



Overview of Fall 2012 Revenue and Price Forecast



*Presentation to the
House Finance Committee
January 24, 2013
Alaska Department of Revenue*



Outline



- **Fall 2012 Revenue Forecast**
 - Ten-year overview
 - Comparison to Spring 2012 Forecast
 - Total Revenue
 - Unrestricted Revenue
 - Oil and Non-Oil Revenue
- **Components of Production Tax Forecast**
 - Oil Production
 - Oil Price



Fall 2012 Revenue Forecast



Price, Production, State General Fund Unrestricted Revenues FY 2012 -2022



	Actual	Forecast				
	2012	2013	2014	2015	2016	2017
ANS WC Oil Price (\$/bbl)	\$112.65	\$108.67	\$109.61	\$111.67	\$114.88	\$116.22
Total ANS Production (State + Federal) (ths bbls/day)	579.1	552.8	538.4	518.6	499.7	476.1
General Fund Unrestricted Revenues (million)	\$9,485	\$7,512	\$7,002	\$6,659	\$6,999	\$7,105

		Forecast				
		2018	2019	2020	2021	2022
ANS WC Oil Price (\$/bbl)		\$117.16	\$118.29	\$119.74	\$121.42	\$123.34
Total ANS Production (State + Federal) (ths bbls/day)		442.9	421.6	394.8	365.9	338.5
General Fund Unrestricted Revenues (million)		\$6,970	\$6,719	\$6,487	\$6,209	5,969



Comparison

Fall 2012 forecast with Spring 2012 forecast

FY 2013

	Spring 2012	Fall 2012	Difference	Change
Oil Price (ANS West Coast per barrel)	\$110.44	\$108.67	(\$1.77)	-1.63%
Avg ANS oil Production (ths barrels/day)	563	553	(10.00)	-1.78%
Unrestricted GF Revenue (million)	\$8,440.10	\$7,511.70	(\$928.40)	-11.00%

FY 2014

Oil Price (ANS West Coast per barrel)	\$109.12	\$109.61	\$0.49	0.45%
Avg ANS oil Production (ths barrels/day)	567	538	(29.00)	-5.11%
Unrestricted GF Revenue (million)	\$7,680.40	\$7,001.90	(\$678.50)	-8.83%

Two Year Totals

Two year average price (ANS West Coast per barrel)	\$109.78	\$109.14	(\$0.64)	-0.58%
Two year average production (ths barrels/day)	565	546	(19.50)	-3.45%
Two year unrestricted GF Revenue (million)	\$16,120.50	\$14,513.60	(\$1,606.90)	-9.97%

Sources: Department of Revenue Spring 2012 Revenue Forecast and Fall 2012 Revenue Forecast



Total Revenue Forecast

FY 12, 13 & 14 (millions \$)



Revenue Type	Actual	Forecast	
	FY 2012	FY 2013	FY 2014
Unrestricted General Fund			
Oil Revenue	\$ 8,857.8	\$ 6,904.0	\$ 6,399.0
Non-Oil Revenue*	\$ 519.6	\$ 541.5	\$ 535.5
Investment Revenue	\$ 107.8	\$ 66.2	\$ 67.5
Total Unrestricted Revenue	\$ 9,485.2	\$ 7,511.7	\$ 7,001.9
Designated General Fund			
Non-Oil Revenue*	\$ 268.2	\$ 311.7	\$ 310.0
Investment Revenue	\$ 34.6	\$ 41.4	\$ 33.7
Subtotal	\$ 302.8	\$ 353.1	\$ 343.7
Other Restricted Revenue			
Oil Revenue	\$ 1,021.7	\$ 1,138.0	\$ 858.4
Non-Oil Revenue*	\$ 184.5	\$ 209.9	\$ 210.8
Investment Revenue	\$ 109.7	\$ 3,286.0	\$ 3,369.5
Subtotal	\$ 1,315.9	\$ 4,633.9	\$ 4,438.7
Federal Revenue			
Oil Revenue	\$ 4.8	\$ 2.7	\$ 2.7
Federal Receipts	\$ 2,455.5	\$ 2,822.7	\$ 2,822.7
Subtotal	\$ 2,460.3	\$ 2,825.4	\$ 2,825.4
Total State Revenue	\$ 13,564.2	\$ 15,324.1	\$ 14,609.7

*Except federal and investment

Source: Fall 2012 *Revenue Sources Book*

Alaska Department of Revenue



General Fund Unrestricted Revenue (million \$)



Revenue Type	Actual		Forecast			
	2012	Percent	2013	Percent	2014	Percent
Petroleum Revenue						
Net Royalty (less PF & SF)	\$2,031.7	21.4%	\$1,881.0	25.0%	\$1,914.0	27.3%
Production Tax	\$6,146.1	64.8%	\$4,353.2	58.0%	\$3,778.8	54.0%
Corporate Income Tax	\$568.8	6.0%	\$558.2	7.4%	\$606.9	8.7%
Property Tax	\$111.2	1.2%	\$111.6	1.5%	\$99.3	1.4%
Total Petroleum Revenue	\$8,857.8	93.4%	\$6,904.0	91.9%	\$6,399.0	91.4%
Non-petroleum Revenue	\$627.4	6.6%	\$607.7	8.1%	\$602.9	8.6%
Total Revenue	\$9,485.2	100.0%	\$7,511.7	100.0%	\$7,001.9	100.0%

NOTE: This presentation only includes the portion of revenue that is included in the "Unrestricted General Fund" category.

*Other includes Charges for Services, Fines and Forfeitures, Licenses & Permits, Rents & Royalties, and Miscellaneous.

Source: Fall 2012 *Revenue Sources Book*



Unrestricted Non-Oil Revenue (million \$)



Revenue Type	2012		2013		2014	
	Revenue	% Total	Revenue	% Total	Revenue	% Total
Taxes						
Corporate Income	\$98.5	15.7%	\$111.2	18.3%	\$113.7	18.9%
Mining License Tax	\$40.7	6.5%	\$58.3	9.6%	\$64.0	10.6%
Insurance Premium	\$54.8	8.7%	\$57.9	9.5%	\$58.8	9.8%
Tobacco	\$45.6	7.3%	\$45.7	7.5%	\$45.8	7.6%
Motor Fuel	\$40.9	6.5%	\$40.7	6.7%	\$40.6	6.7%
Other Taxes	<u>\$70.0</u>	11.2%	<u>\$65.5</u>	10.8%	<u>\$66.9</u>	11.1%
Subtotal Taxes	\$350.5	55.9%	\$379.3	62.4%	\$389.8	64.6%
Investments	\$107.8	17.2%	\$66.2	10.9%	\$67.5	11.2%
Other *	<u>\$169.1</u>	27.0%	<u>\$162.2</u>	26.7%	<u>\$145.7</u>	24.2%
Total Non-Oil	\$627.4	100.0%	\$607.7	100.0%	\$603.0	100.0%

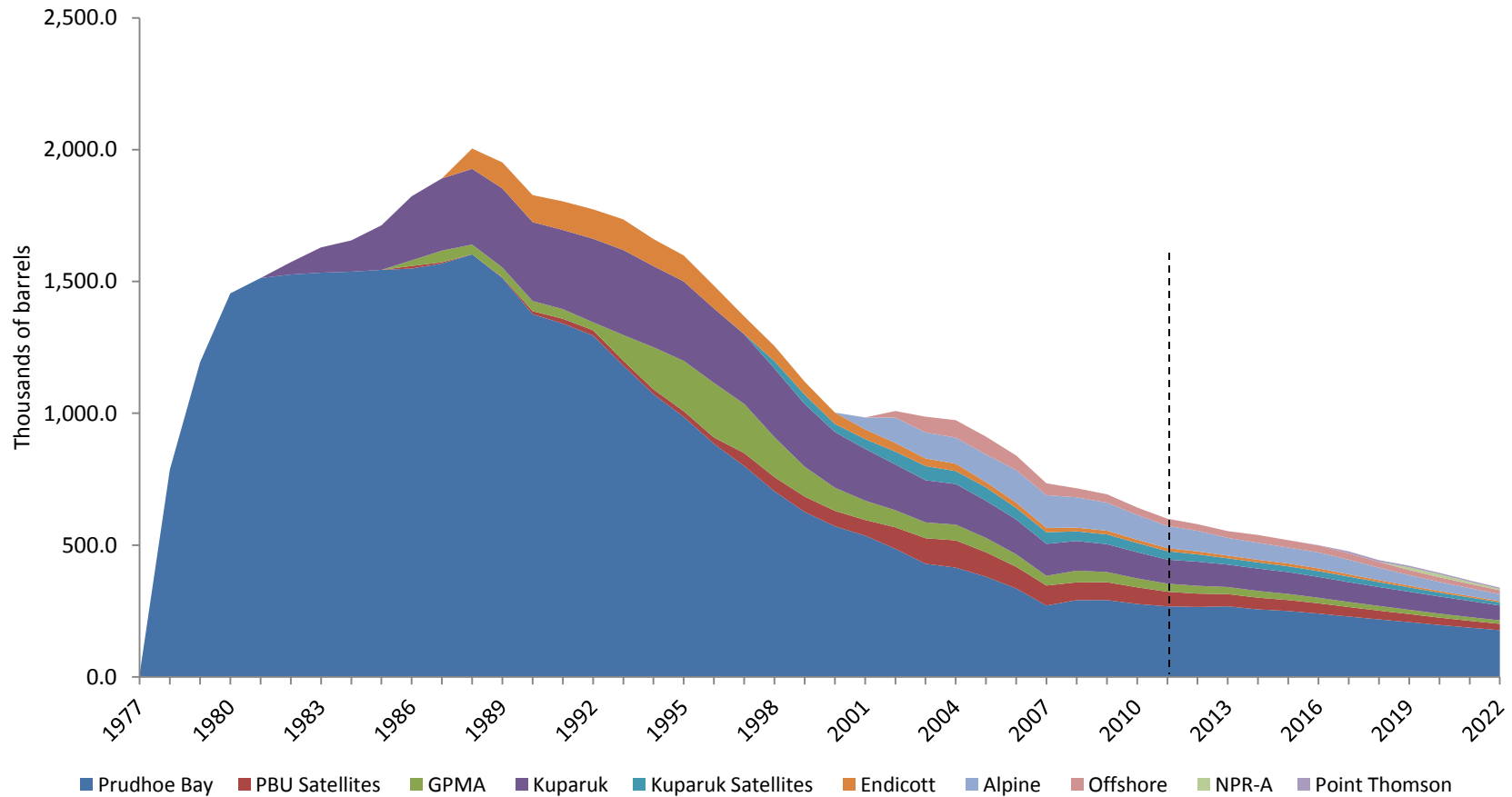
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Source: Fall 2012 Revenue Sources Book



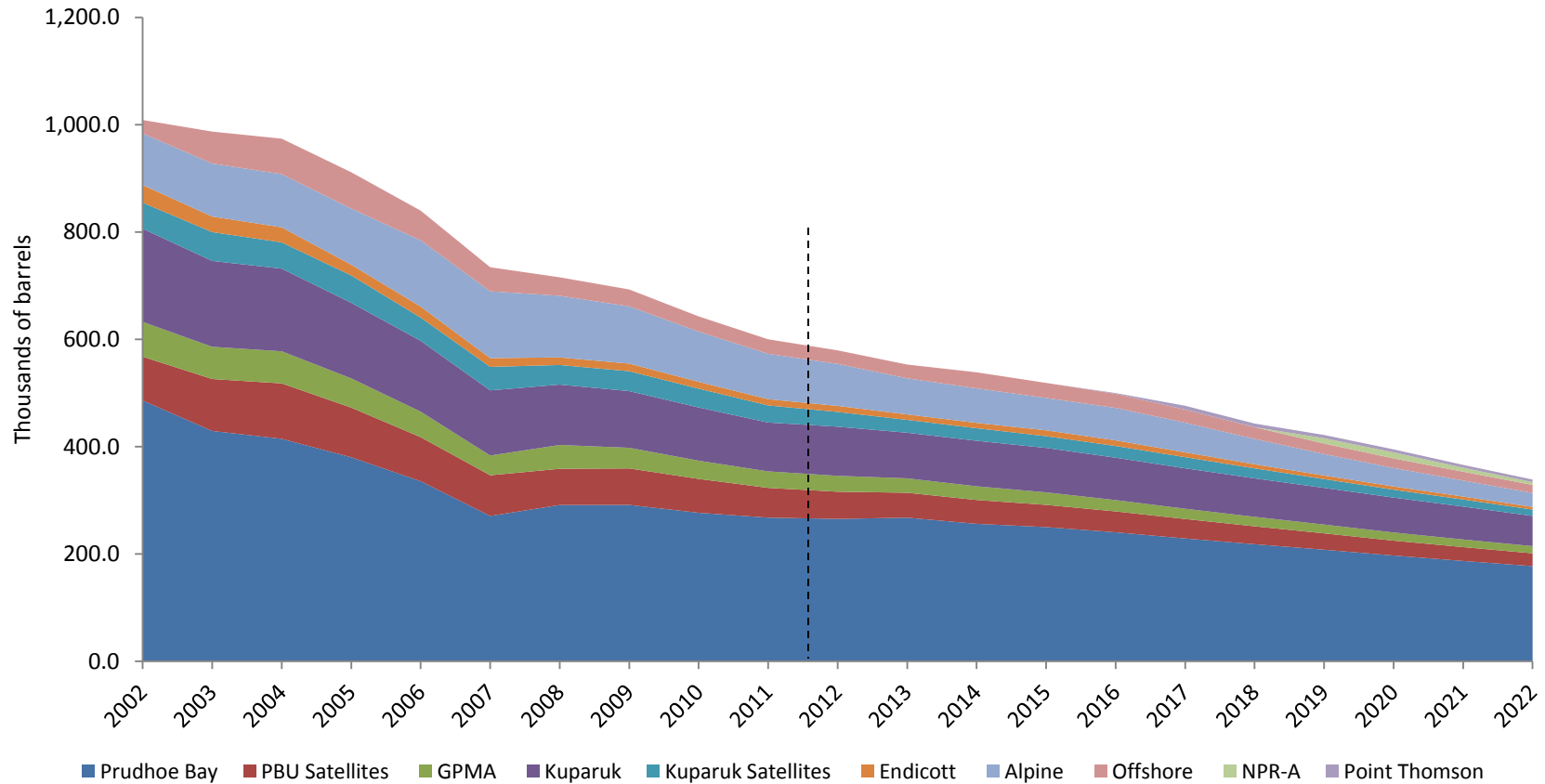
Production History and Forecast



Source: Alaska Department of Revenue Fall 2012 Revenue Sources Book: <http://www.tax.alaska.gov/programs/documentviewer/viewer.aspx?2682f>



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Fall 2012 Oil Price Forecast



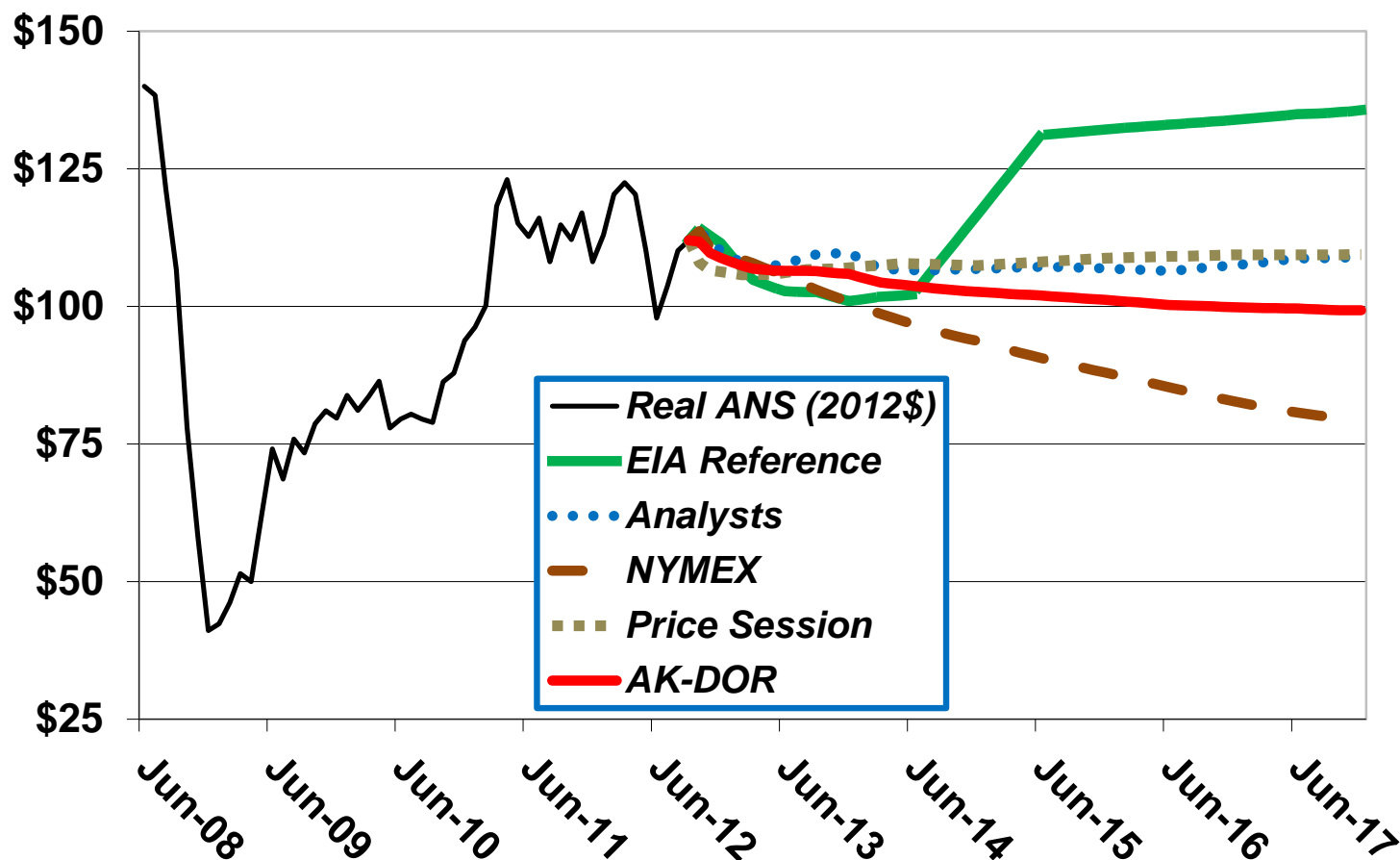
Price Forecast Methodology



- **Four components to price forecast**
 - DOR oil price forecast session October 2, 2012 with 31 participants from DOR, DNR, DOL, OMB, University, Legislative Finance and outside participants
 - Consider supply, demand, geopolitics, financial markets, outside expert forecasts, etc.
 - Asked to forecast Alaska North Slope (ANS) crude price directly, not to forecast West Texas Intermediate and adjust, as in previous years, due to widening differential of ANS to WTI.
 - Energy Information Agency (EIA) forecast
 - New York Mercantile Exchange (NYMEX) – futures market
 - Analyst forecast
- Forecast is an average of DOR participant forecast from Forecasting Session “blended” (averaged) equally with NYMEX, EIA, and analysts to derive price forecast.



Price Forecasts as of October 2012



Note: All estimates are for ANS prices, some were converted by Department of Revenue from WTI to ANS.

Sources: DOR, Bloomberg, NYMEX, Energy Information Agency



General Fund Unrestricted Revenue

Price Sensitivity FY 2013-2015

Year	2013	2014	2015
Production (ths bbls/day)	552.8	538.4	518.6
Forecast Price	\$108.67	\$109.61	\$111.67
Revenue (million \$)	\$7,512	\$7,002	\$6,659

ANS (\$/barrel)	GF Unrestricted Revenue (Million \$)		
\$50	\$2,860	\$1,850	\$1,870
\$60	\$3,190	\$2,300	\$2,090
\$70	\$3,520	\$2,940	\$2,670
\$80	\$4,210	\$3,830	\$3,420
\$90	\$5,160	\$4,880	\$4,270
\$100	\$6,360	\$5,960	\$5,250
\$110	\$7,670	\$7,060	\$6,450
\$120	\$9,140	\$8,480	\$7,780
\$130	\$10,640	\$10,040	\$9,230
\$140	\$11,990	\$11,570	\$10,800
\$150	\$13,400	\$12,830	\$12,010



The End Questions?