

Spring 2023 Forecast Presentation

Senate Finance Committee

Department of Revenue

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Agenda

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



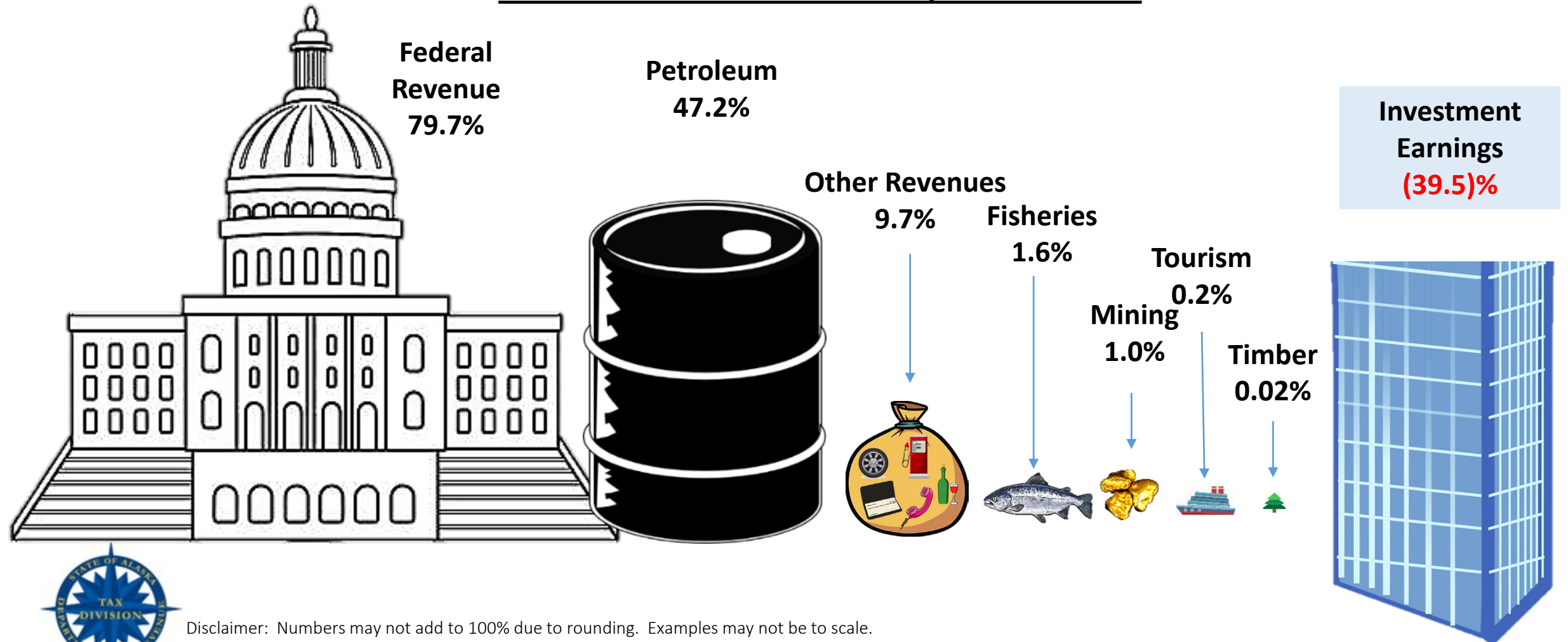
Spring Forecast Assumptions

- 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, 7.00% for FY 2023 and 7.05% for FY 2024+.
 - Federal: The forecast incorporates stimulus funding as of March 1, 2023, includes updated estimates of IJA funding.
 - Petroleum: Alaska North Slope oil price of \$85.25 per barrel for FY 2023 and \$73.00 per barrel for FY 2024.
 - Non-Petroleum: Continued economic growth. 90% of capacity assumption for 2023 cruise season, minerals prices based on futures markets.



Relative Contributions to Total State Revenue: FY 2022

Total State Revenue: \$8.6 Billion



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

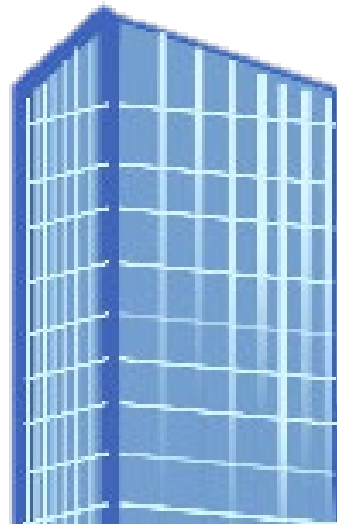
Relative Contributions to Total State Revenue: FY 2023

Total State Revenue: \$16.4 Billion

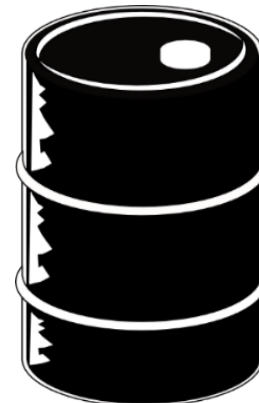
Federal Revenue
37.2%



Investment Earnings
32.4%



Petroleum
23.1%



Other Revenues
5.5%



Fisheries
0.8%



Tourism
0.5%



Timber
0.01%



Mining
0.5%



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

Spring 2023 Revenue Forecast

Unrestricted Revenue Forecast: FY 2022 and Changes to Two-Year Outlook

		History	Forecast	
		FY 2022	FY 2023	FY 2024
ANS Oil Price (Nominal \$/bbl)	Fall 2022 Forecast	\$91.41	\$88.45	\$81.00
	Spring 2023 Forecast	\$91.41	\$85.25	\$73.00
	Change	\$0.00	(\$3.20)	(\$8.00)
Permanent Fund Transfer (\$ millions)	Fall 2022 Forecast	3,069.3	3,360.6	3,526.1
	Spring 2023 Forecast	3,069.3	3,360.6	3,526.1
	Change	0.0	0.0	0.0
Unrestricted Revenue, excluding Permanent Fund Transfer (\$ millions)	Fall 2022 Forecast	3,869.9	3,865.2	3,410.1
	Spring 2023 Forecast	3,869.9	3,618.9	2,731.2
	Change	0.0	(246.3)	(678.9)
Unrestricted Revenue, including Permanent Fund Transfer (\$ millions)	Fall 2022 Forecast	6,939.2	7,225.8	6,936.2
	Spring 2023 Forecast	6,939.2	6,979.5	6,257.3
	Change	0.0	(246.3)	(678.9)



ANS = Alaska North Slope

Total Revenue Forecast: FY 2022 to FY 2024 Totals

\$ Millions	History		Forecast		Percent Change	
	FY 2022	FY 2023	FY 2024	FY 2022 to FY 2024	FY 2023 to FY 2024	
Revenue Type						
Unrestricted General Fund						
Investment Revenue - Permanent Fund	3,069.3	3,360.6	3,526.1	14.9%	4.9%	
Investment Revenue - Other Investments	(59.1)	75.1	61.4	203.9%	-18.2%	
Petroleum Revenue	3,480.9	3,085.0	2,204.3	-36.7%	-28.5%	
Non-Petroleum Revenue	448.1	458.8	465.4	3.9%	1.4%	
Subtotal	6,939.2	6,979.5	6,257.3	-9.8%	-10.3%	
Designated General Fund						
Investment Revenue	(256.9)	123.9	116.4	145.3%	-6.1%	
Petroleum Revenue	97.6	92.1	72.8	-25.5%	-21.0%	
Non-Petroleum Revenue	476.7	476.7	502.2	5.4%	5.4%	
Subtotal	317.4	692.6	691.4	117.8%	-0.2%	
Other Restricted Revenue						
Investment Revenue	(6,165.2)	1,767.7	1,799.6	129.2%	1.8%	
Petroleum Revenue	479.1	591.3	399.9	-16.5%	-32.4%	
Non-Petroleum Revenue	166.3	268.9	275.2	65.5%	2.3%	
Subtotal	(5,519.8)	2,628.0	2,474.7	144.8%	-5.8%	
Federal Revenue						
Federal Receipts	6,895.1	6,113.7	5,433.7	-21.2%	-11.1%	
Petroleum Revenue	16.7	31.0	46.9	180.4%	51.2%	
Subtotal	6,911.8	6,144.7	5,480.6	-20.7%	-10.8%	
Total State Revenue	8,648.6	16,444.8	14,904.0	72.3%	-9.4%	



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 2022 to FY 2024 Totals

\$ Millions	History	Forecast	
	FY 2022	FY 2023	FY 2024
Unrestricted General Fund			
Investment Revenue	3,010.2	3,435.7	3,587.5
Petroleum Revenue	3,480.9	3,085.0	2,204.3
Non-Petroleum Revenue	448.1	458.8	465.4
Total Unrestricted General Fund	6,939.2	6,979.5	6,257.3



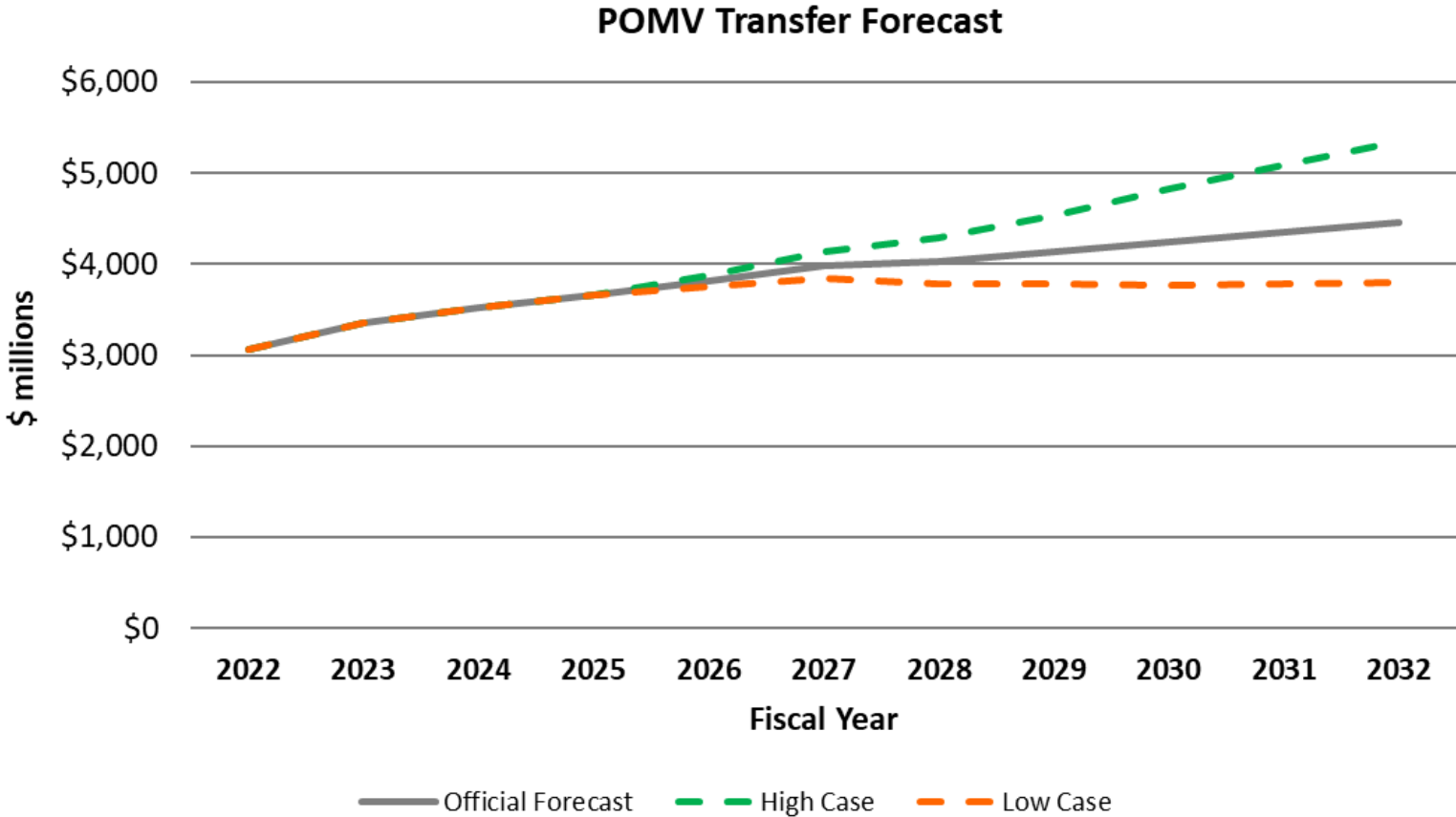
Unrestricted Investment Revenue: FY 2022 to FY 2024 Totals

\$ Millions	History	Forecast	
	FY 2022	FY 2023	FY 2024
Unrestricted General Fund Revenue			
Investment Revenue			
Permanent Fund ¹	3,069.3	3,360.6	3,526.1
Investments	(59.1)	75.1	61.4
Total Unrestricted Investment Revenue	3,010.2	3,435.7	3,587.5



¹ Percent of Market Value (POMV) Transfer

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



- Permanent Fund total return for FY 2022 of -1.32%.
- 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 7.05% for FY 2024+; 7.00% for FY 2023.
- Differing Permanent Fund returns and petroleum deposits could significantly alter actual POMV amounts.



POMV = Percent of Market Value

Unrestricted Petroleum Revenue: FY 2022 to FY 2024 Totals

\$ Millions	History	Forecast	
	FY 2022	FY 2023	FY 2024
Unrestricted General Fund Revenue			
Taxes			
Petroleum Property Tax	122.4	127.3	125.4
Petroleum Corporate Income Tax	297.5	270.0	300.0
Oil and Gas Production Tax	1,801.6	1,468.0	733.7
Subtotal Taxes	2,221.5	1,865.3	1,159.2
Royalties			
Mineral Bonuses and Rents	12.6	13.7	15.4
Oil and Gas Royalties	1,257.2	1,205.1	1,029.8
Interest	(10.5)	1.0	-
Subtotal Royalties	1,259.3	1,219.8	1,045.2
Total Unrestricted Petroleum Revenue	3,480.9	3,085.0	2,204.3



Unrestricted Non-Petroleum Revenue: FY 2022 to FY 2024 Totals

\$ Millions	History	Forecast	
	FY 2022	FY 2023	FY 2024
Unrestricted General Fund Revenue			
Taxes			
Fisheries Taxes	30.6	26.0	30.2
Insurance Premium Tax	62.5	66.8	68.8
Marijuana	6.8	7.5	8.0
Mining License Tax	53.4	54.6	35.1
Non-Petroleum Corporate Income	112.2	105.0	125.0
Tobacco	33.6	34.4	33.3
Other Taxes	129.4	136.0	146.5
Subtotal Taxes	328.6	329.9	339.9
Other	119.5	128.9	125.5
Total Unrestricted Non-Petroleum Revenue	448.1	458.8	465.4



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

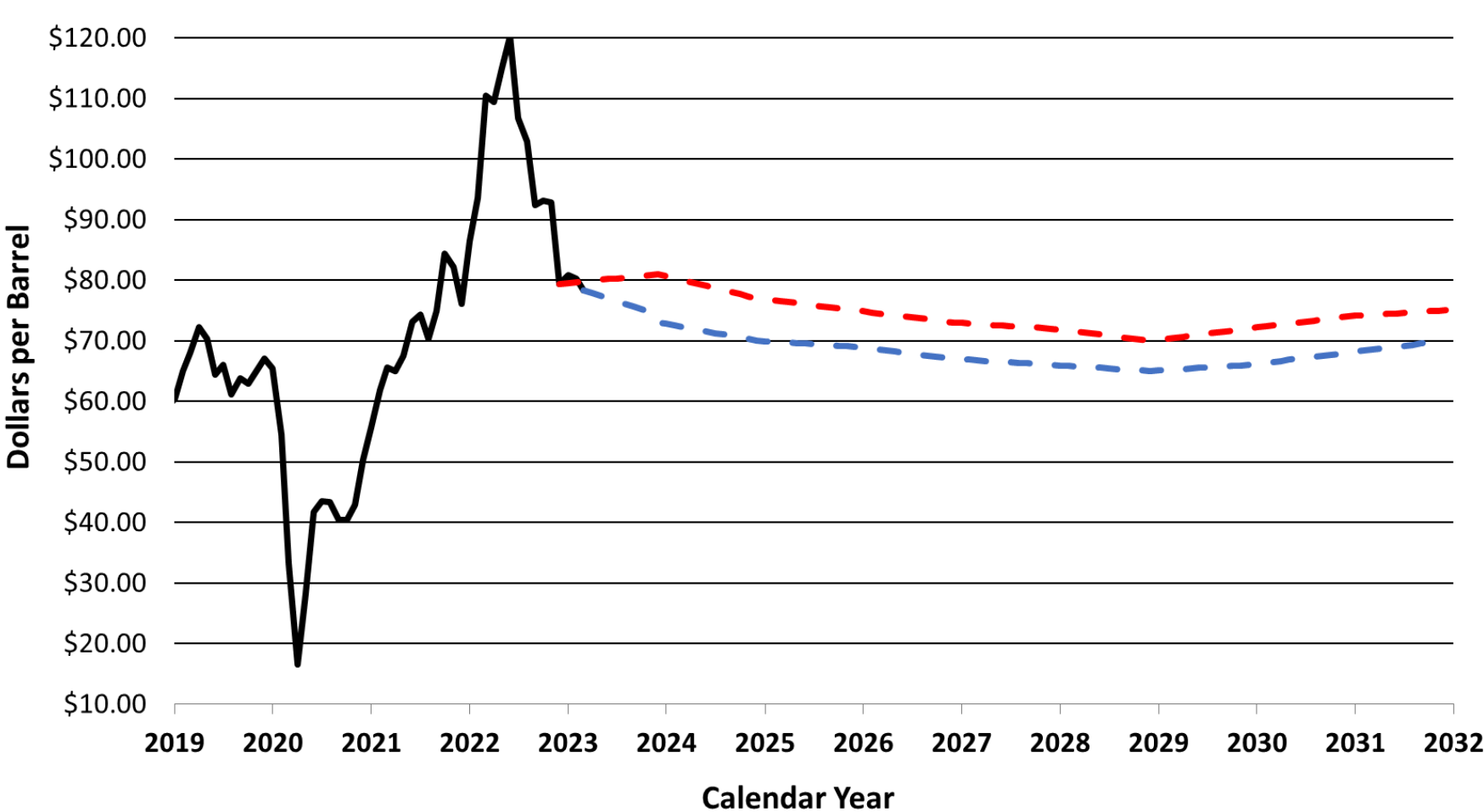
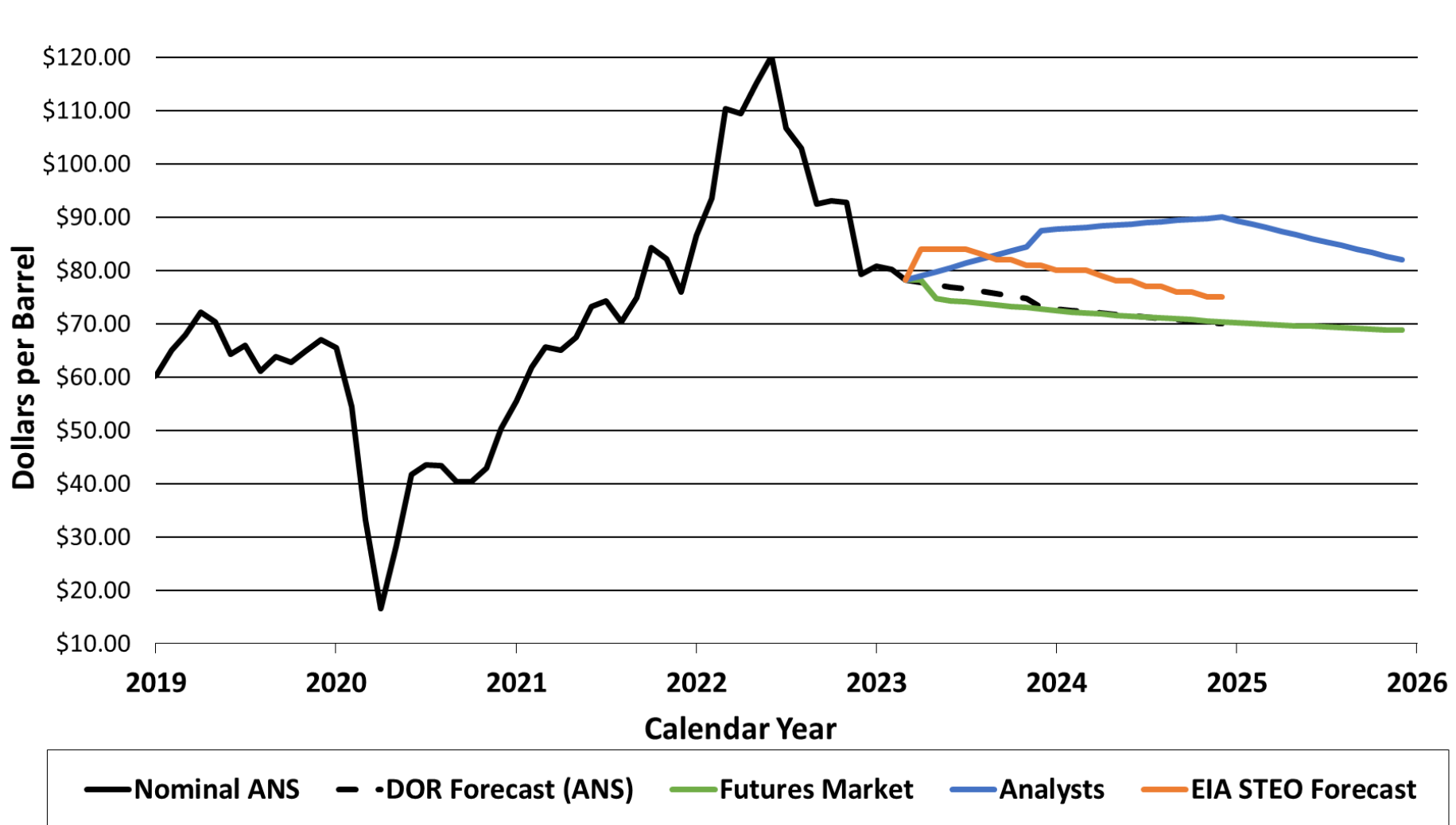


Chart shows monthly average prices.

Source: DOR Spring 2023 Revenue Forecast

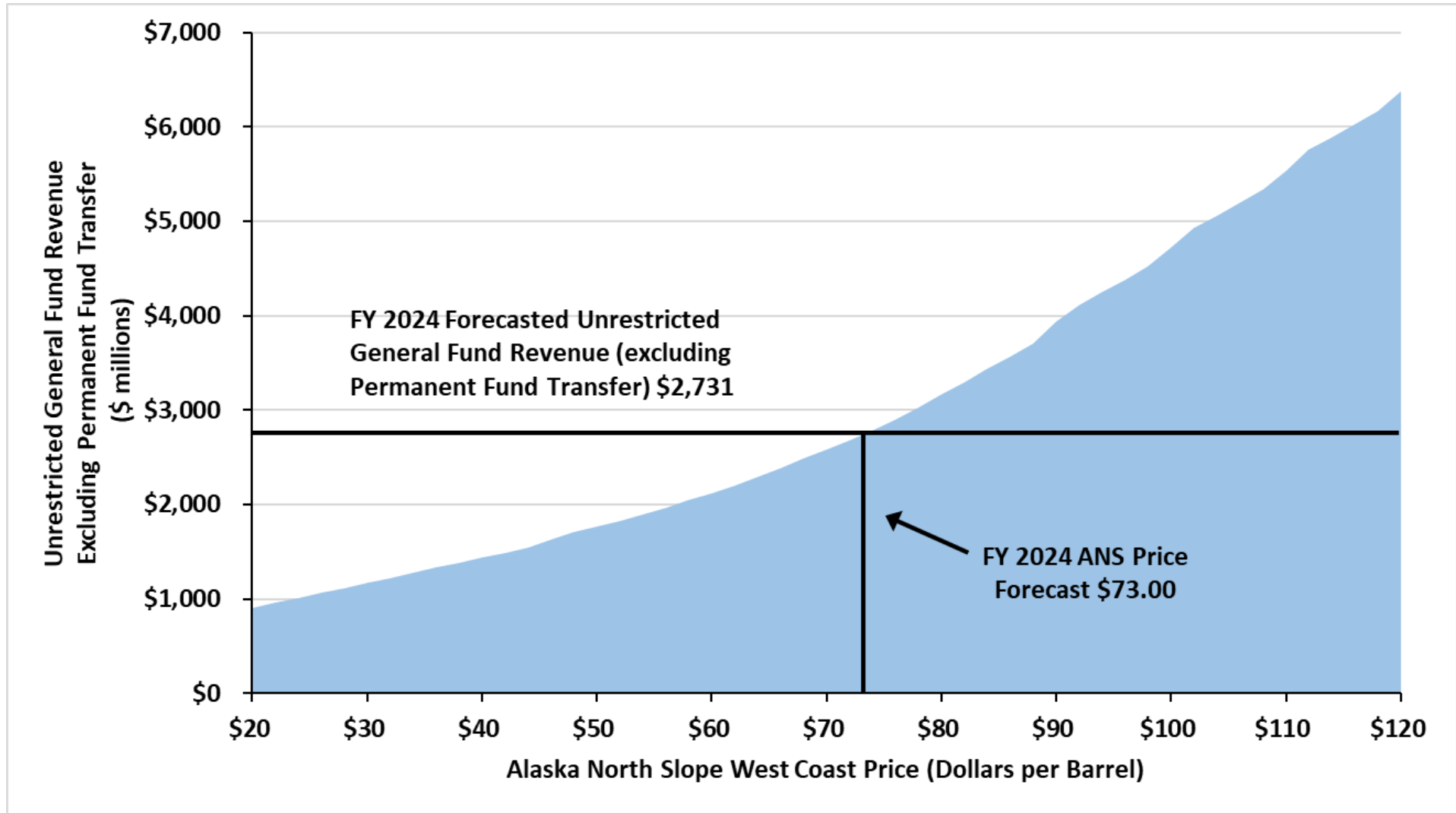
Petroleum Detail: Nominal Brent Forecasts Comparison as of March 17, 2023



Source: Analyst forecast is the median forecast of 10-38 firms from a Bloomberg survey as of March 15, 2023. Futures prices are from the New York Mercantile Exchange (NYMEX) as of March 17, 2023. The U.S. Energy Information Administration (EIA) forecast is from their January 2023 Short-Term Energy Outlook (released March 7, 2023). Chart shows monthly average prices.



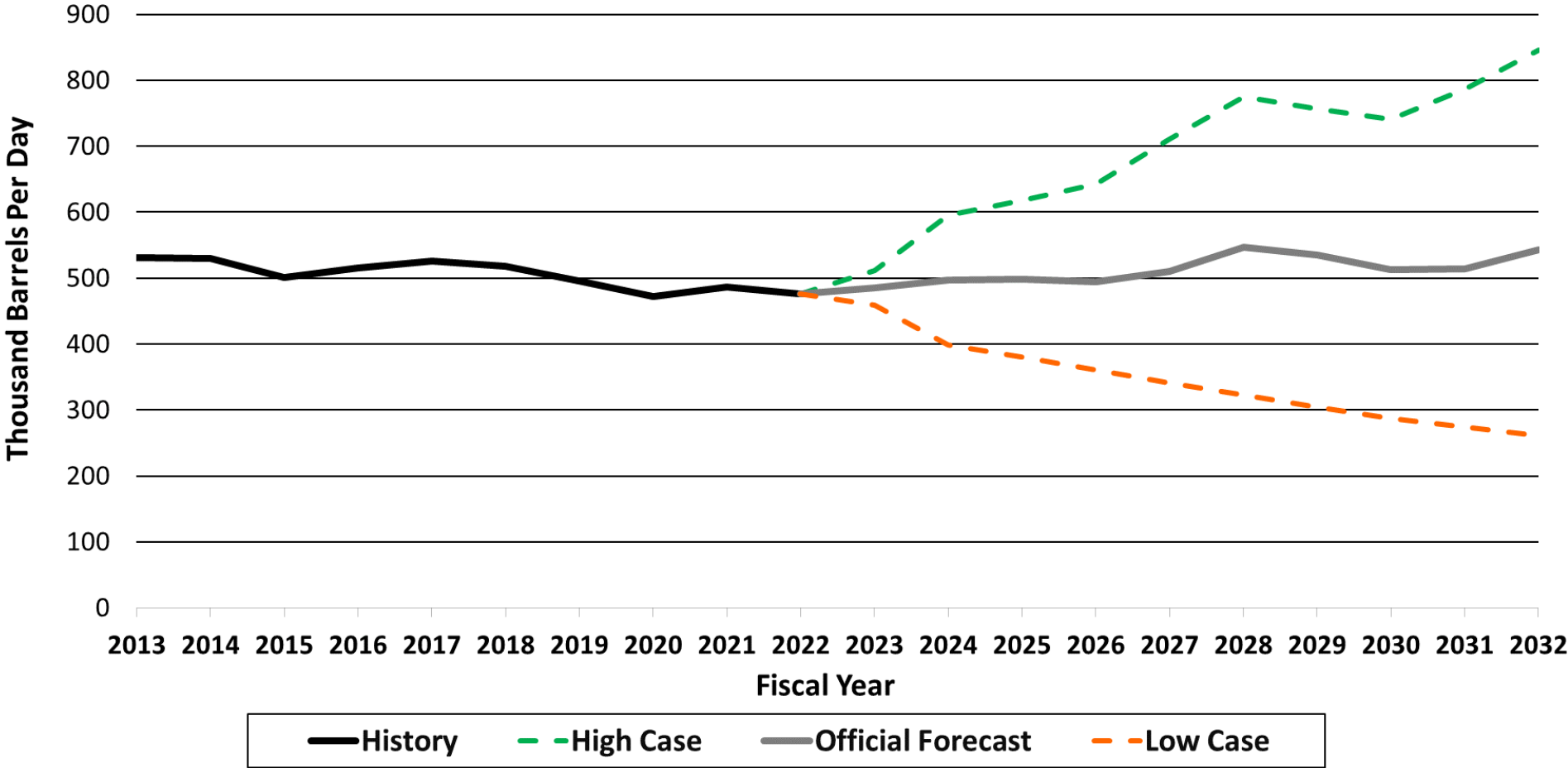
Petroleum Detail: UGF Relative to Price per Barrel (without POMV): FY 2024



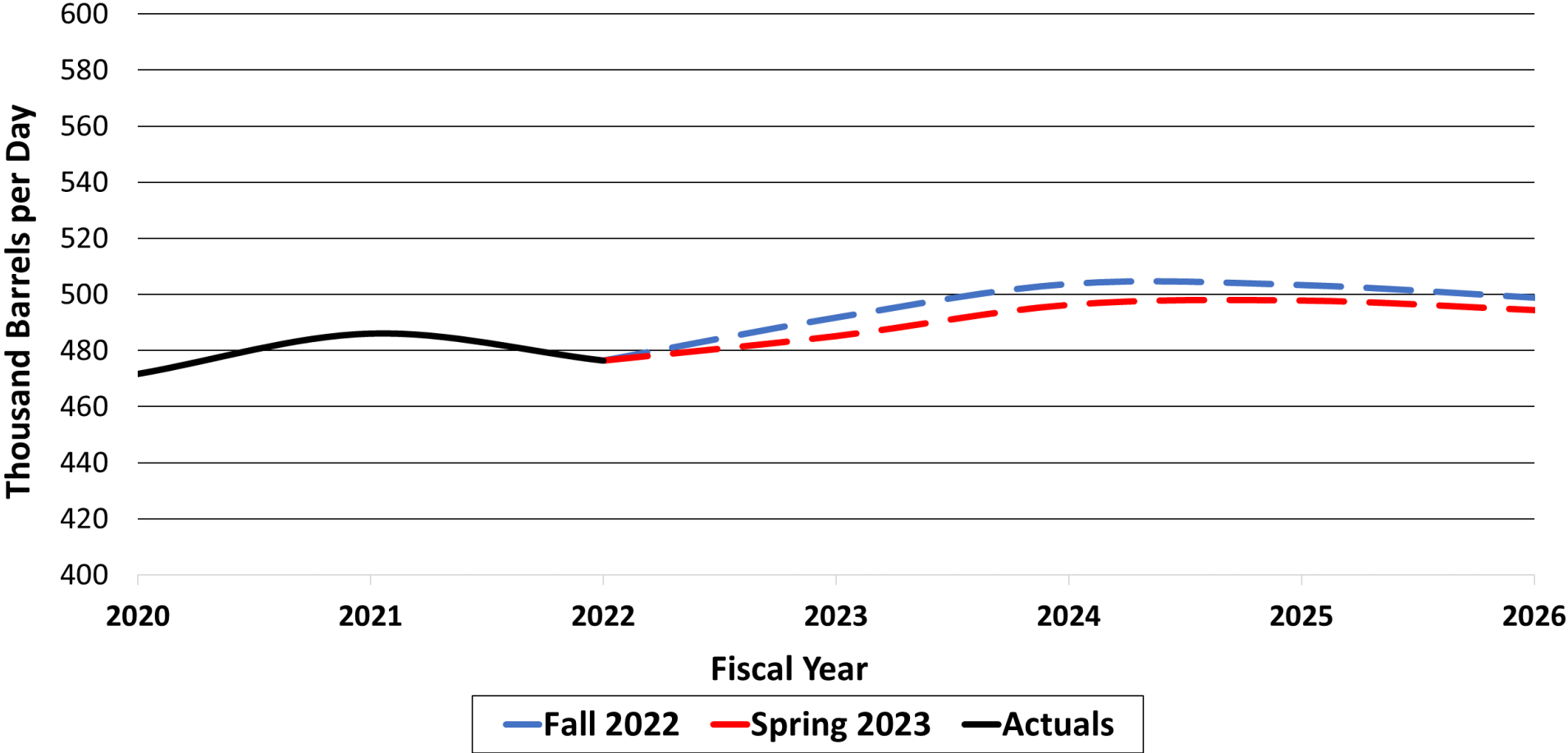
Note: Assumes official forecasted North Slope production of 496,400 barrels per day. Above the forecasted ANS price, a \$1 increase or decrease in price leads to an approximately \$65-70 million change in UGF revenue. Below the forecasted ANS price, a \$1 increase or decrease in price leads to an approximately \$50 million change in UGF revenue.



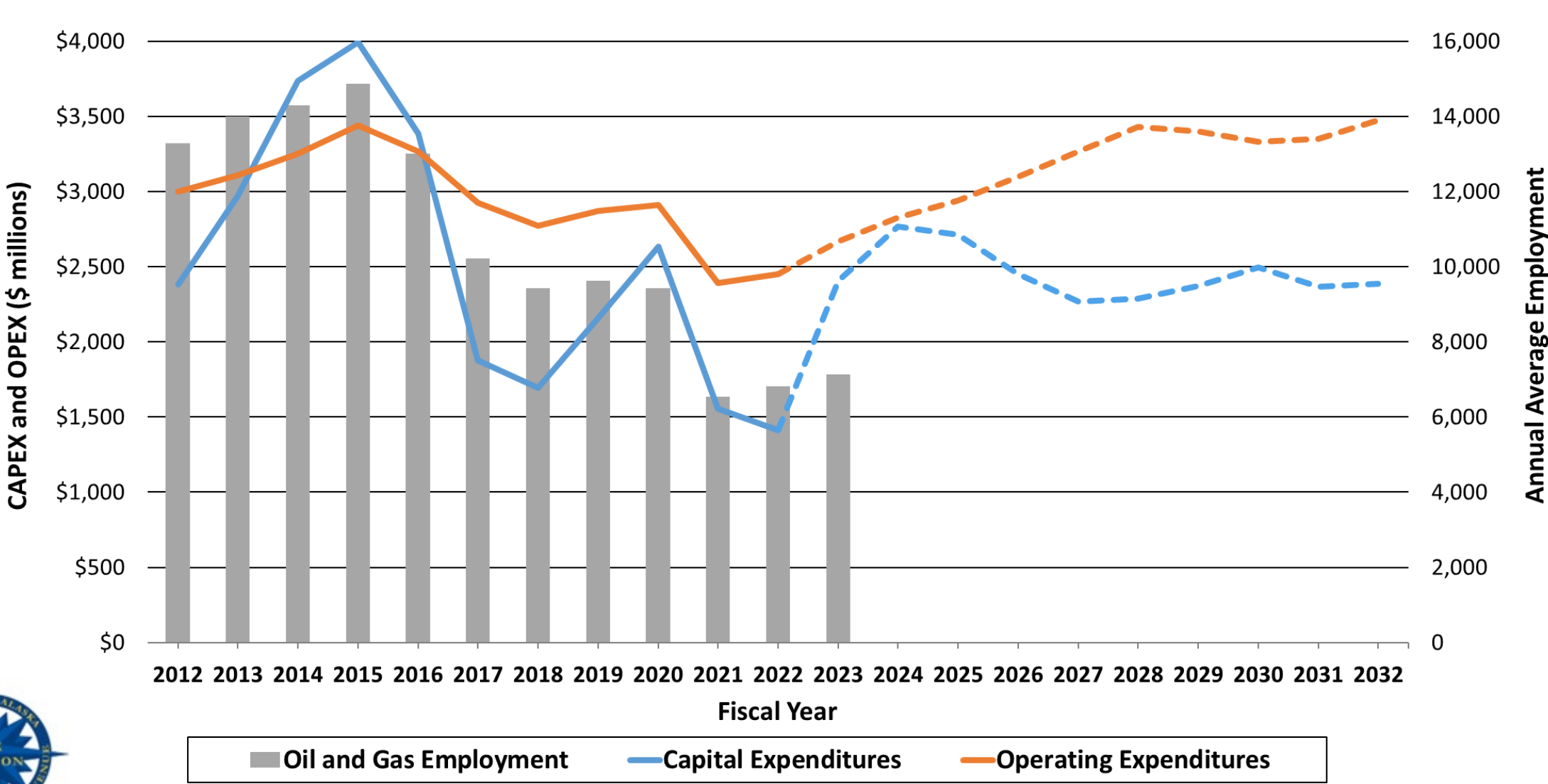
Petroleum Detail: North Slope Petroleum Production Forecast



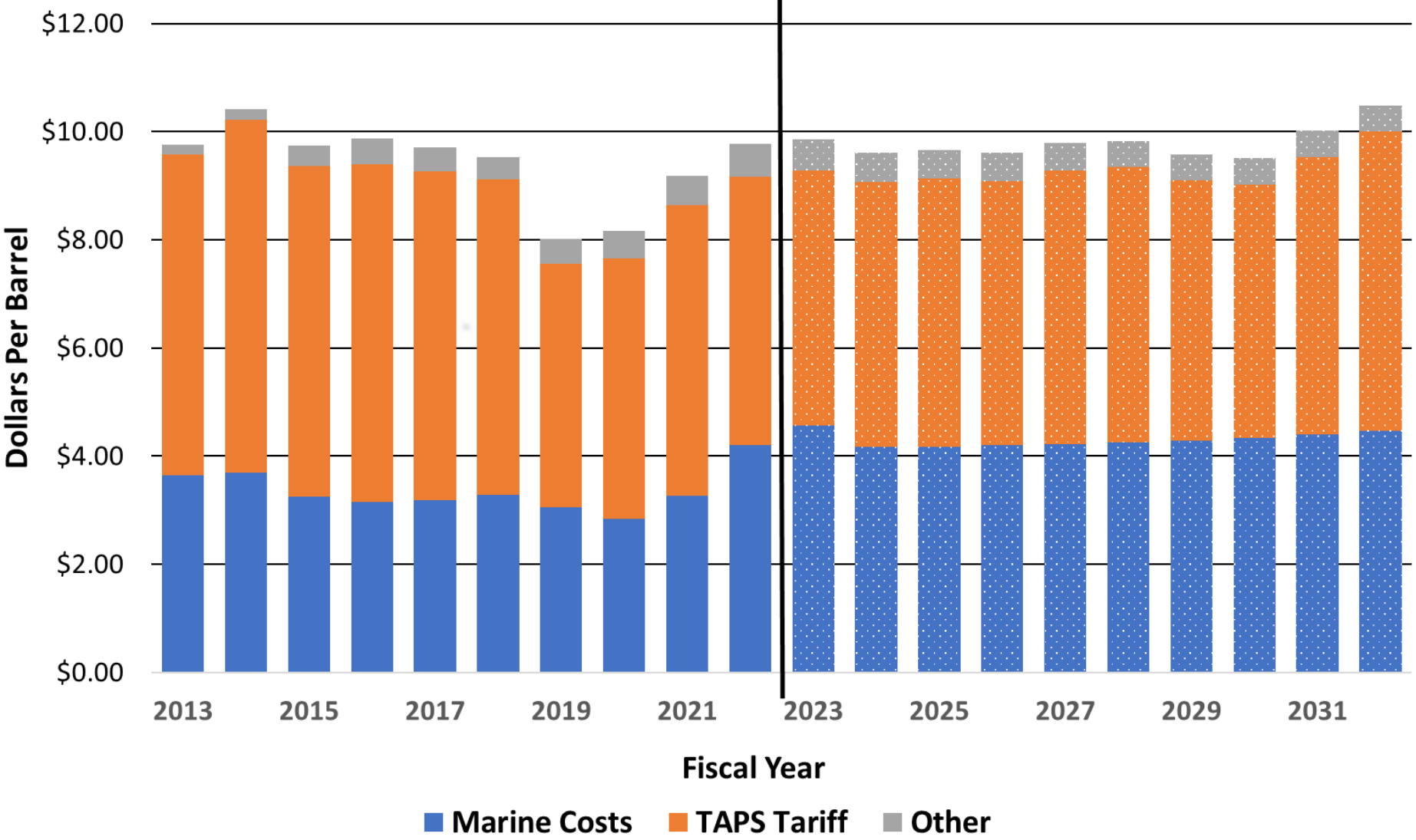
Petroleum Detail: Changes to North Slope Petroleum Production Forecast



Petroleum Detail: North Slope Allowable Lease Expenditures



Petroleum Detail: North Slope Transportation Costs



Petroleum Detail: Tax Credits for Purchase Detail

Oil and Gas Cashable Tax Credits (\$ Millions)	2016 Certificates	2017 Certificates	2018 Certificates	2019 Certificates	2020 Certificates	2021 Certificates	Total Certificates
Balance as of July 1, 2022	196.2	137.6	22.6	5.7	23.5	4.6	390.1
Disbursements:							
FY 2022 Supplemental = \$60M	(60.0)						(60.0)
FY 2023 Appropriation = \$252M	(136.2)						(136.2)
Credits Used / Transferred / Adjusted		(19.9)	(2.0)	(0.6)			(22.4)
Balance as of March 19, 2023	0.0	117.7	20.6	5.1	23.5	4.6	171.5
FY 2023 Appropriation Balance = \$115.8M		(115.8)					(115.8)
FY 2024 Appropriation Needed = \$55.7 M		(1.9)	(20.6)	(5.1)	(23.5)	(4.6)	(55.7)
FY 2024 Ending Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Note: ANS prices would need to average at least \$76 to \$77 for the remainder of this fiscal year to pay the entire 2017 bucket with remaining FY2023 budget appropriation.



Per AS 43.55.028(c), the statutory appropriation is 10% of taxes levied by AS 43.55.011 (oil and gas production tax) when the Alaska North Slope price forecast for the fiscal year is \$60 per barrel or higher, and 15% of taxes levied by AS 43.55.011 when the ANS price forecast for the fiscal year is below \$60 per barrel.

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

