

Adams: ELF costs Alaska \$100 million each year

by Sen. Al Adams
for the Tundra Times

JUNEAU — Many of you have heard the word "ELF" and know that it has something to do with taxes and the oil companies.

It does. Many of you will hear confusing information as the topic of revising the ELF becomes more heated this session. A basic grasp of what the ELF is and why the Legislature is wrestling with whether to change it is important for you to understand.

The ELF, an abbreviation for the Economic-Limit Factor, is a formula that reduces the tax the state places on oil removed from state land. The general intention of oil and gas taxes is to compensate for the depletion of the state's natural resources. The intention of the ELF formula was to provide production incentives for oil wells in "marginal" oil fields in Alaska.

Now the ELF, instead of helping to develop marginal fields, gives the oil companies a huge tax break for two oil fields that are hardly marginal — Prudhoe Bay and Kuparuk. These two fields are among the most profitable and productive ones in the United States today.

In my mind, tax breaks that result in an annual loss of revenue to the state of more than \$100 million and which no longer suit the original purpose are unacceptable, especially when the state economy is under such duress. Alaska is not in a financial position to be giving away money — and that is exactly what we are doing by not changing the ELF.

Some of you have been able to see the new media tactics used by the oil companies to try to sell the public on the belief that the State of Alaska should not tamper with ELF. Suddenly we see President John Kennedy pictured in advertisements about ELF.

Next I expect to see ads with Moses standing on the Mount, revealing an Eleventh Commandment of "Thou shall not change the ELF." Crafty advertising can certainly fool the public.

In the oil companies' attempts to confuse this issue, they target a subject that is very near and dear to the hearts of Alaskans — jobs. They argue that jobs will be lost if the ELF is

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changed. But at the same time there were more than 2,000 jobs in the Alaskan oil industry that went to non-Alaskan residents last year. Given those numbers it is hard to believe that these companies are truly concerned about jobs for Alaskans.

What these companies are really about, if they would only admit it, is profits — how to get more money, how to pay less taxes. While I cannot fault them for having these motives, I also cannot tolerate this at the expense of the State of Alaska.

This session I introduced legislation in the Senate to revise the ELF, and there is another bill in the House. Last year legislation to change the ELF passed through the House of Representatives, but came to a dead end in the Senate. It is going to be a tough battle again this year, but at least we are going to have hearings in the Senate which is a remarkable improvement over last year.

I intend to plug away at this issue until the day comes when we get the ELF changed. There is no sense in talking on one hand about income taxes, raiding the Permanent Fund, or chopping the state budget when there is another hand behind our back essentially giving millions of dollars away that we will never recoup.

State programs that I feel rural Alaskans wholeheartedly deserve such as RATNET and the Power Cost Equalization Program should never be cut until changes to the ELF are made.

This is an important issue — one that is among my top priorities this year. Rural Alaska can speak out on this issue also. Your city government can pass resolutions. You can write other senators to let them know it is time for an ELF change.

And if you are confused about information you are receiving on the ELF issue, please contact my office at 465-3707 or at Box V, Juneau, 99811.