

2025 Indirect Expenditure Report

HB 306 (Ch. 61, SLA 14) requires that the Department of Revenue (DOR) and Legislative Finance Division (LFD) prepare biennial reports to the legislature on indirect expenditures. AS 43.05.095 defines an indirect expenditure as an express provision of state law that results in foregone revenue for the state by providing:

1. a tax credit or other credit;
2. an exemption, but does not include federal tax exemptions adopted by reference in AS 43.20.021;
3. a discount;
4. a deduction, but does not include costs incurred in the ordinary course of business that are deducted in the calculation of a tax under this title or in the calculation of a royalty or net profit share payment for a lease issued under AS 38; or
5. a differential allowance.

This is the sixth round of reports. The Legislative Finance Division's report builds on the DOR report and is due to the legislature on the first day of the 2025 legislative session. While DOR's report covers all agencies each biennium, AS 24.20.235 limits the Legislative Finance report to a few agencies each biennium.

For the 2021 report Legislative Finance covered the following departments, which will be revisited in the 2027 report:

1. Commerce, Community and Economic Development;
2. Fish and Game;
3. Health and Social Services;
4. Labor and Workforce Development; and
5. Revenue.

For the 2023 report, Legislative Finance covered the following departments, which will be revisited in the 2029:

6. Administration;
7. Alaska Court System (Judiciary);
8. Education and Early Development, including the Alaska Student Loan Corporation and Alaska Commission on Postsecondary Education;
9. Environmental Conservation;
10. Natural Resources; and
11. Transportation.

Legislative Finance's 2025 report is designated to cover all agencies not reviewed in 2021 or 2023. However, none of the remaining agencies (such as the University of Alaska and the Alaska Railroad) have participated in the Indirect Expenditure reporting process up to this point. Therefore, there are no agencies to review. If legislators wish to see the report cover these agencies, the statutory definition of indirect expenditures may need to be revisited.