

encumbered, and may not be fully funded for several years in the current budget environment. There has been some discussion of targeted re-appropriation (cancellation) of this funding.

The FY 2016 capital budget began this process, pulling back the unspent balances from dozens of projects. A portion of the freed-up funds were then reallocated to new projects, so as to reduce the need for the appropriation of additional general funds.

Indirect Expenditures

The 2014 Indirect Expenditure report documented a large number of tax exemptions, credits, and other tax avoidance mechanisms imbedded in the current statutes. These range in annual cost from just a few hundred dollars to hundreds of thousands and more. A comprehensive program to eliminate these items could, in the aggregate, save the state several million dollars per year.

Lottery

While it was once the norm, Alaska is now in the minority of states by not having a state lottery. Generally, a state-sponsored entity oversees the lottery with sales made at private retail locations. After payouts, retailer commissions, marketing, and operational expenses, every lottery in the U.S. was profitable in the 2013 fiscal year. Lottery income in FY 2013 varied from \$8.3 million in North Dakota to \$3.1 billion in New York. On a per capita basis, income ranged from \$11.5 per capita in Montana to \$360.4 per person in Rhode Island.

An Alaska lottery would probably offer games that fit into one or more of three categories:

- Instant (scratch-off) ticket lotteries: Similar to those currently used in Alaska's charitable gaming pull tab activities.
- Numbers lotteries: Players pick from a set of numbers, and win if they match the numbers picked in an official drawing. Often, these are pooled among multiple states, creating much larger jackpots.
- Video lotteries: Electronic games with instant payout using a "video lottery terminal" (VLT), similar to a slot machine.

To estimate how much revenue an Alaska lottery could bring in, the Department of Revenue looked at statistics from the 10 lowest population states. We looked closely at Wyoming, the most recent entrant into the lottery market which expects to earn \$13

million to \$17 million in its first year of operation. It opened in August 2014 with Powerball and Mega Millions and is adding two Wyoming-specific games in 2015.

Preliminary estimates are that Alaska could generate around \$8 million per year at first. However, an expansion of gaming through any sort of lottery, while beneficial to state revenue, would almost certainly have some negative impact on current state-regulated charitable gaming activities such as pull tabs and raffles. These current activities support numerous nonprofits in the state and any changes would likely be opposed by the entities that benefit from the current system.

Conclusions: Toward a Sustainable Fiscal Framework

Implementation of some combination of the options listed in this chapter could help address the majority of the State's fiscal gap. Any amount not closed during this process would necessarily require the use of savings. However, even if savings are required, any potential draw would be significantly less than it would have otherwise been if no action were taken.

As Alaska moves forward, our common interest must be to strengthen Alaska's future and enable opportunity for all Alaskans. This requires a balanced and measured path to fiscal stability. Most importantly, the state should enable itself to continue meeting its obligations to protect the safety and health of Alaskans; to provide quality education and employment opportunities in a growing and more diverse economy; and to ensure that transportation, community and development infrastructure needs are met.

The future of our great state is in our hands. The time for bold and decisive action is now.