

**State of Alaska**

**Comprehensive Fiscal and Policy Plan for Alaska**

**Legislative Fiscal Policy Working Group**

**August 5, 2021**

Department of Revenue  
Lucinda Mahoney, Commissioner




Governor  
**MIKE DUNLEAVY**

# **Agenda**

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- 1. Overview of Permanent Fund Constitutional Amendments proposed to the Legislature by Governor Mike Dunleavy (HJR7/SJR6)**
- 2. State of Alaska Fiscal Plan Update**
  - A. Update as of July 15, 2021**
  - B. Fiscal plan options to attain long term sustainability**
- 3. Interactive Fiscal Modeling**



# Overview of Permanent Fund Constitutional Amendment

# Constitutional Amendments Summary

## Constitutionally protect the Permanent Fund, Permanent Fund Dividend (PFD), and Power Cost Equalization (PCE)

- Dedicate 50% of POMV to PFDs / 50% for Government
- Limit annual distribution (POMV) draw to 5%
- PFD language enshrined into constitution
- Combine Principal and Earnings Reserve Account into one endowment
- Constitutionally protect Power Cost Equalization by depositing into Permanent Fund
  - Dedicate revenue to equalize power costs in Alaska



POMV = Percent of Market Value (annual draw)

# Permanent Fund Dividend: Consistency is Needed

Historical Dividend Payments

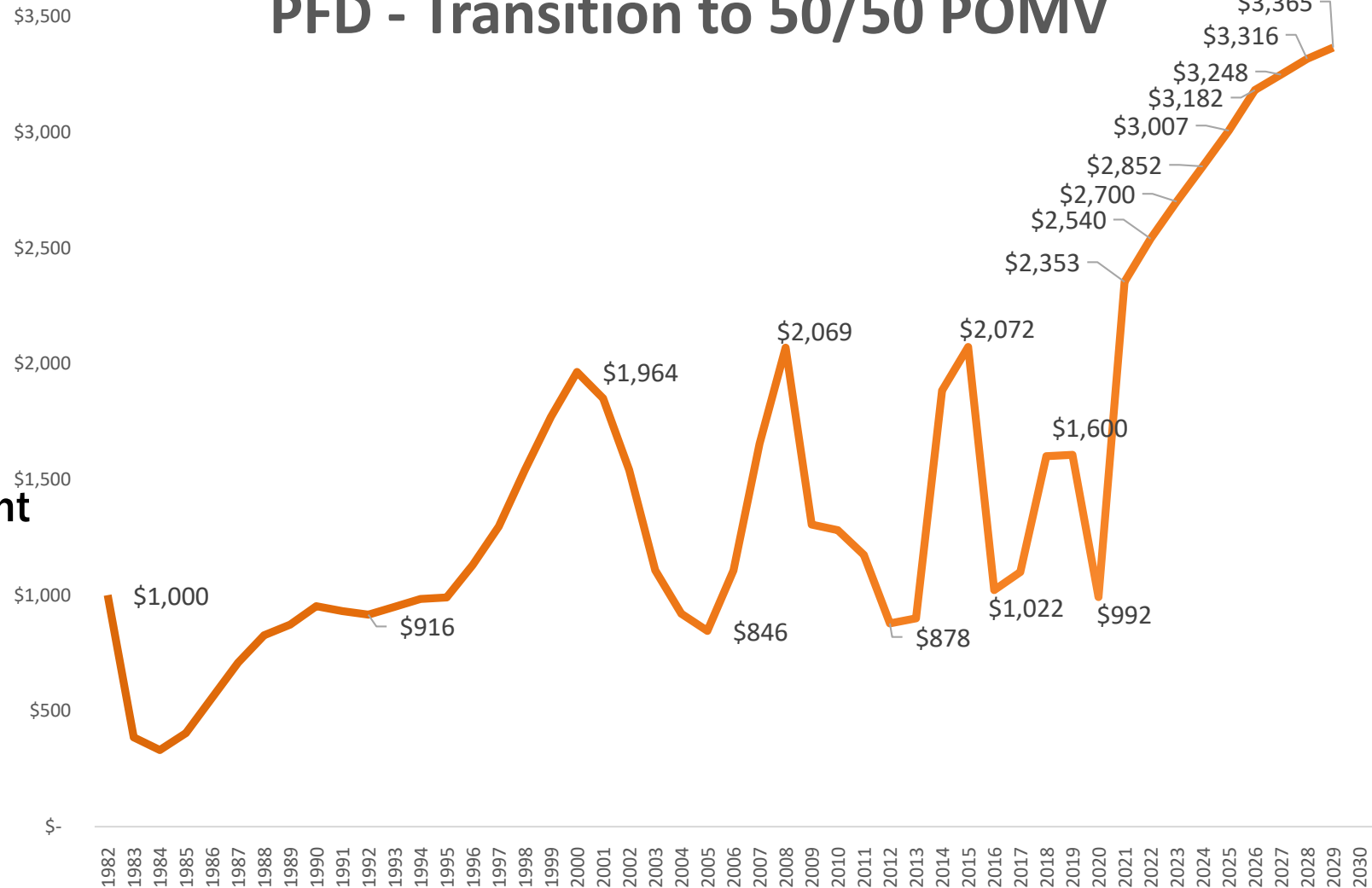
## PFD - Transition to 50/50 POMV

### Current Challenge:

- Public Mistrust: Too much Spending on Government
- Political Impasse: Results in a PFD Based on Politics – Not Laws

### Solution:

- Restore Public Trust: Consistent PFDs and Spending Limits
- Establish a Fair Resolution: 50/50 Split
- Constitutionalize PFD: With Public Support



# Constitutionally Protect the Permanent Fund, PFD, and PCE

- Permanent Fund Endowment approach is an internationally accepted best practice.
- Limits government spending at 50% of the 5% POMV draw.
- Stabilizes both revenues and the PFD with a smoothed five-year average.
- Constitutionally protects fund and PCE for future generations.

| Year | (\$/Person) | Government | PFD        | % PFDs |
|------|-------------|------------|------------|--------|
| 2019 | \$ 1,600    | \$ 1,699.5 | \$ 1,023.5 | 38%    |
| 2020 | \$ 1,606    | \$ 1,864.2 | \$ 1,068.9 | 36%    |
| 2021 | \$ 992      | \$ 2,411.6 | \$ 680.0   | 22%    |
| 2022 | \$ 2,353    | \$ 1,534.6 | \$ 1,534.6 | 50%    |
| 2023 | \$ 2,540    | \$ 1,676.3 | \$ 1,676.3 | 50%    |
| 2024 | \$ 2,700    | \$ 1,790.8 | \$ 1,790.8 | 50%    |
| 2025 | \$ 2,852    | \$ 1,900.2 | \$ 1,900.2 | 50%    |
| 2026 | \$ 3,007    | \$ 2,012.1 | \$ 2,012.1 | 50%    |
| 2027 | \$ 3,182    | \$ 2,138.0 | \$ 2,138.0 | 50%    |
| 2028 | \$ 3,248    | \$ 2,193.5 | \$ 2,193.5 | 50%    |
| 2029 | \$ 3,316    | \$ 2,249.1 | \$ 2,249.1 | 50%    |
| 2030 | \$ 3,365    | \$ 2,292.1 | \$ 2,292.1 | 50%    |

# **Permanent Fund Dividend: Consistency**

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- **Alaskans deserve certainty concerning annual PFD payment.**
- **State needs PFD consistency to attain budget stability and sustainability.**
- **Absent certainty, determining future achievable revenues/reductions is difficult and may result in over/under collecting/taxing.**
- **50% POMV dividend is an equitable distribution of Alaska's wealth between its citizens and government.**
- **Resolving the PFD allows a discussion of required revenues/reductions to close the remaining budget gap (August Special Session).**
- **Redirects the legislative conversation to growing Alaska vs. debating PFD.**

# Fiscal Outlook

Update as of July 15, 2021

No Revenue or Spending Initiatives



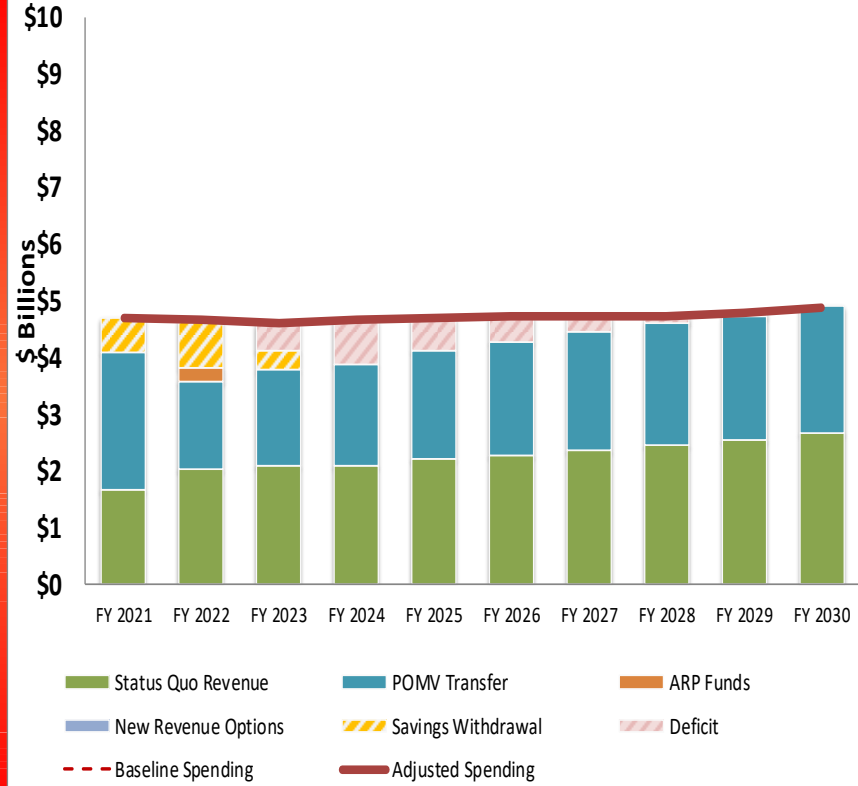
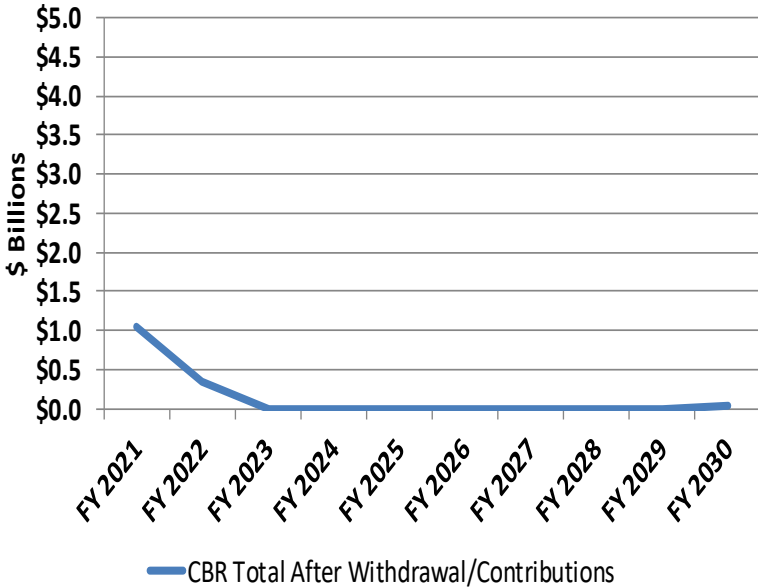
# Current Fiscal Outlook: No Revenue or Spending Initiatives. Updated Oil Price. 50/50 Plan

| Summary Output Breakdown                          |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Assumed Price Per Barrel (\$)                     | \$ 54.14           | \$ 72.14           | \$ 67.12           | \$ 63.00           | \$ 65.00           | \$ 66.00           | \$ 67.00           | \$ 68.00           | \$ 70.00           | \$ 71.00           |
| Fiscal Year (\$ Millions)                         | 2021               | 2022               | 2023               | 2024               | 2025               | 2026               | 2027               | 2028               | 2029               | 2030               |
| Traditional UGF Revenue (Spring 2021 Forecast)    | \$ 1,667.7         | \$ 1,662.2         | \$ 1,921.0         | \$ 2,085.1         | \$ 2,223.9         | \$ 2,282.8         | \$ 2,346.9         | \$ 2,436.5         | \$ 2,531.5         | \$ 2,658.5         |
| Permanent Fund POMV Draw to General Fund          | \$ 2,411.5         | \$ 1,534.6         | \$ 1,676.3         | \$ 1,793.3         | \$ 1,894.1         | \$ 1,996.7         | \$ 2,112.9         | \$ 2,158.3         | \$ 2,200.8         | \$ 2,241.7         |
| Revenue Impacts from Change In Oil Price Forecast | \$ -               | \$ 373.8           | \$ 176.5           | \$ 1.6             | \$ -               | \$ 0.0             | \$ 1.3             | \$ 1.2             | \$ 0.5             | \$ -               |
| Other New Revenues                                | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| Adjustment for SBR Deposits                       | \$ (325.0)         | \$ 80.7            | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| Federal Offsets                                   | \$ -               | \$ 250.0           | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| <b>Total Revenue</b>                              | <b>\$ 3,754.2</b>  | <b>\$ 3,901.3</b>  | <b>\$ 3,773.8</b>  | <b>\$ 3,880.0</b>  | <b>\$ 4,118.0</b>  | <b>\$ 4,279.5</b>  | <b>\$ 4,461.1</b>  | <b>\$ 4,596.0</b>  | <b>\$ 4,732.9</b>  | <b>\$ 4,900.3</b>  |
| <b>Total General Fund Spending</b>                | <b>\$ 4,679.3</b>  | <b>\$ 4,679.1</b>  | <b>\$ 4,651.2</b>  | <b>\$ 4,734.2</b>  | <b>\$ 4,811.6</b>  | <b>\$ 4,868.3</b>  | <b>\$ 4,846.5</b>  | <b>\$ 4,852.4</b>  | <b>\$ 4,922.6</b>  | <b>\$ 4,988.4</b>  |
| Anticipated Retirement Savings                    | \$ -               | \$ -               | \$ (59.7)          | \$ (82.7)          | \$ (105.8)         | \$ (131.6)         | \$ (129.8)         | \$ (127.7)         | \$ (125.2)         | \$ (122.2)         |
| Spending Reductions                               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| Bonding Capital Spend                             | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| Change In Capital From Baseline of \$150M         | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| <b>Updated Total General Fund Spending</b>        | <b>\$ 4,679.3</b>  | <b>\$ 4,679.1</b>  | <b>\$ 4,591.5</b>  | <b>\$ 4,651.5</b>  | <b>\$ 4,705.8</b>  | <b>\$ 4,736.7</b>  | <b>\$ 4,716.7</b>  | <b>\$ 4,724.7</b>  | <b>\$ 4,797.4</b>  | <b>\$ 4,866.2</b>  |
| <b>Draw From CBR Bridge Fund</b>                  | <b>\$ (925.1)</b>  | <b>\$ (777.8)</b>  | <b>\$ (817.7)</b>  | <b>\$ (771.5)</b>  | <b>\$ (587.8)</b>  | <b>\$ (457.2)</b>  | <b>\$ (255.6)</b>  | <b>\$ (128.7)</b>  | <b>\$ (64.5)</b>   | <b>\$ -</b>        |
| <b>Budget Surplus</b>                             | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ 34.1</b>     |
| <b>CBR/SBR End Balance</b>                        | <b>\$ 1,056.3</b>  | <b>\$ 338.5</b>    | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ 44.4</b>     |
| <b>Draw from ERA for Bridge</b>                   | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        |
| Permanent Fund Dividend                           | 2021               | 2022               | 2023               | 2024               | 2025               | 2026               | 2027               | 2028               | 2029               | 2030               |
| 50% of POMV for Dividend (\$ Millions)            | \$ 680.0           | \$ 1,534.6         | \$ 1,676.3         | \$ 1,793.3         | \$ 1,894.1         | \$ 1,996.7         | \$ 2,112.9         | \$ 2,158.3         | \$ 2,200.8         | \$ 2,241.7         |
| PFD / Recipient (Dollars Per Person)              | \$ 992.0           | \$ 2,353.4         | \$ 2,539.5         | \$ 2,703.8         | \$ 2,842.3         | \$ 2,983.1         | \$ 3,143.6         | \$ 3,195.1         | \$ 3,243.9         | \$ 3,290.2         |
| <b>Total Spending</b>                             | <b>\$ 5,359.3</b>  | <b>\$ 6,213.7</b>  | <b>\$ 6,267.8</b>  | <b>\$ 6,444.8</b>  | <b>\$ 6,599.9</b>  | <b>\$ 6,733.4</b>  | <b>\$ 6,829.6</b>  | <b>\$ 6,883.0</b>  | <b>\$ 6,998.2</b>  | <b>\$ 7,107.9</b>  |
| Fiscal Year (\$ Millions)                         | 2021               | 2022               | 2023               | 2024               | 2025               | 2026               | 2027               | 2028               | 2029               | 2030               |
| <b>Permanent Fund End of Year Balance</b>         | <b>\$ 81,099.1</b> | <b>\$ 83,176.6</b> | <b>\$ 85,059.3</b> | <b>\$ 86,827.0</b> | <b>\$ 88,540.4</b> | <b>\$ 90,170.6</b> | <b>\$ 91,689.7</b> | <b>\$ 93,236.0</b> | <b>\$ 94,816.3</b> | <b>\$ 96,421.5</b> |

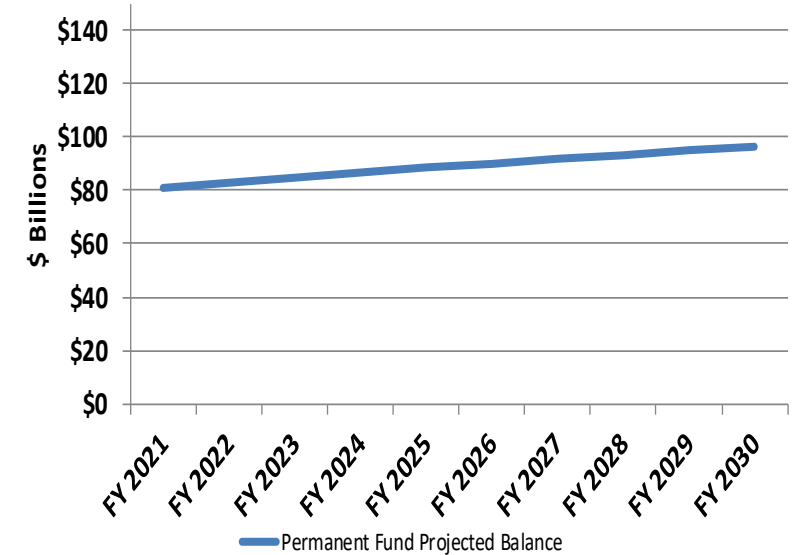
All amounts in \$ Millions except PFD per recipient in \$ Dollars

# Current Fiscal Outlook: No Revenue or Spending Initiatives. Updated Oil Price. 50/50 Plan

## CBR Balance



## Permanent Fund Balance





# Fiscal Plan Options

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## Revenue and Spending Options

# **Fiscal Options for Consideration**

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## **Revenue Options\***

- A. Modify maximum sliding scale per barrel credit from \$8.00 to \$5.00.**
- B. Require Oil & Gas pass-through entities to pay Corporate Income Tax (CIT)**
- C. Implement a broad-based sales tax**
- D. Establish legalized gambling in our State: Internet gaming, lottery, and casinos**
- E. Modernize CIT statutes to include digital businesses**
- F. Generate revenues by monetizing our carbon offsets**
- G. Increase motor fuel tax, excluding aviation**
- H. Use of Federal Funds for revenue replacement**
- I. Draw from the ERA**
- J. Other ideas from Legislature/Administration/Public**

**\* Detailed descriptions in the appendix of this presentation**

# **Fiscal Options for Consideration**

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## **Spending Options**

- A. Evaluate Retirement contributions**
- B. Continue to identify departmental efficiencies resulting in reduced spending**
- C. Replace general fund capital spending with Federal Infrastructure funds**
- D. Modernize future capital spending via use of GO bonds**
- E. Other ideas from Legislature/Administration/Public**

# Fiscal Scenario 1: 2% Sales Tax, \$700M+ net to Perm Fund

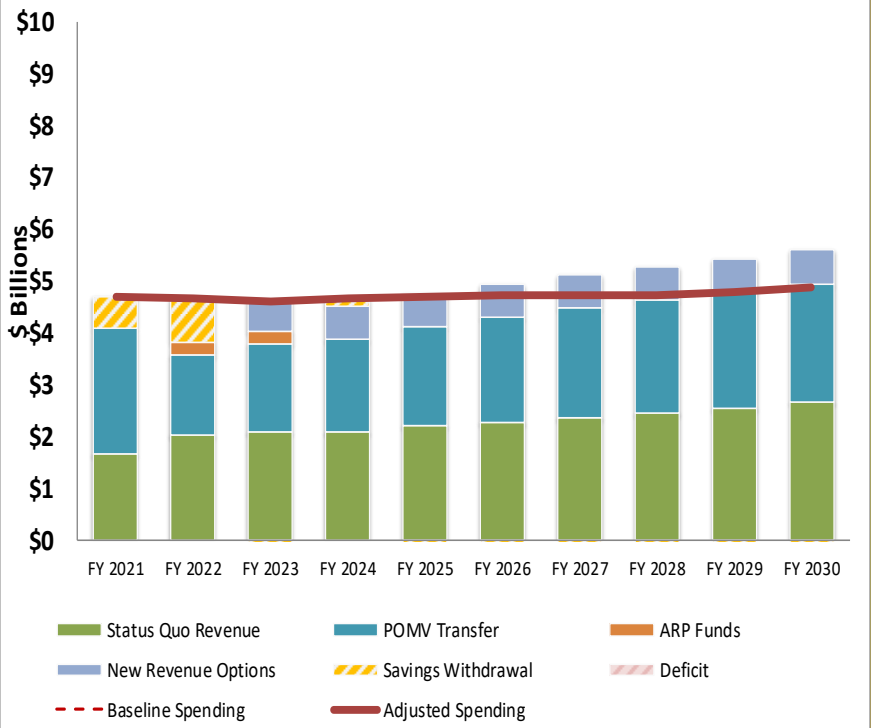
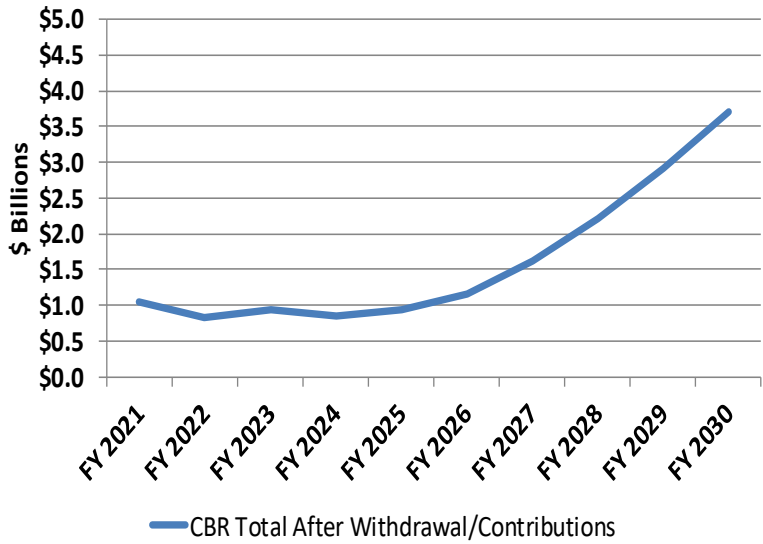
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| Traditional UGF Revenue (Spring 2021 Forecast)    | \$ 1,667.7         | \$ 1,662.2         | \$ 1,921.0         | \$ 2,085.1         | \$ 2,223.9         | \$ 2,282.8         | \$ 2,346.9         | \$ 2,436.5         | \$ 2,531.5         | \$ 2,658.5         |
| Permanent Fund POMV Draw to General Fund          | \$ 2,411.5         | \$ 1,534.6         | \$ 1,676.3         | \$ 1,790.8         | \$ 1,900.2         | \$ 2,012.1         | \$ 2,138.0         | \$ 2,193.5         | \$ 2,249.1         | \$ 2,292.1         |
| Revenue Impacts from Change In Oil Price Forecast | \$ -               | \$ 373.8           | \$ 176.5           | \$ 1.6             | \$ -               | \$ 0.0             | \$ 1.3             | \$ 1.2             | \$ 0.5             | \$ -               |
| Sales Tax   | \$ -               | \$ -               | \$ 640.0           | \$ 640.0           | \$ 640.0           | \$ 640.0           | \$ 640.0           | \$ 640.0           | \$ 640.0           | \$ 640.0           |
| Other New Revenues                                | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| Adjustment for SBR Deposits                       | \$ (325.0)         | \$ 80.7            | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| Federal Offsets                                   | \$ -               | \$ 250.0           | \$ 250.0           | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| <b>Total Revenue</b>                              | <b>\$ 3,754.2</b>  | <b>\$ 3,901.3</b>  | <b>\$ 4,663.8</b>  | <b>\$ 4,517.5</b>  | <b>\$ 4,764.1</b>  | <b>\$ 4,934.9</b>  | <b>\$ 5,126.1</b>  | <b>\$ 5,271.2</b>  | <b>\$ 5,421.1</b>  | <b>\$ 5,590.7</b>  |
| <b>Total General Fund Spending</b>                | <b>\$ 4,679.3</b>  | <b>\$ 4,679.1</b>  | <b>\$ 4,651.2</b>  | <b>\$ 4,734.2</b>  | <b>\$ 4,811.6</b>  | <b>\$ 4,868.3</b>  | <b>\$ 4,846.5</b>  | <b>\$ 4,852.4</b>  | <b>\$ 4,922.6</b>  | <b>\$ 4,988.4</b>  |
| Anticipated Retirement Savings                    | \$ -               | \$ -               | \$ (59.7)          | \$ (82.7)          | \$ (105.8)         | \$ (131.6)         | \$ (129.8)         | \$ (127.7)         | \$ (125.2)         | \$ (122.2)         |
| Spending Reductions                               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| Bonding Capital Spend                             | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| Change In Capital From Baseline of \$150M         | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| <b>Updated Total General Fund Spending</b>        | <b>\$ 4,679.3</b>  | <b>\$ 4,679.1</b>  | <b>\$ 4,591.5</b>  | <b>\$ 4,651.5</b>  | <b>\$ 4,705.8</b>  | <b>\$ 4,736.7</b>  | <b>\$ 4,716.7</b>  | <b>\$ 4,724.7</b>  | <b>\$ 4,797.4</b>  | <b>\$ 4,866.2</b>  |
| <b>Draw From CBR Bridge Fund</b>                  | <b>\$ (925.1)</b>  | <b>\$ (777.8)</b>  | <b>\$ -</b>        | <b>\$ (134.0)</b>  | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        |
| <b>Budget Surplus</b>                             | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ 72.3</b>     | <b>\$ -</b>        | <b>\$ 58.3</b>     | <b>\$ 198.2</b>    | <b>\$ 409.4</b>    | <b>\$ 546.5</b>    | <b>\$ 623.7</b>    | <b>\$ 724.5</b>    |
| <b>CBR/SBR End Balance</b>                        | <b>\$ 1,056.3</b>  | <b>\$ 838.5</b>    | <b>\$ 945.5</b>    | <b>\$ 846.2</b>    | <b>\$ 934.2</b>    | <b>\$ 1,165.7</b>  | <b>\$ 1,615.9</b>  | <b>\$ 2,214.9</b>  | <b>\$ 2,905.5</b>  | <b>\$ 3,713.5</b>  |
| <b>Draw from ERA for Bridge</b>                   | <b>\$ -</b>        | <b>\$ 500.0</b>    | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        |
| Permanent Fund Dividend                           | 2021               | 2022               | 2023               | 2024               | 2025               | 2026               | 2027               | 2028               | 2029               | 2030               |
| 50% of POMV for Dividend (\$ Millions)            | \$ 680.0           | \$ 1,534.6         | \$ 1,676.3         | \$ 1,790.8         | \$ 1,900.2         | \$ 2,012.1         | \$ 2,138.0         | \$ 2,193.5         | \$ 2,249.1         | \$ 2,292.1         |
| PFD / Recipient (Dollars Per Person)              | \$ 992.0           | \$ 2,353.4         | \$ 2,539.5         | \$ 2,699.9         | \$ 2,851.9         | \$ 3,006.5         | \$ 3,181.5         | \$ 3,248.0         | \$ 3,316.1         | \$ 3,365.1         |
| <b>Total Spending</b>                             | <b>\$ 5,359.3</b>  | <b>\$ 6,213.7</b>  | <b>\$ 6,267.8</b>  | <b>\$ 6,442.3</b>  | <b>\$ 6,606.0</b>  | <b>\$ 6,748.8</b>  | <b>\$ 6,854.7</b>  | <b>\$ 6,918.2</b>  | <b>\$ 7,046.5</b>  | <b>\$ 7,158.3</b>  |
| Fiscal Year (\$ Millions)                         | 2021               | 2022               | 2023               | 2024               | 2025               | 2026               | 2027               | 2028               | 2029               | 2030               |
| <b>Permanent Fund End of Year Balance</b>         | <b>\$ 81,099.1</b> | <b>\$ 82,676.6</b> | <b>\$ 86,788.3</b> | <b>\$ 88,668.4</b> | <b>\$ 90,483.3</b> | <b>\$ 92,202.3</b> | <b>\$ 93,795.7</b> | <b>\$ 95,399.8</b> | <b>\$ 97,014.8</b> | <b>\$ 98,652.4</b> |

## Assumptions

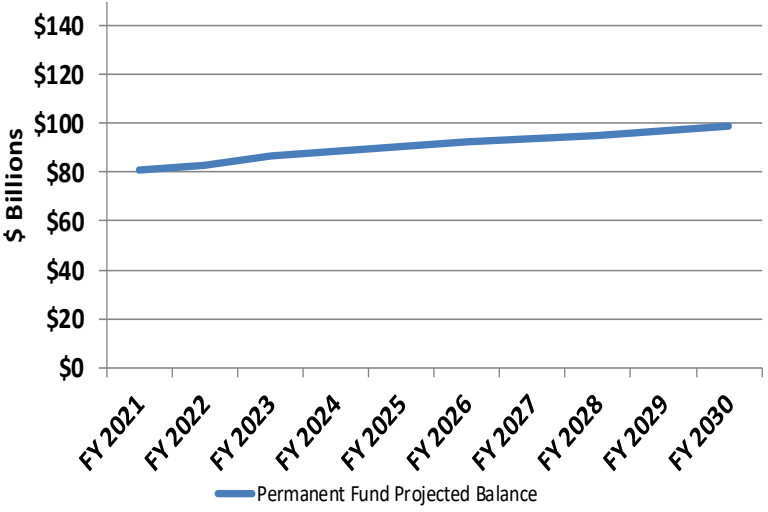
- Implement Only a broad-based sales tax of 2%
- PCE transfer of \$1.2B ERA draw of \$500M. Net to APFC +\$700M
- Use of ARP as revenue replacement for 2023
- 50/50 Plan

# Fiscal Scenario 1: 2% Sales Tax, \$700M+ net to Perm Fund

### CBR Balance



### Permanent Fund Balance



# Fiscal Scenario 2: New/Increased Revenue Measures, \$700M+ to Perm Fund

| Summary Output Breakdown                          |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Assumed Price Per Barrel (\$)                     | \$ 54.14           | \$ 72.14           | \$ 67.12           | \$ 63.00           | \$ 65.00           | \$ 66.00           | \$ 67.00           | \$ 68.00           | \$ 70.00           | \$ 71.00           |
| Fiscal Year (\$ Millions)                         | 2021               | 2022               | 2023               | 2024               | 2025               | 2026               | 2027               | 2028               | 2029               | 2030               |
| Traditional UGF Revenue (Spring 2021 Forecast)    | \$ 1,667.7         | \$ 1,662.2         | \$ 1,921.0         | \$ 2,085.1         | \$ 2,223.9         | \$ 2,282.8         | \$ 2,346.9         | \$ 2,436.5         | \$ 2,531.5         | \$ 2,658.5         |
| Permanent Fund POMV Draw to General Fund          | \$ 2,411.5         | \$ 1,534.6         | \$ 1,676.3         | \$ 1,790.8         | \$ 1,900.2         | \$ 2,012.1         | \$ 2,138.0         | \$ 2,193.5         | \$ 2,249.1         | \$ 2,292.1         |
| Revenue Impacts from Change In Oil Price Forecast | \$ -               | \$ 373.8           | \$ 176.5           | \$ 1.6             | \$ -               | \$ 0.0             | \$ 1.3             | \$ 1.2             | \$ 0.5             | \$ -               |
| Change Petroleum Per Barrel Credit Amounts        | \$ -               | \$ 116.2           | \$ 166.6           | \$ 174.7           | \$ 329.5           | \$ 258.4           | \$ 258.8           | \$ 282.6           | \$ 439.9           | \$ 416.9           |
| Apply CIT to Oil and Gas Pass-Through Entities    | \$ -               | \$ 67.1            | \$ 56.4            | \$ 48.1            | \$ 47.3            | \$ 49.7            | \$ 52.8            | \$ 56.1            | \$ 54.3            | \$ 52.6            |
| Motor Fuel Tax                                    | \$ -               | \$ 13.7            | \$ 35.8            | \$ 35.7            | \$ 35.6            | \$ 35.3            | \$ 35.0            | \$ 34.7            | \$ 34.4            | \$ 34.1            |
| Gaming Revenues                                   | \$ -               | \$ -               | \$ 87.8            | \$ 87.8            | \$ 152.3           | \$ 152.3           | \$ 152.3           | \$ 152.3           | \$ 152.3           | \$ 152.3           |
| Technology Tax                                    | \$ -               | \$ 36.0            | \$ 72.0            | \$ 73.8            | \$ 75.6            | \$ 77.5            | \$ 79.5            | \$ 81.5            | \$ 83.5            | \$ 85.6            |
| Carbon Offsets                                    | \$ -               | \$ -               | \$ 10.0            | \$ 20.0            | \$ 20.0            | \$ 20.0            | \$ 20.0            | \$ 20.0            | \$ 20.0            | \$ 20.0            |
| Other New Revenues                                | \$ -               | \$ 1.0             | \$ 2.4             | \$ 2.5             | \$ 2.6             | \$ 2.6             | \$ 2.7             | \$ 2.8             | \$ 2.9             | \$ 2.9             |
| Adjustment for SBR Deposits                       | \$ (325.0)         | \$ 80.7            | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| Federal Offsets                                   | \$ -               | \$ 250.0           | \$ 250.0           | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| <b>Total Revenue</b>                              | <b>\$ 3,754.2</b>  | <b>\$ 4,135.3</b>  | <b>\$ 4,454.8</b>  | <b>\$ 4,320.1</b>  | <b>\$ 4,787.1</b>  | <b>\$ 4,890.7</b>  | <b>\$ 5,087.3</b>  | <b>\$ 5,261.2</b>  | <b>\$ 5,568.4</b>  | <b>\$ 5,715.2</b>  |
| <b>Total General Fund Spending</b>                | <b>\$ 4,679.3</b>  | <b>\$ 4,679.1</b>  | <b>\$ 4,651.2</b>  | <b>\$ 4,734.2</b>  | <b>\$ 4,811.6</b>  | <b>\$ 4,868.3</b>  | <b>\$ 4,846.5</b>  | <b>\$ 4,852.4</b>  | <b>\$ 4,922.6</b>  | <b>\$ 4,988.4</b>  |
| Anticipated Retirement Savings                    | \$ -               | \$ -               | \$ (59.7)          | \$ (82.7)          | \$ (105.8)         | \$ (131.6)         | \$ (129.8)         | \$ (127.7)         | \$ (125.2)         | \$ (122.2)         |
| Spending Reductions                               | \$ -               | \$ -               | \$ (60.0)          | \$ (60.0)          | \$ (60.0)          | \$ (60.0)          | \$ (60.0)          | \$ (60.0)          | \$ (60.0)          | \$ (60.0)          |
| Bonding Capital Spend                             | \$ -               | \$ -               | \$ (140.5)         | \$ (131.0)         | \$ 19.1            | \$ 19.1            | \$ 19.1            | \$ 19.1            | \$ 19.1            | \$ 19.1            |
| Change In Capital From Baseline of \$150M         | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| <b>Updated Total General Fund Spending</b>        | <b>\$ 4,679.3</b>  | <b>\$ 4,679.1</b>  | <b>\$ 4,391.0</b>  | <b>\$ 4,460.6</b>  | <b>\$ 4,664.9</b>  | <b>\$ 4,695.8</b>  | <b>\$ 4,675.8</b>  | <b>\$ 4,683.8</b>  | <b>\$ 4,756.5</b>  | <b>\$ 4,825.3</b>  |
| <b>Draw From CBR Bridge Fund</b>                  | <b>\$ (925.1)</b>  | <b>\$ (543.8)</b>  | <b>\$ -</b>        | <b>\$ (140.5)</b>  | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        |
| <b>Budget Surplus</b>                             | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ 63.8</b>     | <b>\$ -</b>        | <b>\$ 122.2</b>    | <b>\$ 195.0</b>    | <b>\$ 411.5</b>    | <b>\$ 577.4</b>    | <b>\$ 812.0</b>    | <b>\$ 889.9</b>    |
| <b>CBR/SBR End Balance</b>                        | <b>\$ 1,056.3</b>  | <b>\$ 1,075.2</b>  | <b>\$ 1,178.9</b>  | <b>\$ 1,078.4</b>  | <b>\$ 1,236.2</b>  | <b>\$ 1,471.2</b>  | <b>\$ 1,930.5</b>  | <b>\$ 2,567.8</b>  | <b>\$ 3,456.7</b>  | <b>\$ 4,444.4</b>  |
| <b>Draw from ERA for Bridge</b>                   | <b>\$ -</b>        | <b>\$ 500.0</b>    | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>        |
| <b>Permanent Fund Dividend</b>                    | <b>2021</b>        | <b>2022</b>        | <b>2023</b>        | <b>2024</b>        | <b>2025</b>        | <b>2026</b>        | <b>2027</b>        | <b>2028</b>        | <b>2029</b>        | <b>2030</b>        |
| 50% of POMV for Dividend (\$ Millions)            | \$ 680.0           | \$ 1,534.6         | \$ 1,676.3         | \$ 1,790.8         | \$ 1,900.2         | \$ 2,012.1         | \$ 2,138.0         | \$ 2,193.5         | \$ 2,249.1         | \$ 2,292.1         |
| PFD / Recipient (Dollars Per Person)              | \$ 992.0           | \$ 2,353.4         | \$ 2,539.5         | \$ 2,699.9         | \$ 2,851.9         | \$ 3,006.5         | \$ 3,181.5         | \$ 3,248.0         | \$ 3,316.1         | \$ 3,365.1         |
| <b>Total Spending</b>                             | <b>\$ 5,359.3</b>  | <b>\$ 6,213.7</b>  | <b>\$ 6,067.3</b>  | <b>\$ 6,251.3</b>  | <b>\$ 6,565.1</b>  | <b>\$ 6,707.8</b>  | <b>\$ 6,813.7</b>  | <b>\$ 6,877.2</b>  | <b>\$ 7,005.5</b>  | <b>\$ 7,117.4</b>  |
| <b>Fiscal Year (\$ Millions)</b>                  | <b>2021</b>        | <b>2022</b>        | <b>2023</b>        | <b>2024</b>        | <b>2025</b>        | <b>2026</b>        | <b>2027</b>        | <b>2028</b>        | <b>2029</b>        | <b>2030</b>        |
| <b>Permanent Fund End of Year Balance</b>         | <b>\$ 81,099.1</b> | <b>\$ 82,676.6</b> | <b>\$ 86,788.3</b> | <b>\$ 88,668.4</b> | <b>\$ 90,483.3</b> | <b>\$ 92,202.3</b> | <b>\$ 93,795.7</b> | <b>\$ 95,399.8</b> | <b>\$ 97,014.8</b> | <b>\$ 98,652.4</b> |

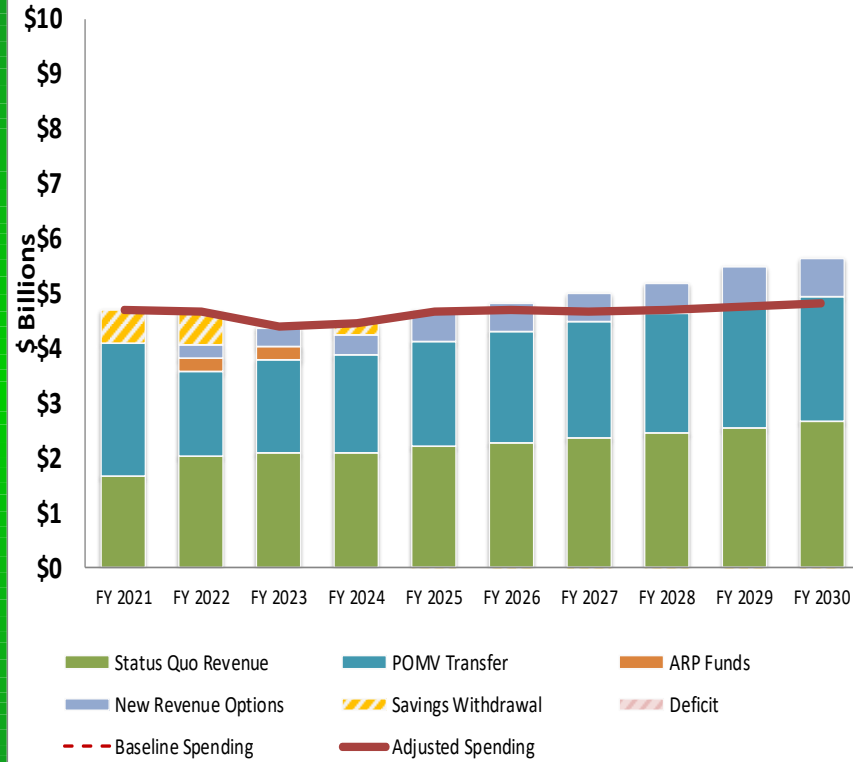
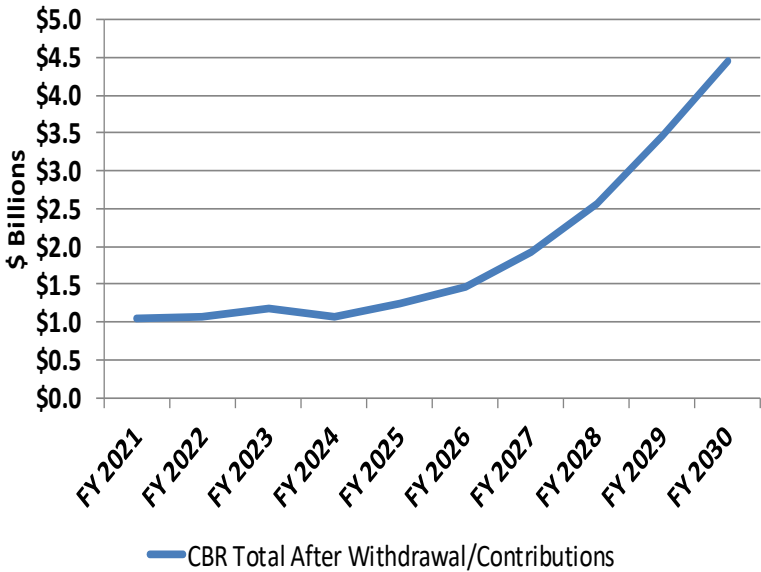
## Assumptions

- Implement select revenue measures
- ERA draw of \$500M. PCE transfer of \$1.2B. Net to APFC +\$700M
- Spending efficiencies
- Use of ARP as revenue replacement for 2023
- GO Bonds of \$150M for 2 years
- 50/50 Plan

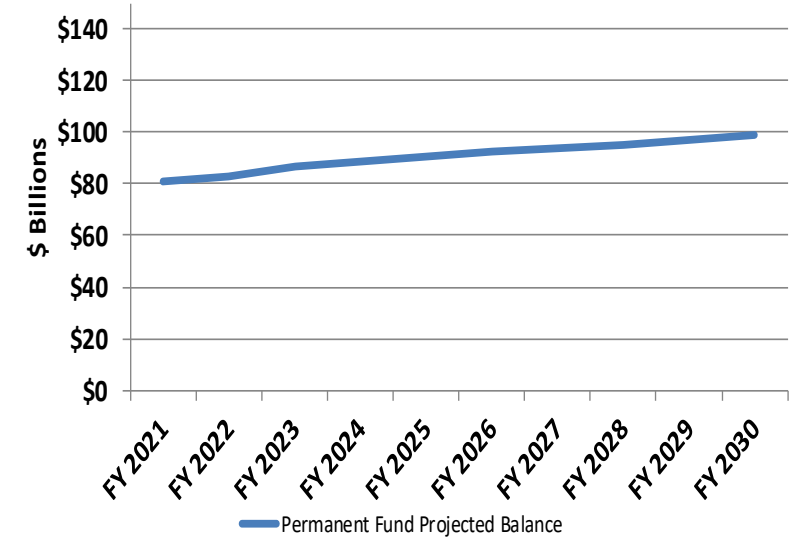


# Fiscal Scenario 2: New/Increased Revenue Measures, \$700M+ to Perm Fund

## CBR Balance



## Permanent Fund Balance



# Fiscal Scenarios: Available for Modeling

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## Model Details

- Available on DOR website
- Provides flexibility for you to design your own solution with your assumptions
- Outputs include spreadsheets and graphs of critical financial data
- Intent is to create a collaborative tool for all to use

**LINK: TBD**

# Fiscal Scenarios: Model Demonstration

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## Simple Model Demo

# **Constitutional Amendment Proposal: Ballot in November 2022**

## **HJR7/SJR6 – Permanent Fund and PCE**

- **Protect the Permanent Fund with a Constitutional vote**
- **Establish a 50% distribution for PFDs/Government spending**
- **Enshrine the PCE Program in the Permanent Fund**

## **Fiscal Plan to Support Constitutional Amendments**

- **Several Revenue measures for consideration**
- **Large deficits are likely short-term and will be diminished with continued APFC growth**
- **Tool provided for analysis**

# Thank You!!



# Appendix

# Option Descriptions

## Existing Revenue: Reduce Sliding Scale per Barrel Tax Credit from \$8.00 to \$5.00

**Description:** This option enables an adjustment to the production tax value for the sliding scale per barrel credit in AS 43.55.024(j). This credit ranges from \$0 to \$8 per barrel depending on Alaska North Slope (ANS) oil prices. This tax credit is available for "legacy" oil produced on the North Slope. The option reduces the amount of the tax credit for each taxable barrel of oil from \$8 to \$5 when the average gross value at the point of production for the month is less than \$80 a barrel. The bill scales down the tax credit amount when the average gross value at the point of production for a month is \$80 or more. Under the bill, the amount of the tax credit for a taxable barrel of oil would be zero if the average gross value at the point of production for the month is \$120 or more.

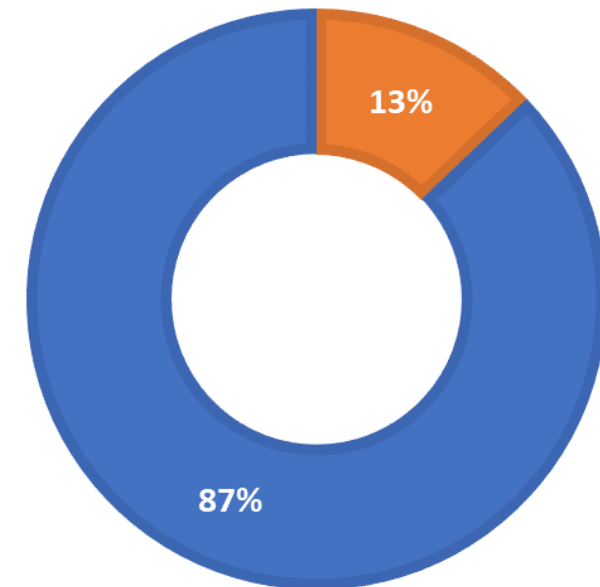
### **First Full Year Impact: \$166.6 million in FY 2023**

Using our July 2021 ANS price update as the basis, the estimate is that this could increase production tax revenue by \$110 to \$440 million per year from FY 2022 to FY 2030. The range is due to forecasted changes in production, oil prices, and anticipated company spending during this period.

**Costs:** There are no incremental costs to implement this change.

### PER BARREL CREDIT REDUCTION PRODUCTION TAX

- Estimated Revenue Increase
- Total FY2020 Tax Revenues



## Existing Revenue: Expand Corporate Income Tax to Oil and Gas Pass-through Entities

**Description:** This option proposes to tax oil and gas pass-through entities at the same rate as the current Corporate Income Tax on C-Corporations. This option defines “entities” to mean sole proprietorships, partnerships, and S-Corporations. This option would apply to any business who files a return, claim for credit or report under AS 43.55 (oil and gas production tax).

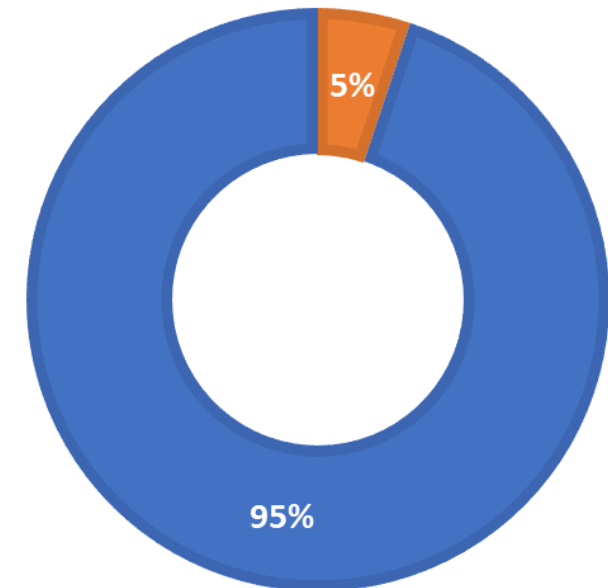
### **First Full Year Impact: \$67.1 million in FY 2022**

Using our July 2021 ANS price update as the basis, the estimate is that this could increase corporate income revenue by \$47 to \$61 million per year from FY 2022 to FY 2030. The FY 2022 estimate includes retroactive application to 1/1/2021. The range is due to forecasted changes in production, oil prices, and anticipated company profitability this period.

**Costs:** There are no incremental costs to implement this change.

### OIL & GAS PASS-THROUGH ENTITIES CORPORATE INCOME TAX

- Estimated Revenue Increase
- Total FY2020 Tax Revenues





# Potential Revenue: 4% State Sales Tax (styled on South Dakota Sales & Use Tax)

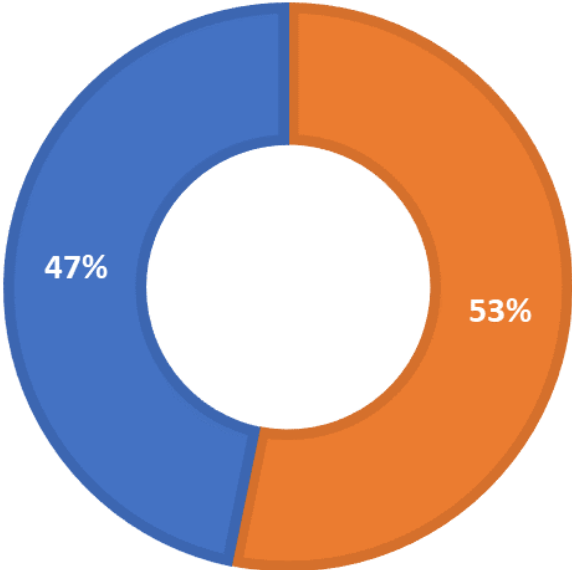
**Description:** A tax levied at 4% of purchase price on the sales of goods and services to consumers and businesses, taxing a range of activities similar to that of the South Dakota Sales & Use Tax. This is a very broad-based tax that extends to a wide range of services and business inputs. There are few exemptions, which includes prescriptions and medical equipment.

**First Full Year Impact:** \$1.28 billion in FY 2023

**Costs:** Implementing this tax would add \$12.3 million in annual administration costs and require an additional 74 FTE personnel.

## 4% SD SALES TAX SCENARIO

- Estimated Revenue Increase
- Total FY2020 Tax Revenues



## Potential Revenue: 4% State Sales Tax (styled on Wyoming Sales & Use Tax)

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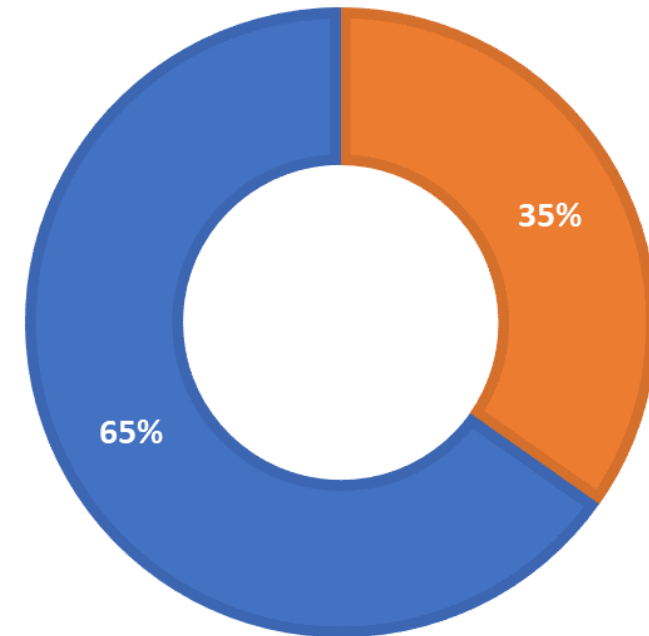
**Description:** A tax levied at 4% of purchase price on the sales of goods and services to consumers and businesses, taxing a range of activities similar to that of the Wyoming Sales & Use Tax. This is a broad-based tax that extends to many, but not all, services and business purchases. Exemptions include groceries, prescriptions, and medical equipment

**First Full Year Impact:** \$600 million in FY 2023

**Costs:** Implementing this tax would add \$12.3 million in annual administration costs and require an additional 74 FTE personnel.

### 4% WY SALES TAX SCENARIO

- Estimated Revenue Increase
- Total FY2020 Tax Revenues



## Potential Revenue: Gaming: Casinos, Lotteries, Internet gaming

**Description:** Establish the Alaska Gaming Corporation, with broad authority to determine the structure, management, and games of the corporation. Games could potentially include single- and multi-jurisdiction draw games, instant tickets, sports betting, keno, video lottery terminals, and casinos.

### **First Full Year Impact in FY 2023:**

State Lottery and Internet Gambling: **\$87.8 million**

### **First Full Year Impact in FY 2025:**

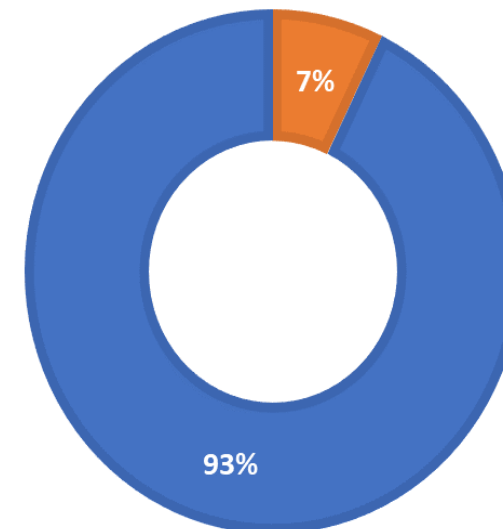
Casinos and Video Gaming Terminals: **\$64.5 million**

All Gaming Options: **\$152.3 million**

**Costs:** Implementation and annual administration costs have not been evaluated yet and are considered **TBD**.

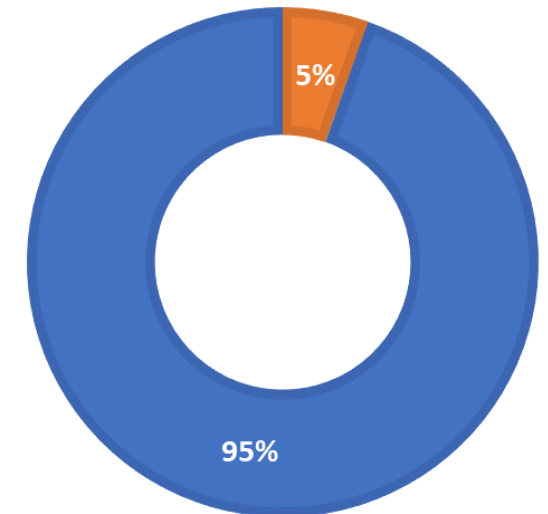
### STATE LOTTERY AND INTERNET GAMBLING

- Estimated Revenue Increase
- Total FY2020 Tax Revenues



### CASINOS AND VIDEO GAME TERMINALS

- Estimated Revenue Increase
- Total FY2020 Tax Revenues



## Potential Revenue: Digital Business Corporate Income Tax

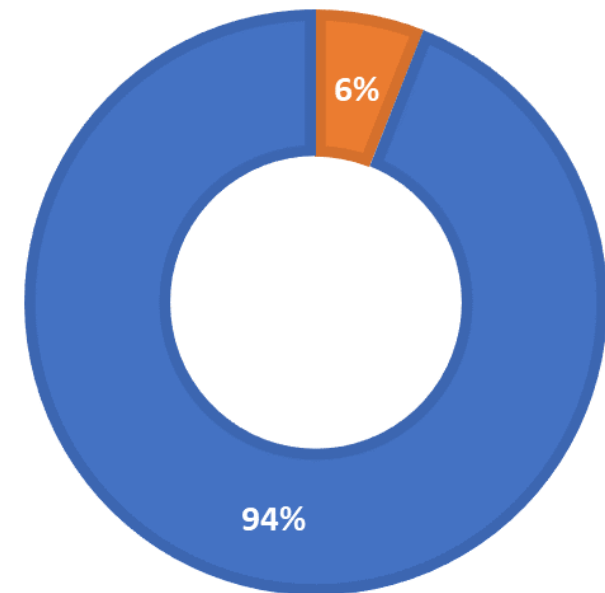
**Description:** The digital revolution has changed our economic reality. This proposal is to modernize the Corporate Income Tax (CIT) statutes by adding a new apportionment methodology that is specific to e-commerce. The new apportionment methodology is intended to incorporate all types of e-commerce to include revenues generated from on-line purchases (Amazon), TV streaming (Netflix), online advertising (Facebook), consumer data sales, music (Apple), video (Apple, Amazon etc.), software as a service (Microsoft), app purchases (Apple/Dell), etc. An apportionment methodology that is based on a single factor: US sales apportioned to Alaska based on Alaska sales will capture these lost revenues.

**New Revenue Estimation:** The estimate is that this could generate **\$70 to \$90 million of annual revenues** to the State. Preliminary estimates for first full year impact is \$72 million for FY 2022.

**Costs:** Implementation and annual administration costs have not been evaluated yet and are considered **TBD**.

### DIGITAL BUSINESS CORPORATE INCOME TAX

- Estimated Revenue Increase
- Total FY2020 Tax Revenues



## Potential Revenue: Carbon Offset Revenue Generation

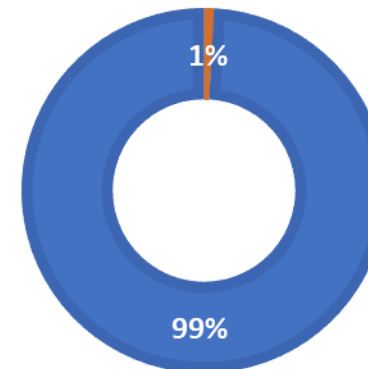
**Description:** A newly emerging revenue opportunity is a Carbon Offset Program. This can be related to cap-and-trade systems in other jurisdictions, or to company or individual voluntary carbon reductions. Under this proposal, Alaska would place select SOA lands, i.e., forest land, into a carbon offset program in lieu of development and receive revenue from companies or individuals in exchange for associated carbon offset credits. Tax credit certificate holders will have an option to exchange the value of certificates for carbon offsets and can manage monetization of the offsets anywhere in the world.

**New Revenue Estimation:** The very preliminary estimate is that this could generate **\$10 to \$20 million of annual revenues** to the State. DOR and DNR are currently evaluating the details of the program that include lands, inventory of carbon offset, value of the carbon and the amount of Alaska carbon offsets the global market can absorb.

**Costs:** Implementation and annual administration costs have not been evaluated yet and are considered **TBD**.

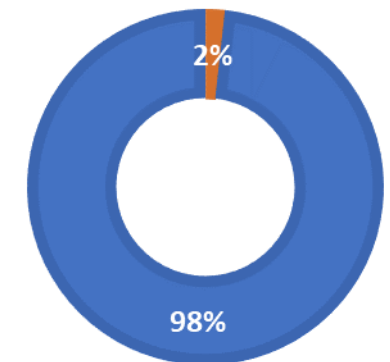
### CARBON OFFSETS (LOW RANGE)

- Estimated Revenue Increase
- Total FY2020 Tax Revenues



### CARBON OFFSETS (HIGH RANGE)

- Estimated Revenue Increase
- Total FY2020 Tax Revenues



## Existing Revenue: Motor Fuel Tax (HB 104)

**Description:** A tax levied on purchases of highway and marine diesel and gasoline, aviation gas, and jet fuel. Tax rates are as follow: Highway = \$0.08/gal, Marine = \$0.05/gal, Aviation = \$0.047/gal, Jet Fuel = \$0.032/gal. All refined fuels sales are also subject to a \$0.0095/gal Surcharge.

This option doubles the tax rates for highway and marine fuel only. It does not increase the rates for aviation or jet fuel. This option also increases the fuel surcharge to \$0.015/gal.

**First Full Year Impact: \$35.8 million in FY 2023**

This estimate does not account for changes in behavior as a result of a tax rate change.

**Costs:** There are no incremental costs to implement this change.

### MOTOR FUEL (HB 104)

- Estimated Revenue Increase
- Total FY2020 Tax Revenues

