UGF Short Fiscal Summary - FY25/FY26 Budget

#	($ Millions) (Unrestricted General Funds)	FY25 Budget	FY26 Governor	Change, FY25 to FY26	
1	**Revenue**	**6,261.0**	**6,198.8**	**(62.2)**	**-1.0%**
2	UGF Revenue (DOR Fall 2024 Forecast)	2,571.3	2,399.9	(171.4)	-6.7%
3	POMV Draw	3,657.3	3,798.9	141.6	3.9%
4	Misc/Adjust	32.4	-	(32.4)	
5	**Appropriations**	**6,413.2**	**7,719.4**	**1,306.3**	**20.4%**
6	**Operating Budget**	**5,168.2**	**4,932.6**	**(235.6)**	**-4.6%**
7	Agency Operations	4,693.1	4,518.0	(175.1)	-3.7%
8	Statewide Items	400.1	414.5	14.5	3.6%
9	Supplemental Appropriations	75.0	-	(75.0)	
10	**Capital Budget**	**330.7**	**282.4**	**(48.3)**	**-14.6%**
11	Current Year Appropriations	330.7	282.4	(48.3)	-14.6%
12	Supplemental Appropriations	-	-	-	
13	**Permanent Fund**	**914.3**	**2,504.4**	**1,590.1**	**173.9%**
14	Permanent Fund Dividends	914.3	2,504.4	1,590.1	173.9%
15	**Pre-Transfer Surplus/(Deficit)**	**(152.2)**	**(1,520.6)**		
16	Fund Transfers	4.3	6.6		
17	Supplemental Fund Transfers	-	-		
18	**Post-Transfer Surplus/(Deficit)**	**(156.5)**	**(1,527.2)**		

Reserve Balances (EOY)

	FY25	FY26
SBR	-	-
CBR	2,981.4	1,591.8
ERA	7,559.0	7,078.1

January 10, 2025

State of Alaska Detailed Fiscal Summary - FY25 and FY26 (Part 1)

($ millions)

		FY25 Management Plan plus Governor's Supplementals					FY26 Governor					Change in UGF	
		Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	$	%
1	**REVENUE**	6,261.0	1,178.5	949.8	7,098.6	15,487.9	6,198.8	1,078.9	1,046.8	6,076.6	14,401.2	(62.2)	-1.0%
2	Unrestricted General Fund Revenue (Fall 2024 Forecast) **(1)**	2,571.3	-	-	-	2,571.3	2,399.9	-	-	-	2,399.9	(171.4)	-6.7%
3	POMV Payout from ERA	3,657.3	-	-	-	3,657.3	3,798.9	-	-	-	3,798.9	141.6	3.9%
4	Adjustments, Carryforward, Repeals, and Reappropriations **(2)**	32.4	55.9	33.7	265.9	387.9	-	-	-	-	-	(32.4)	-100.0%
5	Restricted Revenue **(3)**	-	1,122.6	916.1	6,832.7	8,871.4	-	1,078.9	1,046.8	6,076.6	8,202.4		
	APPROPRIATIONS												
6	**TOTAL OPERATING APPROPRIATIONS**	5,168.2	988.2	859.5	4,163.5	11,179.3	4,932.6	915.8	911.9	3,827.0	10,587.2	(235.6)	-4.6%
7	**Agency Operations**	4,753.1	839.9	786.8	3,939.7	10,319.5	4,518.0	821.2	834.3	3,741.9	9,915.5	(235.1)	-4.9%
8	**Current Fiscal Year Appropriations**	4,693.1	839.9	786.8	3,939.7	10,259.5	4,518.0	821.2	834.3	3,741.9	9,915.5	(175.1)	-3.7%
9	Agency Operations (Non-Formula)	2,388.1	771.0	736.0	1,477.0	5,372.1	2,431.0	752.4	783.3	1,277.6	5,244.4	43.0	1.8%
10	K-12 Foundation and Pupil Transportation (Formula)	1,363.4	-	35.4	20.8	1,419.6	1,149.9	-	35.5	20.8	1,206.3	(213.5)	-15.7%
11	Medicaid Services (Formula)	727.3	0.4	15.5	2,302.4	3,045.6	727.1	0.4	15.5	2,333.1	3,076.1	(0.2)	0.0%
12	Other Formula Programs	214.3	68.4	-	139.5	422.2	210.0	68.4	-	110.4	388.8	(4.3)	-2.0%
13	*Duplicated Authorization (non-additive)* ***(4)***	-	-	*920.0*	-	*920.0*	-	-	*1,039.6*	-	*1,039.6*		
14	**Supplemental Appropriations (Agency Operations)**	60.0	-	-	-	60.0	-	-	-	-	-		
15	Supplemental Appropriations	60.0	-	-	-	60.0	-	-	-	-	-		
16	**Statewide Items**	415.1	148.3	72.7	223.8	859.9	414.5	94.6	77.5	85.1	671.7	(0.5)	-0.1%
17	**Current Fiscal Year Appropriations**	400.1	148.3	72.7	223.8	844.9	414.5	94.6	77.5	85.1	671.7	14.5	3.6%
18	Debt Service	138.1	13.1	37.6	4.9	193.7	123.5	12.3	38.0	2.7	176.5	(14.5)	-10.5%
19	Fund Capitalizations	78.1	55.2	1.8	99.7	234.8	71.0	53.1	3.4	82.4	210.0	(7.1)	-9.1%
20	*Community Assistance*	*10.0*	*30.0*	-	-	*40.0*	*2.0*	*28.0*	-	-	*30.0*	(8.0)	
21	*REAA School Fund*	*27.0*	-	-	-	*27.0*	*22.9*	-	-	-	*22.9*	*(4.1)*	-15.2%
22	*Disaster Relief Fund*	*13.0*	-	-	*9.0*	*22.0*	*13.0*	-	-	*9.0*	*22.0*	-	
23	*Fire Suppression Fund*	*34.3*	-	*1.5*	*20.5*	*56.3*	*25.8*	-	*3.0*	*20.5*	*49.3*		
24	*Other Fund Capitalization*	*(6.2)*	*25.2*	*0.3*	*70.2*	*89.5*	*7.4*	*25.1*	*0.4*	*52.9*	*85.9*	*13.6*	-218.9%
25	State Payments to Retirement Systems	183.8	-	-	-	183.8	220.0	-	-	-	220.0	36.1	19.6%
26	Energy Relief Payment **(5)**	-	-	-	-	-	-	-	-	-	-	-	
27	Shared Taxes	-	26.6	33.2	-	59.8	-	29.1	36.1	-	65.2	-	
28	Alaska Comprehensive Insurance Program	-	53.5	-	119.2	172.7	-	-	-	-	-	-	
29	*Duplicated Authorization (non-additive)* ***(4)***	-	-	*10.2*	-	*10.2*	-	-	*5.1*	-	*5.1*		
30	**Supplemental Appropriations (Statewide Items)**	15.0	-	-	-	15.0	-	-	-	-	-		
31	Supplemental Appropriations	15.0	-	-	-	15.0	-	-	-	-	-		
32	**TOTAL CAPITAL APPROPRIATIONS**	330.7	63.2	90.1	2,935.1	3,419.1	282.4	55.9	134.7	2,249.6	2,722.6	(48.3)	-14.6%
33	**Current Fiscal Year Appropriations**	330.7	63.2	90.1	2,935.1	3,419.1	282.4	55.9	134.7	2,249.6	2,722.6	(48.3)	-14.6%
34	Project Appropriations	330.7	63.2	90.1	2,935.1	3,419.1	282.4	55.9	134.7	2,249.6	2,722.6	(48.3)	-14.6%
35	*Duplicated Authorization (non-additive)* ***(4)***	-	-	*117.2*	-	*117.2*	-	-	*81.1*	-	*81.1*		
36	**Supplemental Appropriations (Capital)**	-	-	-	-	-	-	-	-	-	-		
37	*Duplicated Authorization (non-additive)* ***(4)***	-	-	*4.7*	-	*4.7*	-	-	-	-	-		
38	*Money on the Street (includes all fund sources)* ***(6)***	*330.7*	*63.2*	*211.9*	*2,935.1*	*3,541.0*	*282.4*	*55.9*	*215.9*	*2,249.6*	*2,803.7*		
39	**Pre-Permanent Fund Authorization** (unduplicated)	5,498.8	1,051.4	949.6	7,098.6	14,598.5	5,215.0	971.6	1,046.6	6,076.6	13,309.8	(283.9)	-5.2%
40	***Revenue less operating and capital appropriations***	*762.2*					*983.8*						
41	**Permanent Fund Appropriations**	914.3	82.0	-	-	996.3	2,504.4	79.5	-	-	2,583.9	1,590.1	174%
42	Permanent Fund Dividends **(5)**	914.3	-	-	-	914.3	2,504.4	-	-	-	2,504.4	1,590.1	173.9%
43	Non-Mandatory Royalty Deposit to Principal	-	82.0	-	-	82.0	-	79.5	-	-	79.5		
44	Transfer to Principal from Earnings Reserve Account	1,000.0	-	-	-	1,000.0	-	-	-	-	-	(1,000.0)	-100.0%
45	Transfer from Earnings Reserve Account to Principal	(1,000.0)	-	-	-	(1,000.0)	-	-	-	-	-	1,000.0	-100.0%
46	**Pre-Transfers Authorization** (unduplicated)	6,413.2	1,133.4	949.6	7,098.6	15,594.8	7,719.4	1,051.1	1,046.6	6,076.6	15,893.8	1,306.3	20.4%
47	***Pre-Transfer Surplus/(Deficit) (7)***	*(152.2)*	***Revenue =***	***97.6%***	***of Appropriations***		*(1,520.6)*	***Revenue =***	***80.3%***	***of Appropriations***			

State of Alaska Detailed Fiscal Summary - FY25 and FY26 (Part 1)

($ millions)

#		FY25 Management Plan plus Governor's Supplementals: Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	FY26 Governor: Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	Change in UGF: $	%
48	**Fund Transfers (8)**	4.3	45.0	0.2	-	49.6	6.6	27.8	0.2	-	34.7	2.3	54.3%
49	**Current Fiscal Year Transfers**	4.3	29.4	0.2	-	33.9	6.6	27.8	0.2	-	34.7	2.3	54.3%
50	Renewable Energy Fund	4.0	-	-	-	4.0	6.3	-	-	-	6.3	2.3	
51	Alaska Capital Income Fund *(non-additive)*	-	28.2	-	-	28.2	-	26.5	-	-	26.5	-	
52	Other Fund Transfers	0.3	1.2	0.2	-	1.7	0.3	1.3	0.2	-	1.8	0.0	
53	Statutory Budget Reserve Fund	-	-	-	-	-	-		-		-	-	
54	**Supplemental Appropriations (Fund Transfers)**	-	15.6	-	-	15.6	-	-	-	-	-	-	
55	Oil & Hazardous Substance Fund	-	15.6	-	-	15.6	-	-	-	-	-		
56	**Post-Transfers Authorization** (unduplicated)	6,417.5	1,178.5	949.8	7,098.6	15,644.3	7,726.0	1,078.9	1,046.8	6,076.6	15,928.4	1,308.6	20.4%
57	*Post-Transfer Surplus/(Deficit) (9)*	*(156.5)*	*Revenue =*	*97.6%*	*of Appropriations*		*(1,527.2)*	*Revenue =*	*80.2%*	*of Appropriations*			
58	**FISCAL YEAR SUMMARY**	6,417.5	1,178.5	949.8	7,098.6	15,644.3	7,726.0	1,078.9	1,046.8	6,076.6	15,928.4	1,308.6	20.4%
59	**Agency Operations**	4,753.1	839.9	786.8	3,939.7	10,319.5	4,518.0	821.2	834.3	3,741.9	9,915.5	(235.1)	-4.9%
60	Statewide Items	415.1	148.3	72.7	223.8	859.9	414.5	94.6	77.5	85.1	671.7	(0.5)	-0.1%
61	Permanent Fund Appropriations	914.3	82.0	-	-	996.3	2,504.4	79.5	-	-	2,583.9	1,590.1	173.9%
62	**Total Operating**	6,082.5	1,070.2	859.5	4,163.5	12,175.7	7,437.0	995.3	911.9	3,827.0	13,171.1	1,354.5	22.3%
63	**Capital**	330.7	63.2	90.1	2,935.1	3,419.1	282.4	55.9	134.7	2,249.6	2,722.6	(48.3)	-14.6%
64	***Transfers***	4.3	45.0	0.2	-	49.6	6.6	27.8	0.2	-	34.7	2.3	54.3%

Notes:

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(1) The Department of Revenue's (DOR) Fall 2024 Revenue Sources Book (RSB) forecasts 476,500 barrels per day total Alaska production at $70 per barrel in FY26.

(2) Carryforward is money that was appropriated in a prior year that is made available for spending in a later year via multi-year appropriations. Repeals increase revenue by reducing prior year authorization. Reappropriations to operating budget funds are counted as UGF revenue.

(3) Restricted revenue equals spending for each category. Designated general funds include 1) program receipts that are restricted to the program that generates the receipts and 2) revenue that is statutorily designated for a specific purpose. Other funds have stricter restrictions on usage, and federal funds originate from the federal government and can be used only for a particular purpose.

(4) Duplicated authorization is in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided. Duplicated authorization also includes the expenditure of bond proceeds when debt service on bonds will be reflected in future operating budgets.

(5) The FY25 Enacted budget includes a provision that if revenues exceed DOR's Spring Revenue Forecast by over $135 million, excess revenues will be split in half between the Statutory Budget Reserve and a deposit into the dividend fund. DOR's Fall 2024 RSB revenue forecast for FY25 is $220 million below the Spring Revenue Forecast, so the estimated amount is zero. The dividend fund appropriation would occur at the end of FY25 and would be distributed as an energy relief payment in FY26 in addition to the FY26 PFD. The entire appropriation is capped at $645 million (of excess revenue), and any further revenues would entirely flow into the CBR.

(6) Including duplicated fund sources in the amount of capital spending provides a valuable measure of "money on the street" because it includes projects funded with bond proceeds and other duplicated fund sources.

(7) The "Pre-transfer Surplus/(Deficit)" indicates if projected state revenue is sufficient to pay for the budget before using money from savings or non-recurring revenue sources. If projected state revenue is projected to be insufficient indefinitely, it is often referred to as a "structural deficit."

(8) "Fund Transfers" refer to appropriations that move money from one fund to another within the Treasury. Although transfers are not true expenditures, they reduce the amount of money available for other purposes so must be included in the calculation of the surplus/deficit. For reserve accounts, a positive number indicates a deposit and a negative number indicates a withdrawal. When money is withdrawn and spent, the expenditure is included in the operating or capital budget, as appropriate. For example, the appropriation to transfer court filing fees from the general fund to the civil legal services fund.

(9) No appropriation from the CBR to cover a general fund deficit was enacted for FY25. The Governor's budget request includes language appropriating from the CBR to fill deficits in FY25 and FY26. The FY25 language caps the appropriation at $200 million, but the FY26 language is not capped.

Projected Fund Balances - FY25 and FY26 (Part 2)

($ millions)

	FY25				FY26			
	BoY Balance	In	Out/ (Deposit)	EoY Balance	BoY Balance	In	Out/ (Deposit)	EoY Balance
Total Budget Reserves and Designated Funds	**4,409.1**	**334.8**	**320.8**	**4,423.1**	**4,423.1**	**297.5**	**1,683.5**	**3,037.0**
Undesignated Reserves	**2,971.5**	**167.7**	**156.5**	**2,982.7**	**2,982.7**	**137.6**	**1,527.2**	**1,593.1**
Constitutional Budget Reserve Fund	2,970.2	167.7	156.5	2,981.4	2,981.4	137.6	1,527.2	1,591.8
Statutory Budget Reserve Fund	-	-	-	-	-	-	-	-
Alaska Housing Capital Corporation Fund	1.3	-	-	1.3	1.3	-	-	1.3
Select Designated Funds	**1,437.6**	**167.1**	**164.3**	**1,440.4**	**1,440.4**	**159.9**	**156.3**	**1,444.0**
Alaska Capital Income Fund	(5.7)	24.0	24.0	(5.7)	(5.7)	26.5	26.5	(5.7)
Alaska Higher Education Investment Fund	412.0	36.7	39.9	408.9	408.9	27.5	27.3	409.1
Community Assistance Fund	60.0	30.0	20.0	70.0	70.0	30.0	23.3	76.7
Power Cost Equalization Endowment	971.3	76.4	80.4	967.2	967.2	75.9	79.2	963.9
Unrestricted General Fund Appropriations				7,719.4				15,893.8
Reserves Ratio (Undesignated Reserves / Pre-Transfer Budget)				39%				10%
Pre-Transfer Deficit				(152.2)				(1,520.6)
Years of Deficit Coverage (Undesignated Reserves / Pre-Transfer Deficit)				19.60				1.05
Permanent Fund *								
Permanent Fund Principal - Realized (no appropriations allowed)	58,365.8	1,409.0	0.0	**59,774.8**	59,774.8	1,905.0	0.0	**61,679.8**
Permanent Fund Earnings Reserve Account - Realized	8,022.7	4,217.5	4,681.2	**7,559.0**	7,559.0	4,848.9	5,329.8	**7,078.1**
Permanent Fund -- Unrealized Gain (Loss)	14,074.0	1,773.9	0.0	**15,847.9**	15,847.9	1,140.8	0.0	**16,988.7**
TOTAL PERMANENT FUND	80,462.5	7,400.4	4,681.2	**83,181.7**	83,181.7	7,894.7	5,329.8	**85,746.6**

**Alaska Permanent Fund Corporation (APFC) unaudited history and projections as of November 30, 2024. Includes LFD adjustments.*

January 10, 2025

Executive Summary

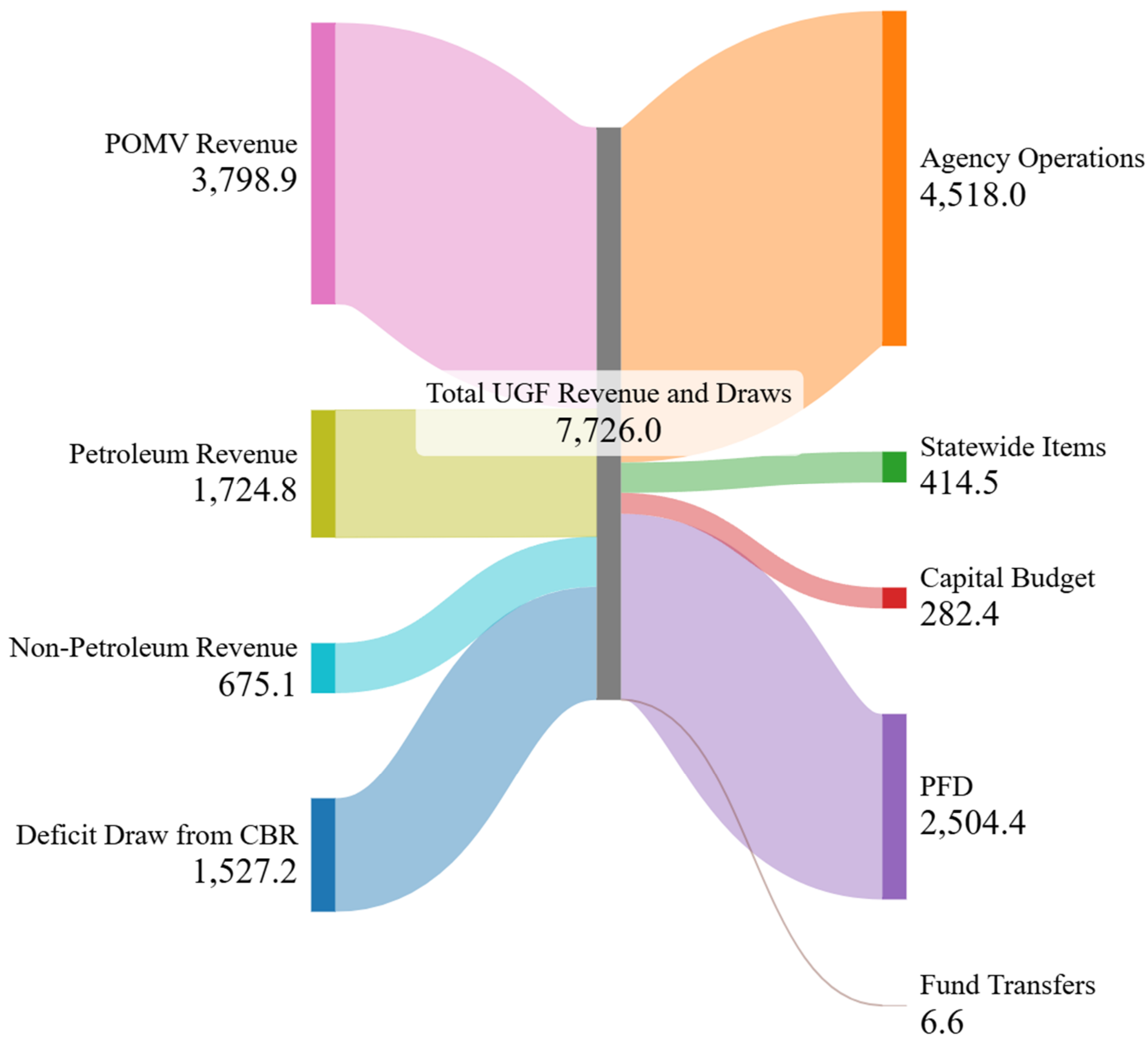
As required by law, the Governor released his FY26 budget proposal to the public and the legislature on December 12, 2024. The Legislative Finance Division prepared this Overview of the Governor's Budget and "Subcommittee Books" for each agency in accordance with AS 24.20.211-.231.

The Overview provides a starting point for legislative consideration of the Governor's proposed budget and revenue plan. It does not necessarily discuss the merits of budget plans, but focuses on outlining the fiscal situation and presenting the budget in a way that provides objective information to the legislature.

The first chapters in this publication primarily refer to Unrestricted General Funds (UGF). These are the state revenues with no constitutional or statutory restrictions on their use. The statewide fiscal surplus or deficit is calculated using this fund source group. Later in the publication, individual agency narratives account for significant changes in all fund sources. The first chapters also primarily use figures in the millions of dollars, with the decimal indicating hundreds of thousands, while agency narratives generally use figures in the thousands of dollars, with the decimal indicating hundreds.

When the legislature passed the FY25 budget in May of 2024 and the Governor signed it that June, the year had a projected budget surplus, but a reduced revenue forecast turned that into a projected deficit. For FY26, the Governor's proposed budget includes a projected $1.5 billion deficit, which may grow as additional items are added in subsequent amendments.

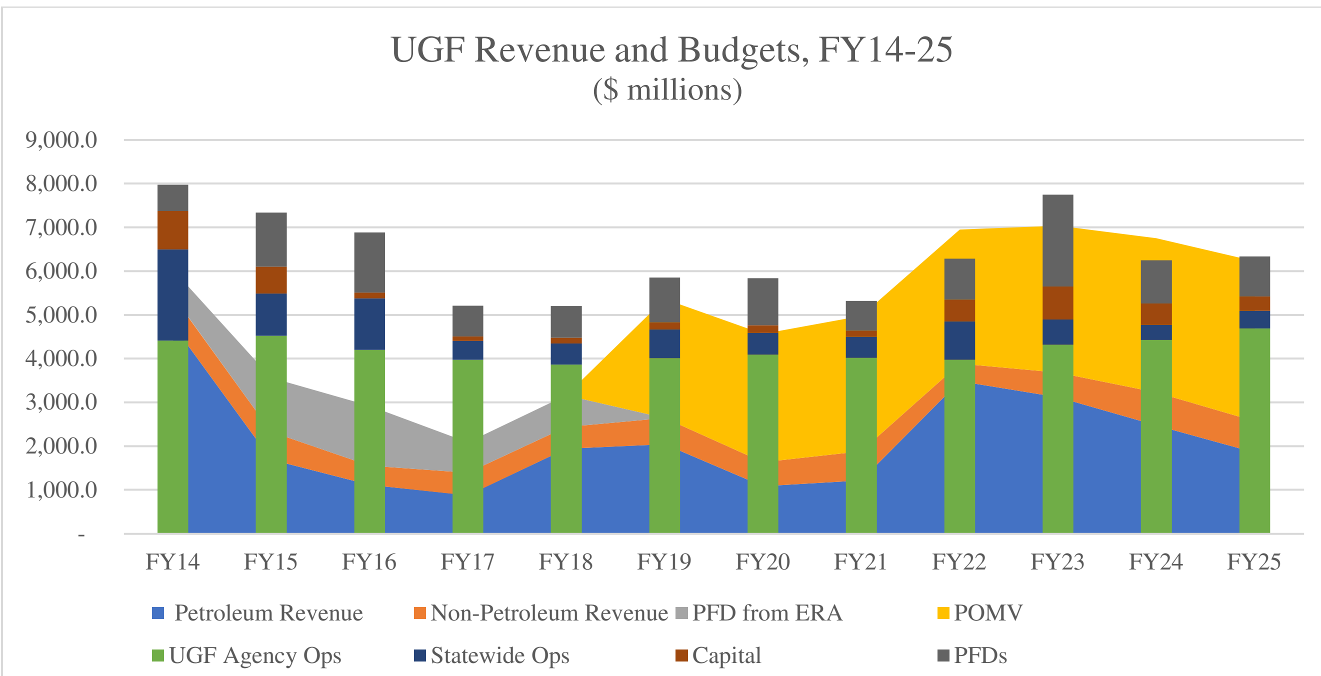
UGF Revenue and Budget:
FY26 Governor's Request
($ millions)



Alaska's Overall Fiscal Situation

For the sixth straight year, the Governor's budget submission includes a fiscal budget deficit (not counting use of savings). In his FY26 submission, that deficit is projected to be around $1.5 billion, or about 25% of Alaska's UGF revenue.

After oil prices declined sharply in 2014, the State ran multi-billion-dollar budget deficits until adopting a statutory Percent of Market Value (POMV) draw from the Permanent Fund in FY19. From FY14 through FY18, the State ran pre-transfer deficits of nearly $3 billion per year, but from FY19 through FY24 pre-transfer deficits only averaged about $250 million per year. Some of those deficits were filled with temporary federal funds allocated to Alaska during the COVID-19 pandemic, while other deficits have required savings draws. Still, the value of the Constitutional Budget Reserve has actually increased over this period from about $2.1 billion to $3.0 billion because deficit draws have been more than offset by investment revenue and deposits.



From FY22 through FY25, the budget process has followed a similar script each year: the Governor proposes a budget with a substantial deficit, then the legislature has reduced the Permanent Fund Dividend (PFD) amount proposed by the Governor, increased the budget for other items, and passed a budget that does not rely on drawing from the Constitutional Budget Reserve (although some have relied on other funds such as utilization of federal COVID relief funding for revenue replacement or drawing from the Statutory Budget Reserve). In some years, revenue projections decreased after the legislature passed their budgets, leaving a deficit that the legislature must address in the supplemental budget (such as in FY23 and in FY25). The result is that the PFD appropriation and the capital budget have fluctuated along with oil prices, acting as a shock absorber outside of the operating budget rather than reflecting a structured long-term plan.

Once again in FY26 the Governor's budget submission includes a statutory PFD, an incomplete budget for State operations, and a sizeable budget deficit. This illustrates that Alaska still has a structural budget deficit: if our spending statutes are followed, revenue is insufficient to pay for expenditures. The legislature could choose to take the same approach as it has for the past several years and muddle through without a long-term plan, or it could choose to address the structural issue through revenue measures or changes to spending statutes.

75/25 PFD Alone Won't Balance the Budget ($ millions)	
FY26 Revenue	6,198.8
FY26 Governor's Budget	7,719.4
Surplus/Deficit	**(1,520.6)**
Reduce PFD to 75/25	(1,554.7)
Revised Surplus/Deficit	**34.1**
Add K-12 Funding to Match FY25	182.0
Add Projected Medicaid Need	19.6
Add Placeholder for Contractual Increases	29.4
Revised Surplus/Deficit	**(196.9)**

The Governor's December budget would balance with a PFD calculation matching FY25 (25% of the POMV draw, often called "75/25" after the split between government services and the PFD), but this budget is still incomplete. The most notable item that is not yet accounted for is additional K-12 funding beyond the current statutory formula to match FY25 levels of service. The FY25 Enacted budget included $182.0 million above the foundation and pupil transportation formulas. In his press conference for his budget submission, the Governor indicated that he planned to introduce legislation that would increase education spending by about $200.0 million. In addition, the Governor's budget does not include an increase for Medicaid, but a December 15 projection by the Department of Health indicated that an additional $19.6 million UGF would be needed. Finally, there are ten collective bargaining units negotiating new contracts at the time of publication, and the potential UGF cost is estimated to be roughly $29.4 million.[1]

Adding those items, which represent costs necessary to maintain State services at the same level as FY25, would result in a substantial deficit in FY26 even with a 75/25 PFD appropriation. To balance the budget, the legislature would need to reduce spending, pass legislation to increase revenue, further reduce the PFD, or draw from savings.

[1] The $29.4 million placeholder is based on the estimated cost of a 3% salary increase for executive branch unions (matching the FY26 increase for supervisory and exempt employees) and a 2.75% increase for University unions (based on the University's last offer). The actual cost may vary from this estimate based on the actual negotiated salary increase, costs other than salary increases, and unrealizable non-UGF fund sources.

Building the FY26 Budget

FY26 Adjusted Base

The Governor's FY26 budget represents a set of changes from the Adjusted Base, which the Legislative Finance Division establishes using the FY25 Enacted budget less one-time appropriations, plus current statewide policy decisions (such as salary adjustments and formula adjustments) needed to maintain services at a status quo level.

Item	Amount
K-12 Outside Formula	(174,663.5)
AMHS Backstop	(10,000.0)
Child Care Grant Program	(7,500.0)
K-12 Addit'l Pupil Trans.	(7,305.9)
Tourism Marketing	(5,000.0)
Rate Smoothing	(5,000.0)
Anchorage E 56th Shelter	(4,000.0)
SB 67 (PFAS) Fiscal Note	(2,500.0)
AGDC Operations	(2,487.5)
Other Items	(9,388.7)
Total	**(227,845.6)**

The FY25 budget included $227.8 million UGF of one-time items that were backed out in the FY26 Adjusted Base. The largest of these was a one-time additional appropriation to schools for $174.7 million, to be distributed according to the K-12 formula; all other one-time items total $53.2 million.

Salary adjustments in the FY26 Adjusted Base include PERS rate adjustments and health insurance adjustments for most State employees and Cost of Living Adjustments (COLAs) for members of four bargaining units. The COLAs are not automatic and must be approved by the legislature through the budget to take effect, but are in the Adjusted Base because they do not represent a service level change and cannot be taken individually.

Salary Adjustments Summary (in Thousands)		
Item	**UGF**	**All Funds**
PERS/JRS Rate	11,505.9	23,314.8
Health Insurance	5,938.0	9,487.5
SU 3% COLA (non-Law Enforcement)	4,152.3	10,972.8
SU 5.5% COLA (Law Enforcement)	982.7	1,101.9
Exempt 3% COLA	9,023.5	14,417.2
LTC 1.25% COLA	774.6	2,134.9
PSEA 10% COLA	9,362.8	11,177.9
University of Alaska Salary & Benefits	5,875.2	9,682.8
University of Alaska Health	14,245.9	17,800.0
Total Salary Adjustments	**61,860.9**	**100,089.8**

The FY26 Adjusted Base includes $100.1 million in total salary adjustments, of which $61.9 million is UGF. There are nine bargaining units currently negotiating for FY26 that may be included in future Governor's amendments, including the largest executive branch and University of Alaska unions.

Formula	UGF	All Funds
K-12 Foundation	(28,724.2)	(28,583.6)
K-12 Pupil Transportation	(2,782.2)	(2,782.2)
School Debt Reimbursement	(10,208.2)	(11,008.2)
Other Debt Service	(4,339.2)	(8,615.8)
State Contributions to Retirement	36,117.6	36,117.6
REAA Fund Capitalization	(4,093.6)	(4,093.6)
Total Adjusted Base Formula Adjustments	**(14,029.8)**	**(18,965.8)**

Additionally, changes to formula programs are also addressed in the Adjusted Base so that policy changes are more clearly distinguished from formula-driven changes in the Governor's Budget. For the

K-12 Formula, changes including a projected 3,777 (3.6%) decrease in brick-and-mortar students (only partially offset by a 978-student increase in correspondence students) leads to a projected reduction of UGF State funding of $28.7 million. Retirement contributions are up due primarily to higher PERS and TRS past service costs based on June 30, 2023, valuations. School debt reimbursement continues to decline due to the decade-long moratorium on new debt, which is scheduled to end on July 1, 2025.

Governor’s FY26 Budget Proposal

The Governor’s December budget proposal is the starting point, but as always it is incomplete. From FY21-25, the Governor’s amended budget was on average $104.8 million higher than the December submission. The Enacted budget over the same period has averaged $243.2 million higher than the Governor’s amended budget, although that falls to $85.1 million if FY23 is excluded (when oil prices spiked during the legislative session, note that this excludes the PFD).

Some likely areas for growth include:

1. K-12 formula spending: the FY25 budget included $174.7 million of funding outside the K-12 Foundation formula and $7.3 million outside the Pupil Transportation formula, and the Governor indicated an intention to submit a bill that would increase education spending by around $200.0 million in FY26. The December budget release, however, only funds the current statutory formula.
2. Medicaid: the Governor’s December budget release did not include any change to Medicaid funding, but according to the Department of Health’s December 15 projection, an additional $19.6 million will be requested in the FY26 Governor’s Amended budget. This figure may change based on trends in Medicaid spending between that projection and the February update.
3. Contractual increases for bargaining units under negotiation: eight of the twelve executive branch unions (including the largest bargaining unit, the General Government Unit) have agreements that will expire at the end of FY25 or have already expired. In addition, the University of Alaska is currently negotiating with its largest union.

Agency Operations

The Governor’s FY26 budget for agency operations is $175.1 million (3.7%) below the FY25 Management Plan, but $57.0 million (1.3%) above the FY26 Adjusted Base.

Governor’s FY26 Operating Budget Compared to Adjusted Base
($ millions, UGF only)

	Adjusted Base	Governor	Comparison	
Agency Operations	4,461.1	4,518.0	57.0	1.3%
Statewide Items	423.1	414.5	(8.6)	(2.0)%
Permanent Fund Dividend	949.7	2,504.4	1,554.7	163.7%
Total Operating Budget	**5,833.9**	**7,437.0**	**1,603.1**	**27.5%**

The Agency Narratives section of this publication includes details on the Governor’s proposed changes to agency budgets. Overall, the Governor’s budget proposes relatively few major changes to agency operations. Every agency’s budget is above the FY26 Adjusted Base, with no agencies seeing net reductions. The Governor did issue a press release stating that his amended budget would modify the Division of Agriculture to become a separate Department, which will require added funding for administrative costs.

Operations and Maintenance Structure Changes

In FY25, the legislature added intent language in the Governor's Office that read: "It is the intent of the legislature that the budget prepared under AS 37.07.020 for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities."

AS 37.07.020(e), established by a bill passed by the legislature in 1998, requires the Governor to submit a budget that separates facility costs from other operating costs. Over the years since then, these costs have become intermingled. The intent of the statute is to ensure that programmatic changes and inflation do not eat into the funds appropriated for maintenance of facilities, because underbudgeting for these items leads to deterioration of State assets and a backlog of deferred maintenance (see the Capital Budget Overview in this publication for more information about deferred maintenance).

In his FY26 budget, the Governor realigns agency operations in most Executive Branch agencies to comport with this statute. Throughout the agency narratives in this publication there are explanations of how this affects each agency. There is not consistency across agencies in how this is structured. Some separate out State-owned facilities from non-State-owned facilities, others do not. Some separate out rent (paid to another State agency) from expenses incurred by the agency itself, others do not. Finally, some agencies transfer direct actual funding to these new allocations, while others use Interagency Receipt authority, which may or may not be fulfilled or accurately reflected in reporting of budgetary actuals.

This inconsistent approach suggests the need for continued collaboration between the executive and legislative branches to establish standardized practices for facility cost tracking. Full implementation may extend beyond the FY26 budget cycle.

The Governor’s budget also includes language allowing the Office of Management and Budget to transfer up to $5.0 million in and out of these maintenance and operations allocations. The legislature should evaluate this language carefully, as is allows substantial flexibility for OMB to transfer money across appropriation lines.

Statewide Items

The Governor funds statewide items to their statutory levels, including the PFD, which is estimated to be $2.5 billion, paying about $3,900 per recipient. That also includes State Assistance to Retirement, Debt Service, and fund capitalizations for which a clear spending rule exists.

Community Assistance Fund Deposits and Distribution
($ millions)

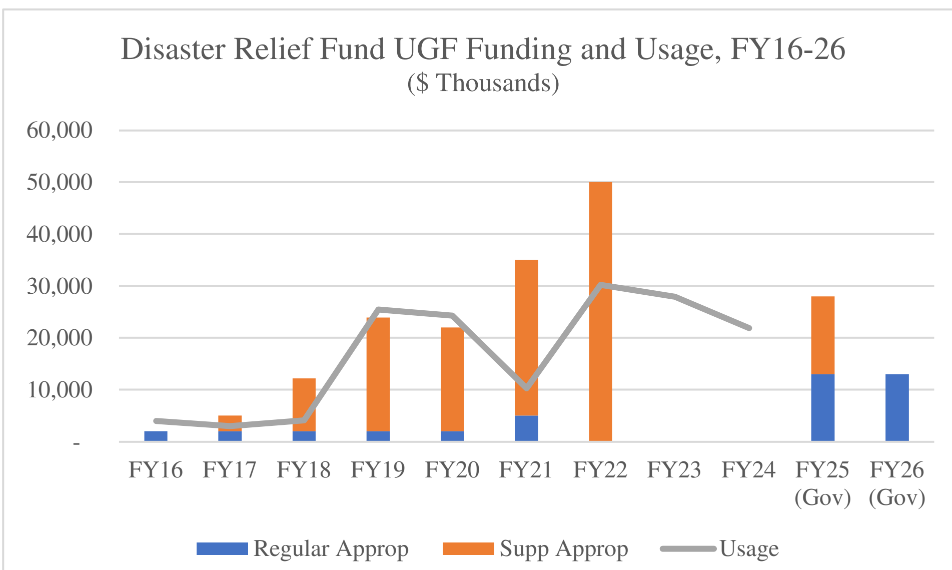
	FY24	**FY25**	**FY26**	**FY27**
Starting Balance	$90.0	$60.0	$70.0	$76.7
Distribution (1/3 of prior yr. balance)	*$30.0*	*$20.0*	*$23.3*	*$25.6*
Additional distribution	*$ -*	*$10.0*	*$ -*	*$ -*
Total Distribution	$30.0	$30.0	$23.3	$25.6
Deposit to Fund	$ -	$30.0	$30.0	N/A
Ending Balance	$60.0	$70.0	$76.7	N/A

One item of note is the Community Assistance program. The Governor vetoed a $30.0 million UGF deposit into the fund in

FY24 and a $20.0 million deposit in FY25, so the fund's balance is below the $90.0 million needed for the maximum $30.0 million distribution. The FY25 budget included a $30.0 million deposit into the fund and a $10.0 million additional distribution to bring the total distribution to $30.0 million. In FY26, the Governor proposes a $30.0 million deposit in FY26 (of which $28.0 million is from the PCE Fund and $2.0 million is UGF). Without a supplemental appropriation, the FY26 payments to local governments would be $23.3 million (one-third of the balance at the end of FY25).

Two statewide items without a clear spending rule are the fund capitalizations for the Fire Suppression Fund (FSF) and the Disaster Relief Fund. In FY25, the legislature appropriated Fire Suppression Activity funds to the FSF rather than to the Department of Natural Resources as it had in recent years. The FSF is not subject to further appropriation and does not lapse. The intention is to build an ongoing balance in the FSF, reducing the need for large supplemental appropriations during years with severe wildfires. The legislature appropriated a total of $49.3 million UGF to the FSF in FY25, but the Governor vetoed the final amount to $34.3 million. In FY26, the Governor's budget includes $25.8 million for the FSF – 75% of the enacted appropriation in FY25. The agency states that the intent is to capitalize the fund with 25% of the calendar year's funding in the fiscal year that makes up the first half of the calendar year and the remaining 75% in the second fiscal year.

This approach, however, defeats the purpose of using the FSF to smooth appropriations from year to year. The enacted amount is already far short of the average UGF cost of Fire Suppression Activity, which was $53.5 million from FY15-24. If there is extra funding remaining after a low fire year (like the first half of FY25), that can be used to offset the need for supplemental appropriations in high years. If instead extra funding is taken to reduce the capitalization of the fund the next year, the appropriations will remain volatile. If the legislature wishes to avoid supplementals and introduce stability to the budget for fire suppression, it should increase the capitalization to at least $53.5 million. In fact, the amount should likely be higher, since costs have increased over time (the trend from FY15-24 is an average increase of $4.8 million per year).



Funding for the Disaster Relief Fund (DRF) has likewise been inconsistent from year to year, resulting in many supplemental appropriations. In FY25, the legislature appropriated $20.5 million UGF to the DRF, enough to cover anticipated needs based on average usage and leave a projected balance of $5.0 million in the fund as a safety margin. The Governor vetoed $7.5 million of this appropriation, leaving a total appropriation of $13.0 million UGF. In his December budget release, the Governor is asking for a fast-track supplemental appropriation of $15.0 million for the DRF because the fund balance has already fallen below zero, requiring the Department of Military and Veterans' Affairs to borrow from statewide deferred maintenance funding to pay disaster costs. In FY26, the Governor is proposing a $13.0 million UGF capitalization once again. However, average usage of the Fund from FY16-24 was $16.8 million, so this funding level could again result in the need for a supplemental appropriation.

More discussion of statewide items can be found in the Operating Language section of this publication.

Capital Budget

The Governor's FY26 capital budget request totals $282.4 million of UGF, down from $330.7 million in the FY25 budget. In the 2024 legislation session, a surplus in the previous fiscal year (FY24) allowed for additional supplemental capital spending; ultimately $126.6 million of supplemental capital items were enacted. In the 2025 legislative session, there is a deficit in the previous fiscal year (FY25) so significant supplemental capital spending is less likely. Comparing session-to-session, the Governor's $282.4 million proposal is $174.9 million (38.2%) lower than the capital appropriations approved in the 2024 session.

About 55% of the UGF in the Governor's FY26 capital budget is used to match federal funds. For more details on the capital budget, see the Capital Budget Overview section of this publication and the capital budget section of agency narratives.

Long-Term Fiscal Outlook

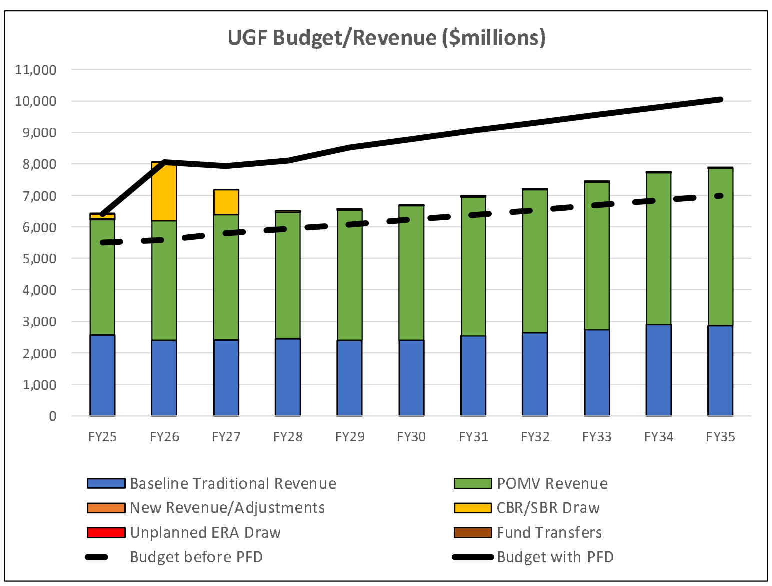
LFD Baseline Fiscal Projections

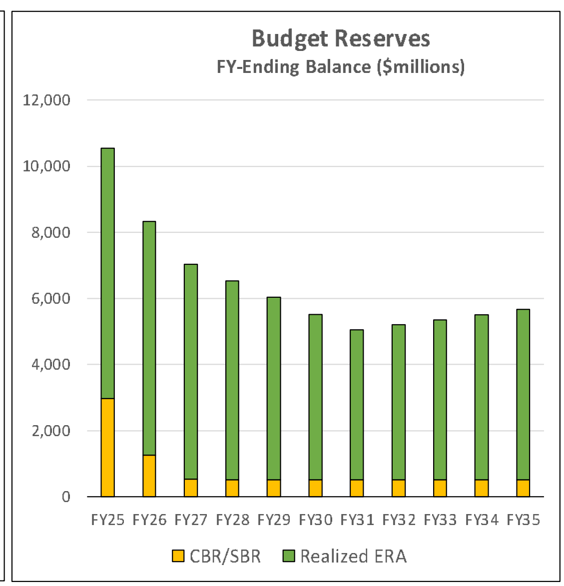
For the long-term baseline scenario, the Legislative Finance Division's fiscal model reflects current statutes and expenditures growing with inflation. It uses the FY25 Management Plan (less carryforward from prior years), growing with inflation of 2.5 percent per year, with all statewide items (including the Permanent Fund Dividend) funded at their statutory level (or matching FY25 if there is no established formula). Any policy or statutory changes can therefore be compared to this neutral baseline to see their effect on the fiscal situation.

In prior years, our modeling baseline was based on the Adjusted Base, but recent outside-the-formula K-12 appropriations are large enough that this is not necessarily an accurate starting point.

LFD Baseline	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**FY32**	**FY33**	**FY34**	**FY35**
Agency Operations	4,777.2	4,896.7	5,019.1	5,144.6	5,273.2	5,405.0	5,540.1	5,678.6	5,820.6	5,966.1
Statewide Items	423.3	501.2	508.3	516.2	528.1	531.1	540.1	559.5	557.8	541.5
Capital Budget	339.0	347.4	356.1	365.0	374.2	383.5	393.1	402.9	413.0	423.3
Supps	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
PFDs	2,455.5	2,125.8	2,170.7	2,442.5	2,541.7	2,644.7	2,684.4	2,711.7	2,738.6	2,770.7
Total	**8,044.7**	**7,921.6**	**8,104.7**	**8,518.9**	**8,767.7**	**9,015.0**	**9,208.4**	**9,403.5**	**9,580.8**	**9,752.5**

Surplus/(Deficit) ($millions)	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**FY32**	**FY33**	**FY34**	**FY35**
	(152)	(1,846)	(1,523)	(1,637)	(1,991)	(2,116)	(2,112)	(2,122)	(2,140)	(2,077)	(2,180)



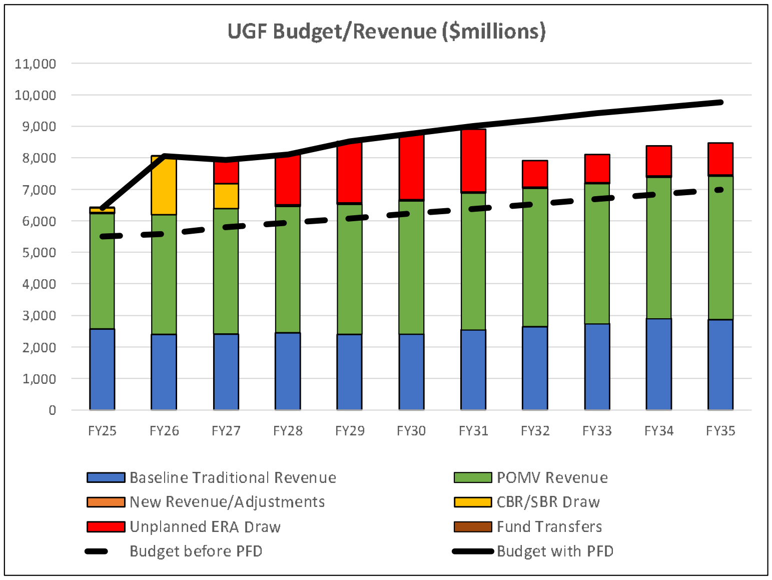


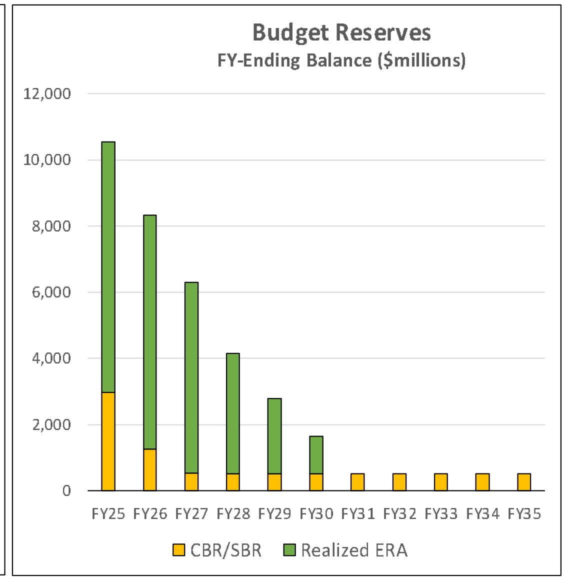
	FY25	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**FY32**	**FY33**	**FY34**	**FY35**
Effective POMV Draw Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
PFD/Person	$1,702	$3,777	$3,231	$3,303	$3,729	$3,899	$4,100	$4,228	$4,363	$4,504	$4,652

LFD's baseline projection shows a deficit of $1.8 billion in FY26, increasing to over $2.0 billion from FY30 and beyond. This baseline does not include any deficit-filling draws from the ERA and leaves a $500.0 million balance in the CBR for cashflow; the gap between the revenue bars on the graph on the left and the budget line represents an unfilled deficit.

If deficits are filled from the ERA, deficits would increase from the baseline scenario due to compounding effects, and by FY31, there would not be sufficient funds in the ERA to fill the entire deficit.

Surplus/(Deficit) ($millions)	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
	(152)	(1,846)	(1,523)	(1,637)	(1,993)	(2,126)	(2,138)	(2,172)	(2,223)	(2,195)	(2,334)





	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Effective POMV Draw Rate	5.00%	5.00%	5.93%	6.98%	7.37%	7.47%	7.31%	5.95%	6.00%	6.06%	6.11%
PFD/Person	$1,702	$3,777	$3,231	$3,303	$3,721	$3,867	$4,023	$4,081	$4,121	$4,163	$4,213

These models demonstrate that there is a continued structural budget deficit. The legislature could choose to fill this deficit from any combination of spending reductions (including Permanent Fund Dividends, as it has done in recent years) and new revenue.

Comparison of Governor's 10-Year Plan to LFD Baseline

The Governor is required by AS 37.07.020(b) to "submit a fiscal plan with estimates of significant sources and uses of funds for the succeeding 10 fiscal years." The plan "must balance sources and uses of funds held while providing for essential state services and protecting the economic stability of the state," among other requirements.

The 10-Year Plan submitted by the Governor on December 12, 2024, does not comply with this statutory requirement: the CBR is drawn below zero in FY28 and down to *negative* $12.0 billion at the end of the 10-year window in FY35.

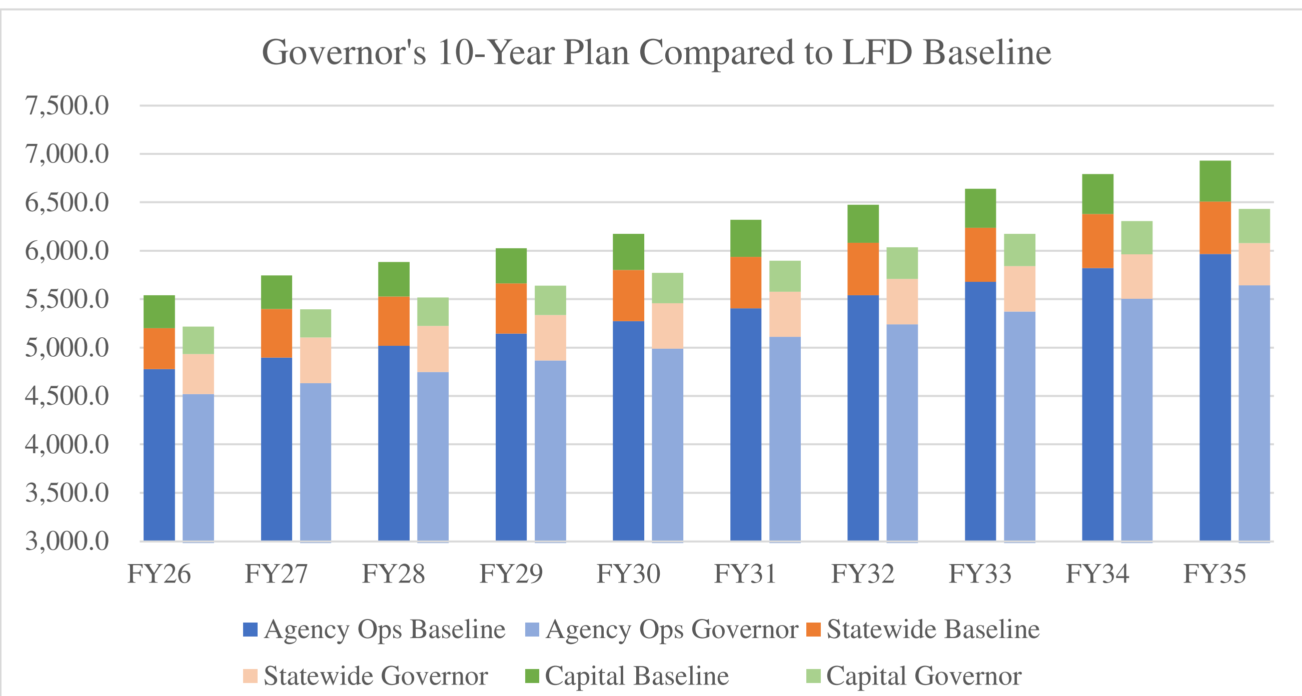
In past years, the Governor's 10-year plan assumed growth of agency operations and the capital budget of 1.5% per year, but this year's 10-year plan assumes growth of 2.5%, matching inflation. It also assumes that statewide items either follow established schedules or, if there is no established schedule, match the FY25 funding level and grow with inflation in subsequent years.

The primary difference between the Governor’s 10-year plan and LFD’s baseline model is therefore the choice of baseline. Since the Governor’s December budget release is incomplete (as the Governor explained in his press conference announcing the budget when he announced plans to introduce a $200 million education funding bill), it is not an ideal baseline for long-term planning. Therefore, using the FY25 budget, with its inclusion of significant one-time K-12 spending, will likely prove to be more accurate.

The Governor’s 10-Year Plan has two other non-policy choice assumption differences from LFD’s modeling. The Governor assumes zero supplemental appropriations (net of any lapsing appropriations), while LFD assumes $50 million per year based on historical averages (although increases to the Fire Suppression Fund and Disaster Relief Fund capitalizations may reduce this need in the future). The Governor also assumes that no new school debt will be authorized even after the program resumes later this year, while LFD assumes that $7.8 million per year of new debt will be added annually based on historical averages. This assumption also influences the REAA Fund deposit, which changes proportionally to school debt payments. Finally, LFD’s modeling uses updated projections of Permanent Fund earnings that correct a calculation error included in DOR’s forecast (which is not included in the table below).

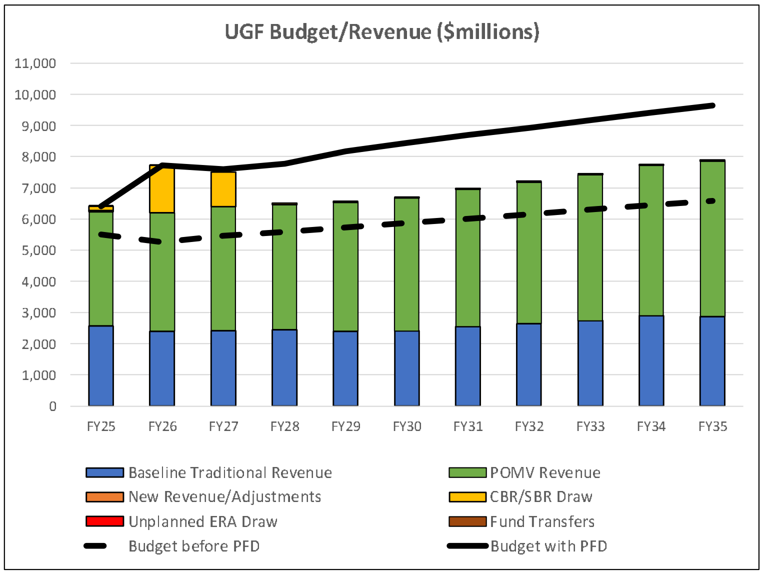
Comparison of Governor’s 10-Year Plan Budget Figures to LFD Baseline

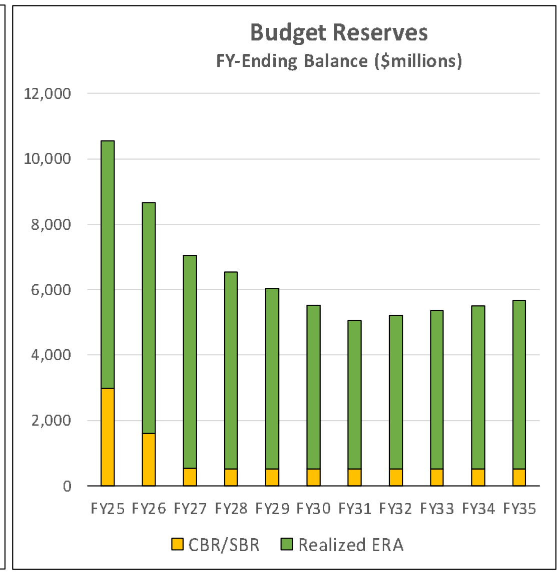
	FY26	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**FY32**	**FY33**	**FY34**	**FY35**
Baseline	5,589.2	5,795.8	5,934.0	6,076.3	6,226.0	6,370.2	6,524.0	6,691.8	6,842.1	6,981.8
Governor	5,214.9	5,393.1	5,518.5	5,639.9	5,770.5	5,895.7	6,035.6	6,175.5	6,307.2	6,432.5
Difference	**(374.3)**	**(402.7)**	**(415.5)**	**(436.4)**	**(455.5)**	**(474.5)**	**(488.4)**	**(516.3)**	**(534.9)**	**(549.3)**



This model shows the policy proposals in the Governor's 10-Year Plan (the lower growth rates and partial funding of Community Assistance) in LFD's model, without any deficit-filling draws that would draw the CBR below zero. Despite the assumption differences, the policy choices in the Governor's 10-Year Plan result in a similar outcome in LFD's model as in the plan itself: persistent deficits and a depleted CBR in FY27. This model shows unfilled deficits of $1.5 billion in FY26 increasing to over $1.7 billion in FY30 and beyond.

Surplus/(Deficit) ($millions)	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
	(152)	(1,522)	(1,190)	(1,297)	(1,641)	(1,758)	(1,745)	(1,746)	(1,754)	(1,682)	(1,775)

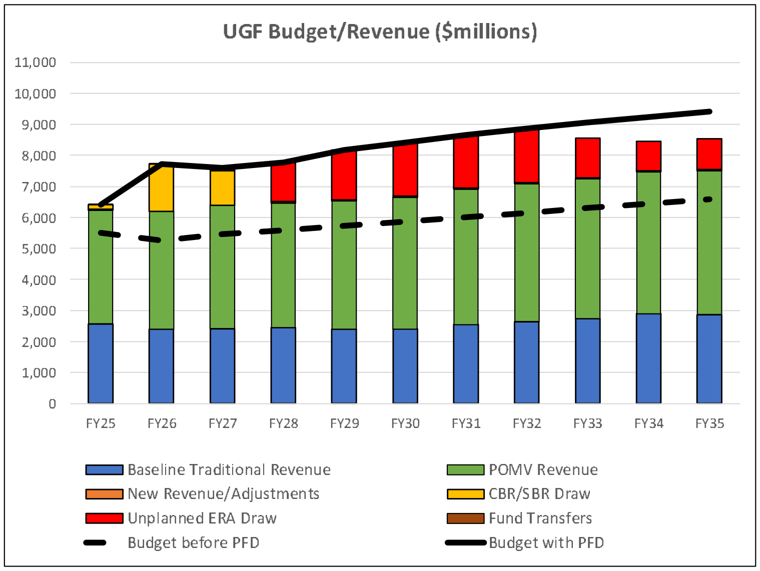


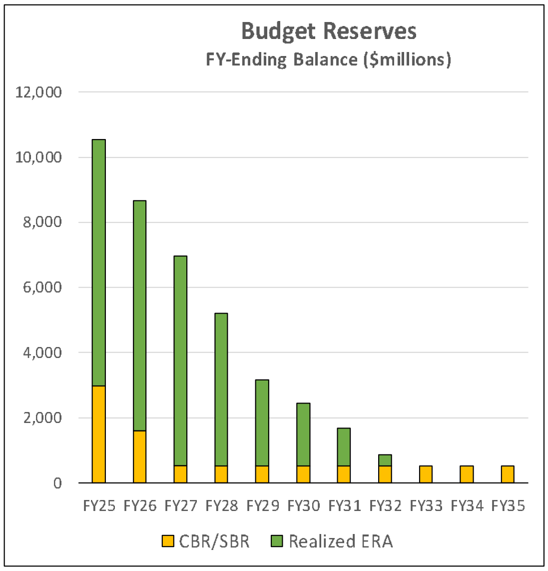


	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Effective POMV Draw Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
PFD/Person	$1,702	$3,777	$3,231	$3,303	$3,729	$3,899	$4,100	$4,228	$4,363	$4,504	$4,652

The Governor's 10-Year Plan shows continued draws on the CBR even after the balance goes negative. If the deficits are made up from the ERA instead, the compounding effect of those overdraws would result in larger deficits.

Surplus/(Deficit) ($millions)	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
	(152)	(1,522)	(1,190)	(1,297)	(1,642)	(1,762)	(1,760)	(1,778)	(1,811)	(1,771)	(1,899)





	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Effective POMV Draw Rate	5.00%	5.00%	5.10%	6.55%	6.94%	7.03%	6.98%	6.96%	6.40%	6.03%	6.07%
PFD/Person	$1,702	$3,777	$3,231	$3,303	$3,728	$3,884	$4,055	$4,133	$4,197	$4,246	$4,297

Constitutional and Statutory Appropriation Limits

Alaska has two appropriation limits: a limit in Article IX, Section 16 of the Alaska Constitution, and another in AS 37.05.540(b). Both limits factor in changes in inflation and population that can only be estimated ahead of time, so these figures may change when actual inflation and population changes are known.

The constitutional limit is binding, but the statutory limit can be (and has been) exceeded through the appropriations process.

Expenditures Subject to the Limits

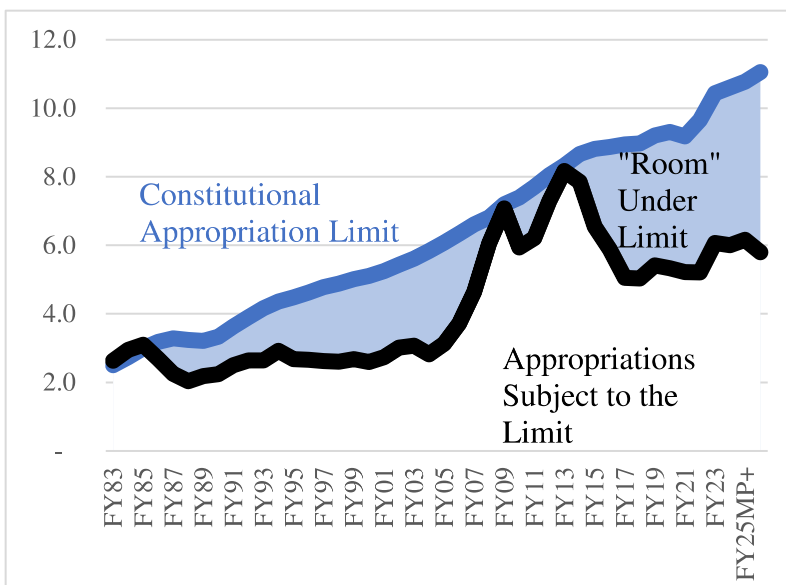
Article IX, Section 16 and AS 37.05.540(b) both set out exclusions from the limit that are both *sources of money* and *uses of money*. Excluded sources are:

- Proceeds of revenue bonds
- Money held in trust for a specific purpose (this includes all federal funding and most "Other" funds)
- Corporate revenues

Excluded purposes are:

- Permanent Fund Dividends
- Debt service on General Obligation Bonds
- Appropriations transferring money between State funds
- Appropriations to meet a declared state of disaster

Calculating the Constitutional Limit



The constitutional appropriation limit is equal to $2.5 billion times the cumulative change in population and inflation since July 1, 1981. Based on the way the limit has been calculated by the executive branch in the Annual Comprehensive Financial Report (ACFR), we estimate that in FY25 the limit will be $10.8 billion and in FY26 the limit will be $11.1 billion.[2] This is based on actual changes in inflation and

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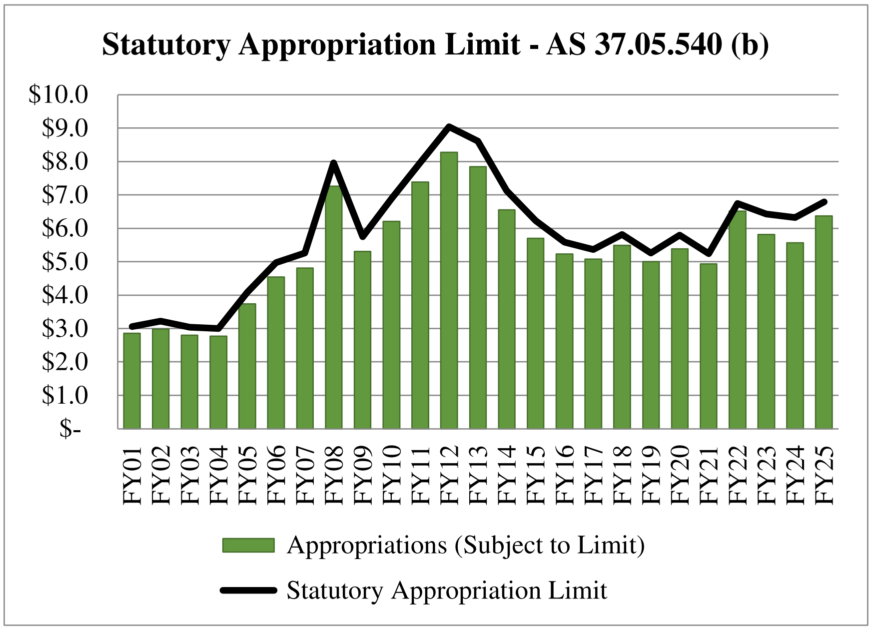
[2] This ACFR calculates the adjustment for inflation and population by multiplying the two factors together; an alternative approach would be to add the changes together (the Anchorage tax cap is worded identically to the State limit but is calculated in this way, for example). Under this alternative calculation, the limit would be $8.3 billion in FY25 and $8.4 billion in FY26.

population through FY24, a 2.5% inflation assumption, and the Department of Labor's population growth assumption.

The enacted FY25 budget subject to the limit was $6.2 billion, $4.6 billion below the estimated appropriation limit. The Governor's proposed FY26 budget subject to the limit is $5.8 billion, $5.2 billion below the estimated appropriation limit.

Calculating the Statutory Limit



While the constitutional limit applies to expenditures *for* a fiscal year, the statutory limit applies to appropriations *made in* a fiscal year, regardless of what year they were effective (essentially, it compares appropriations from one session to the next). Appropriations in a fiscal year may not exceed the appropriations made in a previous fiscal year by more than 5% plus the change in inflation and population.

Appropriations made in FY24 subject to the limit were $6.3 billion. Based on the same inflation and population assumptions used for the constitutional limit, that would allow for appropriations of $6.8 billion in FY25.

The Governor's proposed appropriations subject to the limit (as of the December 15th budget release) total approximately $6 billion. This means that the currently proposed appropriations remain under the statutory appropriation limit by approximately $800 million.

Revenue Requirements of the State

AS 24.20.231(2) provides that the Legislative Finance Division analyze the revenue requirements of the State. As the above sections indicate, Alaska still faces a structural budget deficit, and increasing revenue is one option to close that deficit. The following section provides a brief analysis along with potential revenue sources and any issues therein.

New Revenue Options

To introduce additional revenue, the State could increase existing taxes or impose new ones. Alaska is the only state without a statewide broad-based tax, so existing taxes are primarily resource-based taxes or excise taxes on certain consumer items such as motor fuels, alcohol, and tobacco. Increasing existing taxes may cause Alaska to have higher rates than other states, but increases could bring in revenue quickly with minimal administrative costs. New taxes would take longer to set up and would require additional administrative costs. However, significant revenue could be generated with new broad-based taxes.

The following options are reflective of common practice in other states, and do not constitute a policy recommendation. Equity, economic impacts, efficiency, and other considerations are not presented here but should be addressed if the legislature chooses to explore revenue options.

Modify Existing Taxes

Oil and Gas Production Tax

Alaska's oil and gas production tax is projected to bring in $441.1 million in FY26. Oil prices are highly variable, and the production tax's complex structure adds further volatility. The tax features a two-tiered structure, with a net tax and an alternative gross tax "floor." Proposals aimed at only one component may not impact revenue at all price levels. For instance, as of April 2022, DOR estimates that capping the per-taxable barrel credit at $5 would increase revenue by roughly $450 million at $80/barrel but would have no revenue impact at $40/barrel. Past proposals to increase this tax have included raising the tax "floor" from 4% of gross revenue to 5% or higher; eliminating the per-taxable barrel credit; or more complex changes proposed in Ballot Measure 1, which failed to pass in 2020.

The revenue impact of production tax changes is highly dependent on oil prices. At low oil prices, increasing the minimum tax would have a positive revenue impact but modifying the per-taxable barrel credit would have no impact. At higher prices, the reverse is true. The legislature should be mindful of this impact when assembling a fiscal plan to ensure that the plan can survive lower oil prices.

Corporate Income Tax

The petroleum and non-petroleum corporate income taxes are projected to bring in a combined $480.0 million in FY26. Alaska's 9.4% top marginal rate is the fourth highest in the nation. Alaska is one of two states with a corporate income tax but no individual income tax (along with Florida), which results in C-Corporations paying taxes but S-Corporations not paying taxes (as their income flows through to the owners and personal income is not taxed). As of February 2024, DOR estimates that taxing all oil and gas companies at the same rates as C-Corporations would raise $143 million in FY26. Another potential change would be to decouple Alaska's tax code from the federal code, which would eliminate unanticipated shifts in revenue due to changes in federal tax law (such as provisions in the federal CARES Act which allowed taxpayers to carryback losses against past tax liabilities).

Other Resource Taxes
Alaska's Mining License Tax is estimated to bring in $25.9 million in FY26. The Fisheries Business and Fishery Resource Landing taxes are estimated to bring in $20.2 million in UGF revenue and an additional $23.9 million that is shared with municipal governments. National comparisons for these taxes are difficult.

Excise Taxes
Alaska imposes excise taxes on several consumer goods. The largest of these are:

- Tobacco taxes: Estimated FY26 revenue is $41.0 million, of which $28.4 million is UGF and $12.6 million is DGF. Alaska's cigarette tax of $2 per pack ranks 19th nationwide. The tax on other tobacco products is 75% of the wholesale price, which ranks 8th nationwide. Alaska does not currently tax electronic smoking products.
- Alcoholic beverage tax: $40.2 million, split equally between UGF and DGF. Alaska's tax is designed to tax all alcoholic beverages equally on a per-drink basis. The $12.80 per gallon tax on liquor ranks 9th nationwide. The $2.50 per gallon tax on wine and $1.07 per gallon tax on beer are both second highest in the country.
- Motor fuel tax: $34.3 million, all DGF. Alaska's $0.08 per gallon tax on highway fuel ranks 50th nationwide. Increasing Alaska's tax to the national median of $0.30 would bring in an additional $94 million.
- Marijuana taxes: $26.3 million, of which $6.9 million is UGF and $19.5 million is DGF. Alaska taxes $50/ounce for flowers, $15/ounce for stems and leaves, and $25/ounce for immature flowers/buds. National comparisons are challenging because many states have a mix of per-ounce and excise taxes. Twenty-four states either have in place or are implementing permitting and taxation of recreational marijuana.

New Taxes

Income Tax
Income is taxed in 41 states (not including New Hampshire or Washington, which only tax income from specific sources). Of these, 30 have progressive income taxes, and the remaining 11 have flat taxes. Alaska had an income tax from statehood until 1980, when it was repealed. At the time of its repeal, Alaska's income tax brackets ranged from 3% to 14.5% and brought in $117 million in FY79. Adjusted for inflation and population, that is the equivalent of about $780 million in 2023.

As of May 2020, DOR estimates an individual income tax levied at 10% of federal income tax liability would generate $350 million in the first full year administered. Using federal income tax liability would be consistent with Alaska's existing corporate income tax. However, most other states levy individual income taxes based on federal Adjusted Gross Income (AGI). LFD estimates an individual income tax based on 3% of AGI, with no exemptions or deductions, would generate roughly $1 billion in the first full year administered.

Sales Tax

Statewide sales taxes exist in 45 states, while four states have no state or local sales tax. Alaska is the only state that has no statewide sales tax but allows for the collection of local sales taxes. Of the 45 states with a statewide sales tax, 37 have additional municipal sales taxes. In Alaska, sales taxes may be levied at the city or borough level. As of 2022, 107 of Alaska's 129 taxing municipalities imposed sales taxes, at rates ranging from 1% to 7%.

As of March 2023, DOR estimates that a 4% sales tax styled on Wyoming's sales and use tax would generate $619 million in the first full year administered. This tax would exempt groceries, prescription medicine, medical equipment, and some business-to-business sales and services. DOR estimates a 4% sales tax based on South Dakota's sales and use tax would generate $1.8 billion in the first full year administered. This tax is very broad with minimal exemptions and extends to business inputs.

Property Tax

All 50 states have property taxes that are applied by either state or local governments. Alaska has a statewide property tax for oil and gas property, but other property is taxed only at the municipal level. Fifteen of Alaska's nineteen boroughs levy personal property taxes. Additionally, nine cities located outside of boroughs levy a property tax. Some boroughs rely very heavily on property tax revenue, and Alaska's average property tax burden ranks 21st nationwide despite not being universally applied.

Alaska could impose a statewide property tax that excludes oil and gas property. Implementing such a tax would be administratively challenging because property values would have to be determined in any area of the state that does not already have a property tax. Unlike most states, Alaska does not require that real estate sale prices be reported publicly to ensure accurate assessments, although some municipalities do.

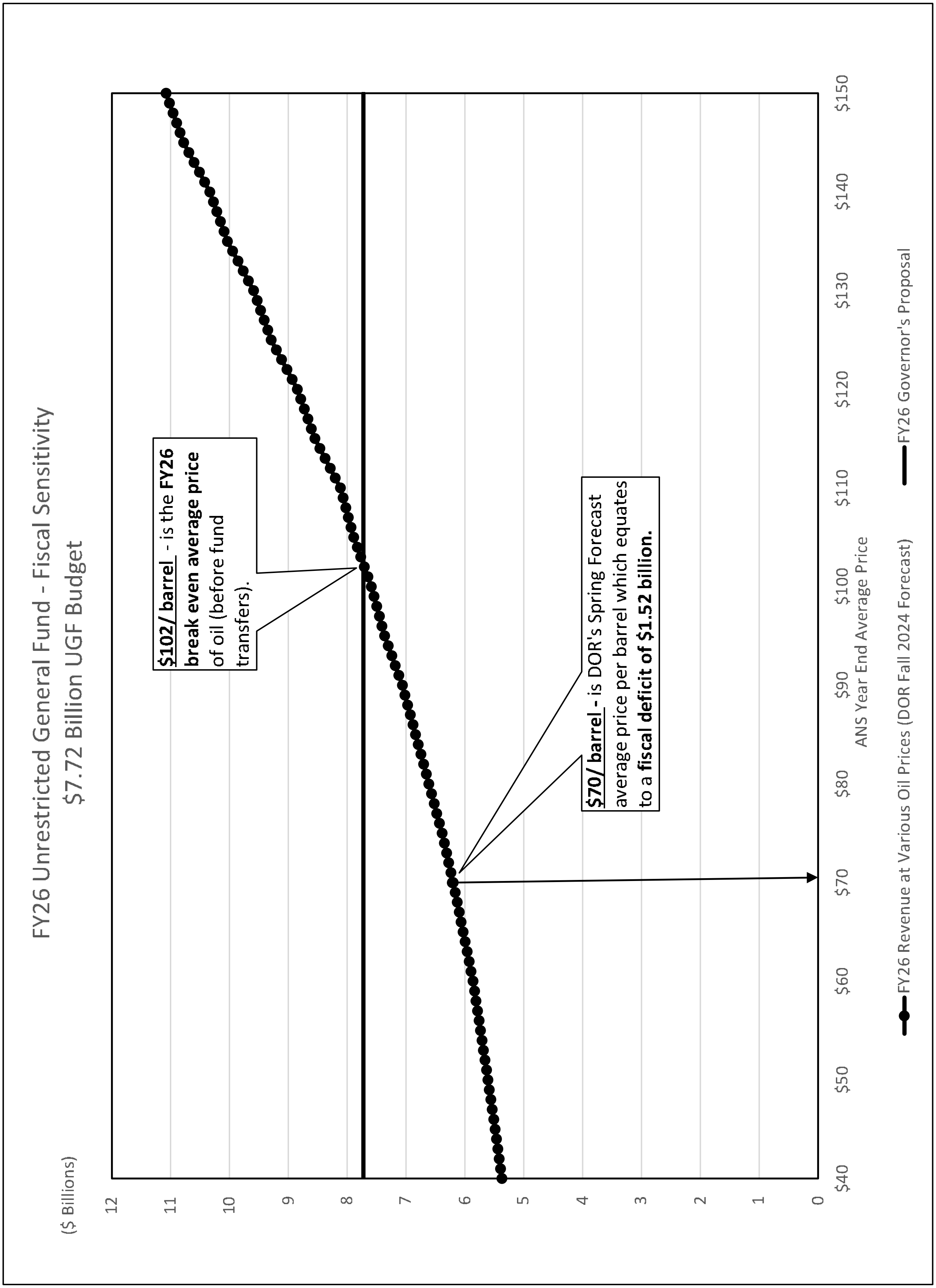
As of May 2020, DOR estimates that a tax on all in-state property of 0.1% (10 mills) of assessed value would generate $117.5 million in the first full year administered.

Payroll Tax or Head Tax

Alaska had a $10 per worker "head tax" to pay for a portion of the education budget until its repeal in 1980. Such taxes are a flat amount per person rather than a percentage of income. No other state currently imposes a head tax.

Several pieces of legislation have proposed graduated head taxes or other payroll taxes. Such taxes could build on the existing payroll tax administered for workers' compensation so they could be implemented with fewer additional resources. However, these taxes would have a narrower base than an income tax because they exclude dividend and investment income, so their revenue-raising potential is more limited.

As of May 2020, DOR estimates a $30 payroll tax on all resident and nonresident workers in Alaska would generate $13.5 million in the first full year administered. DOR estimated the initial implementation cost to be $11 million, with an additional $0.8 million in annual administration costs.


FY26 Unrestricted General Fund - Fiscal Sensitivity
$7.72 Billion UGF Budget
($ Billions)
12
11
10
9
8
7
6
5
4
3
2
1
0
$40
$50
$60
$70
$80
$90
$100
$110
$120
$130
$140
$150
ANS Year End Average Price
$102/ barrel - is the FY26 break even average price of oil (before fund transfers).
$70/ barrel - is DOR's Spring Forecast average price per barrel which equates to a fiscal deficit of $1.52 billion.
FY26 Revenue at Various Oil Prices (DOR Fall 2024 Forecast)
FY26 Governor's Proposal