

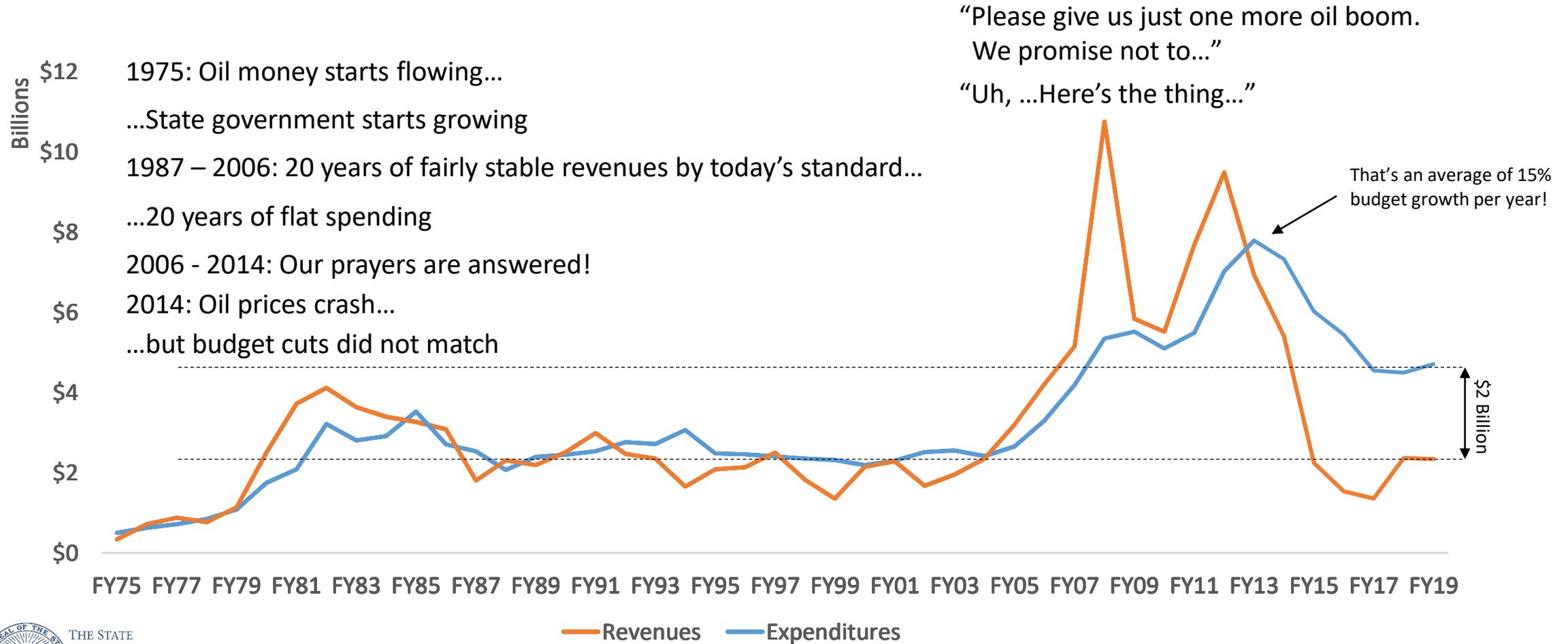
State of Alaska
Office of Management and Budget
Department of Revenue
Department of Law

Understanding Alaska's Fiscal Situation



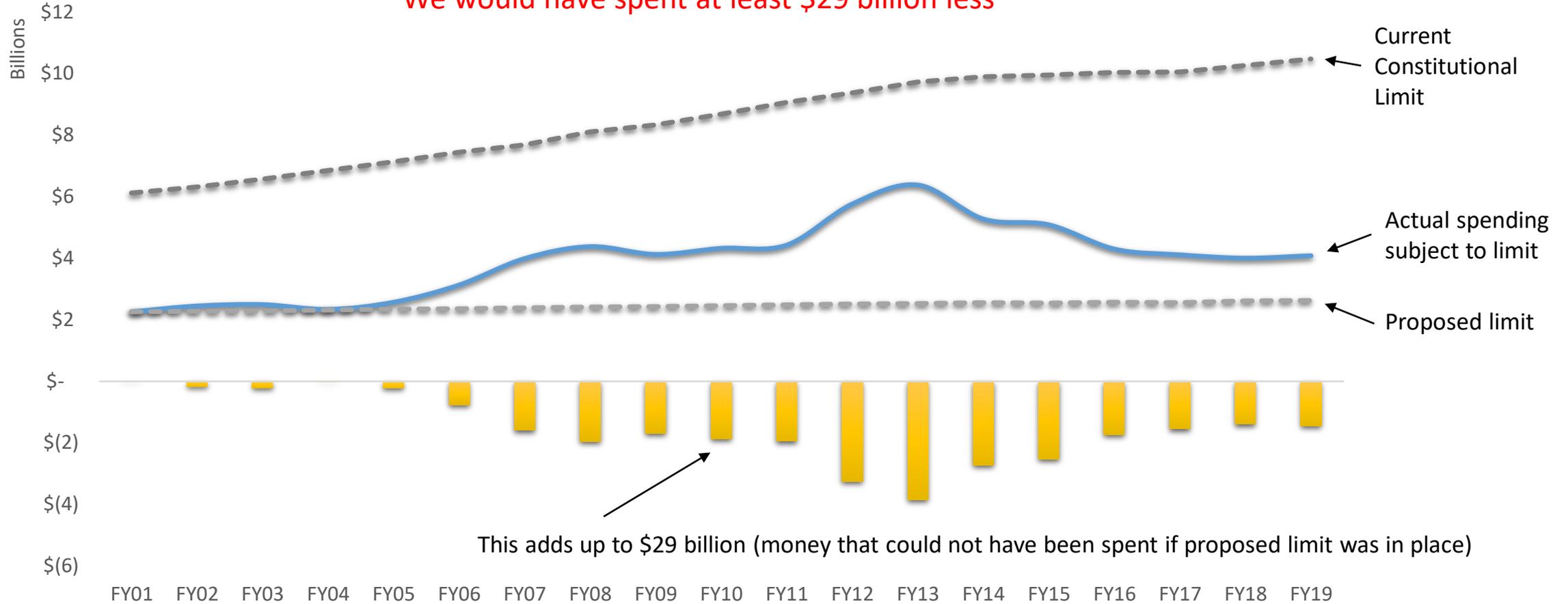
THE STATE
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GOVERNOR MICHAEL J. DUNLEAVY

Alaska Revenue and Spending History



What if the Proposed Spending Cap Passed 20 Years Ago?

We would have spent at least \$29 billion less



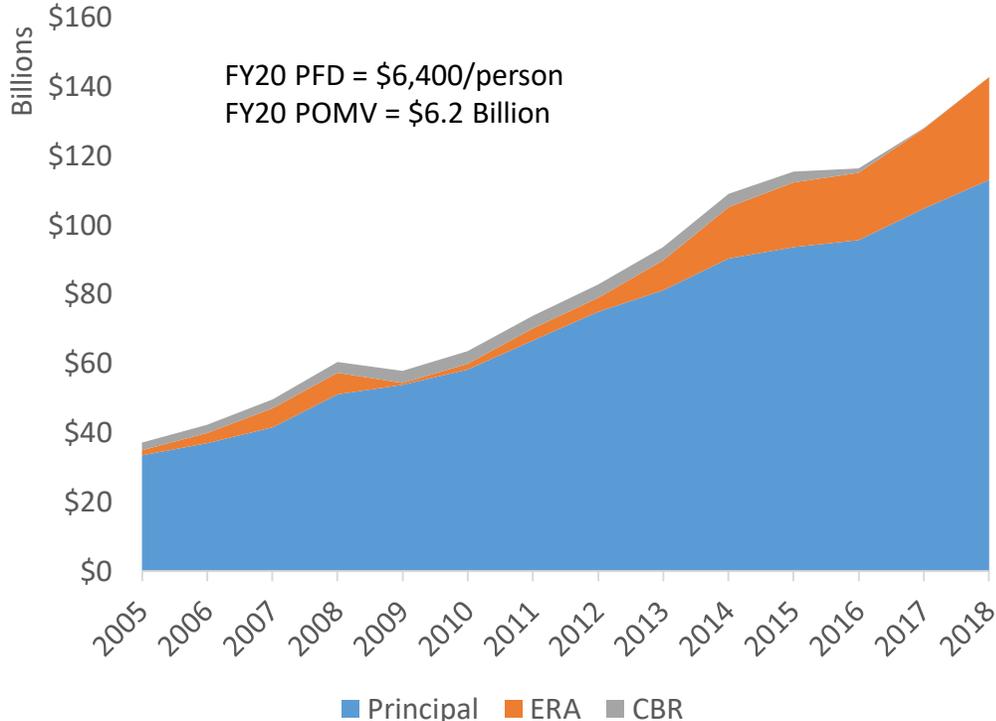
This adds up to \$29 billion (money that could not have been spent if proposed limit was in place)



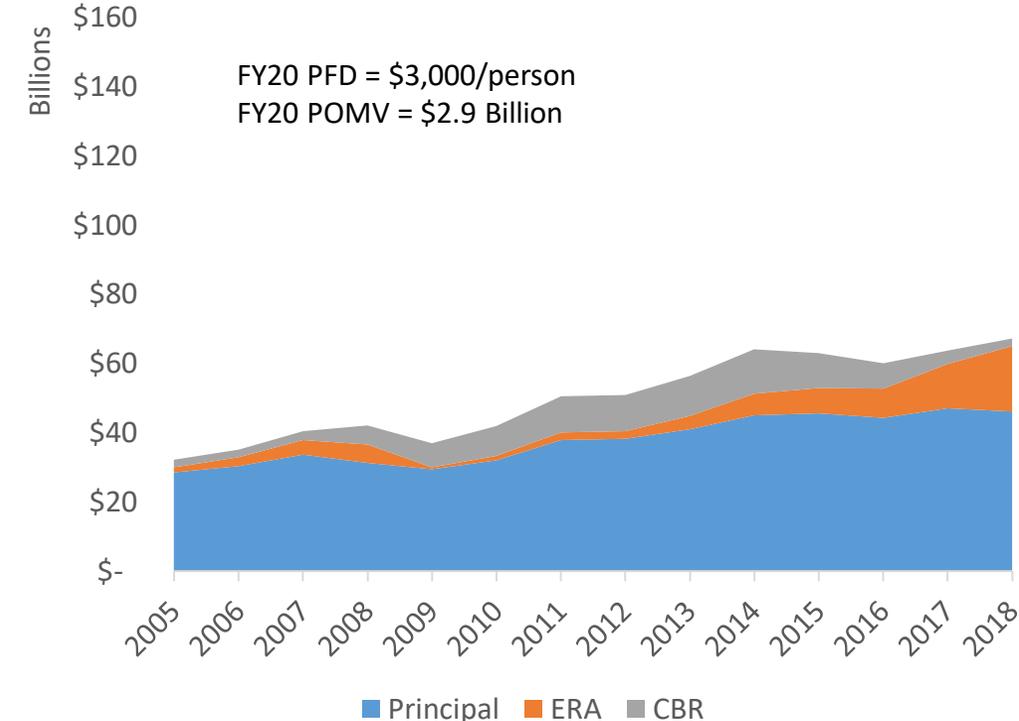
What if the Proposed Spending Cap Passed 20 Years Ago?

We would be having very different conversations

With Proposed Spending Limit*



Current Situation

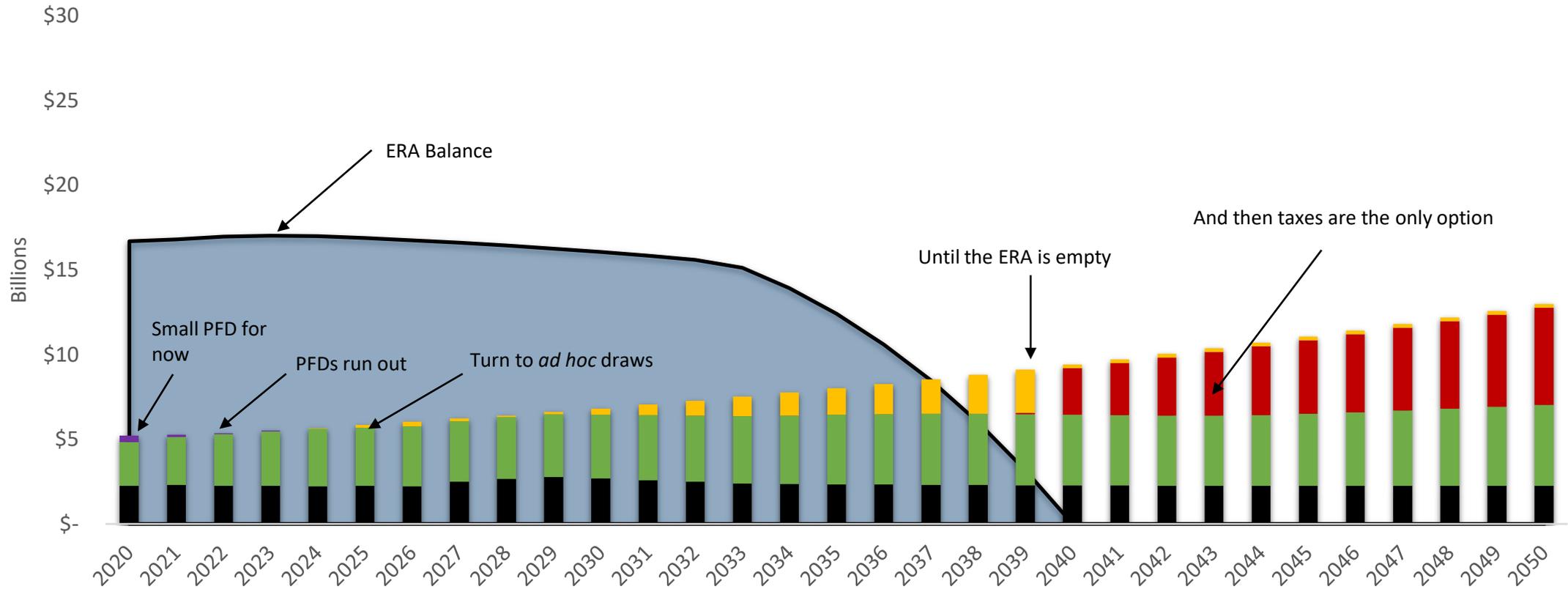


*The amendment limits the Balance of the CBR to one year's spending



Status Quo Budgeting

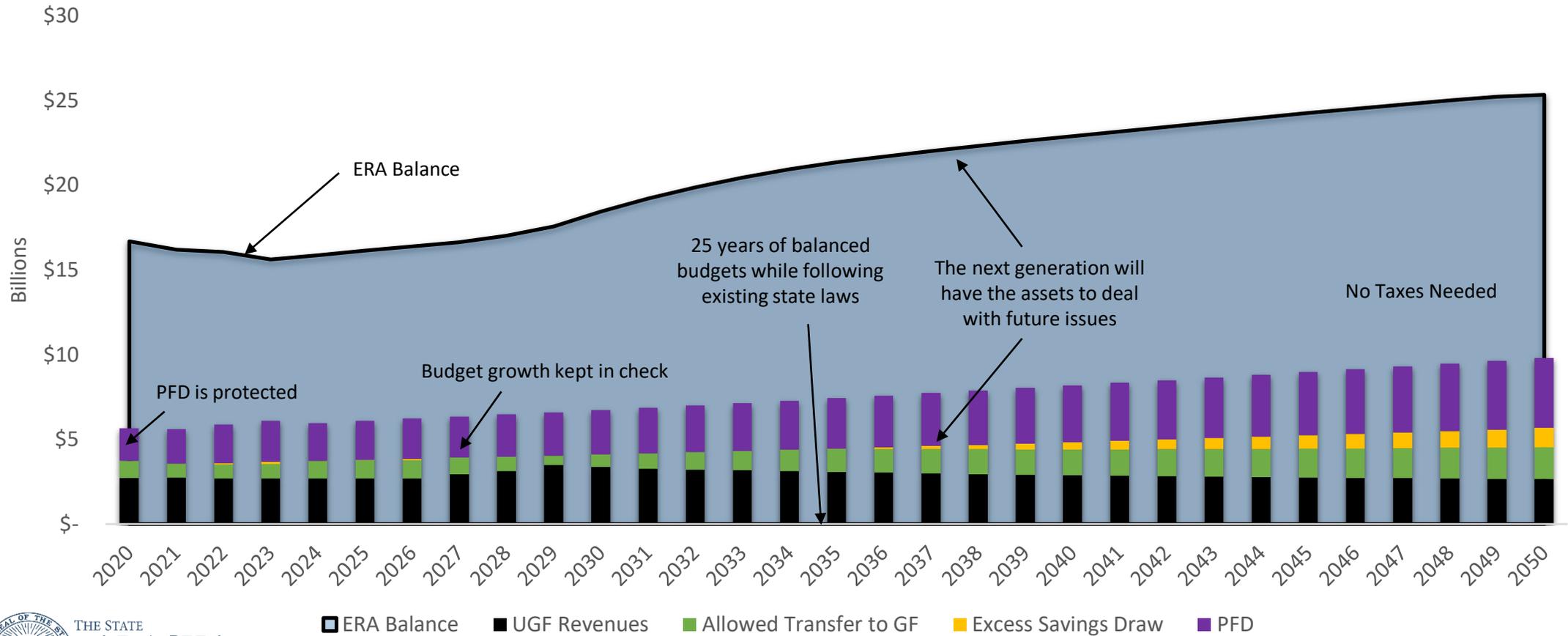
No PFD, No Savings, and No good options for future Alaskans



ERA Balance
 UGF Revenues
 Allowed Transfer to GF
 Taxes
 PFD
 Excess Savings Draw

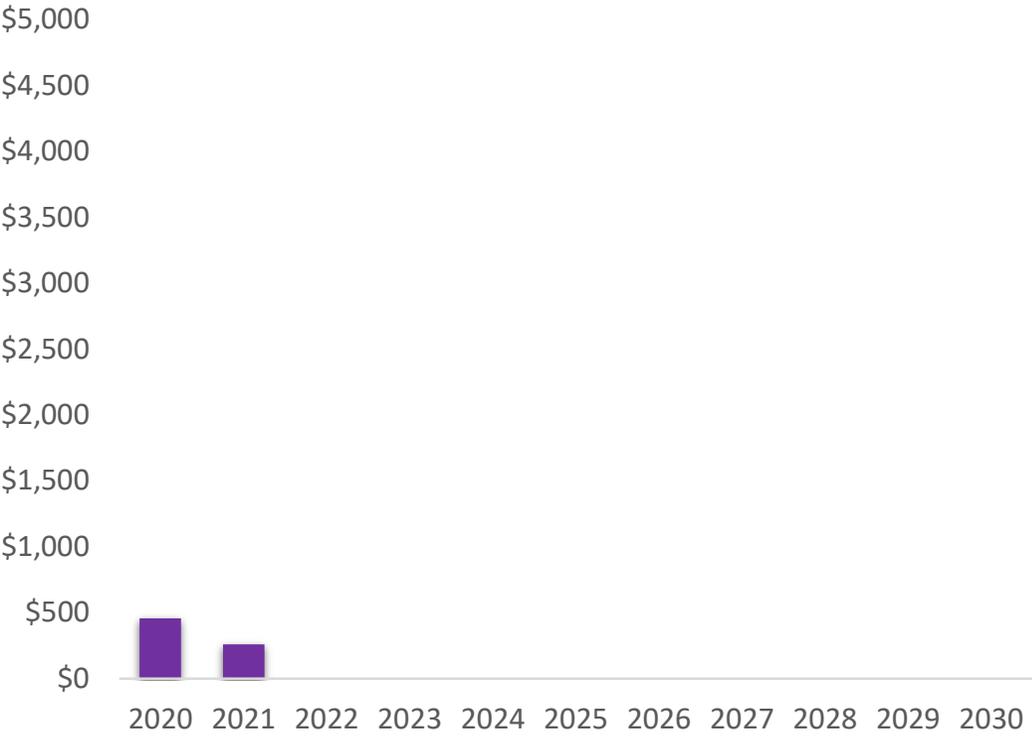
Where does Governor Dunleavy's plan lead?

Full PFDs, Balanced Budgets, and a Bright Future

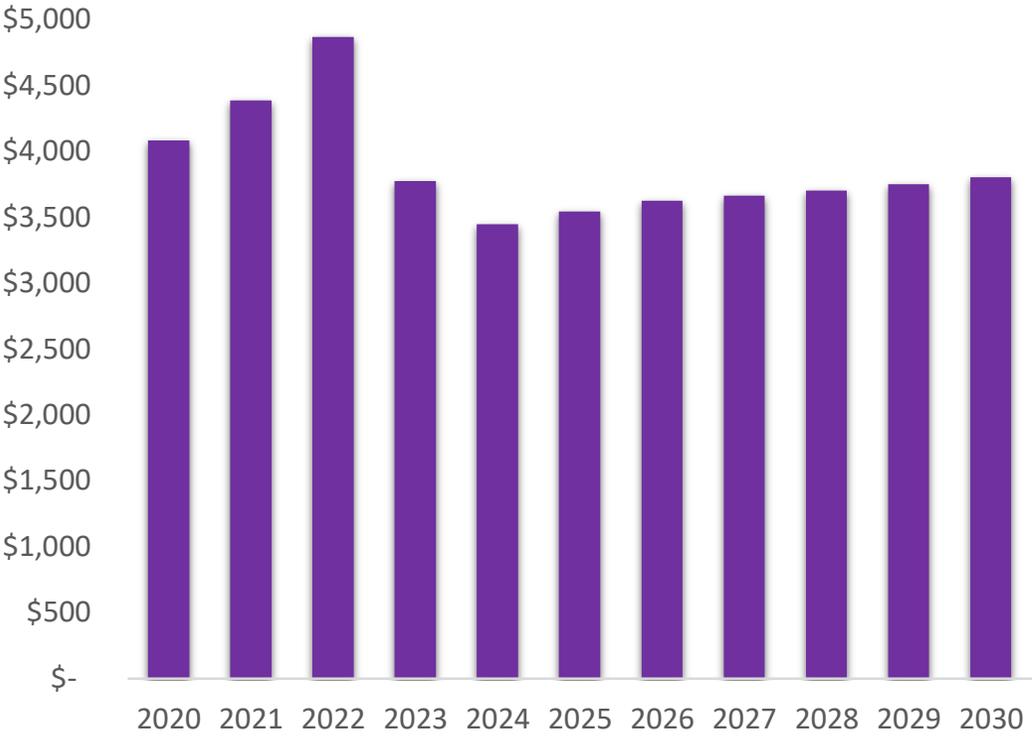


PFD Amounts Under Alternative Plans

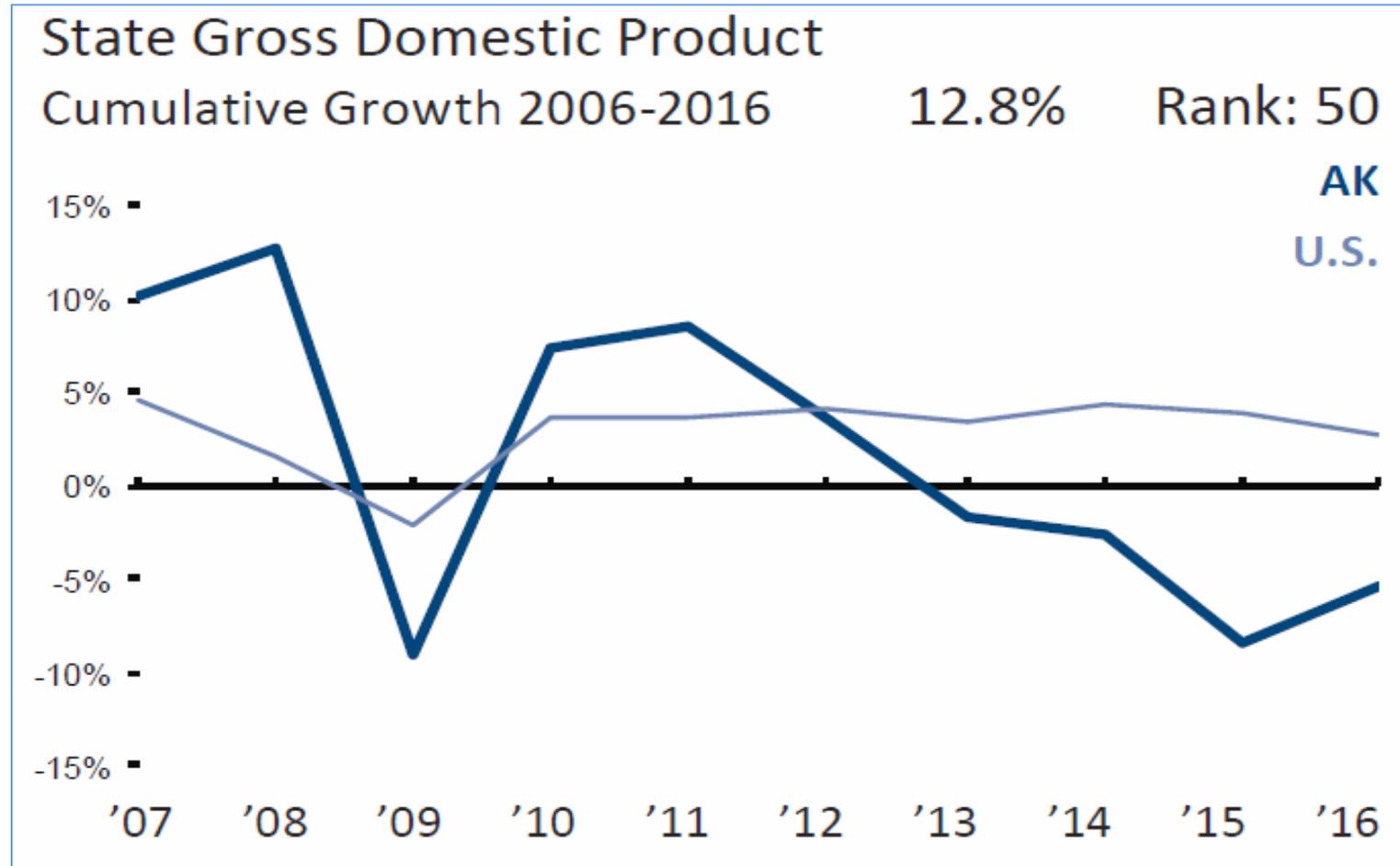
Use PFDs to Balance



Governor's Plan

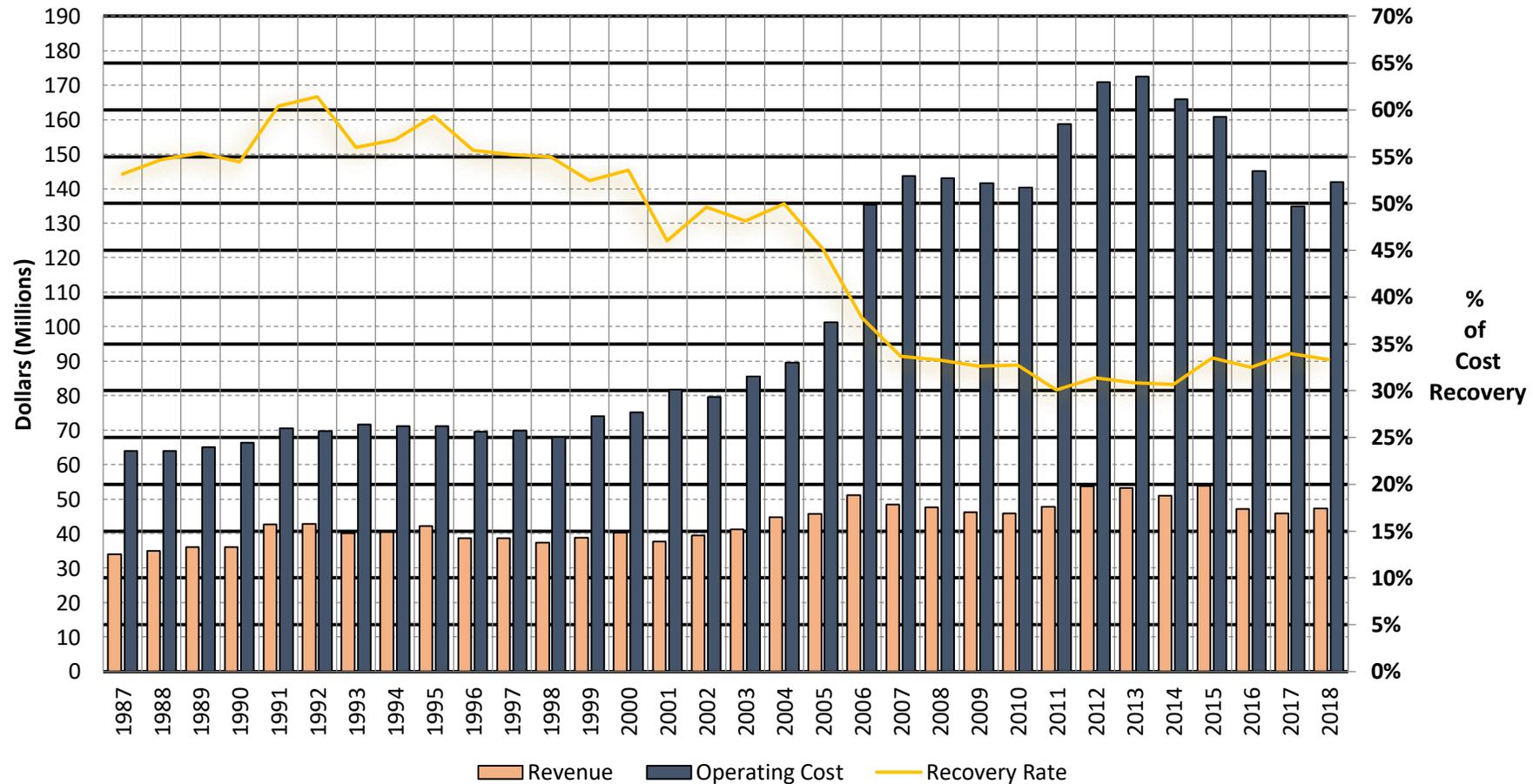


Alaska Economic Trends: GDP



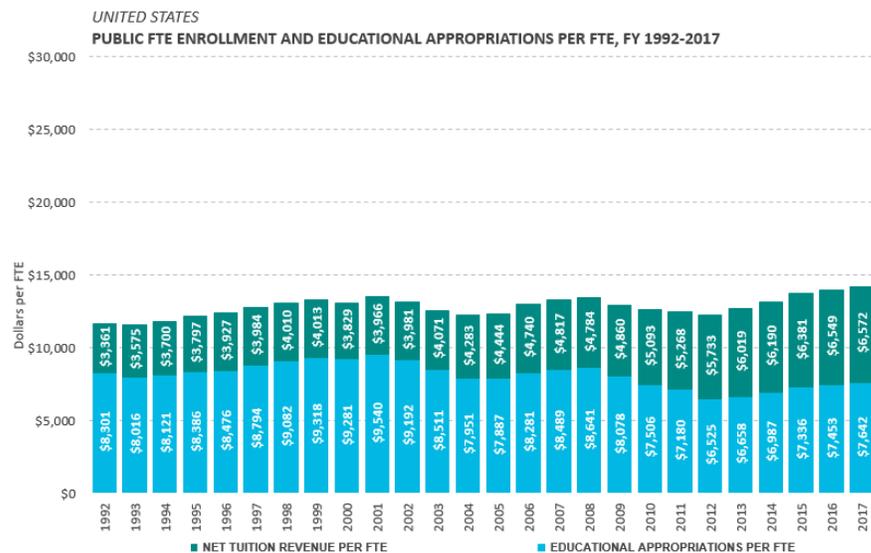
Historical Revenue & Operating Cost: Alaska Marine Highway System

AMHS Fare Box Recovery Rate 1987-2018

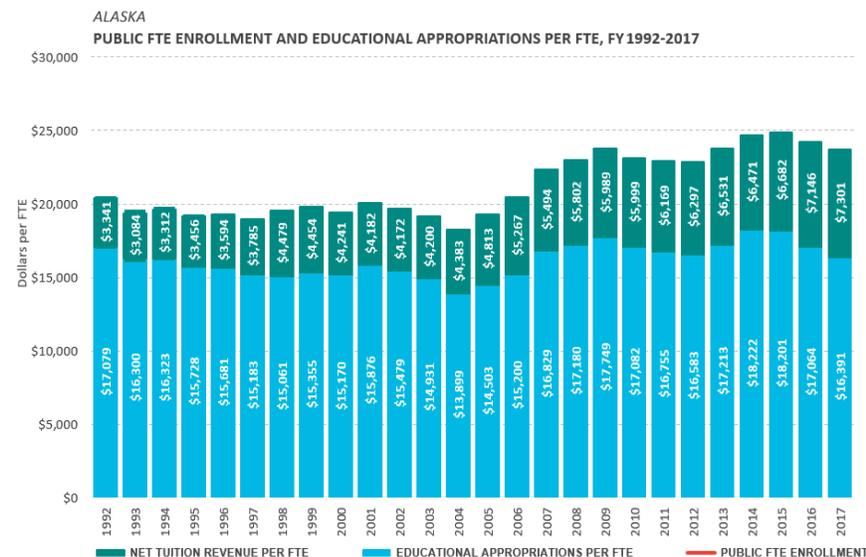


University of Alaska Spending and Outcomes

U.S.--\$7,642/student



Alaska--\$16,391/student



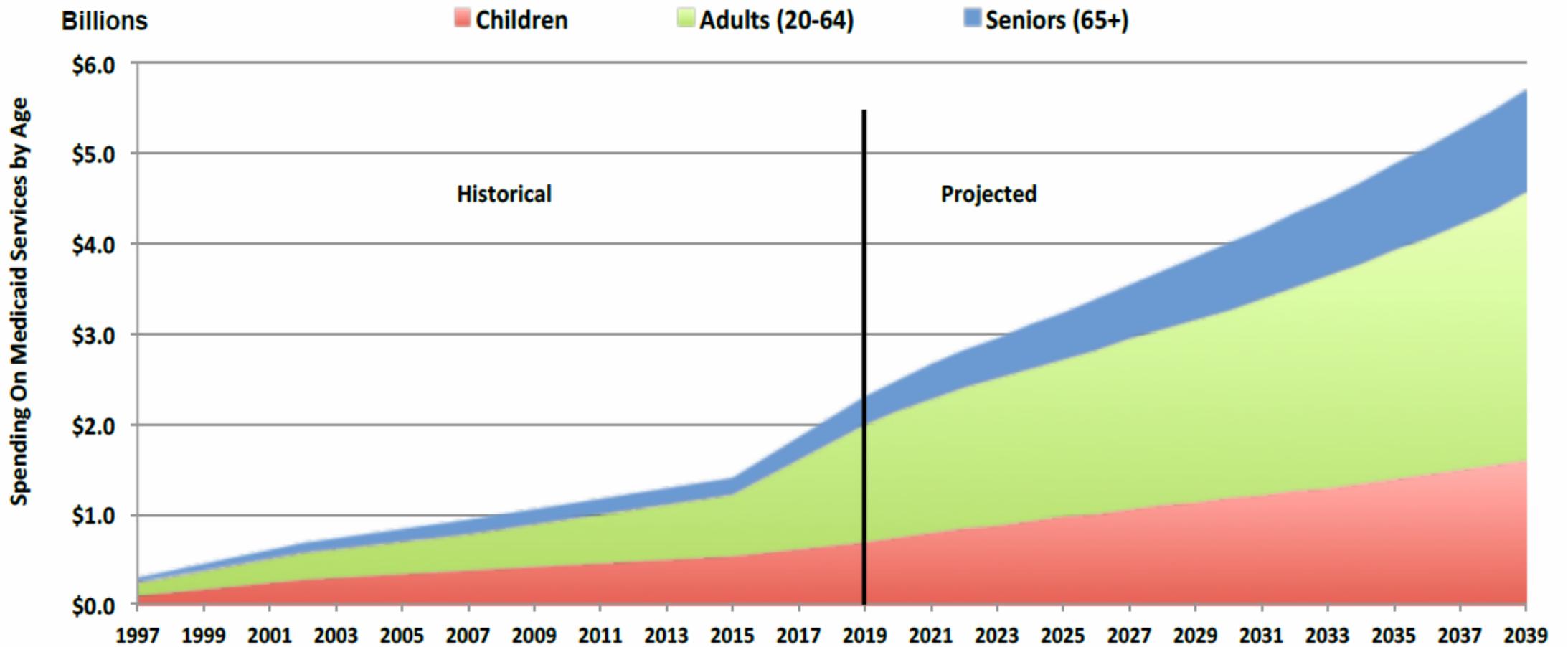
Outcomes:

	Graduation Rates			
	1st year retention	4 yr	5 yr	6 yr
University of Alaska - Fairbanks	75%	15.3%	30.5%	39.2%
University of Alaska - Anchorage	71%	7.3%	17.3%	24.9%
University of Alaska - Southeast	64%	11.6%	15.7%	19.0%

Source: CollegeResults.Org, 2016 data



Projected Spending on Medicaid Claims FY2019-2039

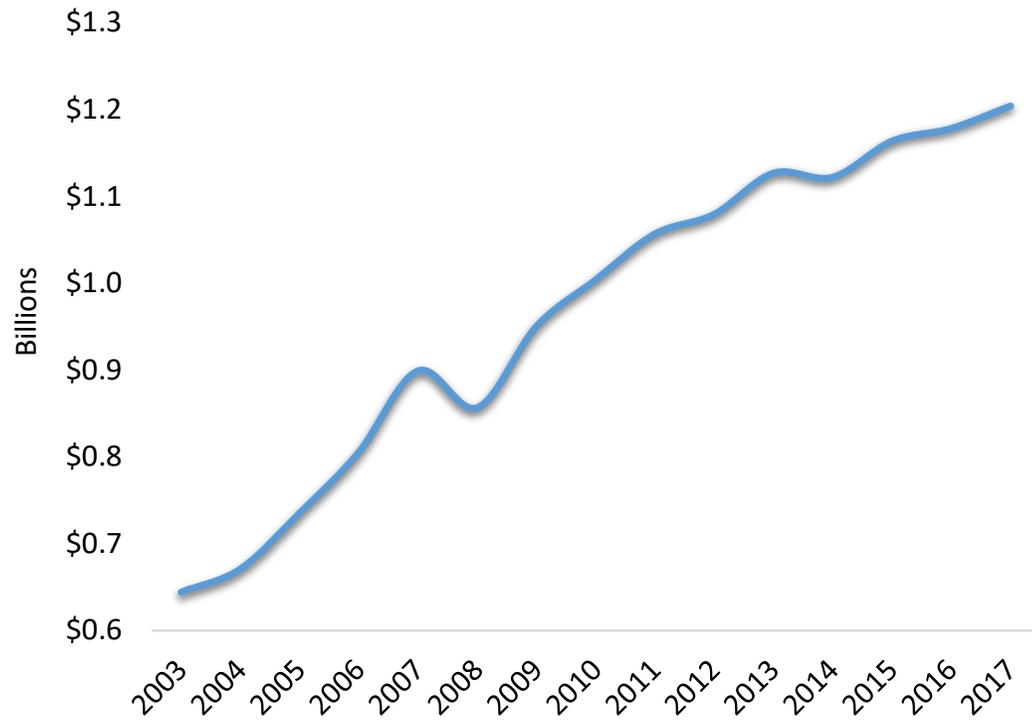


Source: Analysis by Evergreen Economics of data provided by the Medicaid Budget Group.

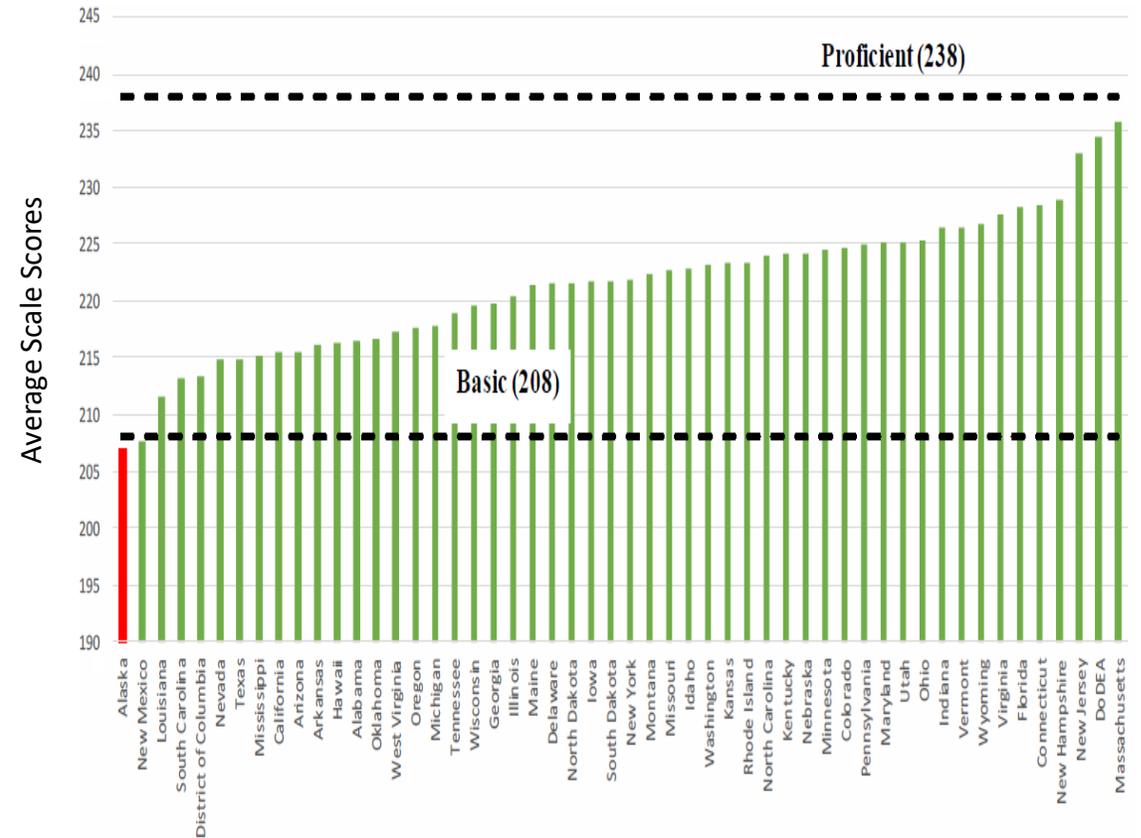


Education Spending and Outcomes

Alaska Inflation Adjusted State Aid



Alaska Grade 4 Reading Proficiency



Why Governor Dunleavy's Plan?

- The cost of doing nothing is too high
- Without controls, the government always grows
- Without protection, the PFD will go away
- Without a seat at the table, taxes are coming
- How do we accomplish these goals?
 - **Constitutional Amendments!**

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Constitutional Amendments



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Governor's Constitutional Amendments

Three constitutional amendments were introduced to provide sustainability, predictability, and affordability for Alaska:

1. Set an annual spending and savings rule to keep expenditures in line and not allow spending to increase when revenues are high
2. Require a vote of the people before broad-based taxes can be implemented
3. Constitutionally enshrine the PFD – Alaska is an owner state

1) Appropriation Limit (SJR6/HJR5): Caps Spending at a Sustainable Level

- The current constitutional spending limit has grown to \$10 Billion – clearly ineffective (Article 9, Section 16)
- Caps spending at a sustainable level and allows for growth based on population and inflation
 - Some exceptions to the limit including PFDs, disasters, G.O. bonds
 - Capital spending is not an exception
- Excess revenues above the limit are automatically saved for future generations

2) Check & Balance on Taxes (SJR 4/HJR 5)

- If the legislature increases a tax or passes a new tax, the voters must approve
- If the people by initiative increase a tax or pass a new tax, the legislature must approve

3) Permanent Fund Dividend (SJR 5/HJR 6)

- “Absent another constitutional amendment, the Permanent Fund dividend program must compete for annual legislative funding just as other state programs.” *Wielechowski v. State*, 403 P.3d 1141, 1152 (Alaska 2017)
- Establishes in the Constitution the right of Alaskans to receive a PFD
- No Appropriation Necessary to Transfer Money to Pay the PFD
- No Veto of the PFD is Possible
- Any change in the PFD must be approved by the voters

Text

PLAN to 888111



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