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To: Rep. Jonathan Kreiss-Tomkins <Rep.Jonathan.Kreiss-Tomkins@akleg.gov>; Sen. Lyman Hoffman <Sen.Lyman.Hoffman@akleg.gov>

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Subject: 7/14 Comprehensive Fiscal Working Group Responses

Good Afternoon,

Several questions were raised during the July 14th meeting of the Comprehensive Fiscal Plan Working Group which we deferred to a follow up response.

The first question, from Representative Kreiss-Tomkins, regarded the percent of statewide items is attributable to oil and gas tax credits and retirement payments. Comparing FY01 to FY13, statewide items increased by nearly \$1.4 billion UGF. 45% of that increase was due to retirement payments, 27% was due to tax credit payments, and 29% was due to all other items (most notably school debt reimbursement, Community Assistance, and general obligation bond debt service).

The second question, from Senator Hughes, was a request to provide the graph from slide 7 in inflation-adjusted dollars. Attachment 1 shows inflation-adjusted Unrestricted General Fund revenue and budget history.

The third question, from Senator Hughes, was a request to provide a list of fiscal assumptions used in the presentation. Attachment 2 provides the data used for the budget history graphs, including the inflation and population assumptions. This file is regularly updated and posted on the Legislative Finance webpage at www.legfin.akleg.gov/Publications/Publications.php.

The fourth question, from Representative McCabe, regarded how PFDs are treated in Bureau of Economic Analysis personal income data. PFDs are included as transfer payments in personal income data. For more information on the makeup of personal income, see this article from the March 2019 *Alaska Economic Trends*: <https://live.laborstats.alaska.gov/trends/split/mar19art1.pdf>.

The fifth question, from Senator Hughes, regarded whether a national standard exists for an affordable ratio of taxes to personal income. According to a 2021 Tax Foundation report, the national average state and local tax burden is 10.3% (See page 7 of Attachment 3). Alaska currently has a state and local tax burden of 5.8% (mostly local). Given that total personal income in Alaska in 2020 was \$47.4 billion, a state and local tax burden of 10.3% would require increasing revenue by about \$2.1 billion.

The sixth question, from Representative Kreiss-Tomkins, regarded how much the Alaska Longevity Bonus program would cost if it were recontinued. Legislative Finance has requested information from the Department of Health and Social Services, and we will provide the committee with the information we receive.

The seventh question, from Representative Carpenter, regarded when our spending has exceeded the existing statutory appropriation limit (AS 37.05.540(b)). Attachment 4 compares the historical calculated statutory appropriation limit versus actuals. Our budget has exceeded the limit as recently as FY 2020.

Since the certain expenditures, including payment of PFDs, are exempted from the limit, the 'Appropriations (Subject to Limit)' data provided here differs from total appropriation amounts provided elsewhere in the presentation.

The eighth question, from Senator Hoffman, was a request to show the table from slide 19, assuming annual PFDs equal to 50% of the statutory POMV draw. Attachment 5 shows budget and surplus/deficit amounts assuming 50% of POMV PFDs.

We hope this information is helpful. Let us know if you have any further questions.

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