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NEW REPORT PROVIDES PATH TO SUSTAINABLE BUDGET

ANCHORAGE, Alaska — “Navigating Alaska’s Fiscal Crisis,” a new report from the Tax Foundation, presents a detailed menu of options for creating a stable, balanced budget for Alaska. The author, Jared Walczak, delineates options to eliminate reliance on the Constitutional Budget Reserve, which has been nearly depleted over the last five years. Given the decline in the price per barrel of oil and daily production, Walczak describes a grim reality:

“What if what Alaska has experienced in recent years is not the trough of an economic cycle but a new normal—or worse, a temporary reprieve in the ongoing secular decline in energy markets? How does a state that has relied primarily on oil and gas revenues adjust to a world where such revenues are considerably less robust?”

“Navigating Alaska’s Fiscal Crisis” answers these questions in detail, focusing on what Walczak terms the “Three Rs: reallocations, reductions, and revenues.” For reallocations, he recommends a 50/50 POMV draw from the Permanent Fund Earnings Reserve Account—50 percent to fund state government and 50 percent to pay PFDs. For reductions, he recognizes the difficulty of cuts, made obvious last year, and suggests a revised constitutional spending cap. For revenues, he gives many tax options but favors the sales tax for its relative stability over the business cycle and ability to export to tourists and seasonal workers, among other reasons.

While not all of the ideas and suggestions in the Tax Foundation report may necessarily be the best for the state, they are reasoned and worth considering as Alaska grapples with a new normal of reduced oil prices and production. The full report is available at <https://taxfoundation.org/alaska-fiscal-crisis/>, and the summary is available at <http://alaskapolicyforum.org/2020/01/alaskas-fiscal-crisis-tf-report/>.

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