

Spring 2022 Forecast Presentation

House Finance Committee

Department of Revenue

March 16, 2022

Agenda

1. Forecast Background, Economic Indicators, and Key Assumptions
2. Spring 2022 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 2022 Revenue Forecast

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



Key Alaska Economic Indicators

Indicator	Detail	Units	Annual		Quarterly			
			2019	2020	2021:Q1	2021:Q2	2021:Q3	2021:Q4
Real GDP ¹	All industry total	\$ millions (chained)	\$ 53,336.5	\$ 50,161.0	\$ 49,820	\$ 50,308	\$ 50,353	Unavailable
Employment ²	Total Nonfarm	Jobs	330,000	302,600	295,833	311,867	325,467	306,000
Total Wages ³	Total Industries	\$ millions (nominal)	\$ 18,769.8	\$ 18,508.5	\$ 4,295	\$ 4,785	\$ 5,025	Unavailable
Total Bankruptcies ⁴	All Chapters	Count	400	313	62	63	40	49
Total Foreclosures ⁵	All Regions	Count	729	395	78	84	115	Unavailable
Housing Starts ⁶	Statewide	Count	1,689	1,491	462	400	372	382
Mortgage Delinquency ⁷	30-89 Days	% Delinquent	1.5%	1.0%	0.8%	0.6%	Unavailable	Unavailable
Mortgage Delinquency ⁷	90+ Days	% Delinquent	0.7%	0.6%	0.4%	0.4%	Unavailable	Unavailable

Note: Quarters on this slide are based on Calendar Year, i.e., Q1 = Jan-Mar, etc. Updated as of March 14, 2022

Sources: Federal Reserve, "Total Real Gross Domestic Product by Industry for Alaska, Millions of Chained 2012 Dollars, Quarterly, Seasonally Adjusted Annual Rate," "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, "Monthly Employment Statistics", "Current Quarterly Census of Employment and Wages", "Alaska Foreclosures,"; American Bankruptcy Institute "Filings by State and Jurisdiction,"; Consumer Finance "Mortgage Performance Trends"



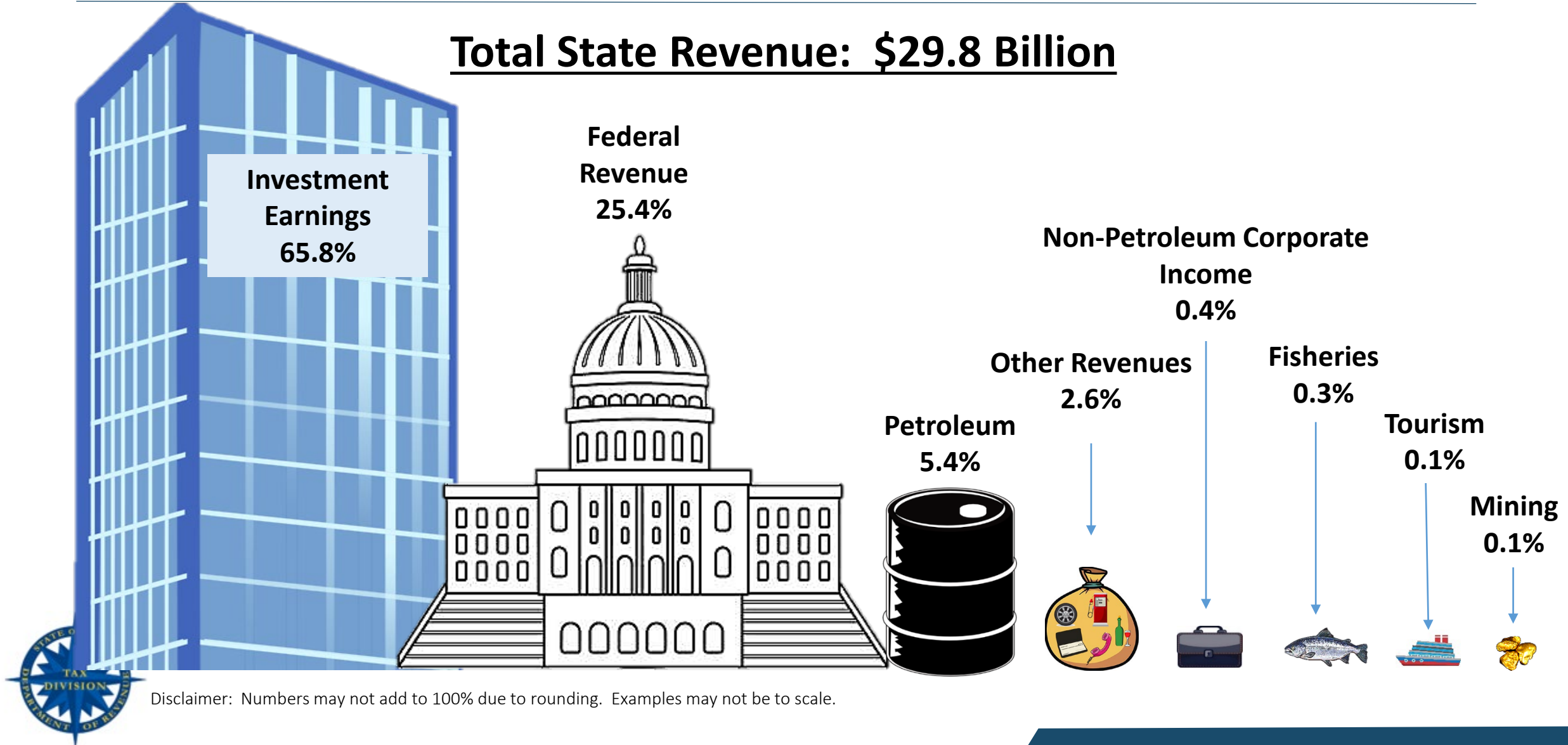
Spring Forecast Assumptions

- The economic impacts of COVID-19 and geopolitical events are uncertain; DOR has developed a plausible scenario to forecast these impacts.
- Key Assumptions:
 - Investments: Stable growth in investment markets, 5.86% for FY 2022 and 6.20% for FY 2023+.
 - Federal: The forecast incorporates stimulus funding as of March 1, 2022, includes updated estimates of IIJA funding.
 - Petroleum: Alaska North Slope oil price of \$91.68 per barrel for FY 2022 and \$101.00 per barrel for FY 2023.
 - Non-Petroleum: Continued economic growth. 75% of capacity assumption for 2022 cruise season, minerals prices based on futures markets.



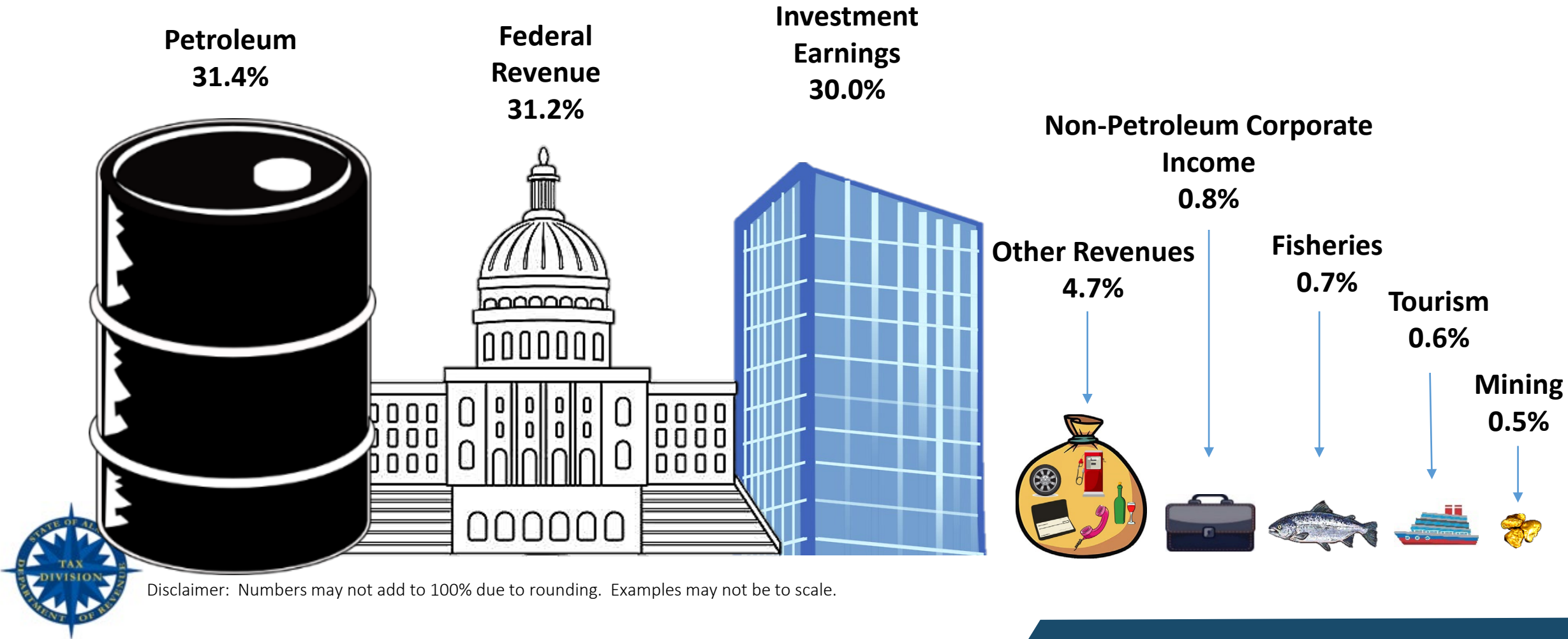
Relative Contributions to Total State Revenue: FY 2021

Total State Revenue: \$29.8 Billion



Relative Contributions to Total State Revenue: FY 2023

Total State Revenue: \$16.4 Billion



Spring 2022 Revenue Forecast



THE STATE
of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Unrestricted Revenue Forecast: FY 2021 and Changes to Two-Year Outlook

		History	Forecast	
		FY 2021	FY 2022	FY 2023
ANS Oil Price (Nominal \$/bbl)	Fall 2021 Forecast	\$54.14	\$75.72	\$71.00
	Spring 2022 Forecast	\$54.14	\$91.68	\$101.00
	Change	\$0.00	\$15.96	\$30.00
Permanent Fund Transfer (\$ millions)	Fall 2021 Forecast	3,091.5	3,069.3	3,360.6
	Spring 2022 Forecast	3,091.5	3,069.3	3,360.6
	Change	0.0	0.0	0.0
Unrestricted Revenue, excluding Permanent Fund Transfer (\$ millions)	Fall 2021 Forecast	1,691.3	2,662.6	2,577.1
	Spring 2022 Forecast	1,691.3	3,883.4	4,970.4
	Change	0.0	1,220.8	2,393.3
Unrestricted Revenue, including Permanent Fund Transfer (\$ millions)	Fall 2021 Forecast	4,782.8	5,731.9	5,937.7
	Spring 2022 Forecast	4,782.8	6,952.7	8,331.0
	Change	0.0	1,220.8	2,393.3



ANS = Alaska North Slope

Total Revenue Forecast: FY 2021 to FY 2023 Totals

\$ Millions	History	Forecast	
Revenue Type	FY 2021	FY 2022	FY 2023
Unrestricted General Fund			
Investment Revenue - Alaska Permanent Fund	3,091.5	3,069.3	3,360.6
Investment Revenue - Other Investments	29.4	(4.7)	16.0
Petroleum Revenue	1,217.6	3,519.9	4,449.1
Non-Petroleum Revenue	444.3	368.3	505.3
Subtotal	4,782.8	6,952.7	8,331.0
Designated General Fund			
Investment Revenue	182.3	15.4	47.8
Petroleum Revenue	60.0	78.9	109.0
Non-Petroleum Revenue	479.9	483.5	476.2
Subtotal	722.2	577.7	633.0
Other Restricted Revenue			
Investment Revenue	16,278.6	1,405.8	1,501.2
Petroleum Revenue	300.2	457.3	558.8
Non-Petroleum Revenue	111.0	209.4	227.6
Subtotal	16,689.8	2,072.5	2,287.5
Federal Revenue			
Federal Receipts	7,555.0	6,165.1	5,135.1
Petroleum Revenue	15.8	15.0	48.7
Subtotal	7,570.8	6,180.1	5,183.8
Total State Revenue	29,765.6	15,783.1	16,435.4



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 2021 to FY 2023 Totals

\$ Millions	History	Forecast	
Revenue Type	FY 2021	FY 2022	FY 2023
Unrestricted General Fund			
Investment Revenue - Alaska Permanent Fund ¹	3,091.5	3,069.3	3,360.6
Investment Revenue - Other Investments	29.4	(4.7)	16.0
Petroleum Revenue	1,217.6	3,519.9	4,449.1
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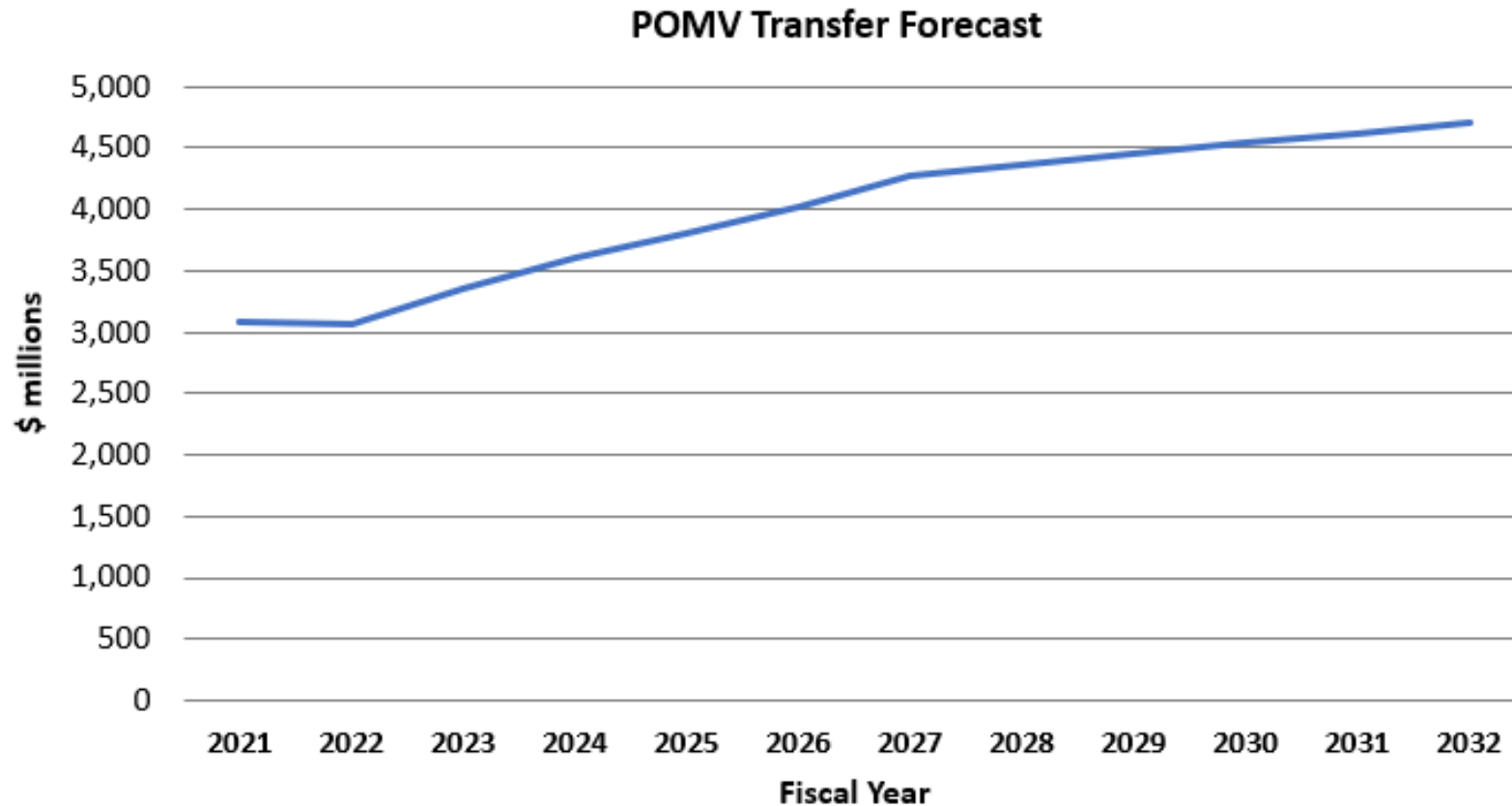
¹Percent of Market Value (POMV) Transfer

Unrestricted Investment Revenue: FY 2021 to FY 2023 Totals

\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2021	FY 2022	FY 2023
Investment Revenue			
Alaska Permanent Fund	3,091.5	3,069.3	3,360.6
Investments	29.4	(4.7)	16.0
Total Unrestricted Investment Revenue	3,120.9	3,064.6	3,376.6



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



- Permanent Fund total return for FY 2021 of 29.7%.
- 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 6.20% for FY 2023+; 5.86% for FY 2022.
- Differing Permanent Fund returns and petroleum deposits could significantly alter actual POMV amounts.



POMV = Percent of Market Value

Unrestricted Petroleum Revenue: FY 2021 to FY 2023 Totals

\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2021	FY 2022	FY 2023
Taxes			
Petroleum Property Tax	119.2	123.6	116.2
Petroleum Corporate Income Tax	(19.4)	190.0	340.0
Oil and Gas Production Tax	389.0	1,941.2	2,534.3
Subtotal Taxes	488.8	2,254.9	2,990.5
Royalties			
Mineral Bonuses and Rents	15.8	11.8	17.2
Oil and Gas Royalties	709.2	1,264.4	1,441.4
Interest	3.8	(11.2)	-
Subtotal Royalties	728.8	1,265.0	1,458.6
Total Petroleum Revenue	1,217.6	3,519.9	4,449.1



Unrestricted Non-Petroleum Revenue: FY 2021 to FY 2023 Totals

\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2021	FY 2022	FY 2023
Taxes			
Fisheries Taxes	20.9	26.9	27.8
Insurance Premium Tax	55.2	56.8	58.0
Marijuana	7.8	7.8	8.6
Mining License Tax	9.0	47.9	76.5
Motor Fuel (Refined Fuel Surcharge)	6.4	-	-
Non-Petroleum Corporate Income	102.8	15.0	125.0
Tobacco	38.0	35.9	35.1
Other Taxes	108.9	118.1	130.1
Subtotal Taxes	265.1	216.9	366.7
Other	179.2	151.4	138.6
Total Non-Petroleum Revenue	444.3	368.3	505.3



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 & Permits, Rents & Royalties, and Miscellaneous Revenue & Transfers.

Petroleum Forecast Assumptions Detail

Petroleum Detail: Changes to Long-Term Price Forecast

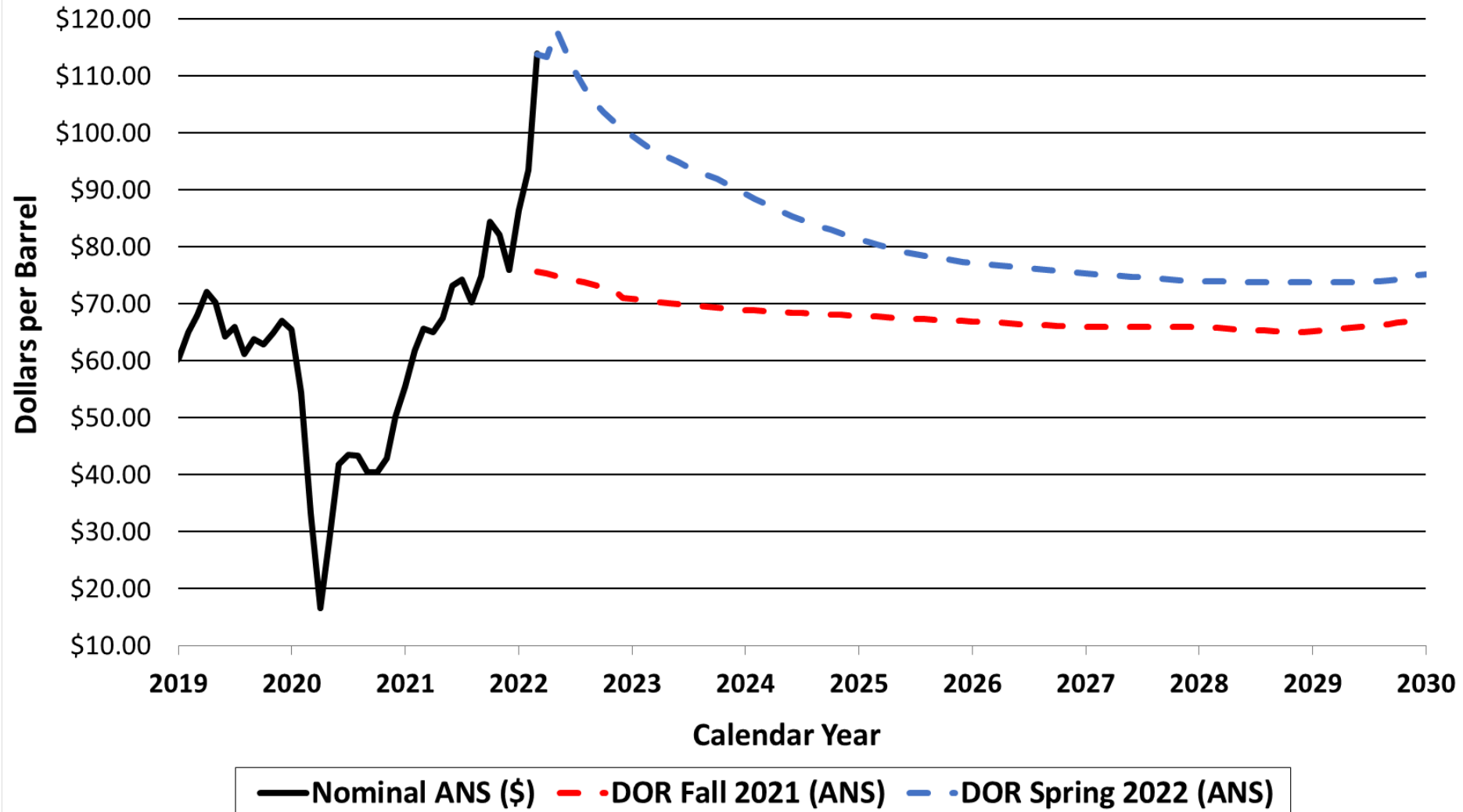
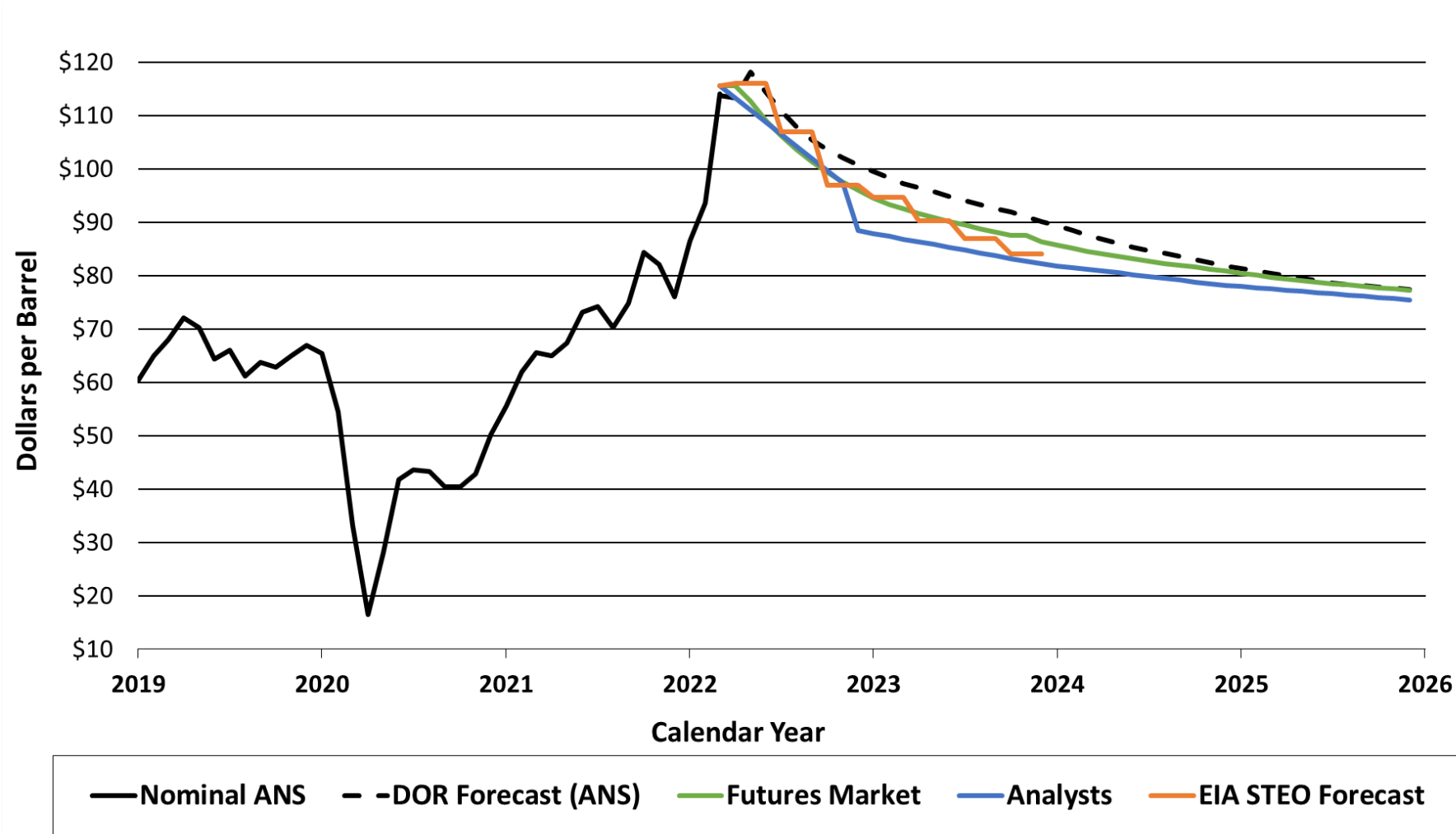


Chart shows monthly average prices.

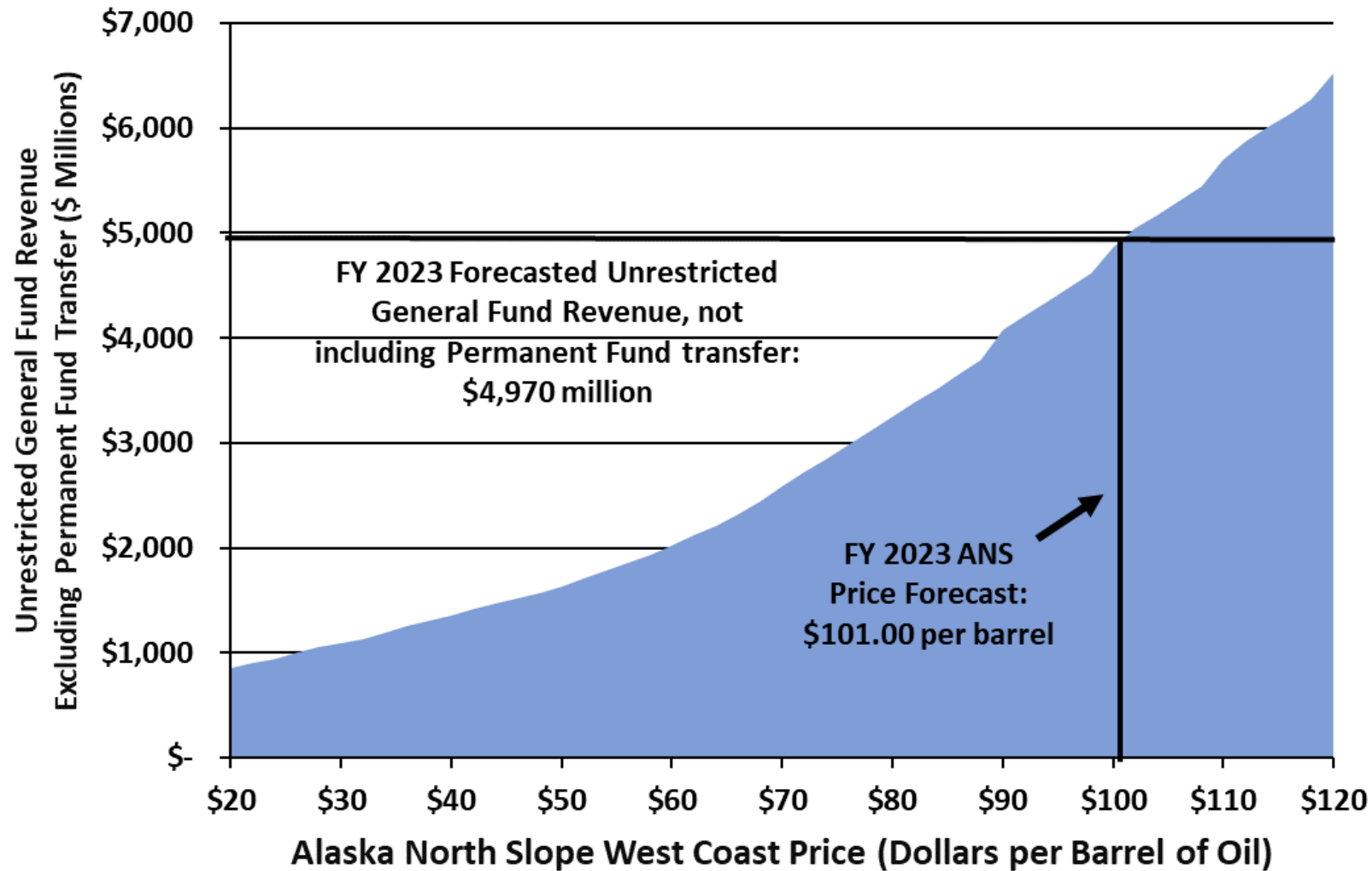
Source: DOR Spring 2022 Revenue Forecast, Fall 2021 Revenue Sources Book

Petroleum Detail: Nominal Brent Forecasts Comparison as of March 14, 2022



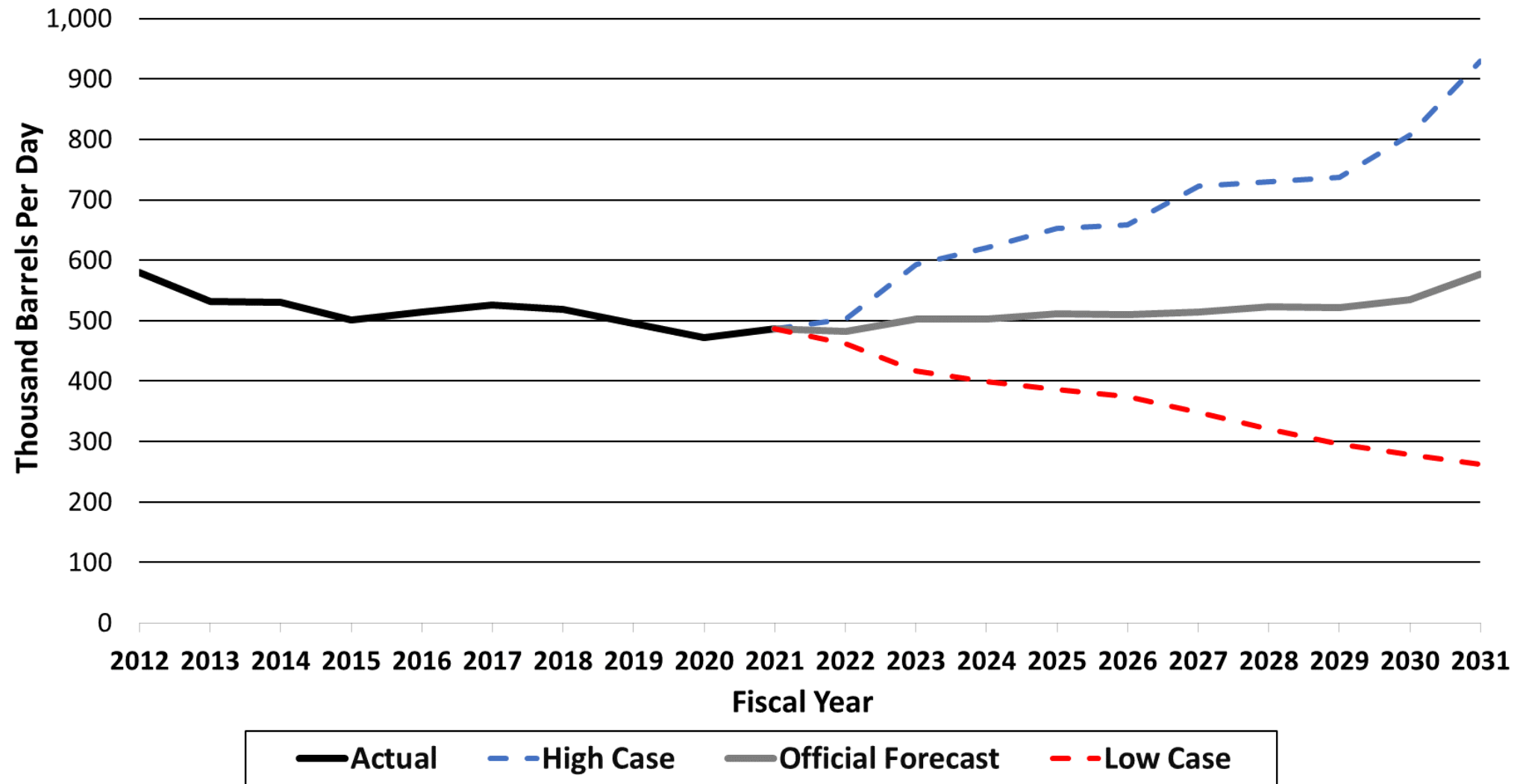
Source: Analyst forecast is the median forecast of 10-38 firms from a Bloomberg survey as of 3/14/2022. Futures prices are from the New York Mercantile Exchange (NYMEX) as of 3/14/2022. The U.S. Energy Information Administration (EIA) forecast is from their March 2022 Short-Term Energy Outlook (released 3/8/2022). Chart shows monthly average prices.

Petroleum Detail: UGF Relative to Price per Barrel (without POMV): FY 2023

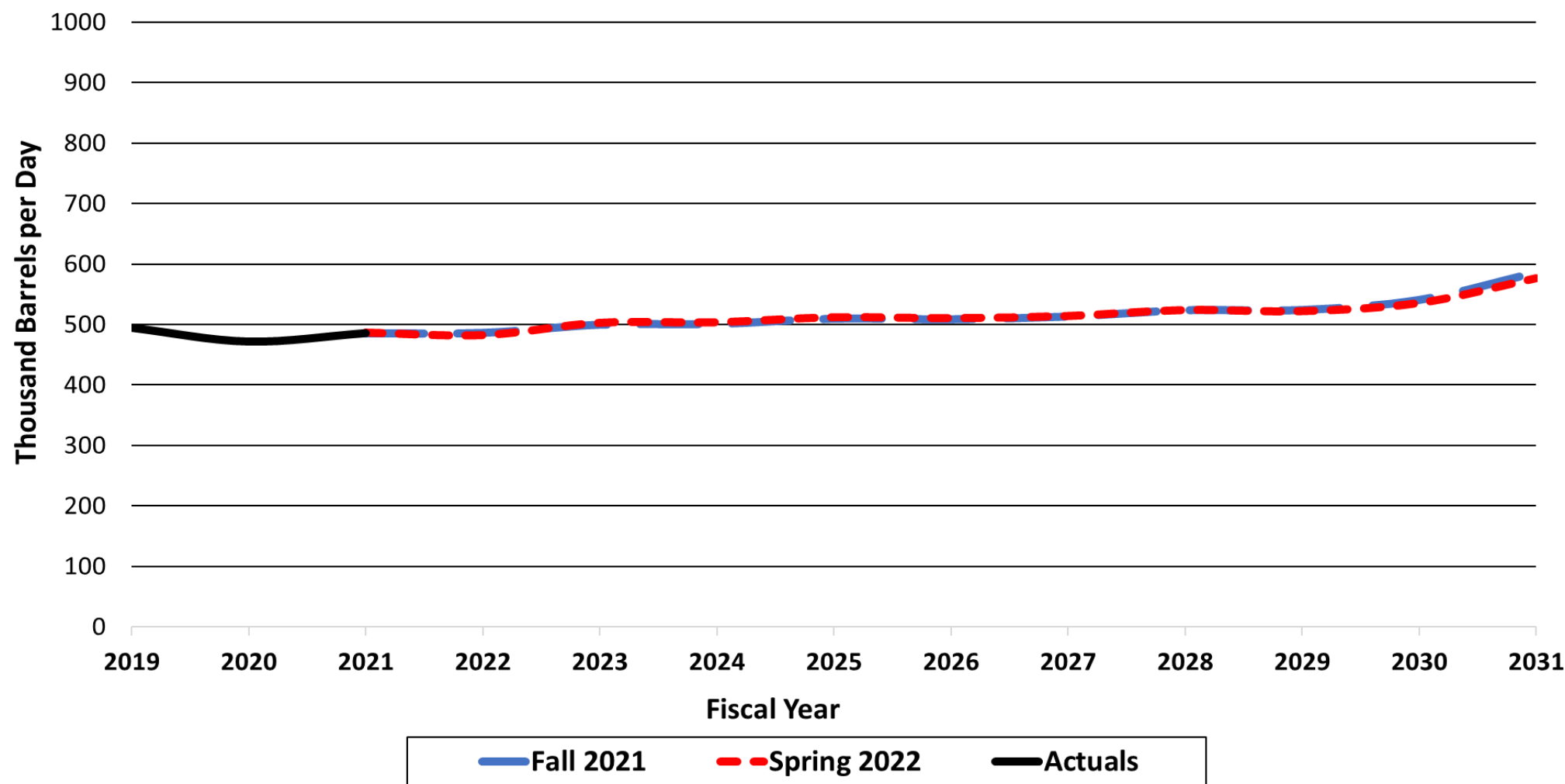


Note: Assumes official forecasted North Slope production of 502,300 barrels per day. Near the forecasted ANS price, a \$1 increase or decrease in price leads to an approximately \$80-85 million change in UGF revenue.

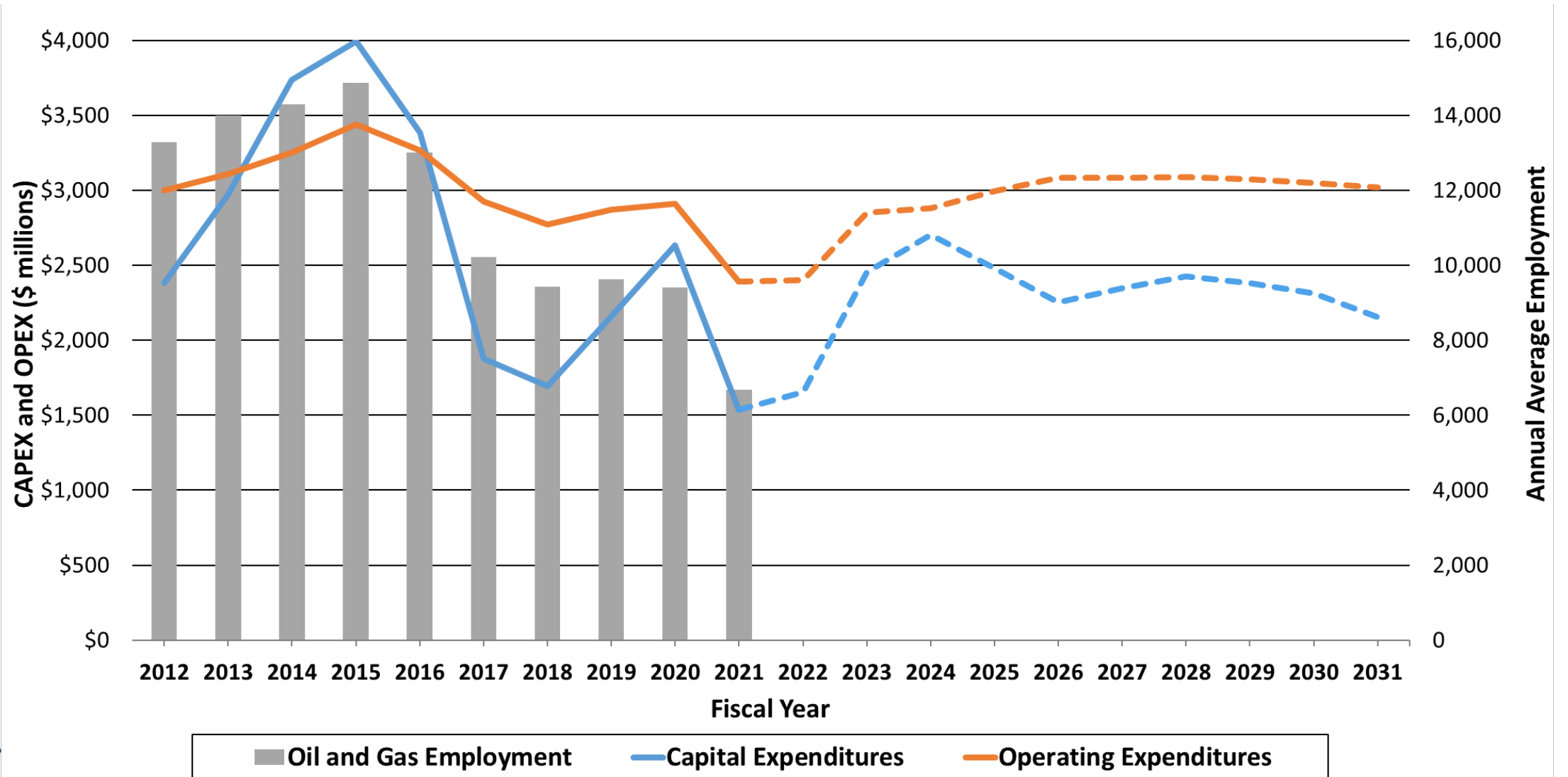
Petroleum Detail: North Slope Petroleum Production Forecast



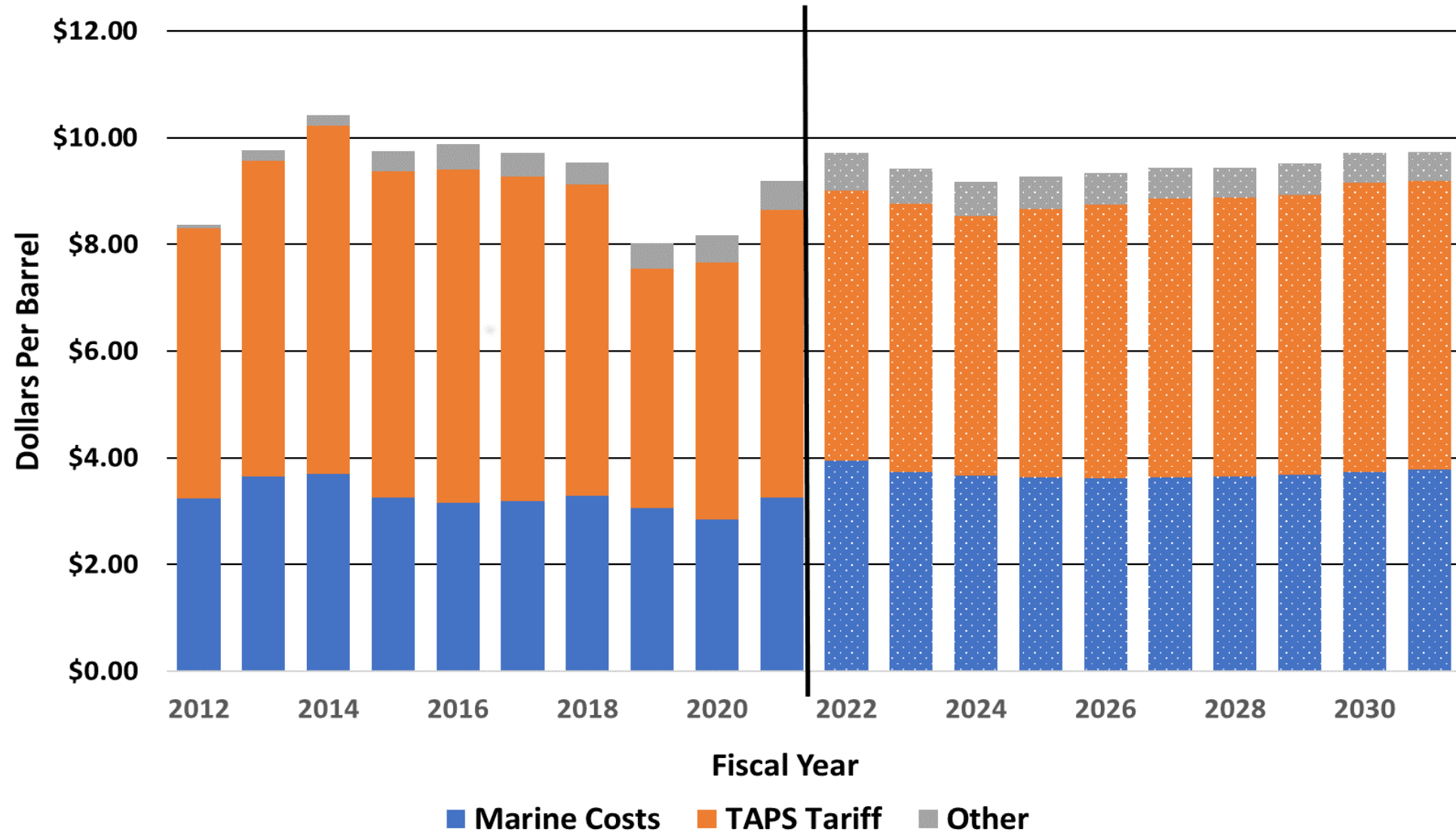
Petroleum Detail: Changes to North Slope Petroleum Production Forecast



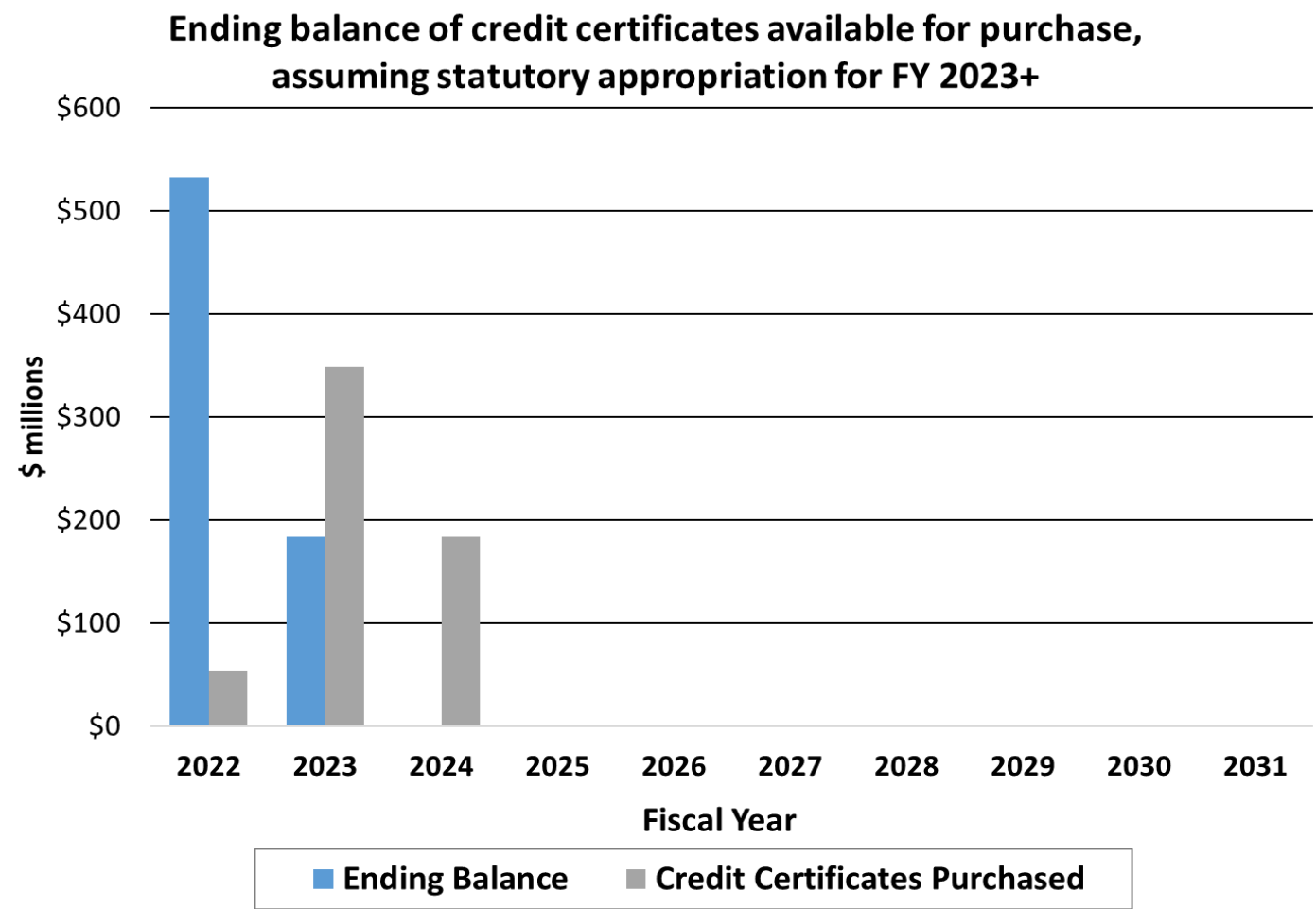
Petroleum Detail: North Slope Allowable Lease Expenditures



Petroleum Detail: North Slope Transportation Costs



Petroleum Detail: Tax Credits for Purchase Detail



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 2022 as a result of making no appropriation or only making statutory appropriation.

THANK YOU

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