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ALASKA STATE LEGISLATURE

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Sponsor Statement
HB 9—The Education Funding Act

Alaska is carrying a structural budget deficit for its ninth straight year. Calculated according to the budget proposed by Governor Dunleavy, the FY22 deficit is more than \$2 billion.

The savings accounts state government used to balance the budget for nearly the past decade have been all but exhausted, and now—our backs against the wall—Governor Dunleavy proposes overdrawing earnings from the Alaska Permanent Fund to make up the difference. While he characterizes this as “an anomaly,” he also proposes no measures that would significantly reduce the annual deficit in future years, thus threatening the Permanent Fund Earnings Reserve with the same fate as the squandered Statutory Budget Reserve and Constitutional Budget Reserve.

The longer we delay addressing the structural deficit by backfilling with ERA funds, the more we compromise the Permanent Fund’s earning power and the deeper the deficit will grow. In other words, every year we delay in confronting the deficit, the costlier it will become to eliminate it in the future.

We cannot cut our way to a balanced budget. State Unrestricted General Fund spending has been slashed from \$7.8 billion in Fiscal Year 2013 to \$4.5 billion in Fiscal Year 2021, a decrease of 43 percent. In recent years, with state spending cut to the bone, Alaskans have recognized that vibrant communities and successful economic development require meaningful investments in K-12 and university-level education, highway and Marine-Highway infrastructure, Public Safety and Fish & Game management, and more. And they know that for these investments to bear fruit, they must receive adequate appropriations, not funding levels so low that they set up programs and services to fail and strip the value from the dollars we do spend.

The only rational solution is to increase revenues to the state. HB 9 would reestablish a modest state income tax to raise funding for public education and substantially reduce the structural deficit. The tax would yield more than \$600 million annually once fully implemented. Non-residents would pay approximately \$80 million of that, and many Alaskans will be able to deduct their state income taxes from their federal tax liability. In turn, HB 9 will enable the state to maintain the constitutionally required health, public safety, and educational core services that preserve our quality of life.