SCOMM

101:11

15 Sept
Fri am

Chm Rogers:

- review resolution + outline remaining tasks

TASK 1: yes OK

TASK 2: review non-GF income sources

MN: current budgeting efforts outline non-GF

BF review non-GF + ~~ADIDEA~~, AHFC, RR, land etc.

TASK 3: list of options revenue streams ie stabilization + prioritize

TASK 4: cuts identify whether we are going to identify specific cuts or principles

TASK 5 • consolidation

TASK 6 • Forward funding - needs work

7. Need report fm subcommittee

8: need to spend more time on local govt

· walmate impact on local govt after make plan

Terry Martin:

Lincoln: confusion as to when public comment period ends. will take written comment until 30 Sept.

BUNDLE PUBLIC COMMENT send to GOV & LEG:

140 Terry Martin:
- feels commission is part of process to make information more accessible to public

HB268 pg 7
see written testimony

Rogers: raised important points. inaccurate because $ in budget bill.
more important to say "off discussion"

Rogers

Martin: infringing upon dedicated funds

Pouchot — commission needs to compare apples + oranges
ie. fish + game fund $m before statehood is really a dedicated fund.
can disclose but there are still limitations on ~~fed~~ expenditures $m fund.
(R): should make every effort to show correctly ie. two graphs

Nordale — annual financial report poorly constructed
ie. assets:
(R) ~~may~~ render an annual financial report to convey who, where, how much $, assets etc

BradyQ — # St. employees: when count employees, are the ones supported by non-GF not counted?

McConnell: OMB has been talking about TH concerns and is making changes to way budget presented.
- also doing 5+ year CIP
- states budgeting system automating

LudwigQ — $19M FG not approp?
Resp — technical

TH: check Leg finance summary of approps

SIDE B
053
LOESCHER Q:

Lincoln Q: Representing LB&A
Resp.: LB&A has oversight over state financial future

GORSUCH Q: HF like showing permfund as all GF revenue subject to appropriations? IC. 24-33 to show PF earnings
Resp:

Navarre battle over how calculate ~~over~~ way year goes on.

144 Rep Moses Re: Marine Fuel Tax
Tim B
· 3¢ increase would have been split to community where generated.
· also interested in raising highway fuel tax
AK 8¢ VS 22¢ national average
reduce exemptions DMV motor vehicle taxes.

Rogers Q: Pantos does not reflect municipal vehicles

Lincoln Q: Support fuel tax to rebates to comm. where fuel purchased?
point of sale VS. point of use.

Pouncho Q: Exemptions have constituencies
Westhall Q Sr Citizens break out?

Break
5

263

Losskinney: Slide demonstration

Byron Mallott 550 — FF developed into piece for prelim report
Asset allocation issue: Callan & asset

Rogers Q: issue raised thurs: repg book rather than market:
discussed among trustees?
Resp: yes. effort to deal w volatility
creates more questions when
trying to explain net income
(R) Kelly: statute says do not use market
based valuation.
any move to market valuation would
require averaging payouts

Rogers Q Inflation proofing. Double dipping +
calculating inflation:
1981 base
Kelly - based on 1 yr chg CPI

Nordale: re book vs market.
any shift needs to be clearly understood

Rogers: growing awareness of diff Hs.

Gorsuch Q: Role of Trustees = prudent investor?
or set own investment policies.
i.e. Who sets investment objectives?
Resp: · trustees view as their responsibility
win framework of statutes
could be double dipping but policy is to
"bulk up" fund
· must adhere to investment list.

Clark Greening · trustee

(151)
Rogers How specific about budget cuts?

Ludwig How to cut should be left to elected officials
general policy directions

Nordale: if say "hold flat" is cop-out. Trustees
want to see cuts, but reluctant to
make recommendations.
Guiding
Principles + a few specifics that will
accomplish target

Gorsuch: Need some specifics
also need subcommittee re: "off budget"

i.e. revenue bonds, etc.

Brady:
- want to take a look at spending limit in relation to projections
- set a budget target, what does that mean?
-

Gorsch "what do we consider spending"

Mottey
1) $500.0 deficit versus GF or TF different question. Need to change our presentation need to show $5.6 B.
2) Cuts. Need to define "flat" or "cut". but specific prog recc. usurps legislative
- we have ideas about cuts i.e. retirement programs, benefits need to be changed.
- longevity bonus larger than OTHER areas i.e. needs based.

Marianne Nordale:
- showed addition inc in fee income & resulting drop in GF.
- showed recc income gen by fees
- showed be spent on what people are paying for.

Ludwig: mtgs
judge retirement system?
Don't think those are kinds

McConnell: tough
statements about budget cutting w measuring sticks
i.e. needs based services
admin efficiency & consol svcs.

Goesuch: downside: means we have not costed over
ff is. reduction could look as though
we have achieved goal
· state employees not a good measure.

Rogers: concerned about specificity & revenue
but not spending
· thinks one of our jobs is to be
specific on some tough calls
· easier to say "cut $50 than to
come up w $35 m. in specifics"

Ludwig: · degree of complexity + # of direct relationships
· expenditures more complex

McConnell: · agrees. revenue easier to see shared
package.
needs consensus w balance

Brady: Need to do the right thing, don't worry
about what people say

- most important to define "flat" or "cut"

2). should discuss specifics
- if serious, then non-needs based stuff just goes
- can't manage because of union contracts
- so can cut bodies, or cut pass-throughs

O'Connor: haven't heard specifics re: cutting
ie.. only 2% discretionary, where other 98% only have list of spending gross #s.
- what is discretionary?

Lincoln:
- don't know that expects specific budget cuts
- legislature/legislators can't even agree
- scenarios in report could be charge to legislature. should choose one.
- might be able to agree on dividend cap
- IF "POLITICAL COVER" needed, it is in area of taxation
- should not say "in this dept, this prog elim"

Wardale pub test. has not identified superfluous program
- Consol to IT
- counts of school kids

Nordale: · "flat" w targets for types of work
· time for leg to review statutory auth, what is necessary

Navarre: · depts - whose responsible for mging gov"

Nordale: legislative review needed
Navarre: ? doesn't think it matters
?

Gorsuch targets
principles
examples

ie. · target proportional to the problem
· steady, disciplined over time
· local resp.
· needs based programs
· comparative / competitive
· uniqueness
· role of PF, esp. of earnings
· work. gov
· minimize economic impacts
· leveraging fed $ & OTHER $

Rogers may have a larger agreement than we may think
· resolution does refer to esp is #4+

Blazek: how evaluate impacts if don't know where cuts may come fm?
- i.e. concrete proposal i.e. no AB to 200% poverty level.
- may need to set up 3rd tier PERS/TRS
- expand # of spectrums to adv. report

Rieger:
- thinks changing Non-needs to needs won't fly i.e. making entitlement out of program that will be phased out entirely.
- ~~the~~ will discredit report to be more specific

Brady:
- will not get concencus, Simple majority ok
- ISSUES are about values
  - if handing out $, can say we're out of $.
- need to do principles, clear value issues

Loescher: Stabilize revenues, exp. legislature if can find number would help a lot
- Stabilizing revenues
- need to take a hard look at PF. Not offended by capping dividend,
- uses of PF earnings after inflation moving to help support govt

- need to clarify PF statutes/yield + mgmt. targets
- don't think can institute new taxes w/o budget cutting.
- ensure mandated services have administrative and fiscal integrity.
- do need to cut programs outside of normal state govt
- need to focus on items that are out of control ie. collections
- support of encourage restructuring
- funds
- transfer of programs to local govt
- ask for hard look to consolidate
- new taxes long overdue
- property + sales tax should stay w local govt
- inc tax, auth w triggers
- should not shirk budget cutting ~~pkg~~ charge
- need to have package in recommendations

Rogers
- convince public nominal freeze = reduction
- value decisions on revenue as well as spending

Brady
- GIVE IT A SHOT

Nordale:
- need to address expenditure increases ie. EC. Dev. lands inventory, exploration

Nordale: investment creates burdens on infrastructure
- could need inc. tax & triggers

Gorsuch: 3rd 5 = saleability
need stories that will sell win
"Cut, Cap, + Tax" annual targets or 2-3 yrs.

Lunch

Blogels:

1

Nordale: to Lincoln, would you ask for Condon's draft

44 Kay Howat

- re pg 12, tax apportioning of income tax 8% low, past work showed 25% - 30%
need to look at
understates attractiveness of income tax.
supported by Hickel administration
relationship between price + consumption
tax policy should reflect that person causing cost should pay.
NOT adjusted since 1983
- fm 3¢ per drink to 10¢ per drink.

Blogels: recs spending side costs of alcohol
Rep: increase services i.e. prevention

Lincoln Q $204 to GF · discuss use for designated programs.
Resp No, because of general prohibition on GF

Nordale Q: talk about national average, problems w tying tax rate to CPI, creates audit/collection problems. What about revisiting every 5 yrs.
· kind of CPI application through regulation.

Rogers Q ? CPI admin

McConnell ☆ Will discuss indexing w Revenue + look for recs.

Brown · level of sales taxes / court decision

Parnell Q What can we do to make our recs useful and meaningful?

Resp: focus recs to shorter manageable agenda
· inc tax - it takes as much energy to get ~~bigger~~ smaller piece to pass as larger piece.
· timing important

Parnell Q: still could have gap. Cremo to give stability?

Resp: should consider. Have reservation may guess wrong and make problem worse
- effect on corpus of fund.
- constitutional framework - locked in.

RegerQ CBE working? Repeal/Sweep?
Resp
- has worked to achieve basic policy - keep $ from GF
- repayment not working as intended

RegerQ FLAT TAX would capture more like 30% if school tuition

Noeldate: also have rep cut issue. Any advice?
- scenarios on the right track by categorizing

Resp.
stretch revenue as long as possible
start getting new revenue in the door
don't distr

O'ConnorQ welfare 2x OTHER STATES:
Resp: appr

GORSUCHQ: Basic issue/package/w targets or specifics/or menu?
Resp: more likely to be successful on pkg that works for coming session

- integration of interests/ie. mixed socioeconomic constituencies
-

Lincoln
- so what will be different about this yr? ESP election yr.
- pkg?

Rogers Q: Dividend 1) CAP a) program b) indiv amt.
2) would rise & fall to inv. of perm fund?
Resp. tie to long term performance of fund. average pay out

Gorsuch Q:

Nadone
- can't take too big of a bite. The more concencus, the more likelihood of success.
- income tax. Unlikely to be successful

Rieger
- package must be manageable "don't sweat the small stuff"
strong concensus.

Lincoln Parnell
- we have a task and have to complete it.
- should be in tune w public, not legislature
- likes principles
- should discuss mandatory govt svcs under constitution vs. discretionary

Pouchot: · 10 yr plan is a package. ① Resolution have drafted. Describe elements for 10 yrs.
② HOPE GOV OR LEG would do specific action

Navarre · recs / mid year / focus clearly identified

Brady

McConnell

Break: discuss permfund:
what do we expect for final report?
How long?

· rationale · yes

Perm Fund ✓ Nordale bill

1.
2.
3. Endowment

Nordale: gains to fund

TAE 4
001
Nordale re: bill

Nordale: need reserves for emergency i.e. decline in oil prices

McConnell - why not inflation-proof test?

O'Connee - not sure all other plans off table

Ludwig - double dipping re: inflation proofing
Rieger - lag between earning $ and realizing gains

Nordale: determine
PF income needs to be clearer. Then how to calculate.

McConnell dividend tied to earnings?
Rogers TIED TO 5 YR average
Nordale Skip our capital gains → put into principal

Rieger
Brady Tie amount of dividend to $ spent?

Rogers absent an endowment
who favors SB 51 approach
50-50
discussion about dividend

Loescher What do we expect from PF

Rudnell: hold line not good enough, need meaningful reductions

Rieger PF needs to be tied to performance to protect it from political pressures

~~Wattenberg~~:

Capital (realized) gains are returned to the fund if they exceed inflation. mocking

Lincoln ☆ chair @ $500 ea dividend.

McConnell Public support for beefing up perm fund now so there will be more $ avail in our years.

Rieger Maybe not as bad of the forecast

McConnell needs to be revisited in 5 yrs.

Rogers STRAW POLL:

~~500 per capita vs Rieger 700~~ And let float

= $350 Million (pop 707) 458 div 5/99

= 500M avail to GF 436 GF

Motley — if willing to accept 1/2 div, then endowment will work.

Rogers — yes, if maj then go back & revise endowment

Motley, Rogers, Pourchot — want endowment to work, but don't think it can get approved.

McConnell: concerned that $500 CAP would cost public support

Rogers: trying to examine elements separately

Reserves (2 ALE) & McConnell: Transition use of reserves for gap filling scenario

Brady:
- Federal funds could be used for disaster
- line of credit against perm fund
- constitution allows (STATE) leg. to borrow for natural disaster

$200,000

9/16
001 Brady -

Budget Process

Re Interim report: Pg 44.
Concentrate on most important items

McDowell 2-3 items to feature in RI:
- need to get away from 1 yr at a time budgeting
- all State assets shown as part of total picture

Motley #1 develop an accounting system that has better info to public faster

Riegel #1 presentation of budget that ties items funded to funding source i.e. user fees, hatchery $. etc. Need to make clear there is a distinction between those items that can influence fiscal gap and others.

Brady: Budget process for fiscal gap. What do you really need to know to affect fiscal gap? Burdening general fund vs. user fees.

Navarre #3 Bullet, pg 44 and "and to legislature" revenue increases fm user fees should be set aside fm general fund so it doesn't appear as budget increase

Goessuch: 1 Importance of financial plan long term.
2 March madness re: revenue forecast strategy should preempt waiting for
3 Legislature should develop own plan.
4 front section of budget needs to be clearer

McConnell · proposes change

#4 Expenditures vs budget. ie financial reporting
#5 Capital budget: OTH S/B factored in

Nordale: Bds + commissions should not be dinged to support filling fiscal gap ea. Why should she pay more so others can not pay.

Rogers Until 1977, capital budget was bonding. Advantages in voter approval,
(R) using debt for cap exp, voter approval.

Nordale Office buildings rarely pass voter approval as well as village safe water. Have to be careful.

Rogers · would exempt Village safe water
· offices used revenue bonds or cert. of participation
· leasing

Navarre School funding: problematic / coalitions get formed and may go beyond actual need.

Rieger Reverse can happen too.

Navarre

Brady: Muni bond bank:
• Community priority lists may differ depending on the audience.
Communities showed vote on wish list. Should know bonding capacities + list of projects.
• Budgeting process needs to be tied to financial plan

Navarre:
• Supplemental process.
• Cut 10%, then make debt justify recovery if

McConnell draft budget section

Lincoln: May not agree. Subcommittees do a lot of work
McConnell Q: budget caps
: Gorsuch: budget caps. adopt 4/5 yr plan.
full committee vs. subcommittee
↳ allocate targets early in process

641

McConnell:

Brady: Need to do things differently - i.e. budget against long range plan.

~~McDonell:~~ State & local
Pub test
Scenario reviews

704
Brady rearrange agenda.

Scenario review:
New Motley
" Brady
" Composite
" Riegel & Lieber Lite

Endowment vs. non-endowment.

Motley: · revised to reflect $500, ~~00~~ dividend
· incl. 9% nominal
book vs market. EARNINGS TAXES
mad ↓ HUGH ↓ HUGH ↓ BRAD w update fm Doer - Indiana

· PF Dividends @ $500 per capita shows different picture

· to balance needs sales or income tax in 03

Formula:
Geometric regression
13% - 5% by 2015
- budget flat for 5 yrs
- dividend 500.
- excess revenues vs. gap - NOT REFLECTED

Rogers: better to step down dividend

Parnell: shows line head on spending no reduction in spending

Brady: Const Amendment?
Yes

McConnell what % to withdraw now?

Rogers what OTHER RESOURCE taxes?
- FISH GO TO PF, NOT GF SO GAP BIGGER

Gaesuch Conoco Asso Phillips Yield 4.84% annually?

TO ENACT:
96 LEGISTATURE has to enact tax laws, pass constitutional amendment on to the ballot, and change dividend amt.

Gaesuch: ENDOWMENT ~~settles~~ moves volatility issue to investment market

Motley: if ANWR comes online, $ move into PF and begins earning interest

McConnell need to build protections into plan for new $

Nordale: provide that $ (new) goes into PF.

Riegel: Policy re: removing dep for payout

Brady: When boom, some agencies need increase
how to increase?
Resp: temp. tax

McConnell: how deal w needs during boom, ie.
Nordale: sales taxes, property tax, can't turn around quickly enough, need reserves to

McConnell need at least one income stream to be population related ie pay for schools, etc.

Purnell There are ways to meet needs for emergencies + extraordinary expenditures. How?

Motley · Lot of taxing capacity
· Bonding / credit capability.

Rogers: A plan that drops dividend immediately asks public to give up for stability.
Alternative could be package w spending cuts, taxes, partial dividends

Rogers / Parnell — Endowment needs 2/3rds vote

Navarre — ~~the~~ political insulation created by making it a recommendation of the commission.

Ludwig: Keep dividends whole to get vote

O'Connor:

TAPE 2
001

Judy / Brady } What happens when boom causes need to increased state spending

Rieger — When resource ~~boom~~ activities cause boom, w endowment plan., resource/boom causers can't be payers.

McConnell. — Compare endowment + composite
· H01-03 (both) may have to face either having new revenue through ~~income~~ additional revenue vs. raising new revenue through income or sales taxes.

Lindan — Concerned that fiscal plan will not create change in govt.

Powelson: — Keeping dividends whole has downside ie. constitutionally locking in $500 or more caused after tools.

Pourchot: holding capital that can build pent-up needs.

Goelzer: Pros: makes gap apparent
gives steady stream of income

but: builds in natural resistance to taxation

11am
Tape 2 001

Navarre Concerned endowment may not be able to work

Ludwig: divert revenue stream fm 3-5 average if exceeds projections

Rogers: · withdrawal rates and higher amts
1). in a yr of low oil prices, unintended consequences smaller deposit to PF or very low earnings could actually lower PF bal in that yr
- could set withdrawal rate lower = more volatility

2). Cremo amendment that:
1). no need to ~~invest~~ make PF Attn branch of govt
2). "GEOMETRIC"

3) how define, revenues to fund
i.e. taxes unclear, needs solution;
may need to be defined statutorily

LOESCHER: endowment vs. savings account
- may need to plan for/budget for ANWR, gasline etc.
- need capital plan/ maybe dedicate some portion of extraordinary revenue.

Public Hearing
10:4 Marc Langand, Anchorage

- how to sell idea to public
- need direction fm commission
- what role can private sector play?
- STATE CHAMBER/ANCHORAGE CHAMBER - WANT TO BE EFFICIENT IN HOW THEY INTERFACE w public
- wants history of Alaska and how we got into this situation, relationship to revenue stream.
- M: concern about economic growth not paying its own way. FEELS Good jobs can help overall economy and lets society grow.
- Important to provide vision of hope

Nordale PF opinion

Resp

ML look at PF last, look at governance first. can treat as source of revenue to perpetuate status quo. Reservations about endowment. Difficult sell. Discipline is key element. Being allowed to invade principal dangerous.

Lincoln: Very little public testimony. However more participation?

Resp 1) not yet a crisis. reality not focused on long range problem.
2). document needs to be simple and easily understood.
3). Vision of hope
4.) Citizens who can understand framework can acknowledge changes w/in that framework
5) Phase II - 2 yr PR campaign spend $.

McConnell . will need comments next week.
. Coned orgs support w/o specific numbers? details unimportant

Resp: YES

Navarre — job growth currently subsidized — how change that?

Resp: question of taxation. If no job growth, not an opportunity to generate revenue fm that source.

3:46
Tom Greene?

Mayor of Nordalton:

- explain how & why
- scenarios
- public input a must
- red. spending, create rev. combination
- using just one option won't work need to do both, present finely tuned plan
- we are all in it together
  1). State income tax · support fair and non-res.
  2). Hwy motor fuel tax: ucross bd, generate rev. fm outside interests
  3) Marine e same rate+
  4) duration motor fuel tax, repeal foreign tax
  5) Sales & Prop should be left to local govt.

City Nordalton 36% on public safety - alcohol related. Support increase

MA+RS:
10 yrs ⇒ down 50%
FY95 $4,000 muni asst.
w/o entitlement city would have to dissolve

Nordale Q written testimony?
YES

Parnell: Should recommend tax taxes be advisory vote?
Resp: Yes.
Taxes necessary right away
Yes, call for now

Navarre Concerned about suggestion taxes be put to vote. Where draw the line?
Income taxes prop ok

Ed Earnhart #522
- Ining on income tax + sales tax so as to make up for and share in the future.
- How educate public? HARD TO GET THROUGH CONCEPT OF MULTIPLIER

3) EXTRACTIVE INDUSTRIES: ie "BLUE EYED CRABS" JUST CAN'T SAY LETS PUSH BUSINESS, DON'T HAVE CAPACITY.
- NEED BROAD SPECTRUM SUPPORT FOR PLAN, NOT LET BUSINESS LEAD THE CHARGE
- INCREASE PFD and then bring on income + sales taxes.
- leg

TAPE 2

644 DOUG STACK
- "incrementalist" advantages of small changes allows for course correction large change disruptive
- lots of taxes, in small amts, everyone shares
- efficiency: if COSTS more than 5% to collect it, don't bother.

677 Jack Anderson written testimony
- 61 yr resident
- look at privatizing ie. ferry system can't reorganize salary system.

Ludwig
- How privatize ferry system?

Pouchot
-

Navarre: re: privatizing ferry system

Lincoln: need taxes?
- need more money in the till then
every dime should be appropriated

Break time!

Rogers: Schedule
extend? / more meetings

Lincoln extend: need to find consensus re endowment reductions
at the boiling down point.

Brady: ~~Wed~~ need Mon 25th + 26th TUES? need to meet
telecon next week.
may need to move report back

Riegle: will need deadline / adhere to original schedule

Goshen: separate drafting fm deadline
wants to talk to people who put professional packages together
thinks we should take time to

Rogers: details of drafting will drive some policy issues

Pouchot: Thinks another day to look at spreadsheets is necessary (Between)

Rogers Numbers vs. policy issues.

Pouchot:
McConnell · if we look at "tweaking" list of tests:

telecon / videocon next week.

Brady · we have focused on policy issues
do need telecon + extra day 1 Oct.

MEO 28th	9	FRI 23RD	9
TUES 9th	8	SAT 23rd	
THURS 21st	12	25th	

Sept 28th or
series of videoconferences or audiocon.

28th
LVC:

165th

AFTER LUNCH
#220

Composite Scenario

- adopt Kreger plan slowly
- smooth in taxes (except tobacco)
- (only one sin tax per yr)

1999

- ramp down dividend slowly, SB57 fully implemented 2001
- balance

Bob Loescher } State + Local Govt Subcommittee report
(see written report)
& also Education (see report)

Discussion:

Judy Brady

Nordale: relationship issues:
- adopted motor fuel tax & shared muni $1 ± transfer CLASS 3 RDs + BOO
- real property tax over 20 mills → goes to fund local govt in unorg. boro.
- local govt excise tax on alcohol bettes sharing motor vehicle license fees
- currently org boros should be required to provide police/highway patrol
- local communities need help o police work.
- service districts in unorg boro

Rogers: do need to address changes in responsibilities
- education
- police service

TAPE 4: Local vs. state service responsibility.

McConnell (R): Categories
- consolidation of SICs
- capital requests, reasonable vs. wish list
- local taxation distinguish between tax willingness & tax capacity.
- recommend process for some transfers. maybe recc. list i.e. motor fuels + roads.

Rieser: RE: transfer of local roads LRSA
- include definition ~~of~~ of what services can be transferred to.

Navarre: recognize all local govts not the same.

Rogers: by transferring resp. keep SNC near consumers and continue to keep budgets down (won't grow as fast)

Navarre: Retirement changes not seen for a long time
Privatization requires systems + infrastructure set up

Clear + measurable gap fillers:

Rogers Proposal

1. Repeal State + local Sr. citizen tax exemption
   - Must munis to provide local exemption

2. Pipeline property tax: after 1/1/96 total goes to state, until 50/50 balance zero offset amount

Nordale — need to be clear in definitions of what is new. (i.e. gas + Amoco) depreciation schedules after tax levies

3. Repeal exemption motor vehicles license fees

Break

Other gap fillers and Budget Issues.

Rogers overall

Efficiencies:
ask legislature to examine program legislation. to determine necessity.

Nakane — Fast projections don't address deferred maintenance

Nordale ☆ • Language (Anstee) ☆ of accounting for # within context of a flat budget
• address problem through generating additional income fm sale of svcs.

Nordale (Re) change in Pioneers Home Fees from flat fee to percent of income

Rogers "in-sourcing

☆ Use all funds,
~~OUTLINE FOR REPORT~~
See chart

III: Federal funds and reserves
growth drivers

(Fay) Outline + assignments

McConnell aggregate impact on economy in any one year

Any reduction below 2.4

-below 2.4% is specifically identify
i.e. understate org of admin support svcs might yield $10-15 million

reduce PAD
income tax ⇒ leakage outside

bond counsel look at plan

STATE OF ALASKA
LONG RANGE FINANCIAL PLANNING COMMISSION

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AGENDA

Regular Meeting- Anchorage LIO
Friday, 15 September, 8:30am to 5:00 pm

8:30AM - 9:00AM	Chairman Remarks & Review of Remaining Tasks
9:00AM - 9:30AM	Representative Terry Martin, Chairman Legislative Budget & Audit Committee
9:30AM - 9:45AM	Representative Carl Moses, represented by staff
9:45AM - 10:15AM	Ross Kinney, Finance Director, Kenai Peninsula Borough
10:15AM -12:30PM	Scenario review
12:30PM - 1:30PM	Lunch
1:30 PM - 1:45PM	Representative Kay Brown
1:45PM - 5:00PM	Work Session on Options

Saturday, 16 September, 8:30 am to 4:30 pm

8:30AM - 11:00AM	Work Session on Options
11:00AM-12:00AM	Public Testmony
12:00AM -1:00 PM	Lunch
1:00 PM - 5:00 PM	Work Session on Final Report

MAF copy

Presentation to the Long Range Financial Planning Commission
By Representative Terry Martin
September 15, 1995

My major purpose in making a presentation to the Long Range Financial Planning Commission is to encourage you to use -- in seeking solutions for the financial well being of Alaska -- the complete financial budget for FY96 as the base for statements in your final report to the Governor, the Legislature, and the public.

Every member of the Commission should read the Fiscal Year 1996 Legislative Budget Digest from the Legislative Finance Division and compare it with statements made in the Commission's Preliminary Report. I think as a group, the majority will want a lot of assertions changed.

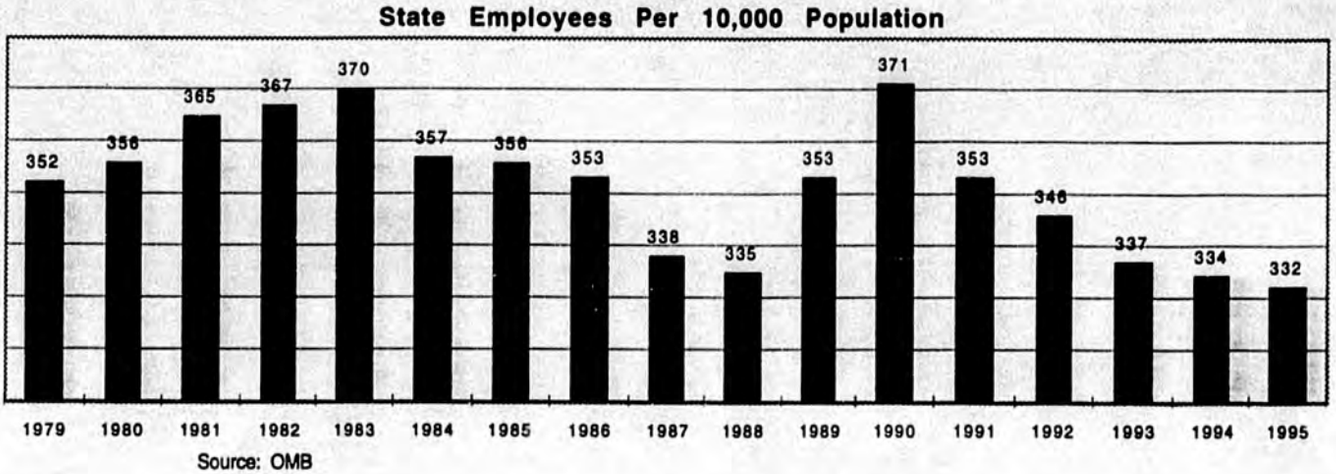
Specifically, I draw your attention to pages 6 - 9 of the Legislative Budget Digest. Here is where the total budget for FY96 is found without using words or phrases that limit the full expenditures of the state. If you want to use the earnings of the Permanent Fund as an annual expense (as the Commission has done in its budget totals), then add $1.2 billion in order to reach a grand total of $5.6 billion. Item 7 on page 15 of the Commission's Preliminary Report states that "all state expenditures, including Permanent Fund earnings and dividends, should be included for review in determining fiscal policy goals for spending cuts." I support this statement, and ask that you print verbatim the complete fiscal information detailed in the Legislative Budget Digest.

The August 12 Preliminary Report seems to me to be saying it is the Commission's goal to maintain the same level of government that Alaska has lived with over the past 15 years. Do we want for and can the working people afford the highest percentage of government in the United States?

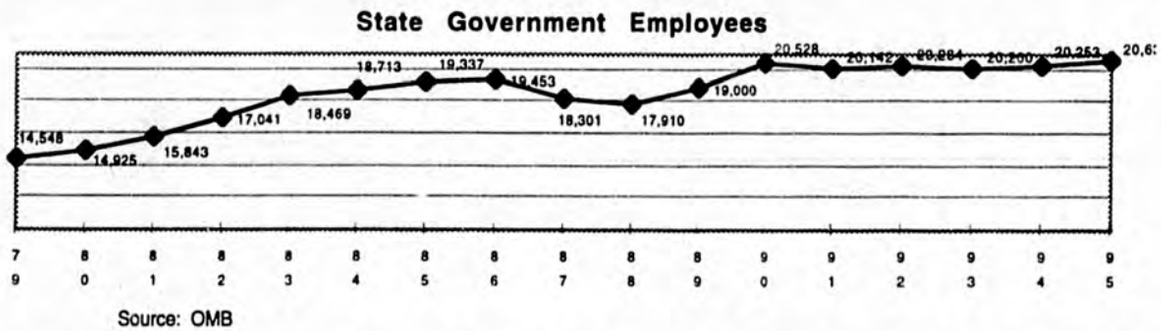
Throughout the Preliminary Report of the Long Range Financial Planning Commission there is a tenacity to mislead the public that state government has been down-sizing in the number of employees and in the total cost of government. Using percentages in relation to population growth, the consumer price index, and inflation does not give a realistic and complete picture regarding the growth of public employees and state expenditures. It would be more revealing for the public's evaluation of the commission's final report to see actual numbers of growth. Is it a goal of this Commissioner that state policy makers always keep up with growth of population and inflation? No society over the past 2 millennium have succeeded in such a fable philosophy.

To illustrate the problem of misleading perceptions, I would point to the graph titled State Employees Per 10,000 Population (Preliminary Report, page 9) which leads one

to perceive that state employees have been cut by as much as 2,400 positions not to keep up with population growth from 1979 to 1995. (See chart below)

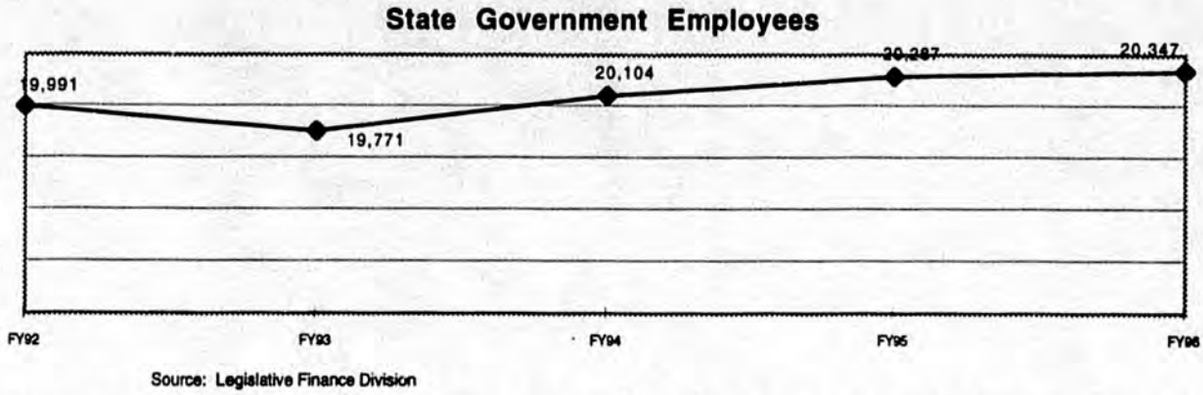


Using actual numbers of employees, as shown in the graph below, we see an increase of 6,091 over the 17 year period. This graph might give the public an opposite impression from the graph above as it was presented in the Commission's Preliminary Report. Would it not be fair to the public to give both graphs for their awareness?



(Please note that the drop in state employees for 1987 and 1988 may have been due to the early incentive program that was to keep totals down. However, the very next year (1989) we see growth of 1,100 employees, followed in 1990 by an additional 1,528. All this takes place under the oversight of only one state administration. It is also fair to point out that this increase in employees may have been partially necessitated by the 1989 Prince William Sound oil spill, and various departments having to respond to the emergency.)

While both graphs shown above use the same employee numbers used by OMB in the Commission's Preliminary Report, I requested the Legislative Finance Division to also provide state employee numbers to use as a comparison. The graph presented below uses the Legislative Finance numbers, which totals all full-time and part-time employees just over the past five years.



Source: Legislative Finance Division

Another example of misstatements is Item 3 found on page 14 of the Preliminary Report; "The state has been accomplishing actual budget cuts..." This may be true if one limits the evaluation to only the annual unrestricted general fund category of appropriations, coupled with a generous inflation rate and population increases. The total operating budget authorizations have increased 47.3% from FY85 to FY96. There is a total of over $792 million in the "off budget" authorizations that should have been included in the calculations -- much of which used to be part of the general fund budget in prior years.

Looking on page 41, I find the following statement; "For example, since FY91, state agency budgets have been cut by 13 percent in nominal dollars and 25 percent in real dollars (adjusted for inflation)." Again, this statement denies the truth to the excessive growth in state government when all the elements of the budget are brought together and totaled.

In summary to this evaluation, I ask you to consider recommending the Governor and the Legislature to present the full budget to the public. No more partial budgets. No more shell games. No more "off budget" items. The public is made of mature adults who can accept the full picture of the cost of government. Only then can they give you informed public opinion when asked for solutions for the future financing of Alaska.

Some say it doesn't matter that the total financial picture is presented, but I believe it does with the public. You can start the new policy of financial disclosure by correcting your preliminary report. Why not take the higher level of openness with the people?

You have this moment in Alaska's history to tell it like it is. This is your chance to stand tall and shine brightly as a commission willing to give all the facts to your fellow Alaskans. I would be glad to leave with you my marked up copy of the Commission's Preliminary Report that suggests other general statements that should be reworded, eliminated, or need supporting data.

Thank you for your allowing me to give this constructive evaluation.

1. Budget Cuts! Budget Cuts! Budget Cuts! Budget Cuts!

While the report released by my office on August 18 (*A 12 Year Review of Government Financing)* has been viewed by some as an attempt to undermine the efforts of the Long Range Financial Planning Commission, this was not the case. Rather, it was simply my intention to find out where and how our state operating budget has grown over the past decade -- both in terms of formula and non-formula programs, and in terms of total funding sources.

When looking at the growth of our state general fund budget gap, my report clearly shows it is state formula programs driving up our budget gap. While unrestricted general fund spending for agency operations have actually declined about 10% since FY85, formula programs have risen 33%. (The Medicaid program alone has grown almost 400%!) By why do we see a decrease -- how many items over the decade have been moved from the undedicated to the dedicated?

Are the formula programs the ones we want to pay for from the wages of working men and women?

Our formula programs must be brought in line with other states -- both in order to slow or even reverse the growth and expense of these programs, and to keep our state from becoming a magnet for people looking to come here to take advantage of our high benefits.

2. Increased Revenues From Resource Development

A. Sale of State land
B. Increased timber harvesting

3. User Fees

For those state services the public desires, the public should be willing to pay for the full cost of the service. If the public is not willing to pay, the service should be eliminated or at least cut to level the public is willing to pay.

4. Cap the Permanent Fund Dividend

At the time the Permanent Fund was established by the voters of the state in 1976, it was referenced as an opportunity to save the windfalls of that period for the expenses of government when the oil ran out. Capping the dividend at anywhere from $500 to $1000 could provide enough excess earnings to bridge budget gaps in the future.

FY96 Total State Expenditures

General Fund Total	**2,438.8**	**Based on 7/31/95 Leg. Fin. Spend Plan**
Permanent Fund Allocations	**1,218.0**	**Based on 8/12/95 LRFPC Report**
Other State Funds	**914.1**	**Based on Total Table below**
Federal Receipts	**1,080.1**	**Based on Total Table below**
State of Alaska Total Spending	**5,651.0**	

FY96 Operating Budget/Debt Service

Chapter 94, SLA 1995 & Chapter 103, SLA 1995

Federal Receipts	710,536.1
Public Law 81-874	21,016.5
Title XX	6,310.8
Federal Receipt Total	**737,863.4**
Constitution Budget Reserve	17,691.5
Inter-Agency Receipts	192,818.3
University of Alaska Interest Income	2,801.4
Alaska Education Trust Fund	19.7
Alcoholism & Drug Abuse Revolving Loan	2.0
Donated Commodity/Handling Fee	358.6
U/A Dormitory/Food/Auxiliary Service	23,984.8
Federal Incentive Payments	3,093.9
Benefits Systems Receipts	4,005.8
Agricultural Loan Fund	1,429.0
State Corporation Receipts	60,501.3
FICA Administration Fund Acct	90.8
Fish and Game Fund	19,293.9
Science & Technology Endowment	12,508.0
Highway Working Capital Fund	22,605.9
International Airport Revenue	44,237.7
Public Employees Retirement Fund	15,110.8
Second Injury Fund Reserve Acct	2,831.7
Disabled Fishermans Reserve Acct	1,290.7
Surplus Property Revolving Fund	274.8
Teachers Retirement System Fund	9,953.5
Veterans Revolving Loan Fund	238.0
Commercial Fishing Loan Fund	2,431.1
U/A Student Tuition/Fees/Services	53,842.2
U/A Indirect Cost Recovery	16,273.0
Real Estate Surety Fund	175.3
Judicial Retirement System	139.9
National Guard Retirement System	68.5
University Restricted Receipts	46,738.2
Training and Building Fund	634.4
Permanent Fund Dividend Fund	29,052.6
Rural Development Initiative Fund	95.4
Oil/Hazardous Response Fund	12,061.4
Investment Loss Trust Fund	18.7
State Employment & Training Program	3,781.2
Inter-agency/Oil & Hazardous Waste	1,936.5
Small Business Loan Fund	8.0
Correctional Industries Fund	2,250.6
Capital Improvement Project Receipts	79,616.2
Power Project Loan Fund	667.0
National Petroleum Reserve	50.0
Public School Fund	2,775.2
Mining Revolving Loan Fund	9.0
Child Care Revolving Loan Fund	6.5
Historical District Revolving Loan Fund	3.0
Fisheries Enhancement Revlvng Loan Fund	271.7
Alternative Energy Revolving Loan Fund	276.2
Residential Energy Conservatn Loan Fund	11.9
Bulk Fuel Revolving Loan Fund	48.7
Alaska Clean Water Loan Fund	296.5
Marine Highway System Fund	74,347.7
Gifts/Grants/Bequests	1,976.5
Storage Tank Assistance Fund	3,191.3
Information Service Fund	21,586.5
Power Cost Equalization Fund	19,385.6
Mental Health Trust Settlement Income	952.8
Public School Trust Fund	5,394.7
Other State Funds Total	**815,516.1**

FY96 Capital Budget

Chapter 103, SLA 1995

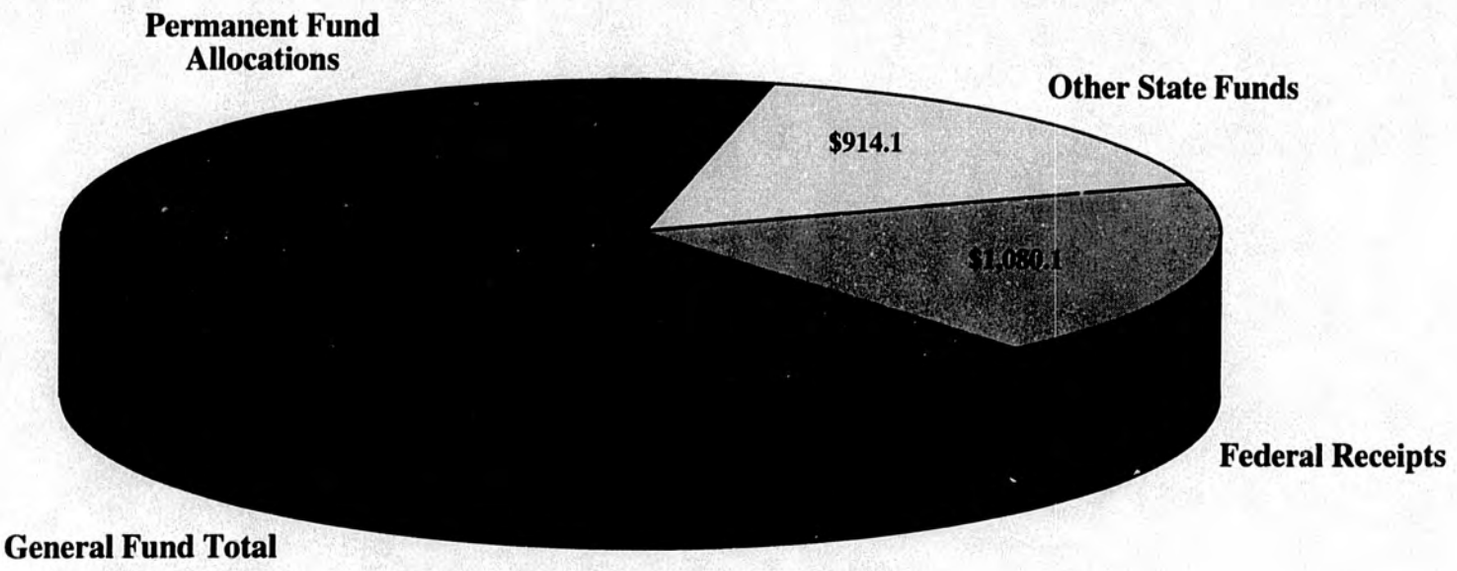
Federal Receipts	342,189.4
Federal Receipts Total	**342,189.4**
Vessel Replacement Fund	2,000.0
SE Energy Fund	2,560.0
Corporate Receipts	57,658.4
Fish and Game Fund	2,757.5
Public Employees Retirement Fund	523.4
Teachers Retirement System Fund	448.7
Judicial Retirement System	24.9
Gifts/Grants	700.0
Information Service Fund	1,446.0
Reforestation Fund	100.0
Agricultural Loan Fund	20.0
Oil/Hazardous Response Fund	3,936.0
Highway Working Capital Fund	11,800.0
International Airport Revenue	11,620.0
Capital Improvement Project Rcpts	1,500.0
Power Cost Equalization Fund	1,400.0
Science & Technology Endowment	100.0
Other State Funds Total	**98,594.9**

Total Table

Federal Receipts Operating Total	737,863.4
Federal Receipts Capital Total	342,189.4
Federal Receipts Total	1,080,052.8
Other State Funds Operating Total	815,516.1
Other State Funds Capital Total	98,594.9
Other State Funds Total	914,111.0

FY96 Total State Spending

Sources For The $5.65 Billion We Spent



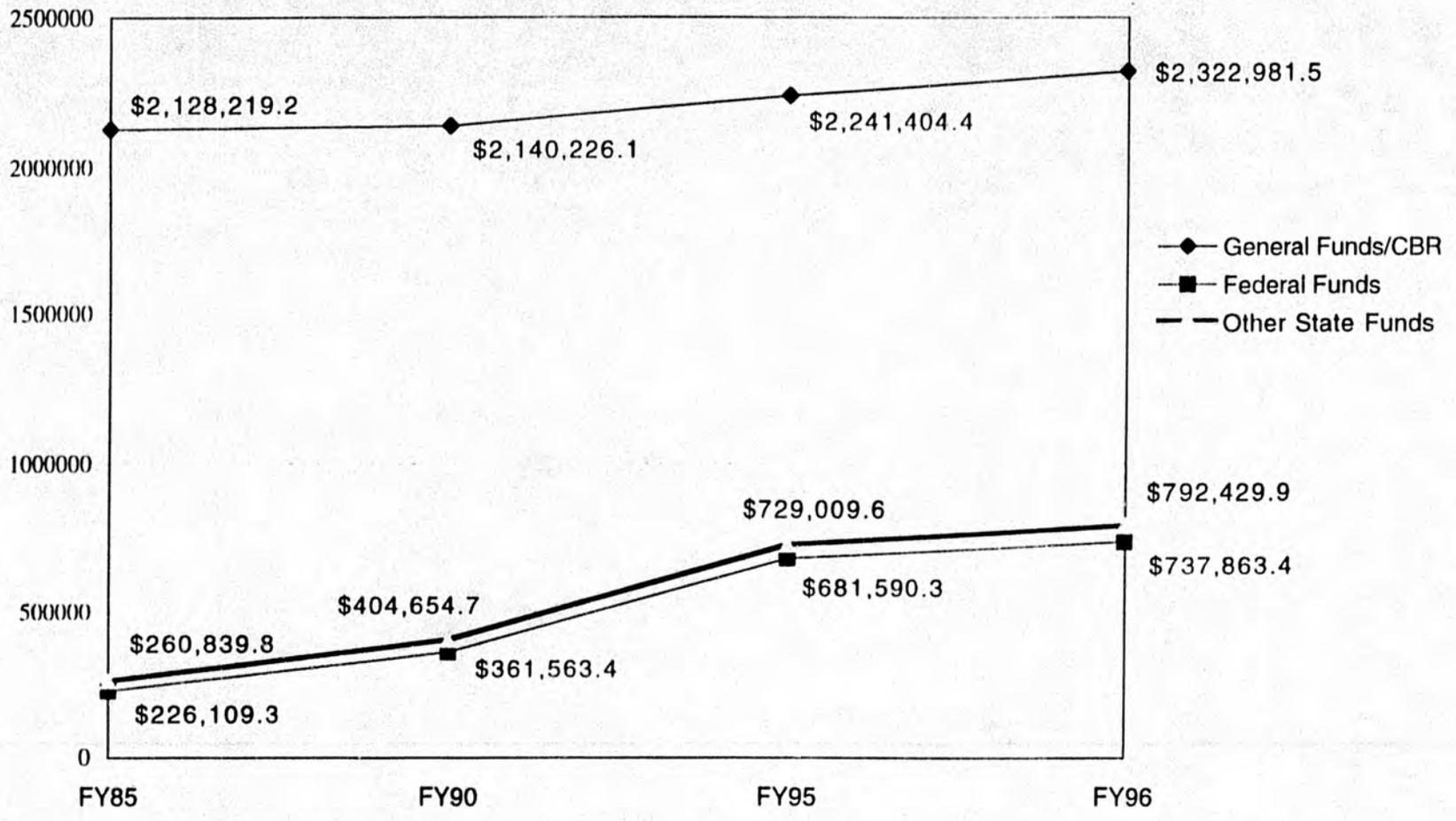
Dollar amounts shown are expressed in thousands.

Prepared by Rep. Terry Martin
9/15/95

The amounts reflected in this chart are only for the amounts authorized in the operating budget bill -- they do not reflect total expenditures such as supplementals and other appropriations.

Operating Budget Bill Authorization

FY1985 - FY1996 Comparison



	FY85	FY90	FY95	*FY96*	*12 Year Change*	*% Change*
General Funds/CBR	2,128,219.2	2,140,226.1	2,241,404.4	2,322,981.5	*194,762.3*	*9.2%*
Federal Funds	226,109.3	361,563.4	681,590.3	737,863.4	*511,754.1*	*226.3%*
Other State Funds	260,839.8	404,654.7	729,009.6	792,429.9	*531,590.1*	*203.8%*
TOTAL	2,615,168.3	2,906,444.2	3,652,004.3	3,853,274.8	*1,238,106.5*	*47.3%*

Prepared by Rep. Terry Martin, Legislative Budget and Audit

8/18/95

Representative Kay Brown ALASKA STATE LEGISLATURE

Legislative Information Office
716 W. 4th Ave, #420
Anchorage, AK 99501-2133
(907) 258-8162

During Session
State Capitol
Juneau, Alaska 99801-1182
(907) 465-4998

TO: Long-Range Financial Planning Commission

FROM: Rep. Kay Brown

DATE: Sept. 14, 1995

SUBJECT: Comments on Preliminary Report

• Generally, the preliminary report presents a balanced, succinct and informative picture of the situation and the options.

• Your definition of "Alaska residents," by including part-year residents, greatly understates an attractive feature of the personal income tax. [Page 12, last paragraph] This discussion should indicate what portion of the tax would be paid by year-round, permanent residents vs. others.

• An alcohol tax increase deserves consideration for reasons beyond its revenue generating potential. It would have the social benefit of decreasing alcohol consumption. Alcohol causes many serious problems in society, and the costs of coping with these problems should be borne to a greater extent by users of alcohol. Currently, the state collects about $12 million from the state tax on alcohol, yet the state spends more than $200 million per year on services directly related to the abuse of alcohol and drugs (according to comprehensive study in 1989).

The alcohol tax was last raised in 1983.

Please see attached notes on HB 96, which I am sponsoring.

printed on recycled paper

3/3/95 Rep. Kay Brown

SPONSOR STATEMENT

HB 96

"An Act increasing and requiring annual adjustment of the tax on alcoholic beverages; and providing for an effective date."

On November 30, 1994, **Governor Walter J. Hickel's Criminal Justice Work Group** published their report entitled, **"Options For Cost Containment In The Criminal Justice System."** On only one particular topic could the group achieve consensus:

"It was the unanimous observation by all the members of the work group that what "drives" the system is alcohol, and that real progress cannot be made in cost *reduction*--or in the reduction of a wide range of social problems--unless the legislative and executive branches are serious about controlling alcohol."

"The work group unanimously agrees that alcohol is far and away the number one cause of crime in Alaska and that reducing alcohol use by even a small amount would reduce crime and the resulting pressure on criminal justice agencies."[1]

- **The work group's number one suggestion for stemming alcohol use and abuse is to increase the state tax on alcohol.**

The Alaska Sentencing Commission found that 73% of a sample of felony offenders sentenced between 1986--1991 were chronic alcohol users. Fifty-three percent were under the influence of alcohol at the time they committed their offense.

In the early 1980's the Judicial Council found that up to 78% of offenders sentenced for murder and kidnapping and 66% of other violent offenders had used alcohol at the time of the offense. Nearly three-fourths (71.3%) of misdemeanants had used alcohol or alcohol in combination with other drugs at the time of the offense. The Department of Health and Social Services tells us that alcohol abuse is often associated with domestic violence and child abuse.[2]

---

[1] Cost Containment in the Criminal Justice System, Part I: Alcohol in Alaska, page 1.
[2] Meeting the Challenge, A Strategic Plan for the Division of Alcoholism and Drug Abuse, 1994, page 11.

• **The Division of Alcoholism and Drug Abuse has adopted strategies for reducing the adverse health and social consequences of alcohol abuse. The first strategy is:**

> *"Increase excise taxes on alcohol and establish a statutory mechanism for automatic increases indexed to inflation as determined by the consumer price index."*

That is what **HB 96** would do.

Alaska's $200 million annual subsidy to the Alcohol Industry:

• In 1989, the State Office of Alcohol and Drug Abuse completed a comprehensive study of the **costs to the state** of alcohol abuse and alcoholism. Many people were shocked to find that the state spends approximately $200 million per year on services directly related to the abuse of alcohol and drugs. Public assistance, criminal justice, health and medical expenses, not to mention public safety enforcement and prevention programs, cost Alaskans millions every month.

Paying their share?

• The state alcohol beverage tax has not seen an increase *since 1983.* Can the same be said of local property or sales taxes? At the current rate of taxation (about 3 cents per glass of beer and 4 cents per glass of wine or shot of liquor), the state collects about $12 million per year. A subtraction of state tax revenues from the cost of alcohol and drug abuse related services shows the state spending about **$186 million more** for these services than it recovers in taxes. The Department of Revenue, estimates that by implementing the proposed increase (to about 10 cents per drink) the state could see an additional **$20 million to the general fund,** or about *10% of the cost of state programs.*

3/3/95 Rep. Kay Brown

SECTIONAL ANALYSIS

HB 96

"An Act increasing and requiring annual adjustment of the tax on alcoholic beverages; and providing for an effective date."

Section 1. Increases the state alcoholic beverage tax on:

malt beverages--from 35 cents a gallon or fraction of a gallon, to $1.05 a gallon or fraction of a gallon,

wine (beverages 21 percent alcohol by volume or less) from 85 cents a gallon or fraction of a gallon to $2.15 a gallon or fraction of a gallon,

beverages over 21 percent alcohol by volume (spirits) from $5.60 a gallon to $12.75 a gallon.

Section 2. Amends AS 43.60.010 to provide for an increase in the alcohol tax rate by the annual rate of increase of the consumer price index for Anchorage.

Section 3. Directs the Department of Revenue to determine on June 1, 1996, what will be the alcoholic beverage tax rate for fiscal year 1997 and to impose that rate on July 1, 1996.

Section 4. Effective date, July 1, 1995.

STATE OF ALASKA
LONG RANGE FINANCIAL PLANNING COMMISSION
716 West Fourth Avenue, Anchorage, Alaska 99501
Phone: (907)258-8165, Fax (907)258-9869
Internet: LRFPC%legis@state.ak.us
Staff: Melissa Aber Fouse
Bob Walsh

DRAFT SCHEDULE AS OF 31 August 1995
FOR COMMISSION MEMBERS

PLEASE LET US KNOW IF THERE ARE ANY OTHER LRFPC ENGAGEMENTS ON YOUR CALENDARS

Wednesday, 30 August
TV Airing: 328 Stations in rural Alaska
Saturday, 02 Sept 5:00 pm
TV Airing KUAC Fairbanks
Sunday, 03 September
TV Airing, Anchorage KTVA
Interview with Brian Rogers & Bob Loescher by Red Boucher

11-14 September-Teleconferenced Public Hearings 7:00pm to 9:00

SEPTEMBER 11TH: Interior/North 7:00pm to 9:00pm
Anchorage, Fairbanks, Juneau & Ketchikan-on line for commission members
Barrow, Delta Junction, Kotzebue, Nome, Tok-testimony

SEPTEMBER 12TH: Southcentral 7:00pm to 9:00pm
Anchorage, Fairbanks, Juneau & Ketchikan-on line for commission members
Bethel, Dillingham, Seward, Glennallen, Homer, Kenai,
Kodiak, Mat-Su, Valdez-testimony

SEPTEMBER 13TH: Anchorage 7:00pm to 9:00pm
Anchorage, Fairbanks, Juneau & Ketchikan-on line for commission members
testimony at Anchorage LIO

SEPTEMBER 14TH: Southeast 7:00pm to 9:00pm
Anchorage, Fairbanks, Juneau & Ketchikan-on line for commsison members
Cordova, Juneau, Ketchikan, Petersberg, Sitka, Wrangell-testimony

Members may participate through off-net as well, please let commission office know. Please note that off-net participation by commission members will reduce the number of off-net lines for the public.

Kenai Chamber of Commerce
Wednesday, 13 September , Noon
Kenai Merritt Inn, Kenai
Judy Brady, Mike O'Connor

Regular Meeting- Anchorage LIO
Friday, 15 September, 8:30 am to 5:00 pm
Saturday, 16 September, 8:30 am to 4:30 pm
Representative Terry Martin, Chairman, Legislative Budget & Audit Committee re: program receipts
Work Sessions re: Options
Discuss Final Report

Eagle River Chamber of Commerce
20 September, Noon
Mike Navarre

Regular Meeting-Anchorage LIO
Friday, 29 September 8:30 am to 5:00 pm
Saturday, 30 September, 8:30 am to 4:30 pm
Complete Final Report

Fairbanks Chamber of Commerce
October 3rd Luncheon
Brian Rogers

Common Sense for Alaska Luncheon-Egan Center Anchorage
Thursday, 05 October, Noon
Brian Rogers*** CONFIRMED

Alaska Society of Public Administrators
10 October
Brian Rogers

Hedging Conference - Anchorage

13 October 95
Brian Rogers

Possible Shoot date w/Red Boucher
***Brian Rogers & Georgianna Lincoln(?)
14 Oct or 21 Oct, 3 pm

Oct 16th
Anchorage Chamber Luncheon
Brian Rogers & Judy Brady(?)

19 October Lunch
Fairbanks Rotary
Brian Rogers

20 October 1995, Anchorage,
AFN Convention
Brian Rogers

November 16, Valdez
Alaska Municipal League
Brian Rogers

TONY KNOWLES, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

P.O. BOX 110400
JUNEAU, ALASKA 99811-0400
TELEPHONE: (907) 465-2300
FACSIMILE: (907) 465-2389

September 6, 1995

Brian Rogers, Chairman
Long Range Financial Planning Commission
3601 C Street, Suite 724
Anchorage, AK 99503-5986

Dear Brian:

Enclosed are 20 copies of a set of materials which I hope provides answers to some of the questions you asked during my August 25 presentation to the Commission.

The first page of the package is a table showing a city/borough/state breakdown of Property Tax collections since 1975. The seven color graphics address the following questions:

(1) How would an individual income tax raising (A) $200 million, (B) $300 million, and (C) $400 million affect the total tax burden on an individual Alaskan?

(2) How would the tax burdens in (1) above compare to other states?

(3) What would be the comparative effects on the economy of (A) a $300 million budget cut, (B) an individual income tax raising $300 million, (C) a sales tax raising $300 million, and (D) cutting $300 million from the Permanent Fund Dividend payout?

Some of the graphics in this package were in the materials I provided on August 25. I have included them again here for comparative purposes. Our work on the "who pays" scenarios was based on the ISER Fiscal Policy papers.

My staff is continuing to do the research required to answer your remaining questions and requests:

(1) Please provide income data for 1990-1993 (when available).

(2) What would be the concerns for sales tax collections in the Unorganized Borough?

(3) What are the issues involved in property taxes for a major gas line from the North Slope?

Printed on recycled paper by C.D.

Please let me know if I can be of further assistance as you prepare your final report and recommendations.

Sincerely,

Wilson L. Condon
Commissioner

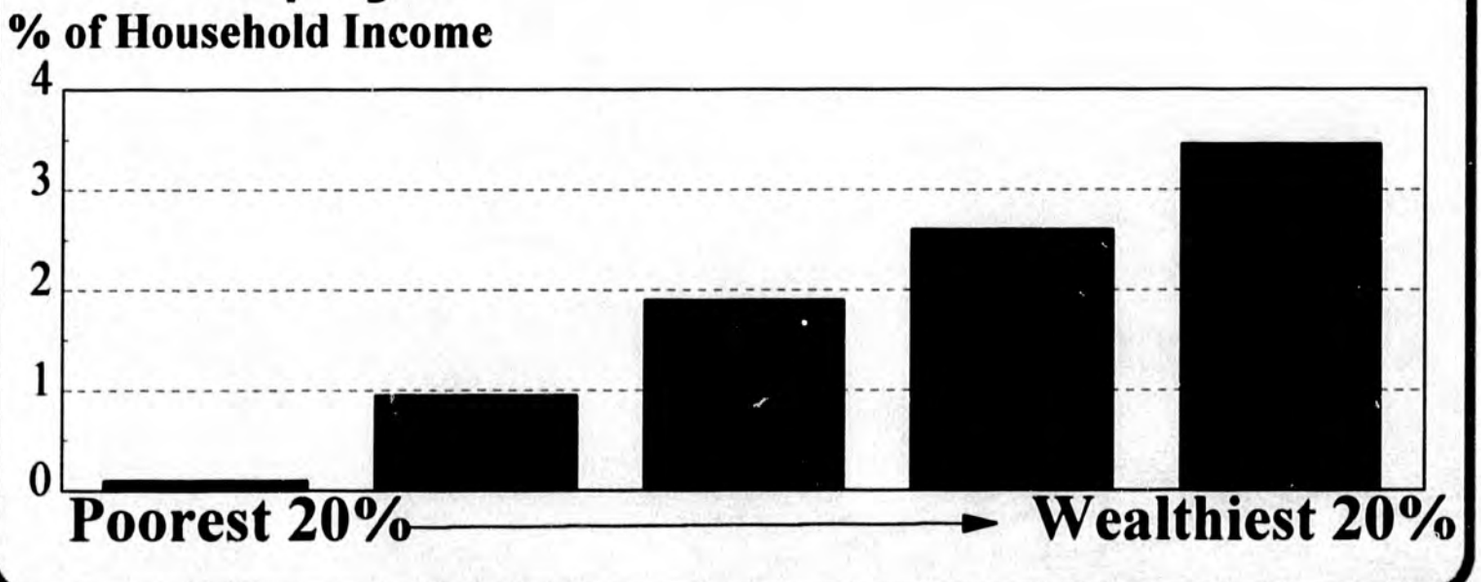
WLC:mll
Enclosures

AS 43.56 - HISTORY OF LOCAL TAXES AND NET TAX PAID TO THE STATE - ORIGINAL ROLLS AND SUP. TOTALS

YEAR	NORTH SLOPE	FAIRBANKS	ANCHORAGE	KENAI	VALDEZ	MAT-SU	YAKUTAT	UNALASKA	CORDOVA	WHITTIE R	BRISTOL BAY	JUNEAU	TOTAL LOCAL TAXES	STATE	TOTALS
1975	5,220,328.61	429,425.11	65,692.78	2,640,122.16	1,262,548.00	11,443.12					5,472.60		9,635,032.38	16,130,165.62	25,765,198.00
1976	15,658,580.25	1,960,033.69	175,266.44	3,041,121.07	3,678,634.61	12,980.96							24,526,617.02	67,925,495.58	92,452,112.60
1977	24,852,370.48	2,622,474.56	152,376.78	2,909,944.70	6,935,241.39	3,933.65	50,914.60						37,527,256.16	132,317,655.04	169,844,911.20
1978	32,487,907.63	4,329,916.12	278,880.40	2,555,781.69	8,301,784.14	21,135.26	44,011.79						48,019,417.03	173,520,276.37	221,539,693.40
1979	49,800,530.46	5,757,872.28	348,074.66	1,433,344.95	9,211,292.67	22,020.25	36,166.76						66,609,302.03	172,319,645.57	238,928,947.60
1980	55,974,325.83	4,014,331.52	394,270.06	1,833,758.43	10,650,394.03	6,457.70	26,628.69						72,900,166.26	170,412,512.74	243,312,679.00
1981	105,150,647.07	3,581,161.51	436,043.03	1,569,840.71	10,309,985.47	40,633.51	27,848.82						121,116,160.12	142,296,505.48	263,412,665.60
1982	126,781,996.91	4,013,657.09	436,089.00	2,027,740.31	10,871,601.95	12,240.31	28,218.99						144,171,544.56	144,037,429.04	288,208,973.60
1983	144,625,348.13	4,351,447.87	843,675.06	3,040,100.78	17,918,701.04	12,849.04	24,568.02	1,733.91					170,818,423.85	150,378,298.55	321,196,722.40
1984	215,398,537.74	5,470,953.97	829,360.19	2,405,570.88	17,898,446.66	12,686.38	23,374.43						242,038,930.25	129,827,367.35	371,866,297.60
1985	227,048,462.72	5,381,093.75	729,178.67	2,697,711.08	18,139,317.94	9,433.46	21,143.82	36,976.54					254,063,317.98	126,346,961.42	380,410,279.40
1986	241,573,422.91	5,749,479.68	689,009.27	3,348,079.93	26,257,760.43	5,189.14	20,073.35	110.78					277,643,125.49	113,197,811.11	390,840,936.60
1987	225,908,395.93	6,102,991.63	780,148.47	4,233,807.72	25,606,861.42	24,355.01		5,605.05		1,399.80			262,663,565.03	102,422,008.57	365,085,573.60
1988	222,291,318.13	6,671,197.32	1,084,814.09	4,052,867.83	24,426,615.69	33,631.48		870.83					258,561,315.37	95,626,354.43	354,187,669.80
1989	216,414,910.91	7,112,437.89	1,277,420.75	4,497,309.82	24,136,427.12	26,639.47		353.24					253,465,499.20	89,279,762.00	342,745,261.20
1990	216,577,211.88	6,006,857.02	1,734,166.11	5,493,463.06	17,690,232.96	75,959.73		388.90					247,578,279.66	90,180,552.74	337,758,832.40
1991	223,647,986.81	6,567,699.98	-1,140,269.49	7,098,033.16	17,057,982.52	173,996.02		405.00	17,303.40	3,973.75			255,707,650.13	84,801,964.07	340,509,614.20
1992	231,489,364.94	6,716,131.32	1,405,830.42	6,617,938.67	19,125,549.72	161,707.70		305.81	55,830.94	4,249.40		54.12	265,576,963.04	68,252,385.56	333,829,348.60
1993	219,906,840.10	6,591,393.73	943,528.98	6,453,129.75	17,544,722.11	179,201.18		306.09	46,995.85	3,612.25			251,669,730.04	67,140,149.56	318,809,879.60
1994	223,306,123.87	5,921,229.39	1,097,359.92	6,960,144.19	16,252,866.20	157,747.83			47,227.25	3,195.55			253,745,894.20	61,383,748.60	315,129,642.80
1995															
ORIGINAL ROLL TOTALS	3,024,114,611.31	99,351,785.43	14,841,454.57	74,909,810.89	303,276,966.07	1,004,241.20	302,949.27	47,056.15	167,357.44	16,430.75	5,472.60	54.12	3,518,038,189.80	2,197,797,049.40	5,715,835,239.20
SUP. ROLL TOTALS	2,008,495.99	17,301.83	566,652.08	352,148.95	3,977.03	45,830.54	2,340.23						2,996,746.65	1,733,872.15	4,730,618.80
GRAND TOTALS	3,026,123,107.30	99,369,087.26	15,408,106.65	75,261,959.84	303,280,943.10	1,050,071.74	305,289.50	47,056.15	167,357.44	16,430.75	5,472.60	54.12	3,521,034,936.45	2,199,530,921.55	5,720,565,858.00

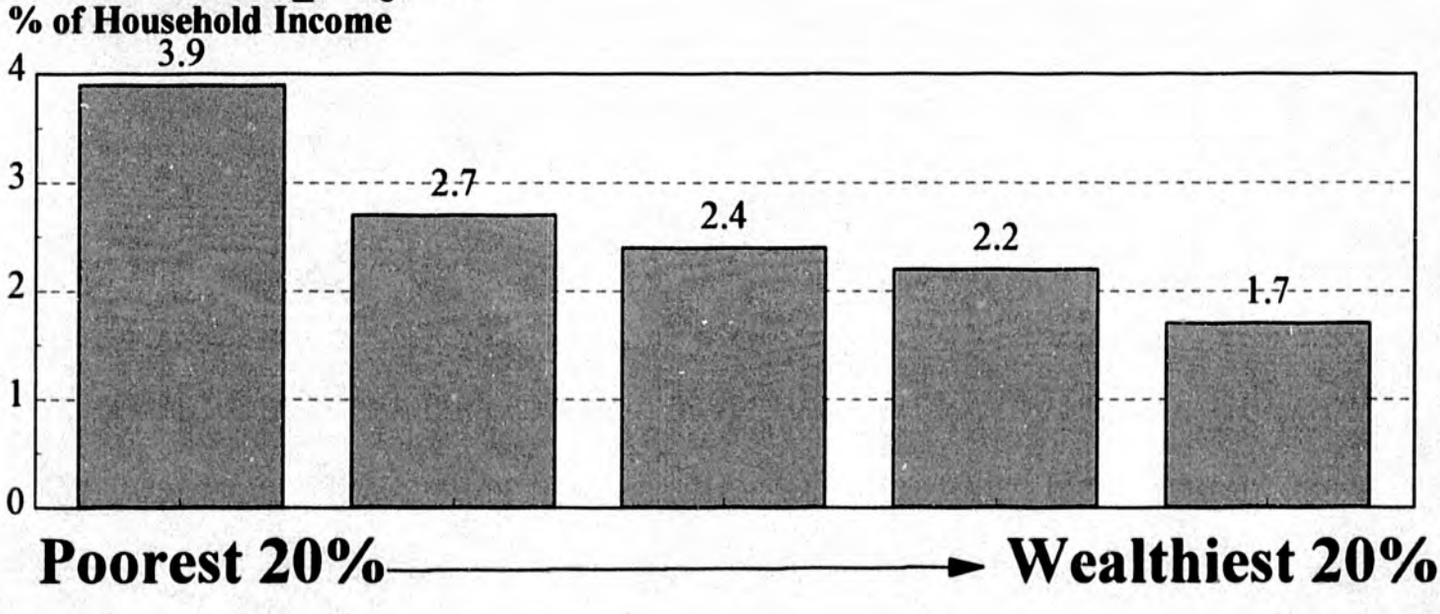
Individual Income Tax Economics

- In raising $300 million in tax:
  - **$30 million comes from non-residents**
  - **$57 million comes from reduction in Federal Income Tax**
  - **$213 million in direct spending is removed from the Alaska economy**
- $75 million in secondary spending is removed from the Alaska economy
- Total spending reductions of $288 million results in the loss of 3,700 jobs
- Who pays?



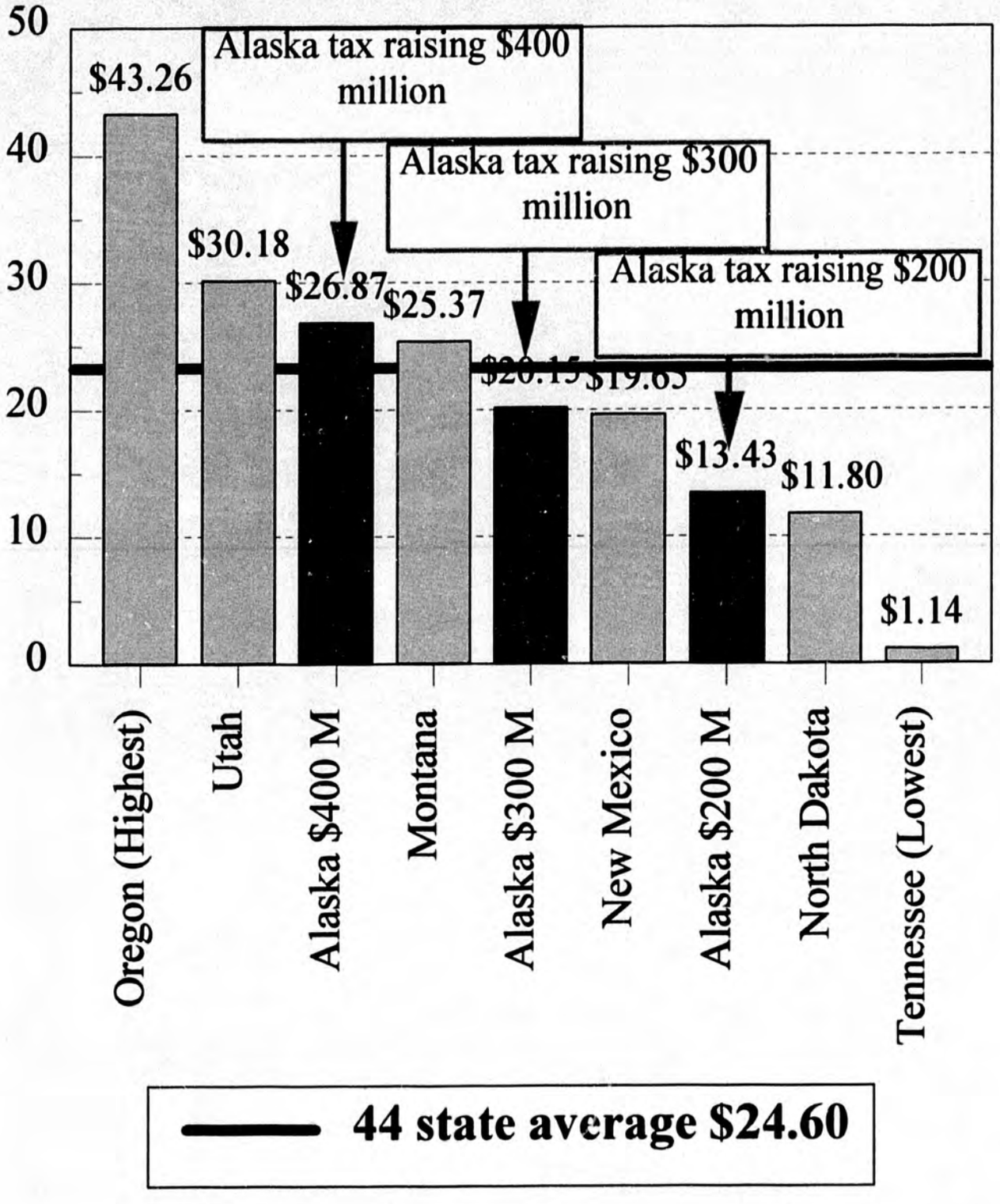
Sales Tax Economics

- **For a 5% sales tax raising $300 million:**
  - **$24 million comes from non-residents**
  - **$276 million in direct spending is removed from the Alaska economy**
- **$97 million in secondary spending is removed from the Alaska economy**
- **Total spending reductions of $373 million results in the loss of 4,500 jobs**
- **Who pays?**



Personal Income Tax: Statewide, How Would Alaska Compare?

Tax per $1,000 Personal Income

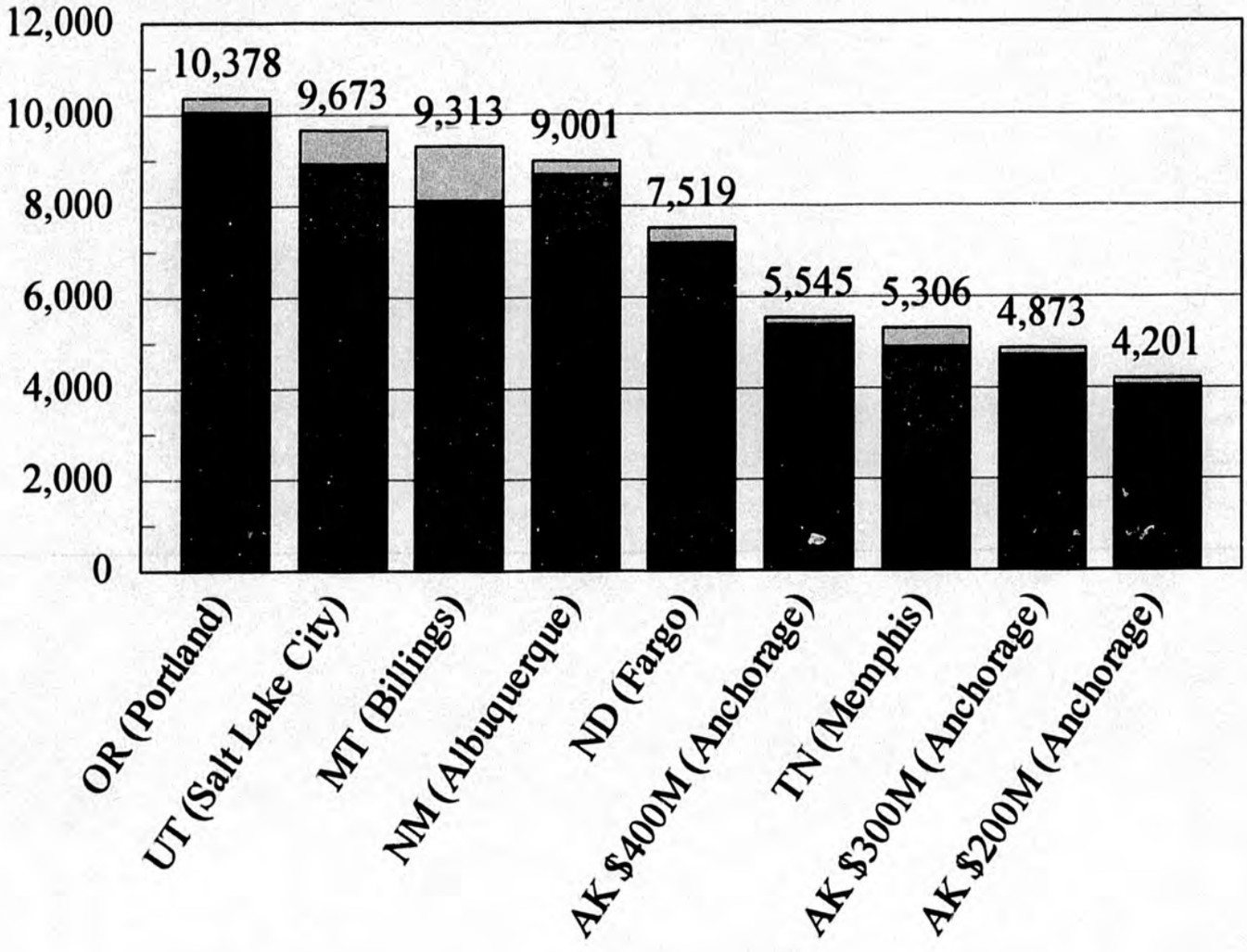


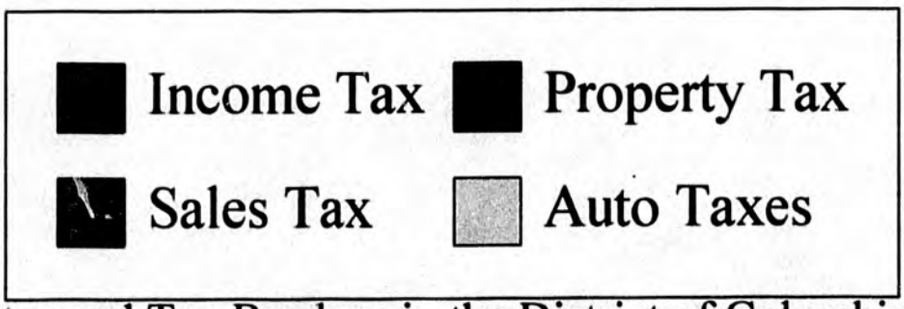
Effect of Taxes on the Individual

$100,000 Income

Family of Four

Tax Burden

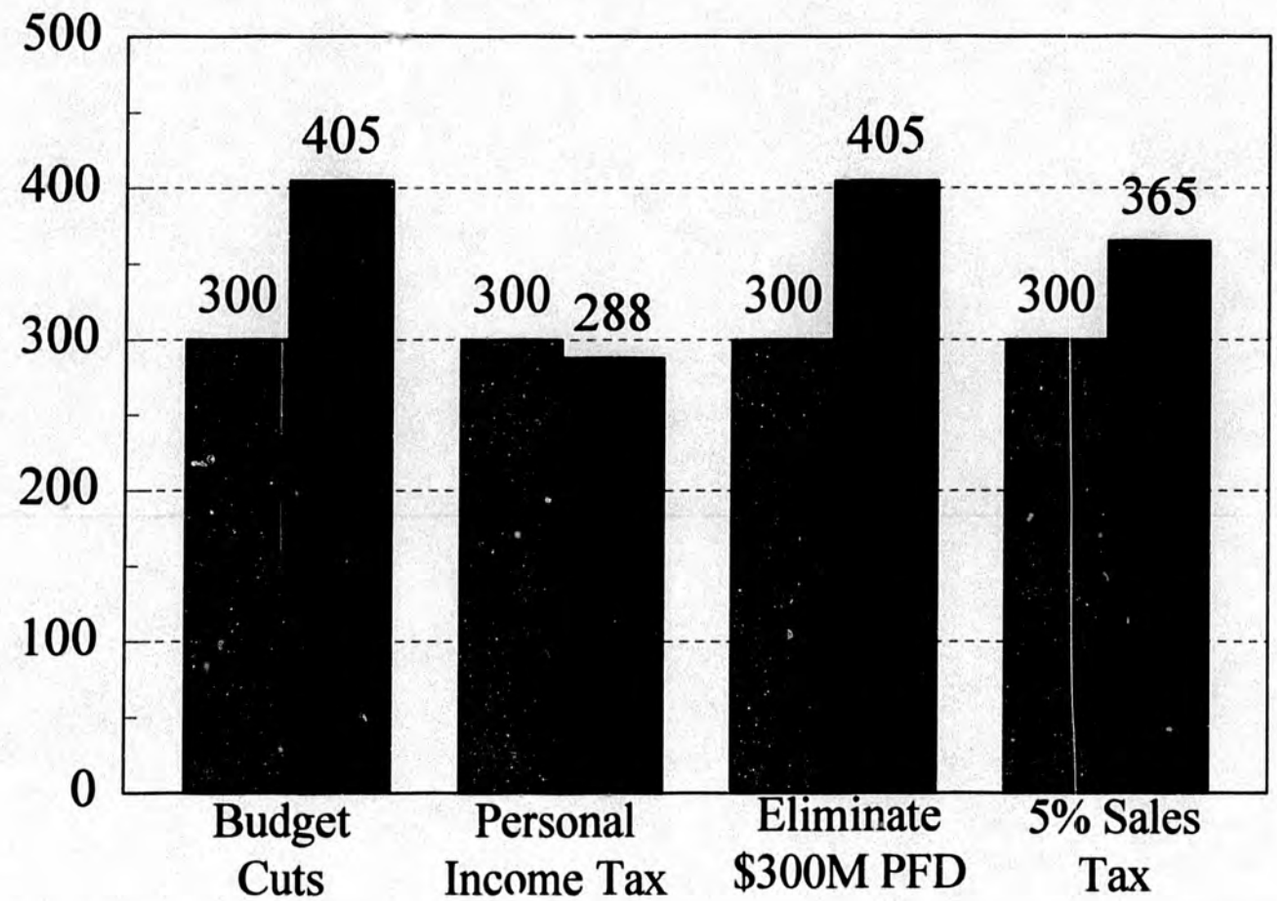




Source: Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison, June 1994

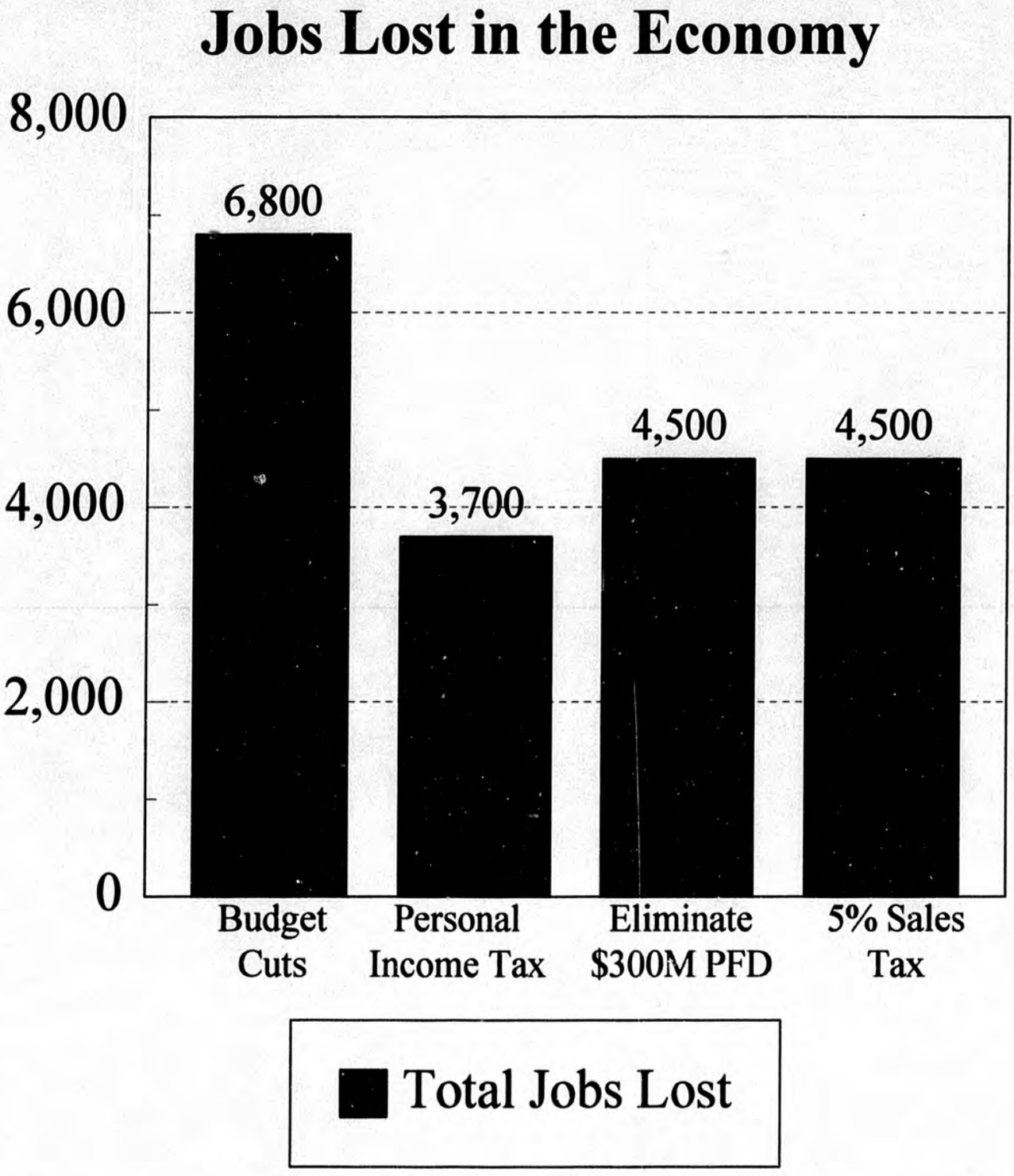
Economic Effects of Various Gap Closing Measures

Dollars Removed from the Economy



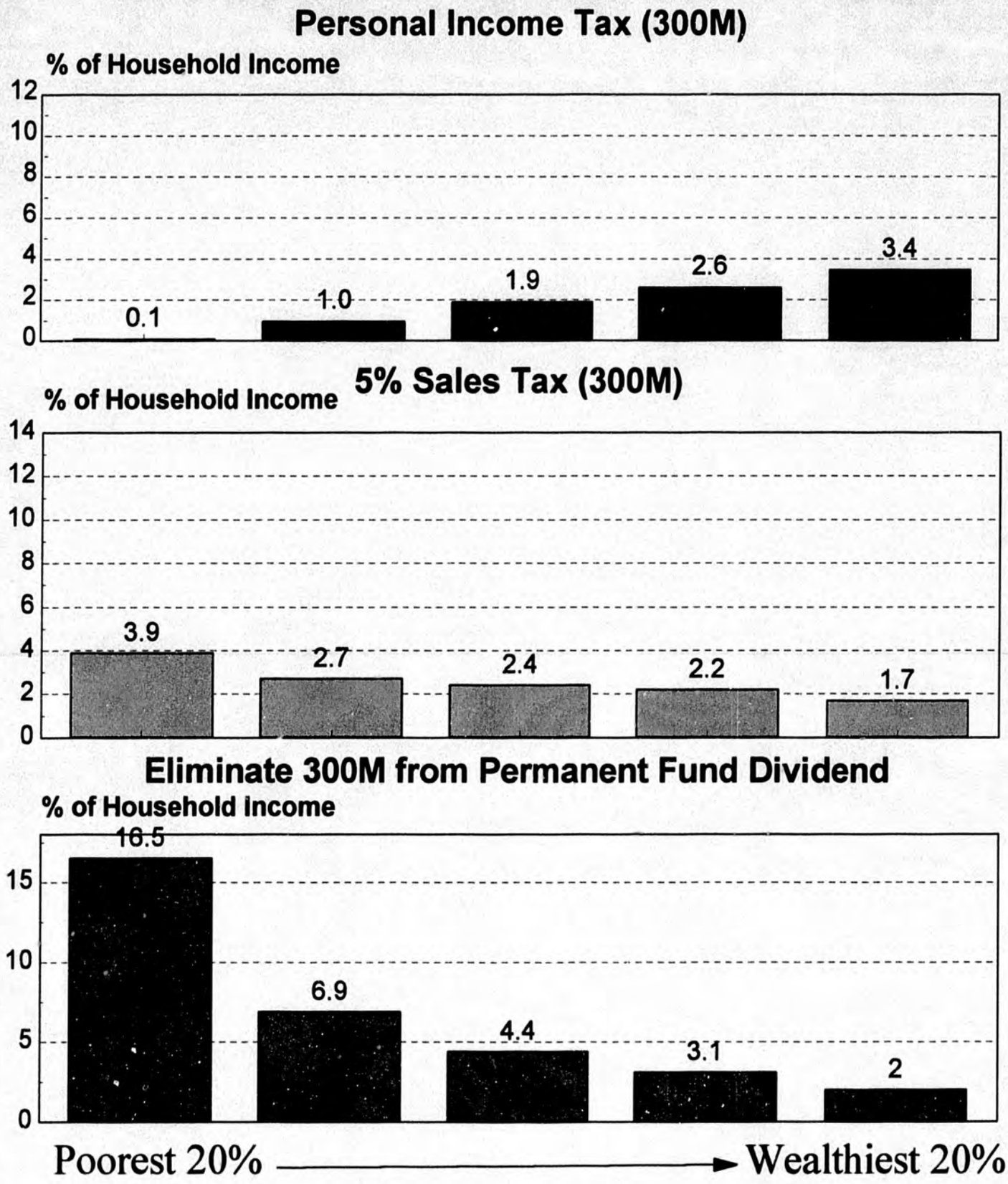
Source: ISER Fiscal Policy Papers Number 5 & 8, October 1990 & December 1993; Department of Labor

Economic Effects of Various Gap Closing Measures



Source: ISER Fiscal Policy Paper Number 8, December 1993; Department of Labor

Economic Effects: Who Pays?

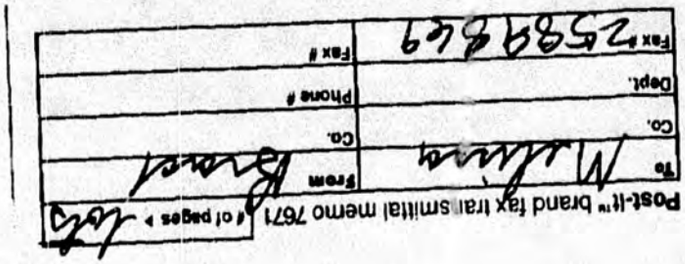


Source: ISER Fiscal Policy Paper Number 8, December 1993; Department of Labor

DRAFT!!! **DRAFT!!!**

Designated Fund Sources
(shown in thousands)

Code	Est. Balance 6/30/95	FY96 Budget	Fund Name	Comments
General Funds:				
	0.0	2,476,000.0	All the following general fund sources	
1003			General Fund Match	
1004			General Fund Receipts	
1005			General Fund/Program Receipts	
1006			Gen. Fund/Mental Health Trust	
Loan Funds:				
				Portion of revolving funds used specifically for servicing loans. Appropriations are not required to make loans.
1013	130.0	2.0	Alcoholism & Drug Abuse Revolving Loan Fund	Active. No loans to date.
1020	0.0	0.0	Grain Reserve Loan Fund	Nonactive fund.
1021	12,566.0	1,449.0	Agricultural Loan Fund	Active. Principal & interest receipts used for new loans and servicing loans.
1035	261.0	238.0	Veterans Revolving Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund.
1036	7,105.0	2,431.1	Commercial Fishing Loan Fund	Active. Principal & interest receipts used for new loans and servicing loans.
1046	?	0.0	Student Revolving Loan Fund	Active. Principal & interest receipts used for new loans and servicing loans.
1051	475.0	95.4	Rural Development Initiative Fund	AS 44.47.800 - Must be specifically appropriated back to the fund
1057	559.0	8.0	Small Business Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund.



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Designated Fund Sources
(shown in thousands)

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ALASKA OMB-DIRECTOR
SEP-18-95 MON 11:44

Code	Est. Balance 6/30/95	FY96 Budget	Fund Name	Comments
1058	0.0	0.0	Tourism Revolving Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund.
1062	66,244.0	667.0	Power Project Loan Fund	Active. Principal & interest receipts used for new loans and servicing loans.
1064	?	0.0	Housing Assistance Loan Fund	
1065	247.0	0.0	Rural Electrification Revolving Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund.
1067	476.0	9.0	Mining Revolving Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund
1068	223.0	6.5	Child Care Revolving Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund.
1069	192.0	3.0	Historical District Revolving Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund.
1070	3,367.0	271.7	Fisheries Enhancement Revolving Loan Fund	Active. Principal & interest receipts used for new loans and servicing loans.
1071	809.0	276.2	Alternative Energy Revolving Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund.
1072	11.0	11.9	Residential Energy Conservation Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund
1073	0.0	0.0	Power Development Revolving Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the 4-dam pool transfer fund.
1074	1,519.0	48.7	Bulk Fuel Revolving Loan Fund	Active. Principal & interest receipts used for new loans and servicing loans.
1075	15,153.0	296.5	Alaska Clean Water Loan Fund	Active. Principal & interest receipts used for new loans and servicing loans.
1078	?	0.0	Senior Housing Loan Fund	

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Designated Fund Sources
(shown in thousands)

Code	Est. Balance 6/30/95	FY96 Budget	Fund Name	Comments
Federal Funds:				
1002	0.0	1,023,153.9	Federal Receipts	
1043	0.0	21,016.5	Public Law 81-874	
1047	0.0	6,310.8	Title 20	
1063	40.0	50.0	National Petroleum Reserve Fund	
University Receipts:				University receipts are specifically excluded from the definition of general fund program receipts by AS 37.05.146.
1010	?	2,801.4	U/A Interest Income	
1011	?	19.7	Alaska Advance College Tuition Payment Fund	
1015	?	23,984.8	U/A Dormitory/Food/Auxiliary Service	
1038	?	53,842.2	U/A Student Tuition/Fees/Services	
1039	?	16,273.0	U/A Indirect Cost Recovery	
1048	?	46,638.2	University Receipts	

DRAFT!!!

Designated Fund Sources
(shown in thousands)

DRAFT!!!

Code	Est. Balance 6/30/95	FY96 Budget	Fund Name	Comments
Retirement Funds:				
				Funds held in trust and used for the management and investment of pension funds.
1029	?	15,634.2	Public Employees Retirement Fund	
1034	?	10,086.7	Teachers' Retirement System Fund	
1042	?	164.8	Judicial Retirement System	
Trust Funds				
1037	0.0	0.0	Children's Trust Fund	Consists of appropriations and gifts, grants, etc. Principal is retained in fund. Income is for grants to prevent child abuse . No appropriations ever made to t fund - AS 37.14.200
1053	129,955.0	18.7	Investment Loss Trust Fund	Funds held in trust to benefit participants in supplemental annuity plan. To be spent to hold participants harmless from loss of investments issued by Executive Life of California - AS 37.14.300
1066	141,030.0	120.2	Public School Fund	Endowment fund from one half of one percent of receipts from management of land including mineral rentals, royalties, sales, etc. Principal is retained in fund. Income is used to support public school program - AS 37.14.110
1092	200,000.0	952.8	Mental Health Trust Settlement	Includes cash appropriated and proceeds of trust land management. Principal is retained in fund. Income is used to support the trust authority, management of assets, and mental health program grants. - AS 37.14.031

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Designated Fund Sources
(shown in thousands)

Code	Est. Balance 6/30/95	FY96 Budget	Fund Name	Comments
Created by appropriation from GF for specific purpose:				
1012	4,596.0	0.0	Railbelt Energy Fund	Appropriated by the Legislature to meet railbelt energy needs.
1019	0.0	100.0	Reforestation Fund	Legislature may appropriate 25% of timber/stumpage sales for reforestation. $900.0 appropriated so far, remainder goes to General Fund.
1044	11,788.0	80,322.4	Debt Retirement Fund	The same amount appropriated to this fund is appropriated to pay debt obligation of the state.
1056	282.0	0.0	Electrical Service Extension Fund	Fund grants for site prep and construction to extend electric service to private residences and small businesses.
1076	42,142.0	74,347.7	Marine Highway System Fund	Allows the separate accounting of marine highway receipts and appropriations.
1079	1,082.0	3,191.3	Storage Tank Assistance Fund	Identifies funds used for tank tightness tests, site assessments, grants and loans.
1080	0.0	0.0	School Construction Fund	The same amount appropriated to this fund is appropriated to pay design and construction of public school facilities.
1082	0.0	2,000.0	Vessel Replacement Fund	Funds used for refurbishment or replacement of existing or acquisition of additional vessels.
1083	0.0	0.0	Education Facilities Maintenance and Construction	The same amount appropriated to this fund is appropriated to pay major maintenance costs of public school facilities
1085	0.0	0.0	Railbelt Intertie Reserve	
1087	0.0	18,248.1	Municipal Matching Grant Fund	The same amount appropriated to this fund is then appropriated to pay for state share of the capital matching grant program
1088	0.0	1,880.1	Unincorporated Matching Grants	The same amount appropriated to this fund is then appropriated to pay for state share of the capital matching grant program.

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Designated Fund Sources
(shown in thousands)

Code	Est. Balance 6/30/95	FY96 Budget	Fund Name	Comments
1089	63,891.0	20,785.6	Power Cost Equalization	Capitalize funds to be used for payment to utility companies to equalize power costs throughout the state - AS 42.45.100
Special revenue funds - use of funds specified in constitution or statute:				
1008	?	0.0	General Obligation Bonds	
1009	?	0.0	Revenue Bonds	
1014	205.0	358.6	Donated Commodity/Handling Fee Account	Funds from federal agencies to cover costs of distributing federal surplus foods. (USC 7 CFR 250)
1016	0.0	2,847.2	Federal Incentive Payments	
1017	?	4,005.8	Benefits Systems Receipts	
1018	?	0.0	Exxon Valdez Oil Spill Settlement Fund	
1022	?	118,159.7	Corporate Receipts	Appropriations for income generated from state corporations to be used for programs and administration
1023	0.0	90.8	FICA Administration Fund Account	Fund is no longer used. Has a zero balance.
1024	11,884.0	22,012.9	Fish and Game Fund	Receipts from sale of sport fishing and hunting licenses and permits to be used for sport fish and game management. Required for participation in federal programs. (AK Constitution Article IX, sec. 7, AS 16.05.100)
1025	4,800.0	12,508.0	Science & Technology Endowment Income	Income from investment of endowment fund used for administration of the foundation and grants to promote basic and applied research, economic development, technological innovations.

Designated Fund Sources
(shown in thousands)

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ALASKA OMB-DIRECTOR
SEP-18-95 MON 11:47

Code	Est. Balance 6/30/95	FY96 Budget	Fund Name	Comments
1027	?	50,017.5	International Airport Revenue Fund	
1030	936.0	2,655.0	School Fund	Proceeds from payment of cigarette taxes, fees, penalties and licenses to be used to rehabilitate, construct and repair school facilities. (AS 43.50.140)
1031	1,894.0	2,831.7	Second Injury Fund Reserve Account	Collections of civil penalties from employer or insurance carrier for employees' compensable injuries. Paid as benefits based on awards of AK Workers' Comp Board. (AS 23.30.040)
1032	7,699.0	1,290.7	Disabled Fisherman's Reserve Account	60% of commercial fishing license fees to be used to pay emergency treatment, transportation, medical care of commercial fishers. (AS 23.35.060)
1033	233.0	274.8	Surplus Property Fund	Receipts from sale of federal surplus property.
1040	410.0	175.3	Real Estate Surety Fund	Payments by licensed real estate brokers and salesmen to be used for payment of claims and real estate educational purposes. (AS 08.88.450)
1041	?	0.0	Permanent Fund Earnings Reserve Account	
1049	54.0	634.4	Training and Building Fund	Interest and penalties for failure to file reports and nonpayment of unemployment insurance fund contributions to be used for training and building acquisitions. Excess funds go to the unemployment trust fund. (AS23.20.130)
1052	65,708.0	15,917.4	Oil/Hazardous Response Fund	Collects the 3 cent/barrel for prevention and 2 cent /barrel for response need
1054	4,154.0	3,781.2	State Employment & Training Program	3/10 of 1 percent of the employees' contribution to unemployment insurance trust fund

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Designated Fund Sources
(shown in thousands)

P. 08 FAX NO. 9074653008 ALASKA OMB-DIRECTOR SEP-18-95 MON 11:47

Code	Est. Balance 6/30/95	FY96 Budget	Fund Name	Comments
1059	20.5.	2,250.6	Correctional Industries Fund	
1077	0.0	2,676.5	Indv/Foundt'n/Corp Gifts/Grants/Bequests	Funds received to be directed toward a specific area (i.e., donations to support the state museum)
1084	760.0	2,500.0	Alyeska Settlement Fund	
1086	327.0	2,560.0	Southeast Energy Fund	
1090	0.0	0.0	Four Dam Pool Transfer Fund	
Internal Service Funds:				
1026	0.0	34,405.9	Highway Working Capital Fund	Funds transferred by other state agencies and political subdivisions as reimbursement for services provided.
1081	1,428.0	23,032.5	Information Services Fund	
Transfer of funds between agencies or budgets for contractual obligations:				
1007	0.0	192,302.9	Interagency Receipts	Funds transferred from one state agency to another in payment of services provided under specific contracts.
1055	0.0	I3,781.2	Inter-agency Rcpts/Oil & Hazardous Waste	Funds transferred from DEC appropriation from the Oil & Hazardous Substance Response Fund to another state agency.
1061	0.0	81,116.2	Capital Improvement Project Receipts	Reflects capital supported expenditures in operating budget)

Designated Fund Sources

Code	Est. Balance 6/30/95	FY96 Budget	Fund Name	Comments
General Funds:				
1003	185.0	2,476.0	General Fund Match	
1004			General Fund Receipts	
1005			General Fund/Program Receipts	
1006			Gen. Fund/Mental Health Trust	
Loan Funds:				
				Portion of revolving funds used specifically for servicing loans. An appropriation is not required to pay for loans.
1013	130.0	2.0	Alcoholism & Drug Abuse Revolving Loan Fund 21642	Active. No loans to date.
1020	12,566.0 0.0	0.0	Grain Reserve Loan Fund	Nonactive fund.
1021	~~13,690.0~~	1,449.0	Agricultural Loan Fund 21606	Active. Principal & interest receipts used for new loans and servicing loans.
1035	261.0 ~~678.0~~	238.0	Veterans Revolving Loan Fund 21605	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund.
1036	7,105.0 ~~15,156.0~~	2,431.1	Commercial Fishing Loan Fund 21608	Active. Principal & interest receipts used for new loans and servicing loans.
1046	?	0.0	Student Revolving Loan Fund	Active. Principal & interest receipts used for new loans and servicing loans.
1051	475.0 ~~562.1~~	95.4	Rural Development Initiative Fund 21644	AS 44.47.800 - Must be specifically appropriated back to the fund
1057	559.0 ~~316.0~~	8.0	Small Business Loan Fund 21607	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund.
1058	0.0	0.0	Tourism Revolving Loan Fund 21609	Nonactive fund. Principal & interest receipts that are not

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BRADY SCENARIO: Poison Pills: PFD Pool Fills Gap/Income Tax Triggered at $500.00 PFD

Scenario #1

Spending:

FY 97-00 held flat
FY 01-04 5% increase
FY 05-08 held flat
FY 09-10 5% increase

Strategy:

1. Permanent Fund excess earnings flow to general fund (per SB 51).
2. Implement tax increases. In years FY 98-02, there is a surplus based on spending assumptions. Therefore, there is "room" to phase tax increases. Income tax is authorized with its trigger tied to event #4.
3. Any gap is filled from the PFD pool; dividends are reduced accordingly.
4. When an individual PFD is less than $500.00, an income tax is triggered.
5. CBR is restructured as a reserve for significant oil price/revenue fluctuations. Any remaining CBR balance is deposited into the PF.

What It Means:

1. Creates a constituency for reduced spending. If the Legislature "gobbles," PFDs will be reduced and will be closer to an income tax.
2. Creates a constituency for increased economic development and other revenue generation because it pushes out a day when PFD is reduced.
3. Puts in place a "poison pill" trigger if gap consistently increases.

	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
Expenditures															
State Budget	2,476.1	2,476.1	2,476.1	2,476.1	2,476.1	2,599.9	2,729.9	2,866.4	3,009.7	3,009.7	3,009.7	3,009.7	3,009.7	3,160.2	3,318.2
Revenues															
ADOR Forecast	1,774.7	1,828.6	1,907.5	1,948.2	1,971.6	1,992.7	1,968.6	1,967.8	1,961.6	1,947.6	1,895.3	1,845.5	1,860.3	1,820.3	1,779.8
Misc. Adjustments	188.4	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0
User Fee Increases		3.0	6.0	9.0	12.0	15.0	18.0	21.0	24.0	27.0	30.0	33.0	36.0	39.0	42.0
Alcohol Tax Increase		19.0	20.2	21.4	22.8	24.3	25.7	27.2	28.7	30.4	32.2	34.0	36.0	38.0	40.2
DMV Fees (Double)		29.0	29.5	29.9	30.4	30.9	31.4	31.9	32.4	32.9	33.5	34.0	34.5	35.1	35.6
Fish Bus Tax		39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0
Tobacco Tax		43.0	45.1	47.3	48.5	51.9	54.4	57.1	59.8	62.7	65.7	68.9	72.3	75.7	79.4
Hwy Fuel Tax		39.3	41.2	43.2	45.3	47.5	49.6	52.2	54.7	57.3	60.1	63.0	66.0	69.2	72.6
Marine Motor Fuel		5.0	5.2	5.5	5.8	6.0	6.3	6.6	7.0	7.3	7.6	8.0	8.4	8.8	9.2
PF Excess Earnings(SB 51)		298.0	376.0	436.0	484.0	506.0	528.0	551.0	574.0	598.0	622.0	647.0	673.0	700.0	727.0
Total Revenues	1,963.1	2,393.9	2,559.7	2,669.5	2,749.4	2,803.3	2,811.0	2,843.8	2,871.2	2,892.2	2,875.4	2,862.4	2,915.5	2,915.1	2,914.8
Gap/Surplus:	-513.0	-82.2	83.6	193.4	273.3	203.4	81.1	-22.6	-138.5	-117.5	-134.3	-147.3	-94.2	-245.1	-403.4
Dividend Distribution															
Per SB 51	582,000	518,000	479,000	458,000	450,000	470,000	491,000	513,000	536,000	559,000	583,000	608,000	633,000	660,000	687,000
Balance after used to fill gap:		435,800						490,405	397,485	441,485	448,685	460,685	538,785	414,899	283,589
Population	657,041	657,041	657,041	657,041	711,900	711,900	711,900	711,900	711,900	711,900	711,900	711,900	711,900	711,900	711,900
Individual Dividend Amt	885.79	663.28	729.03	697.06	632.11	660.21	689.7	688.87	558.34	620.15	630.26	647.12	756.83	582.81	398.36

Income Tax triggered because PFD less than $500.00

File: PFD/GAP

PER CAPITA DIVIDEND COMPARISONS

		FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY07	FY08	FY09	FY10
POPULATION		525	533	542	551	559	568	577	587	596	606	615	625	635	645	656
ADMIN COST		31	32	33	34	35	36	37	38	40	41	42	43	45	46	47
PRESENT SYSTEM	PFD DISTRIBUTION	582	606	624	613	721	767	815	863	913	965	1,019	1,075	1,133	1,194	1,257
	PER CAPITA DIVIDENDS	1,049.52	1,079.87	1,090.54	1,142.38	1,226.28	1,286.14	1,347.28	1,406.17	1,464.55	1,525.70	1,587.81	1,650.78	1,712.95	1,778.95	1,845.50
RIEGER	PFD DISTRIBUTION	582	503	451	418	398	403	408	413	418	423	427	432	436	440	444
	PER CAPITA DIVIDENDS	1,049.52	883.01	771.31	697.41	648.89	645.71	642.47	639.17	634.14	630.75	625.70	622.24	615.59	610.55	605.51
COMPOSITE	PFD DISTRIBUTION	582	606	600	600	550	500	491	513	536	628	660	692	726	762	876
	PER CAPITA DIVIDENDS	1,049.52	1,076.12	1,046.25	1,027.96	920.60	816.38	786.20	809.61	832.09	969.16	1,003.68	1,038.31	1,072.31	1,109.25	1,263.63
ENDOWMENT	PFD DISTRIBUTION	582	606	271	275	280	284	289	293	298	303	308	313	318	323	328
	PER CAPITA DIVIDENDS	1,049.52	1,076.12	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00

ENDOWMENT SCENARIO PROJECTION

(FY 96 Dollars)

	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY07	FY08	FY09	FY10
AVAILABLE REVENUES ($ Millions):															
EXISTING GENERAL FUND SOURCES	1,952.3	1,862.9	283.3	278.2	271.4	265.6	259.9	254.3	247.2	241.1	235.2	229.3	223.6	218.1	212.6
PERMANENT FUND NET INCOME	1,213.0	1,244.8													
			2,331.9	2,206.0	2,102.0	2,064.6	2,034.2	2,002.1	1,968.5	1,934.2	1,899.5	1,863.0	1,825.5	1,788.0	1,750.9
HIGHWAY MOTOR FUEL TAX @ $.219/GAL INDEXED)		38.2	38.5	38.8	39.1	39.4	39.7	40.0	40.3	40.7	41.0	41.3	41.7	42.0	42.3
TOBACCO ($1/PKG CIGS; 75%/CHEW INDEXED)		41.8	42.1	42.4	42.8	43.1	43.4	43.8	44.1	44.5	44.9	45.2	45.6	45.9	46.3
MARINE MOTOR FUEL ($.08/GAL PER HB 122 INDEXED)		4.9	4.9	4.9	5.0	5.0	5.1	5.1	5.1	5.2	5.2	5.3	5.3	5.3	5.4
USER FEE INCREASE ASSUMPTION		2.9	5.6	8.2	10.6	12.9	14.9	16.9	18.7	20.4	22.0	23.4	24.8	26.0	27.1
ALCOHOL TAXES (INCREASE PER HB 96)		18.4	19.0	19.5	20.2	20.8	21.3	21.9	22.4	23.0	23.6	24.1	24.7	25.4	26.0
FISH BUSINESS TAX (DOUBLE W/ 25% TO MUNIS)		37.9	36.7	35.6	34.5	33.4	32.4	31.4	30.4	29.5	28.6	27.7	26.8	26.0	25.2
MOTOR VEHICLE REGISTRATION FEES (DOUBLE)		28.2	28.4	28.6	28.8	29.1	29.3	29.5	29.8	30.0	30.3	30.5	30.7	31.0	31.2
TOTAL REVENUES	3,165.3	3,279.9	2,790.3	2,664.3	2,554.2	2,513.9	2,480.3	2,445.0	2,406.6	2,368.6	2,330.1	2,289.9	2,248.8	2,207.7	2,167.2
EXPENDITURES ($ Millions):															
TOTAL GF SPENDING	2,476.1	2,404.2	2,330.1	2,258.3	2,188.7	2,206.2	2,223.9	2,241.7	2,259.6	2,277.7	2,295.9	2,314.3	2,332.8	2,351.4	2,370.2
PERMANENT FUND INFLATION PROOFING	429.0	436.0													
PERMANENT FUND DIVIDENDS	582.0	586.5	255.1	251.1	247.3	243.5	239.8	236.1	232.5	228.9	225.4	222.0	218.6	215.2	211.9
TRANSFER TO EARNINGS RESERVE	201.0														
TOTAL EXPENDITURES	**3,688.1**	**3,428.6**	**2,585.2**	**2,509.5**	**2,436.0**	**2,449.7**	**2,463.6**	**2,477.8**	**2,492.1**	**2,506.6**	**2,521.3**	**2,536.2**	**2,551.3**	**2,566.7**	**2,582.2**
PROJECTED ANNUAL FISCAL GAP	**-522.8**	**-148.9**	**205.2**	**154.8**	**118.2**	**64.1**	**16.6**	**-32.8**	**-85.4**	**-138.0**	**-191.2**	**-246.4**	**-302.5**	**-359.0**	**-415.0**
CONSTITUTIONAL BUDGET RESERVE BALANCE	1,982.7	2,162.8	0.0												
DRAW FROM EARNINGS RESERVE															
PF EARNINGS RESERVE BALANCE	906.0	1,099.1	0.0												
UNFILLED FISCAL GAP								-32.8	-85.4	-138.0	-191.2	-246.4	-302.5	-359.0	-415.0
PERMANENT FUND PRINCIPAL	14,791.0	15,016.0	18,274.4	18,626.7	19,064.7	19,517.3	19,939.3	20,345.7	20,744.7	21,131.1	21,476.0	21,785.9	22,120.0	22,431.4	22,722.0

Office of Management and Budget

9/16/95 8:48

ENDOWMENT SCENARIO PROJECTION

(Nominal Dollars)

	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY07	FY08	FY09	FY10
AVAILABLE REVENUES ($ Millions):															
EXISTING GENERAL FUND SOURCES	1,952.3	1,918.6	301.0	305.0	307.0	310.0	313.0	316.0	317.0	319.0	321.0	323.0	325.0	327.0	329.0
PERMANENT FUND NET INCOME	1,213.0	1,282.0													
FUND WITHDRAWAL			2,478.0	2,421.0	2,378.0	2,410.0	2,450.0	2,488.0	2,524.0	2,559.0	2,593.0	2,624.0	2,653.0	2,681.0	2,709.0
HIGHWAY MOTOR FUEL TAX @ $.219/GAL INDEXED)		39.3	40.9	42.5	44.2	46.0	47.8	49.7	51.7	53.8	56.0	58.2	60.5	63.0	65.5
TOBACCO ($1/PKG CIGS; 75%/CHEW; INDEXED)		43.0	44.7	46.5	48.4	50.3	52.3	54.4	56.6	58.9	61.2	63.7	66.2	68.9	71.6
MARINE MOTOR FUEL ($.08/GAL PER HB 122 INDEXED)		5.0	5.2	5.4	5.6	5.9	6.1	6.3	6.6	6.8	7.1	7.4	7.7	8.0	8.3
USER FEE INCREASE ASSUMPTION		3.0	6.0	9.0	12.0	15.0	18.0	21.0	24.0	27.0	30.0	33.0	36.0	39.0	42.0
ALCOHOL TAXES (INCREASE PER HB 96)		19.0	20.2	21.4	22.8	24.3	25.7	27.2	28.7	30.4	32.2	34.0	36.0	38.0	40.2
FISH BUSINESS TAX (DOUBLE W/ 25% TO MUNIS)		39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0
MOTOR VEHICLE REGISTRATION FEES (DOUBLE)		29.0	30.2	31.4	32.6	33.9	35.3	36.7	38.2	39.7	41.3	42.9	44.7	46.5	48.3
TOTAL REVENUES	3,165.3	3,377.9	2,965.2	2,921.2	2,889.6	2,934.4	2,987.2	3,038.4	3,085.8	3,133.6	3,180.8	3,225.2	3,268.1	3,310.4	3,353.0
EXPENDITURES ($ Millions):															
TOTAL GF SPENDING	2,476.1	2,476.1	2,476.1	2,476.1	2,476.1	2,575.3	2,678.4	2,785.7	2,897.3	3,013.3	3,134.0	3,259.6	3,390.1	3,525.9	3,667.2
PERMANENT FUND INFLATION PROOFING	429.0	449.0													
PERMANENT FUND DIVIDENDS	582.0	604.0	271.0	275.4	279.8	284.3	288.8	293.4	298.1	302.9	307.7	312.7	317.7	322.7	327.9
TRANSFER TO EARNINGS RESERVE	201.0	226													
TOTAL EXPENDITURES	**3,688.1**	**3,757.1**	**2,747.1**	**2,751.5**	**2,755.9**	**2,859.5**	**2,967.2**	**3,079.1**	**3,195.4**	**3,316.2**	**3,441.8**	**3,572.2**	**3,707.8**	**3,848.7**	**3,995.1**
PROJECTED ANNUAL FISCAL GAP	**-522.8**	**-379.2**	**218.0**	**169.7**	**133.8**	**74.9**	**20.0**	**-40.8**	**-109.6**	**-182.6**	**-261.0**	**-347.0**	**-439.7**	**-538.3**	**-642.0**
CONSTITUTIONAL BUDGET RESERVE BALANCE	1,982.7	2,227.5	0.0												
DRAW FROM EARNINGS RESERVE															
PF EARNINGS RESERVE BALANCE	905.0	1,132.0	0.0												
UNFILLED FISCAL GAP								-40.8	-109.6	-182.6	-261.0	-347.0	-439.7	-538.3	-642.0
PERMANENT FUND PRINCIPAL	14,791.0	15,467.0	19,419.3	20,423.1	21,568.1	22,782.2	24,015.0	25,283.7	26,599.3	27,956.4	29,316.2	30,684.9	32,146.3	33,635.5	35,154.7

Assumptions:

Agreed upon slate of taxes starting in FY 97 = $177; additional taxes in 98 totaling $422.

DOR base case oil revenues and inflation.

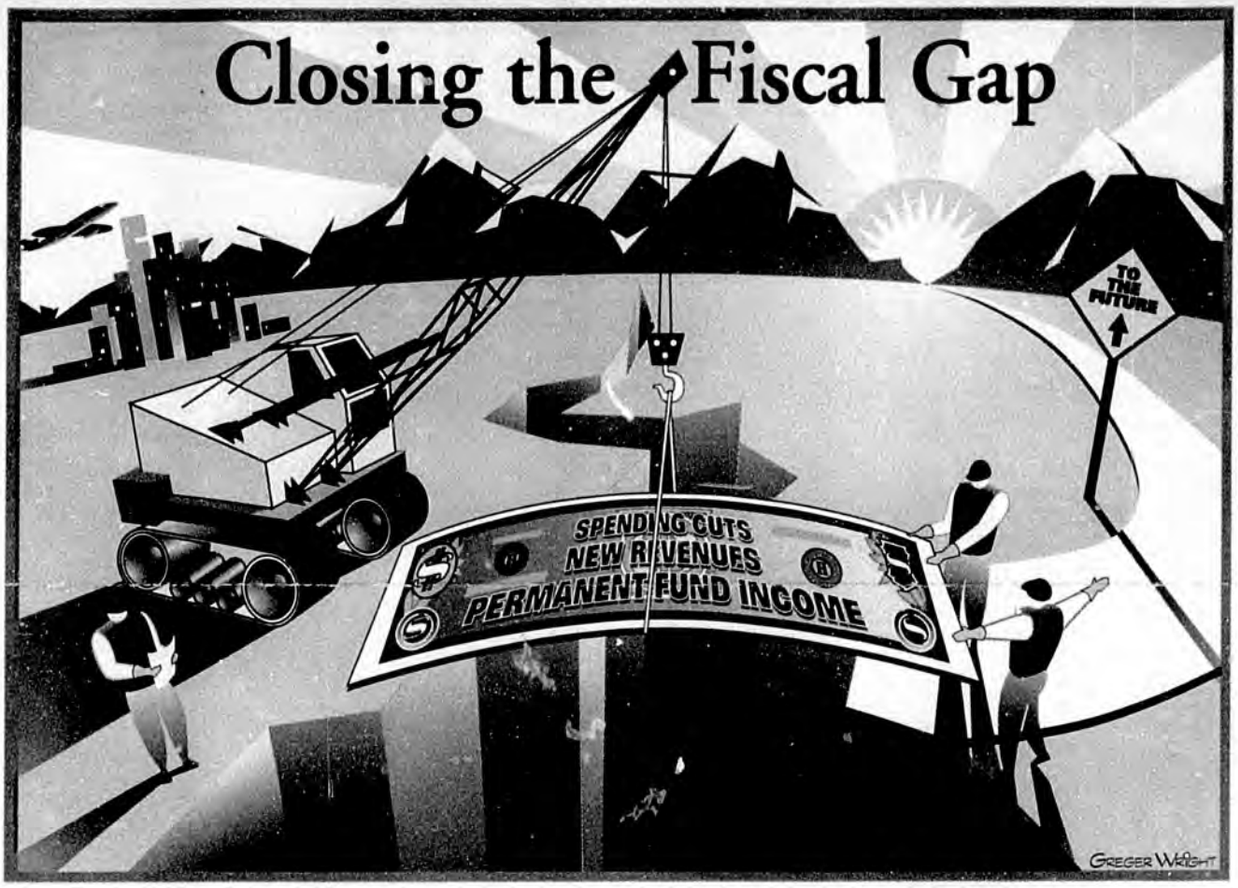
PF historical rate of return @ 7.79%.

Implementation of Cremo proposal in FY 98 @ 13% draw; declining to 6% in FY 10.

Office of Management and Budget

9/16/95

Closing the Fiscal Gap



According to the State of Alaska Long-Range Financial Planning Commission, the fiscal gap is real and growing. For six of the past nine years, Alaska spent more than it took in — this year about $523 million more. This is the fiscal gap, and it could reach $1.3 billion by the year 2000 unless the state takes corrective action.

Why is there a fiscal gap?

There are two primary reasons for the fiscal gap. First, 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. Fiscal instability complicates the fiscal gap. This is the roller-coaster ride caused by unpredictable oil prices (from a low of $8 per barrel to a high of $32 in the past 15 years). At today's oil production rates, each $1 per barrel change in oil prices causes a $120 million shift in state revenues.

How has state spending changed?

The Commission examined the major growth areas of the state budget. It used FY 79 as a starting point, the first full year of North Slope oil production and the last budget prepared before state oil revenues tripled. While the overall budget has grown, inflation-adjusted spending per person is the same as in 1979 (population has grown 52%). Even so, cost-cutting efforts to date have not been enough to offset the decline in oil revenues. Since 1979, state agency spending grew 93%, compared to 150% for the budget as a whole. Major increases were grants to individuals (443% not including dividends), and various grants to groups (334%), schools (175%) and local governments (165%).

How do Alaska's taxes compare with other states'?

By 1980, Alaska was receiving so much oil money that the state repealed most of its more traditional revenue methods, including the income tax. Alaskans now pay approximately one-third of the state and local taxes paid by the average American. Alaska Permanent Fund dividends more than offset the combined state and local tax burden for most families.

It is time to act!

The Commission has considered a number of fiscal "tools" to use in combination to fill the fiscal gap: cut spending; use reserves and other state assets; raise taxes and user fees; raise revenue through economic development; use Permanent Fund income; increase oil production. Any of these will have some adverse impacts on Alaska's economy. However, failure to make hard fiscal choices now will have an even worse impact. The Commission has published its plan for closing the fiscal gap. To get a copy immediately, please contact any Legislative Information Office, the Commission's office in Anchorage at 258-8165, or by electronic mail at LRFPC%legis@state.ak.us. Otherwise, check the box on the back of this brochure and a copy will be mailed to you.

We'd like your thoughts...

1 *When established in 1976, one of the stated purposes of the Permanent Fund was to create a source of revenues to help pay the costs of needed government services when oil revenues declined. Do you support using a portion of Permanent Fund income to meet this objective?* ○ Agree ○ Disagree ○ Undecided

2 *What are your ideas about the fiscal gap and about whether, when and how to use Permanent Fund income to close it?*

_____

_____

_____

_____

Alaska Permanent Fund 1995 Performance

A Public Trust Investing For Alaska's Future

SAVINGS

How much was added to Fund principal in the past year?

$ 500,000,000	1995 Special Appropriation from Earning Reserves to Principal
318,085,000	1995 Dedicated Oil Revenues
347,614,000	1995 Inflation-Proofing
+ 6,145,000	Settlement Earnings
$1,171,844,000	**Total Saved in 1995**

How much have Alaskans saved since creating the Permanent Fund 19 years ago?

$14,144,742,000	Principal
+ 702,607,000	Earnings Reserve Account
$14,847,349,000	**Total Saved 1976-1995**

EARNINGS

How much did the Fund earn in the past year?

$1,037,122,000	Investment Income
- 24,164,000	Investment Expenses
$1,012,958,000	**Net Income in 1995**

How much has the Fund earned since inception?

$12,284,958,000	**Net Income 1976-1995**

SPENDING

How much Fund income did the legislature spend this year?

$565,257,000	Dividend Fund (Payment of dividends and administrative and associated costs)
+ 7,460,000	Department of Law (Fund's share of legal expenses relating to state oil revenues)
$572,717,000	**Total Spent in 1995**

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Dear Fellow Alaskans,

As a resident of Alaska, you share in the ownership of one of the most unique savings accounts in the world, the Permanent Fund. Several publications are available to keep you up to date with the Fund, and we will gladly send them to you. We would also like you to keep us current with your feelings about the use of the Fund. Please complete this voluntary questionnaire, fold it, tape it and drop it in the mail. We will share the results with your elected representatives. Thank you for your participation.

Grace Berg Schaible
Board of Trustees

Learn more about your Fund and the fiscal gap

Yes, **I want the Free item(s)** (*please check*)

- ☐ 1995 Permanent Fund Annual Report (*print version*)
- ☐ An Alaskan's Guide to the Permanent Fund (*print version*)
- ☐ CD-ROM Multimedia Guide to the Alaska Permanent Fund (*works on both Macintosh and PC platforms*)
- ☐ Final Report of the State of Alaska Long-Range Financial Planning Commission

To receive the requested item(s), please fill in your name and address, then fold this pre-paid reply form, tape it closed and mail. The item(s) will be sent to you free of charge.

Name_____

Address_____

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Tentative Video Schedule

ANCH, FDX, Juneau w audio (2?) KETCHIKAN (1) ISSUE OF HOW TO PORTRAY

LLO OK 9/20 Weds 1:30 - 4:30 pm (Library (Soney)

9/21 Thurs 6 - 9 pm*

LLO OK 9/22 Fri 1:30 - 4:30 pm

~~9/23 Sat 1:00 - 4:00 pm~~

9/25 Mon 6 - 9 pm*

Meeting Schedule

Thurs 9/28 2 pm - ~~6~~ pm

Fri 9/29 8:30 2pm - ~~5~~ pm

Sat 9/30 ~~9~~ 2pm - 5 pm Last hopper

Sun 10/1 10 2pm - 3 pm

P.S. 465 4640

Bcc:

Fm

Melissa

		$0.00	88	
		$0.00	89	
		$0.00	90	
4,672,955	###	###############	91	553
464	###	$915.84	92	574
507	###	$949.46	93	593
527	###	$983.90	94	608
526		$939.83	95	622
548		$955.18	96	637
575		$978.33	97	653
594		$987.52	98	668
633		$1,027.62	99	684
717		$1,137.90	0	700
779		$1,207.84	1	717
846		$1,282.90	2	733
918		$1,361.09	3	749
993		$1,442.20	4	765
1,054		$1,499.17	5	781
1,117		$1,558.68	6	796
1,182		$1,619.10	7	811
1,249		$1,680.63	8	826
1,320		$1,743.48	9	841
1,393		$1,810.09	10	855
000000000000000	0	000000000000000	==	

600

09

10

PFD

	Pop	Dist
96	525	582
97	↓ 1.6%	606
98		600
99		600
00		550
01		500
02		49
03		
04		
05		
06		
07		
08		

System of Sustainable State Spending

How government is financed in Alaska

- The money that comes from the sale and taxation of natural resources, and the income from the investment of that money, provide the State with an endowment.[1]

The problem

- The amount withdrawn from the endowment, to pay for government, is unsustainable.[2]
- Inevitably, the endowment decreases in size to a point where it can't support spending at the accustomed level.[3]
- Then spending is cut.
- And the economy fails, because it depends on state spending.[4]

Theory

- Our goal should be to withdraw the highest sustainable amount from the endowment.
- We can attain that goal by systematizing the endowment.

A proposed system

- All of the assets in the endowment (except what is already in the General Fund) are gathered into the Alaska Permanent Fund.
- The fund is invested for long-term appreciation.
- All investment income remains in the fund.
- All natural resource revenue is added to the fund.
- Every year, an amount equal to the fund's projected real growth from investment is withdrawn and can be spent.[5]
- The fund increases in size as the natural resource revenue is added to it.[6]
- The amount withdrawn is the highest sustainable.[7]

(see reverse)

---

[1] And that's what the federal government intended when it gave the natural resources to the State. The endowment, which is informal, is distributed among several funds, including the Alaska Permanent Fund, the Budget Reserve Fund, the Earnings Reserve Account and the General Fund.

[2] Even if the Legislature were to reduce appropriations from the endowment substantially, the amount would be unsustainable. That's because the amount of the natural resource revenue feeding the endowment can change greatly when there is a drop in price or a decrease in production.

[3] One part of the endowment, the principal of the Alaska Permanent Fund, isn't available for spending.

[4] Spending was cut in 1986. The economy collapsed.

[5] Projected real growth from investment is a function of a fixed rate of real growth from investment and value of the fund. A fixed rate of real growth from investment is determined by assuming a rate of total return on investment and a rate of inflation. Value of the fund is the average of the fund's market value at the end of each of the twelve preceding calendar quarters.

[6] If the real growth from investment in a given year were less than the amount withdrawn, the size of the fund would decrease, at least in real terms, unless the additions in that year made up the difference.

[7] Highest, because it would be imprudent to withdraw more from the fund than its projected real growth from investment. Sustainable, because the size of the fund continually increases, in real terms.

The principal advantage of the proposed system

- Economic busts (those that are caused by cuts in state spending) are largely eliminated.[8]

Other advantages

- Periodic curtailment of desirable, if not essential, state programs is largely eliminated.
- A meaningful budget becomes feasible, because during the budgetary process the Legislature knows how much money is available for spending.[9]

Transition

- In the first year of a transitional period the amount withdrawn, combined with expected revenue from sources outside the fund, supports spending at the present level.
- For the remainder of the transitional period the amount withdrawn decreases, at least in real terms, to the highest sustainable.[10]
- The length of the transitional period is selected with the objective of providing the most money for spending during the period and yet allowing the fund to increase substantially in size.[11]

Implementation

- To implement the proposed system and transition, a constitutional amendment must be adopted.[12]

Obstacles to implementation

- Temptation to continue spending from the natural resource endowment at an unsustainable rate without a gradual decrease.
- Concern about the fact that the fund could decrease in size.
- The misconception that the proposed system would eliminate the dividend program.[13]
- A legislature that is opposed to any limitation of its power to spend.

Roger Cremo 9/1/95

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[8] The proposed system would come too late to prevent an economic bust that could result from the spending cut required by current conditions. However, the impact would be softened, because the cut would be gradual (see "Transition"). With the present setup, the cut might be devastatingly abrupt and deep.

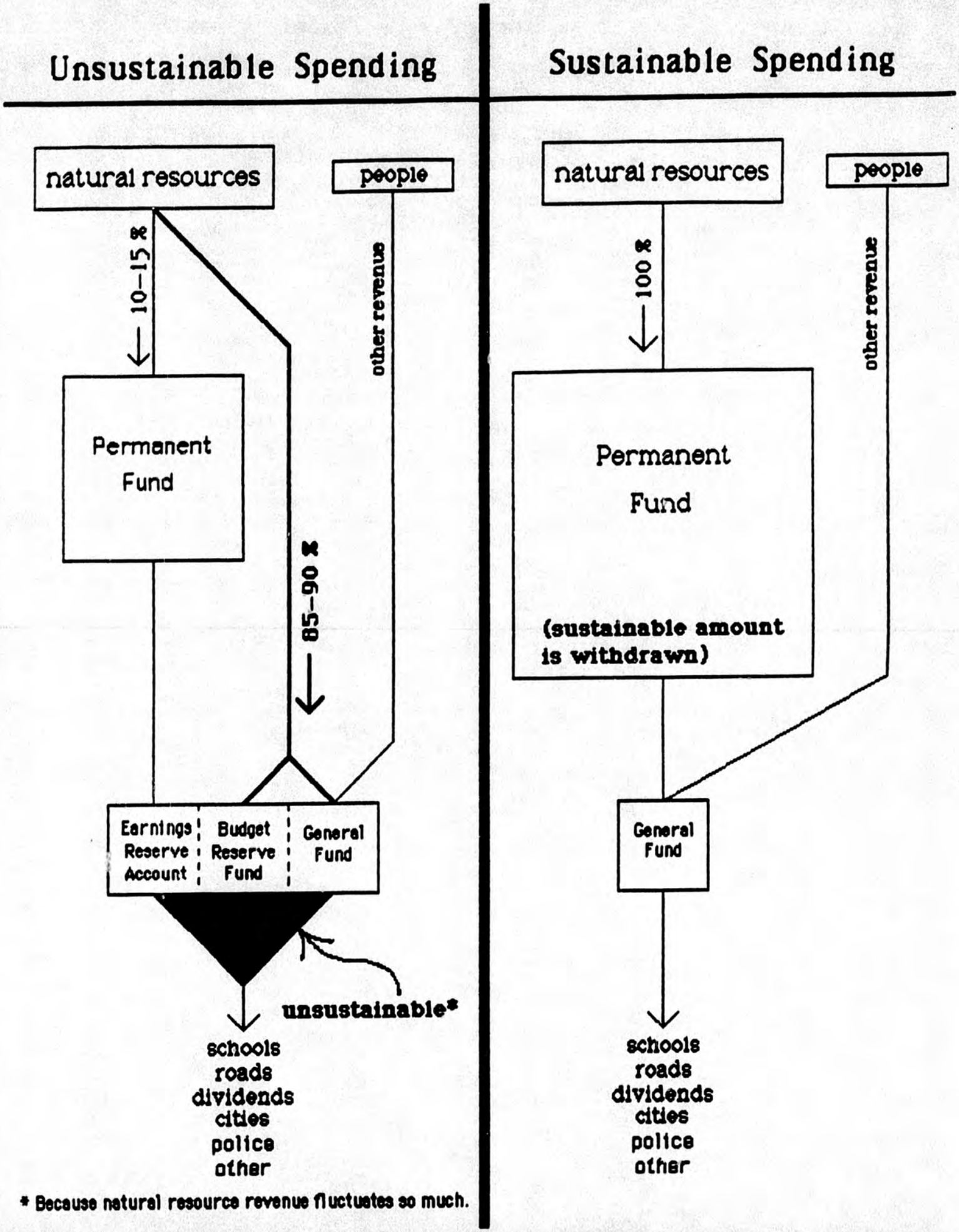
[9] Except for what comes from sources outside the fund, but that's easy to forecast.

[10] The decrease is gradual. The rate of withdrawal decreases geometrically each year, so that when the transitional period has ended it is a fixed rate of real growth from investment (see footnote 5).

[11] Necessarily, selection is based, in part, on the official forecast of natural resource revenue

[12] The constitution requires that an amendment be proposed by the Legislature and approved by the people.

[13] That program, like other governmental programs, is not constitutionally protected. Both now and under the proposed system, its continuation is a matter of legislative discretion and priority. Under the proposed system, however, it may have a better chance of surviving the spending cut required by current conditions.


Unsustainable Spending
natural resources
people
10–15 %
other revenue
Permanent Fund
85–90 %
Earnings Reserve Account
Budget Reserve Fund
General Fund
unsustainable*
schools
roads
dividends
cities
police
other
* Because natural resource revenue fluctuates so much.
Sustainable Spending
natural resources
people
100 %
other revenue
Permanent Fund
(sustainable amount is withdrawn)
General Fund
schools
roads
dividends
cities
police
other

CONSTITUTION OF THE STATE OF ALASKA

ARTICLE IX, SECTION 15 – ALASKA PERMANENT FUND

(a) Revenue derived by the state

(1) from the disposition, by the state or the United States, of land, minerals, forestial resources or biologica marine resources, and

(2) from taxes on

(A) minerals produced, processed or in reserve,

(B) property used in exploration, production, transportation or processing of minerals

(C) income from production, transportation or processing of minerals,

(D) forestial resources produced or processed;

(E) biological marine resources produced or processed; and

(3) from claims, against the United States or others, for deprivation of that revenue, or that land or thos natural resources

constitutes the Alaska Permanent Fund, which is invested and reinvested for long-term appreciation Investmer income, including realized appreciation, is retained in the fund and reinvested. Investments are made in accordanc with standards prescribed by law

(b) Money in the fund cannot be appropriated. Every fiscal year an amount equal to six percent of the average the fund's market value at the end of each of the quarters of the three calendar years immediately preceding permanently withdrawn from the fund and is appropriable.

(c) A corporation that is a separate branch of government manages the fund. Its powers are provided by law an can include the power to delegate investment authority to independent managers. Its acts and records are audite and public, as provided by law. Its expenditures are authorized by appropriation.

(d) The corporation is governed by seven trustees appointed by the governor, subject to confirmation by a majorit of the members of the legislature in joint session. Two are heads of principal departments in the executive branc and serve at the pleasure of the governor. Five are appointed from the public and serve for five-year terms that ar staggered so that only one expires each year. A vacancy is filled for the remainder of the term in the manner of th original appointment. A trustee can be reappointed, subject to reconfirmation. As and to the extent provided by law trustees are compensated, reimbursed their expenses, immune from civil liability and removable for cause.

(e) For the purposes of (a), minerals include, without limitation, oil, gas, coal, sand, gravel, stone and water.

(f) This section does not affect other dedications permitted by Section 7 of this article.

ARTICLE XV, SECTION 29 – ALASKA PERMANENT FUND TRANSITION

(a) The percentage prescribed in Article IX, Section 15, as amended in 1996, for determining the amount of mone withdrawn annually from the Alaska Permanent Fund, is inapplicable in fiscal years 1998 through 2009. In the fir year of that period the applicable percentage is fourteen and one-half. It decreases each fiscal year thereafte geometrically, until the first year after that period, when it attains its permanent value

(b) The assets of the following are added to the fund on the effective date of this section: the Budget Reserve Fur (Article IX, Section 17), the Earnings Reserve Account (AS 37.13.145), the Railbelt Energy Fund (AS 37.05.520) and th Budget Reserve Fund (AS 37.05.540). For the purpose of determining the average of the fund's market value, required by Article IX, Section 15, as amended in 1996, those assets are treated as if they had been added to the fur three years before the period in (a).

(c) In addition to the revenue and investment income described in Article IX, Section 15, as amended in 1996, th fund consists of the assets carried on its books on the effective date of this section and the assets added by (b).

(d) Those public members of the board of trustees of the Alaska Permanent Fund Corporation in office on th effective date of this section continue for the remainder of their terms as trustees of the corporation that manag the fund

(e) Article IX, Section 15, as amended in 1996, and this section are effective July 1, 1997.

ARTICLE XV, SECTION 30 – REPEAL

Article IX, Sections 16 & 17, and Article XV, Sections 27 & 28 are repealed. This section is effective July 1, 1997

Data:	Dept. of Revenue (projections: spring, 1995, base case)
	Permanent Fund Corp. (projections: June 30, 1995 base case)
Transitional withdrawal rate:	14.5% in 1998 to final rate in 2010
Final withdrawal rate:	6.0%
Rate of total return:	10.0%
Reserves:	2,500
Rate of inflation:	4.0%
Drop from forecast oil price in 2006:	0%
Unit: one million dollars	

System of Sustainable State Spending

Alaska Permanent Fund

Fiscal Year	Begin	Resource Revenue	Withdrawal	Total Return	End	End (1998 $)
1998	19,976	1,866	2,753	1,909	20,998	20,998
1999	20,998	1,912	2,700	2,021	22,232	21,377
2000	22,232	1,932	2,637	2,153	23,679	21,893
2001	23,679	1,944	2,594	2,303	25,332	22,520
2002	25,332	1,903	2,566	2,467	27,142	23,201
2003	27,142	1,886	2,548	2,648	29,128	23,941
2004	29,128	1,870	2,537	2,846	31,307	24,743
2005	31,307	1,844	2,530	3,062	33,683	25,597
2006	33,683	1,775	2,526	3,293	36,225	26,469
2007	36,225	1,709	2,524	3,541	38,951	27,366
2008	38,951	1,724	2,522	3,815	41,968	28,352
2009	41,968	1,666	2,522	4,111	45,223	29,376
2010	45,223	1,608	2,523	4,431	48,739	30,442
2011	48,739	1,225	2,719	4,725	51,970	31,212
2012	51,970	1,160	2,919	5,021	55,233	31,996
2013	55,233	1,087	3,119	5,320	58,522	32,495
2014	58,522	1,027	3,315	5,623	61,857	33,026
2015	61,857	965	3,512	5,931	65,241	33,493
2016	65,241	910	3,712	6,244	68,683	33,904
2017	68,683	847	3,916	6,561	72,175	34,257
2018	72,175	789	4,122	6,884	75,727	34,561
2019	75,727	735	4,332	7,213	79,343	34,819
2020	79,343	689	4,545	7,549	83,036	35,038
2021	83,036	639	4,762	7,891	86,804	35,219
2022	86,804	599	4,984	8,242	90,662	35,369
2023	90,662	555	5,210	8,601	94,607	35,489
2024	94,607	515	5,441	8,968	98,650	35,582
2025	98,650	465	5,678	9,344	102,780	35,646

Fiscal Year	End	Avg Prior Bal	Wdrl %
1995	17,845		
1996	19,143		
1997	19,976		
1998		18,988	14.50
1999		20,039	13.47
2000		21,069	12.52
2001		22,303	11.63
2002		23,748	10.81
2003		25,385	10.04
2004		27,201	9.33
2005		29,193	8.67
2006		31,373	8.05
2007		33,739	7.48
2008		36,287	6.95
2009		39,048	6.46
2010		42,047	6.00
2011		45,310	6.00
2012		48,644	6.00
2013		51,981	6.00
2014		55,242	6.00
2015		58,537	6.00
2016		61,874	6.00
2017		65,260	6.00
2018		68,700	6.00
2019		72,195	6.00
2020		75,748	6.00
2021		79,369	6.00
2022		83,061	6.00
2023		86,834	6.00
2024		90,691	6.00
2025		94,640	6.00

(for notes see reverse)

Notes

Alaska Permanent Fund. The State has an endowment, which presently consists of the natural resource revenue and investment income that have accumulated in various funds, principally the Alaska Permanent Fund, the Earnings Reserve Account and the Budget Reserve Fund. In the proposed system the endowment is housed in the Alaska Permanent Fund, to which the contents of the other funds ("reserves") are transferred at the beginning of the initial year (fiscal 1998). The transfers are treated as if they had been made three years before that. In the future, all natural resource revenue is added to the fund and all investment income remains in the fund.

Assigned values. The values assigned here to transitional withdrawal rates, final withdrawal rate, total return, etc., should be taken as illustrative only.

Market value. The market value of the fund is the basis for determining the amount that is withdrawn from it for spending.

Natural resource revenue. The natural resource revenue is deposited into the fund when it is received (here each year's receipts are treated as if they are deposited at the beginning of the year). Projections for the years after 2010 (DOR, fall, 1994, base case) commingle minor components of natural resource revenue with revenue that is not natural resource revenue (here they have been separated by extension of pre-2010 trends).

Withdrawal from the fund. The amount withdrawn from the fund in a fiscal year is a function of the withdrawal percentage and the average of the fund's value at the end of each of the twelve calendar quarters (here the three fiscal years) preceding the year of withdrawal. Withdrawals are made as the money is needed for spending during the fiscal year (here withdrawals are treated as if they are made at the beginning of each year).

Data: Dept. of Revenue (projections: spring, 1995, base case)			
Permanent Fund Corp. (projections: June 30, 1995, base case)			
Transitional withdrawal rate:	14.5% in 1998 to final rate 2010		
Final withdrawal rate	6.0%		
Rate of total return	10.0%	Rate of conventional revenue enhancement:	6.0%
Reserves	2,500	Drop from forecast oil price in 2006:	0%
Rate of inflation	4.0%	Unit: one million dollars	

System of Sustainable State Spending
Budget

Fiscal Year	Withdrawal	Enhanced Conventional Revenue	Enhanced Conventional Revenue (1998 $)	Income Budget	Income Budget (1998 $)	Fiscal Year
1998	2,753	300	300	3,053	3,053	1998
1999	2,700	318	306	3,017	2,901	1999
2000	2,637	337	311	2,974	2,750	2000
2001	2,594	357	317	2,951	2,623	2001
2002	2,566	379	324	2,944	2,517	2002
2003	2,548	401	330	2,950	2,424	2003
2004	2,537	425	336	2,962	2,341	2004
2005	2,530	451	343	2,981	2,265	2005
2006	2,526	478	349	3,004	2,195	2006
2007	2,524	507	356	3,030	2,129	2007
2008	2,522	537	363	3,059	2,067	2008
2009	2,522	569	370	3,091	2,008	2009
2010	2,523	603	377	3,126	1,953	2010
2011	2,719	639	384	3,358	2,017	2011
2012	2,919	678	391	3,596	2,077	2012
2013	3,119	719	399	3,837	2,131	2013
2014	3,315	762	407	4,076	2,176	2014
2015	3,512	807	414	4,320	2,218	2015
2016	3,712	856	422	4,568	2,255	2016
2017	3,916	907	431	4,823	2,289	2017
2018	4,122	962	439	5,084	2,320	2018
2019	4,332	1019	447	5,351	2,348	2019
2020	4,545	1080	455	5,625	2,374	2020
2021	4,762	1145	465	5,907	2,397	2021
2022	4,984	1214	474	6,198	2,418	2022
2023	5,210	1287	483	6,497	2,437	2023
2024	5,441	1364	492	6,805	2,455	2024
2025	5,678	1446	501	7,124	2,471	2025

(for notes, see reverse)

Notes

Conventional revenue. Conventional revenue is the revenue derived from all sources outside the fund.

Enhancement of conventional revenue. The matter of increasing conventional revenue from what is projected is not part of the proposed system. Enhancement is included here only to illustrate the effect that it has on the income budget. It is a function of the enhancement percentage and the amount of conventional revenue in the previous year. For the initial year, enhanced conventional revenue is estimated.

Income budget. The income budget consists of the enhanced conventional revenue and the amount withdrawn from the fund. It is the amount available for financing government, including the dividend program.

Data: Dept of Revenue (projections: spring, 1995, base case)
Permanent Fund Corp. (projections June 30, 1995, base case)

Transitional withdrawal rate:	14.5% in 1998 to final rate in	2010	
Final withdrawal rate:	6.0%	Drop from forecast oil price in 2006	0%
Rate of total return:	10.0%	Rate of population increase:	1.6%
Reserves:	2,500	Rate of conventional revenue enhancement:	6.0%
Rate of inflation:	4.0%	Unit: one million dollars	

System of Sustainable State Spending
Fiscal Gap

1	2	3	4	5	6	7	8	9	10	11	12
	Without new income or expense reduction					**With new income**			**With expense reduction**		
Fiscal Year	Permanent Fund Withdrawal	Conventional Revenue	Income (=2+3)	Expense	Gap (=5-4)	Enhanced Conventional Revenue	Income (=2+7)	Gap (=5-8)	Reduced Expense (=8)	Reduction (=5-10)	Gap (=10-8)
1998	2,753	300	3,053	3,053	0	300	3,053	0	3,053	0	0
1999	2,700	309	3,009	3,224	215	318	3,017	207	3,017	207	0
2000	2,637	318	2,956	3,405	449	337	2,974	431	2,974	431	0
2001	2,594	327	2,921	3,595	674	357	2,951	644	2,951	644	0
2002	2,566	337	2,903	3,797	894	379	2,944	852	2,944	852	0
2003	2,548	346	2,894	4,009	1,115	401	2,950	1,060	2,950	1,060	0
2004	2,537	355	2,892	4,234	1,342	425	2,962	1,271	2,962	1,271	0
2005	2,530	365	2,895	4,471	1,576	451	2,981	1,490	2,981	1,490	0
2006	2,525	375	2,901	4,721	1,821	478	3,004	1,717	3,004	1,717	0
2007	2,524	384	2,908	4,985	2,077	507	3,030	1,955	3,030	1,955	0
2008	2,522	394	2,916	5,265	2,349	537	3,059	2,206	3,059	2,206	0
2009	2,522	405	2,927	5,560	2,633	569	3,091	2,469	3,091	2,469	0
2010	2,523	416	2,939	5,871	2,932	603	3,126	2,745	3,126	2,745	0
2011	2,719	410	3,128	6,200	3,071	639	3,358	2,842	3,358	2,842	0
2012	2,919	420	3,339	6,547	3,208	678	3,596	2,950	3,596	2,950	0
2013	3,119	430	3,549	6,913	3,364	719	3,837	3,076	3,837	3,076	0
2014	3,315	441	3,756	7,301	3,545	762	4,076	3,224	4,076	3,224	0
2015	3,512	452	3,965	7,709	3,745	807	4,320	3,390	4,320	3,390	0
2016	3,712	464	4,176	8,141	3,965	856	4,568	3,573	4,568	3,573	0
2017	3,916	475	4,391	8,597	4,206	907	4,823	3,774	4,823	3,774	0
2018	4,122	487	4,609	9,079	4,469	962	5,084	3,995	5,084	3,995	0
2019	4,332	500	4,831	9,587	4,756	1,019	5,351	4,236	5,351	4,236	0
2020	4,545	512	5,057	10,124	5,067	1,080	5,625	4,499	5,625	4,499	0
2021	4,762	525	5,287	10,691	5,404	1,145	5,907	4,783	5,907	4,783	0
2022	4,984	538	5,522	11,289	5,767	1,214	6,198	5,092	6,198	5,092	0
2023	5,210	552	5,762	11,922	6,160	1,287	6,497	5,425	6,497	5,425	0
2024	5,441	566	6,007	12,589	6,582	1,364	6,805	5,784	6,805	5,784	0
2025	5,678	580	6,258	13,294	7,036	1,446	7,124	6,170	7,124	6,170	0
							116,312		116,312		

(For notes see reverse)

Notes

Fiscal Gap. The fiscal gap is the difference between projected expense and projected income. When a year for which a gap is projected is reached, the gap must be closed unless there are reserves to fill it with. If there are no reserves, the gap is closed by enhancing revenue or by reducing expense, or both.

Expense (5). Expense is equal to Income (4) in the initial year. Then it increases at the rate of inflation and the rate of population increase, combined.

Enhanced Conventional Revenue (7). For the initial year, enhanced conventional revenue is estimated. Then it increases at the rate of conventional revenue enhancement.

Reduced Expense (10). Reduced Expense is equal to Income (8).

Data	Dept. of Revenue (projections: spring, 1995, base case)		
	Permanent Fund Corp. (projections: June 30, 1995, base case)		
Reserves:	2,500	Rate of population increase:	1.6%
Rate of inflation:	4.0%	Rate of expense reduction:	3.0%
Rate of conventional revenue enhancement:	6.0%	Rate of return (reserves):	5.0%
Rate of return (Permanent Fund):	9.0%	Unit: one million dollars	
Drop from forecast oil price in 2006:	0%		

Present System of State Spending
Fiscal Gap

1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Without new income or expense reduction						With new income			With expense reduction			
Fiscal Year	Natural Resource Revenue	Conventional Revenue	Permanent Fund Income	Income (=2+3+4)	Expense	Gap (=6-5)	Enhanced Conventional Revenue	Income (=2+4+8)	Gap (=6-9)	Reduced Expense	Reduction (=6-11)	Gap (=11-9)	Reserves (yr-end)
1998	1,622	300	801	2,723	3,053	330	300	2,723	330	3,053	0	330	2,279
1999	1,654	309	846	2,809	3,224	415	318	2,818	406	3,132	92	315	2,062
2000	1,666	318	893	2,880	3,405	525	337	2,898	506	3,214	191	316	1,833
2001	1,680	327	942	2,950	3,595	646	357	2,979	616	3,297	298	318	1,591
2002	1,547	337	993	2,976	3,797	820	379	3,018	778	3,383	413	365	1,287
2003	1,627	346	1,045	3,018	4,009	991	401	3,074	936	3,471	538	398	934
2004	1,611	355	1,100	3,067	4,234	1,167	425	3,137	1,097	3,561	672	425	535
2005	1,586	365	1,157	3,109	4,471	1,361	451	3,195	1,275	3,654	817	459	80
2006	1,526	375	1,216	3,116	4,721	1,605	478	3,219	1,502	3,299	1,422	80	0
2007	1,466	384	1,276	3,127	4,986	1,859	507	3,249	1,737	3,249	1,737	0	0
2008	1,471	394	1,340	3,205	5,265	2,060	537	3,348	1,917	3,348	1,917	0	0
2009	1,420	405	1,406	3,231	5,560	2,329	569	3,395	2,165	3,395	2,165	0	0
2010	1,366	416	1,474	3,259	5,871	2,612	603	3,446	2,425	3,446	2,425	0	0
2011	1,044	410	1,542	2,996	6,200	3,204	639	3,226	2,974	3,226	2,974	0	0
2012	988	420	1,612	3,020	6,547	3,527	678	3,278	3,269	3,278	3,269	0	0
2013	925	430	1,685	3,041	6,913	3,873	719	3,329	3,585	3,329	3,585	0	0
2014	873	441	1,760	3,074	7,301	4,226	762	3,395	3,906	3,395	3,906	0	0
2015	821	452	1,838	3,111	7,709	4,598	807	3,466	4,243	3,466	4,243	0	0
2016	772	464	1,918	3,154	8,141	4,987	856	3,546	4,595	3,546	4,595	0	0
2017	718	475	2,001	3,195	8,597	5,402	907	3,627	4,970	3,627	4,970	0	0
2018	669	487	2,087	3,244	9,079	5,835	962	3,718	5,361	3,718	5,361	0	0
2019	623	500	2,177	3,299	9,587	6,288	1,019	3,818	5,769	3,818	5,769	0	0
2020	583	512	2,269	3,364	10,124	6,760	1,080	3,932	6,192	3,932	6,192	0	0
2021	540	525	2,365	3,430	10,691	7,261	1,145	4,050	6,641	4,050	6,641	0	0
2022	505	538	2,464	3,507	11,289	7,782	1,214	4,183	7,106	4,183	7,106	0	0
2023	467	552	2,567	3,586	11,922	8,336	1,287	4,321	7,601	4,321	7,601	0	0
2024	434	566	2,674	3,673	12,589	8,916	1,364	4,472	8,118	4,472	8,118	0	0
2025	390	580	2,784	3,754	13,294	9,540	1,445	4,620	8,674	4,620	8,674	0	0
								97,473		100,483			

(For notes, see reverse)

Notes

Fiscal Gap. The fiscal gap is the difference between projected expense and projected income. When a year for which a gap is projected is reached, the gap must be closed unless there are reserves to fill it with. If there are no reserves, the gap is closed by enhancing revenue or by reducing expense, or both.

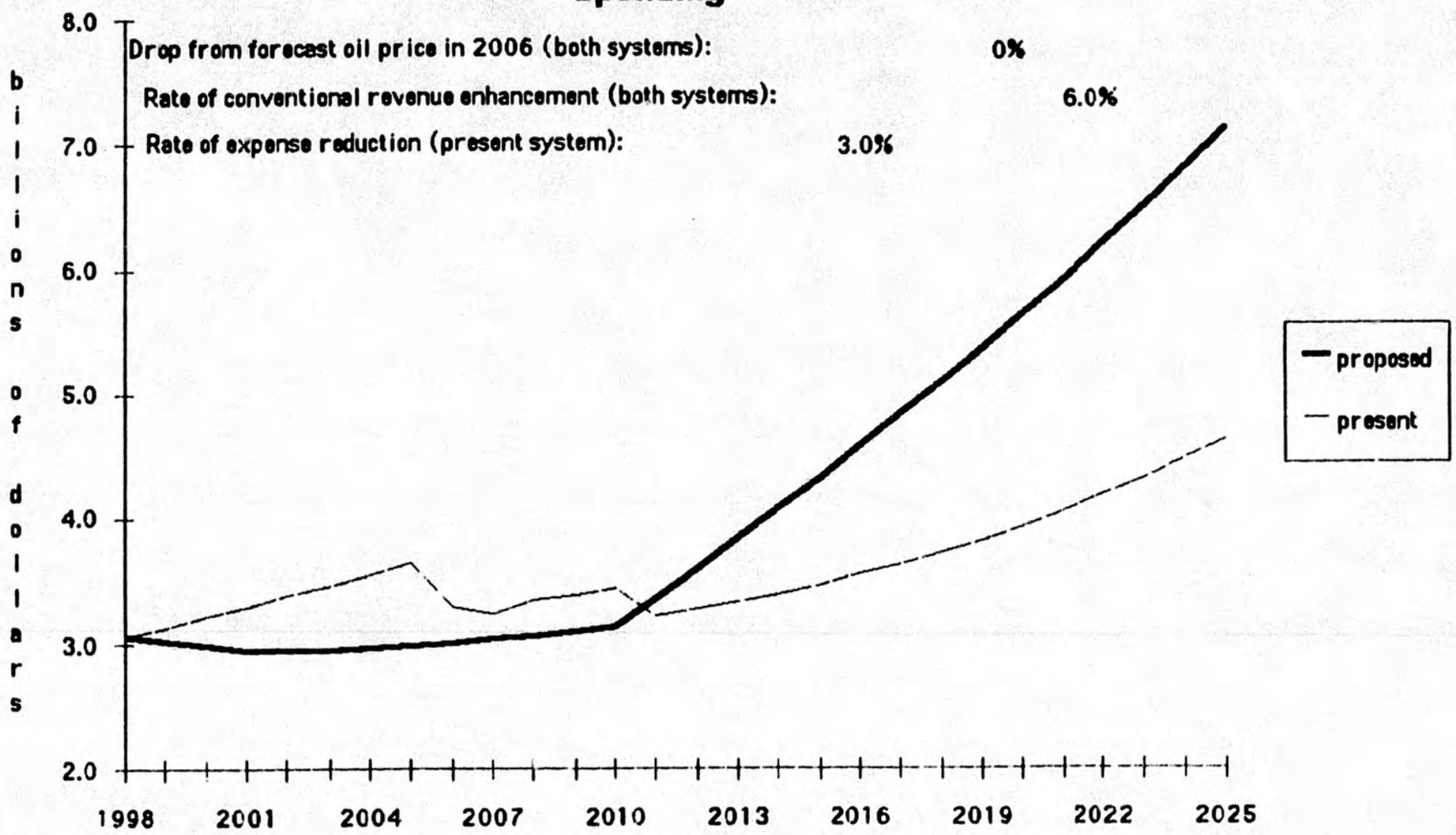
Natural Resource Revenue (2). This does not include the portion (10-15%) that is deposited into the Alaska Permanent Fund.

Expense (6). Expense is estimated for the initial year. Then it increases at the rate of inflation and the rate of population increase, combined.

Enhanced Conventional Revenue (8). Conventional revenue is estimated for the initial year. Then it increases at the rate of conventional revenue enhancement.

Reduced Expense (11). As long as reserves are available to fill the gap, Reduced Expense is equal to Expense (6) reduced at the rate of expense reduction. When there are no more reserves, Reduced Expense is equal to Income (9).

Present and Proposed Systems of State Spending



Present and Proposed Systems of State Spending