

Permanent Fund Working Group: Models and Scenarios

October 7, 2019

Alexei Painter

Legislative Finance Division

Introduction to Scenarios

- The scenarios in this packet were requested by members of the PFWG before the meeting
- The Legislative Finance Division does not endorse any scenario and will model any scenario requested by a legislator
- Additional scenarios run during the meeting will be posted to BASIS after the meeting's conclusion

Glossary of Key Terms

ERA: Earnings Reserve Account – the portion of the Permanent Fund that is available for appropriation.

POMV: Percent of Market Value. SB26 limits draws from the ERA to 5.25% (dropping to 5% in FY22) of the five-year average market value of the total Permanent Fund.

Statutory Net Income: Realized earnings of the Permanent Fund less expenses. The current PFD formula in statute is 50% of 21% of the earnings over the previous five years.

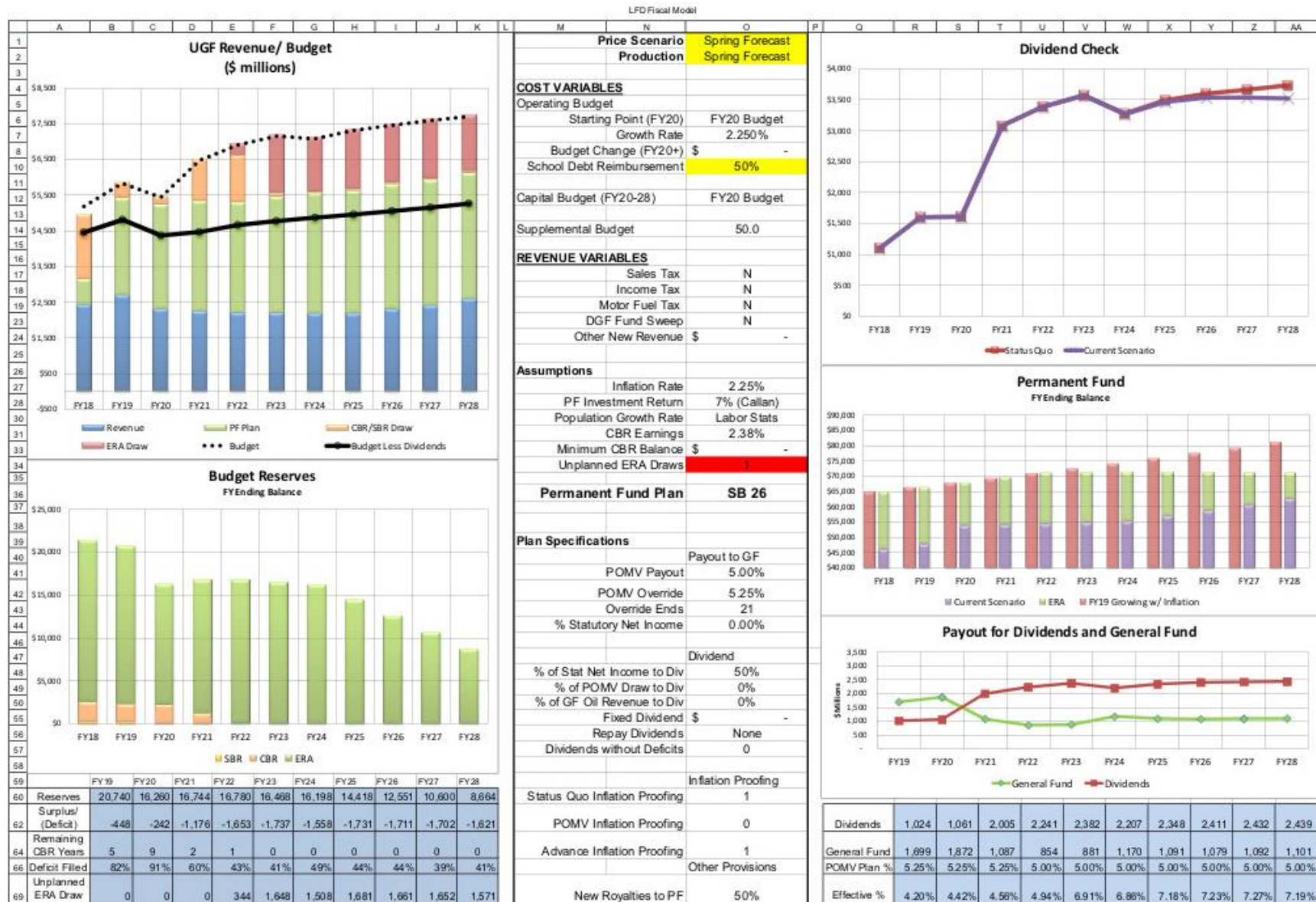
UGF: Unrestricted General Fund. State funds that can be appropriated for any purpose with no restrictions.

CBR/SBR: The Constitutional Budget Reserve and Statutory Budget Reserve are the State's two main savings accounts. The CBR balance is about \$2.1 billion (down from \$12.7 billion in FY14) and the SBR is empty (from \$5.2 billion in FY12).

Base Assumptions for All Scenarios

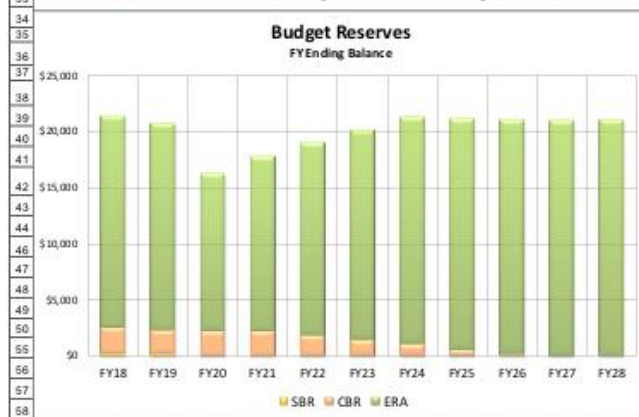
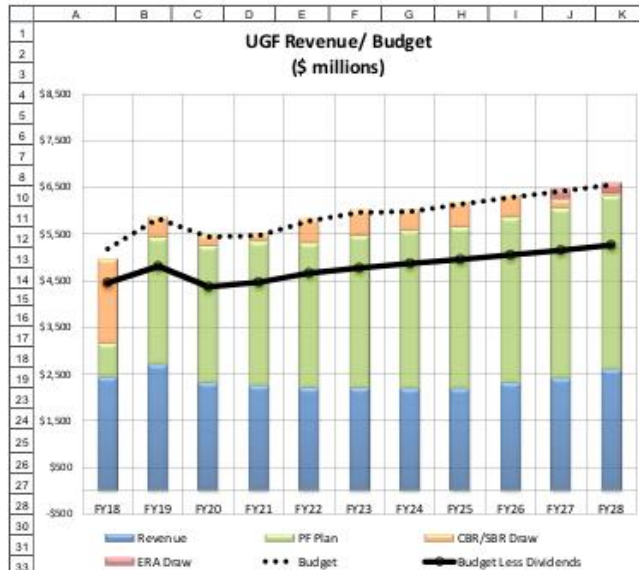
- FY20 Budget as Enacted
 - Agency Operations and Capital Budget growing with inflation
 - Statewide Items following established projections
- \$50 million placeholder for supplemental appropriations
- Department of Revenue Spring Revenue Forecast of \$66 per barrel oil
- 7% Permanent Fund growth (current Callan projection)
- No inflation proofing for four years due to extra \$4 billion transfer in FY20

1) 50% of Statutory Net Income (Current Law)



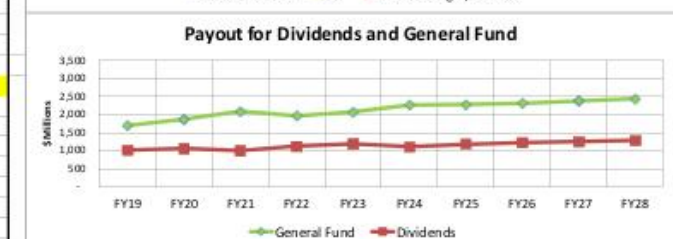
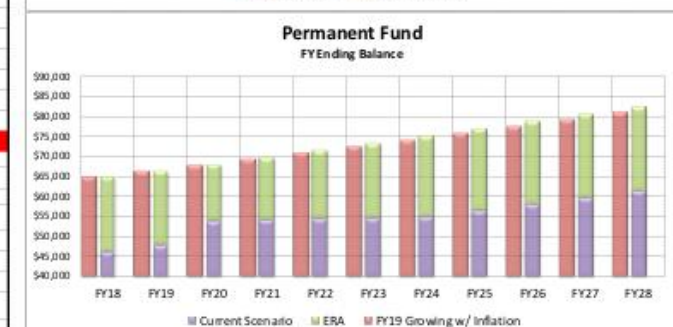
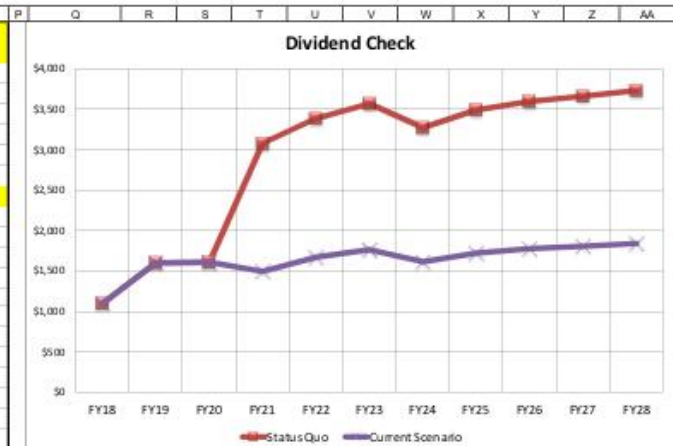
2) 25% of Statutory Net Income

LFD Fiscal Model



	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Reserves	20,740	16,260	17,758	18,985	20,099	21,264	21,122	21,041	20,988	21,050
Surplus/ (Deficit)	-448	-242	-174	-533	-546	-453	-542	-468	-413	-280
Remaining CBR Years	5	9	13	4	3	3	2	1	0	0
Deficit Filled	82%	91%	94%	82%	81%	85%	83%	85%	85%	90%
Unplanned ERA Draw	0	0	0	0	0	0	0	0	214	228

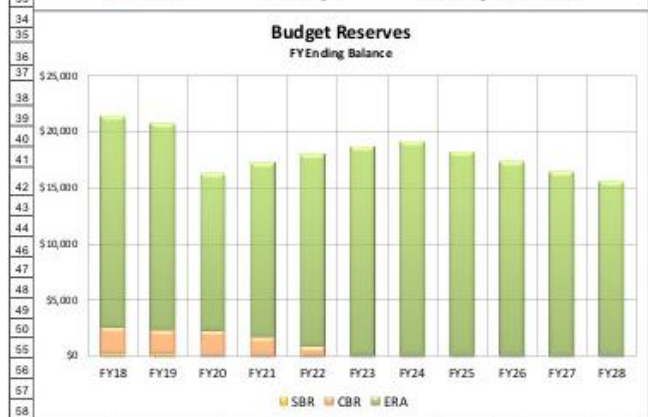
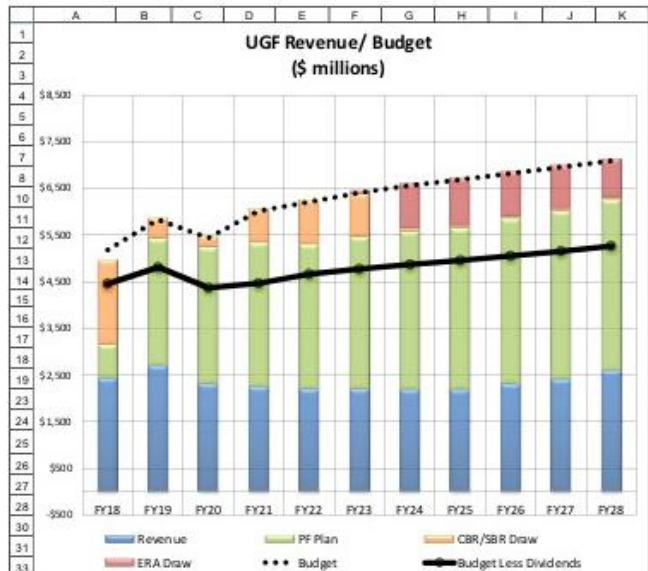
Price Scenario	Spring Forecast
Production	Spring Forecast
COST VARIABLES	
Operating Budget	
Starting Point (FY20)	FY20 Budget
Growth Rate	2.250 %
Budget Change (FY20+)	\$ -
School Debt Reimbursement	50%
Capital Budget (FY20-28)	FY20 Budget
Supplemental Budget	50.0
REVENUE VARIABLES	
Sales Tax	N
Income Tax	N
Motor Fuel Tax	N
DGF Fund Sweep	N
Other New Revenue	\$ -
Assumptions	
Inflation Rate	2.25%
PF Investment Return	7% (Callan)
Population Growth Rate	Labor Stats
CBR Earnings	2.38%
Minimum CBR Balance	\$ -
Unplanned ERA Draws	3
Permanent Fund Plan	SB 26
Plan Specifications	
Payout to GF	
POMV Payout	5.00%
POMV Override	5.25%
Override Ends	21
% Statutory Net Income	0.00%
Dividend	
% of Stat Net Income to Div	25%
% of POMV Draw to Div	0%
% of GF Oil Revenue to Div	0%
Fixed Dividend	\$ -
Repay Dividends	None
Dividends without Deficits	0
Inflation Proofing	
Status Quo Inflation Proofing	1
POMV Inflation Proofing	0
Advance Inflation Proofing	1
Other Provisions	
New Royalties to PF	50%



Dividends	1,024	1,061	1,002	1,120	1,191	1,105	1,183	1,228	1,258	1,290
General Fund	1,699	1,872	2,089	1,974	2,072	2,275	2,280	2,322	2,362	2,442
POMV Plan %	5.25%	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Effective %	4.20%	4.42%	4.56%	4.45%	4.57%	4.62%	4.62%	4.62%	4.89%	4.92%

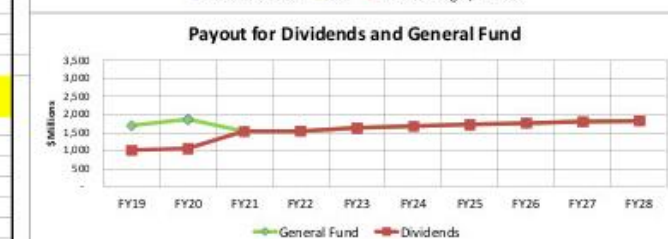
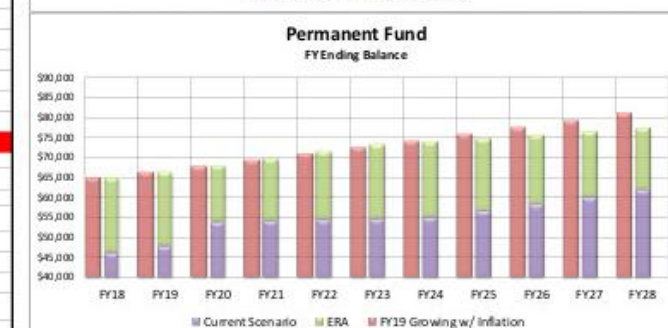
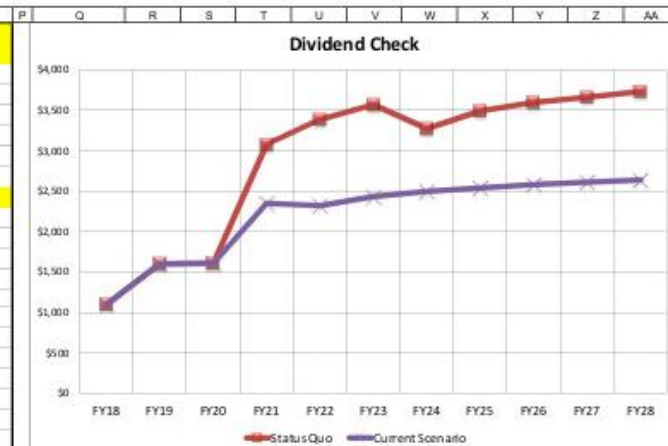
3) 50% of POMV Draw

LFD Fiscal Model



	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Reserves	20,740	16,260	17,209	17,990	18,629	19,079	18,188	17,302	16,387	15,538
Surplus/ (Deficit)	-448	-242	-717	-960	-987	-1,038	-1,091	-1,021	-991	-889
Remaining CBR Years	5	9	3	2	1	0	0	0	0	0
Deficit Filled	82%	91%	75%	67%	66%	66%	65%	67%	65%	68%
Unplanned ERA Draw	0	0	0	0	69	978	1,041	971	941	839

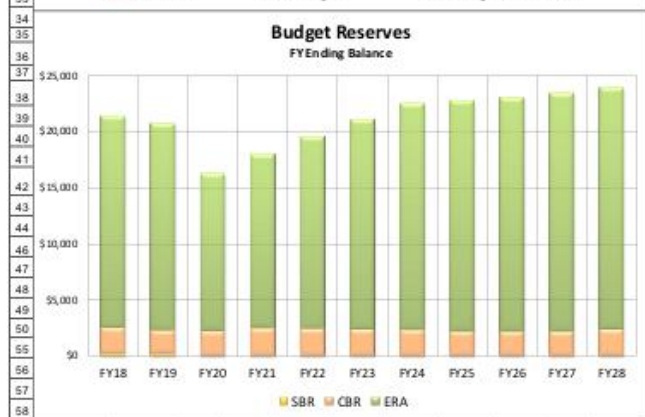
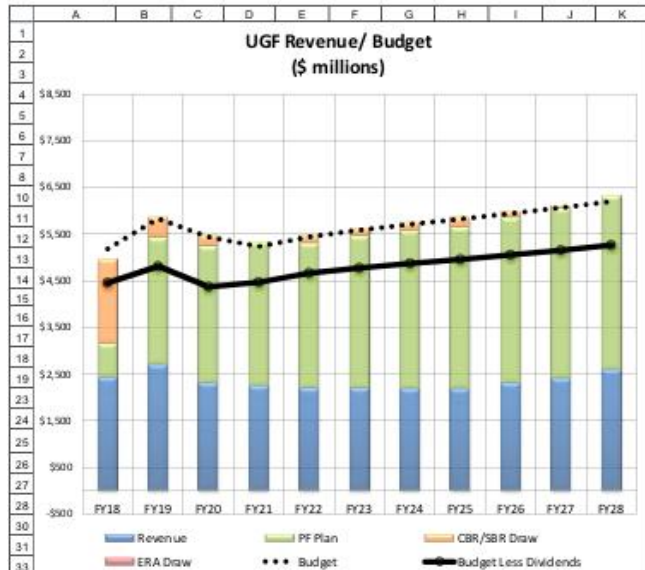
Price Scenario	Spring Forecast
Production	Spring Forecast
COST VARIABLES	
Operating Budget	
Starting Point (FY20)	FY20 Budget
Growth Rate	2.250%
Budget Change (FY20+)	\$ -
School Debt Reimbursement	50%
Capital Budget (FY20-28)	FY20 Budget
Supplemental Budget	50.0
REVENUE VARIABLES	
Sales Tax	N
Income Tax	N
Motor Fuel Tax	N
DGF Fund Sweep	N
Other New Revenue	\$ -
Assumptions	
Inflation Rate	2.25%
PF Investment Return	7% (Callan)
Population Growth Rate	Labor Stats
CBR Earnings	2.38%
Minimum CBR Balance	\$ -
Unplanned ERA Draws	3
Permanent Fund Plan	SB 26
Plan Specifications	
Payout to GF	
POMV Payout	5.00%
POMV Override	5.25%
Override Ends	21
% Statutory Net Income	0.00%
Dividend	
% of Stat Net Income to Div	0%
% of POMV Draw to Div	50%
% of GF Oil Revenue to Div	0%
Fixed Dividend	\$ -
Repay Dividends	None
Dividends without Deficits	0
Inflation Proofing	
Status Quo Inflation Proofing	1
POMV Inflation Proofing	0
Advance Inflation Proofing	1
Other Provisions	
New Royalties to PF	50%



	1,024	1,061	1,546	1,547	1,632	1,690	1,731	1,769	1,804	1,833
Dividends										
General Fund	1,699	1,872	1,546	1,547	1,632	1,690	1,731	1,769	1,804	1,833
POMV Plan %	5.25%	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Effective %	4.20%	4.42%	4.56%	4.45%	4.66%	5.96%	6.09%	6.04%	6.02%	5.90%

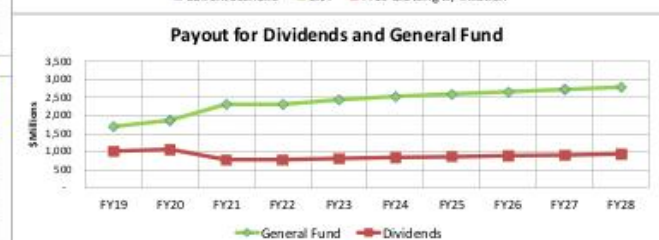
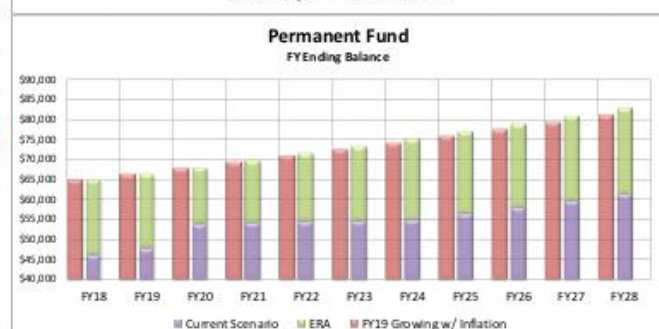
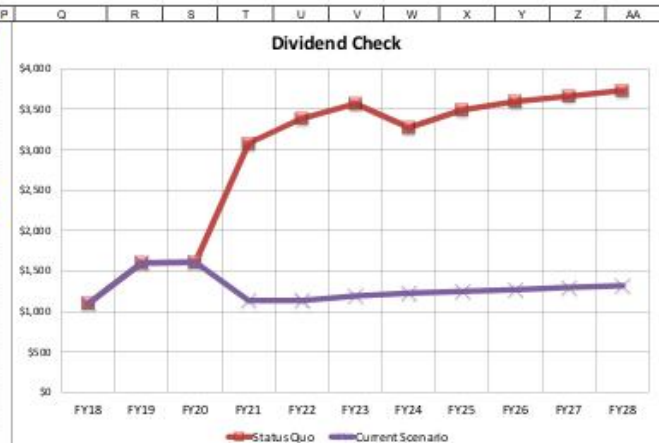
4) 25% of POMV Draw

LFD Fiscal Model



	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Reserves	20,740	16,260	17,991	19,574	21,081	22,533	22,741	23,043	23,407	23,915
Surplus/ (Deficit)	-448	-242	56	-186	-171	-193	-225	-128	-64	77
Remaining CBR Years	5	9	*	13	14	12	10	17	33	*
Deficit Filled	82%	91%	100%	94%	94%	94%	93%	96%	98%	100%
Unplanned ERA Draw	0	0	0	0	0	0	0	0	0	0

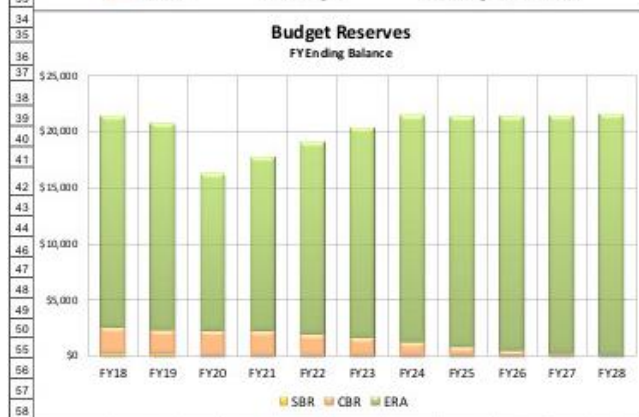
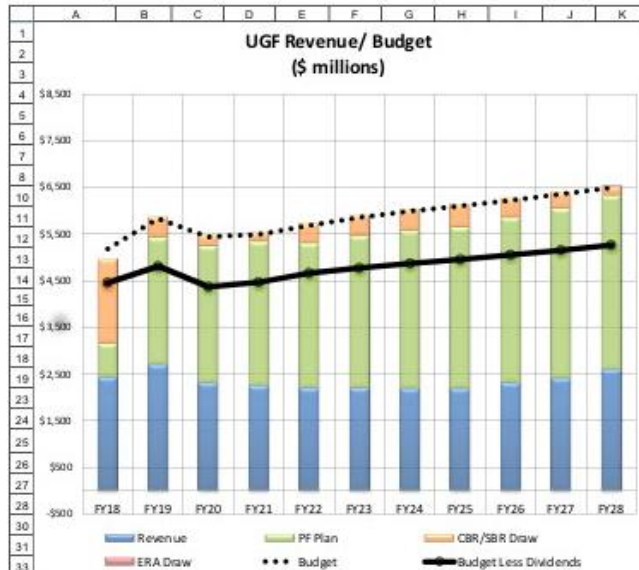
Price Scenario	Spring Forecast
Production	Spring Forecast
COST VARIABLES	
Operating Budget	
Starting Point (FY20)	FY20 Budget
Growth Rate	2.250%
Budget Change (FY20+)	\$ -
School Debt Reimbursement	50%
Capital Budget (FY20-28)	FY20 Budget
Supplemental Budget	50.0
REVENUE VARIABLES	
Sales Tax	N
Income Tax	N
Motor Fuel Tax	N
DGF Fund Sweep	N
Other New Revenue	\$ -
Assumptions	
Inflation Rate	2.25%
PF Investment Return	7% (Callan)
Population Growth Rate	Labor Stats
CBR Earnings	2.38%
Minimum CBR Balance	\$ -
Unplanned ERA Draws	3
Permanent Fund Plan	SB 26
Plan Specifications	
Payout to GF	
POMV Payout	5.00%
POMV Override	5.25%
Override Ends	21
% Statutory Net Income	0.00%
Dividend	
% of Stat Net Income to Div	0%
% of POMV Draw to Div	25%
% of GF Oil Revenue to Div	0%
Fixed Dividend	\$ -
Repay Dividends	None
Dividends without Deficits	0
Inflation Proofing	
Status Quo Inflation Proofing	1
POMV Inflation Proofing	0
Advance Inflation Proofing	1
Other Provisions	
New Royalties to PF	50%



Dividends	1,024	1,061	773	774	816	845	866	888	910	933
General Fund	1,699	1,872	2,319	2,321	2,447	2,535	2,597	2,663	2,730	2,799
POMV Plan %	5.25%	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Effective %	4.20%	4.42%	4.56%	4.45%	4.57%	4.62%	4.62%	4.62%	4.62%	4.62%

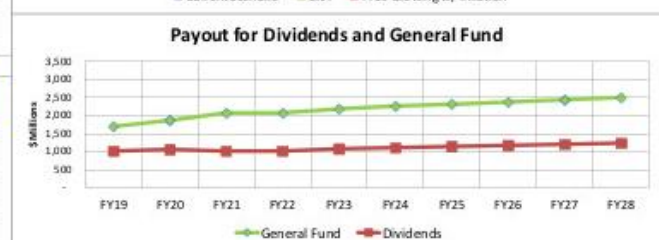
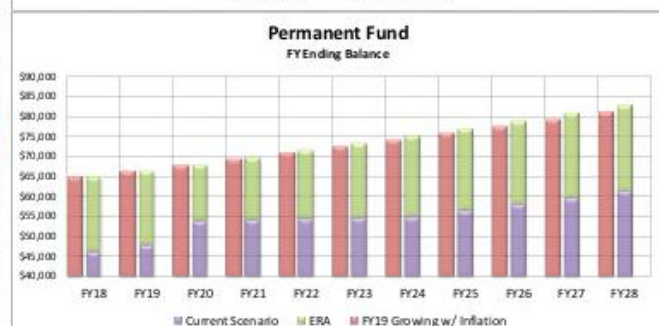
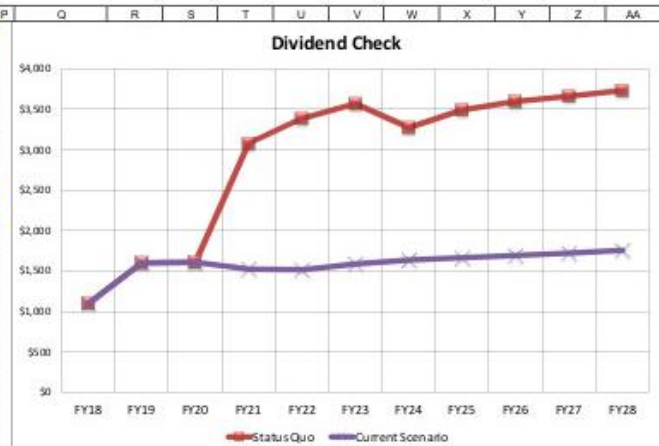
5) 33% of POMV Draw

LFD Fiscal Model



	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Reserves	20,740	16,260	17,740	19,067	20,298	21,457	21,360	21,342	21,371	21,527
Surplus/ (Deficit)	-448	-242	-191	-434	-432	-464	-502	-412	-356	-221
Remaining CBR Years	5	9	12	5	4	3	2	2	1	1
Deficit Filled	82%	91%	93%	85%	85%	85%	84%	87%	87%	92%
Unplanned ERA Draw	0	0	0	0	0	0	0	0	0	21

Price Scenario	Spring Forecast
Production	Spring Forecast
COST VARIABLES	
Operating Budget	
Starting Point (FY20)	FY20 Budget
Growth Rate	2.250%
Budget Change (FY20+)	\$ -
School Debt Reimbursement	50%
Capital Budget (FY20-28)	FY20 Budget
Supplemental Budget	50.0
REVENUE VARIABLES	
Sales Tax	N
Income Tax	N
Motor Fuel Tax	N
DGF Fund Sweep	N
Other New Revenue	\$ -
Assumptions	
Inflation Rate	2.25%
PF Investment Return	7% (Callan)
Population Growth Rate	Labor Stats
CBR Earnings	2.38%
Minimum CBR Balance	\$ -
Unplanned ERA Draws	3
Permanent Fund Plan	SB 26
Plan Specifications	
Payout to GF	
POMV Payout	5.00%
POMV Override	5.25%
Override Ends	21
% Statutory Net Income	0.00%
Dividend	
% of Stat Net Income to Div	0%
% of POMV Draw to Div	33%
% of GF Oil Revenue to Div	0%
Fixed Dividend	\$ -
Repay Dividends	None
Dividends without Deficits	0
Inflation Proofing	
Status Quo Inflation Proofing	1
POMV Inflation Proofing	0
Advance Inflation Proofing	1
Other Provisions	
New Royalties to PF	50%



Dividends	1,024	1,061	1,020	1,021	1,077	1,115	1,143	1,172	1,201	1,231
General Fund	1,699	1,872	2,071	2,074	2,186	2,294	2,320	2,379	2,439	2,500
POMV Plan %	5.25%	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Effective %	4.20%	4.42%	4.56%	4.45%	4.57%	4.62%	4.62%	4.62%	4.62%	4.65%

6) 20% of POMV Draw and 20% of Petroleum Revenue

