



State of Alaska

Discussion of State Cash Flows

March 1, 2019 House Finance presentation

Bruce Tangeman
Commissioner Designee
Alaska Department of Revenue



Daily General Fund Sufficiency Balance Calculation



***Receipts not yet cleared by agencies, may not be GF money**

Cash vs. Accrual Accounting Periods

FY19 Cash Accounting Period
July 1, 2018 – June 30, 2019

FY20 Begins
July 1, 2019

FY19 Accrual Accounting Period
July 1, 2018 – August 31, 2019

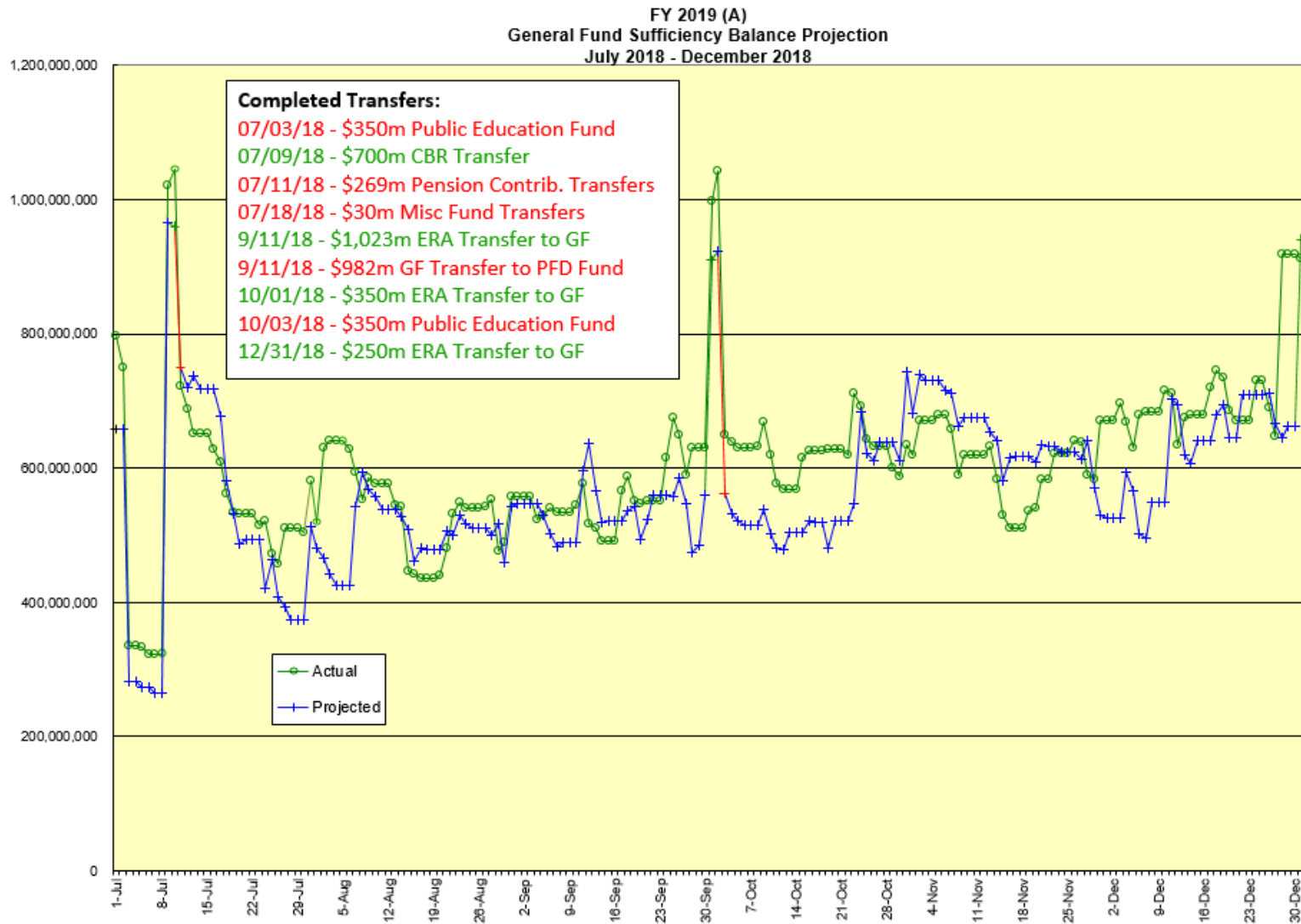
Seasonal Cash Flow Fluctuations

- Summer – Peak season for construction projects and seasonal workers.
- Re-appropriation (July & August):
 - Finishing prior FY expenditures + current FY expenditures.
 - Allocating funds in or out of GF per new legislation.
- July – Debt service payments.
- June – Annual oil & gas property tax revenue.

Cash Deficiency Memorandum of Understanding

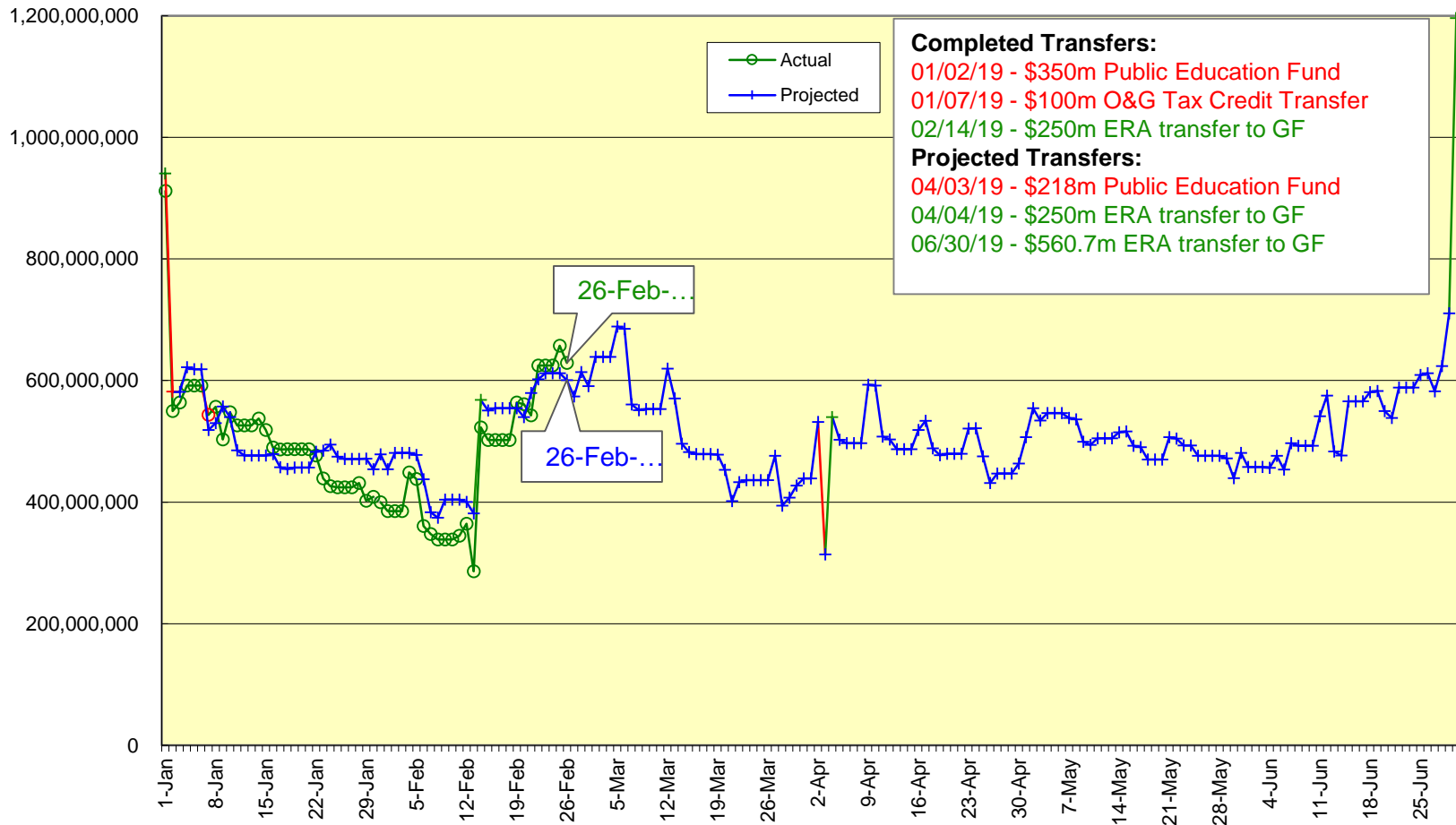
- Original MOU signed 1994 by DOR, DOA, OMB & LAW.
- Updated December 1, 2017.
- Targets \$400 million dollar minimum threshold in the GF.
- Outlines procedures for addressing cash deficiencies:
 - Develop monthly cash projections.
 - Monitor daily general fund cash balances.
 - Transfer from SBR, CBR & ERA as appropriated.
 - Perform temporary interfund borrowing.
 - Borrow from general fund sub funds.
 - Seek legislative action through governor.
 - Prioritize disbursements, restrict expenditures.

General Fund Sufficiency July 1, 2018 – December 31, 2018



General Fund Sufficiency January 1, 2019 – June 30, 2019

FY 2019 (B)
General Fund Sufficiency Balance Projection
Jan 2019 - June 2019



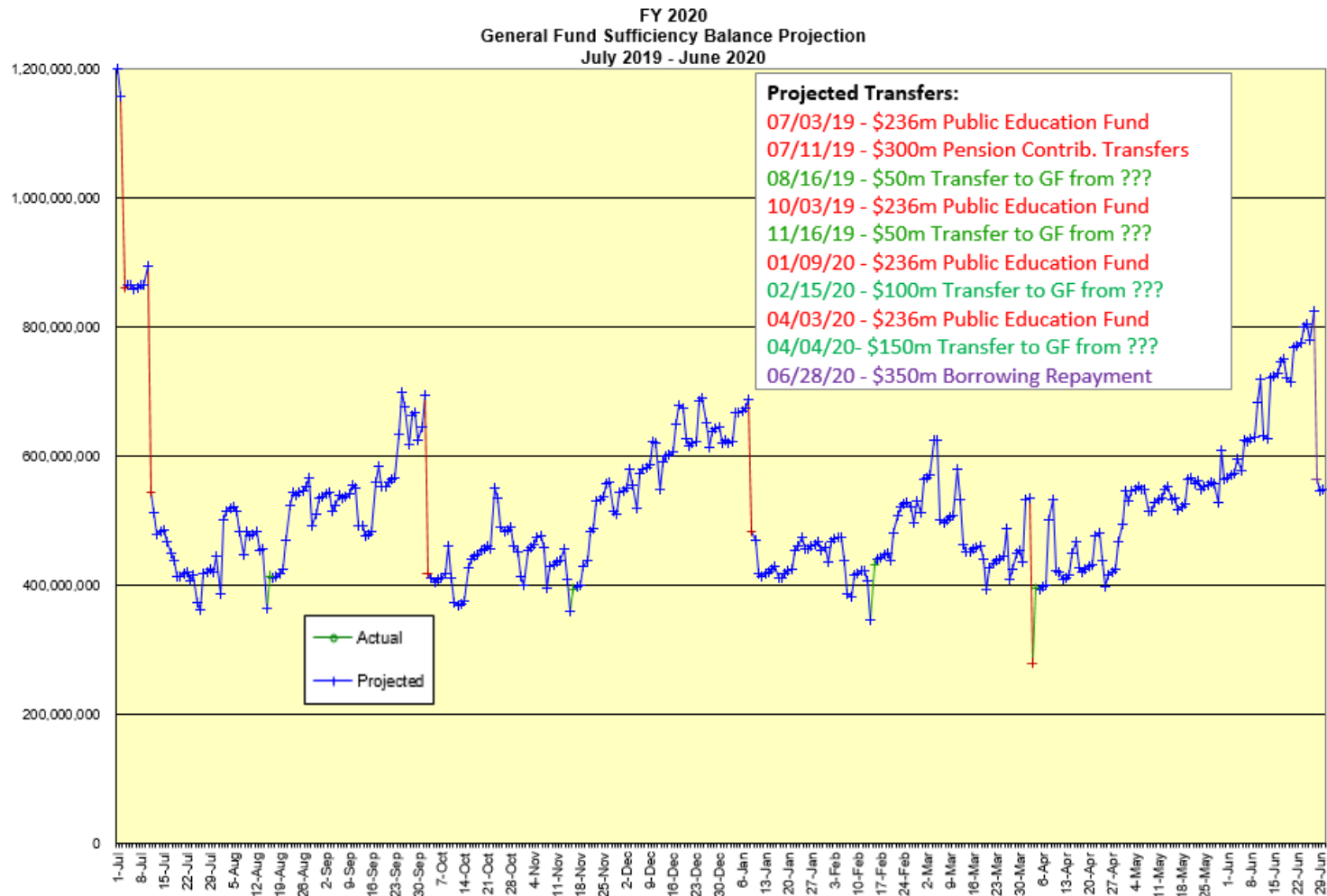
Assumes cash flows are consistent with FY18 actuals, updated for FY19 education and other fund transfers, and projected oil prices
Disclaimer: Actual cash flows will differ from projections based on the price of oil and timing and amount of expenditures

Takeaways

- Cash flow forecasting is always wrong.
- Even if the State budget is balanced, borrowing for cash flow deficits will occur.
- Budget deficit borrowing may occur if forecasted assumptions are wrong.
- How much is borrowed depends on the actual amounts and timing of revenues and expenses.

General Fund Sufficiency July 1, 2019 – June 30, 2020

With Projected Cash Outflow Reduction of \$1.6B/year



Reduces education funding to proposed levels, spreads remaining outflow decrease evenly across year, modified for projected oil prices

Disclaimer: Forecasted cash flow will fluctuate based on the price of oil and there could be differences in actual cash inflows

THANK YOU

Please find our contact information below:

Bruce Tangeman

Commissioner

Alaska Department of Revenue

bruce.tangeman@alaska.gov

Bob Mitchell

Chief Investment Officer

Alaska Department of Revenue

bob.mitchell@alaska.gov

Michelle Prebula

State Investment Officer

Alaska Department of Revenue

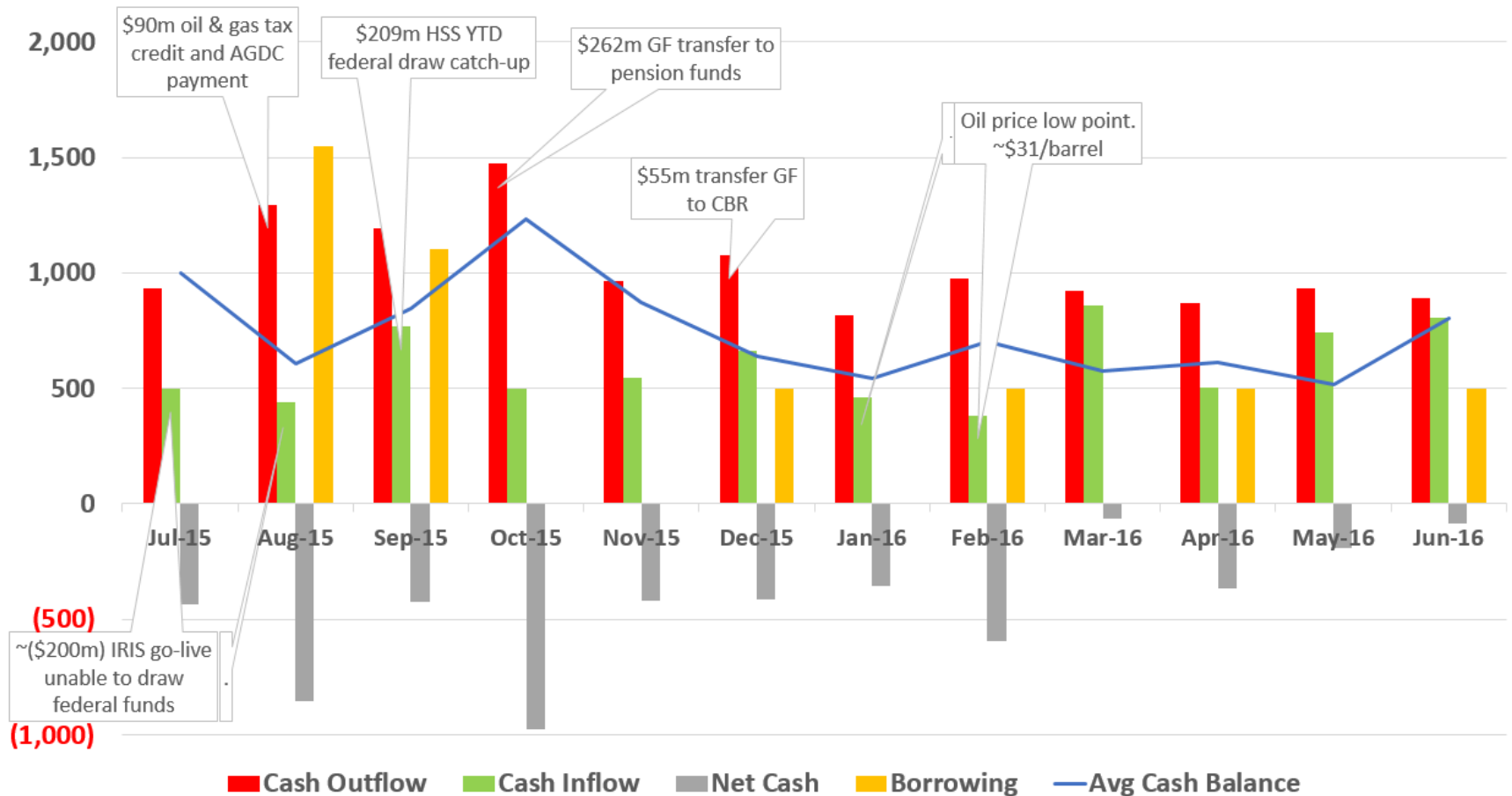
michelle.prebula@alaska.gov

treasury.dor.alaska.gov



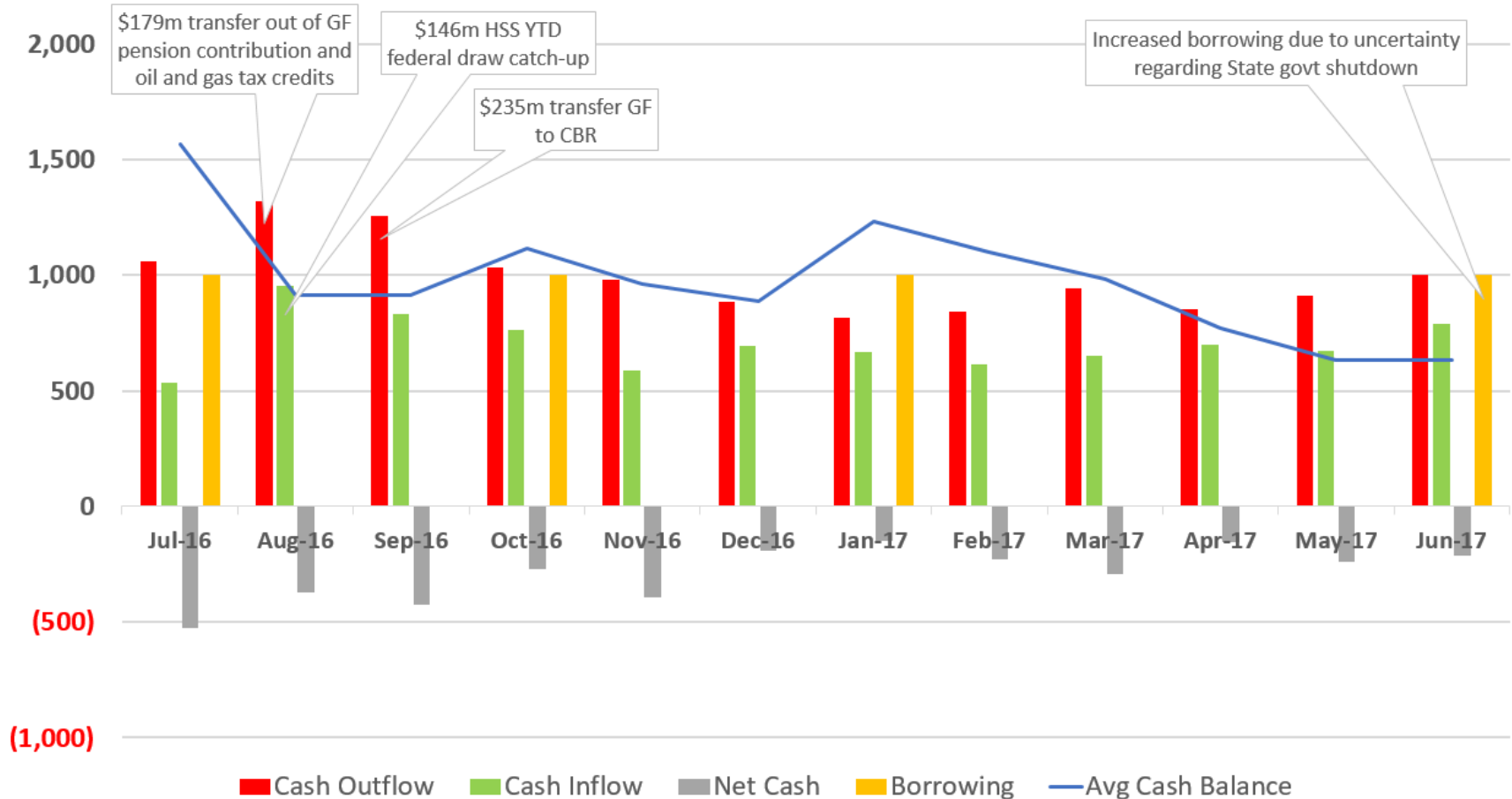
APPENDIX

Historic Actual Cash Inflows and Outflows FY 2016* (in millions)



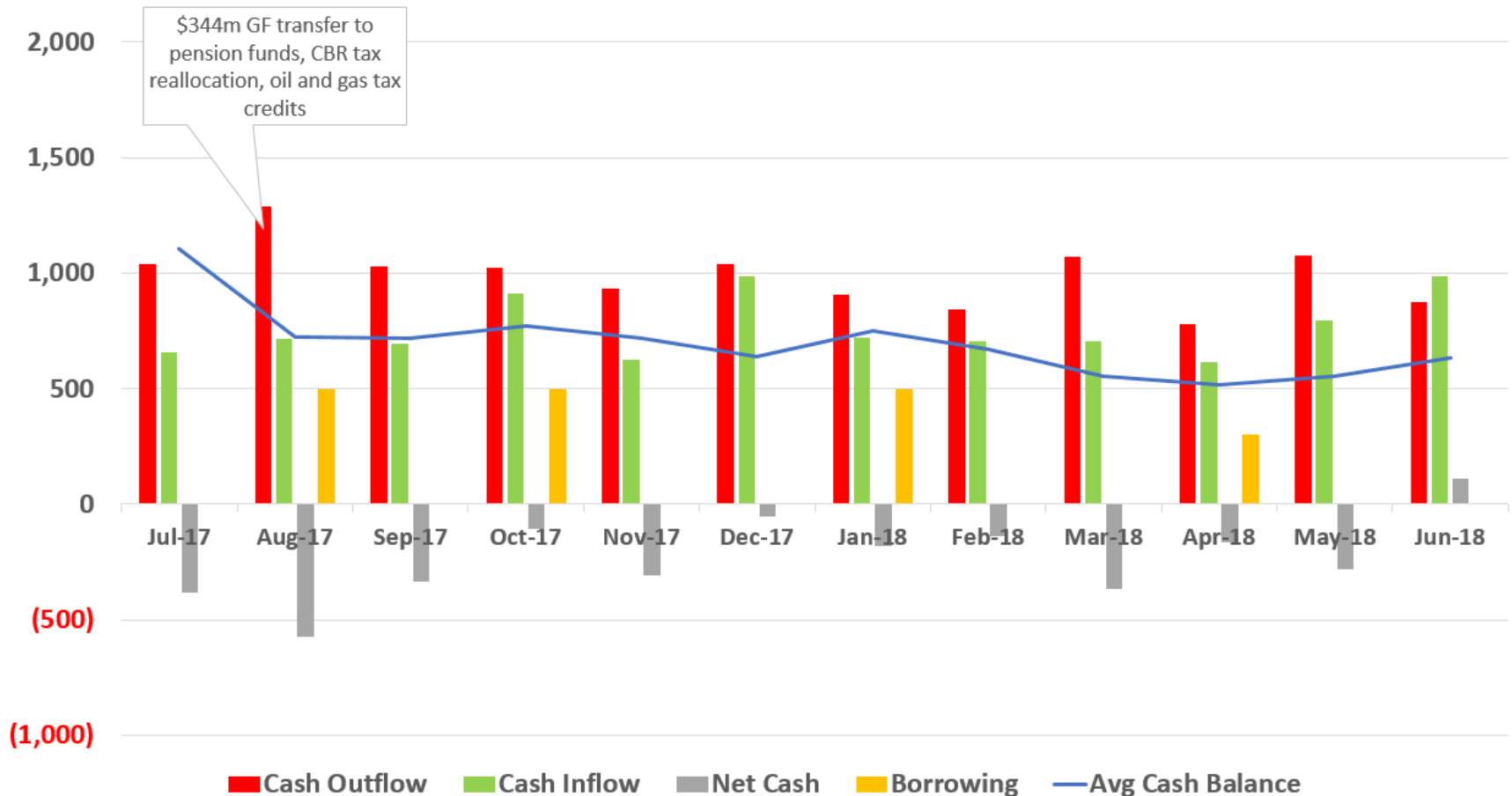
*Includes all cash inflows and outflows from the State's operating account. Cash inflows and outflows will be greater than revenues and expenses because they include transfers between funds.

Historic Actual Cash Inflows and Outflows FY 2017* (in millions)



**Includes all cash inflows and outflows from the State's operating account. Cash inflows and outflows will be greater than revenues and expenses because they include transfers between funds.*

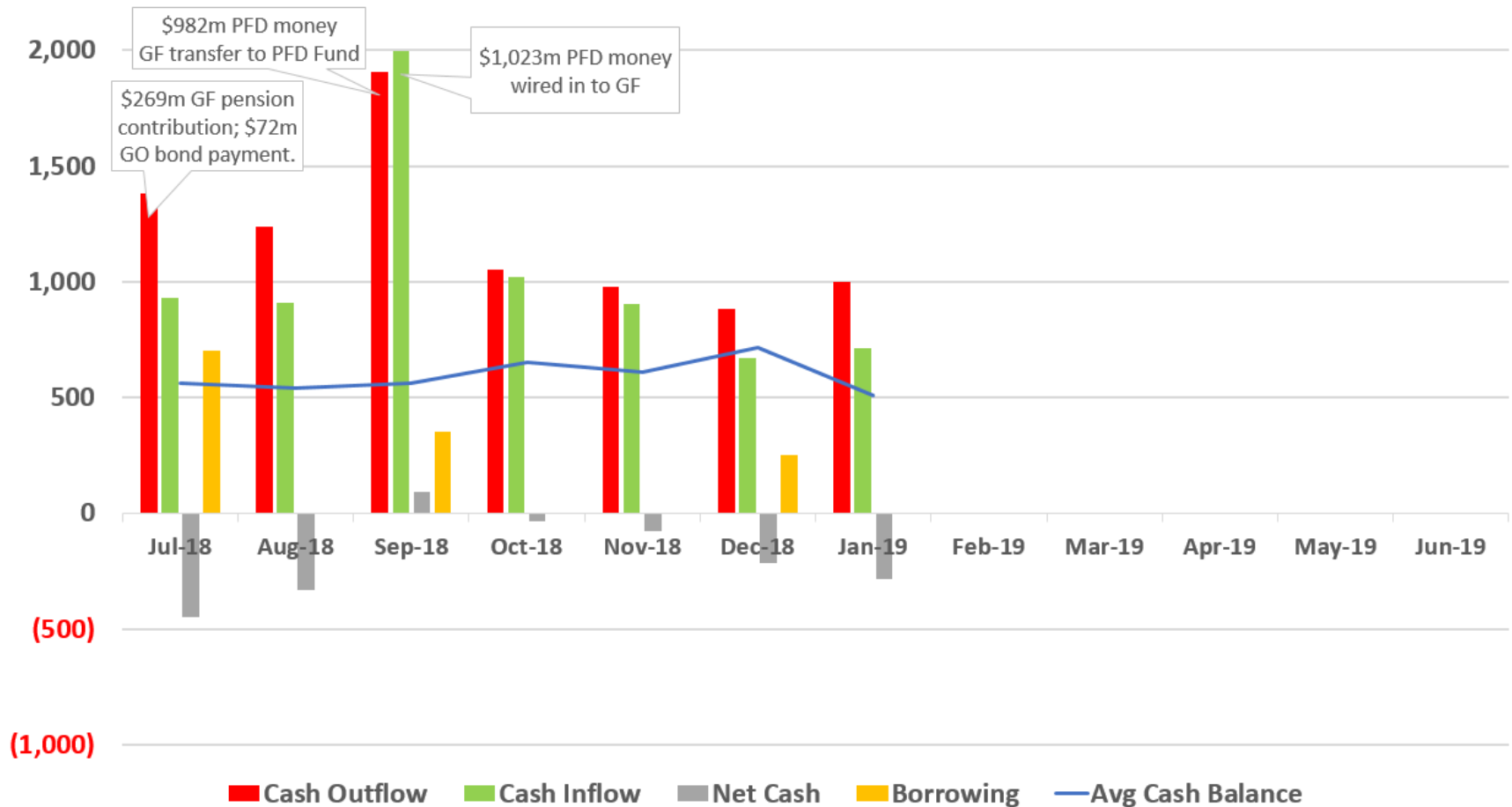
Historic Actual Cash Inflows and Outflows FY 2018* (in millions)



**Includes all cash inflows and outflows from the State's operating account. Cash inflows and outflows will be greater than revenues and expenses because they include transfers between funds.*

Current Actual Cash Inflows and Outflows FY 2019* Partial

(in millions)



**Includes all cash inflows and outflows from the State's operating account. Cash inflows and outflows will be greater than revenues and expenses because they include transfers between funds.*