Fall 2021 Forecast Presentation
Senate Finance Committee

Department of Revenue

January 20, 2022

THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

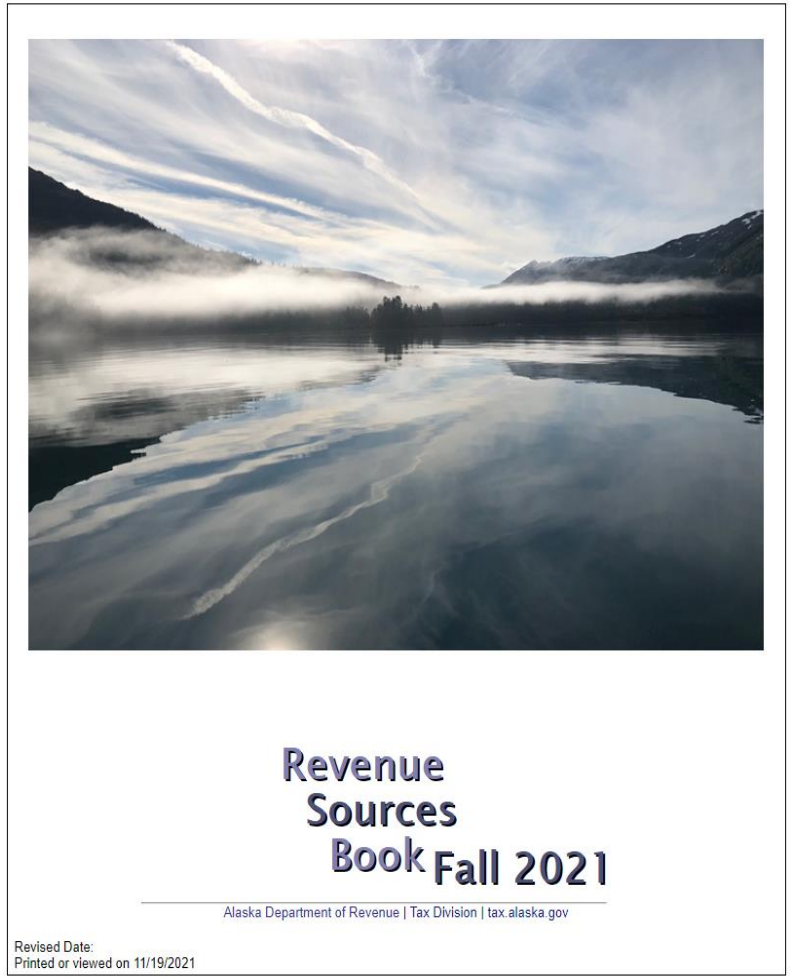
Agenda

1. Forecast Background, Economic Indicators, and Key Assumptions
2. Fall 2021 Revenue Forecast
    - Total State Revenue
    - Unrestricted Revenue
3. Petroleum Forecast Assumptions Detail
    - Oil Price
    - Oil Production
    - Oil and Gas Lease Expenditures
    - Oil and Gas Transportation Costs
    - Oil and Gas Credits

Forecast Background and Key Assumptions

Background: Fall Revenue Forecast

1. Historical, current, and estimated future state revenue
2. Discussion and information about major revenue sources
3. Prepared in accordance with AS 37.07.060 (b)(4), and supports long term plan under AS 37.07.020
4. Official revenue forecast used for Governor's budget proposal; updated in spring
5. Located at tax.alaska.gov



Key Alaska Economic Indicators

1. Real State GDP: $50.2 billion in Q3 2021 (annualized)
   - Down 0.6% from Q2 2021, up 0.2% from Q3 2020
2. Employment: 304,100 in November 2021
   - Up 7,200 (2.4%) compared to November 2020
3. Wages & Salaries: $4.8 billion in Q2 2021
   - Up 10.8% from Q1 2021, up 6.6% from Q2 2020
4. Alaska Bankruptcies: 214 for calendar year 2021, 313 for calendar year 2020
   - Compared to 400 for calendar year 2019
5. Foreclosures: 78 in Q1 2021, 395 for calendar year 2020
   - Compared to 147 in Q1 2020 and 729 for calendar year 2019
6. Housing Starts: January - November: 1,496 in 2021 vs 1,335 in the same period for 2020
   - 1,493 for calendar year 2020 vs 1,689 for calendar year 2019
7. Delinquency Rates: 0.6% for mortgages 30-89 days delinquent, 0.4% for mortgages 90+ days delinquent at end of Q2 2021
   - Compared to 0.8% for mortgages 39-89 days delinquent, 0.6% for mortgages 90+ days delinquent for the same period in 2020

Note: Quarters on this slide are based on Calendar Year, i.e., Q1 = Jan-Mar, etc. Updated as of Jan 12, 2021

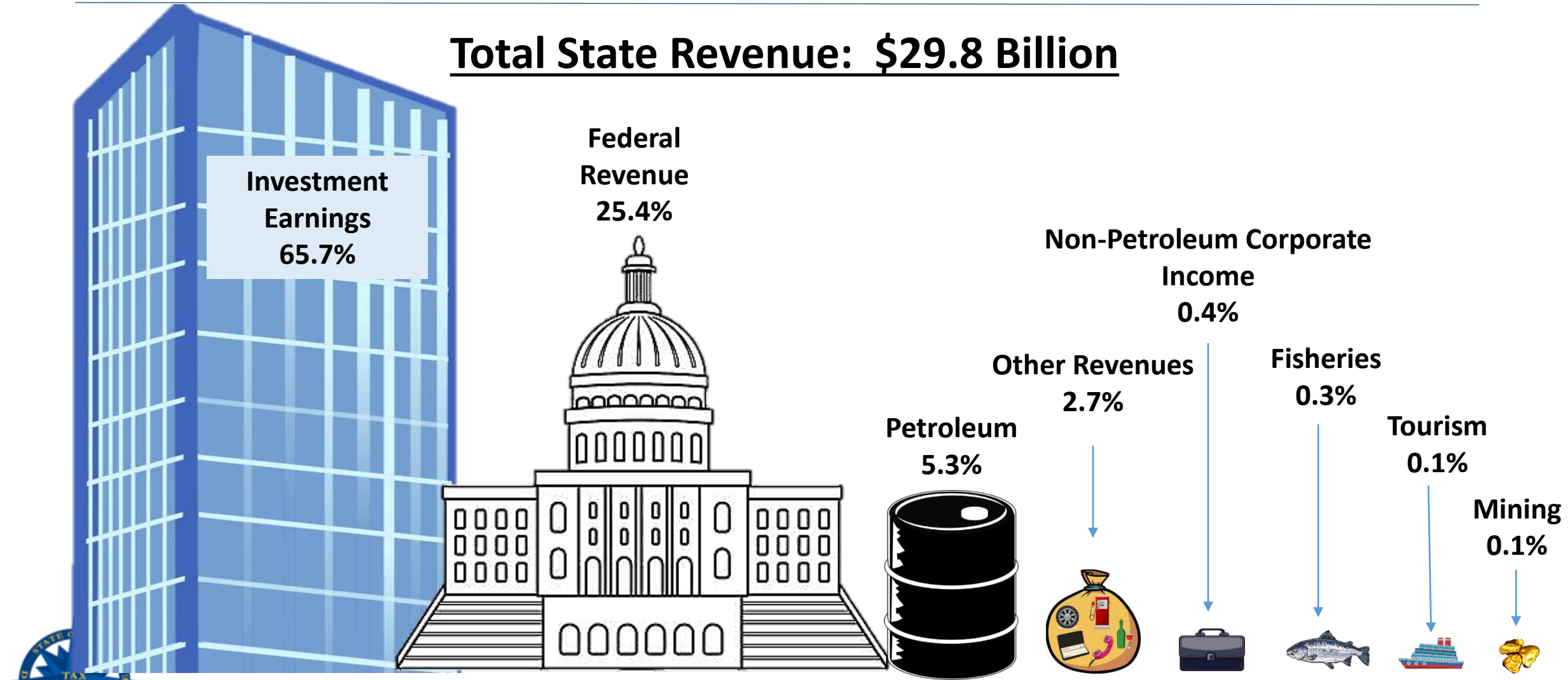
Sources: Federal Reserve, "Total Real Gross Domestic Product by Industry for Alaska, Millions of Chained 2012 Dollars, Quarterly, Seasonally Adjusted Annual Rate,", "New Private Housing Units Authorized by Building Permits for Alaska, Units, Monthly, Seasonally Adjusted,"; Alaska Department of Labor and Workforce Development Research and Analysis Section, "Monthly Employment Statistics", "Current Quarterly Census of Employment and Wages", "Alaska Foreclosures,"; American Bankruptcy Institute "Filings by State and Jurisdiction,"; Consumer Finance "Mortgage Performance Trends"

Fall Forecast Assumptions

- The economic impacts of COVID-19 are uncertain; DOR has developed a plausible scenario to forecast these impacts.
- Key Assumptions:
  - Investments: Stable growth in investment markets, 5.86% for FY 2022 and 6.20% for FY 2023+.
  - Federal: The forecast incorporates stimulus funding as of 11/30/2021, partially reflecting IIJA funding.
  - Petroleum: Alaska North Slope oil price of $75.72 per barrel for FY 2022 and $71.00 per barrel for FY 2023.
  - Non-Petroleum: No explicit COVID-related adjustments for FY 2022 forward, except tourism; full recovery assumed by 2023.

Relative Contributions to Total State Revenue: FY 2021

Total State Revenue: $29.8 Billion



Disclaimer: Numbers may not add to 100% due to rounding. Examples may not be to scale.

Source: DOR Fall 2021 Revenue Sources Book

Fall 2021 Revenue Forecast

Total Revenue Forecast: FY 2021 to FY 2023 Totals and Percent Change from FY 2021

$ Millions	History	Forecast		Percent Change	
Revenue Type	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2021 - FY 2023**	**FY 2022 - FY 2023**
Unrestricted General Fund					
Investment Revenue - Alaska Permanent Fund	3,091.5	3,069.3	3,360.6	8.7%	9.5%
Investment Revenue - Other Investments	29.4	13.0	18.8	-36.1%	44.6%
Petroleum Revenue (1)	1,217.6	2,274.6	2,082.3	71.0%	-8.5%
Non-Petroleum Revenue (1)	444.3	375.1	476.1	7.1%	26.9%
Subtotal	**4,782.8**	**5,731.9**	**5,937.7**	**24.1%**	**3.6%**
Designated General Fund					
Investment Revenue	182.3	46.3	47.8	-73.8%	3.1%
Petroleum Revenue	60.0	64.5	80.2	33.7%	24.3%
Non-Petroleum Revenue (1)	478.9	495.7	476.1	-0.6%	-4.0%
Subtotal	**721.2**	**606.6**	**604.1**	**-16.2%**	**-0.4%**
Other Restricted Revenue					
Investment Revenue	16,278.6	1,405.8	1,489.1	-90.9%	5.9%
Petroleum Revenue	300.6	379.1	393.6	30.9%	3.8%
Non-Petroleum Revenue	110.7	204.2	221.5	100.2%	8.5%
Subtotal	**16,689.8**	**1,989.1**	**2,104.2**	**-87.4%**	**5.8%**
Federal Revenue					
Federal Receipts	7,555.0	5,028.8	5,916.8	-21.7%	17.7%
Petroleum Revenue	15.8	13.9	35.4	124.4%	155.4%
Subtotal	**7,570.8**	**5,042.7**	**5,952.3**	**-21.4%**	**18.0%**
Total State Revenue	**29,764.6**	**13,370.4**	**14,598.3**	**-51.0%**	**9.2%**

Note: Petroleum revenue shown in the Federal category includes the state share of rents, royalties, and bonuses received from the National Petroleum Reserve - Alaska (NPR-A).
Restricted Investment Revenue includes: total realized and unrealized earnings from the Alaska Permanent Fund less the POMV transfer, Constitutional Budget Reserve Fund investment revenues, and Other Restricted Investments.

Source: DOR Fall 2021 Revenue Sources Book

Unrestricted Revenue Forecast: FY 2021 to FY 2023 Totals

$ Millions	History	Forecast	
Revenue Type	**FY 2021**	**FY 2022**	**FY 2023**
Unrestricted General Fund			
Investment Revenue - Alaska Permanent Fund[1]	3,091.5	3,069.3	3,360.6
Investment Revenue - Other Investments	29.4	13.0	18.8
Petroleum Revenue	1,217.6	2,274.6	2,082.3
Non-Petroleum Revenue	444.3	375.1	476.1
Subtotal	**4,782.8**	**5,731.9**	**5,937.7**

[1]Percent of Market Value (POMV) Transfer

Source: DOR Fall 2021 Revenue Sources Book

Unrestricted Revenue Forecast: FY 2021 and Changes to Two-Year Outlook

		History	Forecast	
		FY 2021	FY 2022	FY 2023
ANS Oil Price (Nominal $/bbl)	Spring 2021 Forecast	$53.05	$61.00	$62.00
	Fall 2021 Forecast	$54.14	$75.72	$71.00
	Change	**$1.09**	**$14.72**	**$9.00**
Permanent Fund Transfer ($ millions)	Spring 2021 Forecast	$3,091.5	$3,069.3	$3,207.0
	Fall 2021 Forecast	$3,091.5	$3,069.3	$3,360.6
	Change	**$0.0**	**$0.0**	**$153.6**
Unrestricted Revenue, excluding Permanent Fund Transfer ($ millions)	Spring 2021 Forecast	$1,572.0	$1,662.2	$1,921.0
	Fall 2021 Forecast	$1,691.3	$2,662.6	$2,577.1
	Change	**$119.3**	**$1,000.4**	**$656.1**
Unrestricted Revenue, including Permanent Fund Transfer ($ millions)	Spring 2021 Forecast	$4,663.5	$4,731.5	$5,128.0
	Fall 2021 Forecast	$4,782.8	$5,731.9	$5,937.7
	Change	**$119.3**	**$1,000.4**	**$809.7**

ANS = Alaska North Slope

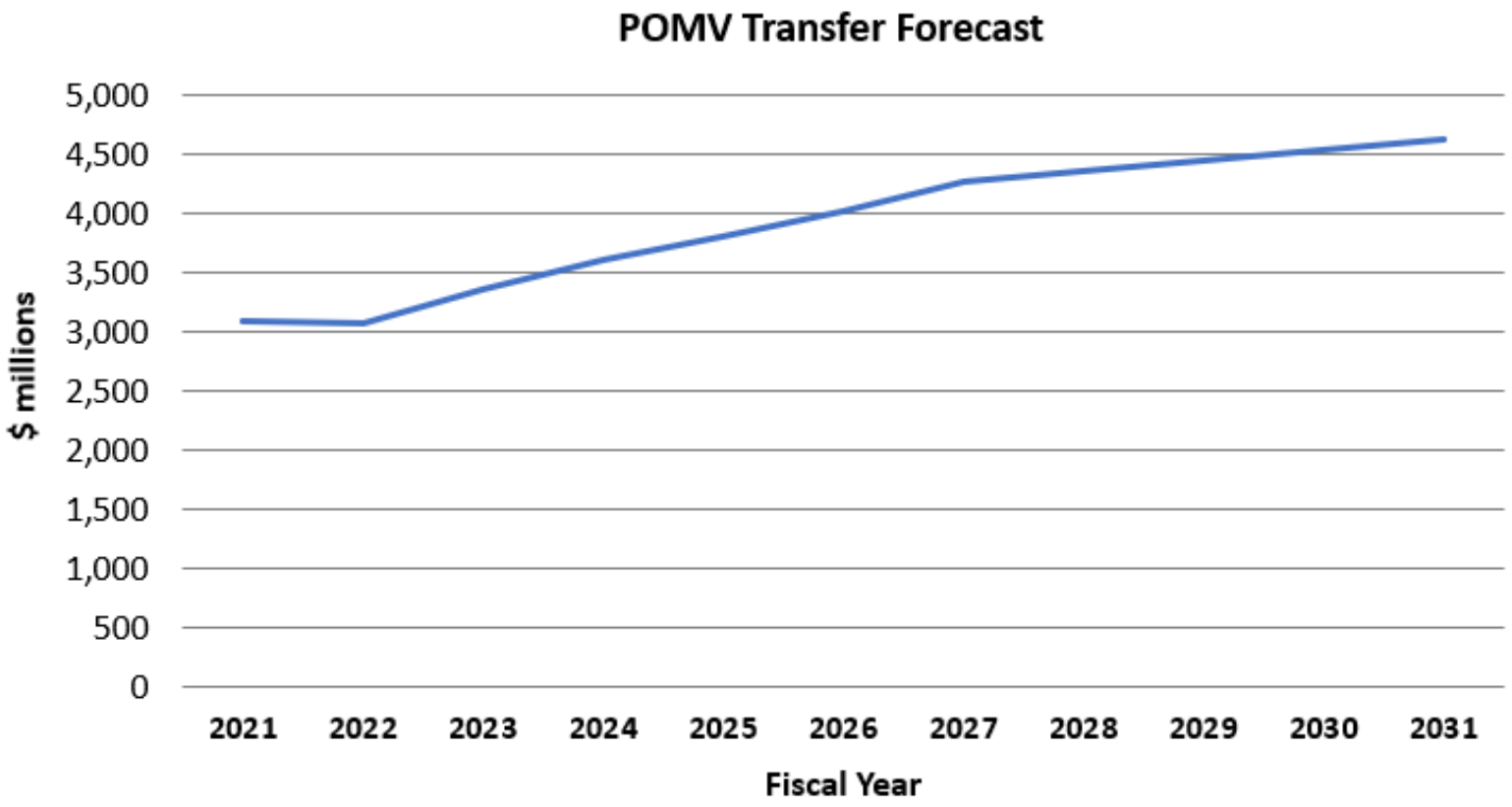
Source: DOR Fall 2021 Revenue Sources Book, Spring 2021 Forecast

Unrestricted Investment Revenue: FY 2021 to FY 2023 Totals

$ Millions	History	Forecast	
Unrestricted General Fund Revenue	**FY 2021**	**FY 2022**	**FY 2023**
Investment Revenue			
Alaska Permanent Fund	3,091.5	3,069.3	3,360.6
Investments	29.4	13.0	18.8
Total Unrestricted Investment Revenue	**3,120.9**	**3,082.3**	**3,379.4**

Source: DOR Fall 2021 Revenue Sources Book

Unrestricted Investment Revenue: Percent of Market Value (POMV) Transfer Forecast



- Permanent Fund total return for FY 2021 of 29.7%
- The statutory POMV rate changed to 5% beginning FY 2022.
  - For FY 2019 – FY 2021 this rate was 5.25%.
- Forecast assumes Permanent Fund's long-term total return expectation of 6.20% for FY 2023+; 5.86% for FY 2022.
- Differing Permanent Fund returns and petroleum deposits could significantly alter actual POMV amounts.

POMV = Percent of Market Value

Source: DOR Fall 2021 Revenue Sources Book

Unrestricted Petroleum Revenue: FY 2021 to FY 2023 Totals

$ Millions	History	Forecast	
Unrestricted General Fund Revenue	**FY 2021**	**FY 2022**	**FY 2023**
Taxes			
Petroleum Property Tax	119.2	113.7	110.9
Petroleum Corporate Income Tax	(19.4)	145.0	240.0
Oil and Gas Production Tax	389.0	979.6	741.2
Subtotal Taxes	**488.8**	**1,238.4**	**1,092.2**
Royalties			
Mineral Bonuses and Rents	25.9	20.1	20.1
Oil and Gas Royalties	702.9	1,016.1	970.0
Interest	0.0	0.0	0.0
Subtotal Royalties	**728.8**	**1,036.2**	**990.1**
Total Petroleum Revenue	**1,217.6**	**2,274.6**	**2,082.3**

Source: DOR Fall 2021 Revenue Sources Book

Unrestricted Non-Petroleum Revenue: FY 2021 to FY 2023 Totals

$ Millions	History	Forecast	
Unrestricted General Fund Revenue	**FY 2021**	**FY 2022**	**FY 2023**
Taxes			
Non-Petroleum Corporate Income	102.8	15.0	120.0
Mining License Tax	9.0	48.9	48.8
Marijuana	7.8	7.9	8.6
Tobacco	38.0	37.3	36.4
Motor Fuel (Refined Fuel Surcharge)	6.4	0.0	0.0
Insurance Premium Tax	55.2	57.2	59.1
Fisheries Taxes	20.9	28.3	29.2
Other Taxes	24.9	26.1	35.4
Subtotal Taxes	**265.1**	**220.7**	**337.6**
Other	**179.2**	**154.4**	**138.5**
Total Non-Petroleum Revenue	**444.3**	**375.1**	**476.1**

Other Taxes category includes Alcoholic Beverage Tax, Electric / Telephone Cooperative, Tire Fees, Charitable Gaming Tax, and Large Passenger Vessel Gambling Tax.

Other Unrestricted Non-Petroleum Revenue category includes Charges for Services, Fines & Forfeitures, Licenses & Permits, Rents & Royalties, and Miscellaneous Revenue & Transfers.

Source: DOR Fall 2021 Revenue Sources Book

Petroleum Forecast Assumptions Detail

Petroleum Detail: Changes to Long-Term Price Forecast

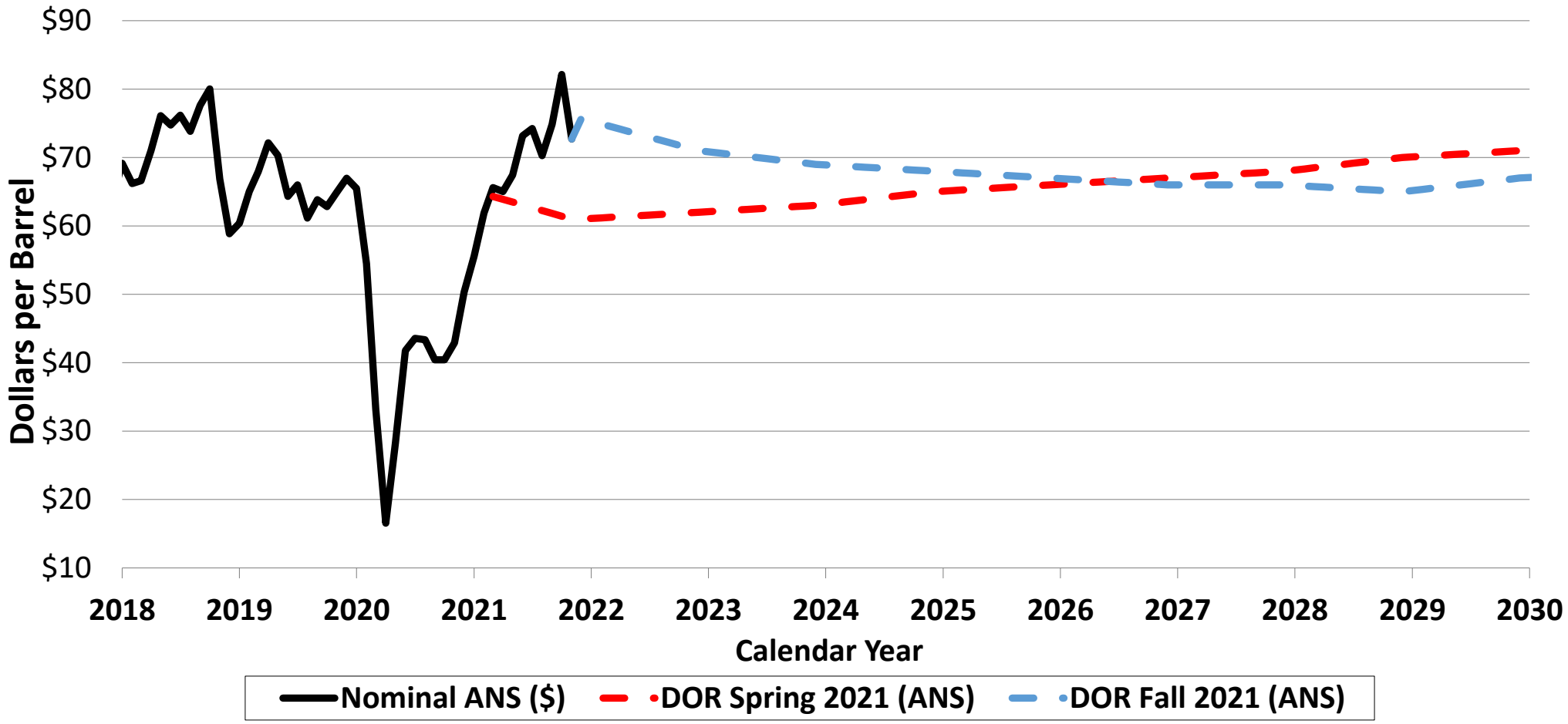
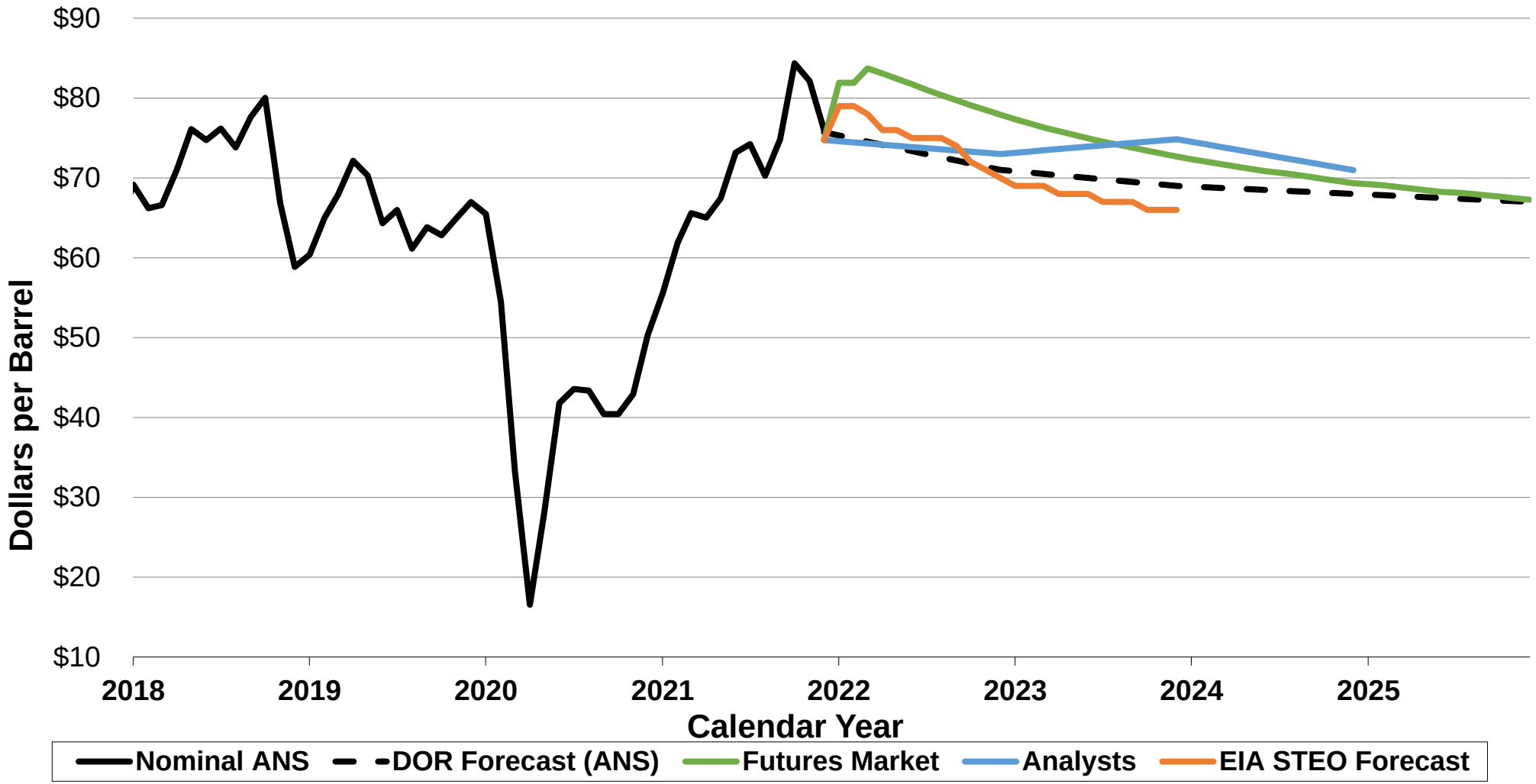


Chart shows monthly average prices.

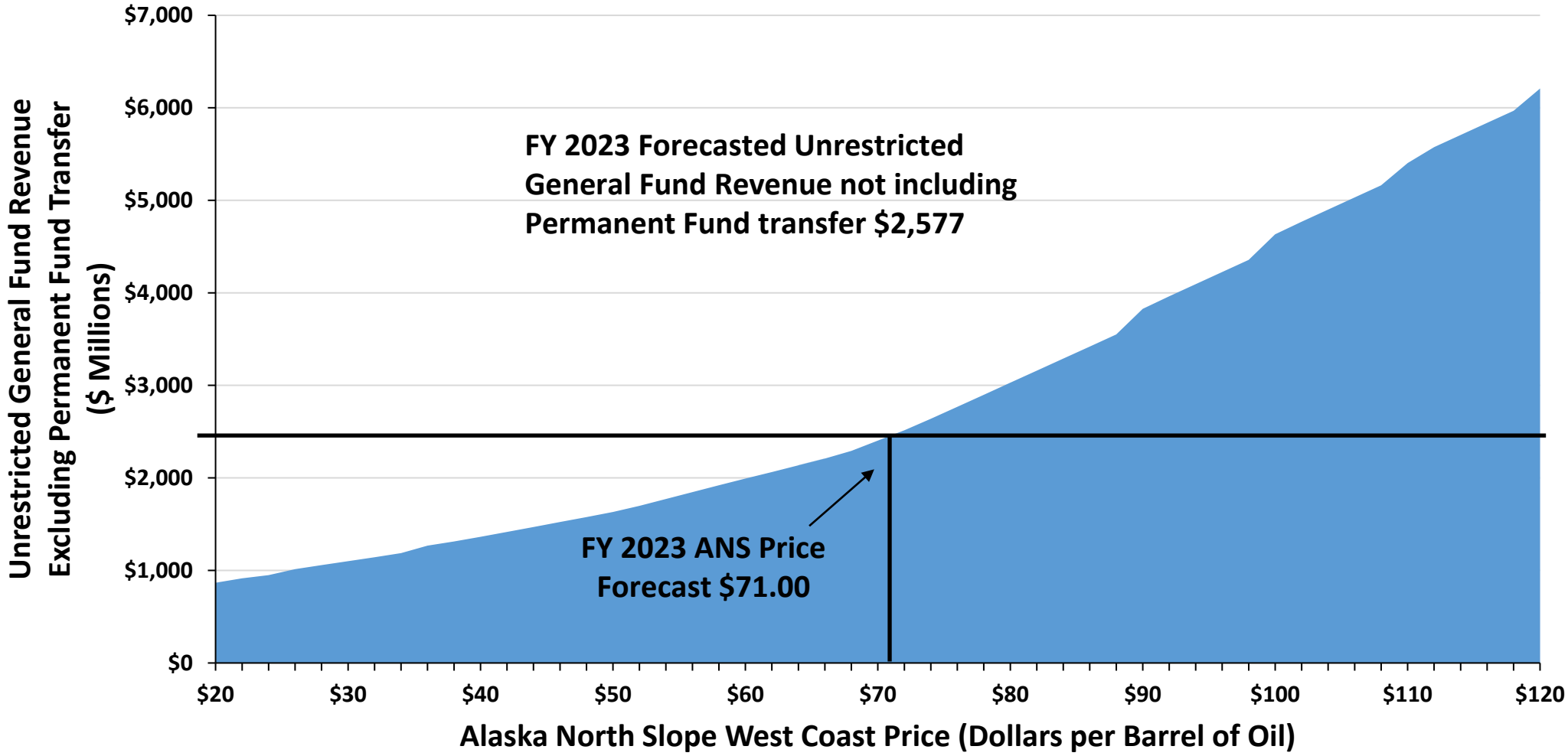
Sources: DOR Fall 2021 Revenue Sources Book, Spring 2021 Forecast

Petroleum Detail: Nominal Brent Forecasts Comparison as of January 11, 2022



Source: Analyst forecast is the median forecast of 10-38 firms from a Bloomberg survey as of 11/23/2021. Futures prices are from the New York Mercantile Exchange (NYMEX) as of 1/11/2022. The U.S. Energy Information Administration (EIA) forecast is from their January 2022 Short-Term Energy Outlook (released 1/11/2022). Chart shows monthly average prices.

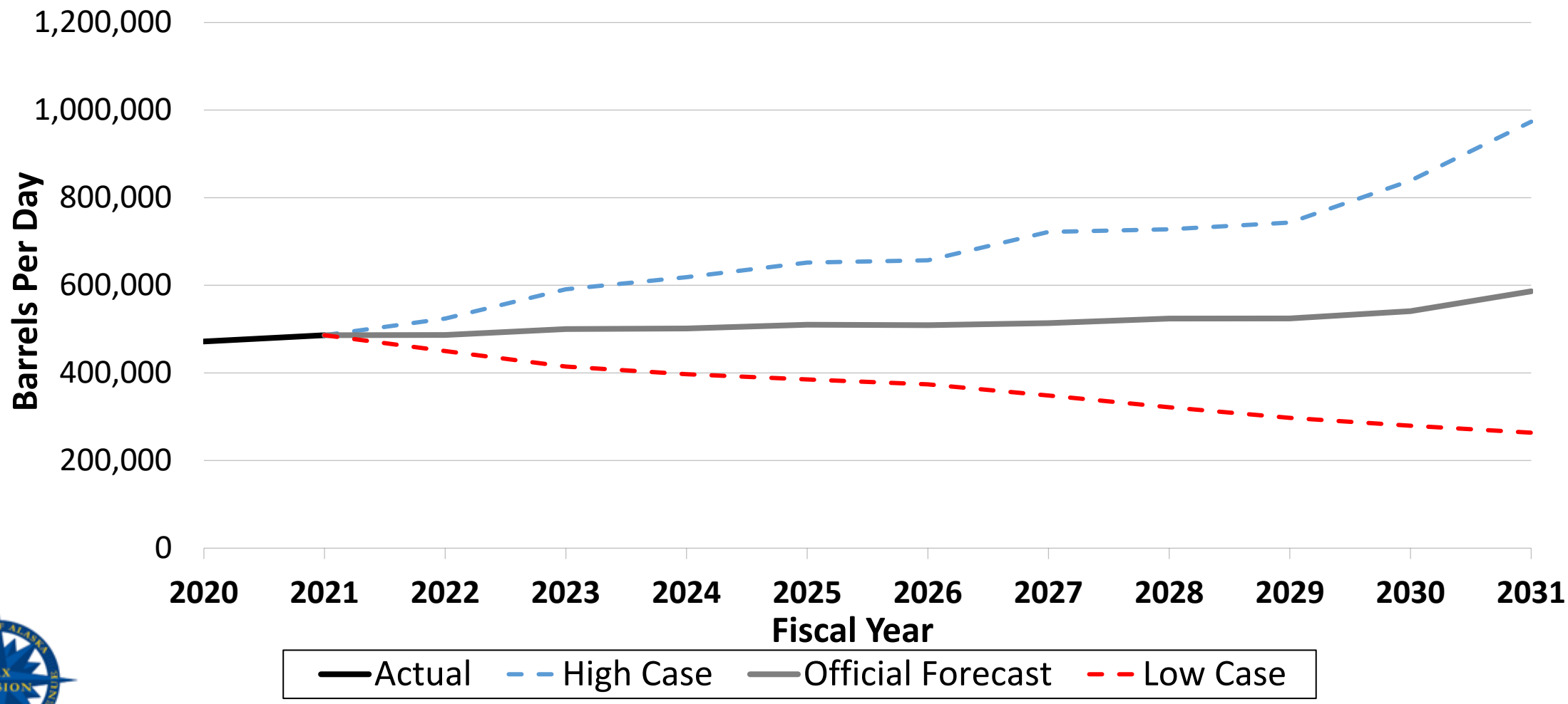
Petroleum Detail: UGF Relative to Price per Barrel (without POMV): FY 2023



Note: Assumes official forecasted North Slope production of 500,189 barrels per day. Near the forecasted ANS price, a $1 increase or decrease in price leads to an approximately $64 million change in UGF revenue.

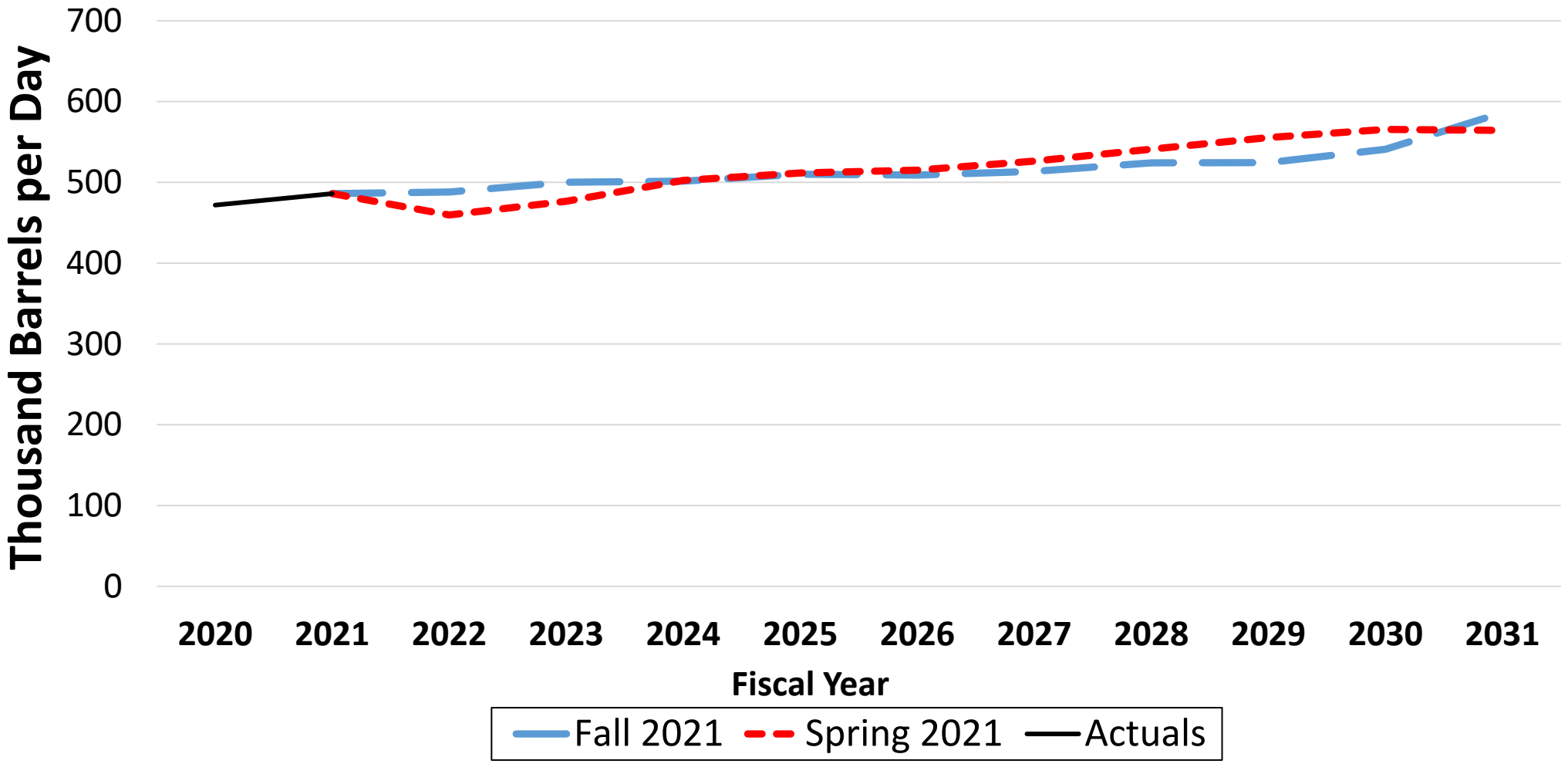
Source: DOR Fall 2021 Revenue Sources Book

Petroleum Detail: North Slope Petroleum Production Forecast



Source: DOR Fall 2021 Revenue Sources Book

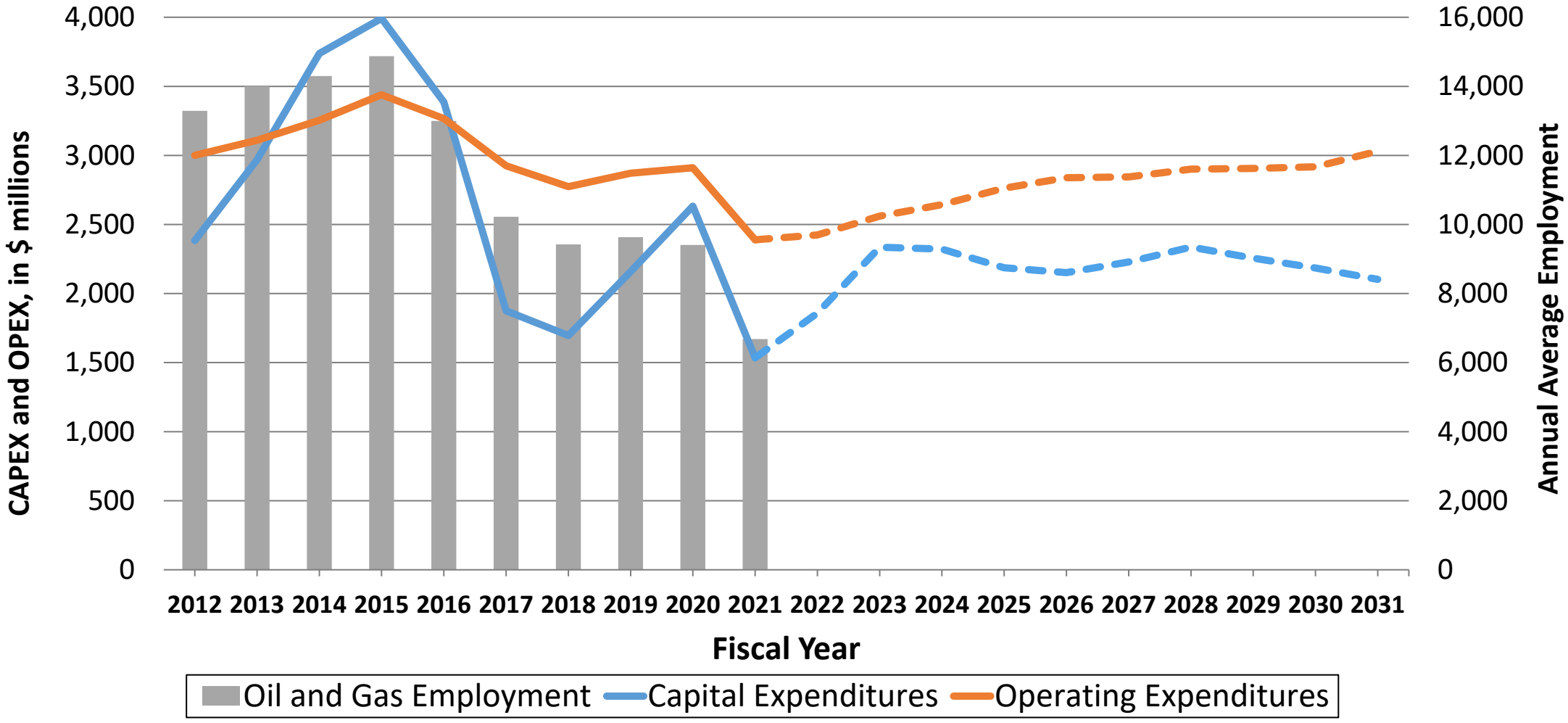
Petroleum Detail: Changes to North Slope Petroleum Production Forecast



Note: Spring 2021 Forecast adjusted for an estimated 10,000 barrels per day of NGL shipments from Prudhoe to Kuparuk.

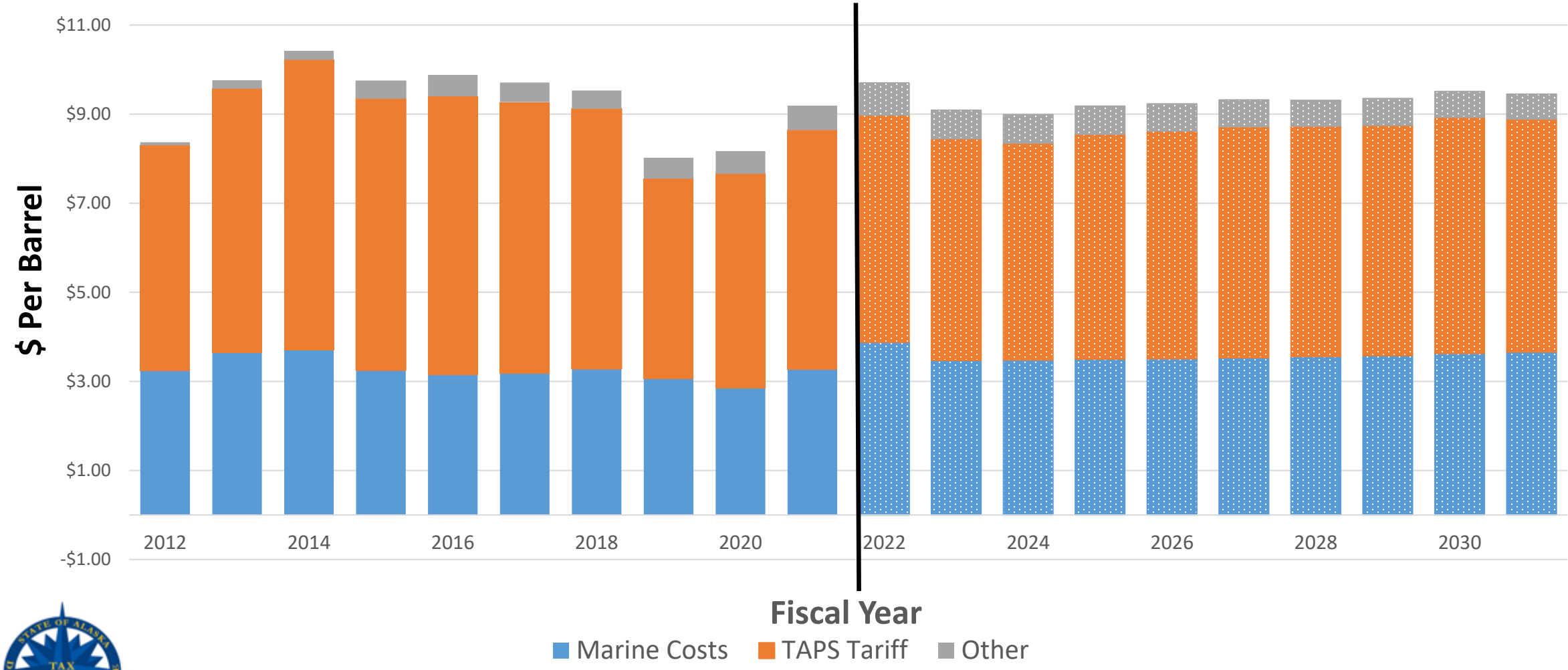
Sources: DOR Fall 2021 Revenue Sources Book, Spring 2021 Forecast

Petroleum Detail: North Slope Allowable Lease Expenditures



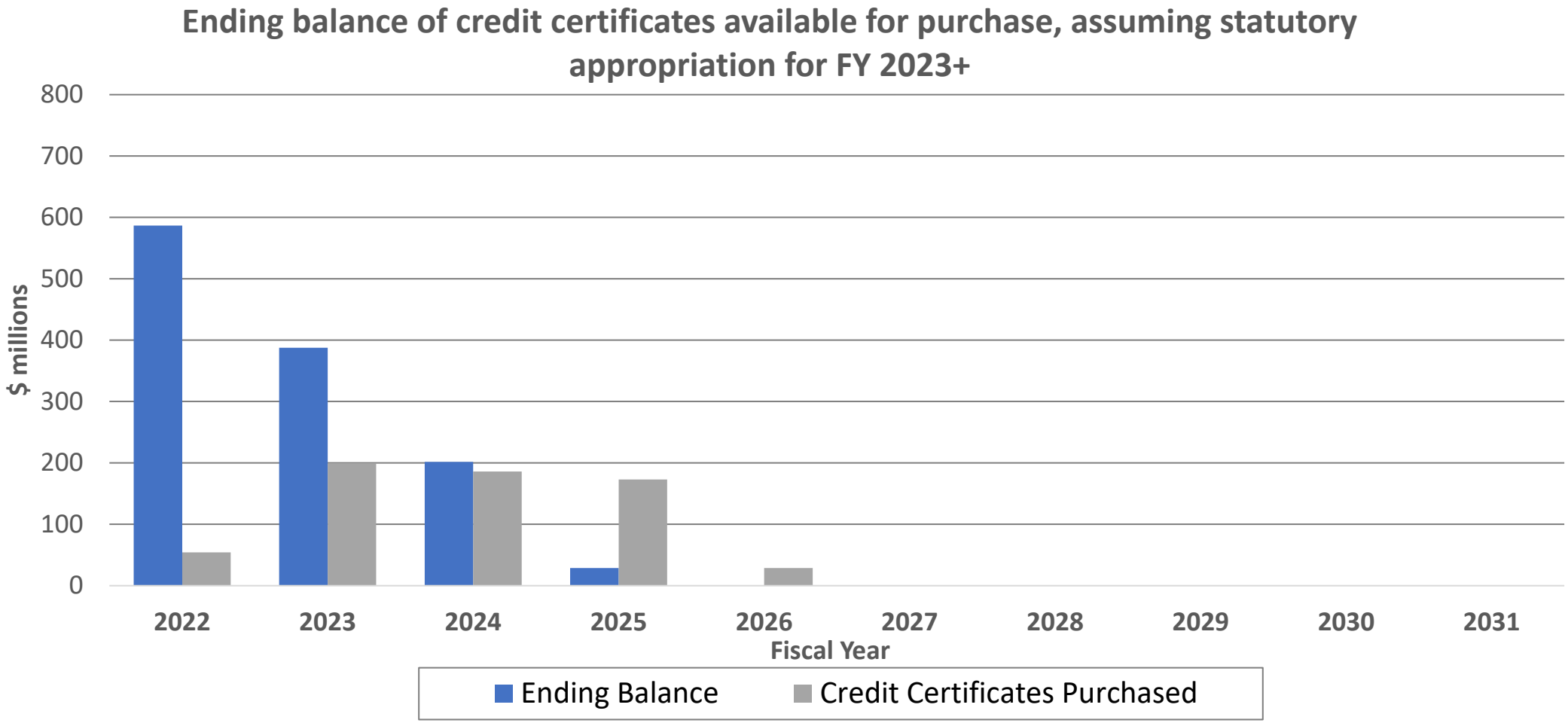
Sources: DOR Fall 2021 Revenue Sources Book, Alaska Department of Labor

Petroleum Detail: North Slope Transportation Costs



Source: DOR Fall 2021 Revenue Sources Book

Petroleum Detail: Tax Credits for Purchase Detail



Per AS 43.55.028, statutory appropriation is 10% of production tax levied, before credits, when ANS price forecast is $60 or higher. Statutory appropriation is 15% of production tax levied, before credits, when ANS price forecast is below $60.
Does not include changes in company behavior or credit transfers beyond FY 2022 as a result of making no appropriation or only making statutory appropriation.

Source: DOR Fall 2021 Revenue Sources Book

Oil & Gas Production Tax Audit Status Report

THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Oil & Gas Production Tax Audit Update

- Audit Completion and Catchup Plan:
  - 2015 audits complete by 1Q 2022
  - 2016-2017 audits complete by 2Q 2022
  - 2018-2019 audits complete by 2Q 2023
  - 2020 audits complete by 1Q 2024
  - Reach and maintain three-year audit cycle by 2Q 2023
- Improvements to Reach Goal
  - Automated processes vs manual processes which was a huge benefit due to teleworking
  - Ability for taxpayers to use customer portal
  - Effective two-way communications
  - Continuous improvement
  - Consistent audit practices and documentation

THANK YOU

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