

**SCOMM**

**101:103**

**MEMORANDUM**

**State of Alaska**  
**Office of the Governor**  
**Office of Management and Budget**

June 26, 1995

TO: LRFPC Members

FROM: Brad Pierce   
Senior Policy Analyst

SUBJECT: Updated Fiscal Models

The attached packet contains updated versions of the commission's fiscal models. The minor errors pointed out at the mid-June meeting have been fixed. Low, base and high case scenarios developed by varying population, petroleum revenue and Permanent Fund earnings assumptions. All three cases are stated in real (FY 95 dollar) terms. A detailed list of assumptions is included in the packet. Again important points to note:

- Absent any use of fiscal tools other than draining reserves, the Constitutional Budget Reserve (CBR) is empty by FY 99 under the low case scenario; in the mid or base case, the CBR is drained by FY 2000; and in the high case it's drained by FY 2002.
- While the Permanent Fund earnings and expenditures are shown on the same page, they do not figure into the fiscal gap calculation, i.e., they are not brought completely "on budget." This is because use of excess earnings to fill the gap is a major policy decision that the commission has not yet made.
- Base case Permanent Fund earnings assume that the Fund's historical real rate of return of 4.79% continues indefinitely. This is probably an optimistic assumption, since financial markets have been exceptionally strong during the past 15 years.

|                                          |                         |              |  |
|------------------------------------------|-------------------------|--------------|--|
| Post-It™ brand fax transmittal memo 7571 |                         | # of pages 7 |  |
| To <i>Melissa</i>                        | From <i>Brad</i>        |              |  |
| Co.                                      | Co.                     |              |  |
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**"DO NOTHING" PROJECTION - HIGH CASE**

(FY 95 Dollars)

|                                        | FY 95          | FY 96          | FY 97          | FY 98          | FY 99          | FY 00          | FY 01          | FY 02           | FY 03           | FY 04           |
|----------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| Average Oil Price (\$/bbl.)            | 16.83          | 17.21          | 16.80          | 17.33          | 17.71          | 17.91          | 18.11          | 18.31           | 18.51           | 18.71           |
| Oil Production (MMbbl/day)             | 1.57           | 1.503          | 1.487          | 1.479          | 1.515          | 1.450          | 1.406          | 1.340           | 1.275           | 1.210           |
| <b>REVENUES (\$ Millions):</b>         |                |                |                |                |                |                |                |                 |                 |                 |
| PETROLEUM                              | 1,658.7        | 1,623.7        | 1,646.7        | 1,774.2        | 1,830.4        | 1,762.1        | 1,700.1        | 1,636.3         | 1,572.5         | 1,508.7         |
| OTHER SOURCES                          | 332.3          | 310.2          | 299.2          | 279.9          | 272.9          | 269.1          | 264.3          | 259.5           | 254.7           | 249.9           |
| NONRECURRING SOURCES                   | 409.7          | 188.7          | 82.5           | 75.4           | 88.8           | 65.7           | 62.7           | 59.9            | 57.1            | 54.3            |
| <b>TOTAL GENERAL FUND REVENUES</b>     | <b>2,400.7</b> | <b>2,122.6</b> | <b>2,028.4</b> | <b>2,129.5</b> | <b>2,192.1</b> | <b>2,096.8</b> | <b>2,027.1</b> | <b>1,955.7</b>  | <b>1,884.2</b>  | <b>1,812.9</b>  |
| <b>EXPENDITURES (\$ Millions):</b>     |                |                |                |                |                |                |                |                 |                 |                 |
| OPERATING - AGENCY                     | 1,198.0        | 1,087.3        | 1,100.4        | 1,126.9        | 1,153.6        | 1,166.9        | 1,179.7        | 1,192.1         | 1,204.5         | 1,216.9         |
| FORMULA                                | 400.8          | 396.5          | 408.3          | 433.0          | 458.7          | 471.5          | 484.1          | 496.6           | 509.1           | 521.6           |
| K - 12 EDUCATION                       | 648.2          | 632.0          | 647.8          | 680.8          | 715.1          | 732.9          | 751.3          | 770.0           | 788.7           | 807.4           |
| INFRASTRUCTURE MAINTENANCE             | 0.0            | 0.0            | 67.1           | 67.1           | 67.1           | 67.1           | 67.1           | 67.1            | 67.1            | 67.1            |
| DEBT SERVICE                           | 133.0          | 104.8          | 79.4           | 61.0           | 25.5           | 15.0           | 11.5           | 10.1            | 8.7             | 7.3             |
| CAPITAL                                | 156.7          | 104.2          | 114.6          | 121.5          | 128.8          | 132.3          | 135.9          | 139.4           | 142.9           | 146.4           |
| LOANS/TRANSFERS/SUPPS.                 | 32.1           | 40.4           | 29.1           | 26.6           | 24.3           | 23.2           | 22.1           | 21.1            | 20.0            | 18.9            |
| <b>TOTAL GENERAL FUND EXPENDITURES</b> | <b>2,568.8</b> | <b>2,365.2</b> | <b>2,445.7</b> | <b>2,516.8</b> | <b>2,573.1</b> | <b>2,600.9</b> | <b>2,651.7</b> | <b>2,698.6</b>  | <b>2,745.5</b>  | <b>2,792.4</b>  |
| <b>PROJECTED FISCAL GAP</b>            | <b>-168.1</b>  | <b>-242.6</b>  | <b>-428.3</b>  | <b>-387.3</b>  | <b>-401.0</b>  | <b>-512.0</b>  | <b>-624.5</b>  | <b>-740.7</b>   | <b>-861.3</b>   | <b>-979.5</b>   |
| <b>CONSTITUTIONAL BUDGET RESERVE</b>   |                |                |                |                |                |                |                |                 |                 |                 |
| BALANCE IF FISCAL GAP                  | 2,005.5        | 2,156.6        | 2,117.6        | 2,086.6        | 91.5           | 0.0            | 0.0            | 0.0             | 0.0             | 0.0             |
| FILLED ENTIRELY WITH CBR               |                |                |                |                |                |                |                |                 |                 |                 |
| REMAINING FISCAL GAP                   |                |                |                |                |                | 420.5          | 204.0          | 740.7           | 1,041.3         | 1,341.5         |
| <b>PERMANENT FUND EARNINGS</b>         |                |                |                |                |                |                |                |                 |                 |                 |
| PERMANENT FUND NET INCOME              | 940.0          | 2,381.5        | 2,593.2        | 3,018.1        | 3,481.4        | 3,701.5        | 3,928.8        | 4,164.2         | 4,400.0         | 4,635.8         |
| PERMANENT FUND INFLATION PROOFING      | 345.0          | 600.4          | 611.6          | 684.8          | 684.1          | 697.8          | 710.3          | 729.0           | 747.7           | 766.4           |
| PERMANENT FUND DIVIDENDS               | 557.0          | 677.0          | 817.9          | 1,187.2        | 1,452.2        | 1,556.9        | 1,663.3        | 1,770.9         | 1,878.5         | 1,986.1         |
| <b>PF EARNINGS RESERVE BALANCE</b>     | <b>1,142.0</b> | <b>2,197.6</b> | <b>3,299.0</b> | <b>5,385.6</b> | <b>7,462.7</b> | <b>8,574.5</b> | <b>9,744.0</b> | <b>10,976.0</b> | <b>12,268.2</b> | <b>13,614.3</b> |
| <b>PF UNUSED ANNUAL EARNINGS</b>       | <b>38.0</b>    | <b>1,104.1</b> | <b>1,163.6</b> | <b>1,246.1</b> | <b>1,345.2</b> | <b>1,446.7</b> | <b>1,555.2</b> | <b>1,670.3</b>  | <b>1,791.8</b>  | <b>1,918.9</b>  |

Gap w/FF Low

**"DO NOTHING" PROJECTION - LOW CASE**

(FY 96 Dollars)

|                                        | FY.95          | FY.96          | FY.97          | FY.98           | FY.99           | FY.00           | FY.01           | FY.02           | FY.03           | FY.04           |
|----------------------------------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Average Oil Price (\$/bbl.)            | 16.20          | 14.97          | 14.39          | 13.92           | 13.63           | 13.50           | 13.36           | 13.22           | 13.08           | 12.94           |
| Oil Production (MMbbl/day)             | 1.574          | 1.503          | 1.429          | 1.355           | 1.280           | 1.205           | 1.130           | 1.055           | 0.980           | 0.905           |
| <b>REVENUES (\$ Millions):</b>         |                |                |                |                 |                 |                 |                 |                 |                 |                 |
| PETROLEUM                              | 1,487.0        | 1,275.7        | 1,248.0        | 1,199.1         | 1,144.3         | 1,084.1         | 1,022.7         | 960.1           | 897.4           | 834.7           |
| OTHER SOURCES                          | 288.2          | 281.7          | 252.7          | 254.0           | 258.8           | 258.0           | 259.2           | 260.7           | 262.2           | 263.7           |
| NONRECURRING SOURCES                   | 409.7          | 193.0          | 86.3           | 82.8            | 79.4            | 77.7            | 76.0            | 74.3            | 72.6            | 70.9            |
| <b>TOTAL GENERAL FUND REVENUES</b>     | <b>2,184.9</b> | <b>1,750.4</b> | <b>1,586.0</b> | <b>1,485.9</b>  | <b>1,482.5</b>  | <b>1,420.8</b>  | <b>1,357.0</b>  | <b>1,297.0</b>  | <b>1,232.3</b>  | <b>1,169.3</b>  |
| <b>EXPENDITURES (\$ Millions):</b>     |                |                |                |                 |                 |                 |                 |                 |                 |                 |
| OPERATING - AGENCY                     | 1,198.0        | 1,111.7        | 1,125.0        | 1,192.2         | 1,179.4         | 1,193.0         | 1,206.1         | 1,218.8         | 1,231.5         | 1,244.2         |
| FORMULA                                | 400.8          | 405.4          | 412.5          | 426.7           | 441.0           | 448.1           | 455.2           | 462.3           | 469.4           | 476.5           |
| K - 12 EDUCATION                       | 648.2          | 646.2          | 662.3          | 695.9           | 731.1           | 749.4           | 768.1           | 787.3           | 806.5           | 825.7           |
| INFRASTRUCTURE MAINTENANCE             |                |                | 70.2           | 70.2            | 70.2            | 70.2            | 70.2            | 70.2            | 70.2            | 70.2            |
| DEBT SERVICE                           | 133.0          | 107.1          | 83.0           | 67.0            | 29.5            | 17.7            | 13.9            | 12.6            | 11.3            | 10.0            |
| CAPITAL                                | 156.7          | 106.5          | 119.8          | 123.9           | 129.1           | 130.2           | 132.2           | 134.2           | 136.2           | 138.2           |
| LOANS/TRANSFERS/SUPPS.                 | 32.1           | 41.3           | 29.4           | 28.2            | 27.0            | 26.4            | 25.9            | 25.3            | 24.7            | 24.1            |
| <b>TOTAL GENERAL FUND EXPENDITURES</b> | <b>2,368.8</b> | <b>2,418.2</b> | <b>2,402.3</b> | <b>2,984.1</b>  | <b>2,806.3</b>  | <b>2,635.8</b>  | <b>2,671.6</b>  | <b>2,718.5</b>  | <b>2,765.4</b>  | <b>2,812.3</b>  |
| <b>PROJECTED FISCAL GAP</b>            | <b>-373.9</b>  | <b>-667.9</b>  | <b>-816.3</b>  | <b>-1,498.2</b> | <b>-1,323.8</b> | <b>-1,215.0</b> | <b>-1,314.6</b> | <b>-1,421.5</b> | <b>-1,533.1</b> | <b>-1,643.0</b> |
| <b>CONSTITUTIONAL BUDGET RESERVE</b>   |                |                |                |                 |                 |                 |                 |                 |                 |                 |
| BALANCE IF FISCAL GAP                  | 2,006.5        | 1,765.1        | 1,258.9        | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| FILLED ENTIRELY WITH CBR               |                |                |                | 593.9           | 1,255.8         | 1,359.2         | 1,453.7         | 1,548.1         | 1,642.5         | 1,736.9         |
| REMAINING FISCAL GAP                   |                |                |                |                 |                 |                 |                 |                 |                 |                 |
| <b>PERMANENT FUND EARNINGS</b>         |                |                |                |                 |                 |                 |                 |                 |                 |                 |
| PERMANENT FUND NET INCOME              | 940.0          | 161.5          | 157.2          | 153.8           | 164.9           | 164.8           | 163.8           | 162.7           | 161.6           | 160.5           |
| PERMANENT FUND INFLATION PROOFING      | 345.0          | 283.9          | 287.6          | 76.4            | 85.5            | 84.6            | 82.7            | 80.9            | 79.0            | 77.1            |
| PERMANENT FUND DIVIDENDS               | 557.0          | 456.2          | 343.2          | 76.4            | 79.4            | 80.2            | 81.0            | 80.9            | 80.8            | 80.7            |
| <b>PF EARNINGS RESERVE BALANCE</b>     | <b>1,142.8</b> | <b>540.4</b>   | <b>55.8</b>    | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      |
| <b>PF UNUSED ANNUAL EARNINGS</b>       | <b>38.0</b>    | <b>0.0</b>     | <b>0.0</b>     | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      |

Office of Management and Budget

8/26/95 10:28

## **LRFPC Fiscal Models**

### **Assumptions for Base Case:**

- 1) Department of Revenue *Spring 1995 Revenue Sources Book* base case price scenario.
- 2) Base case oil production scenario.
- 3) Petroleum revenues include oil and gas severance and property taxes, bonus sale receipts and royalties.
- 4) Other revenue sources includes all nonpetroleum revenues (including petroleum corporate income tax).
- 5) Nonrecurring sources includes adjustments for taxes that are simply pass throughs and revenues from sources that cannot be counted on from year to year. FY 96 includes revenue adjustments of \$110.1 million, \$70 million AHFC dividend and \$17 million from AIDEA. For FY 97 onward, the base case assumes \$40 million in revenue adjustments and a \$50 million annual AHFC dividend.
- 6) Total general fund revenues are the sum of lines (3 thru 5).
- 7) Agency operations includes general fund operational spending for government functions that are not driven by formulas set in statute. Projections are based on inflation plus population growth.
- 8) Formula programs (other than education) are combined and projected to grow at inflation plus population growth.
- 9) K - 12 education is projected to grow by an annual 2.5% enrollment rate of increase plus inflation.

- 10) Infrastructure maintenance is based on the following assumptions estimated from a 1990 survey of facilities managers that detailed the ratio of funded to unfunded maintenance and estimates from DOTPF staff on unfunded maintenance needs of other forms of infrastructure:

|                                                                               |               |
|-------------------------------------------------------------------------------|---------------|
| <b>Facilities</b>                                                             |               |
| Maintenance                                                                   | \$3.3 million |
| Renewal/Replacement                                                           | 20.7          |
| Highways                                                                      | 16.0          |
| Aviation                                                                      | 4.5           |
| Harbors                                                                       | 4.0           |
| Ferries                                                                       | 2.6           |
| <br>Total additional annual M & O needs                                       | <br>51.1      |
| <br>Deferred Maintenance<br>(15 yr. program to address \$331 million backlog) | <br>22.1      |
| <br>Grand Total                                                               | <br>\$73.2    |

Maintenance in out years is projected to grow at the rate of inflation.

- 11) Debt service schedule assumes no new debt issues. Alaska's debt service schedule is based on the "Prudhoe Curve" of future revenues.
- 12) Capital expenditures for FY 96 are those passed by the legislature but do not include Governor's vetoes. For FY 97 and beyond, capital spending assumptions correspond to Knowles administration targets based on the following assumptions adjusted for inflation plus population:
- |                                   |                   |
|-----------------------------------|-------------------|
| School construction priority list | \$25 million      |
| Local sanitation priority list    | 40                |
| Capital matching grants           | 20                |
| Transportation federal match      | 40                |
| <br>Grand Total                   | <br>\$125 million |
- 13) Loans, transfers and supplementals assume no new supplementals after FY 96 and increase with inflation and population.
- 14) Total general fund expenditures is the sum of (7 thru 13).
- 15) Projected fiscal gap for general funds only = (6) - (14).
- 16) Constitutional budget reserve balance includes a \$350/yr. BP settlement for FY 96 and 97; FY 96 - 99 assumes \$150 per year in additional settlements.

- 17) Remaining fiscal gap shows the general fund difference between revenues and expenditures after the CBR has been entirely spent by FY 2000.
- 18) Permanent Fund net income was computed from the APF future earnings model using DOR Revenue Sources assumptions referred to in (1).
- 19,20) Permanent fund inflation proofing and dividends estimates were developed from the APF future earnings model (see separate sheet of Permanent Fund assumptions).
- 21) Permanent Fund earnings reserve balance is computed via the APF future earnings model.
- 22) Unused annual earnings is the remainder of PF earnings minus inflation proofing and dividends (18) - (19 + 20). These have not been included in the fiscal gap calculation since using PF earnings to balance the fiscal gap is a major policy call that has yet to be made by the commission.

FAX COVER

TO:  
ALL MEMBERS  
LONG RANGE FINANCIAL PLANNING  
COMMISSION

FROM:  
MELISSA FOUSE  
STAFF, LONG RANGE FINANCIAL PLANNING  
COMMISSION

PHONE: 258-8165  
FAX: 258-9869

*Thurs am:  
Base case charts w/ shading  
please replace.*

# "DO NOTHING" PROJECTION - BASE CASE

(FY 95 Dollars)

|                                        | <u>FY 95</u>   | <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>    |
|----------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| Average Oil Price (\$/bbl.)            | 16.84          | 16.04          | 15.67          | 15.92          | 15.91          | 16.00          | 16.09          | 16.17          | 16.26           | 16.35           | 16.43           |
| Oil Production (MMbbl/day)             | 1.574          | 1.503          | 1.457          | 1.418          | 1.375          | 1.342          | 1.304          | 1.246          | 1.195           | 1.146           | 1.103           |
| <b>REVENUES (\$ Millions):</b>         |                |                |                |                |                |                |                |                |                 |                 |                 |
| PETROLEUM                              | 1,580.8        | 1,430.6        | 1,452.0        | 1,482.4        | 1,464.5        | 1,431.8        | 1,397.7        | 1,327.8        | 1,271.3         | 1,220.3         | 1,165.3         |
| OTHER SOURCES                          | 312.2          | 292.5          | 276.0          | 273.9          | 274.0          | 273.3          | 272.3          | 271.4          | 270.1           | 268.8           | 267.7           |
| NONRECURRING SOURCES                   | 409.7          | 191.4          | 84.9           | 82.2           | 79.7           | 77.2           | 74.9           | 72.6           | 70.3            | 68.2            | 66.1            |
| <b>TOTAL GENERAL FUND REVENUES</b>     | <b>2,302.7</b> | <b>1,914.5</b> | <b>1,812.9</b> | <b>1,838.5</b> | <b>1,818.2</b> | <b>1,782.3</b> | <b>1,744.9</b> | <b>1,671.7</b> | <b>1,611.7</b>  | <b>1,557.3</b>  | <b>1,499.1</b>  |
| <b>EXPENDITURES (\$ Millions):</b>     |                |                |                |                |                |                |                |                |                 |                 |                 |
| OPERATING - AGENCY                     | 1,198.0        | 1,102.5        | 1,115.8        | 1,129.2        | 1,142.7        | 1,156.4        | 1,169.7        | 1,183.2        | 1,196.2         | 1,208.7         | 1,220.8         |
| FORMULA                                | 400.8          | 402.1          | 411.7          | 421.6          | 431.7          | 442.1          | 452.3          | 462.7          | 472.8           | 482.8           | 492.4           |
| K - 12 EDUCATION                       | 648.2          | 640.8          | 656.9          | 673.3          | 690.1          | 707.4          | 725.1          | 743.2          | 761.8           | 780.8           | 800.3           |
| INFRASTRUCTURE MAINTENANCE             |                |                | 69.0           | 69.1           | 69.1           | 69.2           | 69.2           | 69.2           | 69.2            | 69.2            | 69.2            |
| DEBT SERVICE                           | 133.0          | 106.2          | 81.6           | 74.5           | 64.5           | 43.6           | 27.8           | 16.5           | 12.9            | 11.5            | 10.6            |
| CAPITAL                                | 156.7          | 105.6          | 117.8          | 120.7          | 123.6          | 126.5          | 129.4          | 132.4          | 135.3           | 138.2           | 140.9           |
| LOANS/TRANSFERS/SUPPS.                 | 32.1           | 41.0           | 29.4           | 28.5           | 27.6           | 26.8           | 25.9           | 25.1           | 24.3            | 23.6            | 22.8            |
| <b>TOTAL GENERAL FUND EXPENDITURES</b> | <b>2,568.8</b> | <b>2,398.3</b> | <b>2,482.2</b> | <b>2,516.7</b> | <b>2,549.3</b> | <b>2,572.0</b> | <b>2,599.4</b> | <b>2,632.3</b> | <b>2,672.5</b>  | <b>2,714.7</b>  | <b>2,757.1</b>  |
| <b>PROJECTED FISCAL GAP</b>            | <b>-266.1</b>  | <b>-483.8</b>  | <b>-669.3</b>  | <b>-678.2</b>  | <b>-731.1</b>  | <b>-789.6</b>  | <b>-854.4</b>  | <b>-960.5</b>  | <b>-1,060.8</b> | <b>-1,157.4</b> | <b>-1,258.0</b> |
| <b>CONSTITUTIONAL BUDGET RESERVE</b>   |                |                |                |                |                |                |                |                |                 |                 |                 |
| BALANCE IF FISCAL GAP                  | 2,005.5        | 1,949.0        | 1,639.6        | 957.0          | 249.2          | 0.0            | 0.0            | 0.0            | 0.0             | 0.0             | 0.0             |
| FILLED ENTIRELY WITH CBR               |                |                |                |                |                |                |                |                |                 |                 |                 |
| REMAINING FISCAL GAP                   |                |                |                |                |                | 540.4          | 854.4          | 960.5          | 1,060.8         | 1,157.4         | 1,258.0         |
| <b>PERMANENT FUND EARNINGS</b>         |                |                |                |                |                |                |                |                |                 |                 |                 |
| PERMANENT FUND NET INCOME              | 940.0          | 1,182.6        | 1,215.2        | 1,247.2        | 1,281.4        | 1,332.9        | 1,368.3        | 1,403.6        | 1,437.7         | 1,472.1         | 1,506.0         |
| PERMANENT FUND INFLATION PROOFING      | 345.0          | 412.7          | 420.5          | 426.7          | 433.0          | 453.2          | 460.0          | 466.8          | 473.5           | 479.3           | 485.9           |
| PERMANENT FUND DIVIDENDS               | 557.0          | 558.3          | 564.7          | 561.9          | 575.6          | 613.7          | 631.3          | 649.8          | 668.0           | 686.8           | 703.1           |
| <b>PF EARNINGS RESERVE BALANCE</b>     | <b>1,142.0</b> | <b>1,320.5</b> | <b>1,511.3</b> | <b>1,724.2</b> | <b>1,942.9</b> | <b>2,150.0</b> | <b>2,359.9</b> | <b>2,574.1</b> | <b>2,790.9</b>  | <b>3,010.8</b>  | <b>3,235.1</b>  |
| <b>PF UNUSED ANNUAL EARNINGS</b>       | <b>38.0</b>    | <b>211.7</b>   | <b>230.0</b>   | <b>258.6</b>   | <b>272.8</b>   | <b>266.1</b>   | <b>277.0</b>   | <b>287.0</b>   | <b>296.1</b>    | <b>305.9</b>    | <b>317.1</b>    |

Office of Management and Budget

6/29/95 9:22

# "DO NOTHING" PROJECTION - HIGH CASE

(FY 95 Dollars)

|                                        | FY 95          | FY 96          | FY 97          | FY 98          | FY 99          | FY 00          | FY 01          | FY 02          | FY 03          | FY 04           | FY 05           |
|----------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|
| Average Oil Price (\$/bbl.)            | 16.63          | 17.21          | 16.69          | 17.18          | 17.33          | 17.52          | 17.71          | 17.91          | 18.11          | 18.31           | 18.51           |
| Oil Production (MMbbl/day)             | 1.57           | 1.503          | 1.487          | 1.491          | 1.479          | 1.513          | 1.515          | 1.459          | 1.406          | 1.349           | 1.292           |
| <b>REVENUES (\$ Millions):</b>         |                |                |                |                |                |                |                |                |                |                 |                 |
| PETROLEUM                              | 1,658.7        | 1,623.7        | 1,648.7        | 1,744.0        | 1,774.2        | 1,816.8        | 1,830.4        | 1,762.1        | 1,700.1        | 1,636.3         | 1,563.6         |
| OTHER SOURCES                          | 332.3          | 310.2          | 289.2          | 282.6          | 279.9          | 276.4          | 272.9          | 269.1          | 264.3          | 259.5           | 254.7           |
| NONRECURRING SOURCES                   | 409.7          | 188.7          | 82.5           | 78.9           | 75.4           | 72.0           | 68.8           | 65.7           | 62.7           | 59.9            | 57.2            |
| <b>TOTAL GENERAL FUND REVENUES</b>     | <b>2,400.7</b> | <b>2,122.6</b> | <b>2,020.4</b> | <b>2,105.4</b> | <b>2,129.5</b> | <b>2,165.2</b> | <b>2,172.1</b> | <b>2,096.8</b> | <b>2,027.1</b> | <b>1,955.7</b>  | <b>1,875.5</b>  |
| <b>EXPENDITURES (\$ Millions):</b>     |                |                |                |                |                |                |                |                |                |                 |                 |
| OPERATING - AGENCY                     | 1,198.0        | 1,087.3        | 1,100.4        | 1,113.6        | 1,126.9        | 1,140.5        | 1,153.6        | 1,166.9        | 1,179.7        | 1,192.1         | 1,204.0         |
| FORMULA                                | 400.8          | 396.5          | 408.3          | 420.5          | 433.0          | 445.9          | 458.7          | 471.5          | 484.1          | 496.6           | 508.8           |
| K - 12 EDUCATION                       | 648.2          | 632.0          | 647.8          | 664.0          | 680.6          | 697.6          | 715.1          | 732.9          | 751.3          | 770.0           | 789.3           |
| INFRASTRUCTURE MAINTENANCE             | 0.0            | 67.1           | 67.1           | 67.1           | 67.1           | 67.1           | 67.1           | 67.1           | 67.1           | 67.1            | 67.1            |
| DEBT SERVICE                           | 133.0          | 104.8          | 79.4           | 71.4           | 61.0           | 40.7           | 25.5           | 15.0           | 11.5           | 10.1            | 9.2             |
| CAPITAL                                | 156.7          | 104.2          | 114.6          | 118.0          | 121.5          | 125.2          | 128.8          | 132.3          | 135.9          | 139.4           | 142.8           |
| LOANS/TRANSFERS/SUPPS.                 | 32.1           | 40.4           | 29.1           | 27.9           | 26.6           | 25.4           | 24.3           | 23.2           | 22.1           | 21.1            | 20.1            |
| <b>TOTAL GENERAL FUND EXPENDITURES</b> | <b>2,568.8</b> | <b>2,365.2</b> | <b>2,446.7</b> | <b>2,482.5</b> | <b>2,516.8</b> | <b>2,542.3</b> | <b>2,573.1</b> | <b>2,608.9</b> | <b>2,651.7</b> | <b>2,696.5</b>  | <b>2,741.3</b>  |
| <b>PROJECTED FISCAL GAP</b>            | <b>-168.1</b>  | <b>-242.6</b>  | <b>-426.3</b>  | <b>-377.1</b>  | <b>-387.3</b>  | <b>-377.1</b>  | <b>-401.0</b>  | <b>-512.0</b>  | <b>-624.5</b>  | <b>-740.7</b>   | <b>-865.8</b>   |
| <b>CONSTITUTIONAL BUDGET RESERVE</b>   |                |                |                |                |                |                |                |                |                |                 |                 |
| BALANCE IF FISCAL GAP                  | 2,005.5        | 2,156.6        | 2,117.6        | 1,610.0        | 1,086.6        | 492.5          | 91.5           | 0.0            | 0.0            | 0.0             | 0.0             |
| FILLED ENTIRELY WITH CBR               |                |                |                |                |                |                |                |                |                |                 |                 |
| REMAINING FISCAL GAP                   |                |                |                |                |                |                |                | 420.6          | 204.0          | 740.7           | 865.8           |
| <b>PERMANENT FUND EARNINGS</b>         |                |                |                |                |                |                |                |                |                |                 |                 |
| PERMANENT FUND NET INCOME              | 940.0          | 2,381.5        | 2,593.2        | 2,803.3        | 3,018.1        | 3,269.3        | 3,481.4        | 3,701.5        | 3,928.8        | 4,164.2         | 4,409.2         |
| PERMANENT FUND INFLATION PROOFING      | 345.0          | 600.4          | 611.6          | 623.0          | 634.8          | 670.7          | 684.1          | 697.8          | 710.3          | 723.0           | 735.0           |
| PERMANENT FUND DIVIDENDS               | 557.0          | 677.0          | 817.9          | 962.2          | 1,137.2        | 1,349.3        | 1,452.2        | 1,556.9        | 1,663.3        | 1,770.9         | 1,878.8         |
| <b>PF EARNINGS RESERVE BALANCE</b>     | <b>1,142.0</b> | <b>2,197.6</b> | <b>3,269.0</b> | <b>4,342.1</b> | <b>5,395.6</b> | <b>6,406.5</b> | <b>7,462.7</b> | <b>8,574.5</b> | <b>9,744.0</b> | <b>10,976.0</b> | <b>12,277.8</b> |
| <b>PF UNUSED ANNUAL EARNINGS</b>       | <b>38.0</b>    | <b>1,104.1</b> | <b>1,163.6</b> | <b>1,218.1</b> | <b>1,246.1</b> | <b>1,249.3</b> | <b>1,345.2</b> | <b>1,446.7</b> | <b>1,555.2</b> | <b>1,670.3</b>  | <b>1,795.5</b>  |

Office of Management and Budget

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|                                          |          |            |          |
|------------------------------------------|----------|------------|----------|
| Post-It™ brand fax transmittal memo 7671 |          | # of pages | 3        |
| To                                       | Melissa  | From       | Pierci   |
| Co.                                      | LRFC     | Co.        | OMB      |
| Dept.                                    |          | Phone #    | 465-4677 |
| Fax #                                    | 258-9869 | Fax #      | 3009     |

P. 01

FAX NO. 9074853008

ALASKA OMB-DIRECTOR

JUN-29-95 THU 08:25

Gap w/PF Low

**"DO NOTHING" PROJECTION - LOW CASE**

(FY 95 Dollars)

|                                        | FY 95          | FY 96          | FY 97          | FY 98          | FY 99           | FY 00           | FY 01           | FY 02           | FY 03           | FY 04           | FY 05           |
|----------------------------------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Average Oil Price (\$/bbl.)            | 16.20          | 14.97          | 14.39          | 14.12          | 13.92           | 13.77           | 13.63           | 13.50           | 13.36           | 13.22           | 13.08           |
| Oil Production (MMbbl/day)             | 1.574          | 1.503          | 1.429          | 1.363          | 1.293           | 1.224           | 1.163           | 1.11            | 1.059           | 1.011           | 0.963           |
| <b>REVENUES (\$ Millions):</b>         |                |                |                |                |                 |                 |                 |                 |                 |                 |                 |
| PETROLEUM                              | 1,497.0        | 1,275.7        | 1,249.0        | 1,214.6        | 1,159.1         | 1,084.2         | 1,014.3         | 940.1           | 882.7           | 829.4           | 772.3           |
| OTHER SOURCES                          | 288.2          | 261.7          | 252.7          | 252.2          | 254.0           | 255.7           | 256.8           | 258.0           | 259.2           | 260.7           | 262.1           |
| NONRECURRING SOURCES                   | 409.7          | 193.0          | 86.3           | 84.5           | 82.8            | 81.1            | 79.4            | 77.7            | 76.0            | 74.3            | 72.7            |
| <b>TOTAL GENERAL FUND REVENUES</b>     | <b>2,194.9</b> | <b>1,730.3</b> | <b>1,588.0</b> | <b>1,551.3</b> | <b>1,495.9</b>  | <b>1,421.0</b>  | <b>1,350.5</b>  | <b>1,275.8</b>  | <b>1,217.8</b>  | <b>1,164.4</b>  | <b>1,107.2</b>  |
| <b>EXPENDITURES (\$ Millions):</b>     |                |                |                |                |                 |                 |                 |                 |                 |                 |                 |
| OPERATING - AGENCY                     | 1,198.0        | 1,111.7        | 1,125.0        | 1,138.6        | 1,152.2         | 1,166.0         | 1,179.4         | 1,193.0         | 1,206.1         | 1,218.8         | 1,231.0         |
| FORMULA                                | 400.8          | 405.4          | 412.5          | 419.6          | 426.7           | 434.0           | 441.0           | 448.1           | 455.2           | 462.1           | 469.0           |
| K - 12 EDUCATION                       | 648.2          | 646.2          | 662.3          | 678.9          | 695.9           | 713.3           | 731.1           | 749.4           | 768.1           | 787.3           | 807.0           |
| INFRASTRUCTURE MAINTENANCE             |                |                | 70.2           | 70.2           | 70.2            | 70.2            | 70.2            | 70.2            | 70.2            | 70.2            | 70.2            |
| DEBT SERVICE                           | 133.0          | 107.1          | 83.0           | 76.5           | 67.0            | 45.8            | 29.5            | 17.7            | 13.9            | 12.6            | 11.6            |
| CAPITAL                                | 156.7          | 106.5          | 119.8          | 121.9          | 123.9           | 126.0           | 128.1           | 130.2           | 132.2           | 134.2           | 136.2           |
| LOANS/TRANSFERS/SUPPS.                 | 32.1           | 41.3           | 29.4           | 28.8           | 28.2            | 27.6            | 27.0            | 26.4            | 25.9            | 25.3            | 24.7            |
| <b>TOTAL GENERAL FUND EXPENDITURES</b> | <b>2,568.8</b> | <b>2,418.2</b> | <b>2,502.3</b> | <b>2,534.4</b> | <b>2,564.1</b>  | <b>2,582.9</b>  | <b>2,608.3</b>  | <b>2,635.0</b>  | <b>2,671.6</b>  | <b>2,710.5</b>  | <b>2,749.8</b>  |
| <b>PROJECTED FISCAL GAP</b>            | <b>-373.9</b>  | <b>-687.9</b>  | <b>-914.2</b>  | <b>-983.1</b>  | <b>-1,068.1</b> | <b>-1,161.9</b> | <b>-1,255.8</b> | <b>-1,359.2</b> | <b>-1,453.7</b> | <b>-1,546.1</b> | <b>-1,642.6</b> |
| <b>CONSTITUTIONAL BUDGET RESERVE</b>   |                |                |                |                |                 |                 |                 |                 |                 |                 |                 |
| BALANCE IF FISCAL GAP                  | 2,005.5        | 1,765.1        | 1,256.9        | 336.2          | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| FILLED ENTIRELY WITH CBR               |                |                |                |                |                 |                 |                 |                 |                 |                 |                 |
| REMAINING FISCAL GAP                   |                |                |                |                | 593.9           | 1,161.9         | 1,255.8         | 1,359.2         | 1,453.7         | 1,546.1         | 1,642.6         |
| <b>PERMANENT FUND EARNINGS</b>         |                |                |                |                |                 |                 |                 |                 |                 |                 |                 |
| PERMANENT FUND NET INCOME              | 940.0          | 161.5          | 157.2          | 154.0          | 153.6           | 165.9           | 164.9           | 164.8           | 163.8           | 162.7           | 161.6           |
| PERMANENT FUND INFLATION PROOFING      | 345.0          | 283.9          | 287.6          | 104.2          | 76.4            | 86.5            | 85.5            | 84.6            | 82.7            | 80.9            | 80.8            |
| PERMANENT FUND DIVIDENDS               | 557.0          | 456.2          | 343.2          | 104.2          | 76.4            | 79.3            | 79.4            | 80.2            | 81.0            | 80.9            | 80.8            |
| <b>PF EARNINGS RESERVE BALANCE</b>     | <b>1,142.0</b> | <b>540.4</b>   | <b>55.6</b>    | <b>0.0</b>     | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      |
| <b>PF UNUSED ANNUAL EARNINGS</b>       | <b>38.0</b>    | <b>0.0</b>     | <b>0.0</b>     | <b>0.0</b>     | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      |

Office of Management and Budget

6/29/95 9:21

# MEMORANDUM

**State of Alaska**  
*Office of the Governor*  
*Office of Management and Budget*

June 15, 1995

TO: LRFPC Members

FROM: Brad Pierce   
Senior Policy Analyst

SUBJECT: Updated Fiscal Models

The attached packet contains updated versions of the commission's fiscal models. As requested, we have produced a new base case that includes a maintenance component and Permanent Fund earnings and expenditures. High and low cases are developed around the base case – by varying petroleum price and production assumptions as well as the inflation rate and Permanent Fund earnings – to establish a range of probability for planning purposes. All three cases are stated in nominal and real (FY 95 dollar) terms. A detailed list of assumptions is included in the packet. Important points to note:

- Absent any use of fiscal tools other than draining reserves, the Constitutional Budget Reserve (CBR) is empty by FY 99; in the mid or base case the CBR is drained by FY 2000; and in the high case it's drained by FY 2002.
- While the Permanent Fund earnings and expenditures are shown on the same page, they do not figure into the fiscal gap calculation, i.e., they are not brought completely "on budget." This is because use of excess earnings to fill the gap is a major policy decision that the commission has not yet made.
- Base case Permanent Fund earnings assume that the Fund's historical real rate of return of 4.79% continues indefinitely. This is probably an optimistic assumption, since financial markets have been exceptionally strong during the past 15 years.

# "DO NOTHING" PROJECTION - BASE CASE

(Nominal Dollars)

|                                                   | FY 95   | FY 96   | FY 97   | FY 98   | FY 99   | FY 00   | FY 01    | FY 02    | FY 03    | FY 04    | FY 05     |
|---------------------------------------------------|---------|---------|---------|---------|---------|---------|----------|----------|----------|----------|-----------|
| 1 Average Oil Price (\$/bbl.)                     | 16.84   | 16.52   | 16.62   | 17.42   | 17.97   | 18.84   | 19.34    | 20.06    | 20.81    | 21.59    | 22.39     |
| 2 Oil Production (MMbbl/day)                      | 1.574   | 1.503   | 1.457   | 1.418   | 1.375   | 1.342   | 1.304    | 1.246    | 1.195    | 1.146    | 1.103     |
| <b>REVENUES (\$ Millions):</b>                    |         |         |         |         |         |         |          |          |          |          |           |
| 3 PETROLEUM                                       | 1,580.8 | 1,473.4 | 1,540.2 | 1,622.3 | 1,653.8 | 1,668.3 | 1,680.3  | 1,647.0  | 1,627.1  | 1,611.5  | 1,587.8   |
| 4 OTHER SOURCES                                   | 312.2   | 301.3   | 292.8   | 290.8   | 309.4   | 318.4   | 327.4    | 336.7    | 345.7    | 355.0    | 364.7     |
| 5 NONRECURRING SOURCES                            | 409.7   | 197.1   | 90.0    | 90.0    | 90.0    | 90.0    | 90.0     | 90.0     | 90.0     | 90.0     | 90.0 AHFC |
| 6 TOTAL GENERAL FUND REVENUES                     | 2,302.7 | 1,971.8 | 1,923.0 | 2,012.1 | 2,053.1 | 2,076.6 | 2,097.8  | 2,073.7  | 2,062.8  | 2,056.5  | 2,042.5   |
| <b>EXPENDITURES (\$ Millions):</b>                |         |         |         |         |         |         |          |          |          |          |           |
| 7 OPERATING - AGENCY                              | 1,198.0 | 1,135.5 | 1,183.5 | 1,235.8 | 1,290.4 | 1,347.4 | 1,406.2  | 1,467.6  | 1,530.9  | 1,596.2  | 1,663.4   |
| 8 FORMULA                                         | 400.8   | 414.1   | 436.7   | 461.4   | 487.5   | 515.1   | 543.7    | 573.9    | 605.2    | 637.5    | 671.0     |
| 9 K - 12 EDUCATION                                | 648.2   | 660.0   | 696.7   | 738.9   | 779.3   | 824.2   | 871.6    | 921.8    | 974.9    | 1,031.1  | 1,090.5   |
| 10 INFRASTRUCTURE MAINTENANCE                     |         |         | 73.2    | 75.5    | 77.9    | 80.4    | 83.0     | 85.6     | 88.3     | 91.1     | 94.0      |
| 11 DEBT SERVICE                                   | 133.0   | 109.4   | 86.6    | 81.5    | 72.8    | 50.8    | 33.4     | 20.5     | 16.5     | 15.2     | 14.4      |
| 12 CAPITAL                                        | 156.7   | 108.8   | 125.0   | 132.1   | 139.5   | 147.4   | 155.6    | 164.3    | 173.2    | 182.5    | 192.0     |
| 13 LOANS/TRANSFERS/SUPPS.                         | 32.1    | 42.2    | 31.1    | 31.2    | 31.2    | 31.2    | 31.2     | 31.1     | 31.1     | 31.1     | 31.1      |
| 14 TOTAL GENERAL FUND EXPENDITURES                | 2,568.8 | 2,470.0 | 2,632.9 | 2,754.3 | 2,878.6 | 2,996.5 | 3,124.7  | 3,264.9  | 3,420.2  | 3,584.8  | 3,756.4   |
| 15 PROJECTED FISCAL GAP                           | -242.1  | -498.3  | -709.9  | -742.2  | -825.5  | -919.8  | -1,027.0 | -1,191.2 | -1,357.4 | -1,528.2 | -1,713.9  |
| <b>CONSTITUTIONAL BUDGET RESERVE</b>              |         |         |         |         |         |         |          |          |          |          |           |
| 16 BALANCE IF FISCAL GAP FILLED ENTIRELY WITH CBR | 2,005.5 | 2,007.3 | 1,797.4 | 1,205.2 | 529.7   | 0.0     | 0.0      | 0.0      | 0.0      | 0.0      | 0.0       |
| 17 REMAINING FISCAL GAP                           |         |         |         |         |         | 900.1   | 636.8    | 1,191.2  | 1,357.4  | 1,528.2  | 1,713.9   |
| <b>PERMANENT FUND EARNINGS</b>                    |         |         |         |         |         |         |          |          |          |          |           |
| 18 PERMANENT FUND NET INCOME                      | 940.0   | 1,218.0 | 1,289.0 | 1,365.0 | 1,447.0 | 1,553.0 | 1,645.0  | 1,741.0  | 1,840.0  | 1,944.0  | 2,052.0   |
| 19 PERMANENT FUND INFLATION PROOFING              | 345.0   | 425.0   | 446.0   | 467.0   | 489.0   | 528.0   | 553.0    | 579.0    | 606.0    | 633.0    | 662.0     |
| 20 PERMANENT FUND DIVIDENDS                       | 557.0   | 575.0   | 599.0   | 615.0   | 650.0   | 715.0   | 759.0    | 806.0    | 855.0    | 907.0    | 958.0     |
| 21 PF EARNINGS RESERVE BALANCE                    | 1,142.0 | 1,360.0 | 1,603.0 | 1,887.0 | 2,194.0 | 2,505.0 | 2,837.0  | 3,193.0  | 3,572.0  | 3,976.0  | 4,406.0   |
| 22 PF UNUSED ANNUAL EARNINGS                      | 38.0    | 218.0   | 244.0   | 283.0   | 308.0   | 310.0   | 333.0    | 356.0    | 379.0    | 404.0    | 432.0     |

\$106 gap  
35% fm  
CBR

# "DO NOTHING" PROJECTION - BASE CASE

(FY 95 Dollars)

|                                        | <u>FY 95</u>   | <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>    |
|----------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| Average Oil Price (\$/bbl.)            | 16.84          | 16.04          | 15.67          | 15.92          | 15.91          | 16.00          | 16.09          | 16.17          | 16.26           | 16.35           | 16.43           |
| Oil Production (MMbbl/day)             | 1.574          | 1.503          | 1.457          | 1.418          | 1.375          | 1.342          | 1.304          | 1.246          | 1.195           | 1.146           | 1.103           |
| <b>REVENUES (\$ Millions):</b>         |                |                |                |                |                |                |                |                |                 |                 |                 |
| PETROLEUM                              | 1,580.8        | 1,430.6        | 1,452.0        | 1,482.4        | 1,464.5        | 1,431.8        | 1,397.7        | 1,327.8        | 1,271.3         | 1,220.3         | 1,165.3         |
| OTHER SOURCES                          | 312.2          | 292.5          | 276.0          | 273.9          | 274.0          | 273.3          | 272.3          | 271.4          | 270.1           | 268.8           | 267.7           |
| NONRECURRING SOURCES                   | 409.7          | 191.4          | 84.9           | 82.2           | 79.7           | 77.2           | 74.9           | 72.6           | 70.3            | 68.2            | 66.1            |
| <b>TOTAL GENERAL FUND REVENUES</b>     | <b>2,302.7</b> | <b>1,914.5</b> | <b>1,812.9</b> | <b>1,838.5</b> | <b>1,818.2</b> | <b>1,782.3</b> | <b>1,744.9</b> | <b>1,671.7</b> | <b>1,611.7</b>  | <b>1,557.3</b>  | <b>1,499.1</b>  |
| <b>EXPENDITURES (\$ Millions):</b>     |                |                |                |                |                |                |                |                |                 |                 |                 |
| OPERATING - AGENCY                     | 1,198.0        | 1,102.5        | 1,115.8        | 1,129.2        | 1,142.7        | 1,156.4        | 1,169.7        | 1,183.2        | 1,196.2         | 1,208.7         | 1,220.8         |
| FORMULA                                | 400.8          | 402.1          | 411.7          | 421.5          | 431.7          | 442.1          | 452.3          | 462.7          | 472.8           | 482.8           | 492.4           |
| K - 12 EDUCATION                       | 648.2          | 640.8          | 656.9          | 673.3          | 690.1          | 707.4          | 725.1          | 743.2          | 761.8           | 780.8           | 800.3           |
| INFRASTRUCTURE MAINTENANCE             |                |                | 69.0           | 69.1           | 69.1           | 69.2           | 69.2           | 69.2           | 69.2            | 69.2            | 69.2            |
| DEBT SERVICE                           | 133.0          | 106.2          | 81.6           | 74.5           | 64.5           | 43.6           | 27.8           | 16.5           | 12.9            | 11.5            | 10.6            |
| CAPITAL                                | 156.7          | 105.6          | 117.8          | 120.7          | 123.6          | 126.5          | 129.4          | 132.4          | 135.3           | 138.2           | 140.9           |
| LOANS/TRANSFERS/SUPPS.                 | 32.1           | 41.0           | 29.4           | 26.5           | 27.6           | 26.8           | 25.9           | 25.1           | 24.3            | 23.6            | 22.8            |
| <b>TOTAL GENERAL FUND EXPENDITURES</b> | <b>2,568.8</b> | <b>2,398.3</b> | <b>2,482.2</b> | <b>2,516.7</b> | <b>2,549.3</b> | <b>2,572.0</b> | <b>2,599.4</b> | <b>2,632.3</b> | <b>2,672.5</b>  | <b>2,714.7</b>  | <b>2,767.1</b>  |
| <b>PROJECTED FISCAL GAP</b>            | <b>-266.1</b>  | <b>-483.8</b>  | <b>-669.3</b>  | <b>-678.2</b>  | <b>-731.1</b>  | <b>-789.6</b>  | <b>-854.4</b>  | <b>-960.5</b>  | <b>-1,060.8</b> | <b>-1,157.4</b> | <b>-1,254.0</b> |
| <b>CONSTITUTIONAL BUDGET RESERVE</b>   |                |                |                |                |                |                |                |                |                 |                 |                 |
| BALANCE IF FISCAL GAP                  | 2,005.5        | 1,949.0        | 1,641.4        | 956.5          | 251.4          | 0.0            | 0.0            | 0.0            | 0.0             | 0.0             | 0.0             |
| FILLED ENTIRELY WITH CBR               |                |                |                |                |                | 538.2          | 316.2          | 960.5          | 1,060.8         | 1,157.4         | 1,254.0         |
| REMAINING FISCAL GAP                   |                |                |                |                |                |                |                |                |                 |                 |                 |
| <b>PERMANENT FUND EARNINGS</b>         |                |                |                |                |                |                |                |                |                 |                 |                 |
| PERMANENT FUND NET INCOME              | 940.0          | 1,182.6        | 1,215.2        | 1,247.2        | 1,281.4        | 1,332.9        | 1,368.3        | 1,403.6        | 1,437.7         | 1,472.1         | 1,506.0         |
| PERMANENT FUND INFLATION PROOFING      | 345.0          | 412.7          | 420.5          | 426.7          | 433.0          | 453.2          | 460.0          | 466.8          | 473.5           | 479.3           | 485.9           |
| PERMANENT FUND DIVIDENDS               | 557.0          | 558.3          | 564.7          | 561.9          | 575.6          | 613.7          | 631.3          | 649.8          | 668.0           | 686.8           | 703.1           |
| <b>PF EARNINGS RESERVE BALANCE</b>     | <b>1,142.0</b> | <b>1,360.0</b> | <b>1,603.0</b> | <b>1,887.0</b> | <b>2,194.0</b> | <b>2,506.0</b> | <b>2,837.0</b> | <b>3,193.0</b> | <b>3,572.0</b>  | <b>3,976.0</b>  | <b>4,404.0</b>  |
| <b>PF UNUSED ANNUAL EARNINGS</b>       | <b>38.0</b>    | <b>211.7</b>   | <b>230.0</b>   | <b>258.6</b>   | <b>272.8</b>   | <b>266.1</b>   | <b>277.0</b>   | <b>287.0</b>   | <b>296.1</b>    | <b>305.9</b>    | <b>317.1</b>    |

**"DO NOTHING" PROJECTION - LOW CASE**

(Nominal Dollars)

|                                        | <b>FY 95</b>   | <b>FY 96</b>   | <b>FY 97</b>   | <b>FY 98</b>    | <b>FY 99</b>    | <b>FY 00</b>    | <b>FY 01</b>    | <b>FY 02</b>    | <b>FY 03</b>    | <b>FY 04</b>    | <b>FY 05</b>    |
|----------------------------------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Average Oil Price (\$/bbl.)            | 16.20          | 15.29          | 15.03          | 15.06           | 15.16           | 15.31           | 15.49           | 15.66           | 15.84           | 16.02           | 16.20           |
| Oil Production (MMbbl/day)             | 1.574          | 1.503          | 1.429          | 1.363           | 1.293           | 1.224           | 1.163           | 1.11            | 1.059           | 1.011           | 0.963           |
| <b>REVENUES (\$ Millions):</b>         |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| PETROLEUM                              | 1,497.0        | 1,303.0        | 1,303.1        | 1,293.4         | 1,259.9         | 1,202.8         | 1,150.2         | 1,089.5         | 1,045.6         | 1,004.2         | 955.8           |
| OTHER SOURCES                          | 288.2          | 267.3          | 263.7          | 268.6           | 276.1           | 283.6           | 291.2           | 299.0           | 307.0           | 315.6           | 324.4           |
| NONRECURRING SOURCES                   | 409.7          | 197.1          | 90.0           | 90.0            | 90.0            | 90.0            | 90.0            | 90.0            | 90.0            | 90.0            | 90.0            |
| <b>TOTAL GENERAL FUND REVENUES</b>     | <b>2,194.9</b> | <b>1,767.4</b> | <b>1,656.7</b> | <b>1,651.9</b>  | <b>1,625.9</b>  | <b>1,576.4</b>  | <b>1,531.4</b>  | <b>1,478.5</b>  | <b>1,442.6</b>  | <b>1,409.8</b>  | <b>1,370.1</b>  |
| <b>EXPENDITURES (\$ Millions):</b>     |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| OPERATING - AGENCY                     | 1,198.0        | 1,135.5        | 1,173.7        | 1,212.4         | 1,252.3         | 1,293.6         | 1,337.4         | 1,382.7         | 1,428.8         | 1,475.7         | 1,523.4         |
| FORMULA                                | 400.8          | 414.1          | 430.4          | 446.8           | 463.8           | 481.4           | 500.1           | 519.4           | 539.2           | 559.5           | 580.4           |
| K - 12 EDUCATION                       | 648.2          | 660.0          | 691.0          | 722.0           | 756.3           | 791.3           | 829.0           | 868.5           | 909.9           | 953.2           | 998.7           |
| INFRASTRUCTURE MAINTENANCE             |                |                | 73.2           | 74.7            | 76.3            | 77.8            | 79.6            | 81.3            | 83.1            | 85.0            | 86.8            |
| DEBT SERVICE                           | 133.0          | 109.4          | 86.6           | 81.5            | 72.8            | 50.8            | 33.4            | 20.5            | 16.5            | 15.2            | 14.4            |
| CAPITAL                                | 156.7          | 108.8          | 125.0          | 129.8           | 134.7           | 139.8           | 145.3           | 150.9           | 156.6           | 162.5           | 168.6           |
| LOANS/TRANSFERS/SUPPS.                 | 32.1           | 42.2           | 30.7           | 30.6            | 30.6            | 30.8            | 30.7            | 30.6            | 30.6            | 30.6            | 30.6            |
| <b>TOTAL GENERAL FUND EXPENDITURES</b> | <b>2,568.8</b> | <b>2,470.0</b> | <b>2,610.5</b> | <b>2,698.8</b>  | <b>2,786.9</b>  | <b>2,905.4</b>  | <b>2,955.3</b>  | <b>3,053.8</b>  | <b>3,164.7</b>  | <b>3,281.7</b>  | <b>3,402.9</b>  |
| <b>PROJECTED FISCAL GAP</b>            | <b>-242.1</b>  | <b>-702.6</b>  | <b>-953.8</b>  | <b>-1,046.9</b> | <b>-1,161.0</b> | <b>-1,299.0</b> | <b>-1,424.0</b> | <b>-1,575.3</b> | <b>-1,722.1</b> | <b>-1,871.9</b> | <b>-2,032.7</b> |
| <b>CONSTITUTIONAL BUDGET RESERVE</b>   |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| BALANCE IF FISCAL GAP                  | 2,005.5        | 1,802.9        | 1,349.1        | 482.2           | 0               | 0               | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| FILLED ENTIRELY WITH CBR               |                |                |                |                 | 558.8           | 1,289.0         | 1,424.0         | 1,575.3         | 1,722.1         | 1,871.9         | 2,032.7         |
| REMAINING FISCAL GAP                   |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| <b>PERMANENT FUND EARNINGS</b>         |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| PERMANENT FUND NET INCOME              | 940.0          | 165.0          | 164.0          | 164.0           | 167.0           | 164.0           | 187.0           | 191.0           | 194.0           | 197.0           | 200.0           |
| PERMANENT FUND INFLATION PROOFING      | 345.0          | 290.0          | 300.0          | 111.0           | 83.0            | 98.0            | 97.0            | 98.0            | 98.0            | 98.0            | 100.0           |
| PERMANENT FUND DIVIDENDS               | 557.0          | 466.0          | 358.0          | 111.0           | 83.0            | 98.0            | 90.0            | 93.0            | 96.0            | 98.0            | 100.0           |
| <b>PF EARNINGS RESERVE BALANCE</b>     | <b>1,142.0</b> | <b>552.0</b>   | <b>58.0</b>    | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      |
| <b>PF UNUSED ANNUAL EARNINGS</b>       | <b>38.0</b>    | <b>0.0</b>     | <b>0.0</b>     | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      |

**"DO NOTHING" PROJECTION - LOW CASE**

(FY 95 Dollars)

|                                        | <u>FY 95</u>   | <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>    |
|----------------------------------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Average Oil Price (\$/bbl.)            | 16.20          | 14.97          | 14.39          | 14.12           | 13.92           | 13.77           | 13.63           | 13.50           | 13.36           | 13.22           | 13.08           |
| Oil Production (MMbbl/day)             | 1.574          | 1.503          | 1.429          | 1.363           | 1.293           | 1.224           | 1.163           | 1.11            | 1.059           | 1.011           | 0.963           |
| <b>REVENUES (\$ Millions):</b>         |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| PETROLEUM                              | 1,497.0        | 1,275.7        | 1,249.0        | 1,214.6         | 1,159.1         | 1,064.2         | 1,014.3         | 940.1           | 882.7           | 829.4           | 772.3           |
| OTHER SOURCES                          | 288.2          | 261.7          | 252.7          | 252.2           | 254.0           | 255.7           | 256.8           | 258.0           | 259.2           | 260.7           | 262.1           |
| NONRECURRING SOURCES                   | 409.7          | 193.0          | 86.3           | 64.5            | 82.8            | 51.1            | 79.4            | 77.7            | 76.0            | 74.3            | 72.7            |
| <b>TOTAL GENERAL FUND REVENUES</b>     | <b>2,194.9</b> | <b>1,730.3</b> | <b>1,588.0</b> | <b>1,531.3</b>  | <b>1,495.9</b>  | <b>1,371.0</b>  | <b>1,350.5</b>  | <b>1,275.8</b>  | <b>1,217.8</b>  | <b>1,164.4</b>  | <b>1,107.2</b>  |
| <b>EXPENDITURES (\$ Millions):</b>     |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| OPERATING - AGENCY                     | 1,198.0        | 1,111.7        | 1,125.0        | 1,138.6         | 1,152.2         | 1,163.0         | 1,179.4         | 1,193.0         | 1,206.1         | 1,218.8         | 1,231.0         |
| FORMULA                                | 400.8          | 405.4          | 412.5          | 419.6           | 426.7           | 434.0           | 441.0           | 448.1           | 455.2           | 462.1           | 469.0           |
| K - 12 EDUCATION                       | 648.2          | 646.2          | 662.3          | 678.9           | 695.9           | 713.3           | 731.1           | 749.4           | 768.1           | 787.3           | 807.0           |
| INFRASTRUCTURE MAINTENANCE             |                |                | 70.2           | 70.2            | 70.2            | 70.2            | 70.2            | 70.2            | 70.2            | 70.2            | 70.2            |
| DEBT SERVICE                           | 133.0          | 107.1          | 83.0           | 76.5            | 67.0            | 45.8            | 29.5            | 17.7            | 13.9            | 12.6            | 11.6            |
| CAPITAL                                | 156.7          | 106.5          | 119.8          | 121.9           | 123.9           | 126.0           | 128.1           | 130.2           | 132.2           | 134.2           | 136.2           |
| LOANS/TRANSFERS/SUPPS.                 | 32.1           | 41.3           | 29.4           | 28.8            | 28.2            | 27.6            | 27.0            | 26.4            | 25.9            | 25.3            | 24.7            |
| <b>TOTAL GENERAL FUND EXPENDITURES</b> | <b>2,568.8</b> | <b>2,418.2</b> | <b>2,502.3</b> | <b>2,534.4</b>  | <b>2,564.1</b>  | <b>2,582.9</b>  | <b>2,606.3</b>  | <b>2,635.0</b>  | <b>2,671.6</b>  | <b>2,710.5</b>  | <b>2,749.8</b>  |
| <b>PROJECTED FISCAL GAP</b>            | <b>-373.9</b>  | <b>-687.9</b>  | <b>-914.2</b>  | <b>-1,003.1</b> | <b>-1,068.1</b> | <b>-1,181.9</b> | <b>-1,255.8</b> | <b>-1,359.2</b> | <b>-1,453.7</b> | <b>-1,546.1</b> | <b>-1,642.6</b> |
| <b>CONSTITUTIONAL BUDGET RESERVE</b>   |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| BALANCE IF FISCAL GAP                  | 2,005.5        | 1,765.1        | 1,256.9        | 336.2           | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| FILLED ENTIRELY WITH CBR               |                |                |                |                 | 593.9           | 1,151.9         | 1,255.8         | 1,359.2         | 1,453.7         | 1,546.1         | 1,642.6         |
| REMAINING FISCAL GAP                   |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| <b>PERMANENT FUND EARNINGS</b>         |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| PERMANENT FUND NET INCOME              | 940.0          | 161.5          | 157.2          | 154.0           | 153.6           | 155.9           | 164.9           | 164.8           | 163.8           | 162.7           | 161.6           |
| PERMANENT FUND INFLATION PROOFING      | 345.0          | 283.9          | 287.6          | 104.2           | 76.4            | 86.5            | 85.5            | 84.6            | 82.7            | 80.9            | 80.8            |
| PERMANENT FUND DIVIDENDS               | 557.0          | 456.2          | 343.2          | 104.2           | 76.4            | 79.3            | 79.4            | 80.2            | 81.0            | 80.9            | 80.8            |
| <b>PF EARNINGS RESERVE BALANCE</b>     | <b>1,142.0</b> | <b>540.4</b>   | <b>55.6</b>    | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      |
| <b>PF UNUSED ANNUAL EARNINGS</b>       | <b>38.0</b>    | <b>0.0</b>     | <b>0.0</b>     | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      |

# "DO NOTHING" PROJECTION - HIGH CASE

(Nominal Dollars)

|                                        | FY 95          | FY 96          | FY 97          | FY 98          | FY 99          | FY 00          | FY 01          | FY 02           | FY 03           | FY 04           | FY 05           |
|----------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| Average Oil Price (\$/bbl.)            | 16.63          | 17.97          | 18.20          | 19.61          | 20.69          | 21.89          | 23.17          | 24.54           | 25.98           | 27.51           | 29.12           |
| Oil Production (MMbbl/day)             | 1.574          | 1.503          | 1.487          | 1.491          | 1.479          | 1.513          | 1.515          | 1.459           | 1.406           | 1.349           | 1.292           |
| <b>REVENUES (\$ Millions):</b>         |                |                |                |                |                |                |                |                 |                 |                 |                 |
| PETROLEUM                              | 1,658.7        | 1,695.6        | 1,798.0        | 1,990.1        | 2,118.5        | 2,270.1        | 2,394.9        | 2,414.0         | 2,438.9         | 2,457.9         | 2,459.3         |
| OTHER SOURCES                          | 332.3          | 323.9          | 315.4          | 322.5          | 334.3          | 345.4          | 357.0          | 368.6           | 379.1           | 389.7           | 400.8           |
| NONRECURRING SOURCES                   | 409.7          | 197.1          | 90.0           | 90.0           | 90.0           | 90.0           | 90.0           | 90.0            | 90.0            | 90.0            | 90.0            |
| <b>TOTAL GENERAL FUND REVENUES</b>     | <b>2,400.7</b> | <b>2,216.6</b> | <b>2,203.4</b> | <b>2,402.7</b> | <b>2,542.8</b> | <b>2,705.5</b> | <b>2,841.9</b> | <b>2,872.7</b>  | <b>2,908.0</b>  | <b>2,937.7</b>  | <b>2,950.9</b>  |
| <b>EXPENDITURES (\$ Millions):</b>     |                |                |                |                |                |                |                |                 |                 |                 |                 |
| OPERATING - AGENCY                     | 1,198.0        | 1,135.5        | 1,200.0        | 1,270.8        | 1,345.7        | 1,425.0        | 1,509.3        | 1,598.6         | 1,692.3         | 1,790.6         | 1,893.7         |
| FORMULA                                | 400.8          | 414.1          | 445.3          | 479.8          | 517.0          | 557.1          | 600.2          | 645.9           | 694.4           | 745.9           | 800.3           |
| K - 12 EDUCATION                       | 648.2          | 660.0          | 706.5          | 757.7          | 812.7          | 871.7          | 935.6          | 1,004.1         | 1,077.7         | 1,156.7         | 1,241.4         |
| INFRASTRUCTURE MAINTENANCE             |                |                | 73.2           | 76.6           | 80.2           | 83.9           | 87.8           | 92.0            | 96.3            | 100.8           | 105.6           |
| DEBT SERVICE                           | 133.0          | 109.4          | 86.6           | 81.5           | 72.8           | 60.8           | 33.4           | 20.5            | 16.5            | 15.2            | 14.4            |
| CAPITAL                                | 156.7          | 108.8          | 125.0          | 134.7          | 145.1          | 156.4          | 168.5          | 181.3           | 194.9           | 209.4           | 224.6           |
| LOANS/TRANSFERS/SUPPS.                 | 32.1           | 42.2           | 31.7           | 31.0           | 31.8           | 31.0           | 31.8           | 31.8            | 31.7            | 31.7            | 31.7            |
| <b>TOTAL GENERAL FUND EXPENDITURES</b> | <b>2,568.8</b> | <b>2,470.0</b> | <b>2,668.3</b> | <b>2,832.9</b> | <b>3,005.3</b> | <b>3,179.7</b> | <b>3,366.5</b> | <b>3,574.1</b>  | <b>3,803.9</b>  | <b>4,050.3</b>  | <b>4,311.7</b>  |
| <b>PROJECTED FISCAL GAP</b>            | <b>-168.1</b>  | <b>-253.4</b>  | <b>-464.9</b>  | <b>-430.3</b>  | <b>-462.5</b>  | <b>-471.2</b>  | <b>-524.7</b>  | <b>-701.5</b>   | <b>-895.9</b>   | <b>-1,112.6</b> | <b>-1,361.8</b> |
| <b>CONSTITUTIONAL BUDGET RESERVE</b>   |                |                |                |                |                |                |                |                 |                 |                 |                 |
| BALANCE IF FISCAL GAP                  | 2,005.5        | 2,252.1        | 2,287.2        | 2,006.9        | 1,694.4        | 1,223.2        | 698.5          | 0.0             | 0.0             | 0.0             | 0.0             |
| FILLED ENTIRELY WITH CBR               |                |                |                |                |                |                |                |                 |                 |                 |                 |
| REMAINING FISCAL GAP                   |                |                |                |                |                |                |                | 3.0             | 895.9           | 1,112.6         | 1,361.8         |
| <b>PERMANENT FUND EARNINGS</b>         |                |                |                |                |                |                |                |                 |                 |                 |                 |
| PERMANENT FUND NET INCOME              | 940.0          | 2,487.0        | 2,828.0        | 3,199.0        | 3,604.0        | 4,085.0        | 4,555.0        | 5,071.0         | 5,636.0         | 6,255.0         | 6,935.0         |
| PERMANENT FUND INFLATION PROOFING      | 345.0          | 627.0          | 667.0          | 711.0          | 758.0          | 838.0          | 895.0          | 956.0           | 1,019.0         | 1,086.0         | 1,156.0         |
| PERMANENT FUND DIVIDENDS               | 557.0          | 707.0          | 892.0          | 1,099.0        | 1,358.0        | 1,686.0        | 1,900.0        | 2,133.0         | 2,386.0         | 2,660.0         | 2,955.0         |
| <b>PF EARNINGS RESERVE BALANCE</b>     | <b>1,142.0</b> | <b>2,295.0</b> | <b>3,565.0</b> | <b>4,955.0</b> | <b>6,443.0</b> | <b>8,005.0</b> | <b>9,764.0</b> | <b>11,747.0</b> | <b>13,978.0</b> | <b>16,487.0</b> | <b>19,311.0</b> |
| <b>PF UNUSED ANNUAL EARNINGS</b>       | <b>38.0</b>    | <b>1,153.0</b> | <b>1,269.0</b> | <b>1,390.0</b> | <b>1,488.0</b> | <b>1,561.0</b> | <b>1,760.0</b> | <b>1,982.0</b>  | <b>2,231.0</b>  | <b>2,509.0</b>  | <b>2,824.0</b>  |

# "DO NOTHING" PROJECTION - HIGH CASE

(FY 95 Dollars)

|                                        | FY 95          | FY 96          | FY 97          | FY 98          | FY 99          | FY 00          | FY 01          | FY 02          | FY 03          | FY 04           | FY 05           |
|----------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|
| Average Oil Price (\$/bbl.)            | 16.63          | 17.21          | 16.69          | 17.18          | 17.33          | 17.52          | 17.71          | 17.91          | 18.11          | 18.31           | 18.51           |
| Oil Production (MMbbl/day)             | 1.57           | 1.503          | 1.487          | 1.491          | 1.479          | 1.513          | 1.515          | 1.459          | 1.406          | 1.349           | 1.292           |
| <b>REVENUES (\$ Millions):</b>         |                |                |                |                |                |                |                |                |                |                 |                 |
| PETROLEUM                              | 1,658.7        | 1,623.7        | 1,648.7        | 1,744.0        | 1,774.2        | 1,816.6        | 1,830.4        | 1,762.1        | 1,700.1        | 1,636.3         | 1,563.6         |
| OTHER SOURCES                          | 332.3          | 310.2          | 289.2          | 282.6          | 279.9          | 276.4          | 272.9          | 269.1          | 264.3          | 259.5           | 254.7           |
| NONRECURRING SOURCES                   | 409.7          | 188.7          | 82.5           | 78.9           | 75.4           | 72.0           | 68.8           | 65.7           | 62.7           | 59.9            | 57.2            |
| <b>TOTAL GENERAL FUND REVENUES</b>     | <b>2,400.7</b> | <b>2,122.6</b> | <b>2,020.4</b> | <b>2,105.4</b> | <b>2,129.5</b> | <b>2,165.2</b> | <b>2,172.1</b> | <b>2,096.8</b> | <b>2,027.1</b> | <b>1,955.7</b>  | <b>1,875.5</b>  |
| <b>EXPENDITURES (\$ Millions):</b>     |                |                |                |                |                |                |                |                |                |                 |                 |
| OPERATING - AGENCY                     | 1,198.0        | 1,087.3        | 1,100.4        | 1,113.6        | 1,126.9        | 1,140.5        | 1,153.6        | 1,166.9        | 1,179.7        | 1,192.1         | 1,204.0         |
| FORMULA                                | 400.8          | 396.5          | 408.3          | 420.5          | 433.0          | 445.9          | 458.7          | 471.5          | 484.1          | 496.6           | 508.8           |
| K - 12 EDUCATION                       | 648.2          | 632.0          | 647.8          | 664.0          | 680.6          | 697.6          | 715.1          | 732.9          | 751.3          | 770.0           | 789.3           |
| INFRASTRUCTURE MAINTENANCE             | 0.0            |                | 67.1           | 67.1           | 67.1           | 67.1           | 67.1           | 67.1           | 67.1           | 67.1            | 67.1            |
| DEBT SERVICE                           | 133.0          | 104.8          | 79.4           | 71.4           | 61.0           | 40.7           | 25.5           | 15.0           | 11.5           | 10.1            | 9.2             |
| CAPITAL                                | 156.7          | 104.2          | 114.6          | 118.0          | 121.5          | 125.2          | 128.8          | 132.3          | 135.9          | 139.4           | 142.8           |
| LOANS/TRANSFERS/SUPPS.                 | 32.1           | 40.8           | 29.1           | 27.9           | 26.6           | 25.4           | 24.3           | 23.2           | 22.1           | 21.1            | 20.1            |
| <b>TOTAL GENERAL FUND EXPENDITURES</b> | <b>2,568.8</b> | <b>2,365.2</b> | <b>2,446.7</b> | <b>2,482.5</b> | <b>2,516.8</b> | <b>2,542.3</b> | <b>2,573.1</b> | <b>2,608.9</b> | <b>2,651.7</b> | <b>2,696.5</b>  | <b>2,741.3</b>  |
| <b>PROJECTED FISCAL GAP</b>            | <b>-168.1</b>  | <b>-242.6</b>  | <b>-426.3</b>  | <b>-377.1</b>  | <b>-387.3</b>  | <b>-377.1</b>  | <b>-401.0</b>  | <b>-512.0</b>  | <b>-624.5</b>  | <b>-740.7</b>   | <b>-865.8</b>   |
| <b>CONSTITUTIONAL BUDGET RESERVE</b>   |                |                |                |                |                |                |                |                |                |                 |                 |
| BALANCE IF FISCAL GAP                  | 2,005.5        | 2,156.6        | 2,117.6        | 1,810.0        | 1,086.6        | 492.5          | 91.5           | 0.0            | 0.0            | 0.0             | 0.0             |
| FILLED ENTIRELY WITH CBR               |                |                |                |                |                |                |                | 420.6          | 204.0          | 740.7           | 865.8           |
| REMAINING FISCAL GAP                   |                |                |                |                |                |                |                |                |                |                 |                 |
| <b>PERMANENT FUND EARNINGS</b>         |                |                |                |                |                |                |                |                |                |                 |                 |
| PERMANENT FUND NET INCOME              | 940.0          | 2,381.5        | 2,593.2        | 2,803.3        | 3,018.1        | 3,260.3        | 3,481.4        | 3,701.5        | 3,928.8        | 4,164.2         | 4,409.2         |
| PERMANENT FUND INFLATION PROOFING      | 345.0          | 600.4          | 611.6          | 623.0          | 634.8          | 670.7          | 684.1          | 697.8          | 710.3          | 723.0           | 735.0           |
| PERMANENT FUND DIVIDENDS               | 557.0          | 677.0          | 817.9          | 962.2          | 1,137.2        | 1,349.3        | 1,452.2        | 1,556.9        | 1,663.3        | 1,770.9         | 1,878.8         |
| <b>PF EARNINGS RESERVE BALANCE</b>     | <b>1,142.0</b> | <b>2,197.6</b> | <b>3,293.9</b> | <b>4,375.2</b> | <b>5,447.7</b> | <b>6,468.3</b> | <b>7,534.7</b> | <b>8,663.0</b> | <b>9,844.6</b> | <b>11,089.3</b> | <b>12,404.5</b> |
| <b>PF UNUSED ANNUAL EARNINGS</b>       | <b>38.0</b>    | <b>1,104.1</b> | <b>1,163.6</b> | <b>1,218.1</b> | <b>1,246.1</b> | <b>1,249.3</b> | <b>1,345.2</b> | <b>1,446.7</b> | <b>1,555.2</b> | <b>1,670.3</b>  | <b>1,795.5</b>  |

## LRFPC Fiscal Models

### Assumptions for Base Case:

- 1) Department of Revenue *Spring 1995 Revenue Sources Book* base case price scenario.
- 2) Base case oil production scenario.
- 3) Petroleum revenues include oil and gas severance and property taxes, bonus sale receipts and royalties.
- 4) Other revenue sources includes all nonpetroleum revenues (including petroleum corporate income tax).
- 5) Nonrecurring sources includes adjustments for taxes that are simply pass throughs and revenues from sources that cannot be counted on from year to year. FY 96 includes revenue adjustments of \$110.1 million, \$70 million AHFC dividend and \$17 million from AIDEA. For FY 97 onward, the base case assumes \$40 million in revenue adjustments and a \$50 million annual AHFC dividend.
- 6) Total general fund revenues are the sum of lines (3 thru 5).
- 7) Agency operations includes general fund operational spending for government functions that are not driven by formulas set in statute. Projections are based on inflation plus population growth.
- 8) Formula programs (other than education) are combined and projected to grow at inflation plus population growth.
- 9) K - 12 education is projected to grow by an annual 2.5% enrollment rate of increase plus inflation.

- 10) Infrastructure maintenance is based on the following assumptions estimated from a 1990 survey of facilities managers that detailed the ratio of funded to unfunded maintenance and estimates from DOTPF staff on unfunded maintenance needs of other forms of infrastructure:

|                                                   |               |
|---------------------------------------------------|---------------|
| Facilities (\$ thousands)                         |               |
| Maintenance                                       | \$3.3 million |
| Renewal/Replacement                               | 20.7          |
| Highways                                          | 16.0          |
| Aviation                                          | 4.5           |
| Harbors                                           | 4.0           |
| Ferries                                           | 2.6           |
| <br>Total additional annual M & O needs           | <br>51.1      |
| <br>Deferred Maintenance                          | <br>22.1      |
| (15 yr. program to address \$331 million backlog) |               |
| <br>Grand Total                                   | <br>\$73.2    |

Maintenance in out years projected to grow at the rate of inflation.

- 11) Debt service schedule assumes no new debt issues. Alaska's debt service schedule is based on the "Prudhoe Curve" of future revenues.
- 12) Capital expenditures for FY 96 are those passed by the legislature but do not include Governor's vetos. For FY 97 and beyond, capital spending assumptions correspond to Knowles administration targets based on the following assumptions adjusted for inflation plus population:

|                                   |                   |
|-----------------------------------|-------------------|
| School construction priority list | \$25 million      |
| Local sanitation priority list    | 40                |
| Capital matching grants           | 20                |
| Transportation federal match      | 40                |
| <br>Grand Total                   | <br>\$125 million |

- 13) Loans, transfers and supplementals assume no new supplementals after FY 96 and increase with inflation and population.
- 14) Total general fund expenditures is the sum of (7 thru 13).
- 15) Projected fiscal gap for general funds only = (6) - (14).
- 16) Constitutional budget reserve balance includes a \$350/yr. BP settlement for FY 96 and 97; FY 96 - 99 assumes \$150 per year in additional settlements.

- 17) Remaining fiscal gap shows the general fund difference between revenues and expenditures after the CBR has been entirely spent by FY 2000.
- 18) Permanent Fund net income was computed from the APF future earnings model using DOR Revenue Sources assumptions referred to in (1).
- 19,20) Permanent fund inflation proofing and dividends estimates were developed from the APF future earnings model (see separate sheet of Permanent Fund assumptions).
- 21) Permanent Fund earnings reserve balance is computed via the APF future earnings model.
- 22) Unused annual earnings is the remainder of PF earnings minus inflation proofing and dividends (18) – (19 + 20). These have not been included in the fiscal gap calculation since using PF earnings to balance the fiscal gap is a major policy call that has yet to be made by the commission.

# PF ASSUMPTIONS - - REVENUES, INFLATION, REAL RATE OF RETURN

## DEDICATED REVENUES.

|      | Low Case | Base Case | High Case |
|------|----------|-----------|-----------|
| 1995 | 215.15   | 222.55    | 227.34    |
| 1996 | 193.51   | 216.76    | 244.26    |
| 1997 | 193.78   | 226.65    | 259.67    |
| 1998 | 193.34   | 244.11    | 295.49    |
| 1999 | 197.01   | 258.69    | 327.13    |
| 2000 | 189.19   | 263.30    | 357.83    |
| 2001 | 179.60   | 263.82    | 377.61    |
| 2002 | 172.19   | 261.41    | 385.07    |
| 2003 | 165.36   | 259.40    | 393.09    |
| 2004 | 158.93   | 258.31    | 399.97    |
| 2005 | 151.37   | 256.10    | 403.76    |
| 2006 | 140.44   | 249.13    | 400.36    |
| 2007 | 130.40   | 242.64    | 394.01    |
| 2008 | 122.49   | 252.66    | 389.01    |
| 2009 | 114.23   | 246.21    | 379.90    |
| 2010 | 108.33   | 239.16    | 371.95    |

\*DOR Revenue Sources Book, Spring 1995.

## INFLATION RATE

|      | Low Case | Base Case | High Case |
|------|----------|-----------|-----------|
| 1995 | 2.29%    | 2.91%     | 3.64%     |
| 1996 | 2.14%    | 2.99%     | 4.43%     |
| 1997 | 2.14%    | 2.99%     | 4.43%     |
| 1998 | 2.07%    | 3.18%     | 4.64%     |
| 1999 | 2.07%    | 3.18%     | 4.64%     |
| 2000 | 2.07%    | 3.18%     | 4.64%     |
| 2001 | 2.21%    | 3.18%     | 4.71%     |
| 2002 | 2.21%    | 3.18%     | 4.71%     |
| 2003 | 2.21%    | 3.18%     | 4.71%     |
| 2004 | 2.21%    | 3.18%     | 4.71%     |
| 2005 | 2.21%    | 3.18%     | 4.71%     |
| 2006 | 2.21%    | 3.18%     | 4.71%     |
| 2007 | 2.21%    | 3.18%     | 4.71%     |
| 2008 | 2.21%    | 3.18%     | 4.71%     |
| 2009 | 2.21%    | 3.18%     | 4.71%     |
| 2010 | 2.21%    | 3.18%     | 4.71%     |

\*DOR Revenue Sources Book, Spring 1995.

## REAL RATE OF RETURN (Assumed)

| Low Case | Base Case | High Case |
|----------|-----------|-----------|
| -1.00%   | 4.79%     | 10.90%    |

## RESULTING NOMINAL RATE OF RETURN (Derived)

|      | Low Case | Base Case | High Case |
|------|----------|-----------|-----------|
| 1995 | 1.29%    | 7.70%     | 14.54%    |
| 1996 | 1.14%    | 7.78%     | 15.33%    |
| 1997 | 1.14%    | 7.78%     | 15.33%    |
| 1998 | 1.07%    | 7.97%     | 15.54%    |
| 1999 | 1.07%    | 7.97%     | 15.54%    |
| 2000 | 1.07%    | 7.97%     | 15.54%    |
| 2001 | 1.21%    | 7.97%     | 15.61%    |
| 2002 | 1.21%    | 7.97%     | 15.61%    |
| 2003 | 1.21%    | 7.97%     | 15.61%    |
| 2004 | 1.21%    | 7.97%     | 15.61%    |
| 2005 | 1.21%    | 7.97%     | 15.61%    |
| 2006 | 1.21%    | 7.97%     | 15.61%    |
| 2007 | 1.21%    | 7.97%     | 15.61%    |
| 2008 | 1.21%    | 7.97%     | 15.61%    |
| 2009 | 1.21%    | 7.97%     | 15.61%    |
| 2010 | 1.21%    | 7.97%     | 15.61%    |

\*From Brad Pierce & Jim Kelly, 6/13/95.

# CASE # 1

8/13/95

## "LOW" REVENUES, INFLATION, AND EARNINGS, FY 1996 - FY 2010

PF Status As Of

May-31-1995

| GROWTH OF FUND PRINCIPAL                        |                  |                |                          |                    |                |
|-------------------------------------------------|------------------|----------------|--------------------------|--------------------|----------------|
| FY                                              | FY Begin Balance | Appropriations | Dedicated State Revenue* | Inflation-Proofing | FY End Balance |
| 78                                              | 0                |                | 54                       |                    | 54             |
| 79                                              | 54               |                | 84                       |                    | 139            |
| 80                                              | 139              |                | 344                      |                    | 483            |
| 81                                              | 483              | 900            | 385                      |                    | 1,769          |
| 82                                              | 1,769            | 800            | 400                      |                    | 2,969          |
| 83                                              | 2,969            | 400            | 421                      | 231                | 4,021          |
| 84                                              | 4,021            | 300            | 366                      | 151                | 4,838          |
| 85                                              | 4,838            | 300            | 368                      | 235                | 5,741          |
| 86                                              | 5,741            |                | 323                      | 216                | 6,281          |
| 87                                              | 6,281            | 1,264 **       | 170                      | 148                | 7,864          |
| 88                                              | 7,864            |                | 418                      | 303                | 8,585          |
| 89                                              | 8,585            |                | 228                      | 360                | 9,173          |
| 90                                              | 9,173            |                | 267                      | 454                | 9,894          |
| 91                                              | 9,894            |                | 435                      | 559                | 10,888         |
| 92                                              | 10,888           |                | 338                      | 477                | 11,703         |
| 93                                              | 11,703           | 5 ***          | 315                      | 362                | 12,385         |
| 94                                              | 12,385           | 6 ***          | 210                      | 372                | 12,973         |
| 95                                              | 12,973           | 5              | 250                      | 345                | 13,573         |
| 96                                              | 13,573           |                | 194                      | 290                | 14,058         |
| 97                                              | 14,058           |                | 194                      | 300                | 14,550         |
| 98                                              | 14,550           |                | 193                      | 111                | 14,854         |
| 99                                              | 14,854           |                | 197                      | 83                 | 15,135         |
| 00                                              | 15,135           |                | 189                      | 96                 | 15,420         |
| 01                                              | 15,420           |                | 180                      | 97                 | 15,697         |
| 02                                              | 15,697           |                | 172                      | 98                 | 15,967         |
| 03                                              | 15,967           |                | 165                      | 98                 | 16,230         |
| 04                                              | 16,230           |                | 159                      | 98                 | 16,487         |
| 05                                              | 16,487           |                | 151                      | 100                | 16,739         |
| 06                                              | 16,739           |                | 140                      | 101                | 16,980         |
| 07                                              | 16,980           |                | 130                      | 103                | 17,214         |
| 08                                              | 17,214           |                | 122                      | 104                | 17,440         |
| 09                                              | 17,440           |                | 114                      | 106                | 17,660         |
| 10                                              | 17,660           |                | 108                      | 107                | 17,875         |
| Cumulative Totals Projected For FY 1995 - 2010: |                  |                |                          |                    |                |
|                                                 |                  |                | 2,552                    | 2,237              | 3,054          |

| USE OF FUND INCOME                              |               |                    |              |              |                |
|-------------------------------------------------|---------------|--------------------|--------------|--------------|----------------|
| Net Income                                      | Distributions |                    | General Fund | Reserves     | FY End Balance |
|                                                 | Dividends     | Inflation-Proofing |              | Add (Delete) |                |
| 78                                              |               |                    | 1            |              |                |
| 79                                              |               |                    | 7            |              |                |
| 80                                              | 12            |                    | 12           |              |                |
| 81                                              | 28            |                    | 28           | 59           | 59             |
| 82                                              | 71            |                    | 71           | 185          | 244            |
| 83                                              | 108           | 231                | 110          | 110          | 354            |
| 84                                              | 175           | 151                |              | 203          | 557            |
| 85                                              | 217           | 235                |              | 208          | 763            |
| 86                                              | 303           | 216                |              | 501          | 1,264 **       |
| 87                                              | 391           | 148                |              | 529          | 529            |
| 88                                              | 424           | 303                |              | 62           | 591            |
| 89                                              | 480           | 360                | 4            | 44           | 635            |
| 90                                              | 487           | 454                | 4            | (30)         | 605            |
| 91                                              | 489           | 559                | 4            | (24)         | 581            |
| 92                                              | 488           | 477                | 5            | 64           | 645            |
| 93                                              | 532           | 362                | 5            | 320          | 965            |
| 94                                              | 556           | 372                | 11           | 151          | 1,117          |
| 95                                              | 557           | 345                | 8            | 26           | 1,142          |
| 96                                              | 466           | 290                |              | (590)        | 552            |
| 97                                              | 358           | 300                |              | (494)        | 58             |
| 98                                              | 111           | 111                |              | (58)         |                |
| 99                                              | 83            | 83                 |              |              |                |
| 00                                              | 88            | 96                 |              |              |                |
| 01                                              | 90            | 97                 |              |              |                |
| 02                                              | 93            | 98                 |              |              |                |
| 03                                              | 96            | 98                 |              |              |                |
| 04                                              | 98            | 98                 |              |              |                |
| 05                                              | 100           | 100                |              |              |                |
| 06                                              | 101           | 101                |              |              |                |
| 07                                              | 103           | 103                |              |              |                |
| 08                                              | 104           | 104                |              |              |                |
| 09                                              | 106           | 106                |              |              |                |
| 10                                              | 107           | 107                |              |              |                |
| Cumulative Totals Projected For FY 1995 - 2010: |               |                    |              |              |                |
|                                                 | 2,559         | 2,237              | 8            |              |                |

### REALIZED RATE OF RETURN ASSUMPTIONS:

|                  | Nominal | Inflation | Real   |
|------------------|---------|-----------|--------|
| FY 95:           | 6.47%   | 2.61%     | 3.86%  |
| FY 96 - 99: **** | 1.11%   | 2.11%     | -1.00% |
| FY 2000 - 10:    | 1.20%   | 2.20%     | -1.00% |

Source: OMB/JF

\* Department of Revenue Spring 1995 Low-Case Revenue Forecast.

\*\* Earnings reserve appropriated to Fund principal by the Legislature July 1, 1987.

\*\*\* Transferred to principal from earnings reserve account per AS 37.13.145(d).

\*\*\*\* Based on capital market assumptions adopted by the Trustees in April 1994.

# CASE # 2

6/13/95

## "BASE CASE" (MID-CASE) REVENUES, INFLATION, AND EARNINGS, FY 1996 - FY 2010

PF Status As Of

May-31-1995

| GROWTH OF FUND PRINCIPAL                        |                  |                |                           |                    |                |
|-------------------------------------------------|------------------|----------------|---------------------------|--------------------|----------------|
| FY                                              | FY Begin Balance | Appropriations | Dedicated State Revenues* | Inflation-Proofing | FY End Balance |
| 78                                              | 0                |                | 54                        |                    | 54             |
| 79                                              | 54               |                | 84                        |                    | 139            |
| 80                                              | 139              |                | 344                       |                    | 483            |
| 81                                              | 483              | 900            | 385                       |                    | 1,769          |
| 82                                              | 1,769            | 800            | 400                       |                    | 2,969          |
| 83                                              | 2,969            | 400            | 421                       | 231                | 4,021          |
| 84                                              | 4,021            | 300            | 366                       | 151                | 4,838          |
| 85                                              | 4,838            | 300            | 368                       | 235                | 5,741          |
| 86                                              | 5,741            |                | 323                       | 216                | 6,281          |
| 87                                              | 6,281            | 1,264 **       | 170                       | 148                | 7,864          |
| 88                                              | 7,864            |                | 418                       | 303                | 8,585          |
| 89                                              | 8,585            |                | 228                       | 360                | 9,173          |
| 90                                              | 9,173            |                | 267                       | 454                | 9,894          |
| 91                                              | 9,894            |                | 435                       | 559                | 10,888         |
| 92                                              | 10,888           |                | 338                       | 477                | 11,703         |
| 93                                              | 11,703           | 5 ***          | 315                       | 362                | 12,385         |
| 94                                              | 12,385           | 6 ***          | 210                       | 372                | 12,973         |
| 95                                              | 12,973           | 5              | 250                       | 345                | 13,573         |
| 96                                              | 13,573           |                | 217                       | 425                | 14,215         |
| 97                                              | 14,215           |                | 227                       | 446                | 14,887         |
| 98                                              | 14,887           |                | 244                       | 467                | 15,598         |
| 99                                              | 15,598           |                | 259                       | 489                | 16,346         |
| 00                                              | 16,346           |                | 263                       | 528                | 17,138         |
| 01                                              | 17,138           |                | 264                       | 553                | 17,955         |
| 02                                              | 17,955           |                | 261                       | 579                | 18,796         |
| 03                                              | 18,796           |                | 259                       | 606                | 19,661         |
| 04                                              | 19,661           |                | 258                       | 633                | 20,553         |
| 05                                              | 20,553           |                | 256                       | 662                | 21,471         |
| 06                                              | 21,471           |                | 249                       | 691                | 22,410         |
| 07                                              | 22,410           |                | 243                       | 720                | 23,373         |
| 08                                              | 23,373           |                | 253                       | 751                | 24,377         |
| 09                                              | 24,377           |                | 246                       | 783                | 25,407         |
| 10                                              | 25,407           |                | 239                       | 816                | 26,461         |
| Cumulative Totals Projected For FY 1996 - 2010: |                  |                | 3,749                     | 9,495              |                |

| USE OF FUND INCOME |               |                    |              |              |                |
|--------------------|---------------|--------------------|--------------|--------------|----------------|
| Net Income         | Distributions |                    | General Fund | Reserves     |                |
|                    | Dividends     | Inflation-Proofing |              | Add (Delete) | FY End Balance |
| 2                  |               |                    | 1            |              |                |
| 8                  |               |                    | 7            |              |                |
| 32                 | 12            |                    | 12           |              |                |
| 150                | 28            |                    | 28           | 59           | 59             |
| 368                | 71            |                    | 71           | 185          | 244            |
| 471                | 108           | 231                | 110          | 110          | 354            |
| 530                | 175           | 151                |              | 203          | 557            |
| 658                | 217           | 235                |              | 206          | 763            |
| 1,021              | 303           | 216                |              | 501          | 1,264 **       |
| 1,069              | 391           | 148                |              | 529          | 529            |
| 789                | 424           | 303                |              | 62           | 591            |
| 888                | 460           | 360                | 4            | 44           | 635            |
| 916                | 487           | 454                | 4            | (30)         | 605            |
| 1,030              | 489           | 559                | 4            | (24)         | 581            |
| 1,036              | 488           | 477                | 5            | 64           | 645            |
| 1,226              | 532           | 362                | 5            | 320          | 965            |
| 1,098              | 556           | 372                | 11           | 151          | 1,117          |
| 940                | 557           | 345                | 8            | 26           | 1,142          |
| 1,218              | 575           | 425                |              | 217          | 1,360          |
| 1,289              | 599           | 446                |              | 244          | 1,603          |
| 1,365              | 615           | 467                |              | 283          | 1,887          |
| 1,447              | 650           | 489                |              | 308          | 2,194          |
| 1,553              | 715           | 528                |              | 310          | 2,505          |
| 1,645              | 759           | 553                |              | 333          | 2,837          |
| 1,741              | 806           | 579                |              | 356          | 3,193          |
| 1,840              | 855           | 606                |              | 379          | 3,572          |
| 1,944              | 907           | 633                |              | 404          | 3,976          |
| 2,052              | 958           | 662                |              | 432          | 4,408          |
| 2,164              | 1,012         | 691                |              | 461          | 4,869          |
| 2,280              | 1,068         | 720                |              | 492          | 5,361          |
| 2,402              | 1,126         | 751                |              | 525          | 5,886          |
| 2,529              | 1,186         | 783                |              | 560          | 6,446          |
| 2,661              | 1,249         | 816                |              | 597          | 7,043          |
| 29,089             | 13,635        | 9,495              | 8            |              |                |

### REALIZED RATE OF RETURN ASSUMPTIONS:

|                  | Nominal | Inflation | Real  |
|------------------|---------|-----------|-------|
| FY 95:           | 6.47%   | 2.61%     | 3.86% |
| FY 96 - 99: **** | 7.88%   | 3.09%     | 4.79% |
| FY 2000 - 10:    | 7.97%   | 3.18%     | 4.79% |

Source: OMB/JF

\* Department of Revenue Spring 1995 Mid-Case Revenue Forecast.

\*\* Earnings reserve appropriated to Fund principal by the Legislature July 1, 1987.

\*\*\* Transferred to principal from earnings reserve account per AS 37.13.145(d).

\*\*\*\* Based on capital market assumptions adopted by the Trustees in April 1994.

# CASE # 3

6/13/95

## "HIGH" REVENUES, INFLATION, AND EARNINGS, FY 1996 - FY 2010

PF Status As Of

May-31-1995

| GROWTH OF FUND PRINCIPAL                        |                  |                |                           |                    |                | USE OF FUND INCOME           |            |                         |                    |              |                       |                |    |
|-------------------------------------------------|------------------|----------------|---------------------------|--------------------|----------------|------------------------------|------------|-------------------------|--------------------|--------------|-----------------------|----------------|----|
| FY                                              | FY Begin Balance | Appropriations | Dedicated State Revenues* | Inflation-Proofing | FY End Balance | Inflation-Proofing Shortfall | Net Income | Distributions Dividends | Inflation-Proofing | General Fund | Reserves Add (Delete) | FY End Balance | FY |
| 78                                              | 0                |                | 54                        |                    | 54             |                              | 2          |                         |                    | 1            |                       |                | 78 |
| 79                                              | 54               |                | 84                        |                    | 139            |                              | 8          |                         |                    | 7            |                       |                | 79 |
| 80                                              | 139              |                | 344                       |                    | 483            |                              | 32         | 12                      |                    | 12           |                       |                | 80 |
| 81                                              | 483              | 900            | 385                       |                    | 1,769          |                              | 150        | 28                      |                    | 28           | 59                    | 59             | 81 |
| 82                                              | 1,769            | 800            | 400                       |                    | 2,969          |                              | 368        | 71                      |                    | 71           | 185                   | 244            | 82 |
| 83                                              | 2,969            | 400            | 421                       | 231                | 4,021          |                              | 471        | 108                     | 231                | 110          | 110                   | 354            | 83 |
| 84                                              | 4,021            | 300            | 366                       | 151                | 4,838          |                              | 530        | 175                     | 151                |              | 203                   | 557            | 84 |
| 85                                              | 4,838            | 300            | 368                       | 235                | 5,741          |                              | 658        | 217                     | 235                |              | 206                   | 763            | 85 |
| 86                                              | 5,741            |                | 323                       | 216                | 6,281          |                              | 1,021      | 303                     | 216                |              | 501                   | 1,264 **       | 86 |
| 87                                              | 6,281            | 1,264 **       | 170                       | 148                | 7,864          |                              | 1,069      | 391                     | 148                |              | 529                   | 529            | 87 |
| 88                                              | 7,864            |                | 418                       | 303                | 8,585          |                              | 789        | 424                     | 303                |              | 62                    | 591            | 88 |
| 89                                              | 8,585            |                | 228                       | 360                | 9,173          |                              | 868        | 460                     | 360                | 4            | 44                    | 635            | 89 |
| 90                                              | 9,173            |                | 267                       | 454                | 9,894          |                              | 916        | 487                     | 454                | 4            | (30)                  | 605            | 90 |
| 91                                              | 9,894            |                | 435                       | 559                | 10,888         |                              | 1,030      | 489                     | 559                | 4            | (24)                  | 581            | 91 |
| 92                                              | 10,888           |                | 338                       | 477                | 11,703         |                              | 1,036      | 488                     | 477                | 5            | 64                    | 645            | 92 |
| 93                                              | 11,703           | 5 ***          | 315                       | 362                | 12,385         |                              | 1,226      | 532                     | 362                | 5            | 320                   | 965            | 93 |
| 94                                              | 12,385           | 6 ***          | 210                       | 372                | 12,973         |                              | 1,098      | 556                     | 372                | 11           | 151                   | 1,117          | 94 |
| 95                                              | 12,973           | 5              | 250                       | 345                | 13,573         |                              | 940        | 557                     | 345                | 8            | 26                    | 1,142          | 95 |
| 96                                              | 13,573           |                | 244                       | 627                | 14,444         |                              | 2,487      | 707                     | 627                |              | 1,153                 | 2,295          | 96 |
| 97                                              | 14,444           |                | 260                       | 667                | 15,370         |                              | 2,828      | 892                     | 667                |              | 1,269                 | 3,565          | 97 |
| 98                                              | 15,370           |                | 295                       | 711                | 16,376         |                              | 3,199      | 1,098                   | 711                |              | 1,390                 | 4,955          | 98 |
| 99                                              | 16,376           |                | 327                       | 758                | 17,461         |                              | 3,604      | 1,358                   | 758                |              | 1,488                 | 6,443          | 99 |
| 00                                              | 17,461           |                | 358                       | 838                | 18,657         |                              | 4,085      | 1,686                   | 838                |              | 1,562                 | 8,005          | 00 |
| 01                                              | 18,657           |                | 378                       | 895                | 19,930         |                              | 4,555      | 1,900                   | 895                |              | 1,760                 | 9,764          | 01 |
| 02                                              | 19,930           |                | 385                       | 956                | 21,270         |                              | 5,071      | 2,133                   | 956                |              | 1,982                 | 11,747         | 02 |
| 03                                              | 21,270           |                | 393                       | 1,019              | 22,683         |                              | 5,636      | 2,386                   | 1,019              |              | 2,231                 | 13,978         | 03 |
| 04                                              | 22,683           |                | 400                       | 1,086              | 24,168         |                              | 6,255      | 2,660                   | 1,086              |              | 2,509                 | 16,487         | 04 |
| 05                                              | 24,168           |                | 404                       | 1,156              | 25,728         |                              | 6,935      | 2,955                   | 1,156              |              | 2,824                 | 19,311         | 05 |
| 06                                              | 25,728           |                | 400                       | 1,229              | 27,357         |                              | 7,679      | 3,278                   | 1,229              |              | 3,172                 | 22,483         | 06 |
| 07                                              | 27,357           |                | 394                       | 1,305              | 29,056         |                              | 8,495      | 3,632                   | 1,305              |              | 3,558                 | 26,041         | 07 |
| 08                                              | 29,056           |                | 389                       | 1,385              | 30,830         |                              | 9,388      | 4,019                   | 1,385              |              | 3,984                 | 30,025         | 08 |
| 09                                              | 30,830           |                | 380                       | 1,468              | 32,678         |                              | 10,367     | 4,443                   | 1,468              |              | 4,456                 | 34,481         | 09 |
| 10                                              | 32,678           |                | 372                       | 1,555              | 34,605         |                              | 11,439     | 4,907                   | 1,555              |              | 4,977                 | 39,458         | 10 |
| Cumulative Totals Projected For FY 1995 - 2010: |                  |                |                           |                    |                |                              | 92,862     | 38,610                  | 15,998             | 8            |                       |                |    |

### REALIZED RATE OF RETURN ASSUMPTIONS:

|                  | Nominal | Inflation | Real   |
|------------------|---------|-----------|--------|
| FY 95:           | 6.47%   | 2.61%     | 3.86%  |
| FY 96 - 99: **** | 15.44%  | 4.54%     | 10.90% |
| FY 2000 - 10:    | 15.60%  | 4.70%     | 10.90% |

Source: OMB/JF

\* Department of Revenue Spring 1995 High-Case Revenue Forecast.

\*\* Earnings reserve appropriated to Fund principal by the Legislature July 1, 1987.

\*\*\* Transferred to principal from earnings reserve account per AS 37.13.145(d).

\*\*\*\* Based on capital market assumptions adopted by the Trustees in April 1994.