

**REVENUE SOURCES
FY 1981 - 1983**

**QUARTERLY UPDATE
JUNE, 1981**

**ALASKA
DEPARTMENT OF REVENUE**

MEMORANDUM

State of Alaska

TO: The Honorable Jay S. Hammond
Governor
State of Alaska

DATE: June 16, 1981

FILE NO:

TELEPHONE NO:

FROM: Thomas K. Williams
Commissioner of Revenue
State of Alaska

SUBJECT: June Revenue
Forecast

The official published version of the June 1981 revenue forecast is now completed and indicates a slight upward adjustment, from the March 1981 forecast, of \$37.8 million in unrestricted revenues for FY 81.

The figures for FY 82 indicate a significant drop from the March forecast of \$5.1757 billion to \$4.8953 billion or \$280.4 million in unrestricted revenues. The drop in anticipated revenues for the permanent fund amounts to another \$38.5 million for FY 82. Hence, the total effect for FY 82 is a downward revision in expected revenues of \$318.9 million. The primary reason for this drop is the current supply and demand relationship relative to oil. A combination of factors including an oil surplus, conservation techniques on the part of the public, and OPEC actions have resulted in a softening of oil prices which is expected to continue into the near future unless of course major disruptive events occur in the Middle East. Another reason for the drop in oil revenues is due to the recent action of the North Slope Borough in raising their local property tax rate from 60.81 mills to 91.54 mills. This increased assessment is a credit against the state tax.

I have also introduced for the first time the FY 83 forecast which suggests that total unrestricted revenues will amount to \$5.7665 billion. The permanent fund, assuming only the regular 25 percent contribution rate, will amount to another \$634.7 million that year.

ALASKA'S REVENUE SOURCES

Compiled by Research Section

Department of Revenue

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Revenue Summary

In Thousand of Current Dollars

	FY 1981 Estimate <u>June</u>	FY 1982 Estimate <u>June</u>	FY 1983 Estimate <u>June</u>
Total General Fund Unrestricted Revenues (p. 5)	<u>3,660,000</u>	<u>4,895,300</u>	<u>5,766,500</u>
Total General Fund Restricted Revenues (p. 8)	<u>274,700</u>	<u>306,500</u>	<u>NA</u>
Total General Fund Revenues (p. 8)	<u>3,934,700</u>	<u>5,201,800</u>	<u>NA</u>
Alaska Permanent Fund (p. 9)	<u>1,265,400</u>	<u>520,500</u>	<u>634,700</u>

General Fund Unrestricted Revenues

In Thousands of Current Dollars

<u>Taxes</u>	FY 1981 Estimate <u>June</u>	FY 1982 Estimate <u>June</u>	FY 1983 Estimate <u>June</u>
<u>Income</u>			
Corporate-General	35,100	36,700	43,900
Corporate-Petroleum	850,900	1,175,000	1,303,100
Fiduciary(1)	-0-	-0-	-0-
Individual(1)	-0-	-0-	-0-
<u>Gross Receipts</u>			
Alaska Business License	5,500	3,000	3,000
Fish-Canned Salmon(2)	6,200	6,000	6,000
Fish-Shorebased(2)	11,000	11,500	11,000
Fish-Floating(2)	3,600	3,800	3,400
Salmon Enhancement(3)	-0-	1,800	1,800
Insurance Companies	10,600	11,300	11,300
Other	1,300	1,300	1,500
<u>Severance</u>			
Gravel, Timber, etc.	2,000	3,000	5,500
Oil & Gas Production	1,185,300	1,526,300	1,868,800
Oil & Gas Conservation	600	700	700
<u>Property</u>			
Oil & Gas(4)	140,700	144,800	152,300
Vehicle Registration	200	200	200
<u>Sale/Use</u>			
Alcoholic Beverages	8,000	8,200	8,400
Fuel Taxes-Aviation	4,000	4,300	4,500
Fuel Taxes-Highway	17,600	18,000	18,500
Fuel Taxes-Marine	3,400	3,600	3,800
Tobacco Products	1,700	1,800	1,900
<u>Other</u>			
Estate	400	400	400
School(5)	-0-	-0-	-0-
Total Taxes	<u>2,288,100</u>	<u>2,961,700</u>	<u>3,450,000</u>
 <u>Licenses & Permits</u>			
Business	8,300	9,900	11,000
Non-Business	<u>12,000</u>	<u>12,500</u>	<u>12,500</u>
Total Licenses & Permits	<u>20,300</u>	<u>22,400</u>	<u>23,500</u>
 <u>Intergovernmental Receipts</u>			
Federal Shared Revenues(6)(7)	<u>7,700</u>	<u>19,800</u>	<u>8,500</u>
 <u>State Resource Revenue</u>			
<u>Sale/Use</u>			
Bonus Sales(8)(9)	8,600(10)	-0-	-0-
Investment Earnings	205,000	280,000	314,000
Rents(6)	4,500	4,500	4,500

Royalties(6)	1,066,800(11)	1,547,400	1,900,000
Sale of State Property	9,200	5,500	8,200
<u>Facilities Related Charges</u>			
Airports	1,000	1,200	1,400
Ferry System-Southeast	21,600	24,400	26,800
Ferry System-Southwest	3,000	3,200	3,400
Other	3,500	4,000	4,500
<u>Service Related Charges</u>			
Court System	3,100	3,300	3,500
Other	<u>3,600</u>	<u>3,900</u>	<u>4,200</u>
Total State Resources			
Revenues	<u>1,329,900</u>	<u>1,877,400</u>	<u>2,270,500</u>
<u>Miscellaneous Revenues</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>
<u>Total Unrestricted Revenues</u>	<u>3,660,000</u>	<u>4,895,300</u>	<u>5,766,500</u>

- 1) Ch. 1 SSSLA 1980, repeals the Alaska Net Income Tax for individuals and fiduciaries and provides for individuals to continue receiving tax credits for political contributions and household and dependent care service, retroactive to January 1, 1980. Ch. 2 SSSLA 1980, provides refunds of 1979 individual income taxes.
- 2) FY 82 and FY 83 estimates reflect additional revenue collected due to fisheries processors owing a substantial amount of FY 80 taxes which are not expected to be paid until FY 82 and FY 83.
- 3) Ch. 154 SLA 1980, effective July 2, 1980, levies either a 2 percent or 3 percent Salmon Enhancement Tax to be determined by qualified regional aquaculture associations.
- 4) 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 1982 or 1983. The March forecast had assumed the Borough's millage would remain at the 1980 level, inasmuch as it had changed very little from the year before (60.81 mills in 1980 vs. 59.61 mills in 1979).
- 5) Repealed by Ch. 64 SLA 1980, retroactive to January 1, 1980. Some insignificant amounts of revenue are expected to be collected in FY 1981 due to employers still collecting in calendar year 1980.
- 6) Net of 25 percent Permanent Fund contribution.
- 7) Includes estimated revenue (\$13.5 million) due to State's winning recent U.S. Supreme Court decision regarding the Kenai Moose Range royalty distribution; however, payment is not expected until FY 82. FY 82 and FY 83 figures reflect the State's 90 percent entitlement to wildlife refuge mineral revenues.
- 8) The Department of Natural Resources projects additional lease sales to be held in 1982 and 1983. However, bonus bids are impossible to anticipate prior to sales and therefore no estimates are included in this report.
- 9) Net of 50 percent Permanent Fund contribution by Ch. 18 SLA 1980.
- 10) Reflects lease sales of \$12.8 million held September 16, 1980 and \$4.3 million held May 13, 1981.
- 11) The FY 1981 royalty value reflects the retroactive payment due the State, by the North Slope producers, for the recently negotiated settlement regarding field costs previously deducted from the royalty wellhead value.

Revenue Breakdown

The total General Fund unrestricted revenues for Fiscal Years 1981, 1982, and 1983 are projected to be \$3,660.0 million, \$4,895.3, and \$5,766.5 million, respectively.

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

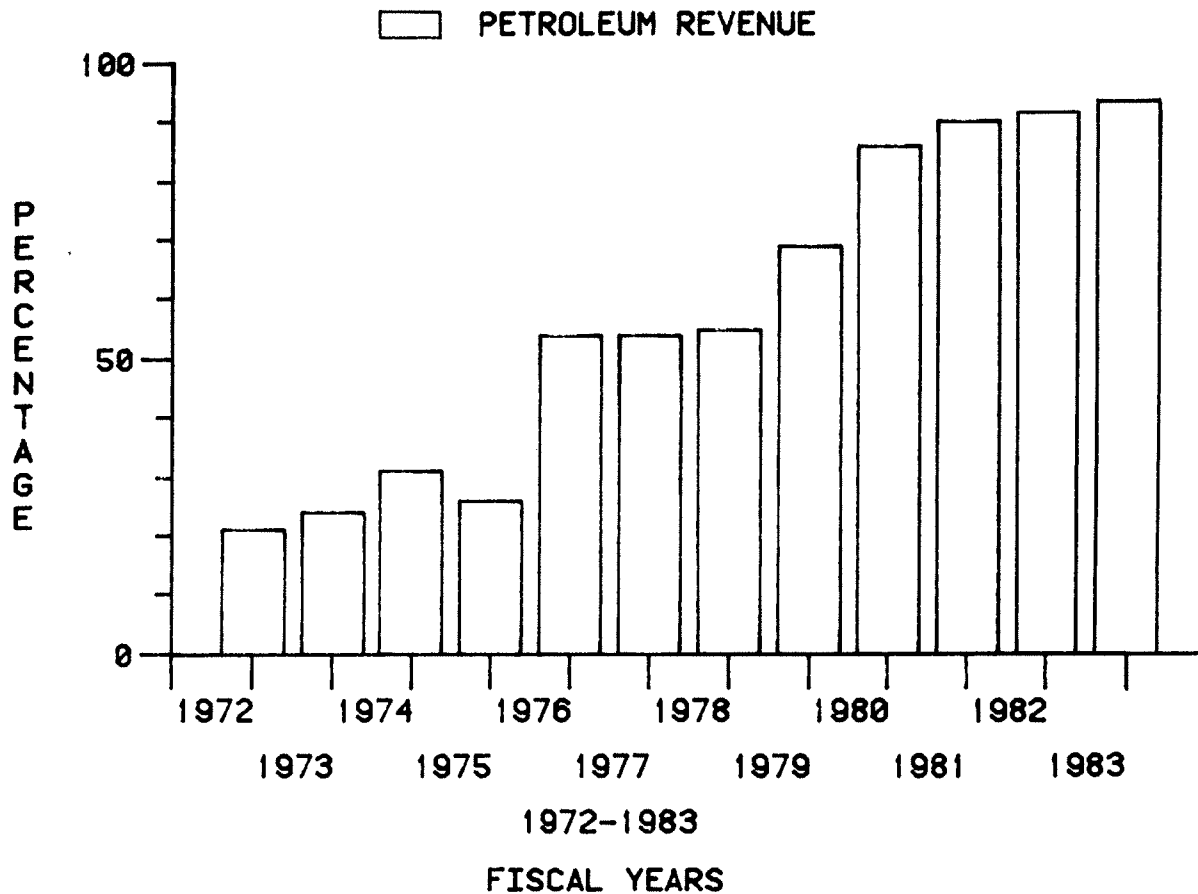
Petroleum vs. Non-Petroleum Revenues

(In Millions of Current Dollars)

	<u>Petroleum Revenues</u>		
	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>
Corporate Petroleum	850.9	1,175.0	1,303.1
Severance Tax	1,185.9	1,527.0	1,869.5
Royalties	1,066.8	1,547.4	1,900.0
Property Tax	140.7	144.8	152.3
Bonus Sale	<u>8.6</u>	<u>0.0</u>	<u>0.0</u>
	<u>3,252.9</u>	<u>4,394.2</u>	<u>5,224.9</u>
	<u>Non-Petroleum Revenues</u>		
	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>
Taxes	110.6	114.9	125.1
Licenses & Permits	20.3	22.4	23.5
Intergovernmental Receipts	7.7	19.8	8.5
State Resources Revenues	254.5	330.0	370.5
Miscellaneous Revenues	<u>14.0</u>	<u>14.0</u>	<u>14.0</u>
	<u>407.1</u>	<u>501.1</u>	<u>541.6</u>
Total	<u>3,660.0</u>	<u>4,895.3</u>	<u>5,766.5</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>
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*	3,660.0	3,252.9	89
1982*	4,895.3	4,394.2	90
1983*	5,766.5	5,224.9	91

*Estimate

Restricted Revenues

In Thousands of Current Dollars

	FY 1981 Estimate <u>June</u>	FY 1982 Estimate <u>June</u>	FY 1983 Estimate <u>June</u>
<u>Federal Grants-in-Aid</u>			
I. Education	38,300	38,700	NA
II. Social Services	112,400	129,400	NA
III. Health	3,500	3,000	NA
IV. Natural Resources	12,400	13,800	NA
V. Public Protection	5,500	5,900	NA
VI. Administration of Justice	2,300	1,300	NA
VII. Development	3,800	3,800	NA
VIII. Transportation	77,000	80,700	NA
IX. General Government	400	400	NA
Total Federal Grants-in-Aid	<u>255,600</u>	<u>277,000</u>	<u>NA</u>
<u>Other Grants-in-Aid</u>			
I. Education	400	500	NA
II. Social Services	1,800	2,000	NA
III. Health	-0-	-0-	NA
IV. Natural Resources	3,000	8,900	NA
V. Public Protection	1,200	1,300	NA
VI. Administration of Justice	100	100	NA
VII. Development	700	800	NA
VIII. Transportation	1,400	1,600	NA
IX. General Government	2,700	3,900	NA
Total Other Grants-in-Aid	<u>11,300</u>	<u>19,100</u>	<u>NA</u>
Miscellaneous Restricted Revenue-All Categories	<u>7,800</u>	<u>10,400</u>	<u>NA</u>
Total Restricted Revenue <u>1/</u>	<u>274,700</u>	<u>306,500</u>	<u>NA</u>
Total Unrestricted Revenue	<u>3,660,000</u>	<u>4,895,300</u>	<u>5,766,500</u>
Total General Fund Revenue	<u>3,934,700</u>	<u>5,201,800</u>	<u>NA</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.

NA Projections of Restricted Revenues for FY 1983 were not available at time of publication.

Special Funds

In Thousands of Current Dollars

	FY 1981 Estimate <u>June</u>	FY 1982 Estimate <u>June</u>	FY 1983 Estimate <u>June</u>
<u>Enterprise Funds</u>			
Agriculture Loan Fund	800	1,100	NA
Alternative Technology and Energy Loan Fund	-0-	100	NA
Bulk Fuel Loan Fund	-0-	100	NA
Child Care Facility Loan Fund	-0-	-0-	NA
Commercial Fish Loan Fund	1,400	2,500	NA
Fisheries Enhancement Loan Fund	-0-	-0-	NA
Historical District Loan Fund	-0-	-0-	NA
International Airport Revenue Fund	29,600	30,100	NA
Medical Malpractice Loan Fund	200	200	NA
Mining Loan Fund	-0-	-0-	NA
Residential Energy Conservation Loan Fund	100	100	NA
Scholarship Loan Fund	500	500	NA
Small Business Loan Fund	2,100	3,600	NA
Tourism Loan Fund	500	700	NA
World War II Veterans Loan Fund	<u>2,000</u>	<u>1,800</u>	<u>NA</u>
Total Enterprise Funds	<u><u>37,200</u></u>	<u><u>40,800</u></u>	<u><u>NA</u></u>
<u>Special Revenue Funds</u>			
Alaska Permanent Fund (1)(2)(3)	1,265,400	520,500	634,700
Federal Revenue Sharing Fund (4)	3,800	3,800	NA
Fish and Game Fund	10,900	11,500	NA
Marine Coastal Damage Fund	-0-	-0-	NA
School Fund	2,800	3,000	3,200
Training & Building Fund	<u>500</u>	<u>500</u>	<u>NA</u>
Total Special Revenue Funds	<u><u>1,283,400</u></u>	<u><u>539,300</u></u>	<u><u>NA</u></u>
Total Special Funds	<u><u>1,320,600</u></u>	<u><u>580,100</u></u>	<u><u>NA</u></u>

- 1) Includes \$900,000,000 appropriated to the Alaska Permanent Fund in FY 1981.
 - 2) Includes estimated revenue (\$4.0 million) due to State's winning recent U.S. Supreme Court decision regarding the Kenai Moose Range royalty distribution; however, payment is not expected until FY 82. FY 82 and FY 83 figures reflect the State's 90 percent entitlement to wildlife refuge mineral revenues.
 - 3) The FY 1981 Permanent Fund Contribution reflects the retroactive payment due the State, by the North Slope producers, for the recently negotiated settlement regarding field costs previously deducted from the royalty wellhead value.
 - 4) Federal funding expired September 30, 1980. Reauthorization was pending for FY 1982 at the time of publication.
- NA Projections of Special Funds for FY 83 were not available at time of publication.

Alaska Permanent Fund Contributions

Inception to Date

	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981
July		794,995.01	7,502,051.26	10,692,715.90	73,815,667.41
August		2,521,153.06	5,919,366.32	17,708,447.48	118,431,979.94
September		4,021,045.20	5,844,160.01	17,327,178.30	181,873,959.53
October		4,831,261.69	5,895,954.01	16,537,475.13	80,318,945.90
November		4,979,386.81	5,983,431.49	17,457,131.59	81,058,413.83
December		4,217,990.44	6,157,251.64	38,079,084.53	227,586,680.94
January		4,215,503.35	6,464,609.73	113,926,615.55	130,570,546.51
February		4,145,894.12	6,785,168.90	21,060,774.83	133,457,322.86
March	1,530,416.42	3,648,367.18	6,292,339.61	20,607,758.22	136,547,664.57
April	815,439.57	5,088,252.18	7,953,713.53	23,040,206.02	41,284,063.24
May	788,450.99	5,603,327.04	9,065,491.87	21,783,285.17	
June	822,403.54	6,376,079.60	10,043,535.99	26,565,267.13	
Total	<u>3,956,710.52</u>	<u>50,443,255.68</u>	<u>83,907,074.36</u>	<u>344,785,939.85</u>	<u>1/1,204,945,244.73</u>

Cumulative Fund Balance as of April 30, 1981

1,688,038,225.14

Interest Earnings Transferred to General Fund

First Quarter (July-Sept.)	12,370.79	605,651.99	1,938,034.46	9,234,109.73
Second Quarter (Oct.-Dec.)	148,250.03	1,282,489.03	3,428,220.15	
Third Quarter (Jan.-Mar.)	115,436.96	962,645.91	6,682,092.76	
Fourth Quarter (Apr.-June)	27,019.00	624,376.03	2,852,138.75	2,393,102.77 2/
Total	<u>27,019.00</u>	<u>900,433.81</u>	<u>5,702,925.68</u>	<u>14,441,450.14</u>

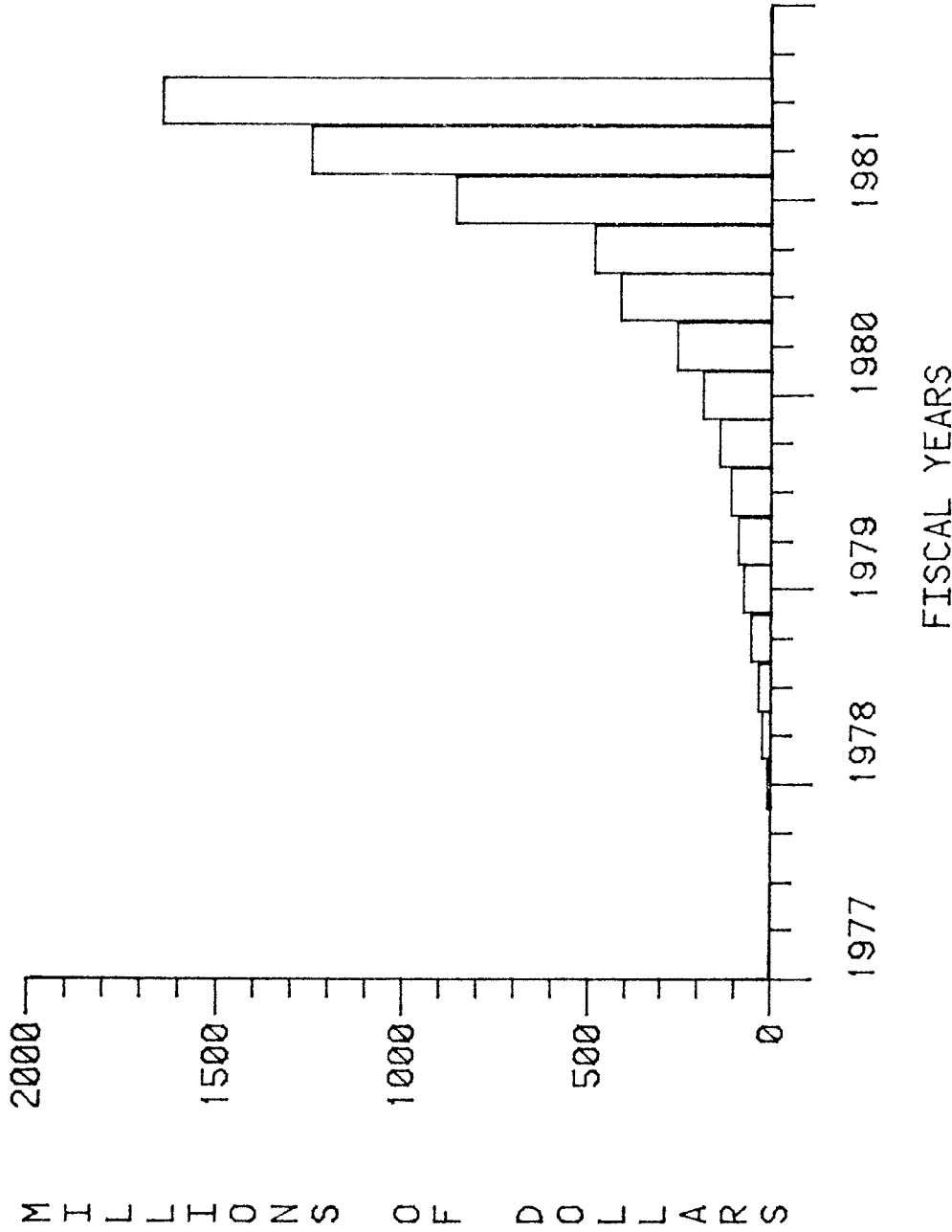
Total Amount of Income Transferred to General Fund as of March 31, 1981

30,305,938.36

- 1/ Includes \$114,546,830.13 as 25 percent of bonuses and lease rentals for the undisputed State portion of the Beaufort Sea lease sale. Litigation over the legality of that sale is still pending.
- 2/ Other \$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.

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. Recently 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. Furthermore, on May 21, 1980, a special appropriation (Ch. 35 SLA 1980) was signed appropriating \$900 million from the General Fund to the Permanent Fund with payments beginning July 1, 1980.

