
Update: Outlook for Earnings Reserves and Distributions

**Presentation to the Land Board
January 20, 2009**

**Preview of Presentation to the Joint Finance-
Appropriations Committee
February 5, 2009**



FY 2010 Distribution Summary

Categorized by legislative budget unit

Beneficiary	FY 2009		FY 2010	
	Approp.	Change	Approv. Dist.	Change
All University Endowments	\$ 8,595	\$ 1,021	\$ 9,616	11.9%
State Juvenile Corrections	754	37	790	4.9%
Veterans Home	471	23	494	4.9%
School for the Deaf and Blind	94	5	99	4.9%
Penitentiary	794	246	1,040	31.0%
State Hospital North	754	37	790	4.9%
State Hospital South	1,259	274	1,532	21.7%
Public School	29,633	1,660	31,292	5.6%
Grand Total	42,353	3,302	45,655	7.8%

All amounts in thousands of dollars

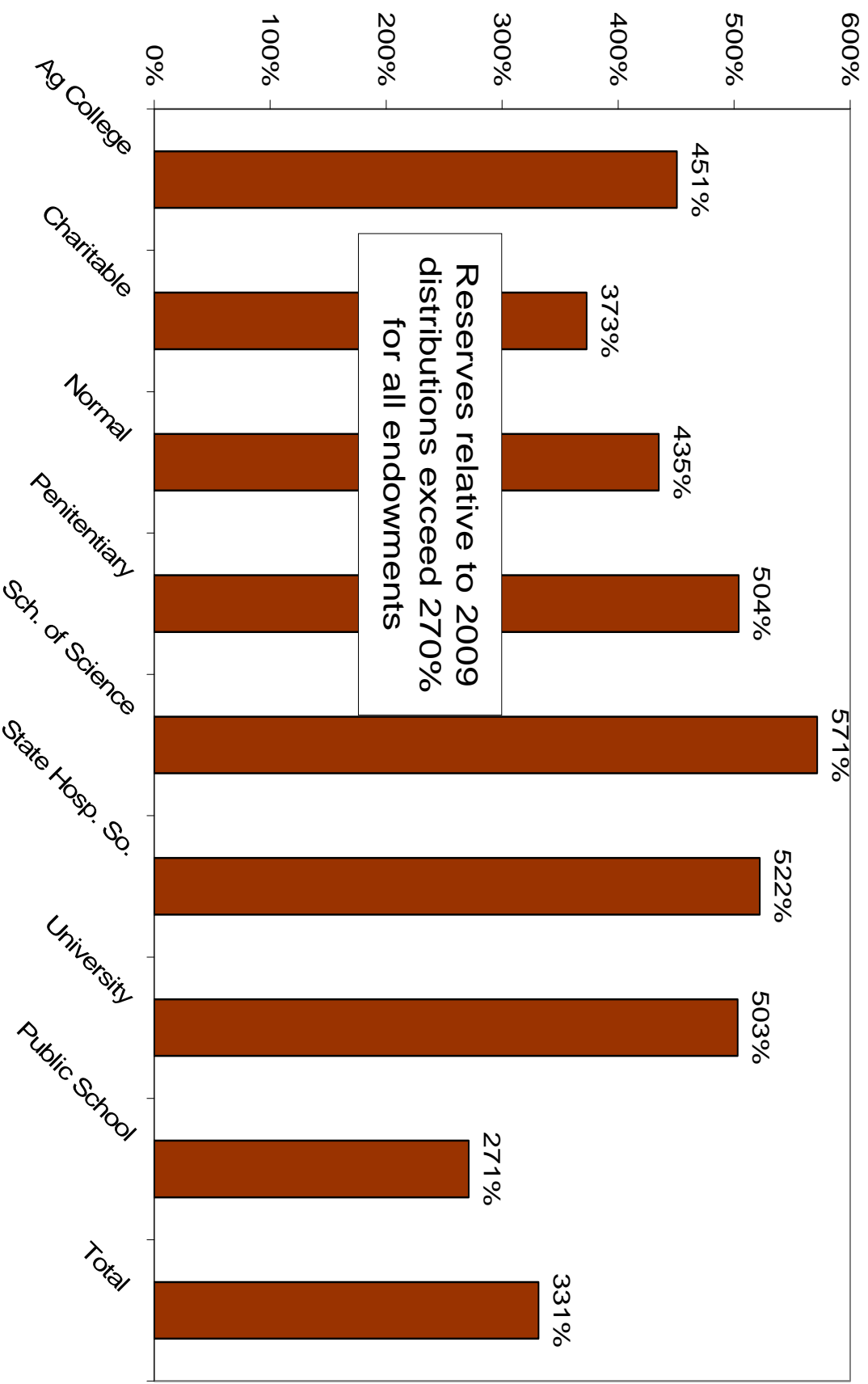
Measuring security of distributions using the Coverage Ratio

- The risk of a shortfall in distributions is measured by comparing the Earnings Reserve balance with the amount of distributions
- This ratio measures the degree of reserve to maintain the distribution into future years

Balance in Reserves
Annual Distribution

Coverage Ratio, By Endowment

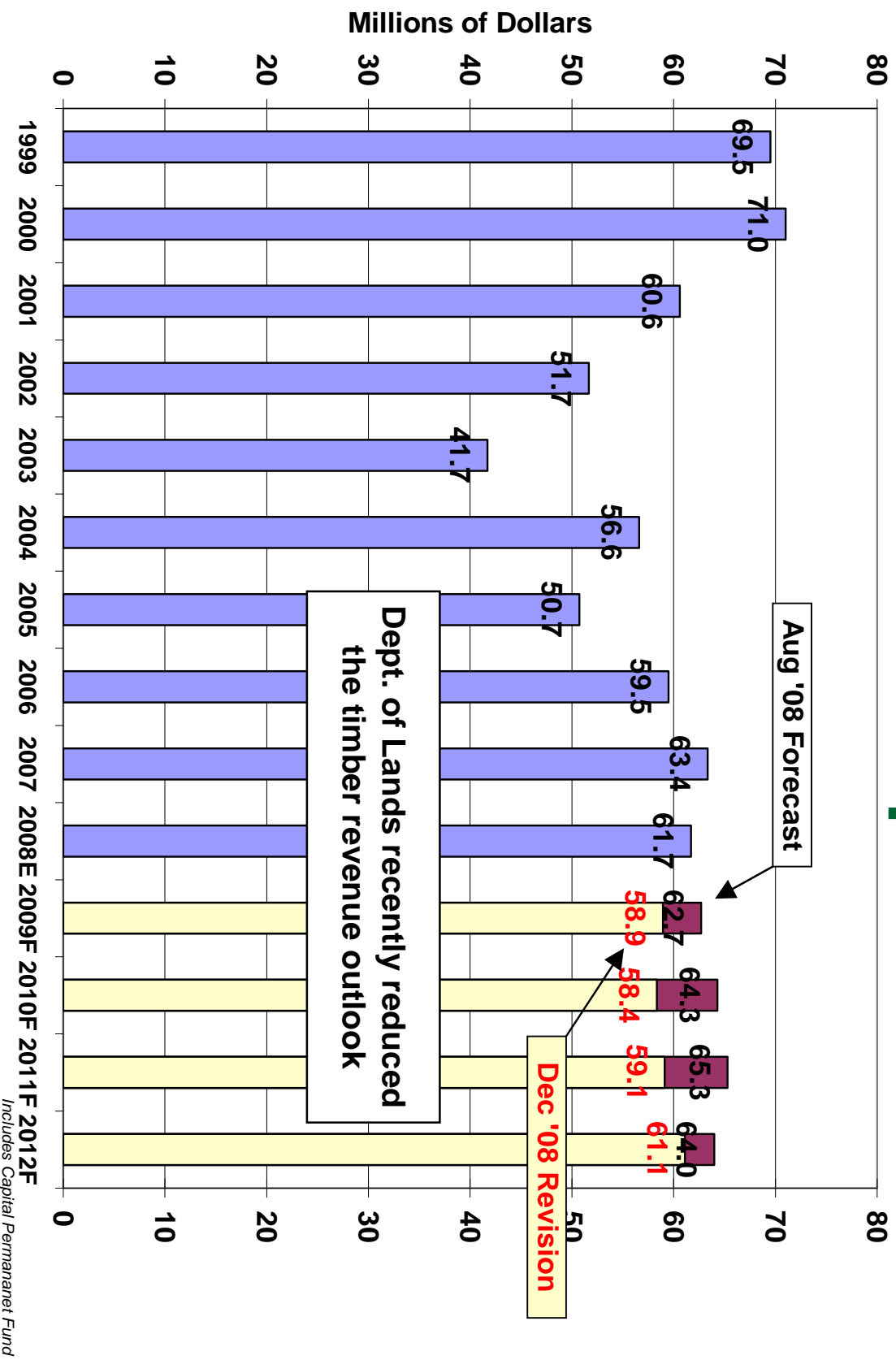
November 2008 Estimate



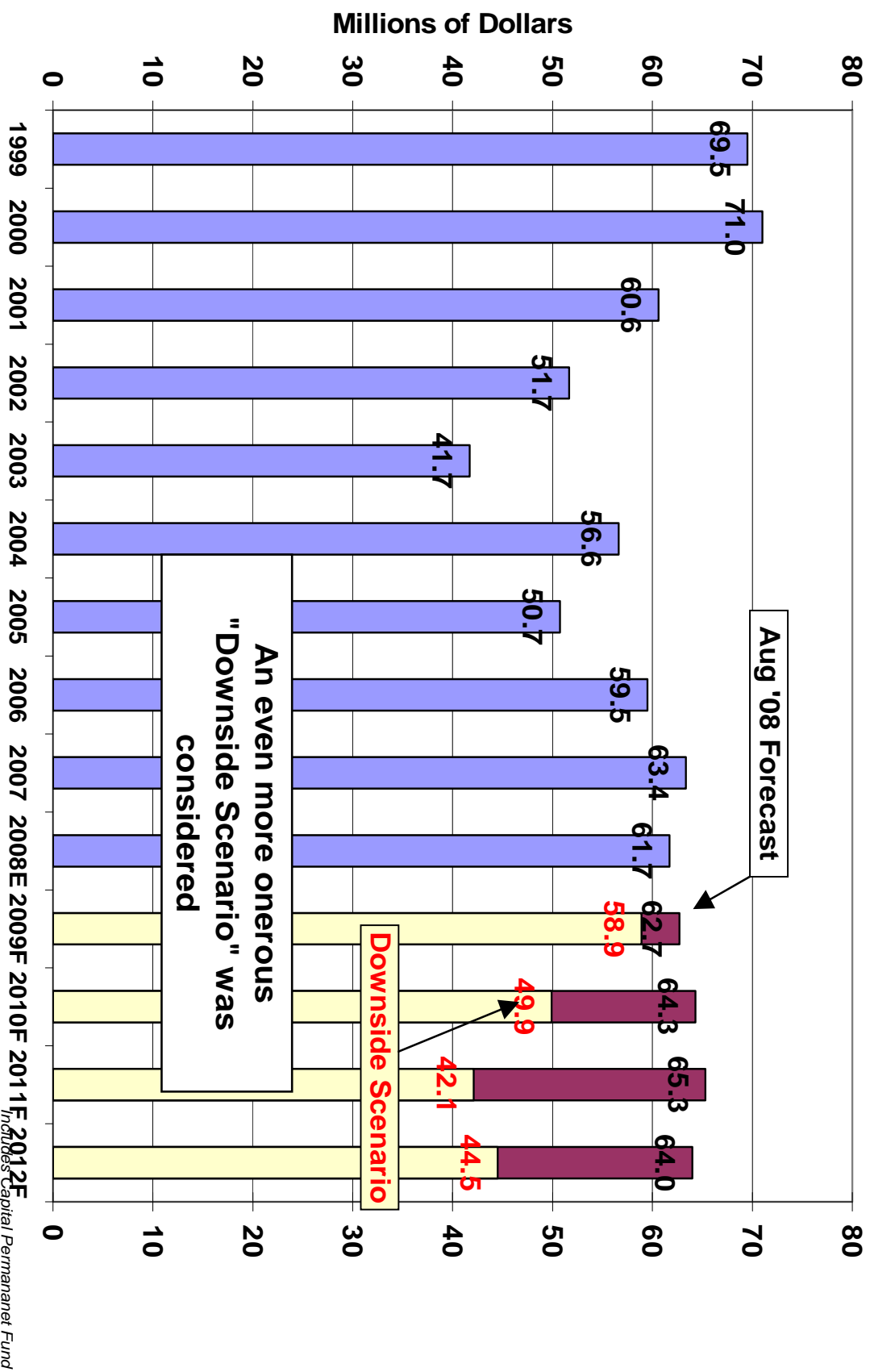
Security of future distributions

- Current reserves are sufficient to guarantee payment of appropriated FY2009 distributions and approved FY2010 distributions
- Will now consider the outlook for FY2011 and FY2012...
 - Can the FY2010 level of distributions be maintained if the equity market doesn't recover and timber revenue drops?

Timber revenues forecasted to be even lower than expected...



Downside scenario: What if it is as bad as 2002-2005?



Includes Capital Permanent Fund

Outlook for FY2011 and FY2012: Guarded optimism

- Assuming:
 - Declines in timber revenue equal to the “Downside Scenario”
 - No further drop in fund returns
 - FY2011 distributions = FY2010 distributions
- Then:
 - At June 2011, reserves are still expected to be at least four years for all endowments, except Public School (three years)