

# Fall 2023 Forecast Presentation

## House Finance Committee

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Department of Revenue

January 19, 2024

# Agenda

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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

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## 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](https://tax.alaska.gov)



### Revenue Sources Book Fall 2023

Alaska Department of Revenue | Tax Division | [tax.alaska.gov](https://tax.alaska.gov)

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

## Fall Forecast Assumptions

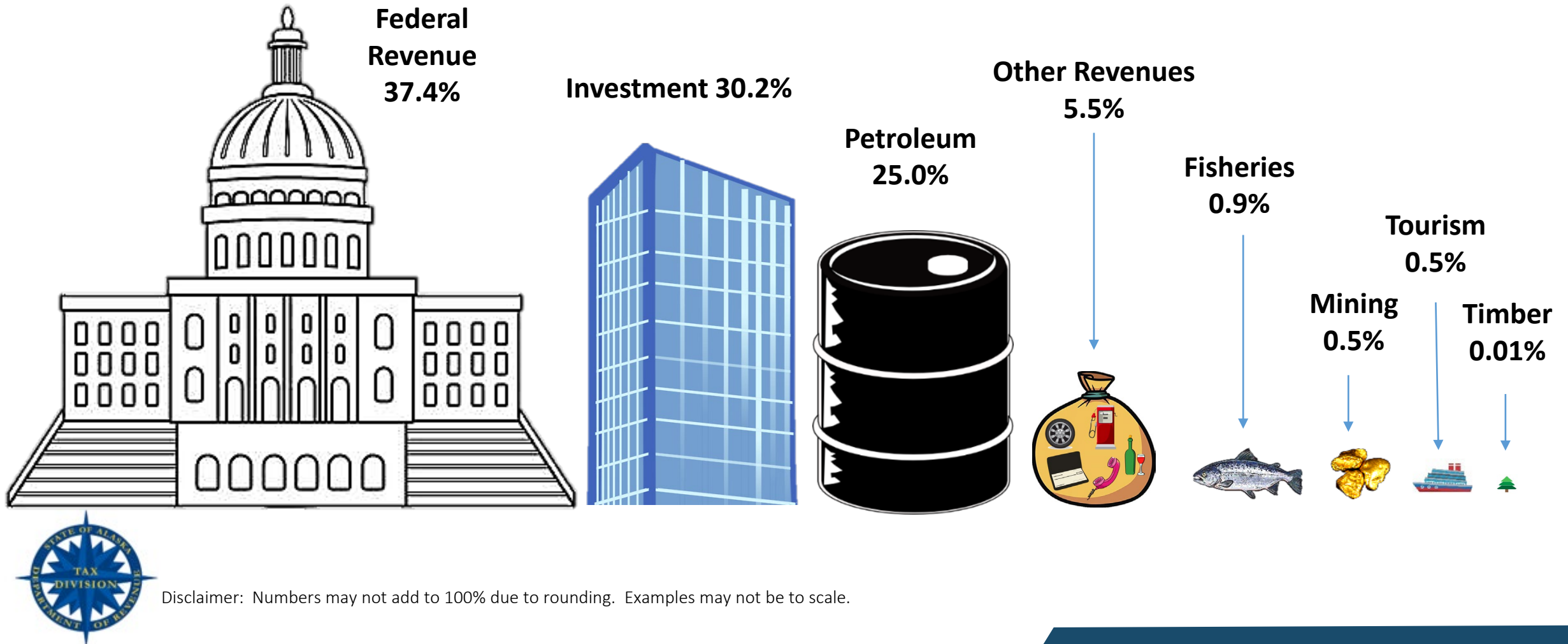
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- The economic impacts of financial and geopolitical events are uncertain; DOR has developed a plausible scenario to forecast these impacts.
- Key Assumptions:
  - Investments: Stable growth in investment markets, 7.45% for FY 2024 and 7.20% for FY 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.



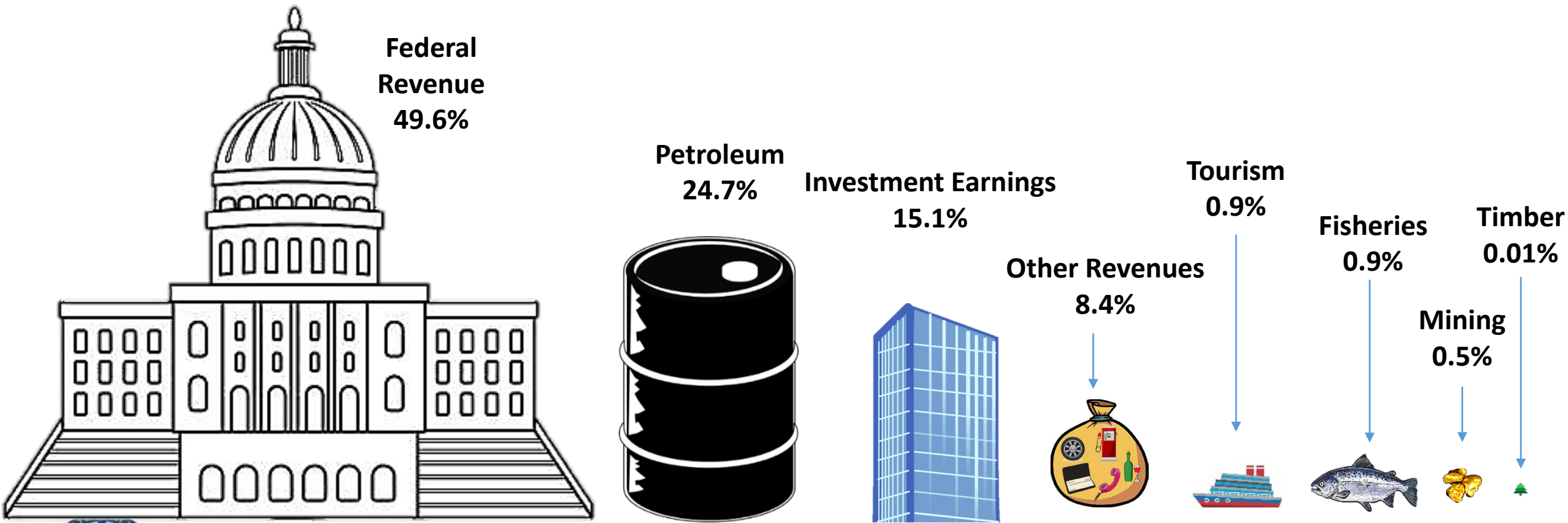
## Relative Contributions to Total State Revenue: FY 2023

**Total State Revenue: \$15.5 Billion**



# Relative Contributions to Total State Revenue: FY 2024

**Total State Revenue: \$12.0 Billion**



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



# Fall 2023 Revenue Forecast



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

		History	Forecast	
		FY 2023	FY 2024	FY 2025
<b>ANS Oil Price</b> (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
<b>Permanent Fund Transfer</b> (\$ 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)
<b>Unrestricted Revenue, excluding Permanent Fund Transfer (\$ millions)</b>	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
<b>Unrestricted Revenue, including Permanent Fund Transfer (\$ millions)</b>	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

\$ Millions	History	Forecast		Percent Change	
Revenue Type	FY 2023	FY 2024	FY 2025	FY 2023 to FY 2025	FY 2024 to FY 2025
<b>Unrestricted General Fund</b>					
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%
<b>Subtotal</b>	<b>7,044.0</b>	<b>6,485.5</b>	<b>6,308.4</b>	<b>-10.4%</b>	<b>-2.7%</b>
<b>Designated General Fund</b>					
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%
<b>Subtotal</b>	<b>798.8</b>	<b>579.6</b>	<b>713.2</b>	<b>-10.7%</b>	<b>23.0%</b>
<b>Other Restricted Revenue</b>					
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%
<b>Subtotal</b>	<b>1,814.4</b>	<b>(1,046.2)</b>	<b>2,301.2</b>	<b>26.8%</b>	<b>320.0%</b>
<b>Federal Revenue</b>					
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%
<b>Subtotal</b>	<b>5,826.8</b>	<b>5,975.2</b>	<b>6,291.1</b>	<b>8.0%</b>	<b>5.3%</b>
<b>Total State Revenue</b>	<b>15,484.1</b>	<b>11,994.2</b>	<b>15,613.9</b>	<b>0.8%</b>	<b>30.2%</b>

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
<b>Unrestricted General Fund</b>			
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
<b>Total Unrestricted General Fund</b>	<b>7,044.0</b>	<b>6,485.5</b>	<b>6,308.4</b>



## Unrestricted Investment Revenue: FY 2023 to FY 2025 Totals

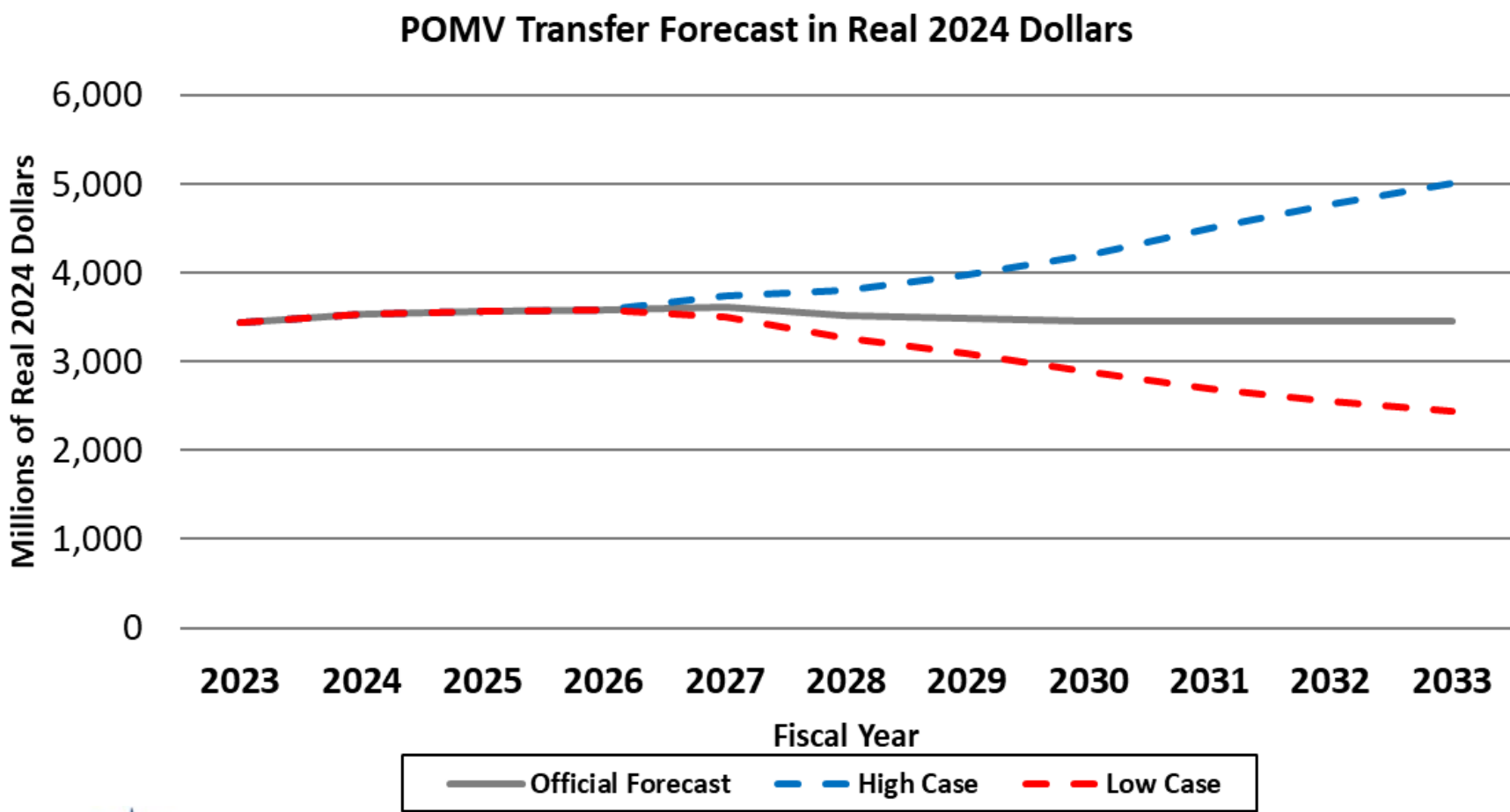
\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2023	FY 2024	FY 2025
Investment Revenue			
Permanent Fund <sup>1</sup>	3,360.6	3,526.0	3,657.2
Investments	97.7	90.6	87.8
<b>Total Unrestricted Investment Revenue</b>	<b>3,458.3</b>	<b>3,616.6</b>	<b>3,745.0</b>



<sup>1</sup> Percent of Market Value (POMV) Transfer



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



- 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.



Graph is presented in real 2024 dollars. Assumes 2.50% inflation for 2024 and beyond.  
POMV = Percent of Market Value

## Unrestricted Petroleum Revenue: FY 2023 to FY 2025 Totals

\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2023	FY 2024	FY 2025
<b>Taxes</b>			
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
<b>Subtotal Taxes</b>	<b>1,932.1</b>	<b>1,304.7</b>	<b>1,070.6</b>
<b>Royalties</b>			
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	-	-
<b>Subtotal Royalties</b>	<b>1,187.4</b>	<b>1,109.7</b>	<b>1,007.5</b>
<b>Total Unrestricted Petroleum Revenue</b>	<b>3,119.4</b>	<b>2,414.4</b>	<b>2,078.2</b>



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

\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2023	FY 2024	FY 2025
<b>Taxes</b>			
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
<b>Subtotal Taxes</b>	<b>355.4</b>	<b>331.8</b>	<b>363.2</b>
Other	110.9	122.7	122.0
<b>Total Unrestricted Non-Petroleum Revenue</b>	<b>466.3</b>	<b>454.5</b>	<b>485.2</b>



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

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# Petroleum Detail: Changes to Long-Term Price Forecast

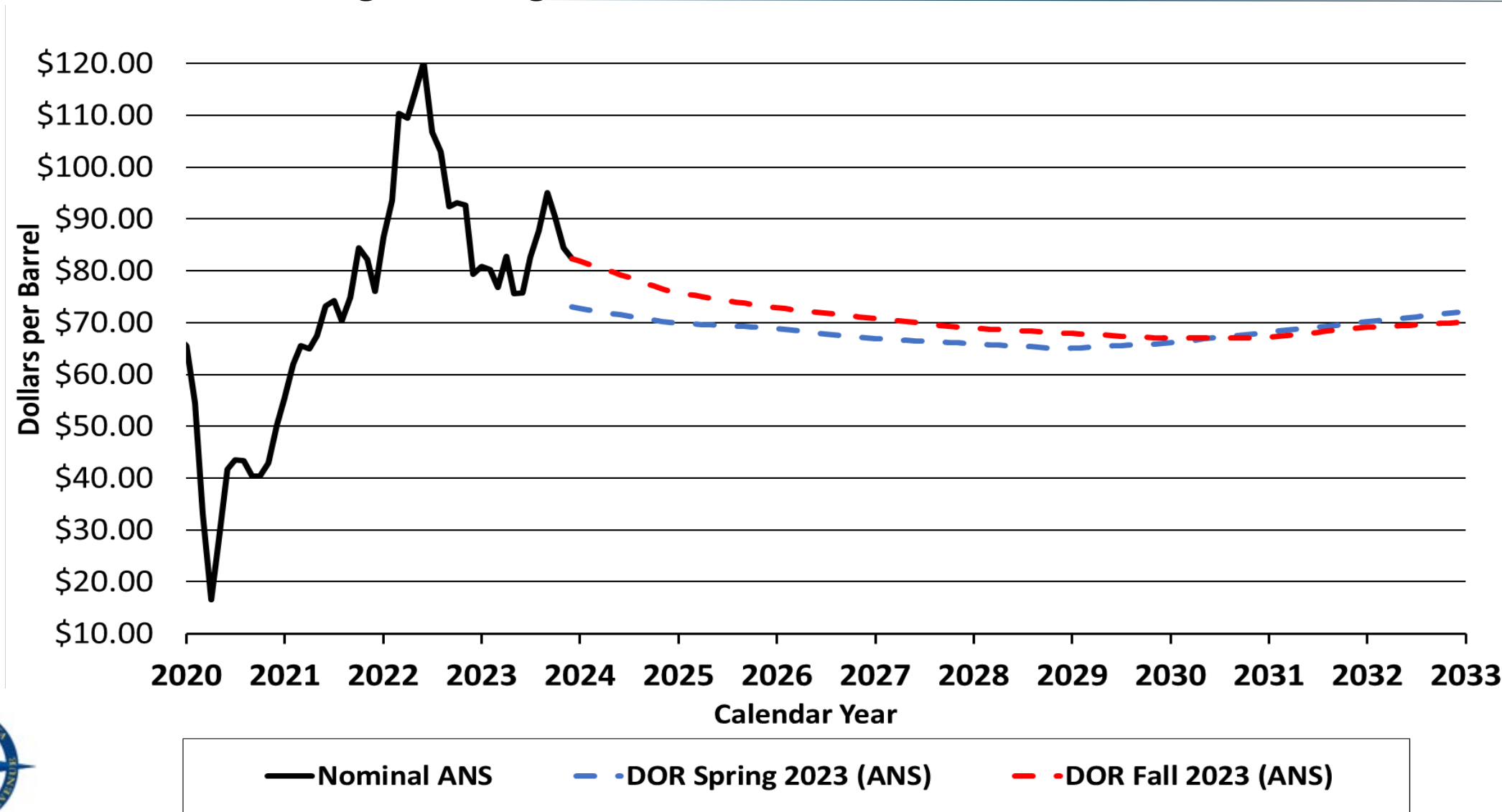
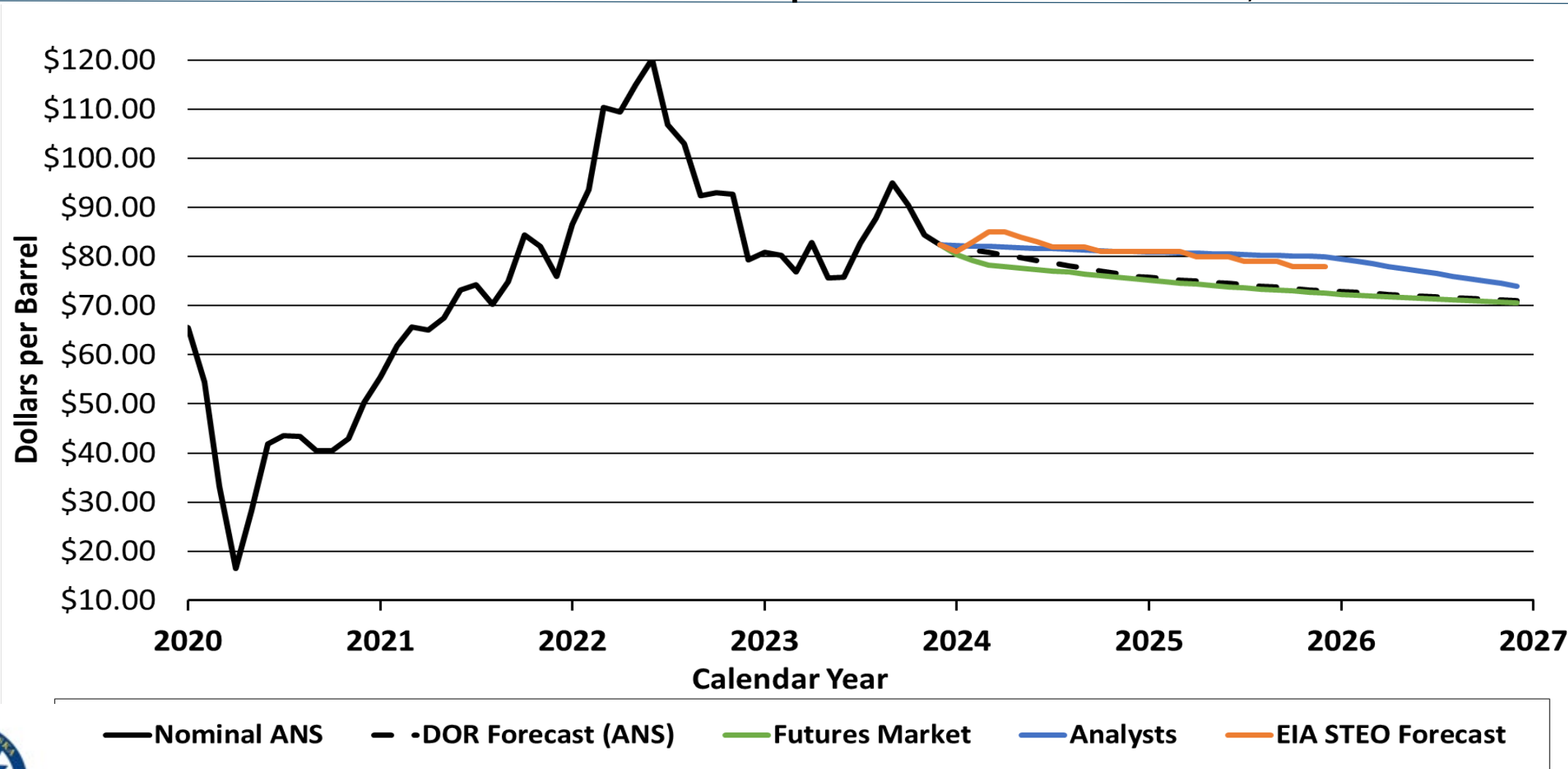


Chart shows monthly average prices.

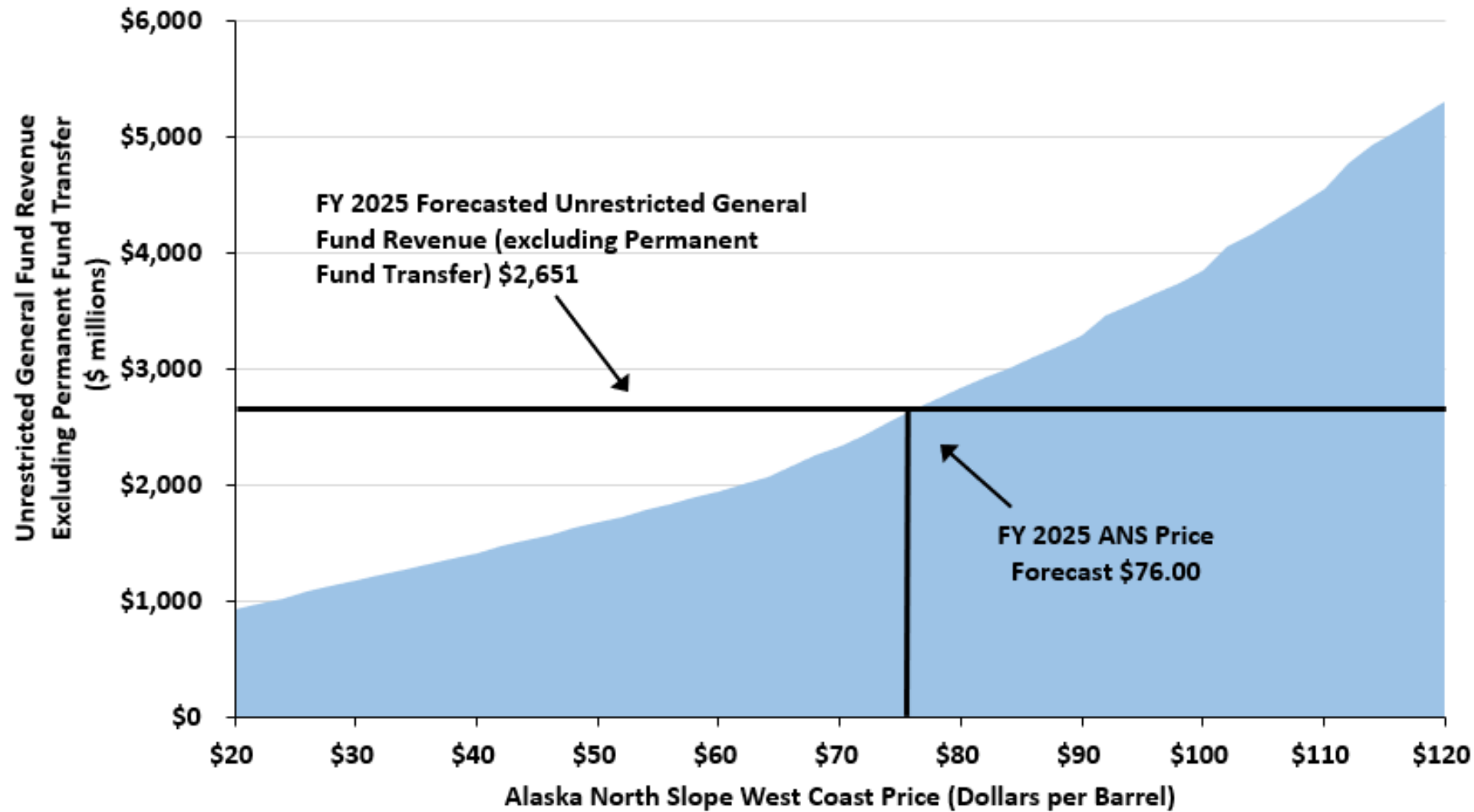


# Petroleum Detail: Nominal Brent Forecasts Comparison as of December 11, 2023



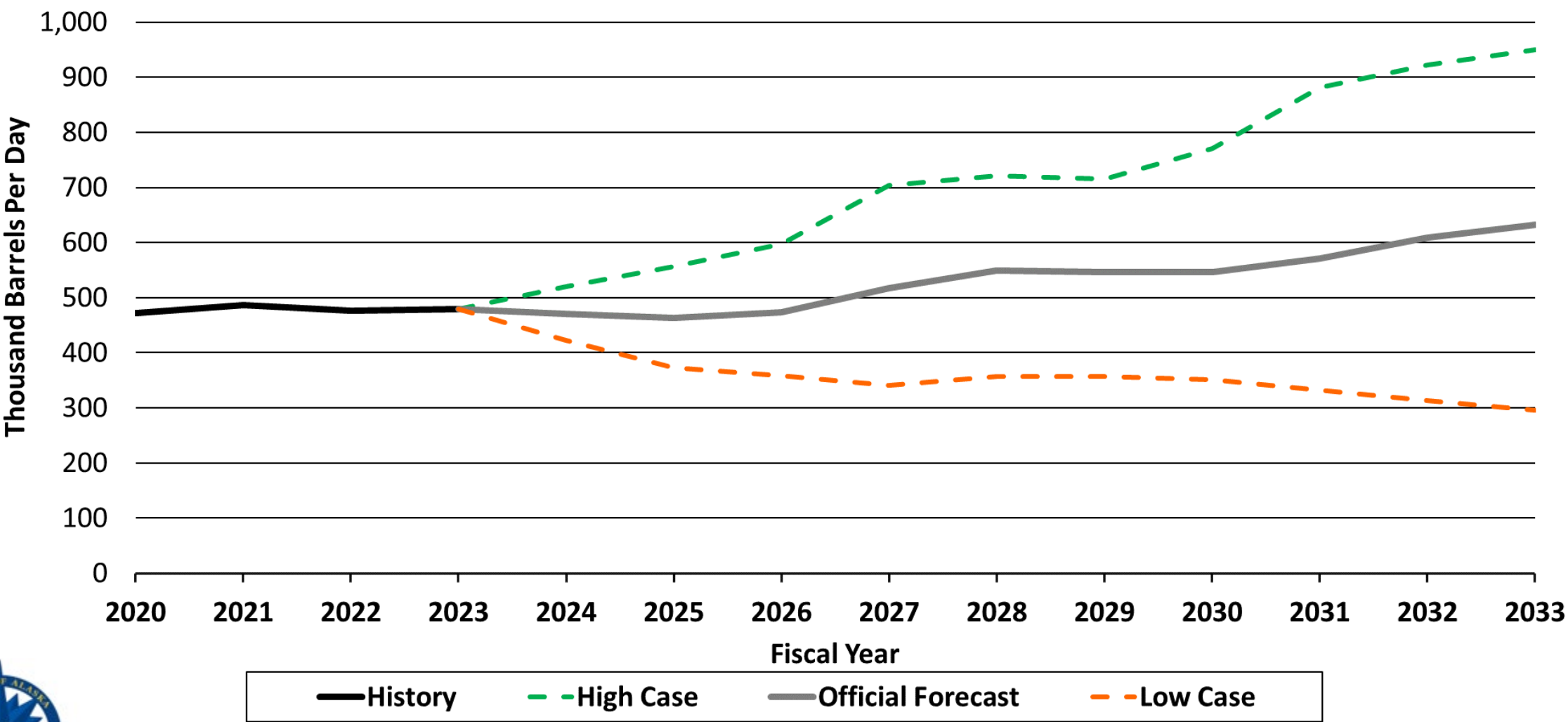
Source: Analyst forecast is the median forecast of 10-38 firms from a Bloomberg survey as of January 17, 2024. Futures prices are from the Chicago Mercantile Exchange (CME) as of January 17, 2024. The U.S. Energy Information Administration (EIA) forecast is from their January 2024 Short-Term Energy Outlook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

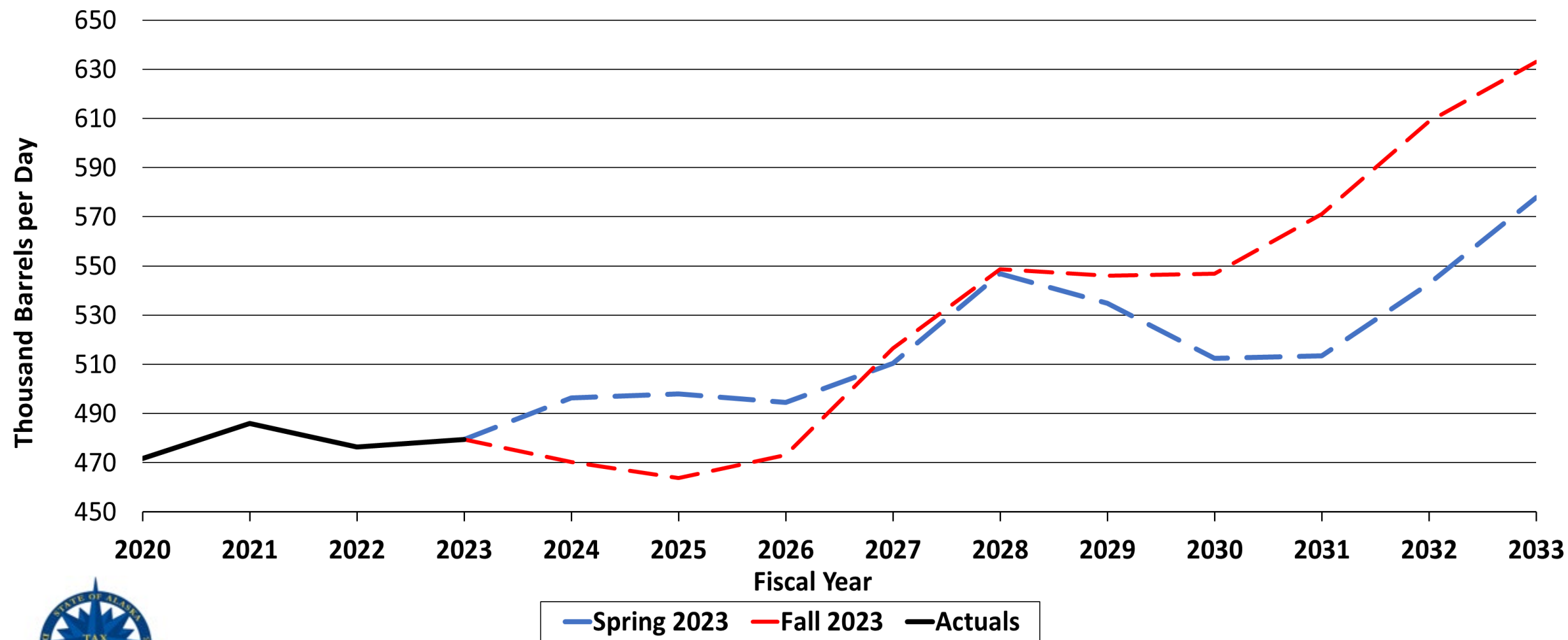
# Petroleum Detail: North Slope Petroleum Production Forecast



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

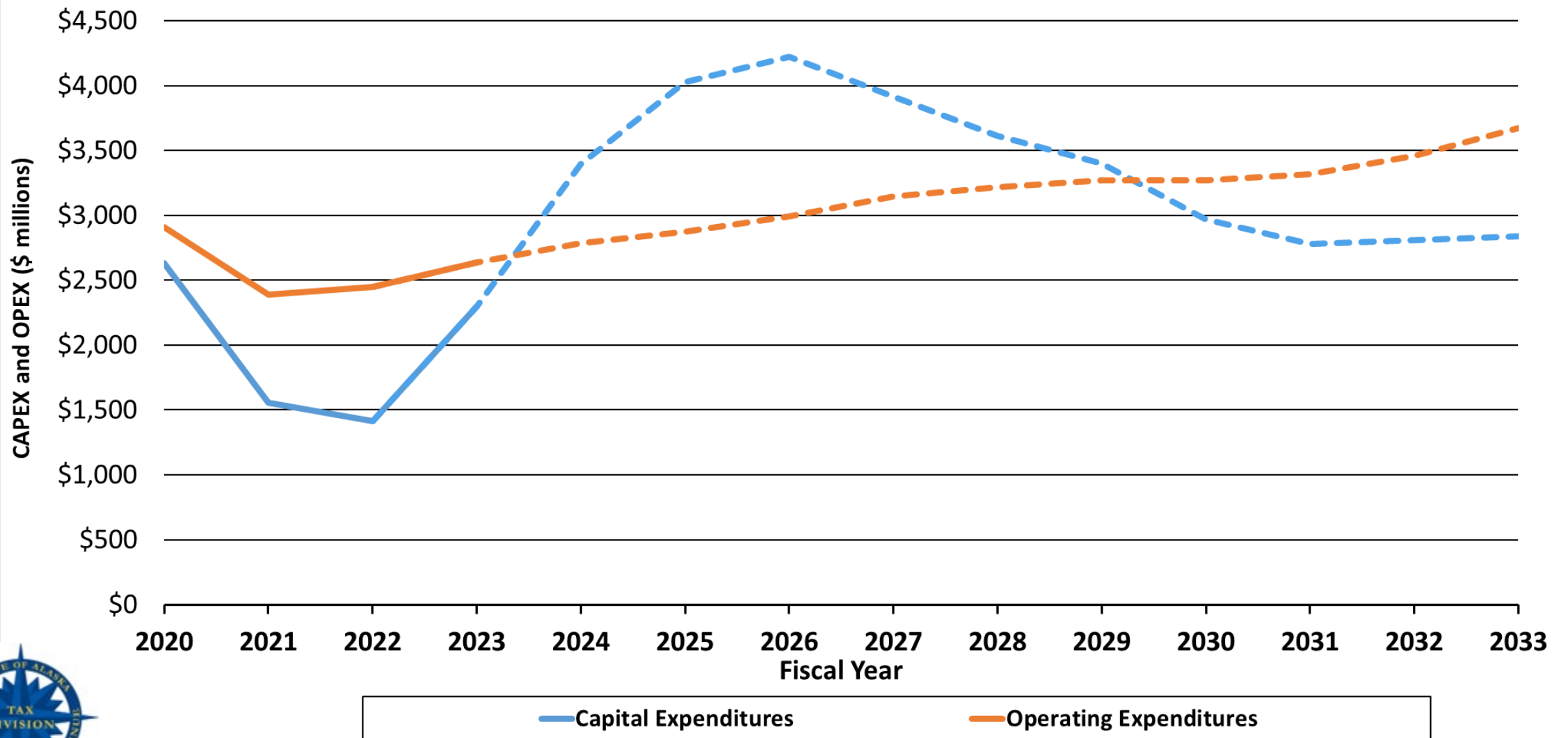


# Petroleum Detail: Changes to North Slope Petroleum Production Forecast

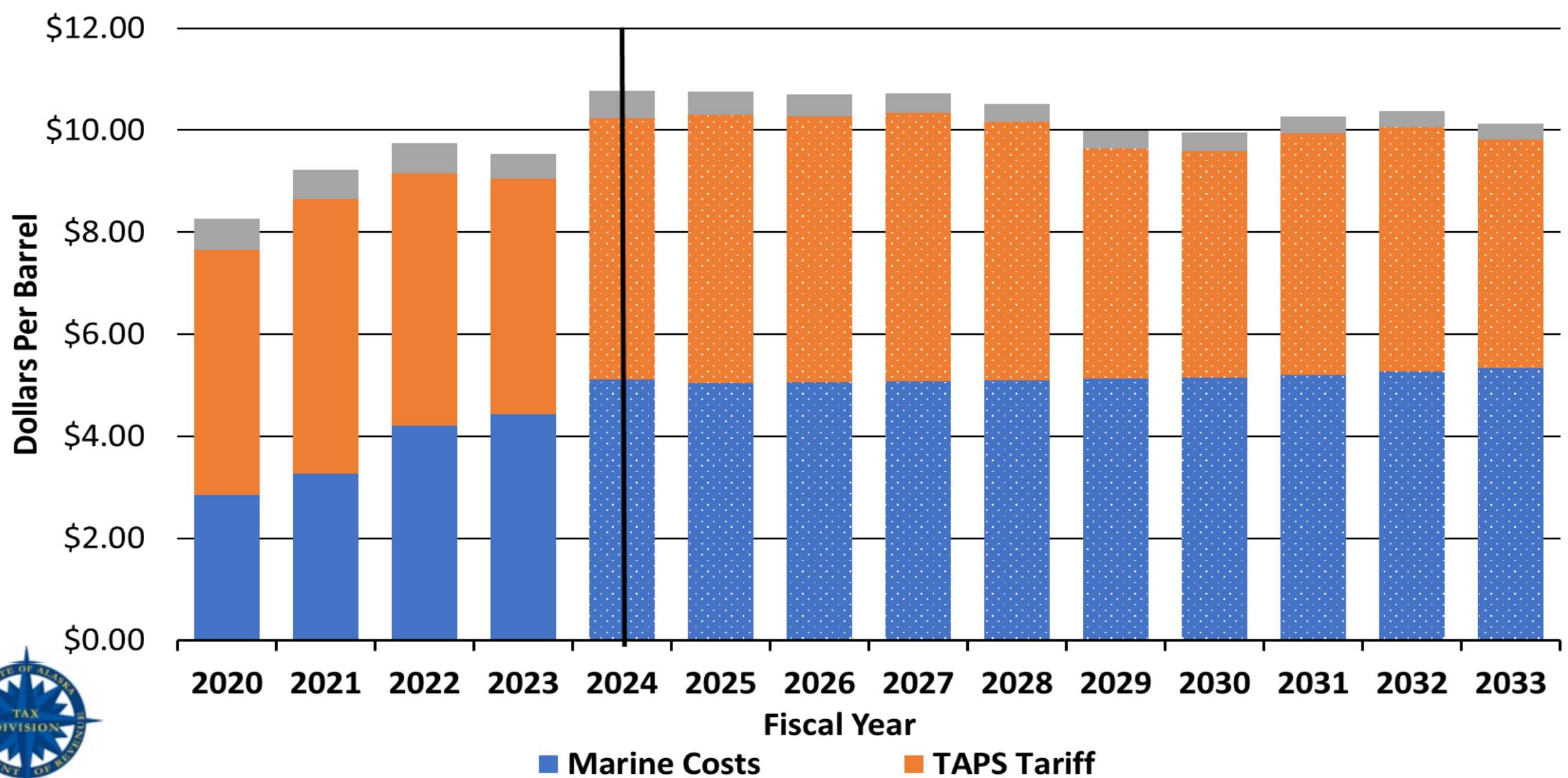


Note: The North Slope Petroleum Production Forecast chart depicts the annualized average production for North Slope oil.

## Petroleum Detail: North Slope Allowable Lease Expenditures

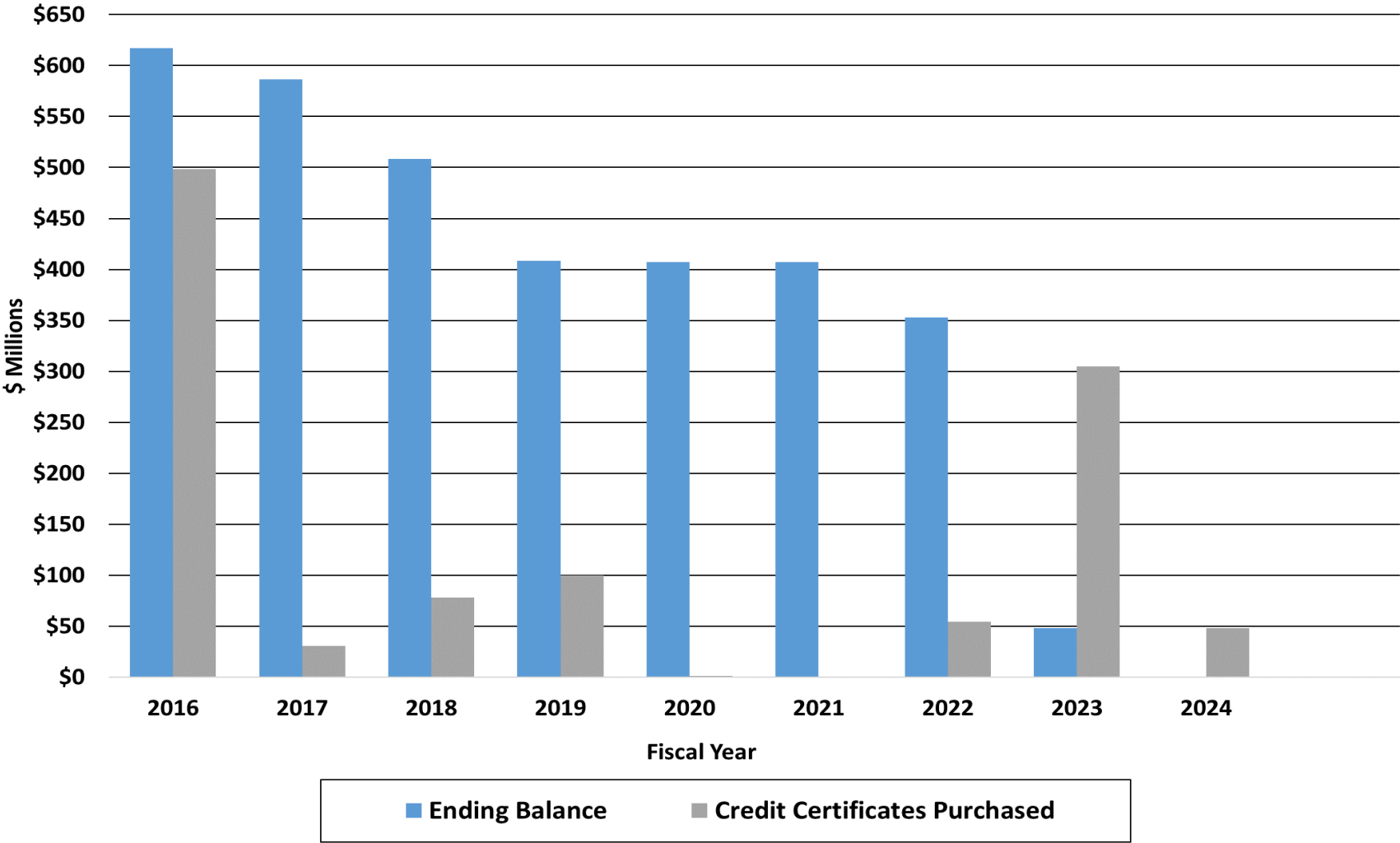


## Petroleum Detail: North Slope Transportation Costs



# 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

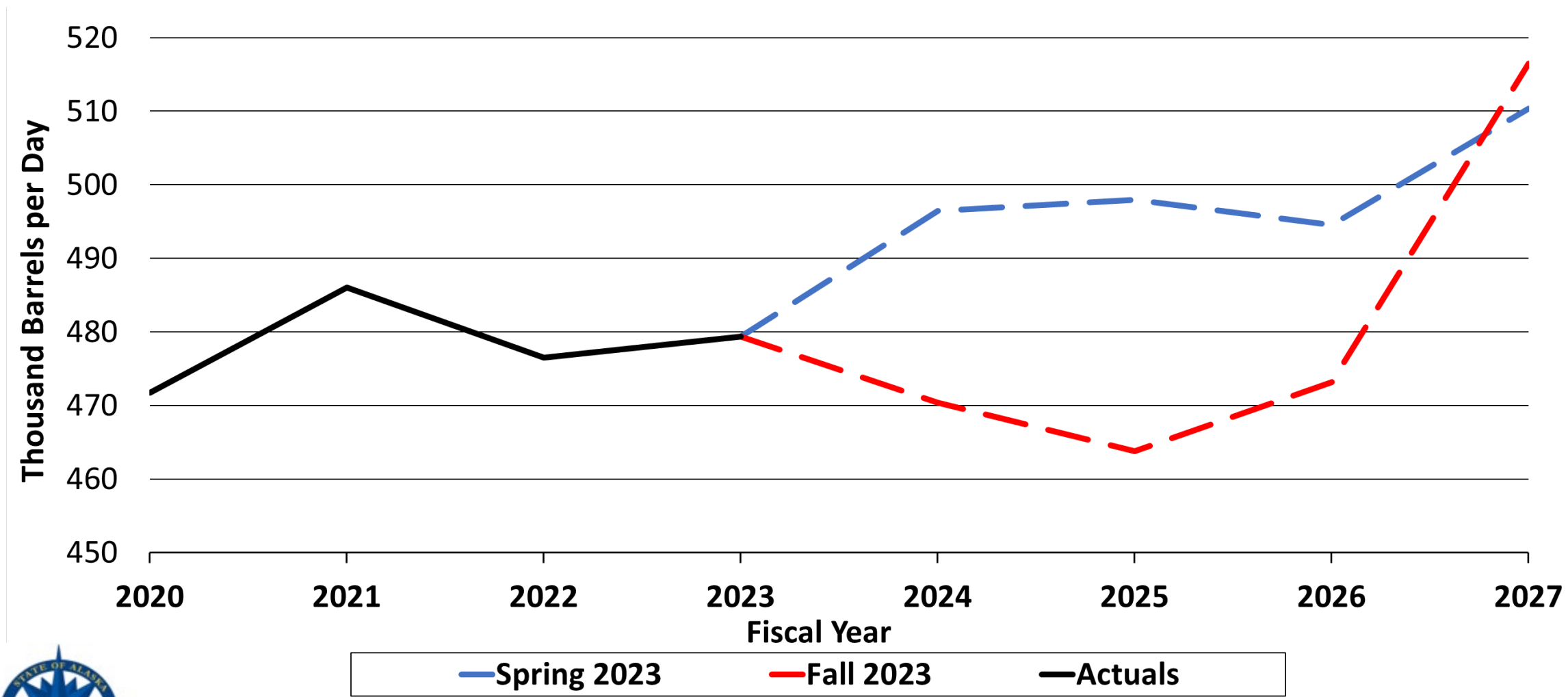
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# State Petroleum Revenue by Land Type

Land Lease Status	Revenue Component			
	Production Tax / Credits	Royalty	Corporate Income Tax	Property Tax
<b>Offshore beyond 6 miles Federal OCS</b>	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
<b>Offshore 3-6 miles Federal OCS 8(g) area</b>	Does not apply	Federal royalties applies; 27% shared back to state with no restrictions	Not included in apportionment factor	Does not apply
<b>State Lands</b>	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
<b>NPR-A Federal owned</b>	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
<b>ANWR Federal owned</b>	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
<b>Other Federal Land</b>	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
<b>Private Land (including Alaska Native Corporations)</b>	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

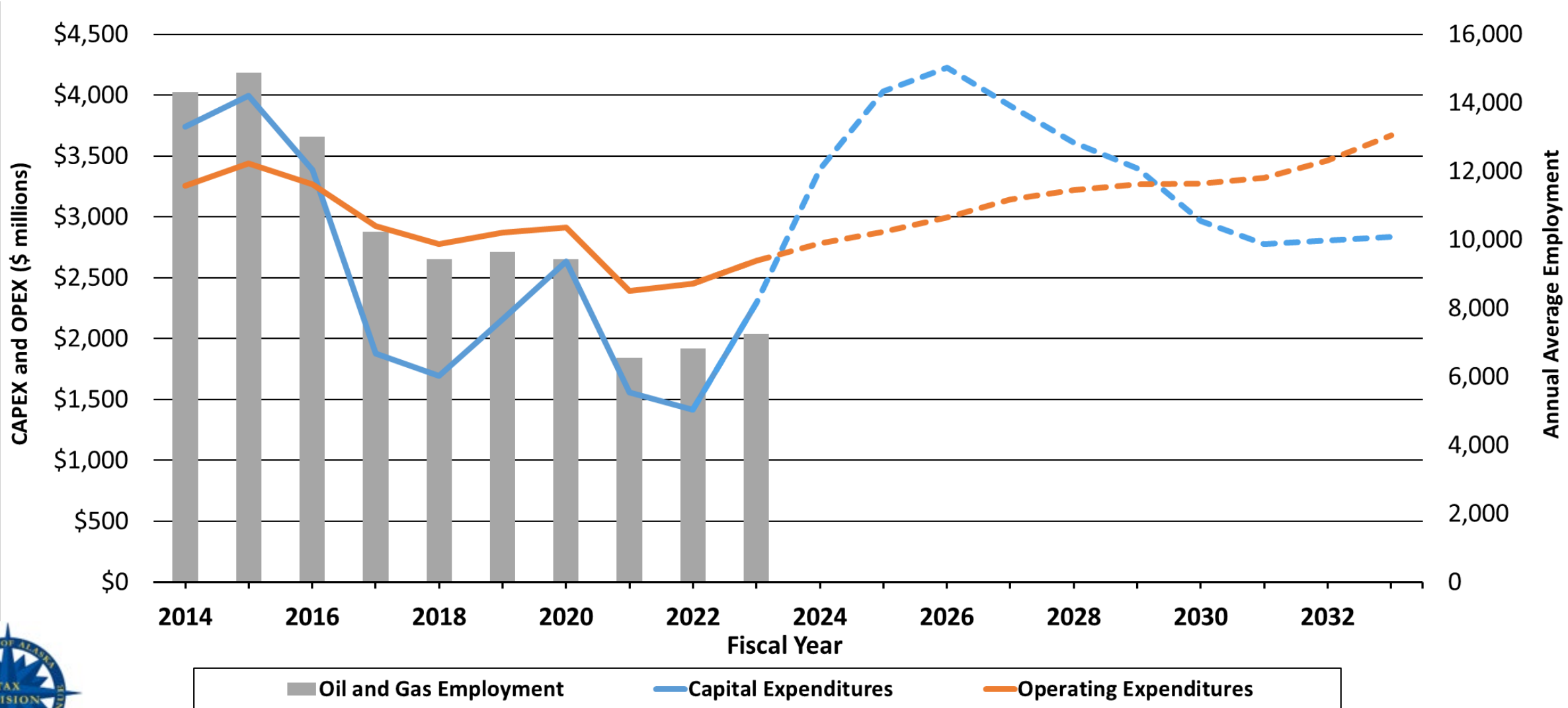


# Petroleum Detail: Changes to North Slope Petroleum Production Forecast



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

