Bryan Butcher
Commissioner
P.O. Box 110400
Juneau, AK 99811-0400
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

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Department Releases Spring 2012 Revenue Forecast

Juneau – Department of Revenue Commissioner Bryan Butcher released the Spring 2012 Revenue Forecast, which provides an update to the Fall 2011 *Revenue Sources Book* released in December. The department will post the Spring 2012 Revenue Forecast on the Tax Division's website at www.tax.alaska.gov.

The Department projects the state will collect approximately $9.9 billion in Unrestricted Revenue in FY 2012 and $8.4 billion in FY 2013. This compares to the Fall 2011 Forecast of $8.9 billion and $8.2 billion for FY 2012 and FY 2013, respectively. Commissioner Butcher observed, "While higher than anticipated oil prices has given Alaska a strong revenue outlook, the long-term health of the state's finances and Alaska's economy depends on stemming the continuing decline in North Slope oil production." Revenue from oil and gas production is expected to provide over 90% of the State's unrestricted revenue through FY 2021.

The Department now forecasts Alaska North Slope oil prices to be $114.59 and $110.44 in FY 2012 and 2013 respectively, compared to $109.33 and $109.47 from the Fall 2011 Forecast.

Oil production on the North Slope in FY 2012 is forecasted to be approximately 580,000 barrels of oil per day, a 3% decline from FY 2011, and in FY 2013, the Department forecasts a 3% decline, to approximately 563,000 barrels per day. Production from currently producing sectors is expected to decline by 7% and 12% in FY 2012 and FY 2013, respectively. In the decade ahead, North Slope oil production is forecasted to decline at an average annual rate of 3%, with production from currently producing sectors expected to decline by an annual average of 8%. Alaska holds tremendous resource potential, but fighting this decline in oil production will take a significant amount of new investment.

In order to calculate revenue under production tax laws, the forecast must include assumptions about investment levels. Total investment is expected to increase slightly in FY 2012, with forecasted lease expenditures of $5.2 billion and $5.7 billion in FY 2012 and FY 2013, respectively. Capital investment is expected to remain flat at $2.3 billion in FY 2012 relative to the $2.3 billion spent in FY 2011. "This reflects a continuing lack of capital investment in the State." Butcher added. Operating expenses are expected to increase to $2.9 billion in FY 2012, compared to $2.6 billion spent in FY 2011.

Unrestricted non-oil revenues are forecasted to total $707.2 million in FY 2012 and $739.6 million in FY 2013. These estimates are up from $624.0 million collected in FY 2011.

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To download a copy of the Spring 2012 forecast, visit the Tax Division's website at www.tax.alaska.gov.