

ALASKA LEGISLATURE

2454

HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

Table 5-3. Charges for Services
Preliminary FY 2003 and Projected FY 2004-2005
\$ Million

	Preliminary FY 2003	FY 2004	FY 2005
<u>Unrestricted</u>			
General Government	10.3	14.8	14.8
Natural Resources	1.7	1.7	1.7
Other	<u>1.9</u>	<u>1.9</u>	<u>1.9</u>
Total Unrestricted	13.9	18.4	18.4
<u>Restricted</u>			
General Government	1.9	1.9	1.9
Natural Resources	0.9	0.9	0.9
Marine Highway Receipts	41.5	41.9	40.9
Receipt Supported Services ⁽¹⁾	81.8	74.0	74.0
Statutorily Designated ⁽²⁾	55.1	117.3	117.3
Other ⁽³⁾	<u>14.7</u>	<u>15.7</u>	<u>15.7</u>
Total Restricted	195.9	251.7	250.7
Grand Total	209.8	270.1	269.1

(1) FY 2003 preliminary value is from the Alaska State Accounting System. FY 2004 estimate is from the Office of Management and Budget and reflects what agencies expect to receive in receipt supported services. Assumes FY 2005 is the same as FY 2004.

(2) FY 2003 preliminary value is from the Alaska State Accounting System. FY 2004 estimate is from the Office of Management and Budget and reflects what agencies expect to receive in statutory designated program receipts. Assumes FY 2005 is the same as FY 2004.

(3) Other includes the following categories: RCA receipts (FY 2003, \$6 million), test fisheries (FY 2003, \$2 million), timber sale receipts (FY 2003, \$0.5 million), oil and gas conservation (FY 2003, \$4.2 million) and DCED business licenses (FY 2003, \$2.1 million). FY 2004 estimate is from the Office of Management and Budget and reflects what agencies expect to receive in other restricted program receipts.

Fines and Forfeitures

This category includes civil and criminal fines and forfeitures, and money received by the state from the settlement of various civil lawsuits. The majority of the receipts under this category are from tobacco litigation and other settlements.

Tobacco Settlement

The tobacco settlement was signed by 46 states (including Alaska) in November 1998. The first payment from the settlement was made in FY 2000. In 2000 and 2001, the legislature authorized the sale of 80% of the future revenue stream from the tobacco settlement to a new public corporation, the Northern Tobacco Securitization Corporation, a subsidiary of the Alaska Housing Finance Corporation. The new corporation, in turn, sold bonds based on this revenue stream, and paid to the state the money raised by the bond sale, which the legislature appropriated for schools, the university and harbor projects. Starting in FY 2002, the remaining 20% of the settlement revenue each year will be deposited into the new Tobacco Use Education and Cessation Fund. We also show the 80% that goes directly to the Northern Tobacco Securitization Corporation for payment of the bonds.

Table 5-4. Fines and Forfeitures
Preliminary FY 2003 and Projected FY 2004-2005
\$ Million

	Preliminary		
	FY 2003	FY 2004	FY 2005
<u>Unrestricted</u>			
Fines and Forfeitures	7.0	7.0	7.0
Total Unrestricted	7.0	7.0	7.0
<u>Restricted</u>			
Tobacco Settlement (Northern Tobacco Securitization Corp.) ⁽¹⁾	20.0	17.4	17.6
Tobacco Settlement (Tobacco Use Education & Cessation Fund) ⁽¹⁾	5.0	4.4	4.4
Other	1.8	1.8	1.8
Total Restricted	26.8	23.6	23.8
Grand Total	33.8	30.6	30.8

(1) Assumes that all four "Original Participating Manufacturers" pay their annual payments in full.

Licenses and Permits

Licenses and permits represent another source of government revenue derived from charges for participating in activities regulated by the state. The majority of the receipts under this category are from motor vehicle registration and fishing and hunting license fees.

Fishing and Hunting Licenses Fees

The majority of these fees are appropriated to a special revenue fund called the Fish and Game Fund. Money in the fund may only be spent for fish and game management purposes.

Motor Vehicle Registration Fees

Most motor vehicle registration fees are unrestricted license and permit revenue. However, some registration fees are reflected under restricted receipt supported services.

Table 5-5. Licenses and Permits
Preliminary FY 2003 and Projected FY 2004-2005
\$ Million

	Preliminary FY 2003	FY 2004	FY 2005
<u>Unrestricted</u>			
Motor Vehicle	30.9	43.5	45.9
Other Fees	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total Unrestricted	32.9	45.5	47.9
<u>Restricted</u>			
Fishing and Hunting			
Hunting and Fishing Fees (Fish and Game Fund)	23.1	23.3	23.5
Sanctuary Fees (Fish and Game Fund)	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Subtotal	23.2	23.4	23.6
Other Fees	<u>5.9</u>	<u>6.5</u>	<u>7.2</u>
Total Restricted	29.1	29.9	30.8
Grand Total	62.0	75.4	78.7

Rents and Royalties

The majority of the unrestricted receipts under this category are from leasing, rental and sale of state land. Although certain restricted receipts are deposited in the Permanent Fund, Mental Health Trust Fund and Public School Trust Fund, these are treated elsewhere.

Table 5-6. Rents and Royalties
Preliminary FY 2003 and Projected FY 2004-2005
\$ Million

	Preliminary		
	FY 2003	FY 2004	FY 2005
<u>Unrestricted</u>			
Land Leasing, Rental and Sale	5.4	6.0	6.0
Coal Royalties	0.6	0.8	1.0
Cabin Rentals	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Total Unrestricted	6.2	7.0	7.2
<u>Restricted</u>			
Land Leasing, Rental and Sale	<u>4.7</u>	<u>4.7</u>	<u>4.7</u>
Total Restricted	4.7	4.7	4.7
Grand Total	10.9	11.7	11.9

Other

This category includes unrestricted contributions, unclaimed property and miscellaneous other receipts.

Unclaimed Property

Under the unclaimed property statutes, a person holding abandoned property belonging to someone else must turn the property over to the state, which holds the property in trust until claimed by its rightful owner. Most unclaimed property is in the form of cash (checking and savings accounts), stocks and bonds (including dividends) and safe-deposit box contents. Other property includes utility deposits, traveler checks and wages. Because not all unclaimed property owners are located, amounts received from holders exceed the refunds to owners. The Treasury Division maintains a minimum balance in the trust account and periodically transfers excess funds to the General Fund.

Dividends and Miscellaneous

The restricted portion of Other includes transfers, frequently as dividends, from component organizations of state government, as well as certain miscellaneous revenues.

Table 5-7. Other Revenue
Preliminary FY 2003 and Projected FY 2004-2005
\$ Million

	Preliminary FY 2003	FY 2004	FY 2005
<u>Unrestricted</u>			
Miscellaneous	9.4	10.0	10.0
Unclaimed Property ⁽¹⁾	0.0	11.5	4.0
Total Unrestricted	9.4	21.5	14.0
<u>Restricted</u>			
Alaska Housing Finance Corporation ⁽²⁾	54.0	57.9	57.9
Alaska Industrial Development and Export Authority ⁽²⁾	20.2	20.6	20.6
Alaska Municipal Bond Bank Authority ⁽²⁾	0.9	1.3	1.3
Alaska Student Loan Corporation ⁽²⁾	3.8	4.1	4.1
Alaska Energy Authority ⁽²⁾	0.4	1.1	1.1
Alaska Science & Technology Foundation ⁽²⁾	98.7	0.0	0.0
Miscellaneous ⁽³⁾	34.9	34.9	34.9
Total Restricted	212.9	119.9	119.9
Grand Total	222.3	141.4	133.9

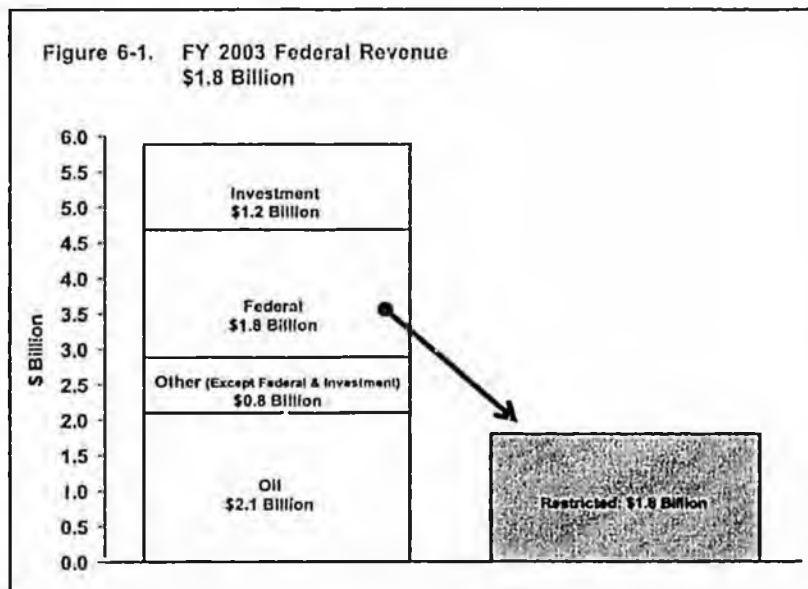
(1) One-time transfer of \$11.5 million to the General Fund in FY 2004 as a result of payments and interest from a former settlement.

(2) Payments from component units as reflected in draft tables from the Comprehensive Annual Report for FY 2003 and estimates from the Office of Management and Budget for FY 2004; assumes that FY 2005 remains the same as FY 2004.

(3) Revenue shown under account codes for "other" or "contributions" in the Alaska State Accounting System for General Fund subfunds and special revenue funds.

6.

FEDERAL REVENUE



**Table 6-1. Total Federal Revenue to the State
Preliminary FY 2003 and Projected FY 2004-2005
\$ Million**

	Preliminary FY 2003	Budgeted	
		FY 2004	FY 2005
<u>Restricted</u>			
Federal Receipts	<u>1,812.6</u>	<u>2,427.8</u>	<u>2,427.8</u>
Total Restricted	1,812.6	2,427.8	2,427.8

Source: Office of Management and Budget.

Federal government spending has figured prominently in Alaska's history and is still a major force today, in spite of the maturing and diversification of Alaska's economy. The federal fiscal year (FFY) runs from October 1 through September 30. In FFY 2002, the federal government spent \$7.6 billion in Alaska.⁽¹⁾ Part of that spending comes from the activities of the various agencies of the federal government, part is in the form of grants to state and local governments, and still another part is payments to individuals.

The University of Alaska, Institute of Social and Economic Research (ISER), recently released a study of the importance of federal spending on the Alaska economy. The study attributes one out of three Alaskan jobs to federal spending. The ISER paper on patterns of federal spending in Alaska since the 1980's can be found at: <http://iser.uaa.alaska.edu/publications/federalspendingak/pdf>.

(1) This and the data for the two federal fund figures on the adjacent page come from the Consolidated Federal Funds Report for FY 2002, U.S. Census Bureau, U.S. Department of Commerce, Washington, D.C. 20233.

Per capita, more federal money is spent in Alaska than in any other state. Federal spending is increasing in Alaska faster than in any other state — in FFY 2002, federal spending grew by 18%. As the figure below shows, federal government expenditures in Alaska have grown faster than in the rest of the states for five of the past seven years.

Figure 6-2. Annual Federal Spending Increase, Alaska and U.S.

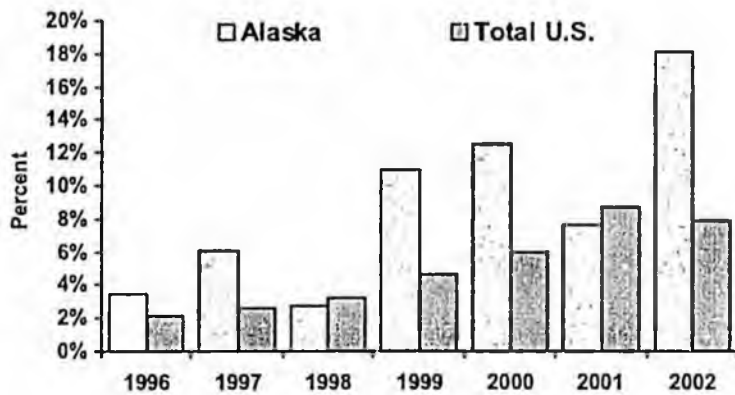
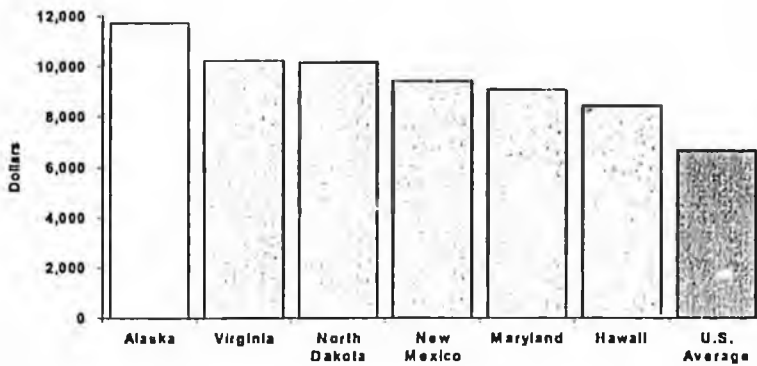


Figure 6-3. FFY 2002: Federal Spending per Capita, Top Six States



Among federal agencies, the Department of Defense spends the most in Alaska, followed by the Department of Health and Human Services. Together, they account for nearly half of all federal spending in the state. Not surprisingly, a large portion of federal money flows into Alaska through salaries of federal employees. However, more than one-third of all federal spending is in the form of grants, mostly to state and local governments, but also to non-profit organizations.

Table 6-2. Total Federal Spending, FFY 2002
\$ Million

By Agency			By Category		
	<u>\$Million</u>	<u>Percent</u>		<u>\$Million</u>	<u>Percent</u>
Defense	1,975	26	Grants	3,127	41
Health & Human Services	1,823	24	Salaries & Wages	1,499	20
Social Security	591	8	Procurement	1,396	18
Other Agencies	<u>3,174</u>	<u>42</u>	Retirement & Disability	981	13
			Other Direct Payments	<u>560</u>	<u>7</u>
Total	7,563	100		7,563	100

Source: Consolidated Federal Funds Report for FY 2002, U.S. Census Bureau, U.S. Department of Commerce, Washington, D.C. 20233

In FY 2003, the state received and spent \$1.8 billion of federal funds. Alaska received \$1.91 for every \$1 collected in federal taxes from the State of Alaska.⁽¹⁾ This funding is restricted to specific uses, such as road improvements, Medicaid payments and aid to schools. Approximately 48% of total federal money spent by the state in FY 2003 was for capital projects. Potential changes to federal law, differing federal and state fiscal years and changing numbers of eligible Alaskans in certain programs make forecasting federal revenue difficult. The estimates that we present for FY 2004 and 2005 are therefore necessarily rough.

It is important to note that the state routinely budgets for more federal money than it actually receives. The legislature authorizes agencies to receive and spend the maximum that federally funded programs might need. Actual amounts normally turn out to be less. Also, some of the federal money appropriated for multi-year capital projects is received and spent in years following the one in which the money is appropriated.

For FY 2004, the state budgeted \$2.4 billion in federal receipts. Most federal funding required state matching money. The budgeted state match in FY 2004 is \$324 million. All federal funds, whether spent in the operating or capital budget, are restricted to specific uses. The largest categories of federal spending, as budgeted for FY 2004, are Medicaid (\$528 million), highways and airports (\$731 million), public safety (\$557 million) and education (\$275 million).

(1) Tax Foundation Special Report No. 124, "Federal Tax Burdens and Expenditure by State," www.taxfoundation.org.

7.

INVESTMENT REVENUE

Figure 7-1. FY 2003 Investment Revenue
\$1.2 Billion

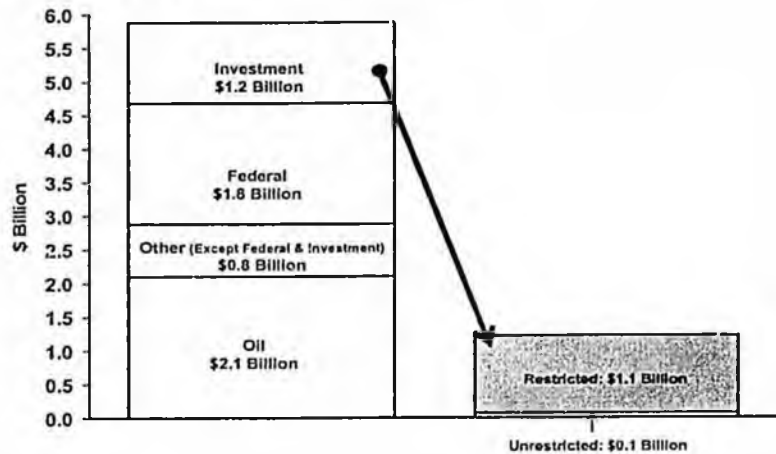


Table 7-1. Total Investment Revenue
Preliminary FY 2003 and Projected FY 2004-2005
\$ Million

	Preliminary		
	FY 2003	FY 2004	FY 2005
Unrestricted			
Investments of Governmental Funds	28.2	7.8	8.9
Interest Paid by Others	<u>30.8</u>	<u>3.9</u>	<u>2.8</u>
Subtotal	59.0	11.7	11.7
Restricted			
Investments of Governmental Funds	20.3	5.1	6.2
Constitutional Budget Reserve Fund	144.4	58.8	80.4
Other Treasury Managed Governmental Funds	24.4	28.7	30.9
Alaska Permanent Fund ⁽¹⁾	<u>962.6</u>	<u>2,105.9</u>	<u>1,948.0</u>
Subtotal	1,151.7	2,198.5	2,065.5
Total	1,210.7	2,210.2	2,077.2

(1) Total Permanent Fund realized and unrealized earnings.

Investment Forecast

To forecast investment revenue for the current fiscal year — FY 2004 — we combine actual performance through September 30 with a projection for the rest of the year. Normally, forecasts and estimated capital market median returns are based on information supplied by the state's investment consultant, Callan Associates Inc., and its "Five-Year Capital Market Estimated Returns" (see the table below.)

Table 7-2. Callan Associates Inc.'s Five-Year Capital Market Estimated Returns
(Next Revision March 2004)

Asset Class	Benchmark for Asset Class	%/Year Median Expected Return	%/Year Expected Risk
Equities			
U.S. Broad	Callan Associates Inc. (CAI) Broad Market	9.0	17.3
U.S. Large Cap	Standard and Poors (S&P) 500	8.7	16.2
U.S. Small Cap	CAI Small	10.3	25.0
International	Morgan Stanley Capital International EAFE	9.6	21.5
Fixed Income			
Domestic Broad Market	Lehman Brothers Aggregate	4.75	4.5
Domestic Short Term (cash equivalent)	Three-Month U.S. Treasury Bill	3.0	0.7
Domestic Intermediate Term	Merill Lynch 1-to-5-Year Government	4.0	3.15
International	Salomon Brothers Non-U.S. Government	4.65	9.6
Other			
Real Estate		7.6	16.5
Economic Variables			
Inflation		2.6	1.4

The continued volatility in the world's financial markets makes focus on the expected risk columns in the table above particularly appropriate. The numbers in this column represent a statistical measure called standard deviation, which is the most commonly used measure of risk in the investment world. The standard deviation allows you to estimate a range in which you would expect results to fall two-thirds of the time. For example, Callan estimates an average annual return for the domestic broad market fixed-income asset class of 4.75% and an expected risk for that asset class of 4.5%. That means Callan is forecasting that two-thirds of the time the annual return for the domestic broad fixed-income asset class will fall between 0.25% (the median expected average annual return of 4.75% *minus* the expected risk of 4.5%) and 9.25% (the median expected return *plus* the expected risk).

The probability that a particular asset class or portfolio will have a negative return over a given period of time is another way to reflect the riskiness of that asset class or portfolio. The investment income summary tables in this section of the revenue forecast include an estimate of the probability of negative returns for each fund over a one-year period.

Given current market conditions, however, Callan Associates Inc.'s assumptions for projected fixed-income returns from last January are too optimistic. For the General Fund and Other Non-Segregated Investments (GeFONSI) and the Constitutional Budget Reserve Fund (CBRF) Regular Account, we are substituting the current yields-to-maturity of the relevant asset classes. This lowers projected income from the income derived from Callan's assumptions. (See comparison table below.)

We have continued to use Callan's Five-Year Market assumptions for the CBRF Special Subaccount, Public School Trust Fund and Alaska Children's Trust.

Table 7-3. Callan Associates Inc.'s Capital Market Returns vs. Current Yield to Maturity

Asset Class	Benchmark for Asset Class	% per year Callan Associates Inc.	% per year Current Yield Expected to Maturity
Fixed Income			
Domestic Short Term (cash equivalent)	Three-Month U.S. Treasury Bill	3.00	0.95
Domestic Intermediate Term	Merill Lynch 1- to 5-Year Government	4.00	2.13
Domestic Broad Market (Long Term)	Lehman Brothers Aggregate	4.75	5.25

(1) Yield as of October 31, 2003.

Unrestricted Investment Revenue

Unrestricted investment revenue is earned on the General Fund non-segregated investments managed by the Treasury Division. Interest on money due to the state, excluding oil and gas royalty interest, is not managed by Treasury Division. In FY 2003, the state received \$28.5 million in interest earnings accumulated over 10 years on grant funds awarded to the Southern Intertie Project. We are assuming that interest on the grant will generate \$1.6 million in interest in FY 2004 and \$0.5 million in FY 2005.

**Table 7-4. Unrestricted Investment Revenue
Preliminary FY 2003 and Projected FY 2004-2005
\$ Million**

	Preliminary		
	FY 2003	FY 2004	FY 2005
Unrestricted			
Investments	28.2	7.8	8.9
Interest Paid by Others	<u>30.8</u>	<u>3.9</u>	<u>2.8</u>
Total	59.0	11.7	11.7

**Table 7-5. Investment Revenue Summary
Preliminary FY 2003 and Projected FY 2004-2005**

<u>Asset Allocation</u>		
<u>Treasury Pool</u>	Percent Allocation	<u>Performance Benchmark</u>
Short-term, Fixed-Income Pool	50%	Three-Month U.S. Treasury Bill
Intermediate-Term, Fixed-Income Pool	50%	Memil Lynch 1-to 5-Year Government Index
Investment Balance September 30, 2003		\$1,910.7 Million
Projected Annual Rate of Return		1.54 %
Probability of Negative Return Over 1 Year		18.41 %
Actual Total Investment Income, FY 2003		\$ 48.5 Million
Projected Total Investment Income, FY 2004		\$ 12.9 Million
Projected Total Investment Income, FY 2005		\$ 15.1 Million

	\$ Million		
	Preliminary FY 2003	FY 2004	FY 2005
Investment Revenue Unrestricted	28.2	7.8	8.9
Investment Revenue Restricted ⁽¹⁾	<u>20.3</u>	<u>5.1</u>	<u>6.2</u>
Total	48.5	12.9	15.1

(1) Includes subfunds of the General Fund.

Restricted Investment Revenue

Restricted investment revenue consists of earnings from governmental funds, the CBRF, other treasury managed governmental funds and the Alaska Permanent Fund.

Table 7-6. Restricted Investment Revenue
Preliminary FY 2003 and Projected FY 2004-2005
\$ Million

	Preliminary		
	FY 2003	FY 2004	FY 2005
Restricted			
Investments of Governmental Funds	20.3	5.1	6.2
Constitutional Budget Reserve Fund	144.4	58.8	80.4
Other Treasury Managed Governmental Funds	24.4	28.7	30.9
Alaska Permanent Fund ⁽¹⁾	<u>962.6</u>	<u>2,105.9</u>	<u>1,948.0</u>
Total	1,151.7	2,198.5	2,065.5

(1) Annual unrealized and realized earnings from Permanent Fund Table 9-12.

Table 7-7. CBRF Investment Revenue Summary
Preliminary FY 2003 and Projected, FY 2004-2005

Asset Allocation Regular Account

Treasury Pool	Percent Allocation	Performance Benchmark
Short-term, Fixed-Income Pool	20%	Three-Month U.S. Treasury Bill
Intermediate-term, Fixed-Income Pool	60%	Merill Lynch 1- to 5-Year Government Index
Broad Market Fixed-Income Pool	20%	Lehman Brothers Aggregate Bond Index

Regular Account Balance September 30, 2003	\$1,504.2 Million
Projected Annual Rate of Return	2.41 %
Probability of Negative Return Over 1 Year	8.00 %

Asset Allocation Special Subaccount

Treasury Pool	Percent Allocation	Performance Benchmark
Broad Market Fixed-Income Pool	44%	Lehman Brothers Aggregate Bond Index
Domestic Equity Pool	39%	Russell 3000 Index
International Equity Pool	17%	MSCI EAFE Index

Special Subaccount Balance September 30, 2003	\$380.4 Million
Projected Annual Rate of Return	7.23 %
Probability of Negative Return Over 1 Year	24.34 %

	Total Investment Income (\$Million)		
	Preliminary		
	FY 2003	FY 2004	FY 2005
Regular Account	126.6	20.0	49.6
Special Subaccount	<u>17.8</u>	<u>38.8</u>	<u>30.8</u>
Total	144.4	58.8	80.4

**Table 7-8. Constitutional Budget Reserve Fund Cash Flows
Preliminary FY 2003 and Projected FY 2004-2005
\$ Million**

	Preliminary FY 2003	FY 2004	FY 2005
Beginning Cash Balance CBRF	2,469.3	2,092.4	1,896.8
Beginning Main Account Balance	2,114.4	1,719.7	1,484.8
Earnings on Main Account Balance ⁽¹⁾	126.6	20.0	49.6
Petroleum Tax, Royalty Settlements ⁽²⁾	22.3	20.0	20.0
Loan to GF (prior year)	(89.3)	0.0	0.0
Loan to GF (current year) ⁽³⁾	(454.3)	(271.9)	(573.5)
Payback of Cash Flow Draw	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Ending Main Account Balance	1,719.7	1,484.8	981.0
Beginning Special Subaccount Balance	354.9	372.7	411.5
Earnings on Special Subaccount Balance ⁽¹⁾	17.8	38.8	30.8
Loan to GF from Special Subaccount	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Ending Special Subaccount Balance	372.7	411.5	442.3
Total CBRF Balance	2,092.4	1,896.3	1,423.3

(1) Through October, FY 2004, the earnings of the main account were -\$6.4 million. The projected earnings rate for the remainder of FY 2004 for the main account is 2.52% to reflect the historically low short rates that currently exist. Starting in FY 2005, the estimated rate increases to 3.95%, Callan's capital market assumptions. The projected earnings rate for the special subaccount is 7.23%, Callan's capital market assumptions. These projections are based on the Department of Revenue, Treasury Division's asset allocation.

(2) Settlement estimates are provided by the Department of Revenue and Department of Law.

(3) The FY 2003 draw is based on the audited cash balance in the CBRF as of June 30, 2003. FY 2004 CBRF draw projections are provided by the Office of Management and Budget (OMB) and do not represent final budget numbers. The estimated future loan figures are slightly different than those found in the Executive Summary. That table was based on flat budget projections while OMB's estimate in this table is based on the assumption that certain portions of the budget will change with population.

The treasury manages two other governmental funds, the Public School Trust and the Alaska Children's Trust. Tables for each are on the adjacent page.

**Table 7-9. Public School Trust Investment Revenue Summary
Preliminary FY 2003 and Projected FY 2004-2005**

Asset Allocation

<u>Treasury Pool</u>	<u>Percent Allocation</u>	<u>Performance Benchmark</u>
Broad Market Fixed-Income Pool	59%	Lehman Brothers Aggregate Index
Domestic Equity Pool	41%	Russell 3000 Index

Public School Trust Fund Balance September 30, 2003 \$ 272.8 Million
 Projected Annual Rate of Return 6.49 %
 Probability of Negative Return Over 1 Year 21.34 %

	Total Investment Income and Distributable Income (\$ Million)		
	Preliminary		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Public School Trust Total Investment Income	17.5	17.9	18.6
Public School Trust Distributable Income	9.3	9.7	10.2

**Table 7-10. Alaska Children's Trust Investment Revenue Summary
Preliminary FY 2003 and Projected FY 2004-2005**

Asset Allocation

<u>Treasury Pool</u>	<u>Percent Allocation</u>	<u>Performance Benchmark</u>
Broad Market Fixed-Income Pool	59%	Lehman Brothers Aggregate Index
Domestic Equity Pool	41%	Russell 3000 Index

Alaska Children's Trust Balance September 30, 2003 \$ 8.7 Million
 Projected Annual Rate of Return 6.49 %
 Probability of Negative Return Over 1 Year 21.34 %

	Total Investment Income and Distributable Income (\$ Million)		
	Preliminary		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Alaska Children's Trust Total Investment Income	0.7	0.6	0.7
Alaska Children's Trust Distributable Income	0.3	0.3	0.4

Table 7-11. Alaska Permanent Fund Managed by the Permanent Fund ⁽¹⁾
Preliminary FY 2003 and Projected FY 2004-2005
\$ Million

	Preliminary FY 2003	FY 2004	FY 2005
Reserved Assets — Principal			
Total Reserved Assets — Beginning Balance	22,389.4	24,094.3	25,159.0
Contributions and Appropriations			
Contributions and Appropriations — Beginning Balance	21,884.2	22,988.0	23,300.2
Dedicated Petroleum Revenue	397.6	300.1	251.5
Inflation Proofing Transfer from Realized Earnings	352.1	0.0 ⁽¹⁾	612.8
Deposits to Principal and Settlement Earnings	<u>354.1</u>	<u>12.1</u>	<u>15.3</u>
Subtotal — Contributions and Appropriations	22,988.0	23,300.2	24,179.8
Unrealized Appreciation/Depreciation			
Appreciation/Depreciation — Beginning Balance	505.2	1,106.3	1,858.8
Annual Unrealized Gain/Loss	<u>601.1</u>	<u>752.5</u>	<u>425.2</u>
Subtotal — Unrealized Appreciation/Depreciation	1,106.3	1,858.8	2,284.0
Total Reserved Assets — Ending Balance	24,094.3	25,159.0	26,463.8
Realized Earnings Account			
Realized Earnings Account — Beginning Balance	1,135.8	100.0	877.3
Annual Realized Earnings	361.5	1,353.4	1,522.8
Dividend Payment to the State of Alaska ⁽²⁾	(690.7)	(564.0)	(489.0)
Inflation Proofing Transfer to Reserved Assets	(352.1)	0.0 ⁽³⁾	(612.8)
Other Transfers to Reserved Assets	(354.1)	(12.1)	(15.3)
Other Appropriations Out of the Fund	<u>(0.4)</u>	<u>0.0</u>	<u>0.0</u>
Realized Earnings Account — Ending Balance	100.0	877.3	1,283.0
Market Value — Total Fund Invested Assets Value			
Contributions and Appropriations End-of-Year Balance	22,988.0	23,300.2	24,179.8
Unrealized Appreciation/Depreciation End-of-Year Balance	1,106.3	1,858.8	2,284.0
Realized Earnings End-of-Year Balance (Statutory Earnings)	<u>100.0</u>	<u>877.3</u>	<u>1,283.0</u>
Fund Balance (Market Value) End-of-Year Balance	24,194.3	26,036.3	27,746.8
Annual Accounting Net Income ⁽³⁾	962.6	2,105.9	1,948.0

Source: Permanent Fund Corporation data using September 30, 2003, financial statements and the Department of Revenue fall 2003 revenue forecast. Income projections are based on Callan Associates, Inc.'s, June 30, 2003 capital market assumptions: 8.87% total return projected for FY 2004 (using actual data for three months and projected data for nine months) and 7.60% total return projected for future fiscal years.

(1) The dividend payment is recorded as a liability at fiscal year end, and is paid out the following month.

(2) \$354 million of FY 2004's projected inflation proofing of \$516 million was prefunded in FY 2003. Currently, there is no FY 2004 appropriation for the remaining \$162 million balance.

(3) According to a recent Attorney General opinion, the unrealized appreciation/depreciation portion of accounting net income is considered a component of reserved assets as shown above.

8.

STATE ENDOWMENT

FUNDS

This section of the revenue forecast compares some important attributes of six existing endowment funds. The University of Alaska endowment is included in this comparison because it is one of the Alaska state public endowment funds that employs the annual distribution practices typical of the vast majority of endowments in the United States and Canada.⁽¹⁾

The fiduciary for each of these endowment funds has the responsibility for establishing an asset allocation policy for the fund. The table below compares the asset allocation policies for these endowments.

Today, under the standards adopted by the Governmental Accounting Standards Board (GASB), public funds complying with those standards determine and report their income by recognizing changes in the value of securities as income, or losses, as they occur at the end of each trading day, regardless of whether the securities are actually sold and the income taken, or realized. All six of these endowments report annual income on this basis. However, as reflected in the table, four of them — two of the funds administered by the Alaska Permanent Fund Corporation, the Public School Trust and the Alaska Children's Trust — use other measures of annual income for their distributions.

In determining the amount of income available for distribution each year for the two funds managed by the Alaska Permanent Fund Corporation (Alaska Permanent Fund and Mental Health Trust Fund), gains or losses on individual stocks and bonds are not recognized until the stock or bond is sold. For calculating distributable income for the Public School Trust and the Alaska Children's Trust, only interest earned and dividends paid are treated as income. Gains and losses in the value of individual stocks and bonds are never recognized as income. By law, those gains and losses remain with the principal of the fund.

	U.S. Cash	Foreign Bonds	U.S. Bonds	Int'l Equities	Real Equities	Alternative Estate	Investments	Total
Alaska Permanent Fund	0	35	2	37	16	10	0	100
Mental Health Trust	0	35	2	37	16	10	0	100
Public School Trust	0	58	0	42	0	0	0	100
Alaska Children's Trust	0	59	0	41	0	0	0	100
Power Cost Equalization	0	38	0	43	19	0	0	100
University of Alaska Endowment	1	28	0	36	12	5	18	100

(1) The predominant practice, making annual distributions of 4% to 5% of the market value of the endowment, developed following a 1968 Ford Foundation study. See *The Ford Foundation Managing Educational Endowments* (New York, New York; 1968).

Table 8-2. Calculation of Annual Income — State Endowment Funds

	<u>Financial Reporting of Income</u>	<u>Distributable Income</u>
Alaska Permanent Fund	GASB (recognize gains and losses based on change in market value)	Interest earnings + dividends paid + gains and losses on securities actually sold
Mental Health Trust	GASB (recognize gains and losses based on change in market value)	Interest earnings + dividends paid + gains and losses on securities actually sold
Public School Trust	GASB (recognize gains and losses based on change in market value)	Interest earnings + dividends paid; gains and losses on value of securities are never income, they become part of principal
Alaska Children's Trust	GASB (recognize gains and losses based on change in market value)	Interest earnings + dividends paid; gains and losses on value of securities are never income, they become part of principal
Power Cost Equalization Endowment	GASB (recognize gains and losses based on change in market value)	GASB (recognize gains and losses based on change in market value)
University of Alaska Endowment	GASB (recognize gains and losses based on change in market value)	GASB (recognize gains and losses based on change in market value)

Table 8-3. Distributable Income Determination — State Endowment Funds

Alaska Permanent Fund	The annual distribution for the Permanent Fund Dividend follows the formula in AS 37.13.140-.150, which equals 10.5% of the past five years' total realized income but not to exceed 50% of the balance in the Fund's realized Earnings Reserve Account (ERA). The 50% limitation has never been triggered. Also, because the fund principal does not change with changes in investment market values, the market value volatility for the entire fund is absorbed by the total realized and unrealized ERA. Consequently, a large balance is needed in the total ERA to ensure there are enough funds for the full annual dividend distribution according to the statutory formula of realized earnings.
Mental Health Trust	The Mental Health Trust Board adopted a policy to annually distribute 3.5% of the market value of the fund's total assets beginning in FY 2001. For FY 1996-1998 it was 3%; for FY 1999-2000 it was 3.25%. Because of recent declines in market value, the Trust Board is exploring a redefinition of "principal" so that losses in market value would be proportionally allocated to the principal account and the income account.
Public School Trust	The annual distribution is 4.75% of a five-year moving average of the fund principal's market value so long as that amount does not exceed the interest and dividend earnings available in the earnings account. The trust has accumulated a sizable income account balance so the fund is better able to retain its ability to distribute in a sustained bear market.
Alaska Children's Trust	The annual distribution is 4.75% of a five-year moving average of the fund principal's market value so long as that amount does not exceed the interest and dividend earnings available in the earnings account. The trust has accumulated a sizable income account balance so the fund is better able to retain its ability to distribute in a sustained bear market.
Power Cost Equalization Endowment	The annual distribution is 7% of the fund's market value. For the initial transition years, use the market value on February 1 for the subsequent fiscal year. Thereafter, use 7% of the monthly average value for a specified 36-month period.
University of Alaska Endowment	The annual distribution is 5% of a five-year moving average of the market value of the fund.

Table 8-4. Inflation-Proofing Procedures — State Endowment Funds

Alaska Permanent Fund	The legislature annually inflation proofs the principal of the Permanent Fund (but not the accumulated balance in the Earnings Reserve Account (ERA)) pursuant to AS 37.13.145. The legislature each year transfers from the ERA to the fund's principal an amount equal to the U.S. Consumer Price Index's effect on the value of the principal. The Alaska Permanent Fund Corporation's Trustees have proposed a constitutional amendment that would inflation proof the entire fund by limiting the annual distribution of earnings to 5% of the market value of the fund.
Mental Health Trust	The Mental Health Trust Authority has adopted two policies to inflation proof the fund. It limits distributions to 3.5% of the fund's market value. (The authority's ultimate distribution rate goal of 5% should still inflation proof the fund.) The authority also has adopted a policy transferring money from the reserve account to the principal whenever the reserve exceeds four times the annual income distribution.
Public School Trust	The asset allocation policy is such that, in combination with the requirement that the fund's capital gains and losses remain part of the principal of the fund, the retained capital gains are adequate to inflation proof the fund.
Alaska Children's Trust	The asset allocation policy is such that, in combination with the requirement that the fund's capital gains and losses remain part of the principal of the fund, the retained capital gains are adequate to inflation proof the fund.
Power Cost Equalization Endowment	The legislature, in selecting a 7% distribution policy, expressly elected not to inflation proof this fund, but rather to distribute all, or almost all, of its anticipated annual earnings.
University of Alaska Endowment	The university's distribution policy of 5% of the moving five-year average of the fund's market value should inflation proof the fund.

This page is intentionally left blank.

9.

PUBLIC CORPORATIONS
& UNIVERSITY OF ALASKA

Public Corporations

The state has established the following public corporations to carry out certain public policies:

- Alaska Housing Finance Corporation (AHFC)
- Alaska Industrial Development and Export Authority (AIDEA)
- Alaska Energy Authority (AEA)
- Alaska Student Loan Corporation (ASLC)
- Alaska Municipal Bond Bank Authority (AMBBA)
- Alaska Aerospace Development Corporation
- Alaska Railroad Corporation

These seven corporations and the University of Alaska are component units of state government whose activities are accounted for in the State's Comprehensive Annual Financial Report separately from the activities of primary state government.

Four of these corporations — the Alaska Housing Finance Corporation (AHFC), Alaska Industrial Development Authority (AIDEA), Alaska Student Loan Corporation (ASLC) and Alaska Municipal Bond Bank Authority (AMBBA) — pay some portion of their income as a "dividend" to the state.

Two of these corporations — AIDEA and ASLC — share a common staff and board of directors. The other corporations each have their own staffs and boards. While neither the sale of bonds nor the expenditure of bond proceeds by these corporations are subject to the Executive Budget Act, expenditures for the day-to-day administration of all of these corporations except the Alaska Railroad.

The following six tables summarize the activities of these seven corporations.

Table 9-1. Public Corporations - Missions
What does the corporation do and how does it do it?

Alaska Housing Finance Corporation

Using proceeds from the sale of bonds backed by its corporate assets, AHFC purchases home mortgages from Alaska banks. Income from payments on these mortgages repays bond holders and adds to the corporation's income, thereby enabling the corporation, since FY 1991, to pay an annual dividend and/or return of capital to the state. In addition to ensuring that Alaskans, especially Alaskans of low and moderate income and those in remote and underdeveloped areas of the state, have adequate housing at reasonable cost, the corporation administers federally and state-funded multi-residential, senior and low-income housing, residential energy and home weatherization programs. In recent years, the legislature has authorized AHFC to finance the construction of schools, University of Alaska facilities and other capital projects identified by the legislature.

Alaska Industrial Development and Export Authority

By lending money, guaranteeing loans or becoming an owner, AIDEA makes financing available for industrial, export and other business enterprises in Alaska. The corporation earns money from interest on its loans and from leases and operations of its properties. The corporation has paid an annual dividend to the state since FY 1997.

Alaska Energy Authority

A separate entity within AIDEA, AEA provides loans to rural utilities, communities and individuals to pay for the purchase or upgrade of equipment and for bulk fuel purchases. Additionally, the agency administers the Power Cost Equalization program, subsidizing rural electric costs with the earnings of the Power Cost Equalization Endowment. AEA also receives federal and state money to provide technical advice and assistance in energy planning, management and conservation in rural Alaska.

Alaska Student Loan Corporation

The Alaska Student Loan Corporation uses proceeds from bond sales to finance student loans made by the Alaska Commission on Postsecondary Education. Loan repayments satisfy bond obligations and enhance the corporation's capital asset base. Alaska statutes authorize the board of directors to annually declare a return to the state of a portion of its contributed capital. The board has declared a return of capital for FY 2001, FY 2002 and FY 2003.

Alaska Municipal Bond Bank Authority

The Bond Bank loans money to Alaska municipalities in Alaska for capital improvement projects. The bank's larger capital base, its reserve funds and its credit rating enable to sell bonds at lower interest rates than the municipalities could obtain on their own. The Bond Bank earns interest on the money it holds in reserve and has returned a dividend to the state every year since 1977.

Alaska Aerospace Development Corporation

This corporation finances aerospace-related ventures in Alaska, including the establishment and operation of a commercial space vehicle launch facility in Kodiak, space science and engineering research and promoting tourism at the Poker Flat rocket range and other facilities. Eventually, income from investments and operations will be returned to a revolving fund to make more loans and acquire properties.

Alaska Railroad Corporation

The corporation operates freight and passenger rail services between Seward and Fairbanks, including a spur line to Whittier. In addition, the corporation generates revenues from real estate it owns.

Table 9-2. Public Corporations - State Capitalization
How did the state capitalize the corporation?

Alaska Housing Finance Corporation

The legislature appropriated \$739.9 million in cash and \$292.5 million in mortgages held by the General Fund to the corporation between 1976 and 1984. The payments on those mortgages and additional mortgages purchased with the cash, have helped build the corporation's asset base and allow it to return some capital to the state each year. In 1993, AHFC received an additional \$27.7 million in cash and \$9.3 million in equity when the legislature merged the Alaska State Housing Authority with this corporation.

Alaska Industrial Development and Export Authority

Between 1981 and 1991, the State of Alaska transferred various loan portfolios worth \$366.1 million and \$69 million in cash to this corporation. In 1998, the state transferred ownership of the Ketchikan Shipyard.

Alaska Energy Authority

The legislature established the AEA in 1976 to finance and operate power projects. This corporation has also administered rural energy programs at various times, including the present. As a result of legislatively mandated reorganizations, capital has moved into and out of the corporation. At the end of FY 2001, this corporation reported contributed capital of \$963.5 million, some of which came from the federal government.

Alaska Student Loan Corporation

In FY 1988, the state transferred \$260 million of existing student loans to this corporation. Additional appropriations of cash between FY 1988 and FY 1992 totaled \$46.7 million.

Alaska Municipal Bond Bank Authority

Between 1976 and 1986, the legislature appropriated \$18.6 million to the Bond Bank to be used for backing bond issues. In addition, the legislature gave the Bond Bank \$2.5 million in 1981 to cover an anticipated default by a municipality. The municipality did not default, and the Bond Bank retained the appropriation.

Alaska Aerospace Development Corporation

Since 1993, the state has contributed \$10.9 million from the Science and Technology Endowment.

Alaska Railroad Corporation

The state bought the railroad from the federal government in 1985. The purchase price of \$22.7 million was recorded as the state's capitalization.

Table 9-3. Public Corporations - Financial Facts, FY 2003 ⁽¹⁾

	\$ Million				
	Total Assets	Assets Less Liabilities Book Value	Unrestricted Net Assets	FY 2002 Operating Budget	Total ⁽²⁾ Positions
Alaska Housing Finance Corporation	\$5,066	\$1,738	\$148	\$39.4	377
Alaska Industrial Development and Export Authority	\$1,159	\$822	\$810	\$6.5	66
Alaska Energy Authority	\$579	\$423	\$221	\$20.0	See AIDEA ⁽³⁾
Alaska Student Loan Corporation	\$834	\$323	\$11	\$10.4	104
Alaska Municipal Bond Bank Authority	\$319	\$41	\$20	\$0.6	1
Alaska Aerospace Development Corporation ⁽⁴⁾	\$84	\$52	\$0.5	\$5.4	28
Alaska Railroad Corporation ⁽⁵⁾	\$367	\$119	\$110	\$77.0	644

(1) All figures are effective as of June 30, 2003, except for the Alaska Railroad which reports on a calendar year basis

(2) Permanent Full Time (PFT), Permanent Part Time (PPT) and Temporary (TMP) are included in total positions.

(3) The Alaska Industrial Development and Export Authority (AIDEA) provides staff for the activities of the Alaska Energy Authority (AEA). A significant portion of AIDEA's 65 member staff is engaged in AEA programs.

(4) Unaudited.

(5) The Alaska Railroad reports financial data on a calendar year. Assets and book value shown here are for December 31, 2002. The operating budget figure shown here is for CY 2003.

**Table 9-4. Public Corporations - Revenue and Not Income
\$ Million**

	<u>FY 2003 Revenue</u>	<u>FY 2003 Operating Income</u>	<u>FY 2003 Net Income</u>
Alaska Housing Finance Corporation	\$348.4	\$67.1	(\$28.2)
Alaska Industrial Development and Export Authority	\$79.5	\$42.4	\$22.6
Alaska Energy Authority	\$56.8	(\$23.6)	(\$14.5)
Alaska Student Loan Corporation	\$37.1	\$26.5	\$21.5
Alaska Municipal Bond Bank Authority	\$14.0	\$3.7	\$1.6
Alaska Aerospace Development Corporation	\$0.4	(\$2.1)	(\$2.0)
Alaska Railroad Corporation ⁽¹⁾	\$94.5	\$2.1	\$8.9

(1) The Alaska Railroad reports financial data on a calendar year. CY 2002 covers the second half of FY 2002 and the first half of FY 2003.

Table 9-5. Public Corporations - Dividends to the State
How, if at all, does the corporation pay dividends to the state?

Alaska Housing Finance Corporation

The Twenty-Third Legislature in 2003 enacted SCSHB 256 (the "2003" Act) which added language to the Alaska Statutes to modify and incorporate the Transfer Plan. As approved and signed into law by the Governor, the Transfer Plan calls for annual transfers as follows (in \$ thousands): FY 2004 \$103,000; FY 2005 \$103,000; FY 2006 \$103,000; FY 2007 Lesser of 95% Net Income or \$103,000; FY 2008 Lesser of 85% Net Income or \$103,000; FY 2009 and thereafter Lesser of 75% Net Income or \$103,000.

Alaska Industrial Development and Export Authority

By statute, AIDEA must make available to the state not less than 25% and not more than 50% of its total net income for a base year, defined as the year two years prior to the dividend year. The dividend is further limited to no more than the total amount of its *unrestricted* net income in the base year (AS 44.88.088). Net income is defined in the statutes.

Alaska Energy Authority

AEA does not pay a dividend or return capital to the state on a regular basis. However, in FY 2000 this corporation returned \$55.6 million of contributed capital to the Railbelt Energy Fund and the General Fund

Alaska Student Loan Corporation

This corporation, at the discretion of its board of directors, may make available to the state a return of contributed capital for any base year in which the net income of the corporation is \$2 million or more. A base year is defined as the year two years before the payment year. If the board authorizes a payment, the returned capital must be between 10% and 35% of net income for the base year (AS 14.42.295).

Alaska Municipal Bond Bank Authority

By statute, the Bond Bank annually returns earnings or income of its reserve fund, in excess of expenses, to the state.

Alaska Aerospace Development Corporation

AADC does not pay a dividend or return capital to the state.

Alaska Railroad Corporation

The ARRC does not pay a cash dividend to the General Fund; however, it does make significant contributions to Alaskans and the communities it serves through charitable donations, operational, real estate and capital improvements.

Table 9-6. Public Corporations - Operating Expenses and Dividends
\$ Million

	Operating Expenses Subject to the Executive Budget Act		Dividends and/or Return of Capital	
	Actual FY 2003	Budget FY 2004	Actual FY 2003	Budget FY 2004
Alaska Housing Finance Corporation	\$37.3	\$39.4	\$103.0 ⁽¹⁾	\$103.0
Alaska Industrial Development and Export Authority	\$5.5	\$6.6	\$20.2	\$16.4 ⁽²⁾
Alaska Energy Authority	\$18.2	\$1.0	na	na
Alaska Student Loan Corporation	\$10.2	\$10.4	\$5.3	\$5.0
Alaska Municipal Bond Bank Authority	\$0.6	\$0.5	\$1.6	\$0.9
Alaska Aerospace Development Corporation	\$2.5	\$12.4	na	na
Alaska Railroad Corporation	na	na	na	na

(1) This figure reflects the provision in Chapter 130, SLA 2000, that \$103 million will be transferred to the state each year through Fiscal 2008. Because some of this money is earmarked for multi-year capital projects, actual cash transfers in any given year may vary.

(2) The FY 2004 AIDEA budget is currently appropriated at \$16.4 million. The Board has authorized a budget of \$18.2 million.

University of Alaska

Table 9-7. University of Alaska
\$ Million

Lands and Facilities June 30, 2003	Total Assets June 30, 2003	Unrestricted Net Assets	FY 2004 Operating Budget	FY 2004 Total Positions
\$703.9 ⁽¹⁾	\$984.8	\$40.8	\$649.6	3,881

(1) Unaudited. Includes depreciation. Past years' figures did not include depreciation, in accordance with accounting principles for universities at that time.

ROSETTA STONE

Introduction

This Revenue Sources Book, published by the Department of Revenue, the Summary of Appropriations, published by the Legislative Finance Division and the Comprehensive Annual Financial Report (CAFR), published by the Finance Division of the Department of Administration all present detailed information about where the State gets the money for its budgeted day-to-day operations.

Although these three documents concern the same subject matter, they serve very different purposes. This Revenue Sources Book concerns the first step in the process, estimating available "general purpose" or "unrestricted" revenue for appropriation in the next fiscal year. It is published each fall, just before the legislative session — about seven months before the beginning of the fiscal year for which it is forecasting revenue. While the main focus for us in preparing this book is the unrestricted revenue, we also look at many sources of restricted revenues as well.

At the far end of the spectrum from this forecast is the CAFR. The CAFR reports what actually happened to state dollars during the prior fiscal year, and is published in December about six months after the end of the fiscal year — about two years after the publication of the Revenue Sources Book that had estimated the available revenue for that year. In December of 2003, a CAFR covering FY 2003 will be published. In April 2004, we will publish a comparison between the 2003 CAFR and the 2003 numbers in our spring forecast

In between the publication of our forecast and the CAFR, thousands of events occur and many different "snapshots" of the state's finances are taken. The Summary of Appropriations is one such snapshot, which records how much money the legislature and governor have authorized to be spent in the legislative session then just ended. The Summary of Appropriations is published in July, right at the start of the fiscal year. The Summary of Appropriations for FY 2004 was published in July 2003.

Even though these three books concern the same subject matter, they present it differently. The purpose of this appendix is to reconcile these three documents. Going from one document to the other can be very difficult, because each uses a different system to classify various kinds of state money, so a sum of money in one report may be broken up into many different pieces in a different report, or vice-versa. In addition, some of the critical terms used in the classification are defined very differently among the books.

Defining "Fund"

Alaska's public finances are generally described under one of two different systems: "accounting funds" or "budget funds." Many accounting funds have a corresponding budget fund. For other funds, a single budget fund can incorporate several entire accounting funds or parts of various accounting funds, and the reverse is true as well. Some budget funds have no corresponding accounting fund. As will be set forth below, a major difference between the two systems of funds is how each defines the "general fund."

Fewer than 100 of the approximately 181 budget funds are active⁽¹⁾— and some of these are used to designate duplicated receipts. When a budget writer says money is coming from a particular fund, the writer identifies a source that may include money already set aside under that fund code or a revenue stream earmarked for that fund code. Seventy-four of those funds show up in the 2004 Summary of Appropriations as "other revenues" and can be found in Tables 10-3 through 10-5.

Accounting funds are funds established under general accepted accounting principles as codified by the Governmental Accounting Standards Board (GASB).⁽²⁾ These rules apply to all the states, counties, cities and other public jurisdictions across our country. They are meant to increase the transparency of public finances and the accountability of public officials. Accountants track revenue into specific GASB-defined funds. However, when an accountant says money is coming from a particular fund, the accountant is identifying a source that may include money on hand already set aside under that fund code or from a stream of revenues earmarked for that fund code.

(1) The list of fund codes can be found in several places, including "The Swiss Army Knife of Budget Handbook," <http://www.legfin.state.ak.us/>, with more recent additions found only in the budget itself.

(2) The GASB is a sister organization to the more well known FASB or Financial Accounting Standards Board. GASB sets out generally accepted accounting principles (GAAP) for governmental entities; FASB sets out GAAP for private businesses. Both are under the auspices of the Financial Accounting Foundation.

Defining "General Fund"

The General Fund is the general operating fund of the state. All public money coming into the state treasury that is not authorized or required by law to be placed in a special fund constitutes the General Fund. As noted above, the accounting "General Fund" and the budgeting "general fund" are not the same. For example, the FY 2003 budget, passed in the spring of 2002, was predicated on \$2 billion in general fund revenue. The draft CAFR for FY 2003 shows General Fund revenue of \$4.4 billion for the period. Did \$2.4 billion go missing? No, the difference is because accountants and budget writers use the term "general fund" differently.

The accountants' General Fund starts with everything in the budget writers' general fund, which represents the core government dollars that are designated as "unrestricted" in this Revenue Sources Book. The accountants' General Fund, however, also includes the following:

- Sub-accounts or sub-funds of the General Fund. A budget writer will consider a General Fund subfund as a separate fund, and will discuss moving money from the general fund to a subfund. But such a transfer would not show up in the accountants' final report, because to the accountants it had no effect on the General Fund. For example, in conformance with GASB 34 standards, in FY 2003, the Constitutional Budget Reserve is considered a subfund of the General Fund.
- Federal dollars that are spent in general fund programs. No accounting funds are defined by the fact that they have only federal dollars. On the other hand, six specific budget codes refer to different kinds of federal funds

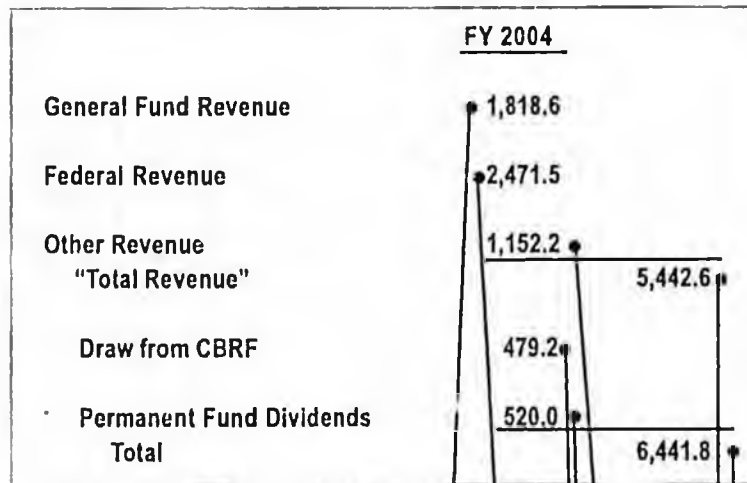
To distinguish between these two concepts, in this document we will capitalize the accountants' General Fund, and keep the budget writers' general fund in lowercase.

Reconciling This Revenue Sources Book With the State's Annual Budget

Budgeting is a dynamic process and there are many different budget documents available. This section compares the Revenue Sources Book with one of the most accessible of these many budget documents: the Summary of Appropriations published by the Legislative Finance Agency every year. We have chosen the hard print version of the Summary of Appropriations for FY 2004 issued in the summer of 2003, just after the FY 2003 budget had been passed. For FY 2004, there will be many minor differences between the Revenue Sources Book and the Summary of Appropriations that simply reflect the difference between the budget document which was looking forward in July 2003 and the forecast which is looking backwards from the vantage of November 2003 after the passage of five of FY 2004's 12 months.

Page One of the Summary of Appropriations, reproduced on the next page, presents a total budget picture for FY 2004, with each item "boxed" on the reproduction.

Table 10-1. Total Budget
\$Million



Summary of Appropriations - 2003 Legislative Session - FY 2003
FY03/FY04 Fiscal Summary
(\$ millions)

	FY03 Authorized				FY04 Enacted				FY03 Auth to FY04 Enacted (GF)
	GF	Federal	Other	Total	GF	Federal	Other	Total	
REVENUE (Excludes Permanent Fund Earnings)									
Unrestricted General Purpose Revenue	1,951.3	0.0	0.0	1,951.3	1,748.5	0.0	0.0	1,748.5	(202.8)
One-Time Deposits to the general fund	95.0				70.1			70.1	
Proposed New Revenues (3)					0.0	2,471.5	1,152.2	3,623.7	
Corporate Dividends			77.4	77.4			70.2	70.2	
Federal and Other Funds	0.0	2,494.8	899.2	3,434.1	0.0	2,471.5	1,152.2	3,623.7	
Total Revenue	2,046.3	2,494.8	1,016.7	5,557.8	1,918.6	2,471.5	1,152.5	5,442.6	(227.7)
AUTHORIZATION TO SPEND									
Operating (1)	2,222.2	1,416.4	774.4	4,413.0	2,135.3	1,458.7	805.4	4,400.4	(86.9)
Agency Operations (Non-Formula)	1,115.6	718.1	1,219.2	3,052.9	1,082.4	724.1	1,258.0	3,064.5	(33.4)
Formula Programs	1,106.6	698.3	117.1	1,922.0	1,052.9	734.6	140.5	1,928.0	(53.5)
Forward Programs (Legislatively approved only)		22.0	1.0	23.0					
Duplicated Authorization (2)			(562.8)	(562.8)			(502.1)	(502.1)	
Capital	109.7	955.4	122.8	1,187.9	84.6	969.3	160.3	1,214.2	(25.1)
Project Appropriations	109.7	966.6	165.6	1,181.9	84.6	960.3	201.3	1,246.2	
Bonds / CDFs			528.1	528.1					
Forward Programs (Legislatively approved only)		48.8	0.1	48.9					
Duplicated Authorization (2)			(562.8)	(562.8)			(131.0)	(131.0)	
Statewide	163.6	123.0	119.4	406.0	77.9	43.4	195.8	307.1	(85.7)
Debt Retirement	35	0.0	0.0	35	3.6	0.0	131.0	134.6	(0.1)
Fund Capitalization	65.8	25.2	81.3	172.3	50.8	47.8	132.2	230.8	(58.5)
Supplemental Appropriations	94.2	97.8	15.3	207.3	25.6			25.6	(64.6)
New Legislation			147.6	147.6	(1.4)	(4.3)	1.0	(3.7)	(1.4)
Duplicated Authorization (2)							(83.1)	(83.1)	
Total Authorization (unduplicated)	2,495.5	2,494.8	1,016.7	6,007.0	2,297.8	2,471.5	1,525.5	5,921.8	(197.7)
Draw From Constitutional Budget Reserve	449.2			449.2	479.2			479.2	29.9
Permanent Fund Dividends			520.0	520.0			520.0	520.0	
Permanent Fund Initiation Proceeding & Other Transfers (4)			893.0	893.0			0.0	0.0	
TOTAL WITH PERMANENT FUND	2,495.5	2,494.8	2,399.7	7,390.0	2,297.8	2,471.5	1,672.5	6,441.8	(197.7)

The draws from the Constitutional Budget Reserve Fund (CBRF) and the appropriations for Permanent Fund Dividends (PF) described in the Summary of Appropriations are draws on pools of dollars already in place. If all the other revenues are spent dollar for dollar, then these additional appropriations are needed to get a picture of the complete budget. In the pertinent restricted revenue sections, the Revenue Sources Book describes the revenue that go into these funds. The Summary of Appropriations is describing the money that is taken from these funds. The Revenue Sources Book includes an extensive discussion of both the PF and the CBRF in Section 9. Of course, when we project future balances for those funds we include both the revenue coming into and the dollars taken out of each. Typically, there would also be an appropriation for inflation proofing but inflation proofing for FY 2004 was appropriated in 2003.

Comparison of Revenue

In the next table there are four areas in these two reports that have close enough ties to be compared.

- What the Revenue Sources Book labels as “Unrestricted General Purpose Revenue” ties to what the Summary of Appropriations labels “General Fund Revenue.”
- What the Revenue Sources Book characterizes as “Restricted Federal Revenues” ties to federal revenue in the Summary of Appropriations.
- Finally, what the Summary of Appropriations characterizes as “Other Revenue” can be divided into three parts. The first, roughly half, covers items that do line up with what the Revenue Sources Book characterizes as “Other Revenues (Except Federal & Investment).” The second, again roughly half, does not. It generally represents draws from existing sources of money and not actual new revenues.
- The third piece, which represents a couple of percent of the Summary of Appropriation’s “Other Revenue” contains two items, which line up with the Revenue Sources Book, as investment revenue.

The “Restricted Oil Revenue” and the remaining “Restricted Investment Revenue” found in the Revenue Sources Book — that flow primarily into the CBRF and PF — have no counterpart in the Summary of Appropriations.

Table 10-2. Comparison of FY 2004 Revenue Shown in Revenue Sources Book (RSB) and Summary of Appropriations

Presentation in Revenue Sources Book (RSB), Table 2-2.		Presentation in Fiscal Summary, Table 1.	
Description	\$ Million	\$ Million	Description
Unrestricted Revenue			
Oil	1,730.7		
Other (Excluding Federal & Investment)	280.5		
Investment	11.7		
Subtotal Unrestricted Revenue	<u>2,022.9</u>	<u>1,818.6</u>	General Fund Revenue
Restricted Revenue			
Oil Revenue	366.8		Nothing Comparable in Budget
Federal Revenue	2,427.8	2,471.5	Federal Revenue
Nothing Comparable in RSB		665.1	Other Revenue Items not in RSB (Table 12-3)
Other Revenue (Excluding Fed & Investment)	504.1	474.2	Non-Oil Items in Forecast (Table 12-4)
Investment Revenue			
Found in Summary of Appropriations	18.5	<u>13.2</u>	Investment Items in RSB (Table 12-5)
Not Found in Summary of Appropriations	<u>2,180.0</u>	1,152.5	Subtotal Other Revenue
Subtotal Investment Revenue	<u>2,198.5</u>		Nothing Comparable in Budget
Subtotal Restricted Revenue	5,467.2		
Total Revenue in RSB	<u>7,490.1</u>	<u>5,442.5</u>	Revenue in Summary of Appropriations

General Fund Revenue

Conceptually, the \$1,818.6 million in revenue listed in the Summary of Appropriations corresponds to the \$2,022.9 million in Unrestricted General Purpose Revenue shown in the Revenue Sources Book.⁽¹⁾ Practically, in the Summary of Appropriations, "general fund revenues" are based on last year's spring 2003 forecast, made in April of 2003. This year's fall 2003 forecast of course is written in November, now that one-third of fiscal year 2004 is behind us, and it looks like our unrestricted revenues will be \$2,022.9 million or 11% higher than originally forecast. Why? Several reasons, but the two usual suspects we see ever year show up here once again – the price and volume of Alaska North Slope crude. In April of 2003, we estimated an average price for a barrel of ANS for FY 2004 of \$25.28. Now, about one-third of the way through the fiscal year, we have revised this estimate up to \$27.70 or about \$2.50 higher, which will result in both higher oil royalty and production tax collections. We also project production of 0.993 million barrels a day. Now we are projecting about 3,000 barrels a day more or 0.996 million barrels, which again will result in higher projected oil royalty and production tax collections. In addition to several other minor adjustments in the non-oil and investment areas of the forecast, income tax collections from the oil and gas industry appear to be about \$20 million more than anticipated, for a net increase of \$204.3 million. As a consequence of this increase, we forecast the annual draw from the CBRF will go down by roughly the same — \$204.3 million.

Federal Revenue

Two reconciling items are necessary to get from the \$2,471.5 million in federal revenue listed in the Summary of Appropriations to the \$2,427.8 in the Revenue Sources Book. This number is developed by the Office of Management and the Budget (OMB) which asks each agency how much federal money it expects to receive and spend over the fiscal year. The first reconciling item simply represents the better information we have now five months into the fiscal year. The other item concerns \$34.6 million the state received from the federal government in FY 2003 as our share of lease bids on federal land in the NPR-A. That money can be seen as restricted oil money in FY 2003 in the forecast. The state is only now appropriating that money for certain uses and is including the same \$34.6 million as a source for FY 2004 spending. We have subtracted this amount from the FY 2004 estimate so as to not double count that money.

(1) We call this category "unrestricted revenue" rather than "general fund revenue" because, while all the dollars here are general fund revenues, at least according to the accounting definition of General Fund, there are lots of General Fund revenues that are not included here.

Other Revenue

Although characterized as revenue in the Summary of Appropriations, a significant portion of \$1,152.4 million dollars ⁽¹⁾ in this category appear to not be revenue as the Revenue Sources Book uses the term. Rather, as was explained earlier for the PF and CBRF, the figure in the Summary of Appropriations is the amount that will be used by state government for various purposes. It might represent a draw down from an existing pool of money, current revenues or more typically, a combination of the two. There does not appear to be any budget document that sets forth how much money is available in the various budget funds – nor a reconciliation of how well those figures will line up with actual cash on hand.⁽²⁾

Where those sources exist as investable dollars there is frequently actual revenue, which we will include in our investment numbers – but the draw rarely matches the forecast return. The budget draw is either larger than the investment return, implying that the source is being used up, or the budget draw is smaller than the investment return, implying that the source is being built up. In general, the budget draws are larger. Most of these investment revenues are discussed in Section 7.

Table 10-3 sets forth the items that are shown as sources of money for the budget in the Summary of Appropriations, but are not revenues or listed in the Revenue Sources Book. They are subcategorized into several types of sources in the discussion that follows.

Retirement Related Trust Funds

The Alaska State Pension Investment Board manages the retirement funds. The Treasury Division of the department serves as staff to the Pension Board. The Revenue Sources Book does not show the dollars transferred between the retirement funds and the department to pay for the staff while the Summary of Appropriations does. Other trust funds hold money for current state employee benefits.

(1) The specific figures are derived from the Summary of Appropriation documents by first taking the detailed Summary of Appropriations found at pages 15 -19 for operating budget and netting out duplicated fund sources found on pages 7, 10-11, adding in the capital non-duplicated fund sources found on pages 9 and 25-26 in anticipated supplemental funding. The result (\$ 6,441.8) precisely matches total revenues plus anticipated CBRF draw as found in the fiscal summary. OMB budget codes designate each item as federal, general fund or other, so the sources can be divided between these three categories.

(2) The CAFR does track the "cash on hand" and investments in the General Fund.

Mental Health Trust Fund

This fund was established in 1994 to settle a dispute concerning land that was set aside in a trust to support mental health services in Alaska. When the Trust makes grants to state agencies to carry out the mission of the Trust, these grants pass through the Mental Health Trust Authority Authorized Receipts Fund that is shown as their source for the budget. The cost of administering the trust is subject to the Executive Budget Act and the funding for this expenditure is received in the Mental Health Administration Fund.

Permanent Fund

These are additional draws from the Earnings Reserve of the Permanent Fund used to cover expenses related to the Permanent Fund for issuing the dividend. Actual revenue earned by the fund is included in both the Revenue Sources Book and the CAFR.

Component Revenue Sources and State Enterprises

We have separated out those revenues of the component organizations such as UA which the legislature appropriates back to the organizations to run their affairs and carry out their missions. Their day to day expenditures are subject to the Executive Budget Act. The dollars being so appropriated show up in the budget documents. The gross revenue of these organizations can be found in Section 7 of this book. We are also including funds for the international airports, state operated enterprises

Revolving Loan Funds

These revenues represent the annual payments of interest and principle on the outstanding loans in each fund's portfolio. Even though the interest portion of those repayments represents revenue to the state, it is not included in our Revenue Sources Book.

Other Fund Sources not in Revenue Sources Book

These remaining sources, many of which are quite small, represent many different things. The one large item for \$80.2 million is designated "miscellaneous revenues" and represents items associated with bond or loan arbitrage, premiums or surpluses. By their nature each is primarily a one time item.

**Table 10-3. Items in FY 2004 Summary of Appropriations Not in Revenue Sources Book
\$Million**

OMB Fund Number	OMB Fund Name	Summary of Appropriations "Other Revenue" From Table 10-2 Not In Revenue Sources Book
Retirement Related Trust Fund Sources		
1017	Benefit Systems Receipts	17.58
1023	FICA Administration Fund	0.15
1029	Public Employees Retirement Fund	26.03
1034	Teachers' Retirement System Fund	12.81
1042	Judicial Retirement System	0.30
1053	Investment Loss Trust	2.99
1045	National Guard Retirement System	<u>0.20</u>
	Subtotal	60.06
Mental Health Trust Fund Sources		
1092	Mental Health Trust Administration	12.29
1094	Mental Health Trust Authority Authorized Receipts	<u>1.19</u>
	Subtotal Mental Health Trust Fund Sources	13.48
Permanent Fund		
1041	Permanent Fund Earnings Reserve Account	33.50
1179	Permanent Fund Corporation	12.50
1105	General Fund Program Receipts	<u>54.74</u>
	Subtotal Permanent Fund	100.74
Revolving Loan Funds		
1021	Agricultural Loan Fund	2.23
1035	Veterans Revolving Loan Fund	0.06
1036	Commercial Fishing Loan Fund	4.20
1046	Student Revolving Loan Fund	0.03
1057	Small Business Loan	0.00
1062	Power Project Loan Fund	0.84
1065	Rural Electrification Loan Fund	0.33
1067	Mining Loan Fund	0.01
1069	Historical District Revolving Loan Funds	0.00
1071	Alternative Energy Revolving Loan Funds	0.14
1074	Bulk Fuel Revenue Loan	<u>0.05</u>
	Subtotal Revolving Loan Funds	7.89

Table 10-3. Items in FY 2004 Summary of Appropriations Not in Revenue Sources Book, cont.
\$Million

OMB Fund Number	OMB Fund Name	"Other Revenue" From Table 10-2 Not in Revenue Sources Book
Component Revenue Sources and State Enterprises		
1027	International Airports Revenue Fund	91.41
1048	University Of Alaska Interest Restricted Receipts	276.50
1101	Alaska Aerospace Development Corporation Receipts	10.97
1106	Alaska Post-Secondary Education Commission Receipts	<u>8.50</u>
Subtotal Component Revenue Sources and State Enterprises		387.38
Other Fund Sources not in Revenue Sources Book		
1040	Real Estate Surety	0.25
1059	Correctional Industry	5.11
1068	Child Care Facility	0.01
1142	Retiree Health Insurance Management	0.02
1143	Retiree Health Insurance	0.04
1152	Alaska Fire Standards Council Receipts	0.23
1154	Shore Fisheries Development Lease	0.33
1164	Rural Economic Development Initiative	0.04
1166	Vessel Environmental Compliance Fund	0.71
1169	Power Cost Equalization Endowment	7.95
1173	Miscellaneous Earnings	80.86
1181	Veterans' Endowment	<u>0.01</u>
Subtotal Other Fund Sources not in Revenue Sources Book		95.56
Total		665.12

Table 10-4 are those items that line up fairly closely, and are categorized as "other revenues" in both the restricted section of the Revenue Sources book and the Summary of Appropriations. They are divided into the same categories as Section 5 where a more complete discussion of each topic can be found.

Fines and Forfeitures

The State of Alaska was a participant in the so-called Master Settlement Agreement (MSA) in which the major tobacco companies agreed to reimburse the state of Alaska for the costs it will incur to treat its population made sick from smoking commercially available tobacco products. Through the agency of the Northern Tobacco Securitization Corporation (NTSC), the state sold much of the stream of settlement payments up front for cash by issuing bonds backed by future settlement payments. Part of the money from the MSA is set aside for tobacco-use related education, and that is found in both the Summary of Appropriations and the Revenue Sources Book. In the Revenue Sources Book we include estimated future settlement payments to the state that the NTSC will use to pay off the bonds. This latter stream of money is not shown in the Summary of Appropriations.

Licenses and Permits

This category lines up very closely between the two sources (see RSB, Page 60.)

Taxes

A portion of the tax on cigarettes is dedicated to the School Fund. A portion of the insurance premium tax is earmarked for the Workers Safety and Comp fund. A portion of the alcohol tax is earmarked for the Alcohol and Drug Prevention and Treatment program. All of these are shown in both the Summary of Appropriations and the Revenue Sources Book. To help the reader tie these to the rest of the Revenue Sources Book, the tax dollars shared with the municipalities and various fishery industry promotion groups are shown here to tie to restricted total taxes in the Revenue Sources Book of \$24.1 million.

Charges for Services

The Revenue Sources Book (Pages 57 and 58) and the Summary of Appropriations draw on the same sources for most of these figures. They line up well except for the category labeled the Alaska Marine Highway.

Rents and Royalties

This material lines up precisely with RSB (Page 61.)

Table 10-4. Items in FY 2004 Summary of Appropriations Shown in Non-Oil Revenue in Sources Book \$ Million

OMB Fund Number	OMB Fund Name	Summary of Appropriations Comparable "Other Revenue"	
		Revenue Sources Book from Table 10-2 in	Revenue Sources Book "Other Revenue" Excluding Federal & Investment
Fines & Forfeitures			
1049	Training and Building	0.7	0.6
1168	Tobacco Use Education	5.4	4.4
	Other	0.0	1.2
	Northern Tobacco Securitization Corp Payments	<u>0.0</u>	<u>17.4</u>
Total Fines & Forfeitures		6.1	23.6
Licenses & Permits			
1024	Fish and Game Fund	24.2	23.4
1032	Fisherman's Fund	1.3	0.8
1093	Clean Air Protection	3.8	2.7
	Other	<u>0.0</u>	<u>3.0</u>
Total Licenses & Permits		29.3	29.9
Taxes			
1030	School Fund (Cigarette Tax)	28.6	30.2
1157	Workers' Safety and Compensation	4.2	4.3
1180	Alcohol & Drug Prevention and Treatment Fund	<u>21.4</u>	<u>15.7</u>
Subtotal Earmarked Taxes		54.2	50.2
	NB: Taxes shared with local municipalities		<u>24.1</u>
Total Taxes			74.3
Charges for Services			
1076	Alaska Marine Highway System Fund	54.9	41.9
1108	Statutory Designated Program Receipts	117.3	117.3
1156	Other Receipt Supported Services	74.0	74.0
1070	Fisheries Enhancement	0.3	0.3
1109	Test Fisheries Receipts	2.7	2.7
1117	Vocational Rehabilitation Small Business Enterprise	0.4	0.3
1141	Regulatory Commission of Alaska Receipts	6.1	6.1
1155	Timber Sales Receipts	0.7	0.7
1162	Alaska Oil & Gas Conservation Commission Rcpts	4.1	4.1
1170	Small Business Economic Development Relief Fund	0.1	0.3
1172	Building Safety	1.6	1.3
1175	Business License Receipts	2.2	2.2
	Miscellaneous	<u>0.0</u>	<u>0.5</u>
Subtotal Receipt Supported Services		18.2	18.5
Total Charges for Services		264.4	251.7

Table 10-4. Items In FY 2004 Summary of Appropriations Shown In Non-Oil Revenue In Sources Book, cont.
\$ Million

OMB Fund Number	OMB Fund Name	Summary of Appropriations	Revenue Sources Book
		Comparable "Other Revenue" from Table 10-2 in Revenue Sources Book	"Other Revenue" Excluding Federal & Investment
Rents and Royalties			
1153	Land Disposal Inc. Fund	<u>7.8</u>	<u>4.7</u>
Total Rents and Royalties		7.8	4.7
Other Public Corporations Dividends			
1104	Alaska Municipal Bond Bank	1.3	1.3
1107	Alaska Energy Authority	1.1	1.1
1139 & 1103	AHFC	66.7	57.9
1140 & 1102	AIDEA Dividend	20.6	20.6
1150	Alaska Student Loan Corporation	<u>4.1</u>	<u>4.1</u>
Subtotal Other Public Corporation Dividends		93.8	85.0
Other - Contributions			
1018	Exxon Valdez Oil Spill Settlement	5.0	15.7
1031	Second Injury Fund	3.2	4.1
1054	State Employment and Training Program	5.6	4.6
1111	Fishermans' Fund Income	0.1	0.2
1151	Technical and Vocational Education Fund	4.6	4.6
	Miscellaneous	<u>0.0</u>	<u>5.7</u>
Subtotal Other - Contributions		18.5	34.9
Total Other		112.3	119.9
Total Comparable "Other Revenue" from Table 10-2		474.2	504.1

Other — Dividends from Public Corporations

How these dividends are passed on to general government is complex. For example the AHFC dividend can be broken into several pieces: capital project dollars spent directly by AHFC, dollars appropriated for debt retirement and dollars used to pay off AHFC bonds. However, only the first two uses are specifically identified in the Summary of Appropriations because the payment of bonds is part of the general ("language") appropriation and thus is not part of AHFC's appropriation. See Section 9 of the Revenue Sources Book for the actual revenues earned by each of these corporations.

Other — Contributions and Other Miscellaneous

This shows contributions and other miscellaneous revenue found in Table 5-7 on Page 52.

Table 10-5 breaks out two items in "Other Treasury Managed Funds" in the investment revenues section of the Revenue Sources book that are directly comparable with the Summary of Appropriations. As shown in Section 7 of this book, these, and many other state funds calculate their earnings available for distribution differently than how GASB calculates earnings. For these three funds, the distributable income is a fixed percentage of the market value of the fund, whether that value is shrinking or growing. Thus, for example, the Public School Trust had \$9.7 million in distributable income, which represents 7% of the fund market value over the previous 36 months. But the fund actually gained \$17.9 million in value. Table 10-5 sets forth both the revenues and the dollars available for distribution. As might be expected, the distributable funds line up more closely with the Summary of Appropriations numbers than the actual revenues.

Table 10-5. FY 2004 Summary of Appropriations
Items Shown in Investment Revenue in Revenue Sources Book
\$ Million

OMB Fund Number	OMB Fund Name	Summary of Appropriations Comparable "Other Revenue" from Table 12-2	Revenue Sources Book Comparable "Investment Revenue" from Table 12-2	Distributable Income from Investment Section
1098	Childrens' Trust Fund Earnings	0.4	0.6	0.3
1066	Public School Trust Fund	<u>12.7</u>	<u>17.9</u>	<u>9.7</u>
	Total	13.2	18.5	10.0

This page is intentionally left blank.

APPENDICES

A General Fund Unrestricted Revenue Sensitivity Matrices
\$ Million

		Million barrels/day		
		0.90	0.95	1.00
\$/barrel	20.00	1,300	1,340	1,370
	21.00	1,360	1,390	1,430
	22.00	1,410	1,450	1,490
	23.00	1,460	1,500	1,550
	24.00	1,510	1,560	1,610
	25.00	1,560	1,620	1,670
	26.00	1,610	1,670	1,730
	27.00	1,670	1,730	1,790
	28.00	1,720	1,780	1,850
	29.00	1,770	1,840	1,910
	30.00	1,820	1,890	1,970
	31.00	1,870	1,950	2,030
	32.00	1,920	2,010	2,090

		Million barrels/day		
		0.90	0.95	1.00
\$/barrel	20.00	1,190	1,230	1,270
	21.00	1,240	1,280	1,330
	22.00	1,290	1,340	1,380
	23.00	1,340	1,390	1,440
	24.00	1,390	1,450	1,500
	25.00	1,440	1,500	1,560
	26.00	1,490	1,550	1,610
	27.00	1,550	1,610	1,670
	28.00	1,600	1,660	1,730
	29.00	1,650	1,720	1,780
	30.00	1,700	1,770	1,840
	31.00	1,750	1,820	1,900
	32.00	1,800	1,880	1,960

		Million barrels/day		
		0.90	0.95	1.00
\$/barrel	20.00	1,330	1,380	1,420
	21.00	1,390	1,430	1,470
	22.00	1,440	1,480	1,530
	23.00	1,490	1,540	1,590
	24.00	1,540	1,590	1,640
	25.00	1,590	1,650	1,700
	26.00	1,640	1,700	1,760
	27.00	1,690	1,750	1,820
	28.00	1,740	1,810	1,870
	29.00	1,790	1,860	1,930
	30.00	1,850	1,920	1,990
	31.00	1,900	1,970	2,040
	32.00	1,950	2,020	2,100

B. Unrestricted Petroleum Production Tax and Royalty Revenue Forecast
\$ Million

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY2014	FY 2015
Alaska North Slope												
Net Oil Royalty (1)	830.4	693.7	568.4	558.1	552.0	542.6	511.7	489.6	463.2	435.7	378.2	355.0
Oil Severance (2)	533.7	397.1	300.0	272.5	299.3	294.5	253.0	224.9	197.6	186.6	166.6	154.5
Conservation Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hazardous Release Fund	9.1	9.1	8.9	8.9	9.0	7.9	8.9	8.8	8.8	8.7	8.3	7.8
Gas Royalty	2.1	1.1	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Gas Severance Tax	<u>1.5</u>	<u>1.6</u>	<u>1.4</u>	<u>1.3</u>	<u>1.3</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	<u>1.1</u>	<u>1.1</u>	<u>1.1</u>
Subtotal	1,376.8	1,102.6	879.6	841.7	862.4	848.2	775.7	725.4	671.6	633.1	555.1	519.4
Cook Inlet												
Net Oil Royalty (1)	22.4	17.2	13.8	12.8	12.0	11.4	10.8	10.3	9.9	9.5	9.2	8.8
Oil Severance Tax (2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Conservation Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hazardous Release Fund	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Gas Royalty	31.6	25.7	26.5	27.4	28.2	29.2	30.1	31.1	32.1	33.2	34.3	35.4
Gas Severance Tax	<u>19.1</u>	<u>19.0</u>	<u>19.7</u>	<u>20.3</u>	<u>20.9</u>	<u>21.6</u>	<u>22.3</u>	<u>23.0</u>	<u>23.7</u>	<u>24.5</u>	<u>25.3</u>	<u>26.1</u>
Subtotal	73.3	62.2	60.2	60.7	61.4	62.3	63.4	64.6	65.9	67.3	68.9	70.5
Total Production Tax and Royalty Revenue	1,450.1	1,164.8	939.9	902.4	923.8	910.5	839.1	789.9	737.5	700.4	624.0	589.8
Bonuses	<u>12.1</u>	<u>16.1</u>	<u>28.0</u>	<u>16.8</u>	<u>12.4</u>	<u>14.0</u>	<u>14.0</u>	<u>14.0</u>	<u>14.0</u>	<u>14.0</u>	<u>14.0</u>	<u>14.0</u>
Total Production Tax and Royalty Revenue and Bonuses	1,462.2	1,180.9	967.9	919.2	936.2	924.5	853.1	803.9	751.5	714.4	638.0	603.8

(1) Unrestricted oil royalty revenue is net of Permanent Fund and Public School Fund contributions. Includes oil interest paid.
(2) Includes Exploration Incentive Credit.

C. Historical and Projected Crude Oil Prices
\$ Million

FY	WTI		ANS West Coast		ANS Wellhead	
	nominal	real2003	nominal	real2003	nominal	real2003
1990	20.06	29.08	17.22	24.96	11.90	17.25
1991	24.95	34.56	21.57	29.87	15.38	21.30
1992	20.69	27.37	16.64	22.01	11.21	14.83
1993	20.69	26.55	17.83	22.88	12.81	16.44
1994	16.69	20.79	14.05	17.50	9.57	11.92
1995	18.54	22.54	16.77	20.38	11.51	13.99
1996	19.20	22.65	17.74	20.93	12.60	14.86
1997	22.54	25.88	20.90	23.99	16.40	18.83
1998	18.03	20.24	15.86	17.80	11.91	13.36
1999	14.09	15.55	12.73	14.05	8.47	9.35
2000	24.82	26.87	23.27	25.19	18.82	20.37
2001	30.41	31.73	27.85	29.06	22.24	23.21
2002	23.80	24.05	21.78	22.01	16.80	16.98
2003	29.47	29.47	28.15	28.15	23.35	23.35
2004	29.23	28.41	27.70	26.91	22.46	21.83
2005	26.35	24.89	24.65	23.28	19.46	18.38
2006	23.70	21.75	22.00	20.19	16.74	15.36
2007	23.70	21.09	22.00	19.62	16.63	14.84
2008	23.70	20.50	22.00	19.07	16.53	14.33
2009	23.70	19.92	22.00	18.53	16.46	13.87
2010	23.70	19.36	22.00	18.01	16.35	13.39
2011	23.70	18.82	22.00	17.50	16.20	12.89
2012	23.70	18.28	22.00	17.01	16.21	12.53
2013	23.70	17.77	22.00	16.53	16.06	12.06
2014	23.70	17.27	22.00	16.06	15.87	11.59
2015	23.70	16.78	22.00	15.61	15.69	11.13

D. Historical and Projected Crude Oil Production

Million Barrels per Day

FY	(1)	(2)	(3)	(4)	(5)	(6)	(7)					(8)	(9)	Total ANS		
	Prudhoe Bay	PBU- Satellite	Kuparuk Satellite	Milne Point	Endicott	GPMA	Alpine	Northstar	Flord	Point Thomson	NPRA	Liberty	Known Onshore		Known Offshore	
1985	1.534	.	0.161	.	.	.	.	.	.	.	.	.	.	.	1.694
1986	1.555	.	0.238	.	0.009	.	.	.	.	.	.	.	.	.	1.802
1987	1.564	.	0.272	.	0.006	.	0.018	.	.	.	.	.	.	.	1.859
1988	1.605	.	0.287	.	0.000	0.069	0.044	.	.	.	.	.	.	.	2.006
1989	1.524	.	0.300	.	0.002	0.098	0.038	.	.	.	.	.	.	.	1.962
1990	1.396	.	0.300	.	0.011	0.103	0.037	.	.	.	.	.	.	.	1.846
1991	1.330	.	0.299	.	0.018	0.108	0.039	.	.	.	.	.	.	.	1.794
1992	1.300	.	0.316	.	0.020	0.111	0.037	.	.	.	.	.	.	.	1.783
1993	1.193	.	0.322	.	0.018	0.115	0.031	.	.	.	.	.	.	.	1.679
1994	1.082	.	0.308	.	0.018	0.099	0.083	.	.	.	.	.	.	.	1.593
1995	0.991	.	0.303	.	0.021	0.099	0.145	.	.	.	.	.	.	.	1.572
1996	0.891	.	0.283	.	0.022	0.089	0.165	.	.	.	.	.	.	.	1.474
1997	0.809	.	0.267	.	0.052	0.068	0.180	.	.	.	.	.	.	.	1.404
1998	0.713	.	0.260	0.001	0.053	0.058	0.161	.	.	.	.	.	.	.	1.275
1999	0.636	0.003	0.241	0.025	0.055	0.048	0.127	.	.	.	.	.	.	.	1.164
2000	0.570	0.004	0.212	0.037	0.053	0.044	0.090	.	.	.	.	.	.	.	1.035
2001	0.540	0.007	0.196	0.031	0.052	0.037	0.071	0.040	.	.	.	.	.	.	0.991
2002	0.487	0.026	0.175	0.039	0.052	0.033	0.074	0.096	0.020	.	.	.	.	.	1.003
2003	0.433	0.045	0.160	0.052	0.051	0.029	0.064	0.098	0.057	.	.	.	.	.	0.990
2004	0.420	0.056	0.155	0.053	0.053	0.030	0.064	0.099	0.066	.	.	.	.	.	0.996
2005	0.401	0.056	0.152	0.061	0.054	0.029	0.062	0.098	0.063	.	.	.	.	.	0.985
2006	0.383	0.076	0.145	0.071	0.053	0.027	0.056	0.103	0.054	.	.	.	.	.	0.968
2007	0.366	0.081	0.139	0.076	0.053	0.025	0.052	0.117	0.046	0.010	.	.	.	.	0.965
2008	0.353	0.086	0.133	0.070	0.052	0.024	0.049	0.117	0.036	0.020	0.030	.	.	.	0.969	
2009	0.338	0.080	0.127	0.077	0.051	0.022	0.044	0.104	0.029	0.020	0.070	0.003	.	.	0.964	
2010	0.324	0.074	0.121	0.072	0.048	0.021	0.040	0.086	0.023	0.018	0.066	0.020	0.035	0.010	0.957	
2011	0.310	0.068	0.115	0.078	0.046	0.020	0.037	0.071	0.019	0.015	0.062	0.025	0.050	0.025	0.941	
2012	0.297	0.063	0.110	0.073	0.043	0.018	0.034	0.060	0.015	0.014	0.058	0.065	0.048	0.030	0.012	0.941
2013	0.286	0.059	0.104	0.079	0.040	0.017	0.032	0.051	0.013	0.012	0.055	0.100	0.038	0.028	0.015	0.930
2014	0.276	0.055	0.099	0.074	0.038	0.016	0.030	0.044	0.011	0.011	0.051	0.114	0.031	0.025	0.014	0.889
2015	0.266	0.051	0.094	0.080	0.035	0.015	0.028	0.038	0.010	0.009	0.048	0.107	0.027	0.023	0.013	0.844

(1) Includes NGLs from Central Gas Facility shipped to TAPS

(2) Midnight Sun, Polaris, Aurora, Borcalis and Orion

(3) West Sak, Tabasco, Tarn and Meltwater

(4) Milne Point, Schrader Bluff and Sag River

(5) Endicott, Sag Delta, Eider and Badami

(6) Lisburne, Point McIntyre, Niakuk, West Beach & North Prudhoe Bay State

(7) Includes Nanuk

(8) Sourdough, Yukon Gold and Flaxman

(9) Sandpiper and Other Offshore discoveries

APPENDICES

E. Historical and Projected General Fund Unrestricted Revenue
\$ Million

FY	1991	1992	1993	1994	1995	1996	(1) 1997	(1) 1998	(1) 1999	(1) 2000	(1) 2001	(1) 2002	(1) 2003
TAX PORTION													
<u>Property Tax</u>	85.0	69.0	66.9	61.5	57.3	56.0	53.6	51.3	48.8	45.0	45.1	49.6	48.7
<u>Sales/Use</u>													
Alcoholic Beverages	12.2	12.0	11.9	12.0	12.0	12.0	11.6	11.8	12.2	12.7	12.0	12.9	25.3
Tobacco Products	14.0	14.3	14.0	14.1	14.4	14.2	13.7	15.4	15.2	16.3	16.3	15.5	16.3
Insurance Premium	24.4	25.5	26.3	26.1	27.9	28.2	28.4	33.7	28.4	28.7	32.2	37.4	43.3
Electric and Telephone Cooperative	2.1	2.1	2.2	2.6	2.3	2.5	2.7	2.3	3.7	3.2	3.3	3.1	3.6
Motor Fuel Tax (3)	<u>39.8</u>	<u>43.3</u>	<u>40.8</u>	<u>40.5</u>	<u>39.6</u>	<u>37.7</u>	<u>35.3</u>	<u>35.8</u>	<u>37.8</u>	<u>42.1</u>	<u>37.5</u>	<u>40.2</u>	<u>37.4</u>
Total	<u>92.5</u>	<u>97.2</u>	<u>95.2</u>	<u>95.3</u>	<u>96.2</u>	<u>92.2</u>	<u>94.6</u>	<u>91.7</u>	<u>97.3</u>	<u>103.0</u>	<u>101.3</u>	<u>109.1</u>	<u>125.9</u>
<u>Income Tax</u>													
Corporation General	37.9	33.7	25.1	44.3	67.0	53.3	48.4	53.4	53.8	56.3	59.5	53.4	47.7
Corporation Petroleum	<u>185.1</u>	<u>165.5</u>	<u>117.6</u>	<u>17.8</u>	<u>128.5</u>	<u>173.7</u>	<u>269.4</u>	<u>200.1</u>	<u>145.1</u>	<u>162.7</u>	<u>338.1</u>	<u>178.4</u>	<u>151.1</u>
Total	<u>223.0</u>	<u>199.2</u>	<u>142.7</u>	<u>62.1</u>	<u>195.5</u>	<u>227.0</u>	<u>317.8</u>	<u>253.5</u>	<u>198.9</u>	<u>219.0</u>	<u>397.6</u>	<u>231.8</u>	<u>198.8</u>
<u>Severance Tax</u>													
Oil and Gas Production	1,253.8	1,022.2	989.4	662.8	769.8	771.7	907.0	564.4	358.6	693.2	694.4	486.7	589.8
Oil and Gas Conservation	2.3	2.3	2.1	2.3	2.0	1.8	1.7	1.6	1.4	0.0	0.0	0.0	0.0
Oil and Gas Hazardous Release	<u>28.0</u>	<u>28.7</u>	<u>26.1</u>	<u>27.0</u>	<u>22.1</u>	<u>13.7</u>	<u>12.9</u>	<u>11.8</u>	<u>11.1</u>	<u>9.5</u>	<u>9.4</u>	<u>9.6</u>	<u>9.2</u>
Total	<u>1,284.1</u>	<u>1,053.2</u>	<u>1,017.6</u>	<u>692.1</u>	<u>793.9</u>	<u>787.2</u>	<u>921.6</u>	<u>577.8</u>	<u>371.1</u>	<u>702.7</u>	<u>703.8</u>	<u>496.3</u>	<u>599.0</u>
<u>Other Natural Resource Tax</u>													
Salmon and Seafood Marketing	3.3	2.8	3.6	5.8	7.9	8.6	7.6	5.6	5.3	7.2	5.7	4.8	4.4
Salmon Enhancement	6.2	4.2	6.8	5.0	5.7	5.2	4.2	4.2	3.9	5.3	3.6	3.7	2.4
Dive Fishery Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2
Fisheries Business	31.1	30.1	42.2	33.9	39.0	38.2	31.0	28.5	25.9	36.7	30.5	25.3	26.0
Fish Landing	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.1</u>	<u>7.3</u>	<u>7.1</u>	<u>7.3</u>	<u>3.8</u>	<u>5.9</u>	<u>5.3</u>	<u>7.3</u>	<u>7.1</u>	<u>8.8</u>
Total	<u>40.6</u>	<u>37.1</u>	<u>52.6</u>	<u>44.8</u>	<u>59.9</u>	<u>59.1</u>	<u>50.1</u>	<u>42.1</u>	<u>41.0</u>	<u>54.7</u>	<u>47.3</u>	<u>41.1</u>	<u>42.8</u>
<u>Other Tax</u>													
Estate	3.3	1.0	0.9	1.6	1.2	1.7	1.7	5.5	1.7	2.5	2.7	3.1	1.2
Other	<u>2.0</u>	<u>2.1</u>	<u>2.0</u>	<u>2.2</u>	<u>2.6</u>	<u>2.5</u>	<u>2.4</u>	<u>3.9</u>	<u>2.9</u>	<u>2.5</u>	<u>4.3</u>	<u>3.2</u>	<u>3.1</u>
Total	<u>5.3</u>	<u>3.1</u>	<u>2.9</u>	<u>3.8</u>	<u>3.8</u>	<u>4.2</u>	<u>4.1</u>	<u>9.4</u>	<u>4.6</u>	<u>8.4</u>	<u>7.0</u>	<u>6.3</u>	<u>4.3</u>
TOTAL TAXES	1,730.5	1,458.8	1,377.9	959.6	1,206.6	1,228.1	1,438.9	1,032.9	761.7	1,132.8	1,302.0	934.2	1,019.5

FY	1991	1992	1993	1994	1995	1996	(1) 1997	(1) 1998	(1) 1999	(1) 2000	(1) 2001	(1) 2002	(1) 2003
NON TAXES													
<u>Licenses and Permlts</u>	29.1	32.4	32.7	35.7	34.7	60.9	69.0	74.6	63.7	69.2	37.3	42.2	33.3
<u>Intergovernmental Receipts</u>													
Federal Shared Revenues	14.8	11.4	10.3	4.3	4.2	1.0	2.0	2.2	0.8	1.0	0.3	0.1	0.0
<u>Charges for Services</u>													
Marine Highways	40.7	42.3	40.8	40.4	41.5	38.5	38.6	37.1	38.8	38.3	37.6	32.2	41.5
Other	<u>16.5</u>	<u>44.1</u>	<u>14.3</u>	<u>18.0</u>	<u>18.1</u>	<u>36.9</u>	<u>39.5</u>	<u>34.9</u>	<u>31.8</u>	<u>43.7</u>	<u>27.0</u>	<u>19.1</u>	<u>13.9</u>
Total	57.2	86.4	55.1	58.4	59.6	75.4	78.1	72.0	70.6	82.0	64.6	51.3	55.4
<u>Fines and Forefeitures</u>	0.0	0.0	0.0	0.0	0.0	9.4	8.2	37.7	12.5	46.2	33.6	6.6	8.6
<u>Rents and Royalties</u>													
Mineral Bonuses, Rents, Royalties	24.8	6.5	44.3	5.2	5.6	6.9	7.4	23.0	25.6	4.0	7.1	14.6	10.0
Oil and Gas Royalties	951.6	702.4	711.3	512.1	628.3	642.2	759.2	480.4	322.6	727.9	781.0	581.2	828.6(4)
Timber Sales	0.4	0.6	0.6	0.4	0.6	1.5	1.9	0.8	0.3	0.3	0.4	0.2	0.0
Sale of State Property	<u>4.7</u>	<u>1.0</u>	<u>4.0</u>	<u>9.0</u>	<u>21.8</u>	<u>8.1</u>	<u>8.6</u>	<u>8.1</u>	<u>10.6</u>	<u>9.4</u>	<u>10.5</u>	<u>9.1</u>	<u>5.9</u>
Total	981.5	710.5	760.2	526.7	656.3	658.7	777.1	512.3	359.1	741.6	799.0	605.1	844.5
<u>Investment Earnings</u>	125.0	101.8	70.9	31.7	72.4	64.1	77.1	60.6	46.5	48.1	78.8	43.1	59.0(5)
<u>Miscellaneous Revenue</u>	14.9	61.4	45.0	36.2	49.2	35.8	44.6	33.5	37.3	27.1	34.9	42.3	9.4
Subtotal NON-TAX REVENUE	1,222.5	1,003.9	974.2	693.0	876.4	905.3	1,056.1	792.8	590.5	1,015.2	1,048.5	790.7	1,010.2
Plus: Income from prior years	33.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL NON-TAX REVENUE	1,256.1	1,003.9	974.2	693.0	876.4	905.3	1,056.1	792.8	590.5	1,015.2	1,048.5	790.7	1,010.2
TOTAL TAX REVENUE	1,730.5	1,458.8	1,377.9	959.6	1,206.6	1,228.1	1,438.9	1,032.9	761.7	1,132.8	1,302.1	934.2	1,019.5
TOTAL GENERAL FUND UNRESTRICTED REVENUE	2,986.6	2,462.7	2,352.1	1,652.6	2,083.0	2,133.4	2,495.0	1,825.8	1,352.2	2,148.0	2,350.6	1,724.9	2,029.7

(1) After FY 1996, all General Fund statutorily designated program receipts are excluded; after FY 2000, all receipt-supported services are excluded.

(2) Starting in FY 1996, all General Fund program receipts are included under Unrestricted Revenue. FY 1996 also includes additional royalties due to payment from the TAPS Liability Fund. However, starting in FY 1998, non-tax General Fund program receipts have been moved from unrestricted to "Statutorily Designated Program Receipts", "Receipt Supported Services" and General Fund subfund categories.

(3) Motor Fuel Tax includes aviation, highway and marine.

(4) FY 2001 oil and gas royalties adjusted to include interest earnings.

(5) FY 2001 investment revenue adjusted to exclude oil and gas interest earnings.

APPENDICES

F. Historical Petroleum Revenue
\$ Million

FY	Corporate Petroleum		Petroleum Property Reserve		(1) (2)	(1) (2)	(3)	Total	(4)	Total	% of Total
	Tax	Production Tax	Tax	Tax	Royalties	Bonuses & Rents	Petroleum Special Settlements	Petroleum Revenue	Cumulative Total Petroleum Revenue	Unrestricted General Purpose Revenue	Unrestricted General Purpose Revenue
1978	8.4	107.7	173.0	.	150.6	1.8	.	441.5	2,797.8	764.9	58%
1979	232.6	173.8	163.4	.	250.2	1.6	.	821.6	3,619.4	1,133.0	73%
1980	547.5	506.5	168.9	.	689.4	344.2	.	2,256.5	5,875.9	2,501.2	90%
1981	860.1	1,170.2	143.0	.	1119.7	11.3	.	3,304.3	9,180.2	3,718.0	89%
1982	668.9	1,581.7	142.7	.	1174.4	7.1	.	3,574.8	12,755.0	4,108.4	87%
1983	236.0	1,493.7	152.6	.	1105.6	38.7	.	3,026.6	15,781.6	3,631.0	83%
1984	265.1	1,393.1	131.0	.	1058.5	13.9	.	2,861.6	18,643.2	3,390.1	84%
1985	168.6	1,389.4	128.4	.	1042.2	14.9	.	2,743.5	21,386.7	3,260.0	84%
1986	133.9	1,107.9	113.5	.	845.0	38.9	418.2	2,657.4	24,044.1	3,075.5	86%
1987	120.4	648.5	102.5	.	448.3	4.3	70.5	1,394.5	25,438.6	1,799.4	77%
1988	158.0	818.7	96.2	.	701.5	11.3	163.9	1,949.6	27,388.2	2,305.8	85%
1989	166.0	698.8	89.7	.	611.5	16.7	257.7	1,840.4	29,228.6	2,186.2	84%
1990	117.2	1,001.6	89.8	0.0	753.7	4.2	154.8	2,121.3	31,349.9	2,507.2	85%
1991	185.1	1,284.8	85.0	0.0	958.7	24.7	33.5	2,571.8	33,921.7	2,986.6	86%
1992	165.5	1,053.2	69.0	0.0	708.2	6.8	4.7	2,007.4	35,929.1	2,462.6	82%
1993	117.6	1,017.6	66.9	0.0	716.7	44.3	4.7	1,967.8	37,896.9	2,352.0	84%
1994	17.8	692.1	61.5	0.0	516.1	5.1	0.1	1,292.7	39,189.6	1,652.5	78%
1995	128.5	793.9	57.3	0.0	631.8	5.0	0.7	1,617.2	40,806.8	2,082.9	78%
1996	173.7	787.2	56.0	0.0	642.2	5.7	0.0	1,664.8	42,471.6	2,133.3	78%
1997	269.4	921.6	53.6	0.0	759.2	6.4	0.0	2,010.2	44,481.8	2,494.9	81%
1998	200.1	577.8	51.3	0.0	480.4	23.0	0.0	1,332.6	45,814.4	1,825.5	73%
1999	145.1	371.1	48.8	0.0	322.6	25.6	0.0	913.2	46,727.7	1,352.1	68%
2000	162.7	702.7	45.0	0.0	731.5	4.0	0.0	1,646.3	48,373.9	2,147.6	77%
2001	338.1	703.8	45.1	0.0	781.0	7.1	0.0	1,875.1	50,249.0	2,282.0	82%
2002	178.4	496.3	49.6	0.0	581.2	14.6	0.0	1,320.1	51,569.1	1,638.0	79%
2003	151.1	599.0	48.7	0.0	830.7	9.6	0.0	1,639.1	53,208.2	1,946.9	84%

- (1) These categories are primarily composed of petroleum revenue, however, they include some additional revenue from other minerals (mostly coal).
- (2) Royalties and bonuses and rents are net of Permanent Fund contribution and Constitutional Budget Reserve Fund (CBRF) deposits.
- (3) Revenue shown here is not subject to deposit in the CBRF. All other tax settlements are deposited in the CBRF.
- (4) This table shows historical petroleum revenue for FY 1978-2003. The cumulative petroleum revenue total is based on revenue beginning in FY 1959.

G. Glossary of Terms Used in Revenue Sources Book

General Fund Revenue: General Fund Revenue has different meanings in different contexts. In the state's official financial reports, General Fund Revenue is used to designate the sum of Unrestricted General Purpose Revenue, General Fund subaccount revenue, program receipts and federal dollars spent through the General Fund.

General Fund Unrestricted Revenue: Revenue designated as General Fund in the state accounting system (AKSAS). This includes revenues we show as restricted in this report, such as shared taxes or Alaska Marine Highway System revenues.

Unrestricted General Purpose Revenue: Revenue not restricted by the constitution, state or federal law, trust or debt restrictions or customary practice. Most legislative and public debate over the budget each year centers on this category of revenue. In deriving this figure from General Fund Unrestricted Revenues, we have excluded customarily restricted revenues such as shared taxes and Alaska Marine Highway System revenues.

Restricted Revenue: Revenue restricted by the constitution, state or federal law, trust or debt restrictions or customary practice. The legislature can of course at any time remove restrictions that are solely imposed by either Alaska statute or customary practice. When these dollars are restricted General Fund revenues, they are either recorded in a restricted subaccount of the General Fund or are General Fund taxes customarily shared with other entities or are program receipts.

Federal Revenue: When the federal government gives money to states, it restricts how that money can be used. Highway and airport construction funds, Medicaid and education funding cannot be used for other purposes. In addition to restricting how the money is spent, the federal government often requires states to put up matching funds to qualify for the federal funding.

Dedicated Revenue: Restricted revenue recognized as such under the applicable provisions of the Alaska Constitution fits into this category. Other than the mineral revenue constitutionally dedicated to the Permanent Fund, all of the other revenue sources in this category were restricted by statute before statehood and therefore are not subject to the constitutional prohibition against dedicated funds. They include such funds as the Fish and Game Fund, Disabled Fisherman's Fund and Public School Fund.

Restricted Program Receipts: This revenue is earmarked in state statute or by contract for specific purposes. Examples include University of Alaska tuition payments, marine highway receipts, payments to various revolving loan funds and public corporation receipts. Some of this revenue is actually dedicated as a consequence of the provisions of Article 18, Section 11 of the Alaska Constitution. The remainder, while statutorily earmarked, may be appropriated to purposes other than those reflected in the example if the legislature so chooses.

G. Glossary of Terms Used in Revenue Sources Book, cont.

Customarily Restricted Revenue: Though not specifically dedicated by statute, these revenue sources have historically been treated by the legislature as if they were restricted. The largest item in this category is Permanent Fund earnings in excess of what is needed each year for dividends and inflation proofing. Though the money could be spent as unrestricted revenue, the legislature has always chosen to retain it in the Permanent Fund's Earnings Reserve Account or appropriate it to the fund's principal.

Permanent Fund Statutory Income: The annual Permanent Fund dividend is based on statutory income. This is the sum of realized gains and losses of all Permanent Fund investment transactions during the year, plus interest, dividends and rents earned by the fund. Though the legislature may appropriate the earnings for any purpose it chooses, the historical practice has been to restrict the use of realized income to dividends and inflation proofing, and then either leaving the excess in the Earnings Reserve Account or transferring it to the principal of the Permanent Fund.

Permanent Fund GASB (or Market) Income: Under standards adopted by the Governmental Accounting Standards Board, the Permanent Fund's income — and that of any other government fund — is the difference between the purchase price of the investments and their market value at a given point in time, plus any dividends, interest or rent earned on those investments. Under GASB standards, the Permanent Fund does not have to sell the investment to count the gain or loss as it changes value. It is called "marking to market," that is, measuring the value of the fund's investments by the current market price. This can produce a much different picture than Permanent Fund statutory income, which does not reflect fluctuating investment values until the assets are sold.

Constitutional Budget Reserve Fund: Created by voters in 1990, the Constitutional Budget Reserve Fund holds the proceeds from settlements of oil and gas and mining tax and royalty disputes since July 1, 1990 minus the withdrawals. It generally requires a three-quarters majority vote of each chamber of the legislature to withdraw money from the fund.

In accordance with AS 37.07.060 (b)(4), the Revenue Sources book is compiled biannually by the Department of Revenue to assist the governor in formulating a proposed comprehensive financial plan for presentation to the Alaska State Legislature. Within the publication are shown prior year actuals, revised current year estimates and future year projections.

Anticipated state income is projected through the use of a number of data sources:

- (1) econometric models developed by the Department of Revenue to forecast unrestricted non-petroleum revenues;*
- (2) a petroleum revenue model created by the department's Tax Division; and*
- (3) estimates from individual state agencies.*

We thank the various state agencies for their cooperation in computing anticipated revenues for publication in this Fall 2003 Revenue Sources Book.

The Department of Revenue complies with Title II of the Americans With Disabilities Act of 1990. This publication is available in alternative communication formats upon request. Please contact the division's representative at 907.465.3692 or 907.465.3678(TDD) to make necessary arrangements.



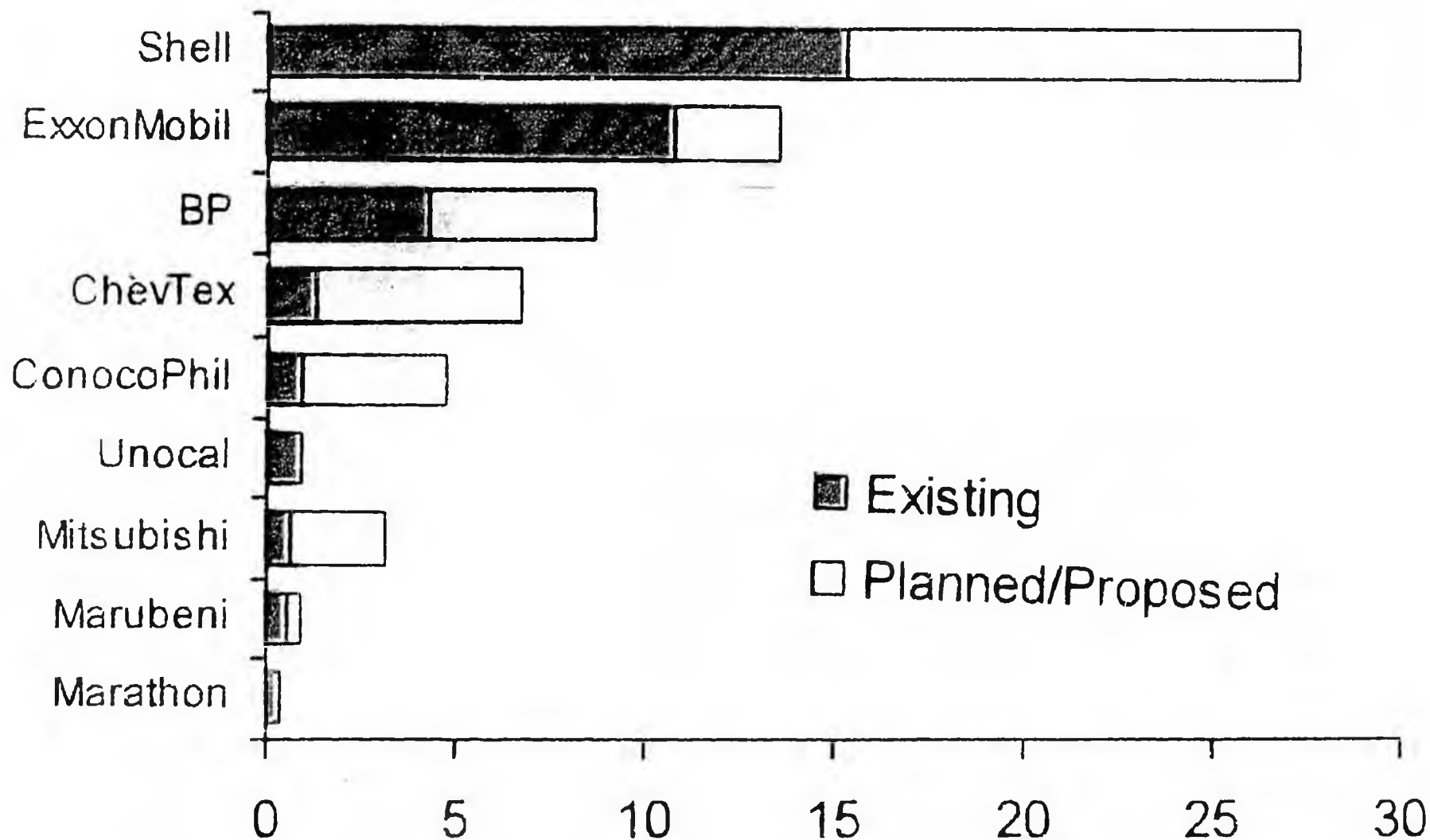
Tax Division
550 West 7th Avenue, Suite 500
Anchorage, Alaska 99501

1/28/04

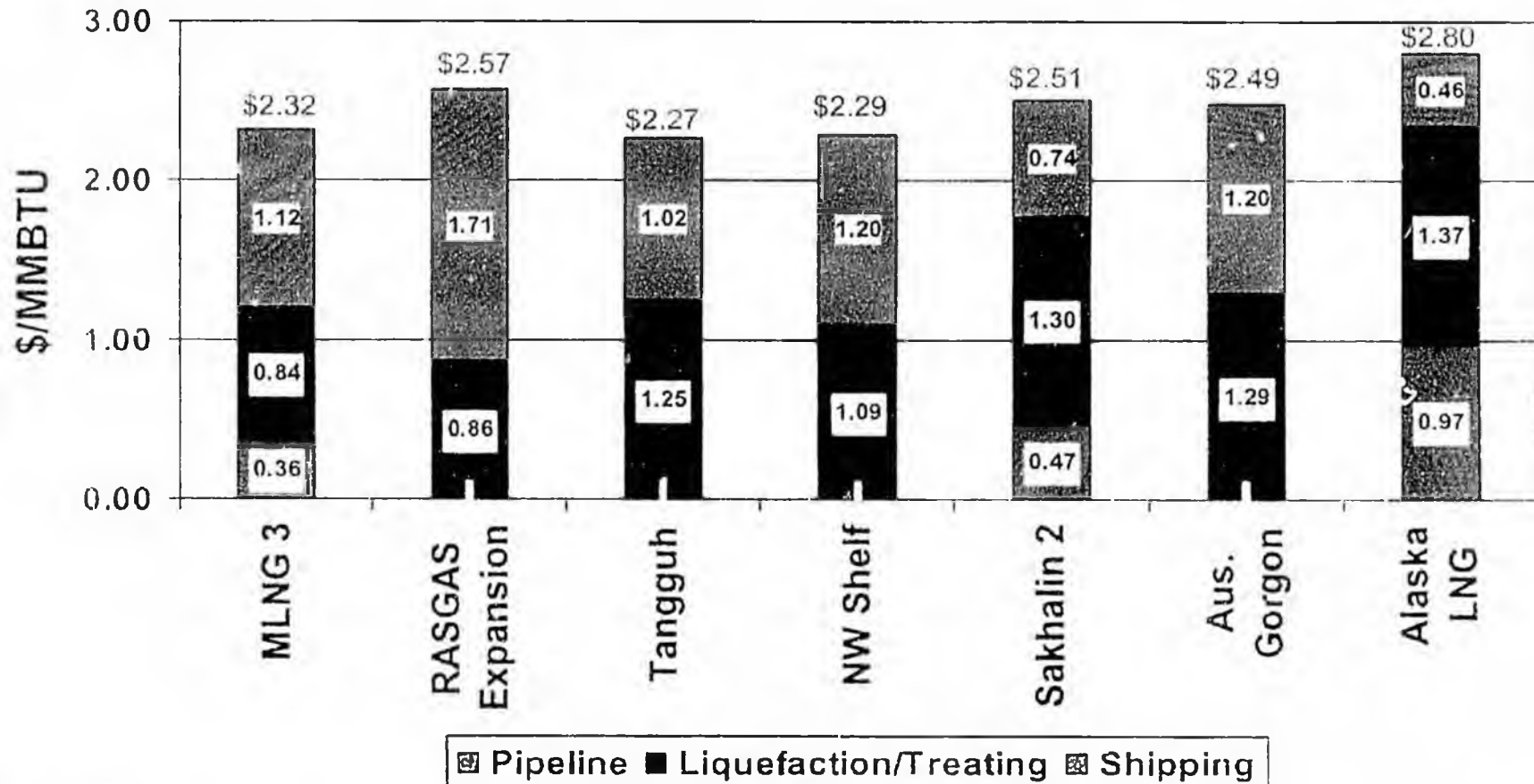
**OVERVIEW:
AK NATURAL
GAS DEV.
AUTHORITY
(ANGDA)**

Asia-Pacific Key LNG Suppliers

(Estimated working interest, mmtpa)



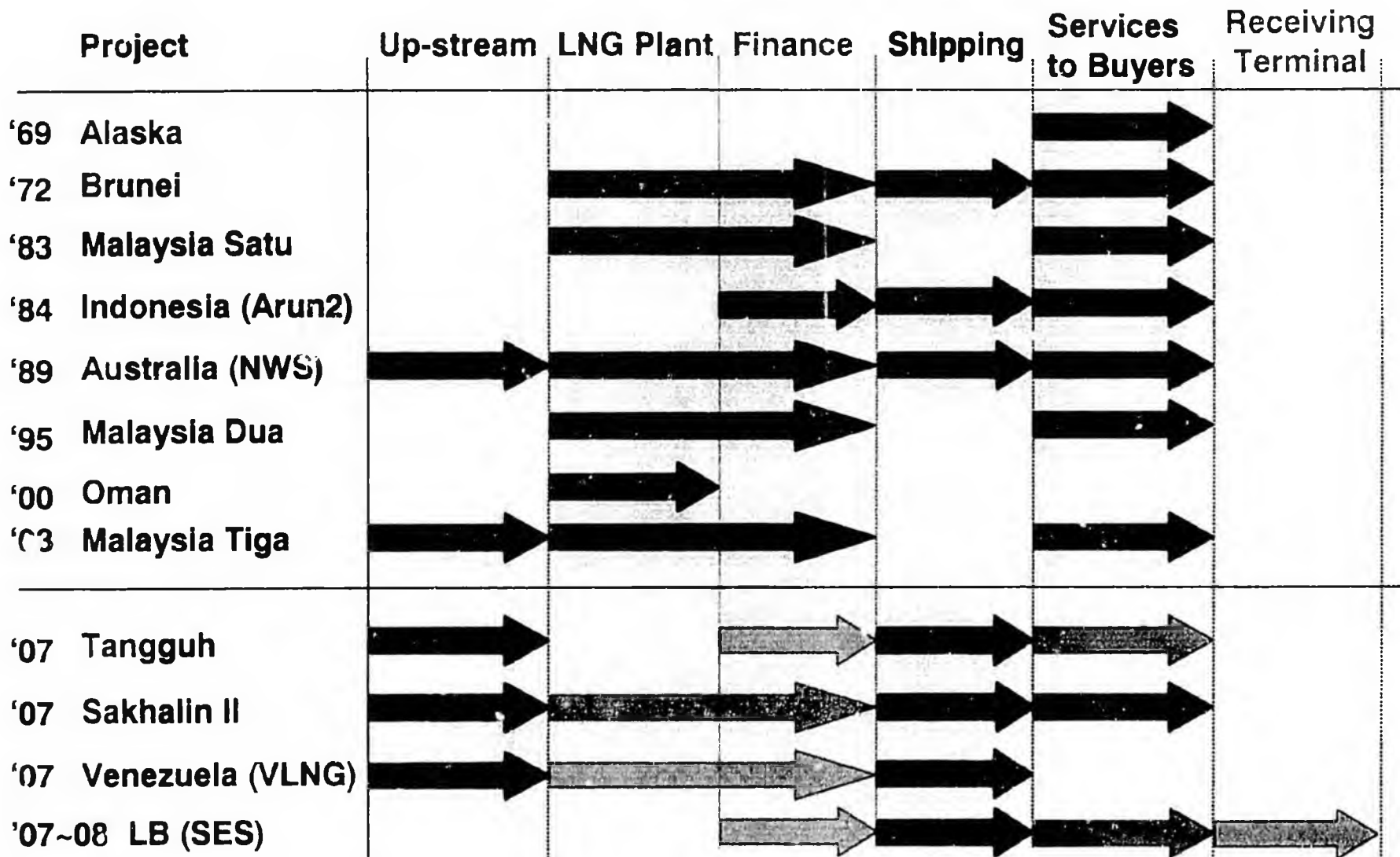
ESTIMATED COST OF SERVICE COMPARISON TO WCNA⁽¹⁾



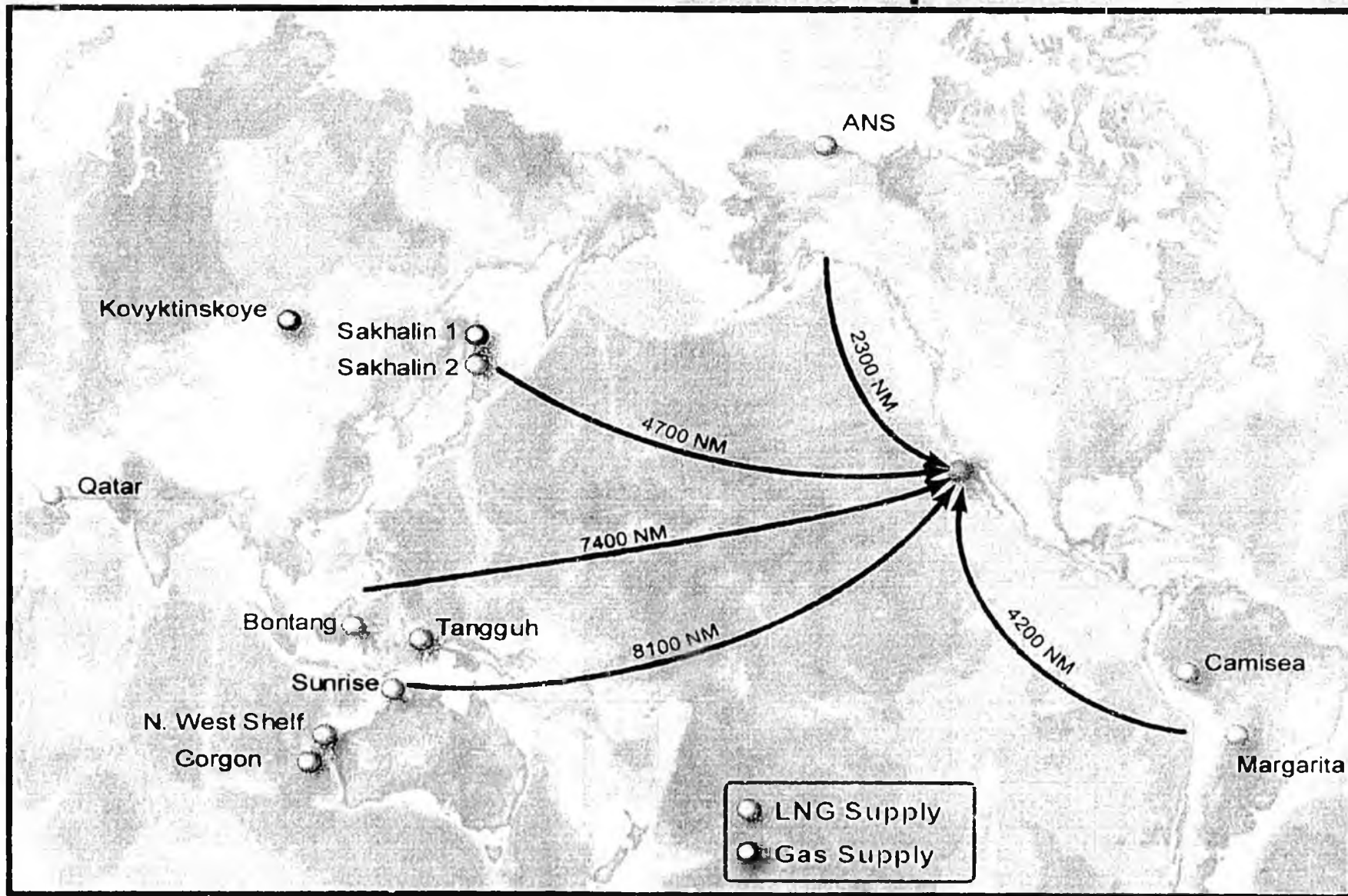
Numbers estimated from external sources
Excludes upstream and cost for regas

(1) West Coast North America

MC's Involvement in LNG Business



Pacific Basin Gas Competition



Alaska Natural Gas Development Authority

Homepage is: <http://146.63.35.79/>

Harold Heinze

411 W. 4th Ave, Anchorage 99508

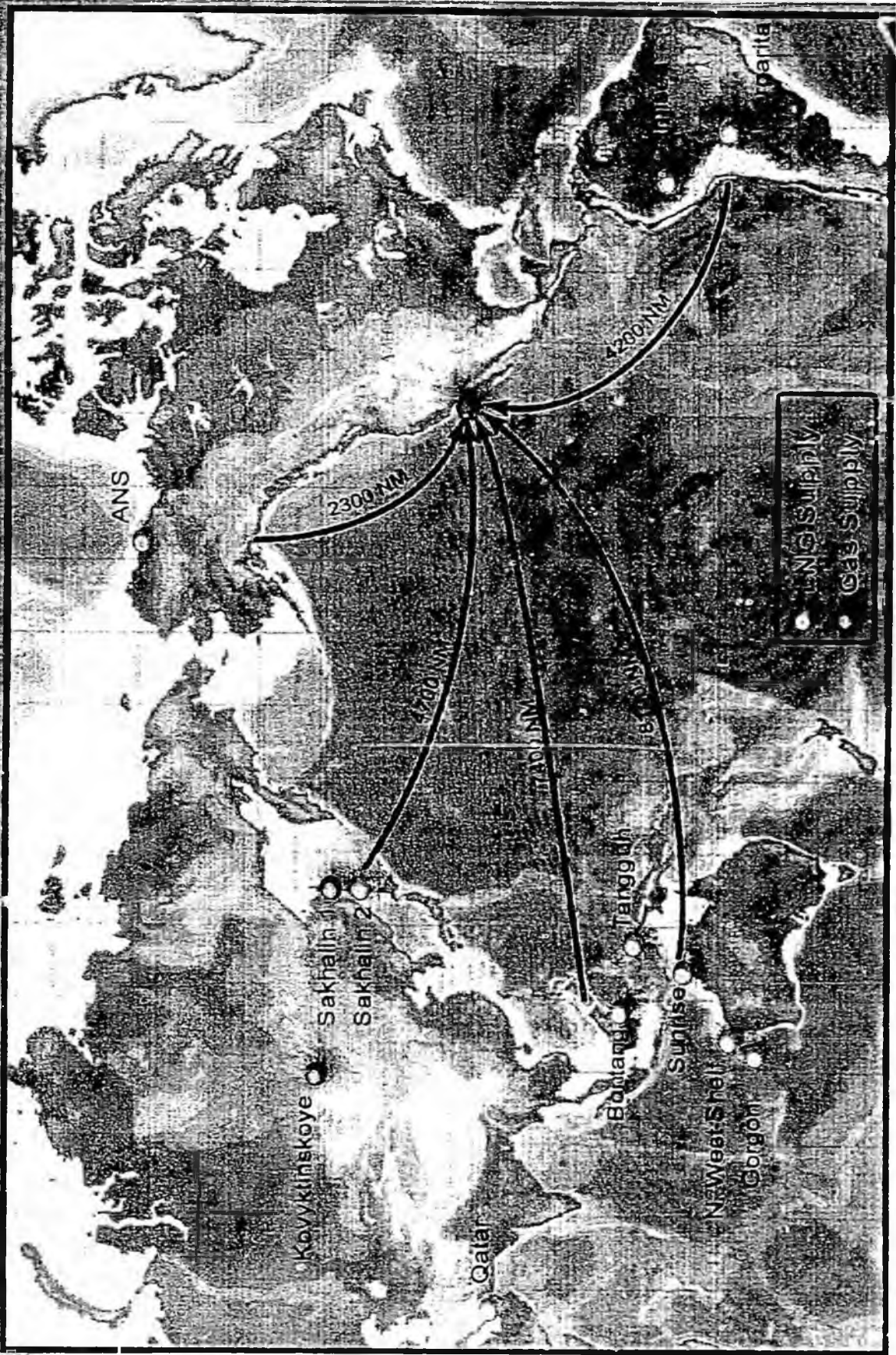
(907) 257 – 1347

Fax: (907) 646 - 5005

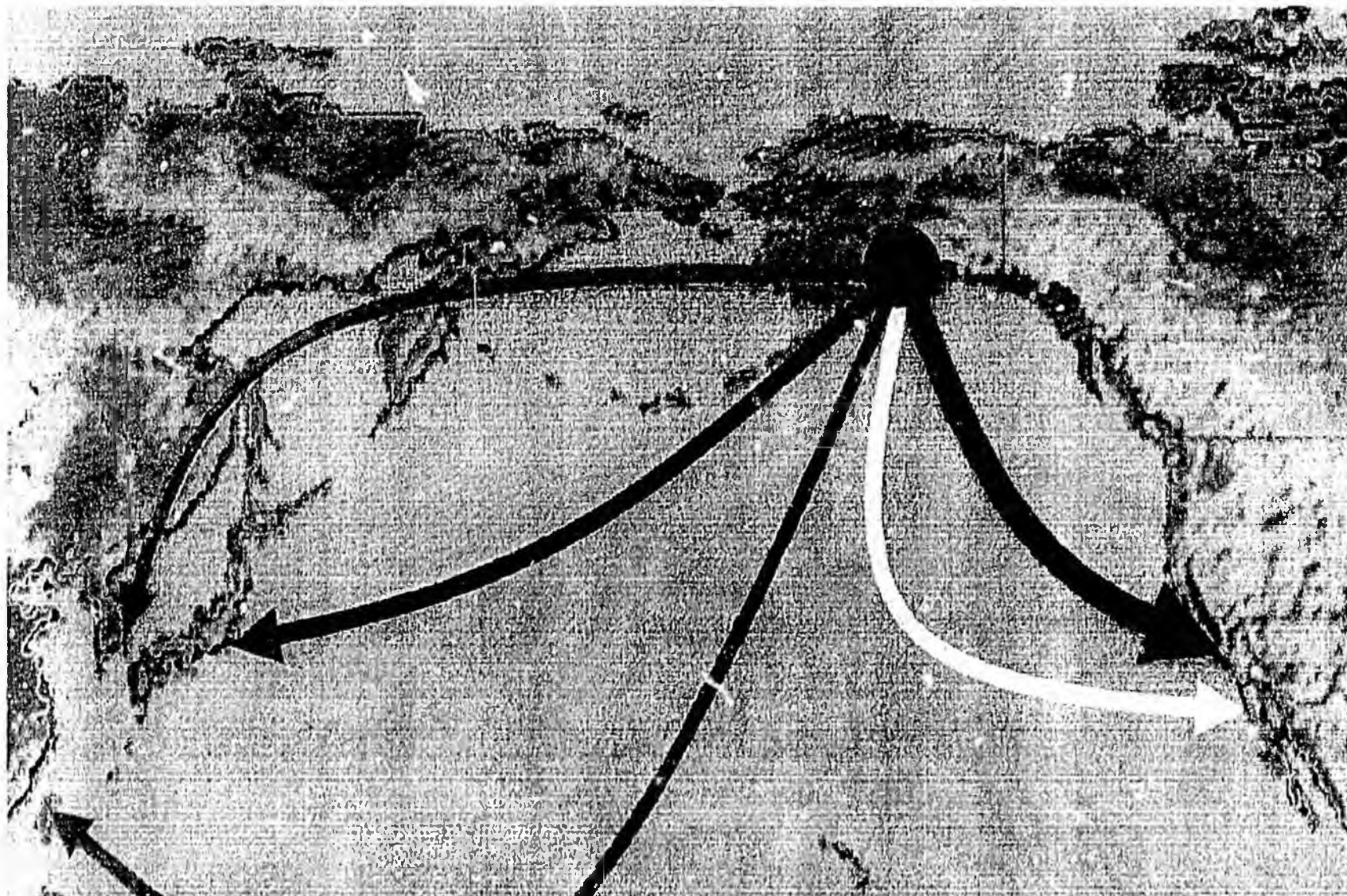
hheinze@ipo.doi.gov



Pacific Basin Gas Competition

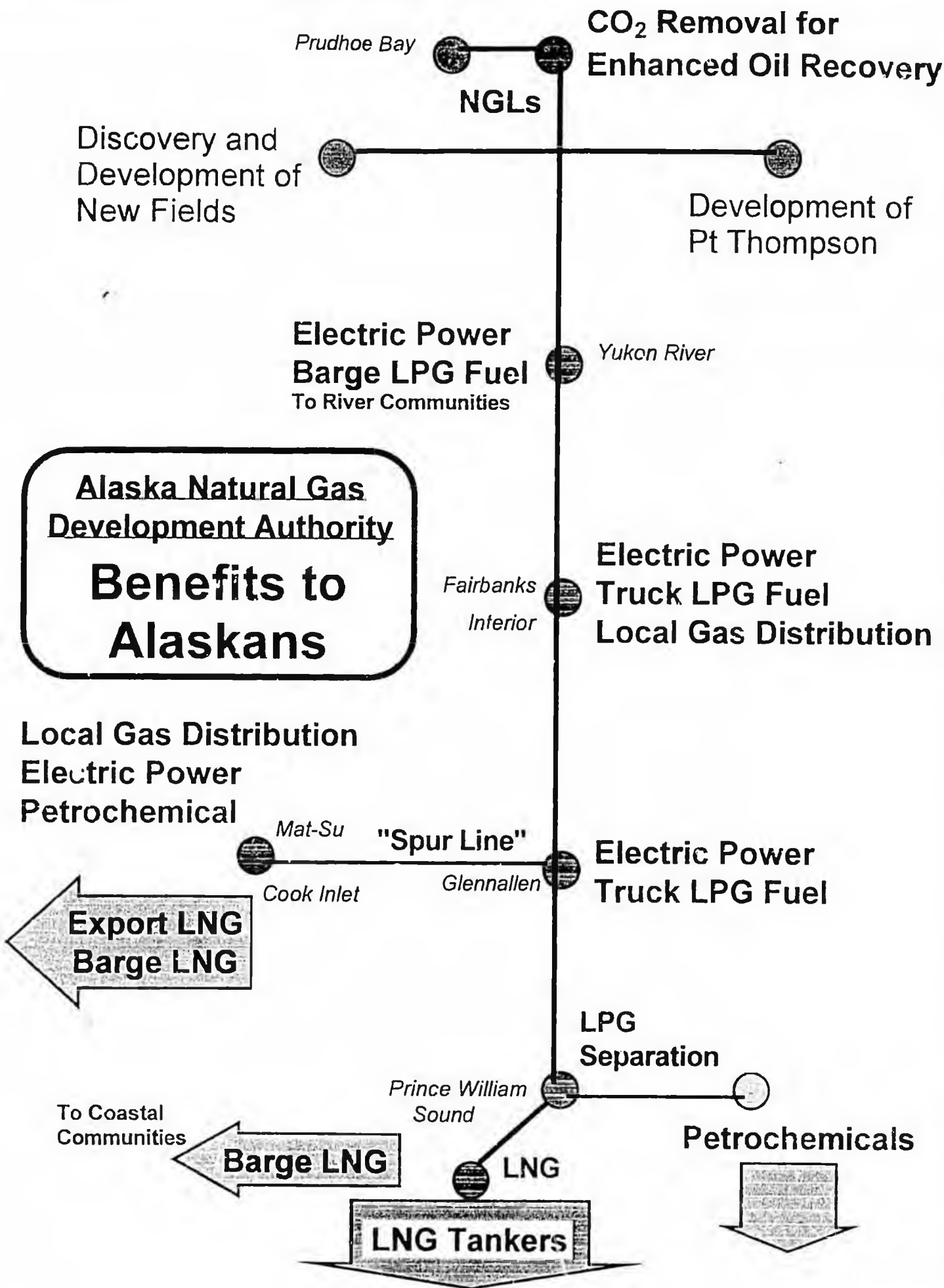


Potential Markets for Alaskan LNG

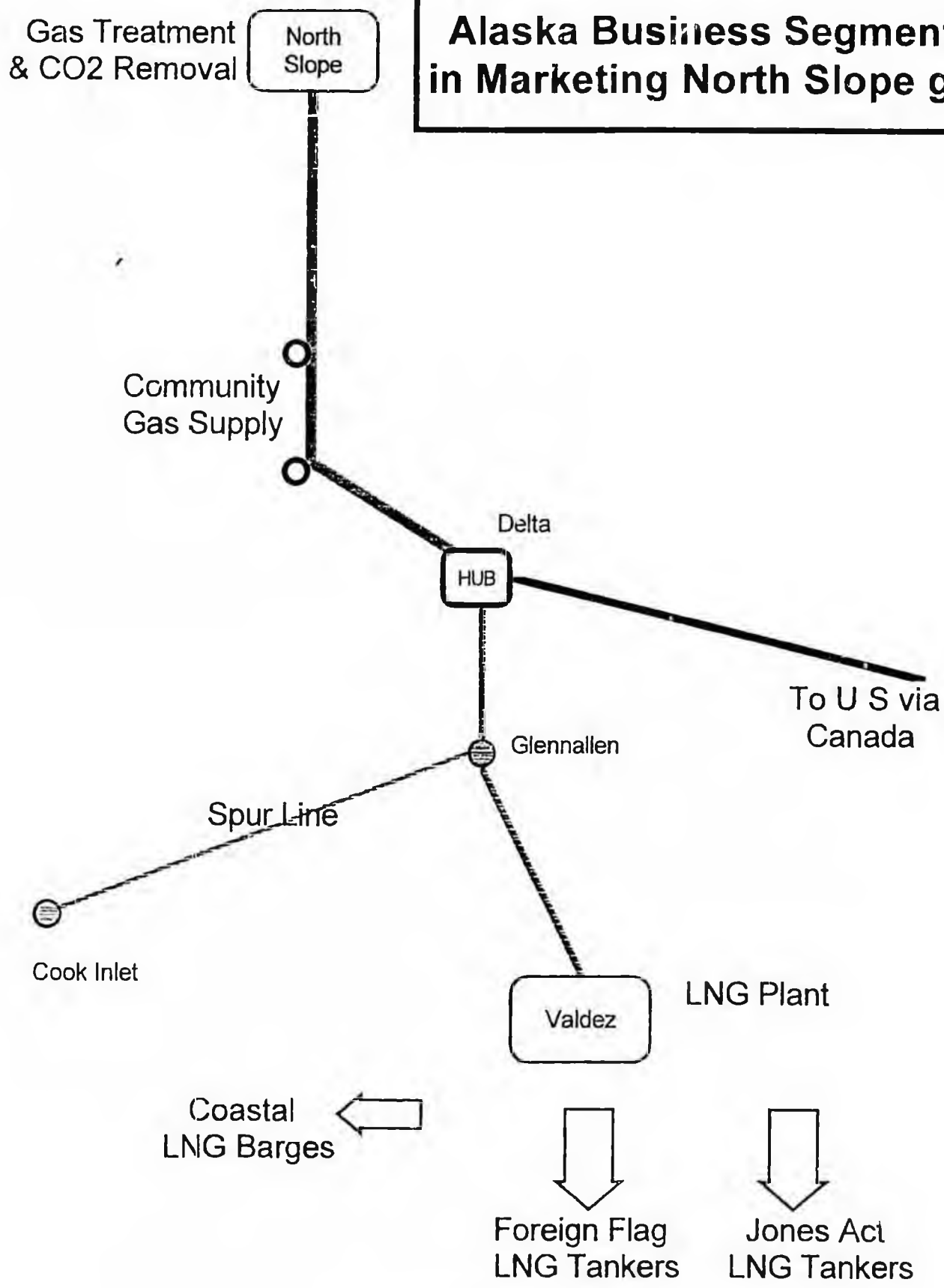


MC's Involvement in LNG Business

Project	Up-stream	LNG Plant	Finance	Shipping	Services to Buyers	Receiving Terminal
'69 Alaska					→	
'72 Brunei		→	→	→	→	
'83 Malaysia Satu		→	→		→	
'84 Indonesia (Arun2)			→	→	→	
'89 Australia (NWS)	→	→	→	→	→	
'95 Malaysia Dua		→	→		→	
'00 Oman		→				
'03 Malaysia Tiga	→	→	→		→	
'07 Tangguh	→		→	→	→	
'07 Sakhalin II	→	→	→	→	→	
'07 Venezuela (VLNG)	→	→	→	→		
'07~08 LB (SES)			→	→	→	→



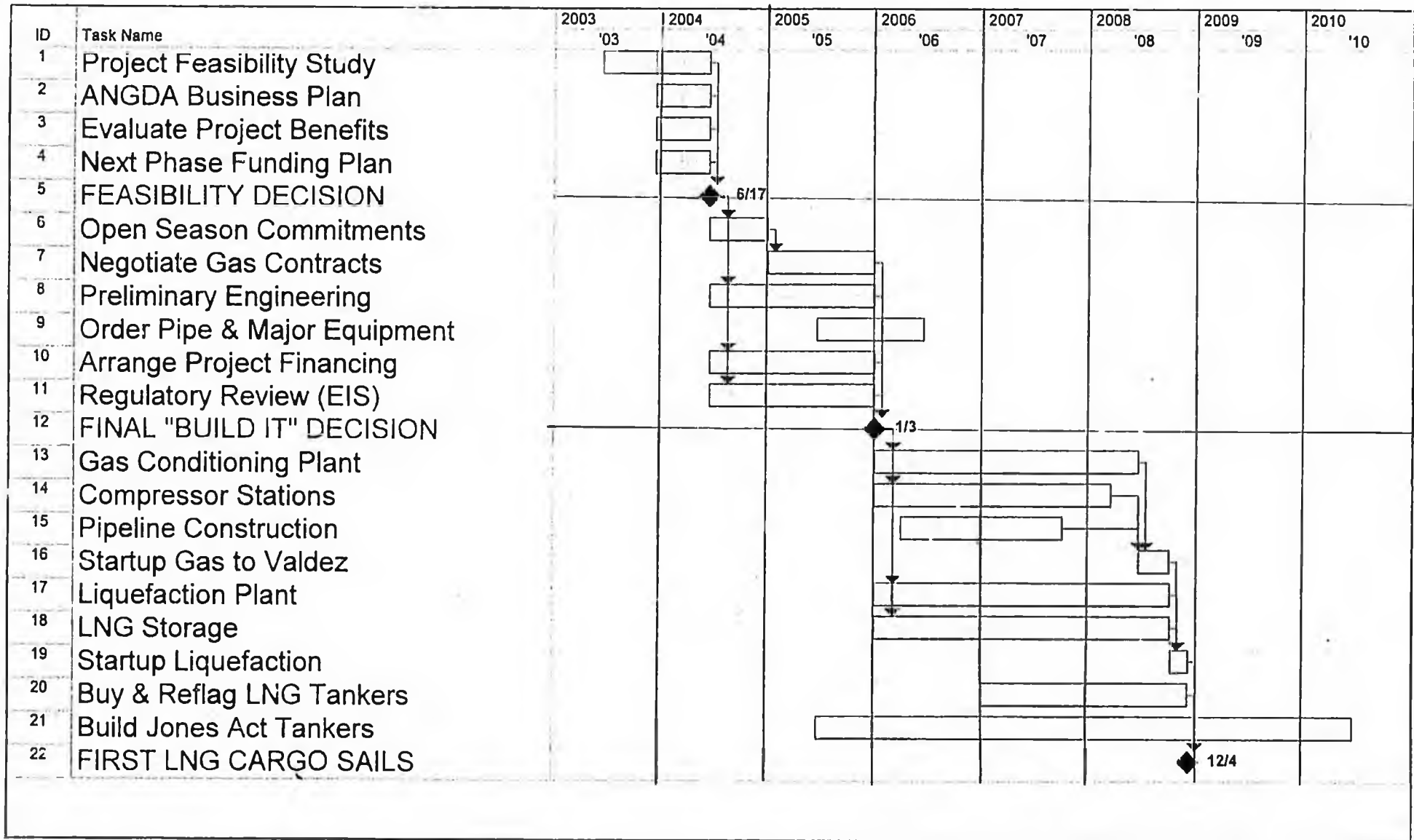
Alaska Business Segments in Marketing North Slope gas

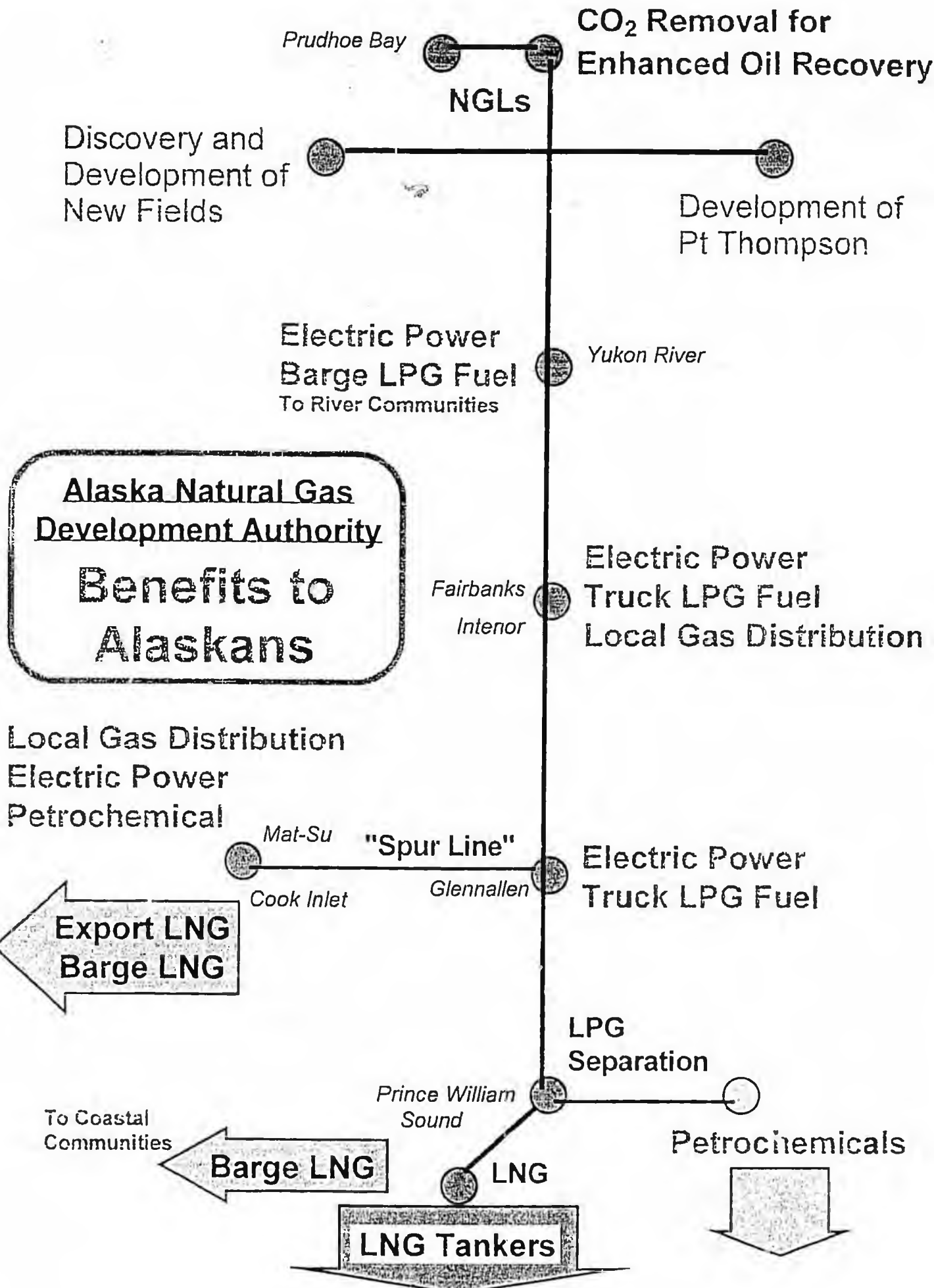


Prepared 12/8/03 by the

Alaska Natural Gas Development Authority

ANGDA All-American LNG Project Conceptual Schedule





ANGDA Business Concepts

- Public corporation run by Board
- Issue revenue bonds
- Administer State right-of-way
- Build & operate facilities in Alaska
- Buy & sell gas (more than Royalty gas)
- Invest at risk -- capture rewards
- Benefits driven (more than ROI)
- Contract for ships & marketing

ANGDA Benefits & LNG Project

- ANGDA's focus is getting North Slope gas benefits to Alaska & Alaskans
- LNG export is integral to the economies of delivering gas throughout Alaska
- Alaskan LNG project is economically viable as infrastructure providing significant benefit values to Alaska and the Nation

ANGDA Project Concept & Cost

<u>Project Elements</u>	<u>Size</u>	<u>Cost</u>
Treatment	2 BCFPD plant	\$ 2 B
Pipelines	800 miles of 36"	\$ 4 B
Liquefaction	4 trains @ 4 M tn/yr	\$ 4 B
LNG Tankers	3@\$300M & 7@\$150 M	\$ 2 B
Total Export	16 M tn/yr	\$ 12 B

NOTIONAL Cost of Service Comparison

Does NOT Include Wellhead Purchase Price

	High ROR Commercial	Not Taxable	Benefit Driven Infrastructure
Pipeline	1.40	1.00	0.75
LNG	1.50	1.20	0.90
Total Cost of Service	\$2.90	\$2.20	\$1.65

Pacific Rim LNG Projects to West Coast: \$2.20 to \$2.60

AICan Highway Gasline to Market: \$2.39

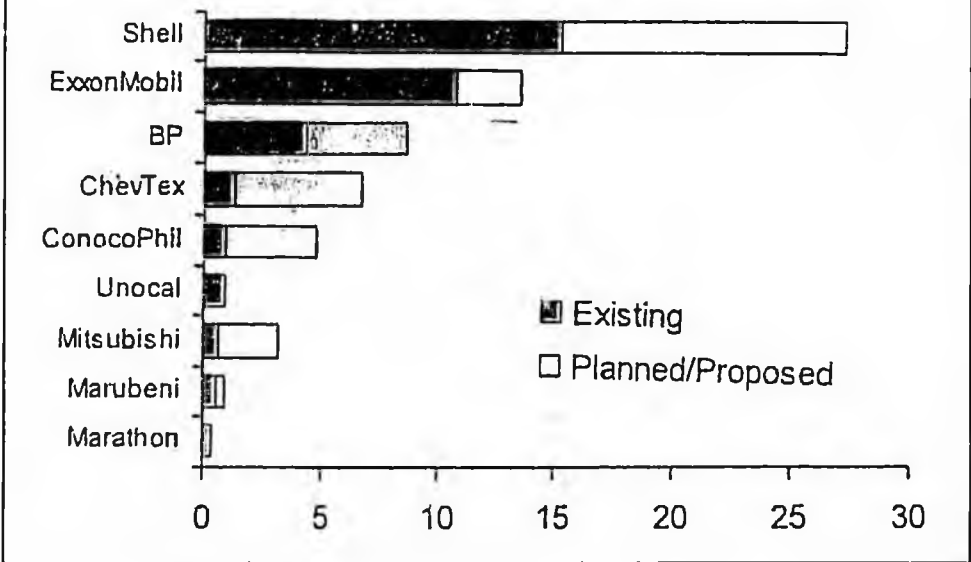
Pacific Rim LNG Supplies



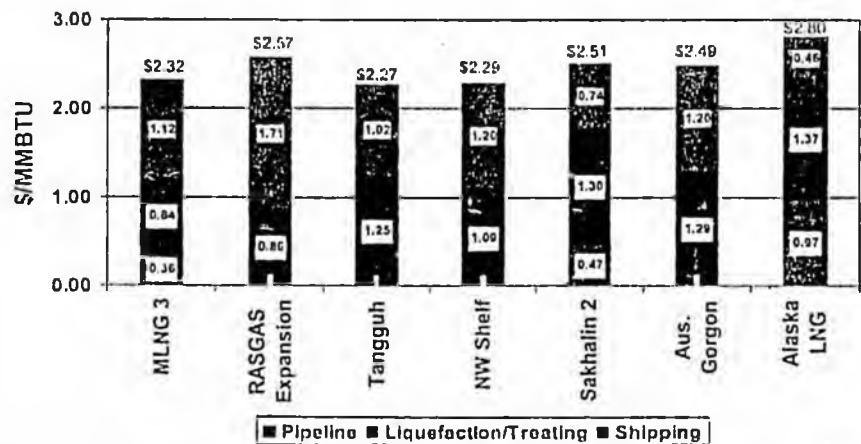
Delivery Volumes / year from Valdez

	Long Beach	Baja Mexico	Tokyo Japan	Inchon Korea	Taiwan
Distance (nm)	2,070	2,200	3,409	4,216	4,590
Volume/ship/yr	1.9 mt	1.8 mt	1.3 mt	1.0 mt	1.0 mt

Asia-Pacific Key LNG Suppliers (Estimated working interest, mmtpa)



ESTIMATED COST OF SERVICE COMPARISON TO WCNA⁽¹⁾



Numbers estimated from external sources
Excludes upstream and cost for regas

(1) West Coast North America

ConocoPhillips