

Sacred Cows and Third Rails: Touching Both to Create a Sustainable Budget

Presentation to

Meet Alaska 2013

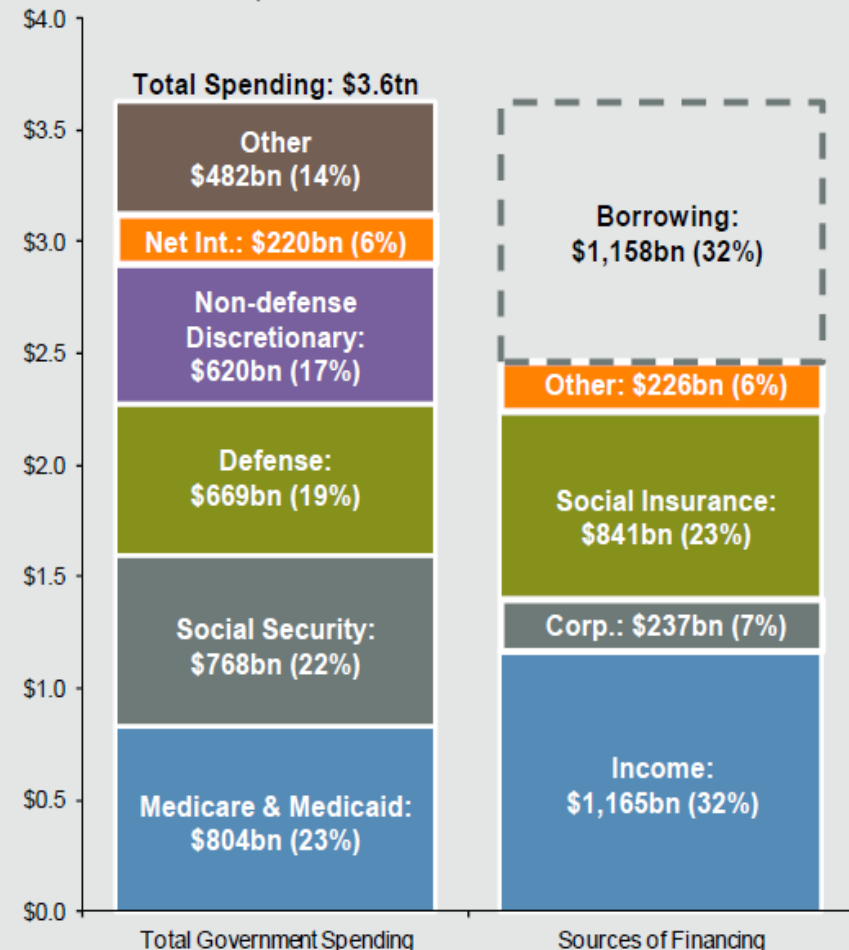
Jonathan King

January 11, 2013



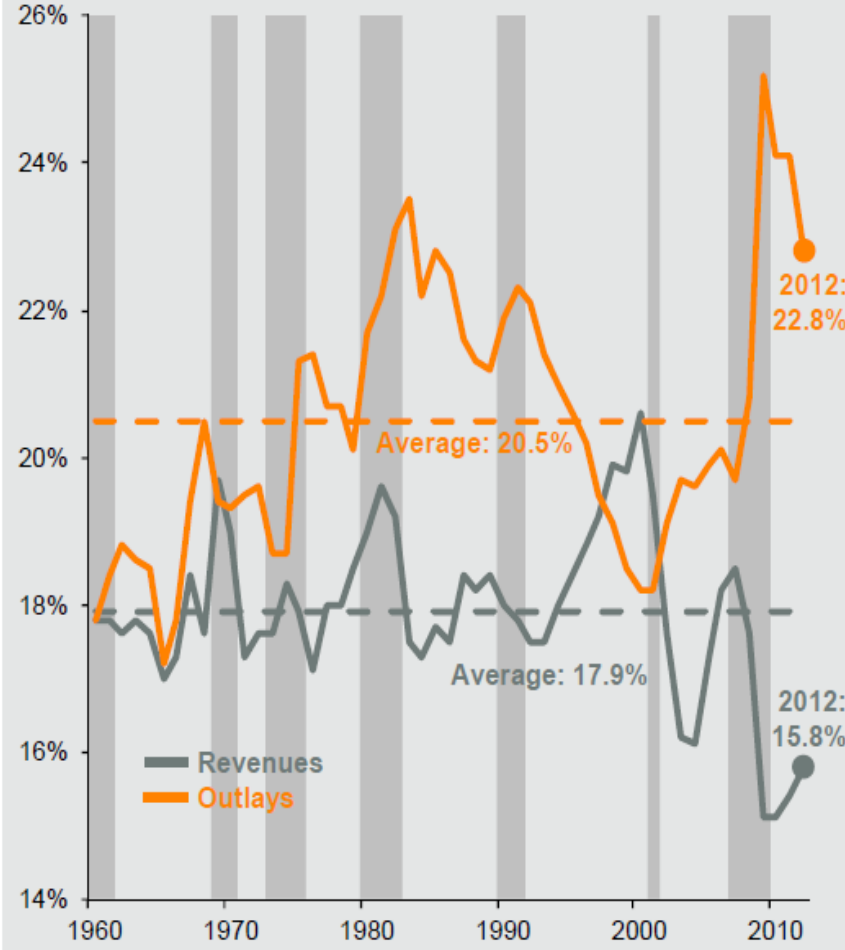
The 2012 Federal Budget

CBO Baseline forecast, trillions USD



Federal Outlays and Receipts

1960 – 2012, % of GDP



Source: U.S. Treasury, BEA, OMB, CBO, J.P. Morgan Asset Management.

2012 Federal Budget is based on the CBO's August 2012 Baseline Scenario.

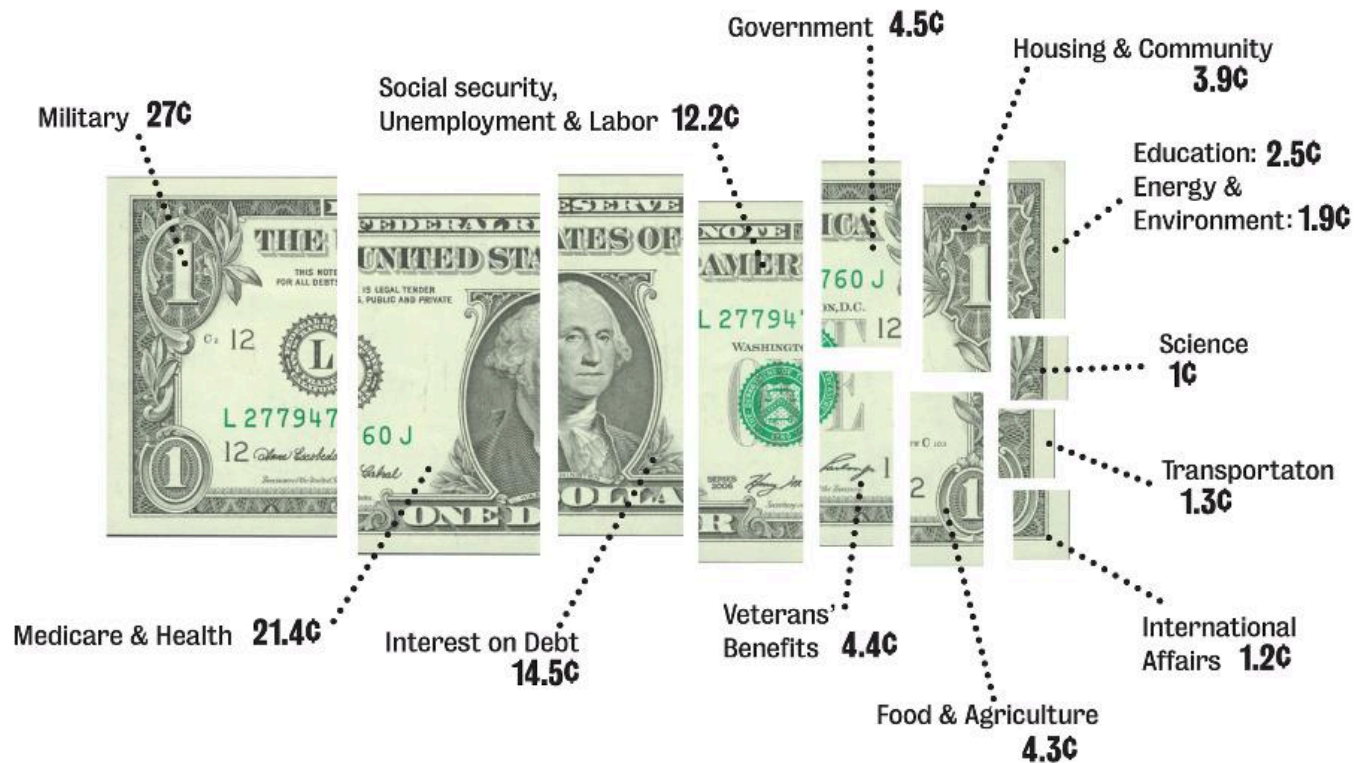
Note: Years shown are fiscal years (Oct. 1 through Sep. 30).

Revenue breakout is based on 2012 tax revenue estimates from the Office of Management and Budget.

Data are as of 12/31/12.

“Insurance programs with a Military and a Credit Card”

Where Your 2011 Federal Income Taxes Went



Numbers by National Priorities Project - www.nationalpriorities.org Visual by Chico News & Review - www.newsreview.com

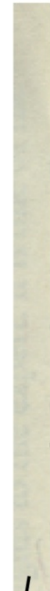
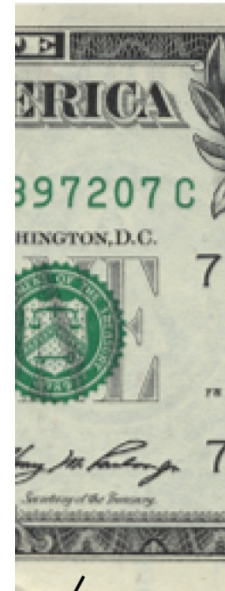
Alaska's FY 2013 Budget: *Where Would You Cut 18-28 Cents?*

Where does a dollar of the Alaska state budget go?

27¢: Agency Operations
(Non-formula) (\$2.1B)

18¢: Statewide
Operations (\$1.4B)

11¢: Agency Operations
(Formula) (\$0.8B)



25¢: Capital Projects (\$1.9B)

16¢: Education (\$1.2B)

2¢: Legislature
and Courts (\$0.2B)

(1¢ = \$75.8M)



Sacred Cows: None without Pain

- The capital budget could be \$800 million (10 cents) to \$1,500 million (19 cents) smaller. There would be significant pain in local economies, but we wouldn't necessarily endanger our federal match.
- Smaller sources of cuts could come from oil exploration credits, PERS/TERS formula allocations, renewable energy and efficiency programs, and operating budgets.
- All of these programs have value and are REALLY important to someone....

Touching the Third Rail: Revenue Sources that Can't Replace Oil



- Income Tax
 - A 2% income tax would generate \$500M to \$600M
- Sales Tax
 - Potential revenue unknown but space occupied by cities and boroughs
- Permanent Fund
 - Earnings are a potential source of \$400M to \$800M annually.