Short Fiscal Summary - FY20/ FY21 Governor's Budget

	($ Millions) (Non-duplicated Funds)	FY20		FY21		Change in UGF		Change in All Funds	
		UGF	All Funds	UGF	All Funds				
1	**Revenue**	**5,158.9**	**10,734.3**	**5,059.0**	**10,778.0**	**(99.9)**	**-2%**	**43.7**	**0%**
2	UGF Revenue (Fall 2019 forecast)	2,116.3	2,116.3	1,967.5	1,967.5	(148.8)	-7%	(148.8)	-7%
3	POMV Draw	2,933.1	2,933.1	3,091.5	3,091.5	158.4	5%	158.4	5%
4	Misc/Adjust/Non-UGF Revenue	109.5	5,684.9	-	5,719.0	(109.5)		34.1	1%
5	**Appropriations**	**5,505.4**	**10,861.6**	**6,537.2**	**12,253.0**	**1,031.8**	**19%**	**1,391.5**	**13%**
6	**Operating Budget**	**4,218.5**	**8,650.4**	**4,396.5**	**8,864.4**	**178.0**	**4%**	**214.0**	**2%**
7	Agency Operations	3,739.1	7,874.5	3,897.5	8,141.5	158.5	4%	267.0	3%
8	Statewide Items	479.4	780.2	499.0	722.9	19.5	4%	(57.3)	-7%
9	Supplemental Appropriations	-	(4.4)	-	-				
10	**Capital Budget**	**146.8**	**1,142.3**	**135.6**	**1,315.6**	**(11.2)**	**-8%**	**173.3**	**15%**
11	Current Year Appropriations	144.3	1,137.9	135.6	1,315.6	(8.7)	-6%	177.8	16%
12	Supplemental Appropriations	2.5	4.4	-	-				
13	**Permanent Fund**	**1,140.2**	**1,068.9**	**2,005.1**	**2,073.0**	**864.9**	**76%**	**1,004.1**	**94%**
14	Permanent Fund Dividends	1,068.9	1,068.9	2,005.1	2,005.1	936.2	88%	936.2	88%
15	Inflation Proofing/Other Deposits	5,014.3	5,014.3	-	67.9				
16	**Pre-Transfer Surplus/(Deficit)**	**(346.5)**		**(1,478.2)**					
17	**Fund Transfers**	**(272.4)**	**(269.2)**	**69.2**	**72.4**				
18									
19	Post- Transfer Surplus/(Deficit)	(74.1)		(1,547.4)					

Reserve Balances (EOY)		
	FY20	FY21
SBR	-	-
CBR	2,275.1	835.0
ERA	14,040.2	15,533.7

Short Fiscal Summary - FY20 with Governor's Supplementals/ FY21 Governor's Budget

	($ Millions) (Non-duplicated Funds)	FY20		FY21		Change in UGF		Change in All Funds	
		UGF	All Funds	UGF	All Funds				
1	**Revenue**	**5,163.3**	**10,974.7**	**5,059.0**	**10,778.0**	**(104.3)**	**-2%**	**(196.7)**	**-2%**
2	UGF Revenue (Fall 2019 forecast)	2,116.3	2,116.3	1,967.5	1,967.5	(148.8)	-7%	(148.8)	-7%
3	POMV Draw	2,933.1	2,933.1	3,091.5	3,091.5	158.4	5%	158.4	5%
4	Misc/Adjust/Non-UGF Revenue	113.9	5,925.3	-	5,719.0	(113.9)		(206.3)	-3%
5	**Appropriations**	**5,773.5**	**11,365.6**	**6,537.2**	**12,253.0**	**763.7**	**13%**	**887.4**	**8%**
6	**Operating Budget**	**4,483.4**	**9,103.7**	**4,396.5**	**8,864.4**	**(86.9)**	**-2%**	**(239.3)**	**-3%**
7	Agency Operations	3,739.1	7,874.5	3,897.5	8,141.5	158.5	4%	267.0	3%
8	Statewide Items	479.4	780.2	499.0	722.9	19.5	4%	(57.3)	-7%
9	Supplemental Appropriations	264.9	449.0	-	-				
10	**Capital Budget**	**149.9**	**1,193.0**	**135.6**	**1,315.6**	**(14.3)**	**-10%**	**122.6**	**10%**
11	Current Year Appropriations	144.3	1,137.9	135.6	1,315.6	(8.7)	-6%	177.8	16%
12	Supplemental Appropriations	5.7	55.1	-	-				
13	**Permanent Fund**	**1,140.2**	**1,068.9**	**2,005.1**	**2,073.0**	**864.9**	**76%**	**1,004.1**	**94%**
14	Permanent Fund Dividends	1,068.9	1,068.9	2,005.1	2,005.1	936.2	88%	936.2	88%
15	Inflation Proofing/Other Deposits	5,014.3	5,014.3	-	67.9				
16	**Pre-Transfer Surplus/(Deficit)**	**(610.2)**		**(1,478.2)**					
17	**Fund Transfers**	**(273.5)**	**(270.3)**	**69.2**	**72.4**				
18									
19	Post- Transfer Surplus/(Deficit)	(336.7)		(1,547.4)					

Reserve Balances (EOY)		
	FY20	FY21
SBR	-	-
CBR	2,012.5	572.5
ERA	14,040.2	15,533.7

Projected Fund Balances -- FY20 and FY21

($ millions)

	FY20				FY21			
	BoY Balance	In	Out	EoY Balance	BoY Balance	In	Out	EoY Balance
Total Budget Reserves and Desginated Funds	**22,322.6**	**5,164.3**	**9,686.7**	**17,800.2**	**17,800.2**	**6,127.5**	**6,065.7**	**17,862.1**
Undesignated Reserves	**2,321.6**	**343.0**	**389.3**	**2,275.3**	**2,275.3**	**107.3**	**1,547.4**	**835.3**
Constitutional Budget Reserve Fund	2,149.0	343.0	216.9	2,275.1	2,275.1	107.3	1,547.4	835.0
Statutory Budget Reserve Fund	172.4	-	172.4	0.0	0.0	-	-	0.0
Alaska Housing Capital Corporation Fund	0.2	-	-	0.2	0.2	-	-	0.2
Select Designated Funds	**20,001.0**	**4,821.3**	**9,297.4**	**15,524.9**	**15,524.9**	**6,020.2**	**4,518.3**	**17,026.8**
Total Excluding Permanent Fund	**1,521.7**	**113.0**	**150.2**	**1,484.6**	**1,484.6**	**162.6**	**154.1**	**1,493.1**
Alaska Capital Income Fund	7.5	27.0	33.4	1.1	1.1	41.5	41.8	0.8
Alaska Higher Education Investment Fund	347.1	21.4	22.5	346.0	346.0	21.3	22.5	344.7
Community Assistance Fund	90.0	-	30.0	60.0	60.0	28.9	20.0	68.9
Power Cost Equalization Endowment	1,077.2	64.6	64.3	1,077.6	1,077.6	70.9	69.8	1,078.7
Permanent Fund Earnings Reserve Account	**18,479.2**	**3,465.4**	**7,904.3**	**14,040.2**	**14,040.2**	**4,614.7**	**3,121.2**	**15,533.7**
Unrestricted General Fund Appropriations				5,233.0				6,606.4
Reserves Ratio (Undesignated Reserves / Pre-Transfer Budget)				43%				13%
Pre-Transfer Deficit				(346.5)				(1,478.2)
Years of Deficit Coverage (Undesignated Reserves / Pre-Transfer Deficit)				6.57				0.57

Permanent Savings

Permanent Fund Principal -- Market Value (no appropriations allowed)	**47,820.7**	**5,986.0**	**0.0**	**53,806.7**	**53,806.7**	**200.4**	**0.0**	**54,007.0**

State of Alaska Detailed Fiscal Summary--FY20 and FY21

($ millions)

		FY20 Management Plan + Governor's Supplementals					FY21 Governor					Change in UGF	
		Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	$	%
1	**REVENUE**	5,158.9	982.1	801.2	3,792.2	10,734.3	5,059.0	1,108.6	760.5	3,917.8	10,845.9	(99.9)	-1.9%
2	Unrestricted General Fund Revenue (Fall 19 Forecast) (1)	2,116.3	-	-	-	2,116.3	1,967.5	-	-	-	1,967.5		
3	Royalties Beyond 25% Constitutional Dedication (2)	71.3	-	-	-	71.3	-	67.9	-	-	-		
4	POMV Payout from ERA	2,933.1	-	-	-	2,933.1	3,091.5	-	-	-	3,091.5		
5	Carryforward, Repeals, and Reappropriations (3)	38.2	30.4	2.0	0.5	71.1	-	-	-	-	-		
6	Restricted Revenue (4)	-	951.7	799.2	3,791.6	5,542.5	-	1,040.7	760.5	3,917.8	5,719.0		
	APPROPRIATIONS												
7	**TOTAL OPERATING APPROPRIATIONS**	4,218.5	939.3	727.6	2,765.0	8,650.4	4,396.5	894.4	707.6	2,865.9	8,864.4	178.0	4.2%
8	**Agency Operations**	3,739.1	822.7	621.7	2,686.7	7,870.2	3,897.5	801.3	609.0	2,833.8	8,141.5	158.5	4.2%
9	Current Fiscal Year Appropriations	3,739.1	819.9	621.7	2,693.9	7,874.5	3,897.5	801.3	609.0	2,833.8	8,141.5	158.5	4.2%
10	Agency Operations (Non-Formula)	1,796.1	768.7	591.8	973.6	4,130.2	1,837.5	734.3	562.4	969.5	4,103.7	41.5	2.3%
11	K-12 Foundation and Pupil Transportation (Formula) (5)	1,279.8	-	22.0	20.8	1,322.6	1,260.5	-	30.3	20.8	1,311.6	(19.3)	-1.5%
12	Medicaid Services (Formula)	516.3	0.9	7.9	1,596.6	2,121.7	644.3	0.9	15.5	1,748.2	2,408.9	128.0	24.8%
13	Other Formula Programs	146.8	50.2	-	95.7	292.8	155.3	47.7	-	95.3	298.3	8.4	5.7%
14	Revised Programs Legislatively Approved (RPLs)	-	-	-	7.2	7.2	-	-	-	-	-	-	
15	Fiscal Notes (FY20 notes are included in MP)	-	-	-	-	-	(0.1)	18.3	0.8	-	19.1	(0.1)	
16	*Duplicated Authorization (non-additive) (6)*	-	-	893.8	-	893.8	-	-	872.3	-	872.3	-	
17	Supplemental Appropriations (Agency Operations)	-	2.8	-	(7.2)	(4.4)	-	-	-	-	-	-	
18	**Statewide Items**	479.4	116.6	105.9	78.3	780.2	499.0	93.1	98.6	32.2	722.9	19.5	4.1%
19	Current Fiscal Year Appropriations	479.4	116.6	105.9	78.3	780.2	499.0	93.1	98.6	32.2	722.9	19.5	4.1%
20	Debt Service	149.8	16.5	40.3	5.2	211.8	135.0	15.9	39.3	5.2	195.4	(14.8)	-9.9%
21	Fund Capitalizations	21.7	12.7	31.4	31.2	97.0	18.4	40.7	26.4	26.9	112.4	(3.3)	-15.3%
22	*Community Assistance*	-	-	-	-	-	-	28.7	-	-	28.7	-	
23	*REAA School Fund*	19.7	-	-	-	19.7	18.4	-	-	-	18.4	(1.3)	-6.7%
24	*Other Fund Capitalization*	2.0	12.7	31.4	31.2	77.3	0.0	11.9	26.4	26.9	65.3	(2.0)	-98.5%
25	State Payments to Retirement Systems	307.9	-	-	-	307.9	345.6	-	-	-	345.6	37.6	12.2%
26	Shared Taxes	-	33.9	34.2	-	68.1	-	36.6	32.9	-	69.5	-	
27	Alaska Comprehensive Insurance Program	-	53.5	-	41.8	95.4	-	-	-	-	-	-	
28	*Duplicated Authorization (non-additive) (6)*	-	-	730.8	-	730.8	-	-	16.0	-	16.0	-	
29	**TOTAL CAPITAL APPROPRIATIONS**	146.8	39.8	71.3	1,027.1	1,142.3	135.6	75.5	52.7	1,051.8	1,315.6	(11.2)	-7.6%
30	Current Fiscal Year Appropriations	144.3	37.9	71.3	1,027.1	1,137.9	135.6	75.5	52.7	1,051.8	1,315.6	(8.7)	-6.0%
31	Project Appropriations & RPLs	1.5	37.9	71.3	1,022.1	1,132.9	135.6	75.5	52.7	1,051.8	1,315.6	134.1	
32	Direct from the Constitutional Budget Reserve (7)	142.8	-	-	-	-	-	-	-	-	-	(142.8)	
33	Revised Programs Legislatively Approved (RPLs)	-	-	-	5.0	5.0	-	-	-	-	-	-	
34	*Duplicated Authorization (non-additive) (6)*	-	-	21.5	-	21.5	-	-	27.1	-	27.1	-	
35	Supplemental Appropriations (Capital)	2.5	1.9	-	-	4.4	-	-	-	-	-	(2.5)	
36	*Money on the Street (includes all fund sources) (8)*	146.8	39.8	92.9	1,027.1	1,306.6	135.6	75.5	79.8	1,051.8	1,342.8		
37	**Pre-Permanent Fund Authorization (unduplicated)**	4,365.3	979.1	798.9	3,792.2	9,935.5	4,532.1	969.9	760.3	3,917.8	10,180.0	166.8	3.8%
38	***Revenue less operating and capital appropriations***	793.6					526.9						
39	**Permanent Fund Appropriations**	1,140.2	-	-	-	1,140.2	2,005.1	67.9	-	-	2,073.0	864.9	75.9%
40	Permanent Fund Dividends from GF	896.5	-	-	-	896.5	2,005.1	-	-	-	2,005.1	1,108.6	123.7%
41	Permanent Fund Dividends from SBR	172.4	-	-	-	172.4	-	-	-	-	-		
42	Inflation Proofing Deposits to Principal	4,943.0	-	-	-	4,943.0	-	-	-	-	-		
43	Inflation Proofing Deposits from ERA	(4,943.0)	-	-	-	(4,943.0)	-	-	-	-	-		
44	Royalty Deposits over 25% (2)	71.3	-	-	-	71.3	-	67.9	-	-	67.9		
45	**Pre-Transfers Authorization (unduplicated)**	5,505.4	979.1	798.9	3,792.2	11,075.7	6,537.2	1,037.8	760.3	3,917.8	12,253.0	1,031.8	18.7%
46	***Pre-Transfer Balance to/(from) the CBR (9)***	(346.8)	*Revenue =*		*93.7%*	*of Appropriations*	(1,478.2)	*Revenue =*		*77.4%*	*of Appropriations*		

January 15, 2020

State of Alaska Detailed Fiscal Summary--FY20 and FY21

($ millions)

		FY20 Management Plan + Governor's Supplementals					FY21 Governor					Change in UGF	
		Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	$	%
47	**Fund Transfers (9)**	(272.4)	2.9	0.2	-	(269.2)	69.2	2.9	0.2	-	72.4	341.6	
48	Current Fiscal Year Transfers	(272.4)	2.9	0.2	-	(269.2)	69.2	2.9	0.2	-	72.4	341.6	
49	Constitutional Budget Reserve Fund (7)	(142.8)	-	-	-	(142.8)	-	-	-	-	-	142.8	
50	Statutory Budget Reserve Fund	(172.4)	-	-	-	(172.4)	-	-	-	-	-	172.4	
51	AMHS Fund	-	-	-	-	-	16.1	-	-	-	16.1	16.1	
52	Alaska Capital Income Fund	27.0	-	-	-	27.0	41.8	-	-	-	41.8	14.8	54.8%
53	Oil & Hazardous Substance Fund	15.5	1.9	-	-	17.4	15.6	1.9	-	-	17.5	0.1	0.6%
54	Other Fund Transfers	0.3	1.0	0.2	-	1.6	(4.3)	1.0	0.2	-	(3.0)	(4.6)	
55	*Vetoes (non-additive)*	-	-	-	-	-	-	*(0.5)*	-	-	*(0.5)*		
56	**Post-Transfers Authorization** (unduplicated)	5,233.0	982.1	799.2	3,792.2	10,806.4	6,606.4	1,040.7	760.5	3,917.8	12,325.4	1,373.4	26.2%
57	*Post-Transfer Balance to/(from) the CBR (10)*	*(74.1)*	*Revenue =*	*56.6%*	*of Appropriations*		*(1,547.4)*	*Revenue =*	*76.6%*	*of Appropriations*			
58	**FISCAL YEAR SUMMARY**	5,233.0	982.1	799.2	3,792.2	10,663.6	6,606.4	1,040.7	760.5	3,917.8	12,325.4	1,373.4	26.2%
59	Agency Operations	3,739.1	822.7	621.7	2,686.7	7,870.2	3,897.5	801.3	609.0	2,833.8	8,141.5	158.5	4.2%
60	Statewide Items	479.4	116.6	105.9	78.3	780.2	499.0	93.1	98.6	32.2	722.9	19.5	4.1%
61	Permanent Fund Earnings Reserve	1,140.2	-	-	-	1,140.2	2,005.1	67.9	-	-	2,073.0	864.9	75.9%
62	Total Operating	5,358.6	939.3	727.6	2,765.0	9,790.5	6,401.6	962.3	707.6	2,865.9	10,937.4	1,042.9	19.5%
63	Capital	146.8	39.8	71.3	1,027.1	1,142.3	135.6	75.5	52.7	1,051.8	1,315.6	(11.2)	-7.6%
64	*Transfers*	*(272.4)*	*2.9*	*0.2*	-	*(269.2)*	*69.2*	*2.9*	*0.2*	-	*72.4*	*341.6*	

January 15, 2020

Notes:

(1) The Department of Revenue's Fall 2019 oil forecast for FY20 is 0.508 mbd at $63.54 per barrel; the FY21 forecast is 0.506 mbd at $59.00 per barrel.

(2) The Constitution mandates that 25% of mineral royalties be deposited in the Permanent Fund. These dedicated royalties are excluded from both revenue and expenditures. Non-mandatory deposits to the Permanent Fund may occur by appropriation. Prior to FY21, these were counted differently depending on whether they were appropriated to the Permanent Fund. Beginning in FY21, these are counted as designated general fund regardless of their disposition.

(3) Carryforward is money that was appropriated in a prior year that is made available for spending in a later year via multiyear appropriations. Repeals increase revenue by reducing prior year authorization. Total carryforward into FY21 will be unknown until the close of FY20. Reappropriations to operating budget funds are counted as UGF revenue.

(4) Restricted revenue equals spending for each category. Designated general funds include 1) program receipts that are restricted to the program that generates the receipts and 2) revenue that is statutorily designated for a specific purpose. Other funds have stricter restrictions on usage, and federal funds originate from the federal government and can be used only for a particular purpose.

(5) The figure for FY20 K-12 funding includes $30 million outside the formula that is subject to an ongoing lawsuit between the legislative and executive branches.

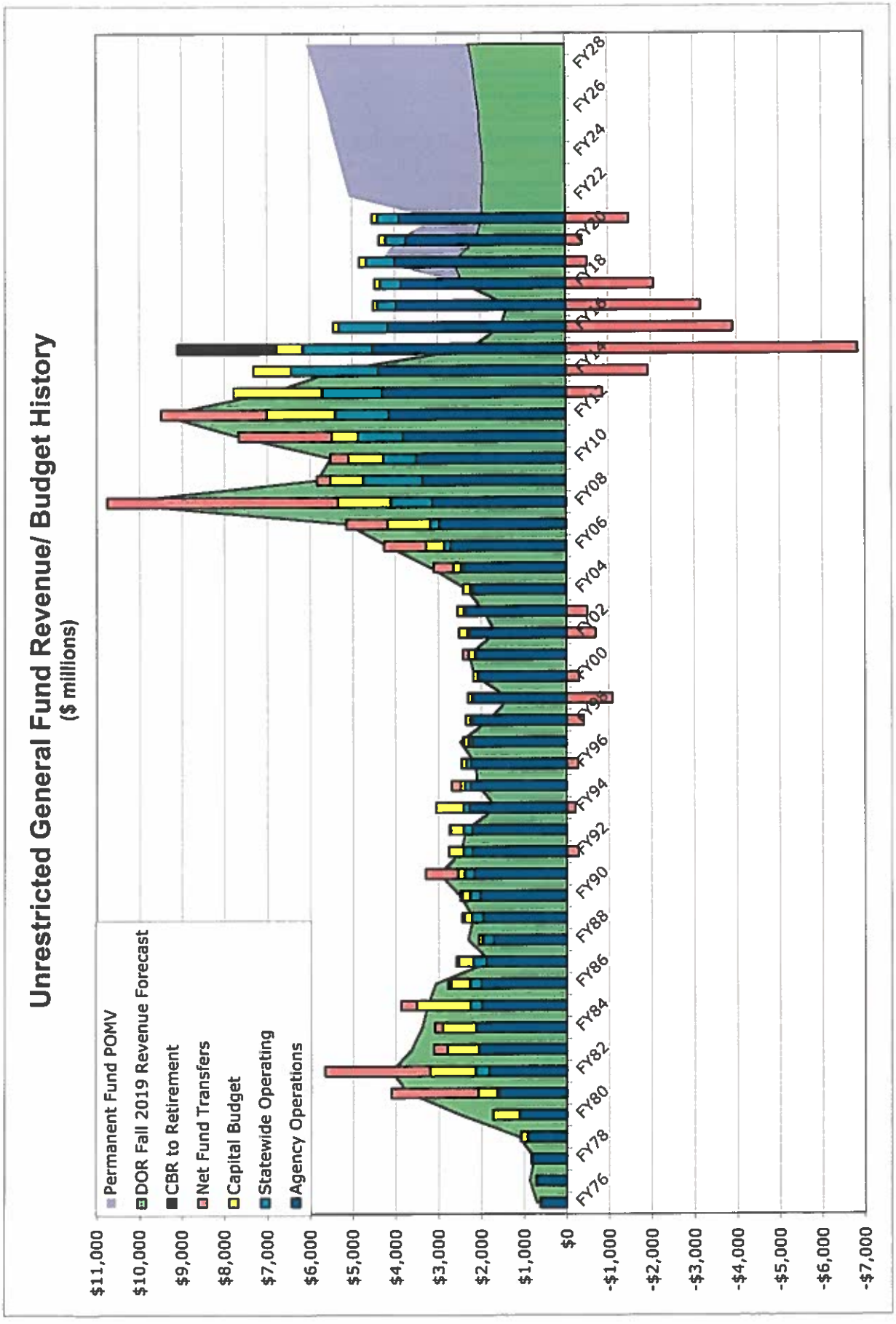
(6) Duplicated authorization is in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided. Duplicated authorization also includes the expenditure of bond proceeds when debt service on bonds will be reflected in future operating budgets.

(7) Direct appropriations from the Constitutional Budget Reserve (CBR) are classified as unrestricted general funds.

(8) Including duplicated fund sources in the amount of capital spending provides a valuable measure of "money on the street" because it includes projects funded with bond proceeds and other duplicated fund sources.

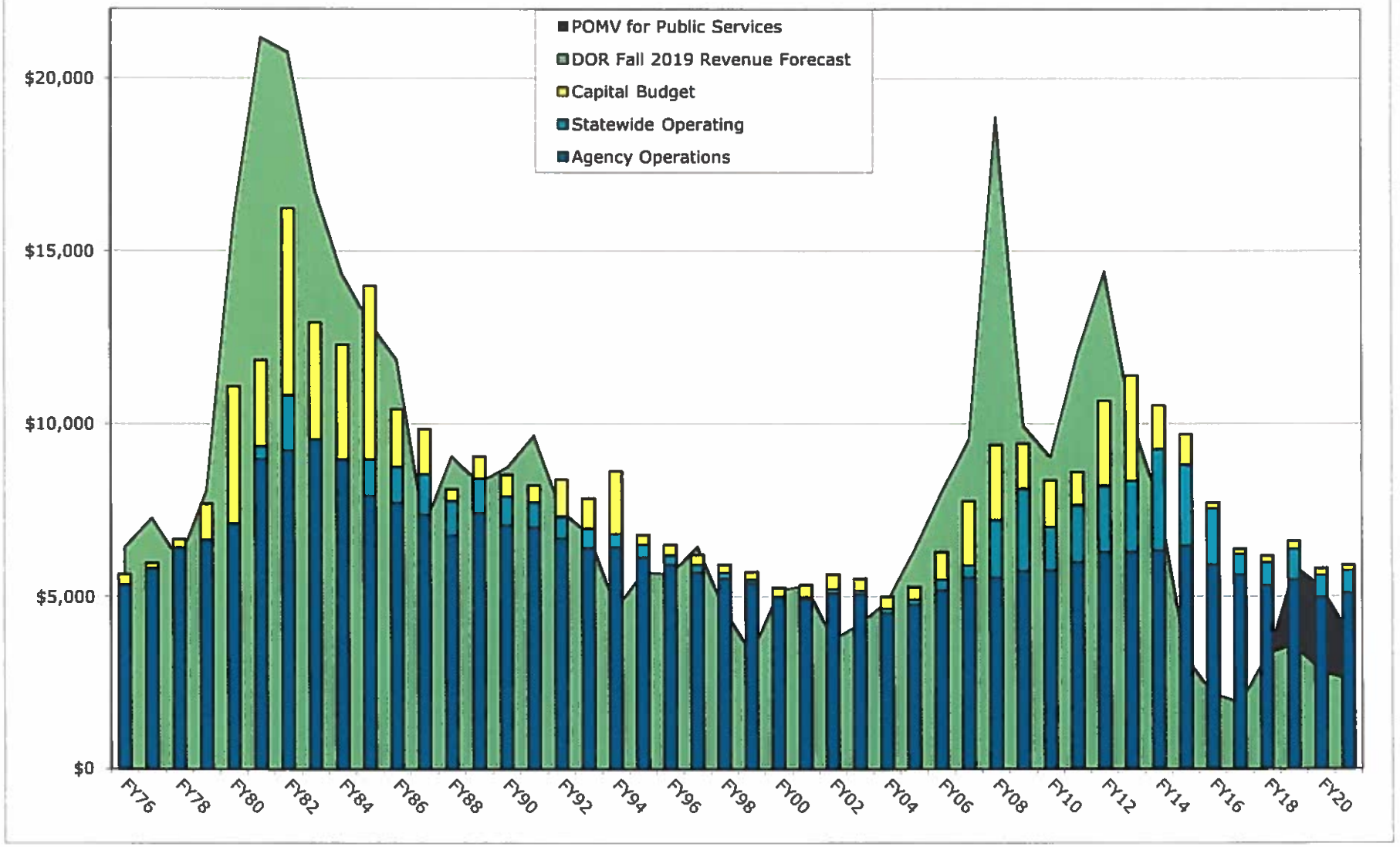
(9) "Fund Transfers" refer to appropriations that move money from one fund to another within the Treasury. Although transfers are not true expenditures, they reduce the amount of money available for other purposes so must be included in the calculation of the surplus/deficit. For reserve accounts, a positive number indicates a deposit and a negative number indicates a withdrawal. When money is withdrawn and spent, the expenditure is included in the operating or capital budget, as appropriate.

(10) Based on language in FY20's capital budget and the FY21 proposed Governor's operating budget, the post-transfer deficit for FY20 and FY21 will be drawn from the Constitutional Budget Reserve Fund.


Unrestricted General Fund Revenue/ Budget History
($ millions)
Permanent Fund POMV
DOR Fall 2019 Revenue Forecast
CBR to Retirement
Net Fund Transfers
Capital Budget
Statewide Operating
Agency Operations
$11,000
$10,000
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
-$1,000
-$2,000
-$3,000
-$4,000
-$5,000
-$6,000
-$7,000
FY28
FY26
FY24
FY22
FY20
FY18
FY16
FY14
FY12
FY10
FY08
FY06
FY04
FY02
FY00
FY98
FY96
FY94
FY92
FY90
FY88
FY86
FY84
FY82
FY80
FY78
FY76

Real Per Capita Unrestricted General Fund Revenue/ Budget History

(2019 dollars Per Person)



Executive Summary

As required by law, the Governor released his FY21 budget proposal to the public and the legislature by December 15th, 2019. The Legislative Finance Division prepared this overview of the Governor's proposal and "Subcommittee Books" for each agency in accordance with AS 24.20.231. The overview provides a starting point for legislative debate over the state budget and provides a general framework of the fiscal situation in Alaska.

As is typical in most states, the focus of debate in Alaska has been on the level of general fund revenue and appropriations and specifically for Alaska - **Unrestricted General Funds (UGF).** As the naming indicates, UGF is not restricted in any manner. There are no statutory designations or other contractual or federal requirements for how the revenue can be appropriated. Other state revenue sources, including Designated General Funds (DGF), are of less debate primarily because there are fewer annual decisions to make in their regard. **For all practical purposes, these non-UGF funding sources are less likely to get out of balance since the expenditures are controlled by available receipts or existing fund balances.**

While DGF is general funds from a constitutional perspective (meaning the legislature could appropriate them for any purpose), they have been designated or "ringfenced" for specific uses in statute. On the fiscal summary, DGF, Other State Funds and Federal Funds appropriations equate to revenue and do not factor into balancing the budget.

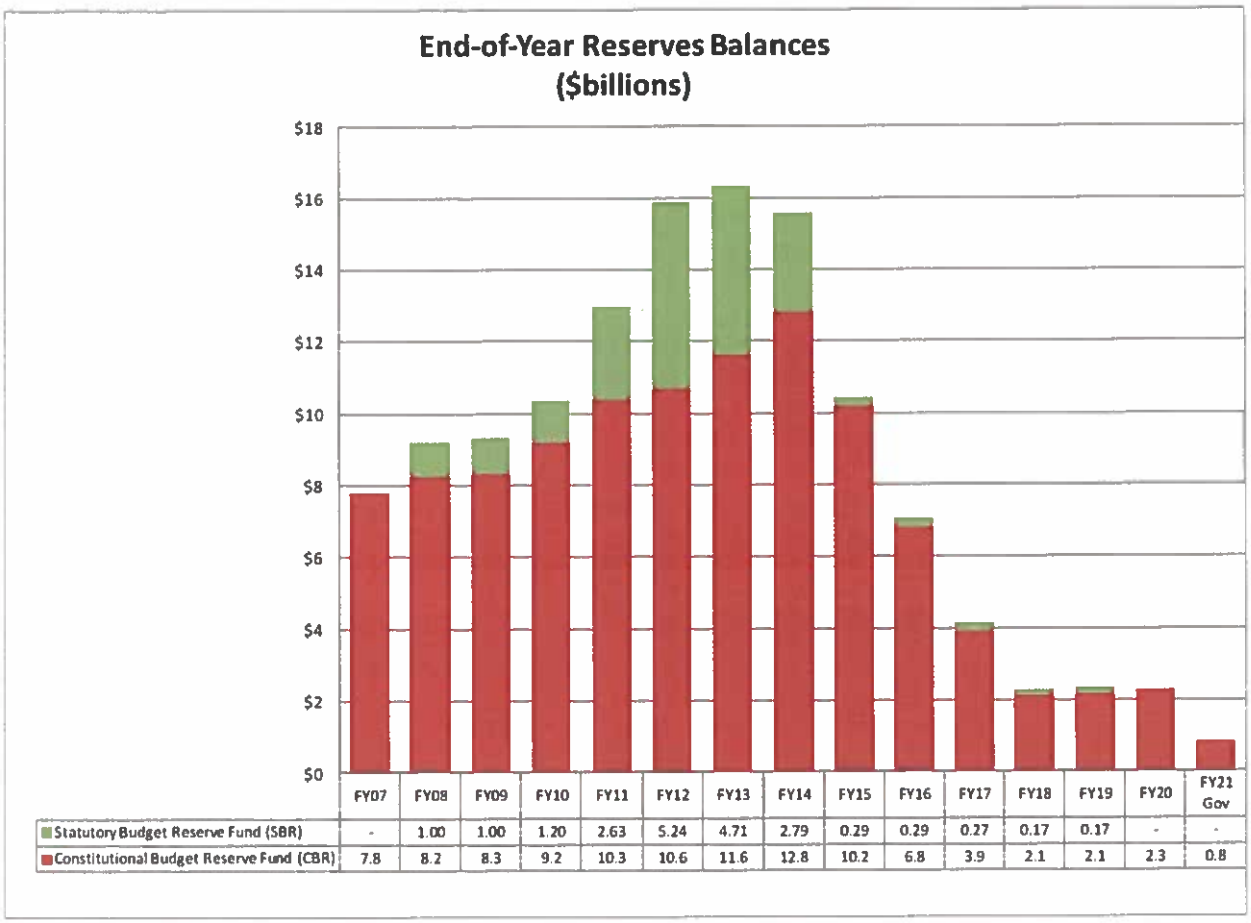
Where have we been?

As can be seen in the Budget History Graph, multiple legislatures and governors have been dealing with a monumentally difficult fiscal climate that has been evolving since oil prices and UGF revenue began declining in FY13 and had plummeted by FY15. Traditional UGF revenue (revenue prior to the addition of the Percent of Market Value (POMV) distribution from the Permanent Fund Earnings Reserve Account (ERA)) has dropped from $9.5 billion in FY12 to $1.5 billion in FY16 (FY20 is expected to be $1.97 billion). During that span, excluding appropriations for Permanent Fund Dividends, the UGF budget has declined from nearly $7.8 billion in FY13 to $4.4 billion in FY20 – a decrease of 44%. Budget deficits have averaged approximately $2.6 billion, or nearly half (44%) of the UGF budget each year.

Those budget deficits have been filled using our budget reserve funds (Constitutional Budget Reserve Fund – CBR; and Statutory Budget Reserve Fund – SBR), which have declined from a peak of $16.3 billion in FY13 to a projected $2.2 billion by the end of FY20 (prior to supplemental appropriations). See table on next page.

Last Session

The Governor proposed an FY20 operating budget (Agency Operations and Statewide Items) that was approximately $980 million UGF lower than the FY19 Management Plan level of funding. This proposal included a directly offsetting increase to the Permanent Fund Dividend (funding it to the statutory formula level) which required an additional $992 million and reduced the amount of the POMV payout available to the general fund.



	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21 Gov
Statutory Budget Reserve Fund (SBR)	-	1.00	1.00	1.20	2.63	5.24	4.71	2.79	0.29	0.29	0.27	0.17	0.17	-	-
Constitutional Budget Reserve Fund (CBR)	7.8	8.2	8.3	9.2	10.3	10.6	11.6	12.8	10.2	6.8	3.9	2.1	2.1	2.3	0.8

At the conclusion of legislative work, Agency Operations and Statewide Items had been reduced by $146 million UGF. In other words, of the proposed $980 million in UGF reductions, the legislature accepted $146 million from FY19. The Governor then proceeded to veto an additional $205 million UGF from what the legislature had passed. This resulted in an FY20 UGF operating budget that was $351 million below FY19. The major UGF reductions included:

- Health and Social Services - $176 million UGF (Medicaid accounts for $145 million)
- Alaska Marine Highway System - $38 million
- University of Alaska - $25 million (per compact agreement)
- School Debt Reimbursement - $49 million (reduced 50%)
- REAA Fund Cap - $20 million (reduced 50% to correspond with School Debt)
- Oil and Gas Tax Credits - $100 million (one-time item in FY19 and excluded from FY20)

Where are we now?

In short, our traditional budget reserves are nearly depleted, and the budget plan proposed by the Governor provides a deficit consuming $1.5 billion (65%) of the remaining CBR with no revenue measures or significant budget reductions. If this plan were implemented, the CBR would have a projected ending FY21 balance of $835 million (before any FY20 supplementals) and would not be repeatable in FY22 without ad hoc draws from the ERA.

The proposed UGF operating budget is $178 million greater than the FY20 Management Plan. A significant portion of the increase is $128 million partially restoring the reductions made to Medicaid Services in FY20 (a $120 million FY20 Supplemental has also been identified). In addition, other major changes and potential items of interest are outlined in the following table.

Major UGF Changes FY20 Management Plan to FY21 Governor

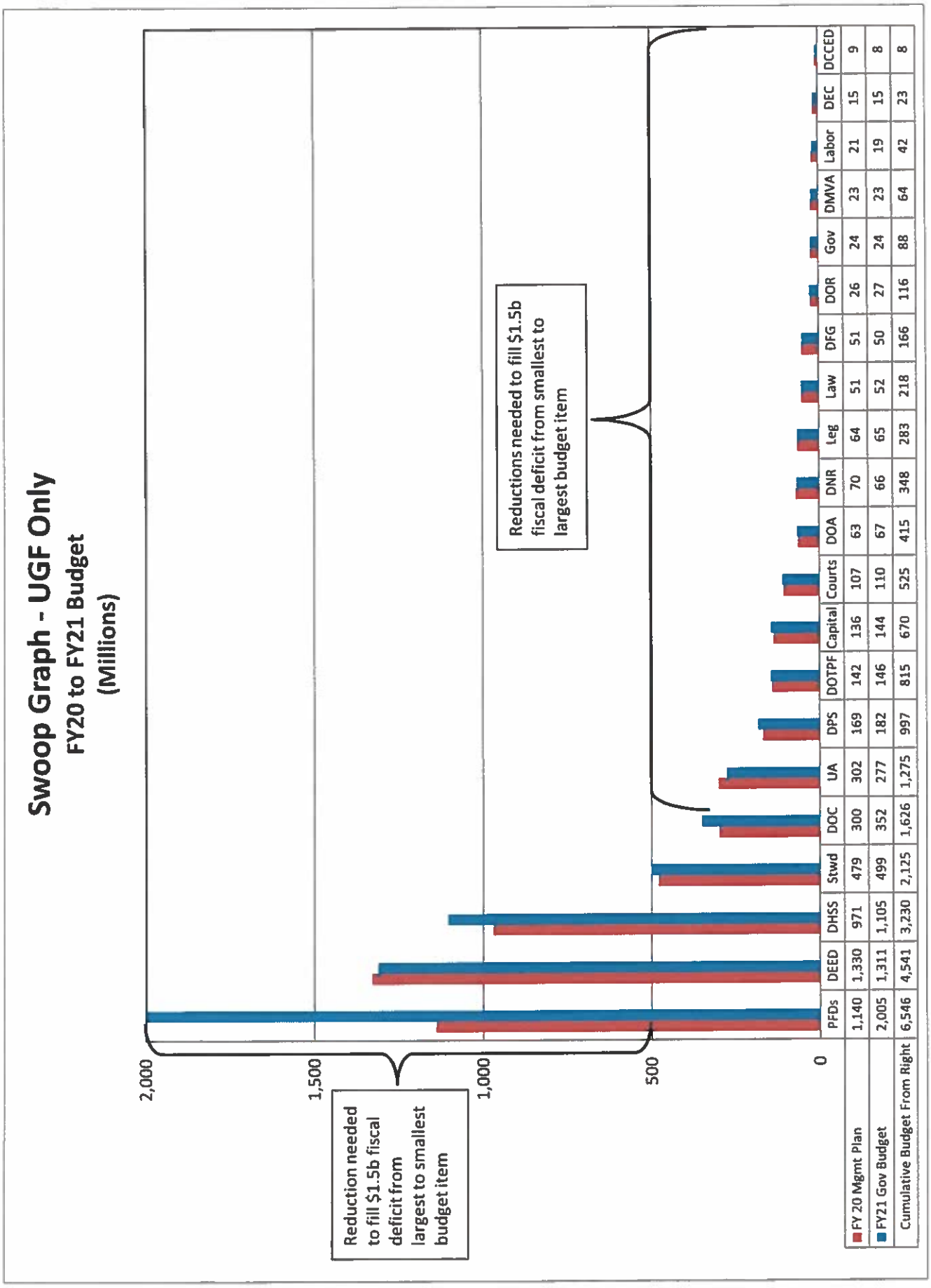
UGF (thousands)	20MgtPln	21Gov	$Diff	%Diff	Notes
DOA	63,286.4	66,528.0	3,241.6	5%	Increments in OPA, fund changes for HB49 fiscal notes
DCCED	8,522.5	7,916.3	(606.2)	-7%	Economic Development replaced with AK Development Team
DOC	299,636.7	351,633.9	51,997.2	17%	HB49 second year costs and out-of-state contractual services
DEED	1,330,427.9	1,310,833.4	(19,594.5)	-1%	K-12 formula costs up, $30 million one-time funding removed
DEC	15,397.2	15,080.6	(316.6)	-2%	
DFG	51,351.3	50,159.5	(1,191.8)	-2%	
Gov	24,020.5	23,816.1	(204.4)	-1%	
DHSS	971,106.4	1,104,853.4	133,747.0	14%	Restores bulk of FY20 cuts, offset w/ $11.4m fund change to DGF
DLWD	20,846.6	18,606.0	(2,240.6)	-11%	$1.4m fund change to GF/PR and efficiency decrements
LAW	51,228.8	52,475.6	1,246.8	2%	
DMVA	23,341.9	22,761.6	(580.3)	-2%	
DNR	69,821.0	65,595.0	(4,226.0)	-6%	ASTAR multi-year ends in FY20
DPS	169,223.0	182,019.3	12,796.3	8%	Alaska State Troopers, Crime Lab Staff, Anchorage Emergency Ctr
DOR	25,514.5	27,382.6	1,868.1	7%	$2.2 million increment for Tax Revenue Mgmt. System
DOTPF	141,949.7	145,899.9	3,950.2	3%	AMHS weeks of service increased
UA	302,033.5	277,033.5	(25,000.0)	-8%	Year two of multi-year compact agreement reduction
Courts	107,213.7	110,371.8	3,158.1	3%	
LEG	64,129.2	64,577.4	448.2	1%	
Statewide	479,413.9	498,953.9	19,540.0	4%	State Assistance to Retirement increase offset by other reductions
Total Operating	4,218,464.7	4,396,497.8	178,033.1	4%	
Capital Budget	135,639.2	144,298.8	8,659.6	6%	
Dividends	1,139,970.0	2,005,100.0	865,130.0	76%	PFDs increased to full statutory level
Total Budget	5,494,073.9	6,545,896.6	1,051,822.7	19%	

Swoop Graph

On the following page is what is commonly known as the "Swoop Graph." This version compares the Governor's FY21 proposed UGF appropriations by state agency and category to the FY20 enacted budget, and sorts them from largest to smallest. The Permanent Fund Dividend program is the largest by a significant degree. Changes outlined in the previous table are also evident – the large add back for Medicaid and the increases to the Departments of Corrections and Public Safety.

To demonstrate the magnitude of the $1.5 billion fiscal deficit built into the Governor's FY21 budget, the graph includes two sets of brackets showing how much of the budget would need to be reduced to balance with projected revenue and eliminate the fiscal deficit. Starting from the smallest budget component to the largest, sixteen agencies would need to be eliminated from DCCED to the University (and a portion of Corrections). Starting from the largest budget component to the smallest, the reduction would exclusively impact the PFD program, leaving approximately $500 million for distribution.

Line 37 of the Fiscal Summary (page 4) denotes total authorization for what has customarily been considered the state budget (total operating, capital and statewide appropriations before appropriations for PFDs). The summary is displayed in this manner for informational purposes only as it has been a common question from legislators: What is the fiscal surplus/(deficit) before payment of PFDs? As demonstrated on line 38, prior to appropriations for PFDs there would be a projected surplus of $527 million – for a dividend of approximately $766 per Alaskan.



	PFDs	DEED	DHSS	Stwd	DOC	UA	DPS	DOTPF	Capital	Courts	DOA	DNR	Leg	Law	DFG	DOR	Gov	DMVA	Labor	DEC	DCCED
FY 20 Mgmt Plan	1,140	1,330	971	479	300	302	169	142	136	107	63	70	64	51	51	26	24	23	21	15	9
FY21 Gov Budget	2,005	1,311	1,105	499	352	277	182	146	144	110	67	66	65	52	50	27	24	23	19	15	8
Cumulative Budget From Right	6,546	4,541	3,230	2,125	1,626	1,275	997	815	670	525	415	348	283	218	166	116	88	64	42	23	8

Progression - FY19 Management Plan to FY21 Governor's Request

Included on the following two pages is an Agency Summary Report which outlines the progression of the UGF operating budget from FY19 to the FY21 Governor's budget. The report may appear overwhelming at first glance, but a brief definition of each column and comparison will provide clarity.

Column 1 – is the FY19 budget, the starting place prior to this administration and any actions from last session.

Column 2 – is the Governor's proposed FY20 budget.

Column 3 – compares FY19 to the Governor's proposed FY20 budget.

Column 4 – is the FY20 budget passed by the legislature before final vetoes.

Column 5 – compares FY19 to what the legislature appropriated – this shows acceptance of $146 million of the Governor's proposed FY20 operating budget reductions.

Column 6 – identifies the final FY20 vetoes.

Column 7 – is the FY20 budget.

Column 8 – compares FY19 to FY20 showing the total reduction of $351 million.

Column 9 – is the Governor's proposed FY21 budget.

Column 10 – compares the FY20 budget to the Governor's FY21 budget showing an increase of $178 million over FY20.

Multi-year Agency Summary - Operating Budget - FY 2021 Governor Structure

Progression - FY19 Management Plan to FY21 Governor's Request

Numbers and Language
Fund Groups: Unrestricted General

Agency	ID=> Session=> Column=>	[1] 2019 19MgtPln	[2] 2019 20GovAmd+	[2] - [1] 2019 19MgtPln to 20GovAmd+		[4] 2020 Approp	[5] LegCuts	[6] 2020 20Vetos	[7] 2020 20MgtPln	[7] - [1] 2019 19MgtPln to 20MgtPln		[9] 2020 21Gov	[9] - [7] 2020 20MgtPln to 21Gov	
Agency Operations														
Administration		65,632.7	61,431.6	-4,201.1	-6.4 %	66,672.5	1,039.8	-3,386.1	63,286.4	-2,346.3	-3.6 %	66,528.0	3,241.6	5.1 %
Commerce, Community & Econ Dev		10,101.6	40,093.9	29,992.3	296.9 %	8,522.5	-1,579.1	0.0	8,522.5	-1,579.1	-15.6 %	7,916.3	-606.2	-7.1 %
Corrections		291,108.0	272,995.1	-18,112.9	-6.2 %	299,636.7	8,528.7	0.0	299,636.7	8,528.7	2.9 %	351,633.9	51,997.2	17.4 %
Education & Early Dev		1,322,008.9	1,013,433.3	-308,575.6	-23.3 %	1,330,475.2	8,466.3	-47.3	1,330,427.9	8,419.0	0.6 %	1,310,833.4	-19,594.5	-1.5 %
Environmental Conservation		15,391.8	15,019.7	-372.1	-2.4 %	15,433.5	41.7	-36.3	15,397.2	5.4		15,080.6	-316.6	-2.1 %
Fish and Game		51,583.3	50,410.2	-1,173.1	-2.3 %	52,888.3	1,305.0	-1,537.0	51,351.3	-232.0	-0.4 %	50,159.5	-1,191.8	-2.3 %
Governor		27,683.2	24,654.3	-3,028.9	-10.9 %	24,020.5	-3,662.7	0.0	24,020.5	-3,662.7	-13.2 %	23,816.1	-204.4	-0.9 %
Health & Social Services		1,146,733.1	837,703.2	-309,029.9	-26.9 %	1,039,011.0	-107,722.1	-67,904.6	971,106.4	-175,626.7	-15.3 %	1,104,853.4	133,747.0	13.8 %
Labor & Workforce Dev		20,697.2	20,402.7	-294.5	-1.4 %	20,853.4	156.2	-6.8	20,846.6	149.4	0.7 %	18,606.0	-2,240.6	-10.7 %
Law		51,589.8	49,826.2	-1,763.6	-3.4 %	51,753.6	163.8	-524.8	51,228.8	-361.0	-0.7 %	52,475.6	1,246.8	2.4 %
Military & Veterans' Affairs		23,854.9	22,956.5	-898.4	-3.8 %	23,566.9	-288.0	-225.0	23,341.9	-513.0	-2.2 %	22,761.6	-580.3	-2.5 %
Natural Resources		65,154.5	66,748.6	1,594.1	2.4 %	70,021.0	4,866.5	-200.0	69,821.0	4,666.5	7.2 %	65,595.0	-4,226.0	-6.1 %
Public Safety		161,708.4	158,446.2	-3,262.2	-2.0 %	172,723.0	11,014.6	-3,500.0	169,223.0	7,514.6	4.6 %	182,019.3	12,796.3	7.6 %
Revenue		25,287.4	25,349.0	61.6	0.2 %	25,518.7	231.3	-4.2	25,514.5	227.1	0.9 %	27,382.6	1,868.1	7.3 %
Transportation		179,988.8	122,788.0	-57,200.8	-31.8 %	147,231.6	-32,757.2	-5,281.9	141,949.7	-38,039.1	-21.1 %	145,899.9	3,950.2	2.8 %
University of Alaska		327,033.5	193,105.0	-133,928.5	-41.0 %	322,033.5	-5,000.0	-20,000.0	302,033.5	-25,000.0	-7.6 %	277,033.5	-25,000.0	-8.3 %
Executive Branch-wide Approps		0.0	30,914.6	30,914.6	>999 %	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Judiciary		105,444.9	108,936.7	3,491.8	3.3 %	107,672.4	2,227.5	-458.7	107,213.7	1,768.8	1.7 %	110,371.8	3,158.1	2.9 %
Legislature		64,132.4	64,779.2	646.8	1.0 %	64,129.2	-3.2	0.0	64,129.2	-3.2		64,577.4	448.2	0.7 %
Total		**3,955,134.4**	**3,179,994.0**	**-775,140.4**	**-19.6 %**	**3,842,163.5**	**-112,970.9**	**-103,112.7**	**3,739,050.8**	**-216,083.6**	**-5.5 %**	**3,897,543.9**	**158,493.1**	**4.2 %**
Statewide Items														
Debt Service		199,995.4	100,692.6	-99,302.8	-49.7 %	201,962.0	1,966.6	-52,208.7	149,753.3	-50,242.1	-25.1 %	134,987.0	-14,766.3	-9.9 %
State Retirement Payments		271,101.1	307,936.1	36,835.0	13.6 %	307,936.1	36,835.0	0.0	307,936.1	36,835.0	13.6 %	345,567.4	37,631.3	12.2 %
Fund Capitalization		143,709.0	2,030.0	-141,679.0	-98.6 %	71,419.0	-72,290.0	-49,694.5	21,724.5	-121,984.5	-84.9 %	18,399.5	-3,325.0	-15.3 %
Total		**614,805.5**	**410,658.7**	**-204,146.8**	**-33.2 %**	**581,317.1**	**-33,488.4**	**-101,903.2**	**479,413.9**	**-135,391.6**	**-22.0 %**	**498,953.9**	**19,540.0**	**4.1 %**
Total Agency and Statewide Operations		**4,569,939.9**	**3,590,652.7**	**-979,287.2**	**-21.4 %**	**4,423,480.6**	**-146,459.3**	**-205,015.9**	**4,218,464.7**	**-351,475.2**	**-7.7 %**	**4,396,497.8**	**178,033.1**	**4.2 %**

Computed Column Definitions: [5]=[4]-[1]

Multi-year Agency Summary - Operating Budget - FY 2021 Governor Structure

Progression - FY19 Management Plan to FY21 Governor's Request

Numbers and Language
Fund Groups: Unrestricted General

Agency	ID=> [1]	[2]	[2] - [1]	[4]	[5]	[6]	[7]	[7] - [1]	[9]	[9] - [7]
Session=>	2019	2019	2019	2020		2020	2020	2019	2020	2020	2020
Column=>	19MgtPln	20GovAmd+	19MgtPln to 20GovAmd+	Approp	LegCuts	20Vetos	20MgtPln	19MgtPln to 20MgtPln	21Gov	20MgtPln to 21Gov
Permanent Fund										
Permanent Fund	1,023,487.2	2,015,300.0	991,812.8 96.9 %	1,139,970.0	116,482.8	0.0	1,139,970.0	116,482.8 11.4 %	2,005,100.0	865,130.0 75.9 %
Total	**1,023,487.2**	**2,015,300.0**	**991,812.8 96.9 %**	**1,139,970.0**	**116,482.8**	**0.0**	**1,139,970.0**	**116,482.8 11.4 %**	**2,005,100.0**	**865,130.0 75.9 %**
Statewide Total	**5,593,427.1**	**5,605,952.7**	**12,525.6 0.2 %**	**5,563,450.6**	**-29,976.5**	**-205,015.9**	**5,358,434.7**	**-234,992.4 -4.2 %**	**6,401,597.8**	**1,043,163.1 19.5 %**
Funding Summary										
Unrestricted General (UGF)	5,593,427.1	5,605,952.7	12,525.6 0.2 %	5,563,450.6	-29,976.5	-205,015.9	5,358,434.7	-234,992.4 -4.2 %	6,401,597.8	1,043,163.1 19.5 %
Non-Additive Items										
Fund Transfers	31,210.0	-6,737.5	-37,947.5 -121.6 %	-272,427.2	-303,637.2	0.0	-272,427.2	-303,637.2 -972.9 %	69,175.0	341,602.2 -125.4 %
Total	**31,210.0**	**-6,737.5**	**-37,947.5 -121.6 %**	**-272,427.2**	**-303,637.2**	**0.0**	**-272,427.2**	**-303,637.2 -972.9 %**	**69,175.0**	**341,602.2 -125.4 %**

Computed Column Definitions: [5]=[4]-[1]

LFD Fiscal Model and Status Quo

The Legislative Finance Division's (LFD) fiscal model provides legislators with a projection tool that is designed to show the impact of policy changes on the State's fiscal situation. By default, it uses the Department of Revenue's revenue forecast, inflation and investment earnings rates from Callan (the State's investment consultant), and assumptions based on the current budget.

The scenario included on the following page provides projections of what would happen given model input assumptions and the Governor's FY21 budget adopted as-is with no additional budget cuts or revenue. **This scenario is presented to show the magnitude of the fiscal problem that needs to be addressed, based on current forecasts.** LFD is policy neutral regarding the method of addressing the issue and therefore leaves any possible scenarios for fiscal improvement at the request of legislative committees or individual legislators.

Under these fiscal conditions, the Constitutional Budget Reserve would be empty in FY22, requiring additional draws from the Earnings Reserve Account (ERA) to balance the budget. As a result, the ERA's balance would quickly erode, leaving the State without any reserves by FY30.

The FY21 budget deficit is projected to be $1.6 billion (including $50 million for supplementals). Statute dictates that the Percent of Market Value (POMV) draw will decline from 5.25% to 5% in FY22. This will reduce the POMV by approximately $200 million, resulting in larger projected out-year deficits ranging from $1.8 to $2 billion. **Over the model time span, fiscal deficits total over $17 billion**. That is the size of the issue that must be addressed through further budget reductions or revenue measures.

The Governor did provide six potential alternate fiscal scenarios in the statutorily required 10-year plan (though none were endorsed). With nearly identical inputs, the LFD model results are similar to the output provided in the Governor's six scenarios. The LFD model has slightly higher baseline spending assumptions, which is due to two items: future supplemental appropriations (LFD assumes $50 million per year) and payment of tax credit bond debt (LFD assumes $70 million per year).

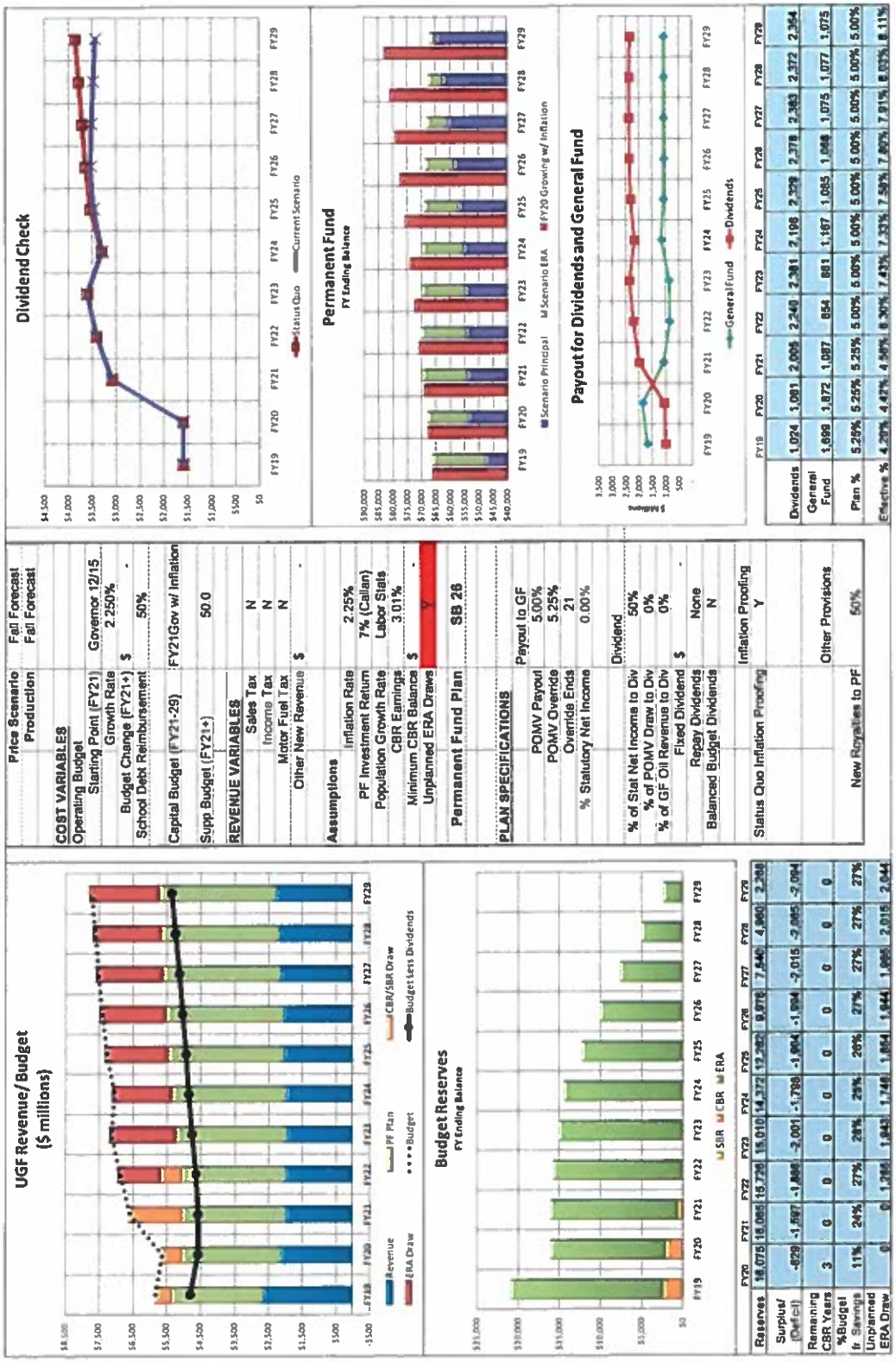
The next section of this document provides further discussion of the revenue requirements of the State and potential options for revenue measures.

Guide to LFD Fiscal Model Output

The middle columns show variables and assumptions that can be modified in the model. The inputs included in the example use LFD's default assumptions as outlined above.

Left side: the top graph shows UGF revenue compared to the UGF budget, and which fund sources would be used to fill deficits. The next graph shows budget reserve balances, including the CBR, SBR, and ERA. The table on the bottom provides data on the total reserve balances, the size of the deficits, and how much of the deficit is being filled by the ERA.

Right side: the top graph shows a comparison of the Permanent Fund Dividend per recipient under model assumptions vs. the statutory calculation. The middle graph compares the Permanent Fund's balance in the scenario to the end-of-FY20 balance, growing with inflation. The final graph shows the payouts from the ERA for dividends and the general fund. The bottom table summarizes the draws from the ERA.


Dividend Check
Status Quo
Current Scenario
Permanent Fund
PF Ending Balance
Scenario Principal
Scenario ERA
FY20 Growing w/ Inflation
Payout for Dividends and General Fund
General Fund
Dividends
UGF Revenue/ Budget
($ millions)
Revenue
ERA Draw
PF Plan
Budget
CBR/SBR Draw
Budget Less Dividends
Budget Reserves
PF Ending Balance
SBR
CBR
ERA
Price Scenario
Production
Fall Forecast
Fall Forecast
COST VARIABLES
Operating Budget
Starting Point (FY21)
Governor 12/15
Growth Rate
2.250%
Budget Change (FY21+)
$
-
School Debt Reimbursement
50%
Capital Budget (FY21-29)
FY21Gov w/ Inflation
Supp Budget (FY21+)
50.0
REVENUE VARIABLES
Sales Tax
N
Income Tax
N
Motor Fuel Tax
N
Other New Revenue
$
-
Assumptions
Inflation Rate
2.25%
PF Investment Return
7% (Callan)
Population Growth Rate
Labor Stats
CBR Earnings
3.01%
Minimum CBR Balance
$
-
Unplanned ERA Draws
Y
Permanent Fund Plan
SB 26
PLAN SPECIFICATIONS
Payout to GF
POMV Payout
5.00%
POMV Override
5.25%
Override Ends
21
% Statutory Net Income
0.00%
Dividend
% of Stat Net Income to Div
50%
% of POMV Draw to Div
0%
% of GF Oil Revenue to Div
0%
Fixed Dividend
$
-
Repay Dividends
None
Balanced Budget Dividends
N
Inflation Proofing
Status Quo Inflation Proofing
Y
Other Provisions
New Royalties to PF
50%
Reserves
Surplus/ (Deficit)
Remaining CBR Years
%Budget fr Savings
Unplanned ERA Draw
Dividends
General Fund
Plan %
Effective %

Revenue Requirements

AS 24.20.231(2) provides that the Legislative Finance Division analyze the revenue requirements of the State. The following provides a brief analysis along with potential revenue sources and any issues therein.

To quickly summarize, the revenue requirements for the Governor's proposed budget are insufficient. Unrestricted General Fund revenue is approximately $1.5 billion less than what is needed to balance proposed appropriations with projected revenue. AS 37.07.020(c) Responsibilities of the Governor, states that "proposed expenditures may not exceed estimated revenue for the succeeding fiscal year." **This statute implies that the Governor's proposed December 15th budget must be balanced with sufficient revenue to meet appropriations.**

New Revenue Options

To raise additional revenue, the State could increase existing taxes or impose new ones. Alaska is the only state without a statewide broad-based tax, so existing taxes are primarily resource-based taxes or excise taxes on certain consumer items such as motor fuels, alcohol, and tobacco. Increasing existing taxes may cause Alaska to have higher rates than other states, but increases could bring in revenue quickly with minimal administrative costs. New taxes would take longer to set up and would require additional administrative costs. However, significant revenue could be generated with new broad-based taxes.

The items below are presented to give legislators an idea of what options are available. Equity, economic impacts, efficiency, and other considerations are not presented here but should be addressed if the legislature explores revenue options.

Modify Existing Taxes

Oil and Gas Production Tax: Alaska's oil and gas production tax is projected to bring in $328.1 million in FY21. Past proposals to increase this tax have included raising the tax "floor" from 4% of gross revenue to 5% or higher; capping the per-taxable barrel credit at $5; or more complex changes proposed in the House version of Chapter 3, SSLA 17 (HB 111) or the proposed Alaska North Slope Oil and Gas Production Tax Increase Initiative. At the high end, the proposed initiative is estimated to bring in up to $1.2 billion in revenue per year, assuming no changes in production.

Corporate Income Tax: The petroleum and non-petroleum corporate income taxes are projected to bring in a combined $340 million in FY21. Alaska's 9.4% top marginal rate is the fourth highest in the US.[1] Alaska is one of two states with a corporate income tax but no individual income tax (along with Florida), which results in C corporations paying taxes but S corporations not paying taxes (as their income flows through to the owners and personal income is not taxed). The Department of Revenue does not have the data to accurately assess the impact of taxing S corporations, but the Legislative Finance Division estimates it would be at least $30 million.

Other Resource Taxes: Alaska's Mining License Tax is estimated to bring in $50.0 million in FY21. The Fisheries Business and Fishery Resource Landing taxes are estimated to bring in $27.1 million in UGF revenue and an additional $31.4 million that is shared with municipal governments. National comparisons for these taxes are difficult.

[1] All national comparisons in this document are according to the Federation of Tax Administrators data for tax year 2019.

Excise Taxes: Alaska imposes excise taxes on several consumer goods. The largest of these are:

- Tobacco taxes (estimated FY21 revenue is $58.0 million, of which $39.9 million is UGF and $18.1 million is DGF): Alaska's cigarette tax of $2 per pack ranks 16th nationwide. The tax on other tobacco products is 75% of wholesale price, which ranks 8th nationwide.
- Alcoholic beverage tax ($42.0 million, split equally between UGF and DGF): Alaska's tax is designed to tax all alcoholic beverages equally on a per-drink basis. The $12.50 per gallon tax on liquor and $2.50 per gallon tax on wine are the highest in the country, and the $1.07 per gallon tax on beer is second highest.
- Motor fuel tax ($33.8 million, all DGF) - Alaska's $0.08 per gallon tax ranks 50th nationwide. Tripling Alaska's tax to the national median of $0.24 would bring in an additional $67.6 million.
- Marijuana taxes ($27.1 million, of which $6.8 million is UGF and $20.3 million is DGF): Alaska taxes $50/ounce for flowers, $15/ounce for stems and leaves, and $25/ounce for immature flowers/buds. National comparisons are challenging because many states have a mix of per-ounce and excise taxes. Ten states currently permit and tax retail marijuana sales.

New Taxes

Income Tax

40 states have income taxes (plus two states tax dividends and interest only). Alaska had an income tax from statehood until 1980, when it was repealed. Thirty-one of those 40 states have progressive income taxes, and the remaining nine have flat taxes. At the time of its repeal, Alaska's income tax brackets ranged from 3% to 14.5% and brought in $117 million in FY79. Adjusted for inflation and population, that is equivalent to about $600 million in 2019.

The most recent income tax bill considered in Alaska, HB 115 (introduced in the 2017 session), had a progressive tax rate ranging from 2.5% to 7% and was estimated to bring in about $700 million per year. HB 115 called for implementation in the following January, so the first fiscal year would only see half a year of revenue.

Sales Tax

45 states have statewide sales taxes, four states have no sales tax at all, and Alaska is the only state that has no statewide sales tax but allows municipal sales taxes. Of the 45 states with a statewide sales tax, 37 have additional municipal sales taxes. In Alaska, sales taxes may be levied at the city or borough level. As of 2018, 103 of Alaska's 129 taxing municipalities imposed sales taxes, at rates ranging from 1.5% to 7.5%.

The most recent statewide sales tax proposed in Alaska was HB/SB 5004 (introduced in 2016), which would have imposed a 3% sales tax with exemptions for groceries. It was projected to bring in $500 million per year. Like an income tax, a sales tax would likely take at least six months to implement.

Property Tax

All 50 states have property taxes that are applied by either local or municipal governments. Alaska has a statewide property tax for oil and gas property, but other property is taxed only at the municipal level. Fifteen of Alaska's nineteen boroughs levy personal property taxes, plus 21 cities (some of which are within boroughs). Some boroughs rely very heavily on property tax revenue, and Alaska's average property tax burden ranks 23rd nationwide despite not being universally applied.

Alaska could impose a statewide property tax on non-oil and gas property. Implementing such a tax would be administratively challenging because property values would have to be determined in any area of the state that does not already have a property tax. Unlike most states, Alaska does not require that real estate sale prices be reported publicly to ensure accurate assessments.

Payroll Tax or Head Tax

Alaska had a $10 per worker "head tax" to pay for a portion of the education budget until 1980. Such taxes are a flat amount per person rather than a percentage of income. No other state currently imposes a head tax.

Several pieces of legislation have proposed graduated head taxes or other payroll taxes. Such taxes could build on the existing payroll tax administered for worker's compensation so they could be implemented with fewer additional resources. However, these taxes would have a narrower base than an income tax because they exclude dividend and investment income, so their revenue-raising potential is more limited.

FY20 Budget and Vetoes Discussion

The FY20 budget process was unusually convoluted, involving multiple operating and capital appropriation bills and multiple rounds of vetoes. Initially, the legislature passed the operating budget in HB 39 and the Mental Health budget in HB 40. The capital budget, SB 19, funded UGF appropriations directly from the CBR, but the required 3/4 CBR vote failed so the legislature passed a capital budget devoid of UGF. The Governor then vetoed $416 million from all three bills. The legislature then passed additional operating items (veto restorations plus the Permanent Fund Dividend) in HB 2001 and capital items (with a successful CBR vote) in SB 2002. The Governor's final vetoes from all bills (net of duplicates) totals $270.6 million. The following tables summarize this process (all numbers in millions of dollars).

	UGF	Agency Operations	Statewide Items	Capital Budget	Total
Round 1	Legislature HB 39/40 (op), SB 19 (cap)	3,826.0	554.3	13.2	4,393.5
	Vetoes	(264.7)	(103.1)	(11.7)	(379.5)
	Enacted HB 39/40 (op), SB 19 (cap)	3,561.4	451.2	1.5	4,014.0
Round 2	Legislature HB 2001 (op), SB 2002 (cap)	187.3	103.1	173.1	463.5
	Vetoes	(82.4)	(101.9)	(30.3)	(214.7)
	Enacted HB 2001 (op), SB 2002 (cap)	104.9	1.2	142.8	248.9
Total	Enacted	3,727.9	452.4	144.3	4,324.6
	Non-duplicated, non-reversed vetoes	(103.1)	(101.9)	(34.9)	(239.9)

	All funds	Agency Operations	Statewide Items	Capital Budget	Total
Round 1	Legislature HB 39/40 (op), SB 19 (cap)	8,841.5	1,453.0	1,173.9	11,468.4
	Vetoes	(290.6)	(103.1)	(22.5)	(416.2)
	Enacted HB 39/40 (op), SB 19 (cap)	8,551.0	1,349.8	1,151.4	11,052.2
Round 2	Legislature HB 2001 (op), SB 2002 (cap)	291.3	140.6	179.7	611.6
	Vetoes	(99.6)	(101.9)	(34.9)	(236.4)
	Enacted HB 2001 (op), SB 2002 (cap)	191.8	38.7	144.8	375.3
Total	Enacted	8,742.8	1,388.6	1,296.2	11,427.5
	Non-duplicated, non-reversed vetoes	(122.9)	(101.9)	(45.8)	(270.6)

Vetoes made in the first round were not overridden within the constitutional timeframe. Vetoes from the second round could be overridden in the first five days of the 2020 legislative session. Those vetoes total $236.4 million. For the most part, vetoes from the first round were either restored in HB 2001/SB 2002 or were vetoed again. The major exception is the University of Alaska – HB 2001 only restored $110 million of the initial $130 million veto, and the Governor did not veto the University of Alaska funding a second time.

In addition to the veto totals listed above, the Governor vetoed forward-funding of the K-12 Foundation Program and K-12 Pupil Transportation Formula programs for FY21. This veto can also be overridden in the first five days of the 2020 legislative session, but does not appear on FY20 budget reports.

FY20 Supplementals and CBR Headroom

What is the CBR "Headroom"?

Most state budgets are balanced by anticipated revenues meeting the planned expenditures. Alaska is unique in that the legislature has typically filled any anticipated revenue shortfall with available budget reserves (savings). In previous years, Constitutional Budget Reserve (CBR) access was provided for any appropriations in a fiscal year. In recent years, however, access to the CBR (for deficit filling) has been limited to the appropriation bills passed during the legislative session where CBR access was authorized. This was essentially done to prevent unlimited supplemental appropriations in the following session that could be funded from the CBR.

As a compromise to allow room for supplemental appropriations of some amount the following session, the "CBR Headroom" was implemented. During the prior session when the CBR access vote occurred (requiring super majority vote), an additional provision was included, which allowed an additional amount be drawn for any other appropriations in that fiscal year (supplemental appropriations) up to a capped limit. For example, the CBR access appropriation for FY20 (Section 17, Chapter 1, SSSLA 2019) included deficit filling language for the bills passed in the 2019 regular and special sessions (Section 17(b)) and language for any additional FY20 effective appropriations (Section 17(c)) up to a limit of $250 million. This additional limited access is referred to commonly as the CBR "headroom" as it describes the additional amount of appropriations that can be made without new CBR access authorization.

FY20 "Likely" and Other Expected Supplementals

The Governor's December budget release included a single operating supplemental and two capital supplementals totaling $7.3 million ($2.5 million UGF and $4.8 million DGF). It also included placeholders for what were termed "likely" supplementals. These totaled $225.5 million: Medicaid - $120 million; Fire Suppression - $94.5 million; Alaska Psychiatric Institute (API) - $6 million; and, Pioneers Homes - $5 million. These alone consume nearly all of the available CBR Headroom for FY20.

Other potential supplementals include an amount of at least $6 million for the Alaska Marine Highway System (AMHS) (an RPL for $6 million was sent to the LB&A Committee in December 2019 only to be withdrawn after LFD identified technical issues); $30 million for Community Assistance; potentially another $8 million for spring fire suppression; and, possibly some amount for Oil & Gas Tax Credits. Just the addition of the $36 million for AMHS and Community Assistance alone pushes through the $250 million headroom to $261.5 million. This excludes other unknowns, but likely supplemental budget requests could conceivably necessitate an additional CBR access vote.