SPRING 1998
REVENUE SOURCES BOOK
FORECAST AND HISTORICAL DATA

STATE OF ALASKA
DEPARTMENT OF REVENUE
OIL AND GAS AUDIT DIVISION

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April 3, 1998

The Honorable Tony Knowles
Governor of Alaska
P.O. Box 110001
Juneau, Alaska 99811-0001

Dear Governor Knowles:

Each year we learn more about oil prices and world markets, using that knowledge to project future state revenues. We cannot, however, control the fluctuation of oil prices. Because of higher-than-projected prices throughout much of Fiscal Year 1997, we ended the year with $480 million more in state revenues than we had projected in the spring forecast 15 months earlier. This year, however, we are seeing the opposite as lower-than-projected oil prices have cut into state revenues from our forecast of last November.

After reviewing oil prices and production, plus the state's investment earnings and non-petroleum revenues, we present you with the department's Spring 1998 Revenue Forecast for FY 1998 - 2002.

This winter proved once again that oversupply in the oil market leads to low prices. Due to the downfall in world oil markets, we have lowered our projections for net disposable general fund revenue to $1865 million in FY 1998, $1659 million in FY 1999 and $1731 million in FY 2000.

OPEC and non-OPEC nations saw the same fall in oil prices and two weeks ago announced plans to cut production, bringing supply closer to demand and forcing prices higher. We expect oil prices will continue their slow recovery, moving from this week's $13-per-barrel range and gradually climbing throughout FY 1999. Thanks to relatively high prices over the first half of FY 1998, we expect Alaska North Slope crude to average $16.30 per barrel for the year ending June 30. Starting with lower prices this summer, however, we expect oil to average $15.32 per barrel for FY 1999. Looking for the price recovery to continue, we expect an average of $16.55 in FY 2000, slightly below the 11-year average of $16.85.

The oil glut and less-than-enthusiastic immediate price outlook are the result of four key factors:

· Iraq's return to world oil export markets and the increase in its United Nations export allowance to $5.25 billion worth of oil every six months will help hold down prices.

· Asia's currency crisis has become Asia's debt crisis and will have a depressing effect on world crude oil demand.

· Warmer than normal winter weather in the Northern Hemisphere significantly reduced oil demand over the past four months.

· Overproduction and heavy discounting by key OPEC and non-OPEC countries, combined with market skepticism over the success of the recent production cutback agreement, will prevent a quicker price recovery.

Weather hasn't helped Alaska's North Slope oil production either. The production outlook has been reduced somewhat, mostly due to warmer than normal weather this winter that reduced gas-handling capabilities. We also have factored in slight delays in the start-up of the Alpine and Northstar oil fields. As a result, we expect ANS production to average 1.279 million barrels per day in FY 1998 and 1.262 million barrels per day in FY 1999.

This isn't a change in our reserve estimates; just a short-term production dip. We still expect a significant surge in production starting in 2000, when we will see the volume flow over 1.3 million barrels per day and climbing to 1.352 million barrels per day in FY 2002.

The oil market will continue to be extremely volatile. Knowing that, Alaska uses its savings accounts to handle short-term price changes. I'm happy to report the state's savings accounts continue to grow. We expect the Constitutional Budget Reserve will total $3.364 billion as of June 30 this year. The Alaska Permanent Fund should end the year at more than $24 billion. Investment earnings from the Permanent Fund, Constitutional Budget Reserve and the General Fund have grown to the point that their combined income now exceeds oil and gas taxes and royalties paid to the state.

All things considered, we believe our forecast is a prudent attempt to establish a reasonable reference case for state revenue planning purposes.

Sincerely,

Wilson L. Condon
Commissioner

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Reference Case

Oil prices were severely depressed in the third quarter of FY 1998, reaching four-year lows and pulling down state revenues. In mid-March, however, there was good news when prices responded upward after an announcement by Saudi Arabia, Venezuela and Mexico that nine OPEC and non-OPEC countries had agreed to reduce their crude oil output. Despite that announcement and the oil market's initial, positive reaction driving up prices by $2 or more per barrel, the worldwide oil glut that developed over the past 15 months is not over as supply continues to exceed demand at the start of the fourth quarter of FY 1998.

As a result, we are substantially reducing our oil price forecast from levels we assumed last fall. Our spring 1998 reference-case scenario is based on our belief that oil markets will recover slowly and production cuts announced by OPEC and non-OPEC producers will be instituted, pushing prices into a gradual climb. That climb, however, will fall short of reaching FY 1997 and early FY 1998 prices in the next year. Keep in mind our projections are for year-end averages-not daily prices.

Given the uncertainties about the behavior of key oil exporters, the effect of Asia's recent economic turmoil on oil demand, and the warmer-than-usual weather around the world, we also have included in this forecast a low-price scenario. Given the extreme volatility in the oil market, we recommend readers examine the petroleum revenue sensitivity matrices on Page 31 to understand how different oil prices and production can affect state revenue.

Highlights from our spring 1998 forecast are:

- Severely depressed oil prices in the third quarter of FY 1998 should begin to recover by summer as key OPEC and non-OPEC countries cut back on production.

- General Fund unrestricted revenue will slip to $1659.9 million in FY 1999 before moving above $1700 million in both FY 2000 and FY 2001.

- Oil production for FY 1998-2000 will be 45,000 to 50,000 barrels per day lower than previously forecast primarily due to weather related production effects and some delays in startup of new fields.

- ANS production will increase in FY 2000 as the result of the combined production of a number of new oil fields including Alpine, Northstar, Tarn, Badami and West Sak.

Our final note is that for the first time in the 30 years since the Prudhoe Bay lease sale, the state's total investment earnings will exceed its General Fund revenues from oil and gas taxes and royalties. Investment income earned by the state in FY 1998 will provide a projected 42 percent of state revenues recognized by the Executive Budget Act.

Table 1. SPRING 1998 REFERENCE CASE FORECAST PROJECTIONS

FY	Net Disposable General Fund Unrestricted Revenue	General Fund Unrestricted Revenue	ANS Market Price	ANS Production
	$ Million	$ Million	$/Barrel	Million Barrels/ Day
Actual 1997	$2,499.0	$2,494.9	$20.85	1.404
1998	$1,894.1	$1,865.0	$16.30	1.279
1999	$1,664.7	$1,659.5	$15.32	1.262
2000	$1,721.7	$1,731.0	$16.55	1.303
2001	$1,709.0	$1,718.6	$16.71	1.343
2002	$1,670.9	$1,680.9	$16.81	1.352

Low-Price Scenario

As a result of the currently severely depressed oil market, we have included a low-price scenario. This scenario differs in two fundamental ways from the reference case. First, it is assumed that the impact of the Asian financial turmoil on global economic growth is more severe than our reference case, with the result that global oil demand growth is lowered. Second, it is assumed that OPEC and non-OPEC countries are unable to come up with an agreement to reduce production enough to offset increased production from Iraq. This would lead to a much weaker market due to the assumed slower growth in crude oil demand. The following is our low-price scenario:

Table 2. SPRING 1998 LOW-PRICE SCENARIO FORECAST PROJECTIONS

FY	Net Disposable General Fund Unrestricted Revenue	General Fund Unrestricted Revenue	ANS Market Price	ANS Production
	$ Million	$ Million	$/Barrel	Million Barrels/ Day
Actual 1997	$2,499.0	$2,494.9	$20.85	1.404
1998	$1,850.6	$1,821.5	$15.78	1.279
1999	$1,500.3	$1,495.1	$13.45	1.262
2000	$1,532.8	$1,542.1	$14.34	1.303
2001	$1,541.3	$1,551.3	$14.45	1.343
2002	$1,510.7	$1,521.1	$14.53	1.352

Figure 1. SPRING 1998 REFERENCE CASE GENERAL FUND UNRESTRICTED REVENUE
Actual (FY 1997) and Projected (FY 1998-2000)

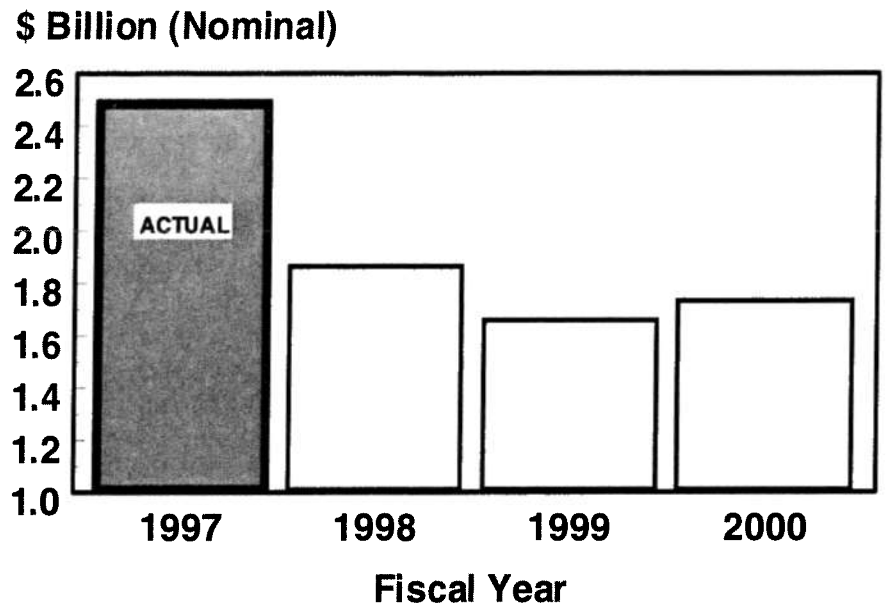


Figure 2.

ECONOMIC LIMIT FACTOR (ELF)
FOR FIELDS WITH ELF GREATER THAN ZERO
Actual (FY 1990-1997) and Projected (FY 1998-2000)

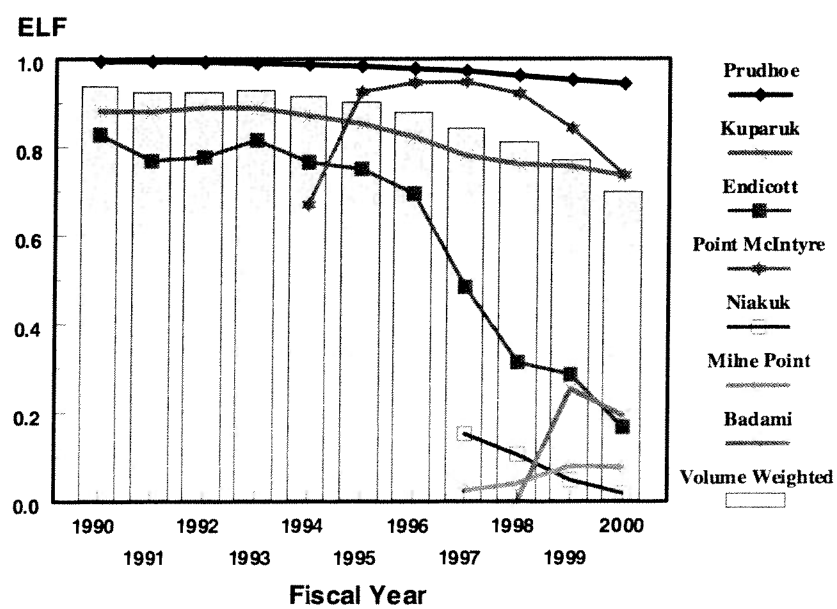


Figure 3. SPRING 1998 REFERENCE CASE ANS MARKET PRICE
Actual (FY 1997) and Projected (FY 1998-2000)

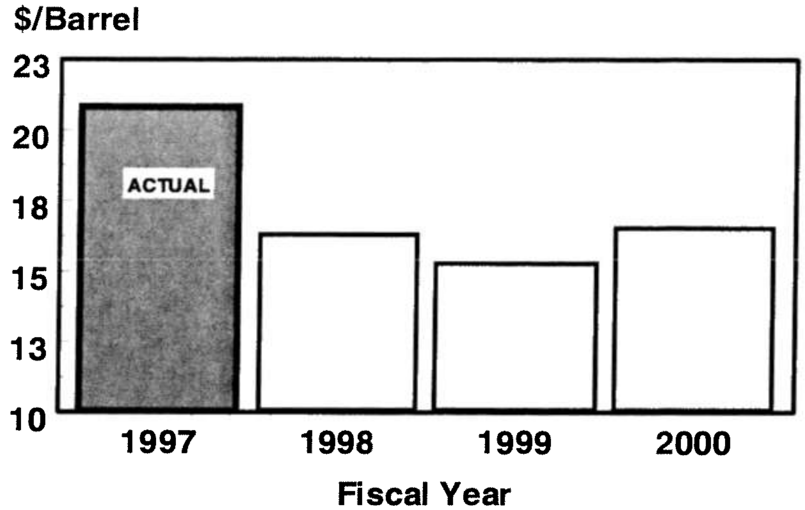
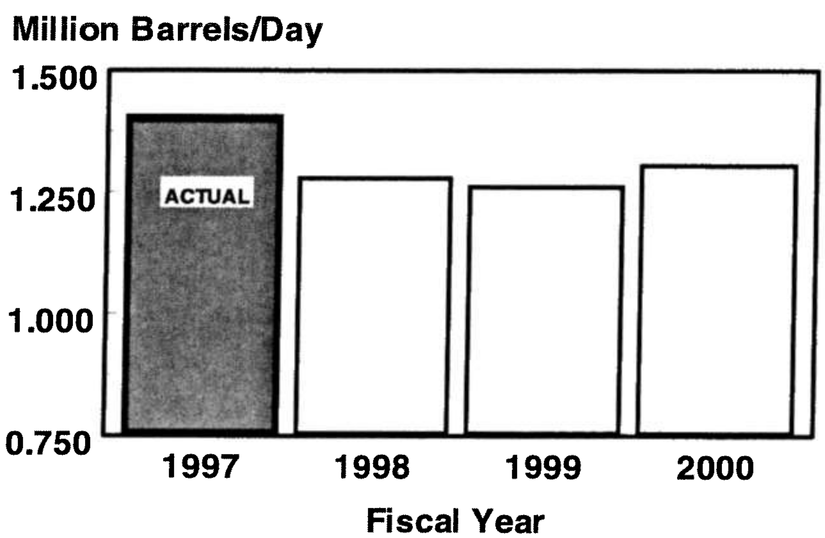


Figure 4. SPRING 1998 REFERENCE CASE ANS PRODUCTION
Actual (FY 1997) and Projected (FY 1998-2000)



REVENUE FORECAST

SPRING 1998 FORECAST, FY 1997-2000

The pages that follow summarize the state revenue forecast by source.

The Department of Revenue has historically forecast an amount of General Fund unrestricted revenue that includes all the unrestricted revenue items in the state accounting system (AKSAS), together with certain program receipts that are accounted for as restricted revenue in AKSAS. We include all program receipts in our projections (except statutorily designated program receipts, Alaska Public Utilities Commission and test fisheries program receipts) of the General Fund unrestricted revenue because these revenues are not restricted to any particular use.

Both the Governor's Office of Management and Budget and the Alaska State Legislature make a series of adjustments to the Department of Revenue's forecast of General Fund unrestricted revenue to derive a forecast of net disposable General Fund unrestricted revenue. Reductions include: (1) earmarking revenue for specific programs like the Marine Highway System; (2) pass-through revenue for qualified regional aquaculture associations; and (3) revenue shared with qualified local governments and organizations (e.g. fisheries taxes). Additions include: (1) transfer payments from state-owned entities like the Alaska Housing Finance Corporation and the Alaska Industrial Development and Export Authority; and (2) settlements of legal disputes that are not subject to deposit into the Constitutional Budget Reserve Fund (CBRF).

Table 4 reflects the derivation of net disposable General Fund unrestricted revenue. The total revenue reflected in this table is the amount generally used for budget planning purposes. Net disposable General Fund unrestricted revenue does not include settlements from disputes over mineral taxes and royalties, or funds in the CBRF.

Table 5 reflects revenue sources that are annually appropriated under the Executive Budget Act. Much of the revenue is restricted to specific use or may be appropriated only in certain circumstances (e.g. the CBRF).

Table 6 summarizes forecast revenue and fund balances for the Constitutional Budget Reserve Fund and the Alaska Permanent Fund.

Figure 5 illustrates the biggest change in state revenues in the 30 years since the Prudhoe Bay lease sale: The state's total investment earnings exceed general fund revenues from oil and gas taxes and royalties. Alaska's economic future is strengthened by its savings, which in FY 1998 will provide a projected 42 percent of revenues recognized by the Executive Budget Act.

Table 3. **GENERAL FUND UNRESTRICTED REVENUE**

$ Million

This table presents the General Fund unrestricted revenue forecast that conforms to the account structure of the state accounting system (AKSAS). All General Fund program receipts (reflected in AKSAS) are included.

	ACTUAL FY 1997	FY 1998	FY 1999	FY 2000
TAXES				
Property Tax - Oil and Gas (1)	53.6	51.2	49.1	46.9
Sales/Use Tax				
Alcoholic Beverage	11.6	11.7	11.7	11.7
Tobacco Products	13.7	14.7	15.2	15.2
Insurance Premium (2)	28.4	33.6	28.9	29.2
Electric and Telephone Cooperative (3)	2.7	2.4	2.4	2.4
Motor Fuel Tax-Aviation (4)	8.1	5.6	5.6	5.6
Motor Fuel Tax-Highway	19.9	23.3	23.3	23.3
Motor Fuel Tax-Marine	7.3	6.8	6.8	6.8
Total	91.7	98.1	93.9	94.2
Income Tax				
Corporation General	48.4	47.0	47.0	47.0
Corporation Petroleum	269.4	185.0	170.0	170.0
Total	317.8	232.0	217.0	217.0
Severance Tax				
Oil and Gas Production	907.0	594.6	516.1	534.3
Oil and Gas Conservation	1.7	1.6	1.6	1.6
Oil and Gas Hazardous Release	12.9	11.7	11.7	12.1
Total	921.6	607.9	529.4	548.1
Other Natural Resource Tax				
Salmon and Seafood Marketing (5)	6.6	5.6	3.0	3.0
Salmon Enhancement (6)	4.2	4.0	4.1	4.1
Fisheries Business (7)	31.0	25.0	28.4	25.8
Fishery Resource Landing (8)	8.3	5.0	6.0	6.0
Mining	0.4	0.8	1.0	1.5
Total	50.5	40.4	42.5	40.4
Other Tax				
Estate	1.7	2.0	2.0	2.0
Charitable Gaming	1.9	1.9	1.9	1.9
Total	3.6	3.9	3.9	3.9
TOTAL TAXES	**1438.8**	**1033.5**	**935.8**	**950.5**

(1) Amounts represent the state's share of the total oil and gas property taxes collected. Estimated total property taxes and the municipalities' share are as follows ($ Million): FY 1998, $284.7 and $233.5; FY 1999, $271.8 and $222.7; and FY 2000, $260.3 and $213.4. Note that these tax revenues are not reflected as shared taxes in Table 4 because the state never receives the municipal portion of this tax.
(2) In spring FY 1998, the insurance premium changed (from annual payments) to quarterly payments. Consequently, the FY 1998 revenue amount includes the projected first quarterly payment.
(3) 100 percent of the tax is subject to sharing with qualified municipalities (AS 10.25.570). See Table 4.
(4) 60 percent of taxes attributable to aviation fuel sales at municipally owned or operated airports are subject to sharing with qualified municipalities (AS 43.40.010). See Table 4.
(5) Provides annual funding for the Alaska Seafood Marketing Institute (AS 16.51.120 and AS 43.76.120). The salmon marketing tax sunsets on June 30, 1998. Does not include $1 million tranferred from the Fishery Resource Landing Tax to the Alaska Seafood Marketing Institute in FY 1997.
(6) Provides annual funding for qualified regional aquaculture associations (AS 43.76.025). See Table 4.
(7) Fifty percent is subject to sharing with qualified municipalities (AS 43.75.130). See Table 4.
(8) Fifty percent is subject to sharing with qualified municipalities (AS 43.77.060). See Table 4.

	ACTUAL FY 1997	FY 1998	FY 1999	FY 2000
LICENSES AND PERMITS				
Motor Vehicle	35.6	36.0	29.4	29.7
Other (9)	33.4	34.0	34.0	34.0
TOTAL LICENSES AND PERMITS	**69.0**	**70.0**	**63.4**	**63.7**
INTERGOVERNMENTAL RECEIPTS	**2.0**	**1.5**	**1.5**	**1.5**
CHARGES FOR SERVICES				
Marine Highways (10)	38.6	37.0	38.2	38.2
Airports/Other (11)	39.5	35.0	35.0	35.0
TOTAL CHARGES FOR SERVICES	**78.1**	**72.0**	**73.2**	**73.2**
FINES AND FORFEITURES (12)	**8.2**	**37.1**	**10.0**	**10.0**
RENTS AND RESOURCES				
Mineral Bonuses and Rents (13)(14)	6.4	15.4	3.0	3.0
Oil and Gas Royalties (13)	759.2	526.5	475.4	531.0
Timber Sales	1.9	1.8	1.8	1.7
Coal Rents and Royalties (13)	1.0	1.2	1.2	2.2
Other Resource Revenue	8.6	8.0	8.1	8.2
TOTAL RENTS AND ROYALTIES	**777.1**	**552.9**	**489.5**	**546.1**
INVESTMENT EARNINGS (15)	**77.1**	**63.0**	**51.0**	**51.0**
OTHER MISCELLANEOUS (16)	**44.6**	**35.0**	**35.0**	**35.0**
TOTAL GENERAL FUND UNRESTRICTED REVENUE (17)	**2494.9**	**1865.0**	**1659.5**	**1731.0**

(9) Includes amounts from professional and occupational, hunting and fishing, alcoholic beverage and other miscelleous licenses and permits. Amounts from liquor licenses (AS 04.11.610) and coin-operated devices (AS 43.35.050) are shared to qualified municipalities. See Table 4.

(10) The gross revenue of the state ferry system is deposited in the Alaska Marine Highway Fund (AS 19.65.06) and may then be appropriated for system operating and capital expenditures.

(11) Includes miscellaneous receipts for services, park fees and land-disposal fees. Projections do not include health insurance premiums, statutorily designated program receipts, Alaska Public Utilities Commission or test fisheries receipts.

(12) Includes $25 million and $1.5 million from one-time payments in FY 1998 per agreements between TAPS owners and the state.

(13) Net of Permanent Fund and Public School Fund contributions.

(14) The first North Slope areawide lease sale is scheduled for June 1998. Other future sales include a North Slope areawide sale in February 1999, a Cook Inlet areawide sale in May 1999, and a Beaufort Sea areawide sale, which will include offshore ANWR acreage, in October 1999. Fifty percent of the bonuses are deposited into the Permanent Fund.

(15) Earnings include investment income from the General Fund and funds within the General Fund group. Additionally, includes interest income from state loans and royalty and severance taxes. Projections do not include revenue from the Four Dam Pool.

(16) Projections do not include statutorily designated program receipts, Alaska Public Utilities Commission or test fisheries program receipts.

(17) This includes all revenue that is collected by the state and is not restricted in its use. Federal and other grants are restricted revenue and are excluded.

Table 4. **NET DISPOSABLE GENERAL FUND UNRESTRICTED REVENUE**

$ Million

Each year the Governor's Office of Management and Budget and the Legislature must make adjustments to our forecast of General Fund unrestricted revenue to derive net disposable General Fund unrestricted revenue. First, the amount of the tax and license revenues collected by the state that are passed through to municipalities must be deducted. Second, certain pass-through and earmarked General Fund revenue items that the Legislature treats as restricted must also be deducted. Third, certain miscellaneous other revenue must be added.

	ACTUAL FY 1997	FY 1998	FY 1999	FY 2000
UNRESTRICTED TO RESTRICTED				
Taxes Shared With Municipal Government (1)				
Electric and Telephone Cooperative	(2.6)	(2.4)	(2.4)	(2.4)
Fuel Tax-Aviation	(0.1)	(0.1)	(0.1)	(0.1)
Fisheries Business	(15.4)	(12.5)	(14.2)	(12.9)
Fishery Resource Landing	(3.1)	(2.5)	(3.0)	(3.0)
Liquor Licenses and Coin-Operated Devices	(1.0)	(0.9)	(0.9)	(0.9)
Total	(22.2)	(18.4)	(20.6)	(19.3)
Pass-Throughs (2)				
Salmon Enhancement	(4.2)	(4.0)	(4.1)	(4.1)
Earmarked (3)				
Marine Highways	(38.6)	(37.0)	(38.2)	(38.2)
TOTAL UNRESTRICTED TO RESTRICTED	**(65.0)**	**(59.4)**	**(62.9)**	**(61.6)**
RESTRICTED TO UNRESTRICTED				
Unclaimed Property Payments	1.3	1.5	1.5	1.5
Deposit Excess Loan Funds	2.8	1.0	0.8	0.8
Trans-Alaska Liability Pipeline Fund (4)	0.0	0.0	15.8	0.0
AHFC Dividend Payment	50.0	50.0	50.0	50.0
AHFC Bond Insurance Fund Closeout (5)	0.0	20.0	0.0	0.0
AIDEA Payment (6)	15.0	16.0	0.0	0.0
TOTAL RESTRICTED TO UNRESTRICTED	**69.1**	**88.5**	**68.1**	**52.3**
NET ADJUSTMENTS TO GENERAL FUND UNRESTRICTED REVENUE	**4.1**	**29.1**	**5.2**	**(9.3)**
UNRESTRICTED GENERAL FUND AS REFLECTED IN TABLE 3	**2494.9**	**1865.0**	**1659.5**	**1731.0**
NET DISPOSABLE GENERAL FUND UNRESTRICTED REVENUE	**2499.0**	**1894.1**	**1664.7**	**1721.7**

(1) These taxes and fees are collected by the state and some or all of the taxes or fees are paid to municipalities.
(2) This tax is collected by the state but has always been appropriated to provide funding for qualified regional aquaculture associations.
(3) These charges for services are unrestricted General Fund revenue, but for budget planning are treated as restricted revenue.
(4) Estimated year of payment.
(5) An additional $7.6 million is included under corporation receipts in Table 5 for FY 1998 (for a total AHFC Insurance Fund Closeout payment of $27.6 million).
(6) The projected AIDEA dividends of $16.8 million in FY 1999 and $16 million in FY 2000 are assumed to be restricted corporation receipts.

Table 5. **TOTAL REVENUE RECOGNIZED BY THE EXECUTIVE BUDGET ACT**

$ Million

Many restricted and non-General Fund revenue sources are annually appropriated under the Executive Budget Act. Much of this revenue is restricted for specific uses (e.g. most federal funds) or may only be appropriated under certain conditions (e.g. the Constitutional Budget Reserve Fund). Permanent Fund net income may be legally appropriated in the same manner as unrestricted revenue, but the established practice has been to treat Permanent Fund net income as if it were restricted. Other revenue sources are either constitutionally dedicated or automatically deposited into a specific account, such as undistributed Permanent Fund net income.

The table below shows all of the state's revenue sources except for pension fund earnings, municipal bond proceeds, inter-fund transfers where the state has received no new net revenue and earnings from the Alaska Railroad.

RESTRICTED GENERAL FUND AND OTHER REVENUE SOURCES

	ACTUAL FY 1997	FY 1998	FY1999
Appropriated			
Federal Funds	1029.3	1174.2	1368.6
Mental Health Trust Authority (MHTA)	7.6	8.5	8.5
Corporation Receipts Subject to Executive Budget Act (1)	106.1	110.6	120.7
Other Sources Net of Duplication (2)	336.7	327.6	411.8
Permanent Fund Dividends and Inflation Proofing	1233.0	1270.0	1385.0
Appropriated Total	2712.7	2890.9	3294.6
Non-Appropriated or Appropriated Under Special Conditions			
Dedicated Funds (3)	354.5	239.8	285.4
Constitutional Budget Reserve Fund (CBRF) Earnings and Estimated Settlements (4)	732.0	608.5	328.1
Permanent Fund Undistributed Net Income (5)	824.0	973.0	(54.0)
Non-Appropriated Total	1910.5	1821.3	559.5
TOTAL RESTRICTED AND OTHER FUNDS	**4623.2**	**4712.2**	**3854.1**
NET DISPOSABLE GENERAL FUND UNRESTRICTED REVENUE	**2499.0**	**1894.1**	**1664.7**
TOTAL REVENUE FROM ALL FUND SOURCES	**7122.2**	**6606.3**	**5518.8**

(1) All quasi-independent corporations are subject to the Executive Budget Act except the Alaska Railroad Corporation.
(2) Includes University of Alaska receipts, international airport and marine highway receipts and retirement fund distributions. FY 1998 and FY 1999 include statutorily designated program receipts, Alaska Public Utilities Commission and test fisheries receipts.
(3) Funds include: the School Fund, Public School Trust Fund, Fish and Game Fund, Fisherman's Sick and Disabled Fund, Second Injury Fund, University of Alaska Trust Fund, FICA Administration Fund and Permanent Fund dedication.
(4) Constitutional Budget Reserve Fund (CBRF) revenue projections include $273 million in estimated petroleum tax and royalty settlements for FY 1998 and $120 million for FY 1999.
(5) Source: Alaska Permanent Fund Corporation's February 28, 1998 projection.

TOTAL REVENUE RECOGNIZED BY THE EXECUTIVE BUDGET ACT

Traditionally, state revenue has been primarily stated in General Fund terms since these are the funds the legislature exercises complete discretion over. The total revenue picture includes other sources such as federal funds and dedicated revenues. The figure below shows a total fund perspective of the proportion of state revenue derived from all sources.

In total funds terms, investment earnings (42 percent) are the largest source of state revenue. Investment earnings include Permanent Fund net income, CBRF earnings and General Fund interest. The various petroleum revenues (25 percent) and federal revenue (19 percent) make up the bulk of the remainder.

Figure 5. **FY 1998 TOTAL REVENUE RECOGNIZED BY THE EXECUTIVE BUDGET ACT**
All Revenue Sources

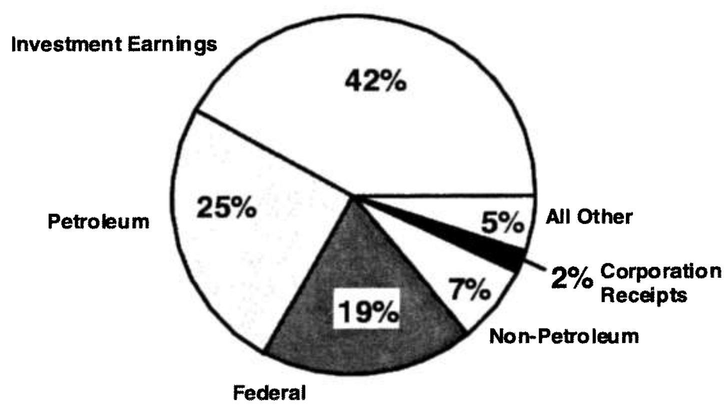


Table 6. CONSTITUTIONAL BUDGET RESERVE FUND AND ALASKA PERMANENT FUND

$ Million

The spring 1998 revenue forecast for the Constitutional Budget Reserve Fund and the Alaska Permanent Fund are summarized below.

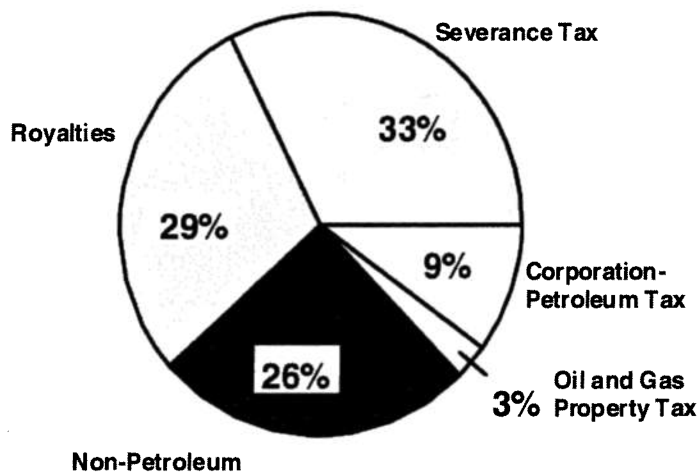
	ACTUAL FY 1997	FY 1998	FY 1999
CONSTITUTIONAL BUDGET RESERVE FUND SUMMARY			
Beginning Balance (1)	2518.0	3171.7	3364.8
Earnings (2)	165.4	335.5	208.2
Petroleum Tax and Royalty Settlements (3)	566.6	273.0	120.0
Other Appropriations and Deposits (4)	(5.4)	3.2	3.2
General Fund Surplus/Deficit (appropriated to fill gap) (5)	70.1	(418.6)	(745.6)
Ending Balance (6)	3171.7	3364.8	2950.6
ALASKA PERMANENT FUND SUMMARY (7)			
Principal			
Beginning Balance (Cost Basis)	16176.0	17795.0	18448.0
Dedicated Petroleum Revenue	308.4	208.0	183.0
Inflation Proofing	485.7	422.0	522.0
Deposits to Principal (8)	825.0	23.0	21.0
End-of-Year Balance (Cost Basis)	17795.1	18448.0	19174.0
Earnings and Earnings Reserve Account			
ERA Beginning Balance	103.9	104.0	1077.0
Net Income (9)	2036.0	2243.0	1351.0
Dividend Payout	(747.0)	(848.0)	(883.0)
Inflation Proofing	(485.7)	(422.0)	(522.0)
Deposits to Principal (8)	(800.0)	0.0	0.0
Other Appropriations (10)	(3.0)	0.0	0.0
ERA End-of-Year Balance (Cost Basis)	104.2	1077.0	1023.0
Market Value			
Principal End-of-Year (Cost Basis)	17795.0	18448.0	19174.0
ERA End-of-Year Balance (Cost Basis)	104.0	1077.0	1023.0
End-of-Year Unrealized Earnings	3231.0	3307.0	3727.0
Dividends Payable and Other Funds (Science Technology/ Mental Health) (11)	0.0	1252.0	1286.0
End-of-Year Balance (Market Value)	21130.0	24084.0	25210.0

(1) The FY 1997 beginning balance is reconciled to the annual financial report. Subsequent years are estimates.
(2) Earnings rate for FY 1999 is assumed to be 6.08 percent per DOR-Treasury capital market assumptions and asset allocation.
(3) Settlement estimates are provided by the Department of Revenue and Department of Law.
(4) Net of annual Federal Minerals and Management Service payments and Department of Revenue and Department of Law appropriations.
(5) The FY 1997 surplus is appropriated to the General Fund in the FY 1998 budget. The FY 1999 deficit estimate is from the governor's budget plan.
(6) FY 1997 does not total due to CBRF sweep provisions (not shown).
(7) Source: Alaska Permanent Fund Corporation's February 28, 1998 projection.
(8) Deposits to principal include legislative appropriations from the Earnings Reserve Account (ERA) and royalty litigation settlement payments that cannot legally be used to pay Permanent Fund dividends. FY 1997 legislative appropriations from the ERA totaled $800 million.
(9) Rate of return assumed to be 10.17 percent for FY 1998 and 7.52 percent for FY 1999 per Callan's capital market assumptions.
(10) Includes escrow for Beaufort Sea litigation and Department of Law.
(11) FY 1998 values already include dividends payable and other funds.

PETROLEUM REVENUE OVERVIEW

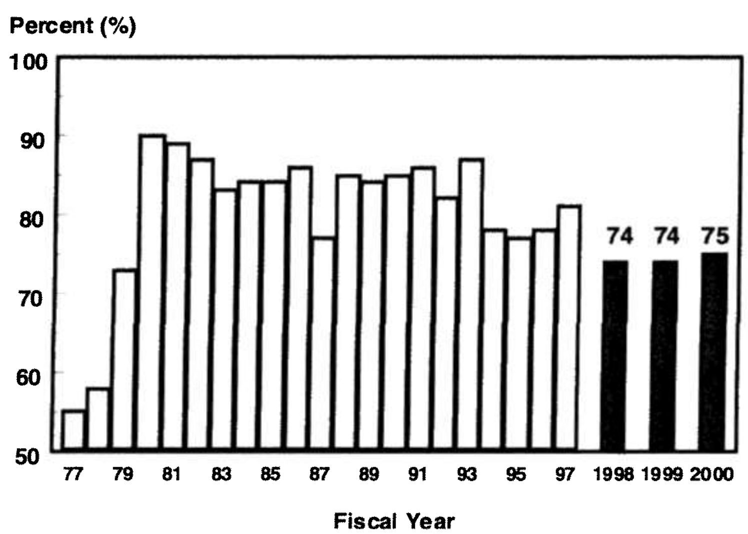
Petroleum revenue comes in the form of: (1) severance (or production) taxes; (2) oil and gas royalties on state and federal land; (3) petroleum corporation income tax; (4) petroleum property tax; and (5) petroleum rents and lease bonuses. The majority of the state's petroleum revenue comes from the Alaska North Slope, which generated 96 percent of total petroleum revenue in FY 1997. Figure 6 shows the break-out of FY 1998 projected petroleum and non-petroleum General Fund unrestricted revenue.

Figure 6. **FY 1998 GENERAL FUND UNRESTRICTED REVENUE**
Petroleum and Non-Petroleum Revenue



Petroleum revenue has provided over 75 percent of the state's General Fund unrestricted revenue since FY 1978, Prudhoe Bay's first full year of production. In FY 1997, petroleum revenue made up 81 percent of the total General Fund unrestricted revenue. We anticipate that petroleum revenue will continue to comprise the majority of Alaska's General Fund unrestricted revenue: 74 percent in FY 1998, 74 percent in FY 1999 and 75 percent in FY 2000.

Figure 7. **PERCENT OF GENERAL FUND UNRESTRICTED REVENUE DERIVED FROM PETROLEUM**



CURRENT MARKET SITUATION

On March 22, 1998, key OPEC producers Saudi Arabia and Venezuela and non-OPEC producer Mexico announced an agreement by nine OPEC and non-OPEC countries designed to reduce oil production by 1.15 million barrels per day. Subsequently, on March 30, 10 of OPEC's 11 members (exclusive of Iraq) agreed to reduce output by 1.245 million barrels per day, bringing the total OPEC and non-OPEC (Norway and Mexico) reduction commitments to 1.5 million barrels per day. These agreements were in response to crude oil prices that have traded recently at four-year lows as the result of a severe oil glut. So far, the market has responded positively but with some skepticism as prices have moved up roughly $1.50 to $2 per barrel. The market by most measures is still over-supplied and real questions exist about the willingness and extent to which the parties to the agreement will follow through and implement the production reductions.

The current oil glut is the result of an extremely warm winter particularly in January and February, a demand slowdown in Asia as a result of the currency crisis in several key countries, and increased production from OPEC and non-OPEC countries. The recent agreement between Iraq and the United Nations that allows inspectors access to the so-called presidential palaces more than doubles the amount of oil exports Iraq is allowed under the U.N.'s "oil for aid" program, from $2 billion worth every six months to $5.25 billion worth every six months.

We believe that OPEC and non-OPEC countries will make the necessary production adjustments to accommodate the likely increase in Iraqi output and that this will begin to move oil prices back up toward the $15 to $16 per barrel historical range for ANS quality oil.

Organization of Petroleum Exporting Countries (OPEC)

OPEC is currently estimated to be producing more than 28 million barrels per day of crude oil. This is .5 million barrels per day over the organization's 1997 quota of 27.5 million barrels per day. The biggest quota busters are Venezuela, which is producing .767 million barrels per day over quota; Qatar, which is producing .286 million barrels per day over quota; and Nigeria, which is producing .258 million barrels per day. Algeria, Indonesia, Iran, Libya, Saudi Arabia and the United Arab Emirates are producing less than quota. Higher oil prices in 1996 and 1997 encouraged both Saudi Arabia and Venezuela to significantly increase production. It appears both countries overestimated demand growth and non-OPEC supply growth, as well as discounting Iraq's return to the market. Clearly, any hope of relatively rapid oil-price recovery requires the kind of agreement to cut production recently announced by OPEC and non-OPEC countries.

Table 7.

OPEC PRODUCTION

Million Barrels /Day

Country	March 1998	November 1997 Quota	Over/(Under) Quota
Algeria	0.875	0.909	(0.034)
Indonesia	1.410	1.456	(0.046)
Iran	3.650	3.942	(0.292)
Iraq	1.600	1.314	0.286
Kuwait (1)	2.200	2.190	0.010
Libya	1.440	1.522	(0.082)
Nigeria	2.300	2.042	0.258
Qatar	0.700	0.414	0.286
Saudi Arabia (1)	8.740	8.761	(0.021)
UAE	2.320	2.366	(0.046)
Venezuela	3.350	2.583	0.767
TOTAL	28.585	27.499	1.086

(1) Share output in Neutral Zone.
Source: Platt's Oilgram Price Report, March 13, 1998.

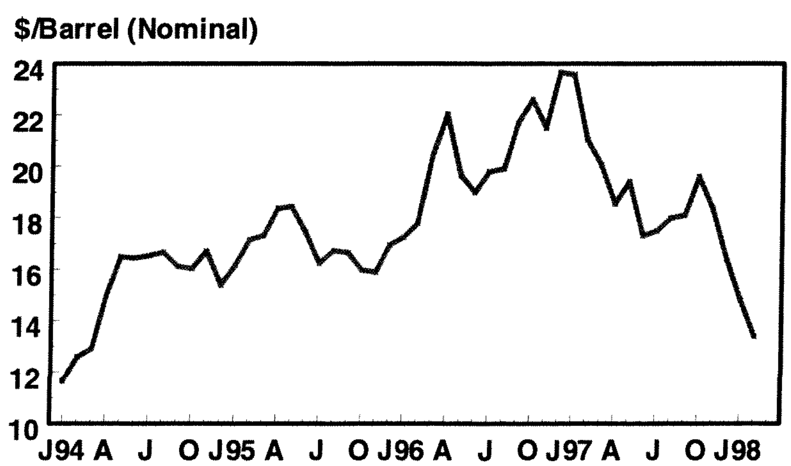
<u>Alaska North Slope</u>

FY 1997 ANS West Coast spot oil prices averaged $20.85 per barrel. Prices began to fall dramatically last February, from a January average of $23.57 per barrel to a June average of $17.28 per barrel. The price decline continued into FY 1998 and began to accelerate in December and January due to a combination of warm weather and soft demand in key Asian markets. February and March prices declined further as a result of continued warm winter weather in the U.S. and Europe and the resulting inventory build-up as producers continued to flood the market. Furthermore, the United Nations agreement with Iraq to allow much greater exports from that country lent an even more bearish cast to oil markets.

Our reference case forecast assumes that ANS oil prices have bottomed out in March, averaging $12.29 per barrel, and will begin moving up modestly in April and May as the market responds to the recently announced production cuts. The result is we assume FY 1998 ANS market price will average $16.30 per barrel for the year. In our reference case scenario we expect ANS market price to average $15.32 per barrel in FY 1999 and $16.55 per barrel in FY 2000.

The ANS export market continues to be a viable alternative, with exports averaging over 70,000 barrels per day. This market has turned out to be seasonal, with sales peaking in the winter heating months and declining in the summer. This meshes well with the U.S. West Coast consumption pattern, where the summer driving season is the high demand time of the year. This forecast assumes that exports will average between 50,000 and 80,000 barrels per day over the next three years. We assume that the export price will average roughly $.75 per barrel less than the ANS West Coast spot price. Diverting sales from U.S. Gulf Coast markets to the closer Asian market will continue to enhance the netback value of ANS production. We estimate that the ability to export will mean an additional $10 million per year to the state treasury in transportation cost savings alone. Economic analysis suggests that the export ban may also be worth an additional $40 million annually in terms of higher West Coast prices.

Figure 8. **HISTORICAL ANS SPOT PRICES**



METHODOLOGY

ANS OIL PRICE AND PRODUCTION FORECAST ASSUMPTIONS

The Department of Revenue uses a variety of models and techniques to prepare the revenue forecast. The main petroleum forecasting model is a marketing and production model that projects severance taxes and royalties on a field-by-field basis.

Key assumptions for our spring 1998 forecast are represented in Table 8 on Page 22. Inflation rates were developed by the Department of Revenue, Department of Labor and Office of Management and Budget. Production assumptions were developed by the Department of Revenue from information provided by the producing companies, the Alaska Department of Natural Resources and the Alaska Oil and Gas Conservation Commission. Trans-Alaska Pipeline System (TAPS) tariffs are the result of the application of the TAPS-Settlement Methodology (TSM) and are based on the most recent TAPS filings. Oil price assumptions were developed by the Department of Revenue with the assistance of state economists and investment professionals from the Department of Natural Resources, Department of Labor, Office of Management and Budget and the University of Alaska.

To assist in examining other possible price and production outcomes not included in this forecast, we have developed a revenue matrix to provide estimates for state General Fund unrestricted revenue for various alternative ANS price and production levels in FY 1998-2000. These sensitivity matrices are provided on Page 31.

Market Price

The Department of Revenue relies on spot oil prices as reported in *Platt's Oilgram Price Report*. Currently, prices reported by the North Slope producers for severance tax and royalty purposes closely track spot oil prices. Actual royalties are paid based on a value that is determined by a market basket of crude oil prices that includes the ANS spot price.

Our spring 1998 reference case projections for ANS market prices (the average of sales prices to the U.S. West Coast, U.S. Gulf Coast and Asian market destinations) are listed in Table 8 on Page 22.

Transportation Costs

Marine transportation costs to ship ANS production to markets are expected to increase over time due to the phase-in of new tanker hull requirements under the federal Oil Pollution Act of 1990. We expect an $.04/ barrel increase in tanker costs in FY 1999 and a $.21 per barrel increase in FY 2000 as a result of this required new capital investment. At the same time, we expect that ANS shipments over time will increasingly move to strictly West Coast destinations, which will eliminate the higher-cost shipping requirements for export and U.S. Gulf Coast markets.

Trans-Alaska Pipeline System (TAPS) Tariffs

The TAPS tariff is determined according to the TAPS Settlement Methodology, a rate-making method approved by the Federal Energy Regulatory Commission that allows the TAPS owners to recover their costs, including an allowance for profit.

TAPS tariffs are filed on a calendar year basis with new tariffs taking effect January 1 each year. The average tariff filing for all the owner companies for calendar year 1998 is $2.78 per barrel. Table 8 below contains projected tariffs for FY 1999-2002.

Feeder Pipeline Costs

Table 8 also contains projected pipeline costs. Certain additional transportation costs are also incurred to move the various crude oils that comprise ANS to the trans-Alaska pipeline system. These include both feeder pipeline charges and other cost adjustments to account for the different qualities of oil entering the pipeline.

Wellhead Price

The combination of ANS wellhead value and production by field is the basis for both state severance taxes and royalties. The wellhead value by field is calculated by subtracting the relevant pipeline tariff and marine transportation costs (as well as adjustments for North Slope feeder pipelines and pipeline quality bank) from the sales price.

Table 8. **SPRING 1998 FORECAST ASSUMPTIONS (1)**

FY	Inflation Rate Percent	ANS Market Price $/Barrel		Marine Transportation $/Barrel		TAPS Tariff $/Barrel	Feeder Pipeline $/Barrel	ANS Wellhead $/Barrel	
		Reference Case	Low Price	Reference Case	Low Price			Reference Case	Low Price
Actual 1997	2.8	20.85	20.85	1.64	1.64	2.76	0.03	16.43	16.43
1998	2.8	16.30	15.78	1.50	1.49	2.69	0.09	12.06	11.55
1999	2.8	15.32	13.45	1.46	1.45	2.70	0.11	11.02	9.16
2000	2.8	16.55	14.34	1.67	1.66	2.55	0.15	12.15	9.95
2001	2.8	16.71	14.45	1.72	1.71	2.54	0.21	12.20	9.95
2002	2.8	16.81	14.53	1.74	1.72	2.56	0.26	12.20	9.94

(1) Inflation rates, TAPS tariffs and feeder pipeline costs are the same for the reference case and low price scenario.

Production

The production assumptions for Alaska's North Slope were developed on a field-by-field basis. Long-term production assumptions are made for all discoveries currently under development or being evaluated for future development. The production forecast is based on company-assessed proven and probable reserves, development plans where available, and assessments by technical personnel at the Department of Revenue, Department of Natural Resources and the Alaska Oil and Gas Conservation Commission with respect to enhanced recovery opportunities.

This forecast includes detailed projections for oil discoveries announced by the industry during the past year. These discoveries represent nearly one-fourth of the total ANS production projected by FY 2002. The new fields include Alpine, Badami, Northstar, Tarn, Liberty, West Sak, Sourdough and the various satellite discoveries at or near Prudhoe Bay and Kuparuk.

FY 1998 production has been revised downward to account for warmer than expected temperatures on the North Slope and unplanned maintenance. Warmer temperatures have a very significant effect on gas handling capability at the Prudhoe Bay field, Endicott field and all the fields producing in the Greater Point McIntyre Area. We have also revised downward our production assumptions for FY 1999 and FY 2000 based on the assumption that more of the same weather will affect production and that the startup of Alpine will be delayed by six months and Northstar by a year. We expect that ANS production will increase to 1.303 million barrels per day in FY 2000 and peak at 1.352 barrels per day by FY 2002 before decline sets in again.

We have assumed that the Economic Limit Factor (ELF) will continue to decrease, as our large oil fields are depleted (see Figure 2 on Page 11). The average oil production tax rate is forecast to fall from 11.8 percent in FY 1998 to 10.3 percent by FY 2000 and to 8.5 percent by FY 2002.

Figure 9. **ANS OIL AND NGL PRODUCTION**

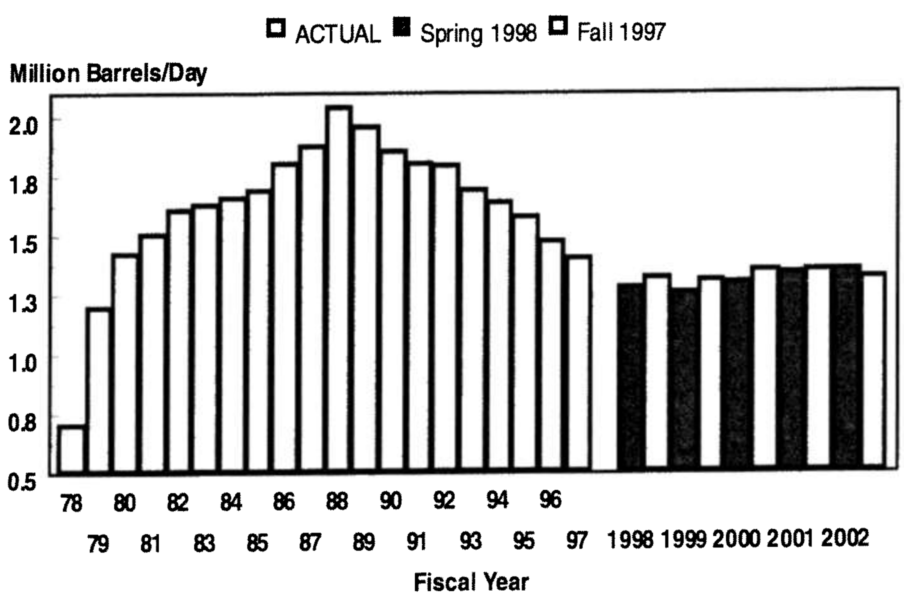


Table 9.

ALASKA OIL AND NGL PRODUCTION

Million Barrels/Day

		ACTUAL FY 1997	FY 1998	FY 1999	FY 2000
Alaska North Slope					
Oil	Prudhoe Bay	0.7412	0.6543	0.6100	0.5788
	Kuparuk	0.2667	0.2610	0.2600	0.2515
	Milne Point	0.0471	0.0489	0.0570	0.0598
	Endicott/ Sag Delta	0.0647	0.0556	0.0545	0.0462
	Lisburne	0.0110	0.0077	0.0104	0.0110
	Alpine	0.0000	0.0000	0.0000	0.0500
	North Star	0.0000	0.0000	0.0000	0.0000
	Niakuks (1)	0.0281	0.0287	0.0275	0.0248
	West Sak	0.0000	0.0008	0.0068	0.0181
	Point McIntyre	0.1630	0.1500	0.1191	0.0953
	Satellites (2)	0.0000	0.0001	0.0144	0.0360
	Tarn	0.0000	0.0000	0.0078	0.0150
	Schrader Bluff	0.0039	0.0041	0.0048	0.0075
	West Beach	0.0016	0.0009	0.0040	0.0040
	Badami	0.0000	0.0000	0.0185	0.0350
	Known Onshore	0.0000	0.0000	0.0000	0.0000
	Liberty	0.0000	0.0000	0.0000	0.0000
	Sag River	0.0013	0.0007	0.0007	0.0009
	Total ANS Oil	**1.3286**	**1.2127**	**1.1954**	**1.2338**
NGLs	Prudhoe Bay	0.0679	0.0585	0.0585	0.0605
	Endicott/Sag Delta	0.0032	0.0041	0.0039	0.0038
	Lisburne	0.0016	0.0009	0.0012	0.0013
	Niakuks (1)	0.0003	0.0004	0.0004	0.0005
	Point McIntyre	0.0025	0.0028	0.0028	0.0028
	West Beach	0.0001	0.0000	0.0001	0.0001
	Total ANS NGLs	**0.0756**	**0.0667**	**0.0669**	**0.0689**
Liquids	Prudhoe Bay	0.8091	0.7128	0.6685	0.6393
	Kuparuk	0.2667	0.2610	0.2600	0.2515
	Milne Point	0.0471	0.0489	0.0570	0.0598
	Endicott/ Sag Delta	0.0679	0.0597	0.0584	0.0500
	Lisburne	0.0126	0.0086	0.0116	0.0123
	Alpine	0.0000	0.0000	0.0000	0.0500
	North Star	0.0000	0.0000	0.0000	0.0000
	Niakuks (1)	0.0284	0.0291	0.0279	0.0252
	West Sak	0.0000	0.0008	0.0068	0.0181
	Point McIntyre	0.1655	0.1528	0.1219	0.0981
	Satellites (2)	0.0000	0.0001	0.0144	0.0360
	Tarn	0.0000	0.0000	0.0078	0.0150
	Schrader Bluff	0.0039	0.0041	0.0048	0.0075
	West Beach	0.0017	0.0009	0.0041	0.0041
	Badami	0.0000	0.0000	0.0185	0.0350
	Known Onshore	0.0000	0.0000	0.0000	0.0000
	Liberty	0.0000	0.0000	0.0000	0.0000
	Sag River	0.0013	0.0007	0.0007	0.0009
Alaska North Slope		**1.4042**	**1.2794**	**1.2623**	**1.3027**
Cook Inlet		**0.0369**	**0.0325**	**0.0310**	**0.0296**
TOTAL ALASKA		**1.4411**	**1.3119**	**1.2933**	**1.3323**

(1) Includes Niakuk, West Niakuk (27), Niakuk 28 and Niakuk 29.

(2) Includes Prudhoe Bay, Kuparuk and Colville River Unit Satellites.

OTHER PETROLEUM AND NON-PETROLEUM REVENUE FORECAST ASSUMPTIONS

The non-petroleum revenues are projected based on trend extrapolation, econometric analysis and assessment by state economists and resource and financial managers.

Petroleum Corporation Income Tax

The $84.4 million decrease from FY 1997 ($269.4 million) to FY 1998 ($185.0 million) and further decrease to $170 million in FY 1999 and FY 2000 are a result of current and projected below-average crude oil prices. However, the projected $170 million in oil corporate income tax revenues is still $20 million above the ten-year average (FY 1988-1997). The reason why our oil income tax revenue projections are higher than the 10-year average is because oil corporations have successfully reduced their operation costs per barrel of oil produced. Thus, they are not as vulnerable to oil price shocks. Alaska petroleum income tax revenue is a function of two factors: (1) the size of the oil and gas corporations' Alaska-vs.-worldwide petroleum activity and (2) their total net worldwide earnings.

General Corporation Income Tax

The $1.4 million decrease from FY 1997 ($48.4 million) to FY 1998 ($47 million) still leaves the estimated tax revenue $5.4 million higher than the 10-year average (FY 1988-1997) of $41.6 million. General corporation income tax revenues do not necessarily grow at the same pace as the Alaska economy. For example, the service sector is larger than the forestry and seafood sector in terms of gross state product and employment but smaller than the forestry and seafood sector in terms of revenue. Consequently, the downturn in the forestry and seafood sector has had a proportionally larger impact on revenues than it has had on income or employment. General corporation income taxes are a function of two factors: (1) the relative size of corporations' Alaska-vs.-U.S. activity and (2) their total U.S. net earnings.

Petroleum Property Tax

Oil and gas property tax is levied at 20 mills on the full and true value of taxable property. The amount of this tax will continue to decline as new investments in oil facilities fail to keep pace with the depreciation of existing facilities. The table below shows the distribution of the petroleum property tax between local communities and the state for FY 1997.

Table 10. **FY 1997 PETROLEUM PROPERTY TAX**

$ Million

Borough	Gross Tax	Local Tax	State Tax
North Slope	229.30	212.22	17.08
Unorganized	30.56	N/A	30.56
Valdez	13.85	13.79	0.06
Kenai	11.68	7.43	4.26
Fairbanks	6.00	4.66	1.34
Anchorage	0.89	0.84	0.06
Matanuska-Susitna	0.10	0.08	0.03
Cordova	0.06	0.04	0.02
Whittier	0.01	0.00	0.01
TOTAL	**292.47**	**239.06**	**53.41**

Total cashflow collections may not match final accounting in AKSAS.

Excise Tax

Alcohol and Tobacco

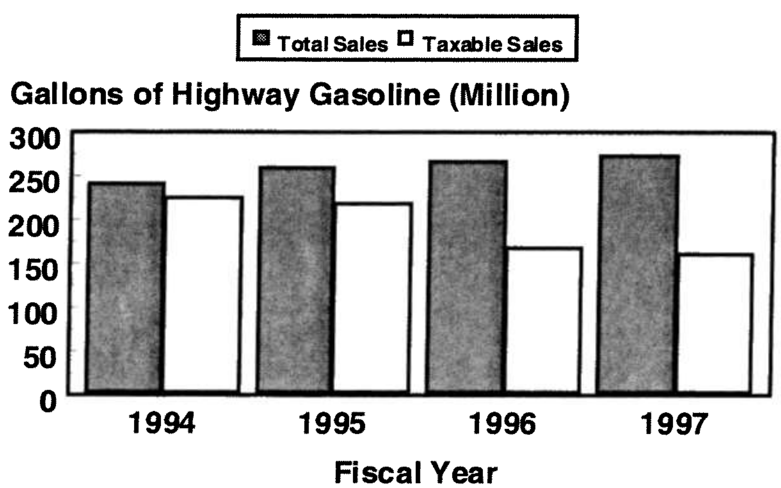
Alcohol tax collections were down slightly in FY 1997 due to a decrease in the number of gallons of liquor sold. This reduction in the amount of liquor sold mirrors national trends. Consequently, we think alcohol revenues will remain at the FY 1998 level through FY 2000.

On October 1, 1997, the cigarette tax rate increased from $.29 to $1 per pack (for 20 cigarettes) and the tax rate on other tobacco products (e.g. cigars and smokeless) increased from 25 percent to 75 percent of the wholesale price. The revenue from the $.71 cigarette tax rate increase goes to the School Fund and is included under restricted revenue (Table 5). The direct effect on the General Fund from the tax increase is small. The General Fund revenue collected from cigarettes will decline by $1.6 million in FY 1999 due to a decrease in the consumption of cigarettes. This decrease will occur as a result of the large price increase. Revenue from the other tobacco products tax rate increase goes into the General Fund and is estimated to be $2.6 million in FY 1999. We estimate that the net result will be a small increase in General Fund revenue from tobacco taxes.

Motor Fuel

In July 1997, the following three changes were made to the Alaska motor fuel statutes: (1) the gasohol exemption was repealed, (2) an exemption for marine bunker fuel was passed and (3) the foreign flight exemption was expanded. The gasohol exemption resulted in approximately 90 million gallons of fuel being exempt from tax in FY 1997 (see Figure 10 below). With the repeal of this exemption, all of this fuel will now be taxed. However, during the months when gasohol use is mandated in the Anchorage area (November-February), the tax will drop from $.08 per gallon to $.02 per gallon. The net result is a projected increase in highway motor fuel tax revenue of $3.4 million in FY 1998. However, aviation fuel and marine fuel revenue is projected to decrease by $3.0 million due to the expansion of the foreign flight exemption and the exemption for marine bunker fuel. The net gain in motor fuel tax revenue in FY 1998 is projected to be $.4 million.

Figure 10. **TOTAL GALLONS OF GASOLINE SOLD VS. TAXABLE GALLONS**



Fisheries Business Tax

The downward trend in fisheries business tax revenue ($31 million in FY 1997) is projected to continue through FY 1998 (see Table 11). The projected FY 1998 decrease is a result of low salmon prices and harvests. Additionally, herring prices dropped by over 70 percent in 1997. In FY 1999 we expect an increase of $3.4 million due to improved salmon and shellfish harvests. However, because tanner crab will be in the downward portion of its natural cycle in FY 2000, revenues will return to FY 1998 levels.

Table 11. **FISHERIES BUSINESS TAX**
$ Million

	FY 1997 ACTUAL		FY 1998 Projected		FY 1999-2000 Projected
	Value of Catch	Tax Revenue	Value of Catch	Tax Revenue	Change from FY 1998
Halibut	73	2.1	90	2.8	Catch Same/ Unit Value Same
Salmon	373	14.1	270	10.2	Catch Up/ Unit Value Up
Herring	60	2.3	16	0.7	Catch Same/ Unit Value Same
Shellfish	160	5.7	160	5.6	Catch Up and Down/ Unit Value Same
Groundfish	213	6.8	180	5.7	Catch Same/ Unit Value Same
TOTAL	**879**	**31.0**	**716**	**25.0**	

ECONOMIC FUNDAMENTALS AND KEY MARKET ASSUMPTIONS

The following key assumptions about the economic fundamentals underpinning the oil market are the foundation for the oil price forecast.

We assume that over the period 1998-2000 the global economic expansion in developed and developing countries will continue. We assume that Asia's financial crisis will be contained as a result of International Monetary Fund (IMF) intervention. Further, although Asian demand growth will slow a bit as a result of the crisis, this will be offset by continued vigorous economic growth in China and the continued recovery of the economy of the former Soviet Union (FSU). As a result, we assume global oil consumption will increase by 1.6 million barrels per day in both 1998 and 1999 and 2 million barrels per day in 2000.

Non-OPEC production over this period is also assumed to continue to increase, growing by 1.2 million barrels per day in both 1998 and 1999 and 1.3 million barrels per day in 2000 as a result of the continued applications of new producing and finding technologies.

This results in a market share for OPEC in 1998 of 26.9 million barrels per day, .6 million barrels per day below its current quota of 27.5 million barrels per day. The projected call on OPEC increases to 27.4 million barrels per day in 1999 and to 28 million barrels per day in 2000. The current low oil prices this spring reflect that OPEC is currently producing in excess of the implied demand for their crude oil.

Our specific key market assumptions are summarized below:

1. OECD (developed countries) oil consumption grows by .6 million barrels per day in 1998, .5 million barrels per day in 1999, and .6 million barrels per day in 2000. Non-OECD oil consumption grows by 1 million barrels per day in 1998, by 1.1 million barrels per day in 1999 and 1.4 million barrels per day in 2000. The assumed globalization of the world economy continues to spur growth.

2. Non-OPEC production grows by 1.2 million barrels per day in both 1998 and 1999 and by 1.3 million barrels per day in 2000.

3. The demand for OPEC black oil averages 26.9 million barrels per day in 1998, 27.4 million barrels per day in 1999 and 28 million barrels per day in 2000. 1997 OPEC oil production averaged 27.5 million barrels per day, with Iraq exporting for most of the year.

4. The key oil market uncertainties and our assessment of them for this forecast are threefold.

   - **The effect Asia's currency crisis on global economic growth and energy demand**. We assume the situation will stabilize and the world economic expansion will continue.

   - **The extent to which non-OPEC production increases in line with current projections**. We have not altered our assumptions in this regard from our fall projections. The International Energy Administration has recently reduced its projections to a level more consistent with our own projections.

   - **Whether or not OPEC takes steps to adjust its quotas to account for the reentry of Iraq into the export market at levels approaching its production rate prior to the 1990 Persian Gulf war**. Given the developing oil glut and the severely depressed prices, we assume OPEC will follow up on its initial production cutbacks agreed to on March 30.

Table 12.

SPRING 1998 FORECAST PROJECTIONS
REFERENCE CASE

FY	General Fund Unrestricted Revenue $ Million	ANS Market Price $/Barrel	ANS Production Million Barrels/ Day
Actual 1997	2,494.9	$20.85	1.404
1998	1,865.0	$16.30	1.279
1999	1,659.5	$15.32	1.262
2000	1,731.0	$16.55	1.303
2001	1,718.6	$16.71	1.343
2002	1,680.9	$16.81	1.352

LOW-PRICE SCENARIO

FY	General Fund Unrestricted Revenue $ Million	ANS Market Price $/Barrel	ANS Production Million Barrels/ Day
Actual 1997	2,494.9	$20.85	1.404
1998	1,821.5	$15.78	1.279
1999	1,495.1	$13.45	1.262
2000	1,542.1	$14.34	1.303
2001	1,551.3	$14.45	1.343
2002	1,521.1	$14.53	1.352

Table 13.

GLOBAL MARKET ASSUMPTIONS

Million Barrels/Day

	ACTUAL	Projected			CONSTRAINED DEMAND (Low Growth)		CONSTRAINED CAPACITY (High Growth)	
	1997	1998	1999	2000	2001	2002	2001	2002
DEMAND								
OECD								
North America	20.7	21.1	21.6	22.0	22.1	22.2	22.4	22.9
Europe	14.4	14.6	14.7	14.9	14.9	15.0	15.2	15.5
Pacific	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.9
Total OECD	**41.8**	**42.4**	**42.9**	**43.5**	**43.7**	**43.9**	**44.3**	**45.2**
Non-OECD								
Former Soviet Union	4.5	4.5	4.6	4.7	4.7	4.8	4.9	5.1
East Europe	1.3	1.4	1.4	1.5	1.5	1.5	1.5	1.6
China	4.0	4.3	4.6	5.0	5.1	5.3	5.2	5.4
Asia	9.0	9.2	9.4	9.9	10.2	10.5	10.4	10.9
Western Hemisphere	6.6	6.8	7.0	7.2	7.4	7.6	7.5	7.8
Middle East	4.2	4.3	4.4	4.5	4.5	4.6	4.6	4.7
Africa	2.3	2.4	2.5	2.6	2.7	2.8	2.7	2.8
Total Non-OECD	**31.8**	**32.8**	**33.9**	**35.3**	**36.2**	**37.1**	**36.8**	**38.3**
TOTAL DEMAND	**73.6**	**75.2**	**76.8**	**78.8**	**79.9**	**81.0**	**81.1**	**83.4**
SUPPLY								
Non-OPEC								
OECD	18.5	18.9	19.2	19.6	19.6	19.6	19.2	19.2
Former Soviet Union	7.2	7.3	7.3	7.5	7.6	7.6	7.7	8.1
Eastern Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.4	3.5	3.5	3.6	3.5	3.5
LDCs (1)	13.6	14.2	14.7	15.3	15.6	15.9	15.5	16.1
Processing Gain	1.6	1.7	1.8	1.9	1.9	2.0	1.9	2.0
Total NonOPEC	**44.3**	**45.5**	**46.7**	**48.0**	**48.5**	**49.0**	**48.1**	**49.2**
OPEC								
Oil	27.2	26.9	27.4	28.0	28.6	29.1	30.2	31.4
NGLs	2.8	2.8	2.8	2.8	2.9	2.9	2.9	2.9
Total OPEC	**30.0**	**29.7**	**30.2**	**30.9**	**31.4**	**32.0**	**33.0**	**34.2**
TOTAL SUPPLY	**74.3**	**75.2**	**76.8**	**78.8**	**79.9**	**81.0**	**81.1**	**83.4**

(1) Lesser Developed Countries (LDCs) include Asia (excluding China), Latin America, the Middle East and Africa.
Due to rounding to one decimal, columns may not exactly total.

Table 14.

GENERAL FUND UNRESTRICTED REVENUE
Sensitivity Matrices for Annual Price and Production
$ Million

FY 1998

ANS Market $/ Barrel	ANS Production Million Barrels/ Day 1.050	1.100	1.150	1.200	1.250	1.300	1.350
$10	1,640	1,650	1,660	1,670	1,680	1,690	1,700
$11	1,640	1,650	1,660	1,670	1,680	1,690	1,700
$12	1,640	1,650	1,660	1,670	1,680	1,690	1,700
$13	1,640	1,650	1,660	1,670	1,680	1,690	1,700
$14	1,650	1,660	1,670	1,690	1,700	1,710	1,730
$15	1,670	1,690	1,700	1,720	1,740	1,760	1,780
$16	1,710	1,730	1,760	1,790	1,820	1,850	1,880
$17	1,740	1,780	1,820	1,860	1,900	1,940	1,980
$18	1,780	1,830	1,880	1,930	1,980	2,030	2,080

FY 1999

ANS Market $/ Barrel	ANS Production Million Barrels/ Day 1.050	1.100	1.150	1.200	1.250	1.300	1.350
$10	1,110	1,130	1,150	1,170	1,190	1,210	1,230
$11	1,190	1,210	1,230	1,250	1,280	1,300	1,320
$12	1,260	1,280	1,310	1,340	1,360	1,390	1,420
$13	1,330	1,360	1,390	1,420	1,450	1,480	1,510
$14	1,400	1,440	1,470	1,500	1,540	1,570	1,600
$15	1,480	1,510	1,550	1,590	1,620	1,660	1,700
$16	1,550	1,590	1,630	1,670	1,710	1,750	1,790
$17	1,620	1,660	1,710	1,750	1,800	1,840	1,880
$18	1,690	1,740	1,790	1,830	1,880	1,930	1,980

FY 2000

ANS Market $/ Barrel	ANS Production Million Barrels/ Day 1.050	1.100	1.150	1.200	1.250	1.300	1.350
$10	1,080	1,100	1,120	1,140	1,160	1,170	1,190
$11	1,150	1,170	1,190	1,220	1,240	1,260	1,280
$12	1,220	1,250	1,270	1,290	1,320	1,340	1,370
$13	1,290	1,320	1,340	1,370	1,400	1,430	1,460
$14	1,360	1,390	1,420	1,450	1,480	1,510	1,540
$15	1,430	1,460	1,490	1,530	1,560	1,600	1,630
$16	1,490	1,530	1,570	1,610	1,640	1,680	1,720
$17	1,560	1,600	1,640	1,690	1,730	1,770	1,810
$18	1,630	1,680	1,720	1,760	1,810	1,850	1,900

Figure 11. GENERAL FUND UNRESTRICTED REVENUE, Nominal Dollars
Actual (FY 1982-1997) and Projected (FY 1998-2000)

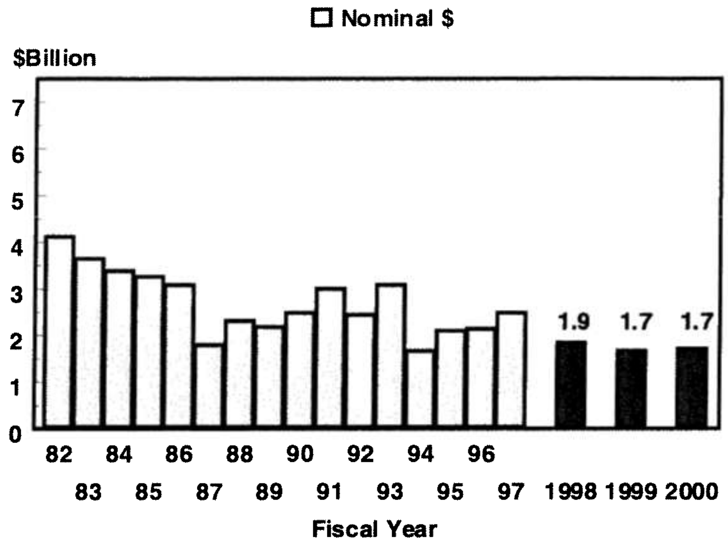


Figure 12. GENERAL FUND UNRESTRICTED REVENUE, Real 1998 Dollars
Actual (FY 1982-1997) and Projected (FY 1998-2000)

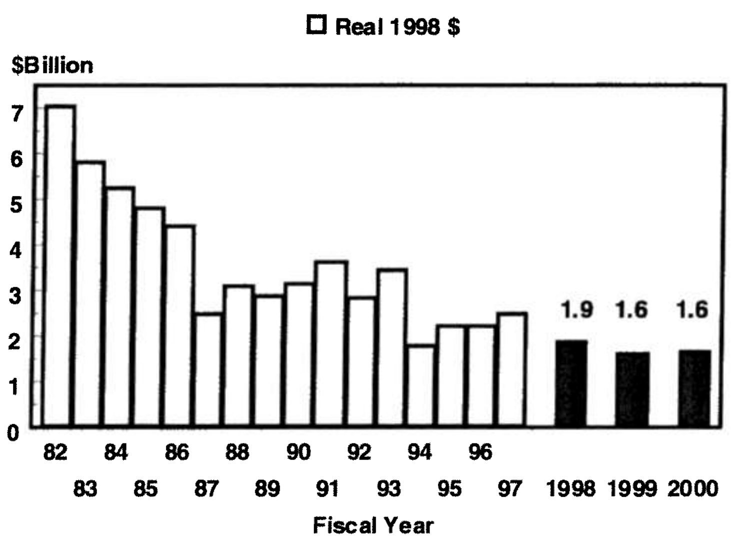


Table 15.

PETROLEUM PRODUCTION TAX AND ROYALTY REVENUE FORECAST

$ Million

	ACTUAL FY 1997	FY 1998	FY 1999	FY 2000
Alaska North Slope				
Oil Royalty (1)	713.4	489.1	436.1	489.7
Oil Production Tax	884.6	574.2	494.3	511.6
Conservation Tax	1.7	1.5	1.5	1.6
Hazardous Release Fund	12.6	11.4	11.4	11.8
Gas Royalty (1)	1.1	0.7	0.6	0.6
Gas Production Tax	4.1	2.0	1.3	1.4
Total	**1617.5**	**1079.0**	**945.3**	**1016.8**
Cook Inlet				
Oil Royalty (1)	22.3	13.8	12.1	12.8
Oil Production Tax	0.0	0.0	0.0	0.0
Conservation Tax	0.1	0.1	0.1	0.1
Hazardous Release Fund	0.3	0.3	0.3	0.3
Gas Royalty (1)	22.4	22.9	26.6	27.8
Gas Production Tax	18.2	18.4	20.5	21.3
Total	**63.3**	**55.4**	**59.5**	**62.3**
Alaska Total	**1680.8**	**1134.4**	**1004.9**	**1079.0**

(1) Net of Permanent Fund and Public School Fund contributions.

Table 16.

DETAILED REVENUE PROJECTIONS

$ Million

	ACTUAL FY 1997	FY 1998	FY 1999	FY 2000
Petroleum Revenue				
Production Tax	921.6	607.9	529.4	548.1
Property Tax	53.6	51.2	49.1	46.9
Petroleum Corporation Tax	269.4	185.0	170.0	170.0
Gross Royalties	1065.1	720.3	657.0	736.6
Total Petroleum	**2309.6**	**1564.4**	**1405.5**	**1501.6**
Non-Petroleum Revenue				
Mineral Bonuses and Rents	14.3	32.7	7.7	9.0
Non-Petroleum/ General Fund Interest	484.7	479.0	432.5	432.0
Total Non-Petroleum	**499.0**	**511.7**	**440.2**	**441.0**
Total Revenue	**2808.6**	**2076.2**	**1845.6**	**1942.6**
Permanent Fund Dedication	308.4	207.5	182.9	208.0
Public School Fund Dedication	5.3	3.6	3.3	3.7
General Fund Unrestricted Revenue				
Net Nominal Dollars	**2494.9**	**1865.0**	**1659.5**	**1731.0**
Net Real 1998 Dollars	**2567.1**	**1865.0**	**1614.3**	**1637.9**

Table 17.

PROJECTED AND HISTORICAL CRUDE OIL PRICES

$/Barrel-Nominal and Real $1998

	ANS West Coast		ANS Market		ANS Wellhead		West Texas Intermediate	
	Nominal	Real98	Nominal	Real98	Nominal	Real98	Nominal	Real98
1985	N/A	N/A	27.89	42.44	17.37	26.43	28.15	42.83
1986	N/A	N/A	22.03	32.35	12.41	18.22	23.11	33.94
1987	N/A	N/A	14.98	21.42	7.84	11.21	16.14	23.08
1988	16.12	22.37	16.45	22.83	10.68	14.82	18.53	25.71
1989	14.61	19.71	14.80	19.97	9.55	12.88	16.93	22.84
1990	17.22	22.29	17.34	22.44	11.89	15.39	20.06	25.96
1991	21.57	26.80	21.72	26.99	15.38	19.11	24.95	31.00
1992	16.64	19.75	16.88	20.03	11.20	13.30	20.69	24.55
1993	17.83	20.53	17.93	20.64	12.80	14.74	20.69	23.82
1994	14.05	15.70	14.22	15.89	9.57	10.70	16.69	18.65
1995	16.77	18.29	16.83	18.35	11.51	12.55	18.46	20.13
1996	17.74	18.80	17.77	18.83	12.60	13.35	19.20	20.35
1997	20.90	21.50	20.85	21.45	16.43	16.91	22.54	23.19
1998	16.28	16.28	16.30	16.30	12.06	12.06	18.15	18.15
1999	15.32	14.90	15.32	14.90	11.02	10.72	17.64	17.16
2000	16.59	15.70	16.55	15.66	12.15	11.50	19.08	18.05

HISTORICAL OVERVIEW

REVENUE, PRICES AND PRODUCTION

The pages that follow contain historical revenue, price and production data. Table 18 on Page 37 shows historical petroleum revenue by type from FY 1965-1997.

Table 19 on Pages 38-39 shows General Fund unrestricted revenue by type from FY 1983-1997.

Finally, this section concludes with Tables 20 and 21 on Page 40 with historical crude oil prices and production for the North Slope and Cook Inlet (FY 1981-1997).

Table 18.

HISTORICAL UNRESTRICTED PETROLEUM REVENUE

$ Million

FY	Corporation Petroleum Tax	Severance Tax	Petroleum Property Tax	Reserve Tax	(1) (2) Royalties	(1) (2) Bonuses and Rents	(3) Petroleum Special Settlements	Total Petroleum Revenue	Total GF Unrestricted Revenue	Petroleum Revenue to Unrestricted GF
1965	.	0.3	.	.	8.4	7.8	.	16.5	83.0	20%
1966	.	0.3	.	.	8.0	13.3	.	21.6	86.5	25%
1967	.	0.5	.	.	9.6	11.4	.	21.5	86.6	25%
1968	0.1	10.2	.	.	17.0	24.7	.	52.0	112.7	46%
1969	0.1	5.6	.	.	24.7	4.1	.	34.5	112.4	31%
1970	0.4	7.9	.	.	27.5	903.1	.	938.9	1067.3	88%
1971	0.9	10.5	.	.	32.5	3.1	.	47.0	220.4	21%
1972	1.2	11.4	.	.	32.5	3.3	.	48.4	219.2	22%
1973	0.9	12.0	.	.	30.2	7.2	.	50.3	208.2	24%
1974	1.2	14.8	.	.	35.8	28.4	.	80.2	254.9	31%
1975	2.5	26.6	6.6	.	49.8	4.9	.	90.4	333.4	27%
1976	4.9	28.0	83.4	223.1	48.4	3.7	.	391.5	709.8	55%
1977	5.0	23.8	139.1	270.6	36.3	2.8	.	477.6	874.3	55%
1978	8.4	107.7	173.0	.	150.6	1.8	.	441.5	764.9	58%
1979	232.6	173.8	163.4	.	250.2	1.6	.	821.6	1133.0	73%
1980	547.5	506.5	168.9	.	689.4	344.2	.	2256.5	2501.2	90%
1981	860.1	1170.2	143.0	.	1119.7	11.3	.	3304.3	3718.0	89%
1982	668.9	1581.7	142.7	.	1174.4	7.1	.	3574.8	4108.4	87%
1983	236.0	1493.7	152.6	.	1105.6	38.7	.	3026.6	3631.0	83%
1984	265.1	1393.1	131.0	.	1058.5	13.9	.	2861.6	3390.1	84%
1985	168.6	1389.4	128.4	.	1042.2	14.9	.	2743.5	3260.0	84%
1986	133.9	1107.9	113.5	.	845.0	38.9	418.2	2657.4	3075.5	86%
1987	120.4	648.5	102.5	.	448.3	4.3	70.5	1394.5	1799.4	77%
1988	158.0	818.7	96.2	.	701.5	11.3	163.9	1949.6	2305.8	85%
1989	166.0	698.8	89.7	.	611.5	16.7	257.7	1840.4	2186.2	84%
1990	117.2	1001.6	89.8	0.0	753.7	4.2	154.8	2121.3	2507.2	85%
1991	185.1	1284.8	85.0	0.0	958.7	24.7	33.5	2571.8	2986.6	86%
1992	165.5	1053.2	69.0	0.0	708.2	6.8	4.7	2007.4	2462.6	82%
1993	117.6	1017.6	66.9	0.0	716.7	44.3	4.7	1967.8	2352.0	84%
1994	17.8	692.1	61.5	0.0	516.1	5.1	0.1	1292.7	1652.5	78%
1995	128.5	793.9	57.3	0.0	631.8	5.0	0.7	1617.2	2082.9	78%
1996	173.7	787.2	56.0	0.0	642.2	5.7	0.0	1664.8	2133.3	78%
1997	269.4	921.6	53.6	0.0	759.2	6.4	0.0	2010.2	2494.9	81%

(1) These categories are primarily composed of petroleum revenue, however, they include some additional revenue from other minerals (mostly coal).
(2) Royalties and bonuses and rents are net of Permanent Fund contribution and Constitutional Budget Reserve Fund (CBRF) deposits.
(3) Not subject to CBRF deposits.

Table 19.

HISTORICAL GENERAL FUND UNRESTRICTED REVENUE

$ Million

TAX PORTION

TAXES	FY83	FY84	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	(1) FY96	(1) FY97
Property Tax	152.6	131.0	128.4	113.5	102.5	96.2	89.7	89.8	85.0	69.0	66.9	61.5	57.3	56.0	53.6
Sales/Use															
Alcoholic Beverages	10.4	13.0	13.9	13.3	12.6	12.1	11.8	12.0	12.2	12.0	11.9	12.0	12.0	12.0	11.6
Tobacco Products	2.0	2.0	2.0	4.9	6.6	6.1	6.4	11.0	14.0	14.3	14.0	14.1	14.4	14.2	13.7
Insurance Premium	13.8	16.2	17.5	21.1	23.7	23.7	19.4	22.7	24.4	25.5	26.3	26.1	27.9	28.2	28.4
Motor Fuel Tax-Aviation	8.7	8.1	8.0	8.1	8.5	9.0	10.1	9.4	10.7	10.7	6.4	6.9	8.0	8.2	8.1
Motor Fuel Tax-Highway	23.7	20.2	23.7	22.7	18.3	19.3	20.0	22.9	19.1	23.2	25.6	25.5	24.0	21.0	19.9
Motor Fuel Tax-Marine	4.3	3.9	4.3	5.3	5.4	5.3	7.2	9.2	10.0	9.4	8.8	8.1	7.6	8.5	7.3
Total	62.9	63.4	69.4	75.4	75.1	75.5	74.9	87.2	90.4	95.1	93	92.7	93.9	92.1	89.0
Income Tax															
Corporation General	30.3	39.5	36.0	11.2	20.5	23.4	38.0	45.3	37.9	33.7	25.1	44.3	67.0	53.3	48.4
Corporation Petroleum	236.0	265.1	168.6	133.9	120.4	158.0	166.0	117.2	185.1	165.5	117.6	17.8	128.5	173.7	269.4
Total	266.3	304.6	204.6	145.1	140.9	181.4	204.0	162.5	223.0	199.2	142.7	62.1	195.5	227.0	317.8
Severance Tax															
Oil and Gas Production	1493.0	1392.4	1388.7	1107.4	647.3	816.4	696.4	972.3	1253.8	1022.2	989.4	662.8	769.8	771.7	907.0
Oil and Gas Conservation	0.7	0.7	0.7	0.5	1.2	2.3	2.4	2.4	2.3	2.3	2.1	2.3	2.0	1.8	1.7
Oil and Gas Hazard Release	0.0	0.0	0.0	0.0	0.0	0.0	0.0	26.9	28.0	28.7	26.1	27.0	22.1	13.7	12.9
Total	1493.7	1393.1	1389.4	1107.9	648.5	818.7	698.8	1001.6	1284.1	1053.2	1017.6	692.1	793.9	787.2	921.6
Other Natural Resource Tax															
Salmon and Seafood Marketing	0.9	1.1	1.0	1.1	1.4	2.7	3.3	3.3	3.3	2.8	3.6	5.8	7.9	8.6	7.6
Salmon Enhancement	2.6	2.2	2.6	4.3	4.4	5.8	9.5	6.5	6.2	4.2	6.8	5.0	5.7	5.2	4.2
Fisheries Business	20.5	19.0	18.7	21.1	26.5	22.5	26.7	25.1	31.1	30.1	42.2	33.9	39.0	38.2	31.0
Fish Landing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	7.3	7.1	7.3
Total	24.0	22.3	22.3	26.5	32.3	31.0	39.5	34.9	40.6	37.1	52.6	44.8	59.9	59.1	50.1
Other Tax															
Estate	0.7	0.7	0.5	0.7	1.1	0.3	0.7	1.1	3.3	1.0	0.9	1.6	1.2	1.7	1.7
Other	8.5	21.9	40.9	4.3	3.8	3.8	4.2	4.7	4.1	4.1	4.1	4.7	4.8	4.9	5.0
Total	9.2	22.6	41.4	5.0	4.9	4.1	4.9	5.8	7.4	5.1	5.0	6.3	6.0	6.6	6.7
TOTAL TAXES	**2008.7**	**1937.0**	**1855.5**	**1473.4**	**1004.2**	**1206.9**	**1111.8**	**1381.8**	**1730.5**	**1458.7**	**1377.8**	**959.5**	**1206.5**	**1228.0**	**1438.8**

(1) Starting in FY 1996, all program receipts are included in General Fund unrestricted revenue. FY 1996 also includes payment from the TAPS Liability Fund.

NON-TAX PORTION

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95	(1) FY 96	(1) FY 97
Licenses and Permits	25.7	26.7	28.9	29.3	29.2	28.3	28.3	27.8	29.1	32.4	32.7	35.7	34.7	60.9	69.0
Intergovernmental Receipts															
Federal Shared Revenues	33.3	14.0	10.5	14.5	9.7	6.9	6.1	10.0	14.8	11.4	10.3	4.3	4.2	1.0	2.0
Charges for Services															
Marine Highways	30.4	32	33.4	32.3	31.3	29.8	33.1	34	40.7	42.3	40.8	40.4	41.5	38.5	38.6
Other	17.0	14.7	19.2	15.9	15.7	10.0	10.5	12.2	16.5	44.1	14.3	18.0	18.1	36.9	39.5
Total	47.4	46.7	52.6	48.2	47.0	39.8	43.6	46.2	57.2	86.4	55.1	58.4	59.6	75.4	78.1
Fines and Forefeitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.4	8.2
Rents and Royalties															
Mineral Bonuses, Rents, Royalties	40.5	16.1	16.6	40.9	6.5	11.6	16.7	5.3	24.8	6.5	44.3	5.2	5.6	6.9	7.4
Oil and Gas Royalties	1078.4	1047.5	1034.0	830.7	439.3	694.8	605.9	747.4	951.6	702.4	711.3	512.1	628.3	642.2	759.2
Timber Sales	4.0	2.9	3.1	2.9	7.2	1.1	0.5	0.8	0.4	0.6	0.6	0.4	0.6	1.5	1.9
Sale of State Property	6.3	7.0	8.5	8.7	7.0	3.8	4.9	4.3	4.7	1.0	4.0	9.0	21.8	8.1	8.6
Total	1129.2	1073.5	1062.2	883.2	460	711.3	628	757.8	981.5	710.5	760.2	526.7	656.3	658.7	777.1
Investment Earnings	375.8	282.7	233.5	195.2	161.9	132.6	100.7	117.9	125.0	101.8	70.9	31.7	72.4	64.1	77.1
Miscellaneous Revenue	10.9	9.5	16.8	13.0	16.9	16.1	10.0	10.9	14.9	61.4	45.0	36.2	49.2	35.8	44.6
Sub-Total NON-TAX REVENUE	**1622.3**	**1453.1**	**1404.5**	**1183.4**	**724.7**	**935.0**	**816.7**	**970.6**	**1222.5**	**1003.9**	**974.2**	**693.0**	**876.4**	**905.3**	**1056.1**
Plus: Income from prior years	0.0	0.0	0.0	418.7	70.5	163.9	257.7	154.8	33.6	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL NON-TAX REVENUE	**1622.3**	**1453.1**	**1404.5**	**1602.1**	**795.2**	**1098.9**	**1074.4**	**1125.4**	**1256.1**	**1003.9**	**974.2**	**693.0**	**876.4**	**905.3**	**1056.1**
TOTAL TAX REVENUE	**2008.7**	**1937.0**	**1855.5**	**1473.4**	**1004.2**	**1206.9**	**1111.8**	**1381.8**	**1730.5**	**1458.7**	**1377.8**	**959.5**	**1206.5**	**1228.0**	**1438.8**
TOTAL GENERAL FUND UNRESTRICTED REVENUE	**3631.0**	**3390.1**	**3260.0**	**3075.5**	**1799.4**	**2305.8**	**2186.2**	**2507.2**	**2986.6**	**2462.6**	**2352.0**	**1652.5**	**2082.9**	**2133.3**	**2494.9**

(1) Starting in FY 1996, all program receipts are included in General Fund unrestricted revenue. FY 1996 also includes payment from the TAPS Liability Fund.

Table 20.

HISTORICAL CRUDE OIL PRICES

$/ Barrel

FY	ANS West Coast Spot	ANS Gulf Coast Spot	ANS Average Reported Sales	WTI Spot
1981	.	34.92	34.10	.
1982	.	32.04	30.28	32.98
1983	.	30.31	28.04	32.52
1984	.	29.23	26.77	30.59
1985	.	27.89	26.27	28.15
1986	.	22.03	21.52	23.11
1987	.	15.05	13.43	16.14
1988	16.12	16.97	16.15	18.53
1989	14.61	15.21	14.36	16.93
1990	17.22	17.66	17.01	20.06
1991	21.57	22.21	20.93	24.95
1992	16.64	17.81	16.33	20.69
1993	17.83	18.53	17.58	20.69
1994	14.05	15.03	13.99	16.69
1995	16.77	17.10	16.39	18.46
1996	17.74	17.73	17.81	19.20
1997	20.90	.	20.85	22.54

Source: Platt's Oilgram Price Report.
Alaska Department of Revenue, Oil and Gas Audit Division.

Table 21.

HISTORICAL CRUDE OIL PRODUCTION

Million Barrels/ Day

FY	ANS	Cook Inlet	TOTAL
1981	1.511	0.093	1.604
1982	1.570	0.080	1.650
1983	1.627	0.073	1.700
1984	1.657	0.065	1.722
1985	1.694	0.055	1.749
1986	1.802	0.045	1.847
1987	1.849	0.047	1.896
1988	2.005	0.043	2.048
1989	1.960	0.043	2.003
1990	1.853	0.033	1.886
1991	1.799	0.040	1.839
1992	1.791	0.042	1.833
1993	1.687	0.041	1.728
1994	1.601	0.038	1.639
1995	1.573	0.042	1.615
1996	1.474	0.042	1.516
1997	1.404	0.037	1.441

Source: Alaska Department of Revenue, Oil and Gas Audit.

In accordance with AS 37.07.060(b)(4), the Revenue Sources Book is compiled biannually by the Department of Revenue to assist the governor in formulating a proposed comprehensive financial plan for presentation to the state Legislature. Within the publication are shown prior year actuals, revised current year estimates and future year projections.

Anticipated state income is projected through the use of a number of data sources: (1) econometric models developed by the Department of Revenue to forecast unrestricted non-petroleum revenues; (2) a petroleum revenue model created by the department's Oil and Gas Audit Division; and (3) estimates from individual state agencies.

We thank the various state agencies for their cooperation in computing anticipated revenues for publication in this document.

The Department of Revenue complies with Title II of the Americans With Disabilities Act of 1990. This publication is available in alternative communication formats upon request. Please contact the division's representative at (907) 465-3692 or (907) 465-3678 (TDD) to make necessary arrangements.

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