

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3120

Figure 5-2. Total Other Revenue (Except Federal & Investment), FY 2006 and Forecasted FY 2007-2008 (\$ million)

	History	Forecast	
	FY 2006	FY 2007	FY 2008
Unrestricted			
Taxes	327.6	347.9	344.9
Charges for services	23.1	23.1	23.1
Fines & forfeitures	8.5	10.3	10.3
Licenses & permits	41.9	44.1	44.9
Rents & royalties	8.8	9.4	9.5
Other	40.6	22.0	20.5
Total unrestricted	450.5	456.8	453.2
Restricted			
Taxes	86.3	84.7	128.8
Charges for services	225.0	235.8	239.6
Fines & forfeitures	21.0	20.1	30.6
Licenses & permits	30.6	37.1	37.5
Rents & royalties	5.9	5.9	5.9
Other	156.7	100.4	176.7
Total restricted	525.5	484.0	619.1
Subtotal Other Revenue	976.0	940.8	1,072.3

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. These revenue sources are divided between unrestricted and restricted revenues; the amounts of each are reflected in Figures 5-2 through 5-8 throughout this chapter. 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. Since October 1, 2002, the per-gallon tax rates on alcoholic beverages have been \$1.07 for beer, \$2.50 for wine and \$12.80 for liquor. Qualifying small

brewers pay tax at a rate of \$0.35 per gallon for beer. Revenue is deposited into the General Fund. Fifty percent of the revenue is directed to a subfund of the General Fund, the Alcohol and Other Drug Abuse Treatment and Prevention Fund, and is treated as restricted in this forecast.

Over the past 10 years, alcohol consumption has grown at an average annual rate of 0.9% for beer, 3.5% for wine, and 2.4% for liquor. We forecast that consumption will continue to grow at these historical average rates.

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. We forecast that revenues from charitable gaming activity will show little change over the next two fiscal years.

Corporate Income Tax

Alaska levies corporate income tax in two ways: one that applies to oil and gas corporations and one that applies to corporations other than oil and gas corporations. Forecasts and discussion of the corporate income tax as applied to oil and gas corporations can be found in the Oil Revenue section of this forecast.

Alaska levies the Corporate Net Income Tax on net income of corporations that do business in the state and derive income from sources within Alaska. 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. 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 and 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 of the Water's Edge Combined Group.

Over the past few years, income tax revenue from corporations other than

oil and gas corporations has increased significantly. In FY 2004, revenue from the tax was \$39.6 million. By FY 2006 revenue increased to \$137.6 million.

We produce our forecast of non-petroleum corporate income tax collections by using an economic model. The statistical relationship between historical tax payments, corporate profits and crude oil prices are used as input to estimate corporate income tax payments. Corporate profits are used because they help determine tax liability and crude oil prices are used because the price of oil impacts company profitability in many economic sectors in Alaska. After forecasting estimated payments, we then adjust for refunds and carry-forwards which cause actual collections to differ from payments. Revenues should remain at historically high levels, as continued growth in corporate profits is balanced by declining prices for North Slope crude oil.

Commercial Passenger Vessel Taxes

In August 2006, Alaska voters approved Ballot Measure 2. This initiative imposes new taxes and fees on commercial passenger vessels including:

- A per-passenger tax of \$46 on commercial vessels with 250 or more berths. Revenues will be deposited into a subfund of the General Fund, the Commercial Vessel Passenger Tax Account. \$5 of the tax will be distributed to each of the first five ports of call, and an additional 25% of the tax will be designated for other local governments impacted by the cruise ship industry. The entire passenger tax is considered restricted for purposes of this forecast.
- An additional per-berth fee of \$4 to operate the Ocean Ranger program, which provides for independent observers of engineering, sanitation and

health practices. This fee is considered restricted and is included in the "Charges for Services" section of this forecast.

- A tax of 33% on the adjusted gross income from gaming or gambling activities aboard large passenger vessels in the state. Revenues will be deposited into a subfund of the General Fund, the Commercial Vessel Passenger Tax Account, and will be considered restricted for purposes of this forecast.
- Companies operating large commercial passenger vessels will now be subject to the Alaska corporate income tax. Any incremental corporate income tax revenue will be unrestricted General Fund revenue.
- New penalties for violations related to false reporting, environmental regulations and disclosures on promotions and shore side activity sales. Revenue from these provisions will be reflected in the "Fines and Forfeitures" section of this forecast.

For this forecast, the \$46 per-passenger tax and \$4 berth fee are expected to generate revenue beginning in FY 2008 (based on the 2007 tourist season). Our forecasts are based on an expectation of 949,000 eligible ship passengers and 949,000 eligible ship sailing berths. Due to uncertainties and lack of data, estimates of revenue from the gambling activity tax, corporate income taxes, and penalties are not reflected in the Fall 2006 forecast.

Electric Cooperative and Telephone Cooperative Taxes

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. The small amount of revenue collected from cooperatives outside municipalities is retained by the state. We forecast little change in revenues from the electric and telephone cooperative taxes over the next two fiscal years.

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. All revenue derived from estate taxes is deposited in the General Fund.

As a result of changes to the federal estate tax, the Alaska estate tax was phased out completely beginning January 1, 2005. However, revenues continued in FY 2006 because of the 15-month filing period. The federal estate tax changes that caused the state tax to phase out are currently scheduled to sunset after December 31, 2010. We forecast no revenue from the estate tax until FY 2012.

Fisheries Business Tax

The fisheries business 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. Revenue from the tax is deposited in the General Fund. Fifty percent of the revenue (before credits) is shared to qualified municipalities, and is treated as restricted in this forecast.

Our forecast is based on estimated taxable values of the major fisheries in the state and historical effective tax rates. Fisheries business tax revenue retained by the state is adjusted by a forecast of tax credits, including Salmon Product Development and Utilization credits, which apply only to the state portion of the tax.

Fishery Resource Landing Tax

The fishery resource landing 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. Fifty percent of the revenue (before credits) is shared to qualified municipalities, and is treated as restricted in this forecast.

Our forecast is based on estimated taxable values of the major fisheries in the state and historical effective tax rates. Fisheries business tax revenue retained by the state is adjusted by a forecast of tax credits which apply only to the state portion of the tax.

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. Revenue is deposited into the General Fund and for most types of insurance, the tax is treated as unrestricted revenue. However, the premium tax on worker's compensation insurance is deposited a subfund of the General Fund, the Workers Safety and Compensation Fund, and is reflected as

restricted in this forecast. The restricted component also includes service fees paid into the Workers Safety and Compensation Fund by employers who are uninsured or self-insured.

Our forecast is based on the expectations of the Department of Commerce, Community and Economic Development's Division of Insurance, which administers the insurance premium tax, and the Department of Labor and Workforce Development's Workers Compensation Division, which collects worker's compensation service fees.

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.

Mining license tax revenues set a record in FY 2006, benefiting from strong minerals prices in calendar year 2005. Minerals prices increased again in calendar year 2006 and we are forecasting that FY 2007 will be another year of record collections for the mining license tax. Minerals prices are expected to moderate in the 2007 tax year, leading to collections that are slightly lower in FY 2008 but still well above historical levels. Our forecast is produced using a bottom-up approach that estimates tax payments for each of the major mines in the state based on expected minerals prices and production.

Motor Fuel Tax

The motor fuel tax is imposed on all motor fuel sold, transferred or used within Alaska. 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

rate of 8 cents or 2 cents for gasohol, depending on the season, location and EPA mandate. Motor fuel taxes are collected primarily from wholesalers and distributors licensed as qualified dealers. Various uses of fuel are exempt from tax, including fuel used for heating or flights to or from a foreign country. All revenue derived from motor fuel taxes is deposited in the General Fund. Sixty percent of the taxes attributable to aviation fuel sales at municipal airports are shared with the respective municipalities, and are treated as restricted for purposes of this forecast.

Our forecast for motor fuel tax revenue is based on Energy Information Agency projections for U.S. motor fuel consumption.

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. The second component is an additional \$5 fee per tire on all new tires with heavy studs sold in Alaska, and a \$5 fee per tire on the installation of heavy studs on a previously un-studded tire.

Our forecast of tire fee revenue is based on the expected number of vehicle registrations in the state.

Seafood Assessments and Taxes

The Department of Revenue administers five different programs that raise money through seafood assessments. The rates for these assessments are determined by a vote of the appropriate association within the seafood industry or by members of the Alaska Seafood Marketing Institute.

The five programs are:

- The seafood marketing assessment, which applies to all seafood products

made or first landed in Alaska and all unprocessed products exported from Alaska.

- The dive fishery management assessment, which is levied on the value of fishery resources taken using dive gear in a designated management area.
- The regional seafood development tax, which is levied on the value of fishery resources in a designated management area.
- The salmon enhancement tax, which is levied on salmon sold or exported from designated aquaculture regions.

Although revenue received under these assessments is deposited in the General Fund, funds are treated as restricted revenue in this forecast because they are set aside for the legislature to appropriate for the benefit of the seafood industry, either in marketing or in management/development of the industry.

Our salmon enhancement tax forecast is based on estimated taxable value of the salmon fishery in the state and historical effective tax rates. All other seafood assessments are reflected as receipt supported services under the Charges for Services section of this forecast and are not forecast individually.

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. There are two components to the tobacco tax: the cigarette tax and the other tobacco products tax.

The tax rate on cigarettes was increased from \$1.60 to \$1.80 per pack on July 1, 2006 and will increase to \$2.00 per pack on July 1, 2007. Of the cigarette tax, \$0.76 per pack is deposited into the School Fund, and is considered restricted revenue. All cigarette and tobacco

products license fees are also deposited in the School Fund. The remainder of the cigarette tax revenue is deposited into the General Fund, with incremental revenues as a result of the July 1, 2006 and July 1, 2007 tax rate increases going entirely to the General Fund (the \$0.76 per pack to the School Fund will not change). 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.

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.

Our cigarette tax forecasts assume that consumption will decline on average 4% annually. We also expect some reduction in consumption due to the effects of higher prices caused by the July 1, 2006 and July 1, 2007 tax increases. Moderate increases in wholesale prices and consumption should help other tobacco products tax revenue continue to increase at the 10-year average rate of about 4% annually.

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.

We expect vehicle rental tax revenue to increase with the overall rate of inflation as the value of rentals increases.

Charges for Services

The charges for services category includes fees and other program charges for state services. The revenues reported in this category 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 charges that do not have program receipt designations, or are not otherwise segregated and appropriated back to a program. Many of the charges for

services are small amounts that we have grouped into the broad categories "General Government," "Natural Resources," and "Other." Revenue from these categories is forecast as constant over the next two fiscal years. The largest categories of charges for services are listed separately and are discussed below.

Marine Highway Fund

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 opera-

Figure 5-3. Other Tax, FY 2006 and Forecasted FY 2007-2008 (\$ million)

Unrestricted	History	Forecast	
	FY 2006	FY 2007	FY 2008
Sales/Use tax			
Alcoholic beverage	17.6	17.8	18.2
Tobacco products – cigarettes ⁽¹⁾	26.4	32.1	36.2
Tobacco products – other	7.6	7.9	8.3
Electric & telephone cooperative	0.2	0.2	0.2
Insurance premium	44.3	45.4	45.9
Motor fuel tax	42.0	42.9	43.4
Tire fee	1.6	1.7	1.7
Vehicle rental	7.7	7.8	8.0
Subtotal	147.4	155.8	161.9
Corporate income tax (non oil and gas) ⁽²⁾	137.6	135.7	128.7
Fish Tax			
Fisheries business ⁽³⁾	15.2	15.6	16.1
Fishery resource landing ⁽³⁾	5.8	4.1	4.3
Subtotal	21.0	19.7	20.4
Other Tax			
Mining	18.6	34.3	31.5
Estate	0.6	0.0	0.0
Charitable gaming	2.4	2.4	2.4
Subtotal	21.6	36.7	33.9
Total Unrestricted Taxes	327.6	347.9	344.9

Figure 5-3. Continued

Restricted	History	Forecast	
	FY 2006	FY 2007	FY 2008
Sales/Use tax			
Alcoholic beverage (alcohol & drug treatment)	17.6	17.8	18.2
Insurance premium/other (worker's safety & compensation) ⁽⁴⁾	7.6	7.8	8.1
Electric & telephone cooperative (municipal share)	3.7	3.7	3.7
Tobacco – cigarettes (School Fund) ⁽¹⁾	27.4	25.8	24.4
Tobacco – cigarettes (Tobacco Use Cessation) ⁽¹⁾	2.7	3.1	3.5
Motor fuel tax-aviation (municipal share)	0.1	0.1	0.1
Subtotal	59.1	58.3	58.0
Fish Tax			
Fisheries business (municipal share) ⁽³⁾	17.1	17.0	17.5
Fishery resource landing (municipal share) ⁽³⁾	5.7	5.5	5.7
Salmon enhancement (Aquaculture Association share)	4.4	3.9	4.0
Subtotal	27.2	26.4	27.2
Other Taxes & Fees			
Commercial passenger vessel tax (state share)	0.0	0.0	9.0
Commercial passenger vessel tax (municipal & region share)	0.0	0.0	34.6
Subtotal	0.0	0.0	43.6
Total Restricted Taxes	86.3	84.7	128.8
Grand Total	413.9	432.6	473.7

(1) The tobacco (cigarette) tax reported here differs slightly from the amount recorded in the Tax Division's Fiscal Year 2006 Annual Report because of timing issues. Some tax returns are not received and processed until after the state accounting system has closed, resulting in their being counted in the following fiscal year.

(2) The amount of corporate income tax reported here differs slightly from the amount recorded in the Tax Division's FY 2006 Annual Report because of timing issues. A small amount of revenue was moved to this account after the close of the fiscal year. This correction is reflected in the Annual Report, but is not included here because it is not included in the state accounting system.

(3) The fisheries taxes reported here differ slightly from the amounts recorded in the Tax Division's FY 2006 Report because of timing issues. Some tax returns are not received and processed until after the state accounting system has closed, resulting in their being counted in the following fiscal year.

(4) In addition to the Worker's Compensation insurance premiums for the Insurance Premium Tax, this amount also includes services fees from employers who are self-insured.

tions, it is considered restricted for this forecast. Our forecast of receipts is based on revenue expectations in the Alaska Marine Highway System business plan.

Commercial Passenger Ranger Fee

The Commercial passenger ranger fee is a per-berth fee of \$4 that applies to commercial passenger vessels with 250 or more berths. The fee is levied to support the Ocean Ranger program, which provides for independent observers of engineering, sanitation and health practices aboard the vessels. This fee was

imposed as part of Ballot Measure 2, passed by voters in August 2006. The measure is covered in more detail in the "Taxes" section of this forecast.

Program Receipts

Under AS 37.05.142 – 37.05.146, receipts from authorized state programs are accounted for separately and appropriated to administer the source program, implement laws related to the program, or cover costs associated with collecting the receipts. Some programs with program receipt authority are not included in our Charges for Services category because they are reported

elsewhere in this forecast or because they do not generate revenue available for general appropriation.

Our forecasts of program receipt revenues are based on discussions with the Governor's Office of Management and Budget and analysis of the most recent budget expectations for these categories.

The program receipts listed in this section are:

- Receipt supported services, which includes state services such as Pioneers homes and occupational licensing that are funded by program receipts. Certain seafood assessments are

Figure 5-4. Charges for Services, FY 2006 and Forecasted FY 2007-2008 (\$ million)

Unrestricted	History	Forecast	
	FY 2006	FY 2007	FY 2008
General government	21.0	21.0	21.0
Natural resources	1.9	1.9	1.9
Other	0.2	0.2	0.2
Total Unrestricted	23.1	23.1	23.1
Restricted			
General government	1.5	1.5	1.5
Natural resources	0.5	0.5	0.5
Marine highway receipts	51.0	54.7	54.7
Receipt supported services	106.8	96.7	96.7
Statutorily designated	44.6	57.2	57.2
RCA receipts ⁽¹⁾	7.4	7.8	7.8
Test fisheries receipts	2.0	2.5	2.5
Timber sale receipts	0.7	1.1	1.1
Oil & gas conservation	4.3	5.7	5.7
DCCED business licenses	6.2	8.1	8.1
Commercial passenger ranger fee	0	0	3.8
Total Restricted	225.0	235.8	239.6
Grand Total	248.1	258.9	262.7

(1) The receipt amount reported here differs slightly from the amount recorded in the Tax Division's FY 2006 Annual Report because of timing issues. Some amounts which should have been recorded in the following fiscal year were recorded in FY 2006 in the state accounting system.

included in this category.

- Statutorily designated program receipts, which includes money received from sources other than the state or federal government and restricted by the terms of a gift, grant, bequest or contract
- Regulatory Commission of Alaska (RCA) receipts, which are regulatory cost charges and user fees levied on utilities and pipelines to fund costs of regulation.
- Test fisheries receipts, generated by the Department of Fish and game from selling fish caught during the process of testing the commerciality of fisheries.
- Timber sale receipts, which are used to fund the timber disposal program of the Department of Natural Resources.
- Oil and Gas Conservation Commission receipts, which are fees and charges for regulation of oil and gas wells and pipelines.
- Business license fees collected by the

Department of Commerce, Community and Economic Development.

Fines and Forfeitures

Fines and forfeitures include civil and criminal fines and forfeitures and money received by the state from the settlement of civil lawsuits. The largest single source of receipts under this category is from the multi-state tobacco settlement. Other sources are volatile from year to year and are forecast based on the historical five-year average.

Tobacco Settlement

The tobacco settlement was signed by 46 states (including Alaska) in November 1998 and dictates annual payments to each of the states. All tobacco settlement revenue is considered restricted for purposes of this forecast. Eighty percent of the revenue stream is earmarked for the Northern Tobacco Securitization Corporation for payments on bonds that were sold based on the future revenue stream. The remaining 20% of the revenue is deposited into the Tobacco Use Education and Cessation Fund, a subfund of

the General Fund.

The tobacco settlement includes a “non-participating manufacturer adjustment” provision that allows for a reduction in payments to the settling states if an arbitrator determines that: (a) the Original Participating Manufacturers lose a specified amount of market share to Non-Participating Manufacturers (NPM) in a calendar year; (b) the disadvantages experienced as a result of the settlement were a significant factor contributing to this market share loss; and (c) a settling state did not have in effect and diligently enforce a Qualifying Statute during that calendar year. Alaska’s tobacco settlement payment was reduced under this provision in FY 2006. The State plans to litigate this issue and expects that the payment reduction will be returned to the state at the conclusion of the litigation. Our forecasts for FY 2007 and FY 2008 include reductions of \$4.1 million and \$4.4 million, respectively, for this NPM adjustment.

Tobacco settlement payments are based on a complex formula that takes into account several factors including declines

Figure 5-5. Fines & Forfeitures, FY 2006 and Forecasted FY 2007-2008 (\$ million)

Unrestricted	History	Forecast	
	FY 2006	FY 2007	FY 2008
Fines & forfeitures	8.5	10.3	10.3
Total Unrestricted	8.5	10.3	10.3
Restricted			
Tobacco Settlement (North Tobacco Securitization Corporation)	16.0	14.9	23.3
Tobacco Settlement (Tobacco Use Education & Cessation Fund)	4.0	3.7	5.8
Other	1.0	1.5	1.5
Total Restricted	21.0	20.1	30.6
Grand Total	29.5	30.4	40.9

in cigarette consumption and inflation. In our forecast, we expect that cigarette consumption will decline at an annual rate of 4% and inflation will be 2.75%. In FY 2008, payments will increase because Alaska will receive the first of ten incremental payments that compensate for our expenses in executing the litigation that led to the tobacco settlement. Our forecast assumes that payments will continue to be reduced by the non-participating manufacturer adjustment described above.

Licenses and Permits

Licenses and permits represent 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. Alcoholic beverage license fees are

also separately listed. There are several other small license and permit fees which are forecast as constant in coming years; these are summarized in the "Other fees" category.

Alcoholic Beverage Licenses

Alcoholic beverage licenses are required to manufacture or sell alcoholic beverages in Alaska. Licenses are issued by the Alcoholic Beverage Control Board and revenue is deposited into the General Fund. All of the revenue from biennial license fees collected within municipalities, excluding annual wholesale fees and biennial wholesale license fees, is shared with the municipalities and is treated as restricted for purposes of this forecast. The number of alcoholic beverage licenses issued in a municipality is dictated by population, so any changes in revenue should be small.

Fishing and Hunting License 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 is in effect on certain sport fishing licenses with the revenue funding new sport fishing facilities in the state. Our forecast for fishing and hunting license fee revenue is based on expectations of the Department of Fish and Game.

Motor Vehicle Registration Fees

Motor vehicle registration fees are col-

Figure 5-6. Licenses & Permits, FY 2006 and Forecasted FY 2007-2008 (\$ million)

Unrestricted	History	Forecast	
	FY 2006	FY 2007	FY 2008
Alcoholic beverage licenses	1.0	1.1	1.1
Motor vehicles	37.7	39.8	40.6
Other fees	3.2	3.2	3.2
Total Unrestricted	41.9	44.1	44.9
Restricted			
Hunting & fishing			
Hunting & fishing fees (fish & game fund)	25.8	32.3	32.7
Sanctuary fees (fish & game fund)	0.3	0.3	0.3
Hunting & fishing subtotal	26.1	32.6	33.0
Other fees	3.6	3.6	3.6
Alcoholic beverage license share	0.9	0.9	0.9
Other fees subtotal	4.5	4.5	4.5
Total Restricted	30.6	37.1	37.5
Grand Total	72.5	81.2	82.4

lected by the Division of Motor Vehicles within the Department of Administration. Most are considered unrestricted license and permit revenue; however, some registration fees are considered restricted receipt supported services and are reflected in the Charges for Services section of this forecast. Our forecast for motor vehicle registration fee revenue is based on the expectations of the Division of Motor Vehicles.

Rents and Royalties

Rents and royalties from sources other than oil and gas fall into three categories: cabin rentals, coal royalties and leasing, rental and sale of state land.

All rents and royalties from oil and gas are reported in the Oil Revenue section of this forecast.

Cabin Rentals

The Department of Natural Resources operates over 50 public use cabins in Alaska's state parks and elsewhere. Rental and other fees generated from these cabins are deposited in the General Fund.

Revenue should remain steady unless there are significant changes in fees or cabin usage.

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 treated as restricted in this forecast.

Our projection of coal royalties is produced by estimating the future value of coal production in Alaska. The value is estimated based on 2005 production levels and coal price forecasts from the Energy Information Agency.

Land Leasing, Rental and Sale

The State receives revenue from the leasing, rental and sale of state land. All of these revenues are deposited into the General Fund, but some go to subfunds of the General Fund and are treated as restricted for purposes of this forecast. Revenues consist of many small components and are volatile from year for year; therefore our forecast is based on either FY 2006 receipts (for restricted receipts) or the five-year average (for unrestricted receipts).

Other

This category includes unclaimed property transfers, transfers to the state from component organizations and miscellaneous revenues. Miscellaneous revenues, which include contributions to the state and other revenues, are difficult to predict and are projected at the five-year average. Unclaimed property and transfers from component organizations are discussed below.

Figure 5-7. Rents & Royalties, FY 2006 and Forecasted FY 2007-2008 (\$ million)

Unrestricted	History	Forecast	
	FY 2006	FY 2007	FY 2008
Land leasing, rental & sale	7.4	7.9	7.9
Coal royalties	1.1	1.2	1.3
Cabin rentals	0.3	0.3	0.3
Total Unrestricted	8.8	9.4	9.5
Restricted			
Land leasing, rental & sale	5.5	5.5	5.5
Coal royalties	0.4	0.4	0.4
Total Restricted	5.9	5.9	5.9
Grand Total	14.7	15.3	15.4

Unclaimed Property

Alaska's Unclaimed Property statutes require businesses and corporations 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.

No transfer was made during FY 2005; as a result, a larger than normal transfer

was made in FY 2006. We anticipate transfers will fall to \$4.0 million per year by FY 2008 due to earlier contact with property owners and greater effort by companies to locate property owners.

Transfers from Component Organizations

Each year, the state receives money in the form of transfers from component organizations, such as the Alaska Housing Finance Corporation, frequently in the form of dividends. Component organizations are covered in more detail in the Public Corporations & the University of Alaska section of this forecast. Some component organizations do not make transfers to the state, and as a result not all component organizations are listed here.

Actual transfers for FY 2006 are reflected in draft tables from the Comprehensive Annual Financial Report. Forecasts for FY 2007 and FY 2008 transfers are based on discussions with the Governor's Office of Management and Budget and analysis of the most recent budget expectations for these categories.

Transfers from component organizations presented here may differ from those presented in the Public Corporations & University of Alaska section for two reasons. First, the amounts presented here accounts differently for certain funds paid over time for multi-year capital projects. Second, amounts presented here do include certain funds that are transferred to the state and then appropriated to the component unit for operations.

Figure 5-8. Other Revenue, FY 2006 and Forecasted FY 2007-2008 (\$ million)

Unrestricted	History	Forecast	
	FY 2006	FY 2007	FY 2008
Miscellaneous	30.6	16.5	16.5
Unclaimed property	10.0	5.5	4.0
Total Unrestricted	40.6	22.0	20.5
Restricted			
Alaska Housing Finance Corporation	50.4	48.7	73.5
Alaska Industrial Development & Export Authority	8.8	16.6	10.0
Alaska Municipal Bond Bank Authority	0.7	1.0	1.0
Alaska Student Loan Corporation	44.0	1.9	60.0
Alaska Energy Authority	--	--	--
Miscellaneous ⁽¹⁾	52.8	32.2	32.2
Total Restricted	156.7	100.4	176.7
Grand Total	197.3	122.4	197.2

(1) 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

Figure 6-1. FY 2006 federal revenue \$2.0 billion

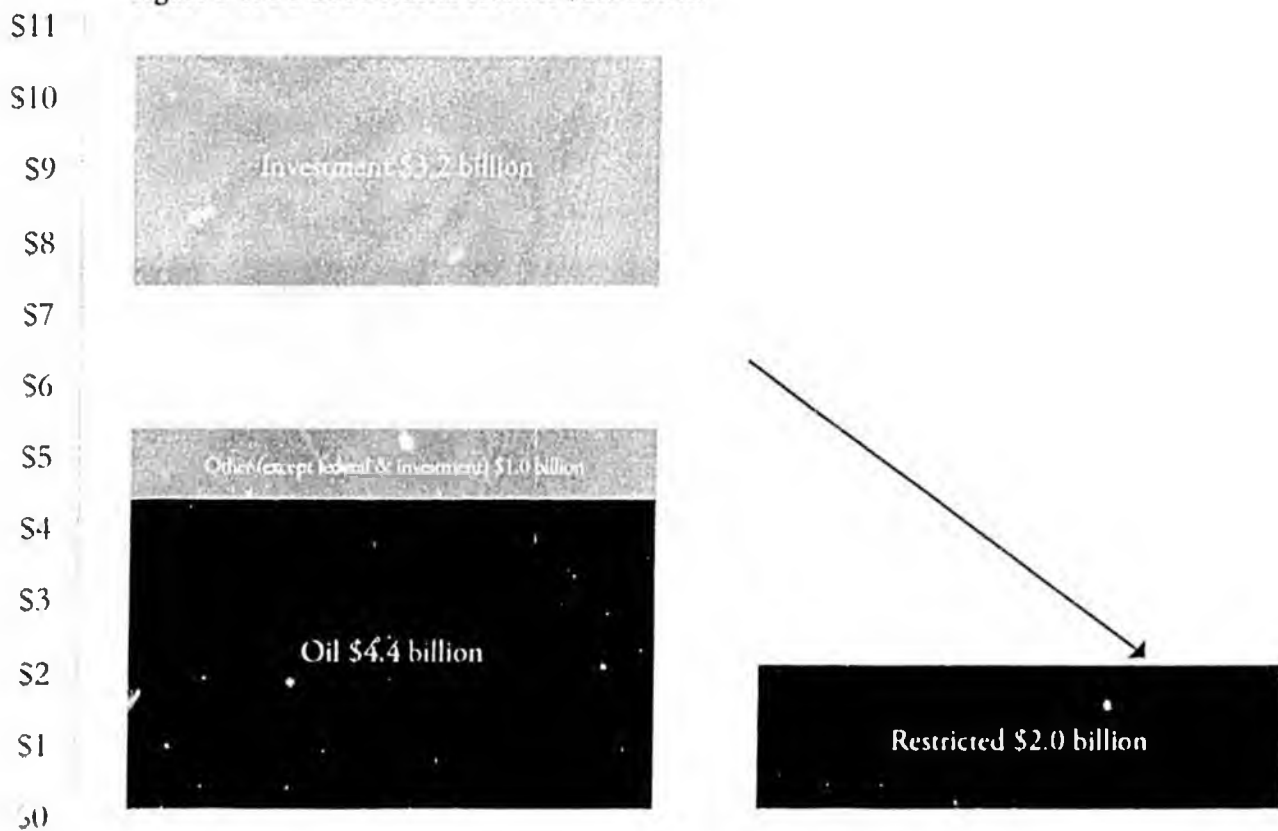


Figure 6-2. Total Federal Revenue to the State, FY 2006 and Forecasted FY 2007-2008 (\$ million)

	History FY 2006	Forecast FY 2007 FY 2008	
Unrestricted			
Federal receipts	0.0	0.0	0.0
Restricted			
Federal receipts	1,971.5	3,048.5	3,048.5
Total	1,971.5	3,048.5	3,048.5

The federal government continues to play a significant role in Alaska's economy. In Federal Fiscal Year (FFY) 2004 (the most recent data available) the federal government spent \$8.4 billion in Alaska.⁽¹⁾ The majority of that spending came from the activities of various federal agencies, part was in the form of grants to state and municipal governments, and still another part came in payments to individuals.

In FFY 2004, Alaska taxpayers received \$1.87 for every dollar paid in federal taxes.⁽²⁾ On a per capita basis, more federal money is spent in Alaska than in any other state (see Figure 6-3). For FFY 2004, federal expenditures in Alaska increased by 5.2% from FFY 2003.

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 (48%) of all federal spending in the state. Not surprisingly, a

large portion of federal money flows into Alaska through salaries of federal employees. However, 38% of all federal spending comes in the form of grants, mostly to state and municipal governments, and to nonprofit organizations.

In FY 2006, the State of Alaska received and spent \$2 billion in federal funds. This Federal funding is generally 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 varying numbers of eligible Alaskans in certain programs make forecasting federal revenue difficult. The estimates we present for FY 2007 and FY 2008 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 federal funds in excess of expected allotments. The legislature authorizes state agencies to receive and spend the maximum

that federally funded programs might receive, while the actual appropriation amounts are generally less. In addition, some of the funding granted for multi-year capital projects is received and spent in years following the one in which the money is procured. All federal funds, whether spent in the operating or capital budget, are restricted by legislative appropriation to specific uses.

For FY 2007, the state is budgeted to receive \$3 billion in federal receipts. State-matching money is required for most federal funding. The budgeted state match and the top three budgeted categories for federal spending in Alaska for FY 2007 are included in Figure 6-3. FY 2008 is identical to FY 2007, as the state's budget for that year is not yet developed.

(1) U.S. Census Bureau Consolidated Federal Funds Report for FY 2004, U.S. Department of Commerce, Washington, D.C. 20233, <http://harvester.census.gov/cffr/asp/Reports.asp>.

(2) Tax Foundation's "Federal Spending in Each State per Dollar of Federal Taxes," <http://www.taxfoundation.org/taxingspending.html>.

Figure 6-3. FFY 2004 Federal Spending per Capita, Top Six States

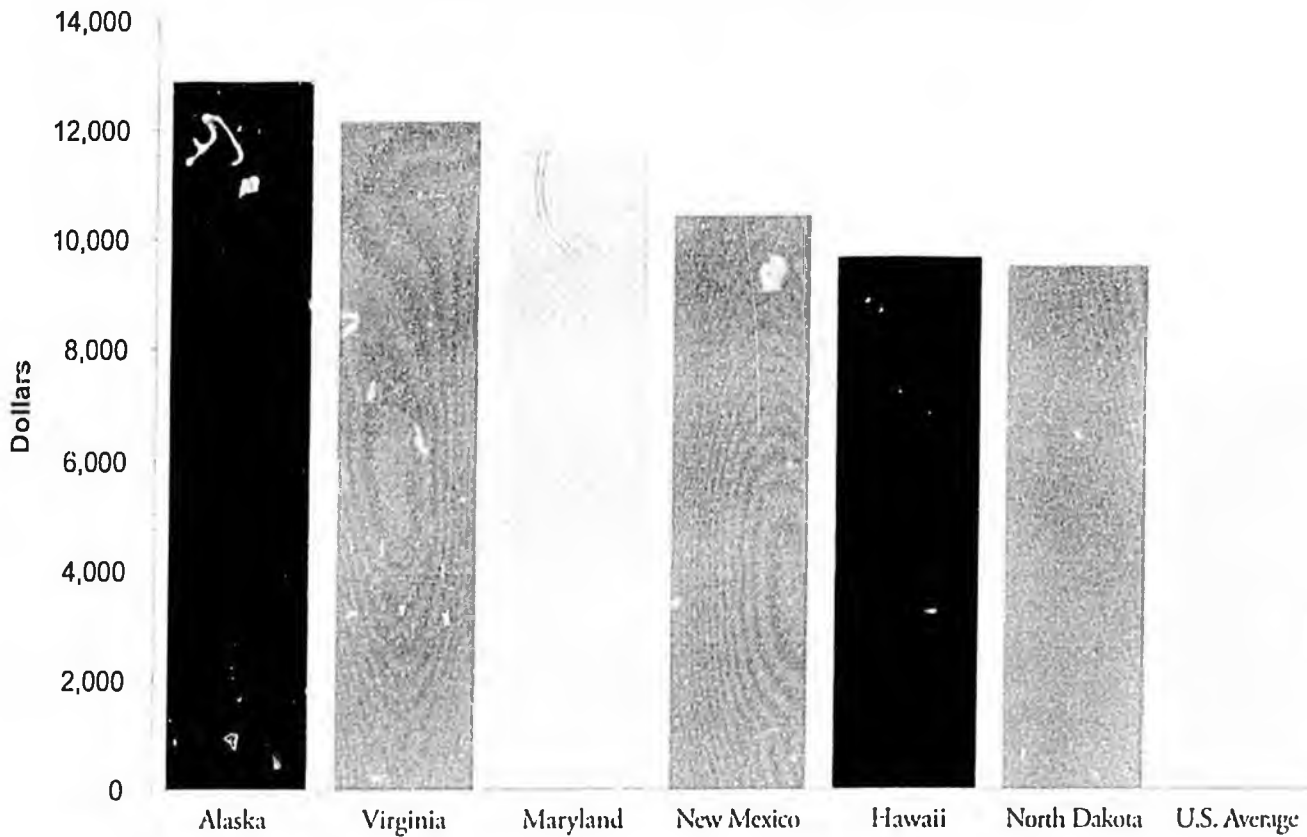


Figure 6-4. Total Federal Spending in Alaska, FFY 2004

By Distributing Agency

	\$ Million	Percent
Defense	2,521.6	30%
Health & Human Services	1,571.1	19%
Social Security	665.9	8%
Other Agencies	3,686.9	44%
Total	8,445.4	100%

By Appropriation Category

	\$ Million	Percent
Grants	3,216.9	38%
Salaries & Wages	1,728.4	20%
Procurement	1,699.7	20%
Retirement & Disability	1,135.3	13%
Other Direct Payments	665.0	8%
Total	8,445.3	100%

Figure 6-5. Federal Spending, FY 2007-2008 (\$ million)

	Budgeted FY 2007	Budgeted FY 2008
State Match Requirement		
Operating Budget ⁽¹⁾	347.8	347.8
Capital Budget ⁽¹⁾	96.1	96.1
Total	443.9	443.9

Top Spending Categories

Transportation Projects ⁽¹⁾	1,040.5	1,040.5
Medicaid ⁽¹⁾	806.1	806.3
Education (K-12, University of Alaska) ⁽¹⁾	363.9	363.9

(1) FY 2008 is identical to the FY 2007 because the Fiscal 2008 budget has not yet been developed.

7. Investment Revenue

Figure 7-1. FY 2006 Investment Revenue \$3.2 billion

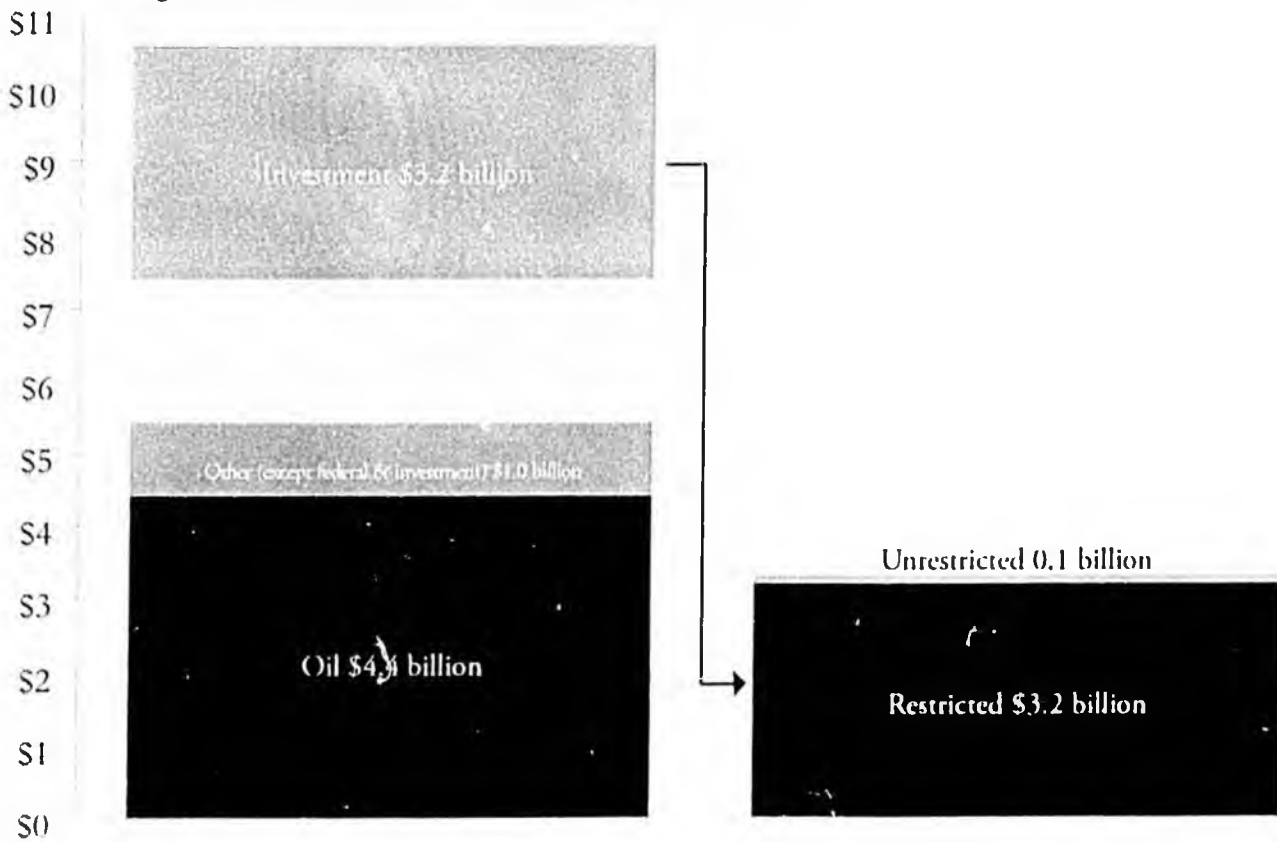


Figure 7-2. Total Investment Revenue, FY 2006 and Forecasted FY 2007-2008⁽¹⁾ (\$ million)

Unrestricted	History	Forecast	
	FY 2006	FY 2007	FY 2008
Investments	51.9	122.6	99.3
Interest paid by others	1.4	1.4	1.4
Total unrestricted	53.3	124.0	100.7
Restricted			
Investments	14.4	37.9	29.1
Constitutional budget reserve fund	73.3	176.1	176.5
Other treasury managed funds	13.4	22.3	23.0
Alaska Permanent Fund	3,072.3	2,512.5	2,673.9
Total restricted	3,173.3	2,748.8	2,902.5
Total	3,226.7	2,872.8	3,003.2

Investment Forecast

To forecast investment revenue for the current fiscal year—FY 2007—we combine actual performance through September 30, 2006, 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.

Figure 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 ¹	Callan & Associates Inc. (CAI) Broad	9.00%	16.90%
U.S. large cap	Standard & Poors (S&P) 500	8.85%	16.40%
U.S. small cap	CAI small	9.85%	22.70%
International Equity	Morgan Stanley Capital international EAFE	9.20%	20.10%
Fixed Income			
Domestic broad market	Lehman Brothers Aggregate	5.00%	4.50%
Domestic short term (cash equivalent)	Three-month U.S. Treasury Bill	4.00%	0.80%
Domestic intermediate	Merrill Lynch 1- to 5-year government	4.50%	3.30%
International	Salomon Brothers non-U.S. Government	4.90%	9.60%
Other			
Real estate	CRES	7.60%	16.50%
Inflation	CPI-U	2.75%	1.40%

(1) 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 5% 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 0.5% (the median expected average annual return of 5% minus the expected risk of 4.5%) and 9.5% (the median expected return plus the expected risk). A prediction at 95% confidence would run from -4% to 14%, 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.

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.

Figure 7-4. Unrestricted Investment Revenue, FY 2006 and Forecasted FY 2007-2008 (\$ million)

Unrestricted	History	Forecast	
	FY 2006	FY 2007	FY 2008
Investments	51.9	122.6	99.3
Interest paid by others	1.4	1.4	1.4
Total	53.3	124.0	100.7

Figure 7-5. Investment Revenue Summary, FY 2006 and Forecasted FY 2007-2008

Asset Allocation

Treasury Pool	Percent Allocation	Performance Benchmark
Short-term, fixed-income pool	36%	Three-month U.S. Treasury Bill
Intermediate-term, fixed-income pool	64%	Merrill Lynch 1- to 5-year government index

Investment balance Sept. 30, 2006	\$3,072.0 million
Projected annual rate of return	4.32%
Probability of negative return over 1 year	2.52%

Actual total investment income FY 2005	\$ 36.9 million
Actual total investment income FY 2006	66.3 million
Projected total investment income FY 2007	160.5 million

Unrestricted	History	Forecast	
	FY 2006	FY 2007	FY 2008
Investment revenue unrestricted	51.9	122.6	99.3
Investment revenue restricted ⁽¹⁾	14.4	37.9	29.1
Total	66.3	160.5	128.4

(1) Includes subfunds of the General Fund.

Restricted Investment Revenue

Restricted investment revenue consists of earnings from governmental funds, the CBRE, other Treasury-managed governmental funds and the Alaska Permanent Fund.

Figure 7-6. Restricted Investment Revenue, FY 2006 and Forecasted FY 2007-2008 (\$ million)

Restricted	History	Forecast	
	FY 2006	FY 2007	FY 2008
Investments	14.4	37.9	29.1
Constitutional budget reserve fund	73.3	176.1	176.5
Other treasury managed funds	13.4	22.3	23.0
Alaska Permanent Fund ⁽¹⁾	3,072.3	2,512.5	2,673.9
Total	3,173.3	2,748.8	2,902.5

(1) Annual unrealized and realized earnings from Permanent Fund Figure 7-11 (page 69).

Figure 7-7. Constitutional Budget Reserve Fund Cash Flows Investment Revenue Summary, FY 2006 and Forecasted FY 2007-2008

Asset Allocation Regular Account

Treasury Pool	Percent Allocation	Performance Benchmark
Short-term, Fixed-income pool	8%	Three-month U.S. Treasury Bill
Intermediate-term, fixed-income pool	72%	Merrill Lynch 1- to 5-year government index
Broad market fixed-income pool	20%	Lehman Brothers aggregate bond index

Regular balance Sept. 30, 2006	\$1,898.9 million
Projected annual rate of return	4.56%
Probability of negative return over 1 year	8.00%

Asset Allocation Special Subaccount

Treasury Pool	Percent Allocation	Performance Benchmark
Broad market fixed-income pool	39%	Lehman Brothers aggregate bond index
Domestic equity pool	44%	Russell 3000 Index
International equity pool	17%	MSCI EAFE Index

Special subaccount balance Sept. 30, 2006	512.4 million
Projected annual rate of return	7.49%
Probability of negative return over 1 year	24.35%

Total Investment Income

	History	Forecast	
	FY 2006	FY 2007	FY 2008
Regular account	34.4	126.8	134.5
Special Subaccount	38.9	49.3	42.0
Total	73.3	176.1	176.5

Figure 7-8. Constitutional Budget Reserve Fund Cash Flows, FY 2006 and Forecasted FY 2007-2008

	History ⁽³⁾	Forecast	
	FY 2006	FY 2007	FY 2008
Beginning cash balance CBRF	2,235.7	2,267.1	3,302.7
Beginning main account balance	1,782.0	1,774.6	2,760.9
Earnings on main account balance ⁽¹⁾	34.4	126.8	134.5
Petroleum tax, royalty settlements ⁽²⁾	43.7	90.0	20.0
Loan to GF (prior year)	(187.9)	0.0	0.0
GF surplus moved to CBRF	102.4	769.5	263.1
Ending main account balance	1,774.6	2,760.9	3,178.5
Beginning special subaccount balance	453.6	492.5	541.8
Earnings on special subaccount balance ⁽¹⁾	38.9	49.3	42.0
Loan to GF from special subaccount	0.0	0.0	0.0
Ending special subaccount balance	492.5	541.8	583.8
Total CBRF balance	2,267.1	3,302.7	3,762.3

(1) The earnings estimate for the main account is 4.558% and the earnings estimate for the special subaccount is 7.486%. These projections are based on 2006 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, net of annual Federal Minerals Management Service payments.

(3) Approximately \$5.1 billion has been borrowed from the CBRF by the General Fund, since the inception of the CBRF.

Figure 7-9. Public School Trust Investment Revenue Summary, FY 2006 and Forecasted FY 2007-2008

Asset Allocation

Treasury Pool	Percent Allocation	Performance Benchmark
Broad market fixed-income pool	55%	Lehman Brothers aggregate index
Domestic equity pool	45%	Russell 3000 Index

Public school fund balance Sept. 30, 2006	\$347.2 million
Projected annual rate of return	6.8%
Probability of negative return over 1 year	21.3%

Total Investment Income & Distributable Income (\$ million)

Unrestricted	History	Forecast	
	FY 2006	FY 2007	FY 2008
Public school trust total investment income	13.0	22.0	22.7
Public school trust distributable income	12.3	12.0	12.4
Total	25.3	34.0	35.1

Figure 7-10. Alaska Children's Trust Investment Revenue Summary, FY 2006 and Forecasted FY 2007-2008

Asset Allocation

Treasury Pool	Percent Allocation	Performance Benchmark
Broad market fixed-income pool	20%	Lehman Brothers aggregate index
International equity pool	22%	Morgan Stanley Capital International (EAFE)
Domestic equity pool	58%	Russell 3000 Index

Alaska children's fund balance Sept. 30, 2006	\$11.4 million
Projected annual rate of return	8.25%
Probability of negative return over 1 year	27.19%

Total Investment Income & Distributable Income (\$ million)

Unrestricted	History	Forecast	
	FY 2006	FY 2007	FY 2008
Alaska children's trust total investment income	0.4	0.9	0.9
Alaska children's trust distributable income	0.4	0.3	0.3
Total	.8	1.2	1.2

Figure 7-11. Permanent Fund Managed by the Permanent Fund Corporation, FY 2006 and Forecasted FY 2007-2008⁽¹⁾ (\$ million)

Reserved Assets — Principal	History	Forecast	
	FY 2006	FY 2007	FY 2008
Total reserved assets – beginning balance	28,521.8	30,325.3	31,977.3
Contributions & appropriations			
Contributions & appropriations – beginning balance	24,647.2	26,104.2	27,354.9
Dedicated petroleum revenue	601.1	518.6	447.8
Inflation proofing transfer from realized earnings ⁽²⁾	855.9	732.1	764.6
Deposits to principal and settlement earnings	0.0	0.0	0.0
Subtotal contributions & appropriations	26,104.2	27,354.9	28,567.3
Unrealized appreciation/depreciation			
Appreciation/depreciation – beginning balance	3,874.0	4,221.1	4,642.3
Annual unrealized gain/loss	347.1	421.2	447.8
Subtotal unrealized appreciation/depreciation	4,221.1	4,642.3	5,090.1
Total reserved assets – ending balance	30,325.3	31,977.3	33,657.5
Realized Earnings Account			
Realized earnings account – beginning balance	1,439.9	2,584.8	3,038.1
Annual realized earnings	2,726.2	2,091.3	2,226.1
Dividend payment to State of Alaska ⁽³⁾	(688.6)	(878.3)	(1,072.0)
Inflation proofing transfer to reserved assets	(855.9)	(732.1)	(764.6)
Other transfers to reserved assets	0.0	0.0	0.0
Other appropriations out of fund	(36.7)	(27.6)	(27.6)
Realized earnings account – ending balance	2,584.8	3,038.1	3,400.1
Market Value – Total Fund Invested Assets Value			
Contributions & appropriations – end-of-year balance	26,104.2	27,354.9	28,567.3
Unrealized appreciation/depreciation end-of-year balance	4,221.1	4,642.3	5,090.1
Realized earnings end-of-year balance (statutory earnings)	2,584.8	3,038.1	3,400.1
Fund balance (market value) end-of-year balance	32,910.1	35,035.3	37,057.5
Total Reported Earnings			
Annual unrealized gain/loss	347.1	421.2	447.8
Annual realized earnings	2,726.2	2,091.3	2,226.1
Reported earnings	3,072.3	2,512.5	2,673.9

⁽¹⁾ Data projected using 10/31/2005 financial statements and Fall 2006 revenue forecast. Callan 2006 capital market assumptions results in 7.61% median expected total return for FY 2007, FY 2008 and FY 2009. ⁽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 FY 2006 is 3.39%; Callan Associates Inc.'s inflation rate of 2.75% was used to project inflation proofing for FY 2007 and 2008. ⁽³⁾ The Permanent Fund dividend payment is recorded as a liability at fiscal year end and is paid out the following month.

Revenue Sources Book

Alaska Department of Revenue – Tax Division

FALL 2006

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 Alaska's public endowment funds that uses 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. Figure 8-1 on the next page 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 recogniz-

ing 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 Figure 8-2 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 investment 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.

(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).

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

	Cash	U.S. Bonds	International Bonds	U.S. Equities	International Equities	Real Estate	Alternative Investments	Total
Alaska Permanent Fund	0	25	4	34	19	10	8	100
Mental Health Trust	0	25	4	34	19	10	8	100
Public School Trust	0	55	0	45	0	0	0	100
Alaska Children's Trust	0	20	0	58	22	0	0	100
Power cost equalization	0	35	0	47	18	0	0	100
University of Alaska endowment	3	17.5	0	32	15	8.5	24	100

Figure 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)

Figure 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.

Figure 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 & 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 figures that follow in this section summarize the activities of these corporations.

Figure 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 2007. 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.

Figure 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 \$2.5 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.

Figure 9-3. Public Corporations—Financial Facts, FY 2006 (\$ million) ⁽¹⁾

	Total Assets	Assets Less Liabilities Book Value	Unrestricted Net Assets	FY 2006 Operating Budget	Total Positions ⁽²⁾
Alaska Housing Finance Corporation	\$5,229.6	\$1,990.0	\$730.2	\$47.7	372
Alaska Industrial Development & Export Authority	\$1,136.0	\$856.0	\$863.0	\$7.5	67
Alaska Energy Authority	\$562.0	\$415.0	\$233.0	\$27.0	⁽³⁾
Alaska Student Loan Corporation	\$1,020.0	\$170.0	\$42.0	\$11.0	104
Alaska Municipal Bond Bank Authority	\$483.6	\$38.6	\$10.0	\$0.5	1
Alaska Aerospace Development Corporation ⁽⁴⁾	\$98.0	\$14.0	\$5.0	\$22.9	33
Alaska Railroad Corporation ⁽⁵⁾	\$574.0	\$171.0	\$153.0	\$95.0	807

1) All figures are effective as of June 30, 2006, 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 67 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, 2005, financial statements. The operating budget figure shown here is for CY 2005.

Figure 9-4. Public Corporations—Revenue & Net Income, FY 2006 (\$ million)

	Revenue	Operating Income	Net Income
Alaska Housing Finance Corporation	\$318.9	\$46.7	\$307.0
Alaska Industrial Development & Export Authority	\$52.9	\$21.0	\$14.6
Alaska Energy Authority	\$76.1	(\$17.6)	\$0.5
Alaska Student Loan Corporation	\$36.0	\$18.0	\$1.5
Alaska Municipal Bond Bank Authority	\$17.2	\$0.9	(\$0.5)
Alaska Aerospace Development Corporation	\$16.8	(\$3.4)	(\$2.9)
Alaska Railroad Corporation ⁽¹⁾	\$144.0	\$6.8	\$12.7

(1) The Alaska Railroad reports financial data on a calendar year basis. Revenue and Operating Income shown in this table are for CY 2005.

Figure 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.

Figure 9-6. Public Corporations—Operating Expenses & Dividends, FY 2006 and Budget FY 2007 (\$ million)

	Expenses		Dividends	
	Actual FY 2006	Budget FY 2007	Actual FY 2006	Budget FY 2007
Alaska Housing Finance Corporation	\$41.6	\$48.5	\$103.0 ⁽¹⁾	\$80.6
Alaska Industrial Development & Export Authority	\$7.1	\$7.8	\$8.8	\$16.6
Alaska Energy Authority	\$25.6	\$30.0	na	na
Alaska Student Loan Corporation	\$10.6	\$11.2	\$88.1	\$1.9
Alaska Municipal Bond Bank Authority	\$0.5	\$0.7	\$0.7	\$0.3
Alaska Aerospace Development Corporation	\$20.2	\$24.1	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 transferred to the state each year though FY 2006. Because some of this money is earmarked for multi-year capital projects, actual cash transfers in any given year may vary.

Figure 9-7. University of Alaska (\$ million)

Lands & Facilities June 30, 2006	Total Assets June 30, 2006	Unrestricted Net Assets	FY 2007 Operating Budget	FY 2007 Total Positions
\$731.0 ⁽¹⁾	\$1,089.0	\$56.4	\$774.1	4,148

(1) Includes depreciation of \$595.6 million.

Revenue Sources Book

Alaska Department of Revenue – Tax Division

FALL 2006

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Revenue. A-1

Glossary of Terms

Constitutional Budget Reserve Fund (CBRF): 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 sub-account 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 (AK-SAS), 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 Stan-

dards 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 by 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 sub-accounts 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, FY 2007-2009 and FY 2007 Fiscal Sensitivity Chart Based on Fall 2006 Forecast (\$ Million)

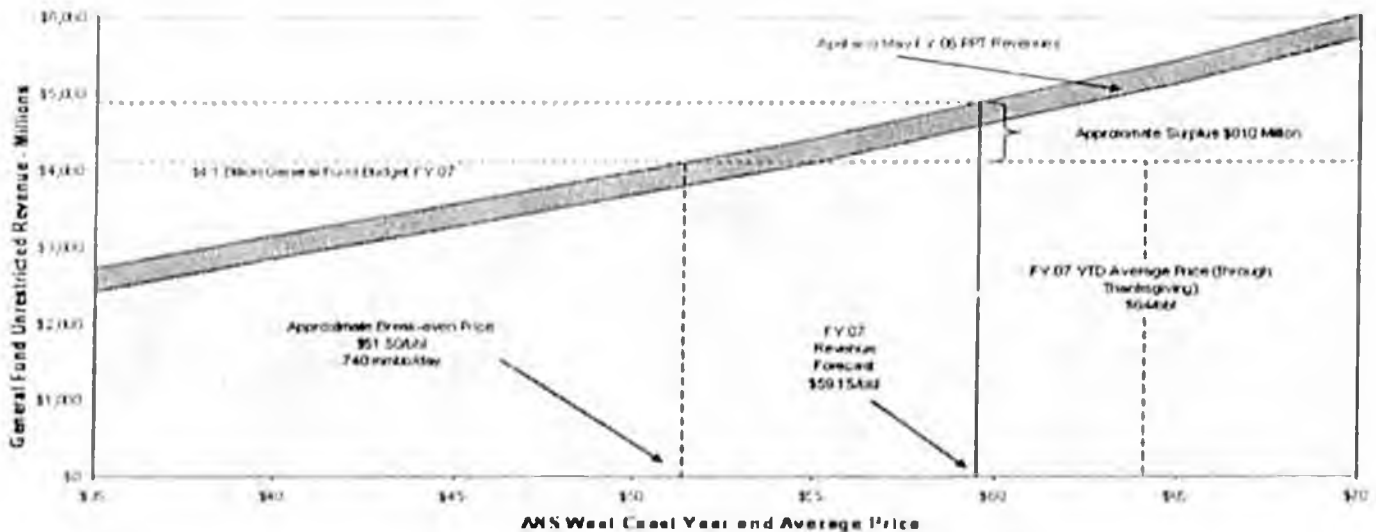
ANS \$/barrel	FY 2007 ⁽¹⁾ Oil + NGLs Million barrels/ day			ANS \$/barrel	FY 2008 Oil + NGLs Million barrels/ day			ANS \$/barrel	FY 2009 Oil + NGLs Million barrels/ day		
	0.700	0.750	0.800		0.700	0.750	0.800		0.700	0.750	0.800
	\$35	2,326	2,442		2,559	\$35	2,090		2,211	2,331	\$35
\$40	2,724	2,868	3,011	\$40	2,520	2,666	2,813	\$40	2,606	2,756	2,907
\$45	3,123	3,293	3,463	\$45	2,949	3,122	3,296	\$45	3,034	3,211	3,388
\$50	3,521	3,718	3,915	\$50	3,378	3,578	3,778	\$50	3,463	3,666	3,869
\$55	3,920	4,143	4,367	\$55	3,808	4,034	4,260	\$55	3,891	4,120	4,350
\$60	4,420	4,670	4,920	\$60	4,300	4,567	4,834	\$60	4,417	4,690	4,963
\$65	4,888	5,191	5,494	\$65	4,869	5,175	5,481	\$65	4,993	5,305	5,618
\$70	5,448	5,792	6,136	\$70	5,466	5,813	6,160	\$70	5,597	5,950	6,304

(1) For this analysis, FY 2007 revenue does not include the additional PPT production tax liability of approximately \$293 million for May and June 2006, the months associated with the new Petroleum Profits Tax (PPT).

This analysis shows that at 800,000 barrels per day for every \$5 increase in oil prices, General Fund unrestricted revenue increases by at least \$425 million; when the price of oil exceeds \$55 per barrel, General Fund unrestricted revenue increases by over \$500 million per year for every \$5 increase in oil price.

This analysis also shows that an increase of 50,000 barrels per day increases General Fund unrestricted revenue by \$120 million at \$35 per barrel and by \$350 million at \$70 per barrel.

FY 2007 Fiscal Sensitivity Based on Fall 2006 Forecast



Revenue. A-3

General Fund Unrestricted Revenue—History⁽¹⁾

(Includes Some Customarily Restricted Revenue Reflected as Restricted Elsewhere in the Report)

\$ Million

FY	1997	1998	1999	(2) 2000	(2) 2001	(2) 2002	(2) 2003	(2) 2004	(2) 2005	(2) 2006
TAX REVENUE										
Property Tax	53.6	51.3	48.8	45.0	45.1	49.6	48.7	47.3	42.5	54.5
Sales/Use										
Alcoholic Beverages	11.6	11.8	12.2	12.7	12.0	12.9	25.3	32.8	34.6	35.2
Tobacco Products	13.7	15.4	15.2	16.3	16.3	15.5	16.3	16.0	26.2	36.7
Insurance Premium	28.4	33.7	28.4	28.7	32.2	37.4	43.3	48.1	52.9	51.9
Electric and Telephone Cooperative	2.7	2.3	3.7	3.2	3.3	3.1	3.7	4.0	4.0	3.9
Motor Fuel Tax ⁽³⁾	35.3	35.6	37.8	42.1	37.5	40.2	37.4	41.4	39.6	42.1
Vehicle Rental/ Tire Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.5	9.1	9.3
Total	91.7	98.8	97.3	103.0	101.3	109.1	126.0	145.8	166.4	179.1
Income Tax										
Corporation General	48.4	53.4	53.8	56.3	59.5	53.4	47.7	39.6	61.8	137.6
Corporation Petroleum	269.4	200.1	145.1	162.7	338.1	178.4	151.1	298.8	524.0	661.1
Total	317.8	253.5	198.9	219.0	397.6	231.8	198.8	338.4	585.8	798.7
Production Tax										
Oil and Gas Production	907.0	564.4	358.6	693.2	694.4	486.7	589.8	642.7	854.9	1,191.4
Oil and Gas Conservation	1.7	1.6	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oil and Gas Hazardous Release	12.9	11.8	11.1	9.5	9.4	9.6	9.2	9.2	8.3	7.8
Total	921.6	577.8	371.1	702.7	703.8	496.3	599.0	651.9	863.2	1,199.2
Other Natural Resource Tax										
Salmon and Seafood Marketing	7.6	5.6	5.3	7.2	5.7	4.8	4.4	5.0	6.0	6.4
Salmon Enhancement	4.2	4.2	3.9	5.3	3.6	3.7	2.4	3.0	3.8	4.4
Seafood Development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Dive Fishery Management	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.0	0.0	0.3
Fisheries Business	31.0	28.5	25.9	36.7	30.5	25.3	26.0	29.3	25.9	32.3
Fish Landing	7.3	3.8	5.9	5.3	7.3	7.1	9.8	6.9	8.1	11.5
Total	50.1	42.1	41.0	54.7	47.3	41.1	42.8	44.2	43.8	55.1
Other Tax										
Estate	1.7	5.5	1.7	2.5	2.7	3.1	1.2	2.3	1.5	0.6
Other	2.4	3.9	2.9	5.9	4.3	3.2	3.0	0.0	12.8	21.0
Total	4.1	9.4	4.6	8.4	7.0	6.3	4.2	2.3	14.3	21.6
TOTAL TAX REVENUE	1,438.9	1,032.9	761.7	1,132.8	1,302.1	934.2	1,019.5	1,229.9	1,716.0	2,308.2

(continued on next page)

General Fund Unrestricted Revenue—History (continued from prior page)

(1) Includes Some Customarily Restricted Revenue Reflected as Restricted Elsewhere in the Report

\$ Million

FY	1997	1998	1999	(2) 2000	(2) 2001	(2) 2002	(2) 2003	(2) 2004	(2) 2005	(2) 2006
NON TAX REVENUE										
Licenses and Permits ⁽⁴⁾	69.0	74.6	63.7	69.2	37.3	42.2	33.6	41.8	42.7	42.8
Intergovernmental Receipts										
Federal Shared Revenues	2.0	2.2	0.8	1.0	0.3	0.1	0.0	0.0	0.0	0.0
Charges for Services										
Marine Highways	38.6	37.1	38.8	38.3	27.6	32.2	41.5	43.6	45.6	51.0
Other	39.5	34.9	31.8	43.7	27.0	19.1	13.9	11.1	17.9	23.1
Total	78.1	72.0	70.6	82.0	64.6	51.3	55.4	54.7	63.5	74.1
Fines and Forfeitures	8.2	37.7	12.5	46.2	33.6	6.6	7.0	16.0	9.4	8.5
Rents and Royalties										
Bonuses, Rents and Interest-Net ⁽⁵⁾⁽⁶⁾	7.4	23.0	25.6	4.0	7.1	14.6	9.6	13.3	18.8	11.9
Oil and Gas Royalties-Net ⁽⁵⁾	759.2	480.4	322.6	727.9	781.0	581.2	830.7	1,045.7	1,401.1	1,772.2
Timber Sales	1.9	0.8	0.3	0.3	0.4	0.2	0.0	0.2	0.1	(0.2)
Other	8.6	8.1	10.6	9.4	10.5	9.1	6.2	7.6	14.5	9.0
Total	777.1	512.3	359.1	741.6	799.0	605.1	846.5	1,066.8	1,434.5	1,729.9
Investment Earnings ⁽⁶⁾	77.1	60.6	46.5	48.1	78.8	43.1	59.0	9.7	24.7	53.3
Miscellaneous Revenue	44.6	33.5	37.3	27.1	34.9	42.3	9.4	19.2	7.5	40.6
Sub-Total NON-TAX REVENUE	1,056.1	792.9	590.5	1,015.2	1,048.5	790.7	1,010.9	1,202.8	1,582.3	2,012.2
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	1,056.1	792.9	590.5	1,015.2	1,048.5	790.7	1,010.9	1,202.8	1,582.3	2,012.2
TOTAL TAX REVENUE	1,438.9	1,032.9	761.7	1,132.8	1,302.1	934.2	1,019.5	1,229.9	1,716.0	2,308.2
TOTAL GENERAL FUND UNRESTRICTED REVENUE	2,495.0	1,825.8	1,352.2	2,148.0	2,350.6	1,724.9	2,030.4	2,438.1	3,298.3	4,320.4

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

(2) After FY 2000, most receipt-supported services are excluded. Certain seafood assessments which are considered receipt-supported services for purposes of this forecast are included.

(3) Motor fuel tax includes aviation, highway and marine.

(4) Beginning in FY 2006, alcoholic beverage licenses and permits shared with municipalities are treated as customarily restricted for purposes of our forecast; however these are included in Total General Fund Unrestricted Revenue.

(5) These categories are primarily composed of petroleum.

(6) Starting in FY 2001, interest earnings are included in oil and gas royalties and excluded from investment revenue.

Revenue. A-4a

General Fund Unrestricted Petroleum Revenue—History⁽¹⁾

\$ Million

FY	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Corporation Petroleum Tax	269.4	200.1	145.1	162.7	338.1	178.4	151.1	298.8	524.0	661.1
Production Tax	921.6	577.8	371.1	702.7	703.8	496.3	599.0	651.9	863.2	1,199.2
Petroleum Property Tax	53.6	51.3	48.8	45.0	45.1	49.6	48.7	47.3	42.5	54.5
Oil and Royalties-Net ⁽²⁾	759.2	480.4	322.6	727.9	781.0	581.2	830.7	1,045.7	1,401.1	1,772.2
Bonuses, Rents and Interest-Net ⁽²⁾⁽³⁾	7.4	23.0	25.6	4.0	7.1	14.6	9.6	13.3	18.8	11.9
Total Petroleum Revenue	2,011.2	1,332.6	913.2	1,642.3	1,875.1	1,320.1	1,639.1	2,057.0	2,849.6	3,698.9
Cumulative General Fund										
Unrestricted Petroleum Revenue⁽⁴⁾	43,849.7	45,182.3	46,095.5	47,737.8	49,612.9	50,933.0	52,572.1	54,629.1	57,478.7	61,177.6
Total General Fund										
Unrestricted Revenue⁽⁵⁾	2,495.0	1,825.8	1,352.2	2,148.0	2,350.6	1,724.9	2,030.4	2,443.7	3,293.0	4,320.4
% Petroleum Revenue	81%	73%	68%	76%	20%	77%	81%	84%	87%	86%

(1) Historical General Fund unrestricted petroleum revenue can be found on the Tax Division's web site at <http://www.tax.state.ak.us/sourcesbook/PetroleumRevenueHistory.pdf>. Table on Tax web site includes historical Reserve Tax (FY 1976-1977) and Petroleum Special Settlements (FY 1986-1995) which, due to current zero totals, are not included in Appendix A-4a & A-4b.

(2) Royalties, bonuses, rents and interest 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) This table shows historical petroleum revenue for FY 1997-2006. The cumulative petroleum revenue total is based on revenue beginning in FY 1959.

(5) Historical General Fund unrestricted revenue includes some of the revenue shown as restricted elsewhere in this report, such as shared taxes or Alaska Marine Highway System Revenues.

Revenue. A-4b

General Fund Unrestricted Petroleum Revenue—Forecast ⁽¹⁾

FY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Corporation Petroleum Tax	657.2	493.7	466.5	455.0	447.1	458.7	430.1	404.0	361.1	367.5
Production Tax	2,067.2	1,476.1	1,403.1	1,333.5	1,366.8	1,336.2	1,195.5	1,006.2	937.6	875.6
Petroleum Property Tax	51.7	51.4	51.0	50.6	50.4	50.1	49.2	47.9	46.5	46.0
Oil and Gas Royalties-Net ⁽²⁾	1,503.9	1,317.2	1,287.3	1,250.6	1,256.0	1,141.4	1,017.4	882.9	860.7	846.2
Bonuses, Rents & Interest-Net ⁽²⁾⁽³⁾	51.4	18.7	16.4	15.9	17.0	16.0	17.8	22.5	18.0	14.7
Total Petroleum Revenue	4,331.5	3,357.2	3,224.3	3,105.7	3,137.4	3,002.5	2,710.0	2,363.4	2,223.9	2,149.9
Cumulative General Fund										
Unrestricted Petroleum Revenue ⁽⁴⁾	65,509.1	68,866.3	72,090.6	75,196.3	78,333.7	81,336.2	84,046.2	86,409.6	88,633.6	90,783.5
Total General Fund										
Unrestricted Revenue ⁽⁵⁾	4,912.3	3,911.1	3,776.6	3,669.0	3,718.8	3,592.2	3,307.2	2,968.1	2,839.6	2,774.7
% Petroleum Revenue	88%	86%	85%	85%	84%	84%	82%	80%	78%	77%

(1) Forecasted General Fund unrestricted petroleum revenue through FY 2016 can be found on the Tax Division's web site at <http://www.tax.state.ak.us/sourcesbook/PetroleumRevenueHistory.pdf>. Table on Tax web site includes historical Reserve Tax (FY 1976-FY 1977) and Petroleum Special Settlements (FY 1986-1995) which, due to current zero totals, are not included in Appendix A-4a & 4b.

(2) Royalties, bonuses, rents and interest 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) The cumulative petroleum revenue total is based on revenue beginning in FY 1959.

(5) Forecasted General Fund unrestricted revenue shown in A-4b does not include these "customarily restricted" revenues.

Revenue. A-5a

Petroleum Production Tax and Royalty Revenue—History⁽¹⁾

\$ Million

FY	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Alaska North Slope										
Oil Royalty-Net ⁽²⁾	735.5	441.2	297.9	658.4	797.4	546.5	827.5	959.1	1,300.4	1,651.9
Production Tax										
Oil Production Tax	868.9	545.2	328.0	632.6	667.1	444.5	549.6	594.5	787.3	1,162.6
Gas Production Tax (includes gas NGL's)	32.0	18.6	11.4	22.3	20.3	9.3	12.7	17.6	30.5	31.0
Total Production Tax	900.9	563.8	339.4	654.9	687.3	453.8	562.3	612.1	817.9	1,193.6
Conservation Tax/ Exploration Incentive	1.7	1.5	1.4	0.1	0.0	0.0	0.0	0.0	(30.0)	(50.0)
Hazardous Release Fund	12.6	11.3	10.5	9.4	9.0	9.0	9.0	9.6	8.2	7.6
Gas Royalty-Net	1.1	0.8	0.8	0.9	1.0	1.3	3.2	6.6	6.7	9.1
Subtotal	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	2,812.3
Cook Inlet										
Oil Royalty-Net ⁽²⁾	21.2	13.5	10.2	19.5	27.4	18.8	24.2	26.0	29.2	30.8
Production Tax										
Oil Production Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gas Production Tax	18.2	18.4	13.2	16.0	17.9	23.4	23.0	24.7	24.4	33.2
Total Production Tax	18.2	18.4	13.2	16.0	17.9	23.4	23.0	24.7	24.4	33.2
Conservation Tax/ Exploration Incentive	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hazardous Release Fund	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.2	0.2	0.2
Gas Royalty-Net	22.4	20.9	18.3	19.4	30.5	25.2	23.4	39.2	31.1	41.0
Subtotal	62.2	53.2	42.2	55.2	75.9	67.7	70.9	90.1	85.0	105.2
Total Alaska										
Oil Royalty-Net ⁽²⁾	756.8	454.8	308.1	678.0	824.7	565.3	851.8	985.0	1,329.6	1,682.8
Production Tax										
Oil Production Tax	868.9	545.2	328.0	632.6	667.1	444.5	549.6	594.5	787.3	1,162.6
Gas Production Tax (includes gas NGL's)	50.2	37.0	24.7	38.3	38.1	32.7	35.7	42.3	55.0	64.2
Total Production Tax	919.1	582.2	352.7	670.9	705.2	477.2	585.3	636.8	842.3	1,226.8
Conservation Tax/ Exploration Incentive	1.7	1.6	1.5	0.1	0.0	0.0	0.0	0.0	(30.0)	(50.0)
Hazardous Release Fund	13.0	11.6	10.9	9.7	9.2	9.3	9.2	9.8	8.4	7.8
Gas Royalty-Net	23.5	21.7	19.1	20.3	31.5	26.4	26.6	45.7	37.8	50.1
Total	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	2,917.4

(1) Appendices A-5a & A-5b provide a breakout of Alaska North Slope and Cook Inlet revenues which may not match Alaska State Accounting System (AKSAS) numbers in tables throughout the Revenue Sources Book. This detailed revenue is from the Department of Revenue's Forecast Model. This table can be found on the Tax Division's web site at <http://www.tax.state.ak.us/sourcesbook/ProductionTax&RoyaltyRevenue.pdf>.

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

Revenue. A-5b

Petroleum Production Tax and Royalty Revenue—Forecast ⁽¹⁾

\$ Million

FY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Alaska North Slope										
Oil Royalty-Net ⁽²⁾	1,415.9	1,234.0	1,203.4	1,167.9	1,172.1	1,082.9	959.8	826.2	803.0	787.4
Production Tax										
Oil Production Tax	0	0	0	0	0	0	0	0	0	0
Gas Production Tax (includes gas NGL's)	0	0	0	0	0	0	0	0	0	0
Total Production Tax ⁽³⁾	2,074.8	1,482.2	1,358.2	1,287.5	1,319.6	1,302.6	1,161.7	971.9	903.0	840.7
Conservation Tax/ Exploration Incentive	(50.0)	(50.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hazardous Release Fund	9.4	9.6	9.6	9.6	9.7	10.4	9.9	9.6	9.1	8.6
Gas Royalty-Net	4.6	2.4	2.3	2.3	2.3	2.2	2.1	1.9	2.0	2.0
Subtotal	3,454.8	2,678.3	2,573.4	2,467.3	2,503.7	2,398.1	2,133.4	1,809.6	1,717.1	1,638.7
Cook Inlet										
Oil Royalty-Net ⁽²⁾	30.3	25.2	24.2	21.2	20.5	18.5	16.6	14.5	14.2	13.9
Production Tax										
Oil Production Tax ⁽⁴⁾	0	0	0	0	0	0	0	0	0	0
Gas Production Tax	0	0	0	0	0	0	0	0	0	0
Total Production Tax ⁽³⁾	32.7	34.1	35.2	36.3	37.4	23.1	23.8	24.6	25.4	26.2
Conservation Tax/ Exploration Incentive	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	0.1	0.1	0.1	0.1
Gas Royalty-Net	53.2	55.6	57.4	59.2	61.1	37.8	39.0	40.2	41.5	42.9
Subtotal	116.3	115.1	117.0	116.8	119.2	79.5	79.5	79.5	81.2	83.1
Total Alaska										
Oil Royalty-Net ⁽²⁾	1,446.2	1,259.2	1,227.6	1,189.1	1,192.6	1,101.4	976.3	840.7	817.2	801.3
Production Tax										
Oil Production Tax	0	0	0	0	0	0	0	0	0	0
Gas Production Tax (includes gas NGL's)	0	0	0	0	0	0	0	0	0	0
Total Production Tax ⁽³⁾	2,107.5	1,516.3	1,393.3	1,323.8	1,357.0	1,325.7	1,185.5	996.5	928.4	866.9
Conservation Tax/ Exploration Incentive	(50.0)	(50.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hazardous Release Fund	9.7	9.8	9.8	9.8	9.8	10.5	10.0	9.7	9.2	8.7
Gas Royalty-Net	57.7	58.0	59.7	61.5	63.4	40.0	41.1	42.1	43.5	44.9
Total	3,571.1	2,793.4	2,690.4	2,584.1	2,622.9	2,477.6	2,213.0	1,889.1	1,798.3	1,721.8

(1) Appendices A-5a & A-5b provide a breakout of Alaska North Slope and Cook Inlet revenues which may not match Alaska State Accounting System (AKSAS) numbers in tables throughout the Revenue Sources Book. This detailed revenue is from the Department of Revenue's Forecast Model. This table can be found on the Tax Division's web site at <http://www.tax.state.ak.us/sourcesbook/ProductionTax&RoyaltyRevenue.pdf>

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

(3) Due to enactment of the Petroleum Profits Tax (PPT) in 2006, oil and gas production taxes are combined and based on company profits. See Section 4 for PPT detail.

(4) Cook Inlet production is afforded special treatment under the PPT. Taxation is based on the lower of PPT or ELF calculated production tax.

Revenue. A-6a

ANS and Cook Inlet Royalty Revenue—History⁽¹⁾

\$ Million

FY	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
ALASKA NORTH SLOPE										
Total Revenue										
Oil (does not include NPR-A royalty)	1,005.7	602.2	402.4	897.0	1,099.5	761.1	1,142.0	1,287.3	1,745.6	2,217.3
Gas	1.5	1.1	1.0	1.2	1.4	1.8	4.4	8.8	9.0	12.2
ANS Royalty Revenue	1,007.2	603.3	403.4	898.2	1,100.9	762.8	1,146.4	1,296.1	1,754.5	2,229.6
Revenue to Permanent Fund & Public School Fund										
Oil	270.1	160.9	104.5	238.5	302.1	214.6	314.5	328.3	445.1	565.4
Gas	0.4	0.3	0.3	0.3	0.4	0.5	1.2	2.2	2.3	3.1
ANS Revenue to PF & PSF	270.5	161.2	104.8	238.9	302.5	215.1	315.7	330.5	447.4	568.5
General Fund Revenue										
Oil	735.5	441.2	297.9	658.4	797.4	546.5	827.5	959.1	1,300.4	1,651.9
Gas	1.1	0.8	0.8	0.9	1.0	1.3	3.2	6.6	6.7	9.1
ANS Royalty Revenue-Net	736.6	442.1	298.6	659.4	798.4	547.8	830.7	965.6	1,307.1	1,661.0
COOK INLET										
Total Revenue										
Oil	28.5	18.2	13.7	26.2	36.7	25.3	32.5	34.9	39.2	41.4
Gas	30.0	28.1	24.6	26.0	40.9	33.8	31.4	52.6	41.8	55.0
Cook Inlet Royalty Revenue	58.5	46.2	38.3	52.3	77.6	59.1	63.9	87.4	81.0	96.4
Revenue to Permanent Fund & Public School Fund										
Oil	7.3	4.6	3.5	6.7	9.4	6.4	8.3	8.9	10.0	10.6
Gas	7.7	7.2	6.3	6.6	10.4	8.6	8.0	13.4	10.7	14.0
Cook Inlet Revenue to PF & PSF	14.9	11.8	9.8	13.3	19.8	15.1	16.3	22.3	20.7	24.6
General Fund Revenue										
Oil	21.2	13.5	10.2	19.5	27.4	18.8	24.2	26.0	29.2	30.8
Gas	22.4	20.9	18.3	19.4	30.5	25.2	23.4	39.2	31.1	41.0
Cook Inlet Royalty Revenue-Net	43.6	34.5	28.6	38.9	57.8	44.0	47.6	65.1	60.3	71.8

(1) Appendices A-6a & A-6b provide royalty revenues which may not match the Alaska State Accounting System (AKSAS) numbers in tables throughout this Revenue Sources Book. Revenue from the Department of Revenue's Forecast Model. This table can be found on the Tax Division's web site at <http://www.tax.state.ak.us/sourcesbook/RoyaltyRevenueDetail.pdf>.

Revenue. A-6b

ANS and Cook Inlet Royalty Revenue—Forecast ⁽¹⁾

\$ Million

FY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
ALASKA NORTH SLOPE										
Total Revenue										
Oil (does not include NPR-A royalty)	1,900.6	1,656.4	1,615.2	1,567.7	1,573.3	1,453.6	1,288.3	1,109.0	1,077.9	1,056.9
Gas	6.2	3.2	3.1	3.1	3.1	3.0	2.8	2.6	2.6	2.7
ANS Royalty Revenue	1,906.7	1,659.6	1,618.3	1,570.7	1,576.4	1,456.6	1,291.1	1,111.6	1,080.5	1,059.6
Revenue to Permanent Fund & Public School Fund										
Oil	484.6	422.4	411.9	399.8	401.2	370.7	328.5	282.8	274.9	269.5
Gas	1.6	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7
ANS Revenue to PF & PSF	486.2	423.2	412.7	400.5	402.0	371.4	329.2	283.5	275.5	270.2
General Fund Revenue										
Oil	1,415.9	1,234.0	1,203.4	1,167.9	1,172.1	1,082.9	959.8	826.2	803.0	787.4
Gas	4.6	2.4	2.3	2.3	2.3	2.2	2.1	1.9	2.0	2.0
ANS Royalty Revenue-Net	1,420.5	1,236.4	1,205.7	1,170.2	1,174.5	1,085.2	961.9	828.1	805.0	789.4
COOK INLET										
Total Revenue										
Oil	40.6	33.0	32.5	28.4	27.5	24.8	22.2	19.4	19.0	18.7
Gas	71.4	74.7	77.0	79.5	82.0	50.7	52.3	54.0	55.7	57.5
Cook Inlet Royalty Revenue	112.0	108.5	109.6	107.9	109.5	75.5	74.5	73.4	74.8	76.2
Revenue to Permanent Fund & Public School Fund										
Oil	10.4	8.6	8.3	7.3	7.0	6.3	5.7	5.0	4.9	4.8
Gas	18.2	19.0	19.6	20.3	20.9	12.9	13.3	13.8	14.2	14.7
Cook Inlet Revenue to PF & PSF	28.6	27.7	27.9	27.5	27.9	19.2	19.0	18.7	19.1	19.4
General Fund Revenue										
Oil	30.3	25.2	24.2	21.2	20.5	18.5	16.6	14.5	14.2	13.9
Gas	53.2	55.6	57.4	59.2	61.1	37.8	39.0	40.2	41.5	42.9
Cook Inlet Royalty Revenue-Net	83.4	80.8	81.6	80.4	81.6	56.2	55.5	54.7	55.7	56.8

(1) Appendices A-6a & A-6b provide royalty revenues which may not match the Alaska State Accounting System (AKSAS) numbers in tables throughout this Revenue Sources Book. Revenue from the Department of Revenue's Forecast Model. This table can be found on the Tax Division's web site at <http://www.tax.state.ak.us/sourcesbook/RoyaltyRevenueDetail.pdf>

Revenue. A-7a

Total Alaska Government Petroleum Revenue—History⁽¹⁾

\$ Million

FY	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Corporation Petroleum Tax	269.4	200.1	145.1	162.7	338.1	178.4	151.1	298.8	524.0	661.1
Production Tax	921.6	577.8	371.1	702.7	703.8	496.3	599.0	651.9	863.2	1,199.2
Petroleum Property Tax	53.6	51.3	48.8	45.0	45.1	49.6	48.7	47.3	42.5	54.5
Oil and Gas Royalties ⁽²⁾	1,065.7	649.5	441.7	950.5	1,178.5	821.9	1,210.3	1,383.6	1,835.5	2,325.9
Bonuses, Rents and Interest ⁽³⁾	9.9	30.9	34.4	5.4	9.5	19.6	12.9	17.9	25.2	16.0
Deposits to the CBRF	566.6	343.2	55.3	448.3	49.9	90.2	22.3	8.4	27.4	43.7
Total Petroleum Revenue	2,886.8	1,852.8	1,096.4	2,314.6	2,324.0	1,656.0	2,044.3	2,407.8	3,317.9	4,300.4

(1) Total does not include NPR-A royalties, rents and bonuses. Revenue numbers (except for royalties, bonuses, rents and interest) are from the Alaska State Accounting System (AKSAS). AKSAS revenue is reported for period oil and gas produced; when amended, revenue is different than when it was actually collected. Gross royalties, bonuses, rents & interest are from the Department of Revenue's Forecast Model and may not match AKSAS numbers in tables throughout this Revenue Sources Book. A summary of historical General Fund petroleum revenue can be found on the Tax Division's web site at <http://www.tax.state.ak.us/sourcesbook/TotalGovernmentRevenue.pdf>

(2) Includes all royalty payments allocated to Permanent Fund, Public School Fund and General Fund.

(3) Oil and Gas Settlements from DOR Mineral Payments Fund Allocation Detail.

Revenue. A-7b

Total Alaska Government Petroleum Revenue—Forecast ⁽¹⁾

FY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Corporation Petroleum Tax	657.2	493.7	466.5	455.0	447.1	458.7	430.1	404	361.1	367.5
Production Tax	2,067.2	1,476.1	1,403.1	1,333.5	1,366.8	1,336.2	1,195.5	1,006.2	937.6	875.6
Petroleum Property Tax	51.7	51.4	51.0	50.6	50.4	50.1	49.2	47.9	46.5	46.0
Oil and Gas Royalties ⁽²⁾	2,018.7	1,768.1	1,727.9	1,678.7	1,686.0	1,532.1	1,365.7	1,185.0	1,155.3	1,135.8
Bonuses, Rents and Interest ⁽³⁾	69.1	25.1	22.0	21.4	22.8	21.5	23.9	30.2	24.2	19.7
Deposits to the CBRF	90.0	20.0	20.0	8.3	0.0	0.0	0.0	0.0	0.0	0.0
Total Petroleum Revenue	4,953.9	3,834.4	3,690.5	3,547.5	3,573.2	3,398.6	3,064.4	2,673.3	2,524.7	2,444.6

(1) Total does not include NPR-A royalties, rents and bonuses. Revenue numbers (except for royalties, bonuses, rents and interest) are from the Alaska State Accounting System (AKSAS). AKSAS revenue is reported for period oil and gas produced; when amended, revenue is different than when it was actually collected. Gross royalties, bonuses, rents & interest are from the Department of Revenue's Forecast Model and may not match AKSAS numbers in tables throughout this Revenue Sources Book. Forecasted General Fund petroleum revenue through FY 2016 can be found on the Tax Division's web site at <http://www.tax.state.ak.us/sourcesbook/TotalGovernmentRevenue.pdf>

(2) Includes all royalty payments allocated to Permanent Fund, Public School Fund and General Fund.

(3) Oil and Gas Settlements from DOR Mineral Payments Fund Allocation Detail.

Prices. B-1a

Crude Oil and Natural Gas Prices—History⁽¹⁾

NOMINAL

WTI, ANS WEST COAST. ANS AND COOK INLET WELLHEAD PRICES \$ PER BARREL

FY	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
WTI	22.54	18.04	14.13	24.82	30.41	23.87	29.47	33.12	47.19	63.01
ANS West Coast	20.90	15.86	12.64	23.27	27.86	21.78	28.16	31.74	43.44	60.80
ANS Wellhead Wtd Avg All Destinations	16.40	11.70	8.50	18.94	22.81	17.09	23.10	26.71	38.82	55.33
Cook Inlet Wellhead	18.76	13.76	10.51	21.00	25.88	19.64	24.93	27.85	40.24	57.06

HENRY HUB NATURAL GAS PRICES \$ PER MM BTU

FY	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Henry Hub	2.48	2.43	1.97	2.64	5.47	2.80	4.62	5.37	6.18	9.20

CONSTANT⁽²⁾

WTI, ANS WEST COAST. ANS AND COOK INLET WELLHEAD PRICES \$ PER BARREL

FY	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
WTI	27.98	21.89	16.86	29.05	34.30	26.08	31.87	35.06	48.38	63.01
ANS West Coast	25.94	19.24	15.08	27.23	31.43	23.80	30.44	33.61	44.54	60.80
ANS Wellhead Wtd Avg All Destinations	20.35	14.19	10.15	22.17	25.74	18.67	24.97	28.28	39.80	55.33
Cook Inlet Wellhead	23.28	16.69	12.54	24.58	29.20	21.46	26.95	29.49	41.26	57.06

HENRY HUB NATURAL GAS PRICES \$ PER MM BTU

FY	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Henry Hub	3.08	2.94	2.35	3.09	6.17	3.06	5.00	5.69	6.34	9.20

(1) Data from Platt's Oilgram Price Report, Wood McKenzie and Alaska Department of Revenue's prevailing value and tax return data. A summary of historical crude oil and natural gas prices can be found on the Tax Division's web site: <http://www.tax.state.ak.us/sourcesbook/NominalOil&NatGasPrices.pdf>.

(2) Adjustment to "constant" dollars is useful to compare prices across time excluding inflation. These price data are adjusted to constant dollars based on inflation rates provided by the U.S. Department of Labor, Bureau of Labor Statistics. The data series used is the Consumer Price Index for all Urban Consumers (CPI-U) which can be found at <http://www.bls.gov/cpi/home.htm>. A summary of constant crude oil and natural gas prices can be found on the Tax Division's web site at <http://www.tax.state.ak.us/sourcesbook/ConstantOil&NatGasPrices.pdf>.

Prices. B-1b

Crude Oil and Natural Gas Prices—Forecast⁽¹⁾

NOMINAL⁽²⁾

WTI, ANS WEST COAST, ANS AND COOK INLET WELLHEAD PRICES \$ PER BARREL

FY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
WTI	61.45	53.75	52.00	51.50	52.50	50.00	47.50	44.00	45.00	46.00
ANS West Coast	59.15	51.25	49.50	49.00	50.00	47.50	45.00	41.50	42.50	43.50
ANS Wellhead Wld Avg All Destinations	52.35	44.97	44.84	44.09	44.98	42.24	39.62	35.88	36.66	37.51
Cook Inlet Wellhead	56.32	49.19	47.45	46.99	47.98	45.49	43.00	39.50	40.51	41.52

HENRY HUB NATURAL GAS PRICES \$ PER MM BTU

FY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Henry Hub	5.93	5.76	5.93	5.88	6.02	5.80	5.25	4.75	4.88	5.02

CONSTANT

WTI, ANS WEST COAST, ANS AND COOK INLET WELLHEAD PRICES \$ PER BARREL

FY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
WTI	59.81	50.91	47.94	46.20	45.84	42.49	39.28	35.42	35.25	35.07
ANS West Coast	57.57	48.54	45.63	43.96	43.66	40.36	37.22	33.40	33.29	33.16
ANS Wellhead Wld Avg All Destinations	50.95	42.59	41.33	39.56	39.27	35.90	32.76	28.88	28.72	28.59
Cook Inlet Wellhead	54.81	46.59	43.74	42.15	41.89	38.65	35.56	31.80	31.73	31.65

HENRY HUB NATURAL GAS PRICES \$ PER MM BTU

FY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Henry Hub							4.34	3.82	3.82	3.82

(1) Data from the Department of Revenue's forecast model. Forecasts of crude oil and natural gas prices through FY 2016 can be found on the Tax Division's web site: <http://www.tax.state.ak.us/sourcesbook/NominalOil&NatGasPrices.pdf>.

(2) Adjustment to "nominal" dollars is required to prepare the crude oil and natural gas price forecast. Callan Associates Inc.'s inflation rate of 2.75% was used for FY 2007-beyond. A summary of nominal crude oil and natural gas prices can be found on the Tax Division's web site at <http://www.tax.state.ak.us/sourcesbook/ConstantOil&NatGasPrices.pdf>.

Netback Costs. B-2a

Nominal Netback Costs—History⁽¹⁾

Marine Costs, TAPS Tariff, Feeder Pipeline and Other Adjustment Charges

\$ per Barrel

FY	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Marine Costs	1.52	1.51	1.52	1.59	1.39	1.55	1.71	1.69	1.79	1.63
TAPS Tariff	2.71	2.73	2.74	2.86	3.27	3.50	3.40	3.16	3.28	3.58
TAPS Quality Bank + Loss	0.00	0.00	0.00	0.00	0.00	(0.02)	(0.05)	(0.13)	(0.27)	(0.27)
Feeder Pipe + Other Upstream Costs	0.11	0.07	0.03	(0.01)	(0.09)	0.09	0.30	0.26	0.23	0.40
Location Differential	0.16	(0.14)	(0.16)	(0.11)	0.47	(0.42)	(0.29)	0.05	(0.41)	0.13
Total Netback Costs	4.50	4.16	4.14	4.32	5.04	4.69	5.06	5.04	4.62	5.47

(1) Data from the Department of Revenue's Forecast Model. A summary of historical netback costs can be found on the Tax Division's web site at <http://www.tax.state.ak.us/sourcesbook/NetbackCosts.pdf>

Netback Costs. B-2b

Nominal Netback Costs—Forecast ⁽¹⁾

Marine Costs, TAPS Tariff, Feeder Pipeline and Other Adjustment Charges
\$ per Barrel

FY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Marine Costs	1.76	1.79	1.84	1.89	1.94	1.99	2.04	2.09	2.14	2.19
TAPS Tariff	4.38	4.11	2.36	2.43	2.48	2.53	2.57	2.71	2.84	2.92
TAPS Quality Bank + Loss	(0.62)	(0.45)	(0.46)	(0.47)	(0.48)	(0.50)	(0.51)	(0.53)	(0.54)	(0.56)
Feeder Pipe + Other Upstream Costs	0.86	0.83	0.86	0.87	0.92	1.10	1.16	1.25	1.30	1.34
Location Differential	0.43	0.00	0.06	0.18	0.16	0.13	0.12	0.10	0.10	0.09
Total Netback Costs	6.80	6.28	4.66	4.91	5.02	5.26	5.38	5.62	5.84	5.99

(1) Data from the Department of Revenue's Forecast Model. Forecasted netback costs through FY 2016 can be found on the Tax Division's web site at <http://www.tax.state.ak.us/sourcesbook/NetbackCosts.pdf>.

Prices. B-3

Price Changes from Spring 2006 Forecast

\$ per barrel

FY	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fall 2006 Forecast											
WTI	63.01	61.45	53.75	52.00	51.50	52.50	50.00	47.50	44.00	45.00	46.00
ANS West Coast	60.80	59.15	51.25	49.50	49.00	50.00	47.50	45.00	41.50	42.50	43.50
ANS Wellhead ⁽¹⁾	55.33	52.35	44.97	44.84	44.09	44.98	42.24	39.62	35.88	36.66	37.51
Cook Inlet Wellhead	57.06	56.32	49.19	47.45	46.99	47.98	45.49	43.00	39.50	40.51	41.52
Spring 2006 Forecast											
WTI	61.02	55.90	49.10	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50
ANS West Coast	58.72	53.60	46.90	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
ANS Wellhead ⁽¹⁾	53.01	47.40	40.90	21.13	21.02	20.87	20.62	20.43	20.24	20.17	20.07
Cook Inlet Wellhead	56.33	51.54	44.85	23.46	23.49	23.48	23.49	23.50	23.50	23.51	23.52
<u>price change from prior forecast</u>											
WTI	\$1.99	\$5.56	\$4.65	\$24.50	\$24.00	\$25.00	\$22.50	\$20.00	\$16.50	\$17.50	\$18.50
ANS West Coast	\$2.08	\$5.55	\$4.35	\$24.00	\$23.50	\$24.50	\$22.00	\$19.50	\$16.00	\$17.00	\$18.00
ANS Wellhead ⁽¹⁾	\$2.32	\$4.96	\$4.07	\$23.71	\$23.07	\$24.11	\$21.63	\$19.18	\$15.64	\$16.49	\$17.44
Cook Inlet Wellhead	\$0.74	\$4.78	\$4.34	\$23.99	\$23.50	\$24.50	\$22.00	\$19.50	\$16.00	\$17.00	\$18.00
<u>percent change from prior forecast</u>											
WTI	3.3%	9.9%	9.5%	89.1%	87.3%	90.9%	81.8%	72.7%	60.0%	63.6%	67.3%
ANS West Coast	3.5%	10.4%	9.3%	94.1%	92.2%	96.1%	86.3%	76.5%	62.7%	66.7%	70.6%
ANS Wellhead ⁽¹⁾	4.4%	10.5%	10.0%	112.2%	109.8%	115.6%	104.9%	93.9%	77.2%	81.7%	86.9%
Cook Inlet Wellhead	1.3%	9.3%	9.7%	102.2%	100.1%	104.3%	93.7%	83.0%	68.1%	72.3%	76.5%

(1) ANS Wellhead weighted average all destinations

Production. C-1

Production Changes from Spring 2006 Forecast

Million Barrels per Day

FY	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fall 2006 Forecast											
ANS	0.845	0.740	0.782	0.779	0.779	0.782	0.831	0.795	0.772	0.737	0.696
Cook Inlet	0.018	0.017	0.016	0.014	0.013	0.012	0.011	0.010	0.010	0.009	0.008
ALASKA	0.863	0.756	0.798	0.793	0.792	0.794	0.842	0.806	0.782	0.746	0.705
Spring 2006 Forecast											
ANS	0.854	0.825	0.803	0.799	0.786	0.802	0.813	0.785	0.762	0.732	0.772
Cook Inlet	0.018	0.017	0.016	0.014	0.014	0.013	0.012	0.011	0.011	0.010	0.010
ALASKA	0.872	0.842	0.819	0.813	0.799	0.815	0.825	0.797	0.773	0.742	0.782
<u>volume change from prior forecast</u>											
ANS Total	(0.008)	(0.086)	(0.021)	(0.020)	(0.007)	(0.020)	0.018	0.010	0.009	0.005	(0.076)
Cook Inlet	0.000	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
ALASKA	(0.008)	(0.086)	(0.021)	(0.020)	(0.008)	(0.021)	0.017	0.009	0.008	0.004	(0.077)
<u>percent change from prior forecast</u>											
ANS Total	-1.0%	-10.4%	-2.6%	-2.5%	-0.9%	-2.5%	2.3%	1.3%	1.2%	0.7%	-9.8%
Cook Inlet	0.0%	-1.7%	-0.4%	-2.6%	-4.4%	-6.2%	-8.3%	-10.2%	-12.0%	-13.5%	-14.9%
ALASKA	-1.1%	-10.2%	-2.5%	-2.5%	-1.0%	-2.6%	2.1%	1.1%	1.1%	0.5%	-9.9%

Production. C-2a

Crude Oil Production—History⁽¹⁾

Million Barrels per Day

FY	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Alaska North Slope										
Prudhoe Bay ⁽²⁾	0.809	0.713	0.636	0.571	0.540	0.487	0.433	0.419	0.381	0.340
PBU Satellites ⁽³⁾	0	0	0.003	0.005	0.007	0.026	0.045	0.052	0.044	0.041
GPMA ⁽⁴⁾	0.210	0.192	0.159	0.118	0.089	0.075	0.065	0.061	0.056	0.048
Kuparuk	0.266	0.259	0.240	0.212	0.197	0.176	0.160	0.155	0.142	0.134
Kuparuk Satellites ⁽⁵⁾	0	0.001	0.025	0.037	0.031	0.039	0.052	0.049	0.051	0.041
Milne Point ⁽⁶⁾	0.048	0.053	0.055	0.053	0.052	0.052	0.051	0.051	0.050	0.041
Endicott ⁽⁷⁾	0.070	0.057	0.052	0.048	0.037	0.033	0.029	0.029	0.021	0.020
Liberty	0	0	0	0	0	0	0	0	0	0
Alpine ⁽⁸⁾	0	0	0	0	0.038	0.096	0.098	0.099	0.104	0.123
Fiord ⁽⁹⁾	0	0	0	0	0	0	0	0	0	0
Nanuq ⁽¹⁰⁾	0	0	0	0	0	0	0	0	0	0
NPR-A	0	0	0	0	0	0	0	0	0	0
Offshore ⁽¹¹⁾	0	0	0	0	0	0	0	0	0	0
Northstar ⁽¹²⁾	0	0	0	0	0	0.019	0.057	0.066	0.069	0.056
Total ANS	1.403	1.274	1.170	1.044	0.991	1.004	0.991	0.980	0.917	0.845
Cook Inlet	0.037	0.032	0.032	0.029	0.029	0.033	0.028	0.023	0.019	0.018
Total Alaska	1.440	1.306	1.202	1.073	1.020	1.036	1.020	1.004	0.936	0.863

(1) A summary of historical crude oil production can be found on the Tax Division's web site at <http://www.tax.state.ak.us/sourcesbook/AlaskaProduction.pdf>

(2) Includes NGLs from Central Gas Facility shipped to TAPS.

(3) Aurora, Borealis, Midnight Sun, Orion and Polaris.

(4) Lisburne, Niakuk, North Prudhoe Bay State, Point McIntyre, Raven, West Beach and West Niakuk.

(5) Meltwater, Tabasco, Tarn and West Sak.

(6) Includes Sag River and Schrader Bluff.

(7) Includes Badami, Eider and Sag Delta.

(8) Includes Alpine-West and Qannik.

(9) Fiord and Fiord-Kuparuk.

(10) Nanuq and Nanuq-Kuparuk.

(11) Known Offshore includes Nikaichug and Ooogunuk.

(12) Includes Outer Continental Shelf (OCS) production.

Production. C-2b

Crude Oil Production—Forecast ⁽¹⁾

Million Barrels per Day

FY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Alaska North Slope										
Prudhoe Bay ⁽²⁾	0.280	0.301	0.295	0.286	0.279	0.268	0.258	0.249	0.240	0.233
PBU Satellites ⁽³⁾	0.045	0.052	0.064	0.080	0.091	0.089	0.082	0.075	0.069	0.064
GPMA ⁽⁴⁾	0.030	0.044	0.041	0.039	0.036	0.034	0.032	0.030	0.028	0.027
Kuparuk	0.119	0.116	0.113	0.107	0.103	0.098	0.094	0.091	0.087	0.084
Kuparuk Satellites ⁽⁵⁾	0.045	0.053	0.053	0.055	0.059	0.062	0.064	0.065	0.066	0.067
Milne Point ⁽⁶⁾	0.031	0.037	0.037	0.038	0.040	0.044	0.048	0.049	0.046	0.044
Endicott ⁽⁷⁾	0.017	0.016	0.015	0.014	0.014	0.014	0.014	0.014	0.015	0.016
Liberty	0	0	0	0	0	0.050	0.046	0.040	0.033	0.027
Alpine ⁽⁸⁾	0.106	0.090	0.079	0.076	0.071	0.062	0.055	0.048	0.041	0.036
Fiord ⁽⁹⁾	0.010	0.019	0.023	0.023	0.021	0.015	0.008	0.005	0.004	0.003
Nanuq ⁽¹⁰⁾	0.005	0.012	0.013	0.012	0.011	0.010	0.010	0.009	0.008	0.008
NPR-A	0	0	0	0	0.010	0.038	0.044	0.060	0.064	0.057
Offshore ⁽¹¹⁾	0	0.003	0.014	0.023	0.028	0.028	0.027	0.025	0.024	0.022
Northstar ⁽¹²⁾	0.051	0.039	0.031	0.026	0.021	0.018	0.015	0.013	0.011	0.009
Total ANS	0.740	0.782	0.773	0.779	0.782	0.831	0.795	0.772	0.737	0.737
Cook Inlet	0.017	0.016	0.014	0.013	0.012	0.011	0.010	0.010	0.009	0.009
Total Alaska	0.756	0.798	0.793	0.792	0.794	0.842	0.806	0.782	0.746	0.705

(1) Forecasted crude oil production through FY 2016 can be found on the Tax Division's web site at <http://www.tax.state.ak.us/sourcesbook/AlaskaProduction.pdf>

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

(3) Aurora, Borealis, Midnight Sun, Orion and Polans

(4) Lisburne, Niakuk, North Prudhoe Bay State, Point McIntyre, Raven, West Beach and West Niakuk

(5) Meltwater, Tabasco, Tarn and West Sak

(6) Includes Sag River and Schrader Bluff

(7) Includes Badami, Eider and Sag Delta

(8) Includes Alpine-West and Qannik

(9) Fiord and Fiord-Kuparuk

(10) Nanuq and Nanuq-Kuparuk

(11) Known Offshore includes Nikatchuk and Ooxjruk

(12) Includes Outer Continental Shelf (OCS) production

Production. C-3a

Economic Limit Factors (for Fields with Positive ELF)—History⁽¹⁾

Percent

FY	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Prudhoe Bay	0.9725	0.9626	0.9489	0.9308	0.9170	0.8960	0.8701	0.8547	0.8430	0.8591
Aurora	0	0	0	0	0	0	0	0	0.2954	0.8591
Borealis	0	0	0	0	0	0.0785	0.1140	0.0839	0.3009	0.8591
Midnight Sun	0	0	0	0	0	0	0	0	0.2954	0.8591
Orion	0	0	0	0	0	0	0	0	0.2961	0.8591
Polaris		0	0	0	0	0	0	0	0.2954	0.8591
Point McIntyre	0.9496	0.9220	0.8510	0.6300	0.4312	0.2064	0.1603	0.1084	0.3201	0.8591
Kuparuk	0.7814	0.7584	0.7017	0.5977	0.534	0.3526	0.2292	0.1798	0.0507	0.0050
Tam	0	0	0.0713	0.0476	0.0040	0.0421	0.0996	0.0597	0.0097	0.0003
West Sak	0	0	0	0	0	0	0	0	0	0
Milne Point	0.0193	0.0310	0.0427	0.0254	0.0106	0.0013	0	0	0	0
Endicott	0.4734	0.3029	0.0862	0.0487	0.0089	0.0014	0.0003	0.0002	0	0
Liberty	0	0	0	0	0	0	0	0	0	0
Alpine	0	0	0	0	0.3458	0.8784	0.8570	0.8430	0.8291	0.8574
Fjord	0	0	0	0	0	0	0	0	0	0
NPR-A	0	0	0	0	0	0	0	0	0	0
Northstar	0	0	0	0	0	0.4198	0.8642	0.8468	0.8343	0.7278
Volume Weighted ELF	0.8504	0.8232	0.7628	0.6930	0.6441	0.6085	0.5756	0.5561	0.5827	0.4834

(1) A summary of historical ELFs can be found on the Tax Division's web site at <http://www.tax.state.ak.us/sourcesbook/ELFs.pdf>

Production. C-3b

Economic Limit Factors (for Fields with Positive ELF)—Forecast ⁽¹⁾

Percent

FY	2007	2008	2009	2010	2011
Prudhoe Bay	0.7330	0.7824	0.7999	0.8141	0.8238
Aurora	0.7330	0.7824	0.7999	0.8141	0.8238
Borealis	0.7330	0.7824	0.7999	0.8141	0.8238
Midnight Sun	0.7330	0.7824	0.7999	0.8141	0.8238
Orion	0.7330	0.7824	0.7999	0.8141	0.8238
Polans	0.7330	0.7824	0.7999	0.8141	0.8238
Point McIntyre	0.7330	0.7824	0.7999	0.8141	0.8238
Kuparuk	0	0	0	0	0
Tarn	0.0002	0	0	0	0
West Sak	0	0.0003	0.0006	0.0032	0.0109
Milne Point	0	0	0	0	0
Endicott	0	0	0	0	0
Liberty	0	0	0	0	0
Alpine	0.7975	0.7080	0.5734	0.4031	0.2448
Fiord	0.0003	0.0044	0.0446	0.0370	0.0064
NPR-A	0	0	0	0	0
Northstar	0.6438	0.4311	0.2483	0.0925	0.0192
Volume Weighted ELF	0.4834	0.4713	0.4516	0.4327	0.4171

(1) ELF is projected through FY 2011 to assist in the comparison of PPT revenues and revenue under the old ELF-based system. This comparison is required until the new statute.

Revenue Sources Book

Alaska Department of Revenue – Tax Division

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Revenue Sources Book

Alaska Department of Revenue – Tax Division

FALL 2006

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
- (3) estimates from individual state agencies.

We thank the various state agencies for their cooperation in computing anticipated revenues for publication in this Fall 2006 Revenue Sources Book.

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

This publication, required by law (AS 37.07.060), was printed in Juneau, Alaska at a cost of about \$7 per copy.

Revenue Sources Book

Alaska Department of Revenue – Tax Division

Forecast & Historical Data

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www.tax.state.ak.us

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Missions Measures

Results at a Glance

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RESULTS AT A GLANCE

DEPARTMENT OF ADMINISTRATION

- 100% of payroll transactions processed without penalty pay caused by central processing problems (FY2004 through FY2006).
- 100% of payments to vendors and grantees processed within one business day of certification (FY2004 through FY2006).
- Projected \$4.9 million cost reduction in health care claims administration (FY2006 to FY2007)
- Estimated \$3.8 million cost reduction in health care claims as a result of reducing the number of ineligible dependents of active employees (FY2005 to FY2006).
- Projected \$10.7 million cost reduction in health care claims as a result of reducing the number of ineligible dependents of retirees (FY2006 to FY2007).
- 17% increase in State Travel Office (STO) customer satisfaction as measured by quarterly STO customer surveys (3rd quarter FY2006 through 1st quarter FY2007).
- Over 90% of Public Guardian clients had shelter available in FY2006. Further progress is anticipated for FY2007.
- 99% of children involved in Child in Need of Aid (CINA) cases are provided Guardian Ad Litem services to advocate for the child's best interests.
- ETS mainframe computer systems and data and voice communications systems were usable and available over 99% of the time during FY2005 and FY2006.

RESULTS AT A GLANCE

COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT

- Identified 2 unregistered broker dealers and investment advisors, unregistered securities and fraudulent offerings.
- 5% increase from 2005 to 2006 in the number of municipalities and unincorporated communities seeking training in local government management. This has assisted communities in developing skills to run local government services more efficiently.
- 8% increase in communities receiving utility management training in 2006. This has increased the number of utilities passing Management Capacity Assessments, becoming provisionally certified with RCA and reducing long term debts.
- Participated in 6 trade shows and conventions in FY06, providing strong advocacy for mineral resource development by imparting information to prospective investors on taxation, environmental laws and regulations.
- Fillet equipment grants to Alaska producers influenced an increase in the annual fillet production by 12%.
- Film production spending created economic benefit for Alaska Communities. Three feature films shot a portion of their footage in Alaska creating temporary jobs and spending \$2.0 million for wages.
- 30% improvement in processing time of electronic insurance filings due to a new installation of VPN connected to the electronic filings server.
- The average annual loan delinquency rate went down from 14.8% in FY05 to 6.8% in FY06 for portfolios serviced for other agencies.
- Launch services operating revenue levels increased from \$400.0 in FY03 to \$16.0 million in FY06 supporting Alaska Aerospace Development Corporation mission to promote aerospace related economic growth.
- 0.16% of Alaska Industrial and Export Authority loans were delinquent compared to 2.82% of Alaska financial industry loans in FY06. The loan portfolio is primarily concentrated in commercial real estate, so it is important for the delinquency rate to remain below the more diversified portfolios of Alaska banks.
- Upgraded 50 Bulk Fuel projects, leaving 38 projects to complete. Upgrading Bulk Fuel facilities reduces the cost of energy by replacing leaking tanks with code-compliant tanks allowing the use of all fuel stored in upgraded facilities.
- Increased value of exports of Alaska seafood to the European Union, Japan, and China by 15% and increased volume of exports by 5%.

RESULTS AT A GLANCE

DEPARTMENT OF CORRECTIONS

- 8.43% overall reduction in the percent of new crimes committed by offenders within 1-year after release from institutions or supervision. (FY2003 - FY2005)
- Increased the annual number of offenders without a High School diploma or General Education Development (GED) diploma who receive a GED while incarcerated by 49. (FY2003 - FY2006)
- Increase the amount of vegetables produced by inmate workers at Point MacKenzie Correctional Farm for distribution and consumption at correctional facilities by 484,746 pounds. (2003 – 2006)
- Increased the number of Residential Substance Abuse Treatment (RSAT) enrollees who completed the RSAT program by 19. (FY2004 - FY2006)
- 16% increase in the percent of graduates of the Residential Substance Abuse Treatment (RSAT) program who follow aftercare recommendations when checked at six months after release from incarceration. (FY2005-FY2006)
- Increased the number of filled correctional officer positions at all institutions by 12, with an additional 47 contingent job offers. (January 2006 to October 2006)
- Increased the number of filled probation officer positions by three, with an additional 12 contingent job offers. (October 2005 – October 2006)

RESULTS AT A GLANCE

EDUCATION & EARLY DEVELOPMENT

- 5% increase from 2005 in the number of schools demonstrating Annual Yearly Progress, for a total of 307 out of 497 schools making the target.
- 1% increase from 2005 of students in grades 3 through 10 who meet proficiency levels in Standard Based Assessments in **reading**
- 1.2% increase from 2005 of students in grades 3 through 10 who meet proficiency levels in Standard Based Assessments in **writing**
- 1.9% increase from 2005 of students in grades 3 through 10 who meet proficiency levels in Standard Based Assessments in **mathematics**
- 4% increase in proficiency levels on the state high school graduation qualifying exam for 10th grade students in **reading** (2003-2006)
- 6.5% increase in proficiency levels on the state high school graduation qualifying exam for 10th grade students in **writing** (2003-2006)
- 6.9% increase in proficiency levels on the state high school graduation qualifying exam for 10th grade students in **mathematics** (2003-2006)

Alaska Commission on Postsecondary Education

- 10% increase in federal education loan volume, showing progress toward goal of 35% of overall lending through guaranteed education loans and increasing federal revenues to the AlaskAdvantage programs.
- 38% increase in Alaskans served through the College Goal Sunday program, which assists Alaskans in preparing to finance their college attendance.
- The job placement rate for graduates from Alaska vocational institutions was 79%, exceeding the goal of 75%.

RESULTS AT A GLANCE

ENVIRONMENTAL CONSERVATION

Impacts of new and historical pollution to land and water were reduced with a 3% increase in the number of polluted environments remediated or restored for use. (2005-2006)

- 100% of the population is living in areas in compliance with health based Air Quality Standards (natural events excluded).
- The department's four year strategic plan to establish protective standards for the environment is on track with 74.5 % of priority program revisions completed.
- 99.5% of newly reported spills of oil and hazardous substances and contaminated sites were cleaned up, exceeding the 98% annual target to contain and cleanup pollution in the environment.
- 99.7% of regulated facilities and vessel operators are without major violations of their contingency plans.
- 33% of criminal violations were successfully resolved with the other 67% still under investigation.
- In FY2006, there were only two public illness outbreaks in the state's 5,767 regulated food facilities, with 19 people becoming ill. There were no public illness outbreaks in the 3,187 public drinking water facilities across the state.
- The department's four year strategic plan to establish protective standards for protecting citizens from unsafe sanitary practices exceeds expected performance with 96.0 % of food safety standards completed.
- 98% of Class I and Class II municipal landfills, regulated industry landfills and storage transfer areas are properly located, operating and authorized/permitted. The remaining 2% are in process.
- 83% of serviceable rural Alaska homes are served by safe and sustainable sanitation facilities.

RESULTS AT A GLANCE

DEPARTMENT OF FISH & GAME

- 9.7% increase in the ex-vessel value of Alaska's commercial fisheries (2004-2005).
- 42% increase in number of aquatic farms operating under approved permits (2003-2005).
- 100% of fishery limitations implemented meet constitutional and statutory criteria for limited entry since the year 2000.
- 11 % increase in number of days anglers spent sport fishing statewide (2003-2005)
- Surpassed target (450,000) by 8% for number of sport fishing licenses sold in 2005.
- Let a bond in 2006 to support construction of new hatcheries which will allow the Division of Sport Fish to meet hatchery production goals in coming years.
- Completed fish passage assessments for nearly 48% of state owned roads since 2000, leading to the completion of 70% of all state-owned roads by the end of 2007.
- A 2% increase in sales of hunting and trapping licenses (2004-2005), with 2005 sales exceeding the 3-year average total.
- A 300% increase since 2004 in the number of forums, lectures, brochures, news articles, radio programs and webpages produced by the Division of Wildlife Conservation offering the public opportunities to learn about wildlife and wildlife management in Alaska.
- Comprehensive subsistence harvest data collected and reported for select communities in all 6 regions of the state in 2006 for the first time in the past 5 years.
- Two-fold increase since 2003 in reporting and disseminating subsistence harvest data in web-accessible information systems and technical paper formats for management, planning, and to provide continued subsistence hunting and fishing opportunities throughout Alaska.

RESULTS AT A GLANCE

OFFICE OF MANAGEMENT & BUDGET

- In FY 06, 100% of recurring expenditures were paid with current revenues
- \$2.4 billion beginning balance in Constitutional Budget Reserve FY2007
- AA credit rating
- 75% of agencies show progress towards achieving desired end results

RESULTS AT A GLANCE

HEALTH & SOCIAL SERVICES

- 5% reduction in the number of children placed in out-of-state residential psychiatric treatment centers (2004-2006)
- 47% change in the percentage of children maltreated by an Out of Home Provider moving Alaska from a high of 2.09% to 1.1% in three years and closer to the goal of .57%.
- 19% change in the rate of substantiated child abuse reports (2002-2004), showing improvement towards the goal of child safety.
- The rate of maltreatment within six months of a substantiated report was 10.6% in 2005 moving Alaska closer to the goal of 6.1% or less.
- 6% change in rate of children unified with parents within 12 months of discharge from foster care (2002-2004), heading in a positive direction towards achieving the federal PIP goal of 57.91% by 2006.
- Pioneer Home average injury rate decreased from 2.2% to 1.43% between FY2005 and FY2006.
- 20% decline in juvenile crime referrals (2003- 2005).
- 21% reduction in API re-admissions from FY2004 to FY2006 (16.2% to 12.7%) bringing Alaska closer to the goal of 10%.
- 18% decline in the number of clients receiving temporary assistance cash benefits (2004-2006).

RESULTS AT A GLANCE

LABOR AND WORKFORCE DEVELOPMENT

- Non-Resident Workers in Alaska increased slightly in FY 2004 to 18.4%. This percentage has held relatively steady over recent years. (2001-2004)
- 55% of certified payrolls for public construction projects were checked for compliance with resident hire requirements in FY 2006. With the new on-line system the checked percentage should rise to 100% in FY 2008.
- 52% of Workforce Investment System participants entered employment in FY 2006. This level will serve as the baseline for future results reporting.
- There were 79,228 participants in the Workforce Investment System in FY 2006. This level will serve as the baseline for future results reporting.
- In FY 2006 524 individuals with disabilities exited the Vocational Rehabilitation program employed. This is an increase from 521 in FY 2005.
- 5,276 fewer job openings were listed on the department's labor exchange system in FY 2006 than were listed in FY 2005. With the transition to an online system now complete the 48,634 listings are expected to increase annually.
- 96% of participants trained by department grant programs entered employment in FY 2006. This is an increase of 4% over FY 2005.
- 62% of participants trained by department grant programs in FY 2006 were trained in priority occupations as identified by the Alaska Workforce Investment Board. This is an increase from 58% in FY 2005.
- 2% reduction in the rate of lost workday accidental injury and illness in FY 2006 as compared to FY 2005. This brings the rate down to 2.24 per 100 employees.
- There were 6 accidental workplace fatalities in FY 2006 at workplaces subject to Alaska Occupational Safety and Health Administration jurisdiction. This is an increase from 4 in FY 2005.
- 22% increase in employers participating in voluntary safety programs administered by the Alaska Occupational Safety and Health Administration. This is an increase to 22 employers in FY 2006 up from 18 in FY 2005.

RESULTS AT A GLANCE

DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS

Overall, the department end result targets are being met with a 90% success rate, our strategy targets are being met with an overall success rate of 95%.

- 100% of the Alaska Army National Guard and Air Guard units attain minimum readiness standards.
- 84% of jurisdictions completed their plans for the State's Three Year Emergency Exercise Plan in 2006
- 100% of emergency events are responded to directly or through coordination with multiple agencies (2005/2006).
- Over 90% of cadets are placed in school or work at the time they graduate from the residential phase of the Alaska Military Youth Academy. This target has been exceeded over the past 4 years.
- In FY2006, the Veterans Service office assisted in the dollar recovery of over \$22 million dollars, which is 10% over the prior year. Even higher increases are anticipated in FY2007 due to the return of the Veterans' Education Approving Office to the department.
- STARBASE has increased their student attendance by 20% from 1st to 2nd quarter 2007. (Science, Technology, Academics, Reinforcing Basic Aviation and Space Exploration)
- 10% more communities now have emergency satellite telephone communications systems available and the number will continue to grow at an expected rate of 15% annually.

RESULTS AT A GLANCE

DEPARTMENT OF NATURAL RESOURCES

- Facilitated the increase of the total employment in the Natural Resources & Mining Industries category, as reported in the Alaska Economic Trends, by 9%--from 10,700 in 2005 to 11,650 in 2006.
- Maximized non-tax revenue from state oil and gas production through the collection of \$2.4 billion in revenues.
- Issued only 84% of the authorizations (target was 90%) for new applications received for the environmentally sound use and development of state lands and resources due to staffing levels and vacancies in Claims, Permit, & Leasing Component.
- Acquired title to 1,489,618 acres of land from the Federal government promised at Statehood, a 49% increase over the FY06 target of 1,000,000 acres.
- Experienced a 17% annual increase for web site hits (61 million in 2005 to 71.5 in 2006) and a 19% increase in the # of terabytes of data downloads (from 2,113 GB in 2005 to 2,513 in 2006), making it easier for the industries we serve to do business with the State without requiring staff intervention.
- Transferred 243,359 acres (target was 80,000 acres) of state land to municipalities under the Municipal Entitlement Act.
- More than a 20-fold increase in accessions of geologic resource and hazards information highlights the increased activity in nearly all sectors of resource and infrastructure development over a three year period.- user sessions were FY04 248,806, FY05 1,670,802, and FY06 5,789,148.
- Sold 24.9 million board feet of state timber in 61 sales to Alaskan purchasers for value-added processing. This timber directly helped support 34 different businesses, including 14 new purchasers.
- 99.7% of all developers were in compliance with Fish Habitat permits protecting fish, wildlife, and their habitats. The staff increased the number of permits processed from 2,397 in FY05 to 2,648 in FY06.
- Provided safe and healthy access to 121 of our park facilities for more than 4 million visits, 80% of which are estimated to be from Alaska residents.
- Increased the Federal Phytosanitary certification inspections 165% from 2004 to 2006 facilitating over 20 million dollars of forest and agriculture products sold.

RESULTS AT A GLANCE

PUBLIC SAFETY

- 53% reduction in homicide rate in the area of Alaska where the department has primary jurisdiction (FY2005-2006).
- 25% reduction in deaths as a result of motor vehicle accidents (MVA) over previous 3-year average (CY2005).
- 38% reduction in driving under the influence (DUI) fatalities compared to previous 3-year average (CY2005).
- 17% reduction in dollar value of property loss due to fire compared to the previous 5-year average (CY2004-2005).
- 93% of sex offenders known to the department submitted required documentation on quarterly or annual basis per AS 12.63 (Registration of Sex Offenders), moving towards goal of 100% (FY2006).
- Increase of 4% in FY2006 in rate of unsolved criminal investigations aided by Alaska's DNA database, continuing trend from previous year.
- 56% increase in the number of DNA forensic profiles entered into the DNA database (FY2006).
- 82% increase in the number of latent fingerprints identified using automated identification systems (FY2006).

RESULTS AT A GLANCE

DEPARTMENT OF REVENUE

- Five of the six funds managed by Treasury exceeded their benchmarks for the year ended June 30, 2006; 29 of the 33 sub-funds also exceeded their benchmarks for this time period.
- During FY2006, the Tax Division's voluntary compliance efforts yielded 855 new taxpayers. Of these, 700 were the result of the Internet tobacco tax compliance project.
- Online applications for the Permanent Fund Dividend increased by more than 143,000 over the previous dividend year, from 34% in 2005 to 57% in 2006. PFD surpassed their 2006 goal of having 50% of all applicants using online filing.
- The Child Support Services Division increased collections of child support by 3.72%, or \$3.3 million, when compared to the previous fiscal year (calculation is net of garnished PFD payments.)
- Complaints received by the Long-term Care Ombudsman from or on behalf of Alaskan seniors decreased by 9.42% during FY2006, compared to the previous fiscal year.
- The Alaska Municipal Bond Bank issued \$77 million for 14 loans to eleven communities during FY2006. These communities are estimated to have saved over \$3.8 million in reduced issuance costs and lower interest expense.

RESULTS AT A GLANCE

TRANSPORTATION & PUBLIC FACILITIES

- 27% reduction in highway fatalities per 100 million vehicle miles traveled (2003-2005).
- 6% decrease in the number of state-owned bridges that are considered deficient by FHWA standards. 151 out of 765 state owned bridges are considered structurally deficient or functionally obsolete. (2003-2006)
- 4.5% reduction in the annual injury rate of department employees as a result of increased emphasis on safety training, inspections and hazard analysis (2004-2005).
- 19% reduction in the number of airports that are closed seasonally as airport reconstruction and surface improvements address seasonal closure issues (2005-2006).
- 11% increase in estimated investments at Alaska's rural airports, well over the department's annual goal of 5% (2005-2006).

RESULTS AT A GLANCE

UNIVERSITY OF ALASKA

- The number of UA students graduating with degrees qualifying them to work in Alaska high demand jobs – like nursing, allied health, behavioral health, engineering, computer networking, construction management and technology, and many others - is up more than 22 percent since FY99. The UA system is fully integrated in this effort, with more than half of these graduates using courses from several different campuses to meet degree requirements.
- UA has doubled the number of graduates who are able to become registered nurses over the last five years, meeting the state's need for new nurses.
- Student demand for programs qualifying them to work in Alaska high demand jobs is large. Annual fall semester enrollment in these programs has grown by more than 3,000 students since FY99.
- The University continues to expand its revenue generating ability through sources such as federal funding and university receipts. University generated revenue grows by an average of 8 percent per year and is up \$164M since FY99.
- UA's research enterprise is strong with annual grant-funded research expenditures growing by \$42M over the last five years, a 50 percent increase.
- A significant portion of the University's research is in areas of importance to the State of Alaska such as health/biomedical, climate change, resource development, fisheries and ocean science, logistics, geosciences and atmospheric sciences. In FY06, UA received 335 new research grant awards in areas of importance to the state of Alaska, an increase of 38 percent over the last five years.
- Undergraduate retention for students in certificate, associate and baccalaureate programs is up 11 percentage points (a 20 percent increase) since FY99 and is at an all time high of 66 percent.
- Student credit hour enrollment at the University of Alaska has grown 15 percent, about 76,000 student credit hours in total, since FY99.

Office of Management and Budget
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907-465-4660

1/25/07

OVERVIEW:

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Handout 1/25/07

Overview
Alaska Department of Natural Resources

Submitted to 25th Alaska State Legislature
House Finance Committee
January 25, 2007



"It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest."

*- Alaska State Constitution
Article 8, Section 1*