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Department of Revenue Releases Fall 2016 Revenue Forecast

Anchorage – Department of Revenue (DOR) Commissioner Randall Hoffbeck released the Fall 2016 Revenue Sources Book today. This annual publication provides basic information about state revenue, as well as a forecast of state revenue over the next ten years. The Revenue Sources Book was made available December 15, 2016 at 12:00pm on the Department’s website, at www.tax.alaska.gov.

Estimated total state revenue was $5.8 billion in FY 2016 from all sources, and, of this total, general fund unrestricted revenue totaled $1.5 billion. The Department of Revenue forecasts total revenue of $9.9 billion in FY 2017 and $9.7 billion in FY 2018. General fund unrestricted revenues are forecast at $1.4 billion for FY 2017 and $1.6 billion for FY 2018.

The revenue forecast is based on an annual average ANS oil price of $46.81 per barrel for FY 2017 and $54.00 per barrel for FY 2018. Actual Alaska North Slope oil prices averaged $43.18 in FY 2016. Commissioner Hoffbeck commented “Market prices for Alaska oil have rebounded by over $25 per barrel from the low earlier this year. While the move higher is encouraging, we think the fundamentals of supply and demand will ultimately limit the rise in price, and that is reflected in our forecast.”

North Slope oil production increased from 501,000 barrels per day in FY 2015 to 514,900 in FY 2016, buoyed by several new developments. The Department of Revenue forecasts North Slope production of 490,300 barrels per day in FY 2017 and 455,600 barrels per day in FY 2018. Commissioner Hoffbeck stated: “Oil production is expected to decline over the coming decade, with North Slope production declining to 331,000 barrels per day by FY 2026. However, we are optimistic about several large developments that are not yet included in the production forecast, including Armstrong’s Nanushuk prospect and the Caelus discovery at Smith Bay. Over the coming years, we will be working to find ways to encourage new production while also protecting the state treasury.”

Commissioner Hoffbeck concluded, “This year, the Revenue Sources Book includes a full chapter specifically dedicated to revenue available for appropriation. This chapter helps convey to investors and analysts that the state has significant revenues beyond just traditional unrestricted revenue that are available to address Alaska’s fiscal challenges.” Revenue available for appropriation includes all unrestricted revenue, plus the realized earnings of the Alaska Permanent Fund accounted for in the Earnings Reserve, earnings of the Constitutional Budget Reserve Fund, and other revenues restricted only by statute or by customary practice. Revenue available for current year appropriation is expected to total $5.2 billion in FY 2017 and $5.6 billion in FY 2018.

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