



Senate Finance – 2.2.16

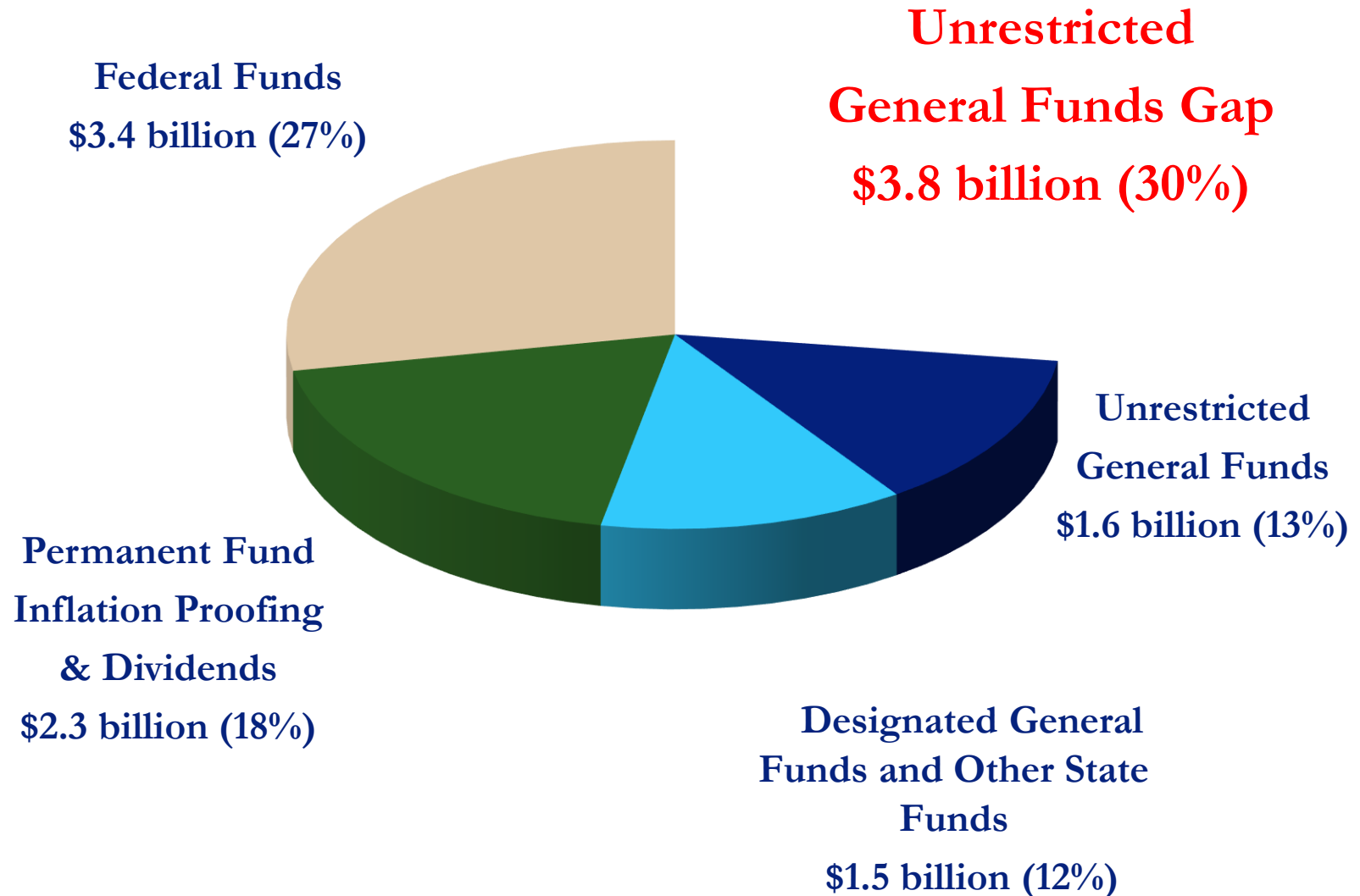
Randall J Hoffbeck, Commissioner

Department of Revenue

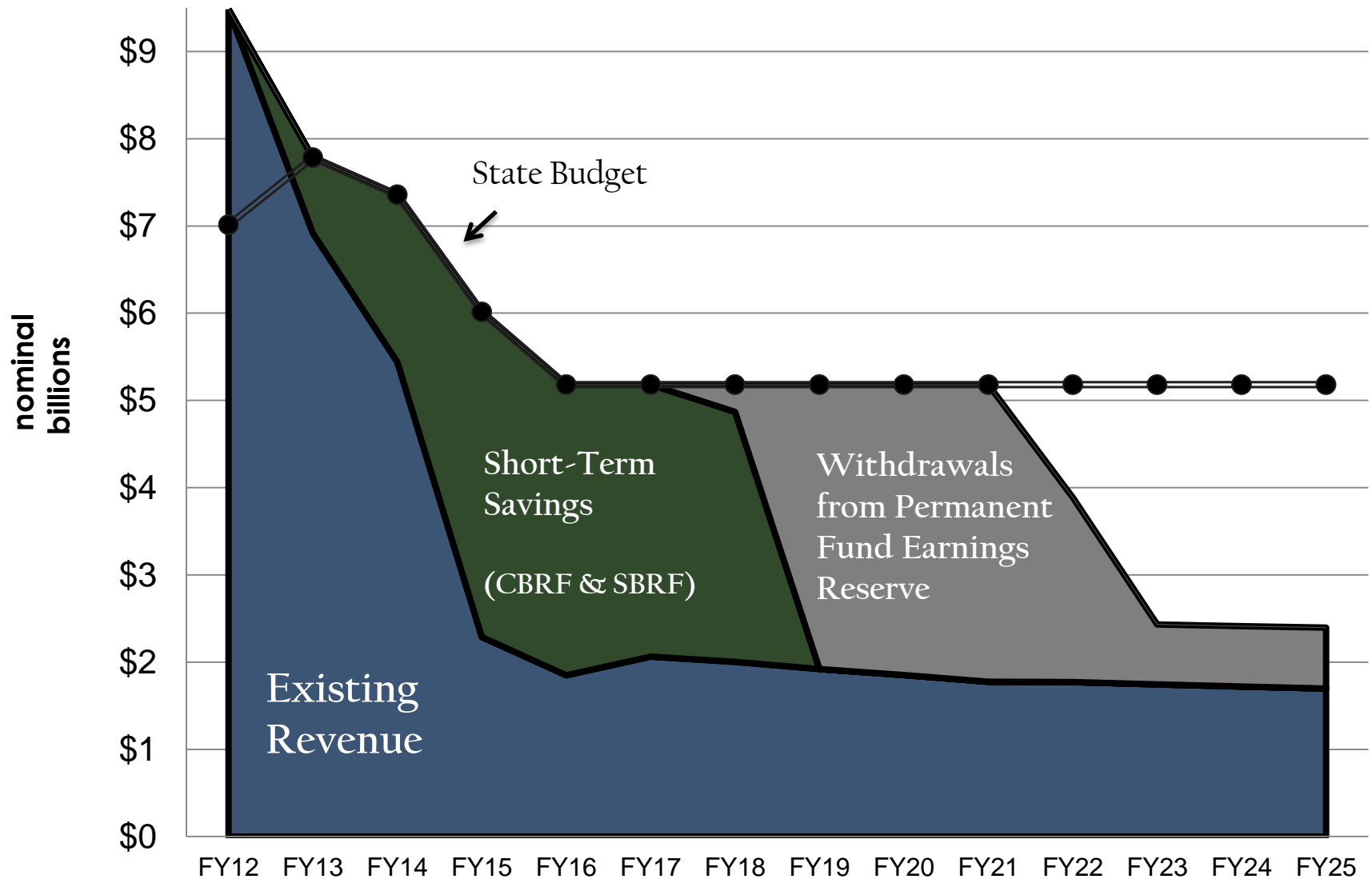
Pat Pitney, Director

Office of Management & Budget

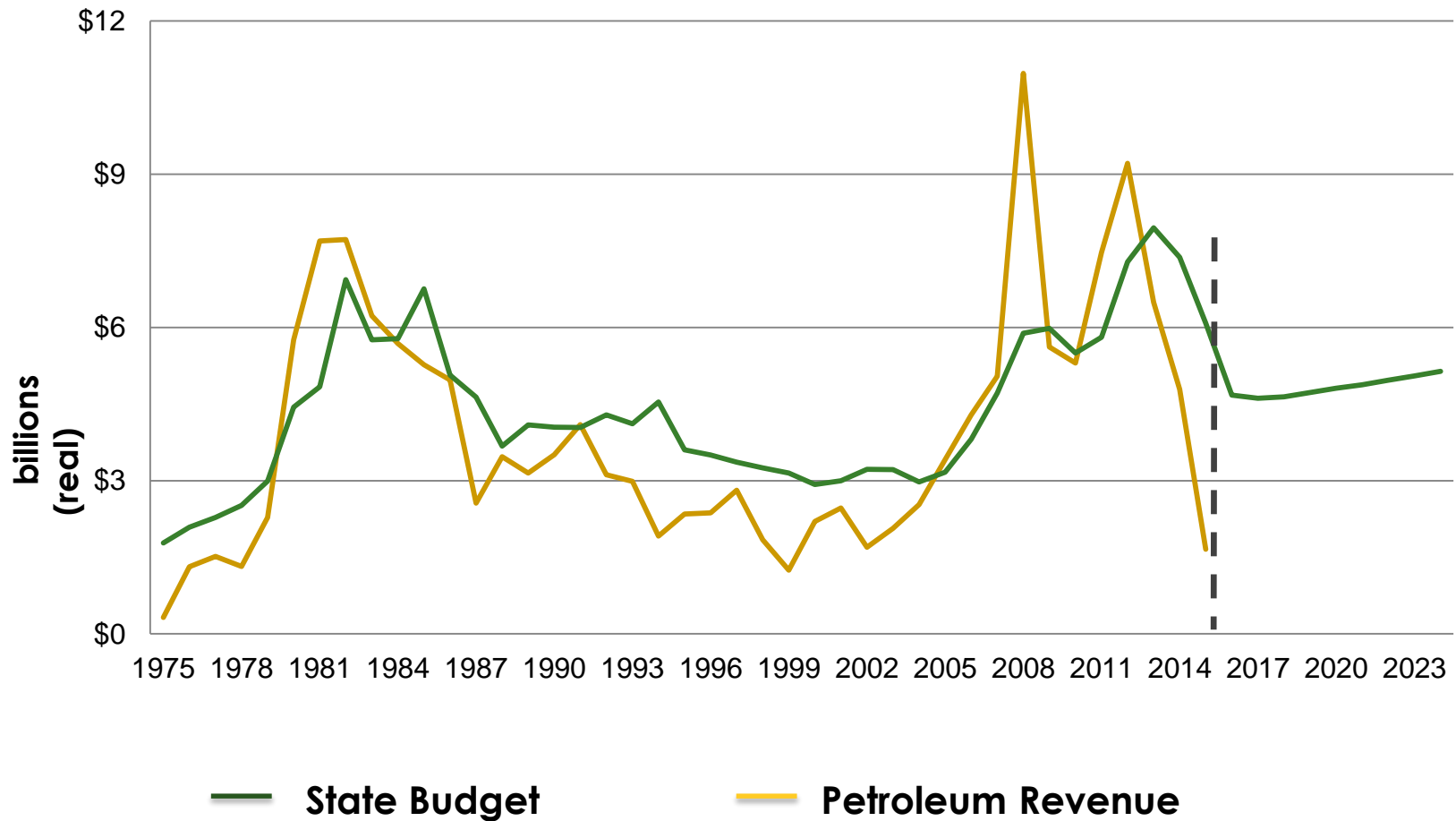
Fiscal Challenge



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

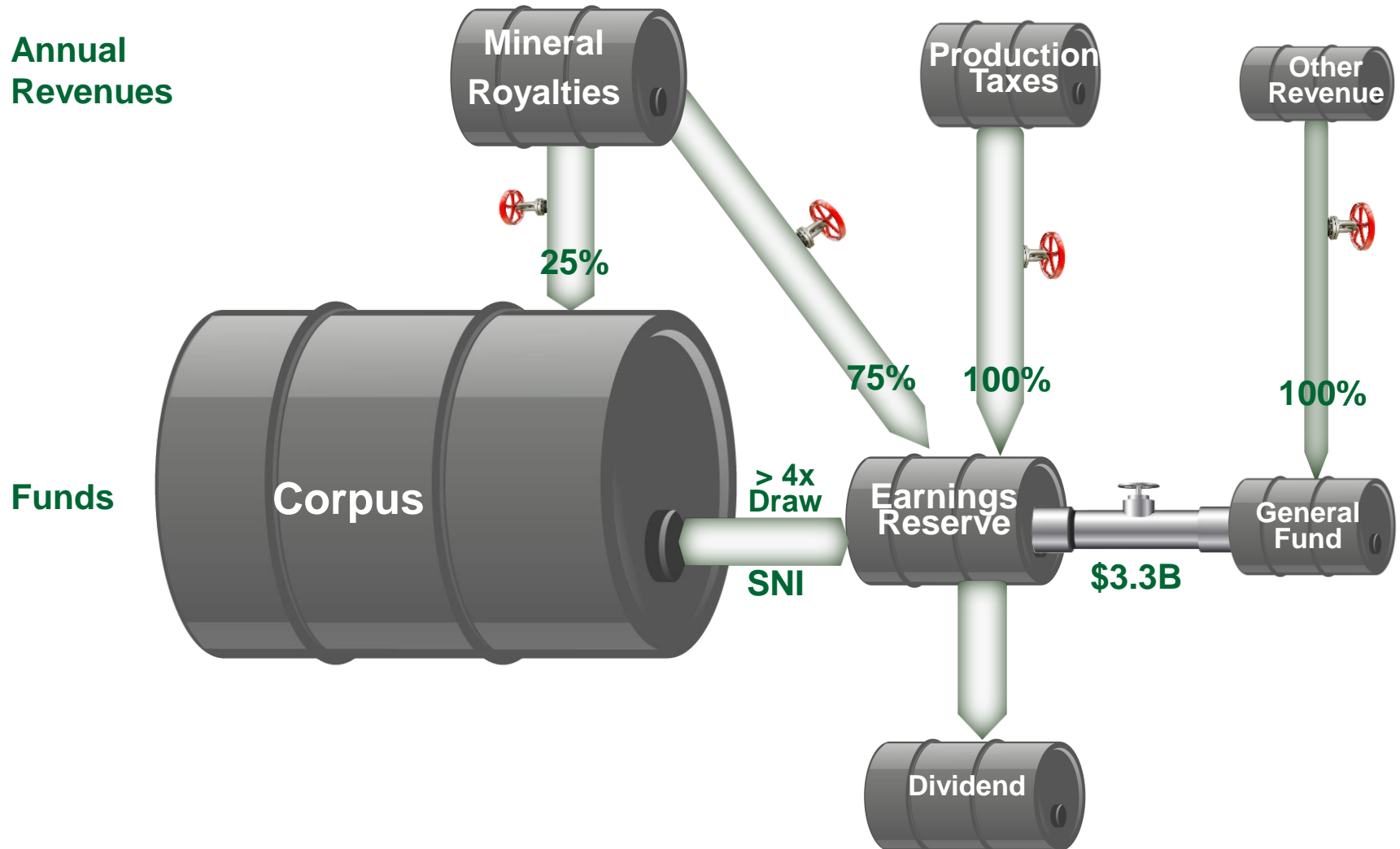
A fiscal framework for using our wealth to:

- 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>

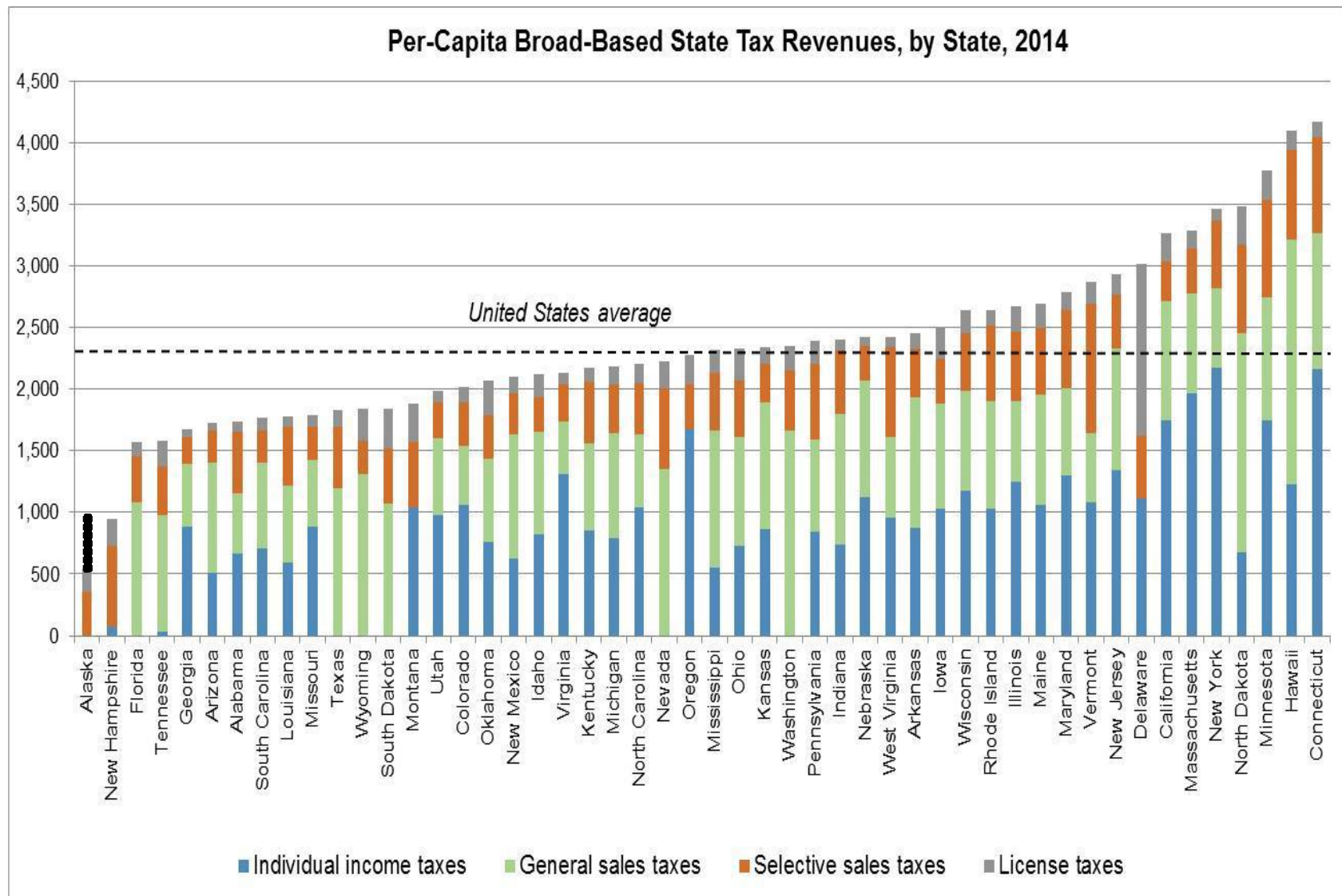
Spending Reductions (estimated amounts)

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

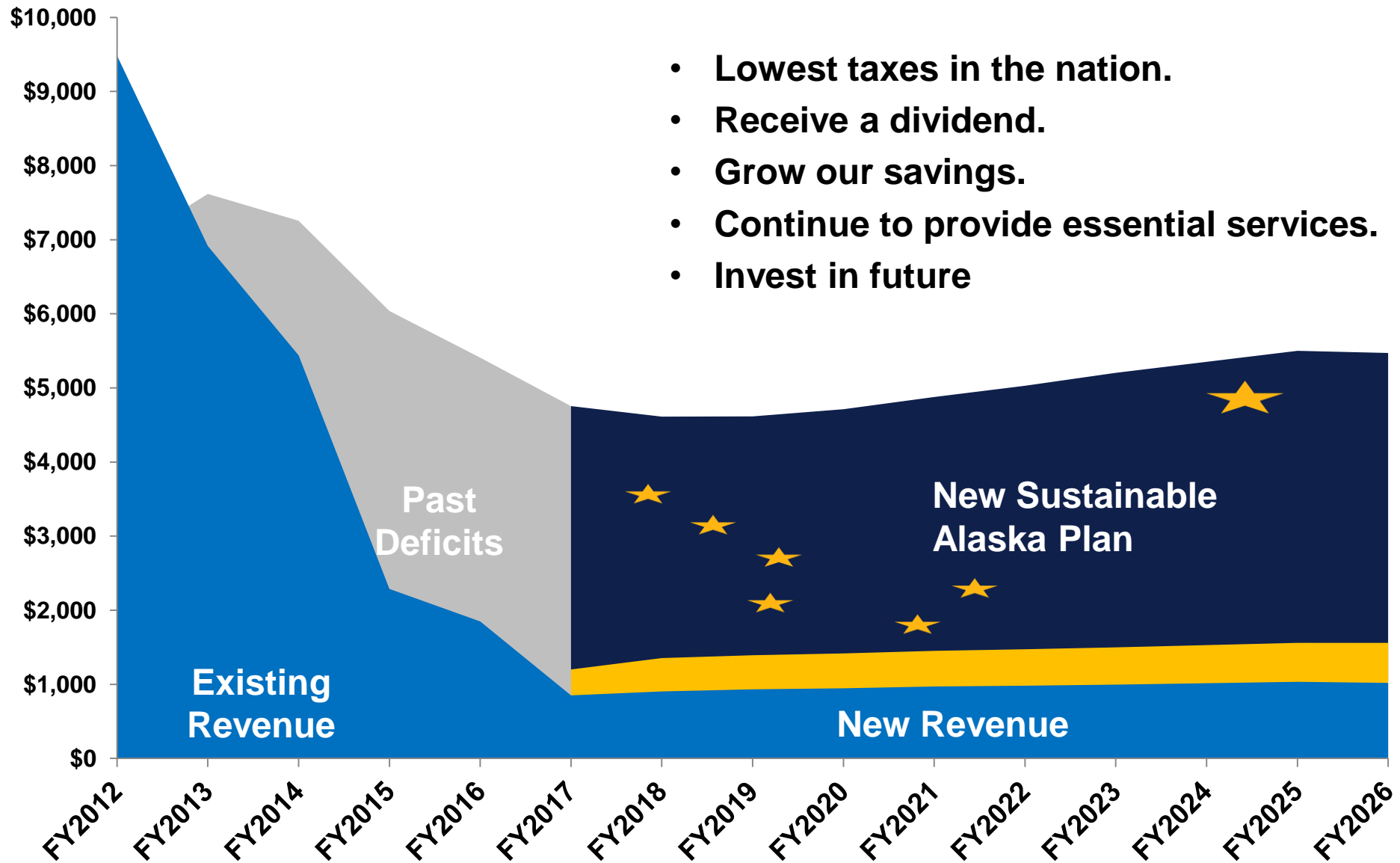
New Revenue Components (estimated amounts)

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>

The New Sustainable Alaska Plan



The New Sustainable Alaska Plan

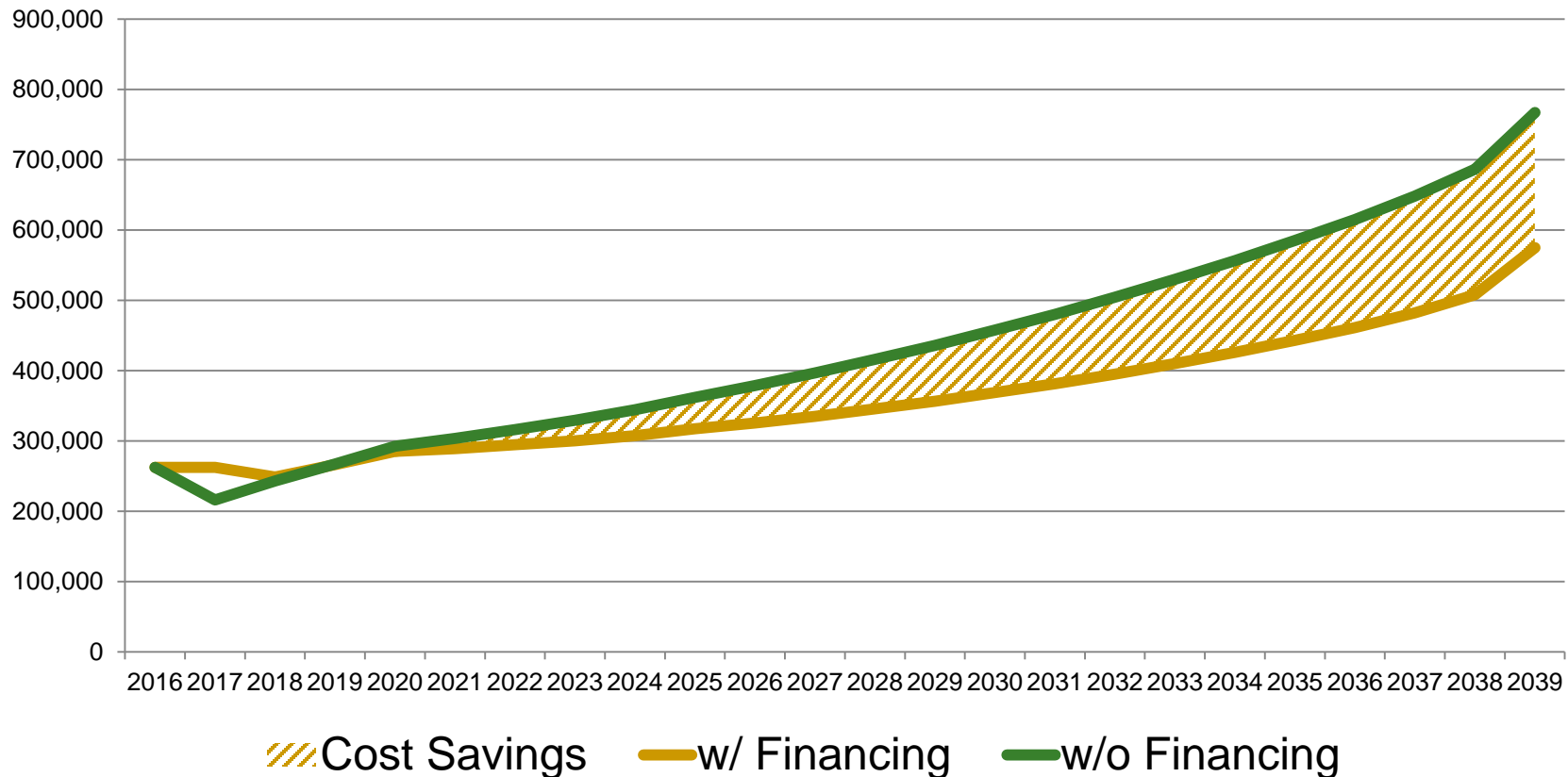


- **Lowest taxes in the nation.**
- **Receive a dividend.**
- **Grow our savings.**
- **Continue to provide essential services.**
- **Invest in future**

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