

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86/2
236 SCOMM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78

PROJECT WORK SHEET

PROJECT TITLE: _____

I. CONSTRUCTION TIME SCHEDULE

1. Estimated time required after approval of application:

To Complete final plans and specifications: _____ calendar days.

To start construction: _____ months.

2. Estimated construction period: _____ months.

II. ESTIMATED PROJECT COST

1. Preliminary Expense

\$ _____

2. Land and Rights-of-Way

3. Construction (see breakdown in III below)

4. Architectural/Engineering Services:

Fees \$ _____

Residential Inspection _____

Surveys _____

Borings _____

Subtotal

5. Capitalized Interest (see breakdown below)

6. Legal Costs

7. Administrative Costs

8. Miscellaneous Allowable Costs

Equipment/Initial Inventory

9. Project Contingency (2% of lines 1 through 7)

10. Subtotal

\$ _____

11. Governmental Field Expense

TOTAL

\$ _____

III. CONSTRUCTION COST BREAKDOWN

1. Contract Costs (including installed equipment)

\$ _____

2. Construction Contingency (5% of III-1)

TOTAL CONSTRUCTION COST (as shown in 3 above)

\$ _____

IV. CAPITALIZED INTEREST BREAKDOWN

1. Interest during construction: _____ months @ _____ %

\$ _____

2. Interest during development and connection period
_____ months @ _____ %

TOTAL CAPITALIZED INTEREST (as shown in 5 above)

V. SOURCE OF FUNDS

1. Local

\$ _____

2. Federal

3. State

PLEASE ATTACH DESCRIPTION OF PROJECT.

SCHEDULE OF PROJECTED NEEDS

Name of Community

(In \$1,000's to nearest \$1,000)

Type of Project per AS 29.48.030	Description of Needs (Use extra sheet if necessary--refer to item number)	Cost per foot/ per mile/ per square foot, etc.	Estimated Population to be Served	Estimated Direct Construction Costs (000)	Estimated Total Cost (000)	Expected Funding		
						Fed	State	Local
1. Streets and Sidewalks				\$	\$	\$	\$	\$
2. Sewers				\$	\$	\$	\$	\$
3. Sewage Treatment Facilities				\$	\$	\$	\$	\$
4. Harbors, Wharves and Other Marine Facilities				\$	\$	\$	\$	\$
5. Flood Control Facilities				\$	\$	\$	\$	\$
6. Health Clinics				\$	\$	\$	\$	\$
7. Hospital Facilities				\$	\$	\$	\$	\$
8. Jail Facilities				\$	\$	\$	\$	\$
9. Cold Storage Plants				\$	\$	\$	\$	\$
10. Telephone Systems				\$	\$	\$	\$	\$
11. Light and Power				\$	\$	\$	\$	\$
12. Heating Plants				\$	\$	\$	\$	\$
13. Water Facilities				\$	\$	\$	\$	\$
14. Roads				\$	\$	\$	\$	\$
15. Community Centers				\$	\$	\$	\$	\$
				\$	\$	\$	\$	\$

SCHEDULE OF PROJECTED NEEDS

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(In \$1,000's to nearest \$1,000)

Type of Project per AS 29.48.030	Description of Needs (Use extra sheet if necessary--refer to item number)	Name of Community		Estimated Population to be Served	Estimated Direct Construction Costs (000)	Estimated Total Cost (000)	Expected Funding		
		Cost per foot/ per mile/ per square foot, etc.					Fed	State	Local
16. Libraries					\$	\$	\$	\$	\$
17. Recreational Facilities					\$	\$	\$	\$	\$
18. Airport					\$	\$	\$	\$	\$
19. Airport Buildings					\$	\$	\$	\$	\$
20. Garbage Collection					\$	\$	\$	\$	\$
21. Garbage Disposal/Dumps/ Landfill Facilities					\$	\$	\$	\$	\$
22. Fire Station					\$	\$	\$	\$	\$
23. Fire Equipment					\$	\$	\$	\$	\$
24. Parking Facilities					\$	\$	\$	\$	\$
25. Housing					\$	\$	\$	\$	\$
26. Public Buildings for Administration/Police, etc.					\$	\$	\$	\$	\$
27. Head Start Facilities					\$	\$	\$	\$	\$
28. Schools - Elementary					\$	\$	\$	\$	\$
29. Schools - Secondary					\$	\$	\$	\$	\$
30. Senior Citizen Housing					\$	\$	\$	\$	\$
31. Senior Citizen Health Facilities					\$	\$	\$	\$	\$

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Senate Committee on the Permanent Fund
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1. Suggest methods for management of the Alaska Permanent Fund which will assist community and rural economic development, regionalization or Permanent Fund capital investments, and stable regional economies in Alaska.
2. What refinements could be made in the Alaska Permanent Fund (current proposals HB 298, HB 300, HB 4, SB 357) in order to insure that its purposes and policies can in fact be carried out through its legal structure, capital structure and its management organization and mechanisms for accountability?
3. What problems have occurred during the initiation of similar funds in other parts of the country and world? What could Alaska do to be prepared for or to avoid these problems?
4. Suggest methods for management of the Alaska Permanent Fund which could stimulate development in small communities without major distortions in the state or local economy (including changes in per capita income and population growth)?

ACTUAL ISSUES ADDRESSED: Dr. Daniel's paper is structured around three issues:

1. The need for a comprehensive Alaskan economic development plan which recognizes the limits of state intervention in the economy and the appropriate uses of a development bank
2. Using the full resources of the Alaskan state government to plan for and contribute to a sound, balanced economy
3. Structuring the Alaskan Permanent Fund as one tool in Alaska's overall economic development plan

An abstract of the paper is attached.

METHODOLOGY: Dr. Daniel's approach to the questions presented contains the following caveat: "This (the uniqueness of the Alaska Permanent Fund existence and potential) leads me, as an outsider, to be doubly careful: first, in a short period of time I can only begin to understand the Alaskan political economy; second, I do not want to be precipitous in proposing specific solutions for the Alaskan economy based on experience in quite different settings."

This is a pure "Think Paper". Within the three issue structure outlined above, Dr. Daniels does consider all four of the items presented in the contract.

SPECIFIC CONTRACT COMPLIANCE: The issues presented in the contract were considered in Dr. Daniel's paper. Specific conclusions are contained in the attached abstract of the paper. Generally, Dr. Daniels warned that development banks cannot create economic activity, and that investments of permanent fund monies in Alaska should be based on market return - classic economic measures - with the possible exception of economically feasible joint ventures with rural regional development corporations.

The paper also creates an overall awareness of the essential need for a comprehensive Alaskan Economic Development Plan including a consideration of the infrastructure requirements necessary to facilitation of such a plan.

Mr. Daniels report primarily deals with suggested ways Alaska may contemplate uses of the Permanent Fund as one aspect of an over-all economic plan, discussion of general principles regarding the structure of the Permanent Fund as a development bank, and ideas concerning different tasks of community and regional economic development.

Dangers of economic distortion are particularly acute with development banks regarding design of banks with conflicting goals, ill-suited capital-structure to carry out goals, and inefficient management or lack of accountability to public policy. Proposing a development bank to solve problems which aren't financial is another serious danger.

Some points to review when contemplating the Permanent Fund in terms of the economic goals are the nature of real economic activity in Alaska and the impact of federal and state government intervention, different mechanisms to stimulate or retard the direction of the economy, and limited ways the fund can be part of an over-all economic development effort by Alaska state government.

I. Comprehensive Alaska Economic Development Plan and Appropriate Uses of the Fund

Alaska must establish a long-term economic planning process to determine solutions to development problems not related to cost and supply of capital, and determine when the financial market is the problem requiring Permanent Fund intervention.

Daniels cites two types of investment withing Alaska: a. creating primary, value-added industrial activity in Alaska to produce goods competetive in world-wide markets, and b. investments to minimize rate of increase in the disparity between regions. He further suggests that investment outside of Alaska deal with development in technology which would add economic value to Alaska's natural resources prior to export, as well as investments in investment grade securities.

II. Using Full Resources of Alaska Government to Plan for and Contribute to a Sound Balanced Economy

- A. State expenditures from the General Fund should be productive and contribute to an increase in revenues leading to increases in annual net retained earnings.
- B. Taxation policy on economic activity in Alaska will become greater in Alaska as we move towards a more stable economy.
- C. State stimulation of the flow of private capital to further economic goals by changing the regulations to stimulate economic development and creating new financial intermediary to eventually be publicly owned.
- D. Efficiency of public investment by means of tax incentives, grants and subsidies, and development banks.

III. Structuring the Alaska Permanent Fund as a Tool in Alaska Over-all Economic Development Plan

In structuring the Permanent Fund it must first be determined that the problem is in the financial market and not better solved by an aforementioned method. In designing the fund as a development bank, limited goals, legal structures, board and staff structures, and necessary capital structures must be established.

Daniels feels that HB 300 is generally a good draft and commented favorably on the 40% provision for investment grade securities, the 30% provision of investment in private enterprise, the 30% provision limiting investment in community development projects. He feels that the language should be expanded to include Permanent Fund freedom in making equity investments in community development projects. Daniels states possible amendments to HB 300 to include Permanent Fund freedom in making equity investments in community development projects, freedom to hire quality staff, a required annual report, separation of the developers function from the bankers function, establishment of separate subsidiary financial intermediaries, and specific differential reserves for different kinds of equity.

AN ANALYSIS OF THE CONTRACT BETWEEN ISER AND THE HOUSE COMMITTEE REQUIRING DR. TUSSING TO "CONDUCT A STUDY AND PRODUCE A REPORT" ... ON THE FOLLOWING TOPICS:

1. How efficient are capital markets in Alaska today? What amount of substitution of permanent fund for private capital would there be under approaches being considered for the permanent fund?
2. To what extent would permanent fund outlays have the ability to expand Alaska's tax base and diversify the Alaska economy?
3. Under four of five alternative management approaches for the permanent fund, what would be the investment impacts? What are the growth implications?
4. How would impacts differ if the permanent fund investments are out-of-state? What are the implications of using the permanent fund for social purposes (a) directly through loans, etc. or (b) indirectly, by expanding the economy to create a greater tax base, which could be used for social purposes in the future?
5. Could the permanent fund be used to stabilize the Alaska economy to smooth the boom/bust cycle, or to even out the rate of growth?
6. Could the permanent fund be used to increase rural employment through cottage industries, or dispersal of economic actuality?
7. What analytical or policy issues (whether included in the foregoing list or not) should the committee investigate in depth?

ACTUAL ISSUES ADDRESSED: The report: Economic Consideration in Establishment of Alaska's Permanent Fund contains a qualification of the contract terms: "in line with the report's terms of reference, I have not proposed final conclusions on any of the six inter-related questions set out in the contract, but have only attempted to explore and define them sufficiently to propose how the legislature might proceed with such investigations, particularly some quantitative testing of the hypotheses offered here."

This is a "Think Paper". It is devoted, in Dr. Tussing's words, to: "an initial exploration of the question to what extent capital markets serving Alaska are reasonably efficient ..." Further, among the tasks of the study was to "prescribe the analytical and policy issues which deserve further investigation in depth."

METHODOLOGY: This study is based primarily on "unstructured and unsystematic interviews with businessmen on both sides of (capital markets serving Alaska) -- officers of financial institutions and other investors and lenders, and corporate officers and entrepreneurs in Alaska industries or with Alaska interests."

SPECIFIC CONTRACT COMPLIANCE: The specific questions posed in the contract were not answered. The paper is abstracted as to specific matters considered (copy attached). The basic thrusts are that there is no need or useful function, so far as classic economic theory -- maximum return for dollars invested -- is concerned, for permanent fund investment in major industrial or commercial enterprise in Alaska, except to the extent that subsidization may be deemed appropriate. There is also an initial inference that major permanent fund investments should be made outside of Alaska.

Finally, Dr. Tussing recommends four specific areas for further indepth study: capital market structure, costs and efficiency, demand for investment and for loanable funds, aggregate impacts of different policies toward permanent fund appropriations and investments, and performance of soft loan programs.

CONCLUSION: In conclusion, Dr. Tussing has merely restated the questions presented to him under this contract and indicated that they are appropriate for further indepth study. It is my opinion that the ISER has not complied with the specific terms of contract performance.

Scope of report is an exploration of some of the fundamental economic questions involved in establishing the structure and policies of the Permanent Fund. Research effort consisted mainly of informal interviews with bankers and businessmen to determine perceived capital market efficiency in Alaska. Original quantitative data was not collected, but the author has defined key areas of concern and suggestions for their further investigation by the legislature.

Uses of the Permanent Fund-Diversification and stabilization of Alaska's economy/tax base and mitigating the impact of short term "bulges" in state revenues with resultant huge increases in state spending are the hopes most frequently articulated when discussing uses of the Permanent Fund.

Market Efficiency-Unless the Permanent Fund makes loans to ventures that would not meet normal market tests (with concomitant higher risks to the Fund's principle), loans at or below market rates to more secure ventures would have the effect of displacing private investment capital, as it is the author's assumption that capital markets are reasonably efficient in Alaska. Elements of market efficiency are cost, mobility and information, and if deficiencies in any or all of these elements exist in the state, attempting to remedy them directly may be more effective than using Permanent Fund investment money.

Alaskan Capital Markets-Aside from the problems of inflation and taxes, most businessmen involved in large scale or urban Alaskan enterprises believe that capital availability is not a problem. In general, small and rural entrepreneurs hold the opposite view, and many believe that financial institutions in the state are actually biased against them. This view is shared by public sector interviewees also. The latter groups are by far the largest, possibly creating a substantial political constituency for proposals that the Permanent Fund take an activist role in providing capital for these types of enterprises. Representatives of Alaskan financial institutions believe that they are actively seeking placement of funds within the state and consistently deny that higher rates or standards exist for Alaskan investments. Author feels that perceptual polarity between the entrepreneur groups may be caused by unfamiliarity with operation of financial intermediaries and the inability to "package" desirable proposals on the part of the latter group, added to the economic reality of investments flowing to areas with greatest resources and fewest problems encountered in servicing the loans.

Subsidies and Soft Loans-Reduction of barriers to capital mobility would not necessarily accelerate the rate of development in those areas currently experiencing capital shortages. Making more capital available at lower than market rates may have the effect of creating more capital intensive industries, a point to consider if increasing the number of available jobs is an important goal of Permanent Fund investments. Interest rates are not usually a major factor in determination of whether or not to capitalize speculative ventures; more important are creditworthiness of applicants and the amount of equity they can commit to the project. Rather than lower interest rates for under-capitalized ventures, author suggests a relaxation of standards to enhance availability of funds, but higher interest rates on these loans (as befits their speculative nature) to offset future losses, coupled with rigorous audit and writeoff policies.

Counter-Cyclical Investment-Use of Permanent Fund investment policies as a tool to restrict state spending and smooth the "boom-bust" cycle is also a popular concept. Implementation problems perceived by the author are: accurate forecasting of economic trends is difficult; time lags in changing investment policies would be inevitable and perhaps lengthy; and difficulties inherent in turning capital supply "on" and "off."

Public Enterprise-Except for the concept of providing equity capital for public utility investments (which earn a higher rate of return than that of debt component), author feels that loans to public utility projects would not be prudent. Other public works type projects are viewed as appropriate only if costs are allocated to the beneficiaries, rather than the public at large.

Public Sector Capital Allocation (public choice)

Making capital available to projects which can't get financing in private market (high-risk loans) is justifiable use for public monies of the Permanent Fund meeting social market demands. Therefore, the Legislature utilizing public input must identify objectives and measures for objective achievements. They must also develop a means of analysis to identify the positive and negative spillovers of projects.

Uniform Evaluation Criteria Based on Multiple Objectives

Some problems of cost-analysis (projects with greatest net benefit are funded until resources are used up) are: a) The choice of discount rate (social opportunity cost of capital/social rate of time preferences). Legislators may want to consider a low discount rate to reflect concern for future generations; and means of monitoring development bank for consistency in application of the rate. b) Uncertainty of analysis must be made clear in order not to misrepresent the information as fact rather than expert opinion. c) Measurement and valuation of non-market factors and spillovers must occur. Goals and objectives must be determined to allow measurement of direct and indirect factors expected to result from projects. The following are methods by which impact of projects on social indicators (of lifestyles, etc) can be measures: 1. rely on analysts judgement based on experience & expertise, 2. contingency calculations (is this worth more . .) 3. surveys and questionnaires asking worth of non-market factors, and 4. rely on valuations of final decision-maker.

There are various types of analysis, most of them quite expensive. Singer suggests that a) loan applicants evaluate their own project against minimum pre-determined standards, and b) develop matrix to convey only critical information required by decision makers so that impacts can be directly compared against various objectives for the fund.

In order to have some order and control in trade-offs determining comparative value of projects, there are 3 techniques that Singer suggested. The scoreboard technique presents all data in natural units, rather than 1 basic unit like dollars, so that trade-offs can be readily seen. Another method is maximizing one goal and using other goals as minimum constraints. The greatest control occurs with the ranking of goals.

Singer feels that the Legislature should not only determine how PF money is invested but also the decision-making policy of those directly involved with granting loans.

There exists only one well-known problem with development banks as occurred with the Ethiopian Development Bank when the industrial arm was moved to another bank. The existing functions did not provide adequate portfolio diversification and, once realized, the problem was remedied. Since development banks are an instrument of the government little, if any, likelihood of failure exists. The possible problems faced by development banks can be avoided if operating management is highly capable with adequate remuneration the appointment powers are removed from the political process, objectives and accountability requirements are clearly defined in the Charter, reasonable objectives are determined, and government influence is reasonably controlled to foster independence.

Price Waterhouse recommends that the Permanent Fund be a state-owned corporation with a dual board structure:

- A. Board of Citizens with elected members from senatorial districts and empowered to recommend changes to the state legislature with regard to the charter of the fund. Also empowered to vote on policy statements of the fund. No compensation except expenses.
- B. Board of Directors appointed by the Governor for staggered terms with confirmation powers vested in the legislature. They should be delegated with all the powers of the Permanent Fund except those reserved to the Board of Citizens. They would be responsible for decisions on all financing operations but not empowered or allowed to suggest or recommend any financial operation be considered or made by the fund. The President of the Alaska Permanent Fund would chair the Board of Directors.
- C. President would be appointed by the Board of Directors for a term of reasonable duration. The position would include powers to conduct ordinary business of the fund and establish organization, appointment, dismissal and compensation for the officers and staff.

There is a formal post-audit process in most development banks involving collaboration between bank project staff, the borrower and third parties (consultants associated with the project). The over-all evaluation is three-fold:

- A. Comparison of actual to planned financial performance. The project would be considered successful if it met the objectives, most of which are quantifiable.
- B. The impact of over-all development of the economy.
- C. The results of past performance as applied to future operations.

SOCIAL ORIENTATION

- I. Income Redistribution - income from investments in safe securities would go to low income earners
- II. Subsidization of Lower Income Families - structuring fund to provide financing to families who would have a difficult time getting it.
- III. Geographic Redistribution of Wealth - principally invest in rural Alaska
- IV. Support of a Specific Designated Social Objective: e.g., Endowment to Finance the University of Alaska
- V. Directly Increase the Quality of Life of all Alaskans Through Various Subsidies - making lower interest loans available to all Alaskans regardless of income
- VI. Provide vehicle to allow all Alaskans to participate more directly in the economic development of the state through an ownership position - creating a private corporation with stock given to AK citizens (AK, Inc.)

ECONOMIC ORIENTATION

- VII. Subsidize small businesses through expansion of existing loan programs
- VIII. Vehicle to bolster, beef up, and make viable Alaska's traditional industries, particularly fishing and forest products - would imply loan guarantees and purchases, bond purchases, and direct ownership of major projects
- IX. Vehicle to create a more stable and broadly based economy - highest priority placed on financing of projects which would substantially alter structure of AK economy

FISCAL MANAGEMENT ORIENTATION

- X. Vehicle to provide cushion for possible future revenue down returns - conservative investments with earnings re-invested in safest securities and used to fill gap of short-run decrease in revenue to Alaska as result of cyclical or temporary factors.
- XI. Reduction in the state debt and/or the tax burden on Alaska's taxpayers - having the effect of lowering the interest payments and improving state's bond rating

GENERAL COMMENTS

Alaska Pacific feels that the management of the fund in accordance with the intent of the Legislature and voters would imply a long-range orientation. They suggest that pursuing economic objectives and expanding tax base more effectively contributes to social objectives. They recommend pursuit of objectives VIII and IX.

Interviews were conducted in 17 communities of the State in a distribution plan giving proportional representation to all sections of the State. The survey includes data from 359 personal interviews conducted by professional interviewers in the homes of qualified respondents for approximately 1/2 hour during April and May, 1977. Applicants were all residents and adults of 16 years or older. The State was considered in five regions: Anchorage, Fairbanks, Southeastern, Southcentral, and rural Alaska.

Thirteen pre-listed goals were rated in the order of importance with the highest ranking being absence of crime, presence of work, quality of education, and purity of the environment. The "highest family income in the USA" and "sharing AK's wealth with all Americans" rated at the bottom. 65% of those interviewed listed additional goals of a more spontaneous nature in the following question.

The study presented three alternative budgets which were rated as follows: 55.7% preferred maintenance budgets (\$800 million), 28.1% preferred expanded budget (\$1 billion) and 13.4% indicated a preference for a smaller budget (\$600 million). Based on analysis of the wording used by respondents, roughly 40% would make an effort to cut back on spending while 30% each are in favor of maintaining or expanding it. In reworking the budget of the 1977 Legislature, the public comes up with a similar budget. Rowan indicated that according to the data, as education increases so does the desire to cut back on the budget. Conversely, the less education the greater tendency to increase the budget. 57% of the respondents felt the government should get as much federal money as possible while a previously non-existent group (38%) feel we should become less dependent on federal monies. The public seems adamant about economizing in state government employees salaries with 55% concurring with the recent 5% increase and the remainder opposed to varying degrees.

34% of the public considers revenue beyond the operational budgetary needs to be capital for investment while 40% believe it to be income to be treated as other income in the State. As education level increases so does the inclination to treat excess revenue as capital. 55% of the population feels the way to handle money is to put it into the legislative allocation process, while 37% choose to return a portion of these funds directly to the people of Alaska.

PERMANENT FUND. The vast majority of Alaskans are thinking of ways of investing money wisely in Alaska and most ideas are similar to the capital improvement concepts emerging from the government. 72% felt "The Permanent Fund should be managed to assist Alaska directly through low-interest loans for such things as community development, fisheries enhancement, and so on." 18% chose high interest investment outside with interest used as loans or expenditures to meet Alaska's needs. The public appears to want to put as much as possible in the Fund after the operating expenses of government. With regard to annual earnings of the fund, 24% wish to use it to pay off debts, bond obligations, etc., 22% want to put it into loan programs, 16% want to put it back in the Permanent Fund, and 10% wish to give it to Alaskan residents. The Alaska, Inc. concept was referred to (without reference to the name) and was opposed by 51% with 30% in favor. 56% disagreed and 35% agreed that the earnings of the Permanent Fund should be added to the general fund of government. (No data as to whether public wants money returned to Permanent Fund). This survey marked the introduction of the Permanent Fund concept to intensive research thus the results must be taken in the context of a discussion over a subject not well known. The public hasn't made up its mind what the fund is, only that it should exist.

44% of the respondents wish to stay out of the problem of migration to Alaska, while 37% actively discourage migration and 13% actively encourage it. Regarding oil development: 51% believe if oil is in their locale development should take place, while 25% feel it should be developed everywhere but near their community. 38% of the respondents feel re-evaluation of the U. of A. is a high priority with 27% listing it as a moderate priority. 37% list re-evaluation of State police as high priority with 25% listing it as moderate priority.

Critics of a dedicated fund say that proceeds of a dedicated tax may be sufficient at first, but should this change at a later date, the revenue is still an inflexible spending guide. They point out that some governments have surplus revenue but since it is bogged down in various funds, they find themselves on the verge of bankruptcy. Proponents feel that the general fund rule is applicable to states with a normal revenue flow, but Alaska with its excess revenue is wise to remove a portion from the day-to-day operations of government.

States with specific resource funds include Arizona with the New Mexico Permanent Fund with money primarily going to the public schools, and the Severance Tax Permanent Fund which is a mild form of development bank. Texas and Wyoming both have funds used primarily to finance capital improvements on their respective universities. Additionally, the Wyoming Permanent Mineral Trust Fund makes loans to political subdivisions while their Government Royalties Fund divides its monies between the public schools, the general fund, and the university.

The regional development bank type funds are based in Puerto Rico, Pennsylvania, Sweden, Japan, and Mexico and are not based on natural resources.

- 1) The Development Bank of Puerto Rico is a public corporation to a. act as a fiscal agent for the Commonwealth, municipalities and public agencies, b. make loans to private enterprise to aid Puerto Rican development and c. be responsible for timely sale of bonds.
- 2) The Swedish Investment Bank is involved in financing industrial and commercial projects in Sweden by making long-term and guarantee loans. They are authorized to acquire equity.
- 3) The Pennsylvania Industrial Development Authority's purpose is to relieve unemployment and economic stagnation by making mortgage loans to non-profit Industrial Agencies who in turn finance private industrial projects below market interest rates.
(similar to the Alaska Housing Finance Corporation)
- 4) The Japanese Development Bank supplies long-term funds for industrial development and economic and social progress.
- 5) The Mexico National Financiera SA has a primary purpose of financing Mexican economic development. It is a mixed private/public institution that provides direct loans, gives loan guarantees, and participates in equity.

The World Bank acts as a conduit of funds from economically developed nations to under-developed nations and makes loans to governments or private enterprises guaranteed by a member nation. Consultants on the AK Permanent Fund looked closely at the World Bank and its affiliates regarding their management structure. The AK Permanent Fund could, like the World Bank, construct affiliates to operate in less developed areas of the state and to become involved in granting the long-term loans at low interest.

Other international development banks include the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Investment Bank, and the European Coal and Steel Community. All these banks make loans to member nations or enterprises guaranteed by member nations. Funds come primarily from membership subscriptions, retained earnings and borrowing.

The resource based funds include Saudi Development Bank, the Arab Development Bank, the Arab Fund for Economic and Social Development, the Abu Dhabi Fund for Arab Economic Development and the Islamic Development Bank. These banks all draw generous income from natural resources and are relatively new and rare. They are all regional development banks with additional capital coming from membership subscription or special appropriations from member nations. Also included in the resource based funds are the Alberta Heritage Savings Trust Fund and Fondo de Inversiones de Venezuela. Both funds are similar to the AK Permanent Fund. The Venezuelan Bank was established to keep a deluge of public revenue temporarily out of local money supply until needed and to reduce their dependence on oil revenue. They also recognize the need to invest excess funds in external markets. The Alberta Fund is similar to the AK Permanent Fund by location and their democratic framework. They make loans to strengthen and diversify the economy.

October 1, 1976

- I. Domestic Permanent Fund (including funds in Montana, New Mexico, Texas & Wyoming.
Also summary of states which accumulate natural resources income in trust funds)

The funds cited focused on States receiving income from natural resources in land and minerals where: 1) income was spent primarily on a current basis, 2) the funds are primarily managed by the State Treasurer, and 3) the purposes of the funds include investment in public school systems, financing capital improvements, investment in state ecological environments, and loaning to political subdivisions.

- II. Domestic Economic Development Programs (Also includes a summary of State general assistance, incentives and special services to industry)

Governmental Development Bank of Puerto Rico: 1) acts as fiscal agent for Commonwealth, 2) makes loans to private enterprise, and 3) functions include: sale of bonds & notes by Commonwealth, issue of own full-faith and credit loans, and central clearing house for checks in Commonwealth.

Pennsylvania Industrial Development Authority: 1) purpose is to alleviate unemployment and economic stagnation and make mortgage loans to non-profit Industrial Development Agencies, and 2) funds are from aggregate legislative appropriations, proceeds of tax exempt bond issues, and repayment of principle and interest on outstanding mortgage loans.

- III. National Institutions (including Swedish Investment Bank, Ltd., Japan Development Bank, and National Financiera S.A. - Mexico)

- 1) All these banks are governmentally owned
- 2) Are responsible for carrying out national economic policy.
- 3) For purposes of assisting in financing industrial and commercial projects
- 4) The source of funds is borrowings from the government, repayment of loans and internal sources.

- IV. International and Regional Development Institutions (including the World Bank, Inter-American Development Bank, Asian Development Bank, African Development Bank, European Investment Bank, European Coal and Steel Community)

- 1) Membership consists of several countries
- 2) Purpose to foster economic growth of particular region or it's members
- 3) Generally non-political and commercial in operations
- 4) Source of funds from capital subscription of members, local and international borrowing (usually heavily)
- 5) Activities consist of direct lending in member countries for social and economic benefit
- 6) Generally managed by Board of Directors or Governors with members from or authorized by member countries.
- 7) The European Investment Bank and the European Coal and Steel Community related to Common Market activities

- V. Natural Resources Related Institutions (Saudi Development Fund, Arab Bank for Economic Development in Africa, Arab Fund for Economic and Social Development, Abu Dhabi Fund for Arab Economic Development, Islamic Development Bank, Kuwait Fund for Arab Economic Development, Fondo de Inversiones de Venezuela, Alberta Heritage Savings Trust fund)

- 1) Functions limited to particular geographic area for purpose of promoting economic growth & development, and achieve social objectives
- 2) Primarily based on natural resource revenue, particularly oil related
- 3) Sources of funds is primarily membership subscriptions and allocated funds
- 4) most of the funds not yet fully operational

Alaska government is moving in the right direction of returning to a balanced budget. Debt per capita must be reduced and government size should not rise. The Permanent Development Fund (PDF) will not be successful unless it generates fund surpluses and utilizes top quality management.

Municipal Bond Bank may be a good vehicle for aiding AK communities, however, it has deficiencies: bond anticipation note authorization, moral obligation is a dead issue in the market place, and lack of State control.

Morgan suggests one commission for capital allocation and control be established with authority for debt authorizations with management and financial controls on same, capital allocation authority, scheduling all public sales, and establishing and managing a local government financial advisory group dealing with day to day operations and fiscal and debt management.

The Departments of Commerce and Economic Development, Public Works, Revenue, and Community and Regional Affairs should be consolidated into 1 major commission responsible for approval for aid programs of other departments and capital spending. The PDF should be a part of this "super" commission utilizing their capabilities and analysis abilities.

AK must be careful not to borrow methods from established organizations which are not applicable to AK's particular uniqueness (AK has its own source of equity unlike The World Bank, Asian Development Bank and a few others). PDF must join with private enterprise in economically sound and financially feasible projects. Additionally, it must export or deliver products to viable markets to be successful.

According to Morgan, PDF must be corporate in structure with high paid quality management and personnel. It must be profit-seeking in motive and long-term entrepreneurial in scope. The PDF should provide capital for 1) The AK Development Corporation (ADC) to establish expertise in developing the economy, and 2) the ADC to create a Development Bank (DB) to make project loans, and 3) the ADC to create the Finance and Investment Company (FIC) to package project loans to be sold to institutional lenders in the lower '48 and the world. Additionally the FIC would manage a series of investments in mutual funds or trust for smaller institutions and individuals to buy into.

Morgan cites some other specifics of the PDF:

- 1) the PDF should only participate in major developmental projects
- 2) projects should be capital intensive
- 3) PDF should involve itself in long term loans in partnership with private industry and lenders rather than equity participation
- 4) PDF should finance "missing links" in otherwise viably forecasted projects
- 5) No other organization should be allowed to be equity holders in PDF or it's subsidiaries
- 6) PDF should create a steering committee to establish priorities studying the economy and geographical needs
- 7) PDF must necessitate that Native Corporations develop major projects in concert with PDF and, in like manner, they may be able to gain from PDF enterprise be creation of new villages and certain ancillary services
- 8) PDF may have to establish a subsidiary to expand education and other necessities which diversify the economy charging private market rates
- 9) no grants or non-interest loans should be made by PDF
- 10) PDF must be insulated from vested interests and political suasion
- 11) must develop ways of effecting leverage of PDF's equity capital
- 12) Statutes involving state government financing and lending should be reviewed

The Alaska Permanent Fund in Perspective

One of Alaska's constitutional hallmarks was prohibition against dedicated revenue. In 1976 a constitutional amendment was passed allowing a broad-based fund (Permanent Fund) to include 25% of all incoming oil and other resource revenue from royalties, fees, land rents, and other bonus payments. The only restriction was that the money must not be spent on the general operations of the government and must maintain the principle and produce income. Initially, the fund was seen as a means of excluding a certain percentage of the excess revenue from operational state spending.

Permanent Fund Legislation

March 3, 1977, Hammond introduced HB 298 relating to the management of the Permanent Fund. On the same day, the House Special Committee introduced HB 300, similar to Hammond's bill but including legislative prerogative for Permanent Fund management.

HB 298 cast the Permanent Fund as a "super-bank" with a great deal of autonomy from the operations of the executive and legislative branches. It creates the Alaska Permanent Fund Corporation within the Department of Revenue with an independent legal existence. HB 298 provides for 50% of mineral lease income, royalty income, and bonus payments to be placed in the Permanent Fund. HB 300 places 100% of the bonus payments in the Fund. Oil and gas (mineral) severance tax continues to be placed in the General Fund.

The present legislation tends toward a development bank concept but the goals of same tend toward "trust for the future" and consumer benefits. The preamble of the legislation speaks of diversification of the Alaskan economy by investments in non-renewable and renewable resources, smoothing cyclical patterns of growth, encouraging participation of private capital, promoting capital for community development, and supplementing private investment.

Administrative and legislative bills both opt for the split concept in the Permanent Fund: 1) 40% investment grade securities (savings account principle), 2) not more than 30% to provide reasonable proportion of longer-term investment capital (development bank), and 3) not more than 30% for investment capital for community development (consumer bank). Pending legislation also gives the power to raise capital and borrow against the assets of the Permanent Fund and grant debt guarantees.

Structure of Fund Management

The Permanent Fund Policy Board consists of the Commissioners of Revenue and Commerce, and 7 members appointed by the Governor for 4 year terms. Confirmation of the Policy Board is still at issue in the legislative and executive legislation. Members are removable for cause. The Chairman of the Policy Board would be the President of the Corporation. The duties of the Policy Board are: policies of investment, selecting the Investment Committee, relations with the legislature and public, reviewing investment and performance, and providing reports and audits of the Fund.

Beneath the Policy Board is the Investment Committee of 4 members and a President. Their sole responsibility is investment. There exists a separation and balance of powers between the Policy Board and the Investment Committee. The staff of the "superbank" management operations has much flexibility in determining terms of debt, etc.

The Fund will probably be able to borrow to expand development bank capital, sell securities and debt to other mortgage markets, and make investment in financial intermediaries.

Problems of the Permanent Fund

- 1) Due to the smallness of Alaska, there may be trouble in finding people with the expertise and knowledge that don't have "special interests" to staff the Fund Corporation.
- 2) If the Legislature doesn't have confirmation power over the Policy Board membership, public accountability becomes even more difficult and would leave accountability entirely up to the Governor.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

#138



Alaska State Legislature

Senate Committee
on the
Permanent Fund

Pouch V
JUNEAU ALASKA
99811

December 9, 1977

TO : Transmittal Recipients

FROM: George Hohman, Chairman *George Hohman* (SF)
Senate Committee on the Permanent Fund

RE : Transmittal #3

Enclosed please find the following:

Second Interim Report
Bibliography
Budget & Audit Memorandum regarding
"Projected Permanent Fund Balances"
Credit Scoring Systems Memo
Dittman Public Opinion Poll

Please feel free to contact my office for any additional information (465-3880)

Enclosures

I. INTRODUCTION

This Second Interim Report of the Senate Committee on the Permanent Fund outlines those areas which have been under study and will continue to be reviewed through January 9, 1978.

Our initial effort was to outline the tasks to be undertaken and make meaningful information available to the Senate for its decision making process. Numerous reports and studies have been provided which have assisted the Committee members in their considerations of permanent fund matters.

The study effort has been concentrated into the following categories:

1. What investments should be made from the Permanent Fund, and to what extent will loans to Alaskans be a part of these investments?
2. To determine how the investment effort and the loan programs should be organized.

The results of the completed studies and those being undertaken will provide assistance in the decision making process when the Legislature convenes on January 9, 1978.

At the present time, legislation is being drafted per the direction given by the Committee during their meeting of October 31, 1977.

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Page 2

Senate Committee on the Permanent Fund
Second Interim Report

II. ANALYSIS OF STUDIES

A. Completed Analysis of Studies through December 3 per Bibliography

B. Completed Synopses

1. Structuring Decisions for the Alaska Permanent Fund (1976)
2. Report to the State Investment Advisory Committee regarding Domestic, National and International Banks (1976)
3. A Prospectus of the State of Alaska's Finances and Its Development of Economic Diversity (1976)
4. The Alaska Series--The Alaska Permanent Fund in Perspective (1977)
5. The Alaska Series--The Alaska Permanent Fund and Other Significant World Funds (1977)
6. Thinking About the Alaska Permanent Fund: A Cautious Approach for Policymakers (1977)
7. Economic Considerations in Establishment of Alaska's Permanent Fund (1977)
8. Report to the State Investment Advisory Committee regarding Development Banks (1976)
9. State of Alaska Permanent Fund Investment Objectives Options (1976)
10. Citizen Feedback #2, Rowan Group (1977)
11. Models and Options for the Alaska Permanent Fund (Report #2) (1977)

C. Contractual Studies

1. F.L. Orth, Sea Grant Program, University of Alaska
 - a. review implications of foreign investment in expansion of Alaska's bottomfish industry
 - b. investigation of fishing cooperatives, PCA's and potential advantages of establishment of a development bank for fisheries in Alaska
 - c. project completed
2. M. DeMan, Alaska Native Foundation
 - a. provide assistance regarding Permanent Fund interaction with village corporations
 - b. completion date December 30, 1977
3. D. Dittman, Dittman Research Associates
 - a. design questionnaire to survey public opinion as to uses of the Permanent Fund
 - b. survey sample to be proportionately representative of state population distribution, comprised of not less than 400 individuals
 - c. prepare summary of qualitative and quantitative findings
 - d. summarize findings
 - e. completed

II. ANALYSIS OF STUDIES (CONT.)

D. Bibliography (Attached)

III. ANALYSIS OF EXISTING LOAN PROGRAMS

A. Schedule of Existing Programs

1. Ten state loan programs identified and analyzed
2. Six independent corporations identified and analyzed
3. Eight federal loan programs identified and examined

B. Description of Analysis

1. Primary information gathered from administering agencies, Alaska Administrative Code and Alaska statutes
 - a. statutory authority
 - b. administrative regulations, if promulgated
 - c. eligibility criteria
 - d. loan amount limit and repayment terms
 - e. implementation
2. Information requested and received from state loan program agencies and independent corporations
 - a. number of loans outstanding in all programs
 - b. dollar amount of loans granted in all programs
 - c. employment generated by loans in all programs
 - (1) data not available
3. Primary information requested and received regarding federal loan programs operating within Alaska
 - a. responses
 - (1) Small Business Administration (SBA)
 - (2) Bureau of Indian Affairs (BIA)
 - (3) Community Economic Development Corporation (CEDC) through Community Services Administration (CSA)

C. Organization, Staffing and Cost of Operations - State Loan Programs

1. Budget and Audit information request--received and completed
 - a. administrative costs of loans
 - b. organizational structure of each program

D. Program Compliance with Legislative Directives--not complete

1. Budget and Audit information request--not received

IV. INVENTORY AND INVESTIGATION OF STATE NEEDS

A. In-state Inquiries

1. Questionnaire to banks and other financial institutions in Alaska (Seven received)
 - a. business loans - urban/rural
 - b. personal loans - urban/rural
 - c. mortgage loans - urban/rural
 - d. loan denial factors - urban/rural
 - e. areas of perceived credit scarcity - urban/rural
 - f. comment on state loan programs
 - g. comment on federal loan programs
 - h. comment on Permanent Fund role
 - i. mailed August 15, 1977
 - (1) 15 banks, savings and loan associations, financial institutions in Alaska
2. Rural Outreach questionnaire (108 received)
 - a. business ownership
 - b. consideration of business ownership
 - c. granted/denied business or home loan
 - d. comment on perception of bank consideration of loan application
 - e. other sources of loans considered
 - f. comment on availability of capital in rural Alaska
 - g. familiarity with state loan programs
 - h. impressions of state loan programs
 - i. comment on interest charged by state loan programs
 - j. familiarity with federal loan programs
 - k. comment on areas of possible Permanent Fund loans
 - l. mailed August 22, 1977
 - (1) 87 village councils
 - (2) 200 village corporations
 - (3) 12 regional corporations
 - (4) 10 agricultural policy task force members
 - (5) 138 miners/mining companies
 - (6) 44 fishing associations
 - (7) 176 shareholders of Alaska business licenses in various occupations
3. Chamber of Commerce questionnaire (115 received)
 - a. business ownership
 - b. consideration of business ownership
 - c. granted/denied business or home loan
 - d. comment on perception of bank consideration of loan application
 - e. other sources of loans considered
 - f. comment on availability of capital in rural Alaska
 - g. familiarity with state loan programs
 - h. impressions of state loan programs
 - i. comment on interest charged by state loan programs
 - j. familiarity with federal loan programs
 - k. comment on areas of possible Permanent Fund loans
 - l. mailed August 18, 1977
 - (1) distributed to 750 individuals throughout Alaska by D. Dickey, President, Alaska State Chamber of Commerce

IV. INVENTORY AND INVESTIGATION OF STATE NEEDS (CONT.)

4. Credit Union questionnaire (11 received)
 - a. liquidity situation and interface with private financial institutions
 - b. possible interaction with Alaska Permanent Fund
 - c. field of membership
 - d. geographic distribution of membership
 - e. geographic distribution of loan activity
 - (1) share loans
 - (2) unsecured loans
 - (3) mortgage loans
 - f. geographic distribution of loan approval percentages
 - g. factors of loan granting/denial
 - h. perceptions of credit availability
 - i. familiarity with federal loan programs
 - j. familiarity with state loan programs
 - k. comment on Permanent Fund uses
 - l. mailed October 13, 1977
 - (1) 36 Alaskan credit unions
5. Public Employees questionnaire (350 received)
 - a. approve/disapprove PERS making mortgage loans to public employees
 - b. approve/disapprove giving rural loans priority
 - c. approve/disapprove 7% interest rate
 - d. approve/disapprove extension of program to urban areas
 - e. approve/disapprove refinancing high interest mortgage loans of public employees
 - f. mailed October 14, 1977
 - (1) 5500 Alaskan public employees
6. Teachers questionnaire (600 received)
 - a. approve/disapprove TRS making mortgage loans to teachers
 - b. approve/disapprove giving rural loans priority
 - c. approve/disapprove 7% interest rate
 - d. approve/disapprove extension of program to urban areas
 - e. approve/disapprove refinancing high interest mortgage loans of teachers
 - f. mailed September 29, 1977
 - (1) 3800 Alaskan teachers
7. Veterans questionnaire (219 received)
 - a. approve/disapprove veterans' eligibility for lower than uniform loan interest rates
 - b. approve/disapprove higher business loan amounts for veterans
 - c. approve/disapprove same eligibility preference for National Guard service
 - d. approve/disapprove interest rate reduction for National Guard service
 - e. mailed October 6, 1977
 - (1) 4500 veterans throughout Alaska

IV. INVENTORY AND INVESTIGATION OF STATE NEEDS (CONT.)

B. Out-of-state Inquiries

1. Governmental National Mortgage Association information request (no response)
 - a. explanation of association's procedures and practices as secondary market for housing loans
 - b. statistical data for last five years' activity in Alaska
 - (1) number of units financed
 - (2) dollar amount of mortgages written
2. State Department of Labor information request (received)
 - a. method of cost of living indices formulation
 - b. existence of cost of construction indices compiled at state or federal level
3. Commerce and Economic Development Departments of other 49 states information request regarding state financing plans (received)
 - a. types of loan programs
 - b. terms of loans
 - c. interest rates
 - d. publications describing loan programs
 - e. mailed August 24, 1977
4. Comptroller of the Currency, Administrator of National Banks, 13th National Bank Region, information request (received)
5. Fair, Issacc and Company request regarding credit scoring (received)
6. Bureau of Public Debt, Division of Securities (no response)
7. A Minnesota Program that provides Incentives for Managerial Excellence in the State Personnel System (no response)

C. Inventory of Capital Improvement Needs of Alaskan Communities

1. Type of project
 - a. description of needs
 - b. cost per unit
 - c. estimated population to be served
 - d. estimate direct construction costs
 - e. estimated total costs
 - f. expected funding sources
 - g. mailed August 23, 1977
 - (1) 8 boroughs
 - (2) 11 home rule cities
 - (3) 21 first class cities
 - (4) 107 second class cities
 - (5) 1 federal reservation
2. Project work sheet (13 received)
 - a. for familiarization with cost projection components
 - b. mailed August 23, 1977

V. ORGANIZATION OF TREASURIES

- A. Letter of State Treasuries as to Organization of Treasury Management
 - 1. Management of State Funds
 - a. general fund-temporary investment
 - b. dedicated/trust funds with protected principle
 - c. organizational/staff operational charts
 - d. accommodation of management of fund size of Permanent Fund
 - e. suggestions, comments, observations
 - 2. Responses (7 received)
- B. Inquiry of Organization and Operation, Treasury Division, State of Alaska
 - 1. Prior audit reports analyzed
 - 2. Consultant review
 - a. Lombard and Wall (due December 15, 1977)
 - b. preliminary reports generated by September 2, 1977

VI. FINANCIAL PROJECTIONS ACQUIRED AND ANALYZED

- A. Legislative Affairs Agency, July 1977
 - 1. General and permanent fund balances 1978-1985
 - a. low income-high expenditure model
 - b. medium income-medium expenditure model
 - c. high income-high expenditure model
- B. Permanent Fund Revenue Projections, Department of Revenue, January 1977
 - 1. General and permanent fund balances 1976-1985
 - 2. Estimated petroleum revenues 1976-1975
- C. Legislative Finance
 - 1. General and Permanent Fund balance 1977-2005
 - 2. Six projections based on three different assumptions regarding North Slope oil production

VII. PROGRAM ALTERNATIVES IDENTIFIED AND EXAMINED

- A. Continue with Present System of Intermediary and Direct Programs under the Executive Branch with the Permanent Fund Functioning as an Intermediary
- B. Same as "A" above, but Include the Permanent Fund Control within the Treasury Division
- C. Streamline all Programs and Permanent Fund within the Executive Branch with Legislative Overview and Checks/Balances Concerning Compliance with Legislative Mandates Reinforced

VIII. SPECIFIC LEGISLATION-BASED ON DIRECTIVE OF SENATE PERMANENT FUND COMMITTEE

- A. Draft Alternate Bill as Directed
 - 1. Preliminary drafts of statements of intent
- B. Present Alternate Bill at January meeting prior to Session January 9, 1978

#138



Alaska State Legislature

Pouch V
JUNEAU ALASKA
99811

December 9, 1977

Senate Committee
on the
Permanent Fund

TO : Transmittal Recipients
FROM: George Hohman, Chairman *George Hohman* (OF)
Senate Committee on the Permanent Fund
RE : Transmittal #3

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W--ALASKA OFFICE BUILDINGFINANCE DIVISION
POUCH WF--STATE CAPITOL

JUNEAU 99801

December 5, 1977

M E M O R A N D U M

TO: Senator George Hohman
Chairman
Senate Permanent Fund Committee

FROM: Milt Barker *MB*
Fiscal Analyst

SUBJECT: Projected Permanent Fund Balances

Attached are six projections of permanent and general fund balances based on three different assumptions regarding North Slope oil production. The detailed assumptions behind these projections are also attached. For each revenue scenario, there are two different projections--the first places all permanent fund earnings in the general fund while the second retains those earnings in the permanent fund. Thus, the difference between the permanent fund figures (or the general fund figures, for that matter) for the two cases represents the accumulated earnings of the permanent fund including the compounded interest on the earnings.

There are several reasons why the outcome of these projections is more favorable than other recent ones. The most important is a moderate rate of budget growth (around 7%; see detailed assumptions) which assumes no increase in real (constant dollar) state spending per capita. Another is that revenue from Sadlerochit gas production is included. Also, the ICC proposed tariff of \$4.90 per barrel as opposed to the average company filing of \$6.20 per barrel is assumed as the TAPS tariff rate for throughput of 1.2 million barrels per day. The tariff is further assumed to vary inversely with throughput so that at 2 million barrels per day the rate falls to \$2.94 per barrel.

Finally, stemming from the budget surpluses developing from the above factors, interest income assumes major proportions. In fact, under the two more favorable revenue scenarios, it becomes sufficient to entirely fund the budget.

MBB:pw
Attachments

02-DEC-77

COMMENTS

GAS PRODUCTION BEGINS FY84
TAPS BUILDUP RESUMES MARCH 78
SAULEROCHIT PRODUCTION ONLY
5% ANNUAL INFLATION ASSUMED FOR OIL AND GAS PRICES

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL. = 20.00%
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 30.00%

YEAR END	NON INVESTMENT			TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS		TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR GF BAL OF YEAR OF \$0 MIL
	INVESTMENT REVENUE	INVESTMENT INTEREST	INVESTMENT INTEREST					TO FUNDS	FROM FUNDS					
1977														
1978	747.8	55.0		802.8	853.8	0.0	0.0	94.8		948.6	-145.8	4.0	652.7	0.0
1979	1021.7	56.4		1078.3	907.0	0.0	0.0	178.7		1005.7	-7.4	65.8	506.9	0.0
1980	1353.7	73.9		1429.6	979.6	0.0	0.0	271.6		1251.1	178.5	359.5	677.9	0.0
1981	1691.7	109.9		1801.6	1057.9	0.0	0.0	294.0		1351.9	449.6	551.3	1127.6	0.0
1982	1849.7	160.0		2009.7	1142.5	0.0	0.0	317.7		1460.3	549.4	758.5	1677.0	0.0
1983	1964.6	217.8		2182.4	1234.0	0.0	0.0	314.2		1548.1	634.3	981.8	2311.3	0.0
1984	2427.1	299.0		2726.1	1283.3	0.0	0.0	293.2		1576.5	1149.6	1275.0	3460.9	0.0
1985	2615.0	410.8		3026.6	1270.5	0.0	0.0	313.7		1584.1	1442.4	1588.6	4903.3	0.0
1986	2785.6	543.2		3328.8	1321.3	0.0	0.0	335.0		1656.3	1672.5	1923.6	6575.8	0.0
1987	2966.1	693.4		3659.5	1413.8	0.0	0.0	357.8		1771.5	1887.9	2281.4	8463.7	0.0
1988	2892.8	851.4		3744.2	1512.8	0.0	0.0	337.7		1850.4	1893.8	2619.0	10357.5	0.0
1989	2762.3	1006.3		3768.6	1618.6	0.0	0.0	307.5		1926.1	1842.5	2926.5	12200.0	0.0
1990	2878.1	1164.0		4042.1	1731.9	0.0	0.0	317.7		2049.6	1992.4	3244.2	14192.4	0.0
1991	2428.9	1312.6		3741.5	1853.2	0.0	0.0	233.4		2086.6	1654.9	3477.6	15847.4	0.0
1992	2166.5	1437.2		3603.7	1982.9	0.0	0.0	179.3		2162.2	1441.5	3656.8	17288.9	0.0
1993	2040.9	1547.2		3588.1	2121.7	0.0	0.0	143.0		2264.7	1323.5	3799.8	18612.4	0.0
1994	2103.3	1652.6		3755.9	2270.2	0.0	0.0	137.1		2407.4	1348.6	3936.9	19960.9	0.0
1995	2415.4	1768.3		4183.7	2429.1	0.0	0.0	166.5		2615.6	1560.1	4123.4	21539.0	0.0
1996	2531.6	1096.1		4427.7	2599.2	0.0	0.0	193.7		2792.9	1634.8	4317.1	23163.8	0.0
1997	2610.5	2027.6		4638.1	2701.1	0.0	0.0	201.7		2982.8	1655.3	4518.7	24819.0	0.0
1998	2478.4	2153.3		4631.7	2975.8	0.0	0.0	146.3		3122.1	1509.6	4665.0	26528.6	0.0
1999	2547.2	2275.9		4823.1	2975.8	0.0	0.0	140.8		3116.6	1706.5	4805.8	28035.1	0.0
2000	2609.7	2407.6		5017.3	3104.1	0.0	0.0	132.8		3317.0	1700.3	4930.6	29723.4	0.0
2001	2695.9	2543.7		5239.6	3104.1	0.0	0.0	128.6		3312.8	1926.8	5067.3	31662.3	0.0
2002	2696.2	2608.0		5304.2	3407.2	0.0	0.0	129.7		3536.7	1647.4	5197.0	33509.7	0.0
2003	2846.1	2831.6		5677.7	3645.5	0.0	0.0	136.1		3781.5	1896.2	5333.0	35405.9	0.0
2004	3002.8	2779.2		5982.0	3900.7	0.0	0.0	142.4		4043.1	1930.9	5475.4	37344.8	0.0
2005	3169.6	3130.3		6299.9	4173.7	0.0	0.0	149.5		4323.0	1976.8	5624.7	39321.6	0.0

LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

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COMMENTS

GAS PRODUCTION BEGINS FY84
TAPS BUILDUP RESUMES MARCH 78
SADLEROGHIT PRODUCTION ONLY
5% ANNUAL INFLATION ASSUMED FOR OIL AND GAS PRICES

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 30.00%
% OF EARNING RETAINED IN PERMANENT FUND = % 100 %

YEAR END	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR GF BAL OF \$0 MIL
1977										4.0	652.7	
1978	747.8	55.0	802.8	853.8	0.0	0.0	97.3	951.1	-148.4	68.4	504.3	0.0
1979	1021.7	55.6	1078.3	907.0	0.0	0.0	187.9	1094.9	-16.6	194.1	487.8	0.0
1980	1355.7	73.9	1429.6	979.6	0.0	0.0	292.1	1271.6	158.0	391.7	645.7	0.0
1981	1691.7	109.9	1801.6	1057.9	0.0	0.0	329.4	1387.3	414.3	618.9	1060.0	0.0
1982	1849.7	160.0	2009.7	1142.5	0.0	0.0	370.1	1512.7	497.0	978.5	1557.0	0.0
1983	1964.6	217.8	2182.4	1234.0	0.0	0.0	386.0	1619.9	562.4	1173.6	2119.4	0.0
1984	2427.1	299.0	2726.1	1283.3	0.0	0.0	388.9	1672.2	1053.8	1562.6	3173.3	0.0
1985	2615.8	410.8	3026.6	1270.5	0.0	0.0	438.4	1708.9	1317.7	2000.9	4491.0	0.0
1986	2785.6	543.2	3328.8	1321.3	0.0	0.0	492.3	1813.6	1515.2	2493.3	6006.2	0.0
1987	2966.1	693.4	3659.5	1413.8	0.0	0.0	551.6	1965.4	1694.1	3044.8	7700.2	0.0
1988	2892.8	851.4	3744.2	1512.8	0.0	0.0	570.8	2083.5	1660.7	3615.6	9361.0	0.0
1989	2762.3	1006.3	3768.6	1618.6	0.0	0.0	580.9	2199.5	1569.0	4196.5	10930.0	0.0
1990	2878.1	1164.0	4042.1	1731.9	0.0	0.0	633.6	2345.6	1676.5	4830.1	12606.5	0.0
1991	2428.9	1312.6	3741.5	1853.2	0.0	0.0	592.2	2445.4	1296.1	5422.3	13902.6	0.0
1992	2166.5	1437.2	3603.7	1982.9	0.0	0.0	579.1	2562.0	1041.7	6001.4	14944.7	0.0
1993	2040.9	1547.2	3588.1	2121.7	0.0	0.0	583.5	2705.2	882.9	6584.9	15827.3	0.0
1994	2103.3	1652.6	3755.9	2270.2	0.0	0.0	619.8	2890.0	865.9	7204.6	16693.2	0.0
1995	2415.4	1768.3	4183.7	2429.1	0.0	0.0	715.6	3145.0	1038.7	7920.5	17731.9	0.0
1996	2531.6	1896.1	4427.7	2599.2	0.0	0.0	775.3	3374.5	1053.2	8977.7	18785.1	0.0
1997	2610.5	2027.6	4638.1	2781.1	0.0	0.0	839.8	3620.9	1017.2	9535.5	19802.3	0.0
1998	2478.4	2153.3	4631.7	2975.8	0.0	0.0	843.3	3819.1	812.6	10378.8	20614.8	0.0
1999	2547.2	2275.9	4823.1	2975.8	0.0	0.0	898.7	3874.5	948.5	11277.5	21563.4	0.0
2000	2609.7	2407.6	5017.3	3184.1	0.0	0.0	955.7	4139.8	877.5	12233.2	22440.8	0.0
2001	2695.9	2543.7	5239.6	3184.1	0.0	0.0	1020.7	4204.8	1034.8	13253.9	23475.6	0.0
2002	2696.2	2608.0	5304.2	3407.0	0.0	0.0	1095.8	4502.9	881.3	14349.8	24356.9	0.0
2003	2846.1	2831.6	5677.7	3645.5	0.0	0.0	1181.9	4827.4	850.3	15531.7	25207.3	0.0
2004	3002.8	2979.2	5982.0	3900.7	0.0	0.0	1274.2	5174.9	807.1	16805.9	26014.4	0.0
2005	3169.6	3130.3	6299.9	4173.7	0.0	0.0	1373.8	5547.5	752.3	18179.7	26766.7	0.0

LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

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COMMENTS

GAS PRODUCTION BEGINS FY84
TAPS BUILDUP RESUMES MARCH 78
SADLEROCHIT KUPARUK & LISBURNE PRODUCTION
5% ANNUAL INFLATION ASSUMED FOR OIL AND GAS PRICES

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 30.00%
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 30.00%

YEAR END	NON		TOTAL REVENUE	PAYMENTS			TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ	
	INVESTMENT REVENUE	INVESTMENT INTEREST		BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE					FOR GF BAL OF	\$0 MIL
1977									4.0	652.7		
1978	747.8	55.0	802.8	953.8	0.0	0.0	94.8	948.6	-145.8	65.8	506.9	0.0
1979	1021.7	56.6	1078.3	907.0	0.0	0.0	178.7	1085.7	-7.4	182.4	499.5	0.0
1980	1394.9	75.1	1470.0	979.6	0.0	0.0	284.5	1264.1	206.0	367.9	705.5	0.0
1981	1861.6	118.1	1979.7	1057.9	0.0	0.0	334.7	1392.6	587.1	586.2	1292.6	0.0
1982	2129.3	183.7	2313.0	1142.5	0.0	0.0	389.3	1531.8	781.2	840.1	2073.8	0.0
1983	2320.8	267.0	2587.8	1234.0	0.0	0.0	330.1	1564.0	1023.7	1122.9	3097.6	0.0
1984	2804.1	379.9	3184.0	1283.3	0.0	0.0	356.1	1639.4	1544.6	1478.9	4642.2	0.0
1985	3014.8	525.7	3540.5	1270.5	0.0	0.0	380.2	1650.7	1889.8	1859.1	6532.0	0.0
1986	3207.6	696.3	3903.9	1321.3	0.0	0.0	405.4	1726.7	2177.2	2264.6	8709.2	0.0
1987	3344.7	886.6	4231.3	1413.8	0.0	0.0	420.9	1834.7	2396.6	2685.5	11105.8	0.0
1988	3232.4	1084.7	4317.1	1512.8	0.0	0.0	394.3	1907.1	2410.0	3079.8	13515.8	0.0
1989	3056.1	1279.4	4335.5	1618.6	0.0	0.0	355.2	1973.8	2361.7	3435.0	15877.5	0.0
1990	3151.6	1477.5	4629.1	1731.9	0.0	0.0	363.2	2095.1	2534.0	3798.1	18411.6	0.0
1991	2572.3	1667.7	4240.0	1853.2	0.0	0.0	274.0	2127.2	2212.8	4072.1	20624.3	0.0
1992	2380.7	1834.6	4215.3	1982.9	0.0	0.0	215.4	2198.3	2017.1	4207.5	22641.4	0.0
1993	2194.7	1986.8	4181.5	2121.7	0.0	0.0	174.3	2296.0	1885.5	4461.8	24526.9	0.0
1994	2240.2	2134.7	4374.9	2270.2	0.0	0.0	165.5	2435.7	1939.1	4627.3	26466.0	0.0
1995	2557.5	2295.4	4852.9	2429.1	0.0	0.0	211.2	2640.4	2212.5	4838.5	26678.5	0.0
1996	2664.0	2471.3	5135.3	2599.2	0.0	0.0	216.5	2815.6	2319.7	5055.0	30998.2	0.0
1997	2607.8	2649.3	5257.1	2781.1	0.0	0.0	191.8	2973.0	2284.2	5246.8	33282.4	0.0
1998	2564.1	2823.1	5387.2	2975.8	0.0	0.0	164.0	3139.8	2247.4	5410.8	35529.8	0.0
1999	2624.0	3000.2	5624.2	2975.8	0.0	0.0	156.6	3132.4	2491.8	5567.4	38021.5	0.0
2000	2676.7	3189.7	5866.4	3184.1	0.0	0.0	146.7	3330.8	2535.6	5714.1	40557.1	0.0
2001	2756.6	3387.2	6143.8	3184.1	0.0	0.0	141.2	3325.3	2818.5	5855.3	43375.6	0.0
2002	2845.1	3600.2	6445.3	3407.0	0.0	0.0	136.1	3543.1	2902.2	5991.4	46277.8	0.0
2003	2943.5	3815.3	6758.8	3645.5	0.0	0.0	136.1	3781.5	2877.3	6127.4	49155.1	0
2004	3000.2	4034.1	7034.3	3900.7	0.0	0.0	142.4	4043.1	2991.2	6269.8	52146.2	
2005	3167.0	4261.5	7428.5	4173.7	0.0	0.0	149.3	4323.0	3105.4	6419.1	55251.7	

EXPLORATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

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COMMENTS

GAS PRODUCTION BEGINS FY84
TAPS BUILDUP RESUMES MARCH 78
SADLEROGHIT KUPARUK & LISBURNE PRODUCTION
5% ANNUAL INFLATION ASSUMED FOR OIL AND GAS PRICES

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 30.00%
% OF EARNING RETAINED IN PERMANENT FUND = % 100 %

YEAR END	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR GF BAL OF 10 MIL
1977										4.0	652.7	
1978	747.8	55.0	802.8	853.8	0.0	0.0	97.3	951.1	-148.4	68.4	504.3	0.0
1979	1021.7	56.6	1078.3	907.0	0.0	0.0	187.9	1094.9	-16.6	194.1	487.8	0.0
1980	1394.9	75.1	1470.0	979.6	0.0	0.0	305.3	1284.9	185.2	400.5	672.9	0.0
1981	1861.6	118.1	1979.7	1057.9	0.0	0.0	371.7	1429.6	550.2	655.7	1223.1	0.0
1982	2129.3	183.7	2313.0	1142.5	0.0	0.0	446.0	1588.6	724.5	966.3	1947.5	0.0
1983	2320.8	267.0	2587.8	1234.0	0.0	0.0	410.4	1644.4	943.4	1329.5	2891.0	0.0
1984	2804.1	379.9	3184.0	1283.3	0.0	0.0	465.4	1748.7	1435.3	1794.9	4326.3	0.0
1985	3014.8	525.7	3540.5	1270.5	0.0	0.0	524.2	1794.7	1745.8	2319.1	6072.1	0.0
1986	3207.6	696.3	3903.9	1321.3	0.0	0.0	588.3	1909.6	1994.2	2907.5	8068.3	0.0
1987	3344.7	886.6	4231.3	1413.8	0.0	0.0	647.1	2060.9	2170.4	3554.6	10236.7	0.0
1988	3232.4	1084.7	4317.1	1512.8	0.0	0.0	666.5	2179.2	2137.9	4221.0	12374.6	0.0
1989	3056.1	1279.4	4335.5	1618.6	0.0	0.0	674.2	2292.9	2042.7	4895.3	14417.3	0.0
1990	3151.6	1477.5	4629.1	1731.9	0.0	0.0	731.4	2463.4	2165.8	5626.7	16583.0	0.0
1991	2672.3	1667.7	4340.0	1853.2	0.0	0.0	692.1	2545.3	1794.7	6318.8	18377.7	0.0
1992	2380.7	1934.6	4215.3	1982.9	0.0	0.0	681.5	2664.4	1550.9	7000.3	19928.6	0.0
1993	2194.7	1986.8	4181.5	2121.7	0.0	0.0	688.4	2810.1	1371.4	7688.7	21300.0	0.0
1994	2240.2	2134.7	4374.9	2270.2	0.0	0.0	729.2	2999.5	1375.4	8417.9	22675.4	0.0
1995	2557.5	2295.4	4852.9	2429.1	0.0	0.0	829.5	3258.7	1594.2	9247.5	24269.6	0.0
1996	2664.0	2471.3	5135.3	2599.2	0.0	0.0	895.1	3494.3	1641.1	10142.6	25910.6	0.0
1997	2607.8	2649.3	5257.1	2781.1	0.0	0.0	934.5	3715.6	1541.5	11077.1	27452.1	0.0
1998	2564.1	2823.1	5387.2	2975.8	0.0	0.0	973.5	3949.3	1437.9	12050.5	28890.0	0.0
1999	2624.0	3000.2	5624.2	2975.8	0.0	0.0	1036.4	4012.3	1611.9	13087.0	30502.0	0.0
2000	2676.7	3189.7	5866.4	3184.1	0.0	0.0	1101.3	4285.4	1581.0	14188.3	32082.9	0.0
2001	2756.6	3387.2	6143.8	3184.1	0.0	0.0	1175.5	4359.6	1784.2	15363.8	33867.1	0.0
2002	2845.1	3600.2	6445.3	3407.0	0.0	0.0	1255.5	4662.5	1782.8	16619.3	35649.9	0.0
2003	2843.5	3815.3	6658.8	3645.5	0.0	0.0	1346.5	4992.0	1666.8	17965.8	37316.7	0.0
2004	3000.2	4034.1	7034.3	3900.7	0.0	0.0	1450.8	5351.5	1682.8	19416.6	38999.5	0.0
2005	3167.0	4261.5	7428.5	4173.7	0.0	0.0	1563.2	5736.9	1691.6	20979.8	40691.0	0.0

LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

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COMMENTS

GAS PRODUCTION BEGINS FY84
TAPS BUILDUP RESUMES MARCH 78
2 MILLION BPD NORTH SLOPE STATE LEASE PRODUCTION FY 1987-2003
5% ANNUAL INFLATION ASSUMED FOR OIL AND GAS PRICES

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 30.00%

YEAR END	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR GF BAL OF \$0 MIL
1977										4.0	652.7	
1978	747.8	55.0	802.8	853.8	0.0	0.0	94.8	948.6	-145.8	65.8	506.9	0.0
1979	1021.7	56.6	1078.3	907.0	0.0	0.0	178.7	1085.7	-7.4	182.4	499.5	0.0
1980	1394.9	75.1	1470.0	979.6	0.0	0.0	284.5	1264.1	206.0	367.9	705.5	0.0
1981	1861.6	118.1	1979.7	1057.9	0.0	0.0	334.7	1392.6	587.1	586.2	1292.6	0.0
1982	2129.3	183.7	2313.0	1142.5	0.0	0.0	389.3	1531.8	781.2	840.1	2073.8	0.0
1983	2320.8	267.0	2587.8	1234.0	0.0	0.0	330.1	1564.0	1023.7	1122.9	3097.6	0.0
1984	2867.1	382.2	3249.3	1283.3	0.0	0.0	366.6	1649.9	1599.4	1489.4	4697.0	0.0
1985	3147.1	535.3	3682.4	1270.5	0.0	0.0	402.3	1672.7	2009.6	1891.7	6706.6	0.0
1986	3416.3	718.9	4135.2	1321.3	0.0	0.0	440.2	1761.5	2373.7	2331.9	9080.3	0.0
1987	3707.7	931.5	4639.2	1413.8	0.0	0.0	481.4	1895.2	2744.0	2813.3	11824.3	0.0
1988	3920.5	1171.1	5091.6	1512.8	0.0	0.0	509.0	2021.8	3069.8	3322.3	14894.1	0.0
1989	4165.4	1437.3	5602.7	1618.6	0.0	0.0	541.4	2160.0	3442.6	3863.7	18336.7	0.0
1990	4443.7	1733.9	6177.6	1731.9	0.0	0.0	578.7	2310.6	3867.0	4442.4	22203.7	0.0
1991	4695.4	2062.8	6758.2	1853.2	0.0	0.0	611.2	2464.3	4293.9	5053.5	26497.6	0.0
1992	4960.6	2425.5	7386.1	1962.9	0.0	0.0	645.4	2628.3	4757.8	5498.9	31255.4	0.0
1993	5160.4	2821.6	7982.0	2121.7	0.0	0.0	668.6	2790.3	5191.7	6367.5	36447.1	0.0
1994	5530.9	3256.9	8787.8	2270.2	0.0	0.0	718.7	2988.9	5798.9	7086.1	42246.0	0.0
1995	5838.7	3737.4	9576.1	2429.1	0.0	0.0	758.1	3187.2	6388.9	7844.2	48634.9	0.0
1996	6161.8	4263.9	10425.7	2599.2	0.0	0.0	799.4	3398.6	7027.1	8643.6	55661.9	0.0
1997	6504.1	4840.0	11344.1	2781.1	0.0	0.0	843.2	3624.3	7719.8	9486.9	63381.7	0.0
1998	6861.2	5469.9	12331.1	2975.8	0.0	0.0	888.7	3864.5	8466.6	10375.5	71848.3	0.0
1999	7241.1	6162.3	13403.4	2975.8	0.0	0.0	937.2	3913.0	9490.4	11312.7	81338.7	0.0
2000	7637.6	6928.6	14566.2	3184.1	0.0	0.0	987.5	4171.7	10394.5	12300.3	91733.2	0.0
2001	8054.8	7769.3	15824.1	3184.1	0.0	0.0	1040.4	4224.5	11599.6	13340.7	103332.8	0.0
2002	8494.1	8697.3	17191.4	3407.0	0.0	0.0	1096.1	4503.1	12688.3	14436.7	116021.1	0.0
2003	8959.4	9708.9	18668.3	3645.5	0.0	0.0	1154.9	4800.4	13867.8	15591.7	129689.0	0.0
2004	9444.6	10810.7	20255.3	3900.7	0.0	0.0	1216.1	5116.7	15138.5	16807.7	145027.5	0.0
2005	9959.5	12009.7	21969.2	4173.7	0.0	0.0	1281.0	5454.7	16514.5	18088.7	161542.1	0.0

LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

02-DEC-77

COMMENTS

GAS PRODUCTION BEGINS FY84
TAPS BUILDUP RESUMES MARCH 78
2 MILLION BPD NORTH SLOPE STATE LEASE PRODUCTION FY 1987-2005
5% ANNUAL INFLATION ASSUMED FOR OIL AND GAS PRICES

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 30.00%
% OF EARNING RETAINED IN PERMANENT FUND = % 100 %

YEAR END	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPL- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR GF BAL OF 40 MIL
977										4.0	652.7	
978	747.8	55.0	802.8	853.8	0.0	0.0	97.3	951.1	-148.4	68.4	504.3	0.0
979	1021.7	56.6	1078.3	907.0	0.0	0.0	187.9	1094.9	-16.6	194.1	487.8	0.0
980	1394.9	75.1	1470.0	979.6	0.0	0.0	305.3	1284.9	185.2	400.5	672.9	0.0
981	1861.6	118.1	1979.7	1057.9	0.0	0.0	371.7	1429.6	550.2	655.7	1223.1	0.0
982	2129.3	183.7	2313.0	1142.5	0.0	0.0	446.0	1588.6	724.5	966.3	1947.6	0.0
983	2320.8	267.0	2587.8	1234.0	0.0	0.0	410.4	1644.4	943.4	1329.5	2891.0	0.0
984	2867.1	382.2	3249.3	1283.3	0.0	0.0	476.3	1759.6	1489.7	1805.8	4380.7	0.0
985	3147.1	535.3	3682.4	1270.5	0.0	0.0	547.8	1818.3	1864.0	2353.6	6244.7	0.0
986	3416.3	718.9	4135.2	1321.3	0.0	0.0	626.9	1948.2	2187.0	2980.5	6431.7	0.0
987	3707.7	931.5	4639.2	1413.8	0.0	0.0	715.1	2128.9	2510.3	3695.6	10942.0	0.0
988	3920.5	1171.1	5091.6	1512.0	0.0	0.0	795.5	2308.3	2783.3	4491.2	13725.3	0.0
989	4165.4	1437.3	5602.7	1618.6	0.0	0.0	886.8	2505.4	3097.2	5378.0	16822.5	0.0
990	4443.7	1733.9	6177.6	1731.9	0.0	0.0	989.8	2721.7	3455.9	6367.7	20278.4	0.0
991	4695.4	2062.8	6758.2	1853.2	0.0	0.0	1095.2	2948.4	3809.8	7463.0	24088.2	0.0
992	4960.6	2425.5	7386.1	1982.9	0.0	0.0	1210.1	3193.0	4193.0	8673.1	28281.2	0.0
993	5160.4	2821.6	7982.0	2121.7	0.0	0.0	1322.0	3443.7	4538.3	9995.0	32819.5	0.0
994	5530.9	3256.9	8787.8	2270.2	0.0	0.0	1469.7	3740.0	5047.8	11464.8	37867.4	0.0
995	5838.7	3737.4	9576.1	2429.1	0.0	0.0	1617.2	4046.4	5529.7	13082.0	43397.1	0.0
996	6161.8	4263.9	10425.7	2599.2	0.0	0.0	1777.4	4376.5	6049.1	14859.4	49446.2	0.0
997	6504.1	4840.0	11344.1	2781.1	0.0	0.0	1951.7	4732.8	6611.3	16811.1	56057.5	0.0
998	6861.2	5469.9	12331.1	2975.8	0.0	0.0	2140.4	5116.2	7214.9	18951.4	63272.4	0.0
999	7241.1	6162.3	13403.4	2975.8	0.0	0.0	2345.9	5321.7	8081.7	21297.3	71354.1	0.0
000	7637.6	6928.6	14566.2	3184.1	0.0	0.0	2568.2	5752.4	8813.8	23865.6	80167.9	0.0
001	8054.8	7769.3	15824.1	3184.1	0.0	0.0	2809.3	5993.5	9830.7	26674.9	89998.6	0.0
002	8494.1	8697.3	17191.4	3407.0	0.0	0.0	3070.8	6477.8	10713.6	29745.7	100712.2	0.0
003	8959.4	9708.9	18668.3	3645.5	0.0	0.0	3354.5	7000.0	11668.2	33188.2	112380.4	0.0
004	9444.6	10810.7	20255.3	3900.7	0.0	0.0	3661.2	7561.9	12693.4	36761.4	125073.8	0.0
005	9959.5	12009.7	21969.2	4173.7	0.0	0.0	3994.1	8167.8	13801.4	40755.5	138875.3	0.0

ASSUMPTIONS COMMON TO ALL CASES

	1	2	3	4	5	6	7	8	9	10
	OIL PRICE \$/B	LOWER 48 TRANSPORT (\$/B)	COOK INLET OIL & GAS ROYALTIES (\$MM)	PRUDHOE GAS MMCF/D	GAS PRICE \$/MCF	OIL FLOOR PRICE (\$/B)	COOK INLET OIL & GAS SEVERANCE (\$MM)	PRUDHOE INCOME TAX (\$MM)	PROPERTY TAX AND OTHER REVENUE (\$MM)	ANNUAL % BUDGET GROWTH
FY										
78	13.25	2.00	33.9		1.45	6.53	16.9	46.0	393.1	6.23
79	13.91	2.50	32.3		1.52	6.85	15.1	51.0	417.1	8.0
80	14.60	2.50	30.9		1.59	7.19	13.7	54.0	473.7	8.0
81	15.33	2.50	29.8		1.67	7.55	12.2	55.0	531.7	8.0
82	16.10	2.50	28.6		1.76	7.93	10.6	56.0	562.5	8.0
83	16.91	2.50	27.0		1.85	8.33	9.0	58.0	578.8	4.0
84	17.75	2.50	25.3	2.0	1.94	8.75	7.4	59.0	608.4	-1.0
85	18.64	2.50	23.7	2.0	2.04	9.18	5.8	60.0	672.8	4.0
86	19.57	2.50	22.2	2.0	2.14	9.64	4.2	61.0	713.1	7.0
87	20.55	2.50	20.9	2.0	2.25	10.13	2.6	62.0	755.9	7.0
88	21.58	2.50	19.6	1.9	2.36	10.63	2.6	63.0	801.3	7.0
89	22.66	2.50	18.5	1.9	2.48	11.16	2.6	64.0	849.3	7.0
90	23.79	2.50	17.4	2.0	2.60	11.72	2.6	65.0	900.3	7.0
91	24.98	2.62	16.3	2.0	2.73	12.31	2.6	66.0	954.3	7.0
92	26.23	2.75	15.3	2.0	2.87	12.92	2.6	67.0	1011.6	7.0
93	27.54	2.89	14.3	1.7	3.01	13.57	2.6	68.0	1072.3	7.0
94	28.92	3.03	13.3	2.0	3.16	14.25	2.6	69.0	1136.6	7.0
95	30.37	3.19	12.4	2.0	3.32	14.96	2.6	70.0	1204.8	7.0
96	31.88	3.35	11.5	2.0	3.49	15.71	2.6	71.0	1277.1	7.0
97	33.48	3.51	10.6	2.0	3.66	16.50	2.6	72.0	1353.8	7.0
98	35.15	3.69	9.7	2.0	3.84	17.32	2.6	73.0	1435.0	7.0
99	36.91	3.87	8.9	2.0	4.04	18.19	2.6	74.0	1521.1	7.0
00	38.76	4.07	8.1	2.0	4.24	19.10	2.6	75.0	1612.4	7.0
01	40.69	4.27	7.3	2.0	4.45	20.05	2.6	76.0	1709.1	7.0
02	42.73	4.49	6.5	2.0	4.67	21.06	2.6	77.0	1811.6	7.0
03	44.87	4.71	5.8	2.0	4.91	22.11	2.6	78.0	1920.3	7.0
04	47.11	4.95	5.1	2.0	5.15	23.22	2.6	79.0	2035.6	7.0
05	49.47	5.19	4.4	2.0	5.41	24.38	2.6	80.0	2157.7	7.0

ASSUMPTIONS COMMON TO ALL CASES

-2-

SOURCES & ASSUMPTIONS:

1. 5% annual increase is assumed.
2. Assumes inflation is balanced by decreased transport costs for growing West Coast consumption or west to east pipelines through FY 89; thereafter costs rise 5% annually.
- 3,7. Legislative Affairs Severance Tax Model through 1985; extrapolated thereafter,
4. "Prediction of Reservoir Fluid Recovery, Sadlerochit Formation, Supplement A"; Division of Oil & Gas; February 1977, Run 3A
5. 5% annual increase assumed.
6. Assumes 5% annual increase in oil floor price. Severance is figured at an effective rate of 10% after allowing for royalty and an economic limit factor.
- 8,9. Based on study by Department of Revenue, "Alaska's Oil & Gas Tax Structure", February 1977
10. Assumes 4% annual inflation, constant real per capita budget.

ASSUMPTIONS COMMON TO CASES 1 & 2

FY	1	2
	SADLEROGHIT PRODUCTION MMBPD	TAPS TARIFF
78	.719	6.00
79	1.200	4.90
80	1.500	3.92
81	1.500	3.92
82	1.500	3.92
83	1.500	3.92
84	1.500	3.92
85	1.500	3.92
86	1.500	3.92
87	1.500	3.92
88	1.344	4.37
89	1.152	5.09
90	1.104	5.31
91	.765	7.66
92	.549	10.67
93	.439	13.34
94	.358	16.35
95	.461	12.70
96	.448	13.06
97	.362	16.16
98	.275	21.27
99	.238	24.57
00	.199	29.38
01	.170	34.39
02	.144	40.59
03	.123	47.51
04	.103	56.73
05	.092	63.51

SOURCES & ASSUMPTIONS:

1. "Prediction of Reservoir Fluid Recovery, Sadlerochit Formation, Supplement A"; Division of Oil & Gas; February 1977, Run 3A
2. Tariff assumed to vary inversely with production; assumes ICC proposed rate of 4.90 for 1.2 MMBPD

ASSUMPTIONS FOR CASES 3 & 4

FY	1	2
	KUPARUK & LISBURNE PRODUCTION; MMBPD	TAPS TARIFF
78		6.00
79		4.90
80	.050	3.79
81	.150	3.56
82	.250	3.36
83	.300	3.26
84	.300	3.26
85	.300	3.26
86	.300	3.26
87	.255	3.35
88	.216	3.76
89	.184	4.40
90	.156	4.66
91	.133	6.54
92	.113	8.88
93	.096	10.99
94	.081	13.39
95	.069	11.09
96	.059	11.59
97	.050	14.27
98	.042	18.54
99	.036	21.45
00	.030	25.67
01	.026	30.00
02	.022	35.42
03	.018	41.70
04	.016	49.41
05	.013	56.00

SOURCES & ASSUMPTIONS:

1. Based on table prepared by State Oil & Gas Division entitled "North Slope Production Buildup" dated 2/5/75; through FY 86; 15% annual decline thereafter.
2. Tariff assumed to vary inversely with production; assumes ICC proposed rate of \$4.90 for 1.2 MMBPD.

ASSUMPTIONS FOR CASES 5 & 6

<u>FY</u>	1	2
	<u>NORTH SLOPE PRODUCTION MMBPD</u>	<u>TAPS TARIFF</u>
78	.719	6.00
79	1.200	4.90
80	1.550	3.79
81	1.650	3.56
82	1.750	3.36
83	1.800	3.26
84	1.850	3.17
85	1.900	3.09
86	1.950	3.02
87	2.000	2.94
88	2.000	2.94
89	2.000	2.94
90	2.000	2.94
91	2.000	2.94
92	2.000	2.94
93	2.000	2.94
94	2.000	2.94
95	2.000	2.94
96	2.000	2.94
97	2.000	2.94
98	2.000	2.94
99	2.000	2.94
00	2.000	2.94
01	2.000	2.94
02	2.000	2.94
03	2.000	2.94
04	2.000	2.94
05	2.000	2.94

SOURCES & ASSUMPTIONS:

1. Total production through 2005 equals 18.384 billion barrels.
2. Tariff assumed to vary inversely with production; assumes ICC proposed rate of \$4.90 for 1.2 MMBPD.

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Maximizing the Benefits of Alaska's Royalty Oil, (March 7, 1977)

Credit scoring systems and their applicability to Alaska Loan Programs (proposed)

Credit scoring systems are one tool for predicting the payback behavior of loan recipients, and are designed by reducing various factors about an individual's life situation and credit history to a mathematical profile. The individual's "score" is then matched against a large data base of many individuals and the "odds" of his being a good or poor credit risk can be calculated.

Most credit scoring systems are based on computer analysis of past credit experience within a company. A sample of equal numbers of good loans, bad loans and rejected loan applicants is analysed, with various factors weighted. After mathematical study of these past cases, odds are established on the chances for successful repayment by people having specific characteristics. When the odds have been established, management can then decide what acceptable levels of risk are for their organization, and set up cutoff scores accordingly.

Proponents of credit scoring systems claim that such systems eliminate subjective practices on the part of loan officer; replacing such judgmental factors as impressions gained from face-to-face interviews with a more objective standard, i.e. the the applicant's score. There can be, of course, various ways to use the scoring system as a sifting device. For instance, applicants who score below a certain point are automatically rejected, those who score above a certain point are automatically accepted, and those who score in the middle have their application treated in a more traditional manner, with credit investigations, personal interviews, and so forth.

Another argument in favor of the use of these systems is that they eliminate discriminatory practices on the part of loan officers and can assist lenders in staying free of legal entanglements resulting from violations of the Equal Credit Opportunity Act of 1974. However, the ECOA and subsequent amendments have removed several factors from consideration that formerly were the bulwarks of many scoring systems, such as age, marital status, etc. Any credit scoring system used today must carefully avoid including in its mathematical profile any factors exempted from consideration by the ECOA.

Also cited as benefits to be derived from the use of scoring systems are that greater numbers of applicants can be processed by fewer staff members, and that changes in credit granting policies can be quantified by changing the acceptable scoring ranges.

When contemplating the possible inclusion in the Alaska Loan Programs of some type of credit scoring system, the following should be considered:

Under the proposed reorganization of existing loan programs in Alaska, personnel may be venturing into areas of credit granting that they are not totally familiar with, as a great degree of specialization has been the rule under the separate loan program system. Thus, a variety of scoring systems, each designed for a particular area of activity, may be helpful to the staff and enable them to broaden their loan granting into unfamiliar areas with a greater degree of confidence.

As staff and administrative costs are so much higher in Alaska than any of the other states, credit scoring systems could result in greater efficiency and volume capacity if used in the proposed loan program reorganization.

If properly designed to avoid discriminatory factors, credit scoring systems might prove to be an important component of the Alaska Loan Program operation. However, due to the vast size of the state and the regional disparities that exist in Alaska, a workable system/s that would accurately reflect this diversity may be difficult to design. Further research, including contact with companies developing such systems, would be necessary to address this concern properly.

If accurate system/s could be designed for use by the Alaska Loan Program, obtaining the necessary data base might prove to be another obstacle. The existing state loan programs maintain files both on accepted and rejected applicants, but differences in present operations and proposed reorganization might render the data base unusable.

Although credit scoring is used mainly in the area of consumer credit, where loans are not collateralized, or collateralized to a very small degree, their use in the proposed Alaska Loan Program, where most loans will be substantially collateralized may be unnecessary and redundant.

It appears that there could be some benefits to be derived from the use of credit scoring systems in the proposed Alaska Loan Program, and that the concept should be explored in greater depth.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

Dupre Work Plan

William

#138

Work Schedule	No. of Hours	Person	Date Start	Date Completed	Instructions/Suggestions
A. <u>Compilation of all pertinent statutes pertaining to:</u>					
1. Existing Loan Programs					
2. Treasury Investment Authority					
3. Pension and Other Trust Funds					
B. <u>Inventory of Procedures - All Loan Programs:</u>					
1. Copies of Administrative Code					
2. Copies of Office/Desk Procedures					
3. Copies of Recent Audits and/or Financial Reports					
4. Complete processing package of loan applicant					
C. <u>Inventory of Bankers' Opinions/ Suggestions and Recommendations:</u>					
1. Inquiry Letter					
2. Specific Questionnaire					
D. <u>Outline Possible New Programs</u>					

Work Schedule	No. of Hours	Person	Date Start	Date Completed	Instructions/Suggestions
E. <u>First Outline Streamlining -- Paper for Presentation to Committee:</u>					
1. Existing Programs					
2. New Programs					
3. Feedback from Committee					
F. <u>Inventory of Existing Treasury Portfolio Management Procedures:</u>					
1. Central Treasury					
2. Trust Fund					
3. Audit Report					
4. Specific data checklist					
G. <u>Inventory of Projections and Forecast of Cash Flow:</u>					
1. Projections made by Dept. of Revenue -- Revenues					
2. Projections made by Others -- Revenues					
3. Projections of Net Available Balances:					
a. 25%					
b. Excess					
4. Operating Projections					
5. Nonrecurring Expenditures <i>* Capital Assets</i>					

Work Schedule	No. of Hours	Person	Date Start	Date Completed	Instructions/Suggestions
H. <u>First Draft - Legislation:</u>					
Outline of Concepts to Bill Drafters					
I. <u>Review First Draft of Legislation with Permanent Fund Committee:</u>					
Meeting Schedule					
J. <u>Review Certain Aspects of Legislation with regards to:</u>					
1. Credit					
2. Investment Management					
K. <u>Final Legislative Draft:</u>					
Summary Informational Report					

W/R

INVENTORY OF STATE LOAN PROGRAMS

Name	Legal Reference	Agency	Eligibility	Amount	Program Details			
					Interest Rate	Total Outstanding	No. of Loans	Average Loan

#138

August 31, 1977

sent to George

The Honorable George H. Hohman
Box 289
Bethel, AK 99559

Dear George:

I understand that the Senate Permanent Fund Committee met briefly after the Legislative Council meeting on August 29, 1977. Since you and I had just talked about getting together after the Council meeting to discuss work our Committees should perform jointly, it was disappointing not to be informed of the Senate meeting. All the House Committee meetings have been scheduled and made part of the public record. All legislators, particularly the members of your Committee, are welcome to all the House Committee's meetings. I would much prefer that all our meetings be held jointly, but failing that, let's keep each other informed of all our activities and plans.

If you have any other meetings scheduled, please provide adequate notice of the time and place of such meetings.

Cordially,

Clark Gruening
Rep. Clark Gruening, Chairman
House Special Committee on
The Permanent Fund



Pouch V
JUNEAU ALASKA
99811

Alaska State Legislature

Senate Committee
on the
Permanent Fund

To: Transmittal Recipients

From: George Hohman, Chairman
Senate Committee on the Permanent Fund

Date: August 29, 1977

Re: Transmittal #2

Enclosed please find:

- First Interim Report
- Banker's Questionnaire
- Chamber Questionnaire
- Rural Outreach Questionnaire
- Bibliography
- Synopses and Analyses
- Project Work Sheet
- Scheduled Project Needs

Please feel free to contact my office at 465-3880 for additional information.

I. INTRODUCTION

This Interim Report of the Senate Permanent Fund Committee outlines those areas which have been under study or on which further work and study will take place through January 9, 1978.

Our initial effort has been to outline the tasks to be undertaken if meaningful information is to be made available to the Senate for its decision making process. Thereafter, to determine which committees and agencies have produced studies and reports that are useful, acquire same and reduce the material to a summary form for the convenience of the Senate committee members.

A review of past and existing contracts was made to avoid duplication. Contact with other legislative committees and the administration was made and will be maintained, again in an effort to avoid duplication.

Where additional information was needed, an effort to acquire the material has been initiated (refer to outline). This data, as well as other material from other legislative committees and the administration, will be added to subsequent interim reports.

The study effort can then be summarized into the following categories:

1. What investments should be made from the Permanent Fund, and to what extent will loans to Alaskans be a part of these investments?
2. Determine how the investment effort and the loan programs should be organized.

The results of the completed studies and those being undertaken will provide assistance in this decision making process--but only the legislature can make the final decision.

After various policy options are presented to the Senate Permanent Fund Committee and direction given by a majority of the committee, legislative alternatives will be drafted.

II. ANALYSIS OF STUDIES

A. Previous Studies (through 5/31/77)

B. New Studies (dated after 6/ 1/77) (attached)

1. Thinking About the Alaska Permanent Fund: A Cautious Approach
for Alaska Policymakers
2. Economic Considerations in Establishment of Alaska's Permanent
Fund

C. Contractual Studies--Senate Permanent Fund Committee

- ARDF?
1. F.L.Orth, Sea Grant Program, University of Alaska
 - a. review implications of foreign investment in expansion
of Alaska's bottomfish industry
 - b. investigation of fishing cooperatives, PCA's and potential
advantages of establishment of a development bank for fisheries
in Alaska
 - c. completion date October 10, 1977
 2. M. DeMan, Alaska Native Foundation
 - a. provide assistance in developing work plans for Permanent
Fund research
 - b. completion date November 30, 1977

D. Bibliography

1. Updated to August 22, 1977 (attached)
 - a. various materials and publications requested to be
added to future bibliography updates

E. Synopsis of Each

1. All previous studies, new studies and contractual studies to
be summarized
2. Completed synopses (attached)
 - a. Structuring Decisions for the Alaska Permanent Fund (1976)
 - b. Report to the State Investment Advisory Committee re:
Domestic, National and International Banks (1976)
 - c. A Prospectus of the State of Alaska's Finances and Its
Development of Economic Diversity (1976)
 - d. The Alaska Series--The Alaska Permanent Fund in Perspective (1977)
 - e. The Alaska Series--The Alaska Permanent Fund and Other
Significant World Funds (1977)

II. E. Synopses (cont.)

- f. Thinking About the Alaska Permanent Fund: A Cautious Approach for Alaska Policymakers (1977)
- g. Economic Considerations in Establishment of Alaska's Permanent Fund (1977)
- h. Report to the State Investment Advisory Board re: Development Banks (1976)
- i. State of Alaska Permanent Fund Investment Objective Options (1976)
- j. Citizen Feedback #2, Rowan Group (1977)

III. ANALYSIS OF EXISTING LOAN PROGRAMS

A. Schedule of Existing Loan Programs

- 1. 13 state loan programs identified for further investigation
- 2. 8 federal loan programs identified for further investigation

B. Description of Existing Programs

- 1. Primary information gathered from administering agencies,
 - Alaska Administrative Code and Alaska statutes
 - a. statutory authority
 - b. administrative regulations, if promulgated
 - c. eligibility criteria
 - d. loan amount limits and repayment terms
 - e. implementation
- 2. Information requested of Division of Loans-State of Alaska
 - a. number of loans outstanding in all programs
 - b. dollar amount of loans granted in all programs
 - c. employment generated by loans in all programs
 - d. no response to date
- 3. Primary information request regarding federal loan programs operating within Alaska
 - a. responses
 - (1) Small Business Administration (SBA)
 - (2) Bureau of Indian Affairs (BIA)

C. Organization, Staffing and Cost of Operations - state loan programs

- 1. Request Budget and Audit Committee to Provide Information
 - a. staff member assigned to project
 - b. projected completion date September 30, 1977

III. D. Program Compliance With Legislative Directives

1. Request Budget and Audit Committee to provide information
 - a. staff member assigned to project
 - b. projected completion date September 30, 1977

IV. INVENTORY OF SUGGESTED PROGRAMS

A. Schedule of Inquiry and Scope of Inquiry

1. Questionnaire to banks and other financial institutions in

Alaska (attached)

- a. business loans - urban/rural
- b. personal loans - urban/rural
- c. mortgage loans - urban/rural
- d. loan denial factors - urban/rural
- e. areas of perceived credit scarcity - urban/rural
- f. comment on state loan programs
- g. comment on federal loan programs
- h. comment on Permanent Fund role
- i. mailed August 15, 1977
 - (1) 15 banks, savings/loan associations, financial institutions in Alaska

2. Rural outreach questionnaire (attached)

- a. business ownership
- b. consideration of business ownership
- c. granted/denied business or home loan
- d. comment on perception of bank consideration of loan application
- e. other sources of loans considered
- f. comment on availability of capital in rural Alaska
- g. familiarity with state loan programs
- h. impressions of state loan programs
- ✓i. comment on interest charged by state loan programs
- j. familiarity with federal loan programs
- k. comment on areas of possible Permanent Fund loans
- l. mailed August 22, 1977
 - (1) 87 village councils
 - (2) 200 village corporations
 - (3) 12 regional corporations
 - (4) 10 agricultural policy task force members
 - (5) 133 miners/mining companies
 - (6) 44 fishing associations
 - (7) 176 holders of Alaska business licenses in various occupations

IV. A. Schedule of Inquiry and Scope of Inquiry (cont.)

3. Chamber of Commerce questionnaire (attached)
 - a. refer to IV.A.2. sections a-k
 - b. comment on areas of possible Permanent Fund loans/investments
 - c. mailed August 18, 1977
 - (1) to be distributed by D. Dickey, President, Alaska State Chamber of Commerce, to 750 individuals throughout Alaska
4. Governmental National Mortgage Association information request
 - a. explanation of association's procedures and practices as secondary market for housing loans
 - b. statistical data for last five years' activity in Alaska
 - (1) number of units financed
 - (2) dollar amount of mortgages written
5. State Department of Labor information request
 - a. method of cost of living indices formulation
 - b. existence of cost of construction indices compiled at state or federal level
6. Commerce and Economic Development Departments of other 49 states information request
 - a. types of loan programs
 - b. terms of loans
 - c. interest rates
 - d. publications describing loan programs
 - e. mailed August 24, 1977

B. Schedule of Responses

1. Bank/Financial institution questionnaire
 - a. no response to date
2. Rural outreach questionnaire
 - a. no response to date
3. Chamber of Commerce questionnaire
 - a. response requested by September 15, 1977
 - b. no response to date
4. Governmental National Mortgage Association
 - a. no response to date
5. State Department of Labor request
 - a. informal meeting with research staff member
6. Other states' Commerce and Economic Development information request
 - a. no response to date

IV. C. Inventory of Capital Improvement Needs of Alaskan Communities (attached)

1. Type of project
 - a. description of needs
 - b. cost per unit
 - c. estimated population to be served
 - d. estimate direct construction costs
 - e. estimated total costs
 - f. expected funding sources
 - g. mailed August 23, 1977
 - (1) 8 boroughs
 - (2) 11 home rule cities
 - (3) 21 first class cities
 - (4) 107 second class cities
 - (5) 1 federal reservation
2. Project work sheet (attached)
 - a. for familiarization with cost projection components
 - b. mailed August 23, 1977
 - (1) refer to IV.C. 1.g. (1)-(4)

D. Schedule of Responses

1. Municipal League member cities (50)
 - a. response requested by October 15, 1977
 - b. no response to date
2. Non-member cities
 - a. response requested by November 15, 1977
 - b. no response to date

V. ORGANIZATION

A. Inquiry of State Treasurers as to Organization of Treasury Management

1. Letter of inquiry to selected state treasurers
 - a. management of state funds
 - (1) general fund-temporary investment
 - (2) dedicated/trust funds with protected principle
 - (3) organizational/staff operational charts
 - (4) accomodation of management of fund size of Permanent Fund
 - (5) suggestions, comments, observations

B. Schedule of Responses

1. Michigan

V. C. Inquiry of Organization and Operation, Treasury Division, State of Alaska

1. Prior audit reports
 - a. refer to bibliography Audit Reports section
 2. Consultant review
 - a. Lombard and Wall
 - b. preliminary reports generated by September 2, 1977
-

D. Inquiry of Method of Financing Program

1. Other states
2. State of Alaska and agencies

VI. FINANCIAL PROJECTIONS

A. Acquire Present Projections

1. Permanent Fund and Revenue Projections
Legislative Affairs Agency, July 1977
 - a. general and permanent fund balances 1978-1985
 - (1) low income-high expenditure model
 - (2) medium income-medium expenditure model
 - (3) high income-high expenditure model
2. Permanent Fund Revenue Projections
Department of Revenue, January, 1977
 - a. general and permanent fund balances 1976-1985
 - b. estimated petroleum revenues 1976-1985

B. Analysis of Present Projections

C. Request Projections be made for 10-year increments after 1985; 1999, 2005

D. Analysis of Projections through 2005

VII. PROGRAM RECOMMENDATIONS - OTHER

A. Outline Source of Program Recommendations

B. Outline Specific Recommendations and Sources of Same

VIII. PROGRAM ALTERNATES - STAFF

- A. Outline Programs Suggested for Inclusion
- B. Outline Specific Recommendations and Sources of Same

IX. ORGANIZATION

- A. Outline Organization Methods - Present
- B. Outline Organization Recommended by Various Studies and Consultants
- C. Provide Alternates Available for Consideration and Selection by

Senate Permanent Fund Committee

- 1. Continue with present system of intermediary and direct programs under the executive branch with the Permanent Fund functioning as an intermediary
- 2. Same as 1. but the Permanent Fund control within the Treasury Division
- 3. Streamline all programs and Permanent Fund within the executive branch with legislative overview and checks/balances concerning compliance with legislative mandates reinforced

X. SPECIFIC LEGISLATION - BASED ON DIRECTIVE OF SENATE PERMANENT FUND COMMITTEE

- A. Draft Alternate Bills as Directed

- 1. Preliminary drafts of statements of intent

- B. Present Alternate Bill at January Meeting Prior to Session's Opening

January 9, 1978

Senate Committee on the Permanent Fund
Bibliography of Studies and Reports
August 2, 1977

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1974 Reports

A Review of Alaska Industrial Development Authority
Small Business Development Corporation of Alaska
A Review of Alaska State Mortgage Association
State of Alaska, Treasury Division, General Fund Operating
Cash and Investments
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Alaska State Development Corporation
State Investment Responsibilities

1975 Reports

A Review of the Scholarship Loan Fund, Department of Education
A Review of the Public School Permanent Fund
A Review of General Bonded Debt and Debt Service, State Bond
Committee
A Review of the Alaska State Development Corporation
A Review of the Agricultural Revolving Loan Fund, Department
of Natural Resources
A Review of Alaska Housing Finance Corporation
A Review of the Alaska Industrial Incentive Act and the Alaska
Industrial Tax Credit, Department of Economic Development
A Review of World War II Veterans' Revolving Loan Fund
Alaska Industrial Development Authority

1976 Reports

A Review of Division of Treasury, Department of Revenue
A Review of Alaska State Development Corporation
A Review of Small Business Development Corporation of Alaska
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John G. Steinte & Associates, 1975

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Actuarial Valuations of Public Employees Retirement System,
June 1976

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Public Employees Retirement System/Teachers Retirement System
Annual Report, Fiscal Year ending June 1976

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Monthly Investment Report, January 31, 1977

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Monthly Investment Report, June 30, 1977

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Summary of the S.I.A.C. minutes of the meetings on August 26 and
October 13, 1976

Alaska Pacific Bank working papers

Price Waterhouse & Co. reports dated Sept. 29, Nov. 5, and
Dec. 15, 1976

Morgan Guaranty Trust Company report dated January 12, 1976

White, Weld Incorporated report dated October 1, 1976

State Loan Programs and the Permanent Fund: Some Basic
Considerations; Langhorne Motley, Commissioner,
Department of Commerce and Economic Development,
State of Alaska, December 12, 1976

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Student Financial Aid Program Annual Report, Dept. of Education
1974-75

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Management, Office of the Governor, Oct. 11, 1976

Comprehensive Financing System for Housing & Development Loan
Program, Robert Dupere

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Department of Commerce and Economic Development, March, 1977

Alaska State Development Corporation: Source and Application
of Funds--Twenty Year Period Ending June 30, 1984
Legislative Audit Committee

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Economic & Fiscal Considerations regarding the Permanent Fund
Milt, Barker, Fiscal Analyst, Legislative Finance Division
October 1976

Alaska Economic Forecast for 1977, Daniel A. Seiver, Institute
of Social and Economic Research, University of Alaska,
March 1977

A Proposal to Prepare Short Run Revenue Forecast for the State
of Alaska and to Analyze the Impacts of State Revenue and
the Expenditure Policies, Institute of Social and Economic
Research, University of Alaska, March 1977

Financial Planning Guidelines, Dupere & Associates, Inc.

Economic Considerations in Establishment of Alaska's Permanent
Fund, Arlon R. Tussing, Institute of Social and Economic
Research, University of Alaska, July 1977

Memos from Richard Haggart, Research Analyst, Legislative Affairs
Agency, to Hon. Clark Gruening re: Fiscal Tools, June 1977
Revenue Forecasts, July 1977
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The Alaskan Economy--Year End Performance Report 1976;
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A Proposal for legislature to create Community Renewable Resources Development Center, Dr. Wayne E. Burton, Agricultural Development Economist, Feb. 1977

Agriculture in Alaska: 1976-2000 AD; Alaska Review of Business and Economic Conditions; Institute of Social and Economic Research, University of Alaska, June 1976, Vol.XIII, No.2

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Thinking about the Alaskan Permanent Fund: A Cautious Approach for Alaskan Policymakers, Belden Hull Daniels, Dept. of City and Regional Planning, Harvard University, July 1977

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- 1) Asset-Liability Management Studies
- 2) Portfolio Management
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- 4) Money Market Instruments

Arthur D. Little proposal for Sectoral Analysis

The Role of the Permanent Fund in Alaska's Future: A Preliminary Report; House Permanent Fund Committee, July 15, 1977

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- 2(c) Report: Federal Programs and Alaska Natives
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Task 2: Federal Programs for Alaska Natives' Benefit
Task 3: A Survey of Natives' Views
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(continuation of this category follows)

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August 22, 1977

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Public Control of Public Money; James Rowan, The Progressive,
February, 1977

Unfunded Pension Liability Growing Worry for Companies;
Business Week, July 18, 1977

RURAL OUTREACH MAILING LIST

138⁷

- 87 Village Councils
- 10 Agricultural Policy Task Force Members
- 200 Village Corporations
- 13 Regional Corporations
- 138 Miners/Mining Companies
- 44 Fishing Associations

- 176 Business License Holders in the area of: Agriculture, Forestry,
Building Trades, Food Processing, Lumber & Wood Products, Local
Transportation, Water Transportation, Air Transportation, Retail Trade,
and Food Stores.

668 TOTAL

The packet included 2 questionnaires (attached) and a transmittal letter.

Sent out on August 22, 1977.

RURAL OUTREACH QUESTIONNAIRE

1) Do you own or have you owned a business in Rural Alaska?

___ Yes

___ No

2) If you checked "yes" on the above, what type of business do you or have you owned?

___ Retail Sales (grocery, boats
motors, snow vehicles, etc)

___ Services (cafe, restaurant,
movie theater, etc)

___ Other (agricultural, logging,
fishing, etc)

Explain in more detail if necessary.

3) If you checked "no" to Question #1, have you ever thought seriously of entering business for yourself or with partners?

___ Yes

___ No

Please explain the type of business enterprise you would be interested in.

4) Have you ever applied for a bank loan for home construction or small business?

___ Yes

___ No

5) If you checked "yes" to Question #4, was the loan granted or denied?

___ Granted

___ Denied

If denied, why?

- 6) Was bank consideration of your application: ☐ Satisfactory
☐ Unsatisfactory

Please explain.

- 7) Have you ever attempted to get business loans from sources other than commercial banks.

☐ Yes

☐ No

If "yes", from which of the following?

☐ State Loan

☐ Friends or Family

☐ Credit Union

☐ Personal Resources

☐ Federal Loan

☐ Other

Please give any details you feel are relevant.

- 8) Do you think small business loans are adequately available to rural Alaska?

☐ Yes

☐ No

Please explain.

- 9) We would appreciate any further statement or information you may wish to give relevant to opportunities and credit in rural Alaska.