February 6, 2022

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

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

Dear Co-Chairs Bishop and Stedman,

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue (DOR) during the Fall 2021 Forecast presentation given to the Senate Finance Committee on January 20, 2022.

1. **Provide a table showing annual values for economic indicators for 2019-2020, and quarterly numbers for 2021.**

Below please find a table with the requested detail for the economic indicators as presented in the forecast presentation. Please note that these data points are shown in calendar years as well as quarters. Detailed sources can be found in the footnotes below the table.
## Selected Economic Indicators

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Real GDP 3</td>
<td>All industry total</td>
<td>Millions of chained 2012 dollars</td>
<td>53,336.5</td>
<td>50,161.0</td>
<td>50,024.9</td>
<td>50,251.6</td>
<td>50,180.9</td>
<td>Unavailable</td>
</tr>
<tr>
<td>Employment 2</td>
<td>Total Nonfarm</td>
<td>Jobs</td>
<td>330,000</td>
<td>302,600</td>
<td>295,833</td>
<td>311,867</td>
<td>325,467</td>
<td>306,000</td>
</tr>
<tr>
<td>Total Wages 3</td>
<td>Total Industries</td>
<td>Millions of nominal dollars</td>
<td>18,770</td>
<td>18,508</td>
<td>4,294</td>
<td>4,759</td>
<td>Unavailable</td>
<td>Unavailable</td>
</tr>
<tr>
<td>Total Bankruptcies 4</td>
<td>All Chapters</td>
<td>Count</td>
<td>400</td>
<td>313</td>
<td>62</td>
<td>63</td>
<td>40</td>
<td>49</td>
</tr>
<tr>
<td>Total Foreclosures 5</td>
<td>All Regions</td>
<td>Count</td>
<td>729</td>
<td>395</td>
<td>78</td>
<td>84</td>
<td>115</td>
<td>Unavailable</td>
</tr>
<tr>
<td>Housing Starts 6</td>
<td>Statewide</td>
<td>Count</td>
<td>1,689</td>
<td>1,493</td>
<td>471</td>
<td>399</td>
<td>369</td>
<td>Unavailable</td>
</tr>
<tr>
<td>Mortgage Delinquency 7</td>
<td>30-89 Days</td>
<td>Percentage Delinquent</td>
<td>1.5%</td>
<td>1.0%</td>
<td>0.8%</td>
<td>0.6%</td>
<td>0.6%</td>
<td>Unavailable</td>
</tr>
<tr>
<td>Mortgage Delinquency 7</td>
<td>90+ Days</td>
<td>Percentage Delinquent</td>
<td>0.7%</td>
<td>0.6%</td>
<td>0.4%</td>
<td>0.4%</td>
<td>Unavailable</td>
<td>Unavailable</td>
</tr>
</tbody>
</table>

Note: Years shown are Calendar Years.

1 Quarterly data is annualized from the quarterly rate. (Link to source: https://apps.bea.gov/iTable/iTable.cfm?ReqID=70&step=1&acrdn=1)
2 Quarterly data is calculated as the average of monthly employment data. (Link to source: https://live.laborstats.alaska.gov/labforce/000000/01/ces.html)
3 Link to source: https://live.laborstats.alaska.gov/qcew/index.html
4 Quarterly data is calculated as the sum of monthly bankruptcy data. (Link to source: https://www.abi.org/newsroom/bankruptcy-statistics)
5 Link to source: https://www.ahfc.us/application/files/4816/3900/3675/3Q2021_Foreclosure_and_Default.pdf
6 Quarterly data is calculated as the sum of monthly housing data. (Link to source: https://fred.stlouisfed.org/series/AKBPPRIVSA)
7 Percentages shown are calculated as the average of monthly delinquency data. (Link to source: https://www.consumerfinance.gov/data-research/mortgage-performance-trends/download-the-data/)

2. **Provide additional breakouts as available for rural vs urban areas in Alaska for the bankruptcy, foreclosure, and delinquency indicators.**

The tables below break down available data for 2019-2020 and 2021 year-to-date for foreclosures and mortgage delinquency with a breakout between rural and urban jurisdictions. Data for bankruptcies was not available at a sub-state level. Please note that these data points are shown in both calendar years and quarters. Detailed sources are included in the footnotes below the tables.

### Rural and Urban Foreclosures and Delinquencies

#### Foreclosures - Rural and Urban

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban*</td>
<td>Count</td>
<td></td>
<td>593</td>
<td>67</td>
<td>57</td>
<td>67</td>
<td>92</td>
<td>Unavailable</td>
</tr>
<tr>
<td>All other Alaska</td>
<td>Count</td>
<td></td>
<td>136</td>
<td>17</td>
<td>21</td>
<td>17</td>
<td>23</td>
<td>Unavailable</td>
</tr>
</tbody>
</table>

*Counts shown for Urban are the sum of data for Anchorage, Fairbanks, Juneau, and Mat-Su Regions.

Note: Years shown are Calendar Years.

Link to source: https://www.ahfc.us/application/files/4816/3900/3675/3Q2021_Foreclosure_and_Default.pdf
3. **Provide a chart showing oil price and oil futures over the past 11 years showing how the futures “walk into” the current price, as related to the new forecast methodology.**

The chart below shows historical monthly ANS prices since 2010, as well as the Brent futures outlooks for on January 1 of each year from 2010 to 2022.

![Chart showing ANS price and historical Brent futures](chart.png)

4. **Provide a version of the percentage breakouts as shown on Slide 7 with the percentages shown for just UGF revenue rather than total revenue.**

The table below shows the contribution to FY 2021 revenue from various revenue sources for both total revenue (as was shown in the presentation) as well as for unrestricted.
revenue only. Under that, we have provided the graphic from the presentation shown for Unrestricted Revenue only.

### Table 4-10

<table>
<thead>
<tr>
<th></th>
<th>FY 2021</th>
<th>% of Total</th>
<th>FY 2021</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Revenue</td>
<td>-</td>
<td>0.0%</td>
<td>7,555.0</td>
<td>25.4%</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>3,120.9</td>
<td>65.3%</td>
<td>19,581.8</td>
<td>65.7%</td>
</tr>
<tr>
<td>Petroleum</td>
<td>1,217.6</td>
<td>25.5%</td>
<td>1,594.0</td>
<td>5.3%</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>310.2</td>
<td>6.5%</td>
<td>801.3</td>
<td>2.7%</td>
</tr>
<tr>
<td>Fisheries</td>
<td>20.9</td>
<td>0.4%</td>
<td>98.2</td>
<td>0.3%</td>
</tr>
<tr>
<td>Non-Petroleum Corporate Income</td>
<td>102.8</td>
<td>2.2%</td>
<td>110.3</td>
<td>0.4%</td>
</tr>
<tr>
<td>Tourism</td>
<td>-</td>
<td>0.0%</td>
<td>33.7</td>
<td>0.1%</td>
</tr>
<tr>
<td>Mining</td>
<td>10.3</td>
<td>0.2%</td>
<td>20.5</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>Total State Revenue</strong></td>
<td><strong>4,782.8</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>29,794.7</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

*Total Revenue is as shown in the presentation, here for comparison.

Note: Numbers may not add exactly due to rounding.

**Total Unrestricted Revenue: $4.8 Billion**

5. **Provide more detail regarding how the projected returns from the Permanent Fund are allocated between unrestricted and restricted revenue in the forecast.**

Table 4-10 from the Revenue Sources Book, included below, shows how reported Permanent Fund earnings are allocated between different revenue classifications in the forecast.
The Percent of Market Value (POMV) transfer (also referred to as the Alaska Permanent Fund Draw) is calculated based on either 5.25% (for FY 2021) or 5% (for FY 2022+) of the average ending market value of the first five of the last six fiscal years. This transfer is reflected as unrestricted revenue.

Total Reported Earnings are estimated by the Alaska Permanent Fund Corporation using estimated return on investments (market fluctuations could result in the actual return being materially higher or lower than forecast). The difference between total earnings and the POMV transfer is reflected in line 4, “Reported Earnings Net of Unrestricted Draw,” and this amount is reflected as restricted investment revenue.

The total Reported Earnings of the Permanent Fund are the sum of the unrestricted and restricted revenue components.

6. Provide a chart of historical oil prices including the futures outlooks as of the 2018 high and 2020 low points.

Please see the below graph with historical monthly ANS Prices as well as the Brent futures outlooks from October 3, 2018 and April 21, 2020.
7. **Provide a version of the lease expenditures chart on Slide 22 with a breakout of non-deductible and deductible expenses.**
   
a. **Also provide versions of the other oil charts going back to 2012 like Slide 22 does.**
   
b. **Also provide a version of the Slide 22 chart going back to at least 2008 and with oil price added**

Below please find the requested charts.

Note, 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. ‘Deductible Lease Expenditures’ is not defined in any statute or regulation, but it is used to describe that portion of allowable lease expenditures actually applied in the tax calculation in the year incurred. ‘Non-deductible Lease Expenditures’ refer to those lease expenditures that are allowable but not actually applied in the tax calculation in the year incurred (and potentially eligible for carryforward).
8. **Provide additional detail by land ownership type for tax credits/carried losses, e.g. amount attributable to federal lands vs. state lands.**

In general, we are unable to provide additional detail for tax credits, beyond the North Slope vs non-North Slope detail as reported in the Revenue Sources Book in table 8-4. In most cases, there are not enough significant taxpayers/credit earners in each geographic area to report data without violation of taxpayer confidentiality rules.

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

Sincerely,

Colleen M. Glover
Tax Division Director