

# Fall 2022 Forecast Presentation

## House Finance Committee

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Department of Revenue

January 26, 2023

# Agenda

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1. Forecast Background and Key Assumptions
2. Fall 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
4. Oil and Gas Production Tax Audit Update



# Forecast Background and Key Assumptions

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## Background: Fall 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](https://tax.alaska.gov)



### Revenue Sources Book Fall 2022

Alaska Department of Revenue | Tax Division | [tax.alaska.gov](https://tax.alaska.gov)



## Fall Forecast Assumptions

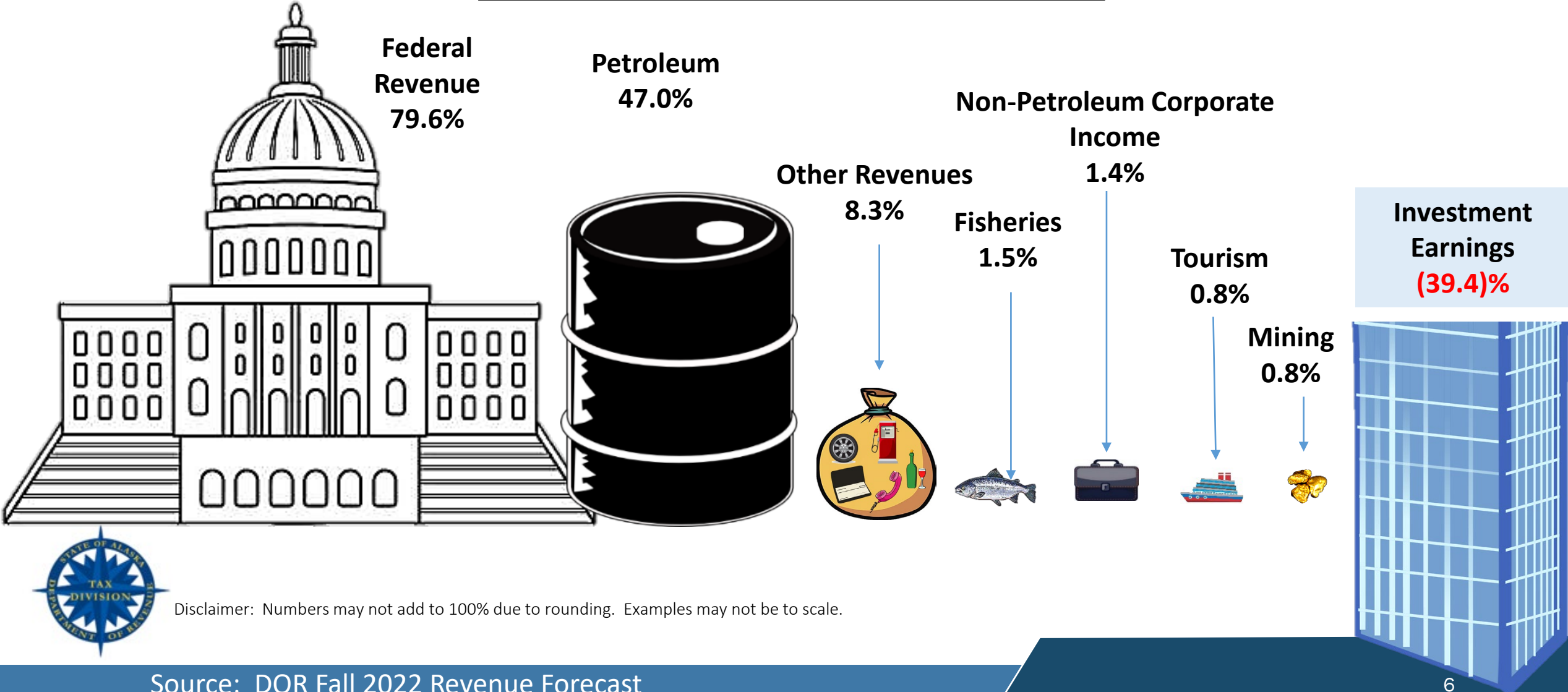
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- The economic impacts of COVID-19 and geopolitical events are uncertain; DOR has developed a plausible scenario to forecast these impacts.
- Key Assumptions:
  - Investments: Stable growth in investment markets, 7.00% for FY 2023 and 7.05% for FY 2024+.
  - Federal: The forecast incorporates stimulus funding as of December 1, 2022, includes updated estimates of IIJA funding.
  - Petroleum: Alaska North Slope oil price of \$88.45 per barrel for FY 2023 and \$81.00 per barrel for FY 2024.
  - Non-Petroleum: Continued economic growth. 90% of capacity assumption for 2023 cruise season, minerals prices based on futures markets.



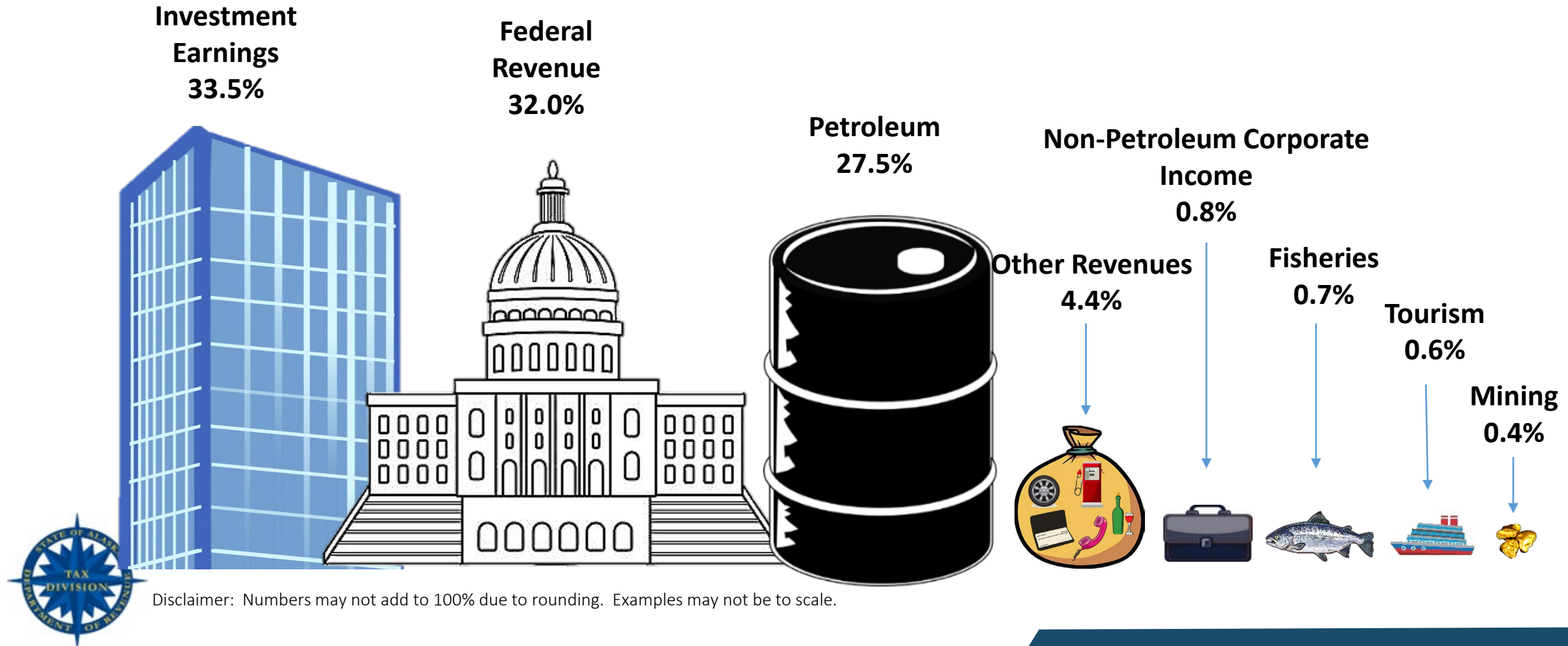
# Relative Contributions to Total State Revenue: FY 2022

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



# Relative Contributions to Total State Revenue: FY 2023

## Total State Revenue: \$15.4 Billion





# Fall 2022 Revenue Forecast

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# Unrestricted Revenue Forecast: FY 2022 and Changes to Two-Year Outlook

		History	Forecast	
		FY 2022	FY 2023	FY 2024
<b>ANS Oil Price (Nominal \$/bbl)</b>	Spring 2022 Forecast	\$91.68	\$101.00	\$90.00
	Fall 2022 Forecast	\$91.41	\$88.45	\$81.00
	<b>Change</b>	<b>(\$0.27)</b>	<b>(\$12.55)</b>	<b>(\$9.00)</b>
<b>Permanent Fund Transfer (\$ millions)</b>	Spring 2022 Forecast	3,069.3	3,360.6	3,601.0
	Fall 2022 Forecast	3,069.3	3,360.6	3,526.1
	<b>Change</b>	<b>0.0</b>	<b>0.0</b>	<b>(74.9)</b>
<b>Unrestricted Revenue, excluding Permanent Fund Transfer (\$ millions)</b>	Spring 2022 Forecast	3,883.4	4,970.4	4,064.7
	Fall 2022 Forecast	3,869.9	3,865.2	3,410.1
	<b>Change</b>	<b>(13.5)</b>	<b>(1105.2)</b>	<b>(654.6)</b>
<b>Unrestricted Revenue, including Permanent Fund Transfer (\$ millions)</b>	Spring 2022 Forecast	6,952.7	8,331.0	7,665.7
	Fall 2022 Forecast	6,939.2	7,225.8	6,936.2
	<b>Change</b>	<b>(13.5)</b>	<b>(1,105.2)</b>	<b>(729.5)</b>



ANS = Alaska North Slope

## Total Revenue Forecast: FY 2022 to FY 2024 Totals

\$ Millions	History	Forecast	
Revenue Type	FY 2022	FY 2023	FY2024
<b>Unrestricted General Fund</b>			
Investment Revenue - Permanent Fund	3,069.3	3,360.6	3,526.1
Investment Revenue - Other Investments	(59.1)	35.0	74.5
Petroleum Revenue	3,480.9	3,380.1	2,861.5
Non-Petroleum Revenue	448.1	450.1	474.1
<b>Subtotal</b>	<b>6,939.2</b>	<b>7,225.8</b>	<b>6,936.2</b>
<b>Designated General Fund</b>			
Investment Revenue	(256.9)	22.5	113.6
Petroleum Revenue	97.6	93.4	81.0
Non-Petroleum Revenue	490.3	480.8	496.6
<b>Subtotal</b>	<b>331.1</b>	<b>596.7</b>	<b>691.2</b>
<b>Other Restricted Revenue</b>			
Investment Revenue	(6,165.2)	1,729.5	1,756.4
Petroleum Revenue	479.1	606.7	455.2
Non-Petroleum Revenue	164.7	249.4	253.1
<b>Subtotal</b>	<b>(5,521.4)</b>	<b>2,585.6</b>	<b>2,464.8</b>
<b>Federal Revenue</b>			
Federal Receipts	6,895.1	4,922.6	5,130.8
Petroleum Revenue	16.7	32.1	52.3
<b>Subtotal</b>	<b>6,911.8</b>	<b>4,954.7</b>	<b>5,183.1</b>
<b>Total State Revenue</b>	<b>8,660.6</b>	<b>15,362.8</b>	<b>15,275.3</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 2022 to FY 2024 Totals

\$ Millions	History	Forecast	
Revenue Type	FY 2022	FY 2023	FY 2024
<b>Unrestricted General Fund</b>			
Investment Revenue - Permanent Fund <sup>1</sup>	3,069.3	3,360.6	3,526.1
Investment Revenue - Other Investments	(59.1)	35.0	74.5
Petroleum Revenue	3,480.9	3,380.1	2,861.5
Non-Petroleum Revenue	448.1	450.1	474.1
<b>Subtotal</b>	<b>6,939.2</b>	<b>7,225.8</b>	<b>6,936.2</b>



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

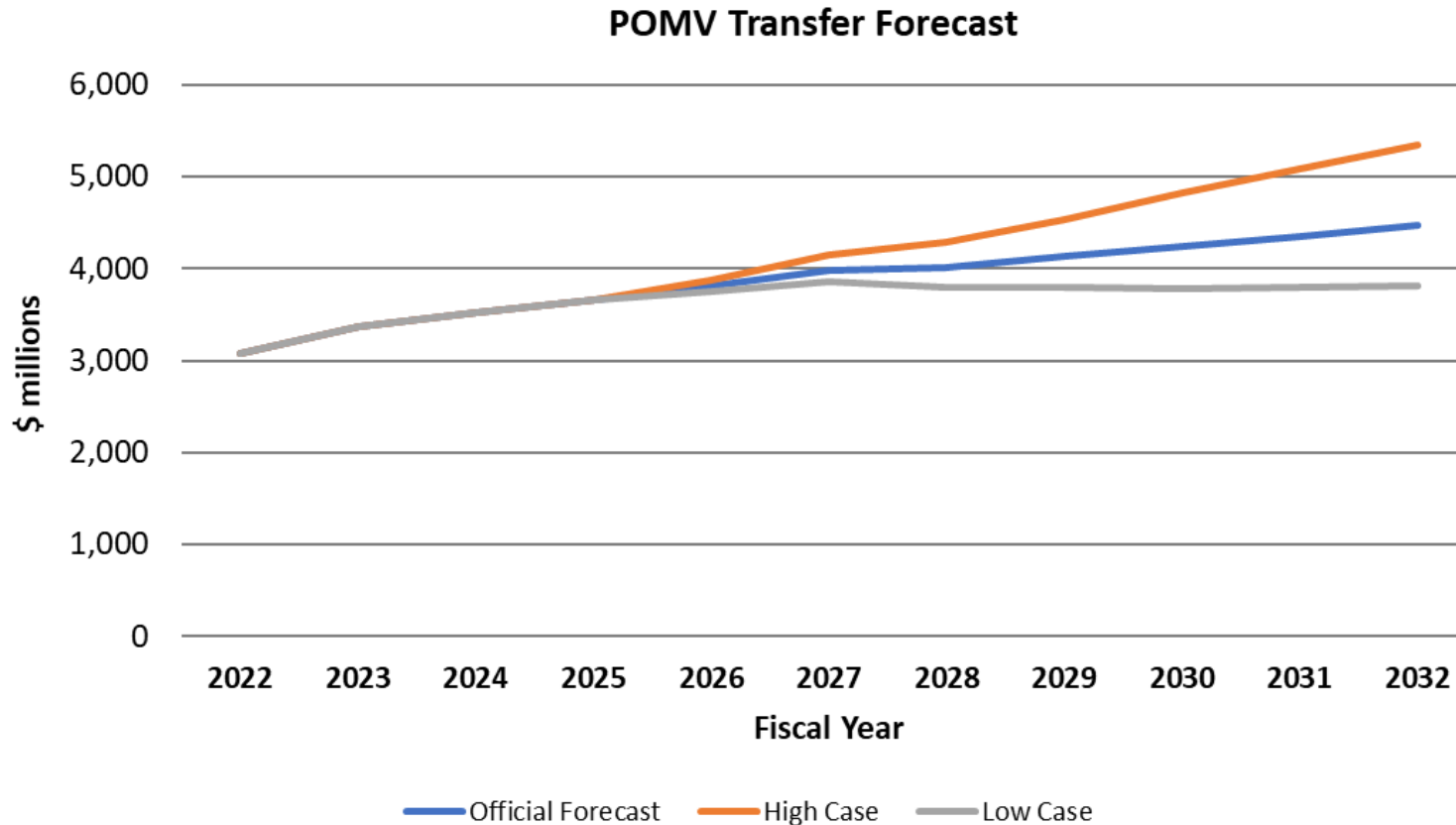
## Unrestricted Investment Revenue: FY 2022 to FY 2024 Totals

\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2022	FY 2023	FY 2024
Investment Revenue			
Permanent Fund	3,069.3	3,360.6	3,526.1
Investments	(59.1)	35.0	74.5
<b>Total Unrestricted Investment Revenue</b>	<b>3,010.2</b>	<b>3,395.6</b>	<b>3,600.6</b>





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



- Permanent Fund total return for FY 2022 of -1.32%.
- 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 7.05% for FY 2024+; 7.00% for FY 2023.
- Differing Permanent Fund returns and petroleum deposits could significantly alter actual POMV amounts.



POMV = Percent of Market Value

## Unrestricted Petroleum Revenue: FY 2022 to FY 2024 Totals

\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2022	FY 2023	FY 2024
<b>Taxes</b>			
Petroleum Property Tax	122.4	116.3	114.0
Petroleum Corporate Income Tax	297.5	390.0	320.0
Oil and Gas Production Tax	1,801.6	1,610.4	1,228.7
<b>Subtotal Taxes</b>	<b>2,221.5</b>	<b>2,116.7</b>	<b>1,662.8</b>
<b>Royalties</b>			
Mineral Bonuses and Rents	12.6	13.7	15.4
Oil and Gas Royalties	1,257.2	1,249.7	1,183.4
Interest	(10.5)	-	-
<b>Subtotal Royalties</b>	<b>1,259.3</b>	<b>1,263.5</b>	<b>1,198.8</b>
<b>Total Petroleum Revenue</b>	<b>3,480.9</b>	<b>3,380.1</b>	<b>2,861.5</b>



## Unrestricted Non-Petroleum Revenue: FY 2022 to FY 2024 Totals

\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2022	FY 2023	FY 2024
<b>Taxes</b>			
Fisheries Taxes	30.6	26.0	26.6
Insurance Premium Tax	62.5	66.8	68.8
Marijuana	6.8	7.9	8.5
Mining License Tax	53.4	52.5	32.8
Non-Petroleum Corporate Income	112.2	105.0	125.0
Tobacco	33.6	34.3	33.3
Other Taxes	129.4	138.2	143.8
<b>Subtotal Taxes</b>	<b>328.6</b>	<b>330.0</b>	<b>334.9</b>
Other	119.5	120.1	139.1
<b>Total Non-Petroleum Revenue</b>	<b>448.1</b>	<b>450.1</b>	<b>474.1</b>



Other Taxes category includes Alcoholic Beverages 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

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

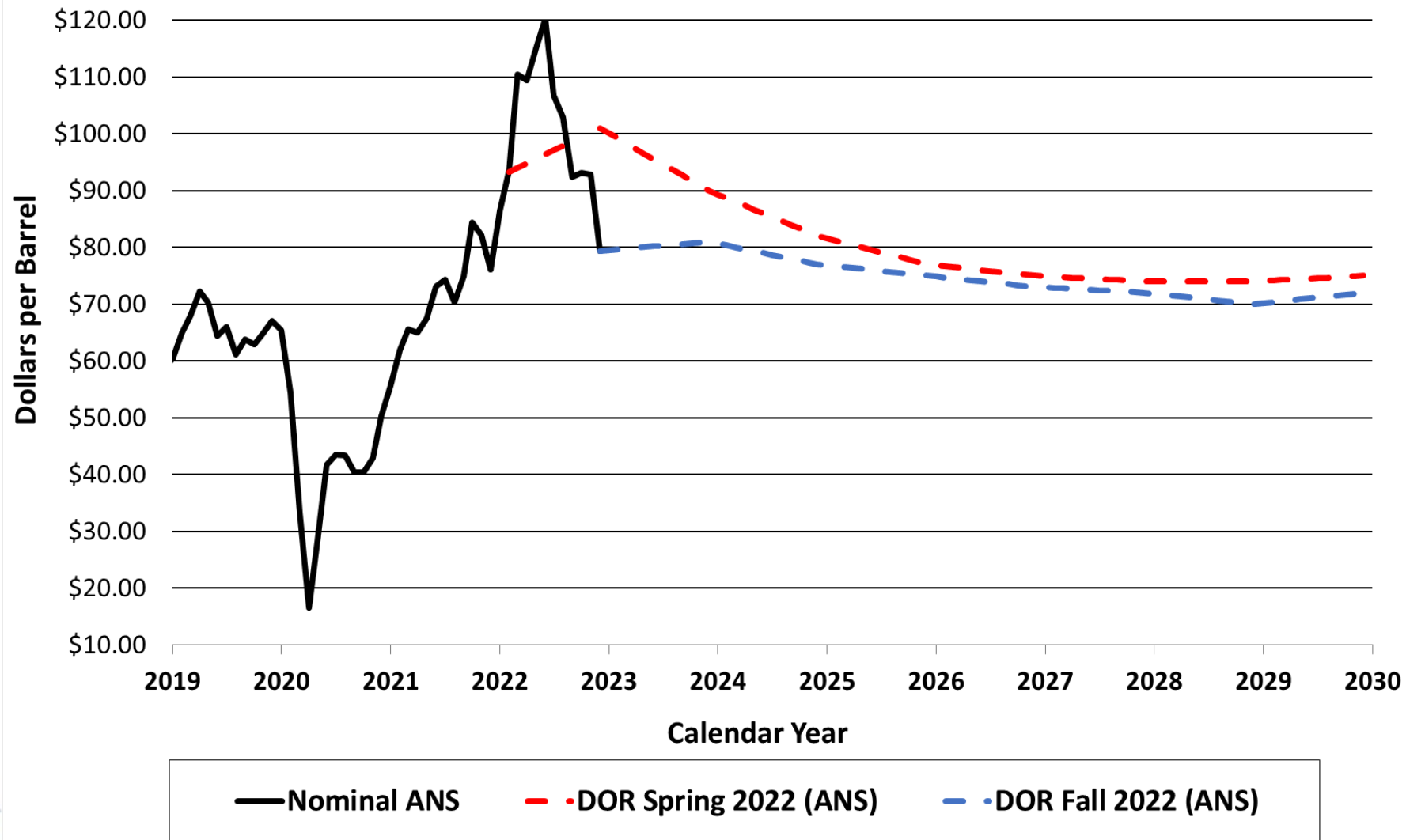
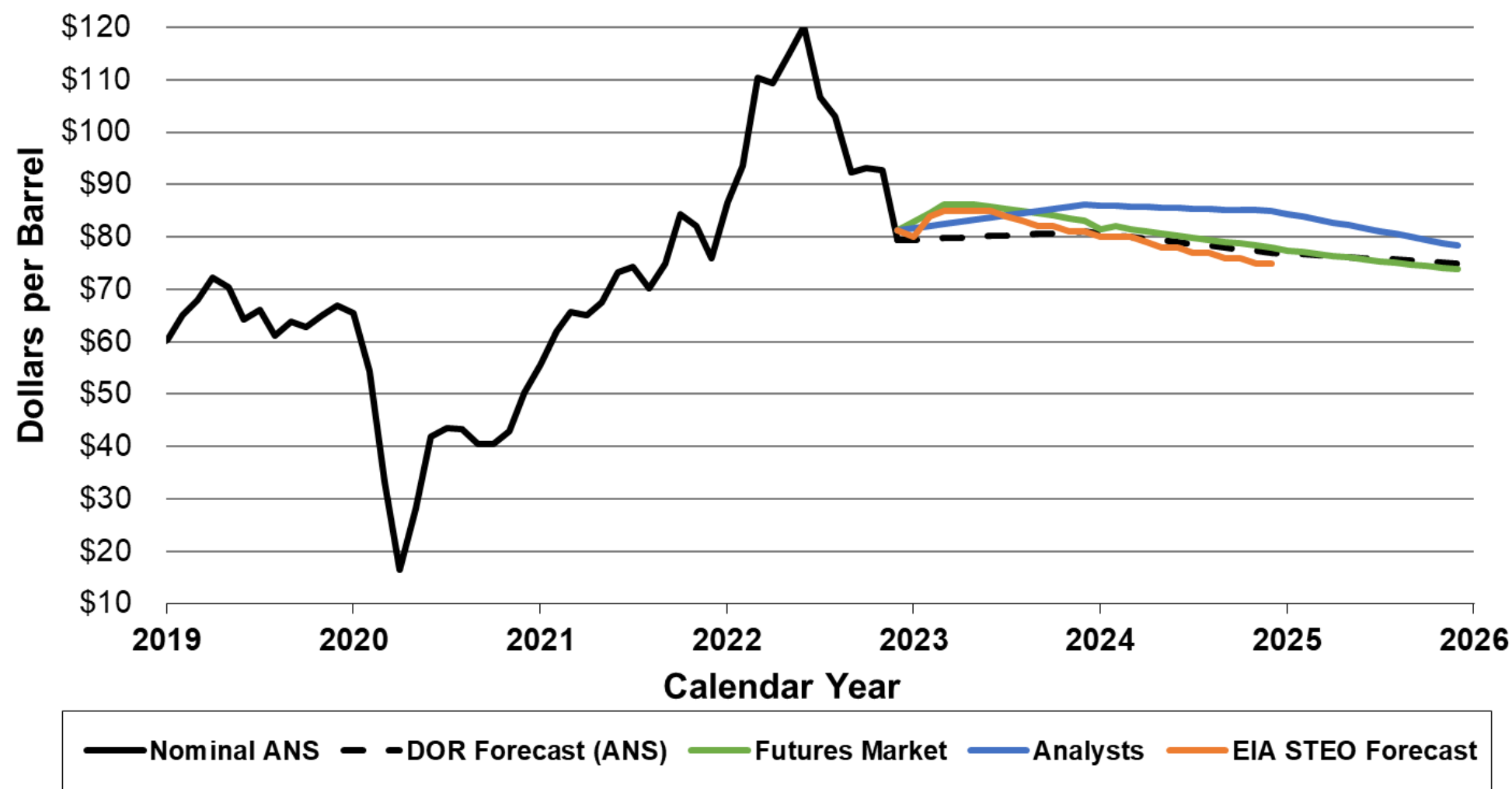


Chart shows monthly average prices.

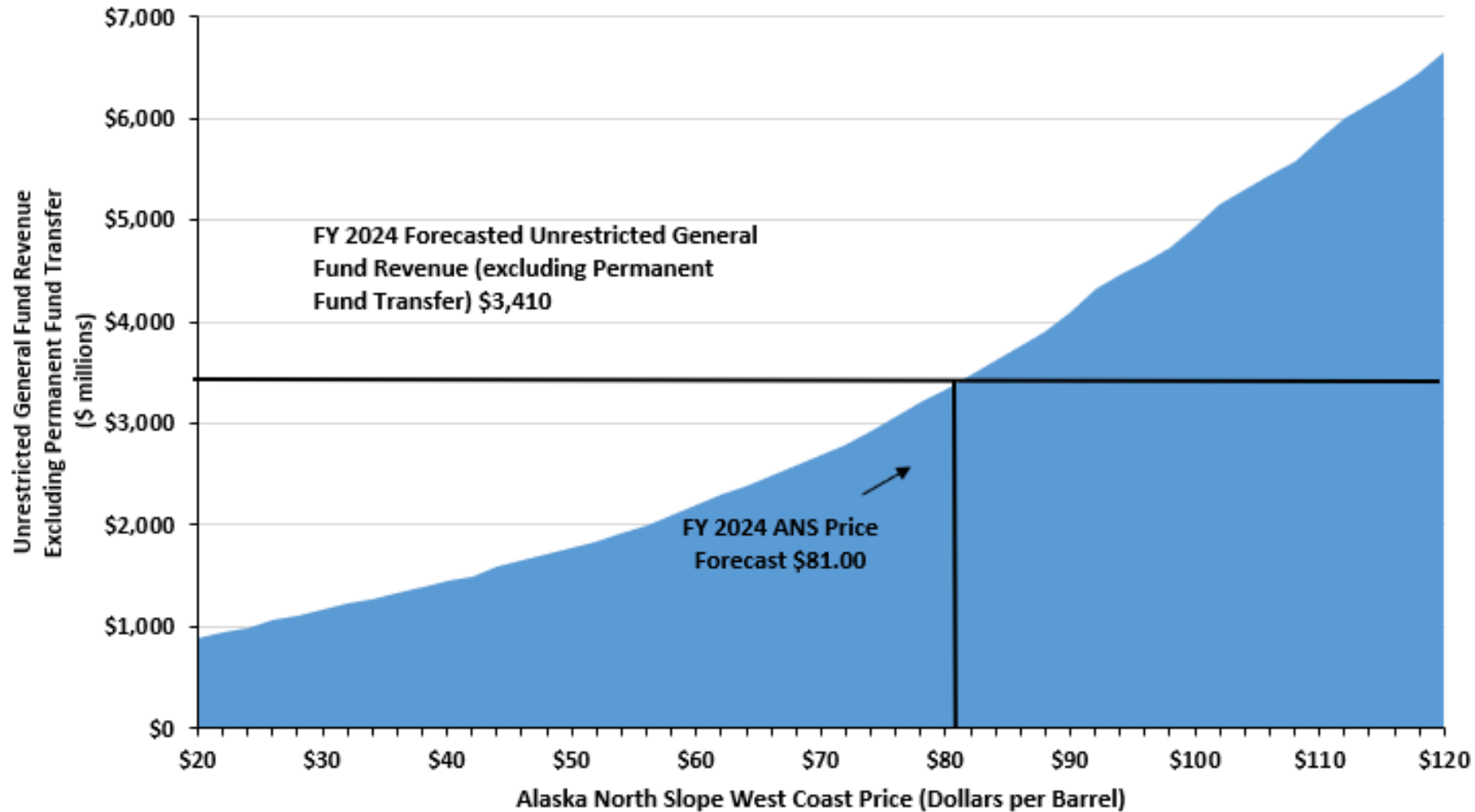
Sources: DOR Fall 2022 Revenue Forecast, Spring 2022 Forecast

# Petroleum Detail: Nominal Brent Forecasts Comparison as of January 24, 2023



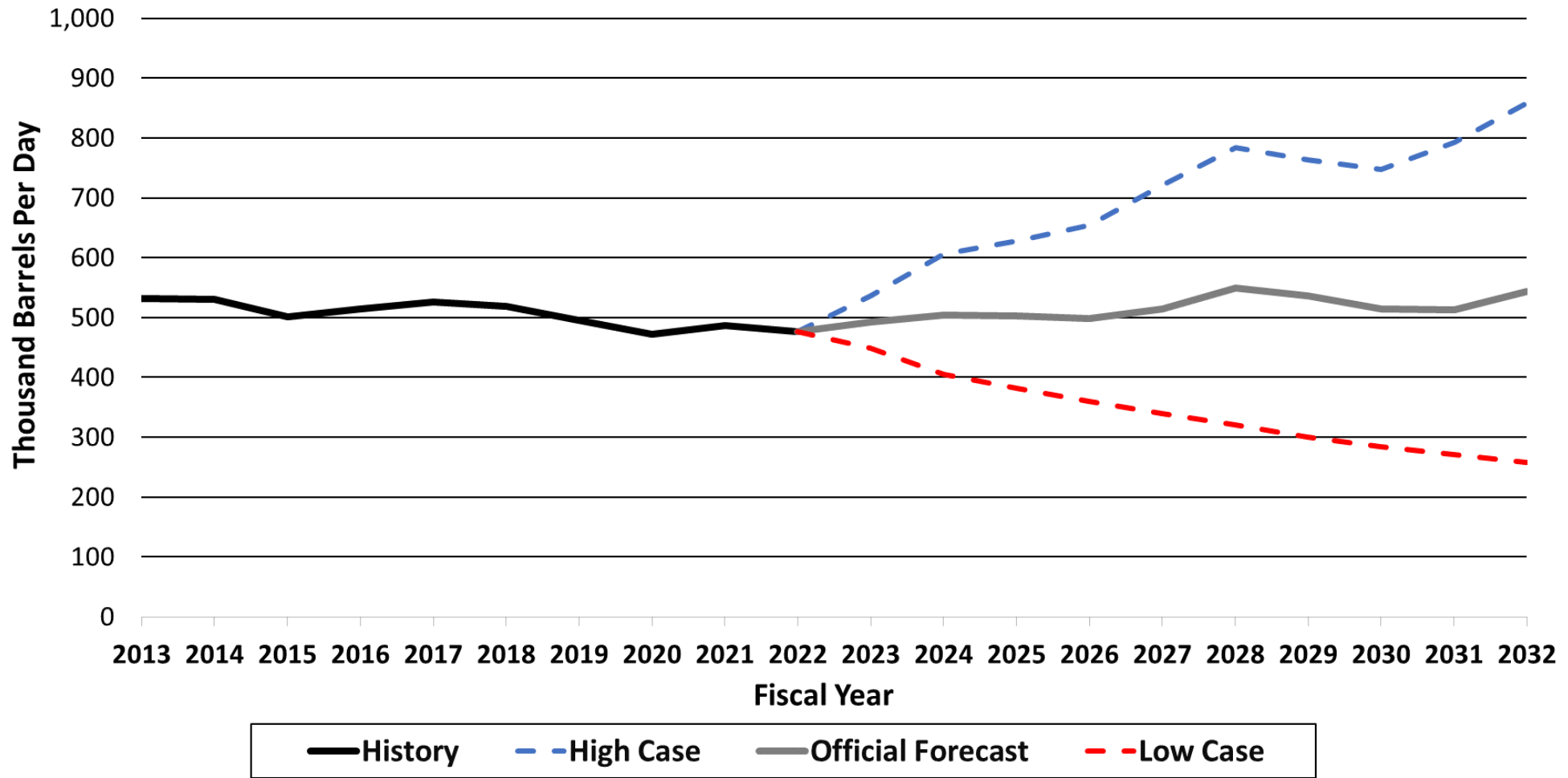
Source: Analyst forecast is the median forecast of 10-38 firms from a Bloomberg survey as of January 24, 2023. Futures prices are from the New York Mercantile Exchange (NYMEX) as of January 24, 2023. The U.S. Energy Information Administration (EIA) forecast is from their January 2023 Short-Term Energy Outlook (released January 10, 2023). Chart shows monthly average prices.

## Petroleum Detail: UGF Relative to Price per Barrel (without POMV): FY 2024



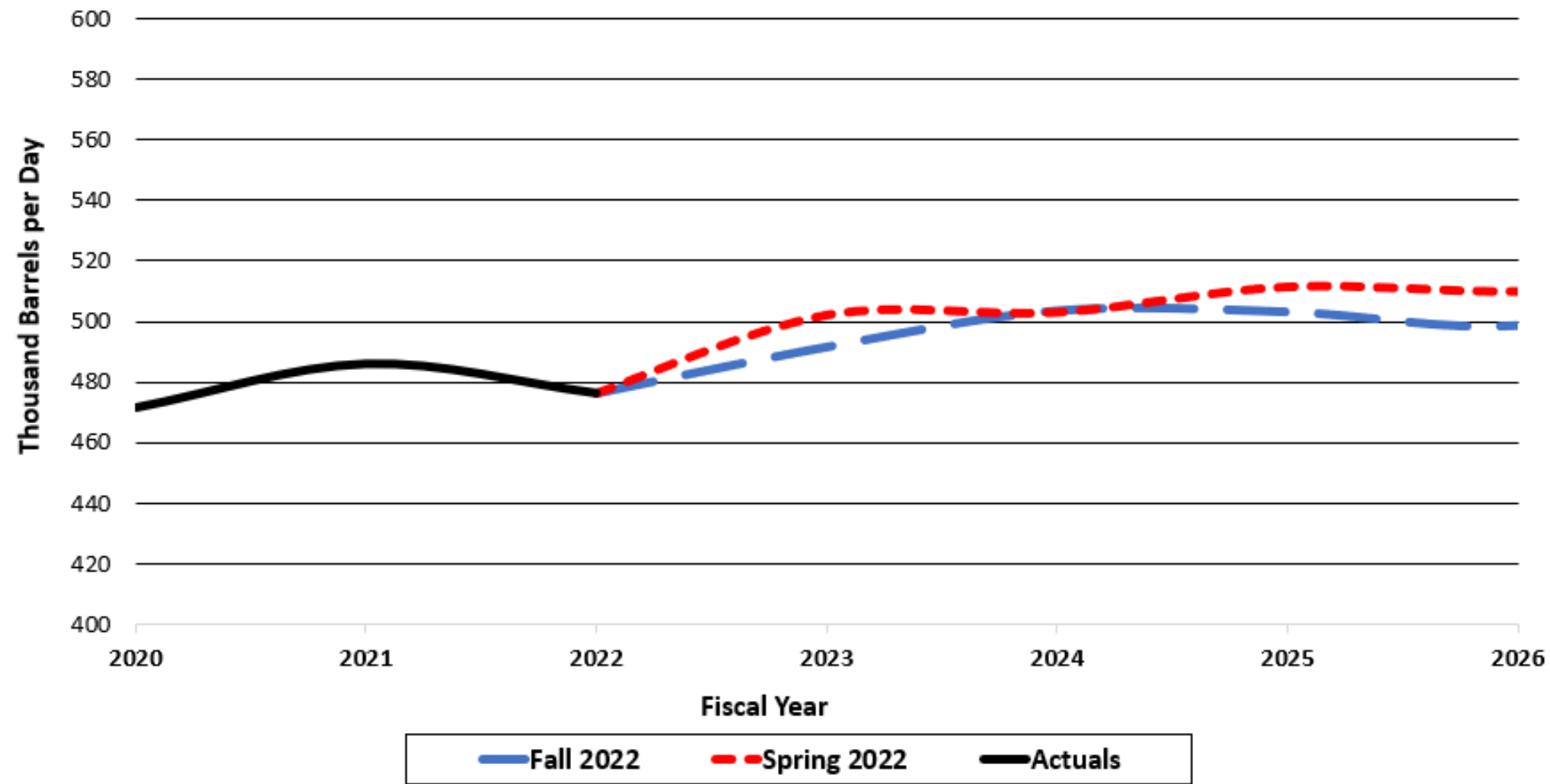
Note: Assumes official forecasted North Slope production of 503,700 barrels per day. Near the forecasted ANS price, a \$1 increase or decrease in price leads to an approximately \$70 million change in UGF revenue.

## Petroleum Detail: North Slope Petroleum Production Forecast

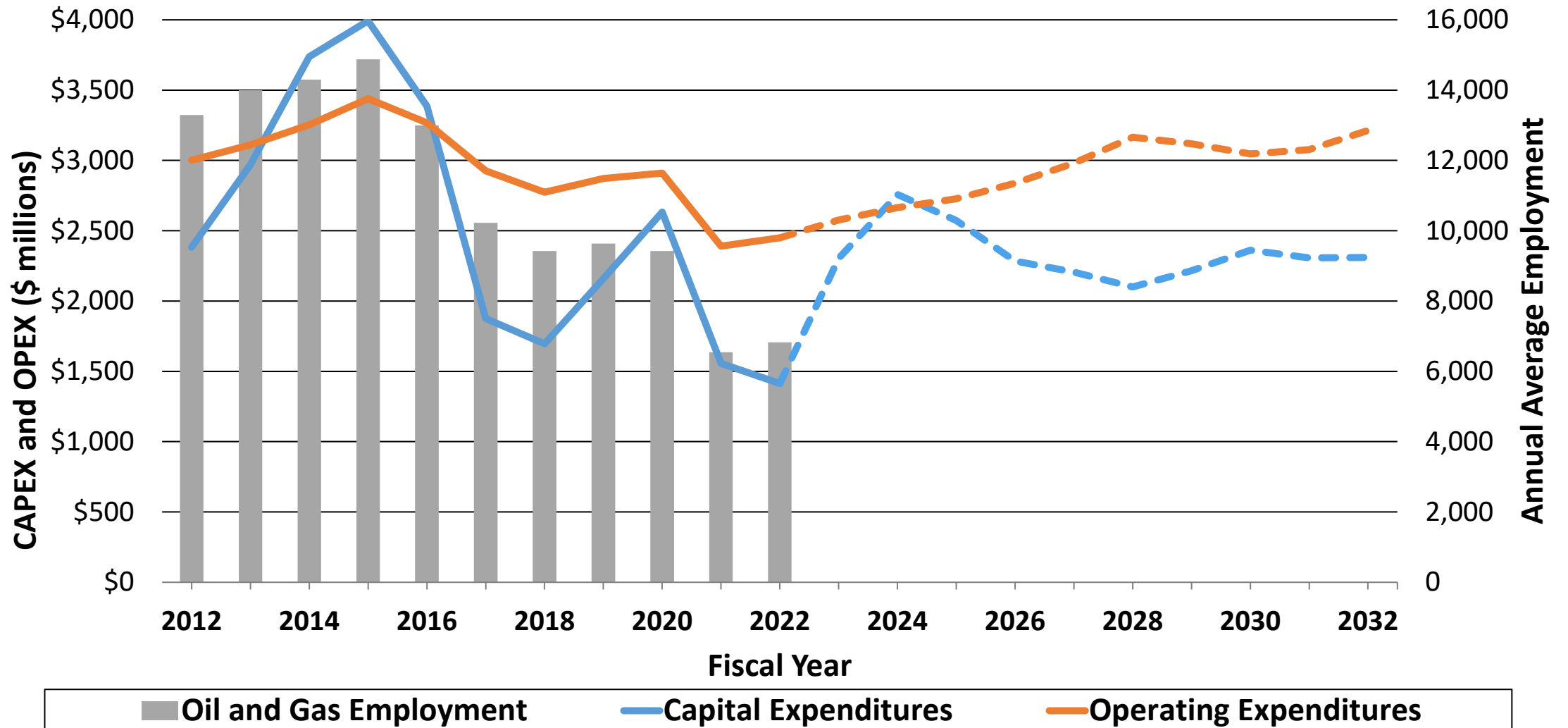




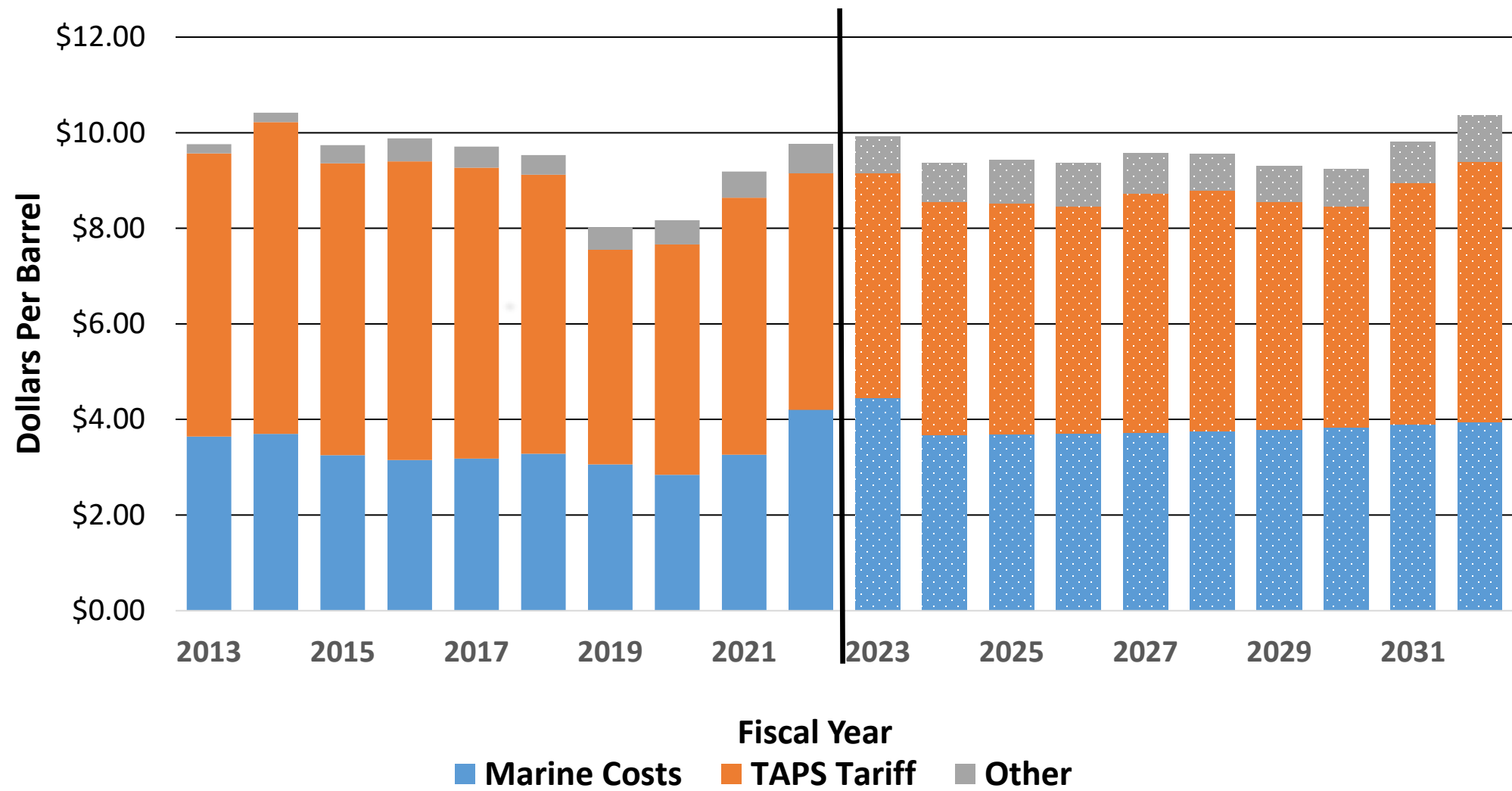
# Petroleum Detail: Changes to North Slope Petroleum Production Forecast



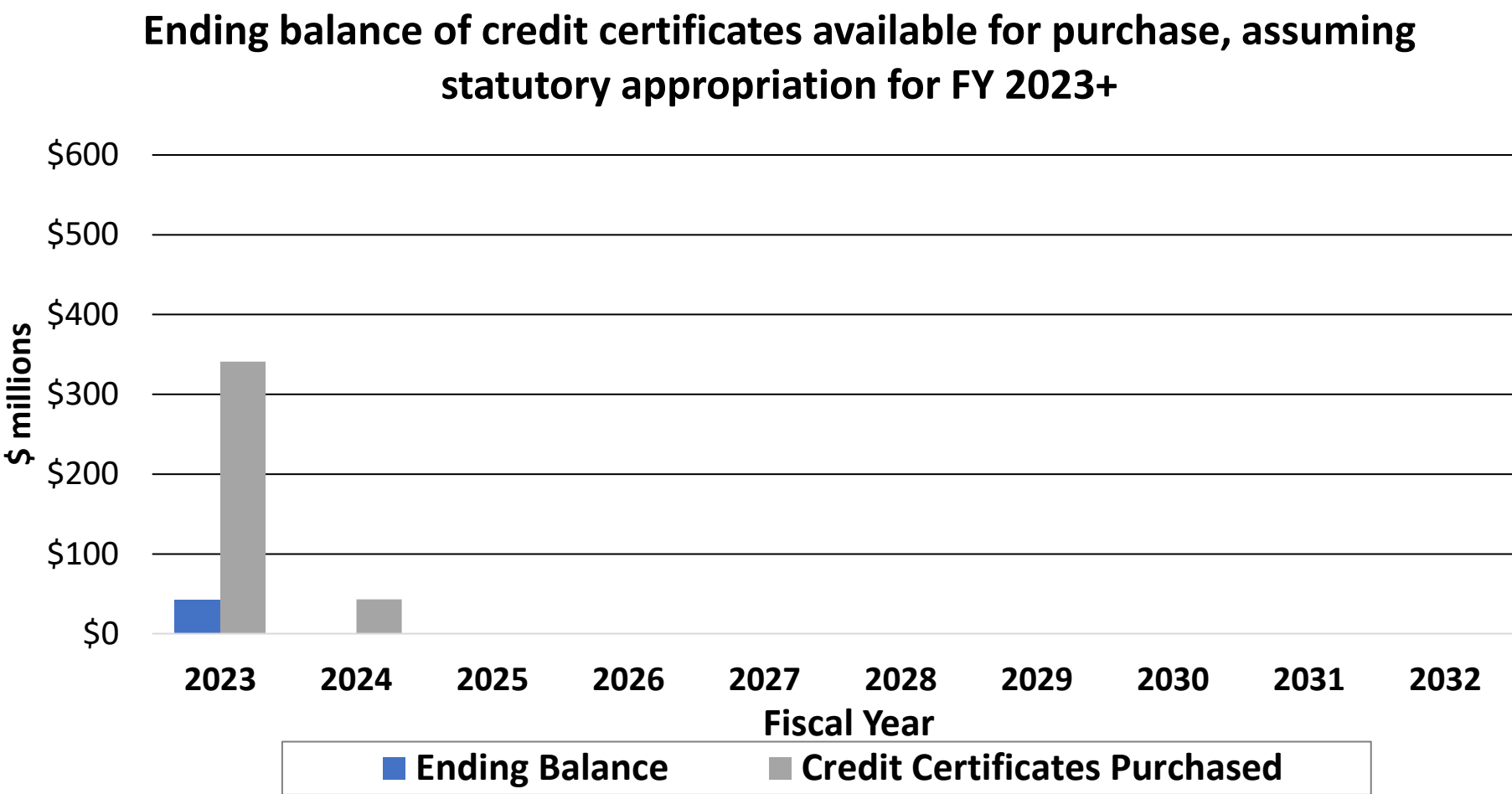
## Petroleum Detail: North Slope Allowable Lease Expenditures



# Petroleum Detail: North Slope Transportation Costs



# Petroleum Detail: Tax Credits for Purchase Detail



Per AS 43.55.028(c), the statutory appropriation is 10% of taxes levied by AS 43.55.011 (oil and gas production tax) when the Alaska North Slope price forecast for the fiscal year is \$60 per barrel or higher, and 15% of taxes levied by AS 43.55.011 when the ANS price forecast for the fiscal year is below \$60 per barrel.



# Oil & Gas Production Tax Audit Status Report

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## Oil & Gas Production Tax Audit Update

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- Audit Completion and Catchup Plan:
  - All audits through 2017 are complete
  - 2018 and 2019 audits complete by 3Q 2023
  - 2020 audits complete by 4Q 2024
  - Goal is to strive for three-year cycle
- Improvements to Reach Goal
  - Continue to leverage technology
  - Ability for taxpayers to use customer portal
  - Effective two-way communications
  - Consistent audit practices and documentation
  - Stable Tax Regime



# THANK YOU

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[dor.alaska.gov](http://dor.alaska.gov)





# Appendix

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# State Petroleum Revenue by Land Type

Land Lease Status	Revenue Component			
	Production Tax / Credits	Royalty	Corporate Income Tax	Property Tax
<b>Offshore beyond 6 miles Federal OCS</b>	Does not apply	Federal royalties applies; zero shared back to state (in Alaska; other states do receive shared royalties)	Not included in apportionment factor	Does not apply
<b>Offshore 3-6 miles Federal OCS 8(g) area</b>	Does not apply	Federal royalties applies; 27% shared back to state with no restrictions	Not included in apportionment factor	Does not apply
<b>State Lands</b>	All credits available; tax applies to all taxable production	State royalty applies	All property, production, and sales included in apportionment factor	Applies to all oil and gas property
<b>NPR-A Federal owned</b>	All credits available; tax applies to all taxable production	Federal royalty applies; 50% of royalties are shared back to state but must be used for benefit of local communities	All property, production, and sales included in apportionment factor	Applies to all oil and gas property
<b>ANWR Federal owned</b>	All credits available; tax applies to all taxable production	Federal royalty applies; 50% shared back to state with no restrictions (under current law)	All property, production, and sales included in apportionment factor	Applies to all oil and gas property
<b>Other Federal Land</b>	All credits available; tax applies to all taxable production	Federal royalties applies; 90% shared back to state with no restrictions	All property, production, and sales included in apportionment factor	Applies to all oil and gas property
<b>Private Land (including Alaska Native Corporations)</b>	All credits available; tax applies to all taxable production	Privately negotiated royalty applies; not shared with state. However state levies 5% gross tax on the value of private landowner royalty interest as part of production tax	All property, production, and sales included in apportionment factor	Applies to all oil and gas property

