

Gary Zepp

To: Gunnar Knapp (personal e-mail)
Subject: RE: I will call in at 1:00; our study did NOT address impacts of changes to oil tax credits

From: Gunnar Knapp (personal e-mail) [mailto:gunnar.knapp@gmail.com]
Sent: Friday, February 12, 2016 11:56 AM
To: Gary Zepp <Gary.Zepp@akleg.gov>
Subject: I will call in at 1:00; our study did NOT address impacts of changes to oil tax credits

Hi Gary:

Thank you for your email message as well as the voice mail message on my cell phone. Yes, I will call in at 1:00.

I should note (and I would appreciate it if you could convey this to the chairs) that while I am glad to try to answer any questions the committee may have, ISER has not studied HB 247's impact to Alaska by deferring and/or eliminating oil & gas tax credits, and I do not have any special expertise on this topic.

Slides 5 to 8 of my presentation (text copied below) summarize the questions that we addressed and didn't address in our study of "Economic Impacts of Alaska Fiscal Options" (I've copied the text of those slides below). As noted in Slide 8, "we did not analyze fiscal options with complex effects which are difficult to predict (including . . .) potential changes to oil tax credits."

Analyzing the complex effects of changes to tax credits was well beyond the scope and funding level of our study. I apologize if I mistakenly conveyed the impression to anyone that we were studying them.

--Gunnar

SLIDE 5

The study addresses four broad questions

- Comparative impacts:** How would the short-term economic impacts of different fiscal options on jobs and income compare per \$100 million of deficit reduction?
- Distribution of impacts:** How would the total and relative economic impacts of different options vary for different groups of Alaskans?
- Total impacts over time:** How would the total economic impacts over time be affected by how fast or slow the deficit is reduced?
- Other impacts:** What are other potential economic impacts of fiscal options over time?

- Many of these are complex and uncertain.
- We describe them but do not attempt to measure them.

SLIDE 6

Alaska fiscal options are anything the state might do to reduce the general fund deficit. We analyzed options which are:

- Representative of the range of options being discussed by Alaskans
- Significant (could reduce the deficit by at least \$20M)
- Short-run (could be implemented within 2 years)
- Sustainable (not one-time draws from savings)

SLIDE 7

We focused our quantitative analysis on the economic impacts of:

- Spending cuts
 - State worker cuts
 - Broad-based cuts
 - Capital spending cuts
- New revenues
 - Income tax
 - Sales tax
 - Other tax increases on households (alcohol, motor fuel, etc.)
 - Selected tax increases on industries (fishing, mining)
- Dividend reductions (and redirecting the money to fund government)
- Saving less (and redirecting the money to fund government)
 - Reducing inflation-proofing transfers to PF principal
 - Reducing growth in the PF earnings reserve

SLIDE 8

We did not analyze fiscal options with complex effects which are difficult to predict

- Potential changes to oil taxes
- Potential changes to oil tax credits
- Potential cuts to specific state programs
 - There are hundreds of programs for which cuts might have widely varying potential economic impacts
- Potential changes to how the state delivers services
 - UA organization, Medicaid, etc.