

# Alaska State Revenue - FY2007

## Alaska Oil & Gas

|  |                |               |
|--|----------------|---------------|
| Royalty-Net PF (bonus, rent, etc.)       | 1,583.1        | 31.0%         |
| Production Tax                           | 2,124.6        | 42.7%         |
| Income Tax                               | 565.1          | 11.3%         |
| Property Tax                             | 52.0           | 1.0%          |
| Bonus, Rent, etc.                        | 41.1           | 0.8%          |
| <b>TOTAL OIL</b>                         | <b>4,324.7</b> | <b>86.8%</b>  |
| <b>Non-Oil</b> (incl. investment income) | <b>655.5</b>   | <b>13.2%</b>  |
| <b>Total Budget</b>                      | <b>4,980.2</b> | <b>100.0%</b> |

*Unrestricted Revenue*

*Source: Spring 2007 Revenue Sources Book, p. 85*



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Chart presented by Patrick Galvin, Alaska Commissioner of Revenue, at the 3<sup>rd</sup> International Oil & Gas Symposium, Anchorage, Alaska, Sept. 17, 2007)

*This chart introduced discussion of "State's Reliance on Oil & Gas," the first of four topics Commissioner Galvin covered in his presentation. T "State's Reliance on Oil & Gas." (See following discussion and sources.)*

**Discussion of Problems in the Chart, “Alaska State Revenue – FY 2007: Alaska Oil & Gas” (Presented by Alaska’s Commissioner of Revenue, at 3<sup>rd</sup> International Oil & Gas Symposium, Anchorage, Alaska, Sept. 17, 2007)**

Figure 1 presents the the chart presented by a Palin Administration official at an Anchorage conference in September 2007. The necessary revisions to square with state data appear below, followed by discussion and documentation.

Figure 1.

| Alaska State Revenue – FY 2007               | <u>Alaska</u><br><u>Oil &amp; Gas</u> |               |
|--|---------------------------------------|---------------|
| 1. Royalty – Net of PF (bonuses, rent, etc.) | \$1,583.1 –                           | 31.0%         |
| 2. Production Tax                            | \$2,124.6 –                           | 42.7%         |
| 3. Income Tax                                | 565.1 –                               | 11.3%         |
| 4. Property Tax                              | 52.0 –                                | 1.0%          |
| 5. Bonus and Rents                           | 41.1 –                                | 0.8%          |
| 6. <b>Total Oil</b>                          | <b>4,324.7 –</b>                      | <b>86.8%</b>  |
| 7. Non-Oil (incl. investment Income)         | 655.5 –                               | 13.2%         |
| 8. <b>Total Budget</b>                       | <b>\$4,980.2 –</b>                    | <b>100.0%</b> |

*Unrestricted Revenue*

Source: *Spring 2007 Revenue Sources Book*, p. 85  
(Row numbers did not appear in original chart.)

The revised chart highlights lines with increased petroleum revenue – taken from the same Alaska Department of Revenue source identified on the original chart.

Figure 1 (Revised)

| Alaska State Revenue – FY 2007                        | <u>Alaska</u><br><u>Oil &amp; Gas</u> |               |
|---|---------------------------------------|---------------|
| 1. <b>Royalty – Includes PF</b> (bonuses, rent, etc.) | <b>\$2,081.1 –</b>                    | 36.0%         |
| 2. Production Tax                                     | \$2,124.6 –                           | 36.8%         |
| 3. Income Tax   | 565.1 –                               | 9.8%          |
| 4. <b>Property Tax – Includes Muni</b>                | <b>\$312.3 –</b>                      | 5.4%          |
| 5. Bonus and Rents                                    | 41.1 –                                | 0.7%          |
| 6. <b>Total Petroleum Revenue</b>                     | <b>5,124.2 –</b>                      | <b>88.7%</b>  |
| 7. Non-Oil (incl. investment Income)                  | 655.5 –                               | 11.3%         |
| 8. <b>Total Budget</b>                                | <b>\$5,779.7 –</b>                    | <b>100.0%</b> |

*Total Revenue*

Source: *Spring 2007 Revenue Sources Book*, p 91 (all lines except 4 and 7); p. 50 (line 4), p. 85 (line 7 [held constant for comparison]).  
(Row numbers did not appear in original chart.)

**Discussion of Problems in the Chart, “Alaska State Revenue – FY 2007: Alaska Oil & Gas” (Presented by Alaska’s Commissioner of Revenue, 3<sup>rd</sup> International Oil & Gas Symposium, Anchorage, Alaska, Sept. 17, 2007)**

- 1. The lines in the original figure did not add up to the total.** The chart therefore is not clear; rather, it creates confusion.
  - The actual total shown for the five petroleum revenue components exceeds the amount shown for "Total Oil" by \$41.2 million.
  - Royalty could not be sourced to citation given; the royalty total shown here accounted for 31.8% of the totals shown on the chart (not 31.0%)

It appears that the “Bonuses and Rents” total (\$41.1 million) shown in the fifth line was also counted in the “Royalty” line and therefore was shown twice on the list but not included in the total (see sources, below).

- 2. The data were not comprehensive.** The figure shown for “Total Oil” (\$4,324.6 million) omitted an estimated \$758 million in oil revenue payments the state collected from the oil industry in fiscal 2007. The additional funds included:

- Royalty payments of approximately \$498.0 million collected by the state from the industry and deposited in the Alaska Permanent Fund (see source notes on following page); and
- Property tax payments of approximately \$260.3 million collected by the state from the industry in oil revenues and disbursed to municipalities (see source notes on following page).

Because the Alaska “Total Oil” figure shown in the original table (\$4,324.6 million) referred only to funds available for state budgeting purposes (rather than the industry paid the state as its share of North Slope revenue), this figure understated true total industry payments to the state by approximately 18%.

- 3. The data were not credible.** Due to the apparent double-counting of bonuses and rents and the corresponding errors in “Royalty,” “Total Oil,” the figures do not add up and the royalty percentage appears to be wrong.

**In sum:** Even if the raw numbers had been correctly totaled, this data array understated total petroleum revenue – almost all of it from Alaska North Slope oil – by approximately \$758 million, or 17.5%. While the reporting errors identified in item 1 (above) create confusion, the principal problem here is the use of unrestricted general funds (cited at p. 85 of the Spring 2007 *Revenue Sources Book*) instead of “Total Alaska Petroleum Revenue – Forecast” (p. 91 of the same publication). As indicated in the lower chart, the resulting omissions result in an inaccurate picture of the state’s petroleum receipts.

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(Sources on following page.)

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**Discussion of Problems in the Chart, “Alaska State Revenue – FY 2007: Alaska Oil & Gas” (presented by Alaska Commissioner of Revenue at 3<sup>rd</sup> International Oil & Gas Symposium, Anchorage, Alaska, Sept. 17, 2007)**

**Sources:**

Property Tax: FY 2007 Corporate Petroleum Property Tax total is reported in the *Fall 2007 Revenue Sources Book* as \$312.3 million (Figure 4-16, “Distribution of Petroleum Property Tax, FY 2007”).

The Alaska Department of Revenue does not include annual estimates of Total Petroleum Property Taxes in its various petroleum revenue data arrays. However, single-year totals for the trailing year are shown in the table cited above, which accompanies the department’s narrative description of petroleum property taxes. The estimate of \$260.3 million (omitted from FY 2007 Corporate Petroleum Property Tax collections in the symposium chart and routinely omitted from other Alaska Department of Revenue totals purporting to represent “Total Alaska Government Petroleum Revenue”) represents the difference between the property tax shown in the symposium chart and the FY 2007 Corporate Petroleum Property Tax total shown at p. 50 of the subsequent *Fall 2007 Revenue Sources Book*.

FY 2007 Unrestricted General Funds: *Spring 2007 Revenue Sources Book* (Figure A-4b, “General Purpose Unrestricted Petroleum Revenue – Forecast,” pp. 84-85).

FY 2007 Total Alaska Petroleum Revenue: *Spring 2007 Revenue Sources Book* (Figure A-7b, “Total Alaska Government Petroleum Revenue – Forecast,” pp. 90-91).