

**ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS**

April 8, 2021

11:32 a.m.

**MEMBERS PRESENT**

Representative Ivy Spohnholz, Chair  
Representative Adam Wool, Vice Chair  
Representative Andy Josephson  
Representative Calvin Schrage  
Representative Andi Story  
Representative Mike Prax  
Representative David Eastman

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

PRESENTATION: ALASKA'S FISCAL POSITION AND PROJECTIONS

- HEARD

PRESENTATION: ALASKA'S ECONOMIC AND LABOR DEMOGRAPHICS

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

ALEXEI PAINTER, Director  
Legislative Finance Division  
Legislative Affairs Agency  
Juneau, Alaska

**POSITION STATEMENT:** Continued the presentation from 2/6/21, titled "Alaska's Fiscal Position & Projections."

DAN ROBINSON, Research & Analysis Chief  
Division of Administrative Services  
Department of Labor and Workforce Development  
Juneau, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation, titled "Alaska employment and Population Trends (and what's driving them)," dated 4/8/21.

**ACTION NARRATIVE**

[11:32:50 AM](#)

**CHAIR IVY SPOHNHOLZ** called the House Special Committee on Ways and Means meeting to order at 11:32 a.m. Representative Prax, Story, Schrage, and Spohnholz were present at the call to order. Representatives Josephson, Wool, and Eastman arrived as the meeting was in progress.

**PRESENTATION: Alaska's Fiscal Position and Projections**

[11:33:56 AM](#)

CHAIR SPOHNHOLZ announced that the first order of business would be a continuation of the presentation from 2/6/21 on Alaska's fiscal position and projections by Alexei Painter, Legislative Finance Division (LFD).

[11:34:04 AM](#)

ALEXEI PAINTER, Director, LFD, Legislative Affairs Agency (LAA), resumed the presentation, titled "Alaska's Fiscal Position & Projections" [hard copy included in the committee packet], on slide 20. He reminded committee members that when they left off, he was reviewing fiscal models based on the governor's budget with several modifications; Unrestricted General Funds (UGF) replaced the unusual fund sources and short-term COVID-19 funding. Slide 20 showed the impact of a 50/50 percent of market value (POMV) Permanent Fund Dividend (PFD), with 50 percent of the draw going to government and 50 percent going to the dividend. That resulted in a dividend of \$2,400 per year according to the static model. He noted that this fiscal model represented the governor's idea of having a statutory dividend in FY 22 followed by a 50/50 POMV dividend after that, which is why the deficit in FY 22 was higher. He explained that with a dividend of \$2,400, the budget gap would be somewhere between \$1.2-\$1.3 billion per year. He suggested resolving that with spending reductions or new revenue. The governor, he said, offered a combination of both in his 10-year plan, which proposed several hundred million in spending reductions and reduced spending growth rates that would narrow the budget deficit over time. The governor also proposed "some sort of new

revenue;" however, the form of revenue was not specified. He noted that a deficit of \$1.2-\$1.3 billion would nearly deplete the Earnings Reserve Account (ERA) by FY 30.

CHAIR SPOHNHOLZ emphasized the "massive" structural gap in FY 23 of \$1.3 billion in this scenario.

[11:37:20 AM](#)

MR. PAINTER advanced to the fiscal model on slide 21, which featured a supplemental PFD payment in FY 21, a statutory PFD in FY 22, and a 50/50 POMV PFD in FY 23 to FY 30. The supplemental dividend payment would be an additional \$1.2 billion to match the statutory draw. This model resulted in slightly higher deficits because the \$1.2 billion was no longer in the ERA. Further, the ERA would be completely depleted by FY 30. He concluded that this scenario would slightly expand the annual deficit and exhaust the state's reserves quicker in the absence of a full fiscal plan.

CHAIR SPOHNHOLZ pointed out that by FY 29, there would be no money left in the CBR for cash management.

[11:38:37 AM](#)

REPRESENTATIVE SCHRAGE observed that slide 21 presented a "rosy picture" with constant returns of 6.75 percent. He presumed that [a constant rate of 6.75 percent] was not a realistic assumption.

MR. PAINTER replied in the affirmative. He explained that if the state were to overdraw by this amount, the Alaska Permanent Fund Corporation (APFC) would have to pivot to create more available cash rather than continue its relative risky portfolio, which brought higher returns. He noted that this scenario assumed nothing was done to address the fiscal problems, later adding that it showed the size of action that would be needed to balance [the budget].

REPRESENTATIVE SCHRAGE stated that while the 50/50 split would buy some time, additional action would be required to avoid a "doomsday" scenario in which all available funds and revenue sources were drained. He concluded that reduced spending or new revenues needed to be addressed. He asked if Mr. Painter agreed.

MR. PAINTER confirmed that additional spending reductions or new revenue would be needed to prevent the ERA from vanishing.

CHAIR SPOHNHOLZ noted that the legislature had an existing obligation to pay back the CBR.

[11:40:37 AM](#)

REPRESENTATIVE PRAX asked for confirmation that the revenue (in blue) was the same on slides 19 and 20. Additionally, he sought to verify that it was "the governor's assumed revenue but undesignated revenue." He asked if that was correct.

MR. PAINTER said yes, all the scenarios featured the spring revenue forecast for UGF revenue over the next decade.

CHAIR SPOHNHOLZ sought to clarify that Representative Prax had attempted to ask whether the unspecified revenue that had been identified in OMB's fiscal plan was included.

REPRESENTATIVE PRAX confirmed. He remarked:

I guess the difference would be you could assume growth in the oil production ... because we've got that stream of revenue and you can assume that it's going up or going down, or you could assume new sources of revenue.

REPRESENTATIVE PRAX continued by asking whether the fiscal model assumed [existing revenue sources] or new sources of revenue.

MR. PAINTER relayed that slide 21 assumed existing revenue sources and no new revenue; essentially, \$1.3 billion of new revenue or spending cuts would be required to balance the budget. He reiterated that it was up to the legislature and the governor to determine what form that new revenue would take.

CHAIR SPOHNHOLZ noted that the new revenue was unspecified in the governor's 10-year plan. She characterized it as a "placeholder" rather than an actual plan.

[11:42:49 AM](#)

MR. PAINTER proceeded to a "swoop graph" on slide 22, which highlighted UGF funds going to various purposes, including agencies and statewide/capital items. The graph provided a picture of all the governor's proposed appropriations. The blue

bar on the far left reflected the statutory PFD plus the payment of the past dividend for a supplemental of \$1.2 billion. The second largest item was the Department of Education and Early Development (DEED), followed by Department of Health and Social Services (DHSS), and so forth. Essentially, the sloop graph depicted the components of the governor's budget from largest to smallest [left to right].

CHAIR SPOHNHOLZ noted that the portion representing the PFD was almost three times larger than what the state invested in UGF for DHSS, which provided healthcare for roughly 265,000 Alaskans.

[11:44:22 AM](#)

REPRESENTATIVE PRAX said he would expect to see a reduction in DHSS if the dividend was disbursed.

CHAIR SPOHNHOLZ asked why he would expect that.

REPRESENTATIVE PRAX replied because of "reduced need for [public assistance]."

MR. PAINTER noted that the PFD Hold Harmless program ensured that individuals who receive the dividend were not kicked off public assistance for that month. He indicated that the payment did not vary with the dividend size.

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MR. PAINTER resumed the presentation on slide 23, which showed the impact on the ERA balance from overdrawing the Alaska Permanent Fund by \$1.2 billion in FY 21 and \$2 billion FY 22, as proposed by the governor. The blue reflected the ERA balance following the POMV draw, the grey bars reflected the ERA balance with the FY 21 and FY 22 overdrafts, and the orange and yellow lines reflected the impact on the POMV draw. He noted that it would take a while for that impact to be felt. He explained that the POMV draw had a five-year average and a lag; therefore, the FY 22 POMV draw would be based on the balance of the funds for FY 16 to FY 20. He continued to relay that an overdraft in FY 21 would not impact the FY 22 POMV but would begin to have a small impact in FY 23, which would grow over time as it was incorporated into the average. The cumulative difference in the POMV from FY 21 to FY 30 would be nearly \$900 million.

[11:48:12 AM](#)

REPRESENTATIVE SCHRAGE asked whether the reduction in revenue would be grow exponentially.

MR. PAINTER indicated that growth in FY 28 and beyond would be based roughly on the rate of inflation because the difference in the Alaska Permanent Fund balance would be equivalent, as new earnings would be offset by a lower POMV draw. He remarked:

In inflation adjusted terms, every billion dollars you pull out beyond the POMV draw reduces future POMV draw by \$50 million because that's ... assuming a 5 percent inflation adjusted return. You know, in the current forecast we have about that, but in the updated forecast we may get in the future, we actually have less than a real 5 percent projected return, so then there's be a slightly smaller impact.

[11:49:35 AM](#)

REPRESENTATIVE STORY asked whether [slide 23] assumed a constant return of 6.75 percent. She asked if [LFD would be confident] in this scenario over the next 10 years.

MR. PAINTER said no, adding that returns were always variable. He said 6.75 percent was the adopted forecast for APFC; however, it was expected to go down to 6.2 percent. He explained that there had been a large variation in returns from year-to-year due to the volatile stock market. He offered to follow up with additional versions using past return scenarios that would show the ERA balance declining even more dramatically if a market crash coincided with these overdraws.

CHAIR SPOHNHOLZ opined that the issue of volatility is an important one because Alaska had diversified its revenue from being solely dependent on oil. She said the Alaska Permanent Fund was an important buffer and an additional source of revenue; however, it, too, was volatile.

[11:52:06 AM](#)

REPRESENTATIVE WOOL observed that slide 23 only showed overdraws in FY 21 and FY 22. He sought to verify that slide 21 depicted a decreased POMV draw due to the continued overdraws.

MR. PAINTER confirmed. He explained that slide 21 highlighted the impact of continued overdraws, whereas slide 23 isolated the

proposed overdrafts in the current legislative session [FY 21 through FY 22] and underscored their impact.

[11:53:40 AM](#)

CHAIR SPOHNHOLZ informed committee members that more detailed analyses could be provided by LFD upon request.

MR. PAINTER concurred, adding that a 40-slide version of the same presentation existed if members were interested.

**PRESENTATION: Alaska's Economic and Labor Demographics**

[11:54:33 AM](#)

CHAIR SPOHNHOLZ announced that the final order of business would be a presentation on Alaska's economic and labor demographics by Dan Robinson, Department of Labor & Workforce Development (DLWD).

[11:54:58 AM](#)

DAN ROBINSON, Research & Analysis Chief, Division of Administrative Services, DLWD, introduced himself, explaining that his primary function was to produce many of the datasets pertaining to employment, wages, unemployment rates, and population. He noted that the Research and Analysis section was policy neutral and non-partisan. Additionally, they had produced a monthly economic publication, "Alaska Economic Trends," which extracted insights from the data. He expressed his hope that it was valuable to policy makers and businesses. The goal of the publication, he said, was to make semi-complicated economic concepts comprehensible to smart, non-experts.

CHAIR SPOHNHOLZ said she couldn't commend the publication highly enough. She agreed that the magazine translated complicated concepts for a broad audience without "dumbing it down."

MR. ROBINSON noted his interest in the three charges of the House Special Committee on Ways and Means.

[11:58:41 AM](#)

MR. ROBINSON introduced a PowerPoint presentation, titled "Alaska employment and Population Trends (and what's driving them)" [hard copy included in the committee packet]. He

directed attention to the graph on slide 2 showing Alaska's long-term population history from 1946 to 2020. He highlighted the spike in the 1970s due to the "pipeline boom." He explained that Alaska's population was a point-in-time estimate that accounted for individuals who lived in the state and did not maintain a home elsewhere. He reported that the population peaked at 741,000 in 2015 to 2016 and had since declined to 729,000. Mr. Robinson continued to discuss factors driving the lack of population growth on slide 3. He stated that for the first time in Alaska's history, the state experienced eight consecutive years of negative net migration, which indicated that more people were leaving than arriving. In total, 53,000 people had left. He noted that the 53,000 figure was not the same as total population loss, which accounted for births and deaths in addition to in and out migration.

[12:02:19 PM](#)

REPRESENTATIVE STORY questioned what was driving the [negative] net migration.

MR. ROBINSON said the short answer was the trouble with [oil] and the uncertainty surrounding the state's fiscal situation. However, he noted that there were many other factors as well.

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MR. ROBINSON continued to the bar chart on slide 4, which suggested that the eight years of negative net migration was caused by fewer people coming to Alaska as opposed to more people leaving.

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REPRESENTATIVE PRAX asked whether the same group of people were coming and going "versus people that are staying [in Alaska] a long time."

MR. ROBINSON reported that new arrivals were much more likely to leave versus people that had lived in the state for a long time. He noted that generationally, Alaska had shallower roots than other states because of its large migration flows. He added that the Permanent Fund Dividend provided a "rich, interesting" data source to answer those kinds of question.

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MR. ROBINSON reviewed the average annual net migration by age on slide 5, which showed that from 1990 to 2010 [blue line], 1,000 individuals aged 25-29 came to Alaska. Additionally, he highlighted that the numbers were consistently positive for ages 35-39, which he attributed to families with children in school. He continued to report that Alaska had not been a magnet for retired people. Lastly, he pointed out that Alaska consistently exported more of its college-aged individuals [aged 15-19] than it brought in.

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REPRESENTATIVE SCHRAGE asked Mr. Robinson to expand on the demographics of the age group 25-29. Also, he inquired about additional factors that brought people to Alaska aside from the military.

MR. ROBINSON stated that historically, employment opportunities, such as commercial fishing and mining, [brought people to Alaska]. In some cases, he said, they were high-wage jobs that did not require a particularly high level of education or training. He noted that lifestyle was another factor, later adding that the demographic was slightly more male than female.

CHAIR SPOHNHOLZ offered her understanding that many people came to Alaska for an adventure when they were young adults and ended up staying.

REPRESENTATIVE SCHRAGE pondered whether people, after coming to Alaska and accumulating wealth, moved away and spent that wealth elsewhere.

CHAIR SPOHNHOLZ believed that Mr. Robinson could also provide data on how long people stayed in Alaska. She shared that people tended to retire out of state, which she characterized as "a real problem for Alaskans."

[12:12:06 PM](#)

REPRESENTATIVE WOOL, referring to the graph on slide 5, asked whether a line that reflected 1970 to 1990 would parallel the red and blue lines.

MR. ROBINSON responded in the affirmative. He believed that the 25-29 point on the x-axis would be a high spike for that time period due to the pipeline construction and the high wages of the 1980s. He explained that Alaska had a disproportionate

percentage of baby boomers due to the migration of people in their twenties in the 1970s and 1980s.

REPRESENTATIVE WOOL surmised that if the oil economy continued to "flatten," a hypothetical line reflecting the future might be slightly lower because of the direct correlation with the economy.

MR. ROBINSON concurred; however, he advised Representative Wool not to underestimate the lifestyle component. He addressed the "mythology" that lured that age group [25-29] to Alaska. He further noted that it was possible to match the Permanent Fund data to wage records and recalled a study that looked at people ages 25-29 who were educated in Alaska as opposed to those who moved to Alaska. He indicated that those who moved here earned slightly more.

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REPRESENTATIVE STORY reflected on her experience with the governor's Teacher Retention and Retirement Work Group, as well as the Alaska Performance Scholarship.

MR. ROBINSON recalled a prior study on teacher's salaries. At the time, teachers had the highest starting salaries but not nearly the highest average salaries due the poor retention rates. Further, he addressed the Alaska Performance Scholarship and suggested that high academic achievers would be more likely to stay in Alaska if it were cheaper for them to study in state.

CHAIR SPOHNHOLZ recalled that the legislature had approved the Alaska Performance Scholarship to keep more of Alaska's youth from moving away. Further, she reported that only 20 percent of individuals who attended college out of state returned to Alaska. She believed that the cuts to the University of Alaska's budget, in addition to the loss of scholarships due to reverse sweep, caused people to move away, which she characterized as a strategic problem from a policy-makers standpoint.

MR. ROBINSON acknowledged that living and working in the state clearly impacted retention.

[12:21:01 PM](#)

MR. ROBINSON addressed Alaska's long-term employment history on slide 6, which featured a graph showing annual average wage and

salary job count. The data represented individuals who received a paycheck from an employer; however, it excluded the military. He noted that the decline in 2020 was due to COVID-19.

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REPRESENTATIVE WOOL sought to confirm that gig economy workers, Uber drivers, food truck operators, and self-employed individuals were not included.

MR. ROBINSON confirmed. He elaborated that in general, those not covered by unemployment insurance were excluded from the data. Additionally, commercial fishermen were excluded.

[12:23:02 PM](#)

REPRESENTATIVE PRAX inquired about the numbers on the y-axis.

MR. ROBINSON said the y-axis reflected the number of jobs (in thousands), indicating that in 1960, for example, there were 52,000 annual average jobs. He explained that if a job existed for 12 months, it was included in the data as one annual average job.

[12:24:07 PM](#)

MR. ROBINSON reviewed a February 2021 article from Alaska Economic Trends on slide 7, which focused on the pre-COVID economy. He emphasized the importance of rejecting the notion that a return to normal would mean "going back to everything being fine." He referenced forthcoming data that suggested Alaska had been underperforming compared to most states during this pre-COVID period. He proceeded to a bar graph on slide 8 showing net migration per 1,000 people from 2014 to 2019. The graph indicated that Alaska had lost more people per year than any other state. He pointed out that Illinois, a state with similar issues to Alaska, experienced the second most migration losses.

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REPRESENTATIVE PRAX sought to verify that an individual would have established residency for at least one year to be included in the population; thus, seasonal workers would not be included in the aggregate.

MR. ROBINSON answered no. He clarified that [population] was a point-in-time estimate and that seasonal workers who lived elsewhere during the off-season were not counted as an Alaska resident. Further, he differentiated population count from PFD eligibility, which required an established residency in Alaska for a full calendar year.

[12:28:07 PM](#)

MR. ROBINSON reviewed Alaska job growth from 2014 to 2019 compared to other states on slide 9, which read as follows:

Total: -2.6 percent, 48th among states (Utah 17.6 percent; North Dakota -4.9 percent)

Private Sector: -2.5 percent, 48th among states (Utah 19.2 percent; North Dakota -6.8 percent)

State Government: -12.1 percent, last among states (Colorado 19.2 percent; Kentucky -8.7 percent)

State University: -18.8 percent, last among states (Colorado 19.9 percent; Kentucky -16.0 percent)

MR. ROBISON emphasized that contrary to popular belief, attrition, as opposed to layoffs, was the primary way that job counts changed.

CHAIR SPOHNHOLZ stated her understanding that in both the current and previous administration, there was an intentional strategy to reduce the harm of budget cuts by allowing "cuts" by retirement, for example, rather than laying people off. She asked what differentiated North Dakota from Alaska in terms of job losses.

MR. ROBINSON said both North Dakota and Wyoming had steeper job losses during the oil crisis; however, both states bounced back faster. He explained that oil did not create the same secondary impact in those states as it did in Alaska. He noted that both states had sales tax and revenue generation capabilities; additionally, they did not have the same level of dependence on oil.

CHAIR SPOHNHOLZ sought to confirm that the diversification of state revenue in North Dakota and Wyoming aided in their resiliency.

MR. ROBINSON confirmed. He briefly discussed "the Alaska disconnect," per the Institute of Social and Economic Research (ISER), which found that population growth didn't generate new revenue to the state.

[12:33:21 PM](#)

REPRESENTATIVE JOSEPHSON opined that a self-fulfilling prophecy was occurring. He asked if that was accurate.

MR. ROBINSON acknowledged that the psychological component, although difficult to measure, was real. He recalled that the bond rating agency had concluded that, aside from diversifying the state revenue stream with the POMV legislation, Alaska was not dealing with its problems. He shared a personal anecdote and reiterated his belief that psychology mattered in an economy.

CHAIR SPOHNHOLZ shared her belief that if the state had passed a comprehensive and sustainable fiscal plan, Alaska might not have experienced the same number of significant migration losses. She pointed out that according to slide 9, Alaska's job cuts in both state government and the state university were higher than the next slowest state. She asked whether that indicated that from 2014 to 2019, Alaska had "the most negative job growth in those two areas" in the entire country.

MR. ROBINSON replied in the affirmative. He noted that there were two states that did not analyze the data in the same way; therefore, Alaska was 48 out of 48, or last.

[12:39:09 PM](#)

MR. ROBINSON directed attention to a graph on slide 10 highlighting oil and gas employment from 2014 to 2020 in the U.S. and Alaska. He noted that both patterns were similar. Oil jobs in the U.S. were reflected in blue and oil jobs in Alaska were shown in red.

CHAIR SPOHNHOLZ acknowledged that the pattern in Alaska oil jobs roughly matched the pattern in the U.S.; however, she observed that the decline in Alaska jobs appeared worse than the U.S. in the October 2019 through April 2020 timeframe.

MR. ROBINSON agreed that the slope of decline for Alaska appeared steeper. He speculated that projects in Alaska had a longer time horizon; additionally, he suspected that shale could

have been a factor. Nonetheless, he cautioned against reading too much into it, as COVID-19 was "such a massive destructive force." He surmised that there were also extra challenges in terms of transporting workers to the North Slope; consequently, projects may have been halted to a higher degree compared to smaller projects in Texas and North Dakota.

CHAIR SPOHNHOLZ suggested that in other states, the distribution of oil was broader. Alternatively, in Alaska, oil production largely occurred on the North Slope; therefore, one company's decision to stop production could have had a significant impact.

MR. ROBINSON concurred.

[12:42:02 PM](#)

MR. ROBINSON addressed controlling the growth of state government on slide 11, which featured a per-state comparison of government jobs per 100 people. Alaska ranked third highest following Wyoming and North Dakota.

CHAIR SPOHNHOLZ encouraged people to read the article, titled "How Government in Alaska Compares," from the Alaska Economic Trends October 2019 publication. The article reported that putting aside education-related government jobs, three states (Wyoming, North Dakota, and Alaska) had a higher concentration of other government jobs; further, the top five states in this category were all heavily dependent on natural resources.

[12:44:46 PM](#)

MR. ROBINSON advanced to slide 12, which related income for state and local government workers by state. California was ranked the highest at \$80,316 for state government workers and \$70,708 for local government workers. He noted that the cost of living in Alaska was consistently higher than other states. Research indicated that the cost of living in Anchorage was 24 percent higher than the average city studied; Fairbanks was 28 percent higher; and Juneau was 33 percent higher. Thus, if the ranking on slide 12 could have been "perfectly normalized" for the cost of living, Alaska would have fallen even lower in the rankings. He surmised that only Hawaii would have been more expensive than Alaska.

[12:46:28 PM](#)

REPRESENTATIVE SCHRAGE acknowledged that Mr. Robinson had stated that the results would be imperfect if adjusted for the cost of living; nonetheless, he asked if it could be provided to committee members.

MR. ROBINSON said he would not want to adjust this data for cost of living because it would do more harm than good; however, he offered to consider the request. He explained that in many states, urban was more expensive than rural, whereas in Alaska, it was the opposite. He supposed that he could adjust solely Alaska's data for the cost of living.

[12:47:38 PM](#)

REPRESENTATIVE WOOL assumed that benefits were "baked" into these numbers. He pondered whether Alaska's state employee benefits were comparable to other states. He surmised that benefit packages were linked to how long people stayed in Alaska.

MR. ROBINSON clarified that this data did not include the cost of benefits. He conveyed that he did not know how state benefits would compare.

REPRESENTATIVE WOOL stated that the legislature regularly heard from state agencies, such as the Department of Public Safety (DPS) and DEED, that [workers] would receive their training in Alaska and leave after five years due to the inadequate benefits.

MR. ROBINSON pointed out that whether other states offered defined benefits was relevant to teachers in particular, as that could affect where they wanted to make their careers.

CHAIR SPOHNHOLZ noted that the House Special Committee on Ways and Means (HW&M) would be addressing retirement and cost-saving measures at a later date. She referenced another article from a 2020 issue of Alaska Economic Trends that ranked Alaska as the sixth highest in the country for cost of living. She added that Alaska was flanked by urban states that were home to high income earners, such as New York, California, Oregon, and Massachusetts. She urged people to consider cost of living when thinking about wages and state spending on government employees.

MR. ROBINSON concurred.

[12:52:05 PM](#)

REPRESENTATIVE STORY recalled that [in 2020], the House Education Standing Committee (HEDC) heard testimony from ISER that compared teacher's salaries in Alaska to [other states]. She reported that Alaska was in the "middle of the pack." She offered to provide the report to committee members.

[12:52:46 PM](#)

MR. ROBINSON resumed the presentation on slide 13, which highlighted an April 2017 Alaska Economic Trends article on state recessions. The article suggested that confidence mattered in an economy and addressed the "near-certainty" of a secondary shock. He said economists predicted the transition away from oil paying for nearly all of state government. Slide 14 featured another Alaska Economic Trends article from February 2019, which underscored the economic costs of not solving the budget issues. He pointed out that Alaska had been downgraded 10 times by the three (credit) rating agencies; further, only three states had worse credit ratings. He noted that [the credit agencies] wrestled with understanding the Alaska Permanent Fund and its power. He touched on deferred maintenance, emphasizing that some costs were ones that Alaska did not have to incur. He acknowledged the difficulty of the political problem and reiterated that Alaska was creating costs by delaying the shift to a new normal.

[12:56:23 PM](#)

CHAIR SPOHNHOLZ reported that the affects of policy uncertainty costed the state between \$200-\$600 million in private investment. She agreed with the article on slide 14, which stated that there would be pros and cons to all budget strategies, and none would be costs-free, but until the [legislature] made those decisions, the economy would struggle. She referenced research that indicated that job losses in Alaska were the worst in the nation during 2014 to 2019, which impacted the state's population. She said Alaska was not an attractive state to move to right now, but it used to be. She shared a personal anecdote and asserted that until tough decisions were made, losses would continue to occur. She concluded by thanking Mr. Robinson for his presentation.

[12:59:46 PM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at [1:00] p.m.