THE STATE *of* ALASKA
GOVERNOR MIKE DUNLEAVY

Department of Revenue

TAX DIVISION

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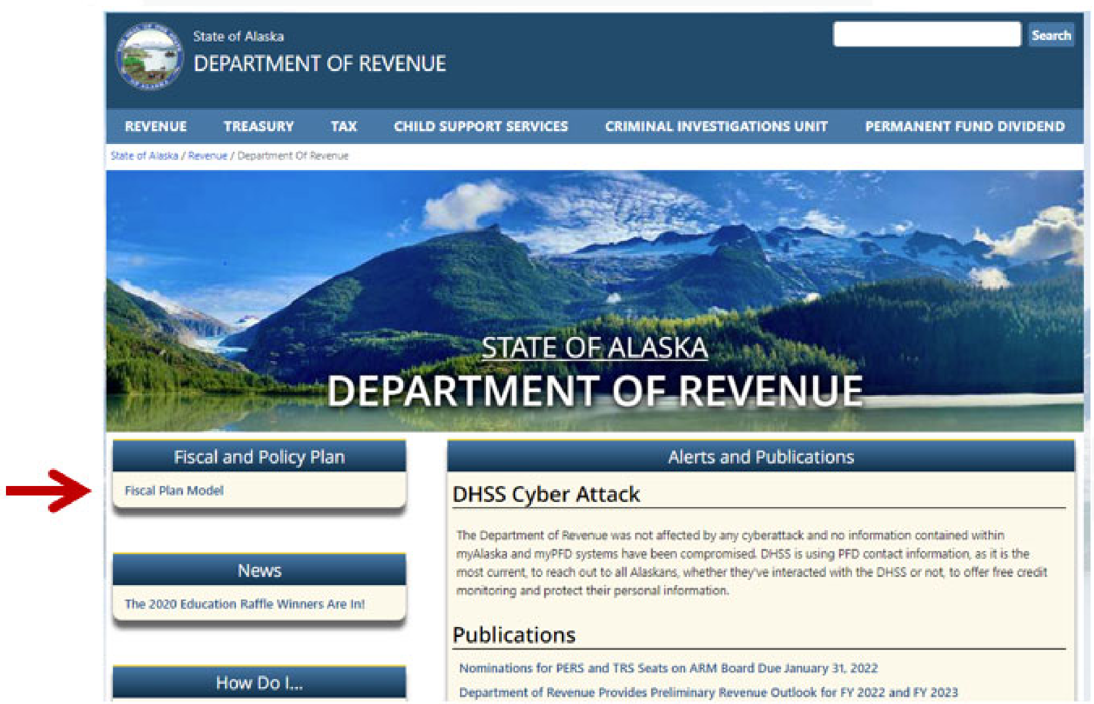
March 2, 2022

The Honorable Click Bishop
Alaska State Senator
Co-Chair, Senate Finance Committee
State Capitol Rooms 516
Juneau, AK 99801

The Honorable Bert Stedman
Alaska State Senator
Co-Chair, Senate Finance Committee
State Capitol Rooms 518
Juneau, AK 99801

The purpose of this letter is to provide you with the fiscal model on the DOR website mentioned in committee this morning. Additional follow-up response is forthcoming.

Here is the location for the DOR fiscal model: https://dor.alaska.gov/



Below is a screenshot of the “Summary Table” from the fiscal model using Fall 2021 forecast assumptions, with the maximum sliding-scale tax credit reduced from $8 to $5 per taxable barrel effective July 1, 2022. The estimated revenue impacts from this change are shown on line 6.

#	Fiscal Plan FY 2022 to FY 2030									
1	*Assumed Price Per Barrel ($)*	$ 75.72	$ 71.00	$ 69.00	$ 68.00	$ 67.00	$ 66.00	$ 66.00	$ 65.00	$ 67.00
2	**Fiscal Year ($ Millions)**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
3	Traditional UGF Revenue (Fall 2021 Forecast)	$ 2,662.6	$ 2,577.1	$ 2,464.5	$ 2,429.9	$ 2,340.0	$ 2,314.2	$ 2,340.8	$ 2,297.1	$ 2,402.8
4	Permanent Fund POMV Draw to General Fund	$ 1,534.7	$ 1,680.3	$ 1,800.0	$ 1,904.0	$ 2,009.5	$ 2,128.5	$ 2,172.5	$ 2,214.5	$ 2,254.0
5	Revenue Impacts from Change In Oil Price Forecast	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	Change Petroleum Per Barrel Credit Amounts	$ -	$ 442.8	$ 439.5	$ 393.8	$ 313.0	$ 203.6	$ 163.7	$ 141.5	$ 240.9
7	Apply CIT to Oil and Gas Pass-Through Entities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	Sales Tax	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
9	Motor Fuel Tax	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Gaming Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11	Highly Digitized Business Tax	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
12	Carbon Offsets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
13	Other New Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
14	Adjustment for SBR Deposits	$ 422.7	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
15	Federal Offsets	$ 250.0	$ 375.4	$ -	$ -	$ -	$ -	$ -	$ -	$ -
16	**Total Revenue**	**$ 4,870.0**	**$ 5,075.6**	**$ 4,704.0**	**$ 4,727.7**	**$ 4,662.5**	**$ 4,646.3**	**$ 4,677.0**	**$ 4,653.1**	**$ 4,897.7**
17	**Total General Fund Spending (Excluding Oil and Gas Tax Credi**	**$ 4,672.2**	**$ 4,407.1**	**$ 4,354.0**	**$ 4,381.7**	**$ 4,411.5**	**$ 4,473.3**	**$ 4,535.0**	**$ 4,594.3**	**$ 4,656.8**
18	Oil and Gas Tax Credit Purchases by the State	$ 54.2	$ 199.0	$ 186.0	$ 173.0	$ 28.6	$ -	$ -	$ -	$ -
19	Spending Additions / Reductions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
20	Bonding Capital Spending	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
21	Change In Capital From Baseline of $155M	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
22	**Updated Total General Fund Spending**	**$ 4,726.4**	**$ 4,606.1**	**$ 4,540.0**	**$ 4,554.7**	**$ 4,440.1**	**$ 4,473.3**	**$ 4,535.0**	**$ 4,594.3**	**$ 4,656.8**
23	**CBR Earnings and Deposit Forecast**	**$ 31.6**	**$ 61.1**	**$ 62.5**	**$ 68.2**	**$ 72.6**	**$ 78.1**	**$ 82.7**	**$ 87.9**	**$ 91.3**
24	**Budget Draw From CBR Bridge Fund**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
25	**Budget Surplus**	**$ 143.6**	**$ 469.5**	**$ 164.0**	**$ 173.0**	**$ 222.4**	**$ 173.0**	**$ 142.0**	**$ 58.8**	**$ 240.9**
26	**CBR / SBR End Balance**	**$ 1,420.9**	**$ 1,951.6**	**$ 2,178.0**	**$ 2,419.1**	**$ 2,714.1**	**$ 2,965.3**	**$ 3,190.0**	**$ 3,336.7**	**$ 3,668.9**
27	**Draw from ERA for Bridge**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
28	**Permanent Fund Dividend**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
29	Funds for Dividend ($ Millions)	$ 1,534.7	$ 1,680.3	$ 1,800.0	$ 1,904.0	$ 2,009.5	$ 2,128.5	$ 2,172.5	$ 2,214.5	$ 2,254.0
30	PFD / Recipient (Dollars Per Person)	$ 2,330	$ 2,564	$ 2,712	$ 2,855	$ 3,000	$ 3,164	$ 3,212	$ 3,258	$ 3,300
31	**Total Spending**	**$ 6,261.1**	**$ 6,286.4**	**$ 6,340.0**	**$ 6,458.7**	**$ 6,449.6**	**$ 6,601.8**	**$ 6,707.5**	**$ 6,808.8**	**$ 6,910.8**
32	**Fiscal Year ($ Millions)**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
33	**Permanent Fund End of Year Balance**	**$ 83,729.1**	**$ 85,651.0**	**$ 87,447.0**	**$ 89,147.6**	**$ 90,722.0**	**$ 92,154.3**	**$ 93,605.5**	**$ 95,054.3**	**$ 96,556.3**
	Numbers may not add exactly due to rounding.									
	February 2022 Cashflow Version 1: As of 02/17/2022									

The revenue option offered in the fiscal model estimates the impacts of reducing the per-taxable-barrel sliding scale calculations by $3 as follows. This analysis does not consider any potential changes in company behavior, investment, or production as a result of a tax increase:

Gross Value per taxable barrel	Credit per taxable barrel (current)	Credit per taxable barrel (proposed)
< $80	$8.00	$5.00
$80-90	$7.00	$4.00
$90-100	$6.00	$3.00
$100-110	$5.00	$2.00
$110-120	$4.00	$1.00
$120-130	$3.00	$0.00
$130-140	$2.00	$0.00
$140-150	$1.00	$0.00
> $150	$0.00	$0.00

Note, at the Fall 2021 forecast price, the fiscal impacts for the changes to the tax credit table analyzed in the fiscal model would be the same as changing to a flat $5 per-taxable-barrel credit. At higher prices (around $90 and above) the impacts would be different.

Also note, the estimated impacts from changes to the per-taxable-barrel credit in the fiscal model are smaller in later years. This is because the sliding-scale credit cannot be used to reduce tax liability below the minimum tax floor, and the forecast does assume that later in the forecast, companies will be able to utilize less of the full value of their sliding scale credits generated due to this limitation. Therefore, because of the lower baseline credit impact, the additional revenue to the state from reducing the tax credit is also lower.

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,

Dan Stickel
Chief Economist