

The Right Answers to the Wrong Questions

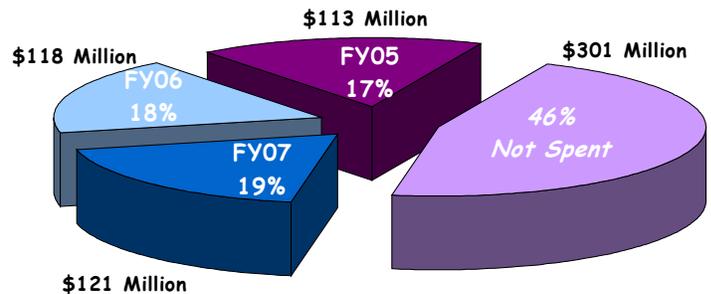
About Governor Frank H. Murkowski's Proposed Budget

WRONG QUESTION #1:

Isn't the Governor just spending all the windfall from high oil prices?

RIGHT ANSWER #1:

The Governor's plan only spends 54% of the windfall over three years. The rest can be saved in the CBR or could help balance next year's budget if necessary.



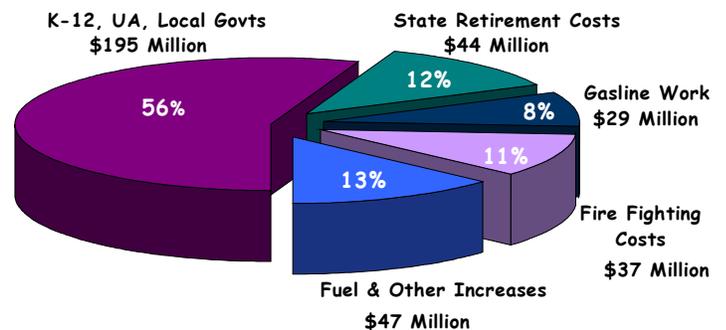
Estimated Windfall of \$653 Million

WRONG QUESTION #2:

Isn't the Governor using the windfall just to grow the state bureaucracy?

RIGHT ANSWER #2:

Absolutely not. In fact, education and local government will get the lion's share (56%). Another 11% would pay for last summer's fire fighting costs.



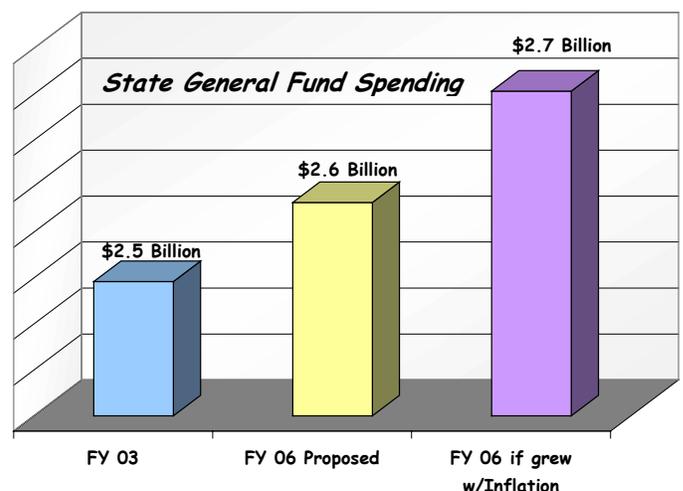
\$352 Million in Proposed Spending from the Windfall

WRONG QUESTION #3:

Isn't the Governor just on a spending spree?

RIGHT ANSWER #3:

Next year's proposed spending is just 3.4% higher (and up only one employee) than the budget three years ago under the last Administration. If state spending had increased at the rate of inflation, it would be \$121 million higher than the Governor's proposal.



WRONG QUESTION #4:

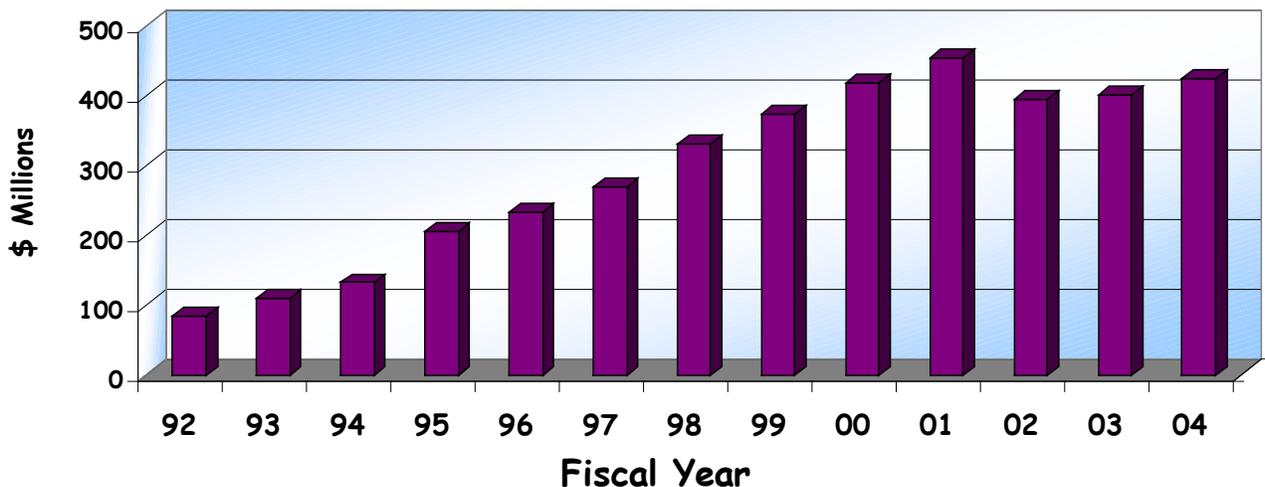
Isn't the Governor's plan to finance capital projects really just a raid on the Permanent Fund?

RIGHT ANSWER #4:

No. The Governor's plan will have absolutely no impact on dividends. His proposal is to use interest earnings from an oil case settlement that was placed in the Permanent Fund 13 years ago to be invested by Permanent Fund managers. The courts and past legislative actions have prohibited the earnings from being used to calculate annual dividends. To date the only use of these earnings has been to grow the size of the settlement—from the original \$84 million in Fiscal Year 1992 to \$424 million in Fiscal Year 2004.

The Governor is proposing to use the annual \$30 million from the settlement's interest earnings to finance bonds that will fund projects such as construction of new roads to access our natural resources, fix up our schools, and take care of parks, roads, and state facilities that have been ignored for years. Using these earnings to pay the bond debt in the future will have absolutely no impact on annual Permanent Fund dividends.

Amerada Hess Settlement



Note: FY2002 reductions are the result of an audit correction of an overdeposit of settlement principal and related earnings.

For the Facts:
www.gov.state.ak.us/omb