

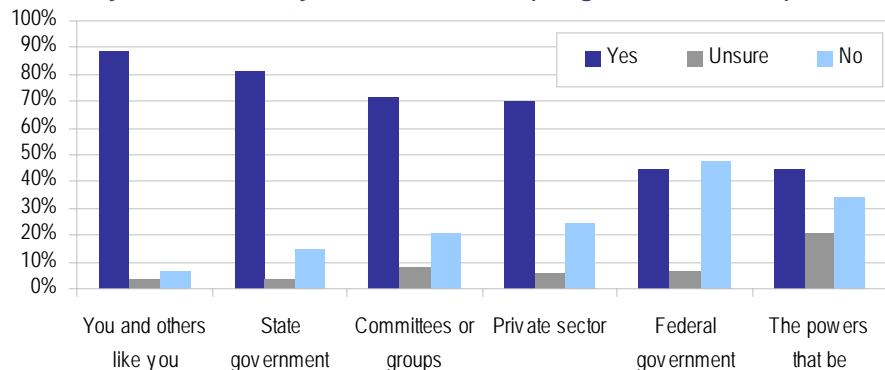
42. Public Opinion

The best way to verify that government is earning the public trust is to ask the people.

Alaska 20/20 recommends a regular public opinion survey to measure the nature and extent of public trust in, and satisfaction with, federal, state, local and tribal governments.

The survey could be a telephone survey of a statistically valid sample of Alaskans. The questions and margin of error would be reported along with the results.

Answers to the question, "Who should be solving the issues and problems of today?" from a survey of 1,000 Alaskans (margin of error +/- 3%):



Source: 2001 Alaska Values Survey, Alaska 20/20

Measuring public opinion

Public opinion is typically measured using a poll, an interview usually conducted by telephone. Professional polling organizations like Gallup regularly measure the "state of the nation" by asking questions about the current president's job approval rating, the public's satisfaction with the way things are going in the country today, and public confidence in economic conditions.

Scientific polls rely on the fact that a small sample of people can accurately represent the views of a much larger group. For example the Gallup "state of the nation" poll questions 1,000 adult Americans to represent the views of 187 million. The results are accurate to within 3% either way. This "margin of error" means that if 50% of respondents approve of the job the president is doing the actual number could be as low as 47% or as high as 53%.

Larger sample sizes reduce the margin of error, but not very much. The thing to remember is that done scientifically with a truly random sample polls accurately represent public opinion within the stated margin of error.

Problems with polls

The biggest threat to the validity of a poll is whether the sampled respondents truly represent a random cross section of the target population, but there are other factors. Responses can vary based on the order of the questions asked, the information given to the respondent during the poll (so-called "push polls") and even who is asking the question.

Done correctly, a professional poll minimizes these factors and, with the electoral process, provides a valuable tool to communicate the wishes of the people to their leaders. In this spirit Alaska 20/20 has sponsored a number of polls.

2001 Alaska Values Survey

Prior to the 2001 Conference on Alaska's Future Alaska 20/20 commissioned a statewide poll to identify the issues that unite and divide Alaskans.

The poll found that 85% of Alaskans think of the state as home and 72% expect to live the rest of their lives in Alaska. 72% of Alaskans strongly agreed with the statement, "My community is a good place to raise a family," and 90% felt safe in their community.

85% of Alaskans think of the state as home.

The urban/rural divide is very much an issue, with 65% of Alaskans agreeing that city people will never understand village people.

When asked what their biggest concerns for the future were, 54% of the respondents referred to economic concerns, particularly oil and gas, and 50% referred to concerns about public policies, government and spending.

2003 Survey of Alaska Native Perspectives

Alaska Natives cite the same concerns about jobs, education and substance abuse that non-Natives refer to. However Alaska Natives are also very concerned about subsistence. Alaska Natives are generally confident in their current generation of leaders and are even more positive about the ability of the next generation of Native leadership.

More information

Alaska 20/20 surveys: www.alaska2020.org/reports.htm
National Council on Public Polls: www.ncpp.org
Public Agenda: www.publicagenda.org

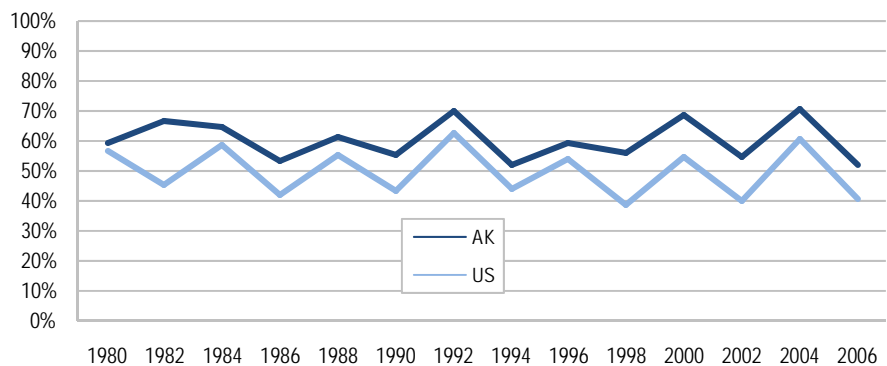
43. Voter Turnout

National, state and local governments are all forms of representative democracy, relying on the conscientious participation of informed voters to choose their leaders.

Voter turnout, the rate at which Alaskans participate in elections, is an important measure of citizen engagement and trust in government.

Partisanship and polarization in Alaska seem to be more pronounced in the political parties than in the electorate, where 51% choose not to affiliate themselves with a party.

Alaska voter turnout as a percentage of the population eligible to vote is consistently higher than the national average:



Source: United States Elections Project

Measuring voter turnout

Voter turnout is not quite as simple as it looks. Turnout can be expressed as a percentage of registered voters, as a percentage of the voting age population (VAP), or as a percentage of the voting eligible population (VEP).

The VAP method includes persons ineligible to vote, mainly non-citizens and ineligible felons. At the same time it excludes eligible voters living overseas. This is a significant distortion because both of these populations are large and increasing relative to the general population.

Researchers at George Mason University claim that when these groups are properly accounted for there has been no decline in national voter turnout since 1972.

Accuracy of voter rolls

To ensure the accuracy of Alaska's count of eligible voters, voter rolls are periodically purged of ineligible people. The quality of this process has been an issue since the mid-1980s when get-out-the-vote drives, in particular by African Americans, enrolled new voters in record numbers.

All states endeavor to ensure the accuracy of their voter rolls, but standards, application and enforcement vary widely from state to state and even from city to city. In 1997 the legislature passed an act that would allow Alaska voter rolls to be purged in accordance with The National Voter Registration Act of 1993.

Action on this issue is sorely needed. In 2000 Alaska won

the dubious honor of having the most inflated voter rolls in the nation, passing Maine with a registration rate of 108%; that is, for every 100 voting age adults there were 108 actual voters registered.

In 1996 the national registration rate was 74.6%, and specialists generally consider registration rates above 90% as likely to contain a significant amount of ineligible voters.

Partisanship

Just over half of all registered voters do not affiliate themselves with a political party. In 1992 54% of registered Alaskan voters were unaffiliated, however a decade later in 2002 that number had steadily decreased to 51% as Alaskan voters as a whole became somewhat more partisan. In 2004 this trend reversed

itself: 52.8% of voters registered as "nonpartisan" or "undeclared" and 47.2% registered as partisan. In 2006 those voters were 53.6% of the total.

Among the 46.4% of partisan voters registered in 2006, 24.8% registered Republican, 14.3% Democrat and 7.3% other, including Alaskan Independence, Green, Libertarian, Republican Moderate and others.

Summary

There does not appear to be any cause for concern regarding voter turnout in Alaska. As a percentage of the voting eligible population Alaska outperforms the national average and the long term trend is level. However, accuracy of voter rolls should be addressed.

Just over half of all registered voters do not affiliate themselves with a political party.

More information

Alaska Division of Elections: www.gov.state.ak.us/ltgov/elections
 Project Vote Smart: www.vote-smart.org
 United States Elections Project: elections.gmu.edu

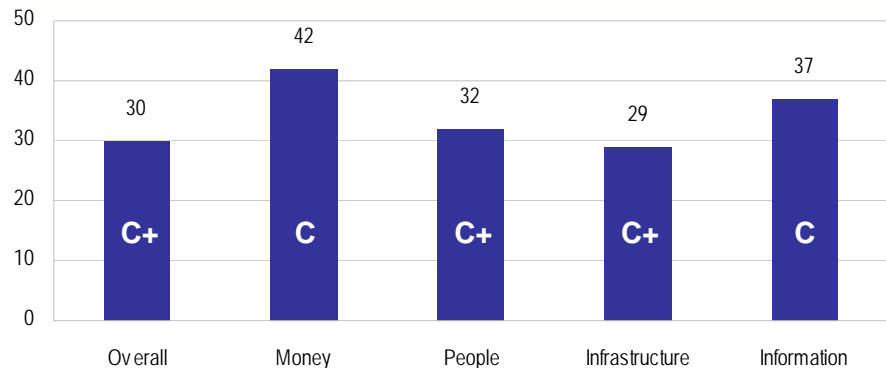
44. Public Management

The quality of public management, combined with leadership and adequate resources, determines how effective state government can be in delivering results.

In the end this quality will be reflected in the level of trust people have in governmental institutions, and their satisfaction regarding the governmental services they receive.

The Government Performance Project provides an outside perspective on the comparative effectiveness of state governments.

Number of states receiving higher grades than Alaska in the 2005 Government Performance Project evaluation of public management areas:



Source: Government Performance Project

SOURCE: Abridged from "Grading the States 2005: Alaska," Government Performance Project, 2005.

Introduction

There's a certain amount of irony in the fact that a state currently rolling in oil-related dollars receives a C in Money. But areas like long-term outlook and structural balance are unquestionably weaknesses that affect the state's grade in that area. As for structural balance, with great reliance on natural resource revenues, the state is frequently forced to rely on one-time measures when oil prices aren't high.

Money

Alaska exhibits little financial planning preparedness for the day when oil prices dip. Alaska's pension funds have very large unfunded liability burdens, and the state routinely runs a budget deficit. To mitigate its impending financial woes Alaska will need to strengthen its ties to citizens by engaging them in substantive discussions about its future taxing and spending preferences and needs. The state completes financial reports in a timely manner and receives clean audit opinions regarding its financial statements. The state does not exhibit clear linkages of costs with operational performance. However, the state's recent push to reignite performance measurement may help nudge the state to strengthen this linkage.

People

Although Alaska does not conduct central workforce planning the Division of Personnel is working to increase agency attention on retirement projections. Many statistics (i.e. hiring, turnover, and training) are not regularly tracked.

Alaska's chief human resource opportunity is in the state's ability to recognize and reward its best performers. Merit increases are inclined to reward length of service as opposed to performance, and little opportunity exists for active employee feedback.

Infrastructure

Alaska does not produce a state-wide capital plan, however, the Department of Transportation and Public Facilities functions as a clearinghouse for building projects by other agencies. The Statewide Transportation Improvement Plan has lost credibility because of delays in project construction. The state's department of transportation estimates that deferred maintenance is at least \$375 million and that the agency's maintenance needs are at least \$40 million under-funded annually.

Information

A comprehensive information technology strategic plan has yet to emerge. While there are efforts to incorporate performance information into the budget process, the inexperience in collecting the information is an obstacle to this endeavor. Agency use of performance information for internal decisions is also a work in progress. The state has no performance audit capabilities at this point. Generally, citizens can access online services and performance information about state government without undue burden.

Alaska 20/20 notes

The Government Performance Project link below indicates an updated report card will be available in 2008.

To mitigate its impending financial woes Alaska will need to strengthen its ties to citizens by engaging them in substantive discussion about its future.

More information

Alaska Progress Report: www.alaska2020.org

Government Performance Project: results.gpponline.org

State of Alaska Office of Management and Budget: www.gov.state.ak.us/omb

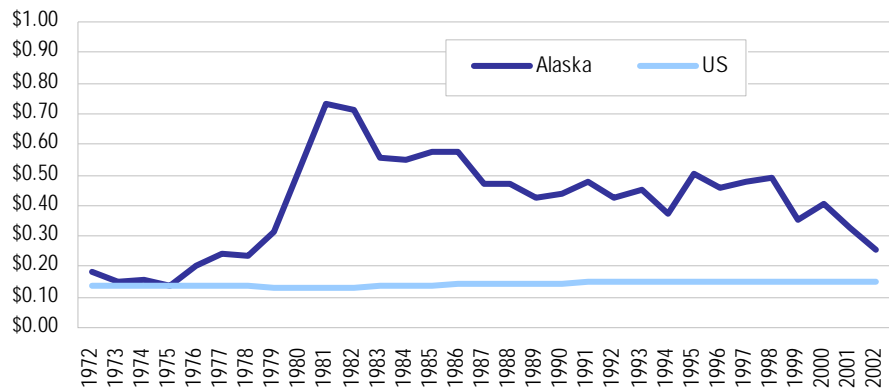
45. Cost of Government

Costs in Alaska are typically higher than elsewhere for a number of reasons, and government provides many services where cost is an important but not necessarily the primary consideration.

Still, government should always strive to provide services in the most cost effective way possible.

We can measure our progress by comparing combined state and local spending in Alaska against our own performance over time, and with that of other states.

Alaska cost of state and local government per dollar of personal income:



Source: Public Strategies Group

SOURCE: Abridged from "Citizen's Guide to the Budget," Institute of Social and Economic Research, January 2004.

Alaska spends more

The State of Alaska provides many of the services provided by local government in other states: in Alaska about 60% of combined state and local government spending takes place at the state level, compared to about 40% for the U.S. overall. As a result it is appropriate to compare total state and local government outlays (spending).

In 2000, the most recent year for which information is available, Alaska outlays not adjusted for cost of living were about 127% above the average for the U.S.-- close to the ratio in the late 1960s and early 1970s. If we adjust outlays to take account of the higher cost of living (and, consequently, the cost of delivering public services) then Alaska was 90% above the national average.

Permanent Fund and federal grants

A large part of Alaska's outlays result from the payment of the Alaska Permanent Fund dividend, State agency debt, and federal grants. Removing Permanent Fund dividends from the mix is proper because of the program's unique nature. It is also appropriate to take out State agency debt payments because the majority of this debt is paid by private citizens or businesses that have borrowed money through governmental programs, and the State is just passing on debt service paid by borrowers. Netting out federal grant spending is useful because it demonstrates how much of our own money the State and its localities are spending.

Taking out those three types of outlays Alaska is 46% above the national average in government spending.

Why we spend more

Why does the State of Alaska spend significantly more per capita than any other State? Alaska's small scattered population prevents economies of scale, its inhospitable geography and weather makes the personal delivery of services expensive, the State has loose eligibility requirements for some government programs, as a new State our public infrastructure needs to be brought up to lower forty-eight standards, we have high public wage and benefits rates, and we have more school age children (which, due to the cost of education, are a very expensive demographic).

From 1990-2001 Alaska's per capita state spending fell 41%, the most of any state.

Even on an adjusted basis Alaska is spending \$1.46 of its own money for every \$1.00 the "average" state and its localities spend per capita.

Alaska 20/20 notes

According to a study by the libertarian CATO Institute inflation adjusted state spending in Alaska, not including local government spending, fell 41.1% from 1990-2001, compared to an average spending increase of 18.1% nationwide, making Alaska's *real spending growth* the smallest in the nation. New York (-5.1%), Michigan (-13.8%) and Hawaii (-14.4%) were the only other states to reduce per capita state spending over that period.

Planned improvements include data by [level of government](#).

More information

Alaska Office of Management and Budget: www.gov.state.ak.us/omb
ISER Citizen's Guide to the Budget: citizensguide.uaa.alaska.edu

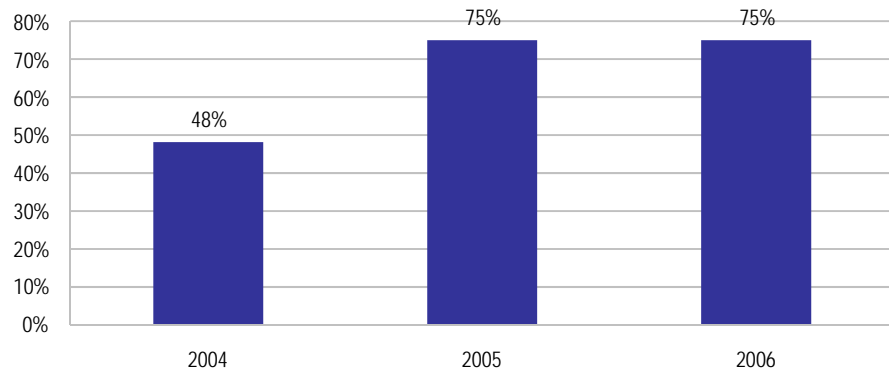
46. Missions & Measures

Missions and Measures is the State of Alaska's strategic planning framework. It links desired public policy outcomes to performance measures that reveal at a glance how well an agency is doing in meeting the needs of Alaskans.

State agencies set their own performance measures and are held accountable for meeting the goals and timelines they create.

The State of Alaska Office of Management and Budget manages the Missions and Measures process.

Percent of departmental performance measures showing progress:



Source: Alaska Office of Management & Budget

Managing for results

Missions and Measures was created in 1998 when the state legislature attached a few performance measures to the state budget. Missions and Measures indicate the "return on investment" Alaskans are getting for their budget dollars. Since then Missions and Measures has been passed as separate legislation and the program is now managed by the Office of Management and Budget (OMB).

Managing for results is a concept borrowed from the private sector where it is variously known as performance measurement, performance management, results based budgeting and other names.

Measuring performance

The Missions and Measures process begins with establishing what the desired goal of a program is and goes on to develop a strategy for achieving the goal and distinct performance measures, targets and timelines that indicate progress.

Performance measures look different at different levels. The mission of the Department of Corrections (DOC) is "to protect the public by incarcerating and supervising offenders." The end results DOC wants to achieve are to reduce by 20% the number of new crimes committed by offenders while in prison, under supervision in the community and within one year of release from prison.

DOC has implemented a number of strategies to make progress towards these goals. These strategies have their own missions and measures, for example the number of offend-

ers enrolled in substance abuse or prison work programs.

Towards effective and efficient government

Performance measures are generally of two types, outcome or output. Raising the quality of public schools, increasing the standard of living and protecting the environment are all examples of outcome measures and should be at the top of the Missions and Measures list for any given department.

Examples of output measures include student graduation rates, number of high-paying jobs and the number of permitted landfills. These are complementary measures to outcomes indicating how well strategies are being implemented.

Cost is a frequently cited output measure and one that is necessary to give a true indication of "return on investment." Cost is usually expressed in terms of dollars per unit, where the unit could be students educated, jobs created or parks maintained.

Missions and Measures indicate the "return on investment" Alaskans are getting for their budget dollars.

Room to improve

Departmental performance measures vary widely in quality. For example, the Division of Solid Waste Management has a single top-level performance target: 100% of class I and II municipal landfills are properly located, permitted and authorized. 98% of these landfills meet this criterion.

This is misleading however, since over half of all landfills in Alaska are class III, a class unique to Alaska (see #27 Waste). This class is not mentioned in the Division's performance measures, leaving a grossly incomplete picture of solid waste management in Alaska.

More information

State of Alaska Office of Management and Budget: www.gov.state.ak.us/omb/results

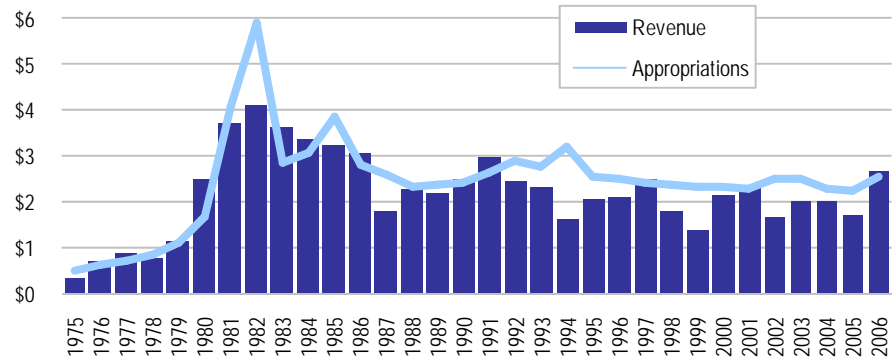
47. Balanced Budget

As a state we spend more money than we take in. This fiscal gap is currently covered using money from our state savings account, the Constitutional Budget Reserve (CBR).

The CBR is currently projected to run out in 2010 without additional spending reductions, revenue from new resource development, using a portion of permanent fund earnings and/or new taxes.

Oil price and production are the most important factors in state revenue projections.

Alaska general fund revenue and spending, in billions:



Source: Legislative Finance Division

SOURCE: Abridged from "Comprehensive Annual Financial Report FY05-06," Alaska Dept. of Administration, 2006.

General fund operations

The well-being of the State of Alaska is best reflected in the operations of the general fund. The general fund is the state's primary operating fund and accounts for all financial resources except those required to be accounted for in another fund. The state maintains many accounts and sub-funds (created by law) that are accounted for and reported within the general fund. Three of the most notable are the Constitutional Budget Reserve Fund, the Permanent Fund Dividend Fund and the Public Education Fund.

Revenues

The state's major source of unrestricted revenue is petroleum related. In FY06 petroleum revenue was 56% of all general fund revenues. The largest source of nonpetroleum revenues is federal, which makes up 29% of revenues. Not all revenues that flow into the general fund are available to pay for unrestricted government activities. The most notable are federal revenues, which are provided for specific purposes.

Expenditures

The total expenditures charged against general fund appropriations during FY06 amounted to \$6.2 billion, an increase of \$686 million from FY03. Expenditures by department include Health and Social Services (27.7%), Education and Early Development (18.6%), Revenue (14.5%), Transportation and Public Facilities (13.8%) and all other departments at about 4% or less each.

Economic condition and outlook

The state's major source of revenue is petroleum related. FY 06 was a good year. The Department of Revenue projected Alaska North Slope West Coast price of \$58.72 per barrel for FY 06 in its spring 2006 Revenue Sources Book. Actual Alaska North Slope oil prices were \$2 per barrel over that, averaging \$60.80 per barrel for the fiscal year. Record high oil prices were set in FY 06; Alaska North Slope prices climbed by forty percent from the prior year. Oil price volatility continues however, and price fluctuations will persist as Middle-East tensions and concerns about crude oil supply disruptions endure.

Alaska 20/20 notes

The distinction between restricted and unrestricted funds is critical, as the legislature can only appropriate the latter.

The Constitutional Budget Reserve (CBR) was established in 1990 as a buffer to insulate the state budget from oil price swings that devastated Alaska's economy in the 1980s. For 10 of the past 13 years the state has relied on the CBR to make up the difference between unrestricted revenue and the annual state budget. The Alaska Department of Revenue currently predicts the CBR will be exhausted in 2010 given the oil price forecast and if no steps are taken to increase revenues and/or decrease spending.

A difference of \$1 in the price of Alaska North Slope crude oil prices in a year means a difference of \$50 million in revenues to Alaska.

The Alaska Department of Revenue currently predicts the Constitutional Budget Reserve will be exhausted in 2010.

More information

Alaska Legislative Finance Division: www.legfin.state.ak.us
 Alaska Office of Management and Budget: www.gov.state.ak.us/omb
 ISER Citizen's Guide to the Budget: citizensguide.uaa.alaska.edu

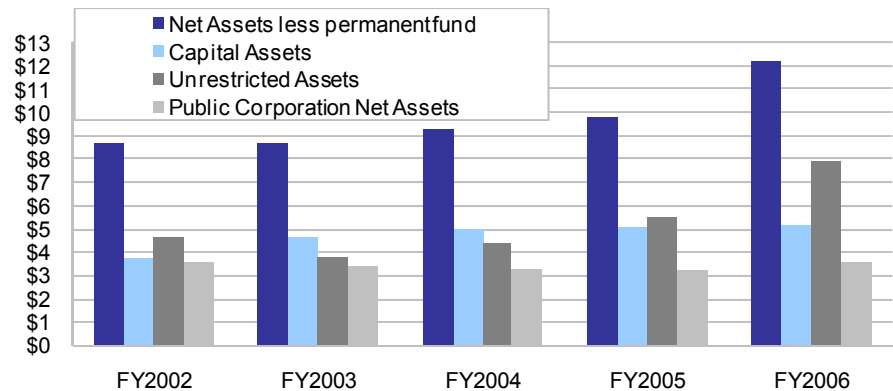
48. Net Assets

The net assets of Alaska represent how wealthy we are as a state, and in what direction we are heading.

Net assets include everything from the value of the permanent fund to roads and schools to public corporations such as the Alaska Housing Finance Corporation.

Net assets captures major one-time financial events, depreciation, deferred maintenance, supplemental appropriations and use of the Constitutional Budget Reserve.

State of Alaska net assets (in billions):



Source: State of Alaska Comprehensive Annual Financial Report

Net assets less the permanent fund

The value of Alaska's net assets at the close of the 2006 fiscal year was \$44.4 billion. 74% of this was in the principal portion of the Alaska Permanent Fund (APF).

The APF varies dramatically with market conditions and the principal is among the State's restricted assets and by definition not subject to appropriation.

The Alaska Division of Finance 2006 Comprehensive Annual Financial Report shows net assets increasing by \$4.4 billion.

Covering the fiscal gap

Alaska has been growing capital assets (physical assets such as equipment, buildings, roads and land) and restricted assets while covering budget shortfalls using the Constitutional Budget Reserve Fund.

In financial terms Alaska is sacrificing liquidity to maintain net assets. This rapid burn of State working capital will increasingly result in a "cash crunch" where the State has plenty of assets but no way to convert those assets into cash that can be used to fund current expenses. Alaska is essentially "house poor": we have locked up most of our wealth and now have trouble making ends meet.

The fundamental problem is a cash shortage due to spending more as a state than we take in. This deficit has been offset in recent years by requiring the various State-owned public corporations to return a portion of their assets and net incomes to the General Fund. The Alaska Housing Finance Corporation (AHFC) for example has agreed to pay

\$103 million to the state each year through 2008.

For both the Alaska Industrial Development Export Authority and AHFC this has meant large asset transfers sometimes resulting in significant negative net incomes. A consequence has been flat or even negative net asset growth even though these agencies are over time producing income.

Alaska is essentially "house poor": we have locked up most of our wealth and now have trouble making ends meet.

Legislative appropriation of public corporation assets may degrade the ability of these agencies to perform their tasks and/or result in bond rating downgrades. The most dramatic example of this phenomenon was the liquidation of the

Alaska Science and Technology Foundation in 2003 and the appropriation of its \$95 million endowment into the state general fund.

Trends & limitations

Alaska's capital assets increased from \$4.7 billion in FY2003 to \$6 billion in FY2006. About half of the total capital assets amount is accounted for as "construction in progress," and much of this is federally financed.

In the next few years there will be a disproportionate amount of reported depreciation due to changes in the way the State accounts for the value of its assets. It is worthwhile to note that the value of the State's 105 million acres of land, among other things, is not meaningfully reported.

More information

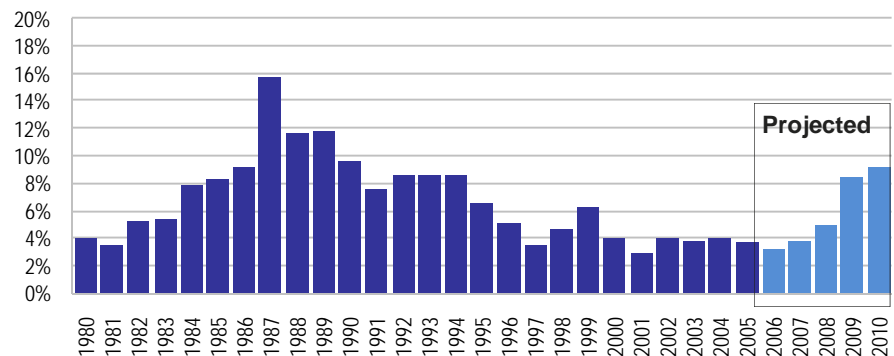
Alaska Department of Administration Division of Finance: fin.admin.state.ak.us
Governmental Accounting Standards Board: www.gasb.org

49. Public Debt

The State of Alaska issues general obligation bonds to finance roads, schools and other public infrastructure and projects. The state is legally required to repay these loans, by raising taxes if necessary.

The interest rate paid by the state is determined by Alaska's bond rating - similar to a consumer credit rating. The higher the rating, the lower the cost of borrowing. This bond rating indicates how confident lenders are in Alaska's ability to repay our public debt, and how attractive Alaska is as an investment.

Alaska's total debt payments as a percentage of unrestricted revenues:



Source: "Alaska Public Debt 2004-2005"

SOURCE: Abridged from "Alaska Public Debt 2005-2006," Alaska Department of Revenue Treasury Division, 2006.

General Obligation Bonds

The State has liability or potential exposure for repayment of principal and interest in nine categories of debt. State Debt includes general obligation bonds (GOBs). The full faith, credit and resources of the State are pledged to the payment of principal and interest on this debt. If future State revenues are insufficient to make the required principal and interest payments the State is legally required to raise taxes in order to meet these obligations.

The State Constitution provides that GOBs must be authorized by law and ratified by the voters. Generally the Constitution permits authorization of GOBs only for capital improvements. There is no statutory limit on the amount of State GOB's that may be authorized.

The State has issued GOBs 50 times since statehood, raising almost \$1.9 billion. As of June 30, 2005, the State had \$438.4 million in GOBs outstanding. General obligation bonds are issued mostly for transportation (41%) and education (33.6%) projects.

Bond ratings

The interest cost on State bond issues is determined by several factors, the major factor being the general level of interest rates in the economy. The credit rating assigned to an issuer and the investor perception of credit worthiness are also important factors.

The State's credit rating improved from 1973 to 1999. A significant factor is the tailoring of maturities to the expected life of Prudhoe Bay and the State's oil-based revenues. More recently the extension of the anticipated life of oil production from the North Slope, the liquidity provided by oil-based revenues, and the growth of the State's Permanent Fund have become significant factors.

Debt service

In recent years debt service has included, for determining debt capacity, debt service on State general obligation bonds, University of Alaska bonds that are State supported, State reimbursement of municipal school debt, and lease payments on lease-purchase financing.

Inclusion of the above items brings all debt paid from the State's General Fund within the measure of debt burden generally used by the rating agencies. State policy has attempted to maintain this more inclusive ratio in the range of 5% to 8%.

Alaska 20/20 notes

Alaska had no outstanding GOBs from 2000 to 2002. The current outstanding GOBs were issued in 2003, for which Standard & Poor maintained Alaska's 1992 AA rating with a stable outlook. In August 2002 Moody's placed a negative outlook on Alaska's Aa2 rating, citing Alaska's "sizable structural deficit and continued reliance on reserve fund drawdowns to fully fund its operations." Moody's upgraded their outlook to stable in November 2004 "on the assumption that the state will ultimately make the hard decisions necessary to address its structural budget problems."

If future revenues are insufficient to make payments the State is legally required to raise taxes to meet these obligations.

More information

Alaska Department of Revenue: www.revenue.state.ak.us

Statistical Abstract, State & Local Government Finances: www.census.gov/prod/2004pubs/04statab/stlocgov.pdf