



COMMONWEALTH  
NORTH

*Illuminating Alaska's Issues*

*Commonwealth North  
2013 Briefing Book*



# COMMONWEALTH NORTH

## *2013 Priorities*

### *TABLE OF CONTENTS*

Board of Directors.....	2
Our Mission.....	3
Mission Statement.....	3
Vision.....	3
Core Values.....	3
Commonwealth North Reports and Publications.....	4
Commonwealth North 2013 Priorities in Brief.....	5
State Fiscal Policy.....	7
Health Care.....	9
Energy.....	11
Infrastructure.....	14
Oil Investment Tax Structure.....	16

## ***BOARD OF DIRECTORS***

### **President**

Michael Jungreis - Partner, Davis Wright Tremaine LLP

### **President-Elect 2013**

Tom Case - Chancellor, University of Alaska Anchorage

### **Secretary**

Michele Brown - President & CEO, United Way of Anchorage

### **Treasurer**

Meera Kohler - President & CEO, Alaska Village Electric Co-op

### **Past President**

Thomas Nighswander - MD, Alaska Native Tribal Health Consortium, Washington School of Medicine

---

Nils Andreassen - Executive Director, Institute of the North

Don Bantz - President, Alaska Pacific University

Milt Byrd - President Emeritus, Charter College

Pat Dougherty - Sr. Vice President & Editor, Anchorage Daily News

Joe Farrell - Vice President and Chief Counsel, ConocoPhillips Alaska, Inc.

Cheryl Frasca - Owner, C. Frasca Company

Patrick Gamble - President, University of Alaska

Joe Griffith - General Manager, Matanuska Electric Association †

Max Hodel - Founding President of Commonwealth North †

Karen Hunt - Superior Court Judge, Retired †

Bruce Lamoureux - Chief Executive, Providence Health & Services, Alaska

Marc Langland - Chairman & CEO, Northrim Bank †

Janie Leask - President & CEO, First Alaskans Institute †

James Linxwiler - Shareholder, Guess and Rudd, P.C. †

Jeff Lowenfels - Lewis & Lowenfels †

David Marquez - Senior Vice President & Chief Operating Officer, NANA Development Corporation

Mary Ann Pease - Owner, MAP Consulting, LLC

Morton Plumb - Principal, Plumb Group

Evan Rose - Chief Executive Officer, Alaska Permanent Capital Management

William Sheffield - Former Governor & Founding Board Member †

Terry Smith - Chief Financial Officer, Carlile Transportation Systems, Inc.

Jeff Staser - Principal, Staser Group, LLC

Tim Wiepking - Controller, Eagle Enterprises, Inc.

Eric Wohlforth - Attorney, Wohlforth, Johnson, Brecht, Cartledge & Brooking

Jim Yarmon - CEO, Yarmon Investments, Inc. †

---

Jim Egan - Executive Director, Commonwealth North

Joshua Wilson - Program Director, Commonwealth North

*† Denotes Past President*



## COMMONWEALTH NORTH

### *OUR MISSION*

*Commonwealth North is the foremost public policy organization in Alaska. It was founded by two former Governors, Walter Hickel and William Egan, because they saw a need for leadership to realize the ultimate promise of Alaska. Our members are established and emerging leaders from throughout the state, from government, business, non-profits, and the arts.*

### *Mission Statement*

*The purpose of Commonwealth North is to educate its members and others on significant public policy issues affecting Alaska and its future, and to assist in their resolution.*

### *Vision*

*Commonwealth North leads Alaskans to adopt enlightened policies that enhance Alaskans' quality of life and that improve the State's ability to effectively manage its resources.*

### *Core Values*

- ❖ *Recognize the State's unique obligation to manage the common wealth of Alaska*
  - ❖ *Commit to the future of Alaska*
  - ❖ *Put Alaska's interests before special interests*
  - ❖ *Exercise intellectual integrity and rigor*
  - ❖ *Respect all peoples and cultures*

## ***COMMONWEALTH NORTH REPORTS AND PUBLICATIONS***

- February 2012* - Energy for a Sustainable Alaska: The Rural Conundrum
- September 2011* - The Obligation of Ownership is Leadership: A Roadmap to Alaska's Transportation and Energy Infrastructure Development
- March 2011* - Alaska's Oil Investment Tax Structure: Establishing a Competitive Alaska
- February 2010* - Energy for a Sustainable Alaska: The Railbelt Predicament
- April 2009* - Why the Arctic Matters: America's Responsibilities as an Arctic Nation
- November 2007* - At A Crossroad: The Permanent Fund, Alaskans, and Alaska's Future
- September 2006* - A Study of the Proposed Gasline Contract Between the State of Alaska and Major North Slope Producers
- June 2005* - Alaska Primary Health Care: Opportunities & Challenges
- January 2005* - Commonwealth North: The Next 25 Years
- January 2004* - Putting Alaska's Assets to Work for Alaskans
- June 2003* - Alaska's Jobs for Alaska's People
- January 2003* - The University of Alaska: A key to Alaska's future, a time for ALL to invest
- September 2002* - Shall there be a constitutional convention?
- September 2001* - Bringing Alaska's North Slope Gas to Market: Framing the Issues
- September 2000* - Urban Rural Unity Study "U.R. US"
- May 1999* - Permanent Fund Earnings Phase II: A Cornerstone for Fiscal Certainty
- February 1999* - Paths to Resolution: Fish & Game on Federal Lands
- December 1998* - Alaska's Asset Portfolio: Managing for Maximum Return
- June 1997* - Agenda 2000: Alaska's Future in the New World
- September 1995* - Partner's in Alaska's Future: Team Alaska Phase II
- October 1994* - Breaking the Fall: Budget Recommendations for Alaska
- August 1994* - Health Care: Finding an Alaskan Prescription
- October 1993* - Commonwealth North Budget Conference: Closing the Gap
- March 1991* - Fire Island: A North Pacific Maritime Center
- May 1990* - Going Up in Flames: The Promises and Pledges of Alaska Under Attack
- October 1989* - An Alaskan View of ANWR
- April 1988* - Redesigning the Front Door to Anchorage through the Relocation of the Anchorage Railroad
- February 1985* - Compass North: Five Challenges for Alaska
- January 1984* - The New Alaska Railroad
- October 1982* - Shall There Be a Constitutional Convention?
- January 1982* - The Transfer of the Alaska Railroad
- November 1981* - Moving North Slope Natural Gas to Market: A Positive Alternative
- June 1981* - Investing in Alaska's Future: The Capital Investment Fund
- May 1981* - The Promise and Pitfalls of Alaska's State Loan Programs
- December 1980* - Alaska's Golden Opportunity: Resource Revenues and State Spending
- March 1980* - North Slope Natural Gas: Transportation Alternatives and the Promise of a World Scale Petrochemical Industry
- November 1979* - Solutions to the National Energy Crisis: Why Not Alaska?
- June 1979* - America's Winning Hand

**All of our reports are available on our website [www.commonwealthnorth.org](http://www.commonwealthnorth.org)**



## COMMONWEALTH NORTH

### *COMMONWEALTH NORTH 2013 PRIORITIES IN BRIEF*

#### **STATE FISCAL POLICY**

*Developed in the 2007 Commonwealth North study “At A Crossroad: The Permanent Fund, Alaskans and Alaska's Future” and the ongoing work by the Fiscal Action Coalition.*

- Engage Alaskans in an informed discussion about the State’s future fiscal choices.
- Enhance management of the Permanent Fund by adoption of the percent of market value payout formula, suitable for an endowment fund, and approval of a statutory version of this formula as a first step. Other recommendations include enhancing the board selection and evaluation processes, operation of a full-scale branch in Anchorage and outside offices to maintain better contact with the investment world, and competitive compensation of its staff and appropriate compensation for the board of trustees.

#### **HEALTH CARE**

*Developed in the 2005 Commonwealth North study “Alaska Primary Health Care: Opportunities and Challenges” and the ongoing work by the Health Care Action Coalition.*

- Continue to encourage and promote the establishment of incentives to bring more qualified Medical professionals to Alaska to combat the critical health manpower shortages in both our urban and rural areas.
- Continue to encourage and promote the establishment of an Electronic Medical Record with a common interface as a means to improved safety, efficiency, and quality of health care in Alaska.

#### **ENERGY**

*Based on the 2012 Commonwealth North study “Energy for a Sustainable Alaska: The Rural Conundrum,” the 2010 study “Energy for a Sustainable Alaska: the Railbelt Predicament,” and the ongoing work by the Energy Action Coalition.*

- Create a statewide energy vision, plan, and implementation strategy by adopting a holistic view of statewide energy sustainability which serves all Alaskans similarly.
- Prioritize the interconnection of rural communities into regional electrical transmission grids in order to develop economies of scale, create efficiencies, reduce redundant infrastructure costs, and develop a greater potential for alternative energy projects.
- Mitigate the high cost of energy in rural Alaska by reducing diesel consumption through increased efficiencies and utilization of economically viable alternatives.
- Empower a statewide entity to coordinate energy generation and transmission project selection and advocate for all regions of the state in a balanced fashion.

- Ensure high-value and effective investments in energy projects through the creation of an investment structure that can serve as an aggregator of financing for energy projects, require equal competition amongst funding opportunities across all energy sectors and technologies in order to reduce the cost of energy, design and audit programs to ensure that experienced teams are making accountable procurement decisions, secure long term sustainability of funding by transitioning away from grants to other financing options, and providing a “one stop shop” to deal with all permitting regarding energy projects and to assist with information and assistance in working with federal regulators.
- Strive to eliminate the need for the Power Cost Equalization Program by reducing the electric rates paid by rural consumers to levels comparable to those paid by consumers on the Railbelt through energy conservation measures and the implementation of feasible energy alternatives.
- Southcentral utilities and local governments should assess the potential of a gas deliverability disruption in the near future with a compressor or other technical component failure due to the extreme load on the system.
- Alaska should have a clear regulatory standard for review of gas supply contracts.
- Alaska must adopt a strategy to diversify its energy portfolio within the next 15 years to other viable energy alternatives.
- It is important to evaluate all factors to encourage development of oil and natural gas potential, and the construction of a natural gas pipeline. The economic benefits of Alaska developing and marketing our vast natural resources and potentially opening up avenues for the petro-chemical industry and LNG export facilities cannot be understated.

## **INFRASTRUCTURE**

*Developed in the 2010 Commonwealth North Infrastructure study “**The Obligation of Ownership is Leadership: A Road Map to Alaska Transportation Development.**”*

- The State of Alaska should create a comprehensive statewide Transportation and Energy Infrastructure Plan.
- The State of Alaska should establish and provide long-term funding for a Transportation and Energy Infrastructure Commission to oversee the implementation of a statewide Infrastructure Plan.
- The State of Alaska should create a fund for transportation and energy infrastructure planning, development, and maintenance.
- The State of Alaska should fund currently deferred transportation and energy infrastructure maintenance needs to support and sustain its communities.

## **OIL INVESTMENT TAX STRUCTURE**

*A twenty week 2011 Board study that published the report, “**Alaska’s Oil Investment Tax Structure: Establishing a Competitive Alaska**” developed the following recommendations.*

- Alaska’s current oil tax structure under Alaska’s Clear and Equitable Share must be made more competitive in order to encourage oil profits to be reinvested in Alaska. The progressivity tax should be reduced and/or capped.
- Alaska should continue to encourage exploration for new oil reserves through tax credits and incentive programs.
- The Governor and the Legislature must make oil production a matter of the highest priority. The Legislature must pass revisions to ACES this year.

# *STATE FISCAL POLICY*

## **Summary**

Commonwealth North created the Fiscal Action Coalition to address Alaska's critical financial planning needs. This group is chaired by Cheryl Frasca and Eric Wohlforth and meets weekly to track State fiscal policy issues. They keep the Commonwealth North Board apprised of new developments and the need for additional studies, recommendations, or other involvement by Commonwealth North to advance sound, long-term fiscal policies.

Most recently the Fiscal Action Coalition began an effort to update our 2007 report in order to present the membership and Alaskans with a suggested course that will begin addressing the State's looming fiscal challenges. As part of the process it met with over forty candidates prior to the 2012 General Election to discuss their understanding of the State's fiscal environment and Alaska Permanent Fund as input into its next set of recommendations on a path forward that will help achieve long-term fiscal stability for our State and its economy.

In 2011, several Commonwealth North members were invited to participate as public members of the House Finance Subcommittee on Fiscal Policy that was working on ways to make progress toward fiscal stability for the State. The co-chairs actively advanced Commonwealth North's recommendations on ways in which to engage Alaskans in weighing the options and trade-offs that will be necessary to achieve long-term fiscal stability. The efforts of the House Finance Subcommittee on Fiscal Policy were extended to, but not addressed, by the Senate.

## **Current Recommendations**

1. Engage Alaskans in an informed discussion about the State's future fiscal choices.
  - Through a partnership with the Legislature, Governor, and civic organizations, undertake a statewide public dialogue that informs Alaskans about the State's future fiscal choices and engages them in examining the trade-offs that likely will be faced.
2. Enhance management of the Permanent Fund by adoption of the percent of market value payout formula, suitable for an endowment fund, and approval of a statutory version of this formula as a first step. Other recommendations include enhancing the board selection and evaluation processes, operation of a full-scale branch in Anchorage and outside offices to maintain better contact with the investment world, and competitive compensation of its staff and appropriate compensation for the board of trustees.

## **Past Reports**

### **12/07 - At a Crossroad: The Permanent Fund, Alaskans and Alaska's Future**

The report, based on a nine month study, contains suggestions on management and governance of the Fund. It reviews and critiques past efforts to achieve a statewide consensus for use of non-dividend Fund income. It recommends a statewide dialogue on the fiscal future of the state, since this future must be agreed upon by the Administration, Legislature, and Public.

### **05/99 - Permanent Fund Earnings - Phase II: A Cornerstone for Fiscal Certainty**

Recommends uses of Permanent Fund earnings in the context of total state fiscal needs.

### **06/97 - Economic Stability in the 21st Century: Realities and Aspirations**



This analysis examines Anchorage's role in the context of the Alaska economy as a whole. It identifies economic engines of Anchorage with global competitive edge potential and makes recommendations for the State of Alaska and Municipality of Anchorage.

#### **10/94 - Breaking the Fall: Budget Recommendations for Alaska**

Development of a long-term financial plan that will compensate for declining oil revenues. This plan would be developed by a citizen-based commission. Recommendations: cut spending, increase revenues, and get a plan via the creation of an Alaska Finance Commission.

#### **10/93 - Commonwealth North Budget Conference: Closing the Gap**

Proceedings and conclusions of Commonwealth North's budget conference held October, 1993. Issues discussed included: fiscal gap, spending regulation, use of liquid reserves, taxation, Permanent Fund, and economic development.

#### **02/88 - Using the Permanent Fund as a Positive Counter-cyclical Force in the Alaskan Economy**

Meant to be considered in conjunction with the Alaska Development Board proposal, this study states that the earnings of the Fund should be used in two ways. First, in good times, the earnings should be placed back in the Fund. Second, in the event of a fiscal need, the earnings should be appropriated directly into municipal and state government expenses.

#### **12/86 - Alaska's Budget Crisis: Facing the Facts - Closing the Gap**

A special task force on the State budget was charged by Commonwealth North Directors to review and make recommendations as to how to address the State of Alaska's immediate budget gap and to address issues concerning the general direction and philosophy of State spending.

# HEALTH CARE

## Summary

Commonwealth North believes health care is not a goal or end in itself. The real goal is healthy Alaskans. To that end, Alaskans must identify and improve the aspects of health care that are under our control. Many health care issues are national, that we cannot affect. Therefore, we must address and solve issues we can do something about. Furthermore, the demographics of an aging population will put foreseeable pressure on all fronts.

## Commonwealth North Health Care Action Coalition

The Board of Directors of Commonwealth North approved the creation of a Health Care Action Coalition to provide continuity in support of recommendations from Commonwealth North past studies as well as the work done by the Alaska Health Care Roundtable. The goals of the Commonwealth North Action Coalition are to continue communication and foster action among parties that have a long-term vested interest in health care reform. It will be a sounding board and facilitator for ideas and recommendations, with a focus on lifestyle and prevention, access, quality, and cost. This group has been meeting monthly for the last four years in order to lead an effort to study, highlight, and identify challenges and opportunities in Alaska's health care environment in order to bring informed Alaskans to the table and come to solutions that will benefit all Alaskans and ensure these complex health care issues are understood. Alaskans have an opportunity to proactively adjust Alaska's health care policies. To that end, this group addresses health care concerns and develops partnerships in the health care industry to find solutions for Alaska.

“*Alaska Primary Health Care – Opportunities & Challenges*” was published by Commonwealth North in 2005 report. This was the result of a nine month study of Alaska’s primary health care system and details current issues surrounding the cost, access, and quality of primary health care in Alaska. The great successes, cooperation, growth, and collaboration we have shared over the past seven years positioned Commonwealth North to proactively move good health care policy in the State of Alaska. Our recommendations included;

- ✓ The establishment of Electronic Medical Records with a common interface as a means to improved safety, efficiency, and quality of health care in Alaska. Senate Bill 133 was passed by the Alaska State Legislature in 2009
- ✓ Creation of the Alaska Health Care Commission to provide recommendations to foster the development of a statewide plan to address the quality, accessibility, and availability of health care for Alaskans. Senate Bill 172 was passed by the Alaska State Legislature in 2010
- ✓ Establish incentives to bring more qualified Medical professionals to Alaska. House Bill 78 passed the Alaska State Legislature in 2012

## Current Recommendations

- Continue to encourage and promote the establishment of incentives to bring more qualified Medical professionals to Alaska to combat the critical health manpower shortages in both our urban and rural areas.
- Continue to encourage and promote the establishment of an Electronic Medical Record with a common interface as a means to improved safety, efficiency, and quality of health care in Alaska.

**Past Reports****06/05 - Alaska Primary Health Care: Opportunities & Challenges**

This report is the result of a nine month study of the primary health care system of Alaska. It details current issues surrounding the cost, access, and quality of primary health care in Alaska and makes many suggestions for improvement.

**08/94 - Health Care: Finding an Alaskan Prescription**

Discussion of the adequacy of the current health care system. Focuses on the unique issues in Alaska and discusses Alaskan's needs on the individual and state levels.

# *ENERGY*

## **Summary**

The Commonwealth North Board of Directors created the Energy Action Coalition to address Alaska's critical energy needs. This group is chaired by Mary Ann Pease and Arden Page and identifies the critical components of Alaska's energy needs and develops policy guidelines and recommendations that provide the baseline for Legislative testimony and Commonwealth North's energy policy priorities going forward. The intent of this group is pro-active policy discussion with an action plan to develop and communicate studied policy direction and findings for the State of Alaska.

## **Current Recommendations (Energy for a Sustainable Alaska - The Rural Conundrum)**

- Alaska needs a statewide energy vision, plan, and implementation strategy that incorporates a holistic view of statewide energy sustainability which serves all Alaskans similarly.
- The interconnection of rural communities into regional electrical transmission grids develops economies of scale, creates efficiencies, reduces redundant infrastructure costs, and develops a greater potential for alternative energy projects.
- In order to mitigate the high cost of energy in rural Alaska, dependency on diesel consumption must be reduced through increased efficiencies and utilization of economically viable alternatives.
- A single statewide entity could coordinate energy generation and transmission project selection and advocate for all regions of the state in a balanced fashion.
- The State of Alaska could ensure high-value and effective investments in energy projects through:
  - Creating of an investment structure that can serve as an aggregator of financing for energy projects.
  - Requirement of equal competition amongst funding opportunities across all energy sectors and technologies in order to reduce the cost of energy.
  - Designing and auditing programs to ensure that experienced teams are making accountable procurement decisions.
  - Securing long term sustainability of funding by transitioning away from grants and toward other financing options.
  - Providing a “one stop shop” to deal with all permitting regarding energy projects and to assist with information and assistance in working with federal regulators.
- Alaska should strive to eliminate the need for the Power Cost Equalization Program (PCE) by reducing the electric rates paid by rural consumers to levels comparable to those paid by consumers on the Railbelt.
  - The Regulatory Commission of Alaska should ensure electric utilities that participate in PCE are implementing cost effective energy conservation measures and feasible alternatives to diesel generation in accordance with Alaska Statute 42.45.130.

## **Current Recommendations (Energy for a Sustainable Alaska, the Railbelt Predicament)**

- Southcentral utilities and local governments should assess the potential of a gas deliverability disruption in the near future with a compressor or other technical component failure due to the extreme load on the system.
  - To address immediate deliverability and cost issues in both railbelt and rural areas, the State and Municipalities should immediately lead implementation of stop-gap measures

to encourage conservation and efficiency in order to keep the lights and furnaces supplied with electricity and gas.

- Alaska should have a clear regulatory standard for review of gas supply contracts. Proposed contracts should be presumptively approved if negotiated in an arms-length transaction and the price provisions are within a range of market prices.
- Most of rural Alaska is dependent on diesel fuel for both electric generation and heating. We have witnessed substantial hardship among rural Alaskans during recent surges in prices. We recommend that the State Governor and Legislature implement a policy of fuel diversification with the long term goal of reduced dependence on diesel for much of rural Alaska.
- With abundant and inexpensive Cook Inlet gas now a thing of the past, Alaska must adopt a strategy to diversify its energy portfolio within the next 15 years to other viable energy alternatives. Possibilities include hydro, coal, using propane as an alternative to diesel in rural Alaska, accelerating small storage and in-stream hydroelectric development and financing, and wind and geo-thermal projects. All of these options combined play a critical role in diversification of our energy sources in an economic and sustainable model going forward to protect the Alaska from the economic drag associated with continued volatility of world, national, and local fuel prices, and offer stable opportunities for citizens and businesses to invest in the future.
- As oil and gas make up the largest sector of the economy, it is important to evaluate all factors to encourage development of Alaska's oil and natural gas potential including the construction of a natural gas pipeline. The economic benefits of Alaska developing and marketing our vast natural resources and potentially opening up avenues for the petro-chemical industry and LNG export facilities cannot be understated.
- Continue the energy dialogue with engaged Commonwealth North members, as well as Alaska's policy makers and industry decision makers. Establish a pro-active approach and reasoned policy action to engage the public on energy issues in Alaska.

## **Past Reports**

### **02/12 - Energy for a Sustainable Alaska: The Rural Conundrum**

This 2012 report clarifies the current state of production, fuel transportation, and consumption of energy in rural Alaska and offers long-term, viable, cost-effective solutions to those challenges.

### **03/10 - Energy for a Sustainable Alaska: The Railbelt Predicament**

Commonwealth North commissioned this study to evaluate solutions and facilitate dialogue relevant to energy policy throughout Alaska and develop guidelines and recommendations for a secure energy future. Alaska is rich in natural energy sources and yet many Alaskans struggle to meet rising energy costs. Alaska needs a long range, diversified energy plan.

### **08/06 - A Study of the Proposed Contract Between the State of Alaska and Major North Slope Producers**

The Governor, his staff, and consultants have worked over two years to negotiate a contract with the major gas producers to bring the North Slope gas to market. Agreements included in the proposed contract raise several major public policy issues for the State of Alaska. This study reviews this proposed contract. It does not purport to examine all provisions of the contract or all points of view about the contract. It does attempt to identify several very important provisions of the contract and to present contrasting points of view about those selected provisions.

**09/01 - Bringing Alaska's North Slope Gas to Market: Framing the Issues**

Richard Barnes and Lee Gorsuch co-chaired this study group formed to identify issues associated with Alaska's interests in North Slope gas commercialization. The study group focused on significant public policy issues within the power of the State of Alaska to address.

**11/81 - Moving North Slope Natural Gas to Market: A Positive Alternative**

A study of the proposed natural gas pipeline. Both the cross-Canada and all-American plans are discussed. This study re-examines the issues raised in the 11/80 natural gas study.

**03/80 - North Slope Natural Gas: Transportation Alternatives and the Promise of a World Scale Petrochemical Industry**

Intended as an interim statement on the issue, this report examines the difficulties in getting Alaska's natural gas to market.

**11/79 - Solutions to the National Energy Crisis: Why Not Alaska?**

An answer to dwindling domestic energy production and foreign oil dependency. Development of Alaska's ample natural resources would provide a solution to the energy gap of the 1980's.

# *INFRASTRUCTURE*

## **Summary**

The Board of Directors of Commonwealth North commissioned the study “*The Obligation of Ownership is Leadership: A Road Map to Alaska Transportation Development*,” to define the roles and responsibilities of an “Owner State” related to the critical infrastructure needed to support Alaska’s communities.

Infrastructure projects in Alaska should reflect back first and foremost on the core principles of the Owner State. First, that they reflect the interest, and meet the demands, of local communities, with local responsibility attached to both interest and demand. Second, that they are arrived at through the democratic process. Third, all infrastructure projects should work to capture the entrepreneurial energy of the private sector to move a project forward.

Currently, no single state entity is charged with the integration of transportation and energy infrastructures. Consequently, Alaskans have never created a comprehensive plan setting forth criteria to select among competing infrastructure projects. The resulting disconnects between public transportation and energy needs encompass ill-advised budgetary conflicts where political expediency may trump engineered efficiency.

A comprehensive approach to planning and funding is needed today more than ever. This requires a vision greater than a single road, port, wind or pipeline project. It requires a comprehensive plan that looks at all opportunities and resources concurrently, and applies an integrated approach to infrastructure development based upon economic and social criteria. Systemic challenges require systemic approaches.

Given the constitutional mandate to develop, manage, and conserve resources for the maximum benefit of the people, any infrastructure project under consideration should look at maximum benefit either as increased jobs to Alaskans or revenue to the state. If neither of these is apparent, it should result in increased economic opportunities for communities, leading to sustained community development.

## **Current Recommendations**

- The State of Alaska should create a comprehensive statewide Transportation and Energy Infrastructure Plan.
- The State of Alaska should establish and provide long-term funding for a Transportation and Energy Infrastructure Commission to oversee the implementation of a statewide Infrastructure Plan.
- The State of Alaska should create a fund for transportation and energy infrastructure planning, development, and maintenance.
- The State of Alaska should fund currently deferred transportation and energy infrastructure maintenance needs to support and sustain its communities.

## **Past Reports**

### **09/11 - *The Obligation of Ownership is Leadership: A Roadmap to Alaska's Transportation and Energy Infrastructure Development***

Transportation and energy infrastructure development in Alaska is at a crossroads. The vitality of

the economy and the well-being of Alaskans are at stake. Decisive action must be taken now to develop integrated systems. A comprehensive plan is needed. This requires a vision greater than a single road, port, or pipeline. It requires a comprehensive plan that looks at opportunities, resources and geography concurrently and applies an integrated approach in planning.

**09/01 - Bringing Alaska's North Slope Gas to Market: Framing the Issues**

A study group formed to identify issues associated with Alaska's interests in North Slope gas commercialization. The study group focused on significant public policy issues within the power of the State of Alaska to address.

**03/91 - Fire Island: A North Pacific Maritime Center**

A study of the viability of a major maritime center at Fire Island. The study concluded that a maritime center will attract new facilities and services which will stimulate industrial growth.

**06/88 - Fire Island: A Maritime Center for the North Pacific**

With expansion of the Port of Anchorage limited by its geography and year-round traffic restricted by mid-winter ice, Fire Island is an ideal location for a maritime center in the North Pacific. This center will replace the dependency on Seattle-area support services.

**04/88 - Redesigning the Front Door to Anchorage through the Relocation of the Anchorage Railroad Yard**

Proposal to move the central railway yard from Anchorage to Eagle River. This relocation will allow for a redesign of the port area and will add to the economic viability of the Eagle River area.

**04/88 - The Alaska Railroad and its Future**

Proposed development of the Alaska Railroad to provide a transportation system that will aid the economic stability of Alaska.

**11/81 - Moving North Slope Natural Gas to Market: A Positive Alternative**

A study of the proposed natural gas pipeline. Both the cross-Canada and all-American plans are discussed. This study re-examines the issues raised in the 11/80 natural gas study.



# *OIL INVESTMENT TAX STRUCTURE*

## **Summary**

The Commonwealth North report “*Alaska’s Oil Investment Tax Structure: Establishing a Competitive Alaska*” was undertaken by the Board of Directors to identify and recommend changes to the existing oil and gas tax regime that will increase North Slope oil production. It is the responsibility of Alaskans to ensure the State establishes a fiscal and tax structure that, among other goals, assures long term economic stability through continued development and production of Alaska’s oil resources. Now is the time to act while there is still an opportunity to strengthen the Alaska economy through increased oil production.

A state’s taxation policies can make or break a business’ decision on where to locate. They are clear signals of how “open for business” a state really is. The petroleum industry in Alaska is the single most important industry to the State. With production declining at a rate of approximately five percent or more per year and the State so heavily dependent on the industry for revenue, the economy’s future appears gloomy. The good news is that although production is declining, there still is time to remove the barriers that are hindering Alaska’s economic growth through exploration and development.

There have been sixteen statutory changes in industry taxes between 1973 and 1990, and three major changes in the last three years. When State revenues declined and appetites for State services were high, Alaskans looked to the oil industry to make up the difference. A stable and internationally competitive tax environment that reflects policy goals is necessary to encourage increased oil investment.

An effective tax policy should maximize resource potential and revenue generation over an extended period of time. An effective tax policy can remove many of the barriers to development and can make an economy more competitive by establishing a tax system and rate that is balanced but punctuated with special provisions, such as deductions or credits that target stimulating a desired investment or desired activity. Such a tax creates an environment of stability and predictability that allows for companies to make long range investments with confidence. Alaska’s tax policy should be designed to result in increased oil production and state revenue over a long period of time and additional industry investment that includes increased use of new technologies, new supplies, and investment dollars by the oil industry.

Alaska’s competitiveness is hindered by many inherent weaknesses:

- Alaska's remoteness and harsh conditions add to the cost of exploration and stringent environmental concerns in the US (in comparison with developing countries) add additional costs.
- Alaska’s current progressivity tax may create an unhealthy environment for industry growth.
- According to one survey, Alaska ranks in the bottom half of all worldwide oil producing areas for capital investment attraction due to reasons such as the level of taxation and political uncertainties regarding taxes.

If Alaskans are to maintain their present level of economic well-being, the Governor and Legislature must make increasing oil production the highest priority. Nationally, there is a growing awareness of the detrimental impact high taxes can have on the private sector and

thereby, the general economy. Alaska has the opportunity to ease this impact by making improvements to the current oil tax structure. Now is the time to act while there is still an opportunity to strengthen Alaska's economy through increased oil production.

### **Current Recommendations**

- Alaska's current oil tax structure under Alaska's Clear and Equitable Share must be made more competitive in order to encourage oil profits to be reinvested in Alaska. The progressivity tax should be reduced and/or capped.
- Alaska should continue to encourage exploration for new oil reserves through tax credits and incentive programs.
- The Governor and the Legislature must make oil production a matter of the highest priority. The Legislature must pass revisions to ACES this year. If it takes a special session, hold one.

### **Past Reports**

#### **03/11 - Alaska's Oil Investment Tax Structure, Establishing A Competitive Alaska**

The Board of Directors and members engaged in a seventeen week targeted study that evaluated the primary public policy concerns associated with Alaska's oil tax structure. It was determined that the current oil production tax adversely affects investment in oil production on the North Slope and progressivity should be modified.

#### **01/04 - Putting Alaska's Assets to Work for Alaskans**

This study followed up on a 1998 study on how well Alaska was managing its land and resource wealth. It addressed four questions: (a) Can Alaska's return on assets be enhanced, (b) To what extent can more effective management of Alaska's assets contribute to a sustainable revenue stream and fiscal plan, (c) Can managing Alaska's business assets as a coordinated portfolio further enhance returns, and (d) How is this to be accomplished?

#### **12/98 - Alaska's Asset Portfolio: Managing for Maximum Return**

Alaska's assets were examined to identify the management principles which, if consistently applied, would improve their financial return and enhance Alaska's economic stability.

#### **06/97 - Agenda 2000: Alaska's Future in a New World**

An analysis of the condition of Alaska's economy, quality of life, educational systems, and government at a pivotal point in its history.

#### **02/85 - Compass North - Five Challenges for Alaska**

Discussion of Alaska as an "owner state" in which the state owns a substantial amount of land and resources. As the owner, Alaska has an obligation to provide its residents with a sustainable economy. To do this, the state must use its land and capital to preserve and enhance the private enterprise system.



COMMONWEALTH  
NORTH

711 M Street, Suite 104 • Anchorage, AK 99501 • (907) 258-9522 • Fax (907) 276-6350  
[www.commonwealthnorth.org](http://www.commonwealthnorth.org) : Twitter @cwnorth and Friend us on Facebook