

The Path to a Fiscal Future: Use Earnings from All Our Assets

Scott Goldsmith, ISER, April 23, 2015

The state government's assets could generate enough earnings in fiscal year 2016 to pay the Permanent Fund dividend, boost the size of the Permanent Fund, and cut the expected General Fund deficit from \$3.3 billion to just over \$1 billion—which would still be a big fiscal challenge but much more manageable. That's the finding of a new analysis by Scott Goldsmith, professor emeritus of economics at ISER.

Those state assets consist of money in the Permanent Fund and other accounts as well as the value of state-owned petroleum still in the ground. Dr. Goldsmith estimates that after first paying the dividend and adding to the Permanent Fund, the state could put \$2.2 billion in remaining earnings in the General Fund, which pays for public services.

Right now the state uses only current petroleum revenues and smaller sources to cover General Fund spending—but those revenues are expected to fall \$3.3 billion short of the estimated \$5.5 billion in spending next year. Dr. Goldsmith finds that if the state's broader assets were carefully managed and annual General Fund spending was gradually reduced to about \$4.5 billion, part of the asset earnings could be used every year, without risking the value of the assets themselves.

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Read the analysis, *The Path to a Fiscal Future: Use Earnings from All our Assets* (PDF, 661.6KB). If you have questions, get in touch with Scott Goldsmith at osgoldsmith@alaska.edu or call 907-786-7720.