Understanding Alaska’s Fiscal Situation

Presentation to the Association of Alaska School Boards

April 7, 2019
Governor Michael J. Dunleavy
Alaska Revenue and Spending History

1975: Oil money starts flowing...
...State government starts growing

1987 – 2006: 20 years of fairly stable revenues by today’s standard...
...20 years of flat spending

2006 - 2014: Our prayers are answered!
2014: Oil prices crash...
...but budget cuts did not match

“Please give us just one more oil boom. We promise not to…”
“Uh, ...Here’s the thing…”

That’s an average of 15% budget growth per year!
Building the Budget: Historical Savings, Revenue & Expenditures
Status Quo Budgeting

No PFD, No Savings, and No good options for future Alaskans

- ERA Balance
- PFDs run out
- Turn to ad hoc draws
- Until the ERA is empty
- And then taxes are the only option

2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041 2042 2043 2044 2045 2046 2047 2048 2049 2050

- ERA Balance
- UGF Revenues
- Allowed Transfer to GF
- Taxes
- PFD
- Excess Savings Draw
Where does Governor Dunleavy’s plan lead?

**Full PFDs, Balanced Budgets, and a Bright Future**

- PFD is protected
- 25 years of balanced budgets while following existing state laws
- Budget growth kept in check
- The next generation will have the assets to deal with future issues
- No Taxes Needed

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**Billions**

- ERA Balance
- UGF Revenues
- Allowed Transfer to GF
- Excess Savings Draw
- PFD
Alaska Economic Trends: GDP

State Gross Domestic Product
Cumulative Growth 2006-2016 12.8% Rank: 50

AK
U.S.
Historical Revenue & Operating Cost: Alaska Marine Highway System

AMHS Fare Box Recovery Rate 1987-2018

- Revenue
- Operating Cost
- Recovery Rate
University of Alaska Spending and Outcomes

U.S.--$7,642/student

Alaska--$16,391/student

Outcomes:

<table>
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<tr>
<th></th>
<th>1st year retention</th>
<th>4 yr</th>
<th>5 yr</th>
<th>6 yr</th>
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<tbody>
<tr>
<td>University of Alaska - Fairbanks</td>
<td>75%</td>
<td>15.3%</td>
<td>30.5%</td>
<td>39.2%</td>
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<tr>
<td>University of Alaska - Anchorage</td>
<td>71%</td>
<td>7.3%</td>
<td>17.3%</td>
<td>24.9%</td>
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<tr>
<td>University of Alaska - Southeast</td>
<td>64%</td>
<td>11.6%</td>
<td>15.7%</td>
<td>19.0%</td>
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Source: CollegeResults.Org, 2016 data
Projected Spending on Medicaid Claims FY2019-2039

Source: Analysis by Evergreen Economics of data provided by the Medicaid Budget Group.
Education Spending and Outcomes

Alaska Inflation Adjusted State Aid

Alaska Grade 4 Reading Proficiency

Billions

Average Scale Scores
Support ALL students to read at grade level by the end of third grade

Increase career, technical, and culturally relevant education to meet student and workforce needs

Close the achievement gap by ensuring equitable educational rigor and resources

Prepare, attract, and retain effective education professionals

Improve the safety and well-being of students through school partnerships with families, communities, and tribes
Follow-Up

• Suggestions for education reform?
Why Governor Dunleavy’s Plan?

• The cost of doing nothing is too high
• Without controls, the government always grows
• Without protection, the PFD will go away
• Without a seat at the table, taxes are coming
• How do we accomplish these goals?
  • Constitutional Amendments!
Governor’s Constitutional Amendments

Three constitutional amendments were introduced to provide sustainability, predictability, and affordability for Alaska:

1. Set an annual spending and savings rule to keep expenditures in line and not allow spending to increase when revenues are high

2. Require a vote of the people before broad-based taxes can be implemented

3. Constitutionally enshrine the PFD – Alaska is an owner state
Sustainable, Predictable, Affordable