

# spring 1999

## Revenue Sources Book forecast and historical data



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# STATE OF ALASKA

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April 6, 1999

The Honorable Tony Knowles  
Governor of Alaska  
P.O. Box 110001  
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Dear Governor Knowles:

Since Prudhoe Bay production began more than 20 years ago, oil taxes and royalties have been the largest source of state revenue by a wide margin. That changed last year when state investment income overtook oil revenue as Alaska's largest source of income. Although oil prices have rebounded in recent weeks, softening the costly memory of this winter's sub-\$9-per-barrel price, it's our investment income, not oil, that will continue to provide the largest share of our projected revenue for Fiscal 2000 and beyond. And it's that investment income, not the prospects for higher oil prices, that will provide the largest piece for guaranteeing the state's fiscal future.

That said, I realize that as hard as it is to predict oil prices and production it's even harder to forecast stock market fluctuations, so this Spring 1999 Revenue Sources Book will concentrate on looking at oil revenues. Though our investment income is sizable, oil revenue still is important as we manage the state's finances for a balanced budget.

It wasn't that long ago that newspaper headlines conjured up images of doom and gloom when Alaska North Slope oil dropped below \$9 a barrel – reaching a record for the lowest price ever paid for Prudhoe Bay crude. And now, just a couple of months later, that same oil is flirting with the \$15 level, back up to within its historical range. That bounce in prices – while good news for the state treasury, oil producers and workers – is by itself not enough to return the state to the days of balanced budgets. North Slope production, now in its third decade, has fallen too far to ever again carry the entire state budget on its financial shoulders.

Looking at that combination of low prices and slipping production, FY 1999 is turning out to be the worst year for state oil revenue since FY 1979. Our production and price forecast for the remainder of the year suggests we will record our lowest annual production since FY 1978 (the first full year of Trans-Alaska Pipeline operation). This will occur at the same time as we record our lowest price ever for North Slope crude – projected to average \$12.11 a barrel for FY 1999. We expect FY 1999 general fund unrestricted revenue of \$1,338.1 million, a drop of almost \$66 million from our Fall 1998 forecast.



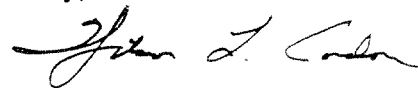
We believe, however, that the worst is over on the price front. Due in great part to the OPEC production cutbacks announced last month, the prospects have improved for higher oil prices over the next five years. We believe oil prices will average \$13.57 a barrel in FY 2000, steadily moving up to \$16 per barrel by 2003.

Unfortunately, due to delays in oil field projects caused by low prices, we have reduced our production forecast from what we had projected last fall. We now forecast North Slope production at 1.047 million barrels per day in FY 2000, a drop of 70,000 barrels a day from our Fall 1998 forecast. Those projects are delayed, not lost, and we expect new North Slope developments will help replace aging fields, holding total production pretty much steady through at least FY 2005.

Though stable production and rising prices will produce small increases in state revenues over the next several years, I refer back to our investment income as we talk seriously about balancing the state budget at a sustainable level. Our financial reserves continue to build, with our Permanent Fund and Constitutional Budget Reserve Fund projected to exceed a combined value of \$27.5 billion as of the end of this fiscal year. Our financial assets now produce nearly twice as much annual revenue as we receive from oil taxes and royalties.

As I noted in our Fall 1998 forecast, and as I will reiterate in this forecast, our savings accounts offer us the time to find sensible, permanent solutions for a long-term, balanced spending plan. I am ready to assist you and the Legislature as Alaska looks for the best answers to its financial questions.

Sincerely,



Wilson Condon  
Commissioner

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# executive summary

## Spring 1999 Forecast, FY 1999-2005

Oil prices for much of FY 1999 have been at historically low levels. As noted in our January 1999 Update, ANS hit its lowest point ever in December 1998 averaging only \$9.36 per barrel for the month. Historically high crude oil inventories continue to put downward pressure on oil prices. The high inventories result from: (1) weak economies in Asia; (2) the warm winters in 1998 and 1999; and (3) a dramatic increase in OPEC production in 1997 and early 1998.

In June 1998, OPEC initiated a revised set of production quotas to arrest the price decline – but met with little success. Then last month, OPEC announced its intention to implement 1.7 million barrels per day in additional production cutbacks. The market has strengthened by several dollars per barrel as a result but significant skepticism remains, as OPEC has only been able to achieve 70 percent compliance with the production reduction put in place last June.

### Reference-Case Scenario

We believe that OPEC will at the very least keep production at its current level with the possibility of some modest additional output reductions. Continued growth in the global economy should soak up the large inventories and begin moving prices back up toward \$16 per barrel over the next three years.

### Highlights from our spring 1999 forecast are:

- FY 1999 ANS oil prices will be the lowest ever experienced.
- FY 1999 ANS oil production will be lower than it was in FY 1979.
- Oil prices will remain low but begin to slowly recover over the forecast period reaching \$14.52 per barrel by FY 2001.
- The reduced outlook for oil prices over the next five years dramatically reduces our ANS production outlook as many marginal projects, such as heavy oil development, are put on hold.
- Earnings on the state's non-oil assets will continue to generate more revenue for the state than petroleum taxes and royalties.

table 1

Spring 1999 Reference-Case Projections

fy	net disposable general fund	general fund	ans market	ans
	unrestricted revenue	unrestricted revenue	price	production
	\$ million	\$ million	\$ per barrel	million barrels per day
actual 1998	1852.4	1825.5	16.03	1.275
1999	1290.6	1338.1	12.11	1.166
2000	1300.6	1364.8	13.57	1.047
2001	1331.2	1395.1	14.52	1.064
2002	1342.3	1406.4	15.28	1.035
2003	1347.5	1411.6	16.00	1.049
2004	1340.5	1404.7	16.30	1.076
2005	1280.0	1344.2	16.64	1.031

## Low-Price Case Scenario

Given the uncertainties about the future for global economic growth and clear questions about OPEC's ability to follow through on its recently announced production cutbacks, we have included a low-price scenario.

Due to 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.

table 2 **Spring 1999 Low-Price Case Projections**

fy	net disposable general fund	general fund	ans market	reference case
	unrestricted revenue	unrestricted revenue	price	ans production
	\$ million	\$ million	\$ per barrel	million barrels per day
<b>actual 1998</b>	1852.4	1825.5	16.03	1.275
<b>1999</b>	1276.3	1323.8	11.91	1.166
<b>2000</b>	1178.6	1242.2	11.84	1.047
<b>2001</b>	1184.8	1248.1	12.38	1.064
<b>2002</b>	1229.6	1293.1	13.56	1.035
<b>2003</b>	1189.2	1252.8	13.42	1.049
<b>2004</b>	1181.9	1245.5	13.67	1.076
<b>2005</b>	1134.6	1198.2	14.11	1.031

figure 1

### Spring 1999 Reference Case General Fund Unrestricted Revenue actual fy 1994-1998 and projected by 1999-2005

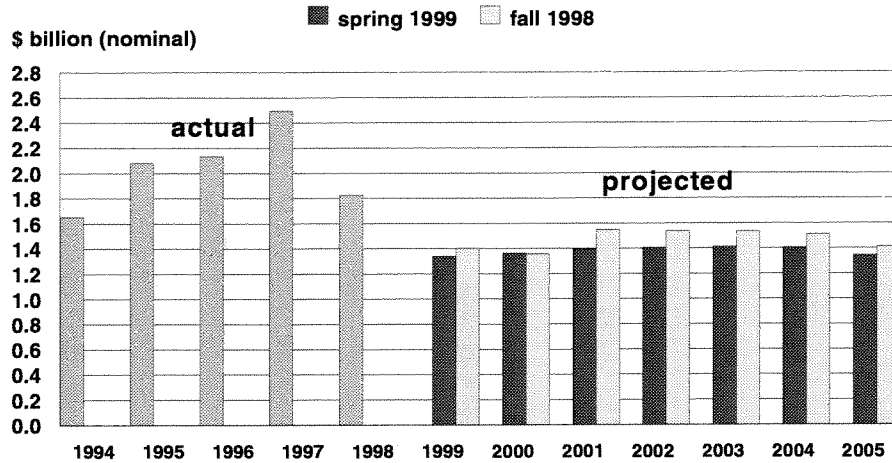


figure 2

### Economic Limit Factor (ELF) For Fields With ELF Greater Than Zero actual fy 1994-1998 and projected by 1999-2005

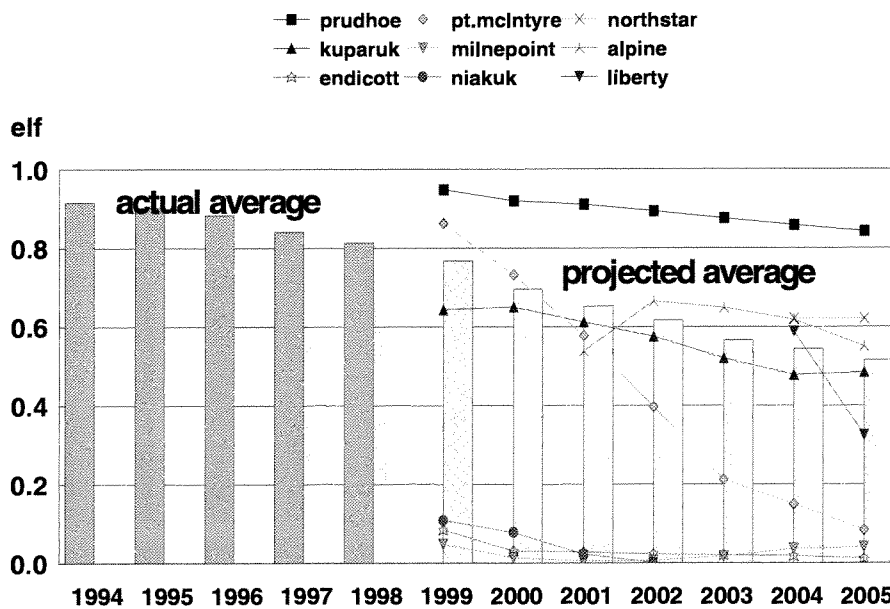


figure 3

**Spring 1999 Reference Case ANS Market Price  
actual fy 1994-1998 and projected fy 1999-2005**

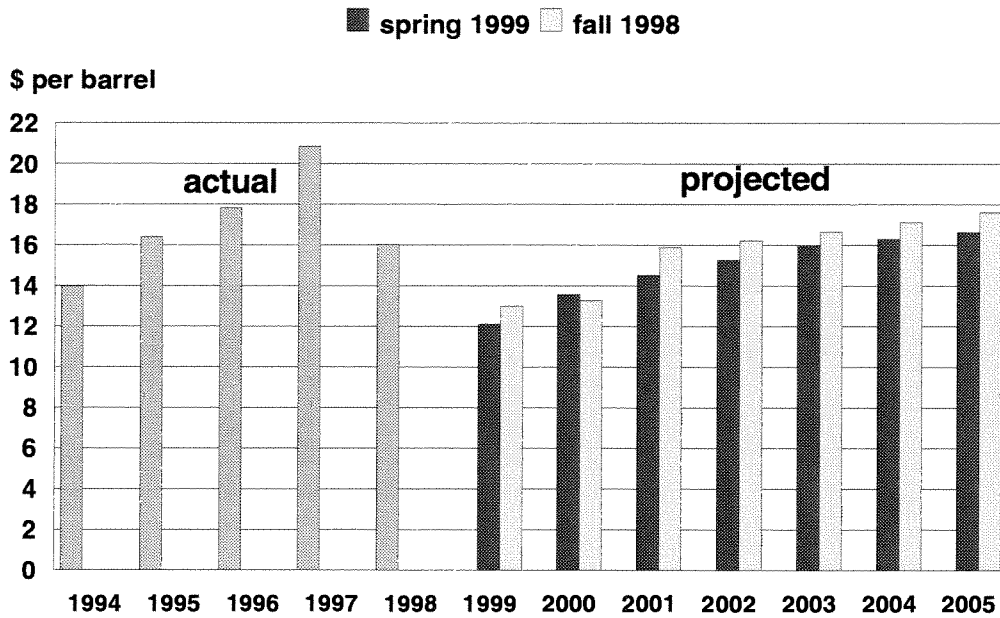
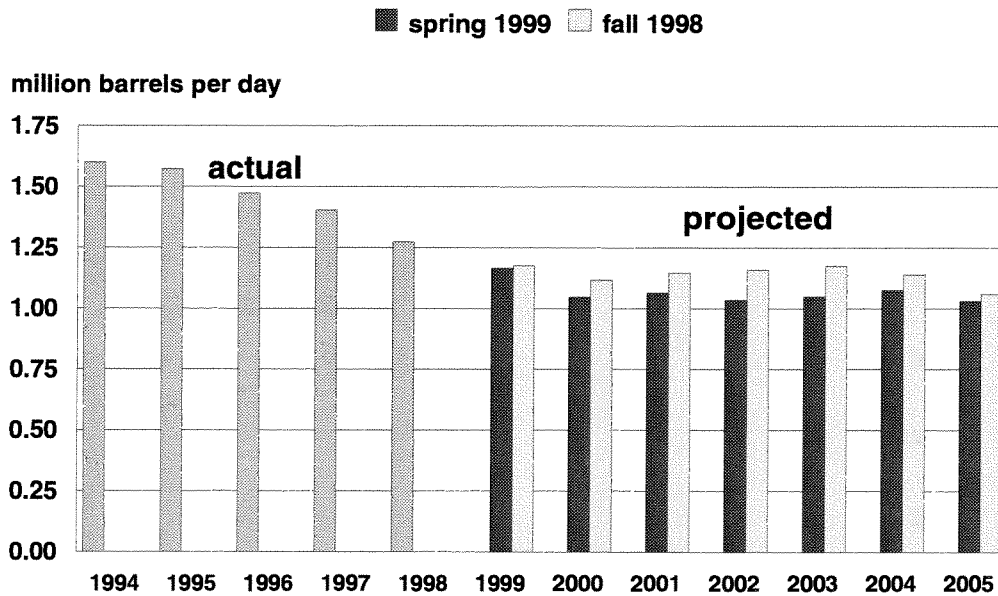


figure 4

**Spring 1999 Reference Case ANS Production  
actual fy 1994-1998 and projected fy 1999-2005**



# revenue forecast

## Spring 1999 Reference Case

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 reflected in the state accounting system (AKSAS), together with certain program receipts that are accounted for as restricted revenue in AKSAS. We include all General Fund program receipts in our projections because these revenues are not restricted to any particular use.

Both the Governor's Office of Management and Budget and the 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 such as the Marine Highway system; (2) pass-through revenue for qualified regional aquaculture and dive fishery associations; and (3) revenue shared with qualified local governments and organizations (e.g., fisheries taxes). Additions include: (1) transfer payments from state-owned entities such as the Alaska Housing Finance Corporation and 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 that are included in the CBRF.

Table 5 reflects all revenue that is annually appropriated under the Executive Budget Act. This table reflects revenue that 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.

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 1998	fy 1999	fy 2000	fy 2001
<b>TAXES</b>				
<u>Property Tax - Oil and Gas (1)</u>	51.3	48.8	45.9	44.1
<u>Sales/Use Tax</u>				
Alcoholic Beverage	11.8	12.0	12.1	12.2
Tobacco Products	15.4	14.9	14.3	14.3
Insurance Premium (2)	33.7	27.8	28.1	28.4
Electric and Telephone Cooperative (3)	2.4	3.6	2.8	2.8
Motor Fuel Tax-Aviation (4)	5.3	5.4	5.4	5.5
Motor Fuel Tax-Highway	24.0	24.2	24.5	24.7
Motor Fuel Tax-Marine	<u>6.3</u>	<u>6.4</u>	<u>6.4</u>	<u>6.5</u>
Total	98.9	94.3	93.6	94.3
<u>Income Tax</u>				
Corporation General	53.4	50.0	50.0	50.0
Corporation Petroleum	<u>200.1</u>	<u>170.0</u>	<u>170.0</u>	<u>175.0</u>
Total	253.5	220.0	220.0	225.0
<u>Severance Tax</u>				
Oil and Gas Production	564.4	339.5	326.2	332.0
Oil and Gas Conservation	1.6	1.5	1.3	1.3
Oil and Gas Hazardous Release	<u>11.8</u>	<u>11.2</u>	<u>9.8</u>	<u>10.0</u>
Total	577.8	352.3	337.2	343.3
<u>Other Natural Resource Tax</u>				
Salmon and Seafood Marketing (5)	5.6	5.6	5.5	5.5
Salmon Enhancement (6)	4.2	4.0	4.0	4.0
Dive Fishery Management Assessment (7)	0.0	0.0	0.2	0.2
Fisheries Business (8)	28.5	26.2	26.2	26.2
Fishery Resource Landing (9)	3.8	6.5	5.5	5.5
Mining	<u>1.7</u>	<u>1.7</u>	<u>2.2</u>	<u>2.7</u>
Total	43.7	44.0	43.6	44.1
<u>Other Tax</u>				
Estate	5.5	1.7	1.7	1.8
Charitable Gaming	<u>2.1</u>	<u>1.9</u>	<u>1.9</u>	<u>1.9</u>
Total	7.6	3.6	3.6	3.7
<b>TOTAL TAXES</b>	1032.7	762.9	744.0	754.4

(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, \$284.3 and \$233; FY 1999, \$271.8 and \$223; FY 2000, \$256.2 and \$210.3; and FY 2001, \$247.5 and \$203.4. 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 payment to quarterly payments. Consequently, the FY 1998 revenue amount includes the first quarter payment.

(3) One hundred percent of this tax is subject to sharing with qualified municipalities (AS 10.25.570). See table 4.

(4) Sixty 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, 2003.

(6) Provides annual funding for qualified regional aquaculture associations (AS 43.76.025). See table 4.

(7) Starting in FY 2000, this assessment (subject to legislative appropriation) will provide annual funding to a qualified regional dive fishery association (AS 43.76.150). See table 4.

(8) Fifty percent is subject of sharing with qualified municipalities (AS 43.75.130). See table 4.

(9) Fifty percent is subject of sharing with qualified municipalities (AS 43.77.060). See table 4.

	<b>actual</b>			
	<b>fy 1998</b>	<b>fy 1999</b>	<b>fy 2000</b>	<b>fy 2001</b>
<b>LICENSES AND PERMITS</b>				
<u>Motor Vehicle</u>	36.8	36.3	36.4	36.3
<u>Other (10)</u>	<u>37.8</u>	<u>30.0</u>	<u>30.0</u>	<u>30.0</u>
TOTAL LICENSES AND PERMITS	74.6	66.3	66.4	66.3
<b>INTERGOVERNMENTAL RECEIPTS</b>				
	2.2	2.0	2.0	2.0
<b>CHARGES FOR SERVICES</b>				
<u>Marine Highways (11)</u>	37.1	41.0	42.0	42.0
<u>Airports/Other (12)</u>	<u>34.9</u>	<u>31.0</u>	<u>31.0</u>	<u>31.0</u>
TOTAL CHARGES FOR SERVICES	72.0	72.0	73.0	73.0
<b>FINES AND FORFEITURES</b>				
<u>Tobacco Settlements (13)</u>	0.0	0.0	30.1	23.6
<u>Other (14)</u>	<u>37.7</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>
TOTAL FINES AND FORFEITURES	37.7	10.0	40.1	33.6
<b>RENTS AND RESOURCES</b>				
<u>Mineral Bonuses and Rents (15)(16)</u>	23.0	24.1	5.0	5.0
<u>Oil and Gas Royalties (15)</u>	480.4	317.2	348.6	374.8
<u>Timber Sales</u>	0.8	0.4	0.4	0.5
<u>Coal Rents and Royalties (15)</u>	1.2	1.3	1.4	1.5
<u>Other Resource Revenue</u>	<u>6.9</u>	<u>6.9</u>	<u>6.9</u>	<u>6.9</u>
TOTAL RENTS AND ROYALTIES	512.3	349.9	362.3	388.7
<b>INVESTMENT EARNINGS (17)</b>				
	60.6	45.0	47.0	47.0
<b>OTHER MISCELLANEOUS (18)</b>				
	33.5	30.0	30.0	30.0
<b>TOTAL GENERAL FUND</b>				
<b>UNRESTRICTED REVENUE (19)</b>	<b>1825.5</b>	<b>1338.1</b>	<b>1364.8</b>	<b>1395.1</b>

- 
- (10) Includes amounts from professional and occupational, hunting and fishing, alcoholic beverage and other miscellaneous licenses and permits. Amounts from liquor licenses (AS 04.11.610) and coin-operated devices (AS 43.34.050, rescinded effective January 1999) are shared to qualified municipalities. See table 4.
- (11) 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.
- (12) 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.
- (13) All payments are preliminary estimates from the Department of Law. It is estimated that the initial \$8.1 million payment will be deposited in the General Fund in FY 2000. Actual receipts may vary due to terms of the agreement.
- (14) Includes \$25 million and \$1.5 million from one-time payments in FY 1998 per agreements between TAPS owners and the state.
- (15) Net of Permanent Fund and Public School Fund contributions.
- (16) Future oil and gas lease sales include a Cook Inlet areawide sale in May 1999 and a Beaufort Sea areawide sale, which will include offshore ANWR acreages, in October 1999. Fifty percent of the bonuses are deposited into the Permanent Fund. No estimate is made for state revenues from the May 1999 NPRA lease sale.
- (17) 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.
- (18) Projections do not include statutorily designated program receipts, Alaska Public Utilities Commission or test fisheries program receipts.
- (19) 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 of 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 1998	fy 1999	fy 2000	fy 2001
<b>UNRESTRICTED TO RESTRICTED</b>				
<b>Taxes Shared With Municipal Government (1)</b>				
Electric and Telephone Cooperative	(2.3)	(3.6)	(2.8)	(2.8)
Fuel Tax-Aviation	(0.1)	(0.1)	(0.1)	(0.1)
Fisheries Business	(14.2)	(13.1)	(13.1)	(13.1)
Fishery Resource Landing	(3.1)	(2.8)	(2.8)	(2.8)
Liquor Licenses and Coin-Operated Devices	<u>(0.8)</u>	<u>(0.8)</u>	<u>(0.8)</u>	<u>(0.8)</u>
Total	(20.5)	(20.4)	(19.6)	(19.6)
<b>Pass Throughs (2)</b>				
Salmon Enhancement	(4.2)	(4.0)	(4.0)	(4.0)
Dive Fishery Management Assessment	<u>0.0</u>	<u>0.0</u>	<u>(0.2)</u>	<u>(0.2)</u>
Total	(4.2)	(4.0)	(4.2)	(4.2)
<b>Earmarked (3)</b>				
Marine Highways	<u>(37.1)</u>	<u>(41.0)</u>	<u>(42.0)</u>	<u>(42.0)</u>
<b>TOTAL UNRESTRICTED TO RESTRICTED</b>	<b>(61.8)</b>	<b>(65.4)</b>	<b>(65.8)</b>	<b>(65.8)</b>
<b>RESTRICTED TO UNRESTRICTED</b>				
Unclaimed Property Payments	1.3	1.3	1.3	1.3
Deposit Excess Loan Funds (4)	1.3	0.5	0.3	0.6
AHFC Dividend Payment (5)	50.0	0.0	0.0	0.0
AHFC Bond Insurance Fund Closeout (6)	20.0	0.0	0.0	0.0
AIDEA Payment (7)	<u>16.0</u>	<u>16.0</u>	<u>0.0</u>	<u>0.0</u>
<b>TOTAL RESTRICTED TO UNRESTRICTED</b>	<b>88.6</b>	<b>17.8</b>	<b>1.6</b>	<b>1.9</b>
<b>NET ADJUSTMENTS TO GENERAL FUND UNRESTRICTED REVENUE</b>				
	<b>26.8</b>	<b>(47.6)</b>	<b>(64.2)</b>	<b>(63.9)</b>
<b>UNRESTRICTED GENERAL FUND AS REFLECTED IN TABLE 3</b>				
	<b>1825.5</b>	<b>1338.1</b>	<b>1364.8</b>	<b>1395.1</b>
<b>NET DISPOSABLE GENERAL FUND UNRESTRICTED REVENUE</b>				
	<b>1852.4</b>	<b>1290.6</b>	<b>1300.6</b>	<b>1331.2</b>

(1) These taxes and fees are collected by the state and some or all of the taxes or fees are paid to municipalities.

(2) The salmon enhancement tax has always been appropriated to provide funding for qualified regional aquaculture associations. Similarly, the dive fishery management assessment was established to provide funding for qualified regional dive fishery development associations.

(3) These charges for services are unrestricted General Fund revenue, but for budget planning are treated as restricted revenue.

(4) Rural electrification loan funds are assumed to be restricted revenues and are included in table 5.

(5) The projected AHFC dividends are assumed to be restricted corporation receipts and are included in table 5.

(6) 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).

(7) The projected AIDEA dividends are assumed to be restricted corporation receipts and are included in table 5.



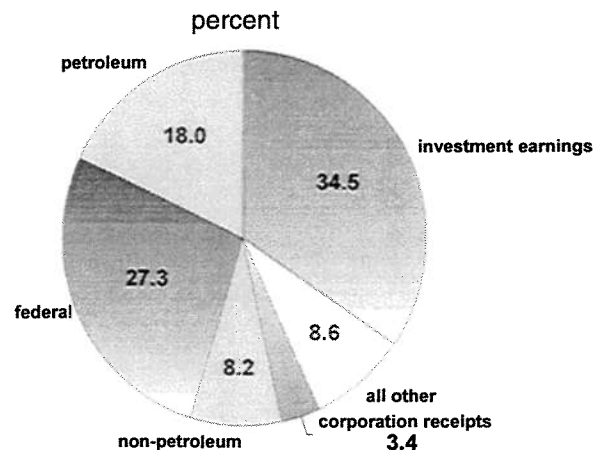
## Total Revenue Recognized Under The Executive Budget Act

The Alaska State Legislature has wide discretion over the appropriation of General Fund unrestricted revenue. The state receives a large amount of revenue in addition to General Fund unrestricted revenue, much of which may only be spent for certain specific purposes. Figure 5 provides a summary of total state revenue from all sources including federal funds and dedicated revenue. The non-General Fund revenue sources reflected in this figure were compiled by the Office of Management and Budget, Alaska Permanent Fund Corporation and the Department of Revenue's Treasury Division.

From a total revenue perspective, investment earnings (34.5 percent) are the largest state revenue source. Investment earnings include Permanent Fund net income, CBRF earnings and General Fund interest. Federal revenue (27.3 percent), followed by the various types of petroleum revenues (18 percent) make up the bulk of the remainder.

figure 5

### FY 2000 Total Revenue Recognized Under the Executive Budget Act (All Revenue Sources)



**table 5 Total Revenue Recognized Under 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.

Table 5 shows all of the state's revenue sources except for: (1) pension fund earnings; (2) municipal bond proceeds; (3) inter-fund transfers where the state has received no new net revenue; and (4) earnings from the Alaska Railroad.

**RESTRICTED GENERAL FUND AND OTHER REVENUE SOURCES**

	<b>actual</b>	<b>authorized</b>	<b>projected</b>
	<b>fy 1998</b>	<b>fy 1999</b>	<b>fy 2000</b>
<b><u>Appropriated</u></b>			
Federal Funds	1114.6	1455.3	1563.2
Mental Health Trust Authority (MHTA)	8.0	8.8	9.5
Corporate Receipts Subject to Executive Budget Act (1)	151.6	187.5	194.8
Other Sources Net of Duplication (2)	410.8	792.7	444.6
Permanent Fund Dividends and Inflation Proofing	<u>1316.0</u>	<u>1287.0</u>	<u>1652.0</u>
Appropriated Total	3001.0	3731.3	3864.1
<b><u>Non-Appropriated or Appropriated Under Special Conditions</u></b>			
Dedicated Funds (3)	268.2	209.2	200.3
Constitutional Budget Reserve Fund (CBRF) Earnings and Estimated Settlements (4)	712.3	273.3	252.4
Permanent Fund Undistributed Net Income (5)	<u>1282.5</u>	<u>817.0</u>	<u>108.0</u>
Non-Appropriated Total	2263.0	1299.5	560.7
<b>TOTAL RESTRICTED AND OTHER FUNDS</b>	<b>5264.0</b>	<b>5030.8</b>	<b>4424.8</b>
<b>NET DISPOSABLE GENERAL FUND UNRESTRICTED REVENUE</b>	<b>1852.4</b>	<b>1290.6</b>	<b>1300.6</b>
<b>TOTAL REVENUE FROM ALL FUND SOURCES</b>	<b>7116.4</b>	<b>6321.4</b>	<b>5725.4</b>

- (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 1999 includes \$179 million in international airport revenue bond proceeds and \$200 million in AHFC bond proceeds.
- (3) Funds include: the School Fund, Public School Trust Fund earnings, 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 \$344 million in petroleum tax and royalty settlements for FY 1998, \$55 million for FY 1999 and \$120 million for FY 2000.
- (5) Source: Alaska Permanent Fund Corporation's February 28, 1999 financial projections.

**table 6 Constitutional Budget Reserve Fund and Alaska Permanent Fund**  
\$ million

The spring 1999 revenue forecast for the Constitutional Budget Reserve Fund and the Alaska Permanent Fund are summarized below.

	<b>actual</b>			
	<b>fy 1998</b>	<b>fy 1999</b>	<b>fy 2000</b>	<b>fy 2001</b>
<b>CONSTITUTIONAL BUDGET RESERVE FUND</b>				
Beginning Balance (1)	3171.7	3559.1	2784.2	2029.6
Earnings (2)	368.4	218.1	132.4	89.2
Petroleum Tax, Royalty Settlements and Miscellaneous Fund Transfers (3)	344.0	55.2	120.0	120.0
General Fund Surplus/CBR Draw (4)	<u>(325.0)</u>	<u>(1048.2)</u>	<u>(1007.0)</u>	<u>(1023.8)</u>
Ending Balance	3559.1	2784.2	2029.6	1215.0
<b>ALASKA PERMANENT FUND (5)</b>				
<u>Principal</u>				
Beginning Balance (Cost Basis)	17,828.0	18,516.2	18,980.2	19,716.2
Dedicated Petroleum Revenue	230.5	138.0	135.0	146.0
Inflation Proofing	422.7	288.0	574.0	597.0
Deposits to Principal (6)	<u>35.0</u>	<u>38.0</u>	<u>27.0</u>	<u>29.0</u>
End-of-Year Balance (Cost Basis)	18,516.2	18,980.2	19,716.2	20,488.2
<u>Earnings and Earnings Reserve Account</u>				
ERA Beginning Balance	107.0	1389.5	2206.5	2314.5
Statutory Net Income (7)	2634.0	2143.0	1787.0	1857.0
Dividend Payout	(893.0)	(999.0)	(1078.0)	(1084.0)
Inflation Proofing	(423.0)	(288.0)	(574.0)	(597.0)
Deposits to Principal (6)	(35.0)	(38.0)	(27.0)	(29.0)
Other Appropriations	<u>(0.5)</u>	<u>(1.0)</u>	<u>0.0</u>	<u>(0.5)</u>
ERA End-of-Year Balance (Cost Basis)	1389.5	2206.5	2314.5	2461.0
<u>Market Value</u>				
Principal End-of-Year (Cost Basis)	18,516.2	18,980.2	19,716.2	20,488.2
ERA End-of-Year Balance (Cost Basis)	1389.5	2206.5	2314.5	2461.0
End-of-Year Unrealized Earnings	3971.5	3689.0	3794.0	3902.0
Dividends Payable	<u>893.0</u>	<u>999.0</u>	<u>1078.0</u>	<u>1084.0</u>
End-of-Year Balance (Market Value)	24,770.2	25,874.7	26,902.7	27,935.2
<u>Reconciliation</u>				
Dividends Payable	<u>(893.0)</u>	<u>(999.0)</u>	<u>(1078.0)</u>	<u>(1084.0)</u>
End-of-Year Balance (Market Value)	23,877.2	24,875.7	25,824.7	26,851.2

- (1) The FY 1998 activity reflects actual activity for the CBRF. Subsequent activity is estimated.
- (2) The projected earnings rate for FY 1999 is 6.08 percent and for FY 2000 and 2001, 5.5 percent. These projections are based on Callan Associates, Inc's. capital market assumptions and Department of Revenue, Treasury Division's asset allocation.
- (3) Settlement estimates are provided by the Department of Revenue and Department of Law net of annual Federal Minerals and Management Service payments and Department of Revenue and Department of Law appropriations.
- (4) The FY 1999, 2000 and 2001 CBRF draw projections are provided by the Office of Management and Budget.
- (5) Source: Alaska Permanent Fund Corporation's February 28, 1999 financial projections.
- (6) Deposits to principal include royalty litigation settlement payments that cannot legally be used to pay Permanent Fund dividends.
- (7) Realized rate of return assumed for FY 1999 was 10.13 percent. The estimated total return for subsequent years is 7.75 percent and the realized rate of return is estimated to be 7.33 percent given the 1999 Callan Associates, Inc's. capital market assumptions.

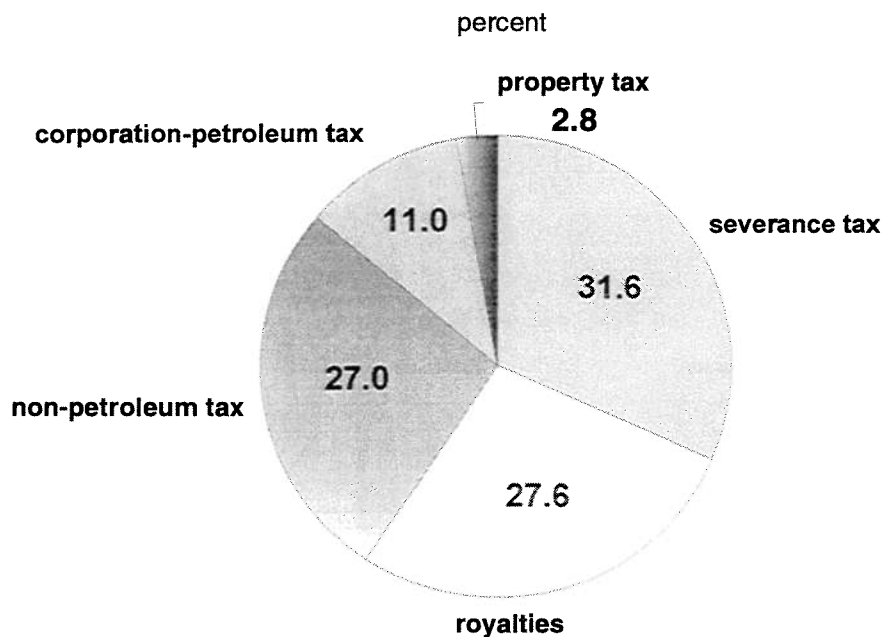
## Petroleum Revenue Overview

Petroleum revenue comes from: (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. Most of the state's severance tax and royalty revenue comes from Alaska North Slope production, which generated 95 percent of the total petroleum revenue in FY 1998. See table 16 on page 33 for our petroleum tax and royalty revenue forecast.

The figure below shows the break-out of FY 1999 projected petroleum and non-petroleum General Fund unrestricted revenue: severance tax, 31.6 percent; royalties, 27.6 percent; non-petroleum tax, 27 percent, corporation-petroleum tax, 11 percent; and, property tax, 2.8 percent.

figure 6

### FY 1999 General Fund Unrestricted Revenue Petroleum and Non-Petroleum Revenue



Historically, 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 1998, petroleum revenue supplied 73 percent of the total General Fund unrestricted revenue. We anticipate that petroleum revenue, though continuing to decline, will continue to comprise the majority of Alaska's General fund unrestricted revenue: 66 percent in FY 1999, 63 percent in FY 2000 and 64 percent in FY 2001.

## Current Oil Market Situation

OPEC announced additional production cutbacks totaling 1.7 million barrels per day at its March 23 meeting. Non-OPEC countries Mexico, Oman and the Russian Federation pledged an additional 0.4 million barrels per day in cutbacks as well.

News that the key countries of Saudi Arabia, Iran, Venezuela and Mexico had worked out an agreement earlier in March had already pushed oil prices up over \$2 per barrel. So far this price increase has held in global oil markets, although futures market prices still suggest some market skepticism about OPEC's ability to follow through on its new production agreement. Inventories remain at very high levels and without production cutbacks by OPEC prices could easily retreat again.

We believe that OPEC will make additional production cuts and that total non-OPEC production will increase by only 0.5 million barrels per day over the next three years. As a result, we believe that on average ANS oil prices will grow very modestly over time, averaging over \$16 per barrel by 2003.

### Organization of Petroleum Exporting Countries (OPEC)

OPEC has only been partially successful in implementing the production quota system it put in place last June. Prior to last month's agreement, OPEC (excluding Iraq) was committed to reducing production to 24.7 million barrels per day. February production was estimated to have exceeded its target by 0.6 million barrels per day - about 70 percent compliance. If the group can achieve a 70 percent compliance with the new agreement, the total net reduction should be about 1.5 million barrels per day. This should be enough to provide support for oil prices because it would be enough to reduce OECD stocks back to their 1996 levels by June of this year.

table 7

#### OPEC Production million barrels per day

country	feb-99	jan-99	1998 quota	1999 quota	agreed upon cuts
Algeria	0.810	0.820	0.788	0.731	-0.057
Indonesia	1.390	1.390	1.280	1.187	-0.093
Iran	3.650	3.630	3.623	3.359	-0.264
Kuwait (1)	1.980	1.990	1.980	1.836	-0.144
Libya	1.350	1.350	1.323	1.227	-0.096
Nigeria	2.000	2.030	2.033	1.885	-0.148
Qatar	0.640	0.660	0.640	0.593	-0.047
Saudi Arabia (1)	8.100	8.100	8.023	7.438	-0.585
UAE	2.190	2.170	2.157	2.000	-0.157
Venezuela	<u>2.920</u>	<u>3.000</u>	<u>2.845</u>	<u>2.720</u>	<u>-0.125</u>
<b>TOTAL</b>	25.030	25.140	24.692	22.976	-1.716

(1) Source: Platt's Oilgram Price Report, March 16, 1999 and OPECNA News Service, March 23, 1999.  
 (2) Excludes all Iraqi production.

## Alaska North Slope

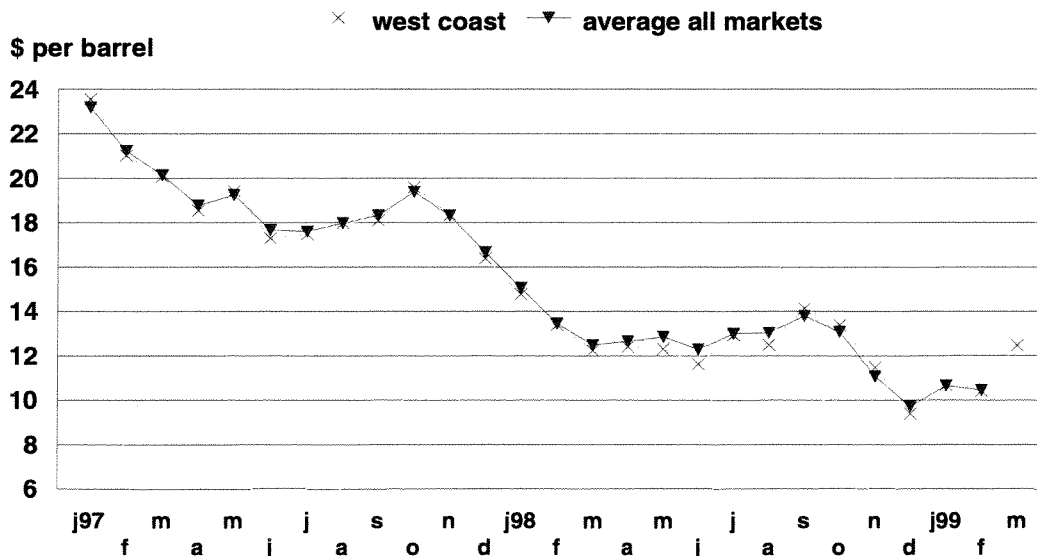
ANS West Coast spot oil prices averaged \$15.86 per barrel in FY 1998. For FY 1999 through March 31, ANS spot prices have averaged \$11.90 per barrel. In early April 1999, ANS climbed over \$14 per barrel. Another warm winter in North America combined with ample inventories depressed oil prices through December when they bottomed out at \$8.63 per barrel on December 21. More normal winter weather in January and February contributed to a modest upward movement in price, with the latest OPEC agreement boosting prices to their current levels.

In our reference case forecast we have assumed that OPEC will make a good faith effort to adhere to its production quotas, with the result that oil prices should average around \$13.50 per barrel over the next 18 months, with additional price strength as demand grows and non-OPEC production modestly increases.

Having lowered our oil production forecast again in this forecast, it is likely that ANS exports to Asia will be insignificant, although perhaps in sufficient volume to ensure that the West Coast price remains competitive. We are assuming no ANS exports to Asia after FY 1999.

figure 7

### 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 1999 forecast are represented in the table below. 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 results 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 1999-2001. These sensitivity matrices are provided on page 31.

**table 8**                                      **Spring 1999 Forecast Assumptions**

<b>fy</b>	<b>inflation rate percent</b>	<b>ans market price \$ per barrel</b>	<b>marine transportation \$ per barrel</b>	<b>taps tariff \$ per barrel</b>	<b>feeder pipeline \$ per barrel</b>	<b>ans wellhead \$ per barrel</b>
<b>actual 1998</b>	2.8	16.03	1.49	2.68	0.09	11.85
<b>1999</b>	1.7	12.11	1.44	2.72	0.10	7.89
<b>2000</b>	1.8	13.57	1.44	2.75	0.11	9.26
<b>2001</b>	1.9	14.52	1.61	2.82	0.14	9.94
<b>2002</b>	2.0	15.28	1.64	2.85	0.15	10.62
<b>2003</b>	2.1	16.00	1.68	2.79	0.21	11.29
<b>2004</b>	2.2	16.30	1.70	2.77	0.26	11.53
<b>2005</b>	2.2	16.64	2.32	2.87	0.24	11.17

## **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 1999 reference case projection 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 21.

## **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 a modest drop of \$0.05 per barrel in the average cost of shipping ANS in FY 1999 as shipments to the mid-continent U.S. cease to occur. We are projecting a \$0.17 per barrel increase in FY 2001 as the first of the new tankers is brought into service and a one-time increase of \$0.62 per barrel in FY 2005 as a result of this required new capital investment.

## **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 expected tariff filing for calendar 1999 is \$2.66 per barrel. Table 8 on the previous page contains projected tariffs on a fiscal year basis for FY 1999-2005.

## **Feeder Pipeline Costs**

Table 8, on the previous page, 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.



## Production

The production assumptions were developed on a field-by-field basis. The forecast is based on company-assessed proven and probable reserves, development plans where available, and assessments by the technical personnel at the Department of Revenue, Department of Natural Resources and the Alaska Oil and Gas Conservation Commission.

The spring 1999 production forecast has been reduced from our fall 1998 forecast largely due to the effects of low oil prices on companies' development plans. The oil price expectations presented in this forecast are shared by the oil industry and as a result have overshadowed the strong underlying momentum generated by many years of improvements in technology, cost-cutting and investment climate. North Slope producers have reduced capital and operating budgets with the result that production will be lower than previously expected over the next six years.

figure 8

### ANS Oil and NGL Production

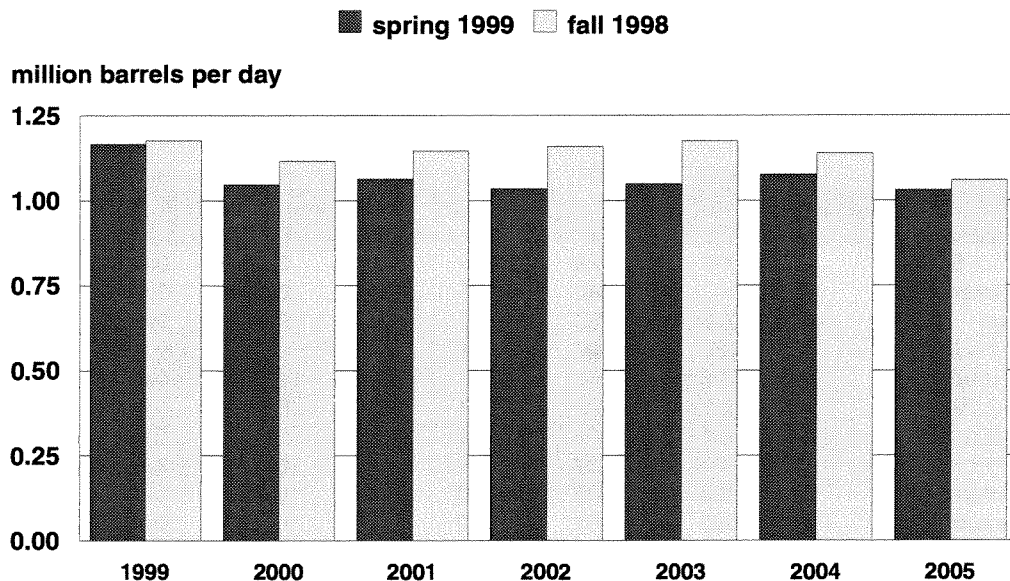


table 9

## ANS Oil and NGL Production

million barrels per day

	actual fy 1998	fy 1999	fy 2000	fy 2001	fy 2002	fy 2003	fy 2004	fy 2005
<b>ALASKA NORTH SLOPE</b>								
<b>Oil</b>								
Prudhoe Bay	0.6539	0.5785	0.4950	0.4750	0.4440	0.4174	0.3965	0.3767
PBU-Satellites (1)	0.0000	0.0031	0.0120	0.0240	0.0350	0.0505	0.0625	0.0665
Kuparuk	0.2597	0.2407	0.2249	0.2144	0.2051	0.1934	0.1827	0.1814
West Sak	0.0005	0.0025	0.0047	0.0046	0.0068	0.0112	0.0165	0.0291
Tobasco	0.0001	0.0040	0.0105	0.0131	0.0128	0.0096	0.0072	0.0057
Tarn	0.0000	0.0195	0.0216	0.0173	0.0186	0.0169	0.0142	0.0119
Milne Point	0.0482	0.0497	0.0471	0.0454	0.0470	0.0505	0.0540	0.0546
Schrader Bluff	0.0043	0.0057	0.0055	0.0065	0.0069	0.0066	0.0065	0.0071
Sag River	0.0007	0.0002	0.0004	0.0013	0.0021	0.0019	0.0017	0.0016
Endicott (2)	0.0543	0.0400	0.0362	0.0350	0.0330	0.0320	0.0310	0.0295
Eider	0.0000	0.0037	0.0039	0.0031	0.0025	0.0021	0.0017	0.0014
Badami	0.0000	0.0025	0.0040	0.0050	0.0050	0.0050	0.0030	0.0000
Lisburne	0.0073	0.0061	0.0074	0.0082	0.0090	0.0085	0.0070	0.0065
Point McIntyre	0.1498	0.1182	0.0900	0.0725	0.0595	0.0490	0.0434	0.0378
Niakuk	0.0286	0.0293	0.0250	0.0215	0.0175	0.0145	0.0126	0.0110
West Beach (3)	0.0004	0.0010	0.0021	0.0027	0.0028	0.0024	0.0020	0.0018
Alpine	0.0000	0.0000	0.0000	0.0600	0.0750	0.0775	0.0782	0.0720
Northstar	0.0000	0.0000	0.0000	0.0000	0.0000	0.0250	0.0500	0.0500
Liberty	0.0000	0.0000	0.0000	0.0000	0.0000	0.0250	0.0550	0.0413
Known Onshore	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0020	0.0030
<b>Total Oil</b>	<b>1.2080</b>	<b>1.1048</b>	<b>0.9902</b>	<b>1.0096</b>	<b>0.9827</b>	<b>0.9990</b>	<b>1.0276</b>	<b>0.9887</b>
<b>NGLs</b>								
Prudhoe Bay	0.0589	0.0539	0.0490	0.0470	0.0450	0.0430	0.0410	0.0355
Endicott (2)	0.0037	0.0034	0.0038	0.0037	0.0036	0.0035	0.0035	0.0035
Lisburne	0.0010	0.0008	0.0008	0.0008	0.0008	0.0008	0.0008	0.0008
Point McIntyre	0.0028	0.0031	0.0028	0.0025	0.0025	0.0025	0.0024	0.0024
Niakuk	0.0004	0.0004	0.0004	0.0004	0.0004	0.0004	0.0004	0.0004
West Beach (3)	0.0000	0.0000	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002
<b>Total NGLs (4)</b>	<b>0.0667</b>	<b>0.0617</b>	<b>0.0570</b>	<b>0.0546</b>	<b>0.0525</b>	<b>0.0504</b>	<b>0.0483</b>	<b>0.0427</b>
<b>Liquids</b>								
Prudhoe Bay	0.7128	0.6325	0.5440	0.5220	0.4890	0.4604	0.4375	0.4122
PBU-Satellites (1)	0.0000	0.0031	0.0120	0.0240	0.0350	0.0505	0.0625	0.0665
Kuparuk	0.2597	0.2407	0.2249	0.2144	0.2051	0.1934	0.1827	0.1814
West Sak	0.0005	0.0025	0.0047	0.0046	0.0068	0.0112	0.0165	0.0291
Tobasco	0.0001	0.0040	0.0105	0.0131	0.0128	0.0096	0.0072	0.0057
Tarn	0.0000	0.0195	0.0216	0.0173	0.0186	0.0169	0.0142	0.0119
Milne Point	0.0482	0.0497	0.0471	0.0454	0.0470	0.0505	0.0540	0.0546
Schrader Bluff	0.0043	0.0057	0.0055	0.0065	0.0069	0.0066	0.0065	0.0071
Sag River	0.0007	0.0002	0.0004	0.0013	0.0021	0.0019	0.0017	0.0016
Endicott (2)	0.0581	0.0435	0.0400	0.0387	0.0366	0.0355	0.0345	0.0330
Eider	0.0000	0.0037	0.0039	0.0031	0.0025	0.0021	0.0017	0.0014
Badami	0.0000	0.0025	0.0040	0.0050	0.0050	0.0050	0.0030	0.0000
Lisburne	0.0083	0.0069	0.0082	0.0090	0.0098	0.0093	0.0078	0.0073
Point McIntyre	0.1525	0.1213	0.0928	0.0750	0.0620	0.0515	0.0458	0.0401
Niakuk	0.0289	0.0297	0.0254	0.0219	0.0179	0.0149	0.0130	0.0113
West Beach (3)	0.0005	0.0010	0.0023	0.0029	0.0030	0.0026	0.0022	0.0020
Alpine	0.0000	0.0000	0.0000	0.0600	0.0750	0.0775	0.0782	0.0720
Northstar	0.0000	0.0000	0.0000	0.0000	0.0000	0.0250	0.0500	0.0500
Liberty	0.0000	0.0000	0.0000	0.0000	0.0000	0.0250	0.0550	0.0413
Known Onshore	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0020	0.0030
<b>Total Liquids</b>	<b>1.2747</b>	<b>1.1665</b>	<b>1.0472</b>	<b>1.0642</b>	<b>1.0352</b>	<b>1.0493</b>	<b>1.0759</b>	<b>1.0314</b>
<b>COOK INLET</b>	<b>0.0324</b>	<b>0.0316</b>	<b>0.0262</b>	<b>0.0237</b>	<b>0.0215</b>	<b>0.0196</b>	<b>0.0179</b>	<b>0.0164</b>
<b>TOTAL ALASKA</b>	<b>1.3071</b>	<b>1.1981</b>	<b>1.0734</b>	<b>1.0878</b>	<b>1.0566</b>	<b>1.0689</b>	<b>1.0938</b>	<b>1.0478</b>

(1) Includes Midnight Sun, Sambuca and PBU-Schrader.

(2) Includes Endicott and Sag Delta.

(3) Includes West Beach and North Prudhoe Bay State.

(4) Industry definition may differ from state regulatory definition.

## 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 \$69.3 million decrease in petroleum corporation revenue in FY 1998 (from \$269.4 million in FY 1997 to \$200.1 million in FY 1998) and the projected \$30.1 million decrease in FY 1999 (to \$170 million) is a result of current and projected below-average crude oil prices and declining Alaska production volume. Projected FY 1999 revenue is \$12.1 million greater than the five-year average of \$157.9 million and \$15.9 million greater than the ten-year average of \$154.1 million. In the short-run, revenue is projected to improve slowly with oil prices.

Petroleum corporation income tax revenue is a function of two factors: (1) the relative size of the corporations' Alaska-versus-worldwide activity and (2) their total worldwide net earnings. In the long-run, revenue will decline with decreases in petroleum value and in the size of Alaska-versus-worldwide petroleum activity.

### General Corporation Income Tax

The \$5 million increase in general corporation tax revenue in FY 1998 (from \$48.4 million in FY 1997 to \$53.4 million in FY 1998) appears to be primarily a result of revenue growth in the financial and utility sectors. FY 1999 revenue is projected to be \$50 million (\$3.4 million lower than FY 1998) as a result of direct and indirect decreases in revenue from the oil sector. In the fourth quarter of 1998, estimated payments from oil-service firms (with liabilities greater than \$100,000) declined to zero from \$1.7 million in the third quarter of 1998. General corporation revenue for FY 1999 is \$5.4 million higher than the ten-year average (FY 1989-1998) of \$44.6 million and \$3.3 million lower than the five-year average of \$53.3 million (FY 1994-1998).

General corporation income tax revenue is a function of two factors: (1) the relative size of the corporations' Alaska-versus-U.S. activity and (2) their total U.S. net earnings. This revenue does not necessarily grow at the same pace as the Alaskan economy. For example, service-sector employment and gross state product grew by 8 percent between 1994 and 1996 but corporation revenue from the service sector declined by 6 percent. Corporation revenue has also changed in structure. In 1994, forestry and seafood comprised 21 percent of corporation revenue but by 1996 this combination had declined to 8 percent. After FY 1999, we project a leveling off of corporation revenue due to the following two factors: (1) an increase in the number of businesses electing Subchapter S and Limited Liability Corporation status and (2) a continued modest growth in the financial and utility sectors.

## **Excise Tax**

### **Alcohol and Tobacco**

Alcohol tax collections are up slightly in FY 1998 (from \$11.6 in FY 1997 to \$11.8 million in FY 1998). The projected FY 1999 revenue is equal to the ten-year average of \$12 million and slightly above the five-year average of \$11.9 million. We are predicting that alcohol revenue will increase slowly at 1 percent a year at about the same rate as population growth.

On October 1, 1997, the cigarette tax rate increased from \$0.29 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. Revenue from the \$0.71 cigarette tax rate increase goes to the School Fund. We have included this revenue with the restricted revenue reflected in table 5. The revenue from other tobacco products goes directly to the General Fund.

Tobacco General Fund tax revenue increased by \$1.7 million in FY 1999 (from \$13.7 million in FY 1997 to \$15.4 million in FY 1998) as a result of the increase in other-tobacco-products revenue from \$1.7 million to \$3.4 million. In FY 1999, we project that General Fund cigarette revenue will decrease to \$10.1 million and other-tobacco-products revenue will level off at \$4.8 million (for a total of \$14.9 million in tobacco General Fund revenue). After FY 1999, general fund tobacco revenue will decrease further to \$14.3 million. This projected decrease is a result of price increases imposed by manufacturers as a result of tobacco settlements.

### **Motor Fuel**

In July 1997, the following three changes were made to the Alaska motor fuel statute: (1) the gasohol exemption was repealed, (2) an exemption for marine bunker fuel was passed, and (3) the foreign flight exemption was expanded. Primarily as a result of these changes, highway gas revenue increased from \$19.9 million in FY 1997 to \$24 million in FY 1998 and aviation and jet fuel revenue decreased from \$8.1 million to \$5.3 million. The decrease in marine fuel tax revenue from \$7.3 million to \$6.3 million follows the general trend downward (from FY 1996). This trend in marine fuel tax revenue is consistent with a downturn in the fishing industry. Additionally, the marine fuel tax exemption served to increase the downturn trend (from FY 1997-1998). Total motor fuel FY 1998 revenues are \$35.6 million and are projected to grow slowly at 1 percent a year.

## **Fisheries Business Tax**

The downward trend in fisheries business tax revenue (from a high of \$42.2 million in FY 1993) continued in FY 1998 (\$28.5 million) and FY 1999 (\$26.2 million). The decrease from FY 1997 (\$31 million) to FY 1998 was a result of low salmon prices and harvests. The projected FY 1999 fisheries business tax revenue of \$26.2 million is a result of low groundfish prices. The FY 1999 revenue is \$6.4 million lower than the ten-year average (FY 1989-1998) of \$32.6 million and \$7.9 million lower than the five-year average (FY 1994-1998) of \$34.1 million.

Although the volume of sockeye salmon continued to decrease in FY 1999, this was mostly offset by higher sockeye prices and a higher total value for pinks. Consequently, the total value for salmon in

FY 1999 will closely mirror the total value of salmon in FY 1998. However, an increase in the volume of shellfish is not enough to offset lower groundfish and halibut prices for the 1998 season. After FY 1999, groundfish prices are expected to recover but there will be a decline in shellfish volume because tanner crab will be in the downward portion of its natural cycle. Pollock volumes subject to the fisheries business tax should also increase after FY 1999 due to the increased inshore allocation specified in the American Fisheries Act.

The table below shows actual and projected fisheries business tax revenue by species.

table 10

### Fisheries Business Tax

\$ million

	actual fy 1998		projected fy 1999		projected fy 2000-2001 change from fy 1999
	value of catch	tax revenue	value of catch	tax revenue	
<b>Halibut</b>	100	3.1	68	2.1	Catch Same/ Unit Value Same
<b>Salmon</b>	288	11.0	275	10.1	Catch Same/ Unit Value Same
<b>Herring</b>	18	0.7	15	0.6	Catch Down/ Unit Value Up
<b>Shellfish</b>	179	6.6	215	7.7	Catch Down/ Unit Value Up
<b>Groundfish</b>	<u>220</u>	<u>7.1</u>	<u>180</u>	<u>5.7</u>	Catch Up/ Unit Value Up
<b>TOTAL</b>	<b>805</b>	<b>28.5</b>	<b>753</b>	<b>26.2</b>	

### # 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 1998.

table 11

### FY 1998 Petroleum Property Tax

\$ million

borough	gross tax	local tax	state tax
<b>North Slope</b>	223.990	207.190	16.799
<b>Unorganized</b>	29.361	N/A	29.361
<b>Valdez</b>	13.777	13.777	0.000
<b>Kenai</b>	10.235	6.351	3.884
<b>Fairbanks</b>	5.731	4.553	1.178
<b>Anchorage</b>	1.117	1.033	0.084
<b>Matanuska-Susitna</b>	0.079	0.049	0.030
<b>Cordova</b>	0.058	0.040	0.018
<b>Whittier</b>	<u>0.010</u>	<u>0.002</u>	<u>0.007</u>
<b>TOTAL</b>	<b>284.358</b>	<b>232.997</b>	<b>51.361</b>

## Fundamental Oil Market Assumptions

The following fundamental assumptions about the global oil market underpin our oil price forecast. We have developed a single set of assumptions about future oil demand and supply. Our reference and low oil price cases are based on the relative success we assume OPEC will have managing its implied market share under these fundamental market scenario assumptions.

We assume that global economic growth over the next two years will be anemic, as continued expansion in the U.S. is offset by stagnation in Europe and continuing problems in Japan. Other Asian economies should in general start back on the road to recovery but at rates much below the soaring growth of the mid 1990s. As a result, we assume that the consumption of oil will grow at between 700,000 and 1,000,000 barrels per day between 1999 and 2001 with an average growth rate between 1998 and 2005 of 1.4 percent per year.

Non-OPEC production is assumed to be hit hard by the current low oil price environment, as reduced capital expenditures and delayed projects are assumed to reduce production over the next several years regardless of the speed of an oil price recovery. As a result, we are assuming that non-OPEC production will not exceed 1998 levels until 2001.

Taken together, these assumptions suggest that the demand for OPEC crude oil and draw from inventories will be at a combined level of 27.1 million barrels per day in 1999, 27.7 million barrels per day in 2000 and 28.2 million barrels per day in 2001. This compares to current OPEC production of approximately 27.4 million barrels per day.

Our specific key market assumptions are summarized below:

1. OECD (developed countries) oil consumption grows by 0.2 million barrels per day in 1999, 1 million barrels per day in 2000 and 0.2 million barrels per day in 2001.
2. Non-OECD oil consumption grows by 0.7 million in 1999, 0.6 million barrels per day in 2000 and 0.7 million barrels per day in 2001.
3. The demand for OPEC black oil averages 27.1 million barrels per day in 1999, 27.7 million barrels per day in 2000 and 28.2 million barrels per day in 2001.

Faced with this market scenario, we assume two OPEC response scenarios that follow:

## Reference Case - OPEC Stays the Course Making Modest Cuts

In this scenario, OPEC makes modest cuts its their current rate of production. As a result, there are another 12 months of ANS prices in the \$12.50 to \$14 per barrel range before price begins on average drifting up toward the \$14 to \$16 per barrel range.

table 12 **Spring 1999 Reference-Case Projections**  
**Key ANS Revenue, Price and Production Projections**

fy	net disposable general fund	general fund	ans market	ans
	unrestricted revenue	unrestricted revenue	price	production
	\$ million	\$ million	\$ per barrel	million barrels per day
<b>actual 1998</b>	1852.4	1825.5	16.03	1.275
<b>1999</b>	1,290.6	1,338.1	12.11	1.166
<b>2000</b>	1,300.6	1,364.8	13.57	1.047
<b>2001</b>	1,331.2	1,395.1	14.52	1.064
<b>2002</b>	1342.3	1406.4	15.28	1.035
<b>2003</b>	1347.5	1411.6	16.00	1.049
<b>2004</b>	1340.5	1404.7	16.30	1.076
<b>2005</b>	1280.0	1344.2	16.64	1.031

## Low-Price Case - OPEC Production Creeps Up

OPEC production begins to drift upward as Iraqi production increases are not offset by other members cutting production, and prices remain in the \$12 to \$14 per barrel range for the foreseeable future.

table 13 **Spring 1999 Low-Price Case Projections**  
**Key ANS Revenue, Price and Production Projections**

fy	net disposable general fund	general fund	ans market	reference case ans
	unrestricted revenue	unrestricted revenue	price	production
	\$ million	\$ million	\$ per barrel	million barrels per day
<b>actual 1998</b>	1852.4	1825.5	16.03	1.275
<b>1999</b>	1276.3	1323.8	11.91	1.166
<b>2000</b>	1178.6	1242.2	11.84	1.047
<b>2001</b>	1184.8	1248.1	12.38	1.064
<b>2002</b>	1229.6	1293.1	13.56	1.035
<b>2003</b>	1189.2	1252.8	13.42	1.049
<b>2004</b>	1181.9	1245.5	13.67	1.076
<b>2005</b>	1134.6	1198.2	14.11	1.031

table 14

## Global Market Assumptions

million barrels per day

	actual	projected						
	1998	1999	2000	2001	2002	2003	2004	2005
<b>DEMAND</b>								
<b>OECD</b>								
North America	22.9	23.1	23.2	23.3	23.5	23.6	23.7	23.8
Europe	15.3	15.3	15.4	15.5	15.6	15.7	15.7	15.8
Pacific	<u>8.4</u>	<u>8.3</u>	<u>8.2</u>	<u>8.2</u>	<u>8.2</u>	<u>8.2</u>	<u>8.2</u>	<u>8.2</u>
<b>Total OECD</b>	<b>46.6</b>	<b>46.8</b>	<b>46.9</b>	<b>47.1</b>	<b>47.3</b>	<b>47.5</b>	<b>47.7</b>	<b>47.9</b>
<b>Non-OECD</b>								
Former Soviet Union	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Eastern Europe	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
China	4.2	4.3	4.4	4.6	5.1	5.6	6.2	6.8
Asia	6.8	6.9	7.1	7.3	7.5	7.7	8.0	8.2
Latin America	4.6	4.7	4.8	5.0	5.1	5.2	5.3	5.5
Middle East	4.2	4.3	4.4	4.5	4.6	4.8	4.9	5.0
Africa	<u>2.4</u>	<u>2.5</u>	<u>2.5</u>	<u>2.6</u>	<u>2.6</u>	<u>2.7</u>	<u>2.8</u>	<u>2.9</u>
<b>Total Non-OECD</b>	<b>27.1</b>	<b>27.8</b>	<b>28.4</b>	<b>29.1</b>	<b>30.1</b>	<b>31.1</b>	<b>32.2</b>	<b>33.4</b>
<b>TOTAL DEMAND</b>	<b>73.7</b>	<b>74.5</b>	<b>75.2</b>	<b>76.2</b>	<b>77.3</b>	<b>78.6</b>	<b>79.9</b>	<b>81.3</b>
<b>SUPPLY</b>								
<b>Non-OPEC</b>								
OECD	21.9	21.5	21.2	21.2	21.5	21.7	21.9	22.1
Former Soviet Union	7.3	7.2	7.3	7.4	7.4	7.5	7.6	7.7
Eastern Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.2	3.3	3.3	3.4	3.5	3.5	3.6
LDCs	10.4	10.7	10.8	11.0	11.2	11.4	11.6	11.9
Processing Gain	1.6	1.7	1.8	1.9	1.9	2.0	2.1	2.3
<b>Total NonOPEC</b>	<b>44.6</b>	<b>44.5</b>	<b>44.6</b>	<b>45.0</b>	<b>45.6</b>	<b>46.3</b>	<b>47.0</b>	<b>47.7</b>
<b>OPEC</b>								
Oil	27.8	27.1	27.7	28.2	28.7	29.3	29.9	30.5
NGLs	<u>2.9</u>	<u>2.9</u>	<u>2.9</u>	<u>2.9</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
<b>Total OPEC</b>	<b>30.7</b>	<b>30.0</b>	<b>30.6</b>	<b>31.2</b>	<b>31.7</b>	<b>32.3</b>	<b>32.9</b>	<b>33.5</b>
<b>TOTAL SUPPLY</b>	<b>75.3</b>	<b>74.5</b>	<b>75.2</b>	<b>76.2</b>	<b>77.3</b>	<b>78.6</b>	<b>79.9</b>	<b>81.3</b>

(1) Lessor Developed Countries (LDCs) include Asia (excluding China), Latin America, the Middle East and Africa.

(2) Due to rounding to one decimal, columns may not exactly total.



table 15

**General Fund Unrestricted Revenue  
Sensitivity Matrices for Annual Price and Production**

\$ million

**FY 1999**

Annual Market \$ per barrel	Annual Production million barrels per day						
	0.900	0.950	1.000	1.050	1.100	1.150	1.200
	\$9	1,160	1,169	1,179	1,189	1,199	1,209
\$10	1,163	1,174	1,186	1,197	1,209	1,221	1,232
\$11	1,176	1,192	1,209	1,226	1,242	1,259	1,275
\$12	1,196	1,221	1,246	1,272	1,297	1,322	1,348
\$13	1,218	1,253	1,289	1,325	1,360	1,396	1,431
\$14	1,240	1,286	1,332	1,377	1,423	1,469	1,515
\$15	1,262	1,318	1,374	1,430	1,486	1,542	1,598
\$16	1,285	1,351	1,417	1,483	1,549	1,615	1,681
\$17	1,307	1,383	1,460	1,536	1,612	1,689	1,765

**FY 2000**

Annual Market \$ per barrel	Annual Production million barrels per day						
	0.900	0.950	1.000	1.050	1.100	1.150	1.200
	\$9	1,023	1,040	1,056	1,072	1,089	1,105
\$10	1,064	1,082	1,101	1,119	1,138	1,156	1,175
\$11	1,123	1,145	1,167	1,188	1,210	1,232	1,254
\$12	1,182	1,207	1,233	1,258	1,283	1,308	1,333
\$13	1,242	1,270	1,299	1,327	1,355	1,384	1,412
\$14	1,301	1,333	1,364	1,396	1,428	1,460	1,492
\$15	1,360	1,395	1,430	1,466	1,501	1,536	1,571
\$16	1,420	1,458	1,496	1,535	1,573	1,612	1,650
\$17	1,479	1,521	1,562	1,604	1,646	1,688	1,730

**FY 2001**

Annual Market \$ per barrel	Annual Production million barrels per day						
	0.900	0.950	1.000	1.050	1.100	1.150	1.200
	\$9	1,007	1,022	1,037	1,052	1,068	1,083
\$10	1,038	1,055	1,071	1,088	1,105	1,122	1,139
\$11	1,094	1,114	1,134	1,154	1,174	1,194	1,214
\$12	1,150	1,173	1,197	1,220	1,243	1,266	1,289
\$13	1,207	1,233	1,260	1,286	1,312	1,339	1,365
\$14	1,264	1,293	1,323	1,352	1,382	1,411	1,441
\$15	1,320	1,353	1,386	1,418	1,451	1,484	1,516
\$16	1,377	1,413	1,449	1,485	1,520	1,556	1,592
\$17	1,434	1,473	1,512	1,551	1,590	1,629	1,668

figure 9

### General Fund Unrestricted Revenue, Nominal Dollars actual fy 1998 and projected fy 1999-2005

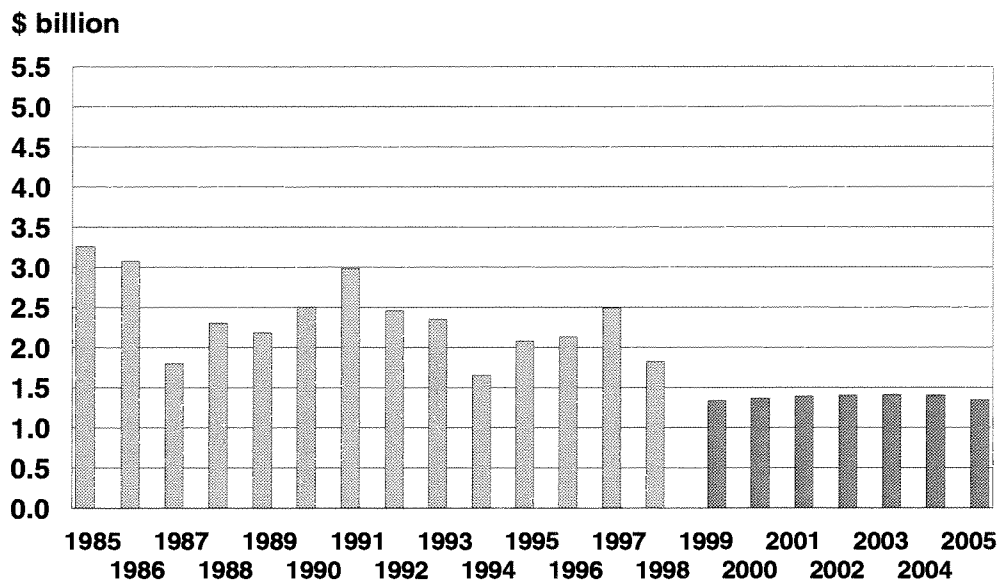


figure 10

### General Fund Unrestricted Revenue, Real 1999 Dollars actual fy 1998 and projected fy 1999-2005

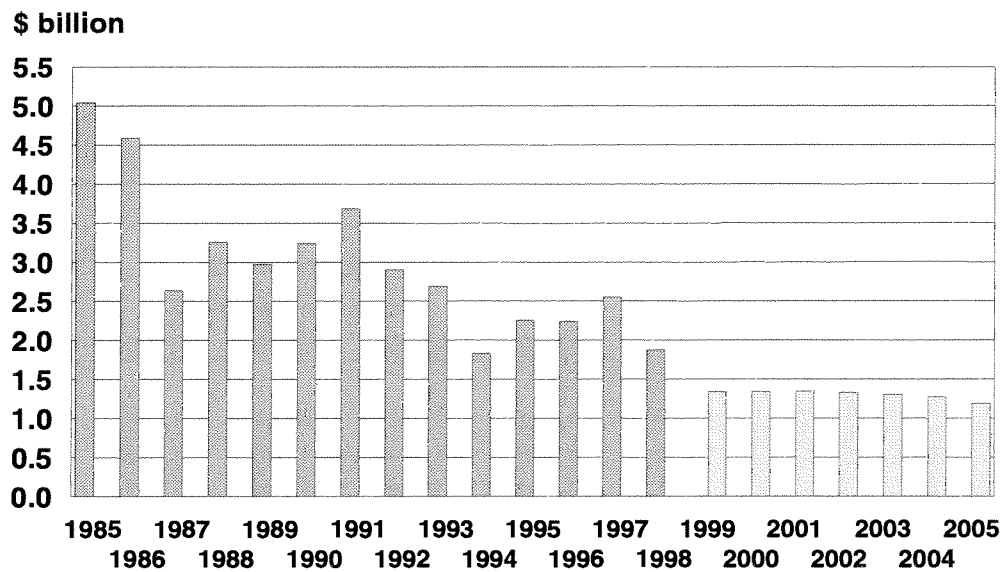


table 16

## Petroleum Production Tax and Royalty Revenue Forecast

\$ million

	actual							
	fy 1998	fy 1999	fy 2000	fy 2001	fy 2002	fy 2003	fy 2004	fy 2005
<b>Alaska North Slope</b>								
Oil Royalty (1)	440.9	278.5	307.4	332.2	344.2	365.8	377.0	351.7
Oil Severance Tax	561.9	326.2	311.5	316.7	310.2	297.6	291.7	261.9
Conservation Tax	1.5	1.5	1.3	1.3	1.3	1.3	1.3	1.3
Hazardous Release Fund	11.3	10.9	9.5	9.7	9.4	9.6	9.9	9.5
Gas Royalty (1)	0.8	0.6	0.5	0.5	0.6	0.6	0.6	0.6
Gas Severance Tax	<u>1.9</u>	<u>0.9</u>	<u>1.1</u>	<u>1.1</u>	<u>1.1</u>	<u>1.2</u>	<u>1.2</u>	<u>1.1</u>
<b>Total</b>	<b>1018.3</b>	<b>618.6</b>	<b>631.2</b>	<b>661.6</b>	<b>666.8</b>	<b>676.2</b>	<b>681.7</b>	<b>626.2</b>
<b>Cook Inlet</b>								
Oil Royalty (1)	13.5	21.0	23.0	23.7	23.8	23.9	23.2	22.5
Oil Severance Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Conservation Tax	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Hazardous Release Fund	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Gas Royalty (1)	20.9	17.1	17.6	18.3	19.1	19.9	20.8	21.7
Gas Severance Tax	<u>18.4</u>	<u>12.5</u>	<u>13.6</u>	<u>14.2</u>	<u>14.7</u>	<u>15.3</u>	<u>16.0</u>	<u>16.6</u>
<b>Total</b>	<b>53.2</b>	<b>50.9</b>	<b>54.6</b>	<b>56.5</b>	<b>58.0</b>	<b>59.4</b>	<b>60.2</b>	<b>61.0</b>

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

table 17

## Detailed Petroleum Revenue Projections

\$ million

	actual							
	fy 1998	fy 1999	fy 2000	fy 2001	fy 2002	fy 2003	fy 2004	fy 2005
<b>Petroleum Revenue</b>								
Production Tax	577.8	352.3	337.2	343.3	337.0	325.3	320.3	290.7
Property Tax	51.3	48.8	45.9	44.1	42.2	40.4	38.5	36.6
Petroleum Corporation Tax	200.1	170.0	170.0	175.0	175.0	170.0	165.0	160.0
Gross Royalties	689.2	431.1	479.3	516.1	534.3	571.5	593.7	557.1
<b>Total Petroleum</b>	<b>1518.3</b>	<b>1002.2</b>	<b>1032.5</b>	<b>1078.5</b>	<b>1088.6</b>	<b>1107.2</b>	<b>1117.5</b>	<b>1044.4</b>
<b>Non-Petroleum Revenue</b>								
Gross Mineral Bonuses and Rents	48.2	50.4	12.0	12.1	12.2	12.4	12.5	12.7
Non-Petroleum Non-Interest	493.0	425.8	458.0	452.9	459.3	460.7	454.3	455.3
<b>Total Non-Petroleum</b>	<b>541.1</b>	<b>476.2</b>	<b>470.0</b>	<b>465.0</b>	<b>471.6</b>	<b>473.1</b>	<b>466.8</b>	<b>468.0</b>
<b>Total Revenue</b>	<b>2059.4</b>	<b>1478.4</b>	<b>1502.5</b>	<b>1543.5</b>	<b>1560.2</b>	<b>1580.3</b>	<b>1584.3</b>	<b>1512.4</b>
Permanent Fund Dedication	230.5	137.9	135.3	145.7	151.1	165.7	176.7	165.4
Public School Fund Dedication	3.4	2.4	2.5	2.6	2.7	2.9	3.0	2.8
<b>General Fund Unrestricted Revenue</b>								
<b>Net Nominal Dollars</b>	<b>1825.5</b>	<b>1338.1</b>	<b>1364.8</b>	<b>1395.1</b>	<b>1406.4</b>	<b>1411.6</b>	<b>1404.7</b>	<b>1344.2</b>
<b>Net Real 1999 Dollars</b>	<b>1876.6</b>	<b>1338.1</b>	<b>1340.7</b>	<b>1344.9</b>	<b>1329.2</b>	<b>1306.7</b>	<b>1272.2</b>	<b>1191.3</b>

table 18

### Historical and Projected Crude Oil Prices

\$ per barrel - nominal and real \$1999

fy	ans west coast		ans market		ans wellhead (1)		west texas intermediate	
	nominal	real 1999	nominal	real 1999	nominal	real 1999	nominal	real 1999
1982	N/A	N/A	32.04	58.32	19.82	36.08	32.98	60.04
1983	N/A	N/A	30.31	51.54	17.60	29.93	35.52	60.40
1984	N/A	N/A	29.26	48.50	17.79	29.49	30.59	50.70
1985	N/A	N/A	27.89	44.36	17.37	27.63	28.15	44.77
1986	N/A	N/A	22.03	33.77	12.41	19.02	23.11	35.42
1987	N/A	N/A	14.98	22.56	7.84	11.81	16.14	24.31
1988	16.12	23.40	16.45	23.88	10.68	15.51	18.53	26.90
1989	14.61	20.42	14.80	20.69	9.55	13.34	16.93	23.66
1990	17.22	22.89	17.34	23.05	11.89	15.80	20.06	26.66
1991	21.57	27.37	21.72	27.56	15.38	19.51	24.95	31.65
1992	16.64	20.16	16.88	20.45	11.20	13.58	20.69	25.07
1993	17.83	20.96	17.93	21.07	12.80	15.05	20.69	24.32
1994	14.05	16.03	14.22	16.23	9.57	10.92	16.69	19.05
1995	16.77	18.67	16.83	18.74	11.51	12.82	18.46	20.55
1996	17.74	19.17	17.77	19.20	12.60	13.62	19.20	20.75
1997	20.90	21.98	20.85	21.93	16.43	17.28	22.54	23.70
1998	16.02	16.47	16.03	16.48	11.85	12.18	18.03	18.54
1999	<b>12.10</b>	<b>12.10</b>	<b>12.11</b>	<b>12.11</b>	<b>7.89</b>	<b>7.89</b>	<b>13.51</b>	<b>13.51</b>
2000	13.57	13.33	13.57	13.33	9.26	9.10	15.27	15.00
2001	14.67	14.14	14.52	14.14	10.08	9.71	16.50	15.91
2002	15.28	14.44	15.28	14.44	10.62	10.03	17.19	16.25
2003	16.00	14.81	16.00	14.81	11.29	10.45	18.00	16.66
2004	16.30	14.76	16.30	14.76	11.53	10.44	18.34	16.61
2005	16.64	14.75	16.64	14.75	11.17	9.90	18.72	16.59

table 19

### Actual and Projected Crude Oil Production Oil and Natural Gas Liquids (NGLs)

million barrels per day

	actual fy 1998	fy 1999	fy 2000	fy 2001	fy 2002	fy 2003	fy 2004	fy 2005
<b>Alaska North Slope (1)</b>								
Prudhoe Bay	0.7128	0.6325	0.5440	0.5220	0.4890	0.4604	0.4375	0.4122
PBU-Satellites (2)	0.0000	0.0031	0.0120	0.0240	0.0350	0.0505	0.0625	0.0665
Kuparuk	0.2597	0.2407	0.2249	0.2144	0.2051	0.1934	0.1827	0.1814
West Sak	0.0005	0.0025	0.0047	0.0046	0.0068	0.0112	0.0165	0.0291
Tobasco	0.0001	0.0040	0.0105	0.0131	0.0128	0.0096	0.0072	0.0057
Tarn	0.0000	0.0195	0.0216	0.0173	0.0186	0.0169	0.0142	0.0119
Milne Point	0.0482	0.0497	0.0471	0.0454	0.0470	0.0505	0.0540	0.0546
Schrader Bluff	0.0043	0.0057	0.0055	0.0065	0.0069	0.0066	0.0065	0.0071
Sag River	0.0007	0.0002	0.0004	0.0013	0.0021	0.0019	0.0017	0.0016
Endicott (3)	0.0581	0.0435	0.0400	0.0387	0.0366	0.0355	0.0345	0.0330
Eider	0.0000	0.0037	0.0039	0.0031	0.0025	0.0021	0.0017	0.0014
Badami	0.0000	0.0025	0.0040	0.0050	0.0050	0.0050	0.0030	0.0000
Lisburne	0.0083	0.0069	0.0082	0.0090	0.0098	0.0093	0.0078	0.0073
Point McIntyre	0.1525	0.1213	0.0928	0.0750	0.0620	0.0515	0.0458	0.0401
Niakuk	0.0289	0.0297	0.0254	0.0219	0.0179	0.0149	0.0130	0.0113
West Beach (4)	0.0005	0.0010	0.0023	0.0029	0.0030	0.0026	0.0022	0.0020
Alpine	0.0000	0.0000	0.0000	0.0600	0.0750	0.0775	0.0782	0.0720
Northstar	0.0000	0.0000	0.0000	0.0000	0.0000	0.0250	0.0500	0.0500
Liberty	0.0000	0.0000	0.0000	0.0000	0.0000	0.0250	0.0550	0.0413
Known Onshore	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0020</u>	<u>0.0030</u>
<b>Total Liquids</b>	<b>1.2747</b>	<b>1.1665</b>	<b>1.0472</b>	<b>1.0642</b>	<b>1.0352</b>	<b>1.0493</b>	<b>1.0759</b>	<b>1.0314</b>
<b>COOK INLET</b>	<b>0.0324</b>	<b>0.0316</b>	<b>0.0262</b>	<b>0.0237</b>	<b>0.0215</b>	<b>0.0196</b>	<b>0.0179</b>	<b>0.0164</b>
<b>TOTAL ALASKA</b>	<b>1.3071</b>	<b>1.1981</b>	<b>1.0734</b>	<b>1.0878</b>	<b>1.0566</b>	<b>1.0689</b>	<b>1.0938</b>	<b>1.0478</b>

(1) Delivered to the Trans-Alaska Pipeline System.

(2) Includes Midnight Sun, Sambuca and PBU-Schrader.

(3) Includes Endicott and Sag Delta.

(4) Includes West Beach and North Prudhoe Bay State.

# historical overview

## Revenue, Prices and Production

The pages that follow contain historical revenue, price and production data. Table 20 on pages 38-39 show General Fund unrestricted revenue by type from FY 1984-1998.

Table 21 on page 40 show historical petroleum revenue by type from FY 1965-1998.

Finally, this section concludes with table 22 and 23 on page 41 with historical crude oil prices (FY 1981-1998) and production (FY 1978-1998) for the North Slope and Cook Inlet.



table 20

Historical General Fund Unrestricted Revenue

\$ million

Tax Portion

	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	(1) fy 98
<b>TAXES</b>															
<u>Property Tax</u>	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	51.3
<u>Sales/Use</u>															
Alcoholic Beverages	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	11.8
Tobacco Products	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	15.4
Insurance Premium	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	33.7
Motor Fuel Tax-Aviation	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	5.3
Motor Fuel Tax-Highway	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	24.0
Motor Fuel Tax-Marine	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	6.3
Total	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	96.5
<u>Income Tax</u>															
Corporation General	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	53.4
Corporation Petroleum	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	200.1
Total	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	253.5
<u>Severance Tax</u>															
Oil and Gas Production	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	564.4
Oil and Gas Conservation	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	1.6
Oil and Gas Hazardous Release	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	11.8
Total	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	577.8
<u>Other Natural Resource Tax</u>															
Salmon and Seafood Marketing	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	5.6
Salmon Enhancement	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	4.2
Fisheries Business	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	28.5
Fish Landing	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	3.8
Total	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	42.1
<u>Other Tax</u>															
Estate	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	5.5
Other	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	6.1
Total	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	11.6
<b>TOTAL TAXES</b>	<b>1937.0</b>	<b>1855.5</b>	<b>1473.4</b>	<b>1004.2</b>	<b>1206.9</b>	<b>1111.8</b>	<b>1381.8</b>	<b>1730.5</b>	<b>1458.7</b>	<b>1377.8</b>	<b>959.5</b>	<b>1206.5</b>	<b>1228.0</b>	<b>1438.8</b>	<b>1032.7</b>



**Non-Tax Portion**

	fy 84	fy 85	fy 86	fy 87	fy 88	fy 89	fy 90	fy 91	fy 92	fy 93	fy 94	fy 95	fy 96	(1)	fy 97	(1)	fy 98	(1)
<b>Licenses and Permits</b>	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	69.0	74.6		
<b>Intergovernmental Receipts</b>																		
Federal Shared Revenues	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	2.0	2.2		
<b>Charges for Services</b>																		
Marine Highways	32.0	33.4	32.3	31.3	29.8	33.1	34.0	40.7	42.3	40.8	40.4	41.5	38.5	38.6	38.6	37.1		
Other	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	39.5	34.9		
Total	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	78.1	72.0		
<b>Fines and Forfeitures</b>	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	8.2	37.7		
<b>Rents and Royalties</b>																		
Mineral Bonuses, Rents, Royalties	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	7.4	23.0		
Oil and Gas Royalties	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	759.2	480.4		
Timber Sales	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	1.9	0.8		
Sale of State Property	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	8.6	8.1		
Total	1073.5	1062.2	883.2	460.0	711.3	628.0	757.8	981.5	710.5	760.2	526.7	656.3	658.7	777.1	777.1	512.3		
<b>Investment Earnings</b>	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	77.1	60.6		
<b>Miscellaneous Revenue</b>	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	44.6	33.5		
<b>Sub-Total NON-TAX REVENUE</b>	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	1056.1	792.8		
Plus: Income from prior years	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	0.0	0.0		
<b>TOTAL NON-TAX REVENUE</b>	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	1056.1	792.8		
<b>TOTAL TAX REVENUE</b>	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	1438.8	1032.7		
<b>TOTAL GENERAL FUND UNRESTRICTED REVENUE</b>	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	2494.9	1825.5		

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

# Historical Unrestricted Petroleum Revenue

table 21

\$ million

fy	corporation		petroleum		reserve	tax	(1) (2)		bonuses and rents	(3) (4)		total	(5)	total		petroleum
	tax	severance	property	tax			royalties	settlements		special	petroleum			general fund	unrestricted	
1965		0.3					8.4	7.8				16.5	102.4	83.0	20%	
1966		0.3					8.0	13.3				21.6	124.0	86.5	25%	
1967		0.5					9.6	11.4				21.5	145.5	86.6	25%	
1968	0.1	10.2					17.0	24.7				52.0	197.5	112.7	46%	
1969	0.1	5.6					24.7	4.1				34.5	232.0	112.4	31%	
1970	0.4	7.9					27.5	903.1				938.9	1170.9	1067.3	88%	
1971	0.9	10.5					32.5	3.1				47.0	1217.9	220.4	21%	
1972	1.2	11.4					32.5	3.3				48.4	1266.3	219.2	22%	
1973	0.9	12.0					30.2	7.2				50.3	1316.6	208.2	24%	
1974	1.2	14.8					35.8	28.4				80.2	1396.8	254.9	31%	
1975	2.5	26.6		6.6			49.8	4.9				90.4	1487.2	333.4	27%	
1976	4.9	28.0		83.4	223.1		48.4	3.7				391.5	1878.7	709.8	55%	
1977	5.0	23.8		139.1	270.6		36.3	2.8				477.6	2356.3	874.3	55%	
1978	8.4	107.7		173.0			150.6	1.8				441.5	2797.8	764.9	58%	
1979	232.6	173.8		163.4			250.2	1.6				821.6	3619.4	1133.0	73%	
1980	547.5	506.5		168.9			689.4	344.2				2256.5	5875.9	2501.2	90%	
1981	860.1	1170.2		143.0			1119.7	11.3				3304.3	9180.2	3718.0	89%	
1982	668.9	1581.7		142.7			1174.4	7.1				3574.8	12,755.0	4108.4	87%	
1983	236.0	1493.7		152.6			1105.6	38.7				3026.6	15,781.6	3631.0	83%	
1984	265.1	1393.1		131.0			1058.5	13.9				2861.6	18,643.2	3390.1	84%	
1985	168.6	1389.4		128.4			1042.2	14.9				2743.5	21,386.7	3260.0	84%	
1986	133.9	1107.9		113.5			845.0	38.9		418.2		2657.4	24,044.1	3075.5	86%	
1987	120.4	648.5		102.5			448.3	4.3		70.5		1394.5	25,438.6	1799.4	77%	
1988	158.0	818.7		96.2			701.5	11.3		163.9		1949.6	27,388.2	2305.8	85%	
1989	166.0	698.8		89.7			611.5	16.7		257.7		1840.4	29,228.6	2186.2	84%	
1990	117.2	1001.6		89.8	0.0		753.7	4.2		154.8		2121.3	31,349.9	2507.2	85%	
1991	185.1	1284.8		85.0	0.0		958.7	24.7		33.5		2571.8	33,921.7	2986.6	86%	
1992	165.5	1053.2		69.0	0.0		708.2	6.8		4.7		2007.4	35,929.1	2462.6	82%	
1993	117.6	1017.6		66.9	0.0		716.7	44.3		4.7		1967.8	37,896.9	2352.0	84%	
1994	17.8	692.1		61.5	0.0		516.1	5.1		0.1		1292.7	39,189.6	1652.5	78%	
1995	128.5	793.9		57.3	0.0		631.8	5.0		0.7		1617.2	40,806.8	2082.9	78%	
1996	173.7	787.2		56.0	0.0		642.2	5.7		0.0		1664.8	42,471.6	2133.3	78%	
1997	269.4	921.6		53.6	0.0		759.2	6.4		0.0		2010.2	44,481.8	2494.9	81%	
1998	200.1	577.8		51.3	0.0		480.4	23.0		0.0		1332.7	45,814.5	1825.5	73%	

- (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.
- (4) Tax settlements are in the CBRF.
- (5) This table shows historical petroleum revenues from FY 1965-1998. The cumulative petroleum revenue total is based on revenues beginning in FY 1959.

table 22 **Historical Crude Oil Prices**  
\$ per barrel

table 23 **Historical Crude Oil Production**  
million barrels per day

fy	ans west coast		ans gulf coast		ans average reported sales		wti spot
	spot	spot	spot	spot	sales	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			
1998	15.86	.	16.03	18.03			

fy	ans		cook	
	ans	inlet	inlet	alaska
1978	0.711	0.144	0.144	0.855
1979	1.197	0.131	0.131	1.328
1980	1.421	0.109	0.109	1.530
1981	1.511	0.093	0.093	1.604
1982	1.570	0.080	0.080	1.650
1983	1.627	0.073	0.073	1.700
1984	1.676	0.065	0.065	1.741
1985	1.694	0.055	0.055	1.749
1986	1.802	0.045	0.045	1.847
1987	1.859	0.047	0.047	1.906
1988	2.014	0.043	0.043	2.057
1989	1.960	0.043	0.043	2.003
1990	1.852	0.033	0.033	1.885
1991	1.799	0.040	0.040	1.839
1992	1.791	0.042	0.042	1.833
1993	1.687	0.041	0.041	1.728
1994	1.602	0.038	0.038	1.640
1995	1.572	0.042	0.042	1.614
1996	1.474	0.042	0.042	1.516
1997	1.404	0.037	0.037	1.441
1998	1.275	0.032	0.032	1.307

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

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 Alaska 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.

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