



ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Legislative Finance Division

430 Main St., Juneau, Alaska
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January 27, 2022

The Honorable Representative Foster
Co-Chair, House Finance Committee
Alaska State Capitol Room 505
Juneau, AK 99801

The Honorable Representative Merrick
Co-Chair, House Finance Committee
Alaska State Capitol Room 511
Juneau, AK 99801

Dear Co-Chairs Foster and Merrick,

Thank you for inviting the Legislative Finance Division to discuss the Governor's FY23 Budget proposal on Friday, January 21, 2022. Responses to questions from the committee hearing are included below:

1. Representative Rasmussen asked about the seasonality of oil prices and production tax revenue.

While oil prices show no apparent seasonality, Alaska North Slope Production is significantly higher in winter. Lease expenditures are also higher in winter since many capital projects require use of ice roads. Department of Revenue's forecast modeling evaluates revenue on a monthly basis for the current fiscal year, so their forecast accounts for the timing of month-to-month production variation and the corresponding actual and forecasted oil prices. Companies file monthly returns based on estimated tax liabilities. In a producer's annual return, they can "true-up" lease expenditures and credits across all months, often leading to the producer receiving refunds. DOR's modeling also accounts for anticipated refunds from annual filings.

2. Representative Rasmussen asked what the size of the Permanent Fund was at the end of FY12.

At the end of FY12, the total value of the Permanent Fund was \$40.3 billion.

3. Representative Rasmussen asked what level of Permanent Fund Dividend would result in a balanced budget under LFD's baseline budget scenario.

In FY23, the PFD would be about \$1,90 and would grow over time. See the table below:

LFD Baseline with Balanced-Budget PFD (\$ millions)									
	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
Revenue	5,937.7	6,064.5	6,237.4	6,358.9	6,567.9	6,675.8	6,706.3	6,877.8	7,082.2
Budget	4,655.9	4,747.5	4,774.5	4,672.3	4,735.3	4,833.6	4,926.5	5,025.1	5,127.8
PFD	1,281.8	1,317.0	1,462.9	1,686.6	1,832.6	1,842.2	1,779.8	1,852.7	1,954.4
Pre-Transfer Deficit	-	-	-	-	-	-	-	-	-
PFD Per Recipient	\$ 1,905	\$ 1,937	\$ 2,148	\$ 2,473	\$ 2,676	\$ 2,674	\$ 2,566	\$ 2,663	\$ 2,800

4. Representative Edgmon asked how many other states have a 10-year plan.

30 states have a long-term plan requirement, but only Alaska (10 years) and Utah (15 years) have requirements longer than five years. However, 43 states have multi-year capital improvement plans and five of those are for 10 years at a time.

5. Representative Edgmon asked where the new Tustumena will be built?

The Tustumena replacement will need to go out to bid. A public notice was issued on January 14, 2022 and a request for proposals (RFP) is expected to be released in March.

If we can be of further assistance, please do not hesitate to contact my office.

Sincerely,



Alexei Painter
Legislative Fiscal Analyst