

Imposing Fiscal Stability in Alaska

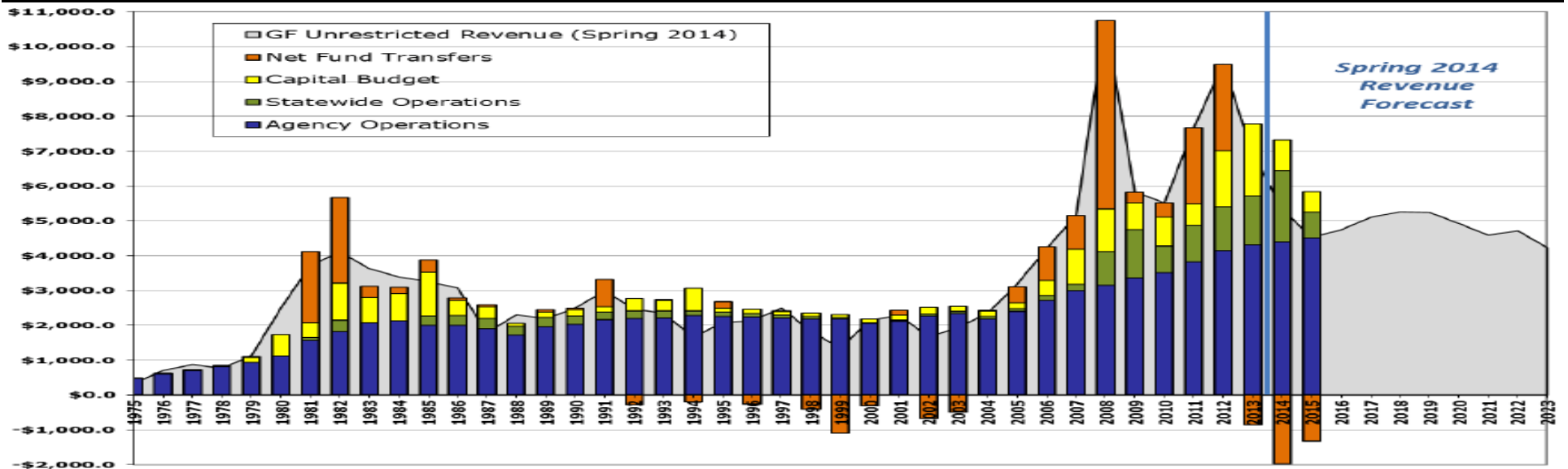
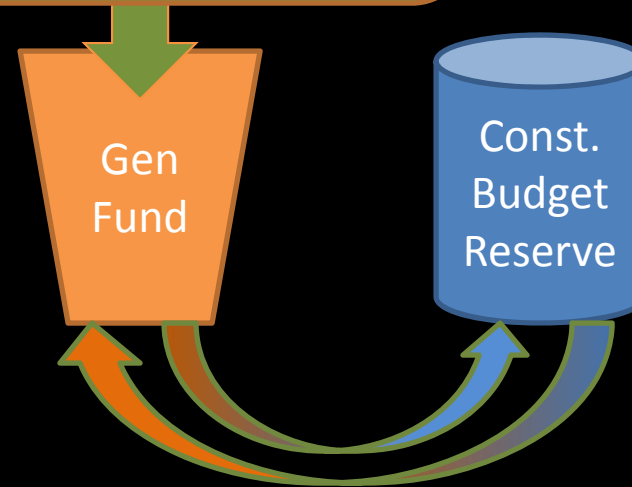
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Alaska Common Ground Forum
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**Current Cash Flow
Path
Alaska Oil Revenue**

Annual Oil Income

Production Tax &
Royalty Revenue (other than
Permanent Fund share)



Structural (and Political) Problems With Current Cash Flow System

- Erratic Annual Revenue Stream Makes Budgeting Difficult
- Budget Discussions Focus on Short-Term Status (Surplus/Deficit) – Displaced From Overall Fiscal Situation
 - Spending Increases Rapidly at times of Surplus
 - Spending Decreases Slowly at times of Deficit
- Changes in Oil Taxes Have Immediate Impact on Surplus/Deficit Balance
 - Creates sense of instability or target for oil industry

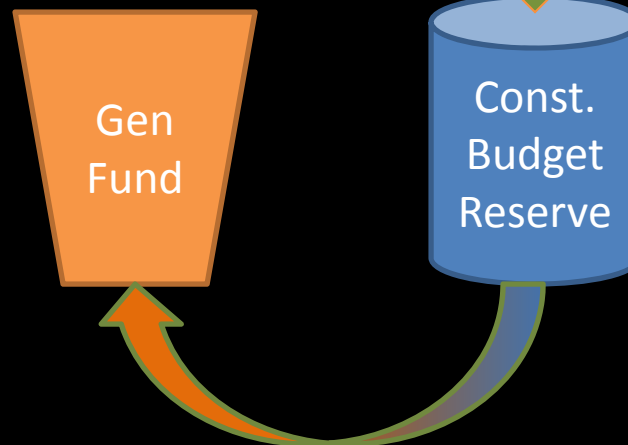
Premise of Stabilization Proposal

- Good Days are Ahead for Alaska Oil and Gas
 - A Whopping Amount of Undiscovered Oil and Gas
- Revenues will continue to be highly volatile
- Budget discipline will be difficult absent structural restrictions
- Annual budgeting will run smoother if a more stable revenue stream is provided for annual spending

Alaska's Revenue Smoothing & Fiscal Stability Plan (ARSFSP)

Annual Oil Income

Production Tax &
Royalty Revenue (other than
Permanent Fund share)



Annual Constitutional Budget Reserve Distribution to General Fund** =

A. (Previous Year General Fund Spending less non-oil revenue) plus X%;
or

B. Y% (e.g. 20%) of Constitutional Budget Reserve Balance;

Whichever is Greater

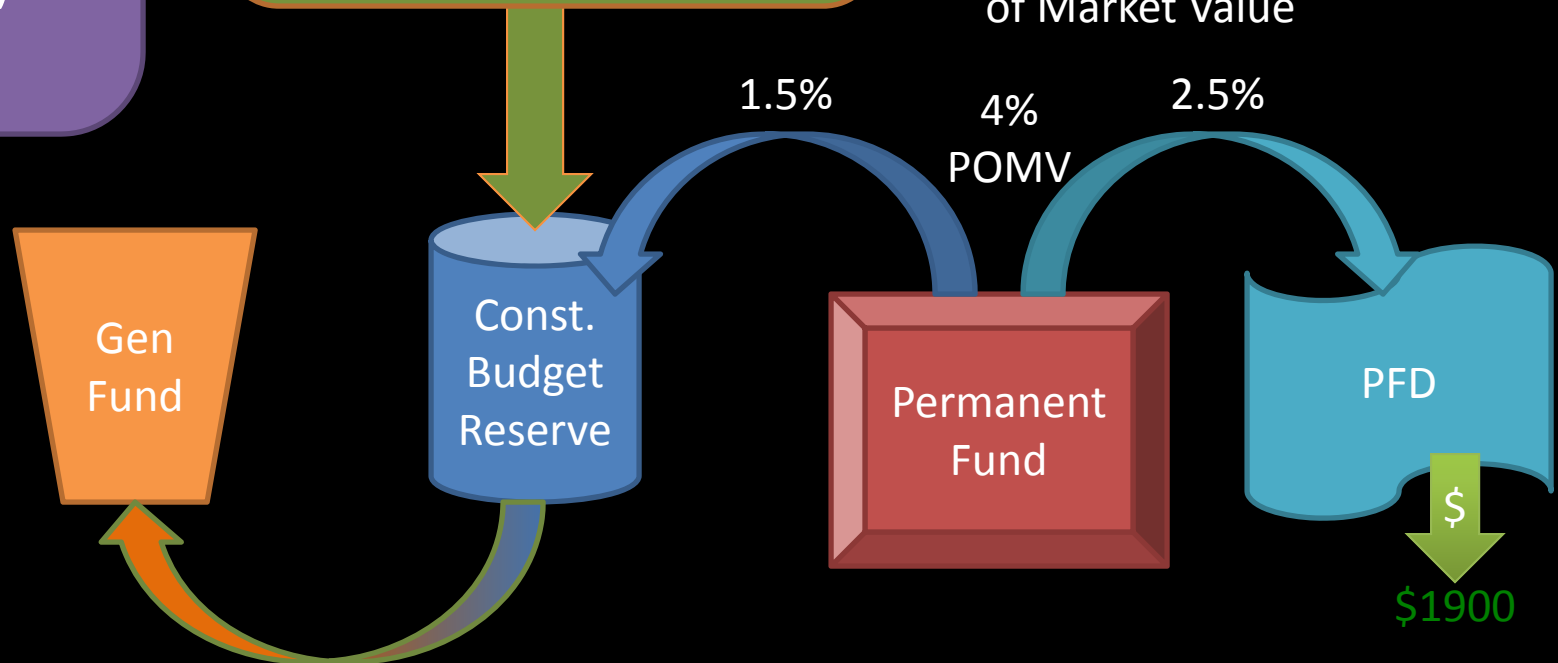
**Unless, Legislature makes a finding that an economic or natural disaster has occurred and $\frac{3}{4}$ vote, subject to Governor veto.

Alaska's Revenue
Smoothing &
Fiscal Stability
Plan Plus
(ARSFSP)

Annual Oil Income

Production Tax &
Royalty Revenue (other than
Permanent Fund share)

POMV = Percent
of Market Value



Annual Constitutional Budget Reserve Distribution to General Fund** =

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or

B. Y% (e.g. 20%) of Constitutional Budget Reserve Balance;

Whichever is Greater

**Unless, Legislature makes a finding that an economic or natural disaster has occurred and $\frac{3}{4}$ vote, subject to Governor veto.