

# 2. Executive Summary

## Total Government Revenue

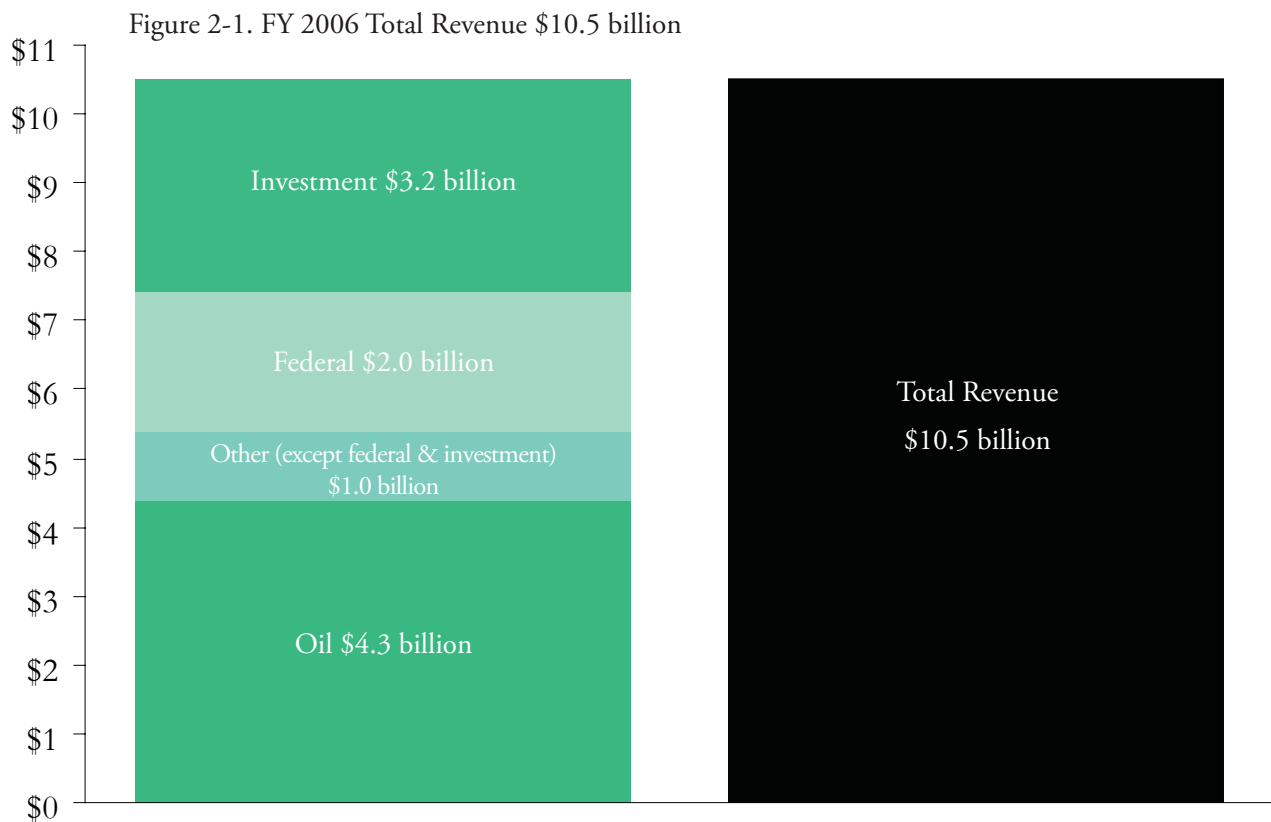


Figure 2-2. Total Governmental Revenue by Major Component, FY 2006 and Forecasted FY 2007-2008  
(\$ million)

<b>Oil Revenue</b>	History	Forecast	
	FY 2006	FY 2007	FY 2008
<b>Unrestricted</b>			
Property Tax	54.5	52.0	53.2
Corporate Petroleum Tax	661.1	565.1	512.1
Production Tax	1,199.5	2,124.6	995.4 <sup>(1)</sup>
Royalties (including Bonuses, Rents, & Interest)	1,784.1	1,583.0	1,406.4
<b>Subtotal</b>	<b>3,699.2</b>	<b>4,324.7</b>	<b>2,967.2</b>
<b>Restricted</b>			
Royalties to Perm Fund & School Fund (includes Bonuses & Rents)	611.5	539.1	480.9
Tax Settlements to CBRF	43.7	90.0	20.0
NPR-A Royalties, Rents & Bonuses	4.5	6.4	7.6
<b>Subtotal</b>	<b>659.7</b>	<b>635.5</b>	<b>508.5</b>
<b>Subtotal Oil Revenue</b>	<b>4,358.9</b>	<b>4,960.2</b>	<b>3,475.6</b>
<b>Other Revenue (Except Federal &amp; Investment)</b>			
<b>Unrestricted</b>	FY 2006	FY 2007	FY 2008
Taxes	328.5	424.7	381.4
Charges for Services	21.8	21.8	21.8
Fines and Forfeitures	8.5	8.5	8.5
Licenses and Permits	41.0	43.2	44.0
Rents and Royalties	8.8	14.3	11.0
Other	39.3	19.1	17.6
<b>Subtotal</b>	<b>447.9</b>	<b>531.6</b>	<b>484.3</b>
<b>Restricted</b>			
Taxes	86.3	86.6	131.7
Charges for Services	225.0	237.9	277.4
Fines and Forfeitures	21.0	22.0	31.2
Licenses and Permits	30.6	37.1	37.5
Rents and Royalties	5.9	5.9	5.9
Other	167.7	103.1	120.4
<b>Subtotal</b>	<b>536.5</b>	<b>492.6</b>	<b>604.1</b>
<b>Subtotal Other Revenue</b>	<b>984.4</b>	<b>1,024.2</b>	<b>1,088.4</b>

Figure 2-2. Continued

<b>Federal Revenue</b>	History		Forecast	
	FY 2006	FY 2007	FY 2008	
<b>Restricted</b>	1,966.2	3,106.1	2,476.0	
<b>Subtotal Federal Revenue</b>	<b>1,966.2</b>	<b>3,106.1</b>	<b>2,476.0</b>	
<b>Investment Revenue</b>				
<b>Unrestricted</b>				
Investments	51.9	122.4	94.6	
Interest Paid by Others	1.4	1.5	1.5	
<b>Subtotal</b>	<b>53.3</b>	<b>123.9</b>	<b>96.1</b>	
<b>Restricted</b>				
Investments	14.4	45.6	33.8	
Constitutional Budget Reserve Fund	73.3	189.7	147.7	
Other Treasury Managed Funds	13.4	22.3	23.0	
Alaska Permanent Fund (GASB) <sup>(2)</sup>	3,072.3	2,512.9	2,675.7	
<b>Subtotal</b>	<b>3,173.3</b>	<b>2,770.5</b>	<b>2,880.2</b>	
<b>Subtotal Investment</b>	<b>3,226.7</b>	<b>2,894.4</b>	<b>2,976.3</b>	
<b>Grand Total</b>	<b>10,536.2</b>	<b>11,984.9</b>	<b>10,016.3</b>	

<sup>(1)</sup> FY 2008 has \$86.7 million production tax credit outstanding.

<sup>(2)</sup> Both realized and unrealized gains and losses are included per GASB 34 as interpreted by the Finance Division of the Department of Administration in its Comprehensive Annual Financial Report.

Figure 2-3. Total Government by Major Component, FY 2006

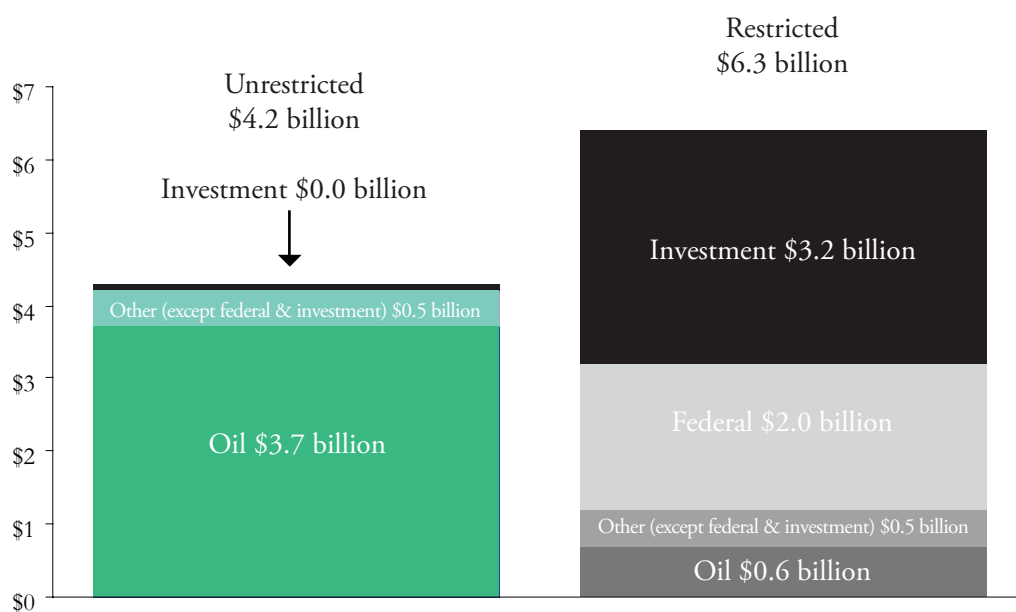


Figure 2-4. Total Governmental State Revenue, FY 2006 and Forecasted FY 2007-2008 (\$ million)

Revenue Source	History	Forecast	
	FY 2006	FY 2007	FY 2008
<b>Unrestricted</b>			
Oil Revenue	3,699.2	4,324.7	2,967.2 <sup>(1)</sup>
Other Revenue (except Federal & Investment)	447.9	536.1	484.3
Investment earnings	53.3	123.9	96.1
<b>Subtotal</b>	<b>4,200.4</b>	<b>4,980.2</b>	<b>3,547.6</b>
<b>Restricted</b>			
Oil Revenue	659.7	635.5	508.5
Other Revenue (except Federal & Investment)	536.5	492.6	604.1
Investment Earnings	3,173.3	2,770.5	2,880.2
Federal Revenue	1,966.2	3,106.1	2,476.0
<b>Subtotal</b>	<b>6,335.7</b>	<b>7,004.7</b>	<b>6,468.8</b>
<b>Grand Total</b>	<b>10,536.2</b>	<b>11,984.9</b>	<b>10,016.3</b>

<sup>(1)</sup> FY 2008 has \$86.7 million production tax credit outstanding.

Figure 2-5. Unrestricted General Purpose Revenue, FY 2006 and Forecasted FY 2007-2008 (\$ million)

<b>Oil Revenue</b>	History	Forecast	
	FY 2006	FY 2007	FY 2008
Property Tax	54.5	52.0	53.2
Corporate Income Tax	661.1	565.1	512.1
Production Tax			
Oil & Gas Production	1,191.7	2,114.2	983.1
Oil & Gas Hazardous Release	7.8	10.4	12.3
<b>Subtotal Production Tax</b>	1,199.5	2,124.6	995.4
Royalties (including Bonuses, Rents, & Interest)			
Mineral Bonuses & Rents	11.6	33.1	14.8
Oil & Gas Royalties	1,772.2	1,542.0	1,390.3
Interest	0.3	8.0	1.4
<b>Subtotal Royalties</b>	1,784.1	1,583.0	1,406.4
<b>Total Oil Revenue</b>	<b>3,669.2</b>	<b>4,324.7</b>	<b>2,967.2</b>
<b>Other Revenue (except Federal &amp; Investment)</b>			
Sales & Use			
Alcoholic Beverages	17.6	17.8	18.2
Tobacco Products – Cigarettes	27.8	31.2	36.0
Tobacco Products – Other	7.6	8.1	8.4
Insurance Premium	44.3	45.4	45.9
Electric and Telephone Cooperative	0.2	0.2	0.2
Motor Fuel Tax	42.0	41.1	41.7
Vehicle Rental	7.7	7.8	7.9
Tire Fee	1.6	1.6	1.6
<b>Subtotal Sales &amp; Use</b>	148.8	153.2	159.9
<b>Corporate Income Tax</b>	138.0	190.0	139.4
Fish			
Fisheries Business	15.4	15.9	16.5
Fishery Resource Landing	4.7	4.5	4.8
<b>Subtotal Fish</b>	20.1	20.4	21.3
Other			
Mining	18.6	58.7	58.4
Estate	0.6	0.0	0.0
Gaming	2.4	2.4	2.4
<b>Subtotal Other</b>	21.6	61.1	60.8
<b>Subtotal Other Taxes</b>	<b>328.5</b>	<b>424.7</b>	<b>381.4</b>

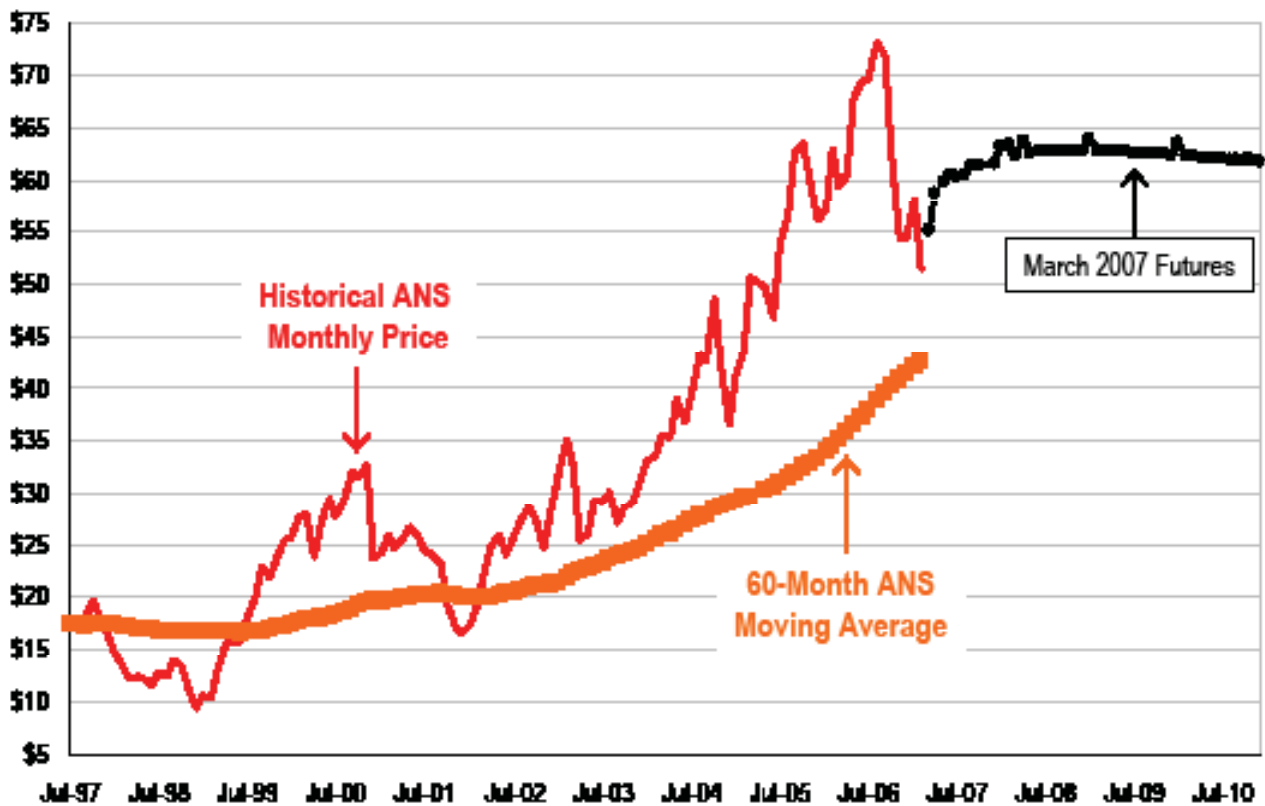
Figure 2-5. Continued

<b>Other Revenue (except Federal &amp; Investment)</b>	History	Forecast	
	FY 2006	FY 2007	FY 2008
Charges for Services			
General Government	19.7	19.7	19.7
Natural Resources	1.9	1.9	1.9
Other	0.2	0.2	0.2
<b>Subtotal Charges for Services</b>	<b>21.8</b>	<b>21.8</b>	<b>21.8</b>
<b>Fines &amp; Forfeitures</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>
Licenses & Permits			
Alcoholic Beverage	0.1	0.1	0.1
Motor Vehicle	37.7	39.8	40.6
Other	2.3	2.3	2.3
<b>Subtotal Licenses &amp; Permits</b>	<b>41.0</b>	<b>43.2</b>	<b>44.0</b>
Rents & Royalties			
Land Leasing, Rental & Sales	7.4	12.8	9.4
Coals Royalties	1.1	1.2	1.3
Cabin Rentals	0.3	0.3	0.3
<b>Subtotal Rents &amp; Royalties</b>	<b>8.8</b>	<b>14.3</b>	<b>11.0</b>
Other			
Miscellaneous	29.8	13.6	13.6
Unclaimed Property	9.5	5.5	4.0
<b>Subtotal Other</b>	<b>39.3</b>	<b>19.1</b>	<b>17.6</b>
<b>Total Other (except Federal &amp; Investment)</b>	<b>447.9</b>	<b>531.6</b>	<b>484.3</b>
<b>Investment Revenue</b>			
Investments	51.9	122.4	94.6
Interest Paid by Others	1.4	1.5	1.5
<b>Subtotal Investment Revenue</b>	<b>53.3</b>	<b>123.9</b>	<b>96.1</b>
<b>Total Unrestricted revenue</b>	<b>4,200.4</b>	<b>4,980.2</b>	<b>3,547.6</b>

Figure 2-6. WTI, ANS West Coast and ANS Wellhead, FY 2006 and Forecasted FY 2007-2017 (Nominal \$ per barrel)

Fiscal Year	WTI	ANS West Coast	ANS Wellhead
2006	63.01	60.80	55.33
2007	62.42	59.81	53.97
2008	57.22	54.72	47.50
2009	56.36	53.86	47.79
2010	56.62	54.12	49.06
2011	57.80	55.30	50.18
2012	58.52	56.02	50.68
2013	59.40	56.90	51.36
2014	43.53	41.03	35.23
2015	44.73	42.23	36.18
2016	45.96	43.46	37.23
2017	47.22	44.72	38.40

Figure 2-7. ANS West Coast and Futures Market Oil Prices (\$ per barrel)



(2) According to the department's price forecasting protocol, long-run crude oil price projections can only be changed every two years if price Delphi forecasting participants agree to a change over the prior two consecutive fall forecasting sessions.

**Figure 2-8. Alaska Crude Oil and NGL Production, FY 2006 and Forecast 2007-2008 (million barrels per day)**

	History	Forecast	
	FY 2006	FY 2007	FY 2008
<b>Alaska North Slope</b>			
Prudhoe Bay (1)	0.340	0.276	0.297
Aurora	0.009	0.011	0.011
Borealis	0.017	0.016	0.015
Midnight Sun	0.006	0.004	0.004
Orion	0.007	0.009	0.012
Polaris	0.003	0.003	0.005
Lisburne	0.009	0.011	0.012
Niakuk (2)	0.006	0.005	0.004
Point McIntyre	0.033	0.018	0.029
Raven	0.001	0.003	0.003
Kuparuk	0.134	0.124	0.116
Meltwater	0.005	0.003	0.002
Tabasco	0.004	0.004	0.004
Tarn	0.020	0.019	0.015
West Sak	0.013	0.019	0.028
Milne Point	0.025	0.022	0.024
Schrader Bluff	0.016	0.010	0.013
Endicott	0.019	0.015	0.016
Badami	0.001	0.001	0.001
Alpine (3)	0.123	0.105	0.085
Fiord (4)	0.000	0.008	0.014
Nanuq (5)	0.000	0.009	0.016
Oooguruk	0.000	0.000	0.003
Northstar	0.056	0.047	0.037
<b>Total Alaska North Slope</b>	<b>0.845</b>	<b>0.740</b>	<b>0.764</b>
increase/decrease from prior period	(0.072)	(0.105)	0.024
% change from prior period	-7.9%	-12.4%	3.3%
<b>Cook Inlet</b>	<b>0.018</b>	<b>0.016</b>	<b>0.014</b>
increase/decrease from prior period	(0.002)	(0.003)	(0.001)
% change from prior period	-9.3%	-15.9%	-9.0%
<b>Total Alaska</b>	<b>0.863</b>	<b>0.756</b>	<b>0.778</b>
increase/decrease from prior period	(0.074)	(0.108)	0.023
% change from prior period	-7.9%	-12.5%	3.0%

(1) Includes NGLs

(2) Includes West Niakuk

(3) Includes Qannik

(4) Includes Fiord-Kuparuk

(5) Includes Nanuq-Kuparuk

Figure 2-11. Estimated Cumulative Production Tax, FY 2008-2012 Under ELF-Based Production Tax and PPT Production Tax

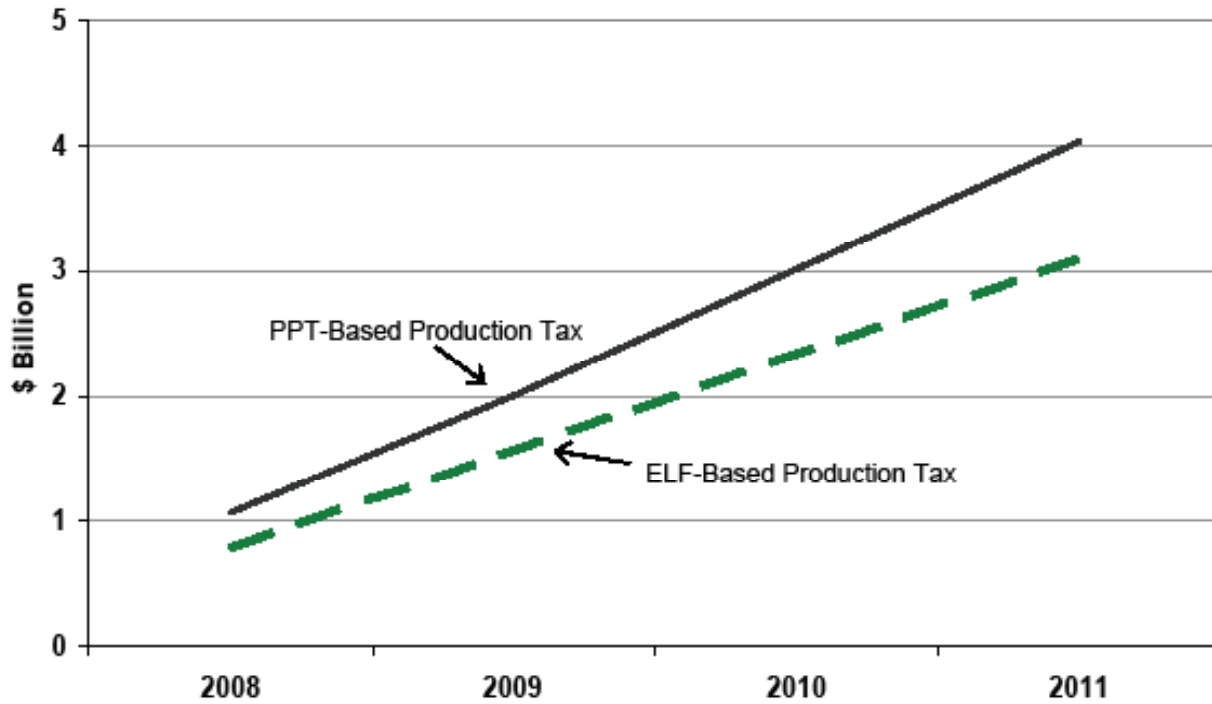


Figure 2-12. PPT Credits Claimed and Used in 2006 (\$ million)

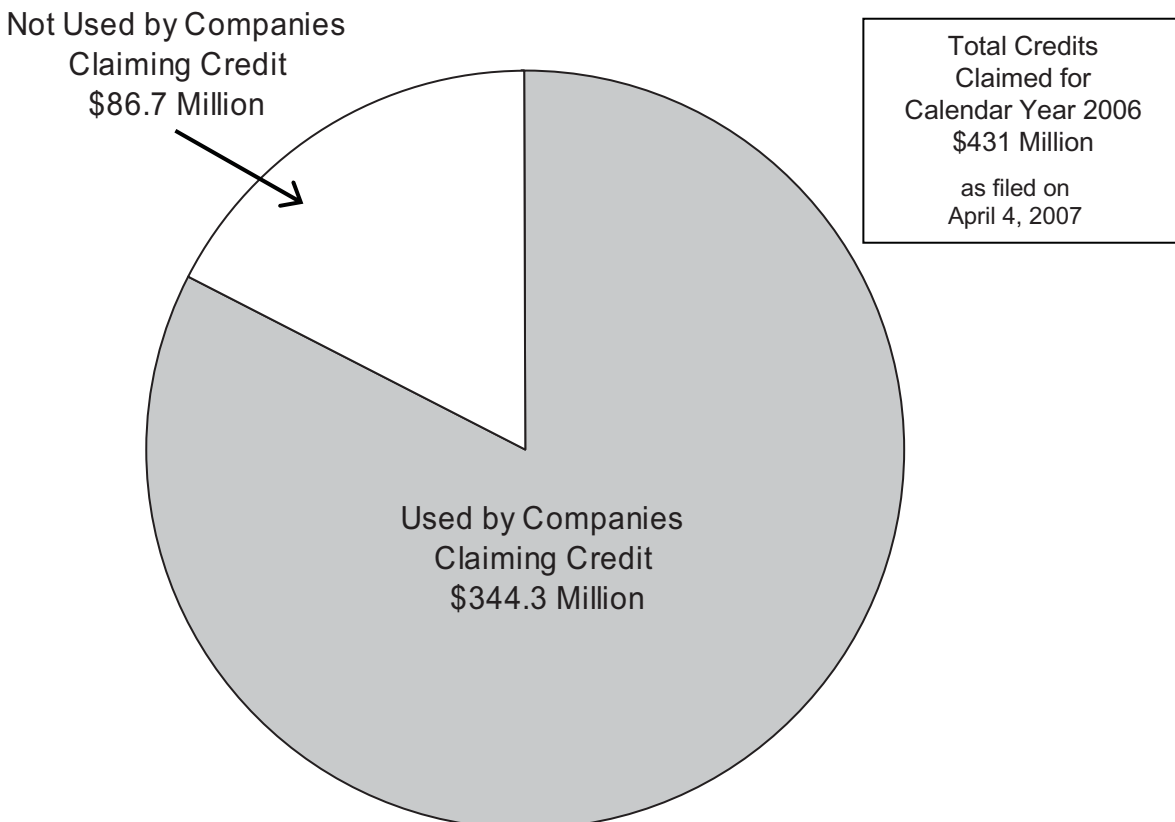


Figure 2-13. Total Unrestricted General Purpose Revenue, FY 2006 and Forecasted FY 2007-2017  
(\$ million)

Fiscal Year	Unrestricted Oil Revenue	Unrestricted Other Revenue (except Federal & Investment)	Unrestricted Investment Revenue	Total Unrestricted Revenue	Percent From Oil
2006	3,699.2	447.9	53.3	4,200.4	88%
2007	4,324.7	531.6	123.9	4,980.2	87%
2008	2,967.2	484.3	96.1	3,547.6	84%
2009	2,893.3	476.7	96.1	3,466.1	83%
2010	2,982.7	475.7	96.1	3,554.5	84%
2011	3,015.7	486.1	96.1	3,597.9	84%
2012	3,191.7	491.5	96.1	3,779.3	84%
2013	3,061.4	501.3	96.1	3,658.8	84%
2014	1,528.5	492.1	96.1	2,116.7	72%
2015	1,446.0	502.3	96.1	2,044.4	71%
2016	1,455.7	513.3	96.1	2,065.1	70%
2017	1,615.1	520.6	96.1	2,231.8	72%

Figure 2-14 (A). CBRF Run-Out Date With Excess Revenue Deposited into CBRF<sup>(1)</sup>

Annual State Budget After FY 08 (\$ billion)	Spring 2007 Oil Price Forecast <sup>(2)</sup>	\$25	\$35	\$45	\$55	\$65
\$2.3	N/A	Aug 2014	Jul 2019	N/A	N/A	N/A
\$2.7	N/A	Jun 2012	Aug 2014	N/A	N/A	N/A
\$3.0	N/A	Jul 2011	Dec 2012	Aug 2019	N/A	N/A
\$3.3	N/A	Jan 2011	Nov 2011	Feb 2016	N/A	N/A
\$3.7	Oct 2016	Jul 2010	Jan 2011	Jul 2013	N/A	N/A
\$3.9	May 2015	Apr 2010	Sep 2010	Jun 2012	Aug 2017	N/A
\$4.0	Mar 2015	Mar 2010	Aug 2010	Mar 2012	Jan 2017	N/A
\$4.3	Feb 2014	Jan 2010	May 2010	May 2011	Oct 2014	N/A
\$4.6	Feb 2013	Nov 2009	Feb 2010	Nov 2010	Feb 2013	Jun 2019

Figure 2-14 (B). CBRF Run-Out Date Without Excess Revenue Deposited into CBRF<sup>(1)</sup>

Annual State Budget After FY 07 (\$ billion)	Spring 2007 Oil Price Forecast <sup>(2)</sup>	\$25	\$35	\$45	\$55	\$65
\$2.3	N/A	Oct 2013	Aug 2016	N/A	N/A	N/A
\$2.7	N/A	Feb 2012	Nov 2013	N/A	N/A	N/A
\$3.0	Apr 2018	Apr 2011	Aug 2012	Oct 2017	N/A	N/A
\$3.3	Nov 2016	Oct 2010	Jul 2011	Jan 2015	N/A	N/A
\$3.7	Sep 2015	Apr 2010	Oct 2010	Jan 2013	Nov 2018	N/A
\$3.9	Oct 2014	Feb 2010	Jun 2010	Jan 2012	Feb 2016	N/A
\$4.0	Aug 2014	Feb 2010	Jun 2010	Nov 2011	Oct 2015	N/A
\$4.3	Nov 2013	Nov 2009	Mar 2010	Feb 2011	Jan 2014	May 2020
\$4.6	Sep 2012	Oct 2009	Dec 2009	Sep 2010	Sep 2012	Nov 2017

<sup>(1)</sup> Matrix allows reader to select specific fiscal year price (from FY 2009-beyond) to determine CBRF exhaustion date. Spring 2007 forecasted production volumes are used. N/A in the matrix indicates that the CBRF does not run out during matrix timeframe.

<sup>(2)</sup> Spring 2007 forecast ANS prices projections are \$54.72 per barrel in FY 2008, \$53.86 per barrel in FY 2009, \$54.12 per barrel in FY 2010, \$55.30 per barrel in FY 2011, \$56.02 per barrel in FY 2012 and \$56.90 per barrel in FY 2013. For FY 2014-beyond, ANS prices are estimate to grow at 2.75%.