

Spring 2024 Forecast Presentation

House Finance Committee

Department of Revenue

March 14, 2024

Agenda

1. Forecast Background and Key Assumptions
2. Spring 2024 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: Spring Revenue Forecast

- Released March 13, 2024
- Historical, current, and estimated future state revenue
- Updates key data from Fall *Revenue Sources Book*
- Official revenue forecast used for final budget process
- Located at tax.alaska.gov



Spring 2024 Revenue Forecast

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

Revised Date: March 08, 2024
Printed or viewed on March 08, 2024

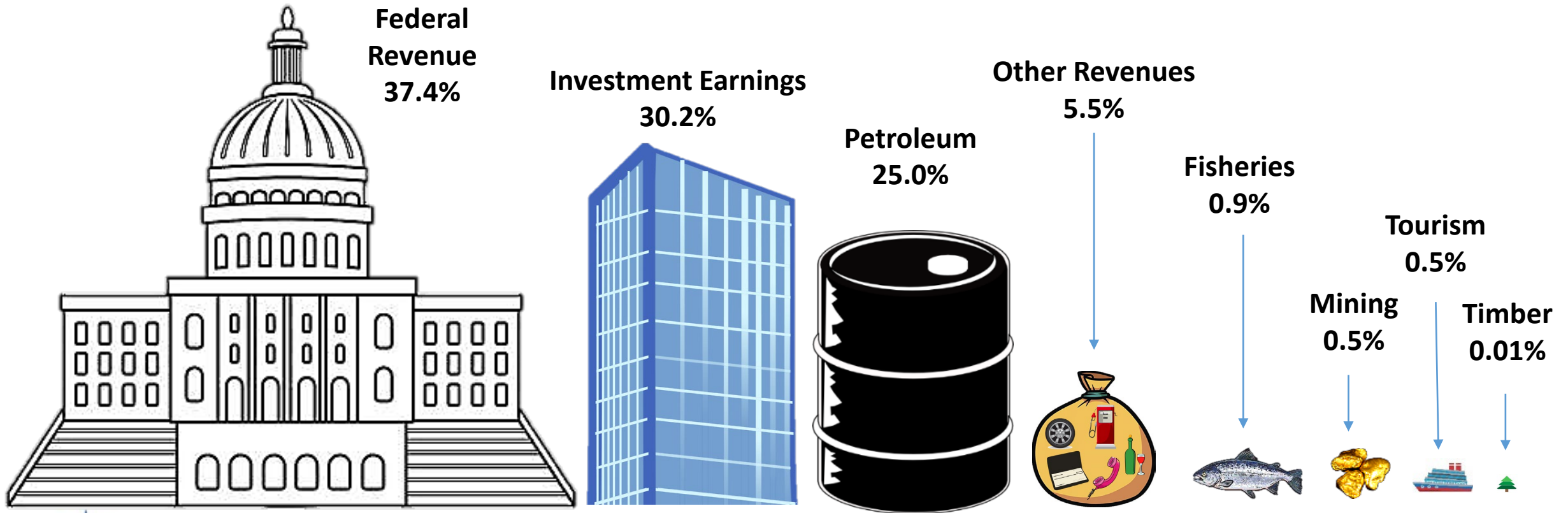
Spring Forecast Assumptions

- 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, 7.40% annualized rate for remainder of FY 2024 and 7.60% for FY 2025+
 - Federal: The forecast incorporates known funding as of March 1, 2024, includes updated estimates of potential Infrastructure Investment and Jobs Act funding
 - Petroleum: Alaska North Slope oil price of \$84.08 per barrel for FY 2024 and \$78.00 per barrel for FY 2025
 - Non-Petroleum: Continued economic growth. 1.6 million cruise passengers yearly, three-year recovery for fishing industry, minerals prices based on futures markets



Relative Contributions to Total State Revenue: FY 2023

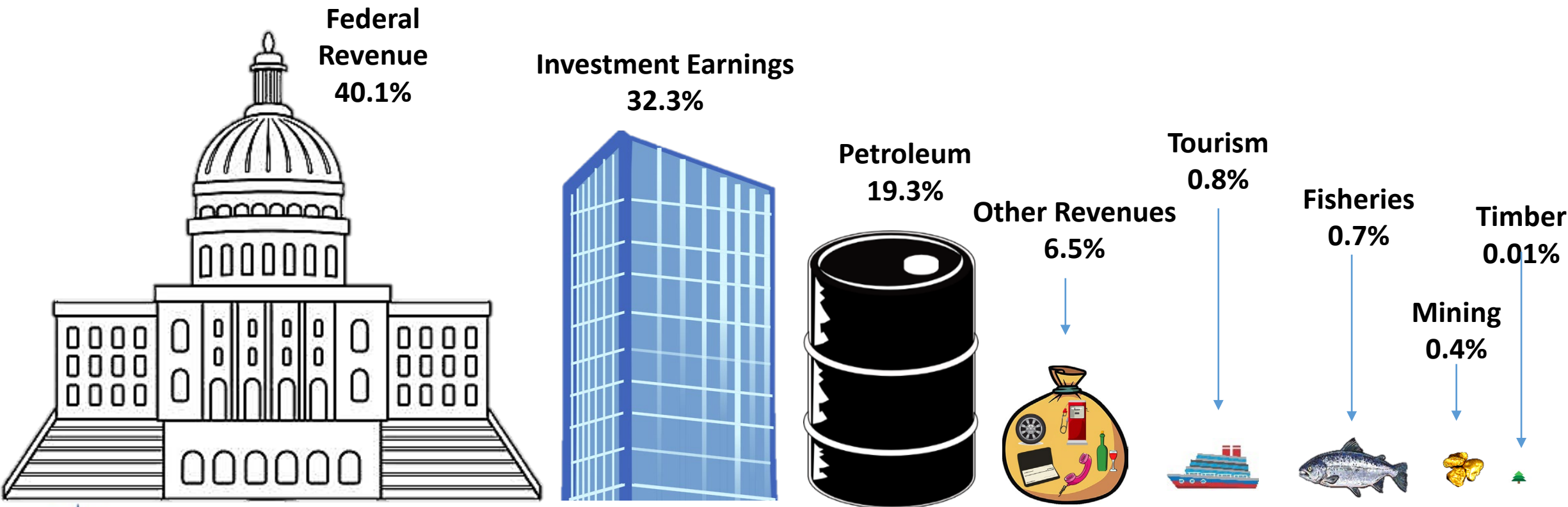
Total State Revenue: \$15.5 Billion



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: \$15.5 Billion



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Spring 2024 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)	Fall 2023 Forecast	\$86.63	\$82.39	\$76.00
	Spring 2024 Forecast	\$86.63	\$84.08	\$78.00
	Change	\$0.00	\$1.69	\$2.00
Permanent Fund Transfer (\$ millions)	Fall 2023 Forecast	3,360.6	3,526.0	3,657.2
	Spring 2024 Forecast	3,360.6	3,526.0	3,657.2
	Change	-	-	-
Unrestricted Revenue, excluding Permanent Fund Transfer (\$ millions)	Fall 2023 Forecast	3,683.4	2,959.5	2,651.2
	Spring 2024 Forecast	3,689.4	3,017.9	2,791.3
	Change	6.0	58.4	140.1
Unrestricted Revenue, including Permanent Fund Transfer (\$ millions)	Fall 2023 Forecast	7,044.0	6,485.5	6,308.4
	Spring 2024 Forecast	7,050.0	6,543.9	6,448.5
	Change	6.0	58.4	140.1



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	FY23 - FY25	FY24 - FY25
Unrestricted General Fund					
Investment Revenue	3,458.3	3,650.6	3,735.1	8.0%	2.3%
Petroleum Revenue	3,119.4	2,432.3	2,196.0	-29.6%	-9.7%
Non-Petroleum Revenue	472.3	461.1	517.4	9.6%	12.2%
Subtotal	7,050.0	6,543.9	6,448.5	-8.5%	-1.5%
Designated General Fund					
Investment Revenue	202.5	164.8	153.1	-24.4%	-7.1%
Petroleum Revenue	103.2	91.4	84.9	-17.7%	-7.0%
Non-Petroleum Revenue	485.3	483.9	499.7	3.0%	3.3%
Subtotal	791.0	740.1	737.7	-6.7%	-0.3%
Other Restricted Revenue					
Investment Revenue	1,007.6	1,181.5	2,097.4	108.2%	77.5%
Petroleum Revenue	608.0	426.9	411.1	-32.4%	-3.7%
Non-Petroleum Revenue	195.2	347.5	348.9	78.7%	0.4%
Subtotal	1,810.8	1,955.8	2,857.4	57.8%	46.1%
Federal Revenue					
Federal Receipts	5,785.3	6,194.2	6,443.0	11.4%	4.0%
Petroleum Revenue	41.5	31.1	29.5	-29.1%	-5.4%
Subtotal	5,826.8	6,225.3	6,472.5	11.1%	4.0%
Total State Revenue	15,478.7	15,465.2	16,516.2	6.7%	6.8%

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	3,650.6	3,735.1
Petroleum Revenue	3,119.4	2,432.3	2,196.0
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Total Unrestricted General Fund	7,050.0	6,543.9	6,448.5



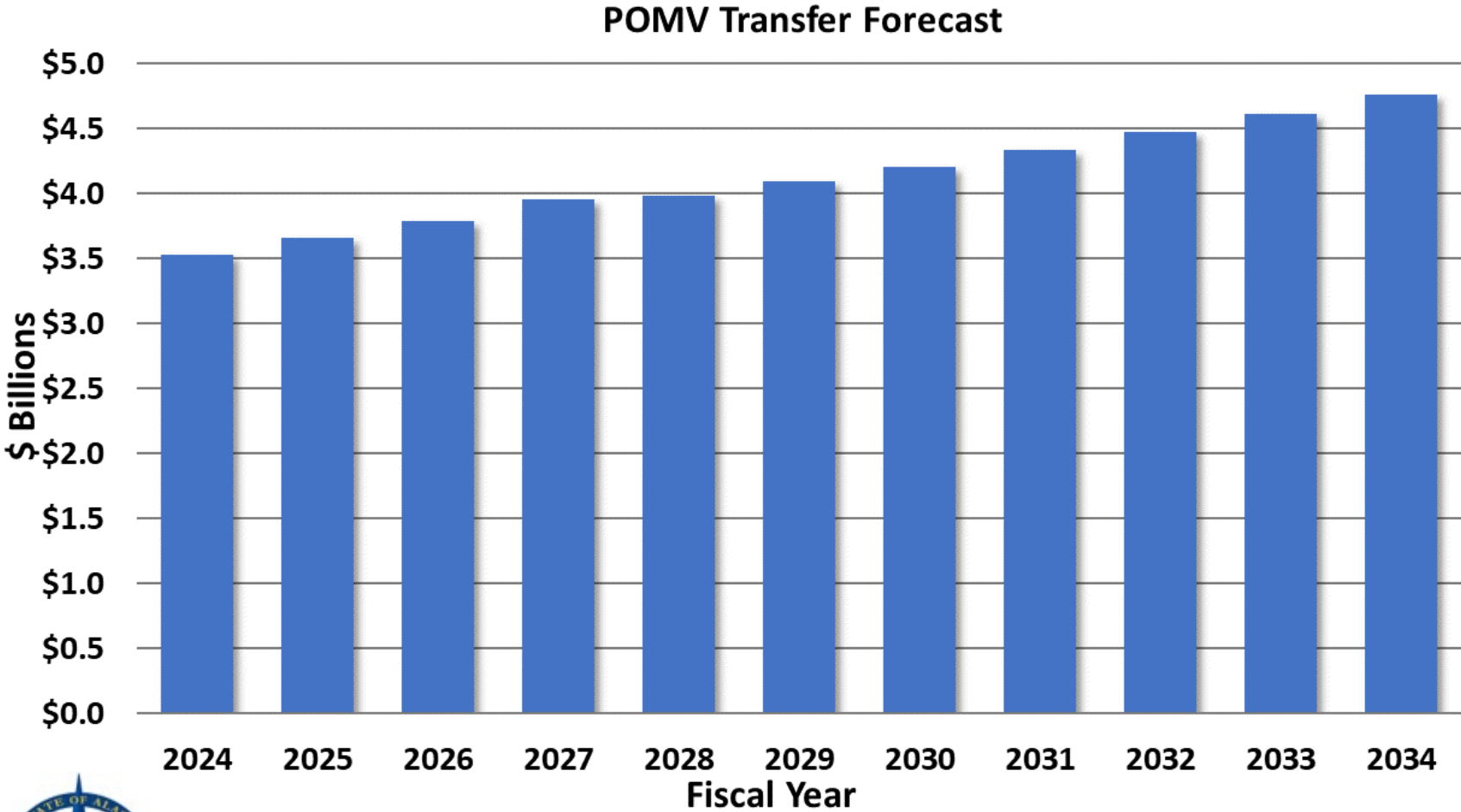
Unrestricted Investment Revenue: FY 2023 to FY 2025 Totals

\$ 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	124.6	77.9
Total Unrestricted Investment Revenue	3,458.3	3,650.6	3,735.1



¹ 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%
- \$77.0 billion fund value as of 1/31/24
- 7.40% return assumption for remainder of FY 2024
- Long-term total return expectation of 7.60% for FY 2025+
- 5% annual POMV transfer



Graph is presented in nominal dollars.

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
Taxes			
Oil and Gas Production Tax	1,490.9	939.9	752.3
Petroleum Corporate Income Tax	312.4	225.0	245.0
Petroleum Property Tax	128.8	133.3	133.2
Subtotal Taxes	1,932.1	1,298.2	1,130.6
Royalties			
Oil and Gas Royalties	1,175.1	1,120.9	1,052.2
Mineral Bonuses, Rents, and Interest	12.3	13.2	13.2
Subtotal Royalties	1,187.4	1,134.1	1,065.4
Total Unrestricted Petroleum Revenue	3,119.4	2,432.3	2,196.0



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

\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2023	FY 2024	FY 2025
Taxes			
Charitable Gaming Taxes	3.0	3.1	3.1
Excise Taxes (alcohol, marijuana, tobacco, etc.)	64.1	61.5	60.7
Fisheries Taxes	29.5	19.9	23.4
Insurance Premium Tax	63.4	64.7	65.4
Large Passenger Vessel Gambling Tax	18.4	25.8	24.5
Mining License Tax	52.5	27.8	31.0
Non-Petroleum Corporate Income Tax	124.4	135.0	160.0
Subtotal Taxes	355.4	337.8	368.0
Other	116.9	123.3	149.4
Total Unrestricted Non-Petroleum Revenue	472.3	461.1	517.4



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

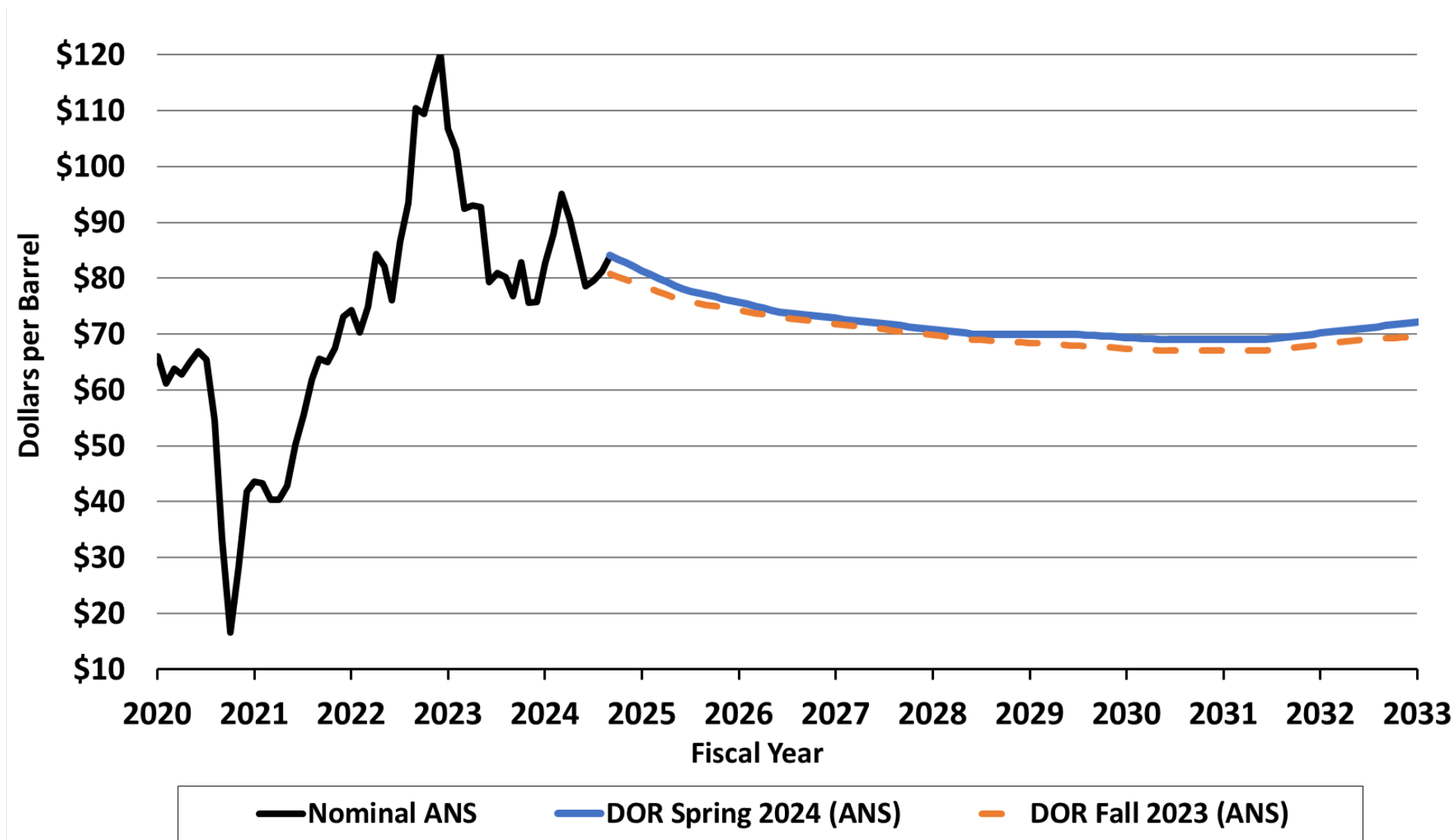
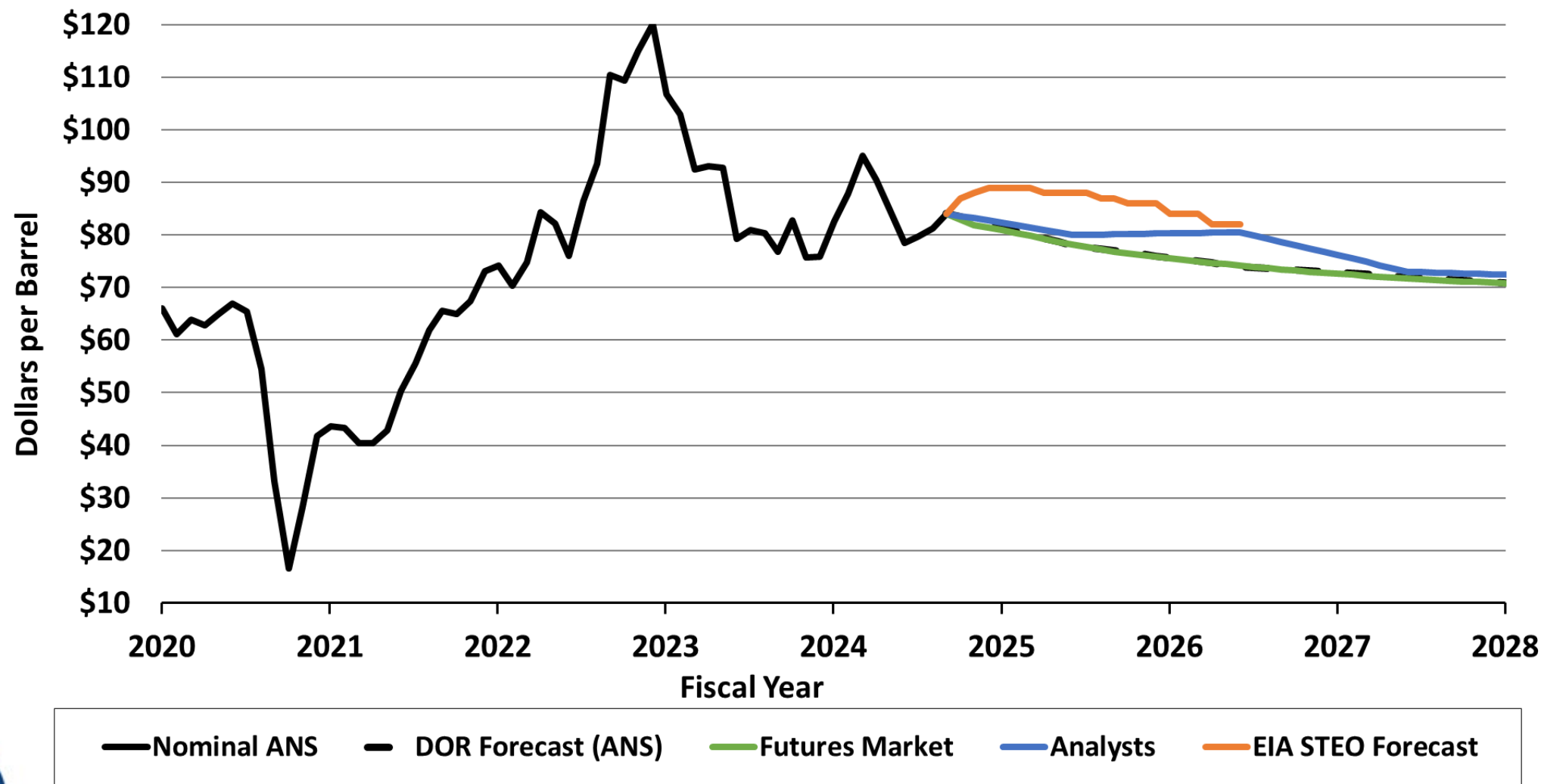


Chart shows monthly average prices.

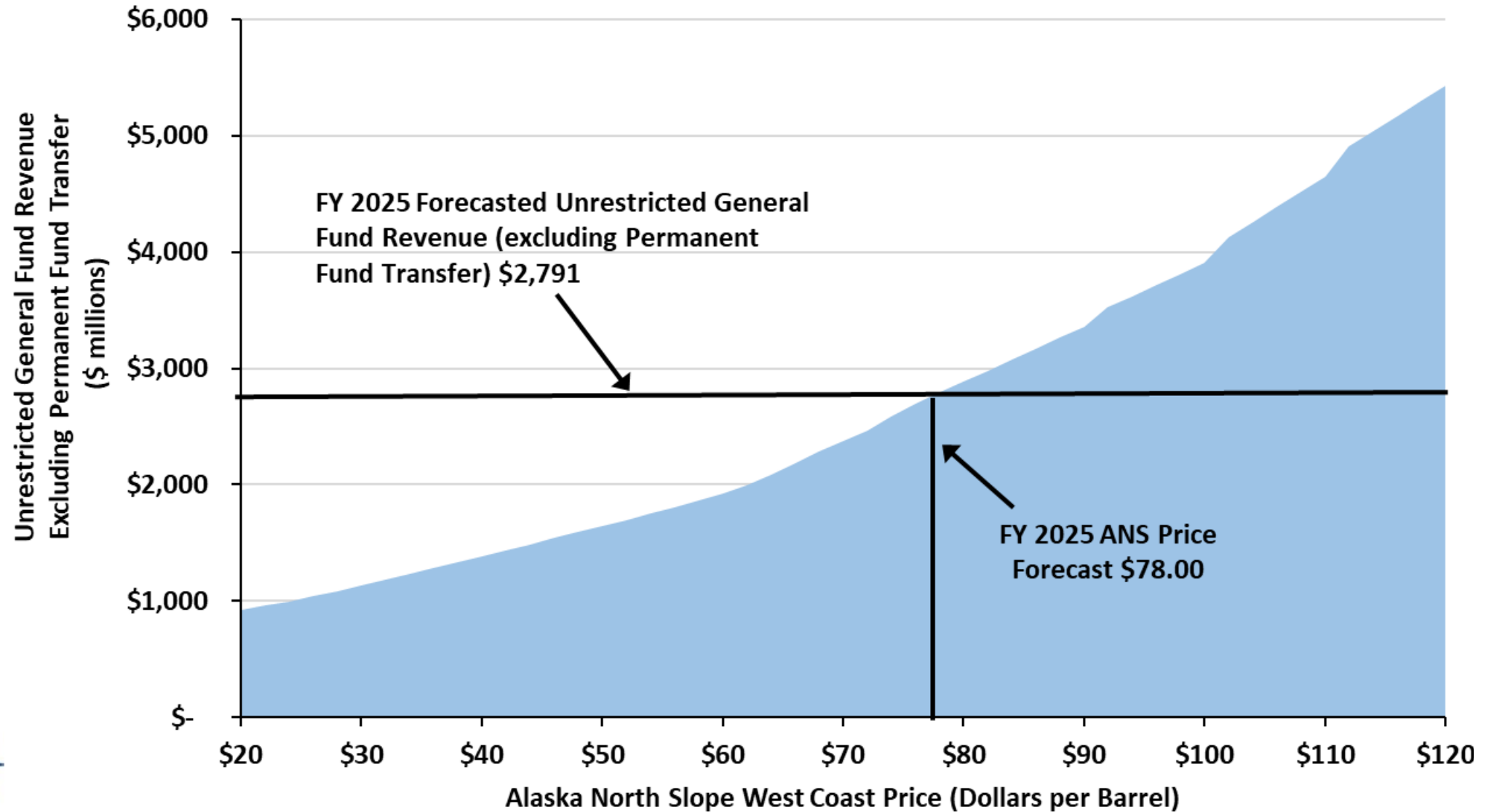
Source: DOR Spring 2024 Revenue Forecast

Petroleum Detail: Nominal Brent Forecasts Comparison as of March 12, 2024

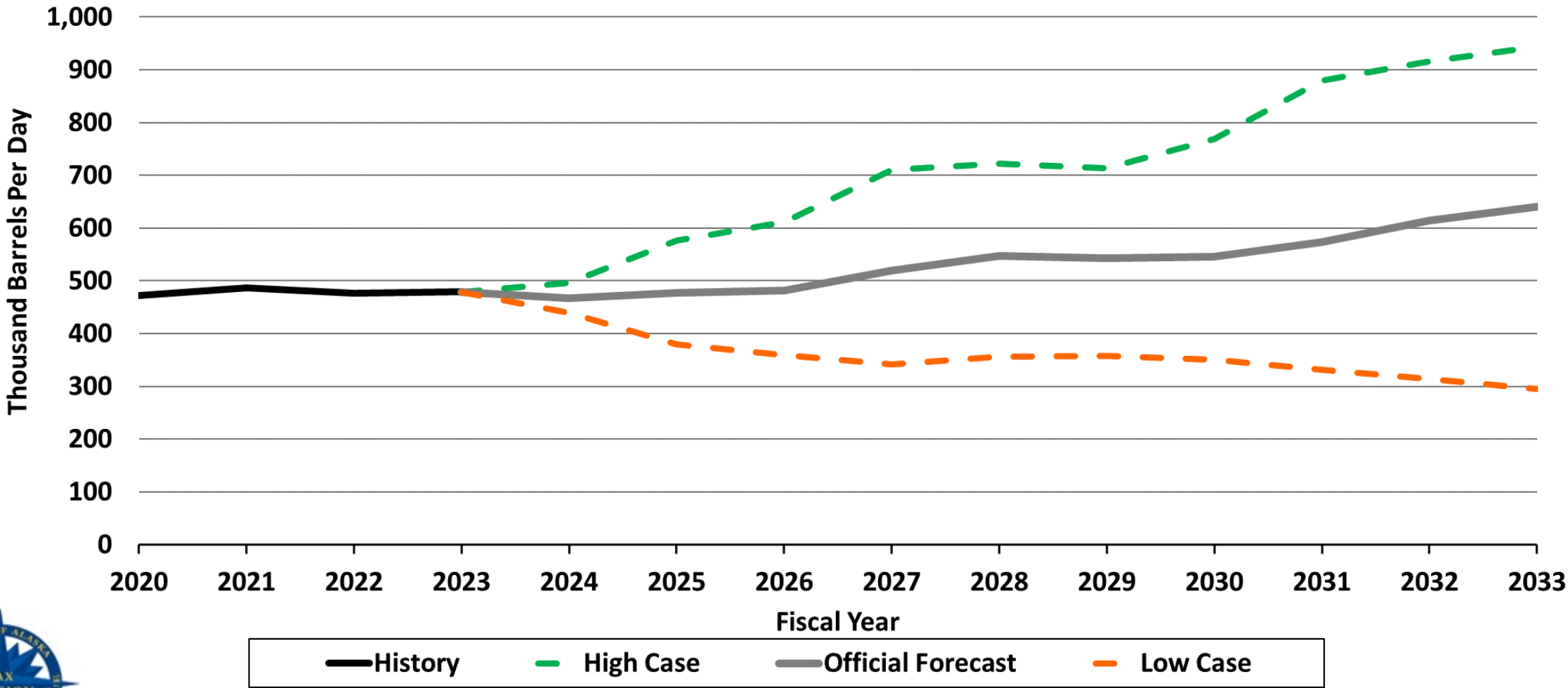


Source: Analyst forecast is the median forecast of 10-38 firms from a Bloomberg survey as of March 12, 2024. Futures prices are from the Chicago Mercantile Exchange (CME) as March 12, 2024. The U.S. Energy Information Administration (EIA) forecast is from their March 2024 Short-Term Energy Outlook (March 12, 2024). Chart shows monthly average prices.

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



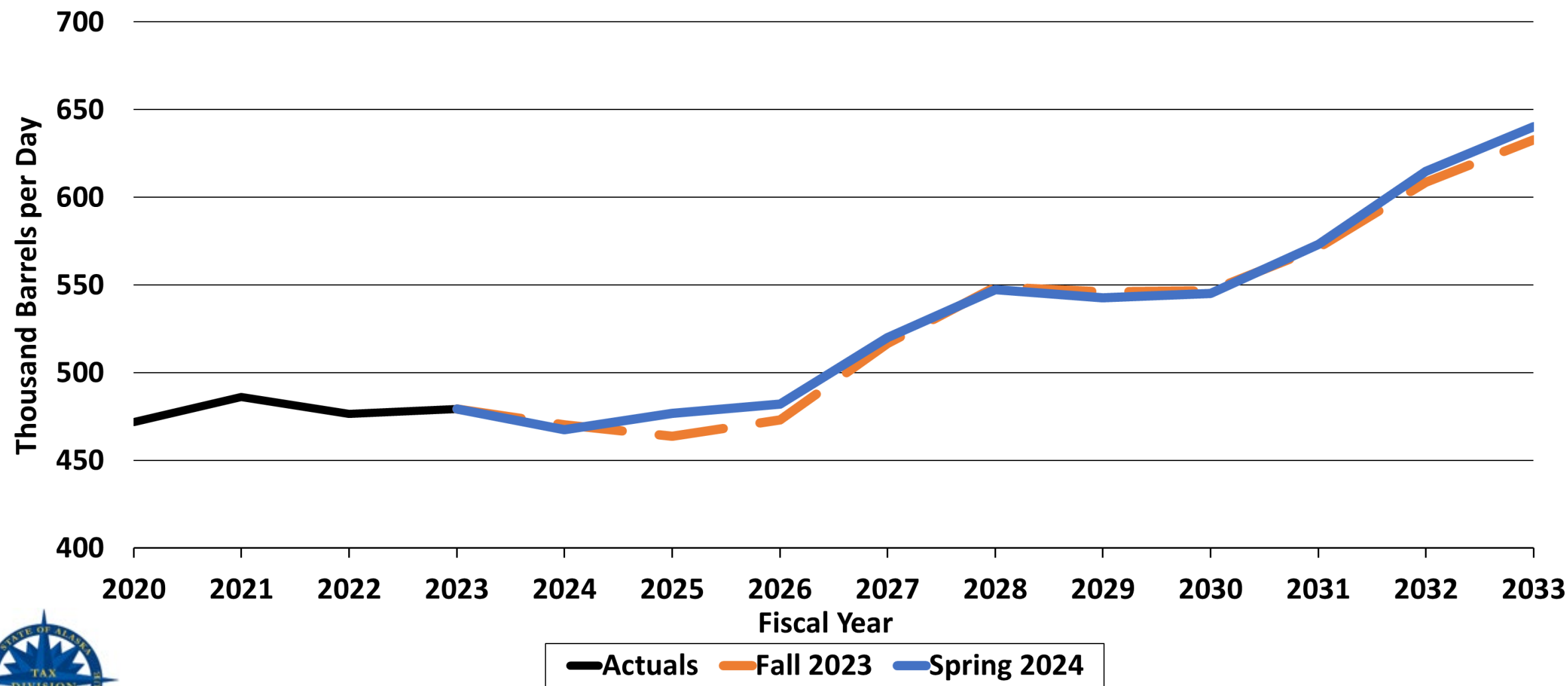
Petroleum Detail: North Slope Petroleum Production Forecast



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

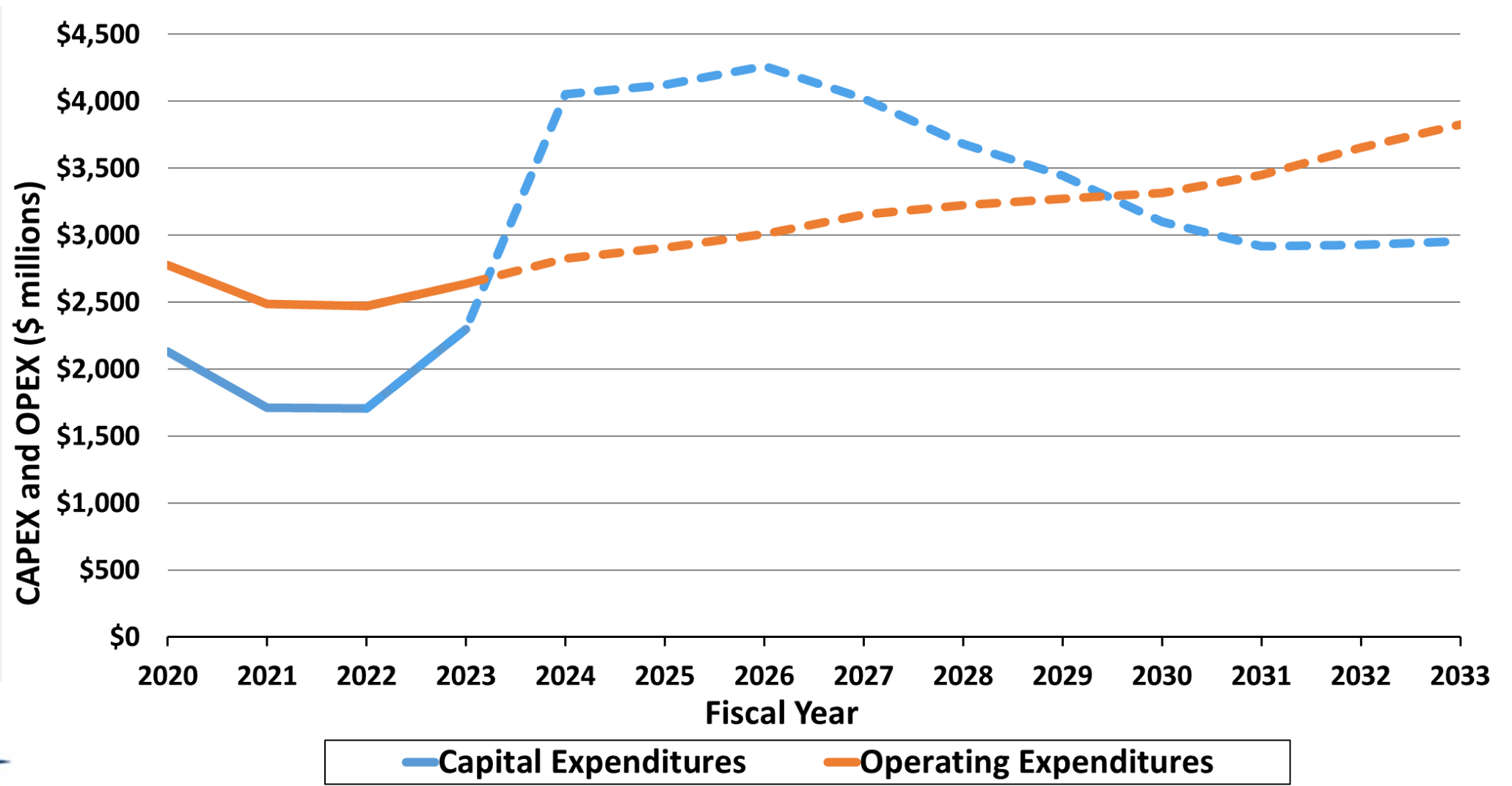


Petroleum Detail: Changes to North Slope Petroleum Production Forecast

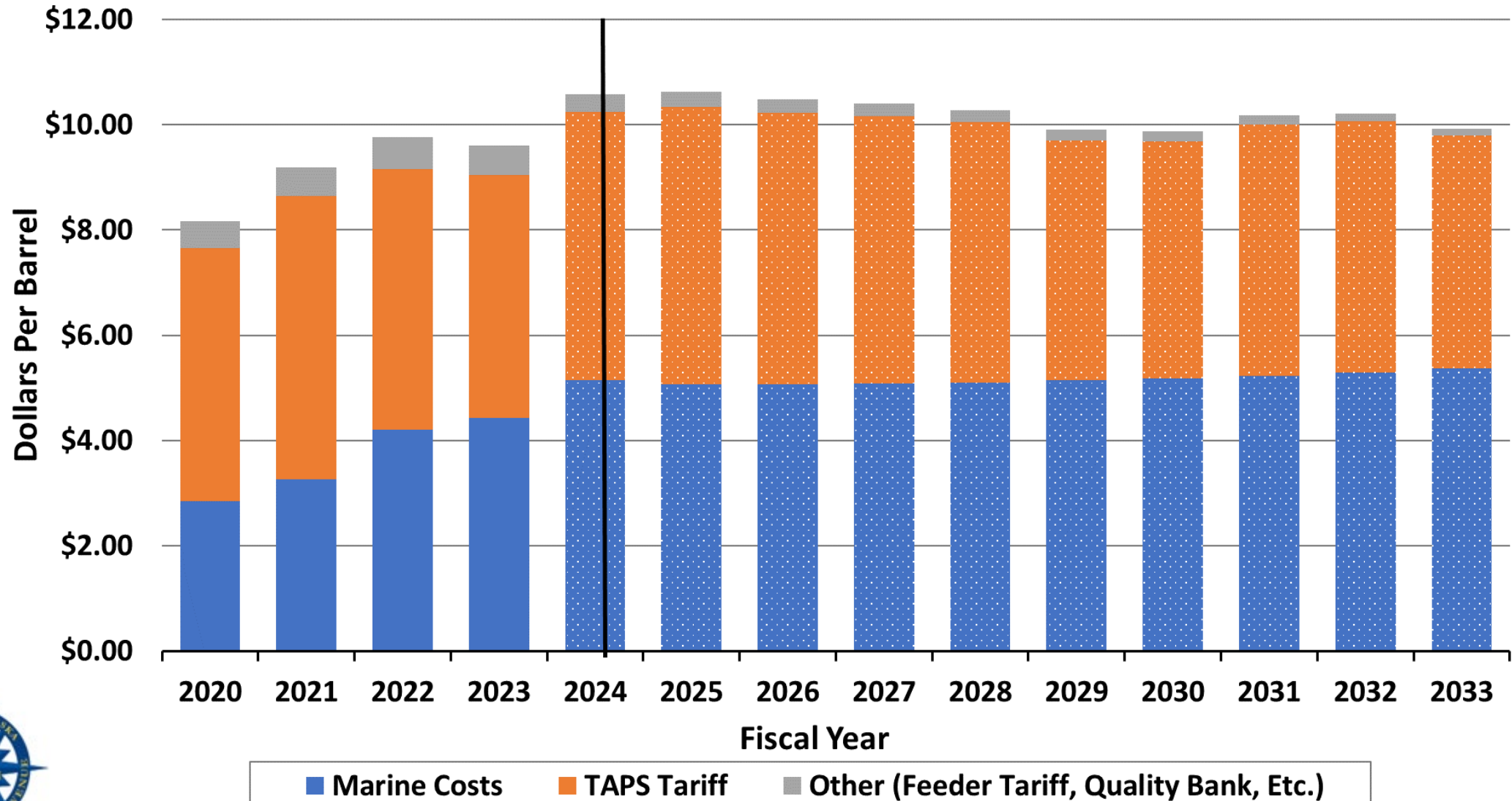


Note: The North Slope Petroleum Production Forecast chart depicts the annualized average production for North Slope oil.

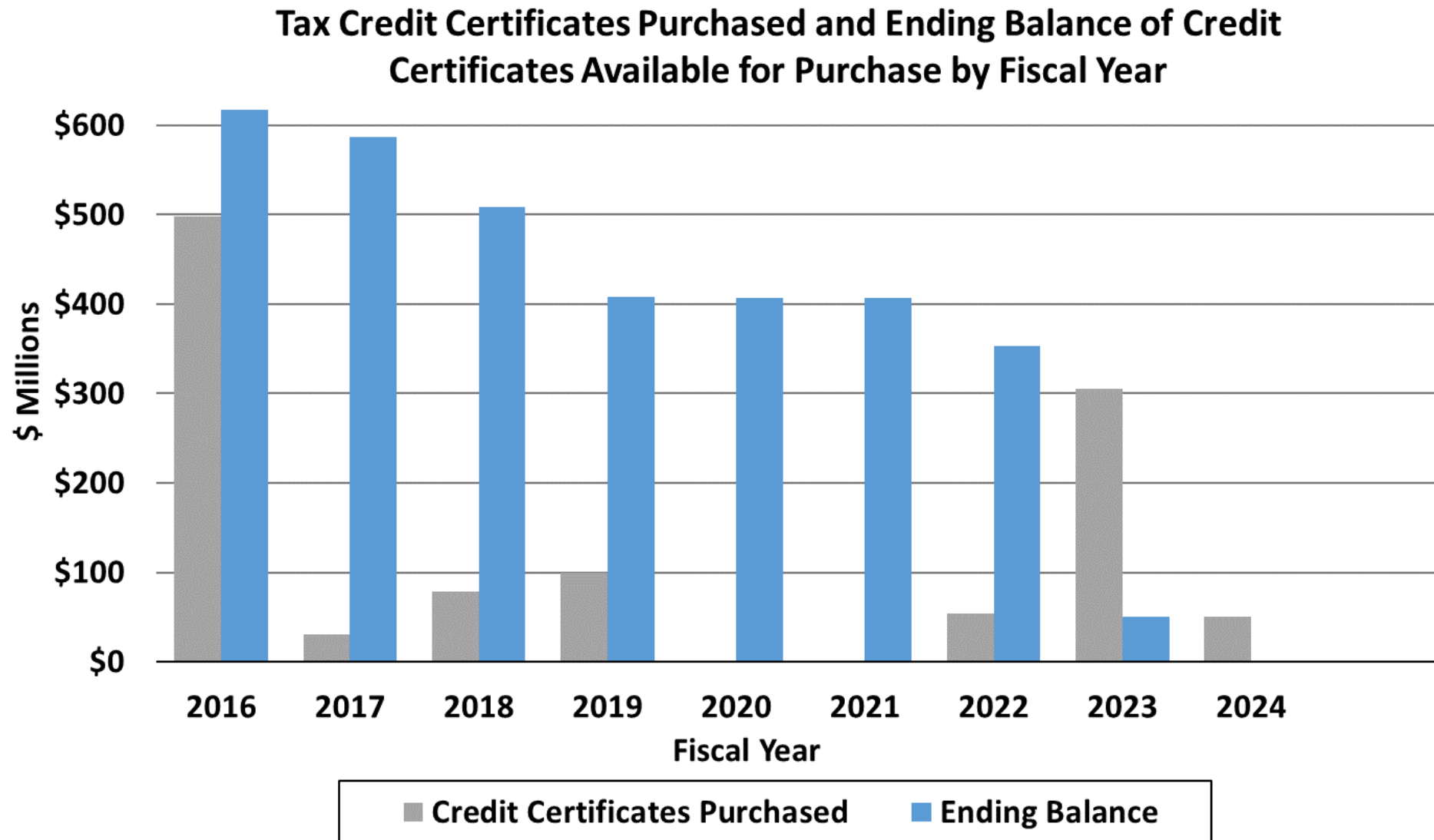
Petroleum Detail: North Slope Allowable Lease Expenditures



Petroleum Detail: North Slope Transportation Costs



Petroleum Detail: Tax Credits for Purchase Detail



THANK YOU

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