

RANK
17

ALASKA

SUMMARY

On the basis of its solvency in five separate categories, Alaska ranks 17th among the US states for fiscal health. This year's rank reflects the state's reliance on oil revenues. The state has high levels of cash—between 24.7 and 25.7 times the amount of cash needed to cover short-term bills. However, most of this revenue is part of the Alaska Permanent Fund and is not readily available for spending. With the fall in oil prices between FY 2014 and FY 2015, Alaska's budgetary position weakened significantly. An operating ratio of 0.67 indicates that revenues only cover 67 percent of expenses. The state's net position dropped dramatically by \$5,734 per capita. On a long-run basis, Alaska performs better. After meeting its debts, Alaska's net assets are 78 percent of total assets, and long-term liabilities are 10 percent of total assets. Total debt amounts to 4.5 percent of personal income. On a guaranteed-to-be-paid basis, unfunded pension liabilities are \$30.08 billion, or 73 percent of personal income, which is much higher than the national average of 35 percent. These pension liabilities will decline over time since Alaska closed its defined benefit system to new hires in 2005.

2015 TOTAL LONG-TERM OBLIGATIONS

STATE DEBT

	General obligation bonds	Total primary government debt	State personal income	Ratio of debt to state personal income	Total primary debt per capita
Alaska	\$0.66 billion	\$1.87 billion	\$41.31 billion	4.5%	\$2,538
National average	\$6.09 billion	\$12.71 billion	\$305.43 billion	3.7%	\$1,804

PENSION LIABILITY

	Unfunded pension liability	Funded ratio	Market value of unfunded liability	Market value of funded liability ratio
Alaska	\$6.12 billion	70%	\$30.08 billion	33%
National average	\$20.62 billion	74%	\$105.50 billion	36%

1. Florida
2. North Dakota
3. South Dakota
4. Utah
5. Wyoming
6. Nebraska
7. Oklahoma
8. Tennessee
9. Idaho
10. Montana
11. Missouri
12. Alabama
13. Ohio
14. Nevada
15. North Carolina
16. Indiana
- 17. Alaska**
18. Virginia
19. South Carolina
20. Arkansas
21. Oregon
22. Georgia
23. Texas
24. Minnesota
25. New Hampshire
26. Washington
27. Hawaii
28. Iowa
29. Wisconsin
30. Colorado
31. Delaware
32. Kansas
33. Arizona
34. Mississippi
35. Maine
36. Michigan
37. Connecticut
38. Rhode Island
39. New York
40. Vermont
41. New Mexico
42. West Virginia
43. California
44. Louisiana
45. Pennsylvania
46. Maryland
47. Kentucky
48. Massachusetts
49. Illinois
50. New Jersey

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

	Total unfunded OPEB	Funded ratio
Alaska	\$3.67 billion	73%
National average	\$12.97 billion	12%

UNDERLYING RATIOS

	Cash ratio	Quick ratio	Current ratio	Operating ratio	Surplus (or deficit) per capita	Net asset ratio	Long-term liability ratio	Long-term liability per capita
Alaska	24.69	25.13	25.72	0.67	-\$5,734	0.78	0.10	\$11,473
National average	2.68	3.66	3.93	1.04	\$150	-0.17	0.61	\$4,272

	Tax-to-income ratio	Revenue-to-income ratio	Expenses-to-income ratio	Pension-to-income ratio	OPEB-to-income ratio
Alaska	0.01	0.21	0.31	0.73	0.09
National average	0.06	0.13	0.13	0.35	0.04

KEY TERMS

- **Cash solvency** measures whether a state has enough cash to cover its short-term bills, which include accounts payable, vouchers, warrants, and short-term debt. (Alaska ranks 1st.)
- **Budget solvency** measures whether a state can cover its fiscal year spending using current revenues. Did it run a shortfall during the year? (Alaska ranks 50th.)
- **Long-run solvency** measures whether a state has a hedge against large long-term liabilities. Are enough assets available to cushion the state from potential shocks or long-term fiscal risks? (Alaska ranks 7th.)
- **Service-level solvency** measures how high taxes, revenues, and spending are when compared to state personal income. Do states have enough “fiscal slack”? If spending commitments demand more revenues, are states in a good position to increase taxes without harming the economy? Is spending high or low relative to the tax base? (Alaska ranks 11th.)
- **Trust fund solvency** measures how much debt a state has. How large are unfunded pension liabilities and OPEB liabilities compared to the state personal income? (Alaska ranks 50th.)

For a complete explanation of the methodology used to calculate Alaska’s fiscal health rankings, see Eileen Norcross and Olivia Gonzalez, “Ranking the States by Fiscal Condition,” 2017 ed. (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, July 2017).

