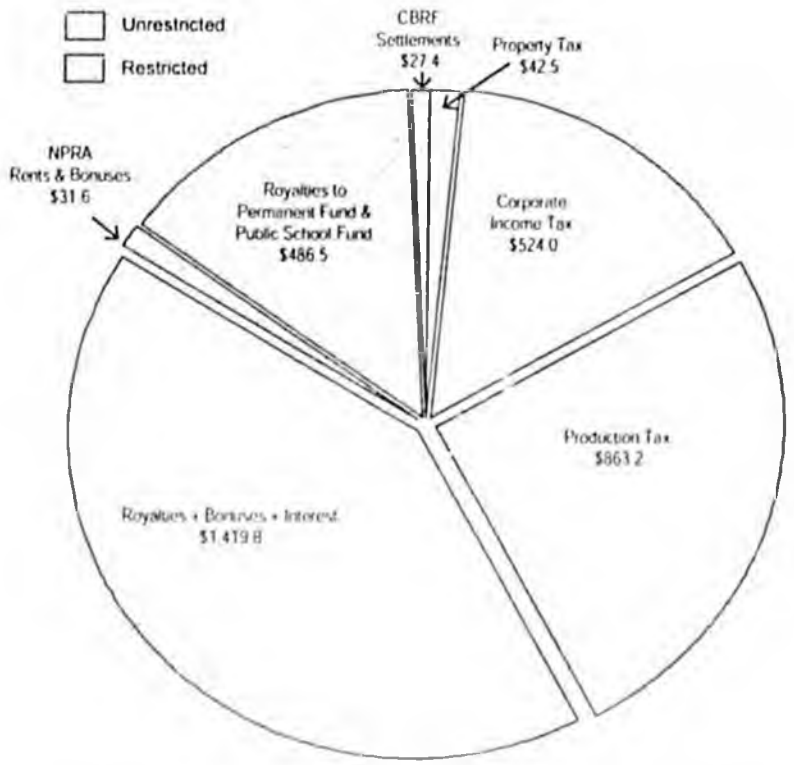
ALASKA LEGISLATURE
HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 2775

4-3. FY 2005 Oil Revenue by Category: $3,395 Million



Unrestricted Oil Revenue

4-4. Unrestricted Oil Revenue Forecasted, FY 2006-2016
$ Million

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Property Tax	42.5	36.7	36.2	36.2	35.6	34.4	34.1	33.9	33.6	33.6	33.1
Corporate Income Tax	525.1	444.1	354.3	191.5	187.9	190.7	189.1	184.9	182.9	177.8	184.6
Production Tax	1,130.8	891.6	714.8	399.7	385.2	360.5	338.8	309.9	283.9	266.5	286.1
Royalties (1)	1,728.5	1,397.5	1,091.5	601.4	589.3	558.0	534.4	502.3	476.6	453.2	475.4
Total Oil Revenue	3,426.9	2,769.9	2,196.8	1,228.8	1,198.0	1,143.6	1,096.4	1,031.1	977.1	931.1	979.2
$ change from prior period	527.4	(657.1)	(573.1)	(968.0)	(30.8)	(54.4)	(47.2)	(65.3)	(54.0)	(46.0)	48.1
% change from prior period	20.3%	(19.2%)	(20.7%)	(44.1%)	(2.5%)	(4.5%)	(4.1%)	(6.0%)	(5.2%)	(4.7%)	5.2%

(1) Includes bonuses and interest

Crude Oil and Natural Gas Production Taxes

All oil and gas production in Alaska — except the federal and state royalty share — is subject to the state's production taxes. The taxes consist of the oil and gas production tax and a hazardous release surcharge levied only on crude oil. All of these taxes are collected on a monthly basis.

Crude Oil Production Tax

The tax rate for oil depends on the age of the field and the Economic Limit Factor (ELF). The ELF depends on total daily oil production and average daily per well production from each producing field.

The statutory production tax rate on oil is 12.25% of its value at the point of production for the first five years of field production and 15% thereafter. There is a minimum tax of 80 cents per taxable barrel.

The effective tax rate is calculated by multiplying the statutory tax rate, even if it is the minimum 80 cents per barrel, times the ELF. The ELF formula for oil production is:

$$ELF = \left[\frac{1-(300 \times wells)}{volume}\right]^{\left[\left(\frac{150{,}000}{volume}\right)^{\wedge 1.53333}\right]}$$

"wells" is the number of producing wells in the field, "volume" is the total daily production for the field

The ELF formula results in lower effective tax rates for smaller, low-production fields and higher tax rates for larger, highly productive fields. There is a unique ELF for every combination of total daily field production and average daily per well production.

An examination of this formula reveals that the ELF is very sensitive to the total volume. Under the law, if there is economic interdependence between fields, the department has the discretion to aggregate those fields for purposes of the ELF calculation. That is, the volumes from more than one field end up in a single ELF calculation. That calculation will produce an ELF (and tax) for all the combined fields that is higher than if the ELF were calculated separately for each field (provided there is no extraordinary discrepancy in the per well productivity rates.)

The department recently aggregated seven fields in the Prudhoe Bay Unit. The decision to aggregate focused on, among other things, the increasing interdependence found in the engineering and operation of the fields. As of March 2005, Prudhoe Bay taxpayers had appealed the decision.

The taxable value of oil is determined by deducting allowable marine and pipeline transportation costs from the destination value of the oil at its disposition point. This point is defined as either a third-party sale or delivery to the producer's own refinery. The destination value for most dispositions is tied by regulation to the West Coast spot price of ANS crude oil.

Natural Gas Production Tax

The statutory production tax rate on natural gas is 10% of its value at the point of production, regardless of the age of the field. There is a minimum tax of 6.4 cents per thousand cubic feet.

To calculate the effective tax rate, multiply the statutory tax rate, even if it is the minimum 6.4 cents per thousand cubic feet, by the ELF. The ELF formula for natural gas production is:

ELF = 1- (3,000/PPW)

PPW = average gas production per well per day from the field in thousand cubic feet

If the average daily per well gas production from a field is less than 3,000 cubic feet, the ELF is zero and no gas production taxes are assessed.

The taxable value of natural gas depends on the location of its disposition and its use. For Cook Inlet production, the value for gas sent to Japan as LNG is based on the sales price in Japan less marine, processing and pipeline costs; the value for sales to the Nikiski fertilizer plant is indexed to the current market price of anhydrous ammonia; the value for sales for local use is based on the average sales price for the contracts in effect each month.

Hazardous Release Surcharge

This tax was enacted following the 1989 grounding of the Exxon Valdez to provide an emergency fund to deal with hazardous substance spills.

The surcharge is comprised of two components: (1) a 3 cents per barrel charge on all oil production, except federal and state royalty barrels, and (2) an additional 2 cents per barrel charge on all oil production except federal and state royalty barrels whenever the balance in the state Oil and Hazardous Substance Release Prevention and Response Fund falls below $50 million. The balance of the fund was $50 million or greater for all of FY 2005, so the surcharge was 3 cents per barrel for the entire fiscal year.

Oil Royalties

Almost all Alaska oil and gas production occurs on state lands leased for exploration and development. As the land owner, the state earns revenue from leasing as: (1) upfront bonuses, (2) annual rent charges and (3) a retained royalty interest in oil and gas production.

Generally, the state issues leases based on a competitive bonus bid system. It has always retained a royalty interest of at least 12.5%. The vast majority of current production is from leases that carry that rate. Some currently producing leases carry rates as high as 20%, and some leases also have a net profit-share production agreement.

State oil and gas leases provide that the state may take its oil royalty in barrels (in-kind) or as a percentage of the production value (in-value). In 2004, the state took approximately 63,600 barrels per day of North Slope production in-kind and sold it to the Williams Alaska Petroleum Company and its successor, Flint Hills Resources, for their refinery in North Pole. The state's royalty share of Alaska North Slope production amounts to about 125,000 barrels per day.

The royalty oil taken in-value is valued according to a formula using a market basket of spot crude oil prices closely approximating the ANS West Coast spot price of oil less a transportation allowance back to the lease.

Oil Production Forecasting Methodology and Assumptions

The forecasted value of the state's anticipated oil production is based on projections of the destination market price of oil and the cost of shipping oil by pipeline and tanker to market. The forecast is the product of a formal oil price session that includes state economists and financial professionals from the Department of Revenue, Department of Natural Resources, Department of Labor, the Governor's Office of Management and Budget and the University of Alaska.

To develop a production volume forecast, the Department of Revenue uses an engineering consultant in conjunction with assistance from the Alaska Department of Natural Resources and the Alaska Oil and Gas Conservation Commission. This production volume forecast is developed from estimates of oil and gas production by field.

Oil Price Forecast

Oil prices have continued to climb since our last forecast and 2005 witnessed volatility in crude oil prices not seen since the Persian Gulf War in 1990.(1) The price of ANS crude at west coast markets remained above $60 per barrel for eight consecutive weeks starting in August 2005. Worldwide demand, although not increasing at the rapid pace experienced in 2004, has nonetheless grown, utilizing most production capacity. In fact, the lack of spare capacity is one of the reasons prices have been volatile and also the reason many believe future prices could rise. Record high oil prices and concerns about Middle East supplies have softened demand growth slightly, but global oil demand in 2005 is still expected to see a net increase of 1.5% over 2004 levels.

A Brief Review of Petroleum-Related Events

- In August and September 2005, hurricanes Katrina and Rita caused widespread destruction in the gulf states and disrupted production and refineries in the Gulf of Mexico. Crude prices soared to their highest level (in nominal terms) in U.S. history. Hurricane-affected regions experienced shortages of refined products, most notably gasoline, and many gas stations were unable to secure ample fuel supplies.

- In response to the petroleum shortages brought on by the hurricanes, the International Energy Agency (IEA) announced its intention to release up to 60 million barrels of oil, gasoline and refined products from the reserves of its 26 member nations. This was the first time in fifteen years that the IEA has taken such action.

- According to the IEA worldwide oil consumption is expected to grow about 1.26 million barrels per day in 2005, an increase of 1.5% over the prior year. China's demand growth should slow to 3.2% in 2005, following the country's unprecedented demand growth of 15.4% in 2004. Demand growth projections for other areas of the world have been moderate in 2005, with the exception of the Middle East, where oil demand is expected to be 5% higher than it was in 2004.

- The IEA estimates that crude oil production from countries that are not members of the Organization of the Petroleum Exporting Countries (OPEC) in 2005 will decrease slightly from 2004 levels, due in part to the storms that hampered production in the Gulf of Mexico, and to both scheduled maintenance and unscheduled work stoppages in the United Kingdom and Norway.

- OPEC crude oil production quotas (excluding Iraq) were raised from 27.5 million barrels per day in March 2005 to 28 million barrels per day in July 2005, and world oil prices continued to rise. At a September 2005 meeting, OPEC members agreed to make its spare capacity available to markets for the three months of October, November and December 2005.

(1) Volatility is measured by the standard deviation, the most commonly used measure of risk in the investment world. Increasing dispersion increases the risk that prices may move farther from the mean. The FY 1990 dispersion was $6.82 per barrel; for FY 2005, the dispersion is $7.67 per barrel.

Short-Term Crude Oil Price Forecast

In nominal dollars, oil prices reached their highest levels ever in August 2005. The spike in oil prices coincided with a sharp increase in the price of gasoline, with gasoline prices exceeding $3.00 per gallon for the first time in U.S. history. Looking ahead 30 months, continued high prices, especially at the gas pump, could have a dampening effect on demand, as consumers seek ways to reduce their petroleum consumption. Because of price volatility, and to help the reader understand the events that could lead to higher or lower crude oil prices (and consequently more or less revenue for the State of Alaska), we have assembled two oil price scenarios: a low-price scenario with events that would put downward pressure on prices and a high-price scenario that assumes little change from the current high price environment. The components of each scenario are included in the following table.

4-5. Fall 2005 Oil Price Scenarios

Low-Price Factors

- China's internal economic growth slows as does its export growth and energy consumption.
- U.S. and emerging Asia nations' economies slow more than anticipated in response to higher oil prices.
- OPEC is able to increase production capacity more rapidly than anticipated and it decides to increase production.
- The political unrest in Iraq diminishes and crude oil production and exports increase.
- Investments in the Former Soviet Union, Africa and Canada add to worldwide crude oil production capacity.
- There is a warmer than normal winter.
- Oil and gas production in the U.S. Gulf returns to its pre-hurricane levels earlier than anticipated.
- There is a change in the perception of the oil markets–the new perception is that there is adequate spare crude oil production capacity and refining capacity.

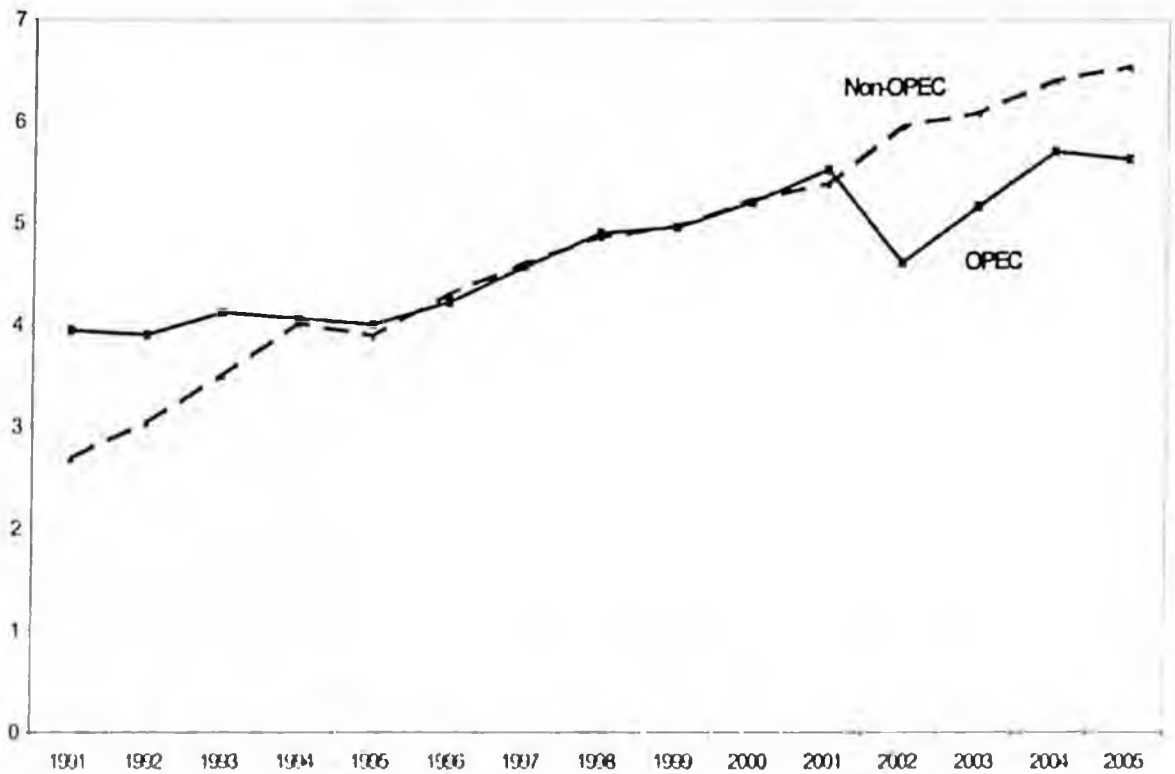
High-Price Factors

- The political unrest in the Middle East continues and periodically results in disruptions in production and shipments of oil to global markets.
- Economic growth in China and other emerging economies continues at a robust pace.
- Crude oil production increases by OPEC and non-OPEC suppliers are not able to keep pace with continued robust consumption growth.
- Oil and gas production in the U.S. Gulf is not able to return to its pre-hurricane levels.
- There is a continued perception of a lack of spare crude oil production capacity and refining capacity.

Global Oil Markets and Events that Contributed to 2005's Oil Price Surge

The countries belonging to the Organization of Petroleum Exporting Countries (OPEC) remain an important source of petroleum for the U.S. and for other countries around the world. A brief review of the last 15 years of U.S. oil import history, however, indicates that non-OPEC imports have been outpacing OPEC imports since 2002. In 2004, oil from OPEC nations accounted for 47% of U.S. imports—a 13% decline from 1991 levels of close to 60%. The following graph illustrates the U.S. oil import changes since 1991.

4-6. U.S. Oil Imports, OPEC and Non-OPEC: 1991-2005



(1) Energy Information Administration; data through July 2005

Recent estimates published by the International Energy Agency show that world oil supply increased from 83.1 million barrels per day (mb/d) in 2004 to 84.3 mb/d in the third quarter of 2005, a 1.4% increase. World oil demand estimates remained relatively steady, going from 82.1 mb/d in 2004 to 82.4 in the third quarter of 2005, an increase of 0.3%. Yet, over this same time period, oil prices in the U.S. rose 52%, from $41.43 to $63.05 (monthly WTI prices). In part, the perception that there was a lack of spare crude oil production capacity coupled with a lack of spare refining capacity helped push prices higher.

Also during the third quarter of 2005, hurricanes Katrina and Rita ripped through the major oil refining regions in the Gulf of Mexico, shutting down all or part of operations in 20 refineries. As of October, 20% of the U.S. refining capacity was offline or in the process of restarting operations after sustaining damage caused by the two hurricanes. These outages had an immediate and severe impact on the availability of refined products—particularly gasoline—and combined with the supply anxiety factor, were a major contributor to the already soaring price of oil.

OPEC contends that its production increases of 4.6% since 2004 did little to halt the rise in the price of oil. In a speech delivered by OPEC's acting Secretary General this fall, the cartel suggested that much of the blame for high prices could be attributed to the lack of investment in downstream activities in the U.S. and in other countries. The organization called upon the major oil consuming countries to encourage investment in refinery facilities in order to alleviate the "bottlenecks" that have prevented finished oil products from reaching consumers.

Other materials published by OPEC indicate the organization's intentions to increase production capacity. Assuming Iraq's production remains at 2 million barrels per day, the cartel anticipates its crude capacity to increase to 33.9 million barrels per day by the end of 2006, a 1 million barrels per day increase over year-end 2005 levels. With over 100 new projects coming on line, OPEC expects production to reach at least 38 million barrels per day by 2010, fulfilling what it terms its commitment to expand capacity to meet the needs of the market. The *World Energy Outlook 2005* (the long run outlook published by the IEA in November 2005) has OPEC production at 36.9 million barrels per day in 2010–similar to what OPEC forecasts.

Current ANS Oil Market Situation

Alaska North Slope crude prices remained high through FY 2005 and surged even higher in FY 2006, reaching $67 per barrel in late August 2005. The average ANS spot price from March 2005 through October 2005 was $55.44 per barrel, compared with $41.50 per barrel from June 2004 through February 2005. The price of benchmark West Texas Intermediate averaged $58.12 per barrel from March through October 2005, implying an average discount for ANS of $2.68 per barrel. The last year and a half has seen the WTI-ANS differential vary from about $1 per barrel in June 2004 to about $6.50 per barrel in December 2004. The WTI-ANS differential averaged about $4 per barrel in FY 2005 and has gradually decreased to about $2 per barrel thus far in FY 2006.

ANS prices track the OPEC price basket of internationally traded crude oils and tend to be priced higher than the basket. The OPEC basket is the benchmark that OPEC uses to gauge prices for the organization. Since January 2000, the average ANS price has been $1.00 per barrel higher than the average OPEC basket price. ANS typically sells in direct competition with other waterborne crude oils from Latin America, Asia and the Middle East for delivery to U.S. West Coast refiners in Washington, California and Hawaii.

Prices Over the Longer Term

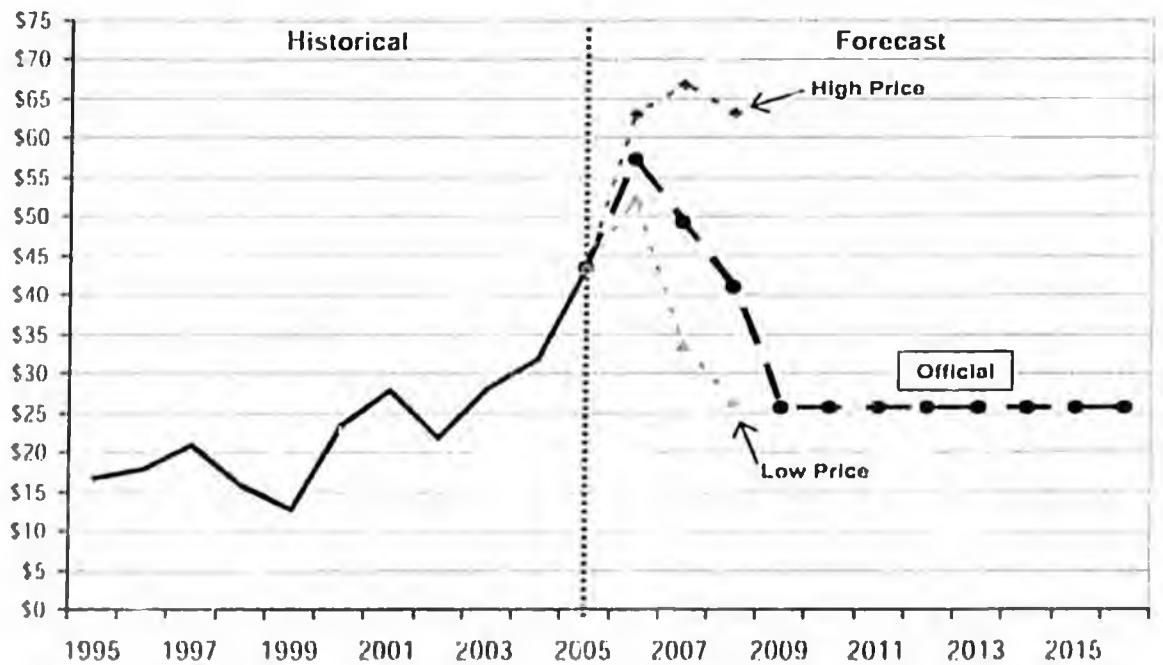
Average nominal monthly prices for ANS hit an all-time low of $9.39 per barrel in December 1998. Between 1999 and 2003, the annual price of ANS varied between $21.78 and $28.15 per barrel. By July 2004, however, ANS monthly prices topped $40 a barrel, ushering in the upward trend that continues to date. Some analysts have suggested that the high prices are a signal that we have entered a new era with regard to the cost of energy. Recent prices seem to attest to this theory: on August 5, 2005, the ANS spot price reached yet another milestone—breaking into the $60 per barrel price range—and then proceeded to remain above $60 per barrel for eight consecutive weeks. Since the beginning of October, ANS prices have averaged about $58 per barrel.

Strong growth in worldwide demand for petroleum products, driven by growth in China and other emerging economies, is generally cited as a reason for the high prices that have continued to date. The hurricanes in August and September exacerbated an already high-priced market, disrupting supply and causing product shortages in the storm-affected areas of the country. Other factors, such as political insecurity and changing economic environments (most notably, Iraq, the Middle East, Nigeria, and Venezuela) contributed to oil price volatility. Such uncertainties cloud the path of future ANS prices.

Last fall, we increased our forecast of ANS oil prices over the long term from $22 to $25.50 per barrel. We did not change our long-term forecast this fall [1] but instead changed the date when the long-run price of $25.50 per barrel begins from FY 2008 to FY 2009. As usual, we expect some volatility in oil prices in the coming years, but anticipate a market correction in the long run.

For now, we assume global economic growth will remain strong and that oil will continue to be a competitive energy resource. We also believe that the high price environment will encourage OPEC and non-OPEC oil-producing countries to continue to explore ways to increase production from existing facilities and to seek out new production opportunities.

4-7. Fall 2005 Official, Low and High ANS Price Scenarios
$ per Barrel



(1) The Department of Revenue protocol is that long-run crude oil price forecasts can only be changed every two years if price forecasting participants agree to a change over the two consecutive fall forecast sessions.

Other Transportation and Production Costs

Transportation Costs

The mandated replacement of vessels without double hulls with new, more expensive double-hulled vessels, and the continued use of smaller qualified vessels to replace larger vessels retired by compliance with the Federal Pollution Act of 1990 is likely to increase transportation costs in the future.

Trans-Alaska Pipeline System (TAPS) Tariffs

The TAPS tariff is determined according to the TAPS Settlement Methodology, a rate-making method approved by the Federal Energy Regulatory Commission that allows the TAPS owners to recover their costs, including an allowance for profit. Under the agreement, future tariffs will be determined by operating cost trends, the production rate and inflation. Preliminary negotiations between the state and pipeline owners have already started to revisit the TAPS Settlement Method, which is scheduled to expire December 31, 2011.

TAPS tariffs are filed on a calendar year basis, with new tariffs taking effect January 1 each year. The tariff filing for calendar year 2005 is $3.71 per barrel. The fall 2005 forecast assumptions below show projected tariffs for fiscal year 2006-2016.

Feeder Pipeline and Other Adjustments

Additional transportation costs are also incurred to move the various crude oils that comprise ANS from North Slope production fields to Pump Station No. 1 of the Trans-Alaska Pipeline System. These include both feeder pipeline charges and other cost adjustments to account for the different qualities of oil entering the North Slope pipelines as well as market-location differentials for in-state sales. (See table below.)

Wellhead Price

The combination of ANS wellhead value and production volume by field form the basis for both state production taxes and royalties. The wellhead value by field is calculated by subtracting the relevant marine transportation and pipeline tariff costs (as well as adjustments for North Slope feeder pipelines and pipeline quality bank) from the appropriate destination value. The table below reflects this calculation for FY 2006-2016.

4-8. Fall 2005 Forecast Assumptions, FY 2006-2016
$ per Barrel

	2006 (1)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
ANS West Coast price	57.30	49.20	40.95	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
ANS Marine Transportation	1.78	1.83	1.88	1.93	1.98	2.03	2.08	2.13	2.18	2.23	2.28
TAPS Tariff	3.66	3.75	3.64	3.59	3.56	3.58	3.51	3.66	3.83	3.89	3.99
Other Deductions and Adjustments	0.35	0.35	0.40	0.44	0.47	0.55	0.61	0.64	0.67	0.69	0.70
ANS Wellhead	51.52	43.27	35.03	19.54	19.49	19.34	19.30	19.07	18.82	18.69	18.53

(1) FY 2006 includes reported information through September 2005.
(2) Includes other adjustments such as quality bank charges, location differentials and company amended information.

Crude Oil Production

For the fall 2005 forecast review we continue to make adjustments to our production expectations from the North Slope. In the near term, we have incorporated revised reservoir performance analysis on declining fields, reviewed the uncertainty associated with the pace and scope of developing satellite fields and re-evaluated unplanned downtime at all fields, especially Prudhoe Bay, resulting in a net reduction, on average, of about 50,000 barrels per day over the next five years. We now forecast ANS production to average about 840,000 barrels per day for FY 2006 through FY 2010.

We characterize North Slope production three ways, each with discrete confidence levels: (1) currently producing, (2) currently under development and (3) currently under evaluation. We do this so that the reader will have an understanding about the uncertainty associated with the production forecast. We continue to forecast production of only those reserves that have already been discovered and at minimum are being evaluated for development.

Currently Producing

Production characterized as "currently producing" includes baseline production and presumes a continued level of expenditure sufficient to promote safe, environmentally sound operations. Such expenditures include the following: well diagnostic and remedial work, data acquisition and rate-enhancing expenditures such as perforating, acid stimulation, well workovers, fracture treatments, artificial lift optimization and production profile optimization. This category of production also presumes continued gas and water injection for pressure support. Based on historical forecasting performance, we assign a 95% confidence level for the current fiscal year.

Currently Under Development

Production characterized as "currently under development" is based on new projects currently funded and in the design/construction phase, as well as development drilling and enhanced oil recovery (miscible or immiscible injection) projects currently funded or underway, but not included in the "currently producing" category. It also includes incremental oil expected from the long-term gas cap water injection project at Prudhoe Bay. Examples of production "currently under development" include the Fiord and Nanuq satellites at Alpine, J-Pad development at West Sak, development drilling at Schrader Bluff and certain satellite development at Prudhoe Bay.

For the fall forecast, we have slowed the pace of development at all heavy oil fields to allow proper mitigation of challenging reservoir performance issues. Because of timing and scope uncertainty, our subjective confidence for this category of production is between 80% and 90%.

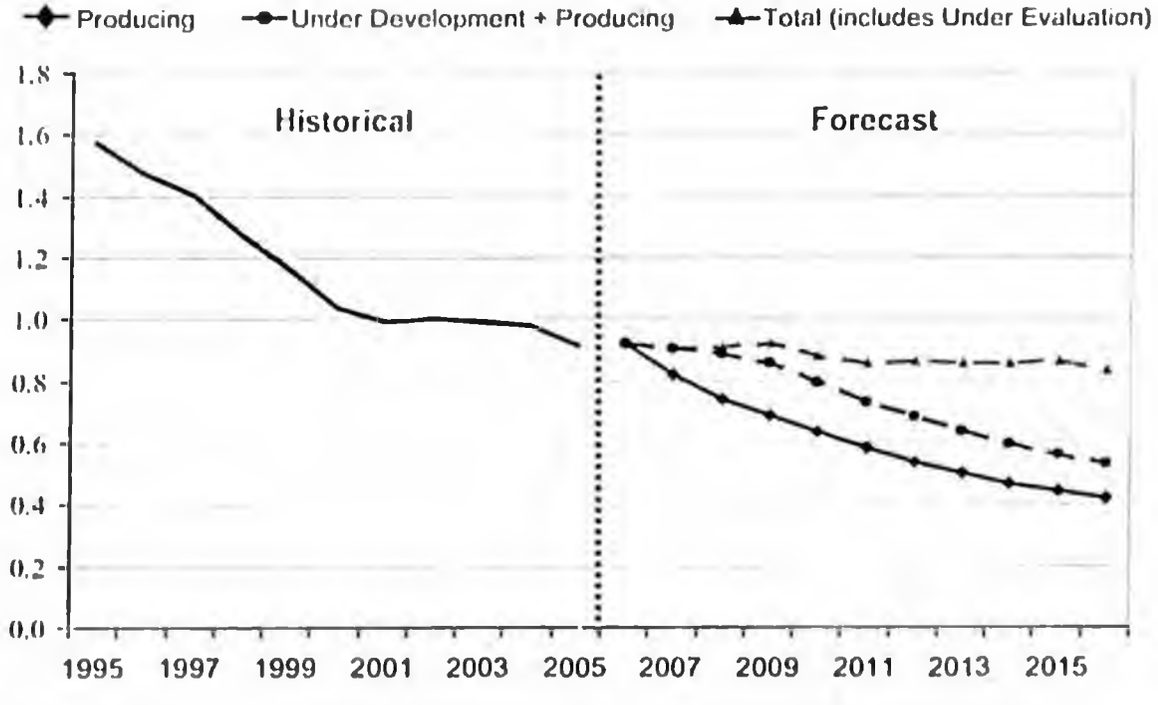
Currently Under Evaluation

Production characterized as "currently under evaluation" includes technically viable projects currently in the "pencil sharpening" stage where engineering, cost, risk and reward are all being actively evaluated. These projects are all currently unfunded by the operators but have a high chance of being brought to fruition. They include enhanced oil recovery at certain satellite fields, development drilling outside the core areas at West Sak and Schrader Bluff, expanded development at Prudhoe Bay satellites Orion, Polaris and Borealis and Alpine West development. Also included in this category is NPR-A development, Point Thomson, Liberty and development of other known onshore and offshore discoveries.

Confidence levels vary for this category of production. Certain heavy oil development drilling for Schrader Bluff in 2006 might have confidence levels approaching that of "production under development". Offshore developments such as Liberty, or potentially high cost, scope challenged developments such as Point Thomson probably deserve lower confidence, and our subjective assessment is in the 70%-80% range. All production from this category is subject to delays and scope changes that might impact reserves or production rates. Accordingly, we have re-evaluated the scope and timing of the Liberty oil field in the federal Beaufort Sea and the gas condensate Point Thomson field and its associated satellite fields on the eastern North Slope near ANWR. We have delayed first production from Liberty by one year to the fourth quarter of 2011 to allow sufficient time for permitting and constructing an offshore facility and subsea pipeline.

Regarding Point Thomson, we have delayed ultimate production two years until late 2015 due to uncertainty in the scope and timing of commercializing that sizeable hydrocarbon resources. Satellite field development in the vicinity of Point Thomson has also been delayed two years.

4-9. Alaska North Slope Production, FY 1995-2005 and Forecasted FY 2006-2016
Million barrels per day



4-10. Alaska Crude Oil and NGL Production, FY 2005 and Forecasted 2006-2007
Million barrels per day

	History FY 2005	Forecast FY 2006	Forecast FY 2007
Alaska North Slope			
Prudhoe Bay	0.381	0.347	0.337
Prudhoe Bay-Satellite[1]	0.044	0.046	0.052
Kuparuk	0.142	0.136	0.126
Kuparuk-Satellite[2]	0.052	0.044	0.056
Milne Point	0.050	0.044	0.044
Endicott	0.021	0.020	0.018
Lisburne	0.010	0.009	0.009
Point McIntyre	0.037	0.033	0.030
Niakuk	0.009	0.007	0.006
Northstar	0.069	0.056	0.045
Alpine	0.104	0.122	0.105
Nanuq	0.000	0.000	0.006
Fiord	0.000	0.000	0.011
Total ANS	0.917	0.865	0.843
bbl change from prior year	(0.063)	(0.052)	(0.023)
% change from prior year	(6.4%)	(5.6%)	(2.6%)
Cook Inlet	0.019	0.018	0.017
bbl change from prior year	(0.004)	(0.001)	(0.002)
% change from prior year	(16.8%)	(5.1%)	(8.2%)
Total Alaska	0.937	0.884	0.860
bbl change from prior year	(0.067)	(0.053)	(0.024)
% change from prior year	(6.7%)	(5.6%)	(2.8%)

(1) PBU Satellites include Aurora, Borealis, Midnight Sun, Orion and Polaris
(2) Kup Satellites include Tabasco, Tarn, Meltwater and West Sak

Petroleum Property Tax

An annual tax is levied each year on the full and true value of property taxable under AS 43.56. The tax on oil and gas property is the only statewide property tax. The valuation procedure for three distinct classes of property — exploration, production and pipeline transportation — is described below.

Exploration Property

Value is based on the estimated price that the property would bring in an open market under prevailing market conditions in a sale between a willing seller and a willing buyer, both conversant with the property and with prevailing general price levels.

The state appraiser gathers raw data for determining market value by reviewing the details of equipment sales, attending auctions and reviewing trade journals. This data is then applied to the taxable property, taking into account age, capacity, physical and functional obsolescence.

Production Property

Value is determined on the basis of replacement cost new less depreciation, based on the economic life of the proven reserves.

In the case of an offshore oil or gas platform or onshore facility, the number of years of useful life is determined by estimating the date the facility reaches its economic limit, not on the basis of the projected physical life of the property. The time period until the estimated operating revenue would equal operating expenses plus the current age of the facility equals the total life. The depreciation factor for the facility equals the years of remaining life *divided* by the total life.

Pipeline Transportation Property

The full and true value of taxable pipeline property is determined with due regard to the economic value of the property based on the estimated life of the proven reserves of gas or unrefined oil that will be transported by the pipeline. We rely upon several standard appraisal techniques to value Alaska pipelines. When market rents are available, we primarily rely on the income method under which the value is the net present worth of all future income streams of the pipeline. When rents are constrained by the regulatory process or when market rents cannot be obtained, we primarily rely on replacement cost less depreciation based on the economic life of the reserves that feed the pipeline. The Trans-Alaska Pipeline from Prudhoe Bay represents more than 95% of Alaska's taxable pipeline transportation property.

The table on the next page illustrates the property tax distribution between local communities and the state for FY 2005. The property value is assessed by the state. A local tax is levied on the state's assessed value for oil and gas property within a city or borough, and is subject to the local property tax limitations established in AS 29.45.080 and AS 29.45.100. If a municipality has a tax rate of 20 mills or less, the state's mill rate is effectively 20 mills minus the local rate.

4-11. FY 2005, Distribution of the Petroleum Property Tax
$ Million

Municipalities	Gross Tax	Local Share	State Share
North Slope	202.6	192.8	9.8
Unorganized	26.7	0.0	26.7
Valdez	13.0	13.0	0.0
Kenai	11.2	6.8	4.4
Fairbanks	5.5	4.2	1.3
Anchorage	1.6	1.3	0.3
Other Municipalities[1]	0.1	0.1	0.0
Total	260.7	218.2	42.5

(1) Other municipalities include Matanuska-Susitna Borough, Cordova and Whittier.

Petroleum Corporate Income Tax

A petroleum corporation's Alaska income tax depends on the relative size of its Alaska and worldwide activities and the corporation's total worldwide net earnings. The corporation's Alaska taxable income is derived by apportioning its worldwide taxable income to Alaska based on the average of three factors as they pertain to the corporation's Alaska operations (1) tariffs and sales, (2) oil and gas production and (3) oil and gas property. We produce our forecast by estimating the statistical relationship between historical tax payments, crude oil prices, North Slope oil production and refinery margins. We then adjust for refunds and carry-forwards which cause actual collections to differ from payments.

In FY 2005, net collections from the petroleum corporate income tax were $524 million. For FY 2006, we are forecasting a 4% increase in revenue due to continued high crude oil prices and high refining margins. For FY 2007, we are forecasting a 19% decrease in revenue from the previous year, as a result of moderation in oil prices, refining margins and decreasing crude oil productioin. The forecast for petroleum corporation income tax is shown in Table 4-2.

Restricted Oil Revenue

According to Article IX, Section 15 of the Alaska Constitution, a minimum of 25% of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state must be deposited into the Alaska Permanent Fund. In addition, AS 37.14.110 requires a contribution of 0.5% of all royalties and bonuses to the Public School Fund Trust. Settlements with or judgments against the oil industry involving tax and royalty disputes must be deposited in the Constitutional Budget Reserve Fund (CBRF).

The state is entitled to 50% of all bonuses, rents and royalties from oil development activity in the federal NPR-A. All such revenue flows into the NPR-A Special Revenue Fund. All of the revenue in the fund each year is available for appropriation in the form of grants to municipalities that demonstrate present or future impact from NPR-A oil development. Of the revenue not appropriated to the municipalities, 25% goes to the Permanent Fund, 0.5% goes to the Public School Trust Fund, and the rest may be appropriated to the Power Cost Equalization and Rural Electric Capitalization Fund. Any remaining revenue after these appropriations lapses into the General Fund.

The table below reflects restricted oil and gas revenue.

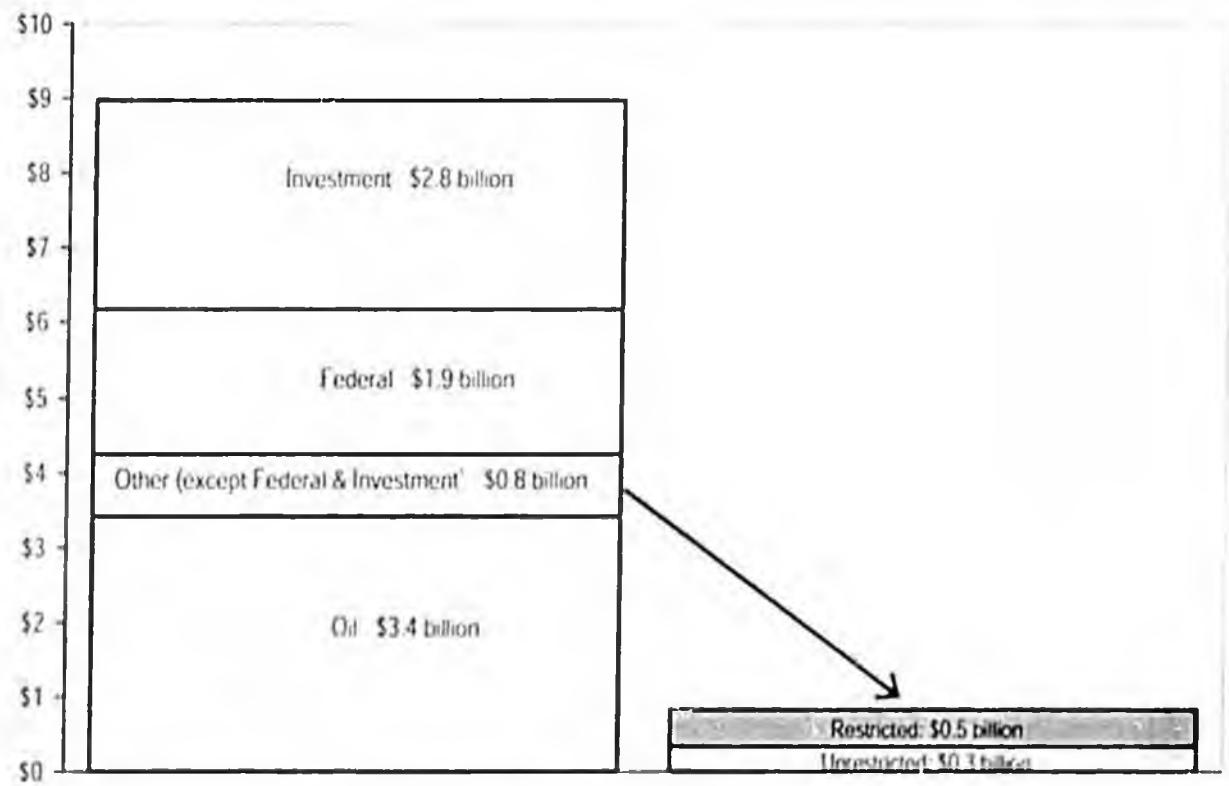
4-12. Restricted Oil Revenue, FY 2005 and Forecast FY 2006-2007

	History FY 2005	Forecast FY 2006	Forecast FY 2007
Restricted			
Royalties to Permanent Fund & Public School Fund			
Royalties, Bonuses & Rents to the Permanent Fund	476.9	578.4	465.6
Royalties, Bonuses & Rents to the School Fund	9.6	11.5	9.3
Subtotal	486.5	589.9	474.9
Tax Settlements to CBRF	27.4	20.0	20.0
NPRA Royalties, Rents & Bonuses	31.6	2.9	12.6
Total Restricted	545.5	612.9	507.5

5.

Other Revenue (except Federal & Investment)

5-1. FY 2005 Other Revenue (except Federal & Investment): $0.8 Billion



5-2. Other Revenue (except Federal & Investment), FY 2005 and Forecasted FY 2006-2007
$ Million

	History FY 2005	Forecast FY 2006	Forecast FY 2007
Unrestricted			
Taxes	227.7	265.2	248.0
Charges for Services	17.9	18.1	18.1
Fines and Forfeitures	8.8	10.9	10.9
Licenses and Permits	42.7	41.6	42.4
Rents and Royalties	9.3	9.6	9.6
Other	17.1	12.7	12.7
Total Unrestricted	323.5	358.1	341.7
Restricted			
Taxes	82.6	83.3	82.6
Charges for Services	233.3	260.8	262.0
Fines and Forfeitures	23.3	22.6	22.5
Licenses and Permits	29.9	31.7	36.5
Rents and Royalties	4.5	4.6	4.6
Other	141.1	160.7	93.9
Total Restricted	514.7	563.7	502.1
Total Other Revenue (except Federal & Investment)	838.2	921.8	843.8

General Discussion

Income from sources other than oil, state investments and federal receipts includes non-oil taxes, charges for services, fines and forfeitures, licenses and permits, rents and royalties and other revenue sources. Many of these revenue sources are divided between unrestricted and restricted revenues; the amounts of each are reflected in Tables 5-2 through 5-8. Restricted revenue includes money deposited in funds other than the Unrestricted General Fund. For purposes of this forecast, restricted revenues also include receipts that the legislature customarily appropriates or sets aside for a particular purpose or program, such as sharing of fish tax revenue with municipalities.

Other Taxes

Alcoholic Beverages Tax

Alcoholic beverage taxes are collected primarily from wholesalers and distributors of alcoholic beverages sold in Alaska. Fifty percent of the revenue is deposited in the Alcohol and Other Drug Abuse Treatment and Prevention Fund, and is reflected as restricted in this forecast because the legislature "may use the annual estimated balance in the fund to make appropriations to the Department of Health and Social Services." The other fifty percent of the alcoholic beverage tax revenue is deposited in the General Fund and is unrestricted. The per-gallon tax rates on alcoholic beverages were last increased October 1, 2002, from $0.35 to $1.07 for beer, $0.85 to $2.50 for wine and $5.60 to $12.80 for liquor. Qualifying small brewers continue to pay tax at the $0.35 rate for beer.

Charitable Gaming

Under Alaska law, municipalities and qualified nonprofit organizations may conduct certain charitable gaming activities. The purpose of these activities is to derive public benefit in the form of money for the charities and revenues for the state. The Department of Revenue collects permit and license fees, a 1% net proceeds fee and a 3% pull-tab tax.

Corporate Income Tax

Alaska levies the Corporate Net Income Tax on net income of corporations that have nexus and derive income from sources within Alaska. S-Corporations and LLCs that file federally as Partnerships are generally exempt from corporation income tax. Corporations compute their tax liability based on federal taxable income with Alaska adjustments. Corporations other than Oil & Gas corporations apportion their income to Alaska by using a three-factor apportionment based on sales, property and payroll. Taxpayers determine Alaska taxable income by applying their apportionment factor to the corporation's modified federal taxable income. Corporate tax rates are graduated from 1% to 9.4% in $10,000 increments of Alaska taxable Income. The maximum rate of 9.4% applies to taxable income over $90,000.

Electric Cooperative and Telephone Cooperative Taxes

The electric cooperative and telephone cooperative taxes date back to 1959, when the first Alaska legislature enacted the electric and telephone cooperative tax to promote cooperatives around the state. The electric cooperative tax is based on kilowatt hours furnished by qualified electric cooperatives recognized under Title 10 of the Alaska statutes; the telephone cooperative tax is levied on gross revenue of qualified telephone cooperatives under Title 10. Revenue from cooperatives located in municipalities is treated as restricted revenue in this forecast because it is shared 100% with the municipalities.

Estate Tax

The estate tax is levied on the transfer of an estate upon death. The Alaska estate tax is tied to the federal tax, with the amount of the state tax equaling the maximum state credit allowed on the estate's federal return. As a result of changes to the federal estate tax, the Alaska estate tax was phased out completely beginning January 1, 2005. However, revenues will continue in FY 2006 because of the 15-month filing period. All revenue derived from estate taxes is deposited in the General Fund. The federal estate tax changes that caused the state tax to phase out are currently scheduled to sunset after December 31, 2010.

Fisheries Business Tax

The fisheries business tax is the oldest tax in Alaska, dating from 1913. The tax is levied on businesses that process or export fisheries resources from Alaska. Although the tax usually is levied on the act of processing, the tax is often referred to as a "raw fish tax" because it is based on the value of the raw fishery resource. Tax rates vary from 1% to 5%, depending on whether a fishery resource is classified as "established" or "developing," and whether it was processed by an on-shore or floating processor. All revenue from the tax is deposited in the General Fund, but not all of it is considered unrestricted for the purposes of this forecast. Each year, the legislature appropriates half the revenue from the tax (before credits) to qualified municipalities. Given that this sharing formula is in statute, and that the legislature customarily follows the statutory formula, this forecast considers the shared revenues to be restricted.

Fishery Resource Landing Tax

The fishery resource landing tax was enacted in 1993. The tax is levied on fishery resources processed outside and first landed in Alaska, and is based on the unprocessed statewide average value of the resource. The tax is collected primarily from factory trawlers and floating processors that process fishery resources outside the state's 3-mile limit and bring their products into Alaska for shipment. The tax rates vary from 1% to 3%, based on whether the resource is classified as "established" or "developing." All revenue derived from the tax is deposited in the General Fund. Like the fisheries business tax, however, statute provides for 50% of the revenues to be available for sharing with municipalities and this forecast considers the shared revenues to be restricted. The unrestricted and restricted portions reflected in the forecast are not exactly equal due to credits and timing of revenue sharing.

Insurance Premium Tax

Insurance companies in Alaska do not pay corporate income tax, sales or other excise taxes. Instead, they pay an insurance premium tax. For most types of insurance the tax is treated as unrestricted revenue. However, the premium tax on worker's compensation insurance is deposited into the Workers Safety and Compensation Fund and is reflected as restricted in this forecast. In addition, the restricted component also includes service fees paid into the Workers Safety and Compensation Fund by employers who are uninsured or self-insured.

Mining License Tax

The mining license tax is a tax on the net income of all mining operations in the state, ranging from 0% to 7%, less exploration and other credits. Except for sand and gravel operations, new mining operations are exempt from the mining license tax for a period of 3½ years after production begins.

Motor Fuel Tax

The motor fuel tax dates from 1945 when a tax of 1 cent per gallon was imposed on all motor fuel sold, transferred or used within Alaska. Motor fuel taxes are collected primarily from wholesalers and distributors licensed as qualified dealers. Current per gallon rates are 8 cents for highway use, 5 cents for marine fuel, 4.7 cents for aviation gasoline, 3.2 cents for jet fuel, and a variable rate of 8 cents to 2 cents for gasohol, depending on the season, location and EPA mandate. Various uses of fuel are exempt from tax, including fuel used for heating or in flights to or from a foreign country. All revenue derived from motor fuel taxes is deposited in the General Fund, but 60% of the taxes attributable to aviation fuel sales at municipal airports are shared with the respective municipalities, and hence considered restricted for purposes of this forecast.

Motor Vehicle Tire Fee

The tire fee has two components. The first component is a tax of $2.50 on all new tires sold in Alaska for motor vehicles intended for highway use. This part became effective September 26, 2003. The second part of the law imposes an additional $5 fee per tire on all new tires with heavy studs sold in Alaska, and $5 on the installation of studs on each previously un-studded tire. This component of the law became effective July 1, 2004.

Seafood Assessments and Taxes

The Department of Revenue administers five different programs that raise money through seafood assessments. The money raised is then set aside for the legislature to appropriate for the benefit of the seafood industry—either in marketing or in management/development of the industry. The five programs are the salmon marketing tax, seafood marketing assessment, salmon enhancement tax, dive fishery management assessment and the regional seafood development tax. The regional seafood development tax is the newest of the programs, becoming effective June 6, 2005. Also, on January 1, 2005, the seafood marketing assessment increased from 0.3% to 0.5% of the value of seafood products produced in Alaska and the salmon marketing tax was eliminated. The rates for many of these assessments are determined by a vote of the appropriate association within the seafood industry or by members of the Alaska Seafood Marketing Institute. Although all revenue received under these assessments is deposited in the General Fund, for purposes of this forecast it is treated as restricted revenue. With the exception of the salmon enhancement tax, all other seafood assessments are reflected under the Charges for Services section of this forecast.

Tobacco Tax

The tobacco tax is levied on cigarettes and tobacco products sold, imported or transferred into Alaska. Tobacco taxes are collected primarily from licensed wholesalers and distributors. The tax rate on cigarettes was increased from $1 to $1.60 per pack on January 1, 2005 and will increase to $1.80 on July 1, 2006 and to $2 on July 1, 2007. Tax revenue is split between the General Fund and the School Fund, as discussed below. The tax rate on other tobacco products–such as cigars and chewing tobacco–is 75% of the wholesale price and is deposited entirely in the General Fund.

The cigarette tax revenue that is deposited into the School Fund will remain constant at $0.76 per pack, and this is considered restricted revenue. Currently, the School Fund portion is 47.5% of the total per pack tax on cigarettes, and this will decrease to 42.2% with the July 1, 2006 tax increase and 38% with the July 1, 2007 tax increase. In addition to tax revenue, all cigarette and tobacco products license fees are deposited in the School Fund. Revenue deposited in the School Fund is dedicated to the rehabilitation, construction, repair and insurance costs of school facilities statewide.

The remainder of the cigarette tax revenue is deposited into the General Fund, with incremental revenues as a result of the January 1, 2005 statewide tax rate increase as well as the July 1, 2006 and July 1, 2007 tax rate increases going entirely to the General Fund. Of the General Fund portion, 8.9% is deposited into a subfund of the General Fund, the Tobacco Use Education and Cessation Fund, and is treated as restricted in this forecast.

Vehicle Rental Tax

The vehicle rental tax is a 10% tax on passenger vehicle rentals of 90 days or less, and a 3% tax on rentals of recreational vehicles for 90 days or less. The vehicle rental tax provisions became effective January 1, 2004.

FOOTNOTES for PAGE 51

(1) For these tax types revenues are accrued through mid August 2005

(2) In addition to the worker's compensation insurance premiums from the Insurance Premium Tax, this amount also includes severe loss from employers who are self insured

5-3. Other Tax, FY 2005 and Forecasted FY 2006-2007

$ Million

	History FY 2005	Forecast FY 2006	FY 2007
Unrestricted			
Sales and Use Taxes			
Alcoholic Beverages [1]	17.3	17.6	17.8
Cigarette [1]	17.4	28.9	33.8
Other Tobacco Products [1]	7.7	8.1	8.4
Insurance Premium	45.9	47.2	47.7
Electric and Telephone Cooperative	0.2	0.2	0.2
Motor Fuel	39.4	39.4	40.1
Motor Vehicle Tire Fees [1]	1.6	1.6	1.6
Vehicle Rental [1]	7.5	7.5	7.5
Subtotal	137.0	150.5	157.1
Corporate Income	61.8	85.0	61.5
Fish			
Fisheries Business	10.7	12.1	13.5
Fishery Resource Landing	3.9	4.3	4.3
Subtotal	14.6	16.4	17.8
Other			
Mining	10.3	10.4	9.2
Estate	1.5	0.5	0.0
Charitable Gaming	2.5	2.4	2.4
Subtotal	14.3	13.3	11.6
Total Unrestricted	227.7	265.2	248.0
Restricted			
Sales and Use Taxes			
Alcoholic Beverages (Alcohol & Drug Treatment) [1]	17.3	17.6	17.8
Insurance Premium/Other (Workers Safety & Compensation) [2]	7.0	7.3	7.1
Electric and Telephone Cooperative (Municipal Share)	3.8	3.8	3.8
Cigarette (School Fund) [1]	30.0	28.7	27.1
Cigarette (Tobacco Use Cessation) [1]	1.1	2.8	3.3
Motor Fuel - Aviation (Municipal Share)	0.2	0.2	0.2
Subtotal	59.4	60.4	59.3
Fish Taxes			
Fisheries Business (Municipal Share)	15.2	14.4	14.7
Fishery Resource Landing (Municipal Share)	4.2	4.6	4.6
Salmon Enhancement (Aquaculture Association Share)	3.8	3.9	4.0
Subtotal	23.2	22.9	23.3
Total Restricted	82.6	83.3	82.6
Grand Total	310.3	348.5	330.6

Relevant footnotes are on adjacent page

Charges for Services

The revenues reported in this table do not include all charges for state services—just those that do not fit into other categories in this report. Most of these receipts are considered restricted revenue because they are returned to the program where they were generated.

The only unrestricted revenues listed in this category come from fees and other program charges that do not have program-receipt designations, or are not otherwise segregated and appropriated back to the program.

Marine Highway Fund

The revenue from certain transportation enterprises is reported here as a charge for state services. The Alaska Marine Highway Fund is a subfund of the General Fund and receives revenue from state ferry system operations. The legislature has discretion over how the revenue is allocated, but because it is customarily appropriated for Alaska Marine Highway operations, it is considered restricted for this forecast.

Program Receipts

Program receipts are defined under AS 37.05.146 as "fees, charges, income earned on assets and other state money received by a state agency in connection with the performance of its functions." The statute then lists all programs with program receipt authority. The statutory list includes many programs that we do not include in the Charges for Services category because they are reported elsewhere in this forecast or because they do not generate revenue available for general appropriation.

5-4. Charges for Services, FY 2005 and Forecasted FY 2006-2007
$ Million

	History	Forecast	
	FY 2005	FY 2006	FY 2007
Unrestricted			
General Government	14.7	14.9	14.9
Natural Resources	1.4	1.4	1.4
Other	1.8	1.8	1.8
Total Unrestricted	17.9	18.1	18.1
Restricted			
General Government	2.5	2.5	2.5
Natural Resources	0.5	0.5	0.5
Marine Highway Receipts	45.6	48.8	56.0
Receipt-Supported Services [1]	99.2	89.2	89.2
Statutorily Designated [1]	66.5	98.0	98.0
Other [1][2]	19.0	21.9	21.9
Total Restricted	184.7	209.1	209.1
Grand Total	251.2	278.9	280.1

(1) FY 2005 value is from the Alaska State Accounting System. FY 2006 and FY 2006 estimates are from the Office of Management and Budget and reflect what agencies expect to receive in program receipts, assumes that FY 2007 remains the same as FY 2006.
(2) Other includes the following categories: RCA receipts ($6.5 million), test fisheries ($2.2 million), timber sale receipts ($0.7 million), oil and gas conservation ($3.4 million) and DCCED business licenses ($6.2 million)

Fines and Forfeitures

Fines and forfeitures include 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 monetization 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 is deposited into the Tobacco Use Education and Cessation Fund. This forecast shows both the 80% that goes directly to the Northern Tobacco Securitization Corporation for payment of the bonds and the 20% that goes to the Tobacco Use Education and Cessation Fund as restricted revenue.

5-5. Fines and Forfeitures, FY 2005 and Forecasted FY 2006-2007
$ Million

	History FY 2005	Forecast FY 2006	Forecast FY 2007
Unrestricted			
Fines and Forfeitures	8.8	10.9	10.9
Total Unrestricted	8.6	10.9	10.9
Restricted			
Tobacco Settlement (Northern Tobacco Securitization Corporation)(1)	17.4	16.9	16.8
Tobacco Settlement (Tobacco Use Education & Cessation Fund)(1)	4.4	4.2	4.2
Other	1.5	1.5	1.5
Total Restricted	23.3	22.6	22.5
Grand Total	32.1	33.5	33.4

(1) Revenue estimates assume all participants in the settlement pay the full amount to the state. The FY 2006 and FY 2007 estimates are from Kentucky's tobacco settlement model modified for Alaska.

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

Fishing and hunting licenses are issued by the Department of Fish and Game for participation in various fishing, hunting and related activities. 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. Beginning with 2006 licenses, a surcharge will be in effect on certain sport fishing licenses with the revenue funding new sport fishing facilities in the state.

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.

5-6. Licenses and Permits, FY 2005 and Forecasted FY 2006-2007
$ Million

	History FY 2005	Forecast FY 2006	Forecast FY 2007
Unrestricted			
Motor Vehicles	39.9	38.8	39.6
Other Fees	2.8	2.8	2.8
Total Unrestricted	42.7	41.6	42.4
Restricted			
Fishing and Hunting			
Hunting and Fishing Fees (Fish and Game Fund)	24.2	25.8	30.6
Sanctuary Fees (Fish and Game Fund)	0.3	0.5	0.5
Subtotal	24.5	26.3	31.1
Other Fees	5.4	5.4	5.4
Total Restricted	29.9	31.7	36.5
Grand Total	72.6	73.3	78.9

Rents and Royalties

Rents and royalties reflected here are mostly from leasing, rental and sale of state land. Rents and royalties from oil are reported in Section 4, Oil Revenue.

Coal Royalties

As with oil and gas production, the state earns revenue from coal production that occurs on state lands leased for exploration and development. As the land owner, the state earns revenue from leasing as: (1) upfront bonuses, (2) annual rent charges and (3) as a retained royalty interest in coal production.

Of the total revenue received from coal royalties, 74.5% is deposited into the General Fund, 25% is deposited into the Permanent Fund and the remaining 0.5% goes to the School Fund. The Permanent Fund and School Fund portions are considered restricted in this forecast.

5-7. Rents and Royalties, FY 2005 and Forecasted FY 2006-2007
$ Million

	History FY 2005	Forecast FY 2006	Forecast FY 2007
Unrestricted			
Land Leasing, Rental and Sale	7.7	7.9	7.9
Coal Royalties	1.3	1.4	1.4
Cabin Rentals[1]	0.3	0.3	0.3
Total Unrestricted	9.3	9.6	9.6
Restricted			
Land Leasing, Rental and Sale	4.1	4.1	4.1
Coal Royalties	0.4	0.5	0.5
Total Restricted	4.5	4.6	4.6
Grand Total	13.8	14.2	14.2

(1) Over 50 public use cabins are operated by the Department of Natural Resources in the state, in Alaska's state parks and elsewhere. Rental and other fees generated from these cabins are deposited in the General Fund.

Other

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

Unclaimed Property

Alaska's Unclaimed Property statutes require businesses and corporations (for profit and not for profit) to report unclaimed intangible property to the state. Property is reportable if an owner cannot be located, the owner has not cashed a property check, or an account has not had any owner-initiated activity for at least three years. Unclaimed property may include checking accounts, customer deposits and over payments, gift certificates, unpaid wages, and security related accounts.

The state holds the property in trust until the owner or his or her legal heir claims it. Each year, the unclaimed property trust account is evaluated and the excess of the working trust balance is transferred to the general fund.

Dividends and Miscellaneous

Other revenues reflected as restricted in this forecast include funds transfers, frequently in the form of dividends, from component organizations of state government, as well as certain miscellaneous revenues.

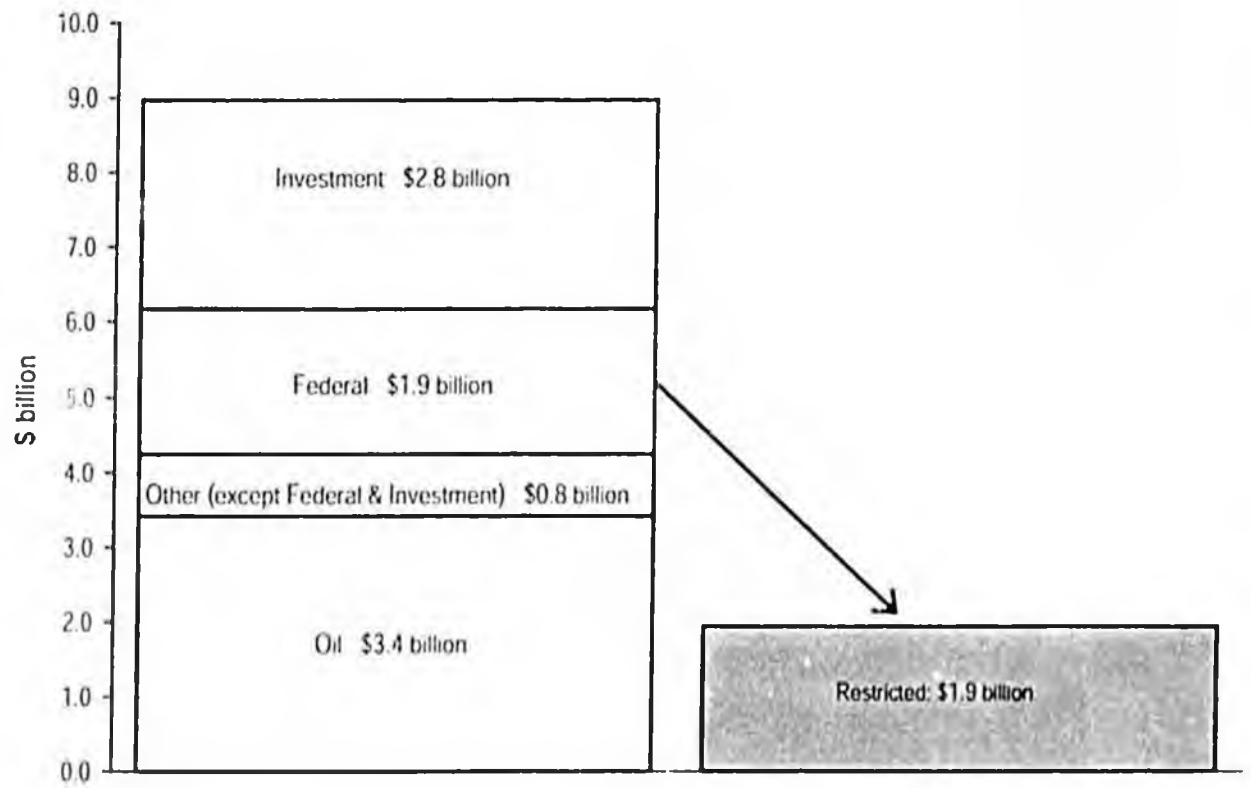
5-8. Other Revenue, FY 2005 and Forecasted FY 2006-2007
$ Million

	History FY 2005	Forecast FY 2006	Forecast FY 2007
Unrestricted			
Miscellaneous	7.6	8.2	8.2
Unclaimed Property	9.5	4.5	4.5
Total Unrestricted	17.1	12.7	12.7
Restricted			
Alaska Housing Finance Corporation [1]	65.0	43.1	54.7
Alaska Industrial Development and Export Authority [1]	23.8	8.8	16.6
Alaska Municipal Bond Bank Authority [1]	0.8	1.0	1.0
Alaska Student Loan Corporation [1]	31.3	88.1	1.9
Alaska Energy Authority [1]	0.5	0.0	0.0
Miscellaneous [2]	19.7	19.7	19.7
Total Restricted	141.1	160.7	93.9
Grand Total	158.2	173.4	106.6

(1) Payments from component units are reflected in draft tables from the Comprehensive Annual Financial Report for FY 2005 and estimates from the Office of Management and Budget for FY 2006 and 2007. The fluctuation in revenue from the Alaska Student Loan Corporation between FY 2005 and FY 2007 is due to proceeds from refinancing the Alaska Student Loan Corporation's loan portfolio.
(2) 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

6-1. FY 2005 Federal Revenue: $1.9 billion



6-2. Total Federal Revenue to the State, FY 2005 and Forecasted FY 2006-2007

	History FY 2005	Forecasted FY 2006	Forecasted FY 2007
Unrestricted			
Federal Receipts	0.0	0.0	0.0
Restricted			
Federal Receipts	1,946.3	2,745.0	2,745.0
Grand Total	1,946.3	2,745.0	2,745.0

Source: FY 2005 is from draft tables of the Comprehensive Annual Financial Report (General Fund and all other subfunds and non major special revenue funds, federal revenues). FY 2006 and 2007 estimates are provided by the Office of Management and Budget and reflect what agencies expect to receive in federal revenues.

Alaska's government received and spent over $1.9 billion of federal funds in FY 2005. Federal funding generally is restricted to specific uses, such as road improvements, Medicaid payments and aid to schools. 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 we present for FY 2006 and FY 2007 are from the Office of Management and Budget and are based on state agency projections of potential federal revenues.

It is important to note that the state routinely budgets for more federal money than it actually receives. The legislature authorizes state agencies to receive and spend the maximum that federally funded programs might receive and need, but the 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 2006, the state is budgeted to receive over $2.7 billion in federal receipts. Most federal funding requires state matching money. The budgeted state match in FY 2006 is $388.3 million. All federal funds, whether spent in the operating or capital budget, are restricted by legislative appropriation to specific uses. The largest categories of federal spending budgeted for FY 2006 are Medicaid ($710 million), highways and airports ($757 million) and education ($350 million, which includes kindergarten through high school funding and the University of Alaska).

The federal government continues to play a significant role in Alaska's economy. The federal fiscal year (FFY) runs from October 1 through September 30, and in FFY 2003 (the most recent data available) the federal government spent $7.9 billion in Alaska.[1] Part of that spending came from the activities of the various federal agencies, part was in the form of grants to state and municipal governments, and still another part came in payments to individuals.

Among federal agencies, the Department of Defense spends the most in Alaska, followed by the Department of Health and Human Services. Together, these two departments 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, 39% of all federal spending is in the form of grants, mostly to state and municipal governments, but also to nonprofit organizations.

6-5. Total Federal Spending in Alaska, FFY 2003

By Agency

	$ million	percent
Defense	2,307	29
Health & Human Services	1,569	20
Social Security	630	8
Other Agencies	3,438	43
Total	7,944	100

By Category

	$ million	percent
Grants	3,022	39
Salaries & Wages	1,617	20
Procurement	1,680	21
Retirement & Disability	1,041	13
Other Direct Payments	584	7
Total	7,944	100

[1] U.S. Census Bureau, Consolidated Federal Funds Report for FY 2003, www.census.gov/prod/2004pubs/03cffr.pdf. The Consolidated Federal Funds Report for FY 2004 is scheduled to be released in late December 2005.

Fall

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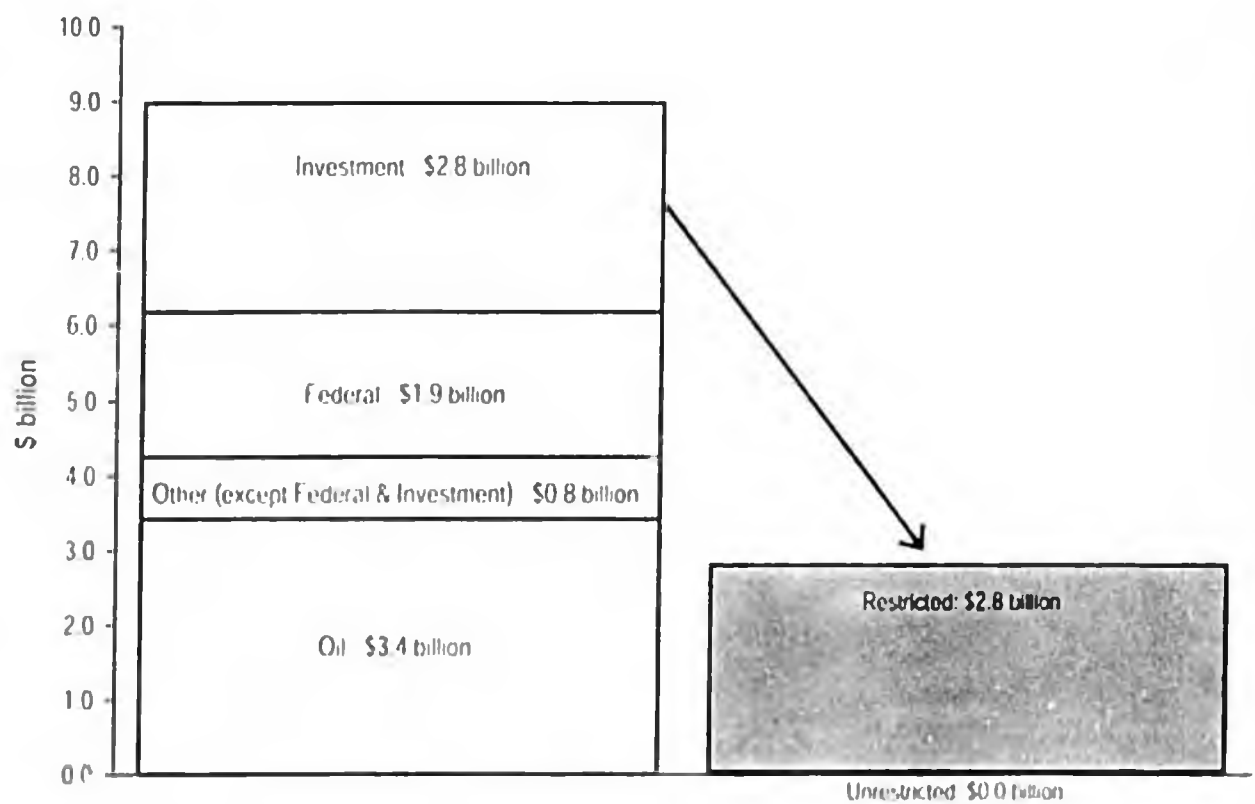
2005

7. Investment Revenue

7-1. FY 2005 Federal Revenue: $1.9 billion



7-2. Total Investment Revenue, FY 2005 and Forecasted FY 2006-2007 [1]
$ Million

	History FY 2005	Forecast FY 2006	Forecast FY 2007
Unrestricted			
Investments of Governmental Funds	23.6	23.6	26.6
Interest Paid by Others	1.1	1.1	1.1
Subtotal	24.7	24.7	27.7
Restricted			
Investments of Governmental Funds	13.3	12.4	13.6
Constitutional Budget Reserve Fund	97.4	76.0	112.3
Other Treasury-Managed Governmental Funds	22.7	21.0	21.9
Alaska Permanent Fund [2]	2,640.2	2,243.0	2,408.3
Subtotal	2,773.6	2,352.4	2,556.1
Total	2,798.3	2,377.1	2,583.8

(1) Governmental Accounting Standards Board (GASB) principles require the recognition of changes in the value of investments as income or losses at the end of each reporting period, whether the investment is actually sold or not. GASB is a sister organization to the more well known Financial Accounting Standards Board (FASB). 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.
(2) Total Permanent Fund realized and unrealized earnings

Investment Forecast

To forecast investment revenue for the current fiscal year — FY 2006 — we combine actual performance through September 30, 2005, with a projection for the remainder of the year. 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.

7-3. Callan Associates Inc.'s Five-Year Capital Market Estimated Returns

Asset Class	Benchmark for Asset Class	% / year Median Expected Return	% / year Expected Risk
Equities			
U.S. Broad	Callan Associates Inc. (CAI) Broad Market	9.00	16.90
U.S. Large Cap	Standard and Poors (S&P) 500	8.85	16.40
U.S. Small Cap	CAI Small	9.85	22.70
International	Morgan Stanley Capital International EAFE	9.25	20.10
Fixed Income			
Domestic Broad Market	Lehman Brothers Aggregate	4.75	4.50
Domestic Short Term (cash equivalent)	Three-Month U.S. Treasury Bill	3.25	0.70
Domestic Intermediate Term	Merrill Lynch 1- to 5-Year Government	4.00	3.15
International	Salomon Brothers Non-U.S. Government	4.65	9.60
Other			
Real Estate	CRES	7.60	16.50
Economic Variables			
Inflation	CPI-U	2.60	1.40

The continued volatility in the world's financial markets makes focus on the "Expected Risk" column (far right in the table above) particularly appropriate. The numbers in the Expected Risk column represent a statistical measure called standard deviation, which is the most commonly used measure of risk in the investment world. The standard deviation is a measure of the dispersion of data around its mean. The analyst can use this measure of dispersion to provide a range of possible outcomes at any desired level of confidence. In the data in this table, the level of confidence is set at 67% or one standard deviation. A higher level of confidence would require a broader range. 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). A prediction at 95% confidence would run from -4.25% to 13.75%, too broad a range to be useful.

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.

Unrestricted Investment Revenue

Unrestricted investment revenue is earned on the General Fund non-segregated investments managed by the Treasury Division. Interest Paid by Others is interest received by the state other than on its investments. Oil and gas royalty interest is included in General Fund unrestricted oil revenue.

7-4. Unrestricted Investment Revenue, FY 2005 and Forecasted FY 2006-2007
$ Million

	History FY 2005	Forecast FY 2006	Forecast FY 2007
Unrestricted			
Investments	23.6	23.6	26.6
Interest Paid by Others	1.1	1.1	1.1
Total	24.7	24.7	27.7

7-5. Investment Revenue Summary, FY 2005 and Forecasted FY 20 -2007

Asset Allocation

Treasury Pool	Percent Allocation	Performance Benchmark
Short-term, Fixed-Income Pool	44%	Three-Month U.S. Treasury Bill
Intermediate-Term, Fixed-Income Pool	56%	Merrill Lynch 1- to 5-Year Government Index

Investment Balance September 30, 2005	$1,783.7 million
Forecasted Annual Rate of Return	3.67 %
Probability of Negative Return Over 1 Year	2.52 %
Total Investment Income, FY 2005	$ 36.9 million
Forecasted Total Investment Income, FY 2006	$ 36.0 million
Forecasted Total Investment Income, FY 2007	$ 40.2 million

$ Million

	History FY 2005	Forecast FY 2006	Forecast FY 2007
Investment Revenue Unrestricted	23.6	23.6	26.6
Investment Revenue Restricted [1]	13.3	12.4	13.6
Total	36.9	36.0	40.2

(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.

7-6. Restricted Investment Revenue, FY 2005 and Forecasted FY 2006-2007
$ Million

	History	Forecast	
	FY 2005	FY 2006	FY 2007
Restricted			
Investments of Governmental Funds	13.3	12.4	13.6
Constitutional Budget Reserve Fund	97.4	76.0	112.3
Other Treasury Managed Governmental Funds	22.1	21.0	21.9
Alaska Permanent Fund[1]	2,640.2	2,243.0	2,408.3
Total Restricted	2,773.6	2,352.4	2,556.1

(1) Annualized realized and unrealized earnings from Permanent Fund Table 7-11

7-7. Constitutional Budget Reserve Fund Cash Flows Investment Revenue Summary, FY 2005 and Forecasted, FY 2006-2007

Asset Allocation Regular Account

Treasury Pool	Percent Allocation	Performance Benchmark
Short-term, Fixed-Income Pool	18%	Three-Month U.S. Treasury Bill
Intermediate-term, Fixed-Income Pool	62%	Merrill Lynch 1- to 5-Year Government Index
Broad Market Fixed-Income Pool	20%	Lehman Brothers Aggregate Bond Index
Regular Account Balance September 30, 2005		$1,732.9 million
Forecasted Annual Rate of Return		4.01 %
Probability of Negative Return Over 1 Year		8.00 %

Asset Allocation Special Subaccount

Treasury Pool	Percent Allocation	Performance Benchmark
Broad Market Fixed-Income Pool	41%	Lehman Brothers Aggregate Bond Index
Domestic Equity Pool	43%	Russell 3000 Index
International Equity Pool	16%	MSCI EAFE Index
Special Subaccount Balance September 30, 2005		$ 468.9 million
Forecasted Annual Rate of Return		7.31 %
Probability of Negative Return Over 1 Year		24.35 %

Total Investment Income

$ Million

	History FY 2005	Forecast FY 2006	FY 2007
Regular Account	61.7	45.3	75.7
Special Subaccount	35.7	30.7	36.6
Total	97.4	76.0	112.3

7-8. Constitutional Budget Reserve Fund Cash Flows, FY 2005 and Forecasted FY 2006-2007
$ Million

	History FY 2005	Forecast FY 2006	FY 2007
Beginning Cash Balance CBRF	2,064.2	2,185.1	2,281.0
Beginning Main Account Balance	1,646.2	1,731.4	1,796.7
Earnings on Main Account Balance [1]	61.7	45.3	75.7
Petroleum Tax, Royalty Settlements [2]	27.4	20.0	20.0
Loan to GF (prior year)	(22.5)	0.0	0.0
Loan to GF (current year) [3]	18.6	0.0	100.9
Ending Main Account Balance	1,731.4	1,796.7	1,993.3
Beginning Special Subaccount Balance	418.0	453.6	484.3
Earnings on Special Subaccount Balance [1]	35.7	30.7	36.6
Loan to GF from Special Subaccount	0.0	0.0	0.0
Ending Special Subaccount Balance	453.7	484.3	520.9
Total CBRF Balance	2,185.1	2,281.0	2,514.2

(1) The earnings estimate for the main account is 4.011% and the earnings estimate for the special subaccount is 7.306%. These projections are based on Callan's capital market assumptions and Department of Revenue, Treasury Division's asset allocation.
(2) Settlement estimates are provided by the Department of Revenue and Department of Law.
(3) The estimated future loan figures are slightly different than those found in the "Executive Summary." Table 2-13 was based on flat budget projections while OMB's estimates in this table are based on the assumption that certain portions of the budget will change with population.

The Treasury Division manages two other governmental funds, the Public School Trust and the Alaska Children's Trust.

7-9. Public School Trust Investment Revenue Summary, FY 2005 and Forecasted FY 2006-2007

Asset Allocation

Treasury Pool	Percent Allocation	Performance Benchmark
Broad Market Fixed-Income Pool	57%	Lehman Brothers Aggregate Index
Domestic Equity Pool	43%	Russell 3000 Index

Public School Trust Fund Balance September 30, 2005	$ 324.6 million
Forecasted Annual Rate of Return	6.56 %
Probability of Negative Return Over 1 Year	21.27 %

Total Investment Income and Distributable Income

$ Million

	History	Forecast	
	FY 2005	FY 2006	FY 2007
Public School Trust Total Investment Income	22.0	20.3	21.2
Public School Trust Distributable Income	10.3	11.2	11.6

7-10. Alaska Children's Trust Investment Revenue Summary, FY 2005 and Forecasted FY 2006-2007

Asset Allocation

Treasury Pool	Percent Allocation	Performance Benchmark
Broad Market Fixed-Income Pool	57%	Lehman Brothers Aggregate Index
Domestic Equity Pool	43%	Russell 3000 Index

Alaska Children's Trust Balance September 30, 2005	$ 11.0 million
Forecasted Annual Rate of Return	6.56 %
Probability of Negative Return Over 1 Year	21.27 %

Total Investment Income and Distributable Income

$ Million

	History	Forecast	
	FY 2005	FY 2006	FY 2007
Alaska Children's Trust Total Investment Income	0.7	0.7	0.7
Alaska Children's Trust Distributable Income	0.3	0.4	0.4

7-11. Alaska Permanent Fund Managed by the Permanent Fund Corporation, FY 2005 and Forecasted FY 2006-2007 [1]

$ Million

	History FY 2005	Forecast FY 2006	Forecast FY 2007
Reserved Assets — Principal			
Total Reserved Assets — Beginning Balance	26,541.3	28,521.8	30,258.1
Contributions and appropriations			
Contributions & appropriations - beginning balance	23,525.7	24,647.2	26,106.7
Dedicated petroleum revenue	480.5	576.7	460.5
Inflation proofing [2] transfer from realized earnings	641.0	882.8	690.9
Deposits to principal and settlement earnings	0.0	0.0	0.0
Sub total - contributions and appropriations	24,647.2	26,106.7	27,264.1
Unrealized appreciation/depreciation			
Appreciation/depreciation - beginning balance	3,015.6	3,874.7	4,151.4
Annual unrealized gain/loss	859.1	276.8	359.4
Sub total - unrealized appreciation/depreciation	3,874.7	4,151.4	4,510.8
Total Reserved Assets — Ending Balance	28,521.8	30,258.1	31,774.9
Realized Earnings Account			
Realized earnings account - beginning balance	858.5	1,439.9	1,885.9
Annual realized earnings	1,781.2	1,966.3	2,048.9
Dividend payment to the State of Alaska [3]	(532.1)	(609.7)	(795.0)
Inflation proofing [2] transfer to reserved assets	(641.0)	(882.8)	(690.9)
Other transfers to reserved assets	0.0	0.0	0.0
Other appropriations out of the Fund	(26.8)	(27.6)	(27.6)
Realized earnings account - ending balance	1,439.9	1,885.9	2,421.3
Market Value - Total Fund Invested Assets Value			
Contributions & appropriations end of year balance	24,647.2	26,106.7	27,264.1
Unrealized appreciation/depreciation end of year balance	3,874.7	4,151.4	4,510.8
Realized earnings end of year balance (statutory earnings)	1,439.9	1,885.9	2,421.3
Fund Balance (Market Value) end of year balance	29,961.7	32,144.1	34,196.3
Total Reported Earnings			
Annual unrealized gain/loss	859.1	276.8	359.4
Annual realized earnings	1,781.2	1,966.3	2,048.9
Reported Earnings	2,640.2	2,243.0	2,408.3

(1) Data projected using November 1, 2005 financial statements and the fall 2005 revenue forecast. Callan Associates Inc.'s 2005 capital market assumptions results in 7.61% median expected total return data for F Y 2006 and F Y 2007.

(2) Inflation proofing is required by statute, AS 37.13.125(c) and is calculated by the staff of the Permanent Fund. The inflation rate used for F Y 2006 was approximately 3.5%. Callan Associates Inc.'s inflation rate of 2.6% was used for F Y 2007.

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

Fall

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2005

8. State Endowment Funds

This section of the revenue forecast compares important attributes of six endowment funds. The University of Alaska endowment is included in this comparison because it is one of the Alaska's public endowment funds that use the annual distribution calculation method 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.

Under the standards adopted by the Governmental Accounting Standards Board (GASB), public funds calculate 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. They do this regardless of whether the securities are actually sold and the income, or losses, are taken or realized. All six of these endowments report annual income on this basis. However, as reflected in the table on the next page, four of them—two of the funds administered by the Alaska Permanent Fund Corporation (Alaska Permanent Fund and Mental Health Trust Fund), and the Public School Trust and Alaska Children's Trust—use other measures of annual income for determining their distributions.

In determining the amount of income available for distribution each year for the two funds managed by the Alaska Permanent Fund Corporation, gains or losses on individual investments 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 received are treated as income. Gains and losses in the value of individual investments are never recognized as income. By law, those gains and losses remain with the principal of the fund.

8-1. Target Asset Allocation—State Endowment Funds
Percent

	Cash	U.S. Bonds	International Bonds	U.S. Equities	International Equities	Real Estate	Alternative Investments	Total
Alaska Permanent Fund	0	28	4	35	18	10	5	100
Mental Health Trust	0	28	4	35	18	10	5	100
Public School Trust	0	57	0	43	0	0	0	100
Alaska Children's Trust	0	57	0	43	0	0	0	100
Power Cost Equalization	0	37	0	46	17	0	0	100
University of Alaska Endowment	1	25	0	32	15	5	22	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)

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

	Financial Reporting of Income	Distributable Income
Alaska Permanent Fund	GASB (recognize gains and losses based on change in market value)	Interest earnings + dividends paid + gains and losses on investments actually sold
Mental Health Trust	GASB (recognize gains and losses based on change in market value)	Interest earnings + dividends paid + gains and losses on investments 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)

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 specifies that 10.5% of the past five years' total realized income shall be paid out as dividends but also sets the limitation that the annual distribution may never exceed 50% of the balance in the fund's Realized Earning Account (REA). The 50% limitation has never been triggered.

Mental Health Trust

The Mental Health Trust Board adopted a policy, beginning in FY 2001, to distribute 3.5% a year of the market value of the fund's total assets. The distribution rate had been 3% for FY 1996-1998 and 3.25% for FY 1999-2000. Because of recent declines in market value, the board is exploring a redefinition of "principal" so that losses in market value would be proportionally allocated to the principal account and the earnings account rather than assigning the entire value of any losses to the earning account.

Public School Trust

The annual distribution is 4.75% of a five-year moving average of the fund's principal 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 earnings account balance, providing a cushion for the fund to maintain its annual distributions 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 earnings account balance, providing a cushion for the fund to maintain its annual distributions 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, state statute specifies that the fund shall use the market value on February 1 for the subsequent fiscal year's distribution. Thereafter, the fund is to distribute each year 7% of the monthly average market 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.

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

Alaska Permanent Fund

An annual appropriation is needed to inflation proof the principal of the Permanent Fund (but not the accumulated earnings) pursuant to AS 37.13.145. The legislative appropriation requires a transfer from the Realized Earnings Account to the fund's principal an amount equal to the calculated U.S. Consumer Price Index's effect on the value of the principal, comprised of oil and gas royalty contributions and legislative appropriations. The Alaska Permanent Fund Corporation's Trustees have proposed a constitutional amendment that would inflation proof the entire fund—the principal and accumulated earnings—by limiting the annual distribution of earnings to 5% of a five-year moving average of the market value of the fund.

Mental Health Trust

The Mental Health Trust Authority has adopted two policies to inflation proof the fund. First, it limits distributions to 3.5% of the fund's market value. (The authority's ultimate goal, after further building up the principal, is to distribute 5% of the fund's market value each year, which would still allow enough retained earnings to inflation proof the fund.) Second, 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, to help build up the fund's principal.

Public School Trust

The asset-allocation policy is such that—when combined with the requirement that the fund's capital gains and losses remain part of the principal—the retained capital gains are adequate to inflation proof the fund.

Alaska Children's Trust

The asset-allocation policy is such that—when combined with the requirement that the fund's capital gains and losses remain part of the principal—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 allow for retained earnings to inflation proof the fund.

9.

Public Corporations and the University of Alaska

Public Corporations

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

1. Alaska Housing Finance Corporation (AHFC)
2. Alaska Industrial Development and Export Authority (AIDEA)
3. Alaska Energy Authority (AEA)
4. Alaska Student Loan Corporation (ASLC)
5. Alaska Municipal Bond Bank Authority (AMBBA)
6. Alaska Aerospace Development Corporation
7. Alaska Railroad Corporation

These seven corporations and the University of Alaska are components of state government whose activities are accounted for in the state's Comprehensive Annual Financial Report separately from the activities of primary state government. Information in this section is provided by these corporations.

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 an annual "dividend" to the state.

The members of the AIDEA Board of Directors also serve as Board of Directors of AEA, though AIDEA and AEA continue to exist as separate legal entities. AEA has no employees, and AEA contracts to have AIDEA employees administer AEA programs. Other corporations 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 state's Executive Budget Act, expenditures for the day-to-day administration of all of these corporations except the Alaska Railroad are subject to the Executive Budget Act.

The Alaska Commission on Postsecondary Education (ACPE) administers the ASLC programs. The ASLC has no employees, and the executive director of the ACPE serves as the executive officer of the ASLC.

The six tables that follow in this section summarize the activities of these corporations.

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 housing 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, investments, leases and operations of its properties. The corporation has paid an annual dividend to the state since FY 1997.

Alaska Energy Authority

AEA provides loans to 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 Power Cost Equalization Endowment. AEA also receives federal and state money to provide technical advice and assistance in energy planning, emergency response management, energy infrastructure construction and conservation in rural Alaska. AEA owns and, under contractual agreements, operates and maintains state-owned power projects, such as Bradley Lake and the Alaska Intertie.

Alaska Student Loan Corporation

The Alaska Student Loan Corporation uses proceeds from bond sales to finance education 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 net income. The board has declared return of capital payments for each year beginning in FY 2001 through FY 2006. Alaska statutes also authorize the corporation to issue bonds for the purpose of financing projects of the state. Those bonds in aggregate may not exceed $280 million.

Alaska Municipal Bond Bank Authority

The Bond Bank loans money to Alaska municipalities for capital improvement projects. The bank's larger capital base, its reserve funds and its credit rating enable it 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

The corporation operates and maintains a commercial spaceport in Kodiak, Alaska and provides commercial rocket vehicle launch support services. It promotes space related business, research, education and economic growth in the State of Alaska.

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.

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 $297.1 million and $69.2 million in cash to this corporation.

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.

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 $7.5 million in 1981 to fund a direct loan by a municipality. The municipality repaid the loan 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.

9-3. Public Corporations—Financial Facts, FY 2005 [1]

	($million) Total Assets	($million) Assets less Liabilities Book Value	($million) Unrestricted Net Assets	($million) FY 2005 Operating Budget	Total [2] Positions
Alaska Housing Finance Corporation	$4,763	$1,683	$821	$43	372
Alaska Industrial Development and Export Authority	$1,151	$841	$850	$7	65
Alaska Energy Authority	$575	$415	$227	$20	AIDEA [3]
Alaska Student Loan Corporation	$955	$168	$33	$9	104
Alaska Municipal Bond Bank Authority	$450	$39	$12	$1	1
Alaska Aerospace Development Corporation [4]	$103	$67	$4	$22	29
Alaska Railroad Corporation [5]	$516	$150	$137	$86	773

(1) All figures are effective as of June 30, 2005, 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 basis. Assets and book value shown in this table are from audited December 31, 2004, financial statements. The operating budget figure shown here is for CY 2005.

9-4. Public Corporations—Revenue and Net Income, FY 2005
$ Million

	FY 2005 Revenue	FY 2005 Operating Income	FY 2005 Net Income
Alaska Housing Finance Corporation	$309.2	$40.1	($23.4)
Alaska Industrial Development and Export Authority	$70.3	$34.0	$18.1
Alaska Energy Authority	$81.8	($23.0)	($5.0)
Alaska Student Loan Corporation	$34.0	$17.9	$5.5
Alaska Municipal Bond Bank Authority	$17.5	$1.2	($0.5)
Alaska Aerospace Development Corporation	$16.9	($2.9)	($1.5)
Alaska Railroad Corporation [1]	$129.5	$10.1	$15.4

(1) The Alaska Railroad reports financial data on a calendar year basis. CY 2004 covers the second half of FY 2004 and the first half of FY 2005.

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: FY 2005, $103 million; FY 2006, $103 million; FY 2007, the lesser of 95% net income or $103 million; FY 2008, the lesser of 85% net income or $103 million; FY 2009 and thereafter, the lesser of 75% of the corporation's net income or $103 million.

Alaska Industrial Development and Export Authority

By statute, AIDEA must make available to the state each year 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 or dividend 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, it must be between 10% and 35% of net income for the base year (AS 14.42.295). The corporation may also issue bonds in an aggregate amount not to exceed $280 million, for the purpose of financing projects of the state as those projects may be identified by law (AS 14.42.220).

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 corporation does not pay a cash dividend to the General Fund.

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 2005	Budget FY 2006	Actual FY 2005	Budget FY 2006
Alaska Housing Finance Corporation	$39.8	$43.2	$103.0 (1)	$103.0
Alaska Industrial Development and Export Authority	$6.4	$7.4	$22.0	$8.8
Alaska Energy Authority	$19.1	$23.4	na	na
Alaska Student Loan Corporation	$9.4	$10.6	$80.6	$88.1
Alaska Municipal Bond Bank Authority	$0.6	$0.7	$0.8	$1.2
Alaska Aerospace Development Corporation	$19.8	$23.4	na	na
Alaska Railroad Corporation	na	na	na	na

(1) This figure reflects the provision in AS 18.56.089, that $103 million will be tranferred to the state each year though Fiscal 2006. Because some of this money is earmarked for multi-year capital projects, actual cash transfers in any given year may vary

University of Alaska

9-7. University of Alaska

$ Million Lands and Facilities June 30, 2005	$ million Total Assets June 30, 2005	$ million Unrestricted Net Assets	$ million FY 2006 Operating Budget	FY 2006 (2) Total Positions
$737.3 (1)	$1,051.3	$40.9	$714.3	4,045

(1) Includes depreciation of $544.9 million
(2) Permanent Full Time (PFT), Permanent Part Time (PPT) and Temporary (TMP) are included in total positions

Fall

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2005

10.
APPENDICES

A. Revenue

B. Prices

C. Production

Revenue. A-1

Glossary of Terms used in this Revenue Sources Book

Constitutional Budget Reserve Fund: Created by voters in 1990, the Constitutional Budget Reserve Fund receives proceeds from settlements of oil, gas, and mining tax and royalty disputes. The legislature may, with a three-quarters majority vote in each chamber, withdraw money from the fund.

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.

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. In budget-writing context, General Fund revenue has a definition similar to Unrestricted General Purpose Revenue.

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

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.

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 leave the excess in the Realized Earnings Account or transfer it to the principal of the Permanent Fund.

Restricted Program Receipts: This revenue is earmarked in state statute or by contract for specific purposes and is usually appropriated back to the program that generated the revenue. 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 statute if the legislature so chooses.

Restricted Revenue: Revenue restricted by the constitution, state or federal law, trust or debt restrictions or customary practice. The legislature can at any time remove restrictions that are solely imposed by either Alaska statute or customary practice. Program receipts, revenues allocated to subaccounts of the General Fund, and General Fund revenues customarily shared with other entities, are all considered restricted General Fund revenues for the purposes of this report.

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 marine highway receipts.

Revenue. A-2

General Fund Unrestricted revenue Sensitivity matrices
$ Million

ANS $/barrel	FY 2006 Oil + NGLs Million barrels/ day 0.800	0.850	0.900
25	2,070	2,080	2,090
26	2,100	2,110	2,130
27	2,130	2,140	2,160
28	2,170	2,190	2,210
29	2,220	2,250	2,270
30	2,270	2,300	2,330
31	2,320	2,350	2,390
32	2,370	2,410	2,450
33	2,420	2,460	2,500
34	2,460	2,510	2,560
35	2,510	2,570	2,620
36	2,560	2,620	2,680
37	2,610	2,670	2,740
38	2,660	2,730	2,790
39	2,710	2,780	2,850
40	2,750	2,830	2,910
41	2,800	2,890	2,970
42	2,850	2,940	3,030
43	2,900	2,990	3,090
44	2,950	3,050	3,140
45	3,000	3,100	3,200
46	3,050	3,150	3,260
47	3,090	3,200	3,310
48	3,140	3,260	3,370
49	3,190	3,310	3,430
50	3,240	3,360	3,490
51	3,290	3,420	3,550
52	3,340	3,470	3,600
53	3,390	3,520	3,660
54	3,430	3,580	3,720
55	3,480	3,630	3,780
56	3,530	3,680	3,840
57	3,580	3,740	3,890
58	3,630	3,790	3,950
59	3,680	3,840	4,010
60	3,730	3,900	4,070

ANS $/barrel	FY 2007 Oil + NGLs Million barrels/ day 0.800	0.850	0.900
25	1,870	1,930	1,980
26	1,920	1,980	2,040
27	1,970	2,030	2,090
28	2,010	2,080	2,150
29	2,060	2,130	2,200
30	2,110	2,180	2,250
31	2,160	2,230	2,310
32	2,200	2,280	2,360
33	2,250	2,330	2,410
34	2,300	2,380	2,470
35	2,350	2,440	2,520
36	2,400	2,490	2,580
37	2,440	2,540	2,630
38	2,490	2,590	2,680
39	2,540	2,640	2,740
40	2,590	2,690	2,790
41	2,640	2,740	2,850
42	2,680	2,790	2,900
43	2,730	2,840	2,950
44	2,780	2,890	3,010
45	2,830	2,940	3,060
46	2,880	3,000	3,120
47	2,920	3,050	3,170
48	2,970	3,100	3,220
49	3,020	3,150	3,280
50	3,070	3,200	3,330
51	3,110	3,250	3,390
52	3,160	3,300	3,440
53	3,210	3,350	3,490
54	3,260	3,400	3,550
55	3,310	3,450	3,600
56	3,350	3,500	3,660
57	3,400	3,560	3,710
58	3,450	3,610	3,760
59	3,500	3,660	3,820
60	3,550	3,710	3,870

ANS $/barrel	FY 2008 Oil + NGLs Million barrels/ day 0.800	0.850	0.900
25	1,770	1,820	1,880
26	1,810	1,870	1,930
27	1,860	1,920	1,980
28	1,910	1,970	2,030
29	1,950	2,070	2,090
30	2,000	2,070	2,140
31	2,050	2,120	2,190
32	2,090	2,170	2,240
33	2,140	2,220	2,300
34	2,180	2,270	2,350
35	2,230	2,320	2,400
36	2,280	2,360	2,450
37	2,320	2,410	2,500
38	2,370	2,460	2,560
39	2,420	2,510	2,610
40	2,460	2,560	2,660
41	2,510	2,610	2,710
42	2,560	2,660	2,770
43	2,600	2,710	2,820
44	2,650	2,760	2,870
45	2,700	2,810	2,920
46	2,740	2,860	2,970
47	2,790	2,910	3,030
48	2,830	2,960	3,080
49	2,880	3,010	3,130
50	2,930	3,060	3,180
51	2,970	3,100	3,240
52	3,020	3,150	3,290
53	3,070	3,200	3,340
54	3,110	3,250	3,390
55	3,160	3,300	3,450
56	3,210	3,350	3,500
57	3,250	3,400	3,550
58	3,300	3,450	3,600
59	3,350	3,500	3,650
60	3,390	3,550	3,710

Using volumes from the fall 2005 forecast, for every $1 change in ANS crude oil prices, Alaska revenues change about $50 million – if crude oil prices continue higher or lower every day of the year.

Revenue. A-3

Historical General Fund Unrestricted Revenue[1]

(includes Revenue Reflected as Restricted in this report)

$ Million

FY	1996	1997	1998	1999	2000[2]	2001[2]	2002[2]	2003[2]	2004[2]	2005[2]
TAX REVENUE										
Property Tax	56.0	53.6	51.3	48.8	45.0	45.1	49.6	48.7	47.3	42.5
Sales/Use										
Alcoholic Beverages	12.0	11.6	11.8	12.2	12.7	12.0	12.9	25.3	32.8	34.6
Tobacco Products	14.2	13.7	15.4	15.2	16.3	16.3	15.5	16.3	16.0	26.2
Insurance Premium	28.2	28.4	33.7	28.4	28.7	32.2	37.4	43.3	48.1	52.9
Electric and Telephone Cooperative	2.5	2.7	2.3	3.7	3.2	3.3	3.1	3.7	4.0	4.0
Motor Fuel Tax[3]	37.7	35.3	35.6	37.8	42.1	37.5	40.2	37.4	41.4	39.6
Vehicle Rental/ Tire Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.5	9.1
Total	94.6	91.7	98.8	97.3	103.0	101.3	109.1	126.0	145.8	166.4
Income Tax										
Corporation General	53.3	48.4	53.4	53.8	56.3	59.5	53.4	47.7	39.6	61.8
Corporation Petroleum	173.7	269.4	200.1	145.1	162.7	338.1	178.4	151.1	298.8	524.0
Total	227.0	317.8	253.5	198.9	219.0	397.6	231.8	198.8	338.4	585.8
Production Tax										
Oil and Gas Production	771.7	907.0	564.4	358.6	693.2	694.4	486.7	589.8	642.7	854.9
Oil and Gas Conservation	1.8	1.7	1.6	1.4	0.0	0.0	0.0	0.0	0.0	0.0
Oil and Gas Hazardous Release	13.7	12.9	11.8	11.1	9.5	9.4	9.6	9.2	9.2	8.3
Total	787.2	921.6	577.8	371.1	702.7	703.8	496.3	599.0	651.9	863.2
Other Natural Resource Tax										
Salmon and Seafood Marketing	8.6	7.6	5.6	5.3	7.2	5.7	4.8	4.4	5.0	5.5
Salmon Enhancement	5.2	4.2	4.2	3.9	5.3	3.6	3.7	2.4	3.0	3.8
Dive Fishery Management	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.0	0.0
Fisheries Business	38.2	31.0	28.5	25.9	36.9	30.5	25.3	26.0	29.3	25.9
Fish Landing	7.1	7.3	3.8	5.9	5.3	7.3	7.1	9.8	6.9	8.1
Total	59.1	50.1	42.1	41.0	54.7	47.3	41.1	42.8	44.2	43.3
Other Tax										
Estate	1.7	1.7	5.5	1.7	2.5	2.7	3.1	1.2	2.3	1.5
Other	2.5	2.4	3.9	2.9	5.9	4.3	3.2	3.0	5.6	12.8
Total	4.2	4.1	9.4	4.6	8.4	7.0	6.3	4.2	7.9	14.3
TOTAL TAX REVENUE	1,228.1	1,438.9	1,032.9	761.7	1,132.8	1,302.1	934.2	1,019.5	1,235.5	1,715.5

(continued on next page)

Historical General Fund Unrestricted Revenue (continued from prior page)

(Includes Revenue Reflected as Restricted in this report)
$ Million

FY	1996	1997	1998	1999	2000 (2)	2001 (2)	2002 (2)	2003 (2)	2004 (2)	2005 (2)
NON TAX REVENUE										
Licenses and Permits	60.9	69.0	74.6	63.7	69.2	37.3	42.2	33.6	41.8	42.7
Intergovernmental Receipts										
Federal Shared Revenues	1.0	2.0	2.2	0.8	1.0	0.3	0.1	0.0	0.0	0.0
Charges for Services										
Marine Highways	38.5	38.6	37.1	38.8	38.3	37.6	32.2	41.5	43.6	45.6
Other	36.9	39.5	34.9	31.8	43.7	27.0	19.1	13.9	11.1	17.9
Total	75.4	78.1	72.0	70.6	82.0	64.6	51.3	55.4	54.7	63.5
Fines and Forefeitures	9.4	8.2	37.7	12.5	46.2	33.6	6.6	7.0	16.0	8.8
Rents and Royalties										
Bonuses, Rents and Interest (4)(5)	6.9	7.4	23.0	25.6	4.0	7.1	14.6	9.6	10.4	12.1
Oil and Gas Royalties	642.2	759.2	459.4	322.6	727.9	781.0	581.2	830.7	1,045.7	1,401.0
Timber Sales	1.5	1.9	1.8	0.3	0.3	0.4	0.2	0.0	0.2	0.1
Other	8.1	8.6	8.1	10.6	9.4	10.5	9.1	6.2	7.6	14.5
Total	658.7	777.1	512.3	359.1	741.6	799.0	605.1	846.5	1,063.9	1,427.7
Investment Earnings (5)	64.1	77.1	60.6	46.5	48.1	78.8	43.1	59.0	9.7	24.7
Miscellaneous Revenue	35.8	44.6	33.5	37.3	27.1	34.9	42.3	9.4	19.2	17.1
Sub-Total NON-TAX REVENUE	905.3	1,056.1	792.9	590.5	1,015.2	1,048.5	790.7	1,010.9	1,205.3	1,584.5
Petroleum Special Settlements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL NON-TAX REVENUE	905.3	1,056.1	792.9	590.5	1,015.2	1,048.5	790.7	1,010.9	1,205.3	1,584.5
TOTAL TAX REVENUE	1,228.1	1,438.9	1,032.9	761.7	1,132.8	1,302.1	934.2	1,019.5	1,235.5	1,715.5
TOTAL GENERAL FUND UNRESTRICTED REVENUE	2,133.4	2,495.0	1,825.8	1,352.2	2,148.0	2,350.6	1,724.9	2,030.4	2,440.8	3,300.0

(1) A complete summary of historical General Fund unrestricted revenue can be found on the Tax Division's web site at http://www.tax.state.ak.us
(2) After FY 2000, all receipt supported services are excluded
(3) Motor fuel tax includes aviation, highway and marine
(4) These categories are primarily comprised of petroleum
(5) Starting in FY 2001, interest earnings are included in oil and gas royalties and excluded from investment revenue

Revenue. A-4a

Historical General Fund Unrestricted Petroleum revenue[1]
$ Million

FY	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Corporation Petroleum Tax	173.7	269.4	200.1	145.1	162.7	338.1	178.4	151.1	338.8	524.0
Production Tax	787.2	921.6	577.8	371.1	703.7	703.8	496.3	599.0	651.9	863.2
Petroleum Property Tax	56.0	53.6	51.3	48.8	45.0	45.1	49.6	48.7	47.3	42.5
Reserve Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oil and Royalties[2]	642.2	759.2	480.4	322.6	727.9	781.0	581.2	830.7	1,045.7	1,401.0
Bonuses, Rents and Interest[2][3]	6.9	7.4	23.0	25.6	4.0	7.1	14.6	9.6	10.4	12.1
Petroleum Special Settlements[4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Petroleum Revenue	**1,666.0**	**2,011.2**	**1,332.6**	**913.2**	**1,642.3**	**1,875.1**	**1,320.1**	**1,639.1**	**2,054.1**	**2,842.8**
Cumulative Total Petroleum Revenue[5]	42,332.2	44,343.4	45,676.0	46,589.2	48,231.5	50,106.6	51,426.7	53,065.8	55,119.9	57,967.2
Total General Fund Unrestricted Revenue	**2,133.4**	**2,495.0**	**1,825.8**	**1,352.2**	**2,148.0**	**2,350.6**	**1,724.9**	**2,030.4**	**2,440.8**	**3,300.0**
% Petroleum Revenue	78%	81%	73%	68%	76%	80%	76%	81%	84%	86%

(1) A complete summary of historical General Fund unrestricted petroleum revenue can be found on the Tax Division's web site at http://www.tax.state.ak.us
(2) Royalties, bonuses and rents are net of Permanent Fund, Public School Fund contributions and Constitutional Budget Reserve Fund (CBRF) deposits
(3) These categories are primarily composed of petroleum revenue.
(4) Revenue shown here is not subject to deposit in the CBRF. All other tax settlements are deposited in the CBRF.
(5) This table shows historical petroleum revenue for FY 1996-2005. The cumulative petroleum revenue total is based on revenue beginning in FY 1959.

Revenue. A-4b

Forecasted General Fund Unrestricted Petroleum revenue
$ Million

FY	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Corporation Petroleum Tax	525.1	444.1	354.3	191.5	187.9	190.7	189.1	184.9	182.9	177.8
Production Tax	1,130.8	891.6	714.8	399.7	385.2	360.5	338.8	309.9	283.9	266.5
Petroleum Property Tax	42.5	36.7	36.2	36.2	35.6	34.4	34.1	33.9	33.6	33.6
Reserve Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Royalties[2]	1,707.4	1,364.0	1,076.9	589.0	577.4	545.8	523.0	489.2	459.7	440.4
Bonuses, Rents & Interest [2][3]	21.1	33.5	14.6	12.4	11.9	12.1	11.5	13.1	16.9	12.8
Petroleum Special Settlements[4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Petroleum Revenue	**3,426.9**	**2,769.9**	**2,196.8**	**1,228.8**	**1,198.0**	**1,143.6**	**1,096.4**	**1,031.1**	**977.1**	**931.1**
Cumulative TOTAL Petroleum Revenue	61,389.7	64,159.5	66,356.3	67,585.1	68,783.1	69,926.7	71,023.1	72,054.2	73,031.3	73,962.3
Total General Fund Unrestricted Revenue	**3,809.7**	**3,139.3**	**2,571.9**	**1,606.8**	**1,578.3**	**1,526.8**	**1,483.4**	**1,421.5**	**1,370.9**	**1,328.9**
% Petroleum Revenue	90%	88%	85%	76%	76%	75%	74%	73%	71%	70%

(1) A complete summary of historical General Fund unrestricted petroleum revenue can be found on the Tax Division's web site at http://www.tax.state.ak.us

(2) Royalties, bonuses and rents are net of Permanent Fund, Public School Fund contributions and Constitutional Budget Reserve Fund (CBRF) deposits

(3) These categories are primarily composed of petroleum revenue

(4) Revenue shown here is not subject to deposit in the CBRF. All other tax settlements are deposited in the CBRF

(5) This table shows historical petroleum revenue for FY 1996-2005. The cumulative petroleum revenue total is based on revenue beginning in FY 1959

Revenue. A-5a

Historical Petroleum Production Tax & Royalty Revenue[1]
$ Million

FY	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Alaska North Slope										
Oil Royalty - net[2]	595.5	735.5	441.2	297.9	658.4	797.4	546.5	827.5	959.1	1,300.4
Oil Production Tax	713.6	868.9	545.2	328.0	632.6	667.1	444.5	549.6	594.5	787.3
Conservation Tax/ Exploration Incentive[3]	1.8	1.7	1.5	1.4	0.1	0.0	0.0	0.0	0.0	(30.0)
Hazardous Release Fund	13.0	12.6	11.3	10.5	9.4	9.0	9.0	9.0	9.6	8.2
Gas Royalty (Net of PF & PSF; under HB 11)	1.0	1.1	0.8	0.8	0.9	1.0	1.3	3.2	6.6	6.7
Gas Production Tax (includes gas NGL's)	25.9	32.0	18.6	11.4	22.3	20.3	9.3	12.7	17.6	30.5
Subtotal	**1,350.8**	**1,651.9**	**1,018.7**	**650.0**	**1,323.8**	**1,494.8**	**1,010.6**	**1,402.0**	**1,587.3**	**2,103.2**
Cook Inlet										
Oil Royalty - net[2]	18.8	21.2	13.5	10.2	1.5	27.4	18.8	24.2	26.0	29.2
Oil Production Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Conservation Tax/ Exploration Incentive[3]	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Hazardous Release Fund	0.4	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.2	0.2
Gas Royalty (Net of PF & PSF; under HB 11)	19.6	22.4	20.9	18.3	19.4	30.5	25.2	23.4	39.2	31.1
Gas Production Tax	15.4	18.2	18.4	13.2	16.0	17.9	23.4	23.0	24.7	24.4
Subtotal	**54.2**	**62.2**	**53.2**	**42.2**	**55.2**	**75.9**	**67.7**	**70.9**	**90.1**	**85.0**
Total Alaska										
Oil Royalty - net[2]	614.3	756.8	454.8	308.1	678.0	824.7	565.3	851.8	985.0	1,329.6
Oil Production Tax	713.6	868.9	545.2	328.0	632.6	667.1	444.5	549.6	594.5	787.3
Conservation Tax/ Exploration Incentive[3]	1.9	1.7	1.6	1.5	0.1	0.0	0.0	0.0	0.0	(30.0)
Hazardous Release Fund	13.4	13.0	11.6	10.9	9.7	9.2	9.3	9.2	9.8	8.4
Gas Royalty (Net of PF & PSF; under HB 11)	20.6	23.5	21.7	19.1	20.3	31.5	26.4	26.6	45.7	37.8
Gas Production Tax (includes gas NGL's)	41.2	50.2	37.0	24.7	38.3	38.1	32.7	35.7	42.3	55.0
Total Alaska	**1,405.0**	**1,714.0**	**1,071.9**	**692.2**	**1,379.0**	**1,570.7**	**1,078.3**	**1,472.9**	**1,677.4**	**2,188.2**

(1) Appendix A-5a and b provide a breakout of Alaska North Slope and Cook Inlet revenues which may not match AKSAS numbers in tables throughout Revenue Sources Book. A complete summary of historical unrestricted production tax and royalty revenue can be found on the Tax Division's web site at http://www.tax.state.ak.us

(2) Unrestricted oil and gas royalty revenue is net of Permanent Fund (PF) and Public School Fund (PSF) contributions.

(3) The extension of the Exploration Incentive Credit to 2010 has not been included in the table. The spring 2006 edition of the Revenue Sources Book will break out the expected credit as well as provide for a Bristol Bay credit.

Revenue. A-5b

Forecasted Petroleum Production Tax & Royalty Revenue
$ Million

FY	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Alaska North Slope										
Oil Royalty - net [2]	1,638.9	1,309.3	1,027.7	548.4	536.4	516.6	493.7	459.8	430.1	410.5
Oil Production Tax	1,115.0	892.5	670.8	362.3	347.2	321.5	299.2	270.0	243.6	225.9
Conservation Tax/ Exploration Incentive [3]	(50.0)	(50.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hazardous Release Fund	7.9	7.8	7.7	7.7	7.7	8.0	7.9	7.6	7.3	7.1
Gas Royalty (Net of PF & PSF; under HB 11)	4.9	2.3	1.9	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Gas Production Tax (includes gas NGL's)	31.6	21.4	15.7	8.5	8.5	8.5	8.5	8.4	8.4	8.1
Subtotal	**2,748.3**	**2,183.3**	**1,723.8**	**928.0**	**901.0**	**855.8**	**810.4**	**746.9**	**690.5**	**652.6**
Cook Inlet										
Oil Royalty - net [2]	33.0	25.8	19.9	11.2	10.6	10.0	9.5	9.0	8.6	8.2
Oil Production Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Conservation Tax/ Exploration Incentive [3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hazardous Release Fund	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Gas Royalty (Net of PF & PSF; under HB 11)	30.6	26.6	27.4	28.3	29.2	18.1	18.7	19.3	19.9	20.6
Gas Production Tax	26.1	19.7	20.3	20.9	21.6	22.3	23.0	23.7	24.5	25.3
Subtotal	**89.9**	**72.3**	**67.9**	**60.7**	**61.6**	**50.6**	**51.4**	**52.2**	**53.2**	**54.2**
Total Alaska										
Oil Royalty - net [2]	1,671.9	1,335.1	1,047.6	559.6	547.0	526.6	503.2	468.8	438.7	418.7
Oil Production Tax	1,115.0	892.5	670.8	362.3	347.2	321.5	299.2	270.0	243.6	225.9
Conservation Tax/ Exploration Incentive [3]	(50.0)	(50.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hazardous Release Fund	8.1	8.0	7.9	8.0	7.9	8.1	8.1	7.8	7.5	7.2
Gas Royalty (Net of PF & PSF; under HB 11)	35.5	28.9	29.3	29.4	30.3	19.2	19.8	20.4	21.0	21.7
Gas Production Tax (includes gas NGL's)	57.7	41.1	36.0	29.4	30.1	30.8	31.5	32.1	32.9	33.4
Subtotal	**2,838.2**	**2,255.6**	**1,791.7**	**988.7**	**962.6**	**906.3**	**861.7**	**799.1**	**743.7**	**706.9**

(1) Appendix A-5a and b provide a breakout of Alaska North Slope and Cook Inlet revenues which may not match AKSAS numbers in tables throughout Revenue Sources Book. A complete summary of historical unrestricted production tax and royalty revenue can be found on the Tax Division's web site at http://www.tax.state.ak.us

(2) Unrestricted oil and gas royalty revenue is net of Permanent Fund (PF) and Public School Fund (PSF) contributions.

(3) The extention of the Exploration Incentive Credit to 2010 has not been included in the table. The spring 2006 edition of the Revenue Sources Book will break out the expected credit as well as provide for a Bristol Bay credit.

Revenue. A-6a

Historical Royalty Revenue[1]
$ Million

FY	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
ALASKA NORTH SLOPE										
Total Revenue										
Oil (does not include NPR-A royalty)	818.3	1,005.7	602.2	402.4	897.0	1,099.5	761.1	1,142.0	1,287.3	1,745.6
Gas	1.4	1.5	1.1	1.0	1.2	1.4	1.8	4.4	8.8	9.0
ANS GrossRoyalty Revenue	819.7	1,007.2	603.3	403.4	898.2	1,100.9	762.8	1,146.4	1,296.1	1,754.5
Revenue to Permanent Fund & Public School Fund										
Oil	222.8	270.1	160.9	104.5	238.5	302.1	214.6	314.5	328.3	445.1
Gas	0.4	0.4	0.3	0.3	0.3	0.4	0.5	1.2	2.2	2.3
ANS Revenue to PF & PSF	223.1	270.5	161.2	104.8	238.9	302.5	215.1	315.7	330.5	447.4
General Fund Revenue										
Oil	595.5	735.5	441.2	297.9	658.4	797.4	546.5	827.5	959.1	1,300.4
Gas	1.0	1.1	0.8	0.8	0.9	1.0	1.3	3.2	6.6	6.7
ANS Net Royalty Revenue	596.6	736.6	442.1	298.6	659.4	798.4	547.8	830.7	965.6	1,307.1
COOK INLET										
Total Revenue										
Oil	25.2	28.5	18.2	13.7	26.2	36.7	25.3	32.5	34.9	39.2
Gas	26.3	30.0	28.1	24.6	26.0	40.9	33.8	31.4	52.6	41.8
Cook Inlet Gross Royalty Revenue	51.5	58.5	46.2	38.3	52.3	77.6	59.1	63.9	87.4	81.0
Revenue to Permanent Fund & Pubic School Fund										
Oil	6.4	7.3	4.6	3.5	6.7	9.4	6.4	8.3	8.9	10.0
Gas	6.7	7.7	7.2	6.3	6.6	10.4	8.6	8.0	13.4	10.7
Cook Inlet Revenue to PF & PSF	13.1	14.9	11.8	9.8	13.3	19.8	15.1	16.3	22.3	20.7
General Fund Revenue										
Oil	18.8	21.2	13.5	10.2	19.5	27.4	18.8	24.2	26.0	29.2
Gas	19.6	22.4	20.9	18.3	19.4	30.5	25.2	23.4	39.2	31.1
Cook Inlet Net Royalty Revenue	33.4	43.6	34.5	28.6	38.9	57.8	44.0	47.6	65.1	60.3

Revenue. A-6b

Forecasted Royalty Revenue
$ Million

FY	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
ALASKA NORTH SLOPE										
Total Revenue										
Oil (does not include NPR-A royalty)	2,199.8	1,757.4	1,379.4	736.0	720.1	693.4	662.7	617.2	577.3	551.0
Gas	6.6	3.1	2.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
ANS GrossRoyalty Revenue	2,206.4	1,760.5	1,382.0	737.5	721.5	694.9	664.2	618.7	578.8	552.5
Revenue to Permanent Fund & Public School Fund										
Oil	561.0	448.1	351.8	187.7	183.6	176.8	169.0	157.4	147.2	140.5
Gas	1.7	0.8	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4
ANS Revenue to PF & PSF	562.6	448.9	352.4	188.1	184.0	177.2	169.4	157.8	147.6	140.9
General Fund Revenue										
Oil	1,638.9	1,309.3	1,027.7	548.4	536.4	516.6	493.7	459.8	430.1	410.5
Gas	4.9	2.3	1.9	1.1	1.1	1.1	1.1	1.1	1.1	1.1
ANS Net Royalty Revenue	1,643.8	1,311.6	1,029.6	549.5	537.6	517.7	494.8	460.9	431.2	411.6
COOK INLET										
Total Revenue										
Oil	44.4	34.7	26.8	15.1	14.2	13.4	12.8	12.1	11.6	11.0
Gas	41.0	35.6	36.8	38.0	39.2	24.2	25.0	25.9	26.7	27.6
Cook Inlet Gross Royalty Revenue	85.4	70.3	63.6	53.1	53.4	37.7	37.8	38.0	38.3	38.6
Revenue to Permanent Fund & Public School Fund										
Oil	11.3	8.8	6.8	3.8	3.6	3.4	3.3	3.1	3.0	2.8
Gas	10.5	9.1	9.4	9.7	10.0	6.2	6.4	6.6	6.8	7.0
Cook Inlet Revenue to PF & PSF	21.8	17.9	16.2	13.5	13.6	9.6	9.6	9.7	9.8	9.9
General Fund Revenue										
Oil	33.0	25.8	19.9	11.2	10.6	10.0	9.5	9.0	8.6	8.2
Gas	30.6	26.6	27.4	28.3	29.2	18.1	18.7	19.3	19.9	20.6
Cook Inlet Net Royalty Revenue	63.6	52.4	47.3	39.6	39.8	28.1	28.2	28.3	28.5	28.8

Prices. B-1a

Historical Nominal Crude Oil and Natural Gas Prices[1]

WTI, ANS West Coast, ANS and Cook Inlet Wellhead Crude Oil Prices
$ per Barrel

FY	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
WTI	19.20	22.54	18.03	14.09	24.82	30.41	23.80	29.47	33.10	47.19
ANS West Coast	17.74	20.90	15.86	12.73	23.27	27.85	21.78	28.15	31.74	43.43
ANS Wellhead	12.67	16.43	11.85	8.47	19.05	22.83	16.80	23.16	26.80	38.92
Cook Inlet Wellhead	15.63	18.77	13.75	10.53	21.08	26.93	20.46	25.03	27.89	40.26

Henry Hub and Chicago City Gate Natural Gas Prices
$ per MM BTU

FY	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Henry Hub	2.38	2.48	2.43	1.97	2.64	5.47	2.80	4.62	5.37	6.18
Chigaco City Gate	2.80	2.62	2.51	2.03	2.69	5.66	2.81	4.67	5.42	6.16

(1) A complete summary of historical nominal crude oil and natural gas prices can be found on the Tax Division's website at http://www.tax.state.ak.us

Prices. B-1b

Forecasted Nominal Crude Oil and Natural Gas Prices

WTI, ANS West Coast, ANS and Cook Inlet Wellhead Crude Oil Prices
$ per Barrel

FY	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
WTI	59.65	51.50	43.25	27.50	27.50	27.50	27.50	27.50	27.50	27.50
ANS West Coast	57.30	49.20	40.95	25.50	25.50	25.50	25.50	25.50	25.50	25.50
ANS Wellhead	51.52	43.27	35.03	19.54	19.49	19.34	19.30	19.07	18.82	18.69
Cook Inlet Wellhead	54.97	47.14	38.90	23.46	23.49	23.48	23.49	23.50	23.50	23.51

Henry Hub and Chicago City Gate Natural Gas Prices
$ per MM BTU

FY	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Henry Hub	9.19	7.79	6.79	6.28	6.28	6.28	6.28	6.28	6.28	6.28
Chicago City Gate	9.12	7.76	6.76	6.25	6.25	6.25	6.25	6.25	6.25	6.25

Prices. B-2a

Historical Real 2005$ Crude Oil and Natural Gas Prices

WTI, ANS West Coast, ANS and Cook Inlet Wellhead Crude Oil Prices
$ per Barrel

FY	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
WTI	23.88	27.29	21.34	16.40	28.33	33.46	25.37	31.08	34.18	47.19
ANS West Coast	22.07	25.30	18.77	14.82	26.56	30.65	23.21	29.69	32.78	43.43
ANS Wellhead	15.76	19.89	14.02	9.85	21.75	25.12	17.90	24.42	27.68	38.92
Cook Inlet Wellhead	19.44	22.72	16.27	12.25	24.06	29.64	21.81	26.40	28.80	40.26

Henry Hub and Chicago City Gate Natural Gas Prices
$ per MM BTU

FY	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Henry Hub	2.97	3.00	2.87	2.29	3.02	6.02	2.99	4.87	5.55	6.18
Chigaco City Gate	3.48	3.17	2.97	2.36	3.07	6.23	2.99	4.92	5.60	6.16

Prices. B-2b

Forecasted Real 2005$ Crude Oil and Natural Gas Prices

WTI, ANS West Coast, ANS and Cook Inlet Wellhead Crude Oil Prices
$ per Barrel

FY	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
WTI	58.14	48.92	40.04	24.82	24.19	23.57	22.98	22.40	21.83	21.27
ANS West Coast	55.85	46.74	37.92	23.01	22.43	21.86	21.31	20.77	20.24	19.73
ANS Wellhead	50.21	41.10	32.44	17.64	17.14	16.58	16.13	15.53	14.94	14.46
Cook Inlet Wellhead	53.58	44.78	36.02	21.17	20.66	20.13	19.62	19.13	18.66	18.19

Henry Hub and Chicago City Gate Natural Gas Prices
$ per MM BTU

FY	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Henry Hub	8.96	7.40	6.28	5.67	5.52	5.38	5.25	5.11	4.98	4.86
Chigaco City Gate	8.89	7.37	6.26	5.64	5.50	5.36	5.22	5.09	4.96	4.84

Prices. B-3

Price Changes from Spring 2005 Forecast
$ per barrel

FY	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fall 2005 Forecast											
WTI	47.19	59.65	51.50	43.25	27.50	27.50	27.50	27.50	27.50	27.50	27.50
ANS West Coast	43.43	57.30	49.20	40.95	25.50	25.50	25.50	25.50	25.50	25.50	25.50
ANS Wellhead	38.92	51.52	43.27	35.03	19.54	19.49	19.34	19.30	19.07	18.82	18.69
Cook Inlet Wellhead	40.26	54.97	47.14	38.90	23.46	23.49	23.48	23.49	23.50	23.50	23.51
Spring 2005 Forecast											
WTI	45.75	42.00	37.10	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50
ANS West Coast	41.75	38.60	34.30	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
ANS Wellhead	36.74	33.07	28.66	19.90	19.80	19.71	19.51	19.50	19.34	19.15	18.90
Cook Inlet Wellhead	38.63	36.42	32.13	23.34	23.35	23.36	23.37	23.38	23.39	23.49	23.49
price change from prior forecast											
WTI	1.44	17.65	14.40	15.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ANS West Coast	1.68	18.70	14.90	15.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ANS Wellhead	2.18	18.45	14.60	15.13	(0.26)	(0.22)	(0.17)	(0.20)	(0.27)	(0.33)	(0.21)
Cook Inlet Wellhead	1.63	18.55	15.01	15.56	0.11	0.13	0.11	0.10	0.10	0.01	0.02
percent change from prior forecast											
WTI	3.1%	42.0%	38.8%	57.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ANS West Coast	4.0%	48.4%	43.4%	60.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ANS Wellhead	5.9%	55.8%	50.9%	76.0%	(1.3%)	(1.1%)	(0.9%)	(1.0%)	(1.4%)	(1.7%)	(1.1%)
Cook Inlet Wellhead	4.2%	50.9%	46.7%	66.7%	0.5%	0.6%	0.5%	0.4%	0.4%	0.1%	0.1%

Production. C-1

Production Changes from Spring 2005 Forecast
Million Barrels per Day

FY	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fall 2005 Forecast											
ANS	0.917	0.865	0.843	0.832	0.834	0.832	0.853	0.845	0.818	0.789	0.762
Cook Inlet	0.019	0.018	0.017	0.016	0.014	0.014	0.013	0.012	0.011	0.011	0.010
Total Alaska	0.936	0.884	0.860	0.847	0.849	0.845	0.866	0.858	0.829	0.800	0.772
Spring 2005 Forecast											
ANS Total	0.920	0.911	0.911	0.922	0.881	0.853	0.870	0.856	0.856	0.862	0.833
Cook Inlet	0.023	0.019	0.017	0.016	0.014	0.013	0.013	0.012	0.011	0.010	0.010
ALASKA	0.943	0.930	0.928	0.936	0.894	0.867	0.883	0.868	0.866	0.872	0.842
volume change from prior forecast											
ANS Total	(0.003)	(0.045)	(0.068)	(0.090)	(0.047)	(0.022)	(0.017)	(0.011)	(0.028)	(0.073)	(0.071)
Cook Inlet	(0.004)	(0.000)	(0.000)	(0.000)	0.000	0.000	0.000	0.000	0.000	0.001	0.001
ALASKA	(0.007)	(0.046)	(0.068)	(0.090)	(0.047)	(0.021)	(0.017)	(0.011)	(0.038	(0.072)	(0.070)
percent change from prior forecast											
ANS	(0.3%)	(5.0%)	(7.5%)	(9.8%)	(5.3%)	(2.5%)	(1.9%)	(1.3%)	(4.5%)	(8.5%)	(8.5%)
Cook Inlet	(16.3%)	(2.6%)	(1.0%)	(0.6%)	0.2%	1.2%	1.4%	2.2%	2.9%	7.4%	7.4%
Total Alaska	(0.7%)	(4.9%)	(7.4%)	(9.6%)	(5.2%)	(2.5%)	(1.9%)	(1.2%)	(4.4%)	(8.3%)	(8.3%)

Production. C-2a

Historical Crude Oil Production[1]
Million Barrels per Day

FY	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Alaska North Slope										
Prudhoe Bay[2]	0.891	0.809	0.713	0.636	0.571	0.540	0.487	0.433	0.419	0.381
PBU Satellites[3]	0.000	0.000	0.000	0.003	0.004	0.007	0.026	0.045	0.052	0.044
Kuparuk	0.283	0.267	0.260	0.241	0.212	0.197	0.176	0.160	0.155	0.142
Kuparuk Satellites[4]	0.000	0.000	0.001	0.025	0.037	0.031	0.039	0.052	0.049	0.052
Milne Point[5]	0.022	0.052	0.053	0.055	0.053	0.052	0.052	0.051	0.051	0.050
Endicott[6]	0.089	0.068	0.058	0.048	0.046	0.037	0.033	0.029	0.029	0.021
GPMA[7]	0.189	0.208	0.190	0.156	0.117	0.089	0.075	0.065	0.061	0.056
Alpine	0.000	0.000	0.000	0.000	0.000	0.038	0.096	0.098	0.099	0.104
Northstar	0.000	0.000	0.000	0.000	0.000	0.000	0.019	0.057	0.066	0.069
Nanuq[8]	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Fiord[9]	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Known Offshore[10]	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Known Onshore[11]	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Liberty	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
NPR-A	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Point Thomson	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Subtotal	**1.474**	**1.404**	**1.275**	**1.164**	**1.040**	**0.991**	**1.004**	**0.991**	**0.980**	**0.917**
Cook Inlet	**0.042**	**0.037**	**0.032**	**0.032**	**0.029**	**0.029**	**0.033**	**0.028**	**0.023**	**0.019**
Total Alaska	**1.516**	**1.441**	**1.307**	**1.196**	**1.069**	**1.020**	**1.036**	**1.020**	**1.004**	**0.936**

(1) A complete summary of historical crude oil production can be found on the Tax Division's web site at http://www.tax.state.ak.us
(2) Includes NGLs from Central Gas Facility shipped to TAPS
(3) Aurora, Borealis, Midnight Sun, Orion and Polaris
(4) Meltwater, Tabasco, Tarn and West Sak
(5) Milne Point, Sag River and Schrader Bluff
(6) Endicott, Badami, Eider and Sag Delta
(7) Lisburne, Niakuk, Point McIntyre, North Prudhoe Bay State and West Beach
(8) Nanuq and Nanuq Kuparuk
(9) Fiord and Fiord Kuparuk
(10) Flaxman, Gwyder and Sourdough
(11) Sandpiper and other onshore discoveries

Production. C-2b

Forecasted Crude Oil Production
Million Barrels per Day

FY	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Alaska North Slope										
Prudhoe Bay[2]	0.347	0.337	0.323	0.311	0.301	0.289	0.277	0.267	0.257	0.248
PBU Satellites[3]	0.046	0.052	0.058	0.067	0.070	0.070	0.067	0.062	0.058	0.054
Kuparuk	0.136	0.126	0.119	0.113	0.108	0.104	0.099	0.096	0.092	0.089
Kuparuk Satellites[4]	0.044	0.056	0.065	0.069	0.072	0.077	0.080	0.084	0.085	0.086
Milne Point[5]	0.044	0.044	0.043	0.043	0.044	0.043	0.042	0.040	0.040	0.040
Endicott[6]	0.020	0.018	0.016	0.015	0.015	0.014	0.014	0.015	0.015	0.015
GPMA[7]	0.050	0.045	0.041	0.039	0.036	0.034	0.033	0.031	0.029	0.028
Alpine	0.122	0.105	0.090	0.083	0.076	0.067	0.058	0.050	0.043	0.037
Northstar	0.056	0.045	0.036	0.029	0.023	0.018	0.015	0.013	0.011	0.010
Nanuq[8]	0.000	0.006	0.011	0.012	0.012	0.011	0.010	0.010	0.009	0.008
Fiord[9]	0.000	0.011	0.019	0.023	0.023	0.021	0.015	0.008	0.005	0.004
Known Offshore[10]	0.000	0.000	0.000	0.000	0.010	0.010	0.010	0.009	0.008	0.007
Known Onshore[11]	0.000	0.000	0.010	0.030	0.040	0.039	0.036	0.033	0.029	0.040
Liberty	0.000	0.000	0.000	0.000	0.000	0.035	0.050	0.048	0.038	0.031
NPR-A	0.000	0.000	0.000	0.000	0.000	0.020	0.038	0.054	0.070	0.064
Point Thomson	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	**0.865**	**0.843**	**0.832**	**0.834**	**0.832**	**0.853**	**0.845**	**0.818**	**0.789**	**0.762**
Cook Inlet	**0.018**	**0.017**	**0.016**	**0.014**	**0.014**	**0.013**	**0.012**	**0.011**	**0.011**	**0.010**
Total Alaska	**0.884**	**0.860**	**0.847**	**0.849**	**0.845**	**0.860**	**0.858**	**0.829**	**0.800**	**0.772**

(2) Includes NGLs from Central Gas Facility shipped to TAPS
(3) Aurora, Borealis, Midnight Sun, Orion and Polaris
(4) Meltwater, Tabasco, Tarn and West Sak
(5) Milne Point, Sag River and Schrader Bluff
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(8) Nanuq and Nanuq Kuparuk
(9) Fiord and Fiord Kuparuk
(10) Flaxman, Gwydyr and Sourdough
(11) Sandpiper and other onshore discoveries

Production. C-3a

Historical Economic Limit Factors for Fields
Percent

FY	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Prudhoe Bay	0.9788	0.9725	0.9626	0.9489	0.9308	0.9170	0.8960	0.8701	0.8547	0.8430
Midnight Sun	0	0	0	0	0	0	0	0	0	0.2954
Polaris	0	0	0	0	0	0	0	0	0	0.2954
Orion	0	0	0	0	0	0	0	0	0	0.2961
Aurora	0	0	0	0	0	0	0	0	0	0.2954
Borealis	0	0	0	0	0	0	0.0785	0.1140	0.0839	0.3009
Kuparuk	0.8235	0.7814	0.7584	0.7017	0.5977	0.4934	0.3526	0.2292	0.1798	0.0507
Tarn	0	0	0	0.0713	0.0476	0.0040	0.0421	0.0996	0.0597	0.0097
Milne Point	0	0.0193	0.0310	0.0427	0.0254	0.0106	0.0013	0	0	0
Endicott	0.6927	0.4734	0.3029	0.0862	0.0487	0.0089	0.0014	0.0003	0.0002	0
Point McIntyre	0.9466	0.9496	0.9220	0.8510	0.6300	0.4312	0.2064	0.1603	0.1084	0.3187
Nakuk	0	0	0	0	0	0	0	0		0
Alpine	0	0	0	0	0	0.3458	0.8784	0.8570	0.8430	0.8299
Northstar	0	0	0	0	0	0	0.4198	0.8642	0.8468	0.8310
Fiord	0	0	0	0	0	0	0	0	0	0
Known Offshore	0	0	0	0	0	0	0	0	0	0
NPR-A	0	0	0	0	0	0	0	0	0	0
Pt. Thomson	0	0	0	0	0	0	0	0	0	0
Volume Weighted ELF	**0.8875**	**0.8504**	**0.8232**	**0.7628**	**0.6930**	**0.6442**	**0.6074**	**0.5724**	**0.5561**	**0.5542**

Production. C-3b

Forecasted Economic Limit Factors
Percent

FY	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Prudhoe Bay	0.8474	0.8342	0.8260	0.8248	0.8203	0.8077	0.7914	0.7720	0.7530	0.7266
Midnight Sun	0.8474	0.8342	0.8260	0.8248	0.8208	0.8077	0.7914	0.7720	0.7530	0.7266
Polaris	0.8474	0.8342	0.8260	0.8248	0.8208	0.8077	0.7914	0.7720	0.7530	0.7266
Orion	0.8474	0.8342	0.8260	0.8248	0.8208	0.8077	0.7914	0.7720	0.7530	0.7266
Aurora	0.8474	0.8342	0.8260	0.8248	0.8208	0.8077	0.7914	0.7720	0.7530	0.7266
Borealis	0.8474	0.8342	0.8260	0.8248	0.8208	0.8077	0.7914	0.7720	0.7530	0.7266
Kuparuk	0.0111	0	0	0	0	0	0	0	0	0
Tarn	0.0004	0	0	0	0	0	0	0	0	0
Milne Point	0	0	0	0	0	0	0	0	0	0
Endicott	0	0	0	0	0	0	0	0	0	0
Point McIntyre	0.8474	0.8342	0.8260	0.8248	0.8208	0.8077	0.7914	0.7720	0.7530	0.7266
Nakek	0	0	0	0	0	0	0	0	0	0
Alpine	0.8671	0.7954	0.7049	0.6237	0.5363	0.4124	0.2739	0.1423	0.0548	0.0125
Northstar	0.7246	0.5540	0.3492	0.1718	0.0425	0.0034	0.0001	0	0	0
Ford	0	0	0.0044	0.0003	0.0002	0.0000	0.0002	0.0001	0.0025	0.0029
Known Offshore	0	0	0	0.0431	0.1578	0.1387	0.0913	0.0400	0.0017	0.0822
NPR-A	0	0	0	0	0	0.0037	0.0001	0.0116	0.0099	0.0013
Pt. Thomson	0	0	0	0	0	0	0	0	0	0
Volume Weighted ELF	**0.5766**	**0.5316**	**0.4881**	**0.4618**	**0.4449**	**0.4111**	**0.4030**	**0.3815**	**0.3517**	**0.3340**

Fall

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2005

In accordance with AS 37.07.060 (b)(4), the Revenue Sources book is compiled biannually by the Alaska 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 2005 Revenue Sources Book.

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

This publication, required by law (AS 37.07.060), was printed in Juneau and Anchorage, Alaska, at a combined cost of approximately $5 per copy.

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Fall 2005
Revenue Sources Book

Forecast & Historical Data

Frank H. Murkowski, Governor
William A. Corbus, Commissioner
Larry Meyers, Acting Director
Michael D. Williams, Chief Economist

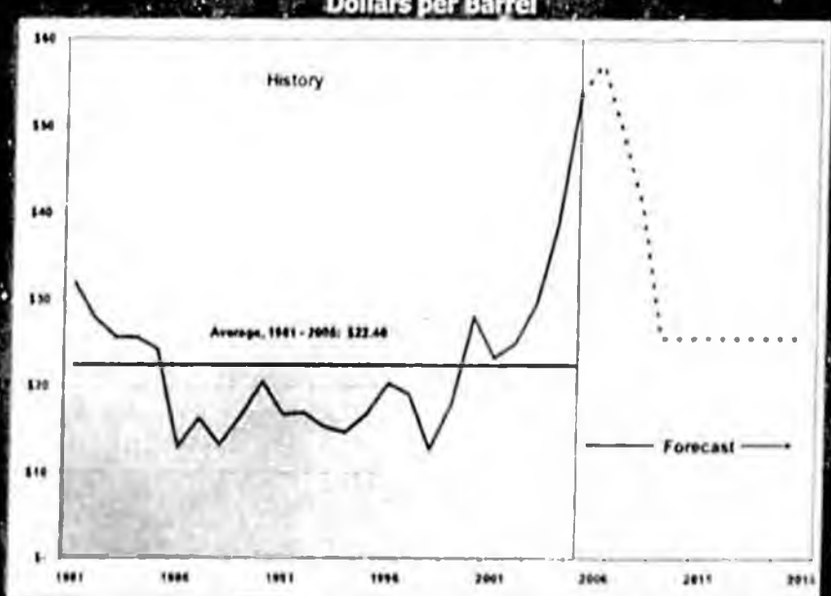
1-17-06

STATE OF ALASKA
DEPARTMENT OF
REVENUE

Fall 2005 Forecast Rationale For Prices

ANS WC Crude Prices

Dollars per Barrel



Key Points

- Prices Matter
- Current Perception
- Economy
- Demand
- Supply
- Prices

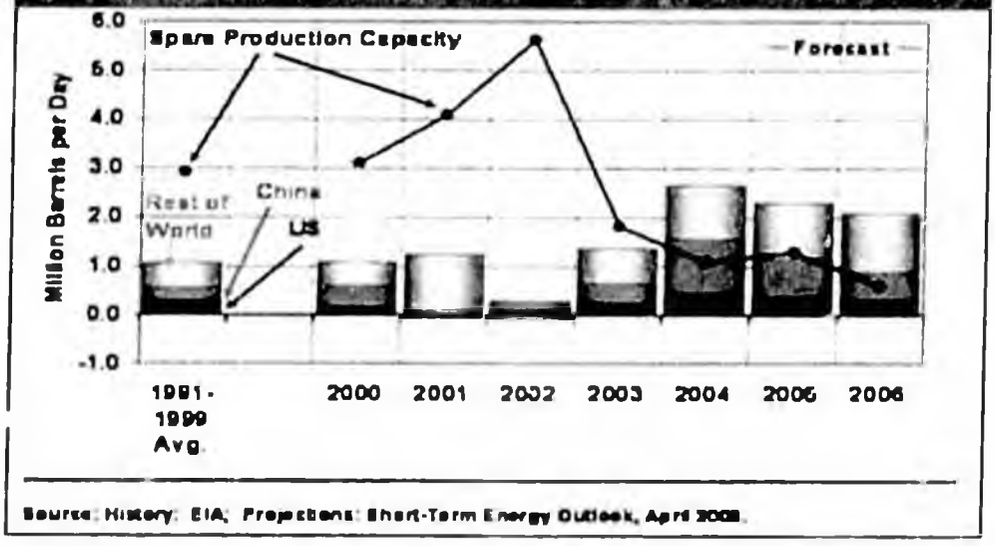
Prices Matter

- Retard Demand
- Stimulate Additional Supplies
- Cyclical

Perception

- Limited Spare Capacity & Expansions
- Production Peaking
- Demand Growth Accelerating

Accelerating Demand, Declining Spare Capacity



Source: History: EIA; Projections: Short-Term Energy Outlook, April 2006.

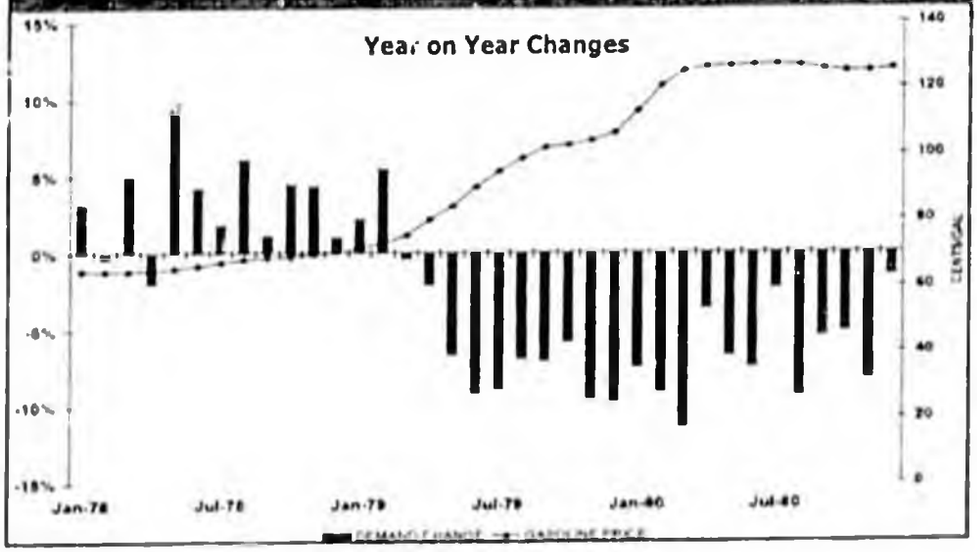
Economic Outlook

International Monetary Fund

"Higher oil prices are a clear and present danger," ... and "Growth in 2005 will be about 0.1% points lower as a result of Katrina," said the IMF's chief economist, Raghuram Rajan.

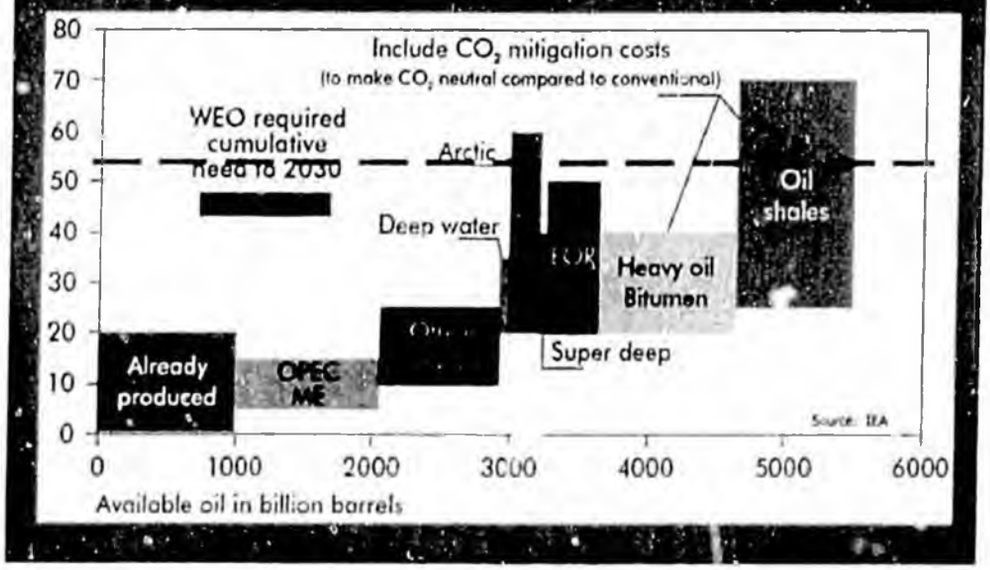
As reported by MSNBC in Washington, DC on September 21, 2005.

US Gasoline Demand after the Iranian Crisis



Supply: Oil Cost Curve

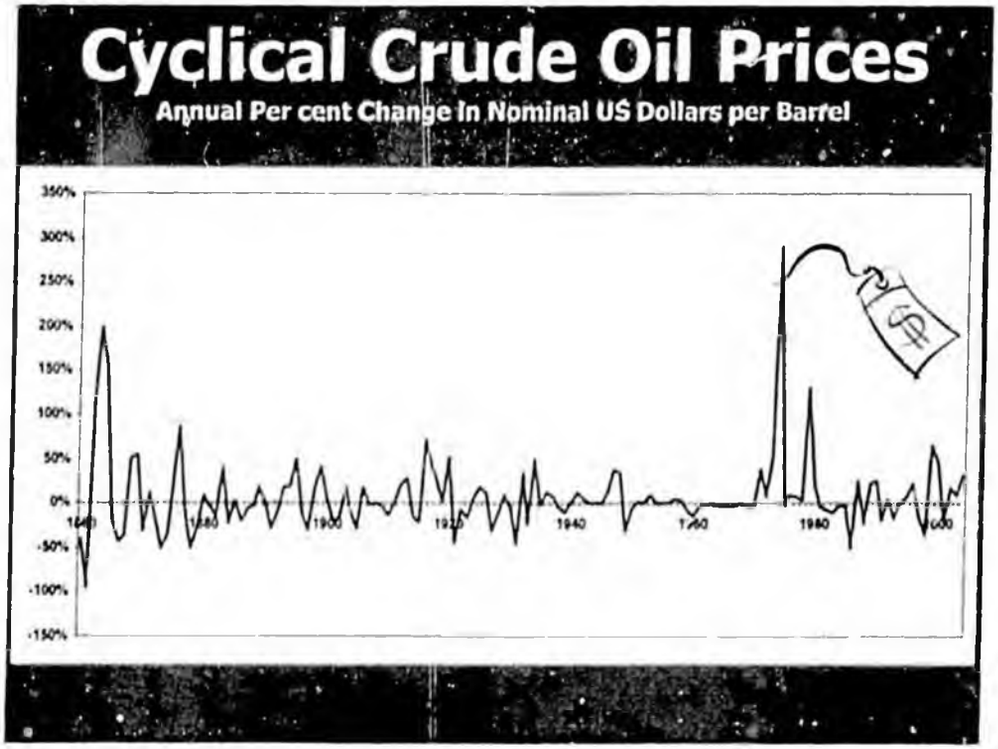
Availability of Oil as a Function of Crude Oil Price [2004 US$] per Barrel

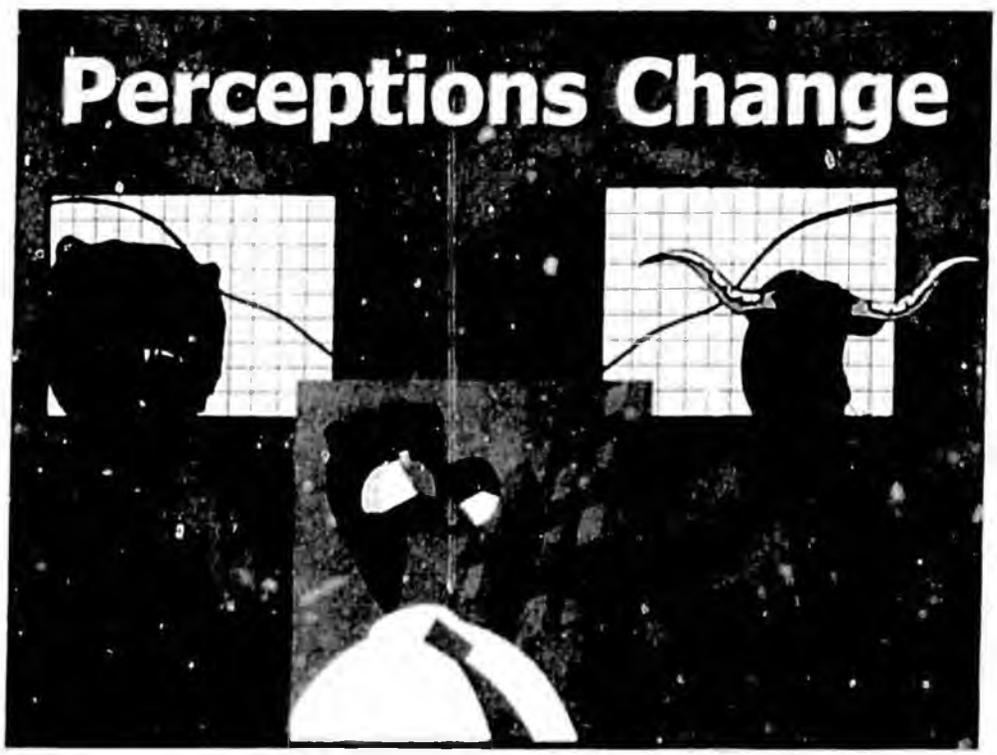


Saudi Plans

"These efforts include expanding our production capacity from the current 11 million barrels per day [mmb/d] to 12.5 mmb/d by 2009 to meet future demand and maintain spare capacity of at least 1.5 to 2 mmb/d," he told delegates.

Speaking at the World Petroleum Congress, September 27, 2005, Saudi Oil Minister Ali al-Naomi.


Cyclical Crude Oil Prices
Annual Per cent Change in Nominal US Dollars per Barrel
350%
300%
250%
200%
150%
100%
50%
0%
-50%
-100%
-150%
1940
1980


Perceptions Change

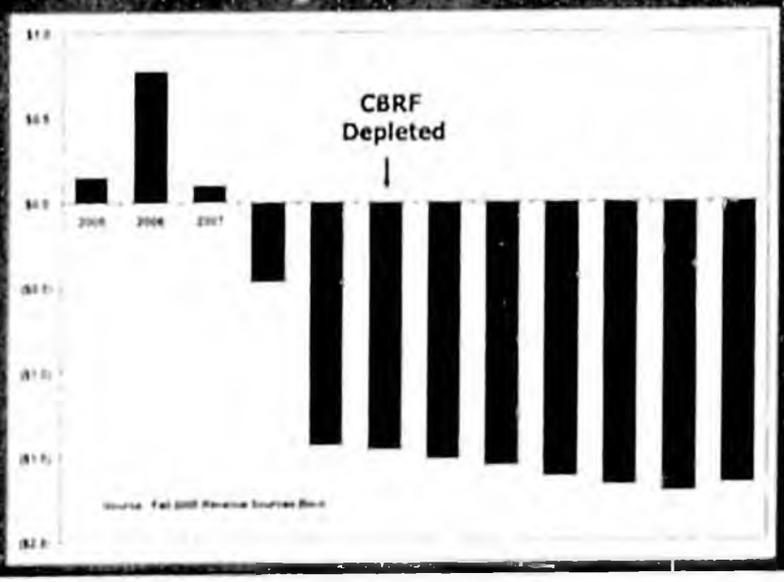
1-17-06

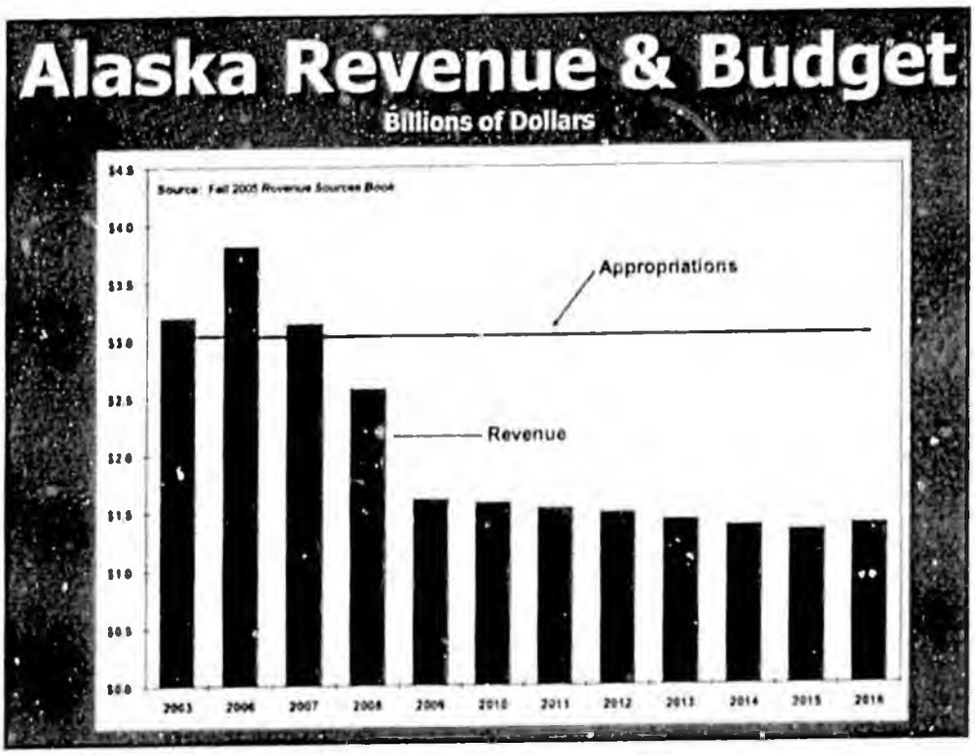
STATE OF ALASKA
DEPARTMENT OF
REVENUE

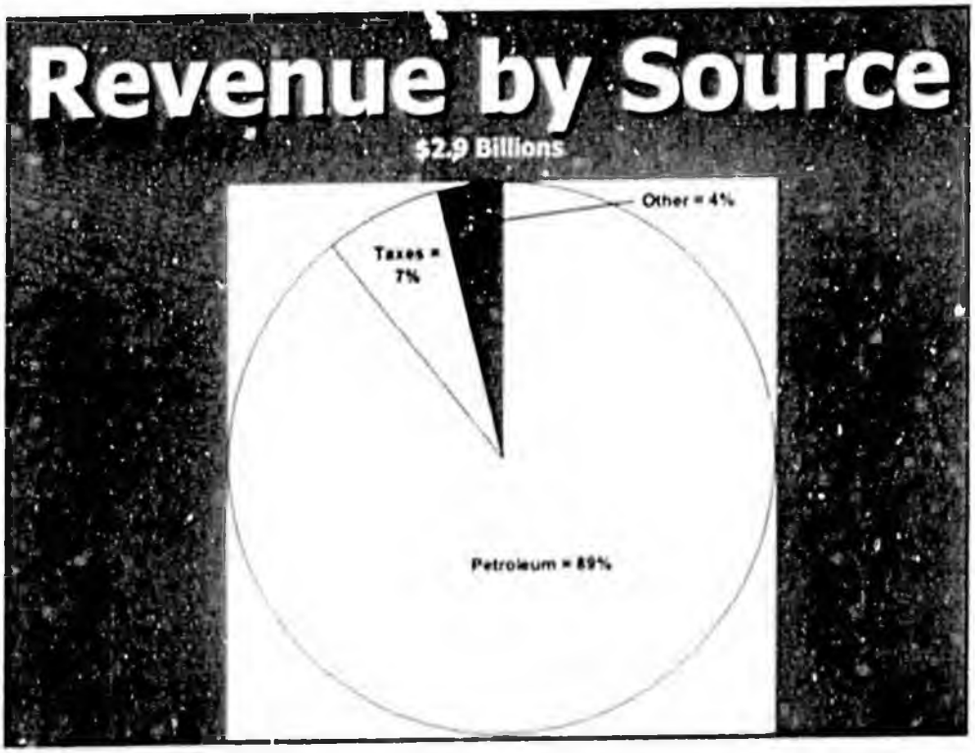
Fall 2005 Forecast
Long Run Fiscal Outlook

Alaska Net Revenue

Billions of Dollars




Alaska Revenue & Budget
Billions of Dollars
Source: Fall 2005 Revenue Sources Book
Appropriations
Revenue
$45
$40
$35
$30
$25
$20
$15
$10
$5
$0
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016


Revenue by Source
$2.9 Billions
Other = 4%
Taxes = 7%
Petroleum = 89%

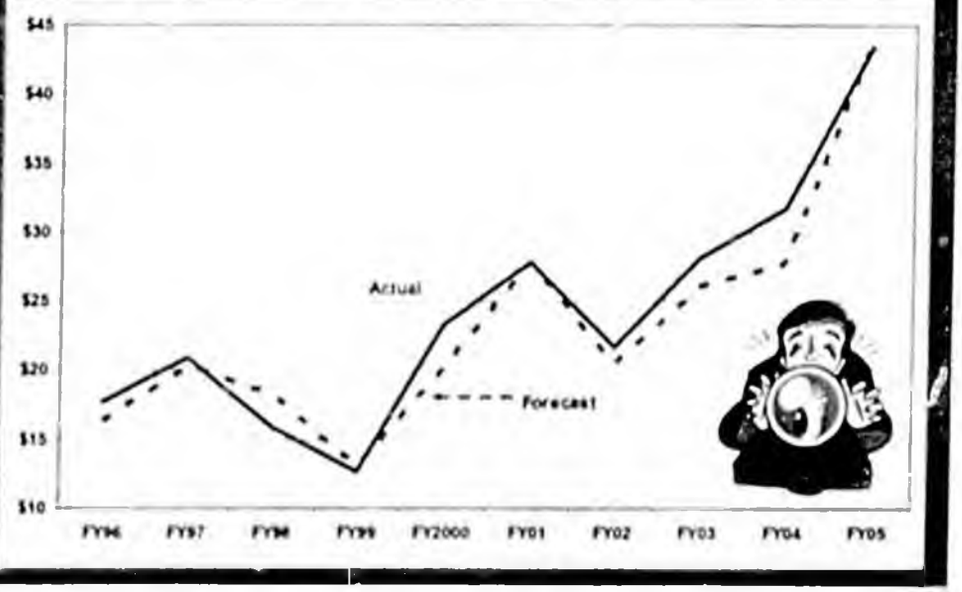
1-17-06

STATE OF ALASKA
DEPARTMENT OF
REVENUE

Forecast Accuracy

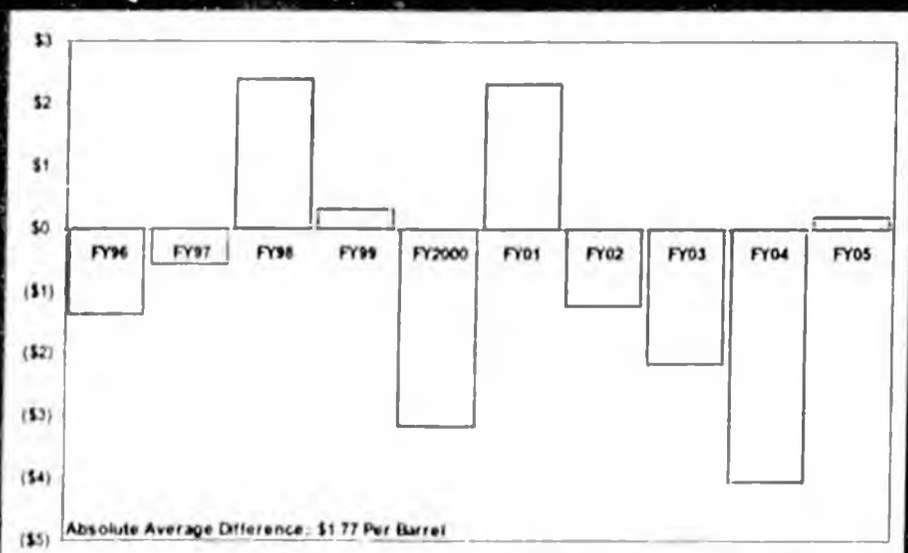
Fall Price Forecast

Current Year, ANS WC, Dollars per Barrel



Fall Forecast Accuracy

Dollar per Barrel Over/Under Actual ANS WC Price



Fall Forecast Accuracy

Per Cent Over/Under Actual ANS WC Price