Pat Galvin
Commissioner
P.O. Box 110400
Juneau, AK 99011-0400
www.revenue.state.ak.us

STATE OF ALASKA
DEPARTMENT OF REVENUE

Lacy Wilcox
Special Assistant
907.465.2301
cell: 907.321.2376
lacy.wilcox@alaska.gov

Press Release

COMMISSIONER'S OFFICE

FOR IMMEDIATE RELEASE **No. 08-013**
December 9, 2008

Media Contact: Cherie Nienhuis, Acting Chief Economist, 907.269.1019
Lacy Wilcox, Communications Assistant, 907.465.2301

Department Releases Fall 2008 Revenue Forecast

Juneau – Department of Revenue Commissioner Patrick Galvin today released the Fall 2008 Revenue Forecast, which includes a review of FY 2008 revenues, and projections for FY 2009 and FY 2010. The Fall 2008 *Revenue Sources Book* will be posted today on the department's website, www.tax.alaska.gov.

Fiscal year 2008 will go down as a record revenue year for the state, with preliminary estimated general fund unrestricted revenue totaling $10.79 billion. Revenue officials forecast FY 2009 general fund unrestricted revenue at $6.75 billion, and FY 2010 at $5.28 billion. Oil revenue contributed 93% of the unrestricted FY 2008 revenues; in FY 2009 and FY 2010, oil will contribute 90% and 88%, respectively.

Revenue projections incorporate the department's oil price and production forecasts, as well as its lease expenditure forecast, for purposes of calculating royalty and production tax payments to the state. The department's oil price forecast for Alaska North Slope crude oil, which was assembled in October and early November 2008, assumes that oil prices will level off in the $62 range through FY 2009, and will end up averaging $77.66 per barrel over the entire fiscal year when combined with the high prices of the first three months of the fiscal year. The department expects that prices in FY 2010 will increase from the current levels, and forecast an average price for the year of $74.41. Daily oil prices have fallen 40% in the weeks since the forecast was compiled and the department will continue to monitor the prices and the underlying pricing fundamentals. Given the unprecedented price volatility in recent months, the department will consider issuing an interim oil price and revenue forecast prior to release of the official Spring 2009 forecast.

Production is expected to average 689,000 barrels per day in FY 2009, a decline of 3.8% from FY 2008. For FY 2010, the department anticipates further production declines to 665,000 barrels per day. The production decline from existing fields will be partially offset by production coming from new fields. It is anticipated that the new field, Nikaitchuq, will begin producing oil in FY 2009, and Oooguruk, which began producing in 2008 will see increased production rates. Continued development in the Colville River Unit and ongoing exploration in the National Petroleum Reserve and other areas of the state is also expected.

Lease expenditures, a key input in the calculation of oil production taxes, are estimated to be $4.5 billion in FY 2009 and over $5 billion in FY 2010. This is up from $3.8 billion in FY 2008.

Non-oil revenues are forecasted to total $700 million in FY 2009 and $648 million in FY 2010. These estimates are down from $780 million in FY 2008.

To download a copy of the Fall 2008 forecast, visit the Tax Division's website at www.tax.alaska.gov. Hard copies of the report are expected be available next week.

****