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Press Release

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Department Releases Revenue Sources Book

Anchorage – Department of Revenue (DOR) Commissioner Bryan Butcher to release the *Revenue Sources Book Fall 2012* today. This annual publication provides basic information about state revenue, as well as the anticipated revenue over the next ten years. The *Revenue Sources Book* will be available to download by close of business December 4, 2012 on the Department's website, at www.tax.alaska.gov.

Total state revenue was $13.6 billion in FY 2012, while General Fund Unrestricted Revenue totaled $9.5 billion. The Department forecasts Unrestricted Revenue of $7.5 billion and $7.0 billion for FY 2013 and FY 2014, respectively. The revenue forecast is based on an oil price forecast of $108.67 per barrel for FY 2013 and $109.61 per barrel for FY 2014. For comparison, the FY 2012 average oil price was $112.65 per barrel. Forecasted oil prices remain above $100 per barrel throughout the forecast period to 2022.

According to Commissioner Butcher, "Total state revenue is forecast to show an increase over the next two years, due to assumed returns on the Permanent Fund. However, the main news is that Alaska's revenue forecast is for lower General Fund Unrestricted Revenue when compared to the Spring 2012 forecast. The General Fund Unrestricted Revenue for the current year is forecast to be $928 million less in FY 2013 and $679 million less in FY 2014 than the amounts forecasted this spring. We do forecast General Fund Unrestricted Revenue will be between $6 and $7 billion per year for the next nine years, assuming continued high oil prices."

Commissioner Butcher continued, "Alaska's revenue relies heavily on oil price and oil production, especially production from the North Slope." In FY 2012, approximately 93% of all Unrestricted Revenue can be attributed to oil revenues. In FY 2012, an average of 579,100 barrels of oil per day was produced on the North Slope, and an additional average of 10,800 barrels per day was produced in Cook Inlet. North Slope oil production continued to decline at a rate of 3.3% in FY 2012. However, this decline rate is not typical of the average production decline rate for the North Slope. The temporary shutdown of the Trans-Alaska Pipeline System (TAPS) in FY 2011 caused lower than usual production for that year, therefore the following year's decline rate (FY 2012) is understated. If an average of the two years' decline is taken into account it follows the historic average trend, around 5.5% per year. While the forecast over the next two years anticipates decline rates of 4.5% and 2.6%, respectively, without new discoveries or additional investment, the Department forecasts a steeper decline in the future. In FY 2012, the state supported the oil industry's investment in exploration and development through production tax credits of more than $700 million.

Commissioner Butcher concluded, "The state requires increasing oil prices and stable or increased production in order to maintain state revenues in the forecasted range. Keep in mind that if oil prices decline from forecasted levels, state revenue will decline at a greater rate due to the 'progressivity effect' of the current taxation structure. The bottom line is that continuing declines in oil production also leads to a yearly decline in state revenue, and, while we can't control price, the State can influence production."

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