

REVENUE SOURCES BOOK
FORECAST AND HISTORICAL DATA

SPRING 1997



STATE OF ALASKA
Tony Knowles, Governor

DEPARTMENT OF REVENUE
Wilson L. Condon, Commissioner

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF REVENUE

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April 4, 1997

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

Dear Governor Knowles:

I am enclosing our Spring 1997 Revenue Forecast, which updates our revenue projections for FY 1997, FY 1998, and FY 1999. Oil revenues this fiscal year continue to exceed our expectations, with higher oil prices raising our FY 1997 estimate of Net Disposable Unrestricted General Fund Revenue by \$30 million over our Fall 1996 forecast.

We expect ANS oil prices to decline from current levels in the \$21 to \$22 per barrel range to \$20.80 per barrel by the end of FY 1997. We now forecast FY 1998 ANS prices to average \$18.44 per barrel.

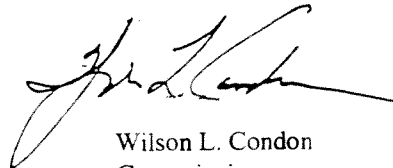
We forecast ANS production to decline by 2.2 percent in FY 1998 and 3.9 percent in FY 1999. The good news is that we should see this decline turn into an increase in FY 2000 as production from Northstar, Alpine, Badami, and other satellite oil fields comes on line. We will address in detail these fields and their projected effect on production in our Fall 1997 long range revenue forecast. We released an upside revenue estimate for this new production in January 1997. Our estimate showed an additional \$100 million in state revenue in FY 2002, increasing to about \$225 million in FY 2005--but I caution that these are revenue estimates based on optimistic volume forecasts by the major oil producers.

As a result of raising the oil price assumptions over our Fall 1996 forecast, we have increased our revenue projections of the Net Disposable Unrestricted General Fund Revenue as follows:

	<u>Spring 1997 Forecast</u>	<u>Increase from Fall 1996</u>
FY 1997	\$2.449 billion	\$29 million
FY 1998	\$2.093 billion	\$85 million
FY 1999	\$1.957 billion	\$49 million

We have worked closely with the Office of Management and Budget to develop two new tables in the forecast (Tables 4 and 5). These tables illustrate Restricted and Other Revenue Sources in addition to the Net Disposable Unrestricted General Fund Revenue. This provides a comprehensive picture of all projected revenue sources subject to the Executive Budget Act.

Sincerely,



Wilson L. Condon
Commissioner



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EXECUTIVE SUMMARY

REFERENCE CASE

Spring 1997 Forecast (FY 1997-1999)

The Spring 1997 forecast updates our short-term (FY 1997-1999) outlook for State of Alaska General Fund revenue. We have updated several key assumptions, including oil prices, oil production, and the rate of inflation. Given the State's reliance on oil production and the short-term volatility of oil prices, we recommend that the reader examine the petroleum revenue sensitivity matrices on page 26 to understand the effects of changing oil prices and production on the State's revenues.

Highlights from the Spring 1997 forecast are:

- * ANS production fell to an average of 1.41 million barrels/day in FY 1997. Thanks to robust oil prices, averaging \$21/barrel so far this year, oil revenues will be the highest they have been since FY 1993 when production averaged over 1.69 million barrels/day.
- * ANS oil prices over the FY 1998-1999 periods are expected to average around \$18.40/barrel as a slight increase in demand provides a growth window for OPEC production that keeps oil prices from falling back toward the five-year average of \$16.50/barrel.
- * ANS oil production is expected to decline by 2.2 percent in FY 1998 and a further 3.9 percent in FY 1999. As production declines the Economic Limit Factor (ELF) will cause the overall severance tax rate to decline from 12.5 percent in FY 1997 to 11.1 percent in FY 1999.
- * Production from the new Alpine and Northstar oil fields is expected to come on-line in FY 2000. We expect Badami production to begin in FY 1999. We will address the effects of these new North Slope developments in our Fall 1997 forecast, which will update our long term production projections. The development of these and other fields is expected to temporarily halt the decline in ANS production after FY 1999.
- * Our estimate of non-petroleum tax revenue is down slightly from our fall forecast. This reflects a downturn in the Alaska fishing industry and reduced expectations for corporation income tax collections.

TABLE 1.

REFERENCE CASE
Spring 1997 Forecast Projections

FY	Net Disposable General Fund Unrestricted Revenue (\$Billion)	General Fund Unrestricted Revenue (\$Billion)	ANS Market Price (\$/barrel)	ANS Production (Million barrels/day)
1996 ACTUAL	\$2.216	\$2.133	\$17.76	1.474
1997	\$2.449	\$2.444	\$20.80	1.405
1998	\$2.093	\$2.063	\$18.44	1.375
1999	\$1.957	\$1.966	\$18.34	1.322

FIGURE 1.

**SPRING 1997 REFERENCE CASE
FY 1996 ACTUAL AND FY 1997-1999 PROJECTED**

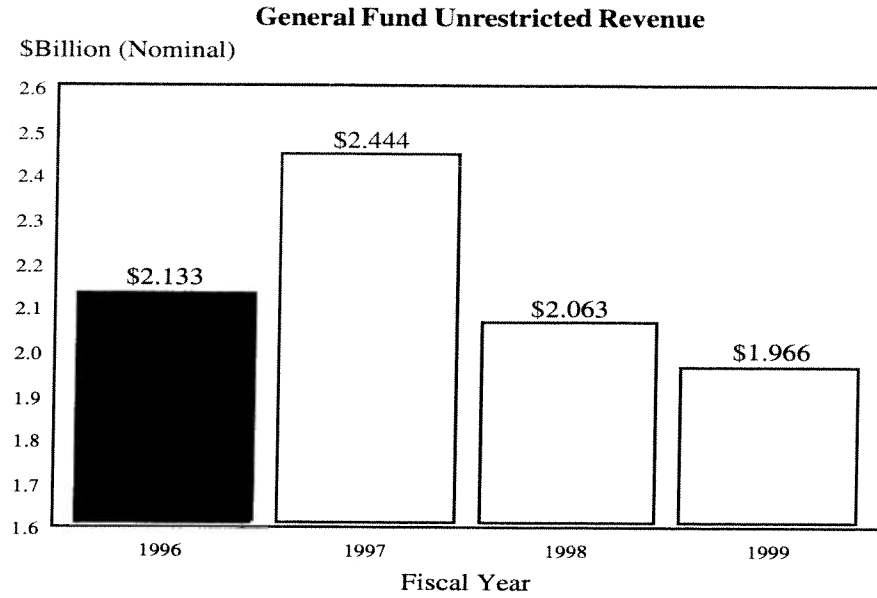


FIGURE 2.

**SPRING 1997 REFERENCE CASE
FY 1996 ACTUAL AND FY 1997-1999 PROJECTED**

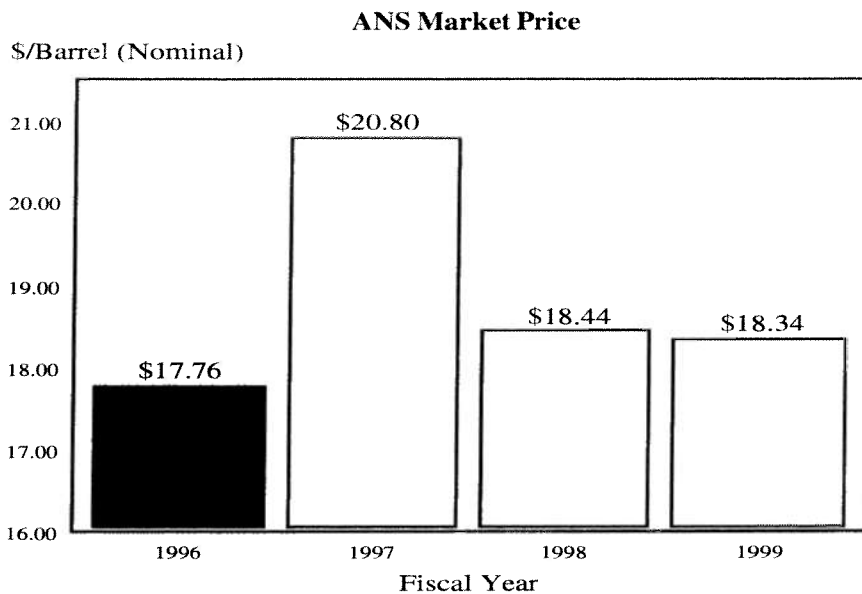
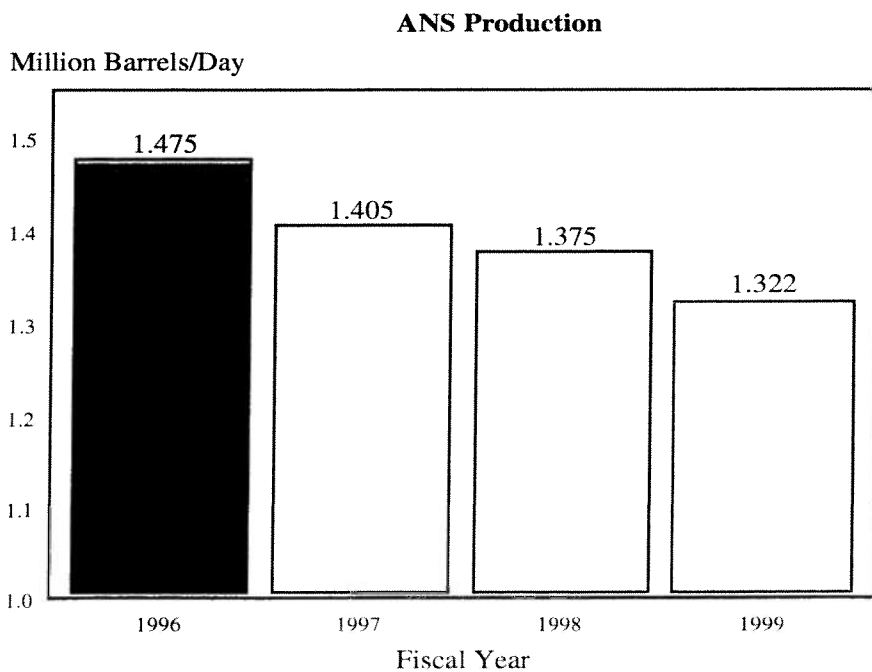


FIGURE 3.

**SPRING 1997 REFERENCE CASE
FY 1996 ACTUAL AND FY 1997-1999 PROJECTED**





REVENUE FORECAST

SPRING 1997 FORECAST, FY 1997-1999

The Department of Revenue has historically forecast an amount of General Fund Unrestricted Revenue that included all the "UNRESTRICTED REVENUE" items in the state accounting system (AKSAS) together with certain program receipts that were accounted for as "RESTRICTED REVENUE" in AKSAS. We now include all program receipt revenue in the General Fund Unrestricted Revenue because these revenues are not restricted to any particular use. We do not include the potential revenue effects of bills currently being considered by the Alaska Legislature.

Both the Governor's Office of Management and Budget and the Legislature make a series of adjustments to the Department of Revenues'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 in the Constitutional Budget Reserve Fund (CBRF).

Table 3 reflects the derivation of Net Disposable General Fund Unrestricted Revenue. The total revenue reflected in this table is the amount generally used for budget and 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 4, Total Revenue Recognized by the Executive Budget Act, is a new table which was added to this forecast to show revenue sources annually appropriated under the Executive Budget Act. Much of this revenue is restricted to specific use or may be appropriated only in certain circumstances (e.g. the CBRF).

We have also added Table 5 which summarizes forecast revenue and fund balances for the Constitutional Budget Reserve Fund and the Alaska Permanent Fund.

TABLE 2.

GENERAL FUND UNRESTRICTED REVENUE

This table presents the General Fund Unrestricted Revenue forecast which conforms to the account structure of the State accounting system (AKSAS). The table includes all the program receipts reflected in AKSAS (54010 series).

TAXES	(\$Million)			
	FY 1996 ACTUAL	FY 1997	FY 1998	FY 1999
<u>Property Tax - Oil and Gas (1)</u>	56.0	53.5	51.0	49.0
<u>Sales/Use Tax</u>				
Alcoholic Beverage	12.0	12.0	12.0	12.0
Tobacco Products	14.2	13.8	14.0	14.0
Insurance Premium	28.2	28.7	29.2	29.7
Electric and Telephone Cooperative (2)	2.5	2.7	2.7	2.7
Motor Fuel Tax-Aviation (3)	8.2	7.7	7.7	7.7
Motor Fuel Tax-Highway	21.0	19.0	20.0	20.0
Motor Fuel Tax-Marine	<u>8.5</u>	<u>7.8</u>	<u>8.2</u>	<u>8.5</u>
Total	94.6	91.7	93.8	94.6
<u>Income Tax</u>				
Corporation General	53.3	46.3	50.1	52.1
Corporation Petroleum	<u>173.7</u>	<u>220.0</u>	<u>165.0</u>	<u>160.0</u>
Total	227.0	266.3	215.1	212.1
<u>Severance Tax</u>				
Oil and Gas Production	771.7	911.8	729.5	669.0
Oil and Gas Conservation	1.8	1.8	1.7	1.7
Oil and Gas Hazardous Release	<u>13.7</u>	<u>13.0</u>	<u>12.9</u>	<u>12.4</u>
Total	787.2	926.5	744.1	683.1
<u>Other Natural Resource Tax</u>				
Salmon and Seafood Marketing (4)	8.6	6.9	6.8	3.4
Salmon Enhancement (5)	5.2	4.3	4.3	4.3
Fisheries Business (6)	38.2	29.8	29.0	29.0
Fishery Resource Landing (7)	7.1	7.1	7.1	7.1
Mine and Mining	<u>0.5</u>	<u>0.1</u>	<u>0.3</u>	<u>0.3</u>
Total	59.7	48.2	47.5	44.1
<u>Other Tax</u>				
Estate	1.7	1.4	1.4	1.4
Charitable Gaming	<u>1.9</u>	<u>1.8</u>	<u>1.9</u>	<u>1.9</u>
Total	3.6	3.2	3.3	3.3
TOTAL TAXES	1228.0	1389.4	1154.8	1086.2

(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 (millions \$): FY 1996: \$301.8 and \$245.6; FY 1997: \$293.6 and \$239.7; FY 1998: \$283.4 and \$232.2; FY 1999: \$273.1 and \$224.1. Note that these tax revenues are not reflected as shared taxes in Table 3 because the State never receives the municipal portion of this tax.

(2) 100 percent of the tax is subject to sharing with qualified municipalities (AS 10.25.570). See Table 3.

(3) 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 3.

(4) 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.

(5) Provides annual funding for qualified regional aquaculture associations (AS 43.76.025). See Table 3.

(6) 50 percent is subject to sharing with qualified municipalities (AS 43.75.130). See Table 3.

(7) 50 percent is subject to sharing with qualified municipalities (AS 43.77.060). Since taxpayers have contested the constitutionality of the tax, the shared portion (\$3.3 million collected for FY 1996) is currently escrowed by the municipalities. See Table 3.

	(\$Million)			
	FY 1996 ACTUAL	FY 1997	FY 1998	FY 1999
LICENSES AND PERMITS				
<u>Motor Vehicle</u>	29.9	34.9	34.9	29.4
<u>Other (8)</u>	<u>31.0</u>	<u>31.0</u>	<u>31.0</u>	<u>31.0</u>
TOTAL LICENSES AND PERMITS	60.9	65.9	65.9	60.4
INTERGOVERNMENTAL RECEIPTS	1.0	1.0	1.0	1.0
CHARGES FOR SERVICES				
<u>Marine Highways (9)</u>	38.5	40.3	40.9	41.7
<u>Airport</u>	0.4	0.4	0.4	0.4
<u>Other (10)</u>	<u>36.5</u>	<u>36.5</u>	<u>36.5</u>	<u>36.5</u>
TOTAL CHARGES FOR SERVICES	75.4	77.2	77.8	78.6
FINES AND FORFEITURES	9.4	9.3	9.3	9.3
RENTS AND ROYALTIES				
<u>Mineral Bonuses and Rents (11)(12)</u>	5.7	4.7	3.3	3.0
<u>Oil and Gas Royalties (11)</u>	642.2	785.4	663.5	639.4
<u>Timber Sales</u>	1.5	1.5	1.8	1.5
<u>Coal Rent and Royalties (11)</u>	1.2	1.5	2.2	3.0
<u>Other Resource Revenues</u>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>
TOTAL RENTS AND ROYALTIES	658.6	801.1	678.8	654.9
INVESTMENT EARNINGS	64.1	64.0	40.0	40.0
OTHER MISCELLANEOUS	35.8	35.8	35.8	35.8
TOTAL GENERAL FUND UNRESTRICTED REVENUE (13)	2133.3	2443.8	2063.4	1966.2

(8) Includes amounts from coin-operated devices (AS 43.35.050) and liquor licenses (AS 04.11.610) shared to qualified municipalities. See Table 3.

(9) 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.

(10) Most fees charged by various agencies are program receipts. Includes miscellaneous receipts for services, park fees, and land-disposal fees.

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

(12) The first North Slope areawide lease sale is scheduled for June 1998. Other future sales include a re-offer of Cook Inlet leases--Sale 85A-W in February 1998 and a Beaufort Sea Sale--Sale 86 in September 1997. 50 percent of the bonuses are deposited into the Permanent Fund.

(13) This includes all revenues that are collected by the State and are not restricted in their use. Federal and other grants are restricted revenues that are excluded from this table.

TABLE 3. NET DISPOSABLE GENERAL FUND UNRESTRICTED REVENUE

Each year the Governor's Office of Management and Budget and the Legislature must make three adjustments to the Department of Revenue's projected 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.

	(\$Million)			
	<u>FY 1996 ACTUAL</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
UNRESTRICTED TO RESTRICTED				
<u>Tax Shared With Municipal Government (1)</u>				
Electric and Telephone Cooperative	(2.5)	(2.7)	(2.7)	(2.7)
Fuel Tax-Aviation	(0.2)	(0.2)	(0.2)	(0.2)
Fisheries Business	(19.7)	(14.9)	(14.5)	(14.5)
Fishery Resource Landing	(3.3)	(3.0)	(3.0)	(3.0)
Liquor Licenses and Coin-Operated Devices	<u>(0.9)</u>	<u>(0.9)</u>	<u>(0.9)</u>	<u>(0.9)</u>
Total	(26.6)	(21.7)	(21.3)	(21.3)
<u>Pass Throughs (2)</u>				
Salmon Enhancement	(5.2)	(4.3)	(4.3)	(4.3)
<u>Earmarked (3)</u>				
Marine Highways	<u>(38.5)</u>	<u>(40.3)</u>	<u>(40.9)</u>	<u>(41.7)</u>
TOTAL UNRESTRICTED TO RESTRICTED	(70.3)	(66.3)	(66.5)	(67.3)
RESTRICTED TO UNRESTRICTED				
Unclaimed Property Payments	1.8	1.8	1.8	1.8
Deposit Excess Loan Funds	1.7	1.0	0.7	0.6
Trans-Alaska Pipeline Liability Fund (4)	3.6	0.0	15.6	0.0
AHFC Payment	70.0	50.0	50.0	50.0
AHFC Insurance Fund Closeout (5)	0.0	0.0	22.3	0.0
AIDEA Payment (6)	0.0	15.0	0.0	0.0
Mitigation Receipts and Storage Tank Registration Fees (7)	0.0	3.4	5.3	5.3
Executive Life Transfers	<u>75.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL RESTRICTED TO UNRESTRICTED	153.0	71.2	95.7	57.7
NET ADJUSTMENTS TO GENERAL FUND				
UNRESTRICTED REVENUE	82.7	4.9	29.2	(9.7)
UNRESTRICTED GENERAL FUND REVENUE				
AS REFLECTED IN TABLE 2	2133.3	2443.8	2063.4	1966.2
NET DISPOSABLE GENERAL FUND				
UNRESTRICTED REVENUE	2215.9	2448.6	2092.6	1956.6

- (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 \$5.3 million is included under corporation receipts in Table 4 for FY 1998 (for a total AHFC Insurance Fund Closeout payment of \$26.7 million).
- (6) The projected AIDEA dividends of \$16 million in FY 1998 and \$15 million in FY 1999 are included in corporate receipts in Table 4.
- (7) These revenues are in excess of those already accounted for in Table 2 under three different accounts: Charges for Services, Fines and Forfeitures, and Licenses and Permits. FY 1996 revenue for this category was \$1.7 million.

TABLE 4.

TOTAL REVENUE RECOGNIZED BY THE EXECUTIVE BUDGET ACT

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.

	(\$Million)		
	FY 1996 ACTUAL	FY 1997	FY 1998
RESTRICTED GENERAL FUND AND OTHER REVENUE SOURCES			
<u>Appropriated</u>			
Federal Funds	995.2	1093.3	1121.2
Mental Health Trust Authority (MHTA)	0.7	7.2	7.6
Corporate Receipts Subject to Executive Budget Act (1)	104.7	107.2	131.4
Other Sources Net of Duplication (2)	486.0	591.2	554.5
Permanent Fund Dividends and Inflation Proofing	<u>1052.1</u>	<u>1308.2</u>	<u>1363.3</u>
Appropriated Total	2638.7	3107.1	3178.0
<u>Non-Appropriated or Appropriated Under Special Conditions</u>			
Dedicated Funds (3)	299.8	346.0	289.4
Constitutional Budget Reserve (CBR) Earnings and Estimated Settlements (4)	697.0	712.0	396.2
Permanent Fund Undistributed Net Income (5)	<u>761.5</u>	<u>544.8</u>	<u>99.7</u>
Non-Appropriated Total	1758.3	1602.8	785.3
TOTAL RESTRICTED AND OTHER FUNDS	<u>4397.0</u>	<u>4709.9</u>	<u>3963.3</u>
NET DISPOSABLE GENERAL FUND UNRESTRICTED REVENUE	2215.9	2448.6	2092.6
TOTAL REVENUES FROM ALL FUND SOURCES	<u>6613.0</u>	<u>7158.5</u>	<u>6055.9</u>

Restricted and other fund source projections are affected by several speculative factors. For example, federal funding increases proposed for education and job training programs may be more than offset by decreases in federal highway and social services block grant funds. CBRF earning projections for FY 1998 are based on Governor Knowles' proposals to the legislature for changing the asset allocation to increase the rate of return. Permanent Fund net income estimates for FY 1998 are based on capital market assumptions provided by Callan and Associates, the Alaska Department of Revenue's and Alaska Permanent Fund Corporation's investment consultant.

- (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, interest earned on separately maintained funds (e.g. Power Cost Equalization Fund), and retirement fund distributions.
- (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 \$160.5 million in estimated settlements for FY 1998.
- (5) Source: FY 1996, Alaska Permanent Fund monthly report, February 28, 1997; FY 1997 and 1998, Alaska Department of Revenue based on most recent (February 6, 1997) capital market assumptions from Callan and Associates. Assumes inflation rate of 3.5 percent.

TABLE 5. CONSTITUTIONAL BUDGET RESERVE FUND AND ALASKA PERMANENT FUND

The Spring 1997 revenue forecast for the Constitutional Budget Reserve Fund and the Alaska Permanent Fund are summarized below.

	(\$Million)		
	FY 1996 ACTUAL	FY 1997	FY 1998
CONSTITUTIONAL BUDGET RESERVE FUND SUMMARY			
Beginning Balance	2135.0	2518.0	3241.3
Earnings (1)	145.0	200.5	235.7
Petroleum Tax and Royalty Settlements (2)	552.0	511.5	160.5
General Fund Surplus/(Deficit- appropriated to fill gap) (3)	<u>(314.0)</u>	<u>11.3</u>	<u>(305.2)</u>
Ending Balance (4)	<u>2518.0</u>	<u>3241.3</u>	<u>3332.3</u>
ALASKA PERMANENT FUND SUMMARY (5)			
<u>Principal</u>			
Beginning Balance (Cost)	13645.0	16176.5	17072.9
Dedicated Petroleum Revenue	264.0	299.4	248.3
Inflation Proofing	407.0	581.0	612.5
Deposits to Principal (6)	<u>1860.5</u>	<u>16.0</u>	<u>11.0</u>
End-of-Year Balance (Cost)	16176.5	17072.9	17944.7
<u>Earnings and Earnings Reserve</u>			
ERA Beginning Balance (Cost)	1202.6	103.6	632.4
Net Income	1813.6	1853.0	1463.0
Dividend Payout	(642.8)	(727.2)	(750.8)
Inflation Proofing	(407.1)	(581.0)	(612.5)
Deposits to Principal (6)	(1860.5)	(16.0)	(11.0)
Other Appropriations (7)	<u>(2.2)</u>	<u>0.0</u>	<u>0.0</u>
ERA End-of-Year Balance (Cost)	103.6	632.4	721.1
<u>Market Value</u>			
Principal End-of-Year (Cost)	16176.5	17072.9	17944.7
ERA End-of-Year Balance (Cost)	103.6	632.4	721.1
End-of-Year Unrealized Earnings	<u>2125.0</u>	<u>2469.0</u>	<u>2698.0</u>
End-of-Year Balance (Market)	<u>18405.1</u>	<u>20174.3</u>	<u>21363.8</u>

- (1) FY 1997 earnings are based on estimates by the Department of Revenue; FY 1998 earnings are based on estimates by the Governor's Office of Management and Budget.
- (2) Settlements are based on estimates from the Department of Revenue and Department of Law.
- (3) FY 1996 is reconciled to the comprehensive Annual Financial Report.
- (4) FY 1997 and 1998 projections are based on the Governor's budget plan.
- (5) Source: FY 1996, Alaska Permanent Fund monthly report, February 28, 1997; FY 1997 and 1998, Alaska Department of Revenue based on most recent (February 6, 1997) capital market assumptions from Callan and Associates. Assumes inflation rate of 3.5 percent.
- (6) Includes legislative appropriations from the Earnings Reserve Account (ERA) plus certain earnings derived from royalty litigation settlement payments that cannot legally be used to pay Permanent Fund dividends.
- (7) Includes \$1.9 million into escrow for the Beaufort Sea litigation and \$.3 million to the Department of Law.

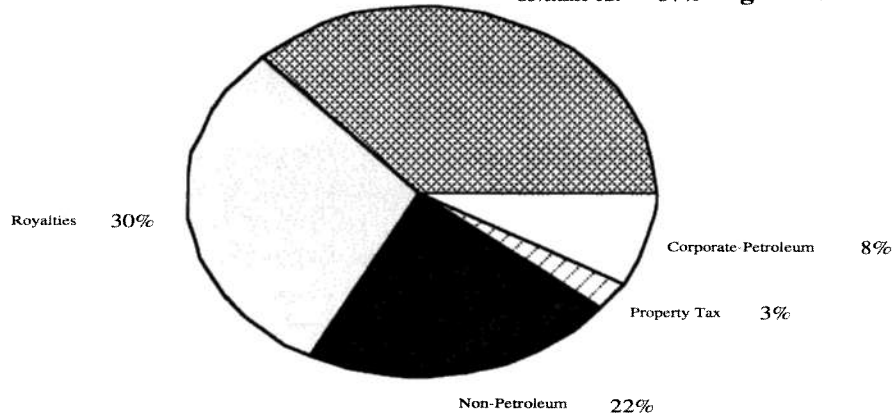
PETROLEUM REVENUE OVERVIEW

Petroleum revenue accounted for 78 percent of total General Fund Unrestricted Revenue in FY 1996. Alaska's North Slope continues to contribute the majority of the State's petroleum revenue (96 percent in FY 1996).

The majority of total State revenue will continue to come from petroleum in the form of: (1) severance (or production) taxes, (2) oil and gas royalties on state and federal land, (3) petroleum corporation income taxes, (4) petroleum property taxes, and (5) petroleum rents and lease bonuses. The graph below shows the percentages of petroleum and non-petroleum revenue making up total FY 1996 General Fund Unrestricted Revenue.

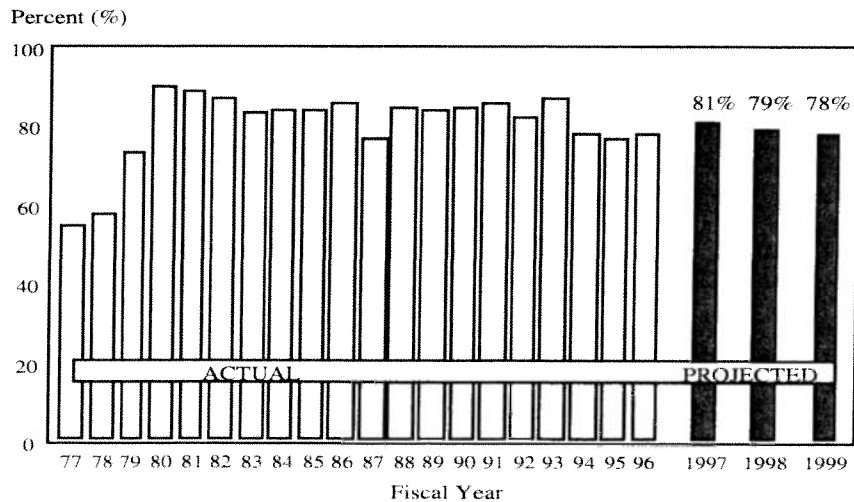
FIGURE 4.

**FY 1996 ACTUAL
GENERAL FUND UNRESTRICTED REVENUE
Petroleum and Non-Petroleum Revenues as Percentages of the Total**



As shown in Figure 6, petroleum revenues have provided over 75 percent of the State's General Fund Unrestricted Revenue for the last eighteen years. Petroleum revenues are projected to make up 81 percent of General Fund Unrestricted Revenue in FY 1997, 79 percent in FY 1998, and 78 percent in FY 1999.

FIGURE 5. **PERCENTAGE OF GENERAL FUND UNRESTRICTED REVENUE DERIVED FROM PETROLEUM**



CURRENT MARKET SITUATION

Oil prices remained robust over the last 16 months. The fundamental driving force in the oil market continues to be strong crude oil demand. The world economy continues to grow in the post-communist era with the result that oil consumption is now at record levels. In this forecast, we project that higher prices and advances in technology will continue to result in increasing supply from non-OPEC sources. Currently, market statistics suggest that supply is exceeding current demand with the result that depleted inventories are beginning to be built back up. As a result of these supply side pressures, we believe that oil prices will move down over the next six months averaging \$18.44/barrel in FY 1998 and \$18.34/barrel in FY 1999.

Organization of Petroleum Exporting Countries (OPEC)

OPEC production averaged roughly 800,000 barrels/day over its 25 million barrels/day quota in 1996. Total production from the organization has inched up to nearly 27 million barrels/day in 1997. As Table 6 shows, OPEC is currently producing nearly 2 million barrels/day over its quota. The most important change in OPEC production policy recently has been the resumption of exports from Iraq. The United Nations has approved the sale of \$1 billion of Iraqi oil every three months. This has meant a little over 550,000 barrels/day of additional OPEC production from Iraq through March 1997. Because Iraq's export limit is based on total value, their production could add to market volatility since they will increase sales in a soft market and reduce sales in a tight market.

TABLE 6. **OPEC PRODUCTION**
(Million Barrels/Day)

<u>Country</u>	<u>February 1997</u>	<u>1997 Quota</u>	<u>Over/(Under) Quota</u>
Algeria	0.850	0.750	0.010
Indonesia	1.487	1.330	0.157
Iran	3.700	3.600	0.100
Iraq	1.120	1.200	(0.080)
Kuwait (1)	2.070	2.000	0.070
Libya	1.410	1.390	0.020
Nigeria	2.200	1.865	0.335
Qatar	0.550	0.378	0.172
Saudi Arabia (1)	8.170	8.000	0.170
UAE	2.260	2.161	0.099
Venezuela	<u>3.175</u>	<u>2.359</u>	<u>0.816</u>
TOTAL	26.992	25.033	1.959

(1) Share Neutral Zone output.

Source: *Platt's Oilgram News* (3/17/97).

Alaska North Slope

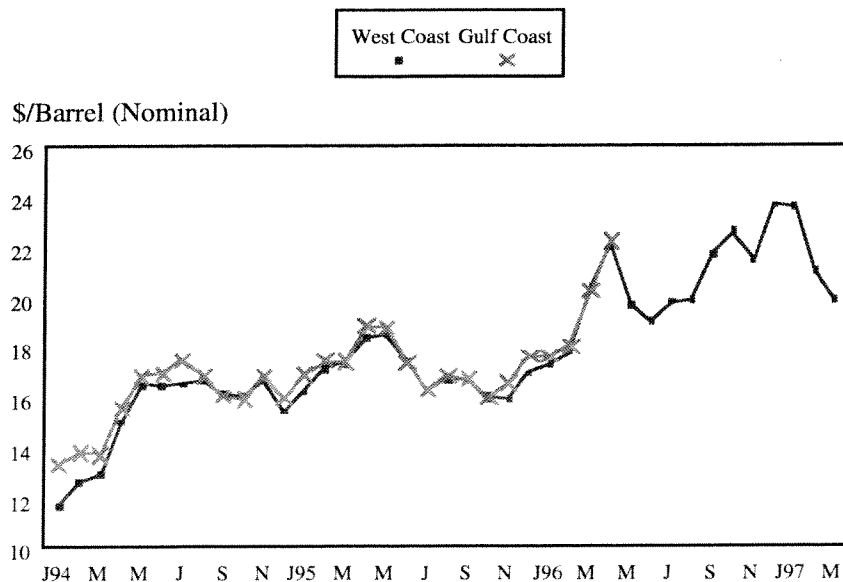
Roughly 90 percent of ANS production continues to be sold on the West Coast and to Alaskan refineries. The remainder is sold in the Far East, the Caribbean, and the US Mid-continent markets. ANS prices in all markets outside Alaska averaged \$17.76/barrel in FY 1996. We estimate that FY 1997 prices will average \$20.80/barrel thanks to higher than expected oil prices. This is about \$.50/barrel higher than was assumed in our Fall 1996 forecast. Some price weakness has shown up in the last month as demand in the US for crude oil has slackened and ample supply from foreign sources has continued to flow into the market. ANS prices remain close to the \$20/barrel level, with March prices spiking up as falling gasoline inventories captured the attention of the market.

Data from the US Maritime Administration shows that ANS exports for October, November, and December, averaged 77,500 barrels/day. The diversion of sales from the more distant Gulf Coast market to the Far East continues to enhance the net-back value of ANS exports. We continue to estimate that the ability to export will mean an additional \$10 million to the State treasury in both FY 1997 and 1998.

FIGURE 6.

HISTORICAL ANS SPOT PRICES

(\$/Barrel)



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 which projects severance taxes and royalties on a field-by-field basis.

Key assumptions used by the Department of Revenue for the Spring 1997 revenue forecast are depicted in Table 7 on the next page. 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. 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.

In this forecast, we discuss only one of the many possible future price and production outcomes affecting Alaska oil revenues: the reference case. To assist in examining a greater number of possible future oil revenue outcomes, 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 1997-1999. These sensitivity matrices are provided on page 26.

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 both severance tax and royalty purposes closely track spot prices. Royalties are paid based on a value that is determined using a market basket of crude oil prices that includes the ANS spot price.

Spring 1997 reference case sales price projections for ANS market prices (average of sales prices to the US West Coast, US Gulf Coast, and Far East destinations) are summarized in Table 7 .

Transportation Costs

As ANS production continues to decline, the increase in West Coast petroleum demand, and the availability of Far East markets will result in diminished shipments to the Gulf Coast. Our spring forecast assumes that barrels currently going to the Gulf Coast will be diverted to Far East markets. Consequently, we expect average shipping costs to decrease over the next few years.

Trans-Alaska Pipeline System (TAPS) Tariff

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

Tariffs are filed on a calendar year basis with new tariffs taking effect January 1 each year. The expected average tariff filing for calendar year 1997 is \$2.78/barrel. Table 7 contains projected fiscal year tariffs.

Feeder Pipeline Costs

Table 7 below contains projected pipeline costs. Certain additional transportation costs are also incurred to move the various crude oils which make up 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, TAPS pumpability charges, and pipeline quality bank adjustments) from the sales price.

TABLE 7. **SPRING 1997 REFERENCE CASE
FORECAST ASSUMPTIONS**

	Inflation Rate (Percent)	Average ANS Market Price (\$/Barrel)	Average Marine Transportation Cost (\$/Barrel)	Average TAPS Tariff (\$/Barrel)	Average Feeder Pipeline Costs (\$/Barrel)	Average ANS Wellhead Price (\$/Barrel)
FY 1996 ACTUAL	3.5	\$17.76	\$1.63	\$3.60	\$0.09	\$12.67
FY 1997	3.5	\$20.80	\$1.60	\$2.80	\$0.10	\$16.30
FY 1998	3.5	\$18.44	\$1.51	\$2.66	\$0.14	\$14.12
FY 1999	3.5	\$18.34	\$1.49	\$2.57	\$0.18	\$14.10

Production

The production assumptions for Alaska North Slope were developed on a field-by-field basis and in this forecast are updated through FY 1999. We will be revising our comprehensive forecast of long term oil and gas production in our Fall 1997 forecast.

The updated short-term forecast shows slightly higher overall ANS production than we assumed last fall as a result of more optimistic projections for the Kuparuk satellite fields, primarily Tarn, as well as the northwest Milne Point development, and an earlier start-up for Badami. By next fall, we will have a better idea about the production from the already scheduled developments at the Alpine and Northstar fields, as well as output from the recently announced discovery at Sourdough.

ANS oil production is expected to decline by 2.2 percent in FY 1998 and a further 3.9 percent in FY 1999. As production declines the Economic Limit Factor (ELF) will cause the overall severance tax rate to decline from 12.5 percent in FY 1997 to 11.1 percent in FY 1999.

FIGURE 7. ALASKA OIL AND NGL PRODUCTION
(Million Barrels/Day)

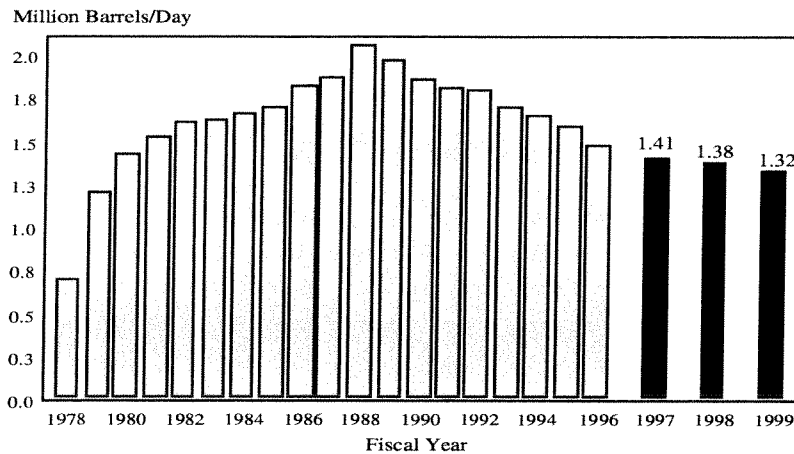


FIGURE 8. ECONOMIC LIMIT FACTOR (ELF)
ACTUAL AND PROJECTED FOR FIELDS WITH ELF GREATER THAN ZERO

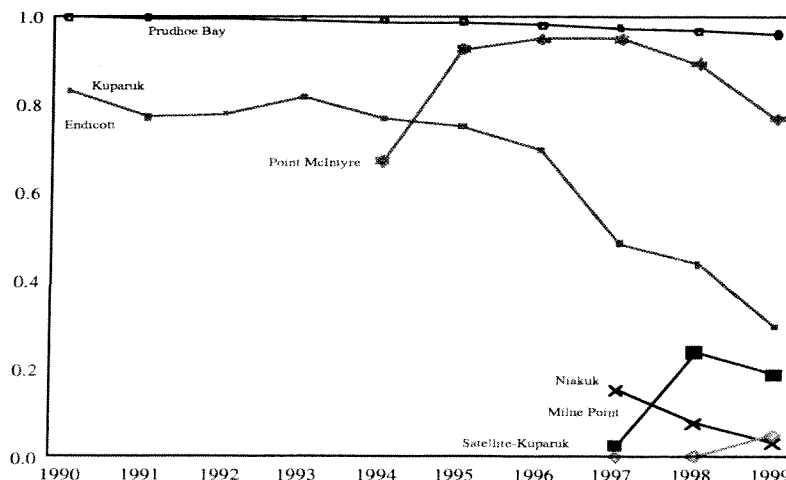


TABLE 8.

ALASKA OIL AND NGL PRODUCTION
(Million Barrels/Day)

	FY 1996 ACTUAL	FY 1997	FY 1998	FY 1999
<u>ALASKA NORTH SLOPE - Oil</u>				
Prudhoe Bay	0.813	0.743	0.691	0.650
Kuparuk	0.284	0.266	0.265	0.263
Milne Point, Cascade	0.019	0.048	0.071	0.070
Endicott, Sag Delta	0.086	0.066	0.066	0.057
Lisburne	0.013	0.011	0.011	0.009
Niakuks (1)	0.024	0.029	0.033	0.030
West Sak	0.000	0.000	0.005	0.007
Point McIntyre	0.145	0.161	0.129	0.095
Prudhoe Bay and Kuparuk Satellites	0.000	0.000	0.031	0.055
Schrader Bluff	0.003	0.004	0.004	0.006
West Beach, North Prudhoe State, Larch	0.002	0.001	0.001	0.000
Badami	0.000	0.000	0.000	0.015
Sag River	<u>0.000</u>	<u>0.001</u>	<u>0.002</u>	<u>0.003</u>
Total Oil	1.389	1.331	1.309	1.260
<u>ALASKA NORTH SLOPE - Natural Gas Liquids (NGLs)</u>				
Prudhoe Bay	0.077	0.066	0.059	0.055
Endicott, Sag Delta	0.003	0.003	0.003	0.003
Lisburne	0.002	0.002	0.002	0.001
Niakuks (1)	0.000	0.000	0.000	0.000
Point McIntyre	0.002	0.002	0.002	0.002
West Beach, North Prudhoe State, Larch	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
Total NGLs	0.085	0.074	0.066	0.062
<u>ALASKA NORTH SLOPE - Total Liquids</u>				
Prudhoe Bay	0.891	0.810	0.750	0.705
Kuparuk	0.284	0.266	0.265	0.263
Milne Point, Cascade	0.019	0.048	0.071	0.070
Endicott, Sag Delta	0.089	0.069	0.068	0.060
Lisburne	0.015	0.013	0.012	0.010
Niakuks (1)	0.024	0.029	0.033	0.031
West Sak	0.000	0.000	0.005	0.008
Point McIntyre	0.147	0.163	0.131	0.097
Prudhoe Bay and Kuparuk Satellites	0.000	0.000	0.031	0.055
Schrader Bluff	0.003	0.004	0.004	0.006
West Beach, North Prudhoe State, Larch	0.002	0.002	0.001	0.000
Badami	0.000	0.000	0.000	0.015
Sag River	<u>0.000</u>	<u>0.001</u>	<u>0.002</u>	<u>0.003</u>
Total ANS Oil and NGLs	1.474	1.405	1.375	1.322
<u>COOK INLET</u>	0.042	0.043	0.041	0.040
<u>ALASKA TOTAL</u>	1.516	1.448	1.416	1.362

(1) Niakuk, Niakuk 13, Niakuk 14, Niakuk 27 (West Niakuk), and Niakuk 28.

All volumes are rounded to the third decimal.

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 projected increase of \$46.3 million from FY 1996 (\$173.7 million) to FY 1997 (\$220 million) is a result of high oil prices. As oil prices decrease, collections in FY 1998 and 1999 will decline due to lower corporation earnings. Over the long term, oil prices are expected to return to their historical trend levels, resulting in corporation tax revenue leveling off and slowly declining as Alaska oil production decreases.

General Corporation Income Tax

After a peak non-petroleum income tax collection of \$67 million in FY 1995, corporation income tax revenue returned to a more sustainable level of \$53.3 million in FY 1996. General corporation income tax revenues are affected by US corporation earnings outside of Alaska as a result of the water's edge taxation method. General corporation income tax collections will show a decline in FY 1997 (\$46.3 million) due to higher than average refund levels and return to near-FY 1996 levels in FY 1998 and 1999. The long-run projection is for non-petroleum corporation income revenue growth consistent with the growth of the Alaska economy.

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 1996.

TABLE 9. **FY 1996 PETROLEUM PROPERTY TAX**
(\$Million)

Borough	Gross Tax	Local Tax	State Tax
North Slope	238.41	220.53	17.88
Unorganized	31.75	N/A	31.75
Valdez	14.13	12.72	1.41
Kenai	10.14	6.48	3.66
Fairbanks	6.13	4.78	1.35
Anchorage	1.03	0.96	0.07
Matanuska-Susitna	0.12	0.08	0.04
Cordova	0.06	0.04	0.02
Whittier	<u>0.02</u>	<u>0.01</u>	<u>0.01</u>
TOTAL	301.79	245.60	56.19

Total cashflow collections may not match final accounting in AKSAS.

Excise Tax

Alcohol and Tobacco

For the last ten years, alcohol tax collections remained consistently at or near \$12 million. Tobacco products tax revenue has also remained steady (around \$14 million for the last six fiscal years). Because there is nothing to indicate that this trend will change, we project revenue from alcohol and tobacco taxes to remain constant in the short and long term.

Motor Fuel

Motor fuel revenue trends differ from other excise tax revenue trends because of recent changes in the industry. Although collections from aviation and jet fuel taxes had been increasing, they are projected to decrease to \$7.7 million in FY 1997 because of a trend toward increased use of Foreign Trade Zones to bring tax-free fuel into Alaska. Collections from highway motor fuel tax have been decreasing since FY 1995 because of a tax exemption for gasohol. In FY 1995 and 1996, the tax revenue loss due to gasohol was \$2.8 and \$6.7 million, respectively. We project a \$8 million loss from gasohol in FY 1997. Marine motor fuel tax collections are down in FY 1997 but should return to their five year historical average by FY 1999.

Fisheries Business Tax

The downward trend in fisheries business tax revenue (\$39 million in FY 1995 to \$38.2 million in FY 1996) is forecasted to continue through FY 1999 (see Table 10 below). The projected FY 1997 decrease is a result of low salmon and shellfish prices and harvest quantities. This decrease in revenue is slightly moderated by higher halibut volumes and herring prices. The long-term outlook for salmon prices and quantities is down from FY 1996, due to increased growth in salmon farms and hatcheries outside Alaska and increased international development and use of wild runs.

TABLE 10.

FISHERIES BUSINESS TAX
(\$Million)

	FY 1996	(CY 1995)	FY 1997	(CY 1996)	FY 1998-1999
	Value of	Tax	Value of	Tax	Forecast Activity
	Catch	Revenue	Catch	Revenue	
Halibut	57.0	1.7	65.0	2.0	Catch Up/ Unit Value Down
Salmon	477.0	18.0	351.0	12.5	Catch Same/ Unit Value Same
Herring	48.0	2.0	54.0	2.3	Catch Same/ Unit Value Down
Shellfish	241.0	8.8	168.0	5.3	Catch Up/ Unit Value Down
Groundfish	<u>256.0</u>	<u>7.7</u>	<u>256.0</u>	<u>7.7</u>	Catch Same/ Unit Value Same
Total	1079.0	38.2	894.0	29.8	

REFERENCE CASE, FY 1996-1999

Oil Market Assumptions

The following key assumptions are the foundation for the oil price forecast. We assume that over the period FY 1997-1999 there is an increasing likelihood of a modest global economic recession due to an economic slowdown in the world's most developed countries. This economic slowdown will dampen the recent rapid growth in the demand for oil, though demand growth will continue to average above 1.5 million barrels/day per year.

At the same time, we assume that non-OPEC production will continue to grow, averaging about 1 million barrels/day per year. OPEC will, as a result, be faced with a modest but continued growth in demand for production from its member countries. How this increase will be allocated among the cartel's members will continue to challenge the organization. This market management problem will be compounded by the recent return of Iraqi production to the global market. Iraq's production is projected to increase as their approved humanitarian exports open up additional opportunities to "leak" additional non-sanctioned barrels into the market.

1. OECD (developed countries) oil consumption grows by 0.6 million barrels/day in FY 1997, 0.5 million barrels/day in FY 1998, and 0.3 million barrels/day in FY 1999.
2. Non-OECD oil consumption grows by 1 million barrels/day in FY 1997, 1.3 million barrels/day in FY 1998, and 1.6 million barrels/day in FY 1999.
3. Non-OPEC production grows by 1.1 million barrels/day in FY 1997, 1 million barrels/day in FY 1998, and 1 million barrels/day in FY 1999.
4. As a result, the call on OPEC oil and natural gas liquids increases by 0.7 million barrels/day in FY 1997, 0.4 million barrels/day in FY 1998, and 0.6 million barrels/day in FY 1999.
5. The assumed growing demand for OPEC oil leaves some room for increased production by cartel members. However, quota allocation issues and the potential for overproduction by Iraq suggest that prices over \$20/barrel for ANS quality oil are unlikely.

TABLE 11.

SPRING 1997 REFERENCE CASE KEY ANS REVENUE, PRICE, AND PRODUCTION PROJECTIONS

FY	General Fund Unrestricted Revenue (\$Billion)	ANS Market Price (\$/Barrel)	ANS Production (Million Barrels/Day)
1996 ACTUAL	\$2.133	\$17.76	1.474
1997	\$2.444	\$20.80	1.405
1998	\$2.063	\$18.44	1.375
1999	\$1.966	\$18.34	1.322

TABLE 12.

REFERENCE CASE GLOBAL MARKET ASSUMPTIONS (1)

(Million Barrels/Day)

	ACTUAL	PROJECTED				1997	1998	1999
	<u>1996</u>	<u>Q197</u>	<u>Q297</u>	<u>Q397</u>	<u>Q497</u>			
DEMAND								
OECD								
North America	20.4	20.6	20.3	20.8	21.0	20.7	20.9	21.0
Europe	14.1	14.4	13.9	14.2	14.7	14.3	14.5	14.6
Pacific	6.7	7.4	6.3	6.4	7.1	6.8	6.9	7.0
Total	41.2	42.4	40.5	41.3	42.8	41.8	42.3	42.6
Non-OECD								
CIS	4.3	4.7	4.2	3.9	3.8	4.1	4.1	4.1
China	3.6	3.8	3.8	3.9	3.9	3.9	4.1	4.3
East Europe	1.4	1.5	1.4	1.4	1.4	1.4	1.4	1.4
Western Hemisphere	6.4	6.4	6.6	6.7	6.7	6.6	6.8	7.1
Africa	2.3	2.4	2.4	2.3	2.4	2.4	2.5	2.5
Middle East	4.1	4.1	4.1	4.2	4.2	4.1	4.2	4.2
Asia	8.6	9.2	9.0	8.8	9.8	9.2	9.8	10.5
Total	30.7	32.1	31.4	31.3	32.1	31.7	33.0	34.3
TOTAL DEMAND	71.8	74.5	71.9	72.6	74.9	73.5	75.3	76.9
SUPPLY								
Non-OPEC								
OECD	18.4	19.1	18.6	18.7	19.4	18.9	19.3	19.7
CIS	7.1	7.3	7.1	7.0	6.9	7.1	7.1	7.1
China	3.1	3.3	3.2	3.3	3.3	3.3	3.4	3.5
Eastern Europe	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
LDCs	13.1	13.4	13.3	13.4	13.6	13.4	13.8	14.3
Processing Gain	1.5	1.6	1.5	1.5	1.5	1.5	1.6	1.6
	43.4	44.8	44.2	44.2	45.0	44.5	45.5	46.5
OPEC								
OPEC Oil	26.1	26.7	26.0	26.3	27.4	26.6	27.0	27.6
OPEC NGLs	2.6	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Total	28.7	29.5	28.8	29.1	30.2	29.4	29.8	30.4
TOTAL SUPPLY	71.9	74.3	72.9	73.3	75.2	73.9	75.3	76.9
Inventory Change	(0.2)	0.2	(1.0)	(0.7)	(0.3)	(0.4)	0.0	0.0

(1) Totals may not match due to independent rounding.

Source: Actual data from the International Energy Association. Projected data generated by the Alaska Department of Revenue, Oil and Gas Audit Division.

TABLE 13.

**GENERAL FUND UNRESTRICTED REVENUE
SENSITIVITY MATRICES FOR ANNUAL PRICE AND PRODUCTION
(\$Million)**

FY 1997						
ANS Production (Million barrels/day)						
ANS Market Price (\$/barrel)	1.30	1.35	1.40	1.45	1.50	1.55
\$15	2,030	2,042	2,053	2,064	2,075	2,086
\$16	2,032	2,043	2,054	2,065	2,077	2,088
\$17	2,068	2,085	2,101	2,117	2,134	2,150
\$18	2,123	2,147	2,171	2,194	2,218	2,242
\$19	2,199	2,233	2,268	2,303	2,337	2,372
\$20	2,274	2,320	2,365	2,411	2,456	2,501
\$21	2,350	2,406	2,462	2,519	2,575	2,631
\$22	2,426	2,493	2,560	2,627	2,694	2,761

FY 1998						
ANS Production (Million barrels/day)						
ANS Market Price (\$/barrel)	1.30	1.35	1.40	1.45	1.50	1.55
\$15	1,674	1,711	1,748	1,786	1,823	1,860
\$16	1,765	1,806	1,847	1,888	1,929	1,970
\$17	1,857	1,902	1,946	1,990	2,035	2,079
\$18	1,949	1,997	2,045	2,093	2,141	2,189
\$19	2,040	2,092	2,144	2,195	2,247	2,298
\$20	2,132	2,187	2,242	2,297	2,353	2,408
\$21	2,224	2,282	2,341	2,400	2,458	2,517
\$22	2,315	2,378	2,440	2,502	2,564	2,626

FY 1999						
ANS Production (Million barrels/day)						
ANS Market Price (\$/barrel)	1.30	1.35	1.40	1.45	1.50	1.55
\$15	1,647	1,683	1,720	1,757	1,793	1,830
\$16	1,736	1,776	1,816	1,857	1,897	1,937
\$17	1,826	1,869	1,913	1,956	2,000	2,044
\$18	1,915	1,962	2,009	2,056	2,103	2,150
\$19	2,005	2,055	2,106	2,156	2,207	2,257
\$20	2,094	2,148	2,202	2,256	2,310	2,364
\$21	2,184	2,241	2,299	2,356	2,413	2,471
\$22	2,273	2,334	2,395	2,456	2,517	2,578

FIGURE 9. **GENERAL FUND UNRESTRICTED REVENUE, Nominal Dollars
FY 1982-1996 ACTUAL AND FY 1997-1999 PROJECTED**

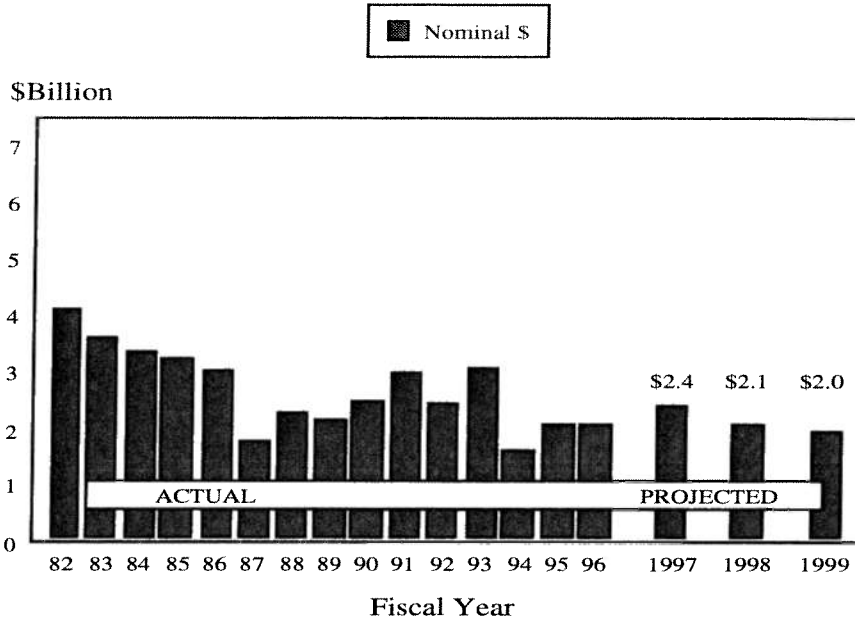


FIGURE 10. **GENERAL FUND UNRESTRICTED REVENUE, Real 1997 Dollars
FY 1982-1996 ACTUAL AND FY 1997-1999 PROJECTED**

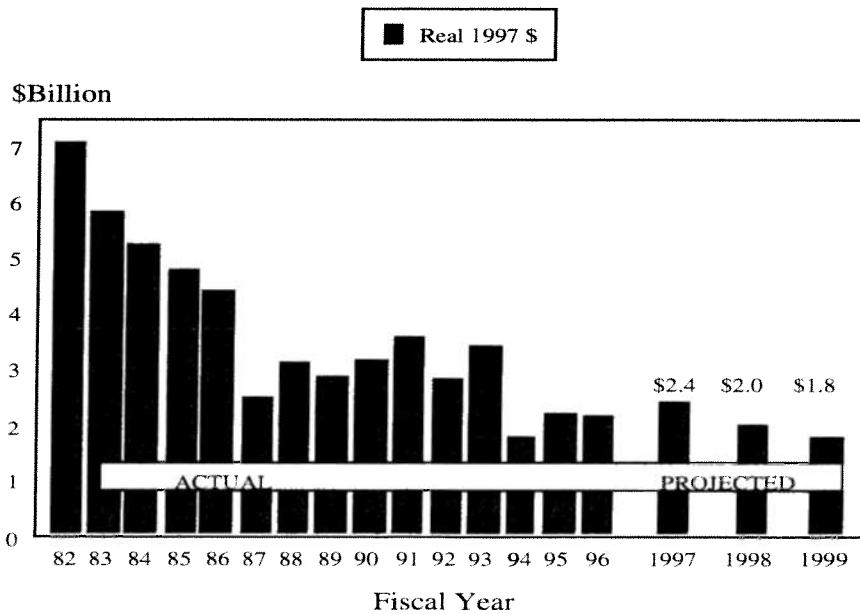


TABLE 14.

**PETROLEUM SEVERANCE TAX
AND ROYALTY REVENUE FORECAST**
(\$Million)

(1)

	FY 1996 ACTUAL	FY 1997	FY 1998	FY 1999
<u>ALASKA NORTH SLOPE</u>				
Oil Royalty	595.4	741.6	624.2	600.4
Oil Severance Tax	713.6	890.0	709.5	648.5
Conservation Tax	1.8	1.7	1.7	1.6
Hazardous Release Fund	13.0	12.6	12.5	12.1
Gas Royalty	1.1	1.1	1.0	1.0
Gas Severance Tax	<u>25.9</u>	<u>4.1</u>	<u>2.6</u>	<u>2.5</u>
Total	1350.8	1651.0	1351.4	1266.1
<u>COOK INLET</u>				
Oil Royalty	18.8	20.9	17.0	16.3
Oil Severance Tax	0.0	0.0	0.0	0.0
Conservation Tax	0.1	0.1	0.1	0.1
Hazardous Release Fund	0.4	0.4	0.4	0.4
Gas Royalty	19.6	21.8	21.3	21.7
Gas Severance Tax	<u>15.4</u>	<u>17.7</u>	<u>17.4</u>	<u>18.0</u>
Total	54.2	60.9	56.2	56.4
<u>ALASKA TOTAL</u>	1405.0	1711.9	1407.6	1322.5

(1) Based on cash collections which may not match AKSAS totals.

TABLE 15.

DETAILED REVENUE PROJECTIONS
(\$Million)

	<u>FY 1996 ACTUAL</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<u>PETROLEUM REVENUE</u>				
Production Tax	787.2	926.5	744.1	683.1
Property Tax	56.0	53.5	51.0	49.0
Oil and Gas Income	173.7	220.0	165.0	160.0
Gross Royalties (1)	904.7	1084.9	907.0	872.1
Mineral Bonuses and Rents (2)	<u>13.1</u>	<u>11.5</u>	<u>9.6</u>	<u>10.1</u>
Total	1934.7	2296.5	1876.7	1774.2
NON-PETROLEUM REVENUE (Non-Interest)	403.3	388.1	394.3	388.7
GENERAL FUND INTEREST REVENUE	64.1	64.0	40.0	40.0
TOTAL REVENUE WITH PERMANENT FUND DEDICATION	2402.0	2748.6	2311.0	2203.0
PERMANENT FUND DEDICATION (3)	264.1	299.4	248.3	232.4
PUBLIC SCHOOL FUND (3)	4.6	5.4	4.6	4.4
GENERAL FUND UNRESTRICTED REVENUE				
Net Nominal Dollars	2133.3	2443.8	2063.4	1966.2
Net Real 1997 Dollars	2197.0	2443.9	1993.6	1835.5

(1) Excludes the projected General Fund deposit from the TAPS Liability Fund in FY 1998 (depicted in Table 3).

(2) Includes coal rents and royalties.

(3) Includes the Permanent Fund and Public School Fund allocations from the projected TAPS Liability Fund payment in FY 1998.

TABLE 16. **PROJECTED AND HISTORICAL CRUDE OIL PRICES**
(Nominal and Real 1997 \$/Barrel)

	ANS Market (1)		ANS Wellhead		West Texas Intermediate	
	<u>Nominal</u>	<u>Real 1997</u>	<u>Nominal</u>	<u>Real 1997</u>	<u>Nominal</u>	<u>Real 1997</u>
1985	27.89	41.24	17.37	25.69	28.15	41.63
1986	22.03	31.44	12.41	17.71	23.11	32.98
1987	14.98	20.82	7.84	10.90	16.14	22.43
1988	16.45	22.19	10.68	14.40	18.53	24.99
1989	14.80	19.41	9.55	12.52	16.93	22.20
1990	17.34	21.81	11.89	14.96	20.06	25.23
1991	21.72	26.23	15.38	18.57	24.95	30.13
1992	16.88	19.47	11.20	12.92	20.69	23.86
1993	17.93	20.06	12.80	14.32	20.69	23.15
1994	14.22	15.45	9.57	10.40	16.69	18.13
1995	16.83	17.84	11.51	12.20	18.46	19.57
1996	17.76	18.29	12.67	12.98	19.20	19.77
1997	20.80	20.80	16.30	16.30	22.58	22.58
1998	18.44	17.81	14.12	13.64	20.00	19.33
1999	18.34	17.12	14.10	13.16	19.89	18.57

(1) Weighted average of ANS West Coast, Gulf Coast, and Far East.

HISTORICAL OVERVIEW

REVENUE, PRICES, AND PRODUCTION

The pages that follow contain historical revenue, price, and production data. Table 17 on pages 32-33 shows General Fund Unrestricted Revenue by type from FY 1982-1996.

Table 18 on page 34 shows historical petroleum revenue by type from FY 1965-1996.

Finally, this section concludes with Tables 19 and 20 on page 35 with historical crude oil prices (FY 1981-1996) and production for the North Slope and Cook Inlet (FY 1978-1996).

TABLE 17.

HISTORICAL GENERAL FUND UNRESTRICTED REVENUE

(\$Million)

-Tax Portion-

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>
TAXES															(1)
Property Tax	142.7	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
Sales/Use															
Alcoholic Beverage	9.0	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
Tobacco Products	1.9	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
Insurance Premium	12.5	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
Motor Fuel Tax-Aviation	6.3	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
Motor Fuel Tax-Highway	20.3	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
Motor Fuel Tax-Marine	3.7	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
Total	53.7	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
Income Tax															
Corporation General	34.8	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
Corporation Petroleum	668.9	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
Total	703.7	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
Severance Tax															
Oil and Gas Production	1581.1	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
Oil and Gas Conservation	0.6	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
Oil and Gas Hazardous Release	0.0	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
Total	1581.7	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
Other Natural Resource Tax															
Salmon and Seafood Marketing	0.0	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
Salmon Enhancement	2.4	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
Fisheries Business	22.8	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
Fishery Resource Landing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	7.3	7.1
Total	25.2	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
Other Tax															
Estate	0.3	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
Other	6.9	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
Total	7.2	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
TOTAL TAXES	2514.2	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

(1) Starting in FY 1996, all program receipts are included in General Fund Unrestricted Revenue. FY 1996 also includes additional royalties due to payment from the TAPS Liability Fund.

- Non-Tax Portion-

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>
<u>Licenses and Permits</u>	23.8	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
<u>Intergovernmental Receipts</u>															
Federal Shared Revenue	21.7	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
<u>Charges for Services</u>															
Marine Highways	29.2	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
Airport	1.6	1.4	1.5	1.6	1.5	1.5	1.8	1.2	1.5	1.3	3.4	1.2	0.5	0.5	0.4
Other	13.2	15.6	13.2	17.6	14.4	14.2	8.2	9.3	10.7	15.2	40.7	13.1	17.5	17.6	36.5
Total	44.0	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
<u>Fines and Forfeitures</u>	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	0.0	9.4
<u>Rents and Royalties</u>															
Mineral Bonuses, Rents, and Royalties	8.5	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
Oil and Gas Royalties	1157.3	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
Timber Sales	1.2	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
Sale of State Property	5.2	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
Total	1172.2	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
<u>Investment Earnings</u>	324.7	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
<u>Miscellaneous Revenue</u>	7.8	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
Sub-Total Non-Tax Revenue	1594.2	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
Plus: Income from prior years	0.0	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
Total Non-Tax Revenue	1594.2	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
Total Tax Revenue	2514.2	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
TOTAL GENERAL FUND															
UNRESTRICTED REVENUE	4108.4	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

(1) Starting in FY 1996, all program receipts are included in General Fund Unrestricted Revenue. FY 1996 also includes additional royalties due to payment from the TAPS Liability Fund.

TABLE 18.

HISTORICAL PETROLEUM REVENUE

(\$Million)

FY	Corporation			Severance		Petroleum		Reserve	(1)(2)	Bonuses and Rents	(3)		Total	Total GF	Petroleum
	Petroleum Tax	Tax	Tax	Tax	Property Tax	Royalties	Special Settlements				Petroleum Revenue	Unrestricted Revenue			
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%

- (1) These categories are primarily composed of petroleum revenue; however, they include some additional revenue from other minerals (mostly coal).
- (2) Since FY 1977, 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 CRUDE OIL SPOT PRICES**
(\$/Barrel Nominal)

FY	ANS at		ANS (1) Market	WTI
	West Coast	Gulf Coast		
1981		34.92	34.92	
1982		32.04	32.04	32.98
1983		30.31	30.31	32.52
1984		29.23	29.23	30.59
1985		27.89	27.89	28.15
1986		22.03	22.03	23.11
1987		15.05	14.98	16.14
1988	16.12	16.97	16.45	18.53
1989	14.61	15.21	14.80	16.93
1990	17.22	17.66	17.34	20.06
1991	21.57	22.21	21.72	24.95
1992	16.64	17.81	16.88	20.69
1993	17.83	18.53	17.93	20.69
1994	14.05	15.03	14.22	16.69
1995	16.77	17.10	16.83	18.46
1996	17.76		17.76	19.20

(1) FY 1981-1996 = ANS Lower 48, weighted average of ANS West Coast and Gulf Coast; FY 1996 = ANS Market, weighted average of ANS West Coast, Gulf Coast, and Far East.

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

TABLE 20. **HISTORICAL CRUDE OIL AND NGL PRODUCTION**
(Million Barrels/Day)

FY	ANS	Cook Inlet	TOTAL
1978	0.702	0.144	0.846
1979	1.197	0.131	1.328
1980	1.422	0.109	1.531
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

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

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.

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This publication was released by the Department of Revenue, Oil and Gas Audit, 550 West 7th, Suite 570, Anchorage, Alaska, 99501. (<http://www.revenue.state.ak.us>) It was produced at a cost of \$2.10 per copy to assist the Governor in formulating a proposed comprehensive financial plan for presentation to the Alaska State Legislature, and printed in Anchorage, Alaska. This publication is required by AS 37.07.060.

