Permanent Fund Working Group

June 28, 2019

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Legislative Finance Division

Calculating a PFD that Maintains a Balanced Budget

(in $ millions except for PFDs)

Conference Committee 6/11/19

529,500 bbls/day @ $66

		FY20	Surplus / (Deficit)	FY19	Change From FY19
Traditional Revenue (Spring Forecast)		2,304			
POMV Payout		2,933			
Total FY20 Revenue		**5,237**		**5,406**	(170)
Pre-transfer UGF Appropriations		**4,380**		**4,569**	(189)
Capital (Governor: 95.77)	House	13		148	(135)
Transfers (Cap Income and Oil&Haz Funds)		43		31	12
Adjustments (Fiscal Notes)		-			
Total Anticipated FY20 Expenditures before PFDs		**4,436**	**800**	**4,748**	(312)

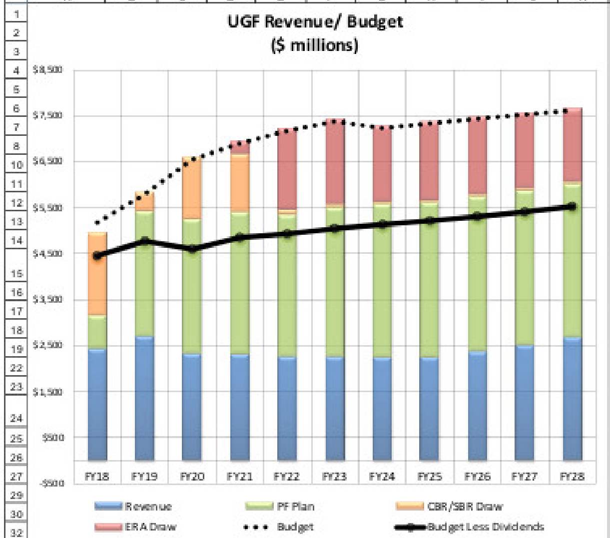
Assume a budget surplus goes to PFDs and that additional PFDs require the budget to be balanced with cuts, new revenue or reserves. Then cuts/revenue/reserves increase PFDs as follows:

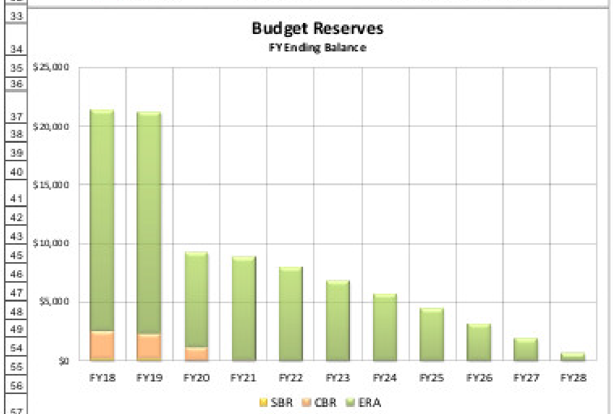
Amount of Cut / Revenue / Reserves	Appropriations	Surplus	PFD with a Balanced Budget	Recipients: 639,247	Deficit after dividend payment
-	4,436	800	**$ 1,178**		-
100	4,336	900	**$ 1,334**		100
270	4,166	1,070	**$ 1,600**		270
400	4,036	1,200	**$ 1,803**		400
442	3,994	1,242	**$ 1,869**		442
500	3,936	1,300	**$ 1,960**		500
1,000	3,436	1,800	**$ 2,742**		1,000
1,150	3,286	1,950	**$ 2,977**		1,150

Percent of POMV to Dividends	to PFDs	to GF	Surplus	PFD
80%	2,346	587	(1,546)	$ 3,661
70%	2,053	880	(1,253)	$ 3,202
60%	1,760	1,173	(959)	$ 2,743
50%	1,467	1,467	(666)	$ 2,284
40%	1,173	1,760	(373)	$ 1,826
35%	1,027	1,907	(226)	$ 1,596
30%	880	2,053	(80)	$ 1,367
25%	733	2,200	67	$ 1,137
20%	587	2,346	214	$ 908
10%	293	2,640	507	$ 449
0%	-	2,933	800	$ -

Scenario A: Current Dividend Statute

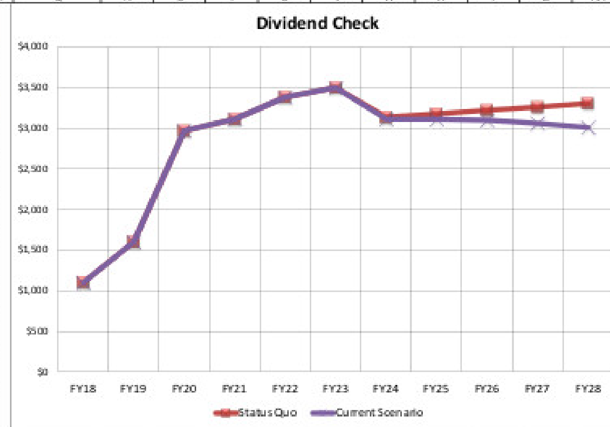
LFD Fiscal Model

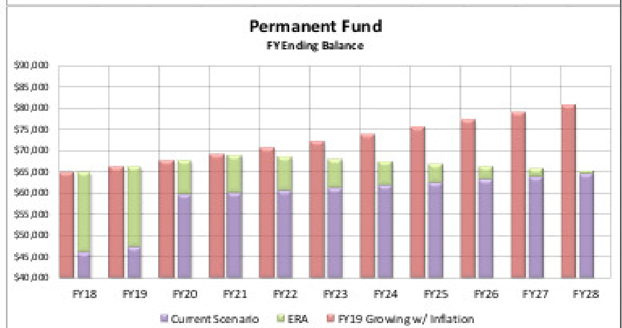


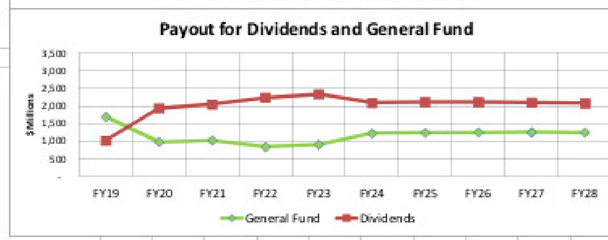


	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Reserves	21,206	9,219	8,825	7,969	6,805	5,713	4,461	3,179	1,888	638
Surplus/ (Deficit)	-406	-1,342	-1,553	-1,874	-1,929	-1,703	-1,770	-1,732	-1,698	-1,640
Remaining CBR Years	5	2	1	0	0	0	0	0	0	0
Deficit Filled	84%	52%	47%	35%	34%	44%	43%	44%	39%	40%
Unplanned ERA Draw	0	0	279	1,760	1,854	1,653	1,720	1,682	1,648	1,590

Price Scenario	Spring Forecast
Production	Spring Forecast
COST VARIABLES	
Operating Budget	
Starting Point (FY20)	CC
Growth Rate	2.250%
Budget Change (FY20+)	$ -
School Debt Reimbursement	100%
Capital Budget (FY20-28)	House w/ UGF
Supplemental Budget	50.0
REVENUE VARIABLES	
Sales Tax	N
Income Tax	N
Motor Fuel Tax	N
Municipal Property Tax	N
DGF Fund Sweep	N
Assumptions	
Inflation Rate	2.25%
PF Investment Return	6.55% (Callan)
Population Growth Rate	Labor Stats
CBR Earnings	2.38%
Minimum CBR Balance	$ -
Unplanned ERA Draws	1
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	50%
% of POMV Draw to Div	0%
% of UGF Royalties 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%



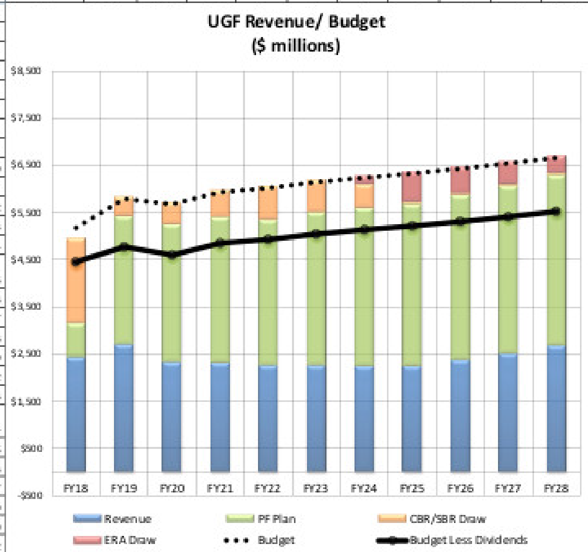


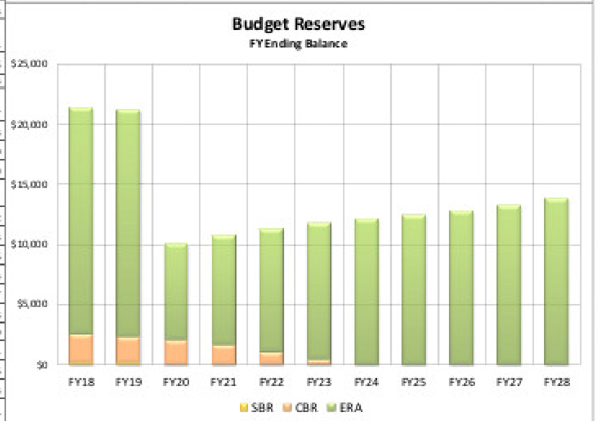


	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Dividends	1,024	1,944	2,053	2,245	2,337	2,100	2,115	2,119	2,110	2,089
General Fund	1,699	989	1,037	846	914	1,238	1,253	1,261	1,263	1,258
POMV Plan %	5.25%	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Effective %	4.20%	4.44%	4.57%	4.49%	4.75%	4.91%	5.00%	5.06%	5.09%	5.10%

Scenario B: $1,600 Dividend

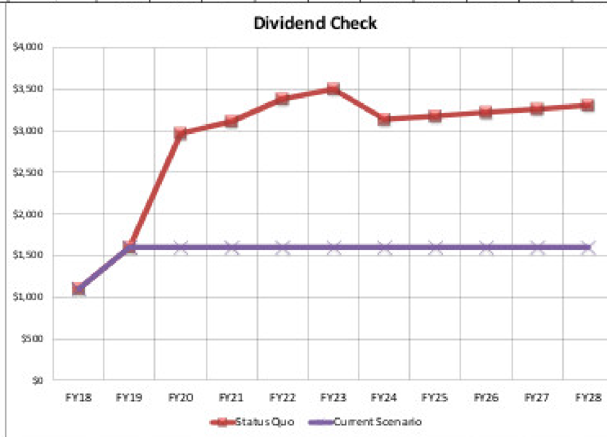
LFD Fiscal Model

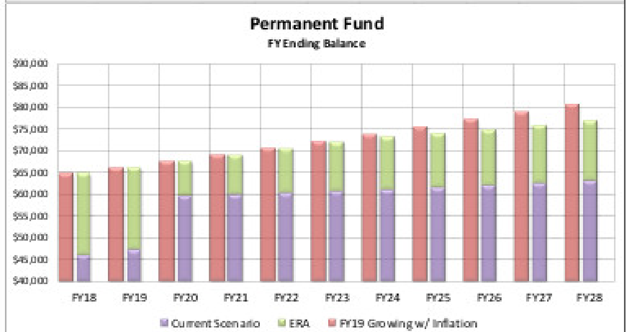


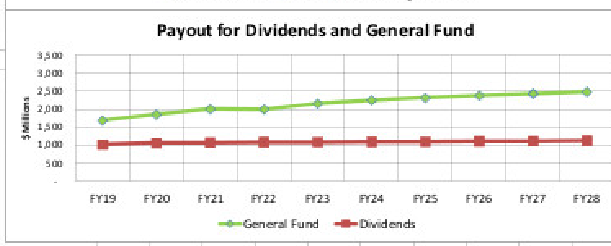


	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Reserves	21,206	10,104	10,745	11,304	11,769	12,146	12,449	12,821	13,275	13,850
Surplus/ (Deficit)	-406	-469	-580	-717	-685	-684	-703	-610	-521	-408
Remaining CBR Years	5	5	4	2	2	1	0	0	0	0
Deficit Filled	84%	83%	80%	75%	77%	77%	77%	80%	81%	85%
Unplanned ERA Draw	0	0	0	0	0	190	647	560	471	358

Price Scenario	Spring Forecast	
Production	Spring Forecast	
COST VARIABLES		
Operating Budget		
Starting Point (FY20)	CC	
Growth Rate	2.250%	
Budget Change (FY20+)	$	-
School Debt Reimbursement	100%	
Capital Budget (FY20-28)	House w/ UGF	
Supplemental Budget	50.0	
REVENUE VARIABLES		
Sales Tax	N	
Income Tax	N	
Motor Fuel Tax	N	
Municipal Property Tax	N	
DGF Fund Sweep	N	
Assumptions		
Inflation Rate	2.25%	
PF Investment Return	6.55% (Callan)	
Population Growth Rate	Labor Stats	
CBR Earnings	2.38%	
Minimum CBR Balance	$	-
Unplanned ERA Draws	1	
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	0%	
% of UGF Royalties to Div	0%	
Fixed Dividend	$	1,600.00
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%	



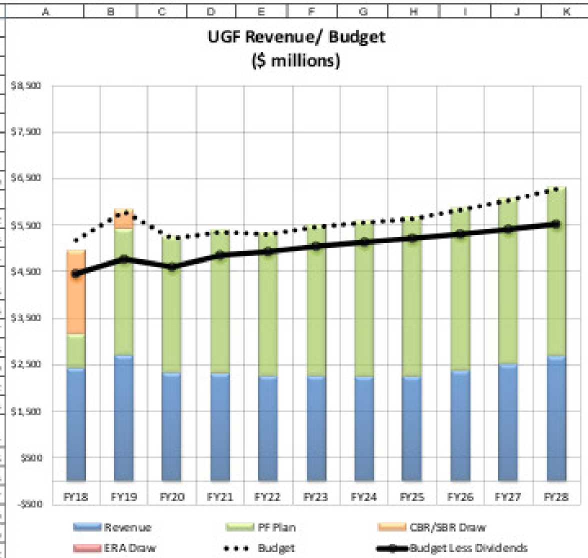


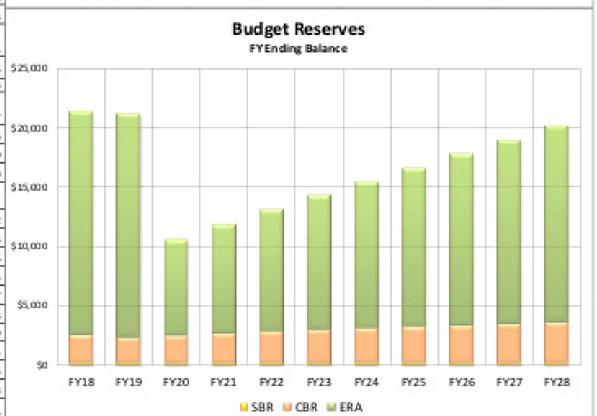


Dividends	1,024	1,071	1,079	1,087	1,095	1,103	1,111	1,119	1,126	1,133
General Fund	1,699	1,863	2,011	2,003	2,158	2,258	2,321	2,383	2,439	2,490
POMV Plan %	5.25%	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Effective %	4.20%	4.44%	4.57%	4.48%	4.61%	4.67%	4.69%	4.74%	4.77%	4.78%

Scenario C: "Surplus" Dividend

LFD Fiscal Model





	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Reserves	21,206	10,576	11,811	13,117	14,313	15,457	16,616	17,789	18,979	20,190
Surplus/ (Deficit)	-406	0	0	0	0	0	0	0	0	0
Remaining CBR Years	5	*	*	*	*	*	*	*	*	*
Deficit Filled	84%	100%	100%	100%	100%	100%	100%	100%	100%	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)	CC
Growth Rate	2.250%
Budget Change (FY20+)	$ -
School Debt Reimbursement	100%
Capital Budget (FY20-28)	House w/ UGF
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Sales Tax	N
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POMV Override	5.25%
Override Ends	21
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	Dividend
% of Stat Net Income to Div	0%
% of POMV Draw to Div	0%
% of UGF Royalties to Div	0%
Fixed Dividend	$ -
Repay Dividends	None
Dividends without Deficits	1
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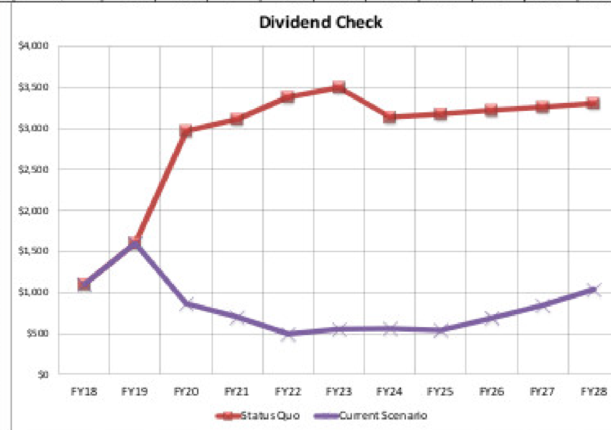
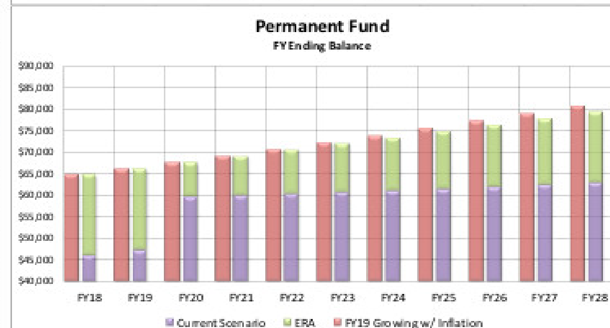
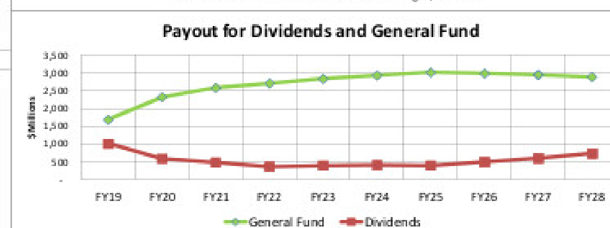
New Royalties to PF	50%







Dividends	1,024	602	499	371	411	420	409	511	615	750
General Fund	1,699	2,332	2,590	2,720	2,843	2,941	3,023	2,993	2,960	2,898
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%	4.44%	4.57%	4.48%	4.61%	4.67%	4.68%	4.69%	4.69%	4.69%