

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

March 8, 2017

6:11 p.m.

MEMBERS PRESENT

Representative Andy Josephson, Co-Chair
Representative Geran Tarr, Co-Chair
Representative Dean Westlake, Vice Chair
Representative Justin Parish
Representative Chris Birch
Representative David Talerico

MEMBERS ABSENT

Representative Harriet Drummond
Representative DeLena Johnson
Representative George Rauscher
Representative Chris Tuck (alternate)
Representative Mike Chenault (alternate)

COMMITTEE CALENDAR

HOUSE BILL NO. 111

"An Act relating to the oil and gas production tax, tax payments, and credits; relating to interest applicable to delinquent oil and gas production tax; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 111

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

SPONSOR(S): RESOURCES

02/08/17	(H)	READ THE FIRST TIME - REFERRALS
02/08/17	(H)	RES, FIN
02/08/17	(H)	TALERICO OBJECTED TO INTRODUCTION
02/08/17	(H)	INTRODUCTION RULED IN ORDER
02/08/17	(H)	SUSTAINED RULING OF CHAIR Y23 N15 E2
02/08/17	(H)	RES AT 1:00 PM BARNES 124
02/08/17	(H)	Heard & Held
02/08/17	(H)	MINUTE(RES)
02/13/17	(H)	RES AT 1:00 PM BARNES 124

02/13/17	(H)	Heard & Held
02/13/17	(H)	MINUTE(RES)
02/17/17	(H)	RES AT 1:00 PM BARNES 124
02/17/17	(H)	Heard & Held
02/17/17	(H)	MINUTE(RES)
02/20/17	(H)	RES AT 1:00 PM BARNES 124
02/20/17	(H)	Heard & Held
02/20/17	(H)	MINUTE(RES)
02/22/17	(H)	RES AT 1:00 PM BARNES 124
02/22/17	(H)	Heard & Held
02/22/17	(H)	MINUTE(RES)
02/22/17	(H)	RES AT 6:30 PM BARNES 124
02/22/17	(H)	Heard & Held
02/22/17	(H)	MINUTE(RES)
02/24/17	(H)	RES AT 1:00 PM BARNES 124
02/24/17	(H)	Heard & Held
02/24/17	(H)	MINUTE(RES)
02/27/17	(H)	RES AT 1:00 PM BARNES 124
02/27/17	(H)	Heard & Held
02/27/17	(H)	MINUTE(RES)
02/27/17	(H)	RES AT 7:00 PM CAPITOL 106
02/27/17	(H)	Heard & Held
02/27/17	(H)	MINUTE(RES)
03/01/17	(H)	RES AT 1:00 PM BARNES 124
03/01/17	(H)	Heard & Held
03/01/17	(H)	MINUTE(RES)
03/01/17	(H)	RES AT 6:00 PM BARNES 124
03/01/17	(H)	Heard & Held
03/01/17	(H)	MINUTE(RES)
03/06/17	(H)	RES AT 1:00 PM BARNES 124
03/06/17	(H)	Scheduled but Not Heard
03/06/17	(H)	RES AT 6:30 PM BARNES 124
03/06/17	(H)	Heard & Held
03/06/17	(H)	MINUTE(RES)
03/08/17	(H)	RES AT 1:00 PM BARNES 124
03/08/17	(H)	RES AT 6:00 PM BARNES 124

WITNESS REGISTER

JEREMY PRICE, State Director
Americans for Prosperity
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

SAM MALONEY
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

PAT SCHLICHTING

Delta Junction, Alaska

POSITION STATEMENT: Testified in support of HB 111.

RICK SOLIE

Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

ACTION NARRATIVE

[6:11:40 PM](#)

CO-CHAIR GERAN TARR called the House Resources Standing Committee meeting to order at 6:11 p.m. Representatives Tarr, Birch, Parish, Talerico, and Josephson were present at the call to order. Representative Westlake arrived as the meeting was in progress.

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

[6:12:14 PM](#)

CO-CHAIR TARR announced that the only order of business would be HOUSE BILL NO. 111, "An Act relating to the oil and gas production tax, tax payments, and credits; relating to interest applicable to delinquent oil and gas production tax; and providing for an effective date."

[6:12:26 PM](#)

JEREMY PRICE, State Director, Americans for Prosperity, testified in opposition to HB 111. He stated that the bill would increase taxes on an industry that is critical to Alaska's future. He explained that he grew up in Alaska and he hopes his children will have the same opportunities within the state. He said that the future of Alaska depends on the decisions made regarding bills like HB 111. He added that he wants a bright future for the state and his family. He expressed his view that a bright future requires a stable economic environment for businesses to succeed, and HB 111 would do the opposite.

[6:15:15 PM](#)

SAM MALONEY testified in opposition to HB 111. He commented that the proposed bill is bad for the overall economy of the state and his personal economics. He explained that his

associate's degree in welding and nondestructive testing from [University of Alaska Anchorage] (UAA) helped him find a job and purchase his first home. His work led him to Nikiski, Anchorage, and the North Slope. He stated that despite a drop in oil prices, oil companies were still investing in new energy in Alaska leading to more jobs for young Alaskans. He stated that in the summer of 2016 oilfields were slowing down, so he enrolled in the process technology program at UAA to establish a more stable career for himself as a plant operator. He expressed his uncertainty that there will be a career opportunity for him after he graduates in 2018, because oil companies may not continue to invest in Alaska. He urged the committee to encourage private investment rather than increase taxes and to vote against HB 111.

[6:18:28 PM](#)

PAT SCHLICHTING testified in support of HB 111. He stated that he supports changes to the current oil and gas tax. He offered his opinion that under the current system, the state does not get an equitable return; the state is paying producers to take its resources. He acknowledged that some people think it is unfair to change the tax structure so often. He remarked, "If you do the job right the first time, you won't have to do it over." He stated his support for: an equitable tax rate for the state's resources; reducing tax credits; using other helpful, productive and lucrative ways to incentivize; and expediting audits and collections of back oil taxes. He offered his opinion that the state should be receiving billions of dollars more in income. He compared Alaska's budget situation to a bleeding trauma victim. He remarked, "The wound needs to be stopped, but it seems like ... the demands are just to go to the blood bank and not to stop the bleeding." He explained that the bleeding is the oil credits that are being banked.

[6:21:27 PM](#)

RICK SOLIE testified in opposition to HB 111. He noted that he is a member of the mining industry. He offered his understanding that a stable tax climate is important and the changes proposed in HB 111 would lead to instability. He noted that HB 111 would substantially increase taxes, and every time there is a state fiscal crisis there is a targeted tax; he expressed his belief that targeted taxes are not fair. He suggested that revenue needs to be raised in a broad-based manner either through the Alaska Permanent Fund or another tax mechanism. He stated that data shows that state, federal, and

local governments take in more money than industry at most oil price levels. He described the current system as unfair to the oil and gas industry because the industry doesn't see much of the result of its endeavors. He noted that profit is good; oil companies make profits to pay their shareholders and taxes to the state. He recalled his experience on a borough assembly that worked to support the community with revenues from the state. He remarked, "Those oil taxes, you can increase them today, but if you don't have production tomorrow, you won't have the ability to support your schools and your roads and to have nice ski hills..." He expressed that HB 111 is an imprudent tax bill and is a "grab" at an industry that has provided many benefits to the state for years. He urged the committee to rethink how to create a stable tax structure for business in the state and the oil industry.

[HB 111 was held over.]

[6:27:43 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 6:27 p.m.