



Revenue Sources Book Fall 2023

Alaska Department of Revenue | Tax Division | tax.alaska.gov

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Errata – December 18, 2023

Cook Inlet production data reported in Appendix C-2 has been revised. This revision has impacted the total historical production reported in Appendix C-2.

Errata - December 19, 2023

FY 2023 and FY 2024 Oil and Gas Production Tax Credits have been revised resulting in data changing in tables 6-4, 8-3, 8-4, and Appendix E-1. FY 2023 production tax revenue shown in table 6-4 only has been revised.

Cover: Photo was taken near False Outer Point on North Douglas, Alaska. Photo by Sahil Bathija.



THE STATE
of ALASKA
GOVERNOR MIKE DUNLEAVY

Department of Revenue

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December 14, 2023

The Honorable Mike Dunleavy
Governor
State of Alaska
P.O. Box 110001
Juneau, Alaska 99811-0001

Dear Governor Dunleavy,

I am pleased to present to you the Department of Revenue's Fall 2023 Revenue Sources Book. The publication provides a recent history and projection of the state revenues and is a collaborative effort among the Department of Revenue and several other state departments and agencies.

In comparison to the Spring 2023 Revenue Forecast, the Alaska North Slope (ANS) oil price forecast has increased by \$9.39 per barrel for fiscal year (FY) 2024 and \$6.00 for FY 2025, respectively. The ANS oil production forecast has been decreased by 26,100 barrels per day for FY 2024 and by 34,200 for FY 2025, respectively.

Driven by the revised outlook of oil price and production, the Unrestricted General Fund (UGF) revenue forecast, before accounting for the operating transfer from the Permanent Fund Earnings Reserve, has increased by \$228 million for FY 2024 and \$87 million for FY 2025, respectively. The UGF revenue, before accounting for the operating transfer from the Permanent Fund Earnings Reserve, is forecasted to be \$3.0 billion for FY 2024 and \$2.7 billion for FY 2025.

The Permanent Fund is set to transfer \$3.5 billion to the General Fund for FY 2024 and \$3.7 billion for FY 2025. These amounts include funds that are available for general government spending, and most importantly, the payment of annual dividends to Alaskan residents.

In terms of petroleum revenues, the revenue forecast is based on ANS oil prices of \$82.39 per barrel for FY 2024 and \$76.00 for FY 2025, respectively and stabilizing at \$70.00 by FY 2033. The oil price forecast is based on futures market prices through FY 2031, followed by an assumption that prices will increase with inflation thereafter.

In FY 2023, ANS oil production averaged 479,400 barrels per day. The ANS oil production is expected to average 470,300 barrels per day for FY 2024 and 463,800 barrels per day for FY 2025, before climbing to 633,000 barrels per day by FY 2033.

The Fall 2023 Revenue Forecast comes during a time of continued uncertainty due to recent geopolitical and financial events, causing volatile market conditions. It is important to note this forecast represents one plausible scenario within a range of potential outcomes. Key elements of this forecast scenario are detailed in the executive summary.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Crum".

Adam Crum
Commissioner

Revenue Sources Book Fall 2023

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Chapter 1

Introduction

Purpose

The *Revenue Sources Book* (RSB) provides Alaskans with a report of historical, current, and estimated future state revenue. The governor uses the information in this publication to formulate the proposed budget and financial plan before presenting it to the Alaska Legislature. Over the years, the RSB has become an educational tool to inform the general public of how the state's revenues are structured.

This publication is prepared by the Department of Revenue, in accordance with Alaska Statute (AS) 37.07.060 (b)(4). Forecasts of state revenue are made using models developed by the department's Economic Research Group and other state agencies.

The department expresses its gratitude to those state agencies and individuals in those agencies who have provided information, assistance, and analysis for this RSB.

Throughout this book, unless stated otherwise, information is presented based on a fiscal-year basis. The state's fiscal year runs from July 1 through June 30.

Forward-Looking Statements

All figures and narratives in this document that are not based on events that have already occurred constitute forecasts or "forward-looking statements." These numbers are projections based on assumptions regarding uncertain future events and the responses to those events. Such figures are, therefore, subject to uncertainties and actual results will differ, potentially materially, from those anticipated.

The department attempts to capture these uncertainties in order to provide policy-makers and the general public with a general understanding of the scale and scope of future revenue streams. The official forecast process considers many possible outcomes and attempts to minimize deviations from what is likely to happen. These figures do not necessarily represent a single scenario of a future path.

The department will update the estimates in this forecast book in the coming spring, as more information is received. This forecast supersedes all prior estimates or forecasts as the official forecast of the State of Alaska. Therefore, all prior forecasts should be used only for comparison purposes.

Defining Revenue Categories

In general, this RSB presents revenues in accordance with current budget categories and conventions as agreed on by the Office of Management and Budget (OMB) in the Governor's Office and the Alaska Division of Legislative Finance, a legislative agency. Revenue categories are based on principles set out by the Governmental Accounting Standards Board, with certain Alaska-specific adjustments.

The one exception is Chapter 3, which describes revenue that is available for appropriation for any current-year funding need, regardless of customary uses or restrictions. Displaying the information in this way gives a complete view of the state's ability to meet its obligations.

The remainder of the RSB utilizes revenue categories consistent with budget conventions. Revenues are divided into categories in two ways – by revenue source (where the revenue comes from) and spending restriction or designation (how the revenue may be used).

There are three basic revenue sources – income from investments, funds received from the federal government, and funds collected from in-state activities. Due to the importance of revenues from oil production, in-state activities are further divided into petroleum revenue and non-petroleum revenue.

Revenue is also categorized by the level of restrictions regarding its use. Those categories are "unrestricted" (available to fund general state activities and capital projects) or "restricted" (placed into reserves or used for a specific purpose, either by a requirement or customary practice).

Any revenue that is not restricted by the Alaska Constitution, state or federal law, trust or debt restriction, or customary practice is considered "unrestricted general fund revenue" (UGF) or simply "unrestricted revenue." Historically, most legislative and public discussion has centered on the unrestricted category of revenue, and it has been the figure most commonly referenced in budget discussions.

Restricted revenues are divided into three types to aid in the budget process – "designated general fund," "other restricted revenue," and "federal revenue." Some of these revenues are restricted by budget convention only and are technically available for appropriation even though they are shown as restricted in this RSB.

Changes

Noteworthy changes to this Fall 2023 RSB include:

- A new table showing how state petroleum revenue varies by land type has been added to Chapter 6.
- All tax credits available for state purchase have now been retired. Narrative and presentation in Chapter 8 have been updated to reflect this accomplishment.

Chapter 1
A

QR Codes Access data tables online

Quick response (QR) codes are included on the first page of each chapter so that the data tables are accessible online in the Microsoft Excel format.

To access them, use a QR code recognition application with your mobile phone, smartphone, or tablet to take a picture of the QR code in Figure 1-A.



The Figure 1-A QR code will take you to the RSB directory on the Tax Division website. The device will display a website with the link to download the Microsoft Excel workbook containing the tables found in the corresponding chapter.

If you are reading the RSB in PDF form, the QR code images are hyperlinked to their corresponding web addresses.

Forecast Methods Note

At times, the Department of Revenue's forecast numbers may appear to vary between analyses, even if they come from the same data source. This can happen for many reasons and does not necessarily discount other analyses, nor should it be considered an error.

One example is in petroleum revenue forecasting, where results can differ depending on whether the department uses confidential company-specific data versus statewide aggregated summary data.

Another instance where differences can occur is in how uncertainty is incorporated. Depending on the analysis, uncertainties can be addressed by applying risk factors to the data, incorporating probability into the analysis and results, or providing a narrative disclaimer about the uncertainty.

Therefore, even though all the department's models start with the same set of data, the results can differ depending on data handling and how uncertainty is handled in the analysis.

Additionally, values and sums throughout this book may show slight differences due to rounding.

Chapter 2

Executive Summary

Introduction

The Department of Revenue releases a formal state revenue forecast twice per year. The revenue forecast is intended to be a policy-neutral document that provides fundamental data and information to inform the public and aid decision-makers.

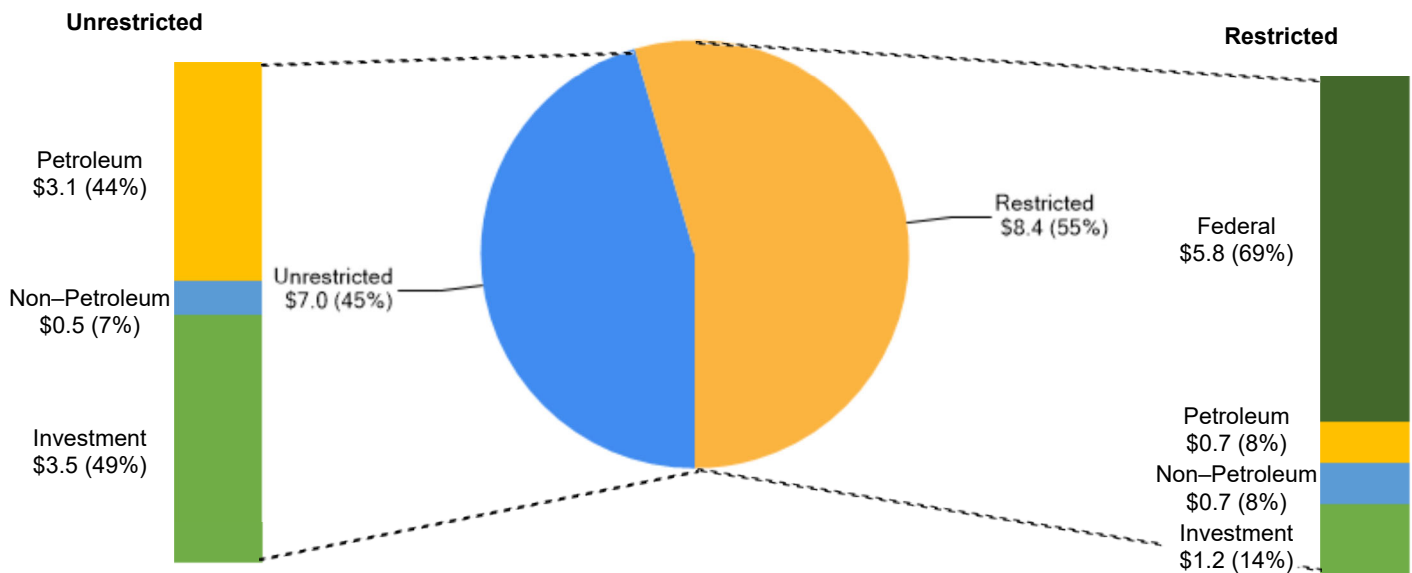


This revenue forecast is based on detailed modeling and reflects the department's current expectations for numerous variables, including investment returns, oil price, oil production, and oil company spending. The next official forecast will be next released in the spring to provide an updated view of revenue to help guide final budget decisions.

Chapter 2
A

FY 2023 Total State Revenue

By restriction and type, in billions of dollars



Revenue Summary

The State of Alaska received an estimated total of \$15.5 billion in revenue in fiscal year (FY) 2023 from all sources, an increase of \$8.4 billion in total revenue from the previous fiscal year. FY 2022 total revenue reported was impacted by losses in investments. In FY 2023, the state benefitted from net gains in investments combined with increased petroleum revenue. Figure 2-A graphically illustrates the composition of total revenue by restriction and type.

In FY 2023, Unrestricted General Fund (UGF) revenues totaled \$7.0 billion. Excluding transfers from the Permanent Fund, UGF revenue from all other sources for FY 2023 was \$3.7 billion. Tables 2-1 and 2-2 provide an overview of the composition of UGF as well as forecasts for the current and next fiscal year.

This Fall 2023 Forecast reflects an increase in expected UGF revenue as compared to the Spring 2023 Forecast. For FY 2024, projected UGF revenue has been increased by \$228 million, including a \$210 million increase in expected petroleum revenue. For FY 2025, projected UGF revenue has been increased by \$79 million, including a \$71 million increase in expected petroleum revenue. Petroleum revenue increases for the current and next fiscal year are a function of a higher oil price forecast, partially offset by lower expected production and higher expected lease expenditures.

Restricted revenue represents revenue that is limited in how it can be spent by the Alaska Constitution, state or federal law, trust or debt restrictions, or by customary practice. Major components of restricted revenue include federal receipts, investment income not attributable to the General Fund, constitutionally mandated petroleum revenue deposits, and non-petroleum revenue sources that are used for specific purposes. In FY 2023, restricted state revenue totaled \$8.4 billion. Tables 2-1 and 2-3 summarize the department's forecasts for restricted revenue for the current and next fiscal year.

Restricted revenues are divided into three types – designated general fund, other restricted revenue, and federal revenue. Some of these revenues, while categorized as restricted by custom, are still available for appropriation for any purpose.

Chapter 2
1

Total State Revenue By restriction and type

		Millions of Dollars		
		History	Forecast	
		FY 2023	FY 2024	FY 2025
Unrestricted Revenue Sources				
Unrestricted General Fund Revenue				
1	Investment Revenue	3,458.3	3,616.6	3,745.0
2	Petroleum Revenue	3,119.4	2,414.4	2,078.2
3	Non-Petroleum Revenue	466.3	454.5	485.2
4	Total Unrestricted General Fund Revenue	7,044.0	6,485.5	6,308.4
Restricted Revenue Sources				
Designated General Fund Revenue				
5	Investment Revenue	202.5	5.1	138.5
6	Petroleum Revenue	103.2	88.9	75.7
7	Non-Petroleum Revenue	493.1	485.6	499.0
8	Subtotal Designated General Fund Revenue	798.8	579.6	713.2
Other Restricted Revenue				
9	Investment Revenue	1,007.7	-1,815.4	1,567.1
10	Petroleum Revenue	608.0	427.6	388.2
11	Non-Petroleum Revenue	198.8	341.6	345.8
12	Subtotal Other Restricted Revenue	1,814.4	-1,046.2	2,301.2
Federal Revenue				
13	Federal Receipts	5,785.3	5,946.1	6,271.2
14	Petroleum Revenue ¹	41.5	29.1	19.9
15	Subtotal Federal Revenue	5,826.8	5,975.2	6,291.1
16	Total Restricted Revenue	8,440.1	5,508.7	9,305.5
17	Total State Revenue	15,484.1	11,994.2	15,613.9

¹ Petroleum revenue shown in the Federal category includes the state share of rents, royalties, and bonuses received from the National Petroleum Reserve - Alaska. Amounts shown here reflect when the state receives the state's share of revenue and not when those revenues are disbursed as grants to municipalities.

Unrestricted General Fund Revenue

By type and source

	Millions of Dollars		
	History	Forecast	
	FY 2023	FY 2024	FY 2025
Unrestricted Investment Revenue			
Investment Revenue			
1 Permanent Fund	3,360.6	3,526.0	3,657.2
2 Investments	97.7	90.6	87.8
3 Total Unrestricted Investment Revenue	3,458.3	3,616.6	3,745.0
Unrestricted Petroleum Revenue			
Petroleum Taxes			
4 Petroleum Property Tax	128.8	127.1	128.2
5 Petroleum Corporate Income Tax	312.4	240.0	300.0
6 Oil and Gas Production Tax	1,490.9	937.6	642.4
7 Subtotal Petroleum Taxes	1,932.1	1,304.7	1,070.6
Royalties (including Bonuses, Rents, and Interest)			
8 Mineral Bonuses and Rents	11.3	13.2	13.2
9 Oil and Gas Royalties	1,175.1	1,096.4	994.3
10 Interest	1.0	0.0	0.0
11 Subtotal Royalties	1,187.4	1,109.7	1,007.5
12 Total Unrestricted Petroleum Revenue	3,119.4	2,414.4	2,078.2
Unrestricted Non-Petroleum Revenue			
Non-Petroleum Taxes			
Excise Tax			
13 Alcoholic Beverage	20.8	21.1	21.3
14 Tobacco Product – Cigarette	21.1	20.4	19.6
15 Tobacco Product – Other	12.7	12.7	12.6
16 Electric and Telephone Cooperative	0.2	0.2	0.2
17 Insurance Premium Tax	63.4	64.7	65.4
18 Marijuana	7.9	7.1	6.9
19 Tire Fee	1.5	1.5	1.5
20 Subtotal Excise Tax	127.6	127.6	127.5
21 Corporate Income Tax	124.4	130.0	160.0
Fisheries Tax			
22 Fisheries Business	26.0	14.7	17.9
23 Fishery Resource Landing	3.4	5.1	5.4
24 Subtotal Fisheries Tax	29.5	19.8	23.3
Other Tax			
25 Charitable Gaming	3.0	3.1	3.1
26 Large Passenger Vessel Gambling	18.4	19.6	20.2
27 Mining	52.5	31.8	29.1
28 Subtotal Other Tax	73.9	54.4	52.4
29 Subtotal Unrestricted Non-Petroleum Taxes	355.4	331.8	363.2
30 Charges for Services	4.3	4.3	4.3

Unrestricted General Fund Revenue

By type and source (continued)

	Millions of Dollars		
	History	Forecast	
	FY 2023	FY 2024	FY 2025
31 Fines and Forfeitures	15.9	14.7	14.7
Licenses and Permits			
32 Motor Vehicle	31.9	32.8	32.0
33 Other	0.7	0.8	0.8
34 Subtotal Licenses and Permits	32.6	33.6	32.8
Rents and Royalties			
35 Mining Royalties, Bonuses, Rents, and Interest	1.6	1.7	1.8
36 Other Non-Petroleum Royalties, Bonuses, Rents, and Interest	0.0	0.0	0.0
37 Subtotal Rents and Royalties	1.6	1.7	1.8
Miscellaneous Revenue and Transfers			
38 Miscellaneous	14.4	25.0	25.0
39 Alaska Housing Finance Corporation Dividend	26.6	23.4	23.4
40 Alaska Industrial Development and Export Authority Dividend ¹	6.5	11.0	11.0
41 Alaska Student Loan Corporation Dividend	0.0	0.0	0.0
42 Unclaimed Property	9.0	9.0	9.0
43 Subtotal Miscellaneous Revenues and Transfers	56.5	68.4	68.4
44 Total Unrestricted Non-Petroleum Revenue	466.3	454.5	485.2
45 Total Unrestricted General Fund Revenue	7,044.0	6,485.5	6,308.4

¹The AIDEA Board declared an FY 2024 dividend of \$17.9 million, however, a portion of the dividend was retained by AIDEA in exchange for assets transferred to the state in the form of the Mustang Road. The remaining \$11 million was transferred as cash assets to the General Fund.

Investment Revenue

Investment revenue is the income generated from certain assets such as the Permanent Fund, the Constitutional Budget Reserve Fund (CBRF), and other funds. In FY 2023, the state earned \$4.7 billion in total investment revenue. The department is forecasting investment revenue of \$1.8 billion in FY 2024 and \$5.5 billion in FY 2025. The Glossary in the Appendices section of this document contains a definition of the CBRF and various terms related to the Permanent Fund.

Prior to FY 2019, the majority of investment revenue was considered restricted revenue. However, beginning in FY 2019, a portion of the value of the Permanent Fund, the Percent of Market Value (POMV) draw, is depicted as unrestricted revenue. With this change, investment revenue has been one of the largest contributors to unrestricted revenue. The Glossary in the Appendices section of this document contains a definition of the POMV draw.

The Permanent Fund contributed \$3.4 billion to unrestricted revenue in FY 2023 and is anticipated to contribute \$3.5 billion to unrestricted revenue in FY 2024 and \$3.7 billion in FY 2025. These projections are based on a series of assumptions, including a total fund value of \$78.0 billion as of June 30, 2023, actual returns for July – October of FY 2024, a 7.45% return on invested assets for the remainder of FY 2024, and a 7.20% annual return on invested assets for FY 2025 and beyond. The annual POMV draw is available for appropriation to fund dividends, government spending, or savings.

Restricted Revenue

By type and source

	Millions of Dollars		
	History	Forecast	
	FY 2023	FY 2024	FY 2025
Designated General Fund Restricted Revenue			
Investment Revenue			
1 Higher Education Fund (HEF)	35.7	-7.8	22.8
2 Investments – Designated General Fund ¹	6.5	5.6	4.5
3 PCE Endowment Fund	88.4	21.7	63.9
4 Public School Trust Fund	71.9	-14.4	47.3
5 Subtotal Investment Revenue	202.5	5.1	138.5
Petroleum Revenue			
6 Production Tax – Hazardous Release Surcharge	7.8	7.6	7.5
7 Royalties, Bonuses, Rents, and Interest to Permanent Fund	95.4	81.3	68.2
8 Subtotal Petroleum Revenue	103.2	88.9	75.7
Non-Petroleum Revenue			
9 Taxes	159.7	145.0	147.6
10 Charges for Services	266.8	266.6	271.3
11 Fines and Forfeitures	5.8	5.4	5.1
12 Licenses and Permits	0.8	1.2	1.2
13 Rents and Royalties	28.7	29.8	30.6
14 Other	31.3	37.7	43.2
15 Subtotal Non-Petroleum Revenue	493.1	485.6	499.0
16 Total Restricted Designated General Fund Revenue	798.8	579.6	713.2
Other Restricted Revenue			
Investment Revenue			
17 Investments – Other Restricted	23.6	20.3	16.4
18 CBRF ²	62.9	94.8	76.7
19 Permanent Fund Restricted Earnings, net of General Fund Draw ³	921.2	-1,930.5	1,474.0
20 Subtotal Investment Revenue	1,007.7	-1,815.4	1,567.1
Petroleum Revenue			
21 Royalties, Bonuses, Rents, and Interest to Permanent Fund	403.4	399.7	361.0
22 Royalties, Bonuses, Rents, and Interest to Public School Trust Fund	8.6	8.0	7.2
23 Tax and Royalty Settlements to CBRF	196.0	20.0	20.0
24 Subtotal Petroleum Revenue	608.0	427.6	388.2
Non-Petroleum Revenue			
25 Taxes	57.6	49.5	52.7
26 Charges for Services	55.7	209.6	210.8
27 Fines and Forfeitures	18.7	17.1	16.1
28 Licenses and Permits	43.8	42.8	43.3
29 Rents and Royalties	3.6	3.9	4.2
30 Other	19.4	18.8	18.8
31 Subtotal Non-Petroleum Revenue	198.8	341.6	345.8
32 Total Other Restricted Revenue	1,814.4	-1,046.2	2,301.2

Restricted Revenue By type and source (continued)

	Millions of Dollars		
	History	Forecast	
	FY 2023	FY 2024	FY 2025
Restricted Federal Revenue			
33 Federal Receipts	5,785.3	5,946.1	6,271.2
Petroleum Revenue			
34 NPR-A Royalties (includes bonuses, rents, and interest) ⁴	41.5	29.1	19.9
35 Total Restricted Federal Revenue	5,826.8	5,975.2	6,291.1
36 Total Restricted Revenue	8,440.1	5,508.7	9,305.5

¹ Includes subfunds of the general fund.

² CBRF earnings projections and balances reflect conservative estimates that do not incorporate potential amounts swept to the CBRF under Alaska Constitution Art. IX Sec. 17(d).

³ While payouts are limited to realized earnings, both unrealized and realized earnings are shown per Generally Accepted Accounting Principles (GAAP).

⁴ Petroleum Revenue shown in the Restricted Federal Revenue category includes the state share of rents, royalties, and bonuses received from the National Petroleum Reserve - Alaska. Amounts shown here reflect when the state receives the state's share of revenue and not when those revenues are disbursed as grants to municipalities.

Note: FY 2024 investment projections use actual returns through October 31, 2023, and a projection for that fund's individual expected return profile for the remainder of the fiscal year. For the full fiscal year forecast, certain funds display a low or negative return based on this methodology.

Federal Revenue

All federal funds the state receives are considered restricted for purposes of this forecast. Federal funds include revenues for highways, medical care, education, and other dedicated purposes. The state received an estimated \$5.8 billion in FY 2023. Consistent with practice in prior years, the federal revenue forecast represents the maximum possible federal revenue contribution, while actual revenues received routinely come in below forecast. In FY 2020 – FY 2024, federal funds include stimulus money in response to the COVID-19 pandemic. In FY 2023 – FY 2027, federal funds include estimates of potential state receipts from the Infrastructure Investment and Jobs Act (IIJA) passed by Congress in November 2021.

Petroleum Revenue

Petroleum revenue comes from four components – production tax, royalties, property tax, and corporate income tax.

Unrestricted petroleum revenue amounted to \$3.1 billion in FY 2023. Petroleum is projected to provide between 28% and 37% of unrestricted revenue over the forecast period as shown in Table 2-5. This percentage is lower than the historical share, due to including a portion of the value of the Permanent Fund as unrestricted revenue beginning in FY 2019. Excluding this Permanent Fund share, petroleum is expected to provide between 73% and 82% of unrestricted revenue over the next 10 years.

Restricted petroleum revenue contributed an additional \$0.8 billion in FY 2023. The primary sources of restricted petroleum revenue are royalties deposited into both the Permanent Fund and Public School Trust Fund, as well as settlements of tax and royalty disputes deposited into the CBRF.

Four elements are critical to the determination of petroleum revenues – price, production, lease expenditures, and transportation costs.

Oil Price

Alaska North Slope (ANS) oil prices averaged \$86.63 per barrel in FY 2023. The revenue forecast is based on an annual average ANS oil price of \$82.39 per barrel for FY 2024 and \$76.00 per barrel for FY 2025. The department's forecast assumes that the annual average price will be near \$70 per barrel (nominal) for the remainder of the forecast period.

The department made a change to how oil prices are forecast in Fall 2021. Previously, the oil price forecast was derived based on two years of futures market projections for Brent crude, followed by an assumption that prices would increase with inflation thereafter.

Beginning with the Fall 2021 forecast, the oil price forecast utilizes futures market projections for as many years as are available, followed by an assumption that prices will increase with inflation thereafter. This change was made in an effort to provide a more accurate projection of oil prices and, thus, state revenue over the medium and long term.

Oil prices are inherently volatile, so this forecast represents a most likely price within a range of possibilities, as discussed further in Chapter 6.

Oil Production

Total crude oil production from Alaska's North Slope (ANS) averaged 479,400 barrels per day in FY 2023. The oil production forecast expects ANS production of 470,300 barrels per day in FY 2024 and 463,800 barrels per day in FY 2025. After FY 2025, production is forecast to gradually increase to 633,000 barrels per day by FY 2033.

The oil production forecast balances projected declines in production at existing fields with incremental production from new fields and new developments. Several new oil fields are progressing through the planning and development process. These new fields are expected to contribute to increasing production later in the forecast period.

Lease Expenditures and Transportation Costs

In FY 2023, allowable oil and gas lease expenditures amounted to an estimated \$5.3 billion statewide, including \$4.9 billion of spending on the North Slope. Allowable lease expenditures are expected to increase in FY 2024 to \$6.6 billion statewide, including \$6.2 billion of spending on the North Slope. Allowable lease expenditures are expected to increase further in both FY 2025 and FY 2026, led by major investments in new developments in addition to increased spending at existing fields. Allowable lease expenditures, both statewide and for the North Slope, are expected to remain above \$6 billion per year for the remainder of the forecast period. These investments include multiple billions of dollars to bring new fields like Pikka and Willow into production, as well as incremental investments in existing fields.

In FY 2023, transportation costs for North Slope oil averaged \$9.61 per barrel; they are expected to average \$10.75 in FY 2024 and \$10.75 in FY 2025 as well. Transportation costs are subtracted from the ANS price to form the basis for tax and royalty calculations.

Major Gas Sales and ANWR

Two major petroleum-related projects have the potential to add to state petroleum revenues beyond what is presented in this forecast.

First, the State of Alaska is continuing to work on a project to commercialize North Slope natural gas reserves. This project could lead to liquid natural gas exports and substantial new state revenues. To be conservative, major gas sales will not be included in this forecast until the project reaches a Final Investment Decision. Recent loan guarantees provided in the federal Infrastructure Investment and Jobs Act provide an incentive that could help move this important project forward.

Additionally, as part of federal tax legislation enacted in 2017, the U.S. Department of Interior was directed to hold two lease sales in the Arctic National Wildlife Refuge (ANWR) "1002 area" over the forecast period. The first of these lease sales was completed in January 2021, and the state received 50% of the revenue from that lease sale. In June 2021, the U.S. Department of Interior suspended all activities and payments for these leases, pending a Supplemental Environmental Impact Statement (SEIS). The two private leaseholders asked for their leases to be rescinded and refunded, leaving seven tracts held by the Alaska Industrial Development and Export Authority (AIDEA) as the only remaining leases in ANWR. Then, in September 2023, the U.S. Department of Interior canceled the remaining leases, an action that is being challenged by AIDEA.

ANWR lease sales are of interest to Alaska both as a source of future production and economic activity and because the state receives a portion of any federal bonuses, rents, and royalties from the leases. Currently, 50% of ANWR revenue is shared with the state. Of the revenue received by the state, 50% of the state's share goes to the Permanent Fund, 0.5% to the Public School Trust Fund, and the remaining share is unrestricted general fund revenue. Given the uncertainty around both the existing leases and future lease sales, the department has conservatively chosen not to include future ANWR revenue in the forecast. Additionally, any production from ANWR will not be included until a discovery is made that meets the criteria for inclusion in the production forecast.

Non-Petroleum Revenue from In-State Activity

Corporate income tax revenue from non-petroleum related businesses, excise taxes, consumption taxes, charges for services, fines and forfeitures, licenses and permits, non-petroleum rents and royalties, transfers, and other miscellaneous revenue are referred to as "non-petroleum revenues from in-state activities."

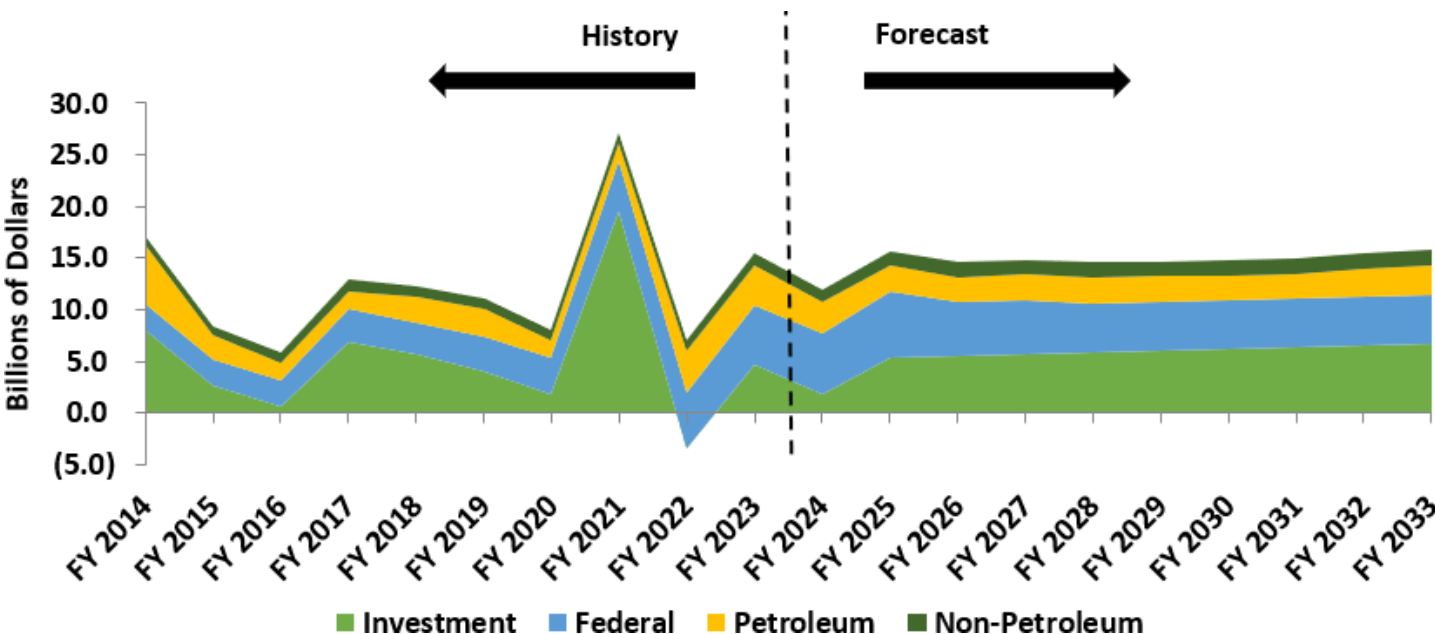
This does not include investment and federal revenues. In FY 2023, unrestricted non-petroleum revenues amounted to \$466 million. Unrestricted non-petroleum revenues from in-state activities are expected to be \$455 million in FY 2024 and \$485 million in FY 2025, increasing to \$621 million by FY 2033. In FY 2023, restricted non-petroleum revenue amounted to \$692 million. Restricted non-petroleum revenues are expected to be \$827 million in FY 2024 and \$845 million in FY 2025, increasing to \$869 million by FY 2033. These amounts only represent revenues from existing revenue sources under current law.

Total State Revenue Actual and Forecast; FY 2023 actuals and FY 2024 – FY 2033 forecast

Millions of Dollars

	History		Forecast									
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	
Total State Revenue												
1 Investment	4,668.5	1,806.3	5,450.6	5,583.8	5,716.9	5,858.2	6,009.7	6,166.2	6,327.9	6,494.7	6,667.8	
2 Federal	5,785.3	5,946.1	6,271.2	5,201.9	5,201.9	4,708.2	4,708.2	4,708.2	4,708.2	4,708.2	4,708.2	
3 Petroleum	3,872.1	2,960.1	2,562.0	2,415.2	2,484.8	2,573.1	2,511.9	2,451.3	2,515.0	2,774.7	2,969.1	
4 Non-Petroleum	1,158.2	1,281.7	1,330.1	1,369.4	1,406.0	1,427.9	1,438.7	1,455.6	1,469.5	1,479.2	1,490.0	
5 Total State Revenue	15,484.1	11,994.2	15,613.9	14,570.3	14,809.5	14,567.5	14,668.5	14,781.4	15,020.6	15,456.8	15,835.2	

Total State Revenue A look back and a look ahead



Total Unrestricted General Fund Revenue

FY 2023 actuals and FY 2024 – FY 2034 forecast

Millions of Dollars

	History		Forecast									
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Unrestricted General Fund Revenue												
1 Investment Revenue ¹	3,458.3	3,616.6	3,745.0	3,847.8	3,979.8	3,964.8	4,024.8	4,090.8	4,192.8	4,299.8	4,410.8	4,527.8
2 Petroleum Revenue	3,119.4	2,414.4	2,078.2	1,935.7	1,950.1	2,003.4	1,944.1	1,867.6	1,854.6	1,986.5	2,100.9	2,166.9
3 Non-Petroleum Revenue	466.3	454.5	485.2	518.8	547.9	568.1	577.3	592.8	605.1	613.1	621.2	626.8
4 Total Unrestricted General Fund Revenue	7,044.0	6,485.5	6,308.4	6,302.3	6,477.8	6,536.3	6,546.2	6,551.2	6,652.5	6,899.5	7,132.9	7,321.5
5 Percent from Petroleum	44%	37%	33%	31%	30%	31%	30%	29%	28%	29%	29%	30%
6 Permanent Fund transfer	3,360.6	3,526.0	3,657.2	3,760.0	3,892.0	3,877.0	3,937.0	4,003.0	4,105.0	4,212.0	4,323.0	4,440.0
7 Total Unrestricted Revenue (not including Permanent Fund transfer)	3,683.4	2,959.5	2,651.2	2,542.3	2,585.8	2,659.3	2,609.2	2,548.2	2,547.5	2,687.5	2,809.9	2,881.5
8 Percent from Petroleum	85%	82%	78%	76%	75%	75%	75%	73%	73%	74%	75%	75%
Selected Petroleum Data												
9 Price Per Barrel of ANS Crude (Dollars)	86.63	82.39	76.00	73.00	71.00	69.00	68.00	67.00	67.00	69.00	70.00	72.00
10 Average Daily ANS Production (Thousand Barrels Per Day)	479.4	470.3	463.8	473.1	516.5	548.8	546.1	546.8	571.2	608.7	633.0	632.9

¹ Unrestricted General Fund investment revenue includes the Permanent Fund transfer to the general fund plus other unrestricted investment earnings such as earnings on general fund cash balances.

Forecasting Amid Uncertainty

Over the past several years, we have seen a global pandemic, extreme volatility in investment and oil markets, wars and other geopolitical issues, and economic concerns ranging from negative interest rates to a return of inflation. What the future will bring is inherently uncertain, and this forecast is based on one plausible scenario within a range of potential outcomes. Given the uncertainty, it remains challenging to make predictions on the stock market, oil prices, or revenue with certainty.

Key elements of the Fall 2023 forecast scenario include:

- **Investment Revenue:** The forecast is based on actual returns through October 2023 plus a most likely case for expected investment returns, which presumes stable growth in markets from October 2023 levels.
- **Federal Revenue:** The forecast incorporates known federal funding as of December 1, 2023, including estimates of potential revenue from the IIJA.
- **Oil and Gas Revenue:** The forecast is based on oil prices as indicated by futures markets, and oil production as forecast by the Department of Natural Resources (DNR), with no major disruptions to market activity or oil production.
- **Non-Oil and Gas Revenue:** The forecast is based on a scenario assuming no major disruptions to economic activity from COVID-19, geopolitical events, or economic events. In particular, the scenario assumes:
 - Compared to earlier in 2023, economic forecasters are suggesting a reduced likelihood of an economic recession in 2024. This forecast assumes steady and continued economic growth, supporting profitable business operations and economic activity.
 - Moderation in inflation. A long-term inflation assumption of 2.5% is used throughout the revenue forecast.
 - For tourism, including cruise ships, this forecast assumes robust tourism activity with cruise ship passenger counts remaining at around 1.6 million passengers per year.
 - For mining, the forecast assumptions are based on minerals prices as indicated by futures markets and do not assume any major new mine developments.
 - For fisheries, 2023 saw closures and very low prices in multiple fisheries. The forecast incorporates a preliminary estimate of 2023 fisheries value and assumes a 3-year time horizon for recovering back to 2022 values.

The department will continue to monitor these assumptions and will update the forecast scenario in the Spring 2024 Forecast.

Chapter 3

Revenue Available for Appropriation for Any Purpose

General Discussion



Historically, most of the discussion on Alaska's budget has focused on the Unrestricted General Fund (UGF) category of revenue, which in times of deficiency is supplemented by "funding from reserves." At the same time, certain current-year revenue available for appropriation for any purpose is added to reserves.

This way of defining revenue has served Alaska well by automatically placing categories of revenue in reserves. However, it is also important to accurately define revenue that is available for appropriation for any purpose so that both the Alaska Legislature, in deliberations on potentially shifting how revenue is categorized, as well as people outside the Legislature, in analyzing Alaska's budget, are able to determine the state's true revenue potential.

Table 3-1 provides an accounting of current-year revenue available for appropriation for any purpose for the most recent fiscal year, as well as a 10-year forecast period.

The State of Alaska has historically categorized certain revenues that are available for appropriation for any purpose as "restricted." The primary use of these "customarily restricted" revenues has been largely to fund reserves. Examples of revenues customarily treated as restricted, but available for appropriation for any purpose include:

- Settlement revenue deposited into the Constitutional Budget Reserve Fund (CBRF), as well as the investment earnings of the CBRF.
- Royalty revenue deposited into the Permanent Fund beyond the 25% constitutional dedication, as well as a portion of the earnings of the Permanent Fund.
- Most revenue deposited into subfunds or subaccounts of the general fund. For example, 50% of alcoholic beverage tax revenue is designated for the Alcohol and Other Drug Abuse Treatment and Prevention Fund.

Current-Year Revenue Subject to Appropriation

FY 2023 actuals and FY 2024 – FY 2033 forecast

Millions of Dollars

	History		Forecast								
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Investment Revenue											
1 Unrestricted General Fund	3,458.3	3,616.6	3,745.0	3,847.8	3,979.8	3,964.8	4,024.8	4,090.8	4,192.8	4,299.8	4,410.8
2 Designated General Fund	78.4	-8.8	51.8	51.8	51.8	51.8	51.8	51.8	51.8	51.8	51.8
3 CBRF ¹	62.9	94.8	76.7	82.1	84.9	87.8	90.8	93.8	96.9	100.1	103.5
4 Subtotal Investment Revenue	3,599.6	3,702.6	3,873.5	3,981.7	4,116.5	4,104.4	4,167.4	4,236.4	4,341.5	4,451.7	4,566.1
Petroleum Revenue											
5 Unrestricted General Fund	3,119.4	2,414.4	2,078.2	1,935.7	1,950.1	2,003.4	1,944.1	1,867.6	1,854.6	1,986.5	2,100.9
6 Production Tax – Hazardous Release Surcharge	7.8	7.6	7.5	7.6	8.3	8.9	8.8	8.8	9.1	9.7	10.0
7 Royalties, Bonuses, Rents, and Interest to Permanent Fund	95.4	81.3	68.2	69.1	101.4	126.6	130.6	130.5	132.5	147.7	164.4
8 Tax and Royalty Settlements to CBRF ¹	196.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
9 Subtotal Petroleum Revenue	3,418.6	2,523.3	2,173.9	2,032.4	2,079.8	2,158.9	2,103.5	2,026.9	2,016.3	2,163.9	2,295.3
Non-Petroleum Revenue											
10 Unrestricted General Fund	466.3	454.5	485.2	518.8	547.9	568.1	577.3	592.8	605.1	613.1	621.2
11 Designated General Fund	489.8	482.0	495.2	498.1	502.2	503.2	504.0	504.8	505.7	506.7	507.8
12 Royalties, Bonuses, Rents, and Interest to Permanent Fund	3.3	3.6	3.8	4.0	4.2	4.3	4.3	4.3	4.3	4.3	4.3
13 Tax and Royalty Settlements to CBRF	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14 Subtotal Non-Petroleum Revenue	959.7	940.2	984.2	1,021.0	1,054.3	1,075.5	1,085.6	1,101.9	1,115.1	1,124.2	1,133.3
15 Total Revenue Subject to Appropriation	7,977.8	7,166.0	7,031.6	7,035.1	7,250.6	7,338.9	7,356.5	7,365.2	7,472.9	7,739.7	7,994.6

¹ CBRF earnings projections and balances reflect conservative estimates that do not incorporate potential amounts swept to the CBRF under Alaska Constitution Art. IX Sec. 17(d).

Note: FY 2024 investment projections use actual returns through October 31, 2023, and a projection for that fund's individual expected return profile for the remainder of the fiscal year. For the full fiscal year forecast, certain funds display a low or negative return based on this methodology.

The Permanent Fund and the Constitutional Budget Reserve Fund

Alaska receives investment earnings from a number of internal funds. Primary sources of investment revenue for the state are two constitutionally mandated funds – the Permanent Fund and the CBRF.

Created by voters in 1990, the CBRF receives proceeds from oil, gas, and mining tax and royalty settlements. The balance of the CBRF is available for appropriation for any purpose with a three-fourths vote of each body of the Legislature. This also applies to the amount of any investment earnings and tax and royalty settlement deposits to the CBRF.

The Earnings Reserve Account balance in the Permanent Fund is available for appropriation for any purpose with a majority vote of the Legislature. This is different from an appropriation of the Permanent Fund's principal balance, which would require an amendment to the Alaska Constitution.

For accounting purposes, the Permanent Fund is divided into two parts – principal (the non-spendable funds) and the Earnings Reserve (assigned funds). The Earnings Reserve contains both net realized income (or losses) from all the fund's investments and unrealized income (or losses) on assets in that portion of the Permanent Fund that are accounted for in the Earnings Reserve. Historically, a portion of the Earnings Reserve has been used to fund Permanent Fund dividends. Beginning in FY 2019, funds have been appropriated from the Earnings Reserve for both government spending and dividends.

Other Customarily Restricted Revenues

Because Alaska is dependent on taxes, royalties, fees, and other revenues that can be volatile, the State of Alaska has developed a framework of constitutionally and statutorily restricted revenue that is held in a variety of reserve funds. These funds provide short-term and long-term options to address cash flow mismatches and budgetary needs.

The Alaska Constitution provides that, with three exceptions, the proceeds of state taxes or licenses “shall not be dedicated to any special purpose.” The three exceptions are when dedication is required by the federal government for state participation in federal programs, any dedication that existed before statehood, and dedication of funds as provided for in the Alaska Constitution.

Many state revenues are classified as “customarily restricted,” meaning they are designated for a specific purpose, even though the Constitution does not allow a dedication of funds. This includes most revenue deposited into subfunds or subaccounts of the general fund. The State of Alaska has historically restricted these revenue sources based on customary or by statutory direction, even though neither of these structures limit the ability of a future Legislature to appropriate the revenue for any purpose. Statutory language typically suggests that revenue from a certain source “may be appropriated” by the Legislature for a specific purpose. Such revenue is nonetheless subject to annual appropriation, even if the State of Alaska by historical practice has followed customary restrictions.

Meeting State Obligations

Understanding the customary nature of many sources of restricted revenue is important, because the ability of the state to meet its obligations is not entirely reflected by the UGF category in budget documents. The state's ability to meet its obligations is provided by adjusting for customary restrictions and looking at all current-year revenues that are subject to appropriation for any purpose.

All revenues subject to appropriation for any purpose can be used by the Legislature to fund government services or obligations, including the use of funds in the CBRF and the Earnings Reserve of the Permanent Fund.

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Chapter 4

Investment Revenue

Introduction

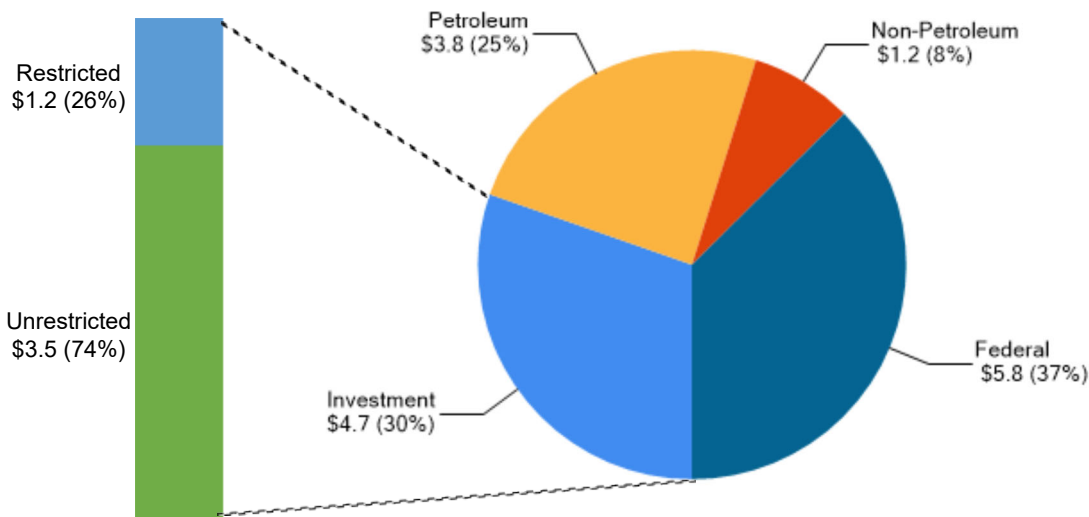
Over the past several years Alaska has transitioned from depending primarily on oil revenues to fund government, to also utilizing investments for a significant share of unrestricted general fund revenue. Alaska is now, at least partially, an “endowment” state, where a large percentage of revenues are generated by investment income and not by taxes. Alaska is the first state in the United States to achieve this status.



There are a number of investment themes that warrant policy-maker awareness, which include:

Chapter 4
A

FY 2023 Investment Revenue By restriction and type, in billions of dollars



Fiduciary Standard of Care

Alaska law imposes fiduciary duty, the highest standard of care, on anyone that who invests public funds. This includes the Commissioner of Revenue, the Alaska Retirement Management (ARM) Board members, and the Alaska Permanent Fund Corporation (APFC) Board of Trustees. By statute, fiduciaries of state funds shall apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to the fiduciary. Fiduciaries establish investment policy, diversify investments, review the performance of investment portfolios, and may utilize consultants, advisors, custodians, investment services, and legal counsel for assistance in these matters.

The ARM Board Trustees serve as fiduciaries of the state's retirement and benefits funds and is staffed by the Department of Revenue - Treasury Division. The Board consists of nine governor-appointed Trustees including the Commissioners of Administration and Revenue and seven trustees, who have staggered, four-year terms and are professionally credentialed or have recognized competence in investment management, finance, banking, economics, accounting, pension, administration, or actuarial analysis.

The APFC's Board of Trustees serve as fiduciaries of the Permanent Fund. The Board appoints the Corporation's Chief Executive Officer, who provides executive leadership and manages APFC in accordance with its established mission, goals, and strategic objectives. The Board is composed of six governor-appointed Trustees. Two of the members must be heads of principal departments of state government, one of whom shall be the Commissioner of Revenue. Four public members fill the remaining seats, who have staggered, four-year terms. The four public members of the Board must have recognized competence and wide experience in finance, investments, or other business management-related fields.

Investment Risk / Volatility

Investing prudently requires building portfolios that balance the ability to earn returns while managing a reasonable level of risk. Long-term changes in investment markets have created difficult choices for fiduciaries. From one year to the next, stock market values, fixed income yields, and expected future returns can and have all varied significantly. As a result, fiduciaries must carefully balance several types of risks in pursuit of target returns. Higher risk exposes investments to higher return volatility and potentially higher losses. However, lower risk exposure reduces the chances of achieving expected returns. Under a fiduciary standard of care, there is a fairly wide spectrum of responsible options. Vigorous governance and oversight help ensure appropriate investment decisions are taken. The funds are invested in a diversified portfolio of asset classes across multiple geographies.

Active vs. Passive Investment

Active investment seeks to outperform established market benchmarks through investment manager judgment and skill. It involves a deeper analysis and the expertise to know when to pivot into or out of a particular investment. Passive investment limits the amount of buying and selling within a portfolio and typically invests in a manner that replicates established markets.

Public vs. Private Markets

Historically, assets of state funds have been invested primarily in public markets, with most of the holdings being equity and fixed income investments that are widely followed and available to any investor. That said, some state investments have been allocated to private markets for over 30 years. In recent years, more investments have been made in private markets that are inaccessible through public securities exchanges. Private investments are characterized by long investment horizons and limited liquidity but bring increased diversification and the potential for superior returns. In general, public market investments come with higher liquidity and transparency. Private market investments tend to be less liquid and have higher investment costs and fees. However, over time, private market investments also tend to deliver higher net returns.

Investment Management Fees

All investments have a management cost associated with them, including passive investment funds. Over the past decade, investors have placed continual pressure on investment managers to reduce fees. Net returns on investments are equal to the gross or total return, less the cost of managing the investment and any profit sharing.

The impact of fees can make a considerable difference. Consider the experience of two identical \$50 billion investment funds. One fund earns a net 6.6% over 10 years. The other reduces its fees by 0.15% and so earns a net 6.75% over 10 years. The fee reduction is worth \$1.3 billion in additional income at the end of 10 years.

All Alaska funds are closely tracking and reporting on their investment management fees. Table 4-16 summarizes APFC's most recent fee report and Table 4-17 summarizes the Alaska Retirement Management Board's most recent fee report. All Alaska funds strive to reduce management fees by managing investments internally, where possible.

With well over \$100 billion in public assets under its management, Alaska is a sizable financial entity on a global scale. As a consequence, considerable staff expertise has been developed at the Department of Revenue and APFC and staff are available to brief policy makers on request.

Total Investment Revenue ¹

By restriction and category

		Millions of Dollars		
		History	Forecast	
		FY 2023	FY 2024	FY 2025
Unrestricted				
Unrestricted Investment Revenue				
1	Permanent Fund	3,360.6	3,526.0	3,657.2
2	Investments	97.7	90.6	87.8
3	Total Unrestricted Investment Revenue	3,458.3	3,616.6	3,745.0
Restricted				
Designated General Fund Revenue				
4	HEF	35.7	-7.8	22.8
5	Investments - Designated General Fund ²	6.5	5.6	4.5
6	PCE Endowment Fund	88.4	21.7	63.9
7	Public School Trust Fund	71.9	-14.4	47.3
8	Subtotal Designated General Fund	202.5	5.1	138.5
Other Restricted				
9	Permanent Fund Restricted earnings, net of General Fund Draw ³	921.2	-1,930.5	1,474.0
10	CBRF ⁴	62.9	94.8	76.7
11	Investments - Other Restricted	23.6	20.3	16.4
12	Subtotal Other Restricted Revenue	1,007.7	-1,815.4	1,567.1
13	Total Restricted Investment Revenue	1,210.2	-1,810.3	1,705.6
14	Total Investment Revenue	4,668.5	1,806.3	5,450.6

¹ Governmental Accounting Standards Board principles require the recognition of changes in the value of investments as income or losses at the end of each trading day, whether the investment is actually sold or not.

² Includes subfunds of the general fund.

³ While payouts are limited to realized earnings, both unrealized and realized earnings are shown per Generally Accepted Accounting Principles (GAAP). Restricted earnings starting in FY 2019 consist of unrealized earnings plus realized earnings, less the transfer to the general fund. Beginning with FY 2020, investment earnings of the Alaska Capital Income Fund are excluded from this number.

⁴ CBRF earnings projections and balances reflect conservative estimates that do not incorporate potential amounts swept to the CBRF under Alaska Constitution Art. IX Sec. 17(d).

Note: FY 2024 investment projections use actual returns through October 31, 2023, and a projection for that fund's individual expected return profile for the remainder of the fiscal year. For the full fiscal year forecast, certain funds display a low or negative return based on this methodology.

2023 Summary of Callan Associates, Inc. Long-term capital market projections

Asset Class	Benchmark for Asset Class	Projected Return: Ten-Year Geometric ¹	Projected Risk: Standard Deviation
Equities			
1 Broad U.S. Equity	Russell 3000	7.35%	18.05%
2 Large Cap U.S. Equity	S&P 500	7.25%	17.75%
3 Small / Mid Cap U.S. Equity	Russell 2500	7.45%	22.15%
4 Global ex-U.S. Equity	MSCI ACWI ex USA	7.45%	21.25%
5 Developed ex-U.S. Equity	MSCI World ex USA	7.25%	20.15%
6 Emerging Market Equity	MSCI Emerging Markets	7.45%	25.70%
Fixed Income			
7 Short Duration Gov't/Credit	Bloomberg Barclays 1-3 Yr G/C	3.80%	2.30%
8 Core U.S. Fixed	Bloomberg Barclays Aggregate	4.25%	4.10%
9 TIPS	Bloomberg Barclays TIPS	4.00%	5.30%
10 High Yield	Bloomberg Barclays High Yield	6.25%	11.75%
11 Global ex-U.S. Fixed	Bloomberg Barclays Gbl Agg xUSD	2.25%	9.80%
12 Emerging Market Sovereign Debt	EMBI Global Diversified	5.85%	10.65%
Other			
13 Core Real Estate	NCREIF ODCE	5.75%	14.20%
14 Private Equity	Cambridge Private Equity	8.50%	27.60%
15 Hedge Funds	Callan Hedge FOF Database	5.55%	8.45%
16 Commodities	Bloomberg Commodity	3.50%	18.00%
17 Cash Equivalents	90-Day T-Bill	2.75%	0.90%
18 Inflation	CPI-U	2.50%	1.60%

¹ Geometric returns are derived from arithmetic returns and associated risk (standard deviation).

Volatility in the world's financial markets makes focus on the "Projected Risk" column (far right in the table above) particularly appropriate. The numbers in the Projected Risk column represent a statistical measure called standard deviation, which is the most commonly used measure of risk in the investment world. The standard deviation is a measure of the dispersion of data around its mean. The analyst can use this measure of dispersion to provide a range of possible outcomes at any desired level of confidence. In the data on this table, the level of confidence is set at 68% or one standard deviation. A higher level of confidence would require a broader range. For example, Callan estimates an average annual return for the Core U.S. Fixed asset class of 4.25% and an projected risk for that asset class of 4.10%. That means Callan is forecasting that two-thirds of the time the annual return for the Core U.S. Fixed asset class will fall between 0.15% (the projected average annual return of 4.25% minus the projected risk of 4.10%) and 8.35% (the projected return plus the projected risk). A prediction at 95% confidence would run from -3.95% to 12.45%, too broad a range to be useful. The probability that a particular asset class or portfolio will have a negative return over a given period of time is another way to reflect the riskiness of that asset class or portfolio.

Overview

Investment revenue is one of the most significant components of total state revenue and one of the largest sources of unrestricted general fund revenue. Table 4-1 shows investment revenues for the most recent fiscal year and forecasts for the next two fiscal years. These forecasts are based on assumptions of projected returns and growth in the value of equities and other investments.

Forecasts and capital-market median returns are based on information given in the five- to 10-year capital-market returns projection, provided by the investment consultant, Callan Associates, Inc.

Table 4-2 shows a summary of Callan's long-term capital-market projections, as well as the benchmark against which performance for a specific asset class is measured in the state portfolios. The column titled "Projected Return" is the estimated annual rate of return. The numbers in the "Projected Risk" column represent a statistical measure called standard deviation, which is a commonly used measure of investment risk. The standard deviation is a measure of the dispersion of data around its mean.

The analyst can use the standard deviation to provide a range of possible outcomes at any desired level of confidence. With a bell-curve (normal) distribution, approximately 68% of the observed outcomes are expected to be one standard deviation from the mean. A greater level of confidence (for instance, 95%) would require a broader range (two standard deviations). The probability that a particular asset class or portfolio will have a negative return over a given period of time reflects the downside risk of the asset class or portfolio.

Unrestricted and Restricted Investment Revenue

“Unrestricted investment revenue” is earned on some of the funds invested through the general fund and other non-segregated investments (GeFONSI) pool. These funds are managed by the Department’s Treasury Division.

The Alaska Legislature adopted a protocol to appropriate a portion of the value of the Permanent Fund to the general fund beginning in FY 2019. The estimated amount of this appropriation is shown as unrestricted revenue. Additional information about the protocol and the enabling legislation, Senate Bill 26, can be found later in this chapter.

The Treasury Division invests general fund cash balances alongside cash balances from certain other funds in GeFONSI, a single investment pool. Income from GeFONSI are is primarily unrestricted revenue, but also includes some restricted revenue from balances in general fund subfunds and special revenue funds.

“Restricted investment revenue” consists of income (or losses) from several sources. As discussed in Chapter 3, some of this revenue, while considered “restricted” by convention or statute for budget purposes, are technically available for appropriation for any purpose. Specific sources of restricted investment revenue include:

- Numerous small government funds invested in the GeFONSI investment pool.
- The Constitutional Budget Reserve Fund (CBRF).
- The Power Cost Equalization (PCE) Endowment Fund.
- The Higher Education Fund (HEF).
- The Public School Trust Fund.
- Net income (or losses) of the Permanent Fund after subtracting the unrestricted portion appropriated to the general fund.

Not all investment revenue for funds managed by the state is included in this chapter. Examples of funds managed by the state and generating investment revenue but not included in this chapter include:

- Bond proceeds funds, the earnings of which are held for the purpose of the bond issuance and in some cases must be returned to the federal government.
- The Exxon Valdez Oil Spill Investment Fund, which holds settlement funds paid by Exxon after the Exxon Valdez oil spill.
- International airport funds, which were established prior to statehood and are used exclusively for the benefit of the state’s international airports.
- The Mental Health Trust Fund, which provides a dedicated funding stream for mental health programs through a separate budget from other state activities.
- The Mine Reclamation Trust Fund, which holds funds in trust for the purpose of reclaiming mine sites in the state.
- State employee and teacher retirement and health care funds, which are held in trust for the beneficiaries.
- The Student Loan Corporation Investment Fund, the earnings of which are returned to the Alaska Student Loan Corporation.

Note, investment revenue reported in this chapter includes both positive income as well as any investment losses attributable to the various funds.

General Fund Investment Pool Revenue

Non-segregated investments invested alongside general fund

		Millions of Dollars		
		History	Forecast	
		FY 2023	FY 2024	FY 2025
Unrestricted				
1	Unrestricted Investment Revenue	97.7	90.6	87.8
Restricted				
Restricted Investment Revenue				
2	Investments – Designated General Fund ¹	6.5	5.6	4.5
3	Investments – Other Restricted	23.6	20.3	16.4
4	Total	127.8	116.5	108.7

¹Includes subfunds of the general fund.

General Fund Investment Pool I

GeFONSI I Asset allocation and summary

Treasury Pool	Target Percentage Allocation	Performance Benchmark
1 Cash Equivalents	85%	90 Day T-Bill
2 Short Duration Govt / Credit	15%	Bloomberg Barclays U.S. 1-3 Year Govt/Credit Bond Index
3 Asset Balance: October 31, 2023	1,645.7	\$ Million
4 Expected Return	2.90%	FY 2024 Asset Allocation
5 Risk - Standard Deviation	0.93%	FY 2024 Asset Allocation

Note: GeFONSI is an acronym for general fund and other non-segregated investments.

General Fund Investment Pool II

GeFONSI II Asset allocation and summary

Treasury Pool	Target Percentage Allocation	Performance Benchmark
1 Cash Equivalents	61%	90 Day T-Bill
2 Short Duration Govt / Credit	33%	Bloomberg Barclays U.S. 1-3 Year Govt/Credit Bond Index
3 Broad U.S. Equity	4%	Russell 3000
4 International Equity	2%	MSCI ACWI ex-US
5 Asset Balance: October 31, 2023	1,690.4	\$ Million
6 Expected Return	3.45%	FY 2024 Asset Allocation
7 Risk - Standard Deviation	1.51%	FY 2024 Asset Allocation

Note: GeFONSI is an acronym for general fund and other non-segregated investments.

Constitutional Budget Reserve Fund

Asset allocation and summary

Treasury Pool	Target Percentage Allocation	Performance Benchmark
1 Cash Equivalents	100%	90 Day T-Bill
2 Regular Account Asset Balance: October 31, 2023	2,520.4	\$ Million
3 Expected Return	2.75%	FY 2024 Asset Allocation
4 Risk - Standard Deviation	0.90%	FY 2024 Asset Allocation

¹ This figure represents actual cash and securities in the fund as of the date given and does not represent the amount of the CBRF that can be appropriated.

Note: CBRF earnings projections and balances reflect conservative estimates that do not incorporate potential amounts swept to the CBRF under Alaska Constitution Art. IX Sec. 17(d).

Constitutional Budget Reserve Fund

The CBRF was established in 1990, when Alaskans voted to amend the Alaska Constitution to create a separate fund for money received from the resolution of disputes involving oil and gas and minerals taxes or royalties – both from the settlement of lawsuits as well as additional tax or royalty payments resulting from audits.

Before revenue from royalty, rent, and bonus settlements or judgments is deposited into the CBRF, 25% to 50% of that revenue goes into the Permanent Fund, and 0.5% goes to the Public School Trust Fund. The CBRF receives 100% of other revenue from resolution of oil and gas and minerals related disputes, generally resulting from settlement of oil and gas production tax, petroleum property tax, minerals-related corporate income tax, and mining license tax disputes and audits.

The CBRF was set up such that the Legislature may, under certain conditions, appropriate funds from the CBRF to pay for operating state government. The CBRF is also used to provide cash flow sufficiency to the general fund. If the amount available for appropriation for a fiscal year is less than the amount appropriated for the previous fiscal year, an appropriation may be made from the CBRF with a majority vote of the Legislature. However, the amount appropriated from the fund under this provision may not exceed the amount necessary, when added to other funds available for appropriation, to provide for total appropriations equal to the amount of appropriations made in the previous calendar year for the previous fiscal year. Otherwise, a three-quarters vote of the Legislature is required for appropriation of CBRF funds. In either case, these funds must eventually be repaid to the CBRF.

Constitutional Budget Reserve Fund Revenue

By restriction and source

	Millions of Dollars		
	History	Forecast ¹	
	FY 2023	FY 2024	FY 2025
Restricted			
1 Other – Restricted Investment Revenue	62.9	94.8	76.7

¹ Projected balances and earnings of the CBRF are subject to change over the forecast period. The balance of the CBRF is available for appropriation by vote of the Legislature subject to certain conditions.

Note: CBRF earnings projections and balances reflect conservative estimates that do not incorporate potential amounts swept to the CBRF under Alaska Constitution Art. IX Sec. 17(d).

Power Cost Equalization Endowment Fund

Asset allocation and summary

Treasury Pool	Target Percentage Allocation	Performance Benchmark
1 Stocks	34%	Multiple Strategies
2 Fixed Income	20%	Multiple Strategies
3 Real Estate	10%	Multiple Strategies
4 Private Equity & Growth Opportunities	16%	Multiple Strategies
5 Absolute Return Strategies	7%	Multiple Strategies
6 Private Income	9%	Multiple Strategies
7 Tactical Opportunities	2%	Multiple Strategies
8 Cash	2%	Multiple Strategies
9 PCE Endowment Fund Asset Balance: October 31, 2023	899.9	\$ million
10 Expected Rate of Return - Short-Term	7.45%	Callan's returns; FY 2024
11 Expected Rate of Return - Long-Term	7.20%	Callan's returns; FY 2025+
12 Risk - Standard Deviation	13.10%	Callan's returns

Power Cost Equalization Endowment Fund

By restriction and source

	Millions of Dollars		
	History	Forecast	
	FY 2023	FY 2024	FY 2025
Restricted			
Designated General Fund			
1 PCE Endowment Fund Total Investment Income (or loss)	88.4	21.7	63.9

Higher Education Fund

Asset allocation and summary

Treasury Pool	Target Percentage Allocation	Performance Benchmark
1 Broad U.S. Equity	39%	Russell 3000
2 Core U.S. Fixed Income	30%	Bloomberg Barclays Aggregate
3 International Equity	25%	MSCI ACWI ex-US
4 U.S. REITs	5%	FTSE NAREIT All Equity Index
5 Cash Equivalents	1%	90 Day T-Bill
6 HEF Asset Balance: October 31, 2023	348.1	\$ million
7 Expected Return	6.83%	FY2024 Asset Allocation
8 Risk - Standard Deviation	12.65%	FY2024 Asset Allocation

Higher Education Fund

By restriction and source

	Millions of Dollars		
	History	Forecast	
	FY 2023	FY 2024	FY 2025
Restricted			
Designated General Fund			
1 HEF Total Investment Income (or loss)	35.7	-7.8	22.8

Note: FY 2024 investment projections use actual returns through October 31, 2023, and a projection for that fund's individual expected return profile for the remainder of the fiscal year. For the full fiscal year forecast, certain funds display a low or negative return based on this methodology.

Chapter 4
12

Public School Trust Fund Asset allocation and summary

Treasury Pool	Target Percentage Allocation	Performance Benchmark
1 Broad U.S. Equity	39%	Russell 3000
2 Core U.S. Fixed Income	30%	Bloomberg Barclays Aggregate
3 International Equity	25%	MSCI ACWI ex-US
4 U.S. REITs	5%	FTSE NAREIT All Equity Index
5 Cash Equivalents	1%	90 Day T-Bill
6 Public School Fund Asset Balance: October 31, 2023	687.0	\$ million
7 Expected Return	6.83%	FY2024 Asset Allocation
8 Risk - Standard Deviation	12.65%	FY2024 Asset Allocation

Chapter 4
13

Public School Trust Fund By restriction and source

	Millions of Dollars		
	History	Forecast	
	FY 2023	FY 2024	FY 2025
Restricted			
Designated General Fund			
1 Public School Trust Fund Total Investment Income (or loss)	71.9	-14.4	47.3
2 Public School Trust Statutory Maximum Transfer Calculation ¹	32.1	33.9	35.8

¹ Reflects recommended spending level calculation for FY 2023-25.

Note: FY 2024 investment projections use actual returns through October 31, 2023, and a projection for that fund's individual expected return profile for the remainder of the fiscal year. For the full fiscal year forecast, certain funds display a low or negative return based on this methodology.

Statutory Budget Reserve Fund

The Statutory Budget Reserve Fund (SBRF) was established by the Legislature in 1986. This fund allows for state savings outside of the primary savings accounts (the Permanent Fund and the CBRF), with the fund balances and income available for appropriation for any purpose with a simple majority vote of the Legislature. As of the end of FY 2023, there was no balance in the SBRF and this forecast assumes no future balances. Given the minimal remaining balance and potential for supplemental appropriations from the fund, for the purpose of this forecast, the department assumed that no balance remains in the SBRF at the end of FY 2023. When applicable, the balance of the SBRF is invested alongside the General Fund as part of the GEFONSI II pool.

The Permanent Fund

The Permanent Fund receives a portion of state royalty revenue from oil, gas, and other minerals. Over the decades, this fund has grown to become a major asset of the state. The fund has supported the Permanent Fund Dividend program, direct payments for energy relief, and now supports general government operations as well.

Fund income (or losses) are estimated by applying Callan's five- to 10-year capital-market returns projection to the APFC's current asset allocation targets. Market fluctuations could result in the actual revenue being materially higher or lower than forecast.

The Legislature adopted a protocol to appropriate a portion of the value of the Permanent Fund to the general fund beginning in FY 2019. The remainder of the net income of the fund, after accounting for general fund appropriation, are shown as restricted investment revenue. The total revenue attributable to the Permanent Fund, per Governmental Accounting Standards Board principles, is the sum of these two categories. The total revenue includes both realized and unrealized income (or losses) of the fund.

Permanent Fund By restriction and source

	Millions of Dollars		
	History	Forecast	
	FY 2023	FY 2024	FY 2025
Unrestricted			
1 Permanent Fund Draw	3,360.6	3,526.0	3,657.2
Restricted			
Other Restricted			
2 Annual Unrealized Income (or loss)	1,790.5	-2,069.7	412.3
3 Annual Realized Income (or loss)	2,491.3	3,665.2	4,718.9
4 Reported Earnings, net of General Fund Draw ¹	921.2	-1,930.5	1,474.0
5 Reported Earnings	4,281.8	1,595.5	5,131.2

¹ Starting in FY 2019, Permanent Fund Restricted revenue is the total realized and unrealized earnings, less the transfer to the general fund.

Note: FY 2024 investment projections use actual returns through October 31, 2023, and a projection for that fund's individual expected return profile for the remainder of the fiscal year. For the full fiscal year forecast, certain funds display a low or negative return based on this methodology.

Permanent Fund Asset allocation and summary

	Target Percentage Allocation	Performance Benchmark
1 Stocks	34%	Multiple Strategies
2 Fixed Income	20%	Multiple Strategies
3 Real Estate	10%	Multiple Strategies
4 Private Equity & Growth Opportunities	16%	Multiple Strategies
5 Absolute Return Strategies	7%	Multiple Strategies
6 Infrastructure, Private Credit & Income Opportunities	9%	Multiple Strategies
7 Tactical Opportunities	2%	Multiple Strategies
8 Cash	2%	Multiple Strategies
9 Special Subaccount Balance: October 31, 2023	72,621.7	\$ Millions
10 Expected Rate of Return - Short-Term	7.45%	Callan's returns; FY 2024
11 Expected Rate of Return - Long-Term	7.20%	Callan's returns; FY 2025+

The Permanent Fund Percent of Market Value

During the 2018 legislative session, the Alaska Legislature passed Senate Bill 26 (SB 26), which created a Percent of Market Value (POMV) framework for using a portion of the earnings of the Permanent Fund to support government operations. The impetus for this change was several years of low oil prices that led to the near depletion of the CBRF, the state's primary savings account. Accessing the Permanent Fund in this way allowed policy-makers to continue providing government services while also largely avoiding new or increased taxes on Alaska residents and industry.

SB 26 provides for an annual appropriation from the Permanent Fund based on the POMV at the end of the fiscal year. To provide predictability and stability of the draw, the POMV is calculated on the average market value of the first five of the last six fiscal years. For example, the FY 2019 draw was based on the average ending market value in FY 2013 – FY 2017. For FY 2019, FY 2020, and FY 2021 5.25% of that POMV was appropriated to the general fund; for FY 2022 and beyond, the appropriation is 5.0%. Modern endowments are structured to preserve the inflation-adjusted value of the endowment fund indefinitely. Endowments accomplish this by limiting the annual distribution percentage to the real rate of return on the investments of the endowment (real rate of return = nominal rate of return – inflation). As long as the Permanent Fund's long-term market real returns exceed the amount of the POMV draw, the annual appropriation and the Permanent Fund itself should be sustainable over the long term. Comparison of the Permanent Fund's average real rates of return with the average POMV distribution rate should be a regular exercise to ensure long-term sustainability.

Below is background information to better understand ARM Board's and APFC's presentation of fees.

Permanent Fund Management Fees

By source, FY 2023

June 30, 2023

Total Fund Balance (\$ millions) 78,715
YTD Change in Total Fund Balance (Net of Transfers) (\$ millions) 4,335

Investment Management Fees

	Paid from Investments	Management Allocation	Operations Allocation	Total
1 Public Equity	1.9	53.8	2.3	57.9
2 Fixed Income	0.0	4.0	5.9	9.9
3 Absolute Return	94.0	0.3	0.8	95.1
4 Risk Party	0.9	0.1	0.2	1.1
5 Total Fund Cash	0.0	0.2	0.5	0.7
6 Private Equity & Special Opps	139.1	27.1	3.6	169.8
7 Infrastructure & Private Income	67.5	3.6	2.0	73.1
8 Real Estate	39.5	5.7	4.0	49.2
9 Total Fees by Source	342.9	94.8	19.2	456.8
10 Basis Points	44	12	2	58

Profit Sharing/Performance

	Paid from Investments	Paid from Investment Management Allocation	Paid from Operations Allocation	Total
11 Public Equity	0.0	49.2	0.0	49.2
12 Absolute Return	43.5	0.0	0.0	43.5
13 Private Equity & Special Opps	138.9	0.0	0.0	138.9
14 Infrastructure & Private Income	38.2	0.0	0.0	38.2
15 Real Estate	1.3	0.0	0.0	1.3
16 Total Profit Sharing by Source	221.9	49.2	0.0	271.1

Notes:

One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote percentage change.

Operating expenses related to Asset Allocation are spread across the asset classes.

All amounts presented, including fund balance and change net of transfers, consist of both Permanent Fund and Alaska Mental Health Trust combined.

Source: June 2023 Investment Management Fee Report, <https://apfc.org/report-archive/#>

Alaska Retirement Management Board Fees

By source, FY 2023

Report Date

June 30, 2023

Total Non-Participant Directed Balance (\$ millions)

31,519

Total Participant Directed Balance (\$ millions)

8,897

Non-Participant Directed Investment Management Fees (\$ millions)

	Paid from Investments	Management Allocation	Operations Allocation	Total
1 Broad Domestic Equity	0.0	2.1	1.8	3.9
2 Global Equity Ex-US	0.0	9.6	0.6	10.2
3 Fixed Income	0.0	4.6	1.5	6.1
4 Private Equity	50.3	7.9	1.0	59.2
5 Multi-Asset	10.8	4.3	0.6	15.7
6 Real Assets	24.5	0.4	0.9	25.8
7 Total Fees by Source	85.6	28.9	6.4	120.9
8 Basis Points	27.2	9.2	2.0	38.4

Participant Directed Investment Management Fees (\$ millions)

9 Participant Directed	-	10.1	0.5	10.6
10 Fees by Source	-	10.1	0.5	10.6
11 Basis Points	-	11.4	0.6	11.9

Total ARMB (Participant and Non-Participant Directed) Investment Management Fees (\$ millions)

12 Non-Participant Directed	85.6	28.9	6.5	121.0
13 Participant Directed	-	10.1	0.5	10.6
14 Total Fees by Source	85.6	39.0	7.0	131.6
15 Basis Points	21.0	9.6	1.7	32.6

Performance Incentive Fees

16 Fixed Income	-58.6	0.0	0.0	-58.6
17 Private Equity	8.3	0.0	0.0	8.3
18 Real Assets	4.8	0.0	0.0	4.8
19 Total Fees by Source	-45.4	0.0	0.0	-45.4

Note: The ARMB's investment consultant, Callan, produces investment returns that are already net of some of these fees. Total external management fees and internal operational costs for FY23 were 11.2 basis points (9.2 from Management Allocation and 2.0 from Operations Allocation) and these fees are not included in Callan's gross return calculations. However, the gross returns are already net of Fees Paid from Investments (27.2 basis points) and performance incentive fees. Performance incentive fees disclosed are accounted for on an accrual basis.

Investment Fee Definitions

Below is background information to better understand ARM Board's and APFC's presentation of fees.

FEES PAID FROM INVESTMENTS

External investment managers retain fees from the assets they are managing, which is netted against income before being distributed back to a Fund. This category includes underlying fund management fees incurred in the private equity, real estate, and absolute return portfolios.

FEES PAID FROM INVESTMENT MANAGEMENT ALLOCATION

These fees are billed to the funds for payment, are limited by an approved budget appropriation, and include fees for external investment management, custody, and other investment management costs.

FEES PAID FROM OPERATIONS ALLOCATION

This category of fees includes all operating expenses from an investment organization that are directly related to the management of investments. This category includes personal services, travel, contractual services, commodities, and equipment for all staff.

PROFIT SHARING/PERFORMANCE FEES

Performance fees are paid to an external manager after the invested assets have generated a return on investment above an agreed-upon hurdle rate. In a year in which there are relatively higher performance fees, this is usually a reflection of the assets performing above expectations.

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Chapter 5

Federal Revenue

General Discussion

Each year, the State of Alaska receives several billion dollars in federal funds, constituting a major portion of total state revenue. This federal funding is considered restricted revenue, as it is required to be used for the specific purposes for which the funds were provided such as road improvements, Medicaid payments, and aid to schools. Federal funds may require state matching funds or other contributions.

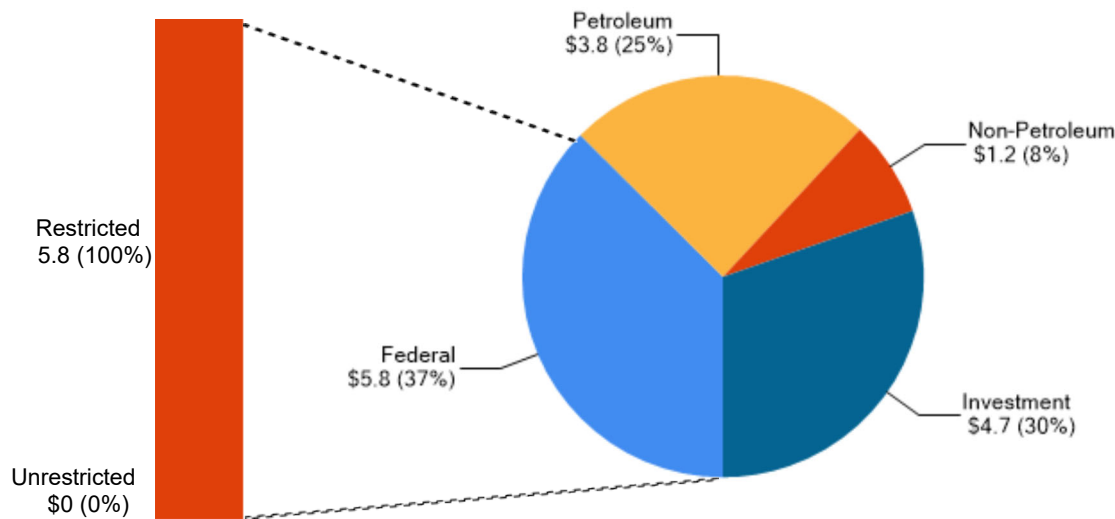


Federal funds are subject to state fiscal controls - Alaska requires federal receipts to be deposited into the treasury and appropriated in the same manner as other state money. The Alaska Legislature authorizes state agencies to receive and spend the federal funding. Given uncertainty at the time of appropriation of the exact amount of funding that will be available and to allow some flexibility in accepting funding, the Legislature often appropriates a high level of federal receipt authority and actual amounts received are historically lower.

The Revised Program Legislative (RPL) process provides a pathway for state agencies to expend unexpected increases in federal or other program receipts within existing appropriations enacted by the Legislature. This process is typically used when the Legislature is not in session and federal or other funds become available at a higher than anticipated level. For example, the RPL process was used for the influx of federal funding made available by congress for COVID-19 relief in 2020. Since the Legislature had already passed the budgets for fiscal years 2020 and 2021, the RPL process was used to accept this funding. Consistent with state budget protocol and past practice, the federal revenue forecast represents the total authorization or estimated total authorization. The actual revenue received is typically less than the forecast.

Chapter 5
A

FY 2023 Federal Revenue By restriction and type, in billions of dollars



Total Federal Revenue to the State

By restriction and category

		Millions of Dollars		
		History	Forecast	
		FY 2023	FY 2024	FY 2025
Unrestricted General Fund				
1	Federal Receipts	0.0	0.0	0.0
Restricted (Federal)				
2	Federal Receipts Authorization ¹	5,785.3	5,946.1	6,271.2
3	Total Federal Revenue	5,785.3	5,946.1	6,271.2

¹ This amount includes federal receipts other than Alaska's share of the royalties from the National Petroleum Reserve-Alaska, which are presented in Chapter 2 and Chapter 6.

Federal Funding Process

Federal funding to Alaska consists of both funds directly received by the state government as well as funds that flow into the state in other ways (such as military spending, social security payments, etc.). The federal revenue forecast only includes the federal funds received by state government and reflected in the budget.

Federal funds are provided to the state for its efforts in conducting congressionally authorized activities at the state level. Federal funding does not come as one large appropriation, rather there are hundreds of different grant programs that direct money to the state for everything from transportation to Medicaid to education. Most federal funds are received as grants that can be used only for specific purposes. Federal funds may be awarded to the state in a set amount or as part of an entitlement program with the amount determined by formula according to population or other criteria. Some grants require specific data collection activities or performance measures to receive funding. Some federal projects and grants may require a state financial commitment (state or local matching funds or in-kind contributions). Federal funding is often received as reimbursement for costs already incurred. All these programs and grants come with varying levels of stipulations around how the funds may be used at the state level; for this reason, all federal funding is reflected as restricted revenue in this RSB.

Revised Program Legislative Process

An RPL is a type of budget revision that is subject to review by the Legislative Budget and Audit Committee under AS 37.07.080(h). The RPL process allows for the increase of an appropriation item based on additional federal or other program receipts not specifically appropriated by the full Legislature. This process is initiated by the Governor, who submits the proposed increase to an existing appropriation to the Legislative Budget and Audit Committee for review and committee recommendation. If, after 45 days, the committee has not met to recommend the state take part in the federal or otherwise funded activity, the Governor is able to authorize the expenditure. Committee approval allows immediate expenditure of additional receipts that were not specifically appropriated by the Legislature. The RPL process is frequently used to authorize federal funds that were not anticipated during the regular budget development and legislative budget process. The RPL process cannot be used to increase general fund authority or create a new appropriation. In fiscal year 2024, the Legislature restricted the use of the RPL process to exclude receipt of additional designated program receipts or additional federal receipts received by the Alaska Gasline Development Corporation.

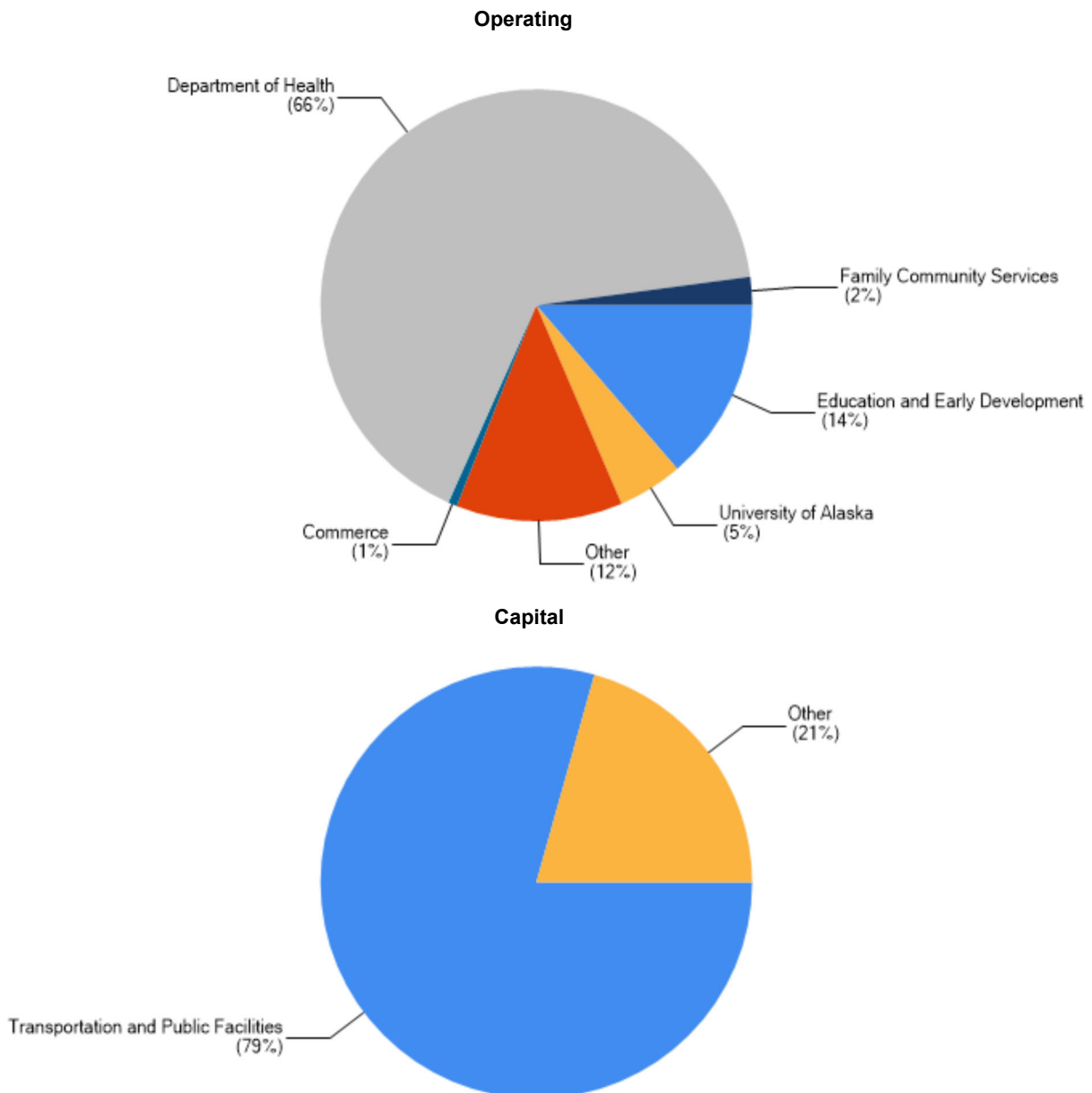
Distribution of Restricted Revenue

In recognition of the potential liabilities to the state associated with accepting federal funding, federal funds are subject to state fiscal controls; Alaska requires federal receipts to be deposited into the treasury and appropriated in the same manner as other state money. To accept and spend federal funds, the state must include that spending authority in the state budget for each impacted program or project. When the Legislature passes the budget, the exact amount of federal funding that will be received for the coming fiscal year is not known. To allow some flexibility to receive possible federal funds, the Legislature typically authorizes a higher level of authority in the budget for each program or project and actual amounts received are historically somewhat lower. By convention, the RSB also includes this higher level of funding in the forecast, for consistency with budget protocols. Actual federal revenue is typically less than forecasted due to this convention.

Federal funds support significant portions of both the operating budget and the capital budget. Typically, the Alaska Department of Health is the largest recipient of federal funds within the operating budget and the Alaska Department of Transportation and Public Facilities is the largest recipient of federal funds within the capital budget. Some of the funding for multi-year capital projects is received and spent in years following the appropriation year. Figure 5-B illustrates the allocation of federal funds the state was authorized to receive in the most recent fiscal year.

Chapter 5
B

FY 2023 Federal Revenue Allocation Revenue in operating and capital budgets, by recipient agency



Federal COVID-19 Funding

Since fiscal year 2020, the State of Alaska has received additional funding from the federal government as a result of multiple COVID relief bills. Some of these funds were “passed through” the state government, that is, they were ultimately sent to Alaska businesses, non-profits, and individuals with the state acting as a central distribution point. Several funding streams were also sent directly to non-state organizations such as through tribal assistance, small business loans, and assistance to higher education institutions outside of the University of Alaska System. Added together, federal funds coming to Alaska for COVID-19 totaled over \$24.7 billion as of November 30, 2023. Figure 5-C illustrates the various programs that received federal stimulus funds in Alaska. Note, not all provisions of the federal stimulus bills impacting the state came with funding attached; for example, the Families First Coronavirus Response Act (FFCRA) included requirements for private employers with under 500 employees and governments of all sizes to provide emergency paid sick and medical leave. While the FFCRA included tax credits to offset costs to private employers, it did not provide associated funding or tax credits to offset related costs to government employers.

Approximately \$7.4 billion of federal stimulus funding was received through the state’s budget. These funds fell into two categories: enhanced funding through existing state agency programs and discretionary funding to the state to support statewide relief efforts.

A unique provision specific to just over \$1 billion of the federal relief funds allowed the state to appropriate a portion of the funding to replace revenue lost due to COVID-19. This provision functionally allowed these funds to be appropriated toward any public purpose, just like unrestricted general fund revenue.

In the FY 2022 and FY 2023 budgets, a total of approximately \$750 million was appropriated as unrestricted revenue replacement, and in some reports produced by the OMB and Legislative Finance Division, these funds are depicted as unrestricted revenue for illustrative purposes. However, in this RSB, all federal funds are shown as restricted revenue in all years.

Enhanced funding for existing state agency programs totaled approximately \$5.1 billion as of November 30, 2023. These funds were allocated by the federal government and distributed directly to the impacted state agency programs. The enhanced funding streams in the fiscal relief bills impacted almost every state department. Some notable provisions of the federal funding included:

- Alaska Housing Finance Corporation Programs (\$357 million)
- Department of Transportation and Public Facilities Programs (\$872 million)
- Education Relief Programs (\$627 million)
- Enhanced federal funding match rate for Medicaid through 9/30/2022 (\$196 million)
- Health, Family, and Community Services Programs (\$1,382 million)
- Support to individuals unemployed as a result of the pandemic (\$1,016 million)

Discretionary funds provided to the state directly and then allocated by the state to various impacted stakeholders include coronavirus relief funds (CRF) and coronavirus state and local fiscal relief funds (CSLFRF), and CSLFRF capital project funds. Allocations of this funding stream were made for the following programs:

- Business/Industry Relief (\$435 million)
- Housing, Utility, and Food Assistance (\$23 million)
- Local Government Relief programs, including lost shared tax revenue replacements (\$664 million)
- Non-Profit Support including Domestic Violence and Sexual Assault Victim Services Grant Support (\$116 million)
- Other COVID-19 related programs (\$2 million)
- State budget appropriations to offset state revenue losses and COVID costs (\$955 million)
- Unemployment Trust Fund Deposit (\$67 million)

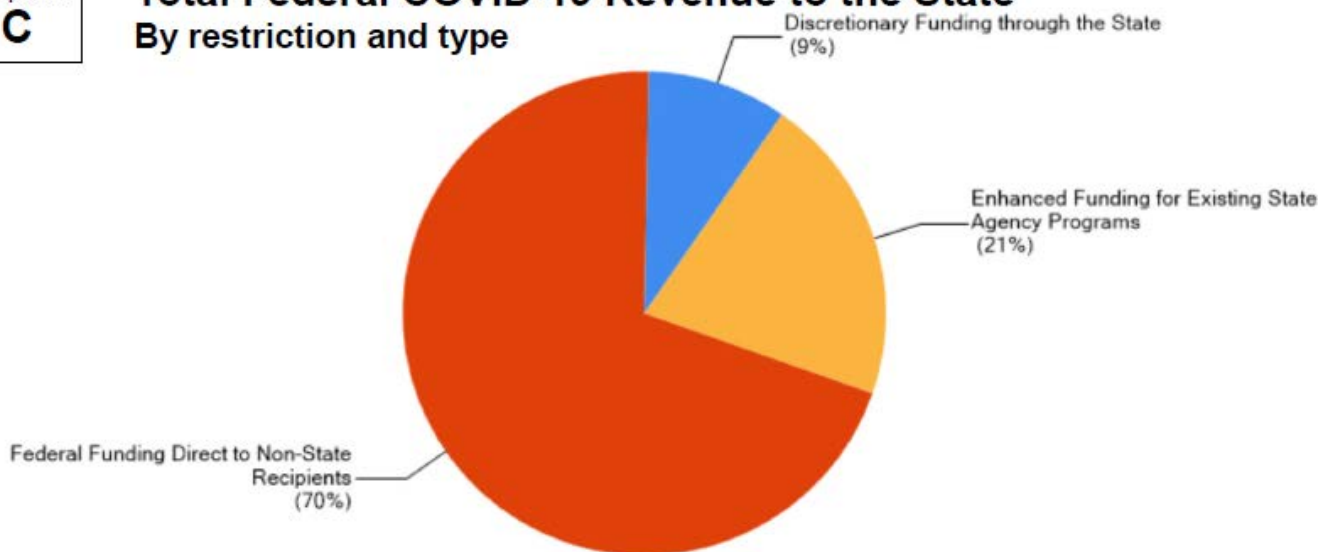
In addition to the two categories of funds mentioned above, approximately \$16 billion in stimulus funds flowed into the state without going through the state government. These included funding for Tribal relief programs, Business/Industry relief programs, Economic Impact Payments to individuals, Community relief programs, and various other relief programs.

¹ The bills are as follows: Coronavirus Preparedness and Response Supplemental Appropriations (CPRSA); Families First Coronavirus Response Act (FFCRA); Coronavirus Aid, Relief, and Economic Security (CARES) Act; Paycheck Protection Program and Health Care Enhancement Act (PPP); Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA); and American Rescue Plan Act (ARPA).

Total Federal COVID-19 Revenue to the State By restriction and type

	Category	% of Total Funding	Value (\$ millions)
1	Federal Funding through the State Budget	30.1%	7440.2
2	Discretionary Funding to the State	9.4%	2319.9
3	CARES Act Coronavirus Relief Fund (CRF)	5.1%	1250
4	ARPA Coronavirus State Fiscal Recovery Funds (First Tranche)	4.1%	1011.8
5	ARPA Coronavirus Local Fiscal Recovery Funds (smaller cities and census areas)	0.2%	58.1
6	Enhanced Funding for Existing State Agency Programs	20.7%	5,120.3
7	Pandemic Unemployment Compensation & Lost Wages Programs	4.1%	1,016.3
8	Department of Education & Early Development Programs	2.5%	627.2
9	Health, Family, and Community Services Programs (including Medicaid enhanced FMAP)	6.4%	1,577.7
10	Alaska Housing Finance Corporation Programs	1.4%	356.8
11	Department of Transportation and Public Facilities Programs	3.5%	871.9
12	Other	2.7%	670.4
13	Federal Funding Direct to Non-State Recipients	69.9%	17,289.8
14	Total	100.0%	24,730.1

Total Federal COVID-19 Revenue to the State By restriction and type



Federal Infrastructure Funding

The Infrastructure Investment and Jobs Act (IIJA), passed by Congress in November 2021, included \$550 billion in investments for transportation, water, power and energy, environmental remediation, public lands, broadband, and resilience. It is anticipated that Alaska could receive a total of nearly \$5 billion in funding over FY 2023-2027 as a result of this legislation, some of which would represent overall increases to state revenue from federal funding.

As of November 30, 2022, Alaska has received \$624 million in grants and contracts from IIJA. Of this, State of Alaska agencies have received \$372 million. Most of this funding, \$317 million, has been for Transportation programs and, more specifically, Highway Planning and Construction (\$308 million). However, the state also received funding for the State Energy Program, Pacific Coast Salmon Recovery, the National Dam Safety Program, Weatherization Assistance for Low-income Persons, the Energy Community Revitalization Program, USGS Research and Data Collection, Low-Income Home Energy Assistance and Cooperative Research and Training programs. While the state has applied for considerably more in IIJA funding, award announcements for those other funding opportunities are still pending.

For this forecast, federal projections developed in consultation with OMB include anticipated program increases from IIJA based primarily on federal program estimates by state. These include \$100 million for a new Broadband Equity, Access, and Deployment Program; \$40 million for the Village Safe Water program; and \$7 million for Alaska Energy Authority's State Energy Program, Energy Efficiency and Revolving Loan Fund, and Energy Auditor Training Grant Program. Additional state revenues from IIJA and timing of those receipts will be reviewed and updated in future forecasts.

Inflation Reduction Act

The Inflation Reduction Act (P.L. 117-18), passed by Congress in August 2022, provides \$369 billion to address climate-related issues by expanding tax credits for clean energy and electric vehicles, boosting energy efficiency, establishing a national climate bank, supporting climate-smart agriculture, supporting production of sustainable aviation fuel, reducing air pollution at ports, and more. Nearly three-quarters of the Inflation Reduction Act's climate change investment – \$270 billion – is delivered through tax incentives and will have no impact on the state's spending or federal revenue. As a result, the federal funds forecast only includes recently announced Home Energy Rebate program grants totaling \$74.5 million from the Inflation Reduction Act.

The federal tax incentives included in the Inflation Reduction Act could provide material support for some new projects in Alaska. For example, expanded tax credits for carbon sequestration projects could provide incentive for projects in Alaska that would otherwise not be viable. The department will continue to monitor these incentives for potential state revenue impacts.

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Chapter 6

Petroleum Revenue

General Discussion



The four major sources of state revenue from oil and gas production are production tax, royalties, property tax, and corporate income tax. This chapter describes each of these sources, as well as key variables that influence these revenue sources.

Production tax (the state's severance tax for oil and gas) is levied on a producer when the resource is severed (or extracted) from land in Alaska. Royalties are payments to the owners of the land and represent a percentage of production. Property tax is collected as a percentage of the value of taxable oil and gas property in the state. Corporate income tax is levied on oil and gas C-corporations as a percentage of their worldwide net income apportioned to Alaska.

Revenue from oil and gas is unrestricted, with four exceptions:

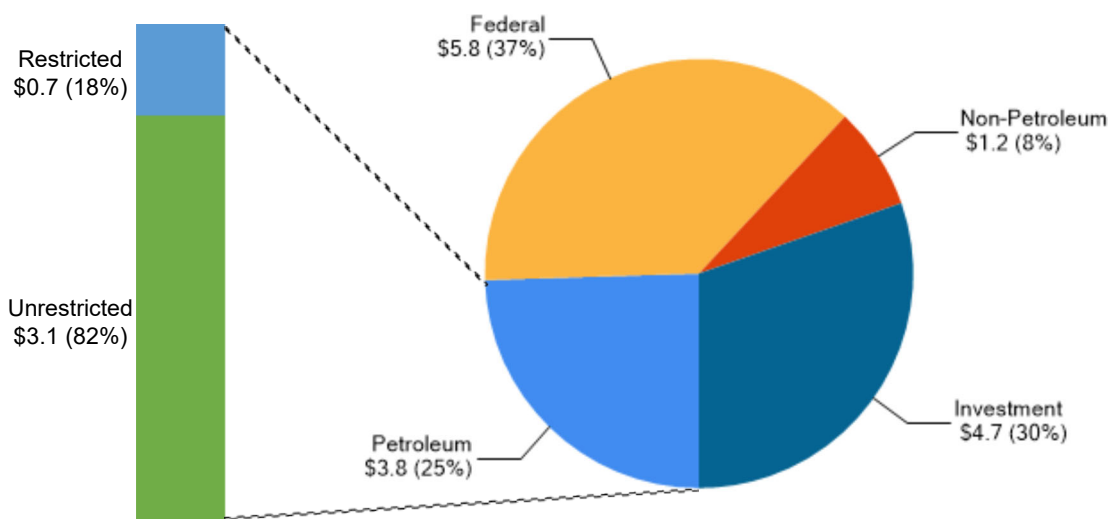
- The Alaska Constitution requires that 25% of royalty revenue be deposited into the Permanent Fund. Alaska Statute 37.13.010(a) refers to 50% of royalty revenue from mineral leases issued after December 1, 1979, being deposited into the Permanent Fund. This additional amount is subject to appropriation from the general fund but is shown as restricted in this forecast. Additionally, the Public School Trust Fund receives 0.5% of royalty revenue.
- Payments received from the federal government representing a share of the bonuses, rents, and royalties derived from federal oil and gas leases in the National Petroleum Reserve-Alaska (NPR-A) are deposited into an NPR-A special revenue fund.
- Payments received from settlements of tax and royalty disputes between the state and producers are deposited into the Constitutional Budget Reserve Fund (CBRF), after accounting for any applicable share of royalty settlements deposited into the Permanent Fund and Public School Trust Fund.
- Revenue collected under the production tax as a hazardous release surcharge is considered designated general fund revenue starting in FY 2022. This revenue of up to \$0.05 per barrel of taxable oil is collected and customarily appropriated to the Oil and Hazardous Substance Release Prevention and Response Fund.

Table 6-1 shows both unrestricted and restricted petroleum revenue collected from each source for the most recent fiscal year and forecasts for the next two fiscal years. Table 6-2 shows the 10-year forecast of unrestricted revenue from these sources.

Chapter 6
A

FY 2023 Petroleum Revenue

By restriction and type, in billions of dollars



Total Petroleum Revenue

By restriction and type

	Millions of Dollars		
	History	Forecast	
	FY 2023	FY 2024	FY 2025
Unrestricted Petroleum Revenue			
1 Petroleum Property Tax	128.8	127.1	128.2
2 Petroleum Corporate Income Tax	312.4	240.0	300.0
3 Oil and Gas Production Tax	1,490.9	937.6	642.4
4 Royalties (including bonuses, rents, and interest)	1,187.4	1,109.7	1,007.5
5 Total Unrestricted Petroleum Revenue	3,119.4	2,414.4	2,078.2
Restricted Petroleum Revenue			
Designated General Fund			
6 Production Tax – Hazardous Release Surcharge	7.8	7.6	7.5
7 Royalties, Bonuses, and Rents to the Permanent Fund	95.4	81.3	68.2
8 Subtotal Designated Restricted	103.2	88.9	75.7
Other Restricted			
9 Royalties, Bonuses, and Rents to the Permanent Fund	403.4	399.7	361.0
10 Royalties, Bonuses, and Rents to the Public School Trust Fund	8.6	8.0	7.2
11 Tax and Royalty Settlements to CBRF	196.0	20.0	20.0
12 Subtotal Other Restricted	608.0	427.6	388.2
Federal			
13 NPR-A Royalties, Rents, and Bonuses ¹	41.5	29.1	19.9
14 Total Restricted Petroleum Revenue	752.7	545.7	483.8
15 Total Petroleum Revenue	3,872.1	2,960.1	2,562.0

¹ Amounts shown here reflect when the state receives the state's share of revenue and not when those revenues are disbursed as grants to municipalities.

Production Tax

Oil and gas produced and sold from lands within Alaska are subject to a severance tax as the resources leave the land. This severance tax is commonly referred to as the "production tax." The production tax applies to oil and gas produced from any area within the boundaries of the state, including lands that are owned by the State of Alaska, the federal government (like NPR-A), or private parties, such as Native corporations. State ownership of submerged lands extends three nautical miles from the shore. Production tax applies only to oil and gas that the producer sells. It excludes state royalties, gas used in lease operations or flared for safety reasons, and any production that is reinjected into a reservoir.

In 2013, the Alaska Legislature passed Senate Bill 21, which is the existing production tax regime applicable to oil and gas production in the state. Adjustments and refinements to the production tax regime were made in both 2016 with House Bill 247 and in 2017 with House Bill 111. Table 6-3 lists the major provisions of the production tax as they exist in current law. The following narrative describes the current production tax system for various areas of the state and types of production.

Unrestricted Petroleum Revenue

FY 2023 actuals and FY 2024 – FY 2033 forecast

Millions of Dollars

	History		Forecast								
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
1 Petroleum Property Tax	128.8	127.1	128.2	130.1	132.0	133.6	134.9	135.9	136.4	136.8	137.1
2 Petroleum Corporate Income Tax	312.4	240.0	300.0	290.0	280.0	280.0	280.0	280.0	280.0	285.0	295.0
3 Oil and Gas Production Tax	1,490.9	937.6	642.4	540.7	527.5	558.5	512.5	456.1	432.6	490.9	558.1
4 Royalties-Net ¹	1,187.4	1,109.7	1,007.5	974.9	1,010.6	1,031.3	1,016.7	995.6	1,005.5	1,073.8	1,110.7
5 Total Unrestricted Petroleum Revenue	3,119.4	2,414.4	2,078.2	1,935.7	1,950.1	2,003.4	1,944.1	1,867.6	1,854.6	1,986.5	2,100.9
6 Change from Prior Period	-361.4	-705.1	-336.2	-142.5	14.4	53.4	-59.4	-76.5	-13.0	131.9	114.3
7 Percent Change from Prior Period	-10.4%	-22.6%	-13.9%	-6.9%	0.8%	2.7%	-3.0%	-3.9%	-0.7%	7.1%	5.8%

¹Includes bonuses, rents, and interest.

Production Tax, Overview of Current Law

Key provisions under Senate Bill 21¹

NORTH SLOPE

Provision	Current Law
Base Tax Rate – Oil (applied to PTV)	35%
Minimum Tax Floor (applied to GVPP)	Up to 4%. 4% rate applies when the Alaska North Slope price is more than \$25/ barrel. Some credits can apply against the minimum tax floor.
Gross Value Reduction	20% or 30% of gross value excluded from the tax calculation; limited to first seven years of production; benefit ends early if the average ANS price exceeds \$70 for any three years. For qualifying fields that began production prior to January 1, 2017, benefit ends January 1, 2023 or after three years of ANS price exceeding \$70.
Per-Taxable-Barrel Credit for Non-GVR Production	Sliding scale \$0/barrel to \$8/barrel. \$8 credit applies when wellhead price is less than \$80/barrel. Cannot apply against the minimum tax floor.
Per-Taxable-Barrel Credit for GVR Production	\$5/barrel, no sliding scale. Can apply against the minimum tax floor.
True-Up of Per-Taxable-Barrel Credit	Unused Per-Taxable-Barrel Credits can be used to offset tax liability in other months of the calendar year.
Net Operating Loss Credit	Repealed January 1, 2018.
Lease Expenditures Carry-forward	Beginning January 1, 2018, a company may carry forward lease expenditures not deducted against tax and may apply in a future year to reduce liability before application of tax credits to the minimum tax floor, contingent on the production from the area earned. Carry-forwards reduce in value by one-tenth each year beginning in the eighth or 11th year after earned.

COOK INLET

Provision	Current Law
Base Tax Rate – Oil (applied to PTV)	35%
Tax Ceiling – Oil	\$1/barrel, permanent tax ceiling.
Tax Ceiling – Gas	Varies by field for fields in production prior to April 1, 2006, 17.7 cents/thousand cubic feet (mcf) for fields that began production after March 31, 2006, permanent tax ceiling.
Qualified Capital Expenditure Credit	Repealed January 1, 2018.
Well Lease Expenditure Credit	Repealed January 1, 2018.
Net Operating Loss Credit	Repealed January 1, 2018.

MIDDLE EARTH

Provision	SB 21*
Base Tax Rate – Oil (applied to PTV)	35%
Tax Ceiling	4% of gross value for the first seven years of production if production begins before 2027.
Capital/Well Lease Expenditure Credits	Credits maintained at 2017 rates (10% QCE, 20% WLE).
Net Operating Loss Credit	Repealed January 1, 2018.
Lease Expenditures Carry-forward	Beginning January 1, 2018, a company may carry forward lease expenditures not deducted against tax and may apply in a future year to reduce liability before application of tax credits to the minimum tax floor, contingent on the production from the area earned. Carry-forwards reduce in value by one-tenth each year beginning in the eighth or 11th year after earned.
Exploration Tax Credits	30% or 40% for qualifying exploration, expires January 1, 2022, does not apply to seismic after January 1, 2018. Credits can be applied against a company's own corporate tax liability.

STATEWIDE / OTHER

Provision	Current Law
Base Tax Rate – Gas	Effective January 1, 2022, the tax on gas is 13% of GVPP statewide, before application of any tax ceilings. For fields that produce both oil and gas, all lease expenditures are deducted against the oil tax calculation effective January 1, 2022.
Tax Ceiling for “Gas Used in State”	Qualifying gas is taxed at Cook Inlet rate, for production that started after March 31, 2006, permanent tax ceiling.
Interest Rate on Delinquent Taxes	5.25% above the Federal Reserve discount rate, compounded quarterly, for all tax types, after December 31, 2017.
Credits for Tax-Exempt Entities	Credits earned only for lease expenditures subject to tax.
Small-Producer Credits	Up to \$12 million per company for first nine years of production, can apply against the minimum tax floor; must begin production before May 1, 2016.
Phase-Out of Oil and Gas Tax Credit Fund	No eligibility for state purchase for any credits earned after July 1, 2017, except for refinery and LNG storage credits to be purchased by direct appropriation.

¹ Current law reflects Senate Bill 21 provisions after changes made in 2016 with House Bill 247 and changes made in 2017 with HB 111. Current law also reflects delayed provisions that took effect January 1, 2022 that were implemented in 2014 with Senate Bill 138 changing natural gas taxation provisions and allocation of lease expenditures between oil and gas.

ANS Oil and Gas Production Tax Data Summary

	History	Forecast	
	FY 2023	FY 2024	FY 2025
North Slope Price (dollars per barrel)			
1 ANS West Coast	86.63	82.39	76.00
2 Transportation Costs and Other	9.61	10.75	10.75
3 ANS Wellhead	77.02	71.64	65.25
North Slope Production ¹ (thousand barrels per day)			
4 Total ANS Production	479.4	470.3	463.8
5 Royalty and Federal ²	61.5	62.5	60.8
6 Taxable Barrels	417.9	407.8	403.0
North Slope Lease Expenditures ^{3,4} (millions of dollars)			
Allowable North Slope Lease Expenditures			
7 Operating Expenditures [OPEX]	2,640.3	2,783.0	2,876.4
8 Capital Expenditures [CAPEX]	2,298.4	3,394.1	4,027.7
9 Total Allowable North Slope Expenditures	4,938.8	6,177.1	6,904.1
Deductible North Slope Lease Expenditures			
10 Operating Expenditures [OPEX]	2,260.2	2,706.5	2,804.2
11 Capital Expenditures [CAPEX]	1,967.5	2,323.2	2,988.6
12 Total Deductible North Slope Expenditures	4,227.7	5,029.7	5,792.9
State Production Tax Revenue ⁵			
13 Tax Revenue (millions of dollars)	1,498.7	945.2	649.9
14 Production Tax Collected per Taxable Barrel (dollars per barrel)	9.80	6.30	4.40
Statewide Production Tax Credits ^{3,6} (millions of dollars)			
15 Credits Used against Tax Liability	944.2	1,037.1	681.9
16 Credits Purchased by the State	304.7	48.2	0.0

¹ Shipments of natural gas liquids (NGLs) from Prudhoe Bay to Kuparuk for use in large-scale enhanced oil recovery are excluded from historical data. These shipments ceased in August 2021 and are not expected to occur in future.

² Royalty and Federal barrels represent the Department of Revenue's best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, and barrels produced from federal offshore property.

³ Historical lease expenditures and credits used against tax liability were prepared using unaudited company-reported estimates.

⁴ Expenditure forecasts are compiled from company submitted estimates and other documentation as provided to DOR. Expenditures are shown in two ways: (1) total estimated allowable expenditures for all companies on the North Slope; and (2) estimated "deductible expenditures" defined for purposes of this analysis as the amount of total allowable expenditures for each company that does not exceed their gross value at point of production. Note that for producers with a net operating loss, only a portion of expenditures will be counted in the "deductible expenditures" category.

⁵ Production tax is calculated on a company-specific basis, therefore the aggregated data reported here will not generate the total tax revenue shown. For an illustration of the tax calculation, see Appendix E.

⁶ Production tax credits shown include all production tax credits from all areas of the state. Assumptions for the Small-Producer Credit are included in the table. Per-Taxable-Barrel Credits for oil not eligible for the gross value reduction may not reduce a producer's liability below the minimum tax floor; that limitation is reflected in these estimates.

North Slope

For North Slope oil and gas (gas shipped and sold outside the state), the tax uses the concept of "production tax value" (PTV), which is the gross value at the point of production minus allowable lease expenditures. PTV is similar in concept to net profit, but different in that all allowable lease expenditures can be deducted in the year incurred; that is, capital expenditures are not subject to a depreciation schedule. The production tax rate is 35% of PTV with a minimum tax floor calculation of 0% to 4% of gross value. The 4% minimum tax floor applies when average Alaska North Slope (ANS) oil prices for the year exceed \$25 per barrel. Lower rates apply if the yearly average ANS price is below \$25 per barrel.

Several tax credits and other mechanisms are available for North Slope oil producers to incentivize additional investment. A sliding scale Per-Taxable-Barrel Credit is available, which is progressively reduced from \$8 per barrel to \$0 as wellhead value increases from \$80 per barrel to \$150 per barrel. A company that chooses to take this credit may not apply it or any other tax credits to reduce the tax paid below the gross minimum tax floor.

An additional incentive applies for qualifying new production areas on the North Slope. The gross value reduction (GVR) allows a company to exclude 20% or 30% of the gross value for that production from the tax calculation. Qualifying production includes areas surrounding a currently producing area that may not be otherwise commercial to develop, as well as certain new oil pools. Oil that qualifies for this GVR receives a flat \$5 Per-Taxable-Barrel Credit rather than the sliding scale credit available for most other North Slope production. As a further incentive, this \$5 Per-Taxable-Barrel Credit can be applied to reduce tax liability below the minimum tax floor assuming that the producer does not seek to apply any sliding scale credit. The GVR is only available for the first seven years of production and ends early if ANS prices exceed \$70 per barrel for any three years.

Effective January 1, 2022, for North Slope gas, the tax rate changed to 13% of the gross value at the point of production. This tax rate would apply to a major gas export project. For gas used in state, this tax is limited to a maximum value of 17.7 cents per 1,000 cubic feet. Senate Bill 138, passed in 2014, allows for the state to accept payment of this 13% gross tax as gas in-kind if the Department of Natural Resources approves royalty in kind per AS 38.05.182. Until December 31, 2021, North Slope gas used in state was taxed at 35% of PTV and limited to a maximum value of 17.7 cents per 1,000 cubic feet.

A company may carry forward 100% of allowable lease expenditures not applied against tax as a carried-forward annual loss and may apply all or part in a future year. A carried-forward annual loss may reduce tax before application of tax credits to the minimum tax floor and can only be used after the start of regular production from the area in which the expenditures were incurred. This provision is known as “ring fencing” of the loss. An unused carried-forward annual loss will reduce in value by one-tenth each year beginning in the eighth or 11th year after it is earned, depending on whether the carried-forward annual loss was earned from a producing or non-producing area.

Cook Inlet

Cook Inlet oil production is officially subject to the same tax rate of 35% of PTV. However, the tax is limited by statute to a maximum or ceiling of \$1.00 per barrel.

For Cook Inlet gas production, effective January 1, 2022, the tax rate changed to 13% of the gross value at point of production. Until December 31, 2021, Cook Inlet gas was subject to the 35% of PTV tax rate. Both before and after the tax change, the tax is limited to a maximum value or ceiling which varies by field.

Note that in Cook Inlet, the “tax ceiling” for gas production varies by field. For fields in production prior to April 1, 2006, the tax ceiling is based on the average gross tax rate for the 12 months ending March 31, 2006. For fields that began production after April 1, 2006, the tax ceiling is equal to 17.7 cents per 1,000 cubic feet, which was the basin-wide average gross tax rate for the 12 months ending March 31, 2006.

Middle Earth

Areas outside the North Slope and Cook Inlet are commonly referred to as “Middle Earth.” Middle Earth currently has no commercial production of oil or gas and has a relatively small amount of exploration activity.

A 10% Qualified Capital Expenditure Credit and 20% Well Lease Expenditure Credit are available as incentives for activity in Middle Earth. Additionally, Middle Earth has a carried-forward annual loss provision similar to the North Slope.

Should oil or gas be produced from Middle Earth, it would nominally be subject to the statewide tax rate of 35% of PTV. However, a tax ceiling of 4% of gross value would apply for the first seven years of production, provided production begins prior to January 1, 2027.

Other Provisions

For fields that produce both oil and gas, all lease expenditures are deducted against the oil tax calculation effective January 1, 2022. Previously, lease expenditures were allocated between oil and gas based on BTU-equivalent barrels of production. This provision applies to all areas of the state.

A Small-Producer Credit of up to \$12 million per company is available for certain companies statewide, but it is gradually being phased out. The credit expired on either December 31, 2016, or the ninth calendar year after production started, if production started before May 1, 2016. New companies, therefore, are not eligible to take the credit.

For oil and gas produced from private lands across the state, Alaska levies a production tax on the value of private landowner royalty interest in the amount of 5% of gross value for oil and 1.667% for gas. Tax credits cannot be used to offset this portion of the tax.

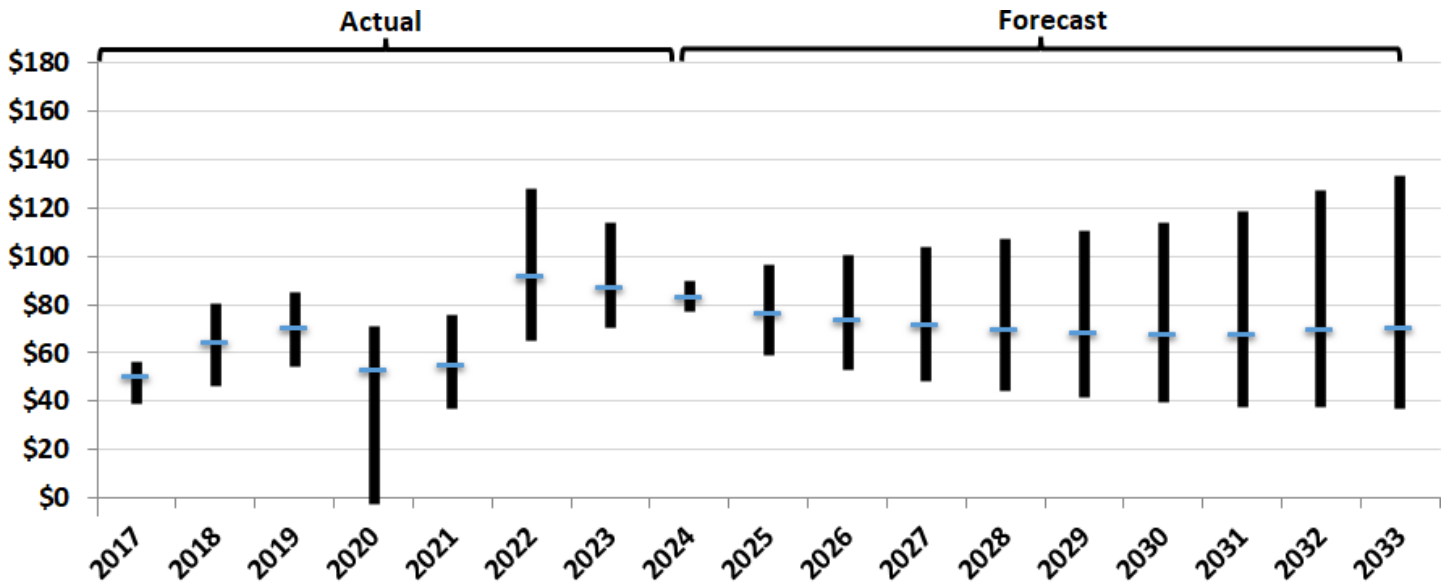
The production tax includes several other nuances and provisions beyond the brief description provided here. For more information about the various tax credits, see Chapter 8.

Revenue from production tax is estimated on a company-specific basis by forecasting the components used in the tax calculation, then subtracting estimated tax credits. Under a net production tax regime, these components include oil prices, transportation costs, production costs, and production volumes for each field.

Chapter 6
B

ANS West Coast Price Per Barrel

Actual price fluctuation and official Fall 2023 forecast spread



Note: Bars in the actual timeframe represent the range of daily prices over the fiscal year. Bars in the forecast timeframe represent 25th and 75th percentiles of likelihood estimated based on futures market implied volatility.

Crude Oil Prices

The future price of crude oil is one of the most sensitive variables in the revenue forecast and is also prone to uncertainty and volatility. As a price-taker in the global market, Alaska cannot exert any significant pressure on the future price of oil by altering its level of production. Rather, oil prices are determined on a global basis, reflecting fluctuations in supply and demand.

A 10-year forecast of ANS oil prices, along with the inferred wellhead values, can be found in Table 6-5. Appendix B includes a 10-year history and a 10-year forecast of these values, as well as comparisons to the prior revenue forecast.

The department made a change to how oil prices are forecast in 2021. Previously, the oil price forecast was derived based on two years of futures market projections for Brent crude followed by an assumption that prices would increase with inflation thereafter. Beginning with the Fall 2021 forecast, the oil price forecast utilizes futures market projections for as many years as are available followed by an assumption that prices will increase with inflation thereafter. This change was made in an effort to provide a more accurate projection of oil prices and thus state revenue over the medium and long term. Brent is used because it is a widely followed global benchmark crude that is typically priced similarly to ANS crude. If ANS is trading as a higher or lower price than Brent when the forecast is made, the convention is to assume that the recent premium or discount will gradually reduce to zero over the course of the current fiscal year.

Transportation Charges and Other Production Costs

The value of ANS crude oil at the wellhead is calculated by subtracting transportation costs from the sales price or the prevailing value at the point of delivery. Transportation components include marine costs, the Trans-Alaska Pipeline System (TAPS) tariff, feeder pipeline tariffs, quality bank adjustments, and other adjustments. The values used in this netback calculation are shown in Table 6-5.

Marine Transportation Costs

Oil production from the North Slope is delivered through TAPS to Valdez, Alaska, where it is stored and loaded onto tankers for shipment primarily to the West Coast (Washington, California, and Hawaii) and Alaska's Kenai Peninsula. While the West Coast remains the primary market for ANS, in some instances, it is shipped to other locations including Asia.

For tax purposes, companies are allowed to deduct the total costs under the charter or contract for shipping oil and certain other allowable costs borne by the shipper. For crude oil shipped on tankers that are owned or effectively owned by the producer of the transported oil, which is frequently the case, allowable marine costs are depreciation, return on investment, fuel, wages and benefits, routine maintenance, tug and pilotage fees, and dry-docking costs. Marine costs can be broadly categorized as capital, fuel, and labor with each category accounting for roughly one-third of the total.

Pipeline Tariffs

Oil produced on the North Slope of Alaska is shipped down TAPS, an 800-mile, 48-inch oil pipeline from the North Slope to Valdez. Tariff rates on TAPS and other pipelines in the state are regulated to prevent carriers from exerting undue market power. The Regulatory Commission of Alaska (RCA) regulates intrastate rates, and the Federal Energy Regulatory Commission (FERC) regulates interstate rates. FERC has established generic principles for oil pipelines to use a cost-of-service method for determining tariffs charged to transport oil.

With a cost-of-service method, rates are designed around what it costs a pipeline company to provide the service and have an opportunity to earn a reasonable rate of return on its investment. Major components are operation and maintenance expenses, depreciation, income taxes, cost of debt, and rate of return.

To forecast TAPS tariffs, the department projects cost-of-service components and sums them for each year to estimate the total cost of service or the total revenue required to operate the pipeline. This estimated total revenue requirement is divided by volume to calculate the average cost per barrel. The ratio is sensitive to the production profile and suggests that if production declines over time, the tariff will increase as costs are spread over fewer barrels of production.

Feeder pipelines are pipelines separate from TAPS that move crude oil produced from the various North Slope oil fields to Pump Station No. 1 at the northern terminus of TAPS. Shippers on these "jurisdictional pipelines" pay a tariff that covers pipeline operations costs and provides a reasonable rate of return.

Lease Expenditures

Due to the deductibility of costs in the production tax equation, the department must forecast allowable lease expenditures in addition to oil prices, production, and transportation costs. Lease expenditures are defined as the upstream costs that are directly related to exploring for, developing, or producing oil or gas.

The department receives information about lease expenditures on annual tax returns and monthly information filings from oil and gas companies operating in the state. Semi-annually, the department also receives projections of lease expenditures for each unit for up to five years in the future. These reports are provided by the operators of the properties and are a major component of the allowable lease expenditure portion of the revenue forecast.

In general, capital expenditures represent company investment in new developments that are included in the production forecast. "Major" field maintenance is also reflected as a capital expenditure. Once new developments begin production, the ongoing costs of operating the fields are reflected as operating expenditures.

It should be noted that spending estimates are subject to many uncertainties, including oil prices, and the ability of projects to obtain final company approval, and financing. Many new developments included in the production forecast are included on a "riskied" basis, meaning they are only partially counted in the forecast based on a probability of occurring within the 10-year time horizon. Any associated costs for those fields are also included on a "riskied" basis, using similar risk factors. Also, expenditures for developing potential discoveries from some of the exploration taking place in the state are not yet included in the forecast, and will not be until those developments meet the thresholds for inclusion in the production forecast.

The department reports lease expenditures in two ways. "Allowable lease expenditures" are specifically defined in statute and regulations and dictate what can and cannot be applied in tax calculations. Certain expenses incurred by producers fall outside this definition and are not tracked or reported by the department. Another term, "deductible lease expenditures," is not defined in statute or regulation, but rather is a term of art used to describe that portion of allowable lease expenditures actually applied in the tax calculation in the year incurred.

Appendix D-1 provides a 10-year history and 10-year forecast of allowable lease expenditures for the North Slope and non-North Slope.

Oil Price and Transportation¹ Costs

FY 2023 actuals and FY 2024 – FY 2033 forecast

Nominal Dollars per Barrel

	History		Forecast								
	FY 2023	FY 2024 ²	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
1 ANS West Coast	86.63	82.39	76.00	73.00	71.00	69.00	68.00	67.00	67.00	69.00	70.00
2 Marine Costs	4.43	5.11	5.05	5.05	5.07	5.09	5.12	5.15	5.20	5.27	5.33
3 TAPS Tariff	4.61	5.12	5.26	5.21	5.26	5.07	4.52	4.44	4.73	4.78	4.49
4 Feeder Tariff	0.49	0.54	0.46	0.44	0.40	0.36	0.36	0.36	0.34	0.31	0.30
5 Quality Bank	-0.21	-0.31	-0.28	-0.27	-0.26	-0.25	-0.25	-0.25	-0.25	-0.25	-0.26
6 Other ³	0.28	0.29	0.26	0.26	0.25	0.25	0.24	0.23	0.23	0.23	0.23
7 Netback Costs Total	9.61	10.75	10.75	10.69	10.72	10.51	9.99	9.94	10.25	10.34	10.09
8 ANS Weighted Average All Destinations	77.02	71.64	65.25	62.31	60.28	58.49	58.01	57.06	56.75	58.66	59.91

¹ Field-specific transportation costs represent the average cost for all barrels, whether or not they incur a specific expense. For example, feeder costs represent the average cost for all barrels, including Prudhoe Bay production not using a feeder pipeline. Slope-wide costs are estimated based on reported relevant cost information.

² FY 2024 values include a combination of actual and forecast data for ANS price and transportation costs.

³ This category primarily includes pipeline and tanker gains and losses.

Production Volumes

Future oil production is crucial to forecasting oil revenue, since it is a key variable used to calculate both production taxes and royalties. It is also a factor in determining future pipeline tariff rates, which impact the wellhead value on which both taxes and royalties are calculated. Future production also influences the economic life of the infrastructure, which is a factor in property tax assessments.

Geographic Impact

Production from different geographic areas has different implications for petroleum revenue. Oil produced within state boundaries is subject to state taxes, but oil produced beyond three nautical miles offshore is not. The state collects 100% of the royalties on state-owned lands while royalties from oil produced on federal lands are shared with the state. For royalties from oil produced on private lands, the state does not collect a share of royalty directly, but instead assesses a tax on the private landowner royalty interest as part of the production tax.

Offshore leases three to six nautical miles from shore are federal leases, under which the state is entitled to 27% of the amount the federal government collects in bonuses, rents, and royalties. The authority for this revenue sharing is the federal Outer Continental Shelf Lands Act, Section 8(g). This three-nautical mile band is referred to as the “8(g) zone.” The state does not receive a share of royalties from offshore leases beyond six nautical miles from shore.

The state is entitled to 50% of the bonuses, rents, and royalties that the federal government receives from the leasing of lands in the NPR-A. The federal government dictates that shared NPR-A revenue must be used for specific purposes, and therefore it is considered restricted revenue in this forecast.

Forecast Methods

The oil production forecast is developed internally by the state. The Alaska Department of Natural Resources produces the forecast with assistance from the Department of Revenue. A presentation of key elements of the production forecast process can be found in Table 6-7.

The oil production forecast consists of oil volumes produced from three categories:

- **Currently Producing (CP):** Oil wells that are currently in production. This category includes production from wells that are already in service prior to the start date of the forecast.
- **Under Development (UD):** New wells that are planned, funded, and have partner alignment, whether in currently producing pools or new pools. Typically, production is expected in the first 12 months of the forecast period.
- **Under Evaluation (UE):** New wells that are expected to begin production in years two through 10 of the forecast period and may not yet have final funding decisions or partner alignment.

While the production forecast is focused on oil production because that provides the majority of the state's petroleum revenue, the Department of Revenue method for forecasting gas production from Cook Inlet was modified for the Fall 2022 forecast onwards. The forecast of Cook Inlet gas production for internal modeling purposes is provided by the Alaska Department of Natural Resources. Decline Curve Analysis is applied to publicly available production data obtained from the Alaska Oil and Gas Conservation Commission (AOGCC) to estimate production from currently producing pools. Well type curve analyses are used to estimate production from pools under development. The currently producing and under development pools are aggregated to form a basin-wide forecast. The proportion of gas production that is not taxable is assumed to stay constant throughout the forecast period. Discoveries and undrilled prospects are excluded from the forecast. The small amount of gas production outside Cook Inlet is assumed to remain stable in the future.

Currently Producing Volumes

CP volumes are forecast at the pool-level using decline-curve analysis. Technical experts from the Department of Natural Resources utilize data from the Alaska Oil and Gas Conservation Commission to develop a time series dataset to assess the future production profile of fields that are already in production. This data is provided by the producers and includes information on reservoir characteristics, oil flow rates, gas/oil ratios, and water cuts. Using these data and decline-curve analyses, an expectation for future production is developed for each producing pool. Planned downtime is factored in for known facilities maintenance and summer turnaround work, and anticipated responses are incorporated into future production. This forecast category also incorporates the expected decline rate for each oil pool.

From the Fall 2022 forecast onwards, all future wells from "baseline drilling" are allocated to UD volumes. Where necessary, adjustments are made to the decline curve analysis to remove any impact of ongoing "baseline drilling" and ensure the forecast only assumes production from currently producing wells. From the Fall 2022 forecast onwards, for internal consistency and for consistency with each pool's Plan of Development (POD), all future wells from "baseline drilling" will be allocated to UD volumes. Where necessary, adjustments will be made to the decline curve analysis to remove any impact of ongoing "baseline drilling" and ensure the forecast only assumes production from currently producing wells.

Production from CP areas is the largest and least speculative category in the production forecast, as production comes from developed reserves with known production characteristics, infrastructure, and constraints.

Under Development Volumes

UD volumes are forecast using planned field development activities presented by the operator in the POD for each pool. Production from planned infill wells is determined using the well performance from historical analogue wells. When a project has funding, approval, and a drilling plan, but is not yet developed, the volumes from that project are categorized as UD if production is expected to begin in the first year of the forecast period. If a project does not have these qualifiers, the expected future volumes from it are not considered in the UD category.

UD volumes include production from infill drilling within existing units and other activities that lead to incremental oil production within the next 12 months. New pools or areas of production expected to be in production within the next 12 months also fall within this category.

Because all oil in this category requires some level of capital investment and the use of equipment, there is potential for each of these projects to be delayed or cancelled. The actual performance of each project is also uncertain. Therefore, some consideration must be given to the associated risk or else the forecast is prone to be overly optimistic. In the best-case scenario, all projects would come in on-time, on-budget, and on-target. The forecast incorporates an occurrence risk factor for each individual project.

Under Evaluation Volumes

UE volumes are forecast using development concepts and plans presented by operators, as well as production performance and expected ranges developed from analogue wells. Volumes in the UE category are from projects likely to start producing oil in the second through 10th year of the forecast period. Most of the oil in this category is from discovered but currently undeveloped oil accumulations, though conceptually, the category could also include future infill drilling and other activities that lead to incremental oil production from existing fields. Projects may still have hurdles to overcome in relation to funding, Working Interest Owners' sanctioning, regulatory approval, cash flow schedules, or drilling plans. Accordingly, a project-specific risk factor is applied for each individual project.

Because all oil in this category requires capital investment and the use of equipment, there is potential for each of these projects to be delayed or cancelled. The actual performance of each project is also uncertain, as typically there is insufficient production data or other data. Therefore, as with the UD category, consideration must be given to the associated uncertainty, or else the forecast is prone to be overly optimistic. Based on the forecast team's historical observations and technical judgment, the UE forecast category incorporates projects' individual risk of occurrence within the 10-year forecast window, along with statistical uncertainty ranges relating to the date of first production and potential production rates over time.

Production Forecast

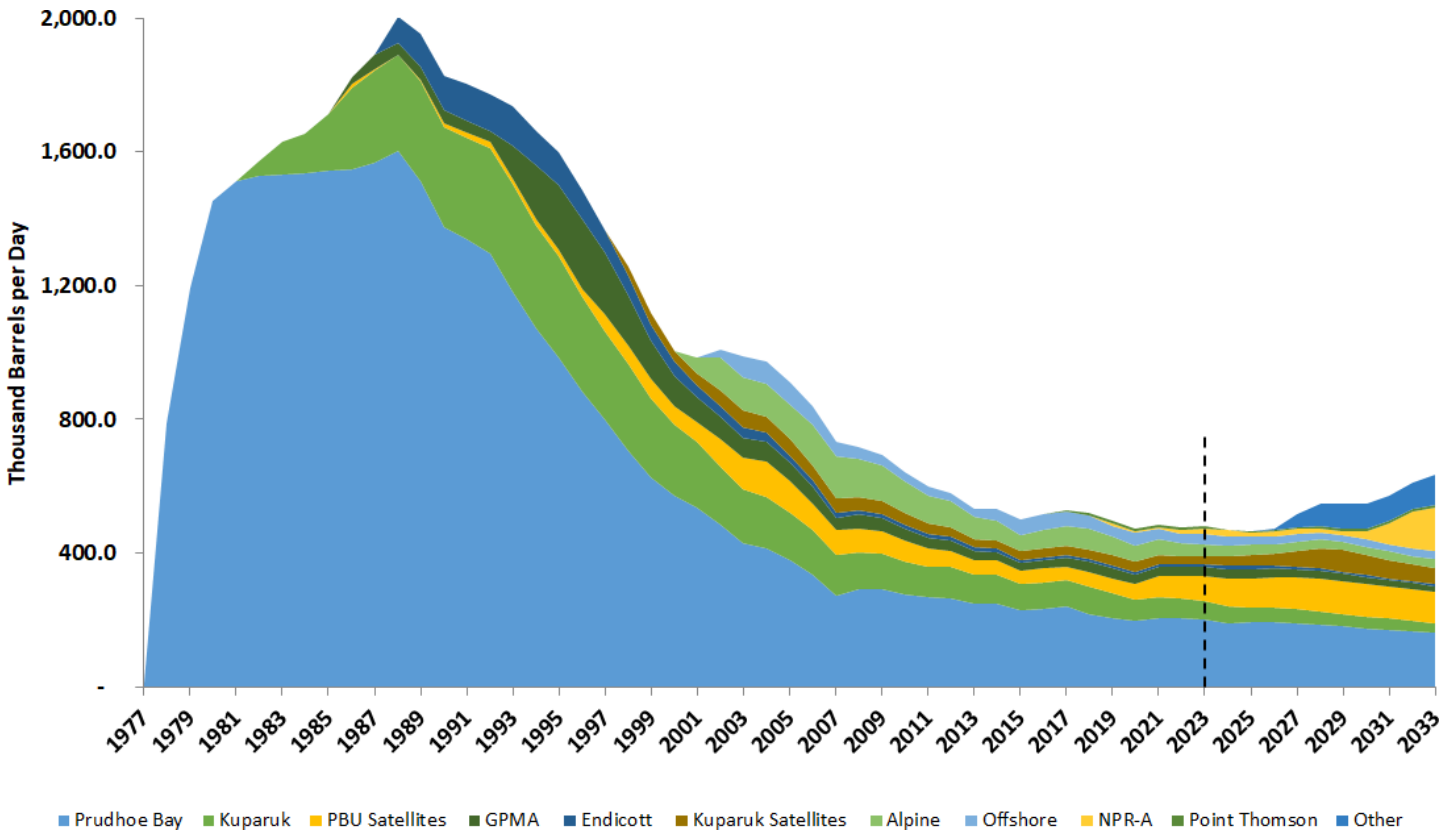
Many of the projects reflected in the production forecast are still subject to uncertainty and final investment decisions. Some projects are marginally economic in the current environment and such projects are contingent on realization of lower costs, higher oil prices, or fiscal certainty. Depending on how these factors play out over time, combined with uncertainty about reservoir performance for new fields, future production could be substantially higher or lower than what is shown in the forecast. Thus, in addition to the base case production forecast, a range is provided for potential production possibilities to reflect future uncertainty. The high case can be interpreted as values close to the highest production level that could reasonably be expected to occur, and the low case refers to values close to the lowest production that could reasonably be expected to occur. The official forecast, or “mean,” is a likely production path within this range, but actual production can and will be either higher or lower than this forecast.

This Revenue Sources Book assumes that no further Natural Gas Liquids (NGLs) will be shipped from Prudhoe Bay to Kuparuk for use in enhanced oil recovery. Shipments of NGLs ended in August 2021 and this forecast assumes no such shipments will take place in the future.

Values for the forecasts can be found in Table 6-8. Figure 6-C shows historical ANS production by major area with expected production from those areas over the coming 10 years. Additional production forecast detail can be found in Appendix C.

Chapter 6
C

Alaska North Slope Production By production area, FY 1977 to FY 2033



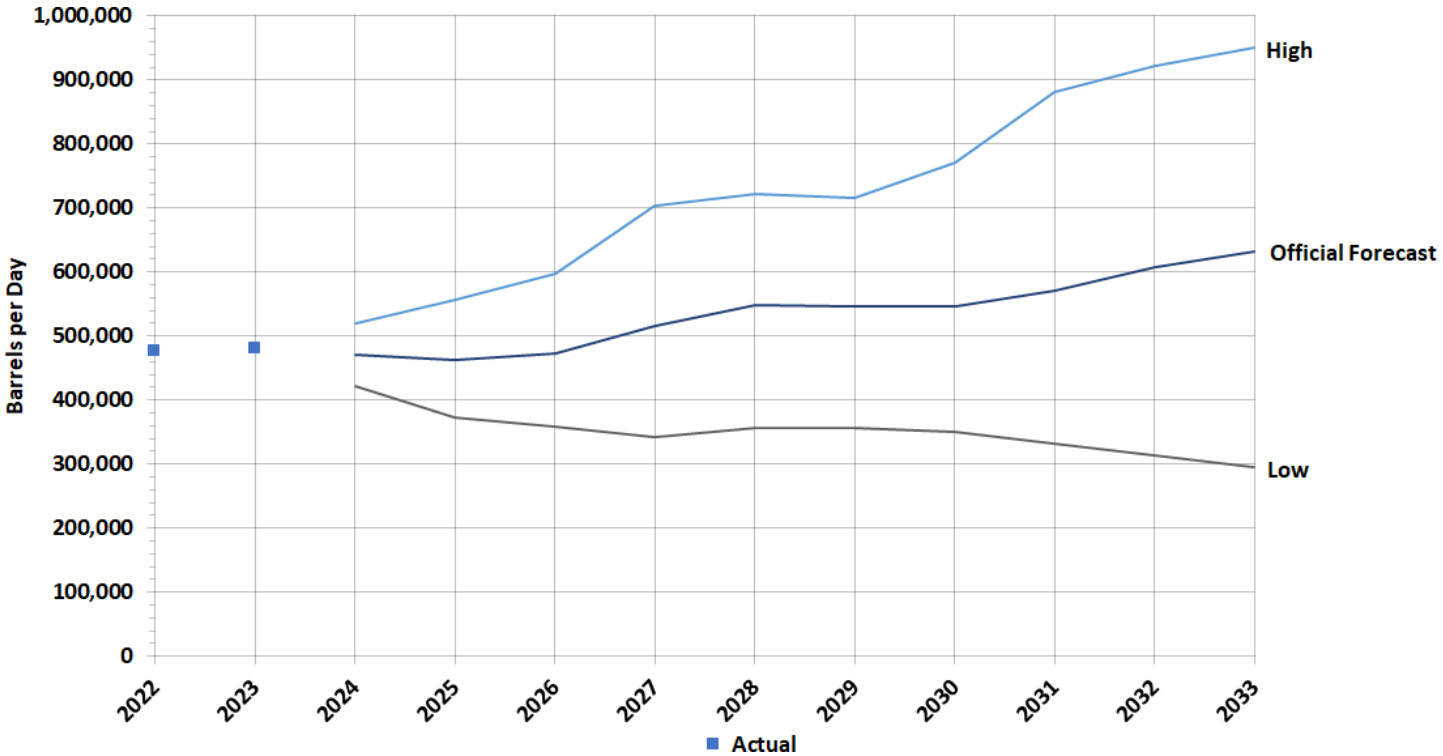
Shipments of natural gas liquids (NGLs) from Prudhoe Bay to Kuparuk for use in large-scale enhanced oil recovery are excluded from historical data. These shipments ceased in August 2021 and are not expected to occur in future.

Applicability of State Royalty, Tax, and Credits by Geographic and Legal Ownership of Land

Land Lease Status	Revenue Component			
	Production Tax / Credits	Royalty	Corporate Income Tax	Property Tax
Offshore beyond 6 miles Federal OCS	Does not apply	Federal royalties applies; zero shared back to state (in Alaska; other states do receive shared royalties)	Not included in apportionment factor	Does not apply
Offshore 3-6 miles Federal OCS 8(g) area	Does not apply	Federal royalties applies; 27% shared back to state with no restrictions	Not included in apportionment factor	Does not apply
State Lands ¹	All credits available; tax applies to all taxable production	State royalty applies	All property, production, and sales included in apportionment factor	Applies to all oil and gas property
NPR-A Federal owned	All credits available; tax applies to all taxable production	Federal royalty applies; 50% of royalties are shared back to state but must be used for benefit of local communities	All property, production, and sales included in apportionment factor	Applies to all oil and gas property
ANWR Federal owned	All credits available; tax applies to all taxable production	Federal royalty applies; 50% shared back to state with no restrictions (under current law)*	All property, production, and sales included in apportionment factor	Applies to all oil and gas property
Other Federal Land	All credits available; tax applies to all taxable production	Federal royalties applies; 90% shared back to state with no restrictions	All property, production, and sales included in apportionment factor	Applies to all oil and gas property
Private Land (including Alaska Native Corporations)	All credits available; tax applies to all taxable production	Privately negotiated royalty applies; not shared with state. However state levies 5% gross tax on the value of private landowner royalty interest as part of production tax	All property, production, and sales included in apportionment factor	Applies to all oil and gas property

¹ Offshore submerged lands in the 0-3 miles category treated same as similar onshore land.

Alaska North Slope Petroleum Production Forecast FY 2022 to FY2033



Production Forecast, Key Elements

An overview

Element	Method
1 Forecaster	Department of Natural Resources' Resource Evaluation and Commercial Teams in collaboration with Department of Revenue staff.
2 Time Horizon of Forecast	A 10-year oil production forecast for DOR's Revenue Sources Book 10-year revenue forecast, and a 20-year forecast for DOR's internal planning purposes.
3 Modeling Method	Probabilistic forecast is likely value taken from a range of possible outcomes consistent with industry best practice.
4 Currently Producing	Pool-level decline curve analysis of currently producing wells only.
5 Under Development	Based on planned field development activities presented by the operator in the Unit POD for each pool, generally for projects starting in next 12 months. Risk factors incorporated into production model.
6 Under Evaluation	Based on planned field development activities, and informed by operator forecasts, generally for projects starting in one to 10 years. Risk factors incorporated into production model.
7 Risking	Adjustments for various types of risk are incorporated into the production model. An additional risk factor is individually applied for each new field starting in the two- to 10-year window.
8 Spring Forecast Update	Pool by pool ground-up forecast based on new production data and operator plans.
9 Alternative Production Cases	Probabilistic modeling produces a high case that can be interpreted as the highest production level that could reasonably be expected to occur, and a low case that can be interpreted as the least production that could reasonably be expected to occur.

Production Tax Revenue Forecast

In broad terms, future revenue from production tax is a function of the forecasts of the various components. The netback components, as shown in Table 6-5, are deducted from the West Coast destination price to determine an ANS wellhead value, which is multiplied by the projected volume to calculate a gross value at the point of production. Allowable lease expenditures are deducted from the gross value to calculate a net value to which the production tax is applied and adjusted for anticipated credits. The forecast of production tax revenue also accounts for various nuances and provisions of the tax code, including the gross minimum tax floor, GVR, company-specific differences in investment and field ownership, impacts of gas production, and non-North Slope activity.

For the North Slope, in lower price environments, companies are able to use sliding scale Per-Taxable-Barrel Credits for non-GVR oil to reduce tax liability down to the minimum tax floor of 4% of gross value. Depending on their specific tax situation, some companies may choose to forgo sliding scale Per-Taxable-Barrel Credits and instead reduce liability below the minimum tax floor using Per-Taxable-Barrel Credits for GVR-eligible oil and any small-producer credits that may be available.

For Cook Inlet, production tax is limited to \$1 per barrel of oil. Gas limitations vary by field but average 17.7 cents per 1,000 cubic feet of gas. Cook Inlet taxes make a relatively small contribution to the revenue forecast.

These revenue estimates account for tax credits applied against tax liabilities that reduce the tax payments made to the state. Revenue estimates do not include the impact of tax credits eligible for purchase by the state from companies without a tax liability. Those additional tax credits are discussed in Chapter 8.

Alaska North Slope Oil Production

By category, FY 2024 – FY 2033 forecast

Barrels per Day

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
1 Low Case	421,957	372,970	358,190	341,614	356,351	356,716	350,444	332,472	313,478	296,039
2 Annual Increase/Decline Rate	-12%	-12%	-4%	-5%	4%	0%	-2%	-5%	-6%	-6%
3 Official Forecast	470,338	463,771	473,136	516,515	548,778	546,136	546,797	571,178	608,705	632,993
4 Annual Increase/Decline Rate	-2%	-1%	2%	9%	6%	0%	0%	4%	7%	4%
5 High Case	519,441	556,377	597,950	704,023	721,039	716,025	770,374	881,937	921,469	949,863
6 Annual Increase/Decline Rate	8%	7%	7%	18%	2%	-1%	8%	14%	4%	3%
7 Production from GVR-Eligible Fields under Official Forecast	24,752	20,656	11,171	38,498	68,571	75,914	93,227	133,058	183,411	166,759
8 Percent from GVR-Eligible Fields under Official Forecast	5%	4%	2%	7%	12%	14%	17%	23%	30%	26%

Note: GVR is an acronym for gross value reduction.

Hazardous Release Surcharge

Up to \$0.05 per barrel of taxable oil is collected and customarily appropriated to the Oil and Hazardous Substance Release Prevention and Response Fund (often simply called the Response Fund). This revenue is reported as Designated General Fund revenue and collected as part of the production tax.

The Response Fund was created in 1986 and is intended to be a source of funds that can be drawn upon in the event of the release of a hazardous substance to be used for the abatement of damages. The fund is separated into two accounts – a response account and a prevention account. The surcharge paid to the response account is \$0.01 per taxable barrel of oil produced in the state and applies when the response account has a balance of under \$50 million. The surcharge paid to the prevention account is \$0.04 per taxable barrel of oil produced in the state regardless of the current account balance. The forecast assumes that the full \$0.05 per barrel surcharge will be in place for the entire forecast period.

Royalties

A royalty interest is an ownership of future production, and is a typical feature in oil and gas contracts with a landowner. When a company bids on a lease, it pays an up-front bonus payment, agrees to an annual rental payment, and typically offers a royalty interest in any discoveries that may be found. Thus, the bonus is a guaranteed payment to the state as the landowner, while the royalty is a contingent amount only paid once there is production.

In Alaska, the state retains ownership of all subsurface minerals on lands in the state, with the exception of some federal and Alaska Native Corporation lands. In other U.S. oil producing areas, private citizens usually own these subsurface rights, and the royalty is paid directly to the landowner, rather than the government.

For state lands, Alaska requires a minimum royalty rate of one-eighth (12.5%) of any production, although there are exceptions that can be made for economically challenged projects. Most leases in Alaska are subject to a one-eighth (12.5%) or one-sixth (16.67%) royalty.

Occasionally, a company may enter into a net profit sharing lease, which contains a payment to the state based on a proxy of the net profits associated with the production of oil and gas from said lease, which is in addition to the royalty payment based on the gross value of the oil and gas. These profit-sharing lease bids reached as high as 93.2% of company profits attributable to the specific lease, after the company's development costs are recovered.

Alaska has the option of allowing an oil company to sell royalty oil or gas on its behalf (known as royalty in-value, or RIV) or to receive and sell the royalty oil or gas itself (known as royalty in-kind, or RIK). The value the state accepts for RIK cannot be lower than the value it would receive for RIV. The state currently takes a portion of royalty oil from the North Slope as RIK and sells this oil to in-state refineries.

Most RIV oil comes from leases affected by royalty settlement agreements (RSAs), and the price received for that oil is a derived price based on the value of oil sold on the West Coast with certain adjustments. Deductions approximating the shipment of the oil on pipelines and marine transportation costs are subtracted in order to determine the value of the oil for royalty purposes. An allowance for field costs is also applied for production from certain leases. As a result of the field costs allowance, as well as differences in statutes and regulations, the wellhead value for royalty purposes may be slightly different than the wellhead value for production tax purposes. A portion of RIV oil comes from leases not affected by RSAs. While the formulas used to determine value for this oil are similar to the formulas used in the RSAs, they are not necessarily the same.

Petroleum Property Tax¹ Distribution and local mill rates, FY 2023

Millions of Dollars

	Taxing Jurisdiction	Gross Tax	Local Share	State Share	Local Effective Mill Rate
1	Municipality of Anchorage	3.1	2.6	0.5	17.03
2	City of Cordova	0.3	0.1	0.1	10.02
3	Fairbanks North Star Borough	14.4	9.8	4.6	13.57 ²
4	Kenai Peninsula Borough	31.4	15.7	15.7	10.01 ²
5	Matanuska-Susitna Borough	0.3	0.2	0.2	9.49 ²
6	North Slope Borough	455.1	409.4	45.7	17.99
7	City of Valdez	42.4	42.4	0.0	20.00
8	City of Whittier	0.0	0.0	0.0	8.00
9	Unorganized	61.9	0.0	61.9	N/A
10	Total FY 2023	608.9	480.2	128.8	

¹ Tax amounts shown here represent the total certified tax roll for the 2023 tax year, due June 30, 2023. These amounts may not exactly match cash revenue received in the fiscal year as presented elsewhere in this book due to a combination of credits and late payments. Gross Tax is total tax paid to both the local government and the State of Alaska. The Local Share and State Share columns represent revenue primarily received in June 2023.

² The Fairbanks North Star Borough, Kenai Peninsula Borough, and Matanuska-Susitna Borough do not have a uniform mill rate for petroleum properties. The rate presented here is the weighted-average effective mill rate based on the 2023 certified tax roll.

Petroleum Property Tax

Property subject to state oil and gas property tax includes property used in the exploration, production, and pipeline transportation of unrefined oil and gas. Each year, the Department of Revenue determines the assessed value of taxable oil and gas property as of the January 1 assessment date. The state levies a tax at a rate of 20 mills (2%) of the assessed value. When the oil and gas property is located within the jurisdiction of a municipality, the municipality may also levy a tax on the department's assessments at the same rate it taxes all other non-oil and gas property. The tax paid to a municipality on oil and gas property acts as a credit toward the payment to the state. The North Slope Borough is the primary recipient of municipal petroleum property tax.

Forecasting state revenue from oil and gas property tax starts with the most recent certified assessed values for oil and gas property in Alaska. Assumptions are made regarding future capital investment and typical depreciation curves are applied. The state rate of 20 mills is applied to the forecast values, and estimates of payments to municipalities are then subtracted to estimate net receipts to the state. Table 6-9 shows the state share and local share of oil and gas property tax by jurisdiction.

Corporate Income Tax

C-corporations doing business in Alaska are subject to the corporate income tax (CIT). This tax applies to many, but not all, of the companies involved in oil and gas activity in Alaska.

For eligible companies, an oil and gas corporation's Alaska income tax liability depends on the relative size of its Alaska and worldwide activities and the corporation's total worldwide net income. The corporation's Alaska taxable income is derived by apportioning its worldwide income to Alaska, based on the average of three factors as they pertain to the corporation's Alaska operations – tariffs and sales, oil and gas production, and property. CIT revenue is one of the more volatile revenue sources for Alaska because of the year-to-year variation in the profitability of oil companies as well as the substantial lag time between estimated tax payments and the final annual true-up.

Generally, a corporation is subject to tax on its current-year Alaska taxable income, and any net operating losses may be carried-forward indefinitely to offset future tax liabilities. However, as part of the federal CARES Act passed in 2020, corporations could "carry back" net

operating losses from tax years 2018, 2019, and 2020 up to five years and receive refunds for previous federal taxes paid. Since Alaska adopts most provisions of the federal corporate income tax code by reference, this carry-back provision applied to state corporate income tax as well. For tax years 2021 and beyond, corporations are once again only able to carry forward a net operating loss.

Restricted Petroleum Revenue

While most oil and gas revenue is unrestricted, some revenue is deposited into special accounts for special purposes.

Hazardous Release Surcharge

Up to \$0.05 per barrel of taxable oil is collected and customarily appropriated to the Oil and Hazardous Substance Release Prevention and Response Fund (often simply called the Response Fund). From FY 2022 onwards, this revenue source is reported as Designated General Fund revenue. This revenue source is discussed in more detail in the production tax section earlier in this chapter.

Restricted Royalties

The majority of restricted oil and gas revenue comes from royalties.

A portion of royalty revenue is deposited into the Permanent Fund and the Public School Trust Fund. The Alaska Constitution requires that 25% of royalty revenue be deposited into the Permanent Fund, and this revenue is shown as other restricted revenue. Alaska Statute 37.13.010(a) refers to 50% of royalty revenue from mineral leases issued after December 1, 1979 being deposited into the Permanent Fund. This additional 25% of revenue is shown as designated general fund revenue. Unless otherwise provided in budget legislation, this forecast assumes that the full statutory appropriation of minerals royalties will be deposited into the Permanent Fund.

Additionally, AS 37.14.150 specifies that 0.5% of royalty revenue be deposited into the Public School Trust Fund.

NPR-A Fund

The state is entitled to 50% of the bonuses, rents, and royalties that the federal government receives from the leasing of federal lands in the NPR-A. This revenue is deposited into the NPR-A special revenue fund and restricted for specific uses. These funds can be appropriated to municipalities in the form of grants to compensate for impacts resulting from the development on those lands.

Revenue that is not appropriated to municipalities is treated like other royalty revenue (25% is deposited into the Permanent Fund, and 0.5% to the Public School Trust Fund), with the remaining revenue available for appropriation to the Power Cost Equalization Endowment Fund, Rural Electric Capitalization Fund, or general fund. For purposes of categorization, these funds are considered federal restricted revenue within the category of petroleum revenue, as they are collected from oil activity.

Settlements to Constitutional Budget Reserve Fund

Payments received from settlements of oil and gas tax and royalty disputes between the state and producers are deposited into the CBRF, after accounting for any applicable share of royalty settlements deposited into the Permanent Fund and Public School Trust Fund.

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Chapter 7

Non-Petroleum Revenue

Introduction

Revenue collections from in-state activities other than petroleum include non-petroleum taxes, charges for services, fines and forfeitures, licenses and permits, rents and royalties, and miscellaneous and transfer revenue sources such as dividends from public entities.



These sources are categorized as “Non-Petroleum Revenue, except federal and investment,” sometimes shortened to “Non-Petroleum Revenue.” Investment and Federal revenue are discussed in Chapters 4 and 5, respectively.

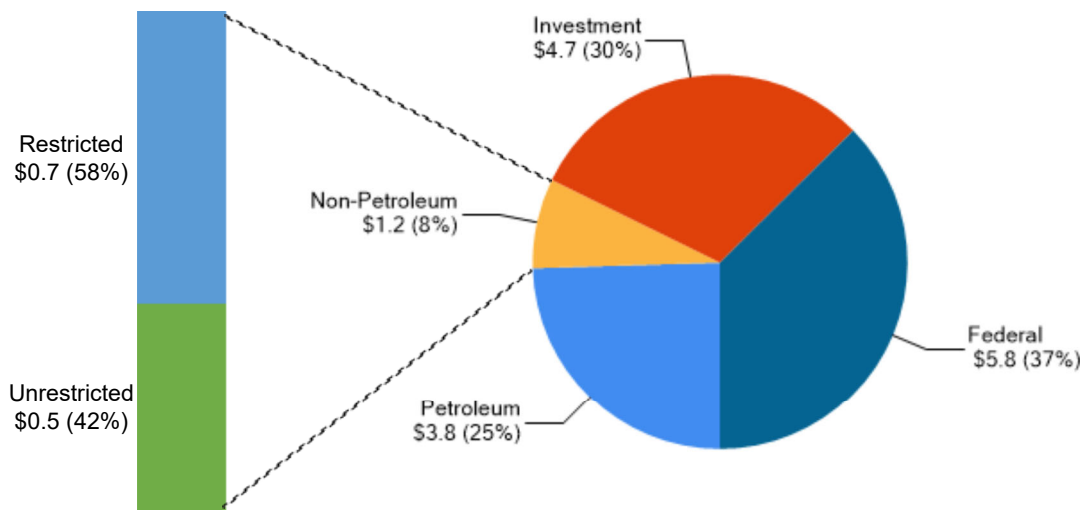
The non-petroleum revenue sources are each subcategorized into unrestricted, designated general fund, and other restricted revenue in Table 7-1. Detail regarding each revenue type is reflected in Tables 7-2 through 7-7. This chapter also includes descriptions of each revenue source.

The Department of Revenue’s Tax Division website and the division’s annual report contain more comprehensive historical information about each type of tax the Tax Division collects. The Alaska Department of Administration’s Annual Comprehensive Financial Report contains more detail about many non-tax revenue sources.

Chapter 7
A

FY 2023 Non-Petroleum Revenue

By restriction and type, in billions of dollars



Non-Petroleum Revenue

By restriction and category

		Millions of Dollars		
		History	Forecast	
		FY 2023	FY 2024	FY 2025
Unrestricted Non-Petroleum Revenue				
1	Taxes	355.4	331.8	363.2
2	Charges for Services	4.3	4.3	4.3
3	Fines and Forfeitures	15.9	14.7	14.7
4	Licenses and Permits	32.6	33.6	32.8
5	Rents and Royalties	1.6	1.7	1.8
6	Other	56.5	68.4	68.4
7	Unrestricted Non-Petroleum Revenue	466.3	454.5	485.2
Restricted Non-Petroleum Revenue				
Designated General Fund				
8	Taxes	159.7	145.0	147.6
9	Charges for Services	266.8	266.6	271.3
10	Fines and Forfeitures	5.8	5.4	5.1
11	Licenses and Permits	0.8	1.2	1.2
12	Rents and Royalties	28.7	29.8	30.6
13	Other	31.3	37.7	43.2
14	Subtotal Designated General Fund	493.1	485.6	499.0
Other Restricted				
15	Taxes	57.6	49.5	52.7
16	Charges for Services	55.7	209.6	210.8
17	Fines and Forfeitures	18.7	17.1	16.1
18	Licenses and Permits	43.8	42.8	43.3
19	Rents and Royalties	3.6	3.9	4.2
20	Other	19.4	18.8	18.8
21	Subtotal Other Restricted	198.8	341.6	345.8
22	Total Restricted Non-Petroleum Revenue	691.9	827.2	844.9
23	Total Non-Petroleum Revenue	1,158.2	1,281.7	1,330.1

Taxes

Alcoholic Beverages Tax

Alcoholic beverages taxes imposed under AS 43.60 are collected primarily from wholesalers and distributors of alcoholic beverages sold in Alaska.

The per-gallon tax rates on alcoholic beverages are \$1.07 for beer, \$2.50 for wine, and \$12.80 for liquor. Beer from qualifying small breweries is taxed at a rate of \$0.35 per gallon.

Revenue from the alcoholic beverages tax is deposited into Alaska's general fund. Half of the receipts from this tax are deposited into a subfund of the general fund, the Alcohol and Other Drug Abuse Treatment and Prevention Fund and are treated as restricted in this forecast. The other half of the receipts are treated as unrestricted in this forecast.

Charitable Gaming

Municipalities and qualified organizations may conduct certain gaming activities including pull-tabs, bingo, and raffles to support themselves and their mission. Qualified organizations include, but are not limited to, charitable, civic, fraternal, non-profit, and veterans' organizations.

The state imposes permit and license fees under AS 05.15.020(a) and (c) of between \$20 and \$100, a 1% net proceeds fee on gross receipts over \$20,000 under AS 05.15.020(b), and a 3% pull-tab tax under AS 05.15.184. While all charitable gaming receipts are shown as unrestricted revenue in this forecast, a portion is actually classified as program receipts in the budget, as the Tax Division is responsible for regulating charitable gaming in the state.

Commercial Passenger Vessel Tax

The commercial passenger vessel (CPV) tax is imposed under AS 43.52.200 – 43.52.295 and is a tax of \$34.50 on each passenger aboard a commercial passenger vessel with 250 or more berths that spends more than 72 hours in Alaska waters over the course of one voyage. If a commercial passenger vessel visits a port that levies a tax or fee on a passenger traveling on a commercial passenger vessel and that local tax or fee was in place before December 17, 2007, the local tax or fee imposed on a passenger is used to reduce the amount of CPV tax imposed on a passenger. Only Juneau and Ketchikan had qualifying taxes or fees in place at that time. Juneau's fee is \$8 per passenger. Ketchikan's fee is \$7 per passenger for docking at city owned or leased facilities and \$4 per passenger for docking at non-city owned facilities. Additionally, \$5 of the net CPV tax collected per passenger may be appropriated by the Legislature to each of the first seven ports of call, for a maximum appropriation of \$35 per passenger.

All funds received from the CPV tax must be spent on port facilities, harbor infrastructure, and other services provided to commercial passenger vessels and the passengers on board those vessels. All revenue from the tax is considered restricted and is deposited into a subfund of the general fund, the CPV tax account.

Corporate Income Tax

Alaska levies a corporate income tax (CIT) on certain corporations doing business in the state under AS 43.19 and 43.20. Corporate tax rates are graduated, with a maximum rate of 9.4% applying to Alaska taxable income above \$222,000. S-corporations and limited liability companies (LLCs) that file federally as partnerships are generally exempt from Alaska's corporate income tax.

A non-oil and gas corporation computes its tax liability based on the federal taxable income of its water's edge combined report (a measure of income earned in the United States), with Alaska adjustments – for example, Alaska tax code allows special treatment for certain dividends and royalties received from foreign corporations.

U.S. income is apportioned to Alaska based on three factors – sales, property, and payroll. Alaska taxable income is determined by applying the apportionment factor to the corporation's modified federal taxable income. CIT for oil and gas corporations is calculated differently and reported separately in Chapter 6.

Generally, a corporation is subject to tax on its current-year Alaska taxable income and any net operating losses may be carried-forward indefinitely to offset future tax liabilities. However, as part of the federal CARES Act passed in 2020, corporations could "carry back" net operating losses from tax years 2018, 2019, and 2020 up to five years and receive refunds for previous federal taxes paid. Alaska adopts most provisions of the federal corporate income tax code by reference, including the provision allowing the five-year carry back for net operating losses from tax years 2018, 2019, and 2020. Thus, this carry back provision applied to Alaska corporate income tax as well. For tax years 2021 and beyond, corporations are once again only able to carry forward net operating losses.

Electric and Telephone Cooperative Taxes

The electric cooperative tax is imposed on qualified electric cooperatives under AS 10.25.555. The tax is based on kilowatt hours and the applicable rate is based on the number of years an electric cooperative has furnished electric energy and power to consumers.

The telephone cooperative gross revenue tax is imposed on qualified telephone cooperatives under AS 10.25.550. The tax is based on gross revenue and the applicable rate is based on the number of years a telephone cooperative has furnished telephone service to consumers.

Revenue from cooperatives located in municipalities is treated as designated general fund revenue in this forecast because it is shared 100% with the municipalities. The small amount of revenue collected from cooperatives outside municipalities as well as the cost expended by the state to collect the taxes are retained by the State of Alaska and treated as unrestricted revenue.

Fisheries Business Tax

The fisheries business tax imposed under AS 43.75.011 – 43.75.290 is levied on businesses that process fishery resources in Alaska or export unprocessed fishery resources from Alaska. Although the tax is usually levied on the act of processing, the tax is often referred to as a "raw fish tax" because it is based on the value of the raw, unprocessed fishery resource.

Tax rates vary from 1% to 5%, depending on whether a fish species is classified as "established" or "developing" in the geographic area where it was caught and whether it was processed by a shore-based processor, a floating processor, or a salmon cannery.

Revenue from the tax is deposited into the general fund. Half of that revenue (before credits) is shared with qualified municipalities and is treated as designated general fund revenue. The remainder (after credits) is treated as unrestricted revenue.

Tax credits for the fisheries business tax apply only to the state portion of the tax.

Fishery Resource Landing Tax

The fishery resource landing tax imposed under AS 43.77.010 – 43.77.200 is levied on fishery resources processed outside Alaska, but first landed in Alaska. Tax liability is based on the statewide average price of unprocessed fish for each fish species. The tax is collected primarily from factory trawlers and floating processors that process fishery resources outside the state's three-nautical mile limit and bring their products into Alaska for shipment.

The tax rates vary from 1% to 3%, based on whether the species is classified as “established” or “developing.”

Revenue from the tax is deposited into the general fund. Half of the revenue (before most credits) is shared with qualified municipalities and is treated as designated general fund revenue.

As with the fisheries business tax, most tax credits apply only to the state share. The exception is the Community Development Quota Credit, which applies only to the municipal share. The remaining revenue after credits and municipal share is treated as unrestricted revenue.

Insurance Premium Tax

Insurance companies in Alaska pay an insurance premium tax instead of corporate income tax or other taxes under AS 21.09.210. The tax is levied as a percentage of the total insurance premiums for policies in the state and varies by the type of insurance. Except for a portion of the insurance premium tax on workers' compensation insurance, as discussed below, this Revenue Sources Book (RSB) does not separately report the various components of insurance premium tax.

Revenue from the insurance premium tax on workers' compensation insurance is deposited into a subfund of the general fund, the Workers' Safety and Compensation Fund, and is reflected as restricted in this forecast. The restricted component also includes service fees paid into the Workers' Safety and Compensation Fund by employers who are uninsured or self-insured.

Prior to FY 2017, non-workers' compensation insurance premium tax was considered unrestricted revenue. For FY 2017 and FY 2018, non-workers' compensation insurance premium tax was deposited into a subfund of the general fund, the Alaska Comprehensive Health Insurance Fund, and was reflected as restricted in this forecast. However, beginning in FY 2019, this revenue reverted to unrestricted revenue and is reflected as such in this forecast.

Large Passenger Vessel Gambling Tax

The large passenger vessel gambling (LPV) tax is imposed under AS 43.35.200 – 43.35.220 and is a tax of 33% on the adjusted gross income from gaming or gambling activities aboard large passenger vessels in the state. Gambling activities include the use of playing cards, dice, roulette wheels, coin-operated instruments or machines, or other objects or instruments used for gaming or gambling, and any other gambling activities aboard large passenger vessels in Alaska. The tax is imposed on the operator of gaming or gambling activities.

All proceeds from the LPV gambling tax are deposited into the Large Passenger Vessel Gaming & Gambling Tax Account, which is a subaccount of the Commercial Passenger Vessel Tax Account. The Commercial Passenger Vessel Tax Account, in turn, is a subfund in the General Fund. All revenue from the LPV gambling tax is considered unrestricted.

Marijuana Tax

Marijuana cultivation facilities in Alaska pay a tax on marijuana under AS 43.61. The tax rate is \$50 per ounce on marijuana bud/flower, \$25 per ounce on immature, seedy, or failed marijuana bud/flower, and \$15 per ounce on other parts of the marijuana plant (“trim”). Clones are taxed at a flat rate of \$1 per marijuana plant. The tax is due the month after the sale of the product to a retail marijuana store or marijuana product manufacturing facility.

Fifty percent of the revenue from the marijuana tax is deposited into a subfund of the general fund, the Recidivism Reduction Fund, and is treated as restricted in this forecast. Beginning in October 2018, 25% of marijuana tax revenue is deposited into the Marijuana Education and Treatment Fund and is also treated as restricted in this forecast. The remaining 25% of marijuana tax revenue is considered unrestricted revenue.

Mining License Tax

The mining license tax imposed under AS 43.65 is Alaska's severance tax on mining. Alaska's large metal mines are subject to the mining license tax, as are numerous smaller mining operations. Many of these smaller operations generate sufficient income to pay mining license tax in any given year. In addition to the mining operations themselves, Alaska also receives mining license tax for royalty income received by private landowners (including Alaska Native corporations) for mining operations that are located on private land. Quarry rock, sand and gravel, and marketable earth-mining operations are not subject to the mining license tax.

The tax is based on mining net income and royalties received in connection with mining properties and activities in Alaska. Tax rates range from 0% to 7% of the net income of mining operations in the state, with the top tax rate applying to mining net income above \$100,000. No tax is due when mining net income is \$40,000 or less. There is a 3½-year exemption period after production begins before new mining operations are subject to this tax.

Motor Fuel Tax

A motor fuel tax is imposed under AS 43.40.010 – 43.40.100 on motor fuel sold, transferred, or used within Alaska with some exemptions. Motor fuel tax is primarily collected from wholesalers and distributors licensed as qualified dealers. Various fuel uses are exempt from the tax, including fuel used by federal, state, and local government agencies, charitable institutions, for heating, or for international flights.

The per-gallon tax rates are \$0.08 for highway use, \$0.05 for marine fuel, \$0.047 for aviation gasoline, \$0.032 for jet fuel, and \$0.08 or \$0.02 for gasohol, depending on the season, location, and U.S. Environmental Protection Agency mandate.

The federal government requires that all aviation fuel tax revenue be used in direct support of the airports where the revenue is generated. As a result, both aviation gasoline and jet fuel revenue are shown as other restricted revenue. This includes the 60% of revenue attributable to aviation fuel sales at municipal airports that is shared with the respective municipalities under AS 43.40.010(e). This shared amount excludes the amount determined by the state that it spent in its collection of the tax.

Remaining motor fuel tax revenue is considered designated in the budget process, as AS 43.40.010(f), (g), and (j) designates motor fuel taxes for specific infrastructure maintenance accounts.

An additional refined fuel surcharge is imposed under AS 43.40.005 – 43.40.007 of \$0.0095 per gallon on non-aviation fuel as well as certain non-motor fuels such as home heating oil. Municipalities and certain cooperatives are exempt from the surcharge. Revenue from the surcharge is set aside for appropriation for the benefit of the Alaska Department of Environmental Conservation's Spill Prevention and Response Division. Prior to FY 2022, this revenue source was classified as unrestricted revenue; from FY 2022 onwards, this revenue source is classified as Designated General Fund revenue. This change was made in consultation with the Office of Management and Budget and the Division of Legislative Finance for consistency with budget documents.

Seafood Assessments and Taxes

In addition to the fisheries taxes discussed above, the department administers five programs that collect funds through seafood assessments and taxes.

The rates for these assessments and taxes are determined by a vote of the appropriate association within the seafood industry, by members of the Alaska Seafood Marketing Institute (ASMI), or by the department. The five programs are:

- The Common Property Fisheries Assessment: Salmon imposed under 15 AAC 116.410 – 15 AAC 116.490, which allows salmon hatcheries to establish an annual cost recovery rate. The rate is set based on individual hatchery data in accordance with regulation.
- The Common Property Fisheries Assessment: Shellfish imposed under AS 16.12.090, which allows shellfish hatcheries to establish an annual cost recovery rate. The rate is set based on individual hatchery data in accordance with regulation.
- The Dive Fishery Management Assessment imposed under AS 43.76.150 – 43.76.210, which is levied on the value of fishery resources taken using dive gear in a designated management area.
- The Salmon Enhancement Tax imposed under AS 43.76.001 – 43.76.040, which is levied on salmon sold or exported from designated aquaculture regions.
- The Seafood Development Tax imposed under AS 43.76.350 – 43.76.399, which is levied on the value of fishery resources in a designated management area.
- The Seafood Marketing Assessment imposed under AS 16.51.120 – 16.51.180, which applies to all seafood products made or first landed in Alaska and all unprocessed products exported from Alaska. This assessment is a 0.5% levy on resources processed, landed, or exported from Alaska when the taxpayer has \$50,000 or more seafood product value in a calendar year. Processors and fishermen who produce less than \$50,000 worth of seafood products during a calendar year are exempt from the assessment. This assessment supports the operations of the ASMI.

The revenue received under these five assessments and taxes is deposited into the general fund and is treated as other restricted revenue in this forecast. It is set aside for appropriation for the benefit of the seafood industry, either in marketing, or for management and development of the industry.

Settlements to Constitutional Budget Reserve Fund

Payments received from settlements of mining tax and royalty disputes between the state and producers are deposited into the CBRF, after accounting for any applicable share of royalty settlements deposited into the Permanent Fund and Public School Trust Fund.

Tire Fee

The tire fee imposed under AS 43.98.025 has two components. The first component is a \$2.50 per tire fee on all new tires sold in Alaska for motor vehicles intended for highway use. The second component is either an additional \$5 per tire fee on all new tires with heavy studs for motor vehicles intended for highway use, or a \$5 per tire fee on the installation of heavy studs on a previously un-studded tire for motor vehicles intended for highway use. Heavy studs are defined as being made of metal and weighing more than 1.1 grams each.

Tires sold to federal, state, or local government agencies for official use are exempt from the tire fees, as well as certain tires with lightweight studs or tires for motor vehicles not intended for highway use.

Tobacco Tax

Alaska levies a tax on cigarettes and other tobacco products under AS 43.50.

AS 43.50.090 – 43.50.180 levies a tax of 38 mills on each cigarette imported into the state for sale or personal consumption. Under AS 43.50.140, the receipts from this tax are deposited into the School Fund, a subfund of the general fund, and are considered designated restricted revenue. Money deposited into the School Fund is to be used for the rehabilitation, construction, repair, and associated insurance costs of state school facilities.

AS 43.50.190 levies an additional tax of 62 mills on each cigarette imported or acquired in the state, except the tax does not apply to the first 400 cigarettes personally transported into the state by an individual for personal use. Under AS 43.50.190, the receipts from this additional tax are deposited into the general fund, with 8.9% of the total receipts going to the Tobacco Use Education and Cessation subfund. These receipts are treated as designated restricted revenue.

For most cigarettes sold in the state, the total tax is 100 mills per cigarette, or \$2.00 per standard pack of 20 cigarettes.

AS 43.50.200 levies a tax of 12.5 mills on each cigarette imported or acquired in the state from a tobacco product manufacturer that is not a participating manufacturer in the multi-state tobacco settlement, often referred to as the Master Settlement Agreement. Under AS 43.50.200, the receipts from this tax are deposited into the general fund.

AS 43.50.300 levies a tax of 75% of the wholesale price on other tobacco products (other than cigarettes) imported into the state for sale. Under AS 43.50.350, the receipts from this tax are deposited entirely into the general fund, and are unrestricted revenue. While this tax is shown as unrestricted revenue in this forecast, it is set aside for appropriation for health care, health research, health promotion, and health education.

Certain cigarettes and tobacco products are exempt from the taxes outlined above. For example, sales to authorized military personnel by a military exchange, commissary, or ship store, and sales by an Indian reservation business located within an Indian reservation to members of the reservation are exempt from the taxes.

Electronic cigarettes and “vaping” products are not subject to Alaska tobacco taxes under current statute.

Under federal law, the legal age for purchasing tobacco products was raised to 21, effective December 2019. The legal age in Alaska statutes remains at 19, however, forecasts in this RSB assume that consumption is consistent with the federal legal age. Reasons for this assumption include that the state has adopted the minimum age of 21 for tobacco licensing purposes, that most, if not all, major retailers have conformed their policies to the federal law, and that several municipalities have changed their laws as well to reflect the minimum age of 21.

Non-Petroleum Tax Revenue

By restriction and source

		Millions of Dollars		
		History	Forecast	
		FY 2023	FY 2024	FY 2025
Unrestricted				
1	Corporate Income Tax (Non-Petroleum)	124.4	130.0	160.0
Excise Tax				
2	Alcoholic Beverage	20.8	21.1	21.3
3	Tobacco Products – Cigarettes	21.1	20.4	19.6
4	Tobacco Products – Other	12.7	12.7	12.6
5	Electric and Telephone Cooperative	0.2	0.2	0.2
6	Insurance Premium Tax	63.4	64.7	65.4
7	Marijuana	7.9	7.1	6.9
8	Tire Fee	1.5	1.5	1.5
9	Subtotal Excise Tax	127.6	127.6	127.5
Fish Tax				
10	Fisheries Business	26.0	14.7	17.9
11	Fishery Resource Landing	3.4	5.1	5.4
12	Subtotal Fish Tax	29.5	19.8	23.3
Other Tax				
13	Charitable Gaming	3.0	3.1	3.1
14	Large Passenger Vessel Gambling	18.4	19.6	20.2
15	Mining License	52.5	31.8	29.1
16	Subtotal Other Tax	73.9	54.4	52.4
17	Total Unrestricted Non-Petroleum Tax Revenue	355.4	331.8	363.2
Restricted				
Designated General Fund				
18	Alcoholic Beverage (Alcohol and Drug Treatment and Prevention Fund)	20.8	21.1	21.3
19	Electric and Telephone Cooperative (Municipal Share)	4.4	4.4	4.4
20	Fisheries Business (Municipal Share)	26.5	16.3	19.6
21	Fishery Resource Landing (Municipal Share)	7.6	5.1	5.4
22	Insurance Premium/Other ¹	6.0	5.8	5.6
23	Marijuana (Marijuana Education and Treatment Fund)	7.2	7.1	6.9
24	Marijuana (Recidivism Reduction Fund)	14.4	14.1	13.9
25	Motor Fuel Tax – Non-Aviation	35.1	34.0	33.5
26	Motor Fuel Tax – Refined Fuel Surcharge	6.5	6.4	6.4
27	Tobacco Product – Cigarettes (School Fund)	14.0	13.7	13.2
28	Tobacco Products – Cigarettes (Tobacco Use and Cessation Fund)	2.0	2.0	1.9
29	Vehicle Rental	15.1	15.1	15.5
30	Subtotal Designated General Fund	159.7	145.0	147.6
Other Restricted				
31	Commercial Passenger Vessel Tax (State Share)	10.1	4.7	4.6
32	Commercial Passenger Vessel Tax (Municipal Share)	19.8	26.7	26.8
33	Common Property Fisheries Assessment: Salmon	0.0	0.0	0.0
34	Common Property Fisheries Assessment: Shellfish	0.0	0.0	0.0
35	Dive Fishery Management Assessment (designated management areas)	0.3	0.2	0.2
36	Motor Fuel Tax – Aviation (State Share)	4.7	4.6	4.6
37	Motor Fuel Tax – Aviation (Municipal Share)	0.2	0.2	0.2
38	Salmon Enhancement (Aquaculture Association Share)	7.8	3.5	4.9

Non-Petroleum Tax Revenue By restriction and source (continued)

Other Restricted (continued)	Millions of Dollars		
	History	Forecast	
	FY 2023	FY 2024	FY 2025
39 Seafood Development (qualifying regional associations)	4.1	2.8	3.2
40 Seafood Marketing Assessment (seafood marketing programs)	10.4	7.0	8.1
41 Settlements to Constitutional Budget Reserve Fund (Non–Petroleum taxes)	0.2	0.0	0.0
42 Subtotal Other Restricted	57.6	49.5	52.7
43 Total Restricted Non–Petroleum Tax Revenue	217.3	194.5	200.2
44 Total Non–Petroleum Tax Revenue	572.7	526.3	563.4

¹ In addition to the workers' compensation insurance premiums for the insurance premium tax, this amount also includes services fees from employers who are self-insured.

Vehicle Rental Tax

The vehicle rental tax imposed under AS 43.52.010 – 43.52.020 is 10% on most passenger vehicle rentals of 90 days or less. The recreational vehicle rental tax imposed under AS 43.52.030 – 43.52.040 is 3% on recreational vehicle rentals of 90 days or less.

Exemptions include taxis, rentals to government agencies, motorcycles, and trucks used for transporting personal property.

Revenue from the vehicle rental tax is deposited into a vehicle rental tax subaccount within the general fund. The Alaska Legislature may appropriate the balance of that account for tourism development and marketing. In this forecast, the revenue is shown as restricted revenue, in the designated general fund category.

Charges for Services

Charges for services include fees and other program charges for state services. Revenues reported in this category do not include all charges for state services. This category only includes those services that do not fit into other categories in this report.

Most of these receipts are considered restricted revenue because they are returned to the program where they were collected. The only unrestricted revenue listed in this category comes from charges that do not have program receipt designations or are not otherwise segregated and appropriated back to a program. Many of the charges for services are small amounts that the department has grouped into the broad category, "general government."

Marine Highway Fund

The Alaska Marine Highway Fund under AS 19.65.050 – 19.65.100 is a subfund of the general fund and receives revenue from state ferry system operations. Because this revenue is customarily appropriated for Alaska Marine Highway operations, it is considered restricted revenue for this forecast.

Environmental Compliance Fund

Commercial passenger vessel fees paid into the Environmental Compliance Fund come from two sources – environmental compliance fees imposed under AS 46.03.480(a)-(c) and Ocean Ranger Program fees imposed under AS 46.03.480(d). All fees paid into the fund are considered restricted for the purpose of this forecast and are based on estimated cruise ship passenger levels.

Environmental compliance fees are levied on commercial passenger vessels with more than 50 berths. Fees range from \$75 to \$3,750 per vessel based on the number of berths and funds are used to support environmental compliance programs.

The Ocean Ranger Program fee is levied on each voyage in Alaska by commercial passenger vessels with 250 or more berths at a rate of \$4 per berth. This fee was imposed as part of a broader commercial passenger vessel-related initiative passed by Alaska voters in August 2006.

Program Receipts

Under AS 37.05.142 – 37.05.146, receipts from authorized state programs are accounted for separately and appropriated to administer and implement laws related to the particular program, or to cover costs associated with collecting the receipts. Some programs with program receipt authority are not included in the department's Charges for Services category because they are reported elsewhere in this forecast or because they do not generate revenue available for general appropriation.

Program receipts listed in this section are:

- Alaska Oil and Gas Conservation Commission receipts, which are fees and charges for regulation of oil and gas wells and pipelines.
- Business license fees, which are collected by the Alaska Department of Commerce, Community, and Economic Development.
- General Fund program receipts, which are revenues customarily appropriated to support specific state programs, such as motor vehicle licensing and Alaska Pioneer Homes.
- Receipt-supported services, which include state services such as occupational licensing and insurance operations.
- Regulatory Commission of Alaska receipts, which are regulatory cost charges and user fees levied on utilities and pipelines to fund costs of regulation.
- Statutorily designated program receipts, which include money received from sources other than the state or federal government and restricted by the terms of a gift, grant, bequest, or contract. Examples include the Alaska Council on the Arts and State Parks management. Note, the forecast for statutorily designated program receipts represents the maximum authorized receipts; actual revenues typically are less than forecast.
- Test fisheries receipts, which are used to fund the test fisheries program of the Alaska Department of Fish and Game.
- Timber sale receipts, which are used to fund the timber disposal program of the Alaska Department of Natural Resources.

Charges for Services Revenue

By restriction and source

		Millions of Dollars		
		History	Forecast	
		FY 2023	FY 2024	FY 2025
Unrestricted				
1	Unrestricted Revenue from Charges for Services	4.3	4.3	4.3
Restricted				
Designated General Fund				
2	Commercial Fisheries Entry Commission	7.3	7.3	7.3
3	DCCED Business Licenses	8.4	8.5	9.0
4	General Fund Program Receipts	159.1	155.7	155.7
5	Marine Highway Receipts	38.2	41.9	46.1
6	Oil and Gas Conservation	6.8	6.8	6.8
7	RCA Receipts	11.7	11.7	11.7
8	Receipt Supported Services	25.3	24.4	24.4
9	Timber Sale Receipts	1.5	1.1	1.1
10	Test Fisheries Receipts	1.8	2.5	2.5
11	Other - GF Subfunds	6.7	6.7	6.7
12	Subtotal Designated General Fund	266.8	266.6	271.3
Other Restricted				
13	Environmental Compliance Fees	0.4	0.4	1.6
14	Ocean Ranger Fees	1.4	6.6	6.6
15	Statutorily Designated ¹	53.3	201.9	201.9
16	Other - Special Revenue Funds	0.7	0.7	0.7
17	Subtotal Other Restricted	55.7	209.6	210.8
18	Total Restricted Revenue from Charges for Services	322.5	476.2	482.1
19	Total Revenue from Charges for Services	326.8	480.5	486.4

¹ The forecast for statutorily designated program receipts represents the maximum authorized receipts; actual revenues typically are less than forecast.

Tobacco Settlement

The Tobacco Master Settlement Agreement was signed by 46 states, including Alaska, in November 1998 and dictates annual payments to each of the states. Eighty percent of the settlement revenue was sold to the Northern Tobacco Securitization Corporation and is irrevocably pledged to bonds that were issued by the corporation to fund the purchase of the settlement. This settlement revenue will revert to the state when the corporation's bonds are finally repaid between June 1, 2050, and no later than June 1, 2066, depending upon levels of future settlement revenue received. The settlement revenue pledged to the corporation's bonds is considered other restricted revenue. The remaining 20% of the settlement revenue is deposited into the Tobacco Use Education and Cessation Fund, a subfund of the general fund, and is considered designated general fund revenue.

Tobacco settlement payments are based on a complex formula that uses several factors, including changes in cigarette consumption, inflation, and certain adjustments for litigation expenses and market share losses related to the settlement.

Fines and Forfeitures Revenue

By restriction and source

	Millions of Dollars		
	History	Forecast	
	FY 2023	FY 2024	FY 2025
Unrestricted			
1 Unrestricted Revenue from Fines and Forfeitures	15.9	14.7	14.7
Restricted			
Designated General Fund			
2 Tobacco Settlement (Tobacco Use Education and Cessation Fund)	4.6	4.3	4.0
3 Other – General Fund Subfunds	1.1	1.1	1.1
4 Subtotal Designated General Fund	5.8	5.4	5.1
Other Restricted			
5 Tobacco Settlement (Northern Tobacco Securitization Corporation)	18.5	17.0	16.0
6 Other – Special Revenue Funds	0.1	0.1	0.1
7 Subtotal Other Restricted	18.7	17.1	16.1
8 Total Restricted Revenue from Fines and Forfeitures	24.4	22.5	21.3
9 Total Revenue from Fines and Forfeitures	40.4	37.2	36.0

Fines and Forfeitures

Fines and forfeitures include civil and criminal fines and forfeitures, as well as money received by the state from the settlement of civil lawsuits. The largest single source of receipts under this category is the multi-state tobacco settlement, often referred to as the Master Settlement Agreement.

Alcoholic Beverage Licenses

Alcoholic beverage licenses are required under AS 04.11.010 to manufacture or sell alcoholic beverages in Alaska and are issued by the Alcoholic Beverage Control Board within the Alaska Department of Commerce, Community, and Economic Development. There is also a separate license requirement under AS 43.60.040 for the Department of Revenue but those licenses do not have an associated fee.

All the revenue from biennial license fees collected within municipalities (excluding annual wholesale fees and biennial wholesale license fees) is shared with the municipalities and treated as designated general fund revenue for this forecast. The remaining revenue from annual wholesale fees and biennial wholesale license fees is also treated as designated general fund revenue, as these funds are considered program receipts supporting the service of issuing alcoholic beverage licenses. This remaining revenue is included in Table 7-5 in the “Other Fees” category.

Hunting and Fishing License Fees

Hunting and fishing licenses are issued under AS 16.05 by the Alaska Department of Fish and Game for participation in various hunting, fishing, and other related activities. The majority of this revenue is appropriated to a special revenue fund, the Fish and Game Fund, and is classified as other restricted revenue. Money in the fund can only be spent for fish and game management purposes. Another portion of this revenue is a surcharge used for debt services for sport fish hatchery bonds and is considered other restricted revenue.

Motor Vehicle Registration Fees

Motor vehicle registration fees under AS 28.10.421 are collected by the Division of Motor Vehicles within the Alaska Department of Administration. Most fees are considered unrestricted license and permit revenue. However, some registration fees are considered restricted receipt-supported services and are reflected in the Charges for Services Section.

Licenses and Permits Revenue

By restriction and source

		Millions of Dollars		
		History	Forecast	
		FY 2023	FY 2024	FY 2025
Unrestricted				
Unrestricted Revenue from Licenses and Permits				
1	Motor Vehicle Fees	31.9	32.8	32.0
2	Other Fees	0.7	0.8	0.8
3	Total Unrestricted Revenue from Licenses and Permits	32.6	33.6	32.8
Restricted				
Designated General Fund				
4	Alcoholic Beverage License Share	0.7	0.7	0.7
5	Other Fees – General Fund Subfunds	0.1	0.4	0.4
6	Subtotal Designated General Fund	0.8	1.2	1.2
Other Restricted				
7	Hunting and Fishing Fees	39.9	38.9	39.4
8	Other Fees – Special Revenue Funds	3.9	3.9	3.9
9	Subtotal Other Restricted	43.8	42.8	43.3
10	Total Restricted Revenue from Licenses and Permits	44.6	44.0	44.5
11	Total Revenue from Licenses and Permits	77.2	77.5	77.3

Licenses and Permits

Licenses and permits represent revenue derived from charges for participating in activities regulated by the state. Most of the receipts under this category are from motor vehicle registration and hunting and fishing license fees. Several other small license and permit fees are summarized in the Other Fees category.

Rents and Royalties

Rents and royalties from sources other than oil and gas fall into two categories – mining rents and royalties, and other non-petroleum rents and royalties. All rents and royalties from oil and gas are reported in Chapter 6.

Mining Rents and Royalties

As with oil and gas production, the state earns revenue from other mineral production that occurs on state lands leased for exploration and development. As the landowner, the state earns revenue from leases as up-front bonuses, annual rent charges, and a retained royalty interest in mineral production.

Under the state constitution, 25% of revenue from most mining rents and royalties must be deposited into the Permanent Fund. An additional 0.5% from most mining rents and royalties is deposited into the Public School Trust Fund, a pre-statehood dedicated fund. These deposits are treated as other restricted revenue.

For state mineral leases issued after December 1, 1979 (the majority of mining on state land falls into this category), an additional 25% of rents and royalties is deposited into the Permanent Fund per statutory requirement. This additional 25% of revenue is shown as designated general fund revenue.

Remaining revenue is either unrestricted or designated general fund. Examples of designated general fund mining revenues include certain fees, royalties, and material sales revenues that are designated as program receipts and used to support mining resource management.

Other Non-Petroleum Rents and Royalties

This category includes revenue from the leasing, rental, and sale of state land that does not fall into the oil and gas or mining categories. Such revenues consist of a variety of different revenue streams flowing to the general fund, subfunds of the general fund, and special revenue funds. Thus, revenue is shown in the unrestricted, designated general fund, and other restricted categories. The Permanent Fund and Public School Trust Fund do not receive a mandated share of revenue for these non-mineral rents and royalties.

Chapter 7	Rents and Royalties Revenue By restriction and source
6	

		Millions of Dollars		
		History	Forecast	
		FY 2023	FY 2024	FY 2025
Unrestricted				
Unrestricted Revenue from Rents and Royalties (includes bonuses and interest)				
1	Mining Rents and Royalties	1.6	1.7	1.8
2	Other Non-Petroleum Rents and Royalties	0.0	0.0	0.0
3	Total Unrestricted Revenue from Rents and Royalties	1.6	1.7	1.8
Restricted				
Designated General Fund (Includes Bonuses and Interest)				
4	Mining Rents and Royalties	8.4	9.2	9.8
5	Mining Rents and Royalties to Permanent Fund ¹	3.3	3.6	3.8
6	Other Non-Petroleum Rents and Royalties	17.0	17.0	17.0
7	Subtotal Designated General Fund	28.7	29.8	30.6
Other Restricted (Includes Bonuses and Interest)				
8	Mining Rents and Royalties to Permanent Fund ¹	3.4	3.7	4.0
9	Mining Rents and Royalties to Public School Trust Fund	0.1	0.1	0.1
10	Other Non-Petroleum Rents and Royalties	0.1	0.1	0.1
11	Subtotal Other Restricted	3.6	3.9	4.2
12	Total Restricted Revenue from Rents and Royalties	32.3	33.7	34.8
13	Total Revenue from Rents and Royalties	33.9	35.4	36.6

¹ The constitutionally dedicated 25% of minerals-related royalties, bonuses, rents, and interest to the Permanent Fund is shown as Other Restricted revenue. Beginning with FY 2020, the additional 25% for leases issued after December 1, 1979, as referred to in AS 37.13.010(a), is shown as Designated General Fund revenue. Previously the additional 25% was shown as Other Restricted revenue; this change in presentation was made for conformity to budget documents.

Miscellaneous and Transfer Revenues

This category includes unclaimed property transfers to the state from component organizations, transfers from state funds, and miscellaneous revenue, which are discussed below.

Unclaimed Property

Alaska's unclaimed property statutes – AS 34.45 – require businesses and corporations to report unclaimed intangible property to the state. Property is reportable if an owner cannot be located, the owner has not cashed a property check, or an account has not had any owner-initiated activity for at least three years. Unclaimed property may include checking accounts, customer deposits and over-payments, gift certificates, unpaid wages, and security-related accounts. The state holds the property in trust until the owner or his or her legal heir claims it. Each year the unclaimed property trust account is evaluated, and the excess of the working trust balance is transferred to the general fund.

Miscellaneous and Transfer Revenue

By restriction and source

		Millions of Dollars		
		History	Forecast	
		FY 2023	FY 2024	FY 2025
Unrestricted				
Unrestricted Miscellaneous and Transfer Revenue				
1	Miscellaneous	14.4	25.0	25.0
2	Alaska Housing Finance Corporation Dividend	26.6	23.4	23.4
3	Alaska Industrial Development and Export Authority Dividend ¹	6.5	11.0	11.0
4	Alaska Student Loan Corporation Dividend	0.0	0.0	0.0
5	Unclaimed Property	9.0	9.0	9.0
6	Total Unrestricted Miscellaneous and Transfer Revenue	56.5	68.4	68.4
Restricted				
Designated General Fund				
7	Miscellaneous – General Fund Subfunds ²	17.1	15.0	15.0
8	Alaska Capital Income Fund	14.2	22.7	28.2
9	Subtotal Designated General Fund	31.3	37.7	43.2
Other Restricted				
10	Miscellaneous – Special Revenue Funds ²	19.4	18.8	18.8
11	Total Restricted Miscellaneous and Transfer Revenue	50.7	56.4	61.9
12	Total Miscellaneous and Transfer Revenue	107.2	124.9	130.4

¹ The AIDEA Board declared an FY 2024 dividend of \$17.9 million, however, a portion of the dividend was retained by AIDEA in exchange for assets transferred to the state in the form of the Mustang Road. The remaining \$11 million was transferred as cash assets to the General Fund.

² These funds represent revenue shown under account codes for "other" or "contributions" in the Alaska State Accounting System for general fund subfunds and special revenue funds.

Transfers from Component Organizations

Each year, the state receives money in the form of transfers or dividends from component organizations such as the Alaska Housing Finance Corporation and the Alaska Industrial Development and Export Authority. Because some component organizations do not make transfers to the state, not all are listed here.

Component organizations are covered in more detail in Chapter 10. Transfers and dividends presented in this section may differ from those presented in Chapter 10 for two reasons – amounts in this section account differently for funds paid over time for multi-year capital projects, and amounts in this section include funds that are transferred to the state and then appropriated to the component unit for operations.

Transfers from State Funds

The Alaska Capital Income Fund is invested alongside the Permanent Fund, and prior to 2019, the income of the Alaska Capital Income Fund was transferred to the general fund for general appropriation. For FY 2019 and beyond, transferred income is designated for deferred maintenance purposes and are shown as designated general fund revenue.

The annual transfers from the Permanent Fund to the general fund are reported and discussed in detail in Chapter 4.

Chapter 8

Credits

Overview

Alaska's tax code provides for a wide range of credits. Generally, tax credits may only be used to reduce a company's tax liability. In the past, for certain historical tax credits, companies could also choose to request the State of Alaska to purchase a credit. However, such credits are no longer available to be earned due to legislative action.



Tax credits applied against liability are sometimes referred to as a type of "indirect expenditure," as the forgone revenue is similar to spending in that it reduces the amount of revenue available for the state budget. Because the state never receives this revenue, these credits are not directly visible in revenue and spending numbers.

This chapter provides an overview of the various tax credits, how they are earned, their limitations, and their revenue impact. Discussion in this chapter also addresses historical credits that have sunset or been repealed over the past 10 years. Other types of indirect expenditures, such as deductions, exemptions, and exclusions, are not included in this chapter, but can be found in the Department of Revenue's Alaska Indirect Expenditure Report on the Tax Division's website.

Oil and Gas Tax Credit Fund

Background

The Oil and Gas Tax Credit Fund, established under AS 43.55.028, was created to allow the State of Alaska to purchase certain transferable oil and gas tax credit certificates. Funds are subject to annual appropriation by the Alaska Legislature for this purpose. Credits that have been available for state purchase include the transferable production tax credits under AS 43.55.023, AS 43.55.025, and certain corporate income tax credits under AS 43.20 – the Gas Storage Facility Credit, In-State Refinery Tax Credit, and Liquefied Natural Gas (LNG) Storage Facility Credit. Nontransferable credits, generally those offered under AS 43.55.024, are not available for state purchase.

From FY 2007 – FY 2019, the state annually appropriated funds to purchase tax credit certificates from eligible companies. Legislative action in 2016 (HB 247) and 2017 (HB 111) gradually phased out the ability to earn new credits that would be eligible for state purchase. The legislation eliminated the eligibility for state purchase for any credits earned on or after July 1, 2017, except for the LNG storage facility and refinery tax credits, both of which sunset at the end of 2019.

No funds were appropriated for the purchase of tax credit certificates for FY 2020 or FY 2021. \$54 million of general funds were appropriated in FY 2022.

In the FY 2023 enacted budget, up to \$390 million of general funds were appropriated. The first \$60 million was appropriated as a supplemental FY 2022 appropriation. An additional appropriation was made for FY 2023 of 10 percent of all revenue from taxes levied by AS 43.55.011, not to exceed \$330 million. The total appropriation for FY 2023 (not including the supplemental) was \$270.2 million, or 10 percent of all revenue from taxes levied by AS 43.55.011. The FY 2024 enacted budget appropriated \$28.4 million to the Oil and Gas Tax Credit Fund.

The total amount of credits purchased in FY 2024 was \$22.7 million, fully retiring the state's obligation for all credits eligible for repurchase. This will leave an estimated \$6.2 million remaining in the Oil and Gas Tax Credit Fund.

However, as of the writing of this publication, there is one remaining potential credit obligation. A credit which was paid back to the state after audit is currently on appeal before the Alaska Supreme Court. If the state were to lose this appeal, up to \$6.8 million would need to be paid out of the fund, in which case a future appropriation of just under \$0.6 million would be required to fulfill the state's obligation. This forecast assumes the state prevails in the appeal case. In this case, all credits are paid off and no further appropriations will be needed. Assuming the state prevails, the fund balance of \$6.2 million would be available to transfer back to the general fund.

Tax Credits Claimed

FY 2021 – FY 2023

	Millions of Dollars		
	Total Credits Claimed		
	FY 2021	FY 2022	FY 2023 ¹
Credits Applicable to the Oil and Gas Production Tax			
1 Alternative Credit for Exploration, Cook Inlet Jack-Up Rig Credit, and Frontier Basin Credit	*	*	*
2 Per-Taxable-Barrel Credit	749	920	898
3 Qualified Capital Expenditure Credit, Well Lease Expenditure Credit, and Carried-Forward Annual Loss Credit	*	*	*
4 Small Producer / New Area Development Credit	*	*	*
Credits Applicable to the Corporate Income Tax			
5 Gas Exploration and Development Credit	0	D/I	D/I
6 Gas Storage Facility Credit	This was a single use credit.		
7 In-State Gas Refinery Credit	*	D/I	D/I
8 Internal Revenue Code Credits Adopted by Reference	D/I	D/I	D/I
9 LNG Storage Facility Credit	0	0	0
10 Oil and Gas Industry Service Expenditures Credit	*	D/I	D/I
11 Veteran Employment Tax Credit	0	D/I	D/I
Credits Applicable to Multiple Tax Programs			
12 Education Tax Credit	3	D/I	D/I
13 Film Production Credit	<1	<1	<1
14 Minerals Exploration Incentive Credit	0	D/I	D/I
Credits Applicable to Fisheries Taxes			
15 Winn Brindle Scholarship Contributions Credit	0	0	D/I
16 Salmon & Herring Product Development Credit	1	0	D/I
17 Seafood Product Development Tax Credit	0	1	D/I
18 Community Development Quota Credit	<1	<1	D/I
19 Other Taxes Credit	N/T	N/T	N/T
20 Total All Reportable Tax Credits	781	1,049	1,251

¹ FY 2023 credit totals are estimated pending annual tax filings.

Note on Methodology: This table presents credit amounts consistent with DOR's Indirect Expenditure Report. To accurately attribute credits to the fiscal year they were incurred, credit amounts are based on returns for filing periods beginning during the relevant fiscal year. For example, a calendar-year return with a filing period that began in January 2021 would be included in FY 2021 data. However, the return may not be filed until FY 2022 or FY 2023. Therefore, some fiscal years have incomplete data for certain credits.

History of Production Tax Credits

FY 2014 – FY 2023

Millions of Dollars

	History									
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 ¹
Statewide Credits										
¹ Credits Used against Tax Liability	919	585	125	572	1,035	1,063	623	777	993	944
² Credits Purchased by the State ²	592	628	498	30	78	100	1	0	54	305
³ Total Statewide Production Tax Credits	1,511	1,213	624	602	1,113	1,162	624	777	1,048	1,249

¹ FY 2023 credit totals are estimated pending annual tax filings

² Credits Purchased by the State consist primarily of oil production tax credits, but also includes corporate income tax credits available for state purchase from the Oil and Gas Tax Credit Fund. These include the Gas Storage Facility Credit, LNG Storage Facility Credit, and Refinery Credit.

Credits Forecast

This forecast incorporates the retirement of all outstanding tax credits eligible for state purchase in FY 2024.

Credits Applicable to the Oil and Gas Production Tax

Alternative Credit for Exploration

AS 43.55.025(a)(1)-(4)

The Alternative Credit for Exploration was a transferable and state purchase-eligible credit for expenditures for certain exploration drilling and seismic exploration activities in the state.

The credit for Middle Earth (leases outside the North Slope and Cook Inlet) exploration drilling was a 30% credit for drilling costs for wells greater than 25 miles from an existing unit, 30% for preapproved new targets greater than three miles from an existing well, and 40% for preapproved new targets greater than three miles from a well and greater than 25 miles from an existing unit. The three-mile limit did not apply for wells in "Frontier Basins" as described under the Frontier Basin Credit below. This credit expired January 1, 2022.

The credit for Middle Earth seismic was a 40% credit for seismic costs outside an existing unit, but expired January 1, 2018.

The credit for North Slope activity had the same rates and geographical limitations as the Middle Earth credit, but expired July 1, 2016.

The credit for Cook Inlet was a 40% credit for seismic costs outside an existing unit, 30% for drilling costs greater than 10 miles from an existing unit, 30% for preapproved new targets, and 40% for preapproved drilling costs for wells that were greater than 10 miles from an existing unit. The Cook Inlet credit expired July 1, 2016.

10-Year Forecast for Production Tax Credits

FY 2024 – FY 2033 forecast

Millions of Dollars

	Forecast									
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Statewide Credits										
1 Credits Used against Tax Liability	1,038	681	646	652	725	723	772	934	1,107	1,216
2 Credits Purchased by the State ¹	48	0	0	0	0	0	0	0	0	0
³Total Statewide Production Tax Credits	1,085	682	646	652	725	723	772	934	1,107	1,216

¹ Credits Purchased by the State consist primarily of production tax credits, but also include corporate income tax credits available for state purchase from the Oil and Gas Tax Credit Fund. These include the Gas Storage Facility Credit, LNG Storage Facility Credit, and Refinery Credits.

Note: All remaining tax credits available for state purchase were retired in FY 2024.

Carried-Forward Annual Loss Credit

AS 43.55.023(b)

This credit is a transferable and state purchase-eligible credit for a carried-forward annual loss, defined as a producer or explorer's adjusted lease expenditures that are not deductible in calculating production tax value for the calendar year.

On the North Slope, during 2014 and 2015, the credit for carried-forward annual losses incurred was 45% of the loss. On January 1, 2016, the credit for losses incurred on the North Slope decreased to 35%. Beginning January 1, 2017, a gross value reduction (GVR) could no longer be used to increase the size of an annual loss for credit calculation purposes. This credit expired for the North Slope on January 1, 2018 and was replaced by a new carried-forward lease expenditures provision.

For areas outside the North Slope, the credit was repealed on January 1, 2018, as well. For Middle Earth, the credit was replaced by a carried-forward lease expenditures provision. For Cook Inlet, however, the credit was repealed.

Education, and Film Production Credits

See "Credits Applicable to Multiple Tax Programs."

Frontier Basin Credit

AS 43.55.025(a)(6)-(7)

The Frontier Basin Credit was a transferable, state purchase-eligible credit for the first four exploration wells and the first four seismic exploration projects within six specific areas designated in AS 43.55.025(o), also called the "Frontier Basins." For wells drilled or spudded prior to July 1, 2017, the credit was for 80% of qualified exploration drilling expenses or \$25 million. For seismic projects, the credit, which expired July 1, 2016, was for the lesser of 75% of qualified seismic exploration expenditures or \$7.5 million.

Historical Production Tax Credits and Forecast

FY 2014 – FY 2033

Millions of Dollars

Fiscal Year	History										
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 ¹	
Credits Purchased by the State of Alaska											
North Slope											
1	Qualified capital expenditure, AS 43.55.023(a); Carry-forward, AS 43.55.023(b)	*	203	*	*	*	*	0	0	*	*
2	Credits under AS 43.55.025 ²	*	21	*	*	*	*	0	0	*	*
3	Total North Slope	281	224	212	< 1	51	68	0	0	36	129
Non-North Slope											
4	Qualified capital expenditure, AS 43.55.023(a); Carry-forward, AS 43.55.023(b); Well lease expenditure, AS 43.55.023(l)	*	384	*	30	26	30	*	0	*	117
5	Credits under AS 43.55.025 ²	*	21	*	0	*	*	*	0	*	*
6	Credits under AS 43.20 ³	15	0	*	0	*	*	*	0	*	*
7	Total Non-North Slope	312	404	287	30	27	32	1	0	18	176
8	Total Credits Purchased by the State⁹	592	628	498	30	78	100	1	0	54	305
Credits Used Against Tax Liability^{4,5}											
North Slope											
9	Qualified capital expenditure, AS 43.55.023(a); Carry-forward annual loss, AS 43.55.023(b); Well lease expenditure, AS 43.55.023(l)	332	0	*	*	*	*	*	*	*	*
10	Transitional Investment Credit: AS 43.55.023(i)	0	0	0	0	0	0	0	0	0	0
11	Per taxable barrel credit, AS 43.55.024(i)-(j) ⁶	516	524	82	531	994	1,030	607	746	920	898
12	Small producer credit, AS 43.55.024(a)(c)	*	*	*	*	*	*	*	*	*	*
13	Credits under AS 43.55.025 ²	*	*	*	*	*	*	*	*	*	*
14	Total North Slope	907	573	116	565	1,027	1,054	615	772	991	943
Non-North Slope											
15	Qualified capital expenditure, AS 43.55.023(a); Carry-forward, AS 43.55.023(b); Well lease expenditure, AS 43.55.023(l)	*	*	*	*	*	*	*	*	*	*
16	Per taxable barrel credit, AS 43.55.024(i)-(j) ⁶	*	*	*	*	*	*	*	*	*	*
17	Small producer credit, AS 43.55.024(a)(c)	*	*	*	*	*	*	*	*	*	*
18	Total Non-North Slope	12	12	9	6	8	9	8	4	2	2
19	Total Credits Used Against Tax Liability	919	585	125	572	1,035	1,063	623	777	993	944
20	Total Credits North Slope	1,188	797	328	565	1,078	1,121	615	772	1,027	1,072
21	Total Credits Non-North Slope	323	416	296	37	35	41	9	4	20	177
22	Total Statewide Production Tax Credits	1,511	1,213	624	602	1,114	1,162	624	777	1,048	1,249
23	Carried-Forward Credits Balance and Tax Value of Carried-Forward Annual Losses^{7, 8}	0	0	0	0	0	0	222	461	396	334

Historical Production Tax Credits and Forecast

FY 2014 – FY 2033 (continued)

Millions of Dollars

Fiscal Year	Forecast										
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	
Credits Purchased by the State of Alaska											
North Slope											
1	Qualified capital expenditure, AS 43.55.023(a); Carry-forward, AS 43.55.023(b)	*	0	0	0	0	0	0	0	0	0
2	Credits under AS 43.55.025 ²	*	0	0	0	0	0	0	0	0	0
3	Total North Slope	4	0	0	0	0	0	0	0	0	0
Non-North Slope											
4	Qualified capital expenditure, AS 43.55.023(a); Carry-forward, AS 43.55.023(b); Well lease expenditure, AS 43.55.023(l)	*	0	0	0	0	0	0	0	0	0
5	Credits under AS 43.55.025 ²	*	0	0	0	0	0	0	0	0	0
6	Credits under AS 43.20 ³	*	0	0	0	0	0	0	0	0	0
7	Total Non-North Slope	45	0	0	0	0	0	0	0	0	0
8	Total Credits Purchased by the State	48	0	0	0	0	0	0	0	0	0
Credits Used Against Tax Liability^{4,5}											
North Slope											
9	Qualified capital expenditure, AS 43.55.023(a); Carry-forward annual loss, AS 43.55.023(b); Well lease expenditure, AS 43.55.023(l)	5	0	0	9	0	0	0	0	0	0
10	Transitional Investment Credit: AS 43.55.023(i)	0	0	0	0	0	0	0	0	0	0
11	Per taxable barrel credit, AS 43.55.024(i)-(j) ⁶	1,028	678	644	642	725	723	772	934	1,107	1,216
12	Small producer credit, AS 43.55.024(a)(c)	1	1	1	1	0	0	0	0	0	0
13	Credits under AS 43.55.025 ²	0	0	0	0	0	0	0	0	0	0
14	Total North Slope	1,034	679	645	652	725	723	772	934	1,107	1,216
Non-North Slope											
15	Qualified capital expenditure, AS 43.55.023(a); Carry-forward, AS 43.55.023(b); Well lease expenditure, AS 43.55.023(l)	0	0	0	0	0	0	0	0	0	0
16	Per taxable barrel credit, AS 43.55.024(i)-(j) ⁶	0	0	0	0	0	0	0	0	0	0
17	Small producer credit, AS 43.55.024(a)(c)	3	2	1	0	0	0	0	0	0	0
18	Total Non-North Slope	3	2	1	0	0	0	0	0	0	0
19	Total Credits Used Against Tax Liability	1,037	682	646	652	725	723	772	934	1,107	1,216
20	Total Credits North Slope	1,038	679	645	652	725	723	772	934	1,107	1,216
21	Total Credits Non-North Slope	48	3	1	0	0	0	0	0	0	0
22	Total Statewide Production Tax Credits	1,085	682	646	652	725	723	772	934	1,107	1,216
23	Carried-Forward Credits Balance and Tax Value of Carried-Forward Annual Losses^{7,8}	838	1,201	1,535	1,584	1,702	1,819	1,872	1,930	1,986	1,969

(footnotes)

* Data cannot be reported due to confidentiality constraints.

¹ These numbers are preliminary pending annual returns.

² Credits under AS 43.55.025 include the Alternative Credit for Exploration, Frontier Basin Credit, and Cook Inlet Jack-up Rig Credit.

³ Credits under AS 43.20 include the Gas Exploration and Development Credit, Gas Storage Facility Credit, In-State Refinery Credit, and the LNG Storage Facility Credit.

⁴ The Education Credit, AS 43.55.019, though not reported in its own credit category in the summary, was less than \$1 million in each year reported and is calculated in the total.

⁵ For historical credits against tax liability, credits were placed according to where the company primarily operated. Since multiple companies had operations in multiple areas, these numbers should be treated as rough estimates.

⁶ For FY 2014, the Per Taxable Barrel Credit was in effect for only the last six months of the fiscal year. Credits applied against liability in the forecast are limited by a company's tax liability including the minimum tax floor.

⁷ This row combines the estimated value of carried-forward tax credits and carried-forward annual losses. Carried-forward tax credits are any remaining credits for previous calendar years that were eligible for carry-forward but were not eligible or requested for state purchase, primarily for net operating losses under AS 43.55.023(b). From January 1, 2018, carried-forward annual losses can be earned for certain activity and the tax value is estimated by multiplying the amount of carried-forward annual losses by the statutory 35% tax rate.

⁸ The department has not prepared final estimates for years prior to FY 2020.

Per-Taxable-Barrel Credit

AS 43.55.024(i)-(j)

The Per-Taxable-Barrel Credit is a production tax credit for each taxable barrel of oil production on the North Slope. This credit is an integral part of the production tax calculation. It cannot be transferred or carried-forward, and is not eligible for cash purchase. This credit does not have an expiration date.

In "new oil" areas that qualify for a Gross Value Reduction (GVR), the credit is \$5 per taxable barrel. Those areas are defined in AS 43.55.160(f) and (g).

For areas that do not qualify for a GVR, the credit ranges from \$0 to \$8 per taxable barrel based on the average gross value at point of production (GVPP) per barrel produced in the tax year. The credit operates on a sliding scale ranging from \$0 per barrel when the GVPP is more than \$150 per barrel, to \$8 per barrel when the GVPP is less than \$80 per barrel.

The majority of oil produced on the North Slope is not GVR-eligible. Therefore, the structure of the Per-Taxable-Barrel Credit is such that as the price of oil increases, the dollar value of the credit decreases, and vice versa.

One important limit is that if a company chooses to utilize the \$0 to \$8 credit for non-GVR-eligible oil, that company may not use this credit and any other credits or deductions to reduce its tax liability to less than the minimum tax established under AS 43.55.011(f), currently 4% of the GVPP. The credit for GVR-eligible oil may not reduce the producer's liability for that production below zero.

Qualified Capital Expenditure and Well Lease Expenditure Credit

AS 43.55.023(a) and (l)

These are transferable and state purchase-eligible tax credits for qualified oil and gas capital expenditures in the state outside the North Slope. They can be taken in lieu of Exploration Credits under AS 43.55.025 but are in addition to any Carried-forward annual loss credits under AS 43.55.023(b). Before January 1, 2017, companies could qualify for a credit of 20% of eligible capital expenditures or 40% of qualified well lease expenditures. As of January 1, 2017, the Qualified Capital Expenditure Credit was reduced from 20% to 10% and the Well Lease Expenditure Credit was reduced from 40% to 20%. On January 1, 2018, both credits were repealed for Cook Inlet. There is no expiration date for Middle Earth.

Small-Producer and New Area Development Credit

AS 43.55.024(a) and (c)

The Small-Producer Credit is a nontransferable credit for oil and gas produced by small producers, defined as having average taxable oil and gas production of less than 100,000 Btu-equivalent barrels per day. The credit is available until the later of (1) calendar year 2016 or (2) the ninth calendar year after the calendar year in which the producer first had commercial production, if that production began before May 1, 2016. Therefore, as of publication of the RSB, the credit will gradually sunset over the next several years. The credit is capped at \$12 million annually for producers with less than 50,000 Btu-equivalent barrels per day. For larger producers, the credit phases out, and is zero for producers with 100,000 or more Btu-equivalent barrels per day. The credit may only be used against tax liability, and only if the producer has a positive tax liability before the application of credits. It may not be carried forward.

The New Area Development Credit was a credit of up to \$6 million per company annually, for oil or gas produced from Middle Earth, providing the producer had a positive tax liability on that production before the application of credits. The credit was available until the later of (1) calendar year 2016 or (2) the ninth calendar year after the calendar year in which the producer first had commercial production from Middle Earth, if that production began before May 1, 2016. Because there has not been commercial production outside the North Slope and Cook Inlet, no companies qualified for this credit, and it was never used.

Transitional Investment Expenditure Credit

AS 43.55.023(i)

The Transitional Investment Expenditure Credit was a nontransferable credit for 20% of qualified oil and gas capital expenditures incurred between March 31, 2001, and April 1, 2006, not to exceed 10% of the capital expenditures incurred between March 31, 2006, and January 1, 2008. The credit was only available until December 31, 2013.

Credits Applicable to Corporate Income Tax

Education, and Film Production Credits

See "Credits Applicable to Multiple Tax Programs."

Gas Storage Facility Credit

AS 43.20.046

The Gas Storage Facility Credit was a state purchase-eligible credit, paid out of the Oil and Gas Tax Credit Fund under AS 43.55.028, for costs incurred to establish an underground natural gas storage facility in Kenai. This credit was limited to one company and was taken in FY 2014.

The credit was \$1.50 per 1,000 cubic feet of "working gas" storage capacity as determined by the Alaska Oil and Gas Conservation Commission. It did not apply to gas storage related to a gas sales pipeline on the North Slope. To qualify, the facility had to operate as a public utility regulated by the Regulatory Commission of Alaska (RCA) with open access for third parties. It was effective for facilities placed into service between January 1, 2011, and December 31, 2015. The maximum credit was the lesser of \$15 million or 25% of costs incurred to establish the facility.

In-State Refinery Tax Credit

AS 43.20.053

The In-State Refinery Tax Credit began on January 1, 2015 and was a credit for qualified infrastructure expenditures for in-state oil refineries incurred after December 31, 2014, and before January 1, 2020. The credit could not exceed 40% of total qualifying expenditures or \$10 million per tax year per refinery, whichever amount was less. The credit could be applied against corporate income tax liability and carried forward for up to five years, or purchased by the state. The authorizing statute sunset on December 31, 2019.

Internal Revenue Code Credits Adopted by Reference

AS 43.20.021

Under Alaska's blanket adoption of most provisions of the federal Internal Revenue Code, taxpayers may claim a portion of federal general business credits against the Alaska corporate income tax. Multistate taxpayers apportion their total federal incentive credits. In most cases, the credit is limited to 18% of the amount of the credit determined for federal income tax purposes that is attributable to Alaska.

One of the credits adopted by reference under AS 43.20.021 is the Federal Alternative Minimum Tax Credit. The Tax Cuts and Jobs Act (TCJA) of 2017 and the federal CARES Act of 2020 created a refundable credit against corporate income taxes of all alternative minimum taxes paid since 1987. The credit could be claimed on an Alaska original or amended return for tax years 2018 or 2019.

Liquified Natural Gas Storage Facility Credit

AS 43.20.047

The LNG Storage Facility Credit is a nontransferable, state purchase-eligible credit for the costs incurred to establish a storage facility for LNG. The credit is the lesser of \$15 million or 50% of costs incurred to establish the facility and may be purchased by the state by direct appropriation. It applies to facilities with a minimum storage capacity of 25,000 gallons of LNG that are public utilities regulated by the Regulatory Commission of Alaska. It is for facilities placed into service after January 1, 2011. For a facility to qualify for the credit it must have commenced commercial operation prior to January 1, 2020.

Minerals Exploration Incentive Credit

See "Credits Applicable to Multiple Tax Programs."

Oil and Gas Industry Service Expenditures Credit

AS 43.20.049

The Oil and Gas Industry Service Expenditures Credit is a nontransferable credit of 10% of qualified oil and gas industry service expenditures that are for in-state manufacture or in-state modification of oil and gas tangible personal property with a service life of three years or more. The credit may be applied to corporate income tax liabilities in amounts up to \$10 million per taxpayer per year and is effective for expenditures incurred after January 1, 2014. Any amount of the credit that exceeds the taxpayer's liability may be carried forward up to five years. This credit does not have a sunset date in statute.

Urea/Ammonia/Gas to Liquid Facility Credit

AS 43.20.052

The Urea/Ammonia/Gas to Liquid Facility Credit was enacted in 2016. This nontransferable credit allows an in-state company that produces urea, ammonia, or gas-to-liquids products to apply a credit to its corporate income tax based on natural gas purchased from state leases. The credit is equal to the amount of state royalty paid on natural gas purchased for the qualifying project. The credit cannot be carried forward to future years, is not eligible for state purchase, and cannot be used to reduce a tax liability below zero. The credit is scheduled to be repealed January 1, 2024.

Veteran Employment Tax Credit

AS 43.20.048

The Veteran Employment Credit is a nontransferable and state purchase-ineligible credit for corporate income taxpayers who employ qualified veterans in the state. A "qualified veteran" is a veteran who was unemployed for more than four weeks preceding the veteran's employment date and who was discharged or released from military service (1) not more than 10 years before his or her employment date for a disabled veteran, or (2) not more than two years before his or her employment date for a veteran who is not disabled. The credit is \$3,000 for a disabled veteran or \$2,000 for a veteran who is not disabled, for employment for a minimum of 1,560 hours during 12 consecutive months following the veteran's employment date. For seasonal employment, the credit is \$1,000 for a veteran employed for a minimum of 500 hours during three consecutive months following the employment date. The credit cannot be used to reduce a tax liability below zero, but it can be carried forward to future years. The credit does not have an expiration date.

Credits Applicable to Fisheries Taxes

Community Development Quota Credit

AS 43.77.040

The Community Development Quota (CDQ) Credit is a nontransferable credit for contributions to an Alaska nonprofit corporation that is dedicated to fisheries industry-related expenditures. The credit is available only for fishery resources harvested under a CDQ. The credit is 100% of a taxpayer's contribution amount, up to a maximum of 45.45% of the taxpayer's tax liability on fishery resources harvested under a CDQ. The sum of all CDQ Tax Credits is deducted from the amount that the state shares with municipalities under AS 43.77.060(a). The authorizing statute is scheduled to sunset December 31, 2030.

Education, and Film Production Credits

See "Credits Applicable to Multiple Tax Programs."

Salmon and Herring Product Development Credit

AS 43.75.035

The Salmon and Herring Product Development Credit is a nontransferable and state purchase-ineligible credit for eligible capital expenditures to expand value-added processing of Alaska salmon and herring, including ice-making machines. Herring products were added to the credit in 2014. The credit is 50% of qualified investments up to 50% of tax liability incurred for processing salmon and herring during the tax year. The credit may be carried forward for up to three years. The authorizing statute sunset on December 31, 2020.

Seafood Product Development Credit

AS 43.75.037

The Seafood Product Development Credit is a nontransferable and state purchase-ineligible credit for eligible capital expenditures to expand value-added processing of Alaska salmon, herring, pollock, sablefish, and cod, including ice-making machines. The credit is 50% of qualified investments up to 50% of tax liability incurred for processing salmon and herring during the tax year. This credit is available for investments made on or after July 7, 2022. The credit may be carried forward for up to three years. The authorizing statute is scheduled to sunset on December 31, 2026.

While similar to the previously available Salmon and Herring Product Development Credit which sunset on December 31, 2020, the Seafood Product Development Credit was enacted as a distinct new credit in a new section of statute.

Winn Brindle Scholarship Contributions Credit

AS 43.75.032, 43.77.035

The Winn Brindle Scholarship Contributions Credit was applicable to both the fisheries business tax and fishery resource landing tax. It was a nontransferable credit for contributions to the A.W. "Winn" Brindle Memorial Education Loan Account. The credit was 100% of the contribution amount, up to a maximum of 5% of tax liability. The credit sunset on December 31, 2016.

Credits Applicable to Multiple Tax Programs

Education Credit

AS 21.96.070, 43.20.014, 43.55.019, 43.56.018, 43.65.018, 43.75.018, 43.77.045

The Education Credit is a nontransferable and state purchase-ineligible credit applicable to the insurance premiums tax, title insurance premiums tax, corporate income tax, oil and gas production tax, oil and gas property tax, mining license tax, fisheries business tax, and fishery resource landing tax.

Taxpayers can claim a credit for contributions to vocational educational programs, accredited nonprofit, public or private Alaska universities or colleges, Alaska public or private nonprofit elementary or secondary schools, annual intercollegiate sports tournaments, Alaska Native educational programs, facilities that qualify under the Coastal American Partnership, qualified apprenticeship programs, nonprofit regional training centers, the Alaska Higher Education Investment Fund, a postsecondary institution in the state providing dual-credit courses, a residential school in the state, and the Alaska Department of Education and Early Development.

In 2018, the credit was available for up to 50% of annual contributions up to \$100,000, 100% of the next \$200,000, and 50% of annual contributions beyond \$300,000. The credit for any one taxpayer could not exceed \$5 million annually across all eligible tax types. Beginning on January 1, 2019, the credit has been available for up to 50% of annual contributions up to \$100,000, 75% of the next \$200,000, and 50% of annual contributions beyond \$300,000. The credit for any one taxpayer has not been allowed to exceed \$1 million annually across all eligible tax types. Previously, only cash contributions were accepted for the Education Tax Credit, but the credit was expanded to accept contributions of equipment beginning in 2019. Beginning in 2021, the credit is reduced to 50% of all donations; the \$1 million cap on the credit per taxpayer each year will remain the same. The Education Tax Credit is currently scheduled to sunset on December 31, 2024.

Film Production Credit

AS 43.98.030, under AS 21.09.210, 21.66.110, 43.20, 43.55, 43.56, 43.65, 43.75, and 43.77

The Film Production Credit is a transferable, but state purchase-ineligible, credit for expenditures on eligible film production activities in Alaska. For qualifying productions, the credit is 30% of eligible film production expenditures. The credit also has an additional 20% credit for wages paid to Alaska residents, an additional 6% credit for filming in a rural area, and an additional 2% credit for filming between October 1 and March 30. The credit applies to the insurance premium tax, title insurance tax, corporate income tax, oil and gas production tax, oil and gas property tax, mining license tax, fisheries business tax, and fishery resource landing tax.

The program stopped accepting new projects on July 1, 2015. The final film credit was issued in 2017. Individual film credits expire six years from the date of issue.

Minerals Exploration Incentive Credit

AS 27.30.010 – 27.30.099, 43.20.044

The Minerals Exploration Incentive Credit is applicable to corporate income tax, mining license tax, and mineral production royalty. It is a nontransferable and state purchase-ineligible credit for eligible costs of mineral or coal exploration activities, and requires the approval of the Alaska Department of Natural Resources Commissioner.

The credit is 100% of allowable exploration costs with a maximum of \$20 million per mining operation and must be used within 15 years. For the mining license tax, the credit is limited to the lesser of 50% of the tax liability at the mining operation where the exploration occurred or 50% of total tax liability. For the corporate income tax, it is limited to the lesser of 50% of the mining license tax liability at the mining operation where the exploration occurred or 50% of the total corporate income tax liability. For the mineral royalty, the credit is limited to 50% of the royalty liability from the mining operation where the exploration activity occurred.

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Chapter 9

State Endowment Funds

Overview



This chapter compares important attributes of five of the state's major endowment funds – the Permanent Fund, Alaska Mental Health Trust Fund, Public School Trust Fund, Power Cost Equalization (PCE) Endowment Fund, and University of Alaska Endowment. This is not a comprehensive list of state endowment funds, just the five most significant.

The University of Alaska Endowment is not included in the state's Annual Comprehensive Financial Report, rather it is separately accounted for in University of Alaska financial statements. However, the University of Alaska Endowment is included in this chapter because it is a major endowment benefitting the state and because it is one of Alaska's public endowment funds that uses the annual distribution calculation method typical of most endowments in the United States and Canada.

The fiduciary for each of these endowment funds has the responsibility for establishing an asset-allocation policy for each fund. Table 9-1 compares the current asset-allocation policies for these endowments. Table 9-2 compares recent fund values and appropriations for these endowments.

Under the standards adopted by the Governmental Accounting Standards Board, public funds calculate and report their income by recognizing changes in the value of securities as income (or losses) as they occur at the end of each trading day. These calculations are done regardless of whether the securities are actually sold, and the income (or losses) are taken or realized. All five of these endowments report annual income on this basis.

However, the Permanent Fund, Mental Health Trust Fund, and Public School Trust Fund use other measures of annual income for determining their distributions. The Permanent Fund, the Mental Health Trust Fund, and the Power Cost Equalization (PCE) Endowment Fund are all managed by the APFC. In determining the amount of income available for distribution each year for these funds managed by the APFC, income (or losses) on individual investments within the funds' principal are not recognized until the investment is sold.

In 2018, House Bill 213 transformed the Public School Trust from a traditional principal and income trust to an endowment structure with a maximum percent of average market value spending rule. The modern endowment approach maximizes the potential of growth and distributions for future generations of beneficiaries.

In 2023, Senate Bill 98 transferred management of the PCE Endowment Fund from the Department of Revenue, Treasury Division, to APFC.

Chapter 9
1

State Endowment Funds

Target asset allocations

Strategy Based	Cash	Core US Fixed Income	Broad US Equity	International Equity	U.S. REITs	
1 Public School Trust Fund	1%	30%	39%	25%	5%	
			Capital Appreciation	Diversifying Strategies	Deflation Sensitive	
2 University of Alaska Endowment			63%	20%	17%	
			Private Infrastructure/ Private	Credit/Income Opportunities	Tactical Opportunities	
	Cash	Public Equities	Fixed Income	Private Equity/Special Opportunities	Absolute Return	Real Estate
3 Permanent Fund ¹	2%	34%	20%	16%	7%	10%
4 Mental Health Trust	2%	34%	20%	16%	7%	10%
5 Power Cost Equalization	2%	34%	20%	16%	7%	10%

¹ Asset allocation shown is as of September 30, 2023.

Missions, Deposits, and Distributions

Permanent Fund

The Permanent Fund receives a portion of the state's royalty revenue from oil, gas, and other minerals. Over the past several decades, these royalty deposits plus earnings have grown to be a major asset of the state of Alaska.

Each year, the APFC calculates the amount of net income (or losses) realized by the Permanent Fund, and this amount, plus any surplus funds already in the Earnings Reserve Account, are available for appropriation by the Alaska Legislature. Beginning in FY 2019, statutes provide for a transfer from the Earnings Reserve Account to the general fund that can be used for the payment of unrestricted general fund expenditures and/or Permanent Fund Dividends. The amount of the transfer is based on a percentage of the average market value of the fund at the end of the first five of the preceding six years. This amount is subject to annual appropriation by the Legislature.

Following the calculation of net income (or losses) and any appropriated transfer of funds to the general fund, APFC calculates an amount sufficient to offset the effects of inflation on the principal of the Permanent Fund using a formula set out in statute. Subject to annual appropriation by the Legislature, APFC then transfers this amount from the Earnings Reserve Account to the principal of the Permanent Fund. The principal of the Permanent Fund is made up of all oil and gas royalty contributions and legislative appropriations to the principal or corpus of the Permanent Fund.

Mental Health Trust

During Alaska's transition to statehood, Congress passed the Mental Health Trust Enabling Act of 1956 that transferred the responsibility for providing mental health services from the federal government to the territory of Alaska and ultimately the state. Through the 1956 act and subsequent litigation settled in 1994, the Mental Health Trust was capitalized with over 1 million acres of land and \$200 million in cash that has been used to generate income to help support programs and services for Trust beneficiaries: Alaskans who experience mental illness, developmental and intellectual disabilities, substance use disorders, Alzheimer's disease and related dementia, and traumatic brain injuries.

Earnings from the Alaska Mental Health Trust Fund, which is managed by the APFC, are for use in ensuring an integrated comprehensive mental health program for the state. Current statute requires net income earned on the principal of the fund to be calculated in the same manner as the Permanent Fund. Only realized income and subsequent realized and unrealized gains are ultimately made available for distribution to the Mental Health Trust. The Alaska Mental Health Trust Authority Board of Trustees has established a percent-of-market-value distribution model where distributions from cash investments managed by APFC and cash reserves managed by the Department of Revenue are limited to 4.25% of the four-year moving-average net asset value. This reduces the volatility of program funding while budget reserves ensure funding continues even when financial markets are down.

Funding is also made available for mental health programs from statutorily designated revenue generated by Trust-owned lands and other non-cash assets that are managed by the Alaska Department of Natural Resources' Trust Land Office.

The balance of funding consists of both interest earned on operating cash holdings, and the unexpended balance of expired appropriations lapsing back to the Alaska Mental Health Trust Authority fund.

The Alaska Mental Health Trust has a policy to periodically make transfers and/or assign funds to offset the effects of inflation in order to preserve the purchasing power of the fund.

Public School Trust Fund

The Public School Trust Fund was established as a separate trust fund through transfer of the balance of the Public School Permanent Fund by the Legislature on July 1, 1978. Annual contributions are comprised of 0.5% of State of Alaska receipts from minerals royalty, bonuses, rents, and interest. From 1978 to 2018, the principal of the fund, and all capital gains/losses thereon, were perpetually retained in the fund and only the remaining net income of the fund was used in support of Alaska's public schools.

In 2018, the Legislature enacted House Bill 213 which transformed the Public School Trust from a traditional principal and income trust to an endowment structure with a maximum percent of average market value spending rule. With this revised structure, the Department of Revenue adjusted the trust's asset allocation targeting a greater long-term equity exposure, consistent with a modern endowment investment practice to generate long-term capital appreciation. Under the former principal and interest structure, investments were weighted towards fixed income assets in order to generate cash income for annual distribution, which generally generates less long-term capital appreciation. As long as spending from the trust is limited to the real return (nominal return less inflation) of the investments, the inflation adjusted value (also called purchasing power) of the trust will be maintained indefinitely. The modern endowment approach maximizes the potential of growth and distributions for future generations of beneficiaries.

On July 1 of each year, the Department of Revenue Commissioner determines the monthly average market value of the fund for the previous five fiscal years preceding the previous fiscal year. The Legislature may appropriate not more than 5% of this amount. The appropriated amount may be expended the following fiscal year to support Alaska's public school system.

State Endowment Funds

Market values as of September 30, 2023, and appropriations

Endowment Fund	Market Value (Millions of Dollars)	Most Recent Statutorily Calculated Maximum Appropriation (Millions of Dollars)	Allocation Fiscal Year
¹ Public School Trust Fund	705.3	33.9	FY 2024
² PCE Endowment Fund	927.2	53.1	FY 2025
³ University of Alaska Endowment	173.9	7.3	FY 2024
⁴ Permanent Fund	73,819.5	3,657.2	FY 2025
⁵ Mental Health Trust	695.9	30.2 ²	FY 2024

¹ The total market value does not include private endowment funds managed by the University of Alaska Foundation

² Represents the amount transferred by the Alaska Permanent Fund Corporation from the Alaska Mental Health Trust Fund to the Alaska Mental Health Trust.

Power Cost Equalization Endowment Fund

The PCE Endowment Fund was created and capitalized in FY 2001 with funds from the CBRF, and Four Dam Pool Project sale proceeds, and further capitalized in FY 2007 and FY 2012 with appropriations from the general fund. The purpose of the PCE Endowment Fund is to provide for a long-term, stable financing source for power cost equalization to support affordable levels of electric utility costs in otherwise high-cost service areas of the state. Management of the PCE Endowment Fund originated with the Department of Revenue Treasury Division. Beginning with FY 2023, management was transferred to the Alaska Permanent Fund Corporation. The PCE is commingled with the Permanent Fund and Alaska Mental Health Trust Fund in a single asset allocation.

Distributions from the PCE Endowment Fund are based on the average ending market value of the fund for the previous three closed fiscal years. Five percent of this amount may be appropriated for the fiscal year beginning the following July 1 to fund the PCE Endowment Fund, the reimbursement to the department for the costs of establishing and managing the fund, and the reimbursement of administrative costs of the fund. If the amount appropriated is insufficient to achieve all three purposes, the amount shall be prorated among the first two purposes. If the earnings of the fund exceed the appropriation for the current fiscal year, the Legislature may appropriate certain amounts for other purposes further defined in statute.

University of Alaska Endowment

The University of Alaska Endowment consists of two separate funds that are invested together – the Land Grant Endowment Trust Fund and the University of Alaska Foundation Pooled Endowment Fund. The University of Alaska Land Grant Endowment has its origin in the federal land grant acts of 1915 and 1929, and subsequently the Alaska Statehood Act. Approximately 110,000 acres of land were transferred to the territory of Alaska and eventually to the Board of Regents to be held in trust for the university. The net proceeds from the sale, lease, exchange, and other uses of these lands have been deposited into the University of Alaska Endowment Trust Fund. The University of Alaska Foundation's Pooled Endowment Fund principal includes solicited gifts and donations that have been given to the endowment fund.

The overall objectives of the funds are to provide a stream of relatively stable earnings in support of the annual budgetary needs of the University of Alaska while maintaining the real (inflation-adjusted) purchasing power of the fund to the extent practicable. In order to meet these objectives, the goal of the fund is to achieve an average annual real return of 5% of its market value, net of investment management expenses.

The spending allowance rate for the Land Grant Endowment Trust Fund is 4.5% of the five-year moving average market value, subject to adjustment at the discretion of the University of Alaska. The University of Alaska Foundation's spending allowance rate ranges from 0%-4.0% of the five-year moving average market value, depending on the financial health and maturity of the assets.

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Chapter 10

Public Entities and the University of Alaska

Overview



The State of Alaska has established several public corporations and entities to carry out certain public policy goals. This chapter discusses the following major public corporations and entities:

- Alaska Aerospace Corporation (AAC)
- Alaska Energy Authority (AEA)
- Alaska Gasline Development Corporation (AGDC)
- Alaska Housing Finance Corporation (AHFC)
- Alaska Industrial Development and Export Authority (AIDEA)
- Alaska Mental Health Trust Authority (AMHTA)
- Alaska Municipal Bond Bank Authority (AMBBA)
- Alaska Railroad Corporation (ARRC)
- Alaska Seafood Marketing Institute (ASMI)
- Alaska Student Loan Corporation (ASLC)
- University of Alaska

These entities are components of state government presented in the state's Annual Comprehensive Financial Report. This chapter summarizes the missions, financing, and dividends of these corporations and other public entities, with information largely being provided by the relevant entities.

Public Entities, Financial Facts

FY 2023

Millions of Dollars

	Total Assets	Assets Less Liabilities Book Value	FY 2023 Operating Budget	FY 2024 Operating Budget	Total Positions ¹
1 Alaska Aerospace Corporation	176.2	87.8	11.0	17.0	8.0
2 Alaska Energy Authority	1637.0 ²	1,382.0	40.9	40.9	0 ³
3 Alaska Gasline Development Corporation	5.2 ²	2.6 ⁴	3.1	3.1	4.0
4 Alaska Housing Finance Corporation	4324.3 ²	1628.3 ⁴	489.8	130.3	350.0
5 Alaska Industrial Development and Export Authority	1703.5 ³	1474.9 ⁵	15.2	15.5	82.0
6 Alaska Mental Health Trust Authority	929.6 ²	888.2	4.4	4.7	18.0
7 Alaska Municipal Bond Bank Authority	1,092.3	55.0	1.3	1.4	1.0
8 Alaska Railroad Corporation ⁶	1,377.6	440.6	131.9	160.4	700.0
9 Alaska Seafood Marketing Institute	20.5	15.4	28.6	21.5	20.0
10 Alaska Student Loan Corporation ⁷	213.6	212.2	9.9	9.8	53.0
11 University of Alaska	2,191.7	1,530.9	794.5	891.5	3,871.0

¹ Permanent full time, permanent part time and temporary are included in total positions.

² AEA, AGDC, AHFC, and AMHTA's asset totals include deferred outflow of resources.

³ AIDEA provides staff for the activities of the AEA. A significant portion of AIDEA's staff is engaged in AEA programs.

⁴ Assets Less Liabilities Book Value is Net Positions.

⁵ Total assets and deferred outflows of resources less total liabilities and deferred inflows of resources equals net position.

⁶ The Alaska Railroad reports financial data on a calendar-year basis. Assets and book value shown in this table are from audited December 31, 2022, financial statements. The revised operating budgets figure shown here is for CY 2022 and CY 2023.

⁷ ASLC contracts with the Alaska Commission on Postsecondary Education (ACPE) to service its loan portfolio and provide staff support. Budget and positions reported are those of ACPE's funded by ASLC.

Missions, Financing, and Dividends

Alaska Aerospace Corporation

Originally established in 1991 as the Alaska Aerospace Development Corporation, the primary purpose of the corporation was to create a viable space industry in Alaska. The AAC operates and maintains the Pacific Spaceport Complex – Alaska, an FAA-licensed multi-user spaceport on Kodiak, Alaska. Pacific Spaceport Complex – Alaska provides commercial rocket vehicle launch support services for government and commercial customers for orbital, suborbital and complex test and evaluation missions. In addition, AAC also delivers launch operations services and expertise to other emerging spaceports enabled by their specialized knowledge and equipment. AAC promotes space-related business, research, education, and economic growth in the state.

The state has supported AAC in the past through funding for capital and operating expenses. AAC does not currently pay a dividend or return capital to the state.

Alaska Energy Authority

Created in 1976 by the Alaska Legislature, the AEA is a public corporation of the State of Alaska governed by a board of directors with the mission to “reduce the cost of energy in Alaska.” AEA is the state's energy office and lead agency for statewide energy policy and program development.

AEA owns and operates state-owned power projects, two examples of which are the Bradley Lake Hydroelectric Project and the Alaska Intertie, both of which benefit delivery of low-cost energy to more than 550,000 Railbelt electric utility consumers.

In rural Alaska, AEA's Power Cost Equalization (PCE) program was established in 1984 and serves approximately 82,000 Alaskans in 193 communities by subsidizing rural electric costs with earnings from the PCE Endowment Fund. Another rural focused effort is the Rural Power Systems Upgrade program, which builds and retrofits power systems in small Alaska villages that are located off the electrical-grid system. Still another rural effort is AEA's Bulk Fuel Upgrade program, which repairs or upgrades fuel storage facilities in communities with fewer than 2,000 residents.

AEA receives state and federal funding to provide technical advice and assistance in energy planning, emergency response, and energy infrastructure construction and conservation in rural Alaska.

AEA also provides loans and grants to utilities, communities, and individuals to pay for the purchase or upgrade of equipment.

For more than 45 years, the AEA has worked tirelessly to reduce the cost of energy in rural Alaska. AEA is an essential partner with all of rural Alaska. Its policies emphasize community-based project management. Through innovation and collaboration, AEA provides the tools and the guidance necessary for every rural community to aim towards a bright energy future.

Alaska Gasline Development Corporation

The AGDC has early beginnings dating back to 2009, when declining Cook Inlet gas supplies resulted in southcentral Alaska industries curtailing manufacturing or shutting down entirely and the Municipality of Anchorage practicing rolling blackouts. In 2013, the Legislature passed House Bill 4, creating AGDC.

Today, AGDC is an independent, public corporation of the state. Its corporate mission is to maximize the benefit of Alaska's vast North Slope natural gas resources through the development of infrastructure necessary to move the gas into local and international markets, including advancing the development, financing, construction, and operation of a North Slope natural gas system capable of delivering natural gas for the maximum benefit of Alaskans.

AGDC is pursuing only one option for delivery of North Slope natural gas to Alaskans and potential international markets: the Alaska LNG Project.

AGDC does not pay a dividend or return capital to the state on a regular basis.

Alaska Housing Finance Corporation

The AHFC was created in 1971 to assist in the financing, development and sale of dwelling units; operate the state's public housing; offer various home loan programs emphasizing housing for low- and moderate-income and rural residents; and administer federally and state-funded multi-residential housing, energy efficiency and weatherization programs within Alaska.

Generally, AHFC accomplishes its mortgage-related objectives by issuing its own bonds and other debt related instruments to finance qualified loans originated by financial institutions in Alaska. Interest and principal receipts from financed loans coupled with investment earnings repays bondholders and contributes toward the corporation's income, enabling the corporation to pay an annual dividend and/or return of capital to the state.

Alaska Industrial Development and Export Authority

AIDEA provides various means of financing and investment to advance economic growth, diversification, and job opportunities in Alaska. AIDEA's financing tools include loan participations, direct loans, credit enhancements, issuing of tax-exempt and taxable conduit revenue bonds, and preferred equity investments in projects. AIDEA's financing is available for enterprises in the commercial, industrial, resource, and nonprofit sectors, as well as public entities in certain instances. The corporation generates income from interest on its loans, investments, leases, and the operation of its properties.

Between 1981 and 1986, the State of Alaska capitalized AIDEA with approximately \$333 million in cash and loans. AIDEA has used those resources to make investments and provide loans that not only promote job growth and strengthen the Alaskan economy, but also generate sufficient returns to pay for its own operations and provide for annual dividends to the state.

Alaska Mental Health Trust Authority

AMHTA, a public corporation of the state within the Department of Revenue, carries out the state's obligations under the Mental Health Enabling Act of 1956, namely to ensure an integrated comprehensive mental health program.

The Mental Health Enabling Act established the AMHTA as a perpetual trust and capitalized it with one million acres of land that are to be managed to generate income for programs and services supporting the trust's beneficiaries.

During the course of class-action litigation, the Alaska Supreme Court concluded the state breached its fiduciary duty while managing Trust land. A 1994 settlement created the AMHTA and established a seven-member board of trustees to oversee it. The settlement recapitalized the Mental Health Trust with \$200 million and one million acres of land consisting of original Trust land as well as replacement land.

Earnings on this asset base are used to fund a variety of programs and are accounted for separately in the annual Mental Health budget, which is typically passed in conjunction with the state's operating budget. The APFC manages the cash principal. Funding is also made available for mental health programs from statutorily designated revenue generated by Trust-owned lands and other non-cash assets that are managed by the Alaska Department of Natural Resources' Trust Land Office.

AMHTA operates similarly to a private foundation to administer, protect, and enhance the Mental Health Trust. AMHTA provides leadership in the advocacy, planning, implementation, and funding of services and programs to help improve the lives of Trust beneficiaries. AMHTA also coordinates with other state agencies. AMHTA does not pay a dividend or return capital to the state.

Alaska Municipal Bond Bank Authority

AMBBA lends monies to authorized borrowers within the state to finance capital projects, primarily through the issuance of AMBBA general obligation bonds. Bond proceeds are used to purchase authorized borrowers' debt instruments. Limited State of Alaska credit support, combined with a cross-collateralized loan portfolio and pooled reserve fund structure, results in a strong credit rating and enables AMBBA to sell bonds with lower interest rates than authorized borrowers could potentially obtain on their own.

AMBBA uses a combination of funds appropriated from the State, historical retained investment earnings, and surety policies to meet reserve requirements. Per AS 44.85.270(h), any excess earnings on funds previously appropriated to the AMBBA, after annual operating costs, are to be transferred to the State of Alaska and available for appropriation. Since fiscal year 2009, and continuing through FY 2024, the State's operating budget has appropriated any excess earnings of the operating account to AMBBA's reserve fund.

Alaska Railroad Corporation

The ARRC operates 683 track miles, providing both freight and passenger rail services between Seward and Fairbanks, including a spur line to Whittier and the Anchorage airport. The ARRC serves the ports of Whittier, Seward, and Anchorage, as well as Denali National Park and military installations. In addition, the corporation generates revenues from its real estate assets.

The state bought the railroad from the federal government in 1985. The purchase price of \$22.7 million was recorded as the state's capitalization. The corporation funds its own operations from its revenues. The corporation does not pay a cash dividend to Alaska's general fund, as the corporation's net position is restricted for reinvestment in infrastructure.

Alaska Seafood Marketing Institute

ASMI is a marketing organization with the mission of increasing the economic value of Alaska seafood. It conducts advertising campaigns and public relations for the seafood industry, and works directly with food service distributors, retailers and restaurants to build the "Alaska seafood" brand. ASMI is a public-private partnership that receives funding from the state, federal government, and private industry.

The state levies the seafood marketing assessment, a 0.5% assessment on fisheries, to support ASMI's operations.

ASMI does not pay a dividend or return capital to the state.

Alaska Student Loan Corporation

The ASLC issues debt and recycles student loan payments to finance other student loans. Payments on student loans also provide funding for the corporation's operations.

In FY 1988, the State of Alaska transferred \$260 million of existing student loans to the corporation. Additional appropriations of cash between FY 1988 and FY 1992 totaled \$46.7 million.

The corporation, at the discretion of its board of directors, may make available to the state a return of contributed capital or dividend for any base year in which the net income of the corporation is \$2 million or more. A base year is defined as the year two years before the payment year. If the board authorizes a payment, it must be between 10% and 35% of net income for the base year.

University of Alaska

The University of Alaska is a constitutionally created corporation of the State of Alaska that is authorized to hold title to real and personal property and to issue debt in its own name.

The University of Alaska system is the only public institution of higher learning in the state. It has a university in Anchorage, another in Fairbanks and a third in Juneau. The universities have extended community campuses and sites throughout the state. The system's main administrative offices are located on the Fairbanks campus. The University of Alaska system is governed by an 11-member Board of Regents, which is appointed by the governor and confirmed by the Legislature.

The University of Alaska system is primarily supported by the state's general fund appropriations, student tuition and fees, as well as grant and contract revenue from the State of Alaska, federal agencies, and private sponsors, including the University of Alaska Foundation.

Paying a dividend or return of capital to the state is not applicable to the University of Alaska.

Public Entities, Revenue and Dividends FY 2023

Millions of Dollars

	Revenue	COVID-19 Relief Funding	Expenditures	Net income	Dividend	State Contribution
1 Alaska Aerospace Corporation ¹	15.5	-	15.5	0.1	-	-
2 Alaska Energy Authority	157.5	0.2	149.7	8.0	-	69.3 ²
3 Alaska Gasline Development Corporation	0.2	-	6.1	5.9	-	0.1
4 Alaska Housing Finance Corporation	274.8	63.8	309.8 ³	28.8	47.9	8.0
5 Alaska Industrial Development and Export Authority	73.0 ⁴	-	42.1 ⁵	30.9	6.5	1.6 ⁶
6 Alaska Mental Health Trust Authority	52.7	-	32.1	20.6	-	-
7 Alaska Municipal Bond Bank Authority	41.3	-	41.8	-0.5	-	-
8 Alaska Railroad Corporation	249.2	15.8	225.9	39.2	-	-
9 Alaska Seafood Marketing Institute	17.1 ⁷	-	20.6	-3.5	-	-
¹⁰ Alaska Student Loan Corporation	18.6	-	8.8	9.8	-	-
¹¹ University of Alaska	777.2	8.6	815.6	-29.8	-	310.5 ⁸

¹For AAC, insurance payments and capitalized expenditures for rebuilding the launch complex are included. Numbers are unaudited and subject to revision.

²State Contributions include the State of Alaska operating and capital expenditures by AEA and also SOA appropriations of fund balances to other State of Alaska funds.

³For AHFC, the Expenditures amount includes operating expenses, nonoperating expenses, special items, and transfers, as applicable.

⁴Revenue figure includes total operating revenues and total nonoperating revenues.

⁵Expense figure includes operating expenses and extraordinary item - impairment loss.

⁶State Contribution figure includes appropriations and contributions from State of Alaska.

⁷Revenue from the seafood marketing assessment tax of \$10.4 million is included in the Revenue column, not the State contribution column.

⁸Does not include on-behalf payments made by the State of Alaska for pensions.

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Appendices

Glossary

Allowable Lease Expenditures

Lease expenditures are upstream costs that are directly related to exploring for, developing, or producing oil or gas. Allowable lease expenditures are specifically defined in statute and regulations and dictate what can and cannot be applied in production tax calculations. Certain expenses incurred by taxpayers fall outside this definition and are not tracked or reported by the Department of Revenue.



Constitutional Budget Reserve Fund (CBRF)

Created by voters in 1990, the CBRF receives proceeds from oil, gas, mining tax, and royalty settlements. The balance of the CBRF is available for appropriation for any purpose with a three-fourths vote of each body of the Legislature. This also applies to the amount of any investment earnings and tax and royalty settlement deposits to the CBRF.

Deductible Lease Expenditures

Deductible Lease Expenditures is a term of art, not defined in any statute or regulation, used to describe that portion of allowable lease expenditures actually applied in the tax calculation in the year incurred.

Designated General Fund Revenue

General fund revenue that is designated for a specific purpose, typically using a general fund subaccount. The Legislature can at any time remove the restrictions on this category of revenue as they are solely imposed by either Alaska statute or customary practice. At times, this category of revenue may be included in legislative and public debate over the budget.

Federal Revenue

When the federal government gives money to states, it typically restricts how that money can be used. For example, highway and airport construction funds, Medicaid, and education funding cannot be used for other purposes. In addition to restricting how the money is spent, the federal government often requires states to put up matching funds to qualify for the federal funding.

General Fund Revenue

General fund revenue has different meanings in different contexts. In the state's official financial reports, general fund revenue is used to designate the sum of unrestricted general fund revenue, general fund subaccount revenue, program receipts and other funds spent through the general fund. In budget reports, general fund revenue is split into revenue with no specific purpose, and revenue with a specific purpose. These categories are called unrestricted general fund revenue and designated general fund revenue, respectively.

Other Restricted State Revenue

Other restricted state revenue is non-federal revenue that is not deposited to the general fund or a subaccount of the general fund. This revenue is restricted by the Alaska Constitution, state or federal law, trust or debt restrictions, or by customary practice.

Percent of Market Value

Percent of market value (POMV) is a mechanism that is used to determine withdrawal amounts based on a percentage of a fund's total fair-market value balance, on preset dates, such as year-end.

SB 26, which the Legislature passed in 2018, uses a POMV framework to determine the amount of Permanent Fund income that is transferred out of the Permanent Fund each year. For FY 2019-2021, the transfer was 5.25% of the average ending value of the fund for the first five of the last six fiscal years. For FY 2022 and beyond, the transfer is 5% of the average ending value of the fund for the first five of the last six fiscal years. The POMV formula dictates an annual draw regardless of any particular fiscal year's investment returns (good or bad).

Permanent Fund Earnings Reserve Account

For accounting purposes, the Permanent Fund is divided into two parts – principal (the non-spendable funds), and the Earnings Reserve (assigned funds). The Earnings Reserve contains both net realized income (or losses) from all the fund's investments, and unrealized income (or losses) on assets in that portion of the Permanent Fund that are accounted for in the Earnings Reserve. Historically, a portion of the Earnings Reserve has been used to fund Permanent Fund dividends. Beginning in FY 2019, funds have been appropriated from the Earnings Reserve for both government spending and dividends.

The Earnings Reserve Account balance in the Permanent Fund is available for appropriation for any purpose with a majority vote of the Legislature. This is different from an appropriation of the Permanent Fund's principal balance, which would require an amendment to the Alaska Constitution.

Permanent Fund GASB (or Market) Income (or Losses)

Under standards adopted by the Governmental Accounting Standards Board (GASB), the Permanent Fund's income (or losses) – and that of any other government fund – is the difference between the purchase price of the investments and their market value at a given point in time, plus any dividends, interest or rent earned on those investments. Under GASB standards, the Permanent Fund does not have to sell the investment to count the gain or loss as it changes value. It is called "marking to market," that is, measuring the value of the fund's investments by the current market price. This can produce a much different picture than Permanent Fund statutory income, which does not reflect fluctuating investment values until the assets are sold.

In this Revenue Sources Book, Permanent Fund income is reported based on total market income (or losses) in the given fiscal year. This income is separated into two categories:

- The Permanent Fund Draw, based on the POMV, which is considered UGF revenue.
- Reported Earnings Net of Unrestricted Draw, representing market income (or losses) other than the POMV, which is considered Other Restricted revenue. The Other Restricted revenue is further categorized as either unrealized income (or losses) or realized income (or losses).

Permanent Fund Statutory Income

Historically, the annual Permanent Fund dividend is based on statutory income. This is the sum of realized income and losses of all Permanent Fund investment transactions during the fiscal year, plus interest, dividends and rents earned by the fund. The Legislature may appropriate the income for any purpose it chooses. The historical practice has been to use realized income primarily for dividends and inflation-proofing, and then either leave the excess in the realized earnings account or transfer it to the principal of the Permanent Fund.

Restricted Program Receipts

This revenue is earmarked in state statute or by contract for specific purposes and is usually appropriated back to the program that generated the revenue. Examples include University of Alaska tuition payments, Alaska Marine Highway receipts, payments to various revolving loan funds, and public corporation receipts. Some of this revenue is actually dedicated as a consequence of provisions of the Alaska Constitution. The remainder, while statutorily earmarked, may be appropriated to purposes other than those reflected in statute if the Legislature so chooses. These earmarked funds are categorized as designated general funds.

Unrestricted General Fund Revenue Matrices

Revenue sensitivity to oil price

		Millions of Dollars		
Alaska North Slope Dollars per Barrel		FY 2025	FY 2026	FY 2027
1	Official Forecast	2,651	2,542	2,586
2	20.00	930	970	990
3	30.00	1,180	1,220	1,250
4	40.00	1,420	1,460	1,510
5	50.00	1,680	1,730	1,790
6	60.00	1,950	1,990	2,070
7	70.00	2,350	2,370	2,480
8	80.00	2,830	2,880	3,030
9	90.00	3,290	3,350	3,510
10	100.00	3,850	3,910	4,080
11	110.00	4,560	4,550	4,770
12	120.00	5,320	5,330	5,580

Note: This table presents estimated unrestricted general fund revenue at a range of ANS prices, holding all other variables constant. For the official forecast line, the official price forecast is used for each fiscal year shown. For the other lines in the table, this analysis assumes that the given price is in place for all three years shown. Only production tax, royalties, corporate income tax, and lease expenditures are adjusted for purposes of this analysis. Users should be cautioned that changes in any number of variables may cause revenue to vary significantly from amounts shown. These variables include, but are not limited to, production volumes and netback costs. In addition, revenues may vary from the amount shown due to changes in company decision-making, company-specific tax calculation issues, month-to-month variations in price or production, and changes in non-oil revenue.

Restricted Revenue

Restricted revenue represents revenue that is restricted by the Alaska Constitution, state or federal law, trust or debt restrictions, or by customary practice. The Legislature can at any time remove restrictions that are solely imposed by either Alaska statute or customary practice. Program receipts, revenue allocated to subaccounts of the general fund, and general fund revenue customarily shared with other entities are all considered restricted revenue for the purposes of this report. In this report, the department presents three categories of restricted revenue – designated general fund revenue, other restricted state revenue, and federal revenue.

Revenue Available for Current-Year Appropriation

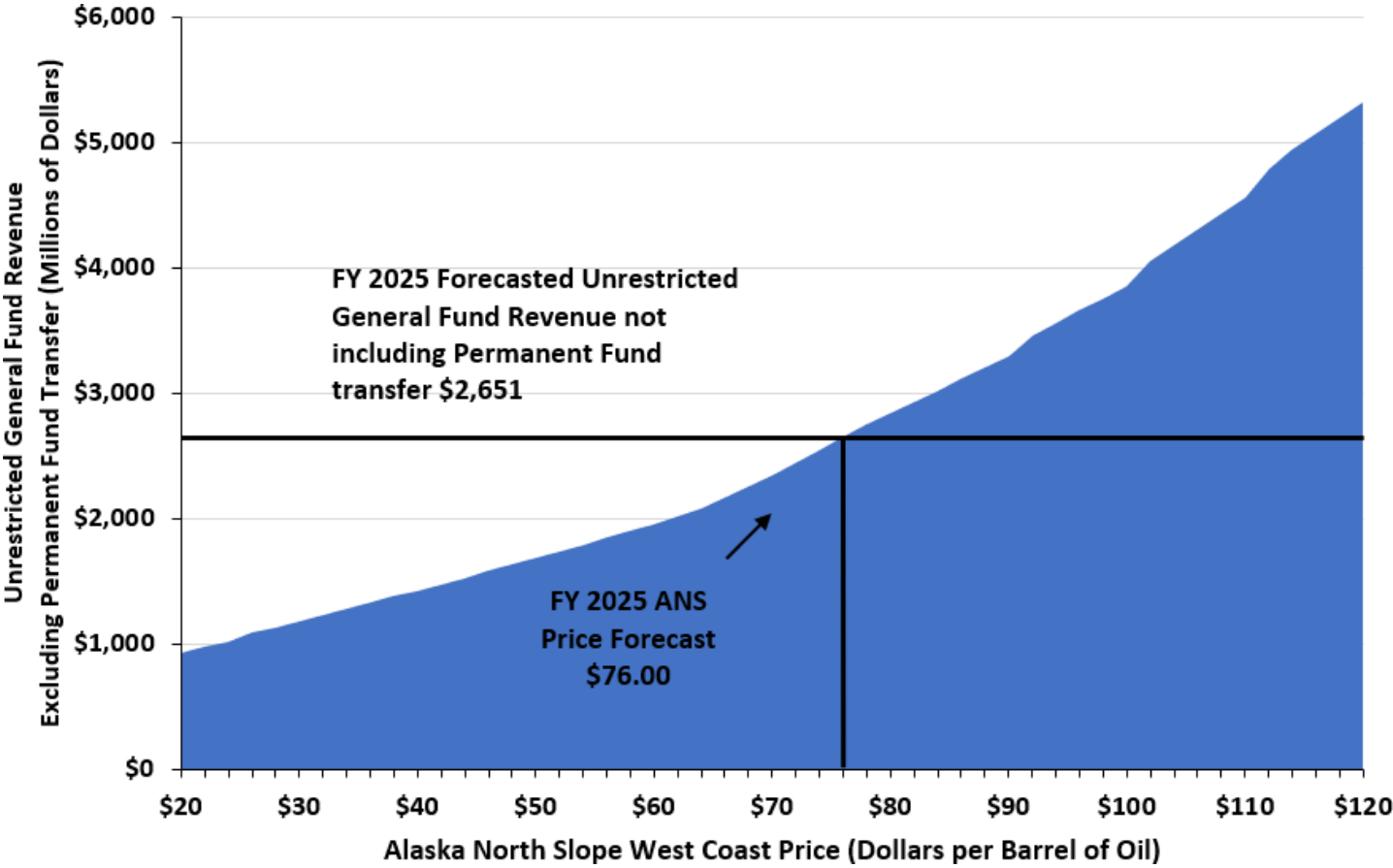
This is all revenue that is technically available for the Legislature to appropriate, regardless of customary practice. That includes unrestricted general fund revenue, designated general fund revenue, deposits to and earnings from the CBRF, a portion of deposits to the Permanent Fund, and realized earnings from the Permanent Fund.

Unrestricted General Fund Revenue

Unrestricted General Fund Revenue is revenue not restricted by the Alaska Constitution, state or federal law, trust or debt restrictions, or customary practice. This revenue is deposited into the state’s unrestricted general fund, and most legislative and public debate over the budget each year centers on this category of revenue. In deriving the Department of Revenue’s unrestricted revenue figure from total general fund revenue, the department has excluded general fund subaccount revenue, as well as customarily restricted revenue such as shared taxes and pass-through revenue for qualified fisheries associations. The department has also added specific revenues, such as transfers to the state treasury from the Unclaimed Property Trust and dividends from component units.

UGF Revenue Relative to Price Per Barrel

Price Sensivity for FY 2025



History of General Fund Unrestricted Revenue

By type and category ¹

Millions of Dollars

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Unrestricted General Fund Tax Revenue										
1 Petroleum Property Tax	128.1	125.2	111.7	120.4	121.6	119.5	122.9	119.2	122.4	128.8
Excise Tax										
2 Alcoholic Beverages	18.3	17.7	22.2	20.1	19.6	20.4	20.4	20.6	21.0	20.8
3 Tobacco Products	42.8	40.5	45.5	43.4	37.4	40.1	41.4	38.0	33.6	33.7
4 Insurance Premium ²	54.6	59.1	0.0	0.0	0.0	71.9	58.4	55.2	62.5	63.4
5 Electric and Telephone Cooperative	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
6 Marijuana ³	NA	NA	NA	0.9	5.4	5.5	6.4	7.8	6.8	7.9
7 Motor Fuel Tax ⁴	41.9	41.8	44.3	41.3	6.3	6.3	6.9	6.4	0.0	0.0
8 Vehicle Rental tax ⁵	8.3	9.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9 Tire Fee	1.3	1.5	1.5	1.4	1.4	1.3	1.4	1.5	1.6	1.5
10 Total Excise Tax	167.5	170.5	113.6	107.3	70.4	145.7	135.0	129.7	125.6	127.6
Income Tax										
11 General Corporate	99.9	136.2	90.2	86.5	119.6	114.8	102.4	102.8	112.2	124.4
12 Petroleum Corporate	307.6	94.8	-58.8	-59.4	66.4	217.7	-0.2	-19.4	297.5	312.4
13 Total Income Tax	407.5	231.0	31.4	27.1	185.9	332.5	102.3	83.5	409.7	436.8
Oil and Gas Production										
14 Oil and Gas Production Tax	2,605.9	381.6	176.8	125.9	741.2	587.3	277.4	381.1	1,801.6	1,490.9
15 Oil and Gas Hazardous Release ⁶	8.8	8.1	9.2	8.6	8.7	8.2	7.7	7.8	0.0	0.0
16 Total Oil and Gas Production	2,614.7	389.7	186.0	134.4	749.9	595.5	285.1	389.0	1,801.6	1,490.9
Fisheries Tax										
17 Fisheries Business Tax	25.1	21.3	22.3	15.5	21.2	21.3	24.1	13.8	26.8	26.0
18 Fishery Resource Landing	7.1	5.1	0.3	4.9	3.5	6.5	9.8	7.1	3.8	3.4
19 Total Fisheries Tax	32.2	26.4	22.6	20.3	24.7	27.8	33.9	20.9	30.6	29.5
Other Tax										
20 Mining	23.3	38.6	10.7	41.4	46.9	45.1	36.8	9.0	53.4	52.5
21 Charitable Gaming	2.5	2.5	2.6	2.5	2.4	2.6	2.4	2.6	3.0	3.0
22 Large Passenger Vessel Gambling	6.7	6.6	7.7	8.2	8.6	10.1	13.1	0.0	3.8	18.4
23 Total Other Tax	32.5	47.7	21.1	52.0	57.9	57.7	52.2	11.6	60.2	73.9
24 Total Unrestricted General Fund Tax Revenue	3,382.5	990.5	486.4	461.6	1,210.5	1,278.6	731.4	753.9	2,550.1	2,287.4
Non-Tax Revenue										
25 Licenses and Permits ⁷	42.7	34.4	41.2	45.6	37.1	38.0	34.4	37.3	30.2	32.6
26 Charges for Services	24.2	20.1	21.5	21.5	6.8	6.9	6.4	3.8	4.1	4.3
27 Fines and Forfeitures	11.3	11.5	11.4	13.2	8.7	15.8	15.1	15.1	11.5	15.9
Rents and Royalties										
28 Oil and Gas Royalties ⁸	1,685.0	1,052.1	840.3	676.2	977.8	1,074.5	660.4	709.2	1,257.2	1,175.1
29 Oil and Gas Bonuses, Rents, and Interest ⁸	27.4	26.1	30.3	5.3	24.5	36.6	14.9	19.6	2.1	12.3
30 Other ⁹	34.5	36.3	24.7	27.4	5.8	5.6	5.6	1.3	1.4	1.6
31 Total Rents and Royalties	1,746.9	1,114.5	895.3	708.9	1,008.1	1,116.7	680.9	730.1	1,260.8	1,188.9

History of General Fund Unrestricted Revenue By type and category ¹ (continued)

	Millions of Dollars									
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
32 Investment Earnings (not including Permanent Fund Transfer)	130.2	47.9	22.5	17.3	16.3	93.3	58.1	29.4	-59.1	97.7
33 Miscellaneous Revenue	52.3	37.5	54.4	86.5	126.1	77.9	69.8	121.7	72.4	56.5
34 Total Unrestricted General Fund Non-Tax Revenue	2,007.6	1,265.8	1,046.3	893.0	1,203.0	1,348.6	864.6	937.4	1,319.8	1,396.0
35 Total Unrestricted General Fund Revenue (not including Permanent Fund Transfer)	5,390.1	2,256.3	1,532.7	1,354.6	2,413.5	2,627.2	1,596.0	1,691.3	3,869.9	3,683.4
36 Permanent Fund Transfer	0.0	0.0	0.0	0.0	0.0	2,722.6	2,933.1	3,091.5	3,069.3	3,360.6
37 Total Unrestricted General Fund Revenue (including Permanent Fund Transfer)	5,390.1	2,256.3	1,532.7	1,354.6	2,413.5	5,349.8	4,529.1	4,782.8	6,939.2	7,044.0

¹ Unrestricted general fund revenue includes revenue that is not restricted by statute or custom, as reported elsewhere in this publication. A summary of historical unrestricted general fund revenue can be found on the Tax Division's website at <http://tax.alaska.gov/sourcesbook/qr.aspx?Chapter=15&FY=2023>.

² For FY 2016 to FY 2018, these revenues were deposited into a subfund of the general fund and were considered restricted.

³ In November 2014, Alaska voters voted to legalize marijuana. The state's first collections from the marijuana excise tax were in FY 2017.

⁴ Starting with FY 2017, the aviation portion of the motor fuel tax is classified as other restricted revenue. Starting in FY 2018, non-aviation motor fuel tax is classified as designated general fund revenue. Starting in FY 2022, the refined fuel surcharge is classified as designated general fund revenue. These changes were made to be consistent with other budget documents.

⁵ Starting in FY 2016, to be consistent with other budget documents, vehicle rental tax is now classified as designated general fund revenue.

⁶ Beginning with FY 2022, the hazardous release surcharge is shown as Designated General Fund revenue. Previously this surcharge was shown as Unrestricted General Fund revenue; this change in presentation was made to be consistent with other budget documents.

⁷ Starting in FY 2016, to be consistent with other budget documents, revenue from alcoholic beverage licenses is now classified as designated general fund revenue.

⁸ Net of Permanent Fund, Public School Trust Fund, and CBRF deposits.

⁹ Includes non-petroleum rents and royalties. Beginning with FY 2021, all non-petroleum and non-minerals rents and royalties are considered program receipts and are shown as Designated General Fund or Other Restricted revenue. Previously a portion of these receipts were shown as Unrestricted General Fund revenue; this change in presentation was made for conformity to budget documents.

Petroleum Revenue ¹

Millions of Dollars

Millions of Dollars

	History									
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Unrestricted Petroleum Revenue										
1 Petroleum Property Tax	128.1	125.2	111.7	120.4	121.6	119.5	122.9	119.2	122.4	128.8
2 Petroleum Corporate Income Tax	307.6	94.8	-58.8	-59.4	66.4	217.7	-0.2	-19.4	297.5	312.4
3 Production Tax	2,605.9	381.6	176.8	125.9	741.2	587.3	277.4	381.1	1,801.6	1,490.9
4 Oil and Gas Hazardous Release ²	8.8	8.1	9.2	8.6	8.7	8.2	7.7	7.8	0.0	0.0
5 Oil and Gas Royalties ³	1,685.0	1,052.1	840.3	676.2	977.8	1,074.5	660.4	709.2	1,257.2	1,175.1
6 Bonuses, Rents and Interest ³	27.4	26.1	30.3	5.3	24.5	36.6	14.9	19.6	2.1	12.3
7 Total Unrestricted Petroleum Revenue	4,762.8	1,687.9	1,109.5	876.9	1,940.2	2,043.8	1,083.1	1,217.6	3,480.9	3,119.4
8 Cumulative Total Unrestricted Petroleum Revenue ⁴	113,362	115,050	116,159	117,036	118,976	121,020	122,103	123,321	126,802	129,921
Restricted Petroleum Revenue										
9 Oil and Gas Hazardous Release ²	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.7	7.8
10 NPR-A Rents, Royalties, Bonuses	6.8	3.2	1.8	1.4	23.7	12.3	16.4	15.8	16.7	41.5
11 Royalties to Permanent Fund ⁵	773.7	510.4	390.5	334.5	356.1	374.8	318.9	332.3	539.0	498.8
12 Royalties to Public School Trust Fund	12.5	7.9	6.4	5.5	7.0	7.5	5.0	5.4	9.0	8.6
13 CBRF Deposits	177.4	149.9	119.1	481.9	121.3	181.2	281.2	35.0	21.1	196.0
14 Total Restricted Petroleum Revenue	970.4	671.4	517.8	823.2	508.0	575.8	621.5	388.5	593.5	752.7
15 Cumulative Total Restricted Petroleum Revenue ^{4,6}	23,543	24,215	24,733	25,556	26,064	26,640	27,261	27,650	28,243	28,996
16 Total Petroleum Revenue	5,733.2	2,359.3	1,627.4	1,700.2	2,448.2	2,619.6	1,704.6	1,606.1	4,074.3	3,872.1
17 Cumulative Total Petroleum Revenue ^{4,6}	136,905	139,265	140,892	142,592	145,040	147,660	149,365	150,971	155,045	158,917

¹ Historical petroleum revenue can be found on the Tax Division's website at <http://tax.alaska.gov/sourcesbook/qr.aspx?Chapter=16&FY=2023>.

² Beginning with FY 2022, the hazardous release surcharge and refined fuel surcharge are shown as Designated General Fund revenue. Previously these surcharges were shown as Unrestricted General Fund revenue.

³ Net of Permanent Fund, Public School Trust Fund, and Constitutional Budget Reserve Fund deposits.

⁴ Based on revenue beginning in FY 1959.

⁵ Includes both Designated General Fund Royalties and Other Restricted Royalties.

⁶ Cumulative total petroleum revenue has been revised from figures presented in the Fall 2018 Revenue Sources Book. The primary change was to remove special appropriations to the Permanent Fund from the petroleum revenue calculation.

Petroleum Revenue ¹

Millions of Dollars

Millions of Dollars

Forecast

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
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Unrestricted Petroleum Revenue

1 Petroleum Property Tax	127.1	128.2	130.1	132.0	133.6	134.9	135.9	136.4	136.8	137.1
2 Petroleum Corporate Income Tax	240.0	300.0	290.0	280.0	280.0	280.0	280.0	280.0	285.0	295.0
3 Production Tax	937.6	642.4	540.7	527.5	558.5	512.5	456.1	432.6	490.9	558.1
4 Oil and Gas Hazardous Release ²	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5 Oil and Gas Royalties ³	1,096.4	994.3	961.7	997.4	1,018.1	1,003.5	982.4	992.3	1,060.6	1,097.5
6 Bonuses, Rents and Interest ³	13.2	13.2	13.2	13.2	13.2	13.2	13.2	13.2	13.2	13.2

7 Total Unrestricted Petroleum Revenue

	2,414.4	2,078.2	1,935.7	1,950.1	2,003.4	1,944.1	1,867.6	1,854.6	1,986.5	2,100.9
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8 Cumulative Total Unrestricted Petroleum Revenue ⁴

	132,336	134,414	136,349	138,300	140,303	142,247	144,115	145,969	147,956	150,057
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Restricted Petroleum Revenue

9 Oil and Gas Hazardous Release ²	7.6	7.5	7.6	8.3	8.9	8.8	8.8	9.1	9.7	10.0
10 NPR-A Rents, Royalties, Bonuses ⁵	29.1	19.9	25.4	24.3	17.9	15.7	39.0	109.2	192.7	237.5
11 Royalties to Permanent Fund ⁶	481.0	429.2	419.4	474.6	515.2	515.6	508.4	514.5	557.5	592.3
12 Royalties to Public School Trust Fund	8.0	7.2	7.0	7.5	7.8	7.7	7.6	7.6	8.2	8.6
13 CBRF Deposits	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0

14 Total Restricted Petroleum Revenue

	545.7	483.8	479.5	534.7	569.7	567.8	583.7	660.4	788.2	868.3
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15 Cumulative Total Restricted Petroleum Revenue ^{4,7}

	29,542	30,026	30,505	31,040	31,609	32,177	32,761	33,421	34,210	35,078
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16 Total Petroleum Revenue

	2,960.1	2,562.0	2,415.2	2,484.8	2,573.1	2,511.9	2,451.3	2,515.0	2,774.7	2,969.1
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17 Cumulative Total Petroleum Revenue^{4,7}

	161,877	164,439	166,854	169,339	171,912	174,424	176,876	179,391	182,165	185,134
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¹ Historical petroleum revenue can be found on the Tax Division's website at <http://tax.alaska.gov/sourcesbook/qr.aspx?Chapter=16&FY=2023>.

² Beginning with FY 2022, the hazardous release surcharge and refined fuel surcharge are shown as Designated General Fund revenue. Previously these surcharges were shown as Unrestricted General Fund revenue.

³ Net of Permanent Fund, Public School Trust Fund, and Constitutional Budget Reserve Fund deposits.

⁴ Based on revenue beginning in FY 1959.

⁵ Amounts shown here reflect when the state receives the state's share of revenue and not when those revenues are disbursed as grants to municipalities.

⁶ Includes both Designated General Fund Royalties and Other Restricted Royalties.

⁷ Cumulative total petroleum revenue has been revised from figures presented in the Fall 2018 Revenue Sources Book. The primary change was to remove special appropriations to the Permanent Fund from the petroleum revenue calculation.

Unrestricted General Fund Revenue History

Petroleum versus non-petroleum revenue

	Millions of Dollars									
	History									
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Unrestricted Petroleum Revenue										
1 Total Unrestricted Petroleum Revenue	4,762.8	1,687.9	1,109.5	876.9	1,940.2	2,043.8	1,083.1	1,217.6	3,480.9	3,119.4
2 General Fund Unrestricted Non-Petroleum Revenue	627.3	568.4	423.2	477.7	473.3	3,306.0	3,446.0	3,565.2	3,458.3	3,924.6
3 Total General Fund Unrestricted Revenue	5,390.1	2,256.3	1,532.7	1,354.6	2,413.5	5,349.8	4,529.1	4,782.8	6,939.2	7,044.0
4 % Petroleum of Total GF Unrestricted Revenue	88%	75%	72%	65%	80%	38%	24%	25%	50%	44%
5 Permanent Fund Transfer	0.0	0.0	0.0	0.0	0.0	2,722.6	2,933.1	3,091.5	3,069.3	3,360.6
6 Total General Fund Unrestricted Revenue (not including Permanent Fund transfer)	5,390.1	2,256.3	1,532.7	1,354.6	2,413.5	2,627.2	1,596.0	1,691.3	3,869.9	3,683.4
7 % Petroleum of Total GF Unrestricted Revenue (not including Permanent Fund transfer)	88%	75%	72%	65%	80%	78%	68%	72%	90%	85%

Unrestricted General Fund Revenue History

Petroleum versus non-petroleum revenue

	Millions of Dollars									
	Forecast									
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Unrestricted Petroleum Revenue										
1 Total Unrestricted Petroleum Revenue	2,414.4	2,078.2	1,935.7	1,950.1	2,003.4	1,944.1	1,867.6	1,854.6	1,986.5	2,100.9
2 General Fund Unrestricted Non-Petroleum Revenue	4,071.1	4,230.2	4,366.6	4,527.7	4,532.9	4,602.1	4,683.6	4,797.9	4,912.9	5,032.0
3 Total General Fund Unrestricted Revenue	6,485.5	6,308.4	6,302.3	6,477.8	6,536.3	6,546.2	6,551.2	6,652.5	6,899.5	7,132.9
4 % Petroleum of Total GF Unrestricted Revenue	37%	33%	31%	30%	31%	30%	29%	28%	29%	29%
5 Permanent Fund Transfer	3,526.0	3,657.2	3,760.0	3,892.0	3,877.0	3,937.0	4,003.0	4,105.0	4,212.0	4,323.0
6 Total General Fund Unrestricted Revenue (not including Permanent Fund transfer)	2,959.5	2,651.2	2,542.3	2,585.8	2,659.3	2,609.2	2,548.2	2,547.5	2,687.5	2,809.9
7 % Petroleum of Total GF Unrestricted Revenue (not including Permanent Fund transfer)	82%	78%	76%	75%	75%	75%	73%	73%	74%	75%

Appendix
B-1

Nominal Netback Costs, Actual and Forecast By netback segment

	Dollars per Barrel									
	History									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1 Alaska North Slope West Coast	107.57	72.58	43.18	49.43	63.61	69.46	52.12	54.14	91.41	86.63
Netback Costs ¹										
2 Marine Costs	3.70	3.25	3.15	3.18	3.28	3.06	2.84	3.26	4.20	4.43
3 TAPS Tariff	6.52	6.11	6.25	6.09	5.84	4.49	4.82	5.38	4.96	4.61
4 Feeder Tariff	0.38	0.42	0.39	0.45	0.41	0.57	0.60	0.58	0.59	0.49
5 Quality Bank	-0.59	-0.37	-0.04	-0.16	-0.17	-0.29	-0.23	-0.15	-0.27	-0.21
6 Other ²	0.41	0.33	0.13	0.15	0.17	0.19	0.14	0.12	0.29	0.28
7 Total of Netback Costs	10.42	9.74	9.88	9.70	9.52	8.02	8.16	9.19	9.77	9.61
8 ANS Wellhead Wtd Average All Destinations	97.15	62.83	33.30	39.73	54.09	61.44	43.96	44.95	81.64	77.02

¹ Field-specific transportation costs represent the average cost for all barrels, whether or not they incur a specific expense. For example, feeder costs represent the average cost for all barrels, including Prudhoe Bay production not using a feeder pipeline. Slopewide costs are estimated based on reported relevant cost information. The Department of Revenue's data sources are variable and the department has not been able to confirm that these calculations are consistent for all years.

² This category primarily includes pipeline and tanker gains and losses.

Appendix
B-1

Nominal Netback Costs, Actual and Forecast By netback segment

	Dollars per Barrel									
	Forecast									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
1 Alaska North Slope West Coast	82.39	76.00	73.00	71.00	69.00	68.00	67.00	67.00	69.00	70.00
Netback Costs ¹										
2 Marine Costs	5.11	5.05	5.05	5.07	5.09	5.12	5.15	5.20	5.27	5.33
3 TAPS Tariff	5.12	5.26	5.21	5.26	5.07	4.52	4.44	4.73	4.78	4.49
4 Feeder Tariff	0.54	0.46	0.44	0.40	0.36	0.36	0.36	0.34	0.31	0.30
5 Quality Bank	-0.31	-0.28	-0.27	-0.26	-0.25	-0.25	-0.25	-0.25	-0.25	-0.26
6 Other ²	0.29	0.26	0.26	0.25	0.25	0.24	0.23	0.23	0.23	0.23
7 Total of Netback Costs	10.75	10.75	10.69	10.72	10.51	9.99	9.94	10.25	10.34	10.09
8 ANS Wellhead Wtd Average All Destinations	71.64	65.25	62.31	60.28	58.49	58.01	57.06	56.75	58.66	59.91

¹ Field-specific transportation costs represent the average cost for all barrels, whether or not they incur a specific expense. For example, feeder costs represent the average cost for all barrels, including Prudhoe Bay production not using a feeder pipeline. Slopewide costs are estimated based on reported relevant cost information. The Department of Revenue's data sources are variable and the department has not been able to confirm that these calculations are consistent for all years.

² This category primarily includes pipeline and tanker gains and losses.

Price Difference from Prior Forecast

Fall 2023 forecast and Spring 2023 forecast

Dollars per Barrel

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Spring 2023 Forecast											
1 ANS West Coast	85.25	73.00	70.00	69.00	67.00	66.00	65.00	66.00	68.00	70.00	72.00
2 ANS Wellhead Weighted Average All Destinations	75.39	63.39	60.33	59.39	57.21	56.18	55.42	56.48	57.98	59.53	61.66
Fall 2023 Forecast											
3 ANS West Coast	86.63	82.39	76.00	73.00	71.00	69.00	68.00	67.00	67.00	69.00	70.00
4 ANS Wellhead Weighted Average All Destinations	77.02	71.64	65.25	62.31	60.28	58.49	58.01	57.06	56.75	58.66	59.91
Dollar Amount Change from Prior Forecast											
5 ANS West Coast	1.37	9.39	6.00	4.00	4.00	3.00	3.00	1.00	-1.00	-1.00	-2.00
6 ANS Wellhead Weighted Average All Destinations	1.63	8.24	4.92	2.92	3.07	2.31	2.59	0.57	-1.23	-0.87	-1.75
Percent Change from Prior Forecast											
7 ANS West Coast	1.6%	12.9%	8.6%	5.8%	6.0%	4.5%	4.6%	1.5%	-1.5%	-1.4%	-2.8%
8 ANS Wellhead Weighted Average All Destinations	2.2%	13.0%	8.2%	4.9%	5.4%	4.1%	4.7%	1.0%	-2.1%	-1.5%	-2.8%

Production Difference from Prior Forecast

Spring 2023 forecast and Fall 2023 forecast

Thousand barrels per day

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Spring 2023 Forecast											
1 Alaska North Slope	485.2	496.4	497.9	494.5	510.3	547.0	534.9	512.4	513.5	542.9	577.8
2 Non-North Slope	8.9	8.0	8.4	9.4	9.6	9.4	8.7	7.8	6.8	5.9	5.2
3 Total	494.2	504.4	506.4	504.0	519.9	556.3	543.6	520.2	520.3	548.7	583.0
Fall 2023 Forecast											
4 Alaska North Slope	479.4	470.3	463.8	473.1	516.5	548.8	546.1	546.8	571.2	608.7	633.0
5 Non-North Slope	9.0	8.2	7.4	7.1	7.4	7.8	7.7	7.5	7.0	6.5	5.9
6 Total	488.4	478.5	471.2	480.2	523.9	556.6	553.9	554.3	578.2	615.2	638.8
Volume Change from Prior Forecast											
7 Alaska North Slope	-5.9	-26.1	-34.2	-21.4	6.2	1.8	11.2	34.4	57.7	65.8	55.2
8 Non-North Slope	0.1	0.2	-1.0	-2.3	-2.2	-1.6	-0.9	-0.3	0.2	0.6	0.6
9 Total	-5.8	-25.8	-35.2	-23.7	4.0	0.2	10.3	34.0	57.9	66.4	55.9
Percent Change from Prior Forecast											
10 Alaska North Slope	-1.2%	-5.3%	-6.9%	-4.3%	1.2%	0.3%	2.1%	6.7%	11.2%	12.1%	9.6%
11 Non-North Slope	1.0%	3.0%	-12.0%	-24.9%	-23.2%	-16.8%	-10.7%	-4.4%	3.3%	9.7%	12.4%
12 Total	-1.2%	-5.1%	-7.0%	-4.7%	0.8%	0.0%	1.9%	6.5%	11.1%	12.1%	9.6%

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Annual Average Daily Crude Oil Production

By production area

		Thousand barrels per day									
		History									
		FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Alaska North Slope											
1	Prudhoe Bay	247.5	228.5	232.1	239.8	218.2	206.3	196.9	203.4	205.5	201.0
2	PBU Satellites	44.3	41.4	44.0	38.9	41.8	44.3	47.1	60.6	65.7	75.2
3	GPMA	26.2	22.4	23.3	27.7	30.5	30.3	28.0	30.0	29.3	29.0
4	Kuparuk	85.9	78.5	78.4	80.6	82.8	72.2	64.2	64.8	58.5	54.5
5	Kuparuk Satellites	25.1	26.6	26.0	24.4	27.5	32.7	30.0	29.2	25.4	24.7
6	Endicott	9.5	9.0	9.1	8.6	8.1	9.1	8.2	7.7	7.5	6.9
7	Alpine	56.8	47.8	55.2	58.9	64.6	52.5	49.1	47.0	36.0	35.4
8	Offshore	35.0	46.8	46.4	44.3	40.4	33.2	35.8	32.1	29.7	29.5
9	NPRA	0.0	0.0	0.0	0.0	0.1	8.3	6.5	2.9	9.8	15.8
10	Point Thomson	0.0	0.0	0.2	3.1	4.5	6.1	5.9	8.4	9.1	7.2
11	Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Total Alaska North Slope	530.4	501.0	514.7	526.4	518.5	495.0	471.8	486.1	476.4	479.4
13 Cook Inlet		16.3	18.3	16.6	14.1	15.7	14.9	13.6	10.6	9.4	9.0
14 Total Alaska		546.6	519.2	531.3	540.5	534.1	509.9	485.3	496.7	485.8	488.4

Field grouping:

- 1 Prudhoe Bay
- 2 Aurora, Borealis, Midnight Sun, Milne Point, Orion, Polaris, Sag River
- 3 Lisburne, Niakuk, North Prudhoe/Put River, Point McIntyre, Raven
- 4 Kuparuk
- 5 Coyote, Nuna-Torok, Tabasco, Tarn, West Sak
- 6 Badami, Eider, Endicott, Minke, Sag Delta
- 7 Alpine, Fiord West, Mustang, Nanuq, Narwhal, Qannik
- 8 Hooligan, Nikaitchuq, Northstar, Oooguruk
- 9 Greater Mooses Tooth, Willow
- 10 Point Thomson, Sourdough
- 11 Projects under development or evaluation outside previous areas that have forecast production within ten years. Includes Alkaid, Horseshoe, Pikka, Quokka, Talitha, Theta West.

Notes: FY 2018, FY 2019 and FY 2022 production figures have been revised since being originally published due to revised company submissions.

Shipments of natural gas liquids (NGLs) from Prudhoe Bay to Kuparuk for use in large-scale enhanced oil recovery are excluded from historical data. These shipments ceased in August 2021 and are not expected to occur in future. NGLs from Central Gas Facility shipped on TAPS are included in this table.

Totals may show slight differences from other sources due to rounding and aggregation differences.

Annual Average Daily Crude Oil Production

By production area

Thousand barrels per day

	Forecast									
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
	Alaska North Slope									
1 Prudhoe Bay	190.4	191.8	192.3	189.6	185.0	179.7	175.1	170.8	167.1	162.8
2 PBU Satellites	82.4	87.1	90.9	94.8	98.0	98.8	97.8	95.9	93.7	91.7
3 GPMA	28.4	27.6	26.5	24.9	23.7	22.4	21.1	19.9	18.9	18.0
4 Kuparuk	51.4	45.7	44.1	41.6	39.2	36.7	34.4	32.4	30.5	28.3
5 Kuparuk Satellites	28.2	30.0	35.0	48.3	62.2	64.3	59.6	54.9	50.7	47.0
6 Endicott	9.5	10.8	9.4	8.3	7.5	6.9	6.4	5.9	5.5	5.2
7 Alpine	32.3	30.7	27.4	25.1	24.1	24.6	24.5	24.3	25.6	29.4
8 Offshore	27.6	25.6	24.3	22.7	21.3	20.8	21.3	22.2	22.6	22.3
9 NPRA	17.0	11.6	16.7	16.7	11.9	9.6	23.0	63.8	108.0	130.3
10 Point Thomson	3.0	2.8	4.1	6.1	8.1	8.5	8.2	7.9	7.7	7.4
11 Other	0.0	0.0	2.5	38.2	67.9	73.8	75.6	73.3	78.5	90.7
12 Total Alaska North Slope	470.3	463.8	473.1	516.5	548.8	546.1	546.8	571.2	608.7	633.0
13 Cook Inlet	8.2	7.4	7.1	7.4	7.8	7.7	7.5	7.0	6.5	5.9
14 Total Alaska	478.5	471.2	480.2	523.9	556.6	553.9	554.3	578.2	615.2	638.8

Field grouping:

1 Prudhoe Bay

2 Aurora, Borealis, Midnight Sun, Milne Point, Orion, Polaris, Sag River

3 Lisburne, Niakuk, North Prudhoe/Put River, Point McIntyre, Raven

4 Kuparuk

5 Coyote, Nuna-Torok, Tabasco, Tarn, West Sak

6 Badami, Eider, Endicott, Minke, Sag Delta

7 Alpine, Fiord West, Mustang, Nanuq, Narwhal, Qannik

8 Hooligan, Nikaitchuq, Northstar, Oooguruk

9 Greater Mooses Tooth, Willow

10 Point Thomson, Sourdough

11 Projects under development or evaluation outside previous areas that have forecast production within ten years. Includes Alkaid, Horseshoe, Pikka, Quokka, Talitha, Theta West.

Notes: FY 2018, FY 2019 and FY 2022 production figures have been revised since being originally published due to revised company submissions.

Shipments of natural gas liquids (NGLs) from Prudhoe Bay to Kuparuk for use in large-scale enhanced oil recovery are excluded from historical data. These shipments ceased in August 2021 and are not expected to occur in future. NGLs from Central Gas Facility shipped on TAPS are included in this table.

Totals may show slight differences from other sources due to rounding and aggregation differences.

Allowable Lease Expenditures¹ Operating and capital expenditures by geographic region

Millions of Dollars

	History									
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
North Slope										
1 Operating Expenditures [OPEX]	3,254	3,439	3,257	2,864	2,774	2,901	2,780	2,488	2,472	2,640
2 Capital Expenditures [CAPEX]	3,738	3,992	3,066	1,825	1,696	2,075	2,130	1,711	1,707	2,298
3 Total North Slope Lease Expenditures	6,992	7,431	6,324	4,689	4,470	4,976	4,910	4,199	4,180	4,939
Non-North Slope (includes Cook Inlet)										
4 Operating Expenditures [OPEX]	252	242	306	276	285	308	251	209	237	241
5 Capital Expenditures [CAPEX]	595	640	425	312	248	174	161	142	163	164
6 Total Non-North Slope Lease Expenditures	848	881	731	588	533	483	412	352	400	405
Total Statewide Lease Expenditures										
7 Operating Expenditures [OPEX]	3,506	3,680	3,563	3,139	3,059	3,209	3,031	2,698	2,710	2,881
8 Capital Expenditures [CAPEX]	4,333	4,632	3,491	2,137	1,944	2,258	2,291	1,853	1,870	2,462
9 Total Statewide Lease Expenditures	7,839	8,312	7,054	5,276	5,003	5,468	5,322	4,551	4,580	5,343
Additional Detail for North Slope Lease Expenditures										
Operating Expenditures [OPEX]										
10 Producing Non-GVR Eligible Units	3,021	3,161	2,893	2,532	2,434	2,504	2,342	2,084	2,101	2,369
11 Other Operating Expenditures	233	278	365	332	340	397	438	404	371	271
12 Total North Slope OPEX	3,254	3,439	3,257	2,864	2,774	2,901	2,780	2,488	2,472	2,640
Capital Expenditures [CAPEX]										
13 Producing Non-GVR Eligible Units	2,191	2,454	1,793	1,412	1,322	1,389	1,297	858	828	1,172
14 Other Capital Expenditures	1,547	1,538	1,273	413	375	685	833	853	880	1,126
15 Total North Slope CAPEX	3,738	3,992	3,066	1,825	1,696	2,075	2,130	1,711	1,707	2,298

¹ All lease expenditures in this table represent claimed allowable lease expenditures, as defined in production tax statutes.

Note: Based on a review of historical data, expenditure estimates for several years have been revised for the Fall 2023 Revenue Sources Book.

Allowable Lease Expenditures¹ Operating and capital expenditures by geographic region

Millions of Dollars

	Forecast									
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
North Slope										
1 Operating Expenditures [OPEX]	2,783	2,876	2,994	3,145	3,217	3,267	3,271	3,320	3,462	3,670
2 Capital Expenditures [CAPEX]	3,394	4,028	4,224	3,912	3,611	3,399	2,966	2,778	2,807	2,837
3 Total North Slope Lease Expenditures	6,177	6,904	7,218	7,057	6,828	6,666	6,238	6,098	6,269	6,507
Non-North Slope (includes Cook Inlet)										
4 Operating Expenditures [OPEX]	262	272	271	263	255	259	266	272	279	286
5 Capital Expenditures [CAPEX]	184	175	128	126	128	131	134	138	141	145
6 Total Non-North Slope Lease Expenditures	446	446	399	390	384	390	400	410	420	431
Total Statewide Lease Expenditures										
7 Operating Expenditures [OPEX]	3,045	3,148	3,266	3,408	3,472	3,527	3,537	3,592	3,741	3,956
8 Capital Expenditures [CAPEX]	3,578	4,202	4,351	4,038	3,739	3,530	3,100	2,916	2,948	2,982
9 Total Statewide Lease Expenditures	6,624	7,351	7,617	7,446	7,211	7,056	6,638	6,508	6,689	6,937
Additional Detail for North Slope Lease Expenditures										
Operating Expenditures [OPEX]										
10 Producing Non-GVR Eligible Units	2,590	2,681	2,794	2,946	2,979	3,006	2,985	2,975	2,988	3,179
11 Other Operating Expenditures	193	196	201	199	238	261	287	345	474	491
12 Total North Slope OPEX	2,783	2,876	2,994	3,145	3,217	3,267	3,271	3,320	3,462	3,670
Capital Expenditures [CAPEX]										
13 Producing Non-GVR Eligible Units	1,572	1,840	1,988	2,063	2,236	2,253	2,047	2,032	2,019	2,201
14 Other Capital Expenditures	1,822	2,187	2,236	1,849	1,375	1,146	919	747	788	636
15 Total North Slope CAPEX	3,394	4,028	4,224	3,912	3,611	3,399	2,966	2,778	2,807	2,837

¹ All lease expenditures in this table represent claimed allowable lease expenditures, as defined in production tax statutes.

Note: Based on a review of historical data, expenditure estimates for several years have been revised for the Fall 2023 Revenue Sources Book.

Production Tax Estimate for FY 2023

Using income statement format

This table presents an approximation of the production tax calculation, and does not match production tax estimates throughout this publication.

	Price	Barrels (Thousands)	Value (Millions of Dollars)
1 Average ANS Oil Price (dollars per barrel) and Daily Production	\$86.63	479.4	\$41.5
Annual Production			
2 Total		174,974	\$15,157.5
3 Royalty, Federal, and Other Barrels ¹		(22,432)	-\$1,943.2
4 Taxable Barrels		152,542	\$13,214.4
Downstream (Transportation) Costs (\$/bbl)			
5 ANS Marine Transportation	-\$4.43		
6 TAPS Tariff	-\$4.61		
7 Other	-\$0.57		
8 Total Transportation Costs	-\$9.61	152,542	-\$1,465.7
9 Gross Value at Point of Production (GVPP)			\$11,748.6
Deductible Lease Expenditures ²			
10 Deductible Operating Expenditures	-\$14.82		-\$2,260.2
11 Deductible Capital Expenditures	-\$12.90		-\$1,967.5
12 Total Lease Expenditures	-\$27.71	152,542	-\$4,227.7
Production Tax			
13 Gross Minimum Tax Floor (4%*GVPP)			\$469.9
14 Production Tax Value (PTV)			\$7,520.9
15 Gross Value Reduction (GVR)			-\$185.3
16 Production Tax Value (PTV) after GVR			\$7,335.6
17 Base Tax (35%*PTV after GVR)			\$2,567.5
18 Current year Tax before credits (base tax or minimum tax)			\$2,567.5
19 Per-taxable-barrel credits			-\$897.7
20 Current year tax after per-taxable-barrel credits			\$1,669.7
21 Adjustments ³			-\$171.1
22 Total Tax after credits and adjustments			\$1,498.7

¹ Royalty, Federal, and Other Barrels represents the Department of Revenue's best estimate of barrels that are not taxed. This estimate includes state and federal royalty barrels, barrels produced from federal offshore property, and barrels used in production.

² Deductible Lease Expenditures represents the department's best estimate of lease expenditures that are applicable to companies that are likely to have a tax liability for the year. The per-barrel expenditures reflect expenditures per taxable barrel and are higher than if this was shown as expenditures per all barrels produced.

³ Adjustments include:

- Any credits other than per-taxable-barrel credits, such as small producer credits or net operating loss credits from prior years.
- Private landowner royalty tax, and conservation surcharge
- Cook Inlet production tax
- Any prior-year tax payments not deposited in CBRF.
- Additional detail captured in larger revenue models that produces results that can differ slightly from the estimates in the simple model above.

Production Tax Estimate for FY 2024

Using income statement format

This table presents an approximation of the production tax calculation, and does not match production tax estimates throughout this publication.

	Price	Barrels (Thousands)	Value (Millions of Dollars)
1 Average ANS Oil Price (dollars per barrel) and Daily Production	\$82.39	470.3	\$38.8
Annual Production			
2 Total		172,144	\$14,182.8
3 Royalty, Federal, and Other Barrels ¹		(22,881)	-\$1,885.1
4 Taxable Barrels		149,263	\$12,297.7
Downstream (Transportation) Costs (\$/bbl)			
5 ANS Marine Transportation	-\$5.11		
6 TAPS Tariff	-\$5.12		
7 Other	-\$0.53		
8 Total Transportation Costs	-\$10.75	149,263	-\$1,605.0
9 Gross Value at Point of Production (GVPP)			\$10,692.6
Deductible Lease Expenditures ²			
10 Deductible Operating Expenditures	-\$18.13		-\$2,706.5
11 Deductible Capital Expenditures	-\$15.56		-\$2,323.2
12 Total Lease Expenditures	-\$33.70	149,263	-\$5,029.7
Production Tax			
13 Gross Minimum Tax Floor (4%*GVPP)			\$427.7
14 Production Tax Value (PTV)			\$5,662.9
15 Gross Value Reduction (GVR)			-\$110.5
16 Production Tax Value (PTV) after GVR			\$5,552.4
17 Base Tax (35%*PTV after GVR)			\$1,943.3
18 Current year Tax before credits (base tax or minimum tax)			\$1,943.3
19 Per-taxable-barrel credits			-\$1,027.5
20 Current year tax after per-taxable-barrel credits			\$915.8
21 Adjustments ³			\$29.4
22 Total Tax after credits and adjustments			\$945.2

¹ Royalty, Federal, and Other Barrels represents the Department of Revenue's best estimate of barrels that are not taxed. This estimate includes state and federal royalty barrels, barrels produced from federal offshore property, and barrels used in production.

² Deductible Lease Expenditures represents the department's best estimate of lease expenditures that are applicable to companies that are likely to have a tax liability for the year. The per-barrel expenditures reflect expenditures per taxable barrel and are higher than if this was shown as expenditures per all barrels produced.

³ Adjustments include:

-Any credits other than per-taxable-barrel credits, such as small producer credits or net operating loss credits from prior years.

-Private landowner royalty tax, and conservation surcharge

-Cook Inlet production tax

-Any prior-year tax payments not deposited in CBRF.

-Additional detail captured in larger revenue models that produces results that can differ slightly from the estimates in the simple model above.

Production Tax Estimate for FY 2025

Using income statement format

This table presents an approximation of the production tax calculation, and does not match production tax estimates throughout this publication.

	Price	Barrels (Thousands)	Value (Millions of Dollars)
1 Average ANS Oil Price (dollars per barrel) and Daily Production	\$76.00	463.8	\$35.3
Annual Production			
2 Total		169,276	\$12,865.0
3 Royalty, Federal, and Other Barrels ¹		(22,186)	-\$1,686.2
4 Taxable Barrels		147,090	\$11,178.9
Downstream (Transportation) Costs (\$/bbl)			
5 ANS Marine Transportation	-\$5.05		
6 TAPS Tariff	-\$5.26		
7 Other	-\$0.44		
8 Total Transportation Costs	-\$10.75	147,090	-\$1,580.7
9 Gross Value at Point of Production (GVPP)			\$9,598.2
Deductible Lease Expenditures ²			
10 Deductible Operating Expenditures	-\$19.06		-\$2,804.2
11 Deductible Capital Expenditures	-\$20.32		-\$2,988.6
12 Total Lease Expenditures	-\$39.38	147,090	-\$5,792.9
Production Tax			
13 Gross Minimum Tax Floor (4%*GVPP)			\$383.9
14 Production Tax Value (PTV)			\$3,805.3
15 Gross Value Reduction (GVR)			-\$84.0
16 Production Tax Value (PTV) after GVR			\$3,721.3
17 Base Tax (35%*PTV after GVR)			\$1,302.4
18 Current year Tax before credits (base tax or minimum tax)			\$1,302.4
19 Per-taxable-barrel credits			-\$678.4
20 Current year tax after per-taxable-barrel credits			\$624.1
21 Adjustments ³			\$25.8
22 Total Tax after credits and adjustments			\$649.9

¹ Royalty, Federal, and Other Barrels represents the Department of Revenue's best estimate of barrels that are not taxed. This estimate includes state and federal royalty barrels, barrels produced from federal offshore property, and barrels used in production.

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³ Adjustments include:

-Any credits other than per-taxable-barrel credits, such as small producer credits or net operating loss credits from prior years.

-Private landowner royalty tax, and conservation surcharge

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-Any prior-year tax payments not deposited in CBRF.

-Additional detail captured in larger revenue models that produces results that can differ slightly from the estimates in the simple model above.

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Acronyms

AAC	Alaska Aerospace Corporation
ACPE	Alaska Commission on Postsecondary Education
ACWI	All Country World Index
AEA	Alaska Energy Authority
AGDC	Alaska Gasline Development Corporation
AHFC	Alaska Housing Finance Corporation
AIDEA	Alaska Industrial Development and Export Authority
AMBBA	Alaska Municipal Bond Bank Authority
AMHTA	Alaska Mental Health Trust Authority
ANS	Alaska North Slope
ANWR	Arctic National Wildlife Refuge
AOGCC	Alaska Oil and Gas Conservation Commission
APFC	Alaska Permanent Fund Corporation
ARM	Alaska Retirement Management
ARRC	Alaska Railroad Corporation
AS	Alaska Statutes
ASLC	Alaska Student Loan Corporation
ASMI	Alaska Seafood Marketing Institute
bbl	Barrel of oil
Btu	British thermal unit
CAPEX	Capital expenditures
CARES	Coronavirus Aid, Relief, and Economic Security Act
CBRF	Constitutional Budget Reserve Fund
CDQ	Community development quota
CIT	Corporate income tax
CP	Currently producing
CPI-U	Consumer Price Index for All Urban Consumers
CPV	Commercial passenger vessel
CRF	Coronavirus Relief Fund
CY	Calendar year
DCCED	Department of Commerce, Community, and Economic Development
D/I	Data incomplete
DOR	Department of Revenue
EMBI	Emerging Markets Bond Index
FAA	Federal Aviation Administration
FERC	Federal Energy Regulatory Commission
FFCRA	Families First Coronavirus Response Act
FY	Fiscal year
GASB	Governmental Accounting Standards Board
G/C	Government/Credit index
GeFONSI	General fund and other non-segregated investments
GPMA	Greater Point McIntyre Area
GVPP	Gross value at point of production
GVR	Gross value reduction
HB 111	House Bill 111, passed in 2017
HEF	Higher Education Funds
IJA	Infrastructure Investment and Jobs Act
LLC	Limited liability corporation
LNG	Liquefied natural gas
LPV	Large Passenger Vessel
mcf	Thousand cubic feet
MSCI	Morgan Stanley Capital International
NCREIF	National Council of Real Estate Investment Fiduciaries

NGLs	Natural gas liquids
NPR-A	National Petroleum Reserve–Alaska
N/T	Not tracked
ODCE	Open End Diversified Core Equity
OMB	Office of Management and Budget
OPEB	Other Post-Employment Benefits
OPEX	Operating expenditures
PBU	Prudhoe Bay Unit
PCE	Power Cost Equalization
POD	Plan of Development
POMV	Percent of Market Value
PTV	Production tax value
QCE	Qualified Capital Expenditure
QR	Quick response
RCA	Regulatory Commission of Alaska
RIK	Royalty in kind
RIV	Royalty in value
RPL	Revised Program Legislative
RSA	Royalty settlement agreement
RSB	<i>Revenue Sources Book</i>
S&P	Standard & Poor's
SB 21	Senate Bill 21, passed in 2013
SB 26	Senate Bill 26, passed n 2018
SBRF	Statutory Budget Reserve Fund
TAPS	Trans-Alaska Pipeline System
TCJA	Tax Cuts and Jobs Act
TIPS	Treasury Inflation Protected Securities
UD	Under development
UE	Under evaluation
UGF	Unrestricted General Fund
WLE	Well Lease Expenditure
YTD	Year to date

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