



# Alaska Common Ground

[www.akcommonground.org](http://www.akcommonground.org)

## **The State of Alaska's Fiscal Circumstances**

Here is a collection of facts about where the State of Alaska is this fall of 2016. The list is numbered for ease of reference. (Unless otherwise noted, the figures below come from the Alaska Legislative Finance Division and describe the Unrestricted General Fund, which is what people in Alaska usually mean when they say “the budget” or “State spending.”)

- a. Do you see any of these facts as incorrect?
  - b. Which of these facts do you see as most important?
  - c. Which additional facts — if any — do you consider important in addressing the State of Alaska's fiscal challenge?
  - d. What specific steps do you support to address the State of Alaska's fiscal challenge?
- 1. The budget is \$4.3 billion this year, and revenues are projected to be \$1.2 billion.**
  - 2. The resulting deficit of \$3.1 billion works out to about \$4,200 for every man, woman, and child in Alaska for this fiscal year (Fiscal Year 2017 or FY17—July 1, 2016 through June 30, 2017).**
  - 3. For the fifth straight year, the State of Alaska is financing its deficit by spending savings, primarily the Constitutional Budget Reserve Fund.**
  - 4. Assuming the current level of spending and the current revenue laws as well as the Alaska Department of Revenue's most recent revenue projections, those savings accessible by the Legislature—excluding the Permanent Fund Earnings Reserve Account—will be exhausted no later than June 30, 2019 (and very likely by December 31, 2018).**
  - 5. That definition of “savings accessible by the Legislature” used in the previous paragraph sweeps in the pots of money available for**

**appropriation (with the exception of the Permanent Fund Earnings Reserves Account). Those “savings accessible by the Legislature” include all the money in “undesignated reserves” such as the Constitutional Budget Reserve Fund, the Statutory Budget Reserve Fund, and the Alaska Housing Capital Corporation Fund plus all the money in “designated reserves” such as the Alaska Capital Income Fund, the Alaska Higher Education Investment Fund, the Public Education Fund, the Community Assistance Fund, and the Power Cost Equalization Endowment.**

- 6. If the State of Alaska spent all the Permanent Fund Earnings Reserve Account in addition to spending all the savings accessible by the Legislature described in the previous paragraph, the State of Alaska would be out of savings no later than the end of Fiscal Year 2021—assuming the current level of spending and the current revenue laws as well as the Alaska Department of Revenue’s most recent revenue projections.**
- 7. Permanent Fund Dividends are paid out of the Permanent Fund Earnings Reserve Account, and under current law leaving the Permanent Fund Earnings Reserve Account empty would mean no Permanent Fund Dividends.**
- 8. The budget has been cut by 44 percent (\$3.5 billion) between Fiscal Year 2013 and Fiscal Year 2017.**
- 9. The budget was \$4.2 billion in Fiscal Year 2007 and is \$4.3 billion in Fiscal Year 2017.**
- 10. Adjusted for inflation and population, the budget in Fiscal Year 2017 is the lowest it has been in 10 years.**
- 11. More than 55 percent of the Fiscal Year 2017 budget goes for K-12 education and the Department of Health and Social Services.**
- 12. All State of Alaska employees could be laid off, and the State of Alaska would still have a deficit. (To explain this apparently counterintuitive fact, note that the expenditures for K-12 education and Medicaid are mostly**

paid as grants—not salaries to State employees—and that debt service on State bonds is paid to bondholders, not State employees.)

13. The Alaska Department of Revenue has reported that the price of oil (Alaska North Slope West Coast or “ANS West Coast”) has ranged between \$38 and \$52 per barrel since July 1, 2016 (the beginning of Fiscal Year 2017).
14. The price of oil (ANS West Coast) would have to average between \$100 and \$110 per barrel during Fiscal Year 2017 to balance the Fiscal Year 2017 budget without using savings.
15. The Alaska Department of Revenue’s most recent forecast (Spring 2016 Sources Book) projects that oil prices for Alaska will be below \$66 per barrel for each fiscal year through Fiscal Year 2025.
16. The State of Alaska’s oil revenues fell more than 90 percent from Fiscal Year 2012 to Fiscal Year 2016, according to the University of Alaska Anchorage’s Institute of Social and Economic Research (ISER).
17. Oil revenues provided an average of 90 percent of Unrestricted General Fund revenues for the period of Fiscal Year 2005 through Fiscal Year 2014, according to ISER.
18. Oil production in Alaska is projected to average less than 550,000 barrels per day in Fiscal Year 2017, according to the Alaska Department of Revenue’s most recent forecast (Spring 2016 Sources Book).
19. Oil production in Alaska is expected to drop every year from Fiscal Year 2017 through Fiscal Year 2025, according to the Alaska Department of Revenue’s most recent forecast (Spring 2016 Sources Book).
20. Oil production in Alaska averaged more than 2 million barrels per day in Fiscal Year 1988 (the peak year for Alaska oil production), according to the Alaska Department of Revenue.

- 21. Pursuant to a formula set out in state statute, the Legislature appropriated \$1.362 billion from the Permanent Fund Earnings Reserve Account to pay Permanent Fund Dividends in the fall of 2016. The Governor vetoed \$666.35 million from that amount, leaving \$695.65 million to be paid in Permanent Fund Dividends (pending a legal challenge to the veto).**
- 22. The Permanent Fund Dividend is a form of universal direct distribution of cash to residents, and Alaska is the only state that has it.**
- 23. Alaska is the only state with no form of state income tax paid by individuals and no statewide general sales tax, according to ISER.**
- 24. Alaska had a graduated (progressive) income tax paid by individuals between 1949 and 1980.**
- 25. Imposing an income tax of 15 percent of federal tax liability would raise \$571 million per year, according to the Alaska Department of Revenue in 2015.**
- 26. Imposing a three percent sales tax without exemptions would raise \$418 million per year, according to the Alaska Department of Revenue in 2015.**
- 27. Alaskans pay the lowest broad-based state taxes in the country, according to ISER.**
- 28. Alaska has the lowest gasoline tax of any state, according to the Tax Foundation.**
- 29. To eliminate the deficit with marijuana tax revenues alone, every person over 21 years of age in Alaska would have to buy more than four pounds of legally taxed marijuana each year, according to the Alaska Department of Revenue.**
- 30. The earliest year for production from the proposed Alaska Liquefied Natural Gas (AK LNG) project is projected to be 2025, according to the**

**Kenai Peninsula Borough (the local government where the southern terminus of the project's pipeline segment is located).**