Revenue Forecast: Oil Prices Down; Production Up

Juneau – Department of Revenue (DOR) Commissioner Sheldon Fisher released a preliminary fall 2017 revenue forecast today.

“We are releasing a preliminary version of the fall 2017 revenue forecast to aid in legislative discussions. The final fall forecast will not be published until later this year. There will likely be some adjustments between this preliminary forecast and the final forecast issued in December, but given the importance of this information to the special session and the state’s long term fiscal plan, I directed my staff to prepare a preliminary forecast with the most current information available at this time. The preliminary forecast is based on the department’s latest projections for oil price, oil production, and investment returns, among other inputs,” Commissioner Fisher stated.

General fund unrestricted revenue (GFUR) is now forecast to be $1.8 billion in fiscal year FY2018, essentially unchanged from the spring forecast. GFUR is forecast to be $2.0 billion in FY2019, an increase of about $100 million from the spring forecast. By the end of the forecast period, FY 2027 GFUR is expected to be $2.8 billion per year.

Alaska North Slope oil prices are forecast to average $54.00 per barrel for FY2018, climbing to $75.00 per barrel by FY2027. In real terms, oil is forecast to grow to approximately $60 per barrel and then stabilize: after $60 per barrel oil prices are forecasted to increase with inflation. This represents a decline from the Department of Revenue’s prior oil pricing forecast. Production from several new developments has been added to the forecast beginning with the fall 2017 forecast, helping to stabilize expected North Slope production around 500,000 barrels per day. The preliminary revenue forecast is driven by an expectation of North Slope oil production averaging 533,000 barrels per day in FY2018, declining moderately to 493,000 barrels per day by FY2027. As a result of these changes, in real terms, revenue is forecasted to grow at approximately 2.5% annually from FY 2018 to FY 2027.

Commissioner Fisher affirmed, “Compared to the Department’s previous forecast, this preliminary fall forecast represents a modest decline in forecasted oil prices combined with a material increase to the oil production forecast, leading to an overall increase in expected revenue during most of the forecast period. Alaskans should be pleased with the potential of these new developments to stabilize Alaska’s oil production and add to our economy.” Commissioner Fisher continued “Notwithstanding this additional forecasted revenue, the state is facing a large structural budget deficit in excess of $2.5
billion. This $2.5 billion “uncertainty gap” is causing investors to hold back and harming our economy. This Administration is committed to working with the legislature to address this uncertainty gap during this special legislative session.”

The fall forecast is an annual publication that provides basic information about state revenue, as well as a forecast of state revenue over ten years. The preliminary fall 2017 revenue forecast will be available today, October 25, 2017, at 1:00pm on the Department’s website, at www.tax.alaska.gov. The final fall forecast and the Revenue Sources Book will be published in December.