

TITLE: FY 2010 Revenue Forecast Update

PREPARED BY: Department of Revenue, Tax Division

PURPOSE: To provide an update to the Department's official Fall 2009 revenue forecast for FY 2010.

DATA SOURCES: Department of Revenue Tax Division Reports and Forecast
Treasury Division
Office of Management and Budget
Permanent Fund Corporation
Department of Natural Resources
Alaska State Accounting System

ASSUMPTIONS: The forecast assumes the tax laws in place as of December 31, 2009.

For FY 2010, we forecast state production volume of 0.659 million barrels per day

For FY 2010, we use seven months of actual prices and five months of the NYMEX futures as of January 29, 2010, for a WTI average of \$73.38.

ANS is forecasted to trade at a differential of \$2.50 below WTI for the remainder of FY 2010, resulting in an annual average forecast for ANS of \$72.29.

Other assumptions include the TAPS tariff and transportation costs required to estimate value at the wellhead, and the inflation rate.

Assumptions affecting corporate income tax, property tax, non-oil revenue, investment earnings, and federal revenue remain the same as the Fall 2009 Revenue Sources Book.

Does not assume changes to investment earnings due to additional oil revenue deposited into the Permanent Fund.

Numbers may not add exactly due to rounding.

DISCLAIMER: The Department of Revenue uses an engineering consultant in conjunction with assistance from the Department of Natural Resources and the Alaska Oil & Gas Conservation Commission to derive its biannual production forecast.

The department may adjust its production expectations as we continue to examine reservoir performance, review the pace and scope of development of new fields, and re-evaluate downtime.

Figure 2-2. Total State Government Revenue by Major Component, Forecasted FY 2010

\$ Million

	History FY 2009	F09 RSB Forecast FY 2010	Updated Forecast FY 2010
OIL REVENUE			
<u>Unrestricted</u>			
Property Tax	111.2	101.1	101.1
Corporate Petroleum Tax	492.2	470.0	470.0
Production Tax	3,112.0	2,126.1	2,685.0
Royalties (including Bonuses, Rents & Interest)	<u>1,465.6</u>	<u>1,470.3</u>	<u>1,582.8</u>
Subtotal	5,181.0	4,167.5	4,838.9
 <u>Restricted</u>			
Royalties to Perm Fund & School Fund (includes Bonuses & Rents)	670.8	611.7	662.3
Tax Settlements to CBRF	202.6	440.7	440.7
NPR-A Royalties, Rents and Bonuses	<u>14.8</u>	<u>4.9</u>	<u>4.9</u>
Subtotal	888.2	1,057.3	1,107.9
 Subtotal Oil Revenue	 6,069.2	 5,224.8	 5,946.8
 OTHER REVENUE (EXCEPT FEDERAL & INVESTMENT)			
<u>Unrestricted</u>			
Taxes	294.7	284.4	284.4
Charges for Services	19.3	20.0	20.0
Fines and Forfeitures	10.5	8.9	8.9
Licenses and Permits	35.5	40.5	40.5
Rents and Royalties	15.6	13.6	13.6
Other	<u>27.0</u>	<u>21.9</u>	<u>21.9</u>
Subtotal	402.6	389.3	389.3
 <u>Restricted</u>			
Taxes	155.4	138.9	138.9
Charges for Services	250.9	257.2	257.2
Fines and Forfeitures	39.1	36.1	36.1
Licenses and Permits	34.7	39.2	39.2
Rents and Royalties	7.4	9.0	9.0
Other	<u>58.3</u>	<u>108.5</u>	<u>108.5</u>
Subtotal	545.8	588.9	588.9
 Subtotal Other Revenue (Except Federal & Investment)	 948.4	 978.2	 978.2

Figure 2-2. Total State Government Revenue by Major Component, Forecasted FY 2010

\$ Million

	History FY 2009	F09 RSB Forecast FY 2010	Updated Forecast FY 2010
FEDERAL REVENUE			
<u>Restricted</u>	<u>2,088.4</u>	<u>2,916.7</u>	<u>2,916.7</u>
Subtotal Federal Revenue	2,088.4	2,916.7	2,916.7
INVESTMENT REVENUE			
Investments	247.4	219.7	219.7
Interest Paid by Others	<u>0.2</u>	<u>1.4</u>	<u>1.4</u>
Subtotal	247.6	221.1	221.1
Restricted			
Investments	57.1	51.7	51.7
Constitutional Budget Reserve Fund	(526.6)	968.2	968.2
Other Treasury Managed Funds	(30.6)	49.9	49.9
Alaska Permanent Fund (GASB) (1)	(6,394.4)	2,237.6	2,237.6
Subtotal	(6,894.5)	3,307.3	3,307.3
Subtotal Investment	(6,646.9)	3,528.4	3,528.4
Grand Total	2,459.1	12,648.1	13,370.1

(1) FY 2010 includes three months of actual revenues. While payouts are limited to realized revenues, both unrealized and realized are shown per Generally Accepted Accounting Principals (GAAP)."

**Figure 2-4. Total State Government Revenue, FY 2009 and Forecasted FY 2010
\$ Million**

Revenue Source	History	F09 RSB	Updated
	FY 2009	FY 2010	FY 2010
Unrestricted			
Oil Revenue	5,181.0	4,167.5	4,838.9
Non-Oil Revenue	402.6	389.3	389.3
Investment Earnings	<u>247.6</u>	<u>221.1</u>	<u>221.1</u>
Subtotal	5,831.2	4,777.9	5,449.3
Restricted			
Oil Revenue	888.2	1,057.3	1,107.9
Non-Oil Revenue	545.8	588.9	588.9
Investment Earnings	(6,894.5)	3,307.3	3,307.3
Federal Revenue	<u>2,088.4</u>	<u>2,916.7</u>	<u>2,916.7</u>
Subtotal	(3,372.1)	7,870.2	7,920.8
Grand Total	2,459.1	12,648.1	13,370.1