

## **Senate Democratic State of the State Response**

Senator Johnny Ellis, Senate Democratic Leader

January 16, 2013

Thank you Representative Kerttula.

Good evening. I'm Johnny Ellis, leader of the Democrats in the Alaska State Senate. And I'm sorry to have to report to you tonight that, with all due respect, the Governor has announced a bill to upend our oil tax system - a bill that is an even bigger giveaway than his original oil wealth giveaway last year.

His proposal would shortchange the state by almost \$2 billion dollars a year, under preliminary analysis, by eliminating the windfall profits tax - that means that when the Big 3 oil companies are making record profits from high energy prices, Alaskans will no longer receive their fair share of these windfall profits. The reality is we may be laying off teachers and firefighters while outside shareholders are rewarded with billions in profit from our oil.

And Democrats made it clear in the last session that we were willing to modify in an intelligent and meaningful way.

The simple truth is that the Governor's bill would take Alaska over the Fiscal Cliff. The Governor's bill allows multi-national, multi-billion dollar corporations to take our oil wealth and move it to foreign countries - that's 2 billion gone with no strings attached and no guarantee to fill the pipeline.

That \$2 billion is money we need for our roads, our schools, our public safety, and our state savings. So if we give away \$2 billion for nothing in return, according to the Governor's own Budget Director, the state will immediately plunge into deficit spending. Governors Egan, Hammond and Hickel would never have stood for such a bad business deal and neither should we.

If politicians give away 2 billion dollars a year of your money, the money we use to build roads and keep our streets safe, who do you think they will ask to pick up the tab?

Democratic legislators worked hard to save \$17 billion dollars in the past few years. We worked in a bipartisan manner to achieve this amazing feat. If Alaska stops getting its fair share for our oil resources it will bust our budget, and that means politicians will look to sales and income taxes and a potential raid on your PFD. That's not scare tactics, that's what is coming. That's something Democratic legislators think is just plain wrong.

We're willing to work with the Governor, we reach out our hand to this Governor and leadership.

Democratic Legislators have better ideas.

First, we say to the oil companies - We will partner with you and provide even bigger tax breaks than

you already get, if you drill here in Alaska to our mutual benefit.

Second: Democratic Legislators have consistently said “No Reduction without more production.” That’s just common sense.

Third: We must enforce the existing leases we have with oil companies and their duty to produce.

Fourth: Require better access to oil facilities so small oil producers can get in the game.

And one idea is to put the \$2 billion into an escrow account and reward the oil companies when they produce more Alaskan oil.

And by the way - Democrats think oil companies should hire more Alaskans to work in our oil fields on the North Slope.

Alaska’s Democratic Legislators want to get more oil in the pipeline, but we will never sell out Alaskans to outside interests. US Senator Bob Bartlett in 1959 at the Alaska State Constitutional Convention warned us to beware of outside interests who would exploit Alaska’s resources to the detriment of our state.

That is a warning we must heed today.

Yesterday Democratic Legislators swore an oath to the Alaska Constitution - not to outside shareholders - and that is the constitution we will protect and defend today.

If you agree our constitution and our state treasury as well as your children’s future are worth defending, please contact your elected officials as soon as possible.

Act today as if the future of Alaska depends on it - because it does.

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