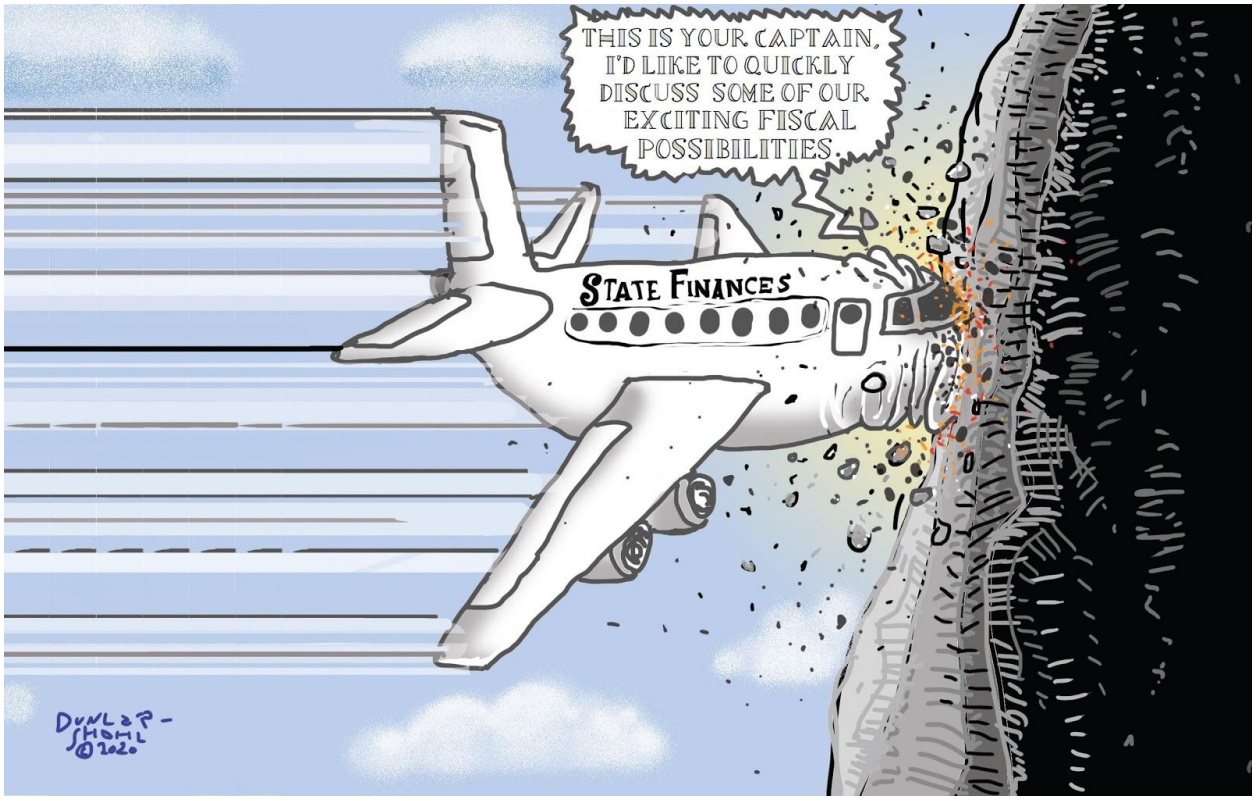

Peril, Possibilities, and a Path: Alaska's Flight to Somewhere

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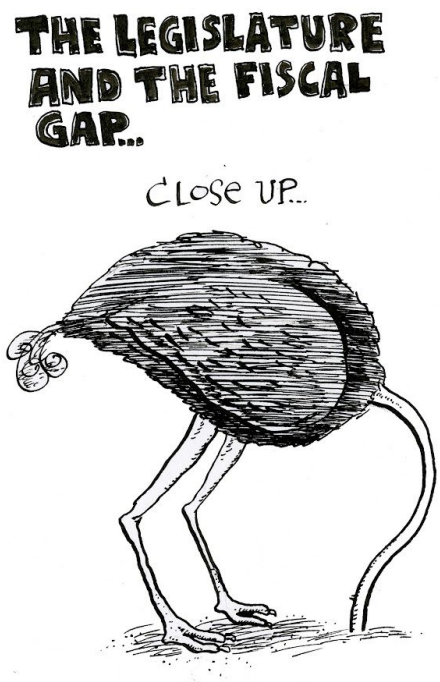
Cartoons by Peter Dunlap-Shohl
Graphic Assistance by Quentin Bidwell and Nathan Bradford

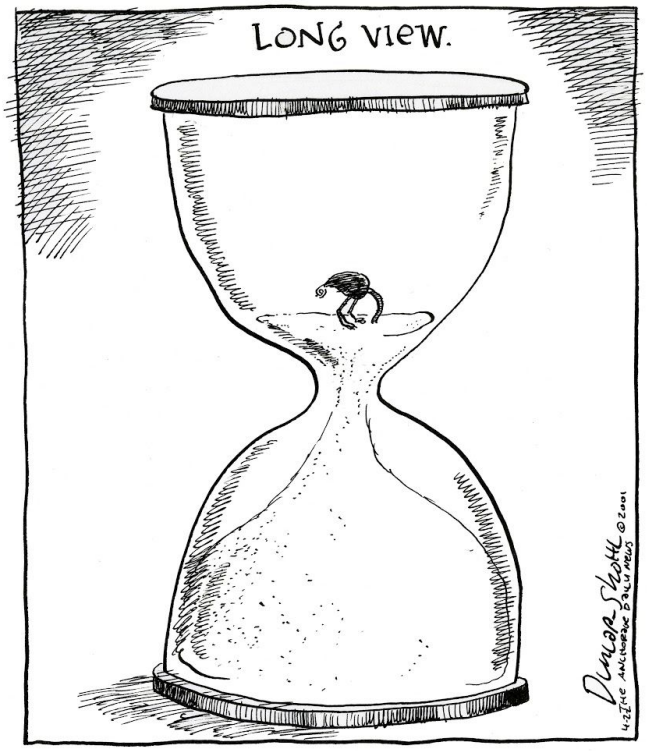
October, 2020

[POCKET VERSION]

Chapter I: The Problem

For more than four decades, the State of Alaska relied heavily on large amounts of money from oil production arriving each year to pay for the services provided by the state government to Alaskans. Those days of financing the state government's spending almost exclusively from oil revenues are gone, but we still haven't adjusted to the substantial drop in oil revenues or to the much lower level of our savings.





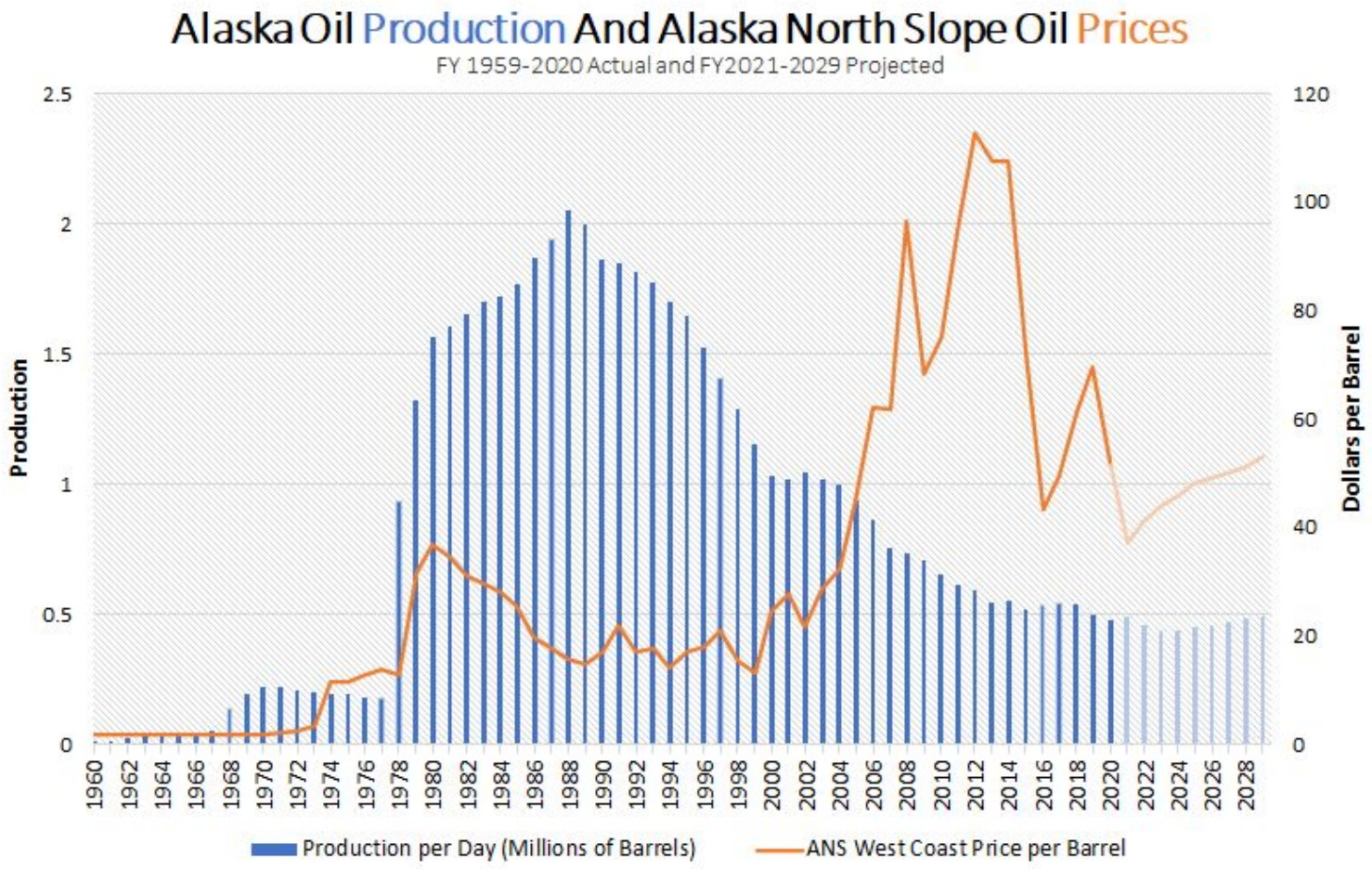
Peter Dunlap-Shohl, Anchorage Daily News Dunlap-Shohl Political Cartoon Collection,Anchorage Museum, B2009.017.2001.04.22

Note: In the back of this document are Acknowledgments, a Note from Cliff Groh, and Biographies of Contributors. This is the shorter version of a booklet available at www.cliffgroh.org. The longer booklet comes with even more information, plus a Glossary, an Alaska Fiscal Timeline, and Notes on Sources.

Alaska oil production has fallen by 75 percent in the last three decades. Oil prices are down from previous highs and won't bounce back enough to compensate for this much lower Alaska oil production.

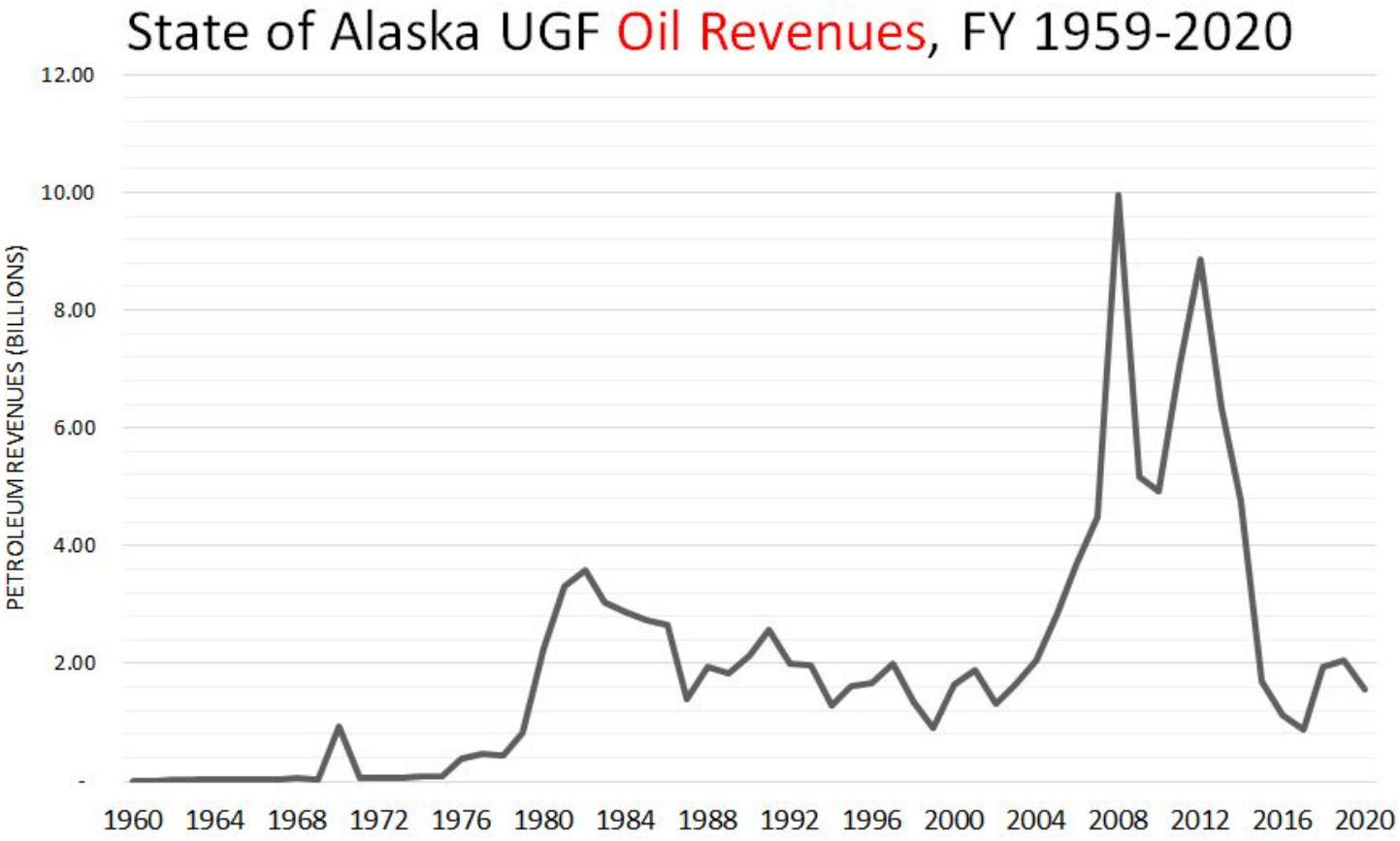
Getting hit with both barrels.

Peter Dunlap-Shohl, Anchorage Daily News Dunlap-Shohl Political Cartoon Collection, Anchorage Museum, B2009.017.1988.10.08



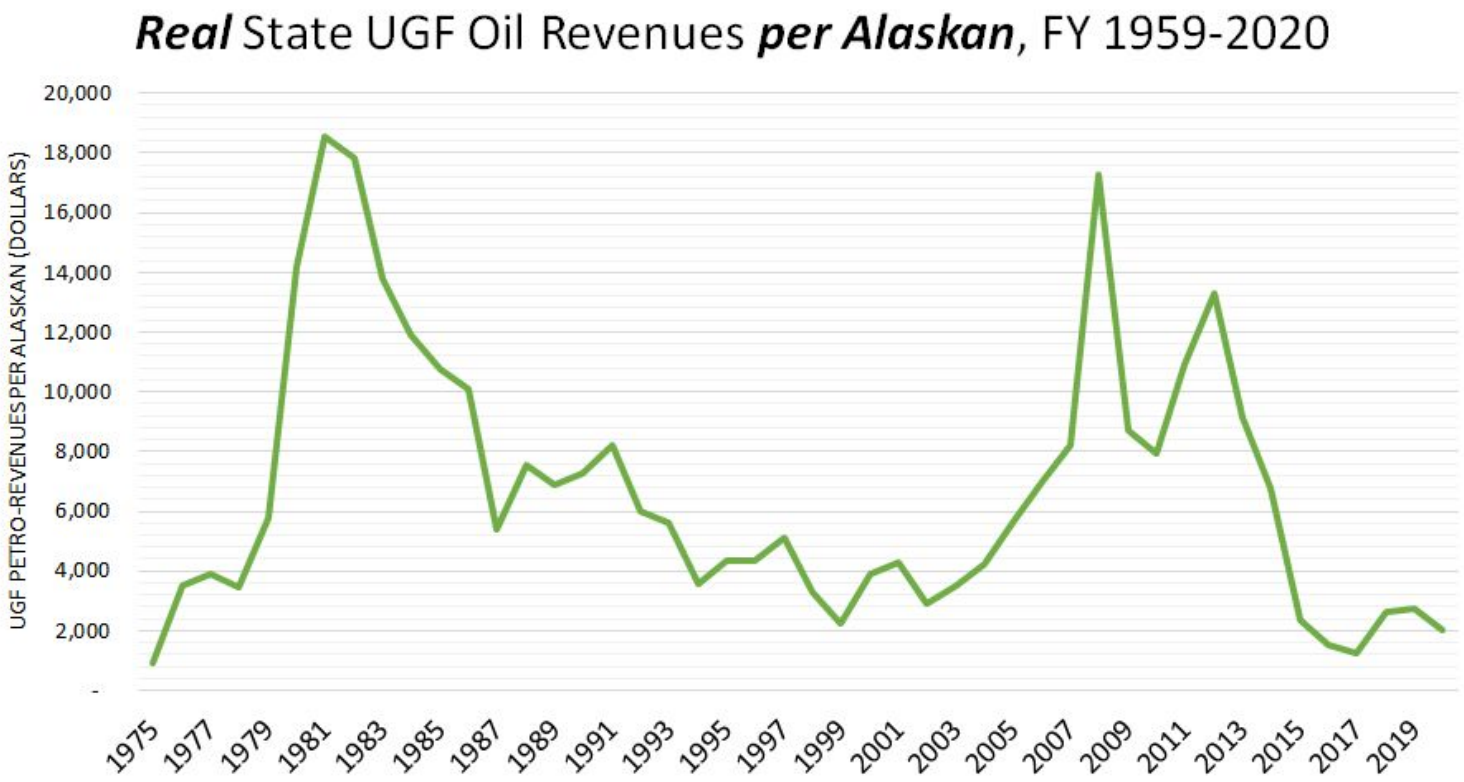
A long-run and persistent decline in Alaska oil production and volatile oil prices that are well below their historical highs have combined to put a big squeeze on the State of Alaska. This problem is not going away. It would take oil prices averaging $67 per barrel for the whole year to balance the budget in the current fiscal year (Fiscal Year 2021, which runs from July 1, 2020 through June 30, 2021). The Alaska Department of Revenue projects that through Fiscal Year 2029 oil prices will stay below $55 per barrel and Alaska North Slope oil production will stay under 500,000 barrels per day.

On top of the long-run decline in Alaska oil production and the lower world oil prices in recent years, the COVID-19 pandemic has also hurt worldwide oil demand. Our state's oil revenues are way down from where they were eight or 10 years ago. And experts agree that oil prices are not likely to rebound to those high levels of 2008-2012 any time soon.



(Note: Unrestricted General Fund (UGF) *revenues* are the revenues the Legislature can spend (appropriate) for any purpose. *Spending* of UGF revenues is what is conventionally thought of in Alaska as "the budget.")

The fall in oil revenues becomes even more pronounced when you adjust for population and inflation. Adjusted for inflation, oil revenues per Alaskan are now *lower* than they were before the Trans-Alaska Pipeline System (TAPS) was constructed and the big oil money started flowing into the State of Alaska's treasury.



(Notes: The State of Alaska had an individual income tax that was repealed in 1980 that brought in as much as 25 percent of annual General Fund revenues in the 1970s. The base or reference year for inflation adjustment is Fiscal Year 2018. Put another way, this graphic is in Fiscal Year 2018 dollars.)

The State of Alaska has responded to the dropping oil revenues in four ways. The State of Alaska:

☐ Cut traditional spending on conventional public services and provided fewer public services to Alaskans

☐ Stepped up its spending of savings in the Constitutional Budget Reserve Fund (CBR) and other accounts outside of the Permanent Fund Earnings Reserve Account (the State of Alaska has drawn from the CBR more than half of the years since the CBR was created 30 years ago)

☐ Cut Permanent Fund Dividends from what they would be under the statutory formula devised in the 1980s

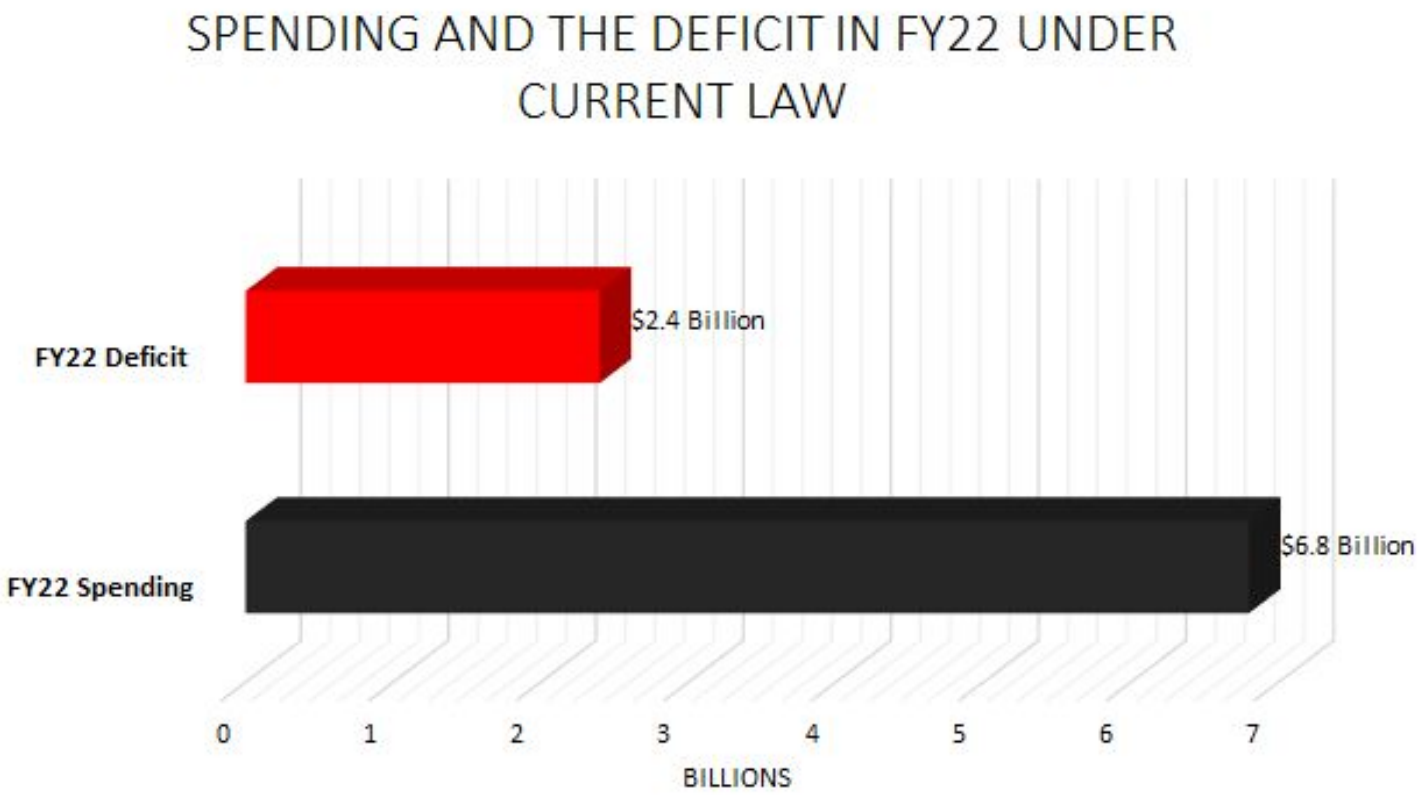
☐ Started the substantial use of Permanent Fund Earnings to pay for both traditional public services and Permanent Fund Dividends

None of these policy responses have eliminated Alaska's growing structural deficit.

The deficit is more than $950 million in the current year (Fiscal Year 2021). The Alaska Legislative Finance Division projects a deficit of $900 million next year (Fiscal Year 2022) if the State doesn't raise revenues while following the policies of the current year budget.

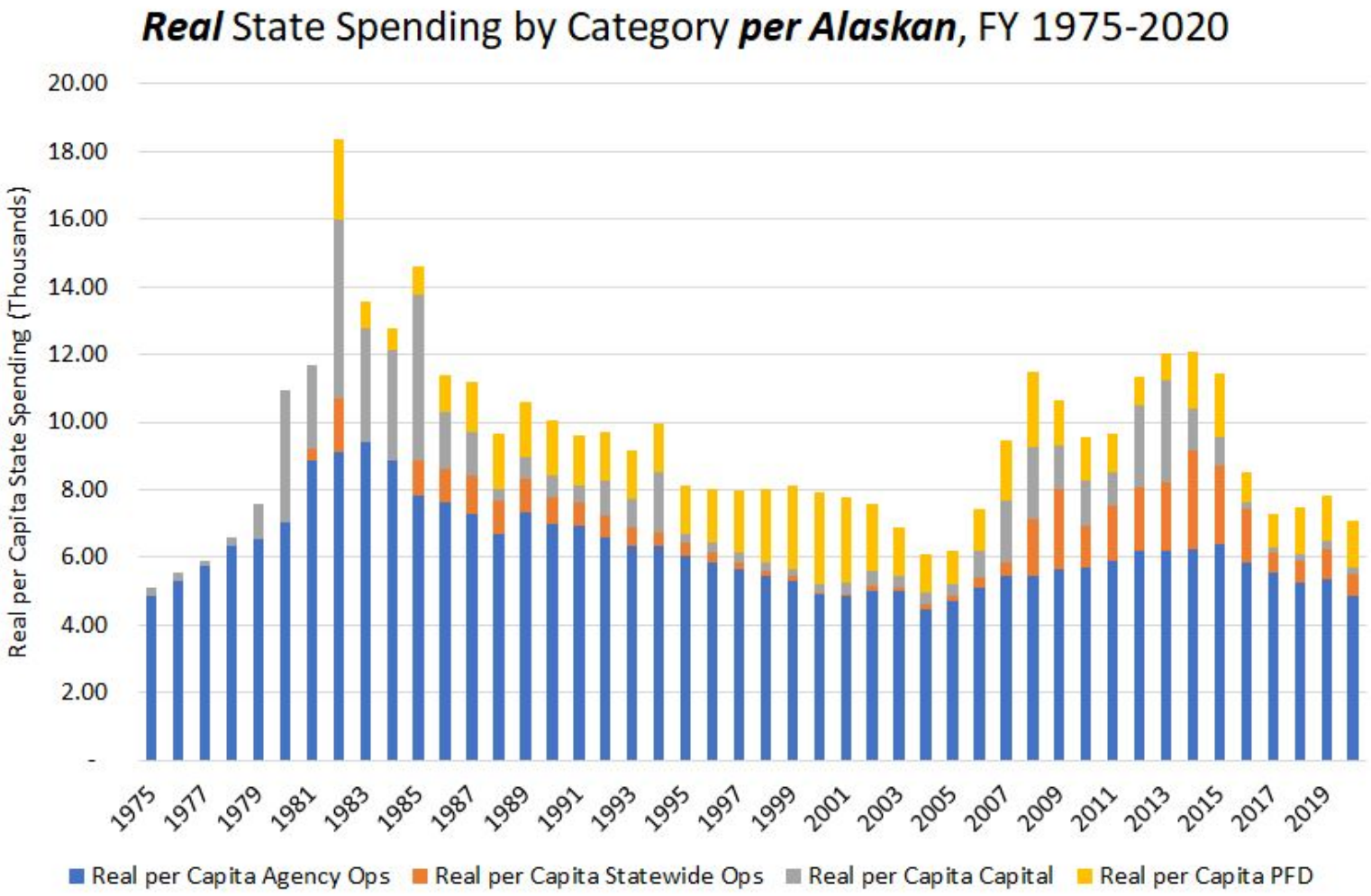
If the State of Alaska follows the law on all its obligations — including paying a full Dividend under the statutory formula, paying $80 million in school debt reimbursement, and $40 million in addressing the oil tax credits that are owed — the deficit is much larger. The Alaska Legislative Finance Division estimates that following current law would make the deficit for next year $2.4 billion, which would be 36 percent of UGF spending in FY22 — or half the non-Dividend spending under current law in FY22.

Let's talk about how big the projected deficit is for the next fiscal year. If the State of Alaska follows the laws on the books and does not raise new revenues, here is the size of the deficit compared to the size of the spending for FY22:



This projected deficit of $2.4 billion next year under current law works out to more than $3,300 for each man, woman, and child in Alaska. The projections show that the annual deficit will stay large and even grow in future years.

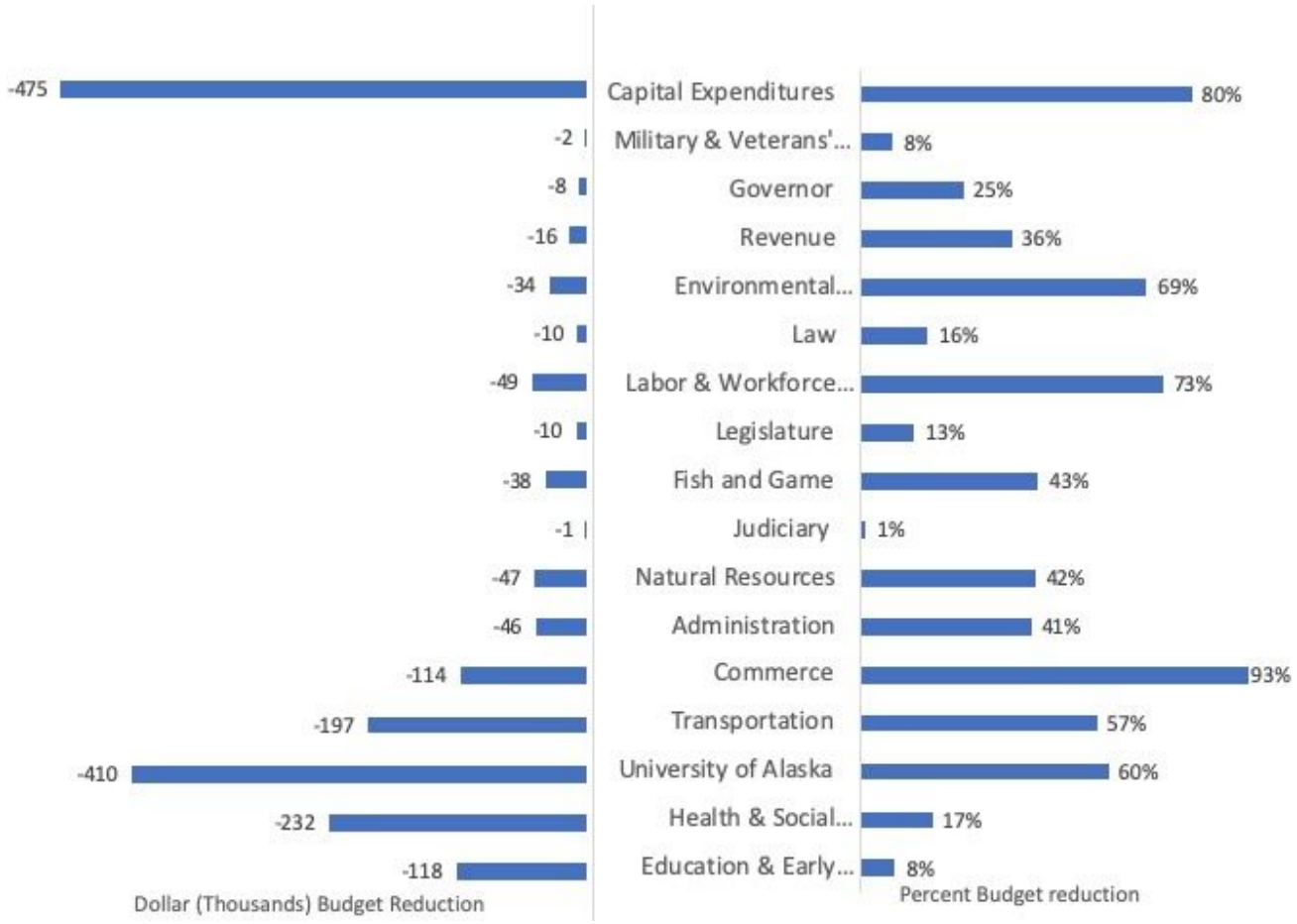
No matter what you may have heard, the State of Alaska's budget is falling and has been falling for years. After adjusting for population and inflation, the State of Alaska is spending less than it did before the flood of oil revenues started in the late 1970s. Even without adjusting for population and inflation, the State of Alaska's spending has dropped 39% in the last eight years from a peak in Fiscal Year 2014, when oil prices were more than double what they have been in 2020.



(Note: The base or reference year for the inflation adjustment is Fiscal Year 2018.)

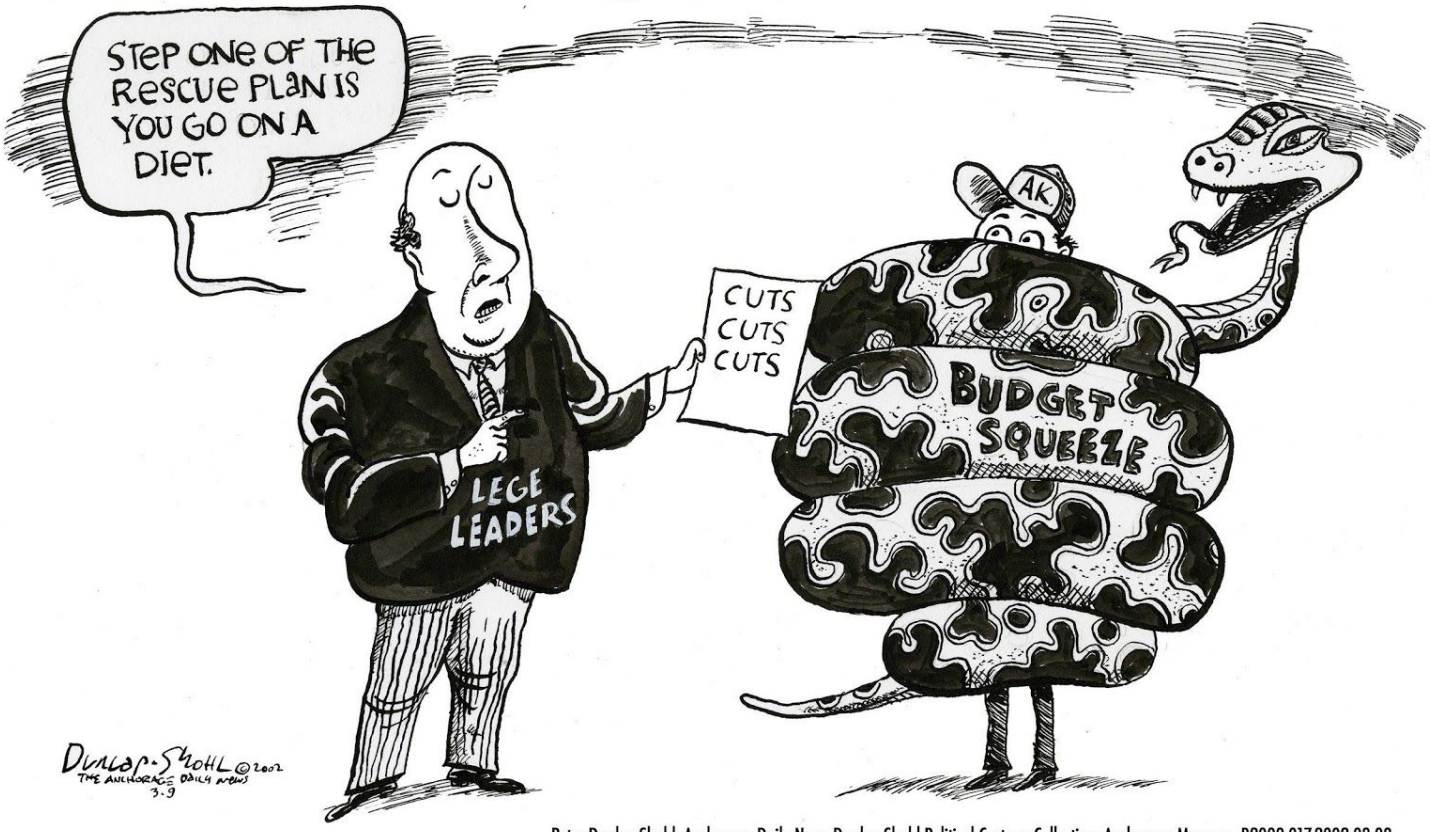
This graphic gives a sense of where the budget reductions hit during a portion of the budget-cutting in recent years.

Agency Operations and Capital Budget Reductions: FY15-FY21



(Note: This graphic is in Unrestricted General Fund (UGF) dollars only.)

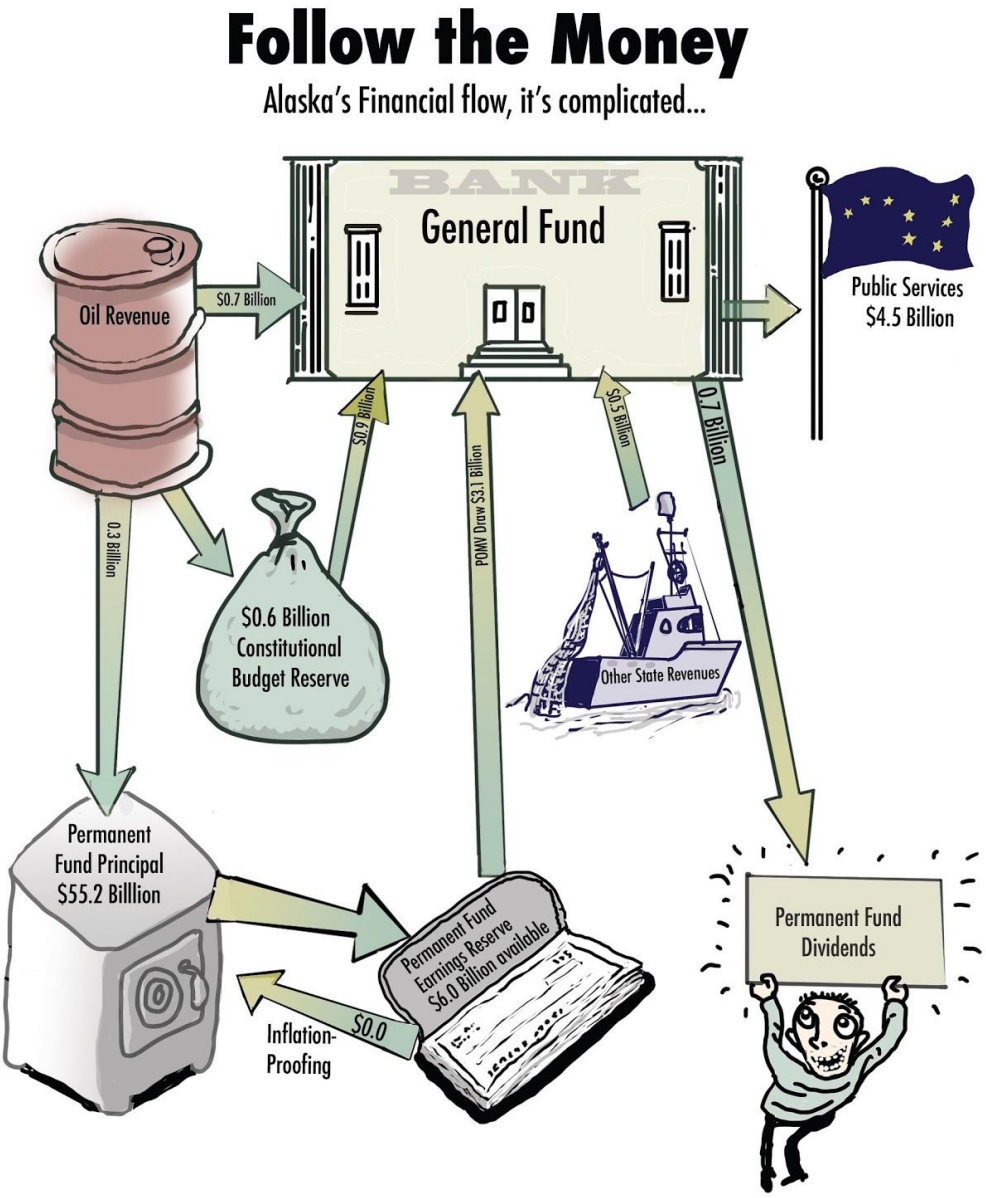
The easy budget cuts have been made, leaving the State of Alaska squeezed.



Peter Dunlap-Shohl, Anchorage Daily News Dunlap-Shohl Political Cartoon Collection, Anchorage Museum, B2009.017.2002.03.09

We're still short — critically short — even after cutting the traditional budget, spending a whole bunch of savings, cutting Dividends, and starting to use Permanent Fund Earnings to pay for most of traditional spending <u>AND</u> Dividends.

On the following page is a diagram of the State of Alaska's money flow using the figures for Fiscal Year 2021--which runs from July 1, 2020 through June 30, 2021. (You could call it the "Groh Flow.")



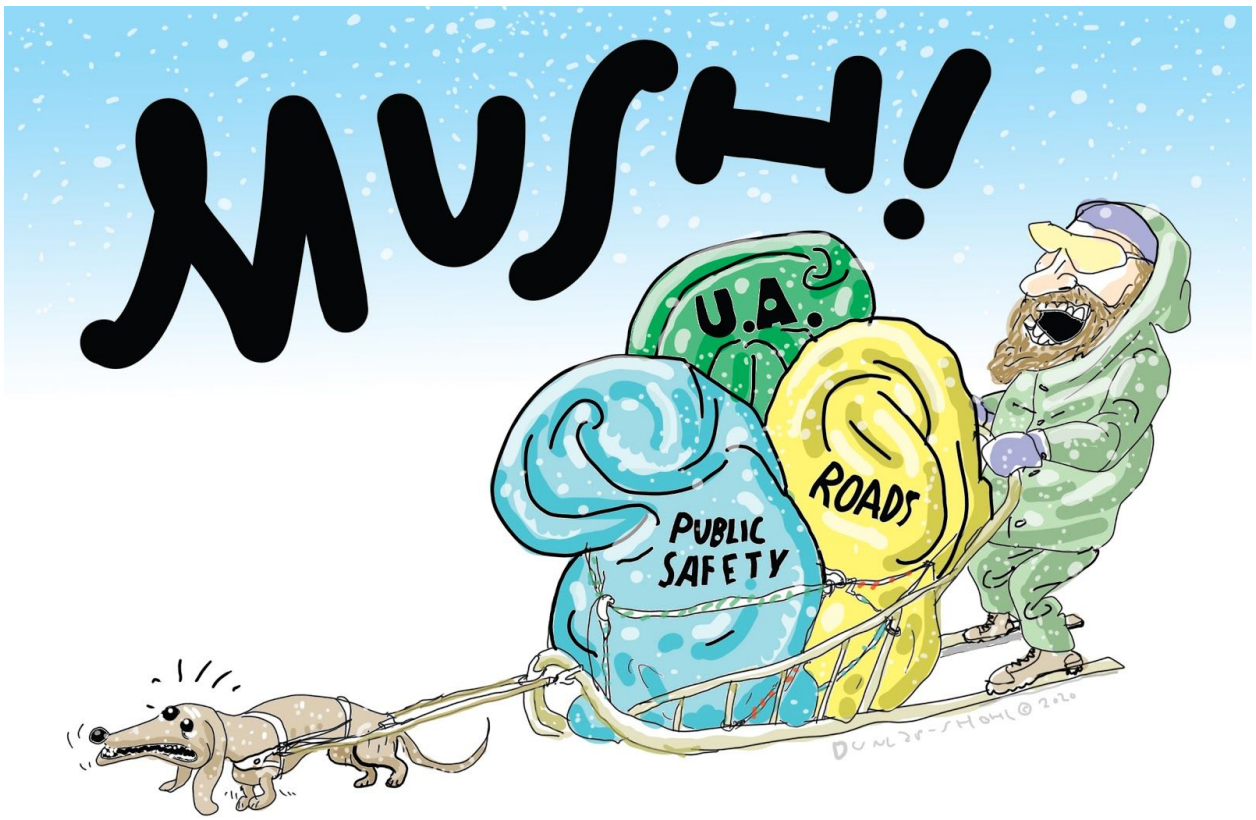
(Notes: The sizes of the boxes and the arrows are conceptual in that their sizes are not proportional to their relative amounts--if they were sized proportionally, the Permanent Fund principal would overwhelm the whole page. The balance shown for the Constitutional Budget Reserve Fund is the amount projected by the Alaska Legislative Finance Division for the end of Fiscal Year 2021. The amount shown for the Permanent Fund Principal includes both realized and unrealized gains as of the August 31, 2020 Financial Statement from the Alaska Permanent Fund Corporation. The "available" balance shown for the Permanent Fund Earnings Reserve Account is as of the same date and shows only realized earnings while excluding unrealized earnings and the amount committed for next year's POMV draw.)

Add it up, and what we got isn't working.

Our fiscal system — defined as the state budget and how we pay for it — is not matched to our reality.

Most of our state's revenues came from oil development for decades and we still haven't adjusted to the substantial drop in oil revenues or to the low level of our savings. We can't rely on oil money the way we used to, and it sometimes seems like "Just Help Me Get Through the Night" is the state anthem.

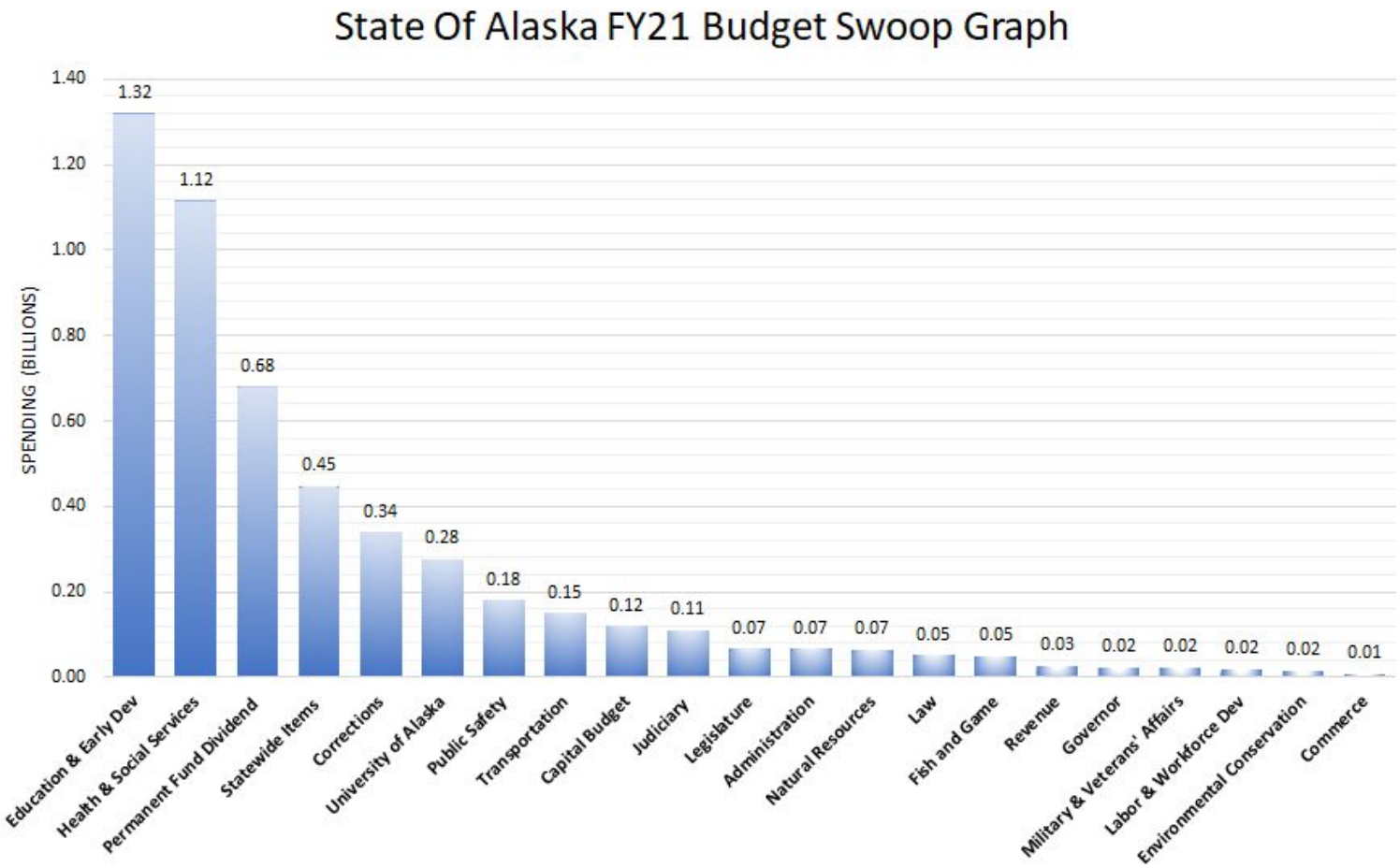
The music stopped, and our back is against the wall now.



NORTH to the FUTURE

The State of Alaska's revenue stream lacks the horsepower to deliver the education, health care, transportation, public safety, and other services Alaskans need.

The budget is dominated by K-12 education, health care, and Permanent Fund Dividends.



(Notes: This is Unrestricted General Fund (UGF) spending only. "Statewide" refers to Statewide Operations, which in FY21 is composed of 77 percent "State Payments to Retirement Systems" — which is in turn more than 98 percent payments on an installment plan to liquidate the unfunded liabilities of the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) — and 23 percent Debt Service (payments to pay off bonds).)

Zeroing in more, the six biggest items in UGF spending this year are the K-12 foundation funding formula, Permanent Fund Dividends, the Medicaid formula, "State Payments to Retirement Systems," the Department of Corrections, and the University of Alaska. Those six items together total $3.5 billion, which is two-thirds of the budget.

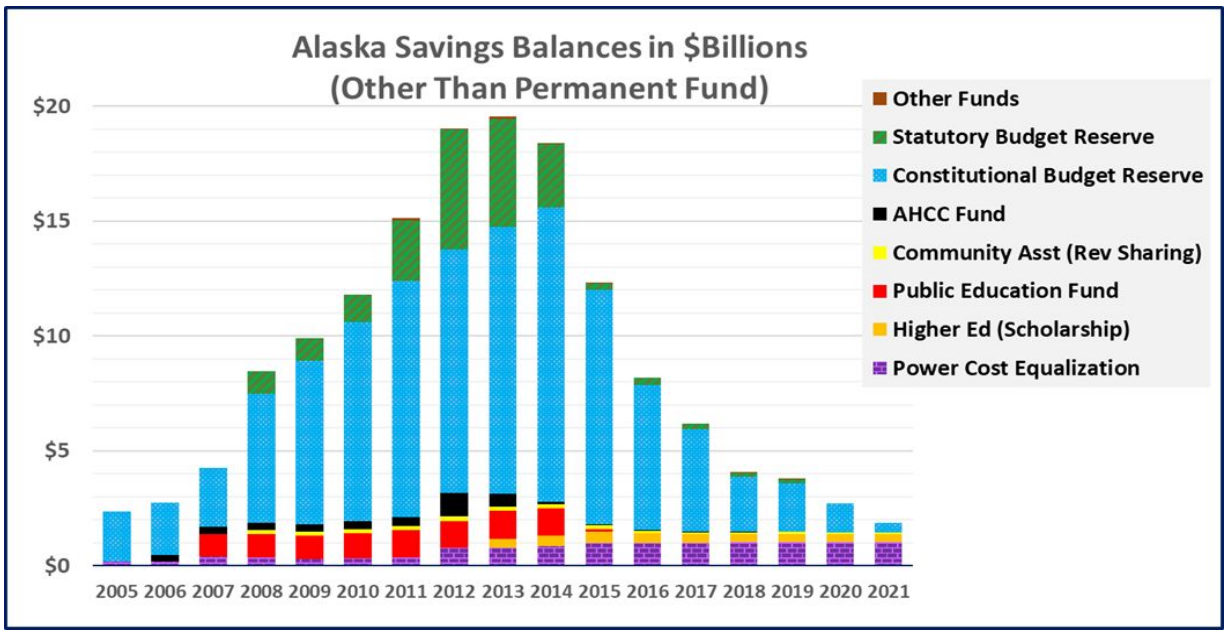
One big factor driving up the State of Alaska's budget per capita compared to other states is that the State of Alaska pays many costs that local governments pay in other states. For example, the State of Alaska provides about 75 percent of the money for K-12 education in Alaska, while in other states the ratio of state to local government spending on K-12 education is closer to 50-50. The State of Alaska also pays for jails and much of the costs of prosecution, while those costs are largely or entirely paid for by local governments in other states.

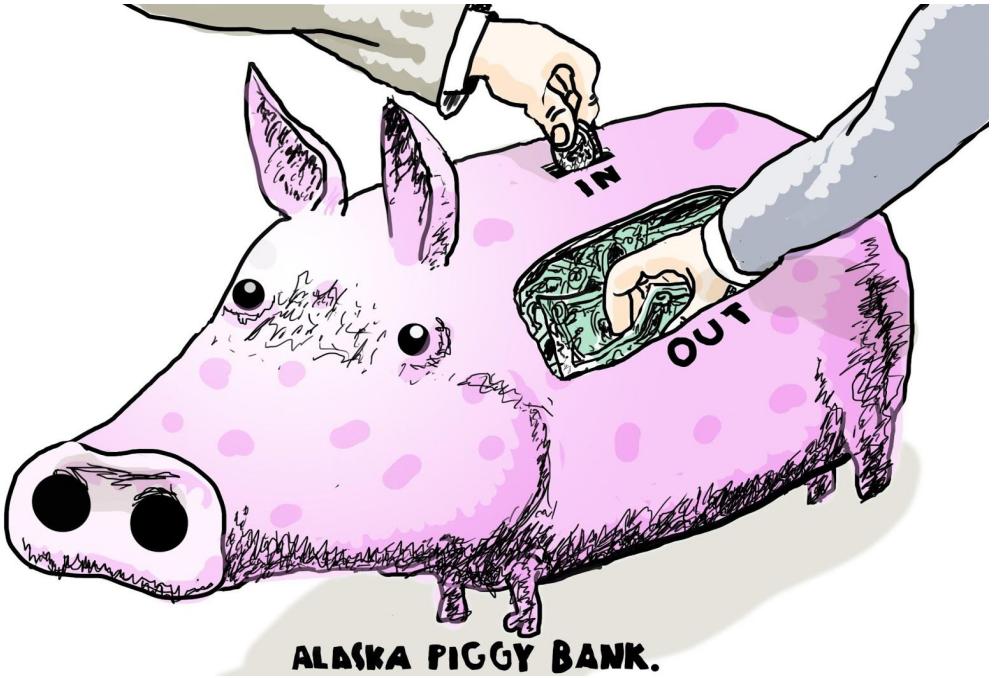
Other examples of higher State of Alaska spending caused by greater state government responsibility in Alaska involve transportation. The State of Alaska pays for a number of roads in major boroughs such as Fairbanks North Star, Kenai Peninsula, and Matanuska-Susitna. The State of Alaska also owns more than 230 airports and runs a ferry system.

Given all the functions the State of Alaska performs in Alaska that local governments pay for in other states, cutting the State of Alaska's budget significantly more would likely shift those costs to local governments and thereby produce substantially higher local taxes for Alaskans.

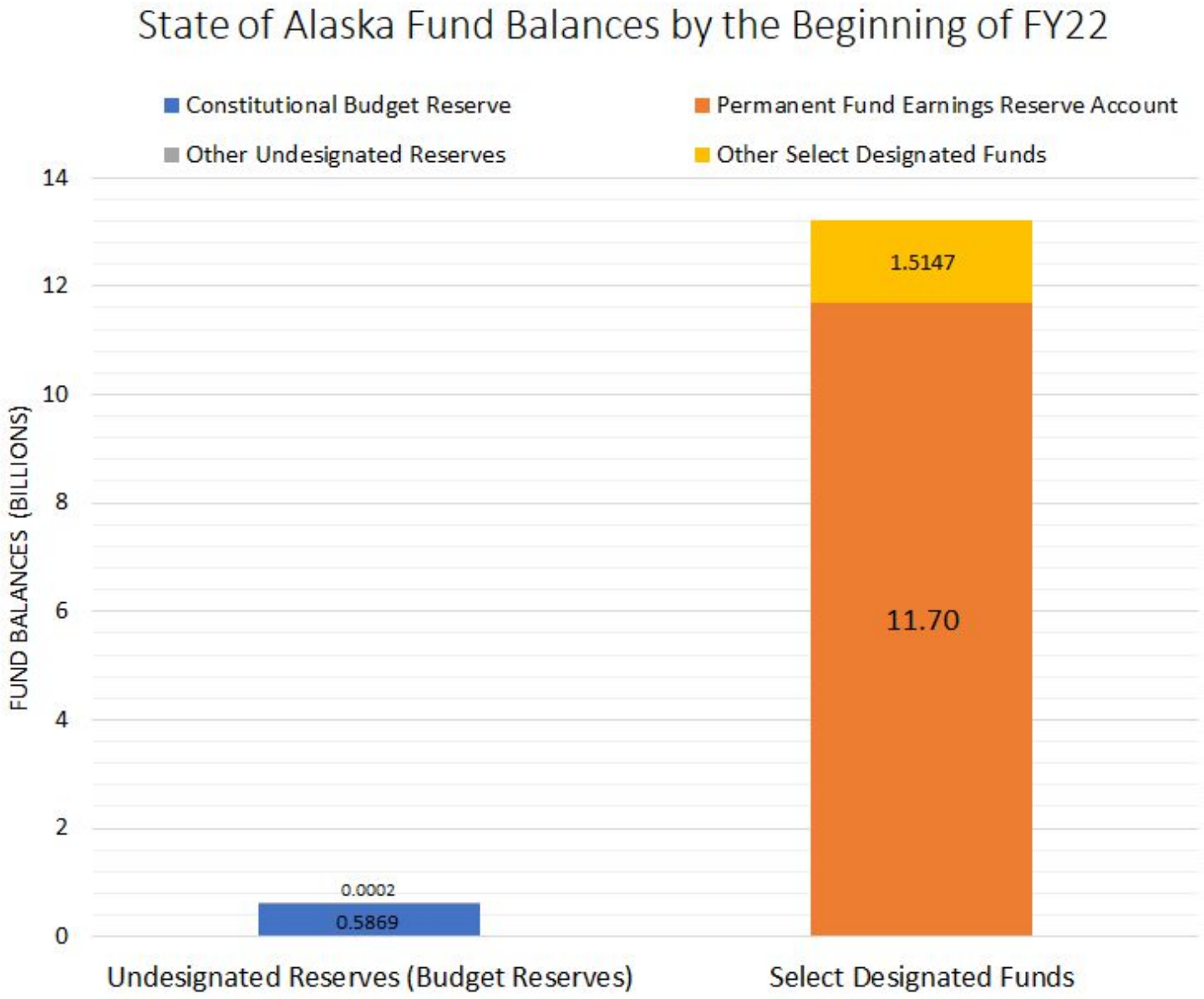
Cutting the State of Alaska's budget substantially on top of the reductions already made would also result in furloughs and/or layoffs, increasing unemployment and deepening the recession created by COVID-19. The University of Alaska's Institute of Social and Economic Research (ISER) found in 2016 that "Closing the deficit just by cutting state jobs would cost the economy the most jobs…." ISER estimated that each $100 million in budget cuts causes the loss of approximately 1,000-1,500 jobs across the Alaska economy. A big reason is that laid-off government workers will spend less at local small businesses and less on housing, thereby depressing housing prices.

Spending what's left of the savings is politically easier for the Legislature and the Governor.





Now all of the spendable savings are effectively gone outside of the Permanent Fund Earnings Reserve Account.



(Notes: The Permanent Fund Earnings Reserve total of $11.70 billion for the beginning of FY22 in the graphic above includes both realized earnings and the amount committed for the FY22 POMV draw. Accounting for unrealized gains at the end of FY21, the total balance of the Permanent Fund Earnings Reserve would be $13.278 billion. Most of the money held in designated funds outside the Permanent Fund Earnings Reserve are held in the Power Cost Equalization Fund ($1.1 billion) and the Higher Education Fund ($0.3 billion).)

How the Permanent Fund Earnings Reserve Account Works, and Why Handling It Right Is So Important

— The Permanent Fund Earnings Reserve Account is not a rainy day account like the Constitutional Budget Reserve. The Earnings Reserve Account is instead like an inheritance which generates income over the long run if you don't overspend it.

— The Legislature adopted a law in 2018 establishing the Permanent Fund Earnings Reserve Account as the centerpiece of a new Percent of Market Value (POMV) system which relies heavily on a sustainable draw of Permanent Fund earnings to finance most of the budget. This year (Fiscal Year 2021) the POMV draw from the Earnings Reserve Account provides more than 70 percent of the State of Alaska's Unrestricted General Fund revenues.

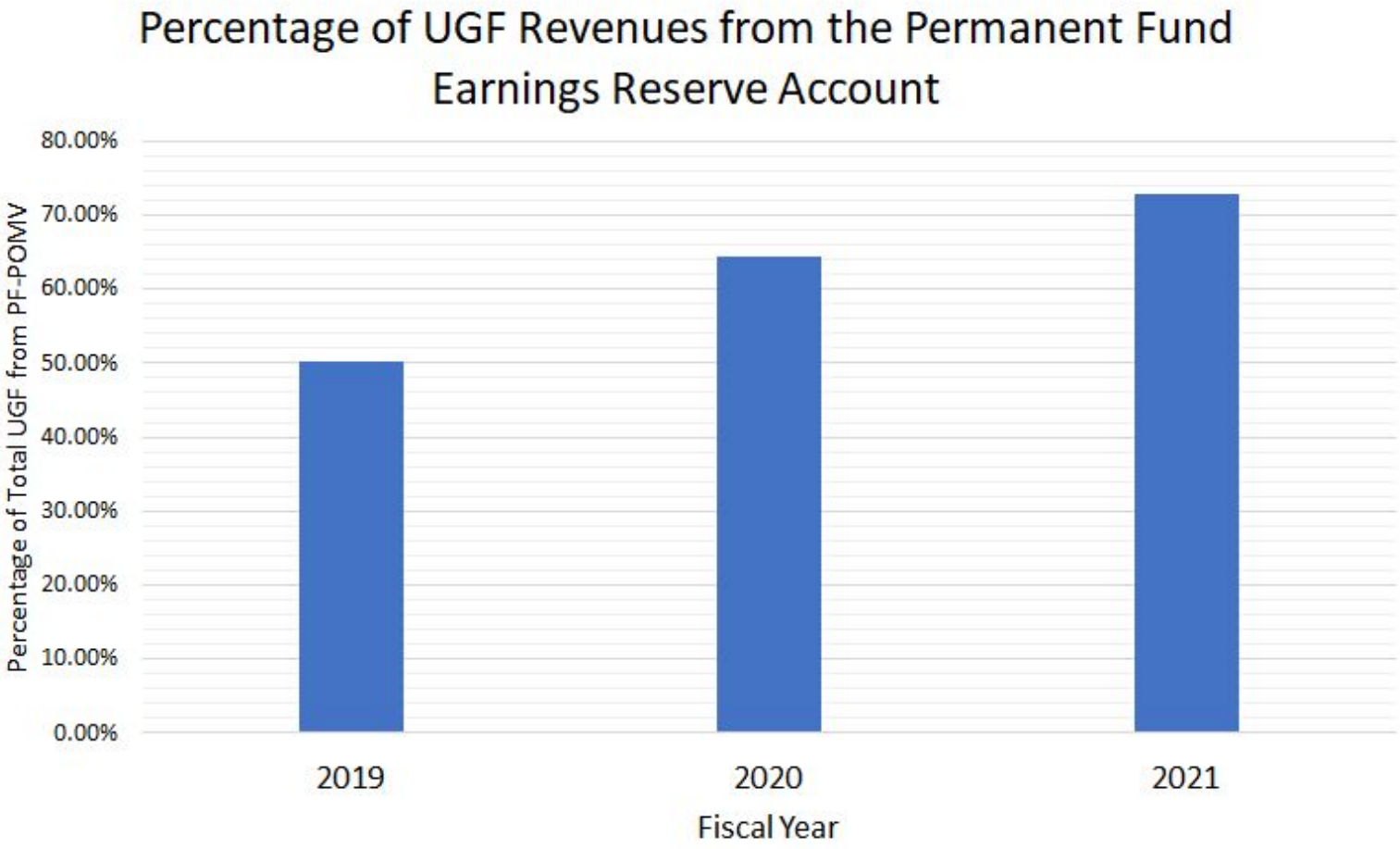
— The POMV draw each year--currently 5.25 percent, going to 5 percent starting next fiscal year--is designed to be the maximum sustainable draw so as to maintain the inflation-adjusted value of the Permanent Fund in perpetuity.

— Any draws in excess of this level deplete the Permanent Fund over time.

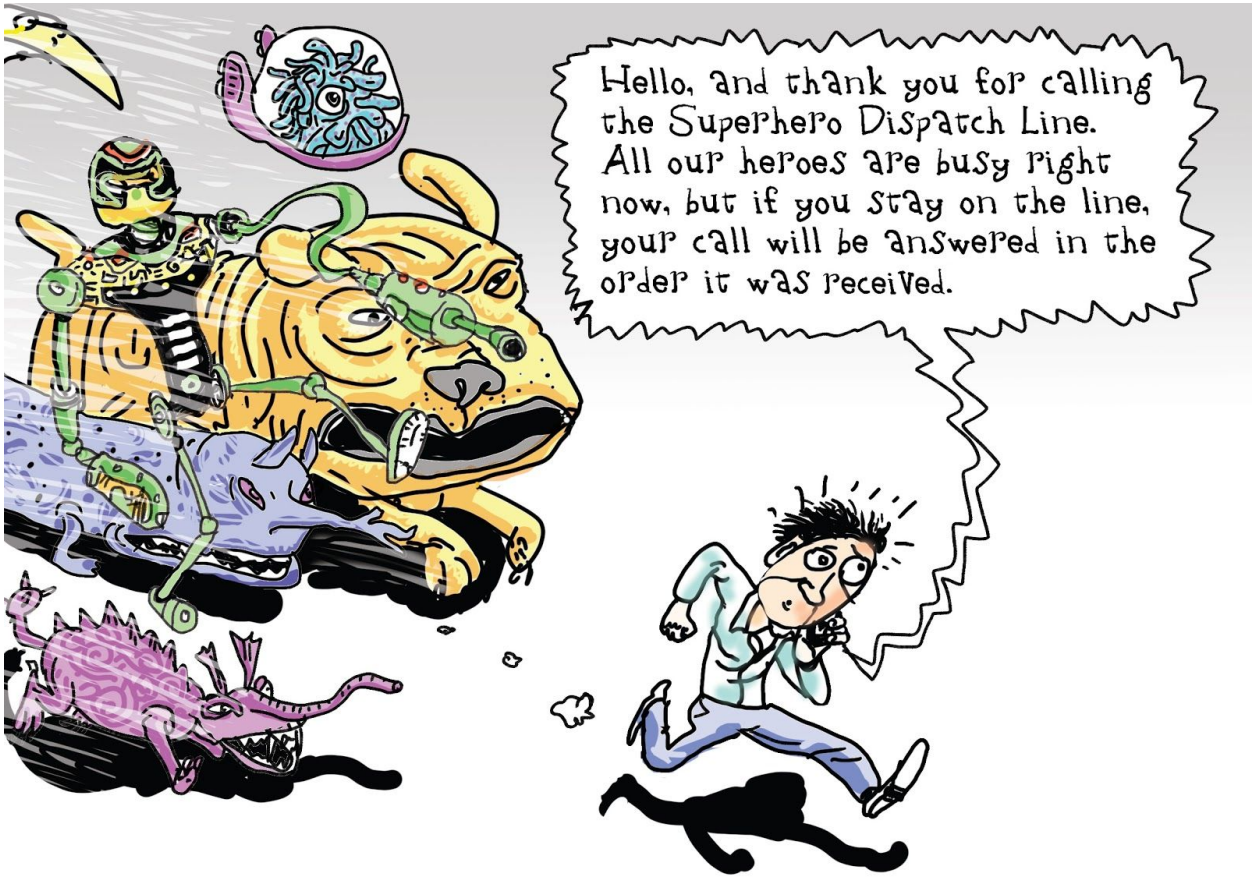
— Each $1 billion spent in excess of the sustainable level reduces every future year's POMV draw by $50 million forever — thus increasing future deficits.

— The Permanent Fund Earnings Reserve Account is as vulnerable as it is important given that the Legislature can spend all of it with a simple majority vote (assuming that any veto by the Governor is overridden). The Permanent Fund Principal, by contrast, can only be spent if there was a constitutional amendment permitting such spending.

Under the new POMV system, the State of Alaska has become heavily dependent on spending from the Permanent Fund Earnings Reserve Account to pay for the budget — both traditional services and the Permanent Fund Dividend.



For 40 years, politicians have promised solutions that have never panned out. Our elected officials need to actually solve our problems and not run off on wild goose chases. A list of ideas that might sound good but can't save Alaska include: easy or small budget cuts; a gas line; development of the Arctic National Wildlife Refuge (ANWR); massive increases in oil production generally; and a federal bailout of the State of Alaska.



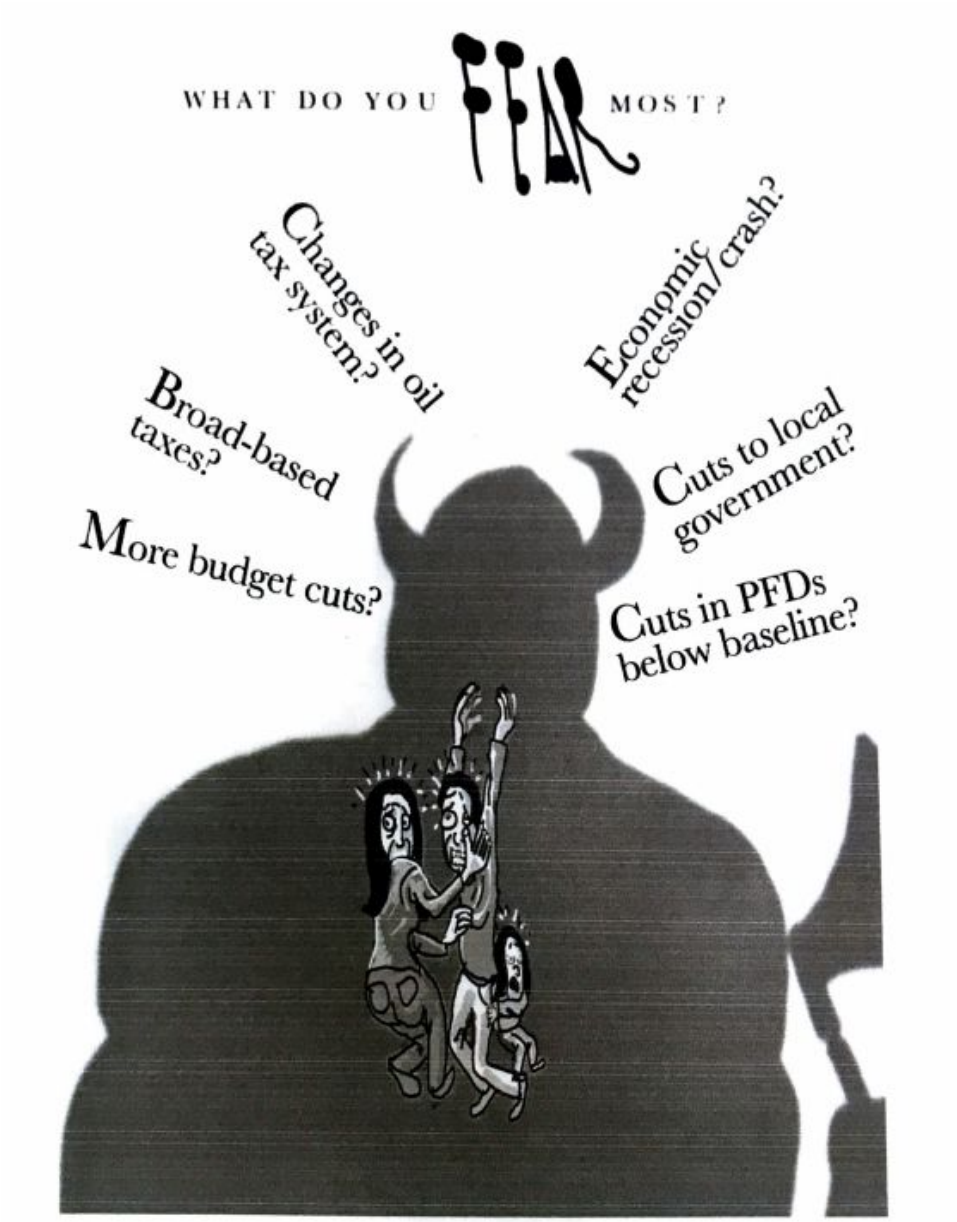
Given that more petroleum development has long been hailed as a savior for Alaska's public finances, we should review some of the variety of reasons oil and gas are highly unlikely to bail out our state's fiscal system.

☐ The State of Alaska's oil production tax allows the determination of liabilities across North Slope oil fields. If a company has production at one field and another field in development, the lease expenditures at the field in development could lower the producing company's total tax liability. As oil prices go up, under current law this provision means that money spent developing those oil fields will actually reduce oil production tax revenues in the short run.

☐ A substantial amount of any new oil production in Alaska would occur on land owned by the federal government, so there would be no royalties paid to the State of Alaska based on land ownership. In the National Petroleum Reserve — Alaska (NPRA), the State of Alaska would receive the federal royalty, but that money would be dedicated to the impacted communities on the North Slope and not go to the General Fund.

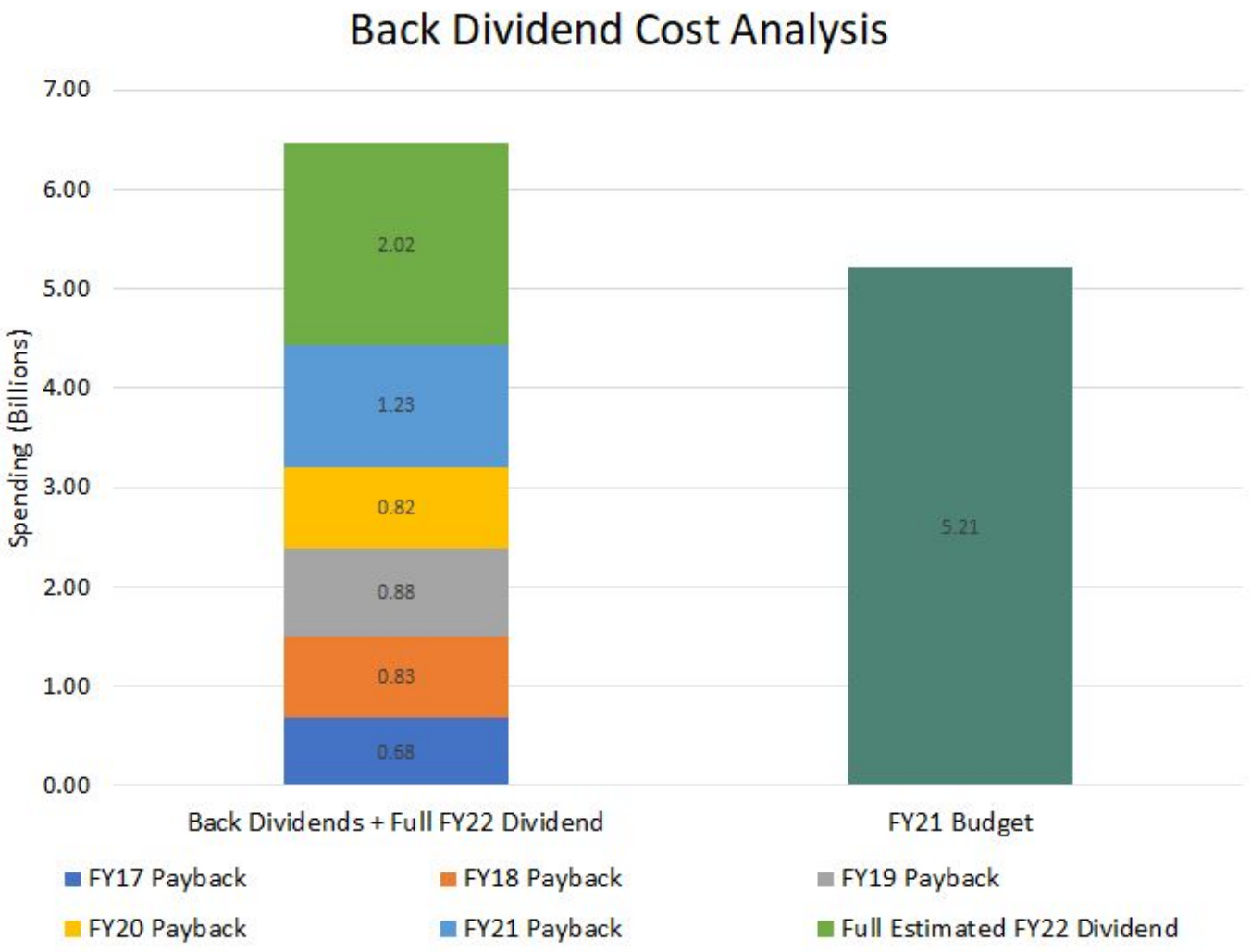
☐ Experts agree that commercialization/monetization of the natural gas on the North Slope is farther away today than it was 15 years ago, and there may never be a gasline or other such project.

☐ Then there's coronavirus and climate change, both of which are expected to reduce the long-run demand for oil.



The roles of the Permanent Fund Dividend, the Permanent Fund, and oil taxes give Alaska the most complicated fiscal politics in the U.S. The results of our highly complicated fiscal politics include unique political cleavages and unusual political coalitions. For years, fear of one or more outcomes in our many-sided fiscal politics has helped prevent a realistic fix of our state's crisis in paying for public services Alaskans rely on.

As reality has gotten grimmer, the fantasies have become more fantastic. Paying the "Back Dividends" would require an amount about as large as the annual budget. The total amount to pay the "Back Dividends" is $4.4 billion. Paying a full statutory Dividend for Fiscal Year 2022 (calendar year 2021) would cost another $1.9 billion.



(Notes: The "Back Dividends" describe the amounts of money that would have been paid as Dividends under the statutory formula for Dividends devised in the 1980s but were not paid because the Legislature and/or the Governor have taken actions to pay smaller Dividends starting in 2016. Fiscal Year 2017 was the first year that the statutory formula was not followed.)

Catching up on Back Dividends and starting again under the statutory formula next spring would cost $6.3 billion, close to $2 billion more than what the State of Alaska spends on K-12 education, health care, public safety, transportation, the University of Alaska, managing fish and game, and every other traditional public service in fiscal year 2021.

Chapter II: The Available Options to Produce a Realistic, Fair, and Sustainable Fiscal System

We need to quit listening to politicians who make promises that they cannot keep.

We must instead face the actual options, as unpleasant as they may seem.

The goal for Alaska should be to come up with an approach that is realistic, fair, and sustainable. Let's review various approaches — some can't meet these standards and are underlined, and others can and are in *italics*.

A list of unrealistic, unfair, and/or unsustainable approaches to address Alaska's fiscal crisis include: living of the Permanent Fund alone; drastically cutting the budget alone; overdrawing the Permanent Fund; borrowing from banks, other lenders, or the federal government as the sole strategy; diversifying and expanding the state's economy; and a massive federal bailout for Alaska alone.

Living off the Permanent Fund alone — It is unrealistic to address the structural deficit through the sole strategy of building up the Permanent Fund's principal to a point that the State of Alaska could just live off the earnings, because it is widely thought that this implies a principal of $100 billion or more, and the risk now is that we will go in the other direction. Additionally, some observers have speculated that the Permanent Fund could use different investing strategies to improve investment returns and thereby increase revenues. Given that the Permanent Fund has seemed well-managed compared to other large institutional funds, it seems much more likely that tweaking the investments alone would be insufficient to solve the long-run structural fiscal deficit.

Drastically cutting the budget alone — It is not fair, realistic, or sustainable to address the structural deficit by relying solely on massive cuts to the budget. This approach would impose unacceptable costs such as putting 50 students in a high school classroom (which would be in some rooms too many students to have desks for). With the savings in the emergency budget reserves gone and the revenues expected to grow very slowly, the deficits are only expected to get bigger.

Particularly after next year, closing that deficit by relying only on reductions to the traditional budget would have significant negative impacts on schools, the University of Alaska, public safety, highways, ferries, the courts, health care, social services, and more. Alaska would become a less attractive place to live and people would leave, severely impacting the state economy. As overall public services deteriorate and the economy falters, social problems and crime will rise. Alaska would be less attractive to new businesses. A cuts-only approach would be particularly unfair and unsustainable if — as has been suggested — the cuts are concentrated on programs which benefit mostly rural Alaskans.

Overdrawing the Permanent Fund — It is unfair and unsustainable to overdraw or overharvest the Permanent Fund as the main approach to address the structural fiscal deficit. Spending away the Permanent Fund Earnings Reserve Account takes money away from future generations to satisfy the needs of the present generation. After the Permanent Fund Earnings Reserve Account is exhausted, the logic of the spend-the-savings plan would lead to a constitutional amendment to allow the spending of the Permanent Fund principal. The Permanent Fund was meant to turn short-term resource development revenue into a legacy for future generations. Spending from the Permanent Fund principal defeats that purpose.

Borrowing from banks, other lenders, or the federal government as the sole strategy — Borrowing is traditionally used for capital improvements such as roads, airports, and other structural development or repair. Borrowing for operating expenses is unconstitutional and also merely makes future generations pay for the services we receive today and adds to the State's long-term debt as well. Without any broad-based taxes to pay off this debt, it would be costly and difficult to receive loans for operating expenses. The

downgrades in the State's credit ratings in recent years reflect that reality.

Diversifying and expanding the state's economy — This long-term strategy cannot be the sole savior of Alaska, particularly with our state's current policies. Economic growth and diversification require an educated and trained workforce, and for that a strong University of Alaska is particularly important. The lack of a broad-based source of tax revenue cripples Alaska's ability to provide the additional or improved schools, transportation, public safety, and other services from the State of Alaska that are required by population increases that accompany new development. The University of Alaska's Institute of Social and Economic Research (ISER) has labeled this problem the "Alaska Disconnect." New resource developments (including mining) do not generate anywhere near the amount of revenue as oil, which has a very different set of economic factors.

Massive federal bailout for Alaska alone--The possibility of Congress appropriating a giant amount of money to Alaska to save the state is a complete mirage given the existence of the Permanent Fund.

To reach a realistic, fair, and sustainable approach, the options are to raise oil taxes, institute broad-based taxes, reduce Dividends, and/or cut traditional public services. Let's go through those options along with some pros and cons. (To distinguish these options from the ones previously laid out, we'll put them in *italics*.)

Raising oil taxes — Raising oil taxes would increase the State of Alaska's revenues, but it could also reduce oil production in the future. The long-term decline in Alaska oil production and the relatively lower oil prices seen in recent years (and expected in the future) mean that raising oil taxes cannot be the sole solution to the State's structural deficit, although an oil tax increase could be part of an overall

approach. If approved, the oil tax initiative on the ballot in November would reduce the deficit but would not eliminate it. If the initiative became the law, the revenues raised would depend largely on oil prices. The Alaska Department of Revenue estimates that the initiative would raise $224 million annually at $35 per barrel and $1 billion at $75 per barrel. At $45 per barrel--closer to the forecasted price for next year (FY22)--the Department of Revenue estimates that the initiative would raise $373 million a year. Regardless of the initiative, the Legislature could also address changes to oil taxes. The Legislature could also amend any initiative that passed, although the Constitution prevents the Legislature from repealing any law enacted by an initiative within two years after the initiative passed.

Instituting broad-based taxes — The two most commonly discussed broad-based taxes are an income tax and a sales tax. Alaska had a state *income tax* between 1949 and 1980 that financed much of the State of Alaska's budget before the arrival of oil revenues from the North Slope. During most of its existence, Alaska's previous income tax was based on a percentage of the federal income tax. If the same system were reinstated, those who pay no federal income tax would pay no state income tax, and those who do pay federal taxes would pay state taxes on a sliding scale, depending on income. Those who earn money in Alaska but live elsewhere would also pay taxes on Alaska-earned income. The Alaska House of Representatives passed a bill establishing a state income tax in 2017 that failed in the Senate that would have raised approximately $700 million per year when fully implemented. Setting aside the effects of Permanent Fund Dividends, adopting that 2017 income tax proposal would have left Alaskans with the second-lowest total state tax burden in the U.S. (only New Hampshire would have been lower). An income tax approved by the Legislature in 2021 would not generate revenue until 2022 at the earliest, although the first revenues would most likely

arrive in 2023. Some oppose an income tax on the theory that it penalizes work.

A state *sales tax* could be structured to raise as much as an income tax. To many this seems preferable to an income tax because individuals control their spending. But a sales tax hits those who have the least income the hardest. Although Alaska has never had a statewide sales tax, more than 100 local governments rely heavily on sales taxes that range up to 7.5 percent. Establishing a statewide sales tax would mean a second layer of sales tax in incorporated areas that currently have a sales tax and could make for some high combined rates in those communities. Another problem with a sales tax is the particularly harsh effects in the more than 200 communities in Alaska off the road system that are only accessible by plane or boat. Everything costs more off the road system, particularly in Bush villages. Staples like milk and bread typically cost two to three times as much in villages as in Anchorage or Juneau, so some Alaskans will be paying 2-3 times as much tax as others for the same commodities. A sales tax approved by the Legislature in 2021 would not generate revenue until 2022 at the earliest, although — once again — the first revenues would probably not come until 2023.

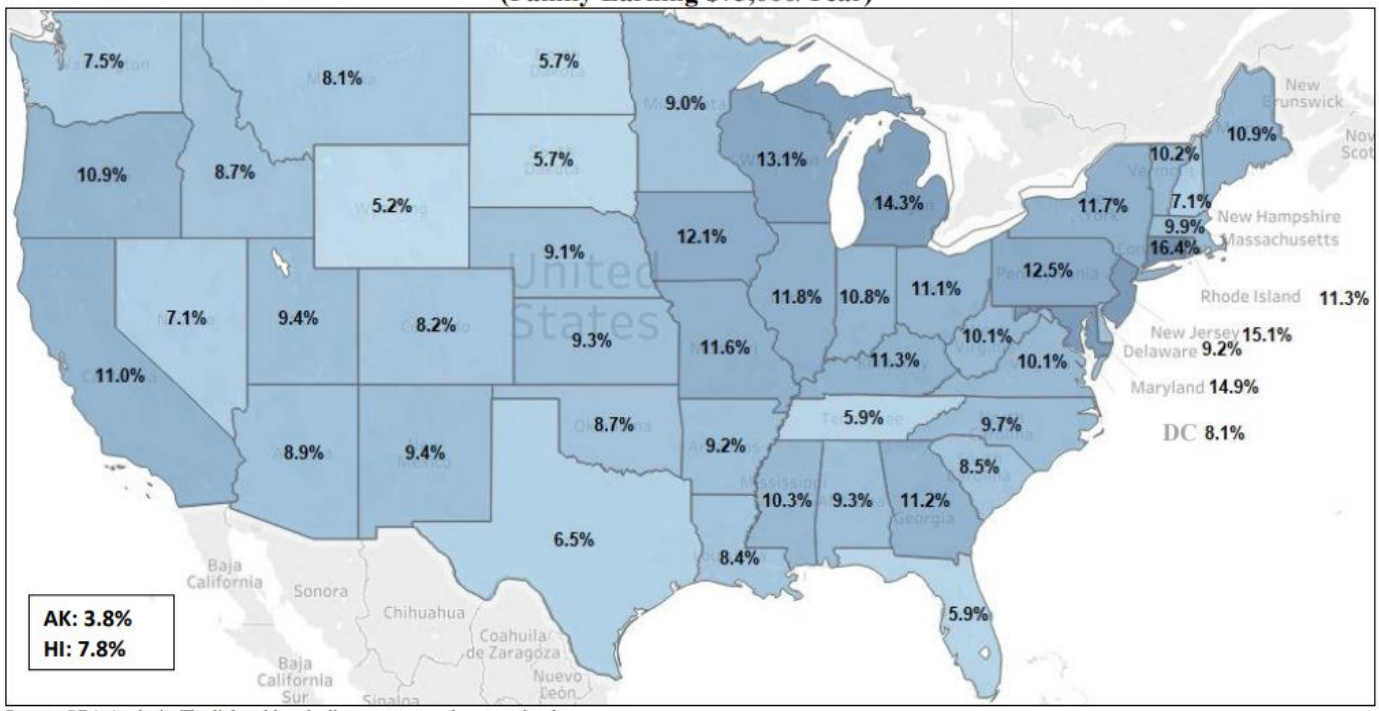
Continuing to reduce — or eliminate — the Dividend. The Permanent Fund Dividend was established in 1982 for a number of reasons, including helping to protect the Permanent Fund and to spread universally some of the benefits of the State of Alaska's oil wealth. Dividends are particularly important in the Bush — where incomes are lower than in urban areas — but Dividends aid poor people in cities as well. Cutting Dividends would reduce incomes in Alaska more than other policy responses such as adopting taxes or cutting the budget for public services. As ISER noted in 2016, Dividend cuts disproportionately affect the lower-income Alaskans, who spend more of their incomes than higher-income Alaskans do. In an era of

increasing inequality, Dividends have helped make Alaska the state with the second-lowest income inequality of any state. Cutting Dividends to avoid instituting an income tax is a gift to the rich. Some Alaskans make plenty of money — surgeons, for example, have made up to $5.5 million in net income per year performing operations in our state. The continuing argument over Dividends, however, has dominated and distorted the fiscal debate in Alaska, and following the statutory Dividend formula is impossible absent a plan to pay for vital public services Alaskans need.

Cutting the budget more — There could be a role for some additional budget cuts, but the low-hanging fruit is gone after years of budget reductions. There are also clearly some areas of state spending — such as the capital budget — where spending should go up from the low levels of the past couple years. After adjusting for the growth in inflation and population, the budget last year — Fiscal Year 2020 — is lower than the budget in Fiscal Year 1979, the first full fiscal year after the Trans Alaska Pipeline System opened and the big oil money started to flow regularly into the State of Alaska's treasury. Recall also that many proposed cuts to the State of Alaska's budget will merely shift spending to local government taxpayers. Additional smaller and targeted budget cuts could be part of a package deal with revenue measures to address the structural deficit, but we need to still leave an Alaska Alaskans want to live in.

Given that Alaskans often lack important information on tax burdens, here's a graphic showing combined state and local tax burdens in each state. For a family earning $75,000 a year — just about the median household income in Alaska — the family in Alaska would pay the lowest combined taxes on income, property, sales, and auto of any of the states. (And of course, only Alaskans receive Permanent Fund Dividends.)

Map 7: Combined 2018 Tax Burdens (Income, Property, Sales, & Auto) as a % of Income (Family Earning $75,000/Year)



Source: ORA Analysis. The lighter blue shading represents a lower tax burden.

Alaska is the only state without any form of a broad-based tax such as an income tax, and Alaskans have the lowest tax burden in the U.S. Alaska's fiscal system seems to be set up for high earners who want to leave Alaska soon.

Three Big Questions:

--How do we create a realistic and sustainable budget that meets Alaskans' needs fairly?

--Who pays?

--Who stays?

The response to our fiscal crisis can't either be to go for small cuts as the only solution or alternatively give up all hope.

Delay is our biggest problem now. Alaskans have a big problem and we have to deal with it now. Since the State of Alaska spent most of the emergency reserves, punting on Alaska's fiscal crisis not only increases our future risk — it also increases our deficit.

All the barriers to addressing our crisis are political, not financial. We can choose to save ourselves.

It is not enough to say what you are <u>AGAINST</u>--YOU MUST say what you are <u>FOR.</u>
In that spirit, here's one plan that works.

1. Alaska needs to bring back a broad-based tax — like every other state has and like Alaska had between 1949 and 1980. The most fair broad-based tax that would capture income made by non-residents in Alaska would be a state income tax, like Alaska used to have. An income tax like the one in the bill passed by the Alaska House in 2017 would raise approximately $700 million per year when fully implemented.
2. An increase in oil taxes should be considered as part of a package to address our state's fiscal crisis. The increase should be in the range of $200-$400 million per year.
3. To prevent continual overspending of the Permanent Fund and a disruption of the revenue flow that will continue to provide more than half of our state's revenues, Alaskans need to adopt a constitutional amendment that puts the POMV system in the Alaska Constitution.
4. Alaskans need to amend the Alaska Constitution to guarantee a Permanent Fund Dividend at a sustainable level.
5. We need to watch carefully for specific and targeted budget cuts while recognizing that the budget might need to increase on net to cover critical unmet needs in the capital budget and other areas.
6. Barring highly unlikely events, Alaska will temporarily need to use some Permanent Fund earnings beyond sustainable limits as a bridge. Such use should only occur if the bridge has an end — that is, if there is a realistic plan to convert to a sustainable system.
7. In a package deal to resolve Alaska's structural fiscal deficit, a one-time jumbo Dividend might be useful as a sweetener to help secure passage.

Acknowledgments

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Note from Cliff Groh

I have researched, written about, and given speeches over decades about Alaska's public finances. Since circumstances have deteriorated even with all my efforts as well as those of others, I decided to move beyond writing op-eds and giving PowerPoint presentations to work with a cartoonist and specialists in graphics to prepare this booklet on Alaska's fiscal crisis and the options.

This booklet aims to help increase understanding, dispel fantasy, and fight dishonesty and folly. It also expresses my values.

Note on the cover: Alaska has a long history of aviation accidents and fatalities, and like many in our state I have known several people who have died in airplane crashes. Peter Dunlap-Shohl described the cover cartoon as showing Alaska's fiscal trajectory as "controlled flight into terrain," a frequent conclusion in post-crash investigations.

Biographies

Cliff Groh is a lifelong Alaskan who has studied for four decades how the State of Alaska collects, saves, and pays out money (also called the "fiscal system"). After many years of speaking and writing about Alaska's structural deficit and warning about the coming crash—yet seeing the state's circumstances get worse—he decided to work with a cartoonist and graphic specialists to produce this graphic booklet.

Groh was the legislative assistant who worked more than any other on the legislation in 1982 creating the Permanent Fund Dividend that has been paid every year since then. While serving as Special Assistant to the Alaska Commissioner of Revenue in 1987-1990, Groh was heavily involved in a successful effort to pass legislation that raised oil taxes on net. He was an invited participant to the Walker-Mallott administration's forum on Alaska's future in 2015 at the University of Alaska Fairbanks and a delegate to the Conference of Alaskans in 2004 called by Gov. Frank Murkowski. He has taught a course he created at the University of Alaska Anchorage entitled "Navigating Alaska's Fiscal and Economic Challenges." He practiced law in Alaska for three decades and ran for the Alaska Legislature in 2018.

Groh authored or co-authored four chapters in academic books about the Permanent Fund Dividend and Alaska fiscal policy. The University of Alaska's Institute of Social and Economic Research (ISER) published in 2018 his paper on the unfunded liabilities of the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS).

Peter Dunlap-Shohl worked as a cartoonist for the *Anchorage Daily News* for 25 years. He has won various prizes, including the First Amendment Award from the Alaska Press Club. His book *My Degeneration: A Journey Through Parkinson's* was published in 2015. His blog *Frozen Grin* tends toward the humorous and the topical, while his blog *Off & On: The Alaska Parkinson's Rag* features news and commentary about the disease. His next book is on nuclear testing in Alaska.

Quentin Bidwell graduated from Whitman College in 2020 with a bachelor's degree in mathematics and economics. He has served as an intern with the Alaska Department of Revenue. A video he made about Alaska's fiscal challenge in 2015 was shared widely on social media, including by the Governor.

Nathan Bradford is a financial analyst at an Anchorage financial institution. He is scheduled to graduate from the University of Alaska Anchorage in December of 2020.