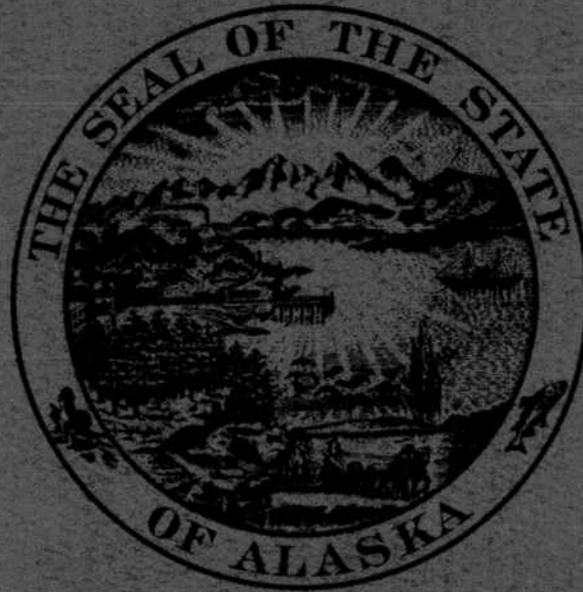


Budget Desk

Revenue Sources FY 1982-85



**Alaska
Department of Revenue**

January 1983

Bill Sheffield, Governor

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

January 19, 1983

To the Reader of the Revenue Sources FY 82-85 (January 1983) and
Petroleum Production Revenue Forecast (December 1982)

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 State of Alaska's almost complete dependence on oil revenues, which in recent years account for almost 90 percent of total revenues, leads to dramatic and unavoidable changes in the forecast.

Sincerely,

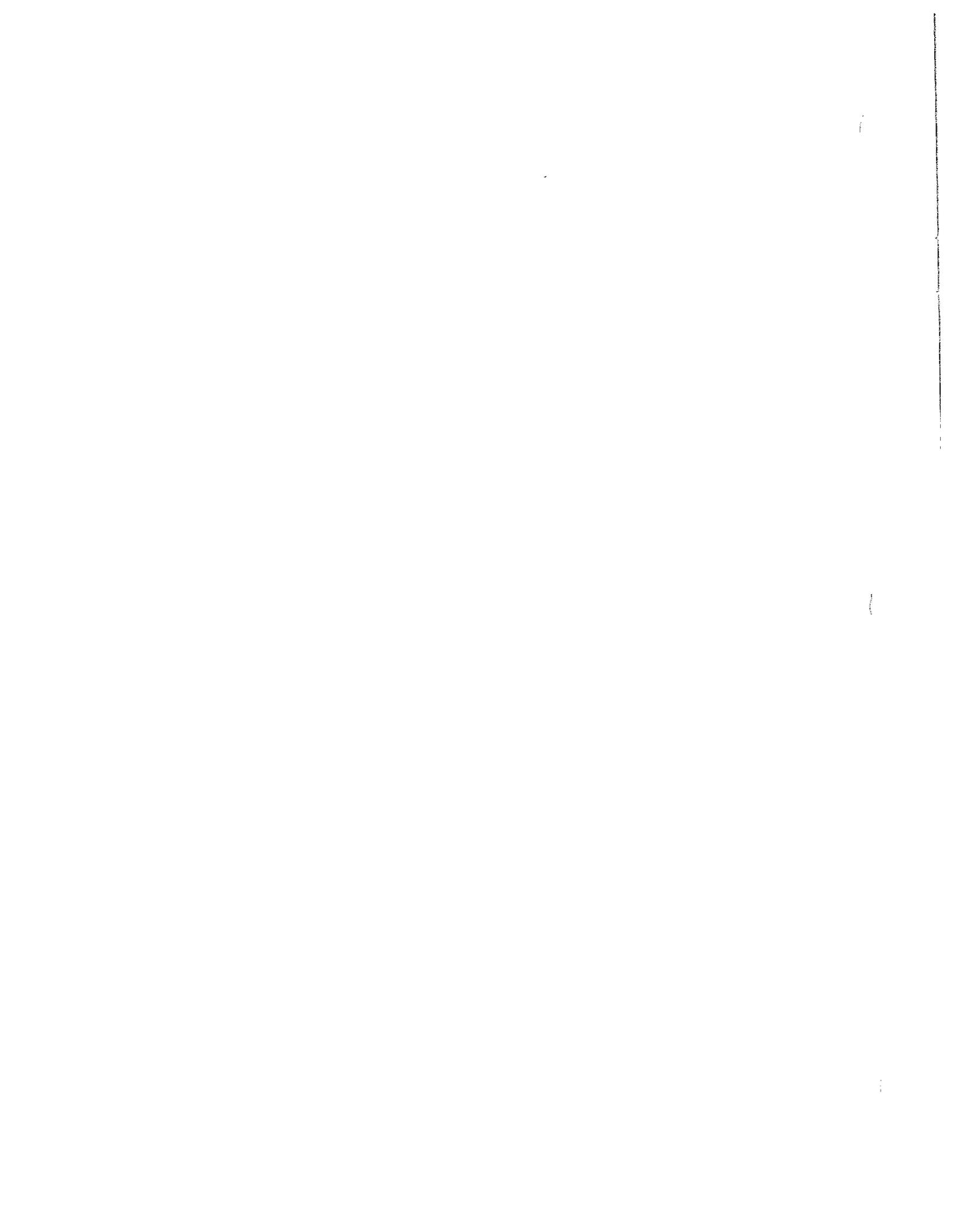


Joseph K. Donohue
Acting Commissioner of Revenue

ALASKA'S REVENUE SOURCES

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Introduction

In accordance with Alaska Statute 37.07.060(b)(4) the Revenue Source Book is compiled annually to assist the Governor in formulating a proposed comprehensive financial plan for presentation to the State Legislature. Since fiscal year (FY) 1975, responsibility for compiling and publishing this summary of state revenues has come under the Department of Revenue's jurisdiction. Within the publication are shown prior year actuals, revised current year estimates, and upcoming year projections.

The state receives three major classes of income: Unrestricted, Restricted, and Special Fund Revenues.

1. Unrestricted Revenues are paid into the General Fund and may be appropriated for any purpose. These receipts are listed in the Source Book by type; i.e. Taxes, Licenses and Permits, etc.
2. Restricted Revenues are those received for specific purposes, primarily from the federal government. Only budget category totals are given.
3. Special Fund Revenues are those received into statutorily established funds such as the International Airports Revenue Fund.

Anticipated state income is projected through the use of a number of data sources: 1) An econometric model developed by the Department of Revenue's Research Section to forecast unrestricted non-petroleum revenues, 2) A petroleum revenue forecasting model created by the Department's Petroleum Revenue 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.

Revenue Summary

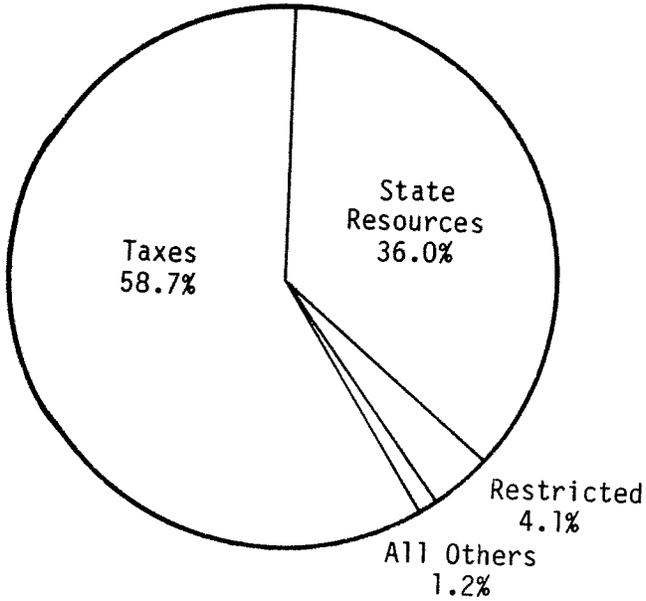
In Thousands of Current Dollars

	<u>FY 1982 Actual January</u>	<u>FY 1983 Estimate January</u>	<u>FY 1984 Estimate January</u>	<u>FY 1985 Estimate January</u>
Total General Fund Unrestricted Revenues (p. 4)	<u>4,108,400</u>	<u>3,567,700</u>	<u>2,804,800</u>	<u>2,892,200</u>
Total General Fund Restricted Revenues (p. 10)	<u>175,800</u>	<u>225,700</u>	<u>229,300</u>	<u>232,800</u>
Total General Fund Revenues (p. 10)	<u>4,284,200</u>	<u>3,793,400</u>	<u>3,034,100</u>	<u>3,125,000</u>
Alaska Permanent Fund (p. 12)	<u>1,200,500</u>	<u>718,500</u>	<u>297,200</u>	<u>306,700</u>

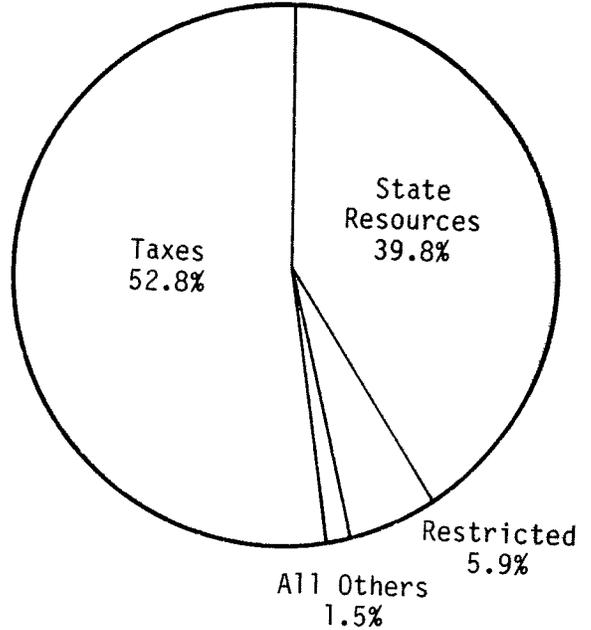
General Fund Components

Historical Comparison

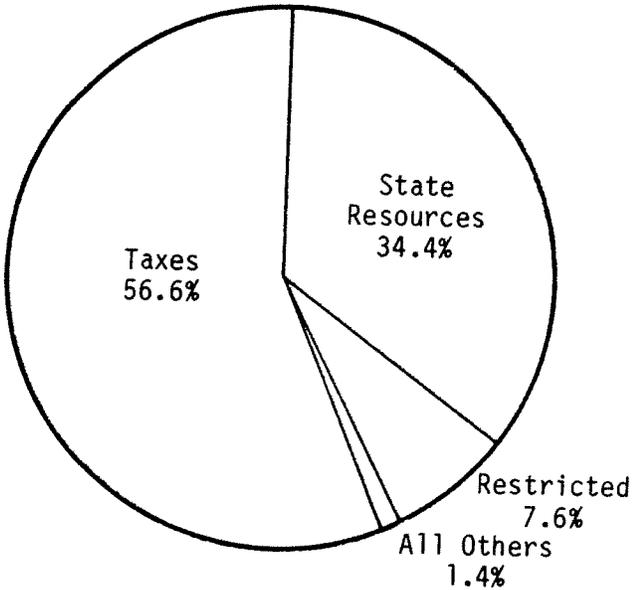
FY 82 ACTUAL



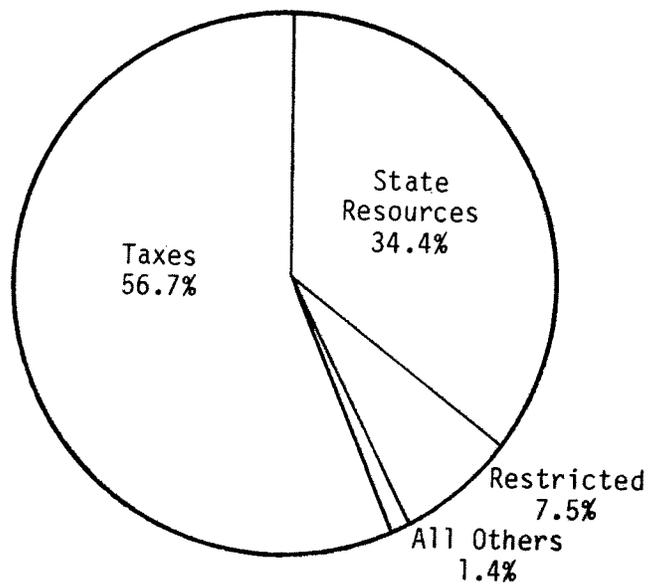
FY 83 PROJECTION



FY 84 PROJECTION



FY 85 PROJECTION



General Fund Unrestricted Revenues

In Thousands of Current Dollars

	FY 1982 Actual <u>January</u>	FY 1983 Estimate <u>January</u>	FY 1984 Estimate <u>January</u>	FY 1985 Estimate <u>January</u>
<u>Taxes</u>				
<u>Income</u>				
Corporate-General	34,800	-0-	-0-	-0-
Corporate-Petroleum	668,900	-0-	-0-	-0-
Corporate (1)	-0-	235,000	272,000	295,000
<u>Gross Receipts</u>				
Alaska Business License	5,500	5,800	6,000	6,300
Fish-Canned Salmon	8,600	5,000	5,000	5,000
Fish-Shorebased	8,700	9,000	9,000	9,000
Fish-Floating	5,500	5,500	5,500	5,500
Seafood Marketing (2)	-0-	1,000	1,000	1,000
Salmon Enhancement	2,400	2,400	2,400	2,400
Insurance Companies	12,500	14,500	17,000	20,000
Electric and Telephone Co-ops	1,200	1,300	1,300	1,300
Mining License Tax	200	200	200	300
<u>Severance</u>				
Oil & Gas Production(3)(4)	1,581,100	1,528,800	1,197,300	1,219,700
Oil & Gas Conservation	600	800	700	700
<u>Property</u>				
Oil & Gas(5)(6)	142,700	148,600	153,200	158,000
<u>Sale/Use</u>				
Alcoholic Beverages	9,000	12,000	12,500	13,000
Fuel Taxes-Aviation	6,300	5,100	5,400	5,500
Fuel Taxes-Highway	20,300	21,000	22,000	23,000
Fuel Taxes-Marine	3,700	3,800	4,000	4,200
Tobacco Products	1,900	2,000	2,000	2,000
<u>Other</u>				
Estate	300	500	500	500
Total Taxes	<u>2,514,200</u>	<u>2,002,300</u>	<u>1,717,000</u>	<u>1,772,400</u>
<u>Licenses & Permits</u>				
<u>Business</u>	10,800	11,000	12,000	12,500
<u>Non-Business</u>	13,000	13,000	13,500	14,000
Total Licenses & Permits	<u>23,800</u>	<u>24,000</u>	<u>25,500</u>	<u>26,500</u>
<u>Intergovernmental Receipts</u>				
<u>Federal Shared Revenues(7)(8)(9)</u>	<u>21,700</u>	<u>26,600</u>	<u>10,000</u>	<u>10,000</u>
<u>State Resource Revenue</u>				
<u>Sale/Use</u>				
Bonus Sales(7)(10)(11)	5,000	26,100	-0-	-0-
Investment Earnings(12)	324,700	300,000	100,000	100,000
Rents(7)(10)(11)	3,500	4,000	4,000	4,000
Royalties(4)(7)(13)	1,157,300	1,119,400	883,500	912,000
Sale of State Property	5,200	5,500	5,500	5,500
Gravel, Timber, etc.(14)	1,200	5,500	2,000	2,000

<u>Facilities Related Charges</u>				
Airports	1,600	1,600	1,600	1,600
Ferry System-Southeast	25,200	27,500	30,000	32,000
Ferry System-Southwest	4,000	4,000	4,100	4,200
Other	3,600	4,500	4,700	4,800
<u>Service Related Charges</u>				
Court System	3,500	3,700	3,900	4,200
Other	6,100	6,000	6,000	6,000
Total State Resources Revenues	<u>1,540,900</u>	<u>1,507,800</u>	<u>1,045,300</u>	<u>1,076,300</u>
<u>Miscellaneous Revenues</u>	<u>7,800</u>	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>
<u>Total Unrestricted Revenues</u>	<u>4,108,400</u>	<u>3,567,700</u>	<u>2,804,800</u>	<u>2,892,200</u>

(1) Prior to FY 83, both petroleum and general corporations were taxed separately under AS 43.21 and AS 43.20, respectively. Recently, AS 43.21 was repealed (Ch. 116 SLA 1981, effective FY 83) thereby requiring all corporations to be apportioned under varying conditions as specified in AS 43.20.

(2) Ch. 106 SLA 1981, seafood processors elected to levy a 0.2 percent seafood market assessment, effective July 1, 1982.

(3) Due to the tax law change (Ch. 116 SLA 1981) the nominal tax rates increased from 12.25% to 15.0% for most oil production.

(4) The forecasted numbers for FY 83 assume a mean or average case for petroleum revenues. If the 30 percent cumulative frequency distribution had been used (that is, the revenue level which was reached or exceeded seven times out of ten in the 500 cases generated by the computer), then production tax numbers would be \$1,457.3 million and royalties would be \$1,069.2 million. The forecasted numbers for FY 84 and FY 85 represent the 30 percent cumulative frequency distribution; if, however, the mean case had been utilized instead the aforementioned numbers would change to \$1,383.7 million and \$1,459.8 million for production taxes during FY 84 and FY 85, respectively. The royalty numbers would change to \$1,015.7 million and \$1,086.9 million for FY 84 and FY 85, respectively.

(5) The North Slope Borough's local property tax for 1981 was increased to 91.54 mills from 60.81 mills for 1980. This assessment is a credit against the state tax. Thirty mills of the new rate were for the Borough's operating budget and 61.54 mills for debt service. These are not assumed to decline for 1983, 1984, or 1985.

(6) Projections do not reflect any change in revenues due to the pending court suit regarding North Slope population figures.

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

(8) The FY 82 figure includes revenue (\$13.4 million) due to State's winning recent U.S. Supreme Court decision regarding the Kenai Moose Range royalty distribution. All figures reflect the State's 90 percent entitlement.

(9) 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. The state's share is 50 percent of the accepted bids with payment expected in FY 83.

(10) 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.

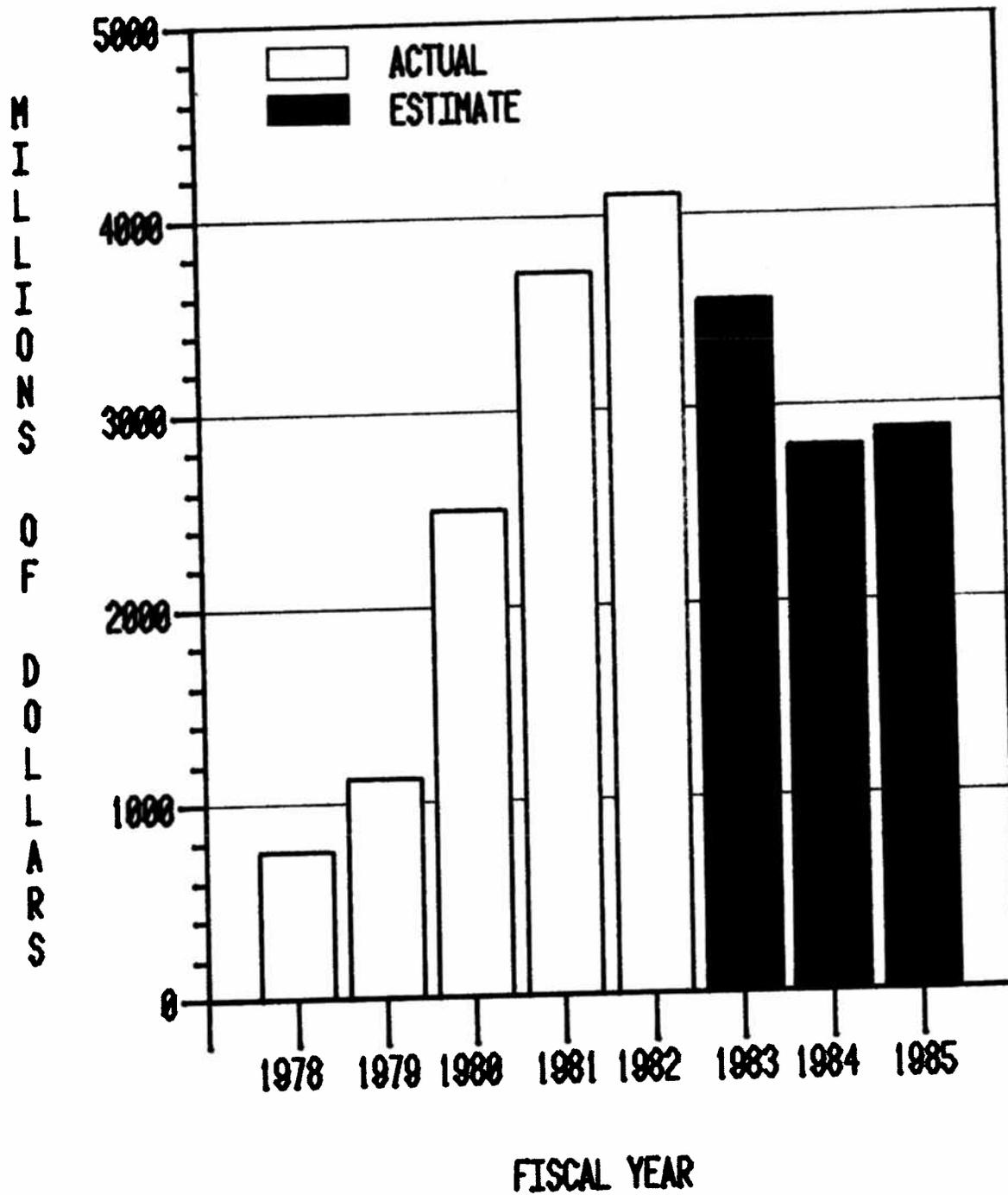
(11) Reflects state lease sales of \$1.5 million held August 25, 1981, \$1.3 million held February 2, 1982, \$32.5 million held May 26, 1982, \$0.7 million held August 25, 1982, and \$26.7 million held September 28, 1982. Due to the timing of collections, some receipts from the May 1982 lease sale are shown as FY 83 revenue.

(12) 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.

(13) The State is currently in litigation with Charter Oil Corporation over billings for purchases of royalty oil. The aforementioned numbers include approximately \$40.0 million from July to December 1981 which has not yet been realized.

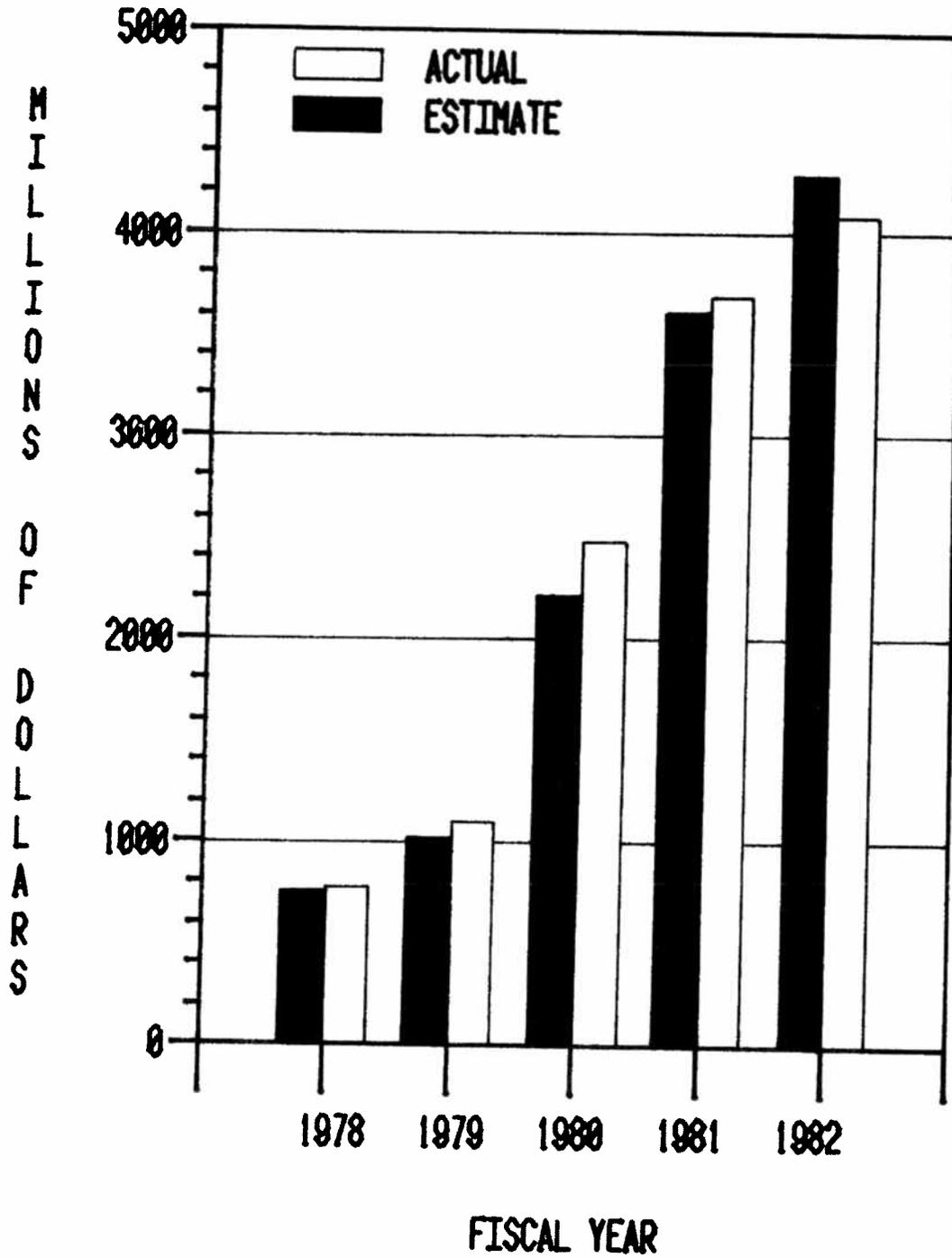
(14) FY 83 estimates reflect increased construction of roads and drilling pads, however, this activity is not anticipated to continue in FY 84 and FY 85.

Unrestricted Revenues



Unrestricted Revenues

Historical Comparison



Revenue Breakdown

The total General Fund unrestricted revenues for Fiscal Years 1982, 1983, 1984, and 1985 are projected to be \$4,108.4 million, \$3,567.7 million, \$2,804.8 million, and \$2,892.2 million, respectively.

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

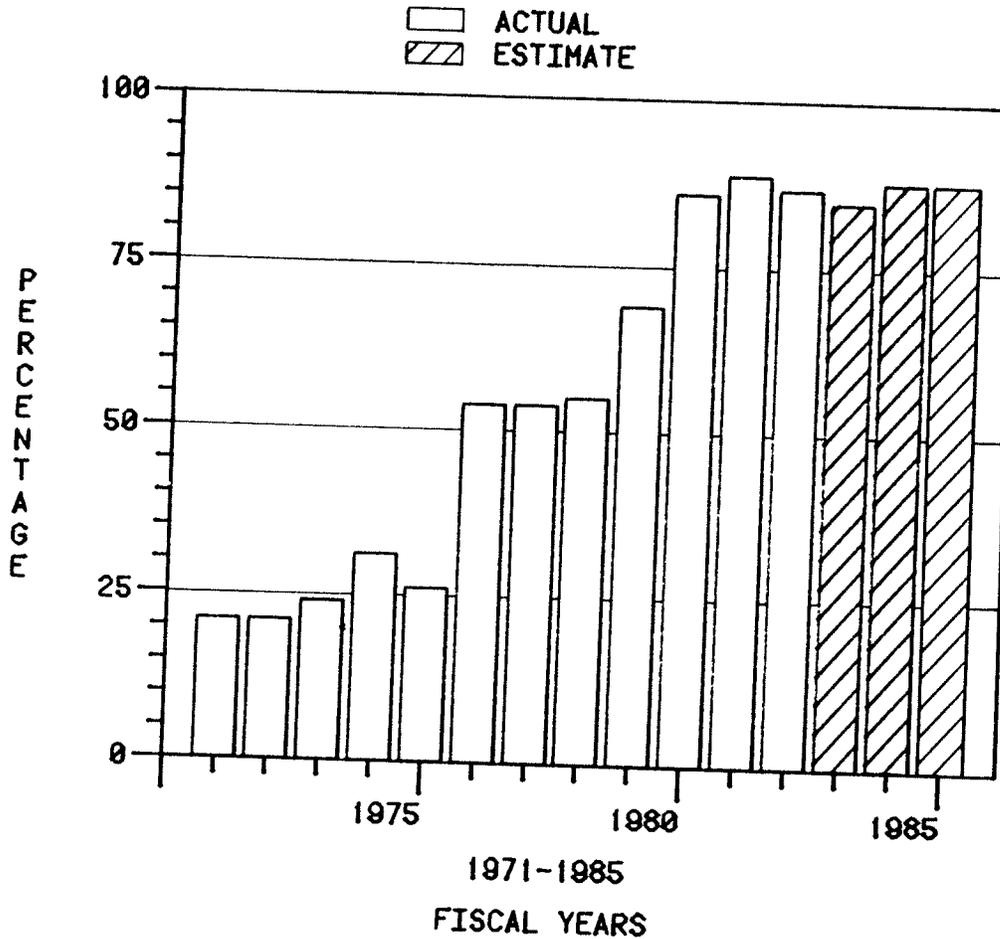
Petroleum vs. Non-Petroleum Revenues

(In Millions of Current Dollars)

	<u>Petroleum Revenues</u>			
	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>
Corporate Petroleum	668.9	200.0	235.0	255.0
Severance Tax	1,581.7	1,529.6	1,198.0	1,220.4
Royalties	1,157.3	1,119.4	883.5	912.0
Property Tax	142.7	148.6	153.2	158.0
Bonus Sale	5.0	26.1	0.0	0.0
Rents	2.1	2.4	2.4	2.4
Intergovernmental Receipts	17.0	21.6	5.0	5.0
	<u>3,574.7</u>	<u>3,047.7</u>	<u>2,477.1</u>	<u>2,552.8</u>
	<u>Non-Petroleum Revenues</u>			
	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>
Taxes	120.9	124.1	130.8	139.0
Licenses & Permits	23.8	24.0	25.5	26.5
Intergovernmental Receipts	4.7	5.0	5.0	5.0
State Resources Revenues	376.5	359.9	159.4	161.9
Miscellaneous Revenues	7.8	7.0	7.0	7.0
	<u>533.7</u>	<u>520.0</u>	<u>327.7</u>	<u>339.4</u>
Total	<u>4,108.4</u>	<u>3,567.7</u>	<u>2,804.8</u>	<u>2,892.2</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*	3,567.7	3,047.7	85
1984*	2,804.8	2,477.1	88
1985*	2,892.2	2,552.8	88

* Estimate

Restricted Revenues

In Thousands of Current Dollars

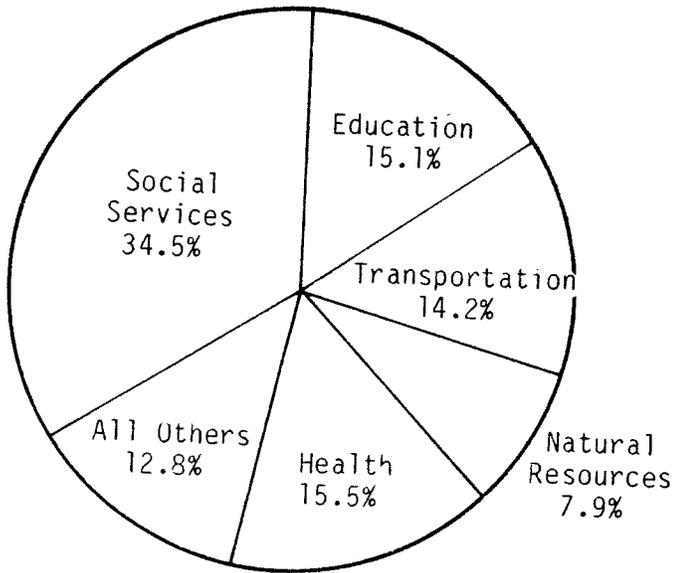
	FY 1982 Actual <u>January</u>	FY 1983 Estimate <u>January</u>	FY 1984 Estimate <u>January</u>	FY 1985 Estimate <u>January</u>
<u>Federal Grants-in-Aid</u>				
I. Education	25,700	37,000	35,400	35,400
II. Social Services	60,400	121,200	125,200	128,200
III. Health	27,100	3,400	2,200	2,200
IV. Natural Resources	12,400	14,500	12,500	12,400
V. Public Protection	4,200	5,900	6,200	6,600
VI. Administration of Justice	1,300	300	300	300
VII. Development	2,900	500	500	500
VIII. Transportation	22,500	23,800	25,800	25,800
IX. General Government	<u>2,000</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total Federal Grants-in-Aid	<u>158,500</u>	<u>206,700</u>	<u>208,200</u>	<u>211,500</u>
<u>Other Grants-in-Aid</u>				
I. Education	900	500	400	400
II. Social Services	200	3,300	4,000	4,100
III. Health	100	-0-	-0-	-0-
IV. Natural Resources	1,400	400	400	400
V. Public Protection	1,800	800	2,100	2,100
VI. Administration of Justice	100	100	100	100
VII. Development	1,100	1,200	1,300	1,300
VIII. Transportation	2,500	1,800	1,800	1,800
IX. General Government	<u>2,200</u>	<u>2,400</u>	<u>2,500</u>	<u>2,600</u>
Total Other Grants-in-Aid	<u>10,300</u>	<u>10,500</u>	<u>12,600</u>	<u>12,800</u>
Miscellaneous Restricted Revenue-All Categories	<u>7,000</u>	<u>8,500</u>	<u>8,500</u>	<u>8,500</u>
Total Restricted Revenue <u>1/</u>	<u>175,800</u>	<u>225,700</u>	<u>229,300</u>	<u>232,800</u>
Total Unrestricted Revenue	<u>4,108,400</u>	<u>3,567,700</u>	<u>2,804,800</u>	<u>2,892,200</u>
Total General Fund Revenue	<u>4,284,200</u>	<u>3,793,400</u>	<u>3,034,100</u>	<u>3,125,000</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.

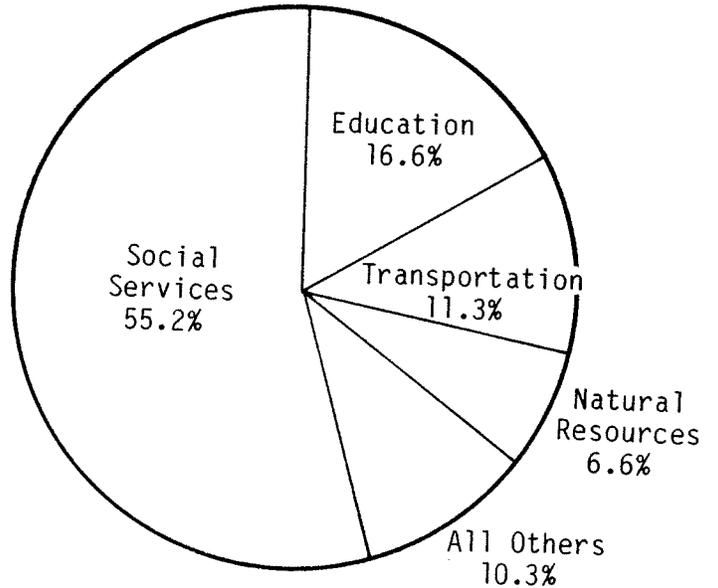
Restricted Revenues

Historical Comparison

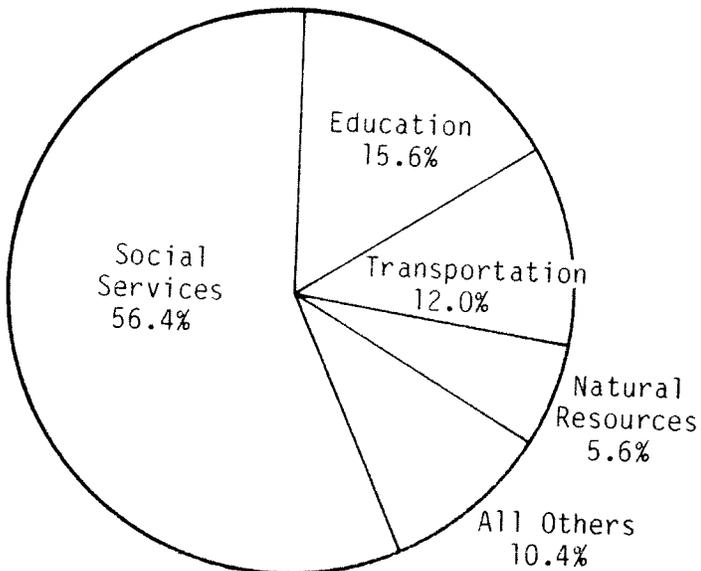
FY 82 ACTUAL



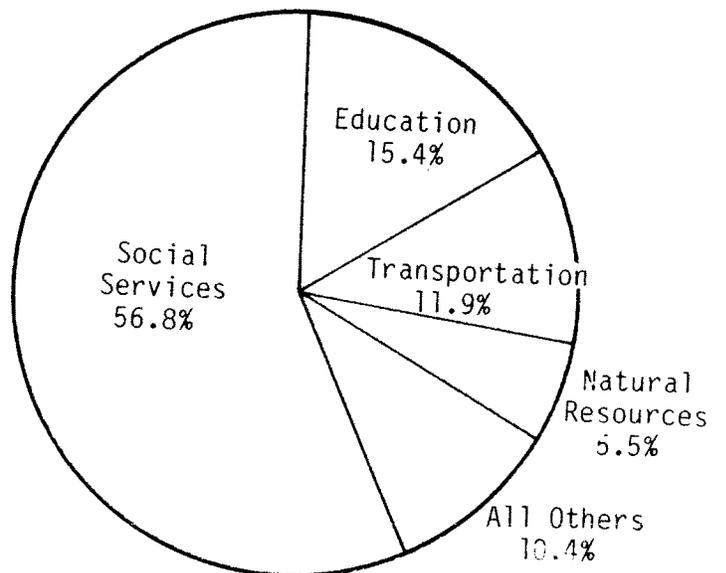
FY 83 PROJECTION



FY 84 PROJECTION



FY 85 PROJECTION



Special Funds

In Thousands of Current Dollars

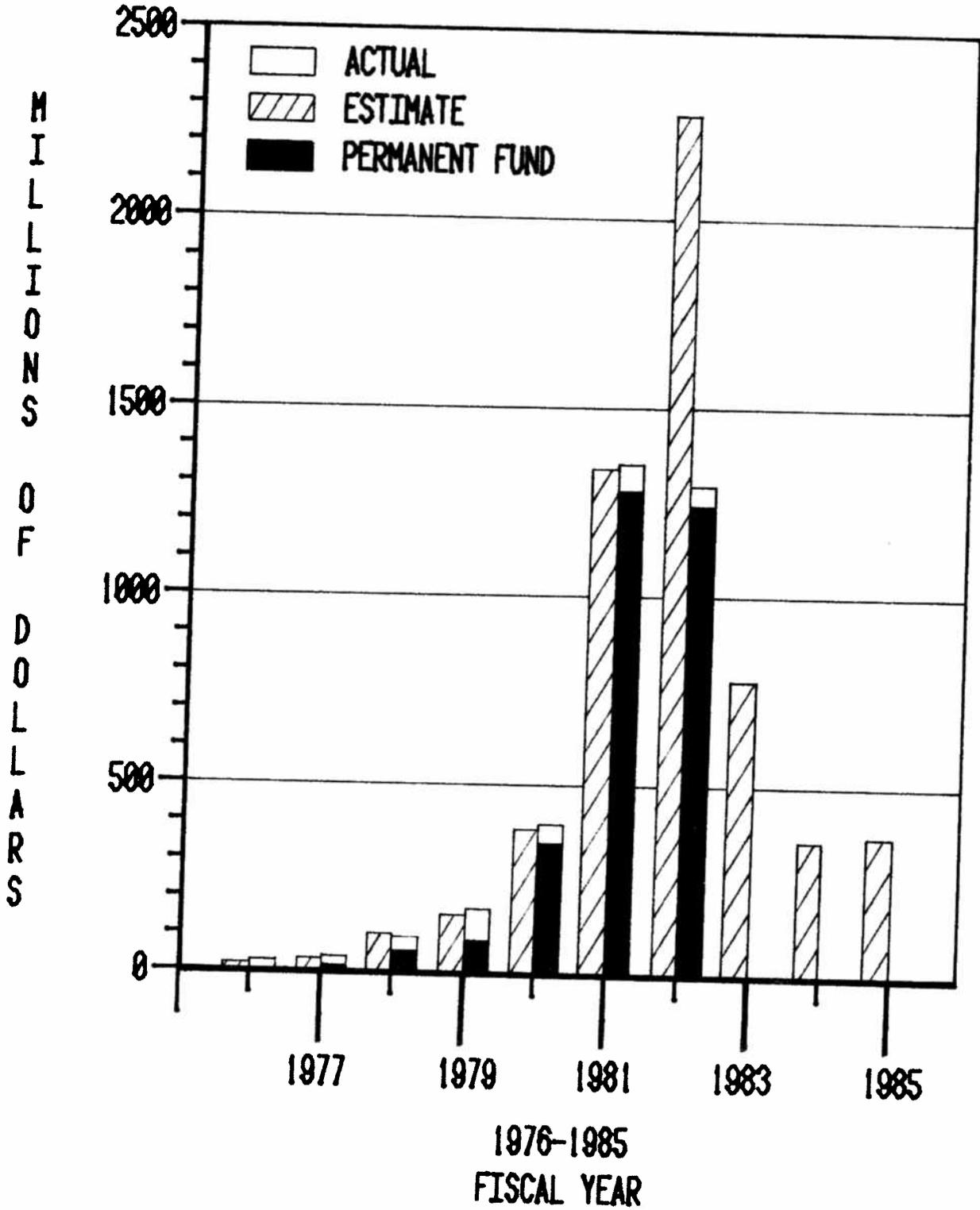
	<u>FY 1982</u> Actual January	<u>FY 1983</u> Estimate January	<u>FY 1984</u> Estimate January	<u>FY 1985</u> Estimate January
<u>Enterprise Funds</u>				
Agriculture Loan Fund	1,200	2,300	2,500	2,800
Alternative Technology and Energy Loan Fund	200	300	500	700
Bulk Fuel Loan Fund	-0-	-0-	-0-	-0-
Child Care Facility Loan Fund	-0-	-0-	-0-	-0-
Commercial Fish Loan Fund	1,600	2,500	3,600	4,000
Fisheries Enhancement Loan Fund	-0-	-0-	-0-	-0-
Fisheries Product Loan Fund	-0-	-0-	100	100
Historical District Loan Fund	-0-	-0-	-0-	-0-
International Airport Revenue Fund	32,600	36,200	36,400	36,500
Medical Malpractice Loan Fund	-0-	-0-	-0-	-0-
Mining Loan Fund	-0-	900	1,900	2,400
Residential Energy Conservation Loan Fund	100	200	300	400
Scholarship Loan Fund	500	900	1,700	2,500
Small Business Loan Fund	3,000	2,800	2,500	2,300
Tourism Loan Fund	100	200	200	200
World War II Veterans Loan Fund	<u>1,600</u>	<u>1,700</u>	<u>1,600</u>	<u>1,400</u>
Total Enterprise Funds	<u>40,900</u>	<u>48,000</u>	<u>51,300</u>	<u>53,300</u>
<u>Special Revenue Funds</u>				
Alaska Permanent Fund (1)(2)	1,200,500	718,500	297,200	306,700
Fish and Game Fund	5,300	7,800	8,200	8,600
Marine Coastal Damage Fund	-0-	-0-	-0-	-0-
School Fund	3,100	3,300	3,300	3,300
Training & Building Fund	<u>600</u>	<u>600</u>	<u>600</u>	<u>600</u>
Total Special Revenue Funds	<u>1,209,500</u>	<u>730,200</u>	<u>309,300</u>	<u>319,200</u>
Total Special Funds	<u>1,250,400</u>	<u>778,200</u>	<u>360,600</u>	<u>372,500</u>

(1) The FY 82 figure includes \$800 million and the FY 83 figure includes \$300 million of the \$1.8 billion appropriated to the Alaska Permanent Fund per Ch. 61 SLA 1981 and Ch. 101 SLA 1982.

(2) Includes revenue (\$4.5 million) due to State's winning recent United States Supreme Court decision regarding the Kenai Moose Range royalty distribution. All figures reflect the State's 90 percent entitlement.

Special Funds

Historical Comparison



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	<u>345,336,824.17</u>
Cumulative Contributions Balance As of November 30, 1982	<u>3,458,334,608.72</u>

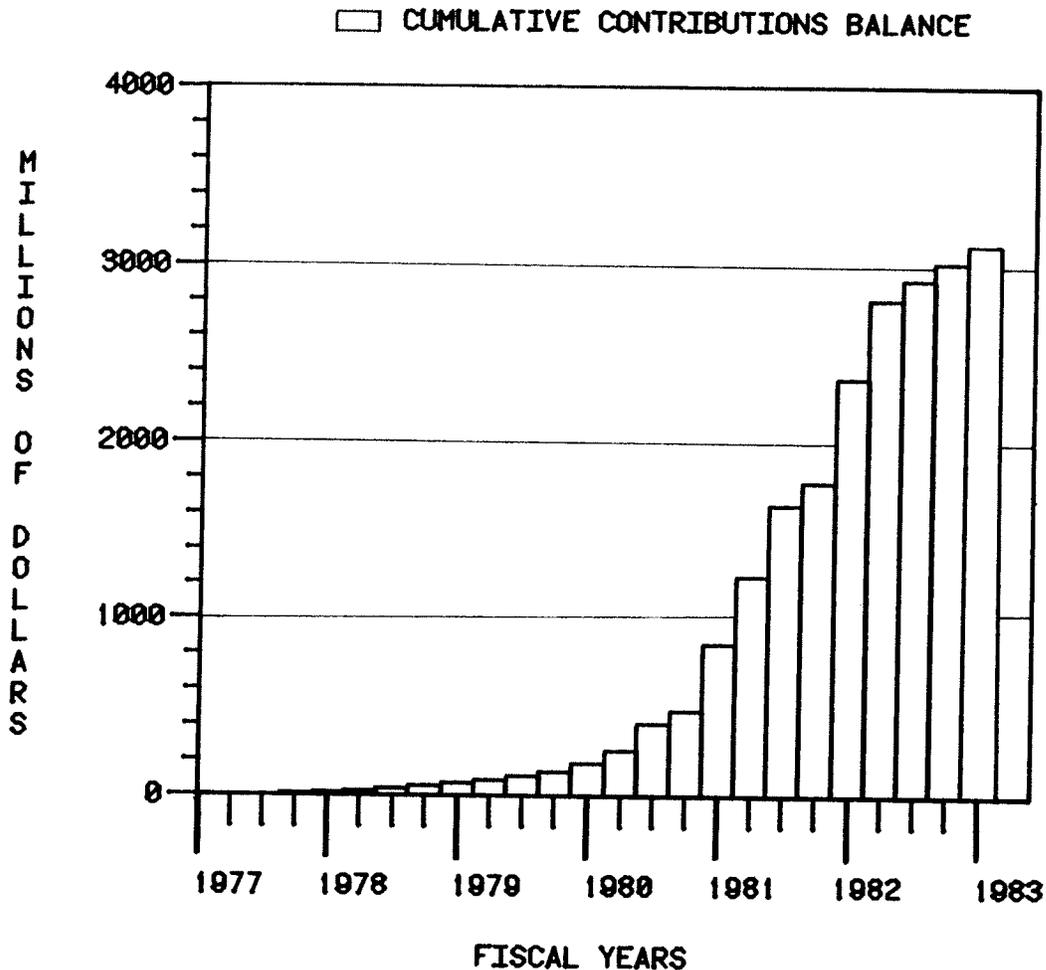
Interest Earnings Transferred to General Fund

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 November 30, 1982	<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 \$300 million during FY 83.

Revenue Sources

Income Taxes

CORPORATE

The tax is imposed on the entire taxable income of every corporation derived from sources within Alaska, and apportioned under graduated rates and varying conditions as specified in AS 43.20.

<u>Due Date</u>	<u>Allocation</u>
September 30 of each year, including prepayments of estimated tax in four quarterly installments	General Fund/ shared with political sub- divisions

(Administered by the Department of Revenue.)

Gross Receipts Taxes

BUSINESS LICENSE

License fee for each business is \$25.00. In addition, national and state banks, trust companies, and savings and loan associations are taxed 7% of net income. (AS 43.70)

<u>Due Date</u>	<u>Allocation</u>
Before the 15th day of the third month following the end of the tax year	General Fund

(Administered by the Department of Revenue.)

COMMERCIAL FISH

Includes tax receipts for raw fish, shore-based and floating fisheries businesses. (AS 43.75)

-Raw fish tax for canned salmon is 4.5% of value

-Shore-based fisheries businesses are taxed at the rate of 3% of value, except a 1% tax is levied when developing commercial fish species are processed.

-Floating fisheries businesses are taxed at 5% of value, except a 3% tax is levied when developing commercial fish species are processed.

Due Date

Allocation

Various dates

General Fund/Shared with political subdivisions

(Administered by the Department of Revenue.)

SALMON ENHANCEMENT

Limited entry permit holders within qualified regional aquaculture associations are levied a tax rate of either 2% or 3% of value of salmon. (AS 43.76)

Due Date

Allocation

By last day of month for prior month

General Fund

(Administered by the Department of Revenue.)

SEAFOOD MARKETING

An assessment is levied upon eligible seafood processors at a rate of 0.2% of value of seafood products purchased in Alaska. (AS 16.51)

Due Date

Allocation

April 1 for the prior calendar year.

General Fund

(Administered by the Department of Revenue.)

INSURANCE PREMIUM

The following rates are on gross premiums less certain deductibles as permitted by AS 21.09.210 and 21.66.110.

Life Companies	3%
P&C Companies	3%
Domestic Companies	1 1/2%
Net Hospital Service	6%
Title Companies	1%
Surplus	3%
Direct/Unauthorized	3%

Due Date

Allocation

April 1 for preceding year

General Fund

(Administered by the Department of Commerce and Economic Development.)

Severance Taxes

OIL PRODUCTION

Tax is levied upon the producer of oil from each lease or property less any part exempt from taxation. It is based on either the percentage-of-value amount or the cents-per-barrel amount, whichever is greater, multiplied by an economic limit factor. (AS 43.55)

1. The percentage-of-value amount remains 12.25% of the value of production for a property coming into commercial production after June 30, 1981, for its first five years of production. Thereafter and for all other existing oil production, including Prudhoe Bay, the percentage-of-value amount is 15% of the value of production.
2. Cents-per-barrel amount equals \$0.60 per barrel of crude oil and \$0.80 per barrel for all other taxable oil.

<u>Due Date</u>	<u>Allocation</u>
Monthly - 20th day of month for prior month	General Fund

GAS PRODUCTION

The tax is levied on all gas produced from each lease or property, less any part exempt from taxation. The base tax rate for gas is \$0.64 per thousand cubic feet of taxable gas or 10% of the gross value of taxable production calculated at the point of production, whichever is greater, multiplied by an economic limit factor. (AS 43.55)

<u>Due Date</u>	<u>Allocation</u>
Monthly - 20th day of month for prior month	General Fund

(Administered by the Department of Revenue.)

Property Taxes

OIL AND GAS

The oil and gas property tax is levied at 20 mills on the full and true value of taxable property used in oil and gas exploration and production. (AS 43.56)

<u>Due Date</u>	<u>Allocation</u>
June 30	General Fund

(Administered by the Department of Revenue.)

Sales/Use Taxes

FUEL

Tax is levied on aviation fuel, highway fuel, and marine fuel at the following rates. (AS 43.40)

- Aviation fuel: 4¢ per gallon on aviation gas and 2 1/2¢ per gallon on aviation jet fuel.
- Highway fuel: Gasoline and diesel fuel is taxed at the rate of 8¢ per gallon. "Off-highway" users may claim a refund of 6¢ per gallon on motor fuel within one year of purchase if the 8¢ tax was paid.
- Marine fuel: Rate is 5¢ per gallon for fuel used in engines for the propulsion of boats and watercraft.

<u>Due Date</u>	<u>Allocation</u>
By last day of month for prior month	General Fund

(Administered by the Department of Revenue.)

ALCOHOLIC BEVERAGE

Tax rates are based on alcoholic content: Malt beverages (1% or more alcohol) \$0.25 per gallon; wine (21% or less alcohol) \$0.60 per gallon; hard liquor (more than 21% alcohol) \$4.00 per gallon. (AS 43.60)

<u>Due Date</u>	<u>Allocation</u>
By last day of month for prior month	General Fund

(Administered by the Department of Revenue.)

CIGARETTE

A tax of 4 mills is levied on each cigarette imported or acquired in the state. Additional license fees follow. (AS 43.50)

Manufacturers	\$5
Vending Machine Operator	\$25
Direct-Buying Retailer	\$25
Buyer	\$25
Distributor	\$50

Due Date

By last day of month for prior month

Allocation

1 1/2 mills of total tax collected goes to General Fund; 2 1/2 mills of tax collected and license fees go to School Fund.

(Administered by the Department of Revenue.)

Licenses and Permits

BUSINESS

Includes receipts from alcoholic beverage licenses, commercial fishing licenses, professional and occupational licenses, and various regulatory permits. (Various statutes)

Due Date

Various

Allocation

General Fund/Revenues from alcoholic beverage licenses shared with political subdivisions.

(Administered by several departments.)

NON-BUSINESS

Includes receipts from hunting, trapping and sports fishing licenses, motor vehicle instruction permits, title transfers, registration fees, and driver licenses. (Various statutes)

Due Date

Various

Allocation

General Fund/Special Fund

(Fish and Game licenses administered by the Department of Revenue)

(Motor vehicle licenses administered by the Department of Public Safety)

Intergovernmental Receipts

FEDERAL SHARED REVENUE

Includes receipts from the federal government on timber sales and mineral rents and royalties. The state's share is a percentage of the proceeds derived from these federal lands. (AS 41.15 and Pub. L. 85-505, § 3)

Due Date

Federal cut-off dates are March 30 and September 30. Share received 4-6 weeks after cut-off date.

Allocation

General Fund
25% to Permanent Fund
50% to Permanent Fund (Royalties and Bonuses received on leases issued after December 1, 1979 and February 15, 1980 per Ch 18 SLA 1980)

(Administered by the Department of Natural Resources.)

State Resources Revenue

INVESTMENT EARNINGS

Includes interest at varying rates from the state's investment portfolio, and interest on bank deposits. (AS 37.10)

Due Date

Various dates

Allocation

General Fund

(Administered by the Department of Revenue.)

ROYALTIES

Includes royalties from hard minerals, oil and gas. (AS 38.05)

Due Date

Monthly

Allocation

General Fund
25% to Permanent Fund
50% to Permanent Fund (Royalties received on leases issued after December 1, 1979 and February 15, 1980, per Ch 18 SLA 1980)

(Administered by the Department of Natural Resources.)

FACILITIES RELATED CHARGES

These include receipts from airports, the ferry system, food services, hospital fees, and other state facilities charges. (Various statutes)

<u>Due Date</u>	<u>Allocation</u>
Various dates	General Fund

(Administered by several departments.)

SERVICE RELATED CHARGES

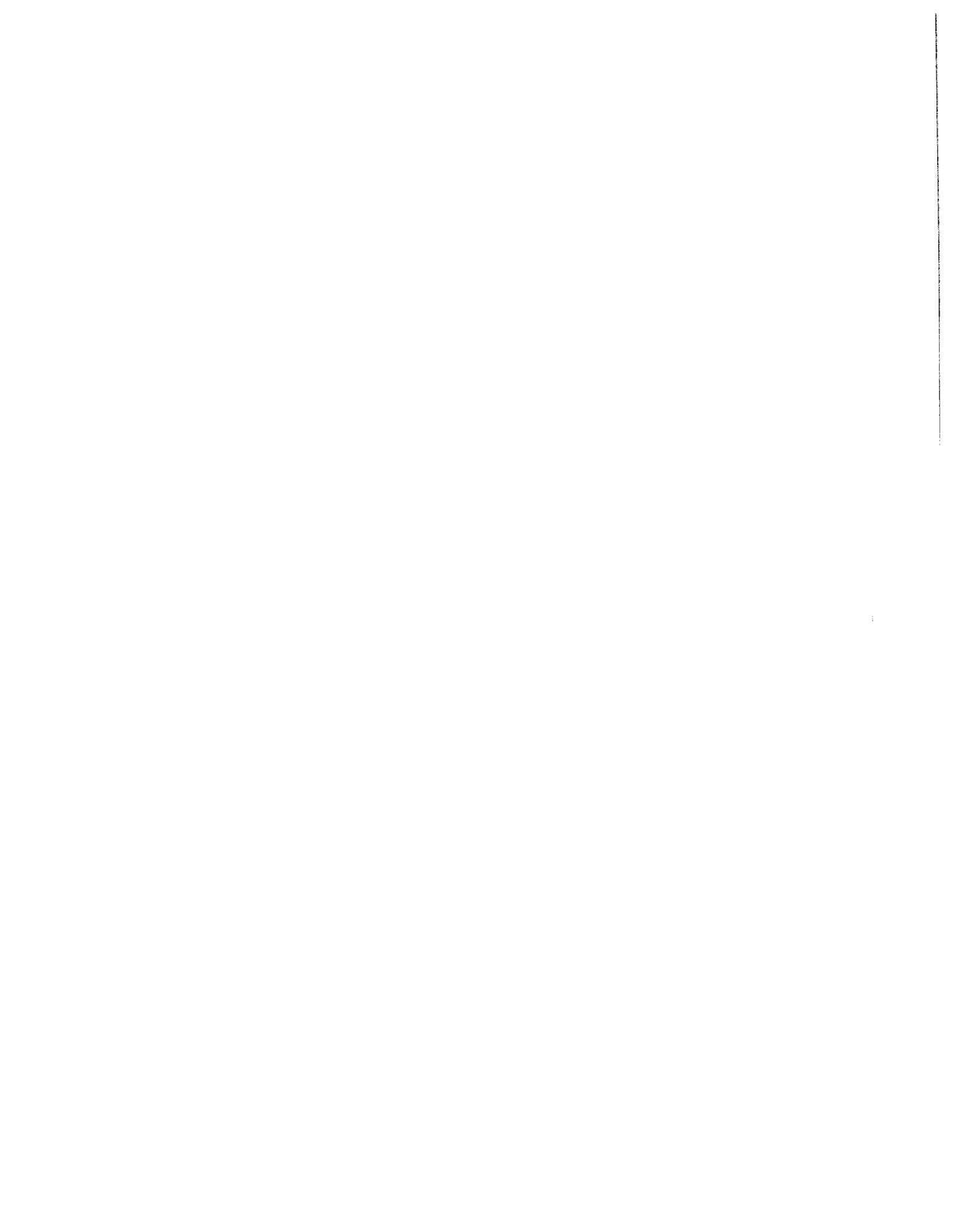
Includes receipts from statutory inspection fees, the court system, and other state service charges. (Various statutes)

<u>Due Date</u>	<u>Allocation</u>
Various dates	General Fund

(Administered by several departments.)

HISTORICAL REVIEW
OF ALASKA'S REVENUES
By
Robert Elliott, Research Analyst

The following report provides a brief historical review of how Alaska's revenues have changed in terms of collections and composition during the past twenty-four years of statehood.



The single most prominent event in Alaska's economic history has been the 1968 discovery of oil and gas at Prudhoe Bay. All areas within the state have subsequently been impacted by this event, none more profoundly than state revenues. Since the North Slope lease sale in FY 1970, revenue collections have experienced unprecedented growth. A total of \$16.9 billion has been received since statehood in General Fund unrestricted revenues, with over 95 percent being collected since 1970 and over two-thirds being collected during the past four years. This dramatic growth is illustrated in Figure 1 where General Fund unrestricted revenues are plotted over the past twenty-four years since statehood.

FIGURE 1
HISTORICAL COMPARISON OF GENERAL FUND
UNRESTRICTED REVENUES
(STATEHOOD-PRESENT)

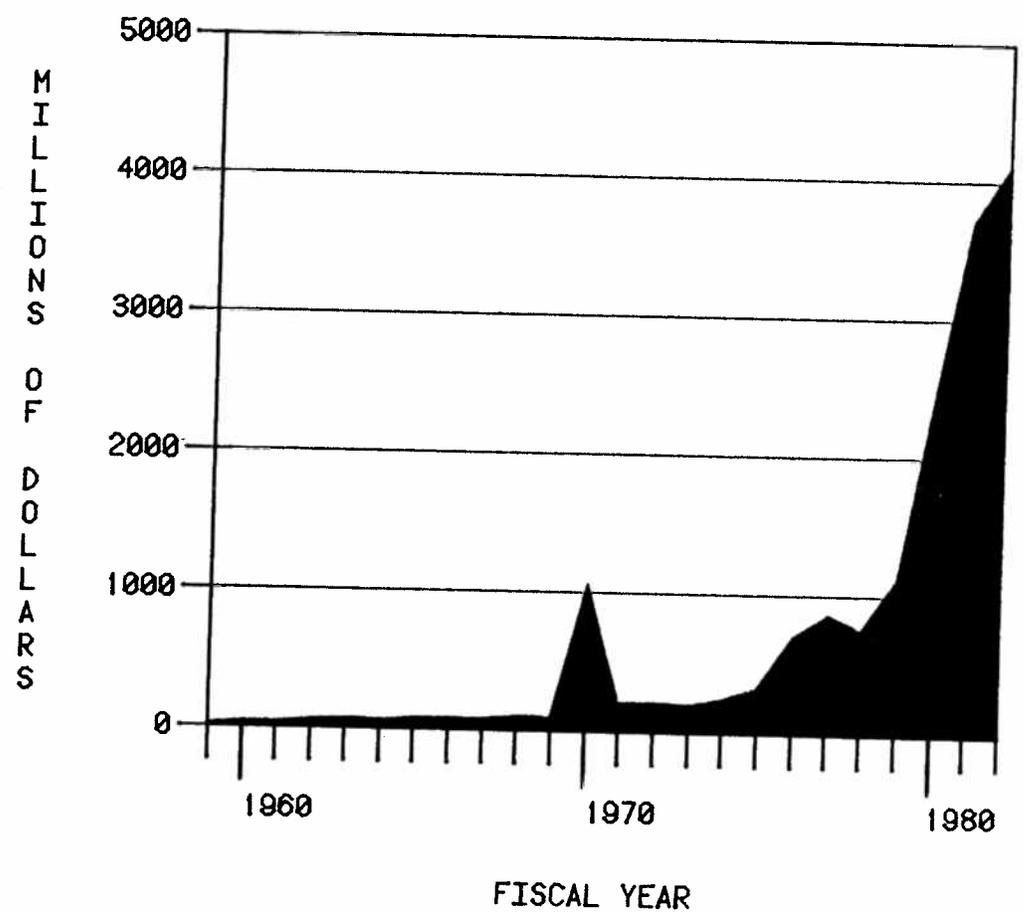


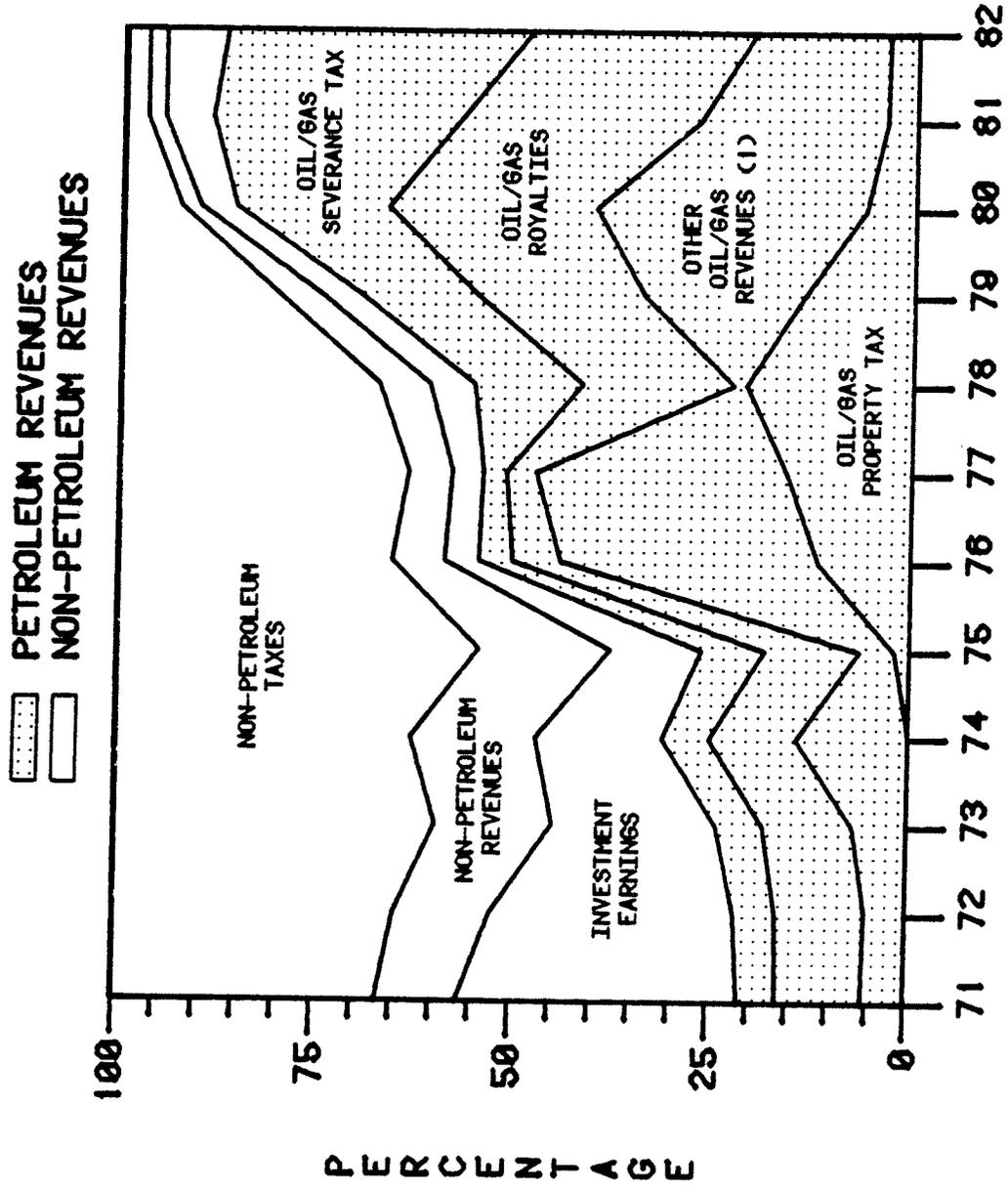
Figure 1 indicates the state has undergone two distinct periods of revenue growth since statehood, with the 1970 North Slope lease sale sharply separating the two periods. Beginning with statehood, the first period (1959-1969) appears to be one of virtually unchanged revenue sources and composition, as well as, one of relatively constant growth with an increase from \$25.4 million in FY 1959 to \$112.4 million in FY 1969, a 442 percent increase. Although the peak in FY 1970 marked the abrupt end to this first period, it is interesting to note that state revenues in FY 1970 amounted to over one billion dollars, which was one-third again as much as had been collected during the previous eleven years of the first period.

The second period (1971-1982) differs considerably from the first period highlighted by a dramatic increase in revenues from \$220.4 million in FY 1971 to \$4,108.4 million in FY 1982, a 1864.1 percent increase. The meteoric rise in revenue growth during this second period can be wholly attributed to petroleum development. Figure 1 illustrates this growth from the introduction of the lease sale in 1970 to the buildup of revenues during the pipeline construction in the mid-1970's to the upturn of revenues during the pipeline operation in the early 1980's.

State revenues are now largely dependent upon the development and production of petroleum resources. Of the \$16.9 billion collected in revenues since statehood, over 80 percent has been comprised of petroleum revenues. This shift to dependency upon petroleum revenues occurred quite rapidly during the second period of revenue growth. Figure 2 illustrates how, over this period, different sources of revenue have changed their percentage composition of total General Fund unrestricted revenues for each year and how specific petroleum revenues have achieved such a dominant position over the past twelve years. It should be noted that although investment earnings are not defined as petroleum based, they are related indirectly since some earnings are based on Permanent Fund transfers during the past five years. Also, the bulge in investment earnings from FY 1971-74 is mostly due to investment activity of the North Slope lease sale investment account.

In examining Figure 2, it is clear that petroleum revenues have rapidly overtaken non-petroleum revenues as the primary revenue source. In a span of only twelve years, petroleum revenues have gone from 21 percent in FY 1971 to 87 percent in FY 1982 with the greatest percentage increase occurring with the introduction of the oil and gas reserves tax in FY 1976 (later repealed in FY 1978) and the introduction of the Corporation Petroleum Income Tax in FY 1979. Currently both the oil and gas production tax and royalties represent the two most dominant revenue sources, accounting for over \$2.7 billion, or almost two-thirds of all unrestricted revenues in FY 1982. A more detailed breakdown of individual unrestricted revenues over the past twelve years (1971-1982) is provided in Table 2 at the end of this report.

FIGURE 2
**HISTORICAL COMPARISON OF REVENUE SOURCES
 AS A PERCENTAGE OF GENERAL FUND UNRESTRICTED REVENUES**



FY 82 DETAIL

PERCENT	\$(MILLIONS)
2.9%	\$120.9M
2.1%	\$89.2M
7.9%	\$324.7M
98.5%	\$1581.1M
28.2%	\$1157.9M
16.9%	\$692.5M
3.5%	\$142.7M
100.0%	\$4108.4M

**1971-1982
 FISCAL YEAR**

(1) INCLUDES FEDERAL MINERAL REVENUES, MINERAL RENTS, RESERVES TAX, BONUS SALES, AND CORPORATE-PETROLEUM INCOME TAX.

Coupled with this dependency on petroleum based revenues, there has been a further shift to reliance upon fewer major sources of revenue. Table 1 examines the ranking of the top five revenue sources for FY 1960, FY 1971, and FY 1982. Shown below each revenue source is the amount collected by that source (in millions of dollars), as well as the revenue source's percentage of total unrestricted revenues for that year.

Table 1

<u>Rank</u>	<u>1960</u>	<u>1971</u>	<u>1982</u>
1	<u>Ind. Income Tax</u> \$8.9m/22.0%	<u>Invest. Earnings</u> \$78.4m/35.8%	<u>Oil/Gas Prod. Tax</u> \$1570.9m/38.2%
2	<u>Fed. Oil/Gas Leases</u> \$5.6m/13.8%	<u>Ind. Income Tax</u> \$35.5m/16.1%	<u>Royalties</u> \$1157.3m/28.2%
3	<u>Min. Lease Bonuses</u> \$4.0m/9.9%	<u>Royalties</u> \$23.9m/10.8%	<u>Oil/Gas Corp. Income</u> \$668.9m/16.5%
4	<u>Hwy. Fuel Tax</u> \$2.5m/6.2%	<u>Oil/Gas Prod. Tax</u> \$11.4m/5.2%	<u>Invest. Earnings</u> \$324.7m/7.9%
5	<u>Alcoholic Bev. Tax</u> \$2.2m/5.4%	<u>Oil/Gas Prop. Tax</u> \$10.5m/4.8%	<u>Oil/Gas Prop. Tax</u> \$142.7m/3.5%
Total	\$23.2m/57.3%	\$159.7m/72.7%	\$3864.5m/94.1%

Table 1 indicates the composition of revenue sources changed significantly over the course of the three years shown; note that no single revenue source appears in the top five for all three examples. Furthermore, petroleum revenues have become more prevalent in later years, with FY 1982 having four out of the top five revenue sources directly based on petroleum revenues and the fifth (investment earnings) being indirectly based. Finally, and most importantly, there is a greater reliance upon fewer sources with the top five sources comprising 57.3% in FY 1960, 72.7% in FY 1971, and 94.1% in FY 1982.

Consequently, the present day revenue picture has developed into one which is pervasively dictated and primarily dependent upon petroleum development and production. Although this situation was not present during the first-half of Alaska's state history, it has rapidly expanded during the second-half and is expected to continue into the future with petroleum revenue projections being influenced by production, world market prices, and transportation costs. However, the state must eventually face the prospect of the subsequent future decline in petroleum production. It is at this time the state will have to face the dilemma of decreasing petroleum revenues, which may have just as significant an impact upon the state as did the present-day uptrend in petroleum revenues.

.E 2
STATE OF ALASKA - UNRESTRICTED REVENUES
TAX PORTION

(\$ millions)	FY 71	FY 72	FY 73	FY 74	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
Corporate General	6.1	6.5	6.8	8.2	17.3	31.1	35.8	33.5	24.8	17.9	34.8	34.8
Corporate - Petroleum	--	--	--	--	--	--	--	--	232.6	547.5	860.1	668.9
Fiduciary	--	--	--	--	.1	.1	.1	.1	.1	.1	--	--
Individual	35.5	39.1	43.4	49.2	86.9	146.2	210.4	145.7	117.2	100.5	--	--
TOTAL INCOME	<u>41.6</u>	<u>45.6</u>	<u>50.2</u>	<u>57.4</u>	<u>104.3</u>	<u>177.4</u>	<u>246.3</u>	<u>179.3</u>	<u>374.7</u>	<u>666.0</u>	<u>894.9</u>	<u>703.7</u>
Alaska Business License	5.6	6.1	6.7	7.5	11.2	19.1	23.2	21.7	28.2	4.2	5.4	5.5
Fish - Canned Salmon	3.5	2.7	1.7	1.4	1.6	1.8	3.8	5.5	6.7	4.3	5.9	8.6
Fish - Shore Based	.3	.3	.5	.9	.8	.8	1.9	2.3	3.3	7.6	11.0	8.7
Fish - Floating	.2	.2	.3	.5	.3	.5	.5	.5	1.9	2.7	3.8	5.5
Salmon Enhancement	--	--	--	--	--	--	--	--	--	--	--	2.4
Insurance Companies	3.0	3.5	3.7	3.8	4.4	6.1	8.1	10.0	10.8	10.4	10.6	12.5
Other	.4	.5	.6	.6	.7	1.0	1.3	1.6	1.9	2.1	1.2	1.4
TOTAL GROSS RECEIPTS	<u>13.0</u>	<u>13.3</u>	<u>13.5</u>	<u>14.7</u>	<u>19.0</u>	<u>29.3</u>	<u>38.8</u>	<u>41.6</u>	<u>52.8</u>	<u>31.3</u>	<u>37.9</u>	<u>44.6</u>
Gravel, Timber, Etc.	--	--	--	.3	.8	1.8	1.0	.8	1.7	1.6	2.7	--
Oil & Gas Production	10.5	11.4	12.0	14.8	26.6	27.9	23.7	107.6	173.6	506.2	1,169.9	1,581.1
Oil & Gas Conservation	--	--	--	--	--	.1	.1	.1	.2	.3	.3	.6
TOTAL SEVERANCE	<u>10.5</u>	<u>11.4</u>	<u>12.0</u>	<u>15.1</u>	<u>27.4</u>	<u>29.8</u>	<u>24.8</u>	<u>108.5</u>	<u>175.5</u>	<u>508.1</u>	<u>1,172.9</u>	<u>1,581.7</u>
Oil & Gas	--	--	--	--	6.6	83.4	139.1	173.0	163.4	168.9	143.0	142.7
Oil & Gas Reserves	--	--	--	--	--	223.1	270.6	--	--	--	--	--
Vehicle Registration	--	--	--	--	--	--	--	.2	.2	.1	.2	--
TOTAL PROPERTY	--	--	--	--	<u>6.6</u>	<u>306.5</u>	<u>409.7</u>	<u>173.2</u>	<u>163.6</u>	<u>169.0</u>	<u>143.2</u>	<u>142.7</u>
Alcoholic Beverages	4.9	4.8	5.2	5.7	6.6	7.8	8.0	7.6	7.4	7.4	8.3	9.0
Fuel Taxes - Aviation	1.6	1.5	1.3	1.6	2.8	3.0	2.5	3.3	3.4	4.0	4.1	6.3
Fuel Taxes - Highway	8.6	8.9	10.1	11.0	14.0	20.2	16.7	17.9	16.3	18.9	15.6	20.3
Fuel Taxes - Marine	.8	1.0	1.1	1.2	1.1	1.2	1.3	2.1	2.6	3.2	3.5	3.7
Tobacco Products	1.1	1.2	1.2	1.3	1.5	1.7	1.8	1.7	1.7	1.6	1.7	1.9
TOTAL SALE/USE	<u>17.0</u>	<u>17.4</u>	<u>18.9</u>	<u>20.8</u>	<u>26.0</u>	<u>33.9</u>	<u>30.3</u>	<u>32.6</u>	<u>31.4</u>	<u>35.1</u>	<u>33.2</u>	<u>41.2</u>
Estate	--	--	--	.1	.1	.2	.2	.2	.1	.2	.5	.3
School	1.4	1.5	1.6	1.6	2.2	2.6	2.6	2.4	2.5	2.6	--	--
TOTAL OTHER	<u>1.5*</u>	<u>1.6*</u>	<u>1.6</u>	<u>1.7</u>	<u>2.3</u>	<u>2.8</u>	<u>2.8</u>	<u>2.6</u>	<u>2.6</u>	<u>2.8</u>	<u>.5</u>	<u>.3</u>
TOTAL TAXES	83.6	89.3	96.2	109.7	185.6	579.7	752.7	537.8	800.6	1,412.3	2,282.6	2,514.2

*Includes disaster relief

Source: Department of Revenue, Revenue Sources FY 1971 - FY 1982. Revised November 1982.

STATE OF ALASKA - UNRESTRICTED REVENUES
NON-TAX PORTION

	<u>FY 71</u>	<u>FY 72</u>	<u>FY 73</u>	<u>FY 74</u>	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>
<u>(\$ millions)</u>												
<u>LICENSES & PERMITS</u>												
Business	2.7	2.8	3.2	4.1	4.2	5.1	5.5	6.8	7.5	8.1	9.1	10.8
Non-Business	6.0	6.3	6.6	6.8	9.4	11.3	10.6	12.3	12.3	10.7	12.2	13.0
TOTAL	<u>8.7</u>	<u>9.1</u>	<u>9.8</u>	<u>10.9</u>	<u>13.6</u>	<u>16.4</u>	<u>16.1</u>	<u>19.1</u>	<u>19.8</u>	<u>18.8</u>	<u>21.3</u>	<u>23.8</u>
<u>INTERGOVERNMENTAL RECEIPTS</u>												
Federal Shared Revenues	9.7	9.0	7.7	8.0	10.6	6.4	2.5	3.6	4.1	4.8	8.5	21.7
<u>STATE RESOURCE REVENUE</u>												
<u>SALE/USE</u>												
Bonus Sales	.2	.3	3.8	24.8	1.0	--	--	--	--	342.4	7.6	5.0
Investment Earnings	78.4	67.3	43.2	41.1	38.5	31.7	34.8	44.2	59.2	119.9	227.8	324.7
Rents	3.2	3.3	3.7	4.0	4.3	4.1	3.4	2.3	2.1	3.0	5.4	3.5
Royalties	23.9	24.6	23.5	28.7	40.0	43.3	34.3	149.6	249.2	688.2	1,118.5	1,157.3
Sale of State Property	1.0	1.4	1.7	1.4	12.2	1.9	1.8	1.9	8.4	5.7	4.8	5.2
Gravel, Timber, etc.	--	--	--	--	--	--	--	--	--	--	--	1.2
TOTAL	<u>106.7</u>	<u>96.9</u>	<u>75.9</u>	<u>100.0</u>	<u>96.0</u>	<u>81.0</u>	<u>74.3</u>	<u>198.0</u>	<u>318.9</u>	<u>1,159.2</u>	<u>1,364.1</u>	<u>1,496.9</u>
<u>FACILITIES RELATED CHARGES</u>												
Airports	.6	.5	.7	.6	.5	.6	.7	.8	.9	.8	1.1	1.6
Ferry System--SE	6.5	8.1	10.1	9.6	12.0	13.9	15.4	14.0	17.1	18.7	21.0	25.2
Ferry System--SW	.6	.9	.9	1.0	1.2	1.3	1.5	1.6	1.8	2.4	3.4	4.0
Other	1.9	2.2	3.8	4.3	2.1	2.2	2.7	4.0	3.1	4.1	3.7	3.6
TOTAL	<u>9.6</u>	<u>11.7</u>	<u>15.5</u>	<u>15.5</u>	<u>15.8</u>	<u>18.0</u>	<u>20.3</u>	<u>20.4</u>	<u>22.9</u>	<u>26.0</u>	<u>29.2</u>	<u>34.4</u>
<u>SERVICES RELATED CHARGES</u>												
Court System	1.2	1.7	1.6	1.9	3.0	3.7	3.6	2.8	2.8	2.8	2.9	3.5
Other	.2	.3	.3	.4	1.4	.7	.9	1.7	2.3	2.0	4.1	6.1
TOTAL	<u>1.4</u>	<u>2.0</u>	<u>1.9</u>	<u>2.3</u>	<u>4.4</u>	<u>4.4</u>	<u>4.5</u>	<u>4.5</u>	<u>5.1</u>	<u>4.8</u>	<u>7.0</u>	<u>9.6</u>
<u>TOTAL RESOURCE</u>	117.7	110.6	93.3	117.8	116.2	103.4	99.1	222.9	346.9	1,190.0	1,400.3	1,540.9
Miscellaneous Revenue	.7	1.2	1.2	8.5	7.4	3.9	3.9	3.9	7.2	6.7	5.5	7.8
Total Unrestricted	136.8	129.9	112.0	145.2	147.8	130.1	121.6	249.5	378.0	1,220.3	1,435.6	1,594.2
Non-Tax Revenue	--	--	--	--	--	--	--	22.4	45.6	131.4	--	--
Less: Native Claims Payments	--	--	--	--	--	--	--	--	--	--	--	--
TOTAL NET UNRESTRICTED NON-TAX REVENUE	136.8	129.9	112.0	145.2	147.8	130.1	121.6	227.1	332.4	1,088.9	1,435.6	1,594.2
Total Unrestricted Tax Revenue	83.6	89.3	96.2	109.7	185.6	579.7	752.7	537.8	800.6	1,412.3	2,282.6	2,514.2
TOTAL UNRESTRICTED REV	220.4	219.2	208.2	254.9	333.4	709.8	874.3	764.9	1,133.0	2,501.2	3,718	4,108.4