

# Spring 2021 Forecast Presentation House Ways and Means Committee

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Department of Revenue

April 1, 2021

# Agenda

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1. Forecast Background and Key Assumptions
2. Spring 2021 Revenue Forecast
  - Total State Revenue
  - Unrestricted Revenue
3. Petroleum Forecast Assumptions Detail
  - Oil Price
  - Oil Production
  - Oil and Gas Lease Expenditures
  - Oil and Gas Credits



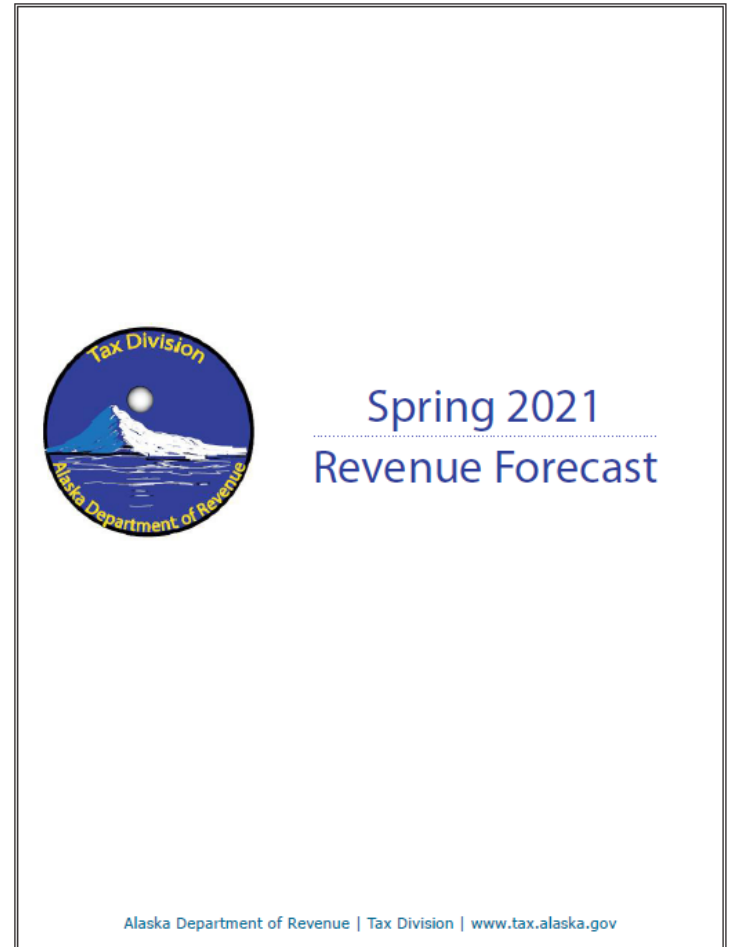
# Forecast Background and Key Assumptions

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## Background: Spring Revenue Forecast

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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](http://tax.alaska.gov)





## Key Alaska Economic Indicators

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1. Real State GDP: \$51.6 billion in Q4 2020
  - Up 1.4% from Q3 2020, still down 3.4% from Q4 2019
2. Employment: 294,900 in February 2021
  - Down 22,400 (-7.1%) compared to February 2020; heaviest impacts in leisure/hospitality, transportation/warehousing, and oil/gas industries
3. Wages & Salaries (seasonally adjusted): \$21.3 billion in Q4 2020
  - Up 2.1% from Q3 2020, down 2.9% from Q4 2020
4. Alaska Bankruptcies: 313 for calendar year 2020, 39 cumulatively for 2021 (through February)
  - Compared to 400 for all of 2019
5. Foreclosures: 98 in Q3 2020, 303 for calendar year 2020 (through Q3)
  - Compared to 197 in Q3 2019 and 729 for entire calendar year 2019
6. Housing Starts: January-February: 305 in 2021 vs 304 in 2020
  - 1,491 for calendar year 2020 vs 1,689 for calendar year 2019
7. Delinquency Rates: 0.7% for mortgages 30-89 days delinquent, .5% for mortgages 90+ days delinquent at end of Q3 2020 (as of September 2020)
  - Compared to 1.6% for mortgages 39-89 days delinquent, .7% for mortgages 90+ days delinquent at end September 2019

Note: Quarters on this slide are based on Calendar Year, i.e., Q1 = Jan-Mar, etc.



Sources: Federal Reserve, "Total Real Gross Domestic Product by Industry for Alaska, Millions of Chained 2012 Dollars, Quarterly, Seasonally Adjusted Annual Rate," "Total Wages and Salaries in Alaska, Thousands of Dollars, Quarterly, Seasonally Adjusted Annual Rate" (divided by 4), "New Private Housing Units Authorized by Building Permits for Alaska, Units, Monthly, Seasonally Adjusted,"; Alaska Department of Labor and Workforce Development "Research and Analysis Section," "Alaska Foreclosures,"; American Bankruptcy Institute "Filings by State and Jurisdiction,"; Consumer Finance "Mortgage Performance Trends"

## Spring Forecast Assumptions

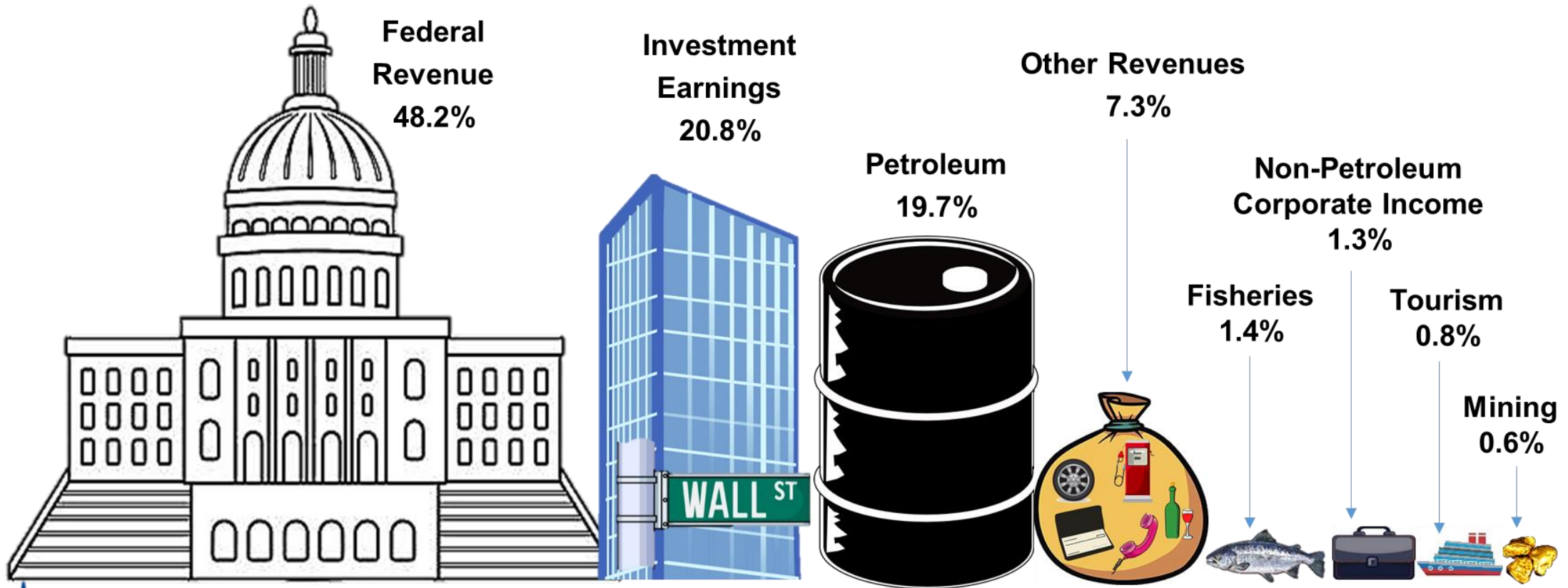
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- The economic impacts of COVID-19 are uncertain; DOR has developed a plausible scenario to forecast these impacts.
- Key Assumptions:
  - Investments: Stable growth in investment markets.
  - Federal: The forecast incorporates stimulus funding through February 2021, it does not include potential new stimulus passed in March 2021.
  - Petroleum: Alaska North Slope oil price of \$53.05 per barrel for FY 2021 and \$61.00 per barrel for FY 2022. No further oil production curtailments.
  - Non-Petroleum: Most economic activity will return to baseline levels by FY 2022, except tourism full recovery by summer 2024.



## Relative Contributions to Total State Revenue: FY 2020

**Total State Revenue: \$8.7 Billion**



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

# Spring 2021 Revenue Forecast

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# Total Revenue Forecast: FY 2020 to FY 2022 Totals and Percent Change from FY 2020

\$ Millions	History	Forecast		Percent Change	
Revenue Type	FY 2020	FY 2021	FY 2022	FY 2020 - FY 2022	FY 2021 - FY 2022
<b>Unrestricted General Fund</b>					
Investment Revenue - Alaska Permanent Fund	2,933.1	3,091.5	3,069.3	4.6%	-0.7%
Investment Revenue - Other Investments	58.1	22.1	20.8	-64.2%	-5.9%
Petroleum Revenue	1,083.1	1,160.8	1,286.5	18.8%	10.8%
Non-Petroleum Revenue	454.8	389.0	355.0	-22.0%	-8.8%
<b>Subtotal</b>	<b>4,529.1</b>	<b>4,663.5</b>	<b>4,731.5</b>	<b>4.5%</b>	<b>1.5%</b>
<b>Designated General Fund</b>					
Investment Revenue	33.5	42.7	45.1	34.6%	5.6%
Petroleum Revenue	67.8	57.0	55.4	-18.3%	-2.7%
Non-Petroleum Revenue	433.3	401.8	431.2	-0.5%	7.3%
<b>Subtotal</b>	<b>534.6</b>	<b>501.5</b>	<b>531.7</b>	<b>-0.5%</b>	<b>6.0%</b>
<b>Other Restricted Revenue</b>					
Investment Revenue (2)	(1,242.0)	899.1	1,174.9	194.6%	30.7%
Petroleum Revenue	537.3	300.0	327.7	-39.0%	9.2%
Non-Petroleum Revenue	125.3	198.2	204.7	63.3%	3.3%
<b>Subtotal</b>	<b>(579.4)</b>	<b>1,397.3</b>	<b>1,707.2</b>	<b>394.7%</b>	<b>22.2%</b>
<b>Federal Revenue</b>					
Federal Receipts	4,173.0	5,068.1	4,056.5	-2.8%	-20.0%
Petroleum Revenue	16.4	11.4	13.8	-15.6%	21.7%
<b>Subtotal</b>	<b>4,189.4</b>	<b>5,079.5</b>	<b>4,070.3</b>	<b>-2.8%</b>	<b>-19.9%</b>
<b>Total State Revenue</b>	<b>8,673.7</b>	<b>11,641.7</b>	<b>11,040.8</b>	<b>27.3%</b>	<b>-5.2%</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 2020 to FY 2022 Totals

\$ Millions	History	Forecast	
Revenue Type	FY 2020	FY 2021	FY 2022
<b>Unrestricted General Fund</b>			
Investment Revenue - Alaska Permanent Fund <sup>1</sup>	2,933.1	3,091.5	3,069.3
Investment Revenue - Other Investments	58.1	22.1	20.8
Petroleum Revenue	1,083.1	1,160.8	1,286.5
Non-Petroleum Revenue	454.8	389.0	355.0
<b>Subtotal</b>	<b>4,529.1</b>	<b>4,663.5</b>	<b>4,731.5</b>



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

## Unrestricted Revenue Forecast: FY 2020 and Changes to Two-Year Outlook

		History	Forecast	
		FY 2020	FY 2021	FY 2022
<b>ANS Oil Price (Nominal \$/bbl)</b>	Fall 2020 Forecast	\$52.12	\$45.32	\$48.00
	Spring 2021 Forecast	\$52.12	\$53.05	\$61.00
	<b>Change</b>	<b>\$0.00</b>	<b>\$7.73</b>	<b>\$13.00</b>
<b>Permanent Fund Transfer (\$ millions)</b>	Fall 2020 Forecast	\$2,933.1	\$3,091.5	\$3,069.3
	Spring 2021 Forecast	\$2,933.1	\$3,091.5	\$3,069.3
	<b>Change</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Unrestricted Revenue, excluding Permanent Fund Transfer (\$ millions)</b>	Fall 2020 Forecast	\$1,603.9	\$1,240.3	\$1,202.6
	Spring 2021 Forecast	\$1,596.0	\$1,572.0	\$1,662.2
	<b>Change</b>	<b>(\$7.9)</b>	<b>\$331.7</b>	<b>\$459.6</b>
<b>Unrestricted Revenue, including Permanent Fund Transfer (\$ millions)</b>	Fall 2020 Forecast	\$4,537.0	\$4,331.8	\$4,271.9
	Spring 2021 Forecast	\$4,529.1	\$4,663.5	\$4,731.5
	<b>Change</b>	<b>(\$7.9)</b>	<b>\$331.7</b>	<b>\$459.6</b>



ANS = Alaska North Slope

## Unrestricted Investment Revenue: FY 2020 to FY 2022 Totals

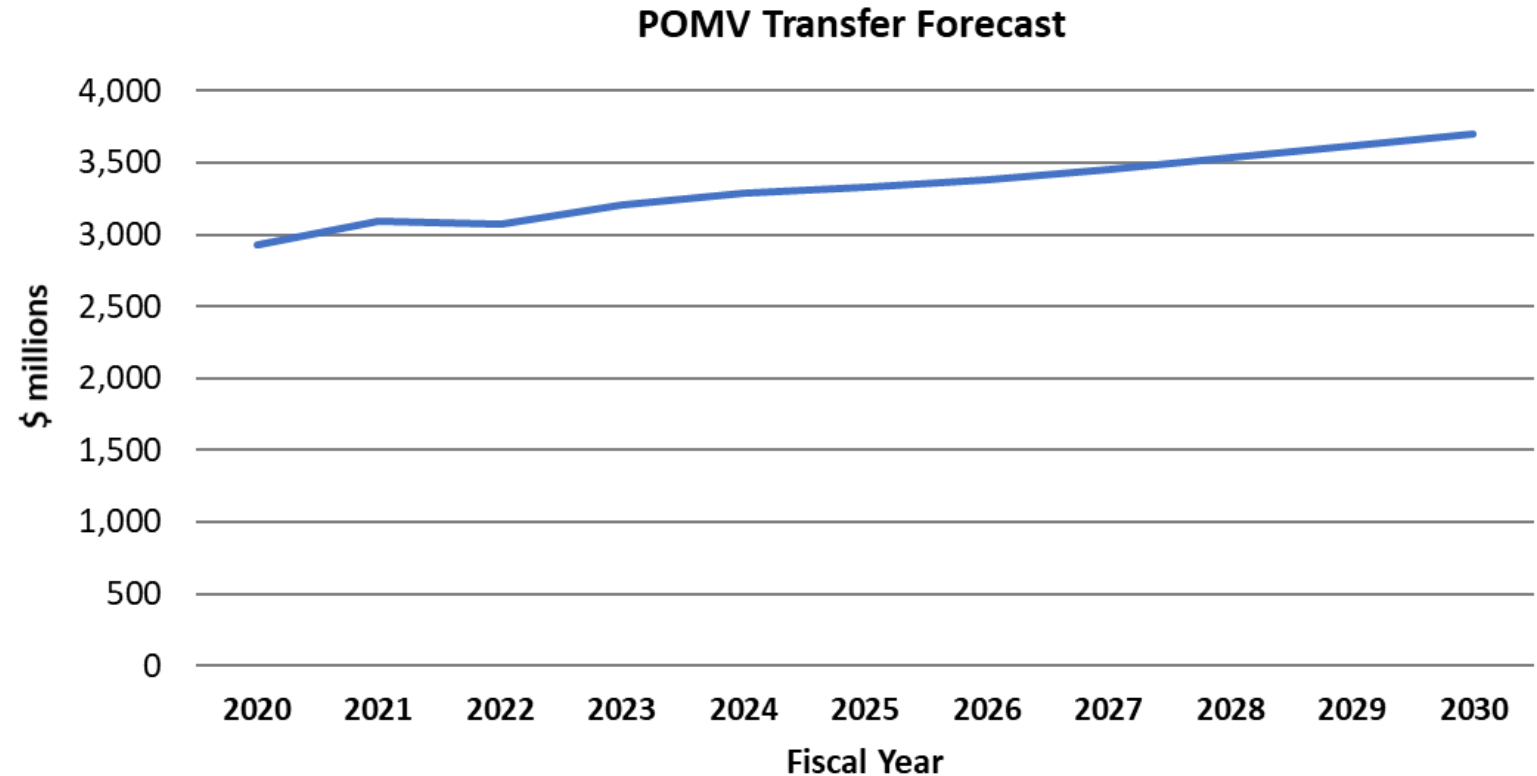
<b>\$ Millions</b>	<b>History</b>	<b>Forecast</b>	
<b>Unrestricted General Fund Revenue</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Investment Revenue</b>			
Alaska Permanent Fund	2,933.1	3,091.5	3,069.3
Investments	58.1	22.1	20.8
<b>Total Unrestricted Investment Revenue</b>	<b>2,991.2</b>	<b>3,113.6</b>	<b>3,090.1</b>





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

- The statutory POMV rate changes 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 6.75%.
- Differing Permanent Fund returns and petroleum deposits could significantly alter actual POMV.



POMV = Percent of Market Value

## Unrestricted Petroleum Revenue: FY 2020 to FY 2022 Totals

\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2020	FY 2021	FY 2022
<b>Taxes</b>			
Petroleum Property Tax	122.9	122.2	114.9
Petroleum Corporate Income Tax	-0.2	25.0	25.0
Oil and Gas Production Tax	285.1	311.0	376.2
<b>Subtotal Taxes</b>	<b>407.9</b>	<b>458.2</b>	<b>516.1</b>
<b>Royalties</b>			
Mineral Bonuses and Rents	19.6	25.9	20.1
Oil and Gas Royalties	660.3	676.7	750.2
Interest	-4.6	0.0	0.0
<b>Subtotal Royalties</b>	<b>675.3</b>	<b>702.7</b>	<b>770.4</b>
<b>Total Petroleum Revenue</b>	<b>1,083.1</b>	<b>1,160.8</b>	<b>1,286.5</b>



## Unrestricted Non-Petroleum Revenue: FY 2020 to FY 2022 Totals

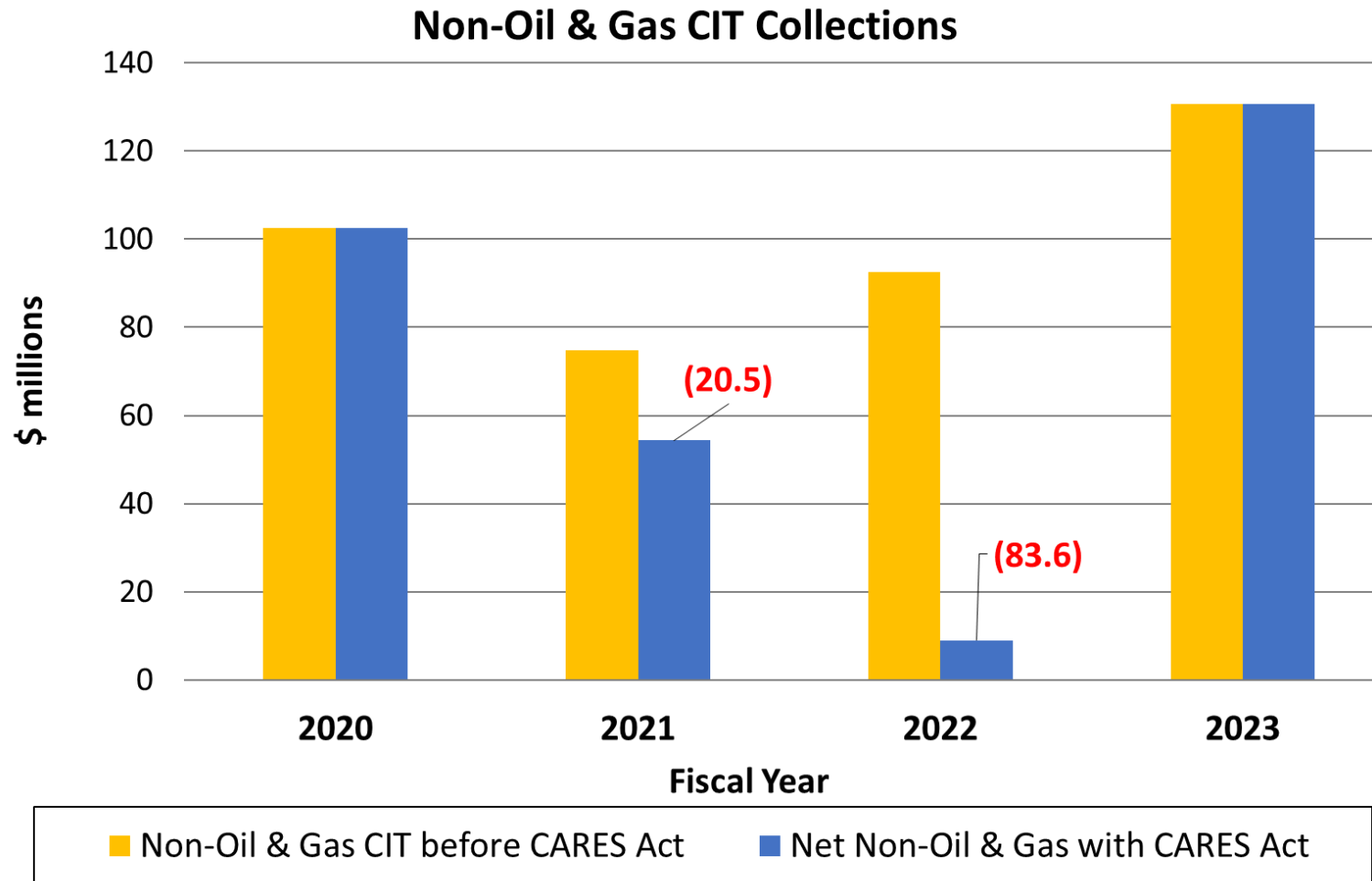
\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2020	FY 2021	FY 2022
<b>Taxes</b>			
Non-Petroleum Corporate Income	102.4	55.0	10.0
Mining License Tax	36.8	33.9	45.1
Marijuana	6.4	7.1	8.0
Tobacco	41.4	38.2	37.2
Motor Fuel (Refined Fuel Surcharge)	6.9	6.1	6.7
Insurance Premium Tax	58.4	59.0	56.9
Fisheries Taxes	33.9	18.8	20.0
Other Taxes	37.4	23.8	24.3
<b>Subtotal Taxes</b>	<b>323.5</b>	<b>241.9</b>	<b>208.2</b>
<b>Other</b>	<b>131.3</b>	<b>147.1</b>	<b>146.8</b>
<b>Total Non-Petroleum Revenue</b>	<b>454.8</b>	<b>389.0</b>	<b>355.0</b>



Other Taxes category includes Alcoholic Beverage 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 and Permits, Rents & Royalties, and Miscellaneous Revenue & Transfers.

## Unrestricted Revenue Forecast: Non-Oil & Gas Corporate Income Tax (CIT)



**Forecasted CARES  
ACT Impacts to  
Non-Oil and Gas  
Corporate Income Tax  
Revenue**  
Refunds = **\$104.1  
million**

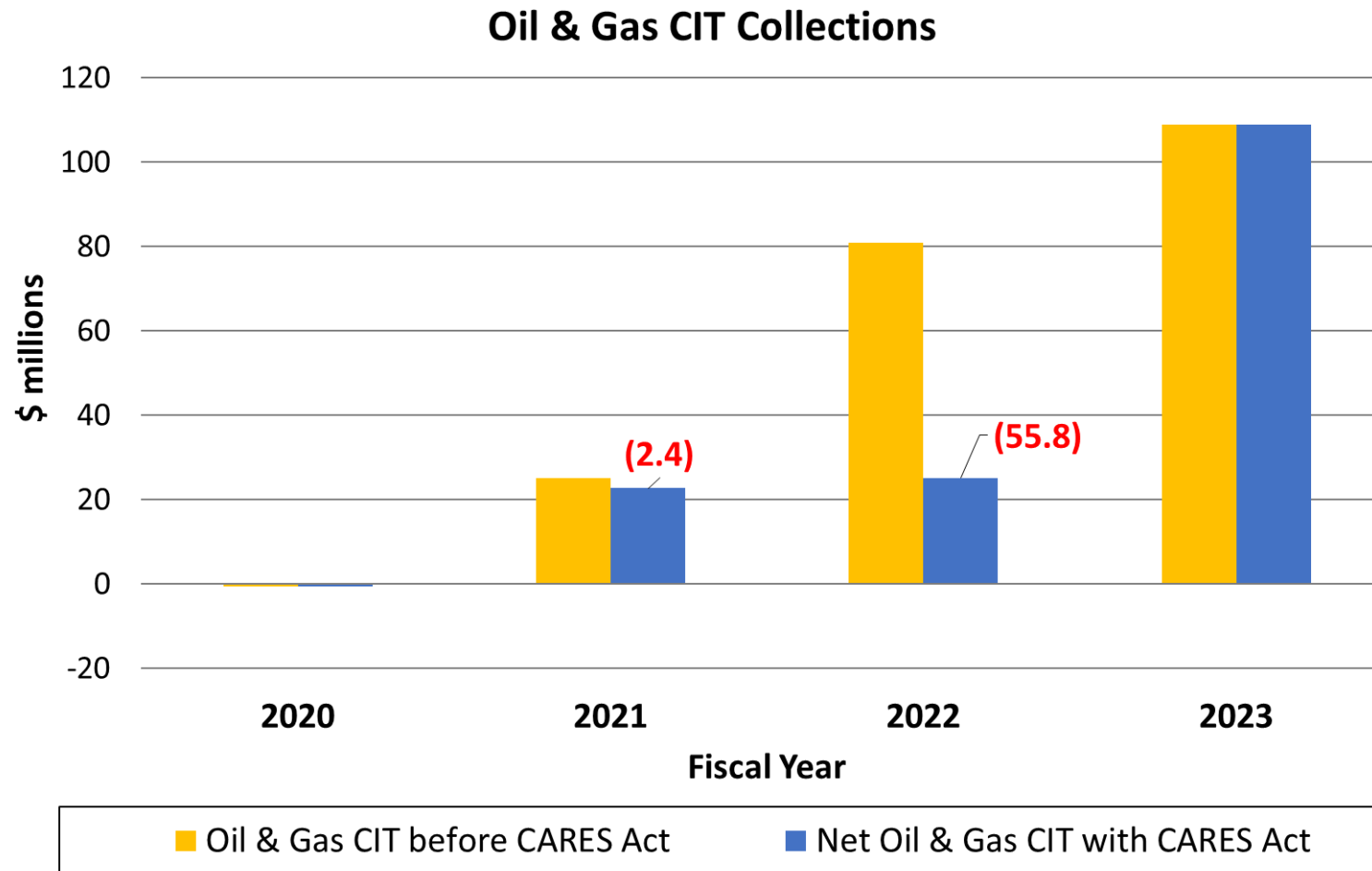
NOTE: Numbers in red indicate anticipated CIT refunds as a result of the federal CARES Act provisions.

CIT = Corporate Income Tax. CARES Act = Coronavirus Aid, Relief, and Economic Security Act, passed by Congress late March 2020.





# Unrestricted Revenue Forecast: Oil & Gas Corporate Income Tax (CIT)



**Forecasted CARES  
ACT Impacts to Oil  
and Gas Corporate  
Income Tax Revenue**  
Refunds = **\$58.2**  
**million**

NOTE: Numbers in red indicate anticipated CIT refunds as a result of the federal CARES Act provisions.

CIT = Corporate Income Tax. CARES Act = Coronavirus Aid, Relief, and Economic Security Act, passed by Congress late March 2020.



# Petroleum Forecast Assumptions Detail

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## Petroleum Detail: Changes to Long-Term Price Forecast

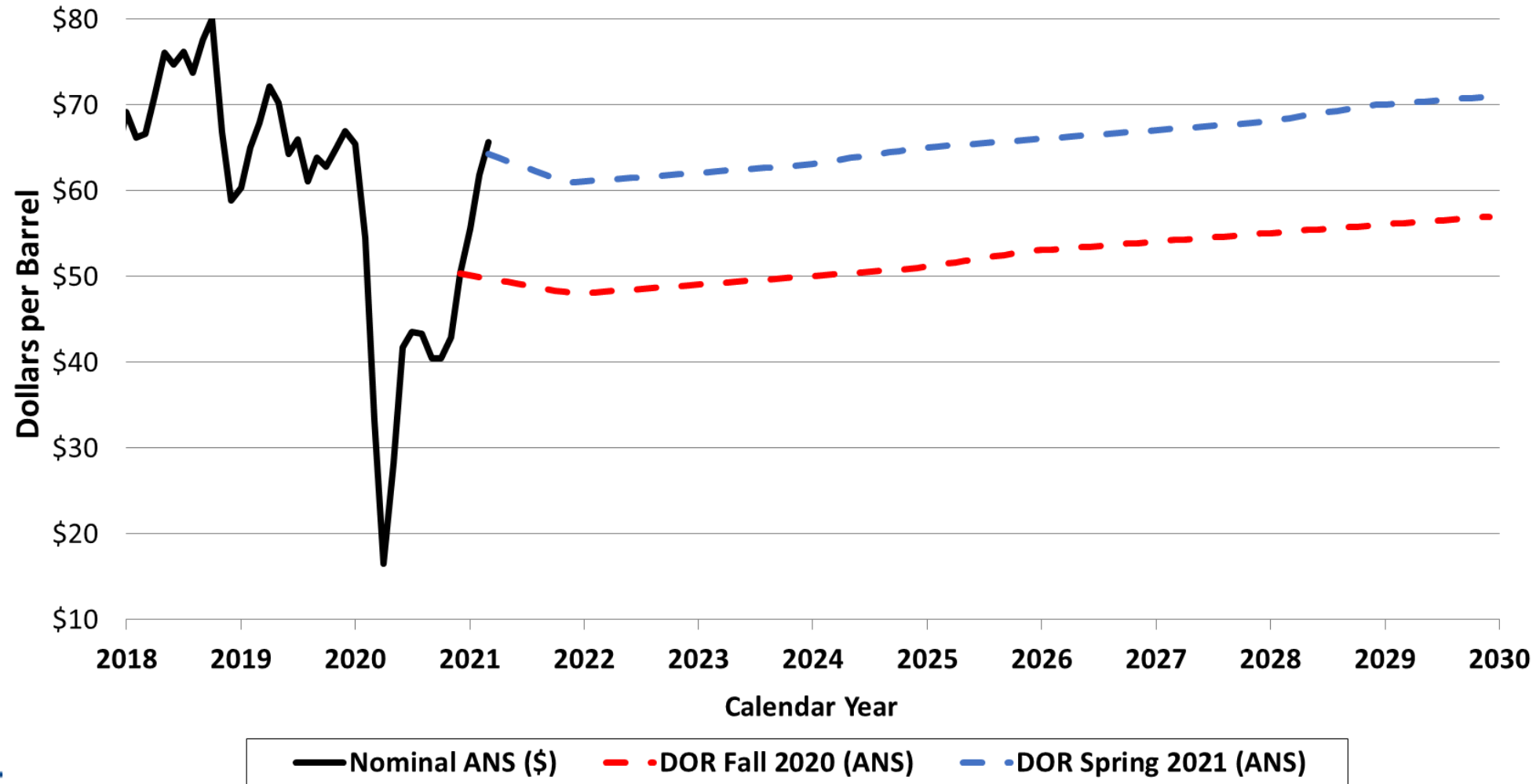
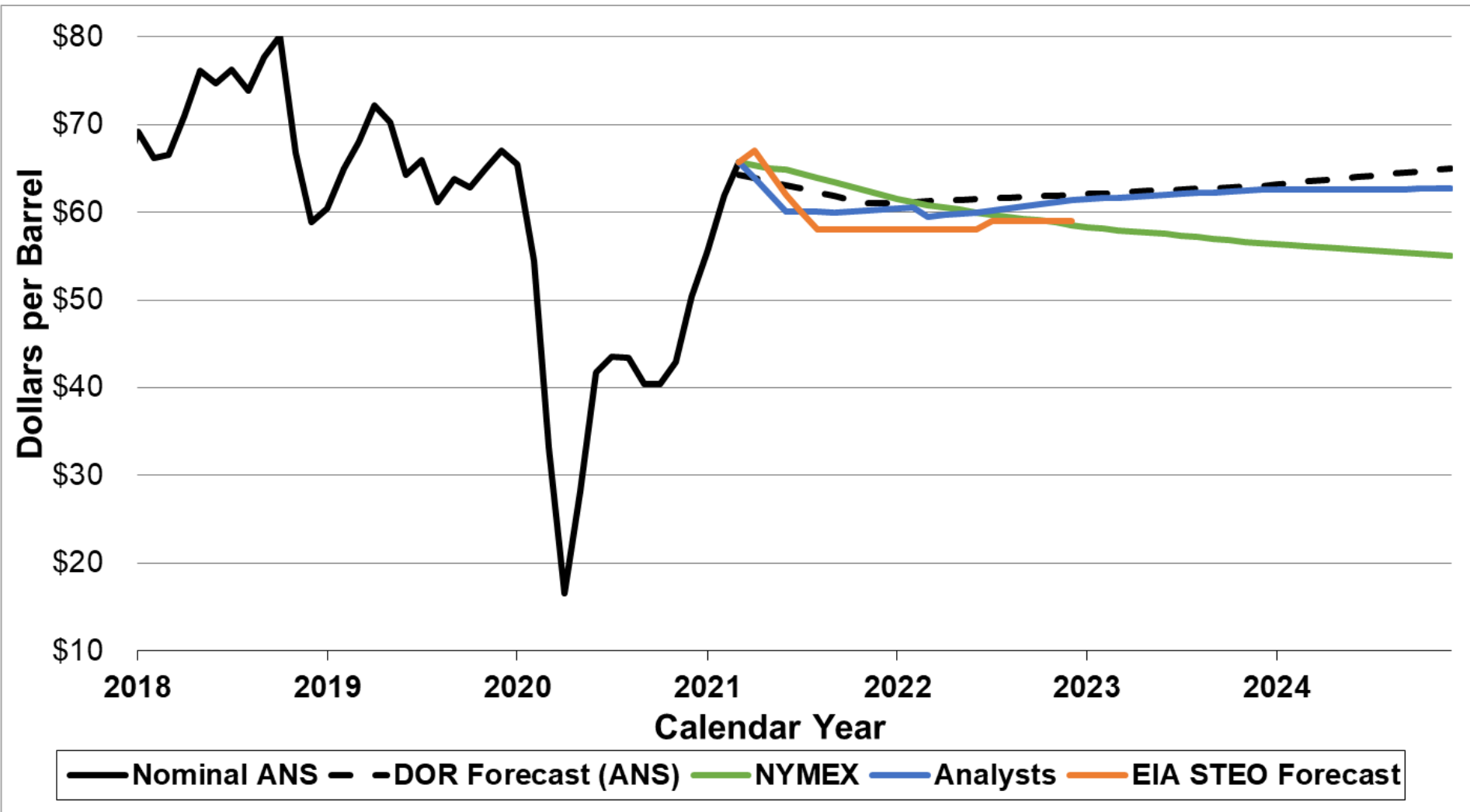


Chart shows monthly average prices.

Source: DOR Fall 2020 Revenue Sources Book, Spring 2021 Forecast

## Petroleum Detail: Nominal Brent Forecasts Comparison as of March 30, 2021

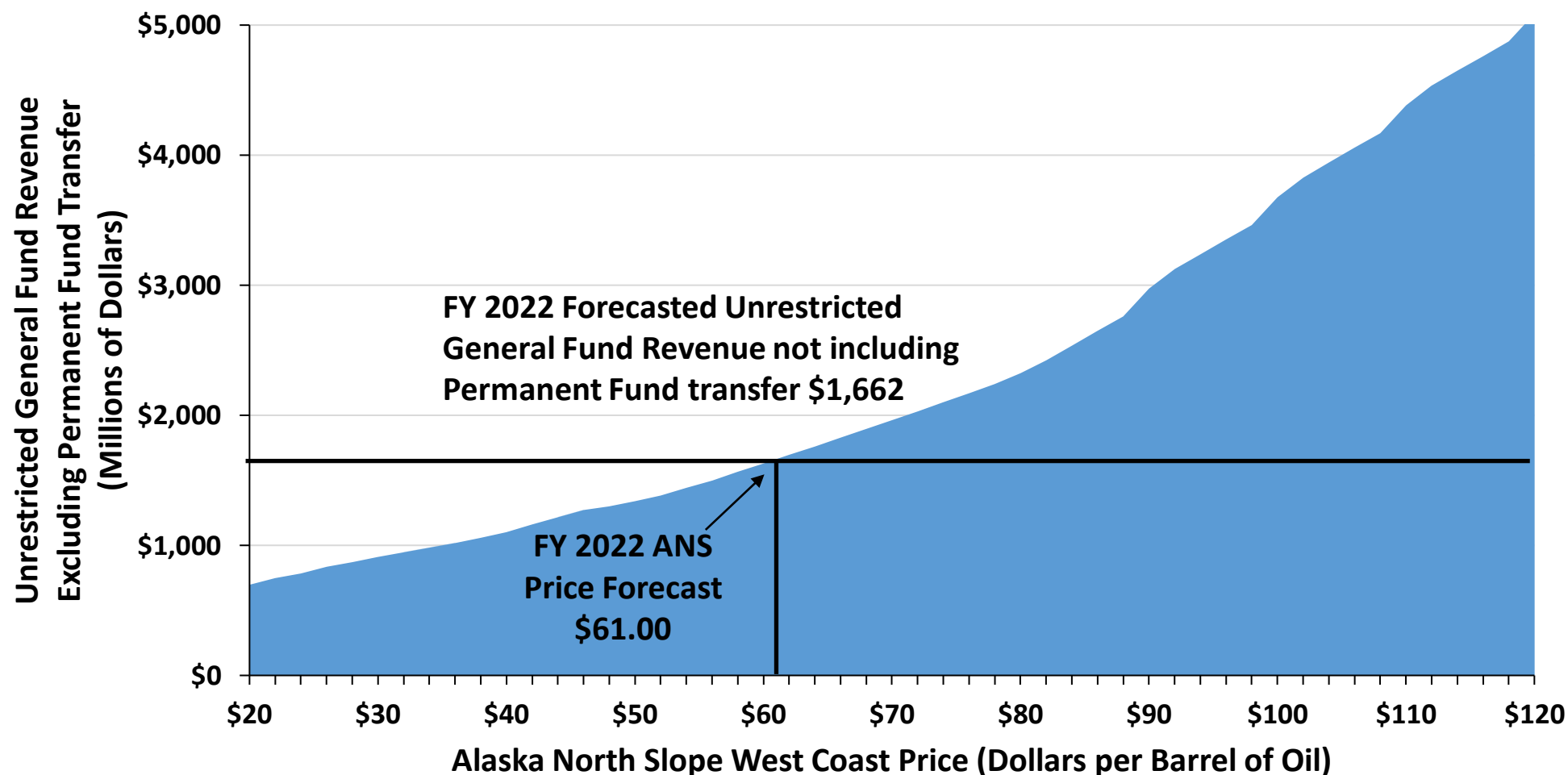


Source: Analyst forecast is the median forecast of 10-38 firms from a Bloomberg survey as of 3/30/2021. Futures prices are from the New York Mercantile Exchange (NYMEX) as of 3/29/2021. The U.S. Energy Information Administration (EIA) forecast is from their March 2021 Short-Term Energy Outlook. Chart shows monthly average prices.



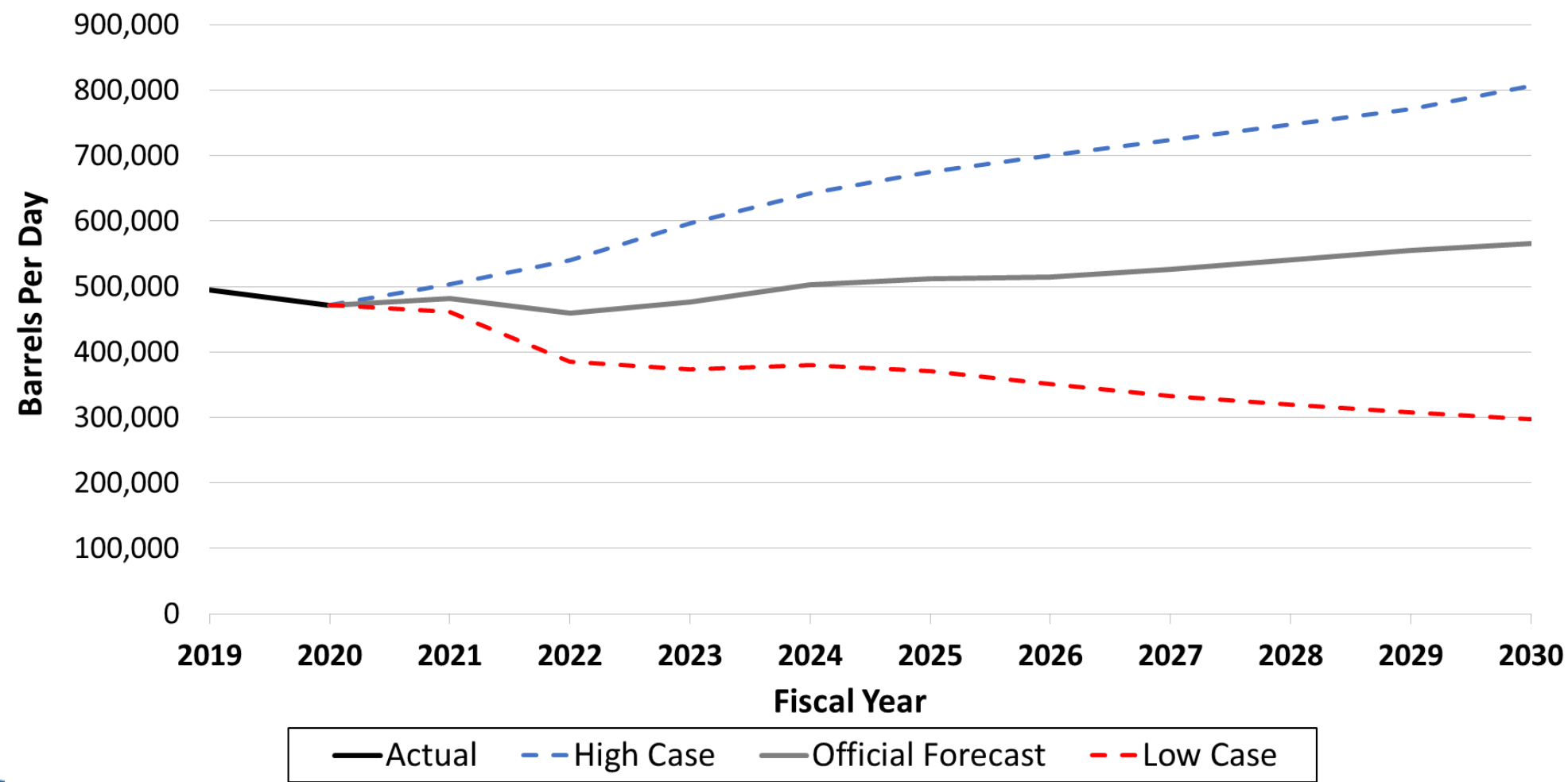


# Petroleum Detail: UGF Relative to Price per Barrel (without POMV): FY 2022



Notes: Assumes official forecasted North Slope production of 459,700 barrels per day. Near the forecasted ANS price, a \$1 decrease in price leads to an approximately \$25 million change in UGF revenue, and a \$1 increase leads to an approximately \$35 million change in UGF revenue.

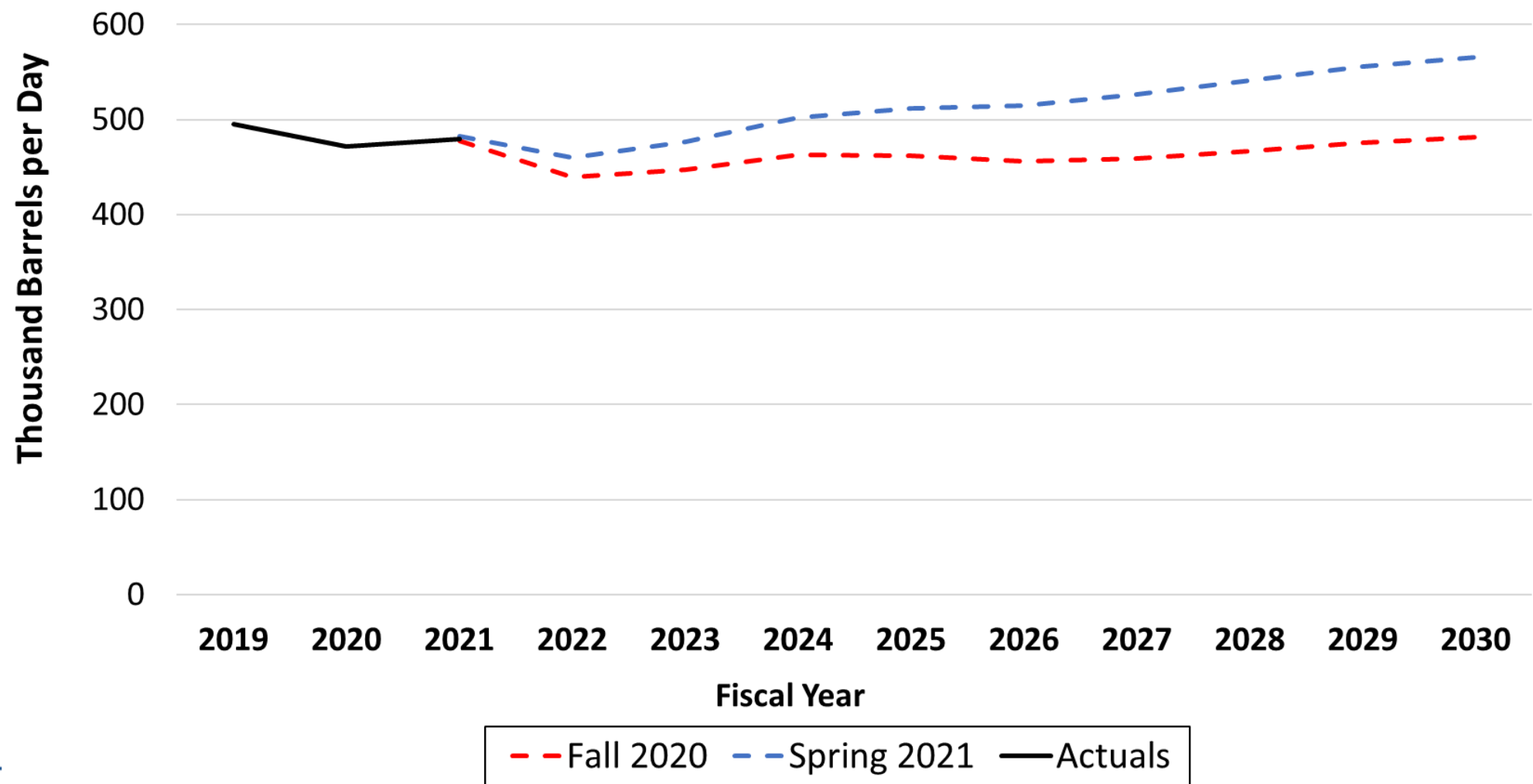
# Petroleum Detail: North Slope Petroleum Production Forecast



Note: Spring 2021 Forecast does not include 10,000 barrels per day of NGL shipments from Prudhoe to Kuparuk.



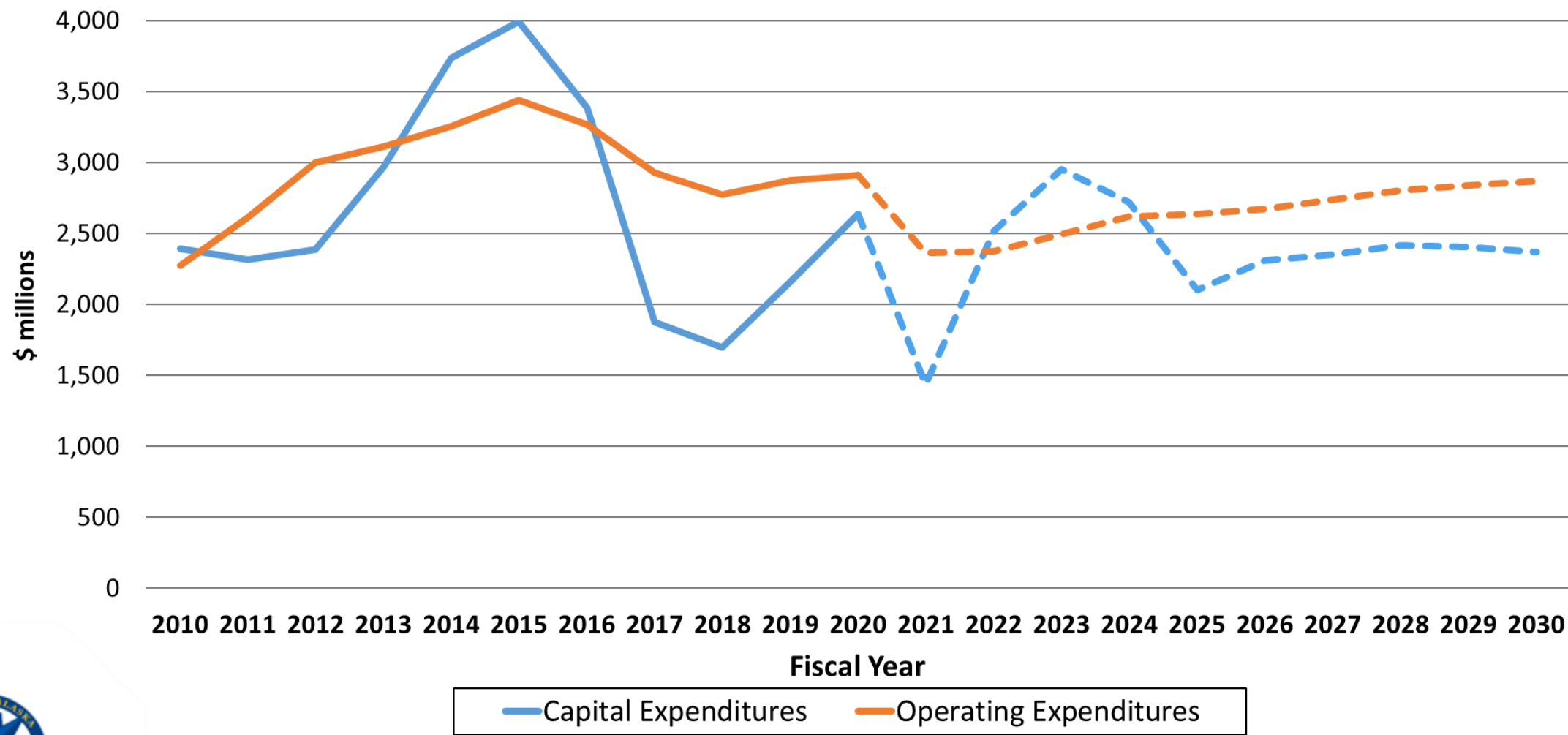
# Petroleum Detail: Changes to North Slope Petroleum Production Forecast



Note: Spring 2021 Forecast does not include 10,000 barrels per day of NGL shipments from Prudhoe to Kuparuk.

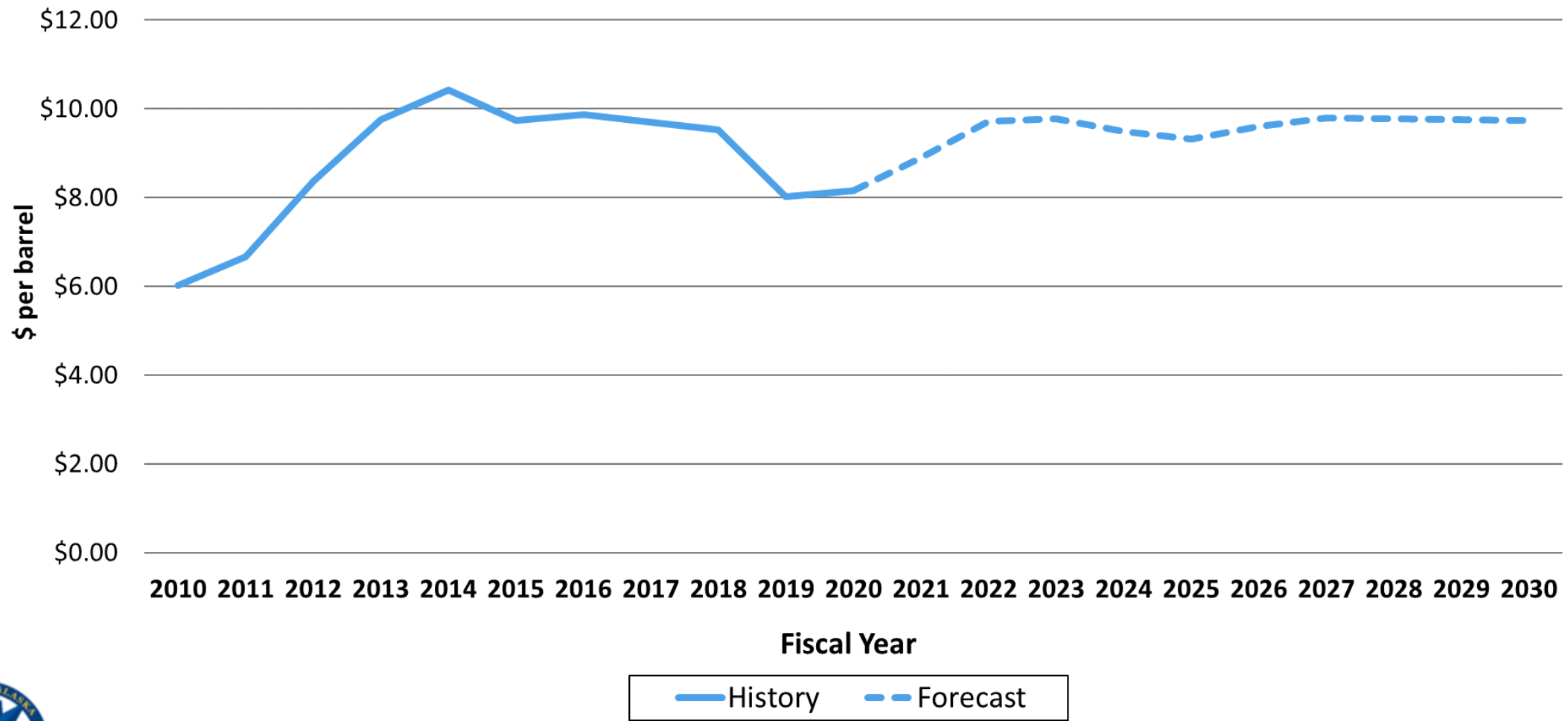


# Petroleum Detail: North Slope Allowable Lease Expenditures

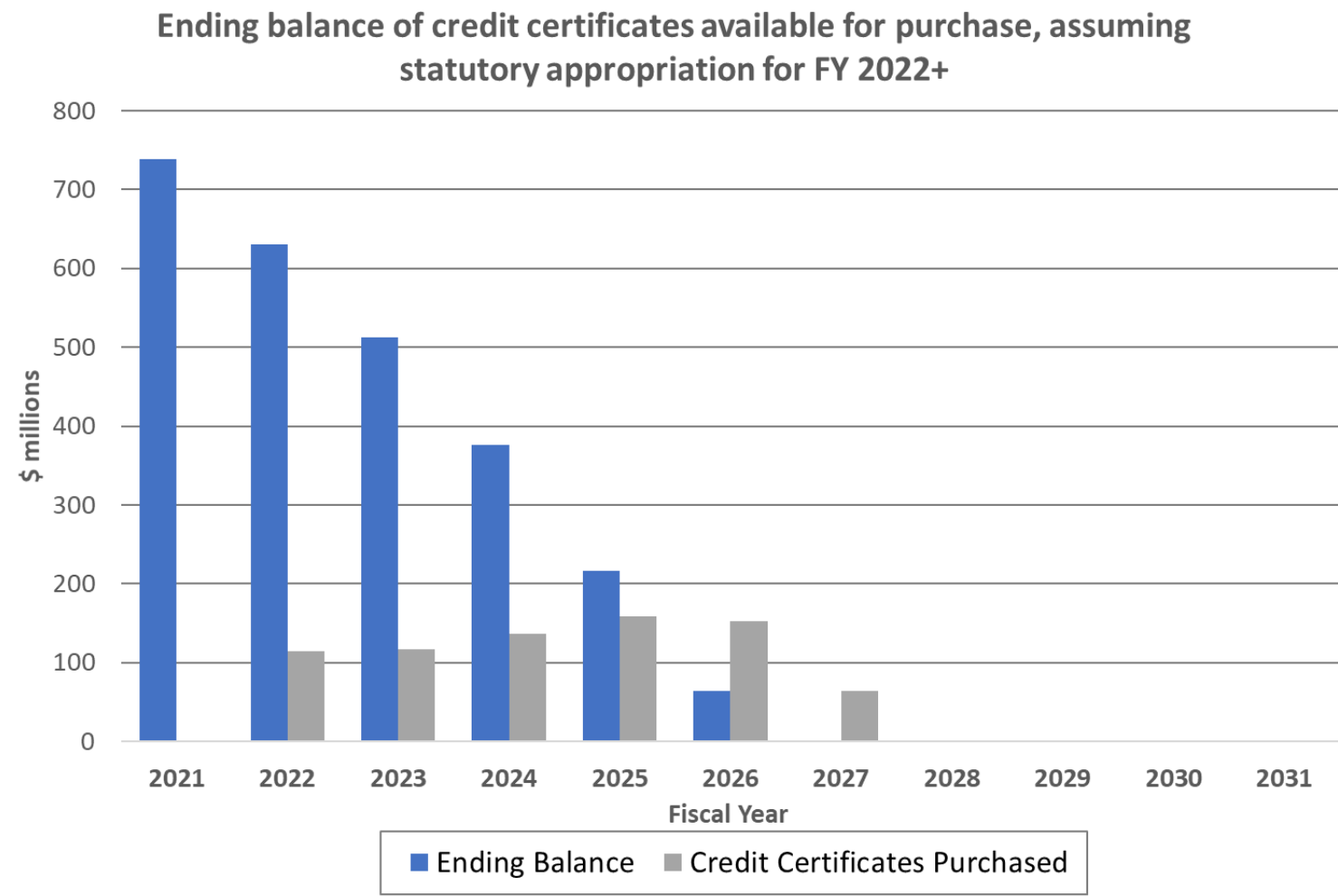




# Petroleum Detail: North Slope Transportation Costs



# Petroleum Detail: Tax Credits for Purchase Detail



Per AS 43.55.028, statutory appropriation is 10% of production tax levied, before credits, when ANS price forecast is \$60 or higher. Statutory appropriation is 15% of production tax levied, before credits, when ANS price forecast is below \$60. Does not include changes in company behavior or credit transfers beyond FY 2021 as a result of making no appropriation or only making statutory appropriation.

# THANK YOU

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