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Governor Mike Dunleavy STATE OF ALASKA

January 26, 2026

The Honorable Bryce Edgmon
Speaker of the House
Alaska State Legislature
Capitol Building, Room 208
Juneau, AK 99801-1182

Dear Speaker Edgmon:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to a comprehensive fiscal plan.

For too long, Alaska's economic growth has been stymied by uncertainty and volatility. We are one of the few states that depend so heavily on a single commodity, subject to daily price swings, to fund state government. This bill is one part of a comprehensive fiscal plan to stabilize state finances, limit spending growth, share responsibility among Alaskans, major industries, and nonresidents, attract investment, and restore rules-based payment of the annual Permanent Fund Dividend.

Alaska needs a better path than a simple "tax-and-spend" approach: raising taxes just to support government growth. Alongside this bill, I am proposing a one-percent spending cap to rein in growth and avoid unnecessary increases in the burden on Alaskans. The plan also includes a Government Sunset and Reauthorization process designed to review agencies on a consistent schedule to measure their performance and determine if they are meeting the needs of Alaskans. Finally, one of the most important features of this plan is a proposed constitutional amendment to implement the 50/50 split between the Permanent Fund Dividend and funding state government operations, returning to a rules-based system for paying Alaskans' annual dividend.

This bill contains a seasonal sales tax set at four percent from April 1 to September 30, and at two percent from October 1 through March 31. All who benefit from Alaska's public services – residents, workers, and visitors – will share in supporting those services. The sales tax sunsets in 2034, as Alaska's fiscal position improves. The bill also temporarily raises the minimum tax floor for oil and gas production from four percent to six percent. It returns to four percent in 2032 or the calendar year following average daily throughput reaching 650,000 barrels per day. Additionally, this bill contains a \$0.15 per barrel surcharge to fund operations and maintenance

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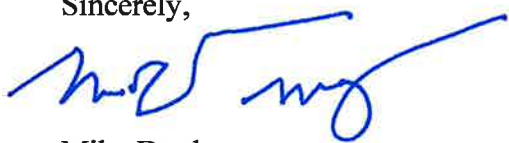
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costs related to the Trans Alaska Pipeline Corridor. Finally, this bill implements a market-based sourcing rule for corporate income tax and the corporate income tax is eliminated in 2031. These changes are intended to encourage investment in Alaska.

Alaska has prosperous years ahead. Starting in Fiscal Year 2033, Alaska is projected to see higher revenue due to expected increases in pipeline throughput and the Alaska LNG Project. This comprehensive plan is designed to bridge the next seven years by stabilizing state finances, limiting spending growth, restoring a rules-based PFD, and sharing responsibility through targeted, time-limited revenue measures that support investment and predictability.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Dunleavy", is written over a horizontal line.

Mike Dunleavy
Governor

Enclosure