Executive Summary Ten Year Expenditure Projection

Diversification of Revenue: Plotting a course for Alaska's next 10 years

Looking ahead at the next 10 years, Alaska must move toward expansion and diversification of its revenue base. The main emphasis of the 10-year plan is to facilitate Alaska's transition from a predominantly oil revenue base to an oil and natural gas revenue base. Revenue and other economic activity generated from the commercialization of Alaska's natural gas would help diversify Alaska's revenue sources and provide a potentially substantial source of revenue to offset declining oil revenue. In addition, commercialization of North Slope gas, in conjunction with other state investment to reinvigorate natural gas production in Cook Inlet, will provide economic opportunity and a stable, clean source of energy to fuel Alaskan businesses and homes for years to come. Efforts to diversify and enhance revenue sources cannot solely rely on commercializing Alaska's natural gas. Alaska must continue to make strides to maximize production from existing oil fields and develop other economic opportunities, particularly from its abundant natural resource base.

Assuming the Alaska Department of Revenue's Fall 2011 forecast backstopped by budget reserves, Alaska can exercise spending discipline to sustain itself through FY2022. This would achieve the goal of transitioning the state to a future where natural gas is beginning to take a larger role in the state's overall economy. Assuming the Fall 2011 forecast and a range of spending assumptions, the combined balances of the state's primary reserve accounts, the Statutory Budget Reserve and the Constitutional Budget Reserve, would remain positive during the next ten years. However, declining oil production starts the overall state revenue curve on a downward trajectory beginning as early as FY2014, and the level of state spending is a critical variable in the year to year general fund expenditures versus revenue equation. The 10-year forecast shows that anticipated budget shortfalls during the 10-year period could be filled through the use of reserve funds; however, other fiscal tools, including spending reductions, will likely be used in addition to, or in lieu of, reserve funds.

The 10-year plan examines a range of possible spending and revenue scenarios. Taking one scenario as an example, it assumes relatively modest spending growth of 4.0% annual general fund expenditure growth beginning in FY2013, and no change to the revenue forecast that was developed in the fall of 2011. It should be noted that the expenditure growth rate assumption in this scenario would be challenging to meet, and implies that the delivery of state services will become more efficient over the 10-year period. Inflation is assumed at 2.75% and population growth will be slightly above 1.0% annually. That implies that state spending on a per capita basis will only grow slightly over the next ten years in real terms.

While overall spending in this scenario is projected at an average annual growth rate of 4.0%, based on recent trends it could be anticipated that portions of the budget will grow faster, and that would require other areas of the budget to grow at a slower rate or decline to meet the projected growth rate. One particularly challenging example of this issue in the operations portion of the budget is the state's projected Medicaid spending. In FY2013, the state's portion of the federal Medicaid program was $678.3 million. Over the next 10 years that figure is projected to increase at an annual rate of over 6.8% and by FY2022 is projected to require a $1.22 billion contribution from the state's general fund. This percentage change assumes that the state's base Medicaid reimbursement rate remains at 50% throughout the forecast period.

Among the other challenges that must be considered in the planning horizon are: state financial inducements associated with gas line projects; the unfunded liability to the public employee and teachers retirement systems, dealing with the high cost of energy for Alaskans; shoring up aging transportation and other state-owned infrastructure; and handling the effects of Alaska's growing elderly and prison populations. All of these issues must be considered while continuing to provide an acceptable level of government services to Alaskans.

Oil Prices and the Plan

In view of history, the possibility of oil prices falling below the Fall 2011 forecast must be considered. In that scenario, spending plans and use of the state's reserve accounts must be reevaluated. More conservative spending plans would be necessary and the ability of the state's two main cash reserve accounts to facilitate a transition from today to the onset of revenue from natural gas becomes more challenging. While alternate revenue and expenditure scenarios are not discussed extensively, they are presented as part of this document as a means to inform the public of what alternate revenue and expenditure scenarios look like in terms of the magnitude of change they could present.

The Plan's Imperative

The overarching objectives of the 10-year fiscal plan are guided by the statutory language that requires the Executive branch to produce a 10-year plan on an annual basis. Alaska Statute 37.07.020 (b) (2): says that the fiscal plan

> ***"must balance sources and uses of funds held while providing for essential state services and protecting economic stability of the state."***

Essentially, there are three requirements that the Executive's plan must meet:

- Balance the budget between sources and uses of funds,
- Provide for essential state services (as defined by the Alaska Constitution), and
- Protect Alaska's economic stability.

The Plan's Guiding Principles and Supporting Strategies

The 10-year plan meets the statutory objectives through the application of several foundational principles. The principles outlined below provide the framework and guidance for spending and savings strategies represented in the plan.

Principle: Developing Alaska's Natural Resources

The State of Alaska's future prosperity hinges on the responsible development of its abundant natural resources. In 1959, when Alaska became a state, 99.8% of the land was owned by the federal government. The Alaska Statehood Act gave the State the right to select and acquire approximately 104 million of the nearly 365 million acres of federal lands in Alaska. It was envisioned that the management of this land base and the associated resources would provide the State with a viable economic foundation. That stable economic base would then enable the State to provide government services to the people of Alaska, and reduce the likelihood that Alaska would be a drain on the federal treasury.

To date, the strategy of building Alaska's economy on natural resources has been effective. The State takes in significant revenues from companies that lease State-owned lands for extraction of oil, natural gas and coal, gold, zinc and other minerals and shares with the federal government revenues from oil, natural gas and other assets extracted from federal lands leased by private companies. Currently, nearly 90% of the State's unrestricted General Fund revenue is generated from petroleum production activities. For the foreseeable future, the health of Alaska's fiscal system will be linked to the wealth generated from the monetization of Alaska's natural resource base.

Strategy: Secure Alaska's Future: Increase Oil Production- The Administration's highest economic priority is the development of the State's natural resources. The State's long-term planning is based in part on efforts to stem Alaska's oil production decline and increase throughput on the Trans Alaska Pipeline System (TAPS). Currently TAPS throughput averages near 600,000 barrels a day and has been declining at roughly 6% a year. The declining flow of oil poses a direct threat to the pipeline, because it is becoming more expensive to maintain and the risk of damage from corrosion is increasing. The best way to avoid a premature shutdown of the pipeline is to boost the flow of oil by tapping the vast North Slope oil resources. A premature TAPS shutdown would cut off the major source of state revenue that funds education, roads and other vital public services in Alaska. In addition, it would eliminate one of the nation's top domestic energy assets and increase the nation's reliance on foreign oil. The Administration is implementing a five-part strategy to address the decline:

- Enhance Alaska's global competitiveness and investment climate.
- Ensure the permitting process is structured and efficient.
- Facilitate and incentivize the next phase of North Slope development.
- Unlock Alaska's full resource potential through partnerships with key stakeholders.
- Promote Alaska's resources and positive investment climate to world markets.

Strategy: Secure Alaska's Future: Strategic Minerals Development- Alaska has an important role to play in securing a domestic supply of strategic minerals. These minerals are essential for use but subject to potential supply disruptions due to China's domination in the world market. These minerals are used in radar systems, avionics, satellites, renewable energy systems and consumer electronic goods. Among geologists, Alaska is considered highly prospective for strategic and critical minerals. The Administration is implementing a five-part strategy to assess and develop Alaska's strategic minerals potential:

- Undertake a statewide assessment of Alaska's strategic minerals potential.
- Provide incentives for the development of known or highly prospective strategic minerals occurrences throughout Alaska.
- Improve the structure and efficiency of permitting processes in order to expedite mineral development, including strategic minerals.
- Deepen coordination with public and private sector stakeholders to encourage domestic exploration, development and processing of strategic minerals.
- Attract new investment and markets for Alaska's abundant mineral resources.

Strategy: Invest in Hydropower and Other Cost-Effective Renewable Energy Projects- The State has an ambitious energy goal of having 50% of all of Alaska's electricity generated by renewable resources by 2025. In order to meet this goal the Administration advocates state investment in a large-scale hydroelectric power project as well as continued investment in smaller regional projects that use wind, hydroelectric and other renewable resources as the energy source for power generation. In many of these areas, high cost diesel is currently the primary fuel for electrical power generation. The Administration also proposes to continue investment in programs that provide resources for projects that promote energy conservation.

Principle: Restrain Spending

In contrast to revenue, the part of the fiscal equation that Alaska's policy makers can have the greatest impact on is the size of the State budget. Restraining spending growth in times of surplus enables the state to save for years when oil revenue is smaller and helps cushion the state's economy from wild swings in state revenue.

In order to restrain growth, the Administration implements multiple strategies. The Administration requires greater coordination among agencies and works to root out waste and duplication. Justification and accountability is required for department spending requests and seeking out new, innovative ways to deliver services is encouraged. Anticipated growth in areas such as Medicaid, employee health care costs and retirement system costs also drive up the operating budget over time. The Administration engages in discussions with legislators on how best to control these costs, recognizing that downward adjustments to statutory formulas will be necessary as oil revenues decline.

Strategy: Implement Results Based Budgeting- The Administration implemented results-based budgeting with the intention of restraining government spending. The Administration has directed agencies to focus on agency missions, core services and results expected for the current spending level. This is intended to assure Alaskans that state government dollars are being spent wisely. Within that framework, spending areas that will be a priority are those that are constitutionally mandated: natural resource development, education, and public safety. By implementing this approach the Administration has committed to promoting more efficient ways of providing and delivering government services.

Strategy: Evaluate Long-Term Costs of Investment Initiatives- In addition to assessing current spending for effectiveness, the Administration is committed to evaluating the long-term financial implications of proposed savings and investment initiatives. Taking a long-term view is intended to provide a framework for budget and policy decisions that promote the economic growth and fiscal stability necessary for Alaskans to prosper beyond the current budget cycle.

Principle: Save for Future Generations of Alaskans

The savings element of the plan meets a basic challenge facing Alaska, turning the non-recurring revenue stream produced from Alaska's natural resources in to a long term recurring revenue source that can help maintain Alaska's economic stability beyond the life of the resource. The primary vehicle for this effort is Alaska's Permanent Fund, and a primary objective of the plan is to continue growing the Permanent Fund. In addition to growing the Permanent Fund, when an opportunity presents itself, the plan contemplates depositing unspent unrestricted revenue in reserve accounts such as the Statutory Budget Reserve and the Constitutional Budget Reserve Fund. Continual building of Alaska's reserve accounts provides the State a short to mid-term means of stabilizing a revenue stream that is subject to dramatic revenue swings caused by dropping oil prices or production interruptions. The availability of ample reserves underpins the state government's ability to reliably provide services that are mandated without having to draw upon other means of revenue generation such as broad-based taxes or use of the Permanent Fund.

Strategy: Preserve and Grow The Permanent Fund - The primary vehicle for this effort is Alaska's Permanent Fund, which receives ongoing deposits of mineral royalty revenue as well as annual appropriations to inflation proof the fund. As of November 30, 2011 the balance of the Permanent Fund was approximately $38 billion. Currently, the main contribution of Alaska's Permanent Fund to the state's residents is the annual Permanent Fund dividend payment. In 2011, the dividend amounted to $760.2 million distributed to an estimated 647,549 dividend eligible citizens. If this distribution were added to payroll wages, it is the equivalent of nearly a five-percent boost to the overall wage and salary payroll of the state's economy.

Strategy: Build Reserves When Possible, Use Them Judiciously When Necessary- Beyond continuing to grow the Permanent Fund, the plan contemplates that when there is surplus general fund revenue available that a portion of the surplus is saved in reserve accounts. In times of revenue shortfalls, the reserves may be used to fund ongoing services. To date, the primary reserve account drawn upon to fund ongoing operations of state government has been the Constitutional Budget Reserve fund (CBR). Since its inception more than $5.2 billion has been borrowed from that fund to pay for state funded services. Recent general fund revenue surpluses have allowed the CBR to be replenished so that as of June 30, 2010 the entire borrowed balance had been repaid by the general fund. The available CBR balance has grown to approximately $10.2 billion as of November 2011. Additionally, $2.6 billion has been placed in the Statutory Budget Reserve. In FY2013, the Governor's proposed budget calls for $6.5 billion in general fund spending. At that rate of spending, the state has built its two primary cash reserves to the point where the state can operate for nearly two full fiscal years assuming no incoming revenue.

Strategy: Forward Fund When Appropriate - Another method the plan contemplates to provide fiscal stability is forward funding or endowing programs. Examples where the state has built or plans to build reserves to fund programs in future years include:

- Public Education Fund: Since fiscal year 2009, more than $1 billion is annually set aside in the current year budget to fund the State's projected contribution to funding K-12 education one year in advance. This fund has stabilized the funding stream for Alaska's K-12 education sector, and during the FY2010 budget cycle this fund was critical in balancing the budget at a time when oil prices were lower than forecast. The Administration proposed fully funding FY2013 projected K-12 costs with projected FY2012 revenue, and will repeat this proposal in FY2013, by proposing to forward fund projected FY2014 education costs.
- Community Revenue Sharing Fund- $180 million is set aside in an attempt to stabilize annual funding to local communities for provision of local government services. The Administration will propose to deposit $60 million in the Community Revenue Sharing fund to bring the balance of the

fund to $180 million. This insures communities stable funding in FY2013 as well as a revenue sharing program through at least FY2016 given the programs current funding mechanism.

- Power Cost Equalization Fund (PCE): Managed by the Alaska Energy Authority (AEA) the PCE is an endowment fund whose current purpose is to help the state subsidize certain rural energy costs. Earnings from the $760 million fund (balance as of July 1, 2011) help offset the annual costs of the PCE program. Estimated cost of the PCE program in FY13 is approximately $38.2 million or roughly 5% of the estimated fund balance.
- Alaska Housing Capital Corporation Fund: More than $500 million has been set aside to fund future capital projects, the Administration is proposing in FY2013 to use a portion of these funds for gas line and other important infrastructure expenditures.
- Alaska Performance Scholarships: As part of the FY2013 budget, the Administration included $8.0 million to fund performance scholarships to in-state universities or job-training programs for students who complete a rigorous academic course of study and earn higher grades. Currently, earnings from $400 million of the Alaska Housing Capital Corporation Fund are identified as a potential revenue source to support funding for the Performance Scholarship program in FY2013. Additional legislation will need to be passed to implement a funding mechanism for performance scholarships that will be sustainable over time.

Strategy: Focus Investment - The plan prioritizes spending according to the Administration's investment priorities of:

- Economic and Resource development
- Transformational Education
- Transportation infrastructure
- Public Safety, health and welfare
- Military Support

Alternate Scenarios Provide Reason for Optimism and Caution

While Alaska's current financial outlook is easily characterized as among the best in recent history one only need look at the past to remind Alaskans that the link between the State of Alaska's revenue and the price of oil or changing production levels can change Alaska's fiscal outlook quickly and dramatically. In view of history, the examination of different spending growth paths or lower oil prices than forecast can temper the optimism of the state's current long term outlook. It also illustrates the current dependence of the state's fiscal stability on oil.

For an illustration of possibilities that may lie ahead for Alaska, three spending scenarios and one alternate oil price scenario are modeled. A brief description and synopsis of each scenario is presented below:

Scenario 1: Fall 2011 Forecast with flat General Fund spending beginning in FY2012: This scenario assumes that annual general fund spending is held at FY2012 levels (approximately $7.0 billion) for all segments of General Fund spending through FY2022 while assuming the Fall 2011 revenue forecast.

Synopsis: Budget surpluses through FY2016 while the SBR and CBR combined account balances steadily climb to in excess of $23 billion by the end of FY2022.

Scenario 2: $90 oil with 3% annual General Fund spending growth: This scenario assumes that oil prices fall to $90 for FY2013 and hold steady at $90 a barrel through FY2022. Annual spending growth is based upon the Governor's FY2013 budget proposal and projected at 3.0% growth in all general fund expenditure categories (Agency Operations, Statewide Appropriations, and Capital Expenditures) beginning in FY2014 and beyond.

Synopsis: Budget shortfalls begin in FY2013 while the SBR and CBR combined account balances top $14 billion in the short run, however steady draws on those two accounts erode the combined SBR and CBR balances to exhaustion by FY2021.

Scenario 3: Fall 2011 forecast with 4% all General Fund spending growth: This scenario assumes 4.0% annual spending growth for all segments of General Fund spending (Agency Operations, Statewide Appropriations, and Capital Expenditures) beginning in FY2014 and beyond while assuming the Fall 2011 revenue forecast.

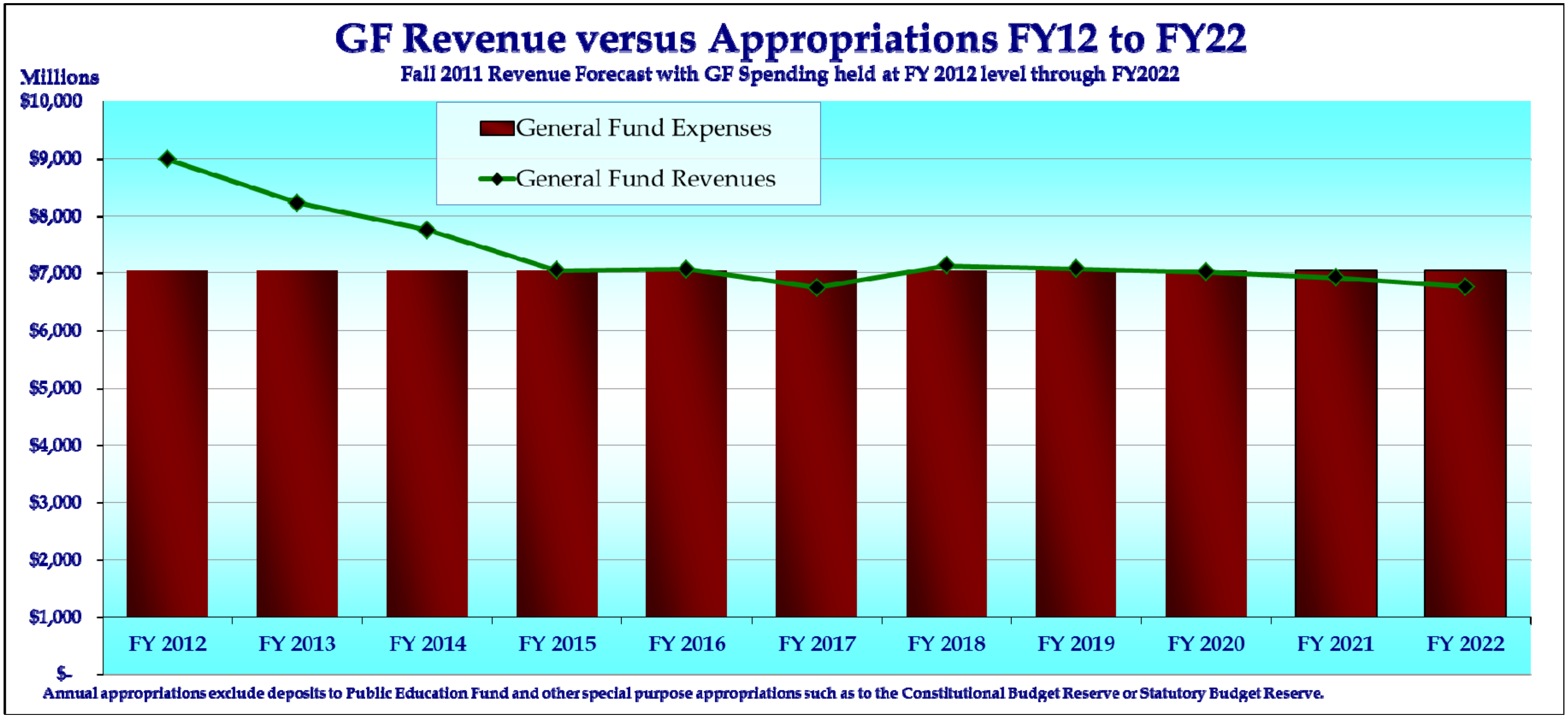
Synopsis: Budget surpluses through FY2015 while the SBR and CBR combined account balances reach nearly $20 billion in the short run but the combined balance in the two accounts falls to $16.5 billion by the end of FY2022.

Scenario 4: Fall 2011 Revenue forecast with 4% agency spending growth, Capital at $1.0 B, and Statewide including State Assistance payment growth: This scenario assumes 4.0% annual spending growth for Agency Operations beginning in FY2014, assumes that general fund Statewide Appropriations will increase over time to include the projected increased state assistance contribution associated with the PERS/TRS unfunded liability and caps the state capital budget beginning in FY2014 at $1.0 billion in general funds annually while assuming the Fall 2011 revenue forecast.

Synopsis: Budget surpluses through FY2015 while the SBR and CBR combined account balances reach nearly $20 billion in the short run but the combined balance in the two accounts falls to $18.1 billion by the end of FY2022.

In summary, there is a wide range of possible scenarios that could lie ahead for Alaska. While the future holds the promise of fiscal stability if Alaska experiences oil prices above $100 a barrel, the past has demonstrated on numerous occasions that the state must take a cautious approach to its finances, and carefully consider the obligations that it makes today to insure that it has the means to provide essential services in the future. The challenge will remain to strike a balance between the needs of current Alaskans against the need to provide essential public services to Alaska's future generations.

Scenario 1: General Fund Spending held at FY2012 level ($7.0 billion) through FY2022



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The plan will be revisited as conditions warrant.

Scenario 1: General Fund Spending held at FY2012 level ($7.0 billion) through FY2022

Oil Price & Production	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Fall 2011 forecast ANS West Coast ($/bbl.)	**$108.98**	**$109.47**	**$109.08**	**$108.75**	**$107.79**	**$106.05**	**$108.76**	**$111.54**	**$114.39**	**$117.31**	**$120.31**
Fall 2011 forecast ANS production (mmbbl./day)	**0.574**	**0.555**	**0.561**	**0.538**	**0.550**	**0.549**	**0.544**	**0.515**	**0.486**	**0.458**	**0.432**
Revenue vs. Spending ($millions)											
General Fund Revenues[1/]	$8,981.8	$8,217.7	$7,742.8	$7,043.4	$7,065.5	$6,738.9	$7,125.0	$7,070.4	$7,012.1	$6,917.5	$6,757.0
General Fund Expenses	$7,041.8	$7,041.8	$7,041.8	$7,041.8	$7,041.8	$7,041.8	$7,041.8	$7,041.8	$7,041.8	$7,041.8	$7,041.8
Budget Surplus/Shortfall	**$1,940.0**	**$1,175.9**	**$701.0**	**$1.6**	**$23.7**	**$302.9**	**$83.2**	**$28.6**	**$29.7**	**$124.3**	**$284.8**
Reserve Balances ($millions)											
CBRF Main Account Balance End of Year	$5,408.7	$5,615.9	$5,830.2	$6,051.9	$6,281.3	$6,518.6	$6,764.1	$7,018.0	$7,280.8	$7,552.6	$7,833.8
CBRF Subaccount Balance End of Year	$4,972.2	$5,323.6	$5,700.0	$6,102.9	$6,534.4	$6,996.3	$7,490.9	$8,020.4	$8,587.4	$9,194.5	$9,844.4
CBRF Total	$10,380.9	$10,939.5	$11,530.2	$12,154.8	$12,815.6	$13,514.9	$14,254.9	$15,038.4	$15,868.2	$16,747.0	$17,678.2
Statutory Budget Reserve Balance	$4,402.1	$5,577.9	$6,279.0	$6,280.6	$6,304.3	$6,001.5	$6,084.7	$6,113.2	$6,083.5	$5,959.2	$5,674.4
TOTAL RESERVES	**$14,783.0**	**$16,517.5**	**$17,809.2**	**$18,435.5**	**$19,120.0**	**$19,516.3**	**$20,339.6**	**$21,151.7**	**$21,951.7**	**$22,706.3**	**$23,352.6**

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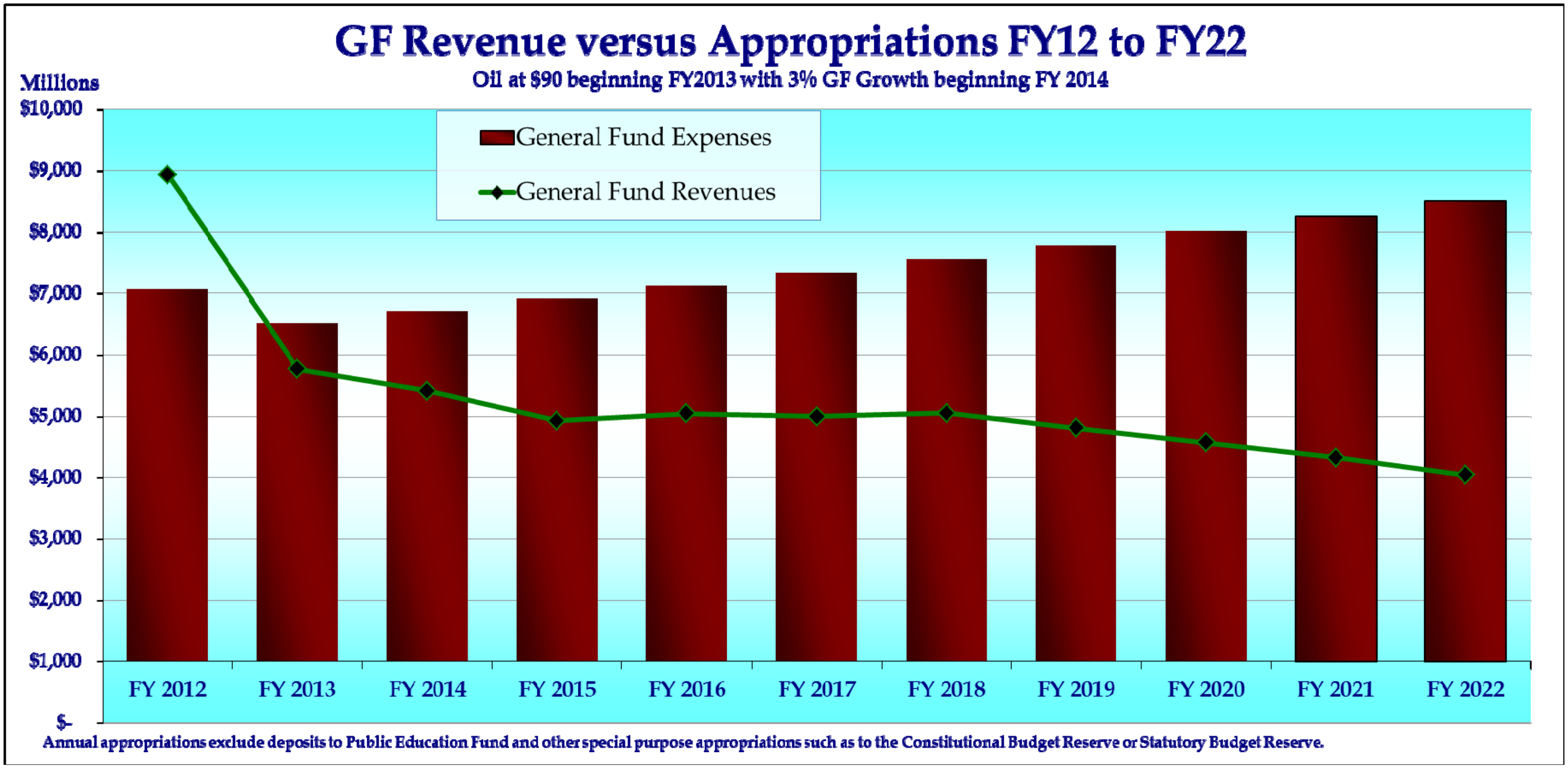
The plan will be revisited as conditions warrant.

1/ FY2012 number includes $8,927.9 GF Unrestricted Revenue forecast plus $53.9 of funds reappropriated and/or carried forward from fiscal year 2011 for total of $8,981.8.

Scenario 2: Revenue@$90 oil FY2013 Governor's Budget plus 3% Annual Growth beginning FY2014



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Oil Price & Production	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Fall 2011 forecast ANS West Coast ($/bbl)	$108.98	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00
Fall 2011 forecast ANS production (mmbbl./day)	0.574	0.555	0.561	0.538	0.550	0.549	0.544	0.515	0.486	0.458	0.432
Revenue vs. Spending ($millions)											
General Fund Revenues[1/]	$8,981.8	$5,775.3	$5,414.2	$4,926.1	$5,049.8	$5,001.6	$5,056.2	$4,807.1	$4,574.3	$4,331.3	$4,041.2
General Fund Expenses	$7,041.8	$6,430.2	$6,623.1	$6,821.8	$7,026.5	$7,237.2	$7,454.4	$7,678.0	$7,908.3	$8,145.6	$8,390.0
Budget Surplus/Shortfall	**$1,940.0**	**$654.9**	**$1,208.9**	**$1,895.7**	**$1,976.6**	**$2,235.7**	**$2,398.2**	**$2,870.9**	**$3,334.1**	**$3,814.3**	**$4,348.7**
Reserve Balances ($millions)											
CBRF Main Account Balance End of Year	$5,408.7	$5,615.9	$5,830.2	$6,051.9	$4,922.3	$2,835.4	$510.9	$0.0	$0.0	$0.0	$0.0
CBRF Subaccount Balance End of Year	$4,972.2	$5,323.6	$5,700.0	$6,102.9	$6,534.4	$6,996.3	$7,490.9	$5,801.2	$2,771.7	$0.0	$0.0
CBRF Total	$10,380.9	$10,939.5	$11,530.2	$12,154.8	$11,456.7	$9,831.7	$8,001.8	$5,599.7	$2,771.7	$0.0	$0.0
Statutory Budget Reserve Balance	$4,402.1	$3,747.2	$2,538.2	$642.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
TOTAL RESERVES	**$14,783.0**	**$14,686.7**	**$14,068.4**	**$12,797.4**	**$11,456.7**	**$9,831.7**	**$8,001.8**	**$5,599.7**	**$2,771.7**	**$0.0**	**$0.0**

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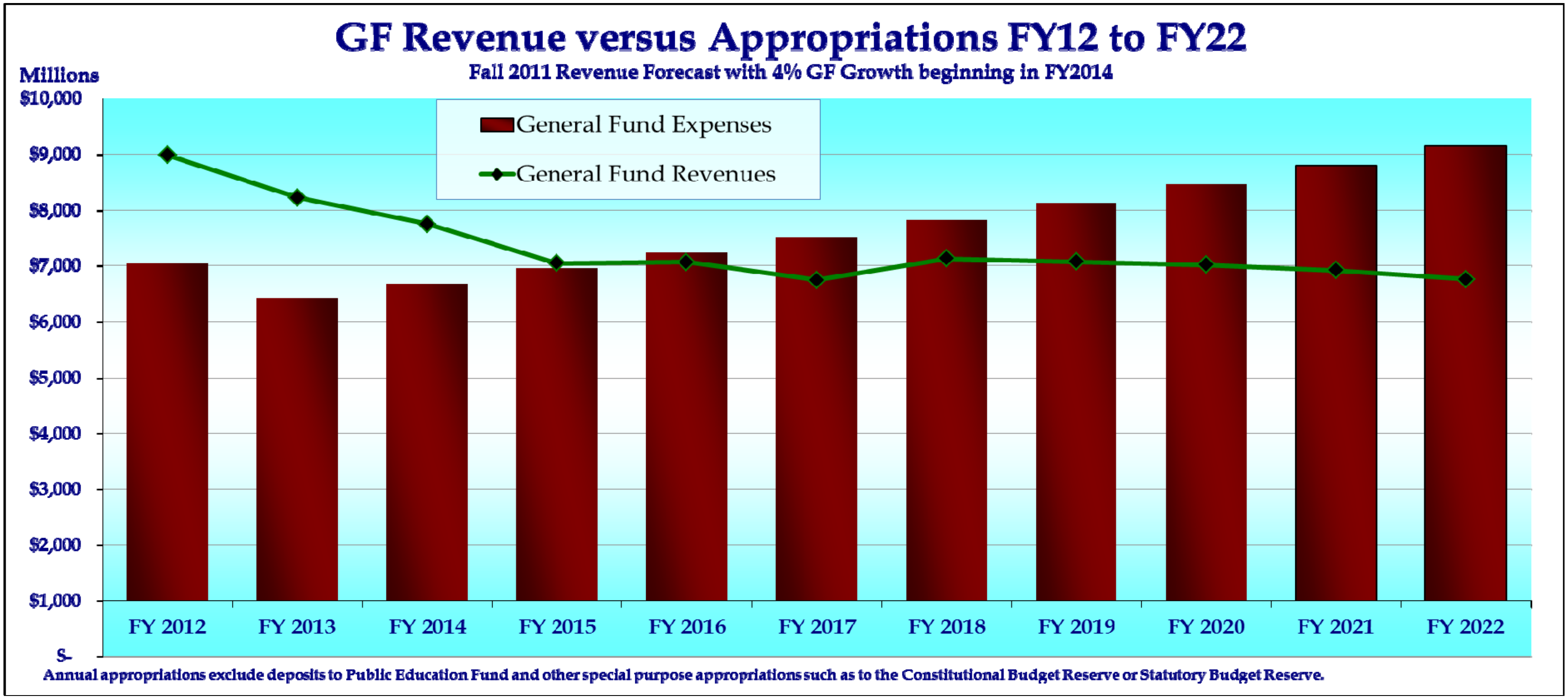
Scenario 3: Governor's FY2013 Budget with 4% Annual GF Expenditure Growth beginning in FY2014



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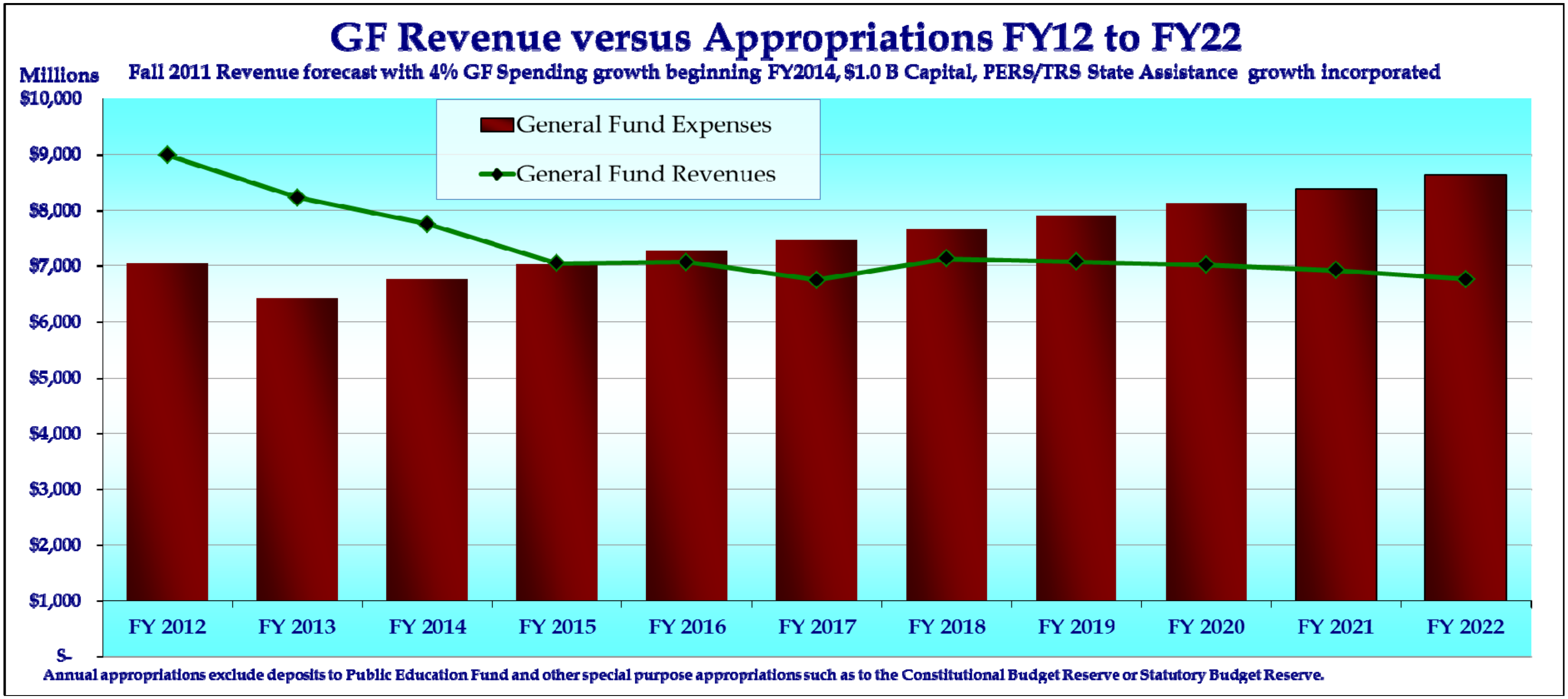
General Fund Expenses	$7,041.8	$6,430.2	$6,687.4	$6,954.9	$7,233.1	$7,522.4	$7,823.3	$8,136.3	$8,461.7	$8,800.2	$9,152.2
Budget Surplus/Shortfall	**$1,940.0**	**$1,787.5**	**$1,055.4**	**$88.5**	**$167.6**	**$783.5**	**$698.3**	**$1,065.9**	**$1,449.6**	**$1,882.7**	**$2,395.2**
Reserve Balances ($millions)											
CBRF Main Account Balance End of Year	$5,408.7	$5,615.9	$5,830.2	$6,051.9	$6,281.3	$6,518.6	$6,764.1	$7,018.0	$7,280.8	$7,552.6	$6,703.9
CBRF Subaccount Balance End of Year	$4,972.2	$5,323.6	$5,700.0	$6,102.9	$6,534.4	$6,996.3	$7,490.9	$8,020.4	$8,587.4	$9,194.5	$9,844.4
CBRF Total	$10,380.9	$10,939.5	$11,530.2	$12,154.8	$12,815.6	$13,514.9	$14,254.9	$15,038.4	$15,868.2	$16,747.0	$16,548.3
Statutory Budget Reserve Balance	$4,402.1	$6,189.5	$7,245.0	$7,333.5	$7,165.9	$6,382.4	$5,684.1	$4,618.2	$3,168.6	$1,285.9	$0.0
TOTAL RESERVES	**$14,783.0**	**$17,129.1**	**$18,775.2**	**$19,488.3**	**$19,981.6**	**$19,897.3**	**$19,939.0**	**$19,656.6**	**$19,036.7**	**$18,033.0**	**$16,548.3**

Appropriations projections in the plan do not represent a commitment by the Administration to propose spending or generate revenue at a particular level in FY2012, FY2013 or any future year. The 10-year forecast shows that unanticipated budget shortfalls during the 10-year period could be filled primarily through the use of reserve funds; however, other fiscal tools including spending reductions would likely be used in addition to, or in lieu of, reserve funds.

The plan will be revisited as conditions warrant.

1/ FY2012 number includes $8,927.9 GF Unrestricted Revenue forecast plus $53.9 of funds reappropriated and/or carried forward from fiscal year 2011 for total of $8,981.8.

Scenario 4: FY2013 Governor's Budget with 4% Annual Agency Growth, Capital at $1.0 B, PERS/TRS



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Scenario 4: FY2013 Governor's Budget with 4% Annual Agency Growth, Capital at $1.0 B, PERS/TRS

Oil Price & Production	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
Fall 2011 forecast ANS West Coast ($/bbl.)	**$108.98**	**$109.47**	**$109.08**	**$108.75**	**$107.79**	**$106.05**	**$108.76**	**$111.54**	**$114.39**	**$117.31**	**$120.31**
Fall 2011 forecast ANS production (mmbbl./day)	**0.574**	**0.555**	**0.561**	**0.538**	**0.550**	**0.549**	**0.544**	**0.515**	**0.486**	**0.458**	**0.432**
Revenue vs. Spending ($millions)											
General Fund Revenues [1/]	$8,981.8	$8,217.7	$7,742.8	$7,043.4	$7,065.5	$6,738.9	$7,125.0	$7,070.4	$7,012.1	$6,917.5	$6,757.0
General Fund Expenses	$7,041.8	$6,430.2	$6,763.6	$7,029.2	$7,271.3	$7,463.1	$7,663.3	$7,890.1	$8,129.3	$8,378.4	$8,639.7
Budget Surplus/Shortfall	**$1,940.0**	**$1,787.5**	**$979.2**	**$14.2**	**$205.8**	**$724.2**	**$538.3**	**$819.7**	**$1,117.2**	**$1,460.9**	**$1,882.7**
Reserve Balances ($millions)											
CBRF Main Account Balance End of Year	$5,408.7	$5,615.9	$5,830.2	$6,051.9	$6,281.3	$6,518.6	$6,764.1	$7,018.0	$7,280.8	$7,552.6	$7,833.8
CBRF Subaccount Balance End of Year	$4,972.2	$5,323.6	$5,700.0	$6,102.9	$6,534.4	$6,996.3	$7,490.9	$8,020.4	$8,587.4	$9,194.5	$9,844.4
CBRF Total	$10,380.9	$10,939.5	$11,530.2	$12,154.8	$12,815.6	$13,514.9	$14,254.9	$15,038.4	$15,868.2	$16,747.0	$17,678.2
Statutory Budget Reserve Balance	$4,402.1	$6,189.5	$7,168.8	$7,183.0	$6,977.3	$6,253.0	$5,714.7	$4,895.0	$3,777.8	$2,316.9	$434.2
TOTAL RESERVES	**$14,783.0**	**$17,129.1**	**$18,699.0**	**$19,337.9**	**$19,792.9**	**$19,767.9**	**$19,969.6**	**$19,933.4**	**$19,646.0**	**$19,064.0**	**$18,112.4**

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1/ FY2012 number includes $8,927.9 GF Unrestricted Revenue forecast plus $53.9 of funds reappropriated and/or carried forward from fiscal year 2011 for total of $8,981