

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3133

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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)

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

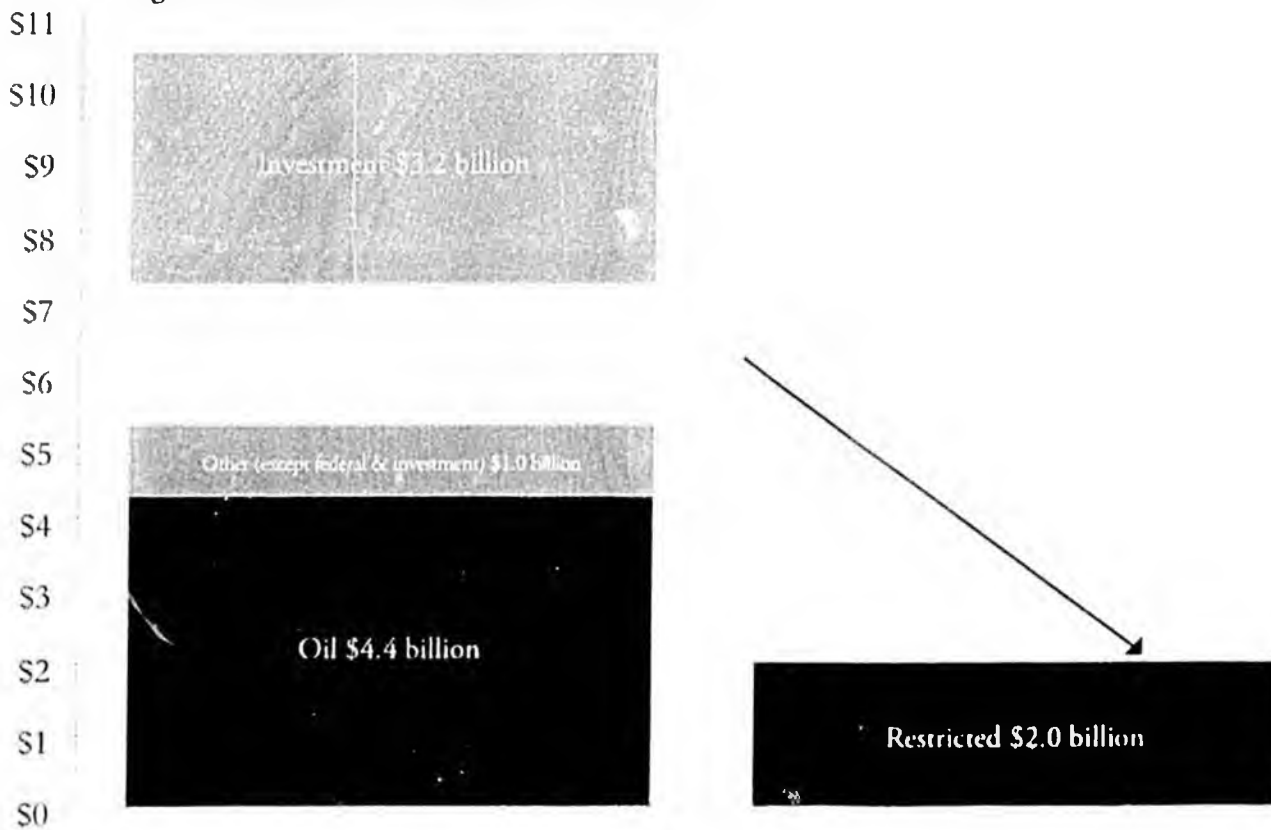


Figure 6-2. Total Federal Revenue to the State, FY 2006 and Forecasted FY 2007-2008 (\$ million)

	History	Forecast	
	FY 2006	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 2003, U.S. Department of Commerce, Washington, D.C., 20233, <http://harvester.census.gov/cfrr/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

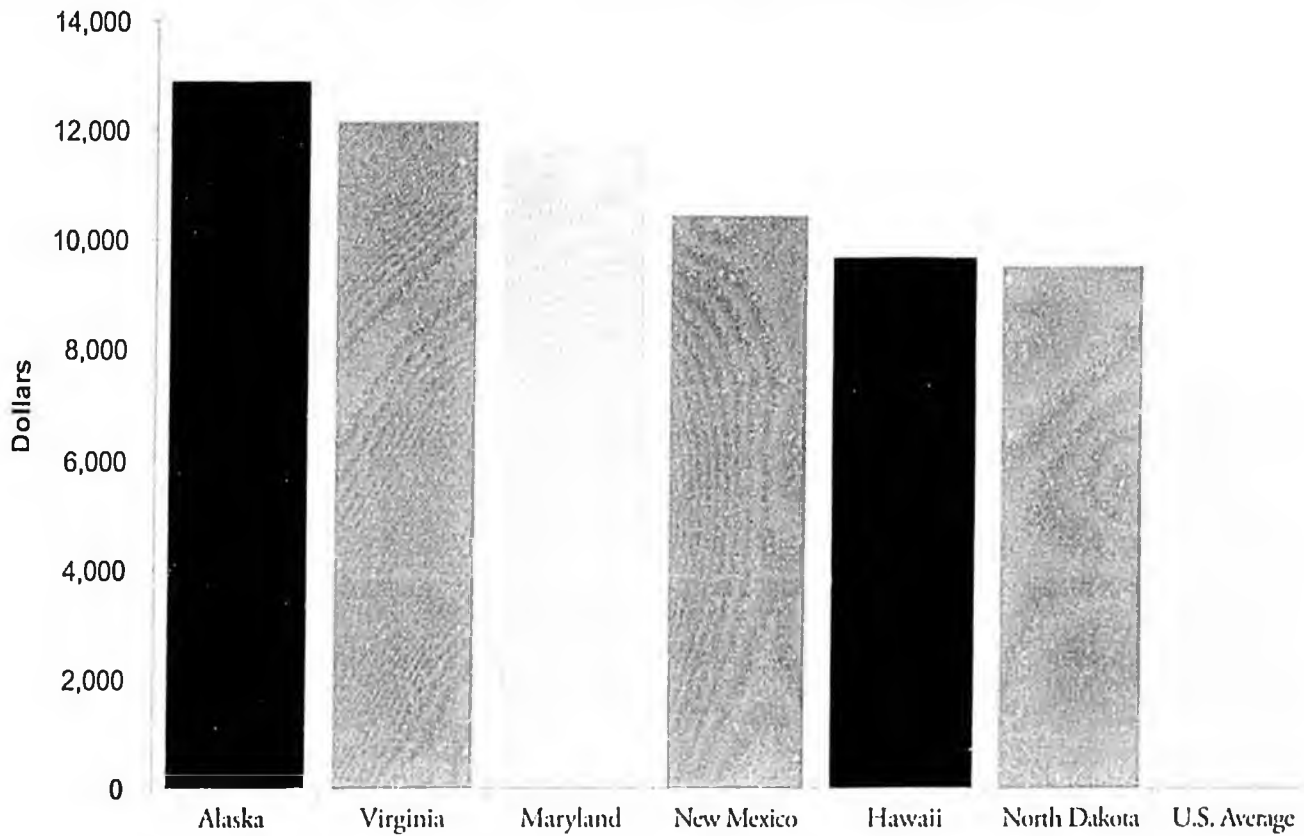


Figure 6-4. Total Federal Spending in Alaska, FFY 2004

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

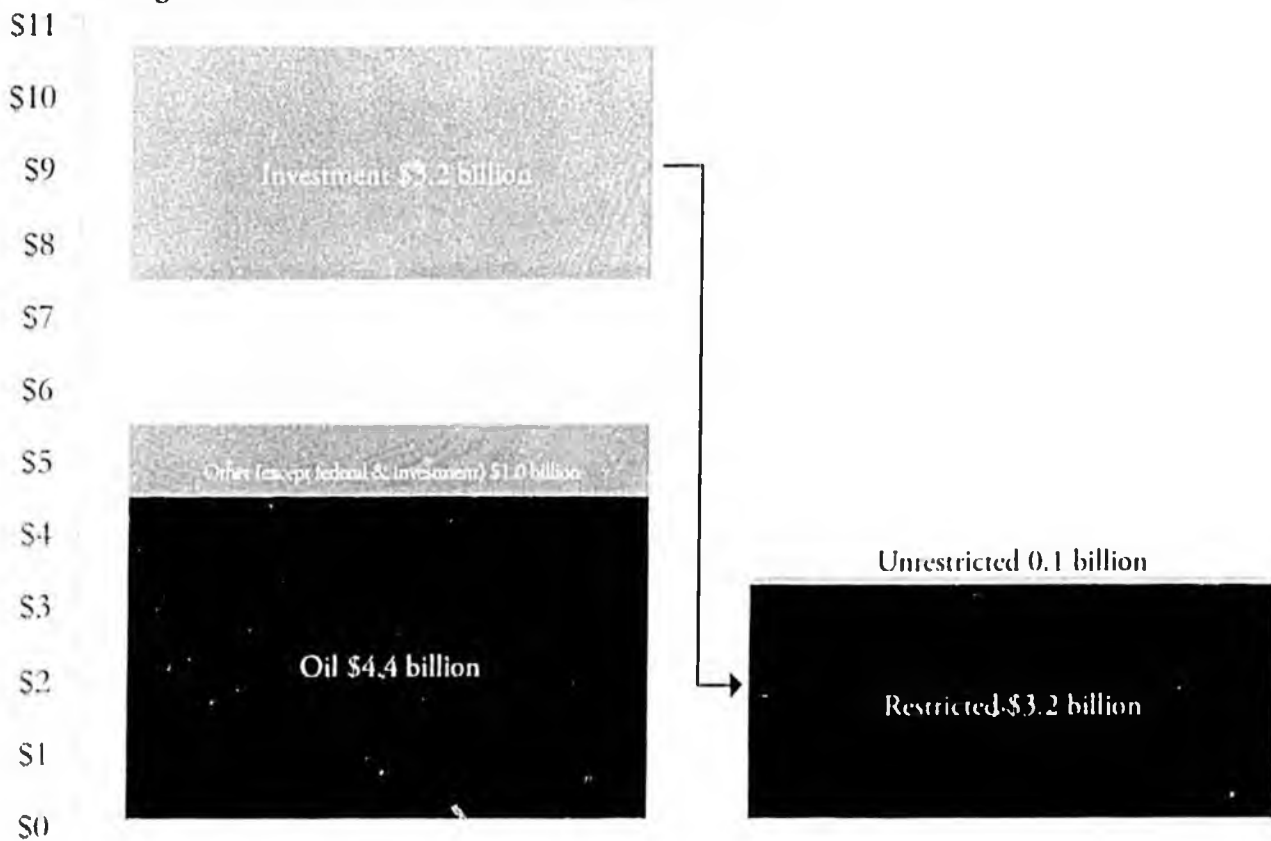


Figure 7-2. Total Investment Revenue, FY 2006 and Forecasted FY 2007-2008⁽¹⁾ (\$ million)

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	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 CBRF, 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 ⁽¹⁾		
	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 Interline.

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.

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 9-2. 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	\$1,156.0	\$856.0	\$863.0	\$7.5	67
Alaska Energy Authority	\$569.0	\$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 Railbell 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)

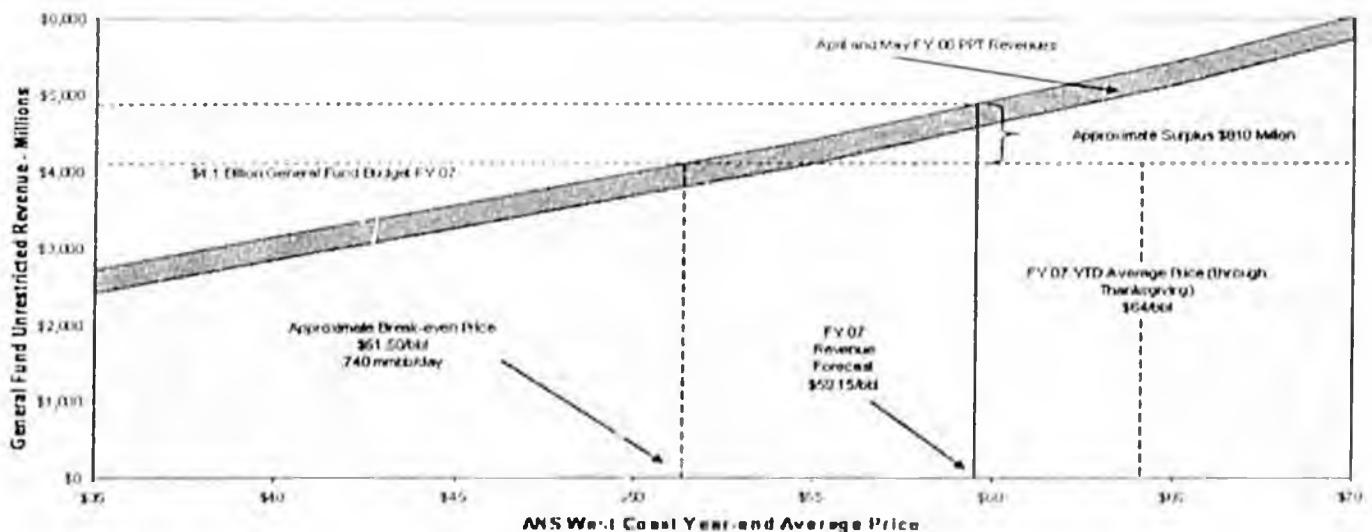
FY 2007 ⁽¹⁾				FY 2008				FY 2009			
ANS \$/barrel	Oil + NGLs Million barrels/ day			ANS \$/barrel	Oil + NGLs Million barrels/ day			ANS \$/barrel	Oil + NGLs Million barrels/ day		
	0.700	0.750	0.800		0.700	0.750	0.800		0.700	0.750	0.800
\$35	2,326	2,442	2,559	\$35	2,090	2,211	2,331	\$35	2,178	2,302	2,426
\$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)

(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	37.6	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%	80%	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 Manne 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	39.3	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	1,319.5	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	2,676.3	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	9.9	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	33.8	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	7.1	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	543.2	55.3	448.3	48.9	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	1,330.2	1,195.5	1,005.2	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-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 Wtd 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 Wtd 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
price change from prior forecast											
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
percent change from prior forecast											
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)	(0.021)	(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%	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 Della.

(8) Includes Alpine-West and Qannik.

(9) Fiord and Fiord-Kuparuk.

(10) Nanuq and Nanuq-Kuparuk.

(11) Known Offshore includes Nikaitchuq and Oooguruk.

(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	0.779	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	0.008
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 Polaris.

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

(5) Mellwater, 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 Nikaitchuq and Oooguruk.

(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	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	0.4934	0.3526	0.2292	0.1798	0.0507	0.0050
Tarn	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
Fiord	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
Polaris	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	0.483	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 under the new statute.

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Alaska Department of Revenue – Tax Division

FALL 2006

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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.

CORRECTION

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State of Alaska

Revenue Sources Book

Alaska Department of Revenue – Tax Division

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Revenue Sources Book

Alaska Department of Revenue – Tax Division

Forecast & Historical Data

Frank H. Murkowski, Governor

William A. Corbus, Commissioner

Robynn J. Wilson, Director

Michael D. Williams, Chief Economist

www.tax.state.ak.us

Mindy Rowland

From: Tom Maher
Sent: Sunday, January 21, 2007 5:29 PM
To: Mindy Rowland
Subject: FW: monday presenters

From: Jerry Burnett [mailto:jerry_burnett@revenue.state.ak.us]
Sent: Friday, January 19, 2007 2:47 PM
To: Tom Maher
Subject: monday presenters

✓ Patrick Galvin, Commissioner (online)
Marcia Davis, Deputy Commissioner (online)
John Iverson, Tax Director (online)

In Juneau
Brian Andrews, Deputy Commissioner
✓ Gary Bader, Chief investment Officer, Treasury
Jerry Burnett, Admin Services Director, Leg Liaison
✓ Dr. Michael Williams, Chief Economist
Cherie Nienhuis, Petroleum Economist

Dr. Williams will be our lead presenter on revenue forecast

Gary Bader will be lead presenter on investments

I will do introductions, Commissioner Galvin will speak on PPT regulations, etc.

1/31/07

**OVERVIEW:
GOVERNOR
FY 08
BUDGET**

SFIN

FILE



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

AGENDA

Wednesday, January 31, 2007

9:00 a.m.

Overview of Governor's FY 08 Budget

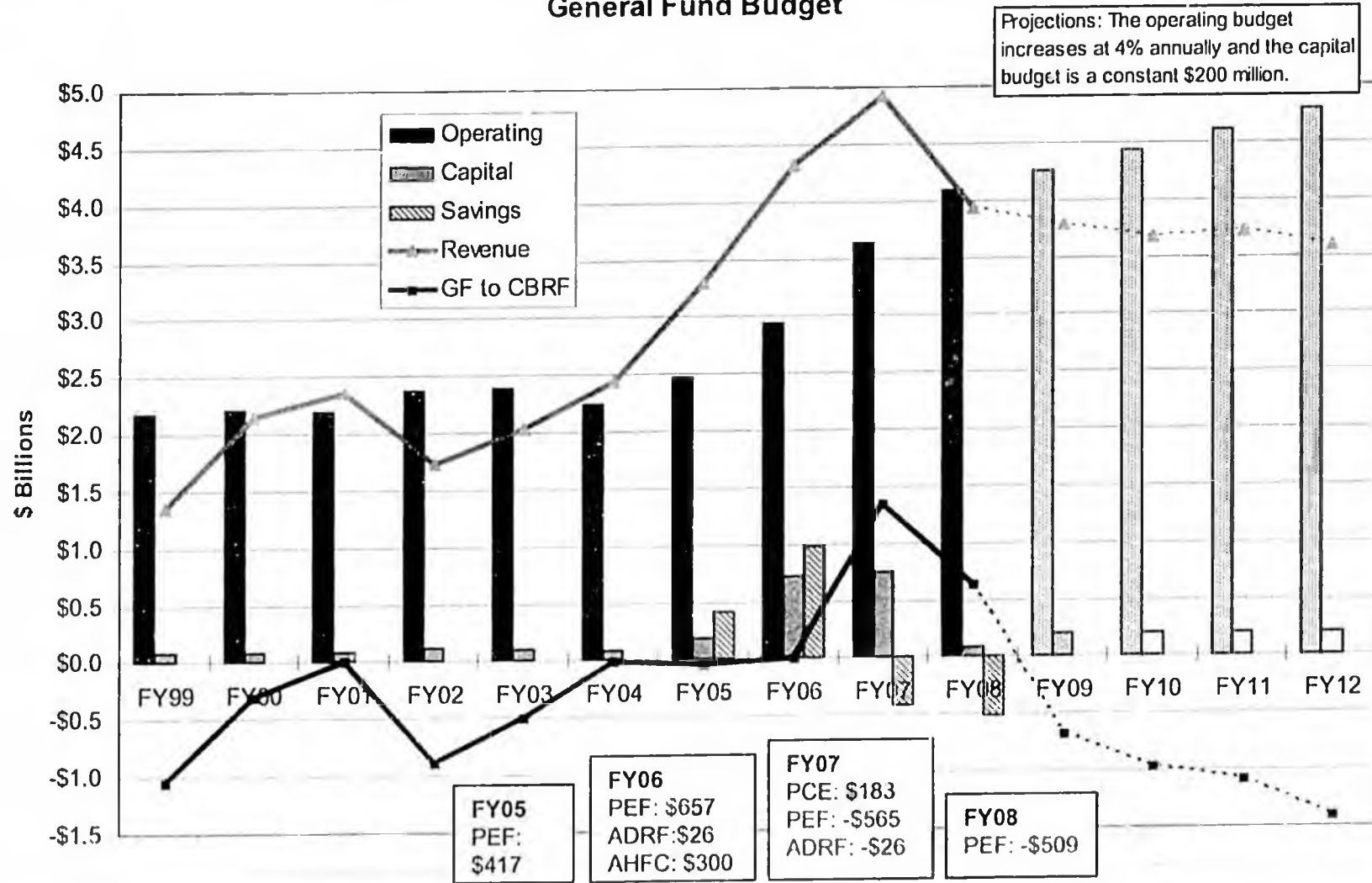
Karen Rehfeld, Director, Office of Management and
Budget

David Teal, Director, Division of Legislative Finance

Putting the FY08 Budget in Perspective

1. Where have we been?
2. Where are we now?
3. Where are we going?

General Fund Budget



The FY08 Budget Cycle

- **The Legislature's savings plan set aside nearly \$1 billion last year:**
 - \$509 million to the Public Education Fund
 - \$300 million to a capital savings account in AHFC
 - \$183 million to the Power Cost Equalization Endowment

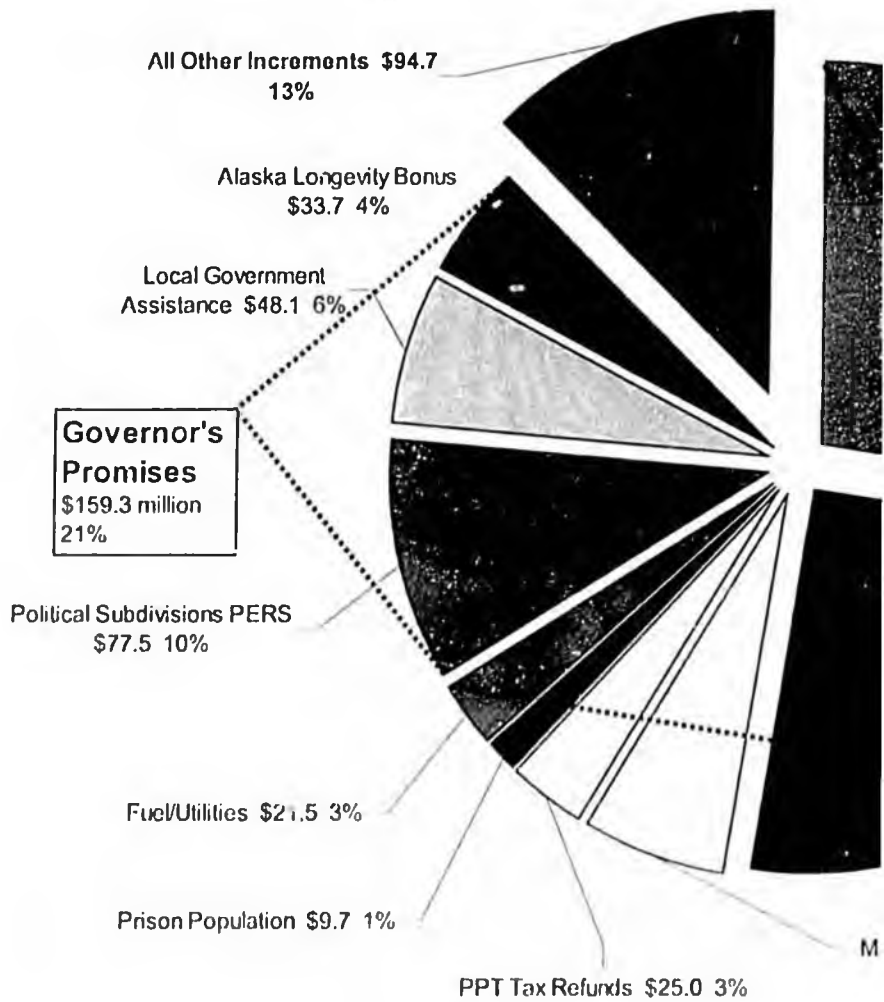
- **The Governor's spending plan eliminates accumulated savings in the Public Education Fund and effectively transfers the balance to the Constitutional Budget Reserve Fund:**
 - \$565 million in FY07
 - \$509 million in FY08

- **From the FY07 Base, the Governor's general fund operating budget adds \$750 million.**

- **Without depleting savings balances, the Governor's FY08 budget shows a surplus of about \$140 million.**

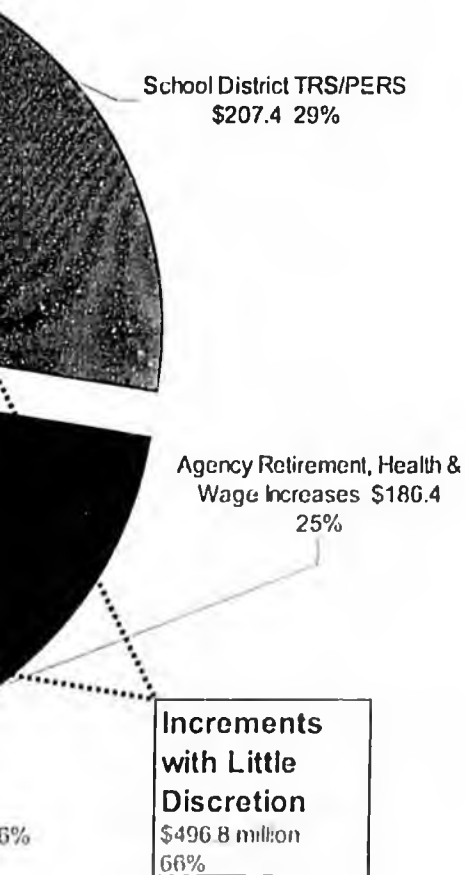
- **This \$140 million surplus is based on**
 - Achieving \$150 million in operating budget efficiency reductions.
 - Avoiding additional appropriations for K-12 education, Medicaid and other programs.
 - Holding the capital budget to \$92 million.

Categorization of the Governor's (\$750.8 Million Total from



Legislative Finance D

Increments
(se)



Conditions for an FY08 Surplus

1. Achieving \$150 million in operating budget efficiency reductions.
 - A difficult task that will require reductions in existing programs—not merely denying increments
2. Avoiding additional appropriations for K-12 education, Medicaid and other programs.
3. Holding the capital budget to \$92 million.

Issues Not Addressed in the Governor's Operating Budget

- **Additional K-12 funding**
 - Base Student Allocation \$??
 - District Cost Factors \$75 million for full implementation
- **Medicaid Match** \$37 million
- **State Employee Contracts** \$30 million??
- **Retirement System Unfunded Liability** \$??

Capital Budget

“Bare Bones”

- Minimum level of state funds to maximize federal funding (\$92 million GF)
- Federal Funding Concern
 - Potential Highway Trust Fund problems
 - Senator Stevens no longer Chair of Appropriations Committee

What's not addressed?

- Deferred Maintenance
 - “> \$950 million and growing”
 - Buildings, Roads, Harbors, Rural Airports, Parks, AMHS Vessels
- State Funded Road Program
 - Fed funds drying up?
- School Construction
 - DEED's Construction and Major Maintenance Priority Lists total - \$921 million
 - Excluding the \$90 million from last year
- University
 - Board of Regents Request - \$431 million
- Local Issues/ Community Grants

How much is available to spend/save?			
1	Available to Spend (unrestricted GF)		
2	Fall Revenue Forecast for FY08	\$ 51.25	3,936
3	FY07 Surplus (Fall forecast)	\$ 59.15	1,351
4	Total Available for this budget cycle		5,288
5	Spending		
6	FY08 Operating		3,734
7	FY08 Capital		181
8	New Legislation		25
9	FY08 Supplemental Placeholder		60
10	Total Spending		4,000
11	Potential Spending/Savings		1,288
The amount available excludes \$509 million in the Public Education Fund			

**Senate Finance Committee
Governor's FY2008 Budget Overview
Wednesday, January 31, 2007**

Co-Chair Lyman Hoffman
Co-Chair Bert Stedman
Senator Charlie Huggins
Senator Donny Olson
Senator Fred Dyson

Senator Kim Elton
Senator Joe Thomas

Identify for the Record

Thank for the opportunity to present the Governor's FY2008 Operating Budget

Introduce OMB Staff

Budget Analysts:	Karen Elliott	Kym Mauseth
	Steve Hildebrand	Mike Crabb
	Tuula Marquardt	Lena Simmons
	Mary Sutton	
Management Analyst:	Jo Ellen Hanrahan	
Internal Auditor:	Diane Burnham	
Policy Analysts:	John Boucher	Jack Kreinheder
Chief Budget Analyst:	Joan Brown	

Compliment Legislative Finance for excellent work in preparing the overview document and the Senate Finance Committee staff

Beginning of the budget process and fortunately have excellent staff in both the legislative and executive branches to help with the budget package

Governor Palin's budget philosophy is to

Spend less, control government growth

Save our surplus

Live within our means

Highlights of the FY2008 budget include

Keeping operating & capital spending at or below FY2008 revenues to live within our means

FY2008 Revenue Estimate of \$3.9 billion based on \$51.25 ppb

Revenue estimates for FY2009-FY2012 show declining revenue – even more reason to look for ways to control spending and balance the budget

Save the surplus by depositing \$1.9 billion into the Constitutional Budget Reserve

FY07 est surplus of \$1.4 and FY08 of \$0.5 = \$4.3 billion Balance in the CBR

Key components of the governor's proposed operating budget

HB97/SB52 Education Funding Bill –

Full Funding for K-12 Education public school funding program and pupil transportation – including \$35 million allocated to school districts based on the same amount received in the current year - \$207.4 million for PERS/TRS — hoping for early action so that school districts would know the level of funding in early March – allows them to plan for and deliver effective instructional programs.

HB95/SB50 – FY2008 Operating Budget

HB96/SB51 – FY2008 Mental Health Operating & Capital Budget

Covers \$77.5 million for PERS/TRS increases for local governments and \$178.4 for state government including the legislature, Court System, and University

Restores Longevity Bonus – estimated \$33.7 million

Provides Local Government Support at \$48.1 million

Includes Alaska Public Offices Commissioner investigator \$100,000

Efficiencies and spending reductions of \$150.0 million

Program Reviews

In reviewing program effectiveness, agencies will be utilizing the accountability framework established as Missions and Measures, to determine if programs are achieving the desired results and how proposed funding changes may impact those results. This

performance based approach focuses on defining, and then achieving, the results that are important to the public and government. Through the use of key indicators, or measures, we are in a better position to make decisions about the effectiveness of the program and the value to the public. Accountability measures provide a connection between where we are, current performance, where we want to go, desired end result, and how we get there, resources and strategies.

These frameworks are also a great value as a way to learn about department programs and the results they are delivering to Alaskans.

A summary called **Results at a Glance** for each department will be available to the subcommittees along with the Missions & Measures framework.

The Governor's amended budget will detail \$150.0 million in reductions –

Working with commissioners and staff to achieve savings

Targets were established to give departments a goal to work toward and to give some options to consider in making the reductions.

The governor has also asked the University, Court System, and Legislature to assist in this process.

Will be working with departments over the next several weeks to identify reduction options and make decisions to meet the March 1 budget amendment deadline.

HB98/SB53 - FY2008 Capital Budget

The current capital budget is bare bones –

\$81.1 million GF generates approx \$710 million in federal funds

\$10.6 million match for Mental Health budget projects

\$89.7 million for 5 previously authorized school construction projects:

Russian Mission K-12 School Replacement (LYSD) \$18.5

Howard Valentine-Coffman Cove- K-12 School Replacement (SEISD) \$5.3

Arctic Village K-12 School Replacement (YFSD) \$11.8

St. Michael K-12 School Replacement (BSSD) \$22.5

Savoonga K-12 School Replacement (BSSD) \$31.6

In the December 15 spending plan, the governor identified approx \$134 million that would be available for capital projects if we are able to achieve the spending reductions on the operating side.

The governor will include a list of capital project priorities in the March 1 budget amendments.

Supplementals

Early Supplemental – HB107/SB61 – 3 items – one GF

Copper River/Prince William Sound Regional Seafood Development Association --

\$153.0 pass through taxes collected in 2005

Law -- \$12 million supplemental related to litigation related to actuarial services received by the State of Alaska – funds from \$8,271.0 for PERS; \$3,729.0 TRS (funds from a settlement of \$15.6 million related to securities fraud – the ARMS board supports the use of these funds)

April 3 election regarding same-sex benefits \$1,156.3 GF

Regular supplemental –

Preparing the requests from agencies – target of \$60 million – still refining those numbers – will have the bill to the legislature by Feb 14 –

Other Items in the Budget Package include:

HB106/SB60 Tire Tax Repeal - The governor has also introduced legislation to repeal the tax on studded tires, approx (\$1.4 million reduction in Revenue) as part of her desire to get rid of unnecessary taxes, particularly when they impact the safety of families driving on winter roads.

SB66/HB111 - Business License Fee – legislation will be introduced to reduce the cost of a business license to \$25 – the current fee discouraging small business by imposing hefty fees for a business license.

HB99/SB54 - Appropriation to the Principal of the Permanent Fund–

Finally, the governor is proposing an appropriation to the principal of the Permanent Fund of approximately \$1.3 billion at the end of FY2007. This will leave over \$1.7 billion in the earnings reserve fund to pay for dividends and inflation proofing.

The Governor is committed to working with the legislature and the public to further refine the operating and capital budgets to ensure that the budget for the next fiscal year provides the services Alaskans expect from government and is sustainable in the future.

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)