

Co-Chair Stoltze remarked that it may be helpful for DOR to be present at department budget presentations to instill recognition of the current situation related to revenue and oil production. He pointed to the challenges of running a pipeline under lower oil flow conditions. He asked the department to be mindful of what oil meant to the state's budget; he observed that mining revenue would not "even cover" the operational costs of the Department of Education and Early Development and fish taxes would not fund a three-year Chinook study in the amount of \$30 million.

Commissioner Butcher discussed why DOR had decided to dig into the way its production forecast was produced. He recalled that in the past committee members had expressed dissatisfaction over DOR's long-term production forecast. As a result the department had looked at the issue to determine how to increase accuracy in its forecasting; it discovered that the forecast had been high by 40 percent to 65 percent in its 10-year production forecast. He shared that historically the decline rate had been 6 percent, but DOR had projected an annual decline rate of no higher than 2.5 percent (many years the projection had been lower than 2.5 percent). He stated that clearly the process had not been accurate and needed to be improved. Subsequently DOR had met with DNR to figure out a way to provide policymakers with a better production snapshot into the future; DNR had only played a small role in the forecast in the past. He stressed that DOR had done a good job with the forecast for the couple of years, but the longer-term forecast needed improvement.

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BRUCE TANGEMAN, DEPUTY COMMISSIONER, TAX DIVISION, DEPARTMENT OF REVENUE, provided a Power Point presentation titled "Oil Production Forecast." He planned to explain the production methodology that DOR had been working on for the past 18 months; the goal was a more prudent and reliable long-term forecast. He stated that oil funded over 90 percent of state government. He referenced committee member comments about the importance of planning for the future; the thoughts had been taken into consideration when DOR looked at its historically overoptimistic production forecast going back two decades. He emphasized that it was critical for legislators and the executive branch to have the best available information for short and long-term