

# Overview of the Governor's FY20 Budget—Round 2

Senate Finance Committee

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**Governor Dunleavy said:**

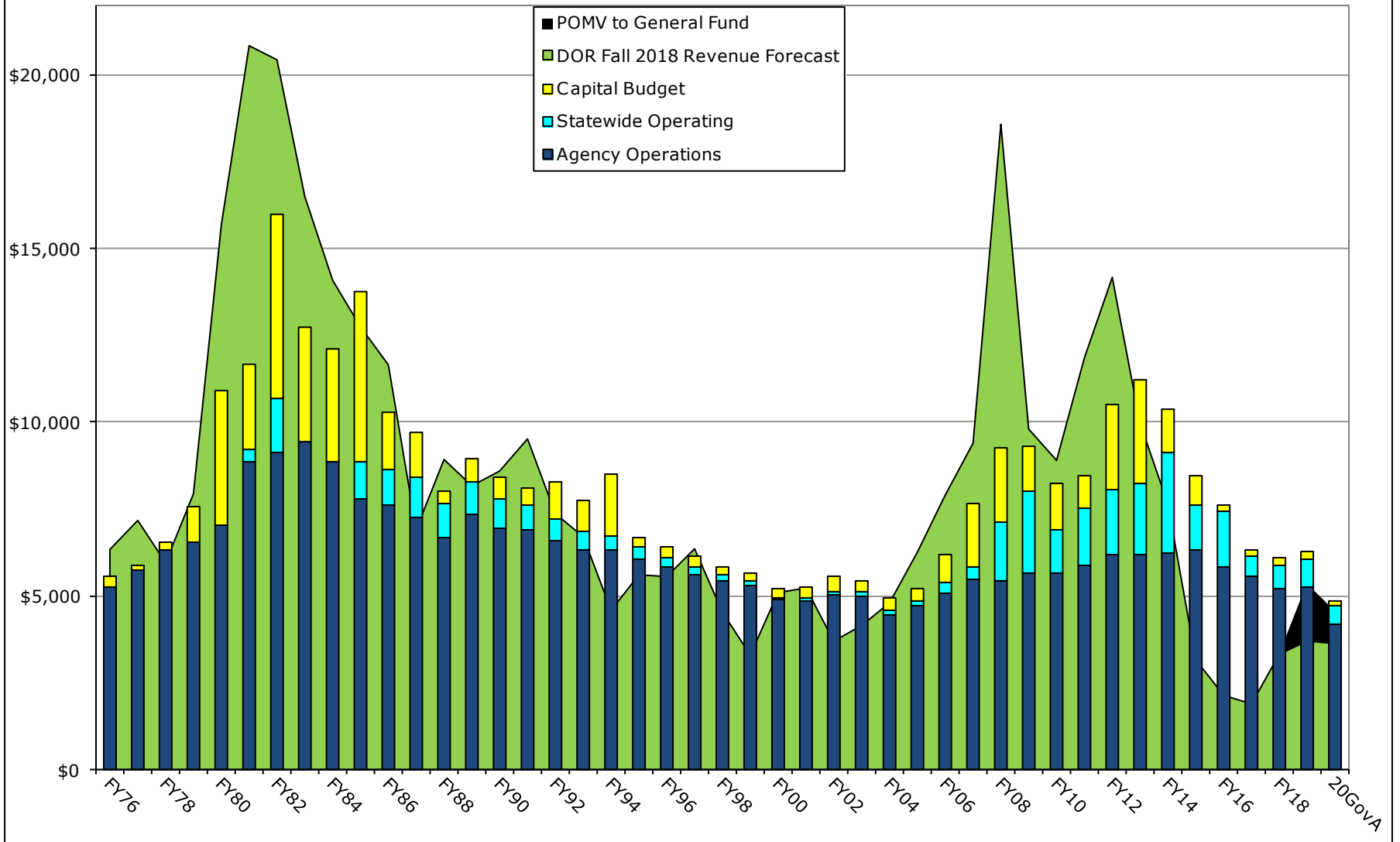
**My reality budget is based on five guiding principles:**

1. expenditures cannot exceed existing revenue;
2. the budget is built on core functions that impact a majority of Alaskans;
3. maintaining and protecting our reserves;
4. the budget does not take additional funds from Alaskans through taxes or the PFD;
5. it must be sustainable, predictable and affordable.

*An Honest Budget: Fiscal Year 2020*

*<https://gov.alaska.gov/an-honest-budget-2020/>*

# Real Per Capita Unrestricted General Fund Revenue/Budget History (2018 dollars Per Person)



# Traditional Budget Balancing Tools:

- ~~1. Add revenue~~
- ~~2. Pull money from reserves~~
3. Reduce expenditures

## Abbreviated Fiscal Summary--UGF Only

(\$ millions)

|                     | FY19 MgtPlan   | FY20 GovAmend  | Change<br>from FY19<br>to FY20 |
|---------------------|----------------|----------------|--------------------------------|
| Revenue             | 5,510.3        | 5,271.1        | (239.2)                        |
| Appropriations      | <u>5,772.5</u> | <u>5,699.5</u> | (73.0)                         |
| Surplus / (Deficit) | (262.2)        | (428.4)        | (166.2)                        |
| New Revenue         | -              | 448.8          |                                |
| Surplus / (Deficit) | (262.2)        | 20.4           |                                |

# FY19 Management Plan to FY20 Governor' Amended Budget

Agency Operations excluding Medicaid and K-12

Unrestricted General Funds

(\$ thousands)

| Agency   | 19MgtPln           | 20GovAmdTOT        | 19MgtPln to 20GovAmdTOT |             |
|--|--------------------|--------------------|-------------------------|-------------|
|  |                    |                    | Dollars                 | Percent     |
| Department of Administration                               | 72,517.7           | 68,307.1           | (4,210.6)               | -6%         |
| Department of Commerce, Community and Economic Development | 10,101.6           | 40,093.9           | 29,992.3                | 297%        |
| Department of Corrections                                  | 291,108.0          | 261,558.1          | (29,549.9)              | -10%        |
| Department of Education and Early Development              | 52,111.9           | 56,872.9           | 4,761.0                 | 9%          |
| Department of Environmental Conservation                   | 15,391.8           | 15,010.4           | (381.4)                 | -2%         |
| Department of Fish and Game                                | 51,583.3           | 50,380.8           | (1,202.5)               | -2%         |
| Office of the Governor                                     | 27,683.2           | 24,640.8           | (3,042.4)               | -11%        |
| Department of Health and Social Services                   | 485,517.4          | 398,084.4          | (87,433.0)              | -18%        |
| Department of Labor and Workforce Development              | 20,697.2           | 20,402.7           | (294.5)                 | -1%         |
| Department of Law  | 51,589.8           | 49,792.5           | (1,797.3)               | -3%         |
| Department of Military and Veterans' Affairs               | 16,969.9           | 16,029.8           | (940.1)                 | -6%         |
| Department of Natural Resources                            | 65,154.5           | 66,748.6           | 1,594.1                 | 2%          |
| Department of Public Safety                                | 161,708.4          | 158,446.2          | (3,262.2)               | -2%         |
| Department of Revenue                                      | 25,287.4           | 25,349.0           | 61.6                    | 0%          |
| Department of Transportation and Public Facilities         | 179,988.8          | 122,788.0          | (57,200.8)              | -32%        |
| University of Alaska                                       | 327,033.5          | 193,105.0          | (133,928.5)             | -41%        |
| Executive Branch-wide Appropriations                       | -                  | 23,145.0           | 23,145.0                | -           |
| Judiciary  | 105,444.9          | 108,936.7          | 3,491.8                 | 3%          |
| Legislature  | 64,132.4           | 64,779.2           | 646.8                   | 1%          |
| <b>Total</b>   | <b>2,024,021.7</b> | <b>1,764,471.1</b> | <b>(259,550.6)</b>      | <b>-13%</b> |

# Filling a \$1.6 Billion Deficit

(\$ millions)

|   |                 |  |
|---|-----------------|--|
| <b>Reductions in Agency Operations</b>    | <b>\$ 650</b>   |  |
| Non-Formula                               | 249             |  |
| Education and Early Development           | 302             | plus additional loss of local reductions     |
| Health and Social Services                | 132             | after using \$172m from the SBR              |
| Power Cost Equalization                   | (33)            | to be paid with UGF, endowment is terminated |
|   |                 |  |
| <b>Cost Shift from State Government</b>   | <b>\$ 520</b>   |  |
| Petroleum Property Tax                    | 420             | new revenue to Treasury                      |
| Shared Taxes                              | 28              | new revenue to Treasury                      |
| School Debt Reimbursement                 | 68              | \$106 total funds                            |
| Debt Service                              | 3               |  |
|   |                 |  |
| <b>Using Reserves</b>                     | <b>\$ 352</b>   |  |
| AIDEA for O&G Tax Credits & Capital       | 180             | plus \$84m in FY19                           |
| SBR for Medicaid                          | 172             | \$172m appears in FY19                       |
| Assets of Revolving Loan Funds            |                 | \$31m returned to the general fund           |
| Assets of PCE Endowment                   |                 | \$990m returned to the general fund          |
| Assets of Higher Education Endowment      |                 | \$340m returned to the general fund          |
|   |                 |  |
| <b>Eliminating December 15 Increments</b> | <b>\$ 107</b>   | FY19 is the starting point                   |
|   |                 |  |
| <b>Total</b>                              | <b>\$ 1,629</b> |  |

# Are people aware that:

1. Dividends consume 37% of revenue?
2. The proposed FY20 UGF budget is \$123 million (2%) below the FY19 UGF budget?
3. Reductions to agency operating budgets address only \$650 million of the \$1.6 billion deficit?
4. The remainder of the deficit is filled by shifting costs to local government or draining reserves?
5. The impact of the proposed cuts to the operating budget is greater than the 350 positions shown in the OMB overview? Add 600 AMHS, 1,300 UA, and 3,000 school district employees to get over 5,000 jobs.

# A Comparison of the FY19 Budget with the Governor's Amended FY20 Budget Request (UGF only)

