April 5, 2017

Trevor Storrs
Executive Director
Alaska Children's Trust
Via email

Dear Trevor:

This letter transmits the summary of our findings on the income effects on Alaska households of current fiscal options being considered by the Alaska Legislature, particularly House Bill 115 (HB 115) (by the Alaska House Majority), Senate Bill 26 (SB 26) (by the Alaska Senate Majority), and the Governor's fiscal plan. We compared these three fiscal plans by measuring their effect on average household income by income quartile and household size. It is important to note that, from an income perspective, these plans are not fully comparable, because the Senate plan relies on spending cuts and revenue increases, while the other plans rely largely on revenue increases following several years of major cuts.

As analyzed, HB 115 and the Governor's Plan place a higher burden in dollars on higher income households, while SB 26, which does not generate new revenue, relies solely on reducing the Permanent Fund Dividend (PFD) and spending, and distributes its burden based on household size and not income.

All three plans place a higher burden, as a percentage of income, on lower income households, but the difference is most pronounced under SB 26 and the Governor's Plan. The difference in percentage of lost income between the bottom quartile and the top quartile for a two-adult with children home is nearly +9 percentage points under the Senate and Gubernatorial plans compared to just +3 percentage points under HB 115.[1] The House plan's use of a progressive income tax structure flattens the "burden curve" by having higher income households pay substantially more in both real and percent of income terms.

Lastly, we note that the Governor's Plan places the highest burden on low income families because it provides for a smaller PFD and increases retail taxes on fuels and alcohol. Lower income families tend spend a larger ***portion*** of their income on basic goods such as food, medicine, lodging, fuel, etc., than higher income families. Thus, any taxes which are essentially sales taxes will hit lower income families harder because those taxes aren't structured to be progressive with income.

The following pages provide a description of the three fiscal options, the approach and assumptions we used in the analysis, and the summary results.

Thank you for reaching out to Northern Economics, Inc. If you have any questions regarding our analysis please feel free to contact us.

Sincerely,

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Vice President

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[1] These point differentials rise to +12 and +7 should the PFD stay above $2,000.

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Fiscal Plans

This section describes the three fiscal options included in our analysis. We focused specifically on the components of the fiscal plans that directly affect the household income of Alaskans. Hence, the other components of the fiscal plans, such as spending cuts and taxes or fees on certain sectors or industries, are not included in our analysis even though these components would certainly affect the Alaska economy.

House Bill 115: The State Revenue Restructuring Act

HB 115 proposes to close the state's budget gap by combining revenues from the earnings of the Permanent Fund and an income tax. This proposal (Finance CS Version L) would reduce the PFD payout and implement a personal income tax based on a modified version of Federal Adjusted Gross Income, with rates ranging from 0 to 7 percent. Table 1 shows the proposed tax amounts for the different adjusted gross income brackets for individuals or couples filing jointly. The income tax structure is progressive in that individuals or couples with higher incomes would pay more taxes than those that make less income. The income tax would be paid by Alaska residents on all income and by non-residents on their income from a source within the state. The bill includes a $4,000 exemption per person, so it takes into account the size of the family or the number of dependents (a couple with one child (or a three-person family) would receive a total of $12,000 in income tax deductions). It also includes an exemption for income received from the PFD.

Based on preliminary estimates by ADOR, the income tax component of this bill will raise about $663 million in its first full year of implementation (FY 2020). Non-residents are anticipated to pay between 7 percent and 14 percent of the total tax revenue, or $44 to $93 million in a full year.

Table 1. Tax Brackets Based on Adjusted Gross Income as Proposed in HB 115

Adjusted Gross Income	Tax Amount
Individual/Single Filers	
Less than $10,300	$0
$10,300 but less than $50,000	2.5% of amount over $10,300
$50,000 but less than $100,000	$992.50 + 4% of amount over $50,000
$100,000 but less than $200,000	$2,992.50 + 5% of amount over $100,000
$200,000 but less than $250,000	$7,992.50 + 6% of amount over $200,000
Greater than or equal to $250,000	$10,992.50 + 7% of amount over $250,000
Married Filing Jointly	
Less than $20,600	$0
$20,600 but less than $100,000	2.5% of amount over $20,600
$100,000 but less than $200,000	$1,985 + 4% of amount over $100,000
$200,000 but less than $400,000	$5,985 + 5% of amount over $200,000
$400,000 but less than $500,000	$15,985 + 6% of amount over $400,000
Greater than or equal to $500,000	$21,985 + 7% of amount over $500,000

Source: CS HB 115 Estimated State Income Tax based on Filing Status; prepared by the Office of Representative Paul Seaton.

Besides the revenue from the income tax, the bill also proposes to use income from the Permanent Fund's Earnings Reserve Account to close the budget gap. The bill establishes an annual draw of

5.25 percent of the average market value (POMV) of the Account for the first five of the six preceding fiscal years. Thirty-three percent of this annual draw would be appropriated to the dividend fund for distribution to Alaska residents, and sixty-seven percent would be appropriated to the general fund. The annual draw would be reduced to five percent starting in FY2020. The PFD amount would be $1,250 per person in the short term and could grow in the long term. This amount, however, is a reduction relative to the PFD that would be paid under the current law which was estimated by the Alaska Department of Revenue (ADOR) to be $2,200 per person in 2017; a $950 reduction per person. This is also a reduction relative to the average lifetime value of the PFD amount of $1,647.

ADOR estimates that in FY2020 (first full year of implementation), $1.78 billion would be appropriated to the general fund (67 percent of the 5 percent POMV draw).

Senate Bill 26: Permanent Fund Protection Act (CSSB 26 Finance)

According to the sponsor statement, this bill would "establish a new financial model to enable sustainable funding of State services and the protection of the Permanent Fund." This legislation makes changes to different aspects of the Permanent Fund Program, the PFD calculation, and how the earnings are used.

Components of SB 26 include, among others:

- A provision to reduce the share of mineral bonuses, rents, and royalties that are deposited to the Permanent Fund from 50 percent to 25 percent for certain leases (for leases issued after February 15, 1980).
- From July 1, 2018 to July 1, 2020, the bill would allow for an annual draw from the Permanent Fund earnings reserve of up to 5.25 percent of the average market value of the Permanent Fund, including the earnings reserve, for the first five of the preceding six fiscal years (POMV draw). The POMV amount changes to five percent on July 1, 2020. The draw would be allocated between the dividend fund and the General Fund.
- A modification on how dividends are calculated and funded. The annual PFD distributed to Alaska residents would be funded by appropriation from the General Fund, instead of by appropriation from the Earnings Reserve. For the next three years, the dividend is set at $1,000 per person. Starting in FY 2021, the appropriation for dividends would be based on 25 percent of the calculated maximum transfer from the Permanent Fund to the General Fund.
- Change in the inflation-proofing mechanism by providing that the Legislature may appropriate any amount in the earnings reserve that exceeds the annual POMV draw multiplied by four to Permanent Fund principal. This ensures that a sufficient amount of funds remains in the earnings reserve account for the POMV draw, while also continuing to build up the principal of the Permanent Fund over time.

The ADOR estimates that in FY2018, 5.25 percent POMV draw from the earnings reserve account would generate $1.9 billion for the General Fund (to fund government services, net of the dividend).

The PFD of $1,000 per person is lower relative to both the estimated dividend of $2,200 under current law and the lifetime average value of the PFD amount of $1,647; a reduction of $1,200 and $687 per person, respectively.

An additional element of the Senate Plan is the continuation of cuts in government expenditures which would lead to additional job losses in the Alaska economy. Previous work by the Institute of Social and Economic Research (ISER) indicates that every $100 million of reduced spending by the State of Alaska will reduce overall Alaska employment by just under 1,700 jobs if the cuts focus on workers as opposed to a mix of workers and capital spending reductions. Given that the state has already reduced capital spending to a functional minimum, we believe that future cuts will focus on the state workforce. These losses do not fit into our estimates of income losses because the income losses are expected to be shared across all families within an income group whereas job losses are a 1 or 0 proposition with some families experiencing no income loss and other families losing all of their income from that wage earner.[2]

The Governor's New Sustainable Alaska Plan

According to the description of the plan:

> The New Sustainable Alaska Plan provides a balanced path to long-term fiscal stability: it protects the economy, preserves dividends, and makes the Permanent Fund permanent. It enables the state to continue meeting its obligations—to protect the safety and health of Alaskans, provide quality education, and promote employment opportunities in a growing and increasingly diverse economy.

The Governor's Plan includes a combination of spending reductions, sustainable use of Permanent Fund earnings, modest tax increases, and oil and gas tax credit reform. The taxes being considered to generate additional revenue include a mining license tax, a motor fuel tax, an income tax, alcohol tax, tobacco tax, cruise ship tax, fisheries tax, and changes to the oil and gas tax.

The Senate's Permanent Fund Protection Act, as described above, is also one of the components of the Governor's Plan. Hence, under this plan, the annual PFD amount is $1,000 per person.

To simplify the analysis, we limited this plan to include the following:

1) A reduction in the annual PFD to $1,000 per person (same as SB 26);
2) An income tax: 1.5 percent of average income;
3) A motor fuel tax; and
4) An alcohol tax.

This plan leaves a significant revenue gap to be filled by a broad-based tax. Upon rolling out the plan, the Governor indicated that the Legislature should select the tax which would be used to fill this gap. We presume an income tax is used to fill the gap given that the gap is too large to be filled with just an sales tax, there is very little current discussion of a sales tax, and oil taxes seem to be "off the table" for the moment.

Approach and Assumptions

This work is intended to provide a "quick and dirty" comparative analysis of the different fiscal options being considered by the current legislative and executive branch. The section above provides a description of the fiscal options that we included in the analysis. The objective is to compare how these different plans affect the average household incomes of Alaskans by household size and income quartiles. We evaluated the impacts on income in terms of absolute dollar values and as a percentage of the average household income.

To determine the average household income of Alaskans, we used information published by ISER in its study, *Effect of Alaska Fiscal Options on Children and Families*.[3] The ISER report provides details of its data sources and methodology. For this work, we used ISER estimates of mean per capita household income of Alaska adults and children in four different household sizes and income quartiles. We

[2] http://www.iser.uaa.alaska.edu/Publications/2016_03_30-ShortrunEconomicImpactsOfAlaskaFiscalOptions.pdf

[3] http://www.iser.uaa.alaska.edu/Publications/2017_02-EffectOfAlaskaFiscalOptionsOnChildrenAndFamilies.pdf

converted the per capita estimates into total average household income by multiplying per capita estimates by the number of persons in each household type. Table 2 shows the calculated average household income for the different household types and income quartiles.

Table 2. Average Alaska Household Income by Household Size and Income Quartile

	Income Quartile ($)			
Type of Household:	**0-25%**	**25-50%**	**50-75%**	**75-100%**
Adults No Children	17,747	40,744	68,163	152,196
1 Adult + Children	21,878	60,496	94,784	187,152
2 Adults + Children	35,462	78,092	132,062	232,467
3(+) Adults + Children	58,552	113,677	187,557	358,187

Source: Estimated based on information from the ISER Report (February 2017).

We then looked at components of the different fiscal plans that would have a direct effect on household incomes:

1) HB 115: income tax + reduction in PFD;
2) SB 26: reduction in PFD;
3) Governor's Plan: reduction in PFD (same as SB 26) + income tax (1.5 percent of average income) + motor fuel tax + alcohol tax.

To simplify our analysis of the Governor's Plan, we assumed the same tax structure for the motor fuel tax and alcohol tax analyzed in the ISER report. We used ISER estimates of per capita mean income loss per $100 million revenue raised for each household size and income quartile and determined the mean income loss on total household income for each household-income quartile category. We assumed that the Motor Fuel tax would raise $45 million and the Alcohol tax would raise $40 million per year in tax revenues; these are based on amounts published by the Office of the Governor regarding the details of the Plan.[4]

To determine the income effects of the reduction in PFD amounts, we used estimates by ADOR of the dividend amount under current law. Since the different plans have different effective dates, we converted the nominal amounts published by DOR for the year 2018 and adjusted the values to reflect 2016 dollars. In addition, we assume that the 2018 dividend amount will be equal to the long-run average dividend amount over the lifetime of the project of $1,647 in constant 2016 dollars.[5] Using this approach, the estimated reduction in PFD amounts under the different plans are as shown in Table 3.[6]

[4] https://gov.alaska.gov/administration-focus/new-sustainable-alaska-plan/

[5] The ten-year average real value of the dividend, if the 2016 dividend had been paid in full, is $1,640.

[6] Many discussions regarding these plans presume a 2018 PFD of over $2,100, because that has been the recent performance of the Permanent Fund. We include a discussion based on these higher dividend amounts in Appendix A- Analysis with Higher PFD Amounts.

Table 3. Estimated Permanent Fund Dividend Reductions under the Various Fiscal Plans

DOR Model	2018 PFD ($)	2018 PFD ($) adjusted to 2016 $	PFD Reduction (2016$)
Status Quo/Baseline		1,647	
SB 26	1,000	960	687
HB115 and Governor's Plan	1,250	1,201	446

The cost to different household types of the reduction in the dividend amount is calculated by multiplying the PFD reduction amount by the number of people in the household.

To determine the income effects of the income tax on different household types, we used the average household income shown in Table 2 above and calculated the adjusted gross income by deducting the $4,000 per person personal exemption and the dividend amounts applicable to each household size, and then used the brackets shown in Table 1 to determine the income tax for each household size-income quartile category.

Results by Fiscal Plan

This section presents the results of our analysis by fiscal plan.

House Bill 115: The State Revenue Restructuring Act

Table 4 and Table 5 show the results of the income effects of **HB 115** on the different types of households by income quartile, as an absolute dollar value and as a percent of average household income, respectively. The results show that on an absolute dollar value basis, a large family would be impacted more than a smaller-sized family because the cost to the family of the reduction in PFD is on a per-person basis. As a percent of household income however, the results show that single parents with children (dependents) are affected the most; and across income quartiles, the impacts on families with the lowest average incomes are higher proportionally higher relative to households with higher incomes.

Table 4. Estimated Impact of House Bill 115: Cost of an Income Tax and Reduction in Permanent Fund Dividend by Household Type and Income Quartile

	Cost by Income Quartile ($)			
Type of Household	0-25%	25-50%	50-75%	75-100%
Adults, No Children	981	1,303	2,031	4,464
1 Adult + Children	1,427	2,230	3,488	7,874
2 Adults + Children	1,918	2,748	4,214	8,312
3(+) Adults + Children	2,968	4,587	7,638	16,905

Table 5. Estimated Impact of House Bill 115: Cost of an Income Tax and Reduction in Permanent Fund Dividend as a Percent of Average Household Income by Household Type and Income Quartile

Type of Household	Cost by Income Quartile (%)			
	0-25%	25-50%	50-75%	75-100%
Adults, No Children	5.53	3.20	2.98	2.93
1 Adult + Children	6.52	3.69	3.68	4.21
2 Adults + Children	5.41	3.52	3.19	3.58
3(+) Adults + Children	5.07	4.03	4.07	4.72

Senate Bill 26: Permanent Fund Protection Act (CSSB 26 Finance)

Table 6 and Table 7 show the results of estimated impacts of **SB 26** on household incomes. The results are similar to HB115 in that the Bill would cost larger families more in terms of lost income compared to smaller-sized families because the impact of the PFD reduction is on a per-person basis. In terms of the impact on a percent of household income, again, the households with lower incomes (0 to 25 percent quartile) would be impacted more than the households with higher incomes.

Table 6. Estimated Impact of Senate Bill 26: Reduction in Permanent Fund Dividend by Household Type and Income Quartile

Type of Household	Cost by Income Quartile ($)			
	0-25%	25-50%	50-75%	75-100%
Adults, No Children	1,511	1,511	1,511	1,511
1 Adult + Children	2,198	2,198	2,198	2,198
2 Adults + Children	2,954	2,954	2,954	2,954
3(+) Adults + Children	4,328	4,328	4,328	4,328

Table 7. Estimated Impact of Senate Bill 26: Reduction in Permanent Fund Dividend as a Percent of Average Household Income by Household Type and Income Quartile

Type of Household	Cost by Income Quartile (%)			
	0-25%	25-50%	50-75%	75-100%
Adults, No Children	8.52	3.71	2.22	0.99
1 Adult + Children	10.05	3.63	2.32	1.17
2 Adults + Children	8.33	3.78	2.24	1.27
3(+) Adults + Children	7.39	3.81	2.31	1.21

The Governor's New Sustainable Alaska Plan

Table 8 and Table 9 show the results under the **Governor's Plan**. Again, the pattern is similar to the results of HB 115 and SB 26. The more people in the households, the higher the impacts on household incomes; and the impacts of the taxes and PFD reduction on lower income families when viewed as a proportion of household income are higher compared to higher income families.

Table 8. Estimated Impact of the Governor's Plan: Cost of Various Taxes and Reduction in Permanent Fund Dividend by Household Type and Income Quartile

	Cost by Income Quartile ($)			
Type of Household	0-25%	25-50%	50-75%	75-100%
Adults, No Children	1,790	2,166	2,636	4,280
1 Adult + Children	2,553	3,194	3,797	5,471
2 Adults + Children	3,543	4,282	5,234	7,356
3(+) Adults + Children	5,296	6,299	7,952	11,723

Table 9. Estimated Impact of the Governor's Plan: Cost of Various Taxes and Reduction in Permanent Fund Dividend as a Percent of Household Income by Household Type and Income Quartile

	Cost by Income Quartile (%)			
Type of Household	0-25%	25-50%	50-75%	75-100%
Adults, No Children	10.1	5.3	3.9	2.8
1 Adult + Children	11.7	5.3	4.0	2.9
2 Adults + Children	10.0	5.5	4.0	3.2
3(+) Adults + Children	9.0	5.5	4.2	3.3

Comparisons of Effects of Fiscal Plans

The following pages show the data provided above in graphical format, comparing lost income as a percentage of average household income across quartiles and plans. The figures detail the estimated percentage income effects by different household types. The key takeaways that can be noted from the figures are that:

- Both SB 26 and the Governor's Plan follow similar shapes where they take a relatively high percentage of income from lower income groups and a lower percentage from those with higher incomes. Their similar shapes come from the fact that both rely on a greater PFD reduction than HB 115, which incorporates a more progressive income tax structure. The Governor's Plan in particular would hit lower income groups significantly harder not only because of the reliance on reducing the PFD, but also because it includes a greater reliance on retail taxes such as the motor fuels tax and alcohol tax.
- While on a percentage basis HB 115 takes more from the lowest income group than the highest income group, the plan is much flatter than either SB 26 or the Governor's Plan. This result stems from the fact that HB 115 asks less of the lowest income groups because it relies less on the PFD reduction and because income tax rates for the lowest income groups are very modest. At the same time, higher income groups pay higher income tax rates and this progressivity keeps the relative burden between the groups comparatively equal on a percentage of income basis. As shown in Table 9, HB 115 asks between 0.3 and 2.6 percentage points in income more from the lowest income groups compared to the highest. In contrast the other plans ask for 6.2 to 8.9 percentage points and 5.8 to 8.7 percentage points.

Table 10. Difference in Percentage Effective Lost Income (Lowest Quartile-Highest Quartile)

Type of Household	HB 115	SB 26	Governor's Plan
		(%)	
Adults, No Children	2.6	7.5	7.3
1 Adult + Children	2.3	8.9	8.7
2 Adults + Children	0.7	7.1	6.7
3(+) Adults + Children	0.3	6.2	5.8

- The House Plan does not show the same degree of flatness if PFDs run above the historical average (see Appendix A). The House Plan still relies on capping the size of the dividend, so when the dividend increases, the lost income to families increases.

Figure 1. Estimated Percentage Income Effects by Household Type: Adults, No Children

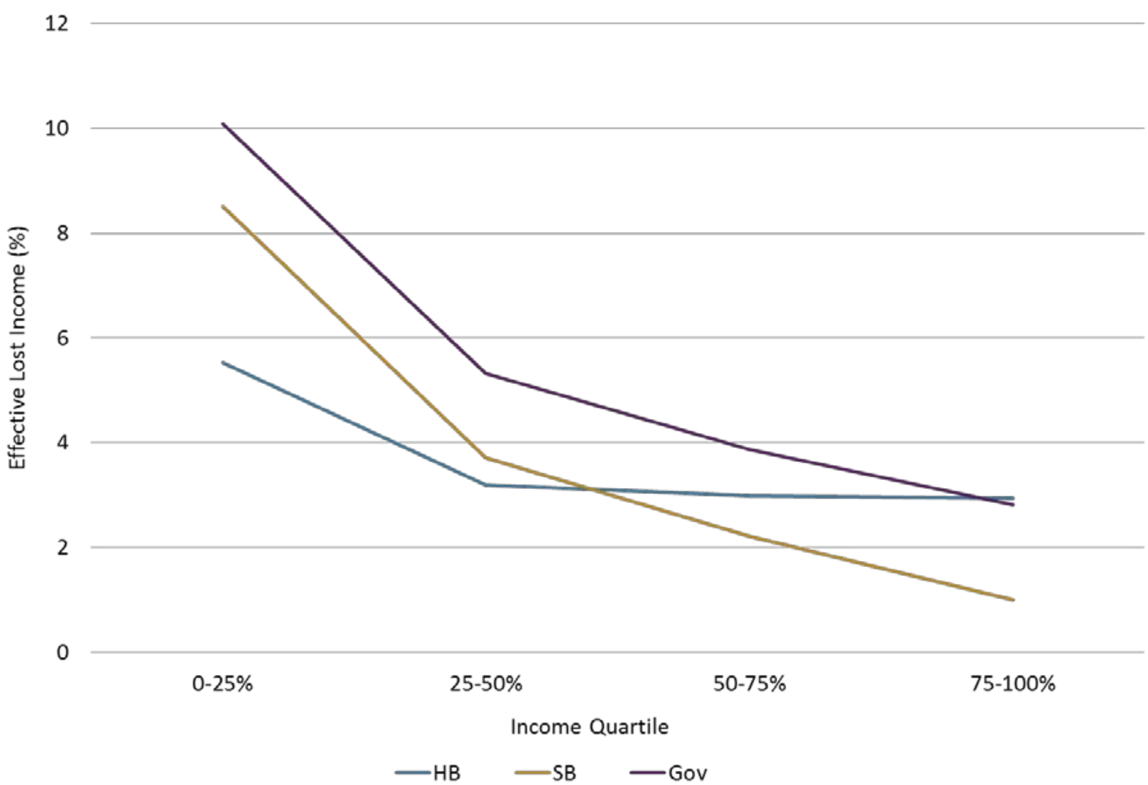


Figure 2. Estimated Percentage Income Effects by Household Type: One Adult with Children

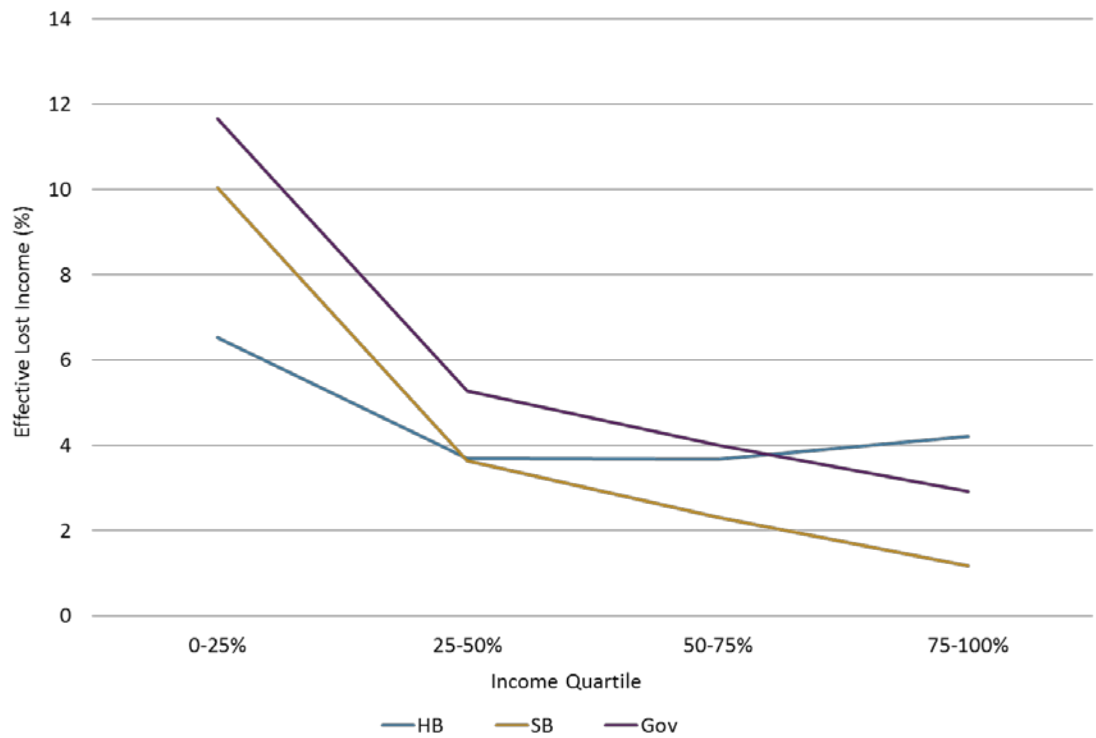


Figure 3. Estimated Percentage Income Effects by Household Type: Two Adults with Children

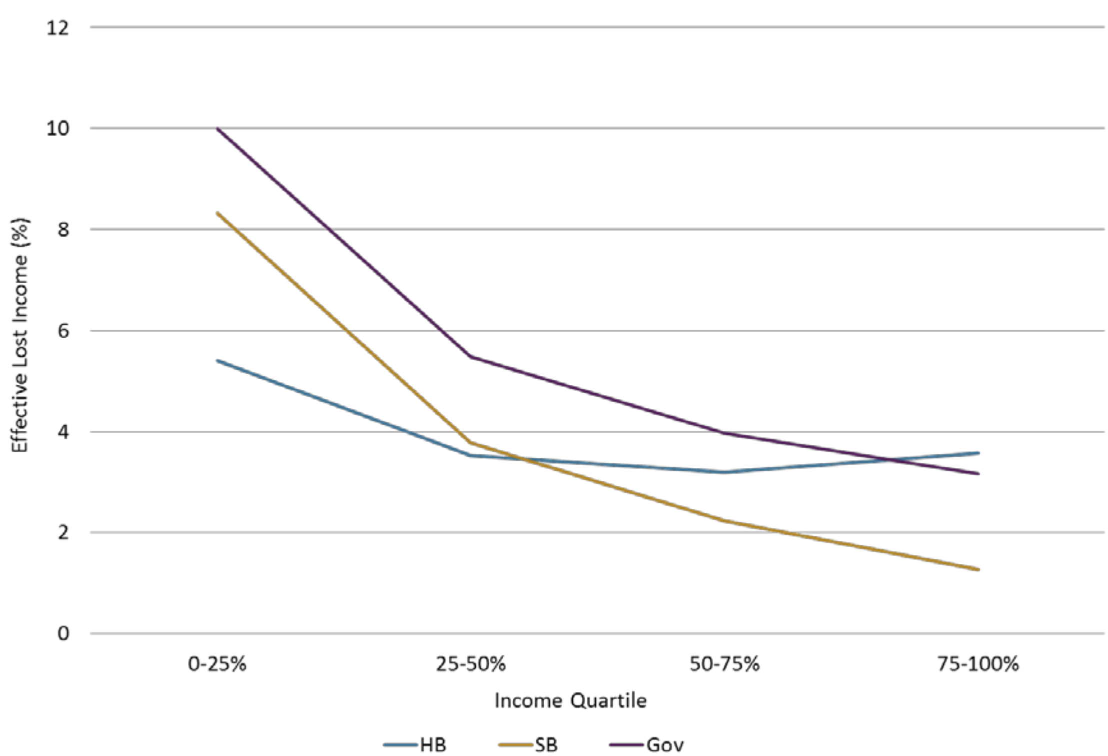
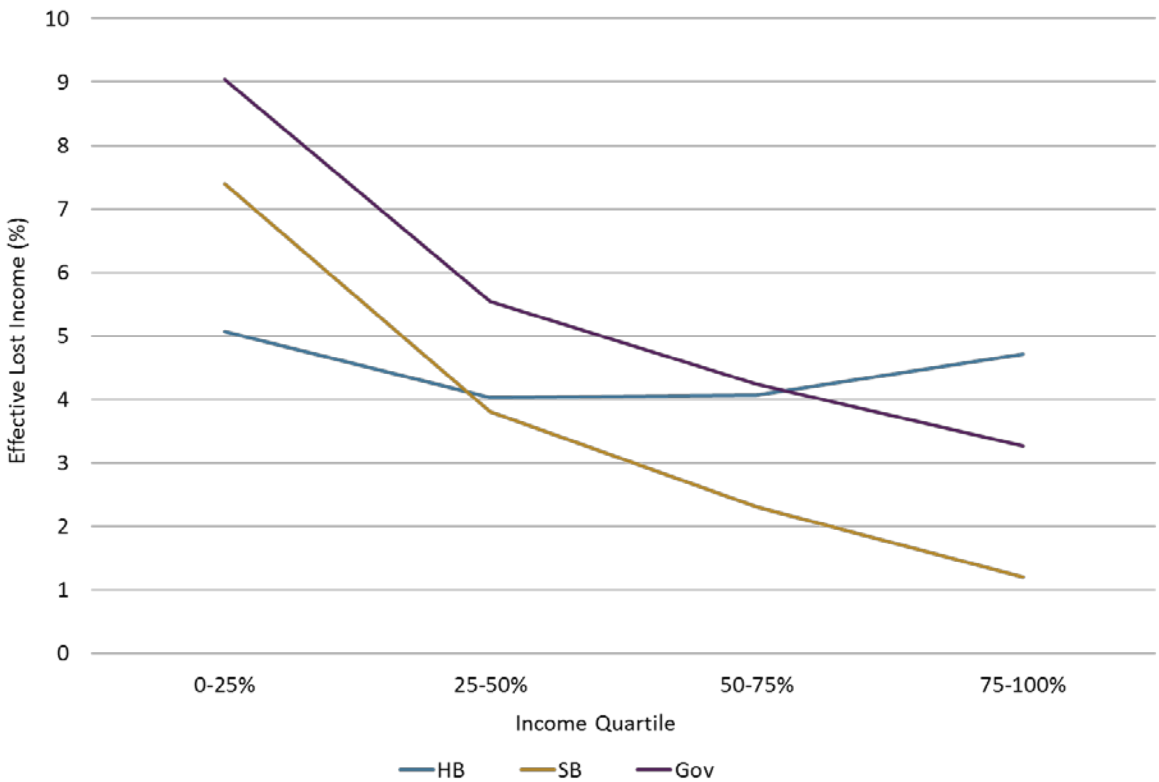


Figure 4. Estimated Percentage Income Effects by Household Type: Three (+) Adults with Children



Summary Conclusions

Alaska is dealing with a fiscal crisis—an estimated budget gap of about $2.8 billion, despite reducing the state's operating and capital budgets by 40 percent over the last three fiscal years. The legislative and executive branch are considering different strategies to solve the fiscal crisis and close the budget gap, which will require implementation of various revenue generation mechanisms.

This study provides some insights into how the different plans being considered would impact the different Alaska household types and income levels. This work, however, only focuses on the components of the fiscal plans that directly impact Alaska household incomes. Key takeaways of the analysis include:

- All three fiscal plans analyzed propose the use of the Permanent Fund earnings to fund government and fill the budget gap. The income effects of the PFD reduction of SB 26 and the Governor's Plan are the same; the estimated dividend reductions per person are the same under both plans and are higher compared to HB 115.
- The Governor's Plan, because it has several additional consumer taxes besides an income tax and a reduction in the PFD, and because it places a lower percentage draw on the Permanent Fund and thus requires higher revenues to close the fiscal gap, would cost families more compared to the other two fiscal plans.
- SB 26, because it is a function only of household sizes, asks for the same nominal income loss regardless of income. In other words, a three-person household making $20,000 sacrifices the same amount as a three-person household making $200,000.

- All three plans place a significantly higher burden, as a percentage of income, on lower income households, but the difference is most pronounced under SB 26 and the Governor's Plan. The difference in percentage of lost income between the bottom quartile and the top quartile for a two-adult with children home is nearly +9 percentage points under the Senate and Gubernatorial plans compared to just +3 percentage points under the House plan.[7]
- While the Governor's Plan has the highest impact as a percent of household income in the lowest income quartile and HB115 has the highest impact on the highest income quartile, this is a result of the progressive nature of the income tax scheme proposed in HB 115.
- SB 26 will not be able to solve the budget crisis as it only considers use of the Permanent Fund earnings. Thus, under this plan, significantly greater budget cuts are necessary to balance the budget. More budget cuts could impact the overall economy, causing reductions in indirect and induced jobs, labor income, and economic output. As previously noted, ISER estimates direct worker reductions at nearly 1,700 jobs per $100 million in cuts. $300 million in real (not accounting) cuts for FY 2018 would eventually result in an additional 5,000 lost jobs in the Alaska economy, all things being equal. These losses are not reflected in our estimates of income losses associated with revenue increases and subsidy reductions.

[7] These point differentials rise to +12 and +7 should the PFD stay above $2,000.

Appendix A–Analysis with Higher PFD Amounts

This section presents the results of our analysis by fiscal plan using a 2018 PFD of $2,218 in $2016 instead of a more typical $1,647. Using this approach, the estimated reduction in PFD amounts under the different plans are as shown in Table 11.

Table 11. Estimated Permanent Fund Dividend Reductions under the Various Fiscal Plans

DOR Model	2018 PFD ($)	2018 PFD ($) adjusted to 2016 $	PFD Reduction (2016$)
Status Quo/Baseline	2,214	2,126	
SB 26	1,000	960	1,166
HB115 and Governor's Plan	1,250	1,201	925

House Bill 115: The State Revenue Restructuring Act

Table 12 and Table 13 show the results of the income effects of **HB 115** on the different types of households by income quartile, as an absolute dollar value and as a percent of average household income, respectively. The results show that on an absolute dollar value basis, a large family would be impacted more than a smaller-sized family because the cost to the family of the reduction in PFD is on a per-person basis. As a percent of household income however, the results show that single parents with children (dependents) are affected the most; and across income quartiles, the impacts on families with the lowest average incomes are proportionally higher relative to households with higher incomes.

Table 12. Estimated Impact of House Bill 115: Cost of an Income Tax and Reduction in Permanent Fund Dividend by Household Type and Income Quartile

	Cost by Income Quartile ($)			
Type of Household	0-25%	25-50%	50-75%	75-100%
Adults, No Children	2,035	2,330	3,051	5,492
1 Adult + Children	2,960	3,725	4,960	9,330
2 Adults + Children	3,978	4,756	6,191	10,269
3(+) Adults + Children	5,948	7,506	10,520	19,742

Table 13. Estimated Impact of House Bill 115: Cost of an Income Tax and Reduction in Permanent Fund Dividend as a Percent of Average Household Income by Household Type and Income Quartile

	Cost by Income Quartile (%)			
Type of Household	0-25%	25-50%	50-75%	75-100%
Adults No Children	11.47	5.72	4.48	3.61
1 Adult + Children	13.53	6.16	5.23	4.99
2 Adults + Children	11.22	6.09	4.69	4.42
3(+) Adults + Children	10.16	6.60	5.61	5.51

Senate Bill 26: Permanent Fund Protection Act (CSSB 26 Finance)

Table 14 and Table 15 show the results of estimated impacts of **SB 26** on household incomes. The results are similar to HB115, in that the plan would cost larger families more in terms of lost income compared to smaller-sized families because the impact of the PFD reduction is on a per-person basis. In terms of the impact on a percent of household income, again, the households with lower incomes (0 to 25 percent quartile) would be impacted more than the households with higher incomes.

Table 14. Estimated Impact of Senate Bill 26: Reduction in Permanent Fund Dividend by Household Type and Income Quartile

	Cost by Income Quartile ($)			
Type of Household	0-25%	25-50%	50-75%	75-100%
Adults, No Children	2,565	2,565	2,565	2,565
1 Adult + Children	3,731	3,731	3,731	3,731
2 Adults + Children	5,014	5,014	5,014	5,014
3(+) Adults + Children	7,346	7,346	7,346	7,346

Table 15. Estimated Impact of Senate Bill 26: Reduction in Permanent Fund Dividend as a Percent of Average Household Income by Household Type and Income Quartile

	Cost by Income Quartile (%)			
Type of Household	0-25%	25-50%	50-75%	75-100%
Adults, No Children	14.45	6.30	3.76	1.69
1 Adult + Children	17.05	6.17	3.94	1.99
2 Adults + Children	14.14	6.42	3.80	2.16
3(+) Adults + Children	12.55	6.46	3.92	2.05

The Governor's New Sustainable Alaska Plan

Table 16 and Table 17 show the results under the **Governor's Plan**. Again, the pattern is similar to the results of HB 115 and SB 26. The more people in the households, the higher the impacts on household incomes; and the impacts of the taxes and PFD reduction on lower income families when viewed as a proportion of household income are higher compared to higher income families.

Table 16. Estimated Impact of the Governor's Plan: Cost of Various Taxes and Reduction in Permanent Fund Dividend by Household Type and Income Quartile

	Cost by Income Quartile ($)			
Type of Household	0-25%	25-50%	50-75%	75-100%
Adults, No Children	2,844	3,220	3,689	5,334
1 Adult + Children	4,085	4,727	5,330	7,004
2 Adults + Children	5,602	6,342	7,294	9,416
3(+) Adults + Children	8,314	9,316	10,970	14,741

Table 17. Estimated Impact of the Governor's Plan: Cost of Various Taxes and Reduction in Permanent Fund Dividend as a Percent of Household Income by Household Type and Income Quartile

	Cost by Income Quartile (%)			
Type of Household	0-25%	25-50%	50-75%	75-100%
Adults, No Children	16.02	7.90	5.41	3.50
1 Adult + Children	18.67	7.81	5.62	3.74
2 Adults + Children	15.80	8.12	5.52	4.05
3(+) Adults + Children	14.20	8.20	5.85	4.12

Comparisons of Effects of Fiscal Plans

The following pages show the data provided above in graphical format, comparing lost income as a percentage of average household income across quartiles and plans. The figures detail the estimated percentage income effects by different household types.

Figure 5. Estimated Percentage Income Effects by Household Type: Adults, No Children

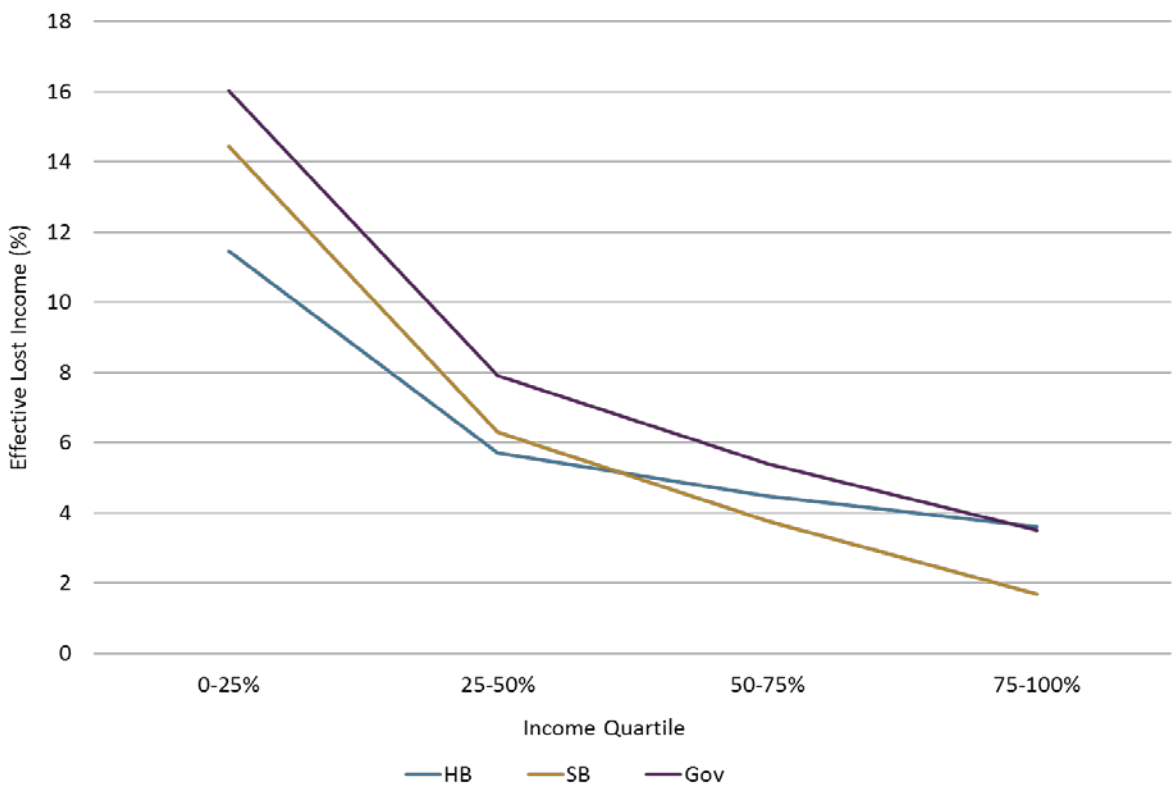


Figure 6. Estimated Percentage Income Effects by Household Type: One Adult with Children

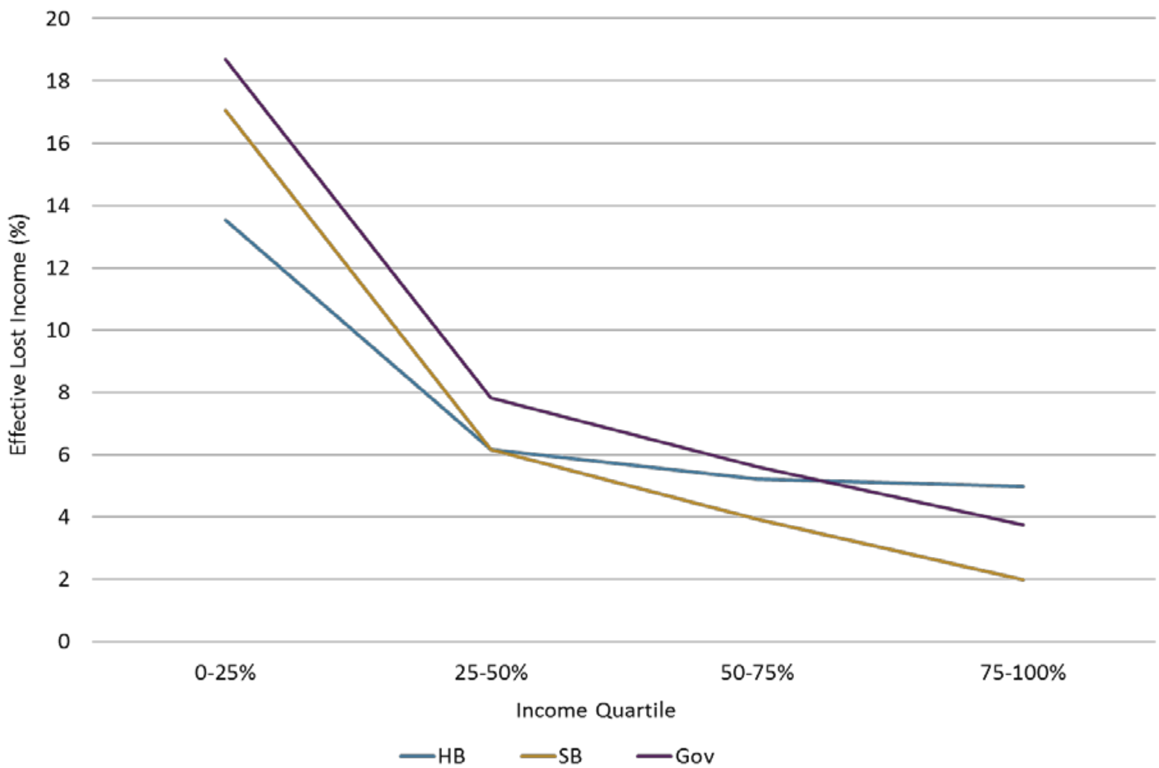


Figure 7. Estimated Percentage Income Effects by Household Type: Two Adults with Children

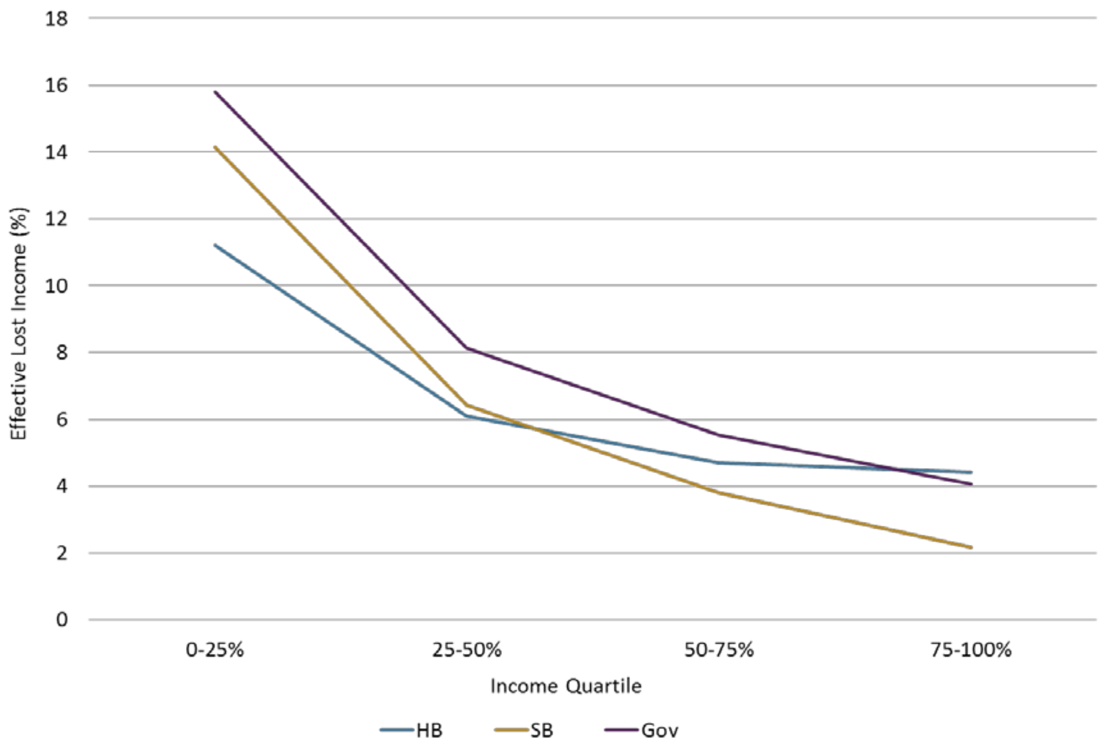


Figure 8. Estimated Percentage Income Effects by Household Type: Three (+) Adults with Children