

2019 Spring Forecast



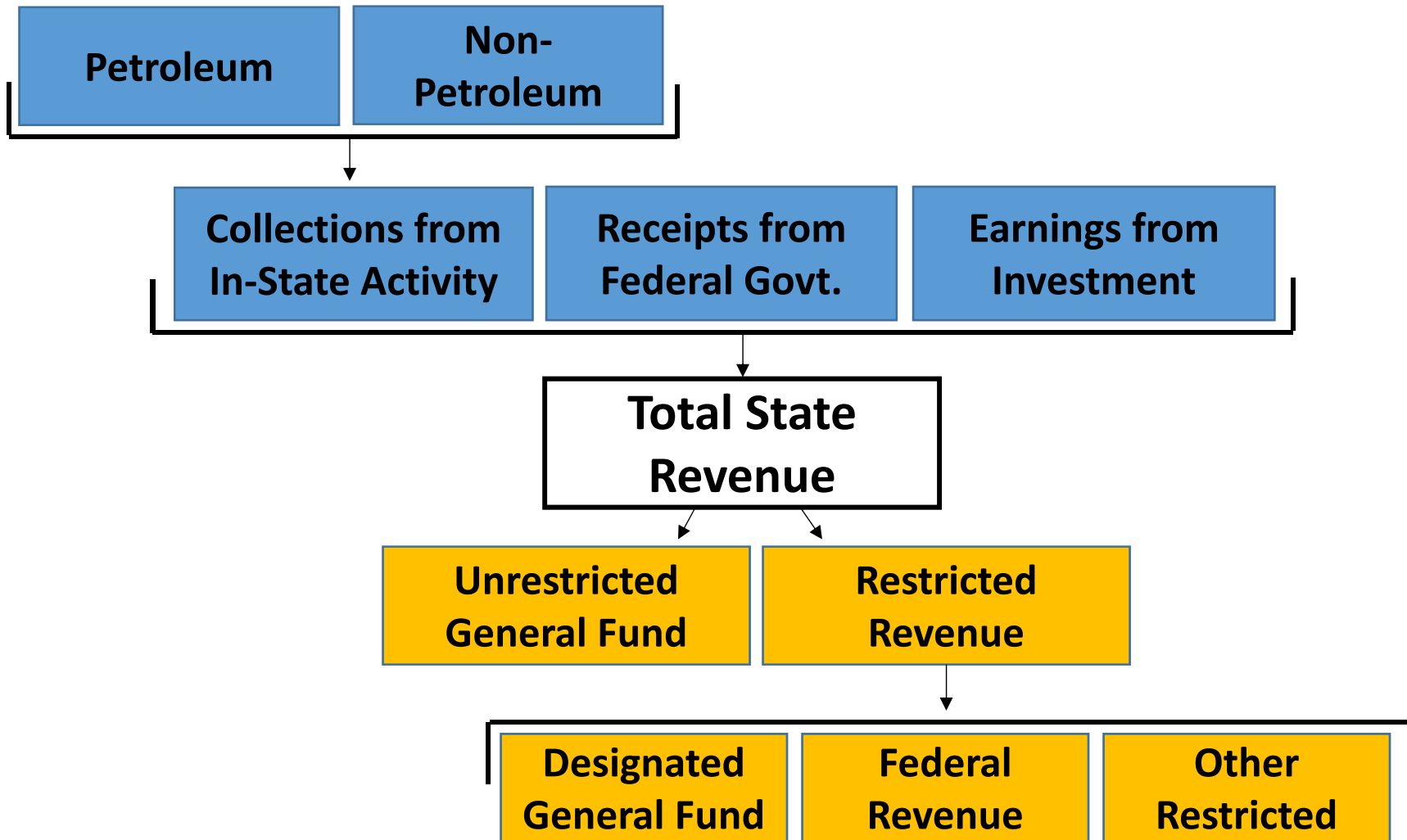
Presented by
Colleen Glover, Tax Director

April 25th, 2019

Agenda

- Total Revenue Forecast
- Unrestricted General Fund (UGF) Forecast and Drivers
 1. Petroleum Revenue
 2. Non-Petroleum Revenue
 3. Investment Revenue
 4. Other Revenue
- Longer Term Forecast

Revenue & Funding Flow Chart

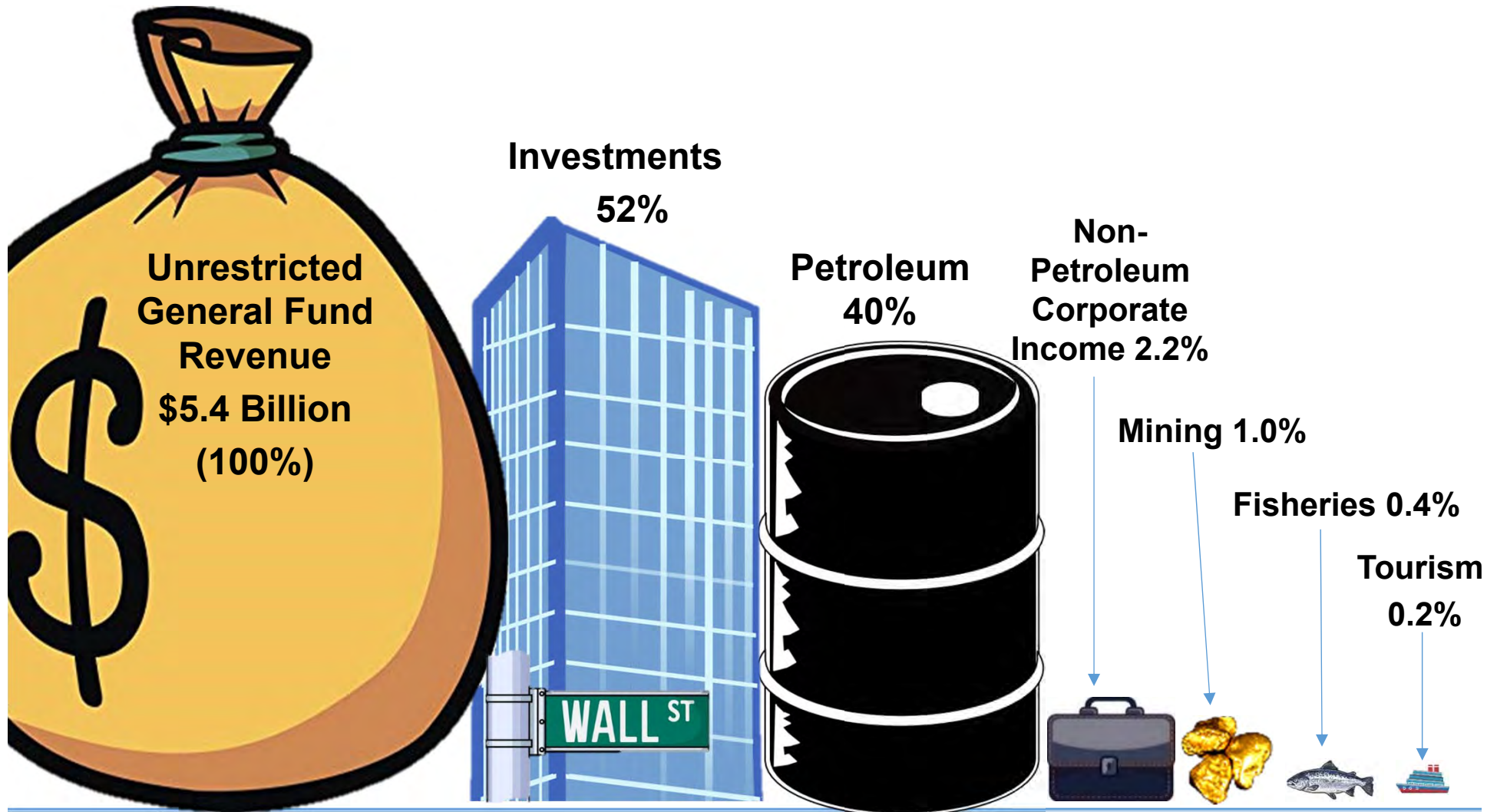


Total State Revenue

\$ Millions	Actuals	Forecast	
	FY 2018	FY 2019	FY 2020
Revenue Type			
Unrestricted General Fund			
Petroleum Revenue	1,940.2	2,135.5	1,754.9
Non-Petroleum Revenue	457.0	479.5	469.1
Investment Earnings	16.3	2,791.4	3,012.7
Subtotal	2,413.5	5,406.4	5,236.7
Designated General Fund			
Non-Petroleum Revenue	460.4	440.4	425.0
Investment Earnings	40.1	34.7	47.9
Subtotal	500.5	475.1	472.9
Other Restricted Revenue			
Petroleum Revenue	484.4	495.6	548.3
Non-Petroleum Revenue	237.0	242.3	252.9
Investment Earnings	5,576.3	956.2	1,201.9
Subtotal	6,297.7	1,694.1	2,003.0
Federal Revenue			
Petroleum Revenue (1)	23.7	7.6	10.8
Federal Receipts	3,124.6	3,882.1	3,247.0
Subtotal	3,148.3	3,889.7	3,257.9
Total State Revenue	12,360.0	11,465.3	10,970.6

(1) Petroleum revenue shown in the Federal category includes the state share of rents, royalties and bonuses received from the National Petroleum Reserve in Alaska (NPR-A).

Unrestricted Revenue Comparison



Disclaimer: Examples may not be to scale. Uses FY2019 Forecast values.

Unrestricted Petroleum Revenue Components

- Production Tax
 - Officially a severance tax
 - Applies to any oil and natural gas produced *and sold* from lands within Alaska
- Rents and Royalties
 - Built into contract between oil and gas company and landowner
 - Three parts: up-front bonus payment for right to rent, annual rental payments, and (typically) royalty interest on any discoveries
- Property Tax
 - Applies to all property used in exploration, production and pipeline transportation of unrefined oil and gas
- Petroleum Corporate Income Tax
 - Applies to income derived through a process that apportions a company's world-wide income to Alaska
 - Apportionment is based on three factors of a company's operations in Alaska: tariffs and sales, oil and gas production and property

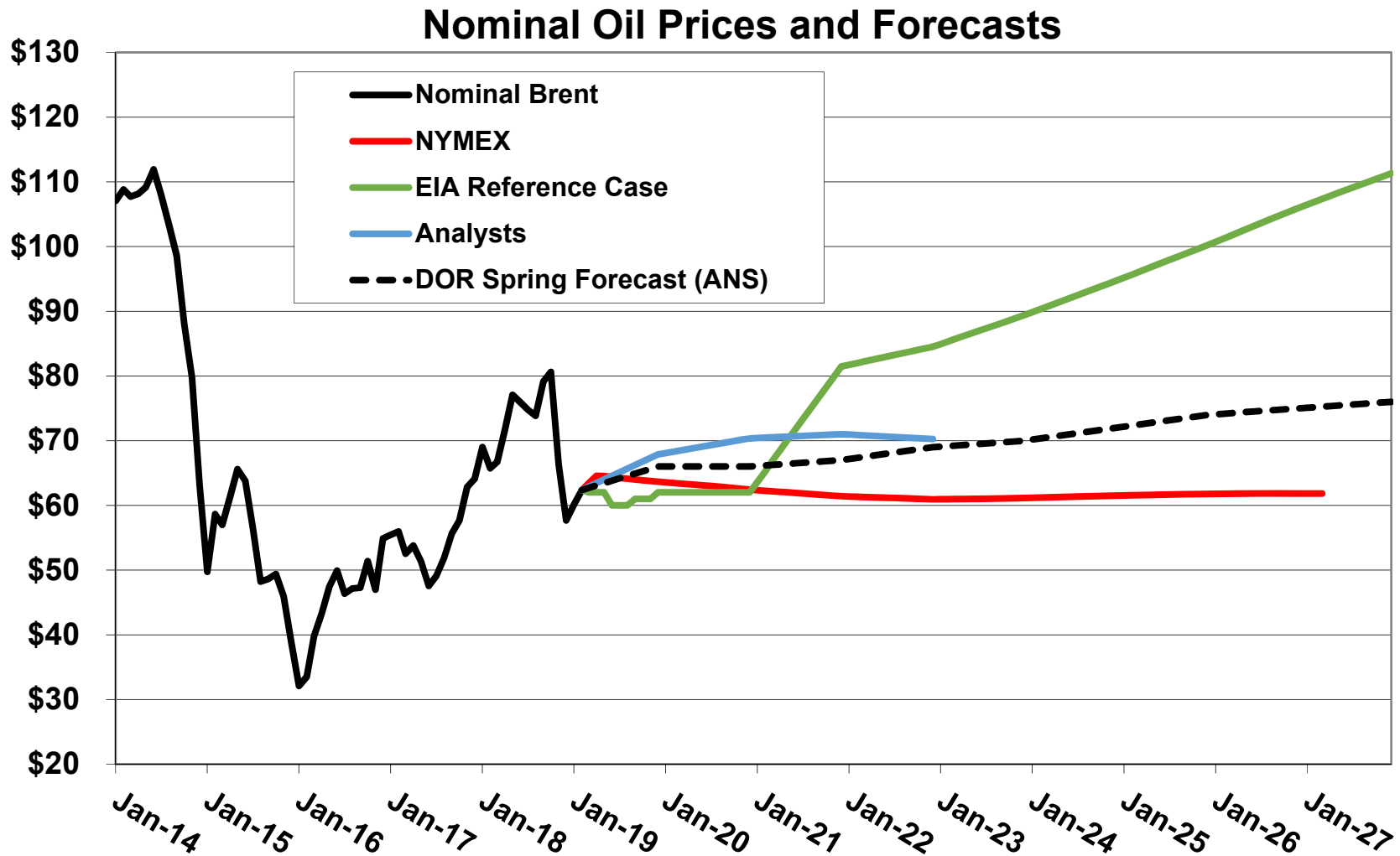
Unrestricted Petroleum Revenue Drivers

- Price – determined globally
- Production – a function of resource availability and company technology
- Lease Expenditures – upstream costs directly related to exploring for, developing, or producing oil or natural gas, deductible in the production tax equation
- Netback Costs – transportation costs which are subtracted from the sales price or the prevailing value at point of delivery

ANS Price Forecast

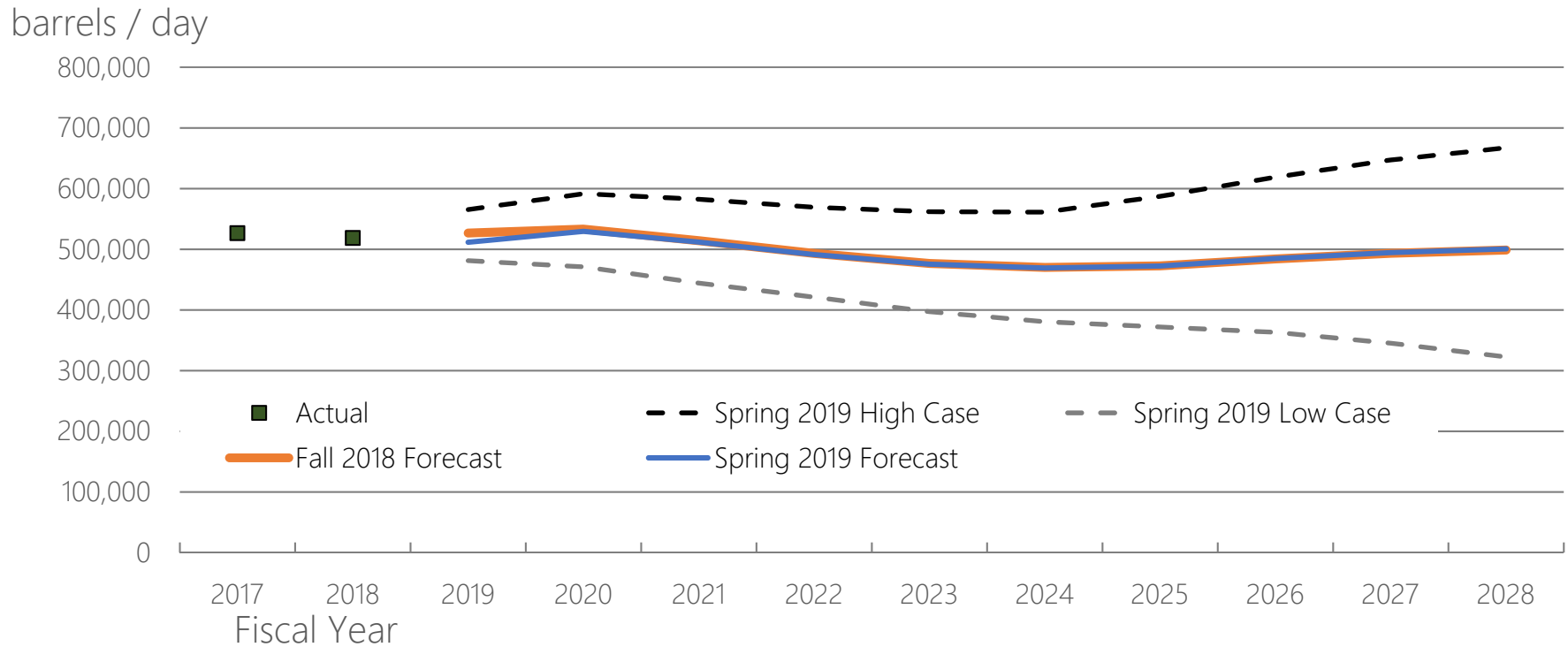
- DOR revised the oil price forecast for FY 2019 and FY 2020 up to align with current futures market prices (NYMEX).
- NYMEX has been shown to be one of the best methods of predicting oil prices in the near-term.
- Long-term (FY 2021+) oil price forecast remains unchanged from the fall
- Real (in 2019 dollars) price forecast for FY 2021+ remains in the low to mid \$60s.

Price Forecast Comparison



Sources: Analyst forecast is an average of 10 to 30 firms from a Bloomberg survey as of Feb. 15, 2019. Futures prices are from the New York Mercantile Exchange (NYMEX) as of Feb. 15, 2019. The U.S. Energy Information Administration (EIA) forecast is a combination of February 2019 Short-Term Energy Outlook (through December 2020) and 2018 Annual Energy Outlook (2020-2027). Forecasts are adjusted using Alaska Department of Revenue's 2.25% inflation assumption.

Production Forecast



ANS PRODUCTION (barrels per day)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Fall 2018	518,368	526,787	533,197	514,233	493,225	476,682	470,035	472,731	484,089	493,378	498,825
Spring 2019	518,368	511,460	529,459	511,692	491,400	475,359	469,115	472,436	484,789	494,476	500,643
Percentage Change	0.0%	-2.9%	-0.7%	-0.5%	-0.4%	-0.3%	-0.2%	-0.1%	0.1%	0.2%	0.4%

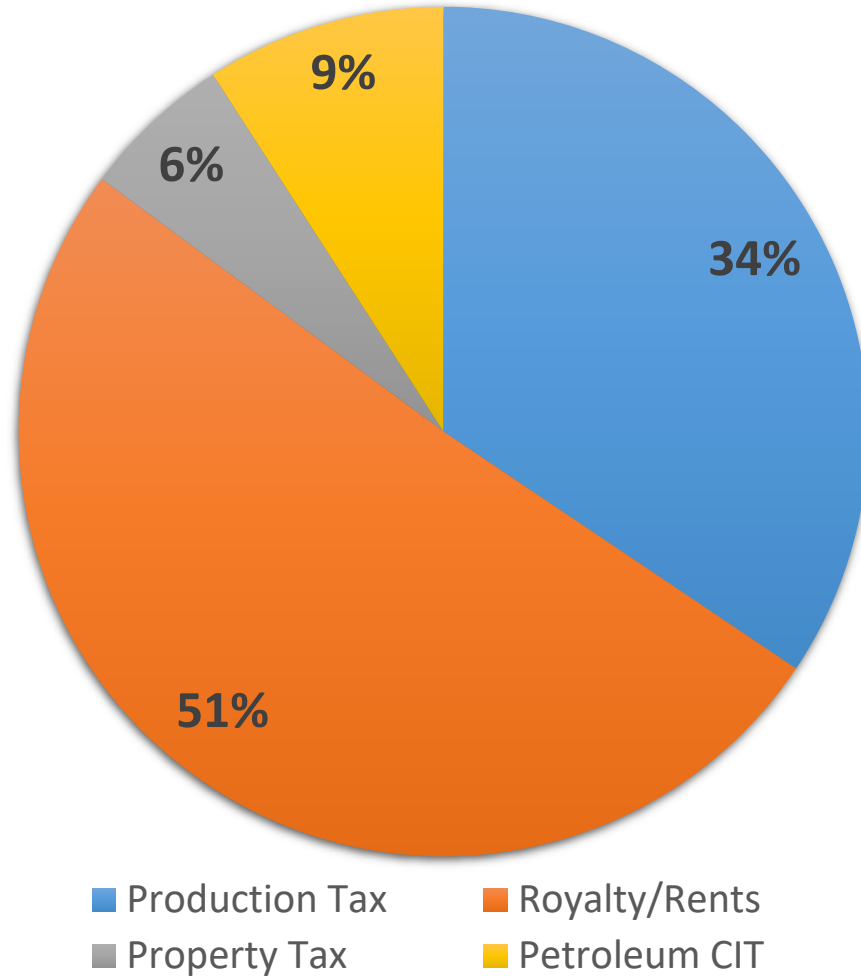
Source: Department of Revenue and Department of Natural Resources

ANS = Alaska North Slope

Note: Totals may not sum due to rounding

Unrestricted Petroleum Revenue Breakout

FY19 Revenue Proportions



Petroleum Revenue

40% of FY19 Unrestricted GF Revenue

(\$ millions)

	History	Forecast	
	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>
Production Tax	749.90	735.01	524.67
Royalty/Rents	1002.32	1082.84	899.26
Property Tax	121.56	122.62	120.99
Petroleum CIT	66.39	195.00	210.00
Total Revenue	1940.17	2135.48	1754.92

Disclaimer: Percentages may not add up to 100% due to rounding.

Unrestricted Non-Petroleum Taxes, Licenses & Fees

<u>Excise</u> 2.0% of Unrestricted General Fund Revenue	<u>Fisheries</u> 0.4% of Unrestricted General Fund Revenue	<u>Mining</u> 1.0% of Unrestricted General Fund Revenue	<u>Corporate Income Tax</u> 2.2% of Unrestricted General Fund Revenue	<u>Tourism</u> 0.2% of Unrestricted General Fund Revenue	<u>Other</u> 1.4% of Unrestricted General Fund Revenue
<ul style="list-style-type: none"> • Alcohol • Tobacco • Electric & Telephone • Marijuana • Motor Fuel • Motor Vehicle 	<ul style="list-style-type: none"> • Fisheries Business • Fisheries Landing 	<ul style="list-style-type: none"> • License Tax • Rents & Royalties 	<ul style="list-style-type: none"> • Business Income Tax 	<ul style="list-style-type: none"> • Large Passenger Vessel Gambling 	<ul style="list-style-type: none"> • Charitable Gaming • Insurance Premiums • Estate Tax • Tire Fees

Note: Uses FY2019 Forecast values.

Unrestricted Non-Petroleum Revenue Drivers

Mining License Tax

- Levied on net income of most mining operations
- Revenue almost fully depends on mineral prices and production levels
- Three metals hold most of Alaska's market: gold, silver, and zinc

Fisheries Business Tax

- Levied on businesses that process fishery resources in Alaska or export fishery resources from Alaska
- Based on the value of the raw fishery resource
- Essentially depends on the catch volumes of seafood in a year

Alcoholic Beverage Tax

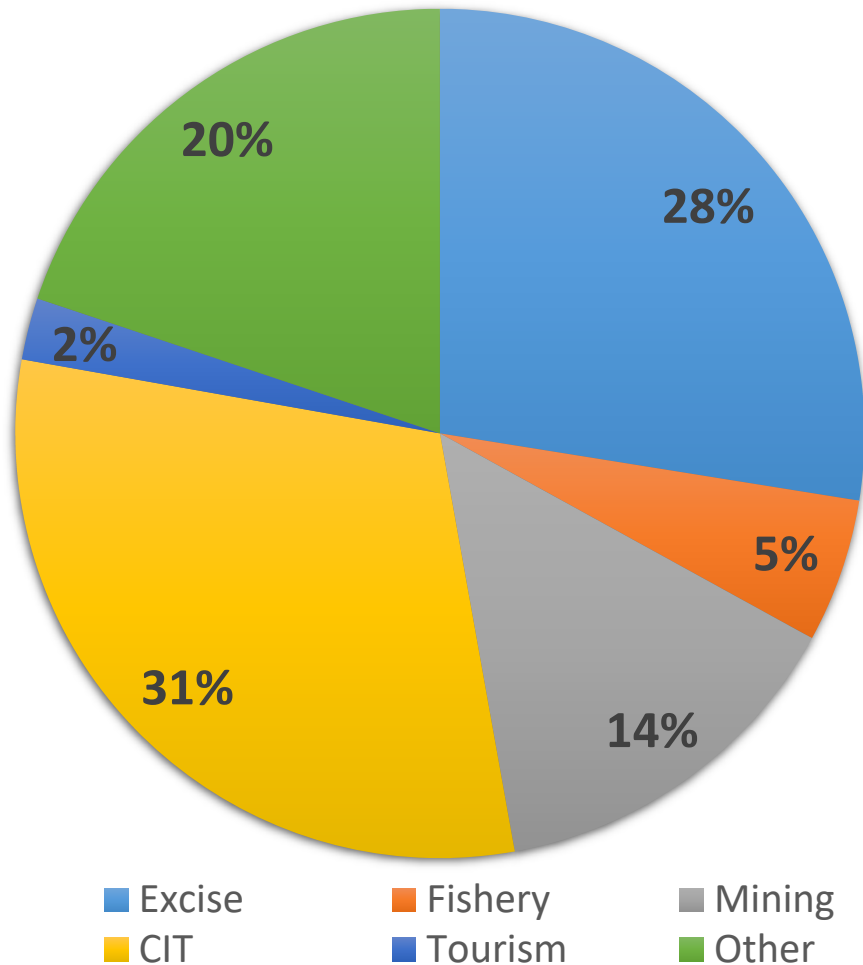
- Levied on beer, wine and liquor at wholesale or distributor level, at a per gallon tax rate
- Rate differs based on type of alcoholic beverage and brewery size

Corporate Income Tax

- Levied on companies doing business in Alaska
- Taxable income is based on a water's edge calculation
- Alaska apportionment is a function of a company's sales, property and payroll in Alaska

Unrestricted Non-Petroleum Revenue Breakout

FY19 Revenue Proportions



Tax, License, and Fee Revenue 7% of FY19 Unrestricted GF Revenue

(\$ millions)

	History	Forecast	
	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>
Excise	105.29	107.92	105.30
Fishery	24.70	21.46	22.25
Mining	48.85	55.55	43.56
CIT	119.56	120.00	135.00
Tourism	8.59	9.22	10.74
Other	3.83	77.83	62.02
Total Revenue	310.81	391.98	378.87

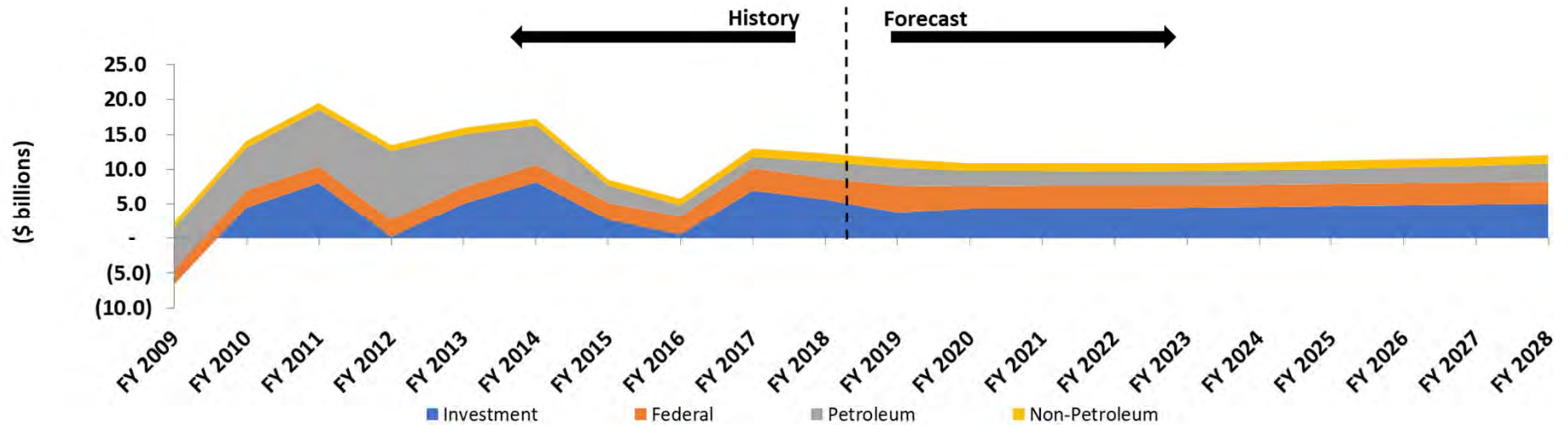
Disclaimer: Percentages may not add up to 100% due to rounding.

Unrestricted Investment & Other Revenue

Investment 51.6% of Unrestricted General Fund Revenue	Other 1.6% of Unrestricted General Fund Revenue
<ul style="list-style-type: none">• Permanent Fund Draw• Other Investments	<ul style="list-style-type: none">• Transfers• Charges for Services• Fines and Forfeitures• Misc. Licenses & Permits• Misc. Rents & Royalties• Miscellaneous

Total State Revenue: Longer Term Forecast

	Forecast FY 2019	Forecast FY 2020	Forecast FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028
Petroleum	2.6	2.3	2.2	2.1	2.1	2.1	2.1	2.3	2.4	2.6
Non-Petroleum	1.2	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2
Investment	3.8	4.3	4.4	4.4	4.5	4.6	4.7	4.8	4.9	5.0
Federal	3.9	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Total	11.5	11.0	10.9	11.0	11.0	11.1	11.2	11.5	11.8	12.1
Petroleum as % of Total	22.6%	20.9%	20.2%	19.1%	19.1%	18.9%	18.8%	20.0%	20.3%	21.5%



Note: Includes both Restricted and Unrestricted General Fund revenue.



Welcome

to the Tax Division. While we are charged with collecting state taxes and administering tax laws, we also regulate charitable gaming and provide revenue estimating and economic forecasting.

We promote tax compliance through quality service and fair administration. We provide accurate and timely information to Alaska taxpayers.

We strive to provide the best service for our customers and are pleased to provide online services, tax forms, reports and answers to common questions on this site. We welcome your comments and suggestions to better serve your needs.



Our Mission
Collect taxes, inform stakeholders
and regulate charitable gaming.

News

Oil & Gas Production Tax

- ▶ [New Information Posted 12/17/2018](#)

Other Taxes

- ▶ [New Information Posted 4/12/2019](#)
- ▶ [Notice of Mandatory Electronic Filing 1/18/2017](#)
- ▶ [Press Release - Refined Fuel Surcharge](#)

Regulations

Oil & Gas Production Tax

- ▶ [Proposed/Draft Regulations 1/25/2018](#)
- ▶ [New Regulations Adopted](#)

Oil & Gas Property Tax

- ▶ [Proposed/Draft Regulations](#)
- ▶ [New Regulations Adopted](#)

Other Taxes

- ▶ [Proposed Regulations FAQ](#)
- ▶ [Proposed Regulations](#)
- ▶ [Adopted Regulations – Marijuana Tax](#)


New Regulations Adopted

Oil Prices and Production


Oil and Gas Prices for 4/18/2019 (\$/barrel)

ANS West Coast	\$72.13	\$0.29 ↑
West Texas Intermediate	\$84.00	\$0.24 ↑
Brent	\$71.97	\$0.35 ↑
Henry Hub (mmBTU)	\$2.49	(\$0.03) ↓
ANS Production	(BBLs) 513,550	4/18/2019

Online Services



Revenue Online



Pay Federal Taxes Online Free

Annual Reports

- ▶ [Spring 2019 Revenue Forecast](#)
- ▶ [Revenue Sources Book Fall 2018](#)
- ▶ [Revenue Forecast](#)
- ▶ [Spring 2018 Revenue Forecast](#)
- ▶ [2018 Annual Report](#)
- ▶ [2018 Shared Taxes](#)
- ▶ [Oil and Gas Production Reports](#)

Other Links of Interest

- ▶ [Quarterly Interest Rate updated 1/2/2019](#)
- ▶ [REPORT TAX FRAUD](#)
- ▶ [Education Tax Credit](#)
- ▶ [Cash Payment Instructions](#)
- ▶ [Department of Law - Consumer Alerts](#)

THANK YOU

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