

Spring 2022 Forecast Presentation

Senate Finance Committee

Department of Revenue

March 22, 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 | 2021:Q1 | 2021:Q2 | 2021:Q3 | 2021:Q4 |
| Real GDP ¹ | All industry total | \$ millions (chained) | \$ 53,336.5 | \$ 50,161.0 | Unavailable | \$ 49,820 | \$ 50,308 | \$ 50,353 | Unavailable |
| Employment ² | Total Nonfarm | Jobs | 330,000 | 302,600 | 309,800 | 295,833 | 311,867 | 325,467 | 306,000 |
| Total Wages ³ | Total Industries | \$ millions (nominal) | \$ 18,769.8 | \$ 18,508.5 | Unavailable | \$ 4,295 | \$ 4,785 | \$ 5,025 | Unavailable |
| Total Bankruptcies ⁴ | All Chapters | Count | 400 | 313 | 214 | 62 | 63 | 40 | 49 |
| Total Foreclosures ⁵ | All Regions | Count | 729 | 395 | 374 | 78 | 84 | 115 | 97 |
| Housing Starts ⁶ | Statewide | Count | 1,689 | 1,491 | 1,616 | 462 | 400 | 372 | 382 |
| Mortgage Delinquency ⁷ | 30-89 Days | % Delinquent | 1.5% | 1.1% | Unavailable | 0.8% | 0.7% | 0.8% | Unavailable |
| Mortgage Delinquency ⁷ | 90+ Days | % Delinquent | 0.7% | 0.6% | Unavailable | 0.5% | 0.4% | 0.5% | Unavailable |

Note: Quarters on this slide are based on Calendar Year, i.e., Q1 = Jan-Mar, etc. Updated as of March 21, 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"

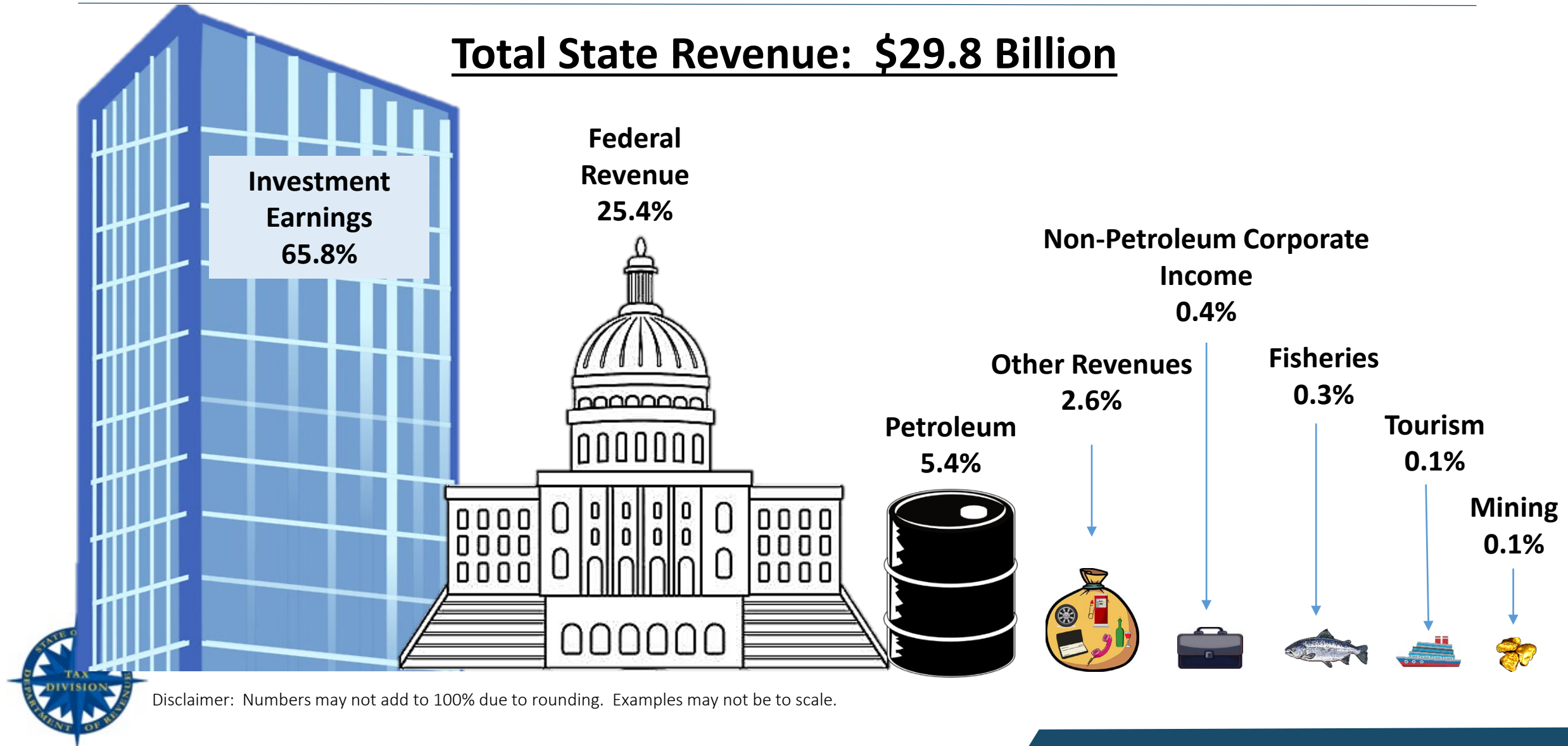
Spring Forecast Assumptions

- 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.



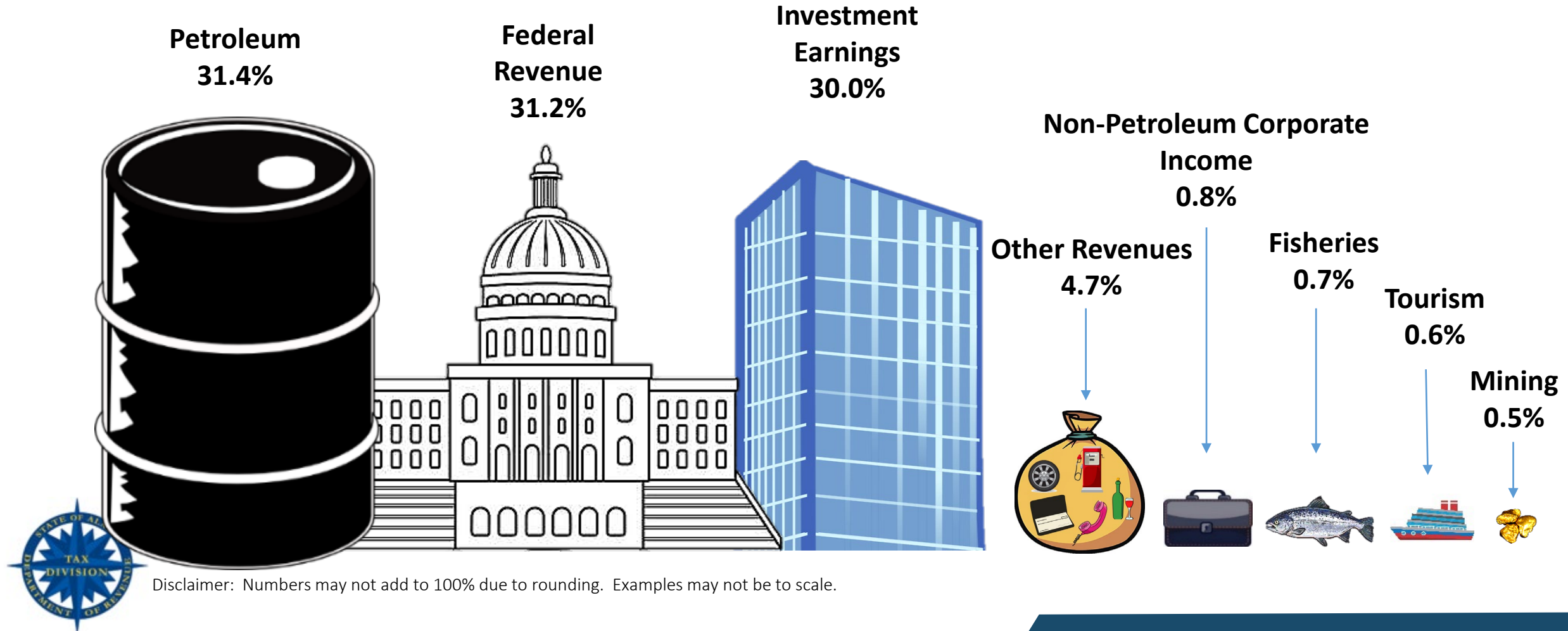
Relative Contributions to Total State Revenue: FY 2021

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 |
| Non-Petroleum Revenue | 444.3 | 368.3 | 505.3 |
| Subtotal | 4,782.8 | 6,952.7 | 8,331.0 |



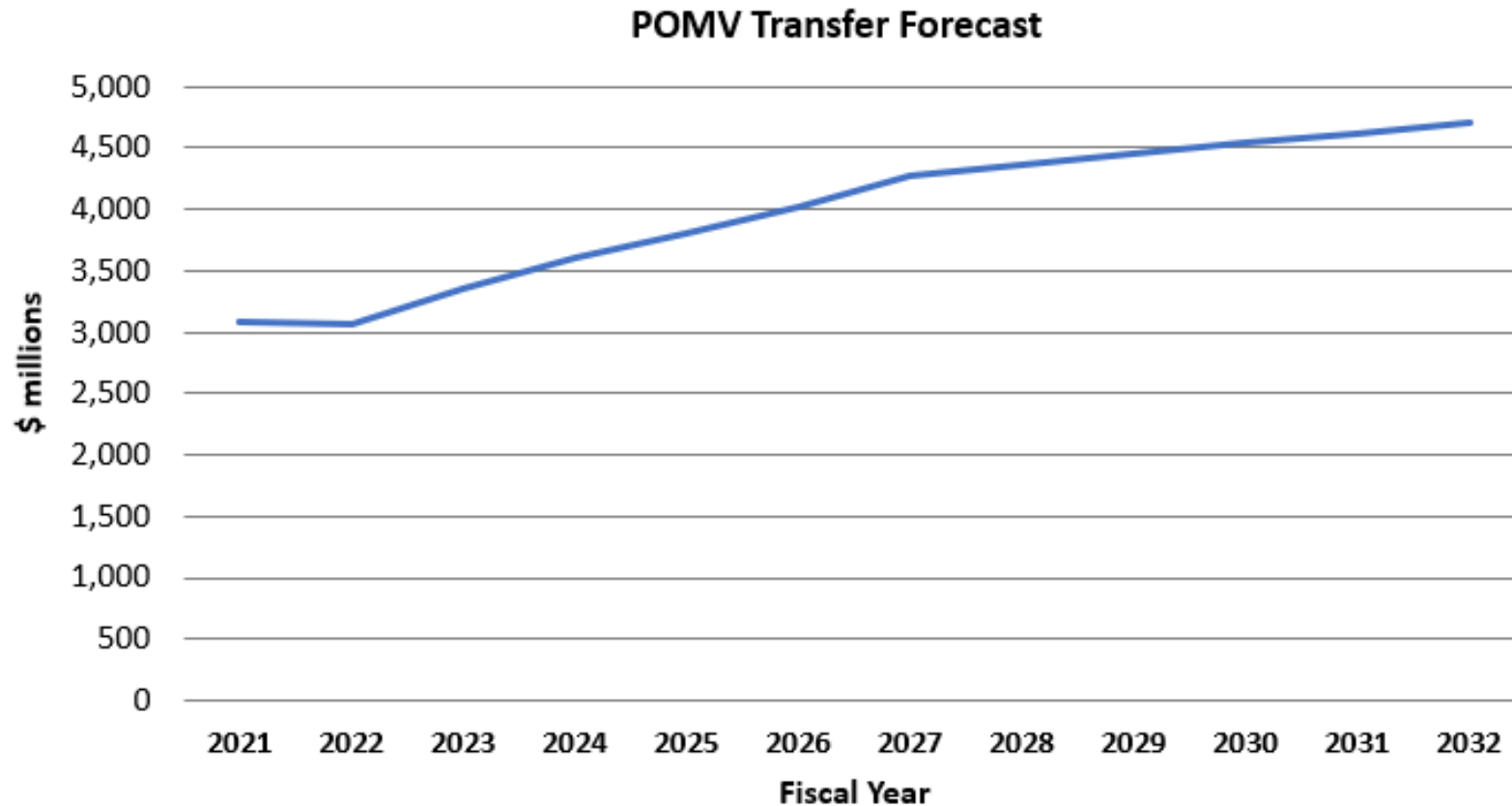
¹Percent of Market Value (POMV) Transfer

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

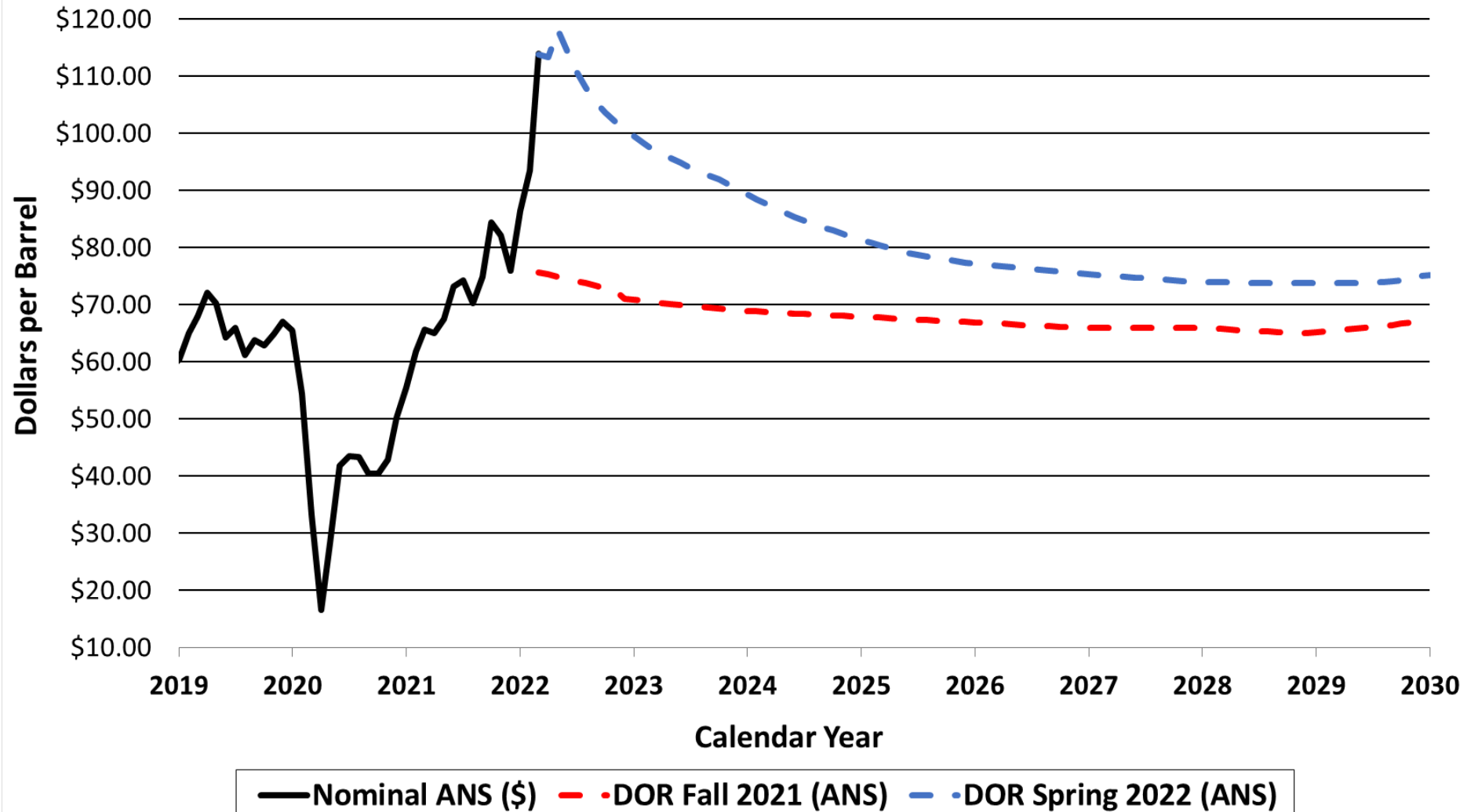
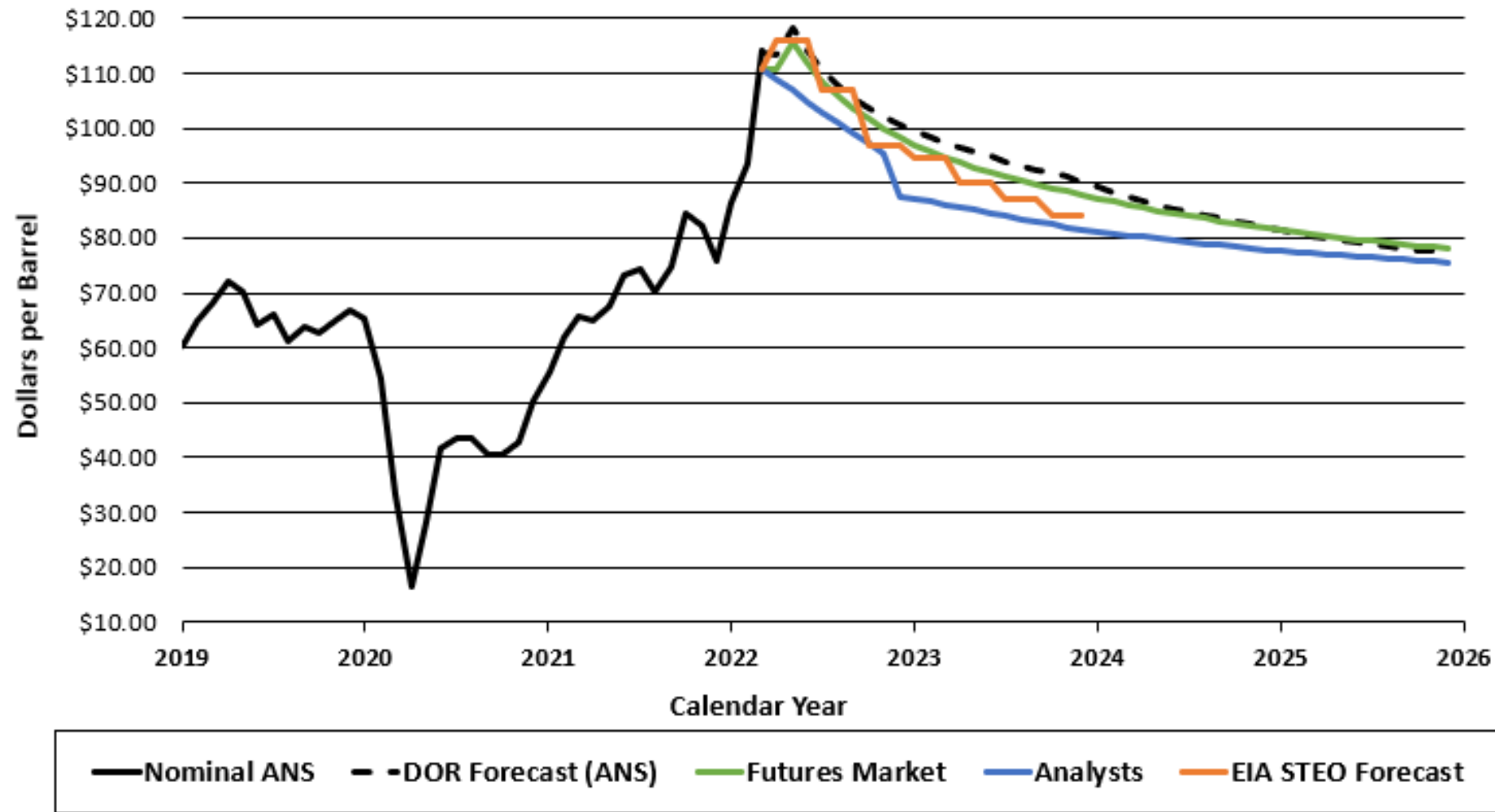


Chart shows monthly average prices.

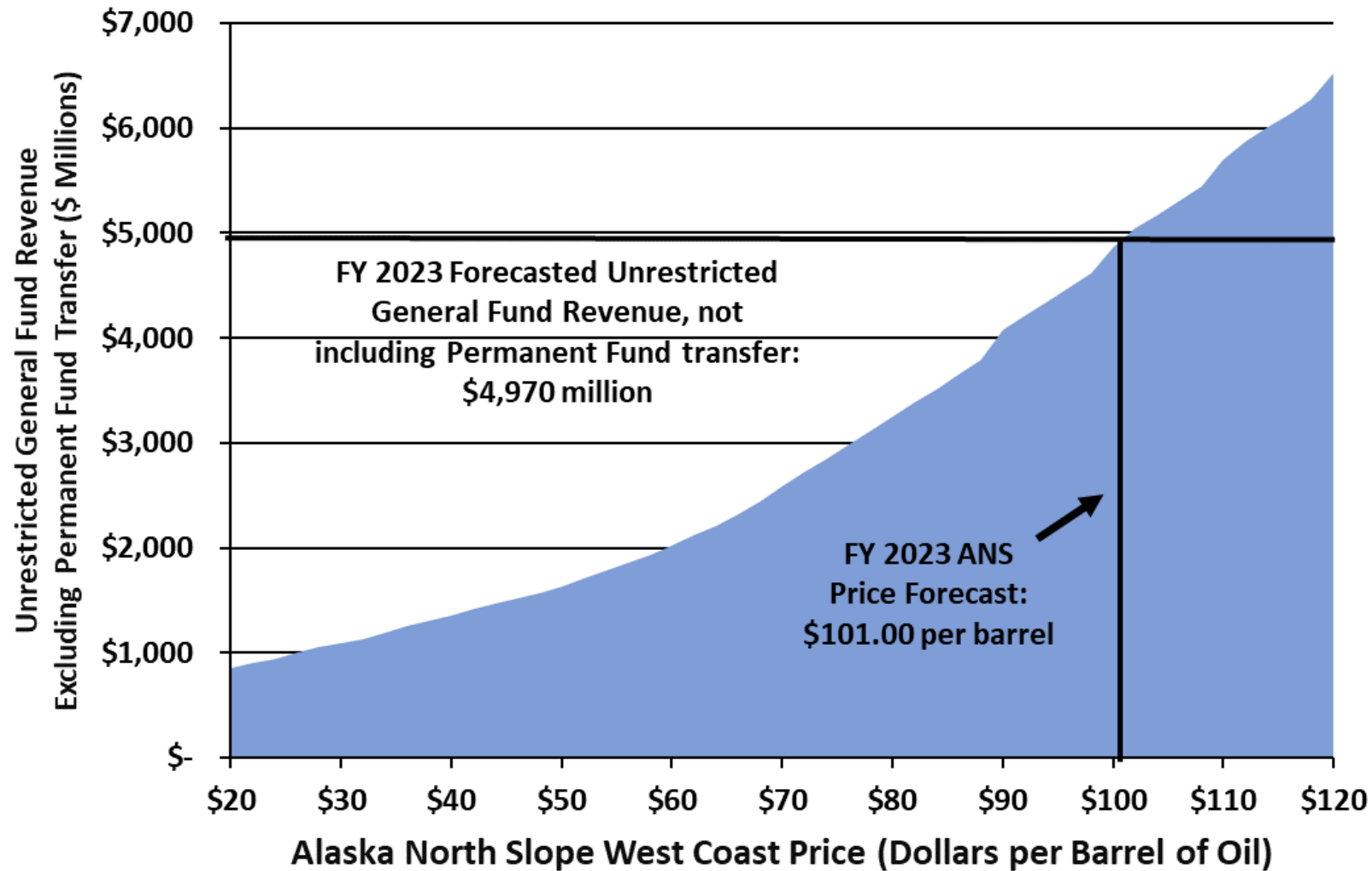
Source: DOR Spring 2022 Revenue Forecast, Fall 2021 Revenue Sources Book

Petroleum Detail: Nominal Brent Forecasts Comparison as of March 21, 2022



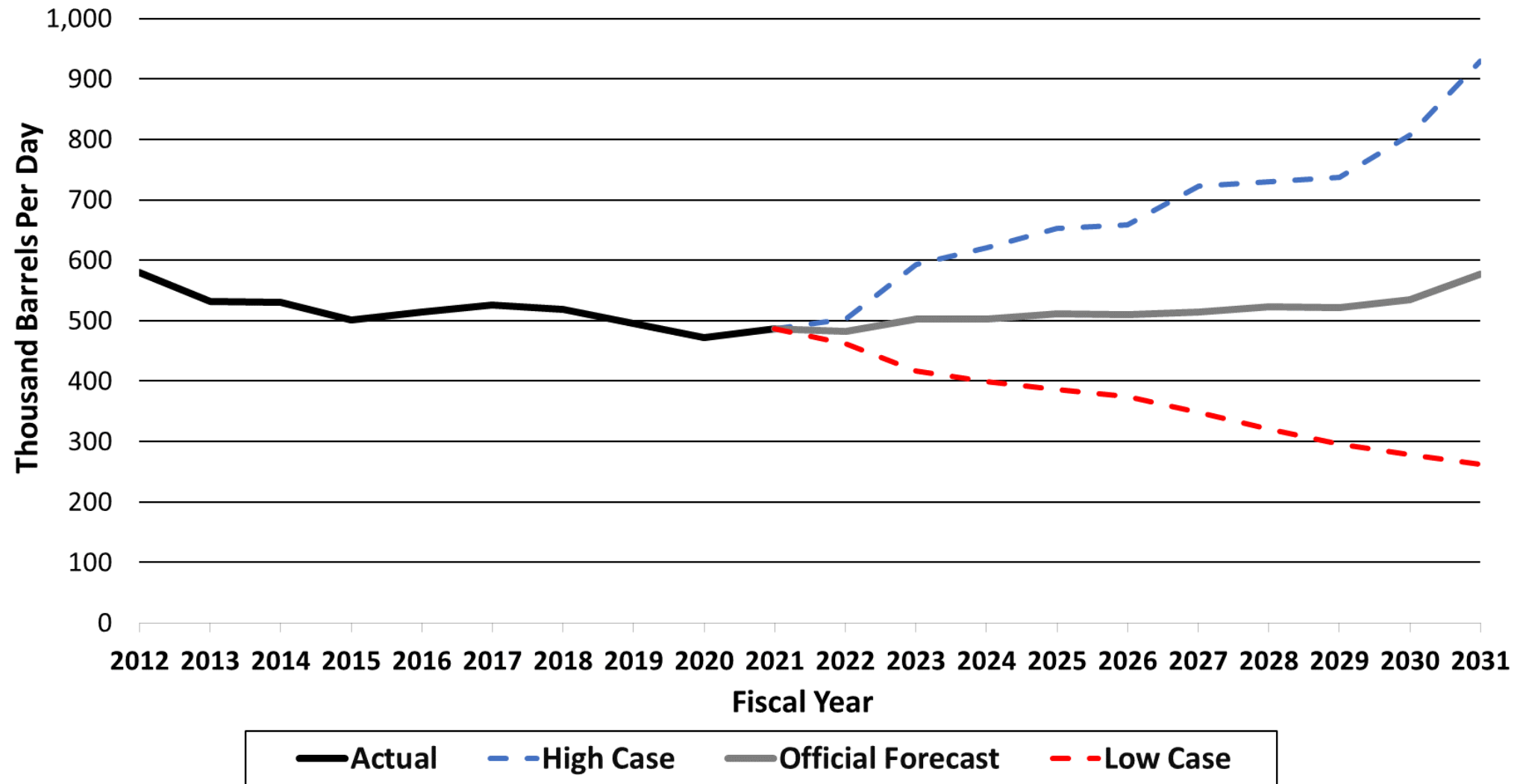
Source: Analyst forecast is the median forecast of 10-38 firms from a Bloomberg survey as of 3/21/2022. Futures prices are from the New York Mercantile Exchange (NYMEX) as of 3/21/2022. The U.S. Energy Information Administration (EIA) forecast is from their March 2022 Short-Term Energy Outlook (released 3/8/2022). Chart shows monthly average prices.

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

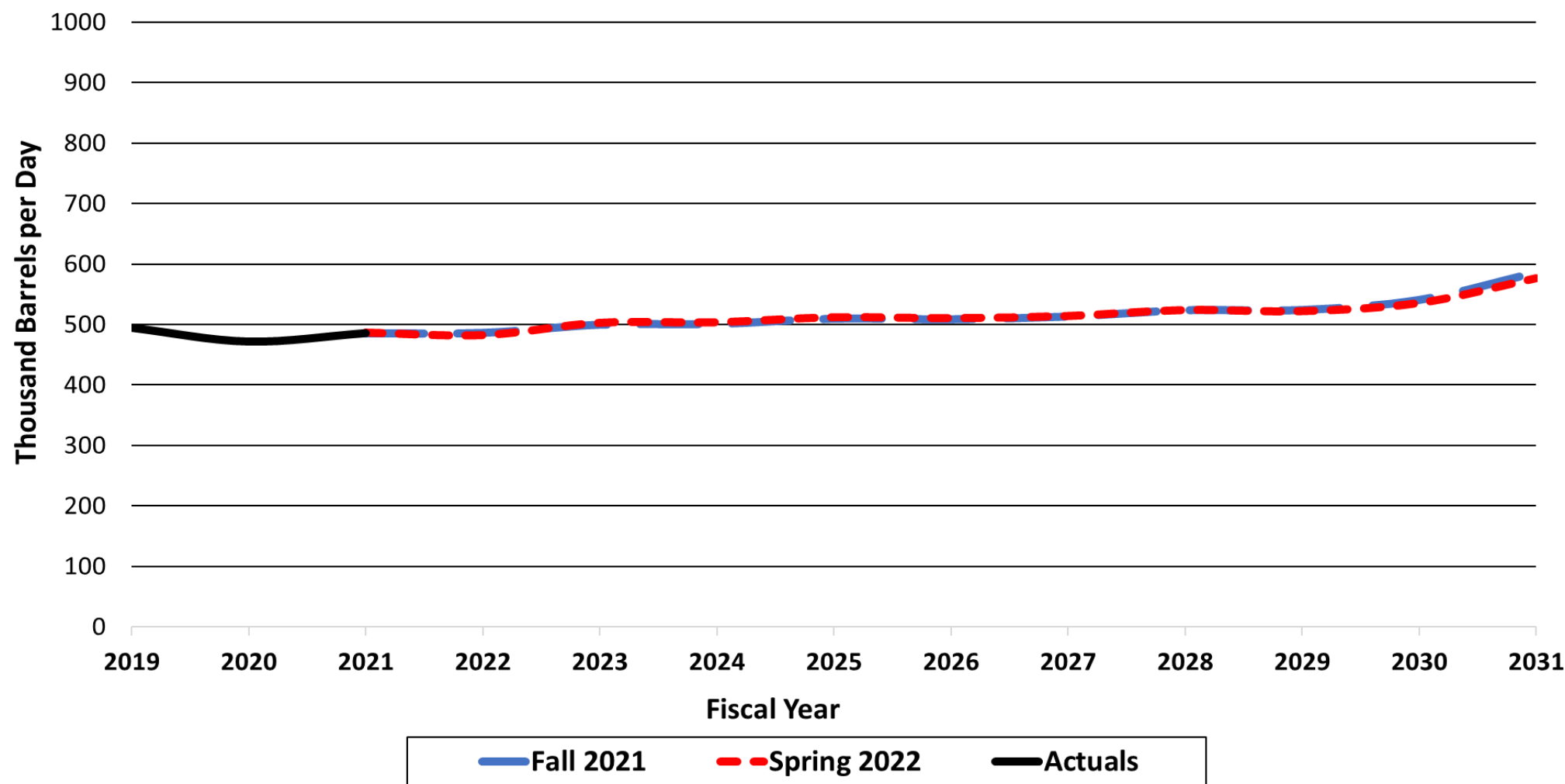


Note: Assumes official forecasted North Slope production of 502,300 barrels per day. Near the forecasted ANS price, a \$1 increase or decrease in price leads to an approximately \$80-85 million change in UGF revenue.

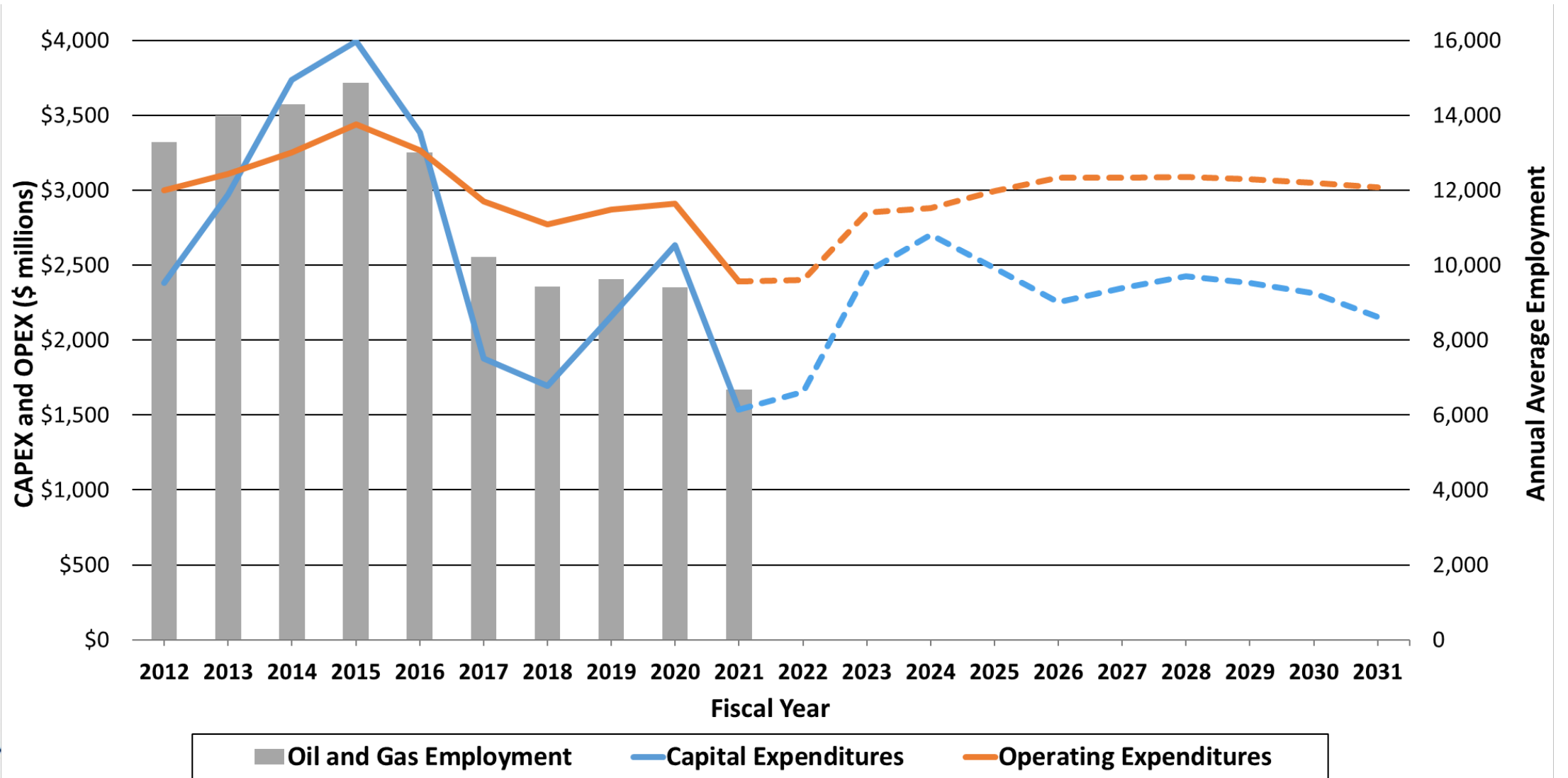
Petroleum Detail: North Slope Petroleum Production Forecast



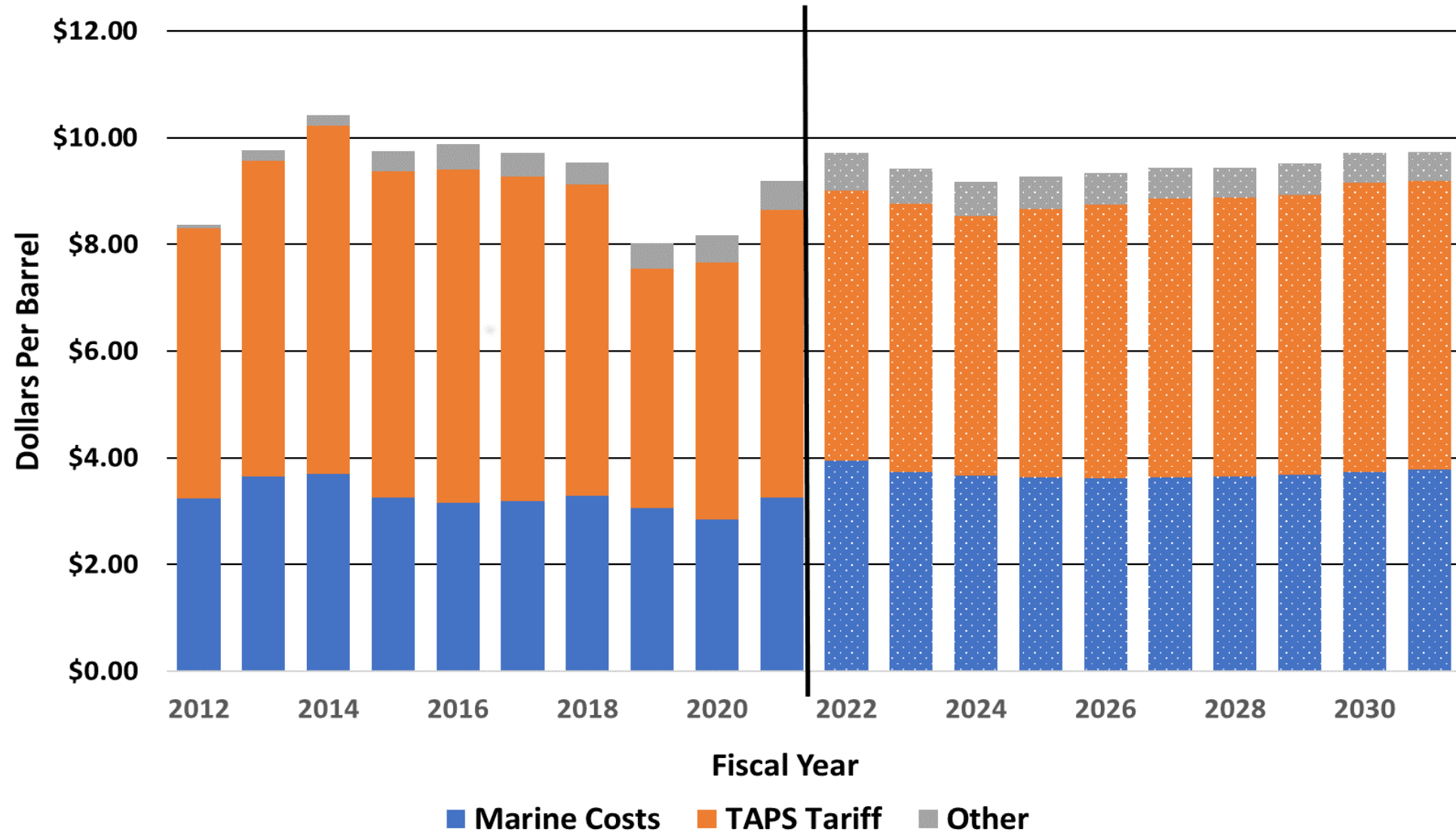
Petroleum Detail: Changes to North Slope Petroleum Production Forecast



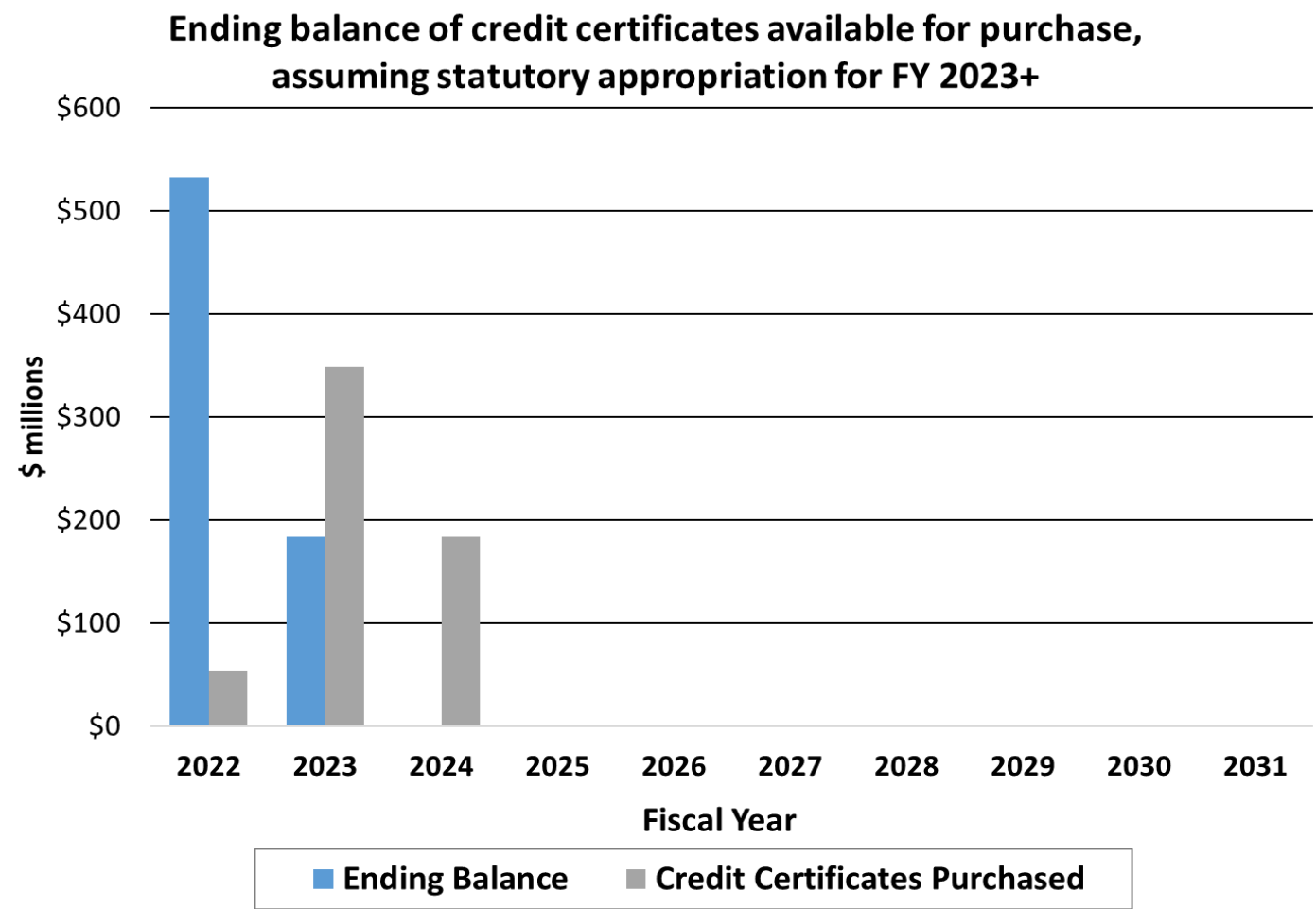
Petroleum Detail: North Slope Allowable Lease Expenditures



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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