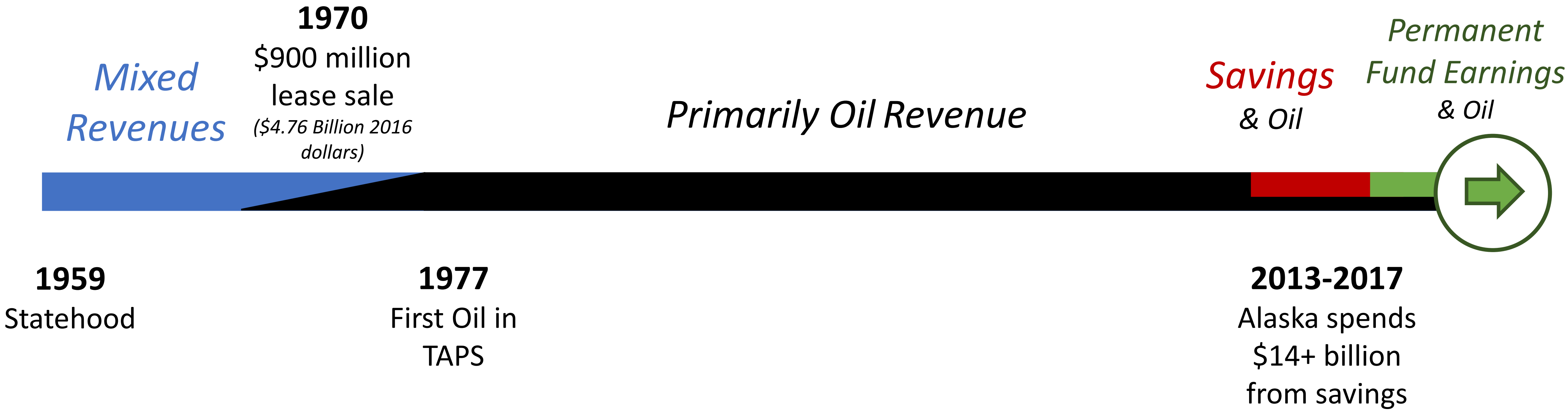
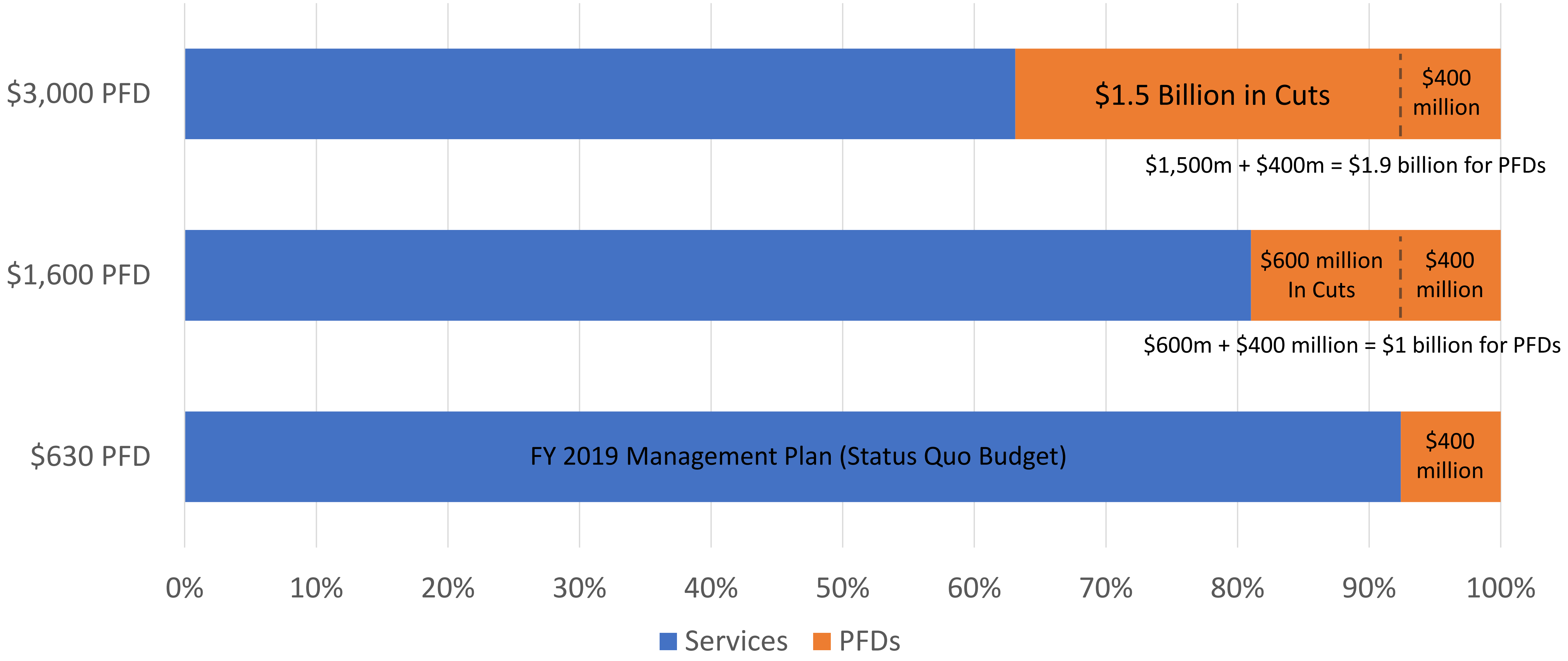
History of Funding State Services in Alaska

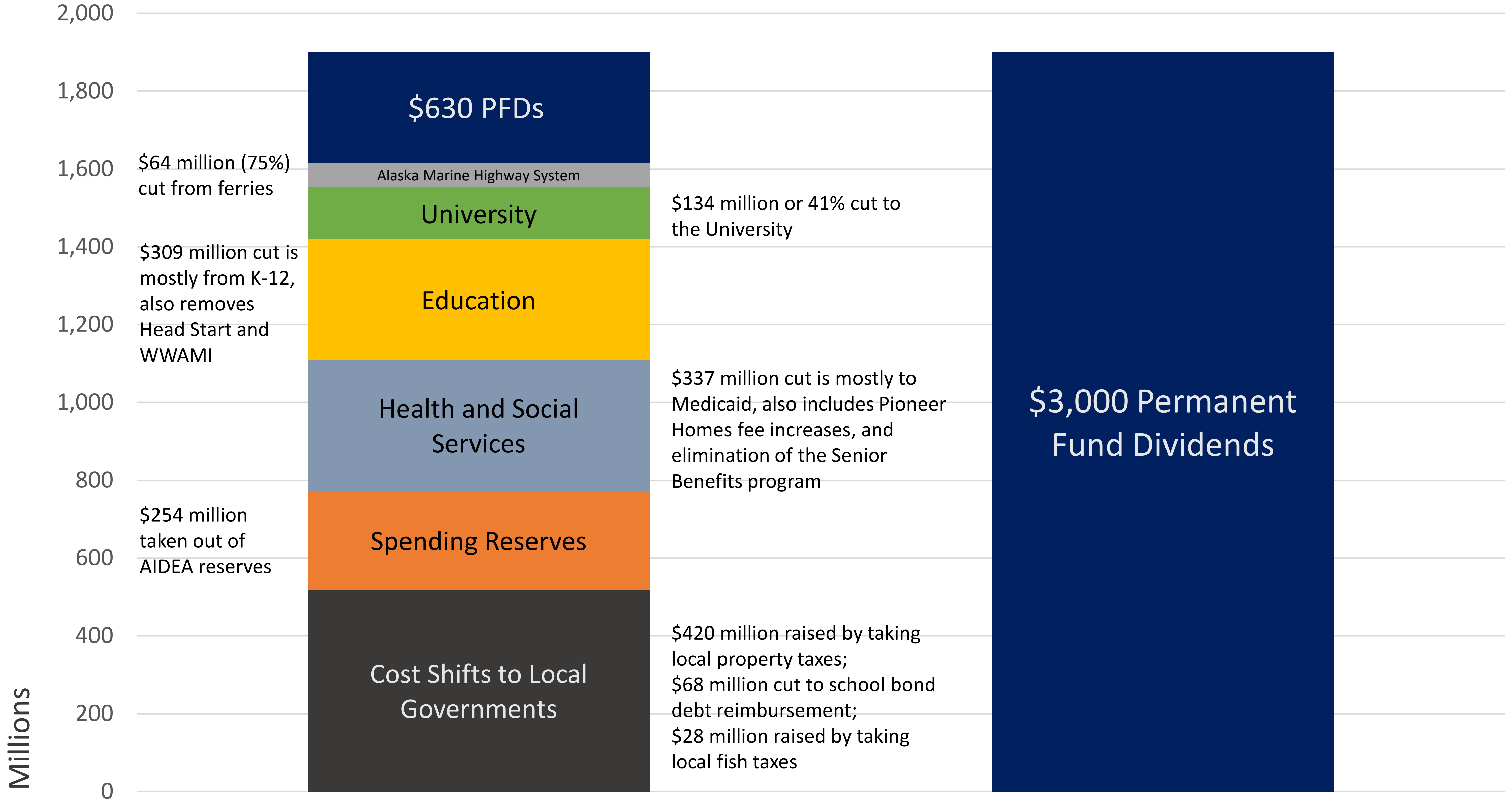


Budget Cuts vs. PFDs

$2.34 Oil and Other Revenue
+$2.93 From PF Earnings

$5.27 Billion Available




2,000
1,800
1,600
1,400
1,200
1,000
800
600
400
200
0
Millions
$630 PFDs
Alaska Marine Highway System
University
Education
Health and Social Services
Spending Reserves
Cost Shifts to Local Governments
$64 million (75%) cut from ferries
$309 million cut is mostly from K-12, also removes Head Start and WWAMI
$254 million taken out of AIDEA reserves
$134 million or 41% cut to the University
$337 million cut is mostly to Medicaid, also includes Pioneer Homes fee increases, and elimination of the Senior Benefits program
$420 million raised by taking local property taxes;
$68 million cut to school bond debt reimbursement;
$28 million raised by taking local fish taxes
$3,000 Permanent Fund Dividends

Slide 1: Timeline

- From Territorial days through early statehood, Alaska paid for state services with a broad mix of revenue from taxes on individuals, corporate and business taxes, resource taxes, and fees.
- Then we struck it rich on oil and embarked on a 40-year ride where petroleum revenue alone paid for 85-90% of the annual cost of state government.
    - We repealed the income tax, implemented the dividend, and allowed a variety of fees and taxes to atrophy while inflation decimated their proportionate value.
- Then oil prices crashed.
    - Production has declined steadily since the late 80s, now at 25% of peak, forecast to remain at around that level, as new production offsets declines from legacy fields.
    - Oil prices are also forecast to remain at or below current levels.
- In 2018, the Alaska Legislature for the first time drew on the earnings of the permanent fund to help pay for state services.
- The House Majority does not plan on tapping savings or overdrawing the Permanent Fund Earnings Reserve. The House Majority does intend on passing a responsible, balanced budget.

Slide 2: Tradeoffs

- For Fiscal Year 2020 (the budget we are considering now) we anticipate $5.27 billion in revenue
    - 1/3 (33%) comes from oil revenue
    - 10% comes from non-oil taxes and fees (insurance, alcohol, cigarettes, fisheries, mining)
    - 57% comes from Permanent Fund earnings and the sustainable draw the legislature put in place last year with Senate Bill 26.
- If we maintain the current year's spending, without increases for healthcare or inflation, we would have about $400 million remaining for Permanent Fund Dividends.
    - This would produce dividends of a little over $600 per Alaskan
- If we cut an additional $600 million from the current year budget, we would have approximately $1 billion available for dividends, enough for a $1600 PFD
- If we cut approximately $1.5 billion from the current year's budget, we would have approximately $1.9 billion available for dividends, enough for a $3,000 PFD
- Taking more from the earnings reserve would be unsustainable, Alaska today is already benefitting from decades of oil savings and continued oil production, we need to pay for the services we consume.

Slide 3: How the Governor has Proposed to Pay $3,000 PFDs

This slide shows the combination of mechanisms proposed by Governor Dunleavy to balance the budget with $1.9 billion being directed towards Permanent Fund Dividends. Aside from the cuts listed here, small cuts elsewhere are approximately equal to the Governor's proposed increases.