



Fall 2023 Forecast Presentation

House Finance Committee

Department of Revenue

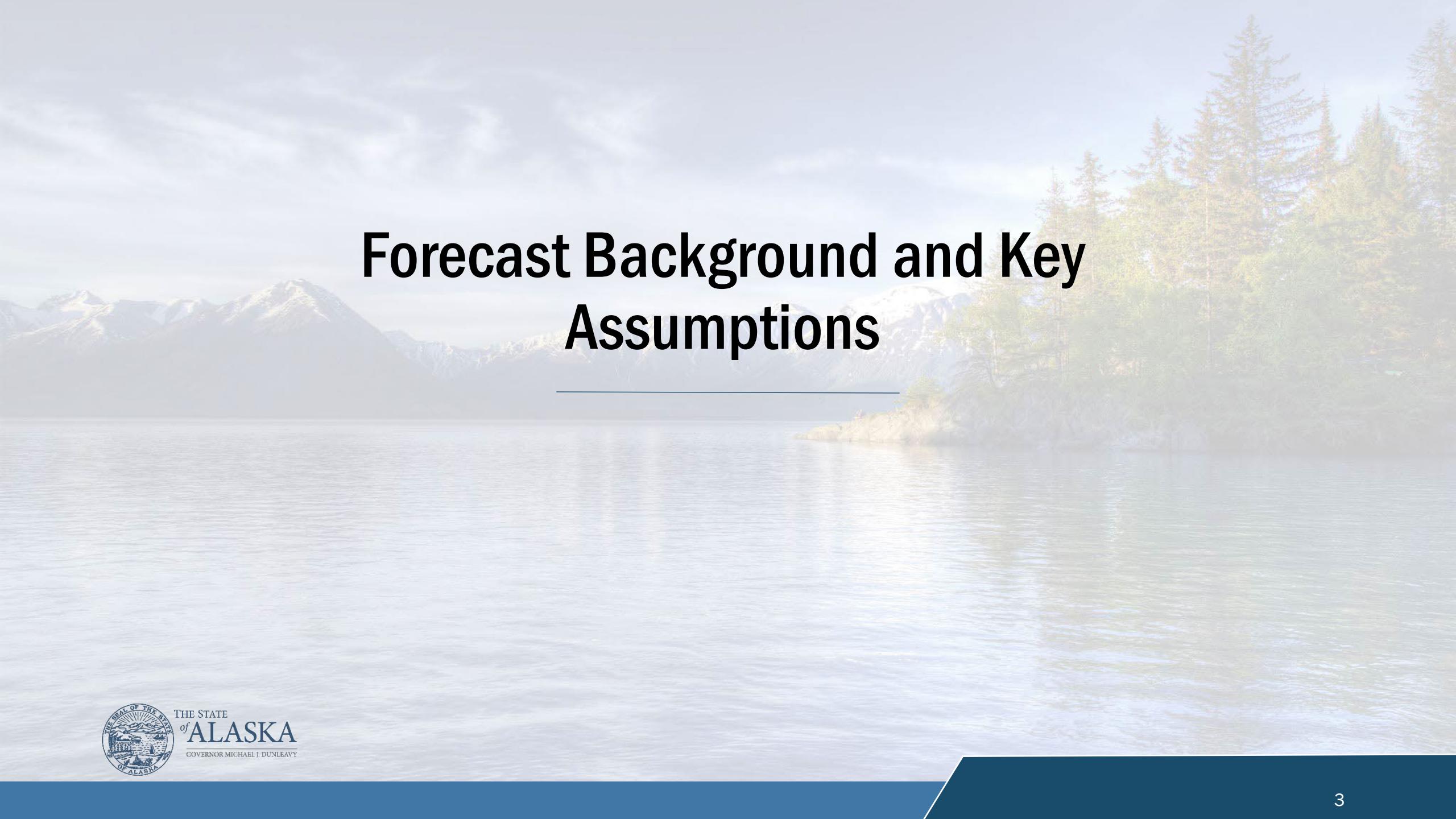
January 19, 2024



Agenda

1. Forecast Background and Key Assumptions
2. Fall 2023 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. Updates key data from Fall Revenue Sources Book
3. Official revenue forecast used for final budget process
4. Located at tax.alaska.gov



Revenue
Sources
Book Fall 2023

Alaska Department of Revenue | Tax Division | tax.alaska.gov

Revised Date: December 14, 2023
Printed or viewed on December 14, 2023



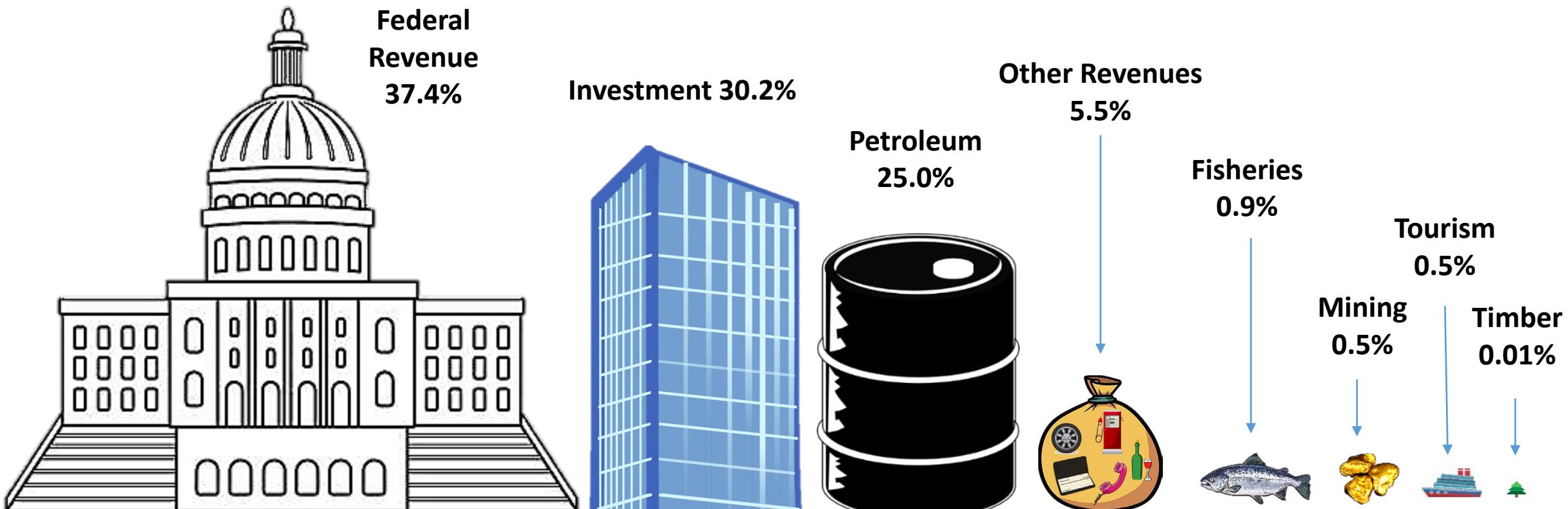
Fall Forecast Assumptions

- The economic impacts of financial and geopolitical events are uncertain; DOR has developed a plausible scenario to forecast these impacts.
- Key Assumptions:
 - Investments: Stable growth in investment markets, 7.45% for FY 2024 and 7.20% for FY 2025+.
 - Federal: The forecast incorporates stimulus funding as of December 1, 2023, includes updated estimates of potential IIJA funding.
 - Petroleum: Alaska North Slope oil price of \$82.39 per barrel for FY 2024 and \$76.00 per barrel for FY 2025.
 - Non-Petroleum: Continued economic growth. 100% of capacity assumption for 2024 cruise season, three-year recovery for fishing industry, minerals prices based on futures markets.



Relative Contributions to Total State Revenue: FY 2023

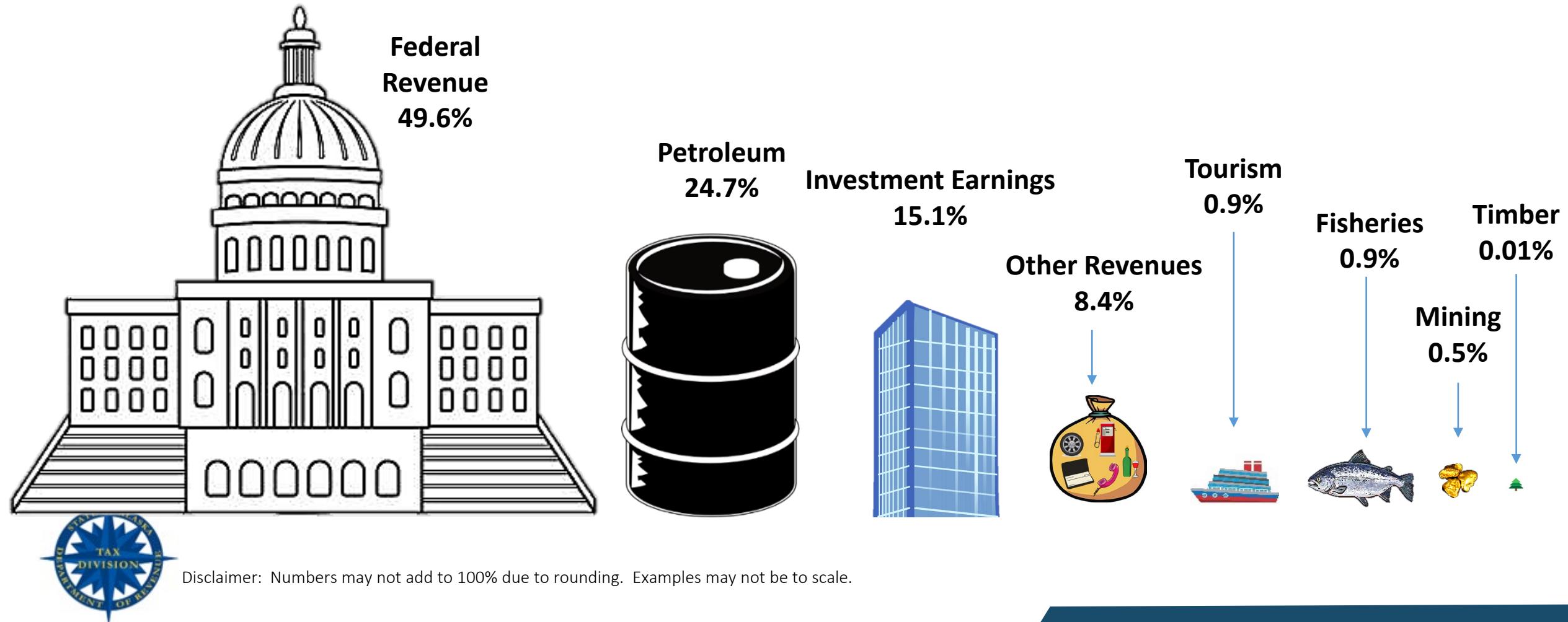
Total State Revenue: \$15.5 Billion



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

Relative Contributions to Total State Revenue: FY 2024

Total State Revenue: \$12.0 Billion





Fall 2023 Revenue Forecast



Unrestricted Revenue Forecast: FY 2023 and Changes to Two-Year Outlook

		History	Forecast	
		FY 2023	FY 2024	FY 2025
ANS Oil Price (Nominal \$/bbl)	Spring 2023 Forecast	\$85.25	\$73.00	\$70.00
	Fall 2023 Forecast	\$86.63	\$82.39	\$76.00
	Change	\$1.37	\$9.39	\$6.00
Permanent Fund Transfer (\$ millions)	Spring 2023 Forecast	3,360.6	3,526.1	3,665.0
	Fall 2023 Forecast	3,360.6	3,526.0	3,657.2
	Change	0.0	-0.1	(7.8)
Unrestricted Revenue, excluding Permanent Fund Transfer (\$ millions)	Spring 2023 Forecast	3,618.9	2,731.2	2,564.3
	Fall 2023 Forecast	3,683.4	2,959.5	2,651.2
	Change	65.0	228.3	86.9
Unrestricted Revenue, including Permanent Fund Transfer (\$ millions)	Spring 2023 Forecast	6,979.5	6,257.3	6,229.3
	Fall 2023 Forecast	7,044.0	6,485.5	6,308.4
	Change	65.0	228.2	79.1



ANS = Alaska North Slope

Total Revenue Forecast: FY 2023 to FY 2025 Totals

Revenue Type	\$ Millions	History	Forecast		Percent Change
		FY 2023	FY 2024	FY 2025	FY 2023 to FY 2025
Unrestricted General Fund					
Investment Revenue - Permanent Fund	3,360.6	3,526.0	3,657.2	8.8%	3.7%
Investment Revenue - Other Investments	97.7	90.6	87.8	-10.1%	-3.1%
Petroleum Revenue	3,119.4	2,414.4	2,078.2	-33.4%	-13.9%
Non-Petroleum Revenue	466.3	454.5	485.2	4.1%	6.8%
Subtotal	7,044.0	6,485.5	6,308.4	-10.4%	-2.7%
Designated General Fund					
Investment Revenue	202.5	5.1	138.5	-31.6%	2615.7%
Petroleum Revenue	103.2	88.9	75.7	-26.6%	-14.9%
Non-Petroleum Revenue	493.1	485.6	499.0	1.2%	2.8%
Subtotal	798.8	579.6	713.2	-10.7%	23.0%
Other Restricted Revenue					
Investment Revenue	1,007.7	(1,815.4)	1,567.1	55.5%	186.3%
Petroleum Revenue	608.0	427.6	388.2	-36.1%	-9.2%
Non-Petroleum Revenue	198.8	341.6	345.8	74.0%	1.2%
Subtotal	1,814.4	(1,046.2)	2,301.2	26.8%	320.0%
Federal Revenue					
Federal Receipts	5,785.3	5,946.1	6,271.2	8.4%	5.5%
Petroleum Revenue	41.5	29.1	19.9	-52.0%	-31.6%
Subtotal	5,826.8	5,975.2	6,291.1	8.0%	5.3%
Total State Revenue	15,484.1	11,994.2	15,613.9	0.8%	30.2%

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.



Unrestricted Revenue Forecast: FY 2023 to FY 2025 Totals

\$ Millions	History	Forecast	
Revenue Type	FY 2023	FY 2024	FY 2025
Unrestricted General Fund			
Investment Revenue	3,458.3	3,616.6	3,745.0
Petroleum Revenue	3,119.4	2,414.4	2,078.2
Non-Petroleum Revenue	466.3	454.5	485.2
Total Unrestricted General Fund	7,044.0	6,485.5	6,308.4



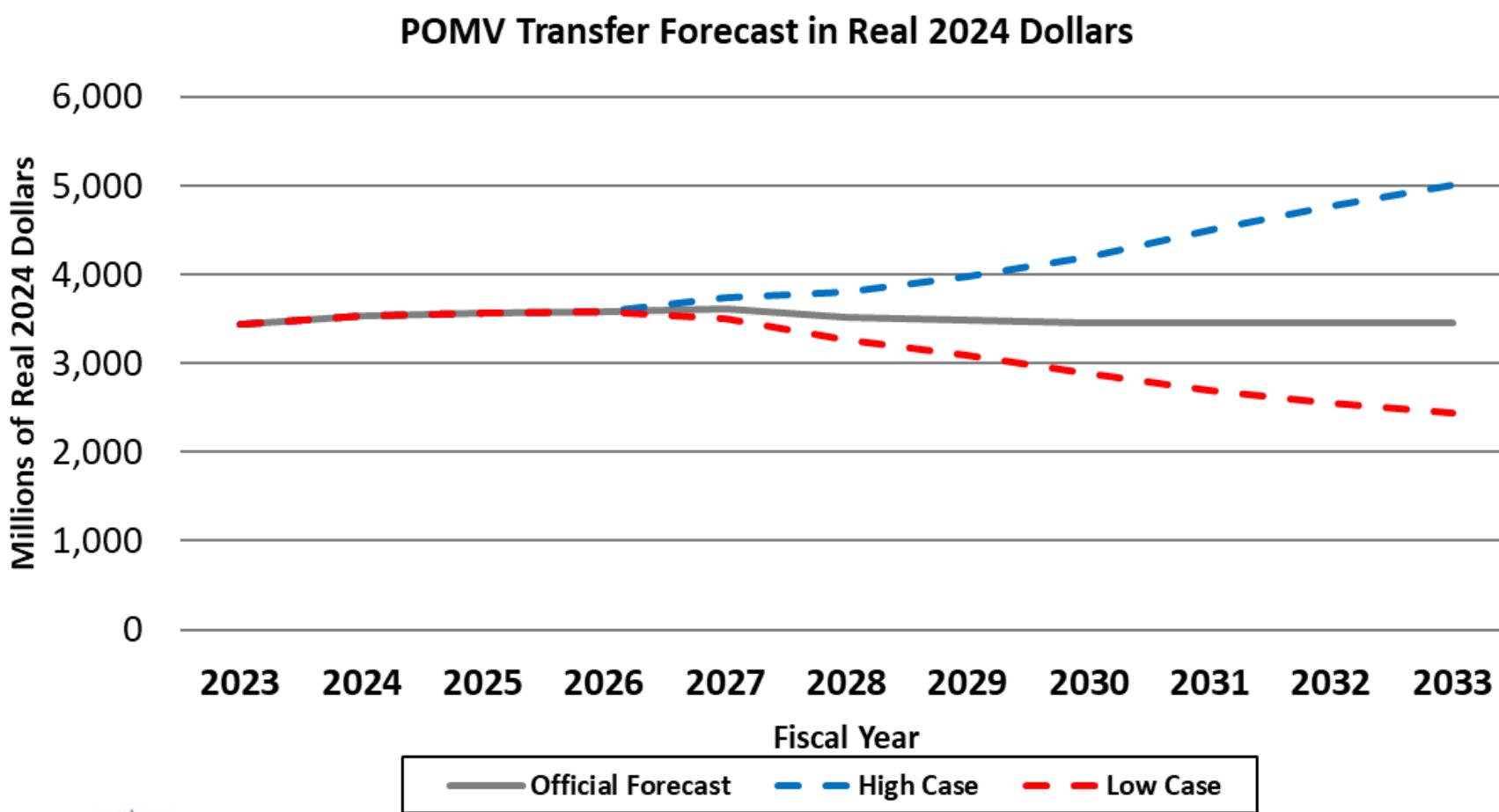
Unrestricted Investment Revenue: FY 2023 to FY 2025 Totals

\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2023	FY 2024	FY 2025
Investment Revenue			
Permanent Fund ¹	3,360.6	3,526.0	3,657.2
Investments	97.7	90.6	87.8
Total Unrestricted Investment Revenue	3,458.3	3,616.6	3,745.0



¹ Percent of Market Value (POMV) Transfer

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



Graph is presented in real 2024 dollars. Assumes 2.50% inflation for 2024 and beyond.

POMV = Percent of Market Value

- Permanent Fund total return for FY 2023 of 5.18%.
- 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 7.20% for FY 2025+; 7.45% for FY 2024.
- Differing Permanent Fund returns and petroleum deposits could significantly alter actual POMV amounts.

Unrestricted Petroleum Revenue: FY 2023 to FY 2025 Totals

\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2023	FY 2024	FY 2025
Taxes			
Petroleum Property Tax	128.8	127.1	128.2
Petroleum Corporate Income Tax	312.4	240.0	300.0
Oil and Gas Production Tax	1,490.9	937.6	642.4
Subtotal Taxes	1,932.1	1,304.7	1,070.6
Royalties			
Mineral Bonuses and Rents	11.3	13.2	13.2
Oil and Gas Royalties	1,175.1	1,096.4	994.3
Interest	1.0	-	-
Subtotal Royalties	1,187.4	1,109.7	1,007.5
Total Unrestricted Petroleum Revenue	3,119.4	2,414.4	2,078.2



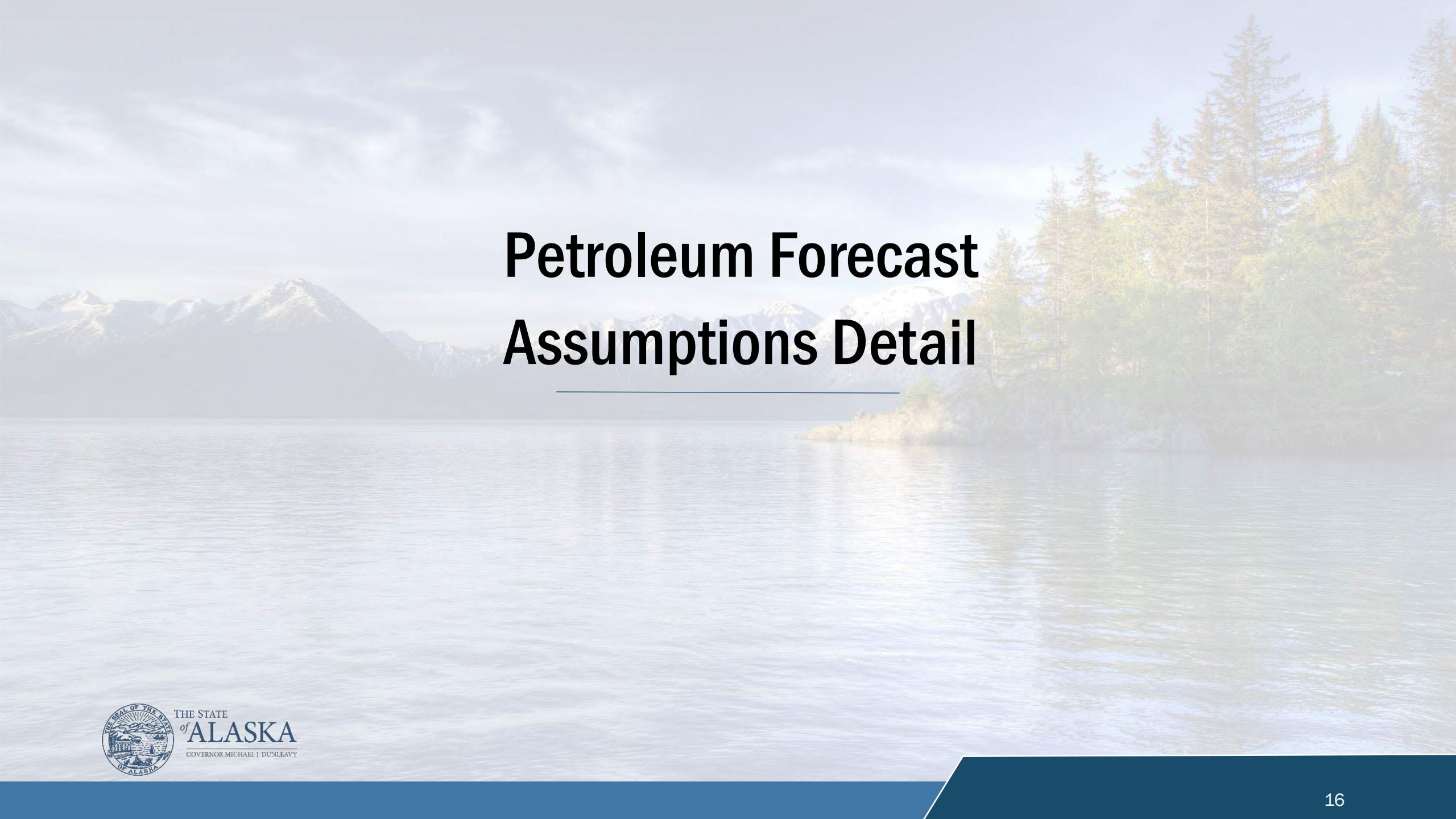
Unrestricted Non-Petroleum Revenue: FY 2023 to FY 2025 Totals

\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2023	FY 2024	FY 2025
Taxes			
Fisheries Taxes	29.5	19.8	23.3
Insurance Premium Tax	63.4	64.7	65.4
Marijuana	7.9	7.1	6.9
Mining License Tax	52.5	31.8	29.1
Non-Petroleum Corporate Income	124.4	130.0	160.0
Tobacco	33.7	33.1	32.2
Other Taxes	144.7	137.0	142.0
Subtotal Taxes	355.4	331.8	363.2
Other	110.9	122.7	122.0
Total Unrestricted Non-Petroleum Revenue	466.3	454.5	485.2



Other Taxes category includes Alcoholic Beverages 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.



Petroleum Forecast Assumptions Detail



Petroleum Detail: Changes to Long-Term Price Forecast

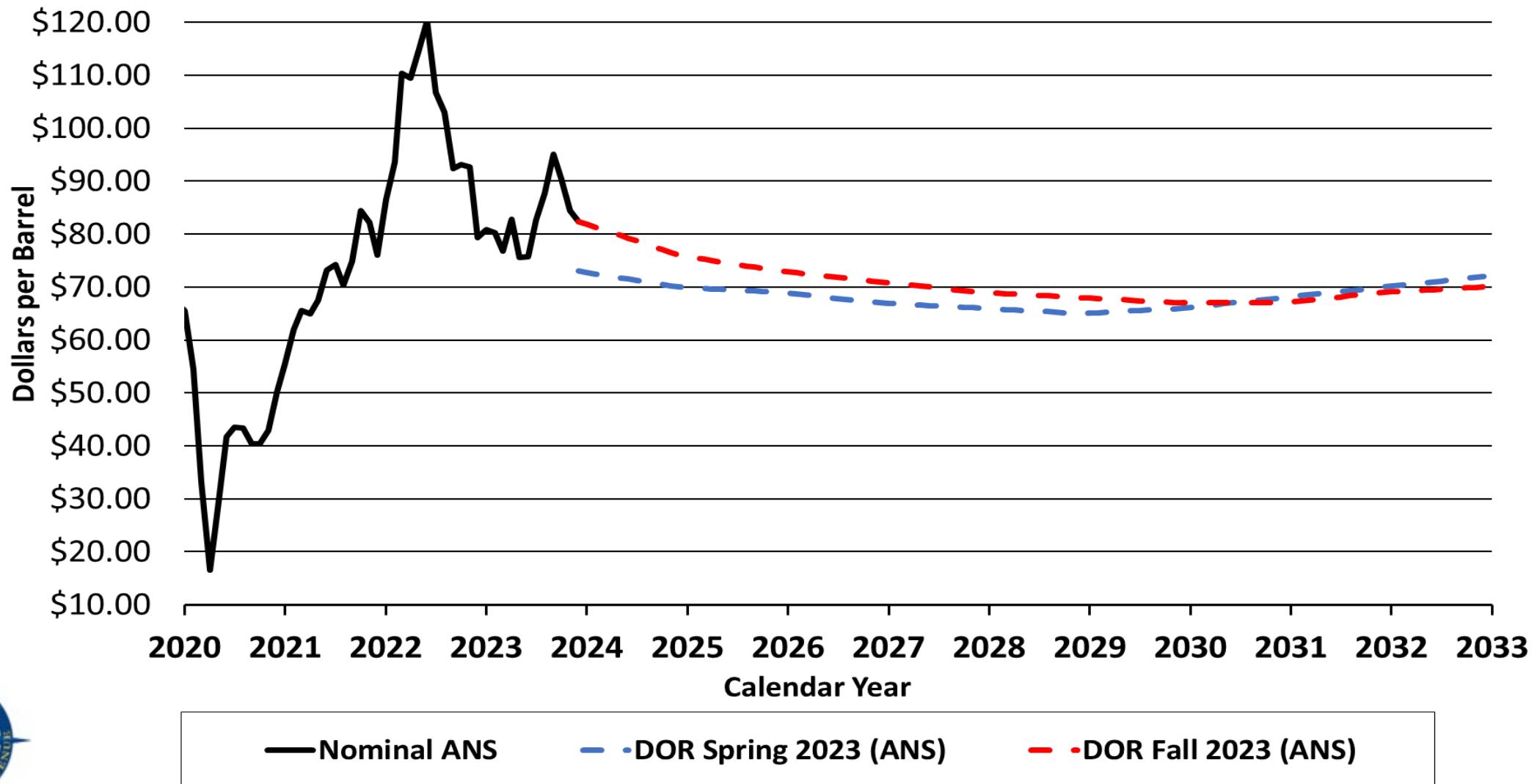
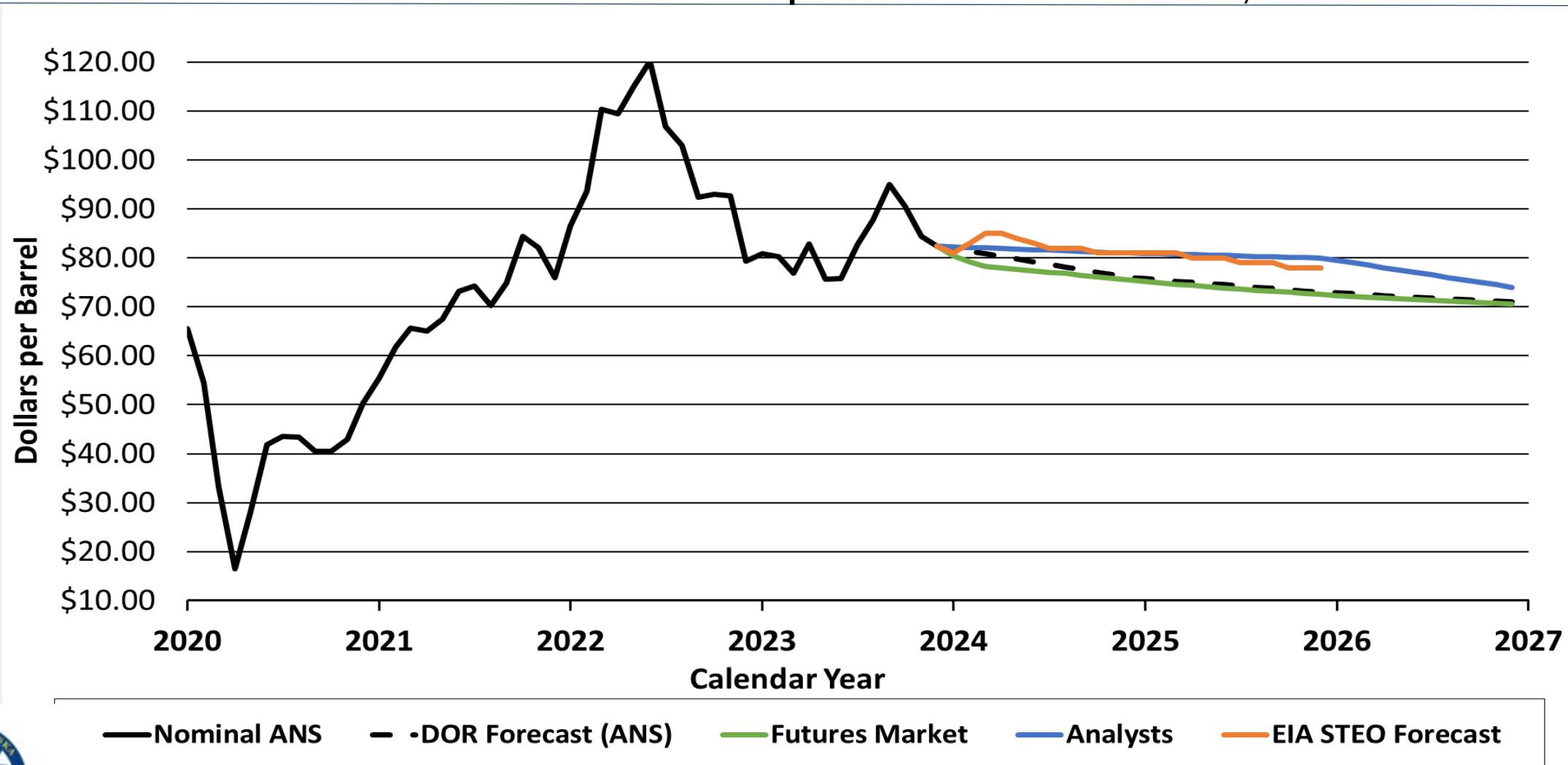


Chart shows monthly average prices.

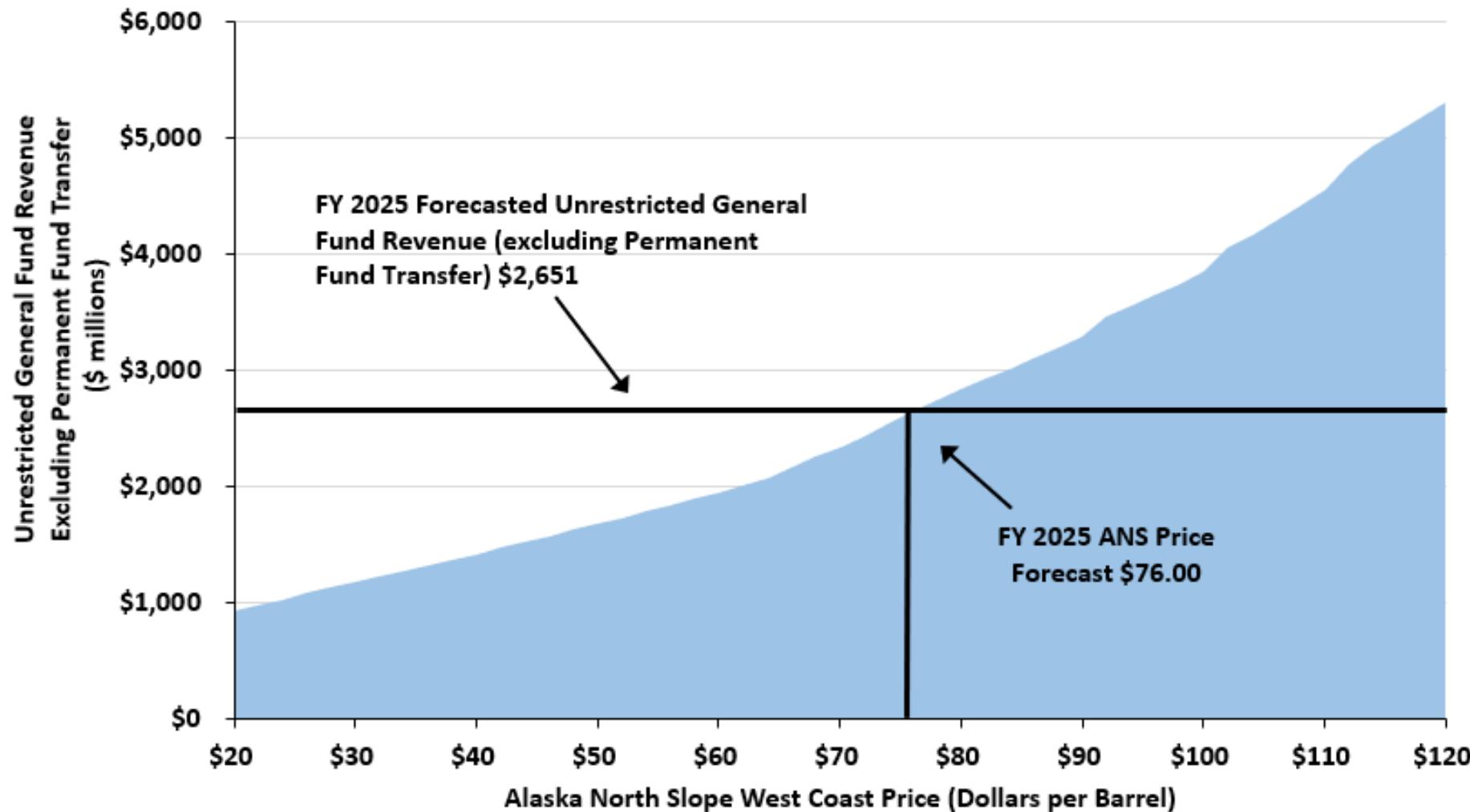
Source: DOR Fall 2023 Revenue Forecast

Petroleum Detail: Nominal Brent Forecasts Comparison as of December 11, 2023



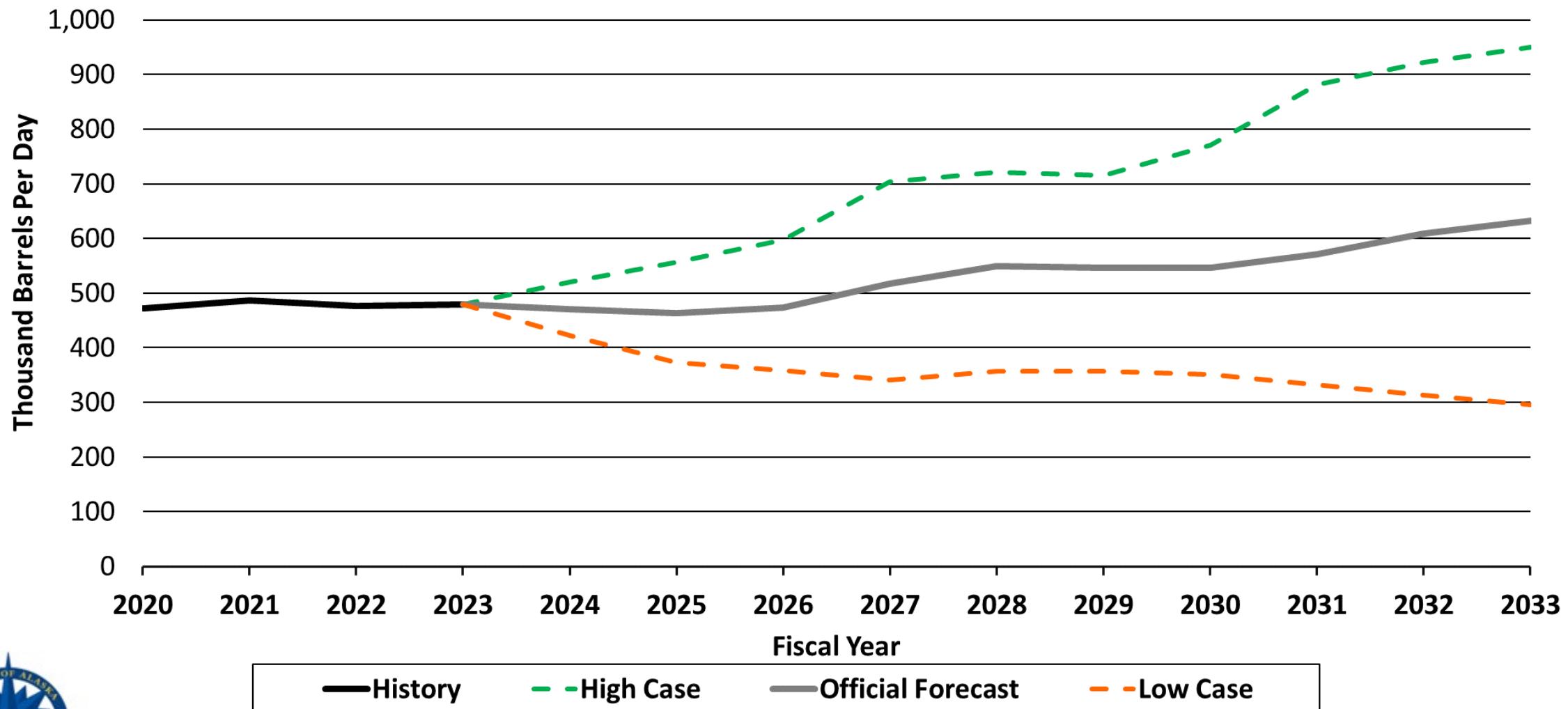
Source: Analyst forecast is the median forecast of 10-38 firms from a Bloomberg survey as of January 17, 2024. Futures prices are from the Chicago Mercantile Exchange (CME) as of January 17, 2024. The U.S. Energy Information Administration (EIA) forecast is from their January 2024 Short-Term Energy Outlook (released January 9, 2024). Chart shows monthly average prices.

Petroleum Detail: UGF Relative to Price per Barrel (without POMV): FY 2025



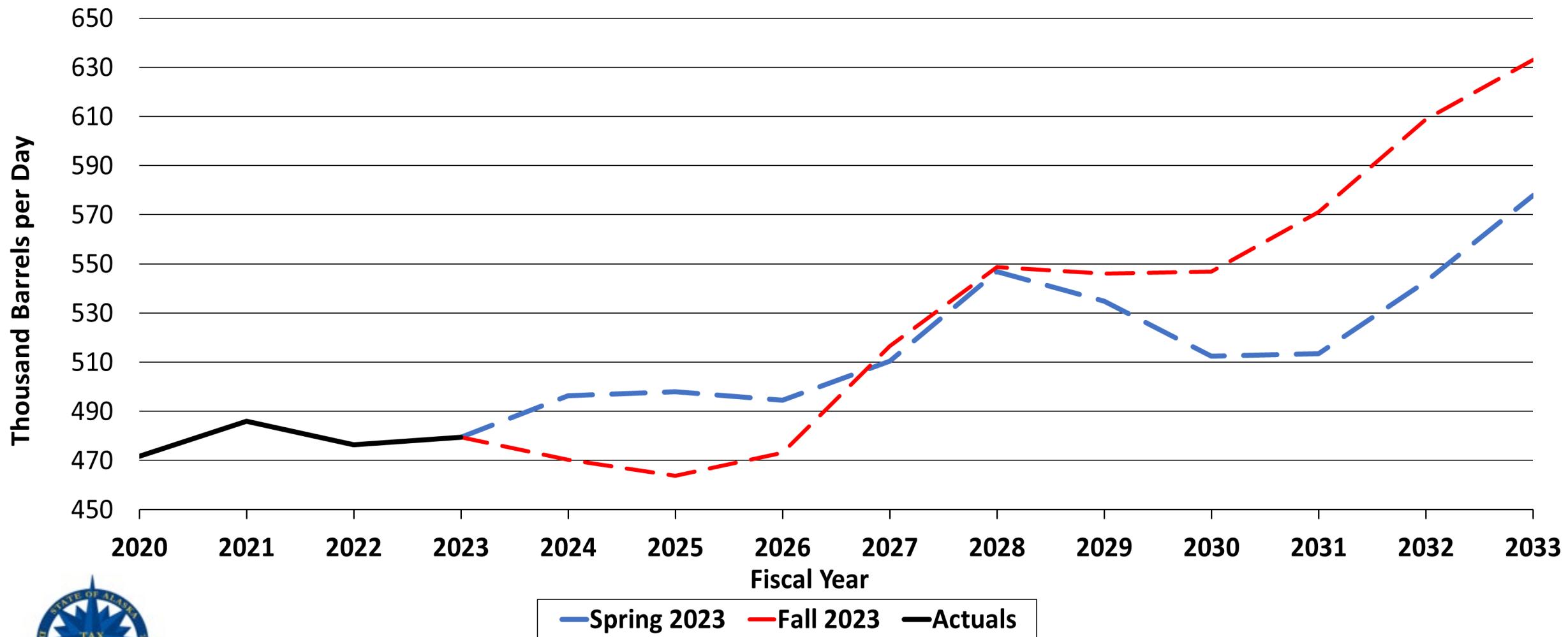
Note: Assumes official forecasted North Slope production of 470,300 barrels per day. Above the forecasted ANS price, a \$1 increase or decrease in price leads to an approximately \$65-70 million change in UGF revenue. Below the forecasted ANS price, a \$1 increase or decrease in price leads to an approximately \$50 million change in UGF revenue.

Petroleum Detail: North Slope Petroleum Production Forecast



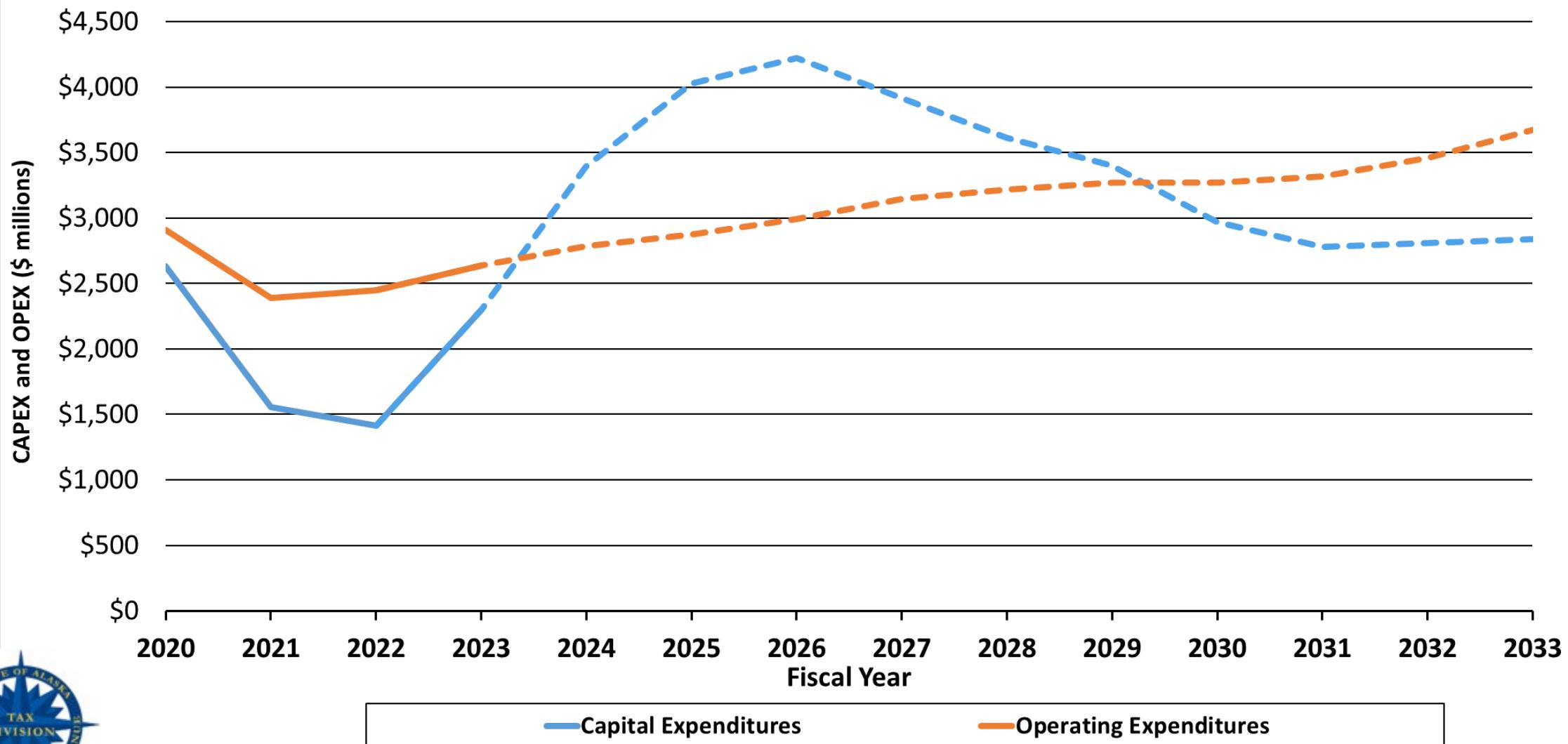
Note: The North Slope Petroleum Production Forecast chart depicts the annualized average production for North Slope oil.

Petroleum Detail: Changes to North Slope Petroleum Production Forecast

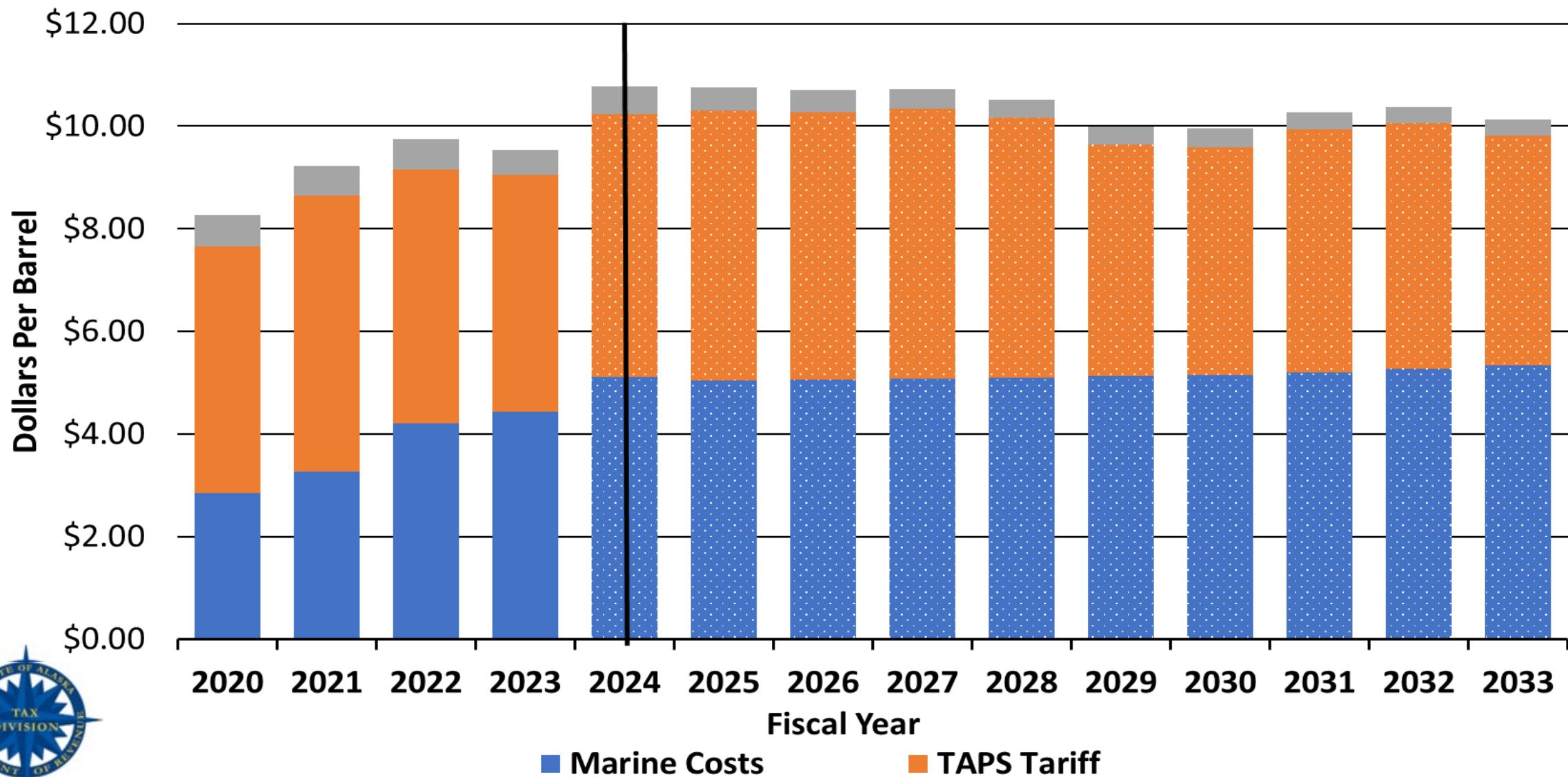


Note: The North Slope Petroleum Production Forecast chart depicts the annualized average production for North Slope oil.

Petroleum Detail: North Slope Allowable Lease Expenditures

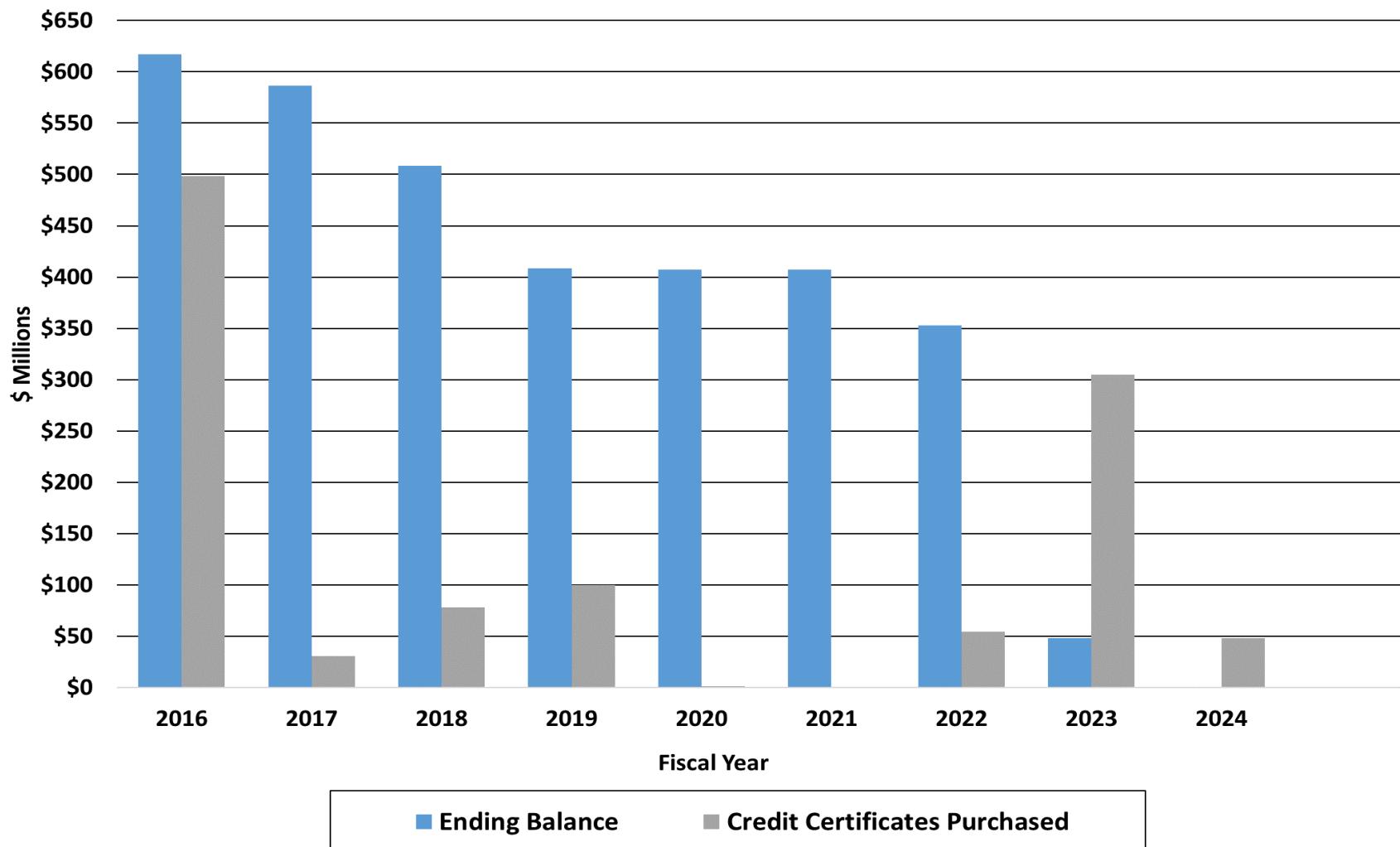


Petroleum Detail: North Slope Transportation Costs



Petroleum Detail: Tax Credits for Purchase Detail

Ending Balance of Credit Certificates Available for Purchase, Assuming Statutory Appropriation for
FY 2024+

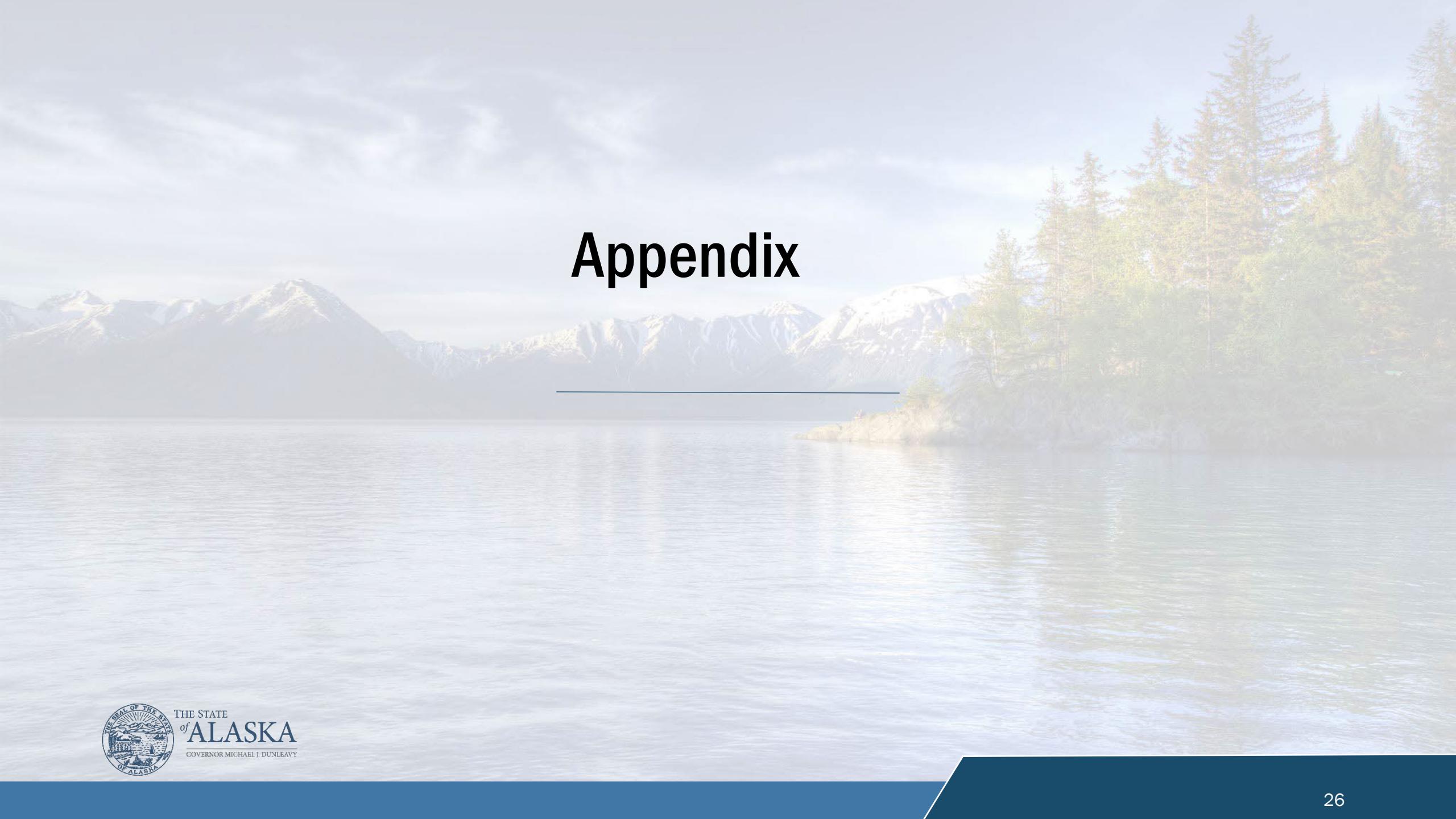


THANK YOU

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Appendix

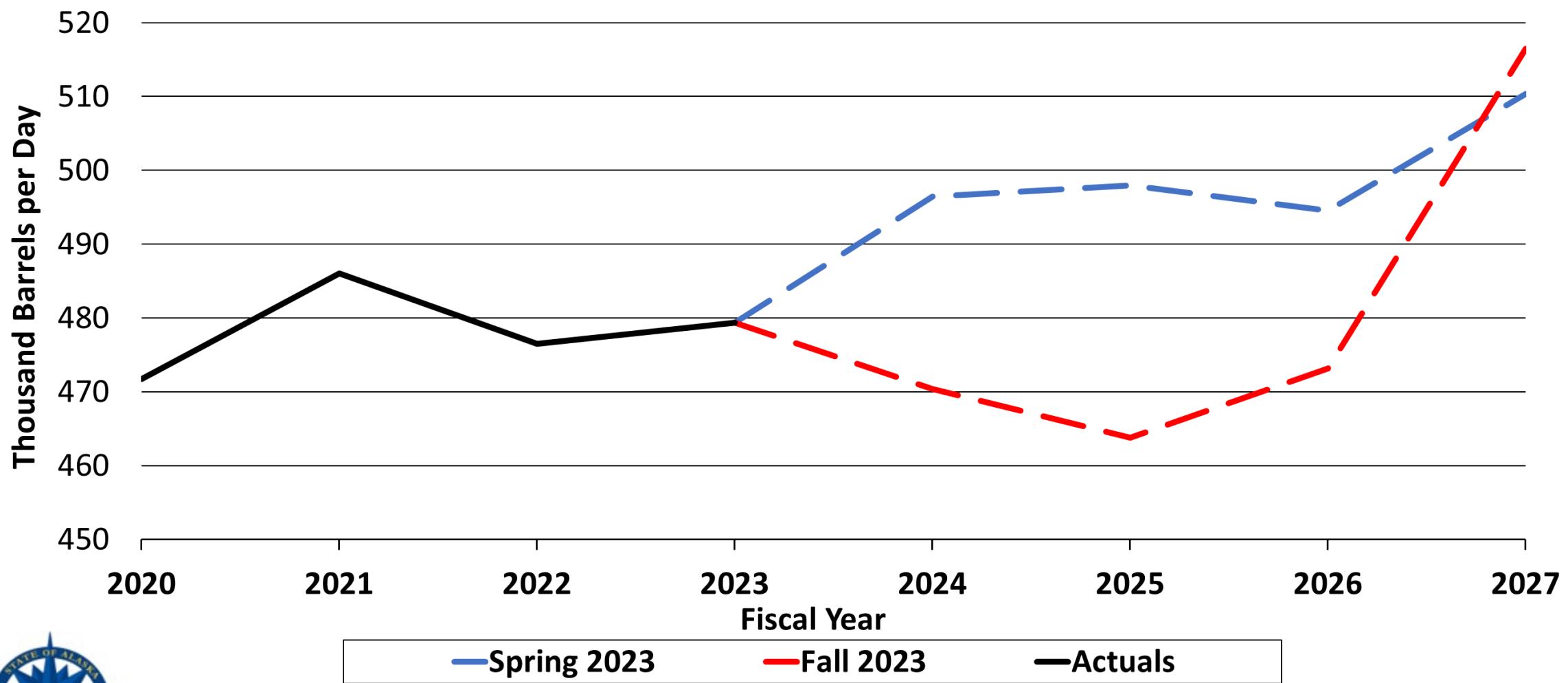


State Petroleum Revenue by Land Type

Land Lease Status	Revenue Component			
	Production Tax / Credits	Royalty	Corporate Income Tax	Property Tax
Offshore beyond 6 miles Federal OCS	Does not apply	Federal royalties applies; zero shared back to state (in Alaska; other states do receive shared royalties)	Not included in apportionment factor	Does not apply
Offshore 3-6 miles Federal OCS 8(g) area	Does not apply	Federal royalties applies; 27% shared back to state with no restrictions	Not included in apportionment factor	Does not apply
State Lands	All credits available; tax applies to all taxable production	State royalty applies	All property, production, and sales included in apportionment factor	Applies to all oil and gas property
NPR-A Federal owned	All credits available; tax applies to all taxable production	Federal royalty applies; 50% of royalties are shared back to state but must be used for benefit of local communities	All property, production, and sales included in apportionment factor	Applies to all oil and gas property
ANWR Federal owned	All credits available; tax applies to all taxable production	Federal royalty applies; 50% shared back to state with no restrictions (under current law)	All property, production, and sales included in apportionment factor	Applies to all oil and gas property
Other Federal Land	All credits available; tax applies to all taxable production	Federal royalties applies; 90% shared back to state with no restrictions	All property, production, and sales included in apportionment factor	Applies to all oil and gas property
Private Land (including Alaska Native Corporations)	All credits available; tax applies to all taxable production	Privately negotiated royalty applies; not shared with state. However state levies 5% gross tax on the value of private landowner royalty interest as part of production tax	All property, production, and sales included in apportionment factor	Applies to all oil and gas property

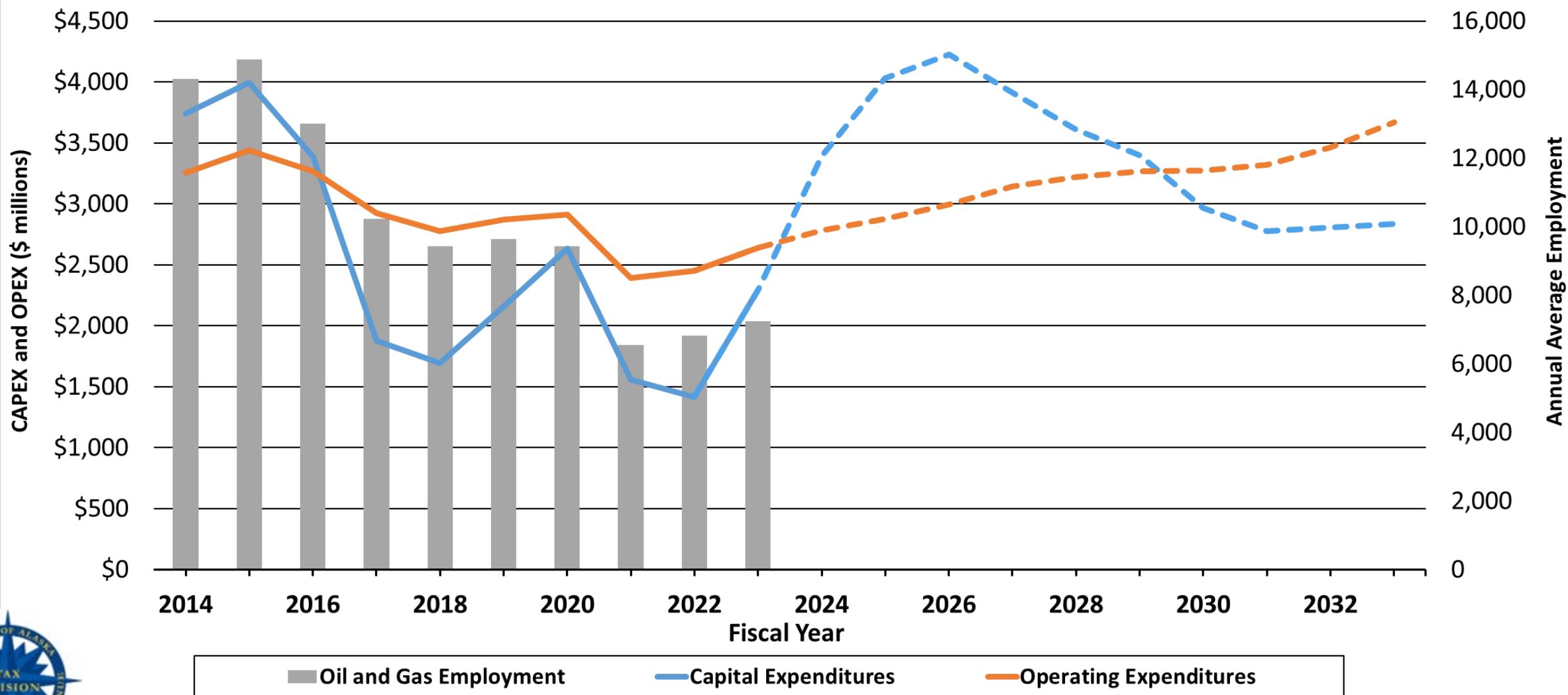


Petroleum Detail: Changes to North Slope Petroleum Production Forecast



Note: The North Slope Petroleum Production Forecast chart depicts the annualized average production for North Slope oil.

Petroleum Detail: North Slope Allowable Lease Expenditures



Petroleum Detail: North Slope Transportation Costs

