

REVENUE SOURCES FY 1984 - 1987

**QUARTERLY UPDATE
SEPTEMBER, 1984**

**ALASKA
DEPARTMENT OF REVENUE**

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

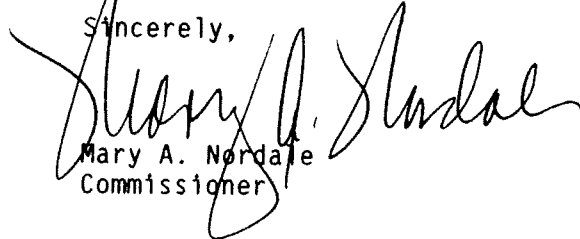
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September 27, 1984

To the Reader of the Revenue Sources FY 84-87 (September 1984) and
Petroleum Production Revenue Forecast (September 1984)

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

Sincerely,



Mary A. Nordale
Commissioner

ALASKA'S REVENUE SOURCES

Compiled by Research Section

Department of Revenue

Table of Contents

REVENUE SUMMARY	3
GENERAL FUND	
Unrestricted Revenues	4
Restricted Revenues	8
SPECIAL FUNDS	9
Alaska Permanent Fund	10
LONG-RANGE REVENUE PROJECTIONS.	12

Revenue Summary

In Thousands of Current Dollars

	FY 1984 Prelim. Actual <u>September</u>	FY 1985 Estimate <u>September</u>	FY 1986 Estimate <u>September</u>	FY 1987 Estimate <u>September</u>
Total General Fund Unrestricted Revenues (p. 5)	<u>3,389,300</u>	<u>3,403,300</u>	<u>3,473,700</u>	<u>3,722,500</u>
Total General Fund Restricted Revenues (p. 8)	<u>267,800</u>	<u>243,500</u>	<u>249,400</u>	<u>NA</u>
Total General Fund Revenues (p. 8)	<u>3,657,100</u>	<u>3,646,800</u>	<u>3,723,100</u>	<u>NA</u>
Alaska Permanent Fund (p. 9)	<u>666,200</u>	<u>461,300</u>	<u>367,000</u>	<u>412,900</u>

General Fund Unrestricted Revenues

In Thousands of Current Dollars

	FY 1984 Prelim. Actual <u>September</u>	FY 1985 Estimate <u>September</u>	FY 1986 Estimate <u>September</u>	FY 1987 Estimate <u>September</u>
<u>Taxes</u>				
<u>Income</u>				
Corporate-General (1)	39,500	43,000	44,000	45,000
Corporate-Petroleum	265,100	300,000	320,000	350,000
<u>Gross Receipts</u>				
Alaska Business License (1)(2)	19,900	2,000	2,000	2,000
Fish-Canned Salmon	5,500	6,200	6,200	6,200
Fish-Shorebased	7,100	9,500	9,500	9,500
Fish-Floating	6,400	7,500	7,500	7,500
Seafood Marketing	1,100	1,300	1,300	1,300
Salmon Enhancement	2,200	2,400	2,400	2,400
Insurance Companies (3)	16,200	20,000	22,000	23,500
Electric and Telephone Co-ops	1,600	1,700	1,700	1,800
Mining License Tax (4)	400	300	300	300
<u>Severance</u>				
Oil & Gas Production (5)	1,392,000	1,352,900	1,347,000	1,457,700
Oil & Gas Conservation	700	700	700	700
<u>Property</u>				
Oil & Gas (6)	131,000	156,000	174,000	209,000
<u>Sale/Use</u>				
Alcoholic Beverages	13,000	15,500	16,000	16,500
Fuel Taxes-Aviation (7)	8,100	6,000	6,300	6,400
Fuel Taxes-Highway (7)	20,200	24,000	25,000	26,000
Fuel Taxes-Marine	3,900	4,300	4,500	4,500
Tobacco Products	2,000	2,100	2,200	2,300
<u>Other</u>				
Estate	<u>700</u>	<u>700</u>	<u>700</u>	<u>700</u>
Total Taxes	<u>1,936,600</u>	<u>1,956,100</u>	<u>1,993,300</u>	<u>2,173,300</u>
<u>Licenses & Permits</u>				
Business	10,800	11,000	11,500	12,000
Non-Business	<u>15,900</u>	<u>16,000</u>	<u>16,500</u>	<u>17,000</u>
Total Licenses & Permits	<u>26,700</u>	<u>27,000</u>	<u>28,000</u>	<u>29,000</u>
<u>Intergovernmental Receipts</u>				
Federal Shared Revenues(8)(9)	<u>14,000</u>	<u>14,000</u>	<u>14,500</u>	<u>15,000</u>
<u>State Resource Revenue</u>				
<u>Sale/Use</u>				
Bonus Sales(8)(10)(11)	10,100	8,800	-0-	-0-
Investment Earnings	282,600	275,000	275,000	275,000
Rents (8)(10)(11)	5,900	6,500	7,000	7,500
Royalties(5)(8)(12)	1,047,500	1,042,200	1,074,600	1,143,900
Sale of State Property	7,000	7,500	8,000	8,500
Gravel, Timber, etc.(13)	2,900	6,000	10,000	5,800
<u>Facilities Related Charges</u>				
Airports	1,500	1,600	1,600	1,600
Ferry System-Southeast	28,500	30,600	33,000	34,000

Ferry System-Southwest	3,500	3,800	4,200	4,400
Other	4,300	5,000	5,000	5,000
<u>Service Related Charges</u>				
Court System	4,000	4,200	4,500	4,500
Other	4,800	5,000	5,000	5,000
Total State Resources				
Revenues	<u>1,402,600</u>	<u>1,396,200</u>	<u>1,427,900</u>	<u>1,495,200</u>
<u>Miscellaneous Revenues</u>	<u>9,400</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
<u>Total Unrestricted Revenues (14)</u>	<u>3,389,300</u>	<u>3,403,300</u>	<u>3,473,700</u>	<u>3,722,500</u>

(1) Ch. 98 SLA 1984, effective June 9, 1984, allows banks to be taxed under AS 43.20. (Previously, banks were exempt from the corporate income tax and taxed under AS 43.70, the Business License Tax Act). As a result, there will be a shift in revenues from the Alaska Business License Tax to the Corporate - General Income Tax beginning in FY 85.

(2) The upward trend in FY 84 is due to recent finalized litigation in favor of the state on past years' gross receipts (i.e. prior to 1979). Other cases are pending and as such the estimates are subject to change.

(3) Ch. 70, SLA 84 contains provisions which will have a significant impact on motor vehicle liability insurance. Required motor vehicle liability insurance and increased minimal coverages will have an influence on premiums and consequently on tax collections. The revenue impact resulting from this legislation, however, is expected to be insignificant.

(4) The FY 84 figure reflects additional audit assessments to past Mining License Tax returns.

(5) The forecasted numbers for FY 85, FY 86, and FY 87 assume the 30 percent case; however, if the mean case had been utilized for FY 85, FY 86, and FY 87, the production taxes would change to \$1,381.1 million, \$1,399.5 million, and \$1,582.5 million, respectively. The royalty figures would change to \$1,064.5 million, \$1,110.7 million, and \$1,237.5 million, respectively.

(6) Due to the North Slope Borough's most recent issuance (May 17, 1984) of general obligation bonds, the State's share of the property tax has been revised downward from previous estimates. The figures reflect only the net amount to the State's General Fund.

(7) In FY 83, large fuel purchases were made from a consortium, and application for refund of airline jet fuel tax was applied for when the fuel was used for foreign flights. These refunds were taken from the highway fuel tax account as prescribed in AS 43.40.010(h), thereby reducing net highway fuel taxes. Recent changes in statute allow for exemption from the tax at purchase (AS 43.40.010(k)(1)); therefore reducing taxable jet fuel purchases.

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

(9) The FY 85 estimate does not include any revenues shared (50/50 basis) with the federal government from the NPR-A lease sale held July 20, 1983. Although high bids totaled \$16.7 million, leases will not be awarded until challenges of the sale by the State of Alaska and the City of Barrow/Alaska Legal Services are resolved. The State's share, assuming the case is resolved, will be equally divided between the General Fund and the Permanent Fund.

(10) Reflects state lease sales of \$21.0 million held May 17, 1983 (Sale 39--Beaufort Sea), \$3.2 million held September 28, 1983 (Sale 40 Upper Cook Inlet), \$33.8 million held May 22, 1984 (Sale 43 and 43A--Beaufort Sea), and \$0.8 million held September 18, 1984 (Sale 41--Bristol Bay). Due to the timing of collections, some receipts from the May 1983 and May 1984 lease sale are shown as FY 84 and FY 85 revenues. The FY 84 and FY 85 figures represent the General Fund's 50 percent share with the remaining 50 percent deposited in the Permanent Fund.

(11) The Department of Natural Resources projects the following FY 85, FY 86, and FY 87 state lease sales: FY 85 (Sale 46A Cook Inlet Basin, Sale 47 Kuparuk Uplands); FY 86 (Sale 45A--North Slope onshore, Sale 48--Kuparuk Uplands, Sale 49--Cook Inlet); and FY 87 (Sale 52--Beaufort Sea, Sale 51--Prudhoe Bay Uplands, Sale 50--Camden Bay). However, bonus bids are impossible to anticipate prior to sales and, therefore, no estimates are provided.

(12) FY 84 figure includes the recent settlement (\$36.3 million) with Phillips Petroleum over the value of the State's gas royalty share from Cook Inlet. The new valuation will be based on a 50% formula, whereas the retroactive portion of the settlement will be based on a 36% factor. The settlement was divided between the Permanent Fund (25%) and the General Fund (75%).

(13) Estimates reflect increased construction of roads and drilling pads as projected by the Department of Natural Resources.

(14) The state, per AS 38.05.180, will be granting incentive credits against royalties, severance taxes, and rentals to the oil companies for drilling exploratory wells. The anticipated deduction for FY 84 is approximately \$12 million which has not been subtracted from the aforementioned FY 84 figure of \$3,389.3 million. Additional credits are anticipated in subsequent years.

Revenue Breakdown

The total General Fund unrestricted revenues for FY 84 preliminary actuals were \$3,389.3 million with Fiscal Years 1985, 1986, and 1987 projected to be \$3,403.3 million, \$3,473.7 million, and \$3,722.5 million, respectively.

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

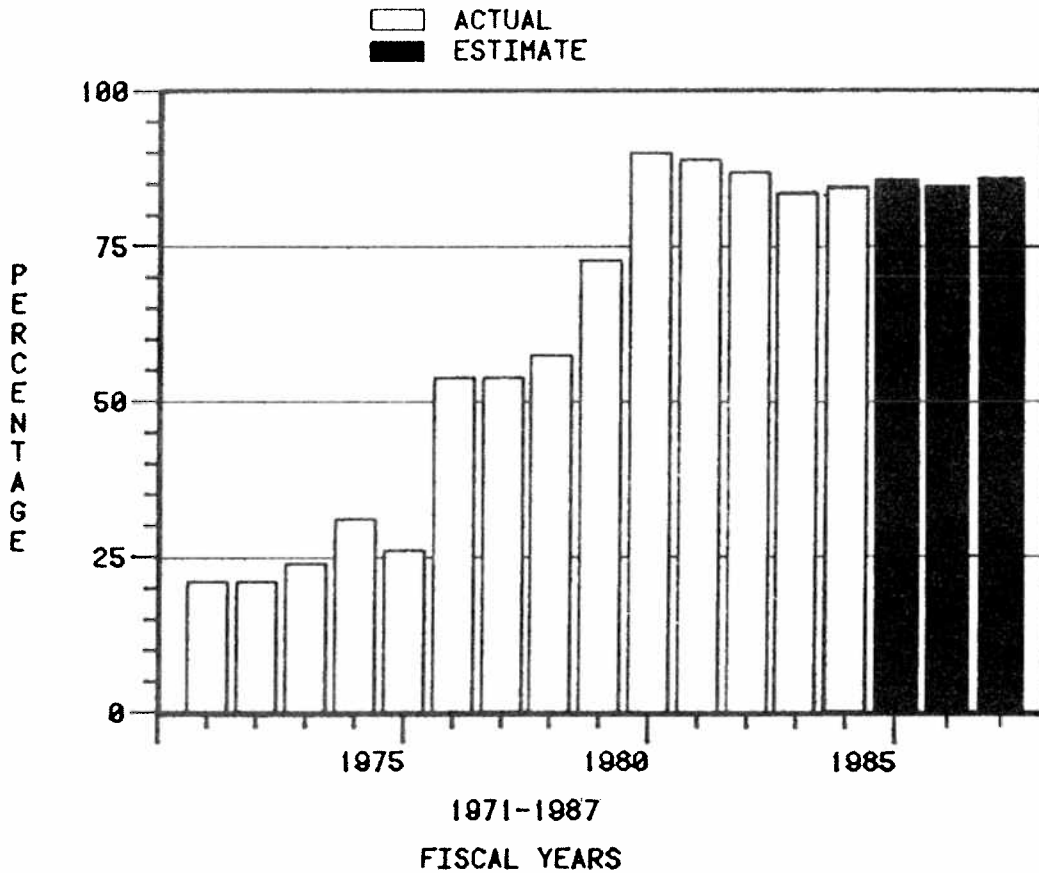
Petroleum vs. Non-Petroleum Revenues

(In Millions of Current Dollars)

	<u>Petroleum Revenues</u>			
	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
Corporate Petroleum	265.1	300.0	320.0	350.0
Severance Tax	1,392.7	1,353.6	1,347.7	1,458.4
Royalties	1,047.5	1,042.2	1,074.6	1,143.9
Property Tax	131.0	156.0	174.0	209.0
Bonus Sale	10.1	8.8	-0-	-0-
Rents	3.7	4.3	4.7	5.2
Intergovernmental Receipts	11.0	11.0	11.5	12.0
	<u>2,861.1</u>	<u>2,875.9</u>	<u>2,932.5</u>	<u>3,178.5</u>
	<u>Non-Petroleum Revenues</u>			
	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
Taxes	147.8	146.5	151.6	155.9
Licenses & Permits	26.7	27.0	28.0	29.0
Intergovernmental Receipts	3.0	3.0	3.0	3.0
State Resources Revenues	341.3	340.9	348.6	346.1
Miscellaneous Revenues	9.4	10.0	10.0	10.0
	<u>528.2</u>	<u>527.4</u>	<u>541.2</u>	<u>544.0</u>
Total	<u>3,389.3</u>	<u>3,403.3</u>	<u>3,473.7</u>	<u>3,722.5</u>

Petroleum Revenues

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



<u>Fiscal Year</u>	<u>Total General Fund Unrestricted Revenues</u>	<u>Total General Fund Unrestricted Petroleum Revenues</u>	<u>Percent</u>
1971	220.4	47.0	21
1972	219.2	48.4	22
1973	208.2	50.3	24
1974	254.9	80.2	31
1975	333.4	90.4	27
1976	709.8	391.5	55
1977	874.3	477.6	55
1978	764.9	441.5	58
1979	1,133.0	821.6	73
1980	2,501.2	2,256.5	90
1981	3,718.2	3,304.3	89
1982	4,108.4	3,574.8	87
1983	3,631.0	3,026.6	83
1984*	3,389.3	2,861.1	84
1985**	3,403.3	2,875.9	85
1986**	3,473.7	2,932.5	84
1987**	3,722.5	3,178.5	85

* Preliminary Actuals

** Estimate

Restricted Revenues

In Thousands of Current Dollars

	FY 1984 Prelim. Actual <u>September</u>	FY 1985 Estimate <u>September</u>	FY 1986 Estimate <u>September</u>	FY 1987 Estimate <u>September</u>
<u>Federal Grants-in-Aid</u>				
I. Education	43,000	46,000	46,400	NA
II. Social Services	88,600	107,000	108,800	NA
III. Health	9,900	4,000	3,800	NA
IV. Natural Resources	13,900	14,700	15,200	NA
V. Public Protection	6,000	6,000	6,600	NA
VI. Administration of Justice	200	100	100	NA
VII. Development	3,900	2,700	2,900	NA
VIII. Transportation	67,500	30,000	32,000	NA
IX. General Government	<u>4,000</u>	<u>100</u>	<u>100</u>	NA
Total Federal Grants-in-Aid	<u>237,000</u>	<u>210,600</u>	<u>215,900</u>	<u>NA</u>
<u>Other Grants-in-Aid</u>				
I. Education	1,000	600	700	NA
II. Social Services	200	5,600	5,600	NA
III. Health	200	300	300	NA
IV. Natural Resources	900	200	300	NA
V. Public Protection	2,800	2,000	2,000	NA
VI. Administration of Justice	100	100	200	NA
VII. Development	9,100	10,000	10,200	NA
VIII. Transportation	1,000	1,700	1,700	NA
IX. General Government	<u>6,200</u>	<u>2,400</u>	<u>2,500</u>	NA
Total Other Grants-in-Aid	<u>21,500</u>	<u>22,900</u>	<u>23,500</u>	<u>NA</u>
Miscellaneous Restricted Revenue-All Categories	<u>9,300</u>	<u>10,000</u>	<u>10,000</u>	<u>NA</u>
Total Restricted Revenue 1/	<u>267,800</u>	<u>243,500</u>	<u>249,400</u>	<u>NA</u>
Total Unrestricted Revenue	<u>3,389,300</u>	<u>3,403,300</u>	<u>3,473,700</u>	<u>3,722,500</u>
Total General Fund Revenue	<u>3,657,100</u>	<u>3,646,800</u>	<u>3,723,100</u>	<u>NA</u>

NA Not Available

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

Special Funds

In Thousands of Current Dollars

	FY 1984 Prelim. Actual September	FY 1985 Estimate September	FY 1986 Estimate September	FY 1987 Estimate September
<u>Enterprise Funds</u>				
Agriculture Loan Fund	1,300	1,600	1,800	NA
Alternative Technology and Energy Loan Fund	500	600	1,000	NA
Bulk Fuel Loan Fund	-0-	-0-	-0-	NA
Child Care Facility Loan Fund	-0-	100	100	NA
Commercial Fish Loan Fund	3,300	4,300	5,200	NA
Fisheries Enhancement Loan Fund	-0-	-0-	-0-	NA
Fisheries Product Loan Fund	-0-	-0-	-0-	NA
Historical District Loan Fund	-0-	-0-	-0-	NA
International Airport Revenue Fund	37,800	29,900	29,900	NA
Medical Malpractice Loan Fund	-0-	-0-	-0-	NA
Mining Loan Fund	2,200	2,200	2,800	NA
Residential Energy Conservation Loan Fund	300	400	500	NA
Scholarship Loan Fund	1,100	1,800	2,500	NA
Small Business Loan Fund	2,800	3,200	2,900	NA
Tourism Loan Fund	400	300	300	NA
World War II Veterans Loan Fund	400	1,000	1,000	NA
Total Enterprise Funds	<u>50,100</u>	<u>45,400</u>	<u>48,000</u>	<u>NA</u>
<u>Special Revenue Funds</u>				
Alaska Permanent Fund (1)	666,200	461,300	367,000	412,900
Revenue Sharing Fund	100	-0-	-0-	NA
Fish and Game Fund	7,100	7,600	7,700	NA
Marine Coastal Damage Fund	-0-	-0-	-0-	NA
School Fund	3,400	3,500	3,700	3,800
Training & Building Fund	600	800	800	NA
Total Special Revenue Funds	<u>677,400</u>	<u>473,200</u>	<u>379,200</u>	<u>NA</u>
Total Special Funds	<u>727,500</u>	<u>518,600</u>	<u>427,200</u>	<u>NA</u>

NA Not Available

(1) The FY 84 and FY 85 figures include \$300 million and \$100 million, respectively, of the \$1.8 billion appropriated to the Alaska Permanent Fund per Ch. 61 SLA 1981 and Ch. 101 SLA 1982.

Alaska Permanent Fund

In Thousands of Current Dollars

Permanent Fund Principal

<u>FY</u>	<u>Mineral Revenues</u>	<u>Appropriations</u>	<u>Inflation Proofing</u>	<u>Total Contributions</u>	<u>Balance (1)</u>
1977	4,000	-0-	-0-	4,000	4,000
1978	50,500	-0-	-0-	50,500	54,500
1979	83,900	-0-	-0-	83,900	138,400
1980	344,800 (2)	-0-	-0-	344,800	483,200
1981	385,100	900,000	-0-	1,285,300	1,768,500
1982	400,500	800,000	-0-	1,200,500	2,969,000
1983	421,000	400,000	231,200	1,052,200	4,021,200
1984	366,200	300,000	150,900	817,100	4,838,300
1985	67,500 (3)	-0-	-0-	67,500 (3)	4,905,800 (3)

Earnings Distribution

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

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

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

(3) Represents cumulative balance as of August 31, 1984.

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

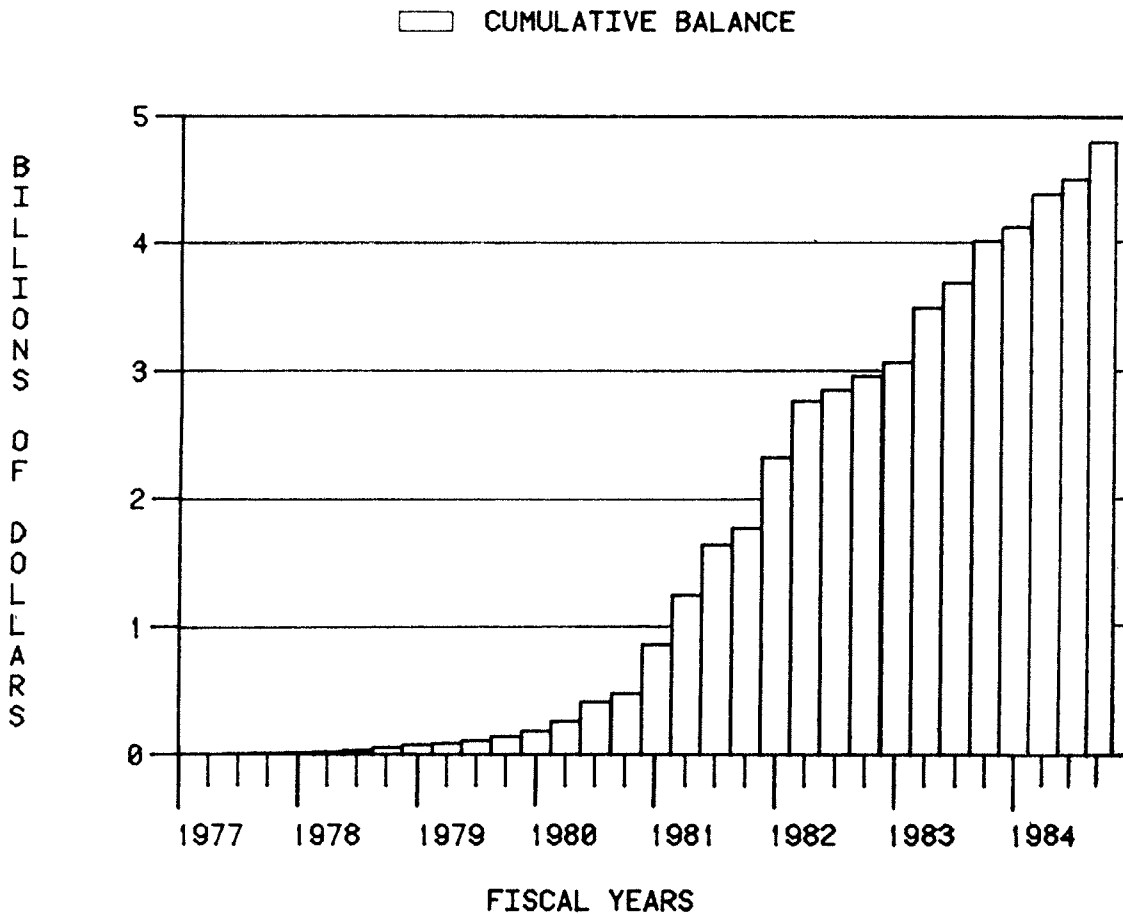
(5) Ch. 107, SLA 1983 appropriated \$179,020,000 from the Undistributed Income Account for payment of Permanent Fund dividends and FY 84 operating expenses (\$3,084,000) of the Permanent Fund program. In FY 82 approximately \$71.1 million was transferred to the Dividend Account. The remaining balance of the appropriation, composed of dividend payments and operating expenses, was transferred to the Dividend Account in FY 83.

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

(7) Balance of the Undistributed Income Account, as of June 30, 1984, totaled \$557.3 million which also included the transition rule adjustment of \$87.5 million plus \$37.9 million which accrued in FY 82 but was not received until FY 83.

Alaska Permanent Fund

Historical Comparison of Cumulative Balance



Alaska Permanent Fund

The Alaska Permanent Fund was established by a constitutional amendment effective February 21, 1977. The amendment stated that contributions to the fund must consist of at least 25 percent of mineral lease rentals, royalties, royalty sale proceeds, Federal mineral revenue sharing payments and bonuses received by the State. Enacted legislation (Ch. 18 SLA 1980) has modified this contribution rate to the Permanent Fund from 25 percent to 50 percent. As a result, any future revenues transferable from Beaufort Sea production and any future lease sale bonuses will be subject to the 50 percent rate. During FY 1981, a special appropriation (Ch. 35 SLA 1980) appropriated \$900 million from the General Fund to the Permanent Fund. Similarly, an additional \$1.8 billion was appropriated (Ch. 61 SLA 1981) for FY 1982 with payments beginning July 1, 1981; however, this appropriation was legislatively amended (Ch. 101 SLA 1982) thus permitting deposit of only \$800 million in FY 82 and an additional deposit of \$400 million in FY 83. An additional \$100 million of this appropriation was deposited in the Permanent Fund during August, 1983, as well as, another \$100 million each during December, 1983, April, 1984, and October, 1985, leaving a balance due of \$200 million.

LONG-RANGE REVENUE PROJECTIONS

(FY 1981 - 2000 / MILLIONS OF NOMINAL \$)

The following tables are part of the output from a simulation model named the Long-Run Fiscal Model (LRFM). These estimates are updated quarterly. Most of the revenue categories of this model are projected with other econometric or simulation models and are exogenous to the LRFM. In particular, Petroleum Revenue Division's model PETREV projected the severance taxes and royalties. A short-term oil and gas income tax model (OGIT) projected that tax through FY87 and a longer-term model (PETREVD2) projected it through FY2000. The non-petroleum revenues other than interest were largely projected using a short-term econometric model (REVMOD) through FY86, then as an aggregate extended to FY2000 in the LRFM. Two conditions are worthy of notice when using these projections. Those numbers in the near future can be regarded with greater confidence than those further out and all these projections are revised quarterly and are subject to change.

The assumptions of the LRFM pertinent to both of these tables follow.

1. The 30 percent revenue scenario of the PETREV model is used for petroleum severance taxes and royalties.
2. The real non-petroleum, non-interest revenues' (explained below) growth rate will be one percent from FY88 through FY2000.
3. The fiscal year inflation rate (based on the U. S. Consumer Price Index for All Urban Consumers) will be four percent for FY84, five percent for FY85 and six percent thereafter.
4. The real Permanent Fund (PF) interest rate on a fiscal year basis will be 4.5 percent in FY85 and four percent thereafter.
5. The Legislature will choose to appropriate exactly one-half of the distributable earnings of the PF for Permanent Fund Dividends.
6. The Legislature will choose not to appropriate the Undistributed Income Account of the Permanent Fund.

Table 1 summarizes the source of estimated revenues and their destination, i.e. General Fund or Permanent Fund. The second through seventh column of the first table are petroleum revenues and are summarized in column eight. The ninth column, labelled NON-PETRO NON-INTR REVENUES, is the sum of all excise taxes (eg. alcohol and fuel taxes), fees for licenses and permits, intergovernmental receipts, state non-petroleum resource revenues and other miscellaneous revenues. Investment and interest revenues are presented in the tenth column of the table, labelled INTEREST REVENUES. Interest revenues are the sum of General Fund and Permanent Fund earnings. These two are broken out in the last two columns of this table (col. 20 & 21).

The sum of all revenues is the eleventh (repeated in the thirteenth) column of the table, labelled TOTAL REVENUES. This includes some revenues not subject to the budget process. In particular, Permanent Fund contributions (col. 17) and earnings (col. 21) must be subtracted to get the General Fund unrestricted revenues subject to the budgetary process. This number is presented in column 18 and is labelled GENERAL FUND REVENUES UNRESTRICTED.

Permanent Fund contributions are determined from royalties, mineral rents and bonus sales (columns 5, 6 & 7, respectively). Column 14 and 15 indicate which royalty amounts are subject to 25 and 50 percent contribution rates to the Permanent Fund and the total royalty contribution is presented in column 16. When added to the bonus sale contributions (50 percent) and mineral rent contributions (overall rate varies since rents are subject to either the 25 or 50 percent rate depending on the effective date of the lease), these equal the total Permanent Fund contribution, column 17 labelled PERM FUND CONTRIB. These contribution rates are mandated in AS.37.13.010. General Fund sustainable revenues (column 19, labelled GENERAL FUND REVENUES SUSTAINBL) represent the sum of all revenues not directly generated from petroleum activity, i.e. non-petroleum, non-interest revenues (col. 9) and interest revenues (col. 10), less those interest revenues dedicated to inflation proofing the Permanent Fund (see Table 2, col. 5).

TABLE 1
(millions of current dollars unless otherwise noted)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
FY	SEVERANCE TAXES	PROPERTY TAXES	OIL&GAS INC TAX	ROYALTIES	MINERAL RENTS	BONUS SALES	PETROLEUM REVENUES	NON-PETRO NON-INTR REVENUES	INTEREST REVENUES	TOTAL REVENUES
81	1170.2	143.0	860.1	1491.3	9.7	15.2	3689.5	186.0	377.4	4252.9
82	1581.7	142.7	663.9	1543.1	28.9	10.0	3975.3	208.9	693.3	4877.5
83	1493.7	152.6	236.0	1437.9	55.1	72.4	3447.7	228.5	847.2	4523.4
84	1392.7	131.0	265.1	1396.7	21.8	20.2	3227.5	244.4	812.6	4284.4
85	1353.6	156.0	300.0	1339.6	20.4	17.6	3237.2	252.4	822.1	4311.7
86	1347.7	174.0	320.0	1436.1	21.6	0.0	3299.4	266.2	928.4	4494.0
87	1453.4	209.0	350.0	1551.1	22.9	0.0	3591.4	269.0	1008.9	4869.4
88	1291.4	256.6	375.0	1652.2	22.9	0.0	3598.1	288.0	1115.9	5001.9
89	1292.4	276.7	395.0	1779.0	22.9	0.0	3766.0	308.3	1231.4	5305.7
90	1206.1	279.7	415.0	1749.3	22.9	0.0	3673.1	330.1	1336.8	5339.9
91	1132.7	284.8	425.0	1756.6	22.9	0.0	3622.0	353.4	1454.8	5430.1
92	1164.1	309.5	410.0	1793.1	22.9	0.0	3714.7	378.3	1594.8	5687.8
93	1168.6	337.0	380.0	1801.1	22.9	0.0	3739.6	405.1	1737.7	5882.4
94	1059.1	352.5	355.0	1734.0	22.9	0.0	3548.4	433.6	1870.2	5852.3
95	1026.5	363.9	335.0	1699.6	22.9	0.0	3467.9	464.3	2019.5	5951.7
96	931.5	389.5	320.0	1653.9	22.9	0.0	3332.8	497.0	2172.8	6002.7
97	871.9	388.4	305.0	1593.9	22.9	0.0	3201.9	532.1	2334.4	6068.4
98	806.6	405.1	290.0	1564.2	22.9	0.0	3103.9	569.7	2507.0	6180.5
99	689.6	420.1	290.0	1499.3	22.9	0.0	2921.9	609.9	2681.4	6213.2
0	599.2	436.1	275.0	1465.7	22.9	0.0	2798.9	653.0	2869.4	6321.3

(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
FY	TOTAL REVENUES	ROYALTIES PERM FUND	SUBJ TO CONTRIB 50 PCT	ROYALTY PF CONTRIB	PERM FUND CONTRIB	UNRESTRID SUSTAINBL	GENERAL FUND REVENUES	INTEREST GEN FUND	EARNINGS PERM FUND
81	4252.9	25 PCI	0.0	372.8	385.1	3718.2	563.4	227.8	149.6
82	4877.5	1491.3	0.0	385.8	400.5	4108.4	902.2	324.7	368.6
83	4523.4	1543.1	0.0	359.5	421.0	3631.0	844.6	375.8	471.4
84	4284.4	1437.9	0.0	349.2	366.2	3389.3	906.0	282.6	530.0
85	4311.7	1396.7	0.0	347.4	361.3	3403.3	846.7	275.0	547.1
86	4494.0	1389.6	0.0	361.6	367.0	3473.6	870.4	275.0	653.9
87	4869.4	1425.9	10.2	407.2	413.0	3722.5	880.0	275.0	733.7
88	5001.9	1473.2	77.9	454.2	459.9	3718.3	954.5	292.2	823.7
89	5305.7	1487.7	164.5	534.0	539.7	3840.4	1031.0	305.8	925.6
90	5339.9	1422.1	357.0	546.2	591.9	3749.5	1094.5	298.4	1038.5
91	5430.1	1313.9	435.4	586.2	591.9	3677.5	1165.9	294.1	1160.7
92	5687.8	1168.3	588.3	606.1	611.9	3782.8	1255.7	301.6	1293.2
93	5882.4	1217.8	583.4	596.1	601.8	3846.5	1346.2	303.7	1434.1
94	5852.3	1128.6	605.4	584.8	590.6	3679.7	1424.0	288.1	1582.1
95	5951.7	1128.6	642.0	585.4	591.1	3622.7	1515.7	281.6	1737.9
96	6002.7	1057.7	657.1	577.7	583.5	3517.0	1608.7	270.6	1902.2
97	6068.4	996.8	638.6	559.3	565.1	3429.0	1734.9	260.0	2074.4
98	6180.5	916.5	647.7	553.0	558.7	3366.9	1909.7	252.0	2254.9
99	6213.2	876.5	622.8	530.5	536.2	3232.8	2035.0	237.3	2444.1
0	6321.3	849.5	616.2	520.5	526.2	3152.9	2173.5	227.3	2642.1

Table 2 summarizes activity in the Permanent Fund (PF) including the Principal and Undistributed Income Accounts (UIA). It also presents activity in the Dividend Account of the General Fund. Four things should be noted:

1. These numbers are updated quarterly as new revenue estimates become available.
2. The simulation of the fund flows required for the modelling process have necessitated simplification of accounting calculations and may render slightly different results from PF Corporation financial reports.
3. The assumptions noted above are important to the results in the tables.
4. Final digits may differ from manual calculations due to rounding in the LRFM model.

Columns 2, 3 and 5 indicate source of funds to the Permanent Fund, i. e. contributions from current revenue (col. 2) labelled PERMANENT FUND CONTRI, special appropriations from the General Fund or other funds (col. 3 APPROP), and inflation proofing (col. 5) from PF earnings. PF contributions are derived from estimates of royalties, mineral rents and bonus sales (col. 5, 6 & 7 in Table 1) multiplied by the statutorially mandated contribution rate (AS.37.13.010). Special PF appropriations are determined by the Legislature. PF inflation proofing is derived by multiplying the PF intermediate principal balance (col. 4 INTERMED PRINCPL BALANCE) by the calendar year inflation rate (U. S. Consumer Price Index for all Urban Consumers). When these three fund additions are added to the prior year's final principal balance (col. 6 FINAL PRINCPL BALANCE) the result equals the current year's final principal balance. For example, for FY86 the final principal balance is \$6218.65m = \$5527.47m + \$366.99m + \$00.00m + \$324.20m. The inflation proofing (col. 5) part of this total is the estimated calendar year inflation rate, 5.5 percent multiplied by the intermediate principal balance of \$5894.46m resulting in \$324.20m. The real value of the final PF principal balance is presented in column 12. For FY86, the real value of the PF principal balance (i.e. in 1981 dollars) is \$4896.61m.

TOTAL INCOME EARNINGS, col. 7 is the sum of earnings on the balances of the PF principal and Undistributed Income Account (col. 6 & 21, respectively). This is estimated by multiplying the estimated PF interest rate by the estimated average PF balance. This balance is the average of the prior year's final principal balance (col. 6) and current year's intermediate principal balance (col. 4) plus the prior year's UIA balance (col. 21). For FY86 this average balance is $(\$5527.47m + \$5894.46m) / 2$ plus \$669.87m, or \$6380.83m. When multiplied by the estimated PF interest rate for FY86 of 10.24 percent, total income earnings of \$653.40m are the result.

Distributable earnings (col. 8 DISTR,BL EARNINGS) are the basis for figuring the amount available for PF Dividends (PFD's). Distributable earnings are a five year moving average of current and the previous four years' total earnings. Half this amount is intended for payment in the following fiscal year of the DIVIDEND PROGRAM COSTS (col. 10), although more or less can be appropriated by the Legislature. Distributable earnings for FY86 are the sum of \$653.40m + \$547.15m + \$529.97m + \$471.45m + \$368.59m + \$149.58m divided by 5 or \$514.11m. Estimated earnings transfer and dividend program costs are half of this or \$257.05m (col. 10) which will be distributed for the PFD's claimed for the year indicated in col. 11, PFD CLM YEAR.

PF total income earnings (col. 7) less the earnings transfer (col. 10) and less UIA earnings (col. 17) leaves those PF earnings available for inflation proofing (col. 9 INCOME AVAIL FOR INFL PROOF also listed in col. 15). In FY86 this amount is \$653.40m - \$257.05m - \$68.59m = \$327.75m.

The amount required to fully inflation proof the PF is indicated in column 14. The derivation of this amount is described in the first paragraph on this table. The amount available from current earnings is presented in the adjacent column (col. 15). A negative difference is made up by a withdrawal from the principal of the UIA as presented in the UIA deposit or withdrawal column (col. 16, negative entries). If the difference is positive, indicating an abundance of funds for inflation proofing, the balance is deposited as principal in the UIA as indicated by positive entries in col. 16. For FY86 \$324.20m is required to inflation proof the PF and there are more than sufficient current earnings (\$327.75m) so the balance (\$3.55m) is deposited in the UIA.

The balance in the UIA is invested and earns interest also as presented in column 17. Any appropriations from the UIA by the Legislature are presented in column 18. The previous year's UIA balance plus UIA deposit or withdrawal plus UIA earnings less UIA budget results in the current year's UIA balance (col. 21). This balance can be presented as an accumulation of deposits (income) and earnings which are listed separately in columns 19 and 20, UIA INCOME and UIA EARNINGS. The FY86 UIA balance of \$742.02m is the sum of \$669.87m + \$33.55m + \$68.59m.

(millions of current dollars unless otherwise noted)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
FY	-PERMANENT CONTRI	FUND-APPROP	INTERMED PRINCPL BALANCE	INFLATION PROOFING	FINAL PRINCPL BALANCE	TOTAL INCOME EARNINGS	DISTR, BL EARNINGS	INCOME AVAIL FOR INFL PROOF	DIVIDEND PROGRAM COSTS	PFD CLM YEAR	PRINCIPAL REAL\$
81	385.10	900.00	1768.30	0.00	1768.50	149.58	90.87	122.11	0.00	80	1768.50
82	400.50	800.00	2969.00	0.00	2969.00	368.59	183.44	298.09	0.00	81	2811.55
83	421.00	400.00	3790.00	231.19	4021.20	471.45	255.44	332.46	481.55	82	3650.97
84	366.20	300.00	4687.40	150.93	4838.30	529.97	310.35	336.30	190.88	83	4240.20
85	361.29	100.00	5299.59	227.88	5527.47	547.15	413.35	286.28	163.16	84	4613.50
86	366.99	0.00	5894.46	324.20	6218.65	653.40	514.11	327.75	206.67	85	4896.61
87	412.97	0.00	6631.62	397.90	7029.52	733.92	587.18	364.35	257.05	86	5221.79
88	459.89	0.00	7489.41	449.36	7938.77	823.70	657.63	414.56	293.59	87	5563.61
89	539.72	0.00	8478.49	508.71	8987.20	925.55	736.74	472.19	328.81	88	5941.64
90	551.91	0.00	9539.11	572.35	10111.45	1038.50	835.01	531.04	368.37	89	6306.53
91	591.94	0.00	10703.39	642.20	11345.59	1160.65	936.46	597.49	417.51	90	6675.73
92	611.86	0.00	11957.45	717.45	12674.89	1293.19	1048.32	668.96	468.23	91	7035.75
93	601.84	0.00	13276.73	796.60	14073.34	1434.08	1170.39	743.53	524.16	92	7369.83
94	590.56	0.00	14663.90	879.83	15543.73	1582.06	1301.69	820.50	585.20	93	7679.09
95	591.13	0.00	16134.86	968.09	17102.95	1737.92	1441.58	901.15	650.85	94	7971.13
96	583.47	0.00	17686.42	1061.18	18747.61	1902.21	1589.89	986.27	720.79	95	8243.08
97	565.06	0.00	19312.66	1131.59	20444.25	2074.40	1746.13	1075.62	794.94	96	8480.26
98	558.71	0.00	21002.96	1166.94	22169.91	2254.95	1910.30	1166.94	873.06	97	8675.54
99	536.24	0.00	22706.15	1256.30	23962.44	2444.11	2082.71	1256.30	955.15	98	8846.22
0	526.20	0.00	24488.64	1348.91	25837.55	2642.15	2263.56	1348.91	1041.36	99	8998.55

(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
FY	INFLATION REQUIRED AMOUNT	PROOFING AVAIL EARNINGS	DEPOSIT/W/DRAWL	UNDISTRIBUTED EARNINGS	BUDGET	INCOME ACCOUNT	CUMULATIVE EARNINGS	TOTAL
81	0.00	122.11	122.11	0.00	-27.47	105.05	0.00	105.05
82	0.00	298.09	298.09	0.00	-72.72	330.42	0.00	330.42
83	231.19	332.46	101.27	31.10	-109.54	322.15	31.10	353.25
84	150.93	336.30	185.37	38.50	-19.84	487.68	69.60	557.28
85	227.88	286.28	58.40	54.20	0.00	546.08	123.80	669.87
86	324.20	327.75	3.55	68.59	0.00	549.63	192.39	742.02
87	397.90	364.35	-33.55	75.98	0.00	516.08	268.37	784.45
88	449.36	414.56	-34.81	80.33	0.00	481.27	348.70	829.97
89	508.71	472.19	-36.52	84.99	0.00	444.75	433.69	878.44
90	572.35	531.04	-41.31	89.95	0.00	403.44	523.64	927.08
91	642.20	597.49	-44.72	94.93	0.00	358.73	618.57	977.30
92	717.65	668.96	-48.49	100.08	0.00	310.24	718.65	1028.89
93	796.60	743.53	-53.08	105.36	0.00	257.16	824.01	1081.17
94	879.83	820.50	-59.34	110.71	0.00	197.82	934.72	1132.54
95	968.09	901.15	-66.94	115.97	0.00	130.89	1050.69	1181.58
96	1061.18	986.27	-74.91	120.99	0.00	55.97	1171.68	1227.65
97	1131.59	1075.62	-55.97	125.71	0.00	0.00	1297.39	1297.39
98	1166.94	1166.94	0.00	132.85	0.00	0.00	1430.25	1430.25
99	1256.30	1256.30	0.00	146.46	0.00	0.00	1576.70	1576.70
0	1348.91	1348.91	0.00	161.45	0.00	0.00	1738.16	1738.16

The final group of columns on Table 2 is the Dividend Account activity. The transfer from current PF earnings is presented in column 23, while General Fund appropriations to this account are presented in column 24. These are usually distributed the fiscal year following (as presented in col. 10 DIVIDEND PROGRAM COSTS and repeated in this table as col. 28 PFD PROGRAM TOTAL) with part being utilized to administer the PFD program (col. 27) and the rest distributed as PFD's (col. 26). The payment amount is distributed to the TOTAL PFD APPLICANTS (col. 29) so that each applicant receives the amount listed in column 30, NOMINAL DIVIDEND PAYMENT. The real value of the PFD (net of inflation) is presented in column 31. For FY86 the EARNINGS TRANSFER of \$257.05m will cost \$3.36m in administration to distribute a \$253.69m payment amount (in FY87). This is divided between an estimated 513,240 applicants so each one gets \$494.30 which is worth about \$367.18 in 1981 dollars.

(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)
FY	EARNINGS TRANSFER	GEN FUND APPROP	CLM YEAR	PFD PAYMENT	PFD ADMINISTN	TOTAL	TOTAL PFD APPLICANTS	DIVIDEND PAYMENT (NOMINAL \$)	DIVIDEND PAYMENT REAL \$
81	27.47	0.00	80	0.00	0.00	0.00	410.67	0.00	0.00
82	70.50	0.00	81	0.00	0.00	0.00	430.09	0.00	0.00
83	107.88	440.56	82	478.13	3.42	481.55	478.84	1000.00	907.93
84	155.17	0.00	83	187.52	3.36	190.88	486.03	386.15	338.41
85	206.67	0.00	84	160.14	3.02	163.16	483.27	331.29	276.51
86	257.05	0.00	85	203.50	3.17	206.67	497.97	408.66	321.78
87	293.59	0.00	86	253.69	3.36	257.05	513.24	494.30	367.18
88	328.81	0.00	87	290.03	3.56	293.59	529.00	548.26	384.21
89	368.37	0.00	88	325.04	3.78	328.81	545.26	596.12	394.11
90	417.51	0.00	89	364.37	4.00	368.37	562.04	648.30	404.34
91	468.23	0.00	90	413.26	4.24	417.51	579.35	713.32	419.71
92	524.16	0.00	91	463.73	4.50	468.23	597.22	776.48	431.02
93	585.20	0.00	92	519.39	4.77	524.16	615.67	843.62	441.78
94	650.85	0.00	93	580.14	5.05	585.20	634.70	914.04	451.56
95	720.79	0.00	94	645.49	5.36	650.85	654.34	986.47	459.76
96	794.94	0.00	95	715.11	5.68	720.79	674.61	1060.03	466.08
97	873.06	0.00	96	788.92	6.02	794.94	695.53	1134.27	470.50
98	955.15	0.00	97	866.68	6.38	873.06	717.12	1208.56	472.93
99	1041.36	0.00	98	948.39	6.76	955.15	739.40	1282.64	473.51
0	1131.78	0.00	99	1034.19	7.17	1041.36	762.40	1356.50	472.43



