

HOUSE FINANCE COMMITTEE
January 22, 2026
1:33 p.m.

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CALL TO ORDER

Co-Chair Josephson called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Andy Josephson, Co-Chair
Representative Calvin Schrage, Co-Chair
Representative Jamie Allard
Representative Jeremy Bynum
Representative Alyse Galvin
Representative Sara Hannan
Representative Elexie Moore
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative Nellie Unangiq Jimmie

ALSO PRESENT

Janelle Earls, Acting Commissioner and Administrative Services Director, Department of Revenue; Dan Stickel, Chief Economist, Economic Research Group, Tax Division, Department of Revenue.

SUMMARY

PRESENTATION: DEPARTMENT OF REVENUE FALL FORECAST

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Co-Chair Josephson reviewed the meeting agenda.

^PRESENTATION: DEPARTMENT OF REVENUE FALL FORECAST

JANELLE EARLS, ACTING COMMISSIONER and ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF REVENUE, introduced herself and turned the presentation over to her colleague.

DAN STICKEL, CHIEF ECONOMIST, ECONOMIC RESEARCH GROUP, TAX DIVISION, DEPARTMENT OF REVENUE, provided a PowerPoint presentation titled "Fall 2025 Forecast Presentation: House Finance Committee," dated January 22, 2026 (copy on file). He reviewed an overview of the presentation on slide 2. The presentation included a background on the revenue forecast key assumptions, the revenue forecast beginning with total state revenue and drilling down into unrestricted state revenue, and a detailed walkthrough of the division's assumption around the oil and gas revenue forecast. He moved to slide 4 showing a background of the fall revenue forecast. The revenue forecast was released on December 11, 2025, and the Department of Revenue's (DOR) Revenue Sources Book was released on December 18, 2025. He explained that it was the official forecast used in developing the governor's budget proposal. The department would release an updated revenue forecast in the spring. He noted that the forecast and historical forecast information was available on the department's website. He advanced to the fall forecast assumptions on slide 5:

Fall Forecast Assumptions

- The economic impacts of financial and geopolitical events are uncertain; Department of Revenue has developed a plausible scenario to forecast these impacts

Key Assumptions:

- Investments: Stable growth in investment markets, 7.60% for remainder of FY 2026 for the Permanent Fund. We included actual revenue through the end of October and then applied that assumption for the remainder of the fiscal year. The long term return assumption was 7.30% for FY 2027+
- Federal: The forecast incorporates known funding as of December 1, 2025. FY 2028+ assumed to grow with inflation
- Petroleum: Alaska North Slope oil price of \$65.48 per barrel for FY 2026 and \$62.00 per barrel for FY 2027

- Non-Petroleum: Stable economic conditions. 1.7 million cruise passengers, five-year recovery for fisheries taxes, minerals prices based on futures markets
- The revenue forecast is inherently uncertain and represents one scenario among a range of many possible scenarios

Mr. Stickel elaborated on the slide. He noted that the forecast represented one scenario within a range of potential outcomes. He explained that some of the variables may come in higher or lower than expected. Under non-petroleum revenue he noted that the corporate income tax forecast incorporated a slowdown for the end of FY 25 and the beginning of FY 26 with steady growth thereafter. There was no recession included in the forecast. Cruise passengers were projected to remain near the record levels seen in the past couple of years. The preliminary 2025 fishing industry data showed slight recovery and an upturn. He referenced news about record gold prices approaching \$5,000 and record silver prices. The mining revenue forecast was based on the futures market outlook at the beginning of December.

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Representative Hannan noted that the revenue projection for FY 26 was based on an oil price of \$65.48. She asked what the average had been for the past six months.

Mr. Stickel replied that he did not have the number on hand. He reported that oil prices in FY 26 were tracking very close to the forecast.

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Mr. Stickel turned to slide 6 titled "Relative Contributions to Total State Revenue: FY 2025." The slide showed an illustration highlighting the relative importance of different sources of total state revenue. He remarked that Alaska had no statewide sales or income tax and the state's revenue was a three-legged stool with 93 percent coming from petroleum, federal sources, and investment earnings. He noted that all other revenue sources collectively accounted for a little over 7 percent. He moved to slide 7 showing unrestricted state revenue. He explained that unrestricted revenue was available for

general appropriation by the legislature and typically the source of most budget discussions. He detailed that 90 percent of the state's unrestricted revenue came from investment earnings and petroleum, while all other sources accounted for about 10 percent.

Representative Allard asked how much of the investment earnings went towards paying board members and investment managers.

Mr. Stickel answered that he would follow up with the information.

Representative Allard asked for the information as a percentage.

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Mr. Stickel addressed the total revenue forecast on slide 9 including historical data from FY 25 and forecasts for FY 26 and FY 27. He explained that revenues were broken out into four categories of restriction. Unrestricted general funds (UGF) could be appropriated by the legislature for any purpose and were typically the focus of most budget discussions. Designated general funds (DGF) were technically available for appropriation but were customarily used for a specific purpose. For example, the state's vehicle rental tax was deposited into a special account to fund tourism development and marketing. Other restricted funds were truly restricted in terms of use and were not available for general appropriation. For example, under federal law, all of the revenue the state took in for the commercial passenger vessel tax on cruise ships had to be used to support the cruise ship industry for specific purposes. All federal revenue coming into the state had to be used for specific purposes and was considered its own category of restricted receipts. The total FY 25 state revenue was \$19.2 billion. The department was forecasting \$17.8 billion in revenue for FY 26 and \$15.3 billion for FY 27.

Representative Galvin observed there was a substantial difference in the federal revenue from FY 26 to FY 27. She assumed the reduction pertained to healthcare and possibly Department of Transportation and Public Facilities. She asked if the information would be covered later in the presentation.

Mr. Stickel replied that the majority of the presentation focused on unrestricted revenues. He deferred to the Office of Management and Budget (OMB) for detail. He relayed that some of the decline from FY 25 through FY 27 was related to how multiyear capital projects were appropriated for. Additionally, there was some one-time funding for broadband infrastructure investments in the past.

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Representative Hannan remarked on a substantial \$2 billion decline in investment revenue under the other restricted revenue category over two fiscal years. She observed that other investments were expected to grow. She asked for an explanation of the decline.

Mr. Stickel answered that the difference in the other restricted investment revenue pertained to how Permanent Fund earnings were reflected in the Revenue Sources Book. The percent of market value (POMV) draw of 5 percent was shown as unrestricted investment revenue. He explained that any earnings of the fund above the 5 percent draw were shown as other unrestricted investment revenue. He detailed that FY 25 was a strong year for market returns and FY 26 had been strong year to date. The decline in the rest of FY 26 and FY 27 represented a return to a more normal rate of return with a projected 7.6 percent return and 7.3 percent return respectively.

Co-Chair Josephson asked for verification that the projection did not necessarily reflect fewer dollars in the state economy or less money available to spend on FY 27 budgeting because the draw did not exceed 5 percent.

Mr. Stickel agreed.

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Mr. Stickel moved to slide 10 titled "Unrestricted Revenue Forecast: FY 2025 and Changes to Two-Year Outlook." He noted the remainder of the presentation would focus on the unrestricted revenue forecast because the specific funding category had the greatest flexibility and discretion around how the monies were used. The slide summarized key changes from the March 2025 spring forecast and the December 2025 fall forecast. The oil price forecast was decreased by

\$2.52 per barrel for FY 26 and by \$5.00 per barrel for FY 27, which reflected the most recent information from futures markets. The oil production forecast decreased by 7,000 barrels per day for FY 26 and increased by 28,000 barrels per day for FY 27. The bottom line unrestricted revenue outlook was decreased by \$181 million for FY 26 and \$119 million for FY 27. The lower oil price outlook was the primary reason for the decreases.

Mr. Stickel moved to slide 11 titled "Unrestricted Revenue Forecast: FY 2025 to FY 2027 Totals." He detailed that investment revenue was the largest source of UGF revenue, driven by the POMV transfer from the Permanent Fund that began in FY 19. Investments generated about \$3.8 billion in UGF revenue in FY 25. The forecast for UGF revenue was \$3.9 billion in FY 26 and \$4.1 billion in FY 27. Petroleum revenue generated \$1.9 billion of UGF revenue in FY 25 and was forecasted at \$1.4 billion in FY 26 and FY 27. Non-petroleum revenues generated slightly over \$600 million of UGF revenue in FY 25 and was forecasted to be \$624 million in FY 26 and \$694 million in FY 27. The total UGF revenue in FY 25 was \$6.3 billion, which was expected to decline to \$5.9 billion in FY 26 and recover slightly to \$6.2 billion in FY 27.

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Mr. Stickel addressed unrestricted investment revenue totals from FY 25 to FY 27 on slide 12. The Permanent Fund transfer was projected to generate about two-thirds of the state's unrestricted revenue annually over the next ten years. The transfer contributed \$3.7 billion in FY 25 and was forecast at \$3.8 billion in FY 26 and \$4 billion in FY 27. Additionally, there was \$136 million in FY 25 that primarily represented earnings on the cash balance of the state General Fund. The number was projected to be slightly lower in FY 26 and FY 27 based on the lower prevailing interest rate environment for cash and equivalents.

Mr. Stickel moved to slide 13 titled: "Unrestricted Investment Revenue: Percent of Market Value (POMV) Transfer Forecast." The forecast was over \$3.8 billion per year, which steadily increased to \$5.3 billion by the end of the ten-year forecast. He relayed that in real terms - inflation adjusted - the transfer remained fairly steady at around \$3.8 billion. The forecast was based on a 7.3 percent long-term return assumption for the Permanent Fund

and a 5 percent POMV calculation. Given that the 5 percent calculation was based on the average fund value of the first five of the past six years, the approach to the calculation provided a relatively stable source of revenue and removed much of the year-to-year volatility.

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Mr. Stickel reviewed four primary sources of unrestricted petroleum revenue for FY 25 to FY 27 on slide 14. The first was the oil and gas production tax (the state's severance tax on petroleum). For the North Slope, it consisted of a net profits tax with a gross minimum tax floor. He detailed that at the current prevailing price and cost levels in the industry, the department expected total production tax revenue to be at or below the minimum tax floor for every year in the 10-year forecast. In FY 25, the production tax brought in \$635 million with a projected decrease to \$316 million in FY 26 and \$286 million in FY 27. The second source of unrestricted petroleum revenue was a petroleum corporate income tax levied on qualifying oil and gas corporations doing business in Alaska. The tax brought in \$133 million in FY 25 and was projected to bring in \$140 million in FY 26 and \$175 million in FY 27.

Mr. Stickel stated that the third unrestricted petroleum revenue source was a 20 mills or 2 percent property tax on all oil and gas property in the state. He noted that any municipal taxes were allowed as a credit against the property tax so that the total property tax on oil and gas property was 20 mills. The state's share of the tax amounted to \$134 million in FY 25 and was forecast at slightly over \$140 million per year in FY 26 and FY 27. The fourth and largest source of unrestricted petroleum revenue was royalties, which brought in about \$1 billion in FY 25 and was forecasted to bring in over \$800 million in FY 26 and FY 27. He highlighted that the royalties numbers on the slide were limited to the UGF portion. He detailed that the Permanent Fund received between 25 and 50 percent of all royalty revenue and the Public School Trust Fund received an additional 0.5 percent of the revenue. He noted that the third section of the presentation would address the detailed assumptions used in the petroleum revenue forecast.

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Co-Chair Josephson referenced the mineral bonuses, rents, and interest line under royalties on slide 14. He asked if it did not include mineral royalties or taxes. He typically saw a number closer to \$100 million on total take from minerals for the state.

Mr. Stickel clarified that the mineral bonuses, rents, and interest line was only related to oil and gas and did not include any mining royalty.

Co-Chair Josephson asked what portion of the \$600 million that was non-petroleum related pertained to hard rock minerals.

Mr. Stickel answered it was a significant number, especially forward looking. The total contribution from mining tax, corporate tax, and royalties was expected to be over \$100 million per year in coming years. He noted that the specific forecast was created prior to record gold and silver prices. He stated it was an area for optimism. He offered to follow up with precise numbers.

Co-Chair Josephson declined the offer for additional information and understood the number was somewhere over \$100 million.

Mr. Stickel reviewed unrestricted non-petroleum revenue on slide 15. The largest component of non-petroleum revenue was various taxes, with the majority comprised of corporate income tax. In FY 25, the tax generated \$229 million and it was projected to bring in \$215 million in FY 26 and \$250 million in FY 27. The department was projecting a bit of a slowdown in the tax generated by some of the sectors such as retail, wholesale, and transportation, but it was being offset by increased revenue expectations for other sectors such as mining and tourism. He continued reviewing the slide and noted that the mining license tax brought in \$43 million in FY 25 and was expected to increase to \$62.4 million in FY 27. In total, taxes generated about \$468 million of unrestricted revenue in FY 25 and were projected to generate about \$511 million in FY 27. The remainder of the unrestricted non-petroleum revenues were a variety of different revenue sources including licenses and permits, charges for services, non-petroleum rents and royalties, and miscellaneous revenue (e.g., dividends from state owned corporations).

Mr. Stickel highlighted a change made in the revenue forecast related to program receipts. He explained that over the interim, the department worked with OMB to identify any program receipts above and beyond what was being used by the agency generating the receipts or being carried forward. Beginning with the current fall revenue forecast, any surplus program receipts that were not carried forward were shown as UGF revenue. Previously, some were UGF revenue and some were DGF revenue. In total, about \$60 million in program receipts fell into the category of being above and beyond what was generated and used by a program.

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Representative Hannan asked about the large passenger vessel gambling tax. She was surprised it was not growing more because of the large uptick and continued expected growth in cruise ship passengers. She did not believe the number reflected the 500,000-passenger increase seen the past summer. She observed that the tax was projected to flatten out for two years. She asked if passengers were not gambling or if the number of individuals gambling was not known ahead of time.

Mr. Stickel replied that the large passenger vessel gambling tax was a tax on the income earned by casinos and gambling operations. The revenue had been growing substantially in recent years. The tax generated \$18 million in FY 23 and \$27 million in FY 24. He explained that the revenue source had consistently exceeded the division's expectations. The forecast assumed that the number would level off and the state would receive a relatively stable contribution from the specific revenue source per passenger.

Representative Hannan surmised that the tax did not grow in relation to the number of passengers. She assumed fewer old people were coming.

Mr. Stickel clarified that the revenue source had grown as gambling had expanded and the number of passengers increased. He referenced Appendix A-2 of the Revenue Sources Book and highlighted that in the past the specific revenue source had generated \$7 million to \$10 million annually. He reported that the revenue had taken off after the COVID-19 pandemic. Instead of bringing in \$7 million to

\$10 million annually, the tax was generating \$30 million per year presently. He explained the forecast was a naive forecast that assumed revenue would remain at the higher levels with no increase or decrease anticipated.

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Representative Stapp looked at NPR-A [Natural Petroleum Reserve-Alaska] royalties, rents, and bonuses unrestricted petroleum revenue of \$9.6 million [in FY 27] on slide 14. He thought the money was likely restricted. He asked for an explanation.

Mr. Stickel responded that a change had been made to how NPR-A revenues were classified in the fall 2025 forecast. Prior to the fall forecast, the entirety of the payments from NPR-A (the federal government shared 50 percent of bonuses, rents, and interest from NPR-A with the state) were treated as a passthrough to communities and the revenue had been shown as restricted. He explained it had been determined that it did not accurately capture federal law or state statute. He elaborated that the passage of the [federal] One Big Beautiful Bill Act (OB3) also brought changes to how NPR-A revenues would be treated in the future. In recognition of the One Big Beautiful Bill Act and the reality the monies would be used in multiple ways under the statute, beginning in FY 27, the forecast would show the NPR-A revenues divided between unrestricted revenue with 25 percent going to the Permanent Fund and 0.5 percent going to the Public School Trust Fund.

Representative Stapp referenced state statute directed how the money was to be apportioned through a waterfall. He asked if the \$9.6 million would utilize the formulaic approach in state statute.

Mr. Stickel turned to slide 14 and explained that the \$9.6 million of NPR-A royalties, bonuses, and rents in FY 27 represented the expected unrestricted share of 74.5 percent. He elaborated that it was the anticipated total transfer to the state after backing out the Permanent Fund and Public School Trust Fund share.

Representative Stapp did not understand how the number had been reached. He asked for verification that "those two things" did not go into effect until the project spend was exhausted.

Mr. Stickel replied that in terms of revenue received by the state, there was an annual rental payment made to the federal government for any bonuses from ongoing lease sales. He explained that NPR-A royalties were being paid for current production at the Moose's Tooth Unit and for a portion of the Colville River Unit. There was a small stream of revenue to the NPR-A currently, which was being shared 50 percent with the state. He believed Representative Stapp may be referring to a very large increase in expected revenue several years in the future as a result of the Willow field coming online. The revenue stream would go from being tens of millions of dollars to hundreds of millions of dollars once Willow came online.

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Representative Stapp asked if the state was taking money from communities that would otherwise go to communities if the revenue was not used as unrestricted.

Mr. Stickel deferred any further questions to the Department of Law (DOL), which was doing evaluation on the NPR-A revenue topic.

Co-Chair Josephson remarked that there were smart people on both sides of the debate, and he surmised there would be litigation on the issue if it had not commenced. He was reading in the press that local governments were not going to be silent on the topic. He asked for verification that communities did not read HR 1 in the same way as the administration.

Mr. Stickel responded that he could speak about the change in the revenue forecast. He deferred any questions related to litigation to DOL.

Co-Chair Josephson looked at the program receipts line on slide 15. He asked if it suggested the state was providing a service for a fee. He asked if it was the reason there were receipts relating to other items shown on the slide such as the passenger vessel gambling tax and fisheries.

Mr. Stickel answered that program receipts was a large category in the state budget. He noted that it was not his area of expertise, although he had learned a significant amount about it in the past summer. He explained that

program receipts were comprised of receipts returned to a specific program to fund the program's operation. For example, the Division of Motor Vehicles (DMV), housed under the Department of Administration (DOA), collected about \$70 million annually in motor vehicle registration and licensing fees. The cost of operating the DMV was considered program receipts; therefore, the revenues were returned DOA to provide the service. However, DOA collected more revenue than it took to operate DMV. He detailed that in FY 25 the amount required to operate DMV was \$21 million and \$32 million in additional surplus revenue was returned to the General Fund.

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Co-Chair Josephson asked for verification that pertaining to the large passenger vessel gambling tax, there was someone on the vessel monitoring the ship's location. He thought that once a ship left a certain mile marker the tax was engaged.

Mr. Stickel answered that cruise companies tracked the amount of time their ships were located in state water versus non-state water, which was factored into the calculation. He noted that there was not a DOR official on the boat monitoring the issue.

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Mr. Stickel relayed that the final portion of the presentation looked at some of the detailed assumptions of the petroleum revenue forecast. He turned to slide 17 titled "Petroleum Detail: Changes to Long-Term Price Forecast." The slide showed the fall 2025 oil price forecast for Alaska North Slope (ANS) crude oil compared to the prior spring revenue forecast. The forecast used futures market forecast for as many years as were available. The data on the slide used the futures market through FY 23 and an inflation assumption was applied to the forecast beyond that timeframe. He explained that it provided a timely and transparent source of the revenue forecast. The department generated the price forecast on December 5 [2025] using futures prices for the beginning of December. The FY 26 forecast was reduced by \$2.52 per barrel to \$65.48 per barrel and the FY 27 forecast was reduced by \$5.00 per barrel to \$62 per barrel. He noted that farther out in the future, the forecast was similar to

the spring forecast. The change [between the two forecasts] reflected an anticipation of a bit of an oversupply situation for the next several years that resolved later in the forecast.

Mr. Stickel moved to slide 18 titled "Petroleum Detail: Nominal Brent Forecasts Comparison as of January 21, 2026." A chart on the slide included a comparison between the futures market, an average of market analysts, and the U.S. Energy Information Agency (EIA). He explained that Brent was a benchmark crude that typically priced very close to ANS. The current differential between ANS and Brent was hovering around zero at less than \$1. The current futures market was mostly unchanged since the division prepared its forecast in the beginning of December. The short-term energy outlook from the EIA suggested a significantly lower price into the low to mid \$50s in the next two years. Analysts on average were forecasting prices a bit higher than the futures market and the department's forecast. He noted that the difference was a bit larger than typically shown between the different sources. He explained that the EIA used a statistical forecast looking at supply, demand, and other fundamentals and they were seeing a potential for an over supplied situation in the market, which would drive down oil prices. The futures market was projecting a bit more of an uncertainty and risk premium, something that was not explicitly factored into the EIA forecast. He stated it was likely a significant piece of what was driving the higher outlook in the futures market versus the EIA. Some of the analysts were more bullish on oil prices in coming years. For example, Goldman Sachs was pointing to the possibility that the current lower prices would lead to an undersupply situation in 2028 and beyond as demand growth remained strong. Historically all oil price forecasts were wrong, but the errors from the futures market were the lowest and it had been the most accurate source. The department felt comfortable with a forecast that was in the range of the other sources shown on the slide.

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Mr. Stickel advanced to slide 19 titled "Petroleum Detail: UGF Relative to Price per Barrel (without POMV): FY 2027." The slide showed what would happen to revenues if prices were different than the forecast. For FY 27, based on the \$62 per barrel forecast, the total unrestricted revenue (excluding the Permanent Fund) was about \$2.2 billion. He

explained that near the forecast price each \$1 increase or decrease led to a change of about \$30 million in UGF revenue. Given the progressive nature of the state's oil tax system, at higher oil prices the change was a bit higher per \$1 difference. He moved to slide 20 titled Petroleum Detail: Changes to North Slope Petroleum Production Forecast. He noted that the same data had been presented to the committee the previous day by the Department of Natural Resources. In general, the production forecast was fairly stable and increasing with 457,000 barrels per day in FY 26 and 517,000 barrels per day in FY 27. He highlighted that production impacts from the startup of the Pikka field coming online started to be evident in FY 27. Oil production was expected to exceed 500,000 barrels per day for the first time in several years. The slide showed a couple of years of natural slight declines in FY 28 and FY 29. Impacts of the Willow field coming online and phase 2 of the Pikka project began in FY 30. The department was forecasting over 600,000 barrels per day in FY 32 and over 650,000 barrels per day in FY 33. The biggest change from the spring forecast was some moving of production in the FY 27 through FY 29 window, which represented firming up the timelines and expectation around the field startup for Pikka and Willow. He believed there was much more confidence and certainty of Pikka coming online in the very near future.

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Mr. Stickel addressed historical data and forecast information for North Slope allowable lease expenditures on slide 21. The slide showed the cost of production, which was reported on tax returns and impacted the calculation of the oil and gas production tax. Additionally, the allowable lease expenditures were an important measure of company investment and activity in the state. In FY 25, North Slope expenditures totaled \$8.7 billion, which was by far the highest value on record since the state started collecting the data. There was continued ramp up and massive spending at major new developments like Pikka and Willow, as well as significant investments in other producing fields and fairly robust exploration activity. He stated there was a lot of activity and money invested in Alaska's oil patch in the past year. He detailed that capital expenditures were \$5.6 billion in FY 25. The forecast showed the number as the high water mark, but the forecast showed relatively robust levels of capital expenditures at over \$3 billion

per year over the next decade. Operating expenditures were \$3.1 billion in FY 25, and the department was forecasting slow but steady increases due to a combination of new developments as well as general cost inflation in the oil patch. He noted that cost inflation had been evident in the past several years, which had been increasing operating costs and challenging the economics of some of the fields.

Co-Chair Josephson remarked that even though there had been articles highlighting staffing cuts in the industry, it was inarguable that the investment was there. He highlighted that the \$8.7 billion in spending the previous year was a record number.

Mr. Stickel replied that the \$8.7 billion was real money spent in the last fiscal year.

Representative Hannan asked how long the capital expenditure deductions against taxes owed could be paid out on a project. For example, Willow was expected to come online in FY 30. She noted it was an expensive endeavor and prices had increased. She asked if there were limits to how long a company could take expenditures against taxes owed.

Mr. Stickel responded that the department had a presentation addressing all of the details of the state's production tax system. He offered to provide the presentation in the future. The state allowed an immediate deduction of capital expenditures for the net profits share of the production tax; depreciation was not required. To the extent a company had income and revenue from projects on the North Slope, it would be able to use 100 percent of the capital expenditures to reduce the net profits portion of the tax calculation in the year incurred. He elaborated that if the company was a new entrant or did not have sufficient other revenue and entered into a net operating loss situation, it would earn a carried forward lease expenditure. A carried forward lease expenditure could not be used to reduce tax against the gross minimum tax floor, but they could be carried forward indefinitely; however, they decreased in value by one-tenth of the prior year's ending value after the eighth or eleventh year from the time they were earned. He expounded that the lease expenditures could be carried forward indefinitely, but at a certain point they began declining in value, which was called "the down lift."

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Representative Hannan referenced the record year of capital expenditures on the North Slope that was not yet generating new oil because there was always a delay. She asked if the \$8.7 billion could stretch out for another decade against taxes owed.

Mr. Stickel confirmed it was the case for a portion of the \$8.7 billion. He explained that a very significant portion of the number was applied against the tax calculation in 2025. The department estimated that about \$6.4 billion of the \$8.7 billion was applied in the tax calculation in FY 25. The additional \$2.3 billion became carried forward lease expenditures that could potentially be used to impact future tax liabilities.

Co-Chair Josephson asked if companies could go below the 4 percent floor with GVR [gross value reduction] new oil.

Mr. Stickel answered that carried forward lease expenditures could not be used to reduce tax liability below the floor. A significant amount of the carried forward lease expenditures were not anticipated to be used in the revenue forecast because companies were subject to the minimum tax floor. There were certain credits that could be used to reduce tax below the 4 percent gross tax minimum tax floor including the per taxable barrel credit for new oil, if a company did not use other per taxable barrel credits.

Co-Chair Josephson noted that the committee may hear something about the issue that evening [during the governor's State of the State address].

Representative Stapp looked at the graph on slide 21 and observed that the blue line [showing capital expenditures] was decreasing and the orange line [showing operating expenditures] was increasing slightly. He asked how the department was calculating the expenditures so far into the future while still allowing a gross minimum. He considered the capital investment decline and did not see how the department could project companies with a gross minimum for the next 10 to 15 years.

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Mr. Stickel asked Representative Stapp to rephrase the question.

Representative Stapp asked why the department was projecting companies at the gross minimum for so many out years.

Mr. Stickel explained that within the production tax calculation the net profits tax calculation and the gross minimum tax floor calculation were done side by side. He detailed that with relatively low oil prices and relatively high spending - a combination of large investments being made and significant inflation in the industry - there was a lower amount of production tax value or profit. The department was anticipating that the 4 percent gross tax would be higher than the net profits tax after credits for most companies on the North Slope for the foreseeable future.

Representative Stapp asked how long the foreseeable future was.

Mr. Stickel replied that the department was projecting that production tax revenue would be at or below the minimum tax floor for the entirety of the ten-year revenue forecast.

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Representative Bynum asked for clarity on what Mr. Stickel meant by relatively low oil prices. He asked if Mr. Stickel was referring to the projected \$62 per barrel for FY 27 or some other number.

Mr. Stickel answered that when he used the words "relatively low," he had been making a comparison to the past era of oil prices that were closer to \$100 per barrel. The forecast was for prices to remain in the \$60 to \$70 per barrel range over the entirety of the ten-year forecast.

Representative Stapp asked if there was any benchmark to help understand values. He referenced the inflationary capital cost increase. For example, he asked if they were at gross minimum at \$60 per barrel, but not \$65 per barrel.

Mr. Stickel responded that each company had a unique portfolio of operations and economic situation on the North Slope. The aggregate the division expected was around \$64

per barrel for FY 27. He described it as the crossover point between the gross and net tax. He explained it was very close to the level where the department would expect total production tax revenue to exceed the minimum tax floor. He noted there was a wide range. He detailed that some companies would pay above the minimum tax floor at around \$60 per barrel and other companies would not exceed their tax floor until well over \$100 per barrel. He elaborated that it depended on how much the companies were investing and their producing assets.

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Representative Stapp asked how the department was projecting all tangible producers at the gross minimum for over ten years if the range was \$60 to \$100 per barrel.

Mr. Stickel answered that the division forecast tax liability for every field and individual company using proprietary information available to the department. The number published in the Revenue Sources Book was an aggregate calculation. In aggregate, the department was expecting that production tax revenue would be at or below the minimum tax floor; however, the aggregate was comprised of companies paying at, below, and above the minimum tax floor.

Representative Stapp asked for an indicator that would change the calculus. He used oil price, lower than anticipated investment, and a lower than expected increase in inflation as examples.

Mr. Stickel replied that the four primary variables included oil price, oil production, spending, and transportation cost. He noted that the next slide pertained to transportation cost.

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Co-Chair Josephson asked for a repeat of the four variables.

Mr. Stickel replied that the variables were price, lease expenditures, production, and transportation cost. He moved to slide 22 and discussed North Slope transportation cost of moving oil from the North Slope to market on the West Coast. The transportation costs impacted the value of every

barrel of oil for tax and royalty purposes. He elaborated that the costs included getting the oil to market. He pointed to a bar chart on slide 22 and explained that the largest portion was the marine transportation cost [shown in blue] for tankers getting oil from Valdez to the West Coast market. The orange portion of the bars represented the Trans-Alaska Pipeline System (TAPS) tariff for transporting oil from the North Slope to Valdez. There were also a variety of other small transportation charges including feeder pipeline tariffs, quality bank, and other items. The average transportation cost for ANS crude was \$10.55 per barrel in FY 25. The department was projecting the number would be stable and declining over the ten-year forecast horizon. Any higher costs were being offset by increased production into the pipeline. He used the TAPS tariff as an example and explained that it took a fixed cost of operating TAPS and dividing it over many more barrels with the new production coming in from Willow and Pikka, which was decreasing the transportation cost for all of the barrels on the North Slope.

[2:32:50 PM](#)

Mr. Stickel looked at slide 23 titled "State Petroleum Revenue by Land Type." He explained that not all oil was the same. Historically, most oil production came from state land, but that was changing with some of the new developments. The slide expanded the forecast due to some of the changes from federal royalty enacted by the One Big Beautiful Bill Act (OB3). He detailed that in terms of petroleum revenues, production, corporate, and property taxes were fairly straightforward and applied to everything in the state and within the state's three-mile limit. Royalty rates varied based on the ownership of the land. The state received all royalties for production on state land and state waters up to three miles offshore. For NPR-A, currently 50 percent was shared with the state and for certain leases issued after July 2025, the share would increase to 70 percent beginning in federal fiscal year 2034 under OB3. For federal waters three to six miles offshore the state received a 27 percent share. For Cook Inlet leases issued under OB3, the share would increase to 70 percent in federal fiscal year 2034. For federal waters beyond six miles offshore, there was currently no direct state revenue share, but for Cook Inlet leases issued under OB3 there would be a 70 percent lease share beginning in 2034. For Alaska National Wildlife Refuge (ANWR)

production, the state received a 50 percent share, which would increase to 70 percent in federal fiscal year 2034 for all leases including current leases. For any production from private land (including a portion of production from the Pikka field), the state levied a tax on royalty interest. The tax was 5 percent of the private landowner royalty value for oil and one and two-thirds percent for gas.

Co-Chair Josephson asked if the state received a 5 percent royalty on private land.

Mr. Stickel answered that the royalty on private land went to the landowner and the state levied a tax of 5 percent on the value of the royalty share.

Co-Chair Josephson asked if the 70 percent from HR-1 [also known as the One Big Beautiful Bill Act or OB3] brought the state to parity with the Gulf of Mexico. He asked for verification that the goal had been to be treated the same way.

Mr. Stickel responded that it was his understanding. He did not have the details on hand.

Representative Hannan directed a question to the DOR acting commissioner. She asked for a status update on the audits for oil compliance negotiated settlements. She understood they may not be completed.

Acting Commissioner Earls answered that the department was working with the legislative auditor on the audits. She did not believe the audits were complete.

Representative Hannan asked if there would potentially be seven years of audit information on the negotiated settlements. Alternatively, she wondered if there would only be five years of information.

Acting Commissioner Earls believed the information went back to 2018.

Representative Hannan asked if there was an expected timeline for completing the information. She planned to ask the auditor the same question.

Acting Commissioner Earls replied that she did not have any update at the present time.

Mr. Stickel thanked the committee for the opportunity to present the forecast.

Co-Chair Josephson thanked the presenters. He reviewed the schedule for the following day.

#

ADJOURNMENT

2:38:35 PM

The meeting was adjourned at 2:38 p.m.