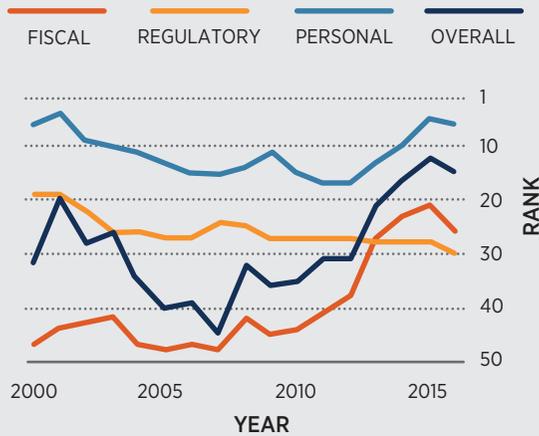


ALASKA

2016 RANK
15th



POLICY RECOMMENDATIONS

- Fiscal:** Cut spending in the areas of grossest over-spending relative to national averages: education (for which Alaska has the highest spending-to-income ratio in the nation), corrections, administration (especially financial administration and public buildings), housing and community development spending, and “miscellaneous commercial activities.” Use the proceeds to reduce the corporate income tax permanently, helping the economy to diversify away from energy.

- Regulatory:** Enact a right-to-work law to attract manufacturing investment.

- Personal:** Reform asset forfeiture to require a criminal conviction before forfeiture and to require Department of Justice equitable sharing proceeds to follow the same procedure.



Population, 2017

739,795

Net Migration Rate

-7.1%



State Taxes, Percent of Personal Income, FY 2017

2.05%

Local Taxes, Percent of Personal Income, FY 2015

4.50%

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Real Per Capita Personal Income, 2016, in 2009 \$

\$47,831

Real Personal Income Growth, CAGR, 2000-15

3.1%

ANALYSIS

Alaska is an unusual state because of its enormous oil and gas reserves and revenues. Its fiscal policy scores fluctuate wildly depending on the global price of oil. With the end of the 2000s’ commodity boom, corporate income tax collections plummeted in Alaska, and the state buffered the decline with large withdrawals from its enormous rainy-day fund. Alaska has by far the highest cash-to-liability ratio of any state.¹¹⁵

Alaska’s enviable net asset position has also made for something of a “resource curse” in the state’s expenditures. Of the employed population in Alaska, 17.9 percent work in state or local government, nearly two standard deviations above average. Government consumption is similarly high. Although local taxes outstrip state taxes (which are quite low)—lately by a wide margin—local jurisdictions are so consolidated that there is virtually no choice among local government options.

Despite its attractive overall fiscal situation, or perhaps because of it, Alaska does poorly on several important regulatory policy indicators and does middling overall. The labor market is far more regulated than one would expect for such a conservative state. There is no right-to-work law; the state has strict workers’ compensation mandates and a high minimum wage (\$9.84 per hour in 2018). Many occupations are licensed in Anchorage and Fairbanks, where about half of the state’s population lives. Insurance is pretty heavily regulated. On the other hand, Alaska gives a

good bit of practice freedom to nurses and dental hygienists, does not zone out low-cost housing, and has one of the nation’s best civil liability systems (an area in which the state has improved a great deal over the past 16 years).

As one of the country’s most libertarian states, Alaska has always done well on personal freedom and actually improved into a top-five state over the past few years. Drug arrests are quite low (a standard deviation and a half below average); crime-adjusted incarceration is below the national average; marijuana is legal; homeschooling is unregulated; and gun rights are secure (for instance, concealed carry of handguns does not require a license). However, the state used to have one of the most anti-gay-marriage laws in the nation, forbidding even private partnership contracts for same-sex couples. (Of course, *Obergefell* federalized the issue and overturned these laws.) The state’s civil asset forfeiture law is among the worst in the country, which probably accounts for why local police do not bother to ask the Department of Justice to “adopt” many cases. The burden of proof is on the owner of the property to prove innocence, property is subject to forfeiture on the basis of mere probable cause, and the proceeds largely go to law enforcement. Sales of all alcohol, even beer, are prohibited in grocery stores. Alcohol taxes, especially for beer, are also among the highest in the country. Gambling freedom is low, and the cigarette tax is high at \$2 per pack in 2018. There is no helmet law for motorcyclists.

115. Eileen Norcross, “Ranking the States by Fiscal Condition,” Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, July 2015.