

Revenue loss from SB 21 compared with production increase and resulting revenue gain

	unit	source
Wellhead value in FY 15 (predicted)	\$17.64 billions	DOR Revenue Source Book, April 2014
Wellhead price in FY 15 (predicted)	\$105.60 \$/B	DOR Revenue Source Book, April 2014
SB 21 production tax revenue (predicted)	\$1.75 billion	DOR Revenue Source Book, April 2014
Production tax as percent of Wellhead value	9.9%	calculated
FY 14 state & local petroleum revenue	\$5.89 billion	DOR Revenue Source Books, December 2013, April 2014
SB 21 production tax as percent of < FY 15 state & local petroleum revenue >	29.8%	calculated
Value of FY 15 tax reduction resulting from SB 21 at \$105.60/B (predicted)	\$0.25 billion	DOR 4/12/13 fiscal note#14, HCS CSSB 21(FIN), p. 5 ("at forecasted production," "\$100/B")
Difference between ACES and SB 21 revenue in FY 15 at \$120/B (predicted)	\$0.80 billion	DOR 4/12/13 fiscal note#14, HCS CSSB 21(FIN), p. 5 ("at forecasted production," "\$120/B")
SB 21 estimated cost @ \$105.60/B	\$0.40 billion	calculated
SB 21 estimated cost @ \$105.60/B as percent of state & local revenue	-6.9%	calculated
SB 21 estimated cost @ \$105.60/B as percent of wellhead value	-2.3%	calculated
Percentage increase in production due to a decrease in production taxes (from 25% of gross wellhead value to 0%).	4.0%	Shelby Gerking, "Presentation to the Senate Resources Committee," Feb. 1. 2012, http://www.legis.state.ak.us/basis/get_documents.asp?chamber=SRES&session=27&bill=&date1=20120201&time2=1530 .
elasticity of tax rate change to production change	-6.25	calculated
Percentage increase in production due to SB 21 at \$105.60/B.	0.4%	calculated
Value of production increase	\$0.02 billion	calculated

Bottom Line:

The 6.9 percent (\$400 million) loss of FY 15 state revenue predicted by the Dept. of Revenue due to SB 21 will produce a 0.4 percent increase in eventual ANS production. That increase in production will eventually bring the state treasury an additional \$20 million. Bottom line: the revenue loss from SB 21 is 20 times as large as the gain from increased production.

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