



Overview of Fall 2009 Revenue Forecast



*Presentation to the
House Finance Committee
January 21, 2010
Alaska Department of Revenue*



Outline for Presentation



- **Revenue Forecast**
 - Total Revenue
 - Unrestricted Revenue
 - Non-oil Revenue
- **10-Year Revenue and Spending Projection**
- **Key Revenue Forecast Variables:**
 - Oil Production Forecast
 - Oil Price Forecast
 - Lease Expenditures / Oil Company Spending



Revenue Forecast



FY 10 and FY 11 Total Revenue



Revenue Type	FY10 (\$M)	FY11 (\$M)
Unrestricted Revenue		
Oil Revenue	\$ 4,167.5	\$ 4,647.7
Other Revenue (except Federal & Investment)	\$ 389.3	\$ 405.8
Investment Earnings	\$ 221.1	\$ 183.2
Subtotal Unrestricted	\$ 4,777.9	\$ 5,236.7
Restricted Revenue		
Oil Revenue	\$ 1,057.3	\$ 708.3
Other Revenue (except Federal & Investment)	\$ 588.9	\$ 589.6
Investment Earnings	\$ 3,307.3	\$ 3,252.8
Federal Revenue	\$ 2,916.7	\$ 2,916.7
Subtotal Restricted	\$ 7,870.2	\$ 7,467.4
Total Revenue	\$ 12,648.1	\$ 12,704.1



FY 10 & FY 11 General Fund Unrestricted Revenue



Revenue Type	FY 10 (\$M)	% Total	FY 11 (\$ M)	% Total
Royalty - Net PF / SF	\$ 1,470.3	30.8%	\$ 1,540.4	29.4%
Production Tax	\$ 2,126.1	44.5%	\$ 2,430.9	46.4%
Corp Income Tax	\$ 470.0	9.8%	\$ 580.0	11.1%
Property Tax	<u>\$ 101.1</u>	<u>2.1%</u>	<u>\$ 96.3</u>	<u>1.8%</u>
Subtotal Oil Revenue	\$ 4,167.5	87.2%	\$ 4,647.7	88.8%
Non-Oil Revenue	<u>\$ 610.4</u>	<u>12.8%</u>	<u>\$ 589.0</u>	<u>11.2%</u>
Total Revenue	\$ 4,777.9	100.0%	\$ 5,236.6	100.0%



FY 2010 and FY 2011 Non-Oil Revenue Detail



Revenue Type	FY 10 (\$M)	% Total	FY 11 (\$M)	% Total
Taxes				
Corporate Income	\$ 86.6	14.2%	\$ 89.1	15.1%
Mining	\$ 29.2	4.8%	\$ 28.6	4.9%
Insurance Premium	\$ 43.9	7.2%	\$ 43.0	7.3%
Tobacco	\$ 43.5	7.1%	\$ 43.1	7.3%
Motor Fuel	\$ 30.0	4.9%	\$ 40.3	6.8%
Other Taxes	\$ 51.2	8.4%	\$ 54.7	9.3%
Subtotal Taxes	\$ 284.4	46.6%	\$ 298.8	50.7%
Investments	\$ 221.1	36.2%	\$ 183.2	31.1%
Other *	\$ 104.9	17.2%	\$ 107.0	18.2%
Total Non-Oil	\$ 610.4	100.0%	\$ 589.0	100.0%

*Other includes Charges for Services, Fines and Forfeitures, Licenses & Permits, Rents & Royalties, and Miscellaneous non-oil revenues.

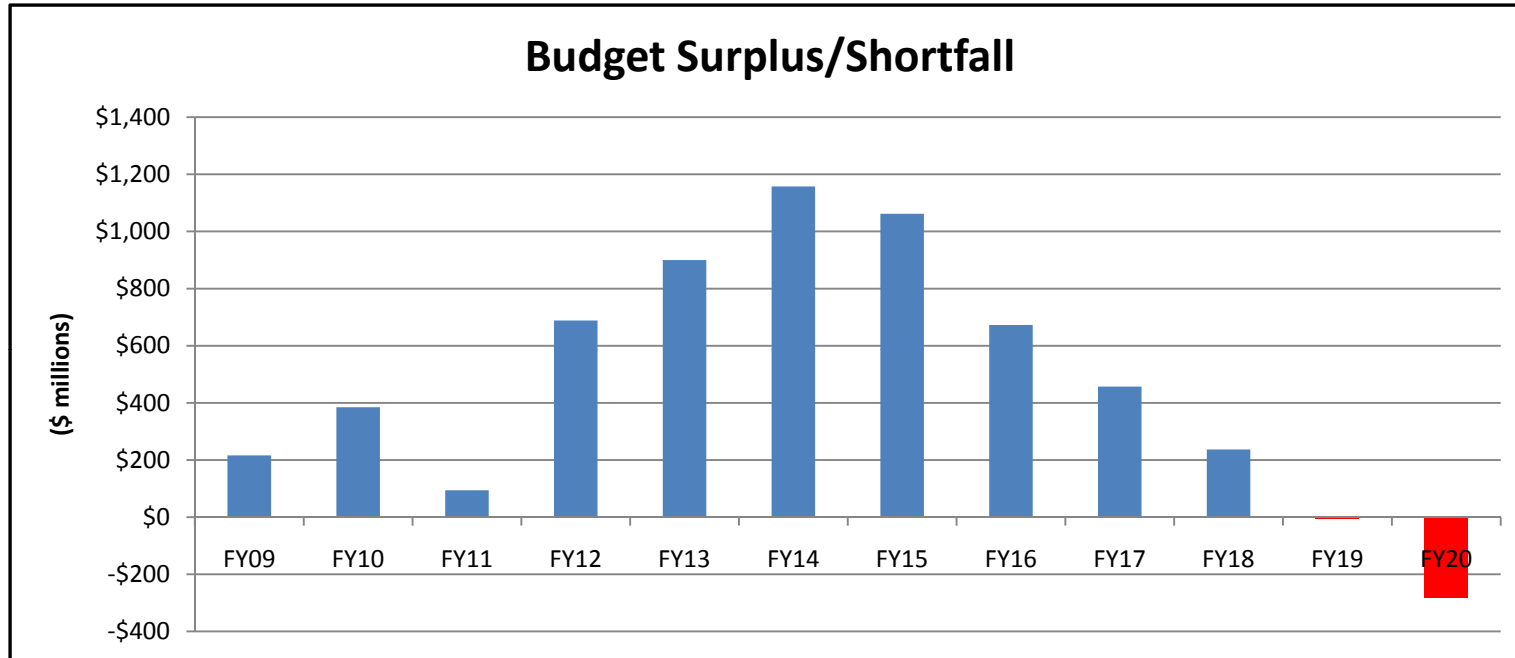


10-Year Revenue/Spending Projection



10-Year Revenue and Spending

Assumes Fall 2009 Revenue and 3% budget escalation from FY11



Revenue vs. Spending (\$Millions)	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
General Fund Unrestricted Revenue	6,874.9	4,800.0	5,236.6	5,573.3	5,931.6	6,340.2	6,399.8	6,170.7	6,120.1	6,069.5	6,002.7	5,904.9
General Fund Expenses	6,659.0	4,415.2	4,742.6	4,884.9	5,031.4	5,182.4	5,337.8	5,498.0	5,662.9	5,832.8	6,007.8	6,188.0
Budget Surplus/Shortfall	215.9	384.8	94.0	688.4	900.2	1,157.8	1,062.0	672.7	457.2	236.7	(5.1)	(283.1)
Reserve Balances												
CBRF Total	7,114.4	9,070.0	9,750.0	11,082.0	12,704.0	14,674.0	16,649.0	18,330.0	19,884.0	21,301.0	22,561.0	23,903.0
Statutory Budget Reserve Balance	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	995.0	712.0
Total Reserve Balances	8,114.4	10,070.0	10,750.0	12,082.0	13,704.0	15,674.0	17,649.0	19,330.0	20,884.0	22,301.0	23,556.0	24,615.0

Source: OMB

- FY09 represents actuals rather than forecast.

- FY10 surplus/shortfall calculation adds \$22.1 in reappropriations and carry over to total available revenue.

- FY11 surplus calculation subtracts \$400 from surplus for Governor's Performance Scholarship Fund and \$13.1 deposit to Public Education Fund for FY12. CBR balance assumes that all available surplus is deposited to CBR main fund.

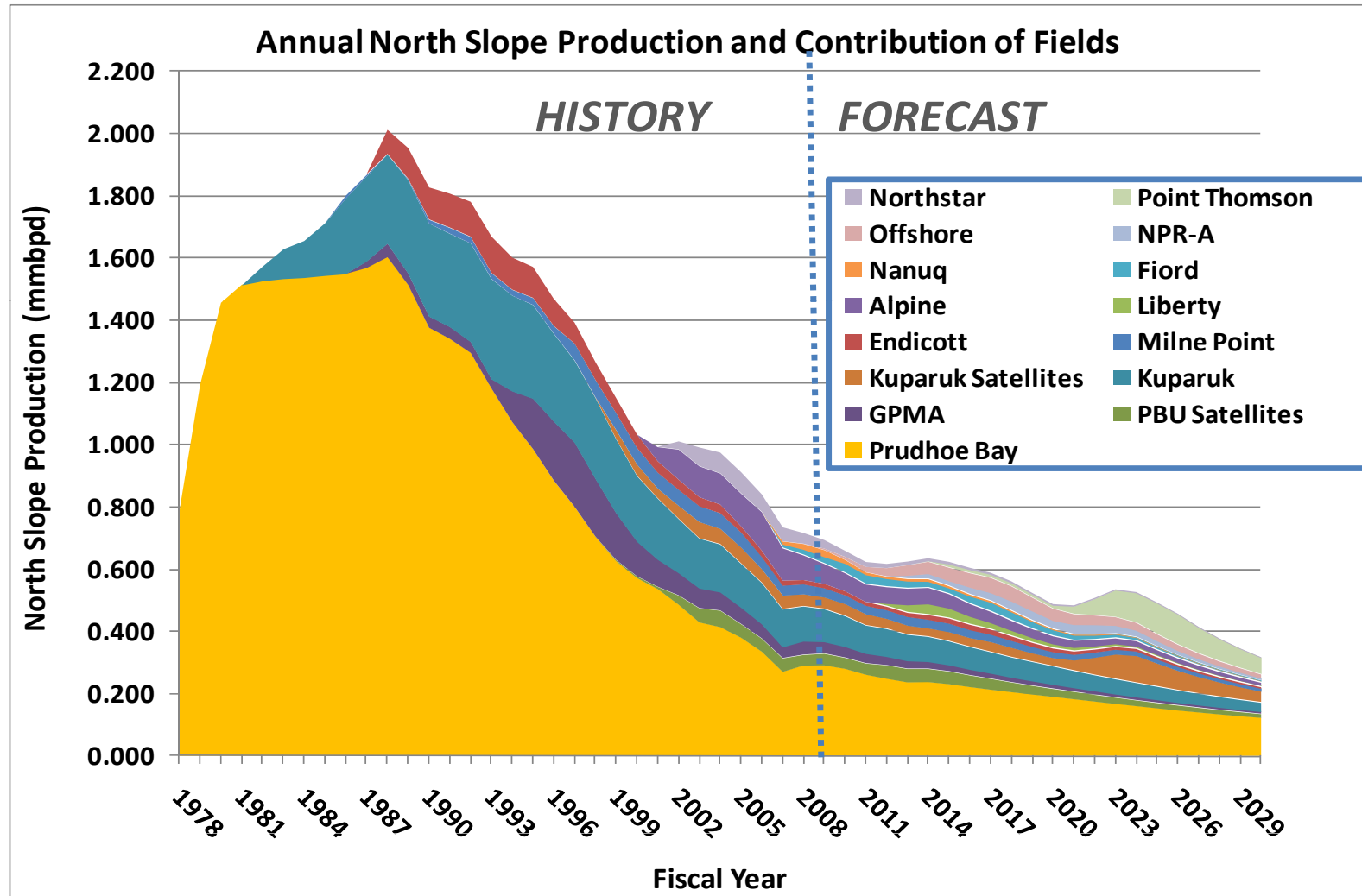
Appropriations projections do not represent a commitment by the Administration to propose spending at a particular level in FY11 or any future year. The 10 year forecast shows that unanticipated shortfalls during the period could be filled primarily through the use of reserve funds. However, other options could be used in whole, or in part. The plan will be revisited as conditions warrant.



Oil Production Forecast

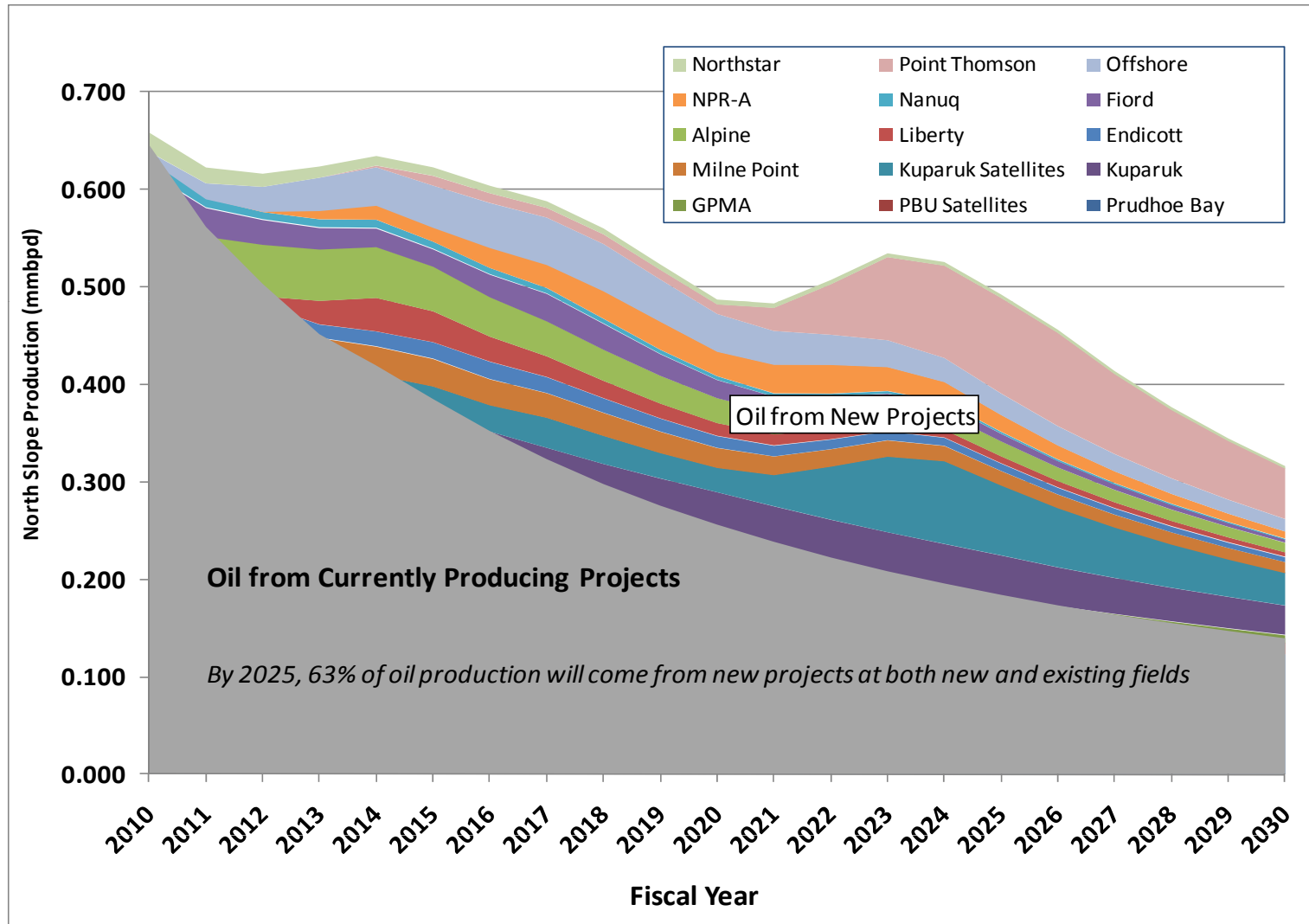


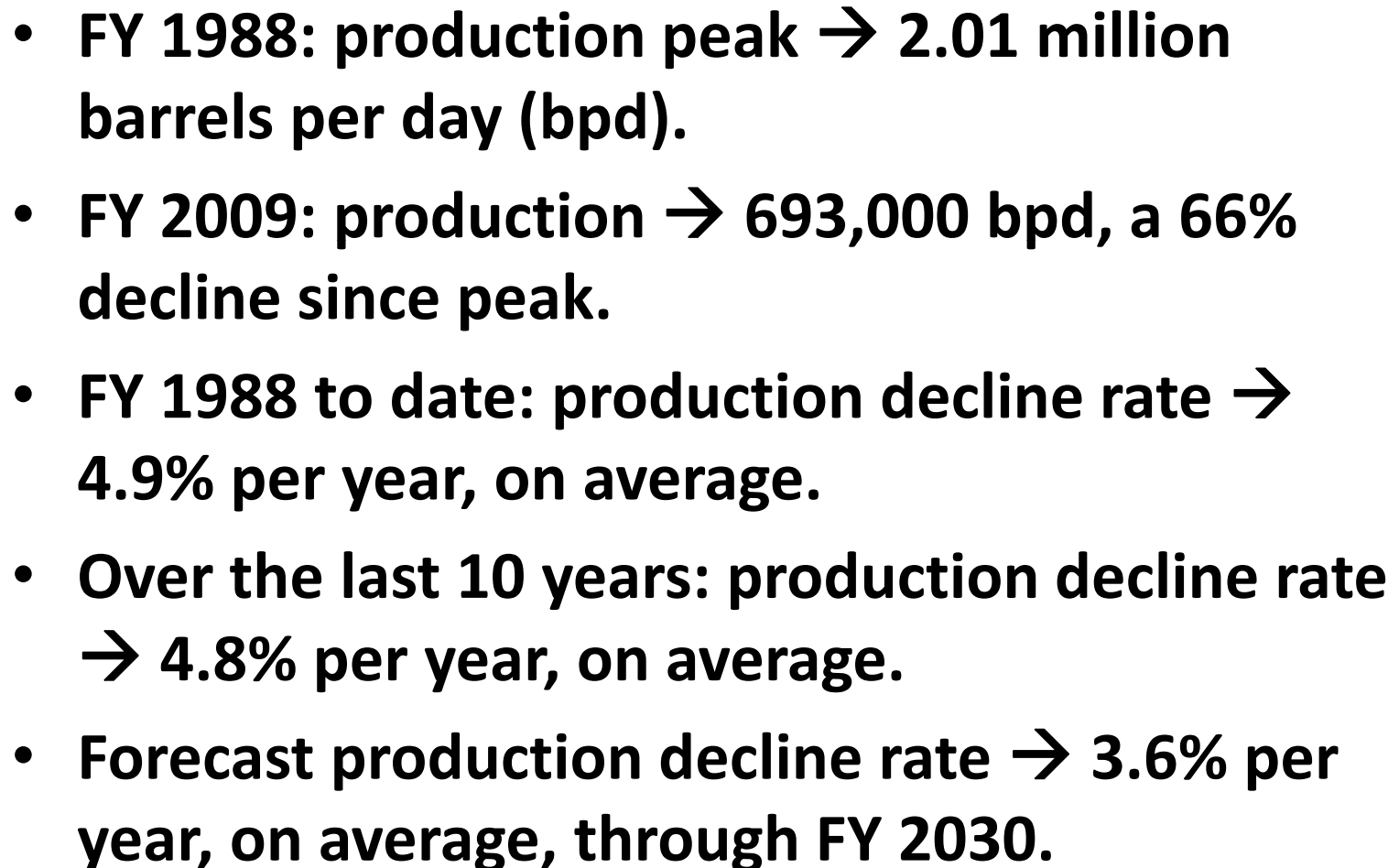
ANS Production, History & Forecast





Forecasted ANS Production FY 2010 - 2030







Oil Price Forecast



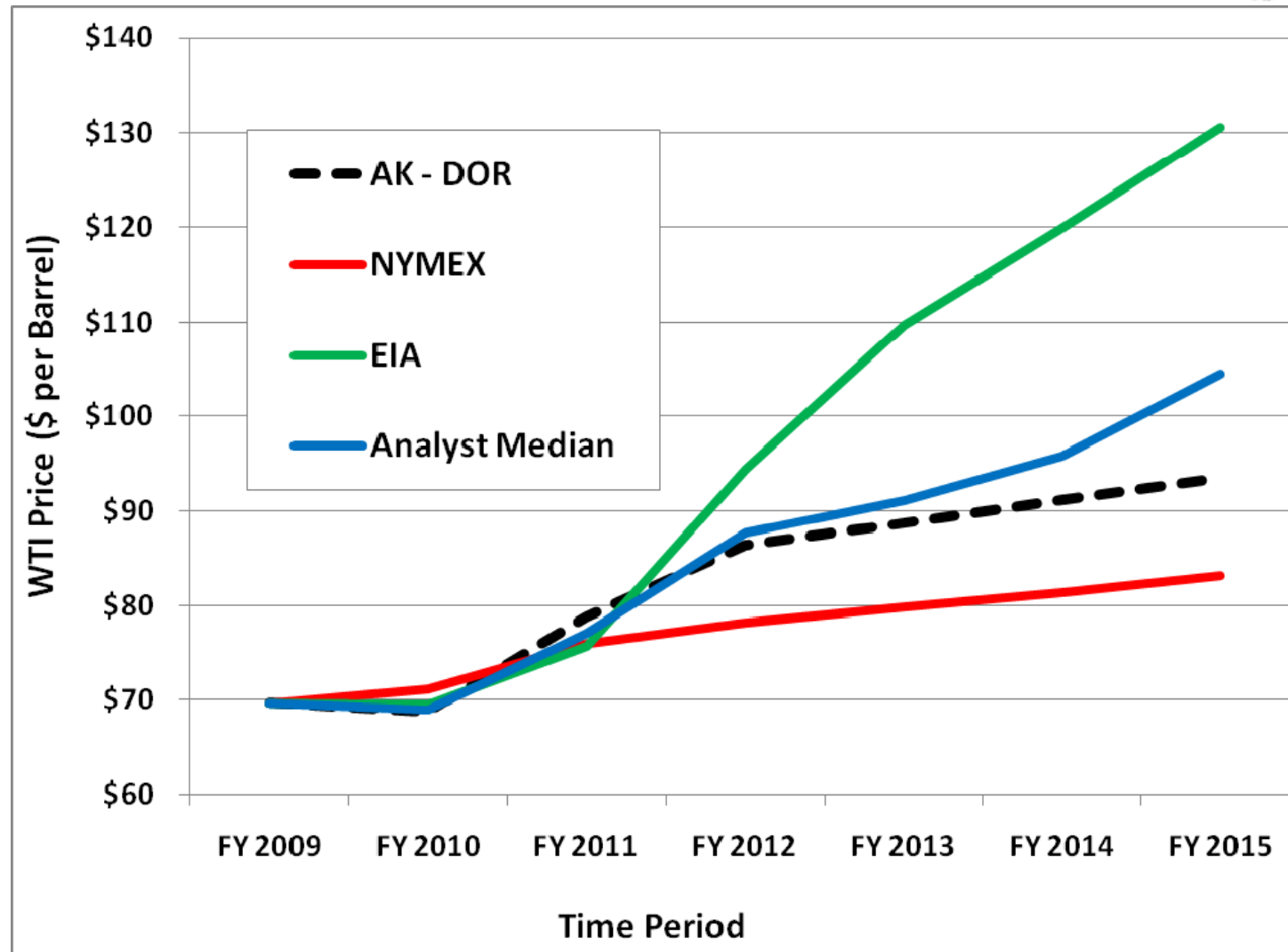
Price Forecast Methodology



- **FY 2010- 2012: Average of participant forecasts from Price Forecasting Session**
- **24 Participants from DOR, DNR, DOL, OMB, University, Legislative Finance and outside participants**
- **Presentations: supply, demand, world economy, outside expert forecasts, etc.**
- **Due to economic uncertainty, session focused on near-term prices**
- **Beyond FY 2012: Constant real price, 2.75% inflation**



Price Forecasts as of October 2009





Fall 2009 DOR Oil Price Forecast



Fiscal Year	WTI	ANS
<i>2009</i>	<i>\$69.71</i>	<i>\$68.34</i>
<i>2010</i>	<i>\$68.71</i>	<i>\$66.93</i>
<i>2011</i>	<i>\$78.85</i>	<i>\$76.35</i>
<i>2012</i>	<i>\$86.43</i>	<i>\$83.93</i>
<i>2013</i>	<i>\$88.74</i>	<i>\$86.24</i>
<i>2014</i>	<i>\$91.11</i>	<i>\$88.61</i>
<i>2015</i>	<i>\$93.55</i>	<i>\$91.05</i>



Lease Expenditures (Oil Company Spending)



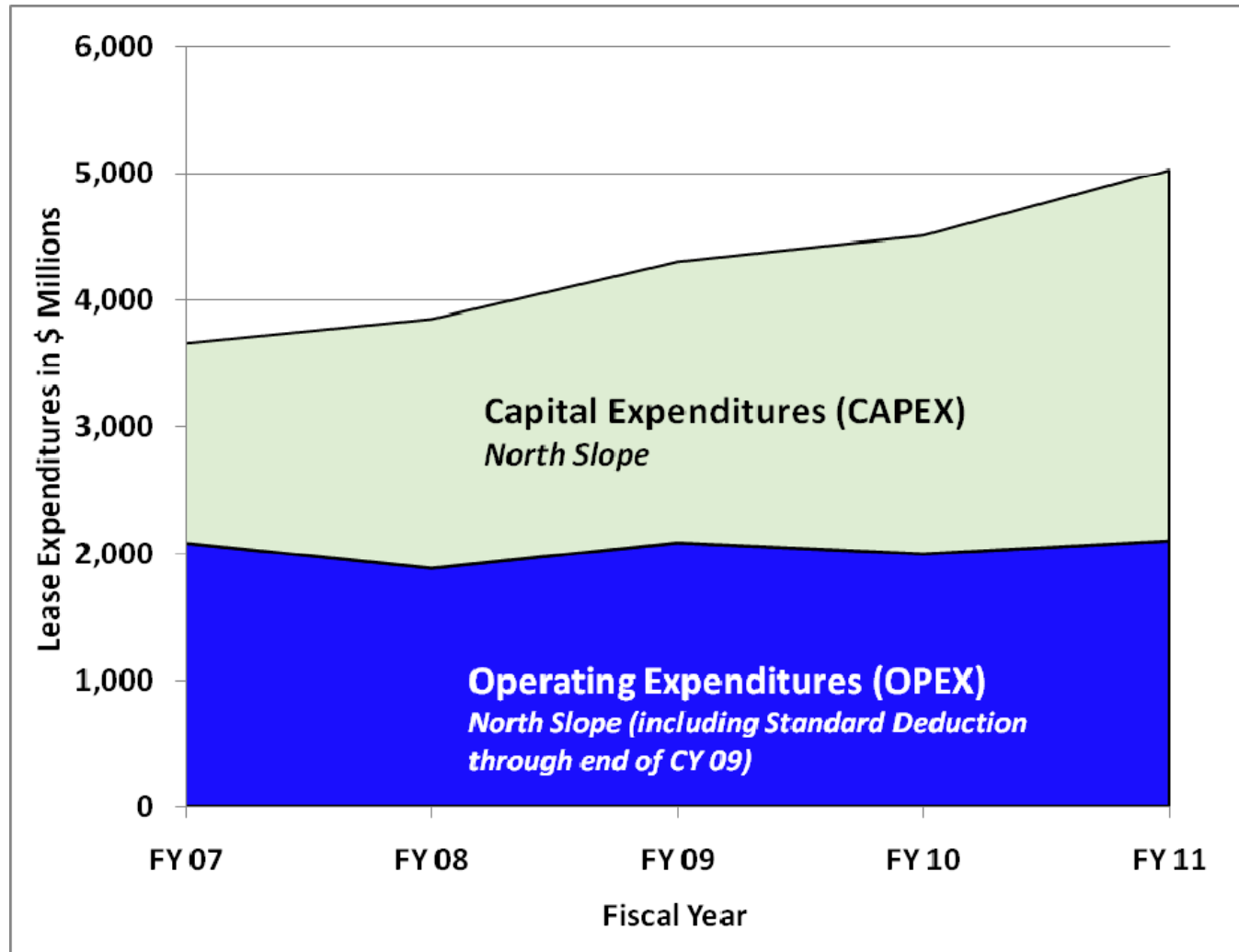
Lease Expenditures (Costs)



- **FY 2007 – FY 2009 lease expenditures based on unaudited company reported expenditure estimates submitted on production tax monthly forms and annual returns**
- **FY 2010 – FY 2011 lease expenditure forecasts were compiled from company submitted information**
- **Under ACES, DOR requests expenditure forecast estimates and other documentation from oil companies**
- **Operating expenditures are expected to remain steady but increase on a per-barrel basis as production declines.**
- **Capital expenditures are expected to increase in FY 2010 and FY 2011.**
- **New field development driving increased investment.**



Lease Expenditures (Costs)



Source: Department of Revenue from production tax monthly information forms, annual returns, and company forecasts.



Lease Expenditures per Barrel



	FY 07	FY 08	FY 09	FY 10	FY 11
Lease Expenditures (\$ millions)					
Operating Expenditures (OPEX)	2,081	1,881	2,085	1,996	2,100
Capital Expenditures (CAPEX)	1,578	1,967	2,212	2,505	2,923
 Production (bpd)	 739,702	 715,950	 692,127	 658,762	 622,879
Lease Expenditures per barrel (\$)					
OPEX per barrel (\$)	7.71	7.20	8.25	8.30	9.24
CAPEX per barrel (\$)	5.84	7.53	8.76	10.42	12.86

Source: Department of Revenue from production tax monthly information forms, annual returns, and company forecasts



Current Fund Balances and Asset Allocation



Fund balances and allocations



Comparative Analysis of State Operating and Savings Funds

General Fund and CBRF (main & sub)

Fiduciary oversight: Commissioner of Revenue

		General Fund (and other nonsegregated investments)	Constitutional Budget Reserve (main fund)	Constitutional Budget Reserve (sub fund)
Investment Objective		Moderate Risk, Short to Intermediate investment horizon	Moderate Risk, Intermediate investment horizon	High Risk, Moderately Long investment horizon
Target Asset Allocation		<p>General Fund (100% Fixed Income)</p>	<p>CBRF - main (100% Fixed Income)</p>	<p>CBRF - sub</p>
Market Value (in 000s)	12/31/2007	\$5,269,300	\$2,521,400	\$576,900
	12/31/2008	\$7,466,400	\$3,240,800	\$3,590,800
	11/30/2009	\$6,343,700	\$4,043,900	\$4,383,600
Returns (11/30/09)	YTD	3.61%	5.38%	22.08%
	FYTD	2.18%	3.69%	16.46%
	3 Year Actuals	4.93%	5.91%	-2.44%
	FORECAST	3.60%	4.18%	7.87%



Fund balances and allocations



Comparative Analysis of State Operating and Savings Funds

PERS & TRS

Fiduciary oversight: Alaska Retirement Management Board

		PERS Retirement Defined Benefit Pension	TRS Retirement Defined Benefit Pension
Investment Objective		Moderate Risk, Long Term investment horizon	Moderate Risk, Long Term investment horizon
Target Asset Allocation		<p>PERS</p> <ul style="list-style-type: none"> 20% Fixed Income 30% Domestic Equity 22% International/Global Equity 16% Real Assets 12% Alternatives/Infrastructure 	<p>TRS</p> <ul style="list-style-type: none"> 20% Fixed Income 30% Domestic Equity 22% International/Global Equity 16% Real Assets 12% Alternatives/Infrastructure
Market Value (in 000s)	12/31/2007	\$11,129,100	\$5,003,800
	12/31/2008	\$8,359,800	\$3,705,800
	11/30/2009	\$9,474,500	\$4,177,100
Returns (11/30/09)	YTD	10.43%	10.19%
	FYTD	11.13%	11.16%
	3 Year Actuals	-1.79%	-1.89%
	FORECAST	8.25%	8.25%



Fund balances and allocations



Comparative Analysis of State Operating and Savings Funds

APFC

Fiduciary oversight: Alaska Permanent Fund Corporation Board

Alaska Permanent Fund Corporation		
Investment Objective	Long term Investment Goal is to achieve a real rate of return of 5% per year	
Target Asset Allocation	<p>APFC</p> <ul style="list-style-type: none"> 22% Fixed Income 24% Domestic Equity 24% International/Global Equity 12% Real Assets 16% Alternatives/Infrastructure 2% Cash 	
Market Value (in 000s)	12/31/2007	\$38,909,800
	12/31/2008	\$28,839,500
	11/30/2009	\$34,037,100
Returns (11/30/09)	YTD	17.17%
	FYTD	12.52%
	3 Year Actuals	-1.39%
	FORECAST	8.28%