

Alaska Economic Recovery Plan

Putting Alaskans to work, creating confidence, and addressing state and community deferred maintenance

The Alaska Economic Recovery Plan will put Alaskans to work, address the state's and communities' growing deferred maintenance liability, and provide confidence to Alaska businesses and investors. The Governor's deferred maintenance capital package will inject \$1.4 billion of economic activity in construction projects throughout state.

The Alaska Economic Recovery Plan is comprised of three elements described in more detail below: 1) the limited payroll deduction tax, 2) the Alaska Economic Recovery Act, and 3) the oil and gas tax credit certificates bond financing program.

1) The Limited Payroll Tax

This [proposal](#) would impose a payroll deduction of 1.5 percent of wages, or for self-employed individuals, 1.5 percent of the net earnings from their business. Investment income, interest, retirement income, dividends (including the PFD), and other unearned income are all exempt from this tax. Both residents and non-residents will contribute to the tax.

The tax will be collected via payroll deductions from wages or submitted by those who are self-employed. The payroll deduction is limited by \$2,200, or twice the amount of the previous year's dividend (i.e. if the dividend was \$1,100, the maximum tax per working individual would be \$2,200, reached at \$147,000 in income). After three years, the tax will sunset. The intent of this proposal is to get Alaskans back to work by using the proceeds of this payroll deduction on shovel-ready capital projects that are designed to inject money into Alaska's economy and support job growth. The bill is estimated to produce \$320.0 million annually.

2) The Alaska Economic Recovery Act

Jump-starting Alaska's economy through this three-phase plan is contingent on the Legislature being willing to invest in our state's future by implementing a modest broad-based tax. If the limited payroll tax is not passed, there is no funding to support the [Alaska Economic Recovery Act](#). This three-phase capital package is funded by the \$800 million estimated total proceeds from three fiscal years of a 1.5 percent payroll tax. The proposed payroll tax has a sunset date in three years. The phased approach is shown below.

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Project Phased Distribution

	Phased Distribution			Total
	FY2019	FY2020	FY2021	
K-12 School Maintenance	\$70	\$65	\$55	\$190
University of AK Maintenance	\$70	\$65	\$55	\$190
State Maintenance	\$50	\$47	\$46	\$143
Critical Infrastructure Upgrades	\$47	\$57	\$58	\$162
Community and Housing Support	\$43	\$36	\$36	\$115
State Investment	\$280	\$270	\$250	\$800
Payroll Tax Revenue	\$160	\$320	\$320	\$800

dollars in millions

The Alaska Economic Recovery Act, submitted to the legislature, includes appropriations totaling \$280 million in FY2019. It will be followed by appropriation bills of \$270 million and \$250 million for FY2020 and FY2021, respectively. Over that same period, the estimated revenue from the payroll tax will total \$800 million, an amount sufficient to fund the capital projects. This funding will leverage federal and local monies on top of state funds, amounting to a total of \$1.4 billion in economic activity.

Estimated Economic Impact

	Estimated Economic Impact			
	State	<i>Federal</i>	<i>Local</i>	Total
K-12 School Maintenance	\$190	\$0	\$50	\$240
University of AK Maintenance	\$190	\$25	\$25	\$240
State Maintenance	\$143	\$10	\$0	\$153
Critical Infrastructure Upgrades	\$162	\$200	\$100	\$462
Community and Housing Support	\$115	\$60	\$30	\$205
Advancing Projects				\$100
Total	\$800	\$295	\$205	\$1,400

dollars in millions

This investment will address a portion of the University, K-12, and state facility deferred maintenance liability. It also provides funding for deferred maintenance in communities, including a match for the Port of Anchorage, and continues the harbor matching grants, bulk fuel tank and weatherization programs.

The focus on deferred maintenance projects is designed to get work started now – not in a decade after years of studies. The deferred maintenance projects proposed in the Alaska Economic Recovery Act aren't simply make-work projects that will increase the State's future costs. In fact, investing in deferred maintenance reduces future liability and conveys that the State is willing to take care of its own assets. The table below provides the listing of the phased distribution by

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appropriation. The FY2019 appropriations represent phase one and are included in the Alaska Economic Recovery Act.

Investment Category (dollars in millions)	FY19	FY20	FY21	Estimated Economic Impact			
				State	Federal	Local	Total
K-12 Major Maintenance Grant Fund (AS 14.11.007)	\$70.0	\$65.0	\$55.0	\$190.0	\$0.0	\$50.0	\$240.0
UA Deferred Maintenance, Renovation, Repair and Equipment	\$70.0	\$65.0	\$55.0	\$190.0	\$25.0	\$25.0	\$240.0
State Deferred Maintenance, Renovation, Repair and Equipment	\$50.0	\$47.0	\$46.0	\$143.0	\$10.0	\$0.0	\$153.0
Agency Deferred Maintenance, Renovation, Equipment	\$40.0	\$40.0	\$38.0	\$118.0	\$10.0	\$0.0	\$128.0
Pioneer Home Renovations and Repair	\$2.0	\$2.0	\$2.0	\$6.0	\$0.0	\$0.0	\$6.0
Statewide Contaminated Sites Cleanup	\$1.0	\$0.0	\$1.0	\$2.0	\$0.0	\$0.0	\$2.0
Courts Deferred Maintenance, Renovation, Equipment	\$3.0	\$1.0	\$1.0	\$5.0	\$0.0	\$0.0	\$5.0
Legislative Renovation, Projects, and Technology	\$4.0	\$4.0	\$4.0	\$12.0	\$0.0	\$0.0	\$12.0
Critical Infrastructure Repair and Upgrade	\$47.0	\$57.0	\$58.0	\$162.0	\$200.0	\$100.0	\$462.0
Port of Anchorage Phase 1 requires Municipal Match	\$40.0	\$0.0	\$0.0	\$40.0	\$0.0	\$67.0	\$107.0
Highway Match to Maximize Available Federal Funds	\$7.0	\$4.0	\$6.0	\$17.0	\$170.0	\$0.0	\$187.0
Future Maintenance Priorities		\$53.0	\$52.0	\$105.0	\$30.0	\$33.0	\$168.0
Community Needs and Housing Investments	\$43.0	\$36.0	\$36.0	\$115.0	\$60.0	\$30.0	\$205.0
Municipal Harbor Facility Grant Fund Projects	\$10.0	\$10.0	\$10.0	\$30.0	\$0.0	\$30.0	\$60.0
Alaska Energy Authority - Bulk Fuel Upgrades	\$5.0	\$5.5	\$5.5	\$16.0	\$40.0	\$0.0	\$56.0
Emergency Medical Services Match for Code Blue	\$1.0	\$0.5	\$0.5	\$2.0	\$0.0	\$0.0	\$2.0
Weatherization Program	\$15.0	\$10.0	\$10.0	\$35.0	\$8.0	\$0.0	\$43.0
Housing Facility Maintenance Program	\$7.0	\$5.0	\$5.0	\$17.0	\$12.0	\$0.0	\$29.0
Supplemental Housing Development Program	\$3.0	\$3.0	\$3.0	\$9.0	\$0.0	\$0.0	\$9.0
Senior Citizens Housing Development Program	\$2.0	\$2.0	\$2.0	\$6.0	\$0.0	\$0.0	\$6.0
Advancing Existing Projects							
Restart Paused Road Projects							\$100.0
Total	\$280.0	\$270.0	\$250.0	\$800.0	\$295.0	\$205.0	\$1,400.0

The deferred maintenance projects included in the plan will impact more than 60 communities statewide. The links below provide additional project information for the FY2019 Alaska Economic Recovery Act appropriations.

[K-12 Major Maintenance Grant Fund \(AS 14.11.007\)](#)

[UA Deferred Maintenance, Renovation, Repair and Equipment](#)

State Deferred Maintenance, Renovation, Repair and Equipment

- [Agency Deferred Maintenance, Renovation, Equipment](#)
- [Pioneer Home Renovations and Repair](#)
- [Statewide Contaminated Sites Cleanup](#)
- [Courts Deferred Maintenance, Renovation, Equipment](#)
- [Legislative Renovation, Projects, and Technology](#)

Critical Infrastructure Repair and Upgrade

- [Port of Anchorage Phase 1](#) (requires Municipal Match)

- [Highway Match to Maximize Available Federal Funds](#)

Community Needs and Housing Investments

- [Municipal Harbor Facility Grant Fund Projects](#)
- [Alaska Energy Authority - Bulk Fuel Upgrades](#)
- [Emergency Medical Services Match for Code Blue](#)
- [Weatherization Program](#)
- [Housing Facility Maintenance Program \(AHFC\)](#)
- [Supplemental Housing Development Program](#)
- [Senior Citizens Housing Development Program](#)

3) The Oil and Gas Tax Credit Certificates Bond Financing Program

Thanks to the Legislature closing the door on the state assuming additional future credit liability with last year's passage of HB 111, and the promising development opportunities on the horizon, the administration wants to give the oil industry the certainty that they need to invest in future petroleum development. For many credit holders, the delay in payment of accrued tax credits has limited their ability to obtain financing for viable oil exploration and development projects. To reduce uncertainty, restore confidence and put Alaskans back to work, the administration proposes to buy back all credits at a modest discount.

The state will finance this early, discounted buy-back by selling bonds. The debt financing cost over the lifetime of the debt will be offset by the discount taken by oil companies who are eager to receive their cash now, rather than on the schedule set by statutory formula. This makes the plan deficit-neutral, and it allows the state to make smaller debt payments up-front.

This element of the Alaska Economic Recovery Plan is described in greater detail in a separate OMB paper, [Tax Credit Certificates Bond Financing Program](#).