

REVENUE SOURCES BOOK
FORECAST AND HISTORICAL DATA

SPRING 1996



STATE OF ALASKA
Tony Knowles, Governor

DEPARTMENT OF REVENUE
Wilson L. Condon, Commissioner

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

P.O. BOX 5
JUNEAU, ALASKA 99811-0400
PHONE: (907) 465-2300
TELEFAX: (907) 465-2389

April 10, 1996

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

Dear Governor Knowles:

We have enclosed our Spring 1996 Revenue Forecast that projects revenues for FY 1996, FY 1997, and FY 1998. The revenue outlook for the short term has improved. Thanks in part to a very strong oil market, our revenue estimate for FY 1996 is \$120 million higher than our forecast last fall.

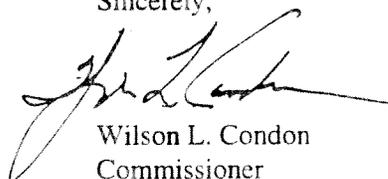
Although oil prices have averaged over \$20 per barrel in recent months, we believe that this level of prices is not sustainable given the current outlook for both non-OPEC and OPEC production in the coming months. We expect that ANS prices will return to pre-spike levels, averaging \$16.67 per barrel in FY 1997 and \$16.75 per barrel in FY 1998. These prices are only a bit higher than those projected last fall. Our assumptions about oil production are essentially unchanged from the Fall 1995 forecast.

We have also included in this forecast a new table (Table 3) that reflects certain adjustments to the Department of Revenue's forecast of General Fund Unrestricted Revenues. These adjustments are required to calculate the net unrestricted revenue figure used by your Office of Management and Budget and the Legislature for budgeting purposes. We have labeled the adjusted amount "Net Disposable Unrestricted General Fund Revenues." We forecast that the amount of Net Disposable Unrestricted General Fund Revenues will be:

FY 96	\$2.173 billion
FY 97	\$1.992 billion
FY 98	\$1.910 billion

Alaska's declining oil production rate, coupled with a heavy reliance on petroleum revenues, are the main reasons the revenue trend is declining. Although we project new production from the Milne Point field and an accelerated commencement of North Star production, these production increases will not be sufficient to offset the continuing Prudhoe Bay production decline.

Sincerely,



Wilson L. Condon
Commissioner



TABLE OF CONTENTS

EXECUTIVE SUMMARY

BASE CASE SCENARIO

<u>The Bottom Line</u>	5
------------------------------	---

REVENUE FORECAST

SHORT TERM OUTLOOK, FY 1996 - FY 1998	7
GENERAL FUND UNRESTRICTED REVENUE AND NET DISPOSABLE UNRESTRICTED GENERAL FUND REVENUE	7
PETROLEUM REVENUE OVERVIEW	11
CURRENT MARKET SITUATION, GLOBAL OIL FUNDAMENTALS	12

<u>Organization of Petroleum Exporting Countries</u>	12
<u>Alaska North Slope</u>	13

ANS OIL PRICE AND PRODUCTION FORECAST ASSUMPTIONS

<u>Sales Price</u>	14
<u>Transportation Costs</u>	14
<u>Trans-Alaska Pipeline System (TAPS) Tariff</u>	15
<u>Wellhead Price</u>	15
<u>Production</u>	16

OTHER PETROLEUM AND NON-PETROLEUM REVENUE FORECAST ASSUMPTIONS

<u>Oil and Gas Corporate Income Tax</u>	18
<u>Non-Oil and Gas Corporate Income Tax</u>	18
<u>Oil and Gas Property Tax</u>	18
<u>Excise Taxes</u>	18
<u>Fish Tax</u>	19
<u>Miscellaneous Earnings</u>	19

SPRING 1996 BASE CASE SCENARIO

<u>Oil Market Assumptions</u>	20
-------------------------------------	----

METHODOLOGY

SPRING 1996 FORECAST	24
----------------------------	----

HISTORICAL OVERVIEW

REVENUES, PRICES, AND PRODUCTION	27
--	----



TABLE OF TABLES



TABLE 1.	BASE CASE SCENARIO, Spring 1996 Forecast Projections	5
TABLE 2.	GENERAL FUND UNRESTRICTED REVENUE AS HISTORICALLY COMPILED BY THE DEPARTMENT OF REVENUE	8
TABLE 3.	NET DISPOSABLE UNRESTRICTED GENERAL FUND REVENUE	10
TABLE 4.	OPEC PRODUCTION	12
TABLE 5.	SALES PRICE	14
TABLE 6.	MARINE TRANSPORTATION COSTS	14
TABLE 7.	TAPS TARIFFS	15
TABLE 8.	WELLHEAD PRICE	15
TABLE 9.	ALASKA OIL AND NGL PRODUCTION	17
TABLE 10.	FISH BUSINESS TAX, FY 1995 ACTUAL AND FY 1996 - 1998 PROJECTED	19
TABLE 12.	BASE CASE REVENUE, PRICE, AND PRODUCTION PROJECTIONS	20
TABLE 13.	BASE CASE GLOBAL MARKET ASSUMPTIONS	21
TABLE 14.	PETROLEUM SEVERANCE TAX AND ROYALTY REVENUE FORECAST	23
TABLE 15.	DETAILED REVENUE PROJECTIONS	23

TABLE OF TABLES
Continued

TABLE 16.	FY 1996 GENERAL FUND UNRESTRICTED REVENUES SENSITIVITY MATRIX FOR ANNUAL PRICES AND PRODUCTION	25
TABLE 17.	FY 1997 GENERAL FUND UNRESTRICTED REVENUES SENSITIVITY MATRIX FOR ANNUAL PRICES AND PRODUCTION	26
TABLE 18.	FY 1998 GENERAL FUND UNRESTRICTED REVENUES SENSITIVITY MATRIX FOR ANNUAL PRICES AND PRODUCTION	26
TABLE 19.	HISTORICAL GENERAL FUND UNRESTRICTED REVENUES	28
TABLE 20.	HISTORICAL PETROLEUM REVENUES	30
TABLE 21.	HISTORICAL CRUDE OIL SPOT PRICES	31
TABLE 22.	HISTORICAL CRUDE OIL PRODUCTION	31

TABLE OF FIGURES

FIGURE 1.	SPRING 1996 BASE CASE SCENARIO PROJECTIONS, FY 1996 - FY 1998: General Fund Unrestricted Revenues	6
FIGURE 2.	SPRING 1996 BASE CASE SCENARIO PROJECTIONS, FY 1996 - FY 1998: ANS Market Price	6
FIGURE 3.	SPRING 1996 BASE CASE SCENARIO PROJECTIONS, FY 1996 - FY 1998: ANS Production	6
FIGURE 4.	FY 1995 GENERAL FUND UNRESTRICTED REVENUES Oil and Non-Oil Revenues as Percentages of the Total	11
FIGURE 5.	PERCENTAGE OF GENERAL FUND UNRESTRICTED REVENUES DERIVED FROM PETROLEUM	11
FIGURE 6.	HISTORICAL ANS SPOT PRICES	13
FIGURE 7.	GENERAL FUND UNRESTRICTED REVENUES, Nominal Dollars FY 1982 - FY 1995 ACTUAL, FY 1996 - FY 1998 PROJECTED	22
FIGURE 8.	GENERAL FUND UNRESTRICTED REVENUES , Real 1996 Dollars FY 1982 - FY 1995 ACTUAL, FY 1996 - FY 1998 PROJECTED	22

EXECUTIVE SUMMARY

TABLE 1.

BASE CASE SCENARIO Spring 1996 Forecast Projections

FY	GENERAL FUND UNRESTRICTED REVENUES		KEY ANS OIL ASSUMPTIONS	
	As Compiled by Revenue	Net Disposable	Market Price	Production
1995 ACTUAL	\$2.083 billion	\$2.477 billion	\$16.83/bbl	1.573 million bbl/day
1996	\$2.001 billion	\$2.173 billion	\$17.17/bbl	1.483 million bbl/day
1997	\$1.910 billion	\$1.992 billion	\$16.67/bbl	1.428 million bbl/day
1998	\$1.844 billion	\$1.910 billion	\$16.75/bbl	1.366 million bbl/day

BASE CASE SCENARIO

The Bottom Line

The Spring 1996 forecast updates our short term (FY 1996 - FY 1998) outlook for prices, production, and General Fund Unrestricted Revenue. For our short-term forecast, we have chosen to develop and report a single estimate that we will continue to call the base case scenario. All of our revenue sources are subject to uncertainty. Given the State's reliance on oil production revenues and the short-term volatility of oil prices, we recommend that the reader examine the petroleum revenue sensitivity matrices on pages 25-26 to understand the effects of changing oil prices and production on the State's revenues.

Highlights from the Spring 1996 forecast are:

- * Oil prices have soared since the Fall 1995 forecast, increasing FY 1996 revenue estimates by \$120 million.
- * The revenue outlook for FY 1997 (\$1.91 billion) and for FY 1998 (\$1.84 billion) is about the same as it was in our fall forecast since oil prices are expected to come down from current levels.
- * We have added Table 3, on page 10, to show the adjustments to General Fund Unrestricted Revenues that are necessary to derive Net Disposable Unrestricted General Fund Revenues.
- * The ANS export ban is well on its way to being lifted. This should bolster ANS value.
- * FY 1996 oil production is projected to average 1.48 million bbl/day, with a decline in FY 1997 of .055 million bbl/day and a .062 million bbl/day decline in FY 1998.
- * The Prudhoe Bay production decline continues to dominate the production outlook; however, upgrades at Milne Point will increase production and partially offset the Prudhoe Bay decline.
- * Non-petroleum revenues are modestly higher than projected last fall.

SPRING 1996 BASE CASE SCENARIO PROJECTIONS, FY 1996- FY 1998

FIGURE 1. General Fund Unrestricted Revenues

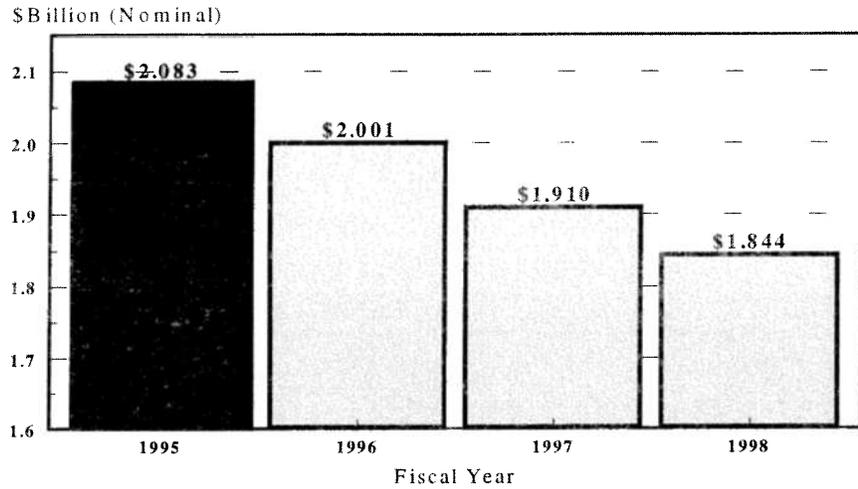


FIGURE 2. ANS Market Price

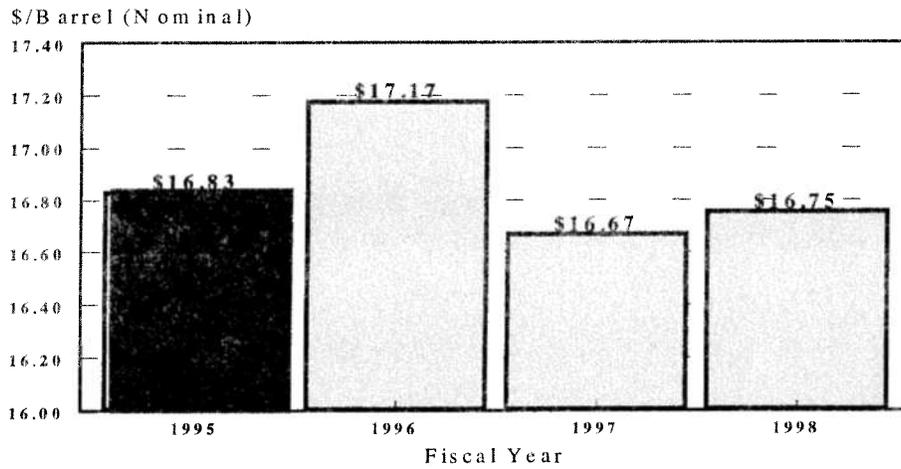
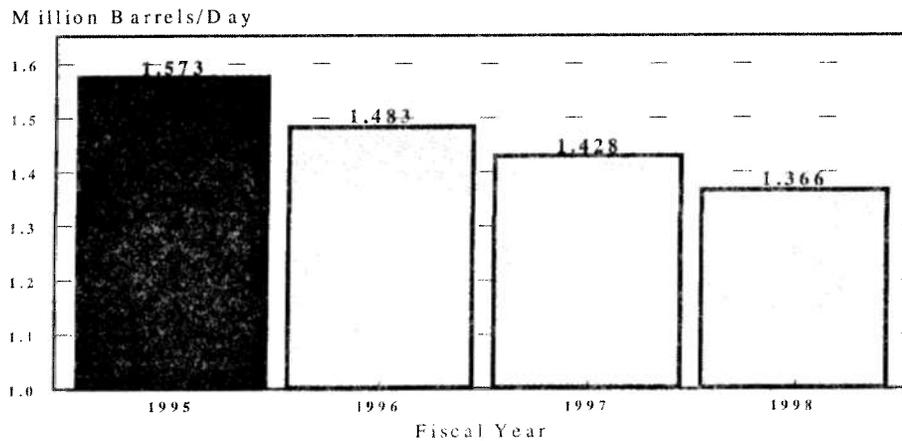


FIGURE 3. ANS Production



REVENUE FORECAST

SHORT-TERM OUTLOOK, FY 1996 - FY 1998

Petroleum revenues continue to dominate Alaska's revenue picture. The following pages (1) discuss the current oil market situation, (2) set forth the Department's Spring 1996 revenue forecast assumptions, and (3) specify the methodology the Department used to project the oil prices, oil and gas production, and General Fund Unrestricted Revenue. The same inflation assumptions were used in this forecast as in the Fall 1995 forecast. (3 percent in both FY 1996 and FY 1997 and 3.2 percent in FY 1998.)

GENERAL FUND UNRESTRICTED REVENUE AND NET DISPOSABLE UNRESTRICTED GENERAL FUND REVENUE

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 are accounted for as "RESTRICTED REVENUE" in AKSAS. Table 2 reflects that forecast.

Both the 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 Unrestricted General Fund Revenue. This adjusted amount is then used for budget and budget planning purposes. Table 3 reflects the derivation of Net Disposable Unrestricted General Fund Revenue.

TABLE 2.

**GENERAL FUND UNRESTRICTED REVENUE
AS HISTORICALLY COMPILED BY THE DEPARTMENT OF REVENUE**

This table presents the General Fund Unrestricted Revenue forecast as the Department of Revenue has compiled it for over 20 years. The table reflects revenue items that are currently coded as "UNRESTRICTED REVENUE" and a portion of the program receipts currently coded as "RESTRICTED REVENUE" in the state accounting system (AKSAS). The program receipts revenue included in the table is reflected in the 54000 and 55000 series of accounts.

For budget and budget planning purposes, the Executive Branch and the Legislature adjust the revenues reflected in this table to derive an amount of Net Disposable Unrestricted General Fund Revenue. Table 3 reflects the derivation of Net Disposable Unrestricted General Fund Revenue.

	(Millions of Dollars)			
	<u>FY 1995 ACTUAL</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
TAXES				
<u>Income Tax</u>				
Corporate - General	67.0	60.0	55.0	50.0
Corporate - Petroleum	<u>128.5</u>	<u>165.0</u>	<u>155.0</u>	<u>150.0</u>
Total (1)	195.5	225.0	210.0	200.0
<u>Severance Tax</u>				
Oil & Gas Production	769.8	730.1	702.2	664.1
Oil & Gas Conservation	2.0	1.9	1.8	1.7
Oil & Gas Hazardous Release (2)	<u>22.1</u>	<u>13.6</u>	<u>13.4</u>	<u>12.8</u>
Total	793.9	745.6	717.4	678.6
<u>Property Tax (3)</u>				
Oil & Gas	57.3	53.3	51.1	48.7
<u>Sale/Use Tax</u>				
Alcoholic Beverages	12.0	12.3	12.3	12.3
Fuel Taxes - Aviation (4)	8.0	8.3	8.3	8.3
Fuel Taxes - Highway	24.0	20.0	20.0	20.0
Fuel Taxes - Marine	7.6	7.5	7.5	7.5
Tobacco Products	<u>14.4</u>	<u>14.5</u>	<u>14.5</u>	<u>14.5</u>
Total	66.0	62.6	62.6	62.6
<u>Miscellaneous - Other Tax</u>				
Fish Business (5)	39.0	36.4	35.0	35.0
Fish Landing (6)	7.3	6.0	6.0	6.0
Salmon Enhancement (7)	5.7	5.0	5.0	5.0
Seafood Marketing (8)	3.2	3.0	3.0	3.0
Salmon Marketing (9)	4.7	4.6	4.6	4.6
Insurance Companies	28.0	28.0	28.0	28.0
Electric & Telephone Coop (10)	2.4	2.3	2.3	2.3
Gaming	2.0	2.0	2.0	2.0
Mining License Tax	0.3	0.3	0.3	0.3
Estate	<u>1.2</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Total	93.8	88.6	87.2	87.2
TOTAL TAXES	<u>1206.5</u>	<u>1175.1</u>	<u>1128.3</u>	<u>1077.1</u>

- (1) Tax settlements that must be paid to the Constitutional Budget Reserve Fund (CBRF) are not included in estimated revenues.
- (2) Reflects enactment of the modified conservation surcharge on oil (AS 43.55.300-310).
- (3) Amounts represent the State's share of total oil and gas property taxes collected. Estimated total property taxes and the municipalities' share respectively are as follows (millions \$): FY 96: \$301.6 and \$248.3; FY 97: \$292 and \$240.9; FY 98: \$279.2 and \$230.5. 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.
- (4) Includes amounts annually shared to qualified municipalities (AS 43.40.010). See Table 3.
- (5) Includes amounts annually shared to qualified municipalities (AS 43.75.130). See Table 3.
- (6) Includes amounts annually shared to qualified municipalities (AS 43.77.060). Since the taxpayers have contested the constitutionality of the tax, the shared portion (\$2.8 million for FY 95) is currently escrowed by the municipalities. See Table 3.
- (7) Provides annual funding, based on collections, for qualified regional aquaculture associations (AS 43.76 and AS 29.60.450). See Table 3.
- (8) Provides annual funding, based on collections, for the Alaska Seafood Marketing Institute (AS 16.51.160). See Table 3.
- (9) Provides annual funding, based on collections, for the Alaska Seafood Marketing Institute (AS 43.76.120). See Table 3.
- (10) 100 percent of the tax is annually disbursed to local taxing authorities (AS 10.25.570). See Table 3.

	(Millions of Dollars)			
	<u>FY 1995 ACTUAL</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
<u>LICENSES & PERMITS</u>				
Business (11)(12)	3.7	5.0	5.0	5.0
Non-Business	<u>31.0</u>	<u>30.0</u>	<u>30.0</u>	<u>30.0</u>
Total	34.7	35.0	35.0	35.0
<u>INTERGOVERNMENTAL RECEIPTS</u>				
Federal Shared Revenues (13)	4.1	4.0	4.0	4.0
Section 8(g) Funds (13)	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Total	4.2	4.1	4.1	4.1
<u>RESOURCE SALES & ROYALTIES</u>				
<u>Sale/Use</u>				
Bonus Sales (13)(14)(15)	1.0	2.1	0.0	0.0
Rents (13)(15)	4.6	5.0	5.0	5.0
Royalties (13)	628.3	609.8	597.4	583.3
Sale of State Property (11)	21.8	10.0	10.0	10.0
Gravel, Timber, etc. (11)	<u>0.6</u>	<u>1.5</u>	<u>2.3</u>	<u>1.7</u>
Total	656.3	628.4	614.7	600.0
<u>INVESTMENT EARNINGS</u>	72.4	70.0	40.0	40.0
<u>FACILITIES RELATED CHARGES</u>				
Airports	0.5	0.5	0.5	0.5
Marine Highways (16)	41.5	41.0	41.0	41.0
Other	<u>5.3</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
Total	47.3	46.5	46.5	46.5
<u>SERVICES RELATED CHARGES</u>				
Court System	6.4	6.5	6.5	6.5
Other	<u>5.9</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
Total	12.3	11.5	11.5	11.5
<u>MISCELLANEOUS REVENUE</u>	49.2	30.0	30.0	30.0
<u>TOTAL UNRESTRICTED REVENUE</u>	<u>2082.9</u>	<u>2000.6</u>	<u>1910.1</u>	<u>1844.2</u>

- (11) Most fees charged by various agencies are restricted program receipts. See Table 3 for more detail.
- (12) Includes amounts of amusement and gaming licenses (AS 43.35.050) and liquor licenses (AS 04.11.610) shared to qualified municipalities. See Table 3.
- (13) Net of Permanent Fund and Public School Fund contributions.
- (14) Figures for FY 95 and FY 96 reflect the State's unrestricted General Fund share of actual State lease sales: FY 95 (Sale 78, Cook Inlet, October 31, 1994, \$1,654,137); FY 96 (Sale 67A-W2, Cook Inlet, November 14, 1995, \$100,638--Sale 74W, Cook Inlet, November 14, 1995, \$540,406--Sale 76W, Cook Inlet, November 14, 1995, \$79,722--Sale 78W, Cook Inlet, November 14, 1995, \$257,583--Sale 80, Shaviovik, December 5, 1995, \$3,337,485). 50 percent of the bonuses were deposited into the Permanent Fund.
- (15) The Department of Natural Resources projects the following tentative FY 97 and FY 98 state lease sales: FY 97 (Sale 86A, Colville, August, 1996--Sale 85A, Cook Inlet, December, 1996--Sale 86, Central Beaufort Sea, June 1997); FY 98 (Sale 87, North Slope Areawide, April, 1998--Sale 85, Cook Inlet, August, 1998). Amounts from bonus bids cannot be anticipated prior to sales; therefore, no estimates are provided. 50 percent of these bonuses must be deposited into the Permanent Fund.
- (16) 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.

TABLE 3.

NET DISPOSABLE UNRESTRICTED GENERAL FUND 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 Unrestricted General Fund Revenue.

First, the amounts 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, the revenue reflected in the revenue accounts for certain additional program receipts (the 58000 and 59000 series of AKSAS accounts) and certain miscellaneous other revenue must be added. Table 3 reflects these adjustments and the resulting Net Disposable Unrestricted General Fund Revenue.

	(Millions of Dollars)			
	<u>FY 1995 ACTUAL</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
<u>UNRESTRICTED TO RESTRICTED</u>				
<u>Taxes Shared With Municipal Government</u>				
Fuel Taxes - Aviation (1)	(0.1)	(0.1)	(0.1)	(0.1)
Electric & Telephone Coop (1)	(2.4)	(2.3)	(2.3)	(2.3)
Fish Business (1)	(19.4)	(18.2)	(17.5)	(17.5)
Fish Landing (1)	(2.9)	(3.0)	(3.0)	(3.0)
Liquor License & Coin Operated Device (1)	<u>(0.9)</u>	<u>(0.9)</u>	<u>(0.9)</u>	<u>(0.9)</u>
Total	(25.7)	(24.5)	(23.8)	(23.8)
<u>Pass Throughs</u>				
Salmon Enhancement (2)	(5.7)	(5.0)	(5.0)	(5.0)
Seafood Marketing (2)	(3.2)	(3.0)	(3.0)	(3.0)
Salmon Marketing (2)	(4.7)	(4.6)	(4.6)	(4.6)
<u>Earmarked</u>				
Marine Highways (3)	<u>(41.5)</u>	<u>(41.0)</u>	<u>(41.0)</u>	<u>(41.0)</u>
Total	(55.1)	(53.6)	(53.6)	(53.6)
<u>TOTAL UNRESTRICTED TO RESTRICTED</u>	<u>(80.8)</u>	<u>(78.1)</u>	<u>(77.4)</u>	<u>(77.4)</u>
<u>RESTRICTED TO UNRESTRICTED</u>				
Program Receipts (4)	75.3	86.0	91.8	92.0
Deposit Excess Loan Funds (4)	1.0	1.1	1.4	1.3
Trans-Alaska Pipeline Fund (4)	12.7	4.8	16.0	0.0
AHFC Payment (4)	220.0	70.0	50.0	50.0
AIDEA Payment (4)	60.0	0.0	0.0	0.0
Transfer from Debt Retirement Fund (4)	0.0	8.3	0.0	0.0
Mitigation Receipts & Storage Tank Registration Fees (4)	0.0	4.8	0.3	0.3
Executive Life Transfers (4)	37.6	75.0	0.0	0.0
CBRF Litigation Reimbursement (4)	<u>68.7</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total	475.3	250.0	159.5	143.6
<u>TOTAL RESTRICTED TO UNRESTRICTED</u>	<u>475.3</u>	<u>250.0</u>	<u>159.5</u>	<u>143.6</u>
<u>NET ADJUSTMENTS TO GENERAL FUND UNRESTRICTED REVENUE</u>				
	<u>394.5</u>	<u>171.9</u>	<u>82.1</u>	<u>66.2</u>
<u>UNRESTRICTED GENERAL FUND REVENUE AS REFLECTED IN TABLE 2</u>				
	<u>2082.9</u>	<u>2000.6</u>	<u>1910.1</u>	<u>1844.2</u>
<u>NET DISPOSABLE UNRESTRICTED GENERAL FUND REVENUE</u>				
	<u>2477.4</u>	<u>2172.5</u>	<u>1992.2</u>	<u>1910.4</u>

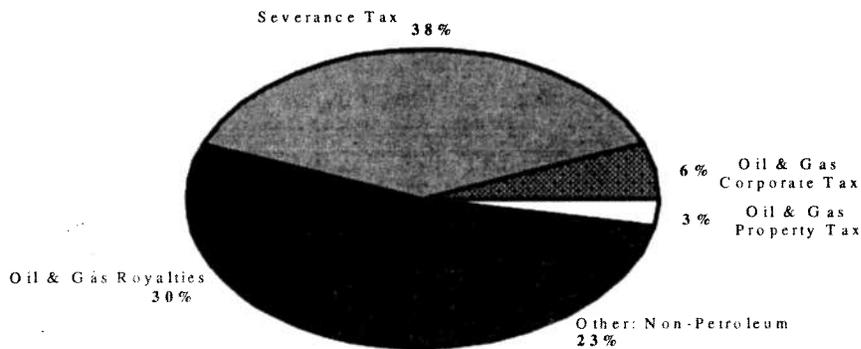
- (1) These taxes and fees are collected by the state and, some or all of the taxes or fees are paid to municipalities.
- (2) These three fisheries-related items are general revenues (Article IX, Section 7 of the Alaska Constitution). Nevertheless, these amounts have always been appropriated for certain fisheries development and marketing purposes. For budget planning, these are treated as restricted revenues.
- (3) Ferry system revenue is general revenue (Article IX, Section 7 of the Alaska Constitution). For budget planning, this revenue is treated as restricted revenue.
- (4) These "RESTRICTED" items in AKSAS are treated as unrestricted revenues for budgeting.

PETROLEUM REVENUE OVERVIEW

Petroleum revenues accounted for 77 percent of the total General Fund Unrestricted Revenues in FY 1995. Alaska's North Slope continues to contribute the majority of the State's petroleum revenues (96 percent in FY 1995).

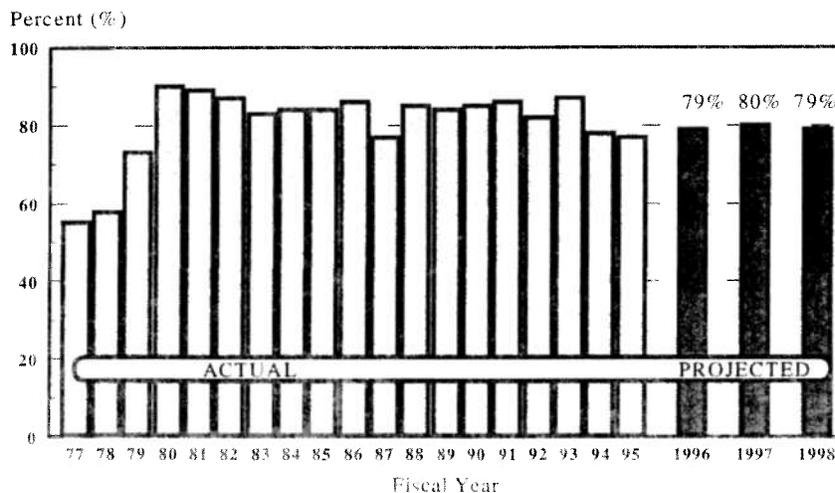
The majority of total State revenues will continue to come from oil in the form of: (1) severance (or production) taxes, (2) oil and gas royalties on state and federal land, (3) petroleum corporate income taxes, (4) oil and gas property taxes, and (5) oil and gas rents and lease bonuses. The graph below shows the percentages of petroleum and non-petroleum revenues making up total FY 1995 General Fund Unrestricted Revenues.

**FIGURE 4. FY 1995 GENERAL FUND UNRESTRICTED REVENUES
Oil and Non-Oil Revenues as Percentages of the Total**



As shown in Figure 5, petroleum revenues have provided over 75 percent of the state's General Fund Unrestricted Revenues for the last seventeen years. Petroleum revenues are projected to make up 79 percent of General Fund Unrestricted Revenues in FY 1996, 80 percent in FY 1997, and 79 percent in FY 1998.

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



CURRENT MARKET SITUATION AND GLOBAL FUNDAMENTALS

Oil prices have been extremely robust over the last three months. West Texas Intermediate (WTI) oil prices increased from an average of \$17.44/bbl in October 1995 to roughly \$21.50/bbl in March 1996. This has been the result of demand growing faster than supply due to colder than normal weather in both the United States and Europe, as well as continued strong growth in demand in the Asia-Pacific region. The price situation has been compounded by refinery operator decisions to refrain from restocking extremely low inventories that came down to meet the demand surge. The reluctance to restock stemmed from the high price commanded for prompt delivery compared to the expectations of lower prices later this spring and the possibility of an agreement to allow Iraq to sell oil to provide revenue for humanitarian relief to its citizens. In this forecast we expect world crude oil prices to move downward as summer approaches.

Organization of Petroleum Exporting Countries

OPEC has maintained its production somewhat above its 24.5 million bbl/day quota since September 1993. This quota was most recently renewed at the cartel's March 1996 meeting.

The issue of whether or not Iraq will be allowed to export up to \$1 billion worth of oil every 90 days is very much an open question. An agreement was not reached at the scheduled April 8 deadline for negotiations set by the United Nations and Iraq this past February. It is likely that negotiations will resume in the near future.

OPEC has agreed to meet in an extraordinary session should the Iraqi oil sale take place. Given the magnitude of a potential Iraqi sale, about 700,000 barrels a day, it is likely that OPEC could manage the situation assuming modest prorata production cuts and global oil demand growth. The next scheduled OPEC meeting is on June 5, 1996.

TABLE 4.

OPEC PRODUCTION (Thousand Barrels/Day)

<u>COUNTRY</u>	<u>February 1996</u>	<u>1996 Quota</u>	<u>Over/(Under) Over Quota</u>
Algeria	644	750	(106)
Gabon	365	287	78
Indonesia	1,450	1,330	120
Iran	3,750	3,600	150
Iraq	670	400	270
Kuwait ¹	2,000	2,000	0
Libya	1,390	1,390	0
Nigeria	1,980	1,865	115
Qatar	480	378	102
Saudi Arabia ¹	8,000	8,000	0
UAE	2,190	2,161	29
Venezuela	<u>2,780</u>	<u>2,359</u>	<u>421</u>
TOTAL	25,669	24,520	1,179

¹ Share Neutral Zone output.

Source: Platt's Oilgram News (3/7/96).

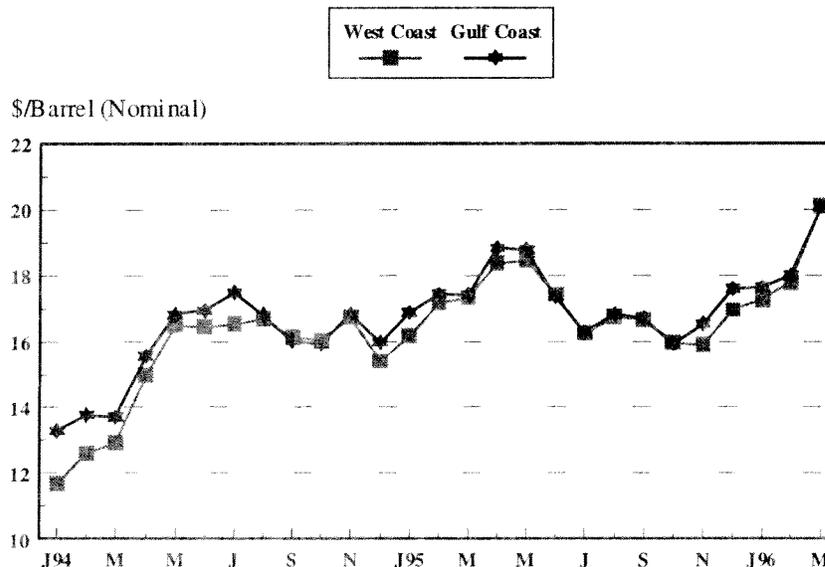
Alaska North Slope

ANS Lower 48 oil price averaged \$16.83/bbl in FY 1995. So far this fiscal year, prices have averaged \$17.23/bbl, slightly higher than projected for the Department's Fall 1995 high price alternative (\$17.08/bbl) and \$.87/bbl higher than our base case projection (\$16.36/bbl). Market prices this March peaked at \$23.34/barrel—a value not achieved since the 1990 Persian Gulf War. Oil prices so far this year have been supported by a severe U.S. winter, a nineteen-year low in crude inventories, and the continued belief that Iraqi oil will remain out of the world market.

West Coast prices have been particularly strong over the last 12 months, often in parity with Gulf Coast prices. Historical prices are shown below in Figure 6. Strong West Coast prices are expected to continue with the soon-to-be lifted ANS export ban. Once the ban has been lifted, sellers will have access to Far East markets. This forecast projects Far East exports occurring by June 1997.

Roughly 90 percent of ANS production is currently sold on the West Coast, leaving 10 percent to be marketed in the U.S. Gulf and Caribbean. With the lifting of the ANS export ban, we anticipate that the more expensive Gulf Coast deliveries and Caribbean exports will cease. We expect crude instead to be transported to the Far East. Since three markets will soon be available for Alaska crude, including the Pacific Rim, ANS Lower 48 oil is no longer a valid name for our out-of-state crude oil sales. From now on, we will refer to Alaska's North Slope crude oil price as ANS market crude.

FIGURE 6. **HISTORICAL ANS SPOT PRICES**
(\$/Barrel)



Trans-Alaska Pipeline System (TAPS) Tariff

The TAPS tariff is determined according to the TAPS Settlement Method, 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 average tariff filing for calendar year 1996 was \$2.84/bbl. The following table contains projected fiscal year tariffs.

TABLE 7.



TAPS TARIFFS
(\$/Barrel)

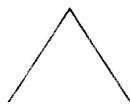
FY 1995 ACTUAL	\$3.63
FY 1996	\$3.46
FY 1997	\$2.78
FY 1998	\$2.68



Wellhead Price

The combination of ANS wellhead value and production is the basis for both state severance taxes and royalties. The wellhead value is calculated by subtracting the 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 8.



WELLHEAD PRICE
(\$/Barrel)

FY 1995 ACTUAL	\$11.51
FY 1996	\$12.03
FY 1997	\$12.25
FY 1998	\$12.43



Production

The forecast for production volumes results from analysis of publicly available data and data supplied by the North Slope producers.

The Department of Revenue has made several revisions to the production volumes in the Fall 1995 forecast. The Department has:

1. Increased the Point McIntyre production forecast to reflect better-than-expected reservoir performance.
2. Increased the Niakuk production forecast to reflect ongoing development to the west end and the February 1996 elimination of the production limit by the Alaska Oil and Gas Conservation Commission.
3. Reduced the Milne Point (Kuparuk Pool) production forecast to reflect unanticipated production interruptions and startup difficulties associated with the facility expansion project. The facility expansion should double the previous production rate when completed in May 1996.
4. Reduced the Kuparuk production forecast to reflect the four-month delay of the Large Scale Enhanced Oil Recovery Project (LSEOR) and worse-than-expected reservoir performance.
5. Reduced the forecast amount of TAPS-blendable natural gas liquids from Prudhoe Bay to reflect greater export volumes to the Kuparuk field for the LSEOR.

TABLE 9.

ALASKA OIL AND NGL PRODUCTION

(Millions of Barrels/Day)

	<u>FY 1995 ACTUAL</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
<u>ALASKA NORTH SLOPE</u>				
<u>Oil Volume</u>				
Prudhoe	0.923	0.818	0.753	0.702
Kuparuk	0.303	0.283	0.285	0.285
Milne Point	0.018	0.021	0.048	0.060
Schrader Bluff	0.003	0.003	0.003	0.004
Sag River	0.000	0.001	0.003	0.008
Endicott	0.094	0.087	0.080	0.072
Sag Delta	0.001	0.001	0.000	0.000
Lisburne	0.018	0.014	0.012	0.011
Point McIntyre	0.119	0.144	0.140	0.130
Niakuk	0.015	0.025	0.032	0.030
North Prudhoe State	0.003	0.001	0.001	0.001
West Beach	<u>0.001</u>	<u>0.001</u>	<u>0.001</u>	<u>0.001</u>
TOTAL Oil Volume	1.497	1.398	1.358	1.303
<u>Natural Gas Liquid (NGL) Volume</u>				
Prudhoe	0.068	0.077	0.062	0.056
Endicott	0.004	0.003	0.004	0.004
Sag Delta	0.000*	0.000*	0.000*	0.000
Lisburne	0.002	0.002	0.002	0.002
Point McIntyre	0.002	0.002	0.002	0.002
Niakuk	0.000*	0.000*	0.000*	0.000*
North Prudhoe State	0.000*	0.000*	0.000*	0.000*
West Beach	<u>0.000*</u>	<u>0.000*</u>	<u>0.000*</u>	<u>0.000*</u>
TOTAL NGL Volume	0.076	0.085	0.070	0.063
<u>Total ANS Volume (Oil & NGLs)</u>				
Prudhoe	0.991	0.895	0.814	0.758
Kuparuk	0.303	0.283	0.285	0.285
Milne Point	0.018	0.021	0.048	0.060
Schrader Bluff	0.003	0.003	0.003	0.004
Sag River	0.000	0.001	0.003	0.008
Endicott	0.098	0.090	0.084	0.076
Sag Delta	0.001	0.001	0.000	0.000
Lisburne	0.020	0.016	0.014	0.013
Point McIntyre	0.121	0.146	0.142	0.132
Niakuk	0.015	0.025	0.032	0.030
North Prudhoe State	0.003	0.001	0.001	0.001
West Beach	<u>0.001</u>	<u>0.001</u>	<u>0.001</u>	<u>0.001</u>
TOTAL ANS Volume	1.573	1.483	1.428	1.366
<u>ANS Oil & NGLs</u>	1.573	1.483	1.428	1.366
<u>COOK INLET</u>	0.042	0.043	0.041	0.040
<u>ALASKA TOTAL PRODUCTION</u>	1.615	1.526	1.469	1.406

*NGL production but, less than 500 barrel/day.

OTHER PETROLEUM AND NON-PETROLEUM REVENUE FORECAST ASSUMPTIONS

Oil and Gas Corporate Income Tax

Oil and gas corporate taxes were up substantially in FY 1995. The state collected \$128.5 million in FY 1995 compared to collections of \$17.4 million in FY 1994. Oil and gas corporations have undergone significant restructuring in the last year. The Department of Revenue anticipates corporate taxes to trend downward through FY 1998.

Non-Oil and Gas Corporate Income Tax

Non-petroleum corporate taxes generated \$67 million in FY 1995 compared to \$44.3 million in FY 1994. The increase in revenue reflects both a growing economy and better corporate cost management. The Department of Revenue expects a modest decline in corporate taxes through FY 1998.

Oil and Gas 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 investments in oil facilities decline.

Excise Taxes

Alcohol and tobacco tax collections have remained steady over the past five years. Since consumption patterns for alcohol and tobacco have also remained steady, the Department of Revenue projects these revenues to remain at current levels.

Fish Tax

The state collected \$39 million in fish business tax in FY 1995, slightly more than its FY 1994 collection of \$33.9 million. The following table reflects, by species, the values of the catch forecast for FY 1997 and FY 1998 fisheries activity.

TABLE 10. **FISH BUSINESS TAX, FY 1995 ACTUAL AND FY 1996-1998 PROJECTED**
(Millions of Dollars)

FISH	<u>FY 1995 (CY 1994)</u>		<u>FY 1996 (CY 1995)</u>		<u>FY 1997-1998</u>
	Value of Catch	Tax Revenue	Value of Catch	Tax Revenue	Forecast Activity
Halibut	85	2.7	65	2.1	Catch Same Unit Value Down
Salmon	468	16.1	461	15.5	Catch Up Unit Value Down
Herring	22	0.8	42	1.6	Catch Same Unit Value Up
Shellfish	319	10.5	265	8.5	Catch Down Unit Value Down
Groundfish	443	8.9	434	8.7	Catch Down Unit Value Down
TOTAL	1337	39.0	1267	36.4	

Miscellaneous Earnings

Federal Shared Revenues includes several elements. They totalled \$12.8 million in FY 1991, but have declined each subsequent year. They totalled \$4.2 million in FY 1995.

Investment earnings projections are estimated from analysis of the State's General Fund cash flow and the anticipated yield on instruments in which the Treasury Division could invest the the anticipated General Fund balance. These investments brought in \$72.4 million in FY 1995.

The \$41.5 million in ferry system receipts consist of the revenues from tickets and services in FY 1995. The Legislature established the Alaska Marine Highway System Fund. The gross revenue of the state ferry system must be deposited in the fund, and the Legislature may appropriate this fund for the operating and capital expenditures of the system. The Alaska Marine Highway system made these projections.

SPRING 1996 BASE CASE SCENARIO

Oil Market Assumptions

This forecast examines the short-run outlook, FY 1996 - FY 1998. Modest growth in global oil consumption is expected to continue over the next two years. The U.S., Japanese, and European economies experience moderate growth while the economies of the developing countries continue to grow rapidly. Economic troubles in the former Soviet Union persist.

1. OECD oil consumption grows by .2 million bbl/day in both FY 1996 and FY 1997.
2. Non-OECD consumption, fueled primarily by rapid expansion in Asia, increases by .9 million bbl/day and .7 million bbl/day in FY 1996 and FY 1997, respectively.
3. OPEC production in FY 1996 grows a moderate .4 million bbl/day and remains stable through FY 1997.
4. Non-OPEC production grows 1.1 million bbl/day in FY 1996 and .9 million bbl/day in FY 1997, with continued significant output increases from North Sea fields.
5. Oil markets pay particular attention to the possible re-entry of Iraqi crude due to ongoing negotiations between the country and the United Nations. This forecast assumes there is a 50 percent chance of Iraqi oil re-entering the market sometime during the next two years.
6. Oil prices for ANS quality crude remains relatively flat between \$16.50/bbl and \$17/bbl through FY 1998, as OPEC manages to gauge its production to roughly accommodate the return of Iraq into the world market.

TABLE 12.

BASE CASE REVENUE, PRICE, AND PRODUCTION PROJECTIONS

FY	GENERAL FUND UNRESTRICTED REVENUES		KEY ANS OIL ASSUMPTIONS	
	As Compiled by Revenue	Net Disposable	Market Price	Production
1995 ACTUAL	\$2.083 billion	\$2.477 billion	\$16.83/bbl	1.573 million bbl/day
1996	\$2.001 billion	\$2.173 billion	\$17.17/bbl	1.483 million bbl/day
1997	\$1.910 billion	\$1.992 billion	\$16.67/bbl	1.428 million bbl/day
1998	\$1.844 billion	\$1.910 billion	\$16.75/bbl	1.366 million bbl/day

TABLE 13.

BASE CASE GLOBAL MARKET ASSUMPTIONS*

(Millions of Barrels/Day)

	ACTUAL		PROJECTED									
	1994	1995	Q1	Q2	Q3	Q4	1996	Q1	Q2	Q3	Q4	1997
DEMAND												
OECD												
North America	19.7	19.8	19.8	19.5	19.9	20.1	19.8	19.9	19.6	20.0	20.2	19.9
Europe	13.6	13.9	14.1	13.6	13.8	14.4	14.0	14.2	13.6	13.9	14.5	14.1
Pacific	6.6	6.7	7.4	6.2	6.4	7.1	6.8	7.4	6.3	6.4	7.1	6.8
Total	40.0	40.4	41.3	39.3	40.2	41.6	40.6	41.5	39.5	40.4	41.8	40.8
Non-OECD												
Former Soviet Union	4.8	4.8	5.4	4.8	4.5	4.3	4.8	5.1	4.5	4.3	4.1	4.5
China	3.1	3.3	3.4	3.4	3.5	3.5	3.4	3.5	3.5	3.6	3.6	3.5
Eastern Europe	1.4	1.4	1.5	1.4	1.4	1.4	1.4	1.5	1.4	1.4	1.4	1.4
West Hemisphere	5.9	6.0	6.0	6.1	6.2	6.2	6.1	6.1	6.3	6.4	6.3	6.3
Africa	2.1	2.1	2.2	2.2	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Middle East	4.0	4.0	4.2	4.2	4.3	4.3	4.2	4.4	4.4	4.5	4.5	4.5
Asia	7.4	8.0	8.3	8.2	8.0	8.9	8.3	8.7	8.6	8.4	9.3	8.8
Total	28.6	29.6	30.9	30.2	30.0	30.7	30.5	31.6	30.9	30.7	31.5	31.2
TOTAL DEMAND	68.6	70.0	72.2	69.5	70.2	72.3	71.0	73.0	70.4	71.1	73.3	72.0
SUPPLY												
Non-OPEC												
OECD	17.6	18.0	18.8	18.4	18.4	19.1	18.7	19.4	18.9	19.0	19.7	19.2
Former Soviet Union	7.2	7.2	7.4	7.2	7.1	7.0	7.2	7.4	7.3	7.1	7.0	7.2
China	2.9	3.0	3.0	3.0	3.0	3.0	3.0	3.1	3.0	3.1	3.1	3.1
Eastern Europe	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
LDCs	11.7	12.3	12.5	12.4	12.5	12.7	12.5	12.7	12.7	12.8	13.0	12.8
Processing Gain	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.5	1.6	1.6
Total	41.3	42.3	43.5	42.9	43.0	43.7	43.3	44.5	43.8	43.9	44.7	44.2
OPEC	25.0	25.4	25.7	24.8	25.5	27.3	25.8	25.6	24.8	25.5	27.3	25.8
OPEC NGLs	2.3											
Total	27.3	27.7	28.0	27.1	27.8	29.6	28.1	27.9	27.1	27.8	29.6	28.1
TOTAL SUPPLY	68.6	70.0	71.5	70.0	70.8	73.3	71.4	72.4	70.9	71.7	74.3	72.3
INVENTORY CHANGE	0.0	0.0	-0.7	0.5	0.6	1.0	0.4	-0.7	0.5	0.6	1.0	0.4

*Totals may not match due to independent rounding of values.

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

FIGURE 7. GENERAL FUND UNRESTRICTED REVENUES, Nominal Dollars
FY 1982 - FY 1995 ACTUAL, FY 1996 - FY 1998 PROJECTED
 (Millions of Dollars)

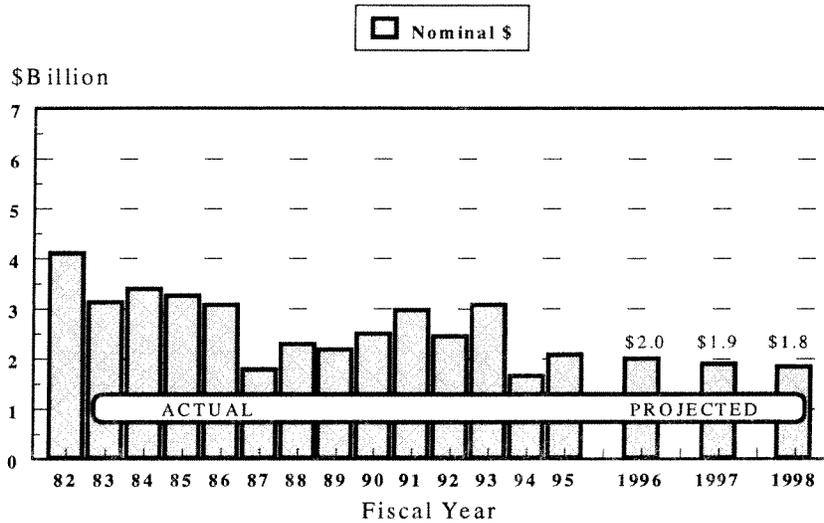


FIGURE 8. GENERAL FUND UNRESTRICTED REVENUES, Real 1996 Dollars
FY 1982 - FY 1995 ACTUAL, FY 1996 - FY 1998 PROJECTED
 (Millions of Dollars)

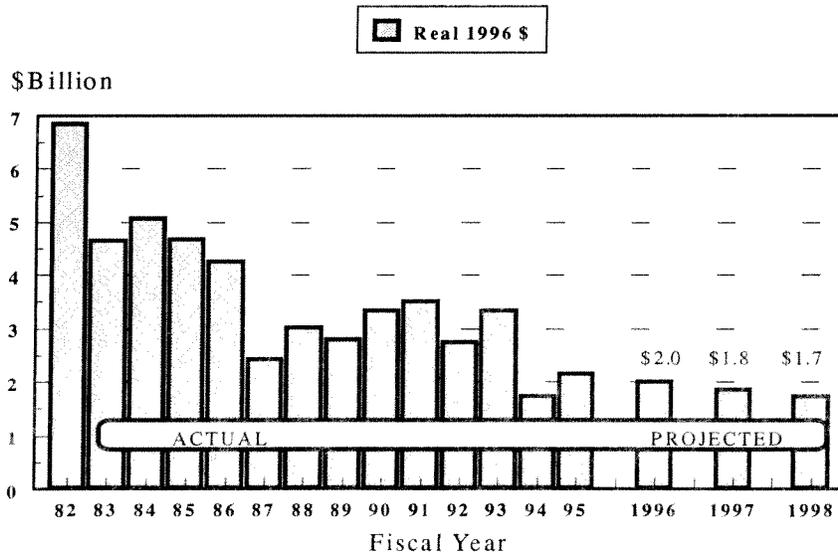


TABLE 14.

**PETROLEUM SEVERANCE TAX AND ROYALTY
REVENUE FORECAST**

(Millions of Dollars)

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
<u>ALASKA NORTH SLOPE</u>			
Oil Royalty	737.6	730.4	716.5
Oil Severance Tax	687.3	666.3	629.8
Conservation Tax	1.8	1.7	1.7
Hazardous Relief Fund	13.2	13.0	12.4
Gas Royalty	45.8	38.1	34.7
Gas Severance	<u>27.3</u>	<u>20.0</u>	<u>17.9</u>
ANS TOTAL	1513.0	1469.5	1413.0
<u>COOK INLET</u>			
Oil Royalty	27.1	27.1	25.7
Oil Severance Tax	0.0	0.0	0.0
Conservation Tax	0.1	0.1	0.1
Hazardous Relief Fund	0.4	0.4	0.4
Gas Royalty	26.0	27.3	28.6
Gas Severance	<u>15.5</u>	<u>15.9</u>	<u>16.3</u>
COOK INLET TOTAL	69.2	70.9	71.1
ALASKA TOTAL	1582.2	1540.4	1484.1

TABLE 15.

DETAILED REVENUE PROJECTIONS

(Millions of Dollars)

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
PETROLEUM REVENUES			
Production Tax	745.6	717.4	678.6
Property Tax	53.3	51.1	48.7
Oil and Gas Income	165.0	155.0	150.0
Gross Royalties	836.6	822.9	805.5
Mineral Rents	5.0	5.0	5.0
Bonus Sales	<u>2.1</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	1807.6	1751.5	1687.8
NON-PETROLEUM REVENUES (Non-Interest)	349.8	344.2	338.6
GENERAL FUND INTEREST REVENUES	70.0	40.0	40.0
TOTAL REVENUES WITH PF DEDICATION	2227.4	2135.7	2066.4
PERMANENT FUND DEDICATION	222.6	221.6	218.1
PUBLIC SCHOOL FUND	4.2	4.1	4.1
NPR-A FUND	0.0	0.0	0.0
OTHER FUNDS	0.0	0.0	0.0
GENERAL FUND UNRESTRICTED REVENUES			
Net Nominal Dollars	2000.6	1910.1	1844.2
Net Real 1996 Dollars	2000.6	1854.6	1735.6

METHODOLOGY

SPRING 1996 FORECAST

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 simulation model which projects severance taxes and royalties on a taxpayer specific and field-by-field basis.

The key input assumptions for this model are oil prices, inflation, transportation costs, production rates, and the number of producing wells. The oil price and inflation rates are developed by a pricing panel composed of state economists from the Departments of Revenue, Labor, Natural Resources, and the Office of Management and Budget, and the University of Alaska. A member of the Legislative Finance Division also attends the price assumption development session.

The production and well assumptions are developed through consultation with the oil producing companies, the Department of Natural Resources, and the Alaska Oil and Gas Conservation Commission.

In this short-term forecast, we discuss only one of the many possible future price and production outcomes affecting Alaska oil revenues: the base 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 Revenues for various alternative ANS price and production levels in FY 1996 - FY 1998. You can find these on the pages that follow.

TABLE 16.

FY 1996
GENERAL FUND UNRESTRICTED REVENUE
SENSITIVITY MATRIX FOR ANNUAL PRICE AND PRODUCTION
(Millions of Dollars)

ANS Market Price (\$/bbl)	ANS Production (Million bbls/day)								
	1.30	1.35	1.40	1.45	1.50	1.55	1.60	1.65	1.70
12.00	1,580	1,590	1,600	1,610	1,630	1,640	1,650	1,660	1,670
13.00	1,580	1,600	1,610	1,620	1,630	1,650	1,660	1,670	1,680
14.00	1,620	1,630	1,650	1,670	1,690	1,700	1,720	1,740	1,760
15.00	1,670	1,690	1,720	1,740	1,770	1,800	1,820	1,850	1,870
16.00	1,740	1,770	1,810	1,850	1,880	1,920	1,960	1,990	2,030
17.00	1,800	1,850	1,900	1,950	2,000	2,040	2,090	2,140	2,190
18.00	1,870	1,930	1,990	2,050	2,110	2,170	2,230	2,290	2,350
19.00	1,940	2,010	2,080	2,150	2,220	2,290	2,360	2,430	2,500
20.00	2,010	2,090	2,170	2,250	2,330	2,420	2,500	2,580	2,660

TABLE 17.

FY 1997
GENERAL FUND UNRESTRICTED REVENUE
SENSITIVITY MATRIX FOR ANNUAL PRICE AND PRODUCTION
(Millions of Dollars)

		ANS Production (Million bbls/day)								
		1.30	1.35	1.40	1.45	1.50	1.55	1.60	1.65	1.70
ANS Market Price (\$/bbl)	12.00	1,350	1,380	1,410	1,440	1,460	1,490	1,520	1,550	1,570
	13.00	1,450	1,480	1,510	1,540	1,570	1,600	1,640	1,670	1,700
	14.00	1,540	1,580	1,610	1,650	1,680	1,720	1,750	1,790	1,820
	15.00	1,640	1,680	1,710	1,750	1,790	1,830	1,870	1,910	1,950
	16.00	1,730	1,770	1,820	1,860	1,900	1,940	1,990	2,030	2,070
	17.00	1,830	1,870	1,920	1,960	2,010	2,060	2,100	2,150	2,190
	18.00	1,920	1,970	2,020	2,070	2,120	2,170	2,220	2,270	2,320
	19.00	2,020	2,070	2,120	2,180	2,230	2,280	2,340	2,390	2,440
	20.00	2,110	2,170	2,220	2,280	2,340	2,400	2,450	2,510	2,570

TABLE 18.

FY 1998
GENERAL FUND UNRESTRICTED REVENUE
SENSITIVITY MATRIX FOR ANNUAL PRICE AND PRODUCTION
(Millions of Dollars)

		ANS Production (Million bbls/day)								
		1.30	1.35	1.40	1.45	1.50	1.55	1.60	1.65	1.70
ANS Market Price (\$/bbl)	12.00	1,340	1,370	1,400	1,420	1,450	1,480	1,510	1,530	1,560
	13.00	1,430	1,470	1,500	1,530	1,560	1,590	1,620	1,650	1,680
	14.00	1,530	1,560	1,600	1,630	1,670	1,700	1,740	1,770	1,800
	15.00	1,620	1,660	1,700	1,740	1,770	1,810	1,850	1,890	1,930
	16.00	1,720	1,760	1,800	1,840	1,880	1,920	1,970	2,010	2,050
	17.00	1,810	1,850	1,900	1,940	1,990	2,040	2,080	2,130	2,170
	18.00	1,900	1,950	2,000	2,050	2,100	2,150	2,200	2,250	2,290
	19.00	2,000	2,050	2,100	2,150	2,210	2,260	2,310	2,360	2,420
	20.00	2,090	2,150	2,200	2,260	2,310	2,370	2,430	2,480	2,540

HISTORICAL OVERVIEW

REVENUES, PRICES, AND PRODUCTION

The pages that follow contain historical revenues, prices, and production. Table 19 on pages 28-29 shows General Fund Unrestricted Revenues by type from FY 1981 - FY 1995.

Table 20 on page 30 shows historical petroleum revenues by type from FY 1959 - FY 1995.

Finally, this section concludes with Tables 21 and 22 on page 31 with historical crude oil prices (FY 1981 - FY 1995) and production for the North Slope and Cook Inlet (FY 1978 - FY 1995).

HISTORICAL GENERAL FUND UNRESTRICTED REVENUES
(Millions of Dollars)

-Tax Portion-

	<u>FY 81</u>	<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>
Income Tax															
Corporate - General	34.8	34.8	30.3	39.5	36.0	11.2	20.5	23.4	38.0	45.3	37.9	33.7	37.6	44.3	67.0
Corporate - Petroleum	<u>860.1</u>	<u>668.9</u>	<u>236.0</u>	<u>265.1</u>	<u>168.6</u>	<u>133.9</u>	<u>120.4</u>	<u>158.0</u>	<u>166.0</u>	<u>117.2</u>	<u>185.1</u>	<u>165.5</u>	<u>834.7</u>	<u>17.8</u>	<u>128.5</u>
Total Income Tax	894.9	703.7	266.3	304.6	204.6	145.1	140.9	181.4	204.0	162.5	223.0	199.2	872.3	62.1	195.5
Miscellaneous Tax															
Alaska Business License	5.4	5.5	6.9	19.9	38.8	2.1	1.5	1.4	1.0	0.1	0.0	0.0	0.1	0.2	0.0
Fish Business	20.7	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
Salmon Enhancement	0.0	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
Seafood Marketing	0.0	0.0	0.9	1.1	1.0	1.1	1.4	2.7	3.3	3.3	3.3	2.8	3.6	2.1	3.2
Salmon Marketing	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	3.7	4.7
Fish Landing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	7.3
Insurance Companies	10.6	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
Other	<u>1.2</u>	<u>1.4</u>	<u>1.6</u>	<u>2.0</u>	<u>2.1</u>	<u>2.2</u>	<u>2.3</u>	<u>2.4</u>	<u>3.2</u>	<u>4.6</u>	<u>4.1</u>	<u>4.1</u>	<u>4.0</u>	<u>4.5</u>	<u>4.8</u>
Total Miscellaneous Tax	37.9	44.6	46.3	60.4	80.7	51.9	59.8	58.5	62.1	62.3	69.1	66.7	83.0	75.6	92.6
Severance Tax															
Gravel, Timber, etc.	2.7	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
Oil & Gas Production	1169.9	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
Oil & Hazardous Release	0.0	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
Oil & Gas Conservation	<u>0.3</u>	<u>0.6</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.5</u>	<u>1.2</u>	<u>2.3</u>	<u>2.4</u>	<u>2.4</u>	<u>2.3</u>	<u>2.3</u>	<u>2.1</u>	<u>2.3</u>	<u>2.0</u>
Total Severance Tax	1172.9	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
Property Tax															
Oil & Gas Property	143.0	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
Vehicle Registration	<u>0.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>											
Total Property Tax	143.2	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
Sales/Use Tax															
Alcoholic Beverages	8.3	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
Fuel Taxes - Aviation	4.1	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
Fuel Taxes - Highway	15.6	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
Fuel Taxes - Marine	3.5	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
Tobacco Products	<u>1.7</u>	<u>1.9</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>4.9</u>	<u>6.6</u>	<u>6.1</u>	<u>6.4</u>	<u>11.0</u>	<u>14.0</u>	<u>14.3</u>	<u>14.0</u>	<u>14.1</u>	<u>14.4</u>
Total Sale/Use Tax	33.2	41.2	49.1	47.2	51.9	54.3	51.4	51.8	55.5	64.5	66.0	69.6	66.7	66.6	66.0
Other Tax															
Estate	0.5	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
School	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>												
Total Other Tax	0.5	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
Total Taxes	2282.6	2514.2	2008.7	1937.0	1855.5	1473.4	1004.2	1206.9	1111.8	1381.8	1730.5	1458.7	2107.4	959.5	1206.5

- Non-Tax Portion-

	<u>FY 81</u>	<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>Licenses and Permits</u>															
Business	9.1	10.8	10.8	10.8	11.9	11.3	10.0	8.6	8.1	6.7	5.8	5.3	6.9	5.6	3.7
Non-Business	<u>12.2</u>	<u>13.0</u>	<u>14.9</u>	<u>15.9</u>	<u>17.0</u>	<u>18.0</u>	<u>19.2</u>	<u>19.7</u>	<u>20.2</u>	<u>21.1</u>	<u>23.3</u>	<u>27.1</u>	<u>25.8</u>	<u>30.1</u>	<u>31.0</u>
Total Licenses & Permits	21.3	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
<u>Intergovernmental Receipts</u>															
Federal Shared Revenues	8.5	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
<u>State Resource Revenue</u>															
Bonus Sales	7.6	5.0	36.2	10.1	11.5	34.7	0.5	5.6	11.4	0.0	18.9	2.6	38.3	0.6	1.0
Investment Earnings	227.8	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
Rents	5.4	3.5	4.3	6.0	5.1	6.2	6.0	6.0	5.3	5.3	5.9	3.9	6.0	4.6	4.6
Royalties	1118.5	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
Sale of State Property	4.8	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
Gravel, Timber, etc.	<u>0.0</u>	<u>1.2</u>	<u>4.0</u>	<u>2.9</u>	<u>3.1</u>	<u>2.9</u>	<u>7.2</u>	<u>1.1</u>	<u>0.5</u>	<u>0.8</u>	<u>0.4</u>	<u>0.6</u>	<u>0.6</u>	<u>0.4</u>	<u>0.6</u>
Total Resource Revenue	1364.1	1496.9	1505.0	1356.2	1295.7	1078.4	621.9	843.9	728.7	875.7	1106.5	812.3	831.1	558.4	728.7
<u>Facilities Related Charges</u>															
Airports	1.1	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
Ferry System	24.4	29.2	30.4	32.0	33.4	32.3	31.3	29.8	33.1	34.0	40.7	42.3	40.8	40.4	41.5
Other	<u>3.7</u>	<u>3.6</u>	<u>5.5</u>	<u>4.3</u>	<u>7.9</u>	<u>5.2</u>	<u>4.1</u>	<u>0.7</u>	<u>1.4</u>	<u>1.7</u>	<u>1.5</u>	<u>2.3</u>	<u>1.4</u>	<u>6.1</u>	<u>5.3</u>
Total Facilities Charges	29.2	34.4	37.3	37.8	42.9	39.0	36.9	32.3	35.7	37.2	43.5	48.0	43.4	47.0	47.3
<u>Services Related Charges</u>															
Court System	2.9	3.5	4.2	4.1	4.5	5.1	5.3	5.5	6.0	5.8	6.4	6.2	6.8	6.6	6.4
Other	<u>4.1</u>	<u>6.1</u>	<u>5.9</u>	<u>4.8</u>	<u>5.2</u>	<u>4.1</u>	<u>4.8</u>	<u>2.0</u>	<u>1.9</u>	<u>3.2</u>	<u>7.3</u>	<u>32.2</u>	<u>4.9</u>	<u>4.8</u>	<u>5.9</u>
Total Services Charges	7.0	9.6	10.1	8.9	9.7	9.2	10.1	7.5	7.9	9.0	13.7	38.4	11.7	11.4	12.3
Total State Resource Revenue	1400.3	1540.9	1552.4	1402.9	1348.3	1126.6	668.9	883.7	772.3	921.9	1163.7	898.7	886.2	616.8	788.3
Miscellaneous Revenue	5.5	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
Sub-Total Non-Tax Revenue	1435.6	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
Plus: Income from prior years				418.7	70.5	163.9	257.7	154.8	33.6						
Total Non-Tax Revenue	1435.6	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
Total Tax Revenue	2282.6	2514.2	2008.7	1937.0	1855.5	1473.4	1004.2	1206.9	1111.8	1381.8	1730.5	1458.7	2107.4	959.5	1206.5
Total General Fund															
Unrestricted Revenue	3718.2	4108.4	3631.0	3390.1	3260.0	3075.5	1799.4	2305.8	2186.2	2507.2	2986.6	2462.6	3081.6	1652.5	2082.9

HISTORICAL PETROLEUM REVENUES

(Millions of Dollars)

FY	Corporate		Severance		Oil/Gas		Reserve		Fed. Min.		Rents		Royalties		Oil/Gas(2)		Total		Total G.F.	
	Petroleum	Tax	Tax	Tax	Property	Tax	Tax	Tax	Royalties	Royalties	Bonus	(1)	(1)	Special	Settlements	Revenues	Revenues	Unrestricted	Unrestricted	Revenues
59									3.1							3.1		25.4		12
60									5.8	4.0		0.1				9.9		48.0		21
61									2.4	1.6		0.2				4.2		40.5		10
62			0.2						4.5	20.3		1.0				26.0		68.9		38
63			0.3						8.6	17.9		1.0				27.8		71.6		39
64			0.3						8.7	4.7		1.2				14.9		67.0		22
65			0.3						8.3	5.9		1.9	0.1			16.5		83.0		20
66			0.3						7.7	10.8		2.5	0.3			21.6		86.5		25
67			0.5						7.7	8.6		2.8	1.9			21.5		86.6		25
68			10.2						7.5	21.8		2.9	9.5			43.0		112.7		38
69	0.1		5.6						7.8	0.8		3.3	16.9			34.5		112.4		31
70	0.4		7.9						8.2	900.0		3.1	19.3			938.9		1067.3		88
71	0.9		10.5						8.6	0.2		2.9	23.9			47.0		220.4		21
72	1.2		11.4						7.9	0.3		3.0	24.6			48.4		219.2		22
73	0.9		12.0						6.7	3.8		3.4	23.5			50.3		208.2		24
74	1.2		14.8						7.1	24.8		3.6	28.7			80.2		254.9		31
75	2.5		26.6			6.6			9.8	1.0		3.9	40.0			90.4		333.4		27
76	4.9		28.0		83.4		223.1		5.1			3.7	43.3			391.5		709.8		55
77	5.0		23.8		139.1		270.6		2.0*			2.8*	34.3*			477.6*		874.3		55
78	8.4		107.7		173.0				1.0*			1.8*	149.6*			441.5*		764.9		58
79	232.6		173.8		163.4				1.0*			1.6*	249.2*			821.6*		1133.0		73
80	547.5		506.5		168.9				1.2*	342.4*		1.8*	688.2*			2256.5*		2501.2		90
81	860.1		1170.2		143.0				1.2*	7.6*		3.7*	1118.5*			3304.3*		3718.2		89
82	668.9		1581.7		142.7				17.1*	5.0*		2.1*	1157.3*			3574.8*		4108.4		87
83	236.0		1493.7		152.6				27.2*	36.2*		2.5*	1078.4*			3026.6*		3631.0		83
84	265.1		1393.1		131.0				11.0*	10.1*		3.8*	1047.5*			2861.6*		3390.1		84
85	168.6		1389.4		128.4				8.2*	11.5*		3.4*	1034.0*			2743.5*		3260.0		84
86	133.9		1108.4		113.5				14.3*	34.7*		4.2*	830.7*			2657.9*	418.2*	3075.5		86
87	120.4		648.5		102.5				9.0*	0.5*		3.8*	439.3*			1394.5*	70.5*	1799.4		77
88	158.0		818.7		96.2				6.7*	5.6*		5.7*	694.8*			1949.6*	163.9*	2305.8		85
89	166.0		698.8		89.7				5.6*	11.4*		5.3*	605.9*			1840.4*	257.7*	2186.2		84
90	117.2		1001.6		89.8				6.3*	0.0*		4.2*	747.4*			2121.4*	154.8*	2507.2		85
91	185.1		1284.8		85.0		0.0		7.1*	18.9*		5.8*	951.6*			2571.8*	33.5*	2986.6		86
92	165.5		1053.2		69.0		0.0		5.8*	2.6*		4.2*	702.4*			2007.4*	4.7*	2462.6		82
93	834.7		1017.6		66.9		0.0		5.4*	38.3*		6.0*	711.3*			2684.9*	4.7*	3081.6		87
94	17.8		692.1		61.5		0.0		4.0*	0.6*		4.5*	512.1*			1292.7*	0.1*	1652.5		78
95	128.5		793.9		57.3		0.0		3.5*	1.0*		4.0*	628.3*			1617.1*	0.7*	2082.9		77

* Net of Permanent Fund contribution and Constitutional Budget Reserve Fund deposits.

(1) These categories are primarily composed of oil/gas revenues; however, they include some additional revenues from other minerals (mostly coal).
(2) Not subject to budget reserve fund.

TABLE 21. HISTORICAL CRUDE OIL SPOT PRICES
(\$/Barrel Nominal)

FY	ANS at		ANS 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

* formerly called ANS Lower 48
Source: Platt's Oilgram Price Report.

TABLE 22. HISTORICAL CRUDE OIL PRODUCTION
(Million Barrel/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

Source: Alaska Department of Revenue, Oil & 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.

The Department of Revenue thanks the various State agencies for their cooperation in computing anticipated revenues for publication in this document.

This publication was released by the Department of Revenue, produced at a cost of \$2.25 per copy to assist the Governor in formulating a proposed comprehensive financial plan for presentation to the State Legislature, and printed in Anchorage, Alaska. This publication is required by AS 37.07.060.