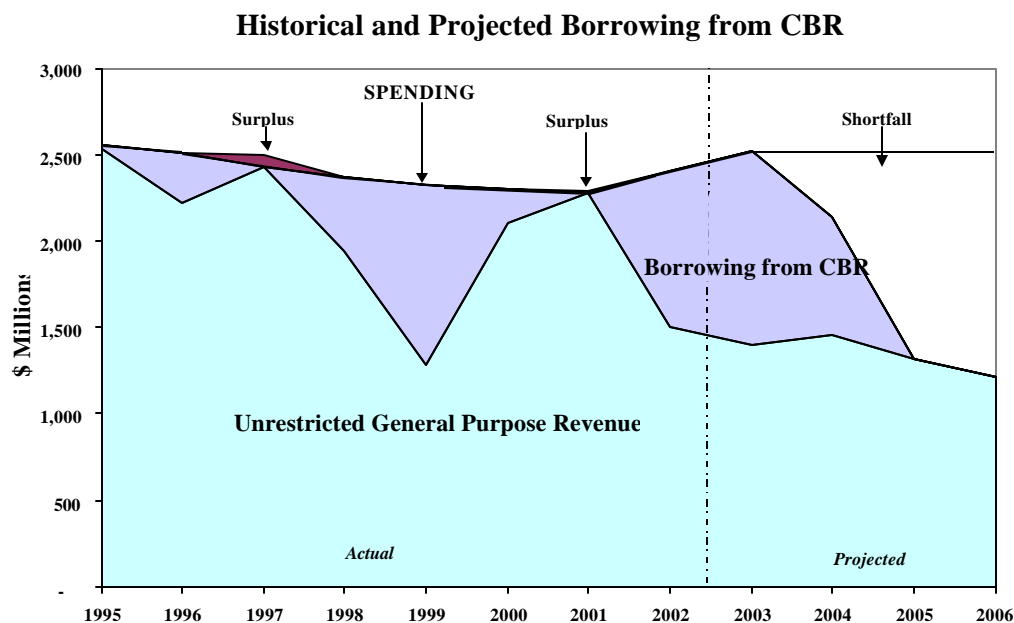


Governor's Priorities: Balancing The Budget

Desired Result: A balanced budget that protects the economy, essential state services, and the Permanent Fund.

KEY BASELINE INDICATORS FOR BALANCING THE BUDGET:



The entire \$2.8 billion balance of the Constitutional Budget Reserve is projected to be depleted in July 2004.

GOALS AND STRATEGIES TO ACHIEVE THIS RESULT:

1. Continue efforts to balance the state budget over the long term.

- Promote discussions among Alaska's leaders and the public on how to pay for needed state services and balance the budget. Oil prices have dropped sharply from the high levels in FY2001 back toward historical average price levels. The projected need for Constitutional Budget Reserve (CBR) funds in FY2003 is \$906

million and the fund is projected to be depleted in early FY2005.

- Work toward broader public recognition that taking no action to increase state revenues until the CBR is exhausted is an unacceptable fiscal strategy that could force the Alaska economy into a sharp recession.

- Continue strong budget discipline through cost control and efficiency measures.
- Consider taking incremental but substantial steps toward diversifying revenues in FY2003, rather than waiting for agreement on a comprehensive plan to balance the budget all at once.
- Pass legislation establishing the amount which should be maintained in the CBR to mitigate oil price volatility and allow for seasonal cash flow requirements. The Department of Revenue recommends a minimum CBR balance of \$1.5 billion.

2. Protect the Permanent Fund.

- Ensure that the Permanent Fund remains truly permanent by protecting the principal of the fund for current and future generations of Alaskans.
- Put the Permanent Fund 5% payout limit (HJR 15) to a public vote, as recommended by the Permanent Fund trustees, to protect the Fund's purchasing power and provide stability to the earnings of the Fund.

3. Promote government efficiency and performance to get the most out of state budget dollars.

- Expand the use of results-based budgeting to improve policy evaluation and decision-making.
- Minimize the effects of inflation and population growth on public service costs through efficiency and best business practices.
- Extend technology improvements that directly serve the public, such as electronic payment capability for various state licenses and taxes, and the ability to access updated records and data on-line.
- Protect public investment in state facilities with adequate annual and preventative maintenance.
- Continue cost-control measures in services with high rates of annual expenditure growth, such as health care and corrections.

4. Invest in Alaska's future

- Take advantage of low interest rates to clear the backlog of school major

maintenance and construction projects with a 5-6 year financing plan.

- Implement a plan that relies on federal dollars to improve Alaska's transportation systems to support economic development and better access for residents and visitors.
- Implement a multi-year plan to eliminate the state's deferred maintenance backlog and preventing future deferred maintenance problems.
- Make targeted operating budget investments to reduce future operating costs, including prevention and training, improved technology, and energy efficiency. Invest in early childhood, K-12 and university education to ensure a productive workforce for the future and reduce the ever-increasing costs of juvenile and adult crime.
- Complete the deferred maintenance of state-owned harbors and transfer them to local governments able to manage them.

5. Continue improving the state budget process.

- Allow programs to become more self-supporting and meet increasing demands for service through user fees, where appropriate.
- Focus budget information and discussion on key policy issues.
- Develop the capability to provide a two-year view of the state budget.
- Continue incorporating baseline indicators and performance measures as integral parts of the annual budget process.
- Increase public awareness of the extensive budget information available on the internet through the Office of Management and Budget homepage.

Highlights of 2001 Progress

- ☑ Worked with the legislative Fiscal Policy Caucus to increase understanding of the need for a long-range fiscal plan. Developed fiscal and economic information for town meetings held throughout Alaska in 2001.
- ☑ Improved and reorganized the use of performance measures in department budgets and key indicators in major interdepartmental areas.
- ☑ Developed a legislative proposal to eliminate a large portion of the deferred maintenance backlog for state facilities.
- ☑ Worked with the Departments of Administration and Transportation and Public Facilities to expand the pool of state facilities managed by Administration.
- ☑ Made substantial improvements to the Alaska Budget System to streamline state budget development and analysis.