

Title: PRELIMINARY Fall 2021 Forecast

Revised: October 29, 2021

Preparer: Department of Revenue, Tax Division

Purpose: To provide the Department's preliminary revenue forecast.

Data Sources: Department of Revenue Tax Division Reports and Forecast
Treasury Division
Alaska Permanent Fund Corporation
Office of Management and Budget
Department of Natural Resources
Alaska State Accounting System
Various other state agencies

Key Assumptions: This forecast assumes tax laws in place as of October 29, 2021.

Total Alaska North Slope (ANS) production averaged 484.6 thousand barrels per day in FY 2021. ANS production is forecasted to average 488.4 thousand barrels per day for FY 2022 and 500.2 thousand barrels per day for FY 2023.

Average ANS price for FY 2021 was \$54.14 per barrel. The looking forward ANS price, in nominal terms, is forecasted to average \$81.31 per barrel for FY 2022 and \$76.00 for FY 2023. The long-run ANS price is assumed to remain flat beyond FY 2023, with nominal prices increasing with inflation to \$90.00 per barrel by FY 2031.

Other assumptions include estimated oil and gas lease expenditures, the TAPS tariff, and transportation costs required to estimate value at the wellhead and the inflation rate.

The ANS oil price forecast for the remainder of FY 2022 and for FY 2023 is based on the median closing futures prices for Brent crude oil for the five trading days ending October 26, 2021 and assumes no average price differential between ANS and Brent oil prices. The oil price forecast for FY 2024 and beyond is based on the FY 2023 value, held constant in real terms, and increasing with 2.0% assumed annual inflation. Price forecasts for FY 2023 and beyond are rounded to the nearest whole dollar for reporting in this forecast document.

Preliminary actuals data for FY 2021 are based on the best available information at this time and may be revised in the future.

Numbers may not add exactly due to rounding.

Disclaimer: The Department of Revenue relies on projections from the Department of Natural Resources to derive its biannual production forecast. The Department of Revenue relies on investment return projections from Callan Associates to derive its investment revenue forecast.

The Department of Revenue is in the process of reviewing and updating the data on which this analysis is based. Some components of the forecast have not yet been updated with the most recent data. As a result, future analyses and the final Fall 2021 forecast could have different results.

Table 2-1: Total State Revenue; By restriction and type

Fiscal Year	Millions of Dollars			
	Preliminary Actuals	Preliminary Forecast		
	FY 2021	FY 2022	FY 2023	
Unrestricted Revenue Sources				
Unrestricted General Fund Revenue				
1	Investment Revenue	3,120.9	3,090.1	3,389.0
2	Petroleum Revenue ⁽¹⁾	1,217.6	2,510.6	2,235.7
3	Non-Petroleum Revenue ⁽¹⁾	444.3	374.8	503.9
4	Total Unrestricted General Fund Revenue	4,782.8	5,975.5	6,128.6
Restricted Revenue Sources				
Designated General Fund Revenue				
5	Investment Revenue	182.3	45.1	45.7
6	Petroleum Revenue ⁽¹⁾	60.0	87.1	81.9
7	Non-Petroleum Revenue ⁽¹⁾	484.7	470.4	470.8
8	Subtotal Designated General Fund Revenue	727.0	602.6	598.4
Other Restricted Revenue				
9	Investment Revenue	16,278.5	1,415.4	1,508.8
10	Petroleum Revenue	300.6	427.4	401.8
11	Non-Petroleum Revenue	135.1	202.4	221.0
12	Subtotal Other Restricted Revenue	16,714.1	2,045.2	2,131.6
Federal Revenue				
13	Federal Receipts	7,555.0	5,028.7	4,000.0
14	Petroleum Revenue ⁽²⁾	15.8	14.0	49.1
15	Subtotal Federal Revenue	7,570.8	5,042.7	4,049.1
16	Total Restricted Revenue	25,011.9	7,690.5	6,779.1
17	Total State Revenue	29,794.7	13,666.0	12,907.7

⁽¹⁾ Beginning with FY 2022, the hazardous release surcharge and refined fuel surcharge are shown as Designated General Fund revenue. Previously these surcharges were shown as Unrestricted General Fund revenue; this change in presentation was made for conformity to budget documents.

⁽²⁾ Petroleum revenue shown in the Federal category includes the state share of rents, royalties and bonuses received from the National Petroleum Reserve - Alaska.

Table 2-2: Unrestricted General Fund Revenue; By type and source

	Millions of Dollars		
	Fiscal Year	Preliminary Actuals	Preliminary Forecast
		FY 2021	FY 2022
Unrestricted Investment Revenue			
Investment Revenue			
1 Alaska Permanent Fund	3,091.5	3,069.3	3,360.6
2 Investments	29.4	20.8	28.4
3 Total Unrestricted Investment Revenue	3,120.9	3,090.1	3,389.0
Unrestricted Petroleum Revenue			
Petroleum Taxes			
4 Petroleum Property Tax	119.2	114.3	112.1
5 Petroleum Corporate Income Tax	-19.4	125.0	190.0
6 Oil and Gas Production Tax ⁽¹⁾	389.0	1130.8	862.6
7 Subtotal Petroleum Taxes	488.8	1,370.1	1,164.7
Royalties (including Bonuses, Rents, and Interest)			
8 Mineral Bonuses and Rents	25.9	20.1	20.1
9 Oil and Gas Royalties	702.9	1,120.4	1,050.8
10 Interest	0.0	0.0	0.0
11 Subtotal Royalties	728.8	1,140.5	1,070.9
12 Total Unrestricted Petroleum Revenue	1,217.6	2,510.6	2,235.7
Unrestricted Non-Petroleum Revenue			
Non-Petroleum Taxes			
Excise Tax			
13 Alcoholic Beverage	20.6	20.7	20.9
14 Tobacco Product – Cigarette	24.9	23.4	22.5
15 Tobacco Product – Other	13.1	13.9	13.9
16 Electric and Telephone Cooperative	0.2	0.2	0.2
17 Insurance Premium Tax	55.2	57.2	59.1
18 Marijuana	7.8	7.7	8.4
19 Motor Fuel (Refined Fuel Surcharge) ⁽¹⁾	6.4	0.0	0.0
20 Tire Fee	1.5	1.5	1.5
21 Subtotal Excise Tax	129.7	124.6	126.4
22 Corporate Income Tax	102.8	10.0	130.0
Fisheries Tax			
23 Fisheries Business	13.8	22.2	23.0
24 Fishery Resource Landing	7.1	5.7	5.8
25 Subtotal Fisheries Tax	20.9	27.9	28.8
Other Tax			
26 Charitable Gaming	2.6	2.6	2.7
27 Large Passenger Vessel Gambling	0.0	1.1	10.8
28 Mining	9.0	54.3	55.9
29 Subtotal Other Tax	11.6	58.0	69.4
30 Subtotal Unrestricted Non-Petroleum Taxes	265.1	220.4	354.6

Table 2-2: Unrestricted General Fund Revenue; By type and source

Fiscal Year	Millions of Dollars		
	Preliminary Actuals	Preliminary Forecast	
	FY 2021	FY 2022	FY 2023
31 Charges for Services	3.8	3.8	3.8
32 Fines and Forfeitures	15.1	13.6	13.6
Licenses and Permits			
33 Motor Vehicle	36.5	36.5	36.5
34 Other	0.8	1.3	1.3
35 Subtotal Licenses and Permits	37.3	37.8	37.8
Rents and Royalties			
36 Mining Rents and Royalties	1.3	1.3	1.3
37 Other Non-Petroleum Rents and Royalties ⁽²⁾	0.0	0.0	0.0
38 Subtotal Rents and Royalties	1.3	1.3	1.3
Miscellaneous Revenue and Transfers			
39 Miscellaneous	56.6	35.0	35.0
40 Alaska Housing Finance Corporation Dividend	33.6	30.6	30.5
41 Alaska Industrial Development and Export Authority Dividend	14.5	17.3	17.3
42 Alaska Student Loan Corporation Dividend	0.0	0.0	0.0
43 Unclaimed Property	17.0	15.0	10.0
44 Subtotal Miscellaneous Revenues and Transfers	121.7	97.9	92.8
45 Total Unrestricted Non-Petroleum Revenue	444.3	374.8	503.9
46 Total Unrestricted General Fund Revenue	4,782.8	5,975.5	6,128.6

⁽¹⁾ Beginning with FY 2022, the hazardous release surcharge and refined fuel surcharge are shown as Designated General Fund revenue. Previously these surcharges were shown as Unrestricted General Fund revenue; this change in presentation was made for conformity to budget documents.

⁽²⁾ Beginning with FY 2021, all non-petroleum and non-minerals rents and royalties are considered program receipts and are shown as Designated General Fund or Other Restricted revenue. Previously a portion of these receipts were shown as Unrestricted General Fund revenue; this change in presentation was made for conformity to budget documents.

Table 2-3: Restricted Revenue; By type and source

	Millions of Dollars			
	Fiscal Year	Preliminary Actuals	Preliminary Forecast	
		FY 2021	FY 2022	FY 2023
Designated General Fund Restricted Revenue				
Investment Revenue				
1	Investments - Designated General Fund	0.4	1.1	1.7
2	Other Treasury - Managed Funds	181.9	44.0	44.0
3	Subtotal Investment Revenue	182.3	45.1	45.7
Petroleum Revenue				
4	Oil and Gas Production Tax - Hazardous Release Surcharge ⁽¹⁾	0.0	8.0	8.2
5	Royalties, Bonuses and Rents to Alaska Permanent Fund	60.0	79.1	73.6
6	Subtotal Petroleum Revenue	60.0	87.1	81.9
Non-Petroleum Revenue				
7	Taxes ⁽¹⁾	145.4	147.3	150.3
8	Charges for Services	242.8	241.9	242.8
9	Fines and Forfeitures	5.7	5.9	5.7
10	Licenses and Permits	0.8	1.6	1.6
11	Rents and Royalties	27.7	27.7	27.7
12	Other	62.3	46.0	42.7
13	Subtotal Non-Petroleum Revenue	484.7	470.4	470.8
14	Total Restricted Designated General Fund Revenue	727.0	602.6	598.4
Other Restricted Revenue				
Investment Revenue				
15	Investments - Other Restricted	1.3	3.9	6.0
16	Constitutional Budget Reserve Fund	2.2	5.5	10.4
17	Alaska Permanent Fund Restricted Earnings, net of General Fund Draw ⁽²⁾	16,275.0	1,406.0	1,492.4
18	Subtotal Investment Revenue	16,278.5	1,415.4	1,508.8
Petroleum Revenue				
19	Royalties, Bonuses and Rents to Alaska Permanent Fund	272.3	409.3	384.1
20	Royalties, Bonuses and Rents to Public School Trust Fund	5.4	8.2	7.7
21	Tax and Royalty Settlements to Constitutional Budget Reserve Fund	22.9	10.0	10.0
22	Subtotal Petroleum Revenue	300.6	427.4	401.8
Non-Petroleum Revenue				
23	Taxes	40.5	30.9	47.1
24	Charges for Services	22.7	97.5	100.4
25	Fines and Forfeitures	17.2	17.8	17.2
26	Licenses and Permits	36.5	38.3	38.5
27	Rents and Royalties	3.1	2.9	2.9
28	Other	15.1	15.0	15.0
29	Subtotal Non-Petroleum Revenue	135.1	202.4	221.0
30	Total Other Restricted Revenue	16,714.1	2,045.2	2,131.6

Table 2-3: Restricted Revenue; By type and source

		Millions of Dollars		
		Preliminary Actuals	Preliminary Forecast	
Fiscal Year		FY 2021	FY 2022	FY 2023
Restricted Federal Revenue				
31	Federal Receipts	7,555.0	5,028.7	4,000.0
Petroleum Revenue				
32	NPR-A Royalties (includes bonuses, rents, and interest) ⁽³⁾	15.8	14.0	49.1
33	Total Restricted Federal Revenue	7,570.8	5,042.7	4,049.1
34	Total Restricted Revenue	25,011.9	7,690.5	6,779.1

⁽¹⁾ Beginning with FY 2022, the hazardous release surcharge and refined fuel surcharge are shown as Designated General Fund revenue. Previously these surcharges were shown as Unrestricted General Fund revenue; this change in presentation was made for conformity to budget documents.

⁽²⁾ While payouts are limited to realized earnings, both unrealized and realized earnings are shown per Generally Accepted Accounting Principles (GAAP). Restricted earnings starting in FY 2019 consist of unrealized earnings plus realized earnings, less the transfer to the general fund. Beginning with FY 2020, investment earnings of the Alaska Capital Income Fund are excluded from this number.

⁽³⁾ Petroleum Revenue shown in the Restricted Federal Revenue category includes the state share of rents, royalties, and bonuses received from the National Petroleum Reserve – Alaska.

Table 2-5: Total Unrestricted General Fund Revenue; FY 2021 Preliminary actuals and FY 2022 - FY 2031 preliminary forecast

Millions of Dollars

Fiscal Year	Preliminary Actuals	Preliminary Forecast										
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	
Unrestricted General Fund Revenue												
1	Investment Revenue	3,120.9	3,090.1	3,389.0	3,637.0	3,853.7	4,075.3	4,326.0	4,427.7	4,526.4	4,623.1	4,716.8
2	Petroleum Revenue	1,217.6	2,510.6	2,235.7	2,426.7	2,737.3	2,694.6	2,801.1	2,888.7	2,993.0	3,237.3	3,906.5
3	Non-Petroleum Revenue	444.3	374.8	503.9	516.8	524.4	532.2	537.3	546.1	547.0	552.0	555.0
4	Total Unrestricted General Fund Revenue	4,782.8	5,975.5	6,128.6	6,580.4	7,115.4	7,302.1	7,664.3	7,862.6	8,066.4	8,412.4	9,178.3
5	Percent from Petroleum	25%	42%	36%	37%	38%	37%	37%	37%	37%	38%	43%
6	Permanent Fund transfer	3,091.5	3,069.3	3,360.6	3,601.0	3,810.0	4,024.0	4,267.0	4,361.0	4,452.0	4,541.0	4,627.0
7	Total Unrestricted Revenue (not including Permanent Fund transfer)	1,691.3	2,906.2	2,768.0	2,979.4	3,305.4	3,278.1	3,397.3	3,501.6	3,614.4	3,871.4	4,551.3
8	Percent from Petroleum	72%	86%	81%	81%	83%	82%	82%	82%	83%	84%	86%
Selected Petroleum Data												
9	Price Per Barrel of ANS Crude (Dollars)	\$ 54.14	\$ 81.31	\$ 76.00	\$ 78.00	\$ 80.00	\$ 81.00	\$ 83.00	\$ 84.00	\$ 86.00	\$ 88.00	\$ 90.00
10	Average Daily ANS Production (Thousand Barrels Per Day)	484.6	488.4	500.2	501.5	510.1	509.1	513.6	524.1	524.5	541.0	586.2