

Fall 2020 Forecast Presentation to Commonwealth North Fiscal Study Group

Department of Revenue
January 8, 2021

Agenda

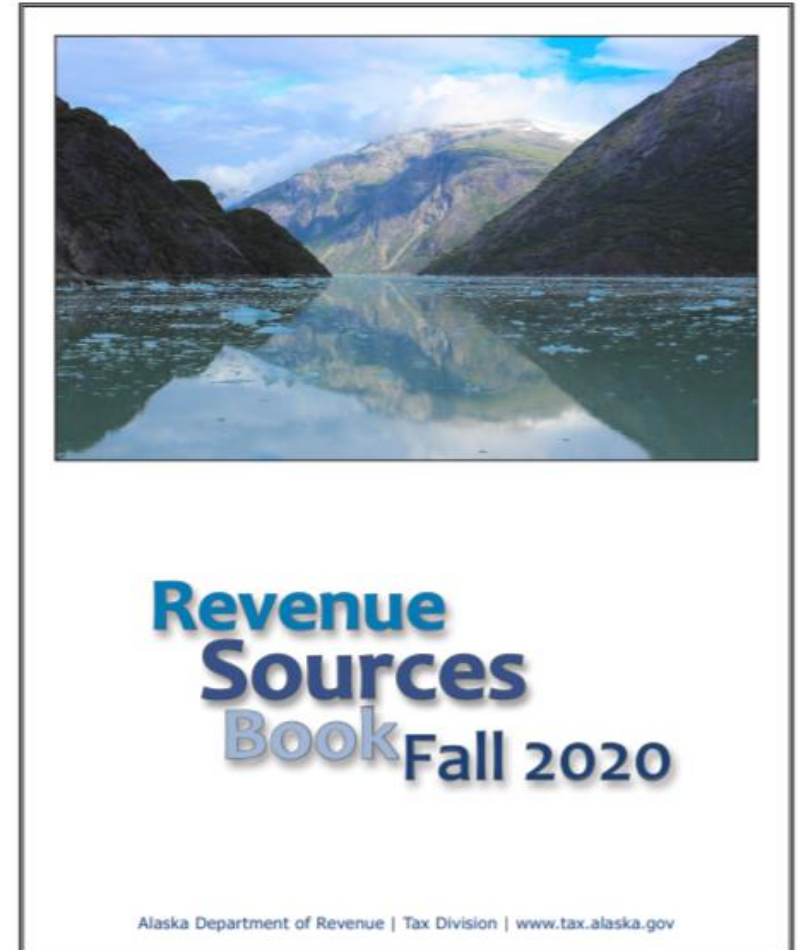
1. Forecast Background and Key Assumptions
2. Fall 2020 Revenue Forecast:
 - Total State Revenue
 - Unrestricted Revenue
3. Petroleum Forecast Assumptions Detail
 - Oil Price
 - Oil Production
 - Oil and Gas Lease Expenditures
 - Oil and Gas Credits



Forecast Background and Key Assumptions

Background: The Revenue Sources Book

1. Historical, current, and estimated future state revenue
2. Discussion and information about major revenue sources
3. Prepared in accordance with AS 37.07.060 (b)(4), and supports long term plan under AS 37.07.020
4. Official revenue forecast used for Governor's budget proposal; updated in spring
5. Located at tax.alaska.gov



Key Alaska Economic Indicators

1. **Real State GDP: \$50.9 billion in Q3 2020**
 - Up 7.2% from Q2 2020, still down 4.9% from Q3 2019
2. **Employment: 293,500 in Nov 2020**
 - Down 23,500 (-7.4%) compared to November 2019; heaviest impacts in restaurants/bars, transportation, and oil/gas industries.
3. **Wages and Salaries: \$5.5 billion in Q3 2020**
 - Up 5.2% from Q2 2020 and flat from Q3 2019
4. **Alaska Bankruptcies: 277 so far in 2020 (through Nov)**
 - Compared to 378 through Nov 2019 and 400 for all of 2019
5. **Foreclosures: 98 in Q3 2020, 303 for all of 2020 so far**
 - Compared to 197 in Q3 2019 and 729 for all of 2019
6. **Housing Starts: 1,175 so far in 2020 (through Oct)**
 - Compared to 1,400 through Oct 2019 and 1,695 for all of 2019

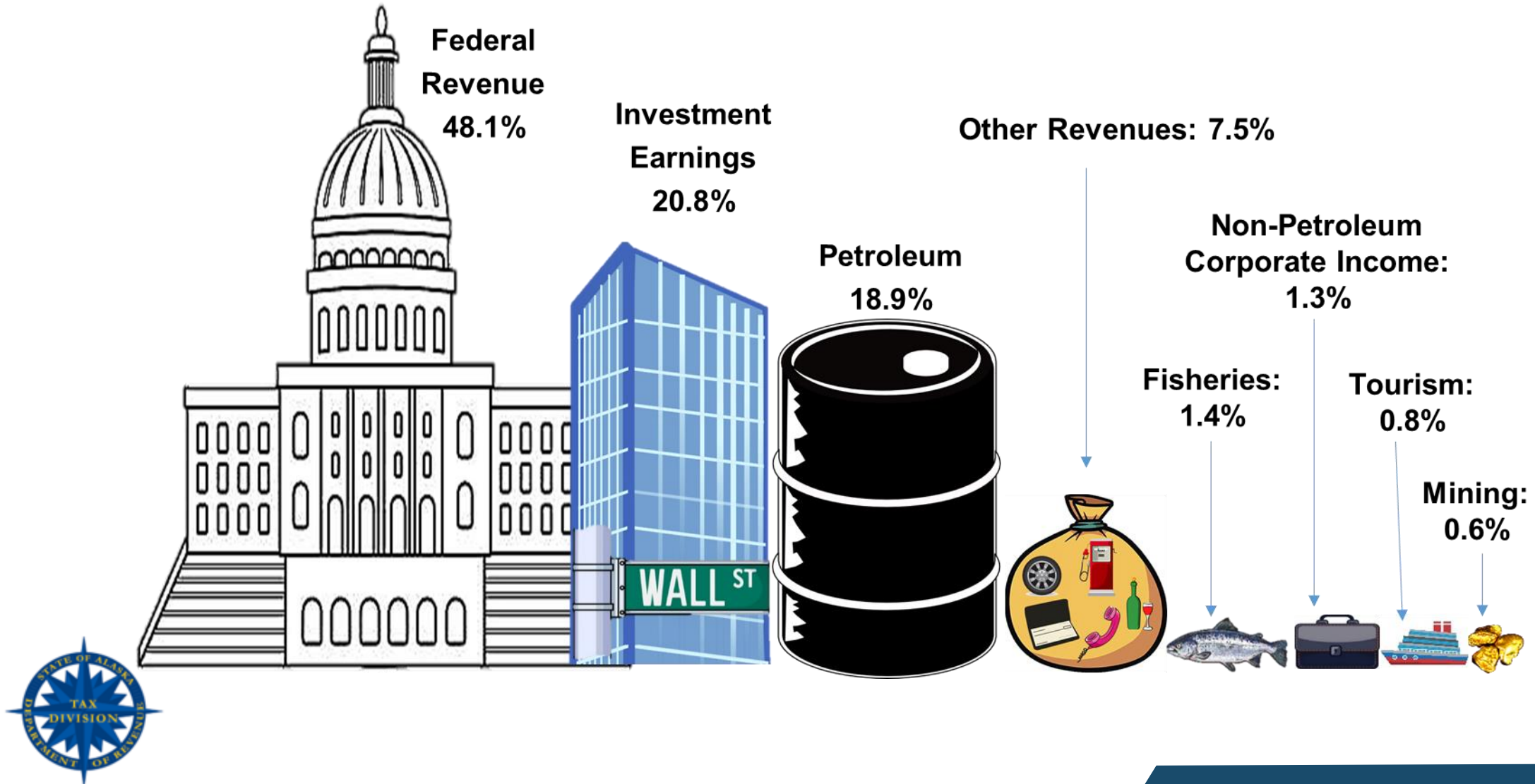


Fall Forecast Assumptions

- COVID-19 is a continued source of uncertainty; DOR has developed a plausible scenario for COVID-19 and its economic impact.
- Key Assumptions:
 - Investments: Stable growth in investment markets, 6.75% Permanent Fund returns.
 - Federal: Some CARES Act funds shown in FY 2021, no additional stimulus in FY 2022+.
 - Petroleum: Alaska North Slope oil price of \$45.32 per barrel for FY 2021 and \$48.00 per barrel for FY 2022. No further oil production curtailments.
 - Non-Petroleum: Most economic activity will return to baseline levels by FY 2022, except tourism full recovery by summer 2023.



Relative Contributions to Total State Revenue: FY 2020



Fall 2020 Revenue Forecast



THE STATE
of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Total Revenue Forecast: FY 2020 to FY 2022 Totals

\$ Millions	History	Forecast	
Revenue Type	FY 2020	FY 2021	FY 2022
Unrestricted General Fund			
Investment Revenue	2,991.2	3,107.1	3,090.2
Petroleum Revenue	1,083.1	861.7	808.9
Non-Petroleum Revenue	462.7	363.0	372.8
Subtotal	4,537.0	4,331.8	4,271.9
Designated General Fund			
Investment Revenue	33.5	43.2	45.1
Petroleum Revenue	67.8	44.6	41.4
Non-Petroleum Revenue	385.6	403.2	419.8
Subtotal	486.9	491.0	506.2
Other Restricted Revenue			
Investment Revenue	-1,221.5	922.3	1,190.4
Petroleum Revenue (1)	537.3	270.1	228.2
Non-Petroleum Revenue	130.2	209.1	222.7
Subtotal	-554.0	1,401.5	1,641.3
Federal Revenue			
Federal Receipts	4,173.0	4,638.6	3,884.2
Petroleum Revenue	16.4	10.8	12.4
Subtotal	4,189.4	4,649.3	3,896.6
Total State Revenue	8,659.2	10,873.5	10,316.1



Unrestricted Revenue Forecast: FY 2020 to FY 2022 Totals

\$ Millions	History	Forecast	
Revenue Type	FY 2020	FY 2021	FY 2022
Unrestricted General Fund			
Investment Revenue	2,991.2	3,107.1	3,090.2
Petroleum Revenue	1,083.1	861.7	808.9
Non-Petroleum Revenue	462.7	363.0	372.8
Subtotal	4,537.0	4,331.8	4,271.9



Unrestricted Revenue Forecast: FY 2020 and Changes to Two-Year Outlook

		History	Forecast	
		FY 2020	FY 2021	FY 2022
ANS Oil Price (Nominal \$/bbl)	Spring 2020 Forecast	\$51.65	\$37.00	\$41.00
	Fall 2020 Forecast	\$52.12	\$45.32	\$48.00
	Change	\$0.47	\$8.32	\$7.00
Permanent Fund Transfer (\$ millions)	Spring 2020 Forecast	\$2,933.1	\$3,091.5	\$3,048.0
	Fall 2020 Forecast	\$2,933.1	\$3,091.5	\$3,069.3
	Change	\$0.0	\$0.0	\$21.3
Unrestricted Revenue, excluding Permanent Fund Transfer (\$ millions)	Spring 2020 Forecast	\$1,589.2	\$1,152.8	\$1,282.2
	Fall 2020 Forecast	\$1,603.9	\$1,240.3	\$1,202.6
	Change	\$14.7	\$87.5	-\$79.6
Unrestricted Revenue, including Permanent Fund Transfer (\$ millions)	Spring 2020 Forecast	\$4,522.3	\$4,244.3	\$4,330.2
	Fall 2020 Forecast	\$4,537.0	\$4,331.8	\$4,271.9
	Change	\$14.7	\$87.5	-\$58.3

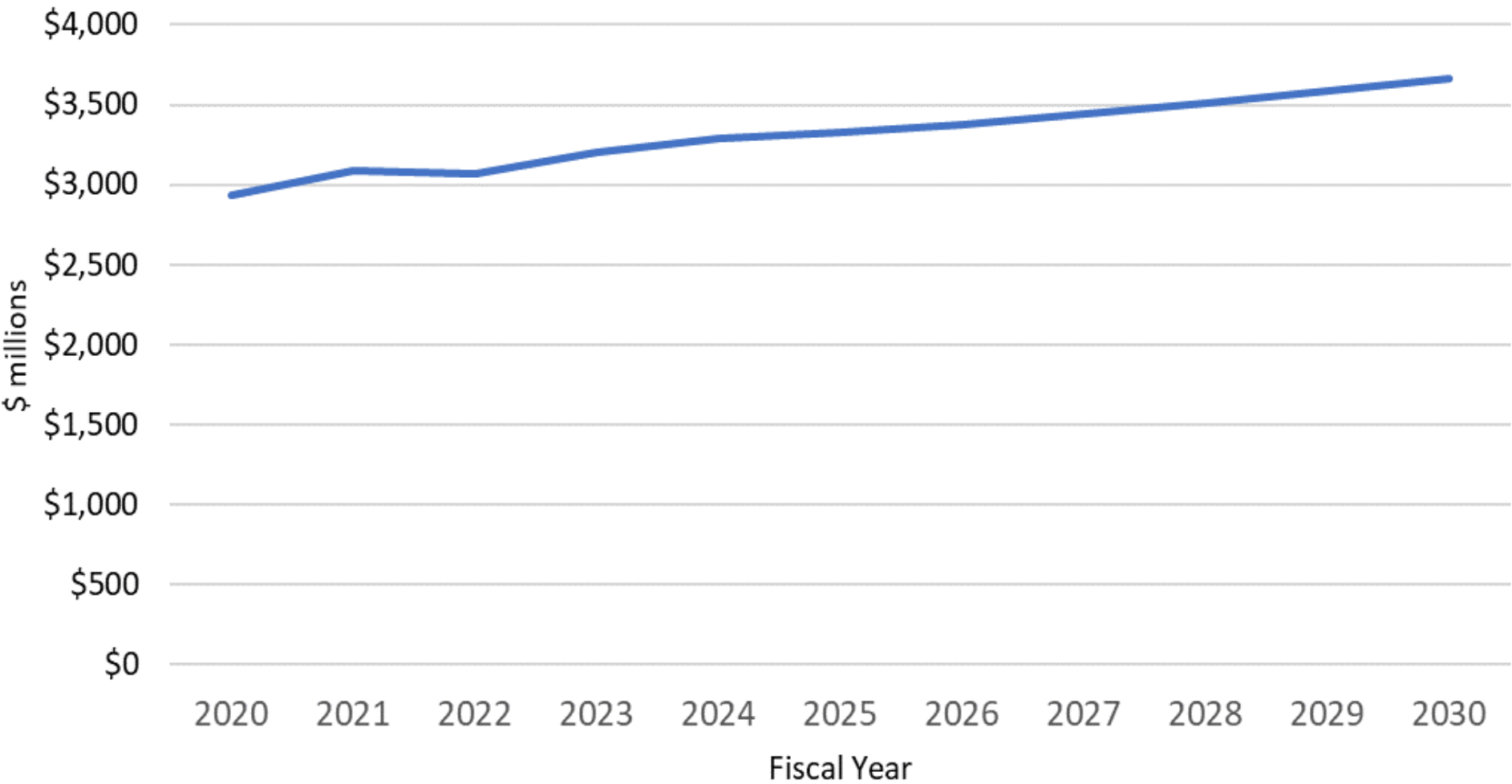


Unrestricted Investment Revenue: FY 2020 to FY 2022 Totals

\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2020	FY 2021	FY 2022
Investment Revenue			
Alaska Permanent Fund	2,933.1	3,091.5	3,069.3
Investments	58.1	15.6	20.9
Total Unrestricted Investment Revenue	2,991.2	3,107.1	3,090.2



Unrestricted Investment Revenue: Percent of Market Value (POMV) Transfer Forecast



Unrestricted Petroleum Revenue: FY 2020 to FY 2022 Totals

\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2020	FY 2021	FY 2022
Taxes			
Petroleum Property Tax	122.9	115.7	113.2
Petroleum Corporate Income Tax	-0.2	5.0	-20.0
Oil and Gas Production Tax	285.1	171.8	163.3
Subtotal Taxes	407.9	292.5	256.6
Royalties			
Mineral Bonuses and Rents	19.6	17.9	17.9
Oil and Gas Royalties	660.3	551.3	534.4
Interest	-4.6	0.0	0.0
Subtotal Royalties	675.3	569.2	552.3
Total Petroleum Revenue	1,083.1	861.7	808.9



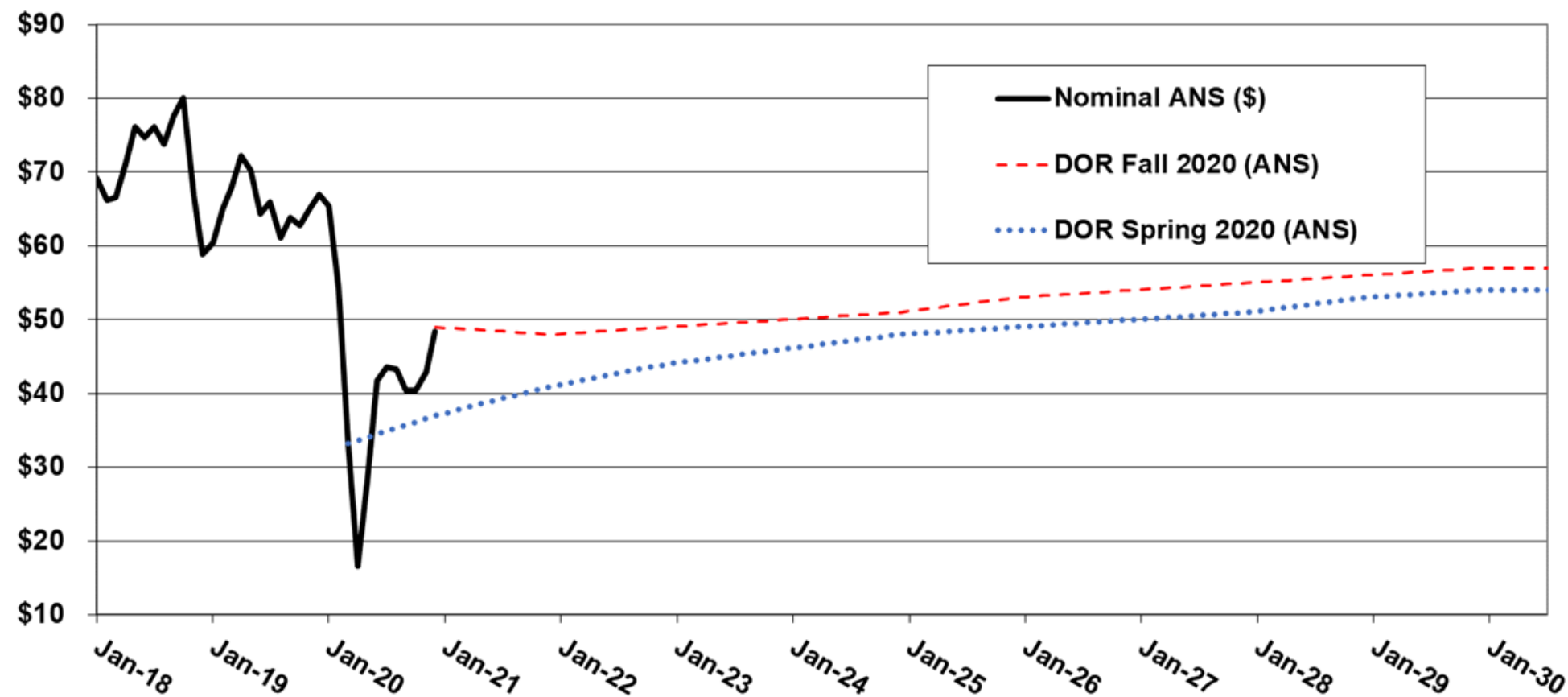
Unrestricted Non-Petroleum Revenue: FY 2020 to FY 2022 Totals

\$ Millions	History	Forecast	
Unrestricted General Fund Revenue	FY 2020	FY 2021	FY 2022
Taxes			
Non-Petroleum Corporate Income	102.4	30.0	25.0
Mining License Tax	36.8	30.4	43.3
Marijuana	6.4	7.2	8.0
Tobacco	41.4	38.4	37.9
Motor Fuel (Refined Fuel Surcharge)	6.9	6.3	6.5
Insurance Premium Tax	58.4	59.6	56.9
Fisheries Taxes	33.9	19.5	20.8
Other Taxes	37.4	24.5	30.0
Subtotal Taxes	323.5	215.9	228.4
Other	139.1	147.1	144.4
Total Non-Petroleum Revenue	462.7	363.0	372.8

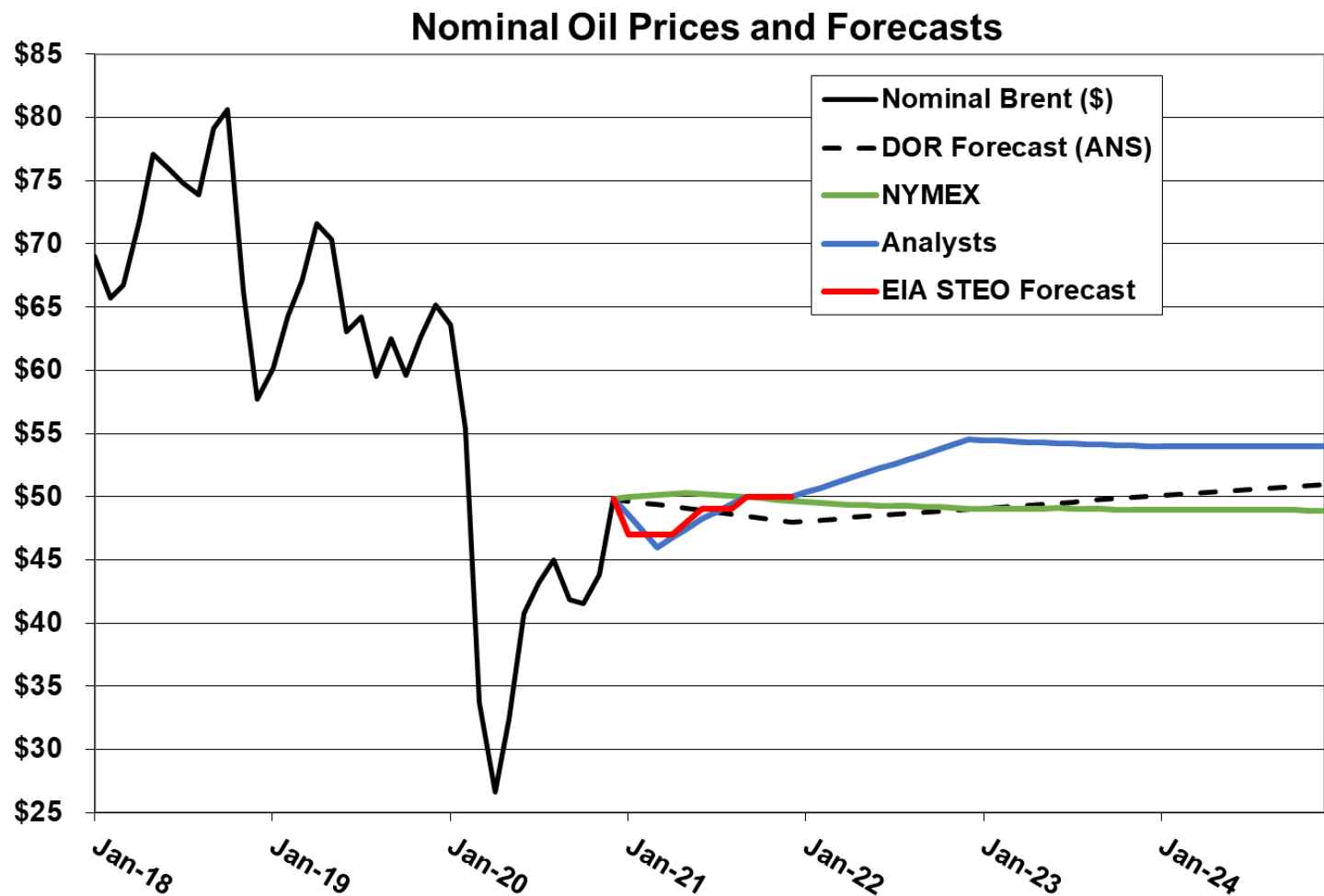


Petroleum Forecast Assumptions Detail

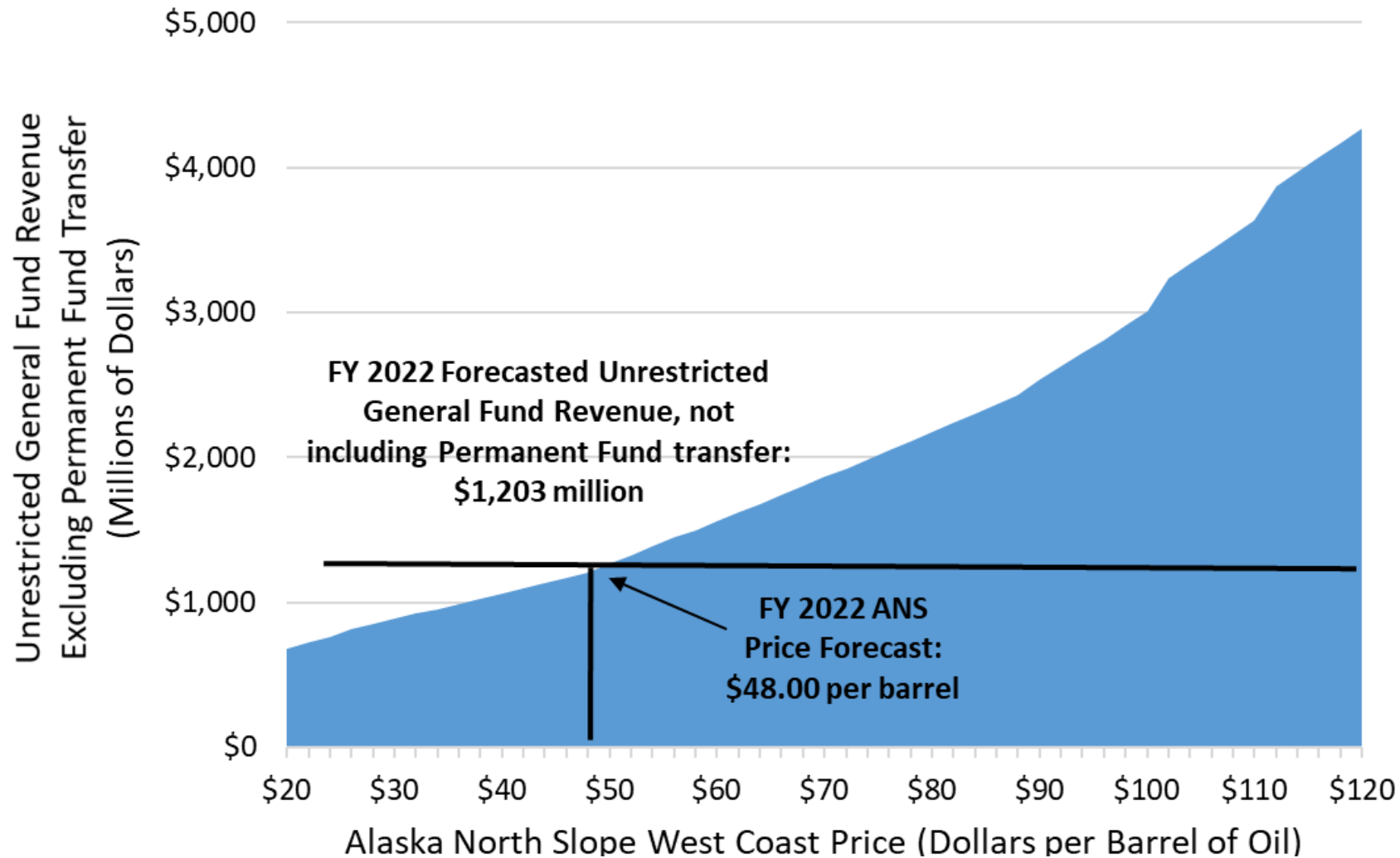
Petroleum Detail: Changes to Long-Term Price Forecast



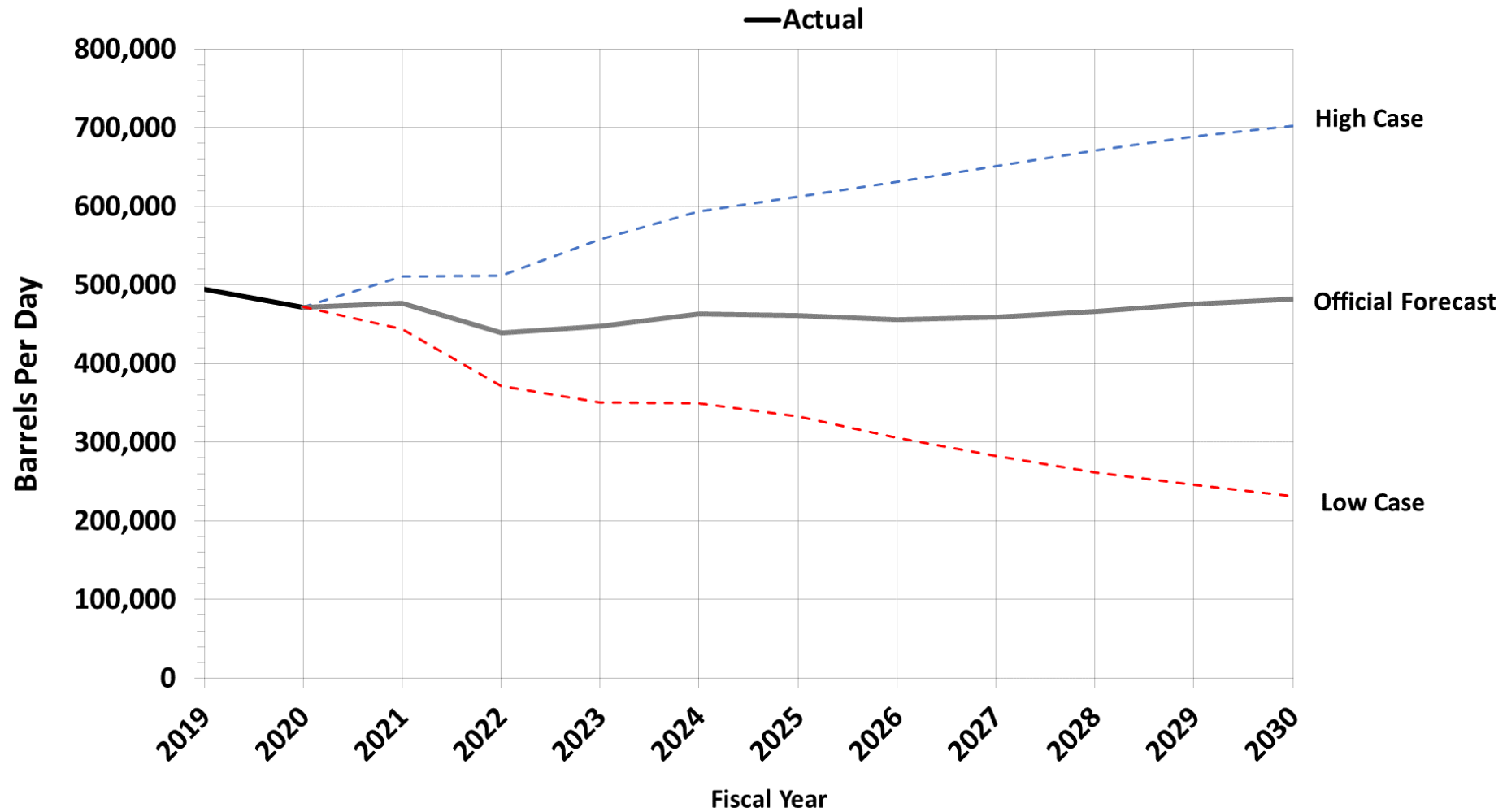
Petroleum Detail: Nominal Brent Forecasts Comparison as of 12/23/2020



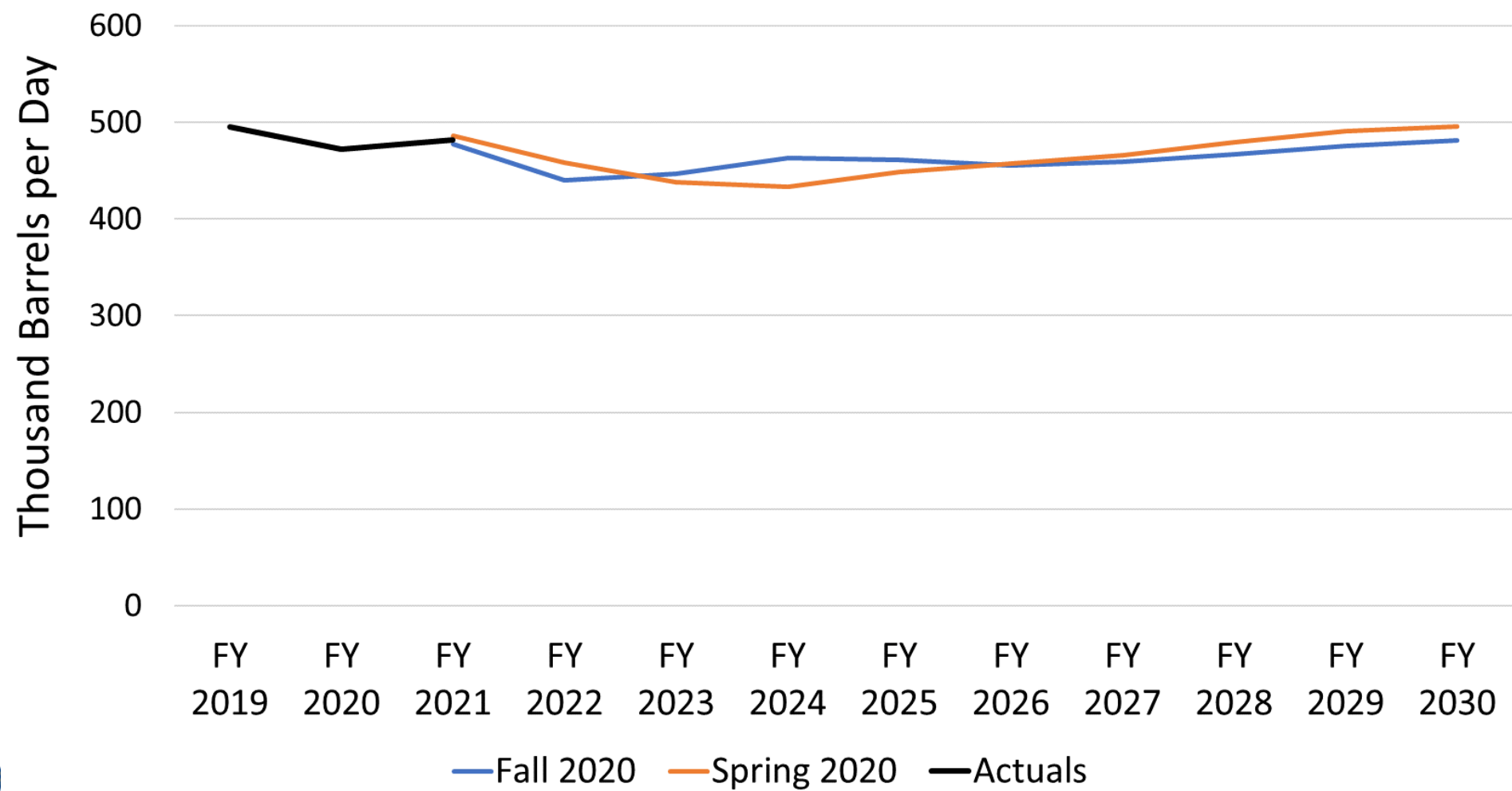
Petroleum Detail: UGF Relative to Price per Barrel (without POMV): FY 2022



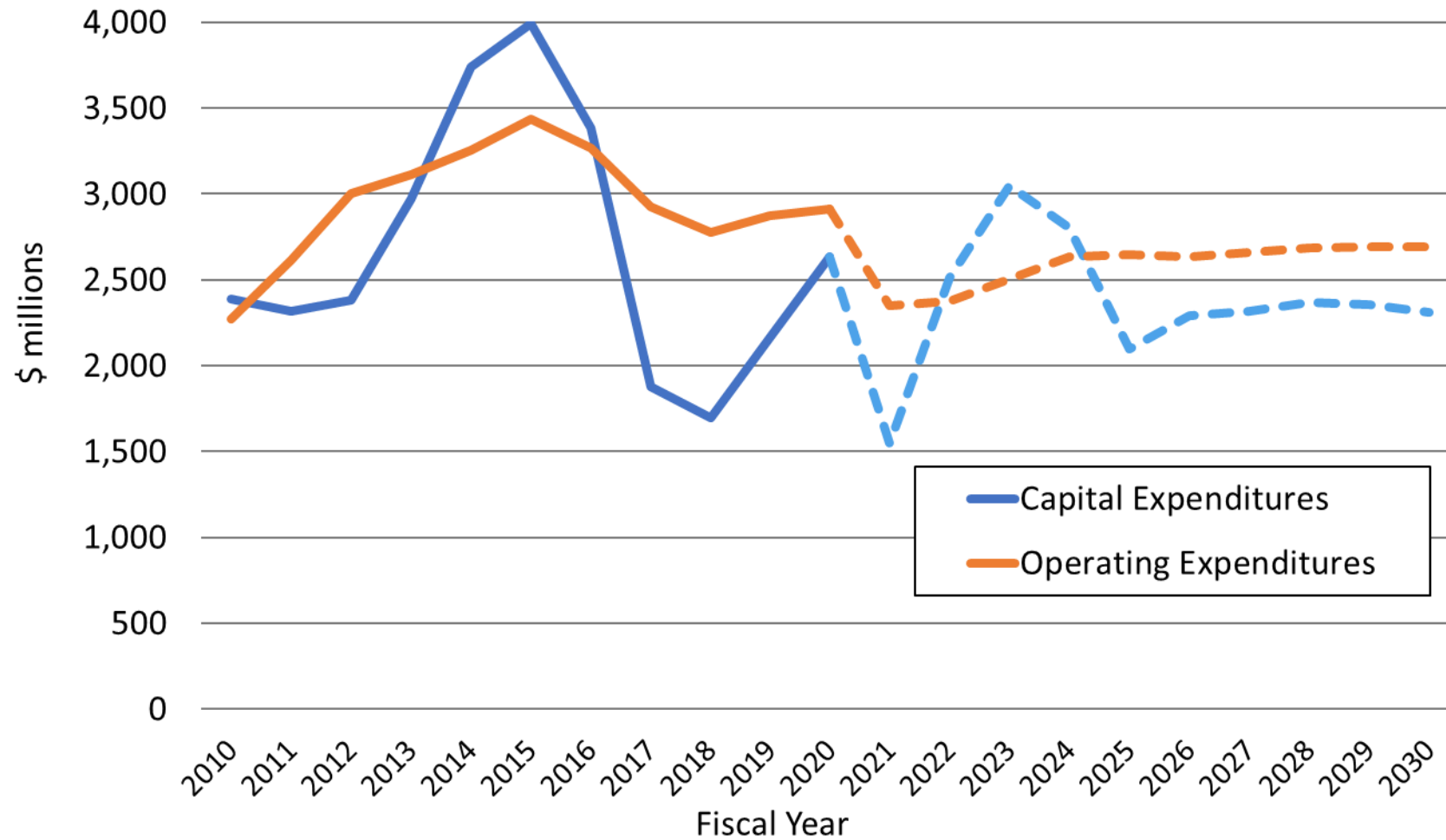
Petroleum Detail: North Slope Petroleum Production Forecast



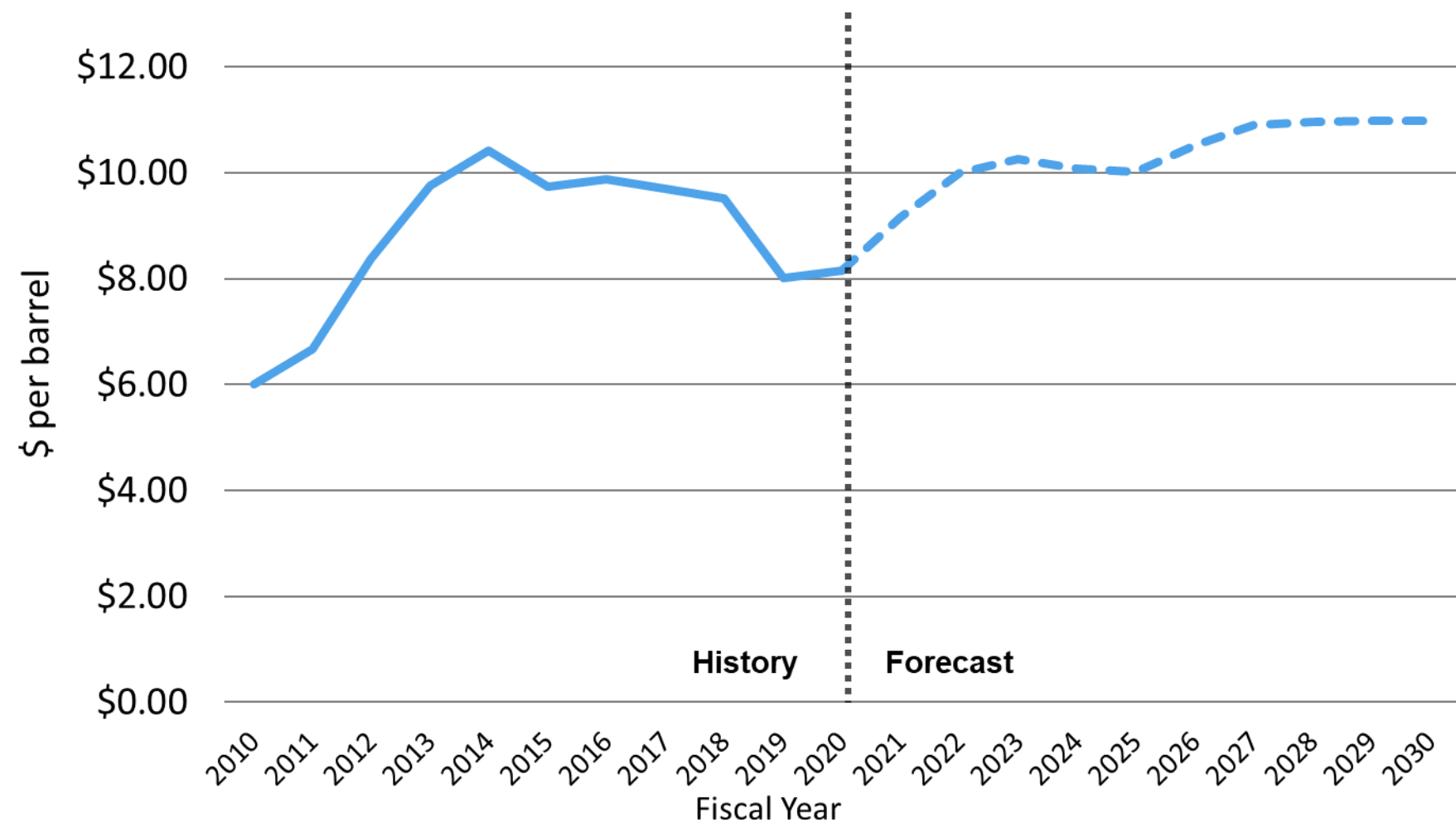
Petroleum Detail: Changes to North Slope Petroleum Production Forecast



Petroleum Detail: North Slope Allowable Lease Expenditures



Petroleum Detail: North Slope Transportation Costs



THANK YOU

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