Imposing Fiscal Stability in Alaska

Pat Galvin

Alaska Common Ground Forum
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Current Cash Flow Path
Alaska Oil Revenue

Annual Oil Income
Production Tax & Royalty Revenue (other than Permanent Fund share)

Gen Fund

Const. Budget Reserve

- GF Unrestricted Revenue (Spring 2014)
- Net Fund Transfers
- Capital Budget
- Statewide Operations
- Agency Operations

Spring 2014 Revenue Forecast
Structural (and Political) Problems With Current Cash Flow System

• Erratic Annual Revenue Stream Makes Budgeting Difficult

• Budget Discussions Focus on Short-Term Status (Surplus/Deficit) – Displaced From Overall Fiscal Situation
  – Spending Increases Rapidly at times of Surplus
  – Spending Decreases Slowly at times of Deficit

• Changes in Oil Taxes Have Immediate Impact on Surplus/Deficit Balance
  – Creates sense of instability or target for oil industry
Premise of Stabilization Proposal

• Good Days are Ahead for Alaska Oil and Gas
  – A Whopping Amount of Undiscovered Oil and Gas
• Revenues will continue to be highly volatile
• Budget discipline will be difficult absent structural restrictions
• Annual budgeting will run smoother if a more stable revenue stream is provided for annual spending
Alaska’s Revenue Smoothing & Fiscal Stability Plan (ARSFSP)

Annual Oil Income
Production Tax & Royalty Revenue (other than Permanent Fund share)

Gen Fund

Annual Constitutional Budget Reserve Distribution to General Fund** =
A. (Previous Year General Fund Spending less non-oil revenue) plus X%;
or
B. Y% (e.g. 20%) of Constitutional Budget Reserve Balance;
Whichever is Greater

**Unless, Legislature makes a finding that an economic or natural disaster has occurred and ¾ vote, subject to Governor veto.
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