

**SCOMM**

**101:12**

REVISION OF  
**RIEGER COMPOSITE SCENARIO PROJECTION — SEPTEMBER 30**

PERMANENT FUND EARNINGS AT 7.94% (AVG)

(Nominal Dollars)

|                                                               | 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         |
|---------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>AVAILABLE REVENUES (\$ Millions):</b>                      |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |
| Existing General Fund sources                                 | 1,952         | 1,919         | 1,997         | 2,038         | 2,062         | 2,083         | 2,059         | 2,058         | 2,052         | 2,038         | 1,985         | 1,936         | 1,950         | 1,910         | 1,870         |
| Lift ANS Export Ban                                           |               | 20            | 20            | 20            | 20            | 20            | 20            | 20            | 20            | 20            | 20            | 20            | 20            | 20            | 20            |
| New oil production                                            |               |               |               |               |               |               |               |               |               | 25            | 100           | 100           | 100           | 100           | 100           |
| Permanent Fund Net Earnings                                   | 1,213         | 1,391         | 1,450         | 1,514         | 1,581         | 1,651         | 1,722         | 1,796         | 1,872         | 1,951         | 2,031         | 2,114         | 2,200         | 2,288         | 2,379         |
| Permanent Fund Inflation-Proofing                             | -429          | -494          | -541          | -566          | -592          | -619          | -647          | -676          | -706          | -737          | -768          | -800          | -834          | -868          | -904          |
| Transfer to Permanent Fund Earnings Reserve                   | -219          | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Highway Motor Fuel Tax @ \$.219/gal., indexed)                |               | 39            | 41            | 43            | 45            | 47            | 50            | 52            | 55            | 57            | 60            | 63            | 66            | 69            | 73            |
| Marine Motor Fuel Tax (\$.08/gal., per HB 122, indexed)       |               | 5             | 5             | 5             | 6             | 6             | 6             | 7             | 7             | 7             | 8             | 8             | 8             | 9             | 9             |
| Tobacco Tax (\$1/pkg cigs; 75%/chewing; +25¢ triennially)     |               | 43            | 44            | 44            | 56            | 57            | 58            | 71            | 72            | 73            | 87            | 88            | 102           | 104           | 106           |
| Motor vehicle license fees (double)                           |               |               | 29            | 29            | 30            | 30            | 31            | 31            | 32            | 32            | 33            | 33            | 34            | 35            | 35            |
| User fee increases                                            |               | 3             | 6             | 9             | 12            | 15            | 15            | 15            | 15            | 15            | 15            | 15            | 15            | 15            | 15            |
| Alcohol taxes (increase similar to HB 96)                     |               |               | 20            | 21            | 21            | 21            | 22            | 22            | 22            | 23            | 23            | 23            | 24            | 24            | 24            |
| <b>TOTAL REVENUES</b>                                         | <b>2,517</b>  | <b>2,926</b>  | <b>3,072</b>  | <b>3,159</b>  | <b>3,241</b>  | <b>3,312</b>  | <b>3,336</b>  | <b>3,396</b>  | <b>3,441</b>  | <b>3,505</b>  | <b>3,594</b>  | <b>3,600</b>  | <b>3,686</b>  | <b>3,706</b>  | <b>3,728</b>  |
| Note: PF earnings used for GF programs                        |               | 350           | 394           | 469           | 509           | 617           | 647           | 683           | 713           | 740           | 766           | 792           | 728           | 756           | 785           |
| Note: Cumulative Spending Cuts total                          |               | 40            | 70            | 100           |               |               |               |               |               |               |               |               |               |               |               |
| <b>EXPENDITURES (\$ Millions):</b>                            |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |
| Total GF spending on current programs                         | 2,476         | 2,436         | 2,406         | 2,376         | 2,471         | 2,570         | 2,673         | 2,780         | 2,891         | 3,007         | 3,127         | 3,252         | 3,382         | 3,517         | 3,658         |
| Permanent Fund Dividends                                      | 565           | 575           | 550           | 525           | 525           | 473           | 502           | 520           | 542           | 565           | 589           | 613           | 638           | 664           | 691           |
| <b>TOTAL EXPENDITURES</b>                                     | <b>3,041</b>  | <b>3,011</b>  | <b>2,956</b>  | <b>2,901</b>  | <b>2,996</b>  | <b>3,043</b>  | <b>3,174</b>  | <b>3,300</b>  | <b>3,433</b>  | <b>3,572</b>  | <b>3,716</b>  | <b>3,865</b>  | <b>4,020</b>  | <b>4,181</b>  | <b>4,348</b>  |
| <b>PROJECTED ANNUAL FISCAL GAP</b>                            | <b>-524</b>   | <b>-85</b>    | <b>116</b>    | <b>258</b>    | <b>245</b>    | <b>269</b>    | <b>161</b>    | <b>96</b>     | <b>8</b>      | <b>-67</b>    | <b>-122</b>   | <b>-265</b>   | <b>-334</b>   | <b>-475</b>   | <b>-621</b>   |
| DRAW FROM CBR                                                 | 524           | 85            | -116          | -258          | -245          | -269          | -161          | -96           | -8            | 67            | 122           | 265           | 334           | 475           | 621           |
| <b>Constitutional Budget Reserve beginning balance</b>        | <b>2,006</b>  | <b>1,107</b>  | <b>1,592</b>  | <b>1,957</b>  | <b>2,487</b>  | <b>2,888</b>  | <b>3,337</b>  | <b>3,707</b>  | <b>4,035</b>  | <b>4,294</b>  | <b>4,496</b>  | <b>4,655</b>  | <b>4,681</b>  | <b>4,639</b>  | <b>4,454</b>  |
| Interest                                                      | 125           | 69            | 99            | 122           | 155           | 180           | 209           | 232           | 252           | 268           | 281           | 291           | 293           | 290           | 278           |
| Settlements                                                   | 500           | 500           | 150           | 150           |               |               |               |               |               |               |               |               |               |               |               |
| Drawn for GF spending                                         | 524           | 85            | -116          | -258          | -245          | -269          | -161          | -96           | -8            | 67            | 122           | 265           | 334           | 475           | 621           |
| CBR Transfer to Permanent Fund Principal                      | 1000          |               |               |               |               |               |               |               |               |               |               |               |               |               |               |
| <b>Constitutional Budget Reserve ending balance</b>           | <b>1,107</b>  | <b>1,592</b>  | <b>1,957</b>  | <b>2,487</b>  | <b>2,888</b>  | <b>3,337</b>  | <b>3,707</b>  | <b>4,035</b>  | <b>4,294</b>  | <b>4,496</b>  | <b>4,655</b>  | <b>4,681</b>  | <b>4,639</b>  | <b>4,454</b>  | <b>4,112</b>  |
| <b>PF Earnings Reserve beginning balance</b>                  | <b>703</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    |
| Net from PF Earnings not used for GF                          | 219           | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| PF Earnings reserve transfer to PF Principal                  | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>PF Earnings Reserve ending balance</b>                     | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    | <b>904</b>    |
| <b>Alaska Permanent Fund beginning balance</b>                | <b>14,139</b> | <b>16,285</b> | <b>17,006</b> | <b>17,790</b> | <b>18,615</b> | <b>19,470</b> | <b>20,353</b> | <b>21,262</b> | <b>22,197</b> | <b>23,161</b> | <b>24,153</b> | <b>25,170</b> | <b>26,214</b> | <b>27,300</b> | <b>28,414</b> |
| Dedicated state revenues - DOR Spring mid-case                | 217           | 227           | 244           | 259           | 263           | 264           | 261           | 259           | 258           | 256           | 249           | 243           | 253           | 246           | 239           |
| FY end principal balance before inflation-proofing & deposits | 14,356        | 16,512        | 17,250        | 18,049        | 18,878        | 19,734        | 20,614        | 21,521        | 22,455        | 23,417        | 24,402        | 25,413        | 26,467        | 27,546        | 28,653        |
| Deposits to Principal from CBR                                | 1,000         | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Deposits to Principal PFER                                    | 500           | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Inflation-Proofing                                            | 429           | 494           | 541           | 566           | 592           | 619           | 647           | 676           | 706           | 737           | 768           | 800           | 834           | 868           | 904           |
| FY ending balance Inflation Proofed                           | 16,285        | 17,006        | 17,790        | 18,615        | 19,470        | 20,353        | 21,262        | 22,197        | 23,161        | 24,153        | 25,170        | 26,214        | 27,300        | 28,414        | 29,557        |
| Escrow Accounts and Settlements                               | 142           | 153           | 165           | 178           | 192           | 208           | 224           | 242           | 261           | 282           | 305           | 329           | 355           | 384           | 414           |
| Net income (Calculated)                                       | 1,190         | 1,391         | 1,450         | 1,514         | 1,581         | 1,651         | 1,722         | 1,796         | 1,872         | 1,951         | 2,031         | 2,114         | 2,200         | 2,288         | 2,379         |
| Real Return                                                   | 761           | 897           | 904           | 949           | 990           | 1,032         | 1,075         | 1,120         | 1,166         | 1,214         | 1,263         | 1,314         | 1,366         | 1,420         | 1,476         |
| Permanent Fund Dividends                                      | 582           | 575           | 550           | 525           | 525           | 473           | 502           | 520           | 542           | 565           | 589           | 613           | 638           | 664           | 691           |
| Income transferred to (from) General Fund                     | -40           | 350           | 394           | 469           | 509           | 617           | 647           | 683           | 713           | 740           | 766           | 792           | 728           | 756           | 785           |
| <b>Alaska Permanent Fund ending balance</b>                   | <b>16,285</b> | <b>17,006</b> | <b>17,790</b> | <b>18,615</b> | <b>19,470</b> | <b>20,353</b> | <b>21,262</b> | <b>22,197</b> | <b>23,161</b> | <b>24,153</b> | <b>25,170</b> | <b>26,214</b> | <b>27,300</b> | <b>28,414</b> | <b>29,557</b> |

| Fiscal Year                                              | 96           | 97           | 98           | 99           | 0            | 1            | 2            | 3            | 4            | 5            | 6            | 7            | 8            | 9            | 10           |
|----------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| SB 51 EARNINGS                                           |              | 1,391        | 1,450        | 1,514        | 1,581        | 1,651        | 1,722        | 1,796        | 1,872        | 1,951        | 2,031        | 2,114        | 2,200        | 2,288        | 2,379        |
| MID CASE DOR INFLATION                                   | 1.0299       | 1.0299       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       |
| PER CAPITA CALCULATION                                   |              | 1.0463784    | 1.0483088    | 1.0483088    | 1.0483088    | 1.0483088    | 1.0483088    | 1.0483088    | 1.0483088    | 1.0483088    | 1.0483088    | 1.0483088    | 1.0483088    | 1.0483088    | 1.0483088    |
| AVERAGE POPULATION GROWTH - DOL                          | 1.016        | 1.016        | 1.016        | 1.016        | 1.016        | 1.016        | 1.016        | 1.016        | 1.016        | 1.016        | 1.016        | 1.016        | 1.016        | 1.016        | 1.016        |
| INFLATION*1/2 POPULATION                                 | 1.038        | 1.038        | 1.040        | 1.040        | 1.040        | 1.040        | 1.040        | 1.040        | 1.040        | 1.040        | 1.040        | 1.040        | 1.040        | 1.040        | 1.040        |
|                                                          | <u>FY 96</u> | <u>FY 97</u> | <u>FY 98</u> | <u>FY 99</u> | <u>FY 00</u> | <u>FY 01</u> | <u>FY 02</u> | <u>FY 03</u> | <u>FY 04</u> | <u>FY 05</u> | <u>FY 06</u> | <u>FY 07</u> | <u>FY 08</u> | <u>FY 09</u> | <u>FY 10</u> |
| PER CAPITA DIVIDENDS (NOMINAL \$)                        |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| POPULATION OF APPLICANTS (THOUSANDS)                     | 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           |
| STATUS QUO PROJECTION                                    |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| DISTRIBUTION AMOUNT (MILLIONS)                           | 565          | 608          | 624          | 663          | 721          | 767          | 815          | 863          | 913          | 965          | 1019         | 1075         | 1133         | 1194         | 1257         |
| PER CAPITA PROJECTION                                    | \$1,017      | \$1,080      | \$1,091      | \$1,142      | \$1,226      | \$1,286      | \$1,347      | \$1,406      | \$1,465      | \$1,526      | \$1,588      | \$1,651      | \$1,713      | \$1,779      | \$1,846      |
| COMPOSITE SCENARIO PROJECTION                            |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| DISTRIBUTION AMOUNT (MILLIONS)                           | 565          | 575          | 550          | 525          | 525          | 473          | 502          | 520          | 542          | 565          | 589          | 613          | 638          | 664          | 691          |
| PER CAPITA PROJECTION                                    | \$1,017      | \$1,018      | \$954        | \$892        | \$876        | \$769        | \$805        | \$822        | \$843        | \$866        | \$889        | \$912        | \$934        | \$958        | \$982        |
| ANNUAL DOLLAR CUT IN PER CAPITA DIVIDEND FROM STATUS QUO | \$0          | \$62         | \$137        | \$251        | \$350        | \$517        | \$543        | \$584        | \$622        | \$660        | \$699        | \$739        | \$779        | \$821        | \$864        |
| % CUT                                                    | 0%           | 6%           | 13%          | 22%          | 29%          | 40%          | 40%          | 42%          | 42%          | 43%          | 44%          | 45%          | 45%          | 46%          | 47%          |
| PER CAPITA SPENDING (NOMINAL \$)                         |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| POPULATION                                               | 615.9        | 625.8        | 635.8        | 645.9        | 656.3        | 666.8        | 677.4        | 688.3        | 699.3        | 710.5        | 721.9        | 733.4        | 745.1        | 757.1        | 769.2        |
| PER CAPITA GF SPENDING                                   | \$4,020      | \$3,893      | \$3,785      | \$3,679      | \$3,765      | \$3,854      | \$3,945      | \$4,039      | \$4,134      | \$4,232      | \$4,332      | \$4,434      | \$4,539      | \$4,646      | \$4,756      |
| PER CAPITA GF + PFDS                                     | \$4,938      | \$4,812      | \$4,650      | \$4,491      | \$4,565      | \$4,564      | \$4,686      | \$4,794      | \$4,910      | \$5,027      | \$5,147      | \$5,270      | \$5,395      | \$5,523      | \$5,653      |

\*FY 96 = \$110.1 Rev. Adj. + \$70 AHFC + \$17 AIDEA. FY 97 - 2005 assumes \$40 revenue adjustments + \$50 AHFC dividend each year.

\*\*FY 97-2005 agency operations projected to increase with inflation and 1/2 population growth. Formula programs growth is at overall trend rate.

Education projected to grow at historical 2.5% rate of enrollment increase plus inflation.

\*\*\*Includes \$51.1 for estimated annual unmet M&O needs and \$22.1/yr. for a 15 yr. program to address an estimated \$331 deferred maintenance backlog

\*\*\*\*FY 96 & 97 include \$350/yr. BP settlement; FY 97 - 2000 assumes an additional \$150/yr. in settlements.

#### REAL RATE OF RETURN AVERAGE

|          | Nominal R <sub>i</sub> | Inflation | Real  |
|----------|------------------------|-----------|-------|
| FY 96-97 | 7.78%                  | 2.99%     | 4.79% |
| FY98-10  | 7.97%                  | 3.18%     | 4.79% |



# RIEGER COMPOSITE SCENARIO PROJECTION — SEPTEMBER 30

PERMANENT FUND EARNINGS AT 4.79% (real)

(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         | FY 07         | FY 08         | FY 09         | FY 10         |
|---------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>AVAILABLE REVENUES (\$ Millions):</b>                      |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |
| Existing General Fund sources                                 | 1,952         | 1,863         | 1,880         | 1,859         | 1,822         | 1,784         | 1,709         | 1,656         | 1,600         | 1,540         | 1,454         | 1,374         | 1,342         | 1,274         | 1,209         |
| Lift ANS Export Ban                                           |               | 19            | 19            | 18            | 18            | 17            | 17            | 16            | 16            | 15            | 15            | 14            | 14            | 13            | 13            |
| New oil production                                            |               |               |               |               |               |               |               |               |               | 19            | 73            | 71            | 69            | 67            | 65            |
| Permanent Fund Net Earnings                                   | 1,213         | 1,351         | 1,365         | 1,381         | 1,398         | 1,414         | 1,430         | 1,445         | 1,460         | 1,474         | 1,488         | 1,501         | 1,514         | 1,526         | 1,538         |
| Permanent Fund Inflation-Proofing                             | -429          | -479          | -509          | -516          | -523          | -530          | -537          | -544          | -550          | -557          | -563          | -568          | -574          | -579          | -584          |
| Transfer to Permanent Fund Earnings Reserve                   | -219          | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Highway Motor Fuel Tax @ \$.219/gal., indexed)                |               | 38            | 39            | 39            | 40            | 41            | 41            | 42            | 43            | 43            | 44            | 45            | 45            | 46            | 47            |
| Marine Motor Fuel Tax (\$.08/gal., per HB 122, indexed)       |               | 5             | 5             | 5             | 5             | 5             | 5             | 5             | 5             | 6             | 6             | 6             | 6             | 6             | 6             |
| Tobacco Tax (\$1/pkg cigs; 75%/chewing; +25¢ triennially)     |               | 42            | 41            | 42            | 51            | 51            | 50            | 59            | 58            | 57            | 66            | 65            | 73            | 72            | 70            |
| Motor vehicle license fees (double)                           |               |               | 28            | 28            | 27            | 27            | 26            | 26            | 26            | 25            | 25            | 25            | 24            | 24            | 23            |
| User fee increases                                            |               | 3             | 6             | 8             | 11            | 13            | 12            | 12            | 12            | 11            | 11            | 11            | 10            | 10            | 10            |
| Alcohol taxes (increase similar to HB 96)                     |               |               | 19            | 19            | 18            | 18            | 18            | 18            | 17            | 17            | 17            | 17            | 16            | 16            | 16            |
| <b>TOTAL REVENUES</b>                                         | <b>2,517</b>  | <b>2,841</b>  | <b>2,892</b>  | <b>2,883</b>  | <b>2,868</b>  | <b>2,840</b>  | <b>2,772</b>  | <b>2,735</b>  | <b>2,686</b>  | <b>2,652</b>  | <b>2,636</b>  | <b>2,559</b>  | <b>2,539</b>  | <b>2,475</b>  | <b>2,412</b>  |
| Note: PF earnings used for GF programs                        | 0             | 340           | 371           | 428           | 450           | 529           | 537           | 550           | 556           | 559           | 561           | 562           | 501           | 504           | 507           |
| Note: Cumulative Spending Cuts total                          |               | 39            | 66            | 91            | 0             | 0             | 0             |               |               |               |               |               |               |               |               |
| <b>EXPENDITURES (\$ Millions):</b>                            |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |
| Total GF spending on current programs                         | 2,476         | 2,365         | 2,264         | 2,167         | 2,184         | 2,202         | 2,219         | 2,237         | 2,255         | 2,273         | 2,291         | 2,309         | 2,327         | 2,346         | 2,364         |
| Permanent Fund Dividends                                      | 565           | 558           | 518           | 479           | 464           | 405           | 416           | 419           | 423           | 427           | 431           | 435           | 439           | 443           | 446           |
| <b>TOTAL EXPENDITURES</b>                                     | <b>3,041</b>  | <b>2,924</b>  | <b>2,782</b>  | <b>2,646</b>  | <b>2,648</b>  | <b>2,607</b>  | <b>2,636</b>  | <b>2,655</b>  | <b>2,678</b>  | <b>2,700</b>  | <b>2,722</b>  | <b>2,744</b>  | <b>2,766</b>  | <b>2,788</b>  | <b>2,811</b>  |
| <b>PROJECTED ANNUAL FISCAL GAP</b>                            | <b>-524</b>   | <b>-82</b>    | <b>110</b>    | <b>237</b>    | <b>219</b>    | <b>233</b>    | <b>136</b>    | <b>80</b>     | <b>8</b>      | <b>-48</b>    | <b>-86</b>    | <b>-185</b>   | <b>-227</b>   | <b>-314</b>   | <b>-398</b>   |
| DRAW FROM CBR                                                 | 524           | 82            | -109          | -235          |               |               |               |               |               |               |               |               |               |               |               |
| <b>Constitutional Budget Reserve beginning balance</b>        | <b>2,006</b>  | <b>1075</b>   | <b>1498</b>   | <b>1785</b>   | <b>2199</b>   | <b>2474</b>   | <b>2771</b>   | <b>2983</b>   | <b>3147</b>   | <b>3246</b>   | <b>3293</b>   | <b>3305</b>   | <b>3221</b>   | <b>3094</b>   | <b>2879</b>   |
| Interest                                                      | 125           | 67            | 94            | 112           | 137           | 155           | 173           | 186           | 197           | 203           | 206           | 207           | 201           | 183           | 180           |
| Settlements                                                   | 500           | 485           | 141           | 137           | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Drawn for GF spending                                         | 524           | 82            | -109          | -235          | -217          | -230          | -134          | -77           | -6            | 51            | 89            | 188           | 230           | 317           | 401           |
| CBR Transfer to Permanent Fund Principal                      | 1000          | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>Constitutional Budget Reserve ending balance</b>           | <b>1,107</b>  | <b>1,545</b>  | <b>1,842</b>  | <b>2,269</b>  | <b>2553</b>   | <b>2859</b>   | <b>3078</b>   | <b>3247</b>   | <b>3349</b>   | <b>3398</b>   | <b>3410</b>   | <b>3323</b>   | <b>3192</b>   | <b>2971</b>   | <b>2658</b>   |
| <b>PF Earnings Reserve beginning balance</b>                  | <b>703</b>    | <b>878</b>    | <b>851</b>    | <b>824</b>    | <b>799</b>    | <b>774</b>    | <b>751</b>    | <b>727</b>    | <b>705</b>    | <b>683</b>    | <b>662</b>    | <b>642</b>    | <b>622</b>    | <b>603</b>    | <b>584</b>    |
| Net from PF Earnings not used for GF                          | 219           | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| PF Earnings reserve transfer to PF Principal                  | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>PF Earnings Reserve ending balance</b>                     | <b>904</b>    | <b>878</b>    | <b>851</b>    | <b>824</b>    | <b>799</b>    | <b>774</b>    | <b>751</b>    | <b>727</b>    | <b>705</b>    | <b>683</b>    | <b>662</b>    | <b>642</b>    | <b>622</b>    | <b>603</b>    | <b>584</b>    |
| <b>Alaska Permanent Fund beginning balance</b>                | <b>14,139</b> | <b>15,812</b> | <b>16,003</b> | <b>16,226</b> | <b>16,455</b> | <b>16,680</b> | <b>16,899</b> | <b>17,109</b> | <b>17,311</b> | <b>17,506</b> | <b>17,694</b> | <b>17,870</b> | <b>18,038</b> | <b>18,206</b> | <b>18,365</b> |
| Dedicated state revenues - DOR Spring mid-case                | 217           | 220           | 230           | 236           | 232           | 226           | 217           | 208           | 201           | 193           | 182           | 173           | 174           | 164           | 154           |
| FY end principal balance before inflation-proofing & deposits | 14,356        | 16,033        | 16,233        | 16,462        | 16,687        | 16,906        | 17,116        | 17,318        | 17,512        | 17,700        | 17,876        | 18,043        | 18,212        | 18,370        | 18,520        |
| Deposits to Principal from CBR                                | 1,000         | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Deposits to Principal PFER                                    | 500           | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Inflation-Proofing                                            | 429           | 479           | 509           | 516           | 523           | 530           | 537           | 544           | 550           | 557           | 563           | 568           | 574           | 579           | 584           |
| FY ending balance Inflation Proofed                           | 16,285        | 16,512        | 16,742        | 16,978        | 17,210        | 17,436        | 17,653        | 17,862        | 18,063        | 18,256        | 18,439        | 18,611        | 18,785        | 18,949        | 19,104        |
| Escrow Accounts and Settlements                               | 142           | 148           | 155           | 163           | 170           | 178           | 186           | 195           | 204           | 213           | 223           | 234           | 245           | 256           | 268           |
| Net income (Calculated)                                       | 1,190         | 1,351         | 1,365         | 1,381         | 1,398         | 1,414         | 1,430         | 1,445         | 1,460         | 1,474         | 1,488         | 1,501         | 1,514         | 1,526         | 1,538         |
| Real Return                                                   | 761           | 871           | 856           | 865           | 875           | 884           | 893           | 901           | 910           | 918           | 925           | 933           | 940           | 947           | 954           |
| Permanent Fund Dividends                                      | 582           | 558           | 518           | 479           | 464           | 405           | 416           | 419           | 423           | 427           | 431           | 435           | 439           | 443           | 446           |
| Income transferred to (from) General Fund                     | -40           | 340           | 371           | 428           | 450           | 529           | 537           | 550           | 556           | 559           | 561           | 562           | 501           | 504           | 507           |
| <b>Alaska Permanent Fund ending balance</b>                   | <b>16,285</b> | <b>16,512</b> | <b>16,742</b> | <b>16,978</b> | <b>17,210</b> | <b>17,436</b> | <b>17,653</b> | <b>17,862</b> | <b>18,063</b> | <b>18,256</b> | <b>18,439</b> | <b>18,611</b> | <b>18,785</b> | <b>18,949</b> | <b>19,104</b> |



| Fiscal Year                                                       | 96           | 97           | 98           | 99           | 0            | 1            | 2            | 3            | 4            | 5            | 6            | 7            | 8            | 9            | 10           |
|-------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| INFLATION MID CASE DOR PROJECTION                                 | 1.0299       | 1.0299       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       |
| CONVERT NOMINAL TO FY 96 \$                                       | 1.0000       | 1.0299       | 1.0626508    | 1.0964431    | 1.13131      | 1.1672857    | 1.2044053    | 1.2427054    | 1.2822235    | 1.3229982    | 1.3650695    | 1.4084787    | 1.4532684    | 1.4994823    | 1.5471658    |
|                                                                   | <u>FY 96</u> | <u>FY 97</u> | <u>FY 98</u> | <u>FY 99</u> | <u>FY 00</u> | <u>FY 01</u> | <u>FY 02</u> | <u>FY 03</u> | <u>FY 04</u> | <u>FY 05</u> | <u>FY 06</u> | <u>FY 07</u> | <u>FY 08</u> | <u>FY 09</u> | <u>FY 10</u> |
| PER CAPITA DIVIDENDS (REAL \$)                                    |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| POPULATION OF APPLICANTS (THOUSANDS)                              | 525          | 533          | 542          | 551          | 559          | 568          | 577          | 587          | 596          | 606          | 615          | 625          | 635          | 645          | 656          |
| ADMIN COST                                                        | 31           | 31           | 31           | 31           | 31           | 31           | 31           | 31           | 31           | 31           | 31           | 31           | 31           | 31           | 30           |
| STATUS QUO PROJECTION                                             |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| DISTRIBUTION AMOUNT (MILLIONS)                                    | 565          | 590          | 587          | 605          | 637          | 657          | 677          | 694          | 712          | 729          | 746          | 763          | 780          | 796          | 812          |
| PER CAPITA PROJECTION                                             | \$1,017      | \$1,049      | \$1,026      | \$1,042      | \$1,084      | \$1,102      | \$1,119      | \$1,132      | \$1,142      | \$1,153      | \$1,163      | \$1,172      | \$1,179      | \$1,186      | \$1,193      |
| COMPOSITE SCENARIO PROJECTION                                     |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| DISTRIBUTION AMOUNT (MILLIONS)                                    | 565          | 558          | 518          | 479          | 464          | 405          | 416          | 419          | 423          | 427          | 431          | 435          | 439          | 443          | 446          |
| PER CAPITA PROJECTION                                             | \$1,017      | \$988        | \$898        | \$813        | \$774        | \$659        | \$668        | \$661        | \$657        | \$654        | \$651        | \$647        | \$643        | \$639        | \$634        |
| ANNUAL DOLLAR CUT IN PER CAPITA DIVIDEND FROM STATUS QUO<br>% CUT | 0            | \$60         | \$128        | \$229        | \$310        | \$443        | \$451        | \$470        | \$485        | \$499        | \$512        | \$525        | \$536        | \$548        | \$558        |
| PER CAPITA SPENDING (REAL \$)                                     |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| POPULATION                                                        | 615.9        | 625.8        | 635.8        | 645.9        | 656.3        | 666.8        | 677.4        | 688.3        | 699.3        | 710.5        | 721.9        | 733.4        | 745.1        | 757.1        | 769.2        |
| PER CAPITA GF SPENDING                                            | \$4,020      | \$3,780      | \$3,561      | \$3,355      | \$3,328      | \$3,302      | \$3,276      | \$3,250      | \$3,224      | \$3,199      | \$3,173      | \$3,148      | \$3,123      | \$3,098      | \$3,074      |
| PER CAPITA GF + PFDS                                              | \$4,938      | \$4,672      | \$4,376      | \$4,096      | \$4,035      | \$3,910      | \$3,891      | \$3,858      | \$3,829      | \$3,800      | \$3,771      | \$3,742      | \$3,712      | \$3,683      | \$3,654      |

# ENDOWMENT SCENARIO PROJECTION — SEPTEMBER 28

## PERMANENT FUND EARNINGS AT 7.94% (AVG)

(Nominal Dollars)

|                                                                   | FY 98        | FY 97        | FY 96        | FY 95        | FY 94        | FY 93        | FY 92        | FY 91        | FY 90        | FY 89        | FY 88        | FY 87        | FY 86        | FY 85        | FY 84        |
|-------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Endowment payout at 4.0%                                          |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| AVAILABLE REVENUES (\$ Millions):                                 |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Existing General Fund sources                                     | 1,952        | 1,919        | 1,907        | 2,038        | 2,062        | 2,083        | 2,059        | 2,058        | 2,052        | 2,038        | 1,985        | 1,936        | 1,950        | 1,910        | 1,870        |
| Lift ANS Export Ban                                               |              | 20           | 20           | 20           | 20           | 20           | 20           | 20           | 20           | 25           | 100          | 100          | 100          | 100          | 100          |
| New oil production or new oil taxes                               |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Permanent Fund Net Earnings                                       | 1,213        | 1,365        | 759          | 801          | 849          | 897          | 946          | 997          | 1,055        | 1,115        | 1,175        | 1,237        | 1,297        | 1,360        | 1,420        |
| Permanent Fund Endowment Earnings                                 |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Permanent Fund Inflation-Proofing                                 | -429         | -479         |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Transfer to Permanent Fund Earnings Reserve                       | -219         | -312         |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Highway Motor Fuel Tax @ \$ 21¢/gal., indexed                     |              | 39           | 41           | 43           | 45           | 47           | 50           | 52           | 55           | 57           | 60           | 63           | 66           | 69           | 73           |
| Marine Motor Fuel Tax (\$ 0.08/gal., per HB 122, indexed)         |              | 5            | 5            | 5            | 6            | 6            | 6            | 7            | 7            | 7            | 8            | 8            | 8            | 9            | 9            |
| Tobacco Tax (\$1/pkg cigs; 75%/chewing; +25% triennially)         |              | 43           | 44           | 44           | 56           | 57           | 58           | 71           | 72           | 73           | 87           | 88           | 102          | 104          | 106          |
| Motor vehicle license fees (double)                               |              | 29           | 29           | 30           | 30           | 30           | 31           | 31           | 32           | 32           | 33           | 33           | 34           | 35           | 35           |
| User fee increases                                                |              | 3            | 6            | 9            | 12           | 15           | 15           | 15           | 15           | 15           | 15           | 15           | 15           | 15           | 15           |
| Alcohol taxes (increase similar to HB 96 + index)                 |              |              | 20           | 21           | 21           | 21           | 22           | 22           | 22           | 23           | 23           | 23           | 24           | 24           | 24           |
| Income tax @ \$200 M 1995, adjusted for population growth         |              |              |              |              |              |              | 69           | 277          | 290          | 304          | 319          | 334          | 350          | 367          | 384          |
| <b>TOTAL REVENUES</b>                                             | <b>2,517</b> | <b>2,603</b> | <b>2,921</b> | <b>3,011</b> | <b>3,101</b> | <b>3,177</b> | <b>3,276</b> | <b>3,550</b> | <b>3,620</b> | <b>3,710</b> | <b>3,825</b> | <b>3,858</b> | <b>3,967</b> | <b>4,012</b> | <b>4,056</b> |
| Note: Cumulative Spending Cuts total                              |              | 50           | 100          | 130          | 160          |              |              |              |              |              |              |              |              |              |              |
| EXPENDITURES (\$ Millions):                                       |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Total GF spending on current programs                             | 2,476        | 2,426        | 2,376        | 2,346        | 2,316        | 2,409        | 2,505        | 2,605        | 2,710        | 2,818        | 2,931        | 3,048        | 3,170        | 3,297        | 3,428        |
| Increased maintenance & deferred maintenance spending             |              | 15           | 30           | 45           | 60           | 62           | 64           | 66           | 68           | 70           | 72           | 75           | 77           | 80           | 82           |
| Transfer of Federal programs to Alaska                            |              | 25           | 50           | 50           | 50           | 50           | 52           | 53           | 55           | 57           | 58           | 60           | 62           | 64           | 66           |
| Permanent Fund Dividends (1/2 PF real earnings, min. \$1000/capi) | 565          | 574          | 583          | 593          | 602          | 612          | 621          | 631          | 642          | 652          | 662          | 673          | 684          | 694          | 710          |
| <b>TOTAL EXPENDITURES</b>                                         | <b>3,041</b> | <b>3,040</b> | <b>3,039</b> | <b>3,034</b> | <b>3,028</b> | <b>3,132</b> | <b>3,242</b> | <b>3,356</b> | <b>3,474</b> | <b>3,596</b> | <b>3,724</b> | <b>3,856</b> | <b>3,963</b> | <b>4,135</b> | <b>4,287</b> |
| <b>PROJECTED ANNUAL FISCAL GAP</b>                                | <b>-524</b>  | <b>-437</b>  | <b>-118</b>  | <b>-23</b>   | <b>72</b>    | <b>45</b>    | <b>34</b>    | <b>194</b>   | <b>146</b>   | <b>113</b>   | <b>101</b>   | <b>2</b>     | <b>-25</b>   | <b>-122</b>  | <b>-230</b>  |
| Draw from (deposit into) Constitutional Budget Reserve            | 524          | 437          |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Draw from (deposit into) Permanent Fund Earnings Reserve          |              |              | 118          | 23           | -72          | -45          | -34          | -194         | -146         | -113         | -101         | -2           | 25           | 122          | 230          |
| Constitutional Budget Reserve beginning balance                   | 2,008        | 1,107        | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Interest                                                          | 125          | 69           | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Settlements                                                       | 500          | 500          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Drawn for GF spending (drawn from GF surplus)                     | 524          | 437          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| CBR Transfer to Permanent Fund Principal                          | 1,000        | 1,236        | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Constitutional Budget Reserve ending balance                      | 1,107        | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| PF Earnings Reserve beginning balance                             | 703          | 922          | 1,234        | 1,266        | 1,394        | 1,466        | 1,511        | 1,545        | 1,738        | 1,885        | 1,985        | 1,936        | 1,938        | 1,910        | 1,788        |
| Net from PF Earnings not used for GF                              | 219          | 312          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Settlements                                                       |              | 150          | 150          | 150          | 150          | 150          | 150          | 150          | 150          | 150          | 150          | 150          | 150          | 150          | 150          |
| Drawn for GF spending (drawn from GF surplus)                     |              | -118         | -23          | 72           | 45           | 34           | 194          | 146          | 113          | 101          | 2            | -25          | -122         | -230         |              |
| PF Earnings reserve transfer to PF Principal                      |              | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| PF Earnings Reserve ending balance                                | 922          | 1,234        | 1,266        | 1,394        | 1,466        | 1,511        | 1,545        | 1,738        | 1,885        | 1,985        | 1,936        | 1,938        | 1,910        | 1,788        | 1,558        |
| Alaska Permanent Fund beginning balance                           | 14,139       | 15,785       | 17,730       | 18,750       | 19,828       | 20,959       | 22,140       | 23,369       | 24,646       | 25,983       | 27,390       | 28,991       | 30,497       | 32,078       | 33,714       |
| Dedicated state revenues - DOR Spring mid-case                    | 217          | 227          | 244          | 259          | 263          | 264          | 261          | 259          | 258          | 256          | 249          | 243          | 253          | 246          | 239          |
| FY end principal balance before inflation-proofing & deposits     | 14,356       | 16,012       | 17,974       | 19,009       | 20,091       | 21,223       | 22,401       | 23,628       | 24,904       | 26,239       | 27,639       | 29,234       | 30,750       | 32,324       | 33,953       |
| Deposits to Principal from CBR                                    | 1,000        | 1,239        | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Deposits to Principal from PFER                                   | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 12           | 151          | 0            | 2            | 0            | 0            |
| Inflation-Proofing                                                | 429          | 479          |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Net income after endowment distribution                           |              |              | 776          | 819          | 868          | 917          | 967          | 1,019        | 1,079        | 1,139        | 1,300        | 1,264        | 1,326        | 1,390        | 1,452        |
| FY ending balance Inflation Proofed                               | 15,785       | 17,730       | 18,750       | 19,828       | 20,959       | 22,140       | 23,369       | 24,646       | 25,983       | 27,390       | 28,991       | 30,497       | 32,078       | 33,714       | 35,405       |
| Escrow Accounts and Settlements                                   | 142          | 153          | 165          | 178          | 192          | 208          | 224          | 242          | 261          | 282          | 305          | 329          | 355          | 384          | 414          |
| Net income (Calculated)                                           | 1,191        | 1,365        | 1,534        | 1,620        | 1,717        | 1,814        | 1,913        | 2,015        | 2,134        | 2,254        | 2,375        | 2,501        | 2,623        | 2,749        | 2,872        |
| Permanent Fund Dividends                                          | 582          | 591          | 583          | 593          | 602          | 612          | 621          | 631          | 642          | 652          | 662          | 673          | 684          | 694          | 710          |
| Alaska Permanent Fund ending balance                              | 15,785       | 17,730       | 18,750       | 19,828       | 20,959       | 22,140       | 23,369       | 24,646       | 25,983       | 27,390       | 28,991       | 30,497       | 32,078       | 33,714       | 35,405       |

|                                                          | Fiscal Year  | 96           | 97           | 98           | 99           | 00           | 01           | 02           | 03           | 04           | 05           | 06           | 07           | 08           | 09           | 10        |
|----------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------|
| SB 51 EARNINGS                                           |              | 1,365        | 1,534        | 1,534        | 1,620        | 1,717        | 1,814        | 1,913        | 2,015        | 2,134        | 2,254        | 2,375        | 2,501        | 2,623        | 2,749        | 2,872     |
| MID CASE DOR INFLATION                                   | 1 0299       | 1 0299       | 1 0318       | 1 0318       | 1 0318       | 1 0318       | 1 0318       | 1 0318       | 1 0318       | 1 0318       | 1 0318       | 1 0318       | 1 0318       | 1 0318       | 1 0318       | 1 0318    |
| PER CAPITA CALCULATION                                   |              | 1 0483784    | 1 0483088    | 1 0483088    | 1 0483088    | 1 0483088    | 1 0483088    | 1 0483088    | 1 0483088    | 1 0483088    | 1 0483088    | 1 0483088    | 1 0483088    | 1 0483088    | 1 0483088    | 1 0483088 |
| AVERAGE POPULATION GROWTH - DOL                          | 1 016        | 1 016        | 1 016        | 1 016        | 1 016        | 1 016        | 1 016        | 1 016        | 1 016        | 1 016        | 1 016        | 1 016        | 1 016        | 1 016        | 1 016        | 1 016     |
| INFLATION*1/2 POPULATION                                 | 1 038        | 1 038        | 1 040        | 1 040        | 1 040        | 1 040        | 1 040        | 1 040        | 1 040        | 1 040        | 1 040        | 1 040        | 1 040        | 1 040        | 1 040        | 1 040     |
|                                                          | <u>FY 96</u> | <u>FY 97</u> | <u>FY 98</u> | <u>FY 99</u> | <u>FY 00</u> | <u>FY 01</u> | <u>FY 02</u> | <u>FY 03</u> | <u>FY 04</u> | <u>FY 05</u> | <u>FY 06</u> | <u>FY 07</u> | <u>FY 08</u> | <u>FY 09</u> | <u>FY 10</u> |           |
| PER CAPITA DIVIDENDS (NOMINAL \$)                        |              | 525          | 533          | 542          | 551          | 559          | 568          | 577          | 587          | 596          | 606          | 615          | 625          | 635          | 645          | 656       |
| POPULATION OF APPLICANTS (THOUSANDS)                     |              | 31           | 32           | 33           | 34           | 35           | 36           | 37           | 38           | 40           | 41           | 42           | 43           | 45           | 46           | 47        |
| ADMIN COST                                               |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |           |
| STATUS QUO PROJECTION                                    |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |           |
| DISTRIBUTION AMOUNT (MILLIONS)                           | 585          | 608          | 624          | 663          | 721          | 767          | 815          | 863          | 913          | 965          | 1019         | 1075         | 1133         | 1194         | 1257         |           |
| PER CAPITA PROJECTION                                    | \$1,017      | \$1,080      | \$1,091      | \$1,142      | \$1,226      | \$1,288      | \$1,347      | \$1,406      | \$1,465      | \$1,528      | \$1,588      | \$1,651      | \$1,713      | \$1,779      | \$1,848      |           |
| ENDOWMENT SCENARIO PROJECTION                            |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |           |
| DISTRIBUTION AMOUNT (MILLIONS)                           | 585          | 574          | 583          | 593          | 602          | 612          | 621          | 631          | 642          | 652          | 662          | 673          | 684          | 694          | 710          |           |
| PER CAPITA PROJECTION                                    | \$1,017      | \$1,016      | \$1,015      | \$1,014      | \$1,014      | \$1,013      | \$1,012      | \$1,011      | \$1,009      | \$1,008      | \$1,008      | \$1,007      | \$1,005      | \$1,005      | \$1,011      |           |
| ANNUAL DOLLAR CUT IN PER CAPITA DIVIDEND FROM STATUS QUO | \$0          | \$44         | \$75         | \$128        | \$213        | \$273        | \$335        | \$396        | \$455        | \$517        | \$580        | \$643        | \$708        | \$774        | \$834        |           |
| % CUT                                                    | 0%           | 6%           | 7%           | 11%          | 17%          | 21%          | 25%          | 28%          | 31%          | 34%          | 37%          | 39%          | 41%          | 44%          | 45%          |           |
| PER CAPITA SPENDING (NOMINAL \$)                         |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |           |
| POPULATION                                               | 615.9        | 625.8        | 635.8        | 645.9        | 656.3        | 666.8        | 677.4        | 688.3        | 699.3        | 710.5        | 721.9        | 733.4        | 745.1        | 757.1        | 769.2        |           |
| PER CAPITA GF SPENDING                                   | \$4,920      | \$3,941      | \$3,863      | \$3,779      | \$3,697      | \$3,780      | \$3,868      | \$3,958      | \$4,050      | \$4,145      | \$4,241      | \$4,340      | \$4,441      | \$4,544      | \$4,650      |           |
| PER CAPITA GF + PFDS                                     | \$4,938      | \$4,858      | \$4,781      | \$4,697      | \$4,614      | \$4,698      | \$4,786      | \$4,876      | \$4,968      | \$5,062      | \$5,159      | \$5,257      | \$5,358      | \$5,462      | \$5,573      |           |

#### REAL RATE OF RETURN AVERAGE

|          | Nominal R | Inflation | Real  |
|----------|-----------|-----------|-------|
| FY 96-97 | 7.78%     | 2.99%     | 4.79% |
| FY 98-10 | 7.97%     | 3.18%     | 4.79% |



# ENDOWMENT SCENARIO PROJECTION — SEPTEMBER 28

## PERMANENT FUND EARNINGS AT 4.75% (real)

(FY 96 Dollars)

### Endowment payout at

|                                                               | FY 95         | 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         |
|---------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>4.0%</b>                                                   |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |
| <b>AVAILABLE REVENUES (\$ Millions):</b>                      |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |
| Existing General Fund sources                                 | 1,952         | 1,863         | 1,880         | 1,859         | 1,822         | 1,784         | 1,709         | 1,656         | 1,600         | 1,540         | 1,454         | 1,374         | 1,342         | 1,274         | 1,209         |
| Lift ANS Export Ban                                           |               | 19            | 19            | 18            | 18            | 17            | 17            | 16            | 16            | 15            | 15            | 14            | 14            | 13            | 13            |
| New oil production or new oil taxes                           |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |
| Permanent Fund Net Earnings                                   | 1,213         | 1,326         | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Permanent Fund Endowment Earnings                             | 0             | 0             | 714           | 730           | 750           | 768           | 785           | 802           | 823           | 843           | 861           | 878           | 893           | 907           | 918           |
| Permanent Fund Inflation-Proofing                             | -429          | -465          | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Transfer to Permanent Fund Earnings Reserve                   | -219          | -303          | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Highway Motor Fuel Tax @ \$219/gal., indexed                  |               | 38            | 39            | 39            | 40            | 41            | 41            | 42            | 43            | 43            | 44            | 45            | 45            | 46            | 47            |
| Marine Motor Fuel Tax (\$08/gal., per HB 122, indexed)        |               | 5             | 5             | 5             | 5             | 5             | 5             | 5             | 5             | 6             | 6             | 6             | 6             | 6             | 6             |
| Tobacco Tax (\$1/pkg cigs; 75%/chewing; +25% triennially)     |               | 42            | 41            | 42            | 51            | 51            | 50            | 50            | 58            | 57            | 68            | 65            | 73            | 72            | 70            |
| Motor vehicle license fees (double)                           |               |               | 28            | 28            | 27            | 27            | 26            | 26            | 26            | 25            | 25            | 25            | 24            | 24            | 23            |
| User fee increases                                            |               | 3             | 6             | 8             | 11            | 13            | 12            | 12            | 12            | 11            | 11            | 11            | 10            | 10            | 10            |
| Alcohol taxes (increase similar to HB 96 + index)             |               |               | 19            | 19            | 18            | 18            | 18            | 18            | 17            | 17            | 17            | 17            | 16            | 16            | 16            |
| Income tax                                                    |               |               |               |               |               | 0             | 58            | 223           | 227           | 230           | 234           | 237           | 241           | 245           | 248           |
| <b>TOTAL REVENUES</b>                                         | <b>2,517</b>  | <b>2,527</b>  | <b>2,750</b>  | <b>2,748</b>  | <b>2,743</b>  | <b>2,724</b>  | <b>2,722</b>  | <b>2,859</b>  | <b>2,826</b>  | <b>2,806</b>  | <b>2,805</b>  | <b>2,742</b>  | <b>2,733</b>  | <b>2,679</b>  | <b>2,625</b>  |
| Note: PF earnings used for GF programs                        | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Note: Cumulative Spending Cuts total                          |               | 40            | 94            | 119           | 141           | 0             | 0             |               |               |               |               |               |               |               |               |
| <b>EXPENDITURES (\$ Millions):</b>                            |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |
| Total GF spending on current programs                         | 2,476         | 2,356         | 2,236         | 2,140         | 2,047         | 2,064         | 2,080         | 2,096         | 2,113         | 2,130         | 2,147         | 2,164         | 2,181         | 2,198         | 2,216         |
| Increased maintenance & deferred maintenance spending         | 0             | 15            | 28            | 41            | 53            | 53            | 53            | 53            | 53            | 53            | 53            | 53            | 53            | 53            | 53            |
| Transfer of Federal programs to Alaska                        | 0             | 24            | 47            | 46            | 44            | 43            | 43            | 43            | 43            | 43            | 43            | 43            | 43            | 43            | 43            |
| Permanent Fund Dividends                                      | 565           | 557           | 549           | 540           | 532           | 524           | 516           | 508           | 500           | 493           | 485           | 478           | 470           | 463           | 459           |
| <b>TOTAL EXPENDITURES</b>                                     | <b>3,041</b>  | <b>2,982</b>  | <b>2,860</b>  | <b>2,767</b>  | <b>2,677</b>  | <b>2,683</b>  | <b>2,692</b>  | <b>2,700</b>  | <b>2,709</b>  | <b>2,718</b>  | <b>2,728</b>  | <b>2,737</b>  | <b>2,747</b>  | <b>2,757</b>  | <b>2,771</b>  |
| <b>PROJECTED ANNUAL FISCAL GAP</b>                            | <b>-524</b>   | <b>-424</b>   | <b>-110</b>   | <b>-19</b>    | <b>67</b>     | <b>41</b>     | <b>30</b>     | <b>159</b>    | <b>117</b>    | <b>88</b>     | <b>77</b>     | <b>4</b>      | <b>-14</b>    | <b>-79</b>    | <b>-148</b>   |
| Draw from (deposit into) Constitutional Budget Reserve        | 524           | 424           | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Draw from (deposit into) Permanent Fund Earnings Reserve      | 0             | 0             | 111           | 21            | -64           | -38           | -28           | -156          | -114          | -85           | -74           | -1            | 17            | 82            | 149           |
| Constitutional Budget Reserve beginning balance               | 2,008         | 1078          | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Interest                                                      | 125           | 87            | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Settlements                                                   | 500           | 485           | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Drawn for GF spending                                         | 524           | 424           | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| CBR Transfer to Permanent Fund Principal                      | 1000          | 1203          | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Constitutional Budget Reserve ending balance                  | 1,107         | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| PF Earnings Reserve beginning balance                         | 703           | 895           | 1,162         | 1,188         | 1,232         | 1,256         | 1,254         | 1,243         | 1,356         | 1,425         | 1,454         | 1,374         | 1,333         | 1,274         | 1,156         |
| Net from PF Earnings not used for GF                          | 219           | 303           | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Settlements                                                   | 0             | 0             | 141           | 137           | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Drawn for GF spending (drawn from GF surplus)                 | 0             | 0             | -111          | -21           | 64            | 38            | 28            | 156           | 114           | 85            | 74            | 1             | -17           | -82           | -149          |
| PF Earnings reserve transfer to PF Principal                  | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 9             | 110           | 0             | 1             | 0             | 0             |
| <b>PF Earnings Reserve ending balance</b>                     | <b>922</b>    | <b>1,199</b>  | <b>1,192</b>  | <b>1,271</b>  | <b>1,296</b>  | <b>1,294</b>  | <b>1,282</b>  | <b>1,399</b>  | <b>1,470</b>  | <b>1,501</b>  | <b>1,418</b>  | <b>1,378</b>  | <b>1,314</b>  | <b>1,192</b>  | <b>1,007</b>  |
| Alaska Permanent Fund beginning balance                       | 14,139        | 16,327        | 16,685        | 17,100        | 17,526        | 17,955        | 18,383        | 18,805        | 19,222        | 19,639        | 20,065        | 20,583        | 20,985        | 21,393        | 21,791        |
| Dedicated state revenues - DOR Spring mid-case                | 217           | 220           | 230           | 236           | 232           | 226           | 217           | 208           | 201           | 193           | 182           | 173           | 174           | 164           | 154           |
| FY end principal balance before inflation-proofing & deposits | 14,356        | 15,547        | 16,914        | 17,337        | 17,759        | 18,182        | 18,600        | 19,013        | 19,423        | 19,833        | 20,248        | 20,755        | 21,159        | 21,557        | 21,945        |
| Deposits to Principal from CBR                                | 1,000         | 1,203         | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Deposits to Principal PFER                                    | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 9             | 110           | 0             | 1             | 0             | 0             |
| Inflation-Proofing                                            | 429           | 465           | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Net income after endowment distribution                       |               |               | 730           | 747           | 768           | 786           | 803           | 820           | 841           | 861           | 879           | 897           | 912           | 927           | 938           |
| FY ending balance Inflation Proofed                           | 15,785        | 17,215        | 17,644        | 18,084        | 18,526        | 18,967        | 19,403        | 19,833        | 20,264        | 20,703        | 21,237        | 21,653        | 22,073        | 22,484        | 22,884        |
| Escrow Accounts and Settlements                               | 142           | 148           | 155           | 163           | 170           | 178           | 186           | 195           | 204           | 213           | 223           | 234           | 245           | 256           | 268           |
| Net income (Calculated)                                       | 1,191         | 1,326         | 1,444         | 1,477         | 1,518         | 1,554         | 1,589         | 1,622         | 1,664         | 1,704         | 1,740         | 1,775         | 1,805         | 1,833         | 1,856         |
| Permanent Fund Dividends                                      | 582           | 574           | 549           | 540           | 532           | 524           | 516           | 508           | 500           | 493           | 485           | 478           | 470           | 463           | 459           |
| <b>Alaska Permanent Fund ending balance</b>                   | <b>15,785</b> | <b>17,215</b> | <b>17,644</b> | <b>18,084</b> | <b>18,526</b> | <b>18,967</b> | <b>19,403</b> | <b>19,833</b> | <b>20,264</b> | <b>20,703</b> | <b>21,237</b> | <b>21,653</b> | <b>22,073</b> | <b>22,484</b> | <b>22,884</b> |

| Fiscal Year                                              | 96           | 97           | 98           | 99           | 0            | 1            | 2            | 3            | 4            | 5            | 6            | 7            | 8            | 9            | 10           |
|----------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| INFLATION MID CASE DOR PROJECTION                        | 1.0269       | 1.0269       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       | 1.0318       |
| CONVERT NOMINAL TO FY 96 \$                              | 1.0000       | 1.0209       | 1.062651     | 1.096443     | 1.13131      | 1.167286     | 1.204405     | 1.242705     | 1.282223     | 1.322998     | 1.36507      | 1.408479     | 1.453268     | 1.499482     | 1.547166     |
|                                                          | <u>FY 96</u> | <u>FY 97</u> | <u>FY 98</u> | <u>FY 99</u> | <u>FY 00</u> | <u>FY 01</u> | <u>FY 02</u> | <u>FY 03</u> | <u>FY 04</u> | <u>FY 05</u> | <u>FY 06</u> | <u>FY 07</u> | <u>FY 08</u> | <u>FY 09</u> | <u>FY 10</u> |
| PER CAPITA DIVIDENDS (REAL \$)                           | 525          | 533          | 542          | 551          | 559          | 568          | 577          | 587          | 596          | 606          | 615          | 625          | 635          | 645          | 656          |
| POPULATION OF APPLICANTS (THOUSANDS)                     | 31           | 31           | 31           | 31           | 31           | 31           | 31           | 31           | 31           | 31           | 31           | 31           | 31           | 31           | 30           |
| ADMIN COST                                               |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| STATUS QUO PROJECTION                                    |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| DISTRIBUTION AMOUNT (MILLIONS)                           | 565          | 590          | 587          | 605          | 637          | 657          | 677          | 694          | 712          | 729          | 746          | 763          | 780          | 796          | 812          |
| PER CAPITA PROJECTION                                    | \$1,017      | \$1,049      | \$1,026      | \$1,042      | \$1,084      | \$1,102      | \$1,119      | \$1,132      | \$1,142      | \$1,153      | \$1,163      | \$1,172      | \$1,179      | \$1,186      | \$1,193      |
| ENDOWMENT SCENARIO PROJECTION                            |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| DISTRIBUTION AMOUNT (MILLIONS)                           | 565          | 557          | 549          | 540          | 532          | 524          | 516          | 508          | 500          | 493          | 485          | 478          | 470          | 463          | 456          |
| PER CAPITA PROJECTION                                    | \$1,017      | \$987        | \$965        | \$925        | \$896        | \$868        | \$840        | \$814        | \$787        | \$762        | \$738        | \$715        | \$692        | \$670        | \$654        |
| ANNUAL DOLLAR CUT IN PER CAPITA DIVIDEND FROM STATUS QUO | 0            | \$62         | \$71         | \$117        | \$168        | \$234        | \$278        | \$318        | \$355        | \$391        | \$425        | \$457        | \$487        | \$516        | \$539        |
| % CUT                                                    |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| PER CAPITA SPENDING (REAL \$)                            |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| POPULATION                                               | 615.9        | 625.8        | 635.8        | 645.9        | 656.3        | 666.8        | 677.4        | 688.3        | 699.3        | 710.5        | 721.9        | 733.4        | 745.1        | 757.1        | 769.2        |
| PER CAPITA GF SPENDING                                   | \$4,020      | \$3,827      | \$3,635      | \$3,447      | \$3,268      | \$3,239      | \$3,212      | \$3,185      | \$3,159      | \$3,133      | \$3,107      | \$3,081      | \$3,056      | \$3,031      | \$3,006      |
| PER CAPITA GF + PFDS                                     | \$4,938      | \$4,717      | \$4,499      | \$4,283      | \$4,079      | \$4,024      | \$3,973      | \$3,923      | \$3,874      | \$3,826      | \$3,779      | \$3,733      | \$3,687      | \$3,642      | \$3,602      |

# COMPOSITE SCENARIO PROJECTION 4

PERMANENT FUND EARNINGS AT 7.94% (AVG)

(Nominal Dollars)

|                                                  | FY 95         | 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        |
|--------------------------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| AVAILABLE REVENUES (\$ Millions):                |               |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| EXISTING GENERAL FUND SOURCES                    | 1,952         | 1,919        | 1,997        | 2,038        | 2,062        | 2,083        | 2,059        | 2,058        | 2,052        | 2,038        | 1,985        | 1,936        | 1,950        | 1,910        | 1,870        |
| LIFT ANS EXPORT BAN                              |               | 20           | 20           | 20           | 20           | 20           | 20           | 20           | 20           | 20           | 20           | 20           | 20           | 20           | 20           |
| PERMANENT FUND NET EARNINGS                      | 1,213         | 1,206        | 1,270        | 1,351        | 1,300        | 1,573        | 1,687        | 1,793        | 1,873        | 1,410        | 1,659        | 1,756        | 1,844        | 1,932        | 1,999        |
| PF EARNINGS TO GF                                |               | 100          | 150          | 162          | 225          | 255          | 274          | 295          | 345          | 737          | 768          | 800          | 833          | 867          | 902          |
| HIGHWAY MOTOR FUEL TAX @ \$.219/GAL INDEXED)     |               | 20           | 41           | 43           | 45           | 47           | 50           | 52           | 55           | 57           | 60           | 63           | 66           | 69           | 73           |
| MARINE MOTOR FUEL (\$.08/GAL PER HB 122 INDEXED) |               | 5            | 5            | 5            | 6            | 6            | 6            | 7            | 7            | 7            | 8            | 8            | 8            | 9            | 9            |
| TOBACCO (\$1/PKG CIGS; 75%/CHEW; INDEXED)        |               | 43           | 45           | 47           | 50           | 52           | 54           | 57           | 60           | 63           | 66           | 69           | 72           | 76           | 79           |
| MOTOR VEHICLE LICENSE FEES (DOUBLE)              |               |              | 29           | 29           | 30           | 30           | 31           | 31           | 32           | 32           | 33           | 33           | 34           | 35           | 35           |
| USER FEE INCREASE ASSUMPTION                     |               | 3            | 6            | 9            | 12           | 15           | 15           | 15           | 15           | 15           | 15           | 15           | 15           | 15           | 15           |
| ALCOHOL TAXES (INCREASE PER HB 96)               |               |              | 10           | 21           | 22           | 23           | 24           | 26           | 27           | 28           | 29           | 31           | 32           | 34           | 36           |
| INCOME/SALES TAX                                 |               |              |              |              |              | 38           | 140          | 220          | 280          | 300          | 320          | 360          | 400          | 450          | 500          |
| <b>TOTAL REVENUES</b>                            | <b>3,165</b>  | <b>3,315</b> | <b>3,574</b> | <b>3,727</b> | <b>3,771</b> | <b>4,143</b> | <b>4,360</b> | <b>4,574</b> | <b>4,765</b> | <b>4,738</b> | <b>4,963</b> | <b>5,091</b> | <b>5,275</b> | <b>5,417</b> | <b>5,538</b> |
| EXPENDITURES (\$ Millions):                      |               |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| TOTAL GF SPENDING                                | 2,476         | 2,436        | 2,406        | 2,376        | 2,471        | 2,570        | 2,673        | 2,780        | 2,892        | 3,007        | 3,128        | 3,253        | 3,384        | 3,519        | 3,660        |
| PF INFLATION PROOFING                            | 429           | 464          | 516          | 540          | 566          | 674          | 708          | 742          | 776          | 812          | 911          | 956          | 1,000        | 1,044        | 898          |
| DIVIDENDS                                        | 565           | 527          | 491          | 479          | 466          | 507          | 550          | 597          | 646          | 689          | 727          | 763          | 798          | 831          | 898          |
| TRANSFER TO EARNINGS RESERVE                     | 219           | 215          | 263          | 332          | 268          | 392          | 429          | 455          | 451          | -61          | 21           | 36           | 45           | 57           | 204          |
| <b>TOTAL EXPENDITURES</b>                        | <b>3,689</b>  | <b>3,642</b> | <b>3,676</b> | <b>3,727</b> | <b>3,771</b> | <b>4,143</b> | <b>4,360</b> | <b>4,574</b> | <b>4,765</b> | <b>4,448</b> | <b>4,787</b> | <b>5,009</b> | <b>5,227</b> | <b>5,451</b> | <b>5,659</b> |
| <b>PROJECTED ANNUAL FISCAL GAP</b>               | <b>-524</b>   | <b>-327</b>  | <b>-102</b>  | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>290</b>   | <b>176</b>   | <b>82</b>    | <b>48</b>    | <b>-34</b>   | <b>-121</b>  |
| CONSTITUTIONAL BUDGET RESERVE                    |               |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| BALANCE                                          | 2,107         | 2,409        | 2,598        | 2,904        | 1,500        | 1,500        | 1,500        | 1,500        | 1,500        | 1,500        | 1,500        | 1,500        | 1,500        | 1,500        | 1,445        |
| CBR DEPOSIT TO PF PRINCIPAL <i>\$500.0</i>       | 0             | 0            | 0            | 0            | 1,576        | 137          | 94           | 94           | 94           | 384          | 270          | 175          | 142          | 59           | -28          |
| PF EARNINGS RESERVE BALANCE <i>CHECK THIS</i>    | 905           | 1,120        | 1,383        | 1,715        | 1,000        | 1,392        | 1,820        | 2,275        | 2,726        | 1,000        | 1,021        | 1,057        | 1,103        | 1,160        | 1,363        |
| ERA DEPOSIT TO PF PRINCIPAL                      |               |              |              |              | 982          |              |              |              |              | 1,665        |              |              |              |              | 363          |
| PERMANENT FUND PRINCIPAL                         | <i>15,285</i> | 15,976       | 16,736       | 17,535       | 20,922       | 21,997       | 23,060       | 24,155       | 25,283       | 28,400       | 29,830       | 31,204       | 32,599       | 33,949       | 35,422       |

## Assumptions:

\$40 CUT IN FY 97; \$30 IN FY 98 & 99; thereafter increase @ base case rate = Infl\*1/2 pop. growth.

Phase in various taxes from FY 97 to 01. Income tax phased in over 5 yrs.

Modified SB 51 enacted in FY 97 w/ excess earnings to ERA. PFDS @ 65% of earnings in FY97; 60% in 98; 55% in 99; and 50% in 00 and thereafter.

Deposit excess reserves into principal beginning in FY 00. CBR balances over 1,500 deposited annually; ERA deposits every 5 yrs.

Office of Management and Budget

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|                                                     | <u>FY 96</u> | <u>FY 97</u> | <u>FY 98</u> | <u>FY 99</u> | <u>FY 00</u> | <u>FY 01</u> | <u>FY 02</u> | <u>FY 03</u> | <u>FY 04</u> | <u>FY 05</u> | <u>FY 06</u> | <u>FY 07</u> | <u>FY 08</u> | <u>FY 09</u> | <u>FY 10</u> |
|-----------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| PER CAPITA DIVIDENDS (NOMINAL \$)                   |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| POPULATION OF APPLICANTS (THOUSANDS)                | 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           |
| STATUS QUO PROJECTION                               |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| DISTRIBUTION AMOUNT (MILLIONS)                      | 565          | 608          | 624          | 663          | 721          | 767          | 815          | 863          | 913          | 965          | 1019         | 1075         | 1133         | 1194         | 1257         |
| PER CAPITA PROJECTION                               | \$1,017      | \$1,080      | \$1,091      | \$1,142      | \$1,226      | \$1,286      | \$1,347      | \$1,406      | \$1,465      | \$1,526      | \$1,588      | \$1,651      | \$1,713      | \$1,779      | \$1,846      |
| COMPOSITE SCENARIO PROJECTION                       |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| DISTRIBUTION AMOUNT (MILLIONS)                      | 565          | 527          | 491          | 479          | 466          | 507          | 550          | 597          | 646          | 689          | 727          | 763          | 798          | 831          | 898          |
| PER CAPITA PROJECTION                               | \$1,017      | \$928        | \$846        | \$808        | \$771        | \$829        | \$889        | \$953        | \$1,017      | \$1,070      | \$1,113      | \$1,152      | \$1,185      | \$1,216      | \$1,298      |
| ANNUAL DOLLAR CUT IN PER CAPITA DIVIDEND FROM STATI | \$0          | \$152        | \$245        | \$334        | \$456        | \$457        | \$458        | \$453        | \$448        | \$456        | \$475        | \$499        | \$528        | \$563        | \$548        |
| % CUT                                               | 0%           | 14%          | 22%          | 29%          | 37%          | 36%          | 34%          | 32%          | 31%          | 30%          | 30%          | 30%          | 31%          | 32%          | 30%          |
| PER CAPITA SPENDING (NOMINAL \$)                    |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| POPULATION                                          | 615.9        | 625.8        | 635.8        | 645.9        | 656.3        | 666.8        | 677.4        | 688.3        | 699.3        | 710.5        | 721.9        | 733.4        | 745.1        | 757.1        | 769.2        |
| PER CAPITA GF SPENDING                              | \$4,020      | \$3,893      | \$3,785      | \$3,679      | \$3,766      | \$3,855      | \$3,946      | \$4,039      | \$4,135      | \$4,233      | \$4,333      | \$4,436      | \$4,541      | \$4,648      | \$4,758      |
| PER CAPITA GF + PFDS                                | \$4,938      | \$4,735      | \$4,557      | \$4,420      | \$4,476      | \$4,616      | \$4,759      | \$4,907      | \$5,059      | \$5,203      | \$5,340      | \$5,477      | \$5,612      | \$5,746      | \$5,926      |

# COMPOSITE SCENARIO PROJECTION 4

PERMANENT FUND EARNINGS AT 4.79% (real)

(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         | FY 07         | FY 08         | FY 09         | FY 10         |
|--------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>AVAILABLE REVENUES (\$ Millions):</b>         |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |
| EXISTING GENERAL FUND SOURCES                    | 1,952         | 1,863         | 1,880         | 1,859         | 1,822         | 1,784         | 1,709         | 1,656         | 1,600         | 1,540         | 1,454         | 1,374         | 1,342         | 1,274         | 1,209         |
| LIFT AND EXPORT BAN                              |               | 19            | 19            | 18            | 18            | 17            | 17            | 16            | 16            | 15            | 15            | 14            | 14            | 13            | 13            |
| PERMANENT FUND NET EARNINGS                      | 1,213         | 1,171         | 1,195         | 1,232         | 1,149         | 1,347         | 1,401         | 1,443         | 1,461         | 1,089         | 1,216         | 1,247         | 1,269         | 1,288         | 1,292         |
| PF EARNINGS TO GF                                | 0             | 97            | 141           | 148           | 199           | 218           | 227           | 237           | 269           | 557           | 563           | 568           | 573           | 578           | 583           |
| HIGHWAY MOTOR FUEL TAX @ \$.219/GAL INDEXED)     |               | 19            | 39            | 39            | 40            | 41            | 41            | 42            | 43            | 43            | 44            | 45            | 45            | 46            | 47            |
| MARINE MOTOR FUEL (\$.08/GAL PER HB 122 INDEXED) |               | 5             | 5             | 5             | 5             | 5             | 5             | 5             | 5             | 6             | 6             | 6             | 6             | 6             | 6             |
| TOBACCO (\$1/PKG CIGS; 75%/CHEW INDEXED)         |               | 42            | 42            | 44            | 45            | 46            | 47            | 47            | 48            | 49            | 50            | 50            | 51            | 52            | 53            |
| MOTOR VEHICLE LICENSE FEES (DOUBLE)              |               |               | 28            | 28            | 27            | 27            | 26            | 26            | 26            | 25            | 25            | 25            | 24            | 24            | 23            |
| USER FEE INCREASE ASSUMPTION                     |               | 3             | 6             | 8             | 11            | 13            | 12            | 12            | 12            | 11            | 11            | 11            | 10            | 10            | 10            |
| ALCOHOL TAXES (INCREASE PER HB 96)               |               |               | 10            | 19            | 20            | 20            | 20            | 21            | 21            | 21            | 22            | 22            | 22            | 23            | 23            |
| INCOME/SALES TAX                                 |               |               |               |               |               | 33            | 116           | 177           | 218           | 227           | 234           | 256           | 275           | 300           | 323           |
| <b>TOTAL REVENUES</b>                            | <b>3,165</b>  | <b>3,219</b>  | <b>3,364</b>  | <b>3,401</b>  | <b>3,336</b>  | <b>3,551</b>  | <b>3,623</b>  | <b>3,683</b>  | <b>3,718</b>  | <b>3,583</b>  | <b>3,638</b>  | <b>3,617</b>  | <b>3,632</b>  | <b>3,615</b>  | <b>3,582</b>  |
| <b>EXPENDITURES (\$ Millions):</b>               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |               |
| TOTAL GF SPENDING                                | 2,476         | 2,365         | 2,264         | 2,167         | 2,184         | 2,202         | 2,220         | 2,237         | 2,255         | 2,273         | 2,291         | 2,310         | 2,328         | 2,347         | 2,366         |
| PF INFLATION PROOFING                            | 429           | 450           | 485           | 493           | 500           | 577           | 588           | 597           | 605           | 614           | 667           | 679           | 688           | 697           | 580           |
| DIVIDENDS                                        | 565           | 512           | 462           | 437           | 412           | 435           | 457           | 480           | 504           | 521           | 533           | 542           | 549           | 554           | 580           |
| TRANSFER TO EARNINGS RESERVE                     | 219           | 209           | 247           | 303           | 237           | 336           | 356           | 366           | 351           | -46           | 16            | 26            | 31            | 38            | 132           |
| <b>TOTAL EXPENDITURES</b>                        | <b>3,689</b>  | <b>3,536</b>  | <b>3,459</b>  | <b>3,399</b>  | <b>3,333</b>  | <b>3,549</b>  | <b>3,620</b>  | <b>3,680</b>  | <b>3,716</b>  | <b>3,362</b>  | <b>3,507</b>  | <b>3,556</b>  | <b>3,597</b>  | <b>3,635</b>  | <b>3,658</b>  |
| <b>PROJECTED ANNUAL FISCAL GAP</b>               | <b>-524</b>   | <b>-317</b>   | <b>-95</b>    | <b>2</b>      | <b>2</b>      | <b>2</b>      | <b>2</b>      | <b>3</b>      | <b>2</b>      | <b>221</b>    | <b>131</b>    | <b>60</b>     | <b>35</b>     | <b>-21</b>    | <b>-76</b>    |
| <b>CONSTITUTIONAL BUDGET RESERVE BALANCE</b>     | <b>2,107</b>  | <b>2,339</b>  | <b>2,445</b>  | <b>2,648</b>  | <b>1,348</b>  | <b>1,566</b>  | <b>1,628</b>  | <b>1,681</b>  | <b>1,730</b>  | <b>1,646</b>  | <b>1,778</b>  | <b>1,815</b>  | <b>1,842</b>  | <b>1,867</b>  | <b>1,875</b>  |
| CBR DEPOSIT TO PF PRINCIPAL                      | 0             | 0             | 0             | 0             | 1,393         | 118           | 78            | 76            | 73            | 290           | 198           | 124           | 97            | 40            | -18           |
| PF EARNINGS RESERVE BALANCE                      | 905           | 1,088         | 1,301         | 1,564         | 884           | 1,192         | 1,511         | 1,831         | 2,126         | 756           | 748           | 751           | 759           | 773           | 881           |
| ERA DEPOSIT TO PF PRINCIPAL                      | 0             | 0             | 0             | 0             | 868           | 0             | 0             | 0             | 0             | 1,258         | 0             | 0             | 0             | 0             | 235           |
| <b>PERMANENT FUND PRINCIPAL</b>                  | <b>15,285</b> | <b>15,512</b> | <b>15,749</b> | <b>15,993</b> | <b>18,494</b> | <b>18,845</b> | <b>19,146</b> | <b>19,437</b> | <b>19,718</b> | <b>21,466</b> | <b>21,852</b> | <b>22,155</b> | <b>22,432</b> | <b>22,641</b> | <b>22,894</b> |

*Inf = 3.18%*

|                                                              | 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   |
|--------------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| PER CAPITA DIVIDENDS (REAL \$)                               |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| POPULATION OF APPLICANTS (THOUSANDS)                         | 525     | 533     | 542     | 551     | 559     | 568     | 577     | 587     | 596     | 606     | 615     | 625     | 635     | 645     | 656     |
| ADMIN COST                                                   | 31      | 31      | 31      | 31      | 31      | 31      | 31      | 31      | 31      | 31      | 31      | 31      | 31      | 31      | 30      |
| STATUS QUO PROJECTION                                        |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| DISTRIBUTION AMOUNT (MILLIONS)                               | 565     | 590     | 587     | 605     | 637     | 657     | 677     | 694     | 712     | 729     | 746     | 763     | 780     | 796     | 812     |
| PER CAPITA PROJECTION                                        | \$1,017 | \$1,049 | \$1,026 | \$1,042 | \$1,084 | \$1,102 | \$1,119 | \$1,132 | \$1,142 | \$1,153 | \$1,163 | \$1,172 | \$1,179 | \$1,186 | \$1,193 |
| COMPOSITE SCENARIO PROJECTION                                |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| DISTRIBUTION AMOUNT (MILLIONS)                               | 565     | 512     | 462     | 437     | 412     | 435     | 457     | 480     | 504     | 521     | 533     | 542     | 549     | 554     | 580     |
| PER CAPITA PROJECTION                                        | \$1,017 | \$901   | \$796   | \$737   | \$681   | \$710   | \$738   | \$767   | \$793   | \$809   | \$815   | \$818   | \$816   | \$811   | \$839   |
| ANNUAL DOLLAR CUT IN PER CAPITA DIVIDEND FROM STATL<br>% CUT | 0       | \$148   | \$230   | \$305   | \$403   | \$391   | \$380   | \$365   | \$349   | \$345   | \$348   | \$354   | \$363   | \$375   | \$354   |
| PER CAPITA SPENDING (REAL \$)                                |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| POPULATION                                                   | 615.9   | 625.8   | 635.8   | 645.9   | 656.3   | 666.8   | 677.4   | 688.3   | 699.3   | 710.5   | 721.9   | 733.4   | 745.1   | 757.1   | 769.2   |
| PER CAPITA GF SPENDING                                       | \$4,020 | \$3,780 | \$3,561 | \$3,355 | \$3,329 | \$3,302 | \$3,276 | \$3,251 | \$3,225 | \$3,200 | \$3,174 | \$3,149 | \$3,125 | \$3,100 | \$3,076 |
| PER CAPITA GF + PFDS                                         | \$4,938 | \$4,597 | \$4,289 | \$4,031 | \$3,956 | \$3,954 | \$3,951 | \$3,948 | \$3,946 | \$3,932 | \$3,912 | \$3,888 | \$3,861 | \$3,832 | \$3,830 |

*declines to 01*



## COMPARISON OF SCENARIOS

### Endowment Scenario

### Composite Scenario

| Action required to implement        | constitutional amend. for payout; could<br>change spending limit to \$2.5b in FY98 | statute like SB51 |
|-------------------------------------|------------------------------------------------------------------------------------|-------------------|
| Budget reduction from 96 to 99      |                                                                                    |                   |
| PFD total reduction in Year 3       |                                                                                    |                   |
| PFD amount in Year 3                |                                                                                    |                   |
| Tax/fee increases in Year 3         |                                                                                    |                   |
| <b>First year impacts</b>           |                                                                                    |                   |
| cuts                                |                                                                                    |                   |
| tax/fee increases                   |                                                                                    |                   |
| dividend                            |                                                                                    |                   |
| <b>Second year impacts</b>          |                                                                                    |                   |
| cuts                                |                                                                                    |                   |
| tax/fee increases                   |                                                                                    |                   |
| dividend                            |                                                                                    |                   |
| <b>Perm Fund principal end FY99</b> |                                                                                    |                   |
| end FY00                            |                                                                                    |                   |
| end FY05                            |                                                                                    |                   |
| end FY10                            |                                                                                    |                   |

|                                  |                                                                                                           |                                                                                                          |
|----------------------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Risk of eroding principal        | could happen if payout exceeds real earnings over time                                                    | none other than bad investments                                                                          |
| <b>Reserves necessary</b>        | PF Earnings reserve equal to "traditional" revenues for next year. In effect forward funds these by FY98. | PF Earnings reserve of about \$1 b to cover 5 year payout needs plus CBRF oil volatility of about \$1.5b |
| mechanisms for use               |                                                                                                           |                                                                                                          |
| Income/sales tax needed          | \$ __ m in FY __                                                                                          | \$ _____ m in FY __                                                                                      |
| <b>Sensitivity to volatility</b> | lhas volatility from oil revenues, not PF earnings                                                        | doesn't change volatility; uses reser to cushion                                                         |
| low oil revenues                 | uses PFER as needed                                                                                       | uses CBRF as needed                                                                                      |
| low PF earnings                  | steady payout regardless of market (or change within narrow range)                                        | averaged over 5 years                                                                                    |
| high oil revenues                | no effect; control with spending limit                                                                    | no effect; control with spending limi                                                                    |
| high PF earnings                 | blunts spikes                                                                                             | blunts spikes within 5 year timefrar                                                                     |
| federal reductions               |                                                                                                           |                                                                                                          |
| increased population             |                                                                                                           |                                                                                                          |
| economic downturn                |                                                                                                           |                                                                                                          |
| <b>Impacts</b>                   |                                                                                                           |                                                                                                          |
| who pays largest % income        |                                                                                                           |                                                                                                          |
| max. econ. impact one year       |                                                                                                           |                                                                                                          |
| effect on local government       |                                                                                                           |                                                                                                          |

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"Independent in All Things... Neutral in None"  
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## Filling the gap

As each individual Alaskan ponders whether to spend or save the coming Permanent Fund dividend check, we should also collectively ponder the same question for the fund's income in total.

The state of Alaska's financial picture has become so poor that it is time to seriously talk about when the fund's income should be tapped.

The governor's Long-Range Financial Planning Commission devoted an entire section to the Permanent Fund in its draft report released last month. The commission noted that almost every witness appearing before it had some comment on the fund's role.

No one is seriously proposing to spend the principal of the fund, which the most recent estimates place at about \$18 billion. While that is a vast amount of money, it alone could only fund state government for a half-dozen years. However, spending some of the interest earnings on all that money is a real possibility.

Some cuts in state government are still necessary before we start spending those earnings, but no one should fool themselves into thinking that such cuts will take care of the whole problem. In addition, if the cuts are not done judiciously, we will quickly end up with a government that is actually serving us less than before all the oil money started flowing. In fact, that has already happened in some parts of state government. Consider these two facts from the commission's report:

■ For each Alaskan resident, there are fewer state employees today than in 1979, the first full year of oil revenues. In 1979, there were 352 state workers for every 10,000 Alaskans; in fiscal 1995, there were 332.

■ Since 1979, most state agencies have grown at a rate below what would be expected if they were simply keeping up with inflation and population growth. The only areas in which the state has exceeded the "expected" growth are in grants to individuals, grants to groups, schools, corrections, the legislature, commerce and law.

It can't be denied that Alaska still spends a lot—more than twice as much per capita on services as the average state. But consider this: before the oil money, we spent more than three times the national average. That's in part because, in Alaska, the state pays for many services—schools, jails, criminal prosecution and road maintenance—that elsewhere are handled by local governments.

Of course, the problem with taking comfort in comparing ourselves to the average state is that the average state is probably spending too much, too. So our lawmakers still must remain diligent in looking for savings.

But we should not and cannot squeeze enough cuts out of state government to fill the gap left by our falling oil revenues. Other income will be necessary. The earnings of the Permanent Fund should not be considered off limits.

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## **Securing a Stable Fiscal Future for Alaska**

### **The Long Range Financial Planning Commission's Recommended Plan**

*The goals:*    *To close the fiscal gap by the year 2000.*  
                  *To establish clear, viable choices for the following five years.*  
                  *To reform our system of spending.*  
                  *To build up the Permanent Fund for future generations.*

The plan shares the financial burden three ways:

- spending cuts;
- revenue increases; and
- use of Permanent Fund earnings.

**The first four years.** Here are key elements of the plan between now and the year 2000.

#### ***Spending cuts and reform***

- Cut \$100 million over the next three years — this is 5% per year in inflation-adjusted dollars.
- Reduce per capita spending from \$ \_\_\_\_ to \$ \_\_\_\_ in FY 2000, (from \$4,020 to \$3,355 in today's dollars).
- Reduce the total dividend payout from \$536 million to \$500 million, reducing the individual dividend to approximately \$\_\_\_\_.
- Do outcome based, performance budgeting.

#### ***Revenues and reserves***

- Impose no new types of taxes.
- Increase tobacco and alcohol taxes to bring in over \$60 million a year by 2000.
- Phase in motor fuel tax increases from the 1961 level of 8¢ to the national median of 22¢.
- Increase user fees at least \$3 million per year.
- Set Permanent Fund Earnings Reserves at \$1 billion to cover inflation-proofing and dividends in times of low Fund earnings.
- Maintain \$1 billion in the Constitutional Budget Reserve Fund to stabilize the state's budget in years of low oil revenues so we can avoid repeats of the 1986 economic tailspin.

#### ***Permanent Fund Earnings and dividends***

- Immediately deposit \$\_00 million from the Constitutional Budget Reserve/Earnings Reserve into the Permanent Fund to boost its earning power in the future.
- Protect the Permanent Fund every year by inflation-proofing it first.

- Base dividends on a percentage of earnings, \_\_\_% of after-inflation earning in the first year, declining to 50% in 2000.
- Gradually begin using earnings of the Fund to partially replace declining oil revenues.

**2000 and beyond.** The commission recommends preparing now for the next century.

The commission looked at the likely effects of the plan over a fifteen year period. The actions recommended for the first four years will position the state well for the next eleven.

*Reassessment in the year 1999.* Once the budget is balanced in FY99, the commission recommends that a follow-up review be done to adjust the overall plan as needed for the succeeding five to ten years. By 1999, things that are now uncertain — such as ANWR, the gas line and federal budget changes — will be known, so decisions will be less dependent on speculation.

Several financial options are available for the future once the fiscal gap is closed. If additional actions are needed to prevent another fiscal gap, we can consider further budget cuts, new revenues such as income taxes, or changes to dividends and the use of Permanent Fund earnings.

*Consideration of an endowment plan.* The commission was impressed by many of the long-term benefits for Alaska of an endowment plan such as the "Cremo plan". Its principal drawbacks come in the first five years, when unwisely large budget cuts and tax increases would be required to get the endowment started. However, the commission believes the state could benefit from a gradual transition to an endowment. Several of the steps in the plan recommended for FY97-99 would help build up the Permanent Fund more rapidly so that an endowment would be more easily possible in the future.

If the state receives a financial boost from ANWR lease sales, the gas line, unusually high oil prices or the like, it would be highly advisable to deposit the windfall revenue in the Permanent Fund as soon as possible to help put an endowment plan more within reach.

## Revenue Raising Principles and Recommendations

The Commission recognizes that taxes impose costs on both individuals and businesses. Taxes take money out of the state's economy resulting in overall job losses. At the same time the Commission concluded the imposition of increased taxation was a necessary and prudent approach that must be pursued if the state is to reduce the fiscal gap over the next several years in a rational manner.

In reviewing the various taxes which are imposed throughout the nation and which may be applicable to Alaska, the Commission employed several principles and considerations in developing its recommendations:

### Amount of revenue raised

With a gap of over \$500 million annually only a few types of taxes realistically contribute significant amounts of money. For example, although some have suggested that the state balance its books with a lottery instead of an income tax, the amount raised by these taxes varies by hundreds of millions of dollars. The taxes having the greatest potential for raising revenues were found to be state income taxes, state sales taxes, and state property taxes.

However, that is not to say that increases in some taxes which raise smaller amounts of money should not play a role in the larger financial plan. In addition to simple dollar amounts, the Commission looked favorably on some taxes that had ancillary social and economic benefits or which more equitably paid for associated public costs. These taxes include tobacco, alcohol, motor fuel and fishery taxes.

### Implementation Timing

Because of the potentially adverse financial impacts on individuals and businesses, the Commission attempted to mitigate economic impacts of increased taxes by delaying implementation or phasing in taxes wherever possible. However, the limitations of other fiscal options and the growing fiscal gap necessitated many tax increases taking effect within the next 10 years.

The Commission also considered the political and psychological impact of imposing a number of new taxes on Alaska citizens and businesses. It was felt that the taxes recommended should be enacted over several years to avoid "tax shock" and to maximize the political ability for the legislature to act.

### Reliability and Predictability of Revenues

One of the major problems with the current reliance on oil revenues is the volatility of state revenues from one year to the next depending on prices and production levels. It



is clear to the Commission that Alaska's tax base must be broadened to non-oil sources to ensure greater reliability and predictability of revenues. As production of Alaska's oil resources declines the Commission believes that a greater share of revenues should come from more traditional sources of taxation. In most other states year-to-year revenues rarely vary by more than a few percentage points due to their more stable sources of revenue from income and sales taxes.

A broader tax base which relies to a greater extent on taxes paid by individuals is also believed to build a closer connection between state government and its citizens. When people feel they are contributing directly to the operations of government, they tend to take a keener interest in its actions and expenditures.

#### The Outside World

The Commission studied taxation patterns in other states in formulating its recommendations. While most other states relied on sales, income, excise and users fees for a majority of state revenues, Alaska relied over 80% on taxes and royalties on oil resources. In fact, 45 states have a state sales tax, 43 states have an income tax. Only Alaska has neither. In terms of larger taxes most states utilized property taxes primarily for local governments and schools.

Currently the tax burden on a family living in Anchorage is among the lowest in the nation. An income tax which would raise \$300 million would place Alaska below the national average for tax per \$1000 of personal income. With an income tax which raises \$300 million an Anchorage family of four with a \$100,000 income would pay \$4,873 annually in all taxes compared to \$7,519 in Fargo, North Dakota, \$9,313 in Billings, Montana, and \$10,378 in Portland, Oregon.

User or excise tax rates were compared to other states. In general, Alaska's taxes were at or under the national average. In particular, Alaska's motor fuel tax at eight cents/gallon is the lowest in the nation.

#### Equity/Fairness

There are different measures of equity and fairness, and sometimes these are not the same. A tax that everyone pays the same amount may be equal, but not considered fair. For example, an employment tax whereby every employed person pays the first \$100 of their paycheck in tax hits a teenager working a summer job harder than an oil company executive. In general, the Commission tried to avoid larger regressive tax measures where the impacts were felt disproportionately by poorer citizens.

It was found that virtually none of the household income of Alaska's poorest 20% of citizens would be used to raise a \$300 million income tax compared to between three

and four percent of the wealthiest 20% of Alaskans. Conversely, a 5% state sales tax which would raise \$300 million would expend 4% of the household income of Alaska's poorest families but only 1.7% of our wealthiest households.

Another question of equity which was considered by the Commission, was does the amount of revenues coming from use of a product or resource compensate for the costs incurred to the public? For example, it is believed that the social and economic costs to the public as well as government due to the tobacco and alcohol use are not adequately covered by the level of taxation associated with these products. Similarly, state expenditures for highway and airport construction and maintenance exceed the taxes for use of these facilities. Industries such as timber and mining, while contributing to local employment and local property taxes, pay relatively small amounts of revenue to the state treasury despite the costs to the state for such attendant obligations as education due the industry. Some industries like fishing involve substantial management and regulatory costs by the state which are not entirely covered by the current rates of taxation.

Other questions of equity surround the use of state-owned resources. Are we getting sufficient compensation for commonly held resources such as fish or minerals on state lands and waters? This question goes beyond the level of direct expenditures by the state.

#### Efficiency

Different revenue measures involve different burdens of collection and enforcement. The Commission recommends that taxes and structures be designed to ensure that administrative costs are a reasonably low percentage of net revenue. Additionally, the burden on private citizens and local governments must be taken into account.

#### Economic Effects

Different taxes that raise the same amount of revenue do not necessarily have the same economic effects due to contributions from non-residents, the federal tax code and effects on international competitiveness. For example, a 5% state sales tax raising \$300 million would remove \$373 million and 4,500 jobs from the state economy whereas a \$300 million income tax would remove \$288 million and 3,700 jobs.

Taxes on natural resources such as oil, minerals, timber and fish can result in higher costs of production and reduced competitiveness in world markets. Higher costs can inhibit economic developments at the margin. On the other hand, other types of taxation such as an income tax or sales tax can capture some of the of the benefits of increased economic development and jobs without directly adding to product costs.

Effect on Local Governments

The Commission looked into current and prospective ways that local governments in Alaska as well as Outside raised revenues. It felt that new or increased state taxation should not unduly impact local governments' ability to meet increasing obligations. Consequently, it was believed that sales tax and property taxes, with the exception of oil and gas property tax, should remain in the province of local governments.

Tax recommendations

**Income Tax.** The largest new tax recommended by the Commission is the reimposition of a personal income tax. It is felt that it is superior to other large tax options because of its progressive nature, its reduced economic impact due to capture of non-resident wages and federal tax off-set and its ability to capture the benefits of economic development without unduly impacting product competitiveness.

It is recommended that an income tax be phased in beginning in fiscal year \_\_\_\_ and reach a revenue level of \$\_\_\_\_ by 2005.

**Motor Fuel Tax.** It is recommended that the current motor fuel tax of eight cents/gallon be raised in two stages beginning in FY 97 to the national average. This would raise approximately \$40 million annually. This level of taxation will approximate the current amount expended for highway maintenance.

**Marine Fuel Tax.** The current marine fuel tax of five cents/gallon should be raised to eight/ten? cents in FY 97 to cover state expenses associated with harbor construction and maintenance. Annual revenues of \$5-8 million would be raised.

**Tobacco Tax.** The current tax of 29 cents/pack should be increased by \$1.00/pack in FY 97. Other tobacco products would correspondingly raised. While this would currently be the highest in the nation, Washington State recently raised its tax to 83 cents/pack?? and Canada has tax of \$2/pack??. At this tax demand can be expected to fall, particularly among young people. Reduced demand clearly has beneficial health and economic impacts. However, the tax would still raise \$43 million annually.

**Fishery Taxes.** Some increases in the current level of taxation appear warranted based on the level of state management and regulation in addition to receiving a fair return on a common property. There are several methods of raising revenues including reducing exemptions from the fishery business (raw fish) tax, increasing the raw fish tax, increasing the fishery resource landing tax, increasing fishing boat licenses, increasing limited entry permit fees, enacting a severance tax on fish and others. Additional work is needed to assess the mechanism is the fairest, which is most easily implemented and which has the least impact on industry competitiveness.



**Alcohol Taxes.** It is recommended that the current alcohol tax be raised by approximately 10 cents per drink beginning in FY 98. This would bring in an additional \$21 million annually and help off-set the public costs due to alcohol use. There could also be expected some reduced demand with consequent beneficial health and economic impacts.

**State Property Tax.** While the Commission does not recommend a new state property tax, it found that the current state revenues from the oil and gas properties tax was declining sharply since its inception due to the increasing usurption by local governments. It is recommended that the local share of taxes on new future oil and gas properties be limited to no more than half.

**User Fees.** The State currently charges fees of several millions of dollars for a variety of state services and activities. However, many of these are not adjusted to current economic conditions and many other services warranting fees are not charged. The Commission believes that annual revenues averaging \$3 million annually could be raised through imposition and increasing of user fees.

(The following have not been adequately discussed)

**Gaming Taxes.** We currently receive about \$2.2 million annually from charitable gaming proceeds. A 5% tax would increase this amount by \$12 million annually. Many believe that the level of profits from this activity and the costs of regulation warrant an increase in state revenues. There are several options for collecting such a tax with a tax at the distribution end appearing to be the most efficient.

**Corporate income tax.** The state corporate income tax currently brings in just under \$200 million ?? annually, a majority from oil companies. The state tax code has not been revised in many years and there are many exemptions currently in the code which warrant review. For example, there currently exists a liberal provision permitting operating losses to be carried back to past tax years for refunds. Currently Subchapter S corporations are exempted from Alaska's corporate income taxes. An increasing number of companies operating in Alaska are becoming Subchapter S corporations. Inclusion of Subchapter S corporations would yield \$5 million revenues. Current law by blanket adoption allows all federal tax credits against the state tax, regardless of legislative intent or appropriateness in Alaska.

The Commission believes that the corporate income tax code should be reviewed and possible changes made that would increase revenues in future years.

**Other excise taxes.** There have been proposals to tax products or services associated

with uses of public resources not currently taxed such as sporting good items associated with non-hunting activities, or non-hunting commercial activities on public lands. Similar to hunting license fees, revenues could be used to manage state lands and provide facilities for non-hunting uses.

#### Taxes Not Recommended

**State Sales Tax.** A sales tax was not recommended because of its larger economic impacts and regressive nature when compared to a similarly sized income tax. In addition, due to the use of a sales tax currently by a number of local governments, it was felt that this revenue measure is best left to discretion of localities.

**Employment Tax.** Similarly, an flat employment tax at a meaningful level (e.g. \$100/person) was felt to be unduly regressive. A smaller tax similar to the one levied by the state up until the early 70's (\$10/person) did not compare favorably to other tax measures that could raise similar amounts of money.

**A state lottery.** A lottery might raise \$10-20 million annually. While some favor such an activity, it does involve significant operations costs and has added social impacts associated with gaming. In addition it may adversely affect current charitable gaming beneficiaries.

**State property tax.** With the exception of the current state tax on oil and gas property, the Commission believes that property taxes should remain primarily within the tax domain of local governments and school districts.

**Aviation Fuel Tax.** Fuel taxes were raised in 1994 from 2.5 cents to 4 cents/gallon. Because of the unique nature of the international airports vis a vis smaller airports throughout the state, the possible affect on international flights and the availability of other taxing mechanisms including fuel flowage fees, landing fees and airport land use fees, an increase in the aviation fuel tax is not recommended at this time. However, revenue options to provide for the construction and maintenance of the state's airports and landing strips should be pursued.

**Resource taxes.** Additional taxes on natural resources such as oil and gas and minerals were not recommended at this time due to the uncertain impact on the competitiveness of the product in the world market. There are several exemptions and levels of taxation associated with different resources which should be periodically examined to ensure their appropriateness and their ability to return fair compensation for state resources. However, some determinations may find that current tax rates should be reduced in some instances to ensure development and economic benefits.

DRAFT

Pourchot

Some resources such as timber may involve fees rather than specific taxes which should be periodically examined in light of state costs and competitiveness.



*in one chart*

## LRFPC Final Report — D R A F T

*1. ... + accounts*  
*PF remaining + ...*  
*... revenue*  
*... revenue*  
*Don't ...*

### Pieces of the Budget Puzzle

versus

### Parts of the Gap

*run scenarios ...*  
*PF ... , Don't revenue*

Explain the main elements of state spending and why some are presented separately from the general funds. Clarify that virtually all are currently appropriated by the legislature and reported in audited financial statements. Nancy's chart grouping funds by type and giving balances and 96 appropriations could be an appendix.

#### Funds which affect the fiscal gap

- General funds, including program receipts
- Permanent Fund earnings
- Created by appropriation for specific purpose or as a "holding fund" for accounting purposes
- Special revenue funds where use is in constitution or statute

#### Funds which do not affect the fiscal gap

- Loan fund administrative costs (in "front section of budget")
- Loan amounts
- University receipts
- Internal service funds
- Transfers between agencies for contractual obligations, including interagency receipts

#### Funds which cannot be appropriated to other purposes by the legislature

- Federal funds
- Retirement funds
- Health insurance funds
- Trust funds

#### Other state assets

- AIDEA, Railroad and other independent corporations
- State buildings, roads and other facilities
- State land

Commission recommends changes in how appropriations to and from these funds are evaluated in the budget process and how the funds are displayed in the budget and financial statements.

Identify some of the problems which need to be addressed:

- Reductions in expenditures don't necessarily help close the fiscal gap -- e.g. Badami pipeline permitting.
- We don't control all spending or revenues, e.g. federal funds and the strings attached to them
- Increases in fully fee-supported activities and the replacement of general funds with fees will increase the total general fund spending level yet have a neutral or positive impact on closing the fiscal gap. Need to be clear about when "increases" are more fiscally responsible than merely lowering the total dollar level.

Commission recommends major changes to improve the substantive review and method of accounting for all state spending. These will require more than one year to implement.

Changes for FY97

Show general funds, Permanent Fund, federal funds, interagency receipts and corporate receipts in the spending plan which compares FY96 and FY97 revenues and expenditures. (Previously limited to general funds.) Display this in a way that clearly identifies which of the above affect the fiscal gap and which do not.

Separately identify funds where revenues must equal expenditures. Examples: statutory provisions (such as for occupational licensing), restrictions on federal funds and services provided through contract. Not a license to increase fees — must still exercise budget discipline and cost-cutting

Since AHFC is now subject to the Executive Budget Act, review its operating expenditures in as much detail as departments. Present overview information on other state corporations during the budget process.

Pass statute requiring periodic review of all the non-general fund spending entities.

Changes for FY98

Review the necessity for funds which were established as "holding accounts" and delete all that do not serve a clear, useful function.

Begin a three year schedule for substantive policy review of all loan funds, special revenue funds and those established for specific purposes. Evaluate their use against all other state budget needs in determining whether to continue them. If revolving loan funds are to be phased out, consider selling the outstanding loans to eliminate administrative costs. Close out all inactive loan funds.

*outcome based  
budgeting*

## Reserves

In the recommended fiscal plan, reserves are part of the overall "safe landing" strategy. They will allow a four year implementation of the fiscal measures necessary to close the current fiscal gap. This intermediate use of reserves can reduce the negative economic impacts of trying to solve the fiscal gap in a single year. It is not a viable long-term reserves purpose.

There are at least five major roles which reserve funds should play in Alaska's fiscal future:

- *As a buffer for the ups and downs of financial markets.* Enabling the implementation of a five year average "real earnings" payout of Permanent Fund earnings to the general fund for dividends and other state spending. The reserve would be a buffer during years of lower than average Fund earnings.
- *As a hedge against commodity prices and emergencies.* Mitigating the the volatility of annual oil prices, production and total revenues and allowing prompt and effective response to major natural disasters which are not anticipated in the budget. (If sufficient reserves are maintained for the second and third purposes, a separate reserve for this emergency purpose would not be necessary.)
- *As a tool for meeting cash flow requirements.* During the fall of each year, cash flow requirements for capital and other spending can be as much as several hundred million dollars above the available revenues which tend to come in more smoothly throughout the year.
- *As capitalization for future earnings.* Deposits of funds not needed for ongoing reserves can be deposited into the Permanent Fund to boost the Fund's earning capacity for the future.
- *As a "surge tank".* In the past, reserves have also been intended as a means of controlling state spending, particularly from "windfalls" such as large oil settlements. However, the Constitutional Budget Reserve established largely for this purpose suffers from several problems unanticipated by its drafters, voters and the legislature. These include uncertainty about when use of the fund requires a three quarters vote and confusion about sources for replenishing the fund.

### Reserves for Permanent Fund inflation-proofing and payout

The Commission recommends that the Permanent Fund Earnings Reserve Fund (ERF) be retained to support the five year average payout plan for Fund earnings which is recommended in the fiscal plan. The balance in the ERF would need to be about \$1.6 billion to ensure adequate inflation-proofing and level payout amounts if there are four years of lower-than-average Fund earnings. The Commission believes it is reasonable to maintain a lesser amount of \$1 billion in the Earnings Reserve to force adoption of fiscally responsible measures (budget cuts and/or or increased taxes) if Fund earnings remain below average for more than two years.

The Permanent Fund Earnings Reserve is invested as part of the Fund itself. It has never been used for annual spending or filling the budget gap. Even though it can be appropriated by a simple majority vote of the legislature, in the 17 years since it was established, this reserve account has been tapped only for deposits to the principal of the Permanent Fund. These additions to the Fund total \$ 4.5 billion, the most recent deposit being \$500 million in July 1995. Therefore, the commission believes that the



Earnings Reserve does not need additional protection through statutory or constitutional limits. Its association with the Permanent Fund has been protection enough.

There should be a statutory definition of the appropriate uses of the reserve. The statute should specify provisions for replenishment of the reserves and indexing for the future. It should require that any excess over what should be maintained in the account should be deposited in the Permanent Fund after the close of the fiscal year.

#### Reserves for Oil Revenue Volatility

*There are (at least) three basic approaches which we should discuss: 1) leaving the CBR as it is and living with its warts; 2) fixing the CBR with a constitutional amendment; or 3) starting from scratch.*

#### *Rough bullet points for fixing the CBR:*

Exclude the Permanent Fund Earnings Reserve from calculation of the revenues available for purposes of determining whether a three quarters vote is necessary.

Clean up the repayment provision to automatically tap only the year-end balances in the unrestricted general fund. Additional amounts for repayment to be by appropriation.

Allow for deposits to the Permanent Fund from the CBR which do not have to be repaid to the CBR later on.

Might also want to clean up the constitutional spending limit if going to the voters on the CBR.

#### *Rough draft for starting from scratch:*

The volatility of oil revenue is the biggest uncertainty in the state's fiscal picture. In addition to coping with "normal" swings of prices and production, Alaska should be prepared to cushion the blow of unusually low prices/production (such as the 1936 oil price crash or the overall low year of 1994). After the crash of oil prices in 1986, there were no reserves to cushion the need for dramatic cuts in state spending. The state's massive short-notice budget cuts exacerbated the negative impact on a state economy already hard hit by reduced oil-related employment and spending.

Volatility can hurt us on the high side as well. We should not let ourselves to be lured again into unsustainable spending when we have high prices (such as during the Persian Gulf War) or large one-time payments (oil settlements or potential lease sales such as ANWR). The Constitutional Budget Reserve Fund prevented us from spending our oil royalty and tax settlements all at once, although only after considerable legal wrangling. However, it has resulted in additional uncertainty in the budget process and expensive law suits.

The commission recommends that a new, more clearly defined reserve fund replace the current Constitutional Budget Reserve. The primary purpose of the "Revenue Stabilization Fund" (RSF) should be to minimize the impacts of year-to-year fluctuations in Alaska's oil and gas revenues and to protect against a major, sustained drop in prices or production. Revenue Commissioner Condon suggests reserves sufficient for two years of \$10 per barrel oil prices — \$1.6 billion, as outlined in his memo in the appendix. The commission recommends that the Revenue Stabilization Fund be established with \$1.5 billion from the current CBR and should rise with the Anchorage consumer price index for inflation.

Access to the fund for any purpose should require a two thirds vote of both houses of the legislature, with a three quarters requirement for override if the governor vetoes the appropriation. The fund should be established by statute, although it could be placed in the constitution when the current reserve fund is repealed by the voters.

The RSF should be available to balance the budget only if total annual revenues (exclusive of any reserves or loan funds) were projected to vary more than 10 % from an estimate of the current year's revenues made by the Department of Revenue on March 1. All year-end balances in the unrestricted general fund would automatically be deposited in the fund. Any revenue in excess of what was budgeted would therefore replenish the reserves.

To avoid build-up of the enormous reserve balances which have made the CBR a means of avoiding budget discipline, any year-end reserve balance in excess of \$1.5 billion in FY96 dollars would be automatically deposited into the Permanent Fund unless two thirds of both houses voted against the deposit. Appropriation of unrestricted general funds could not exceed the current year level until the RSF again reached \$1.5 billion.

The Revenue Stability Fund certainly could fall victim to battles of interpretation, as did the CBR. However, the commission believes that there will be several powerful incentives for the executive and legislative branches not to use the RSF to prop up an unsustainable spending level in the future: adoption of this fiscal plan which will put the state on a firm fiscal footing; the costly, negative experience with the CBR; and public demand for greater budget discipline in the future.

outcome based on  
budgeting how we spend  
**Spending Cuts**

**The commission recommends that approximately one third of the fiscal gap be closed through budget cuts.**

The state's operating budget has been cut more than 25% in the past five years on an inflation-adjusted basis. By holding the line for five years, agencies have absorbed \_\_\_\_ % inflation and the additional service needs from 11 % population growth. State spending per capita is approximately the same in FY96 as it was in FY79, the last year before oil revenues surged.<sup>1</sup> While significant progress has been made to curtail budget increases in recent years, this belt-tightening must continue for two reasons.<sup>2</sup> The first is to spread the economic impact of closing the fiscal gap — "sharing the pain". The second reason is to assure the public that state government is spending Alaska's public funds responsibly.

The commission recommends that general fund spending be reduced \_\_\_\_ % in inflation-adjusted dollars over the next five years. This could be done either by holding the budget at the FY96 level for five years or by making a cut of \$ \_\_\_\_ in FY97 and keeping the budget flat for the following three years. *(Here's an out if we don't agree on which way to do the cuts.)*

The commission debated extensively whether to recommend specific budget cuts. Several scenarios for closing the gap entirely with cuts (a task required of us) were presented in the August Preliminary Report. However, we decided that our most important responsibility is to recommend an overall financial plan for the state, rather than suggest which programs should be curtailed/dropped or how much could be saved through various efficiency measures. This detailed budget responsibility rests with the executive and legislative branches of government.

**Budget cuts should be done within a framework of clearly articulated spending principles.** The difficulty of making tough budget decisions should not be underestimated, particularly since the needs and wants of Alaskans are so diverse. Consideration must be given to the impacts of cuts on individuals, businesses, communities and the overall state economy. The commission urges the governor and legislature to use the following principles in evaluating all budget-cutting proposals:

***Phase out non-needs-based programs or put them on a needs-basis.***

The state should substantially reduce or eliminate "payout" type programs which are not needs-based. In a similar vein, fees for state services benefiting individuals rather than all citizens should be on an ability-to-pay basis. "Need" does not have to be defined as "bare bones". In determining which programs to consider for elimination, it may help to look at whether something existed in the budget before the flow of oil revenues. The needs-based principle should be applied whether the recipient is an individual, organization or industry unless the program is fully self-supporting.

One exception to this is the Permanent Fund dividend which should be based on Fund performance, rather than individual need. The dividend is every Alaskan's share of our valuable public resource. There is great value in maintaining the relationship of the dividend to the performance of the Fund, although the ratio of dividends to other uses of Permanent Fund earnings should be adjusted, as recommended elsewhere in the fiscal plan.

<sup>1</sup> Although some state expenditures are no longer reflected in the state "general fund" totals (such as the Marine Highway and Power Cost Equalization programs), these changes do not significantly alter the overall comparisons.

<sup>2</sup> It is interesting to note that state spending has not been controlled by the constitutional spending limit which would have allowed the FY96 budget to be approximately \$4.9 billion.



***Aggressively pursue efficiencies.***

Efficiencies from consolidation of administrative functions should be required from state agencies as well as those who receive state pass-through funds or grants. Consolidation of organizations (including state agencies, small school districts, grantees), streamlining of processes such as permitting, consideration of privatization and in-sourcing (state agencies bidding against the private sector), and improvements to technology should all be actively pursued. The state must invest in modern, automated systems for accounting, budgeting, purchasing and similar functions to reduce costs in basic business activities. The commission believes there may well be \$50-75 million in efficiencies that can be achieved over the next five years to offset inflationary increases. An equitable regional balance of service delivery should be preserved as these efficiencies are implemented.

***Capture future savings from changes to salaries and benefits.***

The commission recognizes the importance of maintaining a quality, competent and efficient workforce that is competitive in the labor market. Reforms of public employee compensation system will save future costs to the state, local governments and school districts. Areas of potential savings include health benefits, a modified retirement package for new hires, geographic pay differentials, merit/education steps and lanes, and a retirement incentive program to reduce the number of high-cost employees.

***Find the most appropriate service delivery option; eliminate unfunded mandates.***

Many services currently provided by the state may be more effectively delivered by others, such as local governments, non-profits or private sector organizations. The quality of service, cost and appropriate location for responsibility and control should all be factors in choosing the best delivery system. (See local government section for more detail.) Under-funded requirements on local governments such as the senior/veterans property tax and renter rebate should be turned into a local option. The state should also consider getting out of activities and facilities where state government is in direct competition with the private sector.

***Look for smart investments.***

There is tremendous growth in the demand for some of the state's most expensive services, especially in the criminal justice and health care systems. It will be impossible for the state to keep pace with the need for these services if major changes are not made. It is far more financially and socially responsible to invest in prevention rather than pay for expensive "cures". Likewise, spending for maintenance and routine replacement must be increased so we do not again find ourselves with deteriorating state assets and a deferred maintenance backlog in the hundreds of millions of dollars. Leveraging of federal funds is important to consider, but the state should not spend its matching dollars unless the program or capital project is truly needed and effective, and the operations and maintenance can be afforded. "Free" money isn't really free.

***Industry support functions should be fully self-sufficient.***

Permitting, compliance monitoring and other state oversight functions should be self-supporting through fees. If the activity is generated from a publicly owned resource, there should be a positive cash flow to the state general fund, as there is now with oil resources. Marketing activities should also be entirely supported by the industries benefiting. If policy-makers decide that state subsidies to a developing industry are appropriate, there should be a "sunset" plan to ensure that the state's development-related activities either become industry-supported within a reasonable time frame or are eliminated because they are not cost effective.

***Evaluate whether state support of programs is still appropriate***

As oil revenues soared in the 80's, Alaska found many creative ways to spend them. Many of these programs are unmatched anywhere in the country. Some are unrelated to need and have, in some cases, fostered a dependency that actually increases demand on other state services. Some are more dependent on state funding than in other states. These programs should be carefully examined and considered for elimination, shift to fee-support or transfer to non-profits or the private sector.

***Phase cuts (and revenue increases) when appropriate.***

Changes are often easier to handle when there is time to prepare. People and groups who will receive significantly lower benefits or less service from the state, or who will pay considerably higher fees, may need time to make financial adjustments. Attention should be paid to cross-over effects (e.g. eliminating a jobs program which is likely to increase the welfare caseload) and potential regional economic dislocation. Consideration should be given to phasing in major changes to minimize financial hardship or market dislocation. However, since phasing can significantly reduce the early year savings, it should be no more gradual than necessary. It should be used only to avoid special hardships, not hard choices.

## Local State Government Relationship

The commission was asked to consider the division of responsibility for providing services and raising revenues between the state and local governments and to evaluate the effect of the long range financial plan on local governments. In addition to considering alignment of responsibilities between the state and local governments (cities, municipalities or boroughs), the commission recommends that local service areas, non-profit organizations and the private sector be considered as possible providers of service.

Maybe show chart from prelim report showing average state-local tax burden for Alaskans versus other places?

*The following are bullet points which will be written up more elegantly after tonight's meeting!*

Some services currently provided by the state may be more efficiently or effectively provided by or through local governments, with local residents deciding which services to pay for and how they should be delivered.

First step in determining what transfers of responsibility are appropriate should be an analysis of all the services which are provided in some cases by the state and in other cases by local governments. Currently underway by the Office of Management and Budget. Should also analyze the cost benefit of organizing local governments in the unorganized borough and of the current trend of local governments to dissolve in favor of other local entities. Constitutional goal of having boroughs form to provide services.

Target for transfers:

- areas where state and local services overlap (e.g. emergency services dispatch in the same geographic area) or where local governments are already doing similar work (as in building inspections). ~~Should examine which can provide the service more cost-effectively.~~
- services provided by the state in areas which have local powers, e.g. maintenance of roads and harbors, police protection, prosecution of misdemeanors.
- services provided by local governments where statewide consistency is critical. - *governance*

In many cases it may be appropriate for transfers of responsibility to be accompanied by transfer of funds collected by the state. (May be administratively easier and cheaper for state to collect certain taxes and pass money on) However, simply passing on a dollar amount equal to what the state spends now does not help close the fiscal gap. In some cases, additional revenues might be shared so the level of service can be improved, such as increased motor fuels tax to maintain roads better. In other cases, the provider could charge fees for the services. *Mention idea of having legislature begin acting as assembly for unorganized borough?* *See 1/20/80*

Local governments are legitimately concerned about continuity of funding which is part of any transfer of responsibilities to them. While one legislature cannot bind another, methods such as formula sharing of taxes (similar to the fisheries business tax) can provide some reassurance that the burden of any reduction in the amount of total revenue will not be placed solely on local governments.

Funding levels for municipal assistance and revenue sharing should be based on the amount of services provided locally and take into consideration any proposed transfers of responsibility. Aside from shifts



in responsibility, funding levels for these programs should be predictable within a fairly narrow range to allow for sensible budgeting at the local level.

All communities and residents should participate equitably in the funding and support of basic government services according to their ability to pay. Tax capacity as well as tax history should be considered in determining whether local governments have the ability to take on added financial responsibility for service delivery. There is wide disparity now in the degree to which communities tax themselves or rely on the state to provide basic services that are traditionally (and nationally) considered to be a local responsibility.

Not state's responsibility to fill in where citizens don't want to provide services for themselves.

Remove unfunded mandates such as the senior/veterans property tax exemption and renters rebate. Let locals decide whether to offer the tax break and how much to exempt per home.

Consolidation of administrative costs in local governments and school districts encouraged. May want to retain certain responsibilities at local level and simply consolidate business functions, but it's inefficient to have so many school districts and small city governments. Means fewer dollars in the classroom and on the street.

Need to look at full picture of capital requests in communities and evaluate which are basic responsibilities of the state. Also look at what the federal government will be constructing. If communities want to provide more than the basic project, they should decide and fund the "extras" locally. There should be incentives to communities for good facility maintenance and disincentives for communities to ignore problems and then come to state for "crisis" aid.

Sales and property taxes are the principal sources of local funding. State taxation methods should not eat into those important local revenues.

The oil and gas property tax is shared between local and state governments. However, local government debt is subtracted off the top before the tax is shared. This has reduced the state's actual share to 19 % (only \$53 million out of the total \$291 million estimated for FY96). The commission recommends that any oil and gas property which is added to the tax rolls after July 1, 1996 be subject to a 50-50 split with no prior deduction for local or state debt.

#### **Process for pursuing local-state relationship issues**

As the Alaska Municipal League has pointed out, "Because both the state and local governments provide public services to . . . and have taxing powers over the same people, it is not possible to create an effective long range financial plan for Alaska without the active involvement of both local and state governments."

Recommend ad hoc task forces of state and local representatives (and where appropriate, non-profits) to address each major category of service delivery where transfer is being considered. Local representatives should be involved throughout the process of evaluating alternatives, not just when draft recommendations are ready for broader review.

*What do we want to say about education funding?*

## Budget Process Improvements

The public, executive branch and legislature will be better served if changes are made to improve the budget process and published materials. In addition to major improvements outlined below, the commission has provided the Governor's Office of Management and Budget and to Legislative Finance with many smaller suggestions.

### Show all state finances in a multi-year plan

The budget should be presented in the context of an annually updated 3 year financial plan and 10 year projection. It should include all funds described in the "Pieces of the Puzzle" section of this report — federal funds, Permanent Fund earnings, loans, specific purpose funds, etc. — and show budgets for the state corporations (AIDEA, Science and Technology Foundation, Alaska Railroad, etc.) and departments. Reappropriations should also be considered as part of the overall budget.

All expenditures should receive the same high degree of scrutiny from the executive and legislative branches, regardless of funding source. A comprehensive budget will facilitate better decisions about the use of state resources and ensure that year-to-year comparisons do not under or overstate budget reductions if programs are moved between areas of the budget.

The state's financial plan should include an assessment of the state's economic outlook, anticipated changes in federal funding, and projections of state revenues and expenditures. It should bring attention to problems that are on the horizon or that may require more than one budget cycle to address.

### Make the budget more understandable and relate expenditures to outcomes

The budget must be more understandable by the public and provide a more rational basis for executive and legislative decision-making. It should relate service needs and outcomes (performance measures) to the dollars spent. Sources of revenue for each expenditure should be clearly identified and the budget should show whether changes affect the fiscal gap or not. *2004 legis work put together by March 30.*

### Implement a six year capital plan

The state must have a realistic six year capital plan. The capital budget process needs greater scrutiny of capital "needs" and a better allocation between state and local responsibilities for construction, maintenance and operations. The idea of a two year appropriation cycle for the capital budget should be pursued. General obligation and revenue bonds should be considered as possible funding sources. Ongoing maintenance and routine replacement costs should be shown in the six year plan and incorporated into the annual operating budgets to prevent deferred maintenance backlogs which deteriorate the state's assets and require higher expenditures in later years. *Should be used to help maint be kept faster*

### Improve the timeliness and clarity of financial information.

The state's computer budgeting system needs to be modernized and coordinated with the accounting system. Many aspects of state spending are on separate reporting systems, making it difficult to get comprehensive financial and management information on a timely basis. Revenues and expenditures should be reported in a consistent manner so accurate annual comparisons can be made. Funds which unnecessarily complicate reporting should be eliminated. *on 2011 budget up soon.*

### Report to the public on progress in implementing the financial plan

Each budget should include a report on the progress toward closing the fiscal gap and developing a sustainable future. The Office of Management and Budget should monitor revenues and spending



during the year to ensure that the state is on target with the financial plan and that necessary adjustments are made as soon as possible.

#### **Other budget process recommendations**

- Ensure that investment opportunities which will produce out-year cost savings, such as prevention programs and technology improvements, are not lost in the effort to reduce the current year budget.
- Pay particular attention to areas of the budget in which expenditure growth exceeds the population and inflation index.
- The method of budgeting user fees should be changed. Under the current system, increases in user fees are treated as budget increases even when they reduce the fiscal gap.
- Require accurate estimates of current and long-term financial impacts of proposed programs and legislation.
- Do not partially fund regular annual expenditures with the expectation that the remaining funds will be provided later as supplemental appropriations except in extraordinary circumstances.
- Consolidate state facility management and leasing; allocate costs to departments to encourage more efficient use of space and better energy conservation.
- Provide incentives for cost-cutting and innovative solutions to service delivery problems. Examples would be allowing department to carry forward some operating budget savings for investment the following year (e.g. for technology improvements), and having fewer detailed appropriations per department to allow management flexibility for funding needed improvements in one area with savings in another.

#### **Forward Funding**

The commission was asked to evaluate forward funding, also called cash-based budgeting. The idea is that fiscal problems resulting from oil price fluctuations and uncertain revenues could be avoided if the budget were based on funds already received, rather than revenues projected for the coming year.

While forward funding reduces revenue uncertainty, it does not improve stability.

Our analysis is that even if both the Constitutional Budget Reserve and Permanent Fund Earnings Reserve Account were used, there is not enough to establish forward funding and finance the necessary transition period for closing the fiscal gap.

A more detailed discussion of forward funding is in the appendix.



## APPENDIX MATERIAL

### **Forward Funding / Cash-Based Budgeting**

Forward funding has been proposed and debated in Alaska state government for the better part of fifteen years. The concept — also known as cash-based budgeting — has been advocated as a way to add stability and certainty to the state budget process. As the term cash-based budgeting suggests, under this system some (e.g., education) or all of the state budget would be based on cash on hand, rather than on projected revenues during the coming year.

Prior proposals to adopt cash-based budgeting have not been able to overcome concerns about whether the gain in budgeting certainty is worth the opportunity cost of the revenue or reserves that must be diverted to achieve that certainty. There is also a question of whether budgeting certainty and fiscal stability can be equally or better achieved through the use of reserve funds, spending limits, and other fiscal mechanisms.

#### Key Policy Issues

- Cash-based budgeting is particularly attractive for Alaska because of the exceptional dependence of our state revenues on the price of a single commodity — oil. While the revenues of other states are subject to some volatility — primarily from changes in economic conditions — and numerous states have faced large revenue shortfalls in recent years, no other state has consistently experienced the range of revenue fluctuations which Alaska has since Prudhoe Bay came on line in 1977.
- Adopting cash-based budgeting would not stabilize annual revenues. However, it would enable policy makers to know, with a high degree of certainty, just how much money will be on hand for the coming year's budget. It would still be necessary to project the revenue to be received between the time the Legislature was meeting and the end of the current fiscal year. Such remaining-months projections, however, have generally been within 3% of the amount actually received through June 30.
- Under cash-based budgeting, a sharp drop in oil prices would still result in a sharp decline in state revenues, but no revenue shortfall would occur in the current year budget. The shortfall would need to be addressed in the next year's budget, but mid-year spending cuts would not be necessary, giving the Governor and Legislature more time to address the problem.
- The state has a window of opportunity to implement cash-based budgeting, in that the combined cash reserves in the Constitutional Budget Reserve and the Permanent Fund Earnings Reserve Account total over \$3 billion — more than enough to adopt cash-based budgeting.
- The advantages of cash-based budgeting are clear. The major factor which argues against the approach is the high cost to implement it — approximately \$2.5 billion would have to be designated and held in reserve to implement the approach. It can be argued that this \$2.5 billion would not have to be "spent" to adopt cash-based budgeting; instead, it would be held in a reserve fund similar to the Constitutional Budget Reserve. However, the money would still be

unavailable for other purposes, such as cushioning the state's fiscal gap or inflation-proofing the Permanent Fund.

- Although cash-based budgeting could provide budget stability and certainty for the next year's budget by postponing the effect of revenue shortfalls, it could limit the state's ability to offset these shortfalls and to cushion the fiscal gap, because most of the state's liquid reserves would have to be used to implement cash-based budgeting. In this respect, cash-based budgeting could increase, rather than reduce, the impacts of the fiscal gap, and accelerate the need for spending cuts, new taxes, and other measures.

*Tm  
Amalee*

## **Securing a Stable Fiscal Future for Alaska**

### **The Long Range Financial Planning Commission's Recommended Plan**

*The goals: To close the fiscal gap by the year 2000.  
To establish clear, viable choices for the following five years.  
To reform our system of spending.  
To build up the Permanent Fund for future generations.*

The plan shares the financial burden three ways:

- spending cuts;
- revenue increases; and
- use of Permanent Fund earnings.

**The first four years.** Here are key elements of the plan between now and the year 2000.

#### ***Spending cuts and reform***

- Cut \$100 million over the next three years — this is 5% per year in inflation-adjusted dollars.
- Reduce per capita spending from \$ \_\_\_\_ to \$ \_\_\_\_ in FY 2000, (from \$4,020 to \$3,355 in today's dollars).
- Reduce the total dividend payout from \$536 million to \$500 million, reducing the individual dividend to approximately \$\_\_\_\_.
- Do outcome based, performance budgeting.

#### ***Revenues and reserves***

- Impose no new types of taxes.
- Increase tobacco and alcohol taxes to bring in over \$60 million a year by 2000.
- Phase in motor fuel tax increases from the 1961 level of 8¢ to the national median of 22¢.
- Increase user fees at least \$3 million per year.
- Set Permanent Fund Earnings Reserves at \$1 billion to cover inflation-proofing and dividends in times of low Fund earnings.
- Maintain \$1 billion in the Constitutional Budget Reserve Fund to stabilize the state's budget in years of low oil revenues so we can avoid repeats of the 1986 economic tailspin.

#### ***Permanent Fund Earnings and dividends***

- Immediately deposit \$\_\_\_\_ million from the Constitutional Budget Reserve/Earnings Reserve into the Permanent Fund to boost its earning power in the future.
- Protect the Permanent Fund every year by inflation-proofing it first.



- Base dividends on a percentage of earnings, \_\_\_% of after-inflation earning in the first year, declining to 50% in 2000.
- Gradually begin using earnings of the Fund to partially replace declining oil revenues.

**2000 and beyond.** The commission recommends preparing now for the next century.

The commission looked at the likely effects of the plan over a fifteen year period. The actions recommended for the first four years will position the state well for the next eleven.

*Reassessment in the year 1999.* Once the budget is balanced in FY99, the commission recommends that a follow-up review be done to adjust the overall plan as needed for the succeeding five to ten years. By 1999, things that are now uncertain — such as ANWR, the gas line and federal budget changes — will be known, so decisions will be less dependent on speculation.

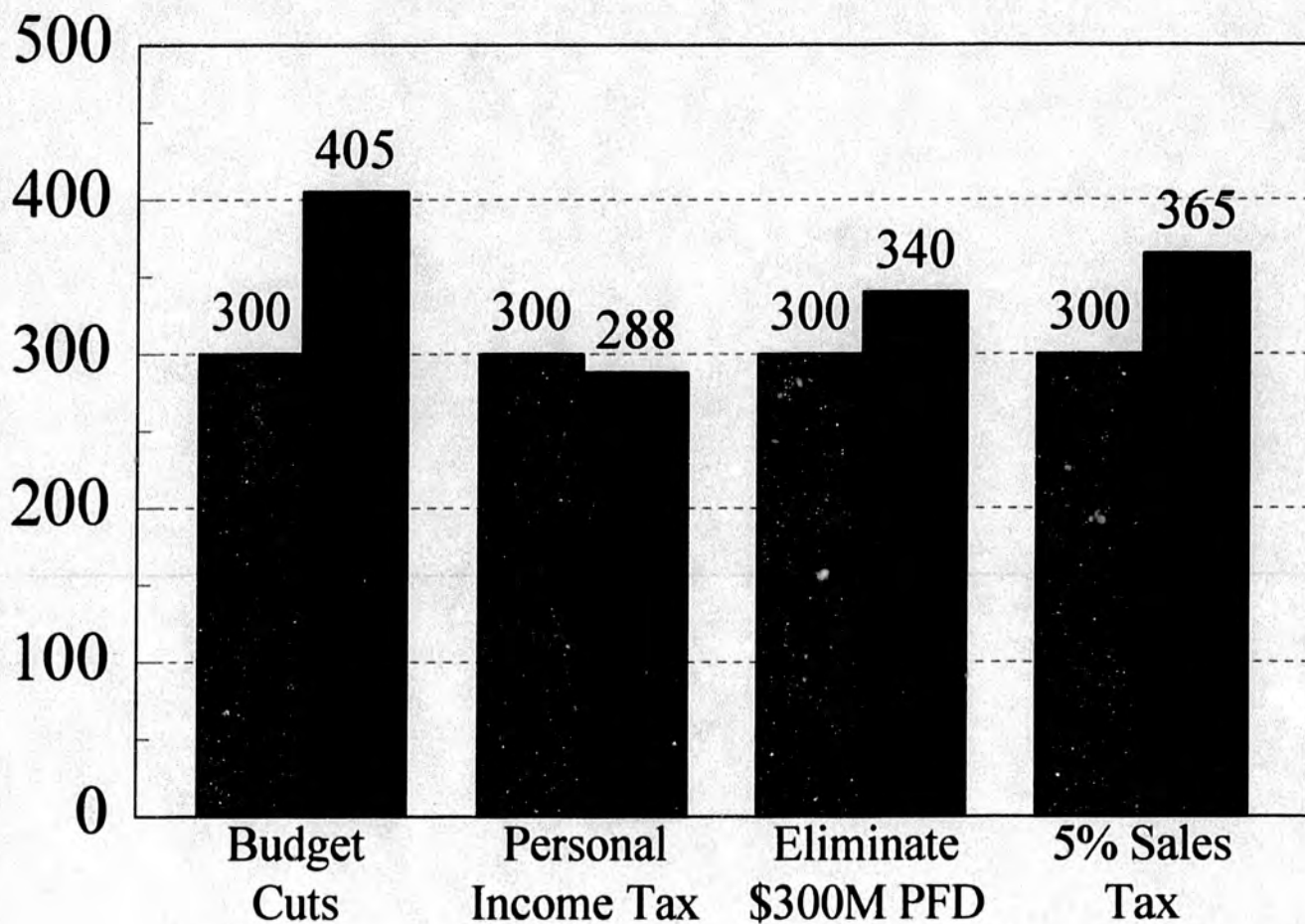
Several financial options are available for the future once the fiscal gap is closed. If additional actions are needed to prevent another fiscal gap, we can consider further budget cuts, new revenues such as income taxes, or changes to dividends and the use of Permanent Fund earnings.

*Consideration of an endowment plan.* The commission was impressed by many of the long-term benefits for Alaska of an endowment plan such as the "Cremo plan". Its principal drawbacks come in the first five years, when unwisely large budget cuts and tax increases would be required to get the endowment started. However, the commission believes the state could benefit from a gradual transition to an endowment. Several of the steps in the plan recommended for FY97-99 would help build up the Permanent Fund more rapidly so that an endowment would be more easily possible in the future.

If the state receives a financial boost from ANWR lease sales, the gas line, unusually high oil prices or the like, it would be highly advisable to deposit the windfall revenue in the Permanent Fund as soon as possible to help put an endowment plan more within reach.

# Economic Effects of Various Gap Closing Measures

**Dollars Removed from the Economy**  
**million \$**



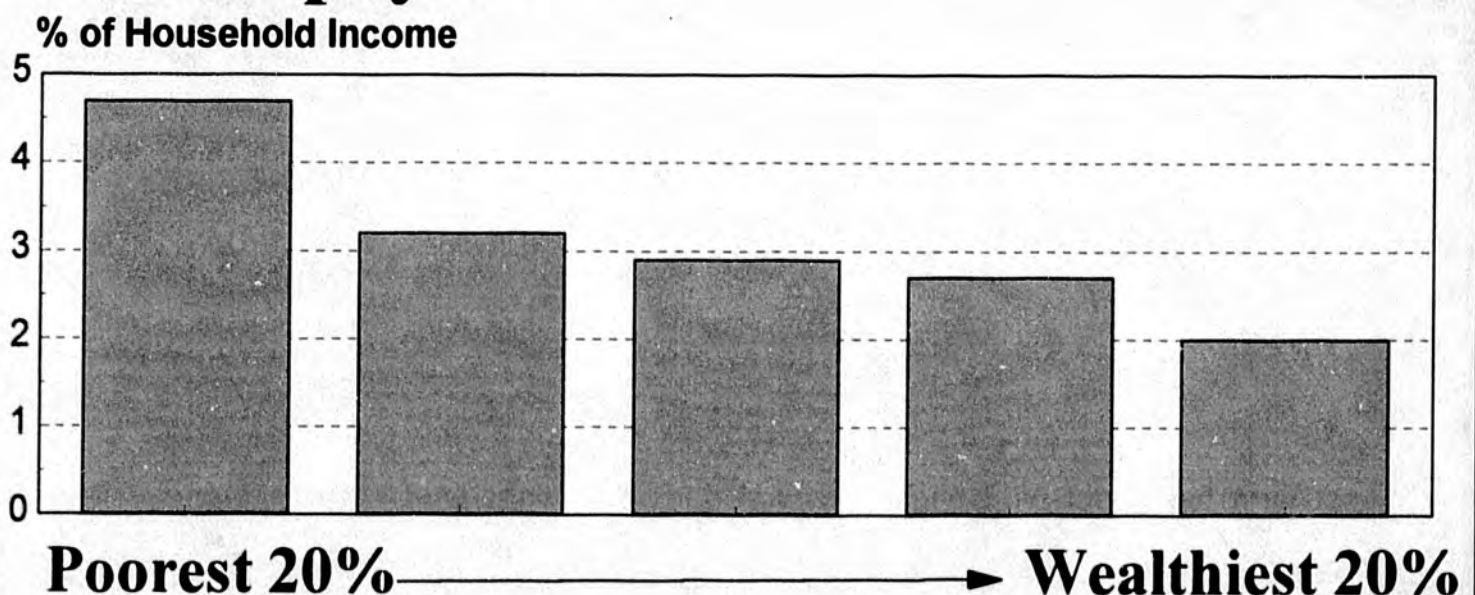
- Revenue Raised or Expenditure Reduction
- Total Economic Loss Including the Multiplier Effect

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

# Sales Tax Economics

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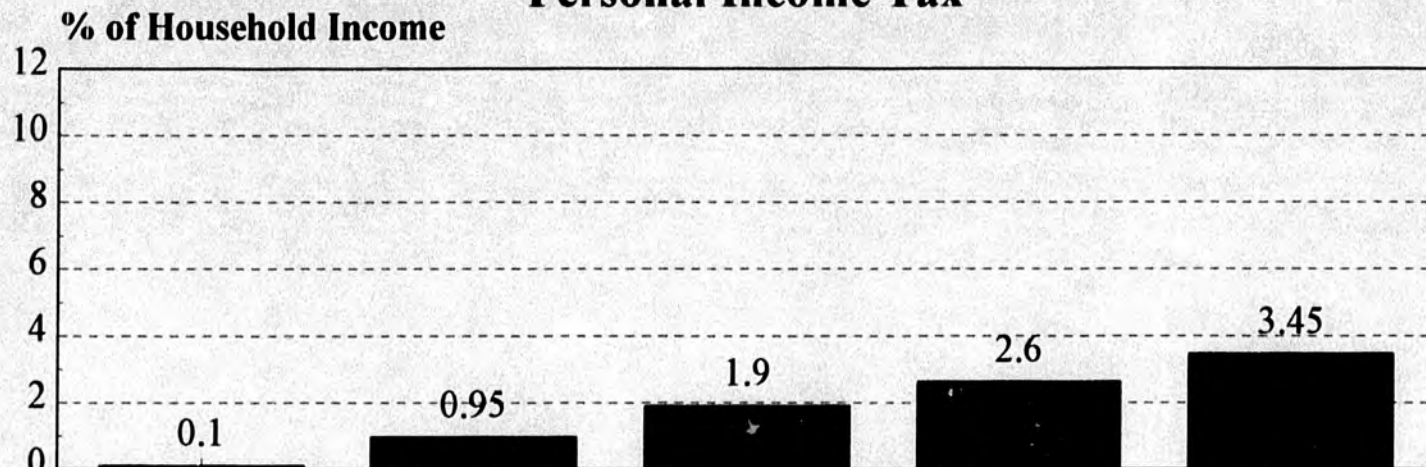
- ▶ **For a 5% sales tax raising \$300 million:**
  - \$24 million comes from non-residents
  - \$276 million in direct spending is removed from the Alaska economy
- ▶ **\$97 million in secondary spending is removed from the Alaska economy**
- ▶ **Total spending reductions of \$373 million results in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



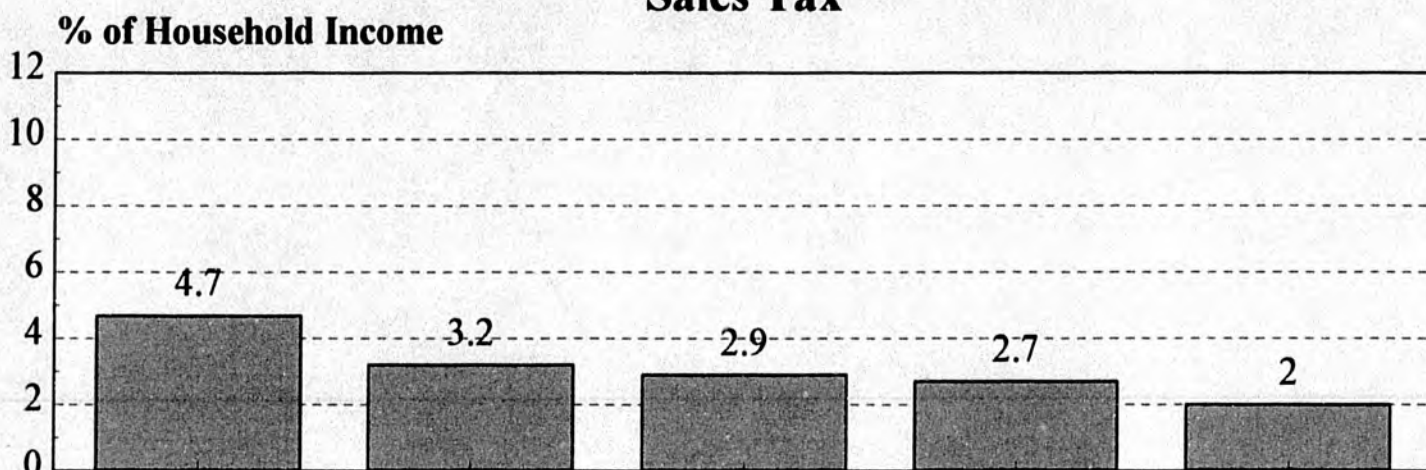


# Economic Effects: Who Pays?

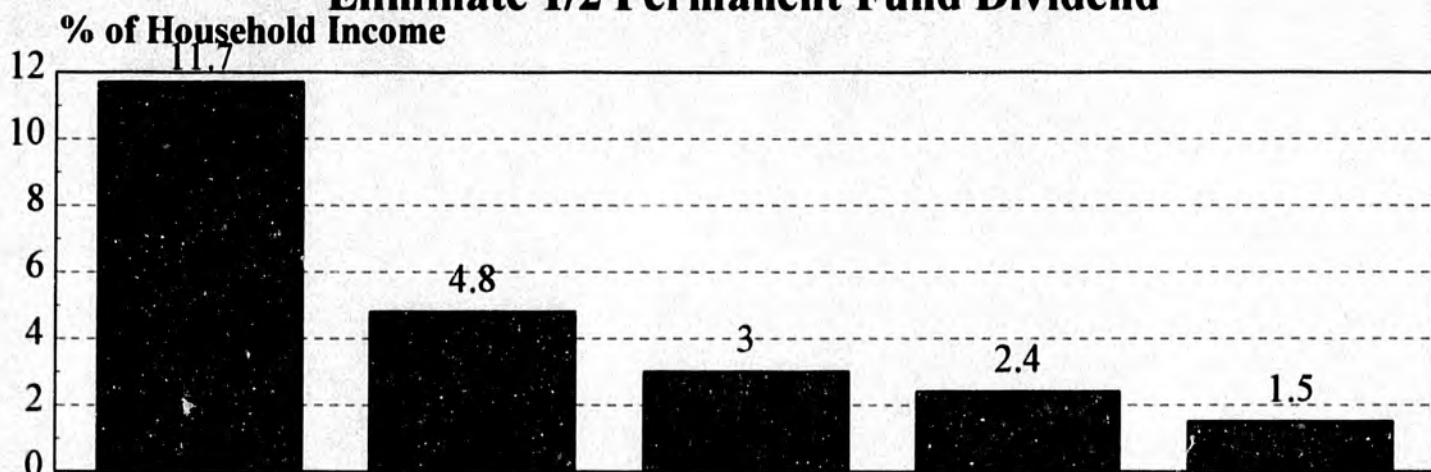
## Personal Income Tax



## Sales Tax



## Eliminate 1/2 Permanent Fund Dividend



Poorest 20% —————> Wealthiest 20%

Source: ISER Fiscal Policy Paper Number 8, December 1993; Department of Labor (NOTE: numbers are approximate)

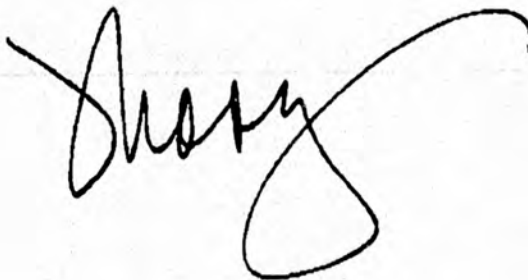
**facsimile**  
TRANSMITTAL

**to:** Melissa Aber Fouse  
**fax #:** 907-258-9869  
**re:** Position papers  
**date:** September 26, 1995  
**pages:** 6, including cover sheet.

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**MESSAGE:**

Melissa and Bob: Transmitted are 5 position papers that I would like to have distributed for discussion at our Thurs. or Fri. meeting. Thanks.



From the desk of...

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Of Counsel  
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## **UNORGANIZED BOROUGH**

**POSITION:** The legislature must act as the assembly for the unorganized borough to insure that the residents of the unorganized borough receive appropriate levels of service.

Article X, Section 6, provides as follows:

**Section 6. Unorganized Boroughs.** The legislature shall provide for the performance of services it deems necessary or advisable in unorganized boroughs, allowing for maximum local participation and responsibility. It may exercise any power or function in an unorganized borough which the assembly may exercise in an organized borough.

In the unorganized borough local government, to the extent that it functions, is delivered by city councils or other types of government within villages. No true areawide government exists, even though in many areas, villages have attempted to work together to provide services on an areawide basis. Such efforts should be recognized and encouraged. The legislature, acting as the assembly for the unorganized borough, can take the necessary action to inaugurate areawide services or improve their delivery.



### **SERVICE DISTRICTS IN THE UNORGANIZED BOROUGH**

**POSITION:** The legislature should establish service districts within the unorganized borough to carry out the mandatory powers of education, taxation and planning and zoning, and in addition should establish for service areas such other powers as may be deemed necessary and appropriate within each service district.

The Municipal Code, AS 29.03.010, provides that all areas lying outside organized boroughs constitute one unorganized borough. AS 29.03.020 provides that the legislature may establish service areas within the unorganized borough. The Local Boundary Commission completed a study about two years ago that recommended the establishment of organized boroughs throughout the unorganized borough and delineated recommended boundaries.

The legislature should establish services areas within the unorganized borough corresponding to the recommended borough boundaries. The legislature can establish service districts with specified powers (road, garbage collection, fire, etc.) in accordance with the powers granted to organized boroughs and can withhold powers from service districts if a service district cannot undertake the exercise of the power at the present time.

At the present time Rural Education Attendance Areas provide the only areawide service within the unorganized borough. The services provided are overseen by the state Department of Education, rather than a local assembly. The education services should be provided in conjunction with the other powers mandated to organized boroughs and with other powers granted to service areas. If the legislature acts as the assembly for the unorganized borough, it will have greater oversight over the quality of education services offered within the unorganized borough.

### **SALES TAX IN THE UNORGANIZED BOROUGH**

**POSITION:** The legislature, acting as the assembly for the unorganized borough, should enact an areawide sales tax to support in part the provision of services within the unorganized borough.

The Municipal Code provides that organized boroughs and cities outside organized boroughs may impose sales and property taxes to support local government. At the present time, no revenue stream exists in the unorganized borough to support the delivery of services within the unorganized borough. As long as no revenue stream exists, development of local government and the provision of services within the unorganized borough will not be encouraged and the residents of the unorganized borough will continue to have little control over the level and quality of services delivered on an areawide basis. In most parts of the unorganized borough, private, nonprofit corporations are delivering areawide services, proving that areawide services are feasible and necessary.

### **PROPERTY TAX IN THE UNORGANIZED BOROUGH**

**POSITION:** The net revenue from the state property tax on oil and gas properties should be allocated to the unorganized borough to support local, areawide government within the unorganized borough.

The Department of Community and Regional Affairs informed the Commission that levying a property tax in the rural and bush areas of the state would be costly and not likely to generate much revenue. Although property of value exists within the unorganized borough, a property tax would be expensive to implement on a local basis and could prove to be substantially inequitable as many people within the unorganized borough have elected to have their properties held under restrictive deeds, thus placing the full burden of a property tax on those people who are not eligible for such relief.

When enacted, the state property tax was intended to generate revenues to support the state as a whole. Subsequently, organized boroughs were able to levy their local property taxes against the oil and gas properties located within their respective jurisdictions. Other boroughs have been organized to take advantage of economic development that has provided property tax revenues.

Within the unorganized borough, except areas in Southeast Alaska, most areas have no economic development that can support local government services. The allocation of the net revenue from the state's property tax on oil and gas properties could substitute for the missing economic base in the unorganized borough.



## **MAXIMUM LOCAL SELF-GOVERNMENT**

**POSITION:** The legislature should transfer to all organized boroughs and service areas within the unorganized borough the following powers: police protection, including highway patrol; class 3 road maintenance; and such other services that can be more effectively and appropriately delivered at the local level.

Article X of the constitution requires that the legislature provide for maximum local self-government. At the present time, there is a mix of authority for the performance of services within the organized boroughs and within cities within the unorganized borough. Many services must be performed at a level and to a degree that may not be appropriate simply because the state agency charged with the responsibility for the service must adhere to state, rather than local, standards. Because of the wide variation in climate, topography and level of demand, services that can be devised to meet only local needs should be made the responsibility of local government. Services that must be performed on a uniform standard should also be transferred, subject to such standards.

In order to enable organized boroughs and service areas within the unorganized borough to perform transferred powers and services, the legislature must provide for sharing of revenues and revenue sources.

The commission further recommends that the legislature form a Local Government Council to review all state services that can be rendered by local government; review funding sources and needs and cooperate with both the organized boroughs and representatives within the unorganized borough to develop the statutory structure for transfer of responsibility and for funding. The commission further recommends that the council include members of the public who are not elected officials.



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907) 586-1325, Fax (907) 463-5480

To: Brian Rogers, Chair  
Long Range Financial Planning Commission

From: *Kevin* Ritchie, Executive Director

Date: September 19, 1995

Re: Your request for draft legislation making the senior/disabled veteran property tax exemption an option for municipalities

Attached are two pieces of draft legislation:

- First, one not introduced this session, but previously adopted in a similar form by one house, that makes the exemption entirely optional for each municipality. The draft bill basically moves the exemption from the mandatory to the municipal option section of the statute on property tax.
- Second, legislation introduced last session that reduces the mandatory exemption from \$150,000 to \$75,000. This is not a huge savings to municipalities since the average exemption is about \$90,000 under the program, but it provides a more realistic cap. This bill would relate to Commission discussion about a cap equal to the highest or average senior exemption nationwide.

I also attached an example of a Local Government Partnership Council from North Carolina. I believe that it is well within the role of the Commission to recommend reasonable implementation strategies to work out the details of the Commission's principles and plan. For example, the Commission's general concept of governmental roles in the provision of police services must be discussed and planned in detail before implementation.

cc. AML Board of Directors

## HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE IVAN

Introduced:

Referred:

## A BILL

## FOR AN ACT ENTITLED

1 "An Act relating to municipal property tax exemptions for certain residences; and  
2 providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 \* Section 1. AS 29.45.030(h) is amended to read:

5 (h) Nothing [EXCEPT AS PROVIDED IN (g) OF THIS SECTION,  
6 NOTHING] in (j) [(e) - (j)] of this section affects similar exemptions from property  
7 taxes granted by a municipality on September 10, 1972, or prevents a municipality  
8 from granting similar exemptions by ordinance as provided in AS 29.45.050.

9 \* Sec. 2. AS 29.45.030(k) is amended to read:

10 (k) The department shall adopt regulations to implement the provisions of [(g)  
11 AND] (j) of this section.

12 \* Sec. 3. AS 29.45 is amended by adding a new section to read:

13 Sec. 29.45.052. OPTIONAL EXEMPTION FOR CERTAIN PRIMARY  
14 RESIDENCES. (a) The real property owned and occupied as the primary residence



1 and permanent place of abode by a resident of the state who is (1) 65 years of age or  
2 older, (2) a disabled veteran, or (3) at least 60 years old and who is the widow or  
3 widower of a person who qualified for an exemption under (1) or (2) of this  
4 subsection, may by ordinance be exempted from taxation on all or part of the assessed  
5 value of the real property. The ordinance may base the exemption on hardship. Only  
6 one exemption may be granted for the same property. If two or more persons are  
7 eligible for an exemption for the same property, the exemption may not be granted  
8 unless the parties decide between or among themselves who is to receive the benefit  
9 of the exemption. Real property may not be exempted under this subsection if the  
10 local assessor determines, after notice and hearing to the parties, that the property was  
11 conveyed to the applicant primarily for the purpose of obtaining the exemption. The  
12 determination of the assessor may be appealed to the superior court under procedures  
13 set out in AS 44.62.560 - 44.62.570.

14 (b) In this section,

15 (1) "disabled veteran" means a disabled person

16 (A) separated from the military service of the United States  
17 under a condition that is not dishonorable who is a resident of the state, whose  
18 disability was incurred or aggravated in the line of duty in the military service  
19 of the United States, and whose disability has been rated as 50 percent or more  
20 by the branch of service in which that person served or by the Veterans'  
21 Administration; or

22 (B) who served in the Alaska Territorial Guard, who is a  
23 resident of the state, whose disability was incurred or aggravated in the line of  
24 duty while serving in the Alaska Territorial Guard, and whose disability has  
25 been rated as 50 percent or more;

26 (2) "real property" includes mobile homes, whether classified as real  
27 or personal property for municipal tax purposes.

28 \* Sec. 4. AS 29.45.030(a)(6), 29.45.030(e), 29.45.030(f), 29.45.030(g), 29.45.030(i), and  
29 29.45.050(i) are repealed.

30 \* Sec. 5. This Act takes effect January 1, 1996.

9-LS0685G  
Cook  
3/16/95

CS FOR HOUSE BILL NO. 185( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVE IVAN

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to exemptions from municipal property taxes for certain  
2 principal residences; relating to the determination of full and true value of taxable  
3 property in a municipality; and providing for an effective date."

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 \* Section 1. AS 14.17.140(a) is amended to read:

6 (a) To determine the amount of local effort under AS 14.17.025 and to aid the  
7 department and the legislature in planning, the Department of Community and  
8 Regional Affairs, in consultation with the assessor for each district, shall determine the  
9 full value of the taxable real and personal property in each city or borough district.  
10 If there is no local assessor or current local assessment for a district, then the  
11 Department of Community and Regional Affairs shall make the determination of full  
12 value from information available. In making the determination, the Department of  
13 Community and Regional Affairs shall be guided by AS 29.45.110. However, the  
14 value of property exempted under AS 29.45.050(i) up to \$150,000 may not be



1 included in the determination. The determination of full value shall be made by  
2 October 1 and sent by certified mail, return receipt requested, on or before that date  
3 to the president of the school board in each district. Duplicate copies shall be sent to  
4 the commissioner. The governing body of a borough or city that is a school district  
5 may obtain judicial review of the determination. The superior court may modify the  
6 determination of the Department of Community and Regional Affairs only upon a  
7 finding of abuse of discretion or upon a finding that there is no substantial evidence  
8 to support the determination.

9 \* Sec. 2. AS 29.45.030(e) is amended to read:

10 (e) The real property owned and occupied as the primary residence and  
11 permanent place of abode by a (1) resident 65 years of age or older; (2) disabled  
12 veteran; [OR] (3) resident at least 60 years old who is the widow or widower of a  
13 person who qualified for an exemption under (1) [OR (2)] of this subsection; or (4)  
14 resident at least 60 years old who is the widow or widower of a person who  
15 qualified for an exemption under (2) of this subsection, is exempt from taxation.  
16 The exemption for an individual who qualifies under (1) or (3) of this subsection  
17 is limited to the first \$75,000 of the assessed value of the real property. The  
18 exemption for an individual who qualifies under (2) or (4) of this subsection is  
19 limited to [ON] the first \$150,000 of the assessed value of the real property. A  
20 municipality may, in case of hardship and in accordance with regulations of the  
21 department, provide for exemption [BEYOND THE FIRST \$150,000] of assessed  
22 value beyond the limits set in this subsection [IN ACCORDANCE WITH  
23 REGULATIONS OF THE DEPARTMENT]. Only one exemption may be granted for  
24 the same property and, if two or more persons are eligible for an exemption for the  
25 same property, the parties shall decide between or among themselves who is to receive  
26 the benefit of the exemption. Real property may not be exempted under this  
27 subsection if the assessor determines, after notice and hearing to the parties, that the  
28 property was conveyed to the applicant primarily for the purpose of obtaining the  
29 exemption. The determination of the assessor may be appealed under AS 44.62.560 -  
30 44.62.570.

31 \* Sec. 3. AS 29.45.050(i) is amended to read:



1 (i) A municipality may by ordinance [APPROVED BY THE VOTERS]  
2 exempt from taxation the assessed value of real property that exceeds the limits set  
3 under AS 29.45.030(e) if the [\$150,000 OF REAL] property is owned by an  
4 individual who qualifies for an exemption under AS 29.45.030(e) [AND  
5 OCCUPIED AS A PERMANENT PLACE OF ABODE BY A RESIDENT WHO IS

6 (1) 65 YEARS OF AGE OR OLDER;

7 (2) A DISABLED VETERAN, INCLUDING A PERSON WHO WAS  
8 DISABLED IN THE LINE OF DUTY WHILE SERVING IN THE ALASKA  
9 TERRITORIAL GUARD; OR

10 (3) AT LEAST 60 YEARS OLD AND A WIDOW OR WIDOWER  
11 OF A PERSON WHO QUALIFIED FOR AN EXEMPTION UNDER (1) OR (2) OF  
12 THIS SUBSECTION].

13 \* Sec. 4. This Act takes effect January 1, 1996.

# State of North Carolina



JAMES B. HUNT, JR.  
GOVERNOR

## EXECUTIVE ORDER 21 LOCAL GOVERNMENT PARTNERSHIP COUNCIL

WHEREAS, units of local government are political subdivisions of the State of North Carolina and the State is obligated to provide support to these units; and

WHEREAS, the Governor recognizes the need to improve and strengthen the relationship between state, county, and municipal governments; and

WHEREAS, the Governor desires to identify and implement strategies that will enable the administration, the General Assembly and local governments to work together for the benefit of the entire State; and

WHEREAS, the Governor recognizes the current problems facing local governments and pledges to work in cooperation with local officials to find appropriate solutions; and

WHEREAS, the Governor appreciates the vital role that local governments can and should play in the future growth and development of the entire state; and

WHEREAS, the Governor encourages local officials to join hands with state government officials and the state legislature to provide a brighter future for all North Carolinians;

NOW, THEREFORE, by the power vested in me as Governor by the laws and Constitution of the State of North Carolina, IT IS ORDERED:

### Section 1. Establishment and Members.

There is hereby established the North Carolina Local Government Partnership Council ("Council") consisting of eighteen members. The Council shall be composed as follows:

- (a) three members representing county governments selected by the Governor from a listing of qualified persons submitted by the North Carolina Association of County Commissioners;

NC OFF OF THE GOVERNOR Fax:919-733-2120

Sep 5 '95

15:44

P.00/03

- (b) three members representing municipal governments selected by the Governor from a listing of qualified persons submitted by the North Carolina League of Municipalities;
- (c) four at-large members appointed by the Governor;
- (d) two members of the North Carolina Senate appointed by the President Pro Tempore of the Senate;
- (e) two members of the North Carolina House of Representatives appointed by the Speaker of the House;
- (f) the Secretary of the Department of Environment, Health and Natural Resources or his designee;
- (g) the Secretary of the Department of Transportation or his designee;
- (h) the Secretary of the Department of Human Resources or his designee; and
- (i) the Lieutenant Governor, or his designee.

The Executive Director of the North Carolina Association of County Commissioners and the Executive Director of the North Carolina League of Municipalities are invited to serve and the Governor's Director of Intergovernmental Relations shall serve as ex-officio members of the Council.

## Section 2. Chair and Terms.

The Lieutenant Governor shall serve as Chair of the Council. The Vice Chair of the Council shall be a municipal or county official selected by the Governor. Annually, after the first Vice-Chair is selected, the office shall rotate between officials representing municipalities and counties. Appointees shall serve two-year terms, with no appointed members serving more than two complete, consecutive terms on the Council. Members designated by their office shall serve terms for the duration of that office.

The Council shall meet at least three times per year and may hold special meetings at the call of the Chair or of the Governor.

## Section 3. Purpose.

The purpose of the Council shall be to advise the Governor, his Cabinet, other state agencies, local governments, and the general public about programs, policies, and practices affecting local governments in North Carolina. To accomplish this purpose, the Council may:

- (a) identify opportunities for state-local cooperation;
- (b) review proposed programs and policies;
- (c) offer recommendations;
- (d) advocate on behalf of local governments;
- (e) assist the Governor's Office of Intergovernmental Relations in matters related to state-local relations;
- (f) undertake any studies or actions requested of the Council by the Governor;
- (g) recommend to the Governor actions affecting state-local relations which will benefit local governments throughout the state;



- (h) meet with the Advisory Budget Commission during that Commission's examination of state budget needs; and
- (i) advise the Advisory Budget Commission of local government concerns related to the state budget.

**Section 4. Administration.**

The Council shall be located in the office of the Governor. Administrative support and staff for the Council shall be provided by the Governor's Office of Intergovernmental Relations. It is the responsibility of each cabinet department head to advise the Council of their proposed policies and plans. The elected heads of the Council of State departments may, and are hereby invited to, join in the effort represented by this Order. All services of the Council available to the Governor under this Order shall be available to each of the heads of the aforesaid departments so electing to participate.

The members of the Council shall receive reasonable travel and subsistence expenses in accordance with state law.

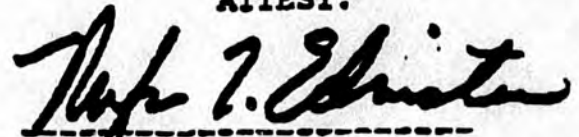
This order shall be effective immediately.

Done in Raleigh, North Carolina, this 12th day of  
August, 1993.



  
James B. Hunt, Jr.  
Governor

ATTEST:

  
Rufus L. Edmisten  
Secretary of State

THOMAS K. WILLIAMS  
3511 Amber Bay Loop  
Anchorage, AK 99515  
September 22, 1995

Mr. Brian Rogers, Chair  
Alaska Long-Range Financial Planning Commission  
716 West 4th Avenue, Suite 420  
Anchorage, AK 99501

Re: Supplemental Analysis of Endowment Plan

Dear Chairman Rogers:

Last week I submitted to the Commission an analysis<sup>1</sup> of a plan based on that proposed by Roger Cremo to use the Permanent Fund as a permanent endowment to help bring the state's budget into long-term balance. I am grateful to you and the other members of the Commission who have taken the time to review my report.

Enclosed are a number of further, or supplemental, cases analyzing the "Endowment Plan"<sup>2</sup> in response to your request that I examine it under various circumstances that would make it easier for the Plan to succeed. These circumstances include: (1) updating the Permanent Fund balance to reflect its earnings performance in FY 1995, which was above 3% real, (2) factoring in some \$3 billion in principal and earnings for money in the Constitutional Budget Reserve Fund and the Permanent Fund Earnings Reserve Account, which would be deposited into the Permanent Fund at the start of FY 1998 if the Endowment Plan were adopted, and (3) examining the Plan using real earnings rates for the Permanent Fund that are greater than the 3% real rate which the Fund has had as its long-range sustainable earnings target. The conclusions of this further analysis are summarized on the next page.

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<sup>1</sup> Williams, T.K., *Tough Medicine: An Analysis of the "Cremo Plan" to See under What Circumstances it can Succeed* (September 15, 1995).

<sup>2</sup> In *Tough Medicine*, I referred to the plan as the "Cremo Plan." However, Mr. Cremo has added to his original plan a number of incidental features, such as making the Permanent Fund a separate branch of the state government, which are unrelated to his basic idea about using the Permanent Fund. Some of those additional features may be controversial in themselves and distract attention away from the basic idea regarding the Permanent Fund. In order to distinguish the plain idea about the Permanent Fund from the more elaborate proposal now being advocated by Mr. Cremo, I refer to the original approach as the "Endowment Plan" in this supplemental report. In so omitting Mr. Cremo's name, I have no intention to diminish in any way the contribution which he has made through his seminal idea about using the Permanent Fund to help bring the state budget into long-term balance.

## CONCLUSIONS

There are five basic fiscal measures available to the state to tackle its looming fiscal gap. These measures are —

- A. Spending cuts in the state operating budget (limited by political considerations to 25% in the aggregate in real per-capita terms, and to no faster than 4% a year in real per-capita terms for non-education spending and 2% for education)
- B. Reimpose the personal income tax (limited by political considerations to no more than 1.5 times the old rates for individual tax brackets)
- C. Enact a state sales tax (limited by political considerations to no more than 6%)
- D. Limit or eliminate Permanent Fund Dividends
- E. Stimulate economic development, represented in particular by assuming the completion of a North Slope Gas Pipeline by the start of FY 2005.

**Any of these measures individually, and any combination of them, can be made to show a "successful" outcome** (i.e., the percentage of the Permanent Fund being withdrawn to balance the budget in FY 2010 equals the Fund's sustainable real earnings rate), **if one assumes a high enough Permanent Fund earnings rate**, as the following table shows (*italics indicate a combination that was also successful in my original report*):

| <u>Case</u> | <u>Measure(s)<br/>Taken</u> | <u>Real Earnings Rate<br/>Needed for Success</u> |
|-------------|-----------------------------|--------------------------------------------------|
| S01         | A                           | 17.66%                                           |
| S02         | B                           | 13.16                                            |
| S03         | C                           | 21.56                                            |
| S04         | D                           | 10.82                                            |
| S05         | E                           | 27.99                                            |
| S06         | A,B                         | 7.26                                             |
| S07         | A,C                         | 14.88                                            |
| S08         | A,D                         | 8.05                                             |
| S09         | A,E                         | 20.20                                            |
| S10         | B,C                         | 10.71                                            |
| S11         | B,D                         | 6.13                                             |
| S12         | B,E                         | 13.11                                            |
| S13         | C,D                         | 9.62                                             |
| S14         | C,E                         | 24.51                                            |
| S15         | D,E                         | 10.78                                            |



| <u>Case</u> | <u>Measure(s)<br/>Taken</u> | <u>Real Earnings Rate<br/>Needed for Success</u> |
|-------------|-----------------------------|--------------------------------------------------|
| S16         | A,B,C                       | 5.00%                                            |
| S17         | A,B,D                       | 3.45                                             |
| S18         | A,B,E                       | 6.27                                             |
| S19         | A,C,D                       | 6.88                                             |
| S20         | A,C,E                       | 17.14                                            |
| S21         | A,D,E                       | 9.11                                             |
| S22         | B,C,D                       | 5.04                                             |
| S23         | B,C,E                       | 10.34                                            |
| S24         | B,D,E                       | 6.12                                             |
| S25         | C,D,E                       | 10.78                                            |
| S26         | A,B,C,D                     | 2.39                                             |
| S27         | A,B,C,E                     | 3.62                                             |
| S28         | A,B,D,E                     | 2.98                                             |
| S29         | A,C,D,E                     | 7.86                                             |
| S30         | B,C,D,E                     | 4.87                                             |
| S31         | A,B,C,D,E                   | 1.73                                             |

As one can see from this table, the changes in assumptions about the amount of money in the Permanent Fund in FY 1998 do not materially alter the original list of successful combinations in *Tough Medicine*. Only the combination in Case S17 —namely, spending cuts, the income tax, and a state sales tax — appears likely to be added to the list. This is so even if one raises the assumption about the Permanent Fund's sustainable real earnings rate to 4% as the Fund Trustees are considering.

It therefore remains true that an Endowment Plan will work only if there is a combination of spending cuts, an income tax, and a repeal of the Permanent Fund Dividends. If a state sales tax is added to the combination, then the cuts could be a little slower in real per-capita terms, or the income tax rates could be a little lower, or PFDs could continue at a fraction of their current level. If the state were to raise user fees so as to generate an additional \$300 million (real) a year, then either the new income tax could be at about the old rates (instead of 1.5 times them), or the sales tax could be jettisoned, or more could be paid out in PFDs. **But in no case is it possible to get a successful outcome without substantial spending cuts**, unless one assumes an unrealistic earnings rate for the Permanent Fund and risks destroying the Fund when the assumption proves too high.

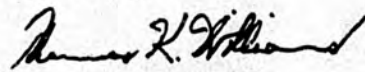
I would emphasize to the Committee the danger in assuming a Permanent Fund earnings rate that is too high to be sustained. A difference of a percentage point or two in this rate may not sound like much, but it will mean the difference between the survival of the Permanent Fund and its destruction if an Endowment Plan is imple-

mented and the transitional and permanent withdrawal percentages as fixed in the Constitution are too high. I still believe that 3% is as high as the permanent percentage can prudently be set.<sup>3</sup>

Case S01 is presented in full in the enclosed material. However, since there is little change in the final three pages from one case to the next, only the first two pages are presented for Cases S02 - S31 in order to cut down on the volume of this supplement.

Thank you again for this opportunity to supplement my earlier report. I wish you and the Commission all the best as you strive for consensus in fashioning a feasible plan.

Very truly yours,



Thomas K. Williams

TKW:lm

Enclosure

cc: Commission Members (w/ enclosure)

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<sup>3</sup> The Permanent Fund Trustees have received information suggesting that a portfolio of 60% equities (stocks) and 40% debt (bonds) would have yielded a real annual return of more than 4% during the 70 years from 1925-94. This is despite the stock market crash of 1929. However, the returns over this period are materially helped by the high interest rates of the 1980s, when real rates reached heights never before approached in the United States. If one looks at the 1925-74 or 1925-80 investment periods, for example, the real returns from such a portfolio would be notably less. The point is, good research can find the right investment period to support an expectation that real returns can exceed 3% on a sustained basis. But, to be truly sustainable, a higher rate must be shown by the research to have been sustainable over the great majority of historical investment periods 50 years or longer. If this cannot be shown, then there are some combinations of historical economic patterns for which it is known that 4% will not be realized, and it is the risk of such combinations happening again that will jeopardize the Permanent Fund when its fate depends on the 4% being realized on a sustainable basis. The research received by the Trustees does not make such a showing.

# **TOUGH MEDICINE**

**AN ANALYSIS OF THE "ENDOWMENT PLAN"  
TO SEE UNDER WHAT CIRCUMSTANCES  
IT CAN SUCCEED**

## **SUPPLEMENTAL CASES**

**By Thomas K. Williams**

**Submitted to the  
Alaska Long-Range Financial Planning Commission**

**September 22, 1995**



# CASE S01, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund Principal at FY Start | Perm. Fund Earnings during FY | 100% of Royalty Revenues | 100% of Rentals & Shared Fed'l Resource Rev. | 100% of Bonuses | Prod'n Tax | AS 43.56 State Share | Oil & Gas Corporate Income Tax | Collections from Prior Years | Gas Pipeline | ANWR | Lift Oil Export Ban | Total Petroleum Revenues |
|------|----------------------------------|-------------------------------|--------------------------|----------------------------------------------|-----------------|------------|----------------------|--------------------------------|------------------------------|--------------|------|---------------------|--------------------------|
| 1998 | 18,730.68                        | 3,094.93                      | 818.19                   | 13.52                                        | 0.00            | 695.39     | 41.82                | 76.36                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,658.68                 |
| 1999 | 19,414.37                        | 3,213.01                      | 841.76                   | 12.45                                        | 0.00            | 670.52     | 37.17                | 72.28                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,647.59                 |
| 2000 | 20,186.09                        | 3,343.77                      | 831.16                   | 11.47                                        | 0.00            | 656.27     | 33.28                | 67.55                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,613.14                 |
| 2001 | 21,025.91                        | 3,485.49                      | 807.73                   | 10.56                                        | 0.00            | 649.71     | 29.58                | 63.05                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,574.02                 |
| 2002 | 21,932.83                        | 3,635.04                      | 776.10                   | 9.72                                         | 0.00            | 625.53     | 26.48                | 58.75                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,496.58                 |
| 2003 | 22,869.17                        | 3,785.26                      | 746.79                   | 8.95                                         | 0.00            | 596.69     | 23.69                | 56.18                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,432.30                 |
| 2004 | 23,784.28                        | 3,932.30                      | 721.12                   | 8.24                                         | 0.00            | 572.48     | 21.05                | 52.98                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,375.87                 |
| 2005 | 24,681.41                        | 4,075.88                      | 693.26                   | 7.59                                         | 0.00            | 545.50     | 18.76                | 49.92                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,315.03                 |
| 2006 | 25,553.98                        | 4,212.87                      | 653.79                   | 6.98                                         | 0.00            | 502.21     | 16.66                | 47.00                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,226.64                 |
| 2007 | 26,369.74                        | 4,340.81                      | 617.29                   | 6.43                                         | 0.00            | 462.55     | 14.80                | 43.54                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,144.62                 |
| 2008 | 27,130.88                        | 4,463.55                      | 623.52                   | 5.92                                         | 0.00            | 436.16     | 13.24                | 40.25                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,119.10                 |
| 2009 | 27,882.51                        | 4,580.33                      | 589.02                   | 5.45                                         | 0.00            | 404.91     | 11.77                | 37.12                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,048.26                 |
| 2010 | 28,570.24                        | 4,686.56                      | 554.64                   | 5.02                                         | 0.00            | 374.92     | 10.37                | 35.37                          | 0.00                         | 0.00         | 0.00 | 0.00                | 980.32                   |

| FY   | Non-Petrol. Non-Intr'st Revenues | AHFC Dividends | Personal Income Tax | State Sales Tax | Other | Total Non-Resource Revenues | STATE SPENDING   |                 |          |         |          | DRAW FROM PERMANENT FUND | Draw as %age of Perm. Fund |
|------|----------------------------------|----------------|---------------------|-----------------|-------|-----------------------------|------------------|-----------------|----------|---------|----------|--------------------------|----------------------------|
|      |                                  |                |                     |                 |       |                             | Education (K-12) | Other Operating | PFDs     | Capital | TOTAL    |                          |                            |
| 1998 | 242.16                           | 44.39          | 0.00                | 0.00            | 0.00  | 286.55                      | 733.54           | 1,736.31        | 1,736.61 | 150.00  | 4,356.46 | 4,069.91                 | 21.73%                     |
| 1999 | 241.75                           | 43.03          | 0.00                | 0.00            | 0.00  | 284.78                      | 730.30           | 1,693.36        | 1,800.00 | 150.00  | 4,373.66 | 4,088.88                 | 21.06%                     |
| 2000 | 241.32                           | 41.70          | 0.00                | 0.00            | 0.00  | 283.02                      | 727.07           | 1,651.47        | 1,871.55 | 150.00  | 4,400.09 | 4,117.08                 | 20.40%                     |
| 2001 | 240.90                           | 40.41          | 0.00                | 0.00            | 0.00  | 281.31                      | 723.86           | 1,610.62        | 1,949.42 | 150.00  | 4,433.90 | 4,152.59                 | 19.75%                     |
| 2002 | 240.48                           | 39.17          | 0.00                | 0.00            | 0.00  | 279.65                      | 720.66           | 1,570.78        | 2,033.50 | 150.00  | 4,474.94 | 4,195.29                 | 19.13%                     |
| 2003 | 240.06                           | 37.96          | 0.00                | 0.00            | 0.00  | 278.02                      | 717.48           | 1,592.68        | 2,120.32 | 150.00  | 4,580.48 | 4,302.45                 | 18.81%                     |
| 2004 | 239.64                           | 36.79          | 0.00                | 0.00            | 0.00  | 276.43                      | 714.31           | 1,618.00        | 2,205.16 | 150.00  | 4,687.47 | 4,411.04                 | 18.55%                     |
| 2005 | 239.22                           | 35.66          | 0.00                | 0.00            | 0.00  | 274.88                      | 711.15           | 1,643.73        | 2,288.34 | 150.00  | 4,793.22 | 4,518.34                 | 18.31%                     |
| 2006 | 238.80                           | 34.56          | 0.00                | 0.00            | 0.00  | 273.36                      | 708.01           | 1,669.87        | 2,369.24 | 150.00  | 4,897.12 | 4,623.75                 | 18.09%                     |
| 2007 | 238.39                           | 33.49          | 0.00                | 0.00            | 0.00  | 271.88                      | 704.88           | 1,696.42        | 2,444.87 | 150.00  | 4,996.17 | 4,724.29                 | 17.92%                     |
| 2008 | 237.98                           | 32.46          | 0.00                | 0.00            | 0.00  | 270.44                      | 712.63           | 1,723.39        | 2,515.44 | 150.00  | 5,101.46 | 4,831.02                 | 17.81%                     |
| 2009 | 237.56                           | 31.46          | 0.00                | 0.00            | 0.00  | 269.02                      | 723.96           | 1,750.79        | 2,585.13 | 150.00  | 5,209.88 | 4,940.86                 | 17.72%                     |
| 2010 | 237.15                           | 30.49          | 0.00                | 0.00            | 0.00  | 267.64                      | 735.47           | 1,778.63        | 2,648.89 | 150.00  | 5,312.99 | 5,045.36                 | 17.66%                     |

# CASE S01, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995

\$14,100 MM

Permanent Fund: Sustainable Long-Term Real Earnings Rate

17.66%

Other Cash Reserves at Start of FY98 to Put into Perm. Fund

\$4,002

Drawdown Limited under Transition Rule? 1=Y, 0=N

0

| FY | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----|------|------|------|------|------|------|------|------|------|------|------|
|----|------|------|------|------|------|------|------|------|------|------|------|

Limit

| FY | 2009 | 2010 |
|----|------|------|
|----|------|------|

Limit

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N

1

What %-age of Fund's Real Earnings Goes for PFDs?

52.50%

Will PFDs be Capped? 1=Y, 0=N

0

If so, what?

\$200 (nominal) per capita

### Population

Population as of 1/1/95 (mid-point of FY 1995)

611,089 <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease)

1.59%

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N

0

State Income Tax Rates

1 times old rates

Real Inc. Tax Collected/Yr per Capita @ Old Rates

\$809

SOURCE: See calc. below==>

\$494.62 MM/yr (real)

State Sales Tax Adopted? 1=Y, 0=N

0

State Sales Tax Rate

6.00%

Real Sales Tax Collected/Yr per Capita @ Given Rate

\$410

SOURCE: ALRFPC Prelim.Rpt.

\$58.00 MM/yr (real) for 1% tax

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12

\$1,267

FY 1996 Actual=====

\$774 MM (real)

Growth in Real Per Capita Education OpEx

-2.00%

Floor on Real Education OpEx Per Capita? 1=Y, 0=N

1

If so, what?

\$950 (real) per capita

FY 95 Real Per Capita State OpEx - Non-Education

\$3,063

Based on FY 1996 TOTAL==>

\$1,872 MM (real) (fig. incl. K-12 grants)

Growth in Real Per Capita Non-Education OpEx

-4.00%

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N

1

If so, what?

\$2,297 (real) per capita

Real Per Capita State CapEx

\$245

\$150 MM/Yr (real)

Growth in Real Per Capita CapEx

0.00%

Floor on Real CapEx Per Capita? 1=Y, 0=N

0

If so, what?

(real) per capita

### Natural Gas Pipeline Built? 1=Y, 0=N

0

Pipeline Cost

\$15 billion (real)

Completion Date: Choices are 2000, 2003, 2005, 2008

2005

Peak Population Effect during Construction

40,000

%-age of Construction Population Staying Long-Term

15% DOR "low"

30% DOR "mid"

40% DOR "high"

Wellhead Gas Price

\$1.00 /Mcf (real)

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |

# CASE S01, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

REAL \$

|      | 100% of Royalty Revenues |            |          | Rentals, Bonuses & Shared Fed'l \$\$ |            |          | Production Tax |            |          | State's AS 43.56 Share |            |          |
|------|--------------------------|------------|----------|--------------------------------------|------------|----------|----------------|------------|----------|------------------------|------------|----------|
|      | DOR Low                  | DOR Medium | DOR High | DOR Low                              | DOR Medium | DOR High | DOR Low        | DOR Medium | DOR High | DOR Low                | DOR Medium | DOR High |
| 1998 | 670.28                   | 818.19     | 946.22   | 13.98                                | 13.52      | 12.88    | 570.95         | 695.39     | 807.30   | 43.24                  | 41.82      | 39.82    |
| 1999 | 670.09                   | 841.76     | 1,003.01 | 13.02                                | 12.45      | 11.69    | 525.10         | 670.52     | 809.89   | 38.86                  | 37.17      | 34.91    |
| 2000 | 630.60                   | 831.16     | 1,050.11 | 12.12                                | 11.47      | 10.62    | 487.58         | 656.27     | 827.80   | 35.16                  | 33.28      | 30.81    |
| 2001 | 585.66                   | 807.73     | 1,059.37 | 11.26                                | 10.56      | 9.63     | 459.88         | 649.71     | 846.53   | 31.56                  | 29.58      | 26.99    |
| 2002 | 549.47                   | 776.10     | 1,032.35 | 10.47                                | 9.72       | 8.74     | 432.81         | 625.53     | 819.16   | 28.51                  | 26.48      | 23.81    |
| 2003 | 516.38                   | 746.79     | 1,007.03 | 9.73                                 | 8.95       | 7.93     | 407.11         | 596.69     | 787.49   | 25.75                  | 23.69      | 20.99    |
| 2004 | 485.67                   | 721.12     | 979.08   | 9.04                                 | 8.24       | 7.19     | 384.18         | 572.48     | 754.70   | 23.09                  | 21.05      | 18.37    |
| 2005 | 452.58                   | 693.26     | 944.30   | 8.41                                 | 7.59       | 6.53     | 359.68         | 545.50     | 718.86   | 20.78                  | 18.76      | 16.13    |
| 2006 | 410.64                   | 653.79     | 894.50   | 7.81                                 | 6.98       | 5.92     | 322.61         | 502.21     | 665.78   | 18.63                  | 16.66      | 14.12    |
| 2007 | 372.87                   | 617.29     | 840.90   | 7.26                                 | 6.43       | 5.37     | 289.16         | 462.55     | 617.42   | 16.71                  | 14.80      | 12.37    |
| 2008 | 342.62                   | 623.52     | 793.08   | 6.75                                 | 5.92       | 4.87     | 262.94         | 436.16     | 577.74   | 15.09                  | 13.24      | 10.90    |
| 2009 | 312.48                   | 589.02     | 739.80   | 6.27                                 | 5.45       | 4.42     | 236.55         | 404.91     | 537.46   | 13.54                  | 11.77      | 9.54     |
| 2010 | 289.93                   | 554.64     | 691.85   | 5.83                                 | 5.02       | 4.01     | 216.00         | 374.92     | 500.13   | 12.04                  | 10.37      | 8.29     |

|      | Oil & Gas Corp. Inc. Tax |            |          | Non-Petr. Non-Interest Rev. |            |          |
|------|--------------------------|------------|----------|-----------------------------|------------|----------|
|      | DOR Low                  | DOR Medium | DOR High | DOR Low                     | DOR Medium | DOR High |
| 1998 |                          |            |          |                             |            |          |
| 1999 |                          |            |          |                             |            |          |
| 2000 | 54.17                    | 76.36      | 114.99   | 232.32                      | 242.16     | 246.28   |
| 2001 | 51.27                    | 72.28      | 105.85   | 234.43                      | 241.75     | 242.42   |
| 2002 | 49.35                    | 67.55      | 99.61    | 236.57                      | 241.32     | 238.62   |
| 2003 | 46.56                    | 63.05      | 92.18    | 238.40                      | 240.90     | 234.73   |
| 2004 | 43.02                    | 58.75      | 87.33    | 240.24                      | 240.48     | 230.89   |
| 2005 | 40.44                    | 56.18      | 81.39    | 242.10                      | 240.06     | 227.13   |
| 2006 | 37.14                    | 52.98      | 76.44    | 243.97                      | 239.64     | 223.42   |
| 2007 | 33.18                    | 49.92      | 70.55    | 245.86                      | 239.22     | 219.77   |
| 2008 | 30.14                    | 47.00      | 65.03    | 247.76                      | 238.80     | 216.18   |
| 2009 | 27.98                    | 43.54      | 60.43    | 249.67                      | 238.39     | 212.65   |
| 2010 | 26.63                    | 40.25      | 56.11    | 251.60                      | 237.98     | 209.18   |
|      | 23.89                    | 37.12      | 52.56    | 253.55                      | 237.56     | 205.76   |
|      | 21.95                    | 35.37      | 48.25    | 255.51                      | 237.15     | 202.40   |



# CASE S01, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## NOMINAL \$

|      | 100% of Royalty Revenues |            |          | Rentals & Shared Fed'l \$\$ |            |          | Production Tax |            |          | State's AS 43.56 Share |            |          |
|------|--------------------------|------------|----------|-----------------------------|------------|----------|----------------|------------|----------|------------------------|------------|----------|
|      | DOR Low                  | DOR Medium | DOR High | DOR Low                     | DOR Medium | DOR High | DOR Low        | DOR Medium | DOR High | DOR Low                | DOR Medium | DOR High |
| 1995 |                          |            |          |                             |            |          |                |            |          |                        |            |          |
| 1996 |                          |            |          |                             |            |          |                |            |          |                        |            |          |
| 1997 |                          |            |          |                             |            |          |                |            |          |                        |            |          |
| 1998 | 730.10                   | 921.50     | 1,119.10 | 15.23                       | 15.23      | 15.23    | 621.90         | 783.20     | 954.80   | 47.10                  | 47.10      | 47.10    |
| 1999 | 745.00                   | 978.20     | 1,241.30 | 14.47                       | 14.47      | 14.47    | 583.80         | 779.20     | 1,002.30 | 43.20                  | 43.20      | 43.20    |
| 2000 | 715.60                   | 996.60     | 1,359.90 | 13.75                       | 13.75      | 13.75    | 553.30         | 786.90     | 1,072.00 | 39.90                  | 39.90      | 39.90    |
| 2001 | 679.30                   | 999.30     | 1,436.50 | 13.06                       | 13.06      | 13.06    | 533.40         | 803.80     | 1,147.90 | 36.60                  | 36.60      | 36.60    |
| 2002 | 651.40                   | 990.70     | 1,465.80 | 12.41                       | 12.41      | 12.41    | 513.10         | 798.50     | 1,163.10 | 33.80                  | 33.80      | 33.80    |
| 2003 | 625.70                   | 983.60     | 1,497.20 | 11.79                       | 11.79      | 11.79    | 493.30         | 785.90     | 1,170.80 | 31.20                  | 31.20      | 31.20    |
| 2004 | 601.50                   | 980.00     | 1,524.20 | 11.20                       | 11.20      | 11.20    | 475.80         | 778.00     | 1,174.90 | 28.60                  | 28.60      | 28.60    |
| 2005 | 572.90                   | 972.10     | 1,539.30 | 10.64                       | 10.64      | 10.64    | 455.30         | 764.90     | 1,171.80 | 26.30                  | 26.30      | 26.30    |
| 2006 | 531.30                   | 945.90     | 1,526.80 | 10.10                       | 10.10      | 10.10    | 417.40         | 726.60     | 1,136.40 | 24.10                  | 24.10      | 24.10    |
| 2007 | 493.10                   | 921.50     | 1,502.90 | 9.60                        | 9.60       | 9.60     | 382.40         | 690.50     | 1,103.50 | 22.10                  | 22.10      | 22.10    |
| 2008 | 463.10                   | 960.40     | 1,484.20 | 9.12                        | 9.12       | 9.12     | 355.40         | 671.80     | 1,081.20 | 20.40                  | 20.40      | 20.40    |
| 2009 | 431.70                   | 936.10     | 1,449.70 | 8.66                        | 8.66       | 8.66     | 326.80         | 643.50     | 1,053.20 | 18.70                  | 18.70      | 18.70    |
| 2010 | 409.40                   | 909.50     | 1,419.60 | 8.23                        | 8.23       | 8.23     | 305.00         | 614.80     | 1,026.20 | 17.00                  | 17.00      | 17.00    |

|      | Oil & Gas Corp. Inc. Tax |            |          | Non-Petr. Non-Interest Rev.<br>(Corp.Inc.Tax Adj'd if Rate ≠ Old One) |            |          | INFLATION |            |          | Deflation Factors |            |            | Population |
|------|--------------------------|------------|----------|-----------------------------------------------------------------------|------------|----------|-----------|------------|----------|-------------------|------------|------------|------------|
|      | DOR Low                  | DOR Medium | DOR High | DOR Low                                                               | DOR Medium | DOR High | DOR Low   | DOR Medium | DOR High | DOR Low           | DOR Medium | DOR High   |            |
| 1995 |                          |            |          |                                                                       |            |          | 2.29%     | 2.91%      | 3.64%    | 0.97761267        | 0.97172286 | 0.96487843 | 611,089    |
| 1996 |                          |            |          |                                                                       |            |          | 2.14%     | 2.99%      | 4.43%    | 0.95713009        | 0.94351186 | 0.92394755 | 620,805    |
| 1997 |                          |            |          |                                                                       |            |          | 2.14%     | 2.99%      | 4.43%    | 0.93707665        | 0.91611988 | 0.88475299 | 630,676    |
| 1998 | 59.00                    | 86.00      | 136.00   | 253.05                                                                | 272.74     | 291.28   | 2.07%     | 3.18%      | 4.64%    | 0.91807254        | 0.88788513 | 0.84552083 | 640,704    |
| 1999 | 57.00                    | 84.00      | 131.00   | 260.64                                                                | 280.93     | 300.02   | 2.07%     | 3.18%      | 4.64%    | 0.89945385        | 0.86052057 | 0.80802831 | 650,891    |
| 2000 | 56.00                    | 81.00      | 129.00   | 268.46                                                                | 289.35     | 309.02   | 2.07%     | 3.18%      | 4.64%    | 0.88121275        | 0.83399939 | 0.77219831 | 661,240    |
| 2001 | 54.00                    | 78.00      | 125.00   | 276.52                                                                | 298.03     | 318.29   | 2.21%     | 3.18%      | 4.71%    | 0.86215903        | 0.80829559 | 0.73746377 | 671,754    |
| 2002 | 51.00                    | 75.00      | 124.00   | 284.81                                                                | 306.98     | 327.84   | 2.21%     | 3.18%      | 4.71%    | 0.8435173         | 0.78338398 | 0.70429163 | 682,435    |
| 2003 | 49.00                    | 74.00      | 121.00   | 293.35                                                                | 316.19     | 337.68   | 2.21%     | 3.18%      | 4.71%    | 0.82527864        | 0.75924015 | 0.67261162 | 693,286    |
| 2004 | 46.00                    | 72.00      | 119.00   | 302.16                                                                | 325.67     | 347.81   | 2.21%     | 3.18%      | 4.71%    | 0.80743434        | 0.73584042 | 0.64235663 | 704,309    |
| 2005 | 42.00                    | 70.00      | 115.00   | 311.22                                                                | 335.44     | 358.24   | 2.21%     | 3.18%      | 4.71%    | 0.78997587        | 0.71316187 | 0.61346254 | 715,508    |
| 2006 | 39.00                    | 68.00      | 111.00   | 320.56                                                                | 345.50     | 368.99   | 2.21%     | 3.18%      | 4.71%    | 0.7728949         | 0.69118228 | 0.58586815 | 726,885    |
| 2007 | 37.00                    | 65.00      | 108.00   | 330.17                                                                | 355.87     | 380.06   | 2.21%     | 3.18%      | 4.71%    | 0.75618325        | 0.66988009 | 0.55951499 | 738,442    |
| 2008 | 36.00                    | 62.00      | 105.00   | 340.08                                                                | 366.55     | 391.46   | 2.21%     | 3.18%      | 4.71%    | 0.73983294        | 0.64923444 | 0.53434724 | 750,183    |
| 2009 | 33.00                    | 59.00      | 103.00   | 350.28                                                                | 377.54     | 403.21   | 2.21%     | 3.18%      | 4.71%    | 0.72383616        | 0.62922508 | 0.51031156 | 762,111    |
| 2010 | 31.00                    | 58.00      | 99.00    | 360.79                                                                | 388.87     | 415.30   | 2.21%     | 3.18%      | 4.71%    | 0.70818527        | 0.60983241 | 0.48735705 | 774,229    |

# CASE S01, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

NOMINAL \$

786,539

|      | Permanent Fund Deposits |            |          | Permanent Fund Dividends |            |          | Non-Petro. Corp. Inc. Tax<br>(no adj for rate > old rate) |            |          | Non-Petr. Non-Interest Rev. |            |          |
|------|-------------------------|------------|----------|--------------------------|------------|----------|-----------------------------------------------------------|------------|----------|-----------------------------|------------|----------|
|      | DOR Low                 | DOR Medium | DOR High | DOR Low                  | DOR Medium | DOR High | DOR Low                                                   | DOR Medium | DOR High | DOR Low                     | DOR Medium | DOR High |
| 1995 | 215.15                  | 222.55     | 227.34   |                          |            |          | 35.00                                                     | 45.00      | 55.00    |                             |            |          |
| 1996 | 193.51                  | 216.76     | 244.26   |                          |            |          | 30.00                                                     | 45.00      | 55.00    |                             |            |          |
| 1997 | 193.78                  | 226.65     | 259.67   |                          |            |          | 30.00                                                     | 40.00      | 50.00    |                             |            |          |
| 1998 |                         |            |          | 1,736.61                 | 1,736.61   | 1,736.61 | 30.90                                                     | 41.20      | 51.50    | 253.05                      | 272.74     | 291.28   |
| 1999 |                         |            |          | 1,800.00                 | 1,800.00   | 1,800.00 | 31.83                                                     | 42.44      | 53.05    | 260.64                      | 280.93     | 300.02   |
| 2000 |                         |            |          | 1,871.55                 | 1,871.55   | 1,871.55 | 32.78                                                     | 43.71      | 54.64    | 268.46                      | 289.35     | 309.02   |
| 2001 |                         |            |          | 1,949.42                 | 1,949.42   | 1,949.42 | 33.76                                                     | 45.02      | 56.28    | 276.52                      | 298.03     | 318.29   |
| 2002 |                         |            |          | 2,033.50                 | 2,033.50   | 2,033.50 | 34.77                                                     | 46.37      | 57.97    | 284.81                      | 306.98     | 327.84   |
| 2003 |                         |            |          | 2,120.32                 | 2,120.32   | 2,120.32 | 35.81                                                     | 47.76      | 59.71    | 293.35                      | 316.19     | 337.68   |
| 2004 |                         |            |          | 2,205.16                 | 2,205.16   | 2,205.16 | 36.88                                                     | 49.19      | 61.50    | 302.16                      | 325.67     | 347.81   |
| 2005 |                         |            |          | 2,288.34                 | 2,288.34   | 2,288.34 | 37.99                                                     | 50.67      | 63.35    | 311.22                      | 335.44     | 358.24   |
| 2006 |                         |            |          | 2,369.24                 | 2,369.24   | 2,369.24 | 39.13                                                     | 52.19      | 65.25    | 320.56                      | 345.50     | 368.99   |
| 2007 |                         |            |          | 2,444.87                 | 2,444.87   | 2,444.87 | 40.30                                                     | 53.76      | 67.21    | 330.17                      | 355.87     | 380.06   |
| 2008 |                         |            |          | 2,515.44                 | 2,515.44   | 2,515.44 | 41.51                                                     | 55.37      | 69.23    | 340.08                      | 366.55     | 391.46   |
| 2009 |                         |            |          | 2,585.13                 | 2,585.13   | 2,585.13 | 42.76                                                     | 57.03      | 71.31    | 350.28                      | 377.54     | 403.21   |
| 2010 |                         |            |          | 2,648.89                 | 2,648.89   | 2,648.89 | 44.04                                                     | 58.74      | 73.45    | 360.79                      | 388.87     | 415.30   |

| GAS PIPELINE |          |                        |           |        | Completion in 2000 |            |                      | Completion in 2003 |                      | Completion in 2005 |                      | Completion in 2008 |                      |
|--------------|----------|------------------------|-----------|--------|--------------------|------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Year         | AS 43.56 | 100% of<br>1/8 Royalty | Prod. Tax | TOTAL  | FY                 | State Rev. | Population<br>Impact | State Rev.         | Population<br>Impact | State Rev.         | Population<br>Impact | State Rev.         | Population<br>Impact |
| 1            | 90.00    |                        |           | 90.00  | 1998               | 90.00      | 30,000               |                    |                      |                    |                      |                    |                      |
| 2            | 180.00   |                        |           | 180.00 | 1999               | 180.00     | 37,500               |                    |                      |                    |                      |                    |                      |
| 3            | 270.00   | 45.63                  | 54.29     | 369.92 | 2000               | 270.00     | 40,000               |                    |                      |                    |                      |                    |                      |
| 4            | 294.00   | 91.25                  | 51.90     | 437.15 | 2001               | 294.00     | 23,200               | 90.00              | 30,000               |                    |                      |                    |                      |
| 5            | 282.00   | 91.25                  | 49.50     | 422.75 | 2002               | 282.00     | 16,480               | 180.00             | 37,500               |                    |                      |                    |                      |
| 6            | 270.00   | 91.25                  | 47.11     | 408.36 | 2003               | 270.00     | 12,000               | 270.00             | 40,000               | 90.00              | 30,000               |                    |                      |
| 7            | 258.00   | 91.25                  | 44.71     | 393.96 | 2004               | 258.00     | 12,191               | 294.00             | 23,200               | 180.00             | 37,500               |                    |                      |
| 8            | 246.00   | 91.25                  | 42.32     | 379.57 | 2005               | 246.00     | 12,385               | 282.00             | 16,480               | 270.00             | 40,000               |                    |                      |
| 9            | 234.00   | 91.25                  | 39.92     | 365.17 | 2006               | 234.00     | 12,582               | 270.00             | 12,000               | 294.00             | 23,200               | 90.00              | 30,000               |
| 10           | 222.00   | 91.25                  | 37.53     | 350.78 | 2007               | 222.00     | 12,782               | 258.00             | 12,191               | 282.00             | 16,480               | 180.00             | 37,500               |
| 11           | 210.00   | 91.25                  | 35.13     | 336.38 | 2008               | 210.00     | 12,985               | 246.00             | 12,385               | 270.00             | 12,000               | 270.00             | 40,000               |
| 12           | 198.00   | 91.25                  | 32.74     | 321.99 | 2009               | 198.00     | 13,191               | 234.00             | 12,582               | 258.00             | 12,191               | 294.00             | 23,200               |
| 13           | 186.00   | 91.25                  | 30.34     | 307.59 | 2010               | 186.00     | 13,401               | 222.00             | 12,782               | 246.00             | 12,385               | 282.00             | 16,480               |
| 14           | 174.00   | 91.25                  | 27.95     | 293.20 | 2011               | 174.00     | 13,614               | 210.00             | 12,985               | 234.00             | 12,582               | 270.00             | 12,000               |
| 15           | 162.00   | 91.25                  | 25.55     | 278.80 | 2012               | 162.00     | 13,830               | 198.00             | 13,191               | 222.00             | 12,782               | 258.00             | 12,191               |
| 16           | 150.00   | 91.25                  | 23.15     | 264.40 | 2013               | 150.00     | 14,050               | 186.00             | 13,401               | 210.00             | 12,985               | 246.00             | 12,385               |
| 17           | 138.00   | 91.25                  | 20.76     | 250.01 | 2014               | 138.00     | 14,273               | 174.00             | 13,614               | 198.00             | 13,191               | 234.00             | 12,582               |
| 18           | 126.00   | 91.25                  | 18.36     | 235.61 |                    |            |                      |                    |                      |                    |                      |                    |                      |

## CASE S02, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 18,430.39                              | 2,341.84                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 114.54                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,696.86                       |
| 1999 | 19,501.67                              | 2,475.84                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 108.43                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,683.73                       |
| 2000 | 20,600.87                              | 2,611.84                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 101.33                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,646.91                       |
| 2001 | 21,704.56                              | 2,748.13                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 94.57                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,605.55                       |
| 2002 | 22,808.39                              | 2,881.93                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 88.13                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,525.96                       |
| 2003 | 23,871.91                              | 3,011.56                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 84.28                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,460.39                       |
| 2004 | 24,907.96                              | 3,138.20                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 79.47                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,402.36                       |
| 2005 | 25,923.30                              | 3,261.95                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 74.88                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,339.99                       |
| 2006 | 26,912.40                              | 3,380.58                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 70.50                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,250.14                       |
| 2007 | 27,844.77                              | 3,492.42                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 65.31                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,166.40                       |
| 2008 | 28,724.00                              | 3,601.26                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 60.38                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,139.22                       |
| 2009 | 29,607.69                              | 3,707.71                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 55.69                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,066.83                       |
| 2010 | 30,448.26                              | 3,808.95                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 53.06                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 998.01                         |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |          |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|----------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs     | Capital | TOTAL    |                                |                                   |
| 1998 | 260.45                                 | 44.39             | 925.12                 | 0.00               | 0.00  | 1,229.96                           | 811.51              | 1,962.51           | 1,273.36 | 150.00  | 4,197.38 | 2,967.42                       | 16.10%                            |
| 1999 | 260.01                                 | 43.03             | 952.10                 | 0.00               | 0.00  | 1,255.14                           | 824.41              | 1,993.72           | 1,347.37 | 150.00  | 4,315.50 | 3,060.36                       | 15.69%                            |
| 2000 | 259.54                                 | 41.70             | 979.94                 | 0.00               | 0.00  | 1,281.19                           | 837.52              | 2,025.42           | 1,423.31 | 150.00  | 4,436.25 | 3,155.06                       | 15.32%                            |
| 2001 | 259.09                                 | 40.41             | 1,008.68               | 0.00               | 0.00  | 1,308.18                           | 850.84              | 2,057.62           | 1,499.57 | 150.00  | 4,558.03 | 3,249.84                       | 14.97%                            |
| 2002 | 258.65                                 | 39.17             | 1,038.34               | 0.00               | 0.00  | 1,336.16                           | 864.37              | 2,090.34           | 1,575.83 | 150.00  | 4,680.53 | 3,344.38                       | 14.66%                            |
| 2003 | 258.19                                 | 37.96             | 1,068.95               | 0.00               | 0.00  | 1,365.10                           | 878.11              | 2,123.57           | 1,649.31 | 150.00  | 4,800.99 | 3,435.89                       | 14.39%                            |
| 2004 | 257.74                                 | 36.79             | 1,100.54               | 0.00               | 0.00  | 1,395.07                           | 892.07              | 2,157.34           | 1,720.89 | 150.00  | 4,920.30 | 3,525.23                       | 14.15%                            |
| 2005 | 257.29                                 | 35.66             | 1,133.14               | 0.00               | 0.00  | 1,426.09                           | 906.26              | 2,191.64           | 1,791.04 | 150.00  | 5,038.94 | 3,612.84                       | 13.94%                            |
| 2006 | 256.84                                 | 34.56             | 1,166.79               | 0.00               | 0.00  | 1,458.19                           | 920.67              | 2,226.49           | 1,859.38 | 150.00  | 5,156.53 | 3,698.34                       | 13.74%                            |
| 2007 | 256.40                                 | 33.49             | 1,201.51               | 0.00               | 0.00  | 1,491.40                           | 935.30              | 2,261.89           | 1,923.80 | 150.00  | 5,270.99 | 3,779.59                       | 13.57%                            |
| 2008 | 255.95                                 | 32.46             | 1,237.35               | 0.00               | 0.00  | 1,525.76                           | 950.18              | 2,297.85           | 1,984.54 | 150.00  | 5,382.57 | 3,856.80                       | 13.43%                            |
| 2009 | 255.50                                 | 31.46             | 1,274.34               | 0.00               | 0.00  | 1,561.30                           | 965.28              | 2,334.39           | 2,045.60 | 150.00  | 5,495.27 | 3,933.96                       | 13.29%                            |
| 2010 | 255.06                                 | 30.49             | 1,312.52               | 0.00               | 0.00  | 1,598.06                           | 980.63              | 2,371.51           | 2,103.67 | 150.00  | 5,605.81 | 4,007.75                       | 13.16%                            |



# CASE S02, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 **\$14,100 MM**

Permanent Fund: Sustainable Long-Term Real Earnings Rate **13.16%**

Other Cash Reserves at Start of FY98 to Put into Perm. Fund **\$3,702**

Drawdown Limited under Transition Rule? 1=Y, 0=N **0**

| FY | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----|------|------|------|------|------|------|------|------|------|------|------|
|----|------|------|------|------|------|------|------|------|------|------|------|

Limit

| FY | 2009 | 2010 |
|----|------|------|
|----|------|------|

Limit

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N **1**

What %-age of Fund's Real Earnings Goes for PFDs? **52.50%**

Will PFDs be Capped? 1=Y, 0=N **0**

If so, what? **\$200 (nominal) per capita**

### Population

Population as of 1/1/95 (mid-point of FY 1995) **611,089** <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease) **1.59%**

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N **1**

State Income Tax Rates **1.5 times old rates**

Real Inc. Tax Collected/Yr per Capita @ Old Rates **\$809** SOURCE: See calc. below==> **\$494.62 MM/yr (real)**

State Sales Tax Adopted? 1=Y, 0=N **0**

State Sales Tax Rate **6.00%**

Real Sales Tax Collected/Yr per Capita @ Given Rate **\$410** SOURCE: ALRFPC Prelim.Rpt. **\$58.00 MM/yr (real) for 1% tax**

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 **\$1,267** FY 1996 Actual=====> **\$774 MM (real)**

Growth in Real Per Capita Education OpEx **0.00%**

Floor on Real Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$950 (real) per capita**

FY 95 Real Per Capita State OpEx - Non-Education **\$3,063** Based on FY 1996 TOTAL==> **\$1,872 MM (real) (fig. incl. K-12 grants)**

Growth in Real Per Capita Non-Education OpEx **0.00%**

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$2,297 (real) per capita**

Real Per Capita State CapEx **\$245** **\$150 MM/Yr (real)**

Growth in Real Per Capita CapEx **0.00%**

Floor on Real CapEx Per Capita? 1=Y, 0=N **0** If so, what? **(real) per capita**

### Natural Gas Pipeline Built? 1=Y, 0=N

Pipeline Cost **\$15 billion (real)**

Completion Date: Choices are 2000, 2003, 2005, 2008 **2005**

Peak Population Effect during Construction **40,000**

%-age of Construction Population Staying Long-Term **15% DOR "low" 30% DOR "mid" 40% DOR "high"**

Wellhead Gas Price **\$1.00 /Mcf (real)**

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |

# CASE S03, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund Principal at FY Start | Perm. Fund Earnings during FY | 100% of Royalty Revenues | 100% of Rentals & Shared Fed'l Resource Rev. | 100% of Bonuses | Prod'n Tax | AS 43.56 State Share | Oil & Gas Corporate Income Tax | Collections from Prior Years | Gas Pipeline | ANWR | Lift Oil Export Ban | Total Petroleum Revenues |
|------|----------------------------------|-------------------------------|--------------------------|----------------------------------------------|-----------------|------------|----------------------|--------------------------------|------------------------------|--------------|------|---------------------|--------------------------|
| 1998 | 19,000.39                        | 3,787.45                      | 818.19                   | 13.52                                        | 0.00            | 695.39     | 41.82                | 76.36                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,658.68                 |
| 1999 | 19,921.10                        | 3,969.03                      | 841.76                   | 12.45                                        | 0.00            | 670.52     | 37.17                | 72.28                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,647.59                 |
| 2000 | 20,866.37                        | 4,153.02                      | 831.16                   | 11.47                                        | 0.00            | 656.27     | 33.28                | 67.55                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,613.14                 |
| 2001 | 21,811.86                        | 4,336.49                      | 807.73                   | 10.56                                        | 0.00            | 649.71     | 29.58                | 63.05                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,574.02                 |
| 2002 | 22,751.77                        | 4,514.62                      | 776.10                   | 9.72                                         | 0.00            | 625.53     | 26.48                | 58.75                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,496.58                 |
| 2003 | 23,642.47                        | 4,684.10                      | 746.79                   | 8.95                                         | 0.00            | 596.69     | 23.69                | 56.18                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,432.30                 |
| 2004 | 24,493.37                        | 4,846.26                      | 721.12                   | 8.24                                         | 0.00            | 572.48     | 21.05                | 52.98                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,375.87                 |
| 2005 | 25,308.91                        | 5,000.68                      | 693.26                   | 7.59                                         | 0.00            | 545.50     | 18.76                | 49.02                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,315.03                 |
| 2006 | 26,080.25                        | 5,143.07                      | 653.79                   | 6.98                                         | 0.00            | 502.21     | 16.66                | 47.00                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,226.64                 |
| 2007 | 26,772.19                        | 5,269.92                      | 617.29                   | 6.43                                         | 0.00            | 462.55     | 14.80                | 43.54                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,144.62                 |
| 2008 | 27,383.85                        | 5,386.47                      | 623.52                   | 5.92                                         | 0.00            | 436.16     | 13.24                | 40.25                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,119.10                 |
| 2009 | 27,969.84                        | 5,492.83                      | 589.02                   | 5.45                                         | 0.00            | 404.91     | 11.77                | 37.12                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,048.26                 |
| 2010 | 28,476.85                        | 5,583.36                      | 554.64                   | 5.02                                         | 0.00            | 374.92     | 10.37                | 35.37                          | 0.00                         | 0.00         | 0.00 | 0.00                | 980.32                   |

| FY   | Non-Petrol. Non-Intr'st Revenues | AHFC Dividends | Personal Income Tax | State Sales Tax | Other | Total Non-Resource Revenues | STATE SPENDING   |                 |          |         |          | DRAW FROM PERMANENT FUND | Draw as %age of Perm. Fund |
|------|----------------------------------|----------------|---------------------|-----------------|-------|-----------------------------|------------------|-----------------|----------|---------|----------|--------------------------|----------------------------|
|      |                                  |                |                     |                 |       |                             | Education (K-12) | Other Operating | PFDs     | Capital | TOTAL    |                          |                            |
| 1998 | 242.16                           | 44.39          | 0.00                | 262.70          | 0.00  | 549.25                      | 811.51           | 1,962.51        | 2,150.65 | 150.00  | 5,074.68 | 4,525.42                 | 23.82%                     |
| 1999 | 241.75                           | 43.03          | 0.00                | 266.88          | 0.00  | 551.65                      | 824.41           | 1,993.72        | 2,254.87 | 150.00  | 5,223.00 | 4,671.34                 | 23.45%                     |
| 2000 | 241.32                           | 41.70          | 0.00                | 271.12          | 0.00  | 554.14                      | 837.52           | 2,025.42        | 2,361.86 | 150.00  | 5,374.80 | 4,820.66                 | 23.10%                     |
| 2001 | 240.90                           | 40.41          | 0.00                | 275.43          | 0.00  | 556.74                      | 850.84           | 2,057.62        | 2,468.88 | 150.00  | 5,527.34 | 4,970.60                 | 22.79%                     |
| 2002 | 240.48                           | 39.17          | 0.00                | 279.81          | 0.00  | 559.47                      | 864.37           | 2,090.34        | 2,575.27 | 150.00  | 5,679.98 | 5,120.51                 | 22.51%                     |
| 2003 | 240.06                           | 37.96          | 0.00                | 284.26          | 0.00  | 562.29                      | 878.11           | 2,123.57        | 2,676.09 | 150.00  | 5,827.77 | 5,265.49                 | 22.27%                     |
| 2004 | 239.64                           | 36.79          | 0.00                | 288.78          | 0.00  | 565.21                      | 892.07           | 2,157.34        | 2,772.41 | 150.00  | 5,971.81 | 5,406.60                 | 22.07%                     |
| 2005 | 239.22                           | 35.66          | 0.00                | 293.37          | 0.00  | 568.26                      | 906.26           | 2,191.64        | 2,864.71 | 150.00  | 6,112.61 | 5,544.36                 | 21.91%                     |
| 2006 | 238.80                           | 34.56          | 0.00                | 298.04          | 0.00  | 571.40                      | 920.67           | 2,226.49        | 2,952.02 | 150.00  | 6,249.18 | 5,677.78                 | 21.77%                     |
| 2007 | 238.39                           | 33.49          | 0.00                | 302.78          | 0.00  | 574.66                      | 935.30           | 2,261.89        | 3,030.34 | 150.00  | 6,377.54 | 5,802.88                 | 21.68%                     |
| 2008 | 237.98                           | 32.46          | 0.00                | 307.59          | 0.00  | 578.03                      | 950.18           | 2,297.85        | 3,099.58 | 150.00  | 6,497.61 | 5,919.58                 | 21.62%                     |
| 2009 | 237.56                           | 31.46          | 0.00                | 312.48          | 0.00  | 581.50                      | 965.28           | 2,334.39        | 3,165.91 | 150.00  | 6,615.58 | 6,034.08                 | 21.57%                     |
| 2010 | 237.15                           | 30.49          | 0.00                | 317.45          | 0.00  | 585.08                      | 980.63           | 2,371.51        | 3,223.29 | 150.00  | 6,725.43 | 6,140.35                 | 21.56%                     |

# CASE S03, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 \$14,100 MM

Permanent Fund: Sustainable Long-Term Real Earnings Rate 21.56%

Other Cash Reserves at Start of FY98 to Put into Perm. Fund \$4,272

Drawdown Limited under Transition Rule? 1=Y, 0=N 0

|  | FY 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|---------|------|------|------|------|------|------|------|------|------|------|
|--|---------|------|------|------|------|------|------|------|------|------|------|

Limit

| FY | 2009 | 2010 |
|----|------|------|
|----|------|------|

Limit

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N

1

What %-age of Fund's Real Earnings Goes for PFDs?

52.50%

Will PFDs be Capped? 1=Y, 0=N

0

If so, what?

\$200 (nominal) per capita

### Population

Population as of 1/1/95 (mid-point of FY 1995)

611,089 <====Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease)

1.59%

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N

0

State Income Tax Rates

1 times old rates

Real Inc. Tax Collected/Yr per Capita @ Old Rates

\$809

SOURCE: See calc. below==>

\$494.62 MM/yr (real)

State Sales Tax Adopted? 1=Y, 0=N

1

State Sales Tax Rate

6.00%

Real Sales Tax Collected/Yr per Capita @ Given Rate

\$410

SOURCE: ALRFPC Prelim.Rpt.

\$58.00 MM/yr (real) for 1% tax

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12

\$1,267

FY 1996 Actual=====

\$774 MM (real)

Growth in Real Per Capita Education OpEx

0.00%

Floor on Real Education OpEx Per Capita? 1=Y, 0=N

1

If so, what?

\$950 (real) per capita

FY 95 Real Per Capita State OpEx - Non-Education

\$3,063

Based on FY 1996 TOTAL==>

\$1,872 MM (real) (fig. incl. K-12 grants)

Growth in Real Per Capita Non-Education OpEx

0.00%

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N

1

If so, what?

\$2,297 (real) per capita

Real Per Capita State CapEx

\$245

\$150 MM/Yr (real)

Growth in Real Per Capita CapEx

0.00%

Floor on Real CapEx Per Capita? 1=Y, 0=N

0

If so, what?

(real) per capita

### Natural Gas Pipeline Built? 1=Y, 0=N

0

Pipeline Cost

\$15 billion (real)

Completion Date: Choices are 2000, 2003, 2005, 2008

2005

Peak Population Effect during Construction

40,000

%-age of Construction Population Staying Long-Term

15% DOR "low"

30% DOR "mid"

40% DOR "high"

Wellhead Gas Price

\$1.00 /Mcf (real)

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|

|              |         |          |          |        |         |      |      |      |       |
|--------------|---------|----------|----------|--------|---------|------|------|------|-------|
| \$0—\$29,999 | 233,370 | 1,805.39 | 1,133.05 | 672.34 | \$2,881 | 9.33 | 3.02 | 1.48 | 13.83 |
|--------------|---------|----------|----------|--------|---------|------|------|------|-------|

|                 |        |          |        |          |        |       |       |      |       |
|-----------------|--------|----------|--------|----------|--------|-------|-------|------|-------|
| \$30,000—49,999 | 52,100 | 2,051.28 | 675.21 | 1,376.07 | 26,412 | 40.37 | 31.88 | 5.67 | 77.92 |
|-----------------|--------|----------|--------|----------|--------|-------|-------|------|-------|

|                   |        |          |        |          |        |       |       |      |        |
|-------------------|--------|----------|--------|----------|--------|-------|-------|------|--------|
| \$50,000—\$74,999 | 37,460 | 2,288.19 | 615.69 | 1,672.50 | 44,648 | 60.73 | 50.32 | 8.12 | 119.17 |
|-------------------|--------|----------|--------|----------|--------|-------|-------|------|--------|

|                 |        |          |        |          |        |        |        |       |        |
|-----------------|--------|----------|--------|----------|--------|--------|--------|-------|--------|
| \$75,000 and up | 29,809 | 3,602.09 | 650.52 | 2,951.57 | 99,016 | 139.85 | 123.96 | 19.39 | 283.70 |
|-----------------|--------|----------|--------|----------|--------|--------|--------|-------|--------|

|       |         |  |  |  |  |  |  |  |        |
|-------|---------|--|--|--|--|--|--|--|--------|
| TOTAL | 352,739 |  |  |  |  |  |  |  | 494.62 |
|-------|---------|--|--|--|--|--|--|--|--------|



# CASE S04, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 18,278.87                              | 1,924.82                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 76.36                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,658.68                       |
| 1999 | 19,224.90                              | 2,024.10                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 72.28                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,647.59                       |
| 2000 | 20,213.23                              | 2,126.65                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 67.55                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,613.14                       |
| 2001 | 21,223.10                              | 2,231.25                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 63.05                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,574.02                       |
| 2002 | 22,251.23                              | 2,335.71                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 58.75                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,496.58                       |
| 2003 | 23,258.48                              | 2,438.59                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 56.18                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,432.30                       |
| 2004 | 24,255.70                              | 2,540.77                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 52.98                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,375.87                       |
| 2005 | 25,249.37                              | 2,642.28                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 49.92                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,315.03                       |
| 2006 | 26,233.67                              | 2,741.26                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 47.00                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,226.64                       |
| 2007 | 27,177.77                              | 2,836.18                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 43.54                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,144.62                       |
| 2008 | 28,083.27                              | 2,929.95                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 40.25                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,119.10                       |
| 2009 | 29,004.72                              | 3,022.95                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 37.12                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,048.26                       |
| 2010 | 29,895.28                              | 3,112.72                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 35.37                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 980.32                         |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |      |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs | Capital | TOTAL    |                                |                                   |
| 1998 | 242.16                                 | 44.39             | 0.00                   | 0.00               | 0.00  | 286.55                             | 811.51              | 1,962.51           | 0.00 | 150.00  | 2,924.02 | 2,637.47                       | 14.43%                            |
| 1999 | 241.75                                 | 43.03             | 0.00                   | 0.00               | 0.00  | 284.78                             | 824.41              | 1,993.72           | 0.00 | 150.00  | 2,968.13 | 2,683.35                       | 13.96%                            |
| 2000 | 241.32                                 | 41.70             | 0.00                   | 0.00               | 0.00  | 283.02                             | 837.52              | 2,025.42           | 0.00 | 150.00  | 3,012.94 | 2,729.92                       | 13.51%                            |
| 2001 | 240.90                                 | 40.41             | 0.00                   | 0.00               | 0.00  | 281.31                             | 850.84              | 2,057.62           | 0.00 | 150.00  | 3,058.46 | 2,777.15                       | 13.09%                            |
| 2002 | 240.48                                 | 39.17             | 0.00                   | 0.00               | 0.00  | 279.65                             | 864.37              | 2,090.34           | 0.00 | 150.00  | 3,104.70 | 2,825.05                       | 12.70%                            |
| 2003 | 240.06                                 | 37.96             | 0.00                   | 0.00               | 0.00  | 278.02                             | 878.11              | 2,123.57           | 0.00 | 150.00  | 3,151.68 | 2,873.66                       | 12.36%                            |
| 2004 | 239.64                                 | 36.79             | 0.00                   | 0.00               | 0.00  | 276.43                             | 892.07              | 2,157.34           | 0.00 | 150.00  | 3,199.41 | 2,922.98                       | 12.05%                            |
| 2005 | 239.22                                 | 35.66             | 0.00                   | 0.00               | 0.00  | 274.88                             | 906.26              | 2,191.64           | 0.00 | 150.00  | 3,247.90 | 2,973.01                       | 11.77%                            |
| 2006 | 238.80                                 | 34.56             | 0.00                   | 0.00               | 0.00  | 273.36                             | 920.67              | 2,226.49           | 0.00 | 150.00  | 3,297.16 | 3,023.79                       | 11.53%                            |
| 2007 | 238.39                                 | 33.49             | 0.00                   | 0.00               | 0.00  | 271.88                             | 935.30              | 2,261.89           | 0.00 | 150.00  | 3,347.19 | 3,075.31                       | 11.32%                            |
| 2008 | 237.98                                 | 32.46             | 0.00                   | 0.00               | 0.00  | 270.44                             | 950.18              | 2,297.85           | 0.00 | 150.00  | 3,398.03 | 3,127.59                       | 11.14%                            |
| 2009 | 237.56                                 | 31.46             | 0.00                   | 0.00               | 0.00  | 269.02                             | 965.28              | 2,334.39           | 0.00 | 150.00  | 3,449.67 | 3,180.65                       | 10.97%                            |
| 2010 | 237.15                                 | 30.49             | 0.00                   | 0.00               | 0.00  | 267.64                             | 980.63              | 2,371.51           | 0.00 | 150.00  | 3,502.14 | 3,234.50                       | 10.82%                            |

# CASE S04, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995

\$14,100 MM

Permanent Fund: Sustainable Long-Term Real Earnings Rate

10.82%

Other Cash Reserves at Start of FY98 to Put into Perm. Fund

\$3,550

Drawdown Limited under Transition Rule? 1=Y, 0=N

0

|  | FY 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|---------|------|------|------|------|------|------|------|------|------|------|
|--|---------|------|------|------|------|------|------|------|------|------|------|

Limit

|  | FY 2009 | 2010 |
|--|---------|------|
|--|---------|------|

Limit

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N

0

What %-age of Fund's Real Earnings Goes for PFDs?

0.00%

Will PFDs be Capped? 1=Y, 0=N

0

If so, what?

\$200 (nominal) per capita

### Population

Population as of 1/1/95 (mid-point of FY 1995)

611,089 <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease)

1.59%

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N

0

State Income Tax Rates

1 times old rates

Real Inc. Tax Collected/Yr per Capita @ Old Rates

\$809

SOURCE: See calc. below==>

\$494.62 MM/yr (real)

State Sales Tax Adopted? 1=Y, 0=N

0

State Sales Tax Rate

0.00%

Real Sales Tax Collected/Yr per Capita @ Given Rate

\$0

SOURCE: ALRFPC Prelim.Rpt.

\$58.00 MM/yr (real) for 1% tax

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12

\$1,267

FY 1996 Actual=====

\$774 MM (real)

Growth in Real Per Capita Education OpEx

0.00%

Floor on Real Education OpEx Per Capita? 1=Y, 0=N

1

If so, what?

\$95 (real) per capita

FY 95 Real Per Capita State OpEx - Non-Education

\$3,063

Based on FY 1996 TOTAL==>

\$1,872 MM (real) (fig. Incl. K-12 grants)

Growth in Real Per Capita Non-Education OpEx

0.00%

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N

1

If so, what?

\$2,297 (real) per capita

Real Per Capita State CapEx

\$245

\$150 MM/Yr (real)

Growth in Real Per Capita CapEx

0.00%

Floor on Real CapEx Per Capita? 1=Y, 0=N

0

If so, what?

(real) per capita

### Natural Gas Pipeline Built? 1=Y, 0=N

0

Pipeline Cost

\$15 billion (real)

Completion Date: Choices are 2000, 2003, 2005, 2008

2005

Peak Population Effect during Construction

40,000

%-age of Construction Population Staying Long-Term

15% DOR "low"

30% DOR "mid"

40% DOR "high"

Wellhead Gas Price

\$1.00 /Mcf (real)

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|

|              |         |          |          |        |         |      |      |      |       |
|--------------|---------|----------|----------|--------|---------|------|------|------|-------|
| \$0—\$29,999 | 233,370 | 1,805.39 | 1,133.05 | 672.34 | \$2,881 | 9.33 | 3.02 | 1.48 | 13.83 |
|--------------|---------|----------|----------|--------|---------|------|------|------|-------|

|                 |        |          |        |          |        |       |       |      |       |
|-----------------|--------|----------|--------|----------|--------|-------|-------|------|-------|
| \$30,000—49,999 | 52,100 | 2,051.28 | 675.21 | 1,376.07 | 26,412 | 40.37 | 31.88 | 5.67 | 77.92 |
|-----------------|--------|----------|--------|----------|--------|-------|-------|------|-------|

|                   |        |          |        |          |        |       |       |      |        |
|-------------------|--------|----------|--------|----------|--------|-------|-------|------|--------|
| \$50,000—\$74,999 | 37,460 | 2,288.19 | 615.69 | 1,672.50 | 44,648 | 60.73 | 50.32 | 8.12 | 119.17 |
|-------------------|--------|----------|--------|----------|--------|-------|-------|------|--------|

|                 |        |          |        |          |        |        |        |       |        |
|-----------------|--------|----------|--------|----------|--------|--------|--------|-------|--------|
| \$75,000 and up | 29,809 | 3,602.09 | 650.52 | 2,951.57 | 99,016 | 139.85 | 123.96 | 19.89 | 283.70 |
|-----------------|--------|----------|--------|----------|--------|--------|--------|-------|--------|

|       |         |  |  |  |  |  |  |  |        |
|-------|---------|--|--|--|--|--|--|--|--------|
| TOTAL | 352,739 |  |  |  |  |  |  |  | 494.62 |
|-------|---------|--|--|--|--|--|--|--|--------|

# CASE S05, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 19,464.29                              | 4,910.78                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 76.36                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,658.68                       |
| 1999 | 20,536.05                              | 5,180.75                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 72.28                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,647.59                       |
| 2000 | 21,663.32                              | 5,461.76                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 67.55                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,613.14                       |
| 2001 | 22,824.92                              | 5,750.92                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 63.05                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,574.02                       |
| 2002 | 24,018.64                              | 6,042.95                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 58.75                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,496.58                       |
| 2003 | 25,203.65                              | 6,328.88                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 56.18                                | 0.00                                  | 90.00        | 0.00 | 0.00                   | 1,522.30                       |
| 2004 | 26,347.66                              | 6,600.35                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 52.98                                | 0.00                                  | 180.00       | 0.00 | 0.00                   | 1,555.87                       |
| 2005 | 27,414.87                              | 6,849.30                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 49.92                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,585.03                       |
| 2006 | 28,375.45                              | 7,067.18                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 47.00                                | 0.00                                  | 294.00       | 0.00 | 0.00                   | 1,520.64                       |
| 2007 | 29,189.65                              | 7,246.69                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 43.54                                | 0.00                                  | 282.00       | 0.00 | 0.00                   | 1,426.62                       |
| 2008 | 29,837.59                              | 7,393.41                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 40.25                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,389.10                       |
| 2009 | 30,384.77                              | 7,507.30                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 37.12                                | 0.00                                  | 258.00       | 0.00 | 0.00                   | 1,306.26                       |
| 2010 | 30,765.26                              | 7,577.99                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 33.37                                | 0.00                                  | 246.00       | 0.00 | 0.00                   | 1,226.32                       |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |          |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|----------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs     | Capital | TOTAL    |                                |                                   |
| 1998 | 242.16                                 | 44.39             | 0.00                   | 0.00               | 0.00  | 286.55                             | 811.51              | 1,962.51           | 2,860.23 | 150.00  | 5,784.25 | 5,497.70                       | 28.25%                            |
| 1999 | 241.75                                 | 43.03             | 0.00                   | 0.00               | 0.00  | 284.78                             | 824.41              | 1,993.72           | 3,017.72 | 150.00  | 5,985.85 | 5,701.07                       | 27.76%                            |
| 2000 | 241.32                                 | 41.70             | 0.00                   | 0.00               | 0.00  | 283.02                             | 837.52              | 2,025.42           | 3,183.37 | 150.00  | 6,196.31 | 5,913.29                       | 27.50%                            |
| 2001 | 240.90                                 | 40.41             | 0.00                   | 0.00               | 0.00  | 281.31                             | 850.84              | 2,057.62           | 3,354.06 | 150.00  | 6,412.52 | 6,131.22                       | 26.86%                            |
| 2002 | 240.48                                 | 39.17             | 0.00                   | 0.00               | 0.00  | 279.65                             | 864.37              | 2,090.34           | 3,529.48 | 150.00  | 6,634.18 | 6,354.53                       | 26.46%                            |
| 2003 | 240.06                                 | 37.96             | 0.00                   | 0.00               | 0.00  | 278.02                             | 916.11              | 2,215.47           | 3,703.61 | 150.00  | 6,985.19 | 6,707.16                       | 26.61%                            |
| 2004 | 239.64                                 | 36.79             | 0.00                   | 0.00               | 0.00  | 276.43                             | 978.17              | 2,365.56           | 3,871.72 | 150.00  | 7,365.45 | 7,089.02                       | 26.91%                            |
| 2005 | 239.22                                 | 35.66             | 0.00                   | 0.00               | 0.00  | 274.88                             | 1,044.39            | 2,525.69           | 4,028.55 | 150.00  | 7,748.62 | 7,473.74                       | 27.26%                            |
| 2006 | 238.80                                 | 34.56             | 0.00                   | 0.00               | 0.00  | 273.36                             | 1,090.38            | 2,636.91           | 4,169.70 | 150.00  | 8,046.99 | 7,773.63                       | 27.40%                            |
| 2007 | 238.39                                 | 33.49             | 0.00                   | 0.00               | 0.00  | 271.88                             | 1,128.59            | 2,729.32           | 4,289.35 | 150.00  | 8,297.25 | 8,025.37                       | 27.49%                            |
| 2008 | 237.98                                 | 32.46             | 0.00                   | 0.00               | 0.00  | 270.44                             | 1,161.73            | 2,809.47           | 4,384.56 | 150.00  | 8,505.76 | 8,235.33                       | 27.60%                            |
| 2009 | 237.56                                 | 31.46             | 0.00                   | 0.00               | 0.00  | 269.02                             | 1,195.65            | 2,891.49           | 4,464.97 | 150.00  | 8,702.10 | 8,433.08                       | 27.75%                            |
| 2010 | 237.15                                 | 30.49             | 0.00                   | 0.00               | 0.00  | 267.64                             | 1,230.34            | 2,975.39           | 4,520.88 | 150.00  | 8,876.62 | 8,608.98                       | 27.98%                            |



# CASE S05, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 **\$14,100 MM**

Permanent Fund: Sustainable Long-Term Real Earnings Rate **27.99%**

Other Cash Reserves at Start of FY98 to Put into Perm. Fund **\$4,736**

Drawdown Limited under Transition Rule? 1=Y, 0=N **0**

| FY | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----|------|------|------|------|------|------|------|------|------|------|------|
|----|------|------|------|------|------|------|------|------|------|------|------|

Limit

| FY | 2009 | 2010 |
|----|------|------|
|----|------|------|

Limit

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N **1**

What %-age of Fund's Real Earnings Goes for PFDs? **52.50%**

Will PFDs be Capped? 1=Y, 0=N **0**

If so, what? **\$200 (nominal) per capita**

### Population

Population as of 1/1/95 (mid-point of FY 1995) **611,089** <====Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease) **1.59%**

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N **0**

State Income Tax Rates **1 times old rates**

Real Inc. Tax Collected/Yr per Capita @ Old Rates **\$809** SOURCE: See calc. below==> **\$494.62 MM/yr (real)**

State Sales Tax Adopted? 1=Y, 0=N **0**

State Sales Tax Rate **0.00%**

Real Sales Tax Collected/Yr per Capita @ Given Rate **\$0** SOURCE: ALRFPC Prelim.Rpt. **\$58.00 MM/yr (real) for 1% tax**

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 **\$1,267** FY 1996 Actual=====> **\$774 MM (real)**

Growth in Real Per Capita Education OpEx **0.00%**

Floor on Real Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$950 (real) per capita**

FY 95 Real Per Capita State OpEx - Non-Education **\$3,063** Based on FY 1996 TOTAL==> **\$1,872 MM (real) (fig. Incl. K-12 grants)**

Growth in Real Per Capita Non-Education OpEx **0.00%**

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$2,297 (real) per capita**

Real Per Capita State CapEx **\$245** **\$150 MM/Yr (real)**

Growth in Real Per Capita CapEx **0.00%**

Floor on Real CapEx Per Capita? 1=Y, 0=N **0** If so, what? **(real) per capita**

### Natural Gas Pipeline Built? 1=Y, 0=N

Pipeline Cost **\$15 billion (real)**

Completion Date: Choices are 2000, 2003, 2005, 2008 **2005**

Peak Population Effect during Construction **40,000**

%-age of Construction Population Staying Long-Term **15% DOR "low" 30% DOR "mid" 40% DOR "high"**

Wellhead Gas Price **\$1.00 /Mcf (real)**

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Ret | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|-----------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881               | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                       |                   |                  |                  | <b>494.62</b>    |

# CASE S06, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 18,054.42                              | 1,296.91                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 114.54                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,696.86                       |
| 1999 | 18,970.17                              | 1,364.24                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 108.43                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,683.73                       |
| 2000 | 19,976.57                              | 1,437.16                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 101.33                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,646.91                       |
| 2001 | 21,051.89                              | 1,514.82                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 94.57                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,605.55                       |
| 2002 | 22,193.57                              | 1,595.82                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 88.13                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,525.96                       |
| 2003 | 23,364.16                              | 1,677.17                            | 746.79                         | 8.95                                                  | 0.00               | 595.69     | 23.69                   | 84.28                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,460.39                       |
| 2004 | 24,516.14                              | 1,757.39                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 79.47                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,402.36                       |
| 2005 | 25,654.22                              | 1,836.48                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 74.88                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,339.99                       |
| 2006 | 26,774.09                              | 1,913.31                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 70.50                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,250.14                       |
| 2007 | 27,847.35                              | 1,987.05                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 65.31                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,166.40                       |
| 2008 | 28,879.49                              | 2,059.56                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 60.38                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,139.22                       |
| 2009 | 29,917.28                              | 2,130.72                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 55.69                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,066.83                       |
| 2010 | 30,911.08                              | 2,198.91                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 53.06                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 998.01                         |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |          |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|----------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs     | Capital | TOTAL    |                                |                                   |
| 1998 | 260.45                                 | 44.39             | 925.12                 | 0.00               | 0.00  | 1,229.96                           | 733.54              | 1,736.31           | 688.14   | 150.00  | 3,307.99 | 2,078.03                       | 11.51%                            |
| 1999 | 260.01                                 | 43.03             | 952.10                 | 0.00               | 0.00  | 1,255.14                           | 730.30              | 1,693.36           | 723.05   | 150.00  | 3,296.70 | 2,041.57                       | 10.76%                            |
| 2000 | 259.54                                 | 41.70             | 979.94                 | 0.00               | 0.00  | 1,281.19                           | 727.07              | 1,651.47           | 761.41   | 150.00  | 3,289.95 | 2,008.76                       | 10.06%                            |
| 2001 | 259.09                                 | 40.41             | 1,008.68               | 0.00               | 0.00  | 1,308.18                           | 723.86              | 1,610.62           | 802.39   | 150.00  | 3,286.87 | 1,978.69                       | 9.40%                             |
| 2002 | 258.65                                 | 39.17             | 1,038.34               | 0.00               | 0.00  | 1,336.16                           | 720.66              | 1,570.78           | 845.91   | 150.00  | 3,287.35 | 1,951.19                       | 8.79%                             |
| 2003 | 258.19                                 | 37.96             | 1,068.95               | 0.00               | 0.00  | 1,365.10                           | 717.48              | 1,592.68           | 890.52   | 150.00  | 3,350.69 | 1,985.58                       | 8.50%                             |
| 2004 | 257.74                                 | 36.79             | 1,100.54               | 0.00               | 0.00  | 1,395.07                           | 714.31              | 1,618.00           | 934.43   | 150.00  | 3,416.75 | 2,021.68                       | 8.25%                             |
| 2005 | 257.29                                 | 35.66             | 1,133.14               | 0.00               | 0.00  | 1,426.09                           | 711.15              | 1,643.73           | 977.81   | 150.00  | 3,482.70 | 2,056.60                       | 8.02%                             |
| 2006 | 256.84                                 | 34.56             | 1,166.79               | 0.00               | 0.00  | 1,458.19                           | 708.01              | 1,669.87           | 1,020.49 | 150.00  | 3,548.37 | 2,090.19                       | 7.81%                             |
| 2007 | 256.40                                 | 33.49             | 1,201.51               | 0.00               | 0.00  | 1,491.40                           | 704.88              | 1,696.42           | 1,061.40 | 150.00  | 3,612.70 | 2,121.30                       | 7.62%                             |
| 2008 | 255.95                                 | 32.46             | 1,237.35               | 0.00               | 0.00  | 1,525.76                           | 712.63              | 1,723.39           | 1,100.74 | 150.00  | 3,686.76 | 2,161.00                       | 7.48%                             |
| 2009 | 255.50                                 | 31.46             | 1,274.34               | 0.00               | 0.00  | 1,561.30                           | 723.96              | 1,750.79           | 1,140.30 | 150.00  | 3,765.05 | 2,203.75                       | 7.37%                             |
| 2010 | 255.06                                 | 30.49             | 1,312.52               | 0.00               | 0.00  | 1,598.06                           | 735.47              | 1,778.63           | 1,178.18 | 150.00  | 3,842.28 | 2,244.22                       | 7.26%                             |



# CASE S06, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"  
 Lift Oil Export Ban? 1=Y, 0=N

2 =====SOURCE: DOR Spring '95 Revenue Forecast  
 0

### Permanent Fund

|                                                             |          |      |      |      |      |      |      |      |      |      |      |
|-------------------------------------------------------------|----------|------|------|------|------|------|------|------|------|------|------|
| Permanent Fund Principal: FMV @ Year-End FY 1995            | \$14,100 | MM   |      |      |      |      |      |      |      |      |      |
| Permanent Fund: Sustainable Long-Term Real Earnings Rate    | 7.26%    |      |      |      |      |      |      |      |      |      |      |
| Other Cash Reserves at Start of FY98 to Put into Perm. Fund | \$3,326  |      |      |      |      |      |      |      |      |      |      |
| Drawdown Limited under Transition Rule? 1=Y, 0=N            | 0        |      |      |      |      |      |      |      |      |      |      |
| FY                                                          | 1998     | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Limit                                                       |          |      |      |      |      |      |      |      |      |      |      |
| FY                                                          | 2009     | 2010 |      |      |      |      |      |      |      |      |      |
| Limit                                                       |          |      |      |      |      |      |      |      |      |      |      |

### Permanent Fund Dividends

|                                                   |        |  |  |  |              |       |           |            |  |  |  |
|---------------------------------------------------|--------|--|--|--|--------------|-------|-----------|------------|--|--|--|
| Will PFDs Continue? 1=Y, 0=N                      | 1      |  |  |  |              |       |           |            |  |  |  |
| What %-age of Fund's Real Earnings Goes for PFDs? | 52.50% |  |  |  |              |       |           |            |  |  |  |
| Will PFDs be Capped? 1=Y, 0=N                     | 0      |  |  |  | If so, what? | \$200 | (nominal) | per capita |  |  |  |

### Population

|                                                |         |                                                      |
|------------------------------------------------|---------|------------------------------------------------------|
| Population as of 1/1/95 (mid-point of FY 1995) | 611,089 | <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95 |
| Population Rate of Increase/(Decrease)         | 1.59%   |                                                      |

### Non-Petroleum Revenues

|                                                     |                     |                            |          |                         |  |  |  |  |  |  |  |
|-----------------------------------------------------|---------------------|----------------------------|----------|-------------------------|--|--|--|--|--|--|--|
| State Income Tax Adopted? 1=Y, 0=N                  | 1                   |                            |          |                         |  |  |  |  |  |  |  |
| State Income Tax Rates                              | 1.5 times old rates |                            |          |                         |  |  |  |  |  |  |  |
| Real Inc. Tax Collected/Yr per Capita @ Old Rates   | \$809               | SOURCE: See calc. below==> | \$494.62 | MM/yr (real)            |  |  |  |  |  |  |  |
| State Sales Tax Adopted? 1=Y, 0=N                   | 0                   |                            |          |                         |  |  |  |  |  |  |  |
| State Sales Tax Rate                                | 0.00%               |                            |          |                         |  |  |  |  |  |  |  |
| Real Sales Tax Collected/Yr per Capita @ Given Rate | \$0                 | SOURCE: ALRFPC Prelim.Rpt. | \$58.00  | MM/yr (real) for 1% tax |  |  |  |  |  |  |  |
| What, if anything, is "Other"?                      |                     |                            |          |                         |  |  |  |  |  |  |  |

### Growth in Expenditures

|                                                       |         |                           |                   |                                    |  |  |  |  |  |  |  |
|-------------------------------------------------------|---------|---------------------------|-------------------|------------------------------------|--|--|--|--|--|--|--|
| FY95 Real Per Capita State OpEx - Education K-12      | \$1,267 | FY 1996 Actual=====       | \$774             | MM (real)                          |  |  |  |  |  |  |  |
| Growth in Real Per Capita Education OpEx              | -2.00%  |                           |                   |                                    |  |  |  |  |  |  |  |
| Floor on Real Education OpEx Per Capita? 1=Y, 0=N     | 1       | If so, what?              | \$950             | (real) per capita                  |  |  |  |  |  |  |  |
| FY 95 Real Per Capita State OpEx - Non-Education      | \$3,063 | Based on FY 1996 TOTAL==> | \$1,872           | MM (real) (fig. incl. K-12 grants) |  |  |  |  |  |  |  |
| Growth in Real Per Capita Non-Education OpEx          | -4.00%  |                           |                   |                                    |  |  |  |  |  |  |  |
| Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N | 1       | If so, what?              | \$2,297           | (real) per capita                  |  |  |  |  |  |  |  |
| Real Per Capita State CapEx                           | \$245   |                           | \$150             | MM/Yr (real)                       |  |  |  |  |  |  |  |
| Growth in Real Per Capita CapEx                       | 0.00%   |                           |                   |                                    |  |  |  |  |  |  |  |
| Floor on Real CapEx Per Capita? 1=Y, 0=N              | 0       | If so, what?              | (real) per capita |                                    |  |  |  |  |  |  |  |

### Natural Gas Pipeline Built? 1=Y, 0=N

|                                                     |               |                |                |  |  |  |  |  |  |  |  |
|-----------------------------------------------------|---------------|----------------|----------------|--|--|--|--|--|--|--|--|
| Pipeline Cost                                       | \$15          | billion (real) |                |  |  |  |  |  |  |  |  |
| Completion Date: Choices are 2000, 2003, 2005, 2008 | 2005          |                |                |  |  |  |  |  |  |  |  |
| Peak Population Effect during Construction          | 40,000        |                |                |  |  |  |  |  |  |  |  |
| %-age of Construction Population Staying Long-Term  | 15% DOR "low" | 30% DOR "mid"  | 40% DOR "high" |  |  |  |  |  |  |  |  |
| Wellhead Gas Price                                  | \$1.00        | /Mcf (real)    |                |  |  |  |  |  |  |  |  |

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | Gross AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                            | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                              | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                              | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                              | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                                     |                           |                          |                   |                  |                  | <b>494.62</b>    |



# CASE S07, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund Principal at FY Start | Perm. Fund Earnings during FY | 100% of Royalty Revenues | 100% of Rentals & Shared Fed'l Resource Rev. | 100% of Bonuses | Prod'n Tax | AS 43.56 State Share | Oil & Gas Corporate Income Tax | Collections from Prior Years | Gas Pipeline | ANWR | Lift Oil Export Ban | Total Petroleum Revenues |
|------|----------------------------------|-------------------------------|--------------------------|----------------------------------------------|-----------------|------------|----------------------|--------------------------------|------------------------------|--------------|------|---------------------|--------------------------|
| 1998 | 18,543.78                        | 2,620.89                      | 818.19                   | 13.52                                        | 0.00            | 695.39     | 41.82                | 76.36                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,658.68                 |
| 1999 | 19,304.12                        | 2,732.40                      | 841.76                   | 12.45                                        | 0.00            | 670.52     | 37.17                | 72.28                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,647.59                 |
| 2000 | 20,154.07                        | 2,854.91                      | 831.16                   | 11.47                                        | 0.00            | 656.27     | 33.28                | 67.55                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,613.14                 |
| 2001 | 21,073.27                        | 2,986.91                      | 807.73                   | 10.56                                        | 0.00            | 649.71     | 29.58                | 63.05                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,574.02                 |
| 2002 | 22,060.22                        | 3,125.67                      | 776.10                   | 9.72                                         | 0.00            | 625.53     | 26.48                | 58.75                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,496.58                 |
| 2003 | 23,077.15                        | 3,265.11                      | 746.79                   | 8.95                                         | 0.00            | 596.69     | 23.69                | 56.18                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,432.30                 |
| 2004 | 24,073.90                        | 3,402.01                      | 721.12                   | 8.24                                         | 0.00            | 572.48     | 21.05                | 52.98                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,375.87                 |
| 2005 | 25,054.03                        | 3,536.18                      | 693.26                   | 7.59                                         | 0.00            | 545.50     | 18.76                | 49.92                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,315.03                 |
| 2006 | 26,011.39                        | 3,665.01                      | 653.79                   | 6.98                                         | 0.00            | 502.21     | 16.66                | 47.00                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,226.64                 |
| 2007 | 26,914.55                        | 3,786.55                      | 617.29                   | 6.43                                         | 0.00            | 462.55     | 14.80                | 43.54                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,144.62                 |
| 2008 | 27,766.52                        | 3,904.14                      | 623.52                   | 5.92                                         | 0.00            | 436.16     | 13.24                | 40.25                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,119.10                 |
| 2009 | 28,612.64                        | 4,017.23                      | 589.02                   | 5.45                                         | 0.00            | 404.91     | 11.77                | 37.12                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,048.26                 |
| 2010 | 29,399.66                        | 4,122.05                      | 554.64                   | 5.02                                         | 0.00            | 374.92     | 10.37                | 35.37                          | 0.00                         | 0.00         | 0.00 | 0.00                | 980.32                   |

| FY   | Non-Petrol. Non-Intr'st Revenues | AHFC Dividends | Personal Income Tax | State Sales Tax | Other | Total Non-Resource Revenues | STATE SPENDING   |                 |          |         |          | DRAW FROM PERMANENT FUND | Draw as %age of Perm. Fund |
|------|----------------------------------|----------------|---------------------|-----------------|-------|-----------------------------|------------------|-----------------|----------|---------|----------|--------------------------|----------------------------|
|      |                                  |                |                     |                 |       |                             | Education (K-12) | Other Operating | PFDs     | Capital | TOTAL    |                          |                            |
| 1998 | 242.16                           | 44.39          | 0.00                | 262.70          | 0.00  | 549.25                      | 733.54           | 1,736.31        | 1,448.64 | 150.00  | 4,068.49 | 3,519.23                 | 18.98%                     |
| 1999 | 241.75                           | 43.03          | 0.00                | 266.88          | 0.00  | 551.65                      | 730.30           | 1,693.36        | 1,508.04 | 150.00  | 4,081.69 | 3,530.04                 | 18.29%                     |
| 2000 | 241.32                           | 41.70          | 0.00                | 271.12          | 0.00  | 554.14                      | 727.07           | 1,651.47        | 1,574.44 | 150.00  | 4,102.98 | 3,548.84                 | 17.61%                     |
| 2001 | 240.90                           | 40.41          | 0.00                | 275.43          | 0.00  | 556.74                      | 723.86           | 1,610.62        | 1,646.24 | 150.00  | 4,130.72 | 3,573.98                 | 16.96%                     |
| 2002 | 240.48                           | 39.17          | 0.00                | 279.81          | 0.00  | 559.47                      | 720.66           | 1,570.78        | 1,723.34 | 150.00  | 4,164.79 | 3,605.32                 | 16.34%                     |
| 2003 | 240.06                           | 37.96          | 0.00                | 284.26          | 0.00  | 562.29                      | 717.48           | 1,592.68        | 1,802.79 | 150.00  | 4,262.95 | 3,700.66                 | 16.04%                     |
| 2004 | 239.64                           | 36.79          | 0.00                | 288.78          | 0.00  | 565.21                      | 714.31           | 1,618.00        | 1,880.65 | 150.00  | 4,362.97 | 3,797.75                 | 15.78%                     |
| 2005 | 239.22                           | 35.66          | 0.00                | 293.37          | 0.00  | 568.26                      | 711.15           | 1,643.73        | 1,957.22 | 150.00  | 4,462.11 | 3,893.85                 | 15.54%                     |
| 2006 | 238.80                           | 34.56          | 0.00                | 298.04          | 0.00  | 571.40                      | 708.01           | 1,669.87        | 2,032.01 | 150.00  | 4,559.89 | 3,988.49                 | 15.33%                     |
| 2007 | 238.39                           | 33.49          | 0.00                | 302.78          | 0.00  | 574.66                      | 704.88           | 1,696.42        | 2,102.56 | 150.00  | 4,653.87 | 4,079.21                 | 15.16%                     |
| 2008 | 237.98                           | 32.46          | 0.00                | 307.59          | 0.00  | 578.03                      | 712.63           | 1,723.39        | 2,169.12 | 150.00  | 4,755.14 | 4,177.11                 | 15.04%                     |
| 2009 | 237.56                           | 31.46          | 0.00                | 312.48          | 0.00  | 581.50                      | 723.96           | 1,750.79        | 2,235.22 | 150.00  | 4,859.97 | 4,278.48                 | 14.95%                     |
| 2010 | 237.15                           | 30.49          | 0.00                | 317.45          | 0.00  | 585.08                      | 735.47           | 1,778.63        | 2,296.70 | 150.00  | 4,960.81 | 4,375.72                 | 14.88%                     |

# CASE S07, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 **\$14,100 MM**  
 Permanent Fund: Sustainable Long-Term Real Earnings Rate **14.88%**  
 Other Cash Reserves at Start of FY98 to Put into Perm. Fund **\$3,815**  
 Drawdown Limited under Transition Rule? 1=Y, 0=N **0**

| FY    | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------|------|------|------|------|------|------|------|------|------|------|------|
| Limit |      |      |      |      |      |      |      |      |      |      |      |
| FY    | 2009 | 2010 |      |      |      |      |      |      |      |      |      |
| Limit |      |      |      |      |      |      |      |      |      |      |      |

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N **1**  
 What %age of Fund's Real Earnings Goes for PFDs? **52.50%**  
 Will PFDs be Capped? 1=Y, 0=N **0** If so, what? **\$200 (nominal) per capita**

### Population

Population as of 1/1/95 (mid-point of FY 1995) **611,089** <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95  
 Population Rate of Increase/(Decrease) **1.59%**

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N **0**  
 State Income Tax Rates **1 times old rates**  
 Real Inc. Tax Collected/Yr per Capita @ Old Rates **\$809** SOURCE: See calc. below==> **\$494.62 MM/yr (real)**  
 State Sales Tax Adopted? 1=Y, 0=N **1**  
 State Sales Tax Rate **6.00%**  
 Real Sales Tax Collected/Yr per Capita @ Given Rate **\$410** SOURCE: ALRFPC Prelim.Rpt. **\$58.00 MM/yr (real) for 1% tax**  
 What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 **\$1,267** FY 1996 Actual=====> **\$774 MM (real)**  
 Growth in Real Per Capita Education OpEx **-2.00%**  
 Floor on Real Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$950 (real) per capita**  
 FY 95 Real Per Capita State OpEx - Non-Education **\$3,063** Based on FY 1996 TOTAL==> **\$1,872 MM (real) (fig. incl. K-12 grants)**  
 Growth in Real Per Capita Non-Education OpEx **-4.00%**  
 Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$2,297 (real) per capita**  
 Real Per Capita State CapEx **\$245**  
 Growth in Real Per Capita CapEx **0.00%**  
 Floor on Real CapEx Per Capita? 1=Y, 0=N **0** If so, what? **(real) per capita**

### Natural Gas Pipeline Built? 1=Y, 0=N

Pipeline Cost **\$15 billion (real)**  
 Completion Date: Choices are 2000, 2003, 2005, 2008 **2005**  
 Peak Population Effect during Construction **40,000**  
 %age of Construction Population Staying Long-Term **15% DOR "low" 30% DOR "mid" 40% DOR "high"**  
 Wellhead Gas Price **\$1.00 /Mcf (real)**

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | Gross AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                            | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                              | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                              | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                              | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                                     |                           |                          |                   |                  |                  | <b>494.62</b>    |

# CASE S08, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 18,103.60                              | 1,430.19                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 76.36                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,658.68                       |
| 1999 | 18,859.17                              | 1,492.35                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 72.28                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,647.59                       |
| 2000 | 19,710.23                              | 1,561.22                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 67.55                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,613.14                       |
| 2001 | 20,639.06                              | 1,636.12                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 63.05                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,574.02                       |
| 2002 | 21,646.03                              | 1,715.73                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 58.75                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,496.58                       |
| 2003 | 22,696.56                              | 1,796.89                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 56.18                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,432.30                       |
| 2004 | 23,743.61                              | 1,877.95                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 52.98                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,375.87                       |
| 2005 | 24,791.56                              | 1,958.89                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 49.92                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,315.03                       |
| 2006 | 25,835.48                              | 2,038.38                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 47.00                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,226.64                       |
| 2007 | 26,845.98                              | 2,115.43                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 43.54                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,144.62                       |
| 2008 | 27,826.61                              | 2,191.88                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 40.25                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,119.10                       |
| 2009 | 28,822.01                              | 2,267.55                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 37.12                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,048.26                       |
| 2010 | 29,782.08                              | 2,340.46                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 35.37                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 980.32                         |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |      |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs | Capital | TOTAL    |                                |                                   |
| 1998 | 242.16                                 | 44.39             | 0.00                   | 0.00               | 0.00  | 286.55                             | 733.54              | 1,736.31           | 0.00 | 150.00  | 2,619.85 | 2,333.29                       | 12.89%                            |
| 1999 | 241.75                                 | 43.03             | 0.00                   | 0.00               | 0.00  | 284.78                             | 730.30              | 1,693.36           | 0.00 | 150.00  | 2,573.66 | 2,288.88                       | 12.14%                            |
| 2000 | 241.32                                 | 41.70             | 0.00                   | 0.00               | 0.00  | 283.02                             | 727.07              | 1,651.47           | 0.00 | 150.00  | 2,528.54 | 2,245.52                       | 11.39%                            |
| 2001 | 240.90                                 | 40.41             | 0.00                   | 0.00               | 0.00  | 281.31                             | 723.86              | 1,610.62           | 0.00 | 150.00  | 2,484.48 | 2,203.17                       | 10.67%                            |
| 2002 | 240.48                                 | 39.17             | 0.00                   | 0.00               | 0.00  | 279.65                             | 720.66              | 1,570.78           | 0.00 | 150.00  | 2,441.44 | 2,161.79                       | 9.99%                             |
| 2003 | 240.06                                 | 37.96             | 0.00                   | 0.00               | 0.00  | 278.02                             | 717.48              | 1,592.68           | 0.00 | 150.00  | 2,460.16 | 2,182.14                       | 9.61%                             |
| 2004 | 239.64                                 | 36.79             | 0.00                   | 0.00               | 0.00  | 276.43                             | 714.31              | 1,618.00           | 0.00 | 150.00  | 2,482.31 | 2,205.88                       | 9.29%                             |
| 2005 | 239.22                                 | 35.66             | 0.00                   | 0.00               | 0.00  | 274.88                             | 711.15              | 1,643.73           | 0.00 | 150.00  | 2,504.89 | 2,230.00                       | 9.00%                             |
| 2006 | 238.80                                 | 34.56             | 0.00                   | 0.00               | 0.00  | 273.36                             | 708.01              | 1,669.87           | 0.00 | 150.00  | 2,527.88 | 2,254.52                       | 8.73%                             |
| 2007 | 238.39                                 | 33.49             | 0.00                   | 0.00               | 0.00  | 271.88                             | 704.88              | 1,696.42           | 0.00 | 150.00  | 2,551.30 | 2,279.42                       | 8.49%                             |
| 2008 | 237.98                                 | 32.46             | 0.00                   | 0.00               | 0.00  | 270.44                             | 712.63              | 1,723.39           | 0.00 | 150.00  | 2,586.02 | 2,315.58                       | 8.32%                             |
| 2009 | 237.56                                 | 31.46             | 0.00                   | 0.00               | 0.00  | 269.02                             | 723.96              | 1,750.79           | 0.00 | 150.00  | 2,624.75 | 2,355.74                       | 8.17%                             |
| 2010 | 237.15                                 | 30.49             | 0.00                   | 0.00               | 0.00  | 267.64                             | 735.47              | 1,778.63           | 0.00 | 150.00  | 2,664.10 | 2,396.47                       | 8.05%                             |



# CASE S08, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 **\$14,100 MM**

Permanent Fund: Sustainable Long-Term Real Earnings Rate **8.05%**

Other Cash Reserves at Start of FY98 to Put into Perm. Fund **\$3,375**

Drawdown Limited under Transition Rule? 1=Y, 0=N **0**

| FY | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----|------|------|------|------|------|------|------|------|------|------|------|
|----|------|------|------|------|------|------|------|------|------|------|------|

Limit

FY 2009 2010

Limit

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N **0**

What %-age of Fund's Real Earnings Goes for PFDs? **0.00%**

Will PFDs be Capped? 1=Y, 0=N **0**

If so, what? **\$200 (nominal) per capita**

### Population

Population as of 1/1/95 (mid-point of FY 1995) **611,089** <====Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease) **1.59%**

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N **0**

State Income Tax Rates **1 times old rates**

Real Inc. Tax Collected/Yr per Capita @ Old Rates **\$809** SOURCE: See calc. below==> **\$494.62 MM/yr (real)**

State Sales Tax Adopted? 1=Y, 0=N **0**

State Sales Tax Rate **0.00%**

Real Sales Tax Collected/Yr per Capita @ Given Rate **\$0** SOURCE: ALRFPC Prelim.Rpt. **\$58.00 MM/yr (real) for 1% tax**

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 **\$1,267** FY 1996 Actual=====> **\$774 MM (real)**

Growth in Real Per Capita Education OpEx **-2.00%**

Floor on Real Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$950 (real) per capita**

FY 95 Real Per Capita State OpEx - Non-Education **\$3,063** Based on FY 1996 TOTAL==> **\$1,872 MM (real) (fig. incl. K-12 grants)**

Growth in Real Per Capita Non-Education OpEx **-4.00%**

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$2,297 (real) per capita**

Real Per Capita State CapEx **\$245** **\$150 MM/Yr (real)**

Growth in Real Per Capita CapEx **0.00%**

Floor on Real CapEx Per Capita? 1=Y, 0=N **0** If so, what? **(real) per capita**

### Natural Gas Pipeline Built? 1=Y, 0=N

Pipeline Cost **\$15 billion (real)**

Completion Date: Choices are 2000, 2003, 2005, 2008 **2005**

Peak Population Effect during Construction **40,000**

%-age of Construction Population Staying Long-Term **15% DOR "low" 30% DOR "mid" 40% DOR "high"**

Wellhead Gas Price **\$1.00 /Mcf (real)**

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |

# CASE S09, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 18,905.34                              | 3,548.25                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 76.36                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,658.68                       |
| 1999 | 19,774.06                              | 3,717.79                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 72.28                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,647.59                       |
| 2000 | 20,753.52                              | 3,906.05                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 67.55                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,613.14                       |
| 2001 | 21,826.27                              | 4,111.58                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 63.05                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,574.02                       |
| 2002 | 22,994.02                              | 4,331.32                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 58.75                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,496.58                       |
| 2003 | 24,221.62                              | 4,556.59                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 56.18                                | 0.00                                  | 90.00        | 0.00 | 0.00                   | 1,522.30                       |
| 2004 | 25,449.70                              | 4,779.86                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 52.98                                | 0.00                                  | 180.00       | 0.00 | 0.00                   | 1,555.87                       |
| 2005 | 26,655.51                              | 4,997.51                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 49.92                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,585.03                       |
| 2006 | 27,822.30                              | 5,203.71                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 47.00                                | 0.00                                  | 294.00       | 0.00 | 0.00                   | 1,520.64                       |
| 2007 | 28,903.24                              | 5,392.62                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 43.54                                | 0.00                                  | 282.00       | 0.00 | 0.00                   | 1,426.62                       |
| 2008 | 29,881.64                              | 5,567.67                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 40.25                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,389.10                       |
| 2009 | 30,811.49                              | 5,728.25                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 37.12                                | 0.00                                  | 258.00       | 0.00 | 0.00                   | 1,306.26                       |
| 2010 | 31,632.12                              | 5,868.03                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 35.37                                | 0.00                                  | 246.00       | 0.00 | 0.00                   | 1,226.32                       |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |          |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|----------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs     | Capital | TOTAL    |                                |                                   |
| 1998 | 242.16                                 | 44.39             | 0.00                   | 0.00               | 0.00  | 286.55                             | 733.54              | 1,736.31           | 2,004.91 | 150.00  | 4,624.76 | 4,338.21                       | 22.95%                            |
| 1999 | 241.75                                 | 43.03             | 0.00                   | 0.00               | 0.00  | 284.78                             | 730.30              | 1,693.36           | 2,097.04 | 150.00  | 4,670.69 | 4,385.92                       | 22.18%                            |
| 2000 | 241.32                                 | 41.70             | 0.00                   | 0.00               | 0.00  | 283.02                             | 727.07              | 1,651.47           | 2,200.91 | 150.00  | 4,729.45 | 4,446.43                       | 21.42%                            |
| 2001 | 240.90                                 | 40.41             | 0.00                   | 0.00               | 0.00  | 281.31                             | 723.86              | 1,610.62           | 2,314.68 | 150.00  | 4,799.16 | 4,517.85                       | 20.70%                            |
| 2002 | 240.48                                 | 39.17             | 0.00                   | 0.00               | 0.00  | 279.65                             | 720.66              | 1,570.78           | 2,438.52 | 150.00  | 4,879.96 | 4,600.30                       | 20.01%                            |
| 2003 | 240.06                                 | 37.96             | 0.00                   | 0.00               | 0.00  | 278.02                             | 748.53              | 1,661.60           | 2,568.70 | 150.00  | 5,128.83 | 4,850.80                       | 20.03%                            |
| 2004 | 239.64                                 | 36.79             | 0.00                   | 0.00               | 0.00  | 276.43                             | 783.25              | 1,774.17           | 2,698.94 | 150.00  | 5,406.36 | 5,129.93                       | 20.16%                            |
| 2005 | 239.22                                 | 35.66             | 0.00                   | 0.00               | 0.00  | 274.88                             | 919.55              | 1,894.27           | 2,826.82 | 150.00  | 5,690.63 | 5,415.75                       | 20.32%                            |
| 2006 | 238.80                                 | 34.56             | 0.00                   | 0.00               | 0.00  | 273.36                             | 838.53              | 1,977.68           | 2,950.55 | 150.00  | 5,916.76 | 5,643.40                       | 20.28%                            |
| 2007 | 238.39                                 | 33.49             | 0.00                   | 0.00               | 0.00  | 271.88                             | 850.55              | 2,046.99           | 3,065.19 | 150.00  | 6,112.73 | 5,840.85                       | 20.21%                            |
| 2008 | 237.98                                 | 32.46             | 0.00                   | 0.00               | 0.00  | 270.44                             | 871.30              | 2,107.10           | 3,168.95 | 150.00  | 6,297.35 | 6,026.91                       | 20.17%                            |
| 2009 | 237.56                                 | 31.46             | 0.00                   | 0.00               | 0.00  | 269.02                             | 896.73              | 2,168.61           | 3,267.56 | 150.00  | 6,482.91 | 6,213.89                       | 20.17%                            |
| 2010 | 237.15                                 | 30.49             | 0.00                   | 0.00               | 0.00  | 267.64                             | 922.76              | 2,231.55           | 3,354.59 | 150.00  | 6,658.89 | 6,391.25                       | 20.20%                            |



# CASE S09, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 **\$14,100 MM**  
 Permanent Fund: Sustainable Long-Term Real Earnings Rate **20.20%**  
 Other Cash Reserves at Start of FY98 to Put into Perm. Fund **\$4,177**  
 Drawdown Limited under Transition Rule? 1=Y, 0=N **0**

| FY    | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------|------|------|------|------|------|------|------|------|------|------|------|
| Limit |      |      |      |      |      |      |      |      |      |      |      |
| FY    | 2009 | 2010 |      |      |      |      |      |      |      |      |      |
| Limit |      |      |      |      |      |      |      |      |      |      |      |

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N **1**  
 What %-age of Fund's Real Earnings Goes for PFDs? **52.50%**  
 Will PFDs be Capped? 1=Y, 0=N **0** If so, what? **\$200 (nominal) per capita**

### Population

Population as of 1/1/95 (mid-point of FY 1995) **611,089** <====Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95  
 Population Rate of Increase/(Decrease) **1.59%**

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N **0**  
 State Income Tax Rates **1 times old rates**  
 Real Inc. Tax Collected/Yr per Capita @ Old Rates **\$809** SOURCE: See calc. below==> **\$494.62 MM/yr (real)**  
 State Sales Tax Adopted? 1=Y, 0=N **0**  
 State Sales Tax Rate **0.00%**  
 Real Sales Tax Collected/Yr per Capita @ Given Rate **\$0** SOURCE: ALRFPD Prelim.Rpt. **\$58.00 MM/yr (real) for 1% tax**  
 What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 **\$1,267** FY 1996 Actual===== **\$774 MM (real)**  
 Growth in Real Per Capita Education OpEx **-2.00%**  
 Floor on Real Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$950 (real) per capita**  
 FY 95 Real Per Capita State OpEx - Non-Education **\$3,063** Based on FY 1996 TOTAL==> **\$1,872 MM (real) (fig. incl. K-12 grants)**  
 Growth in Real Per Capita Non-Education OpEx **-4.00%**  
 Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$2,297 (real) per capita**  
 Real Per Capita State CapEx **\$245**  
 Growth in Real Per Capita CapEx **0.00%**  
 Floor on Real CapEx Per Capita? 1=Y, 0=N **0** If so, what? **(real) per capita**

### Natural Gas Pipeline Built? 1=Y, 0=N

**1**  
 Pipeline Cost **\$15 billion (real)**  
 Completion Date: Choices are 2000, 2003, 2005, 2008 **2005**  
 Peak Population Effect during Construction **40,000**  
 %-age of Construction Population Staying Long-Term **15% DOR "low" 30% DOR "mid" 40% DOR "high"**  
 Wellhead Gas Price **\$1.00 /Mcf (real)**

### Personal Income Tax Calculation (AK 1

sidents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt's & Ded'n's (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |



# CASE S10, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 18,271.82                              | 1,916.11                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 114.54                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,696.86                       |
| 1999 | 19,426.06                              | 2,034.76                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 108.43                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,683.73                       |
| 2000 | 20,606.16                              | 2,154.85                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 101.33                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,646.91                       |
| 2001 | 21,788.66                              | 2,274.96                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 94.57                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,605.55                       |
| 2002 | 22,969.21                              | 2,392.84                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 88.13                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,525.96                       |
| 2003 | 24,107.77                              | 2,507.11                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 84.28                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,460.39                       |
| 2004 | 25,217.43                              | 2,618.80                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 79.47                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,402.36                       |
| 2005 | 26,305.11                              | 2,727.98                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 74.88                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,339.99                       |
| 2006 | 27,365.58                              | 2,832.89                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 70.50                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,250.14                       |
| 2007 | 28,368.98                              | 2,932.20                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 65.31                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,166.40                       |
| 2008 | 29,319.44                              | 3,029.05                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 60.38                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,139.22                       |
| 2009 | 30,274.48                              | 3,123.98                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 55.69                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,066.83                       |
| 2010 | 31,187.14                              | 3,214.72                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 53.06                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 998.01                         |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |          |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|----------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs     | Capital | TOTAL    |                                |                                   |
| 1998 | 260.45                                 | 44.39             | 925.12                 | 262.70             | 0.00  | 1,492.66                           | 811.51              | 1,962.51           | 1,027.38 | 150.00  | 3,951.40 | 2,458.74                       | 13.46%                            |
| 1999 | 260.01                                 | 43.03             | 952.10                 | 266.88             | 0.00  | 1,522.01                           | 824.41              | 1,993.72           | 1,092.28 | 150.00  | 4,060.41 | 2,538.39                       | 13.07%                            |
| 2000 | 259.54                                 | 41.70             | 979.94                 | 271.12             | 0.00  | 1,552.31                           | 837.52              | 2,025.42           | 1,158.63 | 150.00  | 4,171.57 | 2,619.26                       | 12.71%                            |
| 2001 | 259.09                                 | 40.41             | 1,008.68               | 275.43             | 0.00  | 1,583.62                           | 850.84              | 2,057.62           | 1,225.12 | 150.00  | 4,283.58 | 2,699.96                       | 12.39%                            |
| 2002 | 258.65                                 | 39.17             | 1,038.34               | 279.81             | 0.00  | 1,615.97                           | 864.37              | 2,090.34           | 1,291.50 | 150.00  | 4,396.20 | 2,780.24                       | 12.10%                            |
| 2003 | 258.19                                 | 37.96             | 1,068.95               | 284.26             | 0.00  | 1,649.36                           | 878.11              | 2,123.57           | 1,355.52 | 150.00  | 4,507.20 | 2,857.84                       | 11.85%                            |
| 2004 | 257.74                                 | 36.79             | 1,100.54               | 288.78             | 0.00  | 1,683.85                           | 892.07              | 2,157.34           | 1,417.91 | 150.00  | 4,617.32 | 2,933.47                       | 11.63%                            |
| 2005 | 257.29                                 | 35.66             | 1,133.14               | 293.37             | 0.00  | 1,719.47                           | 906.26              | 2,191.64           | 1,479.07 | 150.00  | 4,726.97 | 3,007.50                       | 11.43%                            |
| 2006 | 256.84                                 | 34.56             | 1,166.79               | 298.04             | 0.00  | 1,756.23                           | 920.67              | 2,226.49           | 1,538.70 | 150.00  | 4,835.85 | 3,079.63                       | 11.25%                            |
| 2007 | 256.40                                 | 33.49             | 1,201.51               | 302.78             | 0.00  | 1,794.18                           | 935.30              | 2,261.89           | 1,595.12 | 150.00  | 4,942.31 | 3,148.13                       | 11.10%                            |
| 2008 | 255.95                                 | 32.46             | 1,237.35               | 307.59             | 0.00  | 1,833.35                           | 950.18              | 2,297.85           | 1,648.56 | 150.00  | 5,046.59 | 3,213.23                       | 10.96%                            |
| 2009 | 255.50                                 | 31.46             | 1,274.34               | 312.48             | 0.00  | 1,873.78                           | 965.28              | 2,334.39           | 1,702.26 | 150.00  | 5,151.93 | 3,278.15                       | 10.83%                            |
| 2010 | 255.06                                 | 30.49             | 1,312.52               | 317.45             | 0.00  | 1,915.51                           | 980.63              | 2,371.51           | 1,753.57 | 150.00  | 5,255.71 | 3,340.20                       | 10.71%                            |

# CASE S10, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

|                                                             |      |      |      |      |      |      |      |      |      |      |  |
|-------------------------------------------------------------|------|------|------|------|------|------|------|------|------|------|--|
| Permanent Fund Principal: FMV @ Year-End FY 1995            |      |      |      |      |      |      |      |      |      |      |  |
| Permanent Fund: Sustainable Long-Term Real Earnings Rate    |      |      |      |      |      |      |      |      |      |      |  |
| Other Cash Reserves at Start of FY98 to Put into Perm. Fund |      |      |      |      |      |      |      |      |      |      |  |
| Drawdown Limited under Transition Rule? 1=Y, 0=N            |      |      |      |      |      |      |      |      |      |      |  |
| FY 1998                                                     | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |  |
| Limit                                                       |      |      |      |      |      |      |      |      |      |      |  |
| FY 2009                                                     | 2010 |      |      |      |      |      |      |      |      |      |  |
| Limit                                                       |      |      |      |      |      |      |      |      |      |      |  |

### Permanent Fund Dividends

|                                                   |        |  |  |  |              |                            |  |  |  |  |  |
|---------------------------------------------------|--------|--|--|--|--------------|----------------------------|--|--|--|--|--|
| Will PFDs Continue? 1=Y, 0=N                      | 1      |  |  |  |              |                            |  |  |  |  |  |
| What %-age of Fund's Real Earnings Goes for PFDs? | 52.50% |  |  |  |              |                            |  |  |  |  |  |
| Will PFDs be Capped? 1=Y, 0=N                     | 0      |  |  |  | If so, what? | \$200 (nominal) per capita |  |  |  |  |  |

### Population

|                                                |         |                                                      |
|------------------------------------------------|---------|------------------------------------------------------|
| Population as of 1/1/95 (mid-point of FY 1995) | 611,089 | <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95 |
| Population Rate of Increase/(Decrease)         | 1.59%   |                                                      |

### Non-Petroleum Revenues

|                                                     |                     |                            |          |                         |  |  |  |  |  |  |  |
|-----------------------------------------------------|---------------------|----------------------------|----------|-------------------------|--|--|--|--|--|--|--|
| State Income Tax Adopted? 1=Y, 0=N                  | 1                   |                            |          |                         |  |  |  |  |  |  |  |
| State Income Tax Rates                              | 1.5 times old rates |                            |          |                         |  |  |  |  |  |  |  |
| Real Inc. Tax Collected/Yr per Capita @ Old Rates   | \$809               | SOURCE: See calc. below==> | \$494.62 | MM/yr (real)            |  |  |  |  |  |  |  |
| State Sales Tax Adopted? 1=Y, 0=N                   | 1                   |                            |          |                         |  |  |  |  |  |  |  |
| State Sales Tax Rate                                | 6.00%               |                            |          |                         |  |  |  |  |  |  |  |
| Real Sales Tax Collected/Yr per Capita @ Given Rate | \$410               | SOURCE: ALRFPC Prelim.Rpt. | \$58.00  | MM/yr (real) for 1% tax |  |  |  |  |  |  |  |
| What, if anything, is "Other"?                      |                     |                            |          |                         |  |  |  |  |  |  |  |

### Growth in Expenditures

|                                                       |         |                           |                   |                                    |  |  |  |  |  |  |  |
|-------------------------------------------------------|---------|---------------------------|-------------------|------------------------------------|--|--|--|--|--|--|--|
| FY95 Real Per Capita State OpEx - Education K-12      | \$1,267 | FY 1996 Actual=====       | \$774             | MM (real)                          |  |  |  |  |  |  |  |
| Growth in Real Per Capita Education OpEx              | 0.00%   |                           |                   |                                    |  |  |  |  |  |  |  |
| Floor on Real Education OpEx Per Capita? 1=Y, 0=N     | 1       | If so, what?              | \$950             | (real) per capita                  |  |  |  |  |  |  |  |
| FY 95 Real Per Capita State OpEx - Non-Education      | \$3,063 | Based on FY 1996 TOTAL==> | \$1,872           | MM (real) (fig. Incl. K-12 grants) |  |  |  |  |  |  |  |
| Growth in Real Per Capita Non-Education OpEx          | 0.00%   |                           |                   |                                    |  |  |  |  |  |  |  |
| Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N | 1       | If so, what?              | \$2,297           | (real) per capita                  |  |  |  |  |  |  |  |
| Real Per Capita State CapEx                           | \$245   |                           | \$150             | MM/Yr (real)                       |  |  |  |  |  |  |  |
| Growth in Real Per Capita CapEx                       | 0.00%   |                           |                   |                                    |  |  |  |  |  |  |  |
| Floor on Real CapEx Per Capita? 1=Y, 0=N              | 0       | If so, what?              | (real) per capita |                                    |  |  |  |  |  |  |  |

### Natural Gas Pipeline Built? 1=Y, 0=N

|                                                     |                     |               |                |  |  |  |  |  |  |  |  |
|-----------------------------------------------------|---------------------|---------------|----------------|--|--|--|--|--|--|--|--|
| Pipeline Cost                                       | \$15 billion (real) |               |                |  |  |  |  |  |  |  |  |
| Completion Date: Choices are 2000, 2003, 2005, 2008 | 2005                |               |                |  |  |  |  |  |  |  |  |
| Peak Population Effect during Construction          | 40,000              |               |                |  |  |  |  |  |  |  |  |
| %-age of Construction Population Staying Long-Term  | 15% DOR "low"       | 30% DOR "mid" | 40% DOR "high" |  |  |  |  |  |  |  |  |
| Wellhead Gas Price                                  | \$1.00 /Mcf (real)  |               |                |  |  |  |  |  |  |  |  |

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |

# CASE S11, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 17,984.71                              | 1,102.55                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 114.54                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,696.86                       |
| 1999 | 19,090.06                              | 1,169.32                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 108.43                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,683.73                       |
| 2000 | 20,230.12                              | 1,237.51                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 101.33                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,646.91                       |
| 2001 | 21,382.79                              | 1,306.33                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 94.57                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,605.55                       |
| 2002 | 22,544.39                              | 1,374.54                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 88.13                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,525.96                       |
| 2003 | 23,676.34                              | 1,441.36                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 84.28                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,460.39                       |
| 2004 | 24,791.51                              | 1,507.40                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 79.47                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,402.36                       |
| 2005 | 25,896.94                              | 1,572.71                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 74.88                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,339.99                       |
| 2006 | 26,987.84                              | 1,636.31                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 70.50                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,250.14                       |
| 2007 | 28,035.32                              | 1,697.43                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 65.31                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,166.40                       |
| 2008 | 29,043.36                              | 1,757.89                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 60.38                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,139.22                       |
| 2009 | 30,068.21                              | 1,818.00                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 55.69                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,066.83                       |
| 2010 | 31,064.66                              | 1,876.49                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 53.06                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 998.01                         |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |      |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs | Capital | TOTAL    |                                |                                   |
| 1998 | 260.45                                 | 44.39             | 925.12                 | 0.00               | 0.00  | 1,229.96                           | 811.51              | 1,962.51           | 0.00 | 150.00  | 2,924.02 | 1,694.06                       | 9.42%                             |
| 1999 | 260.01                                 | 43.03             | 952.10                 | 0.00               | 0.00  | 1,255.14                           | 824.41              | 1,993.72           | 0.00 | 150.00  | 2,968.13 | 1,712.99                       | 8.97%                             |
| 2000 | 259.54                                 | 41.70             | 979.94                 | 0.00               | 0.00  | 1,281.19                           | 837.52              | 2,025.42           | 0.00 | 150.00  | 3,012.94 | 1,731.75                       | 8.56%                             |
| 2001 | 259.09                                 | 40.41             | 1,008.68               | 0.00               | 0.00  | 1,308.18                           | 850.84              | 2,057.62           | 0.00 | 150.00  | 3,058.46 | 1,750.28                       | 8.19%                             |
| 2002 | 258.65                                 | 39.17             | 1,038.34               | 0.00               | 0.00  | 1,336.16                           | 864.37              | 2,090.34           | 0.00 | 150.00  | 3,104.70 | 1,768.55                       | 7.84%                             |
| 2003 | 258.19                                 | 37.96             | 1,068.95               | 0.00               | 0.00  | 1,365.10                           | 878.11              | 2,123.57           | 0.00 | 150.00  | 3,151.68 | 1,786.58                       | 7.55%                             |
| 2004 | 257.74                                 | 36.79             | 1,100.54               | 0.00               | 0.00  | 1,395.07                           | 892.07              | 2,157.34           | 0.00 | 150.00  | 3,199.41 | 1,804.34                       | 7.28%                             |
| 2005 | 257.29                                 | 35.66             | 1,133.14               | 0.00               | 0.00  | 1,426.09                           | 906.26              | 2,191.64           | 0.00 | 150.00  | 3,247.90 | 1,821.80                       | 7.03%                             |
| 2006 | 256.84                                 | 34.56             | 1,166.79               | 0.00               | 0.00  | 1,458.19                           | 920.67              | 2,226.49           | 0.00 | 150.00  | 3,297.16 | 1,838.97                       | 6.81%                             |
| 2007 | 256.40                                 | 33.49             | 1,201.51               | 0.00               | 0.00  | 1,491.40                           | 935.30              | 2,261.89           | 0.00 | 150.00  | 3,347.19 | 1,855.79                       | 6.62%                             |
| 2008 | 255.95                                 | 32.46             | 1,237.35               | 0.00               | 0.00  | 1,525.76                           | 950.18              | 2,297.85           | 0.00 | 150.00  | 3,398.03 | 1,872.26                       | 6.45%                             |
| 2009 | 255.50                                 | 31.46             | 1,274.34               | 0.00               | 0.00  | 1,561.30                           | 965.28              | 2,334.39           | 0.00 | 150.00  | 3,449.67 | 1,888.37                       | 6.28%                             |
| 2010 | 255.06                                 | 30.49             | 1,312.52               | 0.00               | 0.00  | 1,598.06                           | 980.63              | 2,371.51           | 0.00 | 150.00  | 3,502.14 | 1,904.08                       | 6.13%                             |



# CASE S11, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

|                                                             |          |      |      |      |      |      |      |      |      |      |  |
|-------------------------------------------------------------|----------|------|------|------|------|------|------|------|------|------|--|
| Permanent Fund Principal: FMV @ Year-End FY 1995            | \$14,100 | MM   |      |      |      |      |      |      |      |      |  |
| Permanent Fund: Sustainable Long-Term Real Earnings Rate    | 6.13%    |      |      |      |      |      |      |      |      |      |  |
| Other Cash Reserves at Start of FY98 to Put into Perm. Fund | \$3,256  |      |      |      |      |      |      |      |      |      |  |
| Drawdown Limited under Transition Rule? 1=Y, 0=N            | 0        |      |      |      |      |      |      |      |      |      |  |
| FY 1998                                                     | 1999     | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |  |
| Limit                                                       |          |      |      |      |      |      |      |      |      |      |  |
| FY 2009                                                     | 2010     |      |      |      |      |      |      |      |      |      |  |
| Limit                                                       |          |      |      |      |      |      |      |      |      |      |  |

### Permanent Fund Dividends

|                                                   |       |  |  |              |       |                      |  |  |  |  |  |
|---------------------------------------------------|-------|--|--|--------------|-------|----------------------|--|--|--|--|--|
| Will PFDs Continue? 1=Y, 0=N                      | 0     |  |  |              |       |                      |  |  |  |  |  |
| What %-age of Fund's Real Earnings Goes for PFDs? | 0.00% |  |  |              |       |                      |  |  |  |  |  |
| Will PFDs be Capped? 1=Y, 0=N                     | 0     |  |  | If so, what? | \$200 | (nominal) per capita |  |  |  |  |  |

### Population

|                                                |         |                                                      |
|------------------------------------------------|---------|------------------------------------------------------|
| Population as of 1/1/95 (mid-point of FY 1995) | 611,089 | <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95 |
| Population Rate of Increase/(Decrease)         | 1.59%   |                                                      |

### Non-Petroleum Revenues

|                                                     |                     |                            |          |                         |  |  |  |  |  |  |  |
|-----------------------------------------------------|---------------------|----------------------------|----------|-------------------------|--|--|--|--|--|--|--|
| State Income Tax Adopted? 1=Y, 0=N                  | 1                   |                            |          |                         |  |  |  |  |  |  |  |
| State Income Tax Rates                              | 1.5 times old rates |                            |          |                         |  |  |  |  |  |  |  |
| Real Inc. Tax Collected/Yr per Capita @ Old Rates   | \$809               | SOURCE: See calc. below==> | \$494.62 | MM/yr (real)            |  |  |  |  |  |  |  |
| State Sales Tax Adopted? 1=Y, 0=N                   | 0                   |                            |          |                         |  |  |  |  |  |  |  |
| State Sales Tax Rate                                | 0.00%               |                            |          |                         |  |  |  |  |  |  |  |
| Real Sales Tax Collected/Yr per Capita @ Given Rate | \$0                 | SOURCE: ALRFPC Prelim.Rpt. | \$58.00  | MM/yr (real) for 1% tax |  |  |  |  |  |  |  |
| What, if anything, is "Other"?                      |                     |                            |          |                         |  |  |  |  |  |  |  |

### Growth in Expenditures

|                                                       |         |                           |                   |                                    |  |  |  |  |  |  |  |
|-------------------------------------------------------|---------|---------------------------|-------------------|------------------------------------|--|--|--|--|--|--|--|
| FY95 Real Per Capita State OpEx - Education K-12      | \$1,267 | FY 1996 Actual=====       | \$774             | MM (real)                          |  |  |  |  |  |  |  |
| Growth in Real Per Capita Education OpEx              | 0.00%   |                           |                   |                                    |  |  |  |  |  |  |  |
| Floor on Real Education OpEx Per Capita? 1=Y, 0=N     | 1       | If so, what?              | \$950             | (real) per capita                  |  |  |  |  |  |  |  |
| FY 95 Real Per Capita State OpEx - Non-Education      | \$3,063 | Based on FY 1996 TOTAL==> | \$1,872           | MM (real) (fig. incl. K-12 grants) |  |  |  |  |  |  |  |
| Growth in Real Per Capita Non-Education OpEx          | 0.00%   |                           |                   |                                    |  |  |  |  |  |  |  |
| Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N | 1       | If so, what?              | \$2,297           | (real) per capita                  |  |  |  |  |  |  |  |
| Real Per Capita State CapEx                           | \$245   |                           | \$150             | MM/Yr (real)                       |  |  |  |  |  |  |  |
| Growth in Real Per Capita CapEx                       | 0.00%   |                           |                   |                                    |  |  |  |  |  |  |  |
| Floor on Real CapEx Per Capita? 1=Y, 0=N              | 0       | If so, what?              | (real) per capita |                                    |  |  |  |  |  |  |  |

### Natural Gas Pipeline Built? 1=Y, 0=N

|                                                     |               |                |                |  |  |  |  |  |  |  |  |
|-----------------------------------------------------|---------------|----------------|----------------|--|--|--|--|--|--|--|--|
| Pipeline Cost                                       | \$15          | billion (real) |                |  |  |  |  |  |  |  |  |
| Completion Date: Choices are 2000, 2003, 2005, 2008 | 2005          |                |                |  |  |  |  |  |  |  |  |
| Peak Population Effect during Construction          | 40,000        |                |                |  |  |  |  |  |  |  |  |
| %-age of Construction Population Staying Long-Term  | 15% DOR "low" | 30% DOR "mid"  | 40% DOR "high" |  |  |  |  |  |  |  |  |
| Wellhead Gas Price                                  | \$1.00        | /Mcf (real)    |                |  |  |  |  |  |  |  |  |

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |

# CASE S12, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund Principal at FY Start | Perm. Fund Earnings during FY | 100% of Royalty Revenues | 100% of Rentals & Shared Fed'l Resource Rev. | 100% of Bonuses | Prod'n Tax | AS 43.56 State Share | Oil & Gas Corporate Income Tax | Collections from Prior Years | Gas Pipeline | ANWR | Lift Oil Export Ban | Total Petroleum Revenues |
|------|----------------------------------|-------------------------------|--------------------------|----------------------------------------------|-----------------|------------|----------------------|--------------------------------|------------------------------|--------------|------|---------------------|--------------------------|
| 1998 | 18,427.12                        | 2,332.84                      | 818.19                   | 13.52                                        | 0.00            | 695.39     | 41.82                | 114.54                         | 13.40                        | 0.00         | 0.00 | 0.00                | 1,696.86                 |
| 1999 | 19,494.47                        | 2,465.85                      | 841.76                   | 12.45                                        | 0.00            | 670.52     | 37.17                | 108.43                         | 13.40                        | 0.00         | 0.00 | 0.00                | 1,683.73                 |
| 2000 | 20,589.30                        | 2,600.81                      | 831.16                   | 11.47                                        | 0.00            | 656.27     | 33.28                | 101.33                         | 13.40                        | 0.00         | 0.00 | 0.00                | 1,646.91                 |
| 2001 | 21,688.16                        | 2,735.98                      | 807.73                   | 10.56                                        | 0.00            | 649.71     | 29.58                | 94.57                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,605.55                 |
| 2002 | 22,786.68                        | 2,874.16                      | 776.10                   | 9.72                                         | 0.00            | 625.53     | 26.48                | 88.13                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,525.96                 |
| 2003 | 23,934.34                        | 3,018.88                      | 746.79                   | 8.95                                         | 0.00            | 596.69     | 23.69                | 84.28                          | 0.00                         | 90.00        | 0.00 | 0.00                | 1,550.39                 |
| 2004 | 25,139.22                        | 3,170.36                      | 721.12                   | 8.24                                         | 0.00            | 572.48     | 21.05                | 79.47                          | 0.00                         | 180.00       | 0.00 | 0.00                | 1,582.36                 |
| 2005 | 26,396.72                        | 3,324.39                      | 693.26                   | 7.59                                         | 0.00            | 545.50     | 18.76                | 74.88                          | 0.00                         | 270.00       | 0.00 | 0.00                | 1,609.99                 |
| 2006 | 27,642.98                        | 3,474.31                      | 653.79                   | 6.98                                         | 0.00            | 502.21     | 16.66                | 70.50                          | 0.00                         | 294.00       | 0.00 | 0.00                | 1,544.14                 |
| 2007 | 28,833.77                        | 3,616.28                      | 617.29                   | 6.43                                         | 0.00            | 462.55     | 14.80                | 65.31                          | 0.00                         | 282.00       | 0.00 | 0.00                | 1,448.40                 |
| 2008 | 29,950.71                        | 3,754.07                      | 623.52                   | 5.92                                         | 0.00            | 436.16     | 13.24                | 60.38                          | 0.00                         | 270.00       | 0.00 | 0.00                | 1,409.22                 |
| 2009 | 31,073.63                        | 3,889.82                      | 589.02                   | 5.45                                         | 0.00            | 404.91     | 11.77                | 55.69                          | 0.00                         | 258.00       | 0.00 | 0.00                | 1,324.83                 |
| 2010 | 32,157.49                        | 4,021.05                      | 554.64                   | 5.02                                         | 0.00            | 374.92     | 10.37                | 53.06                          | 0.00                         | 246.00       | 0.00 | 0.00                | 1,244.01                 |

| FY   | Non-Petrol. Non-Intr'st Revenues | AHFC Dividends | Personal Income Tax | State Sales Tax | Other | Total Non-Resource Revenues | STATE SPENDING   |                 |          |         |          | DRAW FROM PERMANENT FUND | Draw as %age of Perm. Fund |
|------|----------------------------------|----------------|---------------------|-----------------|-------|-----------------------------|------------------|-----------------|----------|---------|----------|--------------------------|----------------------------|
|      |                                  |                |                     |                 |       |                             | Education (K-12) | Other Operating | PFDs     | Capital | TOTAL    |                          |                            |
| 1998 | 260.45                           | 44.39          | 925.12              | 0.00            | 0.00  | 1,229.96                    | 811.51           | 1,962.51        | 1,268.29 | 150.00  | 4,192.32 | 2,962.35                 | 16.08%                     |
| 1999 | 260.01                           | 43.03          | 952.10              | 0.00            | 0.00  | 1,255.14                    | 824.41           | 1,993.72        | 1,341.76 | 150.00  | 4,309.88 | 3,054.75                 | 15.67%                     |
| 2000 | 259.54                           | 41.70          | 979.94              | 0.00            | 0.00  | 1,281.19                    | 837.52           | 2,025.42        | 1,417.11 | 150.00  | 4,430.05 | 3,148.86                 | 15.29%                     |
| 2001 | 259.09                           | 40.41          | 1,008.68            | 0.00            | 0.00  | 1,308.18                    | 850.84           | 2,057.62        | 1,492.74 | 150.00  | 4,551.20 | 3,243.02                 | 14.95%                     |
| 2002 | 258.65                           | 39.17          | 1,122.77            | 0.00            | 0.00  | 1,420.59                    | 864.37           | 2,090.34        | 1,568.35 | 150.00  | 4,673.05 | 3,252.46                 | 14.27%                     |
| 2003 | 258.19                           | 37.96          | 1,268.37            | 0.00            | 0.00  | 1,564.53                    | 916.11           | 2,215.47        | 1,647.34 | 150.00  | 4,928.91 | 3,364.39                 | 14.06%                     |
| 2004 | 257.74                           | 36.79          | 1,434.23            | 0.00            | 0.00  | 1,728.76                    | 978.17           | 2,365.56        | 1,730.27 | 150.00  | 5,224.00 | 3,495.23                 | 13.90%                     |
| 2005 | 257.29                           | 35.66          | 1,555.83            | 0.00            | 0.00  | 1,848.78                    | 1,044.39         | 2,525.69        | 1,816.82 | 150.00  | 5,536.90 | 3,688.12                 | 13.97%                     |
| 2006 | 256.84                           | 34.56          | 1,660.83            | 0.00            | 0.00  | 1,952.23                    | 1,090.38         | 2,636.91        | 1,902.60 | 150.00  | 5,779.89 | 3,827.65                 | 13.85%                     |
| 2007 | 256.40                           | 33.49          | 1,754.84            | 0.00            | 0.00  | 2,044.73                    | 1,128.59         | 2,729.32        | 1,984.56 | 150.00  | 5,992.46 | 3,947.73                 | 13.69%                     |
| 2008 | 255.95                           | 32.46          | 1,853.85            | 0.00            | 0.00  | 2,142.26                    | 1,161.73         | 2,809.47        | 2,061.43 | 150.00  | 6,182.64 | 4,040.37                 | 13.49%                     |
| 2009 | 255.50                           | 31.46          | 1,958.10            | 0.00            | 0.00  | 2,245.06                    | 1,195.65         | 2,891.49        | 2,138.72 | 150.00  | 6,375.85 | 4,130.79                 | 13.29%                     |
| 2010 | 255.06                           | 30.49          | 2,067.84            | 0.00            | 0.00  | 2,353.39                    | 1,230.34         | 2,975.39        | 2,213.32 | 150.00  | 6,569.06 | 4,215.67                 | 13.11%                     |

# CASE S12, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 **\$14,100 MM**

Permanent Fund: Sustainable Long-Term Real Earnings Rate **13.11%**

Other Cash Reserves at Start of FY98 to Put into Perm. Fund **\$3,699**

Drawdown Limited under Transition Rule? 1=Y, 0=N **0**

| FY | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----|------|------|------|------|------|------|------|------|------|------|------|
|----|------|------|------|------|------|------|------|------|------|------|------|

Limit

| FY | 2009 | 2010 |
|----|------|------|
|----|------|------|

Limit

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N **1**

What %age of Fund's Real Earnings Goes for PFDs? **52.50%**

Will PFDs be Capped? 1=Y, 0=N **0**

If so, what? **\$200 (nominal) per capita**

### Population

Population as of 1/1/95 (mid-point of FY 1995) **611,089** <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease) **1.59%**

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N **1**

State Income Tax Rates **1.5 times old rates**

Real Inc. Tax Collected/Yr per Capita @ Old Rates **\$809** SOURCE: See calc. below==> **\$494.62 MM/yr (real)**

State Sales Tax Adopted? 1=Y, 0=N **0**

State Sales Tax Rate **0.00%**

Real Sales Tax Collected/Yr per Capita @ Given Rate **\$0** SOURCE: ALRFPC Prelim.Rpt. **\$58.00 MM/yr (real) for 1% tax**

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 **\$1,267** FY 1996 Actual==> **\$774 MM (real)**

Growth in Real Per Capita Education OpEx **0.00%**

Floor on Real Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$950 (real) per capita**

FY 95 Real Per Capita State OpEx - Non-Education **\$3,063** Based on FY 1996 TOTAL==> **\$1,872 MM (real) (fig. incl. K-12 grants)**

Growth in Real Per Capita Non-Education OpEx **0.00%**

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$2,297 (real) per capita**

Real Per Capita State CapEx **\$245** **\$150 MM/Yr (real)**

Growth in Real Per Capita CapEx **0.00%**

Floor on Real CapEx Per Capita? 1=Y, 0=N **0** If so, what? **(real) per capita**

### Natural Gas Pipeline Built? 1=Y, 0=N

Pipeline Cost **\$15 billion (real)**

Completion Date: Choices are 2000, 2003, 2005, 2008 **2005**

Peak Population Effect during Construction **40,000**

%age of Construction Population Staying Long-Term **15% DOR "low" 30% DOR "mid" 40% DOR "high"**

Wellhead Gas Price **\$1.00 /Mcf (real)**

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |



# CASE S13, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 18,202.39                              | 1,716.63                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 76.36                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,658.68                       |
| 1999 | 19,202.93                              | 1,810.34                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 72.28                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,647.59                       |
| 2000 | 20,244.38                              | 1,906.83                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 67.55                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,613.14                       |
| 2001 | 21,305.55                              | 2,004.97                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 63.05                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,574.02                       |
| 2002 | 22,382.83                              | 2,102.79                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 58.75                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,496.58                       |
| 2003 | 23,436.97                              | 2,198.98                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 56.18                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,432.30                       |
| 2004 | 24,478.85                              | 2,294.34                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 52.98                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,375.87                       |
| 2005 | 25,514.86                              | 2,388.89                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 49.92                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,315.03                       |
| 2006 | 26,539.14                              | 2,480.96                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 47.00                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,226.64                       |
| 2007 | 27,520.99                              | 2,569.22                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 43.54                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,144.62                       |
| 2008 | 28,462.29                              | 2,656.26                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 40.25                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,119.10                       |
| 2009 | 29,417.64                              | 2,742.44                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 37.12                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,048.26                       |
| 2010 | 30,340.17                              | 2,825.57                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 35.37                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 980.32                         |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |      |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs | Capital | TOTAL    |                                |                                   |
| 1998 | 242.16                                 | 44.39             | 0.00                   | 262.70             | 0.00  | 549.25                             | 811.51              | 1,962.51           | 0.00 | 150.00  | 2,924.02 | 2,374.77                       | 13.05%                            |
| 1999 | 241.75                                 | 43.03             | 0.00                   | 266.88             | 0.00  | 551.65                             | 824.41              | 1,993.72           | 0.00 | 150.00  | 2,968.13 | 2,416.47                       | 12.58%                            |
| 2000 | 241.32                                 | 41.70             | 0.00                   | 271.12             | 0.00  | 554.14                             | 837.52              | 2,025.42           | 0.00 | 150.00  | 3,012.94 | 2,458.80                       | 12.15%                            |
| 2001 | 240.90                                 | 40.41             | 0.00                   | 275.43             | 0.00  | 556.74                             | 850.84              | 2,057.62           | 0.00 | 150.00  | 3,058.46 | 2,501.72                       | 11.74%                            |
| 2002 | 240.48                                 | 39.17             | 0.00                   | 279.81             | 0.00  | 559.47                             | 864.37              | 2,090.34           | 0.00 | 150.00  | 3,104.70 | 2,545.24                       | 11.37%                            |
| 2003 | 240.06                                 | 37.96             | 0.00                   | 284.26             | 0.00  | 562.29                             | 878.11              | 2,123.57           | 0.00 | 150.00  | 3,151.68 | 2,589.40                       | 11.05%                            |
| 2004 | 239.64                                 | 36.79             | 0.00                   | 288.78             | 0.00  | 565.21                             | 892.07              | 2,157.34           | 0.00 | 150.00  | 3,199.41 | 2,634.20                       | 10.76%                            |
| 2005 | 239.22                                 | 35.66             | 0.00                   | 293.37             | 0.00  | 568.26                             | 906.26              | 2,191.64           | 0.00 | 150.00  | 3,247.90 | 2,679.64                       | 10.50%                            |
| 2006 | 238.80                                 | 34.56             | 0.00                   | 298.04             | 0.00  | 571.40                             | 920.67              | 2,226.49           | 0.00 | 150.00  | 3,297.16 | 2,725.76                       | 10.27%                            |
| 2007 | 238.39                                 | 33.49             | 0.00                   | 302.78             | 0.00  | 574.66                             | 935.30              | 2,261.89           | 0.00 | 150.00  | 3,347.19 | 2,772.54                       | 10.07%                            |
| 2008 | 237.98                                 | 32.46             | 0.00                   | 307.59             | 0.00  | 578.03                             | 950.18              | 2,297.85           | 0.00 | 150.00  | 3,398.03 | 2,820.00                       | 9.91%                             |
| 2009 | 237.56                                 | 31.46             | 0.00                   | 312.48             | 0.00  | 581.50                             | 965.28              | 2,334.39           | 0.00 | 150.00  | 3,449.67 | 2,868.17                       | 9.75%                             |
| 2010 | 237.15                                 | 30.49             | 0.00                   | 317.45             | 0.00  | 585.08                             | 980.63              | 2,371.51           | 0.00 | 150.00  | 3,502.14 | 2,917.05                       | 9.61%                             |

# CASE S13, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 **\$14,100 MM**

Permanent Fund: Sustainable Long-Term Real Earnings Rate **9.62%**

Other Cash Reserves at Start of FY98 to Put into Perm. Fund **\$3,474**

Drawdown Limited under Transition Rule? 1=Y, 0=N **0**

|  | FY 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|---------|------|------|------|------|------|------|------|------|------|------|
|--|---------|------|------|------|------|------|------|------|------|------|------|

Limit

| FY | 2009 | 2010 |
|----|------|------|
|----|------|------|

Limit

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N **0**

What %-age of Fund's Real Earnings Goes for PFDs? **0.00%**

Will PFDs be Capped? 1=Y, 0=N **0**

If so, what?

**\$200 (nominal) per capita**

### Population

Population as of 1/1/95 (mid-point of FY 1995) **611,089** <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease) **1.59%**

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N **0**

State Income Tax Rates **1 times old rates**

Real Inc. Tax Collected/Yr per Capita @ Old Rates **\$809** SOURCE: See calc. below==> **\$494.62 MM/yr (real)**

State Sales Tax Adopted? 1=Y, 0=N **1**

State Sales Tax Rate **6.00%**

Real Sales Tax Collected/Yr per Capita @ Given Rate **\$410** SOURCE: ALRFPC Prelim.Rpt. **\$58.00 MM/yr (real) for 1% tax**

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 **\$1,267** FY 1996 Actual=====> **\$774 MM (real)**

Growth in Real Per Capita Education OpEx **0.00%**

Floor on Real Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$950 (real) per capita**

FY 95 Real Per Capita State OpEx - Non-Education **\$3,063** Based on FY 1996 TOTAL==> **\$1,872 MM (real) (fig. incl. K-12 grants)**

Growth in Real Per Capita Non-Education OpEx **0.00%**

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$2,297 (real) per capita**

Real Per Capita State CapEx **\$245** **\$150 MM/Yr (real)**

Growth in Real Per Capita CapEx **0.00%**

Floor on Real CapEx Per Capita? 1=Y, 0=N **0** If so, what? **(real) per capita**

### Natural Gas Pipeline Built? 1=Y, 0=N

0

Pipeline Cost **\$15 billion (real)**

Completion Date: Choices are 2000, 2003, 2005, 2008 **2005**

Peak Population Effect during Construction **40,000**

%-age of Construction Population Staying Long-Term **15% DOR "low" 30% DOR "mid" 40% DOR "high"**

Wellhead Gas Price **\$1.00 /Mcf (real)**

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |

# CASE S14, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund Principal at FY Start | Perm. Fund Earnings during FY | 100% of Royalty Revenues | 100% of Rentals & Shared Fed'l Resource Rev. | 100% of Bonuses | Prod'n Tax | AS 43.56 State Share | Oil & Gas Corporate Income Tax | Collections from Prior Years | Gas Pipeline | ANWR | Lift Oil Export Ban | Total Petroleum Revenues |
|------|----------------------------------|-------------------------------|--------------------------|----------------------------------------------|-----------------|------------|----------------------|--------------------------------|------------------------------|--------------|------|---------------------|--------------------------|
| 1998 | 19,210.25                        | 4,317.74                      | 818.19                   | 13.52                                        | 0.00            | 695.39     | 41.82                | 76.36                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,658.68                 |
| 1999 | 20,339.98                        | 4,570.35                      | 841.76                   | 12.45                                        | 0.00            | 670.52     | 37.17                | 72.28                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,647.59                 |
| 2000 | 21,524.14                        | 4,832.51                      | 831.16                   | 11.47                                        | 0.00            | 656.27     | 33.28                | 67.55                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,613.14                 |
| 2001 | 22,741.32                        | 5,101.59                      | 807.73                   | 10.56                                        | 0.00            | 649.71     | 29.58                | 63.05                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,574.02                 |
| 2002 | 23,988.92                        | 5,372.88                      | 776.10                   | 9.72                                         | 0.00            | 625.53     | 26.48                | 58.75                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,496.58                 |
| 2003 | 25,226.31                        | 5,639.98                      | 746.79                   | 8.95                                         | 0.00            | 596.69     | 23.69                | 56.18                          | 0.00                         | 90.00        | 0.00 | 0.00                | 1,522.30                 |
| 2004 | 26,435.55                        | 5,897.68                      | 721.12                   | 8.24                                         | 0.00            | 572.48     | 21.05                | 52.98                          | 0.00                         | 180.00       | 0.00 | 0.00                | 1,555.87                 |
| 2005 | 27,586.80                        | 6,139.97                      | 693.26                   | 7.59                                         | 0.00            | 545.50     | 18.76                | 49.92                          | 0.00                         | 270.00       | 0.00 | 0.00                | 1,585.03                 |
| 2006 | 28,654.88                        | 6,359.39                      | 653.79                   | 6.98                                         | 0.00            | 502.21     | 16.66                | 47.00                          | 0.00                         | 294.00       | 0.00 | 0.00                | 1,520.64                 |
| 2007 | 29,596.73                        | 6,549.19                      | 617.29                   | 6.43                                         | 0.00            | 462.55     | 14.80                | 43.54                          | 0.00                         | 282.00       | 0.00 | 0.00                | 1,426.62                 |
| 2008 | 30,393.43                        | 6,714.55                      | 623.52                   | 5.92                                         | 0.00            | 436.16     | 13.24                | 40.25                          | 0.00                         | 270.00       | 0.00 | 0.00                | 1,389.10                 |
| 2009 | 31,111.44                        | 6,856.03                      | 589.02                   | 5.45                                         | 0.00            | 404.91     | 11.77                | 37.12                          | 0.00                         | 258.00       | 0.00 | 0.00                | 1,306.26                 |
| 2010 | 31,689.33                        | 6,965.43                      | 554.64                   | 5.02                                         | 0.00            | 374.92     | 10.37                | 35.37                          | 0.00                         | 246.00       | 0.00 | 0.00                | 1,226.32                 |

| FY   | Non-Petrol. Non-Intr'st Revenues | AHFC Dividends | Personal Income Tax | State Sales Tax | Other | Total Non-Resource Revenues | STATE SPENDING   |                 |          |         |          | DRAW FROM PERMANENT FUND | Draw as %-age of Perm. Fund |
|------|----------------------------------|----------------|---------------------|-----------------|-------|-----------------------------|------------------|-----------------|----------|---------|----------|--------------------------|-----------------------------|
|      |                                  |                |                     |                 |       |                             | Education (K-12) | Other Operating | PFDs     | Capital | TOTAL    |                          |                             |
| 1998 | 242.16                           | 44.39          | 0.00                | 262.70          | 0.00  | 549.25                      | 811.51           | 1,962.51        | 2,471.93 | 150.00  | 5,395.95 | 4,846.70                 | 25.23%                      |
| 1999 | 241.75                           | 43.03          | 0.00                | 266.88          | 0.00  | 551.65                      | 824.41           | 1,993.72        | 2,617.30 | 150.00  | 5,585.43 | 5,033.77                 | 24.75%                      |
| 2000 | 241.32                           | 41.70          | 0.00                | 271.12          | 0.00  | 554.14                      | 837.52           | 2,025.42        | 2,769.67 | 150.00  | 5,782.61 | 5,228.47                 | 24.29%                      |
| 2001 | 240.90                           | 40.41          | 0.00                | 275.43          | 0.00  | 556.74                      | 850.84           | 2,057.62        | 2,926.30 | 150.00  | 5,984.75 | 5,428.02                 | 23.87%                      |
| 2002 | 240.48                           | 39.17          | 0.00                | 279.81          | 0.00  | 559.47                      | 864.37           | 2,090.34        | 3,086.83 | 150.00  | 6,191.54 | 5,632.07                 | 23.48%                      |
| 2003 | 240.06                           | 37.96          | 0.00                | 296.56          | 0.00  | 574.59                      | 916.11           | 2,215.47        | 3,246.06 | 150.00  | 6,527.63 | 5,953.05                 | 23.60%                      |
| 2004 | 239.64                           | 36.79          | 0.00                | 316.65          | 0.00  | 593.08                      | 978.17           | 2,365.56        | 3,401.66 | 150.00  | 6,895.39 | 6,302.30                 | 23.84%                      |
| 2005 | 239.22                           | 35.66          | 0.00                | 338.09          | 0.00  | 612.97                      | 1,044.39         | 2,525.69        | 3,549.80 | 150.00  | 7,269.88 | 6,656.90                 | 24.13%                      |
| 2006 | 238.80                           | 34.56          | 0.00                | 352.98          | 0.00  | 626.34                      | 1,090.38         | 2,636.91        | 3,687.24 | 150.00  | 7,564.53 | 6,938.19                 | 24.21%                      |
| 2007 | 238.39                           | 33.49          | 0.00                | 365.35          | 0.00  | 637.23                      | 1,128.59         | 2,729.32        | 3,808.43 | 150.00  | 7,816.34 | 7,179.11                 | 24.26%                      |
| 2008 | 237.98                           | 32.46          | 0.00                | 376.08          | 0.00  | 646.51                      | 1,161.73         | 2,809.47        | 3,910.95 | 150.00  | 8,032.16 | 7,385.64                 | 24.30%                      |
| 2009 | 237.56                           | 31.46          | 0.00                | 387.05          | 0.00  | 656.07                      | 1,195.65         | 2,891.49        | 4,003.34 | 150.00  | 8,240.47 | 7,584.40                 | 24.38%                      |
| 2010 | 237.15                           | 30.49          | 0.00                | 398.29          | 0.00  | 665.92                      | 1,230.34         | 2,975.39        | 4,077.70 | 150.00  | 8,433.44 | 7,767.52                 | 24.51%                      |



# CASE S14, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 \$14,100 MM

Permanent Fund: Sustainable Long-Term Real Earnings Rate 24.51%

Other Cash Reserves at Start of FY98 to Put into Perm. Fund \$4,482

Drawdown Limited under Transition Rule? 1=Y, 0=N 0

|  | FY 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|---------|------|------|------|------|------|------|------|------|------|------|
|--|---------|------|------|------|------|------|------|------|------|------|------|

Limit

|  | FY 2009 | 2010 |
|--|---------|------|
|--|---------|------|

Limit

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N 1

What %-age of Fund's Real Earnings Goes for PFDs? 52.50%

Will PFDs be Capped? 1=Y, 0=N 0

If so, what? \$200 (nominal) per capita

### Population

Population as of 1/1/95 (mid-point of FY 1995) 611,089 <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease) 1.59%

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N 0

State Income Tax Rates 1 times old rates

Real Inc. Tax Collected/Yr per Capita @ Old Rates \$809 SOURCE: See calc. below==> \$494.62 MM/yr (real)

State Sales Tax Adopted? 1=Y, 0=N 1

State Sales Tax Rate 6.00%

Real Sales Tax Collected/Yr per Capita @ Given Rate \$410 SOURCE: ALRFPC Prelim.Rpt. \$58.00 MM/yr (real) for 1% tax

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 \$1,267 FY 1996 Actual==> \$774 MM (real)

Growth in Real Per Capita Education OpEx 0.00%

Floor on Real Education OpEx Per Capita? 1=Y, 0=N 1 If so, what? \$950 (real) per capita

FY 95 Real Per Capita State OpEx - Non-Education \$3,063 Based on FY 1996 TOTAL==> \$1,872 MM (real) (fig. incl. K-12 grants)

Growth in Real Per Capita Non-Education OpEx 0.00%

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N 1 If so, what? \$2,297 (real) per capita

Real Per Capita State CapEx \$245 \$150 MM/Yr (real)

Growth in Real Per Capita CapEx 0.00%

Floor on Real CapEx Per Capita? 1=Y, 0=N 0 If so, what? (real) per capita

### Natural Gas Pipeline Built? 1=Y, 0=N

Pipeline Cost \$15 billion (real)

Completion Date: Choices are 2000, 2003, 2005, 2008 2005

Peak Population Effect during Construction 40,000

%-age of Construction Population Staying Long-Term 15% DOR "low" 30% DOR "mid" 40% DOR "high"

Wellhead Gas Price \$1.00 /Mcf (real)

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |

# CASE S15, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 18,276.31                              | 1,931.59                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 76.36                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,658.68                       |
| 1999 | 19,491.80                              | 2,059.77                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 72.28                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,647.59                       |
| 2000 | 20,782.69                              | 2,194.79                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 67.55                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,613.14                       |
| 2001 | 22,131.82                              | 2,335.81                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 63.05                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,574.02                       |
| 2002 | 23,539.94                              | 2,481.08                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 58.75                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,496.58                       |
| 2003 | 24,972.37                              | 2,628.17                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 56.18                                | 0.00                                  | 90.00        | 0.00 | 0.00                   | 1,522.30                       |
| 2004 | 26,415.84                              | 2,775.15                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 52.98                                | 0.00                                  | 180.00       | 0.00 | 0.00                   | 1,555.87                       |
| 2005 | 27,846.22                              | 2,919.78                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 49.92                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,585.03                       |
| 2006 | 29,243.93                              | 3,059.23                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 47.00                                | 0.00                                  | 294.00       | 0.00 | 0.00                   | 1,520.64                       |
| 2007 | 30,572.85                              | 3,190.97                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 43.54                                | 0.00                                  | 282.00       | 0.00 | 0.00                   | 1,426.62                       |
| 2008 | 31,819.76                              | 3,317.76                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 40.25                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,389.10                       |
| 2009 | 33,051.93                              | 3,440.39                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 37.12                                | 0.00                                  | 258.00       | 0.00 | 0.00                   | 1,306.26                       |
| 2010 | 34,217.52                              | 3,555.87                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 35.37                                | 0.00                                  | 246.00       | 0.00 | 0.00                   | 1,226.32                       |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |      |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs | Capital | TOTAL    |                                |                                   |
| 1998 | 242.16                                 | 44.39             | 0.00                   | 262.70             | 0.00  | 549.25                             | 811.51              | 1,962.51           | 0.00 | 150.00  | 2,924.02 | 2,374.77                       | 12.99%                            |
| 1999 | 241.75                                 | 43.03             | 0.00                   | 266.88             | 0.00  | 551.65                             | 824.41              | 1,993.72           | 0.00 | 150.00  | 2,968.13 | 2,416.47                       | 12.40%                            |
| 2000 | 241.32                                 | 41.70             | 0.00                   | 271.12             | 0.00  | 554.14                             | 837.52              | 2,025.42           | 0.00 | 150.00  | 3,012.94 | 2,458.80                       | 11.83%                            |
| 2001 | 240.90                                 | 40.41             | 0.00                   | 275.43             | 0.00  | 556.74                             | 850.84              | 2,057.62           | 0.00 | 150.00  | 3,058.46 | 2,501.72                       | 11.30%                            |
| 2002 | 240.48                                 | 39.17             | 0.00                   | 279.81             | 0.00  | 559.47                             | 864.37              | 2,090.34           | 0.00 | 150.00  | 3,104.70 | 2,545.24                       | 10.81%                            |
| 2003 | 240.06                                 | 37.96             | 0.00                   | 296.56             | 0.00  | 574.59                             | 916.11              | 2,215.47           | 0.00 | 150.00  | 3,281.57 | 2,706.99                       | 10.84%                            |
| 2004 | 239.64                                 | 36.79             | 0.00                   | 316.65             | 0.00  | 593.08                             | 978.17              | 2,365.56           | 0.00 | 150.00  | 3,493.73 | 2,900.64                       | 10.98%                            |
| 2005 | 239.22                                 | 35.66             | 0.00                   | 338.09             | 0.00  | 612.97                             | 1,044.39            | 2,525.69           | 0.00 | 150.00  | 3,720.08 | 3,107.10                       | 11.16%                            |
| 2006 | 238.80                                 | 34.56             | 0.00                   | 352.98             | 0.00  | 626.34                             | 1,090.38            | 2,636.91           | 0.00 | 150.00  | 3,877.29 | 3,250.95                       | 11.12%                            |
| 2007 | 238.39                                 | 33.49             | 0.00                   | 365.35             | 0.00  | 637.23                             | 1,128.59            | 2,729.32           | 0.00 | 150.00  | 4,007.91 | 3,370.68                       | 11.03%                            |
| 2008 | 237.98                                 | 32.46             | 0.00                   | 376.08             | 0.00  | 646.51                             | 1,161.73            | 2,809.47           | 0.00 | 150.00  | 4,121.20 | 3,474.69                       | 10.92%                            |
| 2009 | 237.56                                 | 31.46             | 0.00                   | 387.05             | 0.00  | 656.07                             | 1,195.65            | 2,891.49           | 0.00 | 150.00  | 4,237.13 | 3,581.06                       | 10.83%                            |
| 2010 | 237.15                                 | 30.49             | 0.00                   | 398.29             | 0.00  | 665.92                             | 1,230.34            | 2,975.39           | 0.00 | 150.00  | 4,355.74 | 3,689.82                       | 10.78%                            |



# CASE S15, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 \$14,100 MM

Permanent Fund Sustainable Long-Term Real Earnings Rate 10.78%

Other Cash Reserves at Start of FY98 to Put into Perm. Fund \$3,548

Drawdown Limited under Transition Rule? 1=Y, 0=N 0

| FY | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----|------|------|------|------|------|------|------|------|------|------|------|
|----|------|------|------|------|------|------|------|------|------|------|------|

Limit

| FY | 2009 | 2010 |
|----|------|------|
|----|------|------|

Limit

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N 0

What %age of Fund's Real Earnings Goes for PFDs? 0.00%

Will PFDs be Capped? 1=Y, 0=N 0

If so, what? \$200 (nominal) per capita

### Population

Population as of 1/1/95 (mid-point of FY 1995) 611,089 <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease) 1.59%

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N 0

State Income Tax Rates 1 times old rates

Real Inc. Tax Collected/Yr per Capita @ Old Rates \$809 SOURCE: See calc. below==> \$494.62 MM/yr (real)

State Sales Tax Adopted? 1=Y, 0=N 1

State Sales Tax Rate 6.00%

Real Sales Tax Collected/Yr per Capita @ Given Rate \$410 SOURCE: ALRFPC Prelim.Rpt. \$58.00 MM/yr (real) for 1% tax

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 \$1,267 FY 1996 Actual==> \$774 MM (real)

Growth in Real Per Capita Education OpEx 0.00%

Floor on Real Education OpEx Per Capita? 1=Y, 0=N 1 If so, what? \$950 (real) per capita

FY 95 Real Per Capita State OpEx - Non-Education \$3,063 Based on FY 1996 TOTAL==> \$1,872 MM (real) (fig. incl. K-12 grants)

Growth in Real Per Capita Non-Education OpEx 0.00%

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N 1 If so, what? \$2,297 (real) per capita

Real Per Capita State CapEx \$245 \$150 MM/Yr (real)

Growth in Real Per Capita CapEx 0.00%

Floor on Real CapEx Per Capita? 1=Y, 0=N 0 If so, what? (real) per capita

### Natural Gas Pipeline Built? 1=Y, 0=N

1 \$15 billion (real)

Pipeline Cost 2005

Completion Date: Choices are 2000, 2003, 2005, 2008 40,000

Peak Population Effect during Construction 40,000

%age of Construction Population Staying Long-Term 15% DOR "low" 30% DOR "mid" 40% DOR "high"

Wellhead Gas Price \$1.00 /Mcf (real)

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |



# CASE S16, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 17,915.74                              | 898.27                              | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 114.54                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,696.86                       |
| 1999 | 18,913.40                              | 949.06                              | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 108.43                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,683.73                       |
| 2000 | 19,998.07                              | 1,003.55                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 101.33                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,646.91                       |
| 2001 | 21,147.35                              | 1,061.11                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 94.57                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,605.55                       |
| 2002 | 22,358.02                              | 1,120.74                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 88.13                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,525.96                       |
| 2003 | 23,592.35                              | 1,180.37                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 84.28                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,460.39                       |
| 2004 | 24,803.02                              | 1,238.97                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 79.47                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,402.36                       |
| 2005 | 25,994.82                              | 1,296.55                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 74.88                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,339.99                       |
| 2006 | 27,163.57                              | 1,352.31                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 70.50                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,250.14                       |
| 2007 | 28,281.33                              | 1,405.74                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 65.31                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,166.40                       |
| 2008 | 29,353.95                              | 1,458.10                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 60.38                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,139.22                       |
| 2009 | 30,428.07                              | 1,509.33                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 55.69                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,066.83                       |
| 2010 | 31,454.52                              | 1,558.32                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 53.06                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 998.01                         |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |        |         | TOTAL    | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|--------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs   | Capital |          |                                |                                   |
| 1998 | 260.45                                 | 44.39             | 925.12                 | 262.70             | 0.00  | 1,492.66                           | 733.54              | 1,736.31           | 470.29 | 150.00  | 3,090.13 | 1,597.47                       | 8.92%                             |
| 1999 | 260.01                                 | 43.03             | 952.10                 | 266.88             | 0.00  | 1,522.01                           | 730.30              | 1,693.36           | 496.48 | 150.00  | 3,070.13 | 1,548.12                       | 8.19%                             |
| 2000 | 259.54                                 | 41.70             | 979.94                 | 271.12             | 0.00  | 1,552.31                           | 727.07              | 1,651.47           | 524.95 | 150.00  | 3,053.49 | 1,501.18                       | 7.51%                             |
| 2001 | 259.09                                 | 40.41             | 1,008.68               | 275.43             | 0.00  | 1,583.62                           | 723.86              | 1,610.62           | 555.12 | 150.00  | 3,039.60 | 1,455.98                       | 6.88%                             |
| 2002 | 258.65                                 | 39.17             | 1,038.34               | 279.81             | 0.00  | 1,615.97                           | 720.66              | 1,570.78           | 586.90 | 150.00  | 3,028.34 | 1,412.37                       | 6.32%                             |
| 2003 | 258.19                                 | 37.96             | 1,068.95               | 284.26             | 0.00  | 1,649.36                           | 717.48              | 1,592.68           | 619.30 | 150.00  | 3,079.46 | 1,430.10                       | 6.06%                             |
| 2004 | 257.74                                 | 36.79             | 1,100.54               | 288.78             | 0.00  | 1,683.85                           | 714.31              | 1,618.00           | 651.08 | 150.00  | 3,133.39 | 1,449.54                       | 5.84%                             |
| 2005 | 257.29                                 | 35.66             | 1,133.14               | 293.37             | 0.00  | 1,719.47                           | 711.15              | 1,643.73           | 682.36 | 150.00  | 3,187.25 | 1,467.78                       | 5.65%                             |
| 2006 | 256.84                                 | 34.56             | 1,166.79               | 298.04             | 0.00  | 1,756.23                           | 708.01              | 1,669.87           | 713.04 | 150.00  | 3,240.92 | 1,484.70                       | 5.47%                             |
| 2007 | 256.40                                 | 33.49             | 1,201.51               | 302.78             | 0.00  | 1,794.18                           | 704.88              | 1,696.42           | 742.38 | 150.00  | 3,293.69 | 1,499.51                       | 5.30%                             |
| 2008 | 255.95                                 | 32.46             | 1,237.35               | 307.59             | 0.00  | 1,833.35                           | 712.63              | 1,723.39           | 770.54 | 150.00  | 3,356.56 | 1,523.21                       | 5.19%                             |
| 2009 | 255.50                                 | 31.46             | 1,274.34               | 312.48             | 0.00  | 1,873.78                           | 723.96              | 1,750.79           | 798.74 | 150.00  | 3,423.49 | 1,549.71                       | 5.09%                             |
| 2010 | 255.06                                 | 30.49             | 1,312.52               | 317.45             | 0.00  | 1,915.51                           | 735.47              | 1,778.63           | 825.68 | 150.00  | 3,489.79 | 1,574.27                       | 5.00%                             |

# CASE S16, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995

\$14,100 MM

Permanent Fund: Sustainable Long-Term Real Earnings Rate

5.00%

Other Cash Reserves at Start of FY98 to Put into Perm. Fund

\$3,187

Drawdown Limited under Transition Rule? 1=Y, 0=N

0

| FY    | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------|------|------|------|------|------|------|------|------|------|------|------|
| Limit |      |      |      |      |      |      |      |      |      |      |      |
| FY    | 2009 | 2010 |      |      |      |      |      |      |      |      |      |
| Limit |      |      |      |      |      |      |      |      |      |      |      |

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N

1

What %age of Fund's Real Earnings Goes for PFDs?

52.50%

Will PFDs be Capped? 1=Y, 0=N

0

If so, what?

\$200 (nominal) per capita

### Population

Population as of 1/1/95 (mid-point of FY 1995)

611,089 <====Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease)

1.59%

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N

1

State Income Tax Rates

1.5 times old rates

Real Inc. Tax Collected/Yr per Capita @ Old Rates

\$809

SOURCE: See calc. below==>

\$494.62 MM/yr (real)

State Sales Tax Adopted? 1=Y, 0=N

1

State Sales Tax Rate

6.00%

Real Sales Tax Collected/Yr per Capita @ Given Rate

\$410

SOURCE: ALRFPC Prelim.Rpt.

\$58.00 MM/yr (real) for 1% tax

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12

\$1,267

FY 1996 Actual=====

\$774 MM (real)

Growth in Real Per Capita Education OpEx

-2.00%

Floor on Real Education OpEx Per Capita? 1=Y, 0=N

1

If so, what?

\$950 (real) per capita

FY 95 Real Per Capita State OpEx - Non-Education

\$3,063

Based on FY 1996 TOTAL==>

\$1,872 MM (real) (fig. incl. K-12 grants)

Growth in Real Per Capita Non-Education OpEx

-4.00%

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N

1

If so, what?

\$2,297 (real) per capita

Real Per Capita State CapEx

\$245

\$150 MM/Yr (real)

Growth in Real Per Capita CapEx

0.00%

Floor on Real CapEx Per Capita? 1=Y, 0=N

0

If so, what?

(real) per capita

### Natural Gas Pipeline Built? 1=Y, 0=N

0

Pipeline Cost

\$15 billion (real)

Completion Date: Choices are 2000, 2003, 2005, 2008

2005

Peak Population Effect during Construction

40,000

%age of Construction Population Staying Long-Term

15% DOR "low"

30% DOR "mid"

40% DOR "high"

Wellhead Gas Price

\$1.00 /Mcf (real)

### Personal Income Tax Calculation (AK residents' portion only):

Income Class (tax bracket) No. of Returns

\$0—\$29,999 233,370

\$30,000—49,999 52,100

\$50,000—\$74,999 37,460

\$75,000 and up 29,809

TOTAL 352,739

Fed'l Adj.Gross AK. Exempt'ns

Income (\$MM) & Ded'ns(\$MM)

AK. Taxable

Avg. Taxable

Single Filers

Joint Filers

Head of House

Total Tax

Income (\$MM)

Income (\$MM)

Inc./Return

44%

49%

7%

(\$MM)

1,805.39 1,133.05 672.34 \$2,881

675.21 1,376.07 26,412

40.37 31.88 5.67

9.33 3.02 1.48

13.83

2,051.28 675.21 1,376.07 26,412

615.69 1,672.50 44,648

60.73 50.32 8.12

40.37 31.88 5.67

77.92

2,288.19 615.69 1,672.50 44,648

650.52 2,951.57 99,016

60.73 50.32 8.12

60.73 50.32 8.12

119.17

3,602.09 650.52 2,951.57 99,016

650.52 2,951.57 99,016

139.85 123.96 19.89

139.85 123.96 19.89

283.70

352,739

352,739

352,739

352,739

494.62

# CASE S17, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 17,822.33                              | 620.17                              | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 114.54                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,696.86                       |
| 1999 | 18,749.47                              | 653.16                              | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 108.43                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,683.73                       |
| 2000 | 19,767.84                              | 688.88                              | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 101.33                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,646.91                       |
| 2001 | 20,856.28                              | 726.95                              | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 94.57                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,605.55                       |
| 2002 | 22,012.48                              | 766.69                              | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 88.13                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,525.96                       |
| 2003 | 23,199.84                              | 806.70                              | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 84.28                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,460.39                       |
| 2004 | 24,371.87                              | 846.27                              | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 79.47                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,402.36                       |
| 2005 | 25,533.26                              | 885.40                              | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 74.88                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,339.99                       |
| 2006 | 26,679.86                              | 923.57                              | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 70.50                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,250.14                       |
| 2007 | 27,783.88                              | 960.38                              | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 65.31                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,166.40                       |
| 2008 | 28,850.75                              | 996.71                              | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 60.38                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,139.22                       |
| 2009 | 29,926.43                              | 1,032.52                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 55.69                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,066.83                       |
| 2010 | 30,962.33                              | 1,067.03                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 53.06                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 998.01                         |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |      |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs | Capital | TOTAL    |                                |                                   |
| 1998 | 260.45                                 | 44.39             | 925.12                 | 0.00               | 0.00  | 1,229.96                           | 733.54              | 1,736.31           | 0.00 | 150.00  | 2,619.85 | 1,389.88                       | 7.80%                             |
| 1999 | 260.01                                 | 43.03             | 952.10                 | 0.00               | 0.00  | 1,255.14                           | 730.30              | 1,693.36           | 0.00 | 150.00  | 2,573.66 | 1,318.52                       | 7.03%                             |
| 2000 | 259.54                                 | 41.70             | 979.94                 | 0.00               | 0.00  | 1,281.19                           | 727.07              | 1,651.47           | 0.00 | 150.00  | 2,528.54 | 1,247.35                       | 6.31%                             |
| 2001 | 259.09                                 | 40.41             | 1,008.68               | 0.00               | 0.00  | 1,308.18                           | 723.86              | 1,610.62           | 0.00 | 150.00  | 2,484.48 | 1,176.30                       | 5.64%                             |
| 2002 | 258.65                                 | 39.17             | 1,038.34               | 0.00               | 0.00  | 1,336.16                           | 720.66              | 1,570.78           | 0.00 | 150.00  | 2,441.44 | 1,105.29                       | 5.02%                             |
| 2003 | 258.19                                 | 37.96             | 1,068.95               | 0.00               | 0.00  | 1,365.10                           | 717.48              | 1,592.68           | 0.00 | 150.00  | 2,460.16 | 1,095.06                       | 4.72%                             |
| 2004 | 257.74                                 | 36.79             | 1,100.54               | 0.00               | 0.00  | 1,395.07                           | 714.31              | 1,618.00           | 0.00 | 150.00  | 2,482.31 | 1,087.24                       | 4.46%                             |
| 2005 | 257.29                                 | 35.66             | 1,133.14               | 0.00               | 0.00  | 1,426.09                           | 711.15              | 1,643.73           | 0.00 | 150.00  | 2,504.89 | 1,078.79                       | 4.23%                             |
| 2006 | 256.84                                 | 34.56             | 1,166.79               | 0.00               | 0.00  | 1,458.19                           | 708.01              | 1,669.87           | 0.00 | 150.00  | 2,527.88 | 1,069.69                       | 4.01%                             |
| 2007 | 256.40                                 | 33.49             | 1,201.51               | 0.00               | 0.00  | 1,491.40                           | 704.88              | 1,696.42           | 0.00 | 150.00  | 2,551.30 | 1,059.90                       | 3.81%                             |
| 2008 | 255.95                                 | 32.46             | 1,237.35               | 0.00               | 0.00  | 1,525.76                           | 712.63              | 1,723.39           | 0.00 | 150.00  | 2,586.02 | 1,060.26                       | 3.67%                             |
| 2009 | 255.50                                 | 31.46             | 1,274.34               | 0.00               | 0.00  | 1,561.30                           | 723.96              | 1,750.79           | 0.00 | 150.00  | 2,624.75 | 1,063.45                       | 3.55%                             |
| 2010 | 255.06                                 | 30.49             | 1,312.52               | 0.00               | 0.00  | 1,598.06                           | 735.47              | 1,778.63           | 0.00 | 150.00  | 2,664.10 | 1,066.04                       | 3.44%                             |



# CASE S17, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 **\$14,100 MM**  
 Permanent Fund: Sustainable Long-Term Real Earnings Rate **3.45%**  
 Other Cash Reserves at Start of FY98 to Put into Perm. Fund **\$3,094**  
 Drawdown Limited under Transition Rule? 1=Y, 0=N **0**

| FY    | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------|------|------|------|------|------|------|------|------|------|------|------|
| Limit |      |      |      |      |      |      |      |      |      |      |      |
| FY    | 2009 | 2010 |      |      |      |      |      |      |      |      |      |
| Limit |      |      |      |      |      |      |      |      |      |      |      |

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N **0**  
 What %-age of Fund's Real Earnings Goes for PFDs? **0.00%**  
 Will PFDs be Capped? 1=Y, 0=N **0** If so, what? **\$200 (nominal) per capita**

### Population

Population as of 1/1/95 (mid-point of FY 1995) **611,089** <====Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95  
 Population Rate of Increase/(Decrease) **1.59%**

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N **1**  
 State Income Tax Rates **1.5 times old rates**  
 Real Inc. Tax Collected/Yr per Capita @ Old Rates **\$809** SOURCE: See calc. below==> **\$494.62 MM/yr (real)**  
 State Sales Tax Adopted? 1=Y, 0=N **0**  
 State Sales Tax Rate **0.00%**  
 Real Sales Tax Collected/Yr per Capita @ Given Rate **\$0** SOURCE: ALRFPC Prelim.Rpt. **\$58.00 MM/yr (real) for 1% tax**  
 What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 **\$1,267** FY 1996 Actual=====> **\$774 MM (real)**  
 Growth in Real Per Capita Education OpEx **-2.00%**  
 Floor on Real Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$950 (real) per capita**  
 FY 95 Real Per Capita State OpEx - Non-Education **\$3,063** Based on FY 1996 TOTAL==> **\$1,872 MM (real) (fig. incl. K-12 grants)**  
 Growth in Real Per Capita Non-Education OpEx **-4.00%**  
 Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$2,297 (real) per capita**  
 Real Per Capita State CapEx **\$245**  
 Growth in Real Per Capita CapEx **0.00%**  
 Floor on Real CapEx Per Capita? 1=Y, 0=N **0** If so, what? **(real) per capita**

### Natural Gas Pipeline Built? 1=Y, 0=N

Pipeline Cost **\$15 billion (real)**  
 Completion Date: Choices are 2000, 2003, 2005, 2008 **2005**  
 Peak Population Effect during Construction **40,000**  
 %-age of Construction Population Staying Long-Term **15% DOR "low" 30% DOR "mid" 40% DOR "high"**  
 Wellhead Gas Price **\$1.00 /Mcf (real)**

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |

# CASE S18, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund Principal at FY Start | Perm. Fund Earnings during FY | 100% of Royalty Revenues | 100% of Rentals & Shared Fed'l Resource Rev. | 100% of Bonuses | Prod'n Tax | AS 43.56 State Share | Oil & Gas Corporate Income Tax | Collections from Prior Years | Gas Pipeline | ANWR | Lift Oil Export Ban | Total Petroleum Revenues |
|------|----------------------------------|-------------------------------|--------------------------|----------------------------------------------|-----------------|------------|----------------------|--------------------------------|------------------------------|--------------|------|---------------------|--------------------------|
| 1998 | 17,993.31                        | 1,119.24                      | 818.19                   | 13.52                                        | 0.00            | 695.39     | 41.82                | 114.54                         | 13.40                        | 0.00         | 0.00 | 0.00                | 1,696.86                 |
| 1999 | 18,827.22                        | 1,172.49                      | 841.76                   | 12.45                                        | 0.00            | 670.52     | 37.17                | 108.43                         | 13.40                        | 0.00         | 0.00 | 0.00                | 1,683.73                 |
| 2000 | 19,745.17                        | 1,230.17                      | 831.16                   | 11.47                                        | 0.00            | 656.27     | 33.28                | 101.33                         | 13.40                        | 0.00         | 0.00 | 0.00                | 1,646.91                 |
| 2001 | 20,724.95                        | 1,291.52                      | 807.73                   | 10.56                                        | 0.00            | 649.71     | 29.58                | 94.57                          | 13.40                        | 0.00         | 0.00 | 0.00                | 1,605.55                 |
| 2002 | 21,763.51                        | 1,357.95                      | 776.10                   | 9.72                                         | 0.00            | 625.53     | 26.48                | 88.13                          | 0.00                         | 0.00         | 0.00 | 0.00                | 1,525.96                 |
| 2003 | 22,910.16                        | 1,430.22                      | 746.79                   | 8.95                                         | 0.00            | 596.69     | 23.69                | 84.28                          | 0.00                         | 90.00        | 0.00 | 0.00                | 1,550.39                 |
| 2004 | 24,141.03                        | 1,507.66                      | 721.12                   | 8.24                                         | 0.00            | 572.48     | 21.05                | 79.47                          | 0.00                         | 180.00       | 0.00 | 0.00                | 1,582.36                 |
| 2005 | 25,457.73                        | 1,588.58                      | 693.26                   | 7.59                                         | 0.00            | 545.50     | 18.76                | 74.88                          | 0.00                         | 270.00       | 0.00 | 0.00                | 1,609.99                 |
| 2006 | 26,803.26                        | 1,669.52                      | 653.79                   | 6.98                                         | 0.00            | 502.21     | 16.66                | 70.50                          | 0.00                         | 294.00       | 0.00 | 0.00                | 1,544.14                 |
| 2007 | 28,120.65                        | 1,748.11                      | 617.29                   | 6.43                                         | 0.00            | 462.55     | 14.80                | 65.31                          | 0.00                         | 282.00       | 0.00 | 0.00                | 1,448.40                 |
| 2008 | 29,388.69                        | 1,825.61                      | 623.52                   | 5.92                                         | 0.00            | 436.16     | 13.24                | 60.38                          | 0.00                         | 270.00       | 0.00 | 0.00                | 1,409.22                 |
| 2009 | 30,669.98                        | 1,902.47                      | 589.02                   | 5.45                                         | 0.00            | 404.91     | 11.77                | 55.69                          | 0.00                         | 258.00       | 0.00 | 0.00                | 1,324.83                 |
| 2010 | 31,917.41                        | 1,977.47                      | 554.64                   | 5.02                                         | 0.00            | 374.92     | 10.37                | 53.06                          | 0.00                         | 246.00       | 0.00 | 0.00                | 1,244.01                 |

| FY   | Non-Petrol. Non-Intr'st Revenues | AHFC Dividends | Personal Income Tax | State Sales Tax | Other | Total Non-Resource Revenues | STATE SPENDING   |                 |          |         |          | DRAW FROM PERMANENT FUND | Draw as %age of Perm. Fund |
|------|----------------------------------|----------------|---------------------|-----------------|-------|-----------------------------|------------------|-----------------|----------|---------|----------|--------------------------|----------------------------|
|      |                                  |                |                     |                 |       |                             | Education (K-12) | Other Operating | PFDs     | Capital | TOTAL    |                          |                            |
| 1998 | 260.45                           | 44.39          | 925.12              | 0.00            | 0.00  | 1,229.96                    | 733.54           | 1,736.31        | 592.29   | 150.00  | 3,212.14 | 1,982.18                 | 11.02%                     |
| 1999 | 260.01                           | 43.03          | 952.10              | 0.00            | 0.00  | 1,255.14                    | 730.30           | 1,693.36        | 619.75   | 150.00  | 3,193.40 | 1,938.27                 | 10.30%                     |
| 2000 | 259.54                           | 41.70          | 979.94              | 0.00            | 0.00  | 1,281.19                    | 727.07           | 1,651.47        | 649.96   | 150.00  | 3,178.50 | 1,897.31                 | 9.61%                      |
| 2001 | 259.09                           | 40.41          | 1,008.68            | 0.00            | 0.00  | 1,308.18                    | 723.86           | 1,610.62        | 682.21   | 150.00  | 3,166.69 | 1,858.51                 | 8.97%                      |
| 2002 | 258.65                           | 39.17          | 1,122.77            | 0.00            | 0.00  | 1,420.59                    | 720.66           | 1,570.78        | 716.40   | 150.00  | 3,157.84 | 1,737.25                 | 7.98%                      |
| 2003 | 258.19                           | 37.96          | 1,268.37            | 0.00            | 0.00  | 1,564.53                    | 748.53           | 1,661.60        | 754.15   | 150.00  | 3,314.27 | 1,749.74                 | 7.64%                      |
| 2004 | 257.74                           | 36.79          | 1,434.23            | 0.00            | 0.00  | 1,728.76                    | 783.25           | 1,774.17        | 794.66   | 150.00  | 3,502.08 | 1,773.32                 | 7.35%                      |
| 2005 | 257.29                           | 35.66          | 1,555.83            | 0.00            | 0.00  | 1,848.78                    | 819.55           | 1,894.27        | 838.00   | 150.00  | 3,701.82 | 1,853.04                 | 7.28%                      |
| 2006 | 256.84                           | 34.56          | 1,660.83            | 0.00            | 0.00  | 1,952.23                    | 838.53           | 1,977.68        | 882.30   | 150.00  | 3,848.51 | 1,896.27                 | 7.07%                      |
| 2007 | 256.40                           | 33.49          | 1,754.84            | 0.00            | 0.00  | 2,044.73                    | 850.55           | 2,046.99        | 925.66   | 150.00  | 3,973.20 | 1,928.47                 | 6.86%                      |
| 2008 | 255.95                           | 32.46          | 1,853.85            | 0.00            | 0.00  | 2,142.26                    | 871.30           | 2,107.10        | 967.40   | 150.00  | 4,095.81 | 1,953.54                 | 6.65%                      |
| 2009 | 255.50                           | 31.46          | 1,958.10            | 0.00            | 0.00  | 2,245.06                    | 896.73           | 2,168.61        | 1,009.58 | 150.00  | 4,224.93 | 1,979.87                 | 6.46%                      |
| 2010 | 255.06                           | 30.49          | 2,067.84            | 0.00            | 0.00  | 2,353.39                    | 922.76           | 2,231.55        | 1,050.64 | 150.00  | 4,354.94 | 2,001.56                 | 6.27%                      |



# CASE S18, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"  
Lift Oil Export Ban? 1=Y, 0=N

2 <====SOURCE: DOR Spring '95 Revenue Forecast  
0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 **\$14,100 MM**  
Permanent Fund: Sustainable Long-Term Real Earnings Rate **6.27%**  
Other Cash Reserves at Start of FY98 to Put into Perm. Fund **\$3,265**  
Drawdown Limited under Transition Rule? 1=Y, 0=N **0**

|         | FY 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---------|---------|------|------|------|------|------|------|------|------|------|------|
| Limit   |         |      |      |      |      |      |      |      |      |      |      |
| FY 2009 |         | 2010 |      |      |      |      |      |      |      |      |      |
| Limit   |         |      |      |      |      |      |      |      |      |      |      |

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N **1**  
What %-age of Fund's Real Earnings Goes for PFDs? **52.50%**  
Will PFDs be Capped? 1=Y, 0=N **0** If so, what? **\$200 (nominal) per capita**

### Population

Population as of 1/1/95 (mid-point of FY 1995) **\$11,089** <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95  
Population Rate of Increase/(Decrease) **1.59%**

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N **1**  
State Income Tax Rates **1.5 times old rates**  
Real Inc. Tax Collected/Yr per Capita @ Old Rates **\$809** SOURCE: See calc. below==> **\$494.62 MM/yr (real)**  
State Sales Tax Adopted? 1=Y, 0=N **0**  
State Sales Tax Rate **0.00%**  
Real Sales Tax Collected/Yr per Capita @ Given Rate **\$0** SOURCE: ALRFPC Prelim.Rpt. **\$58.00 MM/yr (real) for 1% tax**  
What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 **\$1,267** FY 1996 Actual=====> **\$774 MM (real)**  
Growth in Real Per Capita Education OpEx **-2.00%**  
Floor on Real Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$950 (real) per capita**  
FY 95 Real Per Capita State OpEx - Non-Education **\$3,063** Based on FY 1996 TOTAL==> **\$1,872 MM (real) (fig. incl. K-12 grants)**  
Growth in Real Per Capita Non-Education OpEx **-4.00%**  
Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$2,297 (real) per capita**  
Real Per Capita State CapEx **\$245** **\$150 MM/Yr (real)**  
Growth in Real Per Capita CapEx **0.00%**  
Floor on Real CapEx Per Capita? 1=Y, 0=N **0** If so, what? **(real) per capita**

### Natural Gas Pipeline Built? 1=Y, 0=N

Pipeline Cost **\$15 billion (real)**  
Completion Date: Choices are 2000, 2003, 2005, 2008 **2005**  
Peak Population Effect during Construction **40,000**  
%-age of Construction Population Staying Long-Term **15% DOR "low" 30% DOR "mid" 40% DOR "high"**  
Wellhead Gas Price **\$1.00 /Mcf (real)**

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross AK. Exempt'ns Income (\$MM) & Ded'ns(\$MM) | AK. Taxable Income(\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|-------------------------------------------------------------|--------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                                                    | 1,133.05                 | 672.34                   | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                                                    | 675.21                   | 1,376.07                 | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                                                    | 615.69                   | 1,672.50                 | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                                                    | 650.52                   | 2,951.57                 | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                                             |                          |                          |                   |                  |                  | <b>494.62</b>    |



# CASE S19, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 18,030.90                              | 1,226.36                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 76.36                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,658.68                       |
| 1999 | 18,845.34                              | 1,283.68                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 72.28                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,647.59                       |
| 2000 | 19,754.60                              | 1,346.69                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 67.55                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,613.14                       |
| 2001 | 20,740.03                              | 1,414.75                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 63.05                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,574.02                       |
| 2002 | 21,801.06                              | 1,486.66                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 58.75                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,496.58                       |
| 2003 | 22,902.32                              | 1,559.66                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 56.18                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,432.30                       |
| 2004 | 23,996.41                              | 1,632.33                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 52.98                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,375.87                       |
| 2005 | 25,087.52                              | 1,704.64                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 49.92                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,315.03                       |
| 2006 | 26,170.55                              | 1,775.43                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 47.00                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,226.64                       |
| 2007 | 27,216.14                              | 1,843.85                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 43.54                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,144.62                       |
| 2008 | 28,227.97                              | 1,911.51                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 40.25                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,119.10                       |
| 2009 | 29,250.58                              | 1,978.21                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 37.12                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,048.26                       |
| 2010 | 30,233.80                              | 2,042.29                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 35.37                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 980.32                         |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |      |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs | Capital | TOTAL    |                                |                                   |
| 1998 | 242.16                                 | 44.39             | 0.00                   | 262.70             | 0.00  | 549.25                             | 733.54              | 1,736.31           | 0.00 | 150.00  | 2,619.85 | 2,070.59                       | 11.48%                            |
| 1999 | 241.75                                 | 43.03             | 0.00                   | 266.88             | 0.00  | 551.65                             | 730.30              | 1,693.36           | 0.00 | 150.00  | 2,573.66 | 2,022.00                       | 10.73%                            |
| 2000 | 241.32                                 | 41.70             | 0.00                   | 271.12             | 0.00  | 554.14                             | 727.07              | 1,651.47           | 0.00 | 150.00  | 2,528.54 | 1,974.40                       | 9.99%                             |
| 2001 | 240.90                                 | 40.41             | 0.00                   | 275.43             | 0.00  | 556.74                             | 723.86              | 1,610.62           | 0.00 | 150.00  | 2,484.48 | 1,927.74                       | 9.29%                             |
| 2002 | 240.48                                 | 39.17             | 0.00                   | 279.81             | 0.00  | 559.47                             | 720.66              | 1,570.78           | 0.00 | 150.00  | 2,441.44 | 1,881.98                       | 8.63%                             |
| 2003 | 240.06                                 | 37.96             | 0.00                   | 284.26             | 0.00  | 562.29                             | 717.48              | 1,592.68           | 0.00 | 150.00  | 2,460.16 | 1,897.88                       | 8.29%                             |
| 2004 | 239.64                                 | 36.79             | 0.00                   | 288.78             | 0.00  | 565.21                             | 714.31              | 1,618.00           | 0.00 | 150.00  | 2,482.31 | 1,917.10                       | 7.99%                             |
| 2005 | 239.22                                 | 35.66             | 0.00                   | 293.37             | 0.00  | 568.26                             | 711.15              | 1,643.73           | 0.00 | 150.00  | 2,504.89 | 1,936.63                       | 7.72%                             |
| 2006 | 238.80                                 | 34.56             | 0.00                   | 298.04             | 0.00  | 571.40                             | 708.01              | 1,669.87           | 0.00 | 150.00  | 2,527.88 | 1,956.48                       | 7.48%                             |
| 2007 | 238.39                                 | 33.49             | 0.00                   | 302.78             | 0.00  | 574.66                             | 704.88              | 1,696.42           | 0.00 | 150.00  | 2,551.30 | 1,976.65                       | 7.26%                             |
| 2008 | 237.98                                 | 32.46             | 0.00                   | 307.59             | 0.00  | 578.03                             | 712.63              | 1,723.39           | 0.00 | 150.00  | 2,586.02 | 2,007.99                       | 7.11%                             |
| 2009 | 237.56                                 | 31.46             | 0.00                   | 312.48             | 0.00  | 581.50                             | 723.96              | 1,750.79           | 0.00 | 150.00  | 2,624.75 | 2,043.26                       | 6.99%                             |
| 2010 | 237.15                                 | 30.49             | 0.00                   | 317.45             | 0.00  | 585.08                             | 735.47              | 1,778.63           | 0.00 | 150.00  | 2,664.10 | 2,079.02                       | 6.88%                             |

# CASE S19, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 **\$14,100 MM**

Permanent Fund: Sustainable Long-Term Real Earnings Rate **6.88%**

Other Cash Reserves at Start of FY98 to Put into Perm. Fund **\$3,302**

Drawdown Limited under Transition Rule? 1=Y, 0=N **0**

| FY | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----|------|------|------|------|------|------|------|------|------|------|------|
|----|------|------|------|------|------|------|------|------|------|------|------|

Limit

| FY | 2009 | 2010 |
|----|------|------|
|----|------|------|

Limit

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N **0**

What %-age of Fund's Real Earnings Goes for PFDs? **0.00%**

Will PFDs be Capped? 1=Y, 0=N **0**

If so, what? **\$200 (nominal) per capita**

### Population

Population as of 1/1/95 (mid-point of FY 1995) **611,089** <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease) **1.59%**

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N **0**

State Income Tax Rates **1 times old rates**

Real Inc. Tax Collected/Yr per Capita @ Old Rates **\$809** SOURCE: See calc. below==> **\$494.62 MM/yr (real)**

State Sales Tax Adopted? 1=Y, 0=N **1**

State Sales Tax Rate **6.00%**

Real Sales Tax Collected/Yr per Capita @ Given Rate **\$410** SOURCE: ALRFPC Prelim.Rpt. **\$58.00 MM/yr (real) for 1% tax**

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 **\$1,267** FY 1996 Actual=====> **\$774 MM (real)**

Growth in Real Per Capita Education OpEx **-2.00%**

Floor on Real Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$950 (real) per capita**

FY 95 Real Per Capita State OpEx - Non-Education **\$3,063** Based on FY 1996 TOTAL==> **\$1,872 MM (real) (fig. incl. K-12 grants)**

Growth in Real Per Capita Non-Education OpEx **-4.00%**

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$2,297 (real) per capita**

Real Per Capita State CapEx **\$245** **\$150 MM/Yr (real)**

Growth in Real Per Capita CapEx **0.00%**

Floor on Real CapEx Per Capita? 1=Y, 0=N **0** If so, what? **(real) per capita**

### Natural Gas Pipeline Built? 1=Y, 0=N

Pipeline Cost **\$15 billion (real)**

Completion Date: Choices are 2000, 2003, 2005, 2008 **2005**

Peak Population Effect during Construction **40,000**

%-age of Construction Population Staying Long-Term **15% DOR "low" 30% DOR "mid" 40% DOR "high"**

Wellhead Gas Price **\$1.00 /Mcf (real)**

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |

# CASE S20, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 18,695.38                              | 3,024.91                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 76.36                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,658.68                       |
| 1999 | 19,626.07                              | 3,180.47                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 72.28                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,647.59                       |
| 2000 | 20,666.08                              | 3,351.83                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 67.55                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,613.14                       |
| 2001 | 21,797.01                              | 3,537.60                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 63.05                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,574.02                       |
| 2002 | 23,019.49                              | 3,734.99                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 58.75                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,496.58                       |
| 2003 | 24,297.68                              | 3,937.55                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 56.18                                | 0.00                                  | 90.00        | 0.00 | 0.00                   | 1,522.30                       |
| 2004 | 25,585.56                              | 4,140.20                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 52.98                                | 0.00                                  | 180.00       | 0.00 | 0.00                   | 1,555.87                       |
| 2005 | 26,864.98                              | 4,340.42                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 49.92                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,585.03                       |
| 2006 | 28,122.14                              | 4,533.06                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 47.00                                | 0.00                                  | 294.00       | 0.00 | 0.00                   | 1,520.64                       |
| 2007 | 29,305.40                              | 4,712.65                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 43.54                                | 0.00                                  | 282.00       | 0.00 | 0.00                   | 1,426.62                       |
| 2008 | 30,397.31                              | 4,882.03                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 40.25                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,389.10                       |
| 2009 | 31,451.25                              | 5,040.82                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 37.12                                | 0.00                                  | 258.00       | 0.00 | 0.00                   | 1,306.26                       |
| 2010 | 32,408.91                              | 5,183.95                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 35.37                                | 0.00                                  | 246.00       | 0.00 | 0.00                   | 1,226.32                       |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |          |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|----------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs     | Capital | TOTAL    |                                |                                   |
| 1998 | 242.16                                 | 44.39             | 0.00                   | 262.70             | 0.00  | 549.25                             | 733.54              | 1,736.31           | 1,682.30 | 150.00  | 4,302.15 | 3,752.90                       | 20.07%                            |
| 1999 | 241.75                                 | 43.03             | 0.00                   | 266.88             | 0.00  | 551.65                             | 730.30              | 1,693.36           | 1,766.05 | 150.00  | 4,339.71 | 3,788.05                       | 19.30%                            |
| 2000 | 241.32                                 | 41.70             | 0.00                   | 271.12             | 0.00  | 554.14                             | 727.07              | 1,651.47           | 1,859.64 | 150.00  | 4,388.18 | 3,834.04                       | 18.55%                            |
| 2001 | 240.90                                 | 40.41             | 0.00                   | 275.43             | 0.00  | 556.74                             | 723.86              | 1,610.62           | 1,961.40 | 150.00  | 4,445.88 | 3,889.14                       | 17.84%                            |
| 2002 | 240.48                                 | 39.17             | 0.00                   | 279.81             | 0.00  | 559.47                             | 720.66              | 1,570.78           | 2,071.41 | 150.00  | 4,512.85 | 3,953.39                       | 17.17%                            |
| 2003 | 240.06                                 | 37.96             | 0.00                   | 296.56             | 0.00  | 574.59                             | 748.53              | 1,661.60           | 2,186.43 | 150.00  | 4,746.55 | 4,171.97                       | 17.17%                            |
| 2004 | 239.64                                 | 36.79             | 0.00                   | 316.65             | 0.00  | 593.08                             | 783.25              | 1,774.17           | 2,302.32 | 150.00  | 5,009.74 | 4,416.65                       | 17.26%                            |
| 2005 | 239.22                                 | 35.66             | 0.00                   | 338.09             | 0.00  | 612.97                             | 819.55              | 1,894.27           | 2,417.45 | 150.00  | 5,281.26 | 4,668.29                       | 17.38%                            |
| 2006 | 238.80                                 | 34.56             | 0.00                   | 352.98             | 0.00  | 626.34                             | 838.53              | 1,977.68           | 2,530.57 | 150.00  | 5,496.78 | 4,870.44                       | 17.32%                            |
| 2007 | 238.39                                 | 33.49             | 0.00                   | 365.35             | 0.00  | 637.23                             | 850.55              | 2,046.99           | 2,637.05 | 150.00  | 5,684.59 | 5,047.36                       | 17.22%                            |
| 2008 | 237.98                                 | 32.46             | 0.00                   | 376.08             | 0.00  | 646.51                             | 871.30              | 2,107.10           | 2,735.30 | 150.00  | 5,863.71 | 5,217.19                       | 17.16%                            |
| 2009 | 237.56                                 | 31.46             | 0.00                   | 387.05             | 0.00  | 656.07                             | 896.73              | 2,168.61           | 2,830.14 | 150.00  | 6,045.49 | 5,389.42                       | 17.14%                            |
| 2010 | 237.15                                 | 30.49             | 0.00                   | 398.29             | 0.00  | 665.92                             | 922.76              | 2,231.55           | 2,916.32 | 150.00  | 6,220.62 | 5,554.70                       | 17.14%                            |



# CASE S20, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 **\$14,100 MM**  
 Permanent Fund: Sustainable Long-Term Real Earnings Rate **17.14%**  
 Other Cash Reserves at Start of FY98 to Put into Perm. Fund **\$3,967**  
 Drawdown Limited under Transition Rule? 1=Y, 0=N **0**

|       | FY 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------|---------|------|------|------|------|------|------|------|------|------|------|
| Limit |         |      |      |      |      |      |      |      |      |      |      |
| FY    | 2009    | 2010 |      |      |      |      |      |      |      |      |      |
| Limit |         |      |      |      |      |      |      |      |      |      |      |

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N **1**  
 What %-age of Fund's Real Earnings Goes for PFDs? **52.50%**  
 Will PFDs be Capped? 1=Y, 0=N **0** If so, what? **\$200 (nominal) per capita**

### Population

Population as of 1/1/95 (mid-point of FY 1995) **611,089** <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95  
 Population Rate of Increase/(Decrease) **1.59%**

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N **0**  
 State Income Tax Rates **1 times old rates**  
 Real Inc. Tax Collected/Yr per Capita @ Old Rates **\$809** SOURCE: See calc. below==> **\$494.62 MM/yr (real)**  
 State Sales Tax Adopted? 1=Y, 0=N **1**  
 State Sales Tax Rate **6.00%**  
 Real Sales Tax Collected/Yr per Capita @ Given Rate **\$410** SOURCE: ALRFPC Prelim.Rpt. **\$58.00 MM/yr (real) for 1% tax**  
 What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 **\$1,267** FY 1996 Actual=====> **\$774 MM (real)**  
 Growth in Real Per Capita Education OpEx **-2.00%**  
 Floor on Real Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$950 (real) per capita**  
 FY 95 Real Per Capita State OpEx - Non-Education **\$3,063** Based on FY 1996 TOTAL==> **\$1,872 MM (real) (fig. incl. K-12 grants)**  
 Growth in Real Per Capita Non-Education OpEx **-4.00%**  
 Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$2,297 (real) per capita**  
 Real Per Capita State CapEx **\$245** **\$150 MM/Yr (real)**  
 Growth in Real Per Capita CapEx **0.00%**  
 Floor on Real CapEx Per Capita? 1=Y, 0=N **0** If so, what? **(real) per capita**

### Natural Gas Pipeline Built? 1=Y, 0=N

Pipeline Cost **\$15 billion (real)**  
 Completion Date: Choices are 2000, 2003, 2005, 2008 **2005**  
 Peak Population Effect during Construction **40,000**  
 %-age of Construction Population Staying Long-Term **15% DOR "low" 30% DOR "mid" 40% DOR "high"**  
 Wellhead Gas Price **\$1.00 /Mcf (real)**

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross AK. Exempt'ns Income (\$MM) & Ded'ns(\$MM) | AK. Taxable Income(\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|-------------------------------------------------------------|--------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                                                    | 1,133.05                 | 672.34                   | \$2,881           | 9.33             | 3.02             | 1.48             |
| \$30,000—49,999            | 52,100         | 2,051.28                                                    | 675.21                   | 1,376.07                 | 26,412            | 40.37            | 31.88            | 5.67             |
| \$50,000—\$74,999          | 37,460         | 2,288.19                                                    | 615.69                   | 1,672.50                 | 44,648            | 60.73            | 50.32            | 8.12             |
| \$75,000 and up            | 29,809         | 3,602.09                                                    | 650.52                   | 2,951.57                 | 99,016            | 139.85           | 123.96           | 19.89            |
| <b>TOTAL</b>               | <b>352,739</b> |                                                             |                          |                          |                   |                  |                  | <b>494.62</b>    |

# CASE S21, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 18,170.14                              | 1,624.57                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 76.36                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,658.68                       |
| 1999 | 19,120.10                              | 1,712.63                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 72.28                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,647.59                       |
| 2000 | 20,191.44                              | 1,810.63                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 67.55                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,613.14                       |
| 2001 | 21,369.69                              | 1,918.12                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 63.05                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,574.02                       |
| 2002 | 22,658.66                              | 2,033.90                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 58.75                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,496.58                       |
| 2003 | 24,027.36                              | 2,154.28                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 56.18                                | 0.00                                  | 90.00        | 0.00 | 0.00                   | 1,522.30                       |
| 2004 | 25,421.84                              | 2,276.07                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 52.98                                | 0.00                                  | 180.00       | 0.00 | 0.00                   | 1,555.87                       |
| 2005 | 26,822.79                              | 2,397.83                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 49.92                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,585.03                       |
| 2006 | 28,216.72                              | 2,517.15                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 47.00                                | 0.00                                  | 294.00       | 0.00 | 0.00                   | 1,520.64                       |
| 2007 | 29,561.66                              | 2,631.62                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 43.54                                | 0.00                                  | 282.00       | 0.00 | 0.00                   | 1,426.62                       |
| 2008 | 30,844.25                              | 2,743.00                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 40.25                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,389.10                       |
| 2009 | 32,118.38                              | 2,851.28                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 37.12                                | 0.00                                  | 258.00       | 0.00 | 0.00                   | 1,306.26                       |
| 2010 | 33,329.59                              | 2,953.86                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 35.37                                | 0.00                                  | 246.00       | 0.00 | 0.00                   | 1,226.32                       |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |      |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs | Capital | TOTAL    |                                |                                   |
| 1998 | 242.16                                 | 44.39             | 0.00                   | 0.00               | 0.00  | 286.55                             | 733.54              | 1,736.31           | 0.00 | 150.00  | 2,619.85 | 2,333.29                       | 12.84%                            |
| 1999 | 241.75                                 | 43.03             | 0.00                   | 0.00               | 0.00  | 284.78                             | 730.30              | 1,693.36           | 0.00 | 150.00  | 2,573.66 | 2,288.88                       | 11.97%                            |
| 2000 | 241.32                                 | 41.70             | 0.00                   | 0.00               | 0.00  | 283.02                             | 727.07              | 1,651.47           | 0.00 | 150.00  | 2,528.54 | 2,245.52                       | 11.12%                            |
| 2001 | 240.90                                 | 40.41             | 0.00                   | 0.00               | 0.00  | 281.31                             | 723.86              | 1,610.62           | 0.00 | 150.00  | 2,484.48 | 2,203.17                       | 10.31%                            |
| 2002 | 240.48                                 | 39.17             | 0.00                   | 0.00               | 0.00  | 279.65                             | 720.66              | 1,570.78           | 0.00 | 150.00  | 2,441.44 | 2,161.79                       | 9.54%                             |
| 2003 | 240.06                                 | 37.96             | 0.00                   | 0.00               | 0.00  | 278.02                             | 748.53              | 1,661.60           | 0.00 | 150.00  | 2,560.13 | 2,282.10                       | 9.50%                             |
| 2004 | 239.64                                 | 36.79             | 0.00                   | 0.00               | 0.00  | 276.43                             | 783.25              | 1,774.17           | 0.00 | 150.00  | 2,707.42 | 2,430.99                       | 9.56%                             |
| 2005 | 239.22                                 | 35.66             | 0.00                   | 0.00               | 0.00  | 274.88                             | 819.55              | 1,894.27           | 0.00 | 150.00  | 2,863.81 | 2,588.93                       | 9.65%                             |
| 2006 | 238.80                                 | 34.56             | 0.00                   | 0.00               | 0.00  | 273.36                             | 838.53              | 1,977.68           | 0.00 | 150.00  | 2,966.21 | 2,692.85                       | 9.54%                             |
| 2007 | 238.39                                 | 33.49             | 0.00                   | 0.00               | 0.00  | 271.88                             | 850.55              | 2,046.99           | 0.00 | 150.00  | 3,047.54 | 2,775.66                       | 9.39%                             |
| 2008 | 237.98                                 | 32.46             | 0.00                   | 0.00               | 0.00  | 270.44                             | 871.30              | 2,107.10           | 0.00 | 150.00  | 3,128.40 | 2,857.97                       | 9.27%                             |
| 2009 | 237.56                                 | 31.46             | 0.00                   | 0.00               | 0.00  | 269.02                             | 896.73              | 2,168.61           | 0.00 | 150.00  | 3,215.35 | 2,946.33                       | 9.17%                             |
| 2010 | 237.15                                 | 30.49             | 0.00                   | 0.00               | 0.00  | 267.64                             | 922.76              | 2,231.55           | 0.00 | 150.00  | 3,304.30 | 3,036.67                       | 9.11%                             |

# CASE S21, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"  
 Lift Oil Export Ban? 1=Y, 0=N

2 <====SOURCE: DOR Spring '95 Revenue Forecast  
 0

### Permanent Fund

|                                                             |          |    |  |  |  |  |  |  |  |  |  |
|-------------------------------------------------------------|----------|----|--|--|--|--|--|--|--|--|--|
| Permanent Fund Principal: FMV @ Year-End FY 1995            | \$14,100 | MM |  |  |  |  |  |  |  |  |  |
| Permanent Fund: Sustainable Long-Term Real Earnings Rate    | 9.11%    |    |  |  |  |  |  |  |  |  |  |
| Other Cash Reserves at Start of FY98 to Put into Perm. Fund | \$3,442  |    |  |  |  |  |  |  |  |  |  |
| Drawdown Limited under Transition Rule? 1=Y, 0=N            | 0        |    |  |  |  |  |  |  |  |  |  |
| FY 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008   |          |    |  |  |  |  |  |  |  |  |  |
| Limit                                                       |          |    |  |  |  |  |  |  |  |  |  |
| FY 2009 2010                                                |          |    |  |  |  |  |  |  |  |  |  |
| Limit                                                       |          |    |  |  |  |  |  |  |  |  |  |

### Permanent Fund Dividends

|                                                   |       |  |  |  |              |       |           |            |  |  |  |
|---------------------------------------------------|-------|--|--|--|--------------|-------|-----------|------------|--|--|--|
| Will PFDs Continue? 1=Y, 0=N                      | 0     |  |  |  |              |       |           |            |  |  |  |
| What %-age of Fund's Real Earnings Goes for PFDs? | 0.00% |  |  |  |              |       |           |            |  |  |  |
| Will PFDs be Capped? 1=Y, 0=N                     | 0     |  |  |  | If so, what? | \$200 | (nominal) | per capita |  |  |  |

### Population

|                                                |         |                                                      |
|------------------------------------------------|---------|------------------------------------------------------|
| Population as of 1/1/95 (mid-point of FY 1995) | 611,089 | <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95 |
| Population Rate of Increase/(Decrease)         | 1.59%   |                                                      |

### Non-Petroleum Revenues

|                                                     |       |                            |          |       |        |            |  |  |  |  |  |
|-----------------------------------------------------|-------|----------------------------|----------|-------|--------|------------|--|--|--|--|--|
| State Income Tax Adopted? 1=Y, 0=N                  | 0     |                            |          |       |        |            |  |  |  |  |  |
| State Income Tax Rates                              | 1     | times old rates            |          |       |        |            |  |  |  |  |  |
| Real Inc. Tax Collected/Yr per Capita @ Old Rates   | \$809 | SOURCE: See calc. below==> | \$494.62 | MM/yr | (real) |            |  |  |  |  |  |
| State Sales Tax Adopted? 1=Y, 0=N                   | 0     |                            |          |       |        |            |  |  |  |  |  |
| State Sales Tax Rate                                | 0.00% |                            |          |       |        |            |  |  |  |  |  |
| Real Sales Tax Collected/Yr per Capita @ Given Rate | \$0   | SOURCE: ALRFPC Prelim.Rpt. | \$58.00  | MM/yr | (real) | for 1% tax |  |  |  |  |  |
| What, if anything, is "Other"?                      |       |                            |          |       |        |            |  |  |  |  |  |

### Growth in Expenditures

|                                                       |         |                           |         |            |            |                          |  |  |  |  |  |
|-------------------------------------------------------|---------|---------------------------|---------|------------|------------|--------------------------|--|--|--|--|--|
| FY95 Real Per Capita State OpEx - Education K-12      | \$1,267 | FY 1996 Actual=====>      | \$774   | MM         | (real)     |                          |  |  |  |  |  |
| Growth in Real Per Capita Education OpEx              | -2.00%  |                           |         |            |            |                          |  |  |  |  |  |
| Floor on Real Education OpEx Per Capita? 1=Y, 0=N     | 1       | If so, what?              | \$950   | (real)     | per capita |                          |  |  |  |  |  |
| FY 95 Real Per Capita State OpEx - Non-Education      | \$3,063 | Based on FY 1996 TOTAL==> | \$1,872 | MM         | (real)     | (fig. incl. K-12 grants) |  |  |  |  |  |
| Growth in Real Per Capita Non-Education OpEx          | -4.00%  |                           |         |            |            |                          |  |  |  |  |  |
| Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N | 1       | If so, what?              | \$2,297 | (real)     | per capita |                          |  |  |  |  |  |
| Real Per Capita State CapEx                           | \$245   |                           | \$150   | MM/Yr      | (real)     |                          |  |  |  |  |  |
| Growth in Real Per Capita CapEx                       | 0.00%   |                           |         |            |            |                          |  |  |  |  |  |
| Floor on Real CapEx Per Capita? 1=Y, 0=N              | 0       | If so, what?              | (real)  | per capita |            |                          |  |  |  |  |  |

### Natural Gas Pipeline Built? 1=Y, 0=N

|                                                     |        |           |        |           |     |            |  |  |  |  |  |
|-----------------------------------------------------|--------|-----------|--------|-----------|-----|------------|--|--|--|--|--|
| Pipeline Cost                                       | \$15   | billion   | (real) |           |     |            |  |  |  |  |  |
| Completion Date: Choices are 2000, 2003, 2005, 2008 | 2005   |           |        |           |     |            |  |  |  |  |  |
| Peak Population Effect during Construction          | 40,000 |           |        |           |     |            |  |  |  |  |  |
| %-age of Construction Population Staying Long-Term  | 15%    | DOR "low" | 30%    | DOR "mid" | 40% | DOR "high" |  |  |  |  |  |
| Wellhead Gas Price                                  | \$1.00 | /Mcf      | (real) |           |     |            |  |  |  |  |  |

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |



## CASE S22, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 17,918.17                              | 909.77                              | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 114.54                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,696.86                       |
| 1999 | 19,093.43                              | 968.30                              | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 108.43                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,683.73                       |
| 2000 | 20,299.34                              | 1,027.78                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 101.33                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,646.91                       |
| 2001 | 21,513.41                              | 1,087.57                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 94.57                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,605.55                       |
| 2002 | 22,731.69                              | 1,146.62                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 88.13                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,525.96                       |
| 2003 | 23,915.53                              | 1,204.29                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 84.28                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,460.39                       |
| 2004 | 25,077.89                              | 1,261.07                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 79.47                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,402.36                       |
| 2005 | 26,225.77                              | 1,317.03                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 74.88                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,339.99                       |
| 2006 | 27,354.35                              | 1,371.33                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 70.50                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,250.14                       |
| 2007 | 28,434.90                              | 1,423.38                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 65.31                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,166.40                       |
| 2008 | 29,471.65                              | 1,474.65                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 60.38                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,139.22                       |
| 2009 | 30,520.85                              | 1,525.42                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 55.69                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,066.83                       |
| 2010 | 31,537.21                              | 1,574.64                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 53.06                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 998.01                         |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |      |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs | Capital | TOTAL    |                                |                                   |
| 1998 | 260.45                                 | 44.39             | 925.12                 | 262.70             | 0.00  | 1,492.66                           | 811.51              | 1,962.51           | 0.00 | 150.00  | 2,924.02 | 1,431.36                       | 7.99%                             |
| 1999 | 260.01                                 | 43.03             | 952.10                 | 266.88             | 0.00  | 1,522.01                           | 824.41              | 1,993.72           | 0.00 | 150.00  | 2,968.13 | 1,446.11                       | 7.57%                             |
| 2000 | 259.54                                 | 41.70             | 979.94                 | 271.12             | 0.00  | 1,552.31                           | 837.52              | 2,025.42           | 0.00 | 150.00  | 3,012.94 | 1,460.63                       | 7.20%                             |
| 2001 | 259.09                                 | 40.41             | 1,008.68               | 275.43             | 0.00  | 1,583.62                           | 850.84              | 2,057.62           | 0.00 | 150.00  | 3,058.46 | 1,474.84                       | 6.86%                             |
| 2002 | 258.65                                 | 39.17             | 1,038.34               | 279.81             | 0.00  | 1,615.97                           | 864.37              | 2,090.34           | 0.00 | 150.00  | 3,104.70 | 1,488.73                       | 6.55%                             |
| 2003 | 258.19                                 | 37.96             | 1,068.95               | 284.26             | 0.00  | 1,649.36                           | 878.11              | 2,123.57           | 0.00 | 150.00  | 3,151.68 | 1,502.32                       | 6.28%                             |
| 2004 | 257.74                                 | 36.79             | 1,100.54               | 288.78             | 0.00  | 1,683.85                           | 892.07              | 2,157.34           | 0.00 | 150.00  | 3,199.41 | 1,515.56                       | 6.04%                             |
| 2005 | 257.29                                 | 35.66             | 1,133.14               | 293.37             | 0.00  | 1,719.47                           | 906.26              | 2,191.64           | 0.00 | 150.00  | 3,247.90 | 1,528.43                       | 5.83%                             |
| 2006 | 256.84                                 | 34.56             | 1,166.79               | 298.04             | 0.00  | 1,756.23                           | 920.67              | 2,226.49           | 0.00 | 150.00  | 3,297.16 | 1,540.93                       | 5.63%                             |
| 2007 | 256.40                                 | 33.49             | 1,201.51               | 302.78             | 0.00  | 1,794.18                           | 935.30              | 2,261.89           | 0.00 | 150.00  | 3,347.19 | 1,553.02                       | 5.46%                             |
| 2008 | 255.95                                 | 32.46             | 1,237.35               | 307.59             | 0.00  | 1,833.35                           | 950.18              | 2,297.85           | 0.00 | 150.00  | 3,398.03 | 1,564.67                       | 5.31%                             |
| 2009 | 255.50                                 | 31.46             | 1,274.34               | 312.48             | 0.00  | 1,873.78                           | 965.28              | 2,334.39           | 0.00 | 150.00  | 3,449.67 | 1,575.89                       | 5.16%                             |
| 2010 | 255.06                                 | 30.49             | 1,312.52               | 317.45             | 0.00  | 1,915.51                           | 980.63              | 2,371.51           | 0.00 | 150.00  | 3,502.14 | 1,586.63                       | 5.03%                             |

## CASE S22, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

### ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

#### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995

**\$14,100 MM**

Permanent Fund: Sustainable Long-Term Real Earnings Rate

**5.04%**

Other Cash Reserves at Start of FY98 to Put into Perm. Fund

**\$3,190**

Drawdown Limited under Transition Rule? 1=Y, 0=N

**0**

|         | FY 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---------|---------|------|------|------|------|------|------|------|------|------|------|
| Limit   |         |      |      |      |      |      |      |      |      |      |      |
| FY 2009 |         | 2010 |      |      |      |      |      |      |      |      |      |
| Limit   |         |      |      |      |      |      |      |      |      |      |      |

#### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N

**0**

What %-age of Fund's Real Earnings Goes for PFDs?

**0.00%**

Will PFDs be Capped? 1=Y, 0=N

**0**

If so, what?

**\$200 (nominal) per capita**

#### Population

Population as of 1/1/95 (mid-point of FY 1995)

**611,089** <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease)

**1.59%**

#### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N

**1**

State Income Tax Rates

**1.5 times old rates**

Real Inc. Tax Collected/Yr per Capita @ Old Rates

**\$809** SOURCE: See calc. below==> **\$494.62 MM/yr (real)**

State Sales Tax Adopted? 1=Y, 0=N

**1**

State Sales Tax Rate

**6.00%**

Real Sales Tax Collected/Yr per Capita @ Given Rate

**\$410** SOURCE: ALRFPC Prelim.Rpt. **\$58.00 MM/yr (real) for 1% tax**

What, if anything, is "Other"?

#### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12

**\$1,267** FY 1996 Actual=====> **\$774 MM (real)**

Growth in Real Per Capita Education OpEx

**0.00%**

Floor on Real Education OpEx Per Capita? 1=Y, 0=N

**1**

If so, what?

**\$950 (real) per capita**

FY 95 Real Per Capita State OpEx - Non-Education

**\$3,063** Based on FY 1996 TOTAL==> **\$1,872 MM (real) (fig. Incl. K-12 grants)**

Growth in Real Per Capita Non-Education OpEx

**0.00%**

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N

**1**

If so, what?

**\$2,297 (real) per capita**

Real Per Capita State CapEx

**\$245**

**\$150 MM/Yr (real)**

Growth in Real Per Capita CapEx

**0.00%**

Floor on Real CapEx Per Capita? 1=Y, 0=N

**0**

If so, what?

**(real) per capita**

#### Natural Gas Pipeline Built? 1=Y, 0=N

**0**

Pipeline Cost

**\$15 billion (real)**

Completion Date: Choices are 2000, 2003, 2005, 2008

**2005**

Peak Population Effect during Construction

**40,000**

%-age of Construction Population Staying Long-Term

**15% DOR "low"**

**30% DOR "mid"**

**40% DOR "high"**

Wellhead Gas Price

**\$1.00 /Mcf (real)**

#### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |

# CASE S23, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 18,248.18                              | 1,849.37                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 114.54                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,696.86                       |
| 1999 | 19,372.45                              | 1,961.03                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 108.43                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,683.73                       |
| 2000 | 20,519.46                              | 2,073.75                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 101.33                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,646.91                       |
| 2001 | 21,665.60                              | 2,186.18                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 94.57                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,605.55                       |
| 2002 | 22,806.36                              | 2,300.46                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 88.13                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,525.96                       |
| 2003 | 23,990.44                              | 2,420.00                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 84.28                                | 0.00                                  | 90.00        | 0.00 | 0.00                   | 1,550.39                       |
| 2004 | 25,238.03                              | 2,545.71                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 79.47                                | 0.00                                  | 180.00       | 0.00 | 0.00                   | 1,582.36                       |
| 2005 | 26,547.74                              | 2,674.50                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 74.88                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,609.99                       |
| 2006 | 27,857.88                              | 2,800.88                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 70.50                                | 0.00                                  | 294.00       | 0.00 | 0.00                   | 1,544.14                       |
| 2007 | 29,118.55                              | 2,921.41                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 65.31                                | 0.00                                  | 282.00       | 0.00 | 0.00                   | 1,448.40                       |
| 2008 | 30,309.82                              | 3,038.96                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 60.38                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,409.22                       |
| 2009 | 31,509.77                              | 3,155.19                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 55.69                                | 0.00                                  | 258.00       | 0.00 | 0.00                   | 1,324.83                       |
| 2010 | 32,674.27                              | 3,268.20                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 53.06                                | 0.00                                  | 246.00       | 0.00 | 0.00                   | 1,244.01                       |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |          |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|----------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs     | Capital | TOTAL    |                                |                                   |
| 1998 | 260.45                                 | 44.39             | 925.12                 | 262.70             | 0.00  | 1,492.66                           | 811.51              | 1,962.51           | 990.60   | 150.00  | 3,914.62 | 2,421.96                       | 13.27%                            |
| 1999 | 260.01                                 | 43.03             | 952.10                 | 266.88             | 0.00  | 1,522.01                           | 824.41              | 1,993.72           | 1,051.63 | 150.00  | 4,019.76 | 2,497.75                       | 12.89%                            |
| 2000 | 259.54                                 | 41.70             | 979.94                 | 271.12             | 0.00  | 1,552.31                           | 837.52              | 2,025.42           | 1,113.90 | 150.00  | 4,126.83 | 2,574.52                       | 12.55%                            |
| 2001 | 259.09                                 | 40.41             | 1,008.68               | 275.43             | 0.00  | 1,583.62                           | 850.84              | 2,057.62           | 1,176.12 | 150.00  | 4,234.58 | 2,650.96                       | 12.24%                            |
| 2002 | 258.65                                 | 39.17             | 1,122.77               | 279.81             | 0.00  | 1,700.40                           | 864.37              | 2,090.34           | 1,238.04 | 150.00  | 4,342.75 | 2,642.34                       | 11.59%                            |
| 2003 | 258.19                                 | 37.96             | 1,268.37               | 296.56             | 0.00  | 1,861.09                           | 916.11              | 2,215.47           | 1,302.32 | 150.00  | 4,583.89 | 2,722.81                       | 11.35%                            |
| 2004 | 257.74                                 | 36.79             | 1,434.23               | 316.65             | 0.00  | 2,045.42                           | 978.17              | 2,365.56           | 1,370.05 | 150.00  | 4,863.77 | 2,818.36                       | 11.17%                            |
| 2005 | 257.29                                 | 35.66             | 1,555.83               | 338.09             | 0.00  | 2,186.87                           | 1,044.39            | 2,525.69           | 1,441.14 | 150.00  | 5,161.22 | 2,974.35                       | 11.20%                            |
| 2006 | 256.84                                 | 34.56             | 1,660.83               | 352.98             | 0.00  | 2,305.21                           | 1,090.38            | 2,636.91           | 1,512.26 | 150.00  | 5,389.55 | 3,084.35                       | 11.07%                            |
| 2007 | 256.40                                 | 33.49             | 1,754.84               | 365.35             | 0.00  | 2,410.08                           | 1,128.59            | 2,723.32           | 1,580.70 | 150.00  | 5,588.61 | 3,178.53                       | 10.92%                            |
| 2008 | 255.95                                 | 32.46             | 1,853.85               | 376.08             | 0.00  | 2,518.34                           | 1,161.73            | 2,809.47           | 1,645.37 | 150.00  | 5,766.57 | 3,248.23                       | 10.72%                            |
| 2009 | 255.50                                 | 31.46             | 1,958.10               | 387.05             | 0.00  | 2,632.11                           | 1,195.65            | 2,891.49           | 1,710.51 | 150.00  | 5,947.64 | 3,315.53                       | 10.52%                            |
| 2010 | 255.06                                 | 30.49             | 2,067.84               | 398.29             | 0.00  | 2,751.67                           | 1,230.34            | 2,975.39           | 1,773.72 | 150.00  | 6,129.46 | 3,377.79                       | 10.34%                            |



# CASE S23, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"  
 Lift Oil Export Ban? 1=Y, 0=N

2 <====SOURCE: DOR Spring '95 Revenue Forecast  
 0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 **\$14,100 MM**  
 Permanent Fund: Sustainable Long-Term Real Earnings Rate **10.34%**  
 Other Cash Reserves at Start of FY98 to Put into Perm. Fund **\$3,520**  
 Drawdown Limited under Transition Rule? 1=Y, 0=N **0**

|       | FY 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------|---------|------|------|------|------|------|------|------|------|------|------|
| Limit |         |      |      |      |      |      |      |      |      |      |      |
| FY    | 2009    | 2010 |      |      |      |      |      |      |      |      |      |
| Limit |         |      |      |      |      |      |      |      |      |      |      |

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N **1**  
 What %-age of Fund's Real Earnings Goes for PFDs? **52.50%**  
 Will PFDs be Capped? 1=Y, 0=N **0** If so, what? **\$200 (nominal) per capita**

### Population

Population as of 1/1/95 (mid-point of FY 1995) **611,089** <====Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95  
 Population Rate of Increase/(Decrease) **1.59%**

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N **1**  
 State Income Tax Rates **1.5 times old rates**  
 Real Inc. Tax Collected/Yr per Capita @ Old Rates **\$809** SOURCE: See calc. below==> **\$494.62 MM/yr (real)**  
 State Sales Tax Adopted? 1=Y, 0=N **1**  
 State Sales Tax Rate **6.00%**  
 Real Sales Tax Collected/Yr per Capita @ Given Rate **\$410** SOURCE: ALRFPCL Prelim.Rpt. **\$58.00 MM/yr (real) for 1% tax**  
 What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 **\$1,267** FY 1996 Actual=====> **\$774 MM (real)**  
 Growth in Real Per Capita Education OpEx **0.00%**  
 Floor on Real Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$950 (real) per capita**  
 FY 95 Real Per Capita State OpEx - Non-Education **\$3,063** Based on FY 1996 TOTAL==> **\$1,872 MM (real) (fig. incl. K-12 grants)**  
 Growth in Real Per Capita Non-Education OpEx **0.00%**  
 Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$2,297 (real) per capita**  
 Real Per Capita State CapEx **\$245** **\$150 MM/Yr (real)**  
 Growth in Real Per Capita CapEx **0.00%**  
 Floor on Real CapEx Per Capita? 1=Y, 0=N **0** If so, what? **(real) per capita**

### Natural Gas Pipeline Built? 1=Y, 0=N

Pipeline Cost **\$15 billion (real)**  
 Completion Date: Choices are 2000, 2003, 2005, 2008 **2005**  
 Peak Population Effect during Construction **40,000**  
 %-age of Construction Population Staying Long-Term **15% DOR "low" 30% DOR "mid" 40% DOR "high"**  
 Wellhead Gas Price **\$1.00 /Mcf (real)**

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |

## CASE S24, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 17,984.10                              | 1,100.71                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 114.54                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,696.86                       |
| 1999 | 19,087.61                              | 1,167.27                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 108.43                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,683.73                       |
| 2000 | 20,225.61                              | 1,235.21                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 101.33                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,646.91                       |
| 2001 | 21,375.99                              | 1,303.78                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 94.57                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,605.55                       |
| 2002 | 22,535.04                              | 1,374.31                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 88.13                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,525.96                       |
| 2003 | 23,751.20                              | 1,448.47                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 84.28                                | 0.00                                  | 90.00        | 0.00 | 0.00                   | 1,550.39                       |
| 2004 | 25,033.01                              | 1,526.43                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 79.47                                | 0.00                                  | 180.00       | 0.00 | 0.00                   | 1,582.36                       |
| 2005 | 26,376.85                              | 1,606.27                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 74.88                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,609.99                       |
| 2006 | 27,721.80                              | 1,684.92                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 70.50                                | 0.00                                  | 294.00       | 0.00 | 0.00                   | 1,544.14                       |
| 2007 | 29,025.81                              | 1,760.63                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 65.31                                | 0.00                                  | 282.00       | 0.00 | 0.00                   | 1,448.40                       |
| 2008 | 30,271.65                              | 1,835.19                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 60.38                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,409.22                       |
| 2009 | 31,537.13                              | 1,909.65                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 55.69                                | 0.00                                  | 258.00       | 0.00 | 0.00                   | 1,324.83                       |
| 2010 | 32,779.54                              | 1,982.90                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 53.06                                | 0.00                                  | 246.00       | 0.00 | 0.00                   | 1,244.01                       |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |      |         | TOTAL    | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs | Capital |          |                                |                                   |
| 1998 | 260.45                                 | 44.39             | 925.12                 | 0.00               | 0.00  | 1,229.96                           | 811.51              | 1,962.51           | 0.00 | 150.00  | 2,924.02 | 1,694.06                       | 9.42%                             |
| 1999 | 260.01                                 | 43.03             | 952.10                 | 0.00               | 0.00  | 1,255.14                           | 824.41              | 1,993.72           | 0.00 | 150.00  | 2,968.13 | 1,712.99                       | 8.97%                             |
| 2000 | 259.54                                 | 41.70             | 979.94                 | 0.00               | 0.00  | 1,281.19                           | 837.52              | 2,025.42           | 0.00 | 150.00  | 3,012.94 | 1,731.75                       | 8.56%                             |
| 2001 | 259.09                                 | 40.41             | 1,008.68               | 0.00               | 0.00  | 1,308.18                           | 850.84              | 2,057.62           | 0.00 | 150.00  | 3,058.46 | 1,750.28                       | 8.19%                             |
| 2002 | 258.65                                 | 39.17             | 1,122.77               | 0.00               | 0.00  | 1,420.59                           | 864.37              | 2,090.34           | 0.00 | 150.00  | 3,104.70 | 1,684.11                       | 7.47%                             |
| 2003 | 258.19                                 | 37.96             | 1,268.37               | 0.00               | 0.00  | 1,564.53                           | 916.11              | 2,215.47           | 0.00 | 150.00  | 3,281.57 | 1,717.05                       | 7.23%                             |
| 2004 | 257.74                                 | 36.79             | 1,434.23               | 0.00               | 0.00  | 1,728.76                           | 978.17              | 2,365.56           | 0.00 | 150.00  | 3,493.73 | 1,764.96                       | 7.05%                             |
| 2005 | 257.29                                 | 35.66             | 1,555.83               | 0.00               | 0.00  | 1,848.78                           | 1,044.39            | 2,525.69           | 0.00 | 150.00  | 3,720.08 | 1,871.30                       | 7.09%                             |
| 2006 | 256.84                                 | 34.56             | 1,660.83               | 0.00               | 0.00  | 1,952.23                           | 1,090.38            | 2,636.91           | 0.00 | 150.00  | 3,877.29 | 1,925.06                       | 6.94%                             |
| 2007 | 256.40                                 | 33.49             | 1,754.84               | 0.00               | 0.00  | 2,044.73                           | 1,128.59            | 2,729.32           | 0.00 | 150.00  | 4,007.91 | 1,963.18                       | 6.76%                             |
| 2008 | 255.95                                 | 32.46             | 1,853.85               | 0.00               | 0.00  | 2,142.26                           | 1,161.73            | 2,809.47           | 0.00 | 150.00  | 4,121.20 | 1,978.94                       | 6.54%                             |
| 2009 | 255.50                                 | 31.46             | 1,958.10               | 0.00               | 0.00  | 2,245.06                           | 1,195.65            | 2,891.49           | 0.00 | 150.00  | 4,237.13 | 1,992.07                       | 6.32%                             |
| 2010 | 255.06                                 | 30.49             | 2,067.84               | 0.00               | 0.00  | 2,353.39                           | 1,230.34            | 2,975.39           | 0.00 | 150.00  | 4,355.74 | 2,002.35                       | 6.11%                             |



# CASE S24, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"  
Lift Oil Export Ban? 1=Y, 0=N

2 <====SOURCE: DOR Spring '95 Revenue Forecast  
0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 **\$14,100 MM**  
Permanent Fund: Sustainable Long-Term Real Earnings Rate **6.12%**  
Other Cash Reserves at Start of FY98 to Put into Perm. Fund **\$3,256**  
Drawdown Limited under Transition Rule? 1=Y, 0=N **0**

|         | FY 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---------|---------|------|------|------|------|------|------|------|------|------|------|
| Limit   |         |      |      |      |      |      |      |      |      |      |      |
| FY 2009 |         | 2010 |      |      |      |      |      |      |      |      |      |
| Limit   |         |      |      |      |      |      |      |      |      |      |      |

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N **0**  
What %-age of Fund's Real Earnings Goes for PFDs? **0.00%**  
Will PFDs be Capped? 1=Y, 0=N **0** If so, what? **\$200 (nominal) per capita**

### Population

Population as of 1/1/95 (mid-point of FY 1995) **611,089** <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95  
Population Rate of Increase/(Decrease) **1.59%**

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N **1**  
State Income Tax Rates **1.5 times old rates**  
Real Inc. Tax Collected/Yr per Capita @ Old Rates **\$809** SOURCE: See calc. below=> **\$494.62 MM/yr (real)**  
State Sales Tax Adopted? 1=Y, 0=N **0**  
State Sales Tax Rate **0.00%**  
Real Sales Tax Collected/Yr per Capita @ Given Rate **\$0** SOURCE: ALRFPC Prelim.Rpt. **\$58.00 MM/yr (real) for 1% tax**  
What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 **\$1,267** FY 1996 Actual=====> **\$774 MM (real)**  
Growth in Real Per Capita Education OpEx **0.00%**  
Floor on Real Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$950 (real) per capita**  
FY 95 Real Per Capita State OpEx - Non-Education **\$3,063** Based on FY 1996 TOTAL=> **\$1,872 MM (real) (fig. Incl. K-12 grants)**  
Growth in Real Per Capita Non-Education OpEx **0.00%**  
Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$2,297 (real) per capita**  
Real Per Capita State CapEx **\$245** **\$150 MM/Yr (real)**  
Growth in Real Per Capita CapEx **0.00%**  
Floor on Real CapEx Per Capita? 1=Y, 0=N **0** If so, what? **(real) per capita**

### Natural Gas Pipeline Built? 1=Y, 0=N

Pipeline Cost **\$15 billion (real)**  
Completion Date: Choices are 2000, 2003, 2005, 2008 **2005**  
Peak Population Effect during Construction **40,000**  
%-age of Construction Population Staying Long-Term **15% DOR "low" 30% DOR "mid" 40% DOR "high"**  
Wellhead Gas Price **\$1.00 /Mcf (real)**

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |



## CASE S25, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 18,276.31                              | 1,931.59                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 76.36                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,658.68                       |
| 1999 | 19,491.80                              | 2,059.77                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 72.28                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,647.59                       |
| 2000 | 20,782.69                              | 2,194.79                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 67.55                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,613.14                       |
| 2001 | 22,131.82                              | 2,335.81                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 63.05                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,574.02                       |
| 2002 | 23,539.94                              | 2,481.08                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 58.75                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,496.58                       |
| 2003 | 24,972.37                              | 2,628.17                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 56.18                                | 0.00                                  | 90.00        | 0.00 | 0.00                   | 1,522.30                       |
| 2004 | 26,415.84                              | 2,775.15                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 52.98                                | 0.00                                  | 180.00       | 0.00 | 0.00                   | 1,555.87                       |
| 2005 | 27,846.22                              | 2,919.78                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 49.92                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,585.03                       |
| 2006 | 29,243.93                              | 3,059.23                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 47.00                                | 0.00                                  | 294.00       | 0.00 | 0.00                   | 1,520.64                       |
| 2007 | 30,572.85                              | 3,190.97                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 43.54                                | 0.00                                  | 282.00       | 0.00 | 0.00                   | 1,426.62                       |
| 2008 | 31,819.76                              | 3,317.76                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 40.25                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,389.10                       |
| 2009 | 33,051.93                              | 3,440.39                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 37.12                                | 0.00                                  | 258.00       | 0.00 | 0.00                   | 1,306.26                       |
| 2010 | 34,217.52                              | 3,555.87                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 35.37                                | 0.00                                  | 246.00       | 0.00 | 0.00                   | 1,226.32                       |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |      |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs | Capital | TOTAL    |                                |                                   |
| 1998 | 242.16                                 | 44.39             | 0.00                   | 262.70             | 0.00  | 549.25                             | 811.51              | 1,962.51           | 0.00 | 150.00  | 2,924.02 | 2,374.77                       | 12.99%                            |
| 1999 | 241.75                                 | 43.03             | 0.00                   | 266.88             | 0.00  | 551.65                             | 824.41              | 1,993.72           | 0.00 | 150.00  | 2,968.13 | 2,416.47                       | 12.40%                            |
| 2000 | 241.32                                 | 41.70             | 0.00                   | 271.12             | 0.00  | 554.14                             | 837.52              | 2,025.42           | 0.00 | 150.00  | 3,012.94 | 2,458.80                       | 11.83%                            |
| 2001 | 240.90                                 | 40.41             | 0.00                   | 275.43             | 0.00  | 556.74                             | 850.84              | 2,057.62           | 0.00 | 150.00  | 3,058.46 | 2,501.72                       | 11.30%                            |
| 2002 | 240.48                                 | 39.17             | 0.00                   | 279.81             | 0.00  | 559.47                             | 864.37              | 2,090.34           | 0.00 | 150.00  | 3,104.70 | 2,545.24                       | 10.81%                            |
| 2003 | 240.06                                 | 37.96             | 0.00                   | 296.56             | 0.00  | 574.59                             | 916.11              | 2,215.47           | 0.00 | 150.00  | 3,281.57 | 2,706.99                       | 10.84%                            |
| 2004 | 239.64                                 | 36.79             | 0.00                   | 316.65             | 0.00  | 593.08                             | 978.17              | 2,365.56           | 0.00 | 150.00  | 3,493.73 | 2,900.64                       | 10.98%                            |
| 2005 | 239.22                                 | 35.66             | 0.00                   | 338.09             | 0.00  | 612.97                             | 1,044.39            | 2,525.69           | 0.00 | 150.00  | 3,720.08 | 3,107.10                       | 11.16%                            |
| 2006 | 238.80                                 | 34.56             | 0.00                   | 352.98             | 0.00  | 626.34                             | 1,090.38            | 2,636.91           | 0.00 | 150.00  | 3,877.29 | 3,250.95                       | 11.12%                            |
| 2007 | 238.39                                 | 33.49             | 0.00                   | 365.35             | 0.00  | 637.23                             | 1,128.59            | 2,729.32           | 0.00 | 150.00  | 4,007.91 | 3,370.68                       | 11.03%                            |
| 2008 | 237.98                                 | 32.46             | 0.00                   | 376.08             | 0.00  | 646.51                             | 1,161.73            | 2,809.47           | 0.00 | 150.00  | 4,121.20 | 3,474.69                       | 10.92%                            |
| 2009 | 237.56                                 | 31.46             | 0.00                   | 387.05             | 0.00  | 656.07                             | 1,195.65            | 2,891.49           | 0.00 | 150.00  | 4,237.13 | 3,581.06                       | 10.83%                            |
| 2010 | 237.15                                 | 30.49             | 0.00                   | 398.29             | 0.00  | 665.92                             | 1,230.34            | 2,975.39           | 0.00 | 150.00  | 4,355.74 | 3,689.82                       | 10.78%                            |

# CASE S25, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995

\$14,100 MM

Permanent Fund: Sustainable Long-Term Real Earnings Rate

10.78%

Other Cash Reserves at Start of FY98 to Put into Perm. Fund

\$3,548

Drawdown Limited under Transition Rule? 1=Y, 0=N

0

| FY    | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------|------|------|------|------|------|------|------|------|------|------|------|
| Limit |      |      |      |      |      |      |      |      |      |      |      |
| FY    | 2009 | 2010 |      |      |      |      |      |      |      |      |      |
| Limit |      |      |      |      |      |      |      |      |      |      |      |

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N

0

What %-age of Fund's Real Earnings Goes for PFDs?

0.00%

Will PFDs be Capped? 1=Y, 0=N

0

If so, what?

\$200 (nominal) per capita

### Population

Population as of 1/1/95 (mid-point of FY 1995)

611,089 <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease)

1.59%

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N

0

State Income Tax Rates

1 times old rates

Real Inc. Tax Collected/Yr per Capita @ Old Rates

\$809

SOURCE: See calc. below==>

\$494.62 MM/yr (real)

State Sales Tax Adopted? 1=Y, 0=N

1

State Sales Tax Rate

6.00%

Real Sales Tax Collected/Yr per Capita @ Given Rate

\$410

SOURCE: ALRFPCL Prelim.Rpt.

\$58.00 MM/yr (real) for 1% tax

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12

\$1,267

FY 1996 Actual=====

\$774 MM (real)

Growth in Real Per Capita Education OpEx

0.00%

Floor on Real Education OpEx Per Capita? 1=Y, 0=N

1

If so, what?

\$950 (real) per capita

FY 95 Real Per Capita State OpEx - Non-Education

\$3,063

Based on FY 1996 TOTAL==>

\$1,872 MM (real) (fig. incl. K-12 grants)

Growth in Real Per Capita Non-Education OpEx

0.00%

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N

1

If so, what?

\$2,297 (real) per capita

Real Per Capita State CapEx

\$245

\$150 MM/Yr (real)

Growth in Real Per Capita CapEx

0.00%

Floor on Real CapEx Per Capita? 1=Y, 0=N

0

If so, what?

(real) per capita

### Natural Gas Pipeline Built? 1=Y, 0=N

1

Pipeline Cost

\$15 billion (real)

Completion Date: Choices are 2000, 2003, 2005, 2008

2005

Peak Population Effect during Construction

40,000

%-age of Construction Population Staying Long-Term

15% DOR "low"

30% DOR "mid"

40% DOR "high"

Wellhead Gas Price

\$1.00 /Mcf (real)

### Personal Income Tax Calculation (AK residents' portion only):

Income Class (tax bracket) No. of Returns

\$0—\$29,999 233,370

\$30,000—49,999 52,100

\$50,000—\$74,999 37,460

\$75,000 and up 29,809

TOTAL 352,739

Fed'l Adj. Gross AK. Exempt'ns

Income (\$MM) & Ded'ns(\$MM)

Income(\$MM)

Avg. Taxable Inc. Return

Single Filers 44%

Joint Filers 49%

Head of House 7%

Total Tax (\$MM)

| Single Filers | Joint Filers | Head of House | Total Tax (\$MM) |
|---------------|--------------|---------------|------------------|
| 44%           | 49%          | 7%            |                  |
| 9.33          | 3.02         | 1.48          | 13.83            |
| 40.37         | 31.88        | 5.67          | 77.92            |
| 60.73         | 50.32        | 8.12          | 119.17           |
| 139.85        | 123.96       | 19.89         | 283.70           |
|               |              |               | 494.62           |

# CASE S26, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 17,759.25                              | 431.25                              | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 114.54                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,696.86                       |
| 1999 | 18,760.18                              | 455.92                              | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 108.43                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,683.73                       |
| 2000 | 19,848.19                              | 482.39                              | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 101.33                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,646.91                       |
| 2001 | 21,001.26                              | 510.35                              | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 94.57                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,605.55                       |
| 2002 | 22,216.29                              | 539.34                              | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 88.13                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,525.96                       |
| 2003 | 23,456.12                              | 568.36                              | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 84.28                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,460.39                       |
| 2004 | 24,674.08                              | 596.93                              | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 79.47                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,402.36                       |
| 2005 | 25,874.91                              | 625.04                              | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 74.88                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,339.99                       |
| 2006 | 27,054.52                              | 652.32                              | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 70.50                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,250.14                       |
| 2007 | 28,185.33                              | 678.52                              | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 65.31                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,166.40                       |
| 2008 | 29,273.12                              | 704.25                              | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 60.38                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,139.22                       |
| 2009 | 30,363.92                              | 729.47                              | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 55.69                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,066.83                       |
| 2010 | 31,409.25                              | 753.66                              | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 53.06                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 998.01                         |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |      |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs | Capital | TOTAL    |                                |                                   |
| 1998 | 260.45                                 | 44.39             | 925.12                 | 262.70             | 0.00  | 1,492.66                           | 733.54              | 1,736.31           | 0.00 | 150.00  | 2,619.85 | 1,127.18                       | 6.35%                             |
| 1999 | 260.01                                 | 43.03             | 952.10                 | 266.88             | 0.00  | 1,522.01                           | 730.30              | 1,693.36           | 0.00 | 150.00  | 2,573.66 | 1,051.64                       | 5.61%                             |
| 2000 | 259.54                                 | 41.70             | 979.94                 | 271.12             | 0.00  | 1,552.31                           | 727.07              | 1,651.47           | 0.00 | 150.00  | 2,528.54 | 976.23                         | 4.92%                             |
| 2001 | 259.09                                 | 40.41             | 1,008.68               | 275.43             | 0.00  | 1,583.62                           | 723.86              | 1,610.62           | 0.00 | 150.00  | 2,484.48 | 900.86                         | 4.29%                             |
| 2002 | 258.65                                 | 39.17             | 1,038.34               | 279.81             | 0.00  | 1,615.97                           | 720.66              | 1,570.78           | 0.00 | 150.00  | 2,441.44 | 825.47                         | 3.72%                             |
| 2003 | 258.19                                 | 37.96             | 1,068.95               | 284.26             | 0.00  | 1,649.36                           | 717.48              | 1,592.68           | 0.00 | 150.00  | 2,460.16 | 810.80                         | 3.46%                             |
| 2004 | 257.74                                 | 36.79             | 1,100.54               | 288.78             | 0.00  | 1,683.85                           | 714.31              | 1,618.00           | 0.00 | 150.00  | 2,482.31 | 798.46                         | 3.24%                             |
| 2005 | 257.29                                 | 35.66             | 1,133.14               | 293.37             | 0.00  | 1,719.47                           | 711.15              | 1,643.73           | 0.00 | 150.00  | 2,504.89 | 785.42                         | 3.04%                             |
| 2006 | 256.84                                 | 34.56             | 1,166.79               | 298.04             | 0.00  | 1,756.23                           | 708.01              | 1,669.87           | 0.00 | 150.00  | 2,527.88 | 771.65                         | 2.85%                             |
| 2007 | 256.40                                 | 33.49             | 1,201.51               | 302.78             | 0.00  | 1,794.18                           | 704.88              | 1,696.42           | 0.00 | 150.00  | 2,551.30 | 757.12                         | 2.69%                             |
| 2008 | 255.95                                 | 32.46             | 1,237.35               | 307.59             | 0.00  | 1,833.35                           | 712.63              | 1,723.39           | 0.00 | 150.00  | 2,586.02 | 752.67                         | 2.57%                             |
| 2009 | 255.50                                 | 31.46             | 1,274.34               | 312.48             | 0.00  | 1,873.78                           | 723.96              | 1,750.79           | 0.00 | 150.00  | 2,624.75 | 750.97                         | 2.47%                             |
| 2010 | 255.06                                 | 30.49             | 1,312.52               | 317.45             | 0.00  | 1,915.51                           | 735.47              | 1,778.63           | 0.00 | 150.00  | 2,664.10 | 748.59                         | 2.38%                             |



# CASE S26, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 **\$14,100 MM**

Permanent Fund: Sustainable Long-Term Real Earnings Rate **2.39%**

Other Cash Reserves at Start of FY98 to Put into Perm. Fund **\$3,031**

Drawdown Limited under Transition Rule? 1=Y, 0=N **0**

| FY | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----|------|------|------|------|------|------|------|------|------|------|------|
|----|------|------|------|------|------|------|------|------|------|------|------|

Limit

| FY | 2009 | 2010 |
|----|------|------|
|----|------|------|

Limit

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N **0**

What %-age of Fund's Real Earnings Goes for PFDs? **0.00%**

Will PFDs be Capped? 1=Y, 0=N **0** If so, what? **\$200 (nominal) per capita**

### Population

Population as of 1/1/95 (mid-point of FY 1995) **611,089** <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease) **1.59%**

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N **1**

State Income Tax Rates **1.5 times old rates**

Real Inc. Tax Collected/Yr per Capita @ Old Rates **\$809** SOURCE: See calc. below==> **\$494.62 MM/yr (real)**

State Sales Tax Adopted? 1=Y, 0=N **1**

State Sales Tax Rate **6.00%**

Real Sales Tax Collected/Yr per Capita @ Given Rate **\$410** SOURCE: ALRFPC Prelim.Rpt. **\$58.00 MM/yr (real) for 1% tax**

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 **\$1,267** FY 1996 Actual=====> **\$774 MM (real)**

Growth in Real Per Capita Education OpEx **-2.00%**

Floor on Real Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$950 (real) per capita**

FY 95 Real Per Capita State OpEx - Non-Education **\$3,063** Based on FY 1996 TOTAL==> **\$1,872 MM (real) (fig. Incl. K-12 grants)**

Growth in Real Per Capita Non-Education OpEx **-4.00%**

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$2,297 (real) per capita**

Real Per Capita State CapEx **\$245** **\$150 MM/Yr (real)**

Growth in Real Per Capita CapEx **0.00%**

Floor on Real CapEx Per Capita? 1=Y, 0=N **0** If so, what? **(real) per capita**

### Natural Gas Pipeline Built? 1=Y, 0=N

Pipeline Cost **\$15 billion (real)**

Completion Date: Choices are 2000, 2003, 2005, 2008 **2005**

Peak Population Effect during Construction **40,000**

%-age of Construction Population Staying Long-Term **15% DOR "low" 30% DOR "mid" 40% DOR "high"**

Wellhead Gas Price **\$1.00 /Mcf (real)**

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—\$49,999          | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |

# CASE S27, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 17,832.51                              | 649.71                              | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 114.54                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,696.86                       |
| 1999 | 18,712.99                              | 682.41                              | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 108.43                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,683.73                       |
| 2000 | 19,671.85                              | 717.49                              | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 101.33                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,646.91                       |
| 2001 | 20,686.16                              | 754.48                              | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 94.57                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,605.55                       |
| 2002 | 21,752.19                              | 794.15                              | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 88.13                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,525.96                       |
| 2003 | 22,917.86                              | 837.15                              | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 84.28                                | 0.00                                  | 90.00        | 0.00 | 0.00                   | 1,550.39                       |
| 2004 | 24,170.81                              | 883.33                              | 721.12                         | 8.24                                                  | 0.00               | 572.40     | 21.05                   | 79.47                                | 0.00                                  | 180.00       | 0.00 | 0.00                   | 1,582.36                       |
| 2005 | 25,515.14                              | 931.76                              | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 74.88                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,609.99                       |
| 2006 | 26,895.02                              | 980.33                              | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 70.50                                | 0.00                                  | 294.00       | 0.00 | 0.00                   | 1,544.14                       |
| 2007 | 28,247.35                              | 1,027.52                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 65.31                                | 0.00                                  | 282.00       | 0.00 | 0.00                   | 1,448.40                       |
| 2008 | 29,548.96                              | 1,073.97                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 60.38                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,409.22                       |
| 2009 | 30,860.51                              | 1,119.96                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 55.69                                | 0.00                                  | 258.00       | 0.00 | 0.00                   | 1,324.83                       |
| 2010 | 32,135.56                              | 1,164.77                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 53.06                                | 0.00                                  | 246.00       | 0.00 | 0.00                   | 1,244.01                       |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |        |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|--------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs   | Capital | TOTAL    |                                |                                   |
| 1998 | 260.45                                 | 44.39             | 925.12                 | 262.70             | 0.00  | 1,492.66                           | 733.54              | 1,736.31           | 338.91 | 150.00  | 2,958.75 | 1,466.09                       | 8.22%                             |
| 1999 | 260.01                                 | 43.03             | 952.10                 | 266.88             | 0.00  | 1,522.01                           | 730.30              | 1,693.36           | 355.64 | 150.00  | 2,929.30 | 1,407.28                       | 7.52%                             |
| 2000 | 259.54                                 | 41.70             | 979.94                 | 271.12             | 0.00  | 1,552.31                           | 727.07              | 1,651.47           | 373.86 | 150.00  | 2,902.41 | 1,350.09                       | 6.86%                             |
| 2001 | 259.09                                 | 40.41             | 1,008.68               | 275.43             | 0.00  | 1,583.62                           | 723.86              | 1,610.62           | 393.14 | 150.00  | 2,877.62 | 1,294.00                       | 6.26%                             |
| 2002 | 258.65                                 | 39.17             | 1,122.77               | 279.81             | 0.00  | 1,700.40                           | 720.66              | 1,570.78           | 413.40 | 150.00  | 2,854.84 | 1,154.44                       | 5.31%                             |
| 2003 | 258.19                                 | 37.96             | 1,268.37               | 296.56             | 0.00  | 1,861.09                           | 748.53              | 1,661.60           | 435.55 | 150.00  | 2,995.68 | 1,134.59                       | 4.95%                             |
| 2004 | 257.74                                 | 36.79             | 1,434.23               | 316.65             | 0.00  | 2,045.42                           | 783.25              | 1,774.17           | 459.37 | 150.00  | 3,166.78 | 1,121.37                       | 4.64%                             |
| 2005 | 257.29                                 | 35.66             | 1,555.83               | 338.09             | 0.00  | 2,186.87                           | 819.55              | 1,894.27           | 484.92 | 150.00  | 3,348.73 | 1,161.86                       | 4.55%                             |
| 2006 | 256.84                                 | 34.56             | 1,660.83               | 352.98             | 0.00  | 2,305.21                           | 838.53              | 1,977.68           | 511.14 | 150.00  | 3,477.35 | 1,172.14                       | 4.36%                             |
| 2007 | 256.40                                 | 33.49             | 1,754.84               | 365.35             | 0.00  | 2,410.08                           | 850.55              | 2,046.99           | 536.84 | 150.00  | 3,584.38 | 1,174.30                       | 4.16%                             |
| 2008 | 255.95                                 | 32.46             | 1,853.85               | 376.08             | 0.00  | 2,518.34                           | 871.30              | 2,107.10           | 561.58 | 150.00  | 3,689.98 | 1,171.64                       | 3.97%                             |
| 2009 | 255.50                                 | 31.46             | 1,958.10               | 387.05             | 0.00  | 2,632.11                           | 896.73              | 2,168.61           | 586.50 | 150.00  | 3,801.85 | 1,169.74                       | 3.79%                             |
| 2010 | 255.06                                 | 30.49             | 2,067.84               | 398.29             | 0.00  | 2,751.67                           | 922.76              | 2,231.55           | 610.74 | 150.00  | 3,915.04 | 1,163.37                       | 3.62%                             |

# CASE S27, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

|                                                             |      |      |      |      |      |      |      |      |      |      |      |  |
|-------------------------------------------------------------|------|------|------|------|------|------|------|------|------|------|------|--|
| Permanent Fund Principal: FMV @ Year-End FY 1995            |      |      |      |      |      |      |      |      |      |      |      |  |
| Permanent Fund: Sustainable Long-Term Real Earnings Rate    |      |      |      |      |      |      |      |      |      |      |      |  |
| Other Cash Reserves at Start of FY98 to Put into Perm. Fund |      |      |      |      |      |      |      |      |      |      |      |  |
| Drawdown Limited under Transition Rule? 1=Y, 0=N            |      |      |      |      |      |      |      |      |      |      |      |  |
| FY                                                          | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |  |
| Limit                                                       |      |      |      |      |      |      |      |      |      |      |      |  |
| FY                                                          | 2009 | 2010 |      |      |      |      |      |      |      |      |      |  |
| Limit                                                       |      |      |      |      |      |      |      |      |      |      |      |  |

### Permanent Fund Dividends

|                                                   |        |  |  |  |  |              |       |           |            |  |  |  |
|---------------------------------------------------|--------|--|--|--|--|--------------|-------|-----------|------------|--|--|--|
| Will PFDs Continue? 1=Y, 0=N                      | 1      |  |  |  |  |              |       |           |            |  |  |  |
| What %-age of Fund's Real Earnings Goes for PFDs? | 52.50% |  |  |  |  |              |       |           |            |  |  |  |
| Will PFDs be Capped? 1=Y, 0=N                     | 0      |  |  |  |  | If so, what? | \$200 | (nominal) | per capita |  |  |  |

### Population

|                                                |         |                                                        |
|------------------------------------------------|---------|--------------------------------------------------------|
| Population as of 1/1/95 (mid-point of FY 1995) | 611,089 | <====Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95 |
| Population Rate of Increase/(Decrease)         | 1.59%   |                                                        |

### Non-Petroleum Revenues

|                                                     |                     |                            |          |                         |  |  |  |  |  |  |  |  |
|-----------------------------------------------------|---------------------|----------------------------|----------|-------------------------|--|--|--|--|--|--|--|--|
| State Income Tax Adopted? 1=Y, 0=N                  | 1                   |                            |          |                         |  |  |  |  |  |  |  |  |
| State Income Tax Rates                              | 1.5 times old rates |                            |          |                         |  |  |  |  |  |  |  |  |
| Real Inc. Tax Collected/Yr per Capita @ Old Rates   | \$809               | SOURCE: See calc. below==> | \$494.62 | MM/yr (real)            |  |  |  |  |  |  |  |  |
| State Sales Tax Adopted? 1=Y, 0=N                   | 1                   |                            |          |                         |  |  |  |  |  |  |  |  |
| State Sales Tax Rate                                | 6.00%               |                            |          |                         |  |  |  |  |  |  |  |  |
| Real Sales Tax Collected/Yr per Capita @ Given Rate | \$410               | SOURCE: ALRFPC Prelim.Rpt. | \$58.00  | MM/yr (real) for 1% tax |  |  |  |  |  |  |  |  |
| What, if anything, is "Other"?                      |                     |                            |          |                         |  |  |  |  |  |  |  |  |

### Growth in Expenditures

|                                                       |         |                           |         |                                    |  |  |  |  |  |  |  |  |
|-------------------------------------------------------|---------|---------------------------|---------|------------------------------------|--|--|--|--|--|--|--|--|
| FY95 Real Per Capita State OpEx - Education K-12      | \$1,267 | FY 1996 Actual=====       | \$774   | MM (real)                          |  |  |  |  |  |  |  |  |
| Growth in Real Per Capita Education OpEx              | -2.00%  |                           |         |                                    |  |  |  |  |  |  |  |  |
| Floor on Real Education OpEx Per Capita? 1=Y, 0=N     | 1       | If so, what?              | \$950   | (real) per capita                  |  |  |  |  |  |  |  |  |
| FY 95 Real Per Capita State OpEx - Non-Education      | \$3,063 | Based on FY 1996 TOTAL==> | \$1,872 | MM (real) (fig. incl. K-12 grants) |  |  |  |  |  |  |  |  |
| Growth in Real Per Capita Non-Education OpEx          | -4.00%  |                           |         |                                    |  |  |  |  |  |  |  |  |
| Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N | 1       | If so, what?              | \$2,297 | (real) per capita                  |  |  |  |  |  |  |  |  |
| Real Per Capita State CapEx                           | \$245   |                           | \$150   | MM/Yr (real)                       |  |  |  |  |  |  |  |  |
| Growth in Real Per Capita CapEx                       | 0.00%   |                           |         |                                    |  |  |  |  |  |  |  |  |
| Floor on Real CapEx Per Capita? 1=Y, 0=N              | 0       | If so, what?              |         | (real) per capita                  |  |  |  |  |  |  |  |  |

### Natural Gas Pipeline Built? 1=Y, 0=N

|                                                     |                     |               |                |  |  |  |  |  |  |  |  |  |
|-----------------------------------------------------|---------------------|---------------|----------------|--|--|--|--|--|--|--|--|--|
| Pipeline Cost                                       | \$15 billion (real) |               |                |  |  |  |  |  |  |  |  |  |
| Completion Date: Choices are 2000, 2003, 2005, 2008 | 2005                |               |                |  |  |  |  |  |  |  |  |  |
| Peak Population Effect during Construction          | 40,000              |               |                |  |  |  |  |  |  |  |  |  |
| %-age of Construction Population Staying Long-Term  | 15% DOR "low"       | 30% DOR "mid" | 40% DOR "high" |  |  |  |  |  |  |  |  |  |
| Wellhead Gas Price                                  | \$1.00 /Mcf (real)  |               |                |  |  |  |  |  |  |  |  |  |

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |



# CASE S28, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 17,794.28                              | 534.84                              | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 114.54                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,696.86                       |
| 1999 | 18,636.10                              | 560.80                              | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 108.43                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,683.73                       |
| 2000 | 19,562.11                              | 588.90                              | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 101.33                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,646.91                       |
| 2001 | 20,550.57                              | 618.80                              | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 94.57                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,605.55                       |
| 2002 | 21,598.63                              | 651.17                              | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 88.13                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,525.96                       |
| 2003 | 22,754.90                              | 686.36                              | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 84.28                                | 0.00                                  | 90.00        | 0.00 | 0.00                   | 1,550.39                       |
| 2004 | 23,996.05                              | 724.08                              | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 79.47                                | 0.00                                  | 180.00       | 0.00 | 0.00                   | 1,582.36                       |
| 2005 | 25,323.84                              | 763.52                              | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 74.88                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,609.99                       |
| 2006 | 26,682.31                              | 803.03                              | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 70.50                                | 0.00                                  | 294.00       | 0.00 | 0.00                   | 1,544.14                       |
| 2007 | 28,015.50                              | 841.50                              | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 65.31                                | 0.00                                  | 282.00       | 0.00 | 0.00                   | 1,448.40                       |
| 2008 | 29,302.59                              | 879.52                              | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 60.38                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,409.22                       |
| 2009 | 30,605.20                              | 917.32                              | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 55.69                                | 0.00                                  | 258.00       | 0.00 | 0.00                   | 1,324.83                       |
| 2010 | 31,877.06                              | 954.30                              | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 53.06                                | 0.00                                  | 246.00       | 0.00 | 0.00                   | 1,244.01                       |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |      |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs | Capital | TOTAL    |                                |                                   |
| 1998 | 260.45                                 | 44.39             | 925.12                 | 0.00               | 0.00  | 1,229.96                           | 733.54              | 1,736.31           | 0.00 | 150.00  | 2,619.85 | 1,389.88                       | 7.81%                             |
| 1999 | 260.01                                 | 43.03             | 952.10                 | 0.00               | 0.00  | 1,255.14                           | 730.30              | 1,693.36           | 0.00 | 150.00  | 2,573.66 | 1,318.52                       | 7.08%                             |
| 2000 | 259.54                                 | 41.70             | 979.94                 | 0.00               | 0.00  | 1,281.19                           | 727.07              | 1,651.47           | 0.00 | 150.00  | 2,528.54 | 1,247.35                       | 6.38%                             |
| 2001 | 259.09                                 | 40.41             | 1,008.68               | 0.00               | 0.00  | 1,308.18                           | 723.86              | 1,610.62           | 0.00 | 150.00  | 2,484.48 | 1,176.30                       | 5.72%                             |
| 2002 | 258.65                                 | 39.17             | 1,122.77               | 0.00               | 0.00  | 1,420.59                           | 720.66              | 1,570.78           | 0.00 | 150.00  | 2,441.44 | 1,020.85                       | 4.73%                             |
| 2003 | 258.19                                 | 37.96             | 1,268.37               | 0.00               | 0.00  | 1,564.53                           | 748.53              | 1,661.60           | 0.00 | 150.00  | 2,560.13 | 995.60                         | 4.38%                             |
| 2004 | 257.74                                 | 36.79             | 1,434.23               | 0.00               | 0.00  | 1,728.76                           | 783.25              | 1,774.17           | 0.00 | 150.00  | 2,707.42 | 978.66                         | 4.08%                             |
| 2005 | 257.29                                 | 35.66             | 1,555.83               | 0.00               | 0.00  | 1,848.78                           | 819.55              | 1,894.27           | 0.00 | 150.00  | 2,863.81 | 1,015.04                       | 4.01%                             |
| 2006 | 256.84                                 | 34.56             | 1,660.83               | 0.00               | 0.00  | 1,952.23                           | 838.53              | 1,977.68           | 0.00 | 150.00  | 2,966.21 | 1,013.98                       | 3.80%                             |
| 2007 | 256.40                                 | 33.49             | 1,754.84               | 0.00               | 0.00  | 2,044.73                           | 850.55              | 2,046.99           | 0.00 | 150.00  | 3,047.54 | 1,002.81                       | 3.58%                             |
| 2008 | 255.95                                 | 32.46             | 1,853.85               | 0.00               | 0.00  | 2,142.26                           | 871.30              | 2,107.10           | 0.00 | 150.00  | 3,128.40 | 986.14                         | 3.37%                             |
| 2009 | 255.50                                 | 31.46             | 1,958.10               | 0.00               | 0.00  | 2,245.06                           | 896.73              | 2,168.61           | 0.00 | 150.00  | 3,215.35 | 970.29                         | 3.17%                             |
| 2010 | 255.06                                 | 30.49             | 2,067.84               | 0.00               | 0.00  | 2,353.39                           | 922.76              | 2,231.55           | 0.00 | 150.00  | 3,304.30 | 950.91                         | 2.98%                             |

# CASE S28, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995 **\$14,100 MM**

Permanent Fund: Sustainable Long-Term Real Earnings Rate **2.98%**

Other Cash Reserves at Start of FY98 to Put into Perm. Fund **\$3,066**

Drawdown Limited under Transition Rule? 1=Y, 0=N **0**

|    |      |      |      |      |      |      |      |      |      |      |      |
|----|------|------|------|------|------|------|------|------|------|------|------|
| FY | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----|------|------|------|------|------|------|------|------|------|------|------|

Limit

|    |      |      |
|----|------|------|
| FY | 2009 | 2010 |
|----|------|------|

Limit

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N **0**

What %-age of Fund's Real Earnings Goes for PFDs? **0.00%**

Will PFDs be Capped? 1=Y, 0=N **0**

If so, what? **\$200 (nominal) per capita**

### Population

Population as of 1/1/95 (mid-point of FY 1995) **611,089** <====Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease) **1.59%**

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N **1**

State Income Tax Rates **1.5 times old rates**

Real Inc. Tax Collected/Yr per Capita @ Old Rates **\$809** SOURCE: See calc. below==> **\$494.62 MM/yr (real)**

State Sales Tax Adopted? 1=Y, 0=N **0**

State Sales Tax Rate **0.00%**

Real Sales Tax Collected/Yr per Capita @ Given Rate **\$0** SOURCE: ALRFPC Prelim.Rpt. **\$58.00 MM/yr (real) for 1% tax**

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12 **\$1,267** FY 1996 Actual=====> **\$774 MM (real)**

Growth in Real Per Capita Education OpEx **-2.00%**

Floor on Real Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$950 (real) per capita**

FY 95 Real Per Capita State OpEx - Non-Education **\$3,063** Based on FY 1996 TOTAL==> **\$1,872 MM (real) (fig. incl. K-12 grants)**

Growth in Real Per Capita Non-Education OpEx **-4.00%**

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N **1** If so, what? **\$2,297 (real) per capita**

Real Per Capita State CapEx **\$245** **\$150 MM/Yr (real)**

Growth in Real Per Capita CapEx **0.00%**

Floor on Real CapEx Per Capita? 1=Y, 0=N **0** If so, what? **(real) per capita**

### Natural Gas Pipeline Built? 1=Y, 0=N

Pipeline Cost **\$15 billion (real)**

Completion Date: Choices are 2000, 2003, 2005, 2008 **2005**

Peak Population Effect during Construction **40,000**

%-age of Construction Population Staying Long-Term **15% DOR "low" 30% DOR "mid" 40% DOR "high"**

Wellhead Gas Price **\$1.00 /Mcf (real)**

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |

# CASE S29, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 18,091.74                              | 1,405.82                            | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 76.36                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,658.68                       |
| 1999 | 19,085.64                              | 1,485.42                            | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 72.28                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,647.59                       |
| 2000 | 20,196.65                              | 1,573.26                            | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 67.55                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,613.14                       |
| 2001 | 21,408.64                              | 1,668.82                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 63.05                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,574.02                       |
| 2002 | 22,723.74                              | 1,770.94                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 58.75                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,496.58                       |
| 2003 | 24,109.29                              | 1,876.78                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 56.18                                | 0.00                                  | 90.00        | 0.00 | 0.00                   | 1,522.30                       |
| 2004 | 25,522.84                              | 1,984.15                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 52.98                                | 0.00                                  | 180.00       | 0.00 | 0.00                   | 1,555.87                       |
| 2005 | 26,948.52                              | 2,091.99                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 49.92                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,585.03                       |
| 2006 | 28,374.69                              | 2,198.06                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 47.00                                | 0.00                                  | 294.00       | 0.00 | 0.00                   | 1,520.64                       |
| 2007 | 29,753.52                              | 2,299.97                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 43.54                                | 0.00                                  | 282.00       | 0.00 | 0.00                   | 1,426.62                       |
| 2008 | 31,069.80                              | 2,399.14                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 40.25                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,389.10                       |
| 2009 | 32,376.15                              | 2,495.52                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 37.12                                | 0.00                                  | 258.00       | 0.00 | 0.00                   | 1,306.26                       |
| 2010 | 33,618.65                              | 2,586.93                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 35.37                                | 0.00                                  | 246.00       | 0.00 | 0.00                   | 1,226.32                       |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |      |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs | Capital | TOTAL    |                                |                                   |
| 1998 | 242.16                                 | 44.39             | 0.00                   | 262.70             | 0.00  | 549.25                             | 733.54              | 1,736.31           | 0.00 | 150.00  | 2,619.85 | 2,070.59                       | 11.44%                            |
| 1999 | 241.75                                 | 43.03             | 0.00                   | 266.88             | 0.00  | 551.65                             | 730.30              | 1,693.36           | 0.00 | 150.00  | 2,573.66 | 2,022.00                       | 10.59%                            |
| 2000 | 241.32                                 | 41.70             | 0.00                   | 271.12             | 0.00  | 554.14                             | 727.07              | 1,651.47           | 0.00 | 150.00  | 2,528.54 | 1,974.40                       | 9.78%                             |
| 2001 | 240.90                                 | 40.41             | 0.00                   | 275.43             | 0.00  | 556.74                             | 723.86              | 1,610.62           | 0.00 | 150.00  | 2,484.48 | 1,927.74                       | 9.00%                             |
| 2002 | 240.48                                 | 39.17             | 0.00                   | 279.81             | 0.00  | 559.47                             | 720.66              | 1,570.78           | 0.00 | 150.00  | 2,441.44 | 1,881.98                       | 8.28%                             |
| 2003 | 240.06                                 | 37.96             | 0.00                   | 296.56             | 0.00  | 574.59                             | 748.53              | 1,661.60           | 0.00 | 150.00  | 2,560.13 | 1,985.54                       | 8.24%                             |
| 2004 | 239.64                                 | 36.79             | 0.00                   | 316.65             | 0.00  | 593.08                             | 783.25              | 1,774.17           | 0.00 | 150.00  | 2,707.42 | 2,114.33                       | 8.28%                             |
| 2005 | 239.22                                 | 35.66             | 0.00                   | 338.09             | 0.00  | 612.97                             | 819.55              | 1,894.27           | 0.00 | 150.00  | 2,863.81 | 2,250.84                       | 8.35%                             |
| 2006 | 238.80                                 | 34.56             | 0.00                   | 352.98             | 0.00  | 626.34                             | 838.53              | 1,977.68           | 0.00 | 150.00  | 2,966.21 | 2,339.87                       | 8.25%                             |
| 2007 | 238.39                                 | 33.49             | 0.00                   | 365.35             | 0.00  | 637.23                             | 850.55              | 2,046.99           | 0.00 | 150.00  | 3,047.54 | 2,410.31                       | 8.10%                             |
| 2008 | 237.99                                 | 32.46             | 0.00                   | 376.08             | 0.00  | 646.51                             | 871.30              | 2,107.10           | 0.00 | 150.00  | 3,128.40 | 2,481.89                       | 7.99%                             |
| 2009 | 237.56                                 | 31.46             | 0.00                   | 387.05             | 0.00  | 656.07                             | 896.73              | 2,168.61           | 0.00 | 150.00  | 3,215.35 | 2,559.28                       | 7.90%                             |
| 2010 | 237.15                                 | 30.49             | 0.00                   | 398.29             | 0.00  | 665.92                             | 922.76              | 2,231.55           | 0.00 | 150.00  | 3,304.30 | 2,638.38                       | 7.85%                             |



# CASE S29, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995

\$14,100 MM

Permanent Fund: Sustainable Long-Term Real Earnings Rate

7.86%

Other Cash Reserves at Start of FY98 to Put into Perm. Fund

\$3,363

Drawdown Limited under Transition Rule? 1=Y, 0=N

0

| FY | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----|------|------|------|------|------|------|------|------|------|------|------|
|----|------|------|------|------|------|------|------|------|------|------|------|

Limit

FY

Limit

2009 2010

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N

0

What %-age of Fund's Real Earnings Goes for PFDs?

0.00%

Will PFDs be Capped? 1=Y, 0=N

0

If so, what?

\$200 (nominal) per capita

### Population

Population as of 1/1/95 (mid-point of FY 1995)

611,089 <====Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease)

1.59%

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N

0

State Income Tax Rates

1 times old rates

Real Inc. Tax Collected/Yr per Capita @ Old Rates

\$809

SOURCE: See calc. below==>

\$494.62 MM/yr (real)

State Sales Tax Adopted? 1=Y, 0=N

1

State Sales Tax Rate

6.00%

Real Sales Tax Collected/Yr per Capita @ Given Rate

\$410

SOURCE: ALRFPC Prelim.Rpt.

\$58.00 MM/yr (real) for 1% tax

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12

\$1,267

FY 1996 Actual=====

\$774 MM (real)

Growth in Real Per Capita Education OpEx

-2.00%

Floor on Real Education OpEx Per Capita? 1=Y, 0=N

1

If so, what?

\$950 (real) per capita

FY 95 Real Per Capita State OpEx - Non-Education

\$3,063

Based on FY 1996 TOTAL==>

\$1,872 MM (real) (fig. incl. K-12 grants)

Growth in Real Per Capita Non-Education OpEx

-4.00%

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N

1

If so, what?

\$2,297 (real) per capita

Real Per Capita State CapEx

\$245

\$150 MM/Yr (real)

Growth in Real Per Capita CapEx

0.00%

Floor on Real CapEx Per Capita? 1=Y, 0=N

0

If so, what?

(real) per capita

### Natural Gas Pipeline Built? 1=Y, 0=N

1

Pipeline Cost

\$15 billion (real)

Completion Date: Choices are 2000, 2003, 2005, 2008

2005

Peak Population Effect during Construction

40,000

%-age of Construction Population Staying Long-Term

15% DOR "low"

30% DOR "mid"

40% DOR "high"

Wellhead Gas Price

\$1.00 /Mcf (real)

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 40.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |

# CASE S30, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 17,907.85                              | 878.58                              | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 114.54                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,696.86                       |
| 1999 | 19,051.93                              | 933.61                              | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 108.43                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,683.73                       |
| 2000 | 20,223.16                              | 989.40                              | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 101.33                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,646.91                       |
| 2001 | 21,398.85                              | 1,045.31                            | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 94.57                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,605.55                       |
| 2002 | 22,574.86                              | 1,102.36                            | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 88.13                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,525.96                       |
| 2003 | 23,798.88                              | 1,162.17                            | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 84.28                                | 0.00                                  | 90.00        | 0.00 | 0.00                   | 1,550.39                       |
| 2004 | 25,090.95                              | 1,225.19                            | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 79.47                                | 0.00                                  | 180.00       | 0.00 | 0.00                   | 1,582.36                       |
| 2005 | 26,450.20                              | 1,289.99                            | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 74.88                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,609.99                       |
| 2006 | 27,816.97                              | 1,354.01                            | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 70.50                                | 0.00                                  | 294.00       | 0.00 | 0.00                   | 1,544.14                       |
| 2007 | 29,143.04                              | 1,415.63                            | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 65.31                                | 0.00                                  | 282.00       | 0.00 | 0.00                   | 1,448.40                       |
| 2008 | 30,409.23                              | 1,476.21                            | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 60.38                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,409.22                       |
| 2009 | 31,691.81                              | 1,536.57                            | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 55.69                                | 0.00                                  | 258.00       | 0.00 | 0.00                   | 1,324.83                       |
| 2010 | 32,948.19                              | 1,595.81                            | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 53.06                                | 0.00                                  | 246.00       | 0.00 | 0.00                   | 1,244.01                       |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |      |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs | Capital | TOTAL    |                                |                                   |
| 1998 | 260.45                                 | 44.39             | 925.12                 | 262.70             | 0.00  | 1,492.66                           | 811.51              | 1,962.51           | 0.00 | 150.00  | 2,924.02 | 1,431.36                       | 7.99%                             |
| 1999 | 260.01                                 | 43.03             | 952.10                 | 266.88             | 0.00  | 1,522.01                           | 824.41              | 1,993.72           | 0.00 | 150.00  | 2,968.13 | 1,446.11                       | 7.59%                             |
| 2000 | 259.54                                 | 41.70             | 979.94                 | 271.12             | 0.00  | 1,552.31                           | 837.52              | 2,025.42           | 0.00 | 150.00  | 3,012.94 | 1,460.63                       | 7.22%                             |
| 2001 | 259.09                                 | 40.41             | 1,008.68               | 275.43             | 0.00  | 1,583.62                           | 850.84              | 2,057.62           | 0.00 | 150.00  | 3,058.46 | 1,474.84                       | 6.89%                             |
| 2002 | 258.65                                 | 39.17             | 1,122.77               | 279.81             | 0.00  | 1,700.40                           | 864.37              | 2,090.34           | 0.00 | 150.00  | 3,104.70 | 1,404.30                       | 6.22%                             |
| 2003 | 258.19                                 | 37.96             | 1,268.37               | 296.56             | 0.00  | 1,861.09                           | 916.11              | 2,215.47           | 0.00 | 150.00  | 3,281.57 | 1,420.48                       | 5.97%                             |
| 2004 | 257.74                                 | 36.79             | 1,434.23               | 316.65             | 0.00  | 2,045.42                           | 978.17              | 2,365.56           | 0.00 | 150.00  | 3,493.73 | 1,448.31                       | 5.77%                             |
| 2005 | 257.29                                 | 35.66             | 1,555.83               | 338.09             | 0.00  | 2,186.87                           | 1,044.39            | 2,525.69           | 0.00 | 150.00  | 3,720.08 | 1,533.21                       | 5.80%                             |
| 2006 | 256.84                                 | 34.56             | 1,660.83               | 352.98             | 0.00  | 2,305.21                           | 1,090.38            | 2,636.91           | 0.00 | 150.00  | 3,877.29 | 1,572.08                       | 5.65%                             |
| 2007 | 256.40                                 | 33.49             | 1,754.84               | 365.35             | 0.00  | 2,410.08                           | 1,128.59            | 2,729.32           | 0.00 | 150.00  | 4,007.91 | 1,597.83                       | 5.48%                             |
| 2008 | 255.95                                 | 32.46             | 1,853.85               | 376.08             | 0.00  | 2,518.34                           | 1,161.73            | 2,809.47           | 0.00 | 150.00  | 4,121.20 | 1,602.86                       | 5.27%                             |
| 2009 | 255.50                                 | 31.46             | 1,958.10               | 387.05             | 0.00  | 2,632.11                           | 1,195.65            | 2,891.49           | 0.00 | 150.00  | 4,237.13 | 1,605.02                       | 5.06%                             |
| 2010 | 255.06                                 | 30.49             | 2,067.84               | 398.29             | 0.00  | 2,751.67                           | 1,230.34            | 2,975.39           | 0.00 | 150.00  | 4,355.74 | 1,604.06                       | 4.87%                             |

# CASE S30, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995

**\$14,100 MM**

Permanent Fund: Sustainable Long-Term Real Earnings Rate

**4.87%**

Other Cash Reserves at Start of FY98 to Put into Perm. Fund

**\$3,179**

Drawdown Limited under Transition Rule? 1=Y, 0=N

**0**

|       | FY 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------|---------|------|------|------|------|------|------|------|------|------|------|
| Limit |         |      |      |      |      |      |      |      |      |      |      |
| FY    | 2009    | 2010 |      |      |      |      |      |      |      |      |      |
| Limit |         |      |      |      |      |      |      |      |      |      |      |

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N

**0**

What %age of Fund's Real Earnings Goes for PFDs?

**0.00%**

Will PFDs be Capped? 1=Y, 0=N

**0**

If so, what?

**\$200 (nominal) per capita**

### Population

Population as of 1/1/95 (mid-point of FY 1995)

**611,089** <==Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease)

**1.59%**

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N

**1**

State Income Tax Rates

**1.5 times old rates**

Real Inc. Tax Collected/Yr per Capita @ Old Rates

**\$809**

SOURCE: See calc. below==>

**\$494.62 MM/yr (real)**

State Sales Tax Adopted? 1=Y, 0=N

**1**

State Sales Tax Rate

**6.00%**

Real Sales Tax Collected/Yr per Capita @ Given Rate

**\$410**

SOURCE: ALRFPC Prelim.Rpt.

**\$58.00 MM/yr (real) for 1% tax**

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12

**\$1,267**

FY 1996 Actual=====>

**\$774 MM (real)**

Growth in Real Per Capita Education OpEx

**0.00%**

Floor on Real Education OpEx Per Capita? 1=Y, 0=N

**1**

If so, what?

**\$950 (real) per capita**

FY 95 Real Per Capita State OpEx - Non-Education

**\$3,063**

Based on FY 1996 TOTAL==>

**\$1,872 MM (real) (fig. Incl. K-12 grants)**

Growth in Real Per Capita Non-Education OpEx

**0.00%**

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N

**1**

If so, what?

**\$2,297 (real) per capita**

Real Per Capita State CapEx

**\$245**

**\$150 MM/Yr (real)**

Growth in Real Per Capita CapEx

**0.00%**

Floor on Real CapEx Per Capita? 1=Y, 0=N

**0**

If so, what?

**(real) per capita**

### Natural Gas Pipeline Built? 1=Y, 0=N

**1**

Pipeline Cost

**\$15 billion (real)**

Completion Date: Choices are 2000, 2003, 2005, 2008

**2005**

Peak Population Effect during Construction

**40,000**

%age of Construction Population Staying Long-Term

**15% DOR "low"**

**30% DOR "mid"**

**40% DOR "high"**

Wellhead Gas Price

**\$1.00 /Mcf (real)**

### Personal Income Tax Calculation (AK residents' portion only):

Income Class (tax bracket) No. of Returns

Fed'l Adj. Gross AK. Exempt'ns

AK. Taxable

Avg. Taxable

Single Filers

Joint Filers

Head of House

Total Tax

\$0—\$29,999

233,370

1,805.39

1,133.05

672.34

\$2,881

44%

9.33

3.02

1.48

\$30,000—49,999

52,100

2,051.28

675.21

1,376.07

26,412

40.37

31.88

5.67

77.92

\$50,000—\$74,999

37,460

2,288.19

615.69

1,672.50

44,648

60.73

50.32

8.12

119.17

\$75,000 and up

29,809

3,602.09

650.52

2,951.57

99,016

139.85

123.96

19.89

283.70

**TOTAL**

**352,739**

**494.62**



# CASE S31, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

| FY   | Perm. Fund<br>Principal<br>at FY Start | Perm. Fund<br>Earnings<br>during FY | 100% of<br>Royalty<br>Revenues | 100% of<br>Rentals &<br>Shared Fed'l<br>Resource Rev. | 100% of<br>Bonuses | Prod'n Tax | AS 43.56<br>State Share | Oil & Gas<br>Corporate<br>Income Tax | Collections<br>from<br>Prior<br>Years | Gas Pipeline | ANWR | Lift Oil<br>Export Ban | Total<br>Petroleum<br>Revenues |
|------|----------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|-------------------------|--------------------------------------|---------------------------------------|--------------|------|------------------------|--------------------------------|
| 1998 | 17,720.30                              | 311.49                              | 818.19                         | 13.52                                                 | 0.00               | 695.39     | 41.82                   | 114.54                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,696.86                       |
| 1999 | 18,601.47                              | 327.27                              | 841.76                         | 12.45                                                 | 0.00               | 670.52     | 37.17                   | 108.43                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,683.73                       |
| 2000 | 19,560.83                              | 344.20                              | 831.16                         | 11.47                                                 | 0.00               | 656.27     | 33.28                   | 101.33                               | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,646.91                       |
| 2001 | 20,575.72                              | 362.06                              | 807.73                         | 10.56                                                 | 0.00               | 649.71     | 29.58                   | 94.57                                | 13.40                                 | 0.00         | 0.00 | 0.00                   | 1,605.55                       |
| 2002 | 21,642.46                              | 381.20                              | 776.10                         | 9.72                                                  | 0.00               | 625.53     | 26.48                   | 88.13                                | 0.00                                  | 0.00         | 0.00 | 0.00                   | 1,525.96                       |
| 2003 | 22,808.58                              | 401.95                              | 746.79                         | 8.95                                                  | 0.00               | 596.69     | 23.69                   | 84.28                                | 0.00                                  | 90.00        | 0.00 | 0.00                   | 1,550.39                       |
| 2004 | 24,061.89                              | 424.23                              | 721.12                         | 8.24                                                  | 0.00               | 572.48     | 21.05                   | 79.47                                | 0.00                                  | 180.00       | 0.00 | 0.00                   | 1,582.36                       |
| 2005 | 25,406.48                              | 447.60                              | 693.26                         | 7.59                                                  | 0.00               | 545.50     | 18.76                   | 74.88                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,609.99                       |
| 2006 | 26,787.12                              | 471.06                              | 653.79                         | 6.98                                                  | 0.00               | 502.21     | 16.66                   | 70.50                                | 0.00                                  | 294.00       | 0.00 | 0.00                   | 1,544.14                       |
| 2007 | 28,141.32                              | 493.86                              | 617.29                         | 6.43                                                  | 0.00               | 462.55     | 14.80                   | 65.31                                | 0.00                                  | 282.00       | 0.00 | 0.00                   | 1,448.40                       |
| 2008 | 29,446.11                              | 516.33                              | 623.52                         | 5.92                                                  | 0.00               | 436.16     | 13.24                   | 60.38                                | 0.00                                  | 270.00       | 0.00 | 0.00                   | 1,409.22                       |
| 2009 | 30,761.60                              | 538.59                              | 589.02                         | 5.45                                                  | 0.00               | 404.91     | 11.77                   | 55.69                                | 0.00                                  | 258.00       | 0.00 | 0.00                   | 1,324.83                       |
| 2010 | 32,041.79                              | 560.30                              | 554.64                         | 5.02                                                  | 0.00               | 374.92     | 10.37                   | 53.06                                | 0.00                                  | 246.00       | 0.00 | 0.00                   | 1,244.01                       |

| FY   | Non-Petrol.<br>Non-Intr'st<br>Revenues | AHFC<br>Dividends | Personal<br>Income Tax | State<br>Sales Tax | Other | Total Non-<br>Resource<br>Revenues | STATE SPENDING      |                    |      |         |          | DRAW FROM<br>PERMANENT<br>FUND | Draw as<br>%-age of<br>Perm. Fund |
|------|----------------------------------------|-------------------|------------------------|--------------------|-------|------------------------------------|---------------------|--------------------|------|---------|----------|--------------------------------|-----------------------------------|
|      |                                        |                   |                        |                    |       |                                    | Education<br>(K-12) | Other<br>Operating | PFDs | Capital | TOTAL    |                                |                                   |
| 1998 | 260.45                                 | 44.39             | 925.12                 | 262.70             | 0.00  | 1,492.66                           | 733.54              | 1,736.31           | 0.00 | 150.00  | 2,619.85 | 1,127.18                       | 6.36%                             |
| 1999 | 260.01                                 | 43.03             | 952.10                 | 266.88             | 0.00  | 1,522.01                           | 730.30              | 1,693.36           | 0.00 | 150.00  | 2,573.66 | 1,051.64                       | 5.65%                             |
| 2000 | 259.54                                 | 41.70             | 979.94                 | 271.12             | 0.00  | 1,552.31                           | 727.07              | 1,651.47           | 0.00 | 150.00  | 2,528.54 | 976.23                         | 4.99%                             |
| 2001 | 259.09                                 | 40.41             | 1,008.68               | 275.43             | 0.00  | 1,583.62                           | 723.86              | 1,610.62           | 0.00 | 150.00  | 2,484.48 | 900.86                         | 4.38%                             |
| 2002 | 258.65                                 | 39.17             | 1,122.77               | 279.81             | 0.00  | 1,700.40                           | 720.66              | 1,570.78           | 0.00 | 150.00  | 2,441.44 | 741.04                         | 3.42%                             |
| 2003 | 258.19                                 | 37.96             | 1,268.37               | 296.56             | 0.00  | 1,861.09                           | 748.53              | 1,661.60           | 0.00 | 150.00  | 2,560.13 | 699.04                         | 3.06%                             |
| 2004 | 257.74                                 | 36.79             | 1,434.23               | 316.65             | 0.00  | 2,045.42                           | 783.25              | 1,774.17           | 0.00 | 150.00  | 2,707.42 | 662.00                         | 2.75%                             |
| 2005 | 257.29                                 | 35.66             | 1,555.83               | 338.09             | 0.00  | 2,186.87                           | 819.55              | 1,894.27           | 0.00 | 150.00  | 2,863.81 | 676.95                         | 2.66%                             |
| 2006 | 256.84                                 | 34.56             | 1,660.83               | 352.98             | 0.00  | 2,305.21                           | 838.53              | 1,977.68           | 0.00 | 150.00  | 2,966.21 | 661.00                         | 2.47%                             |
| 2007 | 256.40                                 | 33.49             | 1,754.84               | 365.35             | 0.00  | 2,410.08                           | 850.55              | 2,046.99           | 0.00 | 150.00  | 3,047.54 | 637.46                         | 2.27%                             |
| 2008 | 255.95                                 | 32.46             | 1,853.85               | 376.08             | 0.00  | 2,518.34                           | 871.30              | 2,107.10           | 0.00 | 150.00  | 3,128.40 | 610.06                         | 2.07%                             |
| 2009 | 255.50                                 | 31.46             | 1,958.10               | 387.05             | 0.00  | 2,632.11                           | 896.73              | 2,168.61           | 0.00 | 150.00  | 3,215.35 | 583.23                         | 1.90%                             |
| 2010 | 255.06                                 | 30.49             | 2,067.84               | 398.29             | 0.00  | 2,751.67                           | 922.76              | 2,231.55           | 0.00 | 150.00  | 3,304.30 | 552.63                         | 1.72%                             |

# CASE S31, CREMO PLAN ANALYSIS

(all dollar amounts are in millions of REAL dollars unless otherwise noted)

## ASSUMPTIONS

DOR Revenue Scenario: 1="Low," 2="Base," 3="High"

2 <====SOURCE: DOR Spring '95 Revenue Forecast

Lift Oil Export Ban? 1=Y, 0=N

0

### Permanent Fund

Permanent Fund Principal: FMV @ Year-End FY 1995

\$14,100 MM

Permanent Fund: Sustainable Long-Term Real Earnings Rate

1.73%

Other Cash Reserves at Start of FY98 to Put into Perm. Fund

\$2,992

Drawdown Limited under Transition Rule? 1=Y, 0=N

0

| FY | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----|------|------|------|------|------|------|------|------|------|------|------|
|----|------|------|------|------|------|------|------|------|------|------|------|

Limit

| FY | 2009 | 2010 |
|----|------|------|
|----|------|------|

Limit

### Permanent Fund Dividends

Will PFDs Continue? 1=Y, 0=N

0

What %-age of Fund's Real Earnings Goes for PFDs?

0.00%

Will PFDs be Capped? 1=Y, 0=N

0

If so, what?

\$200 (nominal) per capita

### Population

Population as of 1/1/95 (mid-point of FY 1995)

611,089 <====Avg. of Ak. DOL estimates as of 7/1/94 and 7/1/95

Population Rate of Increase/(Decrease)

1.59%

### Non-Petroleum Revenues

State Income Tax Adopted? 1=Y, 0=N

1

State Income Tax Rates

1.5 times old rates

Real Inc. Tax Collected/Yr per Capita @ Old Rates

\$809

SOURCE: See calc. below==>

\$494.62 MM/yr (real)

State Sales Tax Adopted? 1=Y, 0=N

1

State Sales Tax Rate

6.00%

Real Sales Tax Collected/Yr per Capita @ Given Rate

\$410

SOURCE: ALRFPC Prelim.Rpt.

\$58.00 MM/yr (real) for 1% tax

What, if anything, is "Other"?

### Growth in Expenditures

FY95 Real Per Capita State OpEx - Education K-12

\$1,267

FY 1996 Actual=====

\$774 MM (real)

Growth in Real Per Capita Education OpEx

-2.00%

Floor on Real Education OpEx Per Capita? 1=Y, 0=N

1

If so, what?

\$950 (real) per capita

FY 95 Real Per Capita State OpEx - Non-Education

\$3,063

Based on FY 1996 TOTAL==>

\$1,872 MM (real) (fig. incl. K-12 grants)

Growth in Real Per Capita Non-Education OpEx

-4.00%

Floor on Real Non-Education OpEx Per Capita? 1=Y, 0=N

1

If so, what?

\$2,297 (real) per capita

Real Per Capita State CapEx

\$245

\$150 MM/Yr (real)

Growth in Real Per Capita CapEx

0.00%

Floor on Real CapEx Per Capita? 1=Y, 0=N

0

If so, what?

(real) per capita

### Natural Gas Pipeline Built? 1=Y, 0=N

1

Pipeline Cost

\$15 billion (real)

Completion Date: Choices are 2000, 2003, 2005, 2008

2005

Peak Population Effect during Construction

40,000

%-age of Construction Population Staying Long-Term

15% DOR "low"

30% DOR "mid"

40% DOR "high"

Wellhead Gas Price

\$1.00 /Mcf (real)

### Personal Income Tax Calculation (AK residents' portion only):

| Income Class (tax bracket) | No. of Returns | Fed'l Adj. Gross Income (\$MM) | AK. Exempt'ns & Ded'ns (\$MM) | AK. Taxable Income (\$MM) | Avg. Taxable Inc./Return | Single Filers 44% | Joint Filers 49% | Head of House 7% | Total Tax (\$MM) |
|----------------------------|----------------|--------------------------------|-------------------------------|---------------------------|--------------------------|-------------------|------------------|------------------|------------------|
| \$0—\$29,999               | 233,370        | 1,805.39                       | 1,133.05                      | 672.34                    | \$2,881                  | 9.33              | 3.02             | 1.48             | 13.83            |
| \$30,000—49,999            | 52,100         | 2,051.28                       | 675.21                        | 1,376.07                  | 26,412                   | 10.37             | 31.88            | 5.67             | 77.92            |
| \$50,000—\$74,999          | 37,460         | 2,288.19                       | 615.69                        | 1,672.50                  | 44,648                   | 60.73             | 50.32            | 8.12             | 119.17           |
| \$75,000 and up            | 29,809         | 3,602.09                       | 650.52                        | 2,951.57                  | 99,016                   | 139.85            | 123.96           | 19.89            | 283.70           |
| <b>TOTAL</b>               | <b>352,739</b> |                                |                               |                           |                          |                   |                  |                  | <b>494.62</b>    |

# APRN

## VOICES OF ALASKA

Alaska Public Radio Network ★ 810 East Ninth Avenue ★ Anchorage, Alaska 99501-3826  
Phone (907) 277-2776 ★ Fax (907) 263-7450

### Dear Sponsor:

We want to inform you of a new paid service that APRN provides. 30-second **Enhanced Public Service Announcements** are *guaranteed* to air across Alaska during *prime time*. When your project, organization, or division needs to publicize an event, hearing or committee meeting, EPSA's can help you reach all of Alaska.

Any 501(c)3 non-profit organization or government agency can purchase EPSA's. For-profit sponsors may also underwrite EPSAs on behalf of non-profits; the sponsor must be identified, but the EPSA cannot promote a for-profit sponsor.

**Enhanced PSAs qualify as a means for providing statewide reach for any agency or organization that must publish required public notices for meetings, teleconferences, or regulatory changes, as enacted by SB 131 in 1991.**

- **EPSAs are now embedded in "Alaska News Nightly"**, APRN's flagship news program for over 17 years. Broadcast to 27 member stations during prime time, your message on APRN reaches some 330 Alaskan communities statewide.
- **Wording must conform with FCC guidelines** and be informational rather than promotional. The message must be compatible with public radio. It may include "who, what, when, and where." It can be translated into Native language for an additional fee.
- **APRN reserves the right to refuse any announcement.** Announcements which solicit funds, are religious, or advocate for or against legislation, political candidates, or a point of view will not be accepted.
- **Cost:** \$200 per statewide announcement, \$800 minimum purchase (5100 \$1000)
- **Additional Services:**
  - :60 script - \$300 per airing
  - Personalized script - should your notice require different time, date, or locations for each region, cost is \$300 per airing (up to 6 regions)
  - Regional airing - EPSA aired in part of the state - \$135 per airing

Please call me if you would like further information or to take advantage of this unique service.

3/1/95

KSKA-FM Anchorage • KRUA-FM Anchorage • Koshnic Broadcast Corp. • KBRW-AM Barrow • KYUK-AM Bethel • KCUK-FM Chevak  
KDLG-AM Dillingham • KUAC-FM Fairbanks • KZPA-AM Ft. Yukon • KIYU-AM Galena • KHNS-FM Haines • KBBI-AM Homer  
KTOO-FM Juneau • KCZF-FM Kenai/Soldotna • KRBD-FM Ketchikan • KMXT-FM Kodiak • KOTZ-AM Kotzebue  
KSKO-AM McGrath • KNOM-AM Nome • KFSK-FM Petersburg • KSDP-AM Sand Point • KBRD-FM Seward • KCAW-FM Sitka  
KUHB-FM St. Paul • KTNA-FM Talkeetna • KNSA-AM Unalakleet • KIAL-AM Unalaska • KSTK-FM Wrangell



## **ALASKA PUBLIC RADIO EPSA SPONSORS**

**APRN Native Fellow Opportunity**

**Alaska Center for the Blind and Deaf**

**Alaska Department of Environmental Conservation**

**Alaska Department of Revenue, Permanent Fund Division**

**Alaska Federation of Natives**

**Alaska Seafood Marketing Institute**

**Alaska State Troopers Department of Public Safety**

**Alaskans for Safety Belt Education**

**Alzheimers Disease Association**

**Americans with Disabilities Public Awareness Campaign**

**The Anchorage Museum**

**BP Exploration Health Fair**

**Division of Elections**

**Division of Investments**

**Federal Aviation Administration**

**Job Corps**

**North Pacific Rim (Chugachmuit)"Health Link"**

**Special Education Conference Committee**

**University of Alaska Fairbanks Dept. of Journalism**

## RURAL LOAN PROGRAM DRAWS HUGE RESPONSE

A new loan program that targets small businesses in rural Alaska was flooded with more than 300 applications in its first three weeks.

AIDEA publicized the new program through a brochure for statewide distribution and through the purchase of a paid public service announcement on Alaska Public Radio Network, whose member stations reach virtually every part of rural Alaska.

The response was overwhelming. DCRA was literally flooded with loan applications.

# THE ALASKA LEGISLATURE



• HONORING •

• ALASKA PUBLIC RADIO NETWORK •

The members of the Sixteenth Alaska State Legislature join all Alaskans in honoring the Alaska Public Radio Network.

Radio is a powerful medium that is extremely important to communications in our large and far flung state. The Alaska Public Radio Network plays a large part by providing news and cultural programming to 24 public radio stations covering over 300 communities in all regions of the state. Public radio is often the only timely source of information and emergency notices available in rural Alaska.

The Alaska Public Radio Network provides coverage of issues of importance to Alaskans in a consistently professional manner. That professionalism was exemplified by its coverage of the oil spill in Prince William Sound last year. This coverage has earned APRN the 1990 Public Radio Program Award from the Corporation of Public Broadcasting.

In recognition of this great honor, the Alaska Legislature offers its congratulations to the Alaska Public Radio Network and encourages it to continue its consistently excellent coverage of issues important to all Alaskans.



*Jim Ost*  
SPEAKER OF THE HOUSE

*Tim Kelly*  
PRESIDENT OF THE SENATE

Date: May 1, 1990

Requested by: Senators Duncan, Zieroff, Adams, Uehling, Binkley, Pearce, Szymanski, Falke, Sturgulewski, Pourahoe, Fahrenkamp, Rodey and Halvors; Representatives Ulmer, Hudson, Collins, Ellis, Koponen, Seacher, Brown, Cotton, Davidson, Denlev, Gruenewald, Grussendorf, Hanley, Kubina, Leman, Melard, Navarre and Nellis



# APRN

## VOICES OF ALASKA

Alaska Public Radio Network ★ 810 East Ninth Avenue ★ Anchorage, Alaska 99501-3826  
Phone (907) 277-2776 ★ Fax (907) 263-7450

### FAX COVER SHEET

Fax To: Melissa Fouse

Date: 5 Sept Time: \_\_\_\_\_

Company: LRFPC

# Pgs. Including Cover: 2

Fax #: ( ) 258-9869

From: Sally Henderson  
(907) 263-7450 fax

Direct Line: 907-263-7486

Comments:

Melissa:  
Per your approval, will get  
there on the air.  
Thanks. S

THANK YOU! Sally Henderson  
APRN Corporate Development

If there are any problems with this fax transmission, please call (907) 277-2776

AKSA-FM Anchorage • KHIU-FM Anchorage • KSKA-FM Anchorage • KHIW-FM Barrow • KVIK-FM Bethel • KCUK-FM  
KIDC-FM Chignik • KUCU-FM Fairbanks • KZPA-FM Fairbanks • KIVU-FM Fairbanks • KINS-FM Haines • KHHI-FM Homer  
KTHO-FM Igarka • KZPN-FM Igarka • KHHI-FM Igarka • KVIN-FM Igarka • KHI-Z-FM Igarka  
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KHIH-FM Igarka • KHIH-FM Igarka • KHIH-FM Igarka • KHIH-FM Igarka • KHIH-FM Igarka • KHIH-FM Igarka

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 WORDING  
ENHANCED PUBLIC SERVICE ANNOUNCEMENT FOR SEPTEMBER 7TH,  
1995

Please take the time to make your voice heard in the discussion about  
Alaska's financial future.

The State Long Range Financial Planning Commission will hold a series of  
public teleconferences during the week of September 11th through September  
14th.

*you can't participate in*  
*to take your testimony on Alaska's financial future*  
~~These teleconferences will begin at sites in the Interior and will move around~~  
~~the state each day to regional legislative information offices, or you can~~  
participate by calling 1-800-478-7612.

*teleconference*  
The hearings begin at 7 pm and last until 9 pm. For more information please  
call 258-8165. *or your local LEO.*

*TO BE ANNOUNCED*  
Sponsored by the LRFPC

**STATE OF ALASKA  
LONG RANGE FINANCIAL PLANNING COMMISSION**

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Staff: Melissa Aber Fouse

Bob Walsh

**DRAFT WORDING  
ENHANCED PUBLIC SERVICE ANNOUNCEMENT FOR SEPTEMBER 11TH,  
1995**

Please take the time to make your voice heard in the discussion about Alaska's financial future.

The State Long Range Financial Planning Commission will hold a public teleconference in the Interior region tonight, September 11th.

*Barrow* *held from* *to* *these*  
This teleconference will begin at 7 pm ~~and last until~~ 9 pm. Teleconference sites tonight include Barrow, Delta Junction, Kotzebue, Nome, and Tok or you can participate by calling 1-800-478-7612.

*covering  
the North  
Interior Regions*



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LONG RANGE FINANCIAL PLANNING COMMISSION**

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Internet: LRFPC%legis@state.ak.us

Staff: Melissa Aber Fouse

Bob Walsh

**DRAFT WORDING  
ENHANCED PUBLIC SERVICE ANNOUNCEMENT FOR SEPTEMBER 12TH,  
1995**

Please take the time to make your voice heard in the discussion about Alaska's financial future.

The State Long Range Financial Planning Commission will hold a public teleconference in the Southcentral region outside of Anchorage tonight, September 12th.

This teleconference will begin at 7 pm and last until 9 pm. Teleconference sites tonight include Bethel, Dillingham, Seward, Glennallen, Homer, Kenai, Kodiak, and Mat-Su, or you can participate by calling 1-800-478-7612.

**STATE OF ALASKA  
LONG RANGE FINANCIAL PLANNING COMMISSION**

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Phone: (907)258-8165, Fax (907)258-9869

Internet: LRFPC%legis@state.ak.us

Staff: Melissa Aber Fouse

Bob Walsh

**DRAFT WORDING  
ENHANCED PUBLIC SERVICE ANNOUNCEMENT FOR SEPTEMBER 13TH,  
1995**

Please take the time to make your voice heard in the discussion about  
Alaska's financial future.

The State Long Range Financial Planning Commission will hold a public  
~~teleconference~~ *hearing* in Anchorage tonight, September 13th.

This hearing will begin at 7 pm and last until 9 pm and will be held at the  
Legislative Information Office, 716 West Fourth Avenue, Room 220 in  
Anchorage.

**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 WORDING  
ENHANCED PUBLIC SERVICE ANNOUNCEMENT FOR SEPTEMBER 14TH,  
1995**

Please take the time to make your voice heard in the discussion about Alaska's financial future.

The State Long Range Financial Planning Commission will hold public teleconferences in Southcentral Alaska tonight, September 14th.

*east*  
This hearing will begin at 7 pm and last until 9 pm and will be teleconferenced from Juneau, Ketchikan, Petersburg, Sitka and Wrangell, or you can participate by calling 1-800-478-7612.



FAX COVER

TO:  
ROBERT RAWLS  
PRESIDENT, APRN

*277-2776 PHONE*

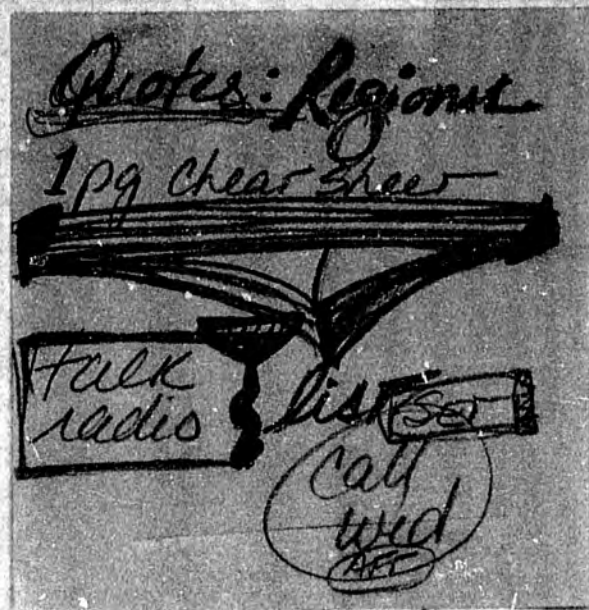
FROM:  
MELISSA FOUSE  
STAFF, LONG RANGE FINANCIAL PLANNING  
COMMISSION

PHONE: 258-8165  
FAX: 258-9869

FOLLOWING IS THE MATERIAL WE DISCUSSED THIS AFTERNOON ON  
THE PHONE. BRIAN ROGERS, CHAIRMAN OF THE COMMISSION IS  
VERY EXCITED ABOUT A SERIES OF CALL IN SHOWS AS I BELIEVE THE  
REST OF THE COMMISSION WILL BE TOO.

PLEASE CALL IF YOU HAVE ANY QUESTIONS. WE WILL BE  
DISCUSSING THIS DURING OUR VIDEOCONFERENCE ON THURSDAY  
AND I WILL CALL YOU ON FRIDAY OR THE FOLLOWING MONDAY.  
THANKS FOR ALL YOUR HELP.

Teleconference: → (800) 35-0634



Fax Agenda  
459.1108

FOR RED:

Bio: ~~BEIAN~~ BOB LOESCHER

Aug 3rd  
Wed 8 Kyex

• 5 QUESTIONS FOR RED TO ASK •  
MAF

KUAC-FBX 5:00pm SAT SEPT 2ND

candownlink to Juman

KTVA 3:00pm Sun Sept 3rd (3:00?)

AIR DAY  
Oct 8

SHOOT DATE

14 Oct / 21 Oct (SAT)  
(22) SHOOT DATE  
AIR



## ALASKA STATE EMPLOYEES ASSOCIATION

AFSCME Local 52, AFL-CIO

September 27, 1995

Alaska Long Range Financial Planning Commission  
716 W. 4th Avenue, Suite 470  
Anchorage, Alaska 99501

Dear Commission Members:

We have reviewed your report on the growing fiscal gap in Alaska. I would first like to assure you that the membership of ASEA/AFSCME Local 52 is doubly concerned about the growing fiscal gap. Not only are we citizens, we are also state employees. Naturally, we are concerned about our own individual financial stability, but we are equally concerned about the long-term financial stability of *our* state.

It is our perception that we have two alternatives which can be selected exclusively or in concert. In the extremes these options consist of increasing revenue so that the state can continue to spend at its present rate, or we can cut state services to the level we can currently afford. We don't prefer either alternative exclusive of the other. A blend of the two options seems more rational.

ASEA/AFSCME Local 52 realized that there is considerable unwise expense in the state budget. To this end, our members went to considerable effort to suggest opportunities for economy to the Knowles Administration transition team. In the hope that you will find some of our suggestions useful, we are enclosing them for your consideration. Still, we don't think cutting our way to a balanced budget is the sole answer.

Most of what our members do results from legislative actions which were designed to provide services or accomplish functions which individual Alaskans can't take care of themselves. Consequently, there are legal and constitutional mandates to provide these services. We don't see a choice to eliminate these services and functions because of a fiscal pinch. We suggest that increasing revenues, greater economy in the use of dollars which are mandated by law, and increasing efficiency of government through elimination of wasteful bureaucratic practices is the optimum way to narrow and eliminate the fiscal gap.

We regret that we cannot be more specific at this time, but the opportunities for our input were limited. If we can be helpful in the future, please feel free to call on me.

Sincerely yours,

Kelly E. Brown, President  
ASEA/AFSCME Local 52

#### ANCHORAGE OFFICE

3510 Spenard Road, Suite 201  
Anchorage, AK 99503  
(907) 277-5200 FAX (907) 277-5206  
TOLL free: 800-478-ASEA

#### JUNEAU OFFICE

641 West Willoughby, Suite 100  
Juneau, AK 99801  
(907) 463-4949 FAX (907) 463-4950  
TOLL free: 800-478-0049

#### FAIRBANKS OFFICE

315 Barnette Street, Suite 104  
Fairbanks, AK 99701  
(907) 452-2300 FAX (907) 452-2307  
TOLL free: 800-478-2305



# **Reducing the cost of government**

**Suggestions  
to  
Alaska Long-Range Financial Planning Commission  
from  
Alaska State Employees Association, AFSCME Local 52, AFL-CIO  
3510 Spenard Rd., Suite 210  
Anchorage, Alaska 99503  
(907) 277-5200  
Kelly Brown, President, (907) 451-5002**

**September 26, 1995**

Everyone can see that a fiscal gap exists in Alaska, and no one disputes the fact that labor is a major cost of state government, but the way in which labor is seen depends upon the viewer's perspective. Too often, the public is led to believe that the State of Alaska is employee-heavy, yet inefficient. By contrast, front line state workers have seen their numbers reduced by layoffs and attrition without a corresponding drop in the services they are required to provide. In fact, the average state employee's work load has increased dramatically in recent years.

ASEA/AFSCME Local 52, the state's largest public employee union, believes that front line state workers are uniquely qualified to know what will and will not work in reducing the cost of government. Some of their ideas are outlined below.

## **Program vs. Across-the-Board Cuts**

The budget process in Alaska has been in a vicious cycle over the last decade. In 1986 and 1987 the price of oil plummeted. In 1990 the Hickel Administration came into power. It tried to cut the operating budget without reducing services. Departments were ordered to absorb the rising costs of health care and negotiated wage increases. Hiring freezes were ordered periodically. Layoffs occurred each year, and GGU employees were most likely to be laid off. Meanwhile, legislators cut few (if any) programs from the departmental mandates. The net result was fewer employees, with less resources, being ordered to do increasing amounts of work.

Currently, the members of ASEA / AFSCME Local 52 report lower morale and higher job stress than has occurred at any other time in recent memory, resulting in increased sick leave and on-the-job injuries. Case loads in Health and Social Services and Community Corrections are unmanageable. Institutions are forced to meet increasing client needs with fewer employees. It is difficult in many offices to get away for the mandatory 10 days of leave each year. Staffing levels are so low that the very health and safety of workers becomes an issue.

It is time for Alaska legislators to realize that there is a cost attached to every service they mandate, that programs cannot be legislated without allocating resources. There is no fat in the operating budget. On Dec. 6, 1993, Governor Hickel said, "if we laid off all state employees.., we would save less than 25% of the operating budget."

## **Layoffs versus RIP's**

Layoffs are the worst way to reduce the work force -- they hurt not only the employees, but also the economy of the employees' home town. Retirement Incentive Programs (RIP's), by contrast, are humane and rational ways to reduce the number and cost of state personnel. RIP's allow government employees enrolled in the Public Employee or Teacher retirement systems (PERS or TRS) to retire early.

RIP's save millions of dollars, even when the total number of workers remains the same, by replacing senior, higher paid employees with employees in lower salary steps. They do not affect the soundness of the retirement systems, and they help management cope with dwindling revenues. RIP's are a win-win situation for everyone.

### **Recommendations:**

- \* If the operating budget must be reduced, cut specific programs. It is unrealistic to expect the same amount of work to be performed by fewer employees with less resources.
- \* Offer a RIP to state employees over an extended period.
- \* Expand 20-year retirement to all job classes where duties are considered dangerous and workers are at risk.

## **Labor/Management Committees**

Labor/management committees between ASEA/AFSCME Local 52 and the State are the place to start a serious attempt at restructuring state government. Mutual problems in several areas lend themselves to a joint committee approach. These include, among others, health insurance, revision of performance evaluations, health and safety issues, Pioneers' Home issues, and problems facing correctional facilities.

Successful labor/management committees must be supported by adequate resources from both sides, as well as by a mutual commitment to collaborative relationships. It will be crucial for labor relations staff and human resources managers to share this cooperative attitude. Deadlines for committee recommendations should be set, perhaps through the collective bargaining process, and a method of formally considering and implementing committee recommendations should also be agreed upon.

There are limits, of course, to what labor/management committees can do. Subjects of collective bargaining are not subjects for joint committee consideration. Nor can labor-management committee discussions replace the grievance/arbitration procedure.

### **Recommendation:**

- \* Establish and utilize labor/management committees, as mutually deemed needed and feasible, throughout state government.

## **Welfare Reform**

ASEA/AFSCME Local 52 is cognizant of the fact that the State of Alaska does not control the welfare system. The State does, however, work hand in hand with the federal government in administering welfare programs, and it could reduce costs by implementing where possible the following:

### **Recommendations:**

- \* **Retain transitional benefits.**
- \* **Staff, fund, and enforce effective programs to eliminate welfare fraud and to enforce child support.**
- \* **Implement comprehensive case management to help welfare recipients obtain the education and training necessary to become self-sufficient.**
- \* **Impose a two-year time limit for receipt of benefits, but allow reasonable exceptions.**
- \* **Fund work programs for trainees.**
- \* **Encourage private sector hiring of trainees.**
- \* **Allow self-employment of individuals without loss of services.**
- \* **Increase the minimum wage in Alaska (parents cannot provide child care at a cost of \$500 per child per month when their jobs pay \$4.75 per hour).**
- \* **Simplify programs and work with federal agencies to create uniform eligibility rules.**

## **Career Ladders**

Given that the State invests enormous amounts of time and money in training its employees, it only makes sense to consider them first for promotional opportunities. As part of the annual evaluation process, supervisors should discuss with each worker employment development plans, career ladders, and opportunities within their agency.

## **Employee Retraining**

Each time there is a budgeting process for the application of new or evolving technologies, a mandatory portion of that appropriation should be allocated for retraining employees displaced by the system.



## **Employment Registers**

Employment registers have frequently been closed to state employees. This not only has cut off career ladders to workers, but also has crippled managers by limiting their access to qualified employees.

### **Recommendations:**

- \* **Open the registers and use them in a consistent and timely fashion.**
- \* **Promote current state employees whenever possible.**
- \* **Hire Alaskans, not outsiders, when possible.**
- \* **Use nonpermanent employees for legitimate short-term needs, not to replace permanent employees.**
- \* **Return to departments the function of classifying and scoring applications.**
- \* **Educate raters about job classes and allow one on one interface with users (i.e., managers).**
- \* **Review recent reclassification changes for inequities and closing of career ladders.**
- \* **Reestablish longevity credits.**

## **Specific Cost Saving Measures**

The members of ASEA/AFSCME Local 52 are in a position to suggest numerous 'little' ways to reduce costs in state government. Taken together, these can amount to significant savings.

### **Recommendations:**

- \* **Encourage video 'conferencing' to save time and eliminate travel costs.**
- \* **Increase the ratio of line workers to supervisors.**
- \* **Go to all black letterhead (four years ago, this would have saved \$35 a ream).**
- \* **Take advantage of savings offered by technology such as FAX's and electronic mail.**
- \* **Stop penalizing departments which operate efficiently enough to save; don't reduce their following year budget.**

September 27, 1995

1049 West Fifth Avenue  
Anchorage, Alaska 99501  
907-276-1414  
Fax 907-276-6350

Mr. Brian Rogers, Chair  
Long Range Financial Planning Commission  
716 West Fourth Avenue  
Anchorage, Alaska 99501

Dear Mr. Rogers:

The members of Commonwealth North share the commission's goal of the development of a sustainable long range fiscal plan for the State of Alaska. While there are many ways to "balance the budget," the real challenge lies in developing sound principles and policies which will bear the test of time. We must assure that the plan results in a positive influence in our culture, in the marketplace, and on our people.

We believe that the desired outcome is straightforward: a government that spends its money wisely; a taxation system that is fair; and a savings plan which balances today's needs and wants with security and dignity in the future. Commonwealth North suggests the following principles as guidelines for the commission as it finalizes its recommendations:

## Examine the Role and Cost of State Programs

Programs and services supported by the State should be prioritized. State government clearly must meet such traditional responsibilities as providing for public safety, education and health and social service programs. On the other hand, Alaska has reached a point in time where it must evaluate whether programs such as the permanent fund dividend, longevity bonuses, an absence of state-wide taxes and other broad-based benefit programs can be continued.

## Government Accountability to its Citizens

Citizen participation and clearly articulated performance standards, expectations and measures for government services and programs must be put in place to effectively evaluate program costs and benefits. This contrasts with the current focus on "inputs" - how much money is spent - without regard to "outputs." Such information will enable all Alaskans to determine whether their policy goals are being achieved.

## Balancing Responsibility for the State's Fiscal Future

In developing a long range plan, it is important to assure balance. This means providing a means for public monitoring of the State's financial health, taxation of individuals, use of incentives (tax advantages for development), and other stimuli (dividends) to produce the necessary financial resources to insure Alaska's future. Permanent fund earnings are a crucial factor in achieving this balance.

## Financial Stability

Alaska's wealth is derived from our natural resources. Unfortunately, unanticipated and diverse variables can affect the revenues. Therefore, prudence dictates that sufficient savings be set aside to provide financial stability in times of market volatility. Such reserves should be distinct from any fund which can be easily accessed to prop up state spending.

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The Former Governor  
William A. Egan

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Robert L. Gault

Protection of the State's Assets

Alaska should take care of its current investments and assets--the Permanent Fund, roads and public facilities, natural resources--prior to investing in or embarking on new endeavors regardless of how politically attractive. Incentives must be put in place that reward prudent management and good stewardship.

We appreciate the opportunity to comment. Be assured that Commonwealth North and its members stand ready to assist the commission in disseminating the results of your work and in educating Alaskans on its content. We appreciate your efforts and thank you for your contributions to a better future in Alaska.

Sincerely,

  
Marc Langland



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September 21, 1995

Hon. Kim Elton  
House of Representatives  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

Dear Kim:

Thank you for your thoughtful and informative letter regarding the LRFP's preliminary report. Would that we receive more of the same from other commenters!

While I cannot speak for the commission, I can report that I believe that what we are striving for is an overall reduction of state government, including even programs such as ASMI that are almost entirely industry supported. The Alaska fishing industry should be mature enough now that the state no longer needs to mediate the varying positions of industry components. Moreover, I do not think the state needs to be encumbered with the retirement and medical care coverage expense for what is essentially a private sector organization.

What to do about fishing, tourism and other industry promotional efforts is a bit of a conundrum, if a conundrum can ever be small. I see a significant role to be played by the state in promoting its assets, but I am not convinced that industry-government partnerships or associations must be state funded and operated. As both federal and state budgets force a shift to user fees and taxes, I think that industries that generate profits should not be more protected than John Q. Public from the costs of economic activity.

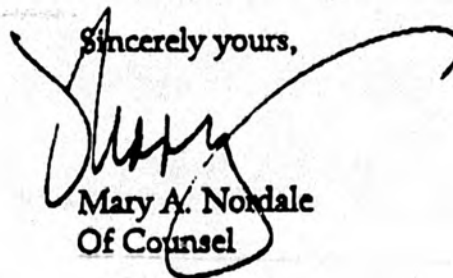
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Hon. Kim Elton  
Page 2  
September 21, 1995

I do not see the federal government continuing its export promotion efforts. It seems to me that we should be prudent and set up a structure for ASMI that is wholly operated and funded by those who derive the direct economic benefit from its promotional efforts.

Cutting budgets and programs is not fun. Neither is recommending such cuts much fun. However, the LRFPC has a much easier task that you and the other legislators and you have my best wishes for your fortitude and success.

Sincerely yours,



Mary A. Nordale  
Of Counsel

cc: Commission members



REPRESENTATIVE KIM ELTON

September 25, 1995

Mary Nordale  
Birch, Horton, Bittner and Cherot  
P.O. Box 73918  
Fairbanks, AK 99707-3918

**RECEIVED**

SEP 27 1995

LAW OFFICES  
BIRCH, HORTON, BITTNER

Dear Mary:

Thanks for the quick response to my concerns. I know the task before the commission is daunting and the nit-picking of everyone who watches can be tiresome.

While I can appreciate your philosophical approach to budget cuts--most succinctly summed up in your statement "industries that generate profits should not be more protected than John Q. Public from the costs of economic activity"--I am troubled by the unequal application of the philosophy. If we apply that philosophy consistently just in DCED, then joining ASMI and ATMC on the commission's cut list would be: half of the commissioner's office budget (\$566,000 in GF); a portion of the administrative services budget (\$1.2 million in GF); all of the economic development budget (\$1.87 million in GF plus \$370,000 from other sources); all of the international trade budget (\$1.145 million in GF funds); and all of the tourism development budget (\$3.04 million in GF).

These clearly are DCED expenditures in support of for-profit industries, though they are distinct from ASMI because not only do they incur the ancillary retirement and medical costs but they use straight general fund dollars, not industry receipts, to promote for-profit industries. I find it ironic and troubling that the application of the 'industry suffer' philosophy is to industry-supported ASMI and not the GF freeloaders (freeloaders is a charged word and should not indicate my blanket opposition to any of the above programs since I actually do believe there is a role for straight GF dollars in economic development--though I believe we need to better define the vision and better measure progress toward goals).

As an aside, I hope you'll note I am not arguing for or against the commission-recommended boost in raw fish taxes. Industry should pay its way, though I find it ironic we keep providing tax

ALASKA HOUSE OF REPRESENTATIVES

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incentives to mining and timber (industries that ISER notes pay far less in taxes on their economic activities in Alaska than they do in other states) while the commission may recommend we boost the taxes on the seafood industry (which ISER notes pays the average of other states based on economic activity).

Our dialogue on these issues is simply a microcosm of the political debate in which policy makers and the public will hopefully become more fully engaged in over the next couple of months in the wake of your report. I will note during the debate--since the commission apparently won't--the ASMI inconsistency. That inconsistency goes beyond the misleading scenario lists that don't even indicate the ASMI savings (unlike the savings from the other programs on the list) can't and won't be applied to deficit reduction. Any savings realized will go into the pockets of processors and fish harvesters--corporate and individual citizens extracting profit from a state-owned and managed resource.

I will also bring up the issue of fairness--why are all the other general fund industry enhancement programs held harmless? Are they more effective? I doubt it since they don't even have a market test for effectiveness. If ASMI's mission is not well defined and success is elusive, industry quits paying and walks away, returning the cost of the ASMI program to their profit margins. We should be so lucky to have that kind of a market test for other industry development programs. Mining development, timber development, tourism development and the governor's "marketing Alaska" initiative are completely financed with general fund dollars and, since these programs cost industry nothing, it's no green out of their pocket if the programs are ineffective. Yet these programs show up nowhere on your list even though, unlike ASMI, cost savings in these industry-support programs could be diverted to public safety, education or deficit reduction.

My notation, and the objections of others to these report inconsistencies, will prompt point/counterpoint debate on 'fairness' that will spiral downward, complicating action on the real problem of the fiscal gap.

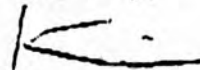
Your point about retirement and medical care coverage of ASMI's 18 employees is well made. However, the same point can be made of tourism development's 17 employees, AIDEA's 27 employees, international trade's 7 employees and the high number of employees

in the administrative division and the commissioner's office that support all of the industry development functions. Why are they exempted from the cut list since they not only cost on the ancillary benefit side but their salaries, computers, subscriptions, travel and scratch paper also sap the general fund? For that matter, why not apply this argument to the science and technology fund, AHFC, and a host of other agencies and functions that fall outside the core functions of education, safety, health, and infrastructure? To extend the logic even further, should the state pay retirement and medical costs for employees of state-operated airports when other communities, like Juneau, pick up those airport costs through direct charges to the airport users and local taxpayers?

Mary, I do appreciate the problems the commission faces. But I also believe the commission's recommendations, if grounded in philosophy, must affect all equally. Because of your willingness to not only serve on the commission but engage in a dialogue with a prematurely irascible person like myself, I'm tempted to expand the debate to my belief that if we don't enhance revenues we at least end tax incentives for industries that pay far less into Alaska's general fund than they do in other states. But I won't.

Again, thanks for your response and your patience with my reply. Good luck as you struggle toward a final report.

Sincerely,



Kim Elton

# **brennan**

communications

**September 26, 1995**

**Mr. Brian Rogers  
Chairman, Long-Range Financial Planning Commission  
via fax**

**Dear Brian:**

**My thanks to you and your fellow commissioners for undertaking a very difficult task. My hope is that your efforts will result in viable options going before the voters when the fiscal gap becomes unavoidable. Sooner would be better, but I'm afraid that particular peach won't drop until it's ripe.**

**I would like to follow up on my comments at the September 13 hearing in Anchorage. I remain convinced that most or all of the fiscal gap can be made up by budget cuts and that government should undergo a fundamental restructuring. The following idea is something less than that, but could result in enormous savings. It was developed by Tom Anderson and myself and is presented as our joint work product. Tom, as you may remember, is former commander of Alaska State Troopers and is now general manager of Ogden Facility Management of Alaska.**

**At present all levels of government are motivated to spend their full budgets and ask for more. In fact, the existing system imposes penalties for saving and punishes those who don't spend every dime they can get their hands on. Inevitably government spending grows--balloons--continuously.**

**Any administrator knows that if he or she does not spend every dime authorized, budget will be cut. In government, any administrator who allows a budget to be reduced is thought to be less effective than one who continually gets increases and expands his area of responsibility. Typically, if an administrator proposes to cut his own budget, the Legislature will cut the amount flagged as unneeded, then reduce that budget even more. Voluntary budget cuts are cruelly punished. At the same time, the administrators are the ones who know well what their departments really need and what they can do without.**



Our suggestion is that the state create incentives within government to reduce spending. One possibility would be to mandate that directors within each department identify all areas under their jurisdiction where budget cuts can be made without interfering with necessary public services. To encourage such cuts, the directors should be allowed to keep a portion of the savings--say half--to provide supplemental funding for their own priorities. The balance of the savings would go to the General Fund. Directors in turn could create incentives within their own divisions to encourage savings by those under them. Safeguards could easily be written to prevent use of the retained savings on unworthy projects.

This would be a fairly simple approach which we suspect could deliver huge savings. I think the public might be amazed to see how a system designed to shrink could work. As an added advantage, it would result in budget reductions without the pain and divisiveness customary when budget cutting is decided externally.

We propose initiating this policy at the division director level because directors are the primary implementers of budget and policy within their departments.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Tom Brennan', with a long horizontal flourish extending to the right.

Tom Brennan

cc: Tom Anderson  
Alaska Support Industry Alliance  
Anchorage Chamber of Commerce  
Common Ground