PUBLIC OPINION ON THE STATE’S FISCAL CRISIS

Wednesday, March 16, 2016

Kris Norosz, Board of Directors

Diane Kaplan, President and CEO

Rasmuson Foundation
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Status Quo
We need to plan for Alaska’s future

Alaska is facing the biggest budget shortfall in state history this year.

If we want to preserve Alaska’s economy and way of life for the future, we urgently need a balanced, long-term solution to our budget problems.

- $5B: Alaska’s state general fund budget
- 85%: Alaska’s state budget funded by oil revenue
- $3.5B: Alaska’s state budget shortfall
Methodology

• 812 interviews*
• Conducted January 3 - 10, 2016
• Landline (65%) and mobile phones (35%)
• Sample is demographically and geographically representative

*Conducted by Strategies 360
Executive Summary

• Public concern about the state’s fiscal crisis is increasing dramatically

• By a 35-point margin, Alaskans would prefer to see the fiscal gap filled with both cuts and new revenue

• Overall, the Governor’s “Sustainable Alaska Plan” has strong public support

• Alaskans are demanding additional spending reductions

• There is almost no understanding of the cuts made in 2015
Awareness of the Budget Shortfall

January 2016

- A Great Deal: 38%
- A Fair Amount: 31%
- Not Much: 24%
- Nothing at All: 7%

93%

July 2015

- A Great Deal: 34%
- A Fair Amount: 27%
- Not Much: 26%
- Nothing at All: 13%

87%

January 2016 vs July 2015
Concern about Budget Shortfall

January 2016

- Extremely/Fairly: 73%
  - Extremely: 43%
  - Fairly: 31%
- Somewhat/Not Very: 26%

July 2015

- Extremely/Fairly: 63%
  - Extremely: 31%
  - Fairly: 32%
- Somewhat/Not Very: 36%
How to Address Shortfall?

65%  

30%  

Cuts and New Revenue  

Cuts Only  

<table>
<thead>
<tr>
<th>Region</th>
<th>Cuts + Revenue</th>
<th>Cuts Only</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republicans</td>
<td>59% - 37%</td>
<td></td>
</tr>
<tr>
<td>Independents</td>
<td>67% - 28%</td>
<td></td>
</tr>
<tr>
<td>Democrats</td>
<td>81% - 16%</td>
<td></td>
</tr>
<tr>
<td>Anchorage</td>
<td>69% - 26%</td>
<td></td>
</tr>
<tr>
<td>Fairbanks</td>
<td>54% - 40%</td>
<td></td>
</tr>
<tr>
<td>Kenai</td>
<td>67% - 27%</td>
<td></td>
</tr>
<tr>
<td>Mat-Su</td>
<td>59% - 35%</td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>66% - 25%</td>
<td></td>
</tr>
<tr>
<td>Southeast</td>
<td>64% - 29%</td>
<td></td>
</tr>
</tbody>
</table>

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Vote Impact if Your Legislator...

Voted for a combination of cuts and new revenue?

75% More Likely to Support/
No Difference to Vote

17% Less Likely to Support
Vote Impact if Your Legislator...

Voted for cuts but also taxes and a PFD reduction?

- 49% More Likely to Support/No Difference to Vote
- 47% Less Likely to Support
Vote Impact if Your Legislator...

Takes no action to address the budget shortfall?

- 15% More Likely to Support/No Difference to Vote
- 83% Less Likely to Support
## Support for Cuts and New Revenue

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Support vs Oppose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cutting the state operating budget by 10%, which would total $500m in cuts, knowing it would reduce services currently available to Alaskans.</td>
<td>55% - 36%</td>
</tr>
<tr>
<td>Introducing a statewide sales tax.</td>
<td>51% - 44%</td>
</tr>
<tr>
<td>Using a portion of Permanent Fund earnings to fund public services, while continuing to provide annual dividends albeit at lower amounts.</td>
<td>51% - 43%</td>
</tr>
<tr>
<td>Reducing oil development/exploration tax credits offered by the state.</td>
<td>51% - 36%</td>
</tr>
<tr>
<td>Introducing a state personal income tax on those who have income of $100,000 or more per year.</td>
<td>49% - 47%</td>
</tr>
<tr>
<td>Reducing the yearly amount of Permanent Fund dividends.</td>
<td>46% - 50%</td>
</tr>
<tr>
<td>Introducing a state personal income tax.</td>
<td>40% - 55%</td>
</tr>
</tbody>
</table>
## Income Tax Comparison

<table>
<thead>
<tr>
<th>Support $100k+ Income Tax</th>
<th>HH Income &lt;50k</th>
<th>HH Income $50k-$75k</th>
<th>HH Income $75k-$100K</th>
<th>HH Income $100k+</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>63%</td>
<td>56%</td>
<td>52%</td>
<td>40%</td>
</tr>
</tbody>
</table>
Alaskans Pay Much Lower Broad-Based State Taxes Than Residents of any Other State

Per-Capita Broad-Based State Tax Revenues, by State, 2014

United States average

Alaska
Support $500M in Cuts?

<table>
<thead>
<tr>
<th></th>
<th>Support - Oppose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republicans</td>
<td>66% - 26%</td>
</tr>
<tr>
<td>Independents</td>
<td>53% - 38%</td>
</tr>
<tr>
<td>Democrats</td>
<td>44% - 51%</td>
</tr>
<tr>
<td>Anchorage</td>
<td>57% - 34%</td>
</tr>
<tr>
<td>Fairbanks</td>
<td>54% - 37%</td>
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<tr>
<td>Kenai</td>
<td>56% - 33%</td>
</tr>
<tr>
<td>Mat-Su</td>
<td>59% - 30%</td>
</tr>
<tr>
<td>Rural</td>
<td>43% - 45%</td>
</tr>
<tr>
<td>Southeast</td>
<td>58% - 37%</td>
</tr>
</tbody>
</table>
Where Would You Cut/Reduce Spending?

- Don't know: 41%
- Admin/Leg spending: 21%
- Social services: 11%
- Across the board: 6%
- Education: 6%
- Cuts (general): 6%
- Eliminate tax breaks: 3%
- Infrastructure: 2%
- DON'T cut education: 2%
- Enviro/DNR: 2%
- Law enforcement: 2%
- Public tran.: 1%
- Capital improvements: 1%
- Other: 4%
How We Are Spending $5.2 Billion in FY16

General Fund Budget, FY16 ($ millions)

- Capital budget: $118
- Debt Service: $206
- State Assistance to Retirement: $263
- Oil tax credits: $502
- Military & Veterans' Affairs: $18
- Environmental Conservation: $20
- Governor: $24
- Labor & Workforce Dev: $26
- Commerce, Community & Econ Dev: $28
- Revenue: $30
- Law: $54
- Fish and Game: $66
- Natural Resources: $71
- Legislature: $73
- Administration: $78
- Judiciary: $110
- Public Safety: $163
- Transportation: $248
- Corrections: $281
- University of Alaska: $356
- Health & Social Services: $1,171
- Education & Early Dev: $1,302

641 (55%) is Medicaid formula
1,247 (96%) is K-12 formula
Capital Budget Numbers FY 02 - FY 17

Unrestricted General Fund Capital Budget by Fiscal Year (millions)

2007 2008
Awareness of New Sustainable Alaska Plan

- A Great Deal: 6%
- A Fair Amount: 24%
- Not Much: 43%
- Nothing at All: 26%
## Support for Components of New Sustainable Alaska Plan

<table>
<thead>
<tr>
<th>Component</th>
<th>Acceptable</th>
<th>Unacceptable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobacco taxes</td>
<td>80%</td>
<td>19%</td>
</tr>
<tr>
<td>Alcohol taxes</td>
<td>78%</td>
<td>19%</td>
</tr>
<tr>
<td>$100m in spending cuts</td>
<td>69%</td>
<td>18%</td>
</tr>
<tr>
<td>Oil company tax increase</td>
<td>68%</td>
<td>21%</td>
</tr>
<tr>
<td>Cuts to oil dev/exploration credits</td>
<td>55%</td>
<td>33%</td>
</tr>
<tr>
<td>Fuel taxes (heating fuel exempt)</td>
<td>50%</td>
<td>44%</td>
</tr>
<tr>
<td>Fishing and mining industry taxes</td>
<td>50%</td>
<td>39%</td>
</tr>
<tr>
<td>1.5% state income tax</td>
<td>49%</td>
<td>47%</td>
</tr>
</tbody>
</table>
Support for Permanent Fund Changes

The Governor’s fiscal plan would also change the use of Permanent Fund earnings to help pay for public services. The changes would reduce next year’s dividend to $1,000, with the amount to fluctuate after that.

47% Support 49% Oppose

<table>
<thead>
<tr>
<th>Region</th>
<th>Support - Oppose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republicans</td>
<td>41% - 56%</td>
</tr>
<tr>
<td>Independents</td>
<td>47% - 47%</td>
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<tr>
<td>Democrats</td>
<td>63% - 34%</td>
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<td>Anchorage</td>
<td>50% - 44%</td>
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<tr>
<td>Kenai</td>
<td>51% - 45%</td>
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<tr>
<td>Mat-Su</td>
<td>39% - 57%</td>
</tr>
<tr>
<td>Rural</td>
<td>47% - 47%</td>
</tr>
<tr>
<td>Southeast</td>
<td>44% - 55%</td>
</tr>
<tr>
<td>&lt;$50k HHI</td>
<td>37% - 59%</td>
</tr>
<tr>
<td>$50k-75k HHI</td>
<td>47% - 47%</td>
</tr>
<tr>
<td>$75k-100k HHI</td>
<td>52% - 48%</td>
</tr>
<tr>
<td>$100k+ HHI</td>
<td>51% - 44%</td>
</tr>
</tbody>
</table>
Is a $1,000 Permanent Fund Dividend Acceptable Next Year?

- Acceptable: 68%
- Unacceptable: 27%
Cuts and New Revenues

[Chart showing projected budget deficits and revenues from 2016 to 2030, with categories for Oil Revenue, Savings Withdrawal, Additional Tax Revenue, Deficit, and Budget After Cuts.]
Take the PLAN 4 ALASKA Budget Challenge
Our Ask

✅ It’s critical for Alaska’s future that we have a comprehensive plan now. Your legislators need to hear from you.

Contact your legislators.

Alaska’s future depends on it!
THANK YOU

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