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Press Release

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Department Releases Spring 2009 Revenue Forecast

Juneau- Department of Revenue Commissioner Pat Galvin today released the Spring 2009 Revenue Forecast, which includes a review of FY 2008 revenues, and projections for FY 2009 and FY 2010. Revenue officials now project General Purpose Unrestricted Revenue for FY 2009 to total \$5.86 billion. This represents a substantial reduction from FY 2008 revenues, but is \$335 million more than the Department of Revenue was forecasting for FY 2009 in the interim forecast release at the end of January.

For FY 2010, unrestricted revenue is projected to further decrease to \$3.21 billion. This forecast is a slight increase of \$25 million over the interim FY2010 forecast release in mid-February. General Purpose Unrestricted Revenue for FY 2008 reached a record high \$10.7 billion. The lower revenue in FY 2009 and FY 2010 is primarily the result of lower oil prices, which fell over 80% between the months of July and December 2008. The department now expects Alaska North Slope crude oil prices to average \$65.70 over the entire FY 2009 and \$58.29 for FY 2010.

In FY 2008, North Slope production averaged 716,779 barrels per day. FY 2009 production is projected to average 689,150, down 3.8% from FY 2008. Production is forecast to decline another 5% in FY 2010 to 654,823 barrels per day.

North Slope lease expenditures in FY 2008 totaled \$3.98 billion. The department is projecting increased spending on the North Slope in FY 2009, with lease expenditures expected to reach \$4.24 billion. In FY 2010, despite the drop in oil prices lease expenditures are expected to exceed \$5 billion. This forecast relies upon recent reports provided to the department from the oil and gas companies operating in Alaska. The FY 2010 projections represent a 33% increase in spending over FY 2008 expenditures, and likely represent an early indication that the incentives included in the ACES production tax changes are having the intended affect on investment. Increases in lease expenditures reflect continued interest in exploring for and developing petroleum resources in the state.

Non-oil General Purpose Unrestricted Revenue, which includes investment income, non-oil taxes, charges for services, fines and forfeitures, licenses and permits, and royalties for non-oil minerals, accounted for 7% of the unrestricted revenue in FY 2008, with a total of \$779 million. In FY 2009, unrestricted non-oil revenue is projected to decrease to \$695 million (12% of unrestricted revenue). In FY 2010, unrestricted non-oil revenues are projected to further decrease to \$575 million (18% of unrestricted revenue). The decrease in non-oil revenue is primarily due to anticipated decreases in the non-oil corporate income tax.

To download a copy of the Spring 2009 forecast, visit the Tax Division's web site at www.tax.alaska.gov.
