



## The time to act is now

Future generations of Alaskans depend on what we do now to solve the state budget deficit. Together we can make wise choices and take action to fix Alaska's finances—and so ensure our state's economy remains stable and sustains our high quality of life for years to come.



## Add your voice

Insist your elected officials take action to stabilize Alaska's economy.

[openstates.org/find\\_your\\_legislator/](https://openstates.org/find_your_legislator/)

Search **#letsfixitak** to see what others are saying about solutions for Alaska's future.



Like "Alaska's Economy"

This is part two of a three-part educational series focused on Alaska's economy and its current fiscal situation. Gunnar Knapp, director and professor of economics at the University of Alaska Anchorage's Institute of Social and Economic Research, provided the analysis. First National Bank Alaska brought you this message and paid for the production and printing of the brochure.



**Part three of this series will examine using new state revenue from non-oil sources to solve the deficit problem.**



## Fixing Alaska's Finances:

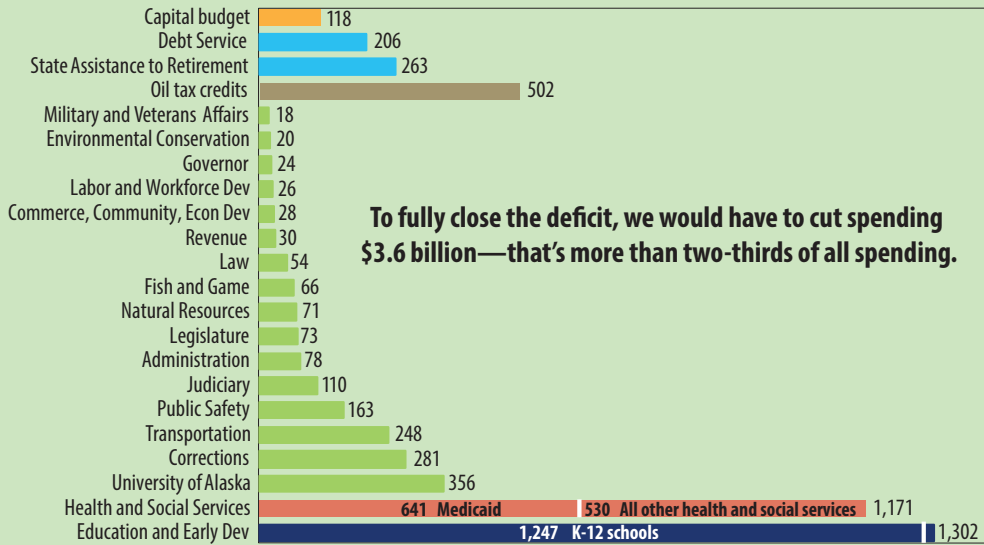
# Cutting the Budget



## Second in a three-part series

**“ To fully close the deficit, we would have to cut spending \$3.6 billion – that's more than two-thirds of all spending. ”**

## State General Fund Budget, Fiscal Year 2016 (In Millions of Dollars)



## The options

Alaska faces a budget deficit of more than \$3.6 billion in fiscal year 2016. Most of the oil revenues we had been using to pay for state government disappeared in the past few years—mostly because of low oil prices, but also due to lower production and higher production costs and oil-tax credits.

Alaskans will have to make big changes soon in what we spend and how we pay for it. There are several options: cutting spending, adding taxes/revenue, using some Permanent Fund earnings (either by cutting what we spend for dividends or what we add to the Permanent Fund), or a combination of these.

Many Alaskans argue that we need to cut spending first. But we won't be able to balance the budget through spending cuts alone: that would require

cutting two-thirds of the budget. The figure shows what we're spending money for this year. The challenge is figuring out what isn't mandated or essential, and then identifying priorities, figuring out better ways of delivering services, and finding efficiencies. That takes time.

## The right combination

Many Alaskans are realizing that no single change will fix the state's finances in a sustainable way. Using some combination of spending cuts, new revenue and/or Permanent Fund Earnings is a feasible way to eliminate the \$3.6 billion deficit.

Finding that combination will require tough decisions; there are no easy options. But it's no longer enough to say what options you don't like. The real question is what mix of these options can close the deficit and put Alaska's budget back on track for the future.