

# HCS SB 26 / HB 115 / HB 111 Fiscal Plan

House Finance Committee

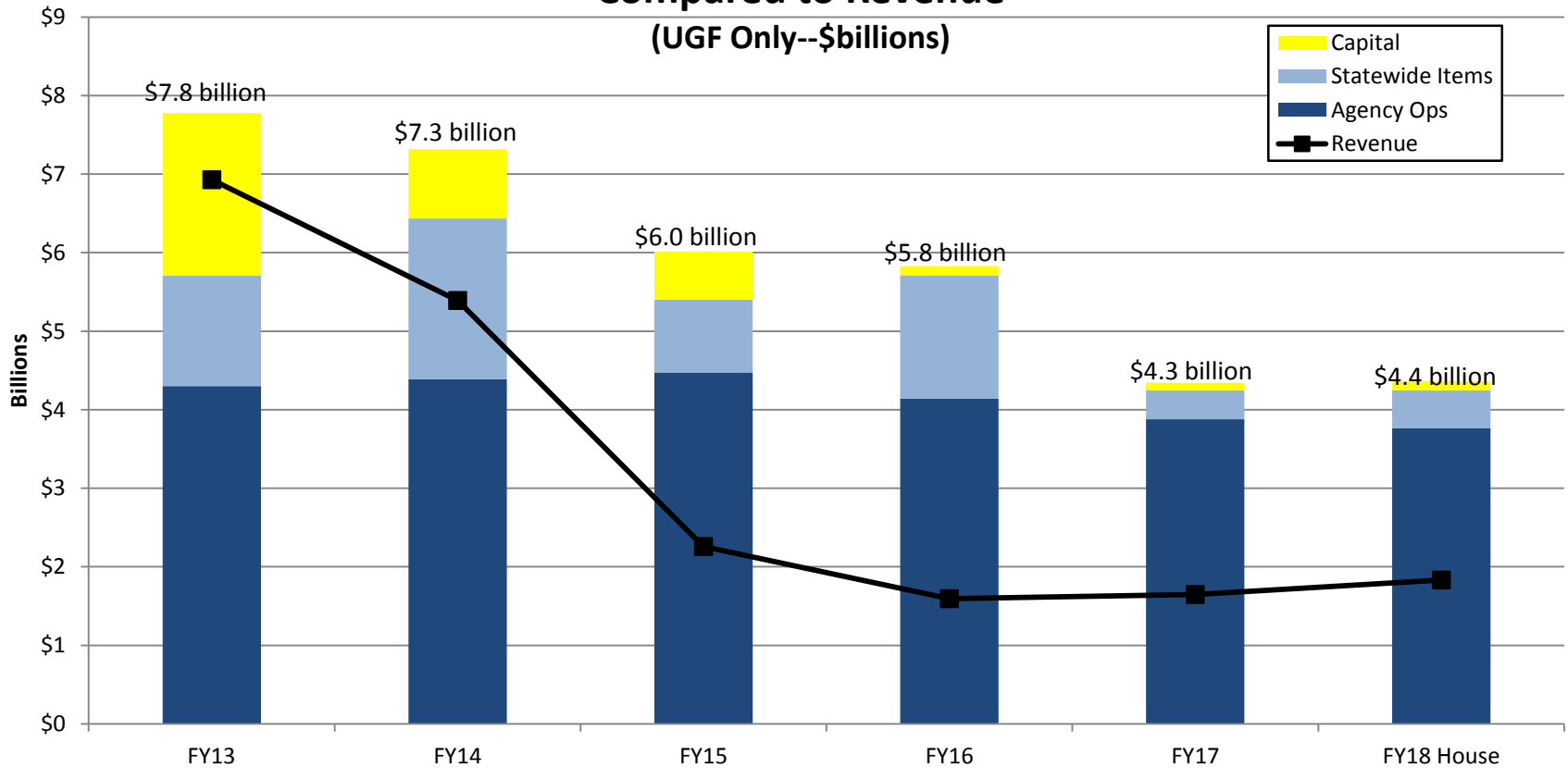
May 1, 2017

David Teal, Director, Legislative Finance Division

# Budget Reductions Since FY13

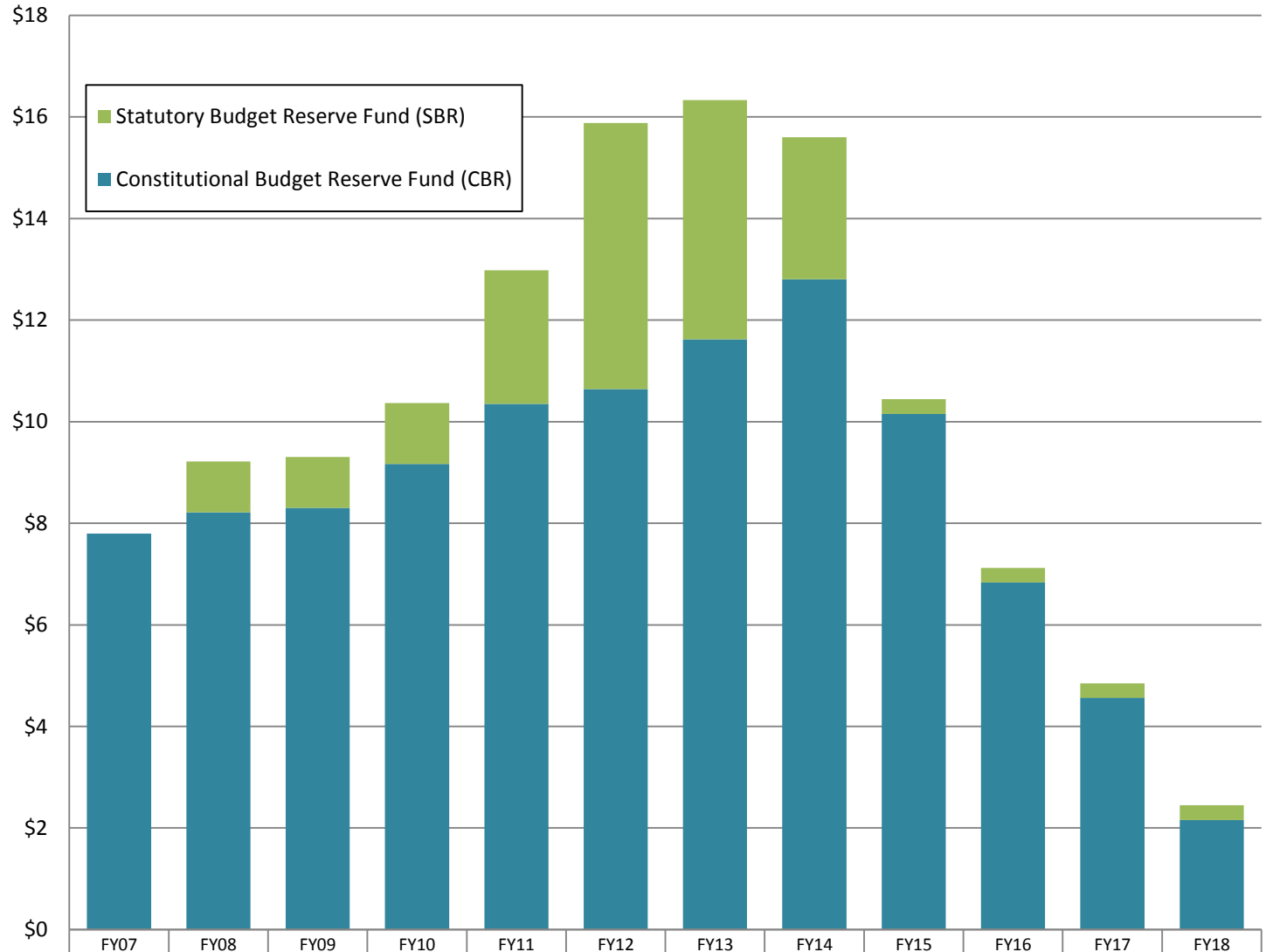
## Total Agency Operating Budgets, Statewide Items and Capital Budget Compared to Revenue

(UGF Only--\$billions)



# 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?

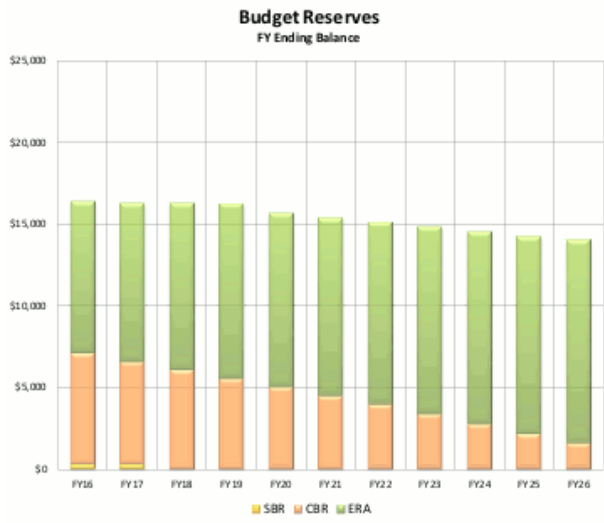
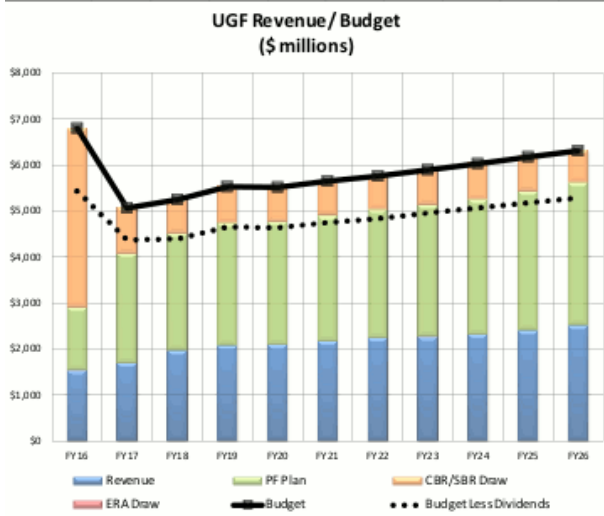
## 3. A Healthier Economy?

# What Does HCS SB 26 Do?

Provides:

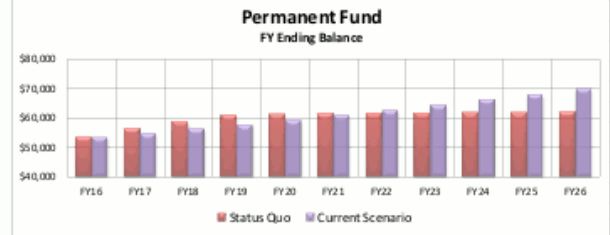
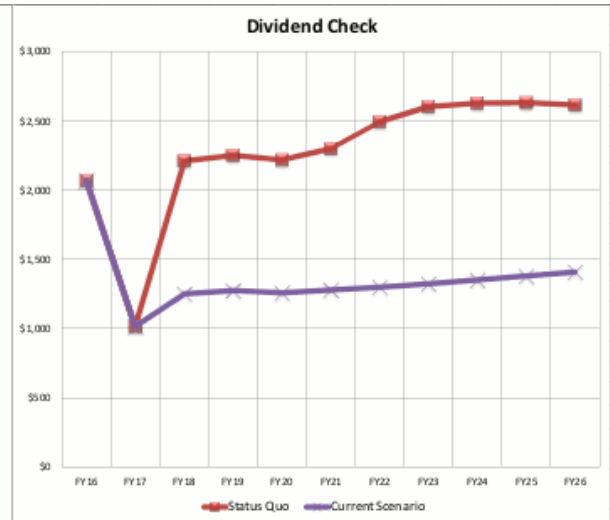
1. A Payout from the ERA to the General Fund (that greatly reduces the deficit and revenue volatility)
2. A Payout from the ERA for Dividends
3. A Payout (Revenue) Limit
4. Additional Royalties to the General Fund
5. Conditional Links to a Broad-based Tax and Oil Tax/Credit Reform

# Baseline HCS SB 26

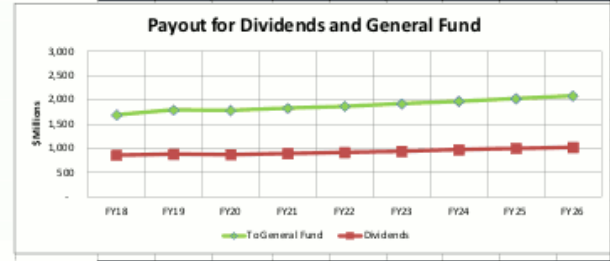


	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Reserves	16,281	16,240	15,659	15,383	15,112	14,833	14,534	14,261	14,033
Deficit	-761	-809	-776	-770	-749	-781	-799	-767	-718
Years to Exhaust CBR	8	7	6	6	5	4	3	3	2
Deficit Filled	70%	70%	71%	71%	72%	72%	72%	73%	75%

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</b>	<b>SB 26 House</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	19
% Statutory Net Income	0%
Draw Start Year	17
<b>Dividend</b>	
% of Stat Net Income to Div	0%
% of POMV Draw to Div	33%
% of UGF Royalties to Div	0%
Dividend Floor	\$ 1,250
Floor Ends	19
Dividend Cap	\$ -
Dividend Override	Off
<b>Inflation Proofing</b>	
Status Quo Inflation Proofing	0
4x Draw Inflation Proofing	1
POMV Inflation Proofing	0.25%
Inflation Proofing Limit	1
<b>Other Provisions</b>	
Reduce when oil rev exceeds	\$ 1,400
Reduce by %	80%
Royalties to PF	25%

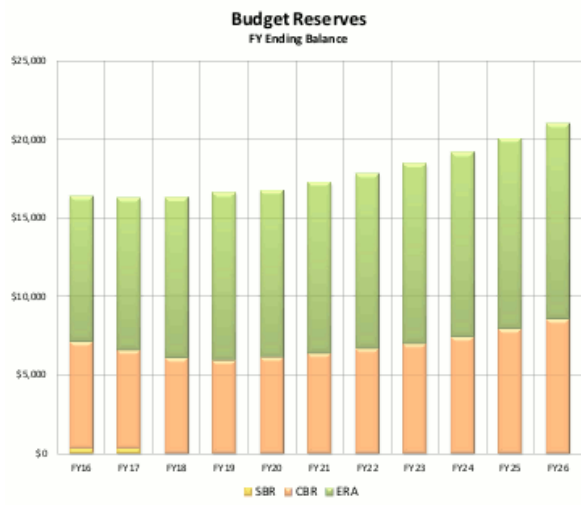
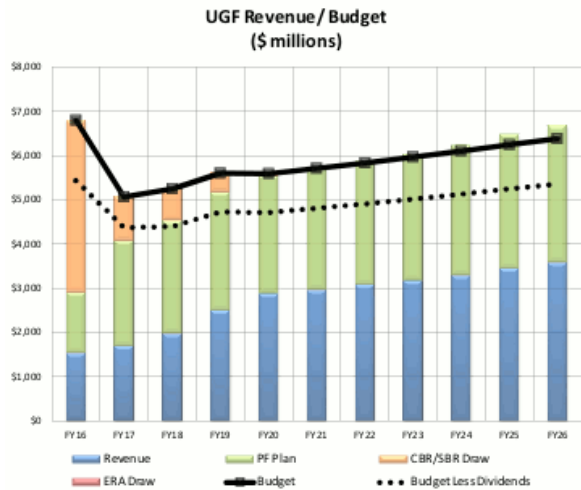


Perm. Fund	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
% Real Value	101%	101%	101%	102%	102%	103%	104%	104%	105%
Payout %	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Effective %	4.66%	4.76%	4.62%	4.60%	4.99%	4.58%	4.58%	4.58%	4.58%



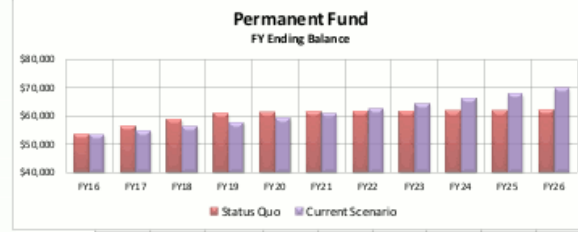
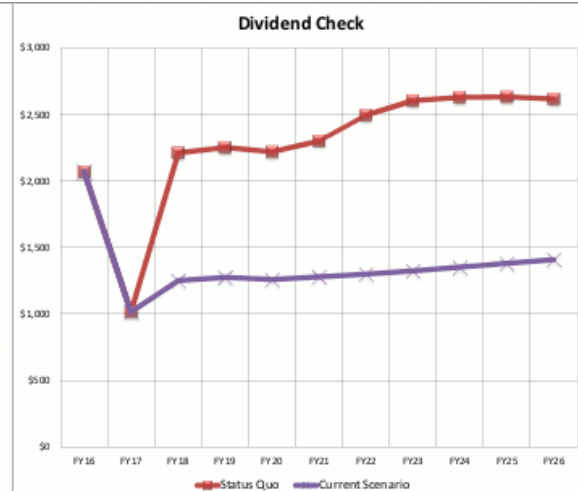
	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
To General Fund	1,692	1,794	1,785	1,828	1,871	1,921	1,974	2,028	2,084
Dividends	859	883	879	900	922	946	972	999	1,027

# HCS SB 26 w/ \$250 million Capital Spending, HB 115 and HB 111

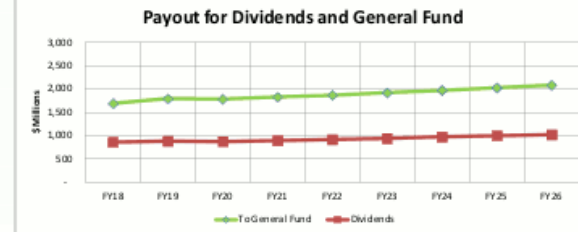


	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Reserves	16,301	16,622	16,770	17,258	17,824	18,457	19,189	20,046	21,003
Deficit	-741	-453	-69	-48	23	41	113	215	285
Years to Exhaust CBR	8	13	89	131	*	*	*	*	*
Deficit Filled	71%	83%	97%	98%	101%	101%	104%	107%	110%

Price Scenario	Spring Forecast
Production	P10
<b>COST VARIABLES</b>	
Operating Budget	
Scenario	OMB 10yr Plan
Target cut (FY18+)	\$ -
Statewide Budget	
Tax Credit Payments	Statutory
Capital Budget (FY 19-26)	250.0
<b>REVENUE VARIABLES</b>	
Sales Tax	n
Income Tax	HB 115
Motor Fuel Tax	n
Oil Tax Legislation	HB 111 (House)
<b>Permanent Fund Plan</b> SB 26 House	
<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	19
% Statutory Net Income	0%
Draw Start Year	17
Dividend	
% of Stat Net Income to Div	0%
% of POMV Draw to Div	33%
% of UGF Royalties to Div	0%
Dividend Floor	\$ 1,250
Floor Ends	19
Dividend Cap	\$ -
Dividend Override	Off
Inflation Proofing	
Status Quo Inflation Proofing	0
4x Draw Inflation Proofing	1
POMV Inflation Proofing	0.25%
Inflation Proofing Limit	1
Other Provisions	
Reduce when oil rev exceeds	\$ 1,400
Reduce by x%	80%
Royalties to PF	25%



Perm. Fund	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
% Real Value	101%	101%	101%	102%	102%	103%	104%	104%	105%
Payout %	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Effective %	4.66%	4.76%	4.62%	4.60%	4.59%	4.58%	4.58%	4.58%	4.58%



	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
To General Fund	1,692	1,794	1,785	1,828	1,871	1,921	1,974	2,028	2,084
Dividends	859	883	879	900	922	946	972	999	1,027