

*Understanding*

# ALASKA'S BUDGET

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Presentation to Commonwealth North  
August 23, 2012

# Framework

- **Project Goal:** To raise the level of awareness and engagement in the general public so that they can participate in dialogue and empower their elected officials to make what are sure to be some difficult decisions.
- **Objective of Phase 1:** Design and prepare a toolbox and process to assist in public understanding of the budget and Alaska's fiscal future.
- **Next Phase:** Conduct the public outreach.
- **Project History:** This effort is the result of recommendations from the 2010 Fiscal Policy Working Group, a subcommittee of the Alaska State House Finance Committee.

# Survey

## People understand that oil is important

- 83 percent of people accurately identified oil as the major source of revenue to the state
- 95 percent of respondents said that oil was significant to the state budget
- More than half respondents think oil revenue is around 75% or more of the state budget
- About two-thirds of respondents indicate they are somewhat concerned or very concerned about a pipeline shut down

## They are less clear about the significance of other State budget revenue sources

- Nearly half of respondents **do not** think that federal funding is significant
- Nearly one third think fishing revenue is significant
- Nearly on third think tourism revenue is significant
- Around one in five think mining revenue is significant
- A little under 10 percent of Alaskans think they pay a state income tax and 13 percent think they pay personal property tax to the state

# Survey

## Values

- Respondents purport to value education and do not see the value in government administration
- Nearly 80 percent of respondents think maintaining Medicare is more important than balancing the budget
- Conversely nearly 80 percent of respondents think balancing the budget is more important than maintaining administrative functions

## Respondents

- More than 70 percent of respondents indicated they plan to live in Alaska for the rest of their lives
- A little under 39 % of respondents identify as Republican, under 17% identify as Democrats, 24% non-partisan, 10% undeclared and the balance some other affiliation

# Meeting in a Box

## For the Facilitator to Prepare for Meeting

- Meeting design and agenda
- Manual to run meetings

## Collateral To Use at the Meetings

- Consensor™ script
- Fast Draw Video
- PowerPoint presentation
- Printable one-pagers people can take home
- Budget table exercise
- Pre and post surveys
- Website people can review at home

# Website

## Simple, clean and well organized

### Front page

- **The Story:** Top slideshow explains Alaska's budget in brief: 1 idea per slide, organized as a narrative, use of infographics
- **Explore:**
- Video of "[Fast Draw](#)" animation
- 2 Data Visualizations (open in lightbox): FY12 Revenue Sources, FY12 Spending
- **Dig Deeper:** Document library links, links to other websites
- **About the project**
- **Footer area:** Timeline and/or additional "slidedecks" that explain other FAQ topics (e.g. "Where does our money come from?" "What is a fiscal gap and why should I care?")

### Top Level Pages

- **4 content pages:** Revenue, Spending, Fiscal Gap, Savings with additional detail on each subject - overview, 2 to 3 charts, links to "in-depth" reports, FAQs
- **Plus:** Library (searchable document library), Glossary, About

# Revenue

## What do we want people to know?

- Proportion of revenue from primary sources
- Relationship between oil production/price and revenue
- Basic difference between restricted and unrestricted funds
- Historic context

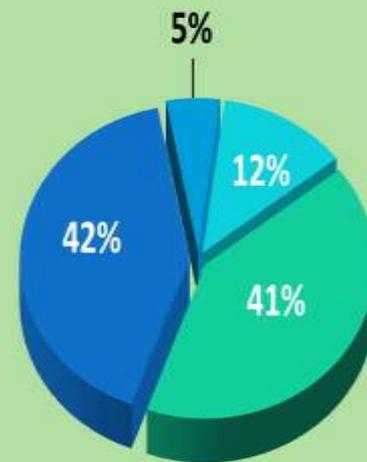
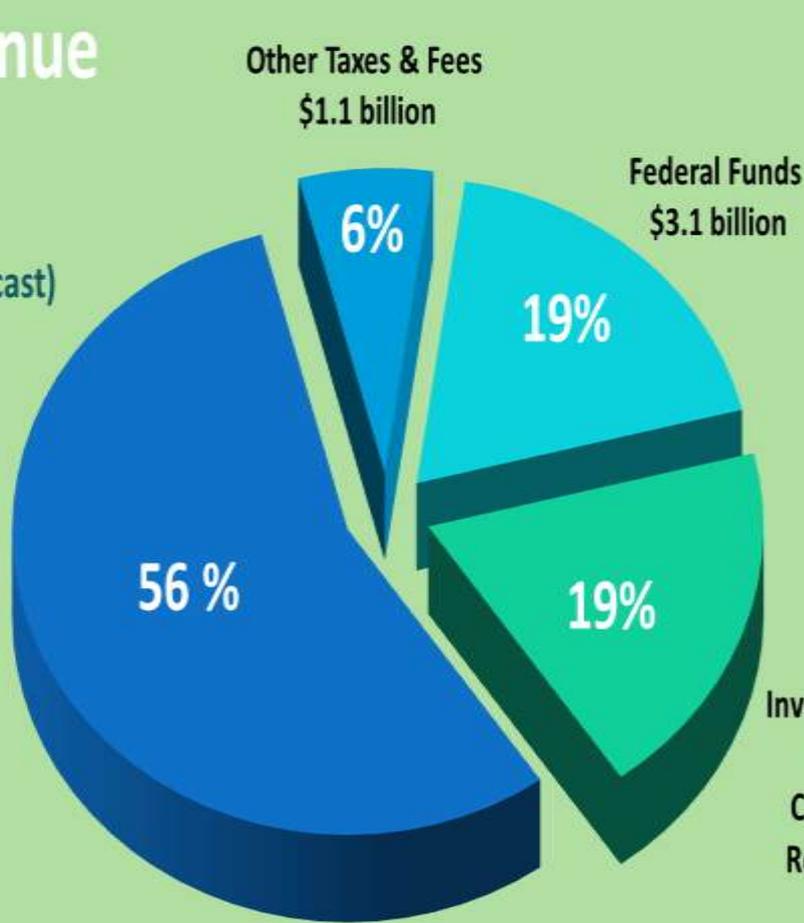
## Graphics

- Interactive visualization
- Chart of oil production/price/state revenue
- History of revenue by source

# State Revenue

**FY 2012**

\$16.5 billion (forecast)



**FY 2011**

Total Revenue  
\$19.5 billion

Source: Alaska Department of Revenue, Revenue Sources Book, Fall 2011

# Spending

## What do we want people to know?

- Proportion of spending to broad categories of government programs and services
- What services we receive for state government spending
- How spending has changed over time

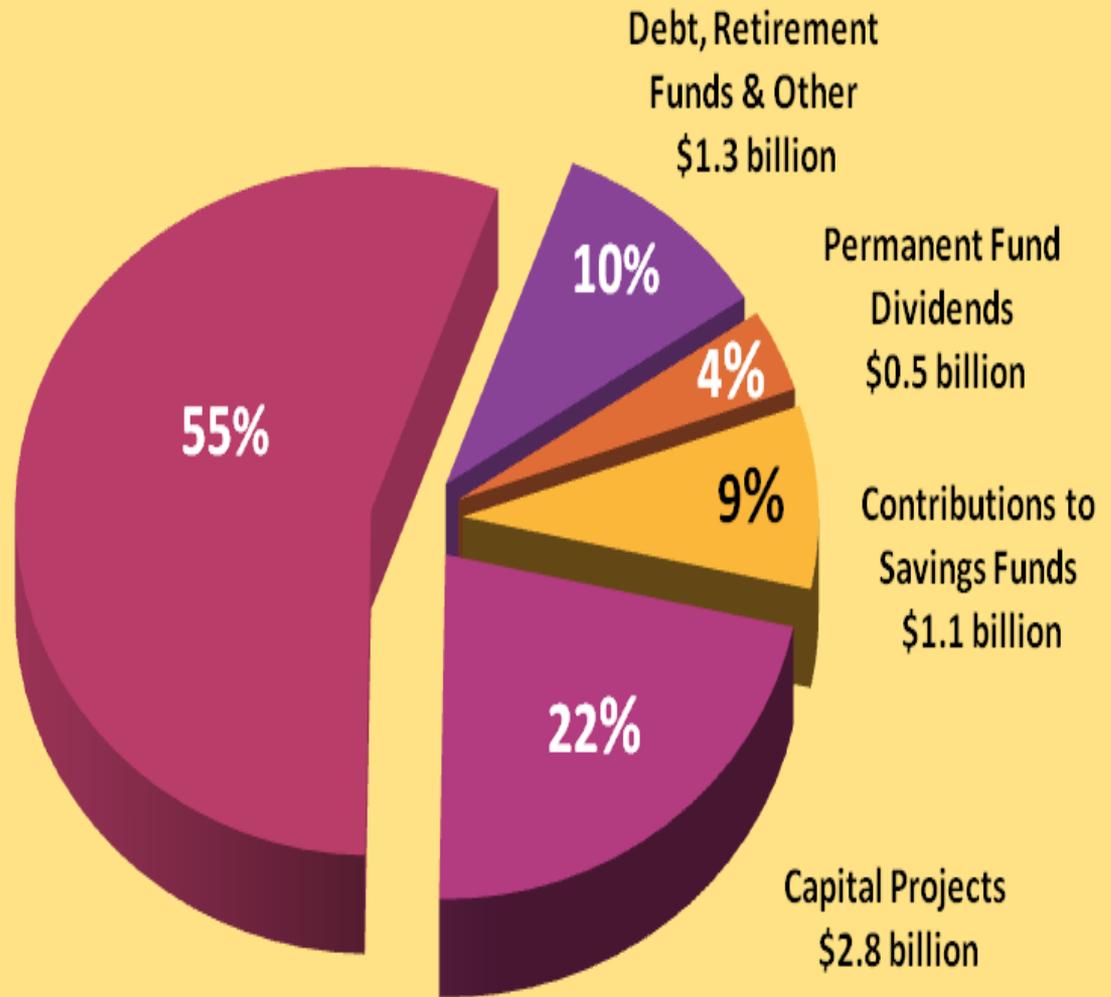
## Graphics

- Interactive visualization: Total Operating & Capital General Area Agency RDU
- Pie chart of all expenditures
- Line graph tracking spending increase for 20 years

# State Spending

**FY 2012**  
\$13.2 billion

Agency Operations  
\$7.1 billion



Source: FY 2012 Enacted Budget  
Alaska Office of Management & Budget

# Fiscal Gap

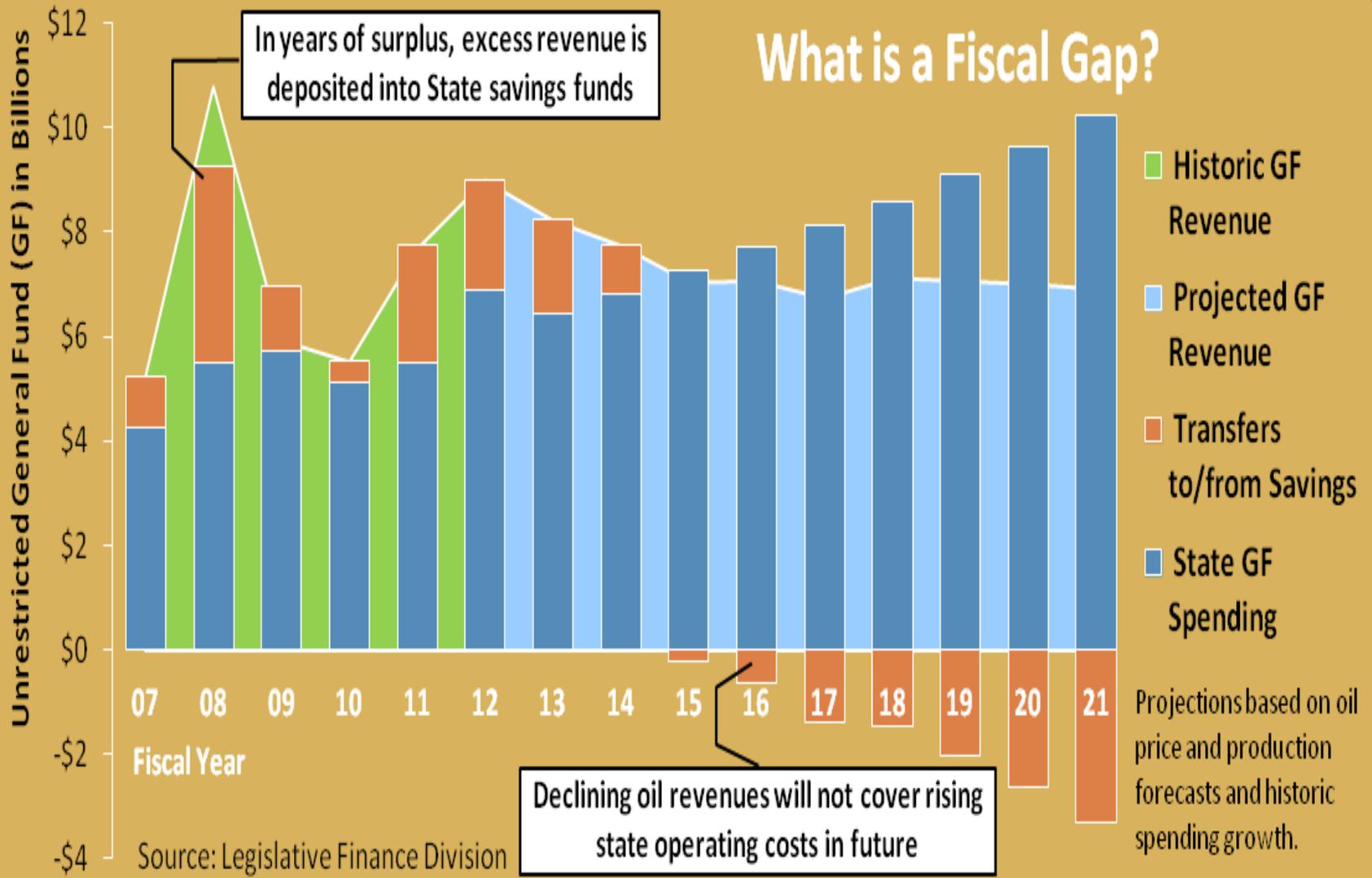
## What do we want people to know?

- Unless something changes, Alaska's spending will exceed revenue in the near future
- The fiscal gap is magnified when oil revenue to GF declines
- Current non-oil revenue is inadequate to fill the gap alone
- Solving the fiscal gap will require cutting the budget, increasing revenue, or increasing the savings rate (or some combination of all of the above)

## Graphics

- Projected spending/revenue
- Slide deck telling the story of the break even oil price at which future state costs will be covered by future oil production
- Oil production projections – rotating sources (state/industry and ISER)

# What is a Fiscal Gap?



# Savings

## What do we want people to know?

- Alaska has savings
- Size and history of accounts
- How savings accounts are used today

## Graphics

- Permanent Fund earnings over time
- Constitutional Budget Reserve deposits and withdraws
- Simple table showing the amount of all reserve funds that exist and describing what they are

# How Much Do We Have in Savings?

Constitutional Budget Reserve Fund (cash) 56%

**\$10.3 billion**

FY 2012 Beginning of Year fund balances

Permanent Fund Earnings Reserve 13%

**\$2.3 billion**

Other Undesignated Savings 19%

**\$3.4 billion**

Designated Savings\* 12%

**\$2.2 billion**

**\$18.3 billion**  
in reserves



\$33 billion in Permanent Fund principal (can only be used with a constitutional amendment)



Source: Legislative Finance Division

\*Includes funds for Public Education, Revenue Sharing, Railbelt Energy, and Power Cost Equalization

# Fast Draw Video

# What's next

- Spread the word through trusted leaders
- Community outreach and involvement
- Alaska Fiscal Planning Summit

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[www.AlaskaBudget.com](http://www.AlaskaBudget.com)