



**This graph illustrates the following:**

1. Alaska has a \$1 billion dollar fiscal gap between state spending and revenues in Fiscal Year 1999.
2. Alaska's spending has generally followed the pattern of its revenues. As revenue increases, so does spending. As revenue decreases, so does spending, but at a slightly lower rate.
3. Alaska's budget is dependent on an unreliable revenue source.

**REVENUE peaks and valleys on this graph reflect the following activities:**

- **1979-1982** Oil production increased rapidly from the previous years and Alaska experienced high prices.
- **1986** Oil prices "declined" from a projected \$24.64/bbl to \$22.03/bbl. With high production, the slight price drop caused a significant drop in Alaska's revenues.
- **1991** The Gulf War brought projected oil prices from \$19.15/bbl to \$21.57/bbl.
- **1992** Tax Settlement payments from oil producers increased revenues.
- **1994** Oil prices "declined" from a projected \$18.25/bbl to \$14.05/bbl.
- **1997** Unexpected high oil prices from projected \$16.72/bbl to \$20.90/bbl.

- **1998** Iraq is allowed to export oil, a move that drives prices down from projected \$18.44/bbl to \$16.03/bbl.
- **1999** Price “crash” brings oil to a new low average price of \$11.58/bbl.

**EXPENDITURE peaks and valleys on this graph reflect the following activities:**

- **1980** Alaska experiences its first \$1billion operating budget plus \$100 million supplemental. The capital budget increases from \$23 million to \$86 million in 1980.
- **1981** Alaska’s operating budget increases to \$1.5 billion, capital expenditures jump from \$86 million to \$900 million in general fund spending. Special appropriations of \$2 billion are added on top of 1981’s peak budget levels.
- **1982** Alaska’s operating budget grows by another \$400 million and the capital budget declines slightly. Special appropriations are approximately \$3 billion (including a \$1.8 billion transfer to the Alaska Permanent Fund deposited over four years).
- **1983 and 1984** Budget Drops significantly due to decline in special appropriations spending, however, the operating and capital budgets stay at around \$1.9 billion and \$400 million, respectively.
- **1985** Operating budget increases to \$2.3 billion and capital budget jumps to \$1.8 billion.
- **1986** Statutory Budget Reserve created.
- **1986** Oil revenues drop due to a price crash. Overall spending stays relatively stable but drops in FY88 and rebounds in FY89. During this time 1,300 positions were eliminated from the state work force. By 1991 state positions were back to the “pre-layoff” level and have stabilized with minimal growth.
- **1987** The operating budget stays relatively the same, the capital budget increases \$200 million and special appropriations increased \$150 million from 1986.
- **1988 to 1994** Expenditure peaks and valleys have leveled off.
- **1990** Constitutional Budget Reserve created.
- **1994** Alaska starts drawing from the Constitutional Budget Reserve to offset the decline in revenues.
- **1997** An unexpected increase in revenues creates a \$70 million general fund surplus.