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101:9

STATE OF ALASKA
LONG RANGE FINANCIAL PLANNING COMMISSION
716 West Fourth Avenue, Anchorage, Alaska 99501
Phone: (907)258-8165, Fax (907)258-9869
Internet: LRFPC%legis@state.ak.us
Staff: Melissa Aber Fouse
Bob Walsh

AGENDA

Regular Meeting

Friday , 25 August 8:30 AM to 5:00 PM

8:30AM - 9:30AM	Commissioner Will Condon re: Revenues & Debt
9:30AM - 10:30PM	Duane Guiley, Director School Finance Division, Department of Education-School Financing, Foundation Formula Funding, Disparity Test
10:30AM-12:30PM	Work Sessions on Alternatives
12:30AM-1:30 PM	Lunch
1:30 PM - 5:00PM	Work Sessions on Alternatives

Saturday , 26 August 8:30 AM to 4:30 PM

8:30AM-9:00 AM	Subcommittee Report-Intergovernmental Affairs
9:00AM-11:00PM	Municipal League & Conference of Mayors Teleconference from Barrow
11:00AM-12:00PM	Public Testimony
12:00PM 1:00PM	Lunch
1:00PM - 4:00PM	Work Session on Alternatives
4:00PM -4:30PM	Discuss Public Hearings

e of **The Times**

tate's spending appetite outgrows income

his is the second in a series of excerpts the report issued by the 15-member ka Long-Range Financial Planning mission, which is examining the 's fiscal gap.

he commission used FY79 as a ting point because it was the first year of petroleum revenues from PS and the last state budget pre- ed before the tripling of state oil nues.

laska's population has grown 52 ent since 1979. Unlike other states, state's revenues do not grow as pop- ion grows. While the overall budget grown, real per capita spending is at same level as it was in 1979.

rojections for future years show that biggest areas of spending growth be formula grants to individuals, ups, and schools, and the corrections criminal justice budgets.

Excluding Permanent Fund Divi- ds, Alaska today spends more than e as much per capita as the national rage.

art of this might be due to Alaska's and geographic isolation from other es. Because of the wealth of the e in the early 1980s, Alaskans came xpect a higher level of services.

dditionally, Alaska performs many ices at the state level that are pro- ed by counties or municipalities in r states. Education, criminal prose- on, correctional facilities and road ntenance are primarily state-provid- n Alaska, while these services are lo- in other jurisdictions. Some expendi- s like the Longevity Bonus and Per- nent Fund Dividends are unique to ska.

ow much revenue does the state of ska receive?

t will receive $3.2 billion in general d revenues and Permanent Fund nings during FY96. We will receive 5 billion from petroleum revenues, 2 billion from Permanent Fund in- e (including the $441 million re- ved for inflation-proofing), and $480 lion from other sources.

n addition to the $3.2 billion dollars general fund and Permanent Fund enue, the state also receives and ex- ds federal funds and other funds de- d from revenue generating activities.

The major sources of revenue to the te are oil and gas rents, royalties and uses, oil and gas properties tax, sev- nce taxes and corporate income taxes.



The state has a number of small sources of revenue, generally excise taxes or charges and fees for service that annually generate approximately $125 million. These revenues are paid into the general fund.

Other revenues, such as interest on the Four-Dam Pool and the Railbelt Energy Fund, which funds the Power Cost Equalization Program, and repayments on mortgages received by the Alaska Housing Finance Corp. are not considered part of general fund revenues.

The constitution directs the earnings of the Alaska Permanent Fund to be deposited into the general fund unless otherwise provided by law. The Legislature has not treated those earnings as available for appropriation in the same sense as tax receipts, and the earnings remain in the reserve account until appropriated for dividends or inflation-proofing.

Additionally, Alaska is fortunate to have more than $3 billion in cash reserve funds. These substantial reserves constitute one of the primary fiscal tools the state can, and has, used to temporarily fill the fiscal gap. However, these large reserve balances also have a negative side, in that the use of these reserves can delay for several more years the difficult actions necessary to close the fiscal gap, with the potential for suddenly magnifying the state's fiscal and economic problems when the reserves finally are exhausted.

Any choice made to address the fiscal gap will have an adverse impact on Alaska's economy. Failure to make fiscal choices now, however, will have a worse impact on Alaska's economy when reserves run out.

For each $100 million per year removed from Alaska's economy, the gross economic effect is similar, whether it's $100 million less in state spending, $100 million less in Permanent Fund Dividends distributed to Alaskans or $100 million more collected in taxes and user fees from Alaskans.

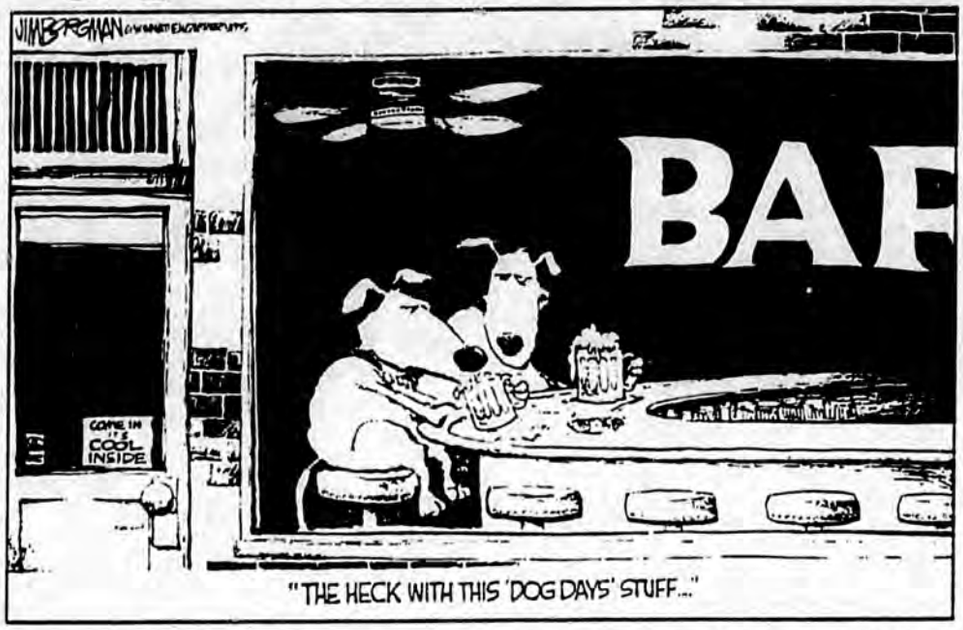
For any one family or region of the state, the choice could make a big difference. The effects of the options can also be differentiated by income level. Reimposing a state income tax hits upper income residents higher than lower income residents; reductions to the Permanent Fund dividends are proportionally greater on lower income residents.

Next: Cutting government spending will hurt.

ce of The Times

Alaska's fiscal gap: It's real and growing

The 15-member Long-Range Financial Planning Commission appointed earlier this year by the governor and Legislature to recommend a fiscal plan for Alaska issued a 50-page, preliminary report earlier this month. This is the first in a series of excerpts from that report.



The state of Alaska spends more than it takes in each year, and has done so for six of the past nine years.

This year, the commission estimates the state will spend $513 million more than it takes in — this is the fiscal gap. Over the next 10 years, this gap will grow. Based on assumptions adopted by the commission, it will grow to over $1.3 billion a year by the year 2000 unless the state takes corrective action.

State spending has been reduced by 5 percent per year for the past five years (in inflation adjusted terms). The Legislature, the governor and state agencies are working to close the gap by cutting expenditures and holding the line on the growth of expenditures.

Efforts to date have not been enough to offset the decline in revenues. However, without this steady attention to reducing expenditures, the gap could soon have forced drastic reductions in services and programs, loss of the Permanent Fund, or significant new taxes.

Alaska has significant oil reserves and a growing Permanent Fund. We have a Constitutional Budget Reserve fund established to minimize the effect of declining revenues, but that fund and other savings accounts are being spent at a rapid rate. The Constitutional Budget Reserve will be exhausted in five years if we do nothing. Other reserves will be depleted shortly thereafter.

There are two primary reasons for the fiscal gap. First, Alaska bases its budget on non-sustainable revenue sources. We count on reserves to fund a budget larger than we can afford in the long term. Second, there is a rapid decline in Prudhoe Bay oil production. The state of Alaska depends upon oil and gas revenues for half its income (80 percent if we exclude Permanent Fund earnings). The decline in production brings a decline in state revenues.

Alaskans have known all along that oil revenues were finite. North Slope oil production rates started falling in 1991 and will continue to do so until the fields are no longer economical to produce. Potential new fields are unlikely to replace the loss in production from the North Slope.

The volatility of Alaska's revenues complicates the fiscal gap by creating fiscal instability. Fiscal instability is the roller coaster ride caused by unpredictable oil price fluctuations (from a low of $8 per barrel to a high of $32 per barrel in the past 15 years), and the resulting ups and downs in expected state revenue flows. At today's oil production rates, each $1 per barrel change in oil prices causes a $120 million shift in state revenues.

The twin trends of declining revenues due to diminishing production and increasing expenditures due to rapid growth of population combine to increase our fiscal problems each year in the foreseeable future.

The "moving target" aspect of the fiscal gap problem makes it more difficult to fix, because we don't know how large the gap may actually turn out to be, or how much time we have to fix it.

What can be done to close the fiscal gap? The commission is considering six categories of fiscal choices, some or all of which can be used in combination:

- Cut spending.
- Use reserves and other state assets.
- Raise revenues through economic development.
- Raise taxes and user fees.
- Use Permanent Fund income.
- Increase oil production from new or existing fields.

Each of these fiscal choices has an effect on Alaska's economy and on the lives of the people of Alaska. The effects can vary, by region of the state, by income level, or by the kind of business in which a person works.

The commission at this time is not endorsing any specific recommendations, but expects to make its recommendations from among the choice that are being presented, supplemented by any ideas which come out in public hearings.

The commission is interested in public comment on the issues raised in this report. You can contact the commission at:

State of Alaska
Long-Range Financial Planning Commission
716 W. 4th Ave.
Anchorage, AK 99501

The electronic mail address is:
LRFPC%legis@state.ak.us

The commission will hear public comment during the following hearings:

Sept. 11 for Interior/North
Sept. 12 for Southcentral
Sept. 13 for Anchorage
Sept. 14 for Southeast

All hearings begin at 7 p.m. and will be held at the Legislative Information Office Conference Room at 716 W. 4th Ave. and teleconferenced to other LIO sites.

The commission will also hear from the public during its regular meetings at the Anchorage LIO on Aug. 26, Sept. 16 and Sept. 30. These meetings begin at 11 a.m.

Commissioners want to know which fiscal choices are preferable to others, and why. They believe that in order to close the fiscal gap, Alaska will have to use portions of several choices, and they want to know if Alaskans have suggestions on timing of these fiscal choices — what should come first, and why?

Next, spending habits and revenue flow.

The Anchorage Times

Publisher: BILL J. ALLEN

"Believing in Alaskans, putting Alaska first"

Editors: DENNIS FRADLEY, PAUL JENKINS, WILLIAM J. TOBIN

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Generation gap

ACCORDING TO the Alaska Department of Labor, some 606,000 people now call Alaska home. That's up about 12 percent from the 540,000 who lived here 10 years ago. It's a respectable increase. A closer look, however, indicates Alaska may have some problems.

While the overall population has grown, it has shrunk for certain age groups. There are fewer young adults between the ages of 18 and 34 living here today than there were a decade ago. Their number has decreased by almost 10 percent.

Thousands of young men and women — beginning their careers, starting their families — apparently have moved out to seek their fortune and life's challenges elsewhere. The only other age group that has decreased, it follows, are babies. Their number is about 4 percent less today.

At the other end of the age spectrum, the story is the reverse. Senior citizens, 65 and older, have grown in number by 60 percent. They are by far the fastest growing segment of Alaska's population.

Middle-age and pre-retirement-age adults, ages 35 to 64, have increased in number, too — by some 36 percent.

Other population statistics that warrant concern include a substantial increase in the number of public welfare recipients. The number of residents receiving aid to families with dependent children has more than doubled since 1985. So have food stamp recipients and individuals receiving adult public assistance.

Are there reasons why certain age groups are finding the state unattractive and are leaving, while others come to a different conclusion? Are state fiscal policies causing this situation to occur? These are questions Alaskans should be asking.

There were valid reasons why the state enacted laws to reward its pioneers and provide such things as ample retirement packages for long-term, government employees, the Longevity Bonus program and personal property tax exemptions.

At the same time, back when the state believed it had unending oil wealth, it established generous public assistance programs that provide recipients more than double than what is provided in Washington and other states. Can we still afford to do this?

Today, Alaska faces a fiscal crisis. The state spends a half-billion dollars more each year than it receives in revenues. Some people suggest we enact an income tax or an employment tax to give the state more money to spend.

Think about it. Wouldn't that cause more young families to move out of the state? Doesn't it make better sense to cut the level of state spending, reduce the amount of state payments to individuals and groups, and instead stimulate the economy to produce new job opportunities and put more people to work?

We believe so.

Alberta shops for pointers in using oil cash

By LISA SCAGLIOTTI
Daily News business reporter

■ **DEFICITS:** Albertans can sympathize with their brethren in Juneau. **B-1**

Twenty years ago, a government flush with oil money decided to create a special fund to act as a savings account and improve the quality of life for its citizens.

That government was not Alaska, and the fund was not the Permanent Fund. Instead, it was Alberta, the province just east of British Columbia. Over the years, Alberta's Heritage Savings Trust Fund invested — sometimes badly — in its own economy and financed government services.

Today, the $8.4 billion (U.S.) fund is stagnating, losing value to inflation. Albertans are rethinking its management with an eye toward making it more of a traditional investment fund with income that will grow each year.

"Frankly, I think we took the wrong turn," said Jim Dinning, Alberta's provincial treasurer, who is the Heritage Fund's top manager. Dinning visited Alaska this week.

Like Alaska, Alberta's economy de-

Please see Back Page, FUND

FUND: Alberta has second thoughts

Continued from Page A-1

pends heavily on natural resources, particularly oil and gas development and production. Like Alaska, Alberta set up a special oil-wealth savings account in 1976.

But the two funds followed very different paths.

Alaska started on a conservative investment track with most of its money in bonds. Within a few years, it gained a fierce following among Alaskans as it began doling out annual dividend checks to every qualified resident. Even during the darkest years of the late-'80s recession, the state continued to deposit a portion of its oil royalties into the fund.

The Heritage Fund followed a different tack. Alberta began by putting 30 percent of its oil wealth into the account. The money was invested in cash, stocks and loans to other Canadian governments. It also helped pay for Alberta construction projects in a disastrous wave of '80s economic development.

"We wanted to be economic engineers. We got into forestry. We got into a magnesium plant," Dinning said. "We got into cellular phones and we even got into a meat packing plant — and we lost our shirts!"

While Alaskans debated whether to invest their Permanent Fund in Alaska business ventures, the fund steered almost completely clear of in-state projects, said Dave Rose, former Permanent Fund Corp. executive director.

"We didn't engage in province-building as you did," Rose told Dinning. Rose and a handful of Alaska officials met with Dinning this week.

Alberta also wasn't diligent about its deposits to the Heritage Fund. By 1986, as oil prices crashed, the government quit adding to the fund. Since then, the Heritage Fund balance has hovered around $8.4 billion, generating annual income of about $700 million, which is put directly into the province's general budget to pay for government services.

Today, Alberta leaders have sworn off economic development through the Heritage Fund. The goal now is to create a more independent fund that — as the provincial government improves its financial situation — will no longer have to contribute $700 million annually to the budget.

After a series of public meetings, Alberta's provincial legislature this spring accepted recommendations about the Heritage Fund that included: Establishing an independent board of directors; setting specific goals; requiring annual public reports on the fund's progress; and involving private-sector investment managers.

In Alaska this week, Dinning sought pointers from past and present managers of the $13 billion Alaska Permanent Fund.

They stressed the need to shelter the fund's board from politics and to add to the fund each year to offset inflation. They discussed the Alaska fund's mix of investments, which in recent years have shifted to add more higher-risk stocks. They pointed out that state law requires the Permanent Fund to invest in money-making ventures.

And the Alaska officials explained that the annual dividend payout has created a strong and loyal public constituency for the Permanent Fund. It keeps the public interested in the fund and requires its managers to be open about their decisions. "The dividend was designed to protect the fund," Rose said.

Will Dinning recommend a dividend system for Alberta's fund? "It has appeal," he said. "It's not part of the public debate yet, but it is an idea we could consider."

August 23, 1995

State of Alaska
Long-Range Fin. Plan. Comm.
716 W. 4th Ave.
Anchorage, AK 99501

Having read the invitation to comment on the issues regarding the budget problem in the "Voice of The Times" this morning, I would like to offer the following:

1. As far as I know, Alaska is the only state in the union that pays its residents to live there.

2. Paying people for doing nothing encourages them to do more of nothing.

3. Creation of the dividend distribution has made people feel entitled to, and dependent on the money.

4. Immediately upon distribution, the federal income tax liability extracts a significant amount of the distribution from the state economy.

5. With the inevitable demise of the airline programs that multiply the value of the distributions, the dividends will lose a significant amount of their value to those who have purchased tickets with them in the past.

6. It is arguably foolish to distribute money in the form of dividends, and then collect it in the form of income taxes--creating two bureaucracy to eat up the state's limited resources.

7. If people leave the state of Alaska because the dividend is eliminated, it will help to reduce the cost of state government.

8. If people are here only because of the dividend, maybe they should leave, anyway.

9. Politicians created the problem; they should now be willing to suffer the consequences of correcting the problem.

10. Did the Alaska permanent fund dividend help to entice the giant retailers to the state, helping

to destroy some of the small, independent merchants? (Bankruptcies in Alaska up 144% May, 1995 from May, 1994).

11. Have individuals and families used permanent fund income to obtain long term financing, and now must face the real possibility of that income either disappearing or shrinking drastically?

12. It would be a hardship for many families to lose the entire pfd at one time, so why don't we begin to wean ourselves of it now, and quit counting on it in planning our future budgets?

13. A politician gets elected by promising the people what they want to hear. A statesman does what is prudent and responsible, and lets the chips fall where they may.

14. Should the State of Alaska, with projected deficits ranging from $513 million to $1.3 billion be giving away money???

I realize that recommending elimination of the pfd will not be popular with the voters in the short run, and will not resolve the deficit completely. It seems to me, however, that it is the only rational place to start.

Good luck!

Sincerely,

Richard E. Barrett

Richard E. Barrett
100 Bunnell, #3A
Anchorage, AK 99508

ASSOCIATION OF ALASKA SCHOOL BOARDS

316 West 11th Street, Juneau, Alaska 99801-1510 • Tel. (907) 586-1083 • Fax (907) 586-2995

Advocates for Alaska's Youth

August 3, 1995

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Carl F.N. Rose

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Vice President
Sealaska Corp.
1 Sealaska Plaza
Juneau, Alaska 99801

Dear Bob:

I've collected some thoughts since our discussion on the activities of the Long Range Fiscal Planning Commission. I'd like to share some information with you.

It is estimated that education and education-related funding (including school construction and postsecondary education costs) account for close to $1 billion of Alaska's $2.4 billion state operating budget. For many Alaska communities, the school district is the largest employer. Therefore, any reduction of the cost of state government inevitably will affect the state's current commitment to education.

Education is labor-intensive. Roughly 80-85% of school district funds are expended on school employee salaries and benefits. It should be reasonable to assume that cuts in education funding would dictate cuts in personnel costs, but salaries, benefits and certain working conditions are negotiated under a plethora of state laws and regulations which severely limit boards' ability to effect economies in this area. In 1992 noted education authority William Banach told a group of Alaska school board members that, in reality, only 3% or 4% of the budget is discretionary. The rest is locked up in contractual obligations and state/federal mandates.

For nearly a decade the Association of Alaska School Boards, anticipating declining revenues, has called for regulatory and legislative relief which would allow cost containment while preserving the quality of education. Last year HB 217, an education improvement bill designed to accomplish that, passed the Alaska Legislature but was vetoed by Gov. Knowles. Since then, the governor has indicated his willingness to work on a similar measure.

Today, Alaska's school boards cannot layoff teachers when revenues decline. Current tenure laws virtually guarantee lifetime employment to teachers regardless of performance in the classroom or financial constraints. School budgets are driven by the negotiations process and state law, as much or more than by student needs. Legislative remedies similar to HB 217, and others, are essential if the education community is to do its part to help bridge the fiscal gap without substantially diminishing the quality of Alaska's educational system.

We need to examine strategies at the state and local level that will identify 1) the elimination of programs we can't afford to provide, 2) cost containment measures that will make the programs we must continue more economically feasible, and 3) new sources of revenue generation. As the state considers its responsibility to education and the possibility of passing more of that responsibility to the local level, there needs to be some serious discussion regarding local fiscal autonomy.

The state level discussion of economic development is a long range solution and does not address the immediate problem–the fiscal gap. We need to address taxes as a means of revenue generation that will address both short term and long term problems, with an eye to utilizing that revenue appropriately, not simply for the preservation of state government as we know it now.

Enclosed are a number of AASB publications and articles I think you will find interesting.

• **Press release for Annual Teacher Salary & Benefits Report '95, AASB, Report summary page, and Salary Information page. (Entire report enclosed)**
Although school boards are trying to hold the line on expenditures, employee unions push for raises that address the rising cost of living or better. Salary increases have averaged 5% per year statewide. Keep in mind that as the student population has increased, the number of teachers has increased, adding to overall costs.

Although AASB reports the *average* teacher salary, this can be misleading. It appears somewhat stagnant due to retirement incentive programs (RIP's) which retire high end teachers and replaces them with less experienced, less expensive educators, but, again, the growing number of teachers have added to the overall personnel costs in salary and benefits.

• **Press release for Administrator Salary & Benefits Report '95, AASB, Report summary page. (Entire report enclosed)**
This information shows a decrease in the 1995 average superintendent salary. The press release also mentions a reduced number of administrators. This reflects an ongoing attempt by boards to reduce operating costs.

• **Classified Salary & Benefits Report '95, AASB**
This category of employees have generally been the primary target of cuts in terms of numbers. However, they are becoming increasingly more unionized which further reduces school boards' ability to contain costs in this area.

• **Labor Relations Update, May 1995, AASB**
This insert appeared in the May issue of the monthly AASB newsletter *Commentary*. It gives a description of our position on HB 217, and outlines our concern with (1) improving the quality of instruction (2) our attempt to hold costs in line with revenues and (3) fairness to employees.

• **"In tenure debate, what about kids' security?" Guest editorial by Carl Rose, AASB** *Anchorage Times, Juneau Empire, Fairbanks Daily News-Miner, Ketchikan Daily News*
This article is an example of how public perception affects education. It was written in response to media coverage generally condeming tenure reform without having a grasp of the issues involved. It is an example of what school boards, as elected officials who are accountable to the public at election time, face when seeking change within the education establishment.

I am currently involved in a series of discussions with our Board of Directors on issues surrounding the state's fiscal gap in order to formulate recommendations for the Commission to consider.

It was good talking with you. I look forward to more of the same.

Sincerely,

Carl

Carl Rose,
Executive Director

Enclosures in commission office.

Kay M. Christianson
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99501

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MEMORANDUM

State of Alaska

Office of the Governor
Office of Management and Budget

August 22, 1995

TO: Lee Gorsuch
LRFPC Member

FROM: Brad Pierce
Senior Policy Analyst

SUBJECT: Draft Scenario Projection

Attached are two separate runs of my interpretation of the scenarios you requested at the last Commission meeting. Note that I did not have any information from the Permanent Fund on effects to the Earnings Reserve so I did not include the ERA in the model – this is strictly a fiscal gap/CBR estimate. I ran it with a sales tax and an income tax to show the difference, since you didn't specify which of the general taxes you wanted to use.

The following assumptions apply:

Lines

1 – 6 Revenues are per DOR information supplied to the Commission.

6 Net income per your request.

7 Total revenues are the sum of lines 1 – 7.

8 – 10, 12 & 13 LRFPC Base Case expenditures frozen at FY 96 nominal level for 5 years.

11 Debt service assumes no new debt.

14 Total expenditures are the sum of lines 8 – 13.

15 Projected fiscal gap is line 7 minus line 14.

16 CBR balance assumes $756 million FY 96 transfer to the Permanent Fund corpus.

17 & 18 Dividends and inflation proofing are per APF projections.

19 Budget cuts from base case show the annual effects of the 5 year expenditure freeze.

I hope this works for you. Please call me at 465-4677 if you want further refinements.

GORSUCH BUDGET SCENARIO PROJECTION 2

(Nominal Dollars)

	AVAILABLE REVENUES ($ Millions):	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
1	GENERAL FUND REVENUES (Base Case)	1,963.1	1,931.4	2,013.6	2,045.0	2,059.5	2,071.6	2,038.3	2,018.3	2,002.7	1,979.1
2	HWY MOTOR FUELS TAX INCREASE TO NATIONAL AVG		26.0	27.3	28.6	30.0	31.4	32.9	34.5	36.2	37.9
3	TOBACCO INCREASE FROM $.29 - $.39/PKG		5.3	5.6	5.8	6.1	6.4	6.7	7.0	7.4	7.7
4	ALCOHOLIC BEVERAGES INCREASE (VARIES BY PROD)		2.7	2.8	3.0	3.1	3.3	3.4	3.6	3.8	3.9
5	INCOME TAX		75.0	288.3	302.2	316.8	332.1	348.2	365.0	382.6	401.1
6	PF NET INCOME TO GF	80	160	240	320	400	400	400	400	400	400
7	**TOTAL REVENUES**	**2,043.1**	**2,200.4**	**2,577.5**	**2,704.6**	**2,815.5**	**2,844.8**	**2,829.5**	**2,828.4**	**2,832.7**	**2,829.8**
	EXPENDITURES ($ Millions):										
8	OPERATING – AGENCY	1,157.8	1,157.8	1,157.8	1,157.8	1,157.8	1,224.2	1,293.2	1,365.0	1,439.7	1,517.3
9	FORMULA	413.8	413.8	413.8	413.8	413.8	430.4	447.6	465.5	484.2	503.6
10	K – 12 EDUCATION	660.3	660.3	660.3	660.3	660.3	698.3	738.6	781.1	826.1	873.7
11	DEBT SERVICE	109.4	86.6	81.5	72.8	50.8	33.4	20.5	16.5	15.2	14.4
12	CAPITAL	116.1	116.1	116.1	116.1	116.1	119.8	123.6	127.5	131.6	135.8
13	LOANS/FUND TRANSFERS	18.7	18.7	18.7	18.7	18.7	19.4	20.2	21.0	21.9	22.8
14	**TOTAL EXPENDITURES**	**2,476.1**	**2,453.3**	**2,448.2**	**2,439.5**	**2,417.5**	**2,525.5**	**2,643.7**	**2,776.7**	**2,918.6**	**3,067.5**
15	**PROJECTED ANNUAL FISCAL GAP**	**-433.0**	**-252.9**	**129.3**	**265.1**	**398.0**	**319.2**	**185.8**	**51.7**	**-86.0**	**-237.7**
16	**CONSTITUTIONAL BUDGET RESERVE BALANCE**	1,316.5	1,691.3	2,114.8	2,695.8	3,183.3	3,502.5	3,688.3	3,740.0	3,654.0	3,416.3
17	PF DIVIDENDS	500.0	493.0	485.0	478.0	471.0	464.0	457.0	450.0	443.0	436.0
18	PF INFLATION PROOFING	267.0	281.0	351.0	399.0	464.0	495.0	530.0	567.0	608.0	654.0
	BUDGET CUTS FROM BASE CASE		124.5	255.5	392.5	535.6	559.8	585.2	611.7	639.5	668.5

Office of Management and Budget
8/23/95

GORSUCH BUDGET SCENARIO PROJECTION 2

(FY 96 Dollars)

AVAILABLE REVENUES ($ Millions):	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
GENERAL FUND REVENUES (Base Case)	1,963.1	1,875.4	1,894.9	1,865.1	1,820.5	1,774.7	1,692.3	1,624.1	1,561.9	1,495.9
HWY MOTOR FUELS TAX INCREASE TO NATIONAL AVG		25.2	25.6	26.1	24.1	26.9	27.3	27.8	28.2	28.7
TOBACCO INCREASE FROM $.29 - $.39/PKG		5.1	5.2	5.3	4.9	5.5	5.6	5.7	5.8	5.8
ALCOHOLIC BEVERAGES INCREASE (VARIES BY PROD)		2.6	2.7	2.7	2.5	2.8	2.8	2.9	2.9	3.0
INCOME TAX		72.8	271.3	275.6	254.9	284.5	289.1	293.7	298.4	303.2
PERMANENT FUND NET INCOME TO GF	80.0	155.4	225.9	291.9	321.9	342.7	332.1	321.9	312.0	302.3
TOTAL REVENUES	2,043.1	2,136.5	2,425.5	2,466.7	2,428.8	2,437.1	2,349.3	2,276.0	2,209.2	2,138.9
EXPENDITURES ($ Millions):										
OPERATING – AGENCY	1,157.8	1,124.2	1,089.5	1,056.0	1,023.4	1,048.7	1,073.7	1,098.4	1,122.8	1,146.9
FORMULA	413.8	401.8	389.4	377.4	365.8	368.7	371.6	374.6	377.6	380.6
K – 12 EDUCATION	660.3	641.1	621.4	602.2	583.7	598.3	613.2	628.5	644.3	660.4
DEBT SERVICE	109.4	84.1	76.7	66.4	44.9	28.6	17.0	13.3	11.9	10.9
CAPITAL	116.1	112.7	109.3	105.9	102.6	102.6	102.6	102.6	102.6	102.6
LOANS/FUND TRANSFERS	18.7	18.2	17.6	17.1	16.5	16.7	16.8	16.9	17.1	17.2
TOTAL EXPENDITURES	2,476.1	2,382.1	2,303.9	2,224.9	2,136.9	2,163.6	2,195.0	2,234.4	2,276.2	2,318.6
PROJECTED ANNUAL FISCAL GAP	**-433.0**	**-245.5**	**121.7**	**241.8**	**291.9**	**273.5**	**154.2**	**41.6**	**-67.0**	**-179.7**
CONSTITUTIONAL BUDGET RESERVE BALANCE	1,316.5	1,642.2	1,990.2	2,458.7	2,813.8	3,000.6	3,062.3	3,009.6	2,849.8	2,582.2
	0.0									
PF DIVIDENDS	500.0	478.7	456.4	436.0	416.3	397.5	379.4	362.1	345.5	329.6
PF INFLATION PROOFING	267.0	272.8	330.3	363.9	410.1	424.1	440.1	456.3	474.2	494.3
BUDGET CUTS FROM BASE CASE		120.9	240.5	357.9	473.4	479.6	485.8	492.2	498.7	505.3

Office of Management and Budget

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GORSUCH BUDGET SCENARIO PROJECTION

(Nominal Dollars)

	AVAILABLE REVENUES ($ Millions):	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
1	GENERAL FUND REVENUES (Base Case)	1,963.1	1,931.4	2,013.6	2,045.0	2,059.5	2,071.6	2,038.3	2,018.3	2,002.7	1,979.1
2	HWY MOTOR FUELS TAX INCREASE TO NATIONAL AVG		26.0	27.3	28.6	30.0	31.4	32.9	34.5	36.2	37.9
3	TOBACCO INCREASE FROM $.29 - $.39/PKG		5.3	5.6	5.8	6.1	6.4	6.7	7.0	7.4	7.7
4	ALCOHOLIC BEVERAGES INCREASE (VARIES BY PROD)		2.7	2.8	3.0	3.1	3.3	3.4	3.6	3.8	3.9
5	SALES TAX @ 4% ($58.9M/1% – FOOD EXEMPT)			235.6	247.0	258.9	271.4	284.5	298.3	312.7	327.8
6	PF NET INCOME TO GF	80	160	240	320	400	400	400	400	400	400
7	**TOTAL REVENUES**	**2,043.1**	**2,125.4**	**2,524.8**	**2,649.4**	**2,757.6**	**2,784.1**	**2,765.8**	**2,761.7**	**2,762.7**	**2,756.5**
	EXPENDITURES ($ Millions):										
8	OPERATING – AGENCY	1,157.8	1,157.8	1,157.8	1,157.8	1,157.8	1,224.2	1,293.2	1,365.0	1,439.7	1,517.3
9	FORMULA	413.8	413.8	413.8	413.8	413.8	430.4	447.6	465.5	484.2	503.6
10	K – 12 EDUCATION	660.3	660.3	660.3	660.3	660.3	698.3	738.6	781.1	826.1	873.7
11	DEBT SERVICE	109.4	86.6	81.5	72.8	50.8	33.4	20.5	16.5	15.2	14.4
12	CAPITAL	116.1	116.1	116.1	116.1	116.1	119.8	123.6	127.5	131.6	135.8
13	LOANS/FUND TRANSFERS	18.7	18.7	18.7	18.7	18.7	19.4	20.2	21.0	21.9	22.8
14	**TOTAL EXPENDITURES**	**2,476.1**	**2,453.3**	**2,448.2**	**2,439.5**	**2,417.5**	**2,525.5**	**2,643.7**	**2,776.7**	**2,918.6**	**3,067.5**
15	**PROJECTED ANNUAL FISCAL GAP**	**-433.0**	**-327.9**	**76.6**	**209.9**	**340.1**	**258.6**	**122.1**	**-15.0**	**-155.9**	**-311.0**
16	**CONSTITUTIONAL BUDGET RESERVE BALANCE**	1,316.5	1,614.0	1,978.5	2,494.5	2,918.4	3,176.9	3,299.0	3,284.1	3,128.2	2,817.2
17	PF DIVIDENDS	500.0	493.0	485.0	478.0	471.0	464.0	457.0	450.0	443.0	436.0
18	PF INFLATION PROOFING	267.0	281.0	351.0	399.0	464.0	495.0	530.0	567.0	608.0	654.0
	BUDGET CUTS FROM BASE CASE		124.5	255.5	392.5	535.6	559.8	585.2	611.7	639.5	668.5

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GORSUCH BUDGET SCENARIO PROJECTION

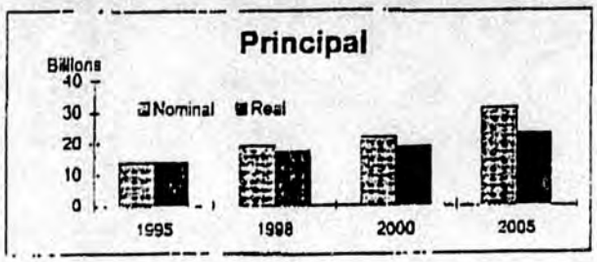
(FY 96 Dollars)

AVAILABLE REVENUES ($ Millions):	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
GENERAL FUND REVENUES (Base Case)	1,963.1	1,875.4	1,894.9	1,865.1	1,820.5	1,774.7	1,692.3	1,624.1	1,561.9	1,495.9
HWY MOTOR FUELS TAX INCREASE TO NATIONAL AVG		25.2	25.6	26.1	26.5	26.9	27.3	27.8	28.2	28.7
TOBACCO INCREASE FROM $.29 - $.39/PKG		5.1	5.2	5.3	5.4	5.5	5.6	5.7	5.8	5.8
ALCOHOLIC BEVERAGES INCREASE (VARIES BY PROD)		2.6	2.7	2.7	2.7	2.8	2.8	2.9	2.9	3.0
SALES TAX @ 4% ($58.9M/1% – FOOD EXEMPT)		0.0	221.7	225.3	228.9	232.5	236.2	240.0	243.9	247.8
PERMANENT FUND NET INCOME TO GF	80.0	155.4	225.9	291.9	353.6	342.7	332.1	321.9	312.0	302.3
TOTAL REVENUES	2,043.1	2,063.7	2,376.0	2,416.3	2,437.5	2,385.1	2,296.4	2,222.4	2,154.6	2,083.5
EXPENDITURES ($ Millions):										
OPERATING – AGENCY	1,157.8	1,124.2	1,089.5	1,056.0	1,023.4	1,048.7	1,073.7	1,098.4	1,122.8	1,146.9
FORMULA	413.8	401.8	389.4	377.4	365.8	368.7	371.6	374.6	377.6	380.6
K – 12 EDUCATION	660.3	641.1	621.4	602.2	583.7	598.3	613.2	628.5	644.3	660.4
DEBT SERVICE	109.4	84.1	76.7	66.4	44.9	28.6	17.0	13.3	11.9	10.9
CAPITAL	116.1	112.7	109.3	105.9	102.6	102.6	102.6	102.6	102.6	102.6
LOANS/FUND TRANSFERS	18.7	18.2	17.6	17.1	16.5	16.7	16.8	16.9	17.1	17.2
TOTAL EXPENDITURES	2,476.1	2,382.1	2,303.9	2,224.9	2,136.9	2,163.6	2,195.0	2,234.4	2,276.2	2,318.6
PROJECTED ANNUAL FISCAL GAP	**-433.0**	**-318.4**	**72.1**	**191.4**	**300.6**	**221.5**	**101.4**	**-12.0**	**-121.6**	**-235.1**
CONSTITUTIONAL BUDGET RESERVE BALANCE	1,316.5	1,567.1	1,861.8	2,275.1	2,579.6	2,721.6	2,739.1	2,642.7	2,439.7	2,129.4
PF DIVIDENDS	500.0	478.7	456.4	436.0	416.3	397.5	379.4	362.1	345.5	329.6
PF INFLATION PROOFING	267.0	272.8	330.3	363.9	410.1	424.1	440.1	456.3	474.2	494.3
BUDGET CUTS FROM BASE CASE		120.9	240.5	357.9	473.4	479.6	485.8	492.2	498.7	505.3

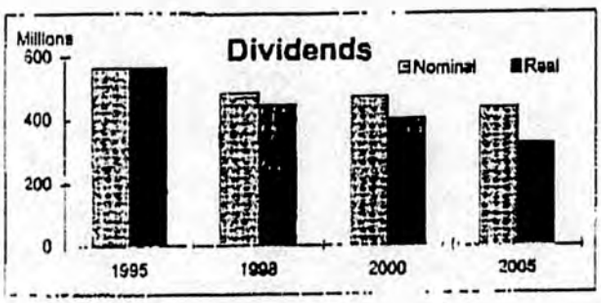
Office of Management and Budget

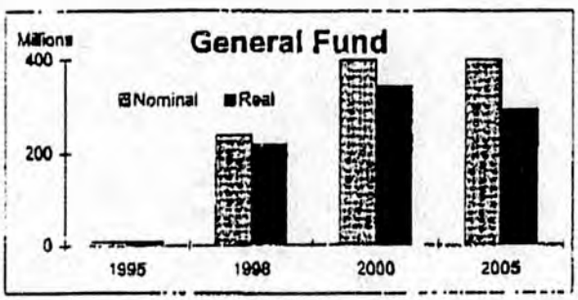
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Dividends Capped at $500 Million and Decline by 1.5% Per Year, $80 Million Compounded for 5 Years to GF; ERA and $756 Million of Transition Funds to Princip I-P Reduced by % of Equity Holdings (50-70%); All Remaining Income to Principal









Permanent Fund Financial Projections in Nominal Dollars

	PRINCIPAL					DISTRIBUTIONS			RESERVES		
FY	FY Begin Balance	Appro-priations	Dedicated State Revenues	Inflation-Proofing	FY End Balance	Net Income	Dividends	Inflation-Proofing	General Fund	Add (Delete)	FY End Balance	FY
95	12,973	500	318	348	14,139	1,013	565	348	7	86	703	95
96	14,139	2,210	217	267	16,833	1,410	500	267	80			96
97	16,833	664	227	281	18,005	1,598	493	281	160			97
98	18,005	672	244	351	19,272	1,748	485	351	240			98
99	19,272	674	259	399	20,603	1,870	478	399	320			99
00	20,603	664	263	464	21,995	1,999	471	464	400			00
01	21,995	774	264	495	23,528	2,133	464	495	400			01
02	23,528	895	261	530	25,214	2,281	457	530	400			02
03	25,214	1,027	259	567	27,068	2,444	450	567	400			03
04	27,068	1,171	258	608	29,106	2,623	443	608	400			04
05	29,106	1,329	256	654	31,345	2,819	436	654	400			05

In Real 1995 Dollars

95	12,973	500	318	348	14,139	1,013	565	348	7	86	703	95
98	16,452	614	207	320	17,609	1,597	443	320	219			98
00	17,683	570	222	399	18,877	1,716	404	399	343			00
05	21,361	975	190	480	23,004	2,069	320	480	294			05

	Nominal	Inflation	Real
FY 95:	6.47%	2.61%	3.86%
FY 96 - 97:	8.99%	2.99%	6.00%
FY 1998-2005:	9.16%	3.18%	6.00%

DOR Spring 1995 Base-Case Inflation Rates and PF Oil Revenues
Total Rates of Return Assumed at 6% Above Base-Case Inflation Rates
Dividends Capped at $500 Million and Decline 1.5% Per Year; $80 Million Compounded for 5 Years to GF; ERA Plus & $756 Million of Transition Funds to Principal
I-P Reduced by % of Equity Holdings (50-70%); All Remaining Income to Principal

I'm Borsuch

$400m by 1/2 cuts - Freeze 5yrs ME 2005 1/3 Taxes - sin, alc, 1/3 PF earnings

Prepared by the Alaska Permanent Fund Corporation 8/9/95

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To Tamalee	From Brad
Co.	Co.
Dept.	Phone #
Fax # 269-7461	Fax #

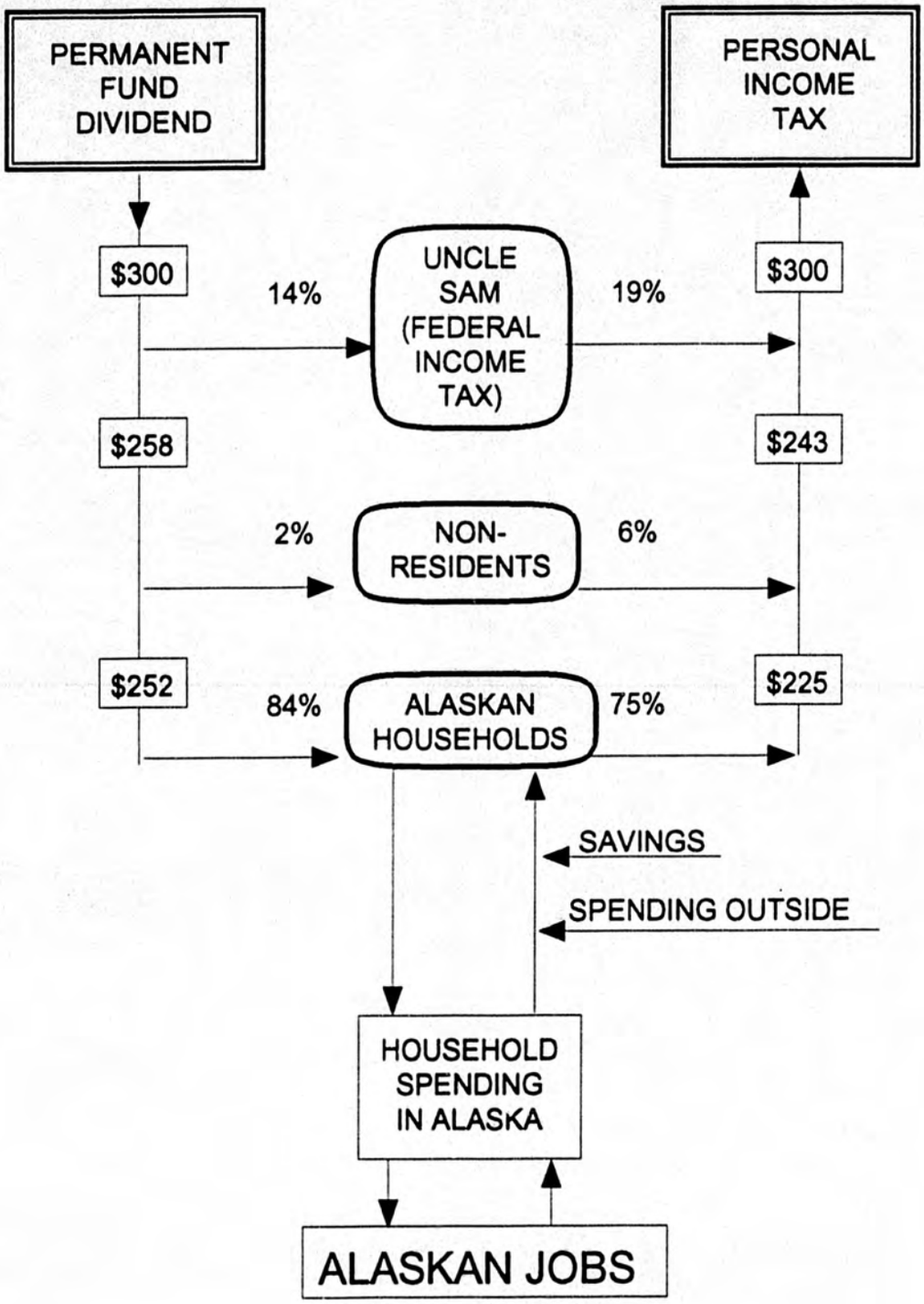
THE PURCHASING POWER OF THE 1989 STATE BUDGET: JOBS AND INCOME GENERATED

STATEWIDE

CATEGORY OF STATE GOVT EXPENDITURES	SPENDING ($MILL)		DIRECT EFFECTS: GOVT JOBS (000)	DIRECT EFFECTS: HH INCOME ($MILL)	TOTAL EFFECTS: ALL JOBS (000)	TOTAL EFFECTS: HH INCOME ($MILL)	"BANG PER BUCK" TOTAL EFFECT PER MILLION $ OF STATE SPENDING: PUBLIC JOBS	PRIVATE JOBS	TOTAL JOBS	INCOME ($THOUSAND)
GRAND TOTAL		$3,608	31.83	$2,190	81.40	$3,021	8.8	13.7	22.6	$837
TOTAL GENERAL FUND		$3,169	31.83	$1,751	74.90	$2,441	10.0	13.6	23.6	$770
OPERATING BUDGET		$2,825	31.83	$1,751	70.43	$2,292	11.3	13.7	24.9	$811
PERSONAL SERVICES		$884					21.8	16.2	38.0	$1,106
Wages	$663		19.27	$665	29.94	$898	29.1	16.1	45.2	$1,354
Benefits	$221		-	$219	3.67	$80	0.0	16.6	16.6	$362
GRANTS		$1,250								
Local Aid	$792		-	-	-	-	0.0	29.5	29.5	$807
Wages	-		12.55	$389	18.80	$525	-	-	48.3	$1,350
Benefits	-		-	$128	2.15	$47	-	-	16.7	$365
Other	-		-	-	2.44	$67	-	-	8.9	$243
Local Debt Service	$109		-	-	0.35	$12			NA	NA
Individuals	$349		-	$349	5.17	$462	0.0	14.8	14.8	$1,323
CONTRACTS		$366	-	-	5.75	$142	0.0	15.7	15.7	$389
DEBT SERVICE		$143	-	-	0.46	$15			NA	NA
COMMODITIES		$85	-	-	0.76	$21	0.0	8.9	8.9	$243
TRAVEL		$36	-	-	0.40	$9	0.0	11.1	11.1	$243
EQUIPMENT		$25	-	-	0.22	$6	0.0	8.9	8.9	$243
MISCELLANEOUS		$36	-	-	0.32	$9	0.0	8.9	8.9	$243
CAPITAL BUDGET		$344	-	-	4.46	$149	0.0	13.0	13.0	$432
PERMANENT FUND DIVIDEND		$439	-	$439	6.50	$581	0.0	14.8	14.8	$1,323

LEAKS & SPENDING:

THE DIVIDEND AND INCOME TAX



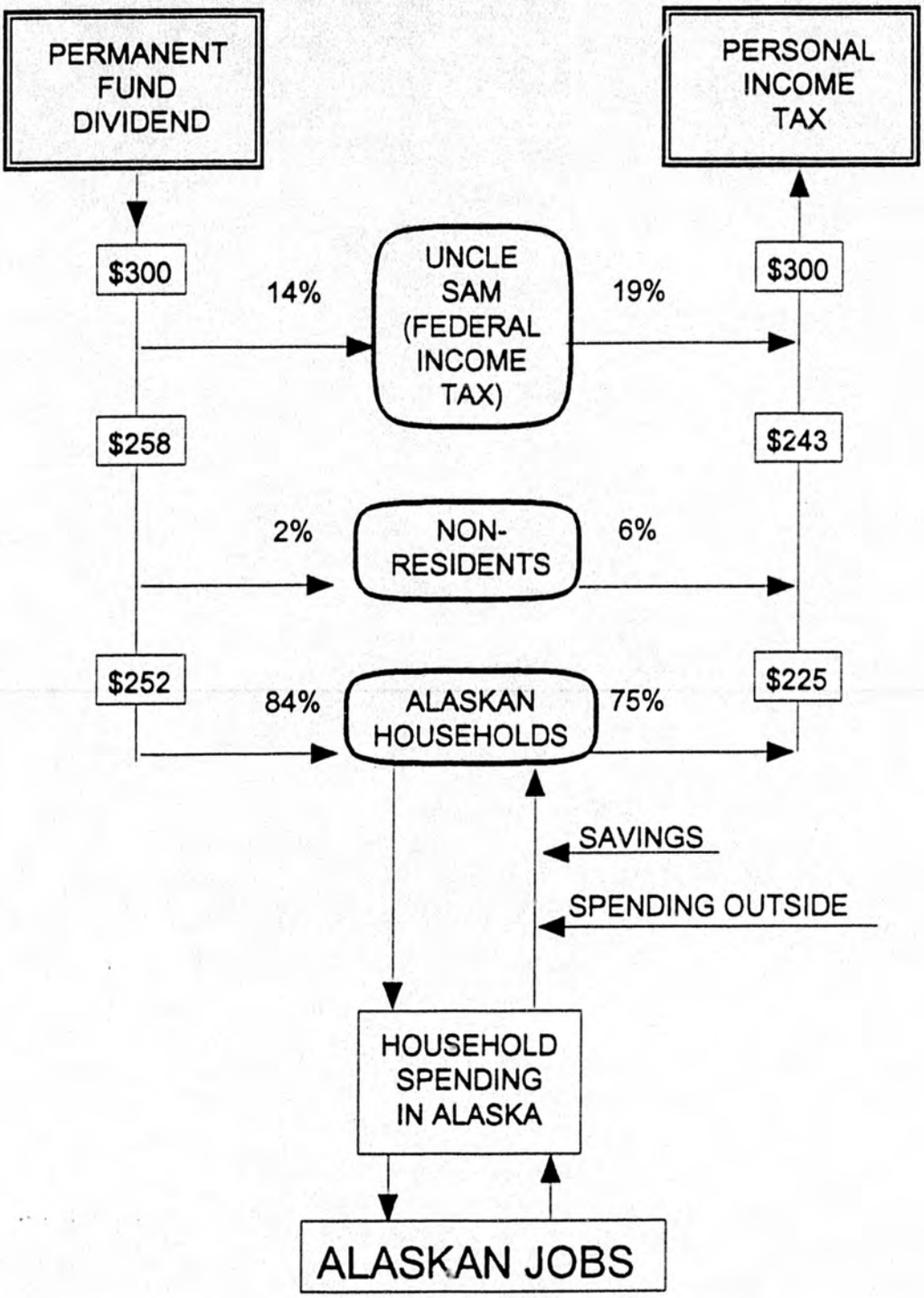
THE PURCHASING POWER OF THE 1989 STATE BUDGET: JOBS AND INCOME GENERATED

STATEWIDE

CATEGORY OF STATE GOVT EXPENDITURES	SPENDING ($MILL)		DIRECT EFFECTS		TOTAL EFFECTS		"BANG PER BUCK" TOTAL EFFECT PER MILLION $ OF STATE SPENDING			
			GOVT JOBS (000)	HH INCOME ($MILL)	ALL JOBS (000)	HH INCOME ($MILL)	PUBLIC JOBS	PRIVATE JOBS	TOTAL JOBS	INCOME ($THOUSAND)
GRAND TOTAL		$3,608	31.83	$2,190	81.40	$3,021	8.8	13.7	22.6	$837
TOTAL GENERAL FUND		$3,169	31.83	$1,751	74.90	$2,441	10.0	13.6	23.6	$770
OPERATING BUDGET		$2,825	31.83	$1,751	70.43	$2,292	11.3	13.7	24.9	$811
PERSONAL SERVICES		$884					21.8	16.2	38.0	$1,106
Wages	$663		19.27	$665	29.94	$898	29.1	16.1	45.2	$1,354
Benefits	$221		-	$219	3.67	$80	0.0	16.6	16.6	$362
GRANTS		$1,250								
Local Aid	$792		-	-	-	-	0.0	29.5	29.5	$807
Wages	-		12.55	$389	18.80	$525	-	-	48.3	$1,350
Benefits	-		-	$128	2.15	$47	-	-	16.7	$365
Other	-		-	-	2.44	$67	-	-	8.9	$243
Local Debt Service	$109		-	-	0.35	$12			NA	NA
Individuals	$349		-	$349	5.17	$462	0.0	14.8	14.8	$1,323
CONTRACTS		$366	-	-	5.75	$142	0.0	15.7	15.7	$389
DEBT SERVICE		$143	-	-	0.46	$15			NA	NA
COMMODITIES		$85	-	-	0.76	$21	0.0	8.9	8.9	$243
TRAVEL		$36	-	-	0.40	$9	0.0	11.1	11.1	$243
EQUIPMENT		$25	-	-	0.22	$6	0.0	8.9	8.9	$243
MISCELLANEOUS		$36	-	-	0.32	$9	0.0	8.9	8.9	$243
CAPITAL BUDGET		$344	-	-	4.46	$149	0.0	13.0	13.0	$432
PERMANENT FUND DIVIDEND		$439	-	$439	6.50	$581	0.0	14.8	14.8	$1,323

LEAKS & SPENDING:

THE DIVIDEND AND INCOME TAX



P.

Port Alsworth, Alaska 99653
August 24, 1995

To: Alaska Long Range Financial Planning Commission
From: Jay S. Hammond
Subject: Implementing Proposals To Fill fiscal Gap

First, congratulations (commisserations?) for for being assigned the task of addressing Alaska's most crucial financia issue. Second, thank you for permitting me to perhaps further muddy the waters somewhat, while, hopefully, at the same time, suggesting a filtration process which might permit a solution to flow past political impoundments.

The basic solution, of course, is really quite simple: You either reduce the size of the gap or increase the amount of fill. While you've been given the chore of surveying the site, engineering the project and mixing the fill, no matter how logical your proposals may be, they'll each prove but another exercise in futility unless you can sluice them around those impoundments.

In your preliminary report there are several scenarios which could fill the gap. Most have three basic elements: 1. Cut spending; 2. Raise taxes and 3. Cap or eliminate dividends.

They all have something else in comman: Regardless of merit, unless we provide some innovative means of detouring them around those political obstacles, all will high center.

Take cuts in spending: While politically popular in theory, in practice even the current, perhaps most fiscally conservative legislature ever, found it impossible to toss more than a few dollars saved into the void.

Similarly, even that most modest "revenue enhancement" which would have gleaned the greatest percentage of non-resident contributions, Governor Hickle's $100 "Employment Tax", was shot down.

And if screams of public protest served to kill efforts to cut or raise but a few million to toss in the gap, you can bet proposals to cap or eliminate dividends will increase the crescendo ten-fold.

Some blame me in part for conditioning the public to consider dividends their due. If so, it is a charge to which I plead happily guilty. However, along with that admission let me suggest means by which the politics of

dividends may be used to facilitate, rather than frustrate, filling the fiscal gap.

First, you must accept the rude fact the legislature not only will not, but cannot make substantial additional cuts nor impose new taxes no matter how modest or justified. The current legislative process simply will permit neither, even if most members support them. For example, most Alaskans agree it makes sense to at least trim back programs not based on need, such as Power Equalization; glean a few dollars from the roughly $900,000,000 which flow out of Alaska in the pockets of non-resident fishermen or construction workers and perhaps even curb some benefits for public employees. Yet because of a committee system which permits an arbitrary chairman to frustrate majority will, such measures have virtually no chance of passage.

How can this be changed? Were the public allowed to vote on these matters they'd probably pass; but do you think for a moment a committee chairman dependant upon say "the fish vote" for re-election would ever let a new fish tax out of committee? Of course not. Similarly, while it's most generous for other Aaskans to pay part of my power bill while I'm catching their fishin Naknek, it's just a bit stupid to continue to do so in light of our looming fiscal crisis.

Equally stupid in my view was elimination of the Income Tax. Suspenion or reduction may have made sense at one time, but wiping it out completely made it virtually impossible for any new development, save oil-related, which generated population increases, to pay its own way. Moreover, elimination created an almost insurmountable electoral obstacle to its re-imposition. Should the income tax be re-imposed, I believe it should be a "sliding scale tax" which rose or fell, dependant upon legislative ability to cut spending, oil prices and need to recoup dollars drawn from reserve accounts the previous year to ~~meet~~ fill budget gaps. This would permit the legislature to continue to gamble "on the come" should they so desire, while providing safeguards against fiscal chaos should they act imprudently or Judge severely.

In my view, the best chance of reducing political resistance to any of the above cuts or enhancements lies in the Permanent Fund Dividend Program and its potential for presenting the public with substantial compensation for what trauma those actions would trigger.

Not only has the dividend program been deemed by many as economically the "best bang for the buck" of any state e

expenditure, it is the only state program based on absolute equity. Moreover, it has already demonstrated its ability to curb runaway spending. Or does anyone yet naively believe we would now have 13 billion in the Permanent Fund were there not a ring of militant dividend recipients fending off invasion by politicians who would rather spend all the people's resource wealth as they saw fit, rather than permit the people to spend the small portion allotted in dividends?

But now is the time for dividends to play even a greater roll by serving as a buffer against the pain of reduced services or increased taxes and user fees. Since it is a buffer legally provided only Alaskan residents, it also has the potential to promote local hire while it uniformly raises the tax base of every Alaskan community.

In light of the above, rather than capping or eliminating dividends, and squandering all the above potential, perhaps we should INCREASE that potential by increasing dividends.

HOW DIVIDENDS CAN BE USED TO FURTHER CUT SPENDING

Were dividends increased, political opposition to reduction of non-mandated programs would reduce as well. Dividend dollars could then be tapped thru many means. For example all non-mandated state funded programs could be placed on a dividend checkoff list. I've little doubt many, such as Ratnet, would glean sufficient dollars from the dividend check off to survive. Those which did not could then die with far less political pain.

Similarly, programs such as power equilization could become needs-based more easily. Those which could not be so modified without excessive political flak, such as the logevity bonus, should be restructured to return to the origianl intent of the act and thus phased out far more quickly, while at the same time eliminating gross inequities within the present plan.

DIVIDENDS CAN REDUCE OPPOSITION TO NEW TAXES AND USER FEES

Not only do dividends help all Alaskans more easily pay taxes and user fees they could be used to place a far greater burden of same on transient workers. I'm told it might even be possible to make transients bare the entire tax burden should we fully utilize the potential of dividends.

For example, were every Alaskan, on paper at least, granted their full per capita annual share of the resource wealth as a dividend, it would come to almost $10,000. Instead they now recieve but 1/10 that amount in a check. The other nine tenths is retained by the state in what might be termed a

" dividend tax". In essence, dividends are being taxed at 90%. Were a credit against an income tax granted for that dividend tax, few alaskans would owe any income tax whatsoever.

If you really want to get innovative, think what we could do to facilitate, if not virtually mandate, local hire were employees allowed to transfer any unused "dividend Tax Credits" to employers as a means of reducing coporate taxes!

Were dividends increased, logical arguments against other taxes would be greatly reduced. While some argue sales taxes are the exclusive domain of municipalites, such of course is not true. Gasoline, liquor and cigarette taxes are really nothing but sales taxes which flow into state coffers. Since most of those taxes fail to tap the largest percentage of dividend dollars: those going to minors, some suggest <u>their</u> dividend dollars be tapped thro tuition charges.

My point of course is to urge you to consider innovativly using dividend dollars to help balance the budget, while permitting (obligating?) the public to determine the programs they are willing to pay for with their dividend dollars. I can think of no more politically palatable means of curbing run away spending. Lamentably, most proposals you list would do just the opposite. In my view the plan which might best meet the above objectives is not even considered. That is the so-called Harbour Plan. I urge you to review it.

In conclusion I want to leave you with an unanswered question I've posed at every one of the dozen or so "economic conferences' I attended in recent months: "Would someone please tell me when it EVER makes more sense to cap or eliminate dividends, thereby imposing a "head tax" on every Alaskan and only Alaskans , than it would to simply crank up appropriate taxes or user fees to raise the same amount of revenue, much of which would be paid by non-resident transients and those of us who can best afford it?

If you conclude, as have I, that the answer to my question is: NEVER; then capping or eliminating dividends would seem even more stupid then wiping the income tax off the books.

Port Alsworth, Alaska 99653
August 24, 1995

To: Alaska Long Range Financial Planning Commission
From: Jay S. Hammond
Subject: Implementing Proposals To Fill fiscal Gap

First, congratulations (commisserations?) for for being assigned the task of addressing Alaska's most crucial financial issue. Second, thank you for permitting me to perhaps further muddy the waters somewhat, while, hopefully, at the same time, suggesting a filtration process which might permit a solution to flow past political impoundments.

The basic solution, of course, is really quite simple: You either reduce the size of the gap or increase the amount of fill. While you've been given the chore of surveying the site, engineering the project and mixing the fill, no matter how logical your proposals may be, they'll each prove but another exercise in futility unless you can sluice them around those impoundments.

In your preliminary report there are several scenarios which could fill the gap. Most have three basic elements: 1. Cut spending; 2. Raise taxes and 3. Cap or eliminate dividends.

They all have something else in comman: Regardless of merit, unless we provide some innovative means of detouring them around those political obstacles all will high center.

Take cuts in spending: While politically popular in theory, in practice even the current, perhaps most fiscally conservative legislature ever, found it impossible to toss more than a few dollars saved into the void.

Similarly, even that most modest "revenue enhancement" which would have gleaned the greatest percentage of non-resident contributions, Governor Hickle's $100 "Employment Tax",was shot down.

And if screams of public protest served to kill efforts to cut or raise but a few million to toss in the gap, you can bet proposals to cap or eliminate dividends will increase the crescendo ten-fold.

Some blame me in part for conditioning the public to consider dividends their due. If so, it is a charge to which I plead happily guilty. However, along with that admission let me suggest means by which the politics of

Data: Dept. of Revenue (projections: spring, 1995, base case)
Permanent Fund Corp. (projections: June 30, 1995, base case)
Reserves: 2,500
Rate of inflation: 4.0%
Rate of conventional revenue enhancement: 6.0%
Rate of population increase: 1.6%
Rate of expense reduction: **2.0%**
Rate of return (reserves): 5.0%

Present System of State Spending
Fiscal Gap

(unit: one million dollars)

1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Without new income or expense reduction						**With new income**			**With expense reduction**			
Fiscal Year	Natural Resource Revenue	Conventional Revenue	Permanent Fund Income	Income (2+3+4)	Expense	Gap (6-5)	Enhanced Conventional Rev	Income (2+4+8)	Gap (6-9)	Reduction	Expense	Gap (12-9)	Reserves (yr-end)
1998	1,622	300	801	2,723	3,243	520	300	2,723	520	0	3,243	520	2,079
1999	1,654	309	846	2,809	3,425	615	318	2,818	607	65	3,360	542	1,614
2000	1,668	318	893	2,880	3,616	737	337	2,898	718	136	3,481	583	1,083
2001	1,680	327	942	2,950	3,819	869	357	2,979	840	213	3,606	627	479
2002	1,647	337	993	2,976	4,033	1,056	379	3,018	1,015	535	3,497	479	0
2003	1,627	346	1,045	3,018	4,259	1,240	401	3,074	1,185	1,185	3,074	0	0
2004	1,611	355	1,100	3,067	4,497	1,430	425	3,137	1,360	1,360	3,137	0	0
2005	1,588	365	1,157	3,109	4,749	1,639	451	3,195	1,553	1,553	3,195	0	0
2006	1,526	375	1,216	3,116	5,015	1,899	478	3,219	1,796	1,796	3,219	0	0
2007	1,466	384	1,276	3,127	5,296	2,169	507	3,249	2,047	2,047	3,249	0	0
2008	1,471	394	1,340	3,205	5,592	2,387	537	3,348	2,244	2,244	3,348	0	0
2009	1,420	405	1,406	3,231	5,905	2,674	569	3,395	2,511	2,511	3,395	0	0
2010	1,368	416	1,474	3,259	6,236	2,978	603	3,446	2,790	2,790	3,446	0	0
2011	1,044	410	1,542	2,996	6,585	3,589	639	3,226	3,360	3,360	3,226	0	0
2012	988	420	1,612	3,020	6,954	3,934	678	3,278	3,676	3,676	3,278	0	0
2013	925	430	1,685	3,041	7,343	4,303	719	3,329	4,015	4,015	3,329	0	0
2014	873	441	1,760	3,074	7,755	4,680	762	3,395	4,360	4,360	3,395	0	0
2015	821	452	1,838	3,111	8,189	5,078	807	3,466	4,723	4,723	3,466	0	0
2016	772	464	1,918	3,154	8,648	5,493	856	3,546	5,101	5,101	3,546	0	0
2017	718	475	2,001	3,195	9,132	5,937	907	3,627	5,505	5,505	3,627	0	0
2018	669	487	2,087	3,244	9,643	6,399	962	3,718	5,925	5,925	3,718	0	0
2019	623	500	2,177	3,299	10,183	6,884	1,019	3,818	6,365	6,365	3,818	0	0
2020	583	512	2,269	3,364	10,753	7,390	1,080	3,932	6,821	6,821	3,932	0	0
2021	540	525	2,365	3,430	11,356	7,926	1,145	4,050	7,306	7,306	4,050	0	0
2022	505	538	2,464	3,507	11,992	8,484	1,214	4,183	7,809	7,809	4,183	0	0
2023	467	552	2,567	3,586	12,663	9,077	1,287	4,321	8,342	8,342	4,321	0	0
2024	434	566	2,674	3,673	13,372	9,699	1,364	4,472	8,901	8,901	4,472	0	0
2025	390	580	2,784	3,754	14,121	10,367	1,446	4,620	9,501	9,501	4,620	0	0
								97,478			100,228		

Permanent Fund at end 2025: 57,915

(for notes, see reverse)

Data: Dept. of Revenue (projections: spring, 1995, base case)
Permanent Fund Corp. (projections: June 30, 1995, base case)

Transitional withdrawal rate: **15.5%** in 1998 to final rate in **2018**
Final withdrawal rate: **5.0%**
Rate of total return: **9.0%**
Reserves: 2,500
Rate of inflation: 4.0%
Rate of population increase: 1.6%
Rate of conventional revenue enhancement: 6.0%
Unit: one million dollars

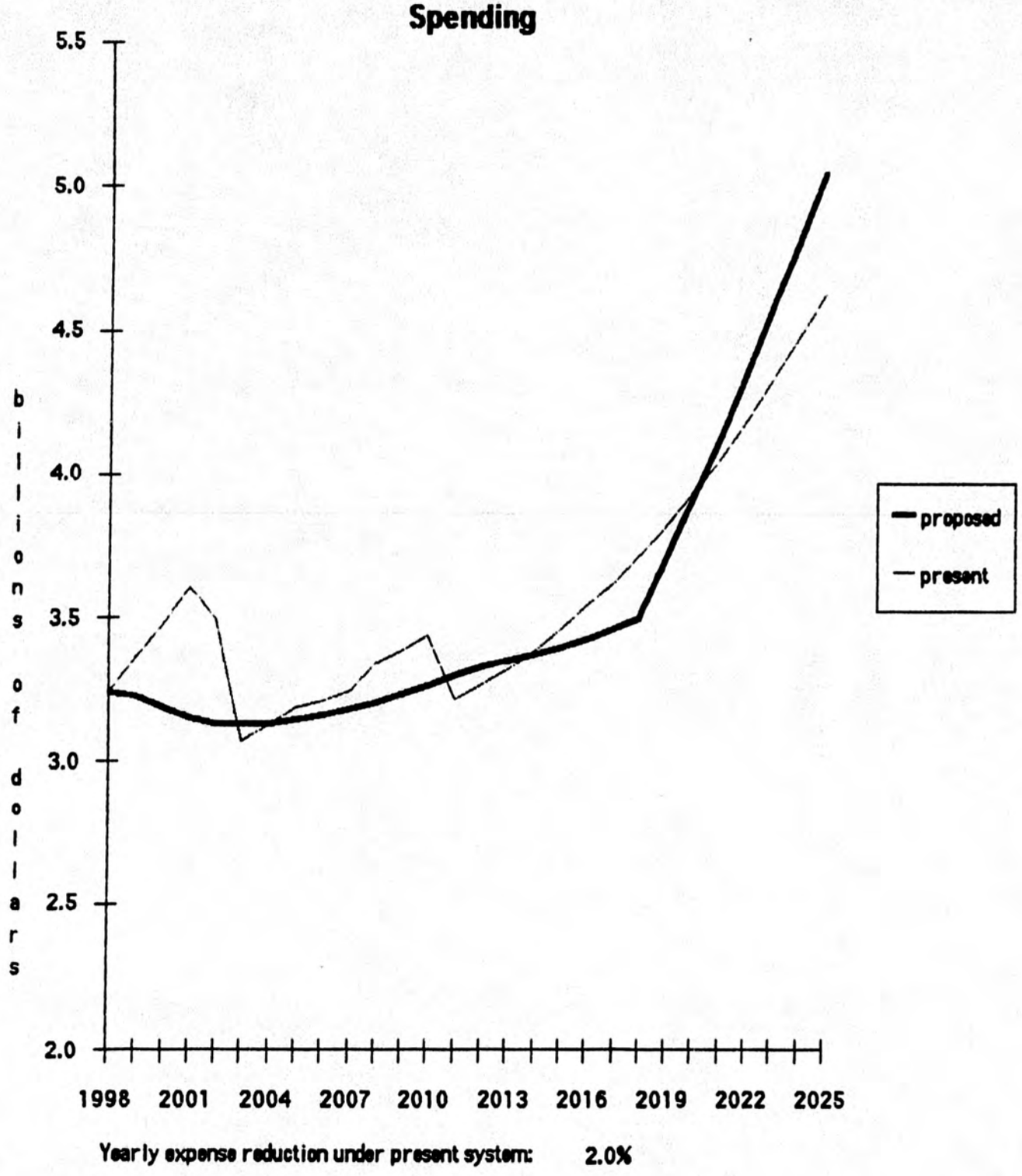
System of Sustainable State Spending
Fiscal Gap

1	2	3	4	5	6	7	8	9	10	11	12
	Without new income or expense reduction					**With new income**			**With expense reduction**		
Fiscal Year	Permanent Fund Withdrawal	Conventional Revenue	Income (2+3)	Expense	Gap (5-4)	Enhanced Conventional Revenue	Income (2+7)	Gap (5-8)	Reduction	Expense (=8)	Gap (11-8)
1998	2,943	300	3,243	3,243	0	300	3,243	0	0	3,243	0
1999	2,916	309	3,225	3,425	199	318	3,234	191	191	3,234	0
2000	2,858	318	3,176	3,616	440	337	3,195	422	422	3,195	0
2001	2,801	327	3,128	3,819	691	357	3,158	661	661	3,158	0
2002	2,760	337	3,096	4,033	936	379	3,138	894	894	3,138	0
2003	2,731	346	3,077	4,259	1,182	401	3,132	1,126	1,126	3,132	0
2004	2,711	355	3,066	4,497	1,431	425	3,136	1,361	1,361	3,136	0
2005	2,696	365	3,061	4,749	1,688	451	3,147	1,602	1,602	3,147	0
2006	2,686	375	3,061	5,015	1,954	478	3,164	1,851	1,851	3,164	0
2007	2,679	384	3,063	5,296	2,233	507	3,185	2,110	2,110	3,185	0
2008	2,672	394	3,066	5,592	2,526	537	3,209	2,384	2,384	3,209	0
2009	2,666	405	3,072	5,905	2,834	569	3,236	2,670	2,670	3,236	0
2010	2,663	416	3,079	6,236	3,157	603	3,267	2,970	2,970	3,267	0
2011	2,662	410	3,072	6,585	3,513	639	3,302	3,284	3,284	3,302	0
2012	2,653	420	3,073	6,954	3,881	678	3,331	3,623	3,623	3,331	0
2013	2,637	430	3,067	7,343	4,276	719	3,355	3,988	3,988	3,355	0
2014	2,614	441	3,055	7,755	4,699	762	3,376	4,379	4,379	3,376	0
2015	2,593	452	3,045	8,189	5,144	807	3,400	4,789	4,789	3,400	0
2016	2,574	464	3,038	8,648	5,610	856	3,430	5,218	5,218	3,430	0
2017	2,557	475	3,033	9,132	6,099	907	3,464	5,667	5,667	3,464	0
2018	2,543	487	3,031	9,643	6,612	962	3,505	6,138	6,138	3,505	0
2019	2,679	500	3,179	10,183	7,004	1,019	3,698	6,485	6,485	3,698	0
2020	2,822	512	3,334	10,753	7,419	1,080	3,902	6,851	6,851	3,902	0
2021	2,970	525	3,495	11,356	7,861	1,145	4,115	7,240	7,240	4,115	0
2022	3,121	538	3,659	11,992	8,332	1,214	4,335	7,657	7,657	4,335	0
2023	3,275	552	3,827	12,663	8,836	1,287	4,562	8,101	8,101	4,562	0
2024	3,432	566	3,998	13,372	9,374	1,364	4,796	8,576	8,576	4,796	0
2025	3,593	580	4,173	14,121	9,948	1,446	5,039	9,083	9,083	5,039	0
							99,051			99,051	

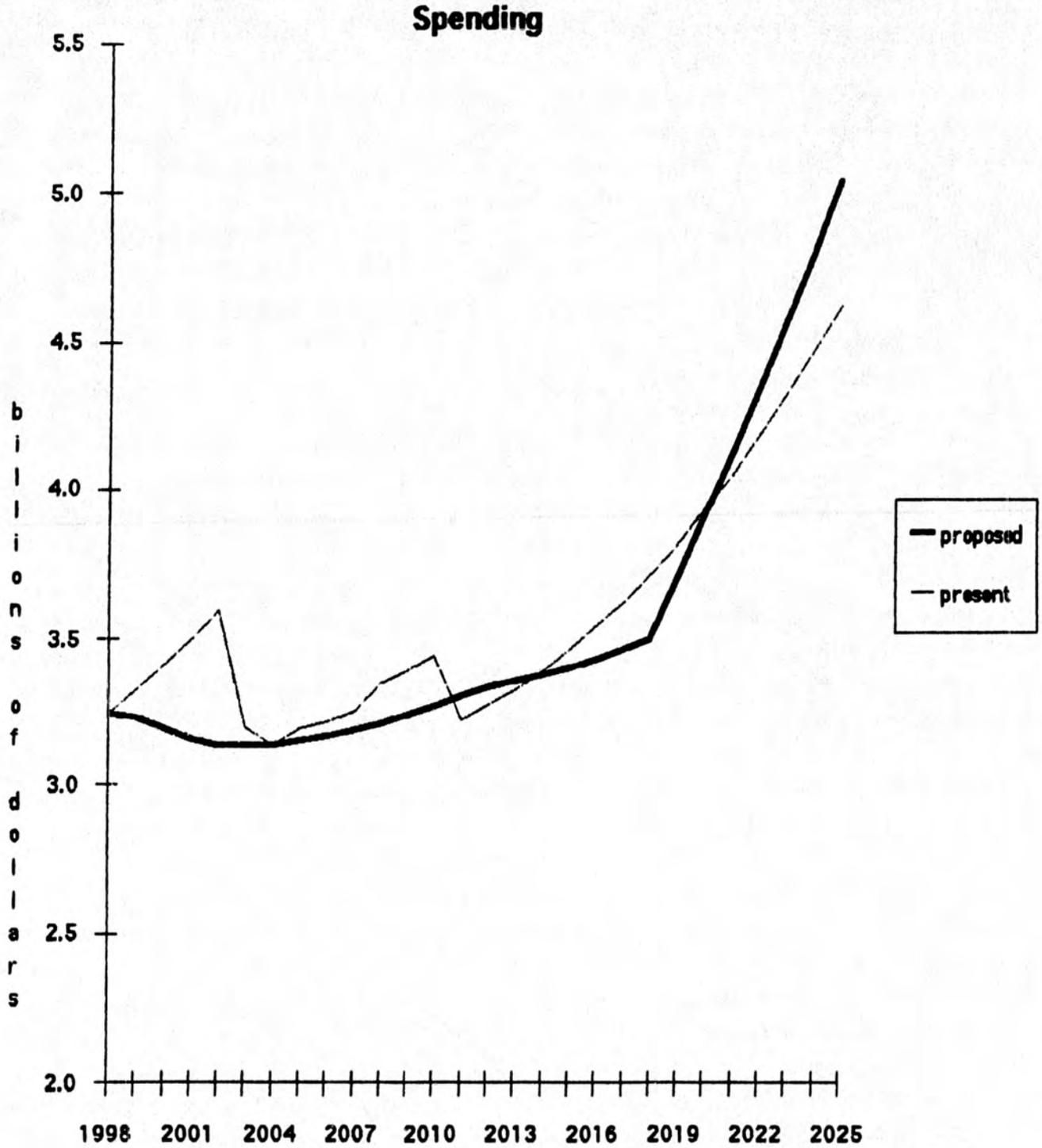
Permanent Fund at end 2025: 78,467

(for notes, see reverse)

Present and Proposed Systems of State Spending

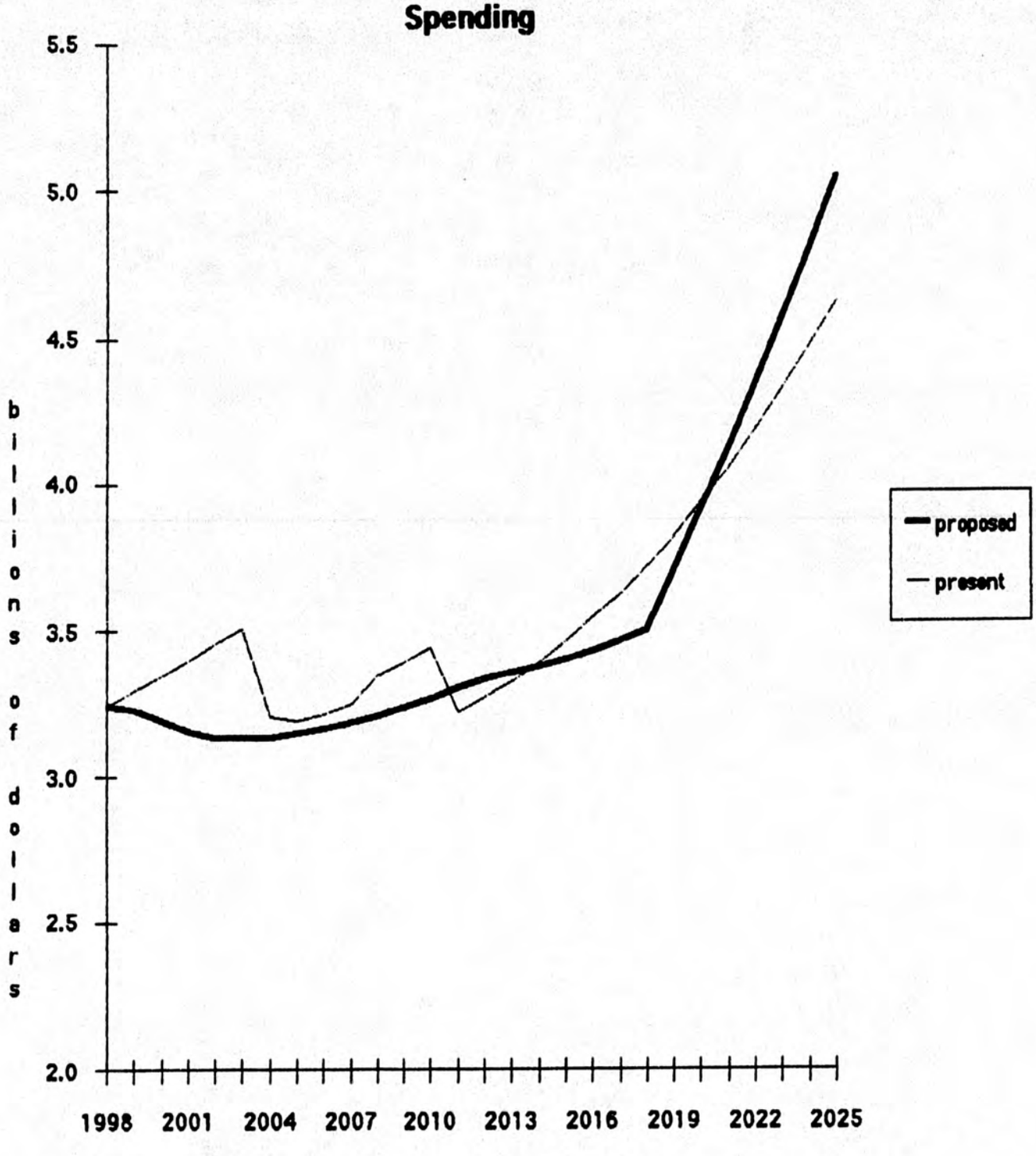


Present and Proposed Systems of State Spending



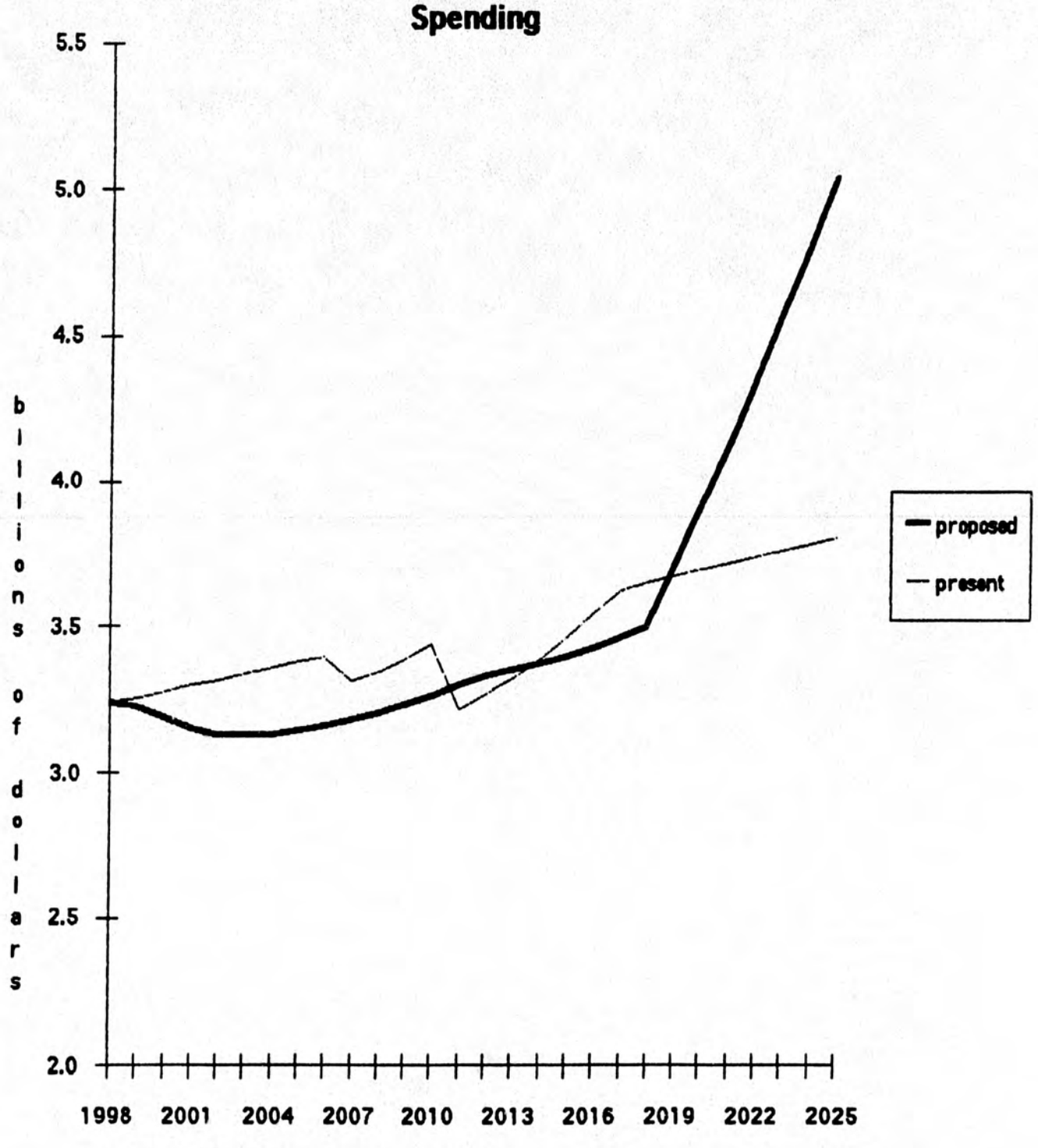
Yearly expense reduction under present system: 3.0%

Present and Proposed Systems of State Spending



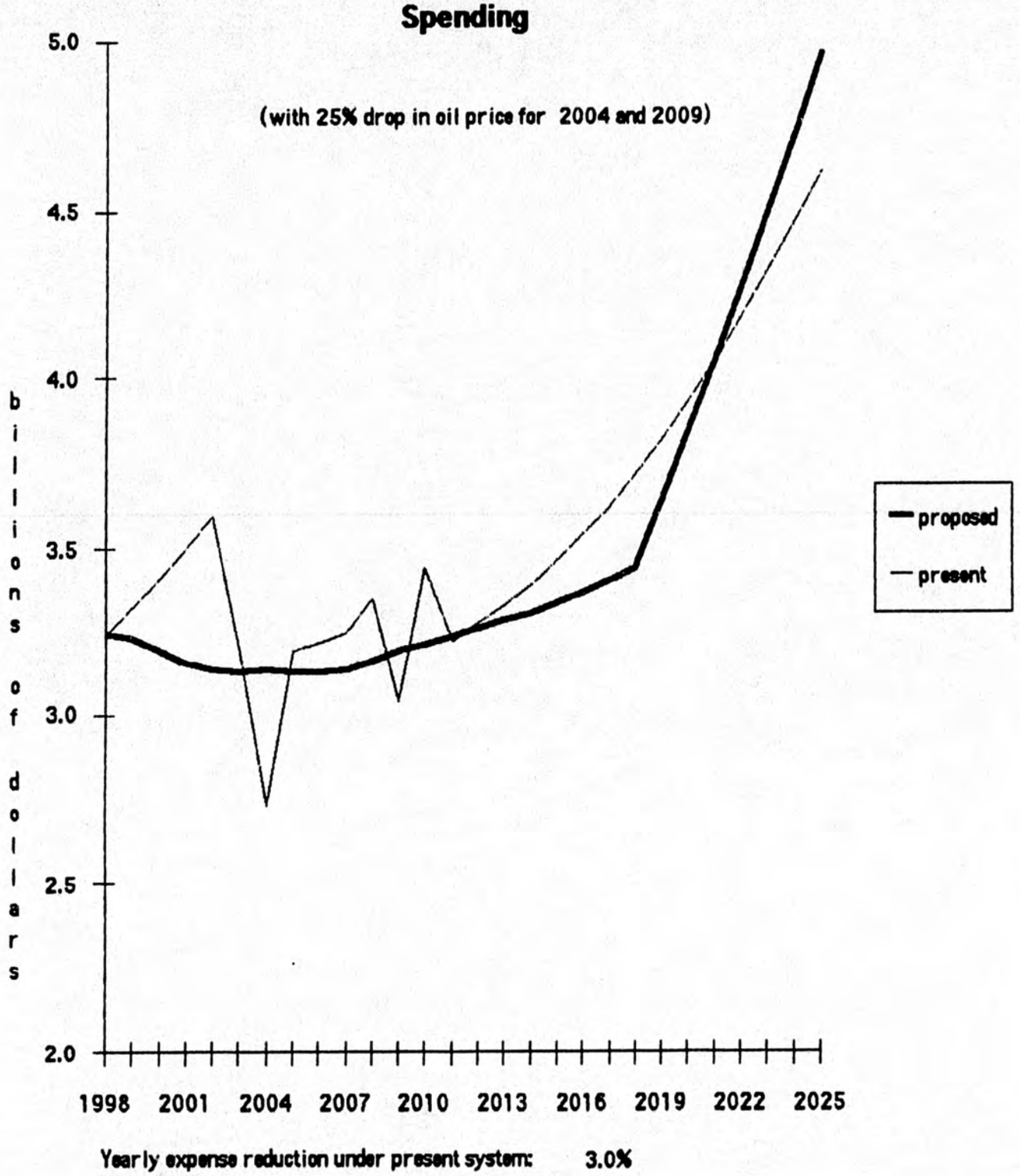
Yearly expense reduction under present system: 4.0%

Present and Proposed Systems of State Spending

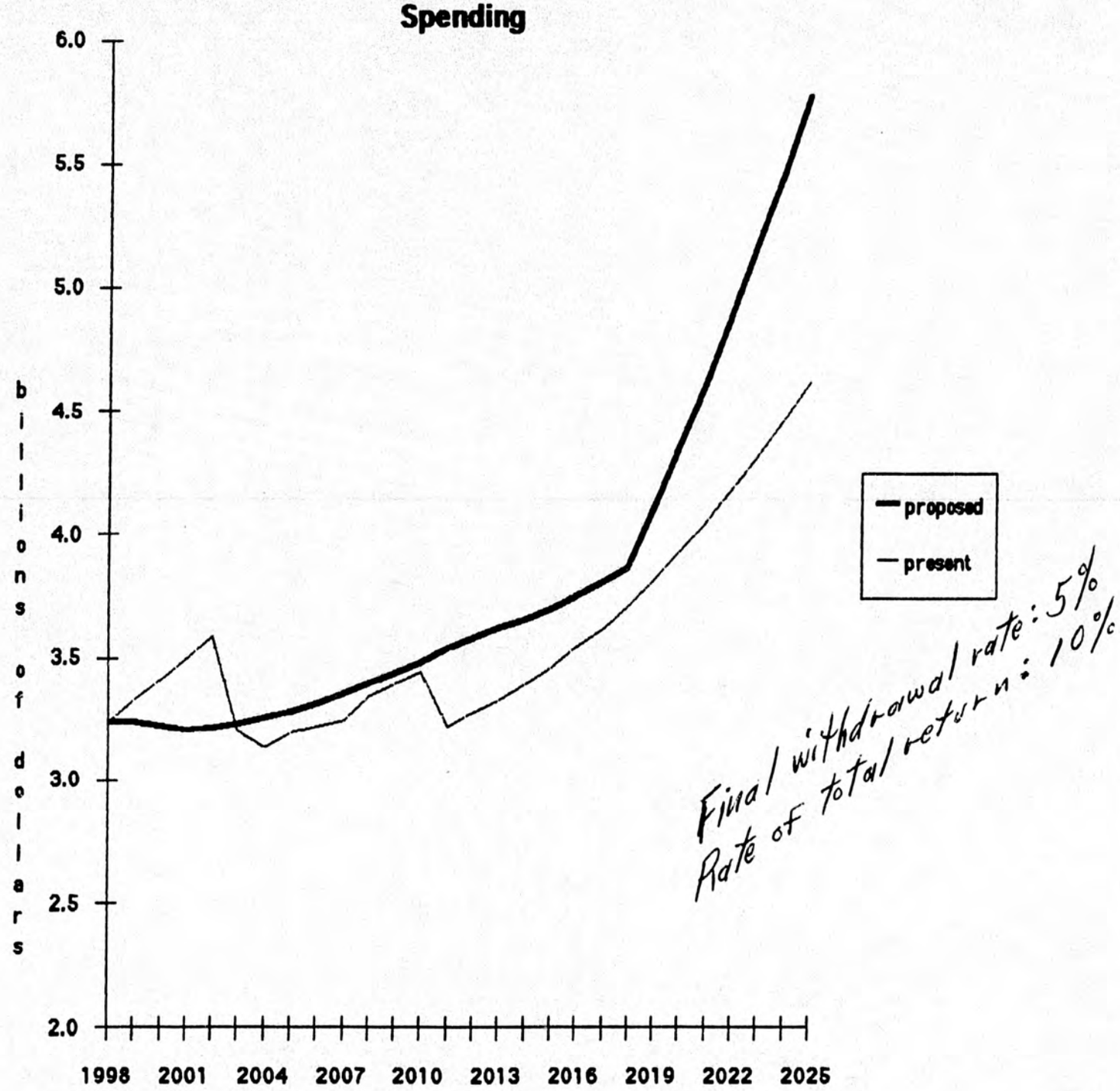


Yearly expense reduction under present system: 5.0%

Present and Proposed Systems of State Spending



Present and Proposed Systems of State Spending



Yearly expense reduction under present system: 3.0

FAX MEMORANDUM

TO:

Post-it™ brand fax transmittal memo 7671 | # of pages ▸ 1

To	From
Brian Rogers & Judy Brady	Mary Marshburn
Co.	Co.
Dept. c/o Brad Pierce	Oil & Gas Policy
Fax # OMB 465-3008	Phone # 562-2728
	Fax # 562-0048

FROM: Mary Marshburn, Project Coordinator, Oil and Gas Policy Council, Dept. Of Commerce & Economic Development

DATE: August 21, 1995

SUBJ: A. D. Little Petroleum Fiscal Study Presentation

On June 28, 1995, the Oil and Gas Policy Council commissioned a study by A. D. Little/John Gault to assist the Council in assessing measures that could enhance the international competitiveness of the investment climate in Alaska for oil and gas exploration, development and production for existing marginal and undiscovered fields. John Gault will present the findings to the Council at its meeting of September 7, 1995.

The Council thought that someone from your organization might wish to attend and listen to the presentation either at the meeting or a teleconference site. The meeting will be held at the APUC conference room 305, 1016 W. 6th Avenue, Anchorage. The presentation is scheduled to begin at 10:15 a.m. and last approximately two hours. It will also be teleconferenced to the LIO sites in Anchorage, Juneau, Fairbanks and Kenai. In Barrow it will be the North Slope Borough's teleconference site in the ASRC Building.

Seating in the APUC conference room is limited and you may wish to attend at an LIO teleconference site.

Invitation to attend Oil & Gas Policy Council presentation Sept 7

LEGISLATIVE TELECONFERENCE NETWORK

SIGN-IN SHEET

SPONSOR: Long Range Financial Planning

SUBJECT: _____

START/END TIME: _____ **DATE:** _____

PLEASE PRINT

	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	Ron Hammett, AARP	3512 Stanford Dr, Anch	99508	279-2329		✓	
2.	Charles E. McKee	P.O. Box 14345 ½	99514		✓		
3.	JAY HAMMOND	Port Alsworth, AK	99653	345-0835	✓		
4.	Eric F. Myers ~~Director(s)~~ ~~Legal Services~~ (by phone)	Anchorage, Alaska	99517	248-3366	✓		
5.	Jairo Sueanor (on-line)				✓		
6.	Donald N. Anderson	Anchorage	99507	561-2467	✓		
7.	Kym Swift	Big Lake		2767648	✓		
8.							
9.							
10.							
11.							
12.							
13.							
14.							
15.							

STATE OF ALASKA
LONG RANGE FINANCIAL PLANNING COMMISSION
716 West Fourth Avenue, Anchorage, Alaska 99501
Phone: (907)258-8165, Fax (907)258-9869
Internet: LRFPC%legis@state.ak.us
Staff: Melissa Aber Fouse
Bob Walsh

AGENDA

Regular Meeting

Friday , 25 August 8:30 AM to 5:00 PM

8:30AM - 9:30AM	Commissioner Will Condon re: Revenues & Debt
9:30AM - 10:30PM	Duane Guiley, Director School Finance Division, Department of Education-School Financing, Foundation Formula Funding, Disparity Test
10:30AM-12:30PM	Work Sessions on Alternatives
12:30AM-1:30 PM	Lunch
1:30 PM - 5:00PM	Work Sessions on Alternatives

Saturday , 26 August 8:30 AM to 4:30 PM

8:30AM-9:00 AM	Subcommittee Report-Intergovernmental Affairs
9:00AM-11:00PM	Municipal League & Conference of Mayors Teleconference from Barrow
11:00AM-12:00PM	Public Testimony
12:00PM 1:00PM	Lunch
1:00PM - 4:00PM	Work Session on Alternatives
4:00PM -4:30PM	Discuss Public Hearings

e of **The Times**

tate's spending appetite outgrows income

his is the second in a series of excerpts the report issued by the 15-member ka Long-Range Financial Planning mission, which is examining the 's fiscal gap.

he commission used FY79 as a ting point because it was the first year of petroleum revenues from S and the last state budget pre- ed before the tripling of state oil nues.

laska's population has grown 52 ent since 1979. Unlike other states, state's revenues do not grow as pop- ion grows. While the overall budget grown, real per capita spending is at same level as it was in 1979.

rojections for future years show that biggest areas of spending growth be formula grants to individuals, ps, and schools, and the corrections criminal justice budgets.

Excluding Permanent Fund Divi- ds, Alaska today spends more than e as much per capita as the national rage.

art of this might be due to Alaska's and geographic isolation from other es. Because of the wealth of the e in the early 1980s, Alaskans came xpect a higher level of services.

dditionally, Alaska performs many ices at the state level that are pro- ed by counties or municipalities in r states. Education, criminal prose- on, correctional facilities and road ntenance are primarily state-provid- n Alaska, while these services are lo- n other jurisdictions. Some expendi- s like the Longevity Bonus and Per- nent Fund Dividends are unique to ska.

low much revenue does the state of ska receive?

t will receive $3.2 billion in general d revenues and Permanent Fund nings during FY96. We will receive 5 billion from petroleum revenues, 2 billion from Permanent Fund in- e (including the $441 million re- ved for inflation-proofing), and $480 lion from other sources.

n addition to the $3.2 billion dollars general fund and Permanent Fund enue, the state also receives and ex- ds federal funds and other funds de- d from revenue generating activities. The major sources of revenue to the e are oil and gas rents, royalties and uses, oil and gas properties tax, sev- nce taxes and corporate income taxes.



The state has a number of small sources of revenue, generally excise taxes or charges and fees for service that annually generate approximately $125 million. These revenues are paid into the general fund.

Other revenues, such as interest on the Four-Dam Pool and the Railbelt Energy Fund, which funds the Power Cost Equalization Program, and repayments on mortgages received by the Alaska Housing Finance Corp. are not considered part of general fund revenues.

The constitution directs the earnings of the Alaska Permanent Fund to be deposited into the general fund unless otherwise provided by law. The Legislature has not treated those earnings as available for appropriation in the same sense as tax receipts, and the earnings remain in the reserve account until appropriated for dividends or inflation-proofing.

Additionally, Alaska is fortunate to have more than $3 billion in cash reserve funds. These substantial reserves constitute one of the primary fiscal tools the state can, and has, used to temporarily fill the fiscal gap. However, these large reserve balances also have a negative side, in that the use of these reserves can delay for several more years the difficult actions necessary to close the fiscal gap, with the potential for suddenly magnifying the state's fiscal and economic problems when the reserves finally are exhausted.

Any choice made to address the fiscal gap will have an adverse impact on Alaska's economy. Failure to make fiscal choices now, however, will have a worse impact on Alaska's economy when reserves run out.

For each $100 million per year removed from Alaska's economy, the gross economic effect is similar, whether it's $100 million less in state spending, $100 million less in Permanent Fund Dividends distributed to Alaskans or $100 million more collected in taxes and user fees from Alaskans.

For any one family or region of the state, the choice could make a big difference. The effects of the options can also be differentiated by income level. Reimposing a state income tax hits upper income residents higher than lower income residents; reductions to the Permanent Fund dividends are proportionally greater on lower income residents.

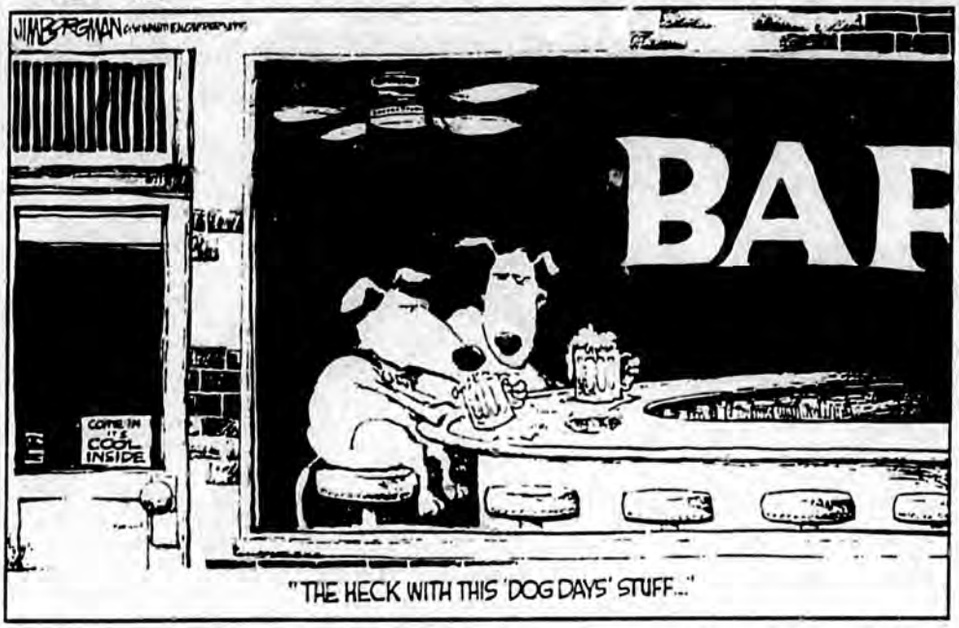
Next: Cutting government spending will hurt.

ne (907) — Fradley 264-8791 — Jenkins 264-8792 — Tobin 264-8793 — FAX 264-8794 — e-mail AnchTimes@corcom.com

ce of **The Times**

Alaska's fiscal gap: It's real and growing

The 15-member Long-Range Financial Planning Commission appointed earlier this year by the governor and Legislature to recommend a fiscal plan for Alaska issued a 50-page, preliminary report earlier this month. This is the first in a series of excerpts from that report.



The state of Alaska spends more than it takes in each year, and has done so for six of the past nine years.

This year, the commission estimates the state will spend $513 million more than it takes in — this is the fiscal gap. Over the next 10 years, this gap will grow. Based on assumptions adopted by the commission, it will grow to over $1.3 billion a year by the year 2000 unless the state takes corrective action.

State spending has been reduced by 5 percent per year for the past five years (in inflation adjusted terms). The Legislature, the governor and state agencies are working to close the gap by cutting expenditures and holding the line on the growth of expenditures.

Efforts to date have not been enough to offset the decline in revenues. However, without this steady attention to reducing expenditures, the gap could soon have forced drastic reductions in services and programs, loss of the Permanent Fund, or significant new taxes.

Alaska has significant oil reserves and a growing Permanent Fund. We have a Constitutional Budget Reserve fund established to minimize the effect of declining revenues, but that fund and other savings accounts are being spent at a rapid rate. The Constitutional Budget Reserve will be exhausted in five years if we do nothing. Other reserves will be depleted shortly thereafter.

There are two primary reasons for the fiscal gap. First, Alaska bases its budget on non-sustainable revenue sources. We count on reserves to fund a budget larger than we can afford in the long term. Second, there is a rapid decline in Prudhoe Bay oil production. The state of Alaska depends upon oil and gas revenues for half its income (80 percent if we exclude Permanent Fund earnings). The decline in production brings a decline in state revenues.

Alaskans have known all along that oil revenues were finite. North Slope oil production rates started falling in 1991 and will continue to do so until the fields are no longer economical to produce. Potential new fields are unlikely to replace the loss in production from the North Slope.

The volatility of Alaska's revenues complicates the fiscal gap by creating fiscal instability. Fiscal instability is the roller coaster ride caused by unpredictable oil price fluctuations (from a low of $8 per barrel to a high of $32 per barrel in the past 15 years), and the resulting ups and downs in expected state revenue flows. At today's oil production rates, each $1 per barrel change in oil prices causes a $120 million shift in state revenues.

The twin trends of declining revenues due to diminishing production and increasing expenditures due to rapid growth of population combine to increase our fiscal problems each year in the foreseeable future.

The "moving target" aspect of the fiscal gap problem makes it more difficult to fix, because we don't know how large the gap may actually turn out to be, or how much time we have to fix it.

What can be done to close the fiscal gap? The commission is considering six categories of fiscal choices, some or all of which can be used in combination:

- Cut spending.
- Use reserves and other state assets.
- Raise revenues through economic development.
- Raise taxes and user fees.
- Use Permanent Fund income.
- Increase oil production from new or existing fields.

Each of these fiscal choices has an effect on Alaska's economy and on the lives of the people of Alaska. The effects can vary, by region of the state, by income level, or by the kind of business in which a person works.

The commission at this time is not endorsing any specific recommendations, but expects to make its recommendations from among the choice that are being presented, supplemented by any ideas which come out in public hearings.

The commission is interested in public comment on the issues raised in this report. You can contact the commission at:

State of Alaska
Long-Range Financial Planning Commission
716 W. 4th Ave.
Anchorage, AK 99501

The electronic mail address is:
LRFPC%legis@state.ak.us

The commission will hear public comment during the following hearings:

Sept. 11 for Interior/North
Sept. 12 for Southcentral
Sept. 13 for Anchorage
Sept. 14 for Southeast

All hearings begin at 7 p.m. and will be held at the Legislative Information Office Conference Room at 716 W. 4th Ave. and teleconferenced to other LIO sites.

The commission will also hear from the public during its regular meetings at the Anchorage LIO on Aug. 26, Sept. 16 and Sept. 30. These meetings begin at 11 a.m.

Commissioners want to know which fiscal choices are preferable to others, and why. They believe that in order to close the fiscal gap, Alaska will have to use portions of several choices, and they want to know if Alaskans have suggestions on timing of these fiscal choices — what should come first, and why?

Next, spending habits and revenue flow.

The Anchorage Times

Publisher: **BILL J. ALLEN**

"Believing in Alaskans, putting Alaska first"

Editors: DENNIS FRADLEY, PAUL JENKINS, WILLIAM J. TOBIN

The Anchorage Times Commentary in this segment of the *Anchorage Daily News* does not represent the views of the *Daily News*. It is written and published under an agreement with former owners of *The Times*, in the interests of preserving a diversity of viewpoints in the community.

Generation gap

ACCORDING TO the Alaska Department of Labor, some 606,000 people now call Alaska home. That's up about 12 percent from the 540,000 who lived here 10 years ago. It's a respectable increase. A closer look, however, indicates Alaska may have some problems.

While the overall population has grown, it has shrunk for certain age groups. There are fewer young adults between the ages of 18 and 34 living here today than there were a decade ago. Their number has decreased by almost 10 percent.

Thousands of young men and women — beginning their careers, starting their families — apparently have moved out to seek their fortune and life's challenges elsewhere. The only other age group that has decreased, it follows, are babies. Their number is about 4 percent less today.

At the other end of the age spectrum, the story is the reverse. Senior citizens, 65 and older, have grown in number by 60 percent. They are by far the fastest growing segment of Alaska's population.

Middle-age and pre-retirement-age adults, ages 35 to 64, have increased in number, too — by some 36 percent.

Other population statistics that warrant concern include a substantial increase in the number of public welfare recipients. The number of residents receiving aid to families with dependent children has more than doubled since 1985. So have food stamp recipients and individuals receiving adult public assistance.

Are there reasons why certain age groups are finding the state unattractive and are leaving, while others come to a different conclusion? Are state fiscal policies causing this situation to occur? These are questions Alaskans should be asking.

There were valid reasons why the state enacted laws to reward its pioneers and provide such things as ample retirement packages for long-term, government employees, the Longevity Bonus program and personal property tax exemptions.

At the same time, back when the state believed it had unending oil wealth, it established generous public assistance programs that provide recipients more than double than what is provided in Washington and other states. Can we still afford to do this?

Today, Alaska faces a fiscal crisis. The state spends a half-billion dollars more each year than it receives in revenues. Some people suggest we enact an income tax or an employment tax to give the state more money to spend.

Think about it. Wouldn't that cause more young families to move out of the state? Doesn't it make better sense to cut the level of state spending, reduce the amount of state payments to individuals and groups, and instead stimulate the economy to produce new job opportunities and put more people to work?

We believe so.

Alberta shops for pointers in using oil cash

By LISA SCAGLIOTTI
Daily News business reporter

■ **DEFICITS:** Albertans can sympathize with their brethren in Juneau. **B-1**

Twenty years ago, a government flush with oil money decided to create a special fund to act as a savings account and improve the quality of life for its citizens.

That government was not Alaska, and the fund was not the Permanent Fund. Instead, it was Alberta, the province just east of British Columbia. Over the years, Alberta's Heritage Savings Trust Fund invested — sometimes badly — in its own economy and financed government services.

Today, the $8.4 billion (U.S.) fund is stagnating, losing value to inflation. Albertans are rethinking its management with an eye toward making it more of a traditional investment fund with income that will grow each year.

"Frankly, I think we took the wrong turn," said Jim Dinning, Alberta's provincial treasurer, who is the Heritage Fund's top manager. Dinning visited Alaska this week.

Like Alaska, Alberta's economy de-

Please see Back Page, FUND

FUND: Alberta has second thoughts

Continued from Page A-1

pends heavily on natural resources, particularly oil and gas development and production. Like Alaska, Alberta set up a special oil-wealth savings account in 1976.

But the two funds followed very different paths.

Alaska started on a conservative investment track with most of its money in bonds. Within a few years, it gained a fierce following among Alaskans as it began doling out annual dividend checks to every qualified resident. Even during the darkest years of the late-'80s recession, the state continued to deposit a portion of its oil royalties into the fund.

The Heritage Fund followed a different tack. Alberta began by putting 30 percent of its oil wealth into the account. The money was invested in cash, stocks and loans to other Canadian governments. It also helped pay for Alberta construction projects in a disastrous wave of '80s economic development.

"We wanted to be economic engineers. We got into forestry. We got into a magnesium plant," Dinning said. "We got into cellular phones and we even got into a meat packing plant — and we lost our shirts!"

While Alaskans debated whether to invest their Permanent Fund in Alaska business ventures, the fund steered almost completely clear of in-state projects, said Dave Rose, former Permanent Fund Corp. executive director.

"We didn't engage in province-building as you did," Rose told Dinning. Rose and a handful of Alaska officials met with Dinning this week.

Alberta also wasn't diligent about its deposits to the Heritage Fund. By 1986, as oil prices crashed, the government quit adding to the fund. Since then, the Heritage Fund balance has hovered around $8.4 billion, generating annual income of about $700 million, which is put directly into the province's general budget to pay for government services.

Today, Alberta leaders have sworn off economic development through the Heritage Fund. The goal now is to create a more independent fund that — as the provincial government improves its financial situation — will no longer have to contribute $700 million annually to the budget.

After a series of public meetings, Alberta's provincial legislature this spring accepted recommendations about the Heritage Fund that included: Establishing an independent board of directors; setting specific goals; requiring annual public reports on the fund's progress; and involving private-sector investment managers.

In Alaska this week, Dinning sought pointers from past and present managers of the $13 billion Alaska Permanent Fund.

They stressed the need to shelter the fund's board from politics and to add to the fund each year to offset inflation. They discussed the Alaska fund's mix of investments, which in recent years have shifted to add more higher-risk stocks. They pointed out that state law requires the Permanent Fund to invest in money-making ventures.

And the Alaska officials explained that the annual dividend payout has created a strong and loyal public constituency for the Permanent Fund. It keeps the public interested in the fund and requires its managers to be open about their decisions. "The dividend was designed to protect the fund," Rose said.

Will Dinning recommend a dividend system for Alberta's fund? "It has appeal," he said. "It's not part of the public debate yet, but it is an idea we could consider."

August 23, 1995

State of Alaska
Long-Range Fin. Plan. Comm.
716 W. 4th Ave.
Anchorage, AK 99501

Having read the invitation to comment on the issues regarding the budget problem in the "Voice of The Times" this morning, I would like to offer the following:

1. As far as I know, Alaska is the only state in the union that pays its residents to live there.

2. Paying people for doing nothing encourages them to do more of nothing.

3. Creation of the dividend distribution has made people feel entitled to, and dependent on the money.

4. Immediately upon distribution, the federal income tax liability extracts a significant amount of the distribution from the state economy.

5. With the inevitable demise of the airline programs that multiply the value of the distributions, the dividends will lose a significant amount of their value to those who have purchased tickets with them in the past.

6. It is arguably foolish to distribute money in the form of dividends, and then collect it in the form of income taxes--creating two bureaucracy to eat up the state's limited resources.

7. If people leave the state of Alaska because the dividend is eliminated, it will help to reduce the cost of state government.

8. If people are here only because of the dividend, maybe they should leave, anyway.

9. Politicians created the problem; they should now be willing to suffer the consequences of correcting the problem.

10. Did the Alaska permanent fund dividend help to entice the giant retailers to the state, helping

to destroy some of the small, independent merchants? (Bankruptcies in Alaska up 144% May, 1995 from May, 1994).

11. Have individuals and families used permanent fund income to obtain long term financing, and now must face the real possibility of that income either disappearing or shrinking drastically?

12. It would be a hardship for many families to lose the entire pfd at one time, so why don't we begin to wean ourselves of it now, and quit counting on it in planning our future budgets?

13. A politician gets elected by promising the people what they want to hear. A statesman does what is prudent and responsible, and lets the chips fall where they may.

14. Should the State of Alaska, with projected deficits ranging from $513 million to $1.3 billion be giving away money???

I realize that recommending elimination of the pfd will not be popular with the voters in the short run, and will not resolve the deficit completely. It seems to me, however, that it is the only rational place to start.

Good luck!

Sincerely,

Richard E. Barrett

Richard E. Barrett
100 Bunnell, #3A
Anchorage, AK 99508

ASSOCIATION OF ALASKA SCHOOL BOARDS

316 West 11th Street, Juneau, Alaska 99801-1510 • Tel. (907) 586-1083 • Fax (907) 586-2995

Advocates for Alaska's Youth

August 3, 1995

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NATURAL RESOURCES
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SEALASKA CORP.

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Bob Loescher
Vice President
Sealaska Corp.
1 Sealaska Plaza
Juneau, Alaska 99801

Dear Bob:

I've collected some thoughts since our discussion on the activities of the Long Range Fiscal Planning Commission. I'd like to share some information with you.

It is estimated that education and education-related funding (including school construction and postsecondary education costs) account for close to $1 billion of Alaska's $2.4 billion state operating budget. For many Alaska communities, the school district is the largest employer. Therefore, any reduction of the cost of state government inevitably will affect the state's current commitment to education.

Education is labor-intensive. Roughly 80-85% of school district funds are expended on school employee salaries and benefits. It should be reasonable to assume that cuts in education funding would dictate cuts in personnel costs, but salaries, benefits and certain working conditions are negotiated under a plethora of state laws and regulations which severely limit boards' ability to effect economies in this area. In 1992 noted education authority William Banach told a group of Alaska school board members that, in reality, only 3% or 4% of the budget is discretionary. The rest is locked up in contractual obligations and state/federal mandates.

For nearly a decade the Association of Alaska School Boards, anticipating declining revenues, has called for regulatory and legislative relief which would allow cost containment while preserving the quality of education. Last year HB 217, an education improvement bill designed to accomplish that, passed the Alaska Legislature but was vetoed by Gov. Knowles. Since then, the governor has indicated his willingness to work on a similar measure.

Today, Alaska's school boards cannot layoff teachers when revenues decline. Current tenure laws virtually guarantee lifetime employment to teachers regardless of performance in the classroom or financial constraints. School budgets are driven by the negotiations process and state law, as much or more than by student needs. Legislative remedies similar to HB 217, and others, are essential if the education community is to do its part to help bridge the fiscal gap without substantially diminishing the quality of Alaska's educational system.

We need to examine strategies at the state and local level that will identify 1) the elimination of programs we can't afford to provide, 2) cost containment measures that will make the programs we must continue more economically feasible, and 3) new sources of revenue generation. As the state considers its responsibility to education and the possibility of passing more of that responsibility to the local level, there needs to be some serious discussion regarding local fiscal autonomy.

The state level discussion of economic development is a long range solution and does not address the immediate problem–the fiscal gap. We need to address taxes as a means of revenue generation that will address both short term and long term problems, with an eye to utilizing that revenue appropriately, not simply for the preservation of state government as we know it now.

Enclosed are a number of AASB publications and articles I think you will find interesting.

• **Press release for Annual Teacher Salary & Benefits Report '95, AASB, Report summary page, and Salary Information page. (Entire report enclosed)**
Although school boards are trying to hold the line on expenditures, employee unions push for raises that address the rising cost of living or better. Salary increases have averaged 5% per year statewide. Keep in mind that as the student population has increased, the number of teachers has increased, adding to overall costs.

Although AASB reports the *average* teacher salary, this can be misleading. It appears somewhat stagnant due to retirement incentive programs (RIP's) which retire high end teachers and replaces them with less experienced, less expensive educators, but, again, the growing number of teachers have added to the overall personnel costs in salary and benefits.

• **Press release for Administrator Salary & Benefits Report '95, AASB, Report summary page. (Entire report enclosed)**
This information shows a decrease in the 1995 average superintendent salary. The press release also mentions a reduced number of administrators. This reflects an ongoing attempt by boards to reduce operating costs.

• **Classified Salary & Benefits Report '95, AASB**
This category of employees have generally been the primary target of cuts in terms of numbers. However, they are becoming increasingly more unionized which further reduces school boards' ability to contain costs in this area.

• **Labor Relations Update, May 1995, AASB**
This insert appeared in the May issue of the monthly AASB newsletter *Commentary*. It gives a description of our position on HB 217, and outlines our concern with (1) improving the quality of instruction (2) our attempt to hold costs in line with revenues and (3) fairness to employees.

• **"In tenure debate, what about kids' security?" Guest editorial by Carl Rose, AASB** *Anchorage Times, Juneau Empire, Fairbanks Daily News-Miner, Ketchikan Daily News*
This article is an example of how public perception affects education. It was written in response to media coverage generally condeming tenure reform without having a grasp of the issues involved. It is an example of what school boards, as elected officials who are accountable to the public at election time, face when seeking change within the education establishment.

I am currently involved in a series of discussions with our Board of Directors on issues surrounding the state's fiscal gap in order to formulate recommendations for the Commission to consider.

It was good talking with you. I look forward to more of the same.

Sincerely,

Carl

Carl Rose,
Executive Director

Enclosures in Commission Office.

Fax: 907-345-3799 — 5 pages including this cover sheet.

To: Dan Seamount, Chairman
From: Ray Christenson
Re: Subsistence Issues
CC: Bob Penney, Ken Taylor, Bob Wolfe, Mike Fleagle, Vince Mathis, Jim Caulfield, Bill Knauer, Jim Fall, Jim Hall, Jim Kowalsky, Jim Stratton, Jim Cook, Jim Hall, Jim Kowalsky, Jim Stratton, Jim Cook

Dear Dan,

Enclosed please find a letter to Steve Cohen from Bob Penney regarding the Federal Subsistence Board's proposed regulations for the Kenai River drainage. Bob Penney has been a long-time friend of mine and I have worked with him on many issues. Bob is a very reasonable man and I believe his letter to Steve Cohen is very reasonable. Bob Penney has been a long-time friend of mine and I have worked with him on many issues. Bob is a very reasonable man and I believe his letter to Steve Cohen is very reasonable.

Sincerely,

Ray Christenson

Ray M. Christenson
P.O. Box 141814
Anchorage, Alaska
99514-1814

ANCHORAGE AK 995
PM
23 AUG
1995

Myers Hall

State of Alaska
S.U.B.S.I.S.T.E.N.C.E. Commission
716 W. 4th Avenue
Anchorage, Alaska
99501

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1. To Marie: Telly Martin Stuff. PER DIEM FOCUS

25 Aug 95

6:30

London:

Debt capacity $100M per yr

Stf feels commission can contribute to stability and increase debt ceiling reliability

CAPITAL budgeting using debt good because reserves are used that could be invested

TAXES MATH OK:

EFFECTS: WHO PAYS

~~Others~~ OR economy AS A WHOLE

$13B economy today

GAP not only govt but total economy

1. New $: · ER of perm fund
· economic development i.e. new oil fields
· inc taxes on resources
· leaving the state

ADD EFFECT 10. # of jobs

I Net effect of $100M out of economy = 1200 jobs (LOOK AT ISER REPORT)

DOR fall FORECAST: PRICE SAME
production lower
will incl. export ban

OVER 5 YRS
$500-600 COUNT ON OVER NEXT 5 YRS
(OUR BASE CASE INCL $150/YR yr)

VIDEOCONFERENCING WILL BE RUN THROUGH UNIV. NETWORK @ $150 HR. SHOULD BE ON-LINE by September.

WHEN I ASKED THEM TO HAVE HIM ADD DEBT TO HIS PRESENTATION, THEY SAID HE DIDN'T HAVE A DEBT PRESENTATION READY

★ DoR chair combined income + sales

★ Mary (DOR) – import bond fuel impact
• Brian – national median maine motor fuel > PERKINS @ DOT
★ convert "# removed from economy" to $ 300M change
A-30 "JOBS LOST IN THE ECONOMY"
★ CALL Scott Goldsmith

★ ISSUES ie: O+G TAX
LOCAL GOVT (50%)
ANY NEW CAPITAL

Duane Gulley
• area differentiae determined by study 82, 83 / updated 1988
Mandatory Bolos cost $35M in edfunding

★ Assessed wealth:

Gorsuch Plan
• GOALS
• Principles
• PLAN
• POLICIES
- const
- statutory
• Procedures
• Schedule (?)
short
+
readable

After lunch

what do after Oct 1?
Governor: meet formally w/ legislature
~~BADY~~
Special session
Nordale: runaway
McConnell: public education effort
Gorsuch: thinks people can go forth as individuals after REPORT published

Pourchot
Summarize resolution + response

Nordale
* Preliminary report appendix to final *

Rogers
local govt relationships

Rieker

McConnell: lots of plans owned work
but implementation is critical

drafting

How many recommendations to legislature?

Pourchot: draft resolution

* look for local govt FF report

~~Duane Cooley is here on~~
~~annual leave~~

Scott Goldsmith coming tomorrow

Brians Friday plan:

1. Cut Spending
   - Annual expenditure goal 10 yrs.
   - Specific cuts ea yr (goal)

GORSUCH: DONT HIT ECONOMY TOO HARD
Net economic growth
AMOUNT OF PERFORMANCE OF PF

Motley:

PROBLEM: What about bad yr - SB51

☆ · SAT
Adopt consensus CoR on PF
CHECK BASE CASE → ASK BRAD RE: ASSUMPTION 4.79 CoR

CIEGLER: Can fix CBR, 3/4 invade after

A Mc: TESTS:
Natural Disaster
Fed Budget Cuts
PF Inv. Policies
Repay reserves

- Big increase decrease in revenues
- mild course corrections

Principles
- Preserve PFC
- Capitalize Reserves
- use of EBA
- Stabilization
- share pain
- balanced + sustainable budget

MNBR Report
2 plans ie. Cremo / Not Cremo

JB: Murder Committee
. invite economists to discuss plans.

9:30 AHL BOARD + CONFERENCE of Mayors. 26 Aug 95 (1)

Jerome Selby: review report
pts to consider - Appreciation
1. Recognize gap exists
2. Some options appear viable. plz don't disrupt sources of municipal taxes.
3. Willing to work for services/answers
4. Don't shift burdens to munis
5. Priorities do exist, unclear what those are in report
6. Coop. transfer of programs, coordination/consolidation of funds
7. Analyze impacts on local govt / work closely + provide feedback

McDade: muni studies/state vs. local srcs
Pinchot: . what traditional 1. property tax, 2. sales tax (mixed feelings)
. donut tail local + state sales tax? JS: No

Loescher: any policy papers to the commission?
J. Selby: if commission wants, they will do.
* FORMAL REQUEST *
Loescher: short timeframe
federal transferance of programs? How do you see discussion re: both fed + state transfers?
Selby: also need to discuss funding transfers, want assurance of stable funding base

(2) 26 Aug 95

LOESCHER: * Need list of programs ~~possibly~~ possible to transfer *

- what ~~they~~ thinking in area of consolidation, services, etc.

Brady: School vs muni tension

Selby: education responsibility of the state

Rogers: were looking for specifics

i.e.

Class 3 roads

1. inc fuel tax to nat'l median dedicate to maint. up $ → munis (1600 per mile)

JS · conceptually on same track

Rogers JS OK plz recommend

2. Repeal SEC 12 exp. + make voluntary

3. Bridges 20 mill tax (orig 50/50/split) concerns. i.e. split not exceed on future properties. means $ to STATE.

JS not looking at current revenues/taxes

4. Would like specifics re: transfers, coordination, consolidations.

JS Analysis eliminate PF on welfare + public assistance

M. Nordale:

McConnell tax - dedication/ accountability → ? OK

YES, LEGISLATURE RELUCTANT

McConnell: implementation of fiscal plan needs support

Rogers: If $ removed fm local govt, where would you cut first. Reductions least unpalatable?

Rasmussen: already experienced cuts

Lynn? Kenai: please no unfunded mandates

Nordale: what about termination of programs?

Lupkeman: decr tax exemption / 40 hr wk

Navarre: $22m to go to 40 hr wk week

Golsuch: 1. measure str/loc. gov against AK ok?
2. using capacity correctly?
3. Can we get info fm mini league?

Marie Stanton: ok

Rossberg Hagerig fm Delaware
- Needs discussion re: state + local govt to fed govt.
- potential for impacts on local govt when federal budget passed.

Nordale:
- Need list of possible federal impacts

Gonzales: Dendti Boco
- * Follow through on final report *
- willing to meet w commission

Allard Pres Citgo Bartow
- city operates on local taxes + revenue sharing
- concerned about municipal govts dissolving
- where did the fiscal gap fm stem from since they live in the third world

Dont cut dividends meawide
look at 4 dam pool + cruise ship tax

Marie Stanton:
1. Need to look at enhancing revenues
2. Municipalities diverse

Buckland:
1. Depends on subsistence + permanent fund.

Joe Public Hammond:
dividend check-off list (all nog not const, mandated)
ie. Lamer
PCE
ALB: return to original intent

Charles McKee?
Fiscal gap - problem w salmon industry.
no regulatory process to prevent unethical practices by realtors + real estate agents

---

ERIC MEYERS
Tobacco Tax Revenues/
- FAIR (ie USE FEE)
- SIGNIFICANT revenue
AK 1991 - 12¢M direct + indirect costs
- OTHER STATES WA @ 81.5¢/pack
82.5 ¢ 1996

Pouchot Creek dollar amounts
ie. total vs. incremental and demand
5¢? 4¢ lessening 4%

Look at 2nd + 3rd

David Sweanor?
OTHER 40% ↓ massive
60% ↓ declines

Below average of OTHER States esp w coupled w sales taxes

! FAILURE TO INITIATE?
DON'T START

BC: 2nd TAX (provincial)
Alberta: 87 = 2nd 91 - 3 1.40 (provincial tax)
• much political supporters

Donald Anderson: • recovery # diff programs
ie. charge tuition for public school
• imposing taxes + fees
PP cost 5% to administer taxes
cost # tied to enforce / collect.
• magnet programs (ie. returns) and those should be looked at first for elimination.

☆ RAW FISH TAX - DOUBLED, 1/2 of orig back to munis (# new total)
Check ☆USE38.05☆ MAKE TO LOOKAT → POLICY ANAYSIS RE FISH TAX NY
☆ Road - incremental difference highway motor ☆LANDING
fuel tax ☆
✓ DOR

– NOTE STATUTE, ETC + SOURCE

☆ ON TABLE: LIQUOR DISPENSARY LICENSES

RUN FIGURES OUT TO 2010

SCHOOL TAX - ON HOLD

SHOW PFBALANCE + EARNINGS RESERVE

OTHER FUNDS:

DISCUSSION

RISKR: DONT affect gap

DEBTSVC: LEVEL OR DECREASE

MOTOR FUELS TAX: use to close gap or use for maintenance

BASE CASES

- List of commonalities
- footnote differences/reason + philosophy
- total

☆ DO BY MON

TELECONF w/ chores assignments

- 20th 13th EAGLE RIVER COC MIKE Navarre will do

Navarre: Sept 30th Kenai Chamber Beady + O'Conner

PR Include DOR "WHY WE HAVENT CRASHED"

ALCOHOL TAX

3/3/95 Rep. Kay Brown

SECTIONAL ANALYSIS

HB 96

"An Act increasing and requiring annual adjustment of the tax on alcoholic beverages; and providing for an effective date."

Section 1. Increases the state alcoholic beverage tax on:

malt beverages--from 35 cents a gallon or fraction of a gallon, to $1.05 a gallon or fraction of a gallon,

wine (beverages 21 percent alcohol by volume or less) from 85 cents a gallon or fraction of a gallon to $2.15 a gallon or fraction of a gallon,

beverages over 21 percent alcohol by volume (spirits) from $5.60 a gallon to $12.75 a gallon.

Section 2. Amends AS 43.60.010 to provide for an increase in the alcohol tax rate by the annual rate of increase of the consumer price index for Anchorage.

Section 3. Directs the Department of Revenue to determine on June 1, 1996, what will be the alcoholic beverage tax rate for fiscal year 1997 and to impose that rate on July 1, 1996.

Section 4. Effective date, July 1, 1995.

3/3/95 Rep. Kay Brown

SPONSOR STATEMENT

HB 96

"An Act increasing and requiring annual adjustment of the tax on alcoholic beverages; and providing for an effective date."

On November 30, 1994, **Governor Walter J. Hickel's Criminal Justice Work Group** published their report entitled, **"Options For Cost Containment In The Criminal Justice System."** On only one particular topic could the group achieve consensus:

"It was the unanimous observation by all the members of the work group that what "drives" the system is alcohol, and that real progress cannot be made in cost *reduction*--or in the reduction of a wide range of social problems--unless the legislative and executive branches are serious about controlling alcohol."

"The work group unanimously agrees that alcohol is far and away the number one cause of crime in Alaska and that reducing alcohol use by even a small amount would reduce crime and the resulting pressure on criminal justice agencies."[1]

- **The work group's number one suggestion for stemming alcohol use and abuse is to increase the state tax on alcohol.**

The Alaska Sentencing Commission found that 73% of a sample of felony offenders sentenced between 1986--1991 were chronic alcohol users. Fifty-three percent were under the influence of alcohol at the time they committed their offense.

In the early 1980's the Judicial Council found that up to 78% of offenders sentenced for murder and kidnapping and 66% of other violent offenders had used alcohol at the time of the offense. Nearly three-fourths (71.3%) of misdemeanants had used alcohol or alcohol in combination with other drugs at the time of the offense. The Department of Health and Social Services tells us that alcohol abuse is often associated with domestic violence and child abuse.[2]

---

[1] Cost Containment in the Criminal Justice System, Part I: Alcohol in Alaska, page 1.
[2] Meeting the Challenge, A Strategic Plan for the Division of Alcoholism and Drug Abuse, 1994, page 11.

• **The Division of Alcoholism and Drug Abuse has adopted strategies for reducing the adverse health and social consequences of alcohol abuse. The first strategy is:**

> *"Increase excise taxes on alcohol and establish a statutory mechanism for automatic increases indexed to inflation as determined by the consumer price index."*

That is what **HB 96** would do.

Alaska's $200 million annual subsidy to the Alcohol Industry:

• In 1989, the State Office of Alcohol and Drug Abuse completed a comprehensive study of the **costs to the state** of alcohol abuse and alcoholism. Many people were shocked to find that the state spends approximately $200 million per year on services directly related to the abuse of alcohol and drugs. Public assistance, criminal justice, health and medical expenses, not to mention public safety enforcement and prevention programs, cost Alaskans millions every month.

Paying their share?

• The state alcohol beverage tax has not seen an increase *since 1983.* Can the same be said of local property or sales taxes? At the current rate of taxation (about 3 cents per glass of beer and 4 cents per glass of wine or shot of liquor), the state collects about $12 million per year. A subtraction of state tax revenues from the cost of alcohol and drug abuse related services shows the state spending about **$186 million more** for these services than it recovers in taxes. The Department of Revenue, estimates that by implementing the proposed increase (to about 10 cents per drink) the state could see an additional **$20 million to the general fund**, or about *10% of the cost of state programs.*

Revenue projections for FY 97 through FY 01 are based on the average of changes to CPI indices for Anchorage for the five preceding years (1990 through 1994). The average change for that period was 4%. The rates below reflect the previous year's rate adjusted for a 4% increase in CPI, rounded to the nearest cent.

Fiscal Year	*Beer* New Rate/ Increase	*Wine* New Rate/ Increase	*Liquor* New Rate/ Increase	Total Revenue Increase
96	*$1.05* $9,539,740	*$2.15* $1,615,770	*$12.75* $7,825,675	**$18,981,185**
97	*$1.09* $10,084,868	*$2.24* $1,727,631	*$13.26* $8,383,870	**$20,196,369**
98	*$1.13* $10,629,996	*$2.33* $1,839,492	*$13.79* $8,963,955	**$21,433,443**
99	*$1.18* $11,311,406	*$2.42* $1,951,353	*$14.34* $9,565,930	**$22,828,689**
00	*$1.23* $11,992,816	*$2.52* $2,075,643	*$14.91* $10,189,795	**$24,258,254**
01	*$1.28* $12,674,226	*$2.62* $2,199,933	*$15.51* $10,846,495	**$25,720,654**

Tax rate increases may have a negative impact on alcohol consumption, part of which may be offset by other variables such as projected state population increases. Since the overall impact of increases in tax rates has not been studied, all revenue increases in this fiscal note are based on current consumption data.

History

Alcoholic beverages tax rates were last increased in 1983 (Ch 46 SLA 83) when rates (per gallon) were increased from 25¢ to 35¢ for beer; 60¢ to 85¢ for wine; and $4.00 to $5.60 for liquor.

Bill Analysis

This bill increases alcoholic beverages tax rates effective July 1, 1995 as follows.

Beverage Type	Rate (Per Gallon)		HB 96 Tax Rate Increase
	Current	HB 96	
Beer	$.35	$1.05	$.70
Wine	$.85	$2.15	$1.30
Liquor	$5.60	$12.75	$7.15

Under section 2, rates will be adjusted by the Department to reflect increases in the Consumer Price Index (CPI) for the Anchorage metropolitan area compiled by the United States Department of Labor for the preceding year. The annual index for 1994 will be the reference base index. Tax rates will be adjusted to the nearest cent.

Operating Costs

Department of Revenue does not anticipate any additional operating costs for implementing the tax rate increases in this bill. Tax return forms would be updated annually to reflect increased rates.

Revenue

The following revenue projections are based on language changes proposed by the bill's sponsor (attached). Based on FY 94 alcohol consumption data reported to Department of Revenue, this bill would increase alcoholic beverages tax revenue by approximately $18,981,200 in FY 96.

Beverage Type	FY 94 Consumption (*in gallons*)	HB 96 Tax Rate Increase	HB 96 Revenue Increase
Beer	13,628,200	$.70	$9,539,740
Wine	1,242,900	$1.30	$1,615,770
Liquor	1,094,500	$7.15	$7,825,675
Total			**$18,981,185**

Representative Kay Brown ALASKA STATE LEGISLATURE

Legislative Information Office
716 W. 4th Ave., #420
Anchorage, AK 99501-2133
(907) 258-8162

During Session
State Capitol
Juneau, Alaska 99801-1182
(907) 465-4998

April 1, 1995

Letters to the Editor
Anchorage Daily News
P.O. Box 149001
Anchorage, Alaska 99514

Dear Editor:

I am writing to express my support for Proposition 3 to establish a tax on alcoholic beverages sold in the Municipality of Anchorage.

In the last legislature I introduced a bill to increase the state excise tax on alcoholic beverages. This year I have introduced similar legislation that includes a section that would index the tax to the annual rate of inflation in Anchorage.

Some believe that the motivation for raising so-called "sin taxes" is to put more money in the government's treasury for bureaucrats to spend. The fact is we will never tax alcohol enough to cover even a fraction of the costs to deal with its effects on the social service, criminal justice and health systems. Those expenses are now estimated to exceed $200 million a year in state funds alone. Our alcohol excise tax recovers around $12 million a year. That tax has not been increased since 1983, and inflation has eroded its value by about 30%.

In terms of total revenue flowing to the public treasury from taxes on alcoholic beverages, Alaska ranks among the lowest of over 50 jurisdictions nationwide. Yet, we are among the highest in per capita consumption of alcohol.

Nationally recognized studies have shown that even small increases in the price of alcohol can significantly reduce consumption and cut corresponding costs to the public. This has been shown to be especially true for underage drinkers.

I applaud the efforts of the proponents of Proposition 3. They have had the courage to face the problem of alcohol abuse and its consequences for local government. I urge you to join me in voting yes on Proposition 3.

Sincerely,

Rep. Kay Brown

DISTRICT 15

Downtown • Fairview • Northstar • Romig • South Addition • Spenard

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STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

MAR 7 1995

BILL NOTE: HB 96

Revision Date:

Dept. Affected: Revenue

Title: Increasing Tax on Alconolic Beverages

BRU: Audit Operations

Component: Income and Excise Audit

Sponsor: Rep. Brown, Davies

Requestor: (H) STA

COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL						
REVENUE FUND SOURCE: GF	18,981.2	20,196.4	21,433.4	22,828.7	24,258.3	25,720.7

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current (FY95) impact $ 0

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Robert N. Bartholomew, Deputy Director Phone: 465-2320

Division: Income and Excise Audit Date: 3/6/95

Approved by Commissioner: Date: 3/6/95

Agency: Department of Revenue

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GORSUCH BUDGET SCENARIO PROJECTION 2

(Nominal Dollars)

	AVAILABLE REVENUES ($ Millions):	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
1	GENERAL FUND REVENUES (Base Case)	1,963.1	1,931.4	2,013.6	2,045.0	2,059.5	2,071.6	2,038.3	2,018.3	2,002.7	1,979.1
2	HWY MOTOR FUELS TAX INCREASE TO NATIONAL AVG		26.0	27.3	28.6	30.0	31.4	32.9	34.5	36.2	37.9
3	TOBACCO INCREASE $1/PKG		42.5	43.2	43.9	44.6	45.3	46.0	46.7	47.5	48.3
4	ALCOHOLIC BEVERAGES INCREASE (VARIES BY PROD)		2.7	2.8	3.0	3.1	3.3	3.4	3.6	3.8	3.9
5	INCOME TAX					75.0	288.3	302.2	316.8	332.1	348.2
6	PF NET INCOME TO GF	80	160	240	320	400	400	400	499.9	646.0	806.6
7	**TOTAL REVENUES**	**2,043.1**	**2,162.6**	**2,326.8**	**2,440.4**	**2,612.1**	**2,839.8**	**2,822.8**	**2,919.9**	**3,068.3**	**3,224.0**
	EXPENDITURES ($ Millions):										
8	OPERATING – AGENCY	1,157.8	1,157.8	1,157.8	1,157.8	1,224.2	1,293.2	1,365.0	1,439.7	1,517.3	1,598.1
9	FORMULA	413.8	413.8	413.8	413.8	430.4	447.6	465.5	484.2	503.6	523.8
10	K – 12 EDUCATION	660.3	660.3	660.3	660.3	698.3	738.6	781.1	826.1	873.7	924.0
11	DEBT SERVICE	109.4	86.6	81.5	72.8	50.8	33.4	20.5	16.5	15.2	14.4
12	CAPITAL	116.1	116.1	116.1	116.1	119.8	123.6	127.5	131.6	135.8	140.1
13	LOANS/FUND TRANSFERS	18.7	18.7	18.7	18.7	19.4	20.2	21.0	21.9	22.8	23.7
14	**TOTAL EXPENDITURES**	**2,476.1**	**2,453.3**	**2,448.2**	**2,439.5**	**2,542.9**	**2,656.6**	**2,780.7**	**2,919.9**	**3,068.3**	**3,224.0**
15	**PROJECTED ANNUAL FISCAL GAP**	**-433.0**	**-290.7**	**-121.4**	**0.9**	**69.2**	**183.2**	**42.1**	**0.0**	**0.0**	**0.0**
16	**CONSTITUTIONAL BUDGET RESERVE BALANCE**	1,316.5	1,652.4	1,815.0	2,105.6	2,246.9	2,430.2	2,472.3	2,472.2	2,472.2	2,472.2
17	PF DIVIDENDS	500.0	493.0	485.0	478.0	471.0	464.0	457.0	450.0	443.0	436.0
18	PF INFLATION PROOFING	267.0	281.0	351.0	399.0	464.0	495.0	530.0	567.0	608.0	654.0
	BUDGET CUTS FROM BASE CASE		124.5	255.5	392.5	~~418.2~~					

Office of Management and Budget
8/26/95

Revised

RIEGER SB 51 BUDGET SCENARIO PROJECTION

(Nominal Dollars)

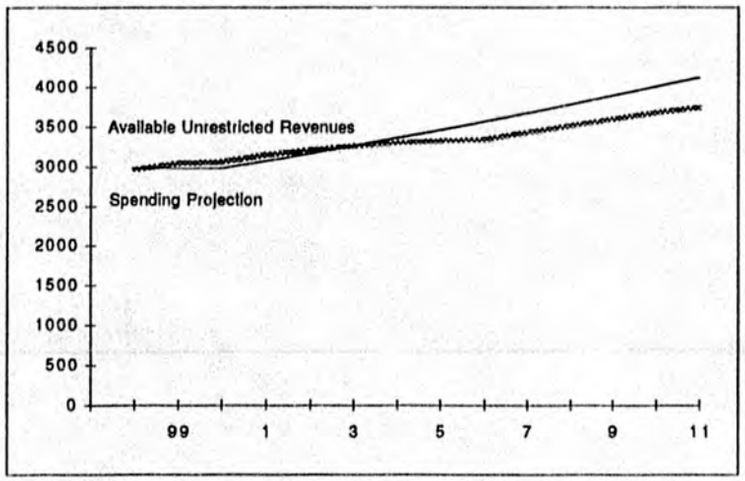
	AVAILABLE REVENUES ($ Millions):	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
1	GENERAL FUND REVENUES (Base Case)	1,963.1	1,931.4	2,013.6	2,045.0	2,059.5	2,071.6	2,038.3	2,018.3	2,002.7	1,979.1
2	HWY MOTOR FUELS TAX INCREASE TO NATIONAL AVG		26.0	27.3	28.6	30.0	31.4	32.9	34.5	36.2	37.9
3	TOBACCO INCREASE TO $2/PKG		68.0	69.1	70.2	71.3	72.5	73.6	74.8	76.0	77.2
4	ALCOHOLIC BEVERAGES INCREASE (VARIES BY PROD)		2.7	2.8	3.0	3.1	3.3	3.4	3.6	3.8	3.9
5	USER FEE INCREASES AT $3M/YR		3	6	9.0	12.0	15.0	18.0	21.0	24.0	27.0
6	PF NET INCOME TO GF		357	380	403	451	481	511	541	571	602
7	**TOTAL REVENUES**	**1,963.1**	**2,388.1**	**2,498.7**	**2,558.8**	**2,626.9**	**2,674.7**	**2,677.2**	**2,693.2**	**2,713.7**	**2,727.2**
	EXPENDITURES ($ Millions):										
8	OPERATING – AGENCY	1,157.8	1,157.8	1,157.8	1,157.8	1,214.6	1,273.2	1,333.7	1,396.1	1,460.5	1,527.0
9	FORMULA	413.8	413.8	413.8	413.8	427.0	440.5	454.5	469.0	483.9	499.3
10	K – 12 EDUCATION	660.3	660.3	660.3	660.3	681.3	703.0	725.3	748.4	772.2	796.7
11	DEBT SERVICE	109.4	86.6	81.5	72.8	50.8	33.4	20.5	16.5	15.2	14.4
12	CAPITAL	116.1	116.1	116.1	116.1	119.8	123.6	127.5	131.6	135.8	140.1
13	LOANS/FUND TRANSFERS	18.7	18.7	18.7	18.7	19.3	19.9	20.5	21.2	21.9	22.6
14	**TOTAL EXPENDITURES**	**2,476.1**	**2,453.3**	**2,448.2**	**2,439.5**	**2,512.8**	**2,593.7**	**2,682.2**	**2,782.8**	**2,889.5**	**3,000.1**
15	**PROJECTED ANNUAL FISCAL GAP**	**-513.0**	**-65.2**	**50.5**	**119.3**	**114.1**	**81.1**	**-5.0**	**-89.6**	**-175.8**	**-272.9**
16	**CONSTITUTIONAL BUDGET RESERVE BALANCE**	1,236.5	1,804.9	2,158.9	2,596.3	2,798.7	2,879.8	2,874.8	2,785.3	2,609.4	2,336.5
17	PF DIVIDENDS	575.0	599.0	519.0	501.0	502.0	515.0	528.0	541.0	554.0	567.0
18	PF INFLATION PROOFING	441.0	461.0	479.0	503.0	527.0	553.0	579.0	606.0	632.0	660.0
	BUDGET CUTS FROM BASE CASE		124.5	255.5	392.5	440.3	491.7	546.7	605.6	668.6	736.0

Office of Management and Budget
8/26/95

Modified Sustainable Spending Plan
Base Case

		CBR add ons
P Fund	17,476	150
CBRF	1,839	150
ERA	1,183	

	Beginning Balance	Base Case O&G Rev	Fishing Resource Rev	9% Earnings Amount	TARGET 5.00% Withdrawl Percentage	Withdrawl Amount	Ending Balance	Fund Withdrawl	Non Resource Revenues	**Unrestricted Gen Fund**	State Spend Projection	Yearly Shortfall or Surplus	Cumulative Shortfall or Surplus
98	20,648	1,866	33	1,825	11.00%	(2,271)	22,068	2,271	688	**2,959**	2,975	(16)	(16)
99	22,218	1,912	34	1,966	10.50%	(2,317)	23,779	2,317	725	**3,042**	2,975	67	51
0	23,779	1,932	35	2,111	10.00%	(2,292)	25,529	2,292	764	**3,057**	2,975	82	133
1	25,529	1,944	36	2,265	9.50%	(2,342)	27,396	2,342	804	**3,146**	3,064	82	215
2	27,396	1,908	37	2,426	9.00%	(2,382)	29,349	2,382	824	**3,206**	3,156	50	265
3	29,349	1,886	38	2,598	8.50%	(2,412)	31,421	2,412	841	**3,253**	3,251	2	266
4	31,421	1,870	39	2,781	8.00%	(2,431)	33,641	2,431	861	**3,292**	3,348	(57)	210
5	33,641	1,844	41	2,978	7.50%	(2,440)	36,023	2,440	881	**3,321**	3,449	(128)	82
6	36,023	1,775	42	3,186	7.00%	(2,438)	38,546	2,438	894	**3,332**	3,552	(220)	(139)
7	38,546	1,709	43	3,400	6.75%	(2,517)	41,138	2,517	907	**3,424**	3,659	(235)	(374)
8	41,138	1,724	44	3,629	6.50%	(2,590)	43,901	2,590	920	**3,510**	3,769	(259)	(632)
9	43,901	1,666	46	3,866	6.25%	(2,657)	46,775	2,657	934	**3,592**	3,882	(290)	(922)
10	46,775	1,608	47	4,114	6.00%	(2,720)	49,777	2,720	949	**3,669**	3,998	(329)	(1,252)
11	49,777	1,608	48	4,379	5.75%	(2,776)	52,988	2,776	963	**3,739**	4,118	(379)	(1,631)
					5.50%								



Base Non Resource Revenues	Add $25 School Tax	Add Motor Fuels Nat. Average	Add Tobacco to $3/pack	Add Alcohol per HB-96	Add Misc Fees MV&Liq	Add 4% Sales Tax	Subtotal Non Resource Revenue
301	10	26	43	19	25	0	424
305	10	27	64	20	26	236	688
307	10	28	85	21	27	247	725
310	10	29	106	23	27	259	764
313	11	30	127	24	28	271	804
316	11	31	127	26	29	285	824
317	11	32	127	26	30	298	841
319	11	33	127	27	31	313	861
321	11	34	127	28	32	328	881
321	12	35	127	29	33	338	894
321	12	36	127	30	34	348	907
321	12	37	127	31	35	358	920
321	12	38	127	32	36	369	934
321	12	39	127	33	37	380	949
321	12	40	127	34	38	392	963

Presented by
Brian Rogers
8/26/95

Rogers Plan Elements

Modified Cremo Plan

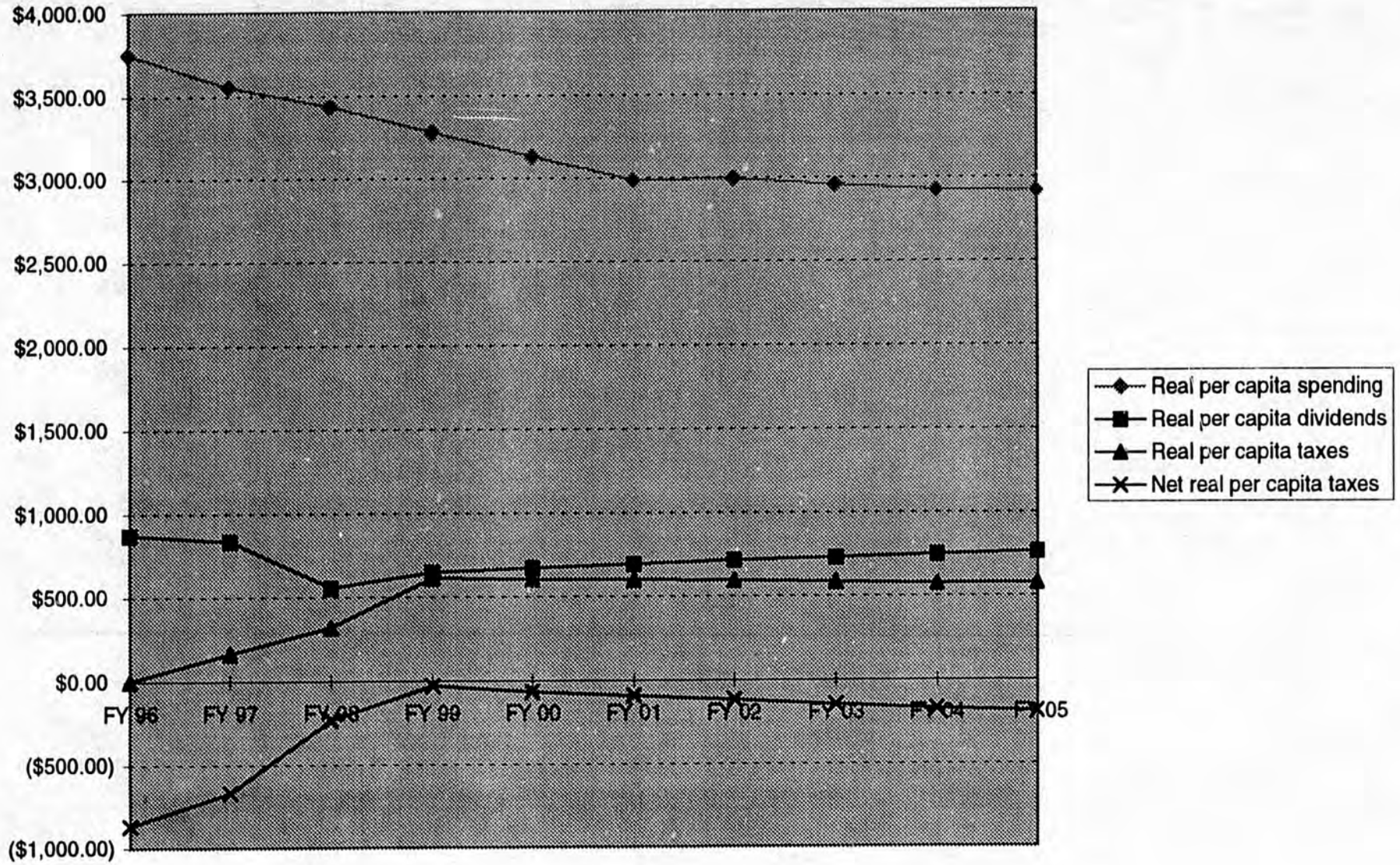
All royalties, mineral lease revenues go to permanent fund
5% of permanent fund withdrawn annually

Spending frozen at FY96 levels for 5 years
Additional $50 million cut in FY97
Growth constrained in out years - $50M less each year than base case

Tobacco tax @ $1 increase
Alcohol tax increase
Fees increased 50%
Income Tax @4% beginning 1998
Employment tax @$25 1997, $50 2001, $100 2005
Sales tax in unorganized borough
Dedicated motor fuel tax

Permanent fund dividends frozen @ $575 M 1997
Permanent fund dividends @ 2% of principal value thereafter (2% within 5% draw)

Effect of Rogers Plan



Rogers Budget Scenario Projection

(Nominal Dollars)

	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
General Fund Revenues (base cas	1,963.1	1,931.4	2,013.6	2,045.0	2,059.5	2,071.6	2,038.3	2,018.3	2002.7	1979.1
Less: Royalties to Permanent Fund			-732.0	-777.0	-789.0	-792.0	-783.0	-774.0	-774.0	-768.0
Permanent Fund Net Income	1,218.0	1,289.1								
Permanent Fund 5% Draw			998.1	1219.6	1331.4	1439.6	1552.4	1669.0	1789.7	1915.2
Tobacco tax @ $1 increase		42.0	43.3	44.6	45.9	47.3	48.7	50.2	51.7	53.2
Alcohol tax increase		10.0	10.3	10.6	10.9	11.3	11.6	11.9	12.3	12.7
Fees increases @ 50%		25.0	25.8	26.5	27.3	28.1	29.0	29.9	30.7	31.7
Income tax @4%			74.5	298.0	306.9	316.1	325.6	335.4	345.5	355.8
Employment Tax @ $25 4 yrs, $50 4 yrs, $100		5.0	10.3	10.6	10.9	16.9	23.2	23.9	24.6	38.0
Sales tax/unorganized borough			5.0	10.3	10.6	10.9	11.3	11.6	11.9	12.3
Dedicated motor fuel tax		29.4	60.5	62.3	64.1	66.1	68.0	70.1	72.2	74.4
TOTAL REVENUES	**3,181.1**	**3,331.9**	**2,509.2**	**2,950.5**	**3,078.7**	**3,215.9**	**3,325.1**	**3,446.2**	**3,567.3**	**3,704.4**
EXPENDITURES ($ Millions):										
OPERATING – AGENCY	1,157.8	1,222.0	1,290.9	1,362.6	1,437.2	1,514.8	1,595.4	1,679.3	1,766.6	1,857.4
FORMULA	413.8	429.6	446.8	464.7	483.3	502.7	522.8	543.7	565.5	588.2
K – 12 EDUCATION	660.3	697.0	737.2	779.6	824.6	872.0	922.3	975.4	1,031.6	1,091.0
DEBT SERVICE	109.4	86.6	81.5	72.8	50.8	33.4	20.5	16.5	15.2	14.4
CAPITAL	116.1	119.6	123.4	127.3	131.3	135.5	139.8	144.3	148.9	153.6
LOANS/TRANSFERS	18.7	23.0	24.0	24.9	25.9	27.0	28.0	29.2	30.3	31.6
Freeze spending @ FY96 Nominal level 5 yrs		-101.7	-227.6	-355.9	-477.0	-609.2	-627.5	-646.3	-665.7	-665.7
Cut spending an additional $50 M FY97		-50.0	-50.0	-50.0	-50.0	-50.0	-51.5	-53.0	-54.6	-56.3
Reduce *growth* of spending by $50 M per year after FY02								-50.0	-100.0	-150.0
Road maintenance from dedicated tax		29.4	60.5	62.3	64.1	66.1	68.0	70.1	72.2	74.4
PF Dividends @ Freeze FY96	575.0	575.0								
PF Dividends @ 2%			399.2	487.8	532.6	575.9	621.0	667.6	715.9	766.1
Permanent Fund Earnings Reserv	202.0									
Permanent Fund Inflation Proofing	441.0	428.2								
TOTAL EXPENDITURES	**3,694.1**	**3,458.6**	**2,885.8**	**2,976.2**	**3,022.8**	**3,068.0**	**3,238.8**	**3,376.7**	**3,525.8**	**3,704.5**
PROJECTED ANNUAL FISCAL G	**-513.0**	**-126.8**	**-376.5**	**-25.7**	**55.9**	**147.9**	**86.2**	**69.5**	**41.5**	**-0.1**
Gap filled by CBR withdrawal	**513.0**	**126.8**	**376.5**	**25.7**						

Rogers Budget Scenario Projection

(Nominal Dollars)

PF Beginning Year Balance	14,145.0	17,658.0	19,961.3	24,392.2	26,628.1	28,792.5	31,047.8	33,380.7	35,794.3	38,304.5
PF Adjust to Market Value	2,855.0									
PF Inflation-Proofing	441.0	220.5								
PF Growth from 25%	217.0	227.0	244.0	259.0	263.0	264.0	261.0	258.0	258.0	256.0
PF Earnings Reserve Deposit		703.0								
CBR Deposit			2,500.0	169.9	0.0	0.0				
PF Growth from 75%		340.5	732.0	777.0	789.0	792.0	783.0	774.0	774.0	768.0
PF Earnings @ 9%		812.3	1,952.9	2,249.6	2,443.9	2,638.8	2,841.3	3,050.7	3,267.9	3,493.5
PF Deposit to GF @ 5%			-998.1	-1,219.6	-1,331.4	-1,439.6	-1,552.4	-1,669.0	-1,789.7	-1,915.2
PF Year-end Balance	**17,658.0**	**19,961.3**	**24,392.2**	**26,628.1**	**28,792.5**	**31,047.8**	**33,380.7**	**35,794.3**	**38,304.5**	**40,906.8**
PF Earnings Reserve Balance	**703.0**									
CBR Balance beginning	2,005.5	2,112.8	2,612.8	43.1						
CBR Additions from tax settlem	500.0	500.0	150.0	150.0						
CBR Withdrawal	-513.0	-126.8	-376.5	-25.7						
Earnings on CBR @ 6%	120.3	126.8	156.8	2.6						
CBR transfer to Permanent Fund			-2,500.0	-169.9						
CBR Balance ending	2,112.8	2,612.8	43.1	0.0						
PF Dividend Aggregate	575.0	575.0	399.2	487.8	532.6	575.9	621.0	667.6	715.9	766.1
PF Dividend Per Capita	$870.68	$856.97	$585.63	$704.36	$756.81	$805.44	$854.85	$904.61	$954.75	$1,005.61

Brian Rogers

8/26/95

Rogers Budget Scenario Projection

(FY 96 Dollars)

	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
General Fund Revenues (base case)	1,963.1	1,875.3	1,894.9	1,865.1	1,820.5	1,774.7	1,692.4	1,624.1	1,561.9	1,495.9
Less: Royalties to Permanent Fund			-688.8	-708.7	-697.4	-678.5	-650.1	-622.8	-603.6	-580.5
Permanent Fund Net Income	1,218.0	1,251.7								
Permanent Fund 5% Draw			939.2	1,112.3	1,176.9	1,233.3	1,288.9	1,343.1	1,395.8	1,447.6
Tobacco tax @ $1 increase		40.8	40.7	40.6	40.6	40.5	40.4	40.4	40.3	40.2
Alcohol tax increase		9.7	9.7	9.7	9.7	9.6	9.6	9.6	9.6	9.6
Fees increases @ 50%		24.3	24.2	24.2	24.1	24.1	24.1	24.0	24.0	23.9
Income tax @4%			70.1	271.8	271.3	270.8	270.4	269.9	269.4	269.0
Employment Tax @ $25 4 yrs, $50 4 yrs, $100		4.9	9.7	9.7	9.7	14.5	19.3	19.2	19.2	28.7
Sales tax/unorganized borough			4.7	9.4	9.4	9.4	9.3	9.3	9.3	9.3
Dedicated motor fuel tax		28.5	56.9	56.8	56.7	56.6	56.5	56.4	56.3	56.2
TOTAL REVENUES	3,181.1	3,235.2	2,361.3	2,691.0	2,721.3	2,755.0	2,760.8	2,773.2	2,782.1	2,800.0
EXPENDITURES ($ Millions):										
OPERATING – AGENCY	1,157.8	1,186.5	1,214.8	1,242.8	1,270.4	1,297.7	1,324.7	1,351.3	1,377.8	1,403.9
FORMULA	413.8	417.1	420.4	423.8	427.2	430.6	434.1	437.5	441.0	444.6
K – 12 EDUCATION	660.3	676.8	693.7	711.1	728.8	747.1	765.7	784.9	804.5	824.6
DEBT SERVICE	109.4	84.1	76.7	66.4	44.9	28.6	17.0	13.3	11.9	10.9
CAPITAL	116.1	116.1	116.1	116.1	116.1	116.1	116.1	116.1	116.1	116.1
LOANS/TRANSFERS	18.7	22.4	22.6	22.7	22.9	23.1	23.3	23.5	23.7	23.9
Freeze spending @ FY96 Nominal level 5 yrs	0.0	-98.7	-214.2	-324.6	-421.6	-521.9	-521.0	-520.1	-519.2	-503.2
Cut spending an additional $50 M FY97	0.0	-48.5	-47.1	-45.6	-44.2	-42.8	-42.8	-42.7	-42.6	-42.5
Reduce growth of spending by $50 M per year after FY02								-40.2	-78.0	-113.4
Road maintenance from dedicated tax	0.0	28.5	56.9	56.8	56.7	56.6	56.5	56.4	56.3	56.2
PF Dividends @ Freeze FY96	575.0	558.3								
PF Dividends @ 2%			375.7	444.9	470.7	493.3	515.6	537.2	558.3	579.1
Permanent Fund Earnings Reserve	202.0									
Permanent Fund Inflation Proofing	441.0	415.8								
TOTAL EXPENDITURES	3,694.1	3,358.2	2,715.7	2,714.4	2,672.0	2,628.3	2,689.2	2,717.2	2,749.7	2,800.1
PROJECTED ANNUAL FISCAL GAP	-513.0	-123.1	-354.3	-23.5	49.4	126.7	71.6	56.0	32.4	-0.1
Gap filled by CBR withdrawal	513.0	123.1	354.3	23.5						

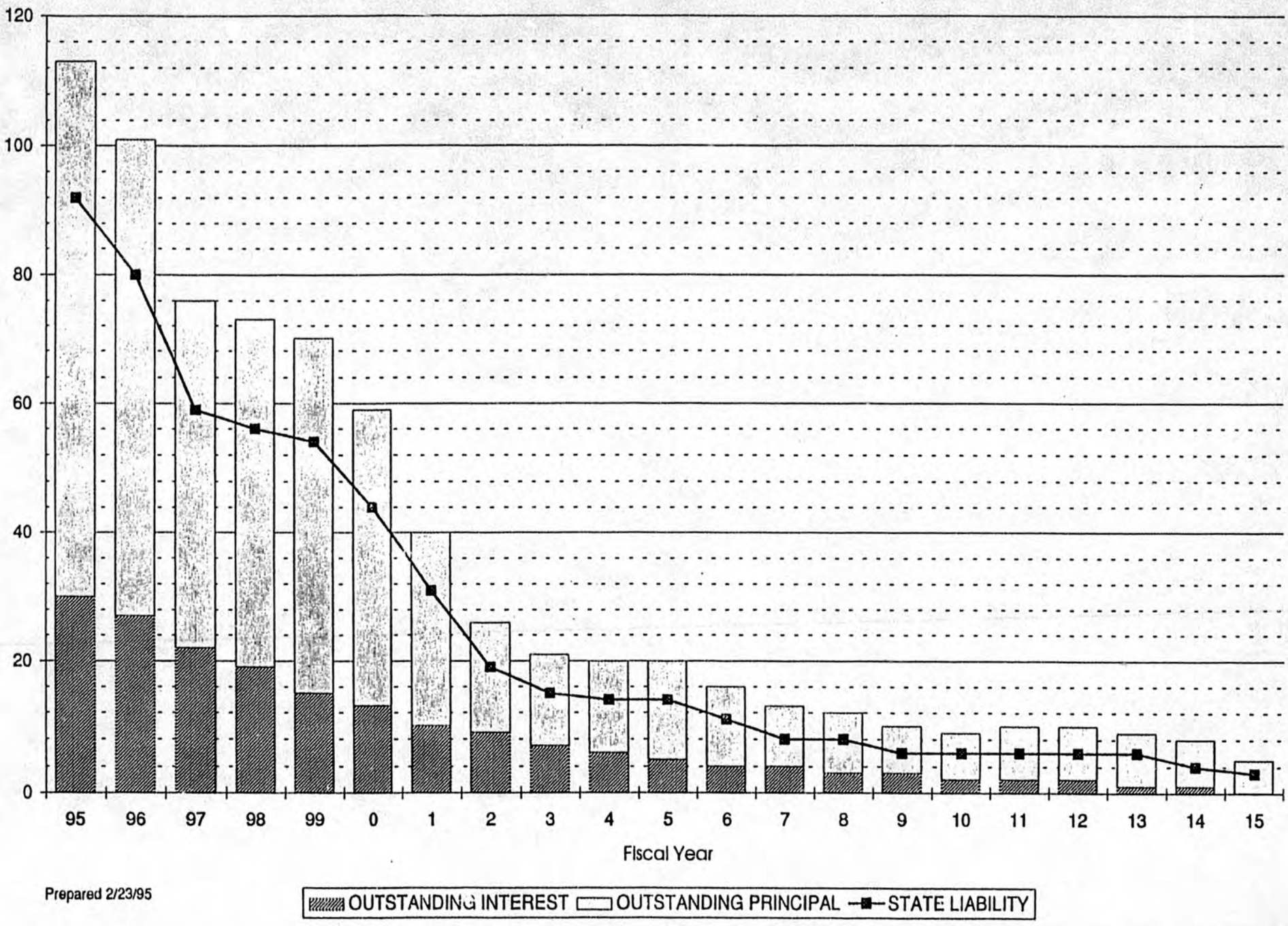
Rogers Budget Scenario Projection

(FY 96 Dollars)

PF Beginning Year Balance	14,145.0	17,145.4	18,784.5	22,246.7	23,537.4	24,666.2	25,778.5	26,861.3	27,915.8	28,952.8
PF Adjust to Market Value	2,855.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PF Inflation-Proofing	441.0	214.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PF Growth from 25%	217.0	220.4	229.6	236.2	232.5	226.2	216.7	207.6	201.2	193.5
PF Earnings Reserve Deposit	0.0	682.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CBR Deposit	0.0	0.0	2,352.6	155.0	0.0	0.0	0.0	0.0	0.0	0.0
PF Growth from 75%	0.0	330.6	688.8	708.7	697.4	678.5	650.1	622.8	603.6	580.5
PF Earnings @ 9%	0.0	788.8	1,837.8	2,051.7	2,160.2	2,260.7	2,359.1	2,454.9	2,548.6	2,640.6
PF Deposit to GF @ 5%	0.0	0.0	-939.2	-1,112.3	-1,176.9	-1,233.3	-1,288.9	-1,343.1	-1,395.8	-1,447.6
PF Year-end Balance	17,658.0	19,381.8	22,954.1	24,285.9	25,450.6	26,598.3	27,715.5	28,803.6	29,873.5	30,919.8
PF Earnings Reserve Balance	703.0									
CBR Balance beginning	2,005.5	2,051.5	2,458.8	39.3						
CBR Additions from tax settlements	500.0	485.5	141.2	136.8						
CBR Withdrawal	-513.0	-123.1	-354.3	-23.5						
Earnings on CBR @ 6%	120.3	123.1	147.5	2.4						
CBR transfer to Permanent Fund	0.0	0.0	-2,352.6	-155.0						
CBR Balance ending	2,112.8	2,537.0	40.5	0.0						
PF Dividend Aggregate	575.0	558.3	375.7	444.9	470.7	493.3	515.6	537.2	558.3	579.1
PF Dividend Per Capita	$870.68	$832.09	$551.11	$642.40	$668.97	$690.01	$709.77	$727.94	$744.60	$760.10

Brian Rogers
8/26/95 8:30

SCHOOL CONSTRUCTION
DEBT RETIREMENT



Prepared 2/23/95

STATEWIDE PRINCIPAL
Revised 2/22/95

SCHOOL CONSTRUCTION
DEBT RETIRMENT

Fiscal Year	ALEUT.E	ANCHORAGE	BRIST BAY	FAIRBANKS	JUNEAU	KENAI	KETCHIKAN	KODIAK	MAT-SU	NOME	N. SLOPE	PTRSBRG.	SITKA	UNALASKA	VALDEZ	WRANGELL	Statewide Principal	Fiscal Year
FY95	90,000	28,965,000	225,000	7,718,400	2,891,075	8,650,000	1,565,000	2,025,000	18,160,000	670,000	6,000,000	585,000	2,083,548	936,457	2,225,000	608,000	83,397,480	FY95
FY96	100,000	28,301,497	240,000	5,338,400	3,113,504	6,205,000	1,585,000	2,150,000	13,725,000	670,000	6,410,000	620,000	2,138,387	959,530	1,640,000	657,000	73,853,318	FY96
FY97	105,000	16,980,000	260,000	5,593,400	3,248,826	6,700,000	1,610,000	1,220,000	5,515,000		6,855,000	650,000	1,915,000	962,757	1,770,000	705,000	54,089,983	FY97
FY98	110,000	17,415,000	275,000	5,943,400	3,440,855	7,245,000	1,400,000	1,295,000	5,230,000		7,340,000	690,000	790,000	971,145	1,530,000	760,000	54,435,400	FY98
FY99	120,000	18,110,000	300,000	6,293,400	2,928,696	7,840,000	1,200,000	1,385,000	4,995,000		7,860,000	250,000	410,000	974,702	1,625,000	805,000	55,096,798	FY99
FY2000	125,000	10,765,000	320,000	5,930,000	3,111,131	8,490,000	1,200,000	1,465,000	1,655,555		8,420,000	270,000	410,000	983,437	1,625,000	845,000	45,615,122	FY2000
FY2001	135,000	9,725,000	340,000	3,465,000	2,123,566	9,200,000		1,555,000	1,600,580				410,000	577,359	140,000	885,000	30,156,505	FY2001
FY2002		6,805,000	365,000	3,685,000	2,256,812			415,000	1,556,086				410,000	171,477	150,000	785,000	16,599,375	FY2002
FY2003		7,185,000		3,900,000	63,305			435,000	715,000				410,000	180,801		830,000	13,719,105	FY2003
FY2004		7,590,000		4,185,000	66,957			455,000	755,000					95,341		870,000	14,017,298	FY2004
FY2005		8,000,000		4,460,000	71,421			475,000	795,000					100,108		800,000	14,701,528	FY2005
FY2006		5,460,000		4,755,000	75,479			495,000	835,000					105,113			11,725,592	FY2006
FY2007		4,475,000		2,830,000				520,000	885,000					110,369			8,820,369	FY2007
FY2008		4,750,000		3,035,000				550,000	935,000					115,887			9,385,887	FY2008
FY2009		5,045,000						580,000	985,000					121,682			6,731,682	FY2009
FY2010		5,355,000						610,000	1,040,000					127,766			7,132,766	FY2010
FY2011		5,690,000						640,000	1,100,000					134,154			7,564,154	FY2011
FY2012		6,010,000						675,000	1,170,000					140,862			7,995,862	FY2012
FY2013		6,305,000						715,000	1,240,000					147,905			3,407,905	FY2013
FY2014		4,935,000						755,000	1,315,000					133,177			7,138,177	FY2014
FY2015		5,235,000															5,235,000	FY2015
TOTALS	785,000	213,101,497	2,325,000	67,132,000	23,391,626	54,330,000	8,560,000	18,415,000	64,207,221	1,340,000	42,885,000	3,065,000	8,976,935	8,050,026	10,705,000	8,550,000	535,819,305	TOTALS

STATEWIDE INTEREST

Revised 2/22/95

Fiscal Year	ALEUT. E.	ANCHORAGE	BRIST BAY	FAIRBANKS	JUNEAU	KENAI	KETCHIKAN	KODIAK	MAT-SU	NOME	N. SLOPE	PTRSBRG	SITKA	UNALASKA	VALDEZ	WRANGELL	Statewide Interest	Fiscal Year
FY95	49,708	9,496,733	186,000	4,108,421	1,375,712	4,354,620	535,915	1,150,091	3,499,598	91,120	2,815,968	224,595	570,707	486,162	714,265	454,312	30,113,926	FY95
FY96	43,295	9,896,615	168,000	3,566,823	1,164,627	3,769,870	438,844	897,845	2,500,609	45,560	2,389,220	176,053	410,139	401,217	572,227	408,699	26,849,641	FY96
FY97	36,376	8,244,073	148,800	3,177,035	972,775	3,273,470	339,188	784,213	1,851,116		1,924,834	125,004	295,279	348,113	456,650	362,648	22,339,572	FY97
FY98	29,120	7,357,210	128,000	2,763,285	778,057	2,730,770	244,400	703,436	1,452,573		1,422,625	71,133	160,080	288,674	346,538	320,708	18,796,607	FY98
FY99	21,448	6,463,528	106,000	2,314,204	585,576	2,136,680	160,200	617,678	1,097,688		882,043	26,008	108,650	228,163	243,815	283,729	15,275,407	FY99
FY2000	13,300	5,717,615	82,000	1,965,048	395,981	1,485,960	80,400	530,700	1,722,368		301,015	8,910	85,280	166,746	133,190	243,245	12,931,757	FY2000
FY2001	4,556	5,116,535	56,400	1,608,353	229,978	772,800		437,153	1,751,962				61,295	104,370	21,000	199,208	10,363,609	FY2001
FY2002		4,599,740	29,200	1,435,103	89,160			379,928	1,778,956				36,900	82,667	10,500	151,384	8,593,537	FY2002
FY2003		4,230,666		1,247,168	14,156			361,875	675,363				12,300	74,074		109,848	6,725,449	FY2003
FY2004		3,818,951		1,044,368	10,315			342,735	638,183					67,284		65,638	5,987,473	FY2004
FY2005		3,379,199		822,563	6,338			322,033	598,168					62,517		21,400	5,212,216	FY2005
FY2006		3,003,274		581,723	2,151			299,470	555,238					57,512			4,499,367	FY2006
FY2007		2,726,214		322,575				275,215	509,313					52,256			3,885,573	FY2007
FY2008		2,460,276		166,925				247,135	459,753					46,738			3,380,827	FY2008
FY2009		2,174,485						217,435	406,458					40,943			2,839,321	FY2009
FY2010		1,866,106						186,115	349,820					34,859			2,436,901	FY2010
FY2011		1,534,616						153,175	289,500					28,471			2,005,762	FY2011
FY2012		1,180,080						117,975	223,500					21,763			1,543,318	FY2012
FY2013		802,453						80,850	153,300					14,720			1,051,323	FY2013
FY2014		462,150						41,525	78,900					7,325			589,900	FY2014
FY2015		157,050															157,050	FY2015
TOTALS	197,803	84,687,569	904,400	25,123,590	5,624,825	18,524,170	1,798,946	8,146,580	20,592,361	136,680	9,735,704	631,701	1,740,630	2,614,578	2,498,184	2,620,815	185,578,536	TOTALS

STATEWIDE LIABILITY

Revised 2/22/95

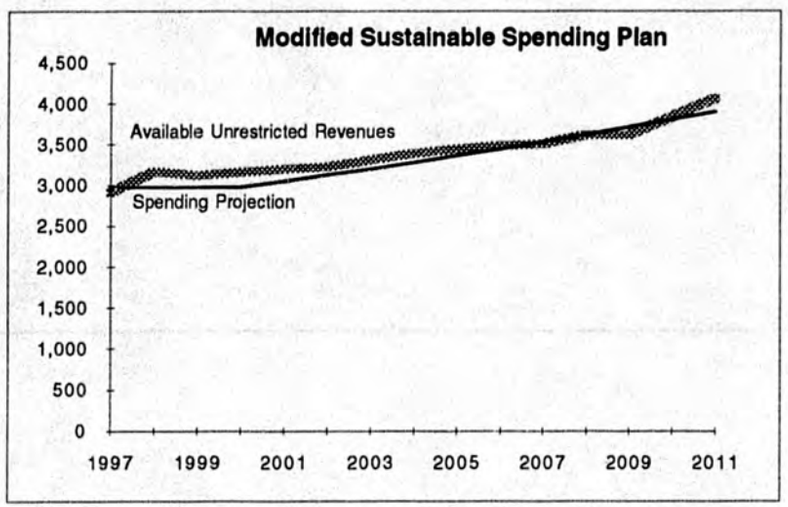
Fiscal Year	ALEUT.E	ANCHORAGE	BRIST BAY	FAIRBANKS	JUNEAU	KENAI	KETCHIKAN	KODIAK	MAT-SU	NOME	N. SLOPE	PTRSBURG	SITKA	UNALASKA	VALDEZ	WRANGELL	Statewide Liability	Fiscal Year
FY95	54,193	32,913,795	369,900	10,299,269	3,195,035	9,826,962	1,766,955	2,570,352	17,816,424	620,313	5,155,260	730,339	2,070,183	1,164,268	2,735,714	956,080	92,245,040	FY95
FY96	55,584	31,197,227	367,200	7,645,912	3,203,989	7,979,896	1,705,004	2,474,606	13,254,932	583,181	5,145,467	718,074	1,987,752	1,113,842	2,007,492	959,129	80,399,288	FY96
FY97	54,840	18,995,325	367,920	7,520,582	3,147,590	7,978,776	1,645,708	1,639,793	6,084,499		5,134,131	698,523	1,693,769	1,074,263	2,020,723	960,883	59,017,323	FY97
FY98	53,965	18,559,822	362,700	7,460,563	3,144,619	7,980,616	1,356,520	1,634,212	5,402,629		5,124,068	685,416	689,130	1,033,669	1,705,296	972,637	56,165,862	FY98
FY99	54,868	18,393,244	365,400	7,389,644	2,510,793	7,981,344	1,088,160	1,637,693	4,922,050		5,112,032	220,806	346,942	987,805	1,698,484	979,856	53,689,119	FY99
FY2000	53,647	11,760,540	361,800	6,667,478	2,505,211	7,980,768	1,024,320	1,631,295	2,644,081		5,099,736	223,128	331,309	945,825	1,598,984	979,421	43,807,542	FY2000
FY2001	54,134	10,441,362	356,760	4,126,303	1,785,526	7,978,240		1,628,225	2,621,347				315,264	571,193	161,000	975,787	31,015,141	FY2001
FY2002		7,685,458	354,780	4,164,326	1,779,799			551,095	2,606,308				298,946	228,729	160,500	842,745	18,672,686	FY2002
FY2003		7,692,444		4,186,339	61,969			552,445	856,005				282,490	229,388		845,863	14,706,941	FY2003
FY2004		7,691,477		4,253,194	61,818			553,041	857,741					146,363		842,074	14,405,707	FY2004
FY2005		7,670,891		4,296,459	62,207			552,554	857,732					146,363		739,260	14,325,465	FY2005
FY2006		5,338,521		4,340,509	62,104			550,777	855,928					146,363			11,294,202	FY2006
FY2007		4,324,048		2,564,079				551,294	858,437					146,363			8,444,221	FY2007
FY2008		4,327,539		2,604,217				552,625	858,708					146,363			8,489,452	FY2008
FY2009		4,332,470						552,833	856,679					146,363			5,888,345	FY2009
FY2010		4,331,877						551,918	855,671					146,363			5,885,828	FY2010
FY2011		4,333,432						549,880	855,474					146,363			5,885,148	FY2011
FY2012		4,304,997						549,741	857,937					146,363			5,859,037	FY2012
FY2013		4,238,843						551,734	857,813					146,363			5,794,753	FY2013
FY2014		2,871,284						552,202	858,183					126,452			4,408,121	FY2014
FY2015		2,868,571															2,868,571	FY2015
TOTALS	381,231	214,273,167	2,906,460	77,518,875	21,520,658	57,706,602	8,586,666	20,388,312	65,638,577	1,203,494	30,770,693	3,276,286	8,015,785	8,939,059	12,088,191	10,053,734	543,267,790	TOTALS

Reimbursements for projects approved for cash expenditures from local revenue are not included in this information.

Modified Sustainable Spending Plan
Base Case

P Fund	16,000
CBRF	2,000
ERA	1,000

	Beginning Balance	Base Case O&G Rev	Fishing Resource Rev	10% Earnings Amount	6.00% Withdrawl Percentage	Withdrawl Amount	Ending Balance	Fund Withdrawl	Non Resource Revenues	**Unrestricted Gen Fund**	State Spend Projection	Yearly Shortfall or Surplus	Cumulative Shortfall or Surplus
1997	19,000	1,767	33	1,833	13.00%	(2,470)	20,130	2,470	438	**2,908**	2,975	(67)	(67)
1998	20,130	1,866	34	1,956	12.25%	(2,466)	21,486	2,466	695	**3,161**	2,975	186	119
1999	21,486	1,912	35	2,104	11.50%	(2,393)	23,110	2,393	725	**3,118**	2,975	143	263
2000	23,110	1,932	36	2,268	10.75%	(2,397)	24,913	2,397	757	**3,154**	2,975	179	442
2001	24,913	1,944	37	2,449	10.00%	(2,401)	26,905	2,401	790	**3,191**	3,047	144	586
2002	26,905	1,908	38	2,645	9.25%	(2,397)	29,062	2,397	824	**3,221**	3,121	99	685
2003	29,062	1,886	39	2,854	8.75%	(2,449)	31,353	2,449	855	**3,303**	3,198	106	791
2004	31,353	1,870	41	3,077	8.25%	(2,492)	33,808	2,492	888	**3,380**	3,276	104	895
2005	33,808	1,844	42	3,317	7.75%	(2,525)	36,444	2,525	913	**3,438**	3,357	80	976
2006	36,444	1,775	43	3,572	7.25%	(2,547)	39,244	2,547	930	**3,477**	3,441	36	1,012
2007	39,244	1,709	44	3,844	6.75%	(2,554)	42,243	2,554	948	**3,503**	3,527	(24)	987
2008	42,243	1,724	46	4,136	6.50%	(2,648)	45,455	2,648	966	**3,615**	3,615	0	987
2009	45,455	1,666	47	4,454	6.00%	(2,631)	48,943	2,631	985	**3,616**	3,706	(90)	897
2010	48,943	1,608	48	4,777	6.00%	(2,832)	52,496	2,832	1,005	**3,837**	3,800	36	933
2011	52,496	1,608	50	5,111	6.00%	(3,043)	56,172	3,043	1,025	**4,068**	3,897	171	1,104

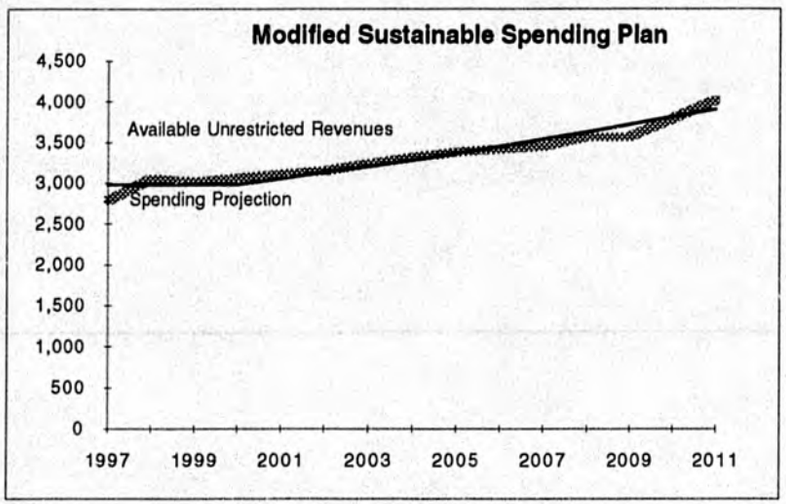


Base Non Resource Revenues	Add $25 School Tax	Add Motor Fuels Nat. Average	Add Tobacco to $3/pack	Add Alcohol per HB-96	Add Misc Fees MV&Liq	Add 4% Sales Tax	Subtotal Non Resource Revenue
301	10	26	57	19	25	0	438
305	10	27	71	20	26	236	695
307	10	28	85	21	27	247	725
310	10	29	99	23	27	259	757
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316	10	31	127	26	29	285	824
317	10	32	141	26	30	298	855
319	10	33	155	27	31	313	888
321	10	34	160	28	32	328	913
321	10	35	164	29	33	338	930
321	10	36	169	30	34	348	948
321	10	37	174	31	35	358	966
321	10	38	180	32	36	369	985
321	10	39	185	33	37	380	1,005
321	10	40	191	34	38	392	1,025

Modified Sustainable Spending Plan
Lower Initial Fund Balance

P Fund	15,000
CBHF	2,000
ERA	1,000

	Beginning Balance	Base Case O&G Rev	Fishing Resource Rev	10% Earnings Amount	6.00% Withdrawl Percentage	Withdrawl Amount	Ending Balance	Fund Withdrawl	Non Resource Revenues	**Unrestricted Gen Fund**	State Spend Projection	Yearly Shortfall or Surplus	Cumulative Shortfall or Surplus
1997	18,000	1,767	33	1,746	13.00%	(2,340)	19,173	2,340	438	**2,778**	2,975	(197)	(197)
1998	19,173	1,866	34	1,872	12.25%	(2,349)	20,563	2,349	695	**3,044**	2,975	69	(128)
1999	20,563	1,912	35	2,022	11.50%	(2,285)	22,212	2,285	725	**3,010**	2,975	35	(93)
2000	22,212	1,932	36	2,188	10.75%	(2,299)	24,033	2,299	757	**3,057**	2,975	82	(11)
2001	24,033	1,944	37	2,370	10.00%	(2,312)	26,035	2,312	790	**3,102**	3,047	55	44
2002	26,035	1,908	38	2,567	9.25%	(2,316)	28,194	2,316	824	**3,140**	3,121	19	62
2003	28,194	1,886	39	2,775	8.75%	(2,373)	30,482	2,373	855	**3,227**	3,198	30	92
2004	30,482	1,870	41	2,997	8.25%	(2,420)	32,929	2,420	888	**3,309**	3,276	33	124
2005	32,929	1,844	42	3,236	7.75%	(2,457)	35,552	2,457	913	**3,370**	3,357	13	137
2006	35,552	1,775	43	3,489	7.25%	(2,482)	38,333	2,482	930	**3,413**	3,441	(28)	109
2007	38,333	1,709	44	3,759	6.75%	(2,494)	41,308	2,494	948	**3,442**	3,527	(85)	24
2008	41,308	1,724	46	4,049	6.50%	(2,588)	44,492	2,588	966	**3,555**	3,615	(60)	(37)
2009	44,492	1,666	47	4,363	6.00%	(2,574)	47,948	2,574	985	**3,559**	3,706	(147)	(184)
2010	47,948	1,608	48	4,683	6.00%	(2,773)	51,465	2,773	1,005	**3,778**	3,800	(22)	(206)
2011	51,465	1,608	50	5,014	6.00%	(2,982)	55,105	2,982	1,025	**4,007**	3,897	110	(96)

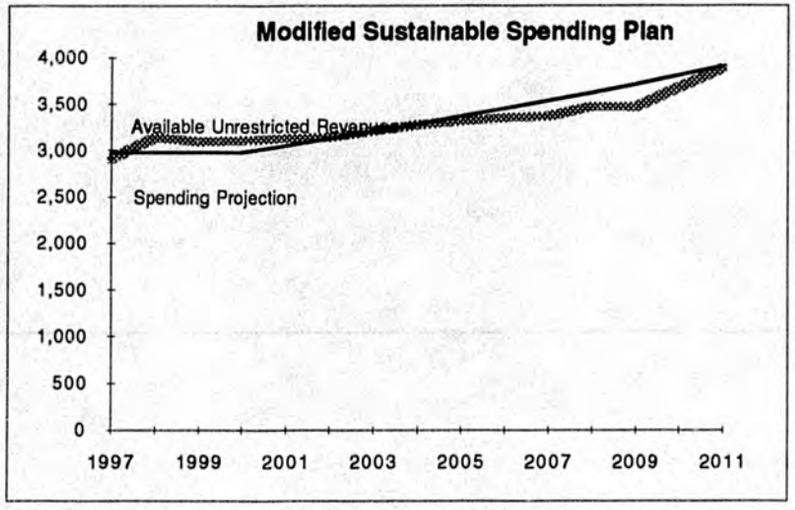


	Base Non Resource Revenues	Add $25 School Tax	Add Motor Fuels Nat. Average	Add Tobacco to $3/pack	Add Alcohol per HB-96	Add Misc Fees MV&Liq	Add 4% Sales Tax	Subtotal Non Resource Revenue
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	305	10	27	71	20	26	236	695
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	321	10	35	164	29	33	338	930
	321	10	36	169	30	34	348	948
	321	10	37	174	31	35	358	966
	321	10	38	180	32	36	369	985
	321	10	39	185	33	37	380	1,005
	321	10	40	191	34	38	392	1,025

Modified Sustainable Spending Plan
10% Lower Oil Revenues

P Fund	16,000
CBRF	2,000
ERA	1,000

	Beginning Balance	Low Case O&G Rev	Fishing Resource Rev	10% Earnings Amount	6.00% Withdrawl Percentage	Withdrawl Amount	Ending Balance	Fund Withdrawl	Non Resource Revenues	**Unrestricted Gen Fund**	State Spend Projection	Yearly Shortfall or Surplus	Cumulative Shortfall or Surplus
1997	19,000	1,590	33	1,815	13.00%	(2,470)	19,936	2,470	438	**2,908**	2,975	(67)	(67)
1998	19,936	1,679	34	1,921	12.25%	(2,442)	21,094	2,442	695	**3,137**	2,975	162	96
1999	21,094	1,721	35	2,049	11.50%	(2,359)	22,504	2,359	725	**3,084**	2,975	109	205
2000	22,504	1,739	36	2,194	10.75%	(2,343)	24,093	2,343	757	**3,101**	2,975	126	331
2001	24,093	1,750	37	2,355	10.00%	(2,330)	25,868	2,330	790	**3,120**	3,047	73	403
2002	25,868	1,717	38	2,531	9.25%	(2,311)	27,806	2,311	824	**3,135**	3,121	14	417
2003	27,806	1,697	39	2,719	8.75%	(2,348)	29,874	2,348	855	**3,203**	3,198	5	422
2004	29,874	1,683	41	2,922	8.25%	(2,379)	32,100	2,379	888	**3,268**	3,276	(9)	414
2005	32,100	1,660	42	3,140	7.75%	(2,402)	34,498	2,402	913	**3,314**	3,357	(43)	371
2006	34,498	1,598	43	3,372	7.25%	(2,414)	37,054	2,414	930	**3,344**	3,441	(96)	274
2007	37,054	1,538	44	3,622	6.75%	(2,415)	39,799	2,415	948	**3,363**	3,527	(164)	110
2008	39,799	1,552	46	3,890	6.50%	(2,498)	42,743	2,498	966	**3,464**	3,615	(151)	(41)
2009	42,743	1,499	47	4,181	6.00%	(2,476)	45,947	2,476	985	**3,462**	3,706	(245)	(285)
2010	45,947	1,447	48	4,478	6.00%	(2,661)	49,212	2,661	1,005	**3,666**	3,800	(135)	(420)
2011	49,212	1,447	50	4,785	6.00%	(2,855)	52,590	2,855	1,025	**3,880**	3,897	(17)	(438)

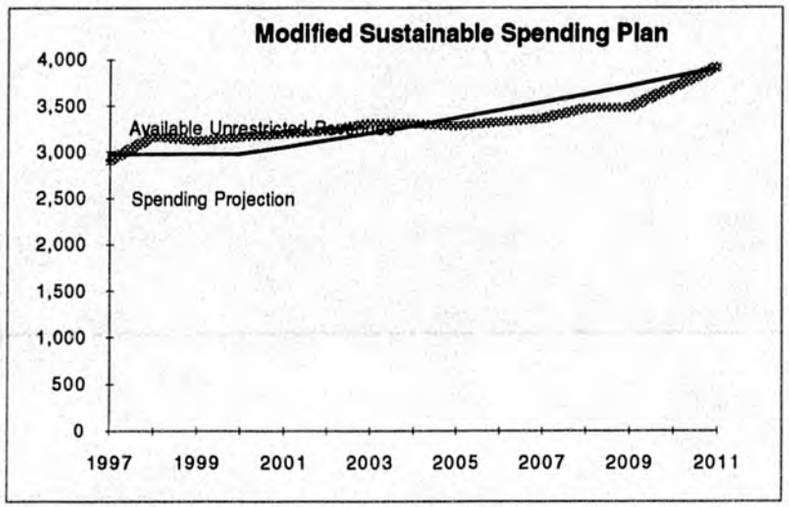


Base Non Resource Revenues	Add $25 School Tax	Add Motor Fuels Nat. Average	Add Tobacco to $3/pack	Add Alcohol per HB-96	Add Misc Fees MV&Liq	Add 4% Sales Tax	Subtotal Non Resource Revenue
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321	10	36	169	30	34	348	948
321	10	37	174	31	35	358	966
321	10	38	180	32	36	369	985
321	10	39	185	33	37	380	1,005
321	10	40	191	34	38	392	1,025

Modified Sustainable Spending Plan
Loss of One Year's Oil Revenues (2003)

P Fund	16,000
CBRF	2,000
ERA	1,000

	Beginning Balance	Base Case O&G Rev	Fishing Resource Rev	10% Earnings Amount	6.00% Withdrawl Percentage	Withdrawl Amount	Ending Balance	Fund Withdrawl	Non Resource Revenues	**Unrestricted Gen Fund**	State Spend Projection	Yearly Shortfall or Surplus	Cumulative Shortfall or Surplus
1997	19,000	1,767	33	1,833	13.00%	(2,470)	20,130	2,470	438	**2,908**	2,975	(67)	(67)
1998	20,130	1,866	34	1,956	12.25%	(2,466)	21,486	2,466	695	**3,161**	2,975	186	119
1999	21,486	1,912	35	2,104	11.50%	(2,393)	23,110	2,393	725	**3,118**	2,975	143	263
2000	23,110	1,932	36	2,268	10.75%	(2,397)	24,913	2,397	757	**3,154**	2,975	179	442
2001	24,913	1,944	37	2,449	10.00%	(2,401)	26,905	2,401	790	**3,191**	3,047	144	586
2002	26,905	1,908	38	2,645	9.25%	(2,397)	29,062	2,397	824	**3,221**	3,121	99	685
2003	29,062		39	2,665	8.75%	(2,449)	29,278	2,449	855	**3,303**	3,198	106	791
2004	29,278	1,870	41	2,878	8.25%	(2,407)	31,620	2,407	888	**3,295**	3,276	19	810
2005	31,620	1,844	42	3,115	7.75%	(2,360)	34,219	2,360	913	**3,273**	3,357	(85)	725
2006	34,219	1,775	43	3,365	7.25%	(2,387)	36,972	2,387	930	**3,317**	3,441	(124)	601
2007	36,972	1,709	44	3,632	6.75%	(2,403)	39,911	2,403	948	**3,351**	3,527	(176)	425
2008	39,911	1,724	46	3,918	6.50%	(2,499)	43,054	2,499	966	**3,465**	3,615	(150)	275
2009	43,054	1,666	47	4,228	6.00%	(2,489)	46,459	2,489	985	**3,474**	3,706	(232)	43
2010	46,459	1,608	48	4,543	6.00%	(2,685)	49,925	2,685	1,005	**3,690**	3,800	(110)	(67)
2011	49,925	1,608	50	4,869	6.00%	(2,892)	53,510	2,892	1,025	**3,916**	3,897	19	(48)

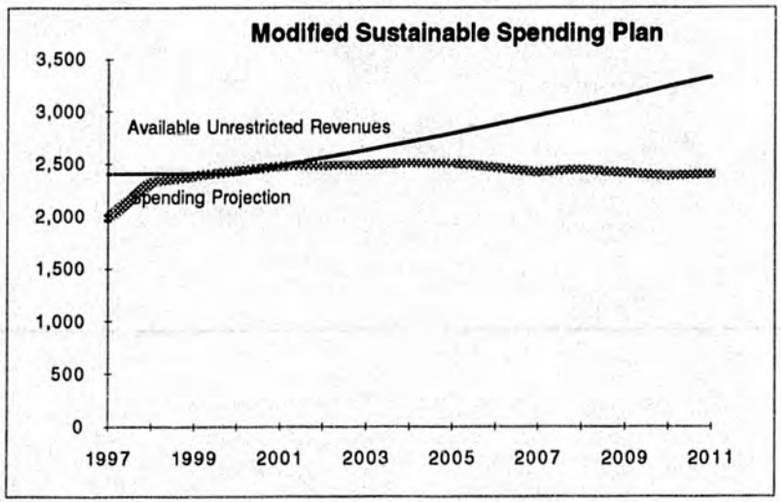


Base Non Resource Revenues	Add $25 School Tax	Add Motor Fuels Nat. Average	Add Tobaccc to $3/pack	Add Alcohol per HB-96	Add Misc Fees MV&Liq	Add 4% Sales Tax	Subtotal Non Resource Revenue
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321	10	37	174	31	35	358	966
321	10	38	180	32	36	369	985
321	10	39	185	33	37	380	1,005
321	10	40	191	34	38	392	1,025

Modified Sustainable Spending Plan
Do Nothing Case

P Fund	16,000
CBRF	0
ERA	1,000

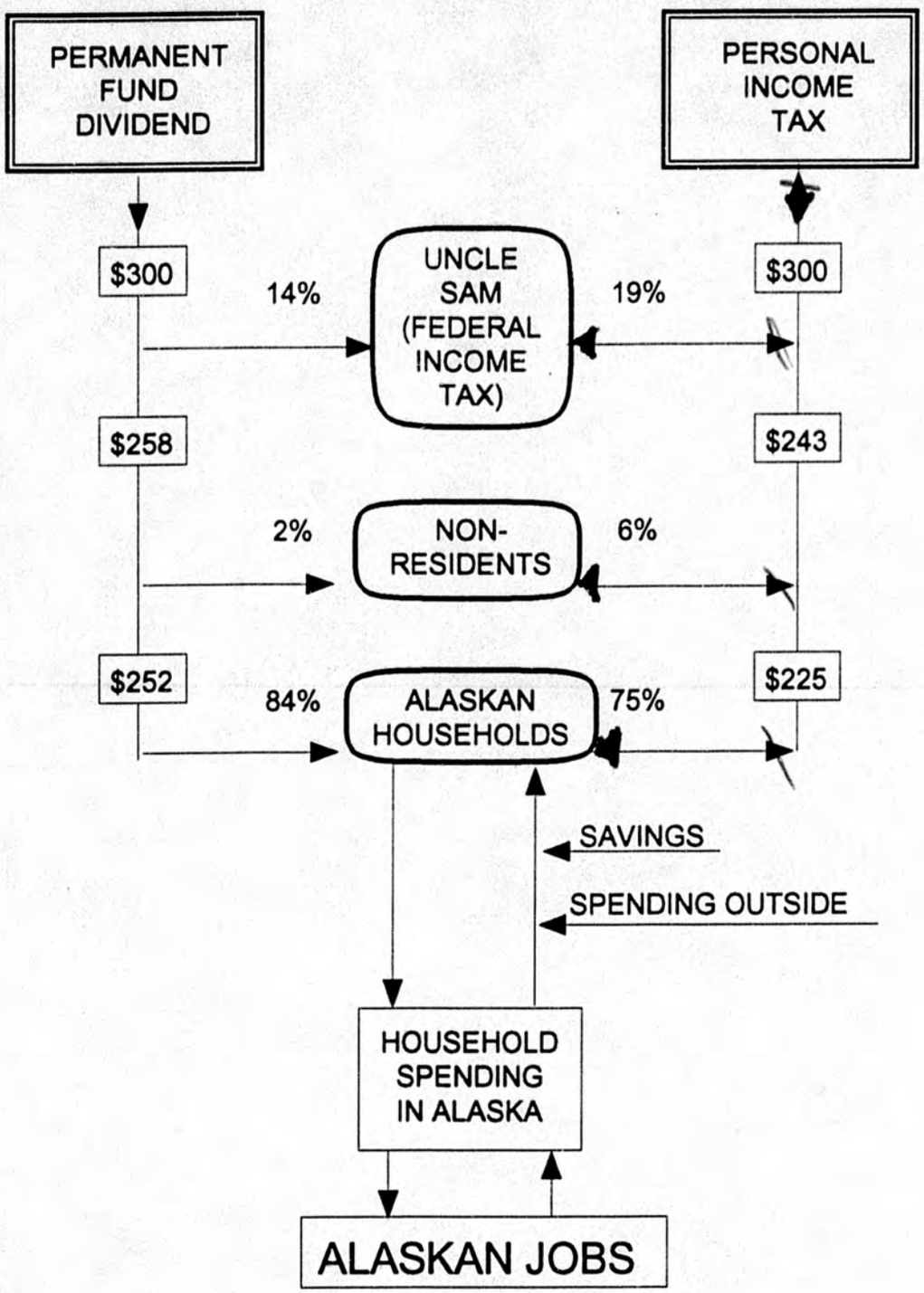
	Beginning Balance	Base Case O&G Rev	Fishing Resource Rev	10% Earnings Amount	6.00% Withdrawl Percentage	Withdrawl Amount	Ending Balance	Oil Revenues	Non Resource Revenues	**Unrestricted Gen Fund**	State Spend Projection		Yearly Shortfall or Surplus	Cumulative Shortfall or Surplus
1997	17,000	227		1,665		(575)	18,317	1,540	438	**1,978**	2,400		(422)	(422)
1998	18,317	244		1,796		(599)	19,758	1,622	695	**2,317**	2,400		(83)	(504)
1999	19,758	259		1,940		(615)	21,343	1,653	725	**2,378**	2,400		(22)	(526)
2000	21,343	263		2,096		(650)	23,051	1,669	757	**2,426**	2,400		26	(500)
2001	23,051	264		2,260		(715)	24,860	1,680	790	**2,470**	2,472		(2)	(502)
2002	24,860	261		2,436		(759)	26,798	1,647	824	**2,471**	2,546		(75)	(577)
2003	26,798	259		2,625		(806)	28,877	1,627	855	**2,482**	2,623		(141)	(718)
2004	28,877	258		2,828		(855)	31,108	1,612	888	**2,500**	2,701		(201)	(919)
2005	31,108	256		3,046		(907)	33,502	1,588	913	**2,501**	2,782		(282)	(1,201)
2006	33,502	249		3,279		(958)	36,073	1,526	930	**2,456**	2,866		(410)	(1,610)
2007	36,073	243		3,532		(996)	38,852	1,466	948	**2,414**	2,952	CBRF Gone	(538)	(2,148)
2008	38,852	253		3,807		(1,036)	41,875	1,471	966	**2,437**	3,040		(603)	(2,751)
2009	41,875	246		4,104		(1,078)	45,148	1,420	985	**2,405**	3,131		(726)	(3,477)
2010	45,148	239		4,427		(1,121)	48,692	1,369	1,005	**2,374**	3,225		(852)	(4,328)
2011	48,692	239		4,777		(1,166)	52,542	1,369	1,025	**2,394**	3,322		(928)	(5,256)



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	301	10	26	57	19	25	0	438
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	321	10	39	185	33	37	380	1,005
	321	10	40	191	34	38	392	1,025

LEAKS & SPENDING:

THE DIVIDEND AND INCOME TAX



From: Scott Goldsmith

THE PURCHASING POWER OF THE 1989 STATE BUDGET: JOBS AND INCOME GENERATED

STATEWIDE

CATEGORY OF STATE GOVT EXPENDITURES	SPENDING ($MILL)		DIRECT EFFECTS: GOVT JOBS (000)	DIRECT EFFECTS: HH INCOME ($MILL)	TOTAL EFFECTS: ALL JOBS (000)	TOTAL EFFECTS: HH INCOME ($MILL)	"BANG PER BUCK" TOTAL EFFECT PER MILLION $ OF STATE SPENDING: PUBLIC JOBS	PRIVATE JOBS	TOTAL JOBS	INCOME ($THOUSAND)
GRAND TOTAL		$3,608	31.83	$2,190	81.40	$3,021	8.8	13.7	22.6	$837
TOTAL GENERAL FUND		$3,169	31.83	$1,751	74.90	$2,441	10.0	13.6	23.6	$770
OPERATING BUDGET		$2,825	31.83	$1,751	70.43	$2,292	11.3	13.7	24.9	$811
PERSONAL SERVICES		$884					21.8	16.2	38.0	$1,106
Wages	$663		19.27	$665	29.94	$898	29.1	16.1	45.2	$1,354
Benefits	$221		-	$219	3.67	$80	0.0	16.6	16.6	$362
GRANTS		$1,250								
Local Aid	$792		-	-	-	-	0.0	29.5	29.5	$807
Wages	-		12.55	$389	18.80	$525	-	-	48.3	$1,350
Benefits	-		-	$128	2.15	$47	-	-	16.7	$365
Other	-		-	-	2.44	$67	-	-	8.9	$243
Local Debt Service	$109		-	-	0.35	$12			NA	NA
Individuals	$349		-	$349	5.17	$462	0.0	14.8	14.8	$1,323
CONTRACTS		$366	-	-	5.75	$142	0.0	15.7	15.7	$389
DEBT SERVICE		$143	-	-	0.46	$15			NA	NA
COMMODITIES		$85	-	-	0.76	$21	0.0	8.9	8.9	$243
TRAVEL		$36	-	-	0.40	$9	0.0	11.1	11.1	$243
EQUIPMENT		$25	-	-	0.22	$6	0.0	8.9	8.9	$243
MISCELLANEOUS		$36	-	-	0.32	$9	0.0	8.9	8.9	$243
CAPITAL BUDGET		$344	-	-	4.46	$149	0.0	13.0	13.0	$432
PERMANENT FUND DIVIDEND		$439	-	$439	6.50	$581	0.0	14.8	14.8	$1,323

From: Scott Goldsmith

Designated Fund Sources

DRAFT

DBR Code	Short Name	Long Name	Comments
General Funds:			
1003	G/F Match	General Fund Match	
1004	G/F Receipt	General Fund Receipts	
1005	GF/PRGM	General Fund/Program Receipts	
1006	GF/MHT	Gen. Fund/Mental Health Trust	
Loan Funds:			
			Portion of revolving funds used specifically for servicing loans. An appropriation is not required to pay for loans.
1013	A/D RLF	Alcoholism & Drug Abuse Revolving Loan Fund	Active. No loans to date.
1020	Grain Fund	Grain Reserve Loan Fund	Nonactive fund.
1021	Agric Fund	Agricultural Loan Fund	Active. Principal & interest receipts used for new loans and servicing loans.
1035	Vet Fund	Veterans Revolving Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund.
1036	C/F Loan	Commercial Fishing Loan Fund	Active. Principal & interest receipts used for new loans and servicing loans.
1046	Stdnt Loan	Student Revolving Loan Fund	Active. Principal & interest receipts used for new loans and servicing loans.
1057	Small Bus	Small Business Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund.
1058	Trsm Loan	Tourism Revolving Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund.
1062	PPL Fund	Power Project Loan Fund	Active. Principal & interest receipts used for new loans and servicing loans.

Designated Fund Sources

DBR Code	Short Name	Long Name	Comments
1064	House Loan	Housing Assistance Loan Fund	
1065	RERL Fund	Rural Electrification Revolving Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund.
1067	MRL Fund	Mining Revolving Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund
1068	CCRL Fund	Child Care Revolving Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund.
1069	HDRL Fund	Historical District Revolving Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund.
1070	FERL Fund	Fisheries Enhancement Revolving Loan Fund	Active. Principal & interest receipts used for new loans and servicing loans.
1071	AERL Fund	Alternative Energy Revolving Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund.
1072	RECL Fund	Residential Energy Conservation Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the general fund
1073	PDRL Fund	Power Development Revolving Loan Fund	Nonactive fund. Principal & interest receipts that are not used for loan servicing costs go to the 4-dam pool transfer fund.
1074	BFRL Fund	Bulk Fuel Revolving Loan Fund	Active. Principal & interest receipts used for new loans and servicing loans.
1075	AKCWL Fund	Alaska Clean Water Loan Fund	Active. Principal & interest receipts used for new loans and servicing loans.
1078	Sr Hsg Ln	Senior Housing Loan Fund	

Federal Funds:

1002	Fed Rcpts	Federal Receipts
1043	P/L 81-874	Public Law 81-874

Designated Fund Sources

DBR Code	Short Name	Long Name	Comments
1047	Title 20	Title 20	
1063	NPR Fund	National Petroleum Reserve Fund	
University Receipts:			
1010	UA/INT INC	U/A Interest Income	
1011	AACTP Fund	Alaska Advance College Tuition Payment Fund	
1015	UA/DFA SVC	U/A Dormitory/Food/Auxiliary Service	
1038	UA/STF SVC	U/A Student Tuition/Fees/Services	
1039	UA/ICR	U/A Indirect Cost Recovery	
1048	Univ Rcpt	University Receipts	
Retirement Funds:			Funds held in trust and used for the management and investment of pension funds.
1029	P/E Retire	Public Employees Retirement Fund	
1034	Teach Ret	Teachers' Retirement System Fund	
1042	Jud Retire	Judicial Retirement System	

Designated Fund Sources

DBR Code	Short Name	Long Name	Comments
Created by appropriation from GF for specific purpose:			
1012	Rail Energy	Railbelt Energy Fund	Appropriated by the Legislature to meet railbelt energy needs.
1019	Reforest	Reforestation Fund	Legislature may appropriate 25% of timber/stumpage sales for reforestation. $900.0 appropriated so far, remainder goes to General Fund.
1037	Child Trst	Children's Trust Fund	No appropriations ever made to this fund
1044	Debt R Fnd	Debt Retirement Fund	The same amount appropriated to this fund is appropriated to pay debt obligation of the state.
1053	ILT Fund	Investment Loss Trust Fund	
1056	ES Ext Fnd	Electrical Service Extension Fund	Fund grants for site prep and construction to extend electric service to private residences and small businesses.
1076	AMHS Fund	Marine Highway System Fund	Allows the separate accounting of marine highway receipts and appropriations.
1079	Storg Tank	Storage Tank Assistance Fund	Identifies funds used for tank tightness tests, site assessments, grants and loans.
1080	Sch Const	School Construction Fund	The same amount appropriated to this fund is appropriated to pay design and construction of public school facilities.
1082	VR Fund	Vessel Replacement Fund	Funds used for refurbishment or replacement of existing or acquisition of additional vessels. Zero balance.
Special revenue funds - use of funds specified in constitution or statute:			
1008	G/O Bonds	General Obligation Bonds	
1009	Rev Bonds	Revenue Bonds	
1014	DC/HF Acct	Donated Commodity/Handling Fee Account	Funds from federal agencies to cover costs of distributing federal surplus foods. (USC 7 CFR 250)
1016	Fed Incent	Federal Incentive Payments	

Designated Fund Sources

DBR Code	Short Name	Long Name	Comments
1017	Ben Sys	Benefits Systems Receipts	
1018	EV Oil Set	Exxon Valdez Oil Spill Settlement Fund	
1023	FICA Acct	FICA Administration Fund Account	Fund is no longer used. Has a zero balance.
1024	Fish/Game	Fish and Game Fund	Receipts from sale of sport fishing and hunting licenses and permits to be used for sport fish and game management. Required for participation in federal programs. (AK Constitution Article IX, sec. 7, AS 16.05.100)
1025	Endow Inc	Science & Technology Endowment Income	Income from investment of endowment fund used for administration of the foundation and grants to promote basic and applied research, economic development, technological innovations.
1027	Int Airprt	International Airport Revenue Fund	
1030	School Fnd	School Fund	Proceeds from payment of cigarette taxes, fees, penalties and licenses to be used to rehabilitate, construct and repair school facilities. (AS 43.50.140)
1031	Sec Injury	Second Injury Fund Reserve Account	Collections of civil penalties from enployer or insurance carrier for employees' compensable injuries. Paid as benefits based on awards of AK Workers' Comp Board. (AS 23.30.040)
1032	Dis Fisher	Disabled Fisherman's Reserve Account	60% of commercial fishing license fees to be used to pay emergency treatment, transportation, medical care of commercial fishers. (AS 23.35.060)
1033	Surpl Prop	Surplus Property Fund	Receipts from sale of federal surplus property.
1040	R E Surety	Real Estate Surety Fund	Payments by licensed real estate brokers and salesmen to be used for payment of claims and real estate educational purposes. (AS 08.88.450)

Designated Fund Sources

DBR Code	Short Name	Long Name	Comments
1041	PF Earning	Permanent Fund Earnings Reserve Account	
1049	Trng/Bldg	Training and Building Fund	Interest and penalties for failure to file reports and nonpayment of unemployment insurance fund contributions to be used for training and building acquisitions. Excess funds go to the unemployment trust fund. (AS 23.20.130)
1051	Rural Dev	Rural Development Initiative Fund	
1052	Oil Resp	Oil/Hazardous Response Fund	
1054	Empl Trng	State Employment & Training Program	
1059	Corr. Ind.	Correctional Industries Fund	
1066	P/S Fund	Public School Fund	
1077	IFC GGB	Indv/Foundt'n/Corp Gifts/Grants/Bequests	

Internal Service Funds:

Funds transferred by other state agencies and political subdivisions as reimbursement for services provided.

1026	Hwy Capitl	Highway Working Capital Fund	
1081	IS Fund	Information Services Fund	

Transfer of funds between agencies or budgets for contractual obligations:

1007	I/A Rcpts	Interagency Receipts	Funds transferred from one state agency to another in payment of services provided under specific contracts.

Designated Fund Sources

DBR Code	Short Name	Long Name	Comments
1055	IA/OIL HAZ	Inter-agency Rcpts/Oil & Hazardous Waste	Funds transferred from DEC appropriation from the Oil & Hazardous Substance Response Fund to another state agency.
1061	CIP Rcpts	Capital Improvement Project Receipts	Reflects capital supported expenditures in operating budget)

Appendix A - Capital Improvement Program Budget Request - November 5, 1994

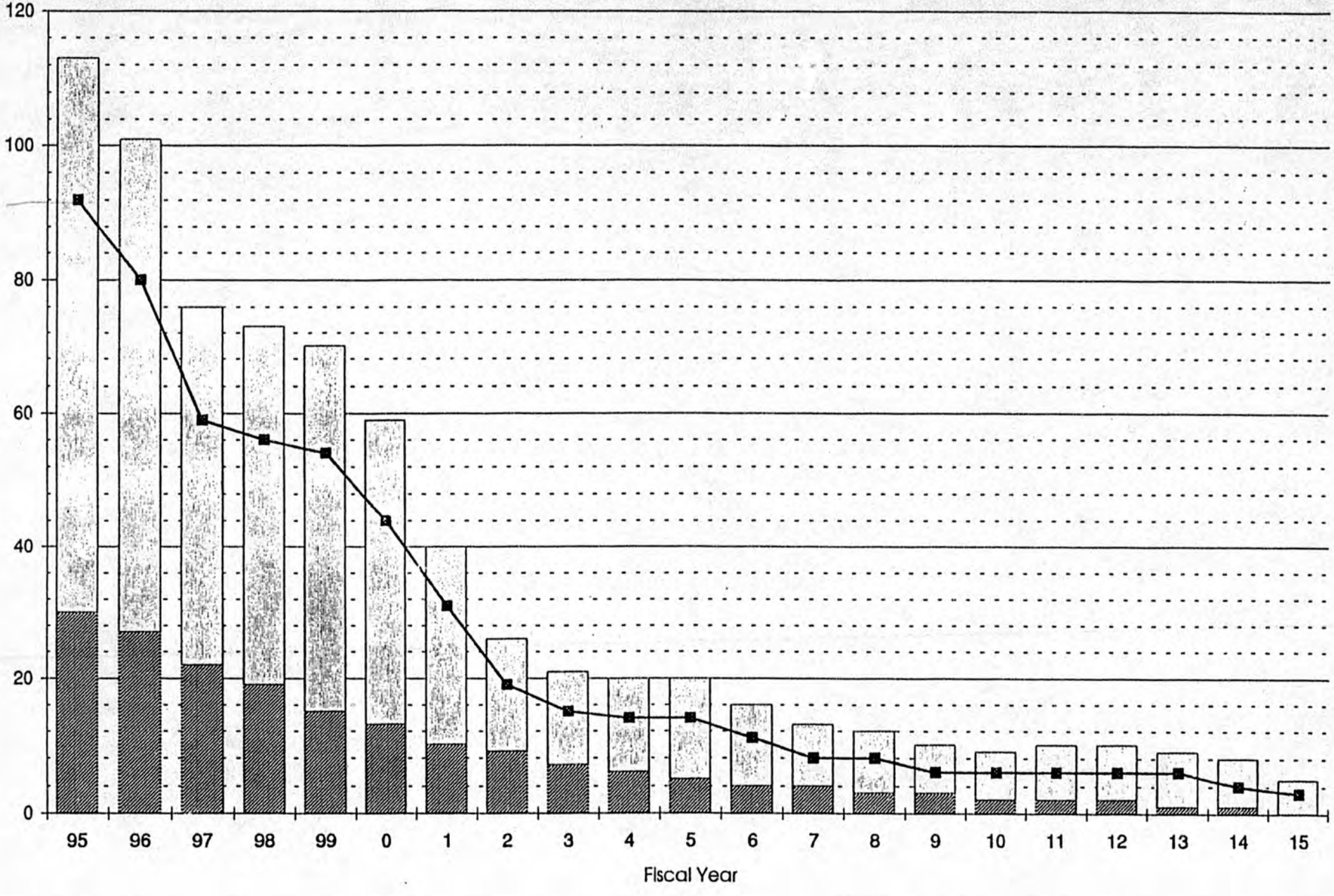
FIXED FUNDING LEVEL 65 - 98%	1994 FULL VALUE DETERMINATION	ACTUAL FY94 ADM	Full Value per ADM	Percent Funded FY96
DISTRICT NAME				
RANGE PER ADM			**$200,001 - $600,000**	
FAIRBANKS	3,452,917,970	15,408.00	224,099	70%
ALEUTIANS EAST	89,105,700	369.00	241,479	70%
DILLINGHAM	131,012,300	494.45	264,966	70%
ANCHORAGE	12,295,989,030	45,645.36	269,381	70%
WRANGELL	148,130,400	541.20	273,707	70%
SITKA	528,278,800	1,873.38	281,992	70%
PETERSBURG	202,055,700	711.10	284,145	70%
PELICAN	13,968,900	45.00	310,420	70%
KODIAK	858,852,600	2,747.82	312,558	70%
HAINES	130,714,100	409.05	319,555	70%
JUNEAU	1,765,984,100	5,394.45	327,371	70%
KENAI	3,540,628,280	9,846.05	359,599	70%
KETCHIKAN	985,541,900	2,735.38	360,294	70%
CORDOVA	185,337,580	511.15	362,589	70%
RANGE PER ADM			**Over $600,000**	
SKAGWAY	90,198,400	143.00	630,758	65%
BRISTOL BAY	176,792,300	271.60	650,929	65%
UNALASKA	358,385,300	358.60	999,401	65%
VALDEZ	1,052,513,810	896.90	1,173,502	65%
NORTH SLOPE	12,293,043,490	1,623.05	7,574,039	65%
TOTALS / AVERAGE VALUE	$41,225,488,950	119,672.97	$344,485	
Excluding North Slope	$28,932,445,460	118,049.92	$245,087	

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$100M per year needed to provide space to maintain current services

SCHOOL CONSTRUCTION
DEBT RETIREMENT



Prepared 2/23/95

STATEWIDE PRINCIPAL
Revised 2/22/95

SCHOOL CONSTRUCTION
DEBT RETIRMENT

Fiscal Year	ALEUT.E	ANCHORAGE	BRIST BAY	FAIRBANKS	JUNEAU	KENAI	KETCHIKAN	KODIAK	MAT-SU	NOME	N. SLOPE	PTRSBRG	SITKA	UNALASKA	VALDEZ	WRANGELL	Statewide Principal	Fiscal Year
FY95	90,000	28,965,000	225,000	7,718,400	2,891,075	8,650,000	1,565,000	2,025,000	18,160,000	670,000	6,000,000	585,000	2,083,548	936,457	2,225,000	608,000	83,397,480	FY95
FY96	100,000	28,301,497	240,000	5,338,400	3,113,504	6,205,000	1,585,000	2,150,000	13,725,000	670,000	6,410,000	620,000	2,138,387	959,530	1,640,000	657,000	73,853,318	FY96
FY97	105,000	16,980,000	260,000	5,593,400	3,248,836	6,700,000	1,610,000	1,220,000	5,515,000		6,855,000	650,000	1,915,000	962,757	1,770,000	705,000	54,089,983	FY97
FY98	110,000	17,415,000	275,000	5,943,400	3,440,855	7,245,000	1,400,000	1,295,000	5,230,000		7,340,000	690,000	790,000	971,145	1,530,000	760,000	54,435,400	FY98
FY99	120,000	18,110,000	300,000	6,293,400	2,928,696	7,840,000	1,200,000	1,385,000	4,995,000		7,860,000	250,000	410,000	974,702	1,625,000	805,000	55,096,798	FY99
FY2000	125,000	10,765,000	320,000	5,930,000	3,111,131	8,490,000	1,200,000	1,465,000	1,655,555		8,420,000	270,000	410,000	983,437	1,625,000	845,000	45,615,122	FY2000
FY2001	135,000	9,725,000	340,000	3,465,000	2,123,566	9,200,000		1,555,000	1,600,580				410,000	577,359	140,000	885,000	30,156,505	FY2001
FY2002		6,805,000	365,000	3,685,000	2,256,812			415,000	1,556,086				410,000	171,477	150,000	785,000	16,599,375	FY2002
FY2003		7,185,000		3,900,000	63,305			435,000	715,000				410,000	180,801		830,000	13,719,105	FY2003
FY2004		7,590,000		4,185,000	66,957			455,000	755,000					95,341		870,000	14,017,298	FY2004
FY2005		8,000,000		4,460,000	71,421			475,000	795,000					100,108		800,000	14,701,528	FY2005
FY2006		5,460,000		4,755,000	75,479			495,000	835,000					105,113			11,725,592	FY2006
FY2007		4,475,000		2,830,000				520,000	885,000					110,369			8,820,369	FY2007
FY2008		4,750,000		3,035,000				550,000	935,000					115,887			9,385,887	FY2008
FY2009		5,045,000						580,000	985,000					121,682			6,731,682	FY2009
FY2010		5,355,000						610,000	1,040,000					127,766			7,132,766	FY2010
FY2011		5,690,000						640,000	1,100,000					134,154			7,564,154	FY2011
FY2012		6,010,000						675,000	1,170,000					140,862			7,995,862	FY2012
FY2013		6,305,000						715,000	1,240,000					147,905			8,407,905	FY2013
FY2014		4,935,000						755,000	1,315,000					133,177			7,138,177	FY2014
FY2015		5,235,000															5,235,000	FY2015
TOTALS	785,000	213,101,497	2,325,000	67,132,000	23,391,626	54,330,000	8,560,000	18,415,000	64,207,221	1,340,000	42,885,000	3,065,000	8,976,935	8,050,026	10,705,000	8,550,000	535,819,305	TOTALS

STATEWIDE INTEREST

Revised 2/22/95

Fiscal Year	ALEUT. E	ANCHORAGE	BRIST BAY	FAIRBANKS	JUNEAU	KENAI	KETCHIKAN	KODIAK	MAT-SU	NOME	N. SLOPE	PTRSBRG	SITKA	UNALASKA	VALDEZ	WRANGELL	Statewide Interest	Fiscal Year
FY95	49,708	9,496,733	186,000	4,108,421	1,375,712	4,354,620	535,915	1,150,091	3,499,598	91,120	2,815,968	224,595	570,707	486,162	714,265	454,312	30,113,926	FY95
FY96	43,295	9,896,615	168,000	3,566,823	1,164,627	3,769,870	438,844	897,845	2,500,609	45,560	2,389,220	176,053	410,139	401,217	572,227	408,699	26,849,641	FY96
FY97	36,376	8,244,073	148,800	3,177,035	972,775	3,273,470	339,188	784,213	1,851,116		1,924,834	125,004	295,279	348,113	456,650	362,648	22,339,572	FY97
FY98	29,120	7,357,210	128,000	2,763,285	778,057	2,730,770	244,400	703,436	1,452,573		1,422,625	71,133	160,080	288,674	346,538	320,708	18,796,607	FY98
FY99	21,448	6,463,528	106,000	2,314,204	585,576	2,136,680	160,200	617,678	1,097,688		882,043	26,008	108,650	228,163	243,815	283,729	15,275,407	FY99
FY2000	13,300	5,717,615	82,000	1,965,048	395,981	1,485,960	80,400	530,700	1,722,368		301,015	8,910	85,280	166,746	133,190	243,245	12,931,757	FY2000
FY2001	4,556	5,116,535	56,400	1,608,353	229,978	772,800		437,153	1,751,962				61,295	104,370	21,000	199,208	10,363,609	FY2001
FY2002		4,599,740	29,200	1,435,103	89,160			379,928	1,778,956				36,900	82,667	10,500	151,384	8,593,537	FY2002
FY2003		4,230,666		1,247,168	14,156			361,875	675,363				12,300	74,074		109,848	6,725,449	FY2003
FY2004		3,818,951		1,044,368	10,315			342,735	638,183					67,284		65,638	5,987,473	FY2004
FY2005		3,379,199		822,563	6,338			322,033	598,168					62,517		21,400	5,212,216	FY2005
FY2006		3,003,274		581,723	2,151			299,470	555,238					57,512			4,499,367	FY2006
FY2007		2,726,214		322,575				275,215	509,313					52,256			3,885,573	FY2007
FY2008		2,460,276		166,925				247,135	459,753					46,738			3,380,827	FY2008
FY2009		2,174,485						217,435	406,458					40,943			2,839,321	FY2009
FY2010		1,866,106						186,115	349,820					34,859			2,436,901	FY2010
FY2011		1,534,616						153,175	289,500					28,471			2,005,762	FY2011
FY2012		1,180,080						117,975	223,500					21,763			1,543,318	FY2012
FY2013		802,453						80,850	153,300					14,720			1,051,323	FY2013
FY2014		462,150						41,525	78,900					7,325			589,900	FY2014
FY2015		157,050															157,050	FY2015
TOTALS	197,803	84,687,569	904,400	25,123,590	5,624,825	18,524,170	1,798,946	8,146,580	20,592,361	136,680	9,735,704	631,701	1,740,630	2,614,578	2,498,184	2,620,815	185,578,536	TOTALS

STATEWIDE LIABILITY

Revised 2/22/95

Fiscal Year	ALEUT.E	ANCHORAGE	BRIST BAY	FAIRBANKS	JUNEAU	KENAI	KETCHIKAN	KODIAK	MAT-SU	NOME	N. SLOPE	PTRSBURG	SITKA	UNALASKA	VALDEZ	WRANGELL	Statewide Liability	Fiscal Year
FY95	54,193	32,913,795	369,900	10,299,269	3,195,035	9,826,962	1,766,955	2,570,352	17,816,424	620,313	5,155,260	730,339	2,070,183	1,164,268	2,735,714	956,080	92,245,040	FY95
FY96	55,584	31,197,227	367,200	7,645,912	3,203,989	7,979,896	1,705,004	2,474,606	13,254,932	583,181	5,145,467	718,074	1,987,752	1,113,842	2,007,492	959,129	80,399,288	FY96
FY97	54,840	18,995,325	367,920	7,520,582	3,147,590	7,978,776	1,645,708	1,639,793	6,084,499		5,134,131	698,523	1,693,769	1,074,263	2,020,723	960,883	59,017,323	FY97
FY98	53,965	18,559,822	362,700	7,460,563	3,144,619	7,980,616	1,356,520	1,634,212	5,402,629		5,124,068	685,416	689,130	1,033,669	1,705,296	972,637	56,165,862	FY98
FY99	54,868	18,393,244	365,400	7,389,644	2,510,793	7,981,344	1,088,160	1,637,693	4,922,050		5,112,032	220,806	346,942	987,805	1,698,484	979,856	53,689,119	FY99
FY2000	53,647	11,760,540	361,800	6,667,478	2,505,211	7,980,768	1,024,320	1,631,295	2,644,081		5,099,736	223,128	331,309	945,825	1,598,984	979,421	43,807,542	FY2000
FY2001	54,134	10,441,362	356,760	4,126,303	1,785,526	7,978,240		1,628,225	2,621,347				315,264	571,193	161,000	975,787	31,015,141	FY2001
FY2002		7,685,458	354,780	4,164,326	1,779,799			551,095	2,606,308				298,946	228,729	160,500	842,745	18,672,686	FY2002
FY2003		7,692,444		4,186,339	61,969			552,445	856,005				282,490	229,388		845,863	14,706,941	FY2003
FY2004		7,691,477		4,253,194	61,818			553,041	857,741					146,363		842,074	14,405,707	FY2004
FY2005		7,670,891		4,296,459	62,207			552,554	857,732					146,363		739,260	14,325,465	FY2005
FY2006		5,338,521		4,340,509	62,104			550,777	855,928					146,363			11,294,202	FY2006
FY2007		4,324,048		2,564,079				551,294	858,437					146,363			8,444,221	FY2007
FY2008		4,327,539		2,604,217				552,625	858,708					146,363			8,489,452	FY2008
FY2009		4,332,470						552,833	856,679					146,363			5,888,345	FY2009
FY2010		4,331,877						551,918	855,671					146,363			5,885,828	FY2010
FY2011		4,333,432						549,880	855,474					146,363			5,885,148	FY2011
FY2012		4,304,997						549,741	857,937					146,363			5,859,037	FY2012
FY2013		4,238,843						551,734	857,813					146,363			5,794,753	FY2013
FY2014		2,871,284						552,202	858,183					126,452			4,408,121	FY2014
FY2015		2,868,571															2,868,571	FY2015
TOTALS	381,231	214,273,167	2,906,460	77,518,875	21,520,658	57,706,602	8,586,666	20,388,312	65,638,577	1,203,494	30,770,693	3,276,286	8,015,785	8,939,059	12,088,191	10,053,734	543,267,790	TOTALS

Reimbursements for projects approved for cash expenditures from local revenue are not included in this information.

A Review

The Alaska School Foundation Funding Program

January 1995

The Foundation Program is based on the "instructional unit" method of funding.

Terms and Concepts printed on page 2, when used with the two mathematical formulas below and the numerical data on page 4, provide for understanding the foundation law.

The formula used to calculate basic need:

Basic Need = (Instructional Units) x (Area Cost Differential) x ($61,000)

The formula used to calculate state foundation aid:

State Foundation Aid = (Basic Need) - (Local Effort) - (90% Eligible PL 81-874)

TERMS AND CONCEPTS:

ADM (AVERAGE DAILY MEMBERSHIP) -The average of the number of students enrolled in a school district or specific school program (vocational education, bilingual education, special education) over a specified fall or spring student count period. The more students a district has in Average Daily Membership, the more instructional units the district generates increasing the funding it receives through the foundation program.

AREA COST DIFFERENTIAL - A factor multiplied by a school district's instructional units to adjust for costs associated with geographic conditions, sparsity and location of various school districts. Factors vary between 1.0 and 1.46, depending usually on remoteness of the district.

BASIC NEED - An amount of money determined by multiplying the area cost differential by the number of a school district's allowable instructional units times the instructional unit value, set by the legislature. The foundation program sets the instructional unit value at $61,000. *(See page 4, column A)*

INSTRUCTIONAL UNIT - A number represented by a group of students identified by grade level and the student profile dependent on whether the students are enrolled in vocational, special or bilingual education programs.

INSTRUCTIONAL UNIT VALUE - The amount under the foundation formula is $61,000 per instructional unit and is established by law.

PL 81-874 - Federal Law PL 81-874, impact aid to education, provides federal funds to school districts for children of parents living and/or working on federal property as an "in lieu of local tax revenue." Under the foundation program 90 percent of each school district's eligible PL 81-874 receipts is subtracted from the district's basic need. *(See page 4, column E)*

REQUIRED LOCAL EFFORT - Under the law, city and borough school districts are required to contribute the lesser amount of:

(1) the equivalent amount generated by a four mill tax levy based on the full and true value of the taxable real and personal property in the school district in the second preceding year (two years prior); or

(2) 35 percent of a school district's basic need for the preceding school year.

In addition to the required local effort school districts are allowed to contribute the greater of an equivalent of 2.0 mills or $14,030 per adjusted unit to hold disparities in funding per instructional unit among school districts to no more than 25 percent. The amount of local effort, either in the 4 mill equivalent or 35 percent basic need, is subtracted from a school district's basic need. Since Regional Education Attendance Areas do not have authority to collect taxes, there is no deduction for the local contribution portion of basic need in these districts. *(See page 4, column B)*

STATE FOUNDATION AID - The amount of state money school districts are entitled to receive under the Public School Foundation Program, after local and federal shares are deducted. *(See page 4, column F)*

Indian Lands Add on

ALASKA DEPARTMENT OF EDUCATION
PROJECTED FY96 FOUNDATION PROGRAM ENTITLEMENTS

1/10/95 File:FND96PJ.XLS

Columns >>>	A	B	C	D	E	F	G	H
	BASIC NEED $61,000	REQUIRED LOCAL	ELIGIBLE PL81-874	PL81-874 PERCENT	DEDUCTIBLE PL81-874 @ 90%	PROJ FY96 FOUNDATION STATE AID	100% PL-874 FLOW THRU	FOUND./ PL-874 TOTAL
ADAK	0	0	$0	100.00%	$0	$0		$0
ALASKA GATEWAY	5,278,940	0	435,487	100.00%	391,938	4,887,002	0	4,887,002
ALEUTIAN REGION	527,650	0	65,245	100.00%	58,721	468,929	0	468,929
ALEUTIANS EAST	4,218,150	356,423	583,157	36.91%	193,719	3,668,008	0	3,668,008
ANCHORAGE	237,595,000	49,183,956	9,515,470	65.91%	5,644,482	182,766,562	10,611,700	193,378,262
ANNETTE ISLANDS	2,637,640	0	1,163,121	100.00%	1,046,809	1,590,831	0	1,590,831
BERING STRAIT	19,588,320	0	3,954,145	100.00%	3,558,731	16,029,589	0	16,029,589
BRISTOL BAY	2,464,400	707,169	275,326	60.52%	149,965	1,607,266	0	1,607,266
CHATHAM	3,241,540	0	745,681	100.00%	671,113	2,570,427	0	2,570,427
CHUGACH	1,831,220	0	143,295	100.00%	128,966	1,702,254	0	1,702,254
COPPER RIVER	5,166,700	0	92,218	100.00%	82,996	5,083,704	0	5,083,704
CORDOVA	3,287,290	741,350	21,781	100.00%	19,603	2,526,337	0	2,526,337
CRAIG	2,505,270	254,661	19,100	70.88%	12,184	2,238,425	0	2,238,425
DELTA/GREELY	6,268,360	0	1,025,609	100.00%	923,048	5,345,312	0	5,345,312
DENALI	3,491,640	301,901	31,601	84.33%	23,984	3,165,755	0	3,165,755
DILLINGHAM	3,913,150	524,049	383,482	60.09%	207,391	3,181,710	0	3,181,710
FAIRBANKS	82,378,060	13,811,672	7,545,794	53.89%	3,659,786	64,906,602	8,535,241	73,441,843
GALENA	1,916,620	79,335	360,235	63.00%	204,253	1,633,032	0	1,633,032
HAINES	2,680,950	522,856	21,727	49.40%	9,660	2,148,434	0	2,148,434
HOONAH	2,170,380	96,718	273,515	16.38%	40,322	2,033,340	0	2,033,340
HYDABURG	1,005,280	23,129	19,500	25.93%	4,551	977,600	0	977,600
IDITAROD	5,981,660	0	664,578	100.00%	598,120	5,383,540	0	5,383,540
JUNEAU	28,694,400	7,063,936	19,402	54.93%	9,592	21,620,872	0	21,620,872
KAKE	1,381,650	69,261	322,640	26.78%	77,763	1,234,626	0	1,234,626
KASHUNAMIUT	2,272,250	0	310,795	100.00%	279,716	1,992,534	0	1,992,534
KENAI	59,780,000	14,162,513	95,077	53.10%	45,437	45,572,050	0	45,572,050
KETCHIKAN	13,486,490	3,942,168	10,283	59.26%	5,484	9,538,838	0	9,538,838
KLAWOCK	1,673,230	59,329	314,293	26.80%	75,807	1,538,094	0	1,538,094
KODIAK	17,080,000	3,435,410	1,237,707	93.13%	1,037,409	12,607,181	1,373,786	13,980,967
KUSPUK	5,725,460	0	635,951	100.00%	572,356	5,153,104	0	5,153,104
LAKE AND PENINSULA	7,230,940	276,911	1,176,907	30.60%	324,120	6,629,909	0	6,629,909
LOWER KUSKOKWIM	39,335,850	0	5,264,043	100.00%	4,737,639	34,598,211	0	34,598,211
LOWER YUKON	17,285,570	0	3,750,674	100.00%	3,375,607	13,909,963	0	13,909,963
MAT-SU	58,306,580	8,602,703	16,753	55.37%	8,349	59,695,528	0	59,695,528
NENANA	1,647,000	65,098	3,348	94.64%	2,852	1,579,050	0	1,579,050
NOME	4,986,750	531,875	49,695	42.04%	18,803	4,436,072	0	4,436,072
NORTH SLOPE	16,070,450	5,398,988	3,031,150	19.34%	527,602	10,143,860	0	10,143,860
NORTHWEST ARCTIC	18,837,410	1,168,962	2,564,419	53.62%	1,237,537	16,430,911	0	16,430,911
PELICAN	609,390	55,876	0	83.80%	0	553,514	0	553,514
PETERSBURG	4,022,950	808,223	18,152	55.80%	9,116	3,205,611	0	3,205,611
PRIBILOF	2,166,720	0	426,205	100.00%	383,585	1,783,135	0	1,783,135
SITKA	9,029,220	2,113,115	181,711	55.78%	91,223	6,824,882	0	6,824,882
SKAGWAY	1,067,500	360,794	0	72.95%	0	706,706	0	706,706
SOUTHEAST	4,499,970	0	527,526	100.00%	474,773	4,025,197	0	4,025,197
SOUTHWEST	7,679,290	0	1,231,902	100.00%	1,108,712	6,570,578	0	6,570,578
ST. MARY'S	1,133,990	18,134	140,224	79.70%	100,583	1,015,273	0	1,015,273
TANANA	1,231,590	44,931	203,952	41.22%	75,662	1,110,997	0	1,110,997
UNALASKA	2,765,130	1,015,620	415	70.44%	263	1,749,247	0	1,749,247
VALDEZ	5,203,910	1,795,535	50,110	44.06%	19,871	3,388,504	0	3,388,504
WRANGELL	3,209,820	592,522	2,074	52.20%	974	2,616,324	0	2,616,324
YAKUTAT	1,374,940	111,204	44,730	59.16%	23,816	1,239,920	0	1,239,920
YUKON FLATS	6,299,470	0	723,254	100.00%	650,929	5,648,541	0	5,648,541
YUKON/KOYUKUK	8,017,840	0	1,144,433	100.00%	1,029,990	6,987,850	0	6,987,850
YUPIIT	4,969,670	0	989,912	100.00%	890,921	4,078,749	0	4,078,749
STATE CCS	5,859,050	0	0	100.00%	0	3,808,383	0	3,808,383
Mt. EDGECUMBE	1,586,000	0	0	100.00%	0	1,586,000	0	1,586,000
TOTALS	$772,668,700	$118,296,327	$51,827,804		$34,826,833	$617,494,873	$20,520,727	$638,015,600
						CONTRACTUAL		3,886,260
						ESTIMATED PRIOR YEAR ADJUSTMENTS		1,500,000
						EST. FY96 FOUNDATION ENTITLEMENT		$643,401,860

ALASKA DEPARTMENT OF EDUCATION
PROJECTED FY96 FOUNDATION PROGRAM ENTITLEMENTS

1/10/95 File:FND96PJ.XLS

The Department of Education has not verified the unit computations submitted by the local school districts.

	PROJ. FY96 ADM	K-12 UNITS	BIL./ BIC.	SPEC. ED.	VOC. ED.	FY96 PROJ. INSTR. UNITS	AREA DIFF.	ADJUSTED FY96 INSTR. UNITS
ADAK	0.00	0.00	0.00	0.00	0.00	0.00	1.27	0.00
ALASKA GATEWAY	535.00	62.16	1.00	8.56	1.00	72.72	1.19	86.54
ALEUTIAN REGION	18.00	3.60	1.00	1.00	1.00	6.60	1.31	8.65
ALEUTIANS EAST	371.00	46.86	0.00	4.93	1.00	52.79	1.31	69.15
ANCHORAGE	46,843.00	3,140.02	88.56	629.98	36.44	3,895.00	1.00	3,895.00
ANNETTE ISLANDS	420.00	34.00	1.00	5.98	1.00	41.98	1.03	43.24
BERING STRAIT	1,694.00	195.23	13.98	19.53	2.28	231.02	1.39	321.12
BRISTOL BAY	279.00	26.33	1.00	3.48	1.00	31.81	1.27	40.40
CHATHAM	328.00	44.61	1.00	4.98	1.00	51.59	1.03	53.14
CHUGACH	135.00	22.87	1.00	1.46	1.00	26.33	1.14	30.02
COPPER RIVER	614.00	67.88	0.00	5.42	1.00	74.30	1.14	84.70
CORDOVA	525.00	40.63	1.00	5.92	1.00	48.55	1.11	53.89
CRAIG	385.00	31.67	1.00	6.20	1.00	39.87	1.03	41.07
DELTA/GREELY	971.00	72.46	1.00	14.13	1.00	88.59	1.16	102.76
DENALI	405.00	42.20	0.00	3.34	1.00	46.54	1.23	57.24
DILLINGHAM	503.80	39.06	1.19	9.26	1.00	50.51	1.27	64.15
FAIRBANKS	15,893.50	1,088.15	6.09	190.78	13.50	1,298.52	1.04	1,350.46
GALENA	194.00	18.93	1.00	3.24	1.00	24.17	1.30	31.42
HAINES	422.00	35.91	1.00	3.95	1.00	41.86	1.05	43.95
HOONAH	275.00	24.33	1.00	6.61	1.00	32.94	1.08	35.58
HYDABURG	108.00	13.00	1.00	1.00	1.00	16.00	1.03	16.48
IDITAROD	440.00	63.74	1.24	7.75	1.00	73.73	1.33	98.06
JUNEAU	5,394.00	364.76	3.84	98.71	3.09	470.40	1.00	470.40
KAKE	178.00	17.86	1.00	2.13	1.00	21.99	1.03	22.65
KASHUNAMIUT	242.00	22.13	1.83	3.05	1.00	28.01	1.33	37.25
KENAI	10,459.00	828.39	19.60	120.72	11.29	980.00	1.00	980.00
KETCHIKAN	2,731.50	190.04	1.54	25.15	4.36	221.09	1.00	221.09
KLAWOCK	220.00	20.67	1.00	3.96	1.00	26.63	1.03	27.43
KODIAK	2,737.86	217.44	5.63	30.84	2.97	256.88	1.09	280.00
KUSPUK	467.00	62.52	1.00	6.05	1.00	70.57	1.33	93.86
LAKE AND PENN.	498.00	81.71	1.00	6.78	1.00	90.49	1.31	118.54
LOWER KUSKOKWIM	3,250.00	335.00	83.47	32.05	3.60	454.12	1.42	644.85
LOWER YUKON	1,605.60	179.76	9.57	18.78	1.79	209.90	1.35	283.37
MAT-SU	12,720.00	944.67	10.57	153.11	11.43	1,119.78	1.00	1,119.78
NENANA	180.00	18.00	1.00	2.50	1.00	22.50	1.20	27.00
NOME	694.00	50.62	1.04	8.33	1.02	61.01	1.34	81.75
NORTH SLOPE	1,768.00	158.84	9.15	11.91	1.79	181.69	1.45	263.45
NORTHWEST ARCTIC	1,891.00	184.79	4.14	21.65	2.39	212.97	1.45	308.81
PELICAN	46.00	7.25	0.00	1.00	1.00	9.25	1.08	9.99
PETERSBURG	768.00	56.82	1.00	7.13	1.00	65.95	1.00	65.95
PRIBILOF	190.00	22.85	1.00	2.47	1.00	27.32	1.30	35.52
SITKA	1,820.00	131.05	1.00	14.03	1.94	148.02	1.00	148.02
SKAGWAY	130.00	14.67	0.00	1.00	1.00	16.67	1.05	17.50
SOUTHEAST	381.00	63.86	1.00	4.97	1.10	70.93	1.04	73.77
SOUTHWEST	633.00	77.08	11.12	6.90	1.00	96.10	1.31	125.89
ST. MARY'S	85.00	11.08	1.00	1.22	1.00	14.30	1.30	18.59
TANANA	101.00	12.42	1.00	1.11	1.00	15.53	1.30	20.19
UNALASKA	370.00	30.67	1.00	3.02	1.00	35.69	1.27	45.33
VALDEZ	925.00	67.50	0.00	8.36	1.00	76.86	1.11	85.31
WRANGELL	567.00	43.62	1.00	7.00	1.00	52.62	1.00	52.62
YAKUTAT	161.00	16.73	1.00	2.14	1.00	20.87	1.08	22.54
YUKON FLATS	413.00	62.91	2.07	4.65	1.10	70.73	1.46	103.27
YUKON/KOYUKUK	613.00	82.52	2.62	10.89	2.06	98.09	1.34	131.44
YUPIIT	371.00	42.47	7.82	6.49	1.00	57.78	1.41	81.47
STATE CCS	1,577.93	96.05	0.00	0.00	0.00	96.05	1.00	96.05
Mt. EDGECUMBE	270.00	23.00	1.00	1.00	1.00	26.00	1.00	26.00
TOTALS	125,817.19	9,653.39	313.07	1,566.60	139.15	11,672.21		12,666.70

TABLE OF INSTRUCTIONAL UNITS

COMBINED, ELEMENTARY & SECONDARY INSTRUCTIONAL UNITS

Instructional units for funding communities with fewer than 200 students in grades K-6 or fewer than 200 students in grades 7-12 are determined by the formula:

ADM	UNITS
1-10	2
11-20	$2 + \frac{(ADM - 10)}{5}$
21-60	$4 + \frac{(ADM - 20)}{8}$
61-120	$9 + \frac{(ADM - 60)}{12}$
121- 525	$14 + \frac{(ADM - 120)}{15}$

Elementary instructional units for funding communities with more than 200 students in grades K-6 are determined by the formula:

$$UNITS = 15 + \frac{(ADM - 200)}{17}$$

Secondary instructional units for funding communities with more than 200 students in grades 7-12 are determined by the formula:

$$UNITS = 18 + \frac{(ADM - 200)}{13}$$

Kindergarten students who attend less than four hours a day are counted as 0.5 ADM.

District correspondence or other students who do not regularly attend school on a daily basis are counted in the appropriate grade level of the funding community with the highest ADM in the district.

VOCATIONAL EDUCATION

FTE* X WEIGHTING FACTOR X .05 = VOCATIONAL EDUCATION UNIT - 280 students in 7 period day or 240 students in 6 period day = 1 Unit

MINIMUM FUNDING: Any funding community in which a vocational education course, approved by the Dept. of Education, is operated receives a minimum of .10 instructional units for vocational education, or each school district in which such a course is operated receives a minimum of 1.00 units whichever is greater.

FACTOR	PROGRAM
.5	CATEGORY 1 contains 16 programs: health, consumer and homemaking, horticulture, commercial art, clothing and textiles, general marketing, food production, renewable and natural resources, forestry, agriculture services and supplies, transportation and travel, wildlife management, business management, child care management and surveying.
.5	CATEGORY 2 contains 7 programs: aircraft mechanics, communication technologies, commercial photography, agriculture mechanics, accounting and related, small engine mechanic and automotive body repair.
.5	CATEGORY 3 contains 9 programs: agricultural production, welding, industrial education, woodworking, automobile mechanics, electrical technician, drafting, fisheries and diesel engine mechanics.
.5	CATEGORY 4 contains 3 programs: graphics, secretarial and word processing, and construction trades.

* Full Time Equivalent

SPECIAL EDUCATION

NUMBER OF STUDENTS X WEIGHTING FACTOR = SPECIAL EDUCATION UNITS

MINIMUM FUNDING: Any funding community in which a special education program, approved by the Department of Education, is operated receives a minimum of 0.25 instructional units for special education, or any school district in which such a program is operated receives a minimum of 1.00 such units, whichever is greater.

FACTOR	PROGRAM
.025	GIFTED AND TALENTED - 40 Students = 1 Unit
.056	RESOURCES - 18 Students = 1 Unit
0.1	SELF-CONTAINED - 10 Students = 1 Unit
.333	INTENSIVE/HOSPITAL HOMEBOUND - 3 Students = 1 Unit

BILINGUAL EDUCATION

WEIGHTING FACTOR* X STUDENT COUNT X .042 = BILINGUAL EDUCATION UNITS

MINIMUM FUNDING: Any funding community in which a bilingual program, approved by the Dept. of Education, is operated receives a minimum of 0.10 instructional units for bilingual education, or each school district in which such a program is operated receives a minimum of 1.00 such units, whichever is greater.

FACTOR	PROGRAM
1	CATEGORY A: Students who speak a language other than English exclusively. 24 Students = 1 Unit
1	CATEGORY B: Students who speak mostly a language other than English, but also speak some English. 24 Students = 1 Unit
.2	CATEGORY C: Students who speak a language other than English and English with equal ease. 119 Students = 1 Unit
.2	CATEGORY D: Students who speak mostly English but also speak a language other than English. 119 Students = 1 Unit
.1	CATEGORY E: Students who speak English exclusively but whose manner of speaking reflects the grammatical structure of another language. 238 Students = 1 Unit

*Language dominance category weighting factor.

ALASKA DEPARTMENT OF EDUCATION
FY95 FOUNDATION PROGRAM AS 14.17.025

1/18/95 FILE: LOCAL95.XLS

Abbreviations for chart on page 1.			(1993 Value) REQUIRED MILL EQUIV.	ALLOWABLE EXCESS MILL EQUIV.	AS 14.17.250(7) BUDGETED MILL EQUIV.	1993 FULL VALUE DETERMINATION BY C&RA	FY95 REQUIRED LOCAL	ALLOWABLE EXCESS	TOTAL ALLOWABLE LOCAL	/1 AS 14.17.250(7) BUDGETED LOCAL
ALEUTIANS EAST	=	AE	4.0	11.1	10.8	$88,639,100	$354,556	$981,399	$1,335,955	$958,670
ANCHORAGE	=	AN	4.0	4.6	6.4	11,684,138,340	46,736,553	53,589,690	100,326,243	74,484,835
BRISTOL BAY	=	BB	4.0	3.1	6.4	181,347,300	725,389	562,182	1,287,571	1,153,421
CORDOVA	=	CO	4.0	4.3	4.1	174,882,450	699,530	760,286	1,459,816	709,870
CRAIG	=	CG	4.0	10.1	6.2	57,618,300	230,473	581,824	723,549	356,891
DENALI	=	DE	4.0	10.7	4.9	72,572,400	290,290	775,999	1,066,289	358,011
DILLINGHAM	=	DI	4.0	7.0	5.7	127,166,600	508,666	891,607	1,400,273	725,054
FAIRBANKS	=	FB	4.0	5.5	7.9	3,377,031,860	13,508,127	18,423,495	31,931,622	26,629,500
GALENA	=	GA	4.0	18.9	6.3	19,383,700	77,535	365,482	443,017	122,925
HAINES	=	HA	4.0	4.7	8.4	124,255,200	497,021	589,400	1,086,421	1,047,311
HOONAH	=	HO	4.0	20.4	24.4	23,127,700	92,511	471,268	563,779	563,779
HYDABURG	=	HY	4.0	21.0	10.9	5,686,500	22,746	230,653	253,399	61,711
JUNEAU	=	JU	4.0	4.2	8.2	1,574,439,800	6,297,759	6,620,617	12,918,376	12,886,000
KAKE	=	KA	4.0	18.9	12.5	17,231,200	68,925	326,057	394,982	250,000
KENAI	=	KE	4.0	3.9	7.8	3,428,536,760	13,714,147	13,319,240	27,033,387	26,869,437
KETCHIKAN	=	KT	4.0	3.2	7.0	954,350,400	3,817,402	3,092,493	6,909,895	6,681,993
KLAWOCK	=	KL	4.0	21.0	11.1	14,808,300	59,233	372,216	431,449	164,900
KODIAK	=	KO	4.0	4.7	4.4	843,618,100	3,374,472	3,938,361	7,312,833	3,699,287
LAKE AND PENINSULA	=	LP	4.0	21.0	12.9	68,357,600	273,430	1,675,603	1,949,033	885,000
MAT-SU	=	MS	4.0	7.2	7.6	2,037,791,320	8,151,165	14,619,260	22,770,425	15,462,862
NENANA	=	NE	4.0	21.0	4.3	14,628,600	58,514	358,326	416,840	63,514
NOME	=	NO	4.0	9.8	9.5	122,757,400	491,030	1,207,001	1,698,031	1,161,551
NORTH SLOPE /2	=	NS	0.4	2.0	2.3	12,174,025,630	5,042,443	24,348,051	29,390,494	27,863,000
NORTHWEST ARCTIC	=	NW	4.0	14.0	6.1	307,484,000	1,229,936	4,298,652	5,528,588	1,879,920
PELICAN	=	PL	4.0	9.8	4.0	14,044,800	56,179	138,055	194,234	56,179
PETERSBURG	=	PT	4.0	4.8	7.5	191,832,400	767,330	914,756	1,682,086	1,446,224
SITKA	=	SI	4.0	3.9	7.0	540,479,000	2,161,916	2,111,936	4,273,852	3,806,524
SKAGWAY	=	SK	4.0	2.7	5.5	89,643,500	358,574	242,719	601,293	494,574
ST. MARY'S	=	SM	4.0	21.0	5.1	4,438,300	17,753	302,627	320,380	22,753
TANANA	=	TA	4.0	21.0	10.5	11,221,100	44,884	285,090	329,974	117,368
UNALASKA /2	=	UN	2.7	2.0	4.0	351,078,720	945,805	702,157	1,647,962	1,405,800
VALDEZ /2	=	VA	1.6	2.0	3.6	1,117,648,910	1,798,311	2,235,298	4,033,609	4,026,990
WRANGELL	=	WR	4.0	5.5	8.4	133,060,900	532,244	729,700	1,261,944	1,120,168
YAKUTAT	=	YA	4.0	13.2	7.2	24,915,200	99,661	328,723	428,384	178,620
TOTALS			Average contribution in mills >:		7.7	$39,972,241,390	$113,104,510	$160,390,223	$273,405,985	$217,714,642

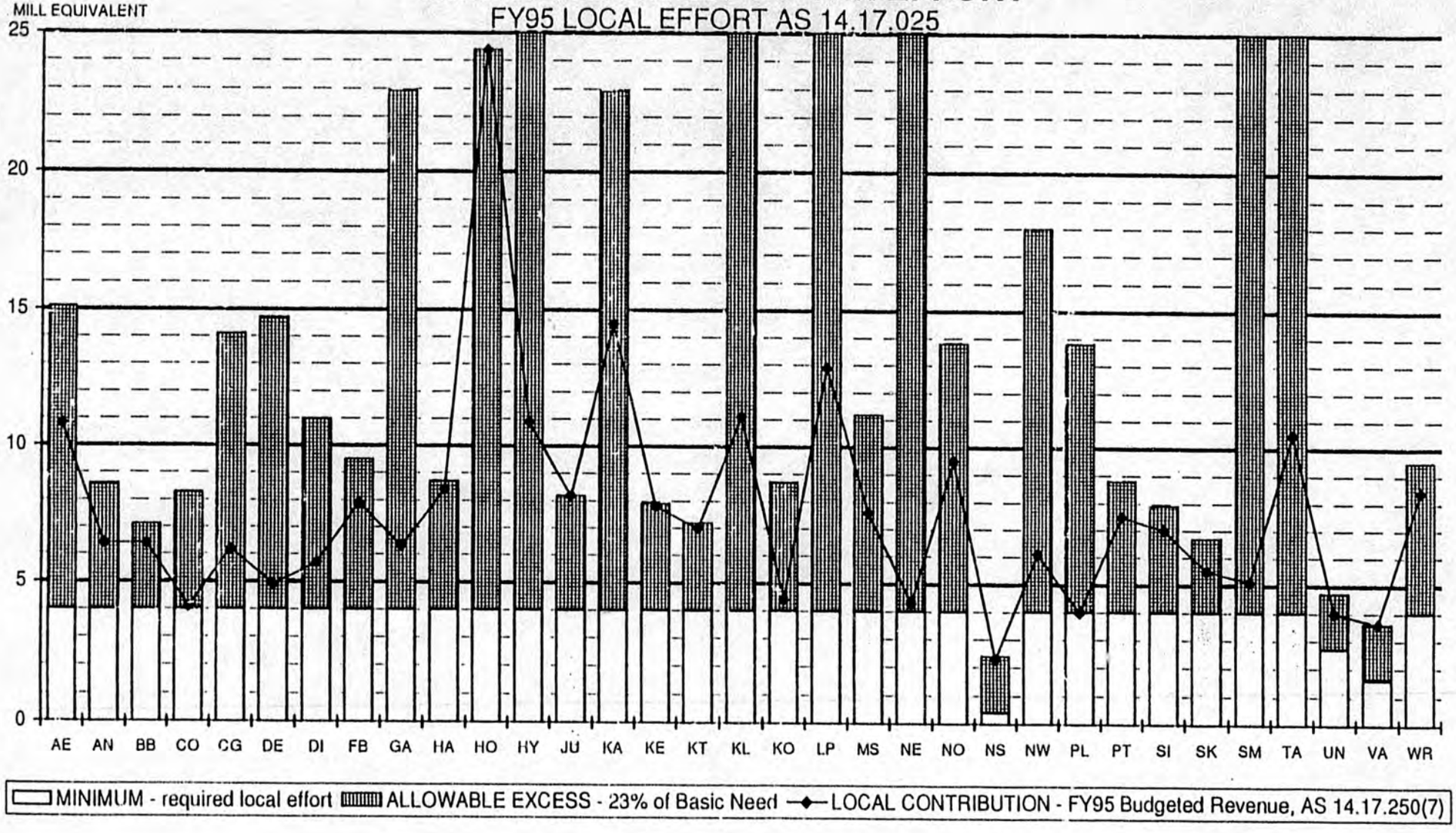
/1 Can not exceed the total allowable local.

/2 Required local effort is limited to 35% of Basic Need of the preceeding year. Allowable excess is 2 mills.

MILL EQUIVALENT OF TAX EFFORT

1/18/95 FILE: LOCAL.XLC

FY95 LOCAL EFFORT AS 14.17.025



THIS CHART HAS BEEN LIMITED TO 25 MILLS.

SMALL SCHOOLS FUNDING COMMUNITY FORMULA

Based on $61,000 Unit Value

ADM	Avg ADM Per Instructional Unit	Instructional Units	Avg $ Per ADM
1-10	.5-5	2*	$122,000-12,200
11-20	5	$2+\frac{(ADM-10)}{5}$	$12,200
21-60	5.25-6.66	$4+\frac{(ADM-20)}{8}$	$11,619-9,159
61-120	6.72-8.57	$9+\frac{(ADM-60)}{12}$	$9,077-7,118
121-525	8.60-12.80	$14+\frac{(ADM-120)}{15}$	$7,093-4,766

*Front loading continues through all calculations

Range of $ per each ADM= $122,000-4,766

SF 3/22/93

P.

Port Alsworth, Alaska 99653
August 24, 1995

To: Alaska Long Range Financial Planning Commission
From: Jay S. Hammond
Subject: Implementing Proposals To Fill fiscal Gap

First, congratulations (commisserations?) for for being assigned the task of addressing Alaska's most crucial financi issue. Second, thank you for permitting me to perhaps further muddy the waters somewhat, while, hopefully, at the same time, suggesting a filtration process which might permit a solution to flow past political impoundments.

The basic solution, of course, is really quite simple: You either reduce the size of the gap or increase the amount of fill. While you've been given the chore of surveying the site, engineering the project and mixing the fill, no matter how logical your proposals may be, they'll each prove but another exercise in futility unless you can sluice them around those impoundments.

In your preliminary report there are several scenarios which could fill the gap. Most have three basic elements: 1. Cut spending; 2. Raise taxes and 3. Cap or eliminate dividends.

They all have something else in comman: Regardless of merit, unless we provide some innovative means of detouring them around those political obstacles, all will high center.

Take cuts in spending: While politically popular in theory, in practice even the current, perhaps most fiscally conservative legislature ever, found it impossible to toss more than a few dollars saved into the void.

Similarly, even that most modest "revenue enhancement" which would have gleaned the greatest percentage of non-resident contributions, Governor Hickle's $100 "Employment Tax", was shot down.

And if screams of public protest served to kill efforts to cut or raise but a few million to toss in the gap, you can bet proposals to cap or eliminate dividends will increase the crescendo ten-fold.

Some blame me in part for conditioning the public to consider dividends their due. If so, it is a charge to which I plead happily guilty. However, along with that admission let me suggest means by which the politics of

dividends may be used to facilitate, rather than frustrate, filling the fiscal gap.

First, you must accept the rude fact the legislature not only will not, but cannot make substantial additional cuts nor impose new taxes no matter how modest or justified. The current legislative process simply will permit neither, even if most members support them. For example, most Alaskans agree it makes sense to at least trim back programs not based on need, such as Power Equalization; glean a few dollars from the roughly $900,000,000 which flow out of Alaska in the pockets of non-resident fishermen or construction workers and perhaps even curb some benefits for public employees. Yet because of a committee system which permits an arbitrary chairman to frustrate majority will, such measures have virtually no chance of passage.

How can this be changed? Were the public allowed to vote on these matters they'd probably pass; but do you think for a moment a committee chairman dependant upon say "the fish vote" for re-election would ever let a new fish tax out of committee? Of course not. Similarly, while it's most generous for otb Aaskans to pay part of my power bill while I'm catching their fishin Naknek, it's just a bit stupid to continue to do so in light of our looming fiscal crisis.

Equally stupid in my view was elimination of the Income Tax. Suspenion or reduction may have made sense at one time, but wiping it out completely made it virtually impossible for any new development, save oil-related, which generated population increases, to pay its own way. Moreover, elimination created an almost insurmountable electoral obstacle to its re-imposition. Should the income tax be re-imposed, I believe it should be a "sliding scale tax" which rose or fell, dependant upon legislative ability to cut spending, oil prices and need to recoup dollars drawn from reserve accounts the previous year to ~~meet~~ fill budget gaps. This would permit the legislature to continue to gamble "on the come" should they so desire, while providing safeguards against fiscal chaos should they act imprudently or Judge severely.

In my view, the best chance of reducing political resistance to any of the above cuts or enhancements lies in the Permanent Fund Dividend Program and its potential for presenting the public with substantial compensation for what trauma those actions would trigger.

Not only has the dividend program been deemed by many as economically the "best bang for the buck" of any state e

expenditure, it is the only state program based on absolute equity. Moreover, it has already demonstrated its ability to curb runaway spending. Or does anyone yet naively believe we would now have 13 billion in the Permanent Fund were there not a ring of militant dividend recipients fending off invasion by politicians who would rather spend all the people's resource wealth as they saw fit, rather than permit the people to spend the small portion allotted in dividends?

But now is the time for dividends to play even a greater roll by serving as a buffer against the pain of reduced services or increased taxes and user fees. Since it is a buffer legally provided only Alaskan residents, it also has the potential to promote local hire while it uniformly raises the tax base of every Alaskan community.

In light of the above, rather than capping or eliminating dividends, and squandering all the above potential, perhaps we should INCREASE that potential by increasing dividends.

HOW DIVIDENDS CAN BE USED TO FURTHER CUT SPENDING

Were dividends increased, political opposition to reduction of non-mandated programs would reduce as well. Dividend dollars could then be tapped thru many means. For example all non-mandated state funded programs could be placed on a dividend checkoff list. I've little doubt many, such as Ratnet, would glean sufficient dollars from the dividend check off to survive. Those which did not could then die with far less political pain.

Similarly, programs such as power equilization could become needs-based more easily. Those which could not be so modified without excessive political flak, such as the logevity bonus, should be restructured to return to the origianl intent of the act and thus phased out far more quickly, while at the same time eliminating gross inequities within the present plan.

DIVIDENDS CAN REDUCE OPPOSITION TO NEW TAXES AND USER FEES

Not only do dividends help all Alaskans more easily pay taxes and user fees they could be used to place a far greater burden of same on transient workers. I'm told it might even be possible to make transients bare the entire tax burden should we fully utilize the potential of dividends.

For example, were every Alaskan, on paper at least, granted their full per capita annual share of the resource wealth as a dividend, it would come to almost $10,000. Instead they now recieve but 1/10 that amount in a check. The other nine tenths is retained by the state in what might be termed a

" dividend tax". In essence, dividends are being taxed at 90%. Were a credit against an income tax granted for that dividend tax, few alaskans would owe any income tax whatsoever.

If you really want to get innovative, think what we could do to facilitate, if not virtually mandate, local hire were employees allowed to transfer any unused "dividend Tax Credits" to employers as a means of reducing coporate taxes!

Were dividends increased, logical arguments against other taxes would be greatly reduced. While some argue sales taxes are the exclusive domain of municipalites, such of course is not true. Gasoline, liquor and cigarette taxes are really nothing but sales taxes which flow into state coffers. Since most of those taxes fail to tap the largest percentage of dividend dollars: those going to minors, some suggest <u>their</u> dividend dollars be tapped thro tuition charges.

My point of course is to urge you to consider innovativly using dividend dollars to help balance the budget, while permitting (obligating?) the public to determine the programs they are willing to pay for with their dividend dollars. I can think of no more politically palatable means of curbing run away spending. Lamentably, most proposals you list would do just the opposite. In my view the plan which might best meet the above objectives is not even considered. That is the so-called Harbour Plan. I urge you to review it.

In conclusion I want to leave you with an unanswered question I've posed at every one of the dozen or so "economic conferences' I attended in recent months: "Would someone please tell me when it EVER makes more sense to cap or eliminate dividends, thereby imposing a "head tax" on every Alaskan and only Alaskans , than it would to simply crank up appropriate taxes or user fees to raise the same amount of revenue, much of which would be paid by non-resident transients and those of us who can best afford it?

If you conclude, as have I, that the answer to my question is: NEVER; then capping or eliminating dividends would seem even more stupid then wiping the income tax off the books.

Long Range Fiscal Planning Commission

716 W. 4th Avenue, Suite 470
Anchorage, AK 99501
907/258-8165

LRFPC Continues Work on Fiscal Gap

Media Advisory

For Immediate Release:
August 22, 1995

Contact:
LRFPC Staff
907/258-8165

ANCHORAGE -- The Long Range Fiscal Planning Commission will continue working on proposals to solve Alaska's Fiscal Gap on Friday, August 25 and Saturday, August 26th in the 2nd Floor Conference Room of the Anchorage Legislative Information Office building.

Department of Revenue Commissioner Will Condon will kick-off the two-day Commission meeting on Friday, August 26th at 8:30AM. Commissioner Condon will update members about the status of the State of Alaska revenue and debt picture.

Following Condon, Duane Guiley, Director of School Finance for the Department of Education, will discuss the school foundation formula. Guiley is scheduled to speak at 9:30AM

The rest of the Commission agenda for Friday will focus on work sessions about alternative plans for Alaska's fiscal future.

The Intergovernmental Affairs Subcommittee will present a report to the full Commission on Saturday, August 26th at 8:30AM. Following the subcommittee report, commission members will hear from members of the Alaska Municipal League and the Conference of Mayors via teleconference from Barrow.

The Commission will continue working on alternatives for Alaska's fiscal future, hear public testimony and discuss statewide public hearings during the rest of Saturday's meetings.

Earlier in August, the Long Range Fiscal Planning Commission released a preliminary report to the Legislature and the Governor. Copies of the report can be obtained by calling the Commission office at 258-8165. The Commission's final report to the Legislature and the Governor is due on October 1, 1995.

The Legislative Information Office is located at 716 W. 4th. For further information about the meetings, please contact the Long Range Fiscal Planning Commission at 258-8165.

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