



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Revenue

COMMISSIONER'S OFFICE

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January 25, 2019

The Honorable Bert Stedman and the Honorable Natasha von Imhof
Alaska State Senators
Co-Chairs, Senate Finance Committee
State Capitol Rooms 516 and 518
Juneau, AK, 99801

Dear Co-Chairs Stedman and von Imhof:

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue (DOR) regarding the fall 2018 forecast presentation to the Senate Finance Committee on January 16, 2019. Please see the questions in italics and our responses immediately below the questions.

1. *Provide comparisons of historical lease expenditures to prior forecasts. Include oil and gas employment data.*

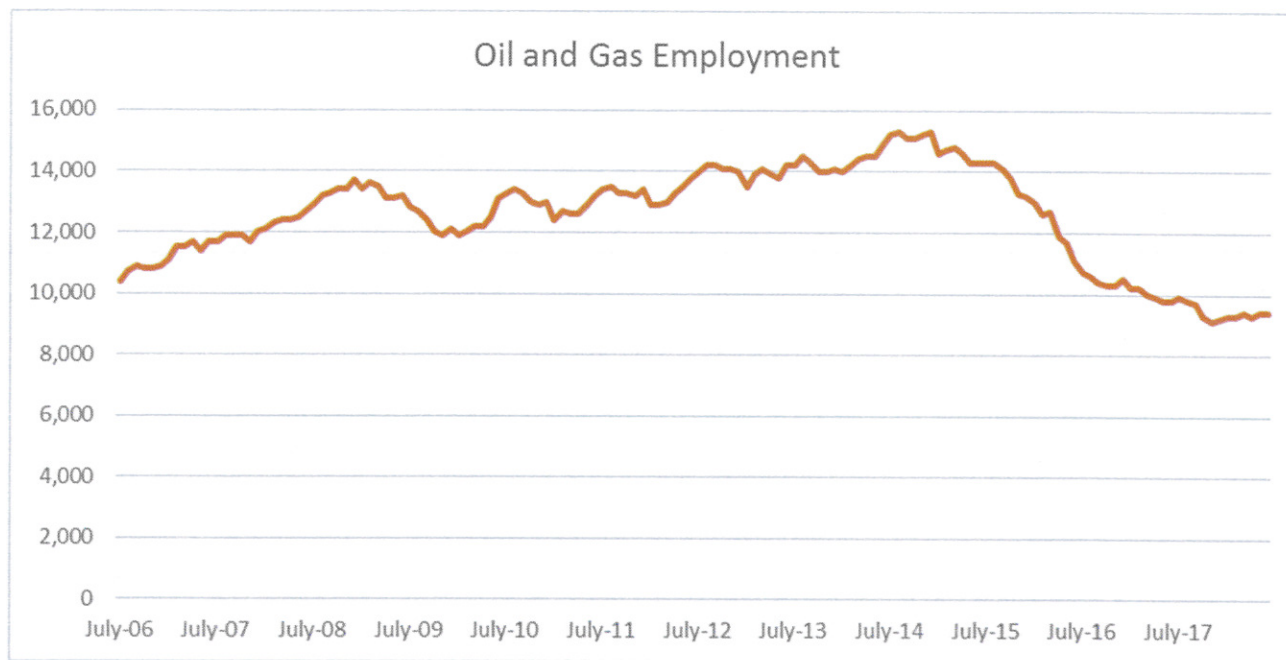
Please find the requested charts below. The department has collected lease expenditure data beginning with FY 2007 and the enactment of a net tax system, and has continually been working to refine and improve forecasting. In general, operating expenditures have tended to be higher than forecast while capital expenditures have tended to be lower than forecast. Regarding employment, a significant reduction in employment in 2015-2017 correlated with a reduction in investment and lower oil prices. During the past year, company spending and employment appear to have stabilized along with oil prices.

Fiscal Year	California (Black)	Texas (Orange)	New York (Green)	Florida (Yellow)	Illinois (Red)
2007	2,050	2,050	2,050	2,050	2,050
2008	2,000	2,000	2,100	2,000	2,000
2009	2,100	2,100	2,300	2,100	2,100
2010	2,200	2,000	2,200	2,300	2,000
2011	2,600	2,100	2,500	2,600	2,100
2012	3,000	3,000	2,500	2,600	3,000
2013	3,100	3,100	2,400	2,400	3,100
2014	3,200	2,800	3,200	3,200	3,200
2015	3,400	3,400	3,200	3,200	3,400
2016	3,200	3,200	3,200	3,200	3,200
2017	2,800	3,100	2,800	2,800	2,800
2018	2,600	2,800	2,800	2,800	2,800

■ Actuals ■ Fall 07 ■ Fall 08 ■ Fall 09 ■ Fall 10 ■ Fall 11
 ■ Fall 12 ■ Fall 14 ■ Fall 15 ■ Fall 16 ■ Fall 17

Fiscal Year	Australia (millions)	Canada (millions)	France (millions)	United Kingdom (millions)
2007	1,500	1,500	1,500	1,500
2008	1,800	1,800	2,200	1,800
2009	2,200	2,200	2,000	2,200
2010	2,400	2,400	2,400	3,000
2011	2,300	2,300	2,600	2,900
2012	2,400	2,400	2,900	2,800
2013	2,800	2,800	3,200	3,000
2014	3,600	3,600	3,800	3,700
2015	4,000	4,000	4,000	4,400
2016	3,400	3,400	3,400	4,800
2017	1,800	1,800	2,400	3,300
2018	1,700	1,700	2,600	1,800

█ Actuals
 █ Fall 07
 █ Fall 08
 █ Fall 09
 █ Fall 10
 █ Fall 11
█ Fall 12
█ Fall 14
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█ Fall 16
█ Fall 17



Sources:

July 2006 – September 2017: Alaska Department of Labor Current Employment Statistics.

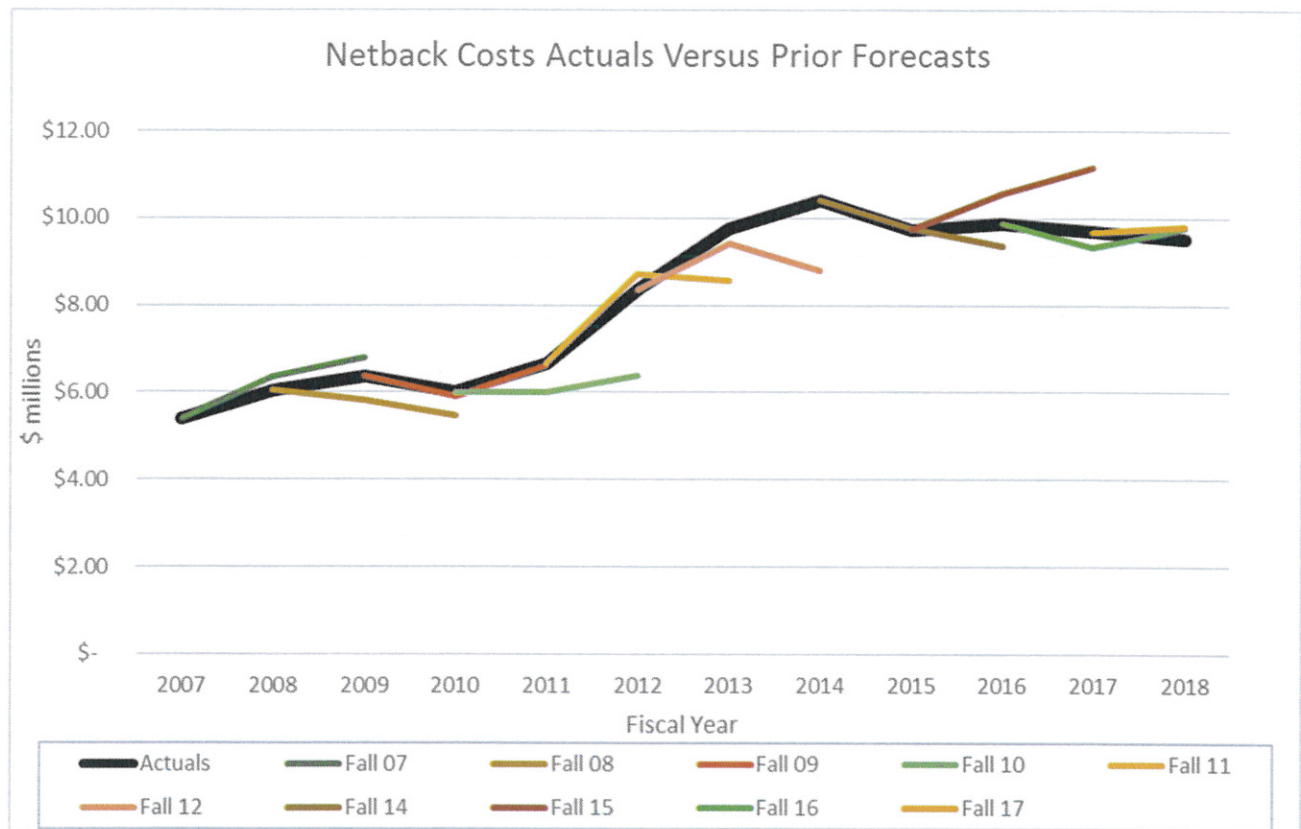
October 2017 – June 2018: Alaska Department of Labor Alaska Monthly Employment Estimates.

2. Provide information on the amount of lease expenditures forecasted on federal land.

Due to confidentiality restrictions, we are unable to break out lease expenditures specifically on federal land as one company comprises the majority of forecasted activity.

3. Provide historical netback cost data.

Please find the requested chart below. In general, netback costs have tended to mostly be higher than forecast.



4. Provide a breakout of forecasted 024(i) and 024(j) credit usage in FY 2019 and FY 2020.

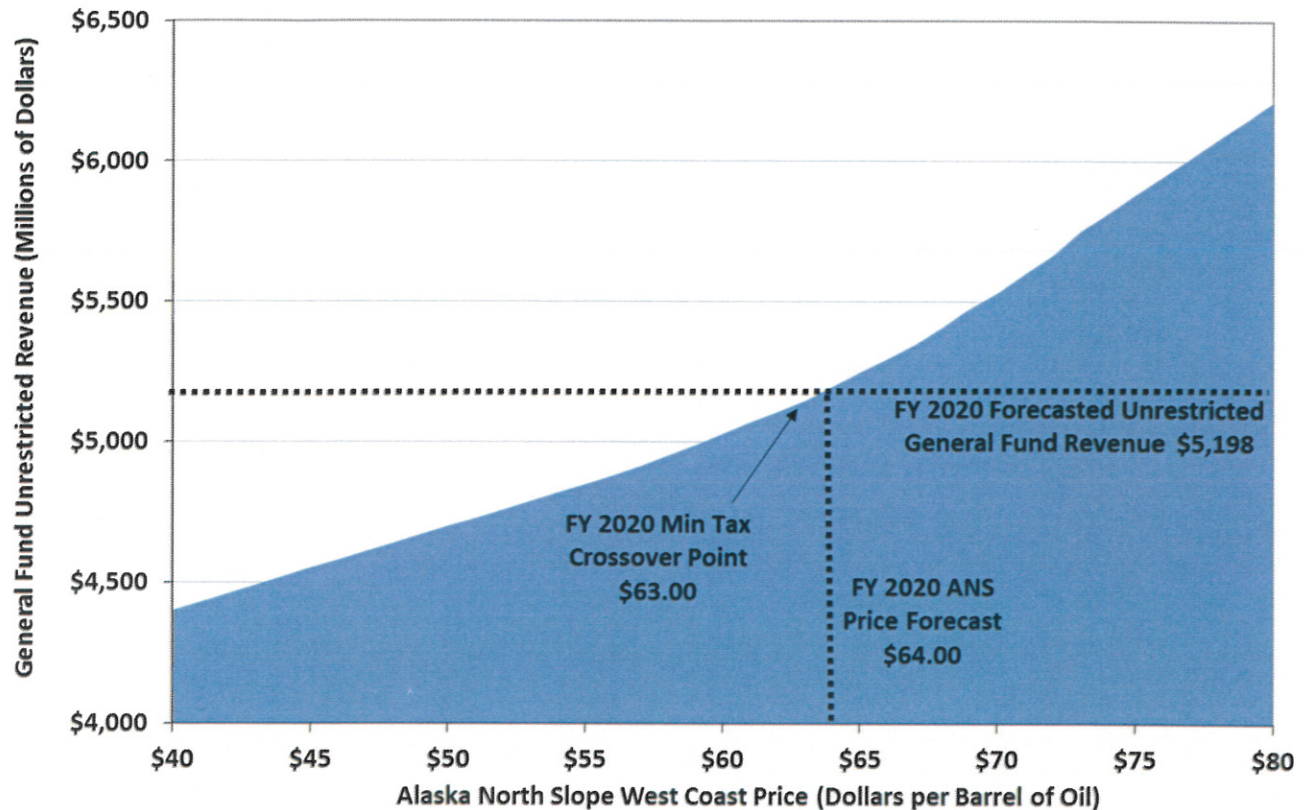
In FY 2019, we anticipate \$1,194,000,000 of 024(j) credits and \$51,000,000 in 024(i) credits to be applied against tax liabilities. In FY 2020, we anticipate \$1,153,000,000 of 024(j) credits and \$37,000,000 in 024(i) credits to be applied against tax liabilities.

5. Provide information on the likelihood of the state owing money as a result of the 2013 OGP Audit Assessments.

The Oil & Gas Production Tax (OGP) Audit Assessments result in more taxes (and related interest) owed by the taxpayers. As provided in the separate handout during the Senate Finance Committee hearing, Table 1 (see attached), which includes the annual OGP tax assessments since 2006 tax year for audits completed through early January 2019. Although the 2013 tax year audits have not been completed, we expect that the assessments will be in the historical range as shown in Table 1.

6. Provide a truncated graph showing ANS price and associated UGF revenues from \$40 to \$80. Identify the approximate ANS price at which companies begin paying the net production tax.

Please find the requested chart below.



I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,

Bruce Tangeman
Commissioner

Attachment:

1. Table 1, from January 16, 2019 OGP Audit Packet to Senate Finance Committee