Revenue Sources
FY 1985-88

Quarterly Update
September, 1985

Alaska
Department of Revenue

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH S
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

October 11, 1985

To the Reader of the Revenue Sources FY 85-88 (September 1985) and Petroleum Production Revenue Forecast (September 1985)

The revenue forecast presented in these publications has been prepared by economists and research staff of the Department of Revenue in accordance with the highest professional standards. It has been reviewed and adopted by myself as the Department's best judgment of revenues to be received by the State of Alaska over the prescribed forecast period. The Department of Revenue has historically been and remains solely and exclusively responsible for the preparation of these quarterly forecasts. The experience of recent years involving frequent and significant revisions in estimated revenues is due to the inherent difficulty of predicting the movements in the price of crude oil--a commodity whose volatility over the last decade cannot be exaggerated. This volatility combined with the State of Alaska's almost complete dependence on oil revenues, which in recent years account for almost 85 percent of total revenues, can sometimes lead to dramatic and unavoidable changes in the forecast.

Sincerely,

Mary A. Nordale
Commissioner of Revenue

ALASKA'S REVENUE SOURCES

Compiled by Research Section

Department of Revenue

Table of Contents

REVENUE SUMMARY 3

GENERAL FUND

Unrestricted Revenues 4
Restricted Revenues 8

SPECIAL FUNDS 9

Alaska Permanent Fund 10

LONG-RANGE REVENUE PROJECTIONS. 12

Revenue Summary

In Thousands of Current Dollars

	FY 1985 Prel. Actual September	FY 1986 Estimate September	FY 1987 Estimate September	FY 1988 Estimate September
Total General Fund Unrestricted Revenues (p. 5)	3,234,300	2,861,200	2,394,200	2,071,400
Total General Fund Restricted Revenues (p. 8)	337,400	312,500	321,400	NA
Total General Fund Revenues (p. 8)	3,571,700	3,173,700	2,715,600	NA
Alaska Permanent Fund (p. 9)	668,000	311,600	236,000	221,500

General Fund Unrestricted Revenues

In Thousands of Current Dollars

Taxes	FY 1985 Prel. Actual September	FY 1986 Estimate September	FY 1987 Estimate September	FY 1988 Estimate September
Income				
Corporate-General	36,000	35,000 30	35,000 30	35,000 30
Corporate-Petroleum	168,600	222,200	242,700	242,100
Gross Receipts				
Alaska Business License(1)	39,000	2,000	2,000	2,000
Fish-Canned Salmon	5,600	5,200	5,200	5,200
Fish-Shorebased	8,300	9,000	9,000	9,000
Fish-Floating	4,800	5,000	5,000	5,000
Seafood Marketing	1,000	1,000	1,000	1,000
Salmon Enhancement (2)	2,600	3,400 3.8	3,400 3.8	3,400 3.8
Insurance Companies(3)	17,500	18,000	18,000	18,000
Electric & Telephone Co-ops	1,900	1,800	1,800	1,800
Mining License Tax	300	300	300	400
Severance				
Oil & Gas Production (4)	1,388,500	1,165,800	888,300	672,200
Oil & Gas Conservation	700	700	700	700
Property				
Oil & Gas	128,300	123,000	126,200	129,400
Sale/Use				
Alcoholic Beverages	14,000	14,000	14,000	14,100
Fuel Taxes-Aviation (5)	8,000	8,000	8,000	8,000
Fuel Taxes-Highway (5)	24,000	22,500	22,500	23,000
Fuel Taxes-Marine (5)	4,300	4,300 4.1	4,400 4.7	4,400
Tobacco Products (6)	2,000	5,700	7,800	7,800
Other				
Estate	500	600	600	600
Total Taxes	1,855,900	1,647,500	1,395,900	1,183,100
Licenses & Permits				
Business (7)	12,200 11.9	12,800 12.3	15,600 12.3	16,000 12.3
Non-Business	16,000 17	16,500 17.5	17,000 18.3	17,000 18.3
Total Licenses & Permits	28,200	29,300	32,600	33,000
Intergovernmental Receipts		10	9.5	9.5
Federal Shared Revenues (8) (9)	10,500	11,000	11,000	11,000
State Resource Revenue				
Sale/Use				
Bonus Sales (8) (10) (11)	10,000 11.5	8,100	-0-	-0-
Investment Earnings	248,500	200,000	195,000	150,000
Rents (8) (10) (11)	5,500 6.1	5,500	6,000	6,000
Royalties (4) (8)	1,000,100 1034,000	884,500	671,400	606,200
Sale of State Property	7,900 8.5	8,000	8,500	9,000
Gravel, Timber, etc. (12)	3,000 3.1	5,000 3.1	9,000 8.4	6,000 2.4
Facilities Related Charges				
Airports	1,600	1,600	1,700	1,700
Ferry System-Southeast	29,500 29.6	32,000 31.1	33,700 33.3	35,800 34
Ferry System-Southwest	3,800	3,800	4,200 3.9	4,400
Other	4,800 7.9	5,000 7.9	5,000 2.8	5,000

Service Related Charges				
Court System	4,600	4,900	5,200	5,200
Other	4,700	5,000	5,000	5,000
Total State Resources Revenues	1,324,000	1,163,400	944,700	834,300
Miscellaneous Revenues	15,700 (13)	10,000	10,000	10,000
Total Unrestricted Revenues (14)	3,234,300	2,861,200	2,394,200	2,071,400

(1) The large amounts in FY 85 are the result of litigation in favor of the State on gross receipts taxes for years prior to 1979. The amounts shown for FY 86, FY 87, and FY 88 do not include any estimate of proceeds from cases which are still in litigation.

(2) The FY 86 and subsequent estimates reflect the recent approval by the Prince William Sound Aquaculture Corporation to assess a 2% salmon enhancement tax, effective upon the first opening of the 1985 commercial salmon season.

(3) The estimate of tax receipts for insurance premiums is subject to a great deal of uncertainty for all years of the forecast period. Unprecedented underwriting losses in the industry, rapidly increasing rates and shortages of coverage in some insurance lines have combined to make the situation extremely volatile. The outlook for the next several years is one of continued instability. Our view, given this situation, is that the approximate level of tax collected in FY 85, represents the best estimate possible given the circumstances.

(4) The forecasted numbers for FY 86, FY 87, and FY 88 assume the 30 percent case; however, if the mean case had been utilized for FY 86, FY 87, and FY 88, the production taxes would change to $1,203.6 million, $994.6 million and $768.5 million, respectively. The royalty figures would change to $912.6 million, $754.7 million, and $697.3 million, respectively.

(5) Revenues from the three main categories of fuel tax are shown separately. However, under the provisions of AS 43.40.010(h), all refunds are made from the highway fuel tax account . If gross collections of highway fuel taxes remain constant, an increase in refunds for aviation and marine fuels could lower the net revenues shown for highway fuels. Also, increasing use is being made of tax credits, which can be taken in lieu of claiming a refund on certain non-taxable use of fuel (15 AAC 40.200).

(6) SLA 85, Ch. 24 raised the general fund portion of the cigarette tax from a rate of 1-1/2 mills ($.0015) o 5-1/2 mills ($.0055) per cigarette. The Act takes effect October 1, 1985.

(7) The FY 86, FY 87, and FY 88 estimates reflect Ch. 26 and Ch. 37, SLA 1985 which increase the revenue collected for insurance and occupational licensing fees.

(8) Net Permanent Fund contribution by Ch. 18 SLA 1980.

(9) The FY 86 estimate does not include any revenues shared (50/50 basis) with the federal government from the NPR-A lease sale held July 20, 1983. Although high bids totaled $16.7 million, leases will not be awarded until challenges of the sale by the State of Alaska are resolved. The State's share, assuming the case is resolved, will be equally divided between the General Fund and the Permanent Fund.

(10) Reflects state lease sales of $33.8 million held May 22, 1984 (Sale 43 and 43A-Beaufort Sea), $0.8 million held September 18, 1984 (Sale 41-Bristol Bay), $2.5 million held February 26, 1985 (Sale 46A-Upper Cook Inlet), and $16.3 million held September 24, 1985 (Sale 45A-North Slope Onshore and Sale 47 - Kuparuk Uplands). Due to the timing of collections, some receipts from the May 1984 lease sale are shown as FY 85 revenue. The FY 85 and FY 86 figures represent the General Fund's 50 percent share with the remaining 50 percent deposited in the Permanent Fund.

(11) The Department of Natural Resources projects the following FY 86, FY 87, and FY 88 state lease sales: FY 86 (Sale 48 - Kuparuk Uplands, Sale 48A - Mikkelsen, Sale 49 - Cook Inlet); FY 87 (Sale 52 - Beaufort Sea, Sale 52A - Nechelik, Sale 51 - Prudhoe Bay Uplands, Sale 50 - Camden Bay); and FY 88 (Sale 53 - Icy Cape, Sale 46 - Holitna Basin, Sale 54 - Kuparuk Uplands, Sale 55 - Demarcation Point).

(12) Estimates reflect increased construction of roads and drilling pads as projected by the Department of Natural Resources, however, some of these projects may be delayed or changed due to permit denials or environmental impact statement requests.

(13) The FY 85 estimate reflects the termination of the Alaska Resources Corporation (ARC). Corporate assets ($6.2 million) were deposited in the General Fund per Ch. 161, SLA 1984. Additional corporate assets ($5.6 million) of ARC were received and recorded under a general ledger account (repayment of loans).

(14) The state, per AS 38.05.180, will be granting incentive credits against royalties, severance taxes, and rentals to the oil companies for drilling exploratory wells. The anticipated deduction is approximately $15.3 million which has not been subtracted from the aforementioned FY 85 figure of $3,234.3 million and $0.7 million hich has not been subtracted from the aforementioned FY 86 figure of $2,861.2 million. Additional credits are anticipated in subsequent years.

Revenue Breakdown

The total General Fund unrestricted revenues for Fiscal Year 1985 preliminary actuals were $3,234.3 million with Fiscal Years 1986, 1987, and 1988 projected to be $2,861.2 million, $2,394.2 million, and $2,071.4 million, respectively.

The following table depicts a breakdown of General Fund unrestricted revenues in terms of petroleum versus non-petroleum revenues based on the September estimates:

Petroleum vs. Non-Petroleum Revenues

(In Millions of Current Dollars)

Petroleum Revenues

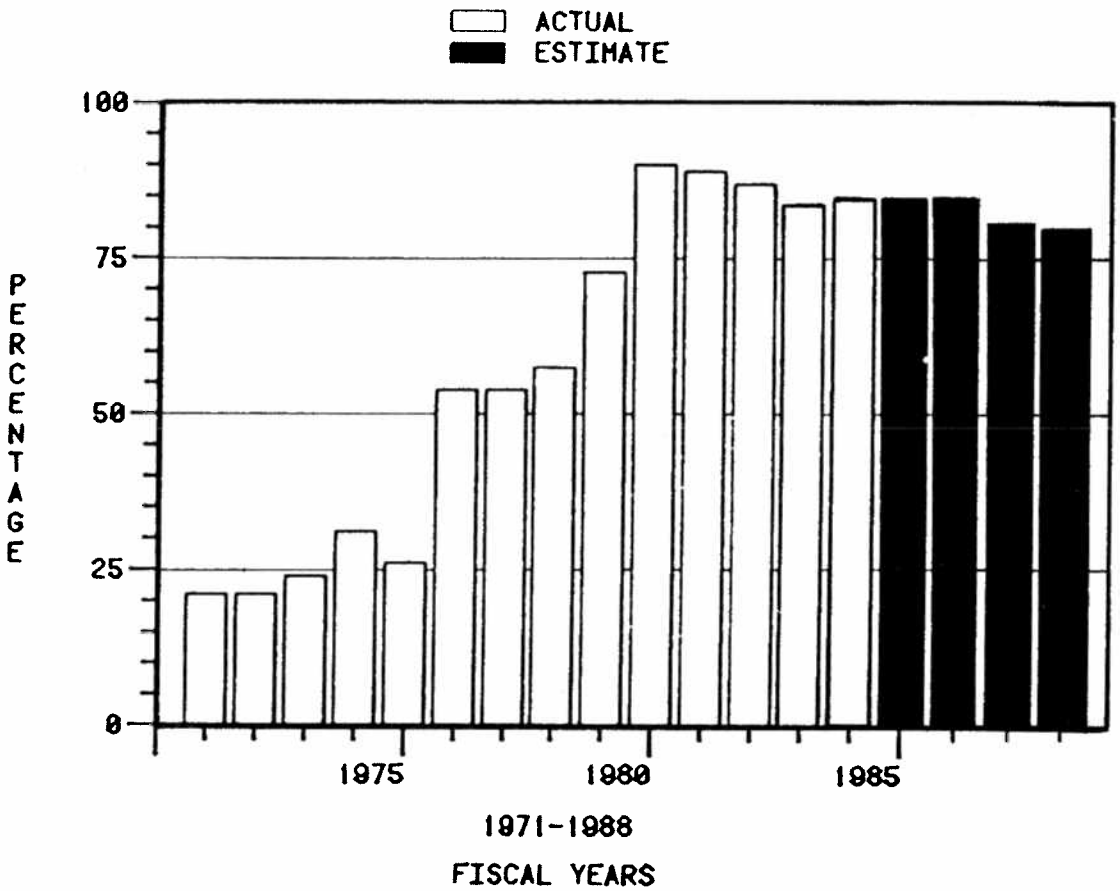
	FY 85	FY 86	FY 87	FY 88
Corporate Petroleum	168.6	222.2	242.7	242.1
Severance Tax	1,389.2	1,166.5	889.0	672.9
Royalties	1,000.1	884.5	671.4	606.2
Property Tax	128.3	123.0	126.2	129.4
Bonus Sale	10.0	8.1	-0-	-0-
Rents	3.5	3.5	3.8	3.8
Intergovernmental Receipts	8.2	8.6	8.6	8.6
	2,707.9	2,416.4	1,941.7	1663.0

Non-Petroleum Revenues

	FY 85	FY 86	FY 87	FY 88
Taxes	169.8	135.8	138.0	138.7
Licenses & Permits	28.2	29.3	32.6	33.0
Intergovernmental Receipts	2.3	2.4	2.4	2.4
State Resources Revenues	310.4	267.3	269.5	224.3
Miscellaneous Revenues	15.7	10.0	10.0	10.0
	526.4	444.8	452.5	408.4
Total	3,234.3	2,861.2	2,394.2	2,071.4

Petroleum Revenues

Historical Comparison of General Fund Unrestricted Petroleum Revenues as Percentages of General Fund Unrestricted Revenues (in Millions of Current Dollars)



Fiscal Year	Total General Fund Unrestricted Revenues	Total General Fund Unrestricted Petroleum Revenues	Percent
1971	220.4	47.0	21
1972	219.2	48.4	22
1973	208.2	50.3	24
1974	254.9	80.2	31
1975	333.4	90.4	27
1976	709.8	391.5	55
1977	874.3	477.6	55
1978	764.9	441.5	58
1979	1,133.0	821.6	73
1980	2,501.2	2,256.5	90
1981	3,718.2	3,304.3	89
1982	4,108.4	3,574.8	87
1983	3,631.0	3,026.6	83
1984	3,390.1	2,861.6	84
1985*	3,234.3	2,707.9	84
1986**	2,861.2	2,416.4	84
1987**	2,394.2	1,941.7	81
1988**	2,071.4	1,663.0	80

* Preliminary Actual
** Estimate

Restricted Revenues

In Thousands of Current Dollars

	FY 1985 Prel. Actual September	FY 1986 Estimate September	FY 1987 Estimate September	FY 1988 Estimate September
Federal Grants-in-Aid				
I. Education	77,100	54,300	55,400	NA
II. Social Services	86,100	114,400	115,900	NA
III. Health	11,200	6,000	6,000	NA
IV. Natural Resources	13,500	20,300	23,300	NA
V. Public Protection	4,800	9,700	9,700	NA
VI. Administration of Justice	100	600	600	NA
VII. Development	2,300	3,700	3,200	NA
VIII. Transportation	110,900	73,500	77,000	NA
IX. General Government	3,500	100	100	NA
Total Federal Grants-in-Aid	309,500	282,600	291,200	NA
Other Grants-in-Aid				
I. Education	1,300	1,400	1,400	NA
II. Social Services	2,900	3,100	3,300	NA
III. Health	300	100	100	NA
IV. Natural Resources	300	700	500	NA
V. Public Protection	1,100	2,200	2,000	NA
VI. Administration of Justice	100	200	200	NA
VII. Development	4,000	8,300	8,700	NA
VIII. Transportation	2,600	900	900	NA
IX. General Government	1,900	3,000	3,100	NA
Total Other Grants-in-Aid	14,500	19,900	20,200	NA
Miscellaneous Restricted Revenue-All Categories	13,400	10,000	10,000	NA
Total Restricted Revenue 1/	337,400	312,500	321,400	NA
Total Unrestricted Revenue	3,234,300	2,861,200	2,394,200	2,071,400
Total General Fund Revenue	3,571,700	3,173,700	2,715,600	NA

1/ Restricted Revenue figures may not agree with those shown in the Governor's budget due to categorical differences between the budget and accounting system.

NA Not Available

Special Funds
In Thousands of Current Dollars

	FY 1985 Prel. Actual September	FY 1986 Estimate September	FY 1987 Estimate September	FY 1988 Estimate September
Enterprise Funds				
Agriculture Loan Fund	1,300	1,400	1,400	NA
Alternative Technology and Energy Loan Fund	600	600	600	NA
Bulk Fuel Loan Fund	-0-	-0-	-0-	NA
Child Care Facility Loan Fund	-0-	-0-	-0-	NA
Commercial Fish Loan Fund	4,300	3,600	4,000	NA
Fisheries Enhancement Loan Fund	-0-	-0-	-0-	NA
Fisheries Product Loan Fund	-0-	-0-	-0-	NA
Historical District Loan Fund	-0-	-0-	-0-	NA
International Airport Revenue Fund	45,200	44,000	45,900	NA
Medical Malpractice Loan Fund	-0-	-0-	-0-	NA
Mining Loan Fund	1,200	1,100	1,100	NA
Power Project Loan Fund	1,900	1,300	1,300	NA
Residential Energy Conservation Loan Fund	300	200	200	NA
Scholarship Loan Fund	1,700	2,000	2,500	NA
Small Business Loan Fund	2,800	2,900	2,600	NA
Tourism Loan Fund	300	300	200	NA
rld War II Veterans Loan Fund	600	1,000	900	NA
Total Enterprise Funds	60,200	58,400	60,700	NA
Special Revenue Funds				
Alaska Permanent Fund (1)	668,000	311,600	236,000	221,500
Public School Fund	7,100	6,200	4,800	4,400
Revenue Sharing Fund	-0-	-0-	-0-	NA
NPR-A Special Revenue Fund	5,400	5,500	5,500	NA
Fish and Game Fund	7,000	7,600	7,900	NA
Marine Coastal Damage Fund	-0-	-0-	-0-	NA
School Fund	3,200	3,500	3,700	3,700
Training & Building Fund	1,000	600	600	NA
Total Special Revenue Funds	691,700	335,000	258,500	NA
Total Special Funds	751,900	393,400	319,200	NA

(1) The FY 85 figures includes the final $300 million of the $1.8 billion appropriated to the Alaska Permanent Fund per Ch. 61 SLA 1981 and Ch. 101 SLA 1982. This obligation has now been fully satisfied.

Alaska Permanent Fund

In Thousands of Current Dollars

Permanent Fund Principal

FY	Mineral Revenues	Appropriations	Inflation Proofing	Total Contributions	Balance (1)
1977	4,000	-0-	-0-	4,000	4,000
1978	50,500	-0-	-0-	50,500	54,500
1979	83,900	-0-	-0-	83,900	138,400
1980	344,800 (2)	-0-	-0-	344,800	483,200
1981	385,100	900,000	-0-	1,285,300	1,768,500
1982	400,500	800,000	-0-	1,200,500	2,969,000
1983	421,000	400,000	231,200	1,052,200	4,021,200
1984	366,200	300,000	150,900	817,100	4,838,300
1985	368,000	300,000	234,600	902,600	5,470,900
1986	59,200 (3)	-0-	-0-	59,200 (3)	5,800,100 (3)

Earnings Distribution

FY	General Fund	Dividend Account	Inflation Proofing	Undistributed Income Account	Total Earnings
1977	-0-	-0-	-0-	-0-	-0-
1978	1,300	-0-	-0-	-0-	1,300
1979	6,500	-0-	-0-	-0-	6,500
1980	11,800	11,800	-0-	-0-	23,700
1981	27,500	27,500	-0-	31,200	86,200
1982	71,100	71,100	-0-	174,700	317,000
1983	109,500 (4)	107,900	231,200	22,500	471,100
1984	-0-	175,000 (5)	150,900	203,600	529,500
1985	-0-	217,300 (6)	234,600	205,900 (7)	657,800

(1) Includes transfer of net investment gains/losses to principal and citizen contributions.

(2) Includes $114.5 million as 25 percent of bonuses and rentals for the undisputed state portion of the Beaufort Sea Lease Sale. Litigation over the legality of that sale is still pending.

(3) Represents cumulative principal balance as of August 31, 1985.

(4) Ch. 81, SLA 1982 provided transitional procedures whereby an amount equal to the distributable income for 1983 would be transferred from the Undistributed Income Account to the General Fund. This would then be the final General Fund contribution which is not destined for the dividend program.

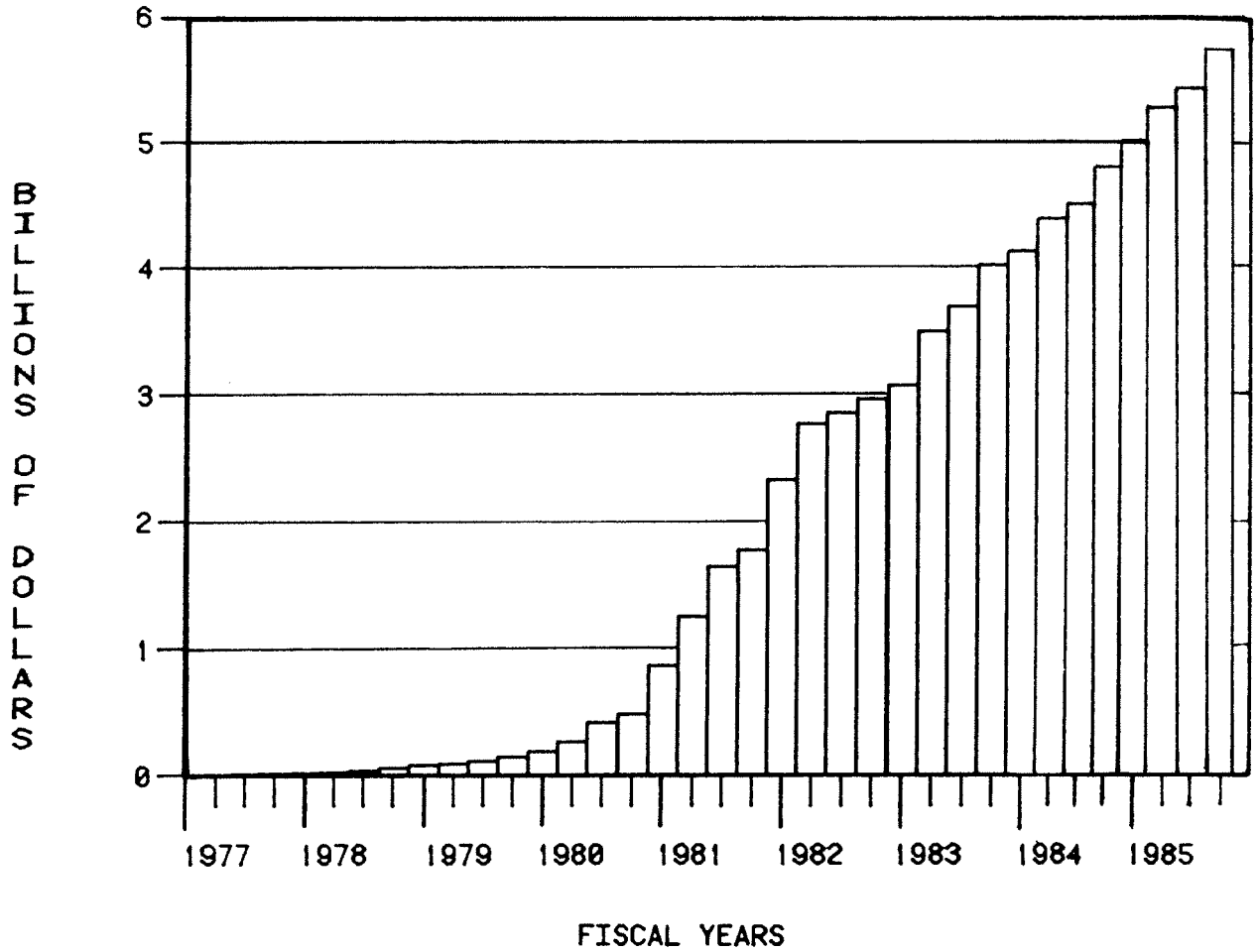
(5) Ch. 122, SLA 1984 appropriated $163,116,000 from net income to the Dividend Fund for payment of 1984 Permanent Fund dividends ($152,114,000 for 1984 dividend payments; $3,016,000 for FY 85 administrative costs, and $7,986,000 for UIA contingent liability). In addition, Ch. 44, SLA 1984 appropriated $11,869,000 as a supplement to 1983 permanent fund dividends.

(6) Ch. 98, SLA 1985 appropriated $217,274,000 from net income to the Dividend Fund for payment of 1985 Permanent Fund dividends ($210,617,200 for 1985 dividend payments, $3,012,500 for FY 86 administrative costs, and $3,644,300 for hold harmless costs).

(7) Balance of the Undistributed Income Account, as of June 30, 1985, totaled $763.3 million which also included the transition rule adjustment of $87.5 million plus $37.9 million which accrued in FY 82 but was not received until FY 83.

Alaska Permanent Fund

Historical Comparison of Cumulative Balance



Alaska Permanent Fund

The Alaska Permanent Fund was established by a constitutional amendment effective February 21, 1977. The amendment stated that contributions to the fund must consist of at least 25 percent of mineral lease rentals, royalties, royalty sale proceeds, Federal mineral revenue sharing payments and bonuses received by the State. Enacted legislation (Ch. 18 SLA 1980) has modified this contribution rate to the Permanent Fund from 25 percent to 50 percent. As a result, any future revenues transferable from Beaufort Sea production and any future lease sale bonuses will be subject to the 50 percent rate. During FY 1981, a special appropriation (Ch. 35 SLA 1980) appropriated $900 million from the General Fund to the Permanent Fund. Similarly, an additional $1.8 billion was appropriated (Ch. 61 SLA 1981) for FY 1982 with payments beginning July 1, 1981; however, this appropriation was legislatively amended (Ch. 101 SLA 1982) thus permitting deposit of only $800 million in FY 82 and an additional deposit of $400 million in FY 83. An additional $100 million of this appropriation was deposited in the Permanent Fund during August, 1983, as well as, another $100 million each during December, 1983, April, 1984, October, 1984 and a final $200 million in December, 1984 thus fully satisfying the $1.8 billion appropriation in 1981.

LONG-RANGE REVENUE PROJECTIONS

The following tables are part of the output from a simulation model named the Long-Run Fiscal Model (LRFM). These estimates are updated quarterly. Most of the revenue categories of this model are projected with other econometric or simulation models and are exogenous to the LRFM. In particular, Petroleum Revenue Division's model PETREV projected the severance taxes and royalties. A short-term oil and gas income tax model (OGIT) projected that tax through FY87 and a longer-term model (PETREVD2) projected it through FY2005. The non-petroleum revenues other than interest were largely projected using a short-term econometric model (REVMOD) through FY86, then as an aggregate extended to FY2005 in the LRFM. Two conditions are worthy of notice when using these projections. Those numbers in the near future can be regarded with greater confidence than those further out and all these projections are revised quarterly and are subject to change.

The assumptions of the LRFM pertinent to all of the tables following.

1. The 30 percent revenue scenario of the PETREV model is used for petroleum severance taxes and royalties.

2. The real non-petroleum, non-interest revenues' (explained below) growth rate will be zero percent from FY89 through FY2005.

3. The fiscal year inflation rate (based on the U. S. Consumer Price Index for All Urban Consumers) will be 3.90 percent for FY86 and FY87, 4.26 percent from FY88 to FY91, 5.15 percent from FY92 to FY96, and 5.83 percent thereafter.

4. The real Permanent Fund (PF) interest rate on a fiscal year basis will be six percent in FY86, 5.25 percent in FY87, 4.5 percent in FY88 and four percent thereafter.

5. The Legislature will choose to appropriate exactly one-half of the distributable earnings of the PF for Permanent Fund Dividends.

6. The Legislature will choose not to appropriate the Undistributed Income Account of the Permanent Fund.

Table 1 summarizes the source of estimated revenues and their destination, i.e. General Fund, Permanent Fund or other funds. The second through seventh column of the first table are petroleum revenues and are summarized in column eight. The ninth column, labelled NON-PETRO NON-INTR REVENUES, is the sum of all excise taxes (eg. alcohol and fuel taxes), fees for licenses and permits, intergovernmental non-petroleum receipts, state non-petroleum resource revenues and other miscellaneous revenues. Investment and interest revenues are presented in the tenth column of the table, labelled INTEREST REVENUES. Interest revenues are the sum of General Fund and Permanent Fund earnings. These two are broken out in the last two columns of this table (col. 23 & 24).

The sum of all revenues is the eleventh (repeated in the thirteenth) column of the table, labelled TOTAL REVENUES. This includes general fund revenues, non-general fund petroleum revenues and Permanent Fund earnings. To get the General Fund unrestricted revenues, Permanent Fund contributions (col. 17) and earnings (col. 24), Public School Fund (col. 14), National Petroleum Reserve - Alaska Fund (col. 15) and Renewable Resource Funds (col. 16) must be subtracted. This number is presented in column 18 and is labelled GENERAL FUND REVENUES UNRESTRTD. Some of the subtracted PF earnings, in particular, those used for PF dividends or deposited in the Undistributed Income Account, can be appropriated.

Permanent Fund contributions are determined from royalties, mineral rents and bonus sales (columns 5, 6 & 7, respectively). Column 20 and 21 indicate which royalty amounts are subject to 25 and 50 percent contribution rates to the Permanent Fund and the total royalty contribution is presented in column 22. When added to the bonus sale contributions (50 percent for future sales, past allocations vary slightly due to receipt timing) and mineral rent contributions (overall rate varies since rents are subject to either the 25 or 50 percent rate depending on the effective date of the lease), these equal the total Permanent Fund contribution, column 17 labelled PERM FUND CONTRIB. These contribution rates are mandated in AS 37.13.010. General Fund sustainable revenues (column 19, labelled GENERAL FUND REVENUES SUSTAINBL) represent the sum of all revenues not directly generated from petroleum activity, i.e. non-petroleum, non-interest revenues (col. 9) and interest revenues (col. 10), less those interest revenues dedicated to inflation proofing the Permanent Fund (see Table 3, col. 5).

TABLE 1
(millions of current dollars unless otherwise noted)

(1) FY	(2) SEVERANCE TAXES	(3) PROPERTY TAXES	(4) OIL&GAS INC TAX	(5) ROYALTIES	(6) MINERAL RENTS	(7) BONUS SALES	(8) PETROLEUM REVENUES	(9) NON-PETRO NON-INTR REVENUES	(10) INTEREST REVENUES	(11) TO REVS INCL PERM FUND
81	1170.2	143.0	860.1	1574.8	8.3	14.8	3771.2	186.1	377.7	4335.0
82	1581.7	142.7	668.9	1553.2	26.4	10.3	3983.2	209.0	693.1	4885.3
83	1493.7	152.6	236.0	1447.4	54.2	73.1	3457.0	228.6	846.9	4532.5
84	1393.1	131.0	265.1	1409.0	21.9	16.7	3236.8	245.8	812.2	4294.8
85	1389.2	128.3	168.6	1356.4	23.8	22.1	3088.4	277.9	906.3	4272.6
86	1166.5	123.0	222.2	1187.4	24.3	16.3	2739.7	244.8	874.9	3859.4
87	889.0	126.2	242.7	905.2	24.9	0.0	2188.0	257.5	831.5	3327.0
88	672.9	129.4	242.1	825.1	24.9	0.0	1894.4	258.4	861.8	3014.6
89	587.1	133.7	236.8	750.3	24.9	0.0	1732.9	269.4	832.8	2835.1
90	521.5	138.5	234.2	703.1	24.9	0.0	1622.2	280.9	874.4	2777.5
91	465.2	133.8	228.7	648.8	24.9	0.0	1501.4	292.8	917.9	2712.2
92	463.1	127.8	224.7	649.8	24.9	0.0	1490.3	307.9	1080.5	2878.7
93	448.6	122.6	223.1	639.8	24.9	0.0	1459.0	323.8	1149.8	2932.6
94	397.2	114.2	217.5	596.0	24.9	0.0	1349.8	340.5	1216.5	2906.9
95	355.7	107.0	210.1	554.1	24.9	0.0	1251.8	358.0	1286.6	2896.4
96	321.9	109.5	203.2	531.8	24.9	0.0	1191.3	376.5	1362.0	2929.7
97	301.6	132.2	196.4	522.3	24.9	0.0	1177.3	398.4	1553.7	3129.5
98	273.9	147.6	189.2	505.5	24.9	0.0	1141.1	421.7	1653.4	3216.2
99	250.3	148.6	181.9	482.0	24.9	0.0	1087.8	446.3	1756.2	3290.3
0	229.4	133.3	175.1	463.2	24.9	0.0	1030.9	472.3	1863.3	3366.5
1	193.0	126.2	165.9	422.7	24.9	0.0	932.7	499.8	1971.7	3404.3
2	162.6	110.5	153.7	376.3	24.9	0.0	828.1	529.0	2084.0	3441.0
3	130.9	80.7	140.9	322.7	24.9	0.0	700.1	559.8	2199.7	3459.6
4	82.7	44.3	127.9	254.4	24.9	0.0	534.2	592.5	2317.6	3444.3
5	81.8	30.0	115.0	218.4	24.9	0.0	470.0	627.0	2449.3	3546.4

(12) FY	(13) TO REVS INCL PF	(14) PUB SCH FUND	(15) NPR-A FUND	(16) RENEW RES FUNDS	(17) PERM FUND CONTRI	(18) -----REVENUES------ GEN FUND UNRESTRD	(19) TOTAL SUSTAIN	(20) -ROYALTIES -PERM FUND @25 PCT	(21) SUBJ TO- CONTRIB- @50 PCT	(22) ROYALTY PERM FUND CONTRIB	(23) -INTEREST GEN FUND	(24) EARNINGS- PERM FUND
81	4335.0	7.5	0.0	74.3	385.1	3718.2	563.8	1574.8	0.0	375.7	227.8(1)	149.9
82	4885.3	8.0	0.0	0.0	400.5	4108.4	902.1	1553.2	0.0	388.3	324.7(1)	368.4
83	4532.5	9.4	0.0	0.0	421.0	3631.0	844.3	1447.4	0.0	361.8	375.8(1)	471.1
84	4294.8	9.0	0.0	0.0	366.2	3390.1	907.0	1409.0	0.0	354.6	282.7	529.5
85	4272.6	7.1	5.4	0.0	368.0	3234.3	949.6	1356.4	0.0	349.5	248.5	657.8
86	3859.4	6.2	5.5	0.0	311.5	2861.2	883.7	1186.9	0.5	297.0	200.0	674.9
87	3327.0	4.8	5.5	0.0	236.0	2394.2	884.5	893.2	11.9	229.3	195.0	686.5
88	3014.6	4.4	5.5	0.0	221.5	2071.4	834.6	791.1	34.0	214.8	150.0	711.8
89	2835.1	4.1	5.5	0.0	208.0	1896.6	783.0	695.4	54.9	201.3	111.8	721.0
90	2777.5	3.8	5.5	0.0	201.4	1796.9	813.9	627.5	75.7	194.7	104.5	769.9
91	2712.2	3.5	5.5	0.0	191.9	1689.9	846.6	557.0	91.9	185.2	96.5	821.3
92	2878.7	3.5	5.5	0.0	194.7	1703.0	959.8	547.6	102.1	188.0	108.4	972.1
93	2932.6	3.5	5.5	0.0	193.7	1686.1	972.3	531.6	108.3	187.0	106.0	1043.8
94	2906.9	3.3	5.5	0.0	184.2	1595.3	1020.4	482.1	114.0	177.5	97.9	1118.7
95	2896.4	3.1	5.5	0.0	175.7	1516.1	1071.2	431.9	122.1	169.0	90.6	1196.0
96	2929.7	3.0	5.5	0.0	170.6	1474.8	1126.8	407.8	124.0	163.9	86.1	1275.9
97	3129.5	2.9	5.5	0.0	169.7	1490.3	1257.3	392.5	129.7	163.0	92.6	1461.1
98	3216.2	2.8	5.5	0.0	164.8	1479.4	1287.2	378.5	127.0	158.1	89.7	1563.7
99	3290.3	2.7	5.5	0.0	158.4	1453.0	1359.4	357.1	124.9	151.7	85.5	1670.7
0	3366.5	2.6	5.5	0.0	153.5	1422.5	1434.5	339.2	123.9	146.8	80.9	1782.4
1	3404.3	2.4	5.5	0.0	143.6	1354.1	1546.4	297.7	124.9	136.9	73.0	1898.7
2	3441.0	2.2	5.5	0.0	132.7	1281.2	1746.2	248.5	127.8	126.0	64.6	2019.4
3	3459.6	1.9	5.5	0.0	119.1	1187.7	1851.0	195.8	126.9	112.4	54.3	2145.4
4	3444.3	1.6	5.5	0.0	99.2	1061.5	1959.7	138.8	115.6	92.5	41.1	2276.5
5	3546.4	1.4	5.5	0.0	90.7	1035.4	2083.8	100.6	117.8	84.0	36.0	2413.3

---

(1) General Fund interest revenues include the amounts transferred from the Permanent Fund earnings in these years. Interest earnings totals therefore double count the transfer which is detailed in col. 18 of Table 3.

Table 2 presents similar information to Table 1; however, the results are in millions of 1981 dollars. This type of presentation allows for comparisons between years of real dollars, rather than inflation impacted figures.

TABLE 2
(millions of real 1981$ unless otherwise noted)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
			----------REAL 1981 DOLLARS----------							--REAL 1982 $--	
FY	ANCHORAGE CPI	INFLATION RATE	PETRO REVENUES	NON-PETRO NON-INTER	INTEREST EARNINGS	TO REVS INCL PF	PERM FUND CONTRIB	GEN FUND UNRESTR	TO. REV SUSTAIN	ANCH CPI	GEN FUND UNRESTR
81	1.000	0.116	3771.2	186.1	377.7	4335.0	385.1	3718.2	563.8	0.947	3926.4
82	1.056	0.087	3772.0	197.9	656.4	4626.3	379.3	3890.5	854.3	1.000	4108.4
83	1.101	0.043	3138.7	207.6	769.0	4115.2	382.2	3296.7	766.6	1.043	3481.3
84	1.142	0.037	2834.2	215.2	711.1	3760.6	320.6	2968.5	794.2	1.081	3134.7
85	1.187	0.039	2602.8	234.2	763.8	3600.7	310.2	2725.7	800.3	1.124	2878.3
86	1.233	0.039	2222.2	198.6	709.7	3130.4	252.7	2320.8	716.8	1.167	2450.8
87	1.281	0.039	1708.1	201.0	688.2	2597.3	184.2	1869.1	690.5	1.213	1973.8
88	1.336	0.043	1418.5	193.5	645.3	2257.3	165.8	1551.0	624.9	1.265	1637.9
89	1.392	0.043	1244.5	193.5	598.1	2036.1	149.4	1362.1	562.3	1.319	1438.4
90	1.452	0.043	1117.5	193.5	602.3	1913.3	138.7	1237.8	560.6	1.375	1307.1
91	1.514	0.043	992.0	193.5	606.4	1791.9	126.8	1116.5	559.3	1.433	1179.0
92	1.592	0.052	936.4	193.5	678.9	1808.8	122.3	1070.0	603.1	1.507	1129.9
93	1.674	0.052	871.8	193.5	687.0	1752.3	115.7	1007.5	581.0	1.585	1063.9
94	1.760	0.052	767.0	193.5	691.3	1651.8	104.7	906.5	579.8	1.666	957.3
95	1.850	0.052	676.5	193.5	695.3	1565.2	95.0	819.3	578.9	1.752	865.2
96	1.946	0.052	612.2	193.5	699.9	1505.6	87.7	757.9	579.1	1.843	800.3
97	2.059	0.058	571.7	193.5	754.5	1519.7	82.4	723.7	610.6	1.950	764.2
98	2.179	0.058	523.6	193.5	758.7	1475.7	75.6	678.8	590.6	2.064	716.8
99	2.306	0.058	471.6	193.5	761.4	1426.6	68.7	630.0	589.4	2.184	665.2
0	2.441	0.058	422.3	193.5	763.4	1379.2	62.9	582.8	587.7	2.312	615.4
1	2.583	0.058	361.1	193.5	763.3	1317.8	55.6	524.2	598.6	2.446	553.5
2	2.734	0.058	302.9	193.5	762.3	1258.7	48.5	468.6	638.7	2.589	494.9
3	2.893	0.058	242.0	193.5	760.3	1195.7	41.2	410.5	639.7	2.740	433.5
4	3.062	0.058	174.5	193.5	756.9	1124.8	32.4	346.7	640.0	2.900	366.1
5	3.241	0.058	145.0	193.5	755.8	1094.4	28.0	319.5	643.0	3.069	337.4

(11)	(12)	(13)	(14)
FY	PERM FUND PRINCIPAL BALANCE	-INTEREST GEN FUND	EARNINGS- PERM FUND
81	1768.6	227.8	149.9
82	2811.6	307.5	348.9
83	3651.0	341.2	427.8
84	4236.6	247.5	463.6
85	4838.2	209.4	554.3
86	5100.7	162.2	547.4
87	5292.1	152.2	535.9
88	5455.6	112.3	533.0
89	5611.3	80.3	517.8
90	5755.9	72.0	530.3
91	5888.1	63.8	542.7
92	5991.1	68.1	610.8
93	6112.8	63.3	623.7
94	6222.9	55.6	635.7
95	6322.7	48.9	646.3
96	6414.9	44.2	655.7
97	6481.3	45.0	709.5
98	6561.3	41.2	717.5
99	6634.0	37.1	724.4
0	6700.6	33.1	730.2
1	6745.1	28.3	735.0
2	6739.1	23.6	738.7
3	6722.9	18.8	741.5
4	6695.3	13.4	743.5
5	6660.7	11.1	744.7

Tab' summarizes activity in the Permanent Fund (PF) 'uding the Principal and Undistributed Income Ac ts (UIA). It a resents activity in the Dividend Account of the ɜral Fund. Four things should be noted:

1. These numbers are updated quarterly as new revenue estimates become available.

2. The simulation of the fund flows required for the modelling process have necessitated simplification of accounting calculations and may render slightly different results from PF Corporation financial reports.

3. The assumptions noted above are important to the results in the tables.

4. Final digits may differ from manual calculations due to rounding in the LRFM model.

Columns 2, 3 and 5 indicate source of funds to the Permanent Fund, i. e. contributions from current revenue (col. 2) labelled PERMANENT FUND CONTRI, special appropriations from the General Fund or other funds (col. 3 APPROP), and inflation proofing (col. 5) from PF earnings. PF contributions are derived from estimates of royalties, mineral rents and bonus sales (col. 5, 6 & 7 in Table 1) multiplied by the statutorially mandated contribution rate (AS 37.13.010). Special PF appropriations are determined by the Legislature. PF inflation proofing is derived by multiplying the PF intermediate principal balance (col. 4 INTERMED PRINCPL BALANCE) by the calendar year inflation rate (U. S. Consumer Price Index for all Urban Consumers). When these three fund additions are added to the prior year's final principal balance (col. 6 FINAL PRINCPL BALANCE) the result equals the current year's final principal balance. For example, for FY86 the final principal balance is $6288.48m = $5740.94m + $311.49m + $00.00m + $236.04m. The inflation proofing (col. 5) part of this total is the estimated calendar year inflation rate, 3.90 percent multiplied by the intermediate principal balance of $6052.43m resulting in $236.04m. The real value of the final PF principal balance is presented in column 12. For FY86, the real value of the PF principal balance (i.e. in 1981 dollars) is $5100.71m.

TOTAL INCOME EARNINGS, col. 7 is the sum of earnings on the balances of the PF principal and Undistributed Income Account (col. 6 & 21, respectively). This is estimated by multiplying the estimated PF interest rate by the estimated average PF balance. This balance is the average of the prior year's final principal balance (col. 6) and current year's intermediate principal balance (col. 4) plus the prior year's UIA balance (col. 21). For FY86 this average balance is ($5740.94m + $6052.43m) / 2 plus $763.26m, or $6659.95m. When multiplied by the estimated PF interest rate for FY86 of 10.14 percent, total income earnings of $674.92m are the result.

Distributable earnings (col. 8 DISTR,BL EARNINGS) are the basis for figuring the amount available for PF Dividends (PFD's). Distributable earnings are a five year moving average of current and the previous four years' total earnings. Half this amount is intended for payment in the following fiscal year of the DIVIDEND PROGRAM COSTS (col. 10), although more or less can be appropriated by the Legislature. Distributable earnings for FY86 are the sum of $674.92m + $657.76m + $529.46m + $471.13m + $368.43m divided by 5, or $540.34m. Estimated earnings transfer and dividend program costs are half of this or $270.17m (col. 10) which will be distributed for the PFD's claimed for the year indicated in col. 11, PFD CLM YEAR.

PF total income earnings (col. 7) less the dividend transfer (col. 10) and less UIA earnings (col. 17) leaves those PF earnings available for inflation proofing (col. 9 INCOME AVAIL FOR INFL PROOF also listed in col. 15). In FY86 this amount is $674.92m - $270.17m - $77.35m = $327.40m.

The amount required to fully inflation proof the PF is indicated in column 14. The derivation of this amount is described in the first paragraph on this table. The amount available from current earnings is presented in the adjacent column (col. 15). A negative difference is made up by a withdrawal from the principal of the UIA as presented in the UIA deposit or withdrawal column (col. 16, negative entries). If there are insufficient current earnings to inflation proof and the principal of the UIA is depleted (col. 19 is zero), the actual inflation proofing deposit differs from what is required for full inflation proofing. The extent of the shortfall is measured by the sum of columns 14 and 16 compared to column 15. This condition occurs partially in FY2001 (a shortfall of $36.88m = $962.07m - $109.56m - $815.63m) and fully in all subsequent years. If the difference is positive, indicating an abundance of funds for inflation proofing, the balance is deposited as principal in the UIA as indicated by positive entries in col. 16. For FY86 $236.04m is required to inflation proof the PF and there are more than sufficient current earnings ($327.40m) so the balance ($91.36m) is deposited in the UIA.

The balance in the UIA is invested and also earns interest as presented in column 17. Any appropriations from the UIA by the Legislature are presented in column 18. The previous year's UIA balance plus UIA deposit or withdrawal plus UIA earnings less UIA budget results in the current year's UIA balance (col. 21). This balance can be presented as an accumulation of deposits (income) and earnings which are listed separately in columns 19 and 20, UIA INCOME and UIA EARNINGS. The FY86 UIA balance of $931.96m is the sum of $763.26m + $91.36m + $77.35m.

TABLE 3
(millions of current dollars unless otherwise noted)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	-PERMANENT	FUND-	INTERMED		FINAL	TOTAL		INCOME	DIVIDEND	PFD	PERM FUND
FY	CONTRI	APPROP	PRINCPL BALANCE	INFLATION PROOFING	PRINCPL BALANCE	INCOME EARNINGS	DISTR,BL EARNINGS	AVAIL FOR INFL PROOF	PROGRAM COSTS	CLM YEAR	PRINCIPAL REAL81$
81	385.13	900.00	1768.34	0.00	1768.56	149.87	91.15	122.40	0.00	80	1768.56
82	400.52	800.00	2969.08	0.00	2969.08	368.43	183.58	297.93	0.00	81	2811.63
83	421.00	400.00	3790.08	231.19	4021.23	471.13	255.46	332.15	481.55	82	3651.00
84	366.18	300.00	4687.41	150.93	4838.34	529.46	310.26	335.83	190.88	83	4236.55
85	368.03	300.00	5506.37	234.57	5740.94	657.76	435.33	376.42	163.12	84	4838.20
86	311.49	0.00	6052.43	236.04	6288.48	674.92	540.34	327.40	217.27	85	5100.71
87	235.96	0.00	6524.43	254.45	6778.88	686.49	603.95	297.33	270.17	86	5292.10
88	221.46	0.00	7000.33	285.61	7285.95	711.81	652.09	290.69	301.98	87	5455.55
89	207.98	0.00	7493.92	319.24	7813.16	720.98	690.39	277.81	326.04	88	5611.28
90	201.38	0.00	8014.53	341.42	8355.95	769.91	712.82	310.76	345.19	89	5755.91
91	191.86	0.00	8547.80	364.14	8911.94	821.35	742.11	341.47	356.41	90	5888.07
92	194.66	0.00	9106.59	428.60	9535.20	972.06	799.22	443.58	371.05	91	5991.13
93	193.70	0.00	9728.89	501.33	10230.22	1043.81	865.62	468.66	399.61	92	6112.84
94	184.17	0.00	10414.39	536.65	10951.04	1118.67	945.16	493.50	432.81	93	6222.88
95	175.72	0.00	11126.75	573.36	11700.11	1195.98	1030.37	517.96	472.58	94	6322.73
96	170.62	0.00	11870.73	611.70	12482.42	1275.91	1121.28	542.37	515.19	95	6414.93
97	169.68	0.00	12652.10	694.85	13346.95	1461.14	1219.10	655.25	560.64	96	6481.30
98	164.80	0.00	13511.75	787.87	14299.62	1563.68	1323.08	690.02	609.55	97	6561.34
99	158.42	0.00	14458.04	843.05	15301.09	1670.74	1433.49	730.37	661.54	98	6634.03
0	153.46	0.00	15454.54	901.15	16355.69	1782.44	1550.78	772.27	716.74	99	6700.56
1	143.58	0.00	16499.27	925.18	17424.45	1898.74	1675.35	815.63	775.39	0	6745.11
2	132.70	0.00	17557.14	866.81	18423.95	2019.43	1787.01	866.81	837.67	1	6739.07
3	119.08	0.00	18543.03	908.54	19451.57	2145.42	1903.35	908.54	893.50	2	6722.94
4	99.17	0.00	19550.75	950.39	20501.13	2276.54	2024.51	950.39	951.68	3	6695.29
5	90.71	0.00	20591.84	992.50	21584.34	2413.34	2150.69	992.50	1012.26	4	6660.67

(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
	-INFLATION	PROOFING-	----------UNDISTRIBUTED INCOME ACCOUNT----------					
	REQUIRED	AVAIL	DEPOSIT/			-------CUMULATIVE---------		
FY	AMOUNT	EARNINGS	W/DRAWL	EARNINGS	BUDGET	INCOME	EARNINGS	TOTAL
81	0.00	122.40	122.40	0.00	-27.47	106.08	0.00	106.08
82	0.00	297.93	297.93	0.00	-72.72	332.58	0.00	332.58
83	231.19	332.15	100.95	31.10	-109.54	322.71	31.10	353.81
84	150.93	335.83	184.90	38.50	-19.85	487.75	69.60	557.35
85	234.57	376.42	141.85	64.07	0.00	629.59	133.67	763.26
86	236.04	327.40	91.36	77.35	0.00	720.95	211.02	931.96
87	254.45	297.33	42.88	87.18	0.00	763.83	298.20	1062.02
88	285.61	290.69	5.08	95.07	0.00	768.91	393.27	1162.17
89	319.24	277.81	-41.44	97.98	0.00	727.47	491.24	1218.71
90	341.42	310.76	-30.66	102.74	0.00	696.81	593.99	1290.80
91	364.14	341.47	-22.66	108.82	0.00	674.15	702.81	1376.95
92	428.60	443.58	14.98	128.87	0.00	689.12	831.68	1520.80
93	501.33	468.66	-32.67	142.33	0.00	656.46	974.01	1630.47
94	536.65	493.50	-43.16	152.60	0.00	613.30	1126.61	1739.91
95	573.36	517.96	-55.41	162.84	0.00	557.90	1289.45	1847.34
96	611.70	542.37	-69.33	172.90	0.00	488.57	1462.34	1950.91
97	694.85	655.25	-39.61	196.34	0.00	448.96	1658.69	2107.65
98	787.87	690.02	-97.85	212.12	0.00	351.12	1870.80	2221.92
99	843.05	730.37	-112.67	223.62	0.00	238.44	2094.42	2332.86
0	901.15	772.27	-128.89	234.78	0.00	109.56	2329.21	2438.76
1	962.07	815.63	-109.56	245.44	0.00	0.00	2574.65	2574.65
2	1023.76	866.81	0.00	259.12	0.00	0.00	2833.77	2833.77
3	1081.24	908.54	0.00	285.20	0.00	0.00	3118.97	3118.97
4	1140.00	950.39	0.00	313.90	0.00	0.00	3432.87	3432.87
5	1200.71	992.50	0.00	345.49	0.00	0.00	3778.36	3778.36

The final group of columns on Table 3 is the Dividend Account activity. The transfer from current PF earnings is presented in column 23, while General Fund appropriations to this account are presented in column 24. These are usually distributed the fiscal year following (as presented in col. 10 DIVIDEND PROGRAM COSTS and repeated in this table as col. 28 PFD PROGRAM TOTAL) with part being utilized to administer the PFD program (col. 27) and the rest distributed as PFD's (col. 26). The payment amount is distributed to the TOTAL PFD APPLICANTS (col. 29) so that each applicant receives the amount listed in column 30, NOMINAL DIVIDEND PAYMENT. The real value of the PFD (net of inflation) is presented in column 31. For FY86 the EARNINGS TRANSFER of $270.17m will cost $6.92m in administration to distribute a $263.25m payment amount (in FY87). This is divided between an estimated 527,100 applicants so each one gets $499.43 which is worth about $389.89 in 1981 dollars.

(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)
			PFD	-------PFD	PROGRAM---------			-DIVIDEND	PAYMENT-
FY	EARNINGS TRANSFER	GEN FUN APPROP	CLAIM YEAR	PAYMENT	ADMINISTN	TOTAL	TOTAL PFD APPLICANTS	(NOMINAL ($.¢	REAL) 81$.¢)
81	27.47	0.00	80	0.00	0.00	0.00	410.67	0.00	0.00
82	70.50	0.00	81	0.00	0.00	0.00	430.09	0.00	0.00
83	107.88	440.56	82	478.13	3.42	481.55	478.84	1000.00	907.93
84	155.13	0.00	83	187.52	3.36	190.88	486.94	386.15	338.12
85	217.27	0.00	84	160.10	3.02	163.12	483.27	331.29	279.20
86	270.17	0.00	85	210.61	6.66	217.27	521.32	404.00	327.69
87	301.98	0.00	86	263.25	6.92	270.17	527.10	499.43	389.89
88	326.04	0.00	87	294.79	7.19	301.98	535.07	550.93	412.53
89	345.19	0.00	88	318.55	7.50	326.04	543.17	586.46	421.19
90	356.41	0.00	89	337.38	7.82	345.19	551.41	611.85	421.47
91	371.05	0.00	90	348.26	8.15	356.41	557.13	625.10	413.00
92	399.61	0.00	91	362.56	8.50	371.05	562.92	644.06	404.68
93	432.81	0.00	92	390.68	8.93	399.61	568.78	686.87	410.42
94	472.58	0.00	93	423.42	9.39	432.81	574.71	736.75	418.65
95	515.19	0.00	94	462.70	9.88	472.58	580.71	796.78	430.58
96	560.64	0.00	95	504.80	10.39	515.19	586.79	860.28	442.11
97	609.55	0.00	96	549.72	10.92	560.64	592.93	927.12	450.21
98	661.54	0.00	97	597.99	11.56	609.55	599.15	998.06	457.96
99	716.74	0.00	98	649.31	12.23	661.54	605.45	1072.44	464.97
0	775.39	0.00	99	703.80	12.95	716.74	611.82	1150.34	471.27
1	837.67	0.00	0	761.69	13.70	775.39	618.27	1231.98	476.91
2	893.50	0.00	1	823.17	14.50	837.67	624.79	1317.52	481.92
3	951.68	0.00	2	878.16	15.34	893.50	631.39	1390.83	480.70
4	1012.26	0.00	3	935.44	16.24	951.68	638.07	1466.03	478.78
5	1075.35	0.00	4	995.07	17.19	1012.26	644.84	1543.14	476.19

MEMORANDUM State of Alaska

TO: The Honorable Bill Sheffield
Governor of Alaska

DATE: October 7, 1985

FILE NO:

TELEPHONE NO: 465-2300

FROM: Mary A. Nordale
Commissioner of Revenue

SUBJECT: September 1985 Quarterly Revenue Forecast

The Department of Revenue has completed its September 1985 quarterly unrestricted revenue forecast. The bottom line figures for FY 85, FY 86 and FY 87 are $3,234.3 million, $2,861.2 million, and $2,394.2 million respectively. The changes for FY 85 (the books have yet to be closed out for this year) and FY 86, when compared to the June 1985 forecasts are statistically insignificant and represent declines of $3.3 million and $11.6 million respectively. The decline for FY 87 (the impending budget year), however, reflects increasing pessimism on the part of staff and amounts to $179.3 million.

We have introduced an additional year, FY 88, into the main body of our report as is traditional during this time of the year and the bottom line number is $2,071.4 million.

The unrestricted revenue number for FY 85 represents our preliminary actual whereas the numbers for FY 86, FY 87 and FY 88 reflect the 30% case. As you know the 30% case essentially means there is a 70% chance the numbers will be greater and a 30% chance the numbers will be less than those actually identified in this report. I would like to emphasize, however, as I have repeatedly done so over the years, that if there is a chance for error in this forecast it is on the optimistic side i.e. the downside risks far outweigh any perceived upside potential.

The rationale underlying the declining revenue picture during the next two to three years for the state of Alaska rests primarily in the fundamentals of demand and supply for oil and the resultant price for that oil. To quote once again our March 1985 memorandum to you on the subject:

> The seeds of anticipated oil price decline were planted in the late 1960's and late 1970's when OPEC exerted its influence by increasing oil prices dramatically, several-fold, in fact. These actions fostered the growth of alternative fuel sources including coal, gas, nuclear, and hydro projects, the exploration and production for new oil fields such as those found in Prudhoe, the North Sea, and Mexico, and conservation efforts on the part of both industry and public sectors. The fascinating but disturbing aspect about this restructuring in the energy world is that it has not yet run its course and is not expected to for some time. The end result is declining oil prices, certainly in real terms for several years to come.

The staff monitors worldwide oil markets daily and the data are not encouraging. The excess oil productive capacity worldwide is enormous. The OPEC countries alone are capable of producing another 15 to 17 million barrels of oil per day, which the world markets cannot absorb. The oil companies faced in some instances with the acquisition of not so profitable ventures have had to write off these losses. And, of course, the industry is confronted with declining oil prices. The refining, service, and exploration sectors on a worldwide basis are still undergoing structural changes, the end result of which is more competition for the final product. The strength of the dollar continues to act as a damper on the purchase of petroleum products in Europe. Further, if the value of the dollar should drop significantly in the near future, this will put more pressure on OPEC to export more and import less since the unit of value of oil is measured in terms of the dollar and most members of OPEC are experiencing financial difficulty. Finally, while economic growth is still positive in this country, it is not enough to offset the decline in oil prices.

There is a possibility, that oil prices could go up, but there is nothing of fundamental economic significance that suggests they should do so over the next two or three years. There will be price up ticks to be sure, which will occur on occasion, but these are due to inventory, seasonal, and psychological factors and are usually of short duration. The fundamental price picture we envision, for the next two to three years, is one of decline certainly in terms of real prices (inflation adjusted).

I have included a detailed breakdown of this forecast, a short history of the State's revenue situation, the revenue picture in both nominal and real (inflation adjusted) dollars, and the primary assumptions incorporated in this forecast

MAN:VW:mkw

FIGURE 1
GENERAL FUND UNRESTRICTED REVENUES

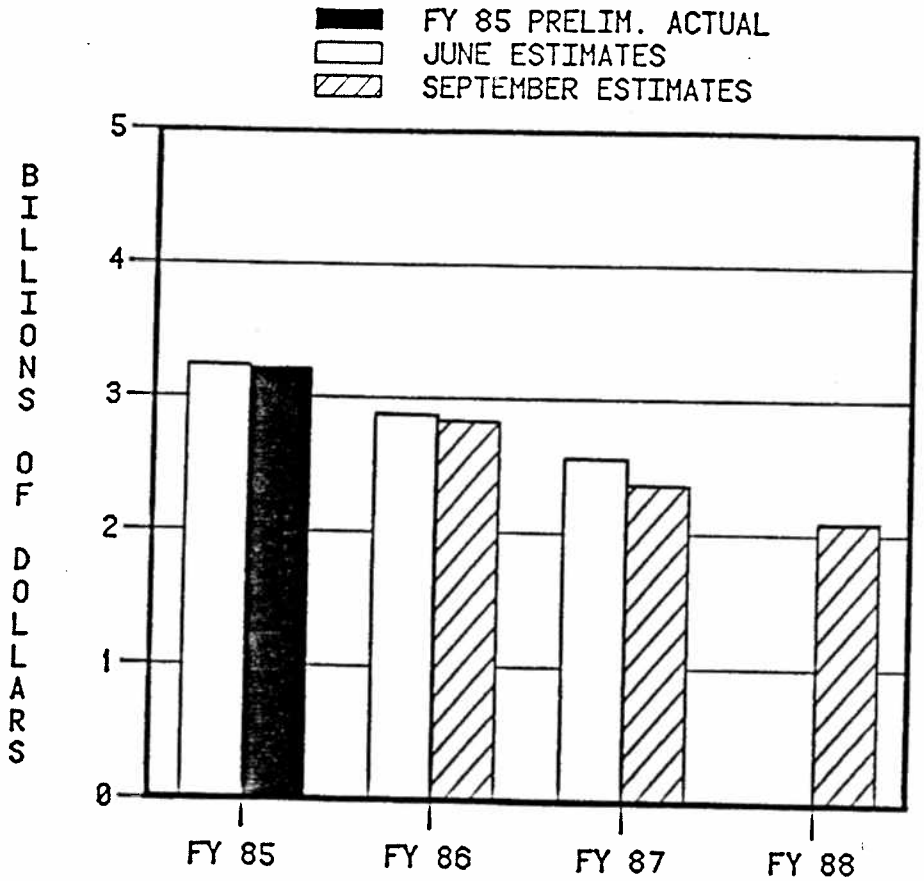


TABLE I
General Fund Unrestricted Revenues
(Thousands of Current Dollars)

Taxes	FY 1985 Prel. Actual September	FY 1986 Estimate September	FY 1987 Estimate September	FY 1988 Estimate September
Income				
Corporate-General	36,000	35,000	35,000	35,000
Corporate-Petroleum	168,600	222,200	242,700	242,100
Gross Receipts				
Alaska Business License(1)	39,000	2,000	2,000	2,000
Fish-Canned Salmon	5,600	5,200	5,200	5,200
Fish-Shorebased	8,300	9,000	9,000	9,000
Fish-Floating	4,800	5,000	5,000	5,000
Seafood Marketing	1,000	1,000	1,000	1,000
Salmon Enhancement (2)	2,600	3,400	3,400	3,400
Insurance Companies(3)	17,500	18,000	18,000	18,000
Electric & Telephone Co-ops	1,900	1,800	1,800	1,800
Mining License Tax	300	300	300	400
Severance				
Oil & Gas Production (4)	1,388,500	1,165,800	888,300	672,200
Oil & Gas Conservation	700	700	700	700
Property				
Oil & Gas	128,300	123,000	126,200	129,400
Sale/Use				
Alcoholic Beverages	14,000	14,000	14,000	14,100
Fuel Taxes-Aviation (5)	8,000	8,000	8,000	8,000
Fuel Taxes-Highway (5)	24,000	22,500	22,500	23,000
Fuel Taxes-Marine (5)	4,300	4,300	4,400	4,400
Tobacco Products (6)	2,000	5,700	7,800	7,800
Other				
Estate	500	600	600	600
Total Taxes	1,855,900	1,647,500	1,395,900	1,183,100
Licenses & Permits				
Business (7)	12,200	12,800	15,600	16,000
Non-Business	16,000	16,500	17,000	17,000
Total Licenses & Permits	28,200	29,300	32,600	33,000
Intergovernmental Receipts				
Federal Shared Revenues (8) (9)	10,500	11,000	11,000	11,000
State Resource Revenue				
Sale/Use				
Bonus Sales (8) (10) (11)	10,000	8,100	-0-	-0-
Investment Earnings	248,500	200,000	195,000	150,000
Rents (8) (10) (11)	5,500	5,500	6,000	6,000
Royalties (4) (8)	1,000,100	884,500	671,400	606,200
Sale of State Property	7,900	8,000	8,500	9,000
Gravel, Timber, etc. (12)	3,000	5,000	9,000	6,000
Facilities Related Charges				
Airports	1,600	1,600	1,700	1,700
Ferry System-Southeast	29,500	32,000	33,700	35,800
Ferry System-Southwest	3,800	3,800	4,200	4,400
Other	4,800	5,000	5,000	5,000

Service Related Charges				
Court System	4,600	4,900	5,200	5,200
Other	4,700	5,000	5,000	5,000
Total State Resources Revenues	1,324,000	1,163,400	944,700	834,300
cellaneous Revenues	15,700 (13)	10,000	10,000	10,000
Total Unrestricted Revenues (14)	3,234,300	2,861,200	2,394,200	2,071,400

(1) The large amounts in FY 85 are the result of litigation in favor of the State on gross receipts taxes for years prior to 1979. The amounts shown for FY 86, FY 87, and FY 88 do not include any estimate of proceeds from cases which are still in litigation.

(2) The FY 86 and subsequent estimates reflect the recent approval by the Prince William Sound Aquaculture Corporation to assess a 2% salmon enhancement tax, effective upon the first opening of the 1985 commercial salmon season.

(3) The estimate of tax receipts for insurance premiums is subject to a great deal of uncertainty for all years of the forecast period. Unprecedented underwriting losses in the industry, rapidly increasing rates and shortages of coverage in some insurance lines have combined to make the situation extremely volatile. The outlook for the next several years is one of continued instability. Our view, given this situation, is that the approximate level of tax collected in FY 85, represents the best estimate possible given the circumstances.

(4) The forecasted numbers for FY 86, FY 87, and FY 88 assume the 30 percent case; however, if the mean case had been utilized for FY 86, FY 87, and FY 88, the production taxes would change to $1,203.6 million, $994.6 million and $768.5 million, respectively. The royalty figures would change to $912.6 million, $754.7 million, and $697.3 million, respectively.

(5) Revenues from the three main categories of fuel tax are shown separately. However, under the provisions of AS 43.40.010(h), all refunds are made from the highway fuel tax account . If gross collections of highway fuel taxes remain constant, an increase in refunds for aviation and marine fuels could lower the net revenues shown for highway fuels. Also, increasing use is being made of tax credits, which can be taken in lieu of claiming a refund on certain non-taxable use of fuel (15 AAC 40.200).

(6) SLA 85, Ch. 24 raised the general fund portion of the cigarette tax from a rate of 1-1/2 mills ($.0015) to 2 mills ($.0055) per cigarette. The Act takes effect October 1, 1985.

(7) The FY 86, FY 87, and FY 88 estimates reflect Ch. 26 and Ch. 37, SLA 1985 which increase the revenue collected for insurance and occupational licensing fees.

(8) Net Permanent Fund contribution by Ch. 18 SLA 1980.

(9) The FY 86 estimate does not include any revenues shared (50/50 basis) with the federal government from the NPR-A lease sale held July 20, 1983. Although high bids totaled $16.7 million, leases will not be awarded until challenges of the sale by the State of Alaska are resolved. The State's share, assuming the case is resolved, will be equally divided between the General Fund and the Permanent Fund.

(10) Reflects state lease sales of $33.8 million held May 22, 1984 (Sale 43 and 43A-Beaufort Sea), $0.8 million held September 18, 1984 (Sale 41-Bristol Bay), $2.5 million held February 26, 1985 (Sale 46A-Upper Cook Inlet), and $16.3 million held September 24, 1985 (Sale 45A-North Slope Onshore and Sale 47 - Kuparuk Uplands). Due to the timing of collections, some receipts from the May 1984 lease sale are shown as FY 85 revenue. The FY 85 and FY 86 figures represent the General Fund's 50 percent share with the remaining 50 percent deposited in the Permanent Fund.

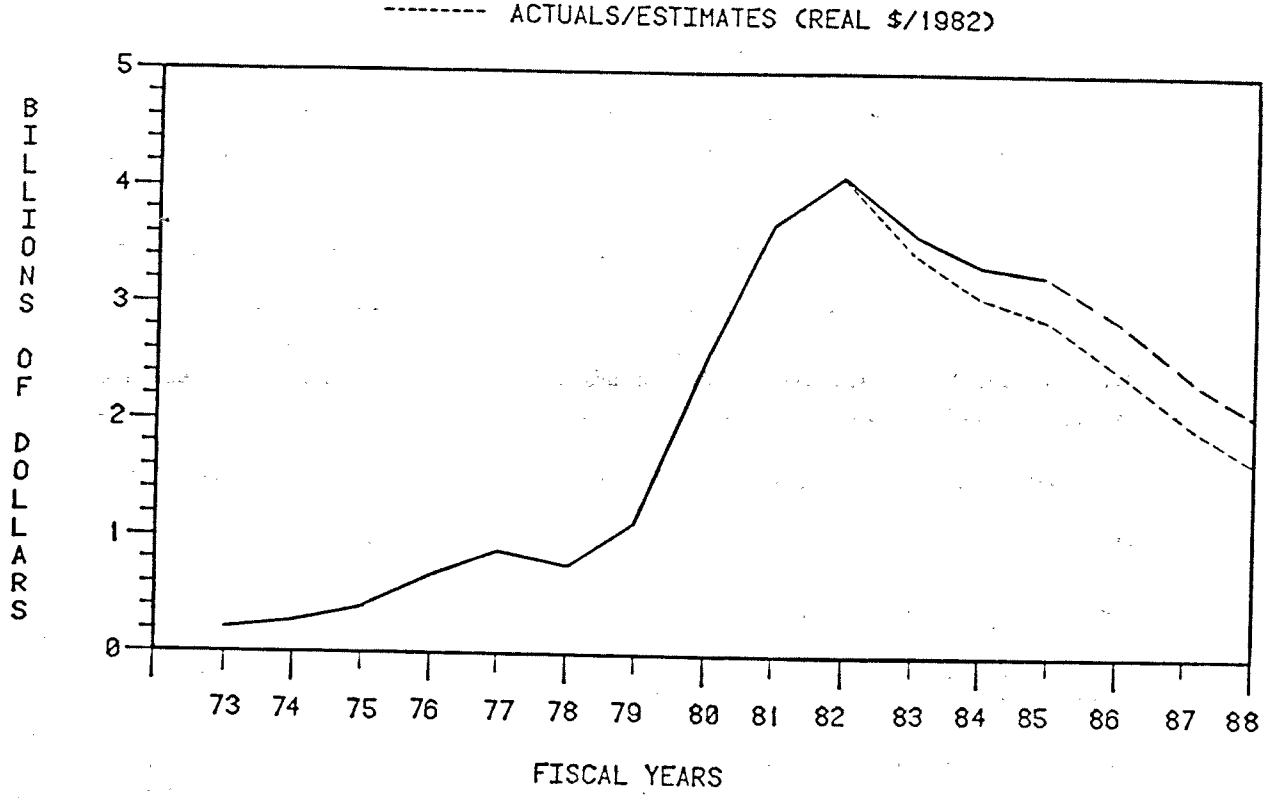
(11) The Department of Natural Resources projects the following FY 86, FY 87, and FY 88 state lease sales: FY 86 (Sale 48 - Kuparuk Uplands, Sale 48A - Mikkelsen, Sale 49 - Cook Inlet); FY 87 (Sale 52 - Beaufort Sea, Sale 52A - Nechelik, Sale 51 - Prudhoe Bay Uplands, Sale 50 - Camden Bay); and FY 88 (Sale 53 - Icy Cape, Sale 46 - Holitna Basin, Sale 54 - Kuparuk Uplands, Sale 55 - Demarcation Point).

(12) Estimates reflect increased construction of roads and drilling pads as projected by the Department of Natural Resources, however, some of these projects may be delayed or changed due to permit denials or environmental impact statement requests.

(13) The FY 85 estimate reflects the termination of the Alaska Resources Corporation (ARC). Corporate assets ($6.2 million) were deposited in the General Fund per Ch. 161, SLA 1984. Additional corporate assets ($5.6 million) of ARC were received and recorded under a general ledger account (repayment of loans).

(14) The state, per AS 38.05.180, will be granting incentive credits against royalties, severance taxes, and tals to the oil companies for drilling exploratory wells. The anticipated deduction is approximately $15.3 ion which has not been subtracted from the aforementioned FY 85 figure of $3,234.3 million and $0.7 million which has not been subtracted from the aforementioned FY 86 figure of $2,861.2 million. Additional credits are anticipated in subsequent years.

FIGURE 2
GENERAL FUND UNRESTRICTED REVENUES



Revenue Actuals (Nominal $)	
FY 73	208.2 million
FY 74	254.9 million
FY 75	333.4 million
FY 76	709.8 million
FY 77	874.3 million
FY 78	764.9 million
FY 79	1,133.0 million
FY 80	2,501.2 million
FY 81	3,718.2 million
FY 82	4,108.4 million
FY 83	3,631.0 million
FY 84	3,390.1 million
FY 85*	3,234.3 million

*Preliminary

Revenue Estimates (Nominal $)	
FY 86	2,861.2 million
FY 87	2,394.2 million
FY 88	2,071.4 million

Revenue Actuals/Estimates (Real $/1982)	
FY 82	4,108.4 million
FY 83	3,481.2 million
FY 84	3,134.7 million
FY 85	2,878.3 million
FY 86	2,454.4 million
FY 87	1,977.2 million
FY 88	1,619.1 million

Table II

Key Assumptions for September 1985
Petroleum Revenue Projects
For FY 1985 - FY 1988

Fiscal Year	($/bbl) Mean Wellhead Value	($/bbl) 30% Wellhead Value	Mean TAPS Throughput (MMbbs/day)	Mean Rate Inflation %
1985	16.96	16.96	1.714	3.50
1986	15.40	15.01 39	1.733	3.18
1987	12.69	11.33 1.36	1.759	4.30
1988	12.59	10.97 1.62	1.647	4.30

Weighted Average Sales Price for
Alaska North Slope Crude Oil at Los Angeles, California

FY 85	$24.92	per barrel
FY 86	22.59 22.20	per barrel
FY 87	20.05 18.69	per barrel
FY 88	19.94 18.32	per barrel

Weighted Average Sales Price for
Alaska North Slope Crude Oil at Houston, Texas

FY 85	$27.35	per barrel
FY 86	24.61 24.22	per barrel
FY 87	22.08 20.72	per barrel
FY 88	21.96 20.34	per barrel

TAPS Tariff

FY 85	$6.007	per barrel
FY 86	6.007	per barrel
FY 87	6.007	per barrel
FY 88	6.007	per barrel