SCOMM

101:8

Meeting Notes
Aug 11+12

Doe

BETWEEN presentations
PLZ ASK IF SOMEONE
HAS PARKED A BLACK
CAR IN "LIO STAFF"
PKG SPACE. I TOOK
CARE OF THE TICKET
PROBLEM SO IF ANYONE
SHOULD GET ONE, THEY
CAN GIVE IT TO ME
& I WILL TAKE CARE OF.

Brian
ROGER Creno plan
Summary by himself

★ MAF - list to Kurt Parrant of Perkins Qs ★ 2

Art Snowden:

1. Gov's Crim Justice Working Group ★ GET RECCs ★

How
Cut budget crim justice system?
Concensus answer : alcohol

- increase taxes to limit consuption
- keep out of hands of kids
- tax alcohol c local level
- create penalties for giving alcohol to those on probation
- Special ID for purchase of alcohol

Gorsuch - sentencing c National average GAP
Juvenile Justice

Va
GAP Issues

1. Here
2. 5th FL
3. 6th FL

Staff & Editing - Commission Rm OCC @ 4/10

Reductions
Revenue + PF
OK Uncertainty

ARE YOU GOING TO GIVE THE TEAMS A MISSION OR TOPIC?

★ ASAP Emily McKenzie Distct
★ day fines

* Nordale
  structural divisions of authority in state*
  Need to discuss
  Focus of Next Meeting

Uncertainty: what elements of addressing issue must be included?

- Concensus elements in groups as to solution.

* · Annual report to public on progress in filling fiscal gap. *

Rpts of ~~[illegible]~~ Teams

McConnell
Nordale
6th Fl

sales
Local govts use taxing capacity
as shared revenue match
• Alcohol tax
  • urge look at sanctions etc.

• Fuel taxes increase put into trust fund.
(acct w/in GF)
incl. off highway fuel (ie. generators)

Did not discuss user fees + licences ie. auto drivers

5th Fl FLAT BUDGET FOR 4-5 YRS INCOME TAX CBR TRANSITION

VOLATILITY

choices to solve short term volatility
1. STABILITY - FUTURES TO MINIMIZE PRICE
2. CBR
3. Fwd funding
4. Cremo/endowment PF principal protected
5. Use ERA as stabilizing factor

6. Capped PFD, & reduce ie. 711,000 @ 350 = 550 yr OR 10% per yr

7. Who should pay for education - urban areas should increase mill rate to raise 120M

Gorsuch Run PF - cap PF / Jim Kelly as of 10 Aug

As of 5th Floor Mtg:

2ND FLOOR ▲ See Frasca sheet JB

BR Endowment (ie Cremo, but not quite)
Cremo: too big dip
too much potent'l for raid on PF principal

Stabilization important and endowment approach can bring that

SR Futures:
· based on not AK oil, West Coast
· ability of contractor to pay
· sell royalty forward but would need market developed.

JB How do you ~~keep~~ keep fm spending too much of PF ERA at one time?
Need to limit to percent ea yr so endow.

10% real reduction in spending acceptable
↓ over 5 yrs

SL links to taxpayers.

- TRIGGERS - graduated approach
- Too many reserve funds, discuss combining funds, etc.

Navarre: Group - do something w CBR; not doing what was intended.

A McConnell: Get concensus to Murkowski

BR: EXP:

1. Cuts -10% - 15% real terms over 5 yrs
2. Ex. Tax + UF hefty early
3. PF use income ~~(POMV) Dividend~~
4. In Tax later
5. CBR not using
6. Limit spending from reserves / endowment

Dividend? Cap?

SP: Endowment plan first, then look at div.

LG: AH: Volatility Issue

Buried PF? No

- Buried reserves

BR: 3 ways to buried political settlement Dinkum Sands

ANWR Bonus to PF
an

Nat. Gas to CBR

BR Fuel taxes devoted to maint?

Presentation to
Long Range Fiscal Planning Commission

Department of Transportation/Public Facilities

Commissioner Joe Perkins

8/10/95

Transportation Funding Issues

- With the general decline in state general funds for maintenance of roads, airfields and harbors the facilities are gradually deteriorating and the state will lose valuable assets.

- Continued lack of adequate state funded maintenance will directly affect the public's use of the facilities and a solution to the shortfall in maintenance funding is needed.

- Based on historical appropriations by the legislature and the current projected budget short fall, it is highly unlikely that sufficient funds to perform the required maintenance will be provided in the future.

- DOT/PF continues to work to increase efficencies
  M & O Review
  Administration Review

- DOT/PF lacks a stable and reliable funding source to maintain our transportation system.

Operational and Deferred Maintenance

Maintenance (federal funds are not available for maintenance)

- Operational
    * snow plowing
    * pot holes
    * safety
- Deferred
    * sealing
    * ditch cleaning

The DOT/PF priority is operational maintenance. Other maintenance is deferred when revenue is short. Due to the budgetary cycle a funding shortage occurs between May and June each year when the weather is best for maintenance activities.

<u>Examples of deferred facilities maintenance:</u>

- Asphalt surface repairs and ditching virtually eliminated
    * water table rises causing surface to break-up much faster requiring major reconstruction

- Brush cutting reduced to safety minimum
    * brush roots will break down sub-base sooner requiring major reconstruction

- Most stock piles of aggregate for patching will be used-up by the end of this summer
    * because of reduced supplies some areas are trucking remaining aggregate up to 50 miles

- South of Alaska Range where perma-frost a major problem, leveling and patching of frost heaves has been reduced by nearly 80% in the last 5 years

- Asphalt pavement life could be extended by 4+ years by application of an armor coat of asphalt and chips. Funds are not available to provide armor coats. Consequently, major capital projects are required to reconstruct.

HIGHWAY MOTOR FUEL TAX

Current Tax Burden

- Alaska has the lowest highway fuel tax burden (including state sales and other taxes on motor fuel) in the United States at 8 cents per gallon.
- The national median highway fuel tax rate is 21.9 cents per gallon with rates ranging from our 8 cents to Connecticut's 37.9 cents per gallon tax rate. Northwest state average is 22.3 cents per gallon.
- Alaska has the same fuel tax rate as it had in 1961.
- If adjusted for consumer price index (Anchorage) the rate would be 31 cents per gallon today.
- Gasohol was exempted from motor fuel tax in 1980. Gasohol sales were initiated in Anchorage in January 1995 as a measure to stay within compliance with the federal Clean Air Act. There were approximately 30.3 million gallons of gasohol sold during FY 95. Approximately $2.4 million in revenue would have been generated in FY 95 if gasohol was taxed.

Revenue options

Each $.01 per gallon of Hwy gas.. $2 million
Each $.01 per gallon of Hwy diesel... $582 thousand

JOE PERKINS - OTHER STATES | GASOHOL = LICENCE + REGISTRATION FEES | FOR BRIAN

TOLL CHARGE ON AK ROADS?

*MAF • EXEMPTIONS - FOLLOW UP W PUBLIC SAFETY

HIGHWAYS RELATED REVENUE[1]

(in thousands)

FY 95 Fuel Taxes	Gallons	Rate	Revenue	Revenue per $.01
Gas	209,390.4	$.08	$16,751.2	$2,093.9
Off-Hwy Gas	1,922.6	$.02	$38.5	$19.2
Diesel	58,280.8	$.08	$4,662.5	$582.8
Off-Hwy Diesel	132,877.4	$.02	$2,657.5	$1,328.7
FY 95 Est. Gross License/Registration			$29,110.0	
FY 95 Other Fees (e.g., collections for damages)			$1,186.5	
Total Highway Related Revenue			**$54,406.2**	

HIGHWAYS RELATED EXPENSES

(in thousands)

		Shortfall	Rate/Gal Increase Needed[2]
FY 95 Actual M&O Operating Budget	$59,032.0	$ 4,626.0[3]	$.02
FY 95 Adjusted from FY 90 base (Anch. CPI & added Lane miles)	$ 9,788.0	$ 9,788.0	$.05
Capital M&O/deferred maintenance (5 yr. av.)	$ 4,609.0	$ 4,609.0	$.02
Indirect Costs (other budget components)			
Administration	$10,100.0	$10,100.0	$.04
Hwy related Buildings	$ 3,000.0	$ 3,000.0	$.01
Muni Rev Sharing (@ $1,500)[4]	$ 7,280.0	$ 7,280.0	$.03
Related Costs:			
• Dept. Revenue			
Collection cost for fuel tax	$ 200.0	$ 200.0	$.00
Increased cost if rate increased	$ 50.0	$ 50.0	$.00
• Dept. Public Safety			
Collection cost license/registration	$ 8,000.0	$ 8,000.0	$.02
Total Highway Expenses	**$102,059.0**	**$60,053.0[5]**	**$.174** =25.4¢ ADDITION TOTAL TAX
Federal CIP Match (5 yr. av.)	$20,400.0	$20,400.0	$.08

STATE'S SHARE @ 9% CIP

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[1] This chart does not include any revenue or expenses related to the Alaska Marine Highway System

[2] Using the FY 95 gallons for highway gas and highway diesel only for the $.01 increase. Increase Needed rounded to whole cents.

[3] This number represents the difference between FY 95 Actual and Total Highway Related Revenue

[4] Full funding to the statutory limit of $2,500 per mile would be $13,133.3 . FY 95 was funded @ $922.50 per mile for a total of $4,447.2. Does not include ice miles.

[5] Does not include maintenance that has been deferred in the past or that is being deferred beyond the available budget.

AVIATION FUEL TAX

Current Tax Burden

- Jet fuel is taxed at 3.2 cents per gallon and aviation gasoline is taxed at 4.7 cents per gallon.

- Alaska's aviation fuel tax rates were last changed in 1994 when the tax rate for jet fuel increased from 2.5 cents to 3.2 cents and aviation gasoline from 4 cents to 4.7 cents per gallon. The old rates had been in effect since 1968. When the fuel tax rates were increased, a provision in statute restricting the collection of landing fees at rural airports was attached. If landing fees are reimposed, the aviation fuel tax rate will be reduced to the pre-1994 level.

- For those states with fuel taxes the 1994 national median jet fuel tax rate was $.06 per gallon and for aviation gasoline was $.03 per gallon with the rates for both ranging from zero in Texas to $.28 in Rhode Island. Many airports in the U.S. utilize other fees such as landing fees, or a portion of state sales taxes to finance their operations. Additionally, passenger facilities charges (PFC) are charged by many airports to partially fund capital improvements. Alaska does not receive PFCs although all of Alaska's interstate passengers are paying the fee. These funds are currently being paid to lower 48 airports. If PFCs are implemented in Alaska, we would receive a large portion of the PFC currently being collected.

- Fuel used by aircraft travelling to other countries is exempt from taxes. For FY 95, the tax collected would have been $10 million.

Revenue options

$.01 per gallon of aviation gas .... $248 thousand
$.01 per gallon of jet fuel .... $2.6 million

AVIATION RELATED REVENUE[1]

(In Thousands)

FY 95 Fuel Taxes	Gallons	Rate	Revenue	Revenue per $.01
Aviation Gas	24,800.0	$.047	$1,117.1	$248.0
Jet Fuel	260,000.0	$.032	$7,356.8	$2,600.0
Rural Airport Leasing			$2,400.0	
Total Aviation Related Revenue			**$10,873.9**	

AVIATION RELATED EXPENSES

(In Thousands)

		Shortfall (Total Rev. minus)	Rate/Gal[2] Increase Needed
FY 95 Actual M&O Operating Budget	$16,370.0	$5,496.0	$.02
FY 95 Adjusted CPI & Lane miles FY 90 base	$ 2,980.0	$2,980.0	$.01
Capital M&O/deferred maintenance (5 yr. av.)	$ 658.0	$ 658.0	$.00
Indirect Costs			
Administration	$2,900.0	$2,900.0	$.01
Buildings	$ 600.0	$ 600.0	$.00
Leasing	$1,300.0	$1,300.0	$.01
Related Costs:			
• Dept. Revenue Collection cost for fuel tax	$ 50.0	$ 50.0	$.00
Total Aviation Expenses	**$24,858.0**	**$13,984.0**	**$.049**

1 Does not include Fairbanks and Anchorage International Airports

2 The rate increase needed is assessed equally against aviation gas and jet fuel. Increase needed is rounded to full cents.

MARINE MOTOR FUEL TAX

Current Tax Burden

- Marine fuel is taxed at 5 cents per gallon. A $.01 increase would yield $1.7 million.
- Alaska's marine fuel tax rate was last changed in 1977 when the rate increased from 4 cents per gallon. The old rate had been in effect since 1971.
- If adjusted for Consumer Price Index (Anchorage) the rate would be 15 cents today.
- For years 1994 through 1998, the marine fuel tax rate for residual (bunker) fuel oil sold to cruise ships decreases from 5 cents to 1 cent per gallon after tax collections on bunker fuel exceed $205,000.

HARBORS RELATED REVENUE

(In Thousands)

FY 95 Fuel Taxes	Gallons	Rate	Revenue	Revenue per $.01
Marine Gas	8,935.9	$.05	$446.8	$89.3
Off-Hwy Marine Gas	222.5	$.02	$4.5	$2.2
Marine Diesel	127,656.7	$.05	$6,382.8	$1,276.5
Off-Hwy Marine Diesel	2,715.8	$.02	$54.3	$27.1
Total Harbors Related Revenue			**$6,888.4**	

HARBORS RELATED EXPENSES

- The state can not implement a long term structured Harbors Program for maintenance and operations or capital improvements due to funding changes by each legislature. Approximately $12 million is required each year to provide maintenance, operations and new minor construction
- The State of Alaska owns 80 harbors; 53 of which are operated by individual communities under a management agreement with DOT/PF.
- Approximately $12 million in fees is collected annually by communities for maintenance and operations. The State does not collect fees for use of the remaining 27 harbors, primarily due to their remote locations.
- Many of the state-owned harbors were built in the early 1960's and are now approaching the end of their useful lives.
- Maintenance of the harbors has historically been deficient, generally occuring as an emergency response or a major capital improvement.
- Corps of Engineers harbor construction programs are slow and being reduced. Construction is limited to breakwatrer and entrance channel dredging. Proposals in Congress would eliminate all Corps of Engineer maintenance activity except for Anchorage Harbor.

Total Highways & Aviation M&O Operating General Funds

FISCAL YEAR	ACTUAL EXP $000'S	HWYS ONLY LANE MILES	Anch CPI % CHANGE from prev year	ADJUSTED NEED adjusted for CPI & lane miles	Shortfall to Equal Level of FY90 Funding
FY90	72,003.0	12,797		$ 72,003.0	$ 0.0
FY91	72,459.1	12,895	4.5%	$ 75,841.6	$ 3,382.5
FY92	73,191.7	13,001	3.4%	$ 79,055.0	$ 5,863.3
FY93	70,085.6	13,060	3.1%	$ 81,875.6	$ 11,790.0
FY94	70,257.3	13,206	2.1%	$ 84,562.9	$ 14,305.6
FY95	75,402.0	13,316	2.9%	$ 88,169.4	$ 12,767.4
FY96 Re	73,280.3	13,383	2.9%	$ 91,140.4	$ 17,860.1

Highways General Funds (includes Traffic Signal Mgt)

FISCAL YEAR	ACTUAL EXP $000'S	HWYS ONLY LANE MILES	Anch CPI % CHANGE from prev year	ADJUSTED NEED adjusted for CPI & lane miles	Shortfall to Equal Level of FY90 Funding
FY90	56,495.7	12,797		$ 56,495.7	$ 0.0
FY91	58,478.7	12,895	4.5%	$ 59,507.7	$ 1,029.0
FY92	56,170.8	13,001	3.4%	$ 62,029.0	$ 5,858.2
FY93	55,260.9	13,060	3.1%	$ 64,242.1	$ 8,981.2
FY94	55,354.1	13,206	2.1%	$ 66,350.6	$ 10,996.5
FY95	59,031.9	13,316	2.9%	$ 68,819.5	$ 9,787.6
FY96 Re	57,184.1	13,383	2.9%	$ 71,150.6	$ 13,966.5

M&O Operating Budget
Highways and Aviation

Total Need:	**91,140.4**
FY96 Authorized:	**73,280.3**
Total Shortfall:	**17,860.1**

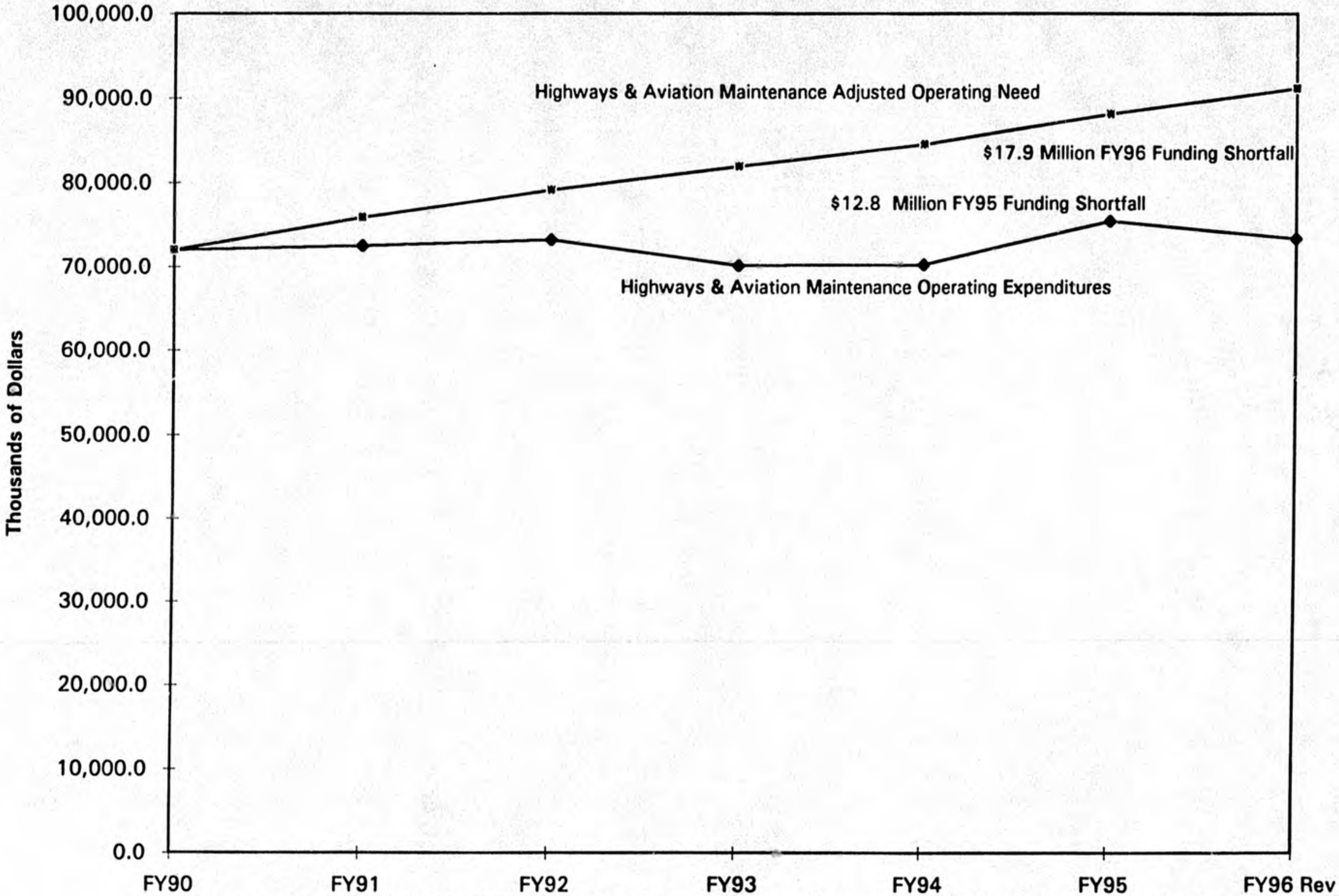
Aviation General Funds

FISCAL YEAR	ACTUAL EXP $000'S	HWYS ONLY LANE MILES	Anch CPI % CHANGE from prev year	ADJUSTED NEED adjusted for CPI & lane miles	Shortfall to Equal Level of FY90 Funding
FY90	15,507.3	12,797		$ 15,507.3	$ 0.0
FY91	13,980.4	12,895	4.5%	$ 16,334.0	$ 2,353.6
FY92	17,020.9	13,001	3.4%	$ 17,026.1	$ 5.2
FY93	14,824.7	13,060	3.1%	$ 17,633.5	$ 2,808.8
FY94	14,903.2	13,206	2.1%	$ 18,212.3	$ 3,309.0
FY95	16,370.1	13,316	2.9%	$ 19,350.0	$ 2,979.8
FY96 Re	16,096.2	13,383	2.9%	$ 19,989.8	$ 3,893.6

- Need to Equal FY90 Level of Funding is FY90 Actual Expenditures adjusted by the Anchorage Consumer Price Index and the % Increase in Area Maintained as measured by increased lane miles of highways.
- Based on Actual Expenditures (not Authorized) except FY95 Actual Expenditures not available as of 8/2/95, so authorization + RPLs + supplementals is utilized. FY96 Rev utilized authorized budget adjusted by leg. unallocated reduction + anticipated program receipts for Sitka Airport.
- FY95 & FY96 Need further adjusted to reflect the new responsibility of Sitka Airport.

Highways & Aviation Comparison of Maintenance Actual Expenditures to Adjusted Need *

*Need Based on FY90 Actuals Adjusted by Anchorage CPI and % Increase Area Maintained



FY95 Based on Authorization + Supplementals + RPLs; FY96 is Authorized Budget adjusted for legislative unallocated reduction

8/10/95

File:EXCEL.; H&A90 Base

Fax to Melissa Fouse
Fax 258-9869

Long Range Fiscal Planning Commission

Dear Members of the Commission,

During my testimony to the Commission on August 11, 1995 several questions were asked concerning subjects which I ~~dd~~ could not provide answers. ~~dd~~ I would like to provide the following information concerning those unanswered questions:

Question: What taxes are charged by other states for Gasohol?
Answer:

Question: How ~~do other states compare~~ does Alaska compare with other states on license & REGISTRATION fees?
Answer:

Question: ~~What road maintained by the DO~~ What percent of the roads maintained by the department can be considered "local" roads?
Answer:

Question: Can the Department charge tolls on our highways?
Answer:

Question: ~~whatever~~ How does Alaska's ~~watt~~ watercraft fuel tax rate compare with other States?
Answer:

I enjoyed testifying before the Commission and if the Commission requires any other information concerning the Department please contact me at 465-3901.

J. Pe

Department of Transportation & Public Facilities
Commissioner's Office
Voice Telephone: (907) 465-3900
Text Telephone: (907) 465-3652
Fax Number: (907) 586-8365

FAX

TO: Melissa Fouse **Phone:**

FROM: Joe Perkins **Phone:**

Number of Pages (Including this Cover Sheet): 3

Comments:

Alaska's Growing Fiscal Gap

The Preliminary Report
of the
State of Alaska
Long-Range Financial Planning Commission

August 10, 1995

The State of Alaska Long-Range Financial Planning Commission was established by Alaska's Legislature and Governor to assess the State's financial condition and to recommend a strategy to balance the state's revenues and expenditures. It consists of 15 Alaskans, five each appointed by the Governor, the Speaker of the house, and the President of the Senate.

We were asked to

1) examine the size of the "fiscal gap" - the difference between the State's revenues and expenditures - for a ten-year period,

2) to look for budget reductions and revenue increases,

3) to examine the budget process,

4) to consider the impacts of changes on local governments, and

5) to hear from the public about the choices Alaskans face.

In this preliminary report, we will document the size of the fiscal gap, explain the choices available to the state, anddiscuss the opportunities for cutting expenditures and raising revenues to fill the gap.

We will then ask the Alaska public to let us know what you think is a long-term sustainable state revenue strategy which balances the needs for state services with the limited resources available to Alaska.

After hearing from you, on October 1, 1995 we will make our recommendations to the Legislature, the Governor, and the people of Alaska.

Brian Rogers, Chair
Fairbanks

Judy Brady, Vice Chair
Anchorage

Lee Gorsuch
Anchorage

Sen. Georgianna Lincoln
Rampart

Robert W. Loescher
Juneau

Bruce Ludwig
Juneau

Annalee McConnell
Juneau

Hugh Motley
Cooper Landing

Mike Navarre
Kenai

Mary Nordale
Fairbanks

Mike O'Connor
Anchorage

Rep. Sean Parnell
Anchorage

Pat Pourchot
Anchorage

Sen. Steve Rieger
Anchorage

Marie Westfall
Ketchikan

Alaska's Growing Fiscal Gap
The Preliminary Report of the
State of Alaska Long-Range Financial Planning Commission

<u>Table of Contents</u>

The fiscal gap is real, and it's growing.

The State of Alaska spends more than it takes in each year, and has done so for six of the past nine years.

This year, we estimate the state will spend $513 million more than it it takes in - this is the fiscal gap. Over the next ten years, this gap will grow. Based on the assumptions adopted by the Commission, we believe it will grow to over $1.3 billion by 2000 unless the state takes corrective action.

State spending has been reduced by 5 percent per year for the past five years (in inflation adjusted terms). The legislature, the governor, and state agencies have worked to close the gap by cutting expenditures and holding the line on the growth of expenditures. The fiscal gap exists in spite of these efforts.

These efforts have not been enough to offset the decline in revenues. However, without this steady attention to reducing expenditures, Alaskans may have faced drastic reductions in services and programs, loss of the permanent fund or significant new taxes.

Alaska has significant oil reserves and a growing Permanent Fund. We have a Constitutional Budget Reserve fund established to minimize the effect of declining revenues, but that fund and other savings accounts are being spent at a rapid rate. The Constitutional Budget Reserve will be exhausted in five years if we do nothing. Other reserves will be depleted shortly thereafter.

Why does the fiscal gap exist?

Dependence upon non-sustainable revenue sources and declining oil production

There are two primary reasons for the fiscal gap. First, Alaska bases its budget on non-sustainable revenue sources. We count on reserves to fund a budget larger than we can afford in the long term. Second, there is a rapid decline in Prudhoe Bay oil production. The State of Alaska depends upon oil & gas revenues for half its income (80% if we exclude Permanent Fund earnings). The decline in production brings a decline in state revenues.

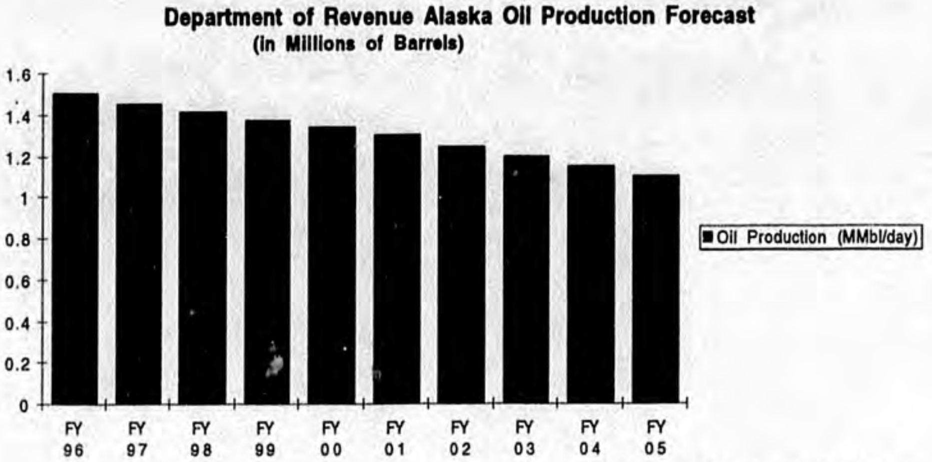
At Statehood, Congress endowed Alaska with a substantial land base, including underlying oil and gas resources such as Prudhoe Bay. The state instituted methods by which oil companies may bid on the production of Alaskan oil and that oil began to flow through the Trans-Alaska Pipeline System (TAPS) in 1977.

By 1979, after the OPEC price hikes, Alaska received such large amounts of revenue from royalties and taxes that the state abandoned most of its more traditional methods of obtaining revenue.

Oil prices peaked in 1980 and began a steady decline. The abrupt fall in 1986, and the dramatic cut in state and oil industry spending contributed to the 1986-1989 Alaska recession. Even so, Alaskans seemed to rely on the probability of a rebound in oil prices than to address the problem of the state's dependence on a declining revenue source.

Alaskans have known all along that oil revenues were finite. Prudhoe Bay production peaked in 1988. North Slope oil production rates started falling in 1991 and will continue to do so until the fields are no longer economical to produce. Potential new fields are unlikely to replace the loss in production from the North Slope.

The chart below shows the current forecast of oil production in Alaska with the following assumptions:



Source: Spring 95 DOR

• There is little probability of oil production from ANWR during the next ten years, regardless of whether ANWR is opened for exploration or how much of the oil that may be discovered there is commercially recoverable.

• Some production from currently marginal fields is included. While there may be some additional production from fields not listed, we follow the Department of Revenue projections as the best currently available.

• No production of North Slope natural gas is included; production is currently not expected before 2005.

Fiscal Instability

The volatility of Alaska's revenues complicates the fiscal gap by creating fiscal instability. Fiscal instability is the roller-coaster ride caused by unpredictable oil price fluctuations (from a low of $8 per barrel to a high of $32per barrel in the past 15 years), and the resulting ups and downs in expected state revenue flows. At today's oil production rates, each $1 per barrel change in oil prices causes a $120 million shift in state revenues.

One could consider the fiscal gap as the distance from the roller coaster to the ground. The fiscal gap looks closer, and more ominous, when the roller coaster is whipsawed downward by falling oil prices. By contrast, it looks farther away and less threatening when the roller coaster is whipsawed upwards by rising prices.

When the roller coaster heads downhill, people get anxious. Fiscal disaster seems just around the corner, and everyone agrees that there is an urgent need to fix the problems caused by the fiscal gap. When oil prices and the roller coaster swing upwards, however, the fiscal gap suddenly looks farther away, and less threatening, and the sense of urgency and the resolve to deal with the problem dissipates. This cycle repeats itself over and over in Alaska, as oil prices and resulting revenue forecasts cycle up and down.

The twin trends of declining revenues due to diminishing production and increasing expenditures due to increasing population combine to increase our fiscal problems each year in the foreseeable future.

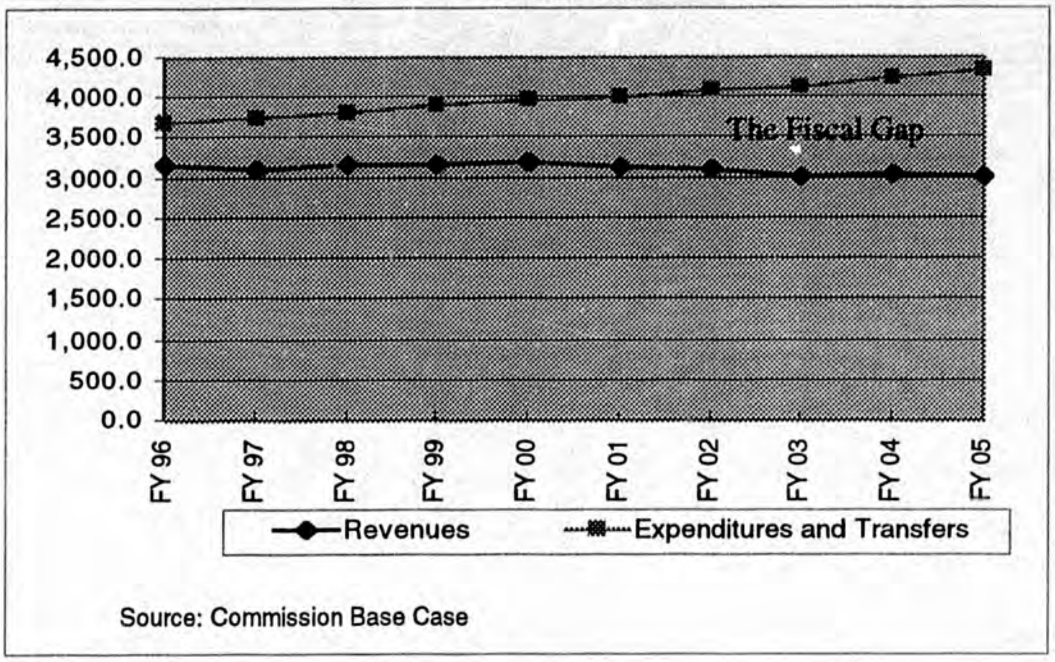
The "moving target" aspect of the fiscal gap problem makes it more difficult to fix, because we don't know how large the gap may actually turn out to be, or how much time we have to fix it.

It's time to get off the roller coaster.

How big is the fiscal gap?

The fiscal gap this year is $513 million.

Alaska's Growing Fiscal Gap
($ Millions)



Alaska will take in $3.2 billion this year from petroleum revenues, other taxes and user fees, and permanent fund net income. We will spend or transfer $3.7 billion for agency operations, formula programs, debt service, Permanent Fund dividends, inflation-proofing, and the earnings reserve.

This fiscal gap is a significant portion of the state budget.

- It is equal to all of the salaries and benefits paid to all state agency employees.

- It is almost as much as the whole Permanent Fund dividend program;

- It is three-quarters of the entire K-12 public school funding program.

The fiscal gap will widen to over $1.3 billion (current dollars) in the next 10 years if no changes are made to state spending and revenues. The Commission developed a "base case" to predict revenue and project spending.

The Commission adopted the following assumptions in order to reach this estimate of the fiscal gap.

- All projections are in FY96 dollars. In reality, there will be inflation, which affects both revenues (from taxes and investment income) and expenditures.

- Population will grow 1.6% per year (compounded) as estimated by the Alaska Department of Labor.

- Absent a change in state policy
  - The state's formula programs, except education formula spending, will grow at this rate of population growth.
  - Education formula spending will grow at the projected student population growth rate of 2-1/2 %.
  - State agency expenditures will increase at one-half of the rate of population growth.

- Department of Revenue state revenue projections as of March 1995 are reasonable for the purposes of calculating the fiscal gap. New projections of revenues are developed on a regular basis, and may result in changes to the fiscal gap, but the scale of the gap is unlikely to change significantly.

• Estimates of Permanent Fund income and dividends developed by Commission staff based on earlier work by the Alaska Permanent Fund Corporation are reasonable for our purposes.

• $50 million will be available annually to the state as a dividend from Alaska Housing Finance Corporation income, as provided in the agreement between AHFC and the Governor.

• The base case does not include new revenues from ANWR nor increased revenues due to repeal of the oil export ban (congressional action is imminent on the oil export ban. Projected revenues from repeal are shown in economic development section.)

• These projections assume federal assistance to the State of Alaska will not change. We expect current Congressional action will result in substantial cost-shifting from the federal to the state budget.

• All revenues that can be spent are considered available for expenditure or other disposition. Thus, Permanent Fund earnings are included in the unified budget, although changes to use of earnings are not.

• The base case calculates the fiscal gap without use of the Constitutional Budget Reserve (which requires a 3/4 vote of both houses of the legislature), then uses the CBR to fill the gap each year.

•The approximately $567 million in federal and other funds received and expended by the state are not shown, since most cannot be used to close the gap.

These assumptions are debatable. Nonetheless, any reasonable set of assumptions will show there is a significant fiscal gap, and the fiscal gap will grow absent action by the State.

What can be done to close the fiscal gap?

The commission is considering six categories of fiscal choices, some or all of which can be used in combination:

- **Cut spending**
- **Use reserves and other state assets**
- **Raise revenues through economic development**
- **Raise taxes and user fees**
- **Use Permanent Fund income**
- **Increase oil production from new or existing fields**

For the last five years, the State has used pieces of all six fiscal choices. In particular, spending has been reduced, reserves used, and user fees increased. The State has attempted to create economic incentives to increase development of oil and gas, timber, minerals, fishing, and tourism.

But the size of the problem continues to grow, primarily due to formula programs that are driven by population growth and the decline in North Slope oil production.

Each of these fiscal choices has an effect on Alaska's economy and on the lives of the people of Alaska. The effects can vary, by region of the state, by income level of Alaskans, by the kind of business in which a person works.

For this initial report, the Commission has compiled a "catalog" of fiscal choices, which are contained in Appendix Two.

The first part of the appendix contains four scenarios for making budget reductions equivalent to the current fiscal gap. The second analyzes options for raising revenues through new taxes, increases to existing taxes, user fees and excise taxes.

The third discusses use of Permanent Fund income to support government operations and transfers. The fourth reviews state income opportunities from economic development. The final section covers reserves and state assets and opportunities for budget stabilization.

The Commission is not at this time endorsing any specific recommendations, but expects to make its recommendations from among the choices listed in the appendix, supplemented by any ideas which come out in public hearings.

How much does the state spend now?

The FY96 state budget calls for spending or placing in reserves $3.7 billion in general funds and permanent fund income as follows:

•$1,157,800,000 for state agency GF operations (excluding formula programs):

$195 million	Health & Social Services
167 million	University of Alaska
130 million	Corrections
130 million	Transportation and Public Facilities
85 million	Public Safety
75 million	Administration
46 million	Courts
43 million	Natural Resources
41 million	Fish & Game
37 million	Commerce and Economic Development
31 million	Legislature
31 million	Community & Regional Affairs
31 million	Education
20 million	Law (plus $16.8 million from the CBR)
18 million	Environmental Conservation
15 million	Governor
12 million	Revenue
9 million	Labor
6 million	Military & Veterans Affairs

•$1,488,000,000 for GF Formula Programs and other expenditures:

$660 million	K-12 education
145 million	Medicaid
72 million	Longevity Bonus
60 million	Local Government Assistance - Municipal Assistance, Revenue Sharing, Property Tax Exemptions & Renter Rebate
59 million	Aid to Families with Dependent Children
78 million	Miscellaneous, Leases, Power Cost Equalization
109 million	Debt service (including $83 million school debt)
116 million	Capital projects
19 million	Loan programs/Transfers
20 million	Supplemental appropriations for emergencies and court judgments

•$1,218,000,000 for Permanent Fund Allocations:

$575 million	Permanent Fund dividends
441 million	Permanent Fund inflation-proofing
202 million	Transfer to PF Earnings Reserve

In addition the state receives approximately $567 million in federal and other funds. The receipt and expenditure of these funds has no effect on the fiscal gap.

Our base case projections show the following deficits now, in five years, and in ten years (all numbers in millions of dollars):

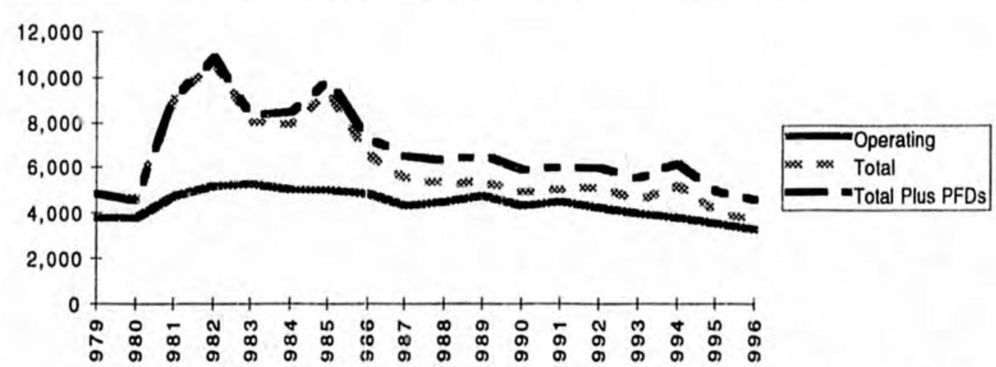
Base Case Summary (millions of $FY96)	FY96	FY00	FY05
Revenues:			
Petroleum	$ 1,553.4	$ 1,546.2	$ 1,253.1
Other sources	221.3	194.7	174.8
Permanent Fund	1,218.0	1,372.7	1,530.2
Other	180.1	79.6	68.0
TOTAL	$ 3,172.8	$ 3,208.3	$ 3,074.9
Expenditures and Transfers:			
Agency operations	$ 1,157.8	$ 1,270.4	$ 1,403.9
K-12 education	660.3	728.8	824.6
Other formula programs	413.8	427.2	444.6
Debt service	109.4	44.9	10.9
Capital	116.1	116.1	116.1
Loans	18.7	22.9	23.9
Permanent Fund dividends	575.0	632.0	724.1
Transfers:			
PF Inflation-proofing	441.0	482.6	516.3
PF Earnings reserve	202.0	258.1	289.8
TOTAL	$ 3,694.1	$ 3,954.7	$ 4,325.6
Required Maintenance	0.0	71.1	71.1
The Fiscal Gap	**(513.0)**	**(861.0)**	**(1,399.1)**

How has state spending changed?

The Commission examined the major growth areas of the state budget. We used FY79 as a starting point, because it was the first full year of petroleum revenues from TAPS and the last state budget prepared before the tripling of state oil revenues. The bottom chart shows that the largest increases in the 1980's were for capital spending and Permanent Fund Dividends. Operating budgets have been relatively flat.

Alaska's population has grown 52 percent since 1979. Unlike other states, the state's revenues do not grow as population grows. While the overall budget has grown, real

Real Per Capita Spending FY 79 – 96



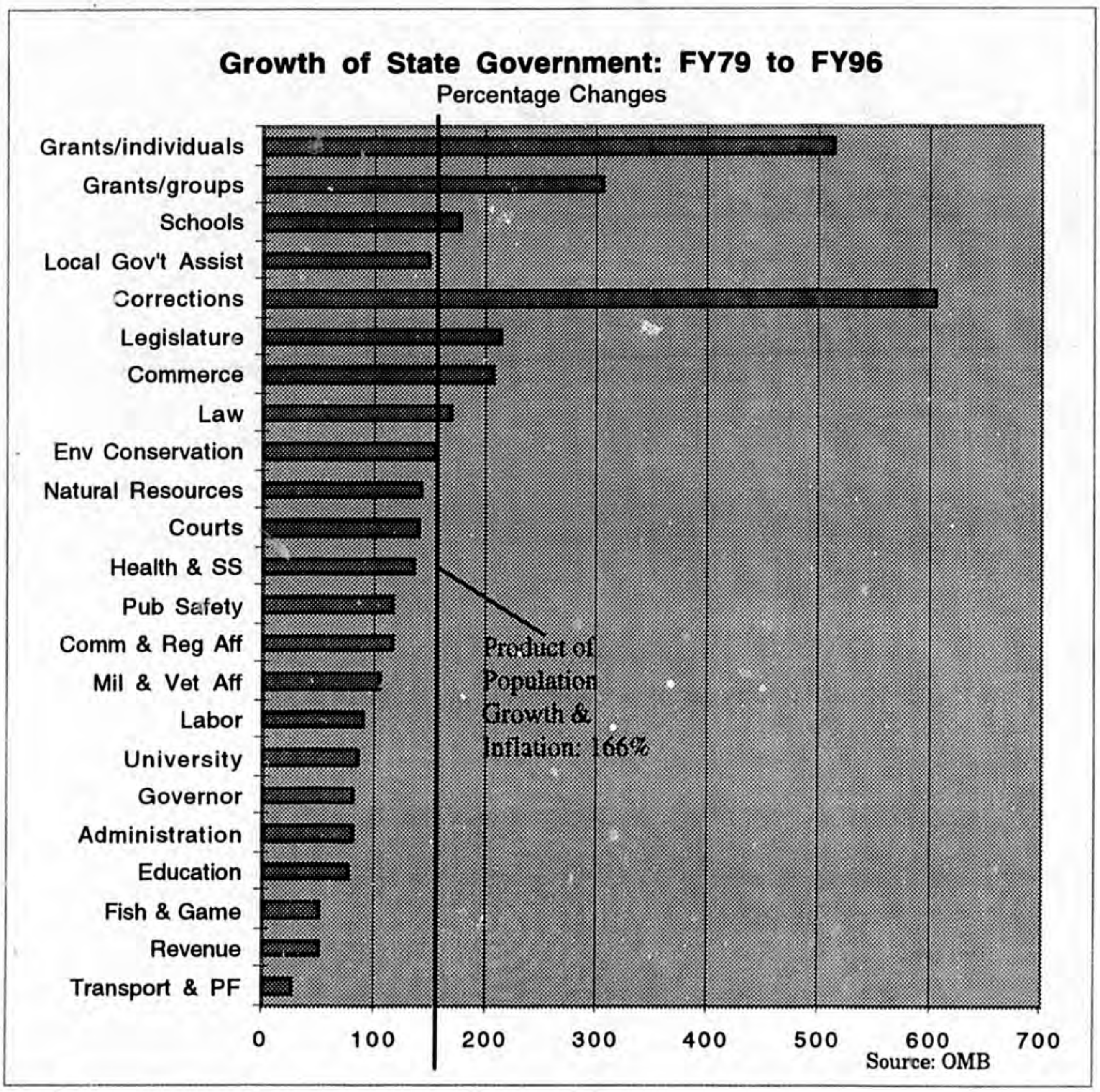
Source: OMB

base case

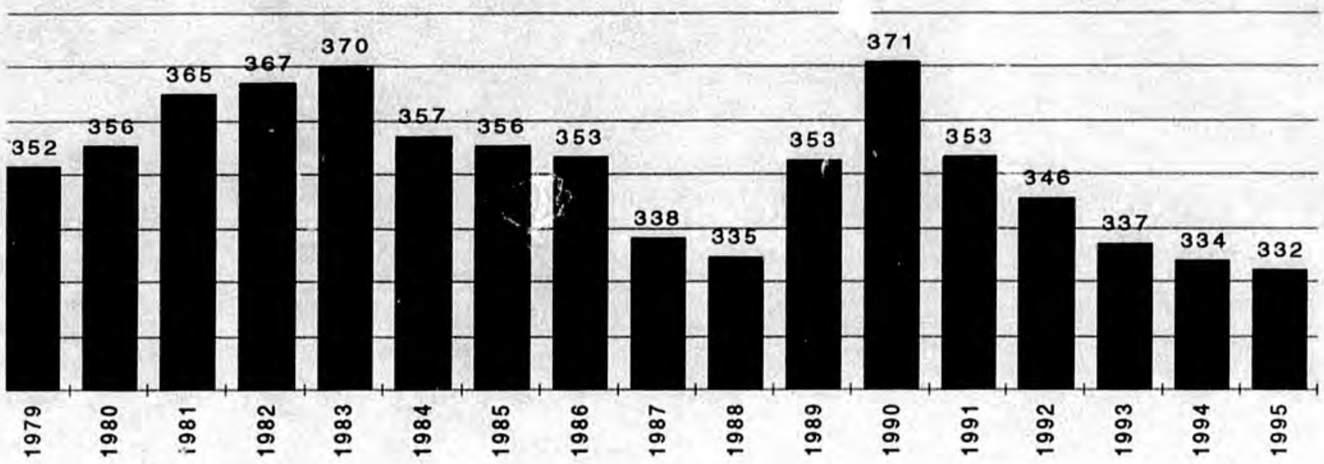
FY1979 to 96 General Fund Budget Comparisons
(million $)

	1979	1996	% Increase
University	$89.6	$167.3	87.2%
Core State Government	$445.5	$875.9	97.0%
Local Government Aid	$37.5	$92.8	147.0%
Grants to Schools	$269.3	$740.6	174.9%
Grants to Groups	$35.8	$144.8	305.0%
Grants to Individuals	$56.9	$349.4	514.0%
Total	$935.7	$2,371.0	153.0%
Consumer Price Index	77.6%	135.8%	75.0%
Population	398,000	606,300	52.3%
CPI * Population	N/A	N/A	166.0%

Source: OMB



State Employees Per 10,000 Population



Source: OMB

per capita spending is at the same level as it was in 1979.

The table at the top of page 8 shows expenditure growth by category. The core of state government, agency spending, grew 93%, compared to 150% growth in the budget as a whole. Major spending drivers were grants to individuals (443%) (not including permanent fund dividends) grants to groups (334%), grants to schools (175%) and local government assistance (165%).

The figure at the bottom of page 8 shows that the combination of population growth and inflation would have increased a budget by 155% over that 17-year period. The fastest-growing state agencies, on a percentage basis, were Corrections (604%), the Legislature (213%), Commerce (206%), and Law (160%). The largest dollar increases were for the University, Transportation and Public Facilities, Health and Social Services, and Corrections.

Projections for future years show that the biggest areas of spending growth will be formula grants to individuals, groups, and schools, and the corrections and criminal justice budgets.

Emphasis in public discussions and in the legislature has been on cuts to state spending. Some programs have been eliminated or downsized and other programs serve more people with the same amount of money.

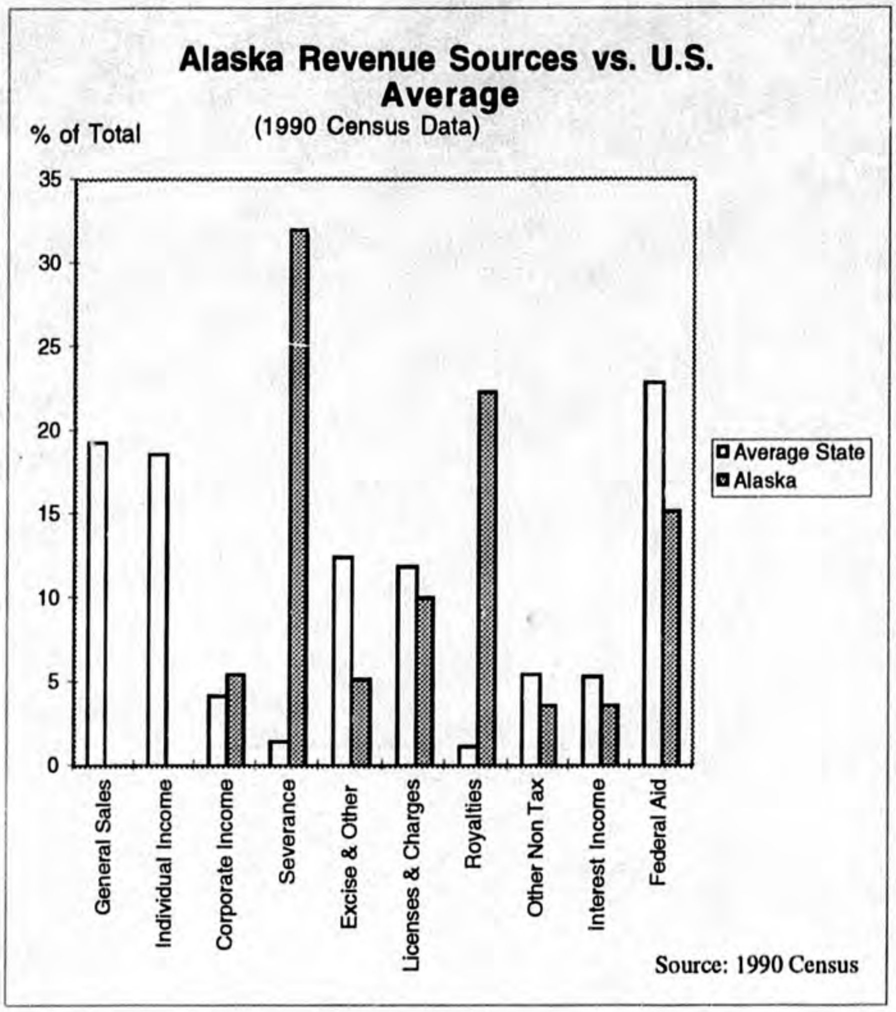
The number of state employees per capita is at a 15-year low.

The operating budget has been cut over 25% in the past five years on an inflation-adjusted basis.

Even before the oil years, Alaska spent nearly three times the national average per capita of other states to provide public services. In the 1980s this ratio increased to four times the national average. It has since declined to about the same as Fiscal Year 1979.

Nonetheless, even excluding Permanent Fund Dividends, Alaska spends more than twice as much per capita as the national average.

Part of this is might be due to Alaska's size and geographic isolation from other states. In part, because of the wealth of the State in the early 1980s, Alaskans came to expect a higher level of services.



We will receive $1.5 billion from petroleum revenues, $1.2 billion from permanent fund income (including the $441 million reserved for inflation-proofing), and $480 million from other sources. In addition to the $3.2 billion dollars in general fund and permanent fund revenue, the state also receives and expends federal funds and other funds derived from revenue generating activities.

The major sources of revenue to the state are oil and gas rents, royalties and bonuses, oil and gas property's tax, severance taxes; and corporate income taxes. The state has a number of small sources of revenue, generally excise taxes or charges and fees for services that annually generate approximately $125 million. These revenues are paid into the general fund.

Comparisons are further made difficult by the fact that Alaska performs many services at the state level that are provided by counties or municipalities elsewhere.

Education, criminal prosecution, correctional facilities, and road maintenance are primarily state-provided in Alaska, while these services are local in other jurisdictions. Some expenditures like the Longevity Bonus and Permanent Fund Dividends are unique to Alaska.

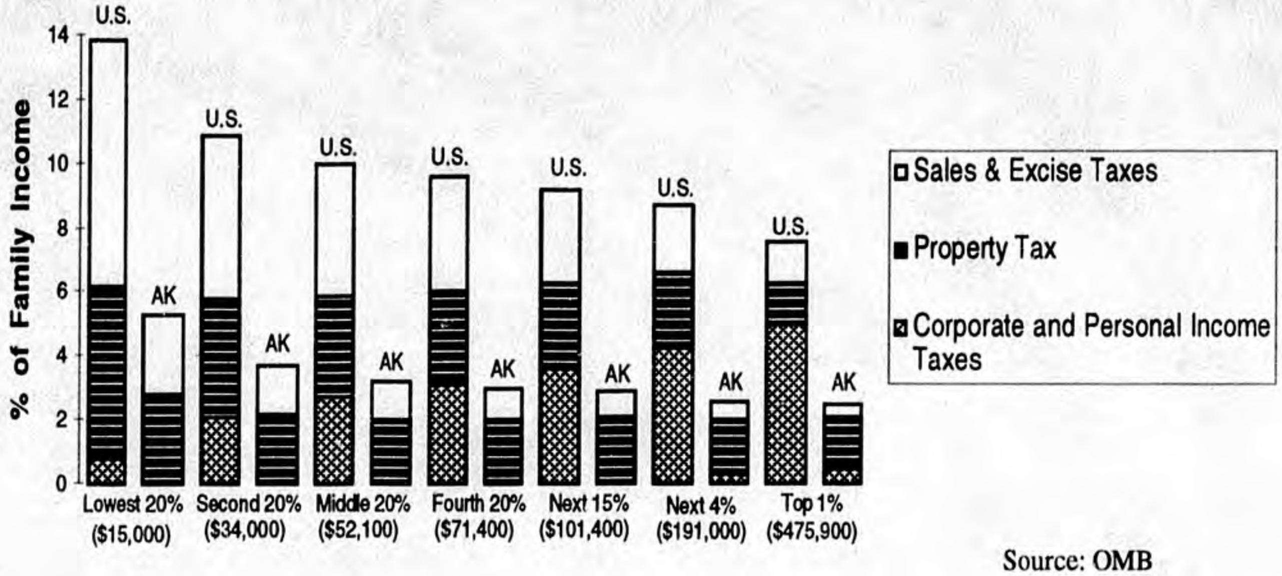
How much revenue does the State of Alaska receive?

The State of Alaska will receive $3.2 billion in general fund revenues and permanent fund earnings during FY96.

Other revenues, such as interest on the Four-Dam Pool and the Railbelt Energy Fund, which funds the Power Cost Equalization Program, and repayments on mortgages received by the Alaska Housing Finance Corporation are not considered part of general fund revenues.

The Constitution directs the earnings of the Alaska Permanent Fund to be deposited into the General Fund unless otherwise provided by law. The Legislature has not treated those earnings as available for appropriation in the same sense as tax receipts and the earnings remain in the reserve account until appropriated for dividends or inflation-proofing.

1991 State and Local Taxes: U.S. Average vs. Alaska as Shares of Income of a Family of Four



Source: OMB

The Commission examined other states' revenues not used by Alaska. Most prominent among these are statewide property taxes, statewide sales taxes, and individual income taxes. Alaska repealed its individual income tax in 1980 and has traditionally allocated to local government use of property and sales taxes.

At the same time however, the state funds certain programs, notably education, that are traditionally considered to be a local responsibility. This chart compares Alaska's revenue sources with those of an average state in 1990.

How do Alaska's revenues compare with other states?

Alaskans pay approximately a third of the state and local taxes paid by the average American.

The chart at the top of this page compares taxes on the average Alaskan family with those paid by the average American family. It does not take into account payments to households under the Alaska Permanent Fund dividend program, which more than offsets the combined state and local tax burden for most families.

The two charts on the next page show the annual tax burdens of Alaskan families with two sample incomes. They show that the net effect of the dividend is that the average Alaskan family pays significantly less in taxes than a similar family in Seattle WA or Billings MT.

How large are the State's cash reserves?

Alaska is fortunate to have over $3 billion in cash reserve funds

These substantial reserves constitute one of the primary fiscal tools the state can, and has used, to temporarily fill the fiscal gap. However, these large reserve balances also have a negative side, in that the use of these reserves can delay for several more years the difficult actions

What is the annual tax burden for a family of four with a gross income of $50,000 and a typical house for that income?

	Anchorage	Seattle	Billings
Pers. Inc. Tax	$ 0	$ 0	$2,108
Property Tax	$ 1,421	$1,691	$1,423
Sales Tax	$ 0	$ 998	$ 0
Car Taxes	$ 93	$ 538	$ 493
PermFundDiv.	($3,932)	$ 0	$ 0
TOTAL	($2,418)	$3,227	$4,024

What is the annual tax burden for a family of four with a gross income of $100,000 and a typical house for this income?

	Anchorage	Seattle	Billings
Pers. Inc. Tax	$ 0	$ 0	$5,418
Property Tax	$ 2,700	$ 3,214	$2,703
Sales Tax	$ 0	$ 1,966	$ 0
Car Taxes	$ 158	$ 1,311	$1,192
PermFund Div	$ (3,932)	$ 0	$ 0
TOTAL	$ (1,074)	$ 6,520	$9,314

necessary to close the fiscal gap, with the potential for suddenly magnifying the state's fiscal and economic problems when the reserves are finally exhausted.

Economic Impacts of Fiscal Choices

Any fiscal choice made will have an adverse impact on Alaska's economy. Failure to make fiscal choices will have a worse impact on Alaska's economy when reserves run out.

For each $100 million per year removed from Alaska's economy, the gross economic effect is similar whether it's $100 million less in state spending, $100 million less in Permanent Fund Dividends distributed to Alaskans, or $100 million more collected in taxes and user fees from Alaskans. For any one family or region of the state, however, the choice could make a big difference.

There are some differences in the economic impact of various choices. A 1987 study for the State Legislature compared the effects of three options - reimposing personal income taxes, reducing Permanent Fund Dividends, or reducing state spending.

The study compared some special effects from these three choices, including the "federal tax offset" and "tax exporting."

The federal tax offset recognizes that any action that affects personal incomes of Alaskans changes the federal tax liability for Alaskans. The federal tax offset was largest for reimposition of the personal impact tax; approximately 20% of the increase in state taxes becomes a decrease in federal taxes. Approximately 15% of a decrease in permanent fund dividend payments would be offset by a decrease in federal taxes paid by Alaskans. Cutting state spending has some federal tax offset, since a portion of state employees' salaries are paid in federal income taxes, but it is difficult to estimate that tax offset.

"Tax exporting" refers to that portion of taxes paid by non-residents. Approximately 8 percent of the income earned in Alaska is earned by non-residents (not including part-year residents, who count as Alaska residents). A sales tax has a

★ Raw Fish Tax - DOUBLED, 1/2 of orig back to munis (# new total)
Check use 380th (NEEDS TO LOOK AT) → POLICY ANALYSIS RE FISH TAXING + LANDING
★ Brad - incremental difference highway motor
fuel tax ★
✓ DOR

- NOTE STATUTE, ETC + SOURCE

★ ON TABLE: LIQUOR DISPENSARY LICENSES

RUN FIGURES OUT TO 2010

SCHOOL TAX - ON HOLD

SHOW PF BALANCE + EARNINGS RESERVE

OTHER FUNDS:

DISCUSSION

RIEGER: DONT affect gap

DEBT SVC: LEVEL OR DECREASE

Motor Fuels Tax: use to close gap or use for maintenance

BASE CASES

- List of commonalities
- footnote differences | reason + philosophy
- total

DO BY MON

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Navarre: Sept 30th Kenai Chamber
Brady + O'Conner

Include DOR "WHY WE HAVENT CRASHED"

similar tax exporting provision - a portion of sales taxes are paid by non-resident workers and by visitors to Alaska.

The effects of these options can also be differentiated by income level. Reimposing a state income tax hits upper income residents higher than lower income residents; reductions to the permanent fund dividends are proportionally greater on lower income residents.

What do you think should be done to close the fiscal gap?

Alaskans have the opportunity to respond to the issues raised in this report.

The Commission is interested in public comment upon the issues raised in this report.

You can contact the Commission by mail at:

State of Alaska Long-Range Financial Planning Commission
716 West Fourth Avenue
Anchorage, AK 99501

or by electronic mail at:

LRFPC%legis@state.ak.us

The Commission will hear public comment during the following hearings:

Sept. 11	7:00 p.m.	Interior/North
Sept. 12	7:00 p.m.	Southcentral
Sept. 13	7:00 p.m.	Anchorage
Sept. 14	7:00 p.m.	Southeast

Each hearing will be held at the Legislative Information Office Conference Room at 716 West Fourth Avenue, Anchorage and teleconferenced to other LIO sites. If you live in a community which is not served by a Legislative Information Office, to get information on participation in the process please contact the Commission staff at (907) 258-8165.

The Commission will also hear from the public during its regular meetings at the Anchorage LIO on the following dates:

Aug. 26	11:00 a.m.
Sept. 16	11:00 a.m.
Sept. 30	11:00 a.m.

The Commission is particularly interested in hearing about fiscal choices which are not listed in the appendices — other spending cuts, new revenues, uses of Permanent Fund income, uses of reserves, or other economic development strategies.

We want to know which fiscal choices are preferable to others, and why. We believe that in order to close the fiscal gap, Alaska will have to use portions of several choices, and we want to know if Alaskans have suggestions on timing of these fiscal choices — what should come first, and why?

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Long Range Financial Planning Commission

716 W. 4th Ave., Suite 470
Anchorage, Alaska 99501
(907) 258-8165 Phone
(907) 258-9869 Fax Line

Agenda

for the

Regular Meeting

This Meeting will be held in the Legislative Information Office
Conference Room
2nd Floor, 716 West 4th Ave., Suite 220

August 11, 1995 & August 12, 1995

10:00 A.M. - Open Meeting with Call of the Roll

10:05 A.M. - DOT/PF Commissioner Joe Perkins Presentation
to the Commission
Roads, Harbors, and Shared Responsiblity

11:00A.M. -Administrative Director of the Alaska Court System, Arthur Snowden, Presentation to the Commission .

1:3C P.M. - Lunch to be brought in.

2:00P.M. - Worksession, RE: **Options**

5:00 P.M. Break for the Day.

Alaska Permanent Fund Corporation
P.O. Box 25500 Juneau, Alaska 99802-5500
(907) 465-2047

MEMORANDUM

DATE: August 10, 1995

TO: Members, Long-Range Financial Planning Commission

FROM: Jim Kelly JK
Research & Liaison Officer

SUBJECT: **Permanent Fund Scenarios**

Please find attached a series of 15 Permanent Fund projections which provide a detailed look at the impacts on Fund principal, net income, dividends and the General Fund of adopting a number of the Permanent Fund-related changes being considered by the Commission.

This second series of projections addresses the same proposals as those addressed in our memorandum of June 15. The primary difference here is that, per your request, we have assumed a 6% real rate of return for Permanent Fund investments in all future years.

As before, each of the projections is based on a particular set of assumptions which are listed in the title of each page and, in a bit more detail, at the bottom right of the sheet.

Thanks again for inviting our participation in this important public policy debate.

c: Byron I. Mallott, Executive Director

Post-it® Fax Note 7671	Date 8/10/95 # of pages ▶ 15
To Melissa	From Jim Kelly
Co./Dept.	Co. APFC
Phone # 258-9869	Phone #
Fax # ✓	Fax # 258-9869

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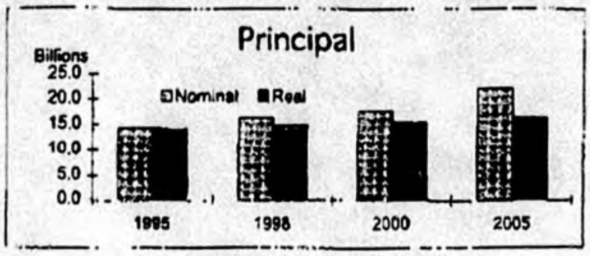
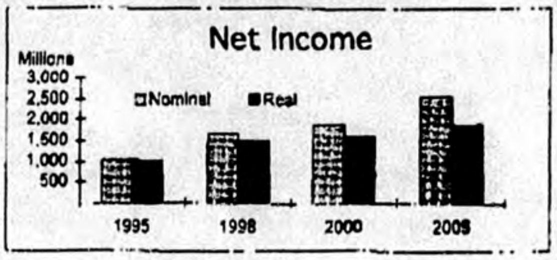
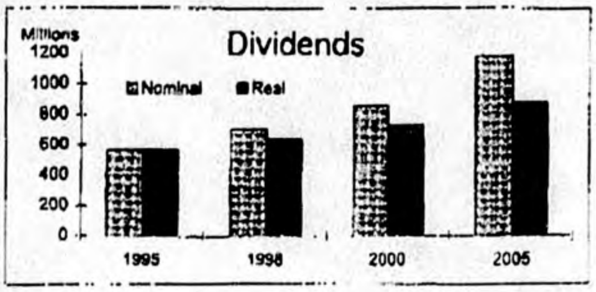
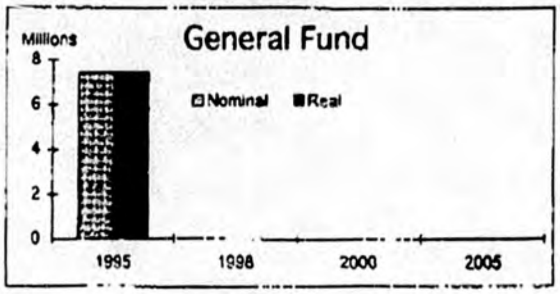
Status Quo with Base-Case Assumptions and 6% Real Rates of Return









	PRINCIPAL						DISTRIBUTIONS			RESERVES	
FY	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
95	12,973	500	318	348	14,145	1,013	565	348	7	86	703
96	14,145		217	429	14,791	1,411	603	429		379	1,082
97	14,791		227	449	15,467	1,508	650	449		409	1,491
98	15,457		244	500	16,211	1,647	695	500		452	1,943
99	16,211		259	524	16,993	1,763	763	524		476	2,419
00	16,993		263	549	17,805	1,885	854	549		482	2,901
01	17,805		264	575	18,643	2,009	916	575		518	3,419
02	18,643		261	601	19,506	2,140	982	601		557	3,976
03	19,506		259	629	20,394	2,277	1,047	629		601	4,577
04	20,394		258	657	21,309	2,421	1,115	657		649	5,226
05	21,309		258	686	22,251	2,572	1,187	686		700	5,926

95	12,973	500	318	348	14,145	1,013	565	348	7	86	703
98	14,132		207	456	14,812	1,505	635	410		413	1,775
00	14,584		222	471	15,281	1,617	733	449		413	2,480
05	15,639		190	503	16,330	1,887	871	482		513	4,349

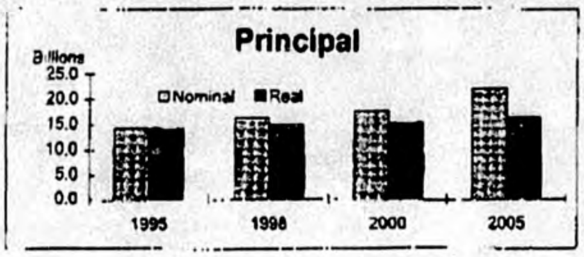
	Nominal	Inflation	Real
FY 95:	6.47%	2.61%	3.86%
FY 96 - 97:	8.99%	2.99%	6.00%
FY 1998-2005:	9.18%	3.18%	6.00%

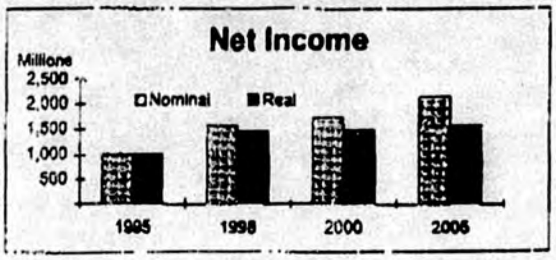
STATUS QUO WITH BASE CASE ASSUMPTIONS AND 6% REAL RATE OF RETURN

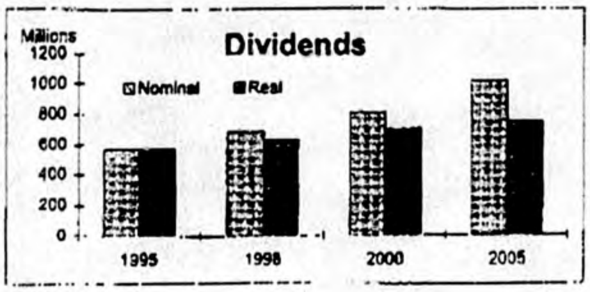
Department of Revenue Spring 1995 Base-Case Oil Revenues and Inflation Rates
Total Rates of Return Assumed at 6% Above Base-Case Inflation Rates

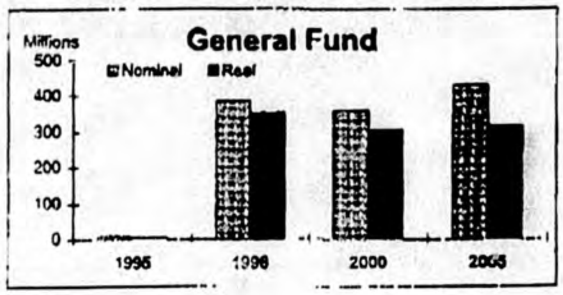
2N

Status Quo with Base-Case Assumptions and 6% Real Rates of Return, All Income After PFDs and Inflation-Proofing to General Fund









[illegible]

	PRINCIPAL						DISTRIBUTIONS			RESERVES	
FY	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
95	12,973	500	318	348	14,145	1,013	565	348	7	86	703
96	14,145		217	429	14,791	1,411	603	429	379		703
97	14,791		227	449	15,467	1,472	646	449	377		703
98	15,467		244	500	16,211	1,571	683	500	388		703
99	16,211		259	524	16,993	1,644	739	524	381		703
00	16,993		263	549	17,805	1,719	813	549	358		703
01	17,805		264	575	18,643	1,798	853	575	371		703
02	18,643		261	601	19,508	1,879	895	601	383		703
03	19,506		259	629	20,394	1,962	935	629	399		703
04	20,394		258	657	21,309	2,048	976	657	415		703
05	21,309		256	686	22,251	2,137	1,019	686	432		703

[illegible]

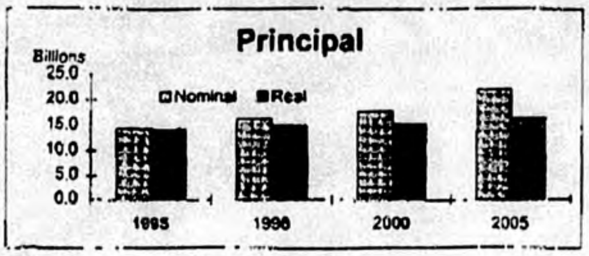
FY	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
95	12,973	500	318	348	14,145	1,013	565	348	7	86	703
98	14,132		207	458	14,812	1,435	624	410	355		642
00	14,584		222	471	15,281	1,476	698	449	307		603
05	15,639		190	503	16,330	1,568	748	482	317		516

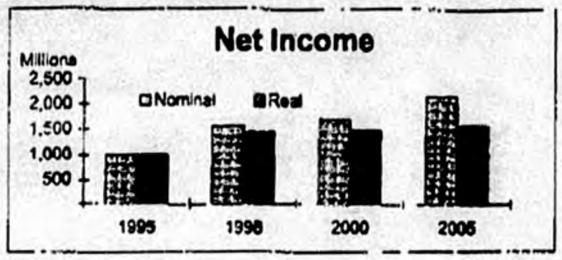
	Nominal	Inflation	Real
FY 95:	6.47%	2.61%	3.86%
FY 96 - 97:	8.99%	2.99%	6.00%
FY 1998-2005:	9.18%	3.18%	6.00%

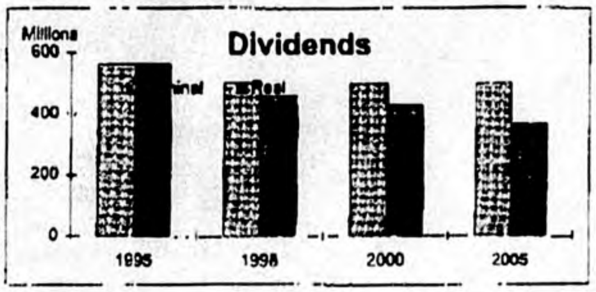
Department of Revenue Spring 1996 Base-Case Oil Revenues and Inflation Rates
Total Rates of Return Assumed at 6% Above Base-Case Inflation Rates
All Income After PFDs and Inflation-Proofing to General Fund

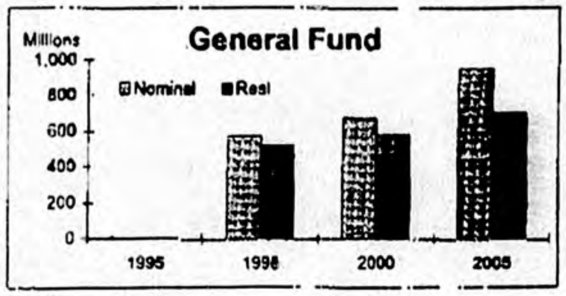
3N

Base-Case With 6% RROR, Dividends Capped at $500 Million, All Income After PFDs and Inflation-Proofing to General Fund









[illegible]

FY	PRINCIPAL FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	DISTRIBUTIONS Dividends	Inflation-Proofing	General Fund	RESERVES Add (Delete)	FY End Balance
95	12,973	500	318	348	14,145	1,013	565	348	7	86	703
96	14,145		217	429	14,791	1,411	500	429	481		703
97	14,791		227	449	15,467	1,472	500	449	523		703
98	15,467		244	500	16,211	1,571	500	500	571		703
99	16,211		259	524	16,993	1,644	500	524	620		703
00	16,993		263	549	17,805	1,719	500	549	671		703
01	17,805		264	575	18,643	1,798	500	575	723		703
02	18,643		261	601	19,506	1,879	500	601	778		703
03	19,506		259	629	20,394	1,962	500	629	834		703
04	20,394		258	657	21,309	2,048	500	657	891		703
05	21,309		256	686	22,251	2,137	500	686	951		703

[illegible]

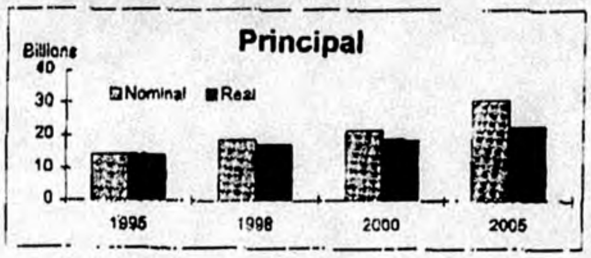
FY	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
95	12,973	500	318	348	14,145	1,013	565	348	7	86	703
98	14,132		207	456	14,812	1,435	457	410	522		642
00	14,584		222	471	15,281	1,476	429	449	576		603
05	15,639		190	503	16,330	1,568	387	482	698		516

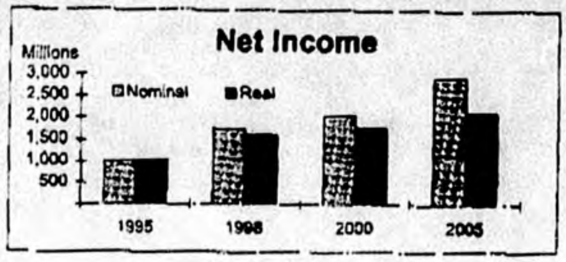
	Nominal	Inflation	Real
FY 95:	6.47%	2.61%	3.86%
FY 96 - 97:	8.99%	2.99%	6.00%
FY 1998-2005:	9.18%	3.18%	6.00%

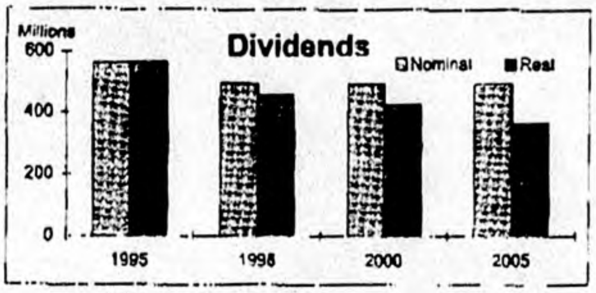
Department of Revenue Spring 1995 Base-Case Oil Revenues and Inflation Rates
Total Rates of Return Assumed at 6% Above Base-Case Inflation Rates
All Income After PFDs and Inflation-Proofing to General Fund

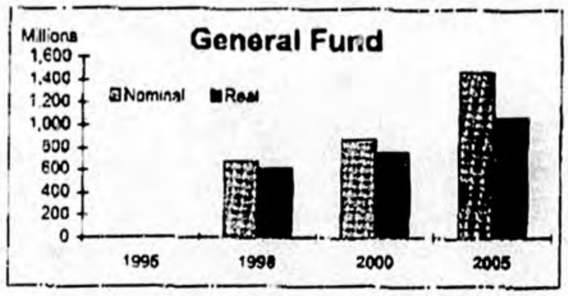
4N

100% of Oil Royalties to the Permanent Fund; Dividends Capped at $500 Million Realized Gains Added to Principal And Counted Toward Inflation-Proofing









Permanent Fund Financial Projections in Nominal Dollars

FY	PRINCIPAL: FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	DISTRIBUTIONS: Dividends	Inflation-Proofing	General Fund	RESERVES: Add (Delete)	FY End Balance
95	12,973	500	318	348	14,139	1,013	565	348	7	86	703
96	14,139	461	867	10	15,477	1,441	500	10	470		703
97	15,477	502	907	11	16,896	1,569	500	11	556		703
98	16,896	558	976	10	18,441	1,744	500	10	675		703
99	18,441	607	1,035	13	20,095	1,896	500	13	776		703
00	20,095	658	1,053	15	21,821	2,058	500	15	883		703
01	21,821	711	1,055	16	23,604	2,222	500	16	995		703
02	23,604	766	1,046	18	25,433	2,394	500	18	1,110		703
03	25,433	822	1,038	19	27,312	2,570	500	19	1,228		703
04	27,312	880	1,033	21	29,247	2,751	500	21	1,350		703
05	29,247	940	1,024	23	31,234	2,937	500	23	1,475		703

In Real 1995 Dollars

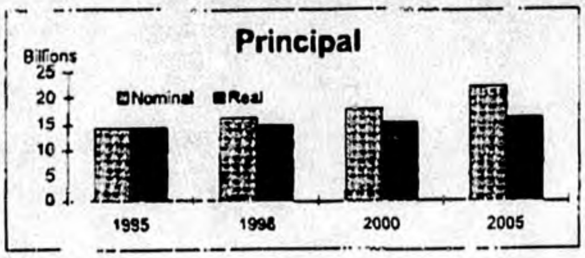
FY	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
95	12,973	500	318	348	14,139	1,013	565	348	7	86	703
98	15,438	510	828	9	16,850	1,593	457	9	617		642
00	17,247	565	888	13	18,728	1,765	429	13	758		603
05	21,465	690	758	17	22,923	2,156	367	17	1,082		516

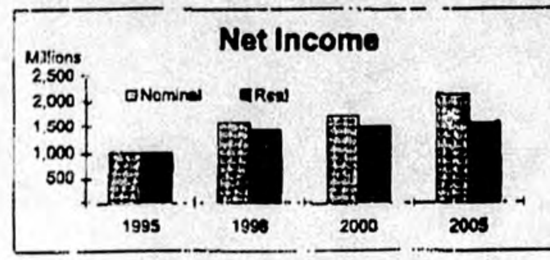
	Nominal	Inflation	Real
FY 95:	6.47%	2.61%	3.86%
FY 96 - 97:	8.99%	2.99%	6.00%
FY 1998-2005:	9.18%	3.18%	6.00%

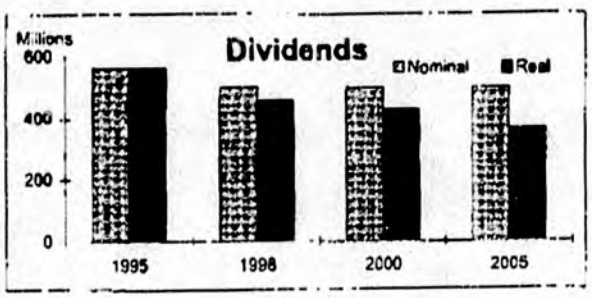
DOR Spring 1995 Base-Case Inflation Rates and PF Oil Revenues x 4
Total Rates of Return Assumed at 6% Above Base-Case Inflation Rates
Realized Capital Gains (32% of Total Return) added to Principal and Counted Towards Inflation-Proofing; Dividends Capped at $500 Million

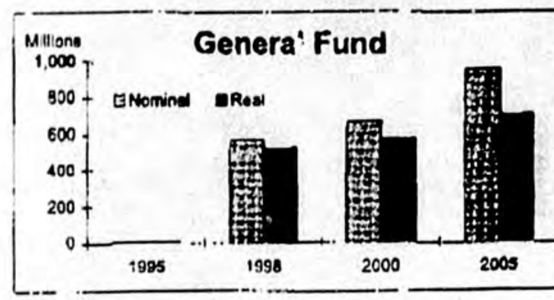
(5N)

25% of Oil Royalties to the Permanent Fund; Dividends Capped at $500 Million
Realized Gains Added to Principal And Counted Toward Inflation-Proofing









Permanent Fund Financial Projections in Nominal Dollars

FY	PRINCIPAL: FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	DISTRIBUTIONS: Dividends	Inflation-Proofing	General Fund	RESERVES: Add (Delete)	FY End Balance
95	12,973	500	318	348	14,139	1,013	565	348	7	88	703
96	14,139	451	217	5	14,812	1,410	500	5	454		703
97	14,812	472	227	6	15,517	1,474	500	6	498		703
98	15,517	504	244		16,265	1,576	500		572		703
99	16,265	528	259		17,051	1,649	500		621		703
00	17,051	552	263		17,867	1,725	500		673		703
01	17,867	577	264		18,708	1,804	500		727		703
02	18,708	603	[illegible]		19,572	1,885	500		782		703
03	19,572	630	259	1	20,463	1,969	500	1	838		703
04	20,463	658	258	1	21,380	2,055	500	1	896		703
05	21,380	688	256	2	22,324	2,143	500	2	955		703

In Real 1995 Dollars

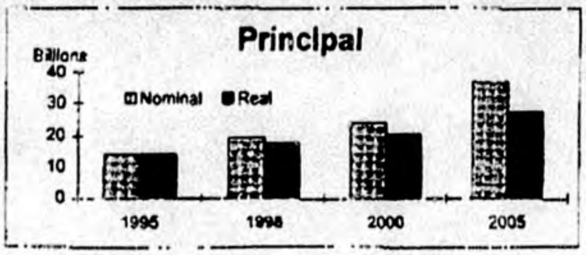
FY	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
95	12,973	500	318	348	14,139	1,013	565	348	7	88	703
98	14,178	481	207		14,862	1,440	457		522		642
00	14,635	474	222		15,334	1,481	429		578		603
05	15,691	503	190	2	16,384	1,573	387	2	701		516

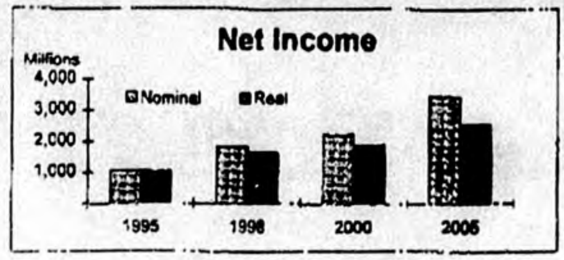
	Nominal	Inflation	Real
FY 95:	6.47%	2.61%	3.86%
FY 96 - 97:	8.99%	2.99%	6.00%
FY 1998-2005:	9.18%	3.18%	6.00%

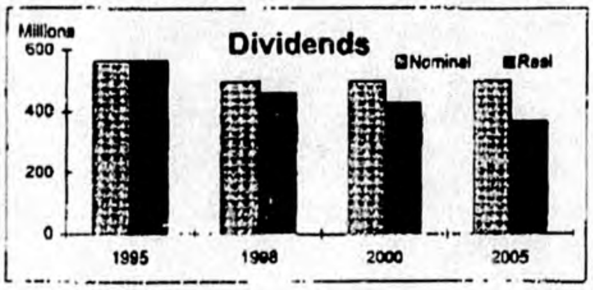
DOR Spring 1995 Base-Case Inflation Rates and PF Oil Revenues
Total Rates of Return Assumed at 6% Above Base-Case Inflation Rates
Realized Capital Gains (32% of Total Return) added to Principal and
Counted Towards Inflation-Proofing; Dividends Capped at $500 Million

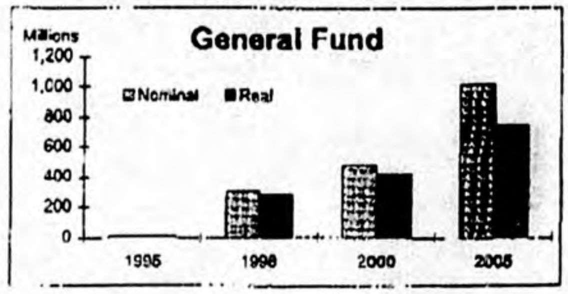
6N

4% of Fund's Cost Value Distributed, Including Dividends Capped at $500 Million, Net Income Not Distributed is Transferred to Principal; 100% of Royalties to Fund









	PRINCIPAL						DISTRIBUTIONS			RESERVES	
FY	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
95	12,973	500	318	348	14,139	1,013	565	348	7	86	703
96	14,139	323	867	458	15,787	1,441	500	458	160		703
97	15,787	401	907	466	17,561	1,598	500	466	231		703
[illegible]	17,561	431	976	567	19,535	1,808	500	567	310		703
[illegible]	19,535	476	1,035	629	21,676	2,001	500	629	395		703
[illegible]	21,676	499	1,053	723	23,951	2,208	500	723	486		703
[illegible]	23,951	550	1,055	795	26,351	2,427	500	795	582		703
[illegible]	26,351	604	1,046	871	28,872	2,658	500	871	683		703
[illegible]	28,872	661	1,038	951	31,522	2,901	500	951	789		703
[illegible]	31,522	720	1,033	1,035	34,311	3,158	500	1,035	901		703
[illegible]	34,311	783	1,024	1,124	37,242	3,425	500	1,124	1,018		703

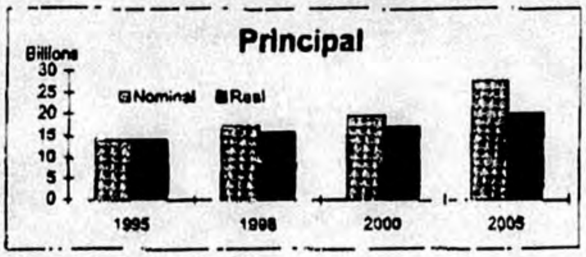
95	12,973	500	318	348	14,139	1,013	565	348	7	86	703
[illegible]	16,046	394	828	518	17,830	1,652	457	518	283		642
00	18,604	428	888	620	20,556	1,885	429	620	417		603
[illegible]	25,181	575	758	825	27,332	2,513	387	825	747		518

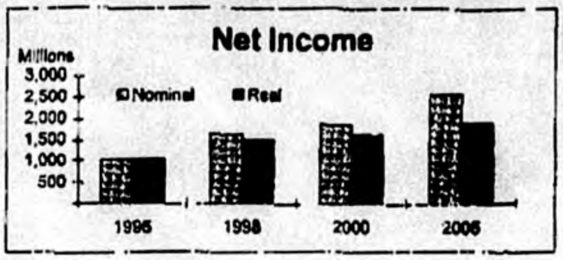
	Nominal	Inflation	Real
FY 95:	6.47%	2.61%	3.86%
FY 96 - 97:	8.99%	2.99%	6.00%
FY 1998-2005:	9.18%	3.18%	6.00%

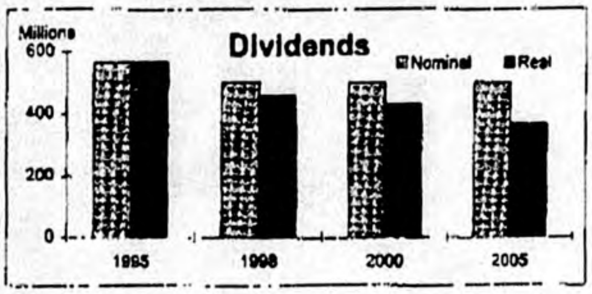
DOR Spring 1995 Base-Case Inflation Rates and PF Oil Revenues x 4
Total Rates of Return Assumed at 6% Above Base-Case Inflation Rates
4% of Fund's Cost Value Distributed, Including PFDs Capped at $500 Million
All Income Not Distributed to PFDs, Inflation-Proofing or General Fund is Transferred to Principal

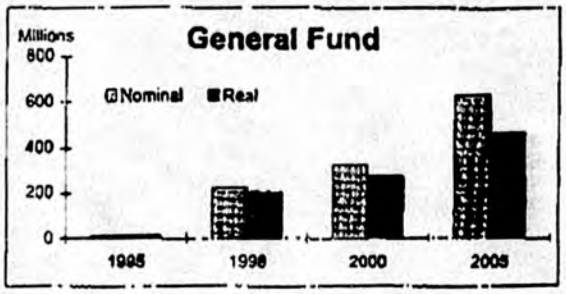
-7N

4% of Fund's Cost Value Distributed, Including Dividends Capped at $500 Million, Net Income Not Distributed Is Transferred to Principal; 25% of Royalties to Fund









FY	PRINCIPAL: FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	DISTRIBUTIONS: Net Income	Dividends	Inflation-Proofing	General Fund	RESERVES: Add (Delete)	FY End Balance
95	12,973	500	318	348	14,139	1,013	565	348	7	86	703
96	14,139	337	217	439	15,132	1,410	500	439	133		703
97	15,132	402	227	426	16,187	1,504	500	426	176		703
98	16,187	415	244	504	17,350	1,640	500	504	222		703
99	17,350	442	259	540	18,590	1,753	500	540	272		703
00	18,590	449	263	600	19,902	1,873	500	600	324		703
01	19,902	479	264	641	21,286	2,000	500	641	380		703
02	21,286	510	261	685	22,743	2,133	500	685	438		703
03	22,743	543	259	732	24,277	2,274	500	732	499		703
04	24,277	578	258	780	25,893	2,422	500	780	564		703
05	25,893	614	256	832	27,595	2,578	500	832	632		703

FY	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
95	12,973	500	318	348	14,139	1,013	565	348	7	86	703
98	14,791	379	207	460	15,853	1,499	457	460	203		642
00	15,955	388	222	515	17,081	1,608	429	515	278		603
05	19,003	451	190	610	20,252	1,892	387	610	464		516

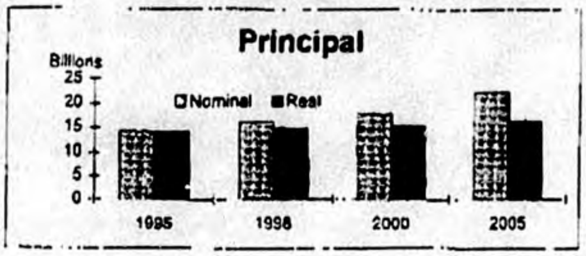
	Nominal	Inflation	Real
FY 95:	6.47%	2.61%	3.86%
FY 96 - 97:	8.99%	2.99%	6.00%
FY 1998-2005:	9.18%	3.18%	6.00%

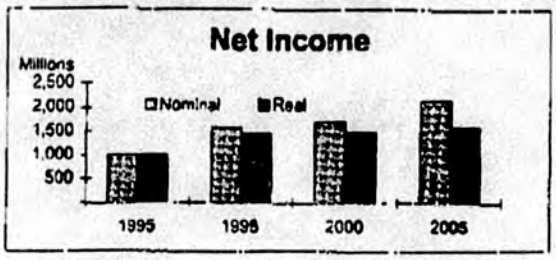
DOR Spring 1995 Base-Case Inflation Rates and PF Oil Revenues
Total Rates of Return Assumed at 6% Above Base-Case Inflation Rates
% of F..d's Cost Value Distributed, Including PFDs Capped at $500 Million
All Income Not Distributed to PFDs, Inflation-Proofing or General Fund is Transferred to Principal

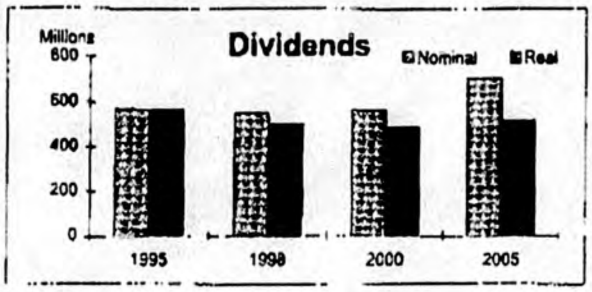
Prepared by the Alaska Perma ent Fund Corporation 8/9/95

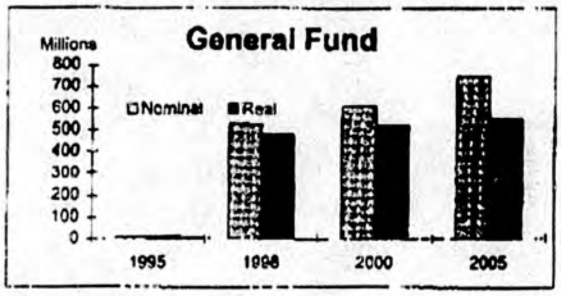
8N

SB 51 With Remaining Income After Inflation-Proofing and PFDs to General Fund, Base-Case Assumptions With 6% Real Rates of Return









Permanent Fund Financial Projections in Nominal Dollars

	PRINCIPAL					DISTRIBUTIONS				RESERVES		
[illegible]	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance	[illegible]
[illegible]	12,973	500	318	348	14,139	1,013	565	348	7	86	703	[illegible]
[illegible]	14,139		217	429	14,785	1,410	562	429	419		703	[illegible]
[illegible]	14,785		227	449	15,460	1,472	561	449	462		703	[illegible]
[illegible]	15,460		244	499	16,204	1,570	544	499	527		703	[illegible]
[illegible]	16,204		259	524	16,986	1,643	547	524	573		703	[illegible]
[illegible]	16,986		263	549	17,798	1,719	563	549	607		703	[illegible]
[illegible]	17,798		264	574	18,636	1,797	589	574	634		703	[illegible]
[illegible]	18,636		261	601	19,498	1,878	615	601	662		703	[illegible]
[illegible]	19,498		259	628	20,386	1,962	643	628	690		703	[illegible]
[illegible]	20,386		258	657	21,301	2,047	671	657	719		703	[illegible]
[illegible]	21,301		256	686	22,242	2,136	701	686	750		703	[illegible]

[illegible]

[illegible]	12,973	500	318	348	14,139	1,013	565	348	7	86	703	[illegible]
[illegible]	14,126		207	456	14,806	1,435	497	410	481		642	[illegible]
[illegible]	14,579		222	471	15,275	1,475	483	449	521		603	[illegible]
[illegible]	15,633		190	503	16,324	1,568	514	482	550		516	[illegible]

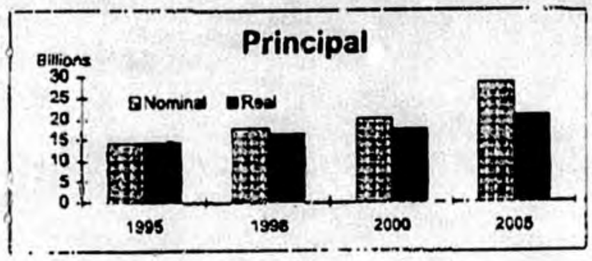
	Nominal	Inflation	Real
FY 95:	6.47%	2.61%	3.86%
FY 96 - 97:	8.99%	2.99%	6.00%
FY 1998-2005:	9.18%	3.18%	6.00%

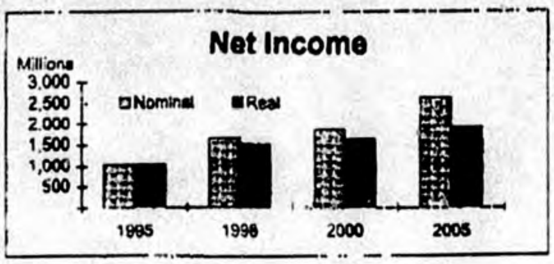
I-P First, PFDs Based on "Real Income" Formula; Remaining Net Income to GF
Department of Revenue Spring 1995 Base-Case Oil Revenues and Inflation Rates
Total Rates of Return Assumed at 6% Above Base-Case Inflation Rates

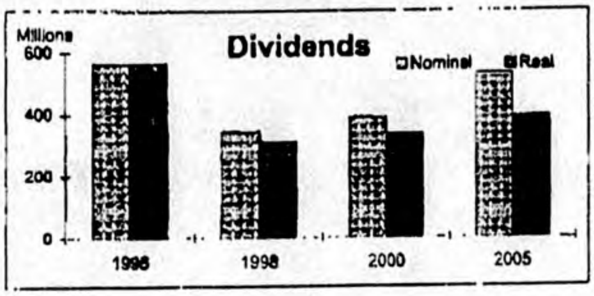
Prepared by the Alaska Permanent Fund Corporation 8/8/95

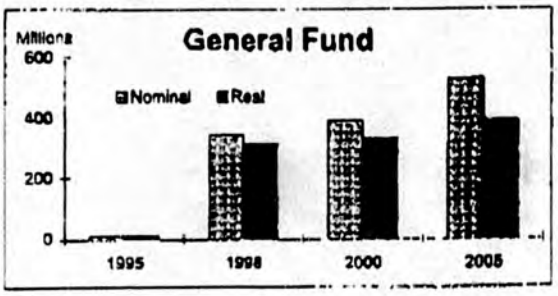
9N

3.5% of Fund's Market Value Distributed, 50% to Dividends and 50% to General Fund; Remaining to Principal









	PRINCIPAL						DISTRIBUTIONS			RESERVES	
FY	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
95	12,973	500	318	348	14,139	1,013	565	348	7	86	703
96	14,139	362	217	440	15,158	1,410	304	440	304		703
97	15,158	433	227	428	16,246	1,507	323	428	323		703
[illegible]	16,246	452	244	507	17,448	1,646	344	507	344		703
[illegible]	17,448	486	259	544	18,736	1,763	366	544	366		703
00	18,736	502	263	604	20,106	1,887	390	604	390		703
[illegible]	20,106	540	264	648	21,557	2,019	416	648	416		703
[illegible]	21,557	580	261	694	23,053	2,159	443	694	443		703
03	23,083	623	259	743	24,717	2,307	471	743	471		703
04	24,717	668	258	794	26,437	2,484	501	794	501		703
05	26,437	715	256	849	28,257	2,630	533	849	533		703

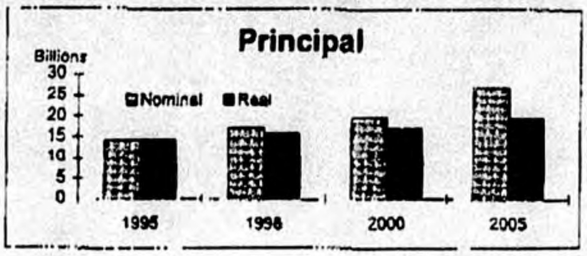
FY	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
95	12,973	500	318	348	14,139	1,013	565	348	7	86	703
[illegible]	14,844	413	207	463	15,942	1,504	314	463	314		642
[illegible]	16,981	431	222	519	17,256	1,620	335	519	335		603
[illegible]	19,403	525	190	623	20,739	1,930	391	623	391		516

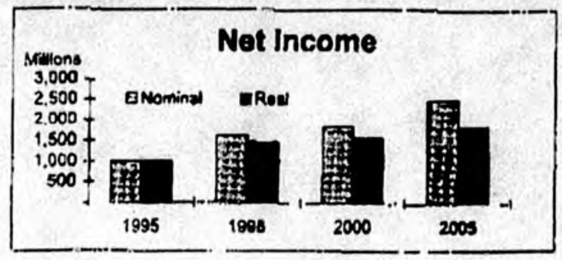
	Nominal	Inflation	Real
FY 95:	6.47%	2.61%	3.86%
FY 96 - 97:	8.99%	2.99%	6.00%
FY 1998-2005:	9.18%	3.18%	6.00%

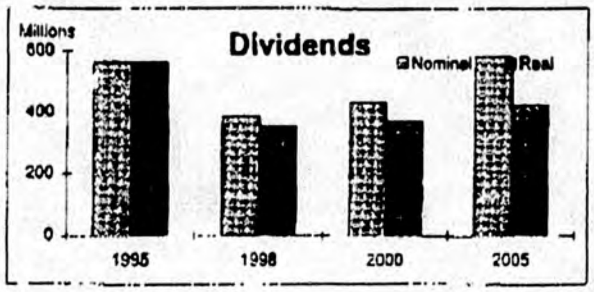
DOR Spring 1995 Base-Case Inflation Rates and PF Oil Revenues
Total Rates of Return Assumed at 6% Above Base-Case Inflation Rates
3.5% of Fund's Market Value (Adding $1.5 Billion in Unrealized Gains) Distributed,
50% Each to PFDs and General Fund; All Remaining Income is Transferred to Principal

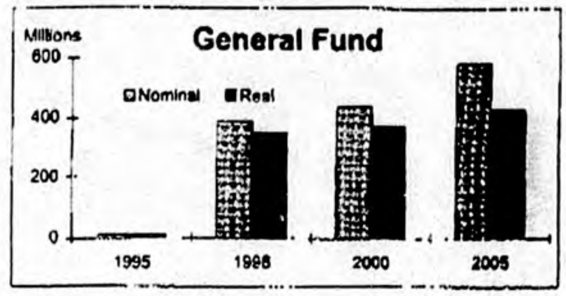
10N

4% of Fund's Market Value Distributed, 50% to Dividends and 50% to General Fund; Remaining to Principal









	PRINCIPAL					DISTRIBUTIONS				RESERVES	
FY	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
95	12,973	500	318	348	14,139	1,013	565	348	7	86	703
[illegible]	14,139	281	217	438	15,074	1,410	346	438	346		703
[illegible]	15,074	345	227	423	16,069	1,490	365	423	365		703
[illegible]	16,069	356	244	498	17,167	1,629	387	498	387		703
[illegible]	17,167	382	259	532	18,340	1,736	411	532	411		703
[illegible]	18,340	386	263	592	19,581	1,849	436	592	436		703
[illegible]	19,581	414	264	631	20,890	1,969	462	631	462		703
[illegible]	20,890	444	261	673	22,267	2,095	489	673	489		703
[illegible]	22,267	475	259	716	23,718	2,228	518	716	518		703
[illegible]	23,718	508	258	762	25,246	2,368	549	762	549		703
05	25,246	542	256	811	26,856	2,515	581	811	581		703

95	12,973	500	318	348	14,139	1,013	565	348	7	86	703
98	14,683	325	207	455	15,686	1,488	354	455	354		642
00	15,741	331	222	508	16,806	1,587	374	508	374		603
05	18,529	398	190	595	19,710	1,846	427	595	427		518

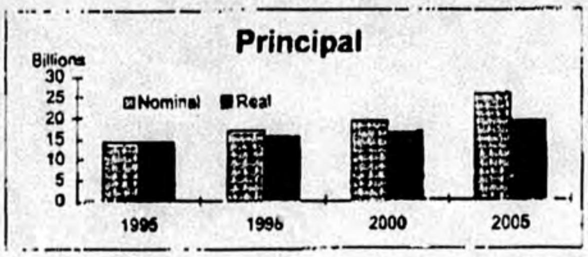
	Nominal	Inflation	Real
FY 95:	6.47%	2.61%	3.86%
FY 96 - 97:	8.99%	2.99%	6.00%
FY 1998-2005:	9.18%	3.18%	6.00%

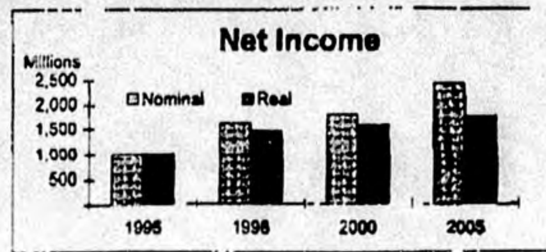
DOR Spring 1995 Base-Case Inflation Rates and PF Oil Revenues
Total Rates of Return Assumed at 6% Above Base-Case Inflation Rates
4% of Fund's Market Value (Adding $1.5 Billion in Unrealized Gains) Distributed, 50% Each to PFDs and General Fund; All Remaining Income is Transferred to Principal

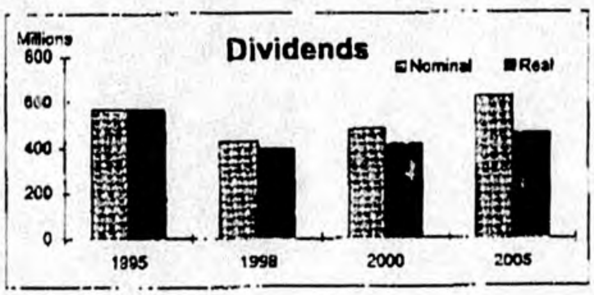
Prepared by the Alaska Permanent Fund Corporation 8/8/95

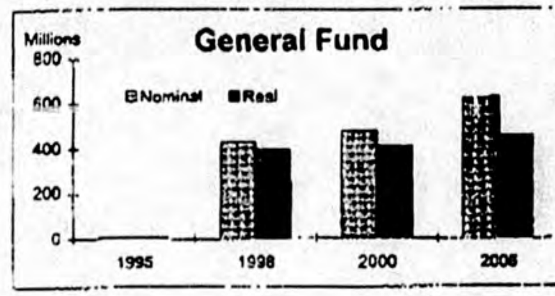
11N

4.5% of Fund's Market Value Distributed, 50% to Dividends and 50% to General Fund; Remaining to Principal









	PRINCIPAL						DISTRIBUTIONS			RESERVES	
FY	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
95	12,973	500	318	348	14,139	1,013	565	348	7	86	703
96	14,139	201	217	435	14,992	1,410	387	435	387		703
97	14,992	259	227	418	15,895	1,491	407	418	407		703
98	15,895	263	244	490	16,892	1,612	430	490	430		703
99	16,892	281	259	521	17,953	1,709	454	521	454		703
00	17,953	275	263	579	19,071	1,812	479	579	479		703
01	19,071	295	264	615	20,244	1,920	50[illegible]	615	505		703
02	20,244	315	261	652	21,473	2,033	53[illegible]	652	533		703
03	21,473	337	259	691	22,761	2,152	562	691	562		703
04	22,761	360	258	732	24,111	2,276	592	732	592		703
05	24,111	384	256	775	25,525	2,406	624	775	624		703

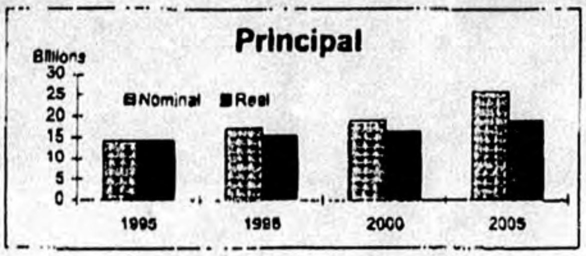
95	12,973	500	318	348	14,139	1,013	565	348	7	86	703
98	14,524	240	207	448	15,435	1,473	393	448	393		642
00	15,409	236	222	497	16,368	1,555	411	497	411		603
05	17,695	281	190	569	18,733	1,766	458	569	458		516

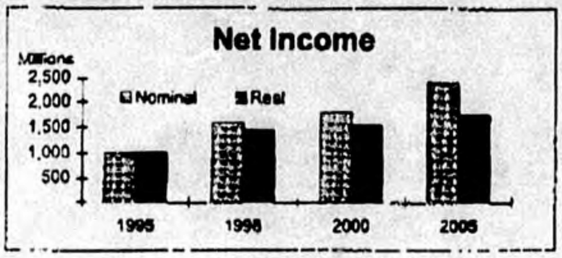
	Nominal	Inflation	Real
FY 95:	6.47%	2.61%	3.86%
FY 96 - 97:	8.99%	2.99%	6.00%
FY 1998-2005:	9.18%	3.18%	6.00%

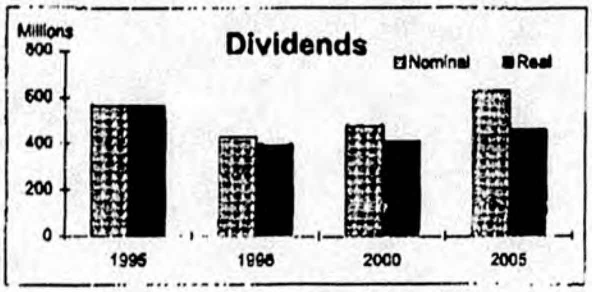
DOR Spring 1995 Base-Case Inflation Rates and PF Oil Revenues
Total Rates of Return Assumed at 6% Above Base-Case Inflation Rates
4.5% of Fund's Market Value (Adding $1.5 Billion in Unrealized Gains) Distributed,
50% Each to PFDs and General Fund; All Remaining Income is Transferred to Principal

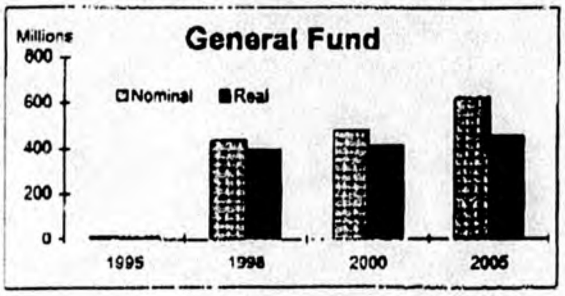
12N

3.5% of Fund's Market Value Distributed, $500 Million to Dividends and the Rest to General Fund; Remaining Income to Princi









Permanent Fund Financial Projections in Nominal Dollars

	PRINCIPAL						DISTRIBUTIONS			RESERVES	
FY	FY Begin Balance	Appropriations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
[illegible]	12,973	500	318	348	14,139	1,013	565	348	7	86	703
96	14,139	201	217	435	14,992	1,410	301	435	301		703
97	14,992	259	227	418	15,895	1,491	317	418	317		703
[illegible]	15,895	263	244	490	16,892	1,612	334	490	334		703
[illegible]	16,892	281	259	521	17,953	1,709	353	521	353		703
[illegible]	17,953	275	263	579	19,071	1,812	372	579	372		703
[illegible]	19,071	295	264	615	20,244	1,920	393	615	393		703
[illegible]	20,244	315	261	652	21,473	2,033	414	652	414		703
[illegible]	21,473	337	259	691	22,761	2,152	437	691	437		703
04	22,761	360	258	732	24,111	2,276	460	732	460		703
05	24,111	384	256	775	25,525	2,406	485	775	485		703

[illegible]

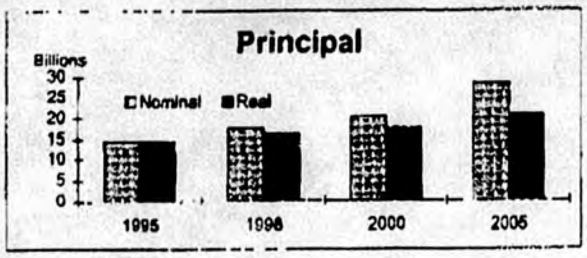
FY	FY Begin Balance	Appropriations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
[illegible]	12,973	500	318	348	14,139	1,013	565	348	7	86	703
[illegible]	14,324	240	207	448	15,435	1,473	393	448	393		642
[illegible]	15,408	236	222	497	16,368	1,555	411	497	411		603
05	17,695	281	190	569	18,733	1,766	458	569	458		516

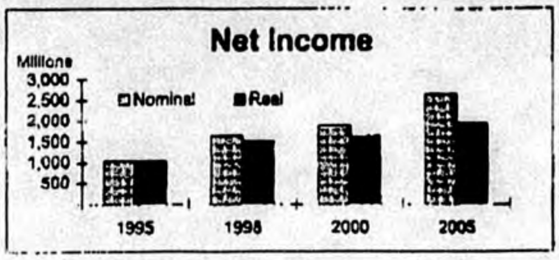
	Nominal	Inflation	Real
FY 95:	6.47%	2.61%	3.86%
FY 96 - 97:	8.99%	2.99%	6.00%
FY 1998-2005:	9.18%	3.18%	6.00%

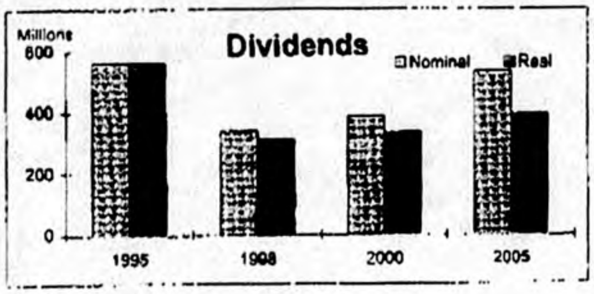
DOR Spring 1995 Base-Case Inflation Rates and PF Oil Revenues
Total Rates of Return Assumed at 6% Above Base-Case Inflation Rates
3.5% of Fund's Market Value (Adding $1.5 Billion in Unrealized Gains) Distributed,
50% Each to PFDs and Rest to General Fund; All Remaining Income is Transferred to Principal

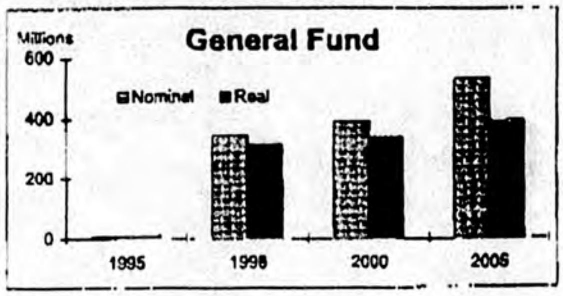
13N

4% of Fund's Market Value Distributed,
$500 Million to Dividends and the Rest to General Fund; Remaining Income to Princi









Permanent Fund Financial Projections in Nominal Dollars

	PRINCIPAL						DISTRIBUTIONS			RESERVES	
FY	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
95	12,973	500	318	348	14,139	1,013	565	348	7	86	703
[illegible]	14,139	362	217	440	15,158	1,410	304	440	304		703
[illegible]	15,158	433	227	428	16,246	1,507	323	428	323		703
[illegible]	16,246	452	244	507	17,448	1,648	344	507	344		703
[illegible]	17,448	486	259	544	18,736	1,703	366	544	366		703
[illegible]	18,736	502	263	604	20,106	1,887	390	604	390		703
[illegible]	20,106	540	264	648	21,557	2,019	416	648	416		703
02	21,557	580	261	694	23,093	2,159	443	694	443		703
03	23,093	623	259	743	24,717	2,307	471	743	471		703
04	24,717	668	258	794	26,437	2,464	501	794	501		703
05	26,437	715	256	849	28,257	2,630	533	849	533		703

In Real 1995 Dollars

FY	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
95	12,973	500	318	348	14,139	1,013	565	348	7	86	703
98	14,844	413	207	463	15,942	1,504	314	463	314		642
00	16,081	431	222	519	17,256	1,620	335	519	335		603
05	19,402	525	190	623	20,739	1,930	391	623	391		516

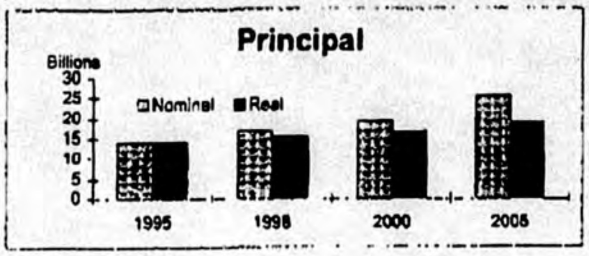
	Nominal	Inflation	Real
FY 95:	6.47%	2.61%	3.86%
FY 96 - 97:	8.99%	2.99%	6.00%
FY 1998-2005:	9.18%	3.18%	6.00%

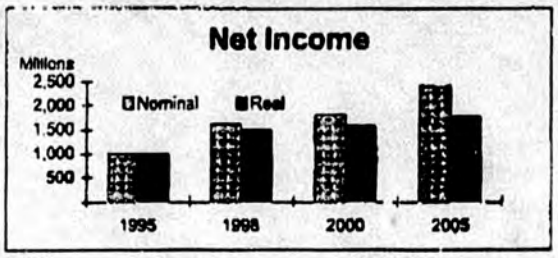
DOR Spring 1995 Base-Case Inflation Rates and PF Oil Revenues
Total Rates of Return Assumed at 6% Above Base-Case Inflation Rates
4% of Fund's Market Value (Adding $1.5 Billion in Unrealized Gains) Distributed,
$500 Million to PFDs and Rest to General Fund; All Remaining Income Transferred to Principal

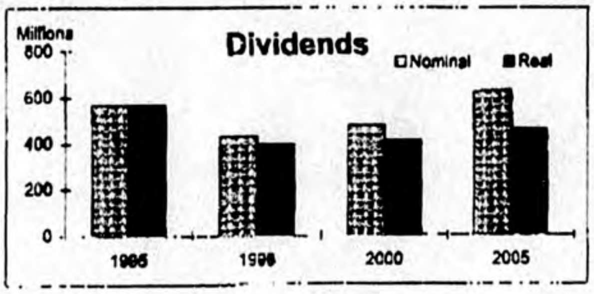
Prepared by the Alaska Permanent Fund Corporation 8/9/95

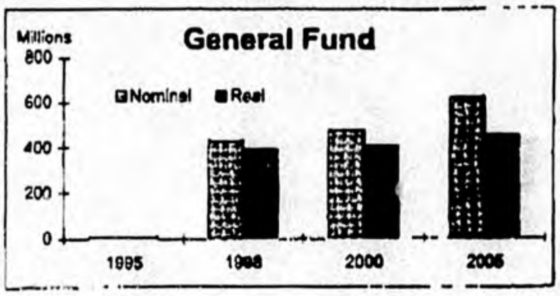
14N

4.5% of Fund's Market Value Distributed, $500 Million to Dividends and the Rest to General Fund; Remaining Income to Princi









[illegible]

	PRINCIPAL						DISTRIBUTIONS			RESERVES	
FY	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance
[illegible]	12,973	500	318	348	14,139	1,013	565	348	7	86	703
[illegible]	14,139	197	217	435	14,988	1,410	391	435	387		703
[illegible]	14,988	259	227	418	15,891	1,491	407	418	407		703
[illegible]	15,891	262	244	490	16,888	1,612	430	490	430		703
[illegible]	16,888	281	259	521	17,948	1,709	453	521	453		703
[illegible]	17,948	275	263	579	19,066	1,811	479	579	479		703
[illegible]	19,066	295	264	615	20,239	1,919	505	615	505		703
[illegible]	20,239	315	261	652	21,468	2,032	533	652	533		703
[illegible]	21,468	337	259	691	22,755	2,151	562	691	562		703
[illegible]	22,755	360	258	732	24,105	2,275	592	732	592		703
-05	24,105	383	256	775	25,519	2,406	624	775	624		703

[illegible]

[illegible]	12,973	500	318	348	14,139	1,013	565	348	7	86	703
[illegible]	14,520	240	207	448	15,431	1,473	392	448	392		642
00	15,404	236	222	497	16,364	1,555	411	497	411		603
[illegible]	17,691	281	190	569	18,729	1,766	458	569	458		516

	Nominal	Inflation	Real
FY 95:	6.47%	2.61%	3.86%
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DOR Spring 1995 Base-Case Inflation Rates and PF Oil Revenues
Total Rates of Return Assumed at 6% Above Base-Case Inflation Rates
4.5% of Fund's Market Value (Adding $1.5 Billion in Unrealized Gains) Distributed.
$500 Million to PFDs and Rest to General Fund; All Remaining Income Transferred to Principal

ADN 11 Aug 95

More gas will enter pipeline

Arco wins strategic tussle with BP over Prudhoe Bay shipments

The Associated Press

FAIRBANKS — The Alaska Oil and Gas Conservation Commission has granted Arco's request to raise the amount of natural gas liquids flowing through the trans-Alaska oil pipeline.

The decision is a defeat for BP Exploration (Alaska) Inc. BP's experts have argued that the gas should be reinjected to push more oil out of Prudhoe Bay and that it could reduce oil recovery for decades to come.

Arco Alaska Inc. says the shipments leave enough gas for reinjection.

In announcing its decision Wednesday, the commission said the disagreement between Prudhoe Bay's operators was leading to a waste of resources.

The three-member panel directed oil field operators to blend as much of the gas liquids as possible for movement through the pipeline until August of next year, which may give the companies enough time to resolve their differences.

The commission also scheduled another hearing for next month to consider restructuring Prudhoe's conflicting gas and oil ownership interests, which the commissioners said was a contributing factor in the dispute over uses of gas byproducts from the North Slope's largest field.

"Current property and contractual arrangements governing the operation and development of the Prudhoe Oil Pool are inadequate to prevent, and may promote, physical waste," the commissioners found.

"This is a good decision for Arco, a good decision for the Prudhoe Bay unit and a good decision for the state of Alaska," said Arco Alaska spokesman Ronnie Chappell.

But Jim Palmer, BP's director of external affairs, said the commission may have sent a mixed message by ordering producers to pump the maxi-

Please see Page D-4, GAS

GAS: Arco wins fight to ship more rather than reinject it back into wells

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mum allowable limit of natural gas liquids through the pipeline while also directing them to continue injecting gas into the field.

"We're studying it," Palmer said. "We'll comply with the legal order, but that doesn't mean we're not looking at other options."

Chuck Logsdon, the state's chief petroleum economist, figures Alaska could earn as much as $14 million a year if Arco follows through with its request to mix an extra 20,000 barrels of gas liquids a day into the North Slope's pipeline stream.

But he noted that collecting the quick windfall could be costly if BP is proved correct and if Prudhoe Bay's lifetime production is substantially diminished.

"If you sell those gas liquids today, are you really just robbing Peter to pay Paul?" Logsdon asked. "In the long-term perspective, that argument is central."

Last winter, Alaska's two biggest oil producers engaged in a four-day standoff as Arco sought to pump extra gas into the pipeline.

BP retaliated by adjusting valves at a North Slope mixing facility under their control to cut off Arco's extra shipments.

Both companies appealed to the state Oil and Gas Conservation Commission.

In a series of hearings that began in May, the commission collected more than 7,000 pages of testimony from industry experts.

Wednesday's 25-page ruling made repeated references to the fundamental strategic disagreement among the field's joint operators.

"Arco and BP agree that current production practices are producing physical waste from the Prudhoe Oil Pool, but disagree why," the commission noted in its ruling.

John Shively, who heads the state Department of Natural Resources, said the commission overstepped its authority by intervening in a dispute more properly handled by his department.

"We will probably continue to hold our own hearings," Shively said. "At best, there are two government agencies doing the same thing." DNR has a hearing scheduled for Aug. 22 on the natural gas issues, said Ken Boyd of the state Division of Oil and Gas.

In recent years, Alaska crude flowing through the trans-Alaska oil pipeline has been supplemented with about 74,000 barrels a day of natural liquids.

Arco and Exxon want to increase those shipments, reflecting the 42 percent share each holds in Prudhoe Bay's natural has.

BP, which owns 50 percent of the field's oil but only 11 percent of the gas, sees more benefits in reinjecting extra gas to force more oil out of Alaska's aging field.

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State fiscal panel nearing end of preliminary findings

By DAVID GERMAIN
The Associated Press

"We're not in a crisis situation now. The problem is, if we don't do something, we will be in that position a few years from now."

— Annalee McConnell, state budget director

JUNEAU — A grab-bag of money measures — from reducing Alaska's dependence on oil revenue to bringing back the income tax — are under consideration by a panel examining the state's long-term financial troubles.

The Long Range Fiscal Planning Commission this weekend is putting finishing touches on a preliminary report to hold state spending in line with revenues.

Appointed last spring by Gov. Tony Knowles and legislative leaders, the 15-member panel is trying to come up with a business plan to deal with ongoing cash shortages that are expected to grow worse in the next decade.

The preliminary report, expected to be finalized at a meeting today and Saturday in Anchorage, makes no recommendations. That will come in October, when the panel issues its final report to the Legislature and the governor.

Many of the ideas the panel [illegible] discussed are old ones, [illegible] reviving the income [illegible] a politically unpopular proposal that some commission members feel is inevitable.

Equally unpopular is a proposal to cap payouts to Alaskans from the state's Permanent Fund, using the excess revenues for government spending.

Panel members said no matter what recommendations they make, the message is clear: State government [illegible] make painful [illegible] over the next few years [illegible] avoid the sort of deficit spending that plagues other states.

"We're not in a crisis situation now. The problem is, if we don't do something, we will be in that position a few years from now," said Annalee McConnell, state budget director and a member of the panel.

In recent years, the state has avoided budget deficits only by drawing on reserve funds, money that came largely from tax and royalty lawsuits against oil companies.

This year alone, reserve cash will pay for about one-fifth of the state's $2.4? billion budget. If that keeps up, the reserve fund — now at about $2.2 billion — could be gone over the next decade.

The state already has begun cutbacks, reducing spending this year. The commission is trying to identify other spending cuts, along with ways to bring in more money.

Oil revenues account for four-fifths of the state's annual income. But the uncertainty of oil prices, along with declining oil production from the vast Prudhoe Bay field, makes it hard to predict revenues.

While state officials want to develop new businesses to offset those revenues, oil money will continue to be Alaska's main source of income for the near future, said Rep. Sean Parnell, R-Anchorage, a commission member.

"There's no way we can hope to diversify our revenue base enough in the next 10 to 20 years to make up for declining oil revenues," Parnell said. "Prudhoe Bay is the mother lode of state government, and there's no way we can replace it."

That has led to stronger talk of new taxes, whether increasing motor-fuel taxes or bringing back the personal income tax eliminated in the late 1970s, when the state was flush with new oil cash.

"Everyone involved in government finance is kind of sorry we did away with the income tax," said Bruce Ludwig, a commission member and business manager of the Alaska Public Employees Association, a union representing 1,200 state workers. "It's going to be real hard for people to accept paying it again."

Parnell and other Republicans who control the Legislature have said that the public will [illegible] any new taxes [illegible] the state brings spending under control.

Panel members [illegible] both parties said [illegible] [illegible] goals as they [illegible] final report this [illegible]