



# Alaska Department of Revenue



Presentation to Alaska Alliance Meet Alaska  
Conference

Anchorage, Alaska – January 9, 2015

**Randall Hoffbeck, Commissioner**  
Alaska Department of Revenue



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**A New Tax Division Director, Ken Alper, with strong skills in oil and gas.**

**Deputy Commissioner, Jerry Burnett, with long-term experience and technical skills in finance and revenue, also oversees Economic Research Group and Commercial Analysts.**

**Deputy Commissioner, Dona Keppers, long-term experience at DOR, industry and former head of ERG**

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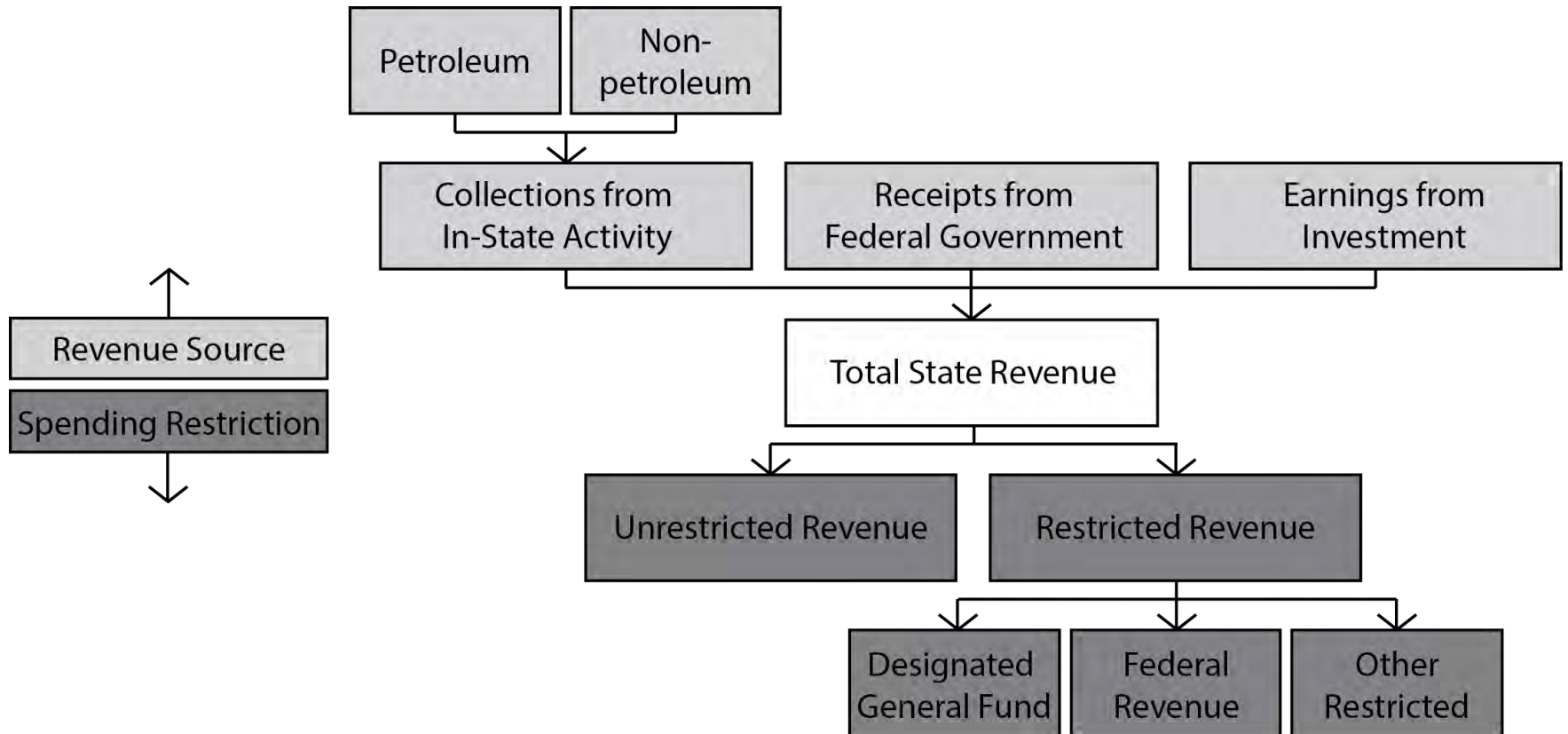
## Who am I?....Randall Hoffbeck, Commissioner

- Experience as Chief Financial Officer and Chief of Staff of North Slope Borough
  - Microcosm of DOR functions
    - Taxation issues of North Slope oil and gas
    - Project and negotiations with oil and gas industry
    - Treasury function
    - Understanding of debt markets
    - Management of a permanent fund
  - Former state oil and gas tax assessor at DOR
    - Understand state government and DOR culture

# Alaska Revenue



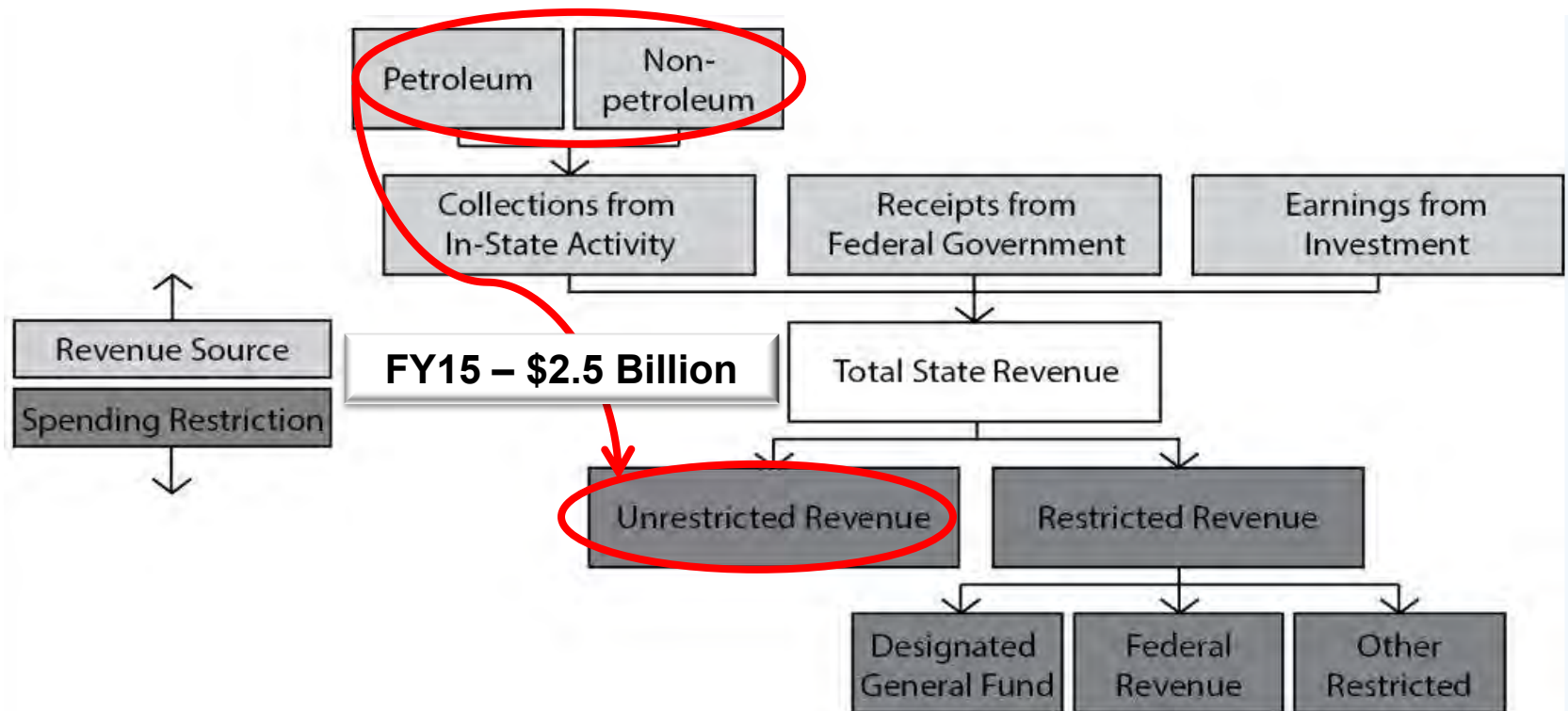
# Revenue Categories for Alaska





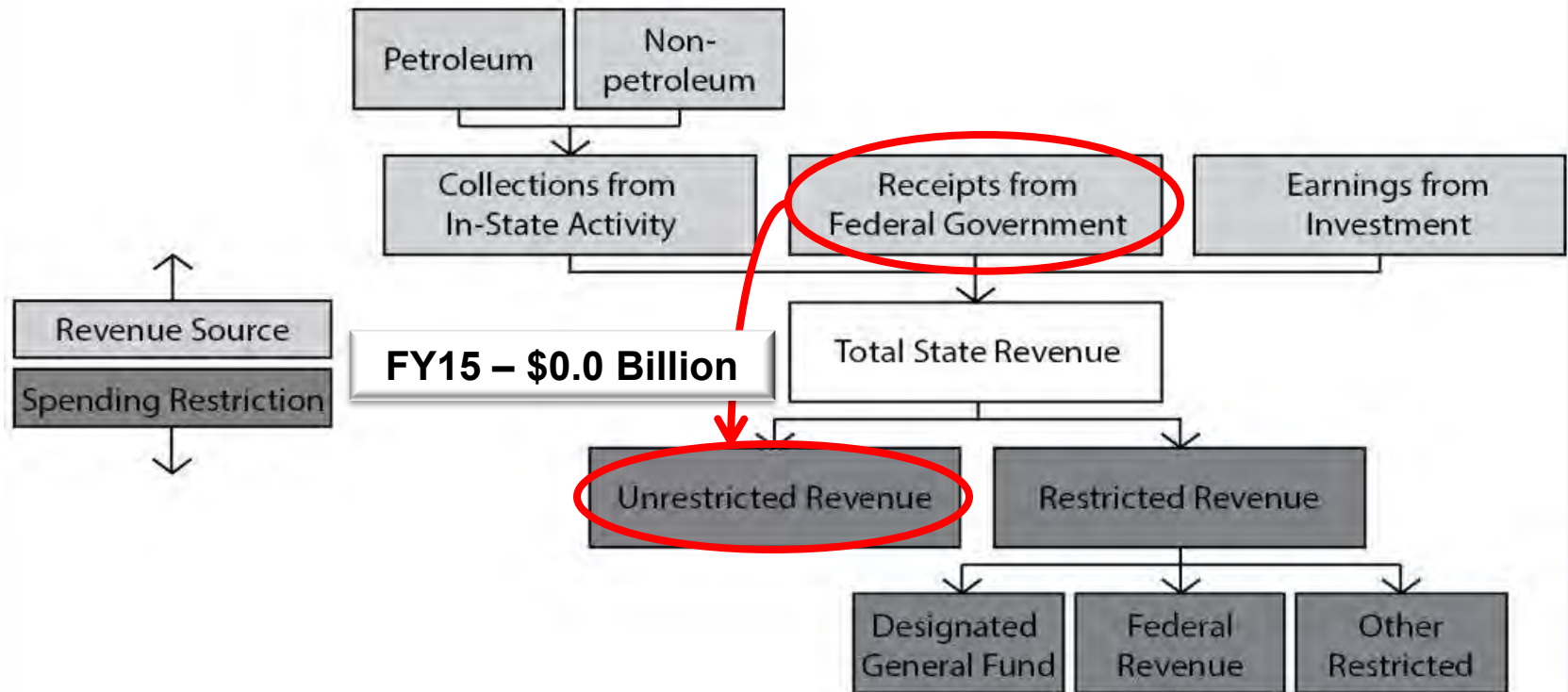
## Unrestricted Revenue

- Unrestricted revenues used for flexible portion of the states budget.



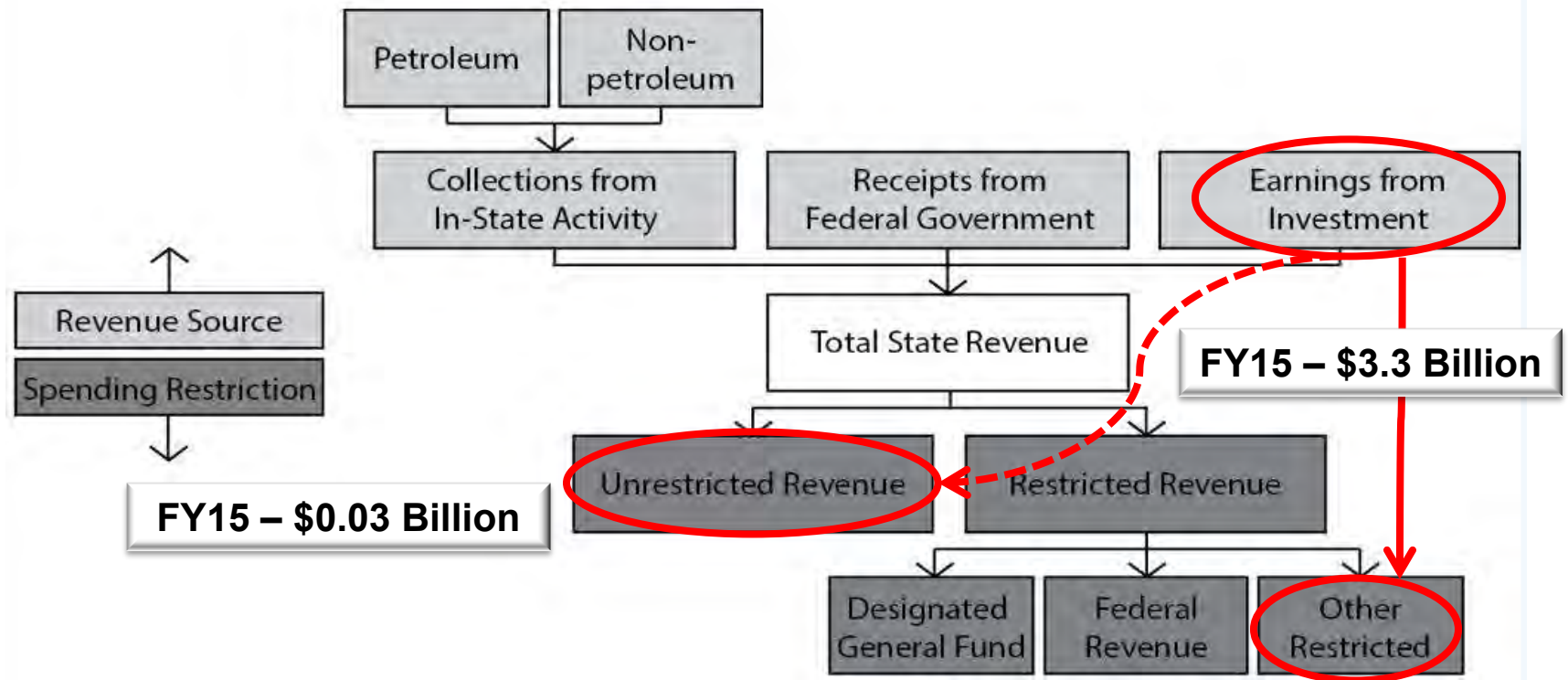
## Unrestricted Revenue

- State is unable to use federal revenues in general fund expenditures, federal government dictates use.



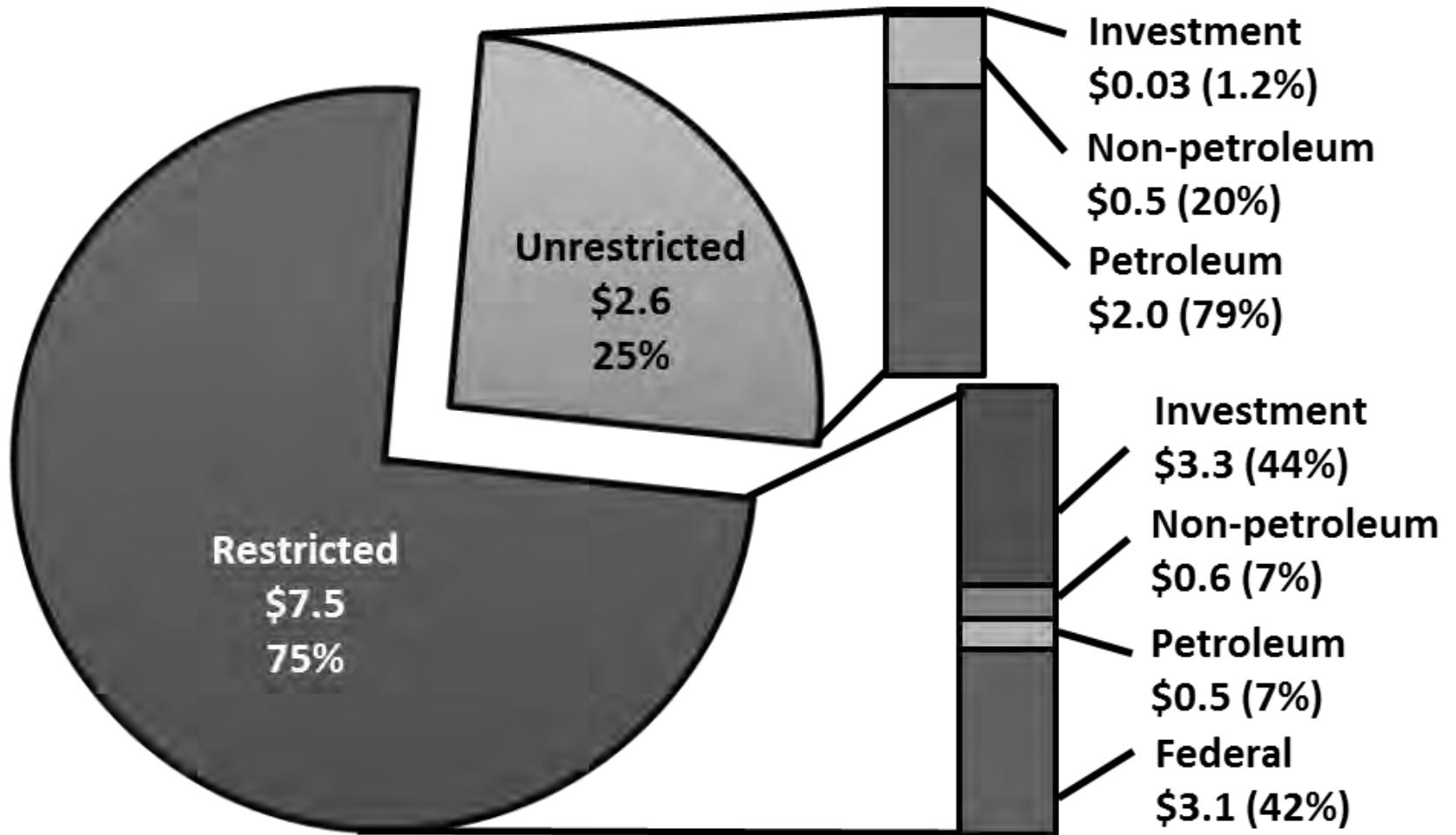
## Unrestricted Revenue

- Investment revenue is State's largest revenue source.

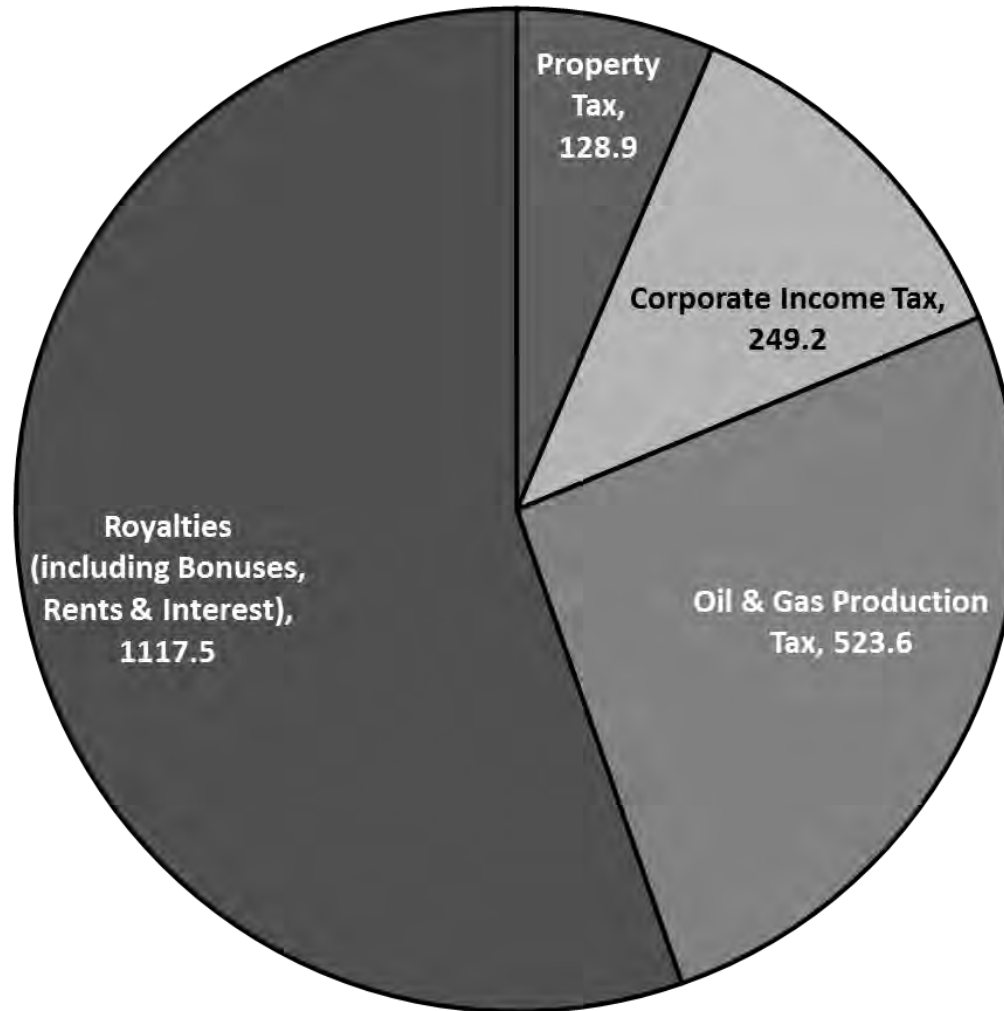




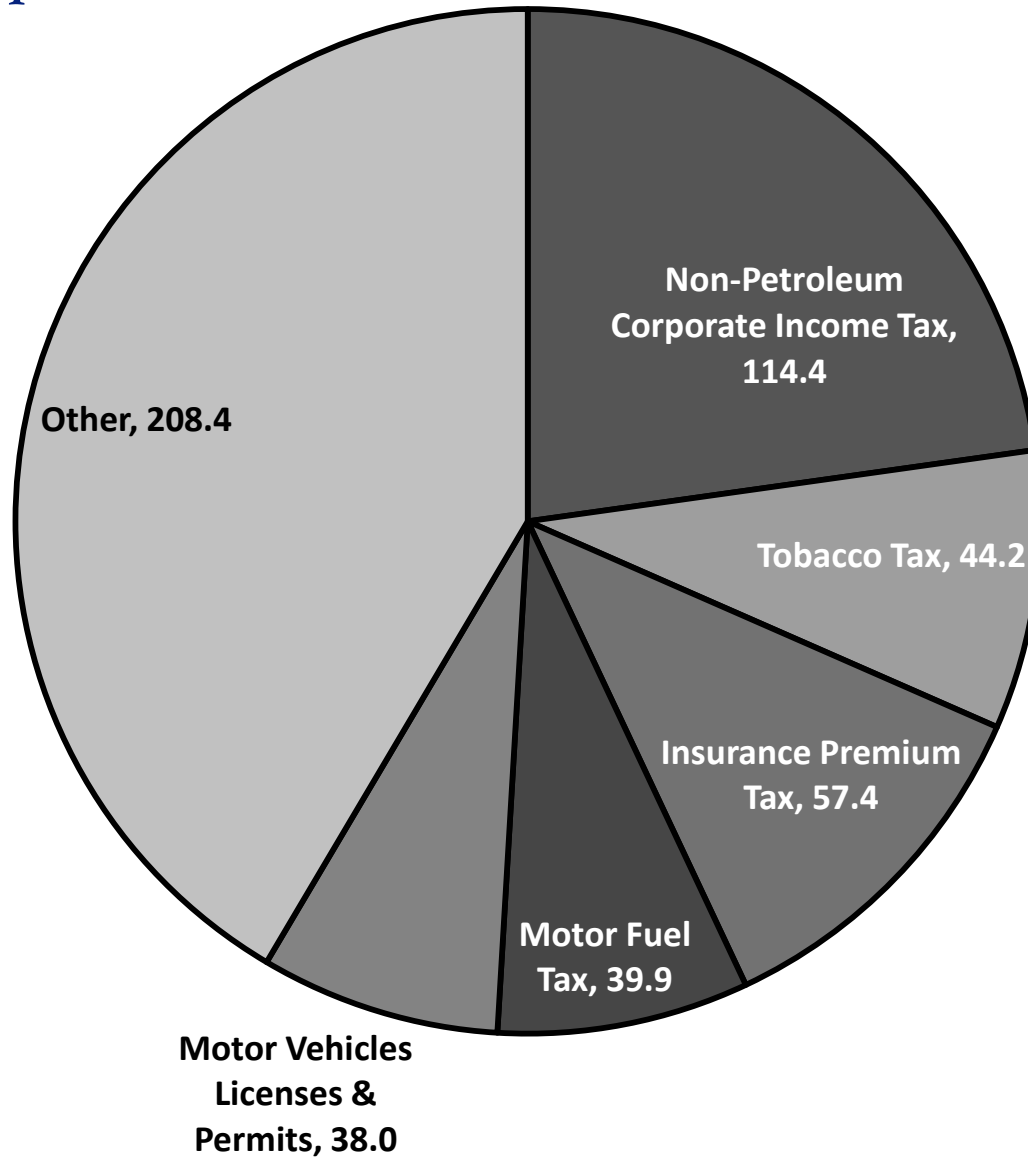
# FY 2015 forecasted breakdown between restricted and unrestricted



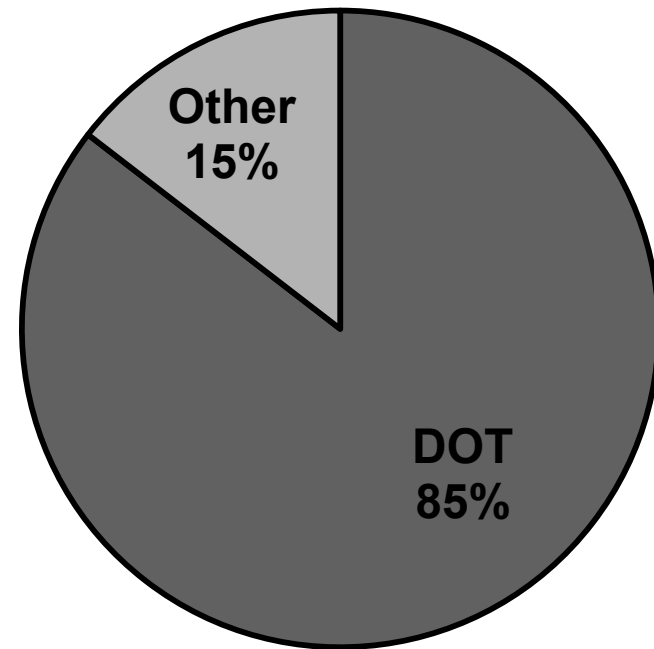
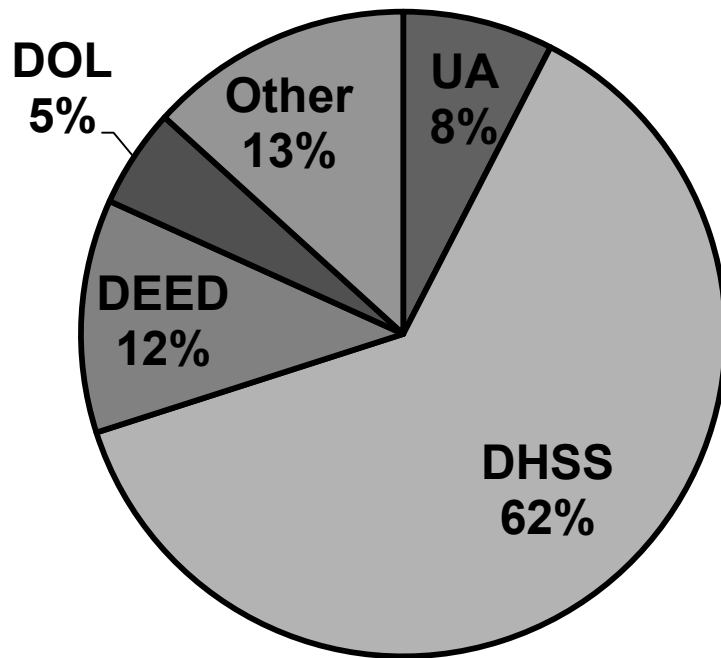
## FY 2015 petroleum unrestricted



## FY 2015 non-petroleum unrestricted

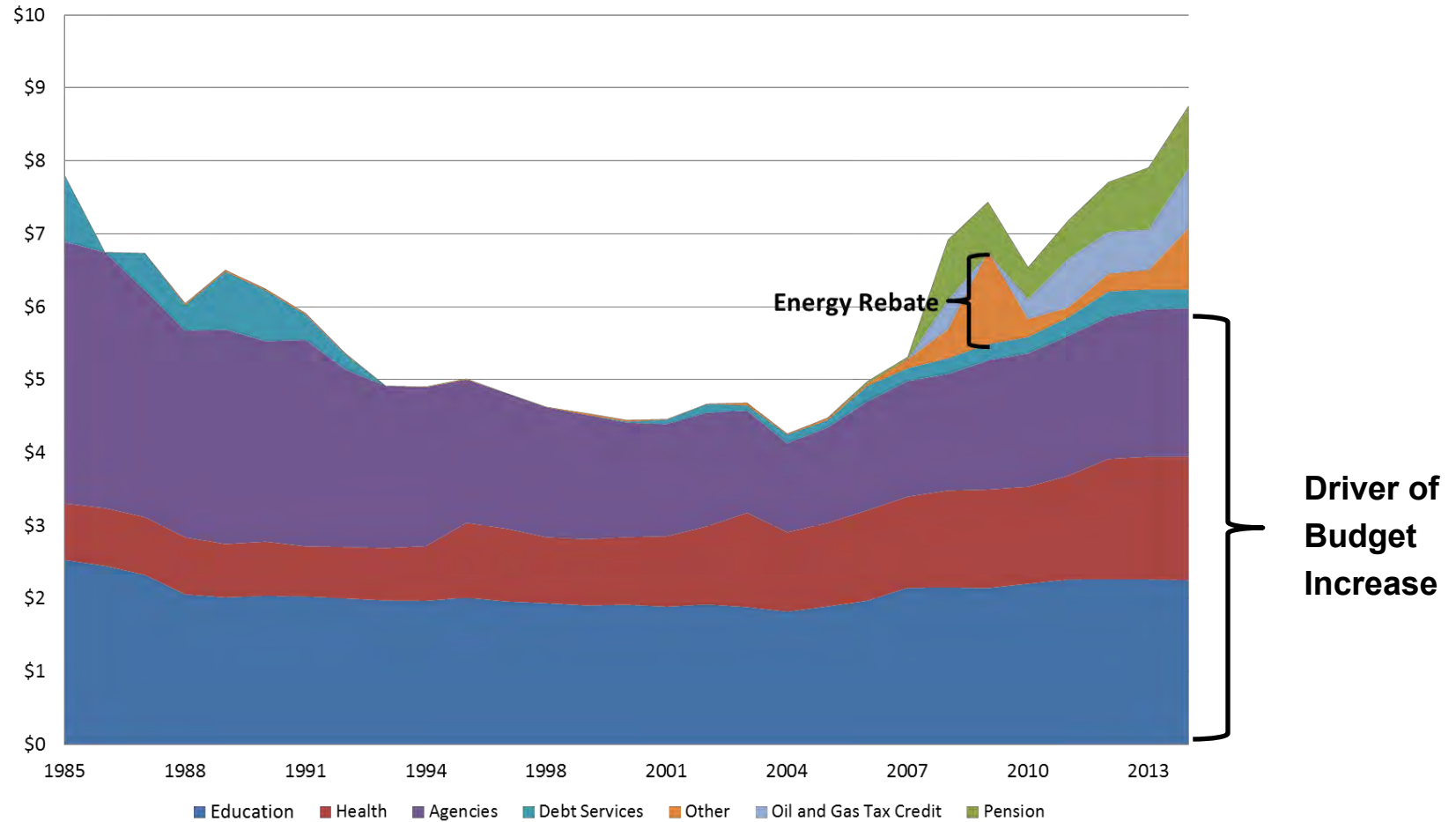


# The story of federal funding



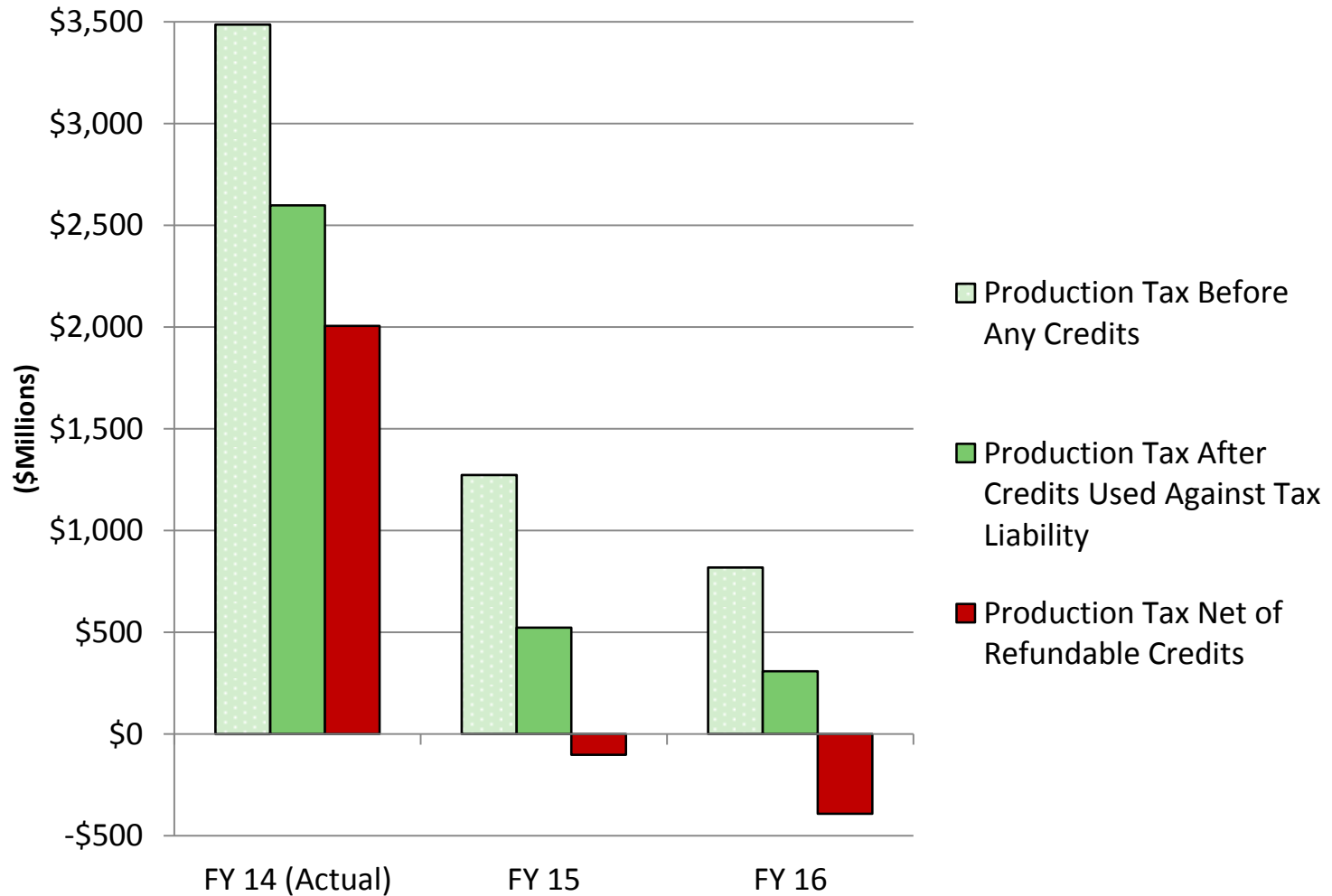
# Current Budget Drivers: difficult to slash to prosperity

Spending per Capita Adjusted for Inflation in thousands





# Effect of Tax Credits on Production Tax



# Alaska Revenue Forecast



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# What do We Forecast at DOR

## Mostly Petroleum and Nonpetroleum Revenue

- We directly forecast **Petroleum Revenue**
  - the largest component, accounting for 88% of state unrestricted revenue in FY 2014
  - “Petroleum Revenue” includes severance taxes, royalties, corporate income tax, and all other revenue from oil companies
- We directly forecast **Nonpetroleum Revenue**
- We use someone else’s forecast for **Investment Revenue**
- We take the Federal Revenue that is authorized for spending
  - It is typically 20%-30% more than actually gets spent.
- DOR compiles all different revenue streams and compiles them in the annual Revenue Sources Book

# Oil Revenue Forecasting

## Three Factors for Production Tax Revenue Forecast

$$\text{REVENUE} = (\text{Net value} * \text{Tax Rate}) - \text{Credits}$$

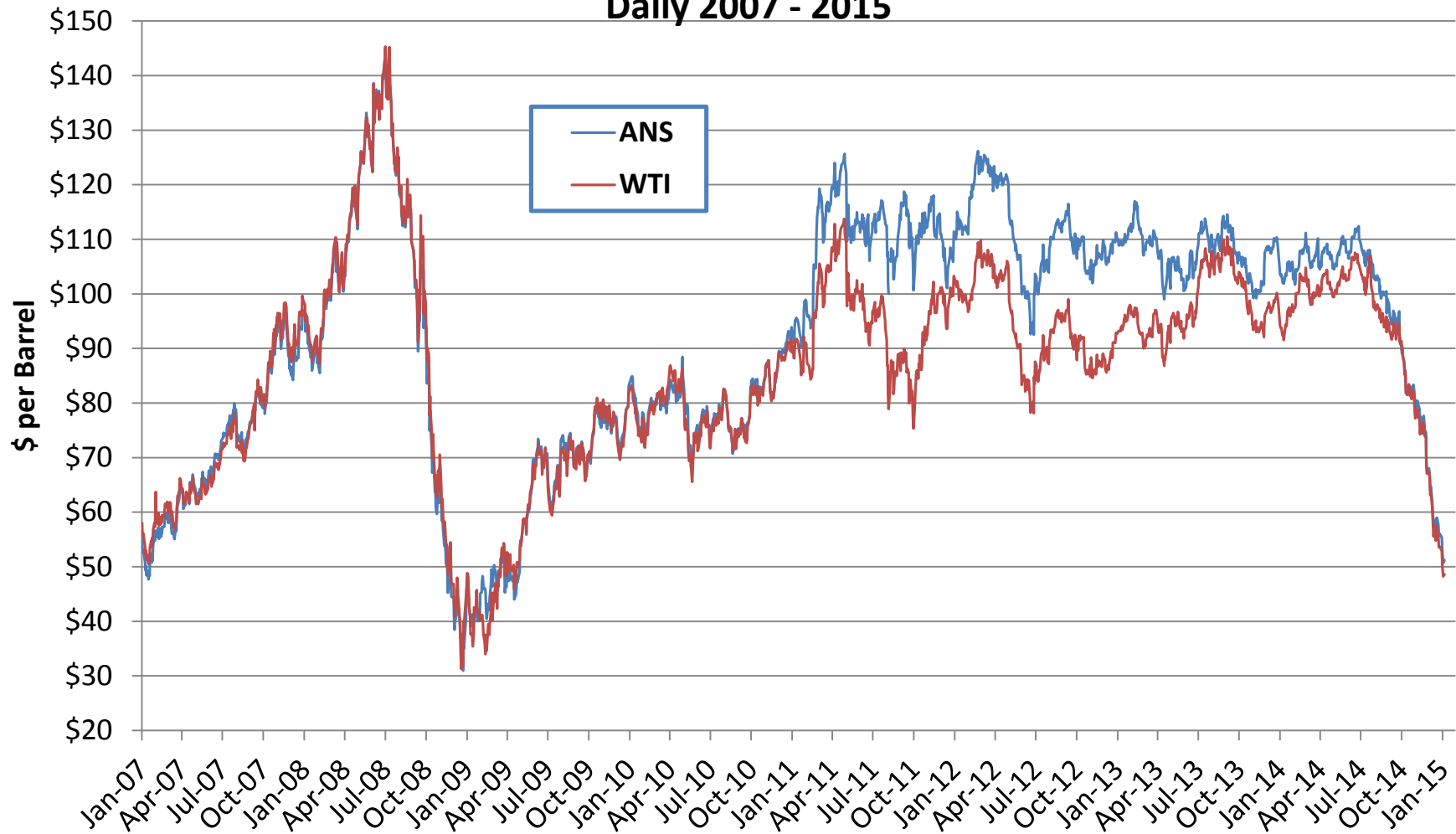
$$\text{Net value} = (\text{Price} * \text{Production}) - \text{Costs}$$

1. Price
2. Production
3. Costs
  1. Capital expenditures
  2. Operating expenditures
  3. Transportation cost



# Alaska North Slope Crude West Coast Price

## ANS and WTI Prices Daily 2007 - 2015

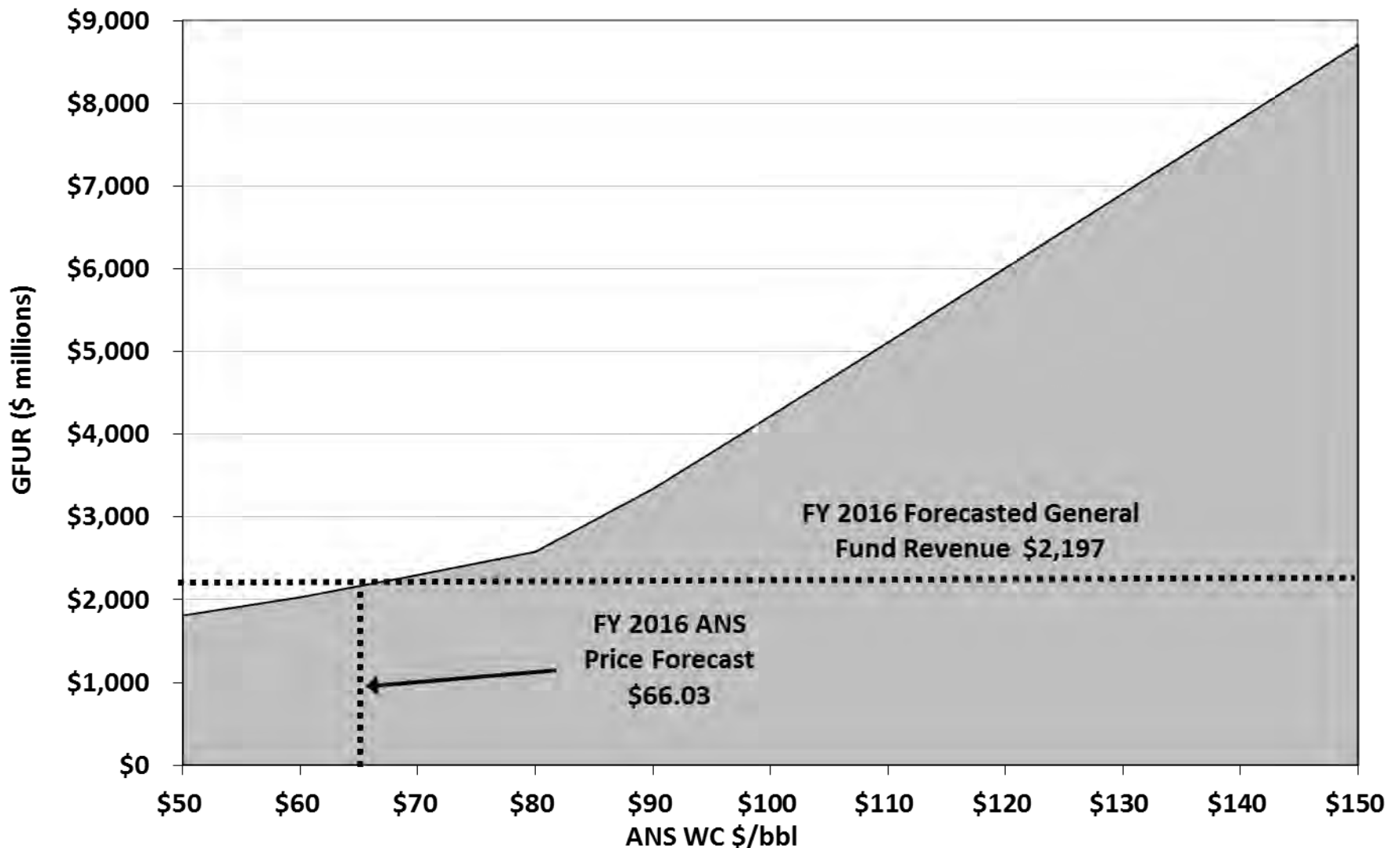




# “What if the oil price is...” for the last half of FY 2015

		ANS Price Sensitivity									
"What if price is..."		\$ 90	\$ 85	\$ 80	\$ 75	\$ 70	\$ 65	\$ 60	\$ 55	\$ 50	
<b>Actual</b>	7/1/2014	107.63	107.63	107.63	107.63	107.63	107.63	107.63	107.63	107.63	
	8/1/2014	101.78	101.78	101.78	101.78	101.78	101.78	101.78	101.78	101.78	
	9/1/2014	96.05	96.05	96.05	96.05	96.05	96.05	96.05	96.05	96.05	
	10/1/2014	84.91	84.91	84.91	84.91	84.91	84.91	84.91	84.91	84.91	
	11/1/2014	77.41	77.41	77.41	77.41	77.41	77.41	77.41	77.41	77.41	
<b>Estimate</b>	12/1/2014	90.00	85.00	80.00	75.00	70.00	65.00	60.00	55.00	50.00	
	1/1/2015	90.00	85.00	80.00	75.00	70.00	65.00	60.00	55.00	50.00	
	2/1/2015	90.00	85.00	80.00	75.00	70.00	65.00	60.00	55.00	50.00	
	3/1/2015	90.00	85.00	80.00	75.00	70.00	65.00	60.00	55.00	50.00	
	4/1/2015	90.00	85.00	80.00	75.00	70.00	65.00	60.00	55.00	50.00	
	5/1/2015	90.00	85.00	80.00	75.00	70.00	65.00	60.00	55.00	50.00	
	6/1/2015	90.00	85.00	80.00	75.00	70.00	65.00	60.00	55.00	50.00	
<b>Forecast Price</b>	<b>\$ 91.48</b>	<b>\$ 88.57</b>	<b>\$ 85.65</b>	<b>\$ 82.73</b>	<b>\$ 79.82</b>	<b>\$ 76.90</b>	<b>\$ 73.98</b>	<b>\$ 71.07</b>	<b>\$ 68.15</b>		

# FY 2016 General Fund Unrestricted Revenue, with Price Sensitivity



# Unrestricted Revenues and Budget 2015-2024

## Using proposed Fall 2014 Revenue forecast

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>ANS WC Oil Price (\$/bbl)</b>	76.31	66.03	93.18	102.81	112.00	117.36	121.14	123.87	129.04	134.39
<b>Total ANS Production (State + Federal) (MMbbls/day)</b>	509.5	524.1	534.1	503.5	473.2	435.8	400.4	368.5	342.9	314.7
<b>Deductible Lease Expenditures (\$ millions)</b>	7,049	7,273	7,096	6,569	6,087	5,734	5,654	5,291	4,959	4,642
<b>General Fund Unrestricted Revenues (\$ millions)</b>	2,551	2,197	3,657	4,292	4,808	4,853	4,628	4,556	4,548	4,473
<b>General Fund Expenditure from OMB (\$ millions)*</b>	6,106	5,684	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600
<b>Budget Surplus/Deficit (\$ millions)*</b>	(3,533)	(3,487)	(1,943)	(1,308)	(792)	(747)	(972)	(1,044)	(1,052)	(1,127)

Source: Department of Revenue - Revenue Sources Book Fall 2014; preliminary FY 2016 10-year plan

\* Expenditure and surplus / deficit information are based on preliminary FY 2016 10-year plan numbers. FY 2015 surplus / deficit calculation includes \$21.5 million in carry-forward revenue. Budget estimates subject to revision.

# Depletion of Savings Accounts

## Fall 2014 Revenue Forecast (\$ millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund Revenues	\$ 5,394	\$ 2,573	\$ 2,197	\$ 3,657	\$ 4,292	\$ 4,808
General Fund Expenses	\$ 7,053	\$ 6,106	\$ 5,684	\$ 5,600	\$ 5,600	\$ 5,600
<b>Projected Deficit</b>	<b>\$ (1,659)</b>	<b>\$ (3,533)</b>	<b>\$ (3,487)</b>	<b>\$ (1,943)</b>	<b>\$ (1,308)</b>	<b>\$ (792)</b>
CBRF Main Account Balance End of Year	\$ 6,058	\$ 2,622	\$ 2,935	\$ 2,389	\$ 1,831	\$ 3,094
CBRF Subaccount Balance End of Year	\$ 6,722	\$ 6,968	\$ 3,546	\$ 2,426	\$ 1,884	\$ -
CBRF Total (Main Account + Subaccount)	\$ 12,780	\$ 9,590	\$ 6,480	\$ 4,815	\$ 3,715	\$ 3,095
Statutory Budget Reserve Beginning Balance	\$ 4,711	\$ 3,052	\$ -	\$ -	\$ -	\$ -
Statutory Budget Reserve Ending Balance	\$ 3,052	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL RESERVES</b>	<b>\$ 15,832</b>	<b>\$ 9,590</b>	<b>\$ 6,480</b>	<b>\$ 4,815</b>	<b>\$ 3,715</b>	<b>\$ 3,095</b>

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
General Fund Revenues	\$ 4,853	\$ 4,628	\$ 4,556	\$ 4,548	\$ 4,473	\$ 4,297
General Fund Expenses	\$ 5,600	\$ 5,600	\$ 5,600	\$ 5,600	\$ 5,600	\$ 5,600
<b>Projected Deficit</b>	<b>\$ (747)</b>	<b>\$ (972)</b>	<b>\$ (1,044)</b>	<b>\$ (1,052)</b>	<b>\$ (1,127)</b>	<b>\$ (1,303)</b>
CBRF Main Account Balance End of Year	\$ 2,432	\$ 1,532	\$ 538	\$ (438)	\$ (1,565)	\$ (2,868)
CBRF Subaccount Balance End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CBRF Total (Main Account + Subaccount)	\$ 2,432	\$ 1,532	\$ 538	\$ (438)	\$ (1,565)	\$ (2,868)
Statutory Budget Reserve Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Statutory Budget Reserve Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL RESERVES</b>	<b>\$ 2,432</b>	<b>\$ 1,532</b>	<b>\$ 538</b>	<b>\$ (438)</b>	<b>\$ (1,565)</b>	<b>\$ (2,868)</b>

Source: Department of Revenue - Revenue Sources Book Fall 2014; preliminary FY 2016 10-year plan

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# THANK YOU

Please find our contact information below:

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