

spring 2005



Tax Division
Revenue Sources Book

Forecast and Historical Data

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Spring 2005 Revenue Sources Book
March 31, 2005

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The Honorable Frank H. Murkowski
Governor of Alaska
P.O. Box 110001
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Dear Governor Murkowski:

As is our tradition for this time of year, I am presenting you, the Legislature and the Alaska public with the Department of Revenue's latest Revenue Sources Book. Our Spring 2005 report includes an accounting of FY 2004 State revenues and projections for Fiscal 2005 through Fiscal 2015, and no doubt the unpredictable world oil market has a lot of people wondering exactly what we would say in this report.

We project Alaska North Slope crude oil prices will average \$41.75 per barrel for the fiscal year ending June 30, 2005. The fiscal year-to-date average is just above \$42 per barrel and crude oil prices were volatile last week. We believe robust economic growth worldwide coupled with uncertainties and market concern over oil shortages, could keep prices above \$40 through the rest of the fiscal year.

Eventually, however, we see new supplies coming online, and a more rational approach in the markets, with prices backing off next year. Our forecast for Fiscal 2006 is \$38.60 a barrel for Alaska North Slope crude, and \$34.30 a barrel for fiscal year 2007.

Our forecast for Fiscal 2008 and beyond is \$25.50, higher than our Fall 2002 long-term forecast of \$22 but certainly much lower than today's markets and lower than many pundits predict. As you know, our approach is not to frequently change our long-term forecast. Caution is an appropriate response to volatile oil markets.

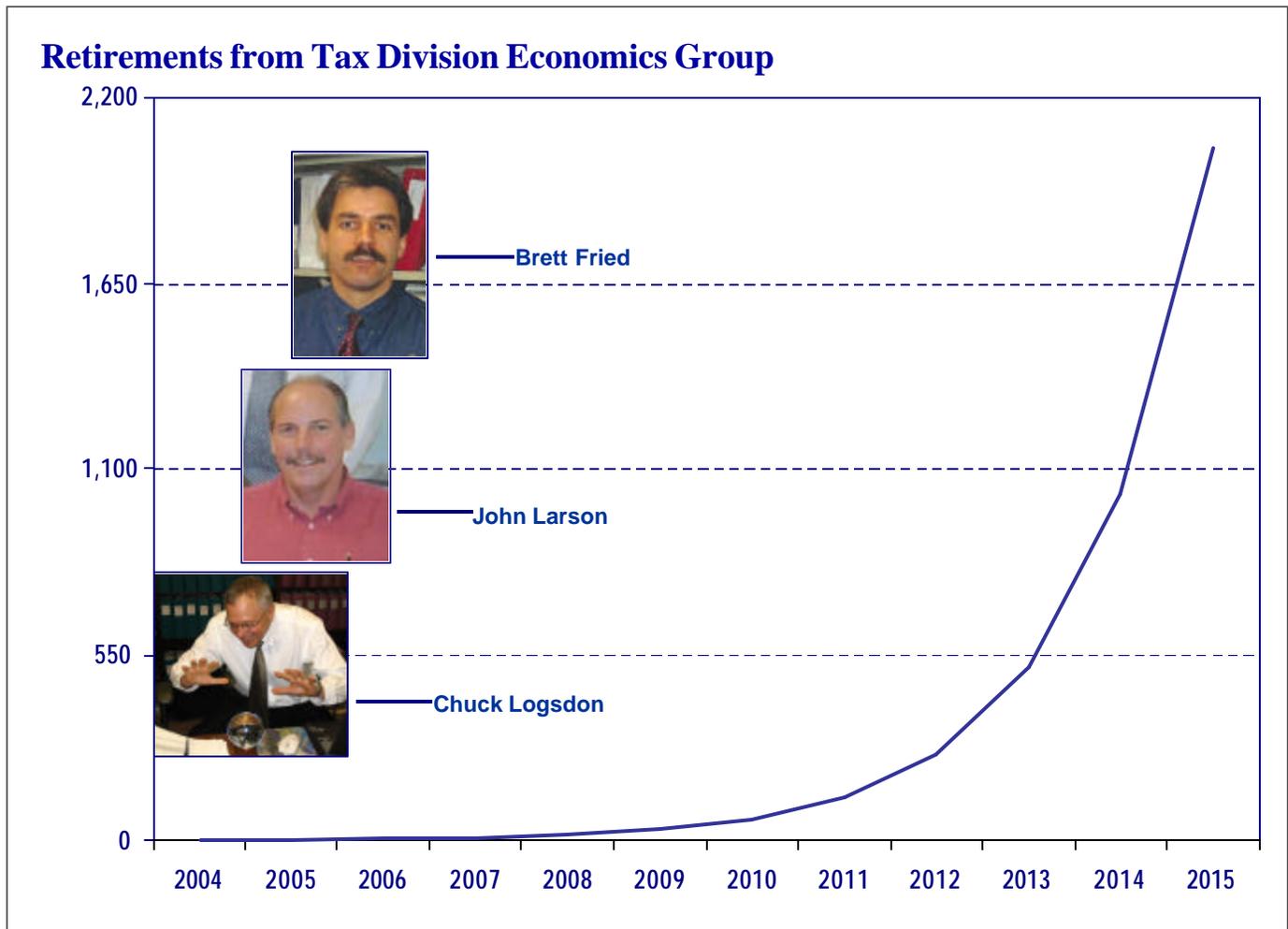
And while Alaska profits from high crude oil prices, crude oil production is projected at 920,000 barrels per day for FY 2005, declining to about 911,000 barrels per day for FY 2006 and FY 2007, increasing to about 922,000 barrels per day in 2008, and then beginning a long decline throughout the remainder of the forecast period.

Sincerely,



William A. Corbus
Commissioner

A Dedication



If the number of dedicated economists retiring from the Department of Revenue doubles each year, we project that 2,048 economists will retire in 2015. This assumes the future supply of economists into the Department of Revenue will continue at the same exponential rate.

- 2004 Chuck Logsdon retires
- 2005 Brett Fried and John Larson, Senior Economists with over 40 years of state service between them, retire

The professionalism, expertise, knowledge and good natured personalities of these individuals will be sorely missed. We would like to thank you for your tireless efforts and to wish you well in your new endeavors.

Table of Contents

1. Introduction	1
General Discussion	1
Spring 2005 Forecast	2
2. Executive Summary	3
Total Governmental Revenue	3
Unrestricted General Purpose Revenue	6
Oil Price Forecast	9
Oil Production Forecast	11
Longer-Term Unrestricted Revenue Outlook	15
Budget Gap and the Constitutional Budget Reserve	16
3. Oil Revenue	19
General Discussion	20
Unrestricted Oil Revenue	21
Restricted Oil Revenue	32
4. Other Revenue (except Federal & Investment)	33
General Discussion	34
Other Taxes	34
Charges for Services	38
Fines and Forfeitures	39
Licenses and Permits	40
Rents and Royalties	41
Other	42
5. Federal Revenue	43
6. Investment Revenue	47
Investment Forecast	48
Unrestricted Investment Revenue	49
Restricted Investment Revenue	50
7. State Endowment Funds	55
8. Public Corporations and the University of Alaska	59
Public Corporations	59
University of Alaska	64
9. Rosetta Stone	65
Introduction	65
Reconciling Revenue Sources Book with the State's Comprehensive Financial Report (CAFR)	68
10. Appendices	83
General Fund Unrestricted Sensitivity Matrices	83
Unrestricted Petroleum Production Tax and Royalty Revenue Forecast	84
Historical and Projected Crude Oil Prices	85
Changes in Forecast of Crude Oil Production	86
Historical and Projected ANS Crude Oil Production	87
Historical General Fund Unrestricted Revenue	88
Historical Petroleum Revenue	90
Glossary of Terms Used in Revenue Sources Book	91

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1. Introduction

General Discussion

The purpose of the semi-annual Revenue Sources Book is to provide the governor, legislature and citizens of the state with a summary of our past collections of state revenue and a forecast of future revenue. Revenues are categorized into four major components: oil and gas royalties and taxes, non-oil taxes and fees, federal dollars and investment revenues.

Oil revenues continue to dominate the unrestricted revenue picture — and will continue to provide 80% of Unrestricted General Purpose Revenue through FY 2008 and 75% through FY 2012. However, North Slope oil production has fallen. In FY 2004 ANS output was 0.980 million barrels per day compared to a peak of 2.006 million barrels a day in FY 1988. Over that same period the market price of oil has come close to tripling.

In 10 of the prior 13 years, the state has relied on annual draws from the Constitutional Budget Reserve Fund (CBRF) to fill the gap between unrestricted revenues and budget outlays. In the other three years — which appears to include FY 2005 — unrestricted revenues have been sufficient to pay for budgeted spending without a draw on the CBRF.

Alaska's total revenue picture also includes earnings from the Permanent Fund, federal revenue and reserves in the CBRF. We hope the information provided in this Sources Book is helpful in answering questions about where Alaska gets its revenue and what the state's revenue future looks like from today's perspective.

Note: totals in the tables in this Revenue Sources Book may not sum due to rounding.

Spring 2005 Forecast

This publication is organized into the following 10 sections:

1. Introduction
2. Executive Summary
3. Oil Revenue
In FY 2004, oil and gas production tax, corporate income tax, property tax and royalty revenues contributed 87% of the state's General Fund unrestricted revenue. Oil revenues will continue to play a key role in Alaska's future.
4. Other Revenue (except Federal & Investment)
Revenue from non-oil sources includes alcohol, tobacco, fisheries, insurance premium, motor fuel, non-oil corporate income taxes and user fees.
5. Federal Revenue
Federal funding continues to be one of Alaska's biggest sources of revenue.
6. Investment Revenue
Investment earnings come from the Alaska Permanent Fund, Constitutional Budget Reserve Fund, General Fund and other state investments.
7. State Endowment Funds
Alaska has six endowment funds.
8. Public Corporations and the University of Alaska
Seven public corporations and the University of Alaska are treated as separate component units of state government for financial reporting purposes.
9. Rosetta Stone
The Department of Revenue Sources Book and the Comprehensive Annual Financial Report (CAFR) are reconciled in this section.
10. Appendices
This section provides historical and projected data on oil prices, production and revenue and a glossary of terms used in this publication.

2. Executive Summary

Total Governmental Revenue

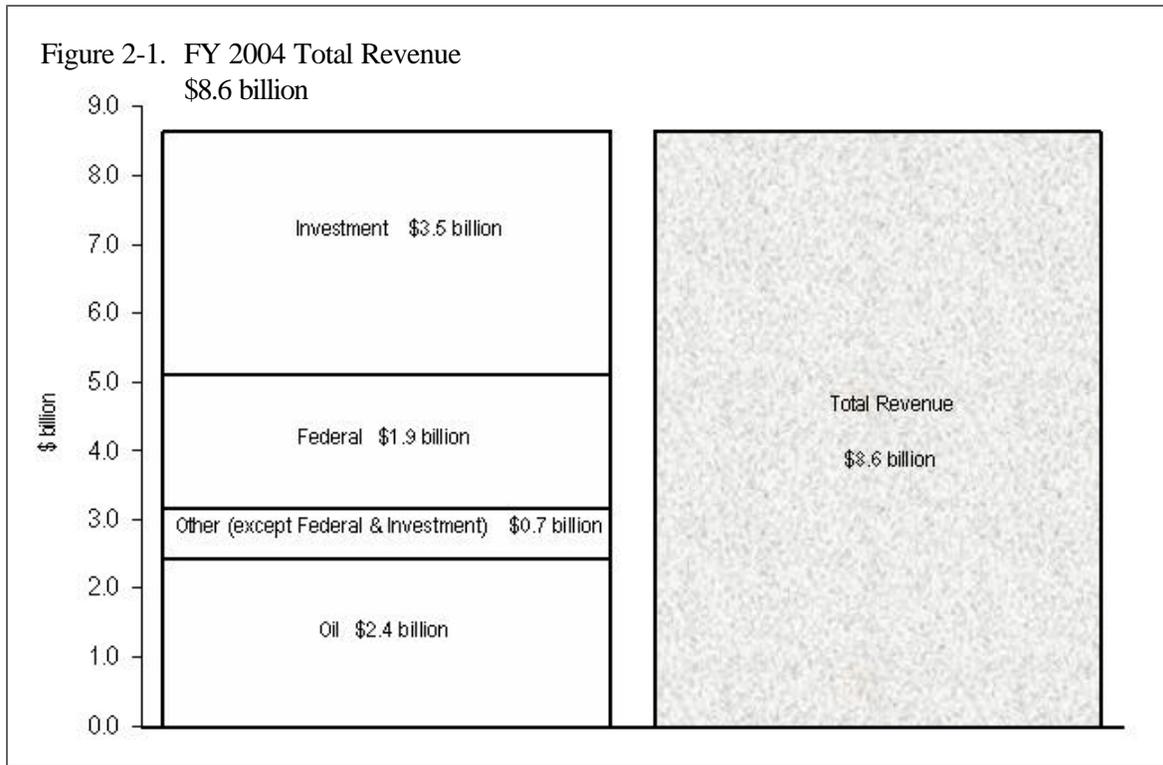


Table 2-1. Total Governmental Revenue by Major Component, Actual FY 2004 and Projected 2005-2006
\$ million

	Actual FY 2004	Projected FY 2005	Projected FY 2006
OIL REVENUE			
<u>Unrestricted</u>			
Property Tax	47.3	46.2	44.7
Corporate Income Tax	298.8	436.0	329.0
Production Tax	651.9	799.6	782.0
Royalties (including Bonuses and Interest)	<u>1,056.1</u>	<u>1,336.9</u>	<u>1,163.3</u>
Subtotal	2,054.1	2,618.6	2,319.0
<u>Restricted</u>			
Royalties to Permanent Fund and School Fund	361.8	456.6	397.2
Tax Settlements to CBRF	8.4	24.7	20.0
NPR-A Royalties, Rents and Bonuses	<u>2.5</u>	<u>12.9</u>	<u>7.9</u>
Subtotal	372.7	494.2	425.1
Subtotal Oil Revenue	2,426.8	3,112.8	2,744.1

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Table 2-1. Total Governmental Revenue by Major Component, continued
\$ million

	Actual FY 2004	Projected FY 2005 FY 2006	
OTHER REVENUE (EXCEPT FEDERAL & INVESTMENT)			
<u>Unrestricted</u>			
Taxes	185.9	216.8	227.4
Charges for Services	11.1	12.0	12.0
Fines and Forfeitures	16.0	8.0	12.8
Licenses and Permits	41.8	41.0	42.0
Rents and Royalties	7.8	9.6	9.6
Other	<u>19.2</u>	<u>20.1</u>	<u>14.1</u>
Subtotal	281.8	307.5	317.9
<u>Restricted</u>			
Taxes	81.3	80.5	78.5
Charges for Services	226.0	249.5	255.9
Fines and Forfeitures	22.9	23.6	22.6
Licenses and Permits	28.7	28.7	28.7
Rents and Royalties	5.4	5.6	5.6
Other	<u>84.9</u>	<u>196.9</u>	<u>185.4</u>
Subtotal	449.2	584.8	576.7
Subtotal Other Revenue (except Federal & Investment)	731.0	892.3	894.6
FEDERAL REVENUE			
<u>Restricted</u>			
Federal Receipts	<u>1,941.0</u>	<u>3,159.2</u>	<u>2,698.7</u>
Subtotal Federal Revenue	1,941.0	3,159.2	2,698.7
INVESTMENT REVENUE			
<u>Unrestricted</u>			
Investments	9.2	19.6	25.9
Interest Paid by Others	<u>0.5</u>	<u>1.2</u>	<u>1.2</u>
Subtotal	9.7	20.8	27.1
<u>Restricted</u>			
Investments	4.0	12.1	13.7
Constitutional Budget Reserve Fund	53.2	102.5	112.2
Other Treasury Managed Funds	24.9	17.7	20.5
Alaska Permanent Fund (GASB) ⁽²⁾	<u>3,434.0</u>	<u>2,046.9</u>	<u>2,188.8</u>
Subtotal	3,516.1	2,179.2	2,335.2
Subtotal Investment Revenue	3,525.8	2,200.0	2,362.3
Grand Total	8,624.6	9,369.6	8,699.7

(2) Both realized and unrealized gains and losses are included per GASB 34 as interpreted by the Finance Division of the Department of Administration in its Comprehensive Annual Financial Report.

Figure 2-2. FY 2004 Total Revenue: Unrestricted and Restricted
\$8.6 billion

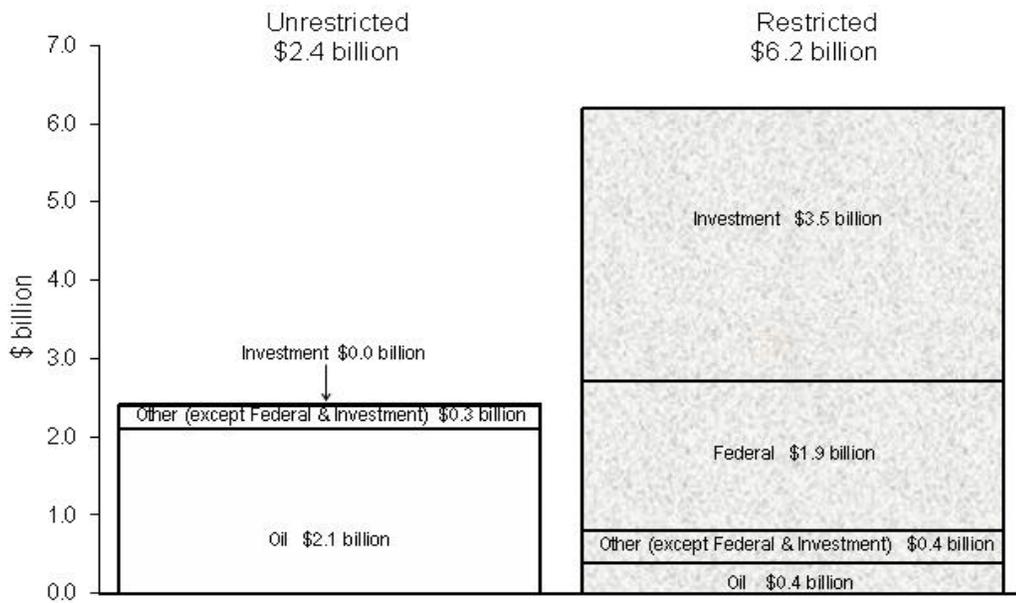


Table 2-2. Total Governmental State Revenue, Actual FY 2004 and Projected 2005-2006 Unrestricted ⁽¹⁾ and Restricted by Major Source
\$ million

	Actual	Projected	
	FY 2004	FY 2005	FY 2006
<u>Unrestricted</u>			
Oil Revenue	2,054.1	2,618.6	2,319.0
Other Revenue (except Federal & Investment)	281.8	307.5	317.9
Investment Revenue	<u>9.7</u>	<u>20.8</u>	<u>27.1</u>
Subtotal	2,345.6	2,946.9	2,664.0
<u>Restricted</u>			
Oil Revenue	372.7	494.2	425.1
Other Revenue (except Federal & Investment)	449.2	584.8	576.7
Federal Revenue	1,941.0	3,159.2	2,698.7
Investment Revenue	<u>3,516.1</u>	<u>2,179.2</u>	<u>2,335.4</u>
Subtotal	6,279.0	6,417.4	6,035.7
Grand Total	8,624.6	9,364.3	8,699.7

(1) Total unrestricted revenue as reported for AKSAS (Alaska State Accounting System) with adjustments for certain municipal sharing of statewide taxes and additional spending restrictions.

Unrestricted General Purpose Revenue

Unrestricted General Purpose Revenue is the amount generally used for budget planning purposes and is designated in budget documents as general fund revenue. The table on the next two pages sets out actual FY 2004 Unrestricted General Purpose Revenue and our projections for FY 2005 and 2006.

We forecast Unrestricted General Purpose Revenue by first estimating General Fund Unrestricted Revenue, which includes all unrestricted revenues in the Alaska State Accounting System (AKSAS), as well as certain program receipts. After consulting with the Governor's Office of Management and Budget and the legislature, we adjust our forecast of General Fund Unrestricted Revenue to derive a forecast of total Unrestricted General Purpose Revenue. Reductions include: (1) earmarking revenue for specific programs, (2) pass-through revenue for qualified regional aquaculture and dive fishery associations, and (3) revenue shared with municipal governments and organizations (e.g., fisheries taxes.) Additions include transfers from the unclaimed property trust to the state treasury.

Table 2-3. Unrestricted General Purpose Revenue, Actual FY 2004 and Projected 2005-2006
\$ million

	Actual FY 2004	Projected FY 2005 FY 2006	
<u>Oil Revenue</u>			
Property Tax	47.3	46.2	44.7
Corporate Income Tax	298.8	436.0	329.0
Production Tax			
Oil and Gas Production	642.7	791.0	773.4
Oil and Gas Hazardous Release	<u>9.2</u>	<u>8.6</u>	<u>8.6</u>
Subtotal Production Tax	651.9	799.6	782.0
Royalties			
Mineral Bonuses and Rents	10.4	19.6	15.9
Oil and Gas Royalties	1,042.8	1,314.4	1,144.4
Interest	<u>2.9</u>	<u>2.9</u>	<u>2.9</u>
Subtotal Royalties	1,056.1	1,336.9	1,163.3
Total Oil Revenue	2,054.1	2,618.6	2,319.0
<u>Other Revenue (except Federal & Investment)</u>			
Other Taxes			
Sales and Use			
Alcoholic Beverages	16.4	17.1	17.1
Cigarette	9.4	17.1	27.1
Other Tobacco Products	6.6	6.7	7.1
Insurance Premium	43.7	48.6	51.1
Electric and Telephone Cooperative	0.2	0.2	0.2
Motor Fuel	41.2	39.2	39.2
Rental Vehicle	2.7	7.4	7.4
Tire Fees	<u>0.8</u>	<u>1.6</u>	<u>1.6</u>
Subtotal	121.0	137.9	150.8
Corporate Income	39.6	53.3	53.3
Fish			
Fisheries Business	14.9	13.0	11.7
Fishery Resource Landing	<u>2.5</u>	<u>2.6</u>	<u>2.4</u>
Subtotal	17.4	15.6	14.1
Other			
Mining	3.2	6.3	6.3
Estate	2.3	1.3	0.5
Charitable Gaming	<u>2.4</u>	<u>2.4</u>	<u>2.4</u>
Subtotal	7.9	10.0	9.2
Subtotal Other Taxes	185.9	216.8	227.4

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Table 2-3. Unrestricted General Purpose Revenue, continued
\$ million

	Actual FY 2004	Projected	
		FY 2005	FY 2006
<u>Other Revenue (except Federal & Investment), cont.</u>			
Charges for Services			
General Government	8.1	9.0	9.0
Natural Resources	1.3	1.3	1.3
Other	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>
Subtotal Charges for Services	11.1	12.0	12.0
Fines and Forfeitures	16.0	8.0	12.8
Licenses and Permits			
Motor Vehicle	38.8	38.0	39.0
Other	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
Subtotal Licenses and Permits	41.8	41.0	42.0
Rents and Royalties			
Land Leasing, Rental and Sales	6.5	8.0	8.0
Coal Royalties	1.1	1.4	1.4
Cabin Rentals	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Subtotal Rents and Royalties	7.8	9.6	9.6
Other			
Miscellaneous	7.7	10.1	10.1
Unclaimed Property	<u>11.5</u>	<u>10.0</u>	<u>4.0</u>
Subtotal Other	19.2	20.1	14.1
Total Other Revenue (except Federal & Investment)	281.8	307.5	317.9
<u>Investment Revenue</u>			
Investments	9.2	19.6	25.9
Interest Paid by Others	<u>0.5</u>	<u>1.2</u>	<u>1.2</u>
Total Investment Revenue	9.7	20.8	27.1
Total Unrestricted Revenue	2,345.6	2,946.9	2,664.0

Oil Price Forecast

Oil revenue will provide at least 74% of forecasted Unrestricted General Purpose Revenue through FY 2013. Two elements are critical to the oil revenue forecast: price and volume.

All of Alaska's oil production is delivered to refineries on the U.S. West Coast (including Alaska and Hawaii). Consequently, Alaska's royalty and production tax revenue depends in large part on the average market price of Alaska North Slope crude oil (ANS) at U.S. West Coast refining centers. There is no price for Alaska oil on the New York Mercantile Exchange (NYMEX)⁽¹⁾ or other commodity exchange. However, the spot price of ANS is calculated by subtracting a market differential from the price of West Texas Intermediate (WTI) quoted on the NYMEX. Four different assessment services estimate that market differential and report a daily spot price for ANS.

Table 2-4, on the next page, contains actual oil prices for FY 2004 and the Department of Revenue's forecast of prices for the 11-year period beginning with the current fiscal year FY 2005 and continuing through FY 2015. The oil price forecast is based on a subjective assessment of market dynamics and trend analysis by participants at a Department of Revenue price scenario meeting.

Our forecast prices are higher than the average market price experienced over the 18-year period since the 1986 oil price collapse but are consistent with prices since 1999. Figure 2-3 on the next page depicts: (1) the monthly West Coast ANS market price from December 1992 through February 2005; (2) the 60-month moving average West Coast market price for the same period; (3) the derived New York Mercantile Exchange (NYMEX) crude oil futures price from March 2005; and (4) the derived NYMEX crude oil futures price from October 1998.

Figure 2-3 illustrates a number of issues with respect to oil prices including:

- The volatility of month-to-month crude oil prices. Monthly ANS West Coast prices during the pertinent time period ranged from just under \$10 per barrel to nearly \$50 per barrel.
- The average of the 60-month moving average is \$18.95 per barrel and has increased dramatically since 1999.
- The derived futures market price of March 2005 shows a downward trend.
- The derived futures market price of October 1998 shows an upward trend. The difference between the two NYMEX derived futures prices is about \$25 per barrel.

We assume that over the long-term, ANS oil prices will average \$25.50 per barrel in nominal terms. This price assumption is unchanged from our fall 2004 forecast. ANS West Coast price averaged \$29.10 per barrel from October 1999 to February 2005. We will continue to evaluate our price assumptions, with our next forecast due at the end of 2005.

(1) The NYMEX futures market is one source for a WTI quote. A daily WTI spot quote could also be determined by a reporting service's daily assessment of the WTI spot market.

Figure 2-3.
ANS West Coast and Futures Market Oil Prices

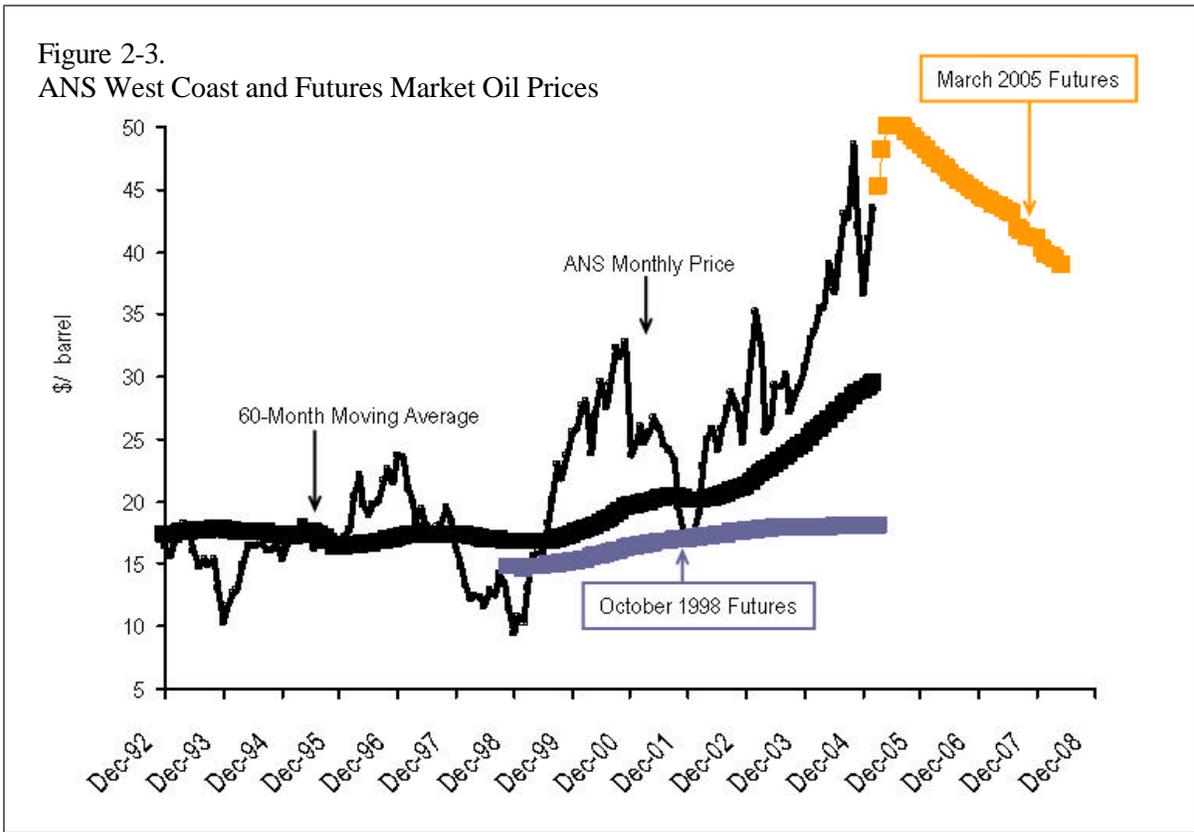


Table 2-4. Delivered Price for ANS Crude Oil
Average WTI, ANS West Coast and ANS Wellhead
\$ per barrel

Fiscal Year	WTI	ANS West Coast	ANS Wellhead
2005	45.75	41.75	36.74
2006	42.00	38.60	33.07
2007	37.10	34.30	28.66
2008	27.50	25.50	19.90
2009	27.50	25.50	19.80
2010	27.50	25.50	19.71
2011	27.50	25.50	19.51
2012	27.50	25.50	19.50
2013	27.50	25.50	19.34
2014	27.50	25.50	19.15
2015	27.50	25.50	18.90

Oil Production Forecast

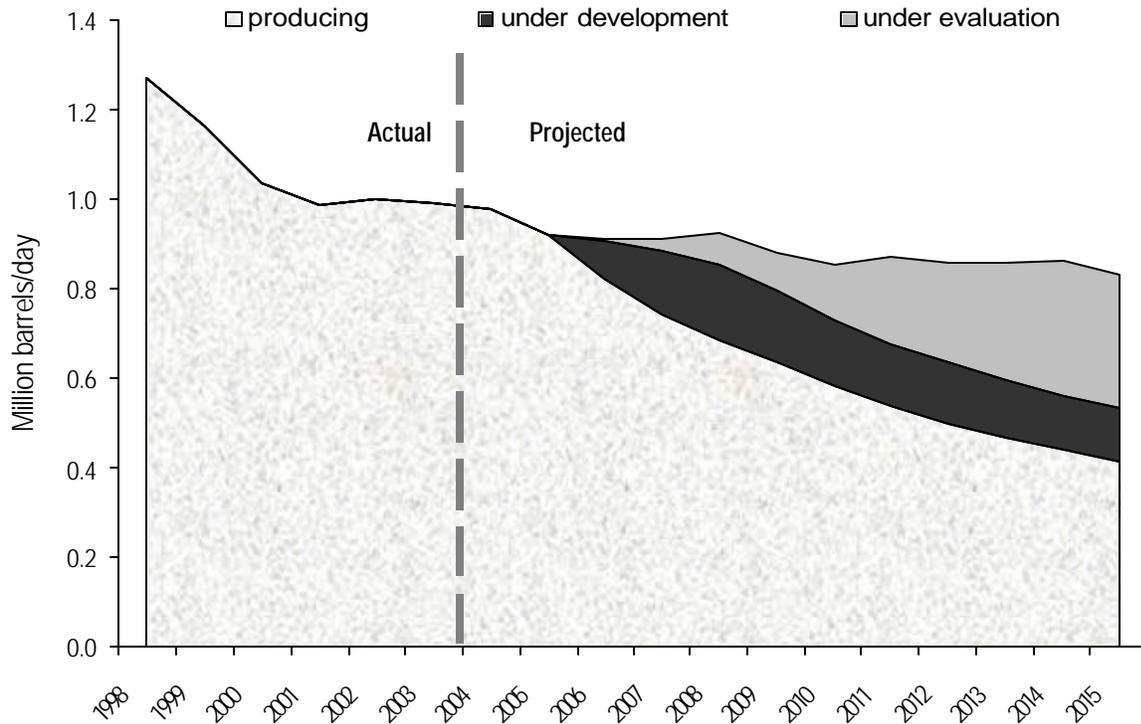
Alaska North Slope production peaked at 2.006 million barrels per day in FY 1988 and has steadily declined since. In FY 2004, ANS production averaged 0.980 million barrels per day, and we project FY 2005 production to be 0.920 million barrels per day.

Our production forecast has been revised since last fall. ANS production will continue above 0.900 million barrels per day through FY 2008 (0.921 million barrels per day), aided by new fields coming into production. We anticipate Fiord and Nanuk will add 17,000 barrels per day in FY 2007 and Liberty and the National Petroleum Reserve-Alaska (NPR-A) will add 55,000 barrels per day in FY 2011. We are also forecasting 10,000 to 20,000 barrels per day from additional known onshore and offshore fields in FY 2008 to FY 2010.

More discussion of the spring 2005 oil production forecast can be found in Section 3, Oil Revenue. Also, there is a detailed field-by-field production forecast in the appendices section.

We continue to present the ANS production forecast in three parts: (1) currently producing, (2) currently under development and (3) currently being evaluated for development. We do this so that the reader will have an understanding about the uncertainty associated with the production forecast. We continue to forecast production of those reserves that have already been discovered and at minimum are being evaluated for development. Overall, the decline in crude oil production is about 0.9% per year.

Figure 2-4. ANS Production Forecast by Category ⁽¹⁾



(1) Some of the oil forecasted in the under development and under evaluation categories are from new projects in fields currently producing.

Table 2-5. Alaska North Slope Production
millions of barrels/day

Fiscal Year	Currently Producing	Under Development	Under Evaluation	Total ANS
2005	0.920	0.000	0.000	0.920
2006	0.821	0.084	0.006	0.911
2007	0.742	0.142	0.027	0.911
2008	0.688	0.167	0.067	0.922
2009	0.633	0.162	0.086	0.881
2010	0.580	0.151	0.122	0.853
2011	0.537	0.142	0.191	0.870
2012	0.499	0.135	0.222	0.856
2013	0.468	0.128	0.260	0.856
2014	0.440	0.122	0.300	0.862
2015	0.417	0.116	0.300	0.833

New Oil Development

As production from the Prudhoe Bay and Kuparuk fields continues to decline, some of the decline will be offset by new oil development. In our reference-case forecast, new oil is defined as crude already discovered and under evaluation or under development. By FY 2008, as the table and figure below show, one-fourth of our forecasted oil production will come from projects requiring significant new investment.

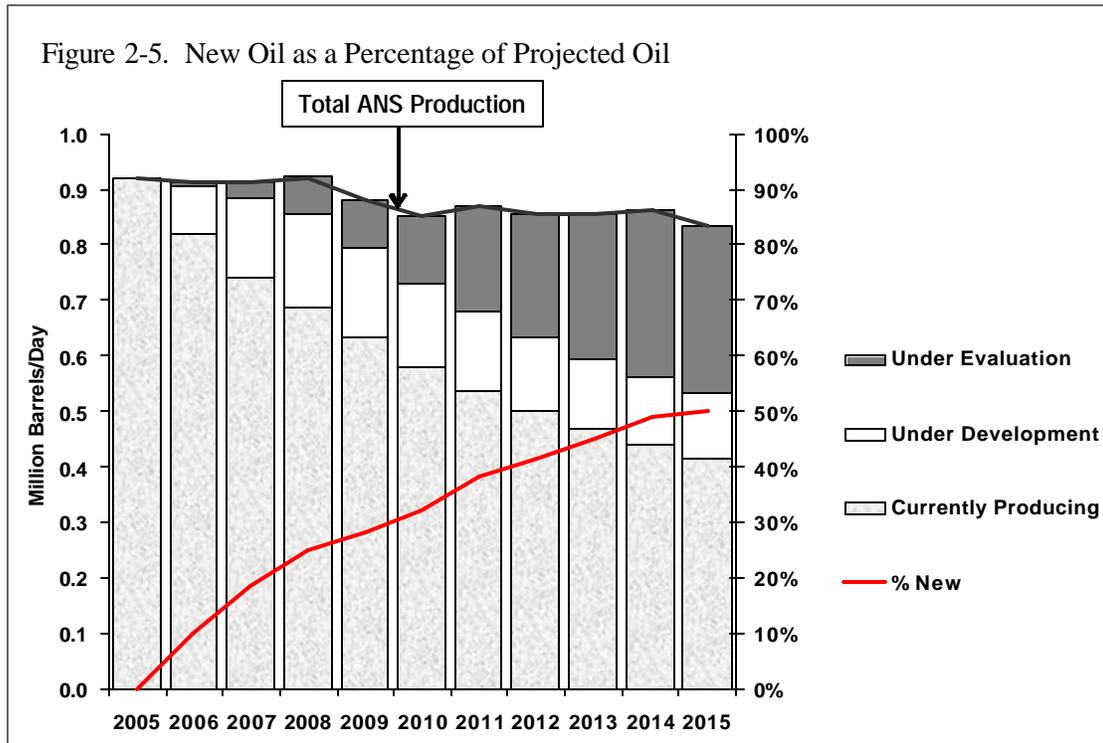


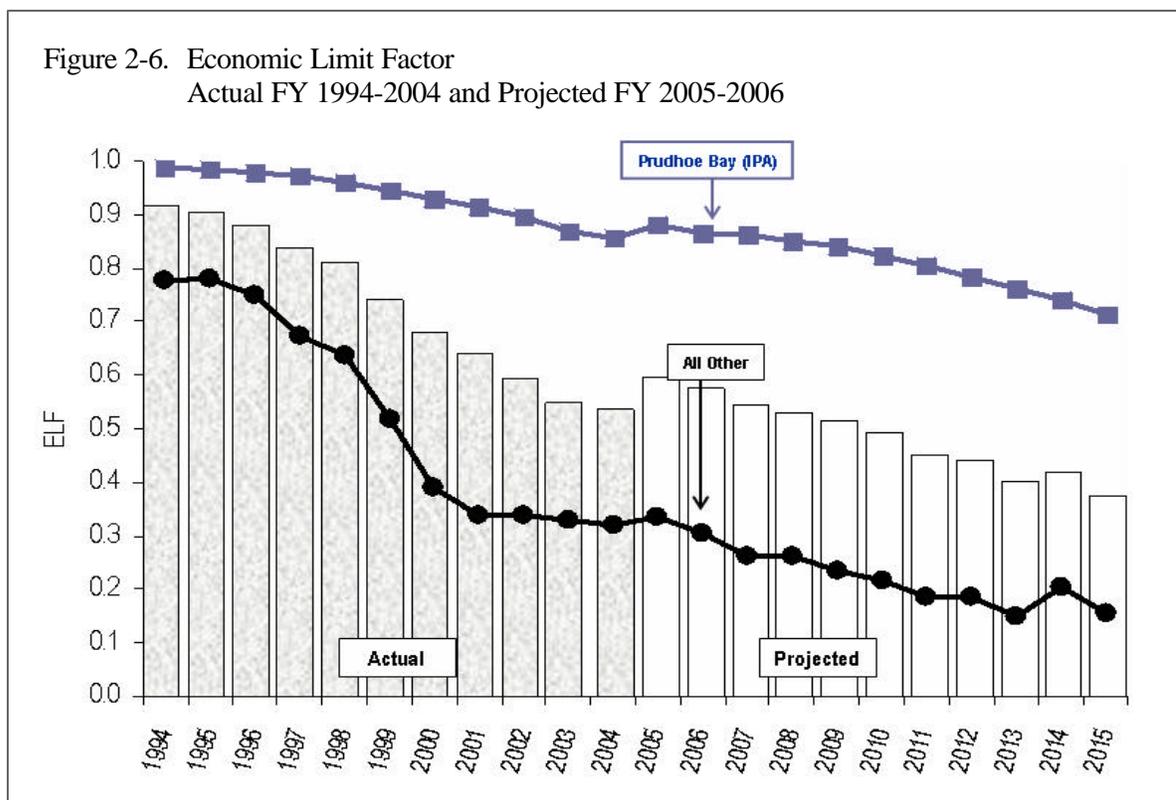
Table 2-6. New Oil as a Percentage of Total Oil
millions of barrels/day

Fiscal Year	Total New Oil	ANS Total	Percent New Oil
2005	0.000	0.920	0.0%
2006	0.090	0.911	9.9%
2007	0.169	0.911	18.6%
2008	0.233	0.922	25.3%
2009	0.248	0.881	28.1%
2010	0.274	0.853	32.1%
2011	0.334	0.870	38.3%
2012	0.357	0.856	41.7%
2013	0.388	0.856	45.3%
2014	0.422	0.862	48.9%
2015	0.416	0.833	50.0%

Economic Limit Factor

The average production tax rate on the North Slope has been falling as the result of the tax adjustment known as the Economic Limit Factor (ELF). The ELF is a factor that results in an effective tax rate that is lower than the tax rate on a producing lease or property based on the average rate of production and the average per-well productivity from that field.⁽¹⁾ Since oil production rates and well productivity decline over time as an oil field is being depleted, the average production tax rate will fall as well. Further, the ELF reduces the tax rate on smaller oil fields such that most fields producing less than 20,000 barrels per day will pay little or no production tax.

An ever smaller percentage of Alaska's current and projected North Slope oil production will continue to come from old, declining fields, while new production will come from small fields. Therefore, in general, the average tax rate will continue to fall. The average effective oil production tax rate for North Slope production in FY 1994 was 13.5%; we project it will average 7.6% for FY 2005.



The figure above illustrates the actual weighted average ELF for North Slope oil production since 1994 and our projections of that weighted average through FY 2015. The increase in 2005 reflects the effect of the department's January 12, 2005, decision to aggregate seven fields in the Prudhoe Bay Unit for purposes of calculating the ELF which is discussed more fully in the "Oil Revenue" section.

The ELF of the Prudhoe Bay Initial Participating Area (IPA) is also shown, as well as the average ELF for all of the other North Slope Fields. The increase in the other fields average ELF in FY 2014 represents the impact of the assumed startup of Point Thomson production.

(1) The nominal production tax rate is 15% except during a field's first five years of production, when it is 12.25%.

Longer-Term Unrestricted Revenue Outlook

Using the price and volume components developed for this spring 2005 forecast, the table below summarizes the department's forecast of total Unrestricted General Purpose Revenue through FY 2015.

**Table 2-7. Total Unrestricted General Purpose Revenue
Actual FY 2004 and Projected FY 2005-2015
\$ million**

Fiscal Year	Unrestricted Oil Revenue	Unrestricted Other (except Federal & Investment Revenue)	Unrestricted Investment Revenue	Total Unrestricted Revenue	Percent from Oil
2004	2,054.1	281.8	9.7	2,345.6	87
2005	2,618.6	307.5	20.8	2,946.9	89
2006	2,319.0	317.9	27.1	2,664.0	87
2007	1,936.4	324.2	27.1	2,287.7	85
2008	1,422.8	329.6	27.1	1,779.5	80
2009	1,327.0	330.4	27.1	1,684.4	79
2010	1,257.2	331.5	27.1	1,615.8	78
2011	1,183.8	332.4	27.1	1,543.3	77
2012	1,119.6	333.6	27.1	1,480.3	76
2013	1,053.8	334.8	27.1	1,415.7	74
2014	1,056.0	335.7	27.1	1,418.9	74
2015	991.1	336.7	27.1	1,354.9	73

Budget Gap and the Constitutional Budget Reserve

The table below reflects the amount needed to make up the difference between the Department of Revenue's forecast of Unrestricted General Purpose Revenue and the annual General Fund budget, shown here as a flat \$2,665 million (the Governor's proposed budget for FY 2006) for all operating, capital, debt service and lease payments.⁽¹⁾

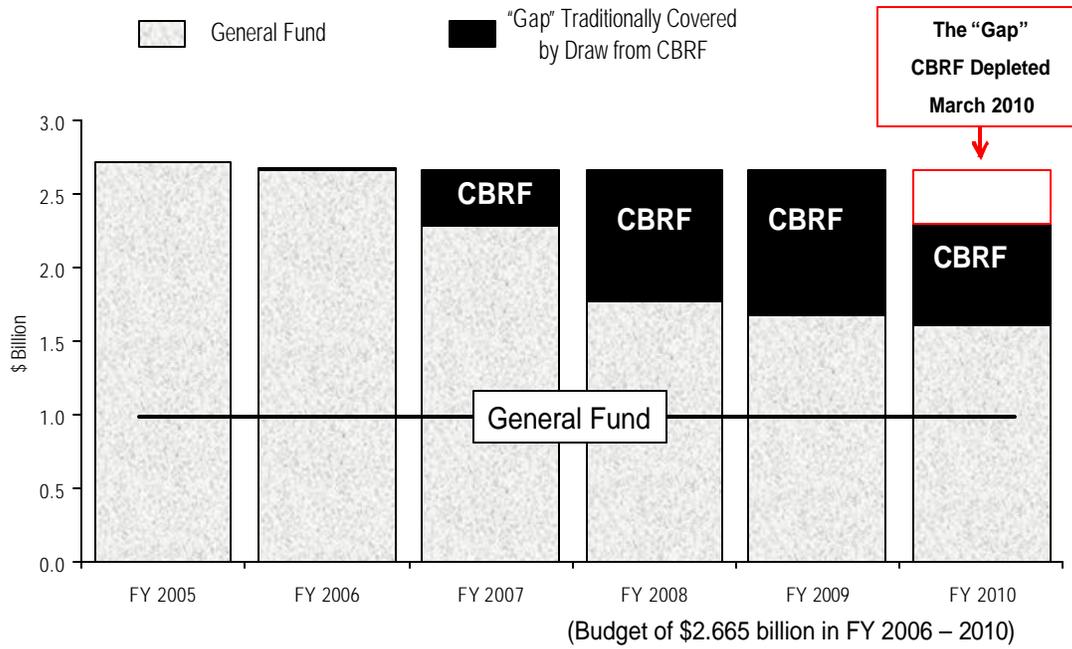
Table 2-8. Difference Between Unrestricted General Purpose Revenue and General Fund Budget: "The Gap" ⁽¹⁾
\$ million

Fiscal Year	Total Unrestricted General Purpose Revenue	General Fund Appropriation	"The Gap"
Actual 2004	2,345.6	2,319.1	26.5
2005	2,946.9	2,720.5	226.4
2006	2,664.0	2,665.0	(1.0)
2007	2,287.7	2,665.0	(377.3)
2008	1,779.5	2,665.0	(885.5)
2009	1,684.4	2,665.0	(980.6)
2010	1,615.8	2,665.0	(1,049.2)
2011	1,543.3	2,665.0	(1,121.7)
2012	1,480.3	2,665.0	(1,184.7)
2013	1,415.7	2,665.0	(1,249.3)
2014	1,418.9	2,665.0	(1,246.1)
2015	1,354.9	2,665.0	(1,310.1)

(1) The Fiscal Year 2005 appropriation of \$2,720.5 includes the Governor's proposal to spend \$238.9 million in FY 2005 revenue to advance pay some FY 2006 and FY 2007 obligations. Without these proposals the FY 2005 surplus would be \$465.3 million. The FY 2006-2015 budget of \$2,665 million is simply a reference point for analysis. Any budget estimate used to determine "The Gap" will have its detractors — some will contend spending should be cut, while others will argue just as strongly that spending should be increased to reflect inflation and population growth.

(1) Proposed general appropriation numbers are from the Office of the Governor, Management and Budget.

Figure 2-7. Spending Gap Traditionally Covered by Draw from CBRF
 FY 2005-2010 ⁽¹⁾



(1) CBRF draws: FY 2006 of \$1.0 million; FY 2007, \$377.3 million; FY 2008, \$885.5 million; FY 2009, \$980.6 million; FY 2010, depleted in March 2010 after a \$680 million draw.

Table 2-9. When Would the CBRF Be Gone? ⁽¹⁾

Annual State Budget	Spring 2005 Forecast	State Spending and Oil Price Variables				
		\$20/bbl	\$25/bbl	\$30/bbl	\$35/bbl	\$40/bbl
\$2.4 billion	Nov-2011	Feb-2008	Jul-2009	Mar-2012	Nov-2016	Dec-2020
\$2.5 billion	Feb-2011	Nov-2007	Dec-2008	Feb-2011	Jan-2015	Dec-2020
\$2.6 billion	Jun-2010	Sep-2007	Aug-2008	Apr-2010	Jun-2013	Jun-2018
\$2.7 billion	Dec-2009	Jun-2007	Mar-2008	Aug-2009	Mar-2012	Jul-2016
\$2.8 billion	Jul-2009	May-2007	Dec-2007	Feb-2009	Mar-2011	Nov-2014

(1) Department of Revenue spring 2005 forecast, Fiscal Driver Model of Oil Revenue and CBRF Performance. FY 2005 deposits to the CBRF are not included. Matrix budget and price starts in FY 2006. The department's spring 2005 ANS price projection of \$38.60/bbl is used for FY 2006, \$34.30/bbl for FY 2007 and \$25.50/bbl for FY 2008-beyond.

As approved by voters in 1990, all receipts from oil and gas tax and royalty settlements are deposited into the Constitutional Budget Reserve Fund (CBRF). The state has deposited about \$5.6 billion into the reserve fund, generating about \$1.6 billion in investment earnings. For 10 of the past 13 years, the state has relied on the CBRF to fill the difference between unrestricted revenue and the annual state budget. Through February 28, 2005, approximately \$5.1 billion had been withdrawn from the CBRF to balance the budget, leaving a balance of \$2.2 billion.

Table 2-9 reflects the CBRF depletion matrix and the time period the fund could continue to make up the difference between Unrestricted General Purpose Revenue and the General Fund budget at various oil prices and budget levels. For example, assuming no change in the state's fiscal system, and if we are correct in our oil price forecast and if we assume a flat total General Fund budget of \$2,665 million per year, the CBRF will be exhausted in March 2010. We assume no deposits of the projected FY 2005 surplus into the CBRF.

3. Oil Revenue

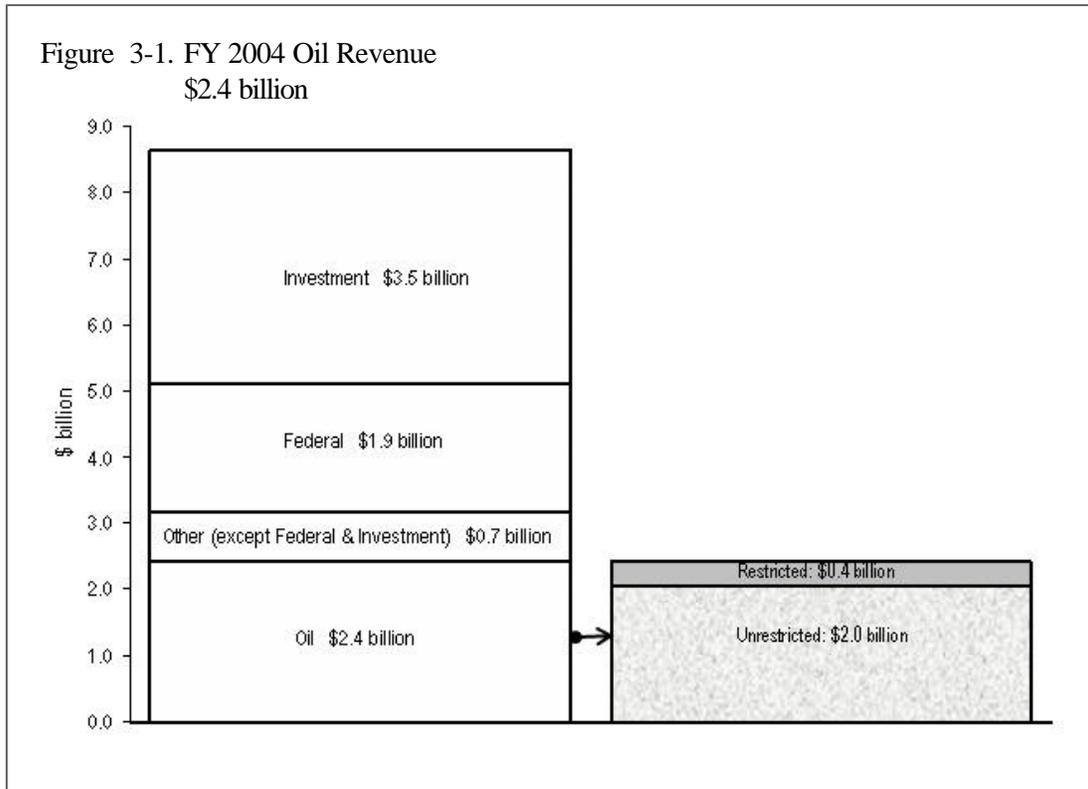


Table 3-1. Total Oil Revenue
Actual FY 2004 and Projected FY 2005-2006
\$ million

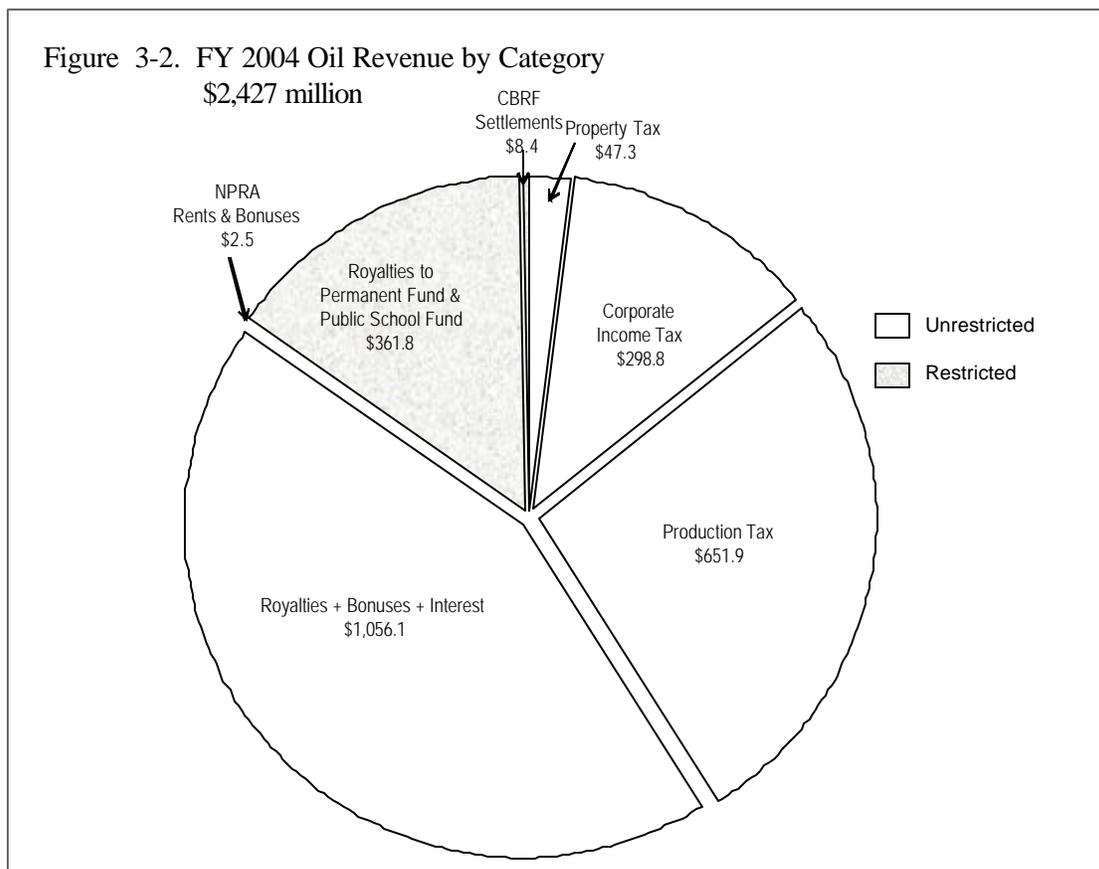
	Actual FY 2004	Projected	
		FY 2005	FY 2006
<u>Unrestricted</u>			
Property Taxes	47.3	46.2	44.7
Corporate Income Taxes	298.8	436.0	329.0
Production Taxes	651.9	799.6	782.0
Royalties (including Bonuses and Interest)	<u>1,056.1</u>	<u>1,336.9</u>	<u>1,163.3</u>
Total Unrestricted	2,054.1	2,618.6	2,319.0
<u>Restricted</u>			
Royalties to Permanent Fund and School Fund	361.8	456.6	397.2
Tax Settlements to CBRF	8.4	24.7	20.0
NPR-A Royalties, Rents and Bonuses	<u>2.5</u>	<u>12.9</u>	<u>7.9</u>
Total Restricted	372.7	494.2	425.1
Total Oil Revenue	2,426.8	3,112.8	2,744.1

General Discussion

The state receives oil and gas revenue from four sources: oil and gas production tax, property tax, royalties and corporate income tax. The bulk of the revenue goes into the General Fund for general purpose spending. Of the royalties, 25% goes into the principal of the Alaska Permanent Fund and 0.5% goes into the Public School Trust Fund. There also are two other funds that receive specific oil and gas revenues: the state's share of all lease bonuses from the National Petroleum Reserve-Alaska (NPR-A) goes into the NPR-A Fund ⁽¹⁾, and settlements of tax and royalty disputes between the state and oil and gas producers go into the Constitutional Budget Reserve Fund (CBRF).

The figure below shows the actual amount of each tax and royalty source in FY 2004.

As can be seen from the figure, royalties and the production tax constitute the largest part of oil revenue — both restricted and unrestricted. This section begins with a discussion of these two revenue sources, both of which are driven by price and volume. We then review the price forecasting methodology that underlies this biannual report, as well as explore how market prices determine wellhead value. We also review our production forecast, and close this section with a discussion of oil and gas property taxes, oil and gas corporate income taxes and the restricted portions of oil revenue.



(1) This fund implements a federal requirement that the state use its share of NPR-A oil revenue to satisfy the needs of local communities most affected by development in the NPR-A. For detailed information on this fund, see Section XII-P of Treasury's Investment Policies and Procedures Manual.

Unrestricted Oil Revenue

Table 3-2 . Unrestricted Oil Revenue Projections
Actual FY 2004 and Projected FY 2005-2015
\$ million

Fiscal Year	Property Tax	Corporate Income Tax	Production Tax	Royalties ⁽²⁾	Total Oil
2004	47.3	298.8	651.9	1,056.1	2,054.1
2005	46.2	436.0	799.6	1,336.9	2,618.6
2006	44.7	329.0	782.0	1,163.3	2,319.0
2007	42.9	237.0	651.8	1,004.6	1,936.4
2008	41.4	182.0	499.9	699.4	1,422.8
2009	40.6	162.0	464.0	660.3	1,327.0
2010	39.4	155.0	433.0	629.8	1,257.2
2011	37.7	153.0	392.6	600.5	1,183.8
2012	36.2	152.0	358.5	572.9	1,119.6
2013	35.5	151.0	323.0	556.7	1,066.3
2014	34.7	152.0	327.2	549.7	1,063.7
2015	33.8	149.0	291.1	524.1	997.9

(1) Includes bonuses and interest.

Oil and Gas Production Taxes

All oil and gas production in Alaska — except the federal and state royalty share — is subject to the state's production taxes. The taxes consist of the oil and gas production tax and a hazardous release surcharge levied only on oil. All of these taxes are collected on a monthly basis.

Oil Production Tax

The tax rate for oil depends on the age of the field and the Economic Limit Factor (ELF). The ELF depends on total daily oil production and average daily per well production from each producing field.

The statutory production tax rate on oil is 12.25% of its value at the point of production for the first five years of field production and 15% thereafter. There is a minimum tax of 80 cents per taxable barrel.

The effective tax rate is calculated by multiplying the statutory tax rate, even if it is the minimum 80 cents per barrel, times the ELF. The ELF formula for oil production is:

$$ELF = \left[1 - \frac{(300 \times \text{wells})}{\text{volume}} \right]^{\left[\frac{(150,000)}{\text{volume}} \right]^{1.53333}}$$

"wells" is the number of producing wells in the field; "volume" is the total daily production for the field

The ELF formula results in lower effective tax rates for smaller, low-production fields and higher tax rates for larger, highly productive fields. There is a unique ELF for every combination of total daily field production and average daily per well production.

A quick examination of this formula will reveal that the ELF is very sensitive to the total volume. Under the law, if there is economic interdependence between fields, the department has the discretion to aggregate those fields for purposes of the ELF calculation. That is, the volumes from more than one field end up in a single ELF calculation. That calculation will produce an ELF (and tax) for all the combined fields that is higher than if the ELF were calculated separately for each field (provided there is no extraordinary discrepancy in the per well productivity rates.)

The department recently aggregated seven fields in the Prudhoe Bay Unit. The decision to aggregate focused on, among other things, the increasing interdependence found in the engineering and operation of the fields. As of March 2005, Prudhoe Bay taxpayers had appealed the decision.

The taxable value of oil is determined by deducting allowable marine and pipeline transportation costs from the destination value of the oil at its disposition point. This point is defined as either a third-party sale or delivery to the producer's own refinery. The destination value for most dispositions is tied by regulation to the West Coast spot price of ANS crude oil.

Natural Gas Production Tax

The statutory production tax rate on natural gas is 10% of its value at the point of production, regardless of the age of the field. There is a minimum tax of 6.4 cents per thousand cubic feet.

To calculate the effective tax rate, multiply the statutory tax rate, even if it is the minimum 6.4 cents per thousand cubic feet, by the ELF. The ELF formula for natural gas production is:

$$\text{ELF} = 1 - (3000/\text{PPW})$$

PPW = average gas production per well per day from the field in thousand cubic feet

If the average daily per well gas production from a field is less than 3,000 cubic feet, the ELF is zero and no gas production taxes are assessed.

The taxable value of natural gas depends on the location of its disposition and its use. For Cook Inlet production, the value for gas sent to Japan as LNG is based on the sales price in Japan less marine, processing and pipeline costs; the value for sales to the Nikiski fertilizer plant is indexed to the current market price of anhydrous ammonia; the value for sales for local use is based on the average sales price for the contracts in effect each month.

Hazardous Release Surcharge

This tax was enacted following the 1989 grounding of the Exxon Valdez to provide an emergency fund to deal with hazardous substance spills.

The surcharge is comprised of two components: (1) a 3 cents per barrel charge on all oil production, except federal and state royalty barrels, and (2) an additional 2 cents per barrel charge on all oil production except federal and state royalty barrels whenever the balance in the state Oil and Hazardous Substance Release Prevention and Response Fund falls below \$50 million. The balance of the fund was \$50 million or greater for all of FY 2004, so the surcharge was 3 cents per barrel for the entire fiscal year.

Oil Royalties

Almost all Alaska oil and gas production occurs on state lands leased for exploration and development. As the land owner, the state earns revenue from leasing as: (1) upfront bonuses, (2) annual rent charges and (3) a retained royalty interest in oil and gas production.

Generally, the state issues leases based on a competitive bonus bid system. It has always retained a royalty interest of at least 12.5%. The vast majority of current production is from leases that carry that rate. Some currently producing leases carry rates as high as 20%, and some leases also have a net profit-share production agreement.

State oil and gas leases provide that the state may take its oil royalty in barrels (in-kind) or as a percentage of the production value (in-value). In 2004, the state took approximately 63,600 barrels per day of North Slope production in-kind and sold it to the Williams Alaska Petroleum Company and its successor, Flint Hills Resources, for their refinery in North Pole. The state's royalty share of Alaska North Slope production amounts to about 125,000 barrels per day.

The royalty oil taken in-value is valued according to a formula using a market basket of spot crude oil prices closely approximating the ANS West Coast spot price of oil less a transportation allowance back to the lease.

Oil Production Revenue Forecasting Methodology and Assumptions

The forecasted value of the state's anticipated oil production is based on projections of the destination market price of oil and the cost of shipping oil by pipeline and tanker to market. The forecast is the product of a formal oil price scenario meeting that includes state economists and financial professionals from the Department of Revenue, Department of Natural Resources, Department of Labor, the Governor's Office of Management and Budget and the University of Alaska.

To develop a production volume forecast, the Department of Revenue uses an engineering consultant in conjunction with assistance from the Alaska Department of Natural Resources and the Alaska Oil and Gas Conservation Commission. This production volume forecast is developed from estimates of oil and gas production by field.

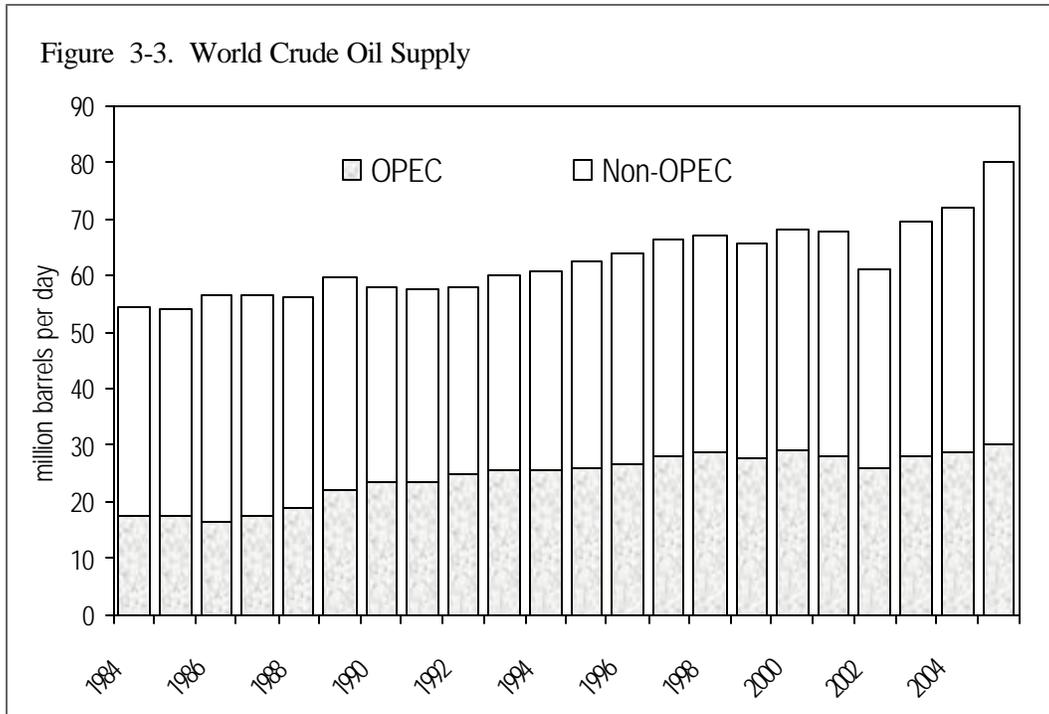
Oil Price Forecast

High oil prices have continued since our last forecast. Worldwide demand has grown at such a rapid pace that almost all available spare production capacity is being utilized. This has happened in a world that is increasingly concerned about both security of supply from the Middle East and sufficiency of excess capacity to meet any potential interruptions of supply.

Review of What Has Happened Since the Fall Revenue Forecast

- According to the International Energy Agency (IEA), oil consumption grew about 2.7 million barrels per day or 3.4% in 2004. China's consumption increased 0.86 million barrels per day or 15.6% (China's 2004 increase represented 32% of the global increase). Oil consumption worldwide is forecast to increase 1.5 million barrels per day or 1.8% in 2005.
- The IEA estimated countries that are not members of the Organization of the Petroleum Exporting Countries (OPEC) saw their production increase in 2004 by about 1.0 million barrels per day or 2.1% over 2003 totals. Forecasts for 2005 project an increase of about 0.9 million barrels per day or about 1.8%. Increases in the former Soviet Union, Latin America and West Africa account for virtually all of the increase.

▪ The IEA also estimated that the nations of OPEC (including Iraq) produced an average of 33.0 million barrels per day of crude oil and natural gas liquids in 2004. This is an increase of about 2.3 million barrels per day or 7.6% over their 2003 totals. The OPEC countries were the residual supplier using most of their spare capacity to provide the world oil that was consumed or stored as inventories.



▪ World economic growth continues and is the stimulus for increases in world oil demand. This occurs at a time when the U.S. dollar is depressed in value relative to other major world currencies. Since oil is priced in dollars, the effect of a weak U.S. dollar is that the high oil prices are much lower in foreign countries when denominated in their home country currency. This means the demand for oil in foreign markets is not being dampened as much as would be expected if the U.S. dollar exchange rate had not varied over the last several years. In addition, OPEC nations import a significant portion of their trade in Euros and Yen, so they have little motivation to see a decline in oil prices. In fact, during January the OPEC Secretariat officially stopped using the \$20 to \$28 price band as their goal for oil prices. All this occurs against a backdrop of topics that amplify uncertainty such as the insurgency in Iraq, political developments in Russia and Kazakhstan, refinery explosions, colder weather in certain parts of the world and a host of other issues.

Short-Term Oil Price Forecast

Oil prices continue at high levels, though history suggests at some point there will be a downward correction. Given the state of market fundamentals, however, prices could temporarily go higher. Meanwhile, high oil prices could sow the seeds for lower oil prices as both supply and demand responses occur. Looking ahead 30 months, we have put together two oil price scenarios. The low-price scenario assumes factors that push down prices. Accordingly, the high-price scenario is the opposite. The components of each scenario are in the table on the next page.

Table 3-3. Spring 2005 Oil Price Scenarios

Low-Price Factors

- China's internal economic growth slows as does its export growth.
- U.S. and emerging Asia nations' economies slow more than anticipated in response to higher oil prices.
- OPEC is able to increase production capacity more rapidly than anticipated and it decides to increase production.
- The political unrest in Iraq continues but other Middle Eastern nations move towards greater democracy and peace – which has a calming effect on the oil markets.
- Investments in the Former Soviet Union, Africa and Canada add to worldwide production.

High-Price Factors

- The political unrest in the Middle East continues and periodically results in disruptions in production and shipments of oil to global markets.
- China's remarkable economic growth continues.
- Production increases by OPEC and non-OPEC suppliers are not able to keep pace with continued robust consumption growth.

Organization of Petroleum Exporting Countries

As the Spring Resources Source Book is being prepared, OPEC is about to begin its 135th meeting in Isfahan, Iran. Against this backdrop the International Monetary Fund (IMF) is reportedly calling for the members of OPEC to increase their crude oil production capacity by 3 to 5 million barrels per day in response to the high oil prices. The IMF is concerned that high oil prices will dampen world economic growth. In its World Economic Outlook (scheduled to be released in the spring) the IMF warns that the oil market is exposed to a “significant upside price risk” and is “highly vulnerable” to a crisis as low spare production capacity does not provide a cushion to absorb unexpected supply or demand shocks. Reports by the press reveal that nations belonging to OPEC are planning to discuss a proposal at their upcoming meeting that would raise their production quotas by 500,000 barrels per day. This is largely symbolic as the nations of OPEC are already producing 700,000 barrels per day above their quota. In addition, the President of OPEC has stated that crude oil markets are well-supplied as global crude stocks have increased and now stand above their five-year average.

The bigger issue is one of crude oil production capacity and the amount of spare capacity the OPEC nations have, and plan to have in the future. From a long run perspective, the OPEC nations in the Middle East (Iran, Iraq, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates) most likely have enough reserves to increase their production capacity by 3.0 to 5.0 million barrels per day. The question is when the spare crude oil production capacity will materialize. Saudi Arabia, Kuwait and the United Arab Emirates are on track to add about 1.6 million barrels per day of crude oil production capacity during the next year. While Iran and Iraq certainly have the crude oil reserves, it is not clear if they have the political will or the finances to expand their crude oil production capacity. In fact, with violence continuing in Iraq, it is difficult to see a time when crude oil production capacity can be expanded significantly – in spite of the significant resources that have not been developed. In Iran, the embargo by the United States, political divisiveness domestically and inconsistencies by the Oil Ministry have made capital scarce which hampers the ability of Iran to expand its crude oil production capacity.

Therefore, outside of Saudi Arabia, Kuwait and the United Arab Emirates, the only OPEC nation likely to add meaningful crude oil production capacity is Venezuela. In Venezuela, crude oil production capacity is currently listed at 3.1 million barrels per day; however, industry observers believe the real capacity is closer to 2.8 million barrels per day. Domestic political matters have hampered efficient execution to increase crude oil production capacity and efforts to increase tax revenues have lead to the major oil companies scrambling to access the heavy crude oil reserves in the Orinoco Belt. These developments may be viewed as medium to long term, and therefore would not significantly impact the current world oil balance.

Current ANS Oil Market Situation

Alaska North Slope prices for FY 2005 have been at historic levels, averaging \$41.50 per barrel from June 2004 to February 2005. The price of benchmark West Texas Intermediate (WTI) has averaged \$45.50 per barrel, implying an average discount for ANS of about \$4 per barrel. The WTI differential widened to \$6.46 per barrel in November 2004, reflecting the surge of Middle East sour crudes and the disruption of production of benchmark WTI (a light sweet crude oil) due to Hurricane Ivan. The current ANS-WTI spread has narrowed to \$3.95 per barrel.

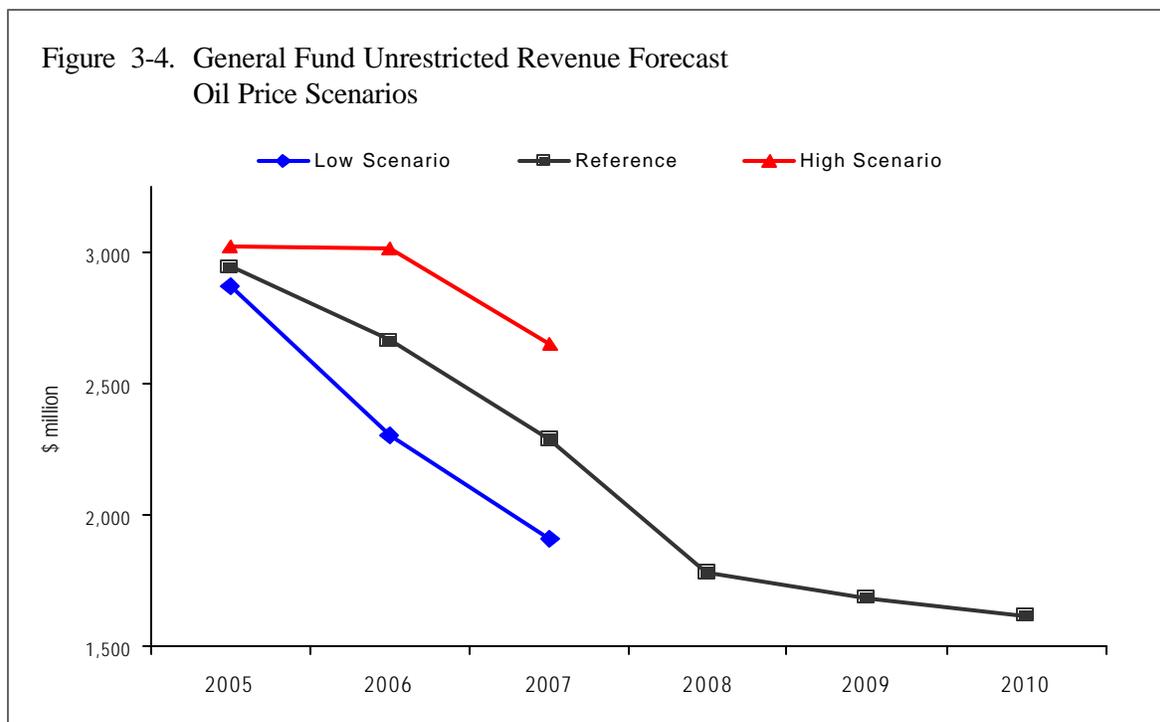
ANS prices track the OPEC price basket of internationally traded crude oils and tend to be priced higher than the basket. The OPEC basket is the benchmark that OPEC uses to gauge prices for the organization. Since January 2000, the average ANS price has been \$1.40 per barrel higher than the average OPEC basket price. ANS typically sells in direct competition with other waterborne crude oils from Latin America, Asia and the Middle East for delivery to U.S. West Coast refiners in Washington, California and Hawaii.

Prices Over the Longer Term

The annual price for ANS sank to all-time low of \$12.73 per barrel in FY 1999. Between 1999 and 2003, the annual price of ANS varied between \$21.78 and \$28.15 per barrel. There has been a dramatic change since August 2004 as ANS monthly prices have been closer to \$40 per barrel and October 2004 witnessed a monthly average of \$48.31 per month. Through the first three weeks of March 2005, ANS has averaged over \$50 per barrel. Strong growth in worldwide demand, especially in China and developing countries, is cited as the reason for the current high oil prices. Supply disruptions caused by weather-related events, political insecurity and changing economic environments (in the Middle East, Venezuela, Nigeria and the Former Soviet Union) have also supported oil price increases. The future path of ANS price is certainly unclear.

Last fall, we increased our assumption for ANS oil prices over the longer term (FY 2008 on) to \$25.50 per barrel. We did not change that long-term price assumption in this forecast; however, we anticipate that oil prices will continue to exhibit volatility. In any given year, certainly, they could be higher or lower than \$25.50 per barrel.

For now, we assume global economic growth will remain strong and that oil and gas will continue to be a competitive energy resource. Due to the high price environment, we feel that OPEC and non-OPEC oil-producing countries will continue to explore increased production possibilities. We will re-examine our long-term price estimates in the fall.



**Table 3-4. Oil Price and General Fund Unrestricted Revenue
Reference Case Compared to Low and High Oil Price Scenarios**

FY	Low Case		Reference Case		High Case	
	\$/ barrel	\$million	\$/barrel	\$million	\$/barrel	\$million
2005	40.60	2,870.4	41.75	2,946.8	42.90	3,022.9
2006	33.15	2,304.5	38.60	2,664.0	44.00	3,020.1
2007	28.50	1,912.6	34.30	2,287.7	40.00	2,656.3
2008			25.50	1,779.5		
2009			25.50	1,684.4		
2010			25.50	1,615.8		
2011			25.50	1,543.3		
2012			25.50	1,480.3		
2013			25.50	1,415.7		
2014			25.50	1,418.9		
2015			25.50	1,354.9		

Other Transportation and Production Costs

Transportation Costs

The mandated replacement of vessels without double hulls with new, more expensive double-hulled vessels, and the continued use of smaller qualified vessels to replace larger vessels retired by compliance with the Federal Pollution Act of 1990 is likely to increase transportation costs in the future.

Trans-Alaska Pipeline System (TAPS) Tariffs

The TAPS tariff is determined according to the TAPS Settlement Methodology, a rate-making method approved by the Federal Energy Regulatory Commission that allows the TAPS owners to recover their costs, including an allowance for profit. Under the agreement, future tariffs will be determined by operating cost trends, the production rate and inflation. Preliminary negotiations between the state and pipeline owners have already started to revisit the TAPS Settlement Method, which is scheduled to expire December 31, 2011.

TAPS tariffs are filed on a calendar year basis, with new tariffs taking effect January 1 each year. The tariff filing for calendar year 2005 is \$3.71 per barrel. The spring 2005 forecast assumptions on the table on the next page contains projected tariffs for fiscal year 2005-2015.

Feeder Pipeline and Other Adjustments

Additional transportation costs are also incurred to move the various crude oils that comprise ANS from North Slope production fields to Pump Station No. 1 of the Trans-Alaska Pipeline System. These include both feeder pipeline charges and other cost adjustments to account for the different qualities of oil entering the North Slope pipelines as well as market-location differentials for in-state sales. See Table 3-5.

Wellhead Price

The combination of ANS wellhead value and production volume by field form the basis for both state production taxes and royalties. The wellhead value by field is calculated by subtracting the relevant marine transportation and pipeline tariff costs (as well as adjustments for North Slope feeder pipelines and pipeline quality bank) from the appropriate destination value. The table on the next page reflects this calculation for FY 2005-2015.

**Table 3-5. Spring 2005 Forecast Assumptions
\$ per barrel**

Fiscal Year	Price	ANS Transportation	TAPS Tariff	Feeder Pipeline & Other	
				Adjustments ⁽¹⁾	ANS Wellhead
2005 ⁽²⁾	41.75	1.72	3.25	0.04	36.74
2006	38.60	1.76	3.60	0.16	33.07
2007	34.30	1.81	3.61	0.21	28.66
2008	25.50	1.86	3.46	0.27	19.90
2009	25.50	1.91	3.50	0.28	19.80
2010	25.50	1.96	3.51	0.32	19.71
2011	25.50	2.01	3.55	0.43	19.51
2012	25.50	2.06	3.45	0.49	19.50
2013	25.50	2.11	3.52	0.52	19.34
2014	25.50	2.16	3.63	0.55	19.15
2015	25.50	2.21	3.81	0.57	18.90

(1) Other adjustments include quality bank charges, location differentials and amended information.

(2) FY 2005 includes reported information through January 2005.

Oil Production

For the spring 2005 forecast review we continue to make adjustments to our production expectations from the North Slope. In the near term, we have incorporated revised reservoir performance analysis on declining fields, reviewed the uncertainty associated with the pace and scope of developing satellite fields and re-evaluated unplanned downtime at all fields, resulting in a net reduction, on average, of about 20,000 barrels per day over the next five years. We now forecast ANS production to average about 910,000 barrels per day for FY 2005 through FY 2009.

We characterize North Slope production three ways, each with discreet confidence levels: (1) currently producing, (2) currently under development and (3) currently under evaluation. We do this so that the reader will have an understanding about the uncertainty associated with the production forecast. We continue to forecast production of only those reserves that have already been discovered and at minimum are being evaluated for development.

Currently Producing

Production characterized as “currently producing” includes baseline production and presumes a continued level of expenditure sufficient to promote safe, environmentally sound operations. Such expenditures include the following: well diagnostic and remedial work, data acquisition, rate enhancing expenditures such as perforating, acid stimulation, well workovers, fracture treatments, artificial lift optimization and production profile optimization. This category of production also presumes continued gas and water injection for pressure support. Based on historical forecasting performance, we assign a 98% confidence level for the current fiscal year.

Currently Under Development

Production characterized as “currently under development” is based on new projects currently funded and in the design/construction phase, as well as development drilling and enhanced oil recovery (miscible or immiscible injection) projects currently funded or underway, but not included in the “currently producing” category. It also includes incremental oil expected from the long-term gas cap water injection project at Prudhoe Bay. Examples of production “currently under development” include the Fiord and Nanuk satellites at Alpine, J-Pad development at West Sak, development drilling at Schrader Bluff and certain satellite development at Prudhoe Bay. Because of timing and scope uncertainty, our subjective confidence for this category of production is between 80% and 90%.

Currently Under Evaluation

Production characterized as “currently under evaluation” includes technically viable projects currently in the “pencil sharpening” stage where engineering, cost, risk and reward are all being actively evaluated. These projects are all currently unfunded by the operators but have a high

chance of being brought to fruition. They include enhanced oil recovery at certain satellite fields, development drilling outside the core areas at West Sak and Schrader Bluff, expanded development at Prudhoe Bay satellites Orion, Polaris and Borealis and Alpine West development. Also included in this category is NPR-A development, Point Thomson, Liberty and development of other known onshore and offshore discoveries.

Confidence levels vary for this category of production. Certain heavy oil development drilling for Schrader Bluff in 2006 might have confidence levels approaching that of "production under development". Offshore developments such as Liberty, or potentially high cost, scope challenged developments such as Point Thomson probably deserve lower confidence, and our subjective assessment is in the 70%-80% range. All production from this category is subject to delays and scope changes that might impact reserves or production rate. Accordingly, we have re-evaluated the scope and timing of the Liberty oil field in the federal Beaufort Sea and the gas condensate Point Thomson field and its associated satellite fields on the eastern North Slope near ANWR. We have delayed first production from Liberty by one year to the fourth quarter of 2010 to allow sufficient time for permitting and constructing an offshore facility and subsea pipeline.

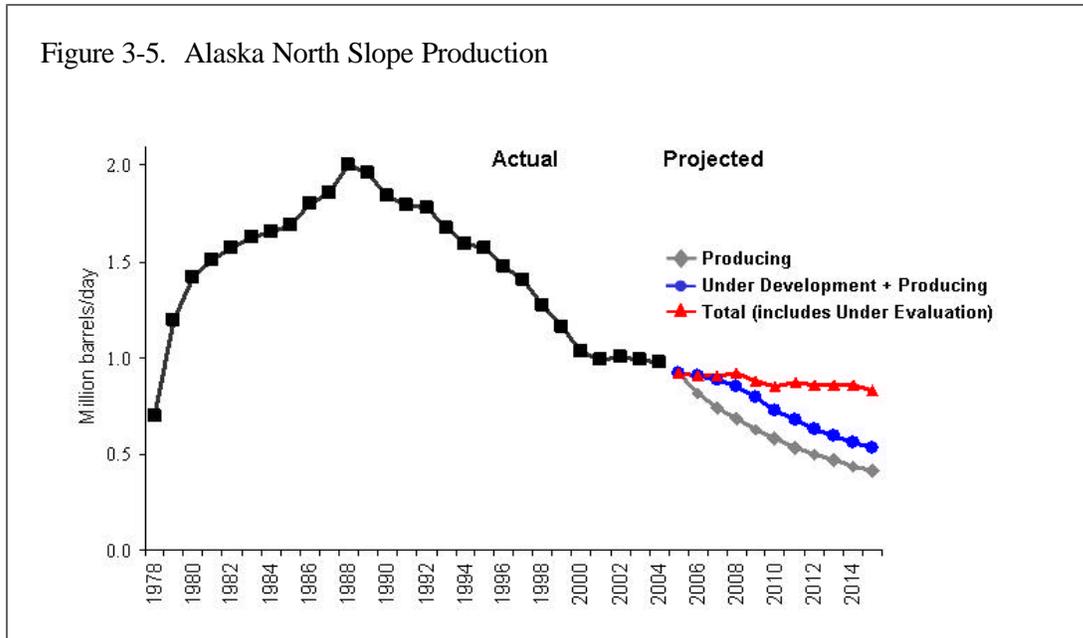


Table 3-6. Alaska Oil and NGL Production
million barrels per day

	Actual	Projected	
	FY 2004	FY 2005	FY 2006
Prudhoe Bay	0.419	0.380	0.368
PBU-Satellites (1)	0.054	0.046	0.058
Kuparuk	0.155	0.142	0.136
Kup-Satellites (2)	0.049	0.152	0.161
Milne Point	0.030	0.030	0.026
Schrader Bluff	0.020	0.021	0.025
Endicott	0.029	0.021	0.022
Lisburne	0.010	0.010	0.009
Point McIntyre	0.038	0.038	0.034
Niakuk	0.012	0.009	0.007
Alpine	0.099	0.104	0.110
Northstar	<u>0.066</u>	<u>0.069</u>	<u>0.055</u>
Total ANS	0.980	0.920	0.911
Cook Inlet	<u>0.029</u>	<u>0.021</u>	<u>0.019</u>
Total Alaska	1.010	0.941	0.930

(1) PBU-Satellites include Midnight Sun, Polaris, Aurora, Borealis and Orion.

(2) Kup-Satellites include West Sak, Tabasco, Tam and Meltwater.

Regarding Point Thomson, there is uncertainty in the scope and timing of commercializing that sizeable hydrocarbon discovery. With almost 350-450 million barrels of oil and condensate and 8 trillion cubic feet of gas, industry and the State have been evaluating whether ultimate production from the area will be tied to major gas sales through a new gas pipeline from the North Slope or will put condensates and oil into TAPS without a major gas sale. If ultimate development of Point Thomson is not associated with a gas pipeline, we believe first production could begin as soon as FY 2010-FY 2011. If Point Thomson production is linked to major gas sales, first production could be delayed until FY 2012 or beyond. Although with the commercialization of the gas there will be more hydrocarbons recovered, less of the recovery will be barrels to TAPS showing up in this forecast. For our spring review, we forecast Point Thomson to begin producing in late 2012, with ultimate recovery of 260 million barrels by FY 2035. We also forecast satellite fields in the Point Thomson area to contribute an additional 100 million barrels beginning in FY 2015.

Petroleum Property Tax

An annual tax is levied each year on the full and true value of property taxable under AS 43.56. The tax on oil and gas property is the only statewide property tax. The valuation procedure for three distinct classes of property — exploration, production and pipeline transportation — is described below.

Exploration Property

Value is based on the estimated price that the property would bring in an open market under prevailing market conditions in a sale between a willing seller and a willing buyer, both conversant with the property and with prevailing general price levels.

The state appraiser gathers raw data for determining market value by reviewing the details of equipment sales, attending auctions and reviewing trade journals. This data is then applied to the taxable property, taking into account age, capacity, physical and functional obsolescence.

Production Property

Value is determined on the basis of replacement cost new less depreciation, based on the economic life of the proven reserves.

In the case of an offshore oil or gas platform or onshore facility, the number of years of useful life is determined by estimating when the facility would reach its economic limit, not on the basis of the projected physical life of the property. The time period until the estimated operating revenue would equal operating expenses plus the current age of the facility equals the total life. The depreciation factor for the facility equals the years of remaining life *divided* by the total life.

Pipeline Transportation Property

The full and true value of taxable pipeline property is determined with due regard to the economic value of the property based on the estimated life of the proven reserves of gas or unrefined oil that will be transported by the pipeline. We rely upon several standard appraisal techniques to value Alaska pipelines. We primarily rely on the income method under which the value is the net present worth of all future income streams of the pipeline. The Trans-Alaska Pipeline from Prudhoe Bay represents more than 95% of Alaska's taxable pipeline transportation property.

The table on the next page illustrates the property tax distribution between local communities and the state for FY 2004. The property value is assessed by the state. A local tax is levied on the state's assessed value for oil and gas property within a city or borough, and is subject to the local property tax limitations established in AS 43.29.080 and AS 43.29.100. If a municipality has a tax rate of 20 mills or less, the state's mill rate is effectively 20 mills minus the local rate.

Table 3-7. FY 2004, Distribution of the Petroleum Property Tax
\$ million

<u>Municipalities</u>	<u>Gross Tax</u>	<u>Local Share</u>	<u>State Share</u>
North Slope	206.8	192.9	14.0
Unorganized	27.1	0.0	27.1
Valdez	13.3	13.3	0.0
Kenai	12.2	7.3	4.9
Fairbanks	5.4	4.3	1.1
Anchorage	0.9	0.8	0.2
Other Municipalities ⁽¹⁾	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>
Total	265.8	218.7	47.3

(1) Other municipalities include Matanuska-Susitna Borough, Cordova and Whittier.

Petroleum Corporate Income Tax

A petroleum corporation's Alaska income tax depends on the relative size of its Alaska vs. worldwide activities and the corporation's total worldwide net earnings. The corporation's Alaska taxable income is derived by apportioning its worldwide taxable income to Alaska using the average of three factors: the proportion in Alaska of the corporation's (1) tariffs and sales, (2) oil and gas production, and (3) oil and gas property. We begin our forecast by estimating the statistical relationship between historical collections of tax, the value of Alaska oil production and refinery margins. We then adjust the forecast for carryforwards and refunds.

In FY 2005, the carryforward and refund adjustment is under \$42 million. This adjustment is a result of oil companies overpaying their estimated quarterly income taxes. We are forecasting a 46% increase in petroleum corporate income tax revenue due to higher crude oil prices and continued high refining margins in FY 2005. In FY 2006, we are projecting revenue will decrease as a result of lower oil and gas prices and falling refining margins.

Restricted Oil Revenue

The table below reflects restricted oil and gas revenue.

According to Article IX, Section 15 of the Alaska Constitution, a minimum of 25% of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state must be deposited into the Alaska Permanent Fund. In addition, AS 37.14.110 requires a contribution of 0.5% of all royalties and bonuses to the Public School Fund Trust. As explained earlier, settlements with or judgments against the oil industry involving tax and royalty disputes must be deposited in the CBRF, although in FY 2004 all CBRF deposits were tax related.

The state is entitled to 50% of all bonuses, rents and royalties from oil development activity in the federal NPR-A. All such revenue flows into the NPR-A Special Revenue Fund. All of the revenue in the fund each year is available for appropriation in the form of grants to municipalities that demonstrate present or future impact from NPR-A oil development. Of the revenue not appropriated to the municipalities, 25% goes to the Permanent Fund, 0.5% goes to the Public School Trust Fund, and the rest may be appropriated to the Power Cost Equalization and Rural Electric Capitalization Fund. Any remaining revenue after these appropriations lapses into the General Fund.

Table 3-8. Restricted Oil Revenue
Actual FY 2004 and Projected FY 2005-2006
\$ Million

<u>Restricted</u>	Actual	Projected	
	FY 2004	FY 2005	FY 2006
Royalties to Permanent Fund & Public School Fund			
Royalties, Bonuses and Rents to the Permanent Fund	354.7	447.6	389.4
Royalties, Bonuses and Rents to the Public School Fund	<u>7.1</u>	<u>9.0</u>	<u>7.8</u>
Subtotal	361.8	456.6	397.2
Tax Settlements to the CBRF	8.4	24.7	20.0
NPR-A Royalties, Rents and Bonuses	<u>2.5</u>	<u>12.9</u>	<u>7.9</u>
Total Restricted	372.7	494.2	425.1

4. Other Revenue (except Federal & Investment)

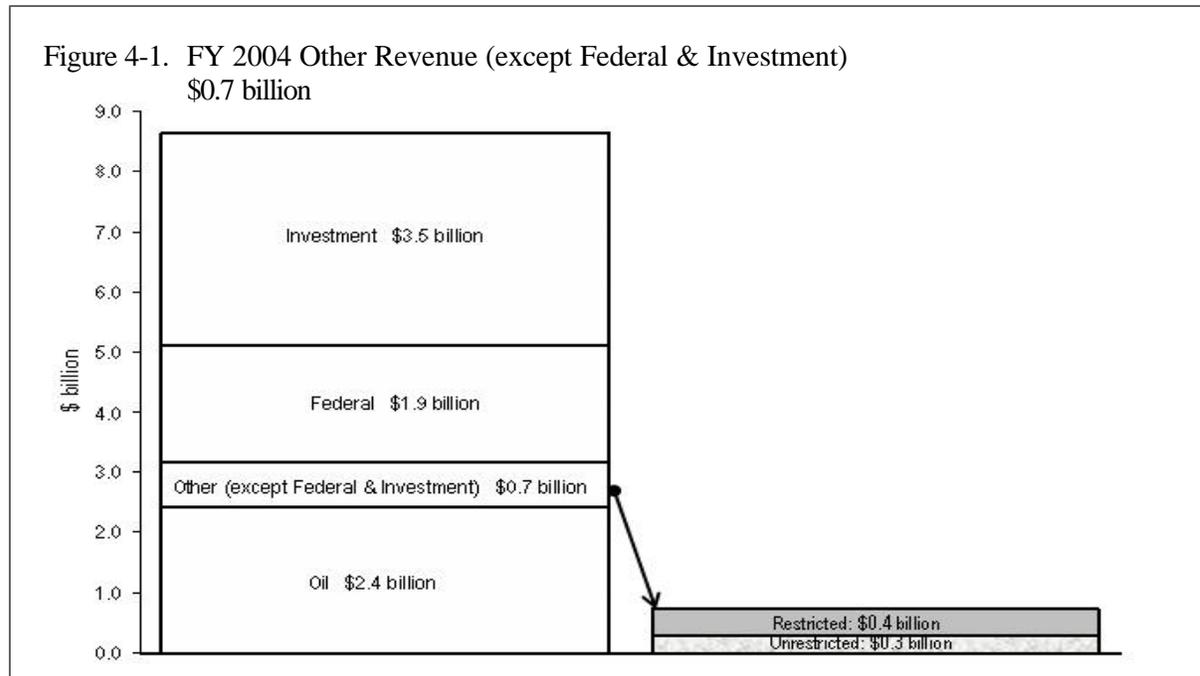


Table 4-1. Other Revenue (except Federal & Investment)
Actual FY 2004 and Projected FY 2005-2006
\$ million

	Actual	Projected	
	FY 2004	FY 2005	FY 2006
<u>Unrestricted</u>			
Taxes	185.9	216.8	227.4
Charges for Services	11.1	12.0	12.0
Fines and Forfeitures	16.0	8.0	12.8
Licenses and Permits	41.8	41.0	42.0
Rents and Royalties	7.8	9.6	9.6
Other	<u>19.2</u>	<u>20.1</u>	<u>14.1</u>
Total Unrestricted	281.8	307.5	317.9
<u>Restricted</u>			
Taxes	81.3	80.5	78.5
Charges for Services	226.0	249.5	255.9
Fines and Forfeitures	22.9	23.6	22.6
Licenses and Permits	28.7	28.7	28.7
Rents and Royalties	5.4	5.6	5.6
Other	<u>84.9</u>	<u>196.9</u>	<u>185.4</u>
Total Restricted	449.2	584.8	576.7
Total Other Revenue (except Federal & Investment)	731.0	892.3	894.6

General Discussion

Income from sources other than oil and state investments includes non-oil taxes, user fees and licenses. Many of these revenue sources are divided between unrestricted and restricted revenues; the amounts of each are reflected in Tables 4-2 through 4-7. Restricted revenue includes money deposited in funds other than the Unrestricted General Fund. For purposes of this forecast, restricted revenues also include receipts that the legislature customarily appropriates or sets aside for a particular purpose or program, such as sharing of fish tax revenue with municipalities.

Other Taxes

Alcoholic Beverages Tax

Alcoholic beverage taxes are collected primarily from wholesalers and distributors of alcoholic beverages sold in Alaska. The per-gallon tax rates on alcoholic beverages increased October 1, 2002, from \$0.35 to \$1.07 for beer, \$0.85 to \$2.50 for wine, and \$5.60 to \$12.80 for liquor. Qualifying small brewers continue to pay tax at the \$0.35 rate for beer. Also, starting October 1, 2002, 50% of the revenue is deposited in the Alcohol and Other Drug Abuse Treatment and Prevention Fund. Because the legislature "may use the annual estimated balance in the fund to make appropriations to the Department of Health and Social Services," this revenue is reflected as restricted in the Revenue Sources Book.

Charitable Gaming

Under Alaska law, municipalities and qualified nonprofit organizations may conduct certain charitable gaming activities. The purpose of these activities is to derive public benefit in the form of money for the charities and revenues for the state. The Department of Revenue collects permit and license fees, a 1% net proceeds fee, and a 3% pull-tab tax.

Corporate Income Tax

Corporations that do business in Alaska pay a corporate net income tax unless they are organized under a special IRS rule (Subchapter S) that generally applies only to small, closely held companies. Subchapter S corporations, in general, pay no state corporate income tax in Alaska. Other corporations that do business both inside and outside Alaska must apportion their income to determine how much income they earned here. Corporations other than oil and gas corporations apportion their U.S. income to Alaska by using a three-factor formula based on sales, property and payroll. Alaska taxable income is determined by applying the apportionment factor to the corporation's modified federal taxable income. Corporate tax rates are graduated from 1% to 9.4% in \$10,000 increments of Alaska taxable income. The maximum rate of 9.4% applies to income over \$90,000.

Electric Cooperative and Telephone Cooperative Taxes

The electric cooperative and telephone cooperative taxes date back to 1959, when the first Alaska legislature enacted the electric and telephone cooperative tax to promote cooperatives around the state. The electric cooperative tax is based on kilowatt hours furnished by qualified electric cooperatives recognized under Title 10 of Alaska statutes; the telephone cooperative tax is levied on gross revenue of qualified telephone cooperatives under Title 10. Revenue from co-ops located in municipalities is treated as restricted revenue in this forecast because it is shared 100% with the municipalities.

Estate Tax

This tax is levied on the transfer of an estate upon death. The Alaska estate tax is tied to the federal tax. The amount of the state tax equals the maximum state credit allowed on the estate's federal return. As a result of changes to the federal estate tax, the Alaska estate tax will be phased out by calendar year 2005. However, revenues will continue past FY 2006 because of the 15-month filing period. All revenue derived from estate taxes is deposited in the General Fund.

Fisheries Business Tax

The fisheries business tax is the oldest tax in Alaska, dating from 1913. The tax is levied on businesses that process or export fisheries resources from Alaska. Although the tax usually is levied on the act of processing, the tax is often referred to as a "raw fish tax" because it is generally based on the value paid to commercial fishers for the raw fishery resource. Tax rates vary from 1% to 5%, depending on whether a fishery resource is classified as "established" or "developing," and whether it was processed by an on-shore or floating processor. All revenue from the tax is deposited in the General Fund, but not all of it is considered unrestricted for the purposes of this forecast. Each year, the legislature appropriates half the revenue from the tax to qualified municipalities. Given that this sharing formula is in statute, and that the legislature customarily follows the statutory formula, this forecast considers the shared revenues to be restricted.

Fishery Resource Landing Tax

The fishery resource landing tax was enacted in 1993. The tax is levied on processed fishery resources first landed in Alaska, and is based on the unprocessed statewide average value of the resource. The tax is collected primarily from factory trawlers and floating processors that process fishery resources outside the state's 3-mile limit and bring their products into Alaska for shipment. The tax rates vary from 1% to 3%, based on whether the resource is classified as "established" or "developing." All revenue derived from the tax is deposited in the General Fund. However, by statute, 50% is available for sharing with municipalities along the same lines as the fisheries business tax and this forecast considers the shared revenues to be restricted.

Insurance Premium Tax

Insurance companies in Alaska do not pay corporate income tax or sales or other excise taxes. Instead, they pay an insurance premium tax. Almost 2% (1.82 percent) of the tax is deposited into the Workers Safety and Compensation Fund and is reflected as restricted in this forecast.

Mining License Tax

This is a tax on the net income of all mining property in the state, ranging from 0% to 7%, less exploration and other credits. Except for sand and gravel operations, new mining operations are exempt from the mining license tax for a period of 3½ years after production begins.

Motor Fuel Tax

The motor fuel tax dates from 1945 when a tax of 1 cent per gallon was imposed on all motor fuel. The tax is levied on motor fuel sold, transferred or used within Alaska. Motor fuel taxes are collected primarily from wholesalers and distributors licensed as qualified dealers. Current per gallon rates are 8 cents for highway use, 5 cents for marine fuel, 4.7 cents for aviation gasoline, 3.2 cents for jet fuel, and a variable rate of 8 cents to 2 cents for gasohol, depending on the season, location and EPA mandate. Various uses of fuel are exempt from tax, including fuel used for heating or in flights to or from a foreign country. All revenue derived from motor fuel taxes is deposited in the General Fund, but 60% of the taxes attributable to aviation fuel sales at municipal airports are shared with the respective municipalities, and hence considered restricted for purposes of this forecast.

Rental Vehicle Tax

This is a 10% tax on passenger vehicle rentals of 90 days or less, and a 3% tax on rentals of recreational vehicles for 90 days or less. The vehicle rental tax provisions became effective January 1, 2004.

Seafood Assessments and Taxes

The Department of Revenue administers several different programs that raise money through seafood assessments. The money raised is then set aside for the legislature to appropriate for the benefit of the seafood industry — either in marketing or in management/development of the industry. The four programs are the salmon marketing tax, seafood marketing assessment, salmon enhancement tax and dive fishery management assessment. On January 1, 2005, the seafood marketing assessment increased from 0.3% to 0.5% of the ex-vessel value of seafood products produced in Alaska and the salmon marketing tax was eliminated. The rates for many of these assessments are determined by a vote of the appropriate association within the seafood industry or by members of the Alaska Seafood Marketing Institute. Although all revenue received under these assessments is deposited in the General Fund, for purposes of this forecast it is treated as restricted revenue. With the exception of the salmon enhancement tax, all other seafood assessments are reflected under the Charges for Services section of this forecast.

Motor Vehicle Tire Fee

The tire fee has two components. The first component is a tax of \$2.50 on all new tires sold in Alaska for motor vehicles intended for highway use. This part became effective September 26, 2003. The second part of the law imposes an additional \$5 fee per tire on all new tires with heavy studs, and \$5 on the installation of studs on a previously un-studded tire. This component of the law became effective July 1, 2004.

Tobacco Tax

The tobacco tax is levied on cigarettes and tobacco products sold, imported or transferred into Alaska. Tobacco taxes are collected primarily from licensed wholesalers and distributors. The tax rate on cigarettes was increased from \$1 to \$1.60 per pack on January 1, 2005 and will increase to \$1.80 on July 1, 2006 and to \$2 on July 1, 2007. Tax revenue is split between the General Fund and the School Fund, as discussed below. Additionally, 8.9% of the General Fund cigarette tax revenue is deposited into a subfund of the General Fund, the Tobacco Use Education and Cessation Fund. The tax rate on other tobacco products – such as cigars and chewing tobacco – is 75% of the wholesale price and is deposited entirely in the General Fund.

The 76% of cigarette tax revenue that is deposited in the School Fund changed to 47.5% on January 1, 2005 and will change to 42.2% on July 1, 2006 and to 38% on July 1, 2007. That is, increases in revenue as a result of the statewide tax rate increase go to the General Fund. We expect that school fund revenue will decline because of lower consumption as a result of the statewide and Anchorage tax rate increases (Anchorage increased the local tax on cigarettes by \$1.00 per pack on October 1, 2004). In addition to tax revenue, all cigarette and tobacco products license fees are deposited in the School Fund. Revenue deposited in the School Fund is dedicated to the rehabilitation, construction, repair and insurance costs of school facilities statewide.

Table 4-2. Other Tax (except Federal & Investment)
Actual FY 2004 and Projected FY 2005-2006
\$ million

	Actual	Projected	
	FY 2004	FY 2005	FY 2006
<u>Unrestricted</u>			
Sales and Use Taxes			
Alcoholic Beverages ⁽¹⁾	16.4	17.1	17.1
Cigarette ⁽¹⁾	9.4	17.1	27.1
Other Tobacco Products ⁽¹⁾	6.6	6.7	7.1
Insurance Premium	43.7	48.6	51.1
Electric and Telephone Cooperative	0.2	0.2	0.2
Motor Fuel	41.2	39.2	39.2
Rental Vehicle ⁽¹⁾	2.7	7.4	7.4
Tire Fees ⁽¹⁾	<u>0.8</u>	<u>1.6</u>	<u>1.6</u>
Subtotal	121.0	137.9	150.8
Corporate Income	39.6	53.3	53.3
Fish			
Fisheries Business	14.9	13.0	11.7
Fishery Resource Landing	<u>2.5</u>	<u>2.6</u>	<u>2.4</u>
Subtotal	17.4	15.6	14.1
Other			
Mining	3.2	6.3	6.3
Estate	2.3	1.3	0.5
Charitable Gaming	<u>2.4</u>	<u>2.4</u>	<u>2.4</u>
Subtotal	7.9	10.0	9.2
Total Unrestricted	185.9	216.8	227.4
<u>Restricted</u>			
Sales and Use Taxes			
Alcoholic Beverages (Alcohol & Drug Treatment) ⁽¹⁾	16.4	17.1	17.1
Insurance Premium/Other (Workers Safety & Compensation) ⁽²⁾	6.2	7.1	7.2
Electric and Telephone Cooperative (Municipal Share)	3.8	3.8	3.8
Cigarette (School Fund) ⁽¹⁾	32.9	29.0	27.0
Cigarette (Tobacco Use Cessation) ⁽¹⁾	0.0	1.1	2.7
Motor Fuel - Aviation (Municipal Share)	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Subtotal	59.5	58.3	58.0
Fish Taxes			
Fisheries Business (Municipal Share)	14.4	14.5	13.2
Fishery Resource Landing (Municipal Share)	4.4	4.3	4.2
Salmon Enhancement (Aquaculture Association Share)	<u>3.0</u>	<u>3.4</u>	<u>3.1</u>
Subtotal	21.8	22.2	20.5
Total Restricted	81.3	80.5	78.5
Grand Total	267.2	297.3	305.9

(1) For these tax types revenues are accrued through August 15, instead of July 31.

(2) In addition to the 1.82% from the Insurance Premium Tax, this also includes \$1.8 million in service fees from employers who are self-insured.

Charges for Services

The revenues reported in this table do not include all charges for state services — just those that do not fit into other categories in this report. Most of these receipts are restricted revenue because they are returned to the program where they were generated.

The only unrestricted revenues listed in this category come from fees and other program charges that do not have program-receipt designations, or are not otherwise segregated and appropriated back to the program.

Marine Highway Fund

The revenue from certain transportation enterprises is reported here as a charge for state services. The Alaska Marine Highway Fund is in the General Fund and receives the revenue from operations of the state ferry system operations. The legislature has discretion over how the revenue is spent, but because it is customarily spent on Alaska Marine Highway operations, it is considered restricted for this forecast.

Program Receipts

The definition of program receipts under AS 37.05.146 is “fees, charges, income earned on assets and other state money received by a state agency in connection with the performance of its functions.” The statute then lists all programs with program receipt authority. The statutory list includes many programs that are not included in the Charges for Services category because they are elsewhere in this forecast — such as federal receipts, trust funds and the Alaska Permanent Fund — or are not state money available for general appropriation. The table below lists some of the larger individual programs and the receipts from those programs.

	Actual FY 2004	Projected FY 2005 FY 2006	
<u>Unrestricted</u>			
General Government	8.1	9.0	9.0
Natural Resources	1.3	1.3	1.3
Other	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>
Total Unrestricted	11.1	12.0	12.0
<u>Restricted</u>			
General Government	2.2	2.2	2.2
Natural Resources	0.7	0.7	0.7
Marine Highway Receipts	43.6	46.5	47.0
Receipt-Supported Services ⁽¹⁾	88.2	87.6	91.8
Statutorily Designated ⁽¹⁾	73.3	90.4	93.2
Other ^{(1) (2)}	<u>18.0</u>	<u>22.1</u>	<u>21.0</u>
Total Restricted	226.0	249.5	255.9
 Grand Total	 237.1	 261.5	 267.9

(1) FY 2005 and 2006 estimates are from the Office of Management and Budget and reflect what agencies expect to receive in program receipts.

(2) FY 2004 other restricted revenue includes the following categories: RCA receipts (\$5.8 million), test fisheries (\$1.6 million), timber sale receipts (\$0.4 million), oil and gas conservation (\$3.7 million) and DCED business licenses (\$6.5 million). FY 2005 and 2006 estimates are from the Office of Management and Budget and reflect what agencies expect to receive in other restricted program receipts.

Fines and Forfeitures

This category includes civil and criminal fines and forfeitures, and money received by the state from the settlement of various civil lawsuits. The majority of the receipts under this category are from tobacco litigation and other settlements.

Tobacco Settlement

The tobacco settlement was signed by 46 states (including Alaska) in November 1998. The first payment from the settlement was made in FY 2000. In 2000 and 2001, the legislature authorized the sale of 80% of the future revenue stream from the tobacco settlement to a new public corporation, the Northern Tobacco Securitization Corporation, a subsidiary of the Alaska Housing Finance Corporation. The new corporation, in turn, sold bonds based on this revenue stream, and paid to the state the money raised by the bond sale, which the legislature appropriated for schools, the university and harbor projects. Starting FY 2002, the remaining 20% of the settlement revenue each year will be deposited into the Tobacco Use Education and Cessation Fund. This forecast shows the 80% that goes directly to the Northern Tobacco Securitization Corporation for payment of the bonds and the 20% that goes to the Tobacco Use Education and Cessation Fund as restricted revenue.

Table 4-4. Fines and Forfeitures
Actual FY 2004 and Projected FY 2005-2006
\$ million

	Actual FY 2004	Projected	
		FY 2005	FY 2006
<u>Unrestricted</u>			
Fines and Forfeitures	<u>16.0</u>	<u>8.0</u>	<u>12.8</u>
Total Unrestricted	16.0	8.0	12.8
<u>Restricted</u>			
Tobacco Settlement (Northern Tobacco Securitization Corporation) ⁽¹⁾	17.1	17.7	16.9
Tobacco Settlement (Tobacco Use Education & Cessation Fund) ⁽¹⁾	4.3	4.4	4.2
Other	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>
Total Restricted	22.9	23.6	22.6
Grand Total	38.9	31.6	35.4

(1) Revenue estimates assume all participants in the settlement pay the full amount to the state. The FY 2005 revenue estimate is the amount that PriceWaterhouseCoopers says Alaska will receive if all participating manufacturers pay in full. The FY 2006 estimate is from Kentucky's tobacco settlement model modified for Alaska.

Licenses and Permits

Licenses and permits represent another source of government revenue derived from charges for participating in activities regulated by the state. The majority of the receipts under this category are from motor vehicle registration and fishing and hunting license fees.

Fishing and Hunting Licenses Fees

The majority of these fees are appropriated to a special revenue fund called the Fish and Game Fund. Money in the fund may only be spent for fish and game management purposes.

Motor Vehicle Registration Fees

Most motor vehicle registration fees are unrestricted license and permit revenue. However, some registration fees are reflected under restricted receipt-supported services.

	Actual FY 2004	Projected FY 2005 FY 2006	
<u>Unrestricted</u>			
Motor Vehicles	38.8	38.0	39.0
Other Fees	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
Total Unrestricted	41.8	41.0	42.0
<u>Restricted</u>			
Fishing and Hunting			
Hunting and Fishing Fees (Fish and Game Fund)	23.1	23.1	23.1
Sanctuary Fees (Fish and Game Fund)	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Subtotal	23.2	23.2	23.2
Other Fees	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>
Total Restricted	28.7	28.7	28.7
Grand Total	70.5	69.7	70.7

Rents and Royalties

The majority of the unrestricted receipts under this category are from leasing, rental and sale of state land. Certain restricted receipts are deposited in the Alaska Permanent Fund, Mental Health Trust Fund and Public School Trust Fund, and these are reported elsewhere in this forecast.

	Actual FY 2004	Projected FY 2005 FY 2006	
<u>Unrestricted</u>			
Land Leasing, Rental and Sale	6.5	8.0	8.0
Coal Royalties	1.1	1.4	1.4
Cabin Rentals	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Total Unrestricted	7.8	9.6	9.6
<u>Restricted</u>			
Land Leasing, Rental and Sale and Coal Royalties	<u>5.4</u>	<u>5.6</u>	<u>5.6</u>
Total Restricted	5.4	5.6	5.6
Grand Total	13.2	15.2	15.2

Other

This category includes unrestricted contributions, unclaimed property and miscellaneous other receipts.

Unclaimed Property

Under the unclaimed property statutes, a person or business holding abandoned property belonging to someone else must turn over the property to the state to hold the property in trust until claimed by its rightful owner. Most unclaimed property is in the form of cash (checking and savings accounts), stocks and bonds (including dividends) and safe-deposit box contents. Other property includes utility deposits, travelers checks and wages. Because not all unclaimed property owners are located, amounts received from holders exceed the refunds to owners. The Treasury Division maintains a minimum balance in the trust account and periodically transfers excess funds to the General Fund.

Dividends and Miscellaneous

The restricted portion of other revenues in this forecast includes transfers, frequently as dividends, from component organizations of state government, as well as certain miscellaneous revenues.

Table 4-7. Other Revenue
Actual FY 2004 and Projected FY 2005-2006
\$ million

	Actual FY 2004	Projected	
		FY 2005	FY 2006
<u>Unrestricted</u>			
Miscellaneous	7.7	10.1	10.1
Unclaimed Property ⁽¹⁾	<u>11.5</u>	<u>10.0</u>	<u>4.0</u>
Total Unrestricted	19.2	20.1	14.1
<u>Restricted</u>			
Alaska Housing Finance Corporation ⁽²⁾	39.3	66.2	60.9
Alaska Industrial Development and Export Authority ⁽²⁾	16.5	26.3	13.1
Alaska Municipal Bond Bank Authority ⁽²⁾	0.8	1.5	1.0
Alaska Student Loan Corporation ⁽²⁾	2.0	80.6	88.1
Alaska Energy Authority ⁽²⁾	0.3	1.1	1.1
Alaska Science & Technology Foundation ⁽²⁾	4.8	0.0	0.0
Miscellaneous ⁽³⁾	<u>21.2</u>	<u>21.2</u>	<u>21.2</u>
Total Restricted	84.9	196.9	185.4
 Grand Total	 104.1	 217.0	 199.5

(1) FY 2004 includes a one-time transfer of \$11.5 million to the General Fund as a result of payments and interest from a former settlement. Additionally, FY 2005 includes one-time transfers as a result of demutilization and shorter dormancy periods.

(2) Payments from component units are reflected in the Comprehensive Annual Financial Report for FY 2004 and estimates from the Office of Management and Budget for FY 2005 and 2006. The large increase in Alaska Student Loan Corporation revenue in both FY 2005 and 2006 is due to proceeds from refinancing the Alaska Student Loan Corporation's loan portfolio.

(3) Revenue shown under account codes for "other" or "contributions" in the Alaska State Accounting System for General Fund subfunds and special revenue funds.

5. Federal Revenue

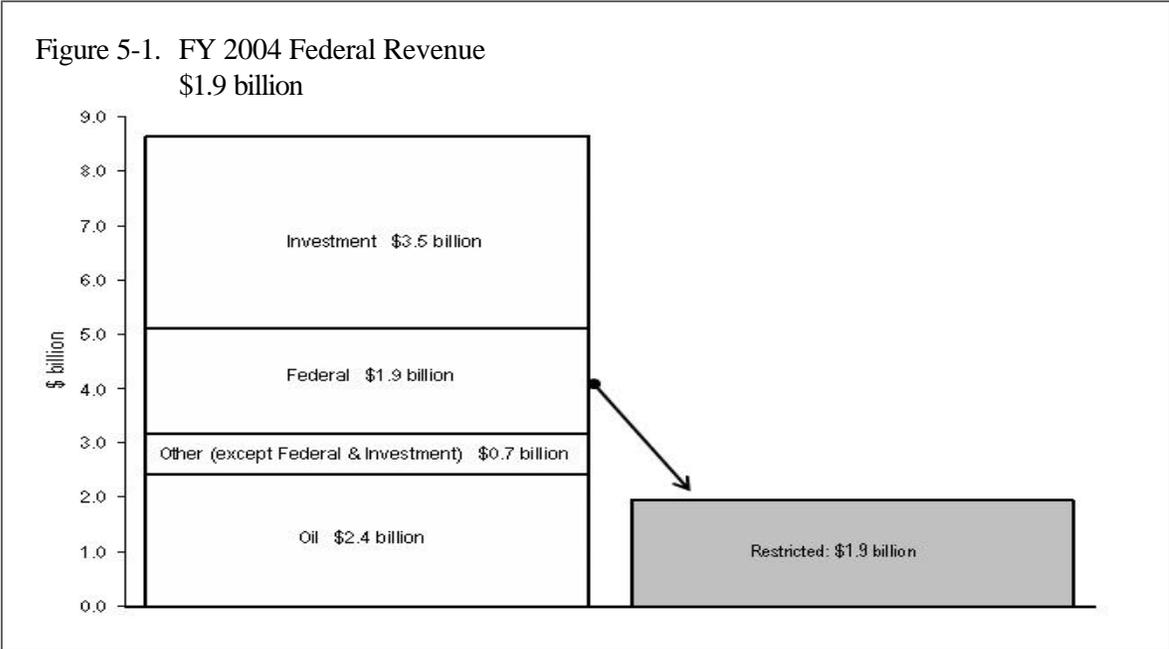


Table 5-1. Total Federal Revenue to the State
Actual FY 2004 and Projected FY 2005-2006
\$ million

	Actual FY 2004	Projected	
		FY 2005	FY 2006
<u>Restricted</u>			
Federal Receipts	<u>1,941.0</u>	<u>3,159.2</u>	<u>2,698.7</u>
Total Restricted	1,941.0	3,159.2	2,698.7

Source: FY 2004 is from the Comprehensive Annual Financial Report (General Fund and all other subfunds and non-major special revenue funds, federal revenues). FY 2005 and 2006 estimates are provided by the Office of Management and Budget and reflect what agencies expect to receive in federal revenues.

Federal government spending has figured prominently in Alaska's history and is still a major force today. The federal fiscal year (FFY) runs from October 1 through September 30, and in FFY 2003 (the most recent data available) the federal government spent \$7.9 billion in Alaska.⁽¹⁾ Part of that spending came from the activities of the various federal agencies, part was in the form of grants to state and municipal governments, and still another part came in payments to individuals.

In FFY 2003, Alaska taxpayers received \$1.89 in federal outlays for every \$1 paid in federal taxes.⁽²⁾ Per capita, more federal money is spent in Alaska than in any other state. Federal expenditures in Alaska in FFY 2003 increased 4.2% over FFY 2002.

(1) This and the data for the figures on the next page come from the U.S. Census Bureau, Consolidated Federal Funds Report for FY 2003, www.census.gov/prod/2004pubs/03dffr.pdf

(2) U.S. Census Bureau, Tax Foundation's "State-by-State Tax Burden Allocation Model," www.taxfoundation.org/taxingspending.html

Figure 5-2. Annual Federal Spending Increase, Alaska and the U.S.

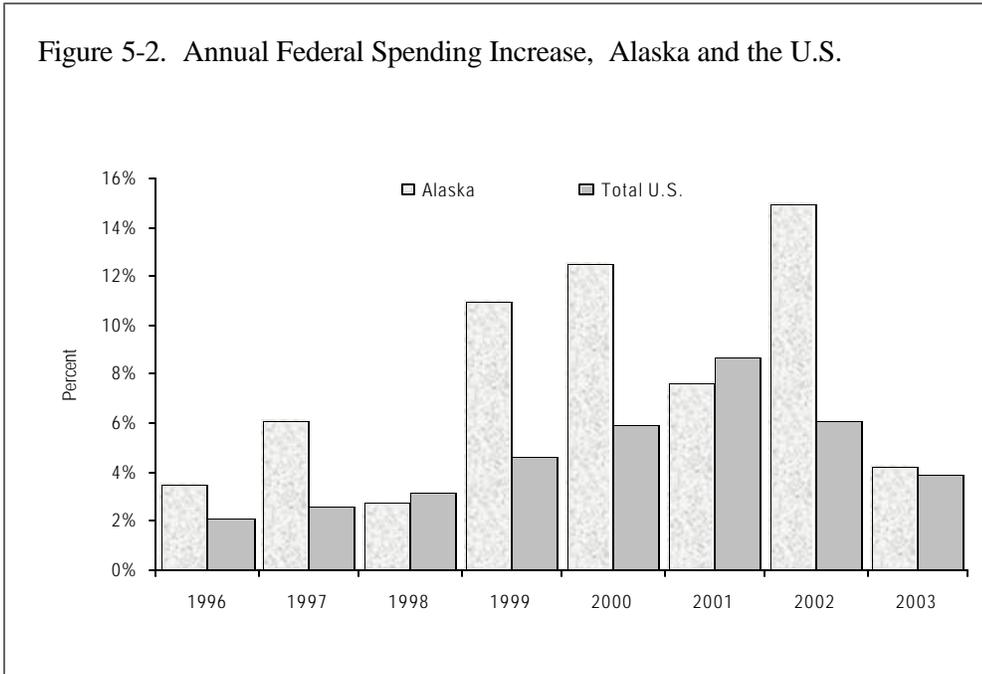
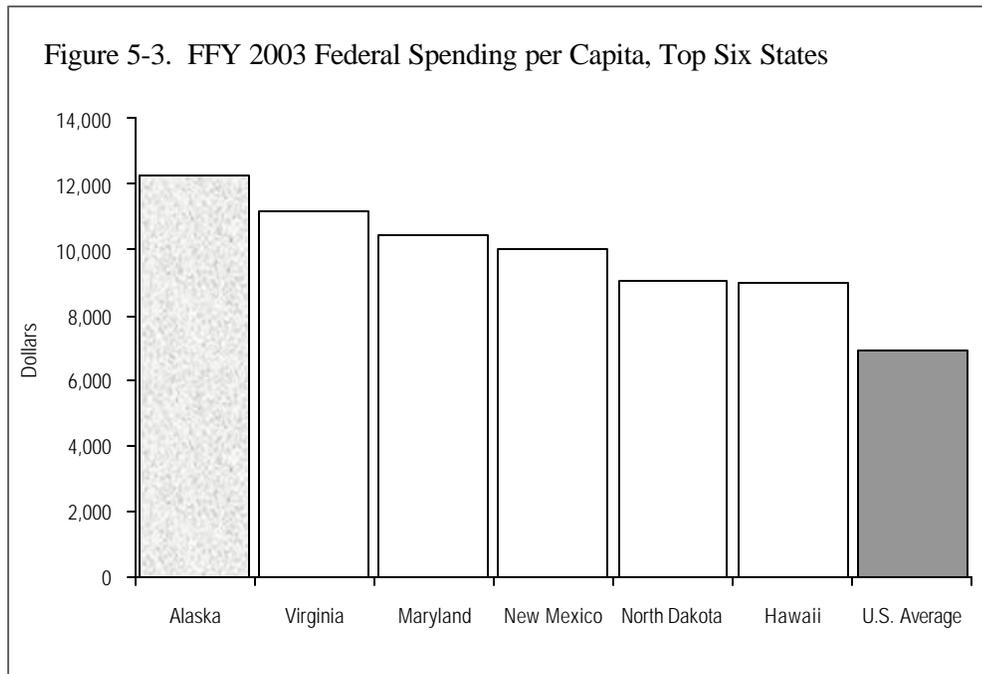


Figure 5-3. FFY 2003 Federal Spending per Capita, Top Six States



Among federal agencies, the Department of Defense spends the most in Alaska, followed by the Department of Health and Human Services. Together, these two departments account for over half of all federal spending in the state. Not surprisingly, a large portion of federal money flows into Alaska through salaries of federal employees. However, 39% of all federal spending is in the form of grants, mostly to state and municipal governments, but also to nonprofit organizations.

In the state's Fiscal Year 2004, Alaska's government received and spent over \$1.9 billion of federal funds. Federal funding generally is restricted to specific uses, such as road improvements, Medicaid payments and aid to schools. Potential changes to federal law, differing federal and state fiscal years and changing numbers of eligible Alaskans in certain programs make forecasting federal revenue difficult. The estimates we present for FY 2005 and FY 2006 are from the Office of Management and Budget and are based on state agency projections of potential federal revenues.

Table 5-2. Total Federal Spending, FFY 2003

By Agency			By Category		
	<u>\$million</u>	<u>percent</u>		<u>\$million</u>	<u>percent</u>
Defense	2,307	29	Grants	3,022	39
Health & Human Services	1,569	20	Salaries & Wages	1,617	20
Social Security	630	8	Procurement	1,680	21
Other Agencies	<u>3,438</u>	<u>43</u>	Retirement & Disability	1,041	13
			Other Direct Payments	<u>584</u>	<u>7</u>
Total	7,944	100		7,944	100

Source: U.S. Census Bureau, Consolidated Federal Funds Report for FY 2003, www.census.gov/prod/2004pubs/03dffr.pdf

It is important to note that the state routinely budgets for more federal money than it actually receives. The legislature authorizes state agencies to receive and spend the maximum that federally funded programs might receive and need, but the actual amounts normally turn out to be less. Also, some of the federal money appropriated for multi-year capital projects is received and spent in years following the one in which the money is appropriated.

For FY 2006, the state is budgeted to receive \$2.7 billion in federal receipts. Most federal funding requires state matching money. The budgeted state match in FY 2006 is \$381.4 million. All federal funds, whether spent in the operating or capital budget, are restricted by legislative appropriation to specific uses. The largest categories of federal spending budgeted for FY 2006 are Medicaid (\$721 million), highways and airports (\$750 million) and education (\$353 million, which includes kindergarten through high school funding and the University of Alaska).

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6. Investment Revenue

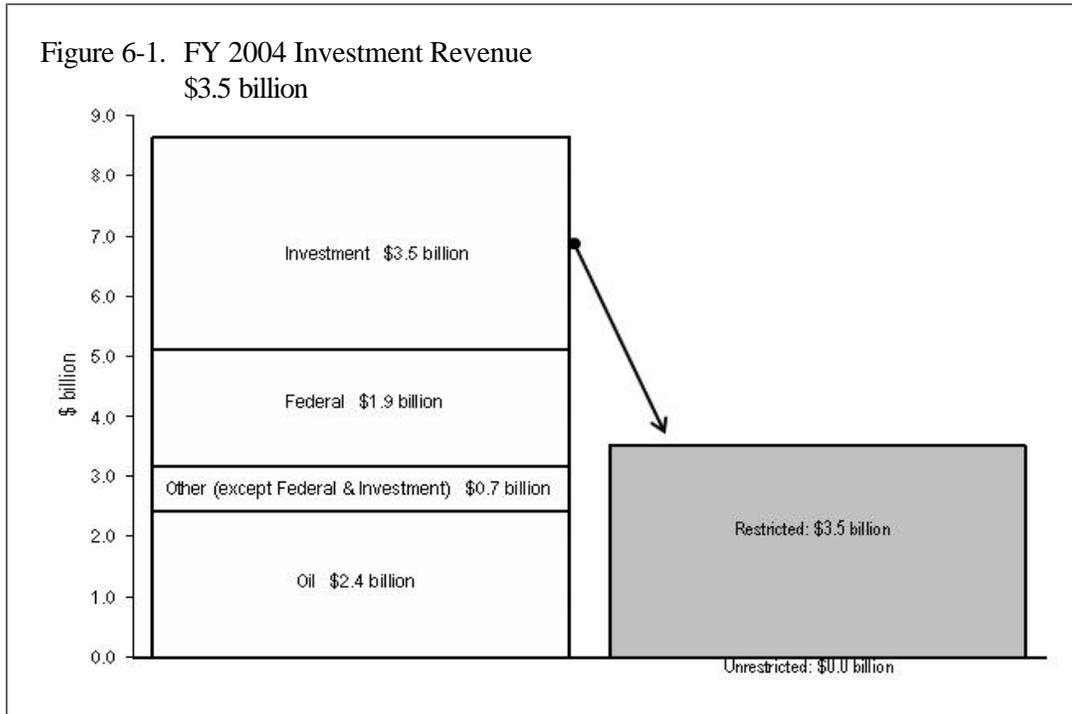


Table 6-1. Total Investment Revenue ⁽¹⁾
Actual FY 2004 and Projected FY 2005-2006
\$ million

	Actual		Projected	
	FY 2004	FY 2005	FY 2006	
<u>Unrestricted</u>				
Investments of Governmental Funds	9.2	19.6	25.9	
Interest Paid by Others	<u>0.5</u>	<u>1.2</u>	<u>1.2</u>	
Subtotal	9.7	20.8	27.1	
<u>Restricted</u>				
Investments of Governmental Funds	4.0	12.1	13.7	
Constitutional Budget Reserve Fund	53.2	102.5	112.2	
Other Treasury-Managed Governmental Funds	24.9	17.7	20.5	
Alaska Permanent Fund ⁽²⁾	<u>3,434.0</u>	<u>2,046.9</u>	<u>2,188.8</u>	
Subtotal	3,516.1	2,179.2	2,335.2	
Total	3,525.8	2,200.0	2,362.3	

(1) Governmental Accounting Standards Board (GASB) principles require the recognition of changes in the value of investments as income or losses at the end of each reporting period, whether the investment is actually sold or not. GASB is a sister organization to the more well known FASB or Financial Accounting Standards Board. GASB sets out generally accepted accounting principles (GAAP) for governmental entities; FASB sets out GAAP for private businesses. Both are under the auspices of the Financial Accounting Foundation.

(2) Total Permanent Fund realized and unrealized earnings.

Investment Forecast

To forecast investment revenue for the current fiscal year — FY 2005 — we combine actual performance through February 28 with a projection for the remainder of the year. Forecasts and estimated capital market median returns are based on information supplied by the state’s investment consultant, Callan Associates Inc., and its five-year capital market estimated returns.

Table 6-2. Callan Associates Inc.’s Five-Year Capital Market Estimated Returns

Asset Class	Benchmark for Asset Class	%/ year	
		Median Expected Return	%/ year Expected Risk
<u>Equities</u>			
U.S. Broad	Callan Associates Inc. (CAI) Broad Market	9.00	16.90
U.S. Large Cap	Standard and Poors (S&P) 500	8.85	16.40
U.S. Small Cap	CAI Small	9.85	22.70
International	Morgan Stanley Capital International EAFE	9.25	20.10
<u>Fixed Income</u>			
Domestic Broad Market	Lehman Brothers Aggregate	4.75	4.50
Domestic Short Term (cash equivalent)	Three-Month U.S. Treasury Bill	3.25	0.70
Domestic Intermediate Term	Merrill Lynch 1- to 5-Year Government	4.00	3.15
International	Salomon Brothers Non-U.S. Government	4.65	9.60
<u>Other</u>			
Real Estate		7.60	16.50
<u>Economic Variables</u>			
Inflation		2.60	1.40

The continued volatility in the world’s financial markets makes focus on the expected risk columns in the table above particularly appropriate. The numbers in this column represent a statistical measure called standard deviation, which is the most commonly used measure of risk in the investment world. The standard deviation allows you to estimate a range in which you would expect results to fall two-thirds of the time. For example, Callan estimates an average annual return for the domestic broad market fixed-income asset class of 4.75% and an expected risk for that asset class of 4.5%. That means Callan is forecasting that two-thirds of the time the annual return for the domestic broad fixed-income asset class will fall between 0.25% (the median expected average annual return of 4.75% *minus* the expected risk of 4.5%) and 9.25% (the median expected return *plus* the expected risk).

The probability that a particular asset class or portfolio will have a negative return over a given period of time is another way to reflect the riskiness of that asset class or portfolio. The investment income summary tables in this section of the revenue forecast include an estimate of the probability of negative returns for each fund over a one-year period.

Unrestricted Investment Revenue

Unrestricted investment revenue is earned on the General Fund non-segregated investments managed by the Treasury Division. Interest Paid by Others is interest received by the state other than on its investments. Oil and gas royalty interest is included in General Fund unrestricted oil revenue.

Table 6-3. Unrestricted Investment Revenue
Actual FY 2004 and Projected FY 2005-2006
\$ million

	Actual	Projected	
	FY 2004	FY 2005	FY 2006
<u>Unrestricted</u>			
Investments	9.2	19.6	25.9
Interest Paid by Others	<u>0.5</u>	<u>1.2</u>	<u>1.2</u>
Total	9.7	20.8	27.1

Table 6-4. Investment Revenue Summary
Actual FY 2004 and Projected FY 2005-2006

Treasury Pool	Asset Allocation	
	Percent Allocation	Performance Benchmark
Short-term, Fixed-Income Pool	50%	Three-Month U.S. Treasury Bill
Intermediate-Term, Fixed-Income Pool	50%	Merrill Lynch 1- to 5-Year Government Index
Investment Balance February 28, 2005		\$1,302.5 million
Projected Annual Rate of Return		3.35 %
Probability of Negative Return Over 1 Year		2.52 %
Actual Total Investment Income, FY 2004		\$ 13.2 million
Projected Total Investment Income, FY 2005		\$ 31.7 million
Projected Total Investment Income, FY 2006		\$ 39.6 million

	\$ million		
	Actual FY 2004	Projected FY 2005 FY 2006	
Investment Revenue Unrestricted	9.2	19.6	25.9
Investment Revenue Restricted ⁽¹⁾	<u>4.0</u>	<u>12.1</u>	<u>13.7</u>
Total	13.2	31.7	39.6

(1) Includes subfunds of the General Fund.

Restricted Investment Revenue

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

Table 6-5. Restricted Investment Revenue			
Actual FY 2004 and Projected FY 2005-2006			
\$ million			
	Actual	Projected	
	FY 2004	FY 2005	FY 2006
<u>Restricted</u>			
Investments of Governmental Funds	4.0	12.1	13.7
Constitutional Budget Reserve Fund	53.2	102.5	112.2
Other Treasury Managed Governmental Funds	24.9	17.7	20.5
Alaska Permanent Fund ⁽¹⁾	<u>3,434.0</u>	<u>2,046.9</u>	<u>2,188.8</u>
Total Restricted	3,516.1	2,179.2	2,335.2

(1) Annual unrealized and realized earnings from Permanent Fund Table 6-10.

**Table 6-6. CBRF Investment Revenue Summary
Actual FY 2004 and Projected, FY 2005-2006**

Asset Allocation Regular Account

Treasury Pool	Percent Allocation	Performance Benchmark
Short-term, Fixed-Income Pool	22%	Three-Month U.S. Treasury Bill
Intermediate-term, Fixed-Income Pool	58%	Merrill Lynch 1- to 5-Year Government Index
Broad Market Fixed-Income Pool	20%	Lehman Brothers Aggregate Bond Index
Regular Account Balance February 28, 2005		\$1,701.0 Million
Projected Annual Rate of Return		3.86 %
Probability of Negative Return Over 1 Year		8.02 %

Asset Allocation Special Subaccount

Treasury Pool	Percent Allocation	Performance Benchmark
Broad Market Fixed-Income Pool	41%	Lehman Brothers Aggregate Bond Index
Domestic Equity Pool	43%	Russell 3000 Index
International Equity Pool	16%	MSCI EAFE Index
Special Subaccount Balance February 28, 2005		\$ 451.3 Million
Projected Annual Rate of Return		7.31 %
Probability of Negative Return Over 1 Year		24.35 %

	Total Investment Income (\$million)		
	Actual FY 2004	Projected FY 2005 FY 2006	
Regular Account	8.0	58.0	77.2
Special Subaccount	<u>45.2</u>	<u>44.5</u>	<u>35.0</u>
Total	53.2	102.5	112.2

Table 6-7. Constitutional Budget Reserve Fund Cash Flows
Actual FY 2004 and Projected FY 2005-2006
\$ million

	Actual	Projected	
	FY 2004	FY 2005	FY 2006
Beginning Cash Balance CBRF	2,093.2	2,064.2	2,417.7
Beginning Main Account Balance	1,720.4	1,646.2	1,955.2
Earnings on Main Account Balance ⁽¹⁾	8.0	58.0	77.2
Petroleum Tax, Royalty Settlements ⁽²⁾	8.4	24.7	20.0
Loan to GF (prior year)	(79.8)	0.0	0.0
Loan to GF (current year) ^{(3) (4)}	<u>(10.8)</u>	<u>226.3</u>	<u>(0.9)</u>
Ending Main Account Balance	1,646.2	1,955.2	2,051.5
Beginning Special Subaccount Balance	372.8	418.0	462.5
Earnings on Special Subaccount Balance ⁽¹⁾	45.2	44.5	35.0
Loan to GF from Special Subaccount	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Ending Special Subaccount Balance	418.0	462.5	497.5
Total CBRF Balance	2,064.2	2,417.7	2,549.0

(1) The earnings estimate for the main account is 3.86% and the earnings estimate for the special subaccount is 7.314%. These projections are based on Callan's capital market assumptions and Department of Revenue, Treasury Division's asset allocation.

(2) Settlement estimates are provided by the Department of Revenue and Department of Law.

(3) The FY 2004 draw is based on the audited cash balance in the CBRF as of June 30, 2004. FY 2005 CBRF draw projections are provided by the Office of Management and Budget (OMB) and do not represent final budget numbers. The estimated future loan figures are slightly different than those found in the "Executive Summary". Table 2-8 was based on flat budget projections while OMB's estimates in this table are based on the assumption that certain portions of the budget will change with population.

The Treasury Division manages two other governmental funds, the Public School Trust and the Alaska Children's Trust.

**Table 6-8. Public School Trust Investment Revenue Summary
Actual FY 2004 and Projected FY 2005-2006**

Asset Allocation		
<u>Treasury Pool</u>	Percent <u>Allocation</u>	<u>Performance Benchmark</u>
Broad Market Fixed-Income Pool	57%	Lehman Brothers Aggregate Index
Domestic Equity Pool	43%	Russell 3000 Index
Public School Trust Fund Balance February 28, 2005		\$ 312.2 million
Projected Annual Rate of Return		6.58 %
Probability of Negative Return Over 1 Year		21.37 %

Total Investment Income and Distributable Income (\$ million)			
	Actual	Projected	
	FY 2004	FY 2005	FY 2006
Public School Trust Total Investment Income	24.1	16.9	19.8
Public School Trust Distributable Income	9.6	6.5	10.9

**Table 6-9. Alaska Children's Trust Investment Revenue Summary
Actual FY 2004 and Projected FY 2005-2006**

Asset Allocation		
<u>Treasury Pool</u>	Percent <u>Allocation</u>	<u>Performance Benchmark</u>
Broad Market Fixed-Income Pool	57%	Lehman Brothers Aggregate Index
Domestic Equity Pool	43%	Russell 3000 Index
Alaska Children's Trust Balance February 28, 2005		\$ 10.8 million
Projected Annual Rate of Return		6.58 %
Probability of Negative Return Over 1 Year		21.37 %

Total Investment Income and Distributable Income (\$ million)			
	Actual	Projected	
	FY 2004	FY 2005	FY 2006
Alaska Children's Trust Total Investment Income	0.8	0.8	0.7
Alaska Children's Trust Distributable Income	0.3	0.5	0.4

Table 6-10. Alaska Permanent Fund Managed by the Permanent Fund Corporation ⁽¹⁾
Actual FY 2004 and Projected FY 2005-2006
\$ million

	Actual FY 2004	Projected FY 2005	FY 2006
<u>Reserved Assets — Principal</u>			
Total Reserved Assets — Beginning Balance	24,094.3	26,541.0	27,203.8
Contributions and Appropriations			
Contributions and Appropriations — Beginning Balance	22,988.0	23,525.7	24,641.1
Dedicated Petroleum Revenue	353.0	448.1	389.9
Inflation Proofing Transfer from Realized Earnings	170.0 ⁽²⁾	640.1	650.8
Deposits to Principal and Settlement Earnings	<u>14.7</u>	<u>27.2</u>	<u>21.1</u>
Subtotal — Contributions and Appropriations	23,525.7	24,641.1	25,702.9
Unrealized Appreciation/Depreciation			
Appreciation/Depreciation — Beginning Balance	1,106.3	3,015.3	2,562.7
Annual Unrealized Gain/Loss	<u>1,909.0</u>	<u>(452.6)</u>	<u>180.1</u>
Subtotal — Unrealized Appreciation/Depreciation	3,015.3	2,562.7	2,742.8
Total Reserved Assets — Ending Balance	26,541.0	27,203.8	28,445.7
<u>Realized Earnings Account</u>			
Realized Earnings Account — Beginning Balance	100.0	859.3	2,084.1
Annual Realized Earnings	1,525.0	2,499.5	2,008.7
Dividend Payment to the State of Alaska ⁽³⁾	(581.0)	(607.5)	(690.0)
Inflation Proofing Transfer to Reserved Assets	(170.0) ⁽²⁾	(640.1)	(650.8)
Other Transfers to Reserved Assets	(14.7)	(27.2)	(21.1)
Other Appropriations Out of the Fund	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Realized Earnings Account— Ending Balance	859.3	2,084.1	2,730.8
<u>Market Value — Total Fund Invested Assets Value</u>			
Contributions and Appropriations End-of-Year Balance	23,525.7	24,641.1	25,702.9
Unrealized Appreciation/Depreciation End-of-Year Balance	3,015.3	2,562.7	2,742.8
Realized Earnings End-of-Year Balance (Statutory Earnings)	<u>859.3</u>	<u>2,084.1</u>	<u>2,730.8</u>
Fund Balance (Market Value) End-of-Year Balance	<u>27,400.3</u>	<u>29,287.9</u>	<u>31,176.5</u>
<u>Total Reported Earnings</u>			
Annual Unrealized Gain/Loss ⁽³⁾	1,909.0	(452.6)	180.1
Annual Realized Earnings	<u>1,525.0</u>	<u>2,499.5</u>	<u>2,008.7</u>
Reported Earnings	3,434.0	2,046.9	2,188.8

(1) Data projected using July 1, 2004, financial statements and the spring 2005 revenue forecast. Callan Associates Inc.'s, 2004 capital market assumptions results in 7.61% median expected total return data for FY 2005 and FY 2006.

(2) \$354 million of FY 2004's projected inflation proofing of \$523 million was prefunded in FY 2003. There was additional legislation in FY 2004 for the remaining \$169 million balance.

(3) The Permanent Fund dividend payment is recorded as a liability at fiscal year end, and is paid out the following month.

7. State Endowment Funds

This section of the revenue forecast compares important attributes of six endowment funds. The University of Alaska endowment is included in this comparison because it is one of the Alaska's public endowment funds that use the annual distribution calculation method typical of the vast majority of endowments in the United States and Canada.⁽¹⁾

The fiduciary for each of these endowment funds has the responsibility for establishing an asset-allocation policy for the fund. The table below compares the asset-allocation policies for these endowments.

Under the standards adopted by the Governmental Accounting Standards Board (GASB), public funds calculate and report their income by recognizing changes in the value of securities as income, or losses, as they occur at the end of each trading day. They do this regardless of whether the securities are actually sold and the income, or losses, are taken or realized. All six of these endowments report annual income on this basis. However, as reflected in Table 7-2, four of them — two of the funds administered by the Alaska Permanent Fund Corporation (Alaska Permanent Fund and Mental Health Trust Fund), and the Public School Trust and Alaska Children's Trust — use other measures of annual income for determining their distributions.

In determining the amount of income available for distribution each year for the two funds managed by the Alaska Permanent Fund Corporation, gains or losses on individual investments are not recognized until the stock or bond is sold. For calculating distributable income for the Public School Trust and the Alaska Children's Trust, only interest earned and dividends received are treated as income. Gains and losses in the value of individual investments are never recognized as income. By law, those gains and losses remain with the principal of the fund.

Table 7-1. Target Asset Allocation — State Endowment Funds
percent

	Cash	U.S. Bonds	International Bonds	U.S. Equities	International Equities	Real Estate	Alternative Investments	Total
Alaska Permanent Fund	0	28	4	37	18	10	3	100
Mental Health Trust (managed by PF Corp.)	0	28	4	37	18	10	3	100
Mental Health Trust (managed Treasury)	0	100	0	0	0	0	0	100
Public School Trust	0	57	0	43	0	0	0	100
Alaska Children's Trust	0	57	0	43	0	0	0	100
Power Cost Equalization	0	37	0	46	17	0	0	100
University of Alaska Endowment	1	28	0	32	12	5	22	100

(1) The predominant practice, making annual distributions of 4% to 5% of the market value of the endowment, developed following a 1968 Ford Foundation study. See The Ford Foundation *Managing Educational Endowments* (New York, New York; 1968).

Table 7-2. Calculation of Annual Income — State Endowment Funds

	Financial Reporting of Income	Distributable Income
Alaska Permanent Fund	GASB (recognize gains and losses based on change in market value)	Interest earnings + dividends paid + gains and losses on investments actually sold
Mental Health Trust	GASB (recognize gains and losses based on change in market value)	Interest earnings + dividends paid + gains and losses on investments actually sold
Public School Trust	GASB (recognize gains and losses based on change in market value)	Interest earnings + dividends paid; gains and losses on value of securities are never income, they become part of principal
Alaska Children's Trust	GASB (recognize gains and losses based on change in market value)	Interest earnings + dividends paid; gains and losses on value of securities are never income, they become part of principal
Power Cost Equalization Endowment	GASB (recognize gains and losses based on change in market value)	GASB (recognize gains and losses based on change in market value)
University of Alaska Endowment	GASB (recognize gains and losses based on change in market value)	GASB (recognize gains and losses based on change in market value)

Table 7-3. Distributable Income Determination — State Endowment Funds

Alaska Permanent Fund	The annual distribution for the Permanent Fund Dividend follows the formula in AS 37.13.140-.150, which specifies that 10.5% of the past five years' total realized income shall be paid out as dividends but also sets the limitation that the annual distribution may never exceed 50% of the balance in the fund's Realized Earning Account (REA). The 50% limitation has never been triggered.
Mental Health Trust	The Mental Health Trust Board adopted a policy, beginning in FY 2001, to distribute 3.5% a year of the market value of the fund's total assets. The distribution rate had been 3% for FY 1996-1998 and 3.25% for FY 1999-2000. Because of recent declines in market value, the board is exploring a redefinition of "principal" so that losses in market value would be proportionally allocated to the principal account and the earnings account rather than assigning the entire value of any losses to the earning account.
Public School Trust	The annual distribution is 4.75% of a five-year moving average of the fund's principal market value so long as that amount does not exceed the interest and dividend earnings available in the earnings account. The trust has accumulated a sizable earnings account balance, providing a cushion for the fund to maintain its annual distributions in a sustained bear market.
Alaska Children's Trust	The annual distribution is 4.75% of a five-year moving average of the fund principal's market value so long as that amount does not exceed the interest and dividend earnings available in the earnings account. The trust has accumulated a sizable earnings account balance, providing a cushion for the fund to maintain its annual distributions in a sustained bear market.
Power Cost Equalization Endowment	The annual distribution is 7% of the fund's market value. For the initial transition years, state statute specifies that the fund shall use the market value on February 1 for the subsequent fiscal year's distribution. Thereafter, the fund is to distribute each year 7% of the monthly average market value for a specified 36-month period.
University of Alaska Endowment	The annual distribution is 5% of a five-year moving average of the market value of the fund.

Table 7-4. Inflation-Proofing Procedures — State Endowment Funds

Alaska Permanent Fund	An annual appropriation is needed to inflation proof the principal of the Permanent Fund (but not the accumulated earnings) pursuant to AS 37.13.145. The legislative appropriation requires a transfer from the Realized Earnings Account to the fund's principal an amount equal to the calculated U.S. Consumer Price Index's effect on the value of the principal, comprised of oil and gas royalty contributions and legislative appropriations. The Alaska Permanent Fund Corporation's Trustees have proposed a constitutional amendment that would inflation proof the entire fund — the principal and accumulated earnings — by limiting the annual distribution of earnings to 5% of a five-year moving average of the market value of the fund.
Mental Health Trust	The Mental Health Trust Authority has adopted two policies to inflation proof the fund. First, it limits distributions to 3.5% of the fund's market value. (The authority's ultimate goal, after further building up the principal, is to distribute 5% of the fund's market value each year, which would still allow enough retained earnings to inflation proof the fund.) Second, the authority also has adopted a policy transferring money from the reserve account to the principal whenever the reserve exceeds four times the annual income distribution, to help build up the fund's principal.
Public School Trust	The asset-allocation policy is such that — when combined with the requirement that the fund's capital gains and losses remain part of the principal — the retained capital gains are adequate to inflation proof the fund.
Alaska Children's Trust	The asset-allocation policy is such that — when combined with the requirement that the fund's capital gains and losses remain part of the principal — the retained capital gains are adequate to inflation proof the fund.
Power Cost Equalization Endowment	The legislature, in selecting a 7% distribution policy, expressly elected not to inflation proof this fund, but rather to distribute all, or almost all, of its anticipated annual earnings.
University of Alaska Endowment	The university's distribution policy of 5% of the moving five-year average of the fund's market value should allow for retained earnings to inflation proof the fund.

8. Public Corporations and the University of Alaska

Public Corporations

The state has established the following public corporations to carry out certain public policies:

1. Alaska Housing Finance Corporation (AHFC)
2. Alaska Industrial Development and Export Authority (AIDEA)
3. Alaska Energy Authority (AEA)
4. Alaska Student Loan Corporation (ASLC)
5. Alaska Municipal Bond Bank Authority (AMBBA)
6. Alaska Aerospace Development Corporation
7. Alaska Railroad Corporation

These seven corporations and the University of Alaska are components of state government whose activities are accounted for in the state's Comprehensive Annual Financial Report separately from the activities of primary state government.

Four of these corporations — the Alaska Housing Finance Corporation (AHFC), Alaska Industrial Development Authority (AIDEA), Alaska Student Loan Corporation (ASLC) and Alaska Municipal Bond Bank Authority (AMBBA) — pay some portion of their income as an annual "dividend" to the state.

The members of the AIDEA Board of Directors also serve as Board of Directors of AEA, though AIDEA and AEA continue to exist as separate legal entities. AEA has no employees, and AEA contracts to have AIDEA employees administer AEA programs. Other corporations have their own staffs and boards. While neither the sale of bonds nor the expenditure of bond proceeds by these corporations are subject to the state's Executive Budget Act, expenditures for the day-to-day administration of all of these corporations except the Alaska Railroad are subject to the Executive Budget Act.

The Alaska Commission on Postsecondary Education (ACPE) administers the ASLC programs. The ASLC has no employees, and the executive director of the ACPE serves as the executive officer of the ASLC.

The following six tables summarize the activities of these seven corporations.

Table 8-1. Public Corporations - Missions

What does the corporation do and how does it do it?

Alaska Housing Finance Corporation

Using proceeds from the sale of bonds backed by its corporate assets, AHFC purchases home mortgages from Alaska banks. Income from payments on these mortgages repays bond holders and adds to the corporation's income, enabling the corporation, since FY 1991, to pay an annual dividend and/or return of capital to the state. In addition to ensuring that Alaskans, especially low- and moderate-income Alaskans and residents of remote and underdeveloped areas of the state have adequate housing at reasonable cost, the corporation administers federally and state funded multi-family, senior and low-income housing, residential energy and home weatherization programs. In recent years, the legislature has authorized AHFC to finance the construction of schools, University of Alaska housing and other capital projects identified by the legislature.

Alaska Industrial Development and Export Authority

By lending money, guaranteeing loans or becoming an owner, AIDEA makes financing available for industrial, export and other business enterprises in Alaska. The corporation earns money from interest on its loans, investments, leases and operations of its properties. The corporation has paid an annual dividend to the state since FY 1997.

Alaska Energy Authority

AEA provides loans to utilities, communities and persons to pay for the purchase or upgrade of equipment and for bulk fuel purchases. Additionally, the agency administers the Power Cost Equalization program, subsidizing rural electric costs with the Power Cost Equalization Endowment. AEA also receives federal and state money to provide technical advice and assistance in energy planning, emergency response management, energy infrastructure construction and conservation in rural Alaska. AEA also owns and, under contractual agreements, operates and maintains power projects, such as Bradley Lake and the Alaska Intertie.

Alaska Student Loan Corporation

The Alaska Student Loan Corporation uses proceeds from bond sales to finance education loans made by the Alaska Commission on Postsecondary Education. The loan repayments satisfy bond obligations and add to the corporation's capital asset base. Alaska statute authorizes the board of directors to annually declare a return to the state of a portion of its net income. The board has declared return of capital payments for each year beginning in FY 2001. Alaska statute also authorizes the corporation to issue bonds for the purpose of financing state projects.

Alaska Municipal Bond Bank Authority

The Bond Bank loans money to Alaska municipalities in Alaska for capital improvements. The bank's larger capital base, its reserve funds and its credit rating enable it to sell bonds at lower interest rates than the municipalities could obtain on their own. The Bond Bank earns interest on the money it holds in reserve and has returned a dividend to the state every year since 1977.

Alaska Aerospace Development Corporation

The corporation finances aerospace-related ventures in Alaska, including the establishment and operation of a commercial space vehicle launch facility in Kodiak, space science and engineering research and promoting tourism at the Poker Flat rocket range and other facilities.

Alaska Railroad Corporation

The corporation operates freight and passenger rail services between Seward and Fairbanks, including a spur line to Whittier. In addition, the corporation generates revenues from real estate it owns.

Table 8-2. Public Corporations - State Capitalization
How did the state capitalize the corporation?

Alaska Housing Finance Corporation

The legislature appropriated \$739.9 million in cash and \$292.5 million in mortgages held by the General Fund to the corporation between 1976 and 1984. The payments on those mortgages and additional mortgages purchased with the cash have helped build the corporation's asset base and allow it to return some capital to the state each year. In 1993, AHFC received an additional \$27.7 million in cash and \$9.3 million in equity when the legislature merged the Alaska State Housing Authority into AHFC.

Alaska Industrial Development and Export Authority

Between 1981 and 1991, the State of Alaska transferred various loan portfolios worth \$297.1 million and \$69.2 million in cash to this corporation.

Alaska Energy Authority

The legislature established the AEA in 1976 to finance and operate power projects. This corporation has also administered rural energy programs at various times, including the present. As a result of legislatively mandated reorganizations, capital has moved into and out of the corporation. At the end of FY 2001, this corporation reported contributed capital of \$963.5 million.

Alaska Student Loan Corporation

In FY 1988, the state transferred \$260 million of existing student loans to this corporation. Additional appropriations of cash between FY 1988 and FY 1992 totaled \$46.7 million.

Alaska Municipal Bond Bank Authority

Between 1976 and 1986, the legislature appropriated \$18.6 million to the Bond Bank to be used for backing bond issues. In addition, the legislature gave the Bond Bank \$2.5 million in 1981 to cover an anticipated default by a municipality. The municipality did not default, and the Bond Bank retained the appropriation for its reserves.

Alaska Aerospace Development Corporation

Since 1993, the state has contributed \$10.9 million.

Alaska Railroad Corporation

The state bought the railroad from the federal government in 1985. The purchase price of \$22.7 million was recorded as the state's capitalization.

Table 8-3. Public Corporations - Financial Facts, FY 2004 ⁽¹⁾
\$ million

	Total Assets	Assets less Liabilities Book Value	Unrestricted Net Assets	FY 2004 Operating Budget	Total ⁽²⁾ Positions
Alaska Housing Finance Corporation	\$4,708	\$1,706	\$218	\$41	372
Alaska Industrial Development and Export Authority	\$1,148	\$823	\$837	\$7	65
Alaska Energy Authority	\$575	\$420	\$228	\$20	AIDEA ⁽³⁾
Alaska Student Loan Corporation	\$980	\$251	\$15	\$9	ACPE ⁽⁴⁾
Alaska Municipal Bond Bank Authority	\$392	\$40	\$16	\$1	1
Alaska Aerospace Development Corporation ⁽⁵⁾	\$94	\$60	\$2	\$12	33
Alaska Railroad Corporation ⁽⁶⁾	\$440	\$137	\$117	\$78	751

(1) All figures are effective as of June 30, 2004, except for the Alaska Railroad which reports on a calendar year basis.

(2) Permanent Full Time (PFT), Permanent Part Time (PPT) and Temporary (TMP) are included in total positions.

(3) The Alaska Industrial Development and Export Authority (AIDEA) provides staff for the activities of the Alaska Energy Authority (AEA). A significant portion of AIDEA's 65 member staff is engaged in AEA programs.

(4) The Alaska Commission on Postsecondary Education (ACPE) provides staff for the activities of the Alaska Student Loan Corporation (ASLC). A majority of ACPE's 104 member staff are engaged in ASLC programs.

(5) Unaudited.

(6) The Alaska Railroad reports financial data on a calendar year. Assets and book value shown in this table are from audited December 31, 2003, financial statements. The operating budget figure shown here is for CY 2004.

Table 8-4. Public Corporations - Revenue and Net Income
\$ million

	FY 2004 Revenue	FY 2004 Operating Income	FY 2004 Net Income
Alaska Housing Finance Corporation	\$306.0	\$42.5	(\$31.1)
Alaska Industrial Development and Export Authority	\$48.0	\$18.6	\$0.7
Alaska Energy Authority	\$82.9	(\$26.2)	(\$3.4)
Alaska Student Loan Corporation	\$38.6	\$24.8	\$9.0
Alaska Municipal Bond Bank Authority	\$11.6	(\$1.0)	(\$1.7)
Alaska Aerospace Development Corporation	\$10.0	(\$0.7)	(\$0.7)
Alaska Railroad Corporation ⁽¹⁾	\$127.6	\$11.9	\$14.5

(1) The Alaska Railroad reports financial data on a calendar year. CY 2003 covers the second half of FY 2003 and the first half of FY 2004.

Table 8-5. Public Corporations - Dividends to the State
How, if at all, does the corporation pay dividends to the state?

Alaska Housing Finance Corporation

The legislature in 2003 enacted SCSHB 256, adding language to state statute to modify an earlier transfer plan for AHFC to return capital to the state. The modified transfer plan calls for annual transfers as follows: FY 2004, \$103 million; FY 2005, \$103 million; FY 2006, \$103 million; FY 2007, the lesser of 95% net income or \$103 million; FY 2008, the lesser of 85% net income or \$103 million; FY 2009 and thereafter, the lesser of 75% of the corporation's net income or \$103 million.

Alaska Industrial Development and Export Authority

By statute, AIDEA must make available to the state each year not less than 25% and not more than 50% of its total net income for a base year defined as the year two years prior to the dividend year. The dividend is further limited to no more than the total amount of its *unrestricted* net income in the base year (AS 44.88.088). Net income is defined in statute.

Alaska Energy Authority

AEA does not pay a dividend or return capital to the state.

Alaska Student Loan Corporation

This corporation, at the discretion of its board of directors, may make available to the state a return of contributed capital or dividend for any base year in which the net income of the corporation is \$2 million or more. A base year is defined as the year two years before the payment year. If the board authorizes a payment, it must be between 10% and 35% of net income for the base year (AS 14.42.295). The corporation may also issue up to \$280 million of bonds to finance state projects identified by law (AS 14.42.220), with the corporation solely responsible for repaying the bonds from its own income and assets.

Alaska Municipal Bond Bank Authority

By statute, the Bond Bank annually returns earnings or income of its reserve fund, in excess of expenses, to the state.

Alaska Aerospace Development Corporation

AADC does not pay a dividend or return capital to the state.

Alaska Railroad Corporation

The corporation does not pay a cash dividend to the General Fund.

Table 8-6. Public Corporations - Operating Expenses and Dividends
\$ million

	Operating Expenses Subject to the Executive Budget Act		Dividends and/or Return of Capital	
	Actual	Budget	Actual	Budget
	FY 2004	FY 2005	FY 2004	FY 2005
Alaska Housing Finance Corporation	\$37.9	\$40.6	\$103.0	\$103.0
Alaska Industrial Development and Export Authority	\$5.7	\$6.8	\$18.2	\$22.0
Alaska Energy Authority	\$18.7	\$19.8	na	na
Alaska Student Loan Corporation	\$8.9	\$9.7	\$5.0	\$80.6
Alaska Municipal Bond Bank Authority	\$0.7	\$0.7	\$1.6	\$0.8
Alaska Aerospace Development Corporation	\$11.0	\$22.1	na	na
Alaska Railroad Corporation	na	na	na	na

University of Alaska

Table 8-7. University of Alaska

\$ million				
Lands and Facilities June 30, 2004	Total Assets June 30, 2004	Unrestricted Net Assets	FY 2005 Operating Budget	FY 2005 Total Positions ⁽²⁾
\$760.8 ⁽¹⁾	\$1,053.4	\$54.5	\$667.5	4,045

(1) Includes depreciation of \$493.4 million.

(2) Permanent Full Time (PFT), Permanent Part Time (PPT) and Temporary (TMP) are included in total positions.

9. Rosetta Stone

Introduction

The Department of Revenue's Revenue Sources Book, the Legislative Finance Division's Summary of Appropriations, and the Department of Administration Division of Finance's Comprehensive Annual Financial Report (CAFR) all present detailed information about where the state gets its money for budgeted day-to-day operations.

Although these three documents concern the same subject matter, they serve very different purposes. This Revenue Sources Book covers the first step in the process, estimating available general purpose or unrestricted revenue for appropriation the next fiscal year. It is published each spring and fall, once just before the beginning and once just before the end of the legislative session, months before the beginning of the fiscal year for which it is forecasting revenue. While our main focus in preparing this book is forecasting the state's unrestricted revenue, we also look at many sources of restricted revenues as well.

At the far end of the spectrum from this forecast is the CAFR. The CAFR reports what actually happened to state dollars during the prior fiscal year. It is published in December, about six months after the end of the fiscal year — about one and a half years after publication of the Fall Revenue Sources Book that had estimated available revenue for that year. In December 2005, a CAFR covering FY 2005 will be published. In April 2006, we will publish a comparison between the 2005 CAFR and the 2005 revenue numbers in this spring forecast.

In between publication of our forecast and the CAFR, thousands of events occur and many different "snapshots" of the state's finances are taken. The Summary of Appropriations is one such snapshot, recording how much money the legislature and governor authorized in the legislative session then just ended. The Summary of Appropriations is published in July, right at the start of the fiscal year. The Summary of Appropriations for FY 2005 was published in July 2004. In the fall of 2005 we will publish a comparison between the FY 2006 Summary of Appropriations and our FY 2006 forecast.

Even though these three books concern the same subject matter, they present it differently. The purpose of this section is to reconcile these three documents. Going from one document to the other can be very difficult because each uses a different system to classify various kinds of state money, so a sum of money in one report may be broken up into many different pieces in a different report, or vice versa. In addition, some of the critical terms used in the classification are defined very differently among the books.

Defining "Fund"

Alaska's public finances are generally described under one of two different systems: accounting funds or budget funds. Many accounting funds have a corresponding budget fund. For other funds, a single budget fund can incorporate several entire accounting funds or parts of various accounting funds, and the reverse is true as well. Some budget funds have no corresponding accounting fund. As will be set forth below, a major difference between the two systems of funds is how each defines general fund.

Fewer than 100 of the approximately 181 budget funds are active ⁽¹⁾, and some of these are used to designate duplicate receipts. When a budget writer says money is coming from a particular fund, the writer identifies a source that may include money already set aside under that fund code or a revenue stream earmarked for that fund code. Of those funds, 72 show up in the FY 2005 Summary of Appropriations as "other revenues."

Accounting funds are funds established under general accepted accounting principles as codified by the Governmental Accounting Standards Board (GASB).⁽²⁾ These rules apply to all the states, counties, cities and other public jurisdictions across the country. They are meant to increase the transparency of public finances and the accountability of public officials. Accountants track revenue into specific GASB-defined funds. However, when an accountant says money is coming from a particular fund, the accountant is identifying a source that may include money on hand and already set aside under that fund code or from a stream of revenues earmarked for that fund code.

(1) The list of fund codes can be found in several places, including "The Swiss Army Knife of Budget Handbook," <http://www.legfin.state.ak.us/>, with more recent additions found only in the budget itself.

(2) GASB is a sister organization to the more well known FASB or Financial Accounting Standards Board. GASB sets out generally accepted accounting principles (GAAP) for governmental entities; FASB sets out GAAP for private businesses. Both are under the auspices of the Financial Accounting Foundation.

Defining “General Fund”

The General Fund is the general operating fund of the state. All public money coming into the state treasury that is not authorized or required by law to be placed in a special fund constitutes the General Fund. As noted on the previous page, the accounting General Fund and the budgeting general fund are not the same. For example, the FY 2004 budget, passed in the spring of 2003, was predicated on \$1.8 billion in general fund revenue. The CAFR for FY 2004 shows General Fund revenue of \$4.7 billion for the period. Did \$2.9 billion go missing? No, the difference is because accountants and budget writers use the term “general fund” differently.

The accountants’ General Fund starts with everything in the budget writers’ general fund, which represents the core government dollars that are designated as unrestricted in this Revenue Sources Book. The accountants’ General Fund, however, also includes the following:

- Subaccounts or subfunds of the General Fund. A budget writer will consider a General Fund subfund as a separate fund, and will discuss moving money from the general fund to the subfund. But such a transfer would not show up in the accountants’ final report, because to the accountants it had no effect on the General Fund. For example, in conformance with GASB 34 standards, the Constitutional Budget Reserve is considered a subfund of the General Fund.
- Federal dollars that are spent in general fund programs. No accounting funds are defined by the fact that they have only federal dollars. On the other hand, six specific budget codes refer to different kinds of federal funds.

To distinguish between these two concepts in this document we will capitalize the accountants’ General Fund and keep the budget writers’ general fund in lowercase.

Reconciling This Revenue Sources Book with the State's Comprehensive Annual Financial Report

Budgeting is a dynamic process and there are many different budget documents available. The Department of Administration, Division of Finance issues (and the Division of Legislative Audit audits) the CAFR every December to report on the fiscal year that ended six months earlier in June.⁽¹⁾ The CAFR provides a very detailed accounting of the state's fiscal picture and activities for the previous year.

As an aside, GASB, in Statement 34, promulgated a fairly radical restructuring of its required financial reporting model, and the state used that model for the 2002 CAFR for the first time. GASB 34 established a new structure for governmental reporting. All the state's funds are divided into three categories: governmental, proprietary and fiduciary funds. Discretely presented component units such as the University or Alaska Housing Finance Corporation continue to be reported separately.

Most of the state's basic services are reported in governmental funds, and with a handful of exceptions the revenues in these funds line up with the revenues in the Revenue Sources Book. There are five types of governmental funds: debt service funds, permanent funds, special revenue funds, capital project funds and the General Fund. The table below summarizes the revenues reported by the CAFR in governmental funds.

Table 9-1. 2004 CAFR Revenues in Governmental Funds
Dollars

	Debt Service Funds Sttmnt 3.02 (2 funds)	Capital Project Funds Sttmnt 3.02 (3 funds)	Permanent Funds Sttmnt 1.13 & 3.02 (2 funds)	Special Revenue Funds Sttmnt 3.02 (11 funds)	General Fund Sttmnt 1.13 (1 fund, 2 subfunds)	Total Governmentl Funds Sttmnt 1.13 (17 funds)
Taxes	-	-	-	32,871	1,242,542	1,275,413
Licenses & Permits	-	-	-	25,574	90,590	116,164
Charges for Services	-	-	-	269	183,909	184,178
Fines & Forfeitures	-	-	2	59	17,537	17,598
Rents & Royalties	-	-	357,822	2,530	1,068,587	1,428,939
Premiums & Cont.	-	-	-	7,891	10,093	17,984
Interest & Investment	1,618	5,021	823,368	306	107,621	937,934
Change in Fair Value	(38)	-	2,682,200	-	(33,884)	2,648,278
Federal	-	-	-	22,421	1,918,616	1,941,037
Grants & Contracts	-	-	-	43	-	43
Payments in from Component Units	-	-	-	-	58,846	58,846
Other Revenues	<u>17,151</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>15,182</u>	<u>32,363</u>
	18,731	5,021	3,863,392	91,994	4,679,639	8,658,777

Source: State of Alaska 2004 Comprehensive Annual Financial Report.

There are two debt service funds. The Northern Tobacco Securitization Corporation issued bonds and uses 80% of the stream that the state receives under the Tobacco Master Settlement Agreement to service the debt. The other fund is used to service the general obligation bonds issued by the state in 2003.

There are three capital projects funds that handle the proceeds from those bond sales.

There are two permanent funds, the Alaska Permanent Fund and the Public School Trust Fund, both discussed in Section 6 of this book

There are 11 special revenue funds, which can be found listed in Table 9-3. These revenues can be found in Schedule 3.32 of the 2004 CAFR. Over 80% of the revenues are found in just two special revenue funds, the Fish and Game Fund where revenues are derived from licenses, permits and federal support and the School Fund that derives its revenue from the cigarette tax.

There is only one General Fund though it has many subfunds. There are two major subfunds of the General Fund detailed in the CAFR, the Constitutional Budget Reserve Subfund and the Permanent Fund Dividend Subfund.

At the end of this section you will find Tables 9-2 and 9-3. They can be used to reconcile the total revenues of \$8,624.5 reported in this Revenue Sources Book with governmental revenues of \$8,658.9 found in the CAFR. That is a difference of \$34.4 million. Tables 9-2 and 9-3 reconcile to yet a third figure — \$8,627.7 million, which is \$3.2 million above the Revenue Sources figure and \$31.1 million below the CAFR figure.

Table 9-2 is organized like Table 2-1 — Total Revenue — of this Revenue Sources Book. Most of the numbers are taken from the Revenue Sources Book, although occasionally they are broken out a little more finely than in the Revenue Sources Book. In that case the figures are taken from the CAFR, or computed as a difference between two figures. Along the left hand side of the table a source is given for each figure. Along the right hand side of the page in Table 9-2 is shown the pertinent line of Table 9-3 identifying where that same dollar amount can be found in the CAFR. Table 9-2 details the full \$8,624.6 million found in the Revenue Sources Book, and then adds detail on reconciling items of \$3.2 million, for a grand total of \$8,627.7 million.

Table 9-2 is organized like the CAFR, using the same building blocks that totaled to \$8,627.7 million. Again, along the left hand side of the table a source is given for each figure. Since the Revenue Sources Book reports in much finer detail, most of the time multiple revenues have to be summed to equal a figure reported in the CAFR. Along the right hand side of the page in Table 9-3 is shown the pertinent line of Table 9-2 identifying where that same dollar amount can be found in the Revenue Sources Book. Total governmental fund revenues of \$8,658.8 million are summed, and then \$31.1 million not found in the governmental section of the CAFR but found in the Revenue Sources Book is subtracted to arrive at a total for the table of \$8,627.7 million.

What is the additional \$3.2 million in revenue needed to reconcile the Revenue Sources book to the \$8,627.7 table figure? On the last page of table 9-2, 21 reconciling items are shown, classified by the type of revenue as shown in the CAFR. Frequently there are offsets, with a net effect of \$3.3 million. We have no doubt these could be tracked down, but have not chosen to delve into this level of accounting difference between the figures originally booked to the state accounting system and those numbers final presentation.

What about the additional \$31.1 million found in Table 2-1 revenues that are not found in the CAFR operating revenues as shown in Table 9-3? This figure is actually the net of \$47.4 million in expenses and \$16.3 million in additional revenue.

The \$47.4 million figure is found in the CAFR at Schedule 1.13 (as a slightly different figure, or \$47.8) but is designated as operating expense. We report the earnings of the Permanent Fund net of its expenses, while the CAFR more accurately shows total revenues and then reflects operating expenses of the Permanent Fund as "expenses," coming out to the same net figure found in this book. In addition, there are minor rounding differences, contributing to the credit.

While the Alaska Science and Technology Fund transfer and unclaimed property figure shown here are found in the CAFR, they are not treated as revenues, and hence are outside of the Governmental Revenues reconciliation.

Table 9.2. Revenue Organized Like Revenue Sources Book

RSB ROW	Source	Description	Amount	RSB Table Line Item	RSB Table Subtotal	RSB Table Subtotal & Total	CAFR ROW 1 2
3	<u>OIL REVENUE</u>						
4	<u>Unrestricted</u>						
5	Royalties (including Bonuses)						
6	Table 2-3	Royalties (including Bonuses)	1,042.8	1,042.8			78
7	Table 2-3	Mineral Bonuses and Rents	10.4	10.4			79
8	Table 2-3	Interest Paid by Others (general fund)	2.9	2.9			93
9	Subtotals Royalties (including Bonuses)				1,056.1		
10	Corporate income Tax						
11	Table 2-3	Corporate Petroleum Tax	298.8	298.8			21
12	Subtotal Corporate Income Tax				298.8		
13	Property Tax						
14	Table 2-3	Property Tax	47.3	47.3			22
15	Subtotal Property Tax				47.3		
16	Severance Tax						
17	Table 2-3	Oil & Gas Hazardous Release	9.2	9.2			23
18	Table 2-3	Severance Tax	642.7	642.7			24
19	Subtotal Severance Tax				651.9		
20	Subtotal Unrestricted					2,054.1	
21							
22	<u>Restricted</u>						
23	CBRF						
24	Adj 1 (Table 3-1 & Schdl 3.12)	Interest Portion of Tax and Royalty CBRF Bound Settlements	4.4				126
25	Schdl 3.12	Penalty Portion of Tax and Royalty CBRF Bound Settlements	0.1				132
26	Schdl 3.12	Tax Portion of CBRF-Bound Settlements	3.9				135
27	CBRF Subtotal			8.4	8.4		
28	NPRA						
29	Table 3-1	NPRA	2.5	2.5			167
30	Subtotal NPRA				2.5		
31	Dedicated Royalties						
32	Table 3-1	Royalties to School Fund	7.1	7.1			209
33	Table 3-1	Royalties to Permanent Fund	354.7	354.7			199
34	Dedicated Royalties Subtotal				361.8		
35	Subtotal Restricted					372.7	
36	Oil Revenue Subtotal						
37							
38	<u>NON-OIL REVENUE (EXCEPT INVESTMENTS & Federal)</u>						
39	<u>Unrestricted</u>						
40	Taxes						
41	Table 2-3	Alcoholic Beverage (General Fund)	16.4	16.4			25
42	Table 2-3	Charitable Gaming (General Fund)	2.4	2.4			26
43	Table 2-3	Cigarette (General Fund)	9.4	9.4			27
44	Table 2-3	Corporation General Income Tax (General Fund)	39.6	39.6			28
45	Table 2-3	Electric and Telephone Cooperative (General Fund)	0.2	0.2			29
46	Table 2-3	Estate (General Fund)	2.3	2.3			30
47	Table 2-3	Fisheries Business (General Fund)	14.9	14.9			31
48	Table 2-3	Fishery Resource Landing (General Fund)	2.5	2.5			32
49	Table 2-3	Insurance Premium (General Fund)	43.7	43.7			33

Table 9.2. Revenue Organized Like Revenue Sources Book

RSB ROW	Source	Description	Amount	RSB Table Line Item	RSB Table Subtotal	RSB Table Subtotal & Total	CAFR ROW 1
1							
50	Table 2-3	Mining (General Fund)	3.2	3.2			34
51	Table 2-3	Motor Fuel Tax-Aviation (General Fund)	41.2	41.2			35
52	Table 2-3	Rental Vehicle Tax	2.7	2.7			36
53	Table 2-3	Tire Fees	0.8	0.8			37
54	Table 2-3	Other Tobacco Product (General Fund)	6.6	6.6			38
55	Subtotal Taxes				185.9		
56	Charges for services						
57	Table 2-3	General Government (General Fund)	8.1	8.1			58
58	Table 2-3	Natural Resources (General Fund)	1.3	1.3			59
59	Other Charges for Services						
60	Schdl 3.12	PFDD Subfund C/S	0.3				119
61	Adj 2 (Table 2-3 & Schdl 3.12)	Other General Fund C/S (not including PFDD)	1.4				60
62	Subtotal Other			1.7			
63	Subtotal Charges for Services				11.1		
64	Fines and Forfeitures						
65	Adj 2 (Table 2-3 & Schdl 3.12)	Fines and Forfeitures (General Fund)	15.98				74
66	Schdl 3.12	PFDD Subfund F/F	0.02				121
67	Subtotal Fines and Forfeitures			16.00	16.00		
68	Licenses and Permits						
69	Table 2-3	Motor Vehicle Fees (General Fund)	38.8	38.8			50
70	Other L/P						
71	Adj 3 (Table 2-3 Schdl 3.12)	Other fees (general Fund)	1.8				51
72	Adj 3 (Table 2-3 Schdl 3.12)	Corp Reg Fees - (Tax in CAFR, L&P In RSB)	1.2				47
73	Subtotal L/P			3.0			
74	Subtotal Licenses and Permits				41.8		
75	Rents and Royalties						
76	Table 2-3	Cabin Rentals (General Fund)	0.2	0.2			80
77	Table 2-3	Coal Royalties (General Fund)	1.1	1.1			81
78	Table 2-3	Land Leasing, Rental and Sale (General Fund)	6.5	6.5			82
79	Subtotal Rents and Royalties				7.8		
80	Other						
81	Table 2-3	Unclaimed Property	11.5	11.5			225
82	Other Miscellaneous						
83	Schdl 3.12	PFDD SubfundOther	0.1				122
84	Adj 2 (Table 2-3 & Schdl 3.12)	Other General Fund "other" (less PFDD)	7.6				114
85	Subtotal Miscellaneous			7.66			
86	Subtotal Other				19.2		
87	Subtotal Unrestricted					281.8	
88							
89	Restricted						
90	Taxes						
91	Table 4-2	Alcoholic Beverage (alcohol & Drug Treatment)	16.4	16.4			40
92	Table 4-2	Electric and Telephone Cooperative (General Fund:Municipal Share)	3.8	3.8			41
93	Table 4-2	Fisheries Business (General Fund: Municipal Share)	14.4	14.4			42
94	Table 4-2	Fishery Resource Landing (General Fund: Municipal Share)	4.4	4.4			43
95	Table 4-2	Insurance Premium (Workers Safety & Comp)	6.2	6.2			39
96	Table 4-2	Motor Fuel Tax-Aviation (General Fund: Municipal Share)	0.2	0.2			44
97	Table 4-2	Salmon Enhancement (General Fund: Qualifying Regional Associations)	3.0	3.0			45

Table 9.2. Revenue Organized Like Revenue Sources Book

RSB ROW	Source	Description	Amount	RSB Table Line Item	RSB Table Subtotal	RSB Table Subtotal & Total	CAFR ROW 1
98	Table 4-2	Cigarette Taxes (Special Revenue Fund: School Fund)	32.9	32.9			170
99	Subtotal Taxes				81.3		
100	Charges for Services						
101	Table 4-3	General Government (General Fund)	2.2	2.2			63
102	Table 4-3	Natural Resource (General Fund)	0.7	0.7			62
103	Table 4-3	Marine Highway Receipts (General Fund: Marine Highway Fund)	43.6	43.6			61
104	Receipt Supported Services						
105	Table 4-3	Receipt Supported Services C/S	88.2				64
106	Adj 3 (Table 4-3 & Schdl 3.12)	RSS C/S in RSB, L&P in CAFR	(43.9)				70
107	Adj 3 (Table 4-3 & Schdl 3.12)	ASMI (Tax in CAFR, RSS in RSB)	5.1				46
108	Adj 3 (Table 4-3 & Schdl 3.12)	L&P in CAFR, RSS in RSB	36.4				55
109	Adj 3 (Table 4-3 & Schdl 3.12)	R&R in CAFR, RSS in RSB	3.7				85
110	Plug Figure	Plug Figure for C/s Adjustments	(1.3)				68
111	Subtotal RSS			88.2			
112	Table 4-3	Statutorily Designated Receipts C/S	73.3	73.3			66
113	Other						
114	Table 4-3	Other C/S	18.0				67
115	Plug Figure	Plug Figure for C/s Adjustments	0.4				69
116	Adj 3 (Table 4-3 & Schdl 3.12)	"Other" C/S in RSB C/S in CAFR, Restricted	(10.6)				71
117	Adj 3 (Table 4-3 & Schdl 3.12)	L&P in CAFR, Restricted "Other" C/S in RSB	10.2				54
118	Subtotal Other			18.0			
119	Subtotal Charges for Services				226.0		
120	Fines & Forfeitures						
121	Table 4-4	NTSC Other (Tobacco Settlement)	17.1	17.1			9
122	Table 4-4	Other (General Fund)	1.5	1.5			75
123	Table 4-4	Tobacco Settlement (Tobacco Use Ed & Cess Fund)	4.3	4.3			115
124	Subtotal Fines & Forfeitures				22.9		
125	Licenses And Permits						
126	Table 4-5	Hunting and Fishing Fees (Fish and Game Fund) SR	23.1	23.1			154
127	Table 4-5	Sanctuary Fees (Fish and Game Fund) SR	0.1	0.1			156
128	Other Fees						
129	Schedule 3.32	Fees (Clean Air Protection Fund) in CAFR, Other L&P in RSB	3.1				141
130	Adj 3 (Table 4-5 Schdl 3.12)	Remaining Other Fees	2.4				53
131	Subtotal Other Fees			5.5			
132	Subtotal Licenses and Permits				28.7		
133	Rents And Royalties						
134	Table 4-6	Land Leasing, Rental and Sale (General Fund)	5.4	5.4			83
135	Subtotal Rents and Royalties				5.4		
136	Other						
137	Table 4-7	AHFC Dividend	39.2	39.2			103
138	Table 4-7	AIDEA Dividend	16.5	16.5			104
139	Table 4-7	ASLC Dividend	2.0	2.0			105
140	Table 4-7	AMBBA Dividend	0.8	0.8			106
141	Table 4-7	Alaska Energy Authority	0.4	0.4			107
142	Table 4-7	Alaska Science & Technology	4.8	4.8			226
143	Other Miscellaneous						
144	Schdl 3.32	EVST P/C	3.7				193
145	Schdl 3.32	Second Injury P/C	4.2				173

Table 9.2. Revenue Organized Like Revenue Sources Book

RSB ROW	Source	Description	Amount	RSB Table Line Item	RSB Table Subtotal	RSB Table Subtotal & Total	CAFR ROW 1
1							
146	Schdl 3.32	Other P&C	10.1				88
147	Adj. 3 (Table 4-7 & Schdl 3.32)	Miscellaneous (General Fund)	3.2				113
148	Subtotal Miscellaneous			21.2			
149	Subtotal Other				84.9		
150	Subtotal Restricted					449.1	
151	Subtotal Non-Oil Revenue (Except Investments)						
152							
153	Federal Revenues						
154	Restricted						
155	Schdl 3.32	Fish & Game Fed	22.4				148
156	Schdl 3.12	PFDD Subfund Fed	4.8				120
157	Adj 4 (table 5-1)	Other Federal Revenues	1,913.8				110
158	Subtotal Restricted			1,941.0	1,941.0		
159	Federal Subtotal					1,941.0	
160							
161	INVESTMENTS						
162	<u>Unrestricted</u>						
163	Gefonsi						
164	Table 6-1	Treasury Interest and Investment Income	9.2	9.2			91
165	Subtotal GeFONSI				9.2		
166	Interest Paid by Others						
167	Table 6-1	Interest Paid by Others (general fund)	0.5	0.5			92
168	Subtotal				0.5		
169	Subtotal Unrestricted					9.7	
170							
171	<u>Restricted</u>						
172	Other Gefonsi Investment						
173	Adj 5 (Table 6-1 & Schedule 3.32)	Other General Fund Sub-fund investments	3.7				95
174	Schdl 3.32	Alyeska Settlement	0.1				182
175	Schdl 3.32	EVOS I/I	0.0				186
176	Schdl 3.32	EVST other	0.0				190
177	Schdl 3.32	F&G I/I	0.1				151
178	Subtotal Other Gefonsi Investment			4.0	4.0		
179	CBRF						
180	Adj 1 (Table 3-1 & Schdl 3.12)	Interest Portion of Tax and Royalty CBRF Bound Settlements	(4.4)				127
181	Schdl 3.12	CBRF Interest	75.5				128
182	Schdl 3.12	CBRF Investments	(17.9)				129
183	Subtotal CBRF			53.2	53.2		
184	Other Treasury Managed Funds						
185	Children's Trust						
186	Table 6-9	Children's Fund Investment	0.8				94
187	Public School Trust						
188	Schdl 3.02 (table 6-8)	Public School Investment Earnings	10.3				212
189	Schdl 3.02 (table 6-8)	Public School Investment Earnings	13.9				215
190	Subtotal Other Treasury Managed Funds			24.9	24.9		
191	Permanent Fund Corporation						
192	Schdl 1.13	Permanent Fund Earnings	813.1				203
193	Schdl 1.13	Permanent Fund Earnings	2,668.3				204

Table 9.2. Revenue Organized Like Revenue Sources Book

RSB ROW	Source	Description	Amount	RSB Table Line Item	RSB Table Subtotal	RSB Table Subtotal & Total	CAFR ROW 1
194	Adj 6 PFC Financial Statements	Permanent Fund Corporation Expenses converting Gross to Net	(47.4)				229
195	Subtotal Permanent Fund Corporation			3,434.0	3,434.0		
196	Subtotal Restricted					3,516.1	
197	Investment Subtotal						
198							
199	TOTAL Revenue in Table 2-1 of Revenue Sources Book					8,624.5	
200							
201	<u>Items not in the Revenue Sources Book</u>						
202	Plug Figure	Adj. or rounding to tie to CAFR GF C/S	2.3				65
203	Schdl 3.32	Fish & Game C/s	0.2				159
204	Schdl 3.32	Reclamation Bonding Pool C/S	0.0				179
205	Subtotal Charges for Services			2.6			
206	Schdl 3.32	Fish & Game F/F	0.1				145
207	Subtotal Fines & Forefietures			0.1			
208	Schdl 3.32	EVST Federal	0.1				191
209	Subtotal Federal			0.1			
210	Schdl 3.32	F&G Grants	0.0				163
211	Subtotal Grants			0.0			
212	Schdl 3.42	Northern Tobacco Securitization Corporation I/I	1.3				7
213	Schedule 3.02	Capital Project Fund I/I	5.0				16
214	Schdl 3.32	EVST I/I	0.1				192
215	Schdl 3.42	Northern Tobacco Securitization Corporation NIDPV	(0.0)				6
216	Plug Figure	Adj. or rounding to tie to CAFR GF I/I	15.0				96
217	Schedule 3.12	Investments	(16.0)				99
218	Schedule 3.42	GO Bond Redemption Fund I/I	0.3				12
219	Subtotal Investmnet, Interest and Net Increase (Decrease) in FMV			5.6			
220	Plug Figure	Adj. or rounding to tie to CAFR GF L/P #3.12	1.0				52
221	Plug Figure	Reclass of F&G L/P from General to F&G	(1.7)				155
222	Schdl 3.32	Fisherman's Fund L/P	1.0				176
223	Subtotal L&P			0.3			
224	Plug Figure	Plug figure reconciling table 5.4 and Schedule 3.42	0.1				8
225	Schdl 3.32	F&G Other	0.0				162
226	Subtotal Other			0.1			
227	Plug Figure	Adj. or rounding to tie to CAFR GF Payment from Component Units	(0.1)				102
228	Subtotal Payment from Componenet Units			(0.1)			
229	Plug Figure	Adj. or rounding to tie to CAFR PF R&R	(4.0)				200
230	Plug Figure	Adj. or rounding to tie to CAFR GF RR #3.12	(1.5)				84
231	Subtotal Rents and royalties			(5.5)			
232	Total Items not in Revenue Sources Book				3.2	3.2	
233							220
234	Grand Total, Matches Table X Grand Total					8,627.7	232

Table 9-3.Revenue Organized Like CAFR

CAFR ROW 1	Source	Description	Amount	Subtotal Revenue Type	Subtotal Fund	Subtotal Fund Type	Total	RSB ROW 1 2
2								2
3	<u>Governmental Funds</u>							
4	Debt Service Funds (Schedule 3.42)							
5	NTSC							
6	Schdl 3.42	Northern Tobacco Securitization Corporation NIDPV	(0.0)	(0.0)				215
7	Schdl 3.42	Northern Tobacco Securitization Corporation I/I	1.3	1.3				212
8	Plug Figure	Plug figure reconciling table 5.4 and Schedule 3.42	0.1	0.1				224
9	Table 4-4	NTSC Other (Tobacco Settlement)	17.1	17.1				121
10	Total NTSC				18.4			
11	GOB Redemption							
12	Schedule 3.42	GO Bond Redemption Fund I/I	0.3	0.3				218
13	Total GOB Redemption				0.3			
14	Total Debt Service Funds					18.7		
15	Capital Project Fund (Schedule 3.05)							
16	Schedule 3.02	Capital Project Fund I/I	5.0	5.0				213
17	Total Capital Project Funds				5.0	5.0		
18	General Funds (Schedule 3.12)							
19	General Fund less CBRF & PFDD subfunds							
20	Taxes							
21	Table 2-3	Corporate Petroleum Tax	298.8					11
22	Table 2-3	Property Tax	47.3					14
23	Table 2-3	Oil & Gas Hazardous Release	9.2					17
24	Table 2-3	Severance Tax	642.7					18
25	Table 2-3	Alcoholic Beverage (General Fund)	16.4					41
26	Table 2-3	Charitable Gaming (General Fund)	2.4					42
27	Table 2-3	Cigarette (General Fund)	9.4					43
28	Table 2-3	Corporation General Income Tax (General Fund)	39.6					44
29	Table 2-3	Electric and Telephone Cooperative (General Fund)	0.2					45
30	Table 2-3	Estate (General Fund)	2.3					46
31	Table 2-3	Fisheries Business (General Fund)	14.9					47
32	Table 2-3	Fishery Resource Landing (General Fund)	2.5					48
33	Table 2-3	Insurance Premium (General Fund)	43.7					49
34	Table 2-3	Mining (General Fund)	3.2					50
35	Table 2-3	Motor Fuel Tax-Aviation (General Fund)	41.2					51
36	Table 2-3	Rental Vehicle Tax	2.7					52
37	Table 2-3	Tire Fees	0.8					53
38	Table 2-3	Other Tobacco Product (General Fund)	6.6					54
39	Table 4-2	Insurance Premium (Workers Safety & Comp)	6.2					95
40	Table 4-2	Alcoholic Beverage (alcohol & Drug Treatmeant)	16.4					91
41	Table 4-2	Electric and Telephone Cooperative (General Fund:Municipal Share)	3.8					92
42	Table 4-2	Fisheries Business (General Fund: Municipal Share)	14.4					93

Table 9-3.Revenue Organized Like CAFR

CAFR ROW 1	Source	Description	Amount	Subtotal Revenue Type	Subtotal Fund	Subtotal Fund Type	Total	RSB ROW 1
43	Table 4-2	Fishery Resource Landing (General Fund: Municipal Share)	4.4					94
44	Table 4-2	Motor Fuel Tax-Aviation (General Fund: Municipal Share)	0.2					96
45	Table 4-2	Salmon Enhancement (General Fund: Qualifying Regional Associations)	3.0					97
46	Adj 3 (Table 4-3 & Schdl 3.12)	ASMI (Tax in CAFR, RSS in RSB)	5.1					107
47	Adj 3 (Table 2-3 Schdl 3.12)	Corp Reg Fees - (Tax in CAFR, L&P In RSB)	1.2					72
48	Subtotal Taxes			1,238.6				
49	Licenses & Permits							
50	Table 2-3	Motor Vehicle Fees (General Fund)	38.8					69
51	Adj 3 (Table 2-3 Schdl 3.12)	Other fees (general Fund)	1.8					71
52	Plug Figure	Adj. or rounding to tie to CAFR GF L/P #3.12	1.0					220
53	Adj 3 (Table 4-5 Schdl 3.12)	Remaining Other Fees	2.4					130
54	Adj 3 (Table 4-3 & Schdl 3.12)	L&P in CAFR, Restricted "Other" C/S in RSB	10.2					117
55	Adj 3 (Table 4-3 & Schdl 3.12)	L&P in CAFR, RSS in RSB	36.4					108
56	Subtotal Licenses & Permits			90.6				
57	Charges for Services							
58	Table 2-3	General Government (General Fund)	8.1					57
59	Table 2-3	Natural Resources (General Fund)	1.3					58
60	Adj 2 (Table 2-3 & Schdl 3.12)	Other General Fund C/S (not including PFDD)	1.4					61
61	Table 4-3	Marine Highway Receipts (General Fund: Marine Highway Fund)	43.6					103
62	Table 4-3	Natural Resource (General Fund)	0.7					102
63	Table 4-3	General Government (General Fund)	2.2					101
64	Table 4-3	Receipt Supported Services C/S	88.2					105
65	Plug Figure	Adj. or rounding to tie to CAFR GF C/S	2.3	-				202
66	Table 4-3	Statutorily Designated Receipts C/S	73.3					112
67	Table 4-3	Other C/S	18.0					114
68	Plug Figure	Plug Figure for C/s Adjustments	(1.3)					110
69	Plug Figure	Plug Figure for C/s Adjustments	0.4					115
70	Adj 3 (Table 4-3 & Schdl 3.12)	RSS C/S in RSB, L&P in CAFR	(43.9)					106
71	Adj 3 (Table 4-3 & Schdl 3.12)	"Other" C/S in RSB C/S in CAFR, Restricted	(10.6)					116
72	Subtotal Charges for Services			183.7				
73	Fines & Forfeitures							
74	Adj 2 (Table 2-3 & Schdl 3.12)	Fines and Forfeitures (General Fund)	15.98					65
75	Table 4-4	Other (General Fund)	1.5					122
76	Subtotal Fines & Forfeitures			17.5				
77	Rents & Royalties							
78	Table 2-3	Royalties (including Bonuses)	1,042.8					6
79	Table 2-3	Mineral Bonuses and Rents	10.4					7
80	Table 2-3	Cabin Rentals (General Fund)	0.2					76
81	Table 2-3	Coal Royalties (General Fund)	1.1					77
82	Table 2-3	Land Leasing, Rental and Sale (General Fund)	6.5					78
83	Table 4-6	Land Leasing, Rental and Sale (General Fund)	5.4					134

Table 9-3.Revenue Organized Like CAFR

CAFR ROW 1	Source	Description	Amount	Subtotal Revenue Type	Subtotal Fund	Subtotal Fund Type	Total	RSB ROW 1
84	Plug Figure	Adj. or rounding to tie to CAFR GF RR #3.12	(1.5)					230
85	Adj 3 (Table 4-3 & Schdl 3.12)	R&R in CAFR, RSS in RSB	3.7					109
86	Subtotals Rents & Royalties			1,068.6				
87	P&C							
88	Schdl 3.32	Other P&C	10.1					146
89	Subtotal P&C			10.1				
90	Interest							
91	Table 6-1	Treasury Interest and Investment Income	9.2					164
92	Table 6-1	Interest Paid by Others (general fund)	0.5					167
93	Table 2-3	Interest Paid by Others (general fund)	2.9					8
94	Table 6-9	Children's Fund Investment	0.8					186
95	Adj 5 (Table 6-1 & Schedule 3.32)	Other General Fund Sub-fund investments	3.7					173
96	Plug Figure	Adj. or rounding to tie to CAFR GF I/I	15.0					216
97	Subtotal Interest			32.1				
98	Net Change Investments							
99	Schedule 3.12	Investments	(16.0)					217
100	Net Change Investments			(16.0)				
101	Payments in From Component Units							
102	Plug Figure	Adj. or rounding to tie to CAFR GF Payment from Component Units	(0.1)					227
103	Table 4-7	AHFC Dividend	39.2					137
104	Table 4-7	AIDEA Dividend	16.5					138
105	Table 4-7	ASLC Dividend	2.0					139
106	Table 4-7	AMBBA Dividend	0.8					140
107	Table 4-7	Alaska Energy Authority	0.4					141
108	Subtotal Payments in From Component Units			58.8				
109	Federal							
110	Adj 4 (table 5-1)	Other Federal Revenues	1,913.8					157
111	Subtotal Federal			1,913.8				
112	Other							
113	Adj. 3 (Table 4-7 & Schdl 3.32)	Miscellaneous (General Fund)	3.2					147
114	Adj 2 (Table 2-3 & Schdl 3.12)	Other General Fund "other" (less PFDD)	7.6					84
115	Table 4-4	Tobacco Settlement (Tobacco Use Ed & Cess Fund)	4.3					123
116	Subtotal Other			15.1				
117	Total General Fund				4,612.9			
118	PFDD							
119	Schdl 3.12	PFDD Subfund C/S	0.3	0.3				60
120	Schdl 3.12	PFDD Subfund Fed	4.8	4.8				156
121	Schdl 3.12	PFDD Subfund F/F	0.02	0.0				66
122	Schdl 3.12	PFDD SubfundOther	0.1	0.1				83
123	Subtotal PPFDD					5.2		

Table 9-3.Revenue Organized Like CAFR

CAFR ROW 1	Source	Description	Amount	Subtotal Revenue Type	Subtotal Fund	Subtotal Fund Type	Total	RSB ROW 1
124	CBRF							
125	Interest and Other Investments							
126	Adj 1 (Table 3-1 & Schdl 3.12)	Interest Portion of Tax and Royalty CBRF Bound Settlements	4.394					24
127	Adj 1 (Table 3-1 & Schdl 3.12)	Interest Portion of Tax and Royalty CBRF Bound Settlements	(4.4)					180
128	Schdl 3.12	CBRF Interest	75.5					181
129	Schdl 3.12	CBRF Investments	(17.9)					182
130	Subtotal Interest and Other Investment Income			57.6				
131	F/F							
132	Schdl 3.12	Penalty Portion of Tax and Royalty CBRF Bound Settlements	0.1					25
133	Subtotal F/F			0.1				
134	Taxes							
135	Schdl 3.12	Tax Portion of CBRF-Bound Settlements	3.9					26
136	Subtotal Taxes			3.9				
137	Subtotal CBRF				61.6			
138	Total General Fund less CBRF & PFDD subfunds					4,679.7		
139	Special Revenue Funds (Schedule 3.22)							
140	Clean Air / Licenses & Permits							
141	Schedule 3.32	Fees (Clean Air Protection Fund) in CAFR, Other L&P in RSB	3.1	3.1				129
142	Subtotal Clean Air (Licenses & Permits)				3.1			
143	Fish & Game							
144	F/F							
145	Schdl 3.32	Fish & Game F/F	0.1					206
146	Subtotal F/F			0.1				
147	Federal							
148	Schdl 3.32	Fish & Game Fed	22.4					155
149	Subtotal Federal			22.4				
150	Invest							
151	Schdl 3.32	F&G I/I	0.1					177
152	Subtotal Invest			0.1				
153	Licenses & Permits							
154	Table 4-5	Hunting and Fishing Fees (Fish and Game Fund) SR	23.1					126
155	Plug Figure	Reclass of F&G L/P from General to F&G	(1.7)					221
156	Table 4-5	Sanctuary Fees (Fish and Game Fund) SR	0.1					127
157	Subtotal Licenses & Permits			21.5				
158	C/S							
159	Schdl 3.32	Fish & Game C/s	0.2					203
160	Subtotal C/S			0.2				
161	Other							
162	Schdl 3.32	F&G Other	0.0					225
163	Schdl 3.32	F&G Grants	0.0					210
164	Subtotal Other			0.1				
165	Subtotal Fish & Game				44.3			

Table 9-3.Revenue Organized Like CAFR

CAFR ROW 1	Source	Description	Amount	Subtotal Revenue Type	Subtotal Fund	Subtotal Fund Type	Total	RSB ROW 1
166	NPRA /R&R							
167	Table 3-1	NPRA	2.5	2.5				29
168	Subtotal NPRA /R&R				2.5			
169	School Fund /taxes							
170	Table 4-2	Cigarette Taxes (Special Revenue Fund: School Fund)	32.9	32.9				98
171	Subtotal School Fund/ taxes				32.9			
172	Second Injury Fund							
173	Schdl 3.32	Second Injury P/C	4.2	4.2				145
174	Total Second Injury Fund				4.2			
175	Fishermans Fund							
176	Schdl 3.32	Fisherman's Fund L/P	1.0	1.0				222
177	Total Fisherman's Fund'				1.0			
178	Reclamation bonding Pool							
179	Schdl 3.32	Reclamation Bonding Pool C/S	0.0	0.0				204
180	Total Reclamation Bonding Pool				0.0			
181	Alyeska/ Invest							
182	Schdl 3.32	Alyeska Settlement	0.1	0.1				174
183	Subtotal Alyeska / Invest				0.1			
184	EVOS							
185	Invest							
186	Schdl 3.32	EVOS I/I	0.0					175
187	Subtotal Invest			0.0				
188	Subtotal EVOS				0.0			
189	Exxon Valdez Settlemetr Trust							
190	Schdl 3.32	EVST other	0.0	0.0				176
191	Schdl 3.32	EVST Federal	0.1	0.1				208
192	Schdl 3.32	EVST I/I	0.1	0.1				214
193	Schdl 3.32	EVST P/C	3.7	3.7				144
194	Subtotal Oil Rest				3.9			
195	Total SR Funds					92.0		
196	Permament Funds (Schedules 3.13 & 3.02)							
197	PFC							
198	Royalties							
199	Table 3-1	Royalties to Permanent Fund	354.7					33
200	Plug Figure	Adj. or rounding to tie to CAFR PF R&R	(4.0)					229
201	Subtotal Royalties			350.7				
202	Investment							
203	Schdl 1.13	Permanent Fund Earnings	813.1					192
204	Schdl 1.13	Permanent Fund Earnings	2,668.3					193
205	Subtotal Investment			3,481.4				
206	Subtotal PFC				3,832.1			

Table 9-3.Revenue Organized Like CAFR

CAFR ROW 1	Source	Description	Amount	Subtotal Revenue Type	Subtotal Fund	Subtotal Fund Type	Total	RSB ROW 1
207	Public School Trust/ Invest							
208	Royalties							
209	Table 3-1	Royalties to School Fund	7.1					32
210	Subtotal Royalties			7.1				
211	Investment							
212	Schdl 3.02 (table 6-8)	Public School Investment Earnings	10.3					188
213	Subtotal Investment			10.3				
214	Net Increase or Decrease in Fair Value							
215	Schdl 3.02 (table 6-8)	Public School Investment Earnings	13.9					189
216	Subtotal net Increase or Decrease in Fair Value			13.9				
217	Subtotal Public School Trust				31.3			
218	Total Permanent Funds					3,863.4		
219	Total Governmental Funds						8,658.9	
220								233
221								
222								
223	Items Not Found in Governmental Funds of CAFR							
224	Non Governmental Fund Revenues in RSB							
225	Table 2-3	Unclaimed Property	11.5	11.5				81
226	Table 4-7	Alaska Science & Technology	4.8	4.8				142
227	Subtotal Non-Governmental Fund Revenues in RSB				16.3			
228	Permanent Fund Corporation Expenses							
229	Adj 6 PFC Financial Statements	Permanent Fund Corporation Expenses converting Gross to Net	(47.4)	(47.4)				194
230	Subtotal Permanent Fund Corporation Expenses				(47.4)			
231						(31.1)		
232	Grand Total, Matches Table X Grand Total						8,627.8	234

Footnotes to Tables 9-2 and 9-3.

- (1) For deposits into the CBRF the CAFR includes the interest portion of settlements in the "interest and investment income", while the RSB attributes the interest to the tax type.
- (2) The Permanent Fund Dividend Division is a subfund of the general fund that the CAFR breaks out separately. This figure represents the amount left after subtracting the PFDD amount from the GF figure in the RSB.
- (3) Some general fund Licenses and Permits, Charges for Services, and "other" in the RSB are split into GF charges for services, licenses and permits, "other" and taxes in the CAFR using details from AKSAS.
- (4) Federal dollars which the CAFR assigns to individual funds are broken out of the RSB's single federal number
- (5) Earnings shown in the CAFR are divided between their appropriate RSB designations using information from treasury.
- (6) The RSB reports permanent fund earnings (loss) net of expenses, while the RSB reports the total earnings (loss).

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10. Appendices

General Fund Unrestricted Revenue Sensitivity Matrices
\$ million

	FY 2005			FY 2006			FY 2007			
	Million barrels/day			Million barrels/day			Million barrels/day			
	0.90	0.95	1.00	0.90	0.95	1.00	0.90	0.95	1.00	
\$/barrel	25.00	*	*	25.00	1,880	1,940	25.00	1,760	1,820	1,880
	26.00	*	*	26.00	1,940	2,000	26.00	1,810	1,880	1,940
	27.00	*	*	27.00	1,990	2,060	27.00	1,870	1,930	2,000
	28.00	*	*	28.00	2,050	2,120	28.00	1,920	1,990	2,060
	29.00	*	*	29.00	2,110	2,180	29.00	1,980	2,050	2,120
	30.00	2,250	2,270	30.00	2,160	2,240	30.00	2,030	2,110	2,180
	31.00	2,300	2,340	31.00	2,220	2,300	31.00	2,090	2,170	2,240
	32.00	2,360	2,400	32.00	2,270	2,360	32.00	2,140	2,220	2,300
	33.00	2,420	2,460	33.00	2,330	2,410	33.00	2,200	2,280	2,360
	34.00	2,470	2,530	34.00	2,390	2,470	34.00	2,250	2,340	2,430
	35.00	2,530	2,590	35.00	2,440	2,530	35.00	2,310	2,400	2,490
	36.00	2,580	2,650	36.00	2,500	2,590	36.00	2,360	2,450	2,550
	37.00	2,640	2,720	37.00	2,550	2,650	37.00	2,420	2,510	2,610
	38.00	2,700	2,780	38.00	2,610	2,710	38.00	2,470	2,570	2,670
	39.00	2,750	2,850	39.00	2,660	2,770	39.00	2,530	2,630	2,730
	40.00	2,810	2,910	40.00	2,720	2,830	40.00	2,580	2,690	2,790
	41.00	2,860	2,970	41.00	2,780	2,890	41.00	2,640	2,740	2,850
	42.00	2,920	3,040	42.00	2,830	2,950	42.00	2,690	2,800	2,910
	43.00	2,980	3,100	43.00	2,890	3,000	43.00	2,750	2,860	2,970
	44.00	3,030	3,160	44.00	2,940	3,060	44.00	2,800	2,920	3,030
	45.00	3,090	3,230	45.00	3,000	3,120	45.00	2,850	2,970	3,100
	46.00	3,150	3,290	46.00	3,060	3,180	46.00	2,910	3,030	3,160
	47.00	3,200	3,360	47.00	3,110	3,240	47.00	2,960	3,090	3,220
	48.00	3,260	3,420	48.00	3,170	3,300	48.00	3,020	3,150	3,280
	49.00	3,310	3,480	49.00	3,220	3,360	49.00	3,070	3,210	3,340
	50.00	3,370	3,550	50.00	3,280	3,420	50.00	3,130	3,260	3,400

Using this spring 2005 forecast, for every \$1 change in ANS crude oil prices, Alaska revenues change about \$60 million in FY 2005 and \$50 million in FY 2006 and FY 2007.

Unrestricted Petroleum Production Tax and Royalty Revenue Forecast
\$ million

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<u>Alaska North Slope</u>											
Oil Royalty - net (1)	1,255.3	1,097.2	935.8	643.3	605.5	574.9	544.9	516.9	500.2	492.6	466.2
Oil Production Tax (2)	794.1	751.4	620.9	468.9	432.8	401.3	360.1	325.4	289.2	292.6	256.0
Conservation Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hazardous Release Fund	8.4	8.3	8.4	8.5	8.1	7.9	8.1	8.0	7.9	8.0	7.7
Gas Royalty - net (1)	4.7	1.8	1.6	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Gas Production Tax	4.0	2.4	2.0	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.1
Subtotal	2,066.5	1,861.1	1,568.7	1,123.2	1,048.8	986.5	915.5	852.6	799.7	795.5	732.1
<u>Cook Inlet</u>											
Oil Royalty - net (1)	29.4	21.9	17.6	11.9	11.0	10.3	9.7	9.1	8.6	8.1	7.7
Oil Production Tax (2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Conservation Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hazardous Release Fund	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Gas Royalty net (1)	27.9	26.5	27.4	28.2	29.2	30.1	31.1	32.1	33.2	34.3	35.4
Gas Production Tax	22.8	19.7	20.3	20.9	21.6	22.3	23.0	23.7	24.5	25.3	26.1
Subtotal	80.4	68.3	65.5	61.2	61.9	62.9	63.9	65.2	66.5	67.8	69.4
TOTAL PRODUCTION TAX and ROYALTY REVENUE	2,146.9	1,929.4	1,634.2	1,184.4	1,110.8	1,049.3	979.4	917.8	866.1	863.3	801.5
Bonuses	19.6	15.9	22.3	15.0	13.6	13.5	13.6	13.6	13.6	13.6	13.6
TOTAL PRODUCTION TAX + ROYALTIES + BONUSES	2,166.5	1,945.3	1,656.4	1,199.4	1,124.3	1,062.8	993.1	931.4	879.8	876.9	815.2

(1) Unrestricted oil and gas royalty revenue is net of Permanent Fund and Public School Fund contributions. Includes Interest paid on royalties.

(2) Includes Exploration Incentive Credit.

Historical and Projected Crude Oil Prices
\$ million

Fiscal Year	WTI		ANS West Coast		ANS Wellhead	
	nominal	real 2005	nominal	real 2005	nominal	real 2005
1990	20.06	30.66	17.22	26.32	11.90	18.18
1991	24.95	36.44	21.57	31.50	15.38	22.46
1992	20.69	28.86	16.64	23.21	11.21	15.64
1993	20.69	27.99	17.83	24.13	12.81	17.33
1994	16.69	21.93	14.05	18.46	9.57	12.57
1995	18.54	23.76	16.77	21.50	11.51	14.75
1996	19.20	23.88	17.74	22.07	12.60	15.67
1997	22.54	27.29	20.90	25.30	16.40	19.85
1998	18.03	21.34	15.86	18.77	11.91	14.09
1999	14.09	16.40	12.73	14.82	8.47	9.86
2000	24.82	28.33	23.27	26.56	19.06	21.76
2001	30.41	33.46	27.85	30.64	22.24	24.47
2002	23.80	25.36	21.78	23.21	16.80	17.90
2003	29.47	31.08	28.15	29.68	23.27	24.54
2004	33.10	34.18	31.74	32.78	26.78	27.65
2005	45.75	45.75	41.75	41.75	36.74	36.74
2006	42.00	40.94	38.60	37.62	33.07	32.23
2007	37.10	35.24	34.30	32.58	28.66	27.23
2008	27.50	25.46	25.50	23.61	19.90	18.43
2009	27.50	24.82	25.50	23.01	19.80	17.87
2010	27.50	24.19	25.50	22.43	19.71	17.34
2011	27.50	23.57	25.50	21.86	19.51	16.72
2012	27.50	22.98	25.50	21.31	19.50	16.29
2013	27.50	22.40	25.50	20.77	19.34	15.75
2014	27.50	21.83	25.50	20.24	19.15	15.20
2015	27.50	21.27	25.50	19.73	18.90	14.62

Changes in Forecast of Crude Oil Production
million barrels per day

FY	Fall 2004	Spring 2005	Change	%
2005	0.934	0.920	-0.014	-1.5%
2006	0.932	0.911	-0.021	-2.2%
2007	0.935	0.911	-0.023	-2.5%
2008	0.945	0.922	-0.023	-2.5%
2009	0.904	0.881	-0.023	-2.6%
2010	0.938	0.853	-0.085	-9.0%
2011	0.975	0.870	-0.104	-10.7%
2012	0.949	0.856	-0.093	-9.8%
2013	0.919	0.856	-0.063	-6.9%
2014	0.888	0.862	-0.026	-2.9%
2015	0.850	0.833	-0.017	-2.0%
Average Rate	0.924	0.880	-.045	-4.8%

Delayed Point Thomson and satellites three years to early major gas sale (MGS) scenario.
 Reduced Point Thomson recovery for MGS scenario.
 Delayed Liberty one year to allow five year development lead time.
 Re-evaluated baseline reservoir performance, downtime and development plans for all fields.

Historical and Projected Crude Oil Production
million barrels per day

FY	(1) Prudhoe Bay	(2) Satellite PBU-	(3) Kuparuk Satellite	(4) Milne Point	(5) Endicott GPMA	(6)	Alpine	Nanuk	Northstar	Fiord	Thomson	Point	NPRA	Liberty	(7) Known Onshore	(8) Known Offshore	Total ANS
1985	1.534	.	0.161	.	.	.	.	.	.	.	.	.	.	.	.	.	1.694
1986	1.555	.	0.238	0.009	.	.	.	.	.	.	.	.	.	.	.	.	1.802
1987	1.564	.	0.272	0.006	0.018	.	.	.	.	.	.	.	.	.	.	.	1.859
1988	1.605	.	0.287	0.000	0.069	0.044	.	.	.	.	.	.	.	.	.	.	2.006
1989	1.524	.	0.300	0.002	0.098	0.038	.	.	.	.	.	.	.	.	.	.	1.962
1990	1.396	.	0.300	0.011	0.103	0.037	.	.	.	.	.	.	.	.	.	.	1.846
1991	1.330	.	0.299	0.018	0.108	0.039	.	.	.	.	.	.	.	.	.	.	1.794
1992	1.300	.	0.316	0.020	0.111	0.037	.	.	.	.	.	.	.	.	.	.	1.783
1993	1.193	.	0.322	0.018	0.115	0.031	.	.	.	.	.	.	.	.	.	.	1.679
1994	1.082	.	0.308	0.018	0.099	0.085	.	.	.	.	.	.	.	.	.	.	1.593
1995	0.991	.	0.303	0.021	0.099	0.159	.	.	.	.	.	.	.	.	.	.	1.572
1996	0.891	.	0.283	0.022	0.089	0.189	.	.	.	.	.	.	.	.	.	.	1.474
1997	0.809	.	0.267	0.052	0.068	0.208	.	.	.	.	.	.	.	.	.	.	1.404
1998	0.713	.	0.260	0.053	0.058	0.190	.	.	.	.	.	.	.	.	.	.	1.275
1999	0.636	0.003	0.241	0.025	0.048	0.156	.	.	.	.	.	.	.	.	.	.	1.164
2000	0.570	0.004	0.212	0.037	0.044	0.115	.	.	.	.	.	.	.	.	.	.	1.035
2001	0.540	0.007	0.197	0.031	0.052	0.089	0.038	0.000	.	.	.	.	.	.	.	.	0.991
2002	0.487	0.026	0.176	0.039	0.033	0.075	0.096	0.000	0.019	.	.	.	.	.	.	.	1.004
2003	0.433	0.045	0.160	0.052	0.029	0.065	0.098	0.000	0.057	.	.	.	.	.	.	.	0.991
2004	0.419	0.052	0.155	0.049	0.029	0.061	0.099	0.000	0.066	.	.	.	.	.	.	.	0.980
2005	0.380	0.045	0.142	0.052	0.021	0.056	0.104	0.000	0.069	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.920
2006	0.368	0.057	0.136	0.061	0.022	0.050	0.110	0.000	0.055	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.911
2007	0.351	0.068	0.127	0.077	0.020	0.046	0.106	0.007	0.044	0.010	0.000	0.000	0.000	0.000	0.000	0.000	0.911
2008	0.335	0.073	0.119	0.096	0.018	0.042	0.103	0.014	0.035	0.020	0.000	0.000	0.000	0.000	0.010	0.000	0.922
2009	0.322	0.075	0.112	0.100	0.017	0.039	0.091	0.013	0.028	0.018	0.000	0.000	0.000	0.000	0.010	0.000	0.881
2010	0.308	0.073	0.106	0.104	0.016	0.036	0.087	0.011	0.023	0.015	0.000	0.000	0.000	0.000	0.010	0.010	0.853
2011	0.295	0.068	0.101	0.103	0.015	0.033	0.074	0.009	0.018	0.014	0.000	0.000	0.020	0.035	0.009	0.020	0.870
2012	0.283	0.063	0.097	0.098	0.014	0.031	0.064	0.008	0.015	0.012	0.000	0.000	0.038	0.050	0.008	0.020	0.856
2013	0.272	0.059	0.093	0.092	0.013	0.029	0.055	0.007	0.012	0.011	0.030	0.030	0.054	0.048	0.007	0.019	0.856
2014	0.262	0.055	0.089	0.086	0.012	0.028	0.047	0.006	0.011	0.009	0.070	0.070	0.070	0.038	0.006	0.017	0.862
2015	0.253	0.052	0.086	0.080	0.012	0.026	0.041	0.005	0.009	0.008	0.064	0.064	0.064	0.031	0.015	0.030	0.833

(1) Includes NGLs from Central Gas Facility shipped to TAPS
(2) Midnight Sun, Polaris, Aurora, Borealis and Orion
(3) West Sak, Tabasco, Tam and Meltwater
(4) Milne Point, Schrader Bluff and Sag River
(5) Endicott, Sag Delta, Eider and Badami
(6) Lisburne, Point McIntyre, Nialuk, West Beach & North Prudhoe Bay State
(7) Sourdough, Yukon Gold and Flaxman
(8) Sandpiper and Other Offshore discoveries

Historical General Fund Unrestricted Revenue (includes Revenue Reflected as Restricted in this Report)

\$ million

FY	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
TAX PORTION													
Property Tax	69.0	66.9	61.5	57.3	56.0	53.6	51.3	48.8	45.0	45.1	49.6	48.7	47.3
Sales/Use	12.0	11.9	12.0	12.0	12.0	11.6	11.8	12.2	12.7	12.0	12.9	25.3	32.8
Alcoholic Beverages	14.3	14.0	14.1	14.4	14.2	13.7	15.4	15.2	16.3	16.3	15.5	16.3	16.0
Tobacco Products	25.5	26.3	26.1	27.9	28.2	28.4	33.7	28.4	28.7	32.2	37.4	43.3	48.1(2)
Insurance Premium	2.1	2.2	2.6	2.3	2.5	2.7	2.3	3.7	3.2	3.3	3.1	3.7	4.0
Electric and Telephone Cooperative	43.3	40.8	40.5	39.6	37.7	35.3	35.6	37.8	42.1	37.5	40.2	37.4	41.4
Motor Fuel Tax (3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.5
Vehicle Rental / Tire Tax	97.2	95.2	95.3	96.2	92.2	94.6	91.7	97.3	103.0	101.3	109.1	126.0	145.8
<u>Total</u>													
Income Tax	33.7	25.1	44.3	67.0	53.3	48.4	53.4	53.8	56.3	59.5	53.4	47.7	39.6
Corporate General	165.5	117.6	17.8	128.5	173.7	269.4	200.1	145.1	162.7	338.1	178.4	151.1	298.8
Corporate Petroleum	199.2	142.7	62.1	195.5	227.0	317.8	253.5	198.9	219.0	397.6	231.8	198.8	338.4
<u>Total</u>													
Production Tax	1,022.2	989.4	662.8	769.8	771.7	907.0	564.4	358.6	693.2	694.4	486.7	589.8	642.7
Oil and Gas Production	2.3	2.1	2.3	2.0	1.8	1.7	1.6	1.4	0.0	0.0	0.0	0.0	0.0
Oil and Gas Conservation	28.7	26.1	27.0	22.1	13.7	12.9	11.8	11.1	9.5	9.4	9.6	9.2	9.2
Oil and Gas Hazardous Release	1,053.2	1,017.6	692.1	793.9	787.2	921.6	577.8	371.1	702.7	703.8	496.3	599.0	651.9
<u>Total</u>													
Other Natural Resource Tax	2.8	3.6	5.8	7.9	8.6	7.6	5.6	5.3	7.2	5.7	4.8	4.4	5.0
Salmon and Seafood Marketing	4.2	6.8	5.0	5.7	5.2	4.2	4.2	3.9	5.3	3.6	3.7	2.4	3.0
Salmon Enhancement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.0
Dive Fishery Management	30.1	42.2	33.9	39.0	38.2	31.0	28.5	25.9	36.7	30.5	25.3	26.0	29.3
Fisheries Business	0.0	0.0	0.1	7.3	7.1	7.3	3.8	5.9	5.3	7.3	7.1	9.8	6.9
Fish Landing	37.1	52.6	44.8	59.9	59.1	50.1	42.1	41.0	54.7	47.3	41.1	42.8	44.2
<u>Total</u>													
Other Tax	1.0	0.9	1.6	1.2	1.7	1.7	5.5	1.7	2.5	2.7	3.1	1.2	2.3
Estate	2.1	2.0	2.2	2.6	2.5	2.4	3.9	2.9	2.5	4.3	3.2	3.0	5.6
Other	3.1	2.9	3.8	3.8	4.2	4.1	9.4	4.6	8.4	7.0	6.3	4.2	7.9
<u>Total</u>													
TOTAL TAXES	1,458.8	1,377.9	959.6	1,206.6	1,228.1	1,438.9	1,032.9	761.7	1,132.8	1,302.0	934.2	1,019.5	1,235.5

FY	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
NON TAXES													
Licenses and Permits	32.4	32.7	35.7	34.7	60.9	69.0	74.6	63.7	69.2	37.3	42.2	33.6	41.8
Intergovernmental Receipts													
Federal Shared Revenues	11.4	10.3	4.3	4.2	1.0	2.0	2.2	0.8	1.0	0.3	0.1	0.0	0.0
Charges for Services													
Marine Highways	42.3	40.8	40.4	41.5	38.5	38.6	37.1	38.8	38.3	37.6	32.2	41.5	43.6
Other	<u>44.1</u>	<u>14.3</u>	<u>18.0</u>	<u>18.1</u>	<u>36.9</u>	<u>39.5</u>	<u>34.9</u>	<u>31.8</u>	<u>43.7</u>	<u>27.0</u>	<u>19.1</u>	<u>13.9</u>	<u>11.1</u>
Total	86.4	55.1	58.4	59.6	75.4	78.1	72.0	70.6	82.0	64.6	51.3	55.4	54.7
Fines and Forfeitures	0.0	0.0	0.0	0.0	9.4	8.2	37.7	12.5	46.2	33.6	6.6	7.0	16.0
Rents and Royalties													
Mineral Bonuses, Rents, Royalties	6.5	44.3	5.2	5.6	6.9	7.4	23.0	25.6	4.0	7.1	14.6	9.6	10.4
Oil and Gas Royalties	702.4	711.3	512.1	628.3	642.2	759.2	480.4	322.6	727.9	781.0	581.2	830.7	1,045.7(4)
Timber Sales	0.6	0.6	0.4	0.6	1.5	1.9	0.8	0.3	0.3	0.4	0.2	0.0	0.2
Sale of State Property	<u>1.0</u>	<u>4.0</u>	<u>9.0</u>	<u>21.8</u>	<u>8.1</u>	<u>8.6</u>	<u>8.1</u>	<u>10.6</u>	<u>9.4</u>	<u>10.5</u>	<u>9.1</u>	<u>6.2</u>	<u>7.6</u>
Total	710.5	760.2	526.7	656.3	658.7	777.1	512.3	359.1	741.6	799.0	605.1	846.5	1,063.9
Investment Earnings	101.8	70.9	31.7	72.4	64.1	77.1	60.6	46.5	48.1	78.8	43.1	59.0	9.7(5)
Miscellaneous Revenue	61.4	45.0	36.2	49.2	35.8	44.6	33.5	37.3	27.1	34.9	42.3	9.4	19.2
Subtotal NON-TAX REVENUE	1,003.9	974.2	693.0	876.4	905.3	1,056.1	792.8	590.5	1,015.2	1,048.5	790.7	1,010.9	1,205.3
Plus: Income from prior years	<u>0.0</u>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL NON-TAX REVENUE	1,003.9	974.2	693.0	876.4	905.3	1,056.1	792.8	590.5	1,015.2	1,048.5	790.7	1,010.9	1,205.3
TOTAL TAX REVENUE	1,458.8	1,377.9	959.6	1,206.6	1,228.1	1,438.9	1,032.9	761.7	1,132.8	1,302.1	934.2	1,019.5	1,235.5
TOTAL GENERAL FUND													
UNRESTRICTED REVENUE	2,462.7	2,352.1	1,652.6	2,083.0	2,133.4	2,495.0	1,825.8	1,352.2	2,148.0	2,350.6	1,724.9	2,030.4	2,440.8

(1) After FY 1996, all General Fund statutorily designated program receipts are excluded; after FY 2000, all receipt-supported services are excluded.

(2) FY 2004 does not include \$1.8 million in service fees from self-insured companies.

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

(4) Starting in FY 2001 oil and gas royalties adjusted to include interest earnings.

(5) Starting in FY 2001 investment revenue adjusted to exclude oil and gas royalty interest earnings.

Historical Petroleum Revenue

\$ million

FY	Corporate Petroleum		Production Tax	Petroleum Property Tax	Reserve Tax	(1) (2) Royalties	(1) (2) Bonuses & Rents	(3)		(4)		% of Total Unrestricted General Purpose Revenue
	Tax	Revenue						Petroleum Special Settlements	Total Petroleum Revenue	Cumulative Total Petroleum Revenue	Total Unrestricted General Purpose Revenue	
1978	8.4	107.7	173.0	.	150.6	1.8	.	441.5	2,797.8	764.9	58%	
1979	232.6	173.8	163.4	.	250.2	1.6	.	821.6	3,619.4	1,133.0	73%	
1980	547.5	506.5	168.9	.	689.4	344.2	.	2,256.5	5,875.9	2,501.2	90%	
1981	860.1	1,170.2	143.0	.	1119.7	11.3	.	3,304.3	9,180.2	3,718.0	89%	
1982	668.9	1,581.7	142.7	.	1174.4	7.1	.	3,574.8	12,755.0	4,108.4	87%	
1983	236.0	1,493.7	152.6	.	1105.6	38.7	.	3,026.6	15,781.6	3,631.0	83%	
1984	265.1	1,393.1	131.0	.	1058.5	13.9	.	2,861.6	18,643.2	3,390.1	84%	
1985	168.6	1,389.4	128.4	.	1042.2	14.9	.	2,743.5	21,386.7	3,260.0	84%	
1986	133.9	1,107.9	113.5	.	845.0	38.9	418.2	2,657.4	24,044.1	3,075.5	86%	
1987	120.4	648.5	102.5	.	448.3	4.3	70.5	1,394.5	25,438.6	1,799.4	77%	
1988	158.0	818.7	96.2	.	701.5	11.3	163.9	1,949.6	27,388.2	2,305.8	85%	
1989	166.0	698.8	89.7	.	611.5	16.7	257.7	1,840.4	29,228.6	2,186.2	84%	
1990	117.2	1,001.6	89.8	0.0	753.7	4.2	154.8	2,121.3	31,349.9	2,507.2	85%	
1991	185.1	1,284.8	85.0	0.0	958.7	24.7	33.5	2,571.8	33,921.7	2,986.6	86%	
1992	165.5	1,053.2	69.0	0.0	708.2	6.8	4.7	2,007.4	35,929.1	2,462.6	82%	
1993	117.6	1,017.6	66.9	0.0	716.7	44.3	4.7	1,967.8	37,896.9	2,352.0	84%	
1994	17.8	692.1	61.5	0.0	516.1	5.1	0.1	1,292.7	39,189.6	1,652.5	78%	
1995	128.5	793.9	57.3	0.0	631.8	5.0	0.7	1,617.2	40,806.8	2,082.9	78%	
1996	173.7	787.2	56.0	0.0	642.2	5.7	0.0	1,664.8	42,471.6	2,133.3	78%	
1997	269.4	921.6	53.6	0.0	759.2	6.4	0.0	2,010.2	44,481.8	2,494.9	81%	
1998	200.1	577.8	51.3	0.0	480.4	23.0	0.0	1,332.6	45,814.4	1,825.5	73%	
1999	145.1	371.1	48.8	0.0	322.6	25.6	0.0	913.2	46,727.7	1,352.1	68%	
2000	162.7	702.7	45.0	0.0	731.9	4.0	0.0	1,646.3	48,373.9	2,147.6	77%	
2001	338.1	703.8	45.1	0.0	781.0	7.1	0.0	1,875.1	50,249.0	2,282.0	82%	
2002	178.4	496.3	49.6	0.0	581.2	14.6	0.0	1,320.1	51,569.1	1,668.0	79%	
2003	151.1	599.0	48.7	0.0	830.7	9.6	0.0	1,639.1	53,208.2	1,947.6	84%	
2004	298.8	651.9	47.3	0.0	1,045.7	10.4	0.0	2,054.1	55,262.3	2,345.6	87%	

(1) These categories are primarily composed of petroleum revenue.

(2) Royalties and bonuses and rents are net of Permanent Fund and Public School Fund contributions and Constitutional Budget Reserve Fund (CBRF) deposits.

(3) Revenue shown here is not subject to deposit in the CBRF. All other tax settlements are deposited in the CBRF.

(4) This table shows historical petroleum revenue for FY 1978-2004. The cumulative petroleum revenue total is based on revenue beginning in FY 1959.

Glossary of Terms Used in Revenue Sources Book

- General Fund Revenue: General Fund Revenue has different meanings in different contexts. In the state's official financial reports, General Fund Revenue is used to designate the sum of Unrestricted General Purpose Revenue, General Fund subaccount revenue, program receipts and federal dollars spent through the General Fund.
- General Fund Unrestricted Revenue: Revenue designated as General Fund in the state accounting system (AKSAS). This includes revenues we show as restricted in this report, such as shared taxes or Alaska Marine Highway System revenues.
- Unrestricted General Purpose Revenue: Revenue not restricted by the constitution, state or federal law, trust or debt restrictions or customary practice. Most legislative and public debate over the budget each year centers on this category of revenue. In deriving this figure from General Fund Unrestricted Revenues, we have excluded customarily restricted revenues such as shared taxes and marine highway receipts.
- Restricted Revenue: Revenue restricted by the constitution, state or federal law, trust or debt restrictions or customary practice. The legislature can of course at any time remove restrictions that are solely imposed by either Alaska statute or customary practice. When these dollars are restricted General Fund revenues, they are either recorded in a restricted subaccount of the General Fund or are General Fund taxes customarily shared with other entities or are program receipts.
- Federal Revenue: When the federal government gives money to states, it restricts how that money can be used. Highway and airport construction funds, Medicaid and education funding cannot be used for other purposes. In addition to restricting how the money is spent, the federal government often requires states to put up matching funds to qualify for the federal funding.
- Dedicated Revenue: Restricted revenue recognized as such under the applicable provisions of the Alaska Constitution fits into this category. Other than the mineral revenue constitutionally dedicated to the Permanent Fund, all of the other revenue sources in this category were restricted by statute before statehood and therefore are not subject to the constitutional prohibition against dedicated funds. They include such funds as the Fish and Game Fund, Disabled Fisherman's Fund and Public School Fund.
- Restricted Program Receipts: This revenue is earmarked in state statute or by contract for specific purposes. Examples include University of Alaska tuition payments, marine highway receipts, payments to various revolving loan funds and public corporation receipts. Some of this revenue is actually dedicated as a consequence of the provisions of Article 18, Section 11 of the Alaska Constitution. The remainder, while statutorily earmarked, may be appropriated to purposes other than those reflected in the example if the legislature so chooses.
- Customarily Restricted Revenue: Though not specifically dedicated by statute, these revenue sources have historically been treated by the legislature as if they were restricted. The largest item in this category is Permanent Fund earnings in excess of what is needed each year for dividends and inflation proofing. Though the money could be spent as unrestricted revenue, the legislature has always chosen to retain it in the Permanent Fund's Realized Earnings Account or appropriate it to the fund's principal.
- Permanent Fund Statutory Income: The annual Permanent Fund dividend is based on statutory income. This is the sum of realized gains and losses of all Permanent Fund investment transactions during the year, plus interest, dividends and rents earned by the fund. Though the legislature may appropriate the earnings for any purpose it chooses, the historical practice has been to restrict the use of realized income to dividends and inflation proofing, and then either leaving the excess in the Realized Earnings Account or transferring it to the principal of the Permanent Fund.
- Permanent Fund GASB (or Market) Income: Under standards adopted by the Governmental Accounting Standards Board, the Permanent Fund's income — and that of any other government fund — is the difference between the purchase price of the investments and their market value at a given point in time, plus any dividends, interest or rent earned on those investments. Under GASB standards, the Permanent Fund does not have to sell the investment to count the gain or loss as it changes value. It is called "marking to market," that is, measuring the value of the fund's investments by the current market price. This can produce a much different picture than Permanent Fund statutory income, which does not reflect fluctuating investment values until the assets are sold.
- Constitutional Budget Reserve Fund: Created by voters in 1990, the Constitutional Budget Reserve Fund holds the proceeds from settlements of oil and gas and mining tax and royalty disputes since July 1, 1990 minus the withdrawals. It generally requires a three-quarters majority vote of each chamber of the legislature to withdraw money from the fund.

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In accordance with AS 37.07.060 (b)(4), the Revenue Sources book is compiled biannually by the Alaska Department of Revenue to assist the governor in formulating a proposed comprehensive financial plan for presentation to the Alaska State Legislature. Within the publication are shown prior year actuals, revised current year estimates and future year projections.

Anticipated state income is projected through the use of a number of data sources:

(1) econometric models developed by the Department of Revenue to forecast unrestricted non-petroleum revenues;

(2) a petroleum revenue model created by the department's Tax Division; and

(3) estimates from individual state agencies.

We thank the various state agencies for their cooperation in computing anticipated revenues for publication in this Spring 2005 Revenue Sources Book.

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

This publication, required by law (AS 37.07.060), was printed in Juneau and Anchorage, Alaska, at a combined cost of \$5 per copy.

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