

Finally Fixing Alaska's Long-Term Fiscal Issues

With fewer than 20 days left in the 2022 Alaska Legislative session, the Board of Alaska Common Ground encourages our members and friends to contact their legislative representatives to act now on long-term solutions to the state's fiscal situation.

There are hopeful signs from both the Legislature and Administration that our representatives are serious about finally fixing Alaska's long-standing fiscal problems. That is, balancing revenues and expenditures to avoid a long-term structural deficit.

Last summer the Legislature formed a bipartisan and bicameral Fiscal Policy Working Group to delve into the State's fiscal problems and try to develop practical solutions. A consensus-based and well-reasoned **final report** was released in August that presented a set of recommended actions that would comprehensively address the fiscal issues and problems. However, despite three special sessions, in 2021 the Legislature took no actions to solve the problems.

In the current legislative session there has been progress in fixing the State's fiscal problems. The Senate Finance Committee has approved **Senate Bill (SB) 199** for consideration by the full Senate. SB 199 would set the percentage of the draw for state services and for PFDs from the Permanent Fund earnings. The draw would be 50/50 (state services/PFD) in FY 23, then be 75/25 until 2026. If in 2026 the State increases its revenues by \$800 million to create a balanced budget, the draw would revert to 50/50; if not, it would remain 75/25. As of April 29, the Seante has not yet scheduled a vote on SB 199.

The House has passed a state operating budget for FY 23 that contains a PFD at \$1,250 with an additional \$1,300 energy relief check for each eligible Alaskan—when added together the payment would be essentially the same as SB 199 for FY 23.

The House-passed budget would do some other prudent things with this year's surplus revenue created by the recent higher-than-expected oil prices, including forward-funding K-12 education for FY 24, paying the remainder of oil and gas tax credits owed to producers, transferring over \$1 billion to the constitutionally protected part (the principal) of the Permanent Fund, and rebuilding state savings accounts to about \$2.2 billion (after being depleted by a decade of deficit spending).

In addition to the Legislature's progress toward a sound fiscal plan, the Administration has expressed strong support for fixing Alaska's long-standing fiscal problems. In a **recent opinion piece** in the Anchorage Daily News, Commissioner of Revenue Lucinda Mahoney stated: "We are presented with an opportunity to establish a fiscal plan. But policymakers must make a choice; we can spend our surpluses like policymakers of the past have – leaving us in an unstable fiscal situation when oil revenues dry up, or we can enact sound fiscal policies such as establishing an effective spending cap, replenishing savings, and establishing firm rules for spending the Permanent Fund distributions."

There are significant differences of position on what a "sound fiscal plan" should contain, but there is strong interest from all the primary players in getting to such a plan.

Now, before the Legislature adjourns on or before May 18, is the time for Alaskans to let their representatives know we want a sound fiscal plan drafted and enacted, and that there have been way too many years of "kicking that can down the road."

Some suggested “talking points” to communicate to your representatives are:

- The State must have a sound and sustainable fiscal plan.
- The plan must provide a structure for adequate funding of state services, capital improvements, a sustainable PFD, and other State financial obligations. It must also provide for continued growth of the Permanent Fund.
- If the plan provides for a 50/50 draw from the Permanent Fund earnings for state services and the PFD, it must include new sources of State revenue so that there is no deficit spending.
- Now is the time to develop and enact the plan. It is no longer an option for the Legislature to “Kick the can down the road.”

You can find legislator contact information and look up who represents you **here**. Scroll down to the bottom of **the page** if you need to look up your representatives.