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Alaska Permanent Fund Corporation

FINANCIAL PROJECTIONS (in millions)

as of January 31, 1992

GROWTH OF FUND PRINCIPAL							USE OF FUND INCOME							
FY	FY Begin Balance	Appropriations	Dedicated		FY End Balance	Inflation Proofing Shortfall	Distributions			Reserves		FY		
			State Revenues*	Inflation Proofing			Net Income	Dividends	Inflation Proofing	General Fund	Add (Delete)		FY End Balance	
78	0		54		54				1			78		
79	54		04		139				7			79		
80	139		344		483				12			80		
81	483	000	385		1,769				28		59	81		
82	1,769	800	400		2,969				71		185	82		
83	2,969	400	421	231	4,021			108	231	110	110	83		
84	4,021	300	366	151	4,838			175	151		203	84		
85	4,838	300	368	235	5,741			217	235		206	85		
86	5,741		323	216	6,281			1,021	303	216	501	86		
87	6,281	1,264 **	170	148	7,864			1,069	391	148	529	87		
88	7,864		418	303	8,585			789	424	303	62	88		
89	8,585		228	360	9,173			868	460	360	44	89		
90	9,173		267	454	9,894			916	487	454	(30)	90		
91	9,894		435	559	10,888			1,030	489	559	(24)	91		
92	10,888		282	474	11,643			1,099	496	474	4	125	707	92
93	11,643		203	466	12,312			1,105	500	466	140		707	93
94	12,312		217	752	13,281			1,237	500	752		(15)	692	94
95	13,281		230	811	14,321			1,328	500	811	17		692	95
96	14,321		238	874	15,433			1,426	500	874	53		692	96
97	15,433		263	942	16,637			1,532	500	942	90		692	97
98	16,637		252	1,013	17,902			1,645	500	1,013	132		692	98
99	17,902		228	1,088	19,218			1,763	500	1,088	175		692	99
0	19,218		207	1,166	20,590			1,886	500	1,166	221		692	0
1	20,590		188	1,247	22,024			2,015	500	1,247	268		692	1
2	22,024		174	1,332	23,530			2,149	500	1,332	317		692	2
3	23,530		159	1,421	25,110			2,296	500	1,421	369		692	3
4	25,110		146	1,515	26,771			2,439	500	1,515	423		692	4
5	26,771		132	1,614	28,517			2,594	500	1,614	480		692	5
6	28,517		118	1,718	30,353			2,758	500	1,718	540		692	6
7	30,353		106	1,828	32,287			2,931	500	1,828	603		692	7
8	32,287		98	1,943	34,328			3,113	500	1,943	670		692	8
9	34,328		89	2,065	36,482			3,305	500	2,065	740		692	9
10	36,482		82	2,194	38,758			3,507	500	2,194	813		692	10
Cumulative Totals Projected														
For FY 1992 - 2010:			3,410	24,461				40,121	9,496	24,461	6,054			

REALIZED RATE OF RETURN ASSUMPTIONS:

	Nominal	Inflation	Real
FY 92:	9.27%	4.24%	5.03%
FY 93:	8.50%	4.00%	4.50%
FY 94-2010:	9.00%	6.00%	3.00%

* SOURCE: Dedicated State oil revenue estimates are from the Department of Revenue (DOR) Fall 1991 Low-Case Revenue Forecast. FY 92 includes \$46.3 million to Fund principal from BP oil settlement.

** The FY 86 Earnings Reserve Account end balance was appropriated by the legislature to the principal of the Permanent Fund effective July 1, 1986.

PFDS CAPPED AT \$500 MILLION BEGINNING IN FY 93, ALL REMAINING NET INCOME TO GENERAL FUND.

CHART 1

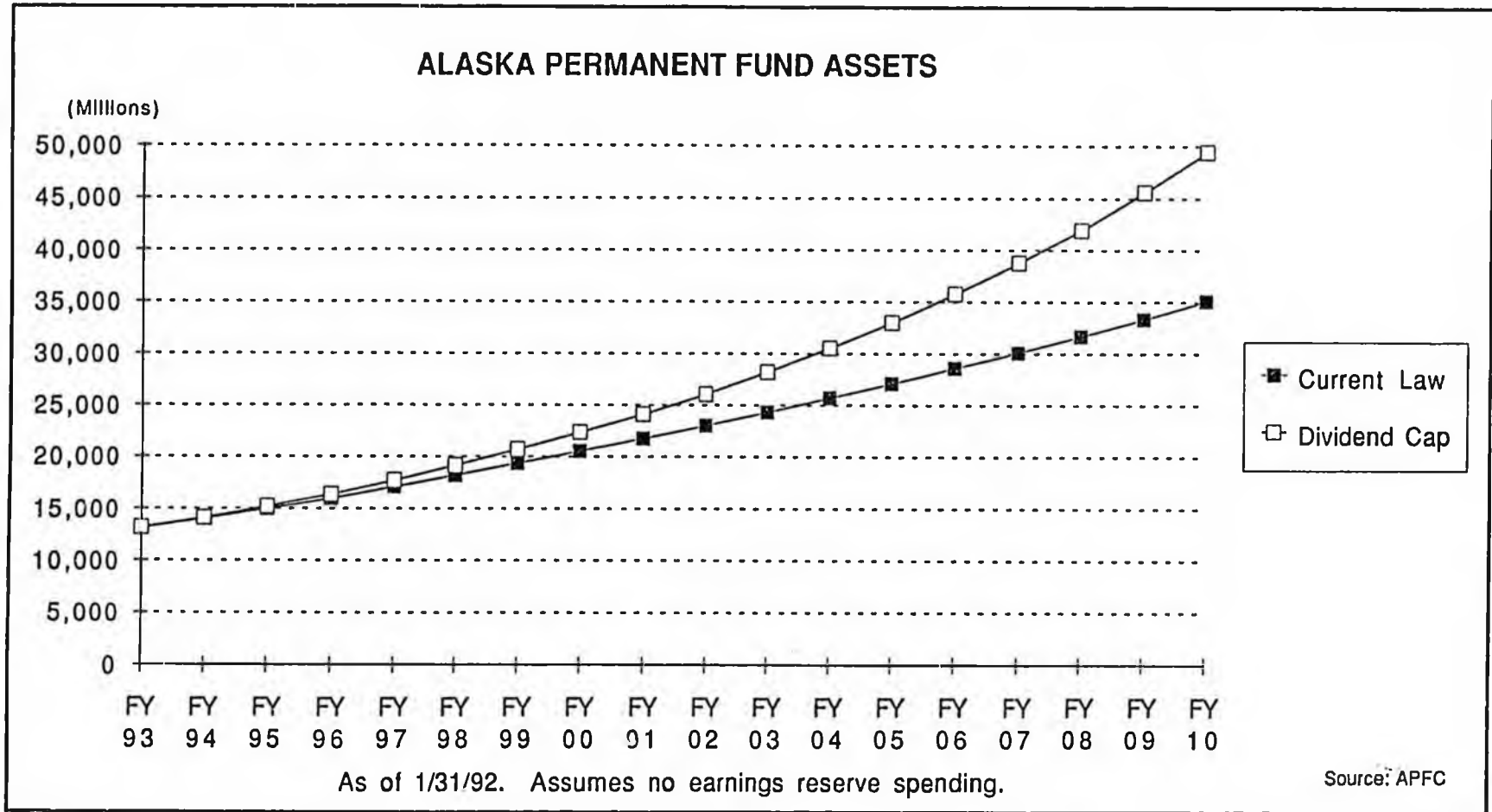


CHART 2

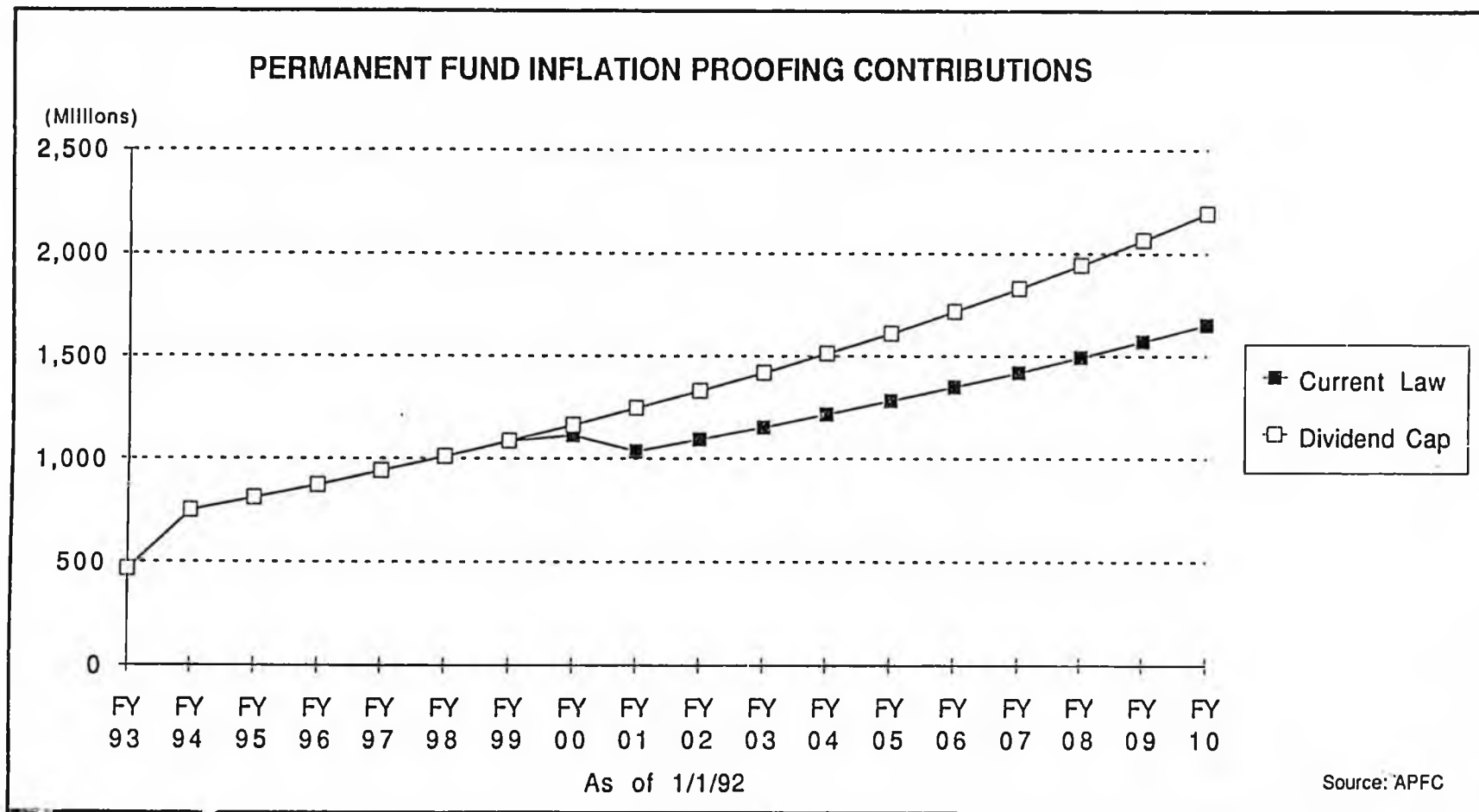
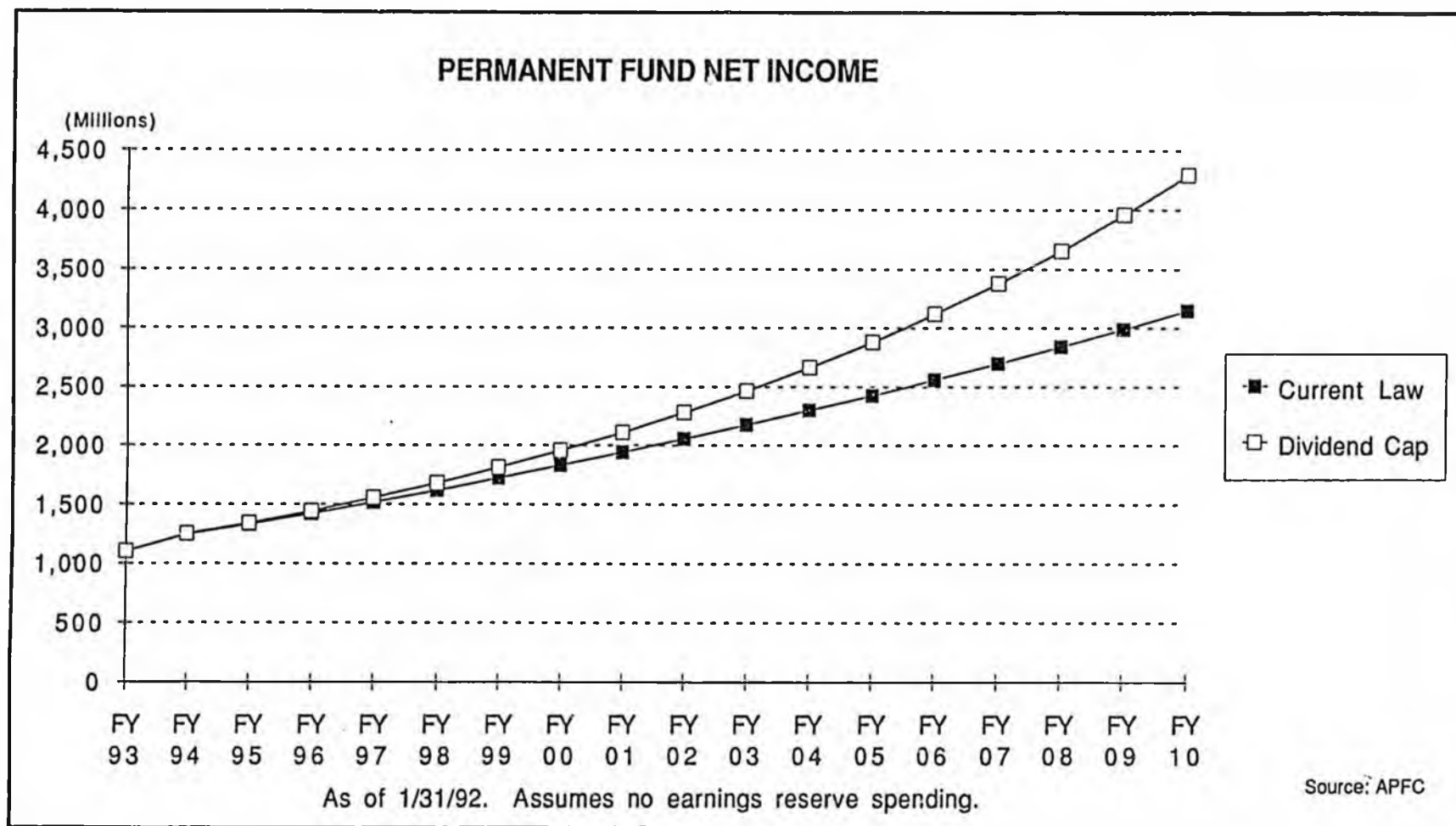


CHART 3



THE DIVIDEND CAP AND THE PERMANENT FUND

(In Millions, as of January 31, 1992)

Year	Current Law					Dividend Cap				
	Fund Balance	Net Income	Inflation Proofing	Earnings Reserve	Fund Assets	Fund Balance	Net Income	Inflation Proofing	Earnings Reserve	Fund Assets
FY 93	12,312	1,105	466	819	13,131	12,312	1,105	466	846	13,158
FY 94	13,281	1,248	752	748	14,029	13,281	1,250	752	845	14,126
FY 95	14,321	1,333	811	660	14,981	14,321	1,342	811	876	15,197
FY 96	15,433	1,423	874	558	15,991	15,433	1,443	874	946	16,379
FY 97	16,637	1,519	942	439	17,076	16,637	1,556	942	1,060	17,697
FY 98	17,902	1,621	1,013	297	18,199	17,902	1,680	1,013	1,227	19,129
FY 99	19,218	1,726	1,088	135	19,353	19,218	1,814	1,088	1,452	20,670
FY 00	20,540	1,834	1,116		20,540	20,590	1,958	1,166	1,745	22,335
FY 01	21,765	1,945	1,037		21,765	22,024	2,114	1,247	2,112	24,136
FY 02	23,033	2,059	1,095		23,033	23,530	2,283	1,332	2,563	26,093
FY 03	24,347	2,178	1,155		24,347	25,110	2,467	1,421	3,108	28,218
FY 04	25,711	2,301	1,218		25,711	26,771	2,666	1,515	3,758	30,529
FY 05	27,127	2,429	1,284		27,127	28,517	2,883	1,614	4,528	33,045
FY 06	28,596	2,562	1,351		28,596	30,353	3,120	1,718	5,429	35,782
FY 07	30,124	2,700	1,422		30,124	32,287	3,377	1,828	6,479	38,766
FY 08	31,717	2,844	1,496		31,717	34,238	3,658	1,943	7,694	41,932
FY 09	33,380	2,993	1,573		33,380	36,482	3,964	2,065	9,093	45,575
FY 10	35,115	3,150	1,654		35,115	38,758	4,299	2,194	10,698	49,456

Assumes no spending of Earnings Reserve Account.

Source: APFC

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 438

Revision Date: _____
Title: Permanent Fund Income
Distribution
Sponsor: Sturaulewski
Requestor: Senate State Affairs

Agency Affected: Revenue
BRU: Permanent Fund Dividend Division
Components: Permanent Fund Dividend
Division
COMPONENT SERIAL NO. 9 8 1

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None.

ANALYSIS: See Attached.

Prepared By: Thomas C. Williams
Division: Permanent Fund Dividend Division

Phone: 465-2323
Date: February 26, 1992

Approved by Commissioner: David [Signature]
Agency: Revenue

Date: 2/26/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

SUMMARY OF EFFECTS OF SB 438

(In Thousands)

As of February 26, 1992

	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
Eligible Applicants (1)	513,600	532,700	547,100	561,900	576,900	592,100	607,600	623,500	639,600	656,100
Available for Distribution	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
<u>Reductions</u>										
Hold Harmless (2)	16,205	18,635	21,431	24,645	28,342	32,593	37,482	43,105	49,570	57,006
PFD Division (3)	4,114	4,329	4,329	4,524	4,727	4,940	5,162	5,395	5,637	5,891
Corrections/Public Safety (3)	1,510	1,562	1,562	1,641	1,714	1,791	1,872	1,956	2,044	2,136
<u>Total Reductions</u>	<u>21,828</u>	<u>24,527</u>	<u>27,322</u>	<u>30,809</u>	<u>34,783</u>	<u>39,325</u>	<u>44,517</u>	<u>50,455</u>	<u>57,252</u>	<u>65,033</u>
<u>Balance Available</u> <u>for Distribution</u>	<u>478,172</u>	<u>475,474</u>	<u>472,678</u>	<u>469,191</u>	<u>465,217</u>	<u>460,675</u>	<u>455,483</u>	<u>449,545</u>	<u>442,748</u>	<u>434,967</u>
Estimated Dividend Amount (Nominal Dollars)	931.34	892.57	863.97	835.01	806.41	778.04	749.64	721.00	692.23	662.96
Estimated Dividend Amount (Real Dollars) (4)	931.34	852.41	787.96	727.28	670.76	618.04	568.69	522.35	478.93	438.04

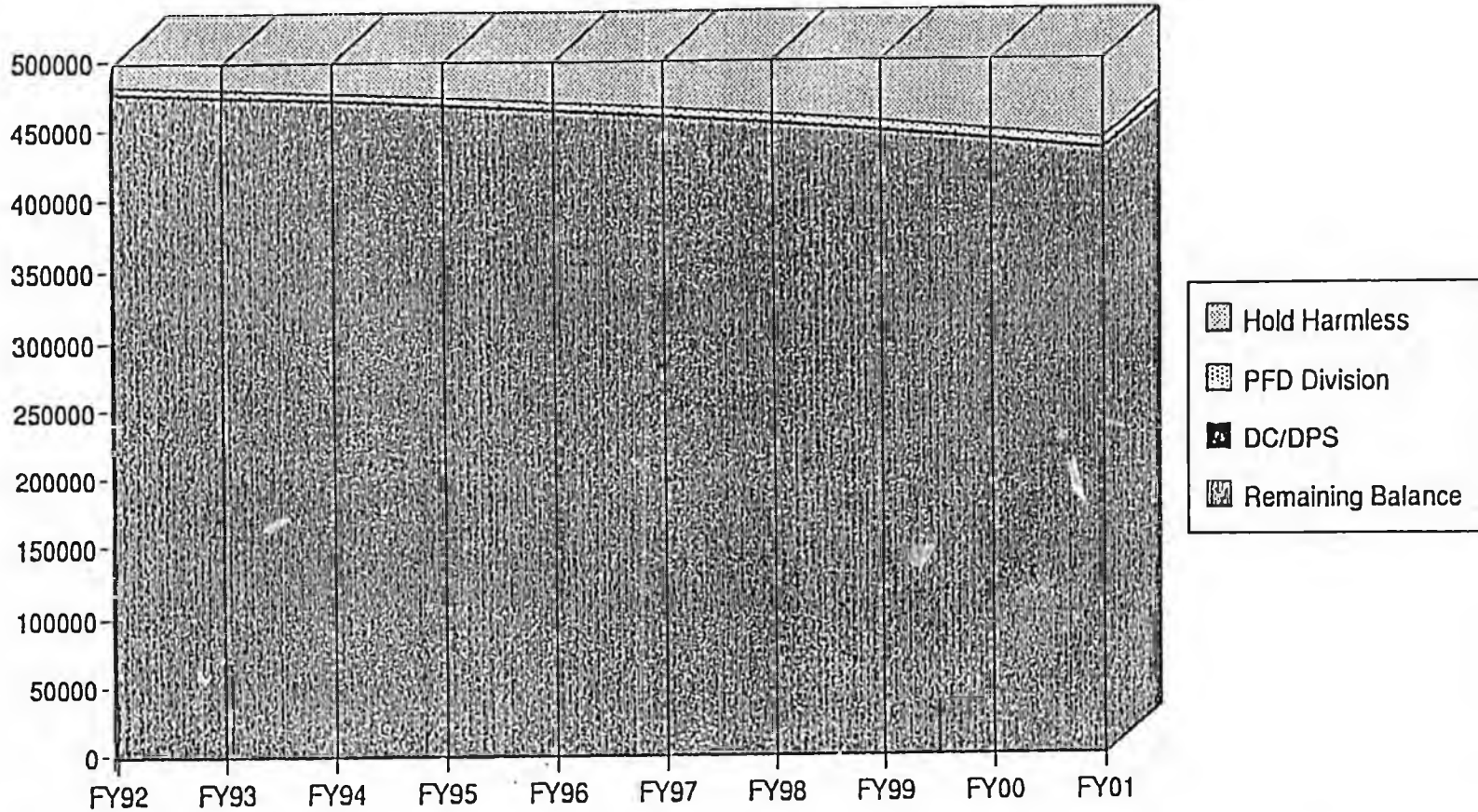
ASSUMPTIONS

- (1) Based on Table F, page 20 of Alaska Population Projections by the Dept. of Labor, November, 1991, reduced by 60,400, the difference between the population in FY92 and the number of eligible applicants.
- (2) Assumes an increase of 15% per year based on historical patterns.
- (3) Assumes an increase of 4.5% per year after FY95.
- (4) Assumes a 4.5% inflation rate per year, based on the Consumer Price Index, page 6 of Asset Allocation Considerations by the Callan Associates, Inc., February, 1992.

Alaska Department of Revenue
Permanent Fund Dividend Division

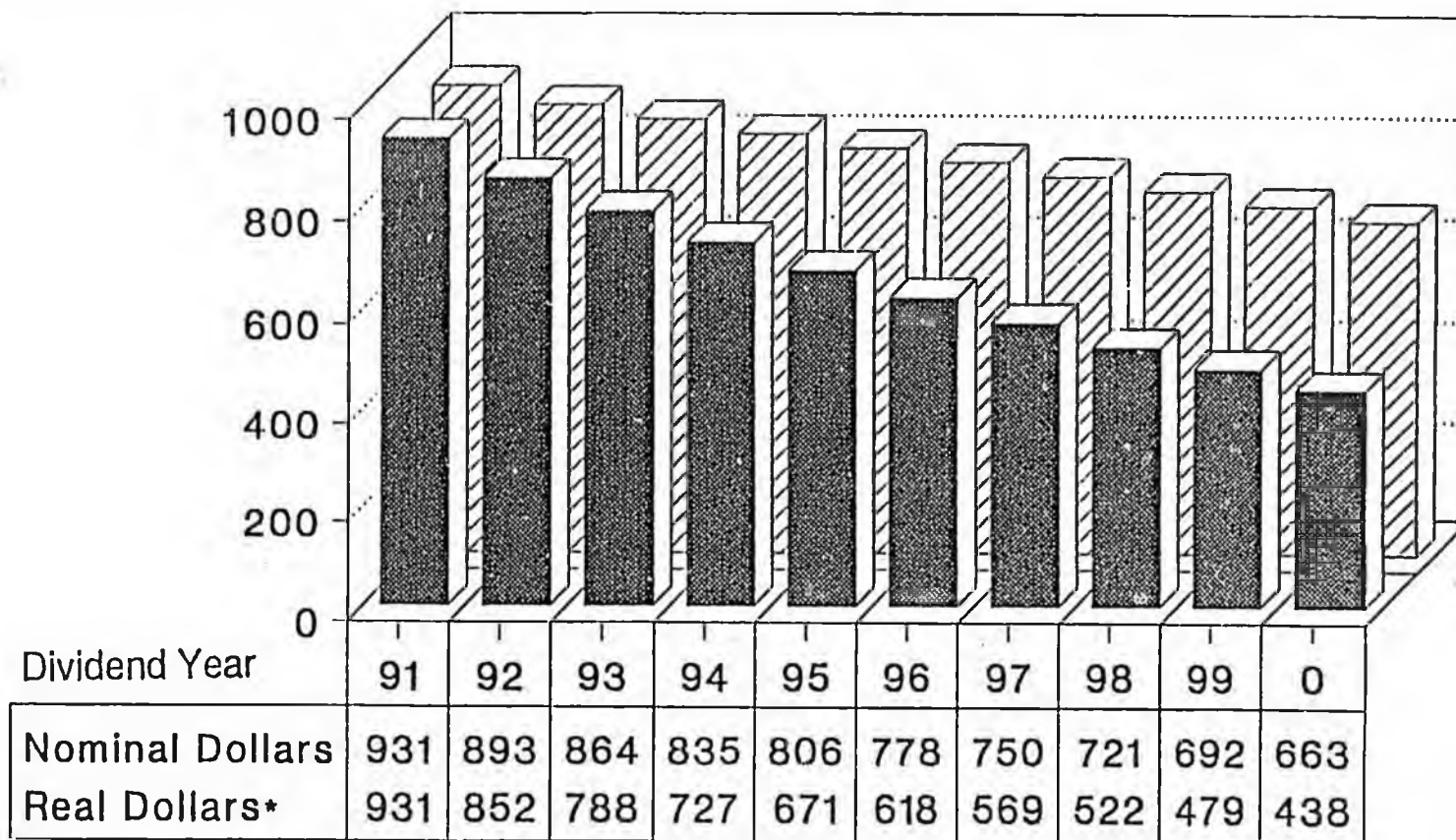
Distribution of \$500 million cap

As of February 26, 1992



Alaska Department of Revenue
Permanent Fund Dividend Division

Estimated Permanent Fund Dividend Amount
As of February 26, 1992



■ Real Dollars* ▨ Nominal Dollars

*Assumes 4.5% inflation rate

Alaska State Legislature



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SENATOR
ARLISS STURGULEWSKI

Senate

PREPARING FOR ALASKA'S NEW FISCAL REALITIES

By: Arliss Sturgulewski
Alaska State Senator
February 21, 1992

Contact: Richard Rainery
465-3818

I have introduced Senate Bill 438 amending the law governing distribution of Permanent Fund income. It would preserve, roughly at the current level, the amount of fund income distributed as dividends. The bill:

- Caps the amount distributed as dividends at \$500,000,000.
- Insures that the Permanent Fund will be fully inflation-protected.
- Increases investment in the earnings reserve account.

It does not affect the fund's dedicated revenue stream or tamper with its investment philosophy. Nor does it direct disposition of the earnings reserve account. That would be up to Alaskans, the legislature, and the governor.

According to Alaska Permanent Fund Corporation projections, capping the annual dividend pool at \$500,000,000 (a lot of money) will do two significant things. First, it will increase the fund's size. By fiscal year 2000, earnings will be insufficient to pay dividends under present law and to inflation proof the fund. Capping dividends will allow inflation proofing to continue, boosting projected fund size \$3.5 billion by 2010. Second, the earnings reserve account, instead of shrinking until exhausted, could reach nearly \$11 billion by 2010.

If we do no more than enact this bill, Alaska will be wealthier by perhaps \$14 billion. The cost? Individual Alaskans will receive smaller dividends as the population grows.

SPONSOR

Why am I proposing this change? The first deposit to the Permanent Fund was made fifteen years ago. In a few years, a generation of Alaskans will have come to maturity saving a sizeable portion of their common wealth in the fund. No other state will be in Alaska's position, with a savings account of \$30,000 per resident in 2000, and over \$40,000 by 2010, even without this bill. Annual income could top \$4 billion by 2010, under my proposal, with over \$1.5 billion going to the earnings reserve account.

These numbers suggest an opportunity and responsibility to reflect on the fund's purpose. Shall we continue to save without a clear goal in mind? Or shall we reserve a portion of annual earnings for other uses since we can do so while allowing continued fund growth?

This bill is only one side of the coin. The other is the future shape and role of state government, to be drawn by the governor and the legislature, guided by the people. Beginning to debate the ultimate purpose of Permanent Fund earnings will give us the time and means to address the growing list of inevitable fiscal and program decisions. That debate will determine whether the money I propose to set aside is needed to fund the government the people want. I believe Alaskans will agree that it is.

We desperately need a coordinated plan of action to meet education, economic, human, and social needs. With plentiful revenues, it proved difficult to inject discipline and realism into state budget deliberations. Alaskans have heard the cry "Wolf!" often lately. Year after year, they are told how bad things are only to see ever-increasing budgets paid for by unforeseen oil price spikes or leftover pools of boom era revenues. But Alaskans are convinced that the fiscal crunch is imminent. It is critical to devise a fiscal plan providing a soft landing and a sustainable future for Alaska.

It's time for the legislature and administration to cooperatively develop a realistic 5-year budget plan and to implement components of it now, rather than later. SB 438 should prompt full discussion of our options. The administration has yet to propose serious reorganization. Its Efficiency Review Team will not report until after the session ends and another year will be lost. We must act now to:

- Consolidate and coordinate safety, fire, and building inspections and social programs.

- Explore restructuring and unifying the Alaska Industrial Development and Export Authority and the Alaska Energy Authority.
- Decide whether the state needs three separate housing programs, or a single entity to assist low and moderate income people.
- Safeguard the longevity bonus program, the fastest growing segment of the budget. To control and eventually reduce costs, an annuity program must be considered.
- Review user fees and the gasoline tax. The governor supports a dedicated transportation fund, but Alaska's gasoline taxes remain the lowest in the country, unchanged for decades, while our roads deteriorate.
- Expand economic development activities. Regional development organizations have spurred local development and should be continued.
- Manage Alaska's 104 million acres of land to produce new revenues and foster other opportunities.

We cannot do everything at once, but it is time to join the debate and take the first steps to secure a stable fiscal future for Alaska.

Alaska State Legislature



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SENATOR
ARLISS STURGULEWSKI

Senate

MEMORANDUM

February 18, 1992

TO: All Legislators
Alaska State Legislature

FROM: Senator Arliss Sturgulewski 
Senate District F

RE: "The Fiscal Gap: Fiction or Reality?" by
Scott Goldsmith

I am sure all of you are very aware of the work Scott Goldsmith has done through the Institute of Social and Economic Research (ISER) at the University of Alaska, Anchorage regarding the fiscal gap. He and others at ISER have prepared a number of papers on this subject and it is my understanding they will be preparing a final paper in April which will make specific recommendations of how they see Alaska approaching this major issue.

Scott made an important address to Common Sense for Alaska on January 30, 1992 regarding "The Fiscal Gap: Fiction or Reality?" He lays out the issue facing us very succinctly and directly. I contacted Scott and told him I thought it was an important paper and wanted to distribute it to all of my colleagues. He was amenable to that suggestion.

Attachment

GOLDSMITH

THE FISCAL GAP: FICTION OR REALITY ?

by
SCOTT GOLDSMITH
PROFESSOR OF ECONOMICS
UNIVERSITY OF ALASKA ANCHORAGE

After preparing my remarks for today I realized a better title than Fiscal Gap: Fiction or Reality would have been FISCAL GAP: FACT OR FANTASY ? When we enter the Alaska fiscal world we enter a world of fantasy. Those of us who have lived through the oil boom years know what I mean. Those who have not experienced it will never really comprehend what happened. Events are now forcing us back into the real world, but who wants that? I have tried to pepper my remarks with some glimpses of that reality because, I guess, somebody has to do it. But take heart—reality is not that bad.

To begin we need a definition of the fiscal gap notion. Most simply put it is the question of whether our state government is spending beyond its means. Concern naturally springs from the recognition that 85% of our revenues come from the production of oil, and as anticipated, after a dozen years at record levels, depletion of the main North Slope field has set in. Our tax base is literally being shipped south at the rate of nearly 2 million barrels per day.

I am going to tip my hand right now and confess that for an economist a question like this has at least 4 answers. But before I share them with you let's quickly review the last two years of public consciousness raising on this issue.

We introduced the idea of the fiscal gap to a broad audience in August 1989 with the publication of our first Fiscal Policy Paper. In it we projected a \$400 million gap by 1992 growing to \$1 billion by 2000 under a scenario aptly entitled "Stumble from Year to Year". Five subsequent papers have fleshed out the basic idea. These publications have reached a broad audience, stimulated a great deal of interest and some discussion, but have had only questionable influence on public policy.

I am aware of only 2 challenges to our analysis. Both claim that we have underestimated the petroleum revenues the state will receive during this and the next decade—either through some myopia of vision or some ulterior motive. Let me quickly dispense with these challenges so that we can move ahead to the main topic for today.

The first is that the forecasted decline in petroleum production will not become significant for a long, long time. This is because the official forecasts are based on initial reserve estimates and don't consider the typical subsequent upward revisions. This challenge is buttressed by the fact that the Alaska Department of Revenue has recently boosted their projections of estimated production through the 1990s by about 150 thousand barrels per day. Furthermore when the final numbers are tallied production for 1991 will probably come in a bit higher than 1990.

The upward revision in the forecast, if it pans out, is certainly good news. But the fact is that production peaked in 1988 and has trended down since. By 1990 it was off the peak by 12%. As with most economic processes it is hard to identify the turning point until after the fact, especially for those hoping for continued growth. President Bush was the last to admit the nation was in a recession.

Aggregate oil production is down because we are not replacing the Prudhoe oil with new production from other fields. The average productivity of the five North Slope fields brought on line since Prudhoe is just 7 percent of this super giant. The current forecast says we will be sending only half our current production level out of Valdez in 2000 and only a fourth by late in the next decade.

But we know there is still lots of oil on the slope that technically could be produced and that there are undoubtedly other fields that have not been discovered. That production could ultimately replace today's depleting reserves. Even if that were to happen, the fact is that the replacement production is coming from marginal fields where the tax base per barrel of oil produced is much smaller than today's average. The average well in the Prudhoe field produces over 2,500 barrels per day. The average productivity in the marginal fields is in the range of 200 barrels per day. There seems no escaping the conclusion that the decline in this tax base is real and will continue. The only uncertainty is its rate.

The second challenge has been the notion that an increasing price of oil would offset declining production thus maintaining the value of oil production. This challenge is buttressed by the fact that the average price of oil has, up until now at least, been higher than we assumed in our 1989 analysis.

But high oil price means something different today than it did 10 years ago. If we ignore the 6 months during the Iraqi crisis, the 6 year average price for ANS delivered to the Gulf Coast in today's dollars has been a not very earth shaking \$17.20. And today, in spite of the absence from the market of Kuwait and Iraq, two of the biggest OPEC producers, it is about \$16. The price of oil is in perpetual motion but it lacks direction. In particular it is difficult to see the 7 percent annual growth in the price of oil, after inflation, necessary to offset a 7 percent decline rate in production.

Interestingly, we have not been challenged on our assumption that government spending would continue to increase in our "Stumble from Year to Year" scenario. In fact our assumption that the general fund budget would increase no faster than the rate of inflation from a base of \$2.3 billion in 1989 lacked imagination. This year we are spending \$2.8 billion.

If we combine the higher than anticipated budget levels with the higher than anticipated production and oil price we find state finances in 1992 just about where we had projected. Revenues are in short supply. Why should the precariousness of the state budget concern us. There are 3 reasons.

1--We all benefit from government services and want to make sure our government gives higher priority to needs than luxuries.

2--The economy is addicted to state spending. One in three jobs statewide can be traced to the state budget. When Juneau sneezes the economy gets a cold.

3--Economic development has an aversion to uncertainty. Potential developers trying to guess how Alaska will deal with the loss of petroleum revenues may be scared away by some of the solutions they might imagine.

Let us turn now to answer my question.

IS THERE A FISCAL GAP? ANSWER #1. NO. THERE IS PLENTY OF MONEY IN THE GENERAL FUND.

There is plenty of money in the state general fund to pay for the current year, FY 1992, budget of \$2.3 billion.

Furthermore there is plenty of money in special accounts, in relatively liquid assets, and hidden under assorted rocks to make up any shortfall in the budget for FY 1993, the year after, and perhaps beyond.

The list of these special pots of money includes (in one possible order of political ease of raiding):
the statutory budget reserve

the Railbelt energy fund
the Exxon oilspill settlement money
the constitutional budget reserve
the earnings reserve of the Permanent Fund
the assets of AHFC and other state corporations
settlement proceeds of disputed oil tax and royalty payments

I am 95% convinced that we will spend our way through all of these without taking our foot off the gas. In my mind worse than the fact that this approach amounts to liquidation of assets to pay the operating expenses of government is the wringing of hands and a moaning and groaning that will emanate from Juneau as it happens. We will hear all about the shaky state fiscal condition, the need for constraint, and the tough decisions to be made.

But what message will really be sent to the average citizen who will judge not by what is said, but by what is done? The message will be that there is no problem. The noise is there merely for political or tactical reasons. Perhaps it is to pay lip service to the notion of fiscal responsibility for the sake of organizations such as Common Sense, or perhaps it is to ease the pain for the few unfortunates whose pet projects must be sacrificed.

But what are we really doing here. The current year revenues may be as much as \$2.4 billion, if the price of oil bounces back in the spring as it typically does, but as I have already mentioned we are spending \$2.8 billion. The amazing thing is that we actually planned to spend more than we collected, and furthermore we are planning to do the same thing next fiscal year.

The logical consequence of this strategy is that when all other assets have been liquidated we break into the corpus of the Permanent Fund--not of course by a direct assault, but by the back door, thru a redefinition of investment policy and criteria.

Incredible as it may seem even with \$2.8 billion in spending we are having a hard time scrapping together the cash to pay for the basics--police and fire protection, roads, schools. Anchorage's difficulties in coming up with the money for these valid public services are being played out in communities across the state.

IS THERE A FISCAL GAP? ANSWER #2. YES. WE CAN'T AFFORD TO PAY FOR THE BASICS OF GOVERNMENT.

To find out why we need look no further than 2 popular state transfer programs.

The first is municipal assistance, one of the main sources of money for local governments to pay for basic services. Appropriations for this program have been shrinking at the same time that inflation has been driving up costs and population growth has been increasing needs. In fact the appropriation to this program has declined 40 percent between 1986 and 1991. Anchorage and other communities have responded by tightening their belts.

The second is the Longevity Bonus Program, which pays a cash transfer to all residents over 65. Appropriations for this program have been increasing in response to growth in the over 65 population. Curiously the growth rate for this segment of the population surpassed all others in the last decade. Appropriations increased 25 percent between 1986 and 1991. In 1986 its appropriation was half as large as municipal assistance. Today it is considerably larger.

You might think that the over 65 population has benefited from expansion of this program until I remind you that the payment does not increase with inflation. Even as the total appropriation grows the

value of the payment continuously erodes. If current trends continue in 10 years we will be spending twice as much and each recipient will be receiving a payment worth half of today's. I have a hard time understanding how this scheme best serves the needs of our over 65 population.

And what does the juxtaposition of these two transfer programs demonstrate? That our method of budget making is producing a perverted result. In this example we are squeezing out needs in favor of a poorly targeted program with screwy incentives. We give a subsidy to anyone over the age of 65 for living in the state, regardless of need or worth, while at the same time cutting funding for those local government services that make our communities livable for these very same residents.

Up to this point I have been discussing very recent events, but if we look at what has happened since the mid 1970s then we get the third answer to my question.

IS THERE A FISCAL GAP? ANSWER #3. WE HAVE HAD A FISCAL GAP SINCE THE EARLY 1980s.

Not only are we selling off our assets today, we have been living beyond our means since we started draining the Prudhoe field. All through the 1980s as the oil and dollars flowed we were reinvesting, but only a small portion of the proceeds of our asset sales. By one estimate we were selling off \$1 billion a year in assets. In 1977 our primary asset was our ownership share in Prudhoe Bay. Today our primary assets consist of our ownership share of the much smaller pool of oil still remaining at Prudhoe and the Permanent Fund. The combined value of these two is much less than was the value of our share of oil in the ground alone in 1977.

Over the years we have consumed a lot of money under the pretext of investing, but let's face it, when it comes to business type investments the government has a real knack for taxing the winners to invest in the losers. This has not contributed significantly to the asset base of the state.

But let's not dwell on opportunities foregone. When you compare our performance with that of our friends in OPEC and elsewhere who also enjoyed oil windfalls, our \$12 billion Permanent Fund attests to the fact we have done better than most in maintaining our wealth.

Let's take stock of where we are today and look forward. What I see brings me full circle back to my first answer to the fiscal gap question.

IS THERE A FISCAL GAP. ANSWER #4. NO. WHAT WE HAVE IS A FORTITUDE GAP.

We HAVE the resources to restore balance to our fiscal affairs. The question is whether we want it badly enough to make it happen.

I doubt if there is a state in the union that would not trade their own fiscal problems, compounded by the recession, for our own. Our tax base and public resources are more than sufficient to provide for our needs. So why do we feel so bad?

I think it's because we carry with us the legacy of the fantasy time of the 1980s in Alaska when the normal rules governing public sector behavior did not apply. During the decade of the 1980s the state had \$48 billion at its disposal--and we rose to the challenge of disposing of the \$100 thousand allotted to each of us.

In fact there was so much money in the 1980s that no one even noticed when we blew \$2 billion. Not surprisingly \$48 billion attracted a few folks from Outside. We set them up with houses, schools with teachers, the PF Dividend and all the other accoutrements of the good life in the Great Land. But when the state budget stopped growing we pulled the rug out from under a lot of those folks, and there was a mass

outmigration. The bill for those short timers was \$2 billion. \$2 billion we would have saved if we had not created our own boom-bust cycle with petrodollars.

An example of this sense of fantasy occurred to me as I listened to the President of AMAX earlier this week describe their \$150 million purchase of the Fort Knox gold mine outside Fairbanks. Everyone in the audience understood that this was big-time and real money. Today we are talking nonchalantly about billions, rather than millions, and yet I don't think any of us, with the exception of those of you in the oil business, sense these billions to be real money.

In spite of longing for the good old days, the typical Alaska household continues to receive more in cash from state and local government than it pays in taxes. A measure of how we compare to our neighbors outside is the \$500 million that the application of national average tax rates applied to our households would generate in a year.

On hearing this some Alaskans argue they are already quite heavily taxed because the taxes and royalties paid by the oil companies are really coming out of their pockets since the oil is owned by the people of the state. Any non-Alaskan would find this reasoning preposterous. Future generations of Alaskans have as much right to that oil as the current generation and will not look kindly on those of us ready selfishly to claim their inheritance for ourselves. The oil wealth is ours, but ours as a group, not as individuals.

The truth is the government is paying us to consume its services. Shouldn't this state of affairs embarrass us at least a little? And this has persisted long enough that we now have a whole new generation of Alaskans brought up to believe that it is their birthright to be getting something for nothing from the state. Ask any kid what the justification is for the state sending him a check for \$1000. I've asked a few and 9 out of 10 say they "deserve it".

Looking at the budget are we really so needy that we can justify the state spending 3 times the national average, after inflation, on each of us. Of our \$2.8 billion budget 4 things are clear:

1. Some spending is unique to Alaska. Some is justified based on small population, low population density, resource stewardship and so on. Some unique programs are luxuries. A simple rule of thumb to identify possible luxuries would be to look at new and transformed programs since in the 60s and early 70s when we were spending a more modest double the national average.

2. We pay more than necessary for a lot of our public goods and services. I believe labor falls in that category. Our average wage bill per employee is 25% above the national average after a generous COLA adjustment. This statement could be true even if no single individual is overpaid, in fact it could be true even if each were underpaid. We might just have too many underpaid high salaried managers and not enough underpaid low salaried workers.

Incidentally, this comparison is based on a COLA that ignores the fact that every Alaska worker, private as well as public, gets a residence subsidy in the form of the Permanent Fund Dividend. This is a partial offset to COLA.

3. Service delivery is not always by the most cost effective means. We have been willing to pay extra in order to further other public objectives in the delivery of public services. These include most obviously local control and equality of service regardless of location.

4. Assistance programs are not targeted to those with a need. We have been loath to distinguish the truly needy. A large part of each dollar spent on assistance programs ends up being simply a transfer payment without justification.

If we were serious about controlling the budget, these would be some of the most promising areas to look for savings. Over time a 10% reduction could be engineered with a minimum impact on the quality of service delivery for genuine needs. Spending would still be close to 3 times the national average.

Some combination of budget reductions and contributions from households to support government services would give us a combination of higher public service levels at lower cost to residents than any other state. It would be a big first step in the direction of bequeathing a sustainable public sector to the next generation of Alaskans. The potential is there and the goal is achievable.

How do we get from here to there? It is not going to happen under the current system for reasons that should now be obvious. We are wishing against human nature.

As long as the government is paying us to consume services it should be no surprise that we will demand the maximum while at the same time piously decrying the fiscal irresponsibility of it all. It is naive to continue to think that if we only had rational decision makers who listened to the voters they would trim the budget and adopt a plan of action just as any family or business would if faced with falling revenues.

It will not happen because our collective state financial resources suffer from the "tragedy of the commons". What rational individual or legislator would willingly step forward and volunteer his favorite programs for the budget ax in the full knowledge that the savings would end up funding some other less deserving, or positively wacko, program?

Under current conditions nothing short of a crash in revenues is going to force us to start the process of balancing our public needs and resources. Rational argument won't. The prospect of appropriating \$400 million more than projected revenues won't. The prospect of liquidating our assets won't.

Short of a crash I see only 2 changes to our system that could instill discipline into our fiscal affairs. The first is to get all the money off the table. This won't happen as long as there is free money in accounts under rocks in Juneau that can be tapped. The second is to employ the incentive device that guides our free market system--prices. If public services had a price attached in the form of a tax, people would sit right up and take notice of how public funds were being spent. I think a price of even 5 cents on the dollar would create a significant "price effect" as taxpayers discovered lots of spending that was not even worth 5 percent of the cost.

I don't relish paying taxes and would not suggest such a course of action in the absence of a guarantee of constraint on the size of the budget. But with adequate assurance that government would deliver restraint I would be willing to buy some. I would accept taxation to purchase some fiscal constraint, knowing that others were also paying their share.

Perhaps a compromise could be packaged in which taxpayers would trade \$1 in support of government for each \$1 reduction in the size of the budget from a base level. Perhaps some other scheme would work.

But I am convinced that if we are unwilling to commit to discipline ourselves, it is wishful thinking to believe that others will willingly sacrifice for the common good. The goal is attainable but if we cannot find the means to act together to move toward it we will not act at all. This finally is the reality of the fiscal gap.

ALASKA STATE LEGISLATURE

Anchorage Office:
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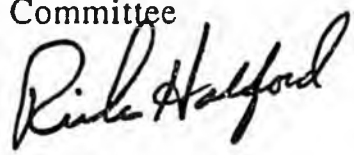
While in Juneau:
P.O. Box V
Juneau, AK 99811
907-465-4958

Senator Rick Halford

MEMORANDUM

TO: Senate State Affairs Committee

FROM: Senator Rick Halford



SUBJECT: Opposition to SB 438

DATE: February 26, 1992

Senate Bill 438 would reduce the total amount going into Permanent Fund dividend by 27 million next year, 67 million the following year and 111 million the third year. The cumulative effects of these ongoing reductions and inflation, will cut the value of individual dividends in half within the next ten years. All this proposed before a single budget cut.

Capping or reducing dividends is the most regressive, negative way to take money from Alaskans for governments excesses. 100% of any money comes from Alaska Residents of 1 year or more, over 30% of the money comes from children, more comes from the poor, and from retired or senior citizens. No tax is necessary but a Permanent Fund tax is the very worst alternative. Who in their right mind would propose targeting a flat tax on children or senior citizens. By setting a schedule of dividend decline SB 438 also weakens public interest in the protection of the permanent fund because the dividend no longer bears any relationship to the performance of the Permanent Fund as it does today.

Finally the proposal does no good for the current revenue shortfall as the Governor said in numerous live appearances and in his full page campaign adds that he would veto any appropriation of Permanent Fund earnings for use other than dividends or inflation proofing of the fund.



Alaska Permanent Fund Corporation

P.O. Box 25500 Juneau, Alaska 99802-5500

(907) 465-2047

MEMORANDUM

DATE: February 19, 1992

TO: Senator Rick Halford
Senate Majority Leader

FROM: Jim Kelly *JK*
Research & Liaison Officer

**SUBJECT: Effect of Capping the Dividend Payout at \$500
Million in Real 1992 Dollars**

Attached are four financial projections prepared by the Alaska Permanent Fund Corporation at your request. Please note that we have included a column to show per capita dividends.

The population projections used to compute per capita dividends are derived from the Department of Labor's "Population Projections" Middle Series from the publication of the same name dated November 1991, page 20. The Middle Series is chosen because it is more conservative than the Low Series. In addition, the numbers have been reduced by 5 percent and lagged one year to account for the dividend program's eligibility requirements including one-year residency.

The per capita dividend computations also project that future dividend hold harmless expenses will be paid from the General Fund, so the only expenses subtracted from the annual dividend distributions are those of the Permanent Fund Dividend Division and the Departments of Public Safety and Corrections — all of which are projected to increase annually at a compounded 3% rate. Because of the many variables in this computation which are beyond the purview of the Alaska Permanent Fund Corporation, the per capita dividend projections must be taken strictly as "best guess" estimates.

Senator Halford
February 19, 1992
Page 2

Financial Projection #1: This is the status quo case as of January 31, 1992. It provides the benchmark against which to compare and contrast any changes to current law.

Financial Projection #2: This is the status quo case as of January 31, 1992, but presented in real 1992 dollars.

Financial Projection #3: This projection makes one change to the status quo: after fiscal 1992, the annual dividend distribution is limited to a maximum of \$500 million.

Financial Projection #4: This is the same as #3 above except it is presented in real 1992 dollars.

If you have any questions, please let me know.



Alaska Permanent Fund Corporation

FINANCIAL PROJECTIONS (in millions)

as of January 31, 1992

GROWTH OF FUND PRINCIPAL						
FY	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall
78	0		54		54	
79	54		84		139	
80	139		344		483	
81	483	900	385		1,769	
82	1,769	800	400		2,969	
83	2,969	400	421	231	4,021	
84	4,021	300	366	151	4,838	
85	4,838	300	368	235	5,741	
86	5,741		323	216	6,281	
87	6,201	1,264 **	170	148	7,864	
88	7,864		418	303	8,585	
89	8,585		228	360	9,173	
90	9,173		267	454	9,894	
91	9,894		435	559	10,888	
92	10,888		282	474	11,643	
93	11,643		203	466	12,312	
94	12,312		217	752	13,281	
95	13,281		230	811	14,321	
96	14,321		238	874	15,433	
97	15,433		263	942	16,637	
98	16,637		252	1,013	17,902	
99	17,902		228	1,088	19,218	
0	19,218		207	1,116	20,540	50
1	20,540		188	1,037	21,765	207
2	21,765		174	1,095	23,033	221
3	23,033		159	1,155	24,347	236
4	24,347		146	1,218	25,711	252
5	25,711		132	1,284	27,127	267
6	27,127		118	1,351	28,596	283
7	28,596		106	1,422	30,124	300
8	30,124		98	1,496	31,717	318
9	31,717		89	1,573	33,380	336
10	33,380		82	1,654	35,115	354
Cumulative Totals Projected For FY 1992 - 2010:			3,410	20,818		2,824

USE OF FUND INCOME							
Net Income	Distributions			General Fund	Reserves		FY
	Dividends	Per Capita Dividends	Inflation Proofing		Add (Delete)	FY End Balance	
2				1			78
8				7			79
32	12			12			80
150	28			28	59	59	81
368	71	\$1,000.00		71	185	244	82
471	108	\$386.15	231	110	110	354	83
530	175	\$331.29	151		203	557	84
658	217	\$404.00	235		206	763	85
1,021	303	\$556.26	216		501	1,264 **	86
1,069	391	\$708.19	148		529	529	87
789	424	\$826.93	303		62	591	88
868	460	\$873.16	360	4	44	635	89
916	487	\$952.63	454	4	(30)	605	90
1,030	489	\$931.34	559	4	(24)	581	91
1,099	496	\$899.00	474	4	125	707	92
1,105	527	\$925.00	466		113	819	93
1,248	567	\$970.00	752		(71)	748	94
1,333	611	\$1,022.00	811		(88)	660	95
1,423	652	\$1,066.00	874		(102)	558	96
1,519	696	\$1,111.00	942		(118)	439	97
1,621	750	\$1,171.00	1,013		(142)	297	98
1,726	800	\$1,220.00	1,088		(162)	135	99
1,834	853	\$1,271.00	1,116		(135)		0
1,945	908	\$1,321.00	1,037				1
2,059	964	\$1,373.00	1,095				2
2,178	1,023	\$1,426.00	1,155				3
2,301	1,083	\$1,479.00	1,218				4
2,429	1,146	\$1,532.00	1,284				5
2,562	1,211	\$1,580.00	1,351				6
2,700	1,278	\$1,647.00	1,422				7
2,844	1,348	\$1,705.00	1,496				8
2,993	1,420	\$1,765.00	1,573				9
3,150	1,496	\$1,829.00	1,654				10
38,059	17,829	\$25,321	20,818	4			

REALIZED RATE OF RETURN ASSUMPTIONS:

	Nominal	Inflation	Real
FY 92:	9.27%	4.24%	5.03%
FY 93:	8.50%	4.00%	4.50%
FY 94-2010:	9.00%	6.00%	3.00%

* SOURCE: Dedicated State oil revenue estimates are from the Department of Revenue (DOR) Fall 1991 Low-Case Revenue Forecast. FY 92 includes \$46.3 million to Fund principal from BP oil settlement.

** The FY 86 Earnings Reserve Account end balance was appropriated by the legislature to the principal of the Permanent Fund effective July 1, 1986.

STATUS QUO



Alaska Permanent Fund Corporation

FINANCIAL PROJECTIONS (in millions)

as of January 31, 1992

GROWTH OF FUND PRINCIPAL						
FY	FY Begin Balance	Appropriations	Dedicated State Revenues	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall
78			54		54	
79	54		84		139	
80	139		344		483	
81	483	900	385		1,769	
82	1,769	800	400		2,969	
83	2,969	400	421	231	4,021	
84	4,021	300	366	151	4,839	
85	4,839	300	368	235	5,741	
86	5,741		323	216	6,281	
87	6,281	1,264 **	170	148	7,864	
88	7,864		418	303	8,585	
89	8,585		228	360	9,173	
90	9,173		267	454	9,894	
91	9,894		435	559	10,888	
92	10,888		282	474	11,643	
93	11,195		195	448	11,839	
94	11,168		197	682	12,047	
95	11,365		197	694	12,256	
96	11,562		192	705	12,459	
97	11,754		200	717	12,671	
98	11,954		181	728	12,863	
99	12,135		154	737	13,027	
0	12,289		132	713	13,135	32
1	12,392		113	626	13,130	125
2	12,387		99	623	13,109	126
3	12,367		85	620	13,073	127
4	12,333		74	617	13,023	127
5	12,286		63	613	12,963	128
6	12,229		53	609	12,891	128
7	12,161		45	605	12,811	128
8	12,086		39	600	12,726	127
9	12,005		34	595	12,634	127
10	11,819		29	580	12,539	126
Cumulative Totals Projected For FY 1992 - 2010:			2,365	11,997		1,301

USE OF FUND INCOME							
FY	Net Income	Distributions			Reserves		FY
		Dividends	Per Capita Dividends	Inflation Proofing	General Fund	Add (Delete)	
78	2				1		78
79	8				7		79
80	32	12			12		80
81	150	28			28	59	81
82	368	71	\$1,000.00		71	185	82
83	471	108	\$386.15	231	110	110	83
84	530	175	\$331.29	151		203	84
85	658	217	\$404.00	235		206	85
86	1,021	303	\$556.26	216		501	86
87	1,069	391	\$708.19	148		529	87
88	789	424	\$826.93	303		62	88
89	868	460	\$873.16	360	4	44	89
90	916	487	\$952.63	454	4	(30)	90
91	1,030	489	\$931.34	559	4	(24)	91
92	1,099	496	\$899.00	474	4	125	92
93	1,063	507	\$889.00	448		108	93
94	1,132	514	\$880.00	682		(64)	94
95	1,141	523	\$875.00	694		(76)	95
96	1,149	526	\$861.00	705		(83)	96
97	1,157	530	\$846.00	717		(90)	97
98	1,165	530	\$841.00	728		(102)	98
99	1,170	543	\$827.00	737		(110)	99
0	1,173	545	\$813.00	713		(86)	0
1	1,173	548	\$797.00	526			1
2	1,172	549	\$781.00	523			2
3	1,170	549	\$766.00	620			3
4	1,166	549	\$749.00	617			4
5	1,161	548	\$732.00	613			5
6	1,155	546	\$716.00	609			6
7	1,148	543	\$700.00	605			7
8	1,141	541	\$684.00	600			8
9	1,133	538	\$668.00	595			9
10	1,125	534	\$653.00	590			10
21,791		10,167	\$14,977	11,997	4		

ASSUMPTIONS:

	Nominal Returns	Inflation	Real Rates of Return
FY 92:	9.27%	4.24%	5.03%
FY 93:	8.50%	4.00%	4.50%
FY 94-2010:	9.00%	6.00%	3.00%

* SOURCE: Dedicated State oil revenue estimates are from the Department of Revenue (DOR) Fall 1991 Low-Case Revenue Forecast. FY 92 includes \$46.3 million to Fund principal from BP oil settlement.

** The FY 86 Earnings Reser. Account end balance was appropriated by the legislature to the principal of the Permanent Fund effective July 1, 1986.

STATUS QUO IN REAL 1992 DOLLARS



Alaska Permanent Fund Corporation

FINANCIAL PROJECTIONS (in millions)

as of January 31, 1992

GROWTH OF FUND PRINCIPAL						
FY	FY Begin Balance	Appropriations	Dedicated State Revenues*	Inflation Proofing	FY End Balance	Inflation Proofing Shortfall
78	0		54		54	
79	54		24		139	
80	139		344		483	
81	483	900	385		1,769	
82	1,769	800	460		2,969	
83	2,969	400	421	231	4,021	
84	4,021	300	366	151	4,838	
85	4,838	300	368	235	5,741	
86	5,741		323	216	6,281	
87	6,281	1,264 **	170	148	7,864	
88	7,864		418	303	8,585	
89	8,585		228	360	9,173	
90	9,173		267	454	9,894	
91	9,894		435	559	10,888	
92	10,888		282	474	11,643	
93	11,643		203	466	12,312	
94	12,312		217	752	13,281	
95	13,281		230	811	14,321	
96	14,321		238	874	15,433	
97	15,433		263	942	16,637	
98	16,637		252	1,013	17,902	
99	17,902		228	1,088	19,218	
0	19,218		207	1,166	20,590	
1	20,590		188	1,247	22,024	
2	22,024		174	1,332	23,530	
3	23,530		159	1,421	25,110	
4	25,110		146	1,515	26,771	
5	26,771		132	1,614	28,517	
6	28,517		118	1,718	30,353	
7	30,353		106	1,828	32,287	
8	32,287		98	1,943	34,328	
9	34,328		89	2,065	36,482	
10	36,482		82	2,194	38,758	
Cumulative Totals Projected						
For FY 1992 - 2010: 3,410 24,461						

US USE OF FUND INCOME							
Net Income	Distributions			Reserves			FY
	Dividends	Per Capita Dividend	Inflation Proofing	General Fund	Add (Delete)	FY End Balance	
2					1		78
8					7		79
32	12				12		80
150	28				28	59	81
368	71	\$1,000.00			71	185	82
471	108	\$386.15	231	110	110	244	83
530	175	\$331.29	151		203	354	84
658	217	\$404.00	235		206	557	85
1,021	303	\$556.26	216		501	763	86
1,069	391	\$708.19	148		529	1,264 **	87
789	424	\$826.93	303		62	529	88
868	460	\$873.16	360	4	44	591	89
916	487	\$952.63	454	4	(30)	635	90
1,030	489	\$931.34	559	4	(24)	605	91
1,099	496	\$899.00	474	4	125	581	92
1,105	500	\$877.00	466		140	707	93
1,250	500	\$855.00	752		(1)	846	94
1,342	500	\$835.00	811		31	845	95
1,443	500	\$815.00	874		70	876	96
1,556	500	\$795.00	942		114	946	97
1,680	500	\$777.00	1,013		166	1,060	98
1,814	500	\$758.00	1,088		226	1,227	99
1,958	500	\$740.00	1,166		292	1,452	00
2,114	500	\$723.00	1,247		367	1,745	01
2,283	500	\$706.00	1,332		451	2,112	02
2,467	500	\$691.00	1,421		545	2,563	03
2,665	500	\$676.00	1,515		651	3,108	04
2,883	500	\$662.00	1,614		769	3,758	05
3,120	500	\$649.00	1,718		902	4,528	06
3,377	500	\$637.00	1,828		1,050	5,429	07
3,658	500	\$625.00	1,943		1,215	6,479	08
3,964	500	\$613.00	2,065		1,399	7,694	09
4,299	500	\$603.00	2,194		1,605	9,093	10
44,077	9,496	\$13,936	24,461	4		10,698	

REALIZED RATE OF RETURN ASSUMPTIONS:

	Nominal	Inflation	Real
FY 92:	9.27%	4.24%	5.03%
FY 93:	8.50%	4.00%	4.50%
FY 94-2010:	9.00%	6.00%	3.00%

* SOURCE: Dedicated State oil revenue estimates are from the Department of Revenue (DOR) Fall 1991 Low-Case Revenue Forecast. FY 92 includes \$46.3 million to Fund principal from BP oil settlement.

** The FY 86 Earnings Reserve Account end balance was appropriated by the legislature to the principal of the Permanent Fund effective July 1, 1986.

PFDS CAPPED AT \$500 MILLION BEGINNING IN FY 93.



Alaska Permanent Fund Corporation

FINANCIAL PROJECTIONS (in millions)

as of January 31, 1992

GROWTH OF FUND PRINCIPAL						
FY	FY Begin Balance	Appropriations	Dedicated State Revenue	Inflation Proofing	Inflation Proofing Shortfall	FY End Balance
78			54			54
79	54		84			139
80	139		344			483
81	483	900	385			1,769
82	1,769	800	400			2,969
83	2,969	400	421	231		4,021
84	4,021	300	366	151		4,838
85	4,838	300	368	235		5,741
86	5,741		323	216		6,281
87	6,281	1,264 **	170	148		7,864
88	7,864		418	303		8,585
89	8,585		228	360		9,173
90	9,173		267	454		9,894
91	9,894		435	559		10,888
92	10,888		282	474		11,643
93	11,195		195	448		11,839
94	11,168		197	682		12,047
95	11,365		197	694		12,256
96	11,562		192	705		12,459
97	11,754		200	717		12,671
98	11,954		181	728		12,863
99	12,135		154	737		13,027
0	12,289		132	745		13,167
1	12,422		113	752		13,287
2	12,535		99	758		13,392
3	12,634		85	763		13,482
4	12,719		74	768		13,560
5	12,793		63	771		13,627
6	12,856		53	775		13,683
7	12,909		45	777		13,731
8	12,954		39	780		13,773
9	12,993		34	782		13,809
10	13,027		29	783		13,840
Cumulative Totals Projected For FY 1992 - 2010:						
			2,365	13,639		

US USE OF FUND INCOME							
Net Income	Distributions			General Fund	Reserves		FY
	Dividends	Per Capita Dividend	Inflation Proofing		Add (Delete)	FY End Balance	
2				1			78
8				7			79
32	12			12			80
150	28			28	59	59	81
369	71	\$1,000.00		71	185	244	82
471	108	\$386.15	231	110	110	354	83
530	175	\$331.29	151		203	557	84
658	217	\$404.00	235		206	763	85
1,021	303	\$556.26	216		501	1,264 **	86
1,069	391	\$708.19	148		529	529	87
789	424	\$826.93	303		62	591	88
868	460	\$873.16	360	4	44	635	89
916	487	\$952.63	454	4	(30)	605	90
1,030	489	\$931.34	559	4	(24)	581	91
1,099	496	\$899.00	474	4	125	707	92
1,063	481	\$843.00	448		134	814	93
1,134	454	\$776.00	682		(1)	766	94
1,148	428	\$715.00	694		27	750	95
1,165	404	\$658.00	705		56	764	96
1,185	381	\$605.00	717		87	808	97
1,207	359	\$558.00	728		120	881	98
1,229	339	\$514.00	737		153	985	99
1,252	320	\$473.00	745		187	1,116	0
1,275	302	\$436.00	752		221	1,274	1
1,299	285	\$402.00	758		257	1,458	2
1,324	268	\$371.00	763		293	1,669	3
1,350	253	\$342.00	768		330	1,904	4
1,378	239	\$316.00	771		368	2,164	5
1,406	225	\$293.00	775		406	2,448	6
1,436	213	\$271.00	777		446	2,755	7
1,468	201	\$251.00	780		487	3,087	8
1,501	189	\$232.00	782		530	3,442	9
1,535	179	\$215.00	783		573	3,820	10
24,456	6,014	\$9,170	13,639	4			

ASSUMPTIONS:

	Nominal Returns	Inflation	Real Rates of Return
FY 92:	9.27%	4.24%	5.03%
FY 93:	8.50%	4.00%	4.50%
FY 94-2010:	9.00%	6.00%	3.00%

* SOURCE: Dedicated State oil revenue estimates are from the Department of Revenue (DOR) Fall 1991 Low-Case Revenue Forecast. FY 92 includes \$46.3 million to Fund principal from BP oil settlement.

** The FY 86 Earnings Reserve Account end balance was appropriated by the legislature to the principal of the Permanent Fund effective July 1, 1986.

PFDS CAPPED AT \$500 MILLION IN REAL 1992 DOLLARS