

From: [Sen. Anna MacKinnon](mailto:Sen.Anna.MacKinnon)
To: [Senate Finance Committee](mailto:Senate.Finance.Committee)
Subject: FW: SB 130 comment - Oil Production Tax Credits
Date: Wednesday, April 13, 2016 9:20:26 AM

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This was testimony given before the Senate Resource Committee on April 9, 2016.

My name is Dave Hanson, and I am a fiscal-conservative, 40-year Alaska resident. I respect the work of the oil industry in Alaska. It is amazing what the State and industry have accomplished over the past 40 years. However, with the crash of oil prices, we must adapt to our new reality.

We can no longer afford the existing Oil Production Tax Credit Program.

In FY 2013, the program cost \$54 million. By FY 2017, it will cost over \$825 million, or over 1/5 of our State budget. The State Tax Division says program costs are headed toward \$1 billion to \$1.5 billion a year.

The tax credit program made great sense when oil prices were high and oil production taxes were being paid. With oil prices now in the \$30 to \$50 range with no production taxes being paid on oil priced below \$73 a barrel, the program makes no sense.

The credits program is also not the most effective way to increase oil production. Some credit money has helped produce oil, some has helped efforts that did not work out, and some was used to bailout companies from bankruptcy.

It's time to be creative. I suggest a three-point plan that will be sustainable and serve the interest of both the oil companies and the people of Alaska:

- 1) Use part of the Governor's generous SB 130 to pay for credits used through FY 2016 even though the credits were subject to appropriation and not guaranteed.
- 2) Use Senator Stedman's approach beginning in FY 2017 and eliminate the oil production taxes and credits until the price of oil reaches \$73 a barrel. This will help reduce our immediate budget deficit.
- 3) Expand the AIDEA direct loan program so that all credible oil company efforts can get financing during these tough times. This will help continue oil development efforts.

Thank you.