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State faces lower oil revenue, but near record total revenue

Anchorage – Department of Revenue (DOR) Acting Commissioner Marcia Davis released the *Revenue Sources Book Fall 2014* today. This annual publication provides basic information about state revenue, as well as a forecast of state revenue over the next ten years. The *Revenue Sources Book* will be available December 10, 2014 at 2pm on the Department's website, at www.tax.alaska.gov.

Total state revenue was \$17.2 billion in FY 2014, and, of this total, general fund unrestricted revenue (GFUR) totaled \$5.4 billion.

"This fall revenue forecast reflects two major changes from prior forecasts that will impact near term revenue," according to Acting Commissioner Davis.

Acting Commissioner Davis went on to explain, "...first, we anticipate higher production in the near term than previously forecast. North Slope oil production between FY 2013 and FY 2014 held steady, and it is expected to increase by approximately 15,000 barrels per day and 10,000 barrels per day in FY 2016 and 2017, following decline of 22,000 barrels per day in FY 2015. Given the forecast in investment trends, we expect that oil production should remain above 500,000 barrels per day for the next three fiscal years."

"The second change is significantly lower oil prices in the near term than were previously forecast." continued Commissioner Davis, "... ANS West Coast daily prices have declined to below \$65 per barrel for December 2014 from above \$110 per barrel in July 2014, a decline of 40%. Based on the lower oil price forecasts, we expect unrestricted revenue of \$2.6 billion and \$2.2 billion for FY 2015 and FY 2016, respectively. After FY 2016, we believe that oil prices will recover above \$90 per barrel and remain higher throughout our forecast period to FY 2024."

Oil revenue continues to dominate the state's unrestricted general fund revenue. In FY 2014, approximately 88% of all unrestricted revenue can be attributed to oil revenue. Because of excellent performance of state investments, FY 2014 had the second highest total state revenue ever for Alaska.

Acting Commissioner Davis concluded, "... although, in the short-term, lower oil prices lead to lower revenues, our long-term view is optimistic. Greater investment by the oil and gas industry on the North Slope and solid performance of state investments makes Alaska's overall financial health sound."
