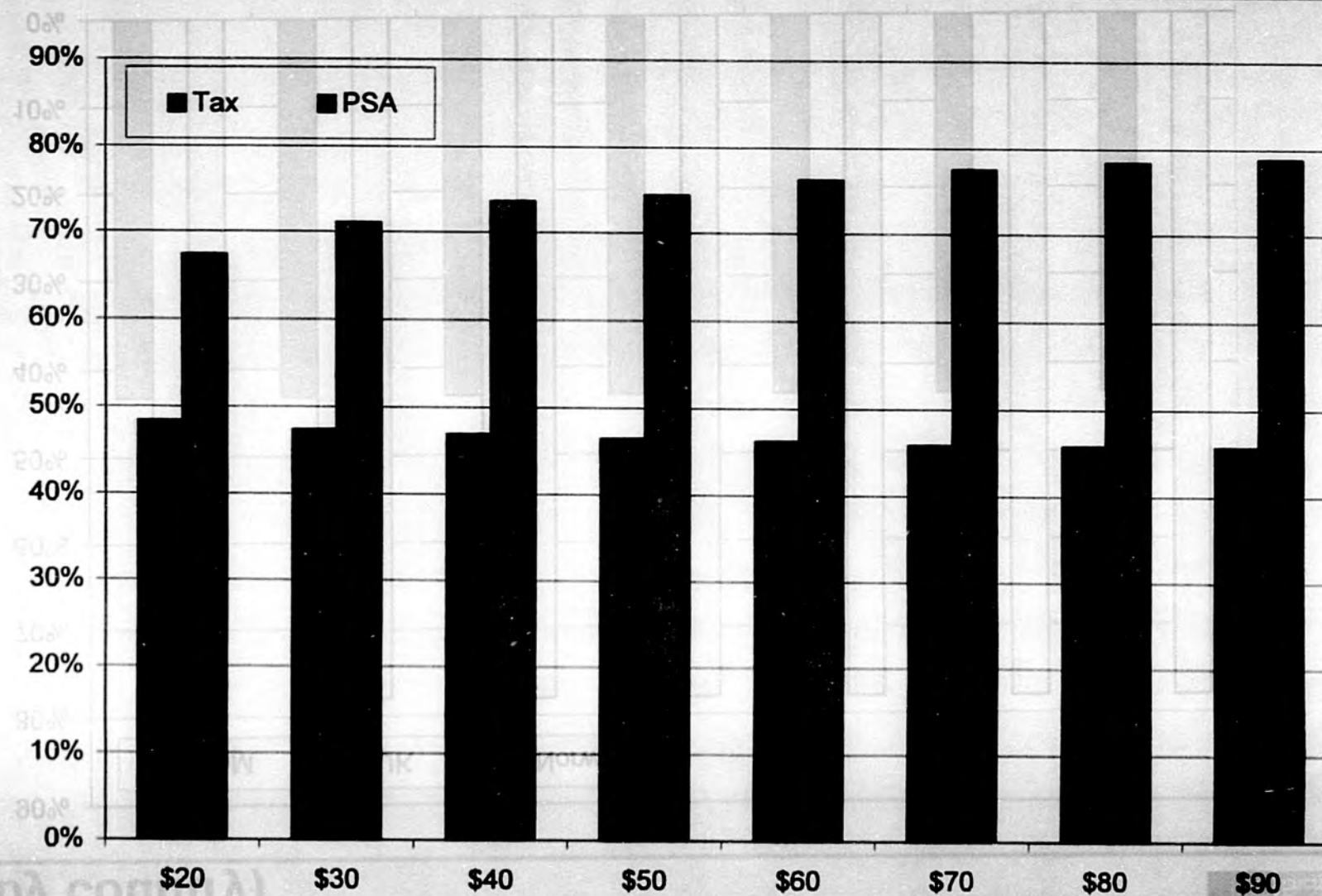
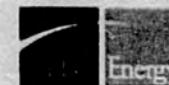
Document Title | Group Name | Page 3



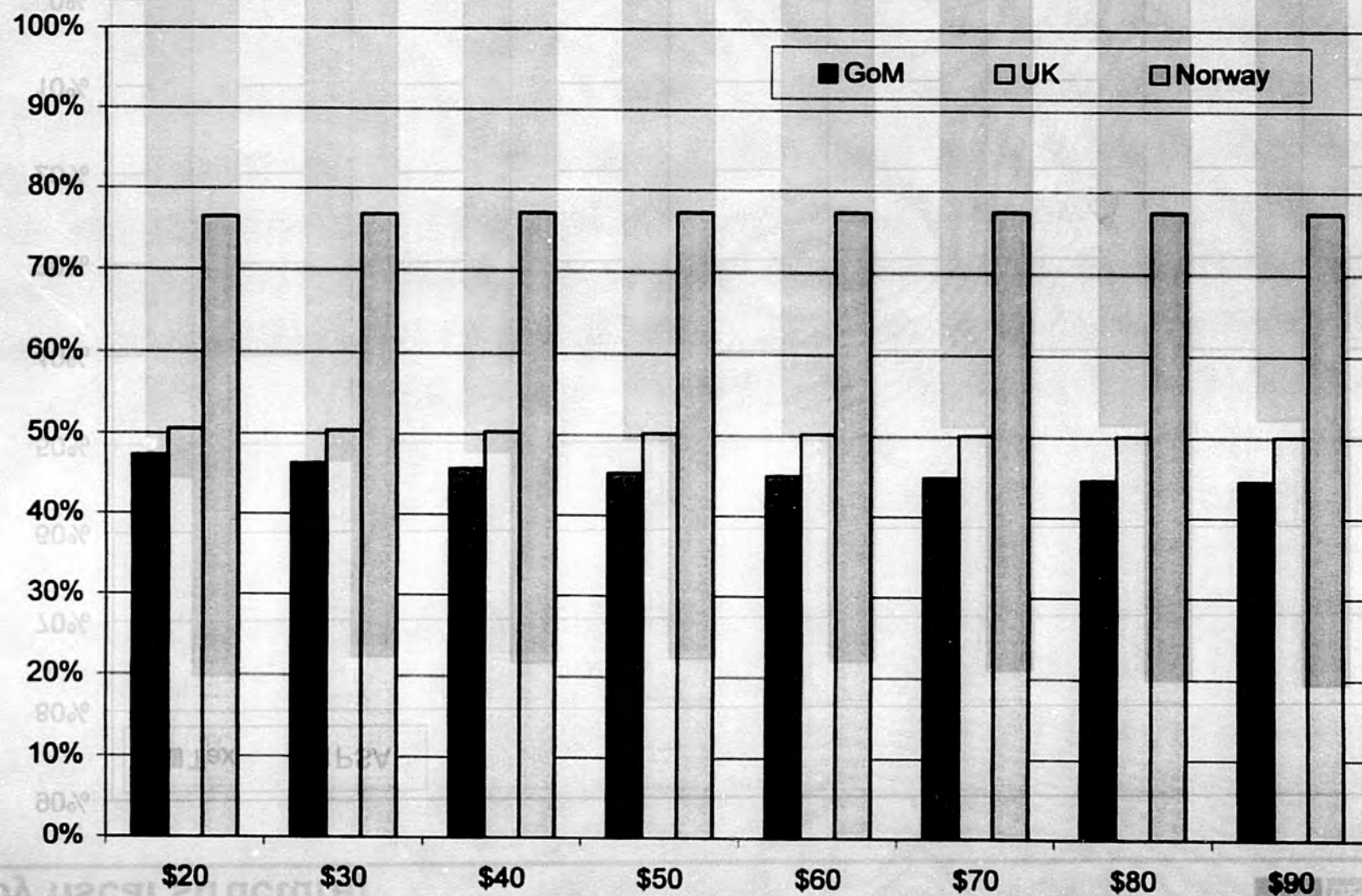
Median Marginal Tax Rate in Year 10 (by country)



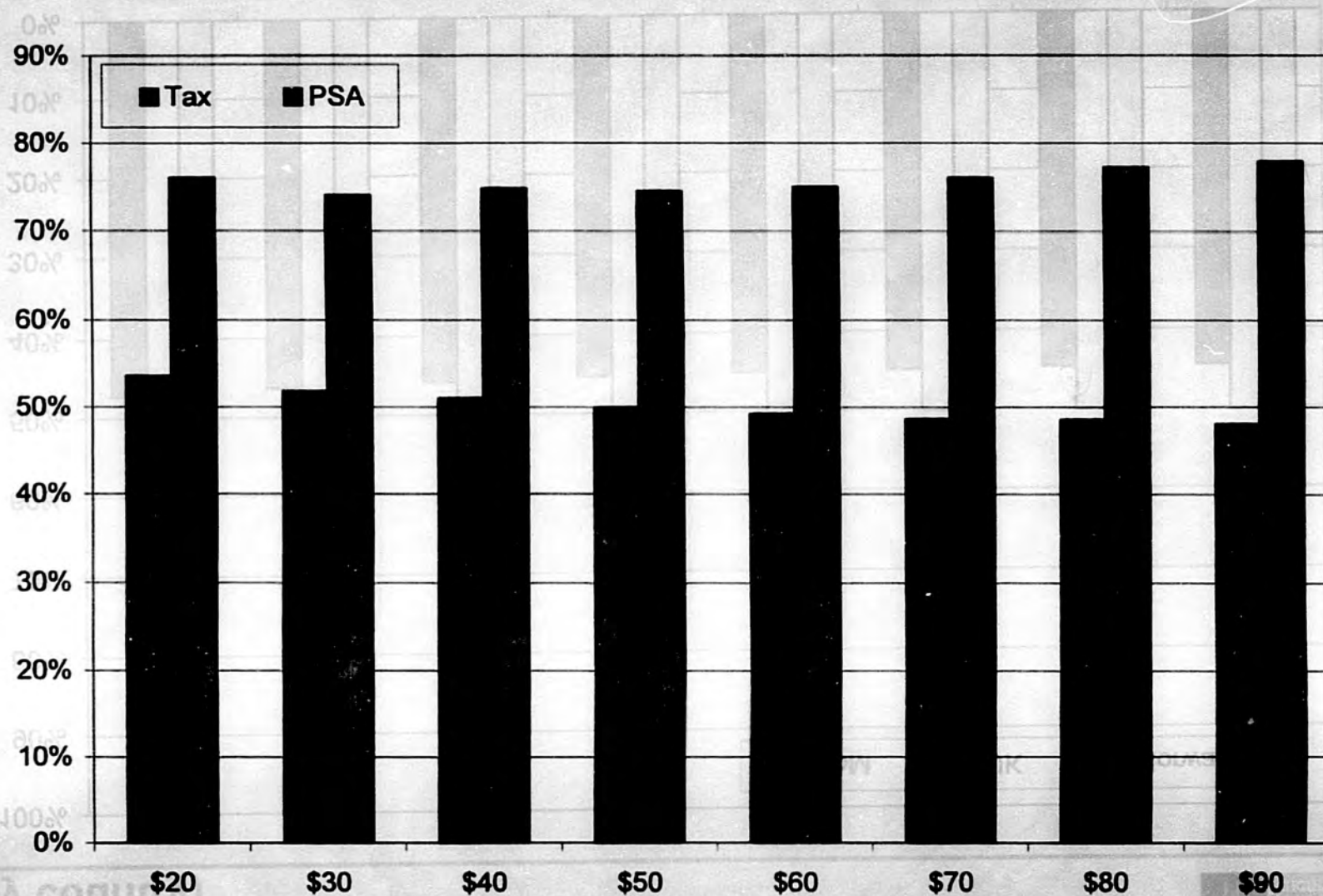
Median Undiscounted Government Take in Economic Rent (by fiscal structure)



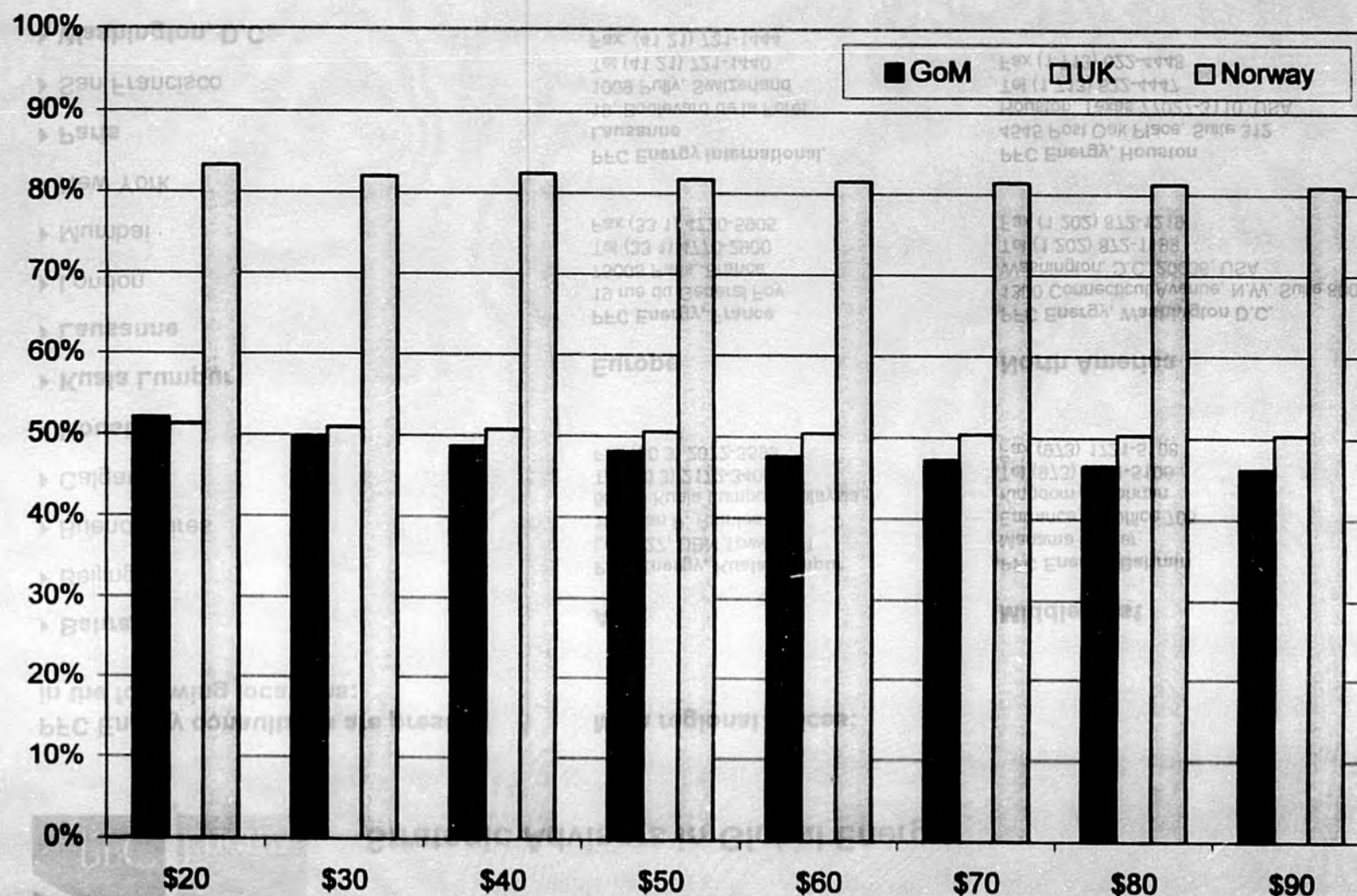
Median Undiscounted Government Take in Economic Rent (by country)



Median Discounted (10%) Government Take in Economic Rent (by fiscal structure)



Median Discounted (10%) Government Take in Economic Rent (by country)





Strategic Advisors in Global Energy

PFC Energy consultants are present in the following locations:

- ▶ Bahrain
- ▶ Beijing
- ▶ Buenos Aires
- ▶ Calgary
- ▶ Houston
- ▶ Kuala Lumpur
- ▶ Lausanne
- ▶ London
- ▶ Mumbai
- ▶ New York
- ▶ Paris
- ▶ San Francisco
- ▶ Washington, D.C.

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Main regional offices are shown in blue.

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Case Studies: Government Competition for Oil & Gas Investment



Alaska Department of Revenue,
October 2007, Juneau, Alaska
Michael D. Williams, Chief Economist

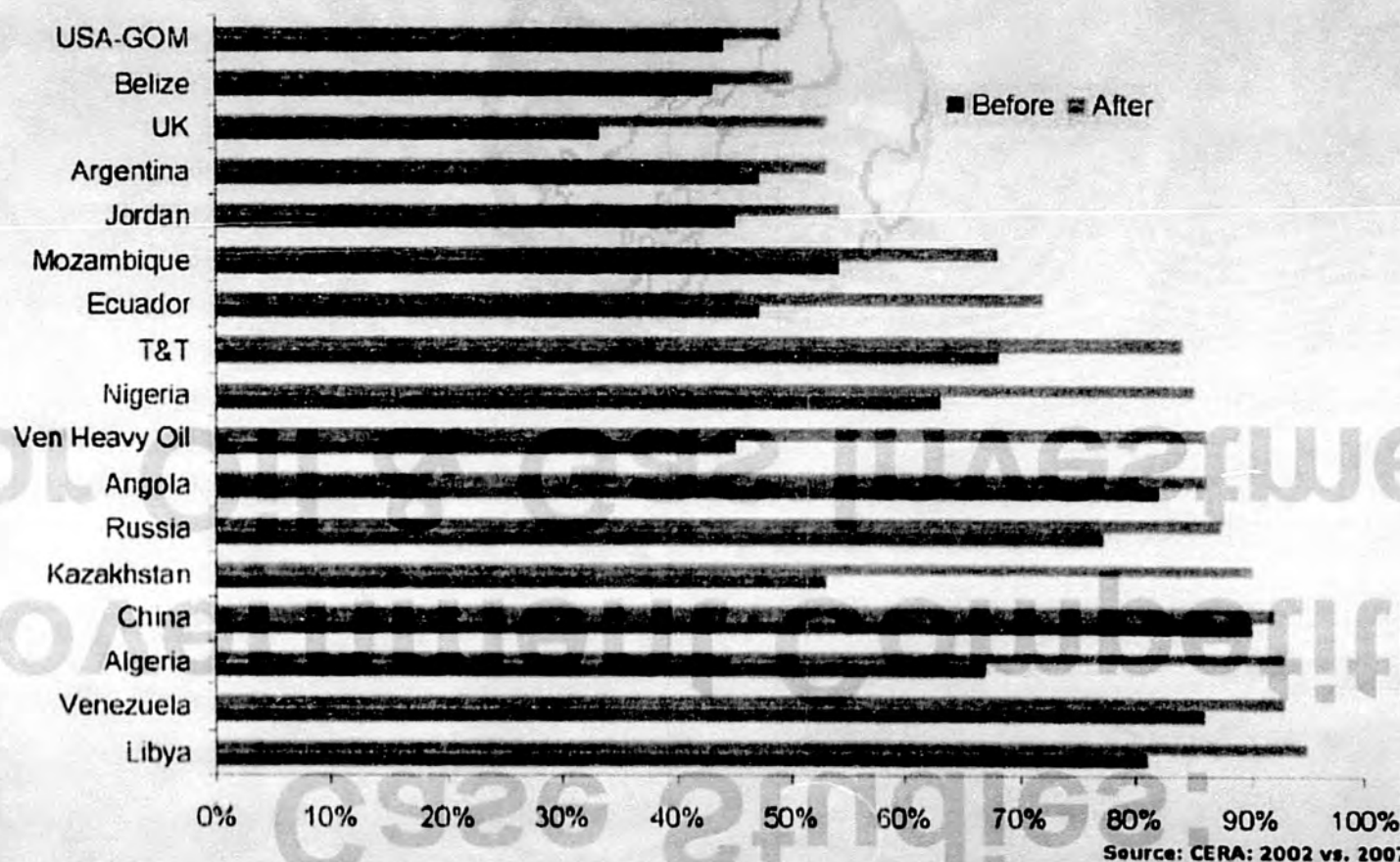


Capturing "Fair Share"

Assessment of Oil and Gas Jurisdictions
is Complex and Continuous



Changes in Government Take 2002 to 2006



Source: Report of the Alberta Royalty Review Panel, "Our Fair Share", page 29.

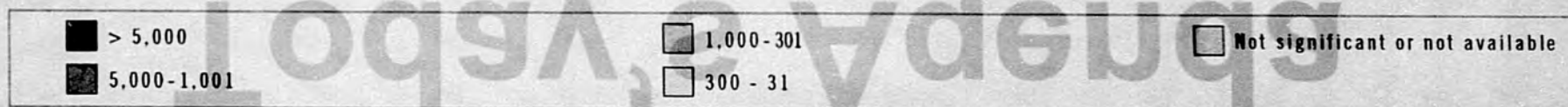
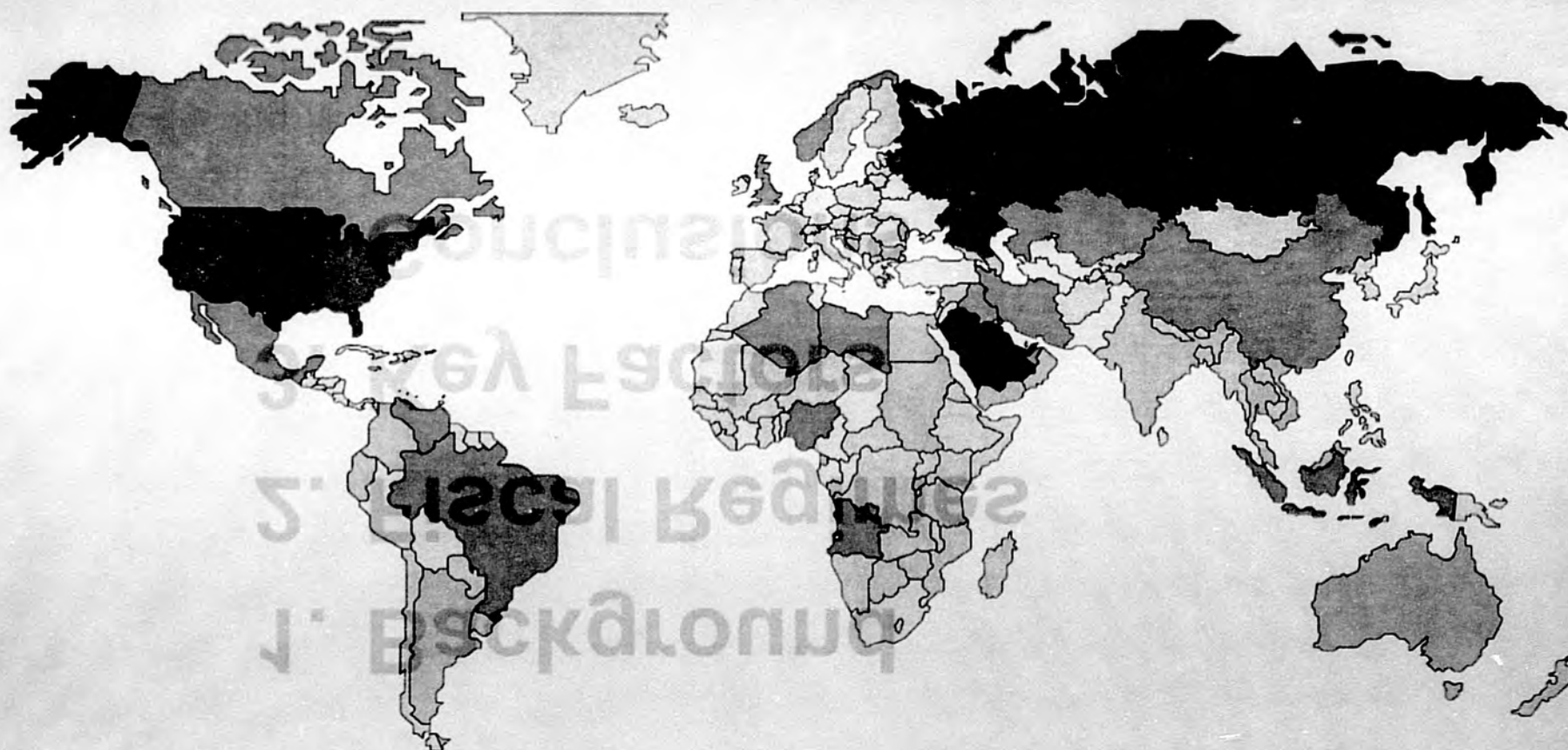


Today's Agenda

1. Background
2. Fiscal Regimes
3. Key Factors
4. Conclusions

Oil Producing Countries

Oil Producing Countries³



Source, ENI, *World Oil & Gas Review 2007*, for 2006, crude oil and NGL's in thousands of barrels per day, page 13.

Types of Legal Systems

- **Production Sharing** – Uses a Production Sharing Contract [PSC], the contractor receives a share of production for services rendered.
- **Tax / Royalty** – Government licenses right to extract and sell resources and imposes financial obligations on resource extraction:
 - Royalty
 - Tax: on income, production, property.

Tax / Royalty Governments Comparison

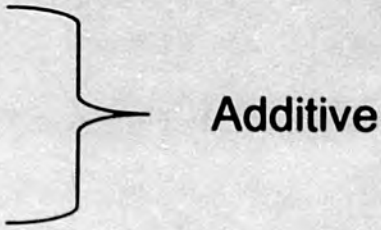
- **Alaska**
- **Alberta**
- **Norway**
- **United Kingdom**
- **US Gulf of Mexico [GOM]**

Alaska

- **Signature Bonus:** Yes
- **Royalty:** about 12.5%
- **Production Tax:** Petroleum Profits Tax, based on net income
- **Tax Credits & Uplift:** Yes
- **Property Tax:** Based on assessment
- **Corporate Income Tax:**
 - Alaska State = 9.4% of profit
 - US Federal* = 35% of profit

* Bonuses, Royalty, Production Tax, Property Tax, and State Corporate Income Tax are deduction from US Federal Income Tax.

Alberta Conventional Oil

- **Signature Bonus:** Yes
 - **Royalty*:** 14.78%
 - **Production Tax:** None
 - **Tax Credits & Uplift:** No
 - **Property Tax:** None
 - **Corporate Income Tax:**
 - Federal = 20% of profit
 - Provincial = 10% of profit
- 

* There are three tiers of royalty based upon the age of the well, those tiers are pre-1974, 1974-1992, and post-1992. The royalty rates are expressed in Canadian dollars per cubic meter and are sensitive to well productivity and market price. This analysis is for oil wells that went into production after 1992 and use the rate of \$130.09 per cubic meter, which is a royalty rate of about 15%. See "Technical Royalty Report OG#2: Alberta's Conventional Oil and Gas Industry", Alberta Department of Energy, 2007, page 14.

Norway

10

- **Corporate Income Tax:** 20% of profit
- **Signature Bonus:** No
- **Royalty:** Phased out
- **Production Tax*:** 50% of profit
- **Tax Credits & Uplift:** Yes
- **Property Tax:** None
- **Corporate Income Tax*:** 28% of profit

* Production Tax and Corporate Income Tax are additive.

United Kingdom

- **Signature Bonus:** No
- **Royalty:** Discontinued for new fields in 1982 & older fields in 2003
- **Production Tax*:** Fields developed before March 1993 pay 25%; there is no tax on fields with development approval after March 1993.
- **Tax Credits & Uplift:** No
- **Property Tax:** None
- **Corporate Income Tax:** 50% of profit

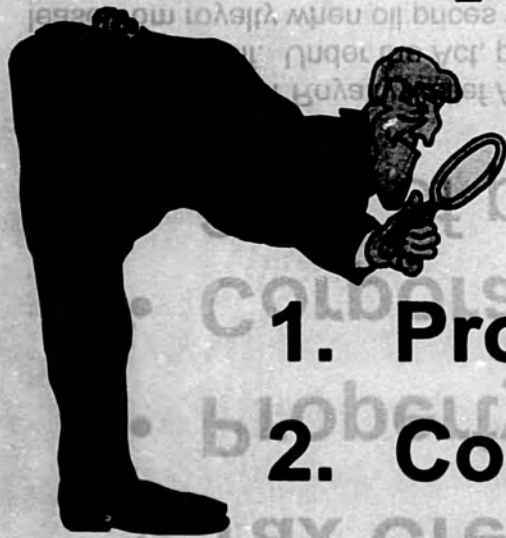
* For fields in operation prior to 1993, the Petroleum Revenue Tax is due and is a tax on net income with detailed specifications for such items as lease costs, acquisition costs, abandonment costs, tariffs, etc. The PRT has a tax rate of 25% and the tax paid is deductible from profits in computing Corporate Income Tax.

US GOM

- **Signature Bonus:** Yes
- **Royalty:** Royalty relief* for deep water
- **Production Tax:** None
- **Tax Credits & Uplift:** Yes
- **Property Tax:** None
- **Corporate Income Tax:** US Federal, 35% of profits

* The Deep Water Royalty Relief Act of 1995 expanded the Secretary's royalty relief authority in the GOM outer continental shelf. Under the Act, producers were able to exclude the first 87.5 million barrels of oil production from each lease from royalty when oil prices were under \$34 per barrel. When contracts were actually approved, the price "trigger" was not included in the agreement, thus, the contracts between the oil companies and US government do not specify a price at which the royalty payment is required. On January 9, 2007 the US government royalty rate was increased to 16.7% from 12.5% - but the 87.5 million barrel exclusion still applies, and there is still no price trigger in the contracts.

Key Factors



1. Prospectivity

2. Costs

3. Risk

- **Political**

- **Fiscal Stability**

4. Capital Depreciation Time Frame

5. Government Take

Attractiveness of Oil & Gas Resources

All Exploration & Discoveries Since 1990; Reserves are Reserves Added Since 1990

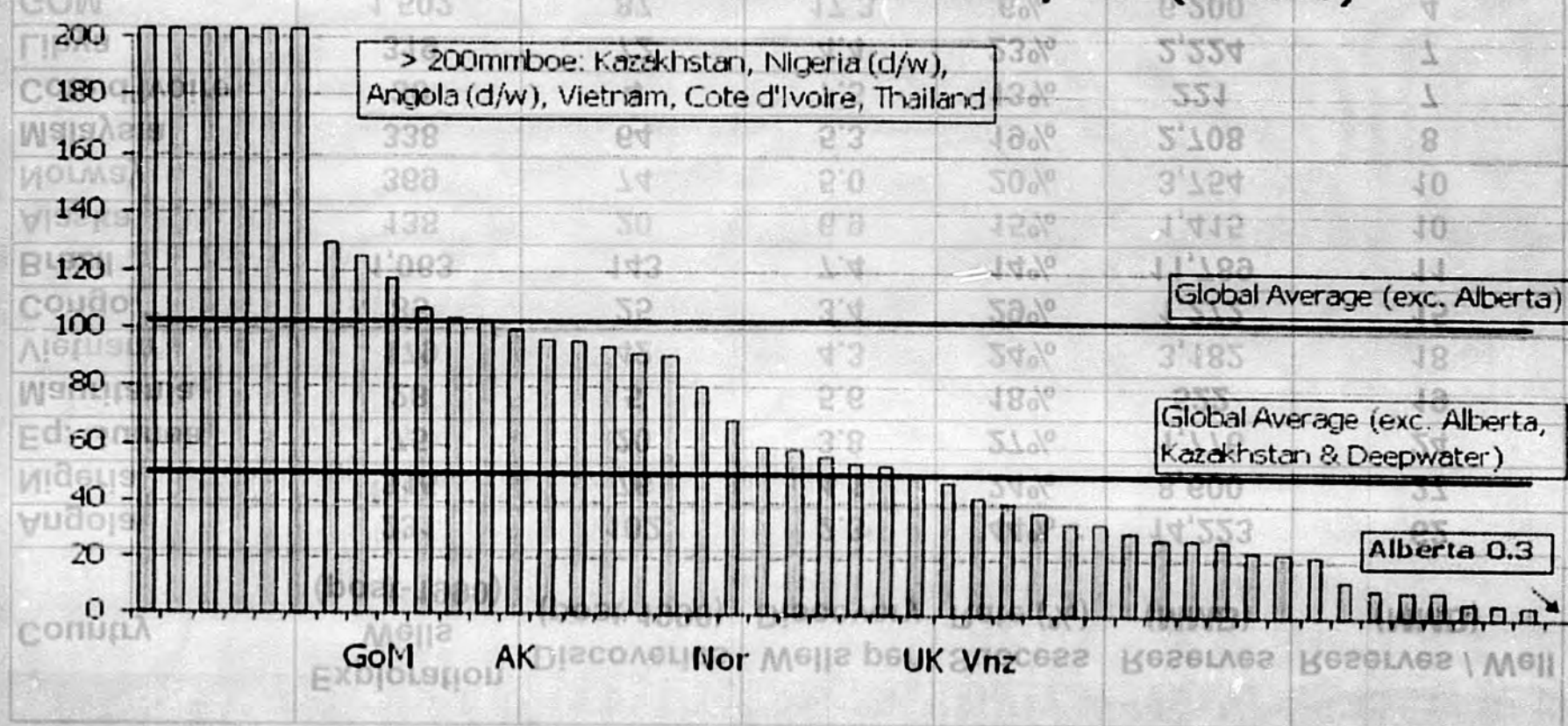
Country	Exploration Wells (post-1990)	Discoveries (post-1990)	Wells per Discovery	Success Rate (%)	Reserves (MMB)	Reserves / Well (MMB)
Angola	231	102	2.3	44%	14,223	62
Nigeria	315	76	4.1	24%	8,600	27
Eq. Guinea	75	20	3.8	27%	1,776	24
Mauritania	28	5	5.6	18%	522	19
Vietnam	179	42	4.3	24%	3,182	18
Congo	85	25	3.4	29%	1,272	15
Brazil	1,063	143	7.4	14%	11,789	11
Alaska	138	20	6.9	15%	1,415	10
Norway	369	74	5.0	20%	3,754	10
Malaysia	338	64	5.3	19%	2,708	8
Cote d'Ivoire	30	4	7.5	13%	221	7
Libya	319	72	4.4	23%	2,224	7
GOM	1,502	87	17.3	6%	6,200	4
UK	1,177	122	9.6	10%	3,826	3
Gabon	185	26	7.1	14%	472	3
Indonesia	1,200	193	6.2	16%	2,749	2
Argentina	1,110	230	4.8	21%	1,071	1
Australia	1,741	147	11.8	8%	1,600	1

Source: PFC Study September 2007, Alaska data from AOGCC and DNR

Conventional Oil Pool Size

1994 – 2003

Average Commercial Oil Discovery Size (mmboe)

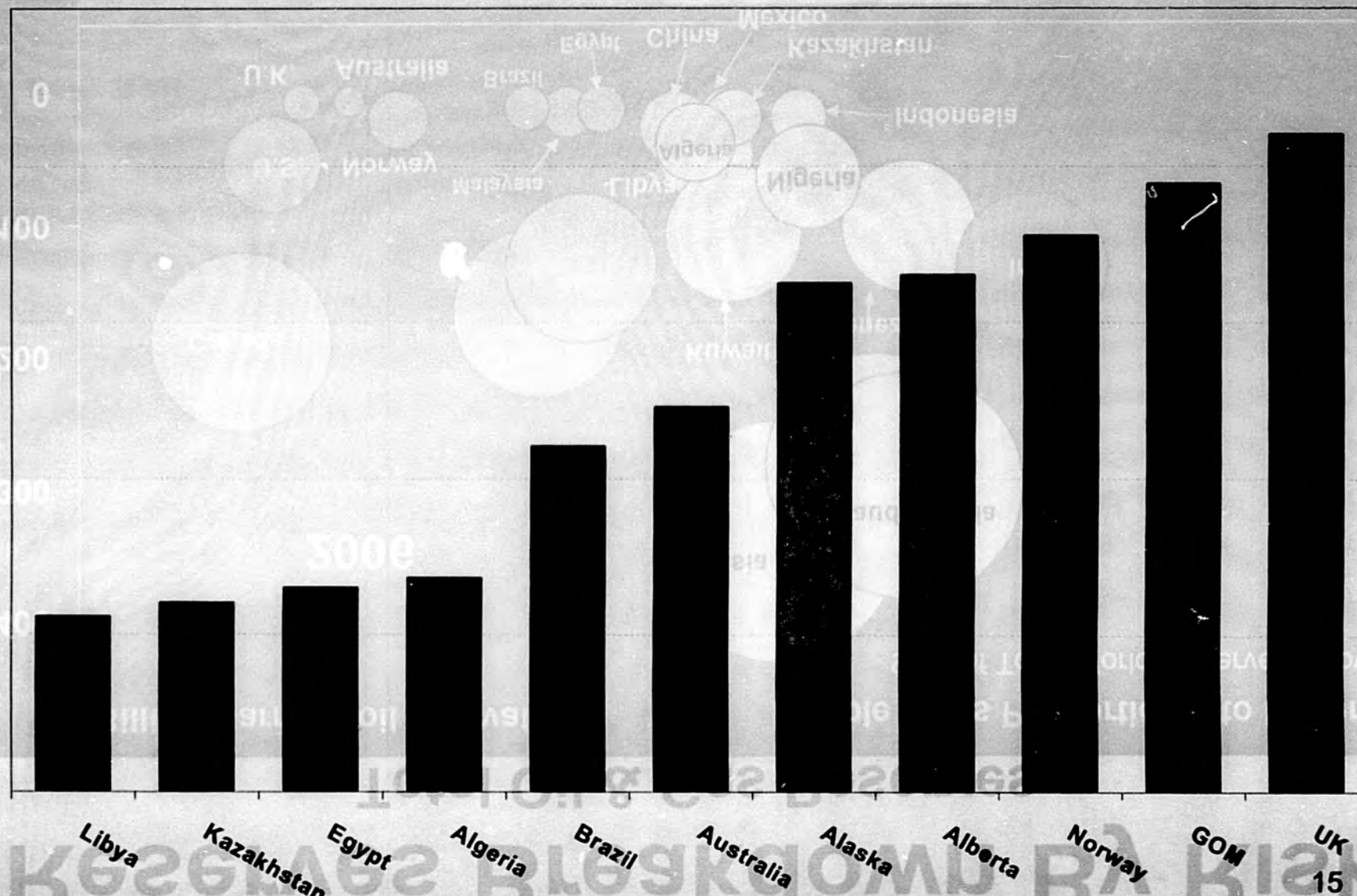


All Exploration & Discoveries since 1990: Reserves are Reserves Added since 1990

Attractiveness of Oil & Gas Reserves

Source: Report of the Alberta Royalty Review Panel, "Our Fair Share", page 50.

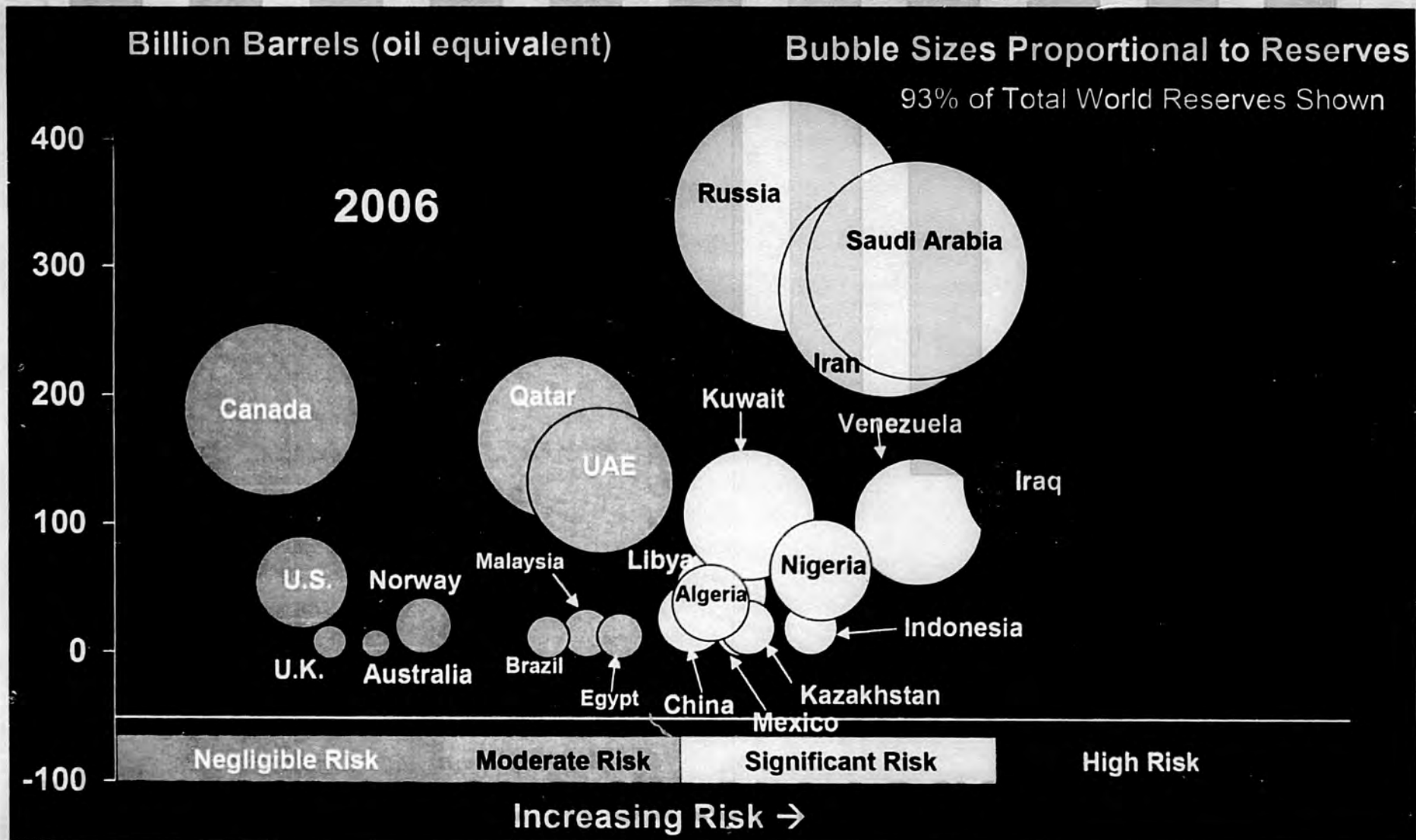
Upstream Per Barrel Production Cost



Dollars per barrel, includes capital and operating expense, most data from public sources.

Reserves Breakdown By Risk

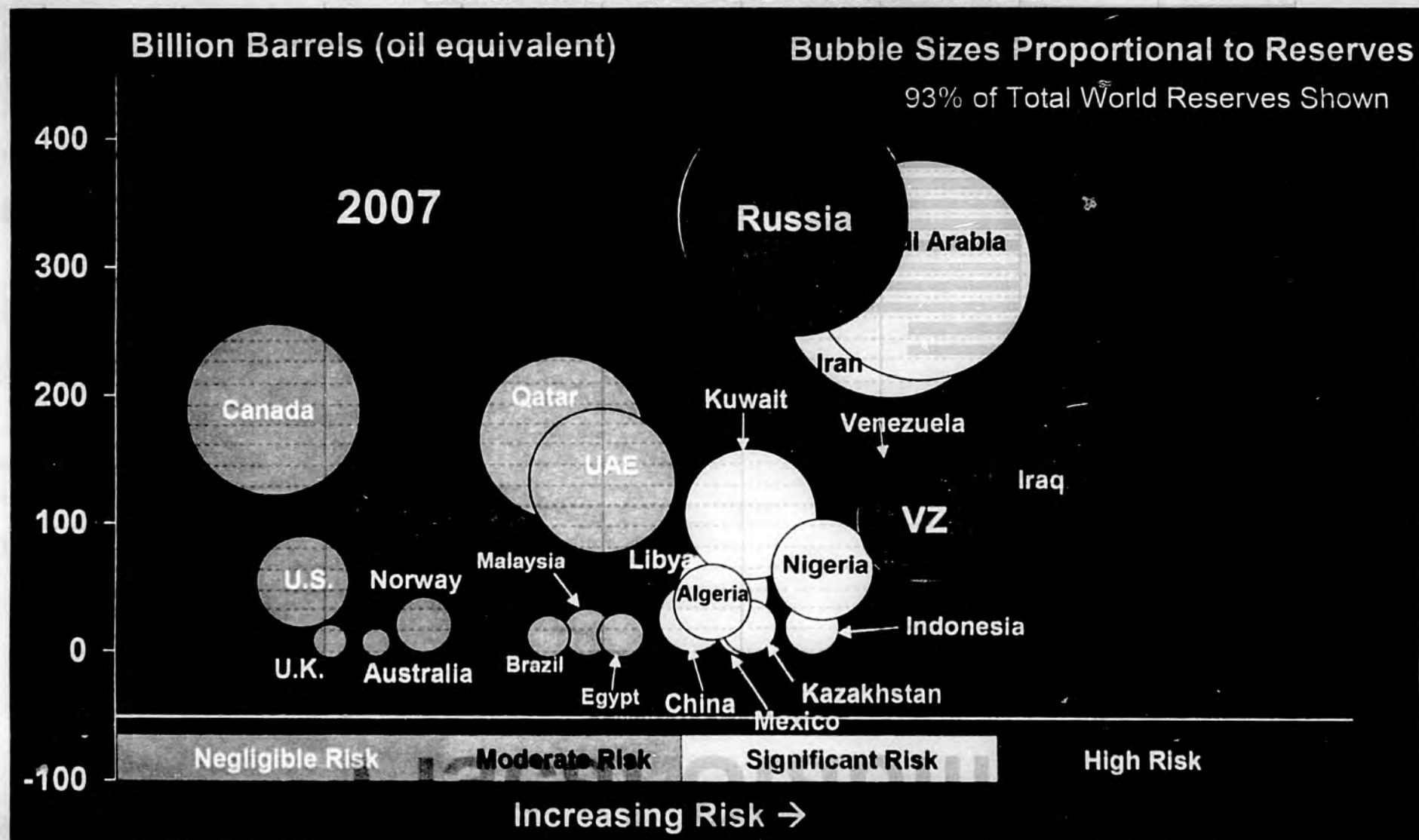
Total Oil & Gas Reserves



Source: ConocoPhillips, Petroleum Equipment Suppliers Association, April 20, 2006

Reserves Breakdown By Risk

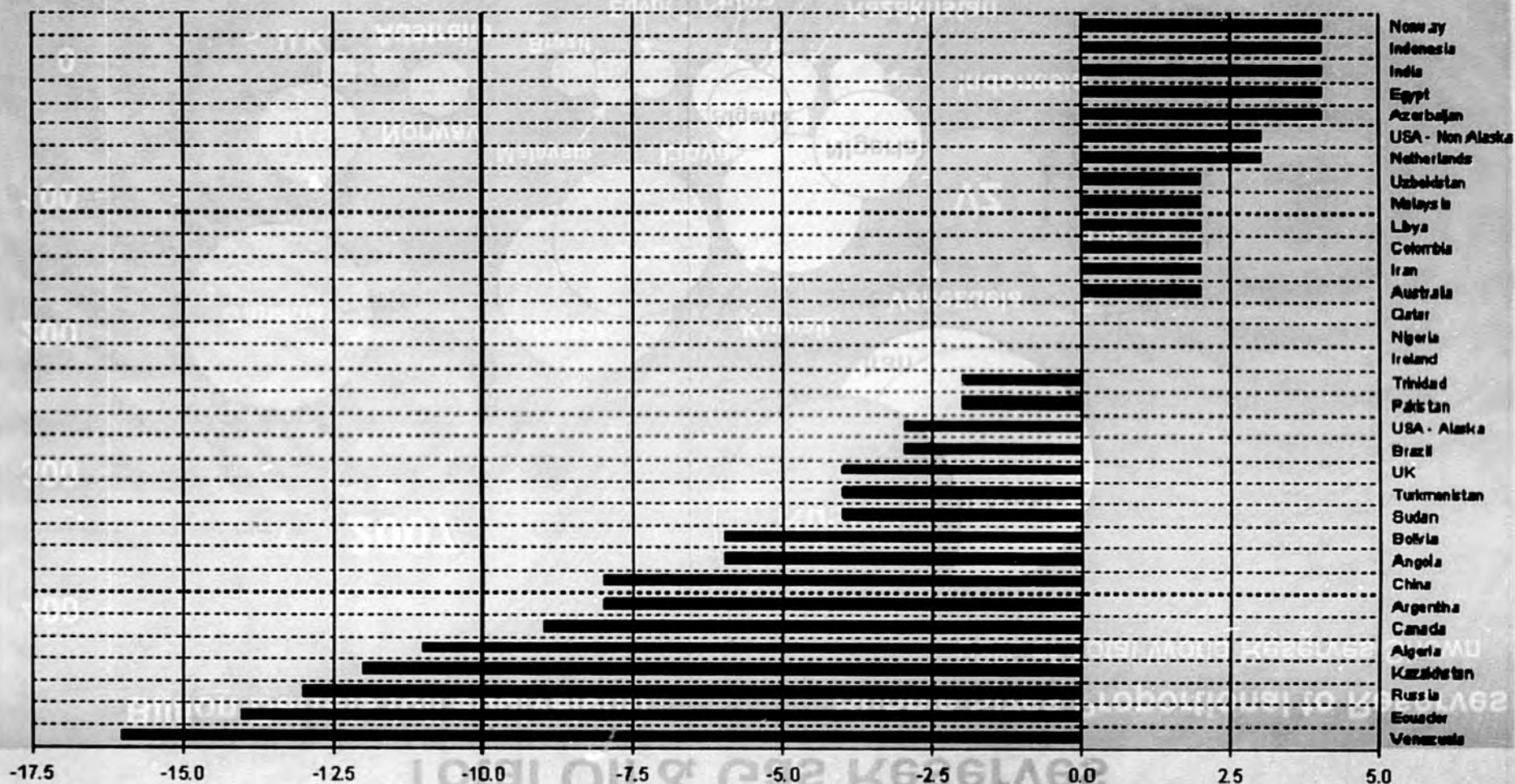
Total Oil & Gas Reserves



Source: Initial chart from ConocoPhillips, Petroleum Equipment Suppliers Association, April 20, 2006, adjusted by DOR to reflect 2007 events.

Fiscal Stability

Cumulative Stability Score



Negative

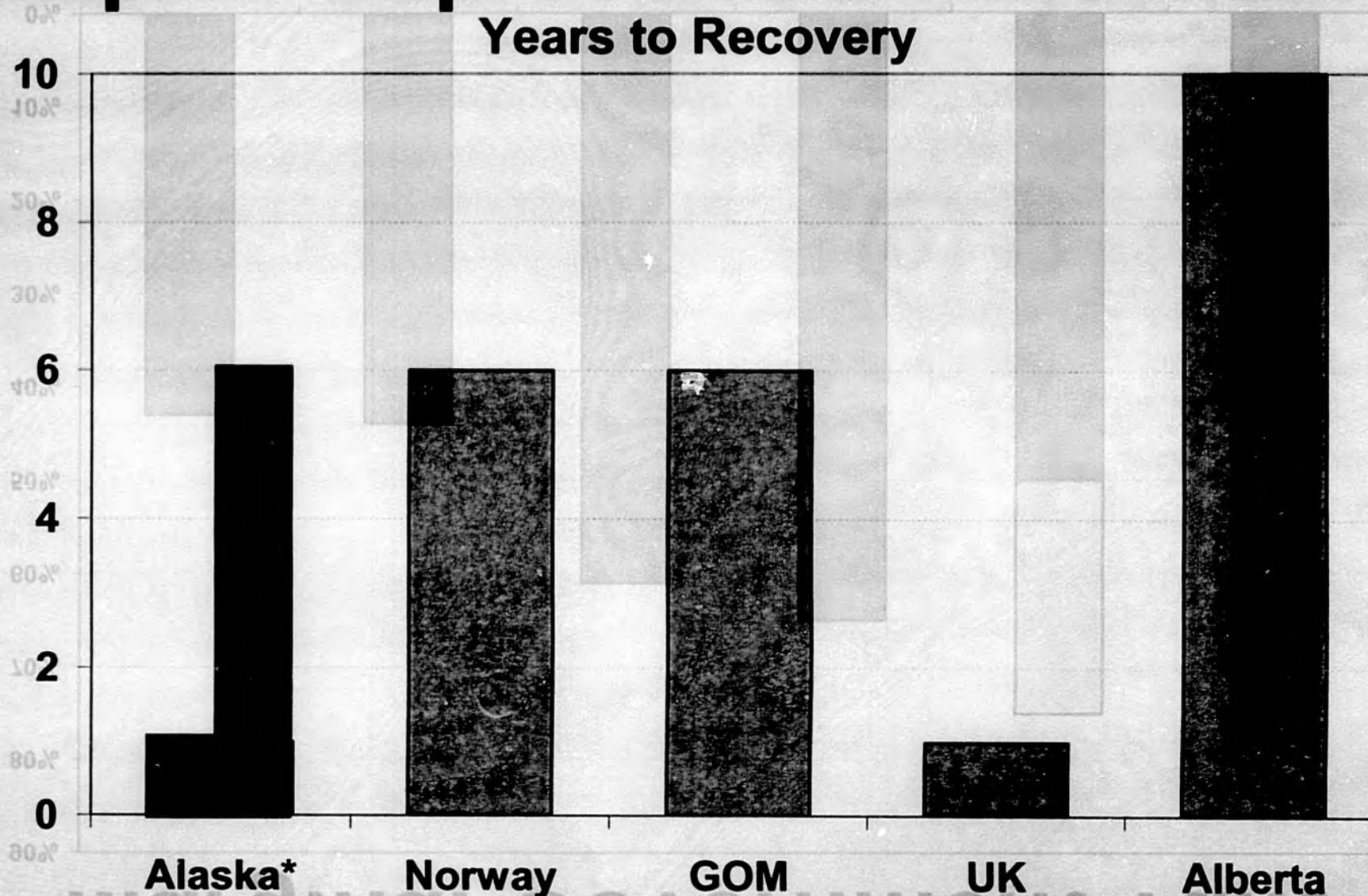
*Tax/Royalty System

Positive

18

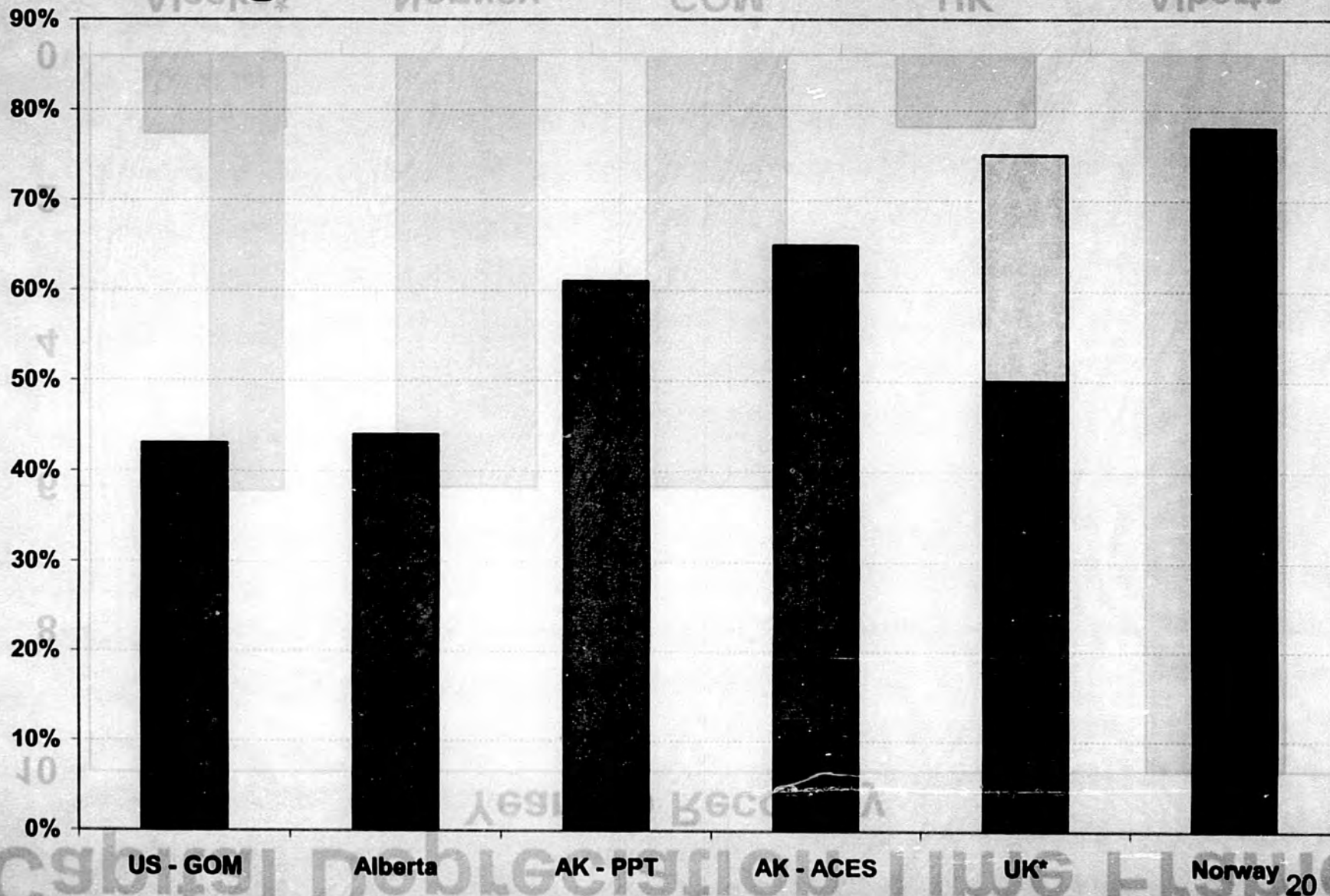
Source: PFC Study September 2007

Capital Depreciation Time Frame



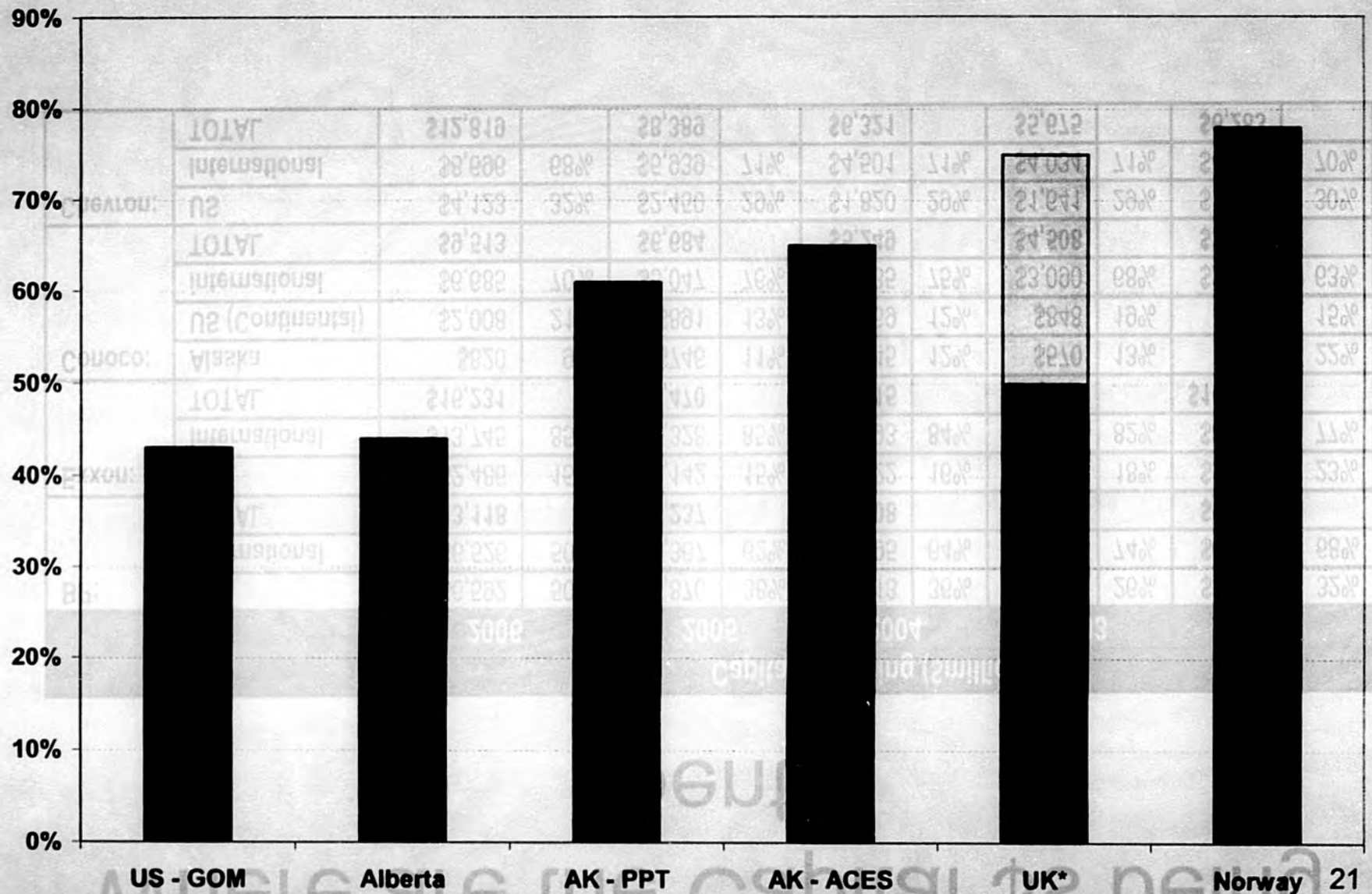
* Under PPT there is a one year write off, for Federal Corporate Income Taxes there is a depreciation schedule.

Marginal Government Take



Sources include Alberta Panel Review 2007, Wood Mackenzie 2007, PFC 2007, US General Accounting Office 2007

Cradle to Grave Government Take



Sources include Alberta Panel Review 2007, Wood Mackenzie 2007, PFC 2007, US General Accounting Office 2007

Where are the Capital \$s being spent?

Capital Spending (\$millions)											
		2006		2005		2004		2003		2002	
BP:	US	\$6,592	50%	\$3,870	38%	\$3,913	36%	\$3,906	26%	\$3,100	32%
	International	\$6,526	50%	\$6,367	62%	\$7,095	64%	\$11,286	74%	\$6,559	68%
	TOTAL	\$13,118		\$10,237		\$11,008		\$15,192		\$9,659	
Exxon:	US	\$2,486	15%	\$2,142	15%	\$1,922	16%	\$2,125	18%	\$2,357	23%
	International	\$13,745	85%	\$12,328	85%	\$9,793	84%	\$9,863	82%	\$8,037	77%
	TOTAL	\$16,231		\$14,470		\$11,715		\$11,988		\$10,394	
Conoco:	Alaska	\$820	9%	\$746	11%	\$645	12%	\$570	13%	\$706	22%
	US (Continental)	\$2,008	21%	\$891	13%	\$669	12%	\$848	19%	\$499	15%
	International	\$6,685	70%	\$5,047	76%	\$3,935	75%	\$3,090	68%	\$2,071	63%
	TOTAL	\$9,513		\$6,684		\$5,249		\$4,508		\$3,276	
Chevron:	US	\$4,123	32%	\$2,450	29%	\$1,820	29%	\$1,641	29%	\$1,888	30%
	International	\$8,696	68%	\$5,939	71%	\$4,501	71%	\$4,034	71%	\$4,395	70%
	TOTAL	\$12,819		\$8,389		\$6,321		\$5,675		\$6,283	

Mentioned in 2006 Reporting Exploration and Development

- **BP**
 - Algeria, Angola, Australia, Azerbaijan, China, Egypt, Indonesia, Russia and Trinidad & Tobago
- **Chevron**
 - Angola, Australia, Brazil, Canada, Indonesia, Kazakhstan, Nigeria, Norway, the Partitioned Neutral Zone, Thailand, UK, and Trinidad/Venezuela.
- **ConocoPhillips**
 - Australia, Canada, China, Indonesia, Kazakhstan, Libya, Malaysia, Peru, Qatar, Russia, UK, Vietnam, and Venezuela
- **XOM**
 - Australia, Canada, Indonesia, Ireland Venezuela, Norway, Philippines, Qatar, and UAE

Conclusions

- **1. Alaska is Competitive**
 - Peer Group
 - Worldwide
- **2. Possible to Increase Government Take & Remain Competitive**

Comparable Salaries for the State of Alaska's Oil and Gas Revenue Auditor III and Corporate Income Tax Auditor III Positions

30 January 2006

Alaska Department of Revenue
Tax Division
Nels Tomlinson

Purpose

This report is intended to present salaries for positions in the private and government sectors which are comparable to the State's Oil and Gas Revenue Auditor III and Corporate Income Tax Auditor III Positions.

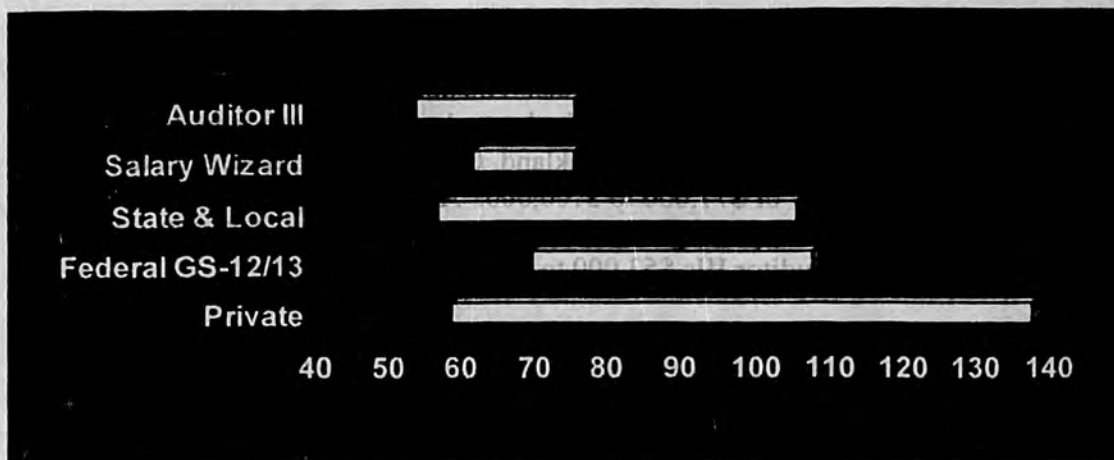
Findings

The pay range for the State's Auditor III positions is on the low end of the pay range for roughly similar jobs. The pay range for similar jobs is \$56,000 to \$120,000, while the pay range for Auditor III jobs is \$53,000 to \$75,000.

Comparable private jobs pay between \$60,000 and \$120,000 after adjusting for the cost of living differential. Comparable Federal jobs pay between \$93,000 and \$121,000, including the Federal COLA. The fact that the COLA is tax free means that those numbers understate the attractiveness of the Federal pay scale. Comparable state and local government jobs in the Lower 48 pay between \$56,000 and \$105,000, after adjusting for the cost of living differential. Internet salary wizards suggest a range between \$61,000 and \$75,000 for accountants in Anchorage.

Jobs which give comparable pay involve less responsibility and typically require less experience, while jobs which require comparable knowledge and responsibility offer higher pay, often require more training and experience, and often involve management or corporate officer responsibilities.

The chart below shows the pay ranges for the several categories of salary information. The starting pay for the Auditor III position is the lowest pay for any of the comparable positions found. The top pay for the Auditor III matches the upper end suggested by the internet salary wizards for simple accountants (title "Accountant III") in Anchorage. The Private and State & Local pay ranges start nearly 10% higher than our Auditor III pay range, and go far higher. The Federal pay range starts \$16,000 above the low end of the Auditor III range, which is \$8,000 above the high end, and tops out at \$107,000, more than 40% above the high end of the Auditor III pay range.



The Requirements of the State Auditor Positions

The positions Oil and Gas Revenue Auditor III and Corporate Income Tax Auditor III require people with significant skills and large knowledge sets. The auditors must be able to independently audit the tax returns of a company which is reporting income from operations of a number of business units in a number of countries, which potentially use different accounting systems and operate under different laws. Their work can significantly affect the State's revenues and is likely to result in legal appeals. The auditors may have to provide expert testimony to courts or the legislature, and provide tax consultation to government and private parties. This demands several years of appropriate experience, and appropriate credentials.

The minimum requirements for the positions are a Bachelor's degree in Accounting, Finance or Business with at least 18 semester hours in accounting and either successful completion of the Auditor II flexible training plan criteria or one year experience as an Auditor II. The total experience requirement is three years of applicable, professional experience. A CPA license may substitute for the education, but not for the experience.

The Nature of the Comparison

Since the purpose of this report is to determine an appropriate level of compensation for these auditor positions, it seems reasonable to look at the resources which a prospective applicant might consult to determine his target salary, and his other opportunities. These include "salary wizards" at various internet bulletin boards; private, state and federal job postings; and news articles which address the issue.

Private Sector Comparisons

State auditor jobs seem to involve an unusual level of complexity for non-management positions. Many private jobs whose description indicated a comparable level of complexity involved either managerial or corporate officer responsibilities. A further difficulty in finding salaries for comparable private sector positions is that most companies do not provide details about salary in their job postings, other than to boast of "competitive salaries and benefits."

Salaries for Outside jobs were adjusted using cost-of-living information found on the Internet. Even after adjusting for the higher-than-Anchorage cost of living in New York and California's Bay Area, comparable jobs in those places pay more than the Auditor III range. For example, a Senior Manager in Oakland, CA is being offered, after adjusting downward by 23%, a salary of \$77,000 to \$100,000. A Tax manager in Midtown New York is being offered, after adjusting downward by 12%, \$79,000 to \$97,000. The State of Alaska is offering its Auditor IIIs \$53,000 to \$75,000.



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Selected Private Sector Auditor/Accountant Salaries					
Job Title	Location	Education	CPA?	Experience	Salary ¹
Audit/Tax professional ²	New Jersey	BS Accounting	Preferred	2 to 10+	\$60 - \$120
Auditor ²	New Jersey	BS Accounting	No	3 minimum	\$72 +
Auditor ²	New Jersey	BS Accounting	MBA/CPA preferred	3 to 6 years audit experience	\$72 - \$96
Tax Analyst ²	New Jersey	BS Accounting	No	1 to 3 years private tax accounting	\$72 - \$78
Audit Manager ²	New Jersey	BS Accounting	Required	3+ years with CPA	\$90 - \$114
Senior Tax Manager ³	Paramus, NJ	BS Accounting, MS preferred	Required	7+ years	\$137
Tax Manager-Public ⁴	Midtown NY	Not listed	Not listed	7+ years, international experience preferred	\$79 - \$97
Tax Manager-Public ⁵	Oakland, CA	BS or higher	Not listed	3+ years	Up to \$58
Senior Manager ⁶	Oakland, CA	Not listed	Required	6+ years significant and progressive experience	\$77 - \$100
1 Salary in \$1,000s.					
2 From Nauticus Group, http://www.nauticugroup.com/career_jobs.html . Salaries have been multiplied by 1.2 to adjust for Alaska's higher cost of living.					
3 From Robert Half Associates, http://www.roberthalffinance.com , Job Order Number: 272-9295903, retrieved 26 January 06. Salary multiplied by 1.1 to adjust for Alaska's higher cost of living.					
4 From Robert Half Associates, http://www.roberthalffinance.com , Job Order Number: 294-9303325, retrieved 26 January 06. Salary multiplied by 0.88 to adjust for Alaska's cost of living. Note: Cost of living calculated using Queens, NY, NY. If the incumbent chose to live in New Jersey and commute, the multiplier would have been 1.1 to 1.2.					
5 From Robert Half Associates, http://www.roberthalffinance.com , Job Order Number: 221-100612, retrieved 26 January 06. Salary multiplied by 0.77 to adjust for Alaska's cost of living. Note: Cost of living calculated using Oakland, Ca. If the incumbent chose to live in Castro Valley, CA, the multiplier would have been 0.80.					
6 From Robert Half Associates, http://www.roberthalffinance.com , Job Order Number: 034-107191, retrieved 26 January 06. Salary multiplied by 0.77 to adjust for Alaska's cost of living. Note: Cost of living calculated using Oakland, Ca. If the incumbent chose to live in Castro Valley, CA, the multiplier would have been 0.80.					

Federal Sector Comparisons

It is difficult to compare private sector positions to government positions, even when their responsibilities are apparently similar. It is also difficult to compare positions in the lower 48 with positions in Alaska, because of the very different amenities and living conditions. These difficulties don't apply to Federal positions in Alaska: they are in government service, they do very similar jobs, and they live in the same communities as the State workers. This makes them the ideal comparison for State employees.

The IRS has many jobs which seem roughly comparable to Alaska's Auditor IIIs, though none seem to require the familiarity with multiple jurisdictions which is required of our Auditor IIIs. All of the IRS's somewhat comparable positions are titled "Internal Revenue Agent," and the non-supervisory positions range from GS-05 to GS-11, with base salaries in the lower 48 ranging from \$25,000 to \$60,000. The IRS uses GS-13 level employees to perform comparable audits. The base pay of the GS-13 pay range is \$66,000 to \$86,000. The Selected Federal Auditor/Accountant Salaries table, below, shows two GS-13 positions which have levels of responsibility and knowledge requirements comparable to the Auditor III positions.

In Alaska, these positions would receive an additional (above the base pay) 25% cost of living allowance (COLA), which is tax free. The Federal Government apparently believes that they need to offer this COLA to attract and retain good employees in Alaska. Because this COLA is tax free, it is not straightforward to compare it to a state salary. For an employee in the 28% tax bracket, the 25 % tax free COLA is equivalent to a 34% taxable COLA, ignoring any possible change in tax bracket resulting from the increase. Therefore, the Federal salaries reported below are probably far more attractive than the numbers would imply.

The 2003 U.S. Office of Personnel Management (OPM) report¹ on COLA in Alaska shows that according to their method, in 2003, the cost of living in Anchorage, AK was 12.63% higher than in Washington, D.C. As a result, the published policy is to gradually reduce the Federal COLA to 18%. An 18% tax free Federal COLA would be roughly equivalent to a 25% taxable COLA for an employee in the 28% tax bracket, again ignoring any possible change in tax bracket resulting from the increase. Thus, the eventual Federal COLA will be roughly equivalent to a 25% higher salary for Alaskan workers.

Interestingly, the Internet salary calculator² shows that the cost of living in Anchorage, AK is 79% of that in Washington, D.C. The difference between the OPM COLA and the salary wizard number is that the Federal number assumes that the employees will live in Virginia or Maryland rather than in D.C. For example, the salary wizard shows that an

¹ 2003 Nonforeign Area Cost-of-Living Allowance Survey Report; Alaska and Washington D.C. Areas; Notice. Federal Register, Vol. 69, No. 49/Friday, March 12, 2004, pp. 12002-12048.

² See the "Methods" section, at the end of this report.

employee who lived in Fredricksburg, VA, would face a 12% higher cost of living in Anchorage.

In a 1999 study³ for the OPM, Joel Popkin and Company considered the methods used to compute the Federal COLA. Their conclusion was that the current method underestimates the actual cost of living differential between Washington, D.C. and Alaska. An example they give of this is that the amount of heating oil in the "consumption basket" is the amount appropriate for Washington, which drastically understates the importance of the difference in the amount spent on heating oil. The report also mentions non-price factors not included in the current methodology, such as the need for air travel, quality of schools and climate. Every refinement they propose would have the effect of increasing the COLA. It seems probable, therefore, that the proposed future Federal COLA of 18% may underestimate the actual additional pay necessary to compensate for the cost of living differential.

The Federal salary range for the GS-11 positions, the responsibilities of which are slightly less demanding than those of our Auditor IIIs, is \$65,000 to \$92,000 after adding the current, tax free COLA. The experience requirements are quite similar to those of the State's Auditor III positions, though the education requirements are slightly more exacting, requiring 30 rather than 18 semester hours of accounting. The Federal salary range for the GS-13 positions, comparable to our Auditor III positions, is \$83,000 to \$107,000, after adding the current, tax free COLA. Our Auditor IIIs receive \$53,000 to \$75,000.

Job Title	Internal Revenue Agent, GS-13	Foreign Auditor, GS-13	Alaska Auditor, GS-13	Alaska Auditor, GS-13
Responsibilities	1. This position has responsibilities comparable to the State's Auditor III. Although the responsibilities are broadly similar, this position has responsibilities somewhat less than those of the State's Auditor III. 2. This position does not take the lead in independently auditing municipal companies. Federal job descriptions require that the GS-13 Auditor must have 10 years of experience.	1. This position has responsibilities comparable to the State's Auditor III. Although the responsibilities are broadly similar, this position has responsibilities somewhat less than those of the State's Auditor III. 2. This position does not take the lead in independently auditing municipal companies. Federal job descriptions require that the GS-13 Auditor must have 10 years of experience.	1. This position has responsibilities comparable to the State's Auditor III. Although the responsibilities are broadly similar, this position has responsibilities somewhat less than those of the State's Auditor III. 2. This position does not take the lead in independently auditing municipal companies. Federal job descriptions require that the GS-13 Auditor must have 10 years of experience.	1. This position has responsibilities comparable to the State's Auditor III. Although the responsibilities are broadly similar, this position has responsibilities somewhat less than those of the State's Auditor III. 2. This position does not take the lead in independently auditing municipal companies. Federal job descriptions require that the GS-13 Auditor must have 10 years of experience.
Education	BS Accounting, 30 credits accounting.	BS Accounting or related, with 24 credits accounting.	BS Accounting, 30 credits accounting.	BS Accounting, 30 credits accounting.
Experience	Specialized experience, 1 year+.	Specialized experience, 1 year+.	Specialized experience, 1 year+.	Specialized experience, 1 year+.
Salary	\$83,000 - \$107,000	\$83,000 - \$107,000	\$83,000 - \$107,000	\$83,000 - \$107,000

³ Non-Foreign Area Cost-of-Living Allowances: Final Report: A summary of SHWG Research Tasks. Joel Popkin and Company, 1999, retrieved from <http://www.opm.gov/oca/cola/research.asp>, 19 January 2006.

Three representative positions are reported below.

Selected Federal Auditor/Accountant Salaries					
Job Title	Location	Education	CPA?	Experience	Salary ¹
Internal Revenue Agent, Bank Secrecy Act Examiner, GS-5 to GS-09 ²	Central U.S.	BS Accounting, 30 credits accounting minimum	May substitute CPA for education.	Experience may substitute for up to 2 years of college.	\$31 - \$63
Internal Revenue Agent, Bank Secrecy Act Examiner, GS-11 ³	Central U.S.	BS Accounting, 30 credits accounting minimum	May substitute CPA for education.	3 years of PH.D. studies or 1+ years of experience at next lower level ⁴ .	\$58 - \$75
Internal Revenue Agent, GS-11 ³	Central U.S.	BS Accounting, 30 credits accounting	May substitute CPA for education.	3 years of PH.D. studies or 1+ years of experience at next lower level ⁴ .	\$58 - \$75
Internal Revenue Agent, GS-13 ⁵	Hypothetical	Unknown BS Accounting, 30 credits accounting.	May substitute CPA for education.	1 year+ specialized experience ⁶ .	\$83 - \$107
Forensic Auditor, GS-12/13 ⁷	Atlanta, GA	BS Accounting or related, with 24 credits accounting.	May substitute for degree.	1 year+ specialized experience ⁶ .	\$69 - \$107
1 Salary in \$1,000s. Outside salaries have been multiplied by 1.25, the amount of the federal COLA for employees in Alaska.					
2 This position has responsibilities comparable to the State's Auditor I or II. Federal job descriptions retrieved from http://www.usajobs.opm.gov/ , 10 January 06					
3 This position has responsibilities somewhat less than those of the State's Auditor III. Although the requirements are broadly similar, the GS-11 Agent does not take the lead in independently auditing multi-national companies. Federal job descriptions retrieved from http://www.usajobs.opm.gov/ , 10 January 06					
4 The next lower level for the GS-11 positions is GS-09, which requires two years of progressively responsible experience (GS-05/07), for a total of 3 years.					
5 This position has responsibilities directly comparable to the State's Auditor III. Information retrieved from http://jobs.irs.gov/opp_acc_iraSr.html on 27 January 2006.					
6 The next lower level for the GS-13 is GS-12, which requires four years of progressively responsible experience (GS-05/07/09/11), for a total of 5 years.					

Salary Wizard Results

Potential applicants for State jobs are likely to use one of the salary wizards available on the Internet to evaluate salary offers. I have therefore consulted several of these to determine what our potential applicants might see.

Yahoo!'s hotjobs site has a salary wizard which reports that an Accountant III in Anchorage should expect a median salary of \$67,000, with two-thirds of them receiving between \$61,000 and \$75,000. The State of Alaska's Auditor IIIs currently earn a salary range of \$53,000 to \$75,000.

Kforce Professional Staffing's salary wizard reports essentially the same numbers for an Accountant III in Anchorage.

Business Finance Magazine's salary wizard reports that median compensation for a Senior Accountant with 3+ years of experience in the Western U.S. (including Alaska) will be \$55,000. If that median salary is multiplied by 1.25, as an applicant might choose to do to allow for Alaska's higher costs, he would expect a median salary of \$69,000 in Alaska. The State of Alaska's Auditor IIIs currently earn a salary range of \$53,000 to \$75,000.

The Creative Financial Staffing salary wizard reports that accountants working in Alaska's Rail Belt earn an average salary of \$49,000. However, the average accountant's job is less demanding and less responsible than the average Auditor III's job. An accountant will typically be working with, at most, the Federal Income Tax code and the Alaska Corporate Income Tax code, while the State's Auditor IIIs must work with the Federal code, and with the income tax codes of Alaska and an arbitrary number of other states and foreign countries.

State and Local Sector Comparisons

Several state and local government jobs outside Alaska show a wide range of requirements and salaries. The lowest-paying is an Auditor 3 in Louisiana, which seems to be a less demanding, less complicated position than Alaska's Auditor III positions. The highest paying is a Revenue Tax Specialist in Alabama, which requires incumbents to have an MS in Tax Accounting, or an MS in Tax Laws, and to spend 20% of their work time in continuing education. The salary range for positions whose responsibilities are comparable to Auditor III is \$56,000 to \$105,000, after adjusting to Alaska's cost of living. The State of Alaska's Auditor IIIs currently earn a salary range of \$53,000 to \$75,000. Salaries for Outside jobs were adjusted using cost-of-living information found on the Internet.

Selected State and Local Sector Auditor/Accountant Salaries					
Job Title	Location	Education	CPA?	Experience	Salary ¹
Internal Auditor ²	Oregon	BS Accounting	In progress	None	Up to \$86
Auditor 3 ³	Louisiana	BS Accounting	No	2+	\$46 +
Foreign Audit Specialist ⁴	Alabama	BS Accounting	No	1+	\$56 - \$86
Revenue Tax Specialist ⁴	Alabama	MS Accounting	No	None	\$69 - \$105
1 Salary in \$1,000s. Salaries adjusted for cost of living differential.					
2 Found at http://www.jobsinthemoney.com/pb/guest/viewjob.cfm?JobsID=229473 . Salary multiplied by 1.38 to adjust for cost of living.					
3 Found at http://www.civilservice.louisiana.gov/Examining/JobFliers/PrintableFliers/accounting.doc . Salary multiplied by 1.45 to adjust for cost of living. The responsibilities of this position are comparable to Alaska's Auditor I or Auditor II.					
4 From State of Alabama Personnel Department. Salary multiplied by 1.41 to adjust for cost of living.					

Relevant News Articles

The U.S. Department of Labor's Occupational Outlook Handbook reports that employment for accountants will grow faster than average well into the next decade.

The Wall Street Journal, in 2004, listed Forensic Accountants as one of ten bright spots in the employment picture.⁴ Also in 2004, the Wall Street Journal reported that the Sarbanes-Oxley act had greatly increased the demand for experienced accountants.⁵ The Houston Chronicle reported in 2004 that PricewaterhouseCoopers had to "import" accountants from Canada to meet the demand.⁶ In 2005, the Wall Street Journal reported that accounting firms are scrambling to find experienced CPAs, as demand for accountants outstrips supply.⁷ The Epoch Times reported in 2005 that a shortage of accountants in the U.S. is sharply driving up salaries.⁸

Methods

To adjust Outside salaries to Alaska's cost of living, I used a salary calculator on the Internet, typical of the resource which a job candidate might use to make such comparisons. The calculator was found at

⁴ Wall Street Journal Article, "Ten Bright Spots in a Jobless Recovery," retrieved from <http://college.wsj.com/careerpaths/findcareerpath/20040330-neuborne.html> on 13 January 2006.

⁵ Wall Street Journal Article, "Tougher Regulations Create New Accounting Opportunities," retrieved from <http://www.careerjournal.com/salaryhiring/industries/accounting/20041201-buss.html> on 13 January 2006.

⁶ Houston Chronicle, 11 December 2004, "Accountants Can't Keep Up With Numbers," retrieved from <http://www.chron.com/dispatch/story.mpl/business/2942660.html> on 13 January 2006.

⁷ Wall Street Journal Article, "Accounting Firms Scramble to Find Experienced CPAs," retrieved from <http://www.careerjournal.com/salaryhiring/industries/accounting/20050322-mcgee.html> on 13 January 2006.

⁸ The Epoch Times, 18 July 2005, "U.S. Accountant Shortage Drives Salaries up Sharply," retrieved from <http://english.epochtimes.com/news/5-7-18/30411.html> on 13 January 2006.

<http://www.jobsinthemoney.com/common/salarytables.cfm?link=http://www.homefair.com/calc/salcalc.html>.

This report considers only base pay, since useful information on bonuses and fringe benefits seems to be unobtainable.

Private industry positions often add bonuses to base pay, and those bonuses are often a substantial fraction of the total compensation. Therefore, a comparison based only on base pay might understate the attractiveness of private sector salaries.

Most large private employers have benefit packages which are nearly as complete as the State of Alaska's. They typically include medical benefits and contribution matching for 401k plans, but may not include dental and vision coverage, and may require that the employee pay a higher portion of the cost. A comparison which excludes benefits might overstate the attractiveness of private sector jobs.

Federal positions have a benefit package roughly comparable to the State of Alaska's. Federal pay presented here includes a 25% tax free COLA, which is worth significantly more than a 25% taxable COLA, as discussed above in the section on Federal positions.

Copies of POMS received October 19
to present

Konrad Jackson

From: Shay Wilson
Sent: Friday, October 19, 2007 11:59 PM
To: Konrad Jackson
Subject: New Pom:Oil & Gas

Mike Fair
Po Box 70128

Fairbanks 99707-0128,

Stop being the oil industry stooge and stand for Alaska.

Konrad Jackson

From: Shay Wilson
Sent: Friday, October 19, 2007 10:46 PM
To: Konrad Jackson
Subject: New Pom:Oil & Gas

Scott Mansfield
11901 Circle Dr

Anchorage 99507,

Steelhead, Grayling and King Salmon platforms are not on the North Slope - They are in the Cook inlet. The pipeline is 1/3 empty because BO mismanaged the resource. Tell AOGA to stop feeding us lies. Vote In favor of a new tax structure. We're tired of lies and deceit.

Konrad Jackson

From: Shay Wilson
Sent: Friday, October 19, 2007 5:20 PM
To: Konrad Jackson
Subject: New Pom:Taxation

Sherry Whitstine
Po Box 871985

Wasilla 99687-1985,tswhit

Don't cut off my nose to spite your face! You have to do something? You better do NOTHING! Listen up, how can 22.5% be Tainted.. that is not enough for you? You are pitiful people.. You have disqualified yourself. Stupid is what Stupid does! You are all fools!

Konrad Jackson

From: Shay Wilson
Sent: Friday, October 19, 2007 2:44 PM
To: Konrad Jackson
Subject: New Pom:Oil & Gas

Bobby Neeley
Po Box 2415

Valdez 99686-2415,

Northslope oilfields: tax B.P. (big oil profits), rich corporations in the oil business.
Lower gasoline prices. Lower heating oil prices.

Konrad Jackson

From: Shay Wilson
Sent: Friday, October 19, 2007 2:38 PM
To: Konrad Jackson
Subject: New Pom:Pipelines

Bobby Neeley
Po Box 2415

Valdez 99686-2415,

Alaska Gasline & Alaska jobs not Canadian. No U.S. citizen can get a job in Canada on a gasline. I tried to get a job on the Alcan hiway U.S. Put in \$90 million dollars Canada side & was told to take a job no Canadian wanted in 1990, Delta.

Konrad Jackson

From: Shay Wilson
Sent: Friday, October 19, 2007 2:36 PM
To: Konrad Jackson
Subject: New Pom:Oil & Gas

Bob Neeley
P.O. Box 237

Gakona 99586,

Tax the big oil corporations and lower the price on gasoline and oil (heating oil)for the Alaskan Natives, the landlords.

Konrad Jackson

From: Shay Wilson
Sent: Friday, October 19, 2007 2:28 PM
To: Konrad Jackson
Subject: New Pom:Oil & Gas

Jerry Mccutcheon
Po Box 101838

Anchorage 99510-1838,
susitnahydronow@yahoo.com

Chairman Huggins: PPT Auditors: It was clear from Meurs and Johnston that high priced external auditors who do the audits for the various countries is what is needed. Home grown who can be intimidated is not what state needs that is penny wise and pound foolish. Tax on gross better.

Konrad Jackson

From: Shay Wilson
Sent: Friday, October 19, 2007 1:15 PM
To: Konrad Jackson
Subject: New Pom:Oil & Gas

Kenneth Mears
1941 Wickersham Dr

Anchorage 99507-1353, liocrek

907-563-7616

Before you determine the proper tax that oil companys should pay, a comparison of what others charge is absolutely essential. This will also disclose how well Alaska has done in the past. Anything works with \$90.00 oil but what about the downturn and all those hefty longterm retirements.

Konrad Jackson

From: Shay Wilson
Sent: Friday, October 19, 2007 11:30 AM
To: Konrad Jackson
Subject: New Pom:Oil & Gas

Burle Beard
1721 Moose Trl

Fairbanks 99709-6617,

479-3640

Remember Mario Tuzo who wrote The Godfather. He got nothing for the Net earnings of Paramount. The oil tax should apply to gross revenue.

Konrad Jackson

From: Shay Wilson
Sent: Friday, October 19, 2007 11:04 AM
To: Konrad Jackson
Subject: New Pom:SB2001 Oil & Gas Tax Amendments

Andrew Drabeck Jr
Po Box 2828

Palmer 99645,

Kurds in Iraq just signed a contract with major oil companies giving them 85% of the profits plus 2 new refineries. Keep this in mind with knowing resources of Alaska belong to people of Alaska when you deliberate. Get the best for Alaskans with price of oil goes to \$100.

Konrad Jackson

From: Shay Wilson
Sent: Friday, October 19, 2007 9:59 AM
To: Konrad Jackson
Subject: New Pom:Oil & Gas

Barbara Winkley
8120 Rabbit Creek Rd

Anchorage 99516,
baofrabbithcreek@gci.net
345-1954

Please consider an oil tax on gross production; not the existing net profit tax which seems pretty dicey to say the least.
To avoid confusion oil and gas taxes should definitely be separated.

Konrad Jackson

From: Shay Wilson
Sent: Friday, October 19, 2007 9:29 AM
To: Konrad Jackson
Subject: New Pom:Ethics

William McCauley
704 Stewart St

Fairbanks 99701-4042,

9074516127

PPT and all politicians are tainted or worse. You're either guilty or turned a blind eye. You politicians have cost us billions by your actions or inaction. A pox on both parties. You all should resign in shame or be jailed as needed for years.

Konrad Jackson

From: Shay Wilson
Sent: Friday, October 19, 2007 8:10 AM
To: Konrad Jackson
Subject: New Pom:Oil & Gas

Adam Pollock
Hc 3 Box 8108-x
13565 East wilderness Lane
Palmer 99645-9401,

745-5426

Please consider a gross based system for you PPT discussions. The fundamental principles behind a net profits based approach includes a trust in the producers motivation to be honest and open about their profits. It is also imperative to include and enforce timelines.

Konrad Jackson

From: Shay Wilson
Sent: Thursday, October 18, 2007 11:51 PM
To: Konrad Jackson
Subject: New Pom:Oil & Gas

Mike Fair
Po Box 70128

Fairbanks 99707-0128,

Recently Gail Philips wrote that the oil companies will need to invest \$2 billion a year for the next 50 years to extract our oil. She now needs to tell them. There has been no such annual investment since the line was built. The companies will always cry over taxes and trumpet investment, so make it simple: a straight gross tax.

Konrad Jackson

From: Rep. Kurt Olson
Sent: Friday, October 19, 2007 6:46 PM
To: Konrad Jackson
Subject: FW: Special Session Resolution from Chugiak Eagle River Chamber

From: CER Chamber Susan Gorski [info@cer.org]
Sent: Friday, October 19, 2007 1:21 PM
To: info@cer.org
Subject: Special Session Resolution from Chugiak Eagle River Chamber

**CHUGIAK-EAGLE RIVER
CHAMBER OF COMMERCE
BOARD OF DIRECTORS
RESOLUTION 2007-3**

A resolution to the Alaska State Legislature on the state of the oil and gas taxes up for review at the Special Session in October 2007

WHEREAS, the most significant fiscal issue for Alaska is the decline in oil production; and

WHEREAS, new oil can replace declining production; and

WHEREAS, opportunities to create new oil require substantial investment in existing fields, including heavy oil, satellites, new fields, and undiscovered fields; and

WHEREAS, threats to substantial investment include high costs, high risk, and fiscal uncertainty; and

WHEREAS, the Chamber believes that with few exceptions the 25th Legislature is comprised of hardworking, honest and dedicated public servants; and

WHEREAS, after much deliberation, PPT was passed by a significant majority in the legislature; and

WHEREAS, PPT generated \$1 billion more this past year than the previous tax structure under ELF ; and

WHEREAS, PPT has a 5 year review built in allowing adequate time for proper assessment; and

WHEREAS, Alaska oil and gas production operates in a global market and the State needs to take into serious consideration that other locations may be more financially

attractive than Alaska for future investment; and

WHEREAS, a stable PPT creates an environment of certainty and fiscal stability in a competitive global climate.

NOW THEREFORE BE IT RESOLVED that the Chugiak-Eagle River Chamber of Commerce Board of Directors strongly encourages the Legislature to

- 1. restore public trust by assuring that the debate leading to PPT is free of additional improprieties**
- 2. recognize the negative impacts on Alaska of making changes to the PPT formula in a global market**
- 3. refrain from trading off short term financial gains for the legacy we leave to our children and grandchildren.**
- 4. review PPT in 2011**

Signed this 19th day of October, 2007

BY,

Michael Melielo

**Michael Melielo
Its President**

Susan Gorski
Executive Director
Chugiak-Eagle River
Chamber of Commerce
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Eagle River, AK 99577
907-694-4702 phone
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e-mail: info@cer.org
web: www.cer.org

"Life is not measured by the number of breaths we take, but by the moments that take our breath away."