# State of Alaska

## Office of Management and Budget
## Department of Revenue
## Department of Law

# Understanding Alaska's Fiscal Situation

THE STATE of ALASKA

GOVERNOR MICHAEL J. DUNLEAVY

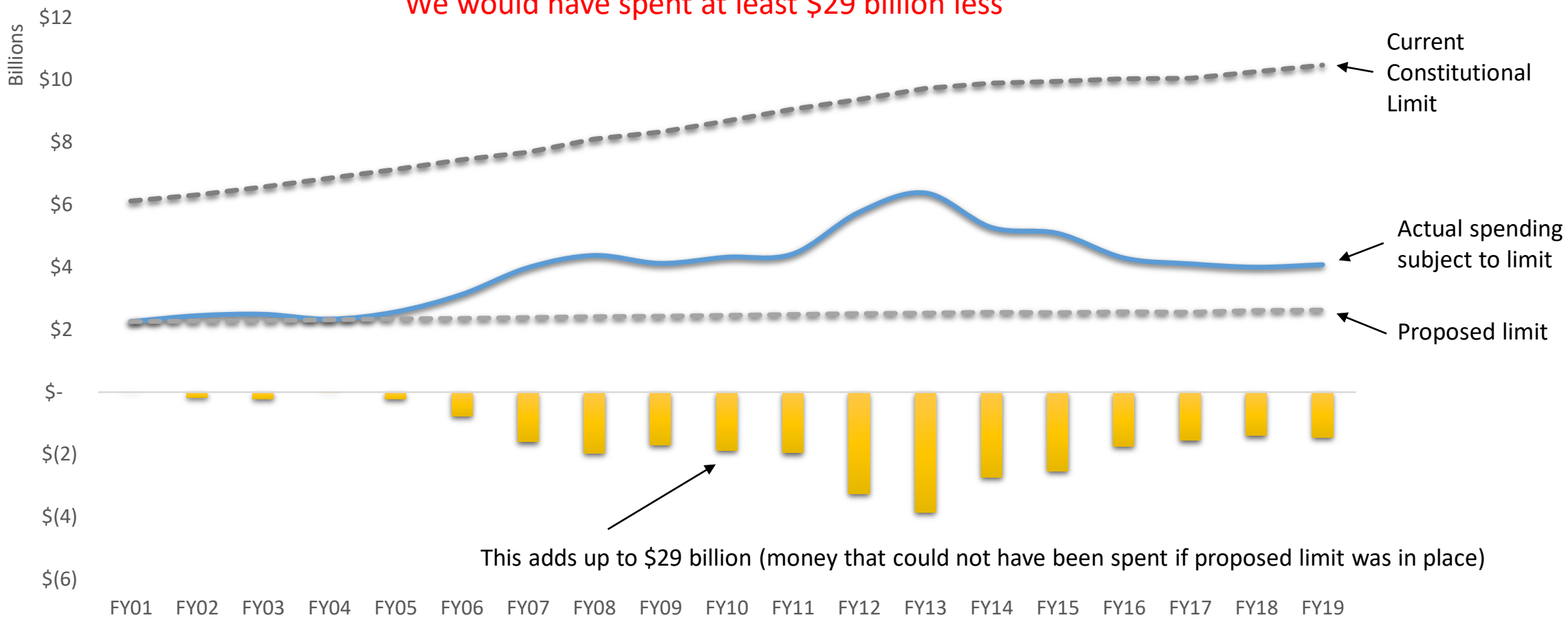
# Alaska Revenue and Spending History

THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Source: Legislative Finance http://www.legfin.state.ak.us/

# What if the Proposed Spending Cap Passed 20 Years Ago?

We would have spent at least $29 billion less



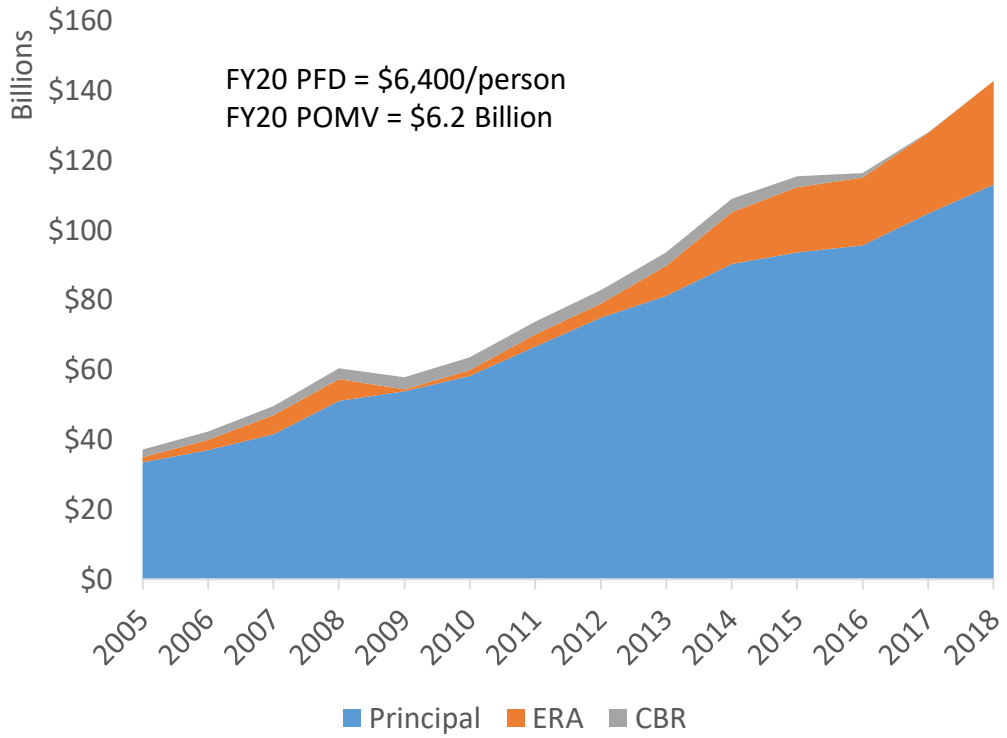

THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Source: Ed King, Chief Economist, Department of Revenue

# What if the Proposed Spending Cap Passed 20 Years Ago?

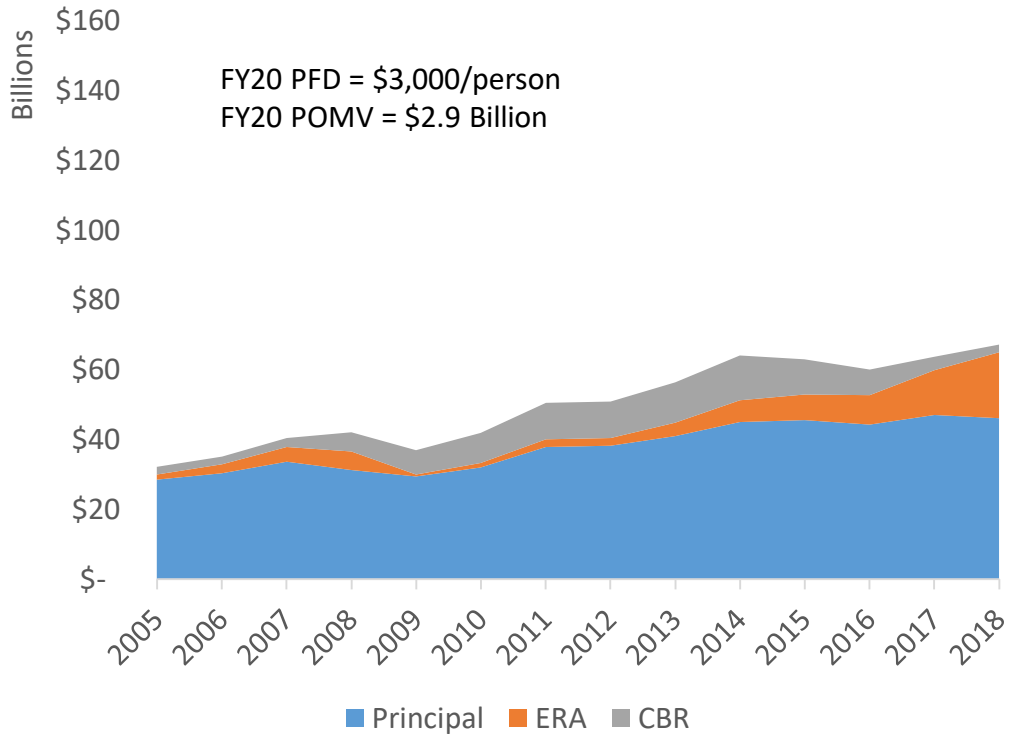
We would be having very different conversations

## With Proposed Spending Limit*




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

## Current Situation

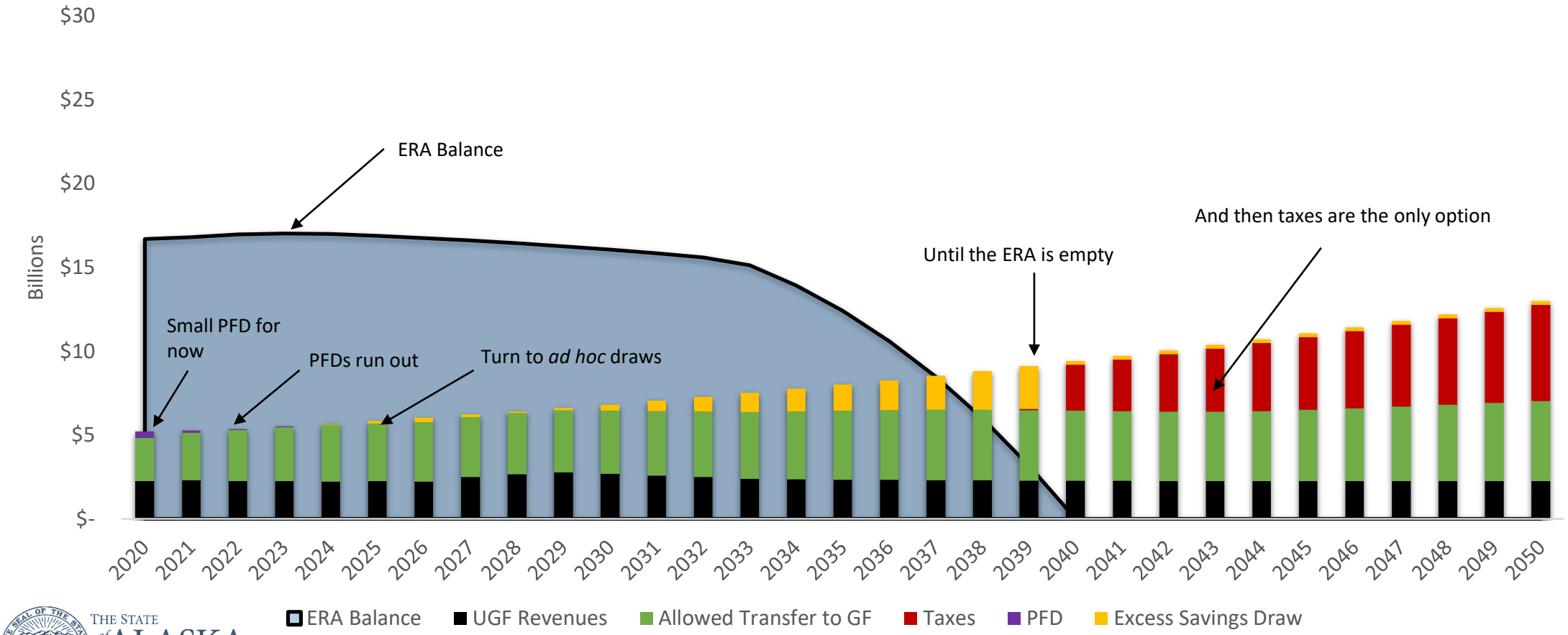



THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Source: Ed King, Chief Economist, Department of Revenue

# Status Quo Budgeting

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

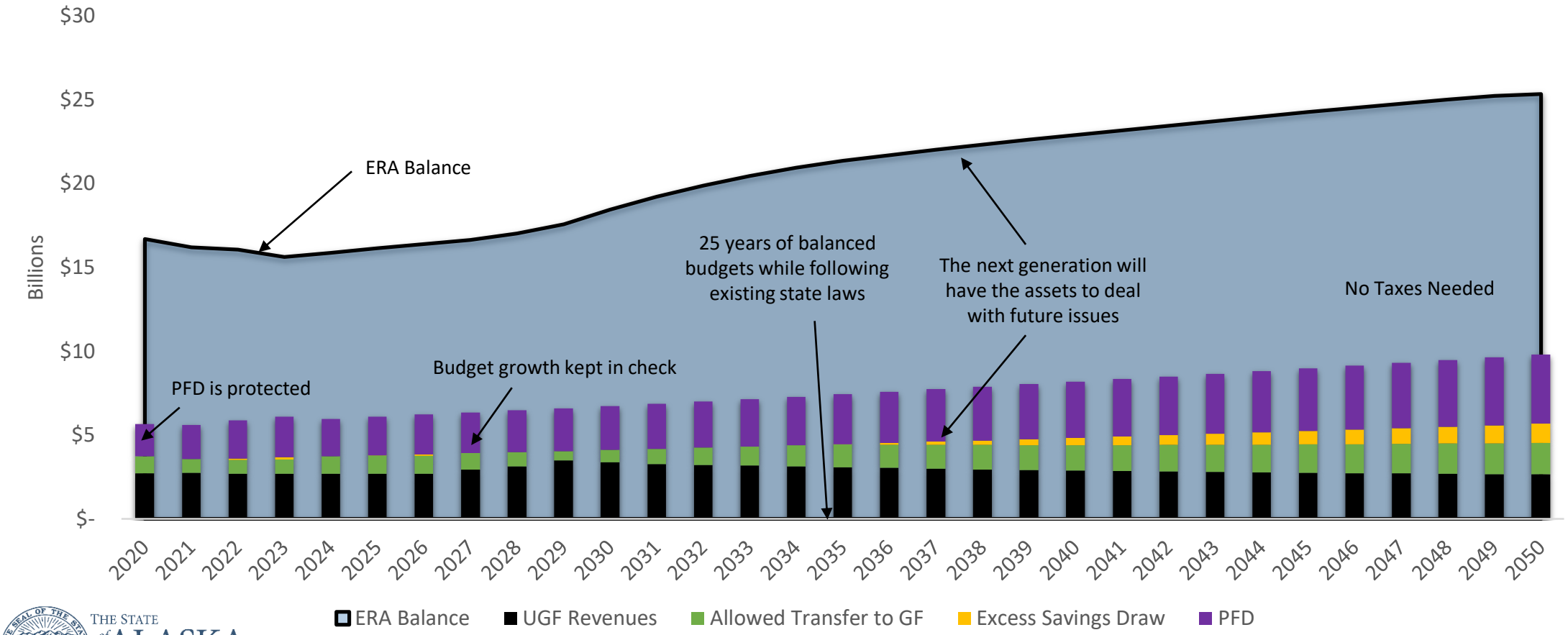



THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Source: Ed King, Chief Economist, Department of Revenue

# Where does Governor Dunleavy's plan lead?

Full PFDs, Balanced Budgets, and a Bright Future

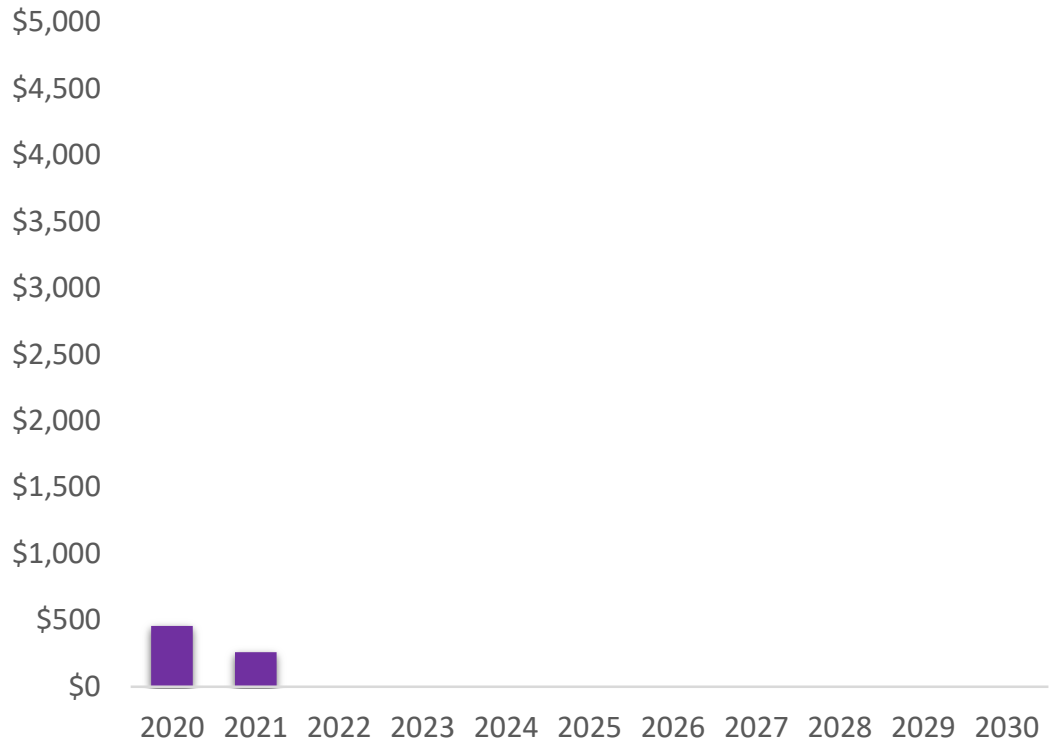



THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

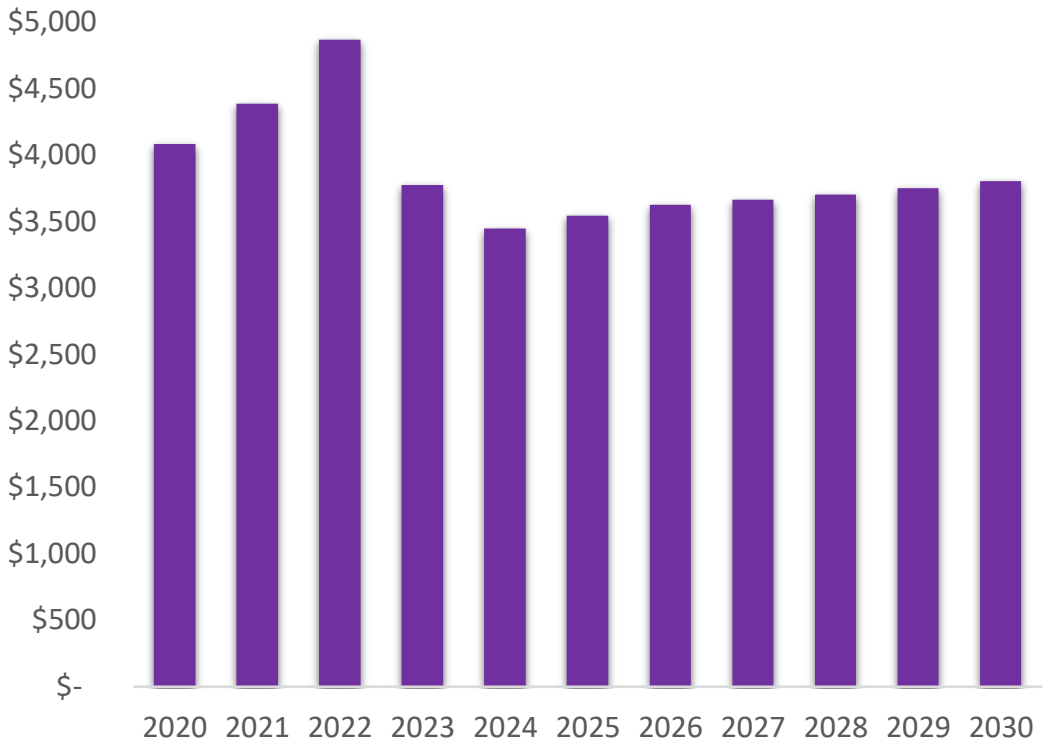
Source: Ed King, Chief Economist, Department of Revenue

# PFD Amounts Under Alternative Plans

## Use PFDs to Balance



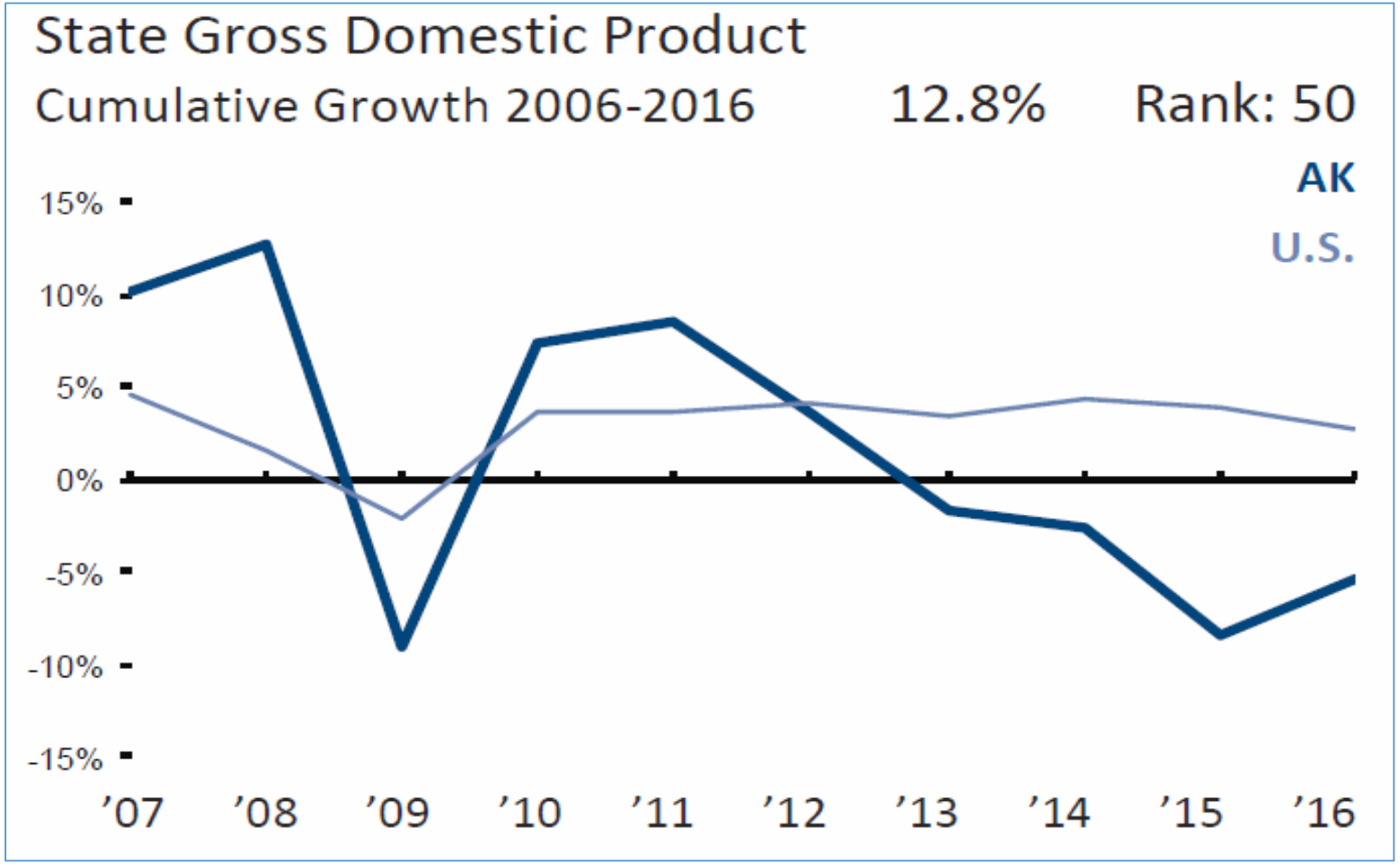

## Governor's Plan




THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

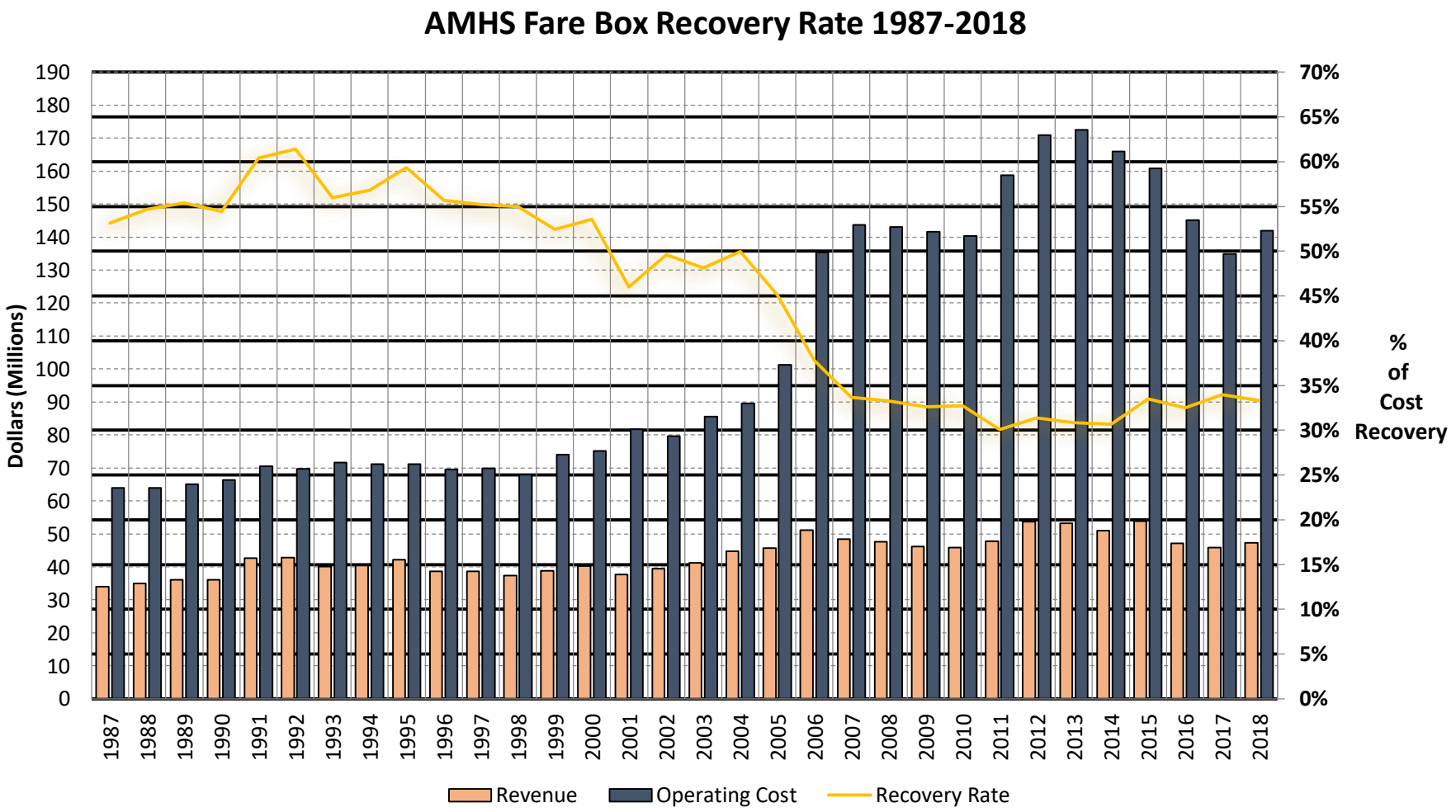
Source: Ed King, Chief Economist, Department of Revenue

# Alaska Economic Trends: GDP




THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

# Historical Revenue & Operating Cost: Alaska Marine Highway System

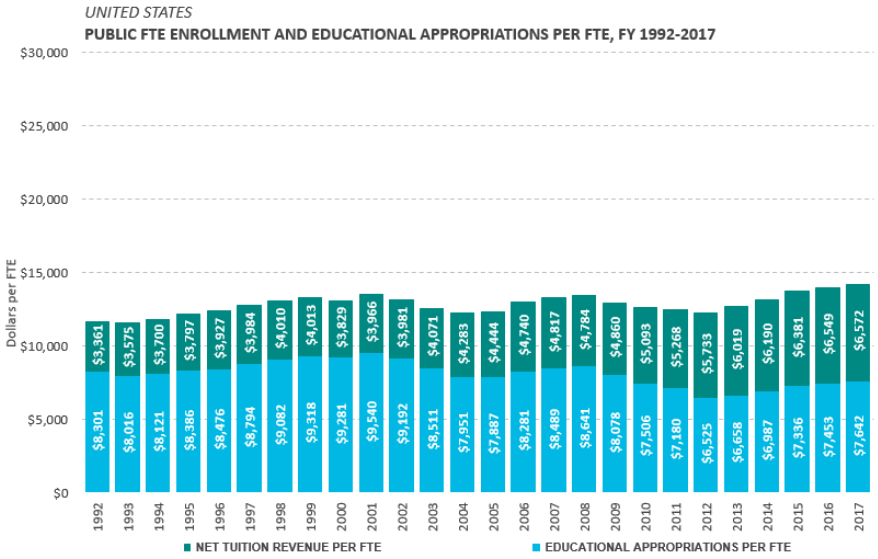



THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

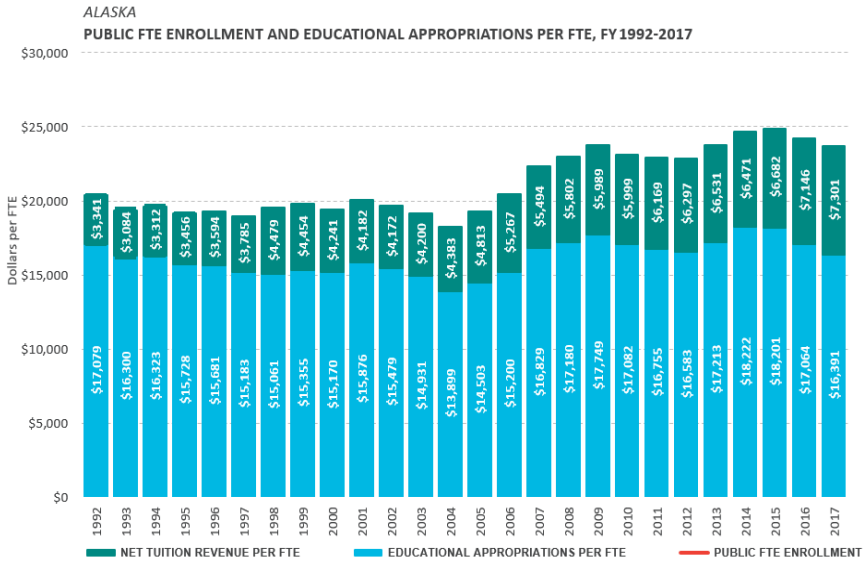
Source: Alaska Department of Transportation and Public Facilities, 2019

# University of Alaska Spending and Outcomes

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




## Alaska--$16,391/student



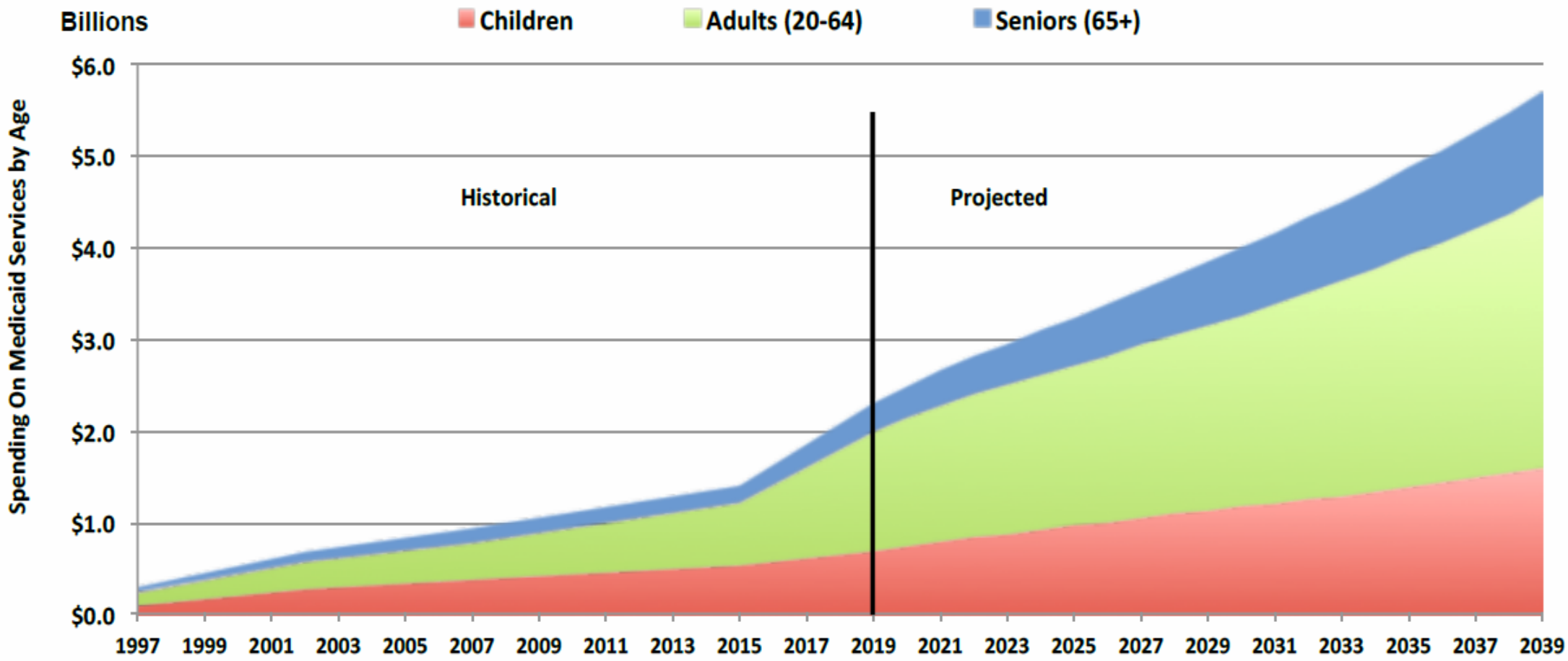

## Outcomes:

| | | 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 | | | | |

THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Source: State Higher Education Executive Officers Association and http://collegeresults.org/

# Projected Spending on Medicaid Claims FY2019–2039

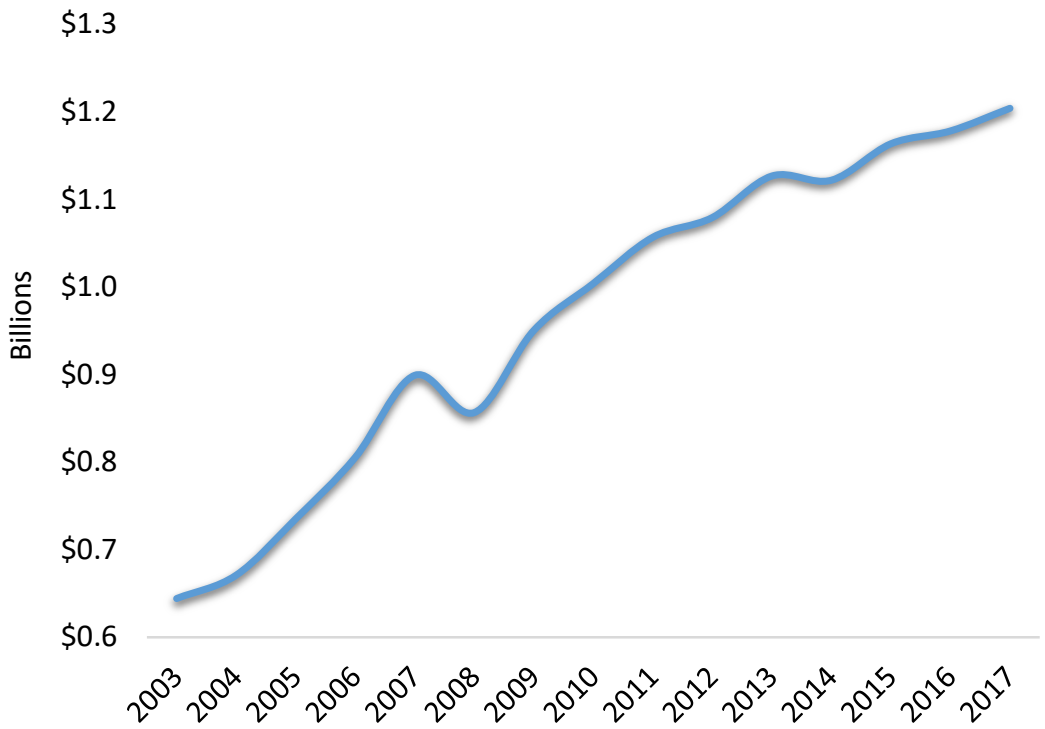



Source: Analysis by Evergreen Economics of data provided by the Medicaid Budget Group.

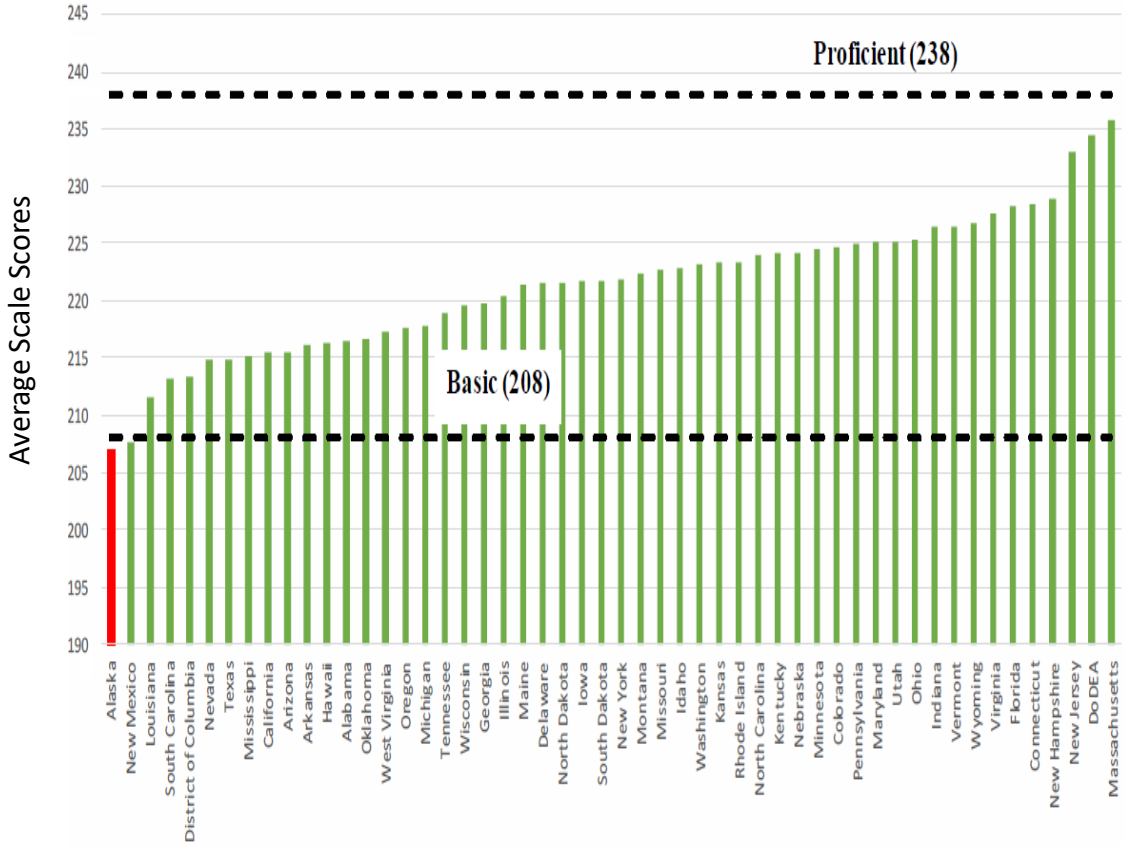
THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

# Education Spending and Outcomes

## Alaska Inflation Adjusted State Aid




## Alaska Grade 4 Reading Proficiency




THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Source: Alaska Department of Education and Early Development

# 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!

THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

# State of Alaska

## Office of Management and Budget
## Department of Revenue
## Department of Law

# Constitutional Amendments

THE STATE of ALASKA

GOVERNOR MICHAEL J. DUNLEAVY

# 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

THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

# 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

THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY