

DEPARTMENT OF REVENUE

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

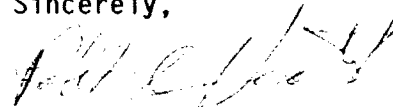
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March 31, 1983

To the Reader of the Revenue Sources FY 83-85 (March 1983) and
Petroleum Production Revenue Forecast (March 1983)

The revenue forecast presented in these publications has been prepared by economists and research staff of the Department of Revenue in accordance with the highest professional standards. It has been reviewed and adopted by myself as the Department's best judgment of revenues to be received by the State of Alaska over the prescribed forecast period. The Department of Revenue has historically been and remains solely and exclusively responsible for the preparation of these quarterly forecasts. The experience of recent years involving frequent and significant revisions in estimated revenues is due to the inherent difficulty of predicting the movements in the price of crude oil- a commodity whose volatility over the last decade cannot be exaggerated. This volatility combined with the Department of Revenue's almost complete dependence on oil revenues, which in recent years account for almost 90 percent of total revenues, can sometimes lead to dramatic and unavoidable changes in the forecast.

Sincerely,



Robert D. Heath
Commissioner of Revenue

RDH:jas



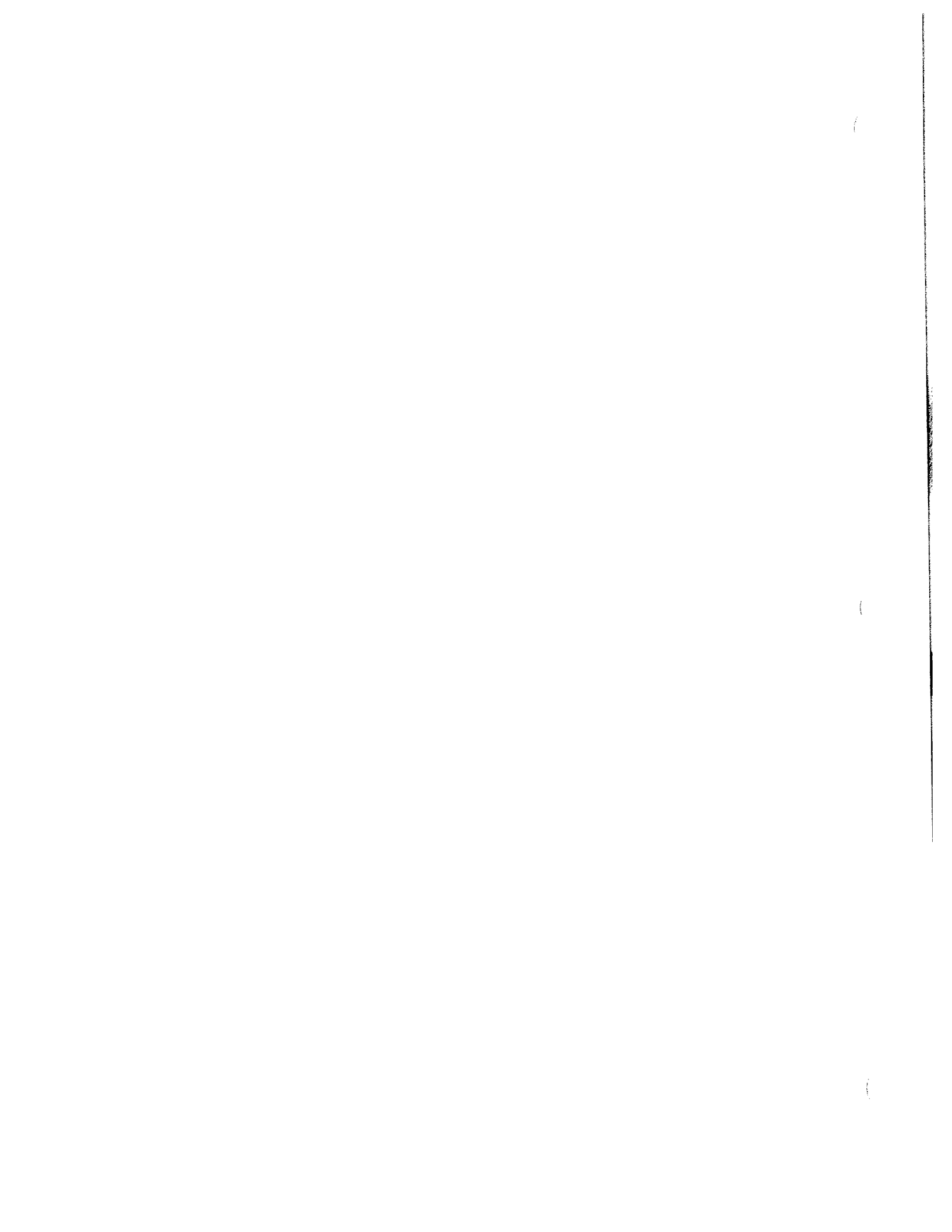
ALASKA'S REVENUE SOURCES

Compiled by Research Section

Department of Revenue

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Revenue Summary

In Thousands of Current Dollars

	FY 1983 Estimate <u>March</u>	FY 1984 Estimate <u>March</u>	FY 1985 Estimate <u>March</u>
Total General Fund Unrestricted Revenues (p. 5)	<u>3,536,800</u>	<u>2,728,700</u>	<u>2,760,600</u>
Total General Fund Restricted Revenues (p. 8)	<u>225,700</u>	<u>229,300</u>	<u>232,800</u>
Total General Fund Revenues (p. 8)	<u>3,762,500</u>	<u>2,958,000</u>	<u>2,993,400</u>
Alaska Permanent Fund (p. 9)	<u>804,700</u>	<u>276,600</u>	<u>279,600</u>

General Fund Unrestricted Revenues

In Thousands of Current Dollars

	FY 1983 Estimate <u>March</u>	FY 1984 Estimate <u>March</u>	FY 1985 Estimate <u>March</u>
<u>Taxes</u>			
<u>Income</u>			
Corporate-General (1)	35,000	37,000	40,000
Corporate-Petroleum (1)	235,000	243,000	255,000
<u>Gross Receipts</u>			
Alaska Business License	5,800	6,000	6,300
Fish-Canned Salmon	5,000	5,000	5,000
Fish-Shorebased	9,000	9,000	9,000
Fish-Floating	5,500	5,500	5,500
Seafood Marketing	1,000	1,000	1,000
Salmon Enhancement	2,400	2,400	2,400
Insurance Companies	14,500	17,000	20,000
Electric and Telephone Co-ops	1,300	1,300	1,300
Mining License Tax	200	200	300
<u>Severance</u>			
Oil & Gas Production(2)	1,479,500	1,111,000	1,116,400
Oil & Gas Conservation	800	700	700
<u>Property</u>			
Oil & Gas(3)	135,200	165,300	184,600
<u>Sale/Use</u>			
Alcoholic Beverages	11,000	11,500	12,000
Fuel Taxes-Aviation (4)	9,300	9,100	9,300
Fuel Taxes-Highway (4)	19,500	19,500	20,000
Fuel Taxes-Marine	3,800	4,000	4,200
Tobacco Products	2,000	2,000	2,000
<u>Other</u>			
Estate	500	500	500
Total Taxes	<u>1,976,300</u>	<u>1,651,000</u>	<u>1,695,500</u>
<u>Licenses & Permits</u>			
<u>Business</u>	11,000	12,000	12,500
<u>Non-Business</u>	14,000	14,500	15,000
Total Licenses & Permits	<u>25,000</u>	<u>26,500</u>	<u>27,500</u>
<u>Intergovernmental Receipts</u>			
<u>Federal Shared Revenues(5)(6)</u>	<u>26,600</u>	<u>10,000</u>	<u>10,000</u>
<u>State Resource Revenue</u>			
<u>Sale/Use</u>			
Bonus Sales(5)(7)(8)	26,100	-0-	-0-
Investment Earnings(9)	335,000	150,000	125,000
Rents(5)(7)(8)	4,000	4,000	4,000
Royalties(2)(5)	1,078,500	822,400	831,300
Sale of State Property	5,500	5,500	5,500
Gravel, Timber, etc.(10)	5,500	2,000	2,000

<u>Facilities Related Charges</u>			
Airports	1,600	1,600	1,600
Ferry System-Southeast	27,500	30,000	32,000
Ferry System-Southwest	4,000	4,100	4,200
Other	4,500	4,700	4,800
<u>Service Related Charges</u>			
Court System	3,700	3,900	4,200
Other	6,000	6,000	6,000
Total State Resources			
Revenues	<u>1,501,900</u>	<u>1,034,200</u>	<u>1,020,600</u>
<u>Miscellaneous Revenues</u>	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>
<u>Total Unrestricted Revenues</u>	<u>3,536,800</u>	<u>2,728,700</u> (11)	<u>2,760,600</u>

(1) AS 43.21 was repealed pursuant to Ch. 116 SLA 1981 effective January 1982, and thereby all multistate corporations were subject to various apportionment methods specified in AS 43.20. Due to the number of inquiries requesting information, collections are separated between those oil/gas corporations filing under AS 43.20.072 and those corporations filing otherwise.

(2) The forecasted numbers for FY 83 assume a mean or average case for petroleum revenues. The forecasted numbers for FY 84 and FY 85 represent the 30 percent cumulative frequency distribution (that is, the revenue level which was reached or exceeded seven times out of ten in the 500 cases generated by the computer); if, however, the mean case had been utilized instead the aforementioned numbers would change to \$1,203.2 million and \$1,253.6 million for production taxes during FY 84 and FY 85, respectively. The royalty numbers would change to \$888.9 million and \$932.2 million for FY 84 and FY 85, respectively.

(3) The estimates reflect only the net amount to the state's General Fund. In addition, local municipalities are estimated to receive \$185.4 million, \$210.0 million, and \$211.3 million for FY 83, FY 84, and FY 85, respectively. The North Slope Borough's millage was assumed to be 17 mills, 15 mills, and 14.4 mills for FY 83, FY 84, and FY 85, respectively.

(4) A number of airlines recently began purchasing taxed airline fuel from a consortium and applying for refunds after utilizing the fuel for non-taxable flights. These refunds are by law drawn from the Highway Fuel Tax Account.

(5) Net of Permanent Fund contribution by Ch. 18 SLA 1980.

(6) The FY 83 figure reflects NPR-A lease sales of \$57.1 million held January 27, 1982, and \$9.7 million held May 26, 1982, with the total amount of the lease sale split equally between the state and federal government. The state's share (\$33.4 million) is further equally divided between the General Fund and the Permanent Fund.

(7) Reflects state lease sales of \$32.5 million held May 26, 1982, \$0.7 million held August 25, 1982, and \$26.7 million held September 28, 1982. Due to the timing of collections, some receipts from May 1982 lease sale are shown as FY 83 revenue. FY 83 figures represent the General Fund's 50 percent share, with the remaining 50 percent deposited in the Permanent Fund.

(8) The Department of Natural Resources projects additional lease sales to be held in 1983, 1984, and 1985. However, bonus bids are impossible to anticipate prior to sales and therefore no estimates are included.

(9) FY 83 includes that estimated transition portion transferred from the Permanent Fund to the General Fund per Ch. 81 SLA 1982. FY 84 and FY 85 reflect only General Fund investment earnings since Permanent Fund earnings will be not only transferred to provide Permanent Fund dividends, but will be distributed between the Permanent Fund principal and the undistributed income account per Ch. 81 and Ch. 102 SLA 1982.

(10) FY 83 estimates reflect increased construction of roads and drilling pads; however, this activity is not anticipated to continue in FY 84 and FY 85.

(11) The state, per AS 38.05.180, will be granting incentive credits against royalties, franchise taxes, and rentals to the oil companies for drilling exploratory wells. The anticipated deduction for FY 84 is approximately \$20 million which has not been subtracted from the aforementioned FY 84 figure of \$2,728.7 million.

Revenue Breakdown

The total General Fund unrestricted revenues for Fiscal Years 1983, 1984, and 1985 are projected to be \$3,536.8 million, million, \$2,728.7 million, and \$2,760.6 million, respectively.

The following table depicts a breakdown of General Fund unrestricted revenues in terms of petroleum versus non-petroleum revenues based on the March estimates:

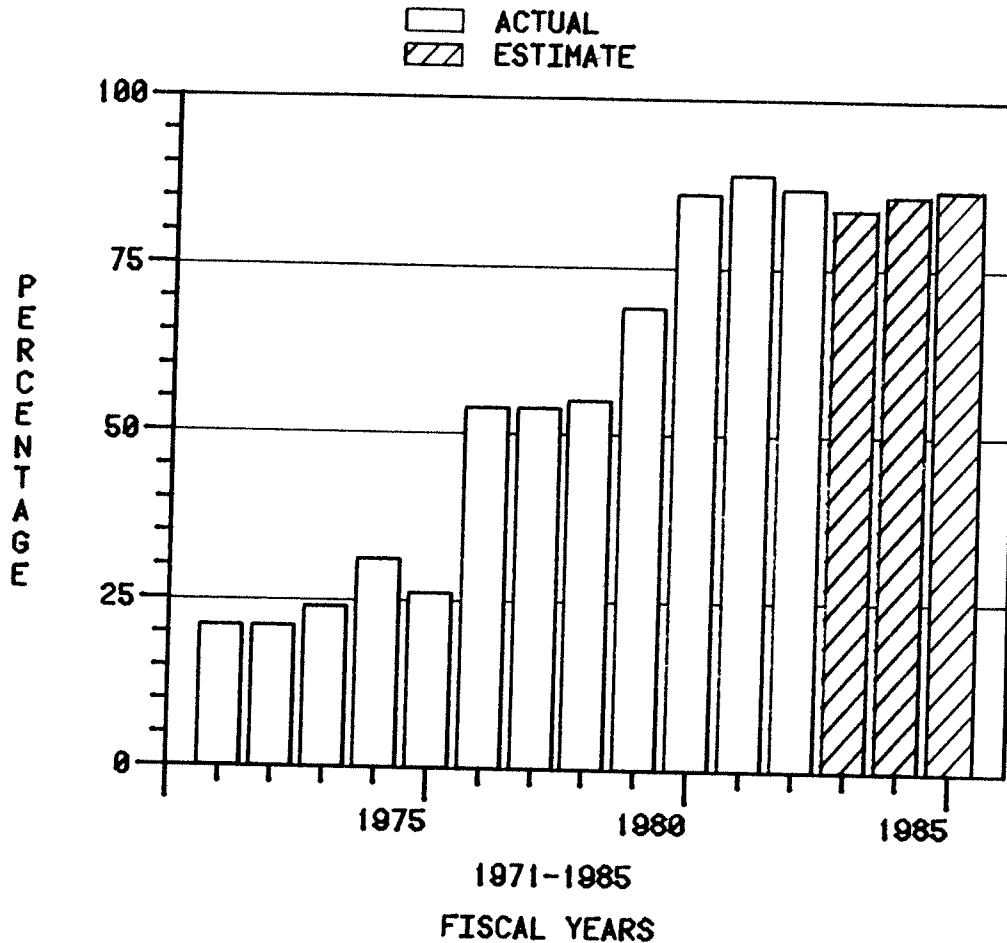
Petroleum vs. Non-Petroleum Revenues

(In Millions of Current Dollars)

	<u>Petroleum Revenues</u>		
	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>
Corporate Petroleum	235.0	243.0	255.0
Severance Tax	1,480.3	1,111.7	1,117.1
Royalties	1,078.5	822.4	831.3
Property Tax	135.2	165.3	184.6
Bonus Sale	26.1	0.0	0.0
Rents	2.4	2.4	2.4
Intergovernmental Receipts	21.6	5.0	5.0
	<u>2,979.1</u>	<u>2,349.8</u>	<u>2,395.4</u>
	<u>Non-Petroleum Revenues</u>		
	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>
Taxes	125.8	131.0	138.8
Licenses & Permits	25.0	26.5	27.5
Intergovernmental Receipts	5.0	5.0	5.0
State Resources Revenues	394.9	209.4	186.9
Miscellaneous Revenues	7.0	7.0	7.0
	<u>557.7</u>	<u>378.9</u>	<u>365.2</u>
Total	<u>3,536.8</u>	<u>2,728.7</u>	<u>2,760.6</u>

Petroleum Revenues

Historical Comparison of General Fund
Unrestricted Petroleum Revenues as Percentages
of General Fund Unrestricted Revenues
(in Millions of Current Dollars)



<u>Fiscal Year</u>	<u>Total General Fund Unrestricted Revenues</u>	<u>Total General Fund Unrestricted Petroleum Revenues</u>	<u>Percent</u>
1971	220.4	46.2	21
1972	219.2	47.1	21
1973	208.1	49.3	24
1974	255.1	79.3	31
1975	333.3	87.6	26
1976	709.7	386.1	54
1977	874.1	472.5	54
1978	787.4	430.3	55
1979	1,178.5	819.0	69
1980	2,632.6	2,253.5	86
1981	3,718.2	3,299.4	89
1982	4,108.4	3,574.7	87
1983*	3,536.8	2,979.1	84
1984*	2,728.7	2,349.8	86
1985*	2,760.6	2,395.4	87

* Estimate

Restricted Revenues

In Thousands of Current Dollars

	<u>FY 1983</u> <u>Estimate</u> <u>March</u>	<u>FY 1984</u> <u>Estimate</u> <u>March</u>	<u>FY 1985</u> <u>Estimate</u> <u>March</u>
<u>Federal Grants-in-Aid</u>			
I. Education	37,000	35,400	35,400
II. Social Services	121,200	125,200	128,200
III. Health	3,400	2,200	2,200
IV. Natural Resources	14,500	12,500	12,400
V. Public Protection	5,900	6,200	6,600
VI. Administration of Justice	300	300	300
VII. Development	500	500	500
VIII. Transportation	23,800	25,800	25,800
IX. General Government	<u>100</u>	<u>100</u>	<u>100</u>
Total Federal Grants-in-Aid	<u>206,700</u>	<u>208,200</u>	<u>211,500</u>
<u>Other Grants-in-Aid</u>			
I. Education	500	400	400
II. Social Services	3,300	4,000	4,100
III. Health	-0-	-0-	-0-
IV. Natural Resources	400	400	400
V. Public Protection	800	2,100	2,100
VI. Administration of Justice	100	100	100
VII. Development	1,200	1,300	1,300
VIII. Transportation	1,800	1,800	1,800
IX. General Government	<u>2,400</u>	<u>2,500</u>	<u>2,600</u>
Total Other Grants-in-Aid	<u>10,500</u>	<u>12,600</u>	<u>12,800</u>
Miscellaneous Restricted Revenue-All Categories	<u>8,500</u>	<u>8,500</u>	<u>8,500</u>
Total Restricted Revenue <u>1/</u>	<u>225,700</u>	<u>229,300</u>	<u>232,800</u>
Total Unrestricted Revenue	<u>3,536,800</u>	<u>2,728,700</u>	<u>2,760,600</u>
Total General Fund Revenue	<u>3,762,500</u>	<u>2,958,000</u>	<u>2,993,400</u>

1/ Restricted Revenue figures may not agree with those shown in the Governor's budget due to categorical differences between the budget and accounting system.

Special Funds

In Thousands of Current Dollars

	<u>FY 1983</u> Estimate <u>March</u>	<u>FY 1984</u> Estimate <u>March</u>	<u>FY 1985</u> Estimate <u>March</u>
<u>Enterprise Funds</u>			
Agriculture Loan Fund	2,300	2,500	2,800
Alternative Technology and Energy Loan Fund	300	500	700
Bulk Fuel Loan Fund	-0-	-0-	-0-
Child Care Facility Loan Fund	-0-	-0-	-0-
Commercial Fish Loan Fund	2,500	3,600	4,000
Fisheries Enhancement Loan Fund	-0-	-0-	-0-
Fisheries Product Loan Fund	-0-	-0-	-0-
Historical District Loan Fund	-0-	100	100
International Airport Revenue Fund	36,200	36,400	36,500
Medical Malpractice Loan Fund	-0-	-0-	-0-
Mining Loan Fund	900	1,900	2,400
Residential Energy Conservation Loan Fund	200	300	400
Scholarship Loan Fund	900	1,700	2,500
Small Business Loan Fund	2,800	2,500	2,300
Tourism Loan Fund	200	200	200
World War II Veterans Loan Fund	<u>1,700</u>	<u>1,600</u>	<u>1,400</u>
Total Enterprise Funds	<u>48,000</u>	<u>51,300</u>	<u>53,300</u>
<u>Special Revenue Funds</u>			
Alaska Permanent Fund (1)	804,700	276,600	279,600
Fish and Game Fund	7,800	8,200	8,600
Marine Coastal Damage Fund	-0-	-0-	-0-
School Fund	3,300	3,300	3,300
Training & Building Fund	<u>600</u>	<u>600</u>	<u>600</u>
Total Special Revenue Funds	<u>816,400</u>	<u>288,700</u>	<u>292,100</u>
Total Special Funds	<u>864,400</u>	<u>340,000</u>	<u>345,400</u>

(1) The FY 83 figure includes \$400 million of the \$1.8 billion appropriated to the Alaska Permanent Fund per Ch. 61 SLA 1981 and Ch. 101 SLA 1982.

Alaska Permanent Fund Contributions

Inception to Date

Alaska Permanent Fund Contributions

FY 1977	3,956,710.52
FY 1978	50,443,255.68
FY 1979	83,907,074.36
FY 1980	344,785,939.85 (1)
FY 1981	1,285,102,774.56
FY 1982	1,200,456,450.81
FY 1983	
July	43,610,480.52
August	32,711,540.99
September	35,723,623.36
October	32,299,933.90
November	345,336,824.17
December	40,719,745.88
January	31,286,105.95
February	<u>36,402,041.84</u>

Cumulative Contributions Balance	
As of February 28, 1983	<u>3,566,742,502.39</u>

Interest Earnings Transferred to General Fund

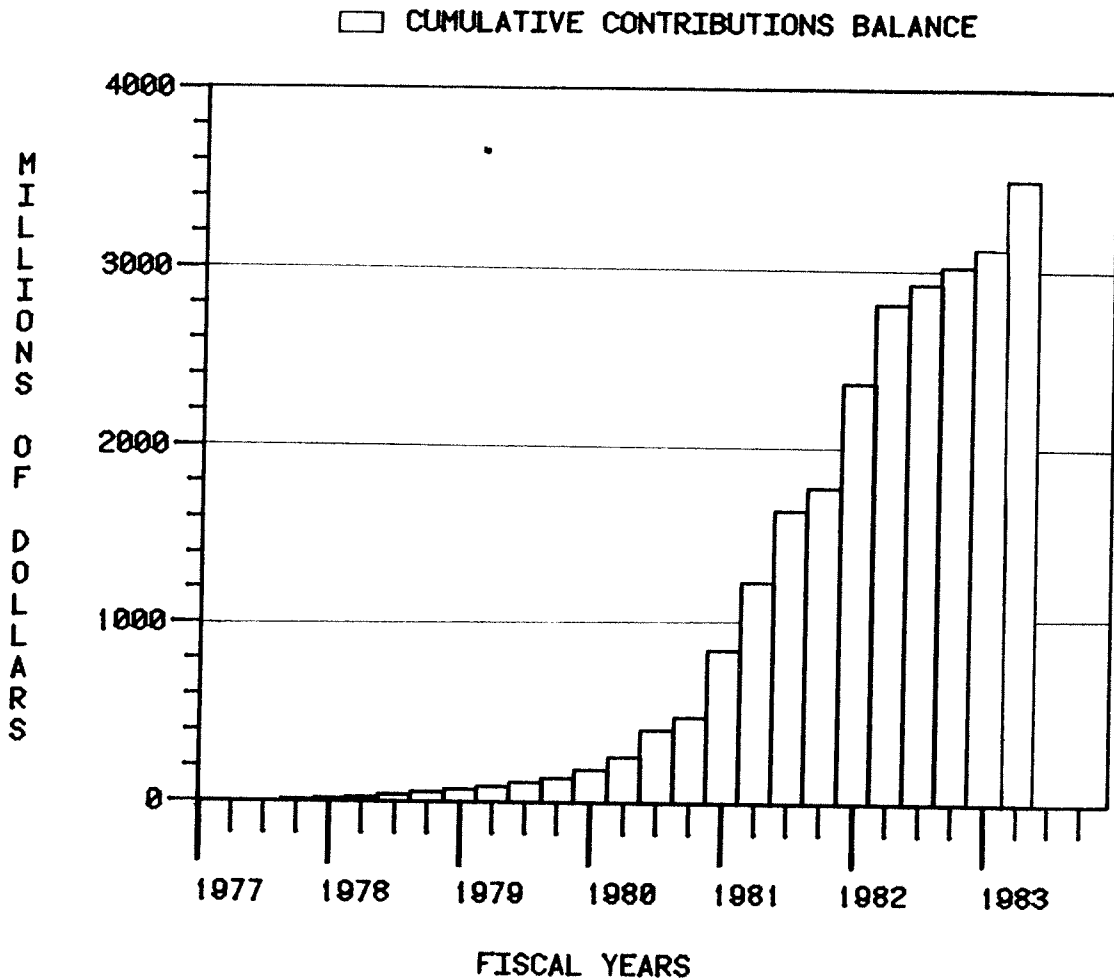
FY 1977	27,019.00
FY 1978	900,433.81
FY 1979	5,702,925.68
FY 1980	14,441,450.14 (2)
FY 1981	63,234,109.73 (3)
FY 1982	<u>141,931,481.21</u>

Total Income Transferred to	
General Fund As of February 28, 1983	<u>226,237,419.57</u>

- (1) Includes \$114,546,830.13 as 25 percent of bonuses and lease rentals for the undisputed State portion of Beaufort Sea lease sale. Litigation over the legality of that sale is still pending.
- (2) Another \$9,234,109.73 was transferred during September 1980 for the balance due the General Fund in June 1980 from the Permanent fund as provided for by law.
- (3) Another \$931,481.21 was transferred during September 1981 for the balance due the General Fund in June 1981 from the Permanent Fund as provided for by law.

Alaska Permanent Fund

Historical Comparison of Cumulative Balance



Alaska Permanent Fund

The Alaska Permanent Fund was established by a constitutional amendment effective February 21, 1977. The amendment stated that contributions to the fund must consist of at least 25 percent of mineral lease rentals, royalties, royalty sale proceeds, Federal mineral revenue sharing payments and bonuses received by the State. Enacted legislation (Ch. 18 SLA 1980) has modified this contribution rate to the Permanent Fund from 25 percent to 50 percent. As a result, any future revenues transferable from Beaufort Sea production and any future lease sale bonuses will be subject to the 50 percent rate. During FY 1981, a special appropriation (Ch. 35 SLA 1980) appropriated \$900 million from the General Fund to the Permanent Fund. Similarly, an additional \$1.8 billion was appropriated (Ch. 61 SLA 1981) for FY 1982 with payments beginning July 1, 1981; however, this appropriation has recently been legislatively amended (Ch. 101 SLA 1982) thus permitting deposit of only \$800 million in FY 82 and an additional deposit of \$400 million during FY 83.

