Oil tax reform will benefit state’s future

By Rick Rogers | Posted: Sunday, July 6, 2014 12:00 am

Fairbanks Daily News-Miner Community Perspective

FAIRBANKS — On Aug. 19, Alaska voters will make a critical decision on Ballot Measure 1, a decision significantly affecting the future economy of our state. It’s a decision that will put us on one of two very contrasting paths.

Vote Yes advocates cleverly avoid any conversation of their vision for Alaska’s future. But with the former tax regime ACES’ seven-year track record, it’s not too hard to see where a yes vote would lead us. In the seven years ACES was the law, North Slope production declined by 200,000 barrels per day, an average of 6.3 percent annually. Repealing Senate Bill 21 and going back to ACES would result in more of the same — accelerated production decline.

Consider what such a continued 6.3 percent decline looks like. By the time a child born this year is in sixth grade, oil production under ACES likely would be about half what it is today. As a supporter of public education, that concerns me. ACES advocates have no answer for continued production decline, and I’ve yet to hear them acknowledge how dangerous low-price scenarios under ACES could bleed state coffers with generous credits and little offsetting revenue.

Voting no leads to more production and continued North Slope investment to help stem the 6-7 percent annual production decline since ACES was passed. Slowing, perhaps even reversing, this production decline was the primary goal of oil tax reform, and is the reason the governor and Alaska Legislature worked for three years to find a balance.

Oil tax reform has only been in place since January and we already are seeing increased North Slope activity — well work-overs, new drilling rigs and slowing of the rate of production decline. In fact, a record number of rigs are now at work on the North Slope and ConocoPhillips alone is predicting 40,000 barrels per day of new oil from recently announced projects by 2018.

Voting no reduces state budget volatility and mitigates risk at lower oil prices. Hope is not a strategy, yet the old ACES tax pinned our state’s finances on the hope that oil prices would remain high. With oil tax reform, we are not immune from oil price shocks, however, we have increased our base tax rate by 10 percent — to 35 percent — to bring in more state revenue at lower prices. This will help reduce radical income swings from one year to the next. Under ACES, high tax credits and low oil prices exposed the state to severe financial risk.

Voting no keeps hopes of a North Slope gas line alive and the thousands of jobs and billions of dollars in investment and state revenue it will generate. A no vote solidifies a renewed partnership between the state and the producers. The Alaska LNG project still faces many hurdles, but nothing will throw more cold water on its progress than returning to ACES.

Voting no generates high-paying jobs with huge multipliers. A recent McDowell Group economic analysis estimates for every direct oil and gas job created, 20 additional jobs are created in our economy by industry spending. No matter the trade, profession or business — no matter whether it is in the public or private sector — a healthy oil sector will improve employment opportunities.

More production, low oil price protection, less state budget volatility, better hopes for a gas line and high-paying jobs with big multipliers are all very good reasons to vote no on one.

This is not some abstract theory or philosophical game. The outcome of Ballot Measure 1 is likely to affect your home equity, determine whether your kids can make their way in Alaska and determine whether we can sustain the finances needed for education, public safety, infrastructure, resource management and stewardship, and social services.

ACES is a short-term looting of our long-term economic well being. It's like eating our seed corn, it's a giveaway of our future.

Young Alaskans deserve a promising future of opportunities; we all deserve better than going back to the failed policy of ACES and its dismal long-term outcomes. We need to vote no to give oil tax reform a chance.

A no vote on Ballot Measure 1 puts us on the right path.

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