

# State of Alaska

# Comprehensive Fiscal & Policy Plan

# for Alaska

Department of Revenue  
Lucinda Mahoney, Commissioner

June 18, 2021  
CommonWealth North-Fiscal Policy Study Group



Governor  
**MIKE DUNLEAVY**

# Agenda

1. Overview of Permanent Fund Constitutional Amendment proposed to the Legislature by Governor Mike Dunleavy
2. State of Alaska Fiscal Background: Current Challenges
3. Governor's Proposed Solution

# Governor Wants Your Voice Heard

## Constitutionally protect Permanent Fund, Permanent Fund Dividend (PFD), and Power Cost Equalization (PCE)

- Combine Principal and Earnings Reserve Account into one endowment
- Limit annual distribution (POMV) draw to 5%
- Dedicate 50% of POMV to PFDs / 50% for Government
- PFD language enshrined into constitution
- Constitutionally protect Power Cost Equalization by depositing into Perm Fund
  - Dedicate revenue to equalize power costs in Alaska
- Provide bridge funding of \$3 billion to CBRF from Perm Fund

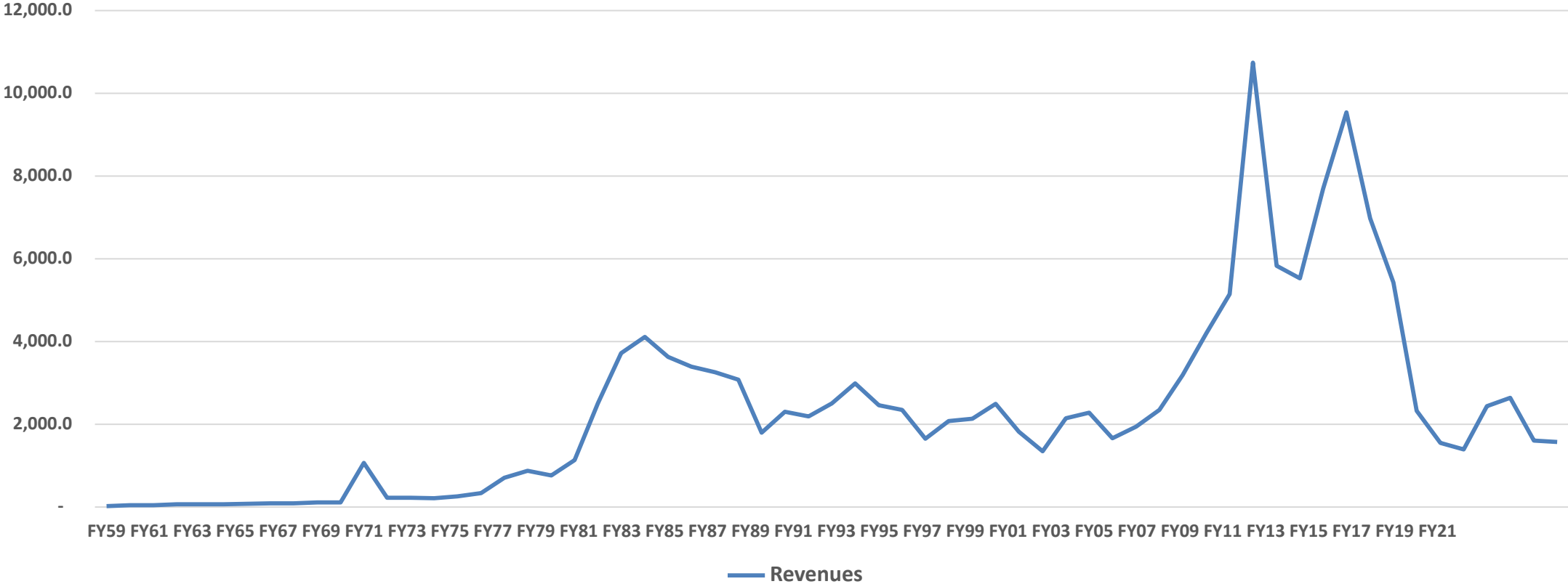


POMV = Percent of Market Value (annual draw)

CBRF = Constitutional Budget Reserve Fund (savings)

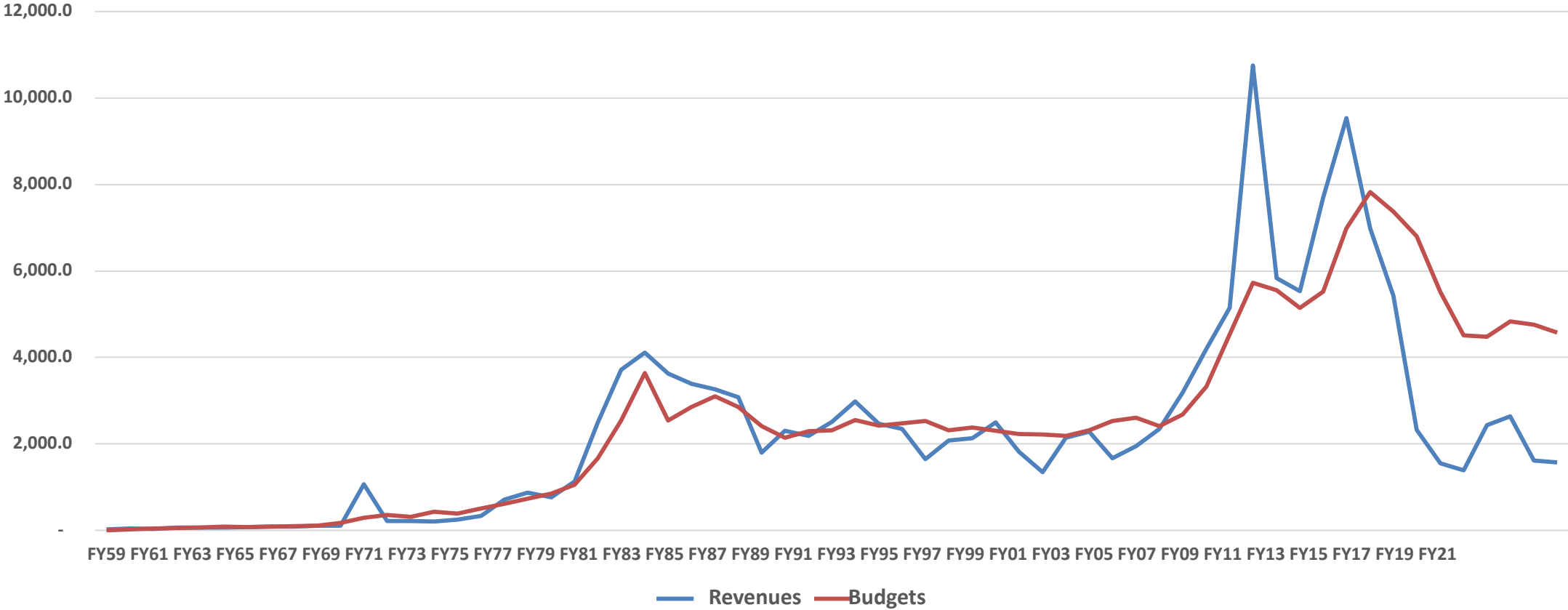
# Fiscal Background: Where Have We Been?

UGF Revenues and Expenditures Since Statehood  
(\$ Millions)



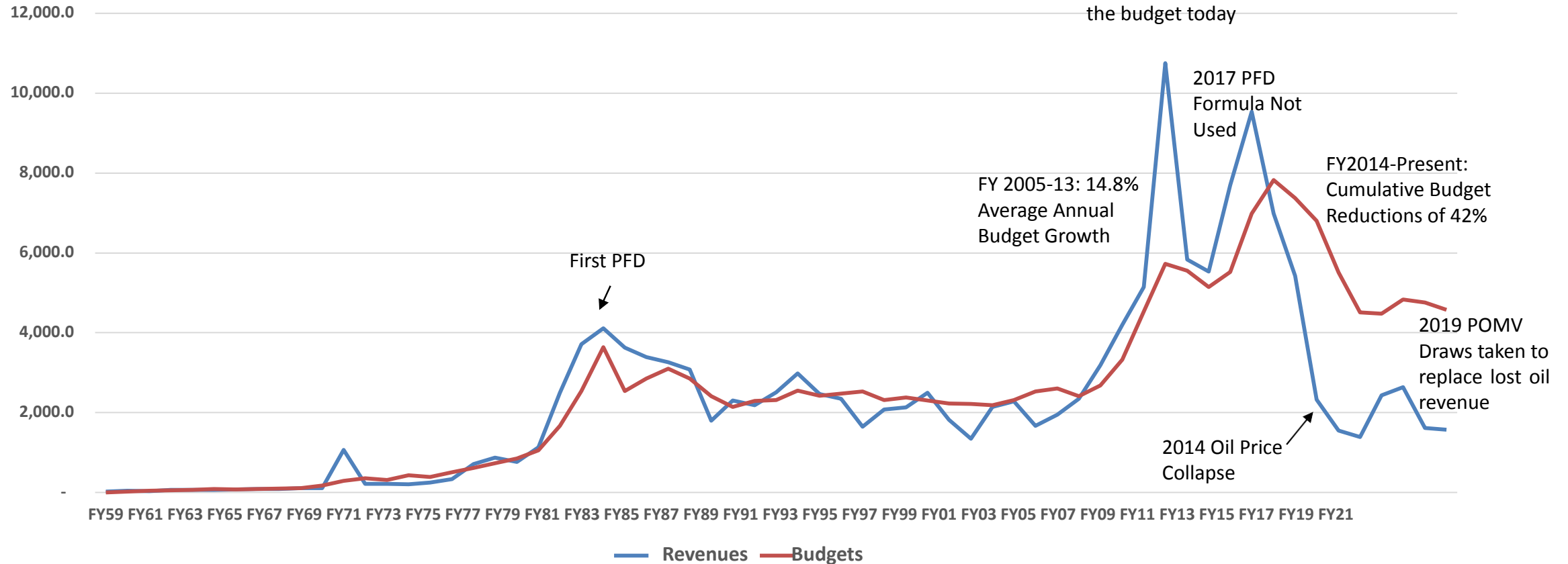
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# Historical PFD Background: Inconsistent Amounts

## Current

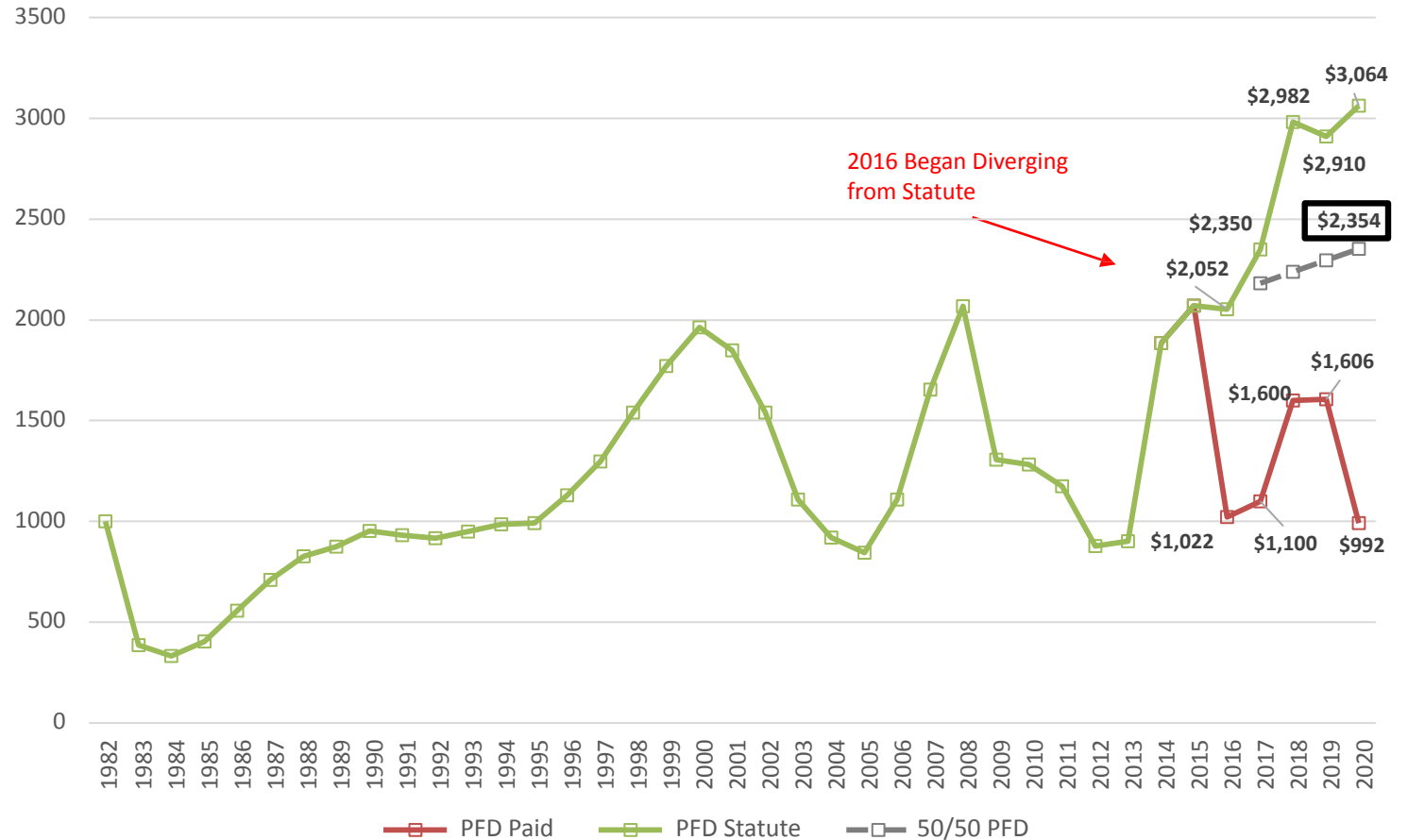
**Challenge:** Public Mistrust: Too much spending on Government

- Political Impasse: Results in a PFD Based on Politics – Not

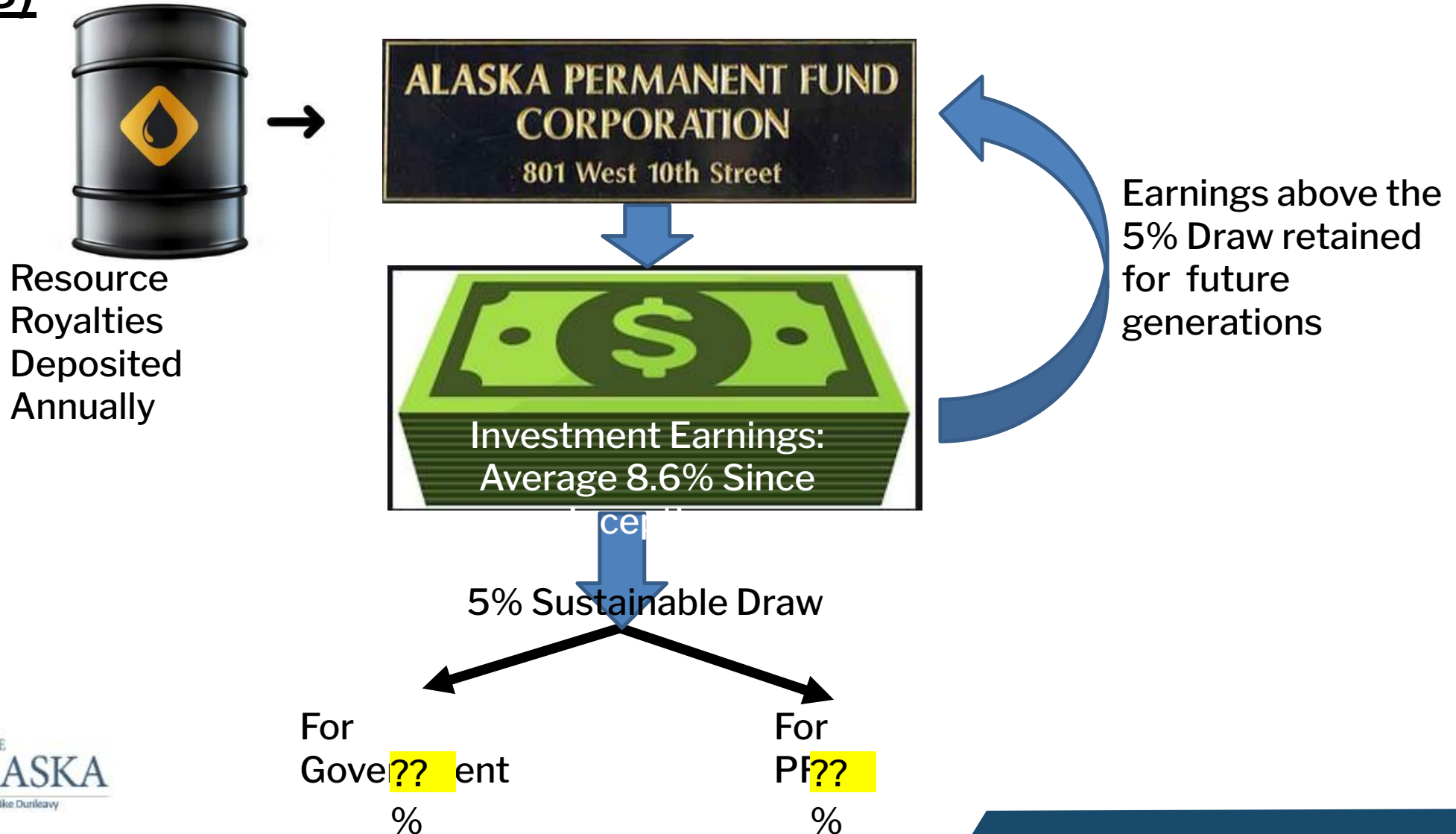
## Solution:

- Restore Public Trust: Consistent PFDs and Spending Limits
- Establish a Fair Resolution: 50/50 Split
- Constitutionalize PFD

Historical Dividend Payments (\$ per Alaskan)



# Problem: Uncertainty on POMV Split (Government vs PFDs)





# Solution: Constitutionally Protect the Perm Fund, PFD, and PCE

- Perm Fund Endowment approach is an internationally accepted best practice.
- Limits government spending at 50% of the 5% POMV draw.
- Stabilizes both revenues and the PFD with a smoothed five-year average.
- Constitutionally protects fund and PCE for future generations.

Fiscal Year	PFD (\$/Person)	POMV to Government (\$Millions)	POMV to PFD (\$Millions)	%PFD
2019	\$ 1,600	\$ 1,699.5	\$ 1,023.5	38%
2020	\$ 1,606	\$ 1,864.2	\$ 1,068.9	36%
2021	\$ 992	\$ 2,411.5	\$ 680.0	22%
2022	\$ 2,354	\$ 1,534.6	\$ 1,534.6	50%
2023	\$ 2,512	\$ 1,658.7	\$ 1,658.7	50%
2024	\$ 2,624	\$ 1,742.1	\$ 1,742.1	50%
2025	\$ 2,718	\$ 1,813.3	\$ 1,813.3	50%
2026	\$ 2,813	\$ 1,885.4	\$ 1,885.4	50%
2027	\$ 2,927	\$ 1,970.5	\$ 1,970.5	50%
2028	\$ 2,959	\$ 2,002.0	\$ 2,002.0	50%
2029	\$ 3,011	\$ 2,046.7	\$ 2,046.7	50%
2030	\$ 3,055	\$ 2,085.9	\$ 2,085.9	50%



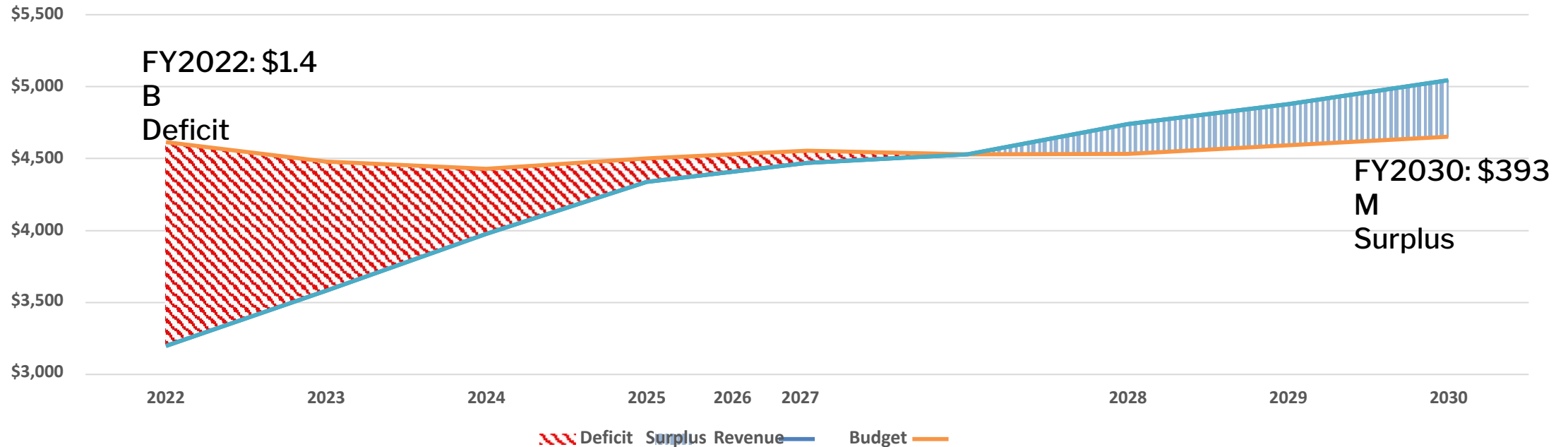
# Comprehensive Fiscal Plan Includes Bridge Funding from Perm Fund

our strong financial asset – the Permanent Fund – positions Alaska for long term fiscal sustainability.

- With \$3.0 billion in bridge funding from the Perm Fund, a forecasted FY2025 fiscal gap of ~\$300 million can be managed with a combination of revenue measures and spending reductions.
  - Other endowments are considering one-time increases in draws to capitalize on exceptional market performance:
    - Harvard’s \$42 Bill endowment increased from 5% to 7.5% on one-time basis
    - <https://www.thecrimson.com/article/2021/5/3/draw-further-endowment-fy22/>
    - <https://www.nytimes.com/2020/06/02/arts/endowments-coronavirus.html>
- This plan avoids the need for a new broad-based tax.
- Constitutionalizing a 5% POMV prevents overdrafts in the future.

# Comprehensive Fiscal Plan: Bridge Funding

10-Year UGF Budget and Revenue  
(\$Millions)

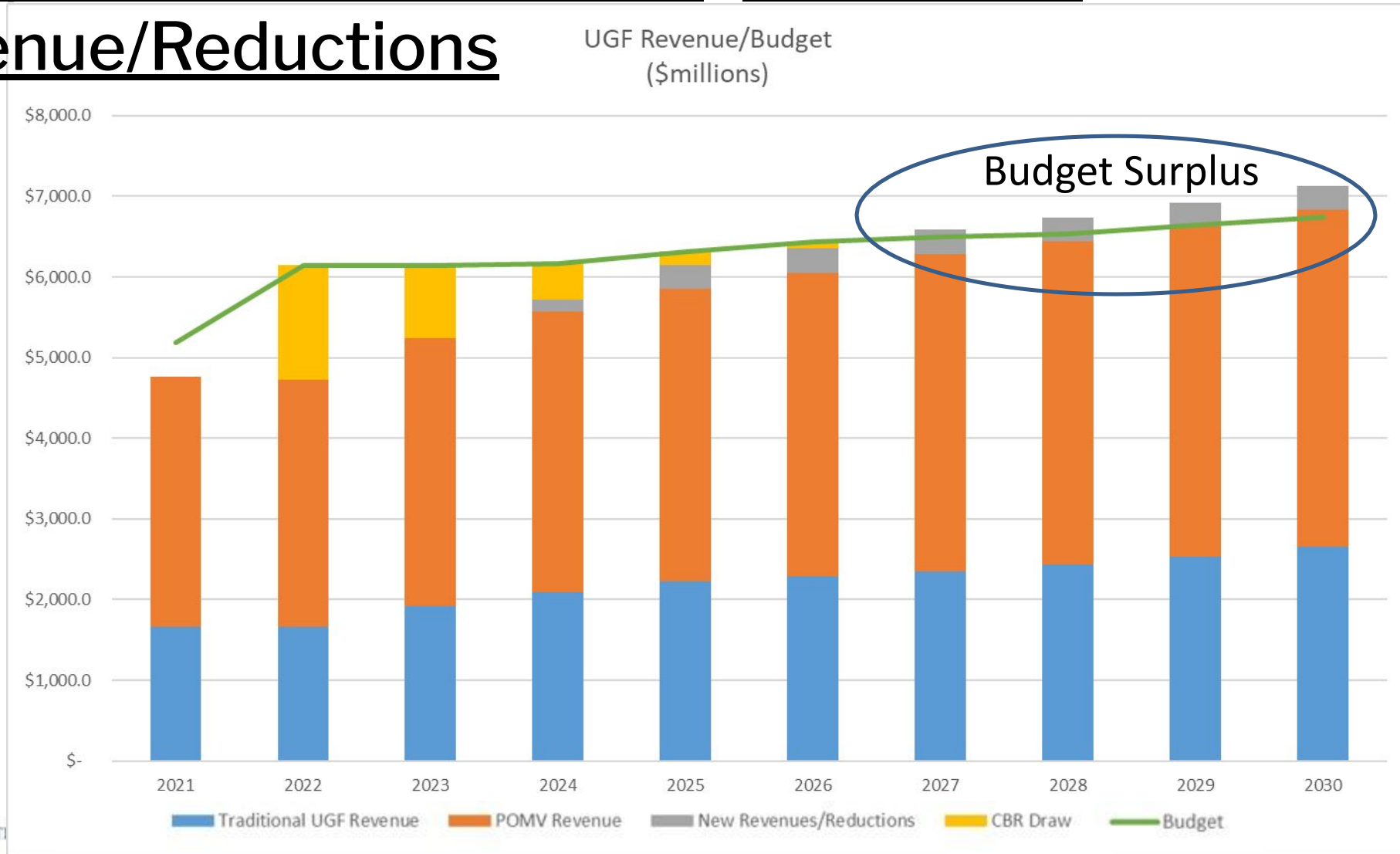


- As the Permanent Fund grows, so does the POMV which assists to reduce the deficit:
  - 2022 POMV: \$3,069.3 million
  - 2030 POMV: \$4,171.8 million
- The gap closes significantly due to increased POMV Investment income and \$300 million new revenues.



# Comprehensive Fiscal Plan: Achievable

## Revenue/Reductions



# Comprehensive Fiscal Plan: Details

## Fiscal Year 2022 Ten Year Outlook - Governor's Amended Budget, Spring 2021 Price Forecast, Updated DOR

(Amounts in millions)

Surplus FY 27-30

Unrestricted Revenues	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Traditional UGF Revenue	1,668.0	1,662.2	1,921.0	2,085.1	2,223.9	2,282.8	2,346.9	2,436.5	2,531.5	2,658.5
Permanent Fund POMV Draw	3,091.5	1,534.6	1,658.7	1,742.1	1,813.3	1,885.4	1,970.5	2,002.0	2,046.7	2,085.9
New Revenues/Reductions	0.0	0.0	0.0	150.0	300.0	300.0	300.0	300.0	300.0	300.0
<b>Total Revenue</b>	<b>4,759.5</b>	<b>3,196.9</b>	<b>3,579.7</b>	<b>3,977.2</b>	<b>4,337.2</b>	<b>4,468.2</b>	<b>4,617.4</b>	<b>4,738.5</b>	<b>4,878.2</b>	<b>5,044.4</b>
<b>Total General Fund Appropriations</b>	<b>4,508.1</b>	<b>4,612.6</b>	<b>4,477.8</b>	<b>4,428.9</b>	<b>4,502.4</b>	<b>4,555.0</b>	<b>4,529.2</b>	<b>4,531.0</b>	<b>4,592.6</b>	<b>4,651.2</b>
Draw From CBR Bridge Fund	0.0	1,415.8	898.0	451.8	165.1	86.7	0.0	0.0	0.0	0.0
<b>Budget Surplus</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>88.5</b>	<b>207.9</b>	<b>286.2</b>	<b>393.6</b>
<b>Constitutional Budget Reserve End Balance</b>	<b>1,048.4</b>	<b>2,632.6</b>	<b>1,802.2</b>	<b>1,401.5</b>	<b>1,274.4</b>	<b>1,223.2</b>	<b>1,346.2</b>	<b>1,591.0</b>	<b>1,919.0</b>	<b>2,360.9</b>

Unrestricted Revenues	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
50% POMV For PFD (\$millions)	0.0	1,534.6	1,658.7	1,742.1	1,813.3	1,885.4	1,970.5	2,002.0	2,046.7	2,085.9
PFDs (\$/Alaskan)	992.0	2,354.0	2,512.0	2,624.0	2,718.0	2,813.0	2,927.0	2,959.0	3,011.0	3,055.0
<b>Total Spending</b>	<b>4,508.1</b>	<b>6,147.3</b>	<b>6,136.5</b>	<b>6,170.9</b>	<b>6,315.7</b>	<b>6,440.5</b>	<b>6,499.7</b>	<b>6,533.0</b>	<b>6,639.3</b>	<b>6,737.1</b>

Permanent Fund End Balance	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Updated 5/18/21	77,586.1	76,456.4	79,139.8	80,730.8	82,320.9	83,885.3	85,399.6	86,972.1	88,579.2	90,218.8

- \$3.0 billion in bridge funding provides time to establish achievable revenues/reductions.
- Beginning in FY2024, \$150 million to \$300 million in revenues/reductions balances the budget and begins to grow reserves.



# Constitutional Amendment Proposal: Ballot in November 2022

Special Session called by Governor to  
address Comprehensive Fiscal Plan

## HJR7/SJR6 – Permanent Fund & PCE

- Protect the Permanent Fund with a Constitutional vote
- Establish a 50% distribution for PFDs/Government
- Enshrine the PCE Program in the Budget

Thank  
You!!

