

Sunday, October 21, 2007
Joint House and Senate Committees,
Senate Resources Committee and House Oil & Gas – Administration's Presentation

Commissioner Irwin's testimony

It is a privilege to be here with you today.

In May of 2007, the Governor directed the Commissioner of the Department of Revenue to undertake a review of where we are at on the PPT and the status and results accordingly. The Governor gave three guidelines and guidelines that we readily accepted and felt we could agree with. They are, make this a transparent process, take a good fair look at where we are at and what we are doing, and to ensure when we review that the state is getting a fair share, an appropriate share. And equally important, with these three, is to make sure the state is ensuring a healthy investment climate. DNR agrees with those principles.

I want to make it very clear as soon as that directive went to Commissioner Galvin, the Governor and Commissioner Galvin, himself and his team asked DNR to participate. DNR has participated in this evaluation process from the beginning, and supports the ACES proposal. I absolutely believe this is the way government and the administration should work.

There are confidentiality that we cannot share across the lines that we are certainly addressing in the bill but we can certainly communicate on a lot of issues and that team work is desirable. I think it is excellent that we all, as a group want the best for Alaska. And to air it, to get it out in the open, I think that is most appropriate.

As the state oil and gas resources manager, DNR appreciates that ACES provides tremendous incentives through capital credits to encourage investment in the development of our oil and gas resources.

We equally see the Department of Revenue's responsibility to bring in a fair share of oil revenues to save state monies when prices are high, to use those in future years.

ACES provides in our opinion, a good balance between encouraging investment and providing a fair share to the state.

When PPT was being discussed last year, I (along with Deputy Commissioner, Marty Rutherford) was very vocal in my support for a gross tax alternative.

I still like a simple concept, if we could identify one. We worked hard on that, we worked hard on trying to define where we could ensure a balance between revenue and an investment climate that is critical to this state. We did not identify one. The harder we tried to identify gross, and then fair incentives as DOR will show today, it becomes very complex to the point that we are back to a huge amount of data collection and calculation approaching net. DNR supports what DOR is presenting today and this information led us to recognize the limitations of just a pure gross system.

I firmly believe, that the lack of communications between departments in the past, such as DNR and DOR, lead to the strong gross vs. net positions. Now that we have worked together and compared analysis, both sides are much more knowledgeable about how the tax systems affect field economics and overall state revenue. Consequently, I think we are much closer to making an informed decision.

In closing, it's good to be with you folks and the Commissioner.