

Transcript of Joint Presser held by Governor Hammond (R), Senate President Jay Kerttula (D), and Speaker Jim Duncan (D) on March 18th, 1981.

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In Attendance: Governor Hammond (R), Senate President Jay Kerttula (D), Speaker Jim Duncan (D), Senator Ed Dankworth, Senator Don Bennett, Representative Hugh Malone, Representative Sam Cotten, and Representative Tony Vaska.

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Governor Hammond: We've come to make a pronouncement on I think a very important, if not key issue, confronting the State of Alaska and this particular legislative session. And I'd like to open with a brief comment regarding it. Our subject today certainly has attracted a great deal of discussion in the period of time since the oil companies have contested state methods of taxation in the courts. Eventually the courts will rule on this matter. The purpose of our unusual joint session here today is generally to present a unified position for the state on this subject. And while some of us may vary somewhat in our preferences as to the specific ways and means, we are in general agreement on the goals. Before asking my colleagues to comment on this position, I'd like to put the matter in perspective—at least as it reflects my view. I believe it's important that we not lose this perspective. Oil is an Alaskan resource. The oil companies extract it, refine it, and sell it for enormous profits. The federal government will receive roughly 36-percent of Alaska's oil dollars. The oil companies will receive 34-percent. The State of Alaska, with our current arrangement, will receive only 30-percent. While it may not be unfair that the State will receive an estimated \$77 billion less than the federal government, or \$45 billion less than the oil companies, it is after all an Alaskan non-renewable resource which is being extracted at a rate of one-half of one percent every 30 days. That's far more rapidly—far more rapid extraction than any other oil producing state. Roughly, incidentally, some 350 times the production per well, per day as the next highest per day, per well production state. That provides us with a bubble of revenues during this rapid extraction period and it generates in the process, I think, a misleading perception as to the State of Alaska's financial conditions in the long term. While it is a bubble of enormous wealth in the short term certainly, in the long term it could be expended in as brief of time as some 17 years. Now, of the three participants—federal, state government and oil companies, we are, the State of Alaska, getting the smallest share of that one time oil dollar. What we are getting does not seem to me to be excessive. Particularly if we would do such things as eliminate personal income and other taxes, as well as fail to demand that other resources assume a tax burden at least somewhat comparable as the percentage paid by oil. It might appropriate, and I would ask the President of the Senate, if you have a comment at this time—I'm not sure when it would be most appropriate to read the statement, if you would care to do so, I certainly will defer to you on that regard.

3:30: Senate President Jay Kerttula: Well Governor, I think that the group here and several others that are late at the moment and probably will be here before the meeting concludes, over a series of meetings, voicing our concerns, coming to you to make some decisions, have come to approximately this conclusion. Although I didn't have intention of reading this statement on behalf of the Legislature and the Administration, I am pleased to do so. That will also alleviate the need for me to adlib some other statements. I'll leave that to opportunity and those that are more articulate. Governor Hammond and the Leadership of both houses of the Legislature are united in an effort to arrive at the best course of action on pending oil and gas tax issues. Legal challenges by the oil industry have placed as much as one-third of the state's projected tax revenues in some jeopardy. Alaska's existing taxation and leasing policies currently provide significant incentives for petroleum exploration/development in the state. Hence, existing levels of taxation, stabilized since 1978, should remain stable at this time. On the other hand, any significant decreases in state oil and gas revenues appear both unwarranted and unsupported by the majority of Alaskans. The state's current level of taxation, about one-sixth the value of Prudhoe Bay production, provides that both the oil companies, the federal government will receive greater shares of Alaska's wealth than will Alaskans. Accordingly, any greater percentage granted the former at the expense of the latter would be inequitable. Both the governor and the legislative leadership are determined that through their mutual efforts, a sound strategy for protecting oil and gas revenues will be found. All agree that any changes which would give large sums of money to the oil industry at the expense of the people of Alaska are not acceptable. The Prudhoe Bay bonanza will not last forever. We must make use of those revenues now through investments such as hydroelectric power, renewable resource development, and the permanent fund contributions which will provide for our future. I know that there are many others, Governor, that would like to make a statement here and I would like to turn that chairmanship back over to you sir.

6:02 Governor Hammond: Thank you Mr. President. I might just for graphic informational purposes show you the apportionment of Alaska's oil dollar that reflects the conditions that were cited in my statement and the pronouncement that both the legislative bodies and myself are here today to hopefully sign. So it again suggests the apportionment is not providing Alaska with an undue abundance of wealth at the expense of either the federal government or the oil companies. Mr. Speaker, I would ask to turn the podium over to you.

6:39 Speaker Duncan: Thank you Governor. I just have a very brief statement I would make. I think it is maybe perhaps a very unusual gathering of individuals, but I think it's a very important and a very significant gathering as we find that we have not only the Administration, but both houses of the Legislature, and the leadership in both houses at least agree upon the concept that we should maintain our level of revenues and provide stability as far as the level of the revenues go. I think it is very important – It should be recognized as a very important step forward. We may have some basic disagreements on the mechanics of doing that and how that will finally be arrived at. But the important point is, I believe, that we agree with the Administration, with the leadership of the Senate that those revenues should be maintained. And of course, realize the utmost importance of many other programs as was played out in the statement such as hydroelectric power, renewable resource development, and permanent fund that we need to be working on a united effort. I just wanted to reemphasize my whole-

hearted support of this statement that has been issued and the importance of the fact that we do have both bodies and the Administration together at least on the basic concept.

7:56 Governor Hammond: Thank you Speaker. Any other comments? Senator Dankworth?

8:01: Senator Dankworth: Governor Dankworth - ****crowd laughter**** That wasn't an announcement. It wouldn't be an appropriate time. Governor Hammond, I would comment on this. I think that probably, and why this is important, I find myself, as maybe some others do that are in the policy making decisions being in the Legislature, almost in the position of having to feel almost apologetic for our position on taxing the oil industry as the result of a campaign and things that you read in the papers and some of the industry, kind of, without reading those right, are trying to lead the perception that we are trying to be greedy and take more than our share. I've always defended the oil industry in Alaska when we talk in terms of what is the right tool or the right instrument to get to a certain point. I think we are all pretty well in agreement here that we are willing to adjust those tools where we find them not appropriate. However, the question comes, and what I am not apologetic about is when the oil companies and the government leave Alaska with 70-percent of our resource and then they ****inaudible, graph maybe?**** about us wanting to hold on to 30-percent of a non-renewable resource and I don't feel at all apologetic about that and I think this statement kind of clarifies that fact that I would to see us at least, from now on, not just in this case, but on any other resource, see that we don't have to get in a position where 70-percent of it leaves the state and we apologize for holding on to just what little portion we do. So, I am determined of whatever I can do to see that future generations as well as this one at least hold on to that percentage that we do right now. Thank you very much.

9:59 Governor Hammond: Thank you Senator. Anyone else? Representative Cotten?

10:04: Representative Cotten: Thank you Governor. I just want to comment that I am very encouraged to find that we are sharing a common goal here and pursuing a common effort to maintain the stability that will be good, I think, for both the industry and for the state. Right now, we're facing a lot of uncertainty as to what the revenue is going to be for the state and I know that the industry is facing a similar uncertainty. So, the word stability here is very important and I think it's important that we find an equitable settlement here that maintains the stability of the tax rates right now and also maintains the revenues that the state expects and is now getting.

10:44 Governor Hammond: Thank you. Anyone else? Representative Malone?

10:48 Representative Malone: I think that most Alaskans would probably agree that we do have a lot of development potential in Alaska and I think that we can realize that potential using the revenues that are generated from the oil resources. That's a policy I think that both the Legislature and the Administration have been developing over the past several years. I think that policy can only be implemented if we have the capital assets and money to fund it. I think that now we have a chance of doing that after over 20 years of statehood, that we should accept that opportunity and carry it out. It's an opportunity that may not come again. Therefore, I am very encouraged to see the agreement that we should retain our present share of the income and not have that reduced because I have confidence

in Alaskans, that they can meet that opportunity and carry it out successfully given the chance and I think they deserve that chance.

12:07 Senator Bennett: I think I must just add one thing. I think it's important to realize that we're going to get our fair share in taxation from the oil companies. I think 30-percent of the total is a fair share. The only thing that there is any question on is what vehicle we use to extract this. I think that, at this juncture, is almost moot. The point is that the people of the State of Alaska are entitled and it's our responsibility, I think, to see that they receive their entitlements.

12:31: Governor Hammond: Representative Vaska?

12:33: Representative Vaska: Thank you Governor Hammond. I think it's well that the Administration and both houses are coming together on this issue. I would hope that in the redistribution of the 30-percent of the revenues from the industry that the state sees fit to spread that out throughout the whole state. I'm sure that the leadership will be looking at that very closely in the next several years.

12:58: Governor Hammond: Thank you. I think in closing the key word here that has been mentioned, Representative Cotten dwelled on it, and that is the word "stability." We've heard for years the demand for stabilization in our tax structure. Seems to me that most conclude that the apportionment of the oil wealth is roughly appropriate at this stage in time and that stabilization means you not only don't increase taxes, you don't reduce them unduly in certain corners as well. I would point out that I am very heartened by this particular, virtually unprecedented gathering I believe. I hope it's a hallmark of things to come in regards to six or eight other issues key issues, but I would also point out that I think that by making a clear pronouncement on this issue at this stage in time, we have in fact done the oil companies, as well as the people of Alaska, a favor. Certainly, I would hope have saved them enormous sums of money on the lobbying effort and expenditure that would perhaps suggest that we will be deterred from this course of action. So with that, I want to thank you, both bodies, for meeting with us here today on an issue of key importance to the future of this state.

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