

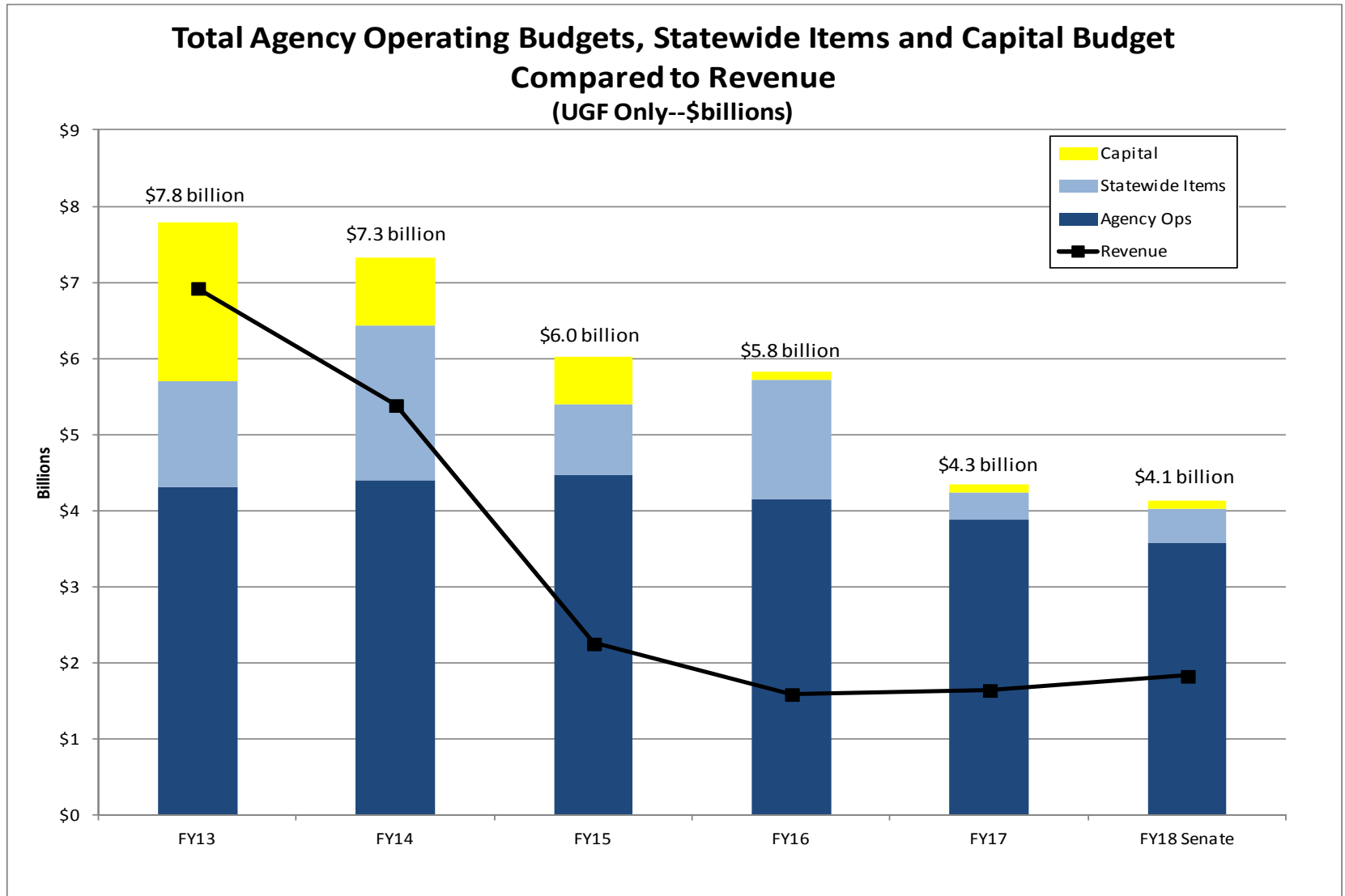
# SB 26—A Fiscal Plan

Senate Finance Committee

Friday April 28, 2017

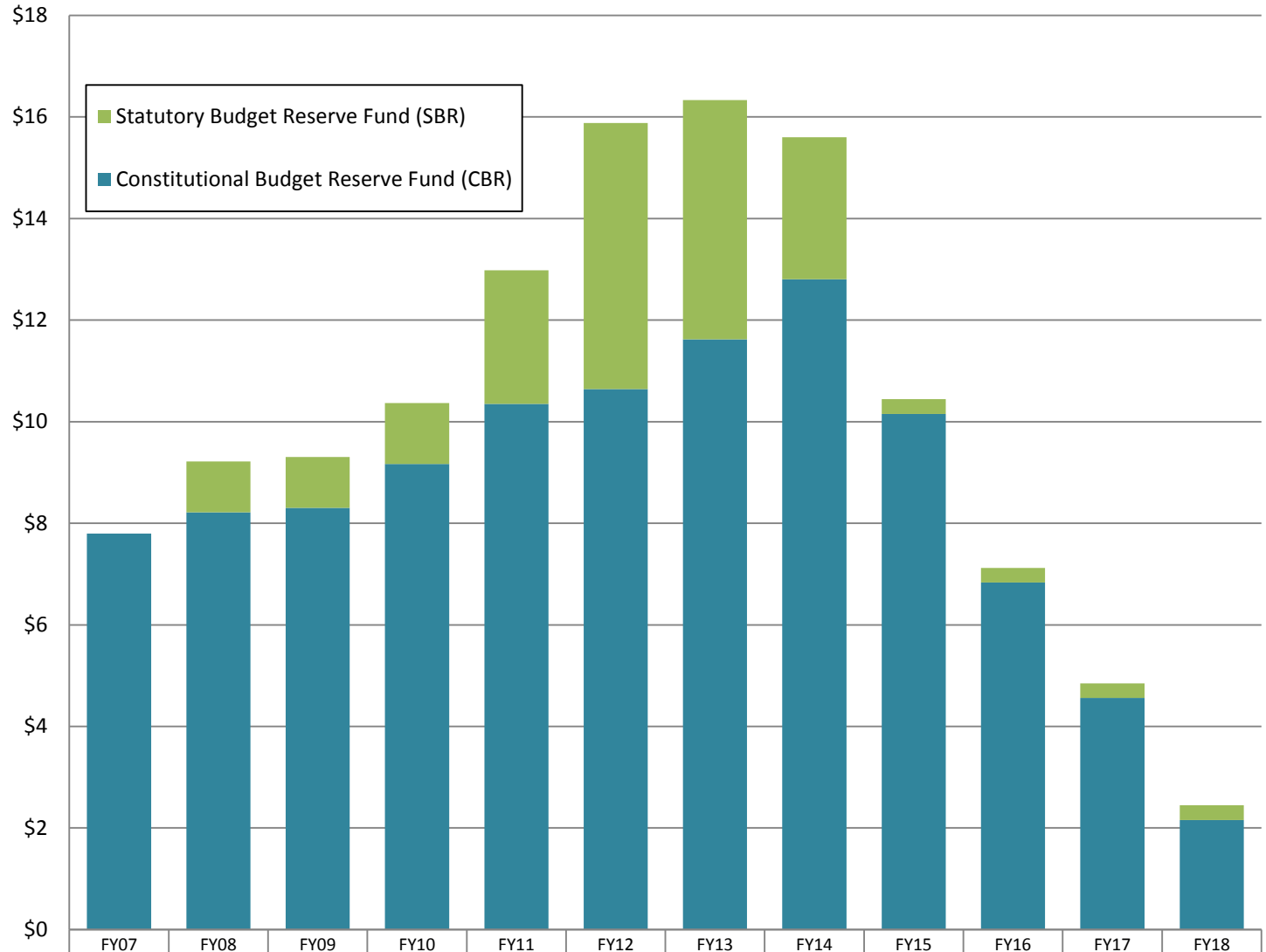
David Teal, Director, Legislative Finance Division

# Budget Reductions Since FY13



# End-of-Year Budget Reserve Balances, FY07-FY18

(\$billions)



Assumptions:  
 -Traditional withdrawal from the CBR.  
 -FY16-FY18 estimates based on the DOR Spring 2017 Forecast .

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Statutory Budget Reserve Fund (SBR)	-	1.0	1.0	1.2	2.6	5.2	4.7	2.8	0.3	0.3	0.3	0.3
Constitutional Budget Reserve Fund (CBR)	7.8	8.2	8.3	9.2	10.3	10.6	11.6	12.8	10.2	6.8	4.6	2.2

# What Does A Solution Look Like?

## 1. Healthy Reserve Balances?

- No less than \$2.5 billion in the CBR?
- An Earnings Reserve Account (ERA) that is stable/growing?

## 2. A Sustainable Budget?

- A balanced budget? How fast? How big?
- Time for a phased approach? How much time?

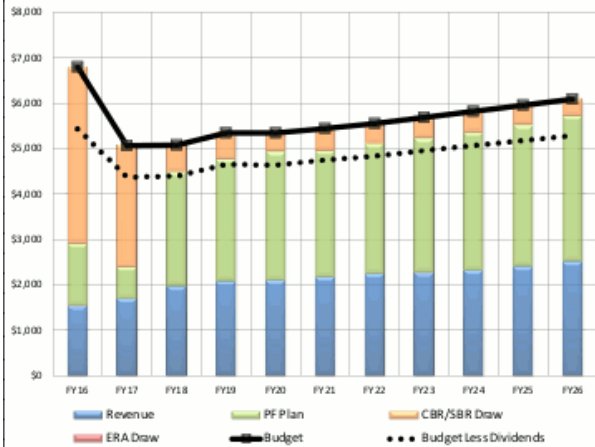
# What Does SB 26 Do?

Provides:

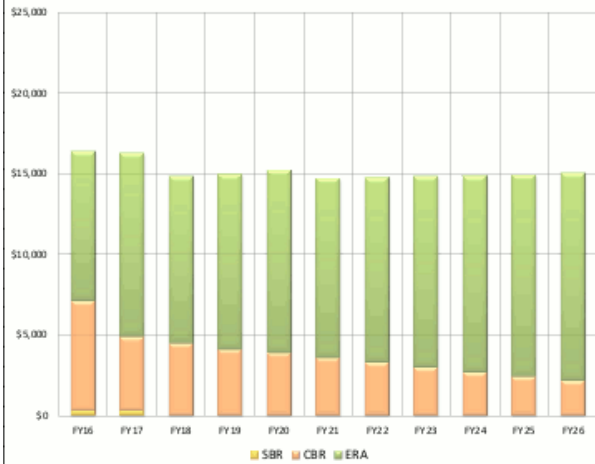
1. A Payout from the ERA to the General Fund (that greatly reduces the deficit and revenue volatility)
2. A Payout from the ERA for Dividends
3. A Payout (Revenue) Limit
4. An Appropriation Limit
5. Additional Royalties to the General Fund

# Baseline SB 26

**UGF Revenue/Budget (\$ millions)**



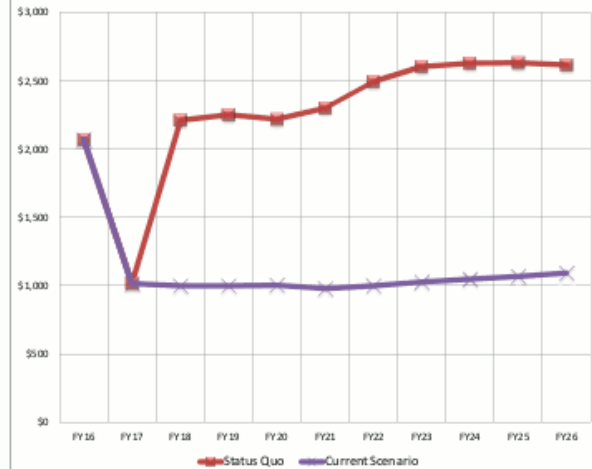
**Budget Reserves FY Ending Balance**



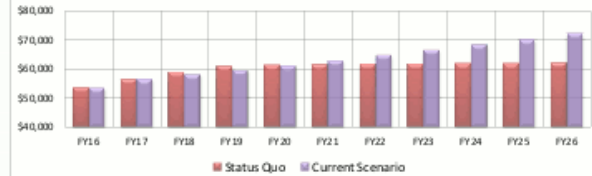
	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Reserves	14,828	14,975	15,207	14,897	14,757	14,841	14,856	14,912	15,028
Deficit	-620	-606	-435	-511	-471	-482	-492	-451	-394
Years to Exhaust CBR	7	7	9	7	7	6	5	5	6
Deficit Filled	75%	77%	83%	81%	83%	83%	83%	84%	86%

Price Scenario	Spring Forecast
Production	P10
<b>COST VARIABLES</b>	
Operating Budget	Scenario <b>OMB 10yr Plan</b>
Target cut (FY18+)	\$ -
Statewide Budget	Tax Credit Payments Statutory
Capital Budget (FY19-26)	180.0
<b>REVENUE VARIABLES</b>	
Sales Tax	n
Income Tax	n
Motor Fuel Tax	n
Oil Tax Legislation	n
<b>Permanent Fund Plan SB 26 Senate</b>	
<b>Assumptions</b>	
Inflation Rate	2.25%
PF Investment Return	6.95%
% Realized	89.78%
Population Growth Rate	Labor Stats
CBR Earnings	2.89%
<b>Plan Specifications</b>	
Payout	
POMV Payout	5.00%
POMV Override	5.25%
Override Ends	20
% Statutory Net Income	0%
Draw Start Year	18
Dividend	
% of Stat Net Income to Div	0%
% of POMV Draw to Div	25%
% of UGF Royalties to Div	0%
Dividend Floor	\$ 1,000
Floor Ends	20
Dividend Cap	\$ -
Dividend Override	Off
Inflation Proofing	
Status Quo Inflation Proofing	0
4x Draw Inflation Proofing	1
POMV Inflation Proofing	0.00%
Inflation Proofing Limit	0
Other Provisions	
Reduce when oil rev exceeds	\$ 1,200
Reduce by x%	100%
Royalties to PF	25%

**Dividend Check**



**Permanent Fund FY Ending Balance**



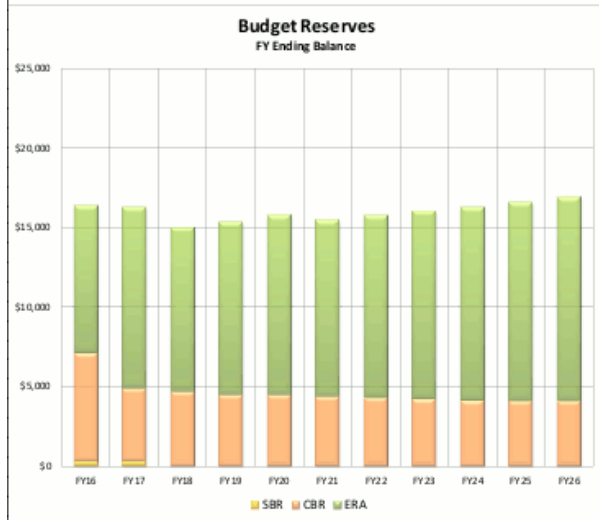
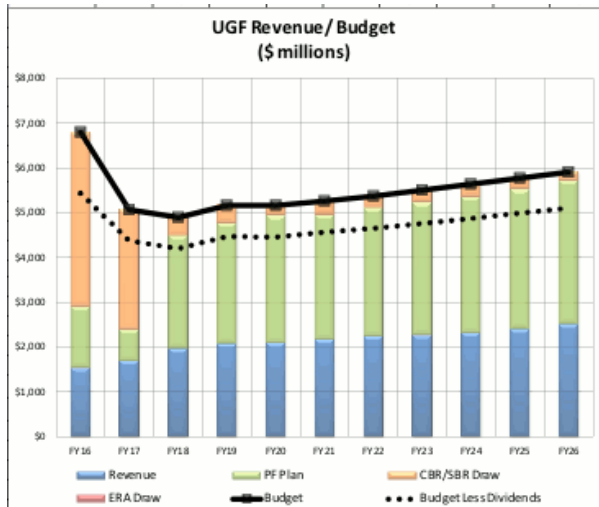
Perm. Fund	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
% Real Value	104%	104%	105%	105%	106%	106%	107%	107%	108%
Payout %	5.25%	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Effective %	4.58%	4.69%	4.75%	4.55%	4.56%	4.58%	4.58%	4.58%	4.58%

**Payout for Dividends and General Fund**



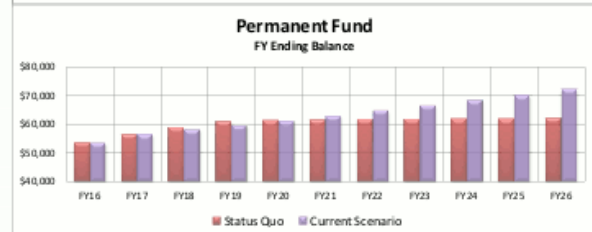
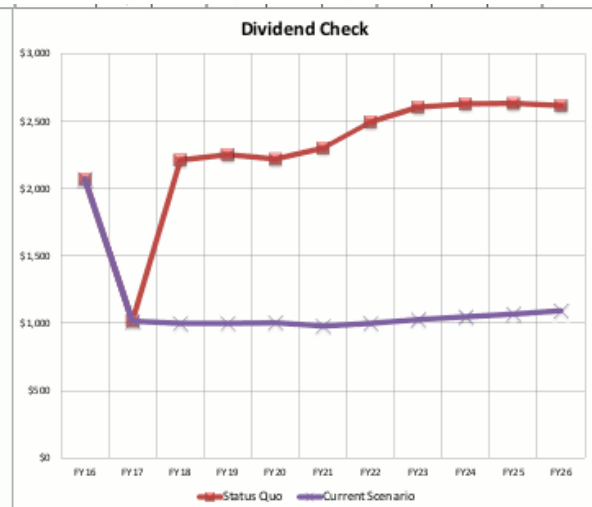
	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
To General Fund	1,833	1,996	2,125	2,087	2,149	2,220	2,281	2,344	2,408
Dividends	693	699	708	696	716	740	760	781	803

# SB 26 w/ \$185 million Spending Reductions (below FY18 Gov Amend)

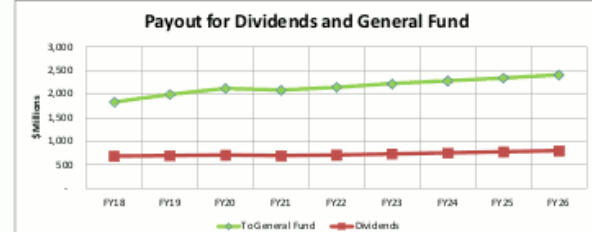


	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Reserves	15,015	15,355	15,786	15,481	15,751	16,051	16,290	16,575	16,926
Deficit	-435	-421	-250	-326	-286	-297	-307	-266	-209
Years to Exhaust CBR	11	11	18	13	15	14	13	15	19
Deficit Filled	83%	84%	91%	88%	89%	89%	89%	91%	93%

Price Scenario	Spring Forecast
Production	P10
<b>COST VARIABLES</b>	
Operating Budget	Scenario OMB 10yr Plan
Target cut (FY18+)	\$ (185)
Statewide Budget	Tax Credit Payments Statutory
Capital Budget (FY19-26)	180.0
<b>REVENUE VARIABLES</b>	
Sales Tax	n
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