Attachment 1: Modeling APFPA, the Committee Substitute, and the Revenue Limit
April 28, 2016

Question 1: **What is the modeling forecast for production, dividends, and permanent fund earnings?**

The following material includes probabilistic forecasts for dividends, the value of the permanent fund, and variable unrestricted general fund (UGF) revenues for three scenarios: the committee substitute (CS) without a revenue limit, the CS with a $1.0 billion (inflation-adjusted) revenue limit, and the Alaska Permanent Fund Protection Act (APFPA) as introduced but with the CS dividend formula.[1]

The long-term forecasts for the CS with and without the revenue limit highlight the importance of this limit. Without the revenue limit, a POMV draw at 5.25% creates a substantial risk of degrading the real value of the permanent fund. The revenue limit also reduces the risk of depleting the earnings reserve account (ERA) and results in a higher dividend.

FY2040 Forecast (median values)	**CS** (simple POMV)	**CS w/ rev. limit** @ $1.0 billion inflated	**APFPA** (w/ CS dividend)
Variable **UGF Revenues** (FY16$)	$2.23 billion	$2.52 billion	$2.97 billion[2]
Dividends (per person)	$1,102	$1,264	$1,275
Cumulative ERA **Depletion Risk**	8.94%	1.24%	2.5%
Permanent Fund Value (FY16$)	$46.9 billion	$53.5 billion	$55.3 billion

In FY2017, the CS provides the same amount of money with or without the revenue limit. Amended to incorporate the CS dividend formula, the original APFPA framework can provide over $700 million more than the CS POMV frameworks in FY2017.

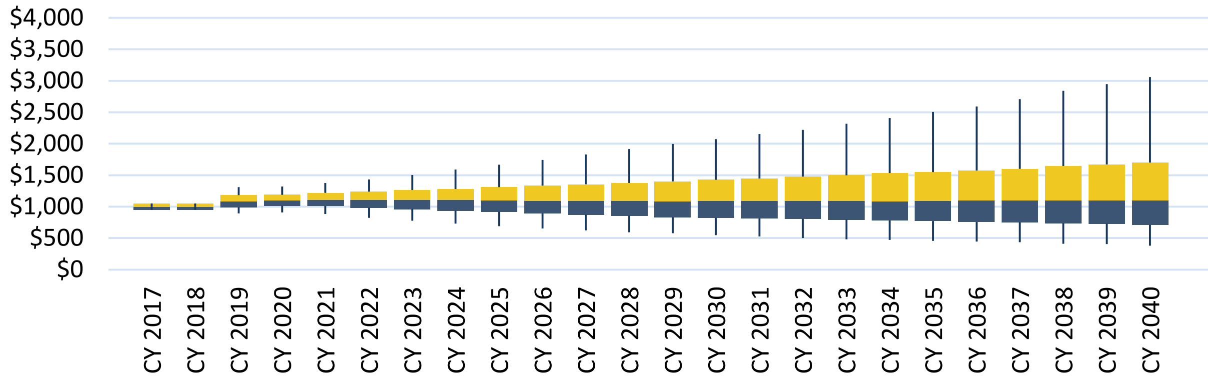
FY 2017 (based on Spring 2016 RSB, billions$)	**CS** (all variations)	**APFPA** (w/ CS dividend)
Draw from ERA	$ 2.40	$3.10
Unrestricted Royalties	$ 0.56	
Production Taxes	$ 0.07	
Other Existing UGF Revenue	$ 0.66	$ 0.66
Less: Dividend Appropriation	($0.65)	paid from other funds
Total UGF Revenue	**$3.03**	**$3.76**

A sustainable draw from the ERA will not close the gap this year under any plan. A meaningful revenue limit protects the permanent fund into the future and saves the fund's earnings when other revenues are otherwise sufficient for a sustainable budget. The annuity approach taken in the initial APFPA proposal smooths all three variable revenue sources – investment earnings, production taxes, and mineral royalties – to provide steady revenue over the long-term.

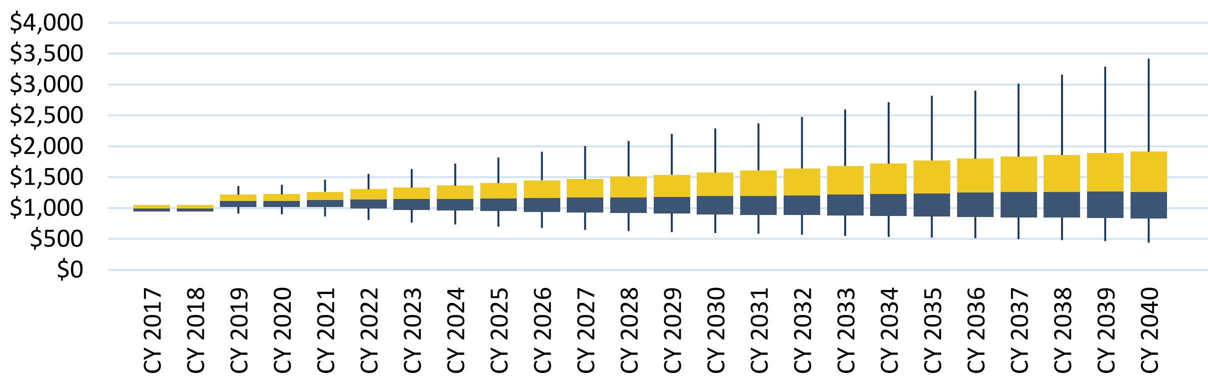
[1] The appendix outlines detailed descriptions of each scenario and the modeling assumptions.
[2] The real value of the fixed draw is less in 2040 because the $3.1 billion draw is not adjusted for inflation until 2020. The real value of the draw remains steady once the adjustments for inflation begin.

Dividend Checks
(per recipient)

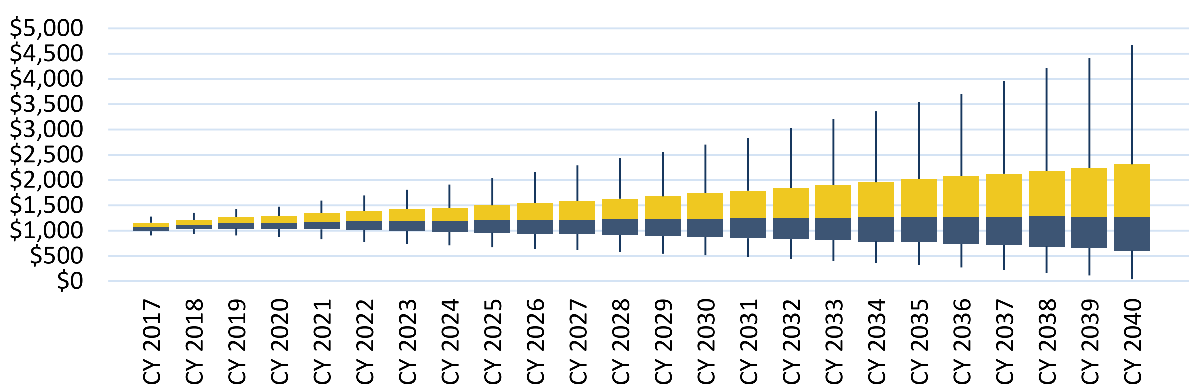
Scenario 1A: **CS** without Revenue Limit
2017: $1,000
2040 median value: $1,102



Scenario 1B: **CS with Revenue Limit** @ $1.0 billion real
2017: $1,000
2040 median value: $1,264

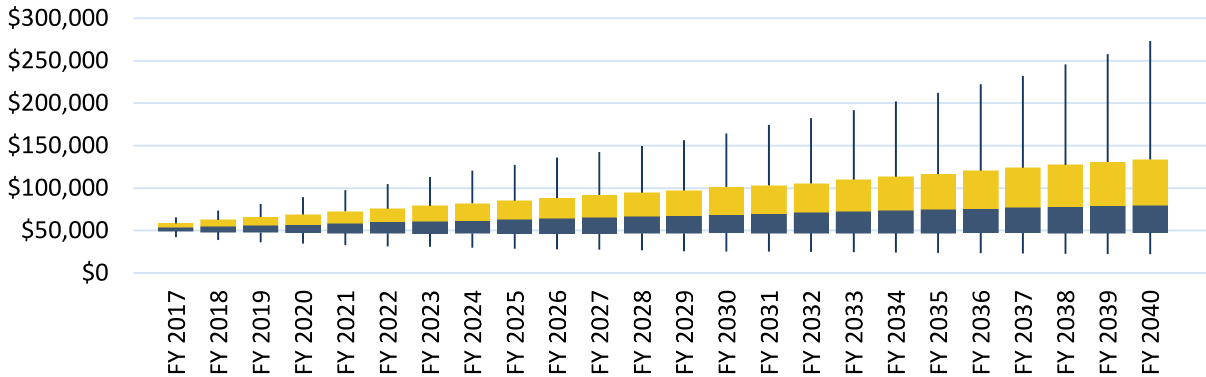


Scenario 1C: **Original APFPA** with CS Dividend
2017: $1,000
2040 median value: $1,275

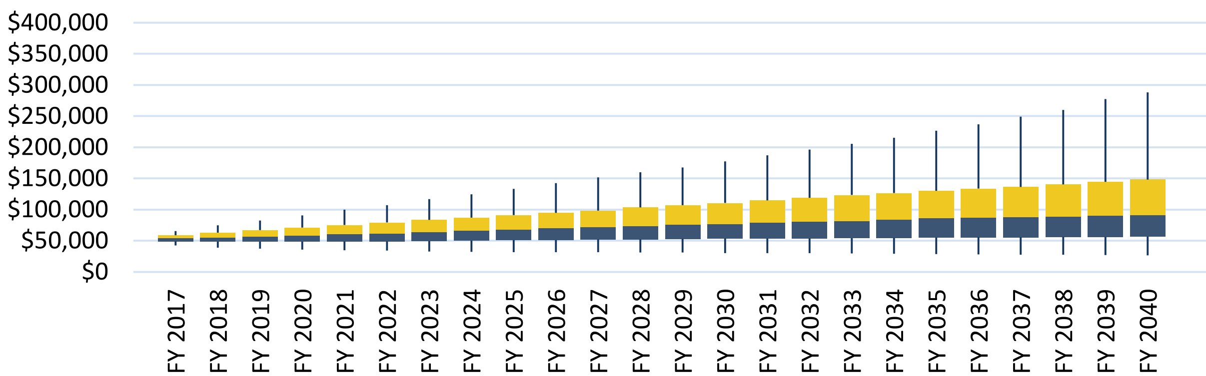


Permanent Fund Value
(millions$)

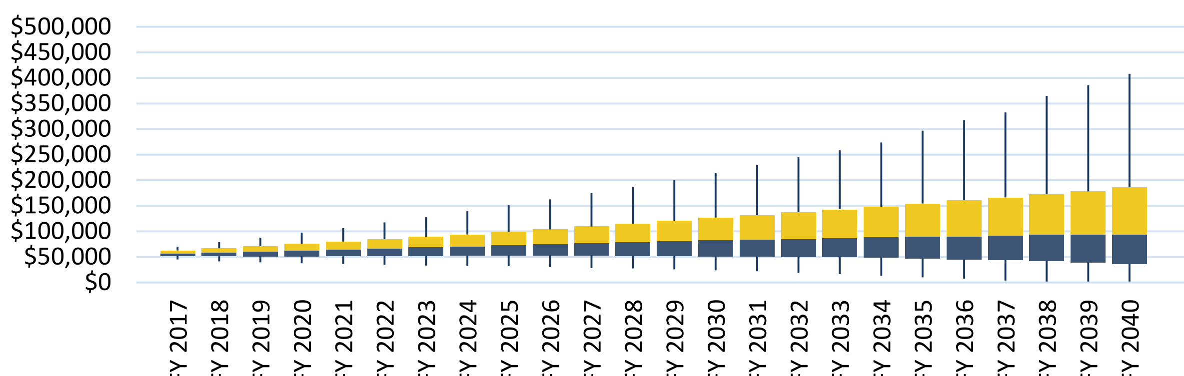
Scenario 1A: **CS** without Revenue Limit
2040 median value: $79.96 billion ($46.88 billion real)
ER Depletion Risk: 8.94%



Scenario 1B: **CS with Revenue Limit** @ $1.0 billion real
2040 median value: $91.24 billion ($53.49 billion real)
ER Depletion Risk: 1.24%



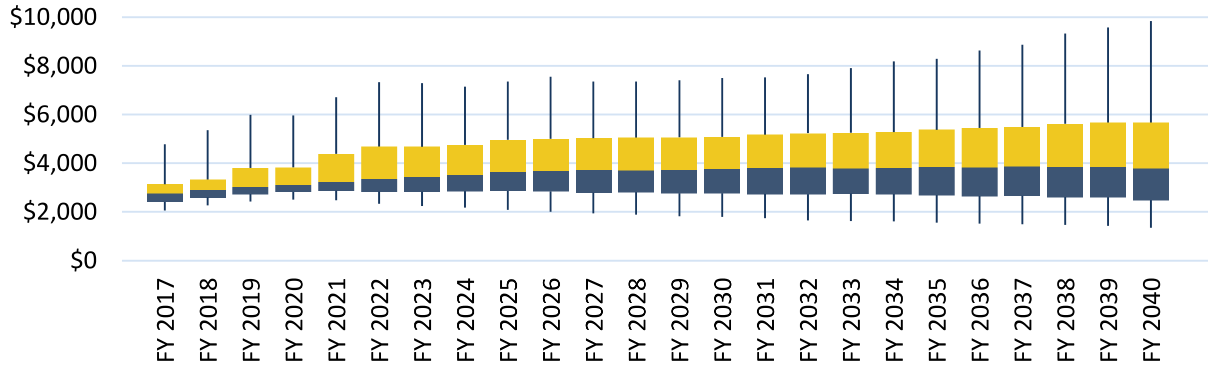
Scenario 1C: **Original APFPA** with CS Dividend
2040 median value: $94.32 billion ($55.29 billion real)
ER Depletion Risk: 32% without periodic review; with periodic review 2.5%



Variable UGF Revenues

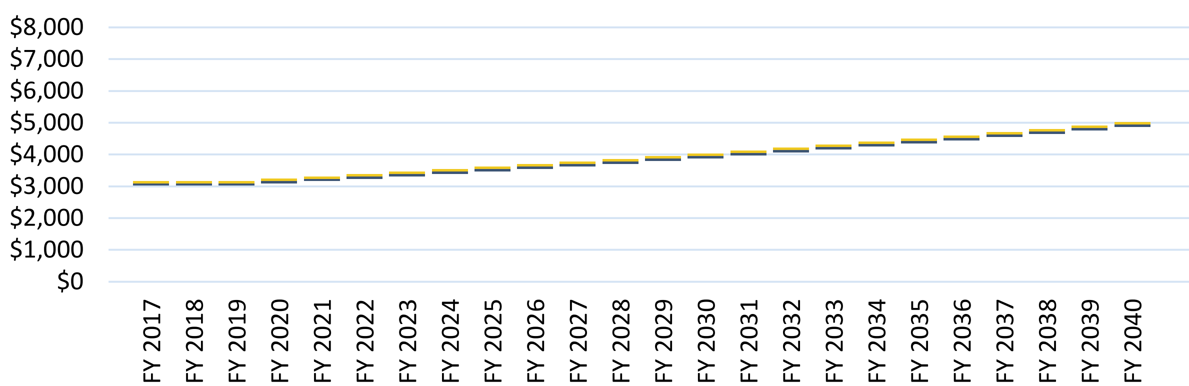
(ERA draw, production taxes, and unrestricted mineral royalties, net of funds for the dividend, millions$)

Scenario 1A: **CS** without Revenue Limit
2040 median value: $3.81 billion ($2.23 billion real)



Scenario 1B: **CS with Revenue Limit** @ $1.0 billion real
2040 median value: $4.11 billion ($2.46 billion real)

Scenario 1C: **Original APFPA** with CS Dividend
2040 median value: $4.95 billion ($2.97 billion real)



Appendix to Attachment 1: scenarios, inputs, and assumptions

Part I: **Scenarios Modeled**

In all scenarios,

- At least 25% of royalties are deposited in the corpus of the permanent fund;
- Realized earnings of the permanent fund, both the corpus and earnings reserve account (ERA), are initially deposited in the ERA; and
- Dividends are
    - $1,000 per person for FY2017, FY2018, and FY2019
    - After the first 3 years,
        - 20% of 5.25% (or 1.05%) of the permanent fund's market value in the first five of the last 6 years and
        - 20% of unrestricted mineral royalties (or 15% of all royalties) from the fiscal year just ended

<u>Scenario 1A</u>: **CS** (without revenue limit)

- No additional deposits in the permanent fund
- UGF Revenues
    - 5.25% of the average market value of the permanent fund in the first 5 of the last 6 years transferred from the earnings reserve account (ERA) to the general fund (20% of this amount is allocated to the dividend)
    - 100% of production taxes
    - 74.5% of mineral royalties (20% of this amount is allocated to the dividend, leaving ~59.5% as unrestricted general fund (UGF) revenues)

<u>Scenario 1B</u>: **CS with Revenue Limit** @ $1.0 billion real

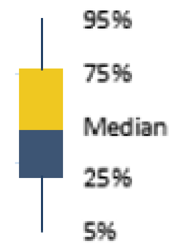
- Same as Scenario 1A, except
- The POMV draw from the ERA is reduced by the amount that production taxes and UGF mineral royalties (59.5%) exceed $1.0 billion (adjusted with inflation)

<u>Scenario 1C</u>: **Original APFPA** with CS Dividend

- Additional deposits in permanent fund, allocated between the corpus and the ERA to maintain the ERA target balance of 4 times the prior year's draw:
    - A one-time $3 billion transfer from the constitutional budget reserve (CBR) in FY17,
    - 100% of production taxes, and
    - 99.5% of mineral royalties (15% of all royalties are taken from this for the dividend)
- UGF Revenues
    - $3.1 billion draw from the ERA, increased by inflation beginning in 2020

Part II: **Reading Box Plots**

- We are 90% confident that the true value will be between the top and bottom of “whiskers” (the thin lines coming out of the box)
  - There is a 5% chance that the true value will be above the top
  - There is a 5% chance that the true value will be below the bottom
- We are 50% confident that the true value will be in the shaded area
- The line between the blue and yellow areas is the median
  - There is a 50% chance that the true value will be above the median
  - There is a 50% chance that the true value will be below the median



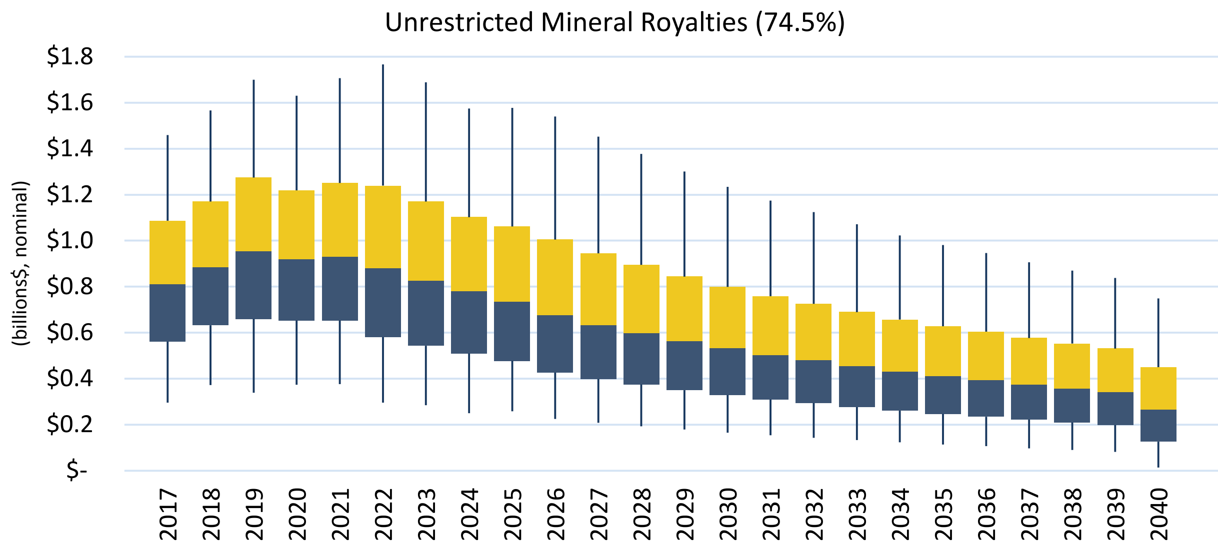
Part II: **Assumptions and Inputs for Probabilistic Forecasts**

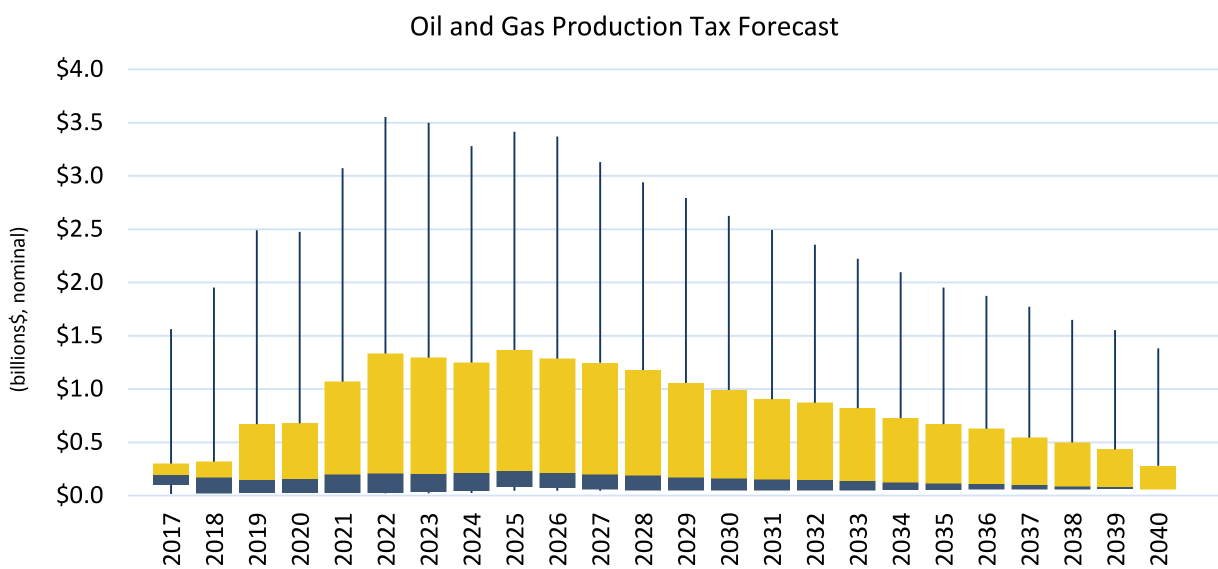
- **Permanent Fund Starting Value**:
  - $52 billion for CS (POMV draw with and without revenue limit)
  - As noted in the scenario descriptions, $55 billion for the scenarios using the original APFPA proposal (sovereign wealth framework), which includes the proposed $3 billion transfer from the constitutional budget reserve (CBR)

    As a general rule for the sovereign wealth framework, without the $3 billion transfer,
    the sustainable draw is reduced by approximately $150 million per year,
    the dividend would generally be about $## less,
    the ERA depletion risk is usually about ##% higher, and
    the fund value in 2040 would be close to $52 billion.

- **Investment Return**: Callan Associate’s 10-year forecast
  - Total return: 6.9% geometric, 13.90% standard deviation
  - Statutory net income: P10 = 3.70%, P50 = 6.01%, P90 = 8.14%
  - Inflation rate: 2.25%
  - Earnings allocated to dividend are withdrawn from the earnings reserve at the end of the fiscal year
- **Dividend Recipients:** Department of Labor population forecast with dividend participation rate from historic data
- **Dividend Program Costs:** Department of Revenue estimate of $8 million, increasing with inflation. The forecast does not include any other transfers from the dividend fund.

- **Petroleum Revenues:**
    - **Oil price**: probabilistic analysis using data from the fall price forecasting session. *See* Fall 2015 RSB (pages 33 and 104)
    - **Production**: Fall 2015 RSB (page 39)
    - These inputs result in the following probabilistic forecasts for unrestricted (or 74.5%) mineral royalties and oil and gas production taxes, which are behind all probabilistic forecasts reported here:





Attachment 2: 2005-2015 Historic Counterfactual
April 28, 2016

Question 2: **What if the finance committee substitutes for HB 245 & SB 128 had been enacted in 2005?**

Compared to our current fiscal framework, the permanent fund would have been better protected and the state would have been better prepared to handle highly variable unrestricted general fund (UGF) revenues if the Alaska Permanent Fund Protection Act (APFPA) had been enacted in 2005. Summarized in the table below, the attached charts report permanent fund balances, variable UGF revenues, and dividend amounts for 2005 to 2015 if either the committee substitute (CS) with a $1 billion (inflation-adjusted) revenue limit threshold or APFPA as introduced but with the CS dividend had been in place.

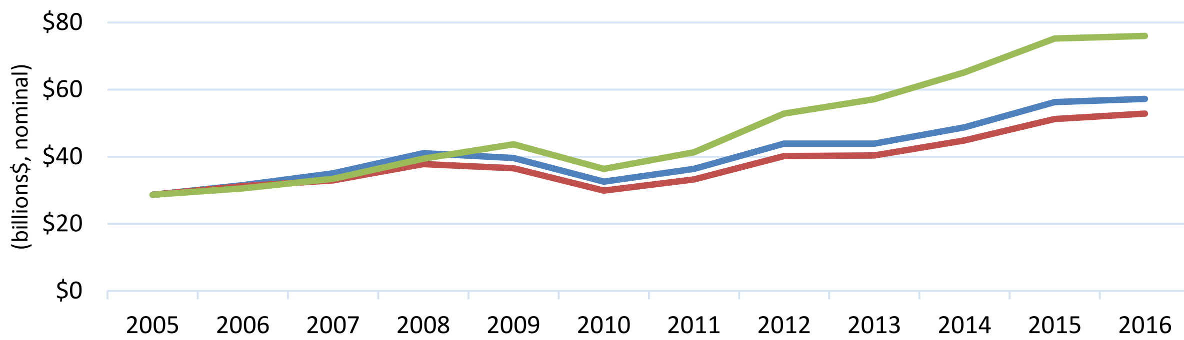
Historical Counterfactual (2005-2015)	**Actual**	**CS** (CSHB245/CSSB128) w/ $1 billion rev. limit threshold	**APFPA** (HB245/SB128) w/ CS dividend
Permanent Fund Value in 2015	$51 billion	$56 billion	$75 billion
Cumulative UGF revenues from production tax, royalties, & ERA draw	$53 billion	$53 billion	$42 billion
Average Dividend (per person)	$1,274	$1,054	$1,126

Compared to the current framework, the revenue limit in the CS would have better protected the state against years of very low UGF revenue. By reducing the draw from the permanent fund as production taxes and royalties exceed $1 billion, the revenue limit essentially uses the permanent fund to even out the mid-range of oil price variability. This is evident in the results for 2005 and 2015, when $90 million and $1.8 billion, respectively, would have been drawn from the earnings reserve account (ERA) to supplement UGF revenues. However, as illustrated by the results for 2007 to 2014, approximately the same amount would have been available for annual spending under the CS. This is because when oil prices are high enough (and the state collects enough production taxes and unrestricted royalties) nothing is drawn from the ERA under the CS revenue limit. The good news is that in those high revenue years the permanent fund earnings would have been saved; on the other hand, at high oil prices, UGF revenues would have been just as volatile under the CS as they were historically.

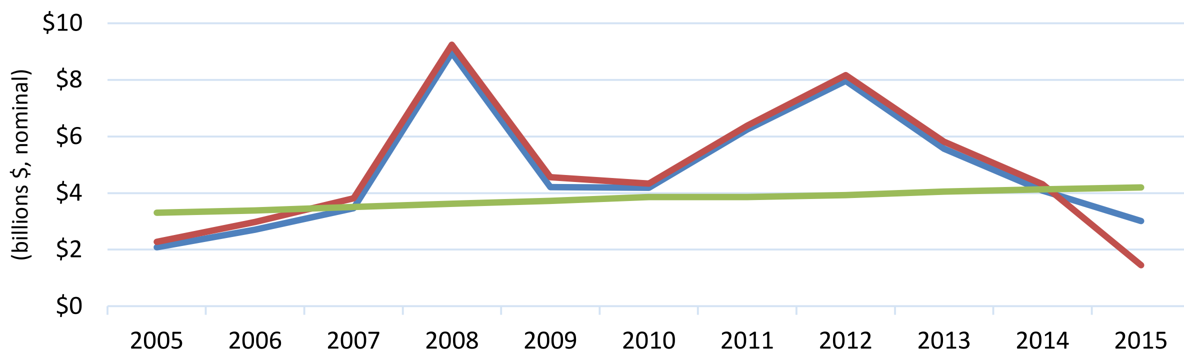
By comparison, the initial version of APFPA would have had a smoothing effect on UGF revenue through the entire range of oil prices. In addition to that greater stability, by saving peak revenues in the highest oil price years, the initial APFPA framework could provide more UGF revenue in low revenue years. Moreover, as the permanent fund grows, as it would have in the 10-year period evaluated here, it can support increasingly larger draws to the general fund.

A similar smoothing effect could be accomplished for the CS by partnering a savings rule (to address peak oil price years) with the revenue limit (which addresses the low oil price years). For example, a rule directing a higher percentage of royalties or some production taxes to the permanent fund in peak years could smooth out the spikes. Over time, such a savings rule would allow the state to maintain higher spending levels in low revenue years and stabilize UGF revenues over a broader range of oil prices.

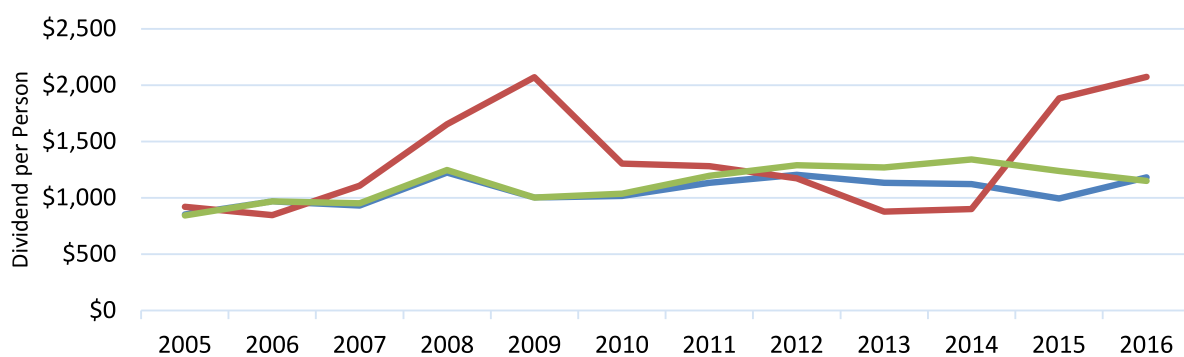
Permanent Fund Value



Total Production Tax, Mineral Royalties, and ERA Draw available to the general fund



Permanent Fund Dividends (CS dividend formula for all scenarios[1])



[1] The CS dividend formula is 20% of 5.25% of the average value of the permanent fund in the first 5 of the last 6 years (equal to 1.05% of the value of the fund over that period) plus 20% of prior year UGF mineral royalties (20% of the 74.5% of all royalties that the CS directs to the general fund equals 15% of all royalties). Thus, here, the dividend formula for the APFPA framework, which deposits all non-dividend royalties in the permanent fund, is 1.05% of the average value of the fund in the first five of the last six years plus 15% of all royalties.

Attachment 3: Revenue Limit and Oil Price
April 28, 2016

Question 3: **Given the anticipated decline in production volumes, what do the charts illustrating the impact of the revenue limit at different oil prices look like in later years?**

The proposed revenue limit for the Alaska Permanent Fund Protection Act committee substitute (CS) would reduce the amount taken from the permanent fund for unrestricted general fund (UGF) expenditures by one dollar for every dollar that production taxes and unrestricted royalties[1] exceed a threshold of $1.0 billion (inflation-adjusted). Essentially, under the revenue limit we would not spend permanent fund earnings when UGF revenues are otherwise sufficient to cover a sustainable budget.

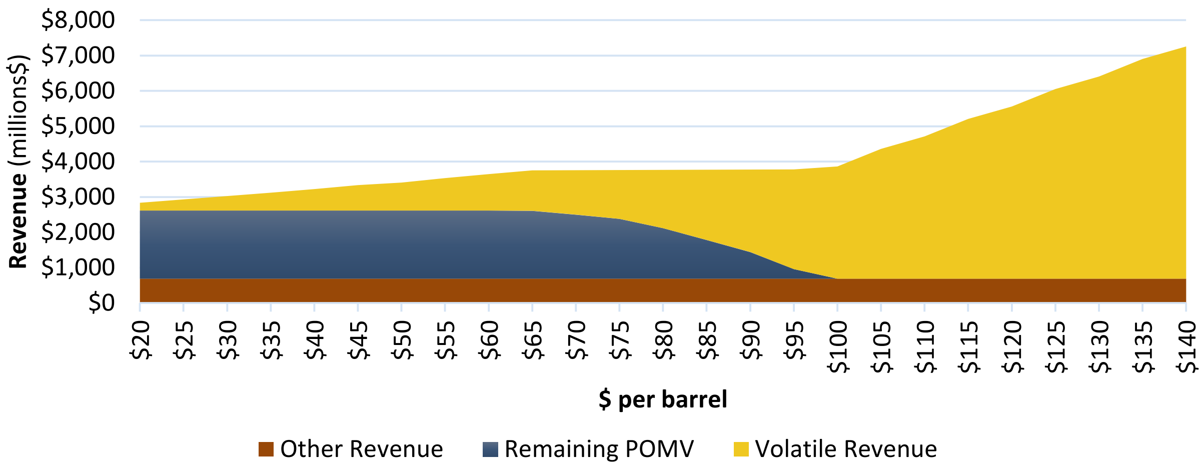
The graphs on the next page depict the forecast of the POMV draw and other UGF revenues at different oil prices under a $1.0 billion revenue limit for FY2017, FY2022, and FY2027. The table below provides summary data for every year from FY2017 to FY2027 as well as the deterministic oil price and production forecasts published in the spring revenue sources book (RSB). Over time, the revenue limit's offset of the POMV draw occurs at increasingly higher oil prices. Higher oil prices are needed to reach the $1.0 billion threshold and offset the POMV draw because the threshold increases with inflation and because the Department of Revenue's forecast anticipates declining production.

While an oil price of $65 per barrel is required to trigger the $1.0 billion revenue limit threshold in FY2017, the RSB does not predict prices rising above $65 per barrel before FY2025. However, as emphasized by the experience of the last few years, oil price is highly unpredictable.

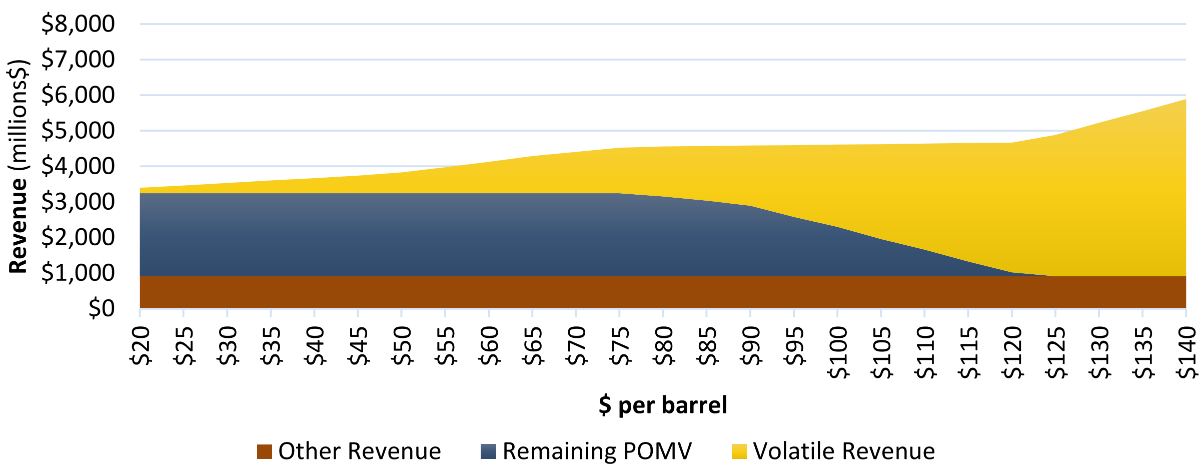
Revenue Limit: range of oil prices where revenues are stabilized (threshold set at $1.0 billion, inflation-adjusted)			
FY	Oil price to reach threshold ($ per barrel)	Oil price to fully offset POMV draw ($ per barrel)	Oil Price Forecast, Spring RSB ($ per barrel)
2017	$65	$100	$38.89
2018	$70	$105	$43.79
2019	$65	$105	$48.89
2020	$70	$110	$54.48
2021	$75	$120	$60.29
2022	$80	$125	$61.64
2023	$80	$130	$63.03
2024	$85	$140	$64.45
2025	$95	$150	$65.90
2026	$100	$155	--
2027	$105	$170	--

[1] Under the CS, 25% of mineral royalties are dedicated to the permanent fund, 0.5% of royalties remain dedicated to the public school trust fund, and 15% (20% of 74.5%) go to the dividend. This leaves 59.5% of all royalties to count toward the revenue limit threshold and offset the POMV draw thereafter.

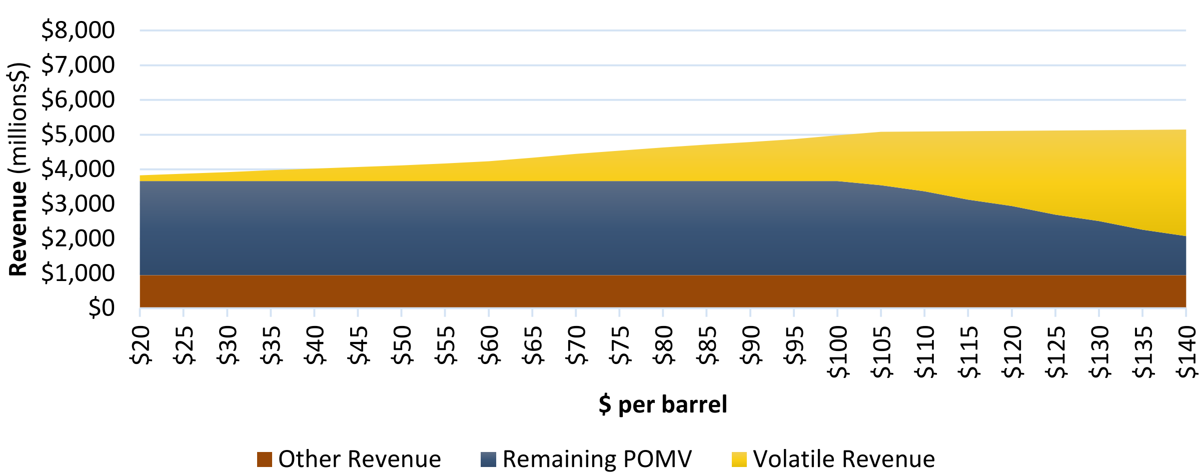
2017



2022



2027



Attachment 4: Consequences of 1-Year Delay
April 28, 2016

Question 4: **What are the consequences of "filling the gap" with permanent fund earnings this year?** [1]

Filling the gap with permanent fund earnings this year will jeopardize the dividend. The current UGF budget gap is $3.9 billion and the existing dividend formula will distribute $1.4 billion. If the earnings reserve account (ERA) holds about $7.3 billion at the end of this fiscal year withdrawing $5.3 billion from the ERA for FY2017 appropriations would leave a balance of $2 billion. While realized investment earnings would eventually replenish the ERA in the long term, it is likely that the ERA would be emptied in the next fiscal year, especially considering the low (or even negative) investment returns expected over the next few years. Once the ERA is depleted, there are no funds for the dividend.

Likewise, filling the gap with a large draw from the ERA will degrade the fund's ability to support general fund spending in the future. Obviously a depleted ERA cannot provide any revenue to the general fund. But, even after realized earnings are deposited in the account, a $5.3 billion withdrawal this year would result in a meaningful reduction in the real value of the fund, and therefore the amount that can be sustainably withdrawn without further degrading the fund. Under either the CS or the initial APFPA proposal, the draw would be reduced by about $150 to $200 million every year going forward.

Potentially the most significant impact of simply filling the gap from permanent fund earnings this year is breaching the tradition of following a rule-based framework. The legislature has exercised impeccable discipline in following the statutory and customary rules for depositing royalties in the permanent fund, inflation proofing the corpus, distributing dividends, and saving all other earnings. But, where the state has not had a long-standing rule-based system for spending and saving we have historically spent in pace with incoming unrestricted petroleum revenues – whether high or low.[2] Without an established tradition to back up a statutory rule-based framework, short-term priorities can override long-term financial planning, policies to promote long-term economic growth, and principles of intergenerational equity. Preserving the tradition of only using earnings within an established plan is essential for the success of any statutory framework for the sustainable use of the fund.

For these reasons, the administration does not support any attempt to spend permanent fund earnings without a long-term plan that ensures the draw is kept at a sustainable level. The legislature has found that the permanent fund should "benefit all generations of Alaskans" even as its income might be used "for purposes designated by law." AS 37.13.020(1). As we consider using the fund's income to support the general fund, we owe it to past and future Alaskans to ensure the value of the fund is protected.

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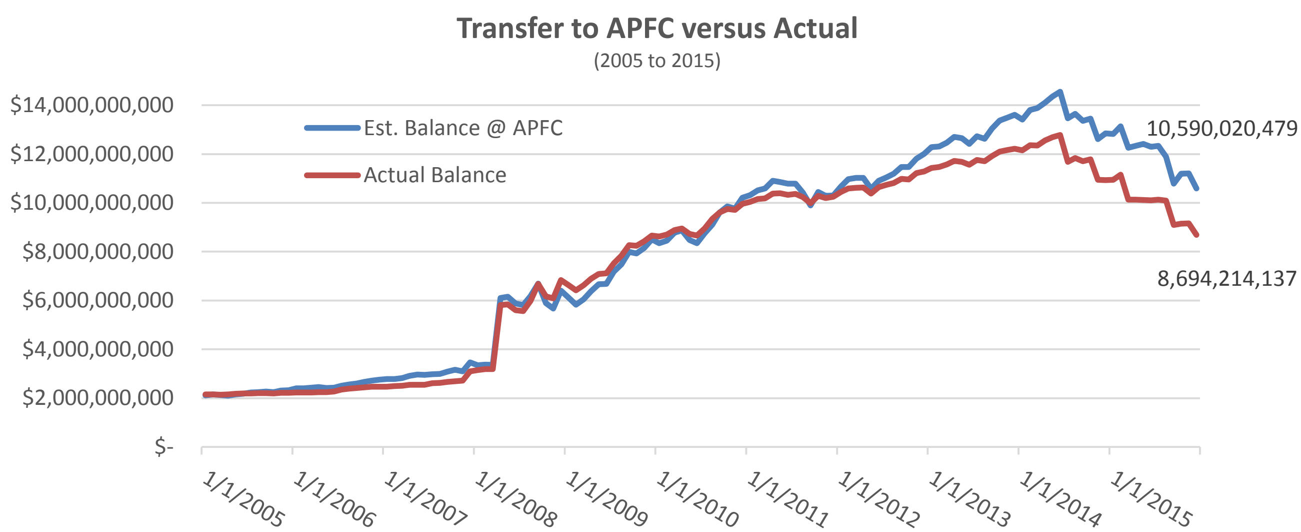
[1] For more, see in the "cost of delay" materials online at http://gov.alaska.gov/Walker_media/documents/sustainable-alaska/20160320_cost-of-delay.pdf and http://gov.alaska.gov/wp-content/uploads/sites/5/160408_cost-of-delay.pdf.

[2] *See* slide 10 of our April 20, 2016 presentation, available at http://www.akleg.gov/basis/get_documents .asp?session=29&docid=66444. A statistical analysis reveals a very high correlation between the state's unrestricted general fund budget and the prior year's unrestricted petroleum revenues. On a scale of 0 (no correlation) to 1 (exact correlation), the r-squared value for these two variables is 0.83.

Attachment 5: APFC and DOR Returns, 2005-2015
April 28, 2016

Question 5: **What would the constitutional budget reserve balance have been from 2005 to 2015 if it had earned the same rate of return as the permanent fund?**

Hypothetically, notwithstanding liquidity needs, if the constitutional budget reserve (CBR) had been invested alongside the permanent fund, the CBR might be $1.9 billion larger than it is today. On December 31, 2015, the market value of the CBR was $8.7 billion; if the CBR had earned the same returns as the permanent fund starting on December 31, 2004, the Department of Revenue (DOR) estimates that the balance may have been approximately $10.6 billion by the end of 2015.[1]



It should be noted that the investment strategy for the CBR has been governed by statute, specifically AS 37.10.430 which allows the subaccount to be invested for higher returns if the funds are not needed within five years. Regardless of whether the Alaska Permanent Fund Corporation (APFC) or DOR managed investment of the CBR, the statute would need to be changed to allow the same type of investing as the permanent fund.

[1] For this estimate, DOR used:

- The balance of the CBR main account and subaccount as of December 31, 2004 ($2.15 billion), provided by State Street;
- Net monthly cash flows for the two accounts over the 10-year period, from State Street; and
- Monthly permanent fund returns, provided by Callan Associates, applied to the beginning monthly balance and to half of each month's net cash flow. This assumes that transfers occurred half-way through the month and that the returns were evenly distributed throughout the month so that the net cash flows participated in half of the monthly total return.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSSB 366(FIN)
(S) Publish Date: 5/7/04

Revision Date/Time (Note if correction):
Title: State Sales Tax

Dept. Affected: Revenue
RDU: Revenue Programs & Services
Component: Tax Division

Sponsor: Senate Finance Committee
Requester: Senate Finance Committee
Component No.: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*
CAPITAL EXPENDITURES	*					
CHANGE IN REVENUES ( )	*	*	*	*	*	*

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2004) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal: [ ]

POSITIONS

Full-time	*	*	*	*	*	*
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

* See page 2 and 3

Prepared by: Chuck Harlamert & Brett Fried
Division: Tax Division
Phone: 465-2320
Date/Time: 5/7/04 4:33 PM

Approved by: Steve Porter, Deputy Commissioner
Agency: Department of Revenue
Date: 5/7/2004

(Revised 12/2003 OMB)

FISCAL NOTE #1

STATE OF ALASKA **BILL NO.** CSSB 366(FIN)
2004 LEGISLATIVE SESSION

ANALYSIS CONTINUATION

Cost Discussion
We estimate that there will be approximately 50,000 taxpayers under the bill generating just under 500,000 returns each year. We estimate ongoing operational costs of $5.9 million per fiscal year. The projected staffing is 79 full time employees. We have not developed cost estimates for specific fiscal years that reflect program start-up and maturity. Based on this estimate, and our analysis of other broad based tax proposals, we expect that operational costs for FY05 will be between $2.0 and $3.0 million after which operating costs are expected to peak during the second year of the program then decline and stabilize at the $5.9 million estimate as the program matures. Capital investment in information systems and specialized equipment are estimated at $7.5 million.

These operational and capital cost estimates assume that the $60 tax cap under the bill is a $60 cap on the state tax and an independent $60 cap on each municipal tax that may apply to a transaction. This is how we interpret the bill as written. If however, the cap is intended to be a limit of $60 on state and municipal taxes combined, then detailed reporting of individual transactions would be necessary to determine the portion of the $60 attributable to the state and municipal taxes. The cost of transactional reporting are significant for taxpayers and the department. If the bill is modified to impose a cap on the combined state and municipal tax, we recommend that the revenue distribution and tax sharing provisions of the bill be modified to provide for revenue sharing based on the ratio of state to municipal tax rates in order to avoid these costs and complexities.

Revenue Discussion
Estimating the revenue from a proposed sales tax is fraught with potential pitfalls. These include the difficulty of obtaining current and applicable data and identifying the potential effects on consumers and businesses. Besides these estimation difficulties, the maximum allowable tax per single sale and municipal share provisions in this bill make it even more difficult to develop a plausible estimate.

Sales
The U.S. Economic Census estimates that the total value of all sales, receipts or revenue for Alaska establishments in 1997 was over $35 billion. However, HB 366 exempts certain goods and services, including the following:

(1) the sale of property for resale
(2) financial services
(3) prescription drugs
(4) health care services
(5) the sale, lease or rental of real property
(6) sale of natural gas or diesel fuel for home heating
(7) water, sewer, electricity steam or refuse and garbage collection
(8) transportation of passengers and tangible personal property
(9) property and services used for the exploration, extraction and production of natural resources.
(10) the sale, transfer or use of motor fuel taxed under AS 43.40.010;
(11) sales, leases, or rentals made in a municipality or unincorporated community with a population of less than 500.

We tried as much as possible to match goods and service classified as exempt in the Bill to census definitions so that we could exclude them from the estimated tax base. We then updated the tax base by sector using personal income statistics. The result is a tax base of about $12.5 billion. If we ignore for the time being the municipal share, allowable maximum tax and exemption for sales made in small communities provisions in the Bill, then the total estimated revenue at three percent would be about $375 million. Additionally, at no point in this analysis do we estimate how any of the provisions in this bill will change behavior.

The Cap
We are not aware of any direct method to estimate the reduction in revenue as a result of the exclusion of single sales, leases or rentals that exceed the tax cap of $60. There is no statewide estimate of the volume of sales or the amount of each sale that would exceed the cap. A community that defines its maximum tax per sale in a similar fashion to HB 366 is the Kenai Peninsula Borough. The Kenai Peninsula Borough allows the tax to be applied "only to the first $500 of each separate sale, rent or service transaction with some exceptions."

FISCAL NOTE #1

STATE OF ALASKA **BILL NO.** CSSB 366(FIN)

2004 LEGISLATIVE SESSION

These exceptions include a provision that defines room rentals on a per room per night basis. This is to prevent a person from bundling rooms together over time and using the bundled transaction as a single sale. There is no such provision in this Bill.

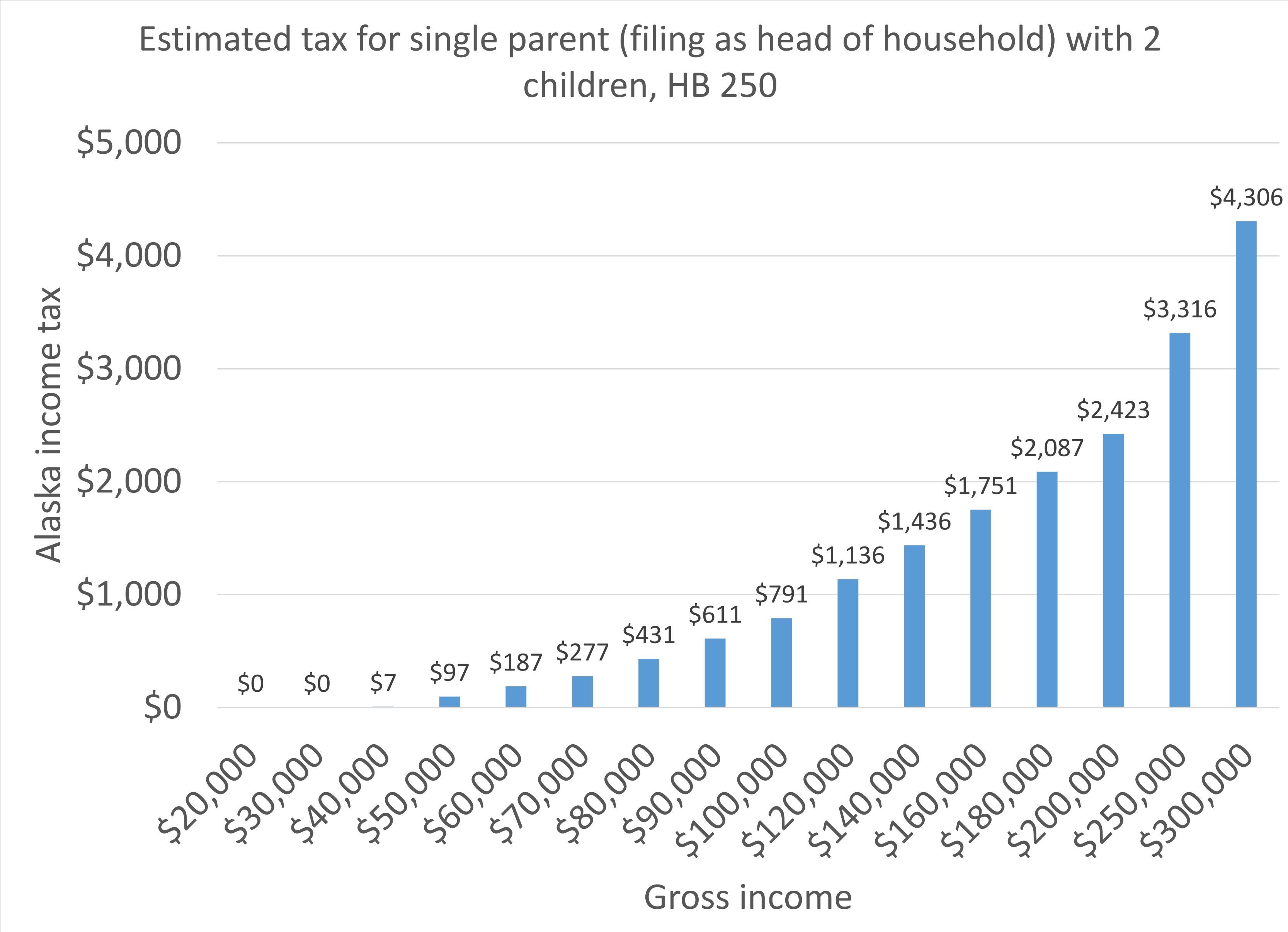
The Kenai Peninsula Borough used a random sampling of their 1999 returns to do an analysis of their tax cap. The result of their analysis shows that the cap lowers the Kenai Peninsula Borough's taxable sales by approximately 35 percent. Although this percentage seems very high when applied to the state there would be a large incentive to bundle goods and services and to invoice as infrequently as possible. This will be particularly true of services which account for almost 50 percent of the total estimated revenue from this tax. Unlike the Kenai Peninsula Borough, this bill also does not have any restrictions such as the "per room per night" restriction in the Borough ordinance. In 1999, this ordinance also specified that a single sale of a service could not be invoiced over more than 30 days. This provision was recently repealed. Using the Kenai Peninsula Borough's experience the cap could reduce the statewide sales tax base to $8.1 billion. Our very rough revenue estimate at the three percent tax rate would then be about $243 million.

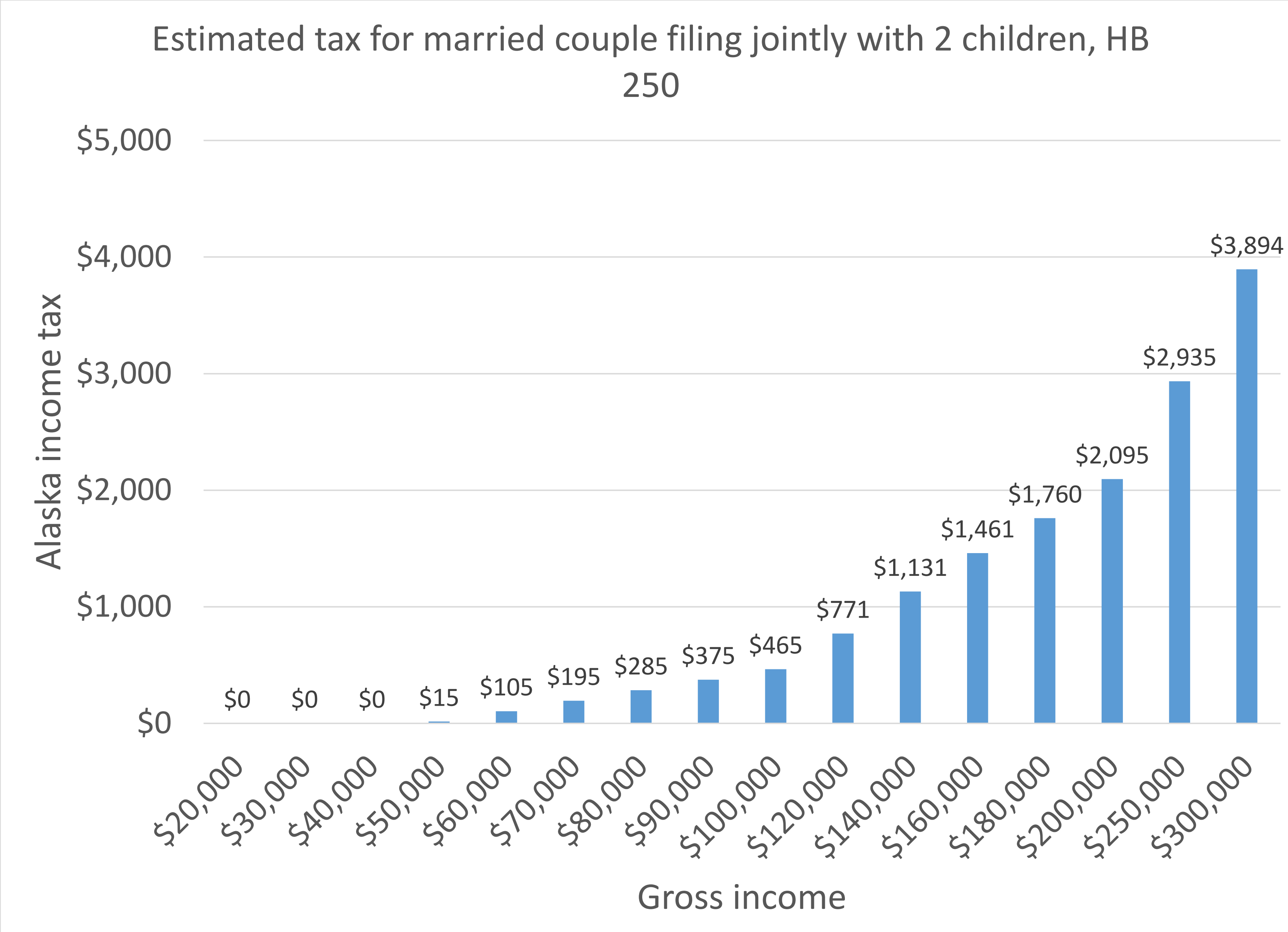
Communities with less than 500 individuals
We estimate that approximately three percent of the population lives in cities with less than 500 people. Although these individuals may have completely different spending habits than other individuals in the state, as a very rough estimate we could reduce the tax base by three percent. The tax base would then be about $7.9 billion and our very rough estimate at the three percent tax rate would be $235 million.

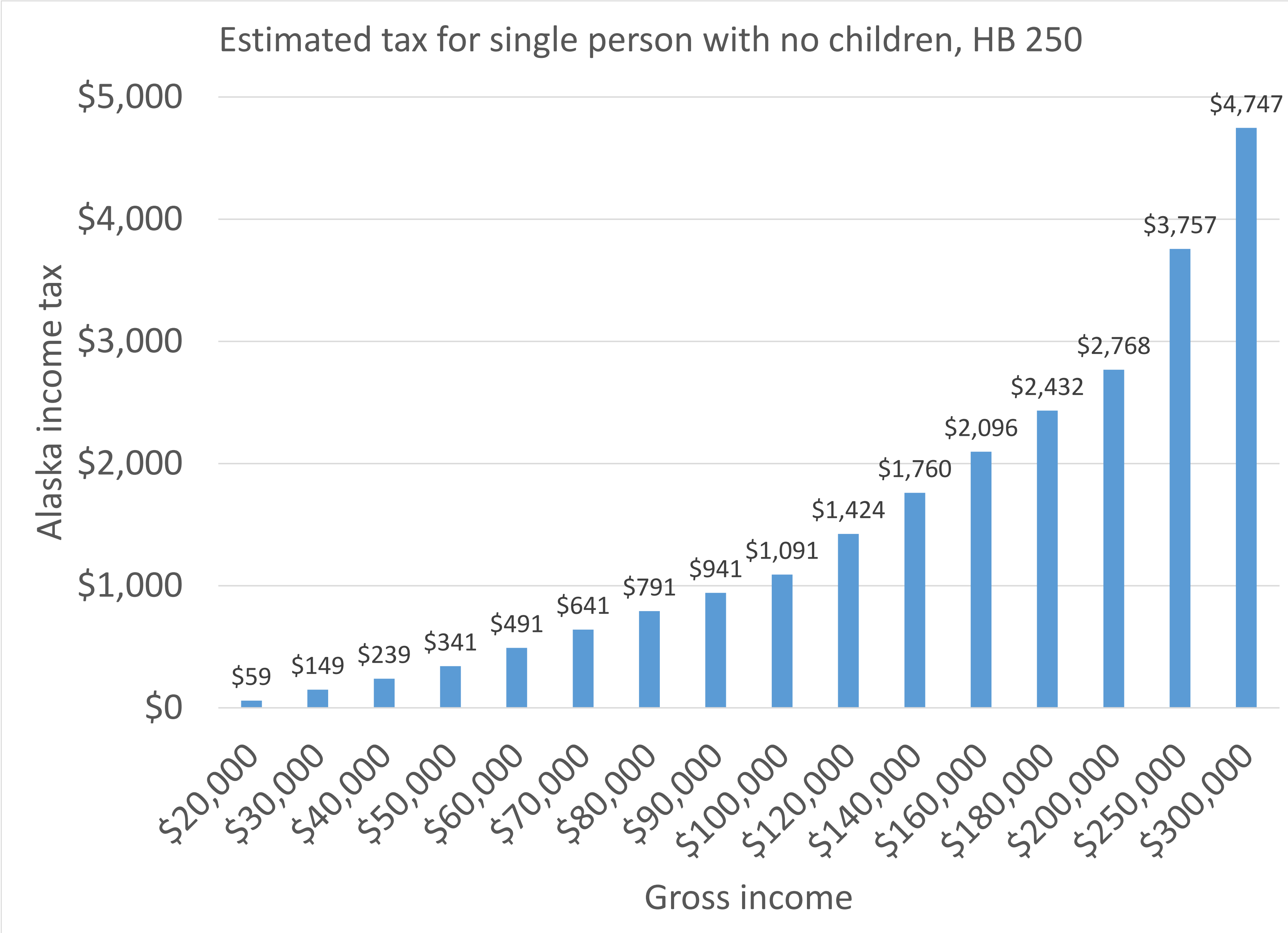
The Municipal Share
It is not possible to estimate how many municipalities (cities and boroughs) would choose to impose sales taxes or change their rates as a result of HB 366. However, we do know that approximately 70 municipalities in Alaska already have sales tax rates equal to or higher than three percent. If we use population as a proxy for sales and adjust for cities that currently have population less than 500 and levy sales taxes, then at a minimum, 19 percent of one percent of the tax base would go to cities, or about $15 million using the above rough estimate. The maximum municipal share, if all communities with populations greater than 500 adopted a three percent or higher tax rate, would be about $79 million using the above estimate. The rough estimate of revenue to the state would then be somewhere between $156 to $220 million at the 3 percent rate.

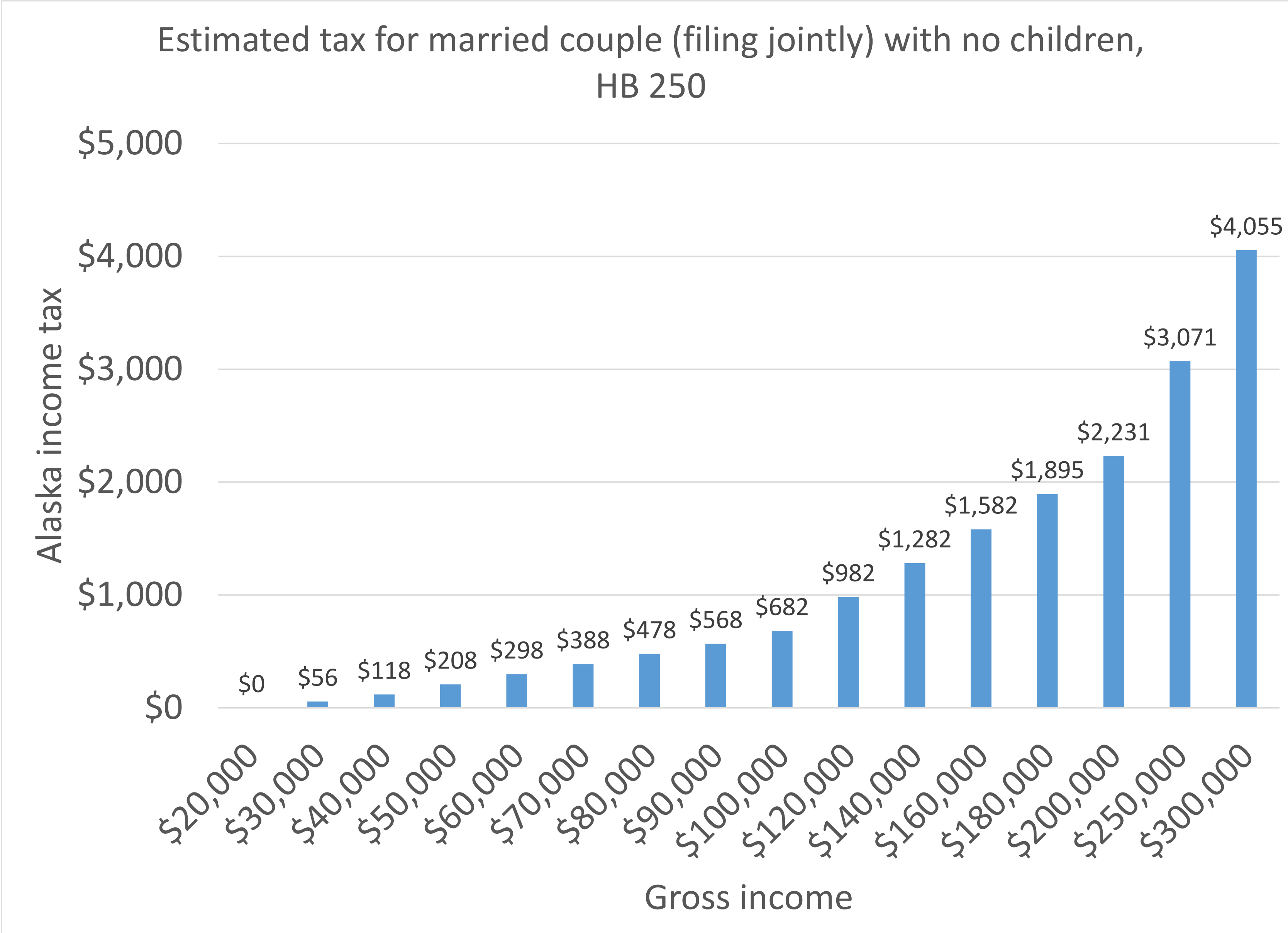
Intersection of Tax Cap and Municipal Share
The Bill says that if a borough levies a "general" sales tax then a "borough must conform exactly to the statewide sales and use tax." In addition, "a city may levy sales and use taxes in the manner provided for boroughs." We interpret this to be that the $60 tax cap would apply separately at the borough, city and statewide level. That is, the total effective tax cap for sales made in a city with a sales tax within a Borough with a sales tax, would be $180. If, however, the total tax cap on the sale is $60 and it is shared back to municipalities and boroughs with sales taxes then the revenue estimate would be lower.

Other Assumptions or Exclusions
We did not include any adjustments for consumers or businesses lowering their tax burden by changing their behavior. Also, we did not include estimates for use taxes collected from buyers and out-of-state sellers. Additionally, we did not exclude the sales of services by or to the state or a political subdivision of the state.


Estimated tax for single parent (filing as head of household) with 2 children, HB 250
Alaska income tax
$5,000
$4,000
$3,000
$2,000
$1,000
$0
$0
$0
$7
$97
$187
$277
$431
$611
$791
$1,136
$1,436
$1,751
$2,087
$2,423
$3,316
$4,306
$20,000
$30,000
$40,000
$50,000
$60,000
$70,000
$80,000
$90,000
$100,000
$120,000
$140,000
$160,000
$180,000
$200,000
$250,000
$300,000
Gross income


Estimated tax for married couple filing jointly with 2 children, HB 250
Alaska income tax
$5,000
$4,000
$3,000
$2,000
$1,000
$0
$0
$0
$0
$15
$105
$195
$285
$375
$465
$771
$1,131
$1,461
$1,760
$2,095
$2,935
$3,894
$20,000
$30,000
$40,000
$50,000
$60,000
$70,000
$80,000
$90,000
$100,000
$120,000
$140,000
$160,000
$180,000
$200,000
$250,000
$300,000
Gross income


Estimated tax for single person with no children, HB 250
Alaska income tax
$5,000
$4,000
$3,000
$2,000
$1,000
$0
$59
$149
$239
$341
$491
$641
$791
$941
$1,091
$1,424
$1,760
$2,096
$2,432
$2,768
$3,757
$4,747
$20,000
$30,000
$40,000
$50,000
$60,000
$70,000
$80,000
$90,000
$100,000
$120,000
$140,000
$160,000
$180,000
$200,000
$250,000
$300,000
Gross income


Estimated tax for married couple (filing jointly) with no children, HB 250
Alaska income tax
$5,000
$4,000
$3,000
$2,000
$1,000
$0
$0
$56
$118
$208
$298
$388
$478
$568
$682
$982
$1,282
$1,582
$1,895
$2,231
$3,071
$4,055
$20,000
$30,000
$40,000
$50,000
$60,000
$70,000
$80,000
$90,000
$100,000
$120,000
$140,000
$160,000
$180,000
$200,000
$250,000
$300,000
Gross income

Alaska Department of Health and Social Services
Division of Public Assistance

Assistance Programs

Food and Nutrition Assistance				
Program & People	**Benefit**	**Eligibility Requirements**	**Authority**	**Budget/Funding**
Food Stamps 34,837 average monthly caseload for SFY2015	Average household allotment in FY 2015 was $384.40	• Alaska resident • Net income of not more than $1,215 for an individual or $1,639 for a couple; levels increase based on household size • Not more than $2,250 in assets per household, $3,250 for a household who has at least one member who is disabled or over age 60	Federal/State Program PL 110-246 (2008) 7 CFR. 271 – 274 AS 47.25.975 – 990 7 AAC 46.010 – 990	$172.1 million spent on SNAP benefits in SFY2015 ***Benefits are 100% federally funded and are not included as part of the operating budget.***
Food Stamp Nutrition Education Program (SNAP ED)	Provide nutrition education information to Food Stamp eligible populations	• Alaska resident • Net income of not more than $1,215 for an individual or $1,639 for a couple; levels increase based on household size • Not more than $2,250 in assets per household, $3,250 for a household who has at least one member who is disabled or over age 60	Federal/State Program PL 110-246 (2008) 7 CFR. 271 – 274 AS 47.25.975 – 990 7 AAC 46.010 – 990	$509.8 FFY15 Award 100% Federal Funds
WIC 19,771 households annually in SFY15	Provides nutrition education, referrals, breastfeeding support and checks to purchase supplemental foods designed to address nutrient inadequacies and nutrition education	• Alaska resident • Must have a nutrition risk • Pregnant, breastfeeding, and postpartum women, infants and children up to five years of age • Must meet income criteria or must be within 185% of poverty • Yearly income of $26,548 for a 1 person household, $35,853 for a 2 person household (2013). USDA updates income guidelines annually (April).	Federal/State Program PL 111-296 (2010) 7 CFR 246	$22,749.1 FFY15 Award 100% federally funded.

Assistance Programs

Program & People	Benefit	Eligibility Requirements	Authority	Budget/Funding
Breastfeeding Peer Counseling Program 7,684 Contacts in SFY2015	Provides breastfeeding support through a peer-to-peer counseling structure to WIC pregnant and breastfeeding women	• Alaska resident • Must have a nutrition risk • Pregnant, breastfeeding, and postpartum women, infants and children up to five years of age • Must meet income criteria or must be within 185% of poverty • Yearly income of $26,548 for a 1 person household, $35,853 for a 2 person household (2013). USDA updates income guidelines annually (April).	Federal/State Program PL 111-296 (2010) 7 CFR 246	$200.1 FFY15 Award 100% Federally Funded
Commodity Supplemental Food Program 2,100 households annually in SFY2015	Provides supplemental foods designed to address nutrient inadequacies. Includes nutrition education. Cannot have concurrent participation in WIC	• Alaska resident • Pregnant, breastfeeding, and postpartum women, infants and children up to six years of age or age 60 or older • Yearly income for woman, infants, and children for family of two- $35,853 or one person household of $18,655 for senior citizens (2013) • Only available in Anchorage, Mat-Su, Kenai, and Fairbanks and limited outlying areas.	Federal/State Program PL 111-296 (2010) 7 CFR 247	$153.0 FFY15 Award 100% Federally Funded
WIC Farmers Market Nutrition Program 5,965 annual participants in SFY2015	Provide checks for purchase of fruits and/or vegetables. Provide nutrition education materials	• Alaska Resident • Current WIC participants • Only available in Anchorage, Eagle River, Mat – Su area, Delta Junction, Kenai Peninsula, Dillingham, Fairbanks area, Valdez, Copper Center, Bethel and Sitka • Yearly income of $25,845 for a 1 person household, $35,002 for a 2 person household (FY 2013). USDA updates income guidelines annually (April).	Federal/State Program PL 11-296 (2010) 7 CFR 248	$185.3 FFY15 Award 100% Federally Funded

Assistance Programs

Program & People	Benefit	Eligibility Requirements	Authority	Budget/Funding
Senior Farmers Market Nutrition Estimated 2,350 participants in SFY2015	Provides checks for purchase of fresh fruits and/or vegetables from local farmer's markets. Provides nutrition education materials	• Alaska resident • Age 60 or older • Participation in CSFP, TEFAP, Public Assistance, NEOP, or household participation in WIC, CSFP, or Free or Reduced School Meals OR • Yearly income $26,548 for one person household, $35,853 for two person household (2013) • Available in Anchorage, Mat-Su, Kenai, Fairbanks, and limited outlying areas.	Federal/State Program PL 111-296 (2010) 7 CFR 249	100% Federally Funded
Medical Assistance				
Medicaid 161,019 FY2015 average monthly unduplicated recipients	Provides medical assistance to needy individuals and families. Basically, it is intended to provide medical coverage for needy families with children, pregnant women, and aged, blind and disabled persons	• To be eligible, recipients must meet certain income and/or resource criteria. These criteria vary depending on the particular Medicaid category for which the recipient is eligible for • Eligibility criteria for aged, blind, and disabled persons are based on eligibility criteria used for the Adult Public Assistance program • Eligibility criteria for parents and other caretaker relatives, pregnant women, children under age 19, under 21 Medicaid, expansion group, and former foster children up to age 26 are based on the eligibility criteria created by the Affordable Care Act	Federal/State Program PL 112-238 (2012) 42 USC 1396 AS 47.07 7 AAC 100.001 – 990 42 CFR 435	Benefits are paid from another appropriation. Eligibility is determined in DPA.

Alaska Department of Health and Social Services

Division of Public Assistance

Assistance Programs

Program & People	Benefit	Eligibility Criteria	Authority	Budget/Funding
Chronic and Acute Medical Assistance	Provides emergency medical coverage for persons who do not qualify for Medicaid	• Age 18 or older • Lack of other medical resources • Covered medical needs only include: ➢ A terminal illness ➢ Cancer requiring chemotherapy ➢ Diabetes and diabetes insipidus ➢ Seizure disorders ➢ Chronic mental illness ➢ Hypertension • Countable income of not more than $300 for an individual or $400 for a couple • Assets that do not exceed $500	State Program AS 47.08.150 7 AAC 48.500 - 900	Benefits are paid from another appropriation. Eligibility is determined in DPA.
Assistance for Seniors & Disabled				
Adult Public Assistance (including Interim Assistance and Old Age Assistance) 18,707 average monthly recipients	Maximum $362/month; combined with SSI max is $1,095/month Average monthly payment $263.47 in SFY2015	The Adult Public Assistance program is designed as a State supplement to the Federal Supplemental Security Income Program (SSI). As such, it confers Medicaid eligibility to its recipients. • Age 65 or older, blind or disabled • Alaska resident • Less than $2,000 (single) $3,000 (couple) in assets excluding house, one vehicle, burial fund • Monthly income below $1,362 for an individual, $2,017 for a couple, both eligible	State Program AS 47.25.430 – 615 7 AAC 40.020 – 900	$66,177.3 FY2017 Appropriation General Fund expenditures in this program are used to satisfy the annual maintenance of effort requirement to remain eligible for Medicaid reimbursement.

Alaska Department of Health and Social Services
Division of Public Assistance

Assistance Programs

Program & People	Benefit	Eligibility Criteria	Authority	Budget/Funding
Senior Benefits Program (100% State Funded) 11,305 average monthly recipients in SFY2015	Monthly payment of $125, $175 or $250 depending on income	• Age 65 or older • Alaska resident • Effective March 1, 2015 – February 28, 2016 – Yearly income of below $25,760 for an individual or $34,860 for a couple • Effective March 1, 2014 – February 28, 2015 – Yearly income of below $25,515 for an individual or $34,405 for a couple	State Program AS 47.45.300 – 309 7 AAC 47.545 - 599	$20,029.3 in SFY2017 Governor's budget is appropriated for benefits. 100% General Funds
		Heating Assistance		
Heating Assistance Program (LIHEAP –federally-funded) 9,183 households in SFY2015	Provides help paying for home heating costs $1,333year average per household in FY2015	• Annual home heating costs must exceed $200 • Gross income at or below $1,792 for an individual, $2,422 for a couple (150% of federal poverty level) • Household with a person age 60 or older, disabled, or under the age of 6, is considered a priority population. Households receive one additional heating point toward their benefit calculation	Federal/State Program PL 97-35 (1981) 45 CFR 96.80 - 89 AS 47.25.621 – 626 7 AAC 44.010 – 900	$14,183.6 appropriated in SFY2017 Governor's budget. $10,919.2 FFY17 Award 100% Federal Funds
Alaska Affordable Heating Program (100% state-funded) 1,763 households in SFY2015	Provides help paying for home heating costs $641/year average per household in FY2015	• Annual home heating costs must exceed $200 • Gross income between 151% to 225% of federal poverty level or $2,688 for an individual, $3,633 for a couple • Household with a person age 60 or older, disabled, or under the age of 6, is considered a priority population. Households receive one additional heating point toward their benefit calculation	State Program AS 47.05.010 AS 47.25.621 - 626 7 AAC 44.200 - 900	$9,174.3 decrement in SFY2017 Governor's budget. 100% General Funds General funds are also used to supplement awards to LIHEAP eligible households

Alaska Department of Health and Social Services

Division of Public Assistance

Assistance Programs

Program & People	Benefit	Eligibility Criteria	Authority	Budget/Funding
Assistance for Families with Dependent Children				

Alaska Temporary Assistance Program
 	
8,796 average monthly recipients in SFY2015
	Maximum cash benefit of $821 for a family with 1 child, $923 for a family with 2 children
	
	$612 average monthly benefit
		• Alaska Resident
		• Families with dependent children under age 18
		• Child support cooperation
		• 60-month time limit
		• Not more than $2,000 in assets per household, $3,000 for a household who has at least one member who is over 60
		• Net income of not more than $1,412 for a family with 1 child, $1,590 for a family with 2 children
		• Benefit amount based on income (lower if more income or less need)
		• 789 cases are "Child Only" (non-needy caregiver)
		• 146 cases are families living in exempt native villages
		• 75% include a parent and are subject to work and time limits
		  o 59% have used less than 2 years
		  o 17% have used between 2 and 3 years
		  o 11% have used between 3 and 4 years
		  o 7% have used between 4 and 5 years
		  o 6% have used more than 5 years (on allowable extension)
			Federal/State Program
			
			42 USC 602 – 608
			45 CFR 200 – 499
			
			AS 47.27.005 – 990
			7 AAC 45.150 – 990
				$33,032.8 appropriated for benefits.
				
				UGF in this component is Match for TANF MOE.

Assistance Programs

Child Care Assistance 4,794 average children per month in SFY2015	Provides monthly subsidy to help low income families pay for child care. Benefit is paid to the child care provider based on geographic location, type of care and age of children	• To be eligible, the parent(s) in the family must be participating in work, seeking work, in school or training activities, and meet income criteria. Countable income is dependent on the household size. • Child(ren) must be under the age of 13 or under the age of 19 if developmentally disabled • Income limits are set at 75% of 2008 median income for Alaska: $4,524 for household of 3, $4,614 for a household of 4, etc.	Federal/State Program PL 112-74 (2011) 42 USC 9858 45 CFR 98 – 99 AS 47.25.001 – 095 7 AAC 41.010 – 990	$43,328.8 appropriated for benefits. $3.5 million RSA with OCS to pay for child care assistance for children in custody.
Other Assistance				
General Relief Assistance 1,926 cases in SFY2015 3,305 recipients	Provides for emergent basic needs for shelter, utilities, food, clothing or burial	• Alaska resident • Have an emergent need for shelter, food, clothing, or burial • Assets that do not exceed $500 • Countable income of not more than $300 for an individual or $400 for a couple	State Program AS 47.05.010 AS 47.25.170 7 AAC 47.050 - 290	$2,905.4 appropriated for benefits. 100% general funds. $2,972.6 in benefits paid in SFY2015 94% of expenditures were for burials

Alaska Department of Health and Social Services
Division of Public Assistance

Assistance Programs

ACRONYM KEY	
AAC	Alaska Administrative Code
APA	Adult Public Assistance
AS	Alaska Statute
ATAP	Alaska Temporary Assistance Program
CFR	Code of Federal Regulations
CSFP	Commodity Supplemental Food Program
DKC	Denali Kid Care
LIHEAP	Low Income Heating Energy Assistance Program
NEOP	Nutrition Education & Obesity Prevention - Supplemental Nutrition Assistance Program
PL	Public Law
POMS SI	Social Security Administration Program Operations Manual System - Supplemental Security Income
SSI	Supplemental Security Income
TEFAP	The Emergency Food Assistance Program
USC	United States Code
USDA	U.S. Department of Agriculture
WIC	Women, Infants, and Children