

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

April 11, 2023

6:17 p.m.

**MEMBERS PRESENT**

Representative Ben Carpenter, Chair  
Representative Tom McKay  
Representative Kevin McCabe  
Representative Cliff Groh  
Representative Jamie Allard  
Representative Cathy Tilton

**MEMBERS ABSENT**

Representative Andrew Gray

**COMMITTEE CALENDAR**

OVERVIEW: LONG TERM FISCAL PLAN

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

ALEXEI PAINTER, Director  
Legislative Finance Division  
Juneau, Alaska

**POSITION STATEMENT:** Gave the "Long Term Fiscal Plan" overview.

**ACTION NARRATIVE**

[6:17:14 PM](#)

**CHAIR BEN CARPENTER** called the House Special Committee on Ways and Means meeting to order at 8:05 a.m. Representatives McKay, McCabe, Groh, and Carpenter were present at the call to order. Representatives Tilton and Allard arrived as the meeting was in progress.

**OVERVIEW: LONG TERM FISCAL PLAN**

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CHAIR CARPENTER announced that the only order of business would be the "Long Term Fiscal Plan" overview.

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ALEXEI PAINTER, Director, Legislative Finance Division, began the "Long Tern Fiscal Plan" overview, which highlighted three fiscal scenarios that the Alaska State Legislature could face in the coming fiscal years. He explained each individual scenario in depth and emphasized the legislative framework that would have to be in place for each scenario to occur.

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CHAIR CARPENTER shared his understanding that the increase in size and scope of the Alaska State Government would outpace the annual increase in revenue and asked if each of the fiscal scenarios were modeled off of that understanding.

MR. PAINTER confirmed that was correct.

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REPRESENTATIVE MCCABE asked Mr. Painter if the Legislative Finance Division has created any models to outline the impacts of the projected economic growth of the fiscal scenarios posed before the committee.

MR. PAINTER responded that the Legislative Finance Division has not created any models regarding the impacts of any economic growth in Alaska.

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REPRESENTATIVE CARPENTER asked whether the overview's scenarios take into account any of the recent changes in Alaska's fiscal practices. He asked whether the state's revenue sources would remain unchanged.

MR. PAINTER answered that the overview before the committee does not propose any changes to current state revenue structure.

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MR. PAINTER resumed the overview on the third of the three fiscal scenarios and explained both the legislative and financial framework that would have to be in place for the third financial scenario to occur.

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REPRESENTATIVE CARPENTER asked whether the proposals to increase sales tax and cut corporate income tax were based on an assumption of a 1- to 1.5-percent annual increase in revenue.

MR. PAINTER replied that the corporate income tax is directly tied to oil prices instead of revenue needs.

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REPRESENTATIVE MCCABE asked how Alaska's rate of sales tax is calculated.

MR. PAINTER explained that Alaska's income and sales tax model is not public information.

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REPRESENTATIVE MCKAY asked if the first of the three proposed fiscal scenarios mentioned a tax on oil production in Alaska.

MR. PAINTER explained that none of the three proposed fiscal scenarios specifically mentioned a tax on oil production in Alaska.

REPRESENTATIVE MCKAY suggested that the Willow Project be included in one of the proposed fiscal scenarios.

MR. PAINTER explained that the reason the Willow Project wasn't included in the scenarios was due to the uncertain nature of its revenue.

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REPRESENTATIVE GROH suggested a series of numbers in a theoretical fiscal scenario to Mr. Painter and asked how that theoretical scenario would set up Alaska's revenue portfolio.

MR. PAINTER replied that the specific numbers given by Representative Groh in his theoretical scenario would create a

surplus in fiscal year 2024 (FY 24) and a deficit in FY 25 and 26 due to a decline in revenue from oil and gas royalties.

REPRESENTATIVE GROH asked Mr. Painter to explain the difference between the statutory and "50/50" method of determining the annual payout of the Alaska permanent fund dividend (PFD).

MR. PAINTER explained that the statutory net-income method of determining the PFD's annual payout has already been considered for FY 25-27. He said that the statutory net-income method of determining the PFD's annual payout is an inherently more volatile method of determining its annual payout.

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CHAIR CARPENTER opined that it is difficult to determine which method of determining the annual PFD payout will be most consistent.

MR. PAINTER responded that there is no clear way to determine which method might be more consistent than another.

REPRESENTATIVE GROH asked if it could be true that a tax on oil and gas properties is less volatile than taxes that are based off of oil and gas income.

MR. PAINTER replied that Representative Groh's understanding was correct and explained the four tax categories that apply to oil and gas production in Alaska: petroleum property tax, royalty tax, production tax, and corporate income tax. He highlighted that the least volatile tax of those four categories was the petroleum property tax.

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REPRESENTATIVE GROH asked whether broad-base taxes are less volatile than a tax on oil production.

MR. PAINTER confirmed that is correct.

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REPRESENTATIVE MCCABE speculated how a progressive income tax might impact both those who would be most affected by a progressive income tax and Alaska's revenue portfolio. He opined that it "doesn't pencil out" to instate an income tax in Alaska.

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MR. PAINTER responded by explaining the difference between and the history of the proposals of both a progressive income tax and a flat tax. He said that in 2015, the Legislative Finance Division created a model of distributional options of tax income that highlighted how current or proposed taxes might affect Alaskans. He emphasized that any tax that affects things other than people is always going to look better on a distributional analysis.

REPRESENTATIVE CARPENTER opined that people who have a higher net worth would be more obviously highlighted in any sort of distributional analysis of any proposed tax policies.

MR. PAINTER said that it is difficult to model different tax policies in a single model and shared his agreement that it would be helpful to create a model for different tax policies.

REPRESENTATIVE GROH asked whether income tax rates could be altered to accommodate for different revenue needs.

MR. PAINTER answered that income tax rates could be altered however is needed, though it would have varying impacts on different industries throughout Alaska. He added that the majority of other states have both an income tax and a flat tax.

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REPRESENTATIVE CARPENTER thanked Mr. Painter for his presentation and set Monday, April 15, 2024, as the amendment deadline for HJR 7, HB 110, HJR 2, and HB 38.

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#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 7:09 p.m.