

NEW SUSTAINABLE
ALASKA
PLAN



Pulling Together to Build Our Future

Senate Finance – 2.2.16

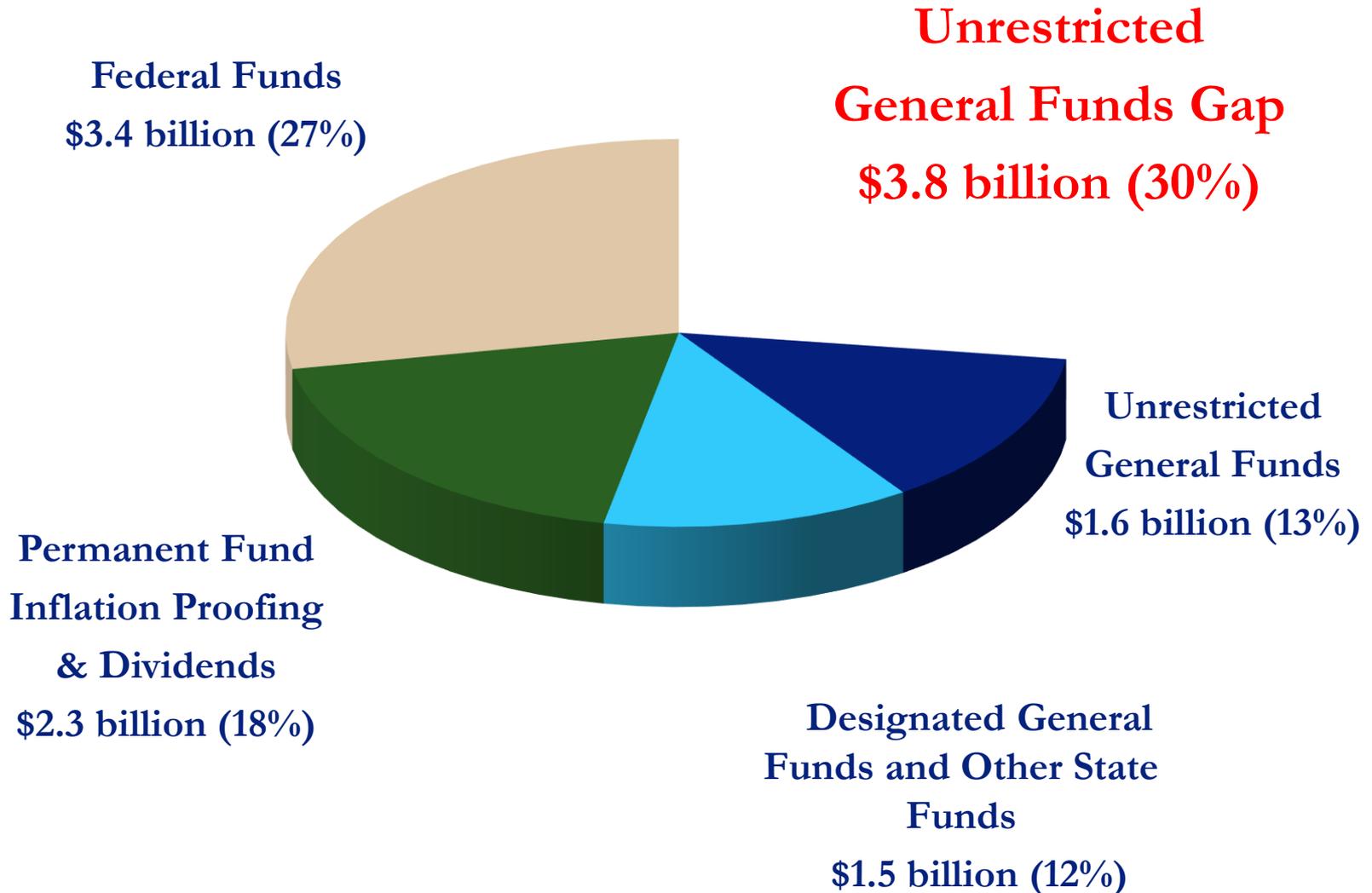
Randall J Hoffbeck, Commissioner

Department of Revenue

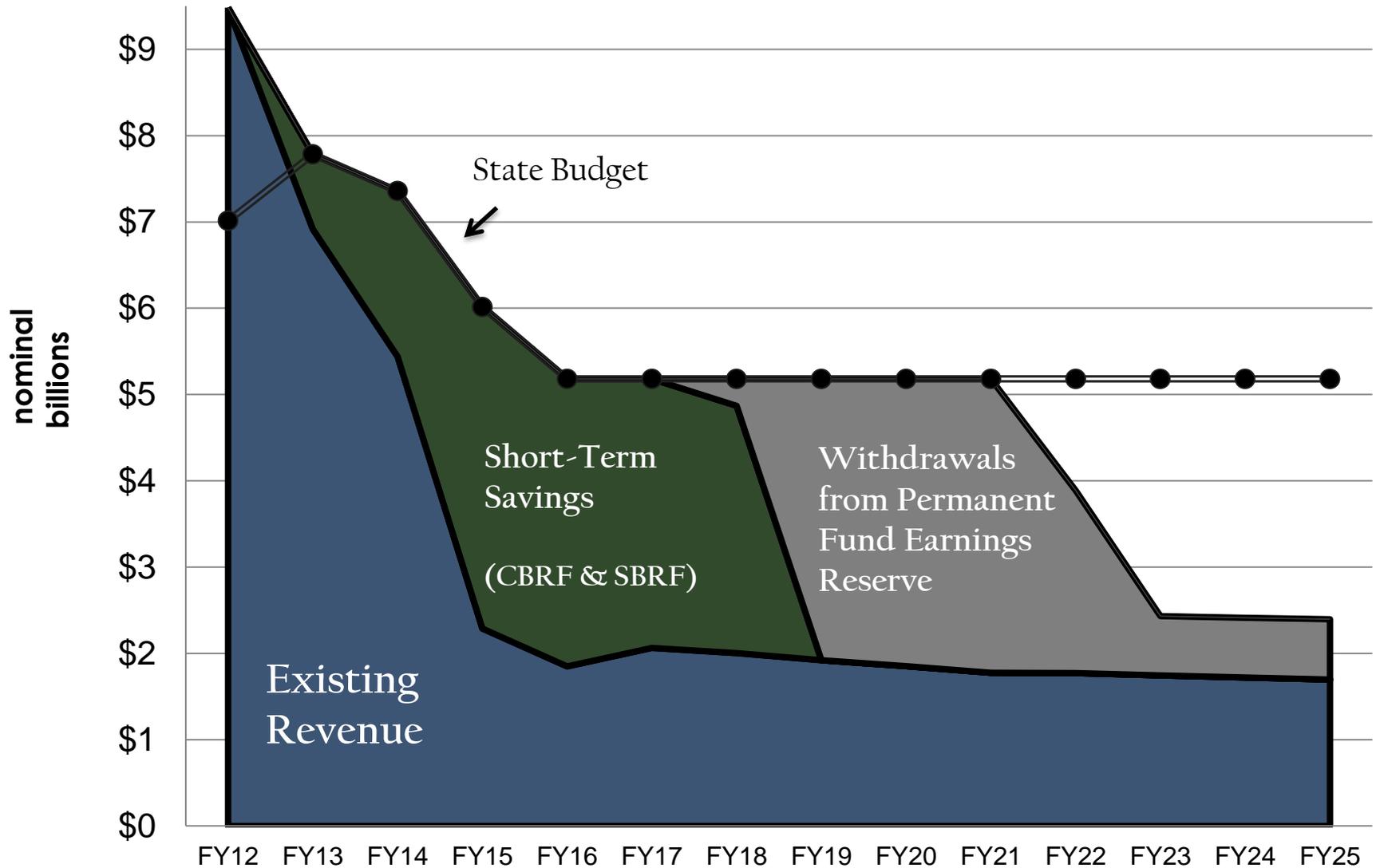
Pat Pitney, Director

Office of Management & Budget

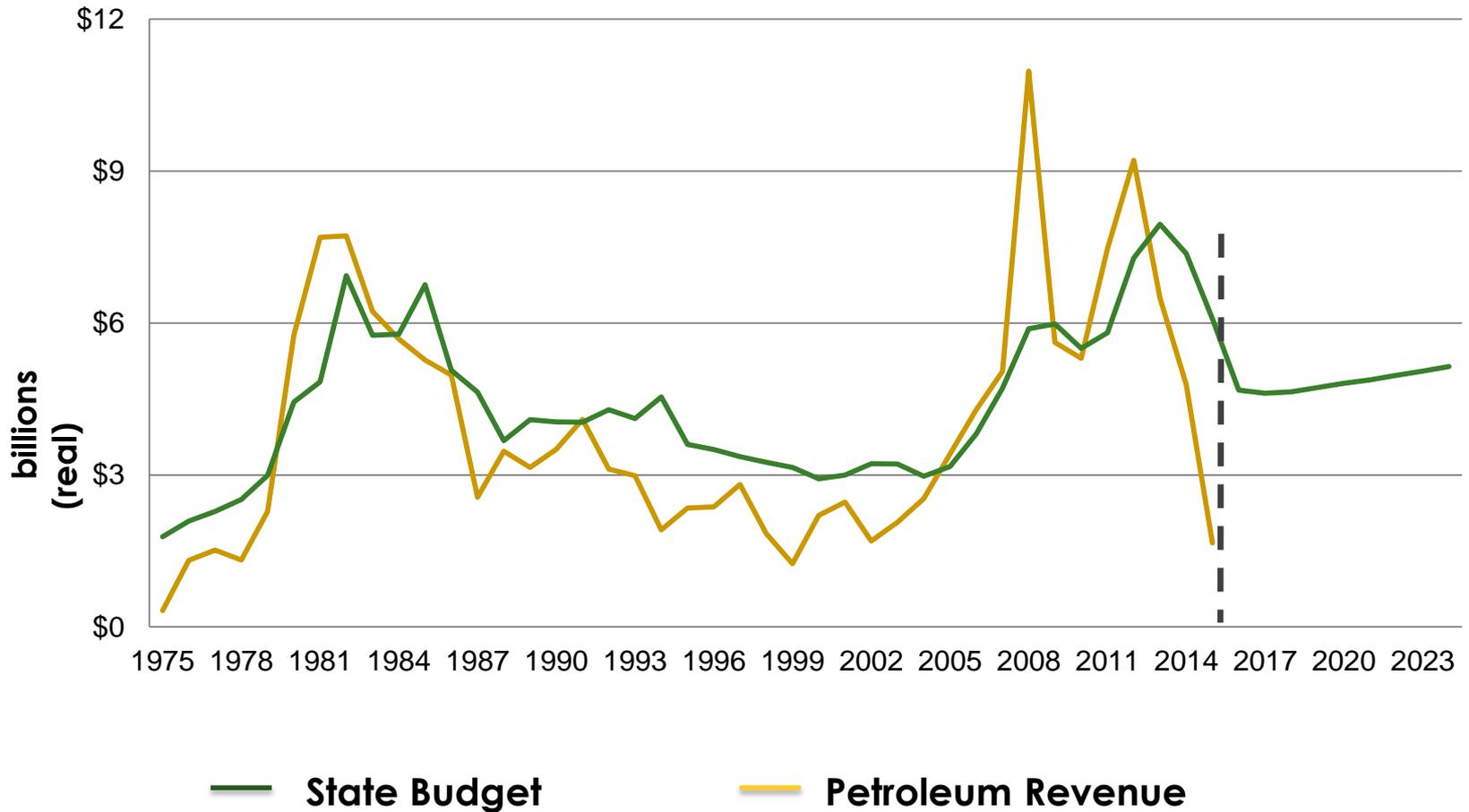
Fiscal Challenge



Fiscal Challenge



Fiscal Challenge



Message Received

Take action now, not later:

Government must be cut further
Protect essential services

Use of Permanent Fund earnings is acceptable if:

Protect the Permanent Fund Corpus
Preserve a Dividend Program

New Revenues are acceptable if:

They are not supporting a “bloated” government
The burden is shared equitably

The New Sustainable Alaska Plan

- Alaska Permanent Fund Protection Act
- FY17 Budget and Future Spending Reductions
- Revenue Increases

Alaska Permanent Fund Protection Act

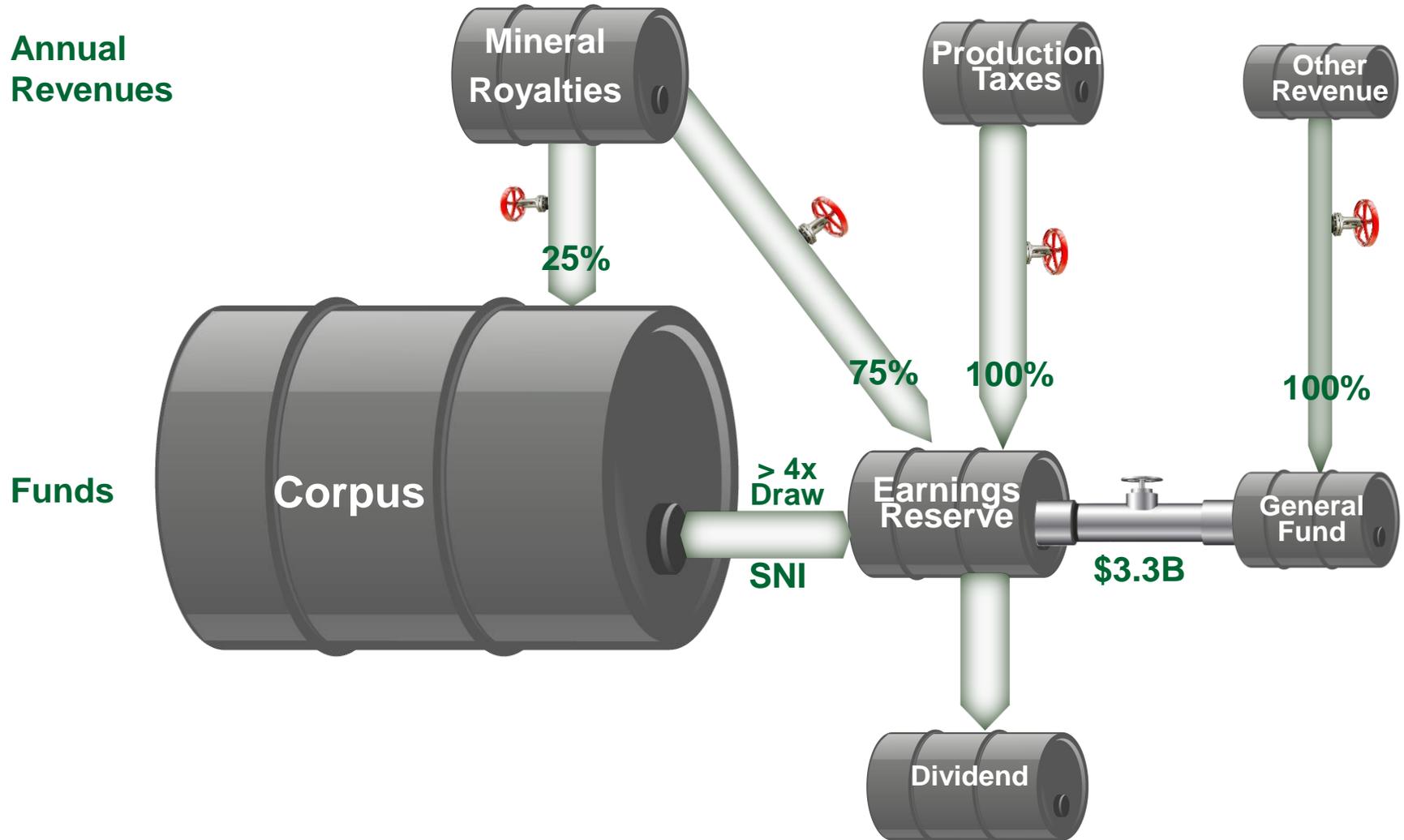
A fiscal framework for using our wealth to:

- Help resolve this year's fiscal challenge
- Sustainably fund government operations into the future
- Provide the maximum benefit to the broader economy

Main components of the framework:

- Royalties and production taxes into the Permanent Fund
- Endowment draw
- Royalty dividend
- Periodic review

Alaska Permanent Fund Protection Act



The New Sustainable Alaska Plan

(Millions of Dollars)

| | |
|--|-----------------|
| Alaska Permanent Fund Protection Act (annual draw) | \$ 3,300 |
| Revenue from existing taxes and fees | \$ 850 |
| Earnings on Savings | \$ 135 |
| | <u>\$ 4,285</u> |

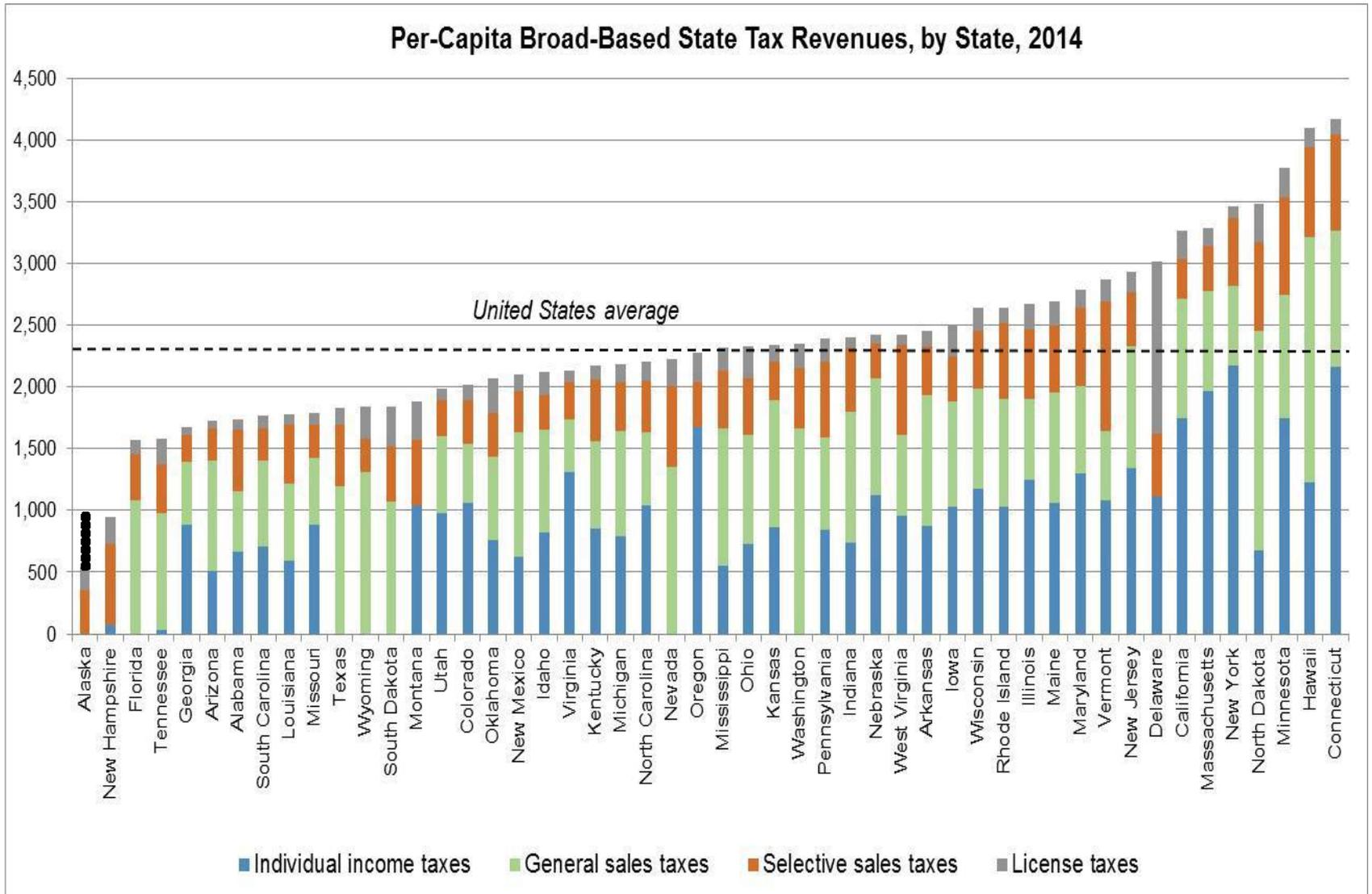
Spending Reductions (estimated amounts)

| | |
|---------------------------|-----------------|
| FY17–FY19 Cuts | (\$ 240) |
| Reform O&G Tax Credits | (\$ 400) |
| FY17 Priority Investments | \$ 40 |
| | <u>(\$ 600)</u> |

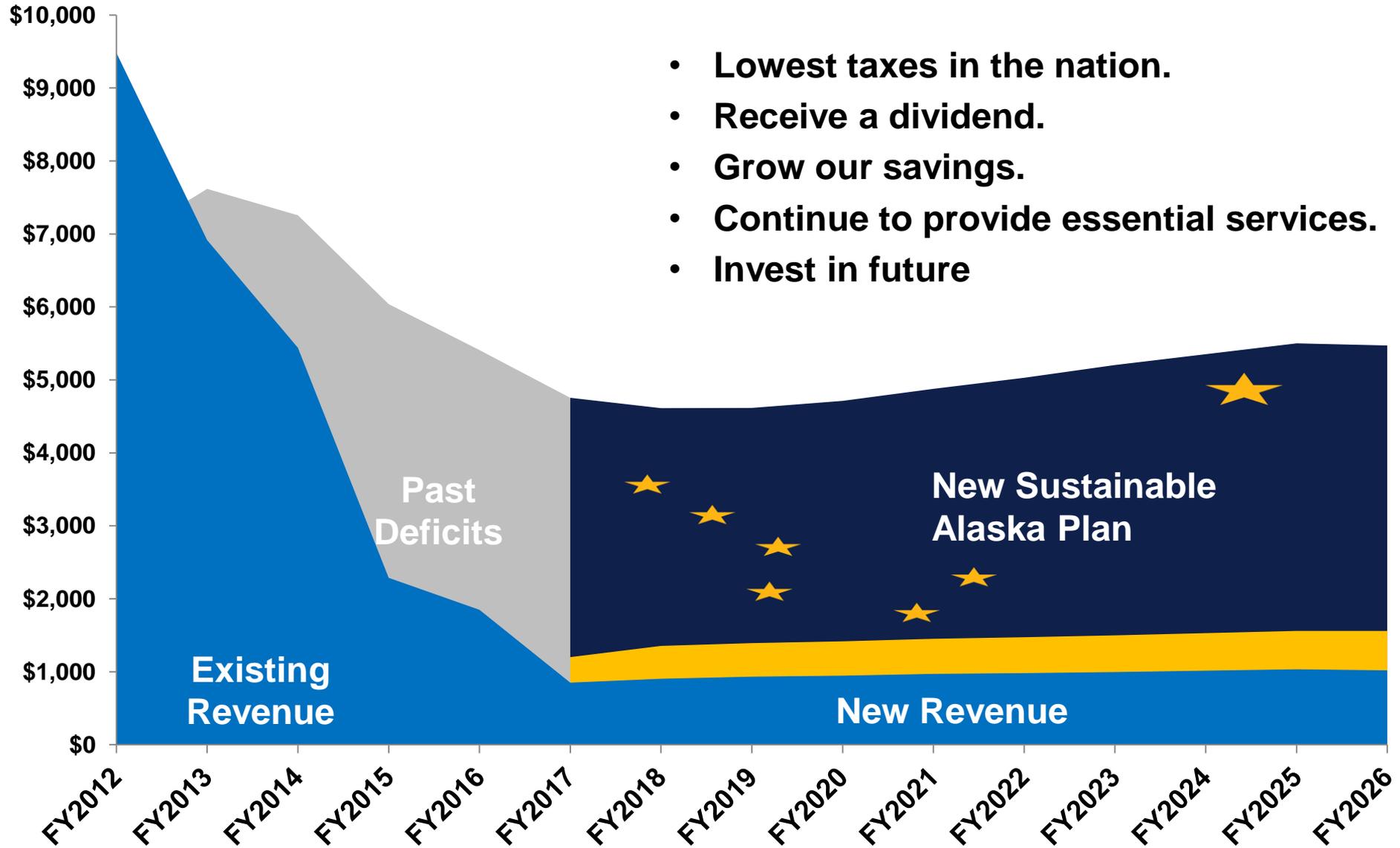
New Revenue Components (estimated amounts)

| | |
|----------------------------------|---------------|
| Mining | \$ 6 |
| Fishing | \$ 18 |
| Tourism | \$ 15 |
| Motor Fuel | \$ 49 |
| Alcohol | \$ 40 |
| Tobacco | \$ 29 |
| Oil and Gas | \$ 100 |
| Individual Alaskans (Income Tax) | \$ 200 |
| | <u>\$ 457</u> |

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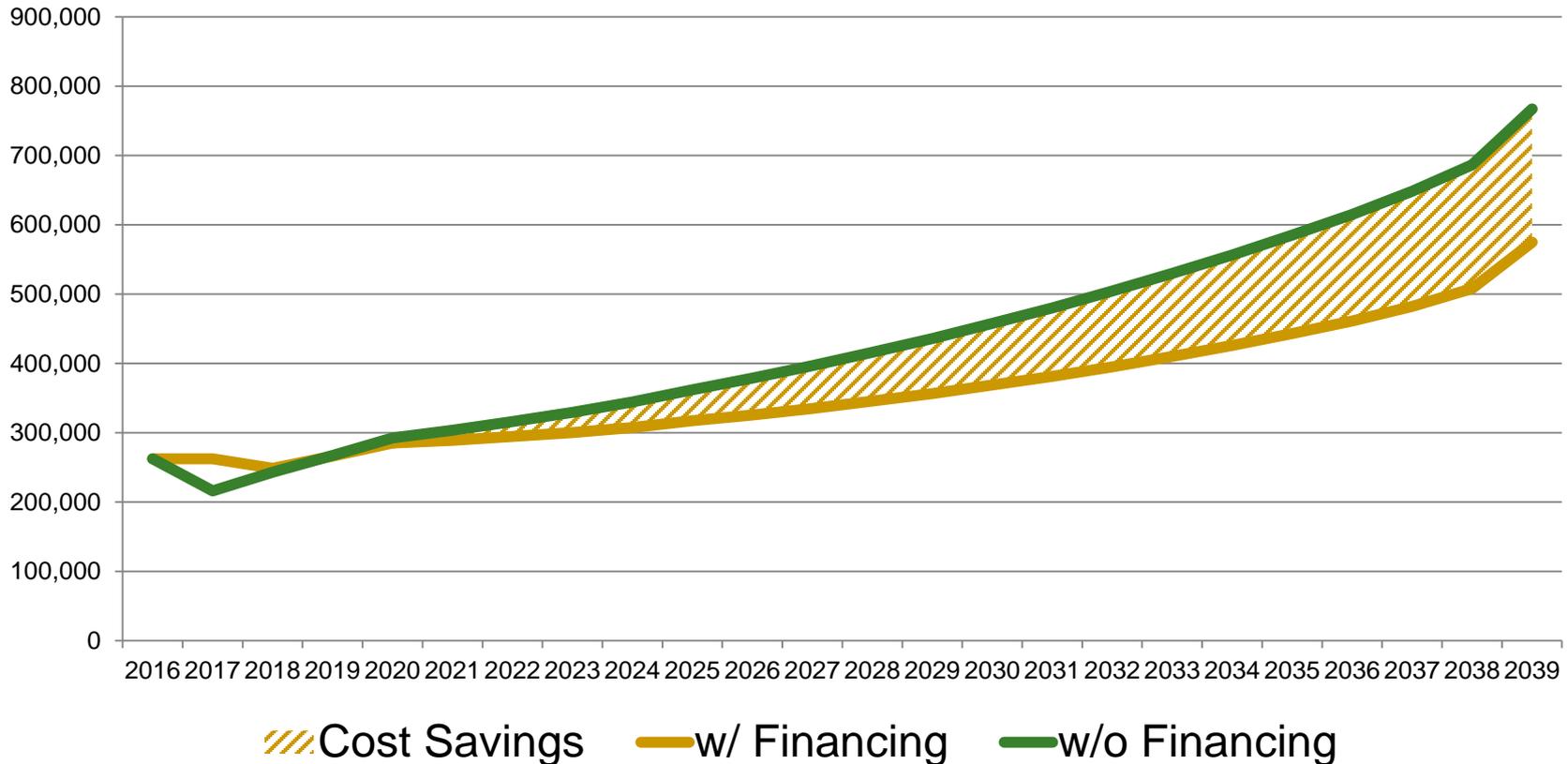
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Pension Payments

Pension Payment Projections (PERS and TRS) w/ Financing vs w/o Financing

\$ Thousands



Multi-Year Budget Components

By FY19:

- **Unrestricted general fund spending – target \$4.7B**
- **Continued operating reductions**
- **Limit oil and gas tax credits to \$100M**
- **Strategically utilize debt**
 - **general obligation bonds - \$250M annual capital budget**
 - **finance existing pension payments**
 - **finance gas line construction (FEED – interest payments)**
- **Utilize DGF and federal funds to preserve services**
- **Maintain SBR/CBR balance - use earnings as regular revenue source**

Constrained spending FY20-FY25 – FY26 gasline revenue