

The Pew Charitable Trusts' 2023 report "Tools for Sustainable State Budgeting" examines whether and how states are using long-term budget assessments and budget stress tests to measure and strengthen their fiscal outlooks.¹ This is one of 20 fact sheets describing the approaches of and opportunities to improve for each state that produces at least one of these analyses.²



Alaska: Tools for Sustainable State Budgeting

Long-term budget assessment: ✓

Report: "The Fiscal Year 2024 Budget: Legislative Fiscal Analyst's Overview of the Governor's Request"³

Office: Legislative Finance Division

Budget stress test: ✓

Report: Various, including "Fiscal Modeling: Senate Finance Committee Scenarios"⁴

Office: Legislative Finance Division

Analyses

Each January, as the Alaska Legislature convenes, the nonpartisan Legislative Finance Division (LFD) publishes a report that analyzes the governor's budget proposal, describes the state's fiscal outlook, and provides 10-year revenue and spending projections.⁵

The LFD's reports provide a frank assessment of Alaska's long-term fiscal challenges. In January 2023, the LFD found that the state's situation was "improved from the FY15-21 period, but not improved enough to eliminate the structural budget deficit the State has faced since FY14" and that "without further policy changes, there will

be substantial deficits that will rapidly deplete the State's savings accounts."⁶ The LFD also explores potential solutions. The fiscal 2024 analysis inventoried ways the state could boost revenue to close the deficit while also acknowledging that raising revenue was not the only option.⁷

The LFD also conducts budget stress tests to help lawmakers evaluate policy proposals.⁸ In early 2022, the co-chairs of Alaska's Senate Finance Committee asked the division to analyze several proposals, including an increase in the capital budget.⁹ To assess whether the state could afford these proposals, the LFD analyzed multiple scenarios, including ones in which spending on agency operations increased faster than expected and in which oil prices—a key variable in Alaska's revenue system—were lower than forecast.¹⁰

The Alaska governor's budget proposal also includes 10-year revenue and spending projections.¹¹ On its website, the Department of Revenue provides a customizable spreadsheet version of the model the executive branch uses to create these projections.¹² As a result, even members of the public can devise a plan for solving Alaska's fiscal challenges.

Notably, the executive and legislative branches share common assumptions and data when producing their projections—an approach that helps increase the credibility of the forecasts.¹³

Policy impact

Alaska's process integrates the LFD's analyses directly into legislative deliberations. Because the division uses lawmakers' actual policy proposals as the starting point for the stress tests, its analyses are immediately relevant and can inform pending decisions.

Similarly, legislators have used the LFD's 10-year projections to try to balance the budget over the long term. In 2021, for example, the Legislature's Fiscal Policy Working Group used the LFD's projection modeling to gauge the size of the structural deficit, analyze potential solutions, and reach bipartisan agreement on strategies to close the deficit (though the full Legislature had not adopted the agreement as of this writing).¹⁴

Next steps

Alaska could regularly publish standardized stress tests to complement the analyses the LFD already produces. Because the division produces stress tests only on an ad hoc basis in response to specific policy proposals, the analyses cannot easily be used to evaluate Alaska's overall readiness for recessions or other stressors and whether that preparedness is improving. One option would be for the LFD to include a stress test in its annual analysis of the governor's budget proposal. This report already estimates how high oil prices would need to be for the budget to balance, so forecasting the size of shortfalls under lower oil price scenarios would be a natural extension of that analysis.¹⁵

Endnotes

- 1 The Pew Charitable Trusts, "Tools for Sustainable State Budgeting" (2023), <https://www.pewtrusts.org/en/research-and-analysis/reports/2023/11/tools-for-sustainable-state-budgeting>.
- 2 The Pew Charitable Trusts, "States' Use of Sustainable Budgeting Tools" (2023), <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2023/11/states-use-of-sustainable-budgeting-tools>.
- 3 Alaska Legislative Finance Division, "The Fiscal Year 2024 Budget: Legislative Fiscal Analyst's Overview of the Governor's Request" (2023), <http://www.legfin.akleg.gov/Overview/Overview2024.pdf>.
- 4 Alaska Legislative Finance Division, "Fiscal Modeling: Senate Finance Committee Scenarios" (Feb. 10, 2022), https://www.akleg.gov/basis/get_documents.asp?session=32&docid=79002.
- 5 Alaska Legislative Finance Division, "The Fiscal Year 2024 Budget."
- 6 *Ibid.*, 7, 14.
- 7 *Ibid.*, 15-18.
- 8 C. Bell (fiscal analyst, economist, Alaska Legislative Finance Division), interview with The Pew Charitable Trusts, Jan. 17, 2023.
- 9 Alaska Legislative Finance Division, "Fiscal Modeling," 7.
- 10 *Ibid.*, 9-19.
- 11 Alaska Office of Management and Budget, "FY2024 Budget Overview and 10-Year Plan" (2022), https://omb.alaska.gov/ombfiles/24_budget/PDFs/10_Year_Plan_FY2024_12-15-22.pdf.
- 12 Alaska Economic Research Group, "Spring 2023 Fiscal Plan Model," April 10, 2023, <https://tax.alaska.gov/EconModel>.
- 13 A. Painter, director, Alaska Legislative Finance Division, email to Josh Goodman, The Pew Charitable Trusts, Aug. 9, 2023.
- 14 Alaska Fiscal Policy Working Group, "Final Report" (2021), https://akleg.gov/docs/pdf/2021_Fiscal_Policy_Working_Group-Final_Report.pdf.
- 15 Alaska Legislative Finance Division, "The Fiscal Year 2024 Budget," 19-20.

For more information, please visit: pewtrusts.org/fiscaltools

The Pew Charitable Trusts

Contact: Jolene Nieves Byzon, communications officer

Email: jbyzon@pewtrusts.org

Project website: pewtrusts.org/fiscaltools

Celebrating its 75th anniversary, **The Pew Charitable Trusts** uses data to make a difference. Pew addresses the challenges of a changing world by illuminating issues, creating common ground, and advancing ambitious projects that lead to tangible progress.