

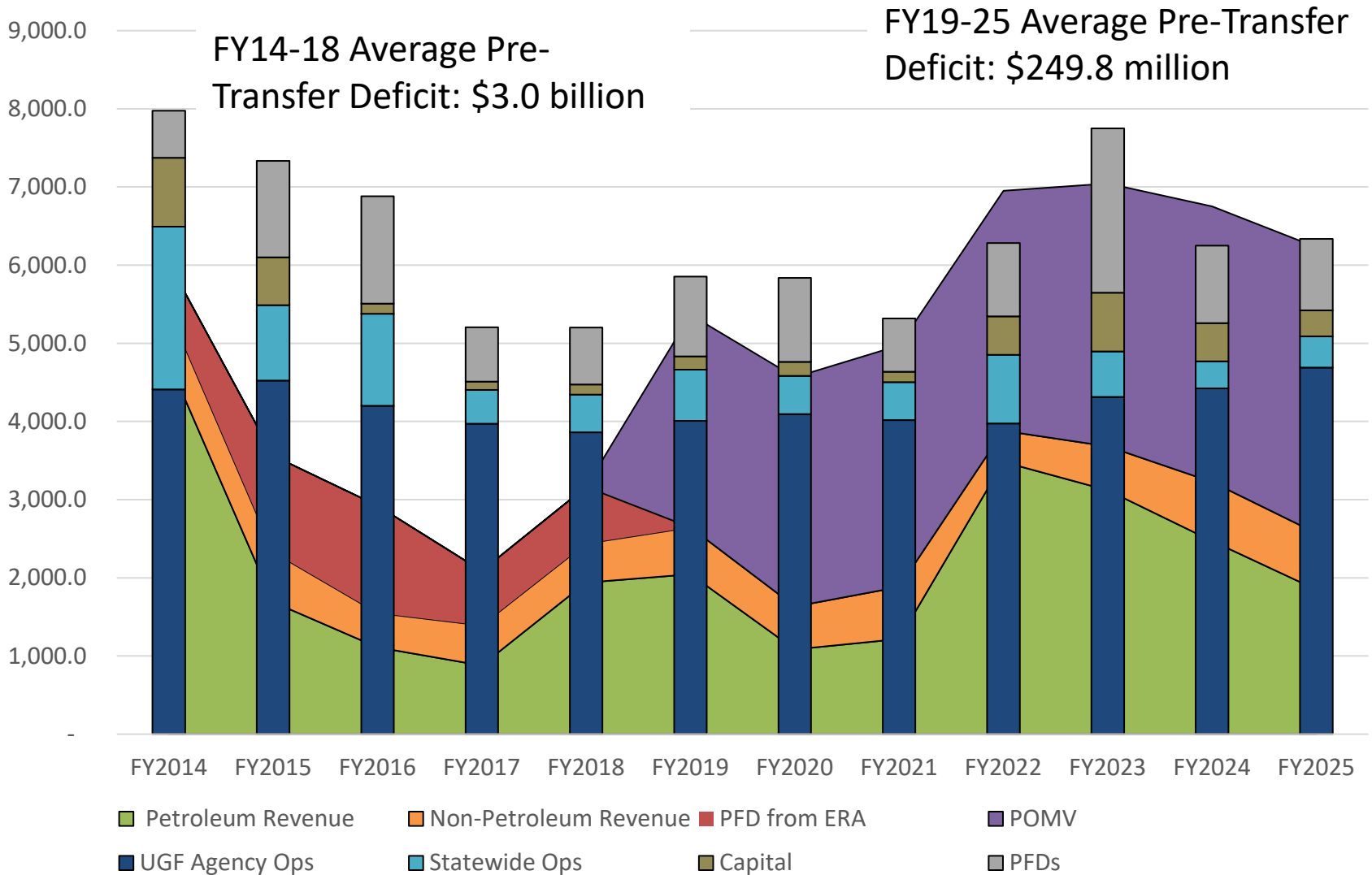


POMV in Alaska's Budget

Legislative Budget & Audit Committee
March 4, 2025
Legislative Finance Division

UGF Revenue and Budgets, FY14-25

(\$millions)

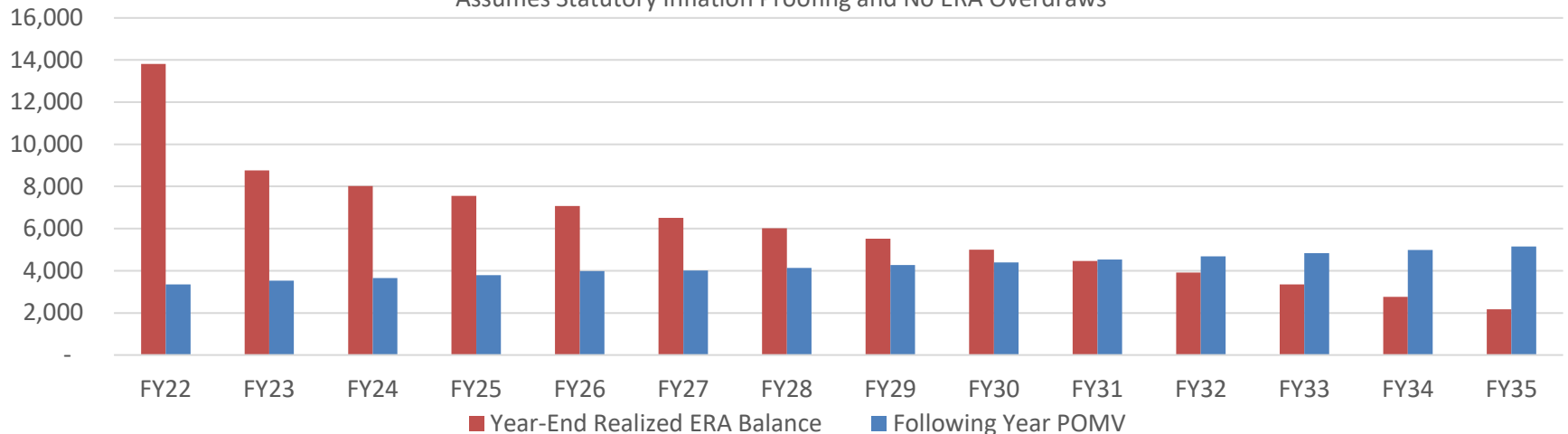


Earnings Reserve Account (ERA) Sufficiency

- APFC’s Statutory Net Income projection for FY25+ is 6.25%, compared to inflation of 2.50% and a 5.00% POMV draw. This leads to a projected decline in the balance of the ERA balance.
- APFC’s projections show that the year-end ERA balance will drop below the following year’s POMV draw amount in FY32, assuming statutory inflation proofing each year. That means that when the year begins, the ERA won’t have enough money to pay out the entire POMV draw for the year and will have to rely on current-year earnings.
- LFD’s probabilistic modeling shows an 46% chance of having an insufficient ERA balance to make the full POMV draw over FY26 – FY35, assuming full inflation proofing and statutory POMV draws. If inflation-proofing is suspended when the ERA balance drops below the following year’s POMV draw, that drops to 33%.

Realized ERA Balance, FY22-35 (\$millions)

Assumes Statutory Inflation Proofing and No ERA Overdraws



Policy Levers to Reduce ERA Sufficiency Risk

	ERA Failure Rates, FY26-FY35				(millions)
POMV Draw Rate	Statutory Inflation Proofing	Partial Inflation Proofing	No Inflation Proofing	Constitutionalize POMV	Impact of Draw Rate on FY26 Deficit
4.0%	30.7%	21.1%	11.1%	0.0%	(759.7)
4.5%	37.6%	25.5%	14.9%	0.0%	(379.9)
5.0%	45.7%	31.1%	19.6%	0.0%	0.0
5.5%	53.8%	36.4%	25.0%	0.0%	379.9

- Failure rate reflects the percentage of simulations where the ERA balance is insufficient to pay the full POMV draw at least once during the ten-year period
- “Statutory Inflation Proofing” refers to full statutory inflation proofing occurring annually. “Partial Inflation Proofing” means that full statutory inflation proofing occurs, except the amount is reduced if the FY-end ERA balance is insufficient to pay the following years POMV. “No Inflation Proofing” means that there is zero inflation proofing in any year from FY26-FY35.

Questions?

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