



# Alaska Department of Revenue



Presentation to  
Alaska Oil and Gas Competiveness Review Board  
Anchorage, Alaska – January 5, 2015

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Alaska Department of Revenue

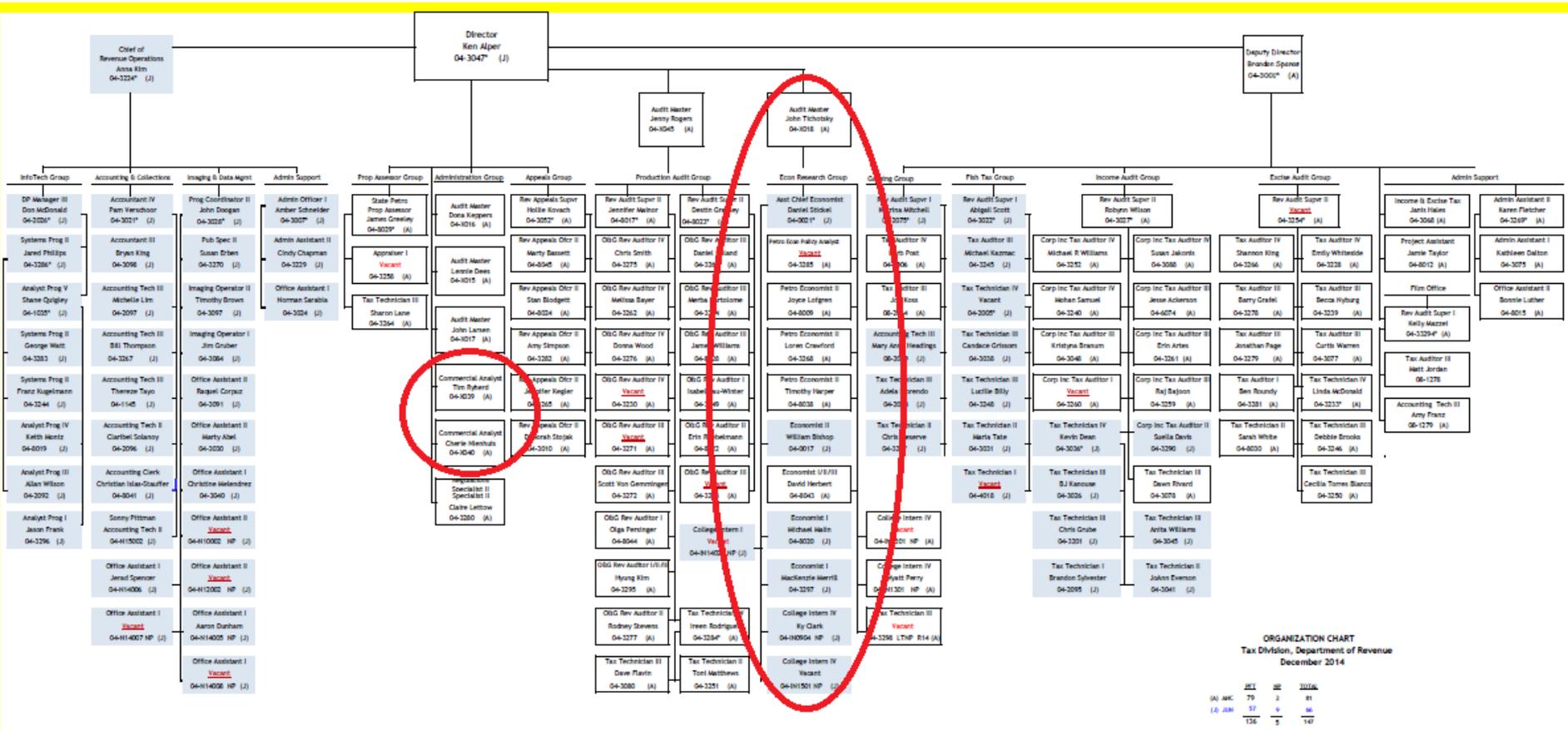


# Who forecasts Alaska Revenue?





# Economic Research Group and Commercial Analysts are also within the structure of the Tax Division proper....



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

**The Economic Research Group also reports to...**

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

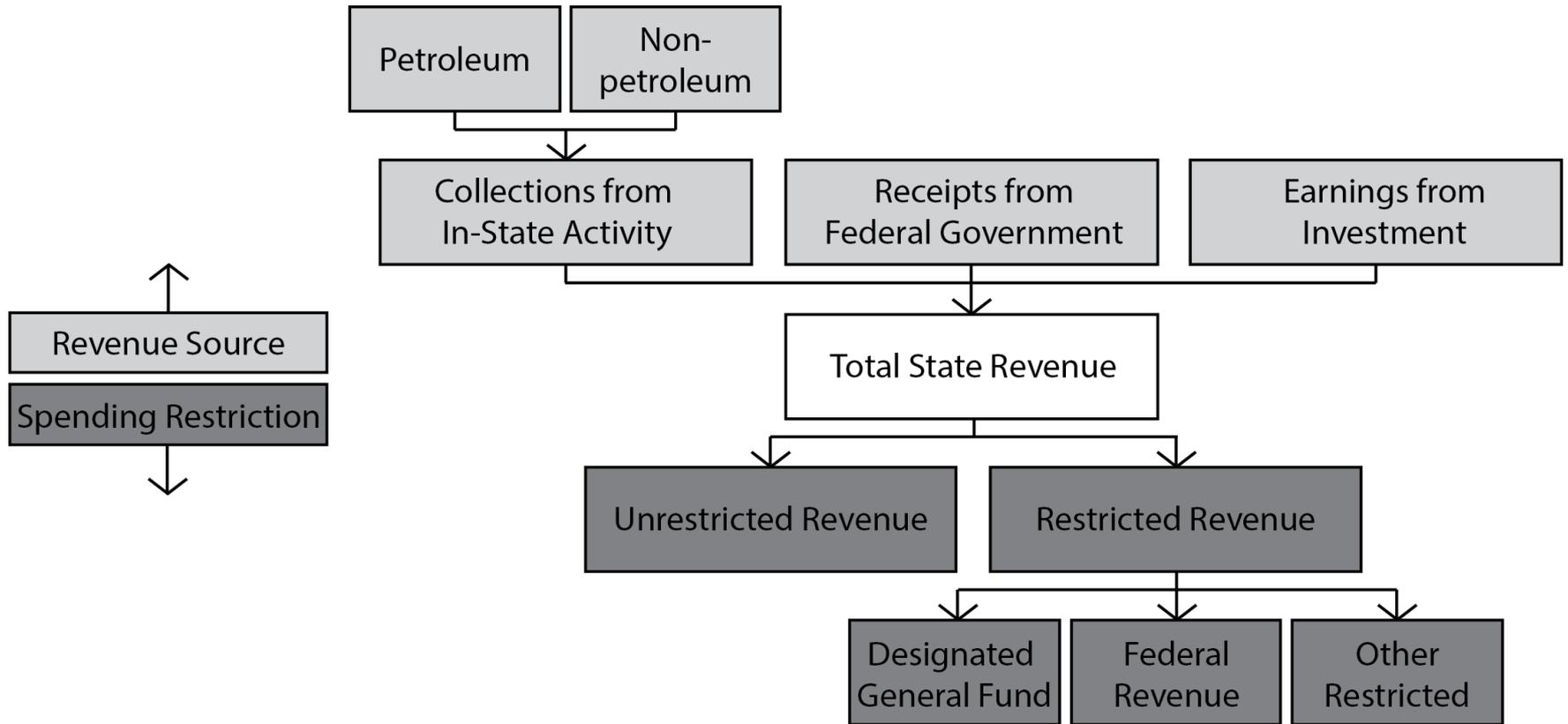
**Deputy Commissioner, Dona Keppers, long-term experience at DOR, industry and former head of ERG**

**DOR has a new Commissioner, Randall Hoffbeck, as former oil property assessor for DOR understands the role Economic Research Group does and can play...**

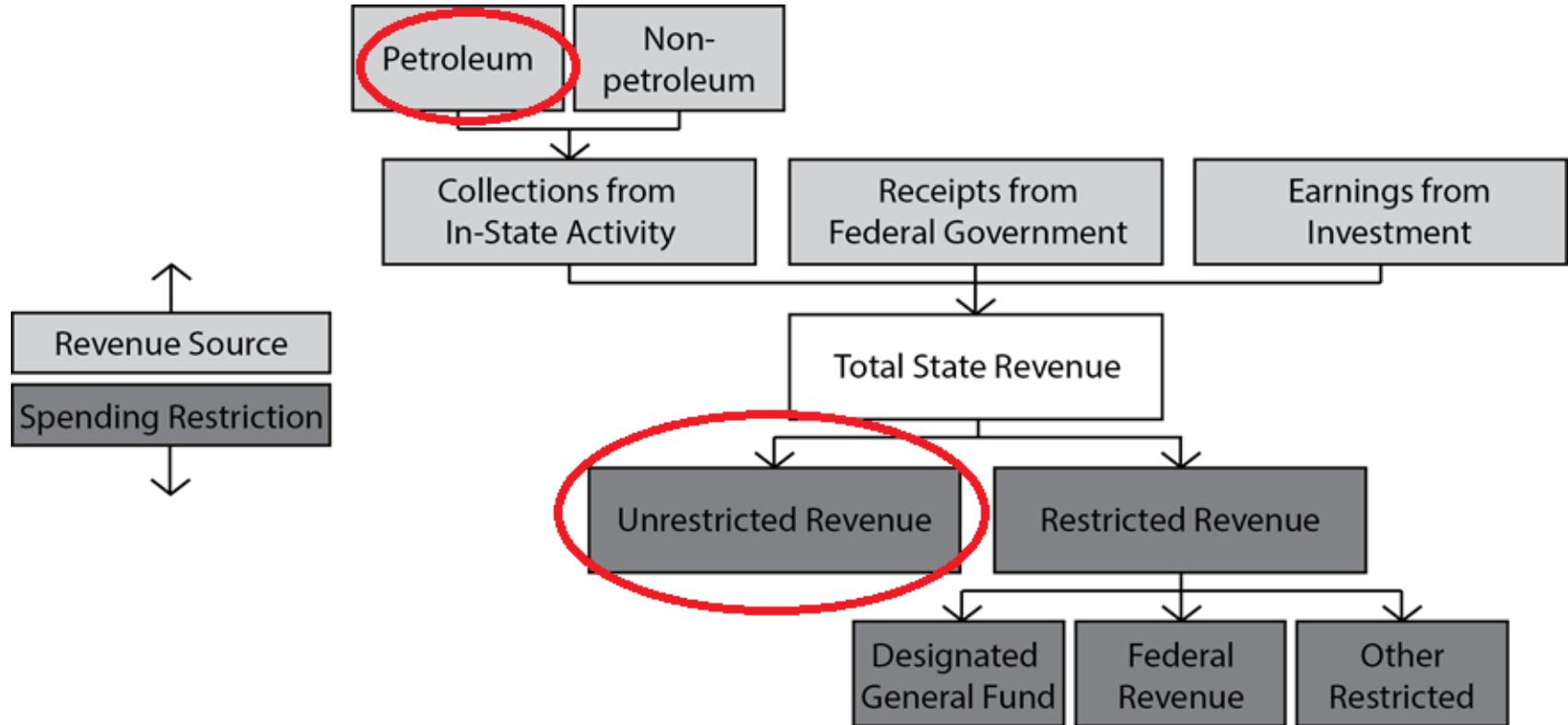
# Alaska Revenue



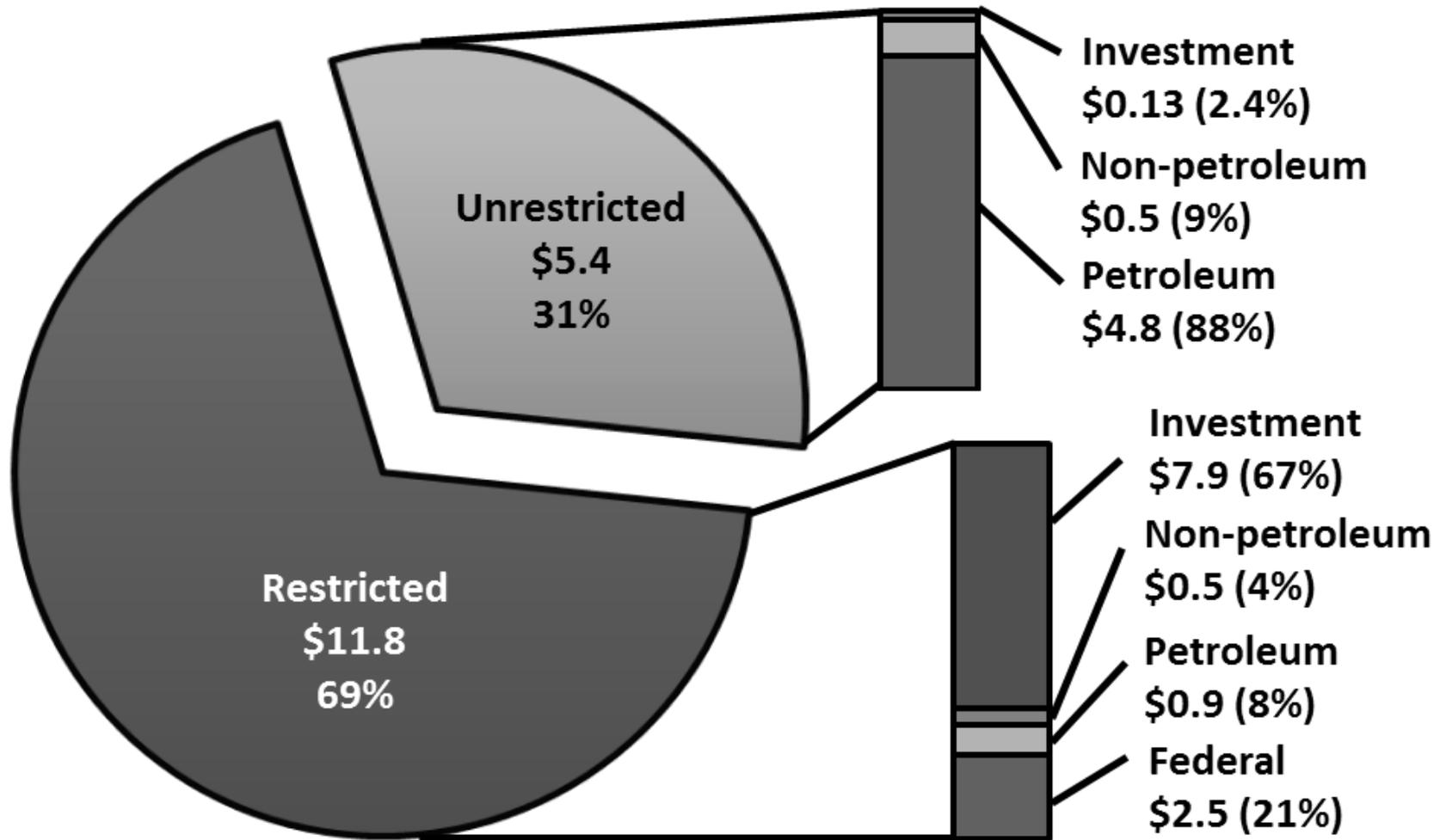
# Revenue Categories for Alaska



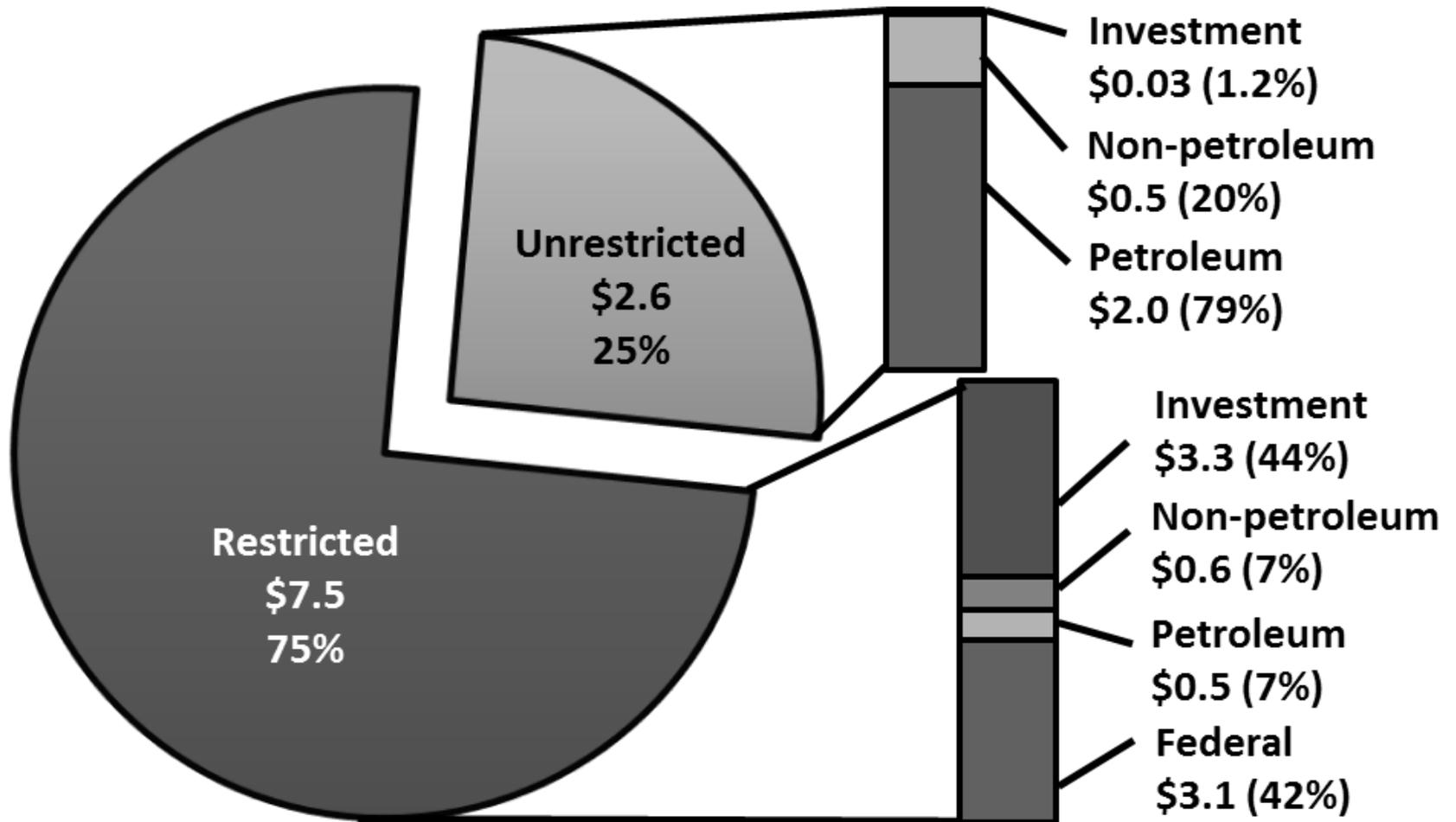
# Revenue Categories for Alaska



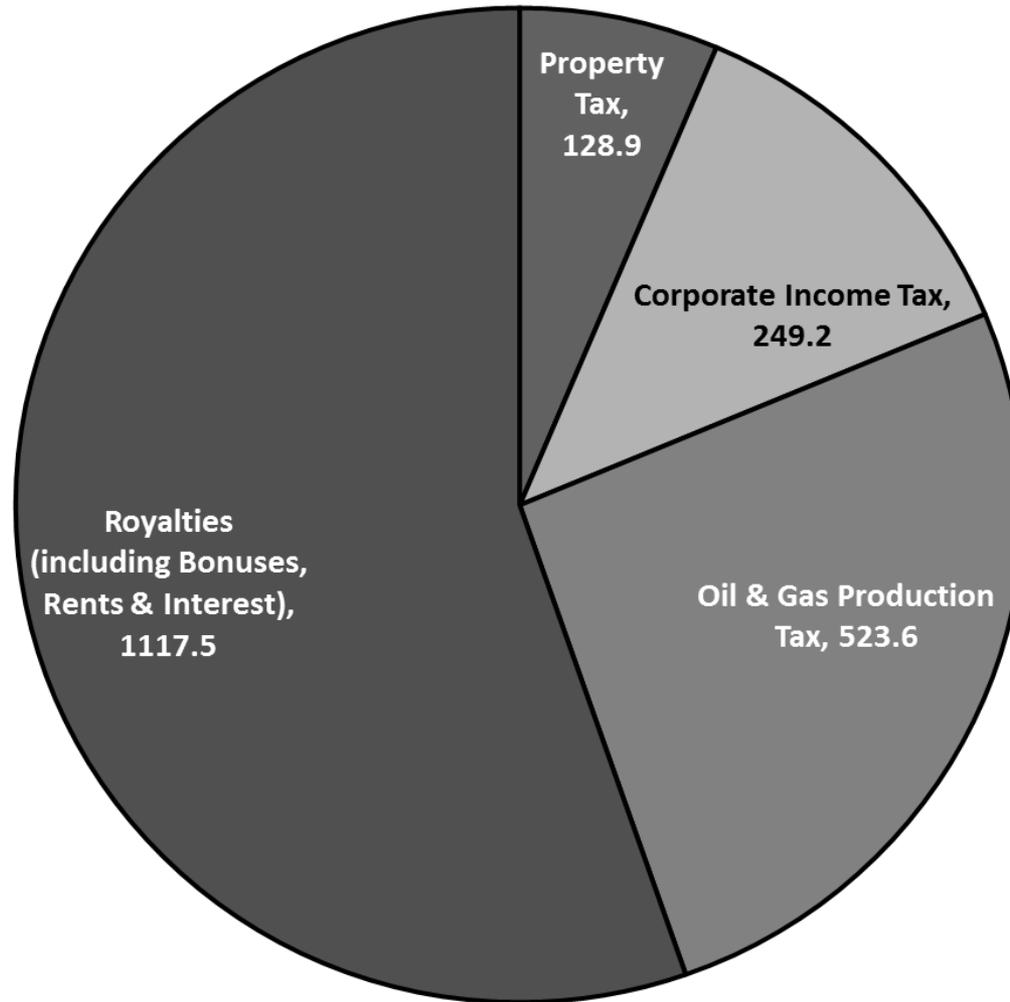
# FY 2014 Total State Revenue, by restriction and type



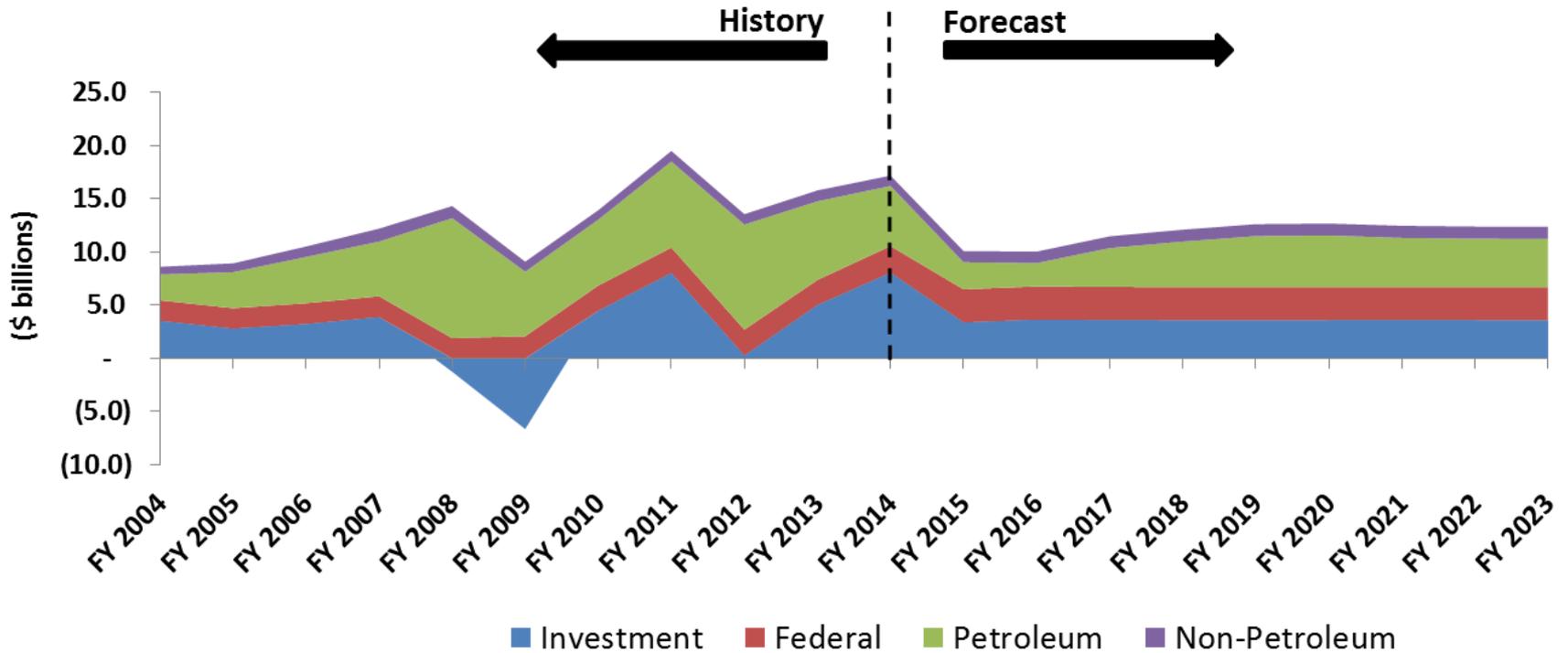
# FY 2015 forecasted breakdown between restricted and unrestricted



## FY 2015 petroleum unrestricted

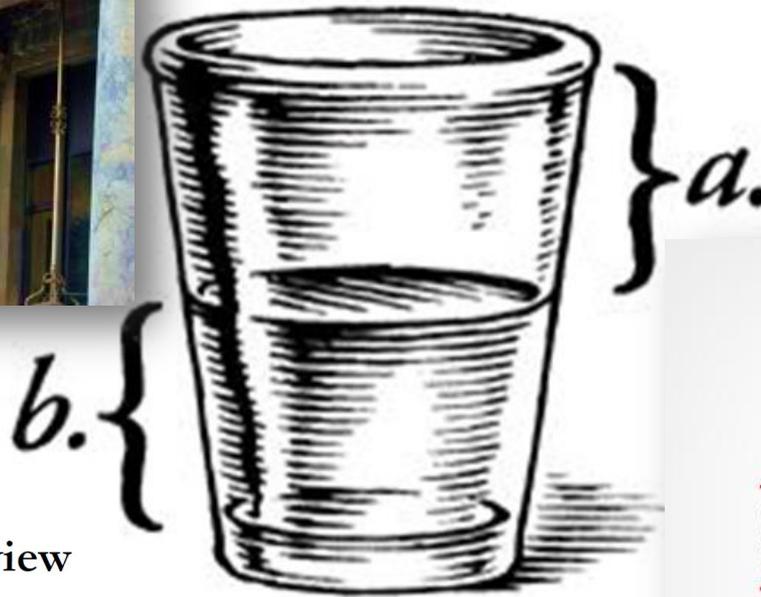


# Total State Revenue History and Forecast





# Why do we forecast revenue at DOR?



FY2015 Ten-Year Plan Overview



House Finance Committee  
February 10, 2014  
Office of Management and Budget

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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

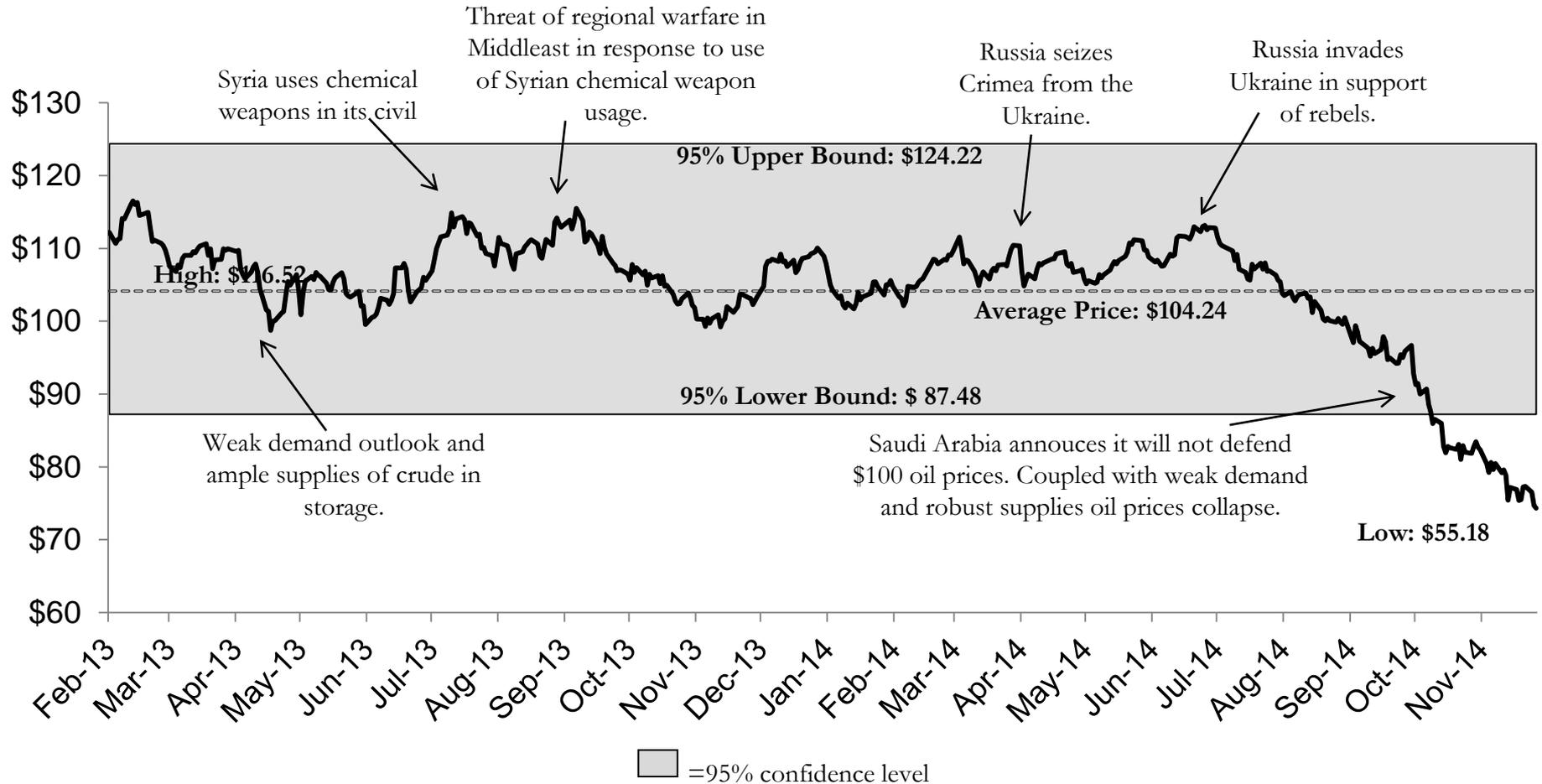
$$\text{REVENUE} = (\text{Net value} * \text{Tax Rate}) - \text{Credits}$$

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

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



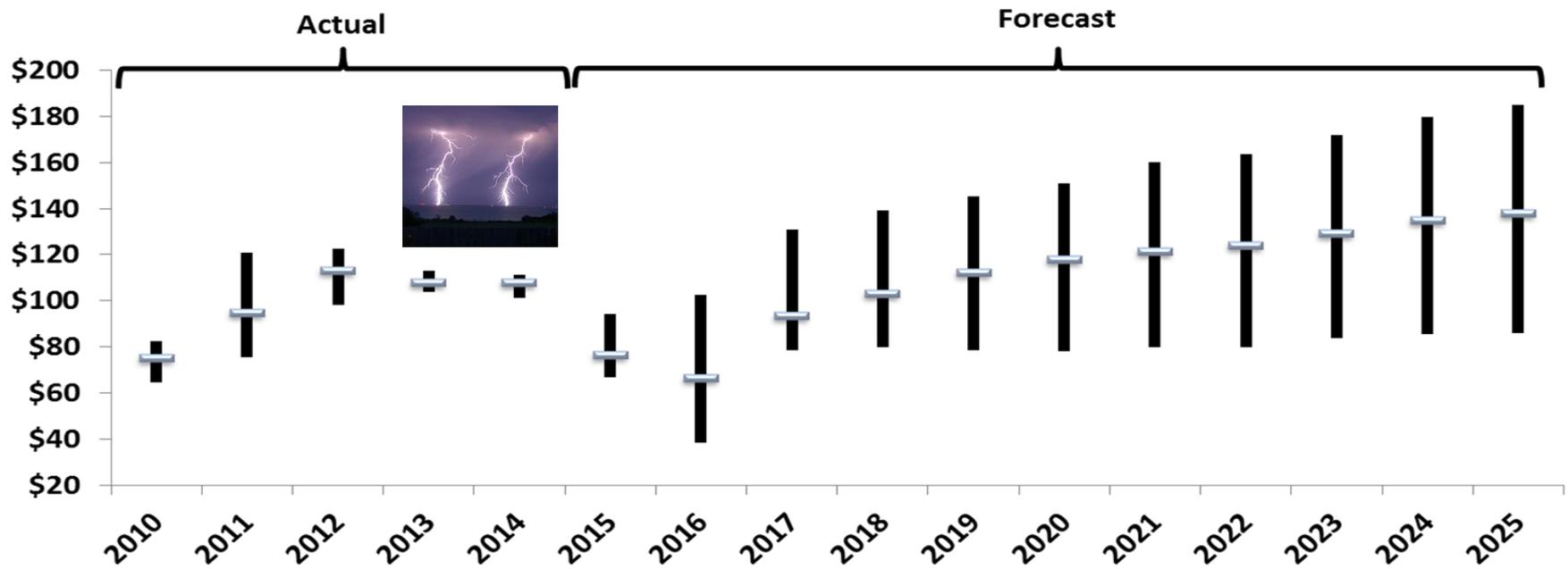
# Alaska North Slope Crude West Coast Price

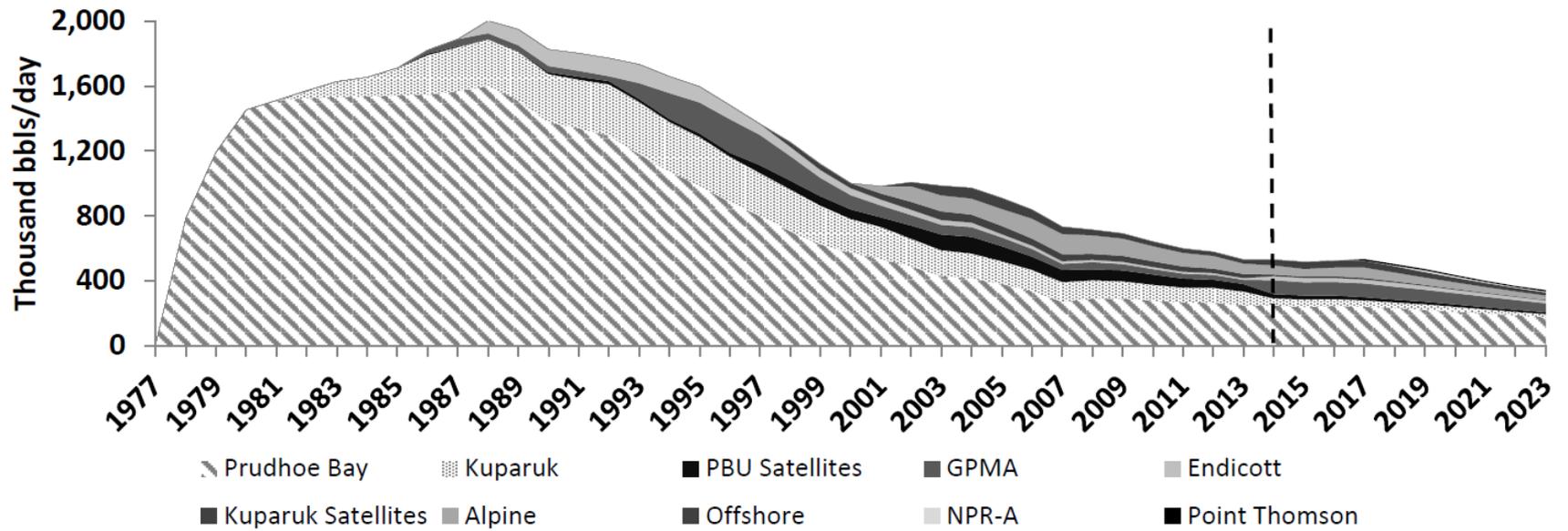


# “What if the oil price is...” for the last half of FY 2015

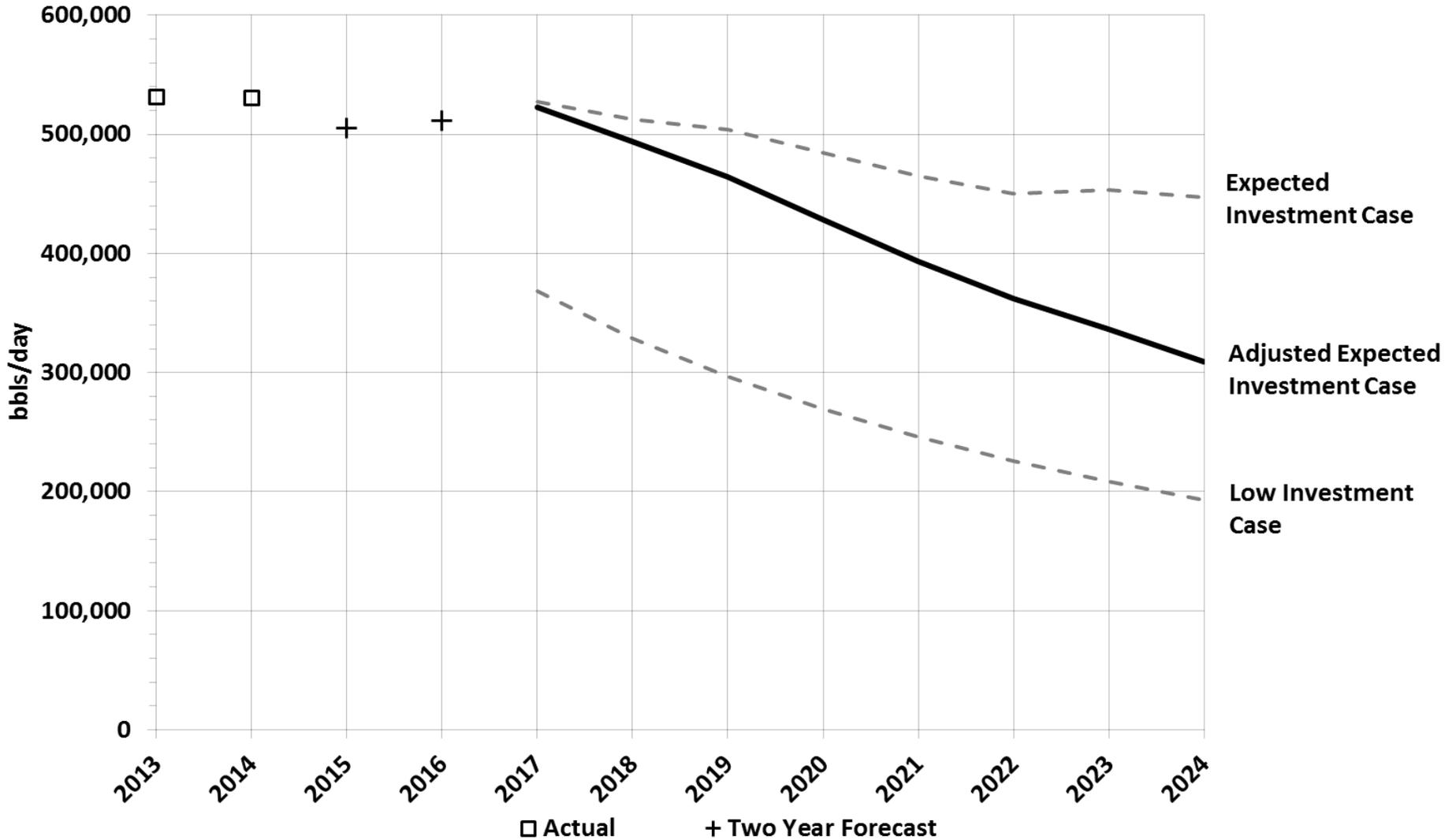
		ANS Price Sensitivity									
"What if price is..."		\$ 90	\$ 85	\$ 80	\$ 75	\$ 70	\$ 65	\$ 60	\$ 55	\$ 50	
<b>Actual</b>	7/1/2014	107.63	107.63	107.63	107.63	107.63	107.63	107.63	107.63	107.63	
	8/1/2014	101.78	101.78	101.78	101.78	101.78	101.78	101.78	101.78	101.78	
	9/1/2014	96.05	96.05	96.05	96.05	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	<i>90.00</i>	<i>85.00</i>	<i>80.00</i>	<i>75.00</i>	<i>70.00</i>	<i>65.00</i>	<i>60.00</i>	<i>55.00</i>	<i>50.00</i>	
	1/1/2015	<i>90.00</i>	<i>85.00</i>	<i>80.00</i>	<i>75.00</i>	<i>70.00</i>	<i>65.00</i>	<i>60.00</i>	<i>55.00</i>	<i>50.00</i>	
	2/1/2015	<i>90.00</i>	<i>85.00</i>	<i>80.00</i>	<i>75.00</i>	<i>70.00</i>	<i>65.00</i>	<i>60.00</i>	<i>55.00</i>	<i>50.00</i>	
	3/1/2015	<i>90.00</i>	<i>85.00</i>	<i>80.00</i>	<i>75.00</i>	<i>70.00</i>	<i>65.00</i>	<i>60.00</i>	<i>55.00</i>	<i>50.00</i>	
	4/1/2015	<i>90.00</i>	<i>85.00</i>	<i>80.00</i>	<i>75.00</i>	<i>70.00</i>	<i>65.00</i>	<i>60.00</i>	<i>55.00</i>	<i>50.00</i>	
	5/1/2015	<i>90.00</i>	<i>85.00</i>	<i>80.00</i>	<i>75.00</i>	<i>70.00</i>	<i>65.00</i>	<i>60.00</i>	<i>55.00</i>	<i>50.00</i>	
	6/1/2015	<i>90.00</i>	<i>85.00</i>	<i>80.00</i>	<i>75.00</i>	<i>70.00</i>	<i>65.00</i>	<i>60.00</i>	<i>55.00</i>	<i>50.00</i>	
<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>		

# Historical ANS WC Annual Average and Official Forecast

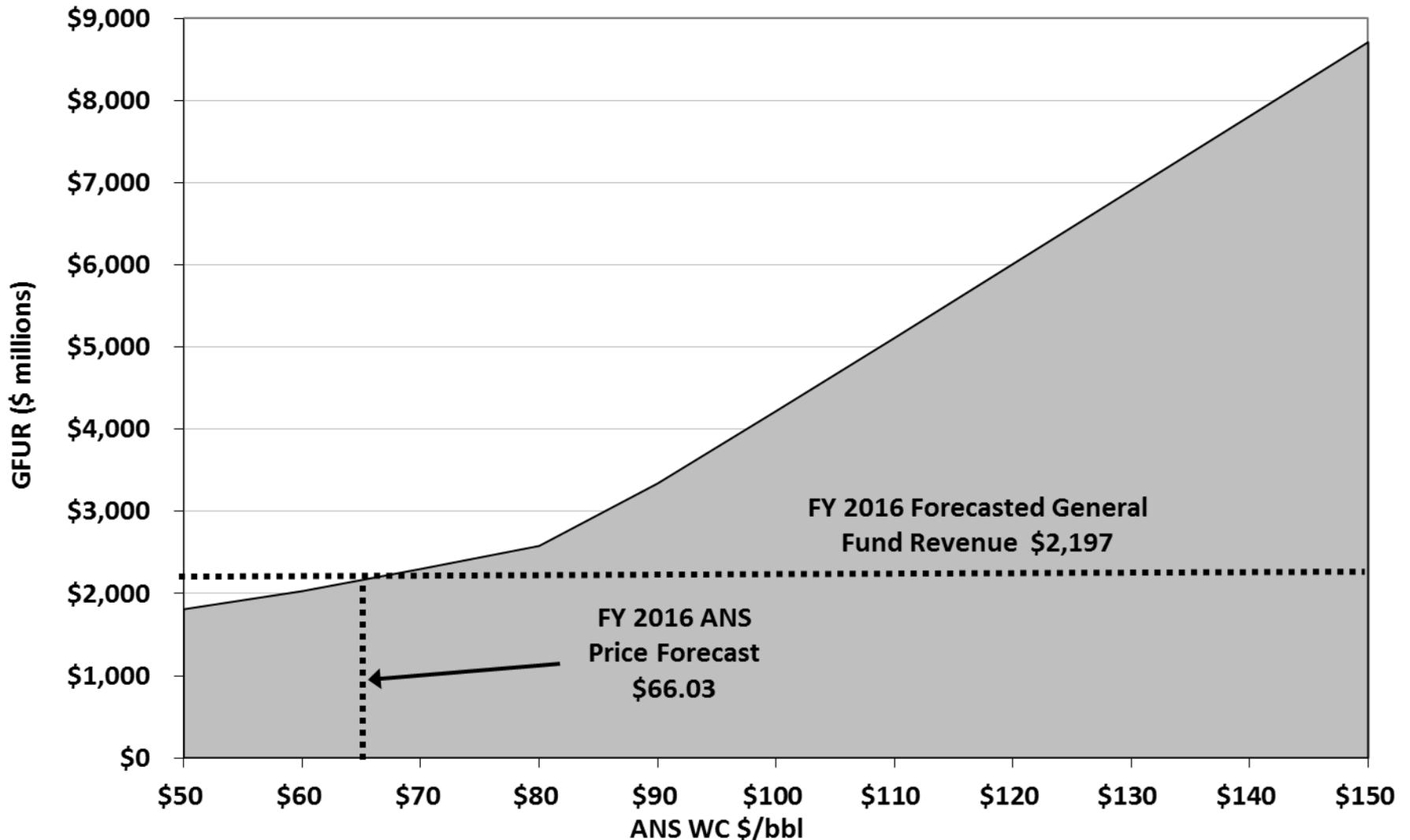




# ANS Oil Production Forecast



# FY 2016 General Fund Unrestricted Revenue, with Price Sensitivity



## FY 2015-2017 General Fund Unrestricted Revenue, with Price Sensitivity

<b>FY 2015</b>		<b>FY 2016</b>		<b>FY 2017</b>	
At forecasted production of 509.5 thousand bbls/day		At forecasted production of 524.1 thousand bbls/day		At forecasted production of 534.1 thousand bbls/day	
ANS \$/barrel (1)	GF Unrestricted Revenue	ANS \$/barrel	GF Unrestricted Revenue	ANS \$/barrel	GF Unrestricted Revenue
\$50	\$1,880	\$50	\$1,810	\$50	\$1,820
\$60	\$2,140	\$60	\$2,030	\$60	\$2,000
\$70	\$2,380	\$66.03	\$2,197	\$70	\$2,300
\$76.31	\$2,551	\$70	\$2,300	\$80	\$2,630
\$80	\$2,660	\$80	\$2,580	\$90	\$3,430
\$90	\$3,140	\$90	\$3,340	\$93.18	\$3,657
\$100	\$4,070	\$100	\$4,220	\$100	\$4,300
\$110	\$5,030	\$110	\$5,110	\$110	\$5,190
\$120	\$5,890	\$120	\$6,010	\$120	\$6,090
\$130	\$6,850	\$130	\$6,910	\$130	\$6,980
\$140	\$7,730	\$140	\$7,810	\$140	\$7,850
\$150	\$8,510	\$150	\$8,710	\$150	\$8,710

# 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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