

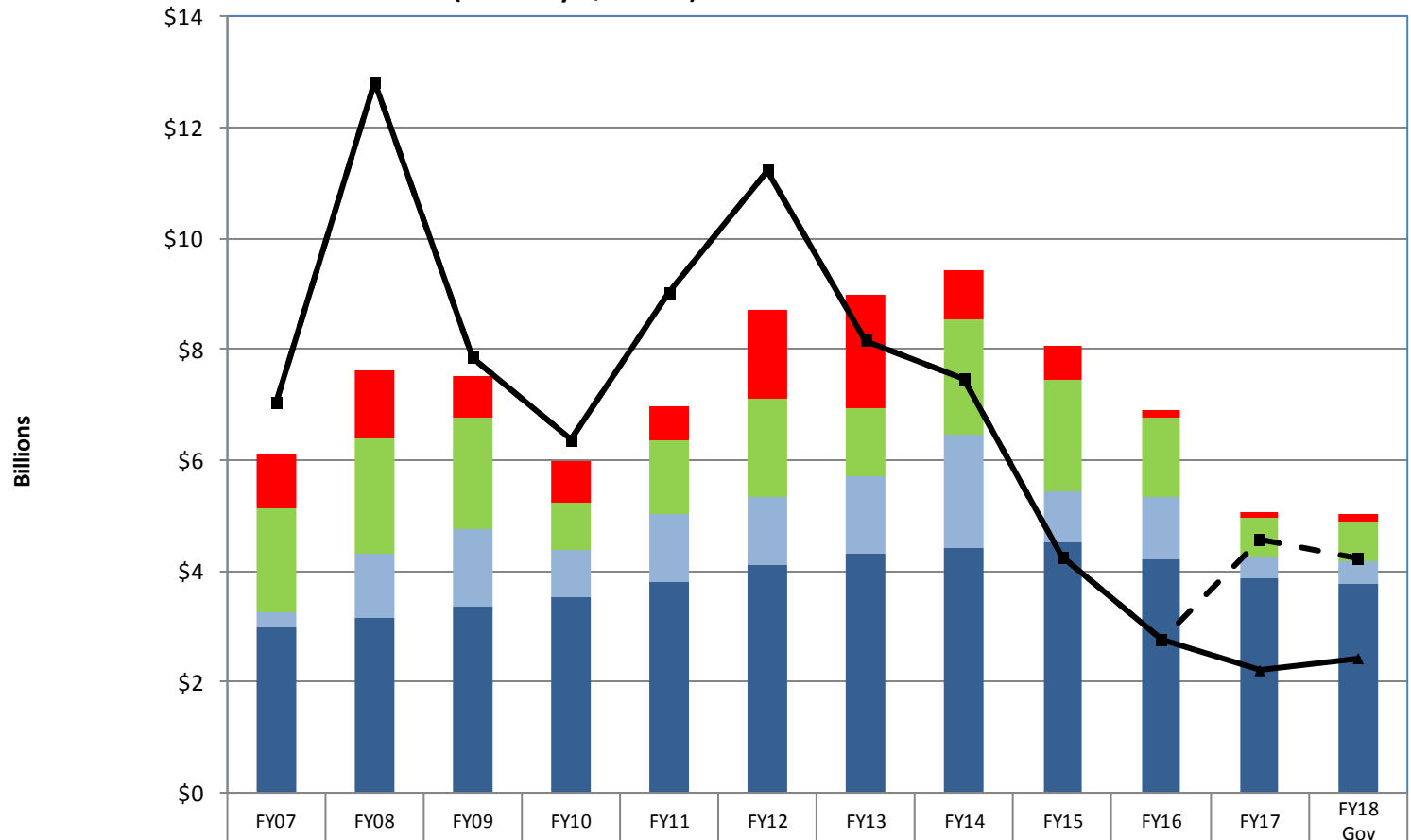
Overview of the Governor's FY18 Budget Request

Senate Finance Committee

Friday, January 20, 2017

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Figure 1: Total Agency Operating Budgets, Statewide Items and Capital Budget Compared to Revenue (UGF Only--\$billions)

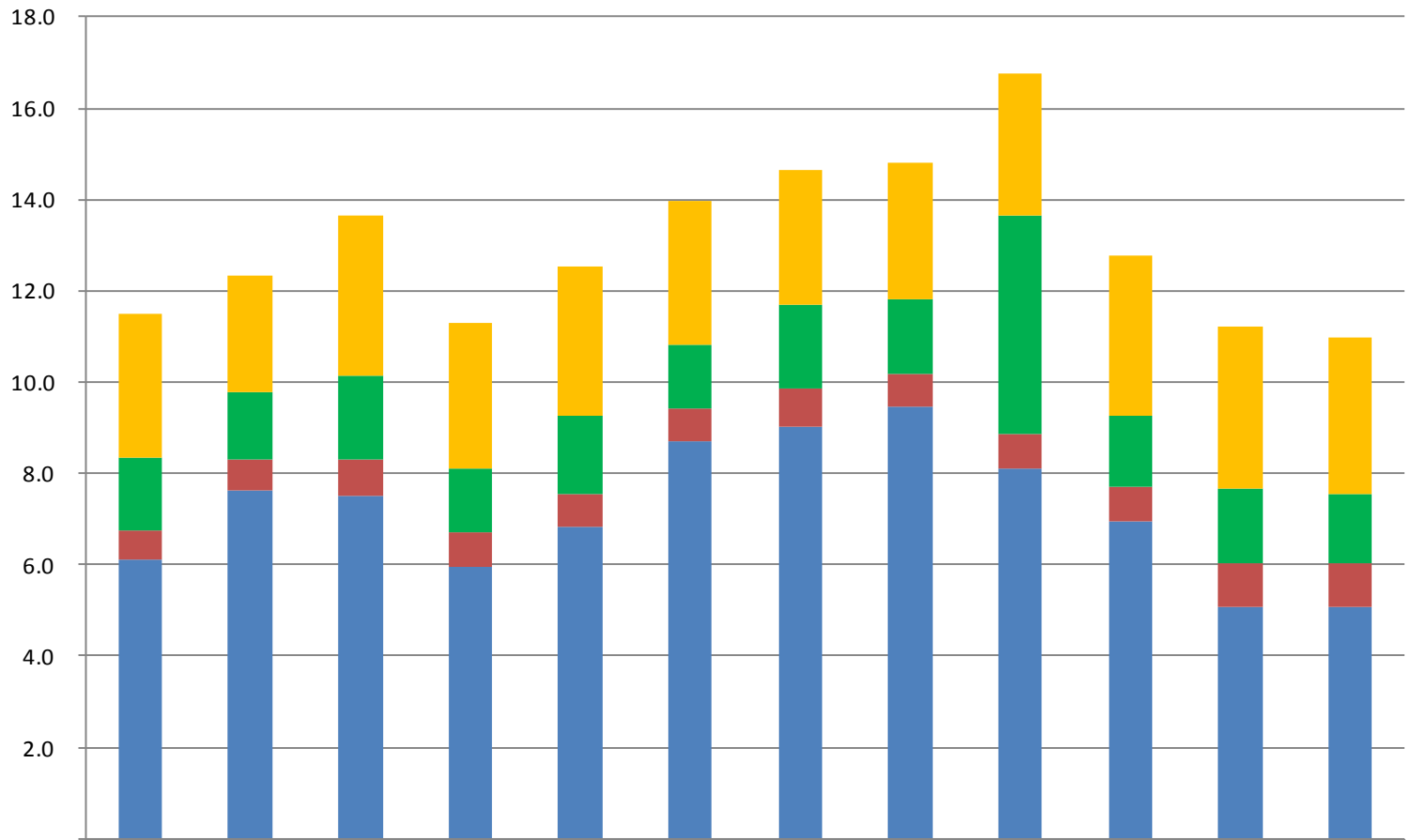


	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18 Gov
Capital	1.0	1.2	0.8	0.8	0.6	1.6	2.1	0.9	0.6	0.1	0.1	0.1
PF ERA Approps	1.9	2.1	2.0	0.8	1.3	1.7	1.2	2.1	2.0	1.4	0.7	0.7
Statewide Items	0.3	1.1	1.4	0.9	1.2	1.2	1.4	2.0	0.9	1.1	0.4	0.4
Agency Operations	3.0	3.2	3.3	3.5	3.8	4.1	4.3	4.4	4.5	4.2	3.9	3.8
TOTAL BUDGET	6.1	7.6	7.5	6.0	7.0	8.7	9.0	9.4	8.0	6.9	5.1	5.0
—■— Total Revenue (Including POMV Payout)	7.0	12.8	7.9	6.4	9.0	11.2	8.2	7.5	4.2	2.8	4.6	4.2
Revenue Covers % of Expenditures	115%	168%	104%	106%	129%	129%	91%	79%	53%	40%	90%	84%
—■— UGF Revenue (Status Quo)	7.0	12.8	7.9	6.4	9.0	11.2	8.2	7.5	4.2	2.8	2.2	2.4

Takeaways from Figure 1

1. FY18 is the 6th consecutive year of deficits.
2. Spending dropped from a peak of \$9.4 billion in FY14 to \$5.0 billion in FY17 and FY18 budget.
3. Revenue declined by \$5.1 billion during the same period.
4. In the good old days of high oil prices, \$5 billion in spending would have resulted in surpluses averaging about \$3 billion annually. Instead, we face an FY18 deficit of about \$2.7 billion.
5. Spending includes appropriations from the ERA—that includes both dividends and inflation proofing.
6. The revenue line also includes the amounts paid for inflation proofing and dividends each year.
7. In FY17 and FY18, the dashed line indicates the addition of net POMV payouts (the amount appropriated from the ERA to the general fund, less dividends). In FY18, that amount is \$1.8 billion.

**Figure 2: Total Operating and Capital Budgets
(All Funds - \$billions)**



	07FnlBud	08FnlBud	09FnlBud	10FnlBud	11FnlBud	12FnlBud	13FnlBud	14FnlBud	15FnlBud	16FnlBud	17MgtPln	18Gov
Federal Receipts (Fed)	3.1	2.6	3.5	3.2	3.2	3.1	2.9	3.0	3.1	3.5	3.5	3.4
Other State Funds (Other)	1.6	1.5	1.9	1.4	1.7	1.4	1.8	1.6	4.8	1.5	1.6	1.5
Designated General (DGF)	0.6	0.7	0.8	0.7	0.7	0.7	0.8	0.7	0.8	0.8	0.9	1.0
Unrestricted General (UGF)	6.1	7.6	7.5	6.0	6.8	8.7	9.0	9.4	8.1	6.9	5.1	5.1
TOTAL	11.5	12.3	13.7	11.3	12.5	14.0	14.6	14.8	16.8	12.8	11.2	11.0

Figure 3: FY07-FY18 Total Budgeted Positions

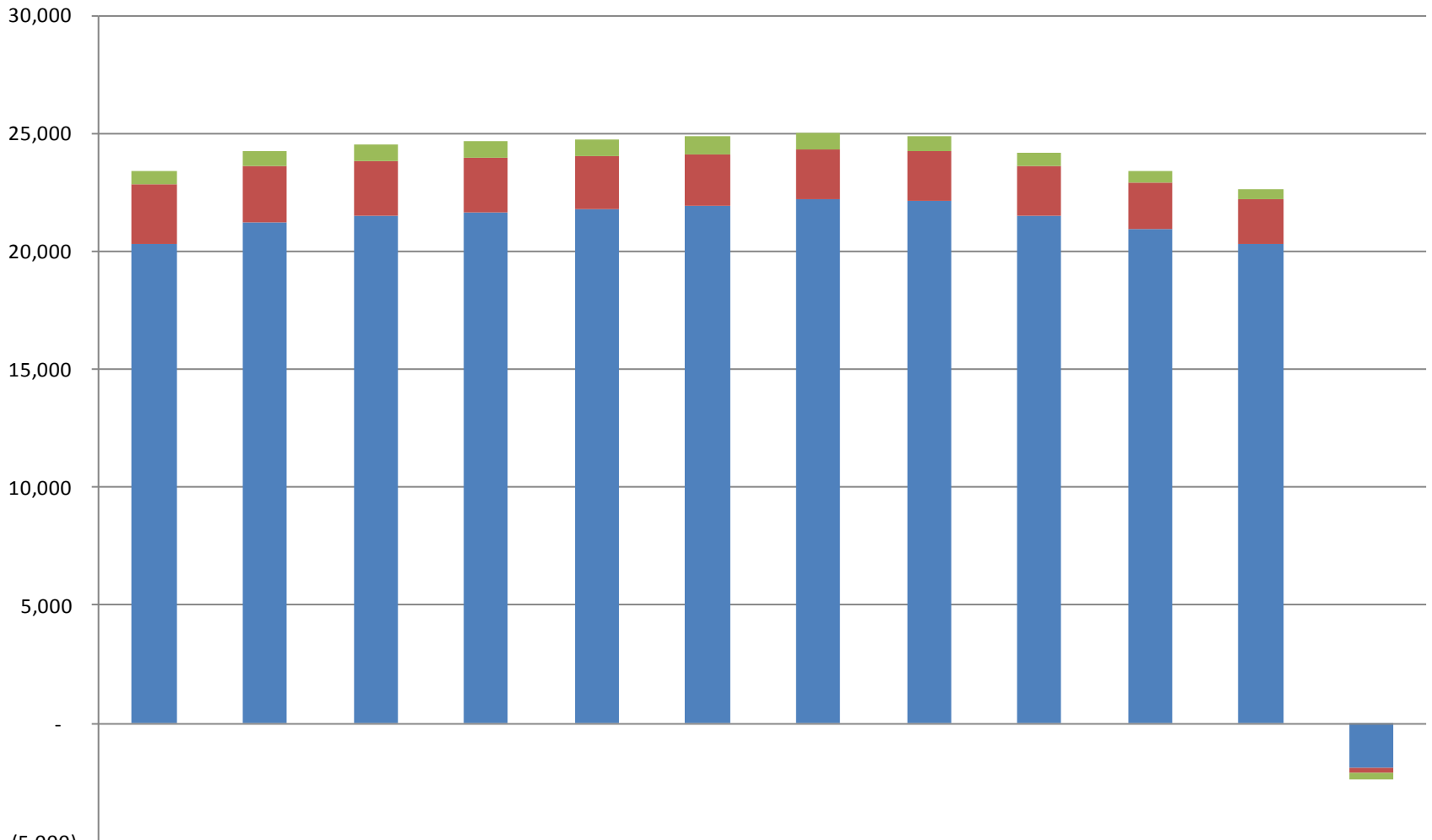
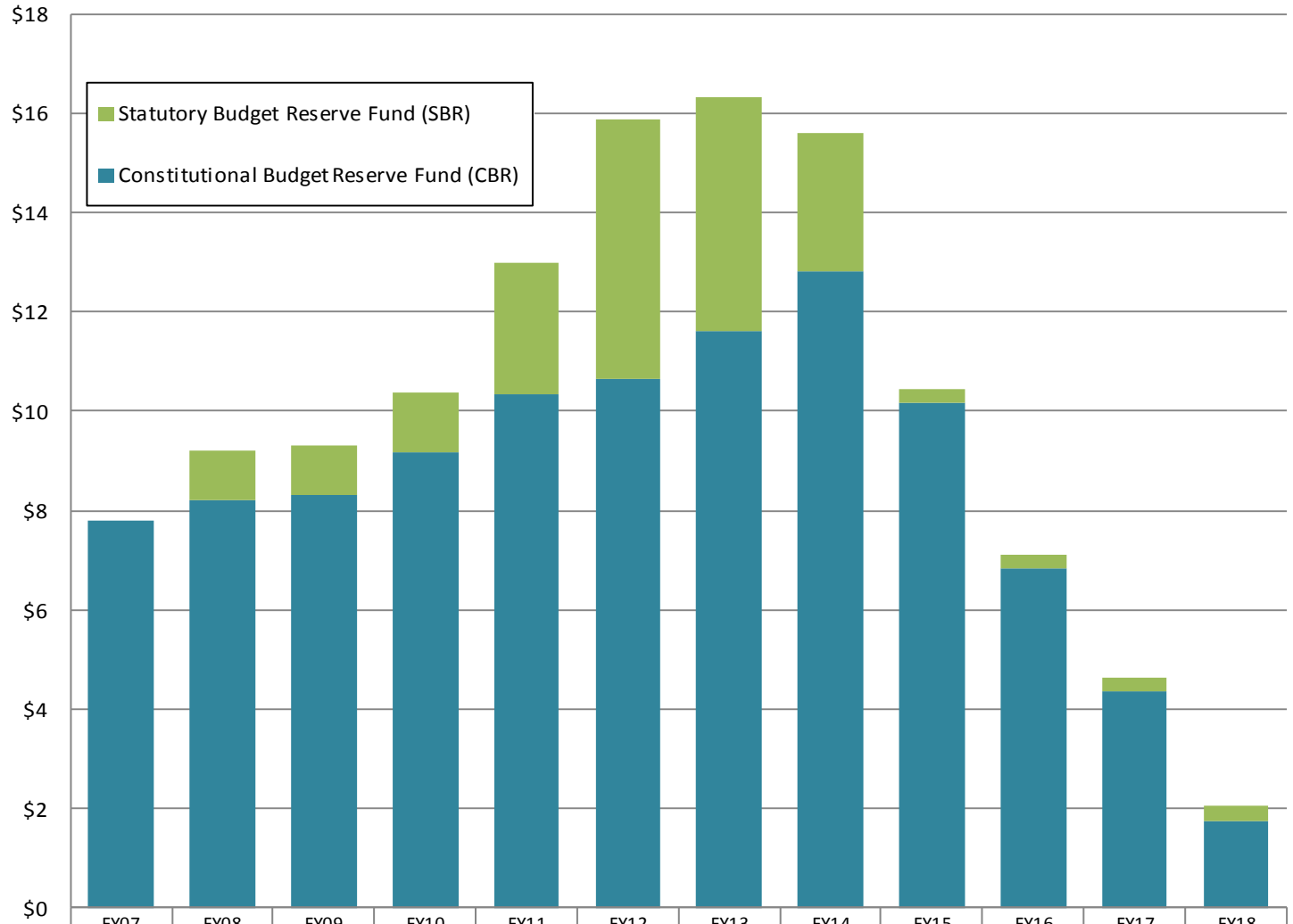


Figure 4: End-of-Year Reserve Balances, FY07-FY18
(\$billions)



Assumptions:
-Traditional withdrawal from the CBR.
-FY16-FY18 estimates based on the DOR Fall 2016 Forecast.

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	4.4	1.8

Figure 5: Past Treatment of Appropriations from the Permanent Fund Earnings Reserve Account

State of Alaska Fiscal Summary--FY16

(\$ millions)

		FY16 Budget					
		Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds
55	Post-Transfers Authorization (unduplicated)	5,213.4	941.0	6,154.4	641.4	3,463.1	10,258.8
56	<i>Post-Transfer Balance to/(from) the SBR or CBR (11)</i>	(3,920.6)	Revenue Covers		24.8%	of Appropriations	
57	Permanent Fund	-	1,474.4	1,474.4	170.8	-	1,645.2
58	Permanent Fund Dividends	-	1,405.0	1,405.0	-	-	1,405.0
59	Alaska Capital Income Fund	-	21.0	21.0	-	-	21.0
60	<i>Permanent Fund Corporation (included in op/cap budget) (12)</i>	-	-	-	162.3	-	162.3
61	<i>Other Uses of Earnings (included in op/cap budget) (12)</i>	-	48.4	48.4	8.6	-	57.0
62	<i>Vetoed (non-additive)</i>	-	-	-	-	-	-
63	Total Authorization (unduplicated)	5,213.4	2,367.0	7,580.4	641.4	3,463.1	11,684.8
FISCAL YEAR SUMMARY		5,439.5	2,327.5	7,767.0	641.4	3,463.1	11,871.4
Agency Operations		4,171.8	806.8	4,978.6	559.4	2,158.4	7,696.4
Statewide Operations		1,140.1	25.6	1,165.7	52.9	28.7	1,247.3
Total Operating		5,311.9	832.4	6,144.3	612.3	2,187.2	8,943.7
Capital		127.6	69.1	196.7	29.1	1,275.9	1,501.7
Unduplicated Appropriation of Permanent Fund Earnings		0.0	1,426.0	1,426.0	0.0	0.0	1,426.0
<i>Transfers (non-additive)</i>		(226.1)	39.6	(186.5)	-	-	(186.5)

Classification of the Permanent Fund Earnings Reserve Account (ERA) as Unrestricted General Funds (UGF)

1. The ERA's off budget status has been a reporting problem since the inception of the Permanent Fund.
2. The courts have clearly stated that the ERA is available for appropriation for any purpose. That would normally make the ERA part of UGF. The entire balance of the ERA would appear as UGF revenue available for appropriation.
3. But that would cause even our deficit years to appear to have massive surpluses. So PF earnings have been omitted from GF revenue.
4. The past method of accounting was not the best, but reclassifying spending from the ERA from DGF to UGF has significant implications—dividends compete for UGF.
5. Although putting PF ERA on budget perhaps should have been done long ago, it was not a pressing issue when the CBR balance was high and there were budget surpluses.
6. It is unavoidable now: The Governor's request does not use the ERA for dividends or inflation proofing. Those are the uses designated by statute and the justification for classifying the ERA as DGF. The only use of the ERA in the Governor's budget is a payout to the UGF. Where is the designation in that action?

State of Alaska Fiscal Summary--FY17 and FY18 (Part 1)

(\$ millions)

	FY17 Management Plan						FY18 Governor						Change in UGF	
	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	\$	%
1 REVENUE	4,570.1	989.9	5,560.0	770.9	3,545.0	9,875.9	4,195.1	990.1	5,185.3	680.6	3,442.3	9,308.1	(375.0)	-8.2%
2 Unrestricted General Fund Revenue (Fall 2016) (1)	1,446.7	-	1,446.7	-	-	1,446.7	1,624.1	-	1,624.1	-	-	1,624.1	-	-
3 Permanent Fund Protection Act POMV Draw (2)	2,385.8	-	2,385.8	-	-	2,385.8	2,525.7	-	2,525.7	-	-	2,525.7	-	-
4 FY17 ERA Draw for Permanent Fund Dividend (2)	695.7	-	695.7	-	-	695.7	-	-	-	-	-	-	-	-
5 Additional Royalties from Permanent Fund (2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Transfer from ERA for Amerada Hess Settlement (2)	23.0	-	-	-	-	-	54.9	-	-	-	-	-	-	-
7 Motor Fuel Tax Legislation Adjustment (3)	-	-	-	-	-	-	26.0	-	-	-	-	-	-	-
8 Carryforward, Repeals, and Adjustments (4)	19.0	-	19.0	-	3.6	22.7	(35.6)	71.1	35.6	4.6	-	40.2	-	-
9 Designated General Fund Revenue (5)	-	989.9	989.9	-	-	989.9	-	919.0	919.0	-	-	919.0	-	-
10 APPROPRIATIONS	4,276.8	938.9	5,215.7	685.9	2,219.8	8,121.4	4,217.0	945.0	5,162.0	624.8	2,234.4	8,021.2	(59.8)	-1.4%
TOTAL OPERATING APPROPRIATIONS	4,276.8	938.9	5,215.7	685.9	2,219.8	8,121.4	4,217.0	945.0	5,162.0	624.8	2,234.4	8,021.2	(59.8)	-1.4%
11 Agency Operations	3,878.3	817.1	4,695.3	592.8	2,190.9	7,479.0	3,756.7	868.0	4,624.7	573.6	2,206.7	7,405.0	(121.5)	-3.1%
12 Current Fiscal Year Appropriations	3,878.3	817.1	4,695.3	592.8	2,190.9	7,479.0	3,756.7	868.0	4,624.7	573.6	2,206.7	7,405.0	(121.5)	-3.1%
13 Agency Operations (Non-Formula)	1,899.0	758.7	2,657.7	564.0	913.7	4,135.4	1,840.7	745.4	2,586.1	542.4	912.3	4,040.8	(58.3)	-3.1%
14 K-12 Foundation Formula and Pupil Transportation	1,243.0	-	1,243.0	23.7	20.8	1,287.4	1,249.1	-	1,249.1	20.0	20.8	1,289.9	6.1	0.5%
15 Medicaid Services (Formula)	580.2	0.4	580.6	5.2	1,143.3	1,729.1	580.2	1.8	582.0	4.8	1,125.3	1,712.0	-	0.0%
16 Other Formula Programs	156.2	58.0	214.1	-	107.9	322.0	154.9	54.4	209.3	1.9	148.4	359.6	(1.2)	-0.8%
17 Revised Programs Legislatively Approved	-	-	-	-	5.1	5.1	-	-	-	-	-	-	-	-
18 Fiscal Notes (FY17 notes are included in MP) (6)	-	-	-	-	-	-	(68.2)	66.4	(1.8)	4.5	-	2.7	(68.2)	-
19 Duplicated Authorization (non-additive) (7)	-	-	-	793.9	-	793.9	-	-	-	790.6	-	790.6	-	-
20 Statewide Items	398.5	121.8	520.4	93.1	28.9	642.3	460.3	77.0	537.3	51.3	27.6	616.2	61.8	15.5%
21 Current Fiscal Year Appropriations	398.5	121.8	520.4	90.1	28.9	639.3	460.3	77.0	537.3	51.3	27.6	616.2	61.8	15.5%
22 Debt Service	182.2	18.3	200.5	84.7	5.2	290.5	209.4	18.6	228.0	45.0	5.2	278.3	27.2	14.9%
23 Fund Capitalization	77.7	13.7	91.4	5.3	23.6	120.4	116.6	0.1	116.8	6.2	22.4	145.4	39.0	50.2%
24 Community Assistance	-	13.6	13.6	-	-	13.6	-	-	-	-	-	-	-	-
25 Oil & Gas Production Tax Credits	30.0	-	30.0	-	-	30.0	74.0	-	74.0	-	-	74.0	44.0	146.7%
26 REAA School Fund	31.2	-	31.2	-	-	31.2	40.6	-	40.6	-	-	40.6	9.4	30.1%
27 Other Fund Capitalization	16.4	0.1	16.6	5.3	23.4	45.3	2.0	0.1	2.1	6.2	22.4	30.8	(14.4)	-87.8%
28 Retirement Costs: Actuarial Recommendation	134.2	89.8	224.1	-	-	224.1	134.2	58.3	192.5	-	-	192.5	(0.0)	0.0%
29 Judgments, Claims and Settlements	4.4	-	4.4	-	-	4.4	-	-	-	-	-	-	(4.4)	-100.0%
30 Duplicated Authorization (non-additive) (7)	-	-	-	13.6	-	13.6	-	-	-	14.2	-	14.2	-	-
31 Supplemental Appropriations (Statewide)	-	-	-	3.0	-	3.0	-	-	-	-	-	-	-	-
32 Cost of Issuing Debt (duplicated)	-	-	-	3.0	-	3.0	-	-	-	-	-	-	-	-
33 TOTAL CAPITAL APPROPRIATIONS	96.1	11.7	107.8	85.0	1,325.2	1,518.1	115.2	31.5	146.7	55.8	1,207.9	1,410.4	19.1	19.9%
34 Current Fiscal Year Appropriations	96.1	11.5	107.6	85.0	1,325.2	1,517.8	115.2	31.5	146.7	55.8	1,207.9	1,410.4	19.1	19.9%
35 Project Appropriations & RPLs (Revised Programs)	96.1	11.5	107.6	85.0	1,325.2	1,517.8	120.0	26.7	146.7	55.8	1,207.9	1,410.4	23.9	24.8%
36 Fiscal Notes	-	-	-	-	-	-	(4.8)	4.8	-	-	-	-	-	-
37 Duplicated Authorization (non-additive) (7)	-	-	-	64.5	-	64.5	-	-	-	19.2	-	19.2	-	-
38 Supplemental Appropriations (Capital)	-	0.3	0.3	-	-	0.3	-	-	-	-	-	-	-	-
39 Money on the Street (includes all fund sources) (8)	96.1	11.7	107.8	149.5	1,325.2	1,582.6	115.2	31.5	146.7	75.0	1,207.9	1,429.6	19.1	19.9%
40 Pre-Permanent Fund Authorization (unduplicated)	4,372.9	950.6	5,323.5	770.9	3,545.0	9,639.4	4,332.3	976.5	5,308.8	680.6	3,442.3	9,431.6	(40.6)	-0.9%
41 Fiscal Deficit without Permanent Fund Legislation (9)	(2,907.2)	-	-	33.5%	of Appropriations	-	(2,743.7)	-	-	36.7%	of Appropriations	-	-	-
42 Permanent Fund Earnings Reserve	718.7	-	718.7	-	-	718.7	721.7	-	721.7	-	-	721.7	3.0	0.4%
43 Permanent Fund Dividends (2)	695.7	-	695.7	-	-	695.7	695.7	-	695.7	-	-	695.7	-	0.0%
44 Deposits to Principal (Inflation Proofing)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
45 Alaska Capital Income Fund (2)	23.0	-	23.0	-	-	23.0	26.0	-	26.0	-	-	26.0	3.0	13.0%
46 Pre-Transfers Authorization (unduplicated)	5,091.6	950.6	6,042.2	770.9	3,545.0	10,358.1	5,053.9	976.5	6,030.4	680.6	3,442.3	10,153.3	(37.6)	-0.7%
47 Pre-Transfer Balance to/(from) the SBR or CBR	(521.5)	-	-	89.8%	of Appropriations	-	(858.8)	-	-	83.0%	of Appropriations	-	-	-

Figure 6: Partial View of the Fiscal Summary

Agency Operations

All Dollars in Thousands

		UGF	DGF	Other	Federal	Total
FY17 Management Plan (GF only)		\$3,878.3	\$817.1	\$1,386.7	\$2,185.7	\$8,267.8
	<i>One-time Items and Misc Adjustments</i>	(63.4)	(59.5)	(20.1)	(5.4)	(148.4)
	<i>Temporary Increments (IncTs)</i>	0.2	-	4.6	0.3	5.1
	<i>Maintenance Increments</i>	12.4	-	-	-	12.4
	<i>FY18 Salary Increases</i>	15.8	2.0	4.8	2.1	24.6
	<i>Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent</i>	4.3	14.6	(4.6)	(8.5)	5.8
	<i>subtotal</i>	(30.8)	(42.8)	(15.2)	(11.6)	(100.4)
FY18 Adjusted Base		3,847.5	774.2	1,371.5	2,174.1	8,167.3
	<i>Decrements</i>	(38.4)	(24.4)	(52.8)	(11.7)	(127.2)
	<i>Increments</i>	31.5	48.5	35.8	39.7	155.5
	<i>Fund Changes</i>	(83.9)	69.6	9.8	4.5	-
	<i>subtotal</i>	(90.8)	93.7	(7.3)	32.6	28.3
FY18 Governor's Agency Request (GF only)		\$3,756.7	\$868.0	\$1,364.2	\$2,206.7	\$8,195.6
FY17 Management Plan to FY18 Governor's Request		-121.5	50.9	-22.5	21.0	-72.2
		-3.1%	6.2%	-1.6%	1.0%	-0.9%

Figure 7: Partial View of the Fiscal Summary

State of Alaska Fiscal Summary--FY17 and FY18 (Part 1)					
(\$ millions)					
	FY17 Management Plan	FY18 Governor	Change in UGF		
20	Statewide Items	398.5	460.3	61.8	15.5%
21	Current Fiscal Year Appropriations	398.5	460.3	61.8	15.5%
22	Debt Service	182.2	209.4	27.2	14.9%
23	Fund Capitalization	77.7	116.6	39.0	50.2%
24	<i>Community Assistance</i>	-	-	-	
25	<i>Oil & Gas Production Tax Credits</i>	30.0	74.0	44.0	146.7%
26	<i>REAA School Fund</i>	31.2	40.6	9.4	30.1%
27	<i>Other Fund Capitalization</i>	16.4	2.0	(14.4)	-87.8%
28	Retirement Costs: Actuarial Recommendation	134.2	134.2	(0.0)	0.0%
29	Judgments, Claims and Settlements	4.4	-	(4.4)	-100.0%
30	<i>Duplicated Authorization (non-additive) (7)</i>	-	-	-	

Figure 8: Partial View of the Fiscal Summary

State of Alaska Fiscal Summary--FY17 and FY18 (Part 1)				
(\$ millions)				
	FY17 Management Plan	FY18 Governor	Change in UGF	
33	TOTAL CAPITAL APPROPRIATIONS	96.1	115.2	19.1 19.9%
34	Current Fiscal Year Appropriations	96.1	115.2	19.1 19.9%
35	Project Appropriations & RPLs (Revised Programs)	96.1	120.0	23.9 24.8%
36	Fiscal Notes	-	(4.8)	-
37	Duplicated Authorization (non-additive) (7)	-	-	-
38	Supplemental Appropriations (Capital)	-	-	
39	Money on the Street (includes all fund sources) (8)	96.1	115.2	19.1 19.9%
40	Pre-Permanent Fund Authorization (unduplicated)	4,372.9	4,332.3	(40.6) -0.9%
41	Fiscal Deficit without Permanent Fund Legislation (9)	(2,907.2)	(2,743.7)	
42	Permanent Fund Earnings Reserve	718.7	721.7	3.0 0.4%
43	Permanent Fund Dividends (2)	695.7	695.7	- 0.0%
44	Deposits to Principal (Inflation Proofing)	-	-	-
45	Alaska Capital Income Fund (2)	23.0	26.0	3.0 13.0%
46	Pre-Transfers Authorization (unduplicated)	5,091.6	5,053.9	(37.6) -0.7%
47	Pre-Transfer Balance to/(from) the SBR or CBR	(521.5)	(858.8)	

Figure 9: Accounting for the Reclassification of the Permanent Fund Earnings Reserve Account from Designated General Funds to Unrestricted General Funds

	Base	Governor Request	
			Base = Revenue excludes POMV payout and additional royalties under the PFPA; Spending = Governor's proposed, with dividends classified as DGF.
Revenue	1,589	1,615	
POMV Payout		2,526	Gov = Revenue includes POMV payout and additional royalties under the PFPA; Gov's proposed spending includes dividends and other ERA appropriations.
PFPA Royalty		55	
Other			
Revised Revenue	1,589	4,195	
Total Authorization	4,332	4,332	
PFDs		896	FY18 spending is essentially the same as in FY17, which had a projected deficit of \$3.1 billion. FY17 revenue is expected to exceed projections by about \$200 million and FY18 revenue is projected to be \$200 million above FY17 revenue. Bottom line: the FY18 deficit is expected to be about \$400 million less than the FY17 deficit.
Capital Income Fund		26	
Transfers		16	
Revised Authorization	4,332	5,069	
Deficit	-2,744	-874	

Figure 10: Potential Spending Increases		
		UGF
If Motor Fuel Tax increase not adopted		70.0
Community Assistance		30.0
UGF for retirement		58.3
UA and DEED capital projects		21.2
Oil Tax Credits		?
other		?
other		?
Total change in Appropriations		179.5
Revised Authorization		5,248.9
Revised Deficit		-1,018.8