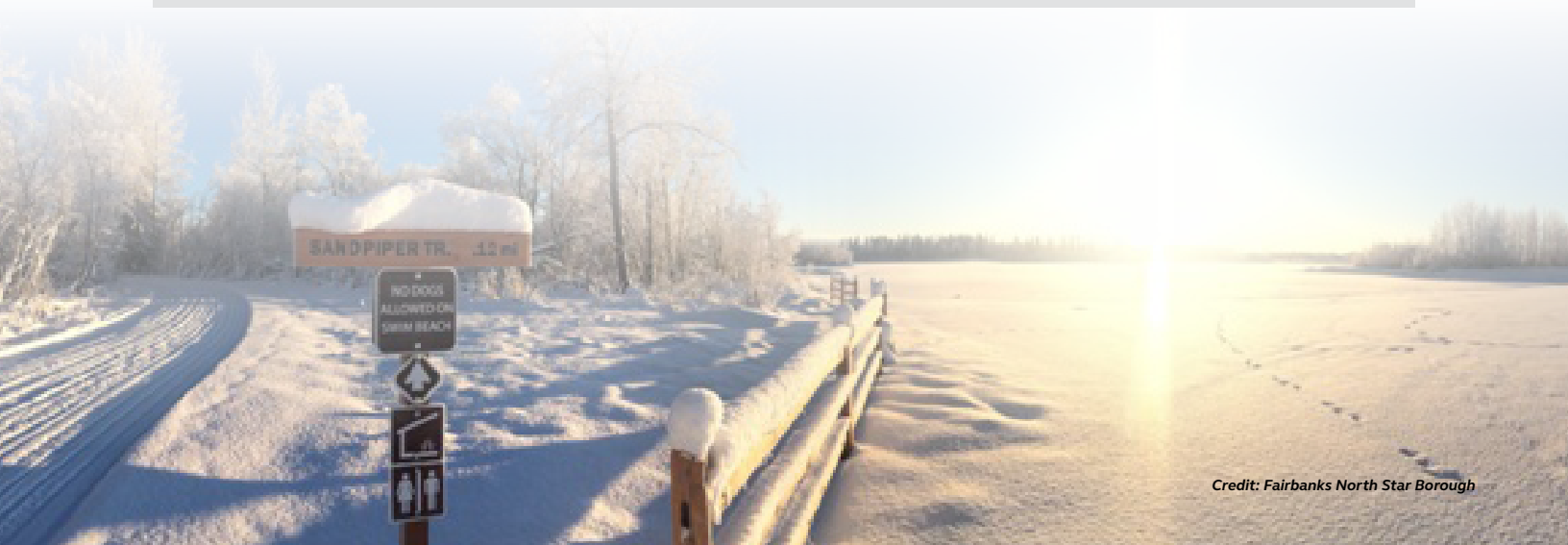# Fiscal Impacts

KEY TAKEAWAYS

- The incoming F-35 population will increase the number of residents and students served by local government entities including Fairbanks North Star Borough, the City of Fairbanks, the City of North Pole and the FNSB School District (FNSBSD).

- Increased population and more K-12 students will lead to both greater education revenues and greater expenditures.

- With F-35 Beddown, revenues and expenditures for the FNSB, City of North Pole and City of Fairbanks will increase proportionately, with one important exception:

  - FNSB population growth rates for school age children will far exceed growth rates for adult residents (the number of residents paying property tax, thereby contributing to Borough education funds). Youth population growth, coupled with stagnant State of Alaska funding, could lead to funding challenges for the FNSBSD.

  - Under the baseline, FNSB revenues are forecast to exceed expenditures from 2017 to 2024. In 2025 through 2030, expenditures are expected to exceed forecast revenues.

- State of Alaska (SOA) expenditures in the FNSB are forecast to exceed anticipated revenues generated in the FNSB with and without the F-35 Beddown. The additional population in the FNSB with the F-35 Beddown is forecast to increase the gap between revenues and expenditures further. Specifically, the SOA is a major funder of education, infrastructure, and public safety in the region. Without new revenue streams, the F-35 Beddown would place additional pressures on the SOA budget.

- Providing high quality on-base housing options for incoming F-35 dependents could help relieve fiscal pressure on FNSB/FNSBSD as a result of greater Federal Impact Aid (FIA) for students living on base. FIA is estimated to be approximately $7,625 per student living on-base, compared to only $80 per student with a direct connection to EAFB living off-base.

- Encourage incoming F-35 families to enroll school-age children in the on-base schools to utilize the excess capacity in on-base schools.

- FNSB and FNSBSD should conduct further demographic analysis to confirm projected student populations and develop incremental funding strategies to adequately fund increased student populations.

Credit: Fairbanks North Star Borough

This focus area summarizes projected fiscal impacts of the F-35 Beddown to local government entities in the FNSB, City of North Pole and City of Fairbanks from 2018 to 2030.

This focus area includes:

- Historic and projected future populations, 2017 to 2030, with and without the F-35 Beddown.

- Past and future property and consumptions taxes, organized by government entity: the City of North Pole; City of Fairbanks; the FNSB; and the SOA.

- Projected government expenditures for schools, public safety, general government services, public works, and other general fund expenditures.

- Tax revenues and government spending for affected governments.

The approach implemented to assess fiscal impacts assumes that revenues and expenditures per capita in local governments are relatively stable. Thus, if the population of the FNSB increases in the future by five percent, then in general, taxes and fees are also assumed to increase by five percent, as are government expenditures.

There are important exceptions to the methodology described above. For example, bed taxes do not necessarily increase with population and instead are generally much more sensitive to trends in tourism; a different methodology is used to forecast bed tax revenue. Similarly, most revenues coming to the SOA are not linked to population, and instead are generated through taxes and royalties related to resource extraction industries (e.g., oil and gas, fisheries, etc.), or from investment returns to the Permanent Fund.

Given the primary assumption that fiscal impacts are directly linked to changes in population, the

key to calculating and understanding fiscal impacts of the F-35 Beddown are forecasted changes in population for specific locations within the FNSB.

Finally, this assessment is intended to provide an overview of the F-35 Beddown fiscal impacts to FNSB and surrounding areas. It does not provide an exhaustive financial analysis of how every dollar is categorized for each of the affected government entities. A more detailed overview of source data and methodological approach can be found in Fiscal Impacts Appendix.

HISTORIC AND FORECAST POPULATION UNDER THE BASELINE AND THE F-35 BEDDOWN

The Alaska **REMI** Model was used to forecast the future **FNSB** population, out to 2030, with and without the F-35 Beddown. However, the model does not breakout the population estimates for specific cities and communities within the FNSB, which was necessary for the fiscal impact assessment. As such, more detailed forecasts by city and place are developed in this section.

Figure 1 shows baseline and F-35 Beddown population forecasts for FNSB. By 2022, an additional 3,256 people, comprised of direct F-35 project personnel and their dependents, are forecast to have moved into the FNSB. The overall change in forecast population with F-35 Beddown is at its highest in 2024 with an increase 6,318 relative to the forecast baseline population. By 2030, the difference between the baseline and F-35 Beddown forecasts moderates down to an increase of 5,671.

FIGURE 1:   **BASELINE AND F-35 BEDDOWN PROJECTIONS OF FNSB POPULATION, 2016 – 2030**
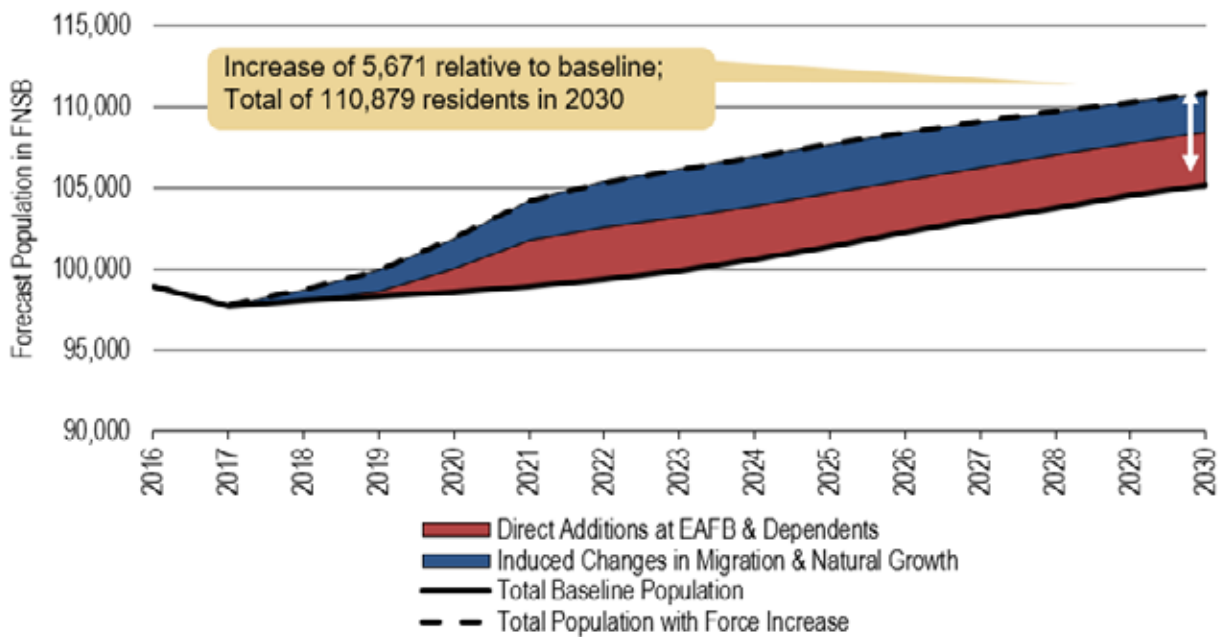
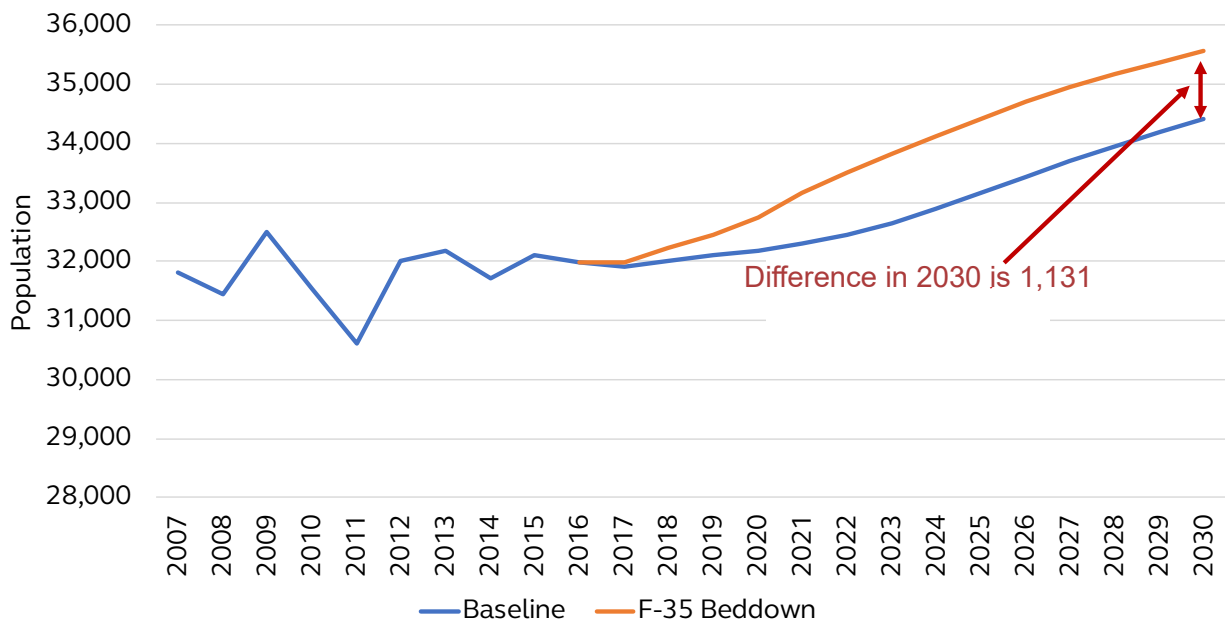Source: Developed by NEI using the Alaska REMI Model.

Figures 2 and 3 show historical trends and population projections for the City of Fairbanks and the City of North Pole. The projections are based on Alaska Department of Labor and Workforce Development (ADOLWD 2018a, 2018b) combined with Alaska REMI Model forecasts for the Borough. Baseline forecasts (without F-35 Beddown) for North Pole and Fairbanks assume these cities comprise percentages of total Borough population as identified in 2017 (the most current data).

As described in the housing focus area, under F-35 Beddown, 184 single airmen and 50 households with dependents will live on base at Eielson AFB; remaining personnel, including approximately 641 households with dependents and 225 singles will live off base. Of the EAFB personnel that live off base, 85 percent are assumed to live in North Pole, Moose Creek, or Badger Road (i.e., within the 99705 ZIP code area); 11 percent are expected to live within the City of Fairbanks; and the remaining four percent are expected to live in or around Salcha.

As shown in Figure 2, population under the baseline in the City of Fairbanks increases by 2,515 from 2017 to 2030, an increase of 7.9 percent. With the F-35 Beddown, population in 2030 increases by 1,131 (3.3 percent) relative to the baseline. Of the increase, 318 are directly affiliated with F-35 Beddown, while the remaining 813 are part of induced population.

FIGURE 2:   **BASELINE AND F-35 BEDDOWN POPULATION PROJECTIONS FOR THE CITY OF FAIRBANKS, 2016 – 2030**
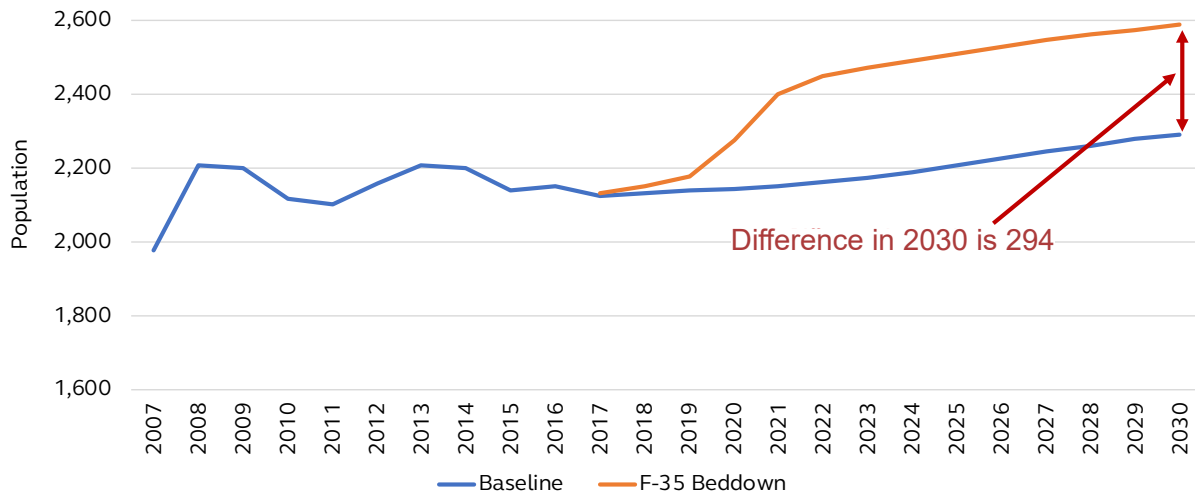

Source: Developed by NEI using the Alaska REMI Model.

As shown in Figure 3, population under the baseline in the City of North Pole increases by 167 in 2030 relative to the 2017 population (7.9 percent). With the F-35 Beddown, an additional 294 persons are forecast for North Pole by 2030, (240 of whom are directly affiliated with EAFB).

FIGURE 3: **BASELINE AND F-35 BEDDOWN POPULATION PROJECTIONS FOR THE CITY OF NORTH POLE, 2016 – 2030**
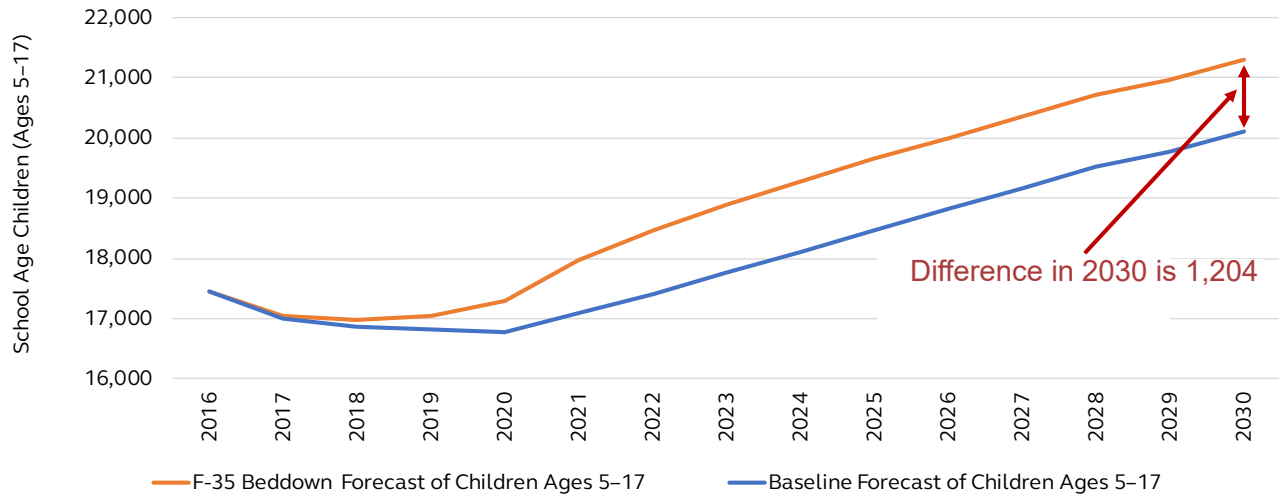

Source: Developed by NEI using the Alaska REMI Model

Baseline and F-35 Beddown forecasts for school-age children (ages 5–17) are shown in Figure 4. The baseline forecast trends downward through 2020, and then begins a steady climb through the remainder of the forecast period. The baseline's downward trend and the inflection in 2020 is a reflection of the demographics in the FNSB, discussed in more detail in Figure 5.

The F-35 Beddown forecast of school-age children begins to increase relative to the baseline in 2018 and reflects the increase in military personnel beginning in 2020. The increase in school-age children is highest in 2024 at 1,236, then declines to 1,204 by 2030.

FIGURE 4: **BASELINE AND F-35 BEDDOWN FORECASTS FOR SCHOOL AGE CHILDREN (AGES 5 TO 17), 2016 – 2030**
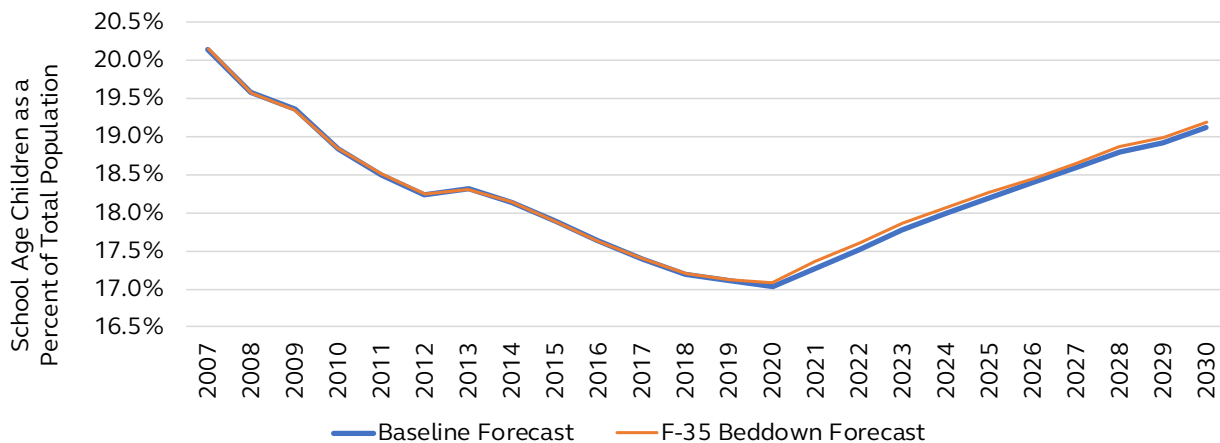

Source: Developed by NEI using the Alaska REMI Model.

Figure 5 shows the long-term trend in school-age children as a percent of total population in the FNSB. The baseline and F-35 Beddown projections are virtually identical, as the Alaska REMI Model relies on a single demographic profile of population by age for the FNSB. Most important to note – after a long downward trend, the relative size of the school age population shifts dramatically, beginning in 2020. This shift appears to be the result of a decreasing number of "Baby Boomers" (ages 54 to 72), who typically no longer have school-aged children, and an increasing number of "Millennials" (ages 22 to 37), or younger generations that have had or will have children that eventually attend school.

There are fiscal implications of this demographic shift – when the relative size of the school-age population is declining, there are proportionally more adults (and tax payers) among whom the cost of education can be spread. Conversely, when the relative size of the school-age population is increasing, there are proportionally fewer adults among whom the cost of education can be spread. For the FNSB, the latter shift, increasing proportion of school-aged children, occurs in both baseline and F-35 Beddown projections. This shift could potentially lead to future school funding issues.

FIGURE 5: **SCHOOL AGE CHILDREN (AGES 5–17) AS A PERCENT OF TOTAL POPULATION, 2007–2030**

Source: Developed by NEI using the Alaska REMI Model.

LOCAL GOVERNMENT REVENUES

Primary sources of local government revenue come from property and consumption taxes on sales, hotel rooms (bed tax), tobacco, and alcohol. The Eielson Regional Growth Management team reviewed historical tax receipts for each of the tax types and the projected changes in tax collections for each government entity resulting from the F-35 Beddown. Also included – a separate subsection that projects the incremental increases in SOA revenue that can be expected with the F-35 Beddown. While the primary focus of this fiscal impacts assessment is on taxes, taxes are not the only source of revenue for local governments – user fees and other charges for services, along with grants and intergovernmental transfers will be important contributors to government funding.

Property Taxes under the Baseline and with the F-35 Beddown by Government

With the F-35 Beddown, additional real property will be developed and taxed. Potential changes to the FNSB property tax revenues from 2017 to 2030, with and without the F-35 Beddown, are calculated using historical property tax receipts, after excluding oil and gas property tax receipts that do not increase with population. In this case, the per capita calculations use only the last three years (2014–2016). Per capita calculations include all forms of property such as residential, commercial, industrial, farm, and vacant land.[1]

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[1] Oil and gas property revenues are removed prior to per capita calculations, and then added back into the projections as a fixed value using the most recent estimate available from the Alaska Taxable Database (ADCCED, 2018b). This methodology avoids the unrealistic assumption that population affects tax receipts from TAPS.
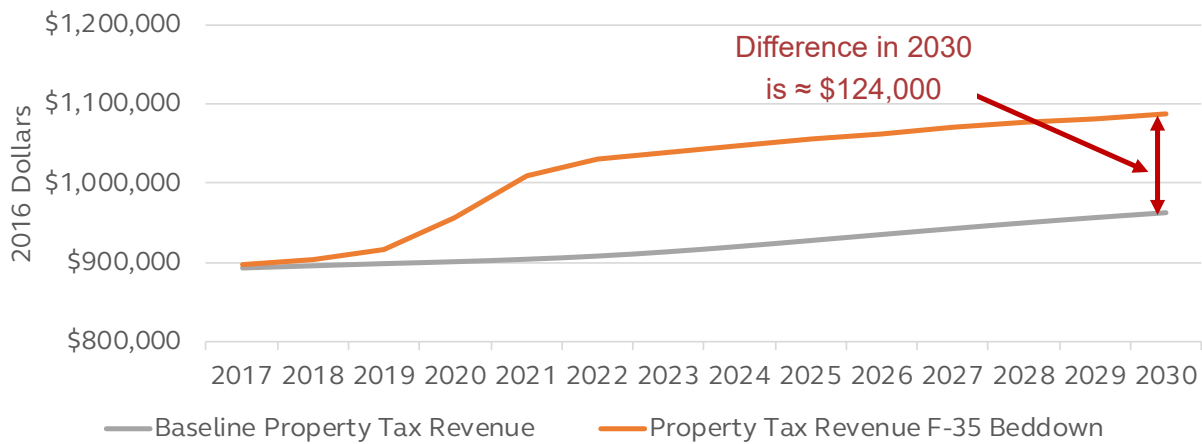
City of North Pole

Figure 6 shows the estimated property tax impacts in North Pole from 2017 to 2030. Baseline estimates show the City of North Pole would receive just over $963,000 in property taxes by 2030 without F-35 Beddown impacts. With the increase in housing units associated with F-35 military personnel and their dependents, combined with other property development such

as commercial and industrial, property taxes in the City of North Pole are expected to rise over the baseline by nearly $130,000 annually by 2024. By 2030, annual property taxes are expected to increase from a baseline estimate of $963,000, to $1.09 million, or 13 percent.

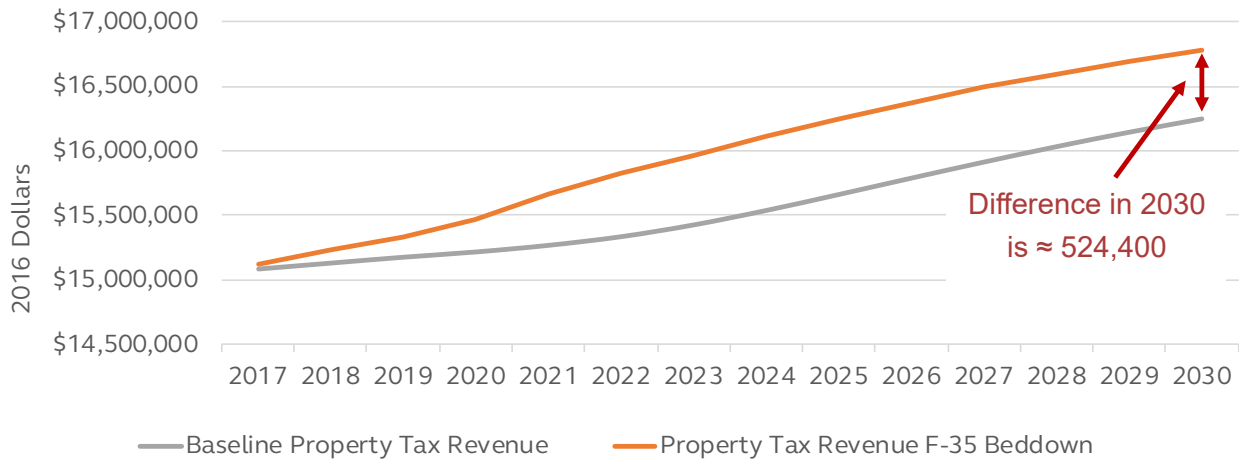FIGURE 6: **CITY OF NORTH POLE PROJECTED BASELINE AND F-35 BEDDOWN: PROPERTY TAX RECEIPTS**

Source: Northern Economics using data from CAFRs
Note: Includes oil and gas property values.

City of Fairbanks

Figure 7 shows the estimated property tax impacts in the City of Fairbanks from 2017 to 2030. Baseline estimates show the City of Fairbanks would receive roughly $16.2 million in property taxes by 2030 without F-35 Beddown impacts. With the increase in housing units associated with military personnel and their dependents, combined with other property development such as commercial and industrial, property taxes in the City of Fairbanks are expected to rise over the baseline by $625,000 by 2024 because of the F-35 Beddown. By 2030, annual property taxes are expected to increase from a baseline estimate of $16.2 million, to $16.8 million, or 3.2 percent.

FIGURE 7:   **CITY OF FAIRBANKS PROJECTED BASELINE AND F-35 BEDDOWN: PROPERTY TAX RECEIPTS**

Source: Northern Economics using data from CAFRs
Note: Includes oil and gas property values.

Fairbanks North Star Borough

Figure 8 shows estimated property tax impacts in the FNSB from 2017 to 2030, not including the City of North Pole or the City of Fairbanks. Baseline estimates indicate the FNSB would receive roughly $102.4 million in property taxes by 2030.

Per the housing focus area, a total of 974 F-35-related housing units associated with military personnel and their dependents will be created or filled in the FNSB, the City of North Pole, or the City of Fairbanks, all of which will pay some portion of their property taxes to the Borough.[2]

Combined with other property development, property tax revenue in the FNSB is expected to rise by over $5.5 million annually over the baseline by 2024 because of the F-35 Beddown. By 2030, annual property tax revenue is expected to increase from a baseline estimate of $102.4 million to $107.4 million, or 4.8 percent.

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[2] See housing focus area for details. Assumptions based on City of Fairbanks and City of North Pole calculations.

FIGURE 8:   **FAIRBANKS NORTH STAR BOROUGH PROJECTED BASELINE AND F-35 BEDDOWN: PROPERTY TAX RECEIPTS**
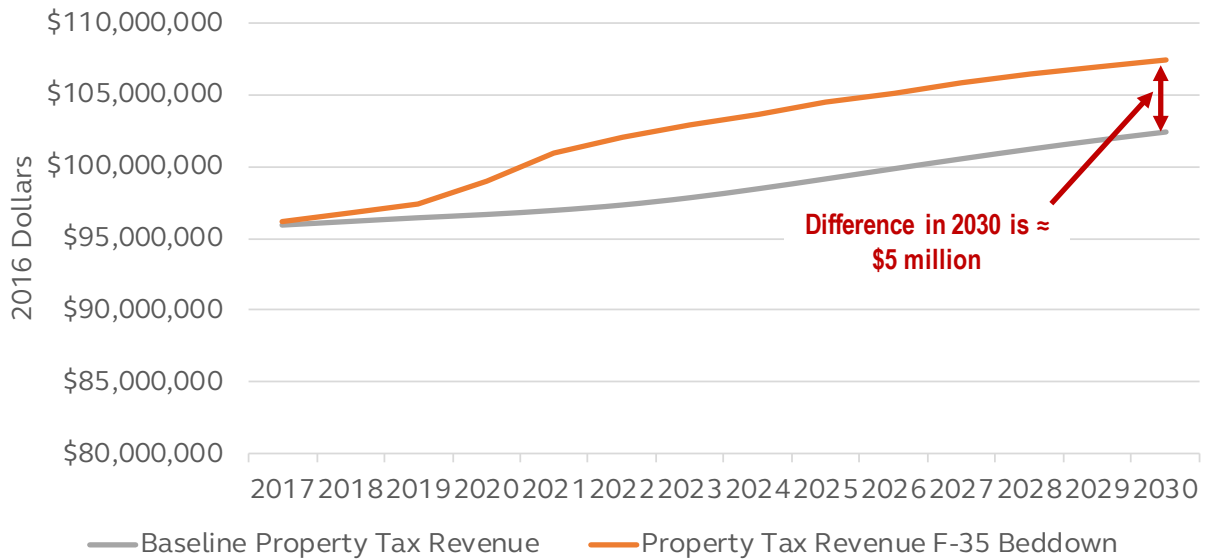
Source: Northern Economics using data from CAFRs
Note: Includes oil and gas property values.
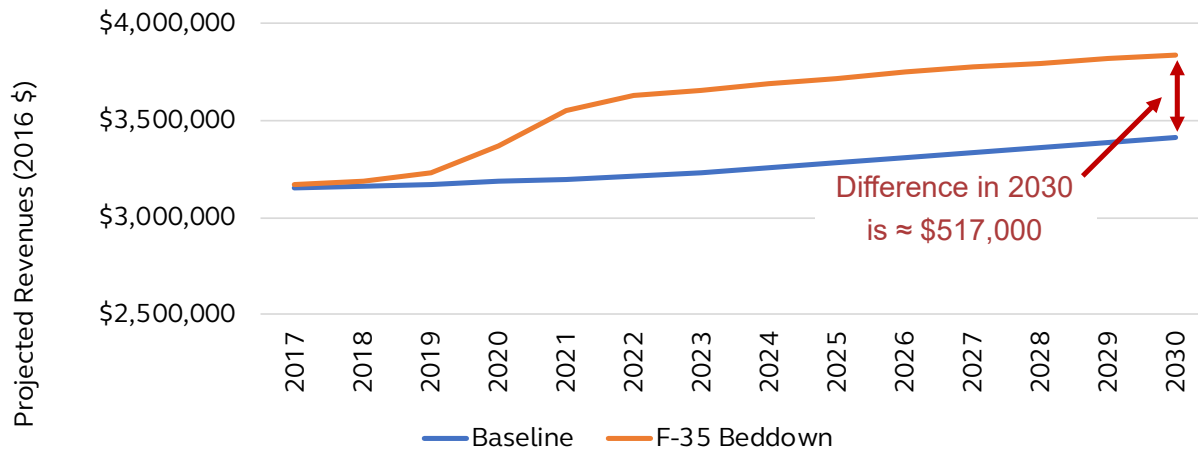
Consumption Taxes

This section summarizes forecasts for future consumption-related taxes along with estimates for user permits, fees and service charges collected by local governments under the baseline and with the F-35 Beddown. The FNSB, the City of Fairbanks, and the City of North Pole all collect taxes on retail purchases of alcohol and tobacco, as well as a tax on hotel/motel room rentals (bed tax). In addition, the City of North Pole has a general sales tax of five percent. The Fiscal Impacts Appendix provides details on taxes by type collected by each government entity. Fees and service charges are also an important source of revenues for many governments. This is particularly true for the City of Fairbanks which generates more general fund revenue from fees, service charges, fines and forfeitures, than it does in consumption taxes.

Forecast Consumptions Taxes for the City of North Pole

For the baseline, revenue from consumption taxes and fees are projected to increase modestly from $3.83 million in 2017 to $4.14 million by 2030. Under the F-35 Beddown, the City of North Pole can expect an estimated $4.66 million in total consumption-related tax revenue by 2030, or an increase of $517,000 above the baseline (Figure 9).

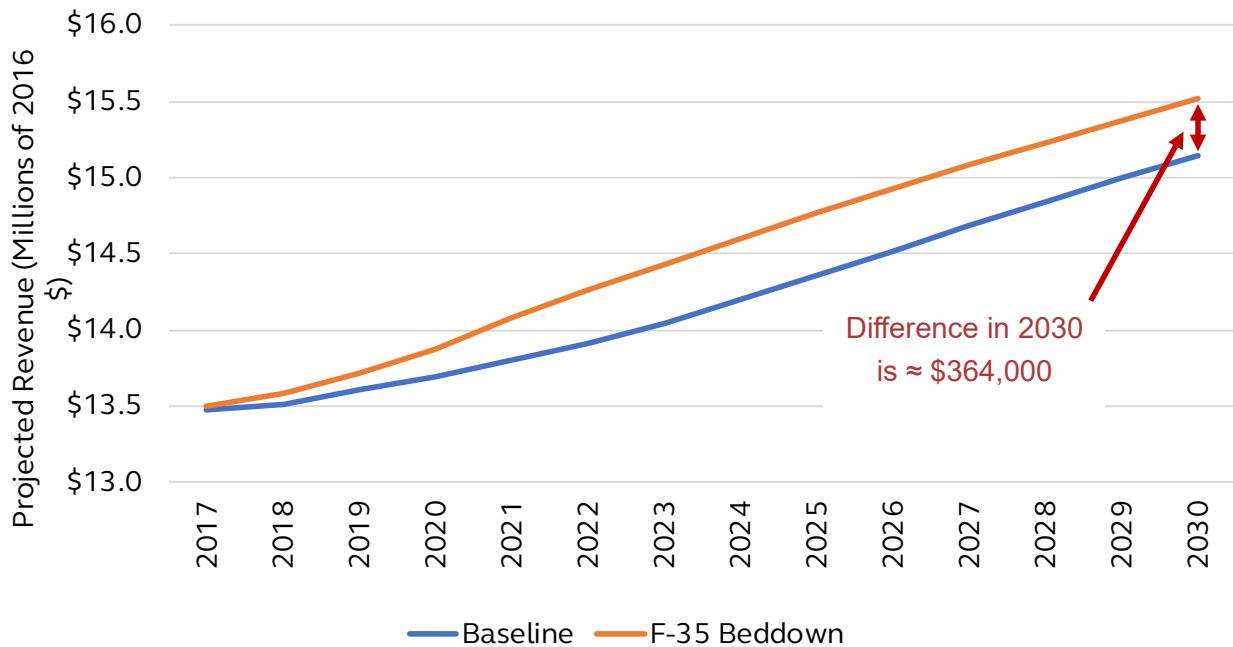FIGURE 9:   **CITY OF NORTH POLE PROJECTED BASELINE AND F-35 BEDDOWN CONSUMPTION TAXES AND FEES**

Source: Northern Economics estimates.

Forecasts of Consumption Taxes and Other Fees and Service Charges for the City of Fairbanks

As seen in Figure 10, baseline consumption-related tax receipts, combined with fees, service charges, fines and forfeitures, in the City of Fairbanks are projected to increase from $13.5 million in 2017 to $15.1 million by 2030. Under the F-35 Beddown, the City of Fairbanks can expect an estimated $15.5 million in total consumption and fee revenue

by 2030, or an increase of $364,000 above the baseline. F-35 Beddown related consumption tax increases for the City of Fairbanks are likely under-estimated. This is because population increases under F-35 Beddown are largely outside city limits, and a disproportionately large share of consumer spending from all FNSB residents will likely occur within city limits.

FIGURE 10: **CITY OF FAIRBANKS PROJECTED BASELINE AND F-35 BEDDOWN CONSUMPTION TAXES AND FEES**

Source: Northern Economics estimates.

Forecasts of Consumption Taxes and Other Fees and Service Charges for the FNSB

As shown in Figure 11, baseline consumption-related taxes, fees, and service charge receipts in the FNSB (not including City of North Pole or and the City of Fairbanks) are projected to increase from $7.36 million in 2017 to roughly $8.06 million by 2030. Like the cities of North Pole and Fairbanks, consumption tax projections for FNSB include the largest and longest standing contributors to the

FNSB tax base – alcohol, bed and tobacco tax. Also included are other miscellaneous user fees and service charges, however revenues generated by new marijuana tax are not estimated due to lack of historical data. Under the F-35 Beddown scenario, the FNSB is forecasted to have an estimated 8.37 million in total fees, service charges and consumption related tax revenue by 2030, or an increase of $318,000 above the baseline.

FIGURE 11: FNSB PROJECTED BASELINE AND F-35 BEDDOWN CONSUMPTION-RELATED TAXES AND FEES
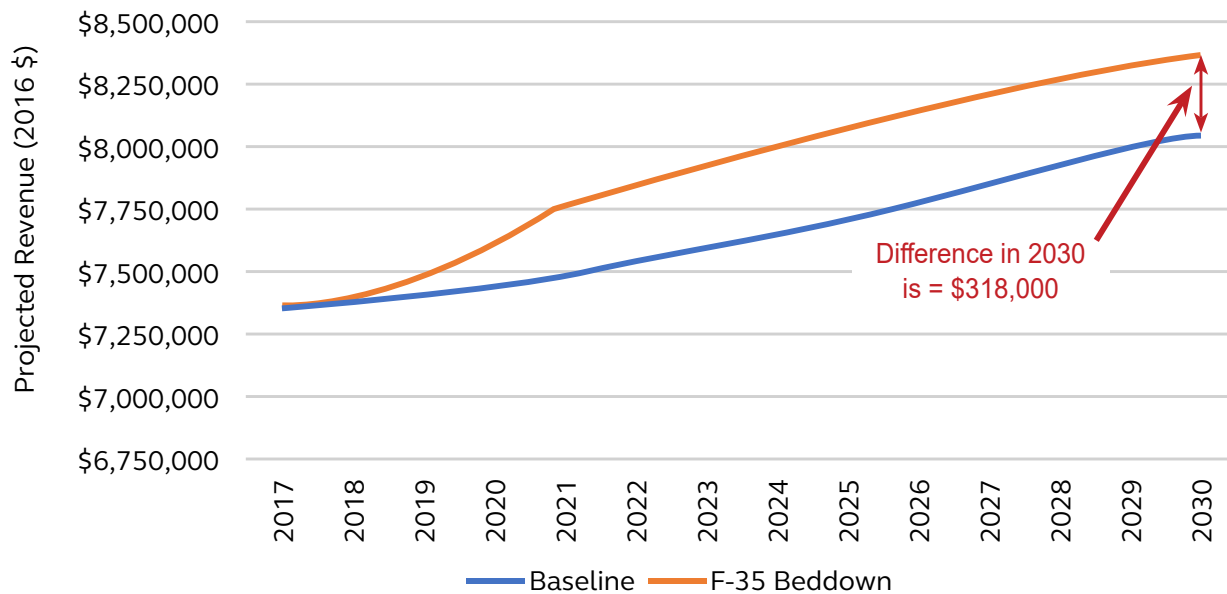
Source: Northern Economics estimates.

State of Alaska Revenues Generated in the FNSB

Oil and gas taxes, make up the greatest percent of annual state revenues. However, taxes on oil production and leasing do not meaningfully vary with state population. The SOA also collects marginal levels of tax revenue from the general population, mostly through consumption of tobacco, fuel, and alcohol. Other state level per capita revenue comes from vehicle rentals, gaming, utility cooperatives, and tire sales. As detailed in the Fiscal Impacts Appendix, State of Alaska revenues averaged $240.55 per FNSB resident in 2016.

As shown earlier in Figure 1, by 2030, the FNSB population is expected to rise by 5,671 people. Assuming per capita based revenues and fees remain at $240.55 per capita, the SOA is expected to receive $25.3 million in per capita based revenue in 2030 under the baseline. Under F-35 Beddown, the SOA is expected to generate $26.7 million, an increase in revenues of $1.36 million.

EXISTING AND FORECASTED CHANGES IN GOVERNMENT EXPENDITURES

This section summarizes forecasted changes in government spending related to the F-35 Beddown for education and other government spending.

Education Expenditures (FNSBSD Revenues)

The FNSBSD receives funding from a combination of FNSB, State of Alaska, federal government and other sources. Following, is an overview of FNSBSD revenues, explained through an analysis of how much each source (or entity) expends on education funding that goes to the FNSBSD.

Projected Future Education Expenditures by Source

In 2016, FNSB funding per student averaged $15,019. Approximately 58 percent of that total came from the State of Alaska; 27 percent from the FNSB; eight percent from Federal Impact Aid (FIA), funding provided for federally-connected students; and the remainder came from other sources.[3]

Federal Impact Aid provides financial assistance to local school districts that provide public education to concentrations of students living on federal lands, including military bases. Federal lands are tax exempt; the Borough cannot collect property tax on these lands. Federal Impact Aid is intended to offset the portion of uncollected property tax that would otherwise go toward education funding for military-connected students attending public schools. There are two general categories of FIA:

1. A larger amount that helps offset the lost property tax revenue of on-base families living on tax-exempt federal land, which goes first to the State of Alaska, who then reallocates FIA to the impacted school district. In this scenario, FIA is $7,626 per military-connected student.

2. A smaller amount for students with one or both parents working on federal lands. This amount is intended to provide some additional revenues that local governments do not generate when a resident works on federal lands. An example of this lost revenue: sales tax may not be paid because on-base federal workers typically have access to Base Exchanges for purchasing food and goods. In this scenario, the FIA is $80 per military-connected student.

Under the baseline in 2030, the SOA is forecast to contribute $139.9 million to FNSBSD. With F-35 Beddown, SOA funding is forecast to increase to $147.5 million, up approximately $7.6 million. Local funding under the baseline is expected to reach $65.1 million in 2030 and increase by $3.1

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[3]   For more information on Federal Impact Aid in Alaska, including formulas, eligibility and process, visit this webpage to view informational slides from the Alaska Department of Education and Early Development: https://www.eed.state.ak.us/ publications/2015ImpactAidPresentation-2-19-15. pdf.

million to $68.3 million with F-35 Beddown. Federal Impact Aid is forecast to increase by $2.5 million from $17.3 million under the baseline to $19.9 million with F-35 Beddown. In addition to these three major sources, various other sources of funding (not shown in the figure) are also expected to increase with increasing numbers of students. Under the baseline in 2030, these other sources account for $17.9 million and are expected to increase by $1.0 million to $18.9 million.

FIGURE 12: **PROJECTED FNSBSD EXPENDITURE BY MAJOR SOURCES, 2017-2030**
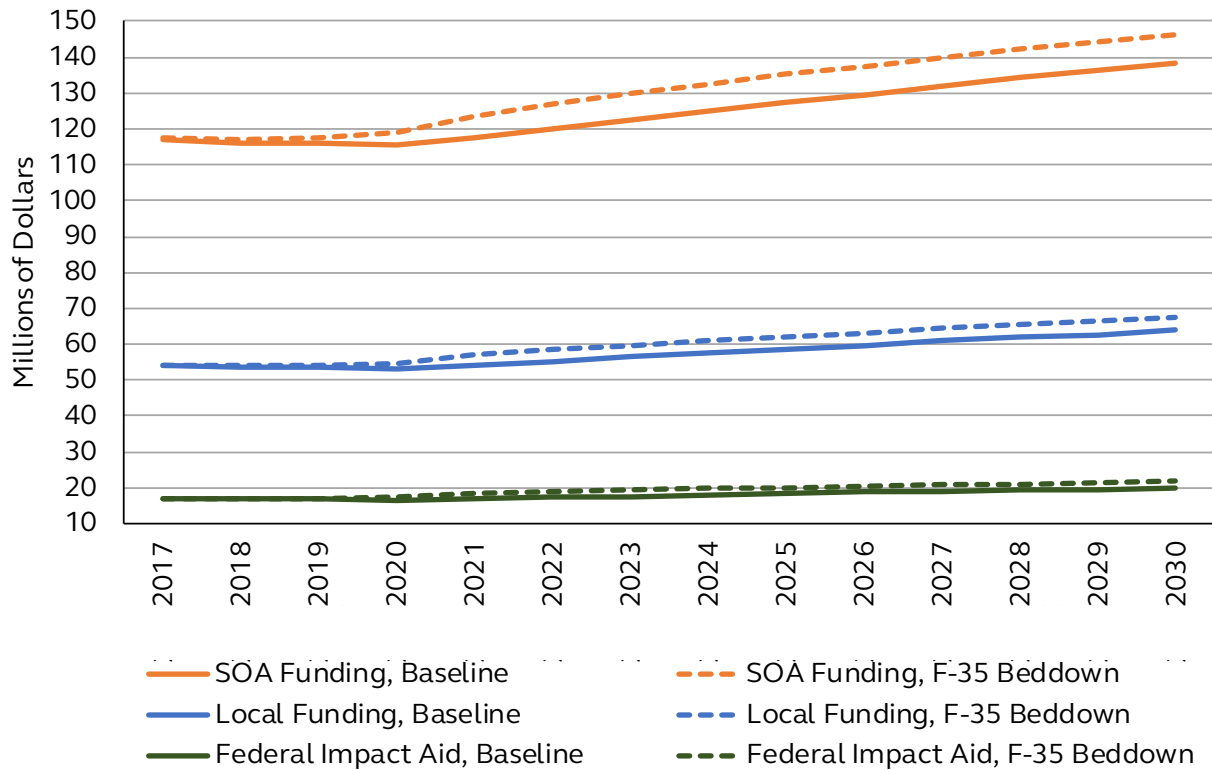
Source: Developed by Northern Economics using data from ADEED (2018).

Other Government Expenditures

Figure 13 summarizes forecasted general fund expenditures for the City of North Pole, the City of Fairbanks, and the FNSB under the baseline and with the F-35 Beddown. Expenditures include general government, public safety, public works, and other general fund expenditures. The same per capita methodology is used to forecast future general fund expenditures. Because 85 percent of the military personnel and families that live off-base are expected to live in the 99705 zip code areas, expenditures for the City of North Pole increase more on a percentage basis than expenditures for the City of Fairbanks or the FNSB. Differences from the baseline forecast are highest in 2024, the year with the largest level of induced population increases with F-35 Beddown — induced population increases begin to taper off in 2025. Please see the Fiscal Impacts Appendix for a detailed breakdown of all expenditures by municipality and category.

FIGURE 13: FORECAST TOTAL GENERAL FUND EXPENDITURES (2016$), BASELINE AND F-35 BEDDOWN, 2017-2030

Year	City of North Pole			City of Fairbanks			Fairbanks North Star Borough		
	Baseline	F-35 Beddown	Difference as a Percent of Baseline	Baseline	F-35 Beddown	Difference as a Percent of Baseline	Baseline	F-35 Beddown	Difference as a Percent of Baseline
	(2016$)			(2016$)			(2016$)		
2017	5,276,969	5,285,448	0.2	34,131,861	34,139,581	0.0	44,107,937	44,131,596	0.1
2018	5,293,438	5,342,689	0.9	34,238,387	34,484,437	0.7	44,241,431	44,571,292	0.7
2019	5,309,741	5,434,384	2.3	34,343,834	34,848,396	1.5	44,373,574	45,095,396	1.6
2020	5,324,332	5,690,116	6.9	34,438,209	35,276,220	2.4	44,491,843	45,995,464	3.4
2021	5,342,659	6,005,923	12.4	34,556,752	35,748,426	3.4	44,640,397	47,053,298	5.4
2022	5,366,644	6,118,335	14.0	34,711,886	36,058,094	3.9	44,834,806	47,565,249	6.1
2023	5,399,287	6,161,943	14.1	34,923,026	36,340,154	4.1	45,099,401	47,918,718	6.3
2024	5,439,318	6,205,914	14.1	35,181,952	36,624,560	4.1	45,423,879	48,275,127	6.3
2025	5,483,523	6,248,547	14.0	35,467,869	36,900,318	4.0	45,782,181	48,620,699	6.2
2026	5,528,860	6,288,739	13.7	35,761,116	37,160,278	3.9	46,149,670	48,946,472	6.1
2027	5,573,322	6,325,898	13.5	36,048,700	37,400,625	3.8	46,510,061	49,247,668	5.9
2028	5,616,058	6,360,763	13.3	36,325,115	37,626,140	3.6	46,856,457	49,530,277	5.7
2029	5,655,882	6,393,054	13.0	36,582,706	37,834,999	3.4	47,179,262	49,792,013	5.5
2030	5,692,875	6,423,457	12.8	36,821,975	38,031,645	3.3	47,479,107	50,038,443	5.4

Note: Table does not include FNSB general fund expenditures for schools. Summary of Fiscal Impacts

COMPARISON OF FORECAST REVENUES TO FORECAST EXPENDITURES

Figure 14 summarizes the estimated fiscal impact, or difference between the baseline and with the F-35 Beddown, for the City of North Pole, the City of Fairbanks, and the FNSB. The analysis focuses on estimates for 2022, the year when most F-35 personnel and their families will have fully moved into the region (see introduction and project approach for a year-by-year personnel timeline), and 2030, the end of the study period.

FIGURE 14: **SUMMARY OF FISCAL IMPACTS BY GOVERNMENT IN 2022 AND 2030**

	Differences Between F-35 Beddown and the Baseline (2016$)	
Government	**2022**	**2030**
City of North Pole		
Revenues[1]	*659,322*	*640,807*
Property Tax	127,191	123,619
Consumption Related Tax	436,100	423,854
Fees, Service Charges, Fines & Forfeitures	96,031	93,334
Expenditures	*751,691*	*730,582*
City of Fairbanks		
Revenues[1]	*988,556*	*888,292*
Property Tax	583,639	524,444
Consumption Related Tax	132,218	118,808
Fees, Service Charges, Fines & Forfeitures	272,698	245,040
Expenditures	*1,346,208*	*1,209,669*
FNSB		
Revenues[1]	*5,738,647*	*5,368,460*
Property Tax	5,294,703	4,962,905
Consumption Related Tax	171,246	160,515
Fees, Service Charges, Fines & Forfeitures	168,462	157,905
Expenditures	*5,856,203*	*5,707,832*
General Fund	2,730,442	2,559,336
Education[2]	3,125,761	3,148,496

Notes:
[1] Does not include additional grants, state and federal funds, trust and invested fund income, and other miscellaneous income.
[2] Education costs to the Borough, represent revenue to the FNSB School District.

Summary of Results for the City of North Pole

For the City of North Pole, the difference between quantifiable F-35 Beddown related expenditures and revenues relative to the size of the general fund budget is quite small. While expected revenue increases with F-35 Beddown are less than expected spending increases, the difference over the entire forecast period is just 1.15 percent of total general fund expenditures from 2017–2030 with the F-35 Beddown.

For example, in 2030, the City of North Pole will receive an estimated increase of $640,807 from F-35 related property taxes, consumption taxes, and various fees, while general fund spending to provide local services is forecast to increase by $730,582 a difference of $89,775. Compared to the forecast total general fund expenditures with F-35 Beddown in 2030 of $6.4 million, the $89,775 incremental revenue shortfall represents just 1.4 percent of the budget. The RGP team also notes that spending and revenue associated with F-35 population could also vary depending on current infrastructure needs, and spending habits of the new and neighboring populations.

Summary of Results for the City of Fairbanks

The impacts to the City of Fairbanks are similar to those for the City of North Pole — the difference between quantifiable F-35 Beddown related expenditures and revenues relative to the size of the general fund budget is small — averaging just 1.02 percent of total general fund expenditures from 2017–2030 with the F-35 Beddown. In 2024, the difference between forecasts of increased revenues and increased expenditures is $499,573 — an amount just 1.36 percent of the forecast for all general fund expenditures. In other words, the F-35 Beddown is forecast to slightly increase the amount of funding required from other sources, such as intergovernmental transfers or draw-downs from the City's permanent fund, in order to balance the annual budget. Also note, because the City of Fairbanks is a hub for much of the consumption in the region, consumption related taxes could increase by a greater percentage than the increase in population.

Summary of Results for the FNSB

The incremental impacts of the F-35 Beddown on the FNSB's overall budget are forecast to be minimal. Over the entire forecast period from 2017–2030, the weighted average gap between additional revenues and additional expenditures is -0.19 percent relative to total forecast expenditures under F-35 Beddown. In 2030 for example, additional expenditures exceed additional revenues by $339,372, while the total general fund expenditures with F-35 Beddown in 2030 are forecast at $118.3 million. The additional difference is 0.29 percent of the total ($339,372 ÷ $118,328,370 = 0.29%).

More importantly, unlike forecast revenues and expenditures for the City of North Pole and the City of Fairbanks, forecast revenues and expenditures for the FNSB do not continue to follow parallel tracks, or have continued increases reflective of the increased population. Under the baseline, revenues are forecast to exceed expenditures from 2017 to 2024, but in 2025 through 2030, general fund expenditures are

expected to exceed forecast revenues. Similarly, under the F-35 Beddown forecast, revenues are forecast to exceed expenditures from 2017 to 2023, but in 2024 through 2030, expenditures are expected to exceed forecast revenues. Figure 14 demonstrates this issue for the baseline while Figure 15 shows forecast expenditures and revenues with the F-35 Beddown. In both scenarios there is a clearly defined "inflection point" where revenues and expenditures are no longer increasing at parallel rates. The inflection occurs in 2020 under the baseline and in 2021 with the F-35 Beddown. If this inflection point were present only in the F-35 Beddown case it might be attributed to the F-35 Beddown, but since the inflection is also present in the baseline, the root cause of the inflection must be attributed to something occurring in both scenarios, most likely the increase in proportion of school-aged children to total population (see the Education and Early Childhood Development focus area and Federal Impact Aid discussion above for additional details).

FIGURE 15: **FORECAST GENERAL FUND REVENUE AND SPENDING UNDER THE BASELINE FOR THE FNSB**
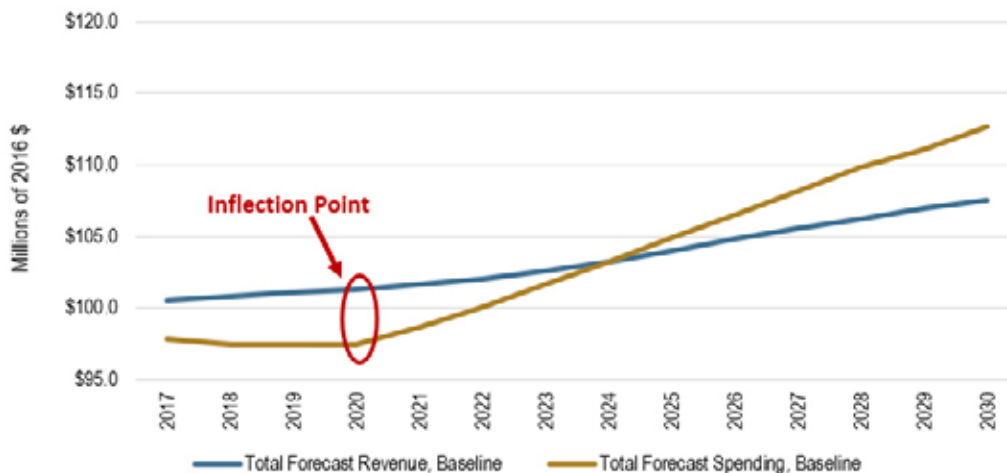
Source: Developed by Northern Economics using the Alaska REMI Model.

FIGURE 16: FORECAST GENERAL FUND REVENUE AND SPENDING WITH THE F-35 BEDDOWN FOR THE FNSB
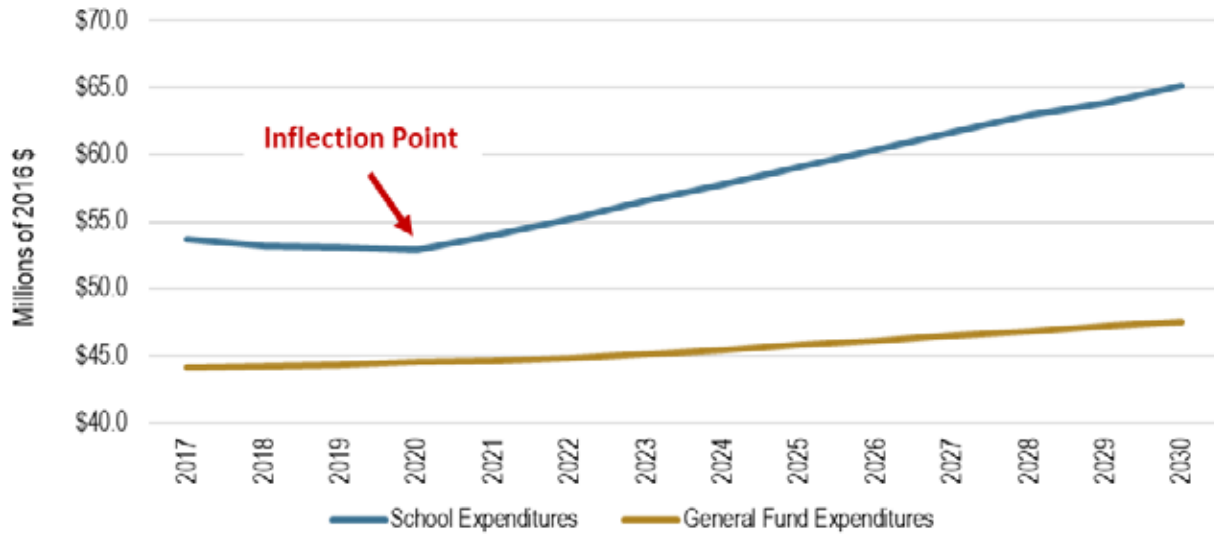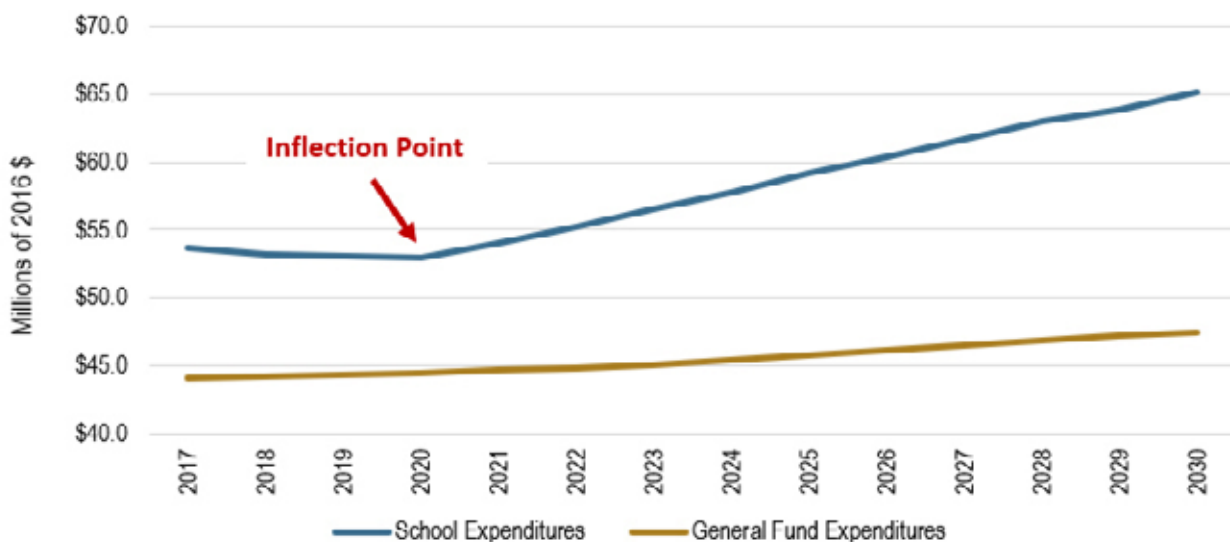

Source: Developed by Northern Economics using the Alaska REMI Model.

Figure 17 shows forecast general fund expenditures under the baseline and pass-through forecast funding for the FNSBSD from the FNSB. The differences can be attributed to school expenditures which are growing faster than other expenditures.

The root cause of this issue is likely linked to demographic forecasts, with the number of school-age children growing faster than forecast numbers of adults, demonstrated in Figure 5.

FIGURE 17: BASELINE FORECAST OF FNSB SCHOOL AND GENERAL FUND EXPENDITURES

Source: Developed by Northern Economics using the Alaska REMI Model.

Summary of Results for the SOA

Figure 18 summarizes the estimated change in annual fiscal position for the SOA within the FNSB resulting from F-35 Beddown between 2022 and 2030.

Overall, revenues generated for the SOA within the FNSB, under both baseline and with the F-35 Beddown, are much lower than forecasted expenditures. On a per capita basis, estimated SOA revenues are just $240.55 per FNSB resident (see the earlier SOA revenues discussion), while the SOA is forecasted to spend $176 per person on State Troopers alone. The SOA incurs the largest portion of costs for K-12 education within the FNSB. Under the baseline, the SOA is forecast to provide an average of $8,683 per student to the FNSBSD. With the F-35 Beddown, the SOA's

average contribution per student declines by an average $26 per student because of increases in Federal Impact Aid. However, the increase in the overall number of students with the F 35 Beddown increases the SOA's total education contribution by $7.42 million in 2022 and $7.62 million in 2030.

Note, estimated expenditures for the SOA only include estimates for spending on State Troopers and education funding. Estimated expenditures do not include additional spending by the Alaska Department of Transportation and Public Facilities for increased road and infrastructure maintenance, potential increases in spending in the university system, increased per capita spending on Medicaid, or on other state-funded social programs.

FIGURE 18: SUMMARY OF FISCAL IMPACTS TO THE STATE OF ALASKA IN 2022 AND 2030

Change from Baseline (2016$)		
Revenue and Cost by Government[1]	2022	2030
Population Related Revenues	1,455,409	1,364,204
Expenditures[2]	8,040,507	8,847,183

Notes:
[1] Not representative of all accounts, such as fees, fines, penalties, grants, additional state and federal funds, trust and invested fund income, and other miscellaneous income and spending.
[2] Does not estimate AKDOT road construction and maintenance.

FISCAL IMPACT STRATEGIES – WHAT ARE OUR RECOMMENDED SOLUTIONS FOR MEETING ANTICIPATED GAPS?

FI1. Conduct further demographic analysis to confirm projected student populations and develop incremental funding strategies that will adequately fund increased student populations

FI2. Encourage EAFB families living on-base to enroll their school-aged children in FNSBD schools.

a.   Increase Federal Impact Aid funding by increasing the number of students living on base enrolled in FNSBSD schools.

FI3. Implement and support a comprehensive economic development strategy (CEDS) aimed at diversifying and strengthening the FNSB economy.

Photo by Agnew::Beck

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