

EXPENDITURE REDUCTION OVERVIEW

Randall Hoffbeck, *Commissioner of Revenue*



House Finance Committee
1st Regular Session of the 30th Legislature

EXPENDITURE REDUCTIONS TO DATE

“Expenditures have been cut 44% (\$3.5 billion) since FY13....”

Legislative Finance

Expenditures:		FY13	FY17
Operating	-28%	\$5.9 B	\$4.2 B
Capital	-95%	\$1.9 B	\$0.1 B
Total	-44%	\$7.8 B	\$4.3 B



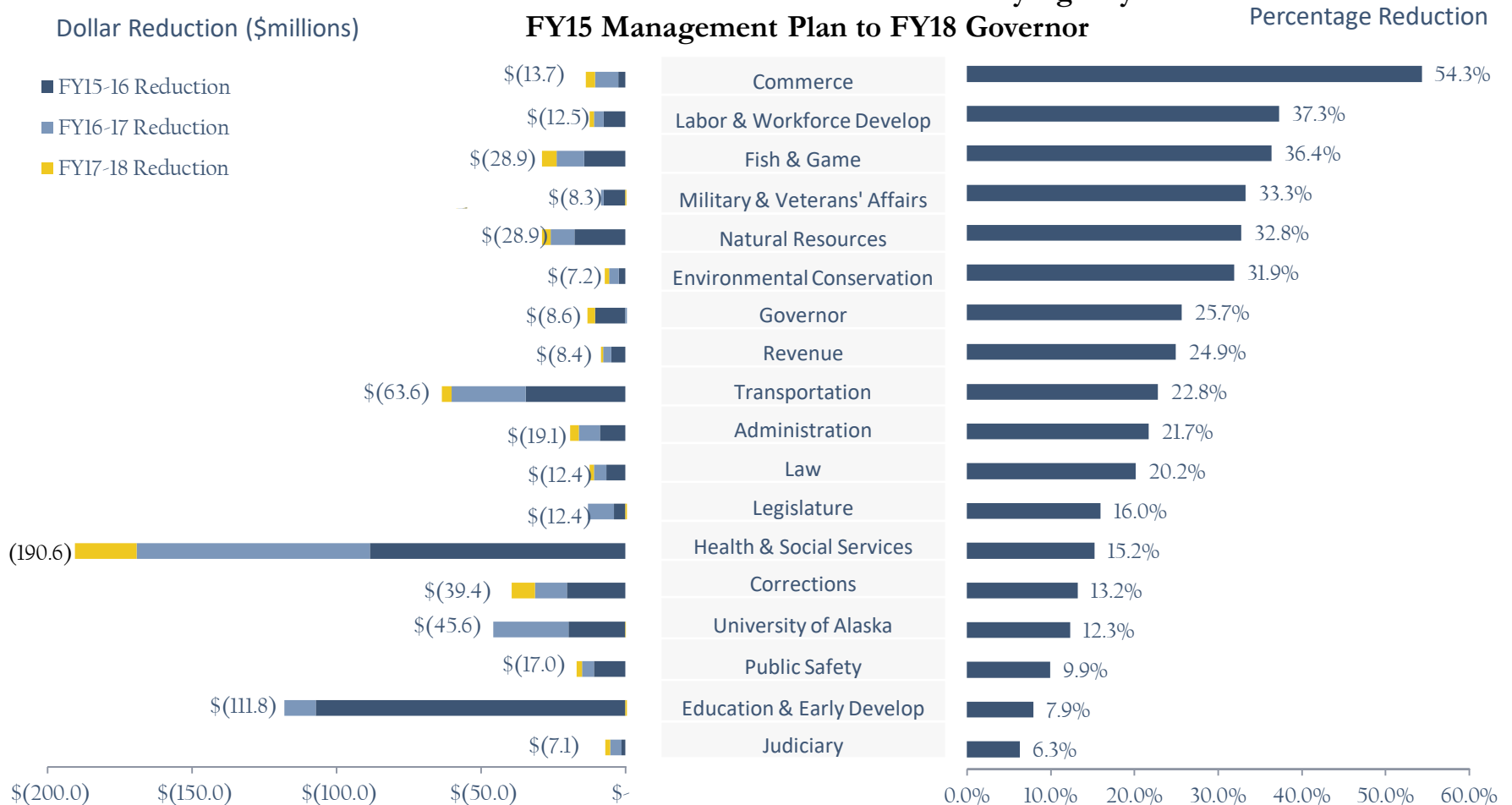
EXPENDITURE REDUCTIONS TO DATE

Expenditure Category	Reductions To Date	FY18 Gov. Funding
Capital	\$1.8 B	\$0.1 B
Operating (not including k12 formula)	\$1.6 B	\$2.5 B
Direct Community Payments:		
PRs/TRS (on-behalf)	\$0.00 B	\$0.2 B
Community Assistance	\$0.03 B	\$0.0 B
School Debt Reimbursement	\$0.01 B	\$0.1 B
Education Funding (k12 formula)	\$0.10 B	\$1.3 B

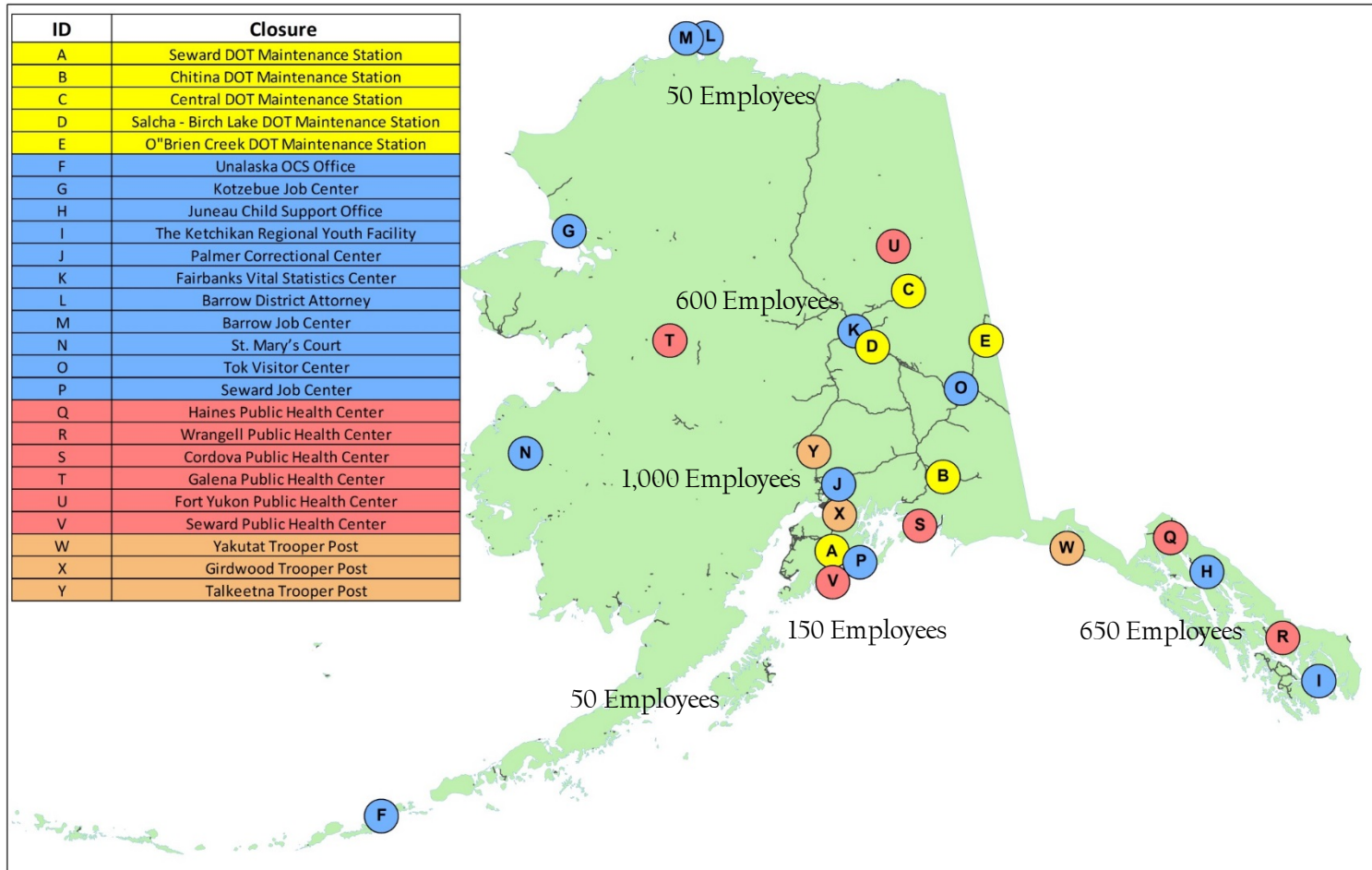


EXPENDITURE REDUCTIONS TO DATE

Unrestricted General Fund Reduction by Agency FY15 Management Plan to FY18 Governor



EXPENDITURE REDUCTIONS TO DATE



2,500 October 2014 through October 2016 State Employee Job Losses



ADDITIONAL EXPENDITURE REDUCTION IMPACT SCENARIOS

Capital Program Spending is already at an unsustainably low level and will likely need to be increased in the very near future.

Agency Operations Spending has already been reduced 28%. Although additional reductions are planned through transitioning to shared services and consolidating program delivery there is little additional savings that can be achieved without the reduction or elimination of the programs and services that these expenditures support.

Indirect Expenditures are currently being reviewed for modification or elimination. The largest of which is the oil and gas tax credit program which is already constrained to the statutory annual payout formula but has significant accrued liability that eventually will need to be paid through direct payment or reduced revenues.

Direct Payments to Municipalities and to Program Participants represent over 46% of the total state budget. Cash out the door to support programs and services statewide.



ADDITIONAL EXPENDITURE REDUCTION IMPACT SCENARIOS

Current Level of Direct Payment to Municipalities

<u>Community</u>	<u>Education Formula</u>	<u>School Debt Assistance</u>	<u>Retirement Assistance</u>	<u>Community Assistance</u>	<u>Total</u>
Fairbanks	\$131.7	\$13.1	\$12.2	\$2.8	\$159.8
Mat-Su	\$185.1	\$22.8	\$14.2	\$2.4	\$224.5
Anchorage	\$354.2	\$44.9	\$42.8	\$7.8	\$449.7
Kenai	\$89.1	\$3.1	\$9.7	\$1.8	\$103.7
Juneau	\$40.3	\$12.3	\$4.8	\$1.2	\$58.6
Statewide Total	\$1,261.3	\$116.0	\$184.3	\$38.0	\$1,599.6



ADDITIONAL EXPENDITURE REDUCTION IMPACT SCENARIOS

Reduction in Direct Payment to Municipalities

<u>Community</u>	<u>10% Reduction Education Formula</u>	<u>100% Reduction School Debt Assistance</u>	<u>100% Reduction Retirement Assistance</u>	<u>100% Reduction Community Assistance</u>	<u>Total</u>
Fairbanks	\$13.2	\$13.1	\$12.2	\$2.8	\$41.3
Mat-Su	\$18.5	\$22.8	\$14.2	\$2.4	\$57.9
Anchorage	\$35.4	\$44.9	\$42.8	\$7.8	\$130.9
Kenai	\$8.9	\$3.1	\$9.7	\$1.8	\$23.5
Juneau	\$4.0	\$12.3	\$4.8	\$1.2	\$22.3
Statewide Total	\$126.1	\$116.0	\$184.3	\$38.0	\$464.4



ADDITIONAL EXPENDITURE REDUCTION IMPACT SCENARIOS

Community	Total Funding Loss (\$millions)	
Fairbanks	\$	41.3
Mat-Su	\$	57.9
Anchorage	\$	130.9
Kenai	\$	23.5
Juneau	\$	22.3

Property Tax Increase Necessary to Fill Gap	
4.9 Mills	36%
5 Mills	50%
3.8 Mills	26%
2.2 Mills	50%
5.3 Mills	49%

- To replace this lost revenue, property taxes would need to rise.
- A homeowner with a \$300,000 home would see over \$1500/year in additional property taxes, depending on the location.



ADDITIONAL EXPENDITURE REDUCTION IMPACT SCENARIOS

Direct Payment to Recipient Programs

Housing Programs
AK Temporary Assistance
Child Care Benefits
Community Developmental Disability Grants
Behavioral Health Prevention/Intervention/Treatment/Recovery Grants
Adult Public Assistance
General Relief Assistance
Food Stamps
Pioneer Home
Senior Benefits
WIC
Foster Care
Subsidized Adoptions
LIHEAP (Heating Assistance)



ADDITIONAL EXPENDITURE REDUCTION IMPACT SCENARIOS

- Just because the State stops funding a program or service doesn't mean that the needs for that service go away. However, the Federal funding match often does go away causing severe collateral damage to the programs, services and the economy.
- Cuts flow down hill. If the State stops funding a program or service the burden often falls to the local governments and then to non-profits, the private sector, or finally to the individual.
- State expenditure cuts that don't recognize on going needs are a "pass through" solution. The expense doesn't go away it just shifts to an ever smaller pool of resources.
- A statewide solution, such as a broad based sales or income tax, broadens the funding for the delivery of programs and services by capturing revenues from out of state workers and visitors.

