



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Revenue

TREASURY DIVISION

PO Box 110405
Juneau, Alaska 99811-0405

Main: 907.465.2300

Fax: 907.465.4397

February 19, 2021

The Honorable Bert Stedman
Senate Finance Co-Chair
State Capitol, Rm. 518
Juneau, Alaska 99801-1182

The Honorable Click Bishop
Senate Finance Co-Chair
State Capitol, Rm. 516
Juneau, Alaska 99801-1182

**RE: SAVINGS ACCOUNTS PRESENTATION, SENATE FINANCE COMMITTEE
FOLLOW-UP**

Dear Senate Finance Committee,

Please find documents and responses to requests and questions posed during the Savings Accounts Presentation in the Senate Finance Committee February 2, 2021 below. Where mentioned, electronic documents have been attached accordingly. The Treasury Division is available for any additional questions.

- 1) Updated slides of the presentation are attached as follows:
 - Slide 8 now includes the Statutory Budget Reserve fund with the Constitutional Budget Reserve fund.
 - Slide 9 has been corrected to reflect a low risk tolerance and short time horizon for the Constitutional Budget Reserve.
 - Slide 14 has been updated to remove the Statutory Budget Reserve fund from the GeFonsi charts.
 - Slide 16 was updated so that balances can be seen completely.
- 2) A chart of 2012-2020 GeFonsi balance totals, by designation is attached.
- 3) Callan's report on AIDEA's Enterprise Development Account is attached.
- 4) There was a request for the Pew Trust/NASBO data relating to slide 5. This data can be found at:
[Fiscal 50 | The Pew Charitable Trusts \(pewtrusts.org\)](https://www.pewtrusts.org/-/media/assets/2020/10/fiscal_50_tr_20-09_green.pdf)
https://www.pewtrusts.org/-/media/assets/2020/10/fiscal_50_tr_20-09_green.pdf
<https://www.nasbo.org/mainsite/reports-data/fiscal-survey-of-states/fiscal-survey-archives>

Also attached is an excel spreadsheet containing the data used for slide 5 from the Pew website.

5) Question: *Why do funds that have a high risk tolerance have different asset allocations and return targets?*

Answer: The high-risk designation spans a range of high risk levels. Those funds charged with providing the highest inflation-adjusted returns, like the Public Schools Trust Fund and the Alaska Higher Education Fund, have the highest risk tolerance and are generally invested with an asset allocation equivalent to 70% equities and 30% bonds. For FY21 the expected nominal return and risk for these funds was 6.37% and 12.60% respectively. By statute, the Power Cost Equalization fund has a spending target of 5.0% and has an asset allocation designed to deliver this nominal return over the long-term with FY21 return and risk expectations of 5.0% and 7.2%.

6) Question: *What is the Federal vs State impact for Net Operating Losses?*

Answer, as provided by Tax Director Colleen Glover: Corporate income taxpayers can apply net operating losses (NOLs) against both their state tax and federal tax returns and receive refunds. However, the amount of the NOL carried back on a taxpayer's federal taxes may not match the amount carried back on a taxpayer's Alaska taxes because the Alaska NOL will be based on an apportioned amount of the taxpayer's federal income (or loss).

For direct download links to the Treasury's Investment information, please go to:
<https://treasury.dor.alaska.gov/Investments.aspx>.

Thank you,



Pam Leary
Treasury Director

cc: Miles Baker, Legislative Director, Office of Governor Mike Dunleavy