

SENATE FINANCE COMMITTEE
January 25, 2011
8:59 a.m.

[8:59:52 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 8:59 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

Senator Lesil McGuire, Vice-Chair

ALSO PRESENT

Doniece Gott, Senate Finance Committee Aide; Bryan Butcher, Commissioner, Department of Revenue; Bruce Tangeman, Deputy Commission, Department of Revenue; Jerry Burnett, Deputy Commissioner, Division of Treasury, Department of Revenue; Cherie Nienhuis, Petroleum Economist, Tax Division, Department of Revenue; Lennie Dees, Audit Master, Tax Division, Department of Revenue.

PRESENT VIA TELECONFERENCE

Frank Molli, Production Forecast Consultant, Department of Revenue

SUMMARY

Committee Introductions
^Overview of Fall 2010 Revenue Forecast

[9:00:00 AM](#)

Co-Chair Stedman introduced the committee members and discussed changes and decorum issues. He introduced his staff. Each committee member introduced their staff.

[9:05:11 AM](#)

DONIECE GOTT, SENATE FINANCE COMMITTEE AIDE, introduced her staff.

[9:08:02 AM](#)

Co-Chair Stedman encouraged committee members to ask questions during finance committee meetings. He reminded the committee that the committee decorum rules remained unchanged. He discouraged newspapers, eating in the Senate Finance Committee room and communicating by cell phone during Senate Finance Committee meetings.

[9:11:49 AM](#)

BRYAN BUTCHER, COMMISSIONER, DEPARTMENT OF REVENUE, introduced himself.

BRUCE TANGEMAN, DEPUTY COMMISSIONER, DEPARTMENT OF REVENUE, introduced himself.

Co-Chair Stedman asked about the memoriam in the "Fall 2010 Revenue Sources Book" (copy on file).

JERRY BURNETT, DEPUTY COMMISSIONER, DIVISION OF TREASURY, DEPARTMENT OF REVENUE, commented on the memoriam for George Rogers who passed away last October at the age of 93. Mr. Rogers helped create the revenue system for the territory of Alaska and was instrumental in the implementation of an income tax, sales tax and business license tax.

Co-Chair Stedman added that George Rogers was one of the founding fathers of the financial system in Alaska.

[9:16:02 AM](#)

Commissioner Butcher detailed the PowerPoint presentation: "Overview of Fall 2010 Revenue Forecast" (copy on file).

Commissioner Butcher discussed Slide 2, "Outline for Presentation":

- Fall 2010 Revenue Forecast for FY 2011 and 2012
 - Revenue Classification Changes
 - Total Revenue
 - Unrestricted Revenue
 - Non-Oil Revenue
- 10-year plan Revenue/Spending Scenario
- How Production Tax Is Calculated
 - FY 2010, 2011, 2012 - "Income statement" format
- Components of Production Tax Forecast
 - Oil Production Forecast
 - Oil Price Forecast
 - Lease Expenditures Forecast/Oil Company Spending
 - Tax Credits

Commissioner Butcher detailed Slide 4, "Revenue Classification Changes":

- In response to Legislative Finance & OMB request, we worked with these agencies to implement new categories of revenue.
- In the past, 2 categories of revenue
 - Unrestricted Revenue
 - Restricted Revenue
- Now, 4 categories of revenue
 - Unrestricted General Fund Revenue
 - Designated General Fund Revenue
 - Other Restricted Revenue
Formerly grouped as "restricted"
 - Federal Revenue
- Only a couple minor changes made to unrestricted revenue
 - LPV Gambling Tax shown as unrestricted revenue
 - Dividends from component units (state corporations) shown as unrestricted revenue
 - These changes ensure consistency between our revenue forecast, and budget protocol

[9:19:43 AM](#)

Commissioner Butcher addressed Slide 5, "FY 11 and FY 12 Total Revenue." He explained that the breakdown exhibited oil revenue projected for the current and next fiscal year. Other non-oil revenue sources were also listed. Investment revenue was shown with a sub-total of unrestricted general funds estimated to be available at approximately \$5.4

billion for FY 11 and \$5.7 billion for FY 12. The estimate for the designated general fund revenue was \$281 million for FY 11 and \$282 million for FY 12. He continued with other restricted revenue which was broken down by oil revenue, other sources, and investment revenue. He finished with federal revenue including \$3.1 million in federal receipts in FY 11 and total state revenue of approximately \$3 billion for FY 11 and \$3.3 for FY 12. He added that the estimates would be more accurate for FY 11, as FY 12 did not begin until July 1st, 2011.

Commissioner Butcher discussed Slide 6, "FY 11 and FY 12 General Fund Unrestricted Revenue." He commented that the slide was broken down by royalty, net of the permanent fund and school fund followed by the production tax which contributed nearly half of Alaska's unrestricted revenue. He added the corporate income tax and property tax at half a billion dollars. The subtotal for all revenue was \$4.67 billion for the current fiscal year and estimated to be a little over \$5 billion for FY 12. Non-oil revenue equaled \$697 million for FY 11 and \$682 million for FY 12.

[9:22:34 AM](#)

Commissioner Butcher mentioned Slide 7, "FY 11 and FY 12 Unrestricted Non-Oil Revenue Detail." He noted that the slide detailed the top five non-oil revenue types, including corporate income tax, mining, insurance premium, tobacco, motor fuel, and other taxes. Investments and charges for services, fines, forfeitures, licenses, permits, and other miscellaneous led to an estimated total of \$698 million for FY 11 and \$683 million for FY 12.

Commissioner Butcher discussed Slide 9, "10-Year Revenue and Spending." The estimates were created with the help of the Office of Management and Budget (OMB). The estimate assumed the 2010 revenue forecast and takes in a 3 percent escalation from FY 12 out, providing an estimated surplus or shortfall for FY 11 through FY 20. He explained that the projection estimated future oil prices and production.

Co-Chair Stedman asked about the budget reserve balances projecting to \$27.6 billion in 2020 and about the contributions of Medicare and the unfunded liability, which were forecasted to exceed \$1 billion per year in 2020.

Commissioner Butcher suggested that Co-Chair Stedman ask OMB.

[9:26:05 AM](#)

Co-Chair Stedman asked whether the projection was a reserve balance of approximately \$27 billion. Commissioner Butcher concurred.

Co-Chair Hoffman asked how capital expenditures were displayed in the projected surplus. Commissioner Butcher did not have the details from OMB.

[9:27:11 AM](#)

Commissioner Butcher provided details for Slide 11, "FY 10 Production Tax Calculation." The top line exhibited the per-barrel price of \$74.90 for FY 10 with the number of barrels totaling 643,517, factoring to the value of \$48.2 million per day. He detailed further calculations on the slide leading to \$203,816,365 in total transportation costs. He noted the production tax value of \$10,128,100.

Commissioner Butcher mentioned that the income statement format was developed in collaboration with the Senate Finance Committee. The format presented an example of how production tax was calculated in a simple and easy-to-understand table. Co-Chair Stedman appreciated the high level synopsis and the ease of the production tax process, which would be expanded to include the midstream issues.

Commissioner Butcher agreed about the straightforward nature of the system.

[9:31:11 AM](#)

Commissioner Butcher explained Slide 12, "FY 11 Production tax Projected." He stated that the table provided an estimate only for FY 11. He noted the total tax before credits of \$3 billion and an estimated \$400 million in credits applied against the taxes totaling to \$2.6 billion. He repeated that the calculations provided best estimates.

Co-Chair Stedman asked about the similarities seen on the lease expenditures. He asked whether the numbers provided presented a coincidence. Commissioner Butcher offered to provide the information in the near future.

Co-Chair Hoffman asked about the pipeline's shutdown and how the projections would be affected. He asked about listed expenditures that portrayed the cost of the new piping.

Commissioner Butcher responded that the shutdown costs were not listed as the numbers were compiled months ago. He estimated that the shutdown cost the state \$100 million.

[9:34:34 AM](#)

CHERIE NIENHUIS, PETROLEUM ECONOMIST, TAX DIVISION, DEPARTMENT OF REVENUE, commented that the leak would not be deducted from taxes. The production tax statutes did have exemptions for deductible lease expenditures, which would likely fit into the exemptions. The exemptions were described in 43.55.165 (e), which stated that the losses were not eligible for a deduction against the production tax when a shutdown was due to an unplanned event.

Co-Chair Stedman wondered whether the repair was available for the capital credit. He did not believe so. Ms. Nienhuis agreed and stated that the expenditure was considered an unplanned disruption leading it to fit within the exemption.

Co-Chair Hoffman argued that the second section exhibited downstream transportation costs. He wondered whether the costs related to capital expenditures. Ms. Nienhuis responded that the downstream deduction was the result of a tariff and therefore not eligible for upstream deduction.

Commissioner Butcher discussed Slide 13, "FY 12 Production Tax Projected." He noted the income statement approach to the best estimates for the FY 12 production tax. He mentioned that the credits applied after taxes of approximately \$400 million, which would rise to \$450 million in FY 12.

Co-Chair Stedman asked for a breakdown of the credit estimate.

[9:38:15 AM](#)

Commissioner Butcher discussed Slide 14, "Components of Production Tax Calculation":

- Production
- Price
- Lease Expenditures
- Tax Credits

[9:38:52 AM](#)

Commissioner Butcher discussed Slide 16, "Three Categories of Forecasted Production":

- 1) Currently under Development- New projects that are currently funded or awaiting project sanction in near future.
- 2) Currently Producing- Includes base production and enhanced recovery production from investment in rate enhancing activities (perforations, stimulations, well workovers, gas and water injection support).

Commissioner Butcher discussed Slide 17, "Three Categories of Forecasted Production":

Currently Under Evaluation- Includes technically viable projects in the stage where engineering, cost, risk and reward are being actively evaluated. Unfunded but are considered to have a high chance of being brought to fruition.

Co-Chair Stedman expressed confidence in the commissioner.

Senator Egan asked where the Liberty field would fall in the graph.

[9:41:13 AM](#)

Co-Chair Stedman offered to receive the information later.

Commissioner Butcher discussed Slide 18, "Factors That Affect Production Forecasting":

1. GEOLOGY
 - Rock type and formation characteristics
 - Depth, thickness, pressure
 - Oil & gas characteristics (oil gravity, viscosity, water content, etc.)
2. DEVELOPMENT PLAN

- Well density and development rate
 - Well bore size and completion technique
 - Artificial lift and enhanced oil recovery
 - Facilities & surface operations
3. COMMERCIAL
- Project economics
 - Oil price and market conditions
 - Government Policy: access, regulation, taxation
4. PRODUCTION PROFILE
- History, stage of depletion
 - Use production profile to extrapolate trends
5. TIMING!

Commissioner Butcher detailed Slide 19, "North Slope Production Decline":

FY 1988: production peak = 2.01 million barrels per day (bpd).

FY 2010: production = 644,000 bpd, a 68 percent decline since peak.

FY 1988 to date: production decline rate ~ 5 percent per year, on average.

Over the last 10 years, production decline rate ~ 4.2 percent per year, on average.

We expect the decline rate to flatten out to 3.2 percent per year, on average, through FY 2030.

Co-Chair Stedman requested an estimate of production curves for an average oil field.

[9:44:09 AM](#)

Co-Chair Hoffman asked when flattening of the decline rate was predicted. He asked whether the flattening began in 2012. Commissioner Butcher responded in the affirmative.

Commissioner Butcher discussed Slide 20, "ANS Production History and Forecast." He pointed out the slow decline over the latter half of the 1990s. He noted the expectations for the flattening out over the next decade.

Mr. Tangeman added that the graph provided an excellent example of the flattening out that would occur when a newer field came online.

Commissioner Butcher commented on Slide 21, "Forecasted ANS Production FY 2010-2020." He stated that the department's numbers were accurate regarding the currently producing (shaded) section; the under-development and under-evaluation sections were purely speculation.

Co-Chair Hoffman asked whether the projections were under the current tax structure. Commissioner Butcher concurred.

[9:47:09 AM](#)

Commissioner Butcher commented on Slide 22, "Conclusion on Production":

- Production forecasting requires consideration of each project's geology, development plans, commerciality, production profiles, decline curves and timing.
- Department uses extensive well and field specific data acquired from producers, AOGCC, and DNR
- New field development is very important in mitigating decline rates.

Senator Thomas wondered whether the addition of the Liberty field was calculated in the predicted reduction in the decline rate. He asked for more information about the specific oil fields. Commissioner Butcher agreed. He deferred to the department's production forecast consultant.

[9:48:39 AM](#)

FRANK MOLLI, PRODUCTION FORECAST CONSULTANT, DEPARTMENT OF REVENUE, responded that the 2015 aggregate would add production of 100,000 barrels of oil.

Co-Chair Stedman asked about new oil fields and their impact. He also asked about the classification of the Liberty field.

Mr. Molli responded that Liberty was classified as "under development" and was anticipated to come on production in 2012. The Nikiachuk field was anticipated to come on

production in 2011. Alpine West would begin production in 2014. Production was anticipated from the National Petroleum Reserve-Alaska (NPR-A) in 2015. Taken together in aggregate, the fields would add additional production of over 100,000 barrels of oil per day.

Co-Chair Stedman asked Mr. Molli how long he had been employed as a production-forecast consultant for the state. Mr. Molli responded that the current year was his second year of providing the fall forecast for Alaska.

Commissioner Butcher added that pages 98 and 99 of the Revenue Resources Book provided a history of the past decade for the various fields including production and department forecasts.

Senator Thomas asked whether British Petroleum (BP) had "pulled the plug" on the Liberty field. Mr. Molli understood that the process had only been delayed.

[9:51:32 AM](#)

Commissioner Butcher introduced Slide 23, "Fall 2010 Oil Price Forecast."

Commissioner Butcher discussed Slide 24, "Price Forecast Methodology":

- FY 2011- 2015: Average of participant forecasts from Price Forecasting Session, and other sources
- 27 Participants from DOR, DNR, DOL, OMB, University, Legislative Finance and outside participants
- Presentations: supply, demand, geopolitics, financial markets, outside expert forecasts, etc.
- Forecasting Session outcome blended equally with NYMEX, EIA, and analysts to derive price forecast.
- Beyond FY 2015: Constant real price, 2.75% inflation

Commissioner Butcher noted that the forecast was compiled using information from multiple sources. The average was then calculated for FY 11 through FY 15.

Co-Chair Stedman wanted the projections to include the high and the low trends to aid the committee in understanding the risk associated with the individual price or volume forecast.

9:54:04 AM

Co-Chair Stedman asked about the department's vacant economist position. Commissioner Butcher responded that the chief economist and assistant economist positions were vacant. He stressed that the department endeavored to fill the positions. He stated that the department posted the jobs multiple times and had not yet succeeded in hiring the right people.

Co-Chair Stedman expressed concern and interest on behalf of the Senate Finance Committee. Commissioner Butcher understood and agreed.

Commissioner Butcher commented on Slide 25, "Price Forecasts as of October 2010."

Commissioner Butcher detailed Slide 26, "Fall 2010 DOR Oil Price Forecast." The department was reviewing the relationship between West Texas Intermediate (WTI) and Alaska North Slope (ANS). He explained that the estimates provided would be reviewed and adjusted.

9:57:18 AM

Commissioner Butcher discussed Slide 27, "Fall 2010 Lease Expenditure Forecast (Oil Company Spending)."

Commissioner Butcher discussed Slide 28, "Lease Expenditures (Costs)":

- FY 2007 - FY 2010 lease expenditures based on unaudited company reported expenditure estimates submitted on production tax monthly forms and annual returns
- FY 2011 - FY 2012 lease expenditure forecasts were compiled from company submitted information
- Under ACES, DOR requests expenditure forecast estimates and other documentation from oil companies
- Longer term spending - particularly capital investment - is highly uncertain

Co-Chair Stedman asked for further information about lease expenditures. Ms. Nienhuis responded that the department requested that the operators across the North Slope be limited to those shared with other witnesses.

Co-Chair Stedman asked whether the committee should work with the provided data. Ms. Nienhuis answered that the data was currently adequate for the department.

Co-Chair Stedman stated that the committee would review the past capital and operating expenditures with as much detail as possible.

[10:00:19 AM](#)

Commissioner Butcher responded that the provisions passed under Alaska Clear and Equitable Share (ACES) had significantly improved understanding of oil company costs and investment.

Commissioner Butcher discussed Slide 29, "Lease Expenditures (Costs)." He commented on the graph, which compared the previous four fiscal years of operating expenditures (OPEX) and capital expenditures (CAPEX), including DOR estimates of the current fiscal year and FY 12.

Co-Chair Stedman requested elaboration of the standard deduction through the end of calendar year 2009. Commissioner Butcher noted that the increase was a result of the elimination of the standard deduction.

Co-Chair Stedman requested information presenting the expenditures on a cash-flow basis. Commissioner Butcher concurred.

[10:03:21 AM](#)

Commissioner Butcher continued with Slide 30, "Lease Expenditures per Barrel."

Co-Chair Stedman asked whether the CAPEX and OPEX numbers addressed the royalty issue. He requested removal of the distortions. He asked about the capital expenditures and the forecast of an increase of approximately \$4 million. Commissioner Butcher responded that the department had not had an opportunity to audit the most recent years; the information was currently unavailable.

Ms. Nienhuis added that the department had limited information about the level of detail requested, although she did possess expenditures by unit.

Co-Chair Stedman asked about the \$0.30 exclusion per barrel added during the original Petroleum Production Tax (PPT) to insulate the state from normal maintenance on an older oil basin. Industry argued that there were no capital investments, yet a bill to the treasury of \$2.9 billion for capital expenditures existed.

Commissioner Butcher offered to provide the requested information. He pointed out that the industry information had been difficult to separate from existing expenditures.

Co-Chair Stedman asked about the increase in costs in addressing the corroded pipes along with the labor issues dealing with Point Thompson. He expressed interest in the Prudhoe, Kuparuk, and Alpine fields as well.

Ms. Nienhuis offered to provide expenditures by unit.

[10:06:22 AM](#)

Co-Chair Stedman discussed the \$0.30 exclusion per barrel. He stated that \$60 million was very different from \$2.9 billion. He requested clarification regarding industry capital investments.

Commissioner Butcher offered to provide a detailed breakdown of the requested information. Co-Chair Stedman requested consideration for the increase in cost regarding the issue of corroded pipes in addition to information regarding the Prudhoe, Kuparuk, and Alpine fields.

[10:09:01 AM](#)

Commissioner Butcher continued with Slide 31, "Tax Credits."

Department of Revenue continued with Slide 32, "Production Tax Credits":

- Qualified Capital Expenditure Credit - 20% credit for qualified capital expenditures (40% for well lease expenditures outside North Slope).
- Carried-Forward Annual Loss Credit -25% credit for carried-forward annual loss.
- Small Producer / New Area Development Credit - Up to \$12 million / year for small producers and up to \$6

million / year for production outside North Slope and Cook Inlet.

- Alternative Credit for Exploration - 30% or 40% of eligible exploration expenditures if certain criteria are met.
- Cook Inlet Jack-Up Rig Credit - 80% to 100% credit for first three exploration wells drilled using jack-up rig in Cook Inlet.
- Chapter 3 of Fall 2010 Revenue Sources Book provides detailed information about these and other tax credits

Co-Chair Stedman appreciated the department's report on tax credits. He stated that the committee would spend substantial time on the tax-credit issue.

Commissioner Butcher discussed Slide 33, "Production tax Credits Reported." He stated that the graph displayed calendar years 2008 and 2009 and the credits claimed by companies used against tax liability, as well as credits refunded to companies with no offsetting tax liability.

[10:12:08 AM](#)

LENNIE DEES, AUDIT MASTER, TAX DIVISION, DEPARTMENT OF REVENUE, introduced himself and explained that his staff received the credit applications from the various explorers and producers. His team maintained a database of the credit activity and provided the assessment of the producer's tax filings. He commented on Slide 32 and the various credits, including the qualified capital expenditure credit. He discussed the small producer/new area development credit.

Mr. Dees discussed the alternative credit for exploration, which granted 30 to 40 percent credit for expenditures incurred while drilling exploration wells. He mentioned that the credits provided information about new exploration in the state.

[10:16:05 AM](#)

Mr. Dees discussed the new Cook Inlet jack-up rig credit. He pointed out the chapter about tax credits in the Revenue Sources Book.

Mr. Dees explained that he was able to provide past and current information about the tax credits, but projections were not his area of expertise.

Co-Chair Stedman asked the impact of the FY 12 budget and the qualified capital expenditure credit, AS 43.55.023 (a). Mr. Dees explained that the credit was taken off the top of the tax liability. The credit included 20 percent of the qualified capital expenditures incurred each year. He clarified that normal capital activities were included, such as drilling, facility upgrades, and equipment purchases. He added that the purpose of the expenditure determined whether the deduction was allowable.

[10:19:44 AM](#)

Co-Chair Stedman asked for additional information regarding the qualified capital expenditure credit. Commissioner Butcher pointed out that Page 23 of the Revenue Sources Book included a breakdown of the tax credits in each of the categories.

Co-Chair Stedman asked about the credit expectation against the treasury for the qualified capital expenditure credit as well as the other credits.

Mr. Dees responded that the phase of development determined the application of capital credits against tax liability. Development or exploration stages were applied for in the form of transferable tax credit certificates. He recommended looking at the tax payers accomplishing the exploration.

[10:22:03 AM](#)

Co-Chair Stedman pointed out that there was an interest in the forecast of \$450 million for FY 12 and \$400 million for FY 11. He asked about the breakdown of the forecasted amount and whether the amount included the qualified capital expenditure credit.

Ms. Nienhuis stated that the new producers were encountering a more profitable margin, allowing them to take tax credits off tax liability. She added that the future would provide more information. She explained that the forecast of \$450 million for FY 12 exhibited tax credits taken against tax liability. She noted that

calendar year 2010 showed approximately \$400 million to \$420 million taken against tax liability.

Co-Chair Stedman assumed that the majority of the \$450 million was the result of the qualified capital expenditure credit. Ms. Nienhuis concurred.

[10:24:22 AM](#)

Co-Chair Hoffman pointed out that the qualified capital expenditure credit included 40 percent for well-related expenses outside of the North Slope. He asked for a breakdown by fiscal year for 2008 through 2010 of what amount was applied to the 20 percent versus the 40 percent. Mr. Dees answered that the 40 percent went into effect July 1, 2010. He explained the process of receiving applications for the new credits.

Co-Chair Hoffman asked about a breakdown for the anticipated split between the two percentages. Mr. Dees stated that he did not have the requested breakdown. He noted that the majority of credits occurred in Cook Inlet. He believed that very little of the 40 percent credit option would be seen in the numbers presented.

[10:26:17 AM](#)

Senator Olson asked about the production tax credit and how the state benefited from the program. He asked how the success of the program was gauged. He addressed Slide 33 and the calendar year production tax credits. He opined that the percentage seen in the data showing credits refunded to companies with no offsetting tax liability had grown in 2009. Mr. Dees responded that many factors led to the circumstances. He pointed out that with the original ACES legislation, reinvestments of the credit were required in the 24 month period. Currently, companies could apply for the tax credit and then apply for the cash.

Senator Olson surmised that ACES should remain unchanged. Mr. Butcher replied that the ACES period of time for audits was extended to six years, so DOR was still adjusting to the changes.

[10:30:54 AM](#)

Co-Chair Stedman commented on the forecast of \$2.9 billion in capital expenditures and \$450 million in credits.

Co-Chair Stedman requested help balancing the expectations of capital expenditures and credits against the treasury. Mr. Butcher clarified that the request was for the department's estimates on tax credits for FY 12 compared to estimates on revenue.

Co-Chair Stedman stated that the estimates shown on Page 36 of the Revenue Sources Book showed credits used against tax liability at \$450 million and credits for potential purchase at \$400 million totaling \$850 million in credits. He requested help understanding the credits against the treasury. He wondered about banking of credits that could affect the treasury in the future. Commissioner Butcher offered to provide a breakdown of the credit estimates.

Mr. Dees added that the banking of credits did not make sense to the explorer.

Co-Chair Stedman expressed confusion about the implied North Slope data in the Revenue Sources Book. Mr. Tangeman stated that the forecasted number of \$400 million was an industry forecast.

Co-Chair Stedman understood that the \$400 million was a forecast from the industry to the department regarding expected applications. Mr. Dees responded that credits could be used against the tax liability or credits for which companies applied for transferable tax credit certificates. The \$400 million figure represented the best estimate of those companies that were holding tax credit certificates and would apply for the cash during FY 12. The estimate included carryovers from FY 11 and new credits from FY 12.

[10:37:55 AM](#)

Co-Chair Stedman pointed out the impact of credits that might not appear because they were collected or sold and in turn, stimulated the industry. He understood that the impact of the credit policy was approximately \$850 million for FY 12. Mr. Dees agreed.

Co-Chair Stedman reiterated the importance of looking beyond the tax process in the specific departments. He

asked why the treasury was impacted by \$850 million in credits if the slope was experiencing declining expenditures. Mr. Dees responded that some companies applied for credits in the previous year, yet had not turned them to cash. He informed the committee that the state did have a late balance of transferable tax credit certificates. The increase seen from 2010 to 2011 reflected the fact that companies were now able to get their cash payouts more quickly.

Co-Chair Stedman suggested providing the information in fiscal years rather than calendar years. Commissioner Butcher offered to provide a credit presentation for a future meeting.

[10:42:36 AM](#)

Co-Chair Hoffman suggested that the information be broken down for calendar years 2010, 2011, and 2012. Commissioner Butcher concurred.

Co-Chair Stedman offered to work with the department on the presentation.

Mr. Butcher thanked the committee, and stressed the importance of understanding the topic.

ADJOURNMENT

The meeting was adjourned at 10:44 AM.