



SAVING FOR THE FUTURE

**SJR-10: Constitutional Amendment to the
Constitutional Budget Reserve**

ALASKA'S FISCAL POSITION

- In recent years, Alaska has benefited from substantial budget surpluses.
- Alaska now has the largest savings in the nation with about \$16 billion in reserves (not including the \$39 billion Permanent Fund).
- With that said, oil revenue, which the state depends on for about 90% of our revenue, is a non-renewable resource.



SOLUTION: SAVE FOR THE FUTURE

- By putting away more money into savings now, the legislature will have a more robust “rainy day” fund in the future.
- We are constitutionally required to develop our resources for the maximum benefit of Alaskans. This includes future generations.



WHY EXISTING SAVINGS ACCOUNTS DO NOT SAVE ENOUGH FOR THE FUTURE

- Permanent Fund
 - Dividends go directly to citizens, not to public services
 - Many legislators loath to spend earnings
- Statutory Budget Reserve
 - Accessible by a simple majority
 - Relatively small amount of savings



THE CONSTITUTIONAL BUDGET RESERVE (CBR)

- Established in 1991 as a stabilization fund.
- Initially funded through settlements with oil and gas companies.
- It is considered a “rainy day” fund, as it requires a $\frac{3}{4}$ majority vote of both houses to access the money, and the legislature must pay the money back when revenues become available.



WHY THE CBR SHOULD BE AMENDED

- In years of high oil revenue, the CBR has no automatic mechanism to save additional funds.
- Putting money into the CBR ensures that the Legislature continues to do the right thing and saves for the future.



WHAT DOES SJR-10 DO?

- After reaching a threshold of \$6 billion in unrestricted oil revenue, two-thirds of the remaining surplus would be put into the CBR.
 - The threshold is adjusted annually for inflation
 - Unrestricted oil revenue includes royalties, production tax, corporate income tax, and property taxes.



WHAT IS THE FISCAL IMPACT?

- If this policy were in place today, we would have over \$7.5 billion of unrestricted revenue at our disposal, would put away over \$1.475 billion into the CBR this year, and would still have more than a \$600 million surplus.
- How much we save depends on how large of a oil revenue surplus is generated.



NOT A SILVER BULLET...

- ...but it certainly helps.
- SJR 10 will not solve all of our problems, but it is a step in the right direction.
- Brings us closer to managing our oil wealth more like a long-term asset.

