

State of Alaska Department of Revenue

PFD Working Group

June 28, 2019

Commissioner Bruce Tangeman



THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

A Contributing Factor to Why the ERA is Currently At \$19B:

Fiscal Year	Statutory PFD	Amount Paid	Amount not Distributed
2017	\$1,329 Million	\$696 Million	\$633 Million
2018	\$1,512 Million	\$726 Million	\$786 Million
2019	<u>\$1,908 Million</u>	<u>\$1,023 Million</u>	<u>\$886 Million</u>
Total	\$4,750 Million	\$2,445 Million	\$2,305 Million

Fiscal Year	Interest Earned on Withheld FY17 PFD	Interest Earned on Withheld FY18 PFD	Interest Earned on Withheld FY19 PFD
2017	\$80 Million		
2018	\$77 Million	\$84 Million	
2019	<u>\$46 Million</u>	<u>\$51 Million</u>	<u>\$51 Million</u>
Total	\$203 Million	\$135 Million	\$51 Million

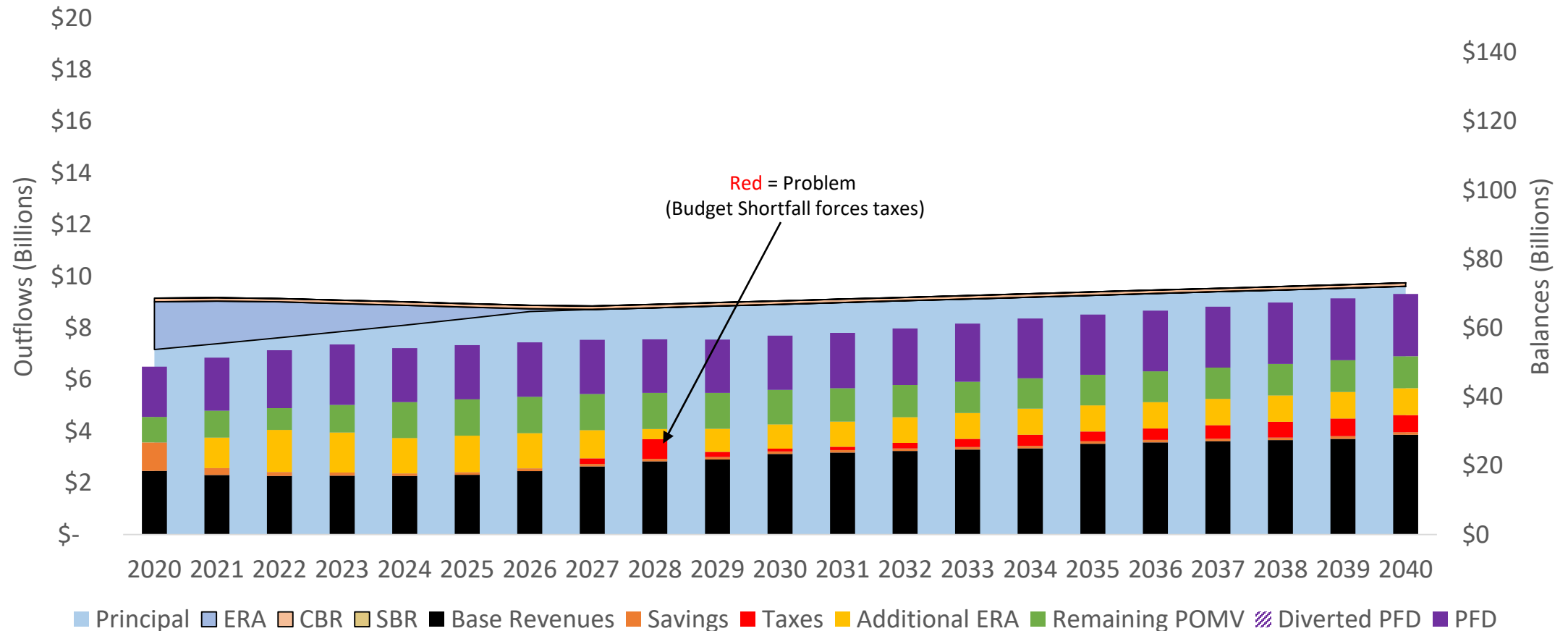
Total Interest Earned on Withheld PFDs = \$389 Million

Assumptions

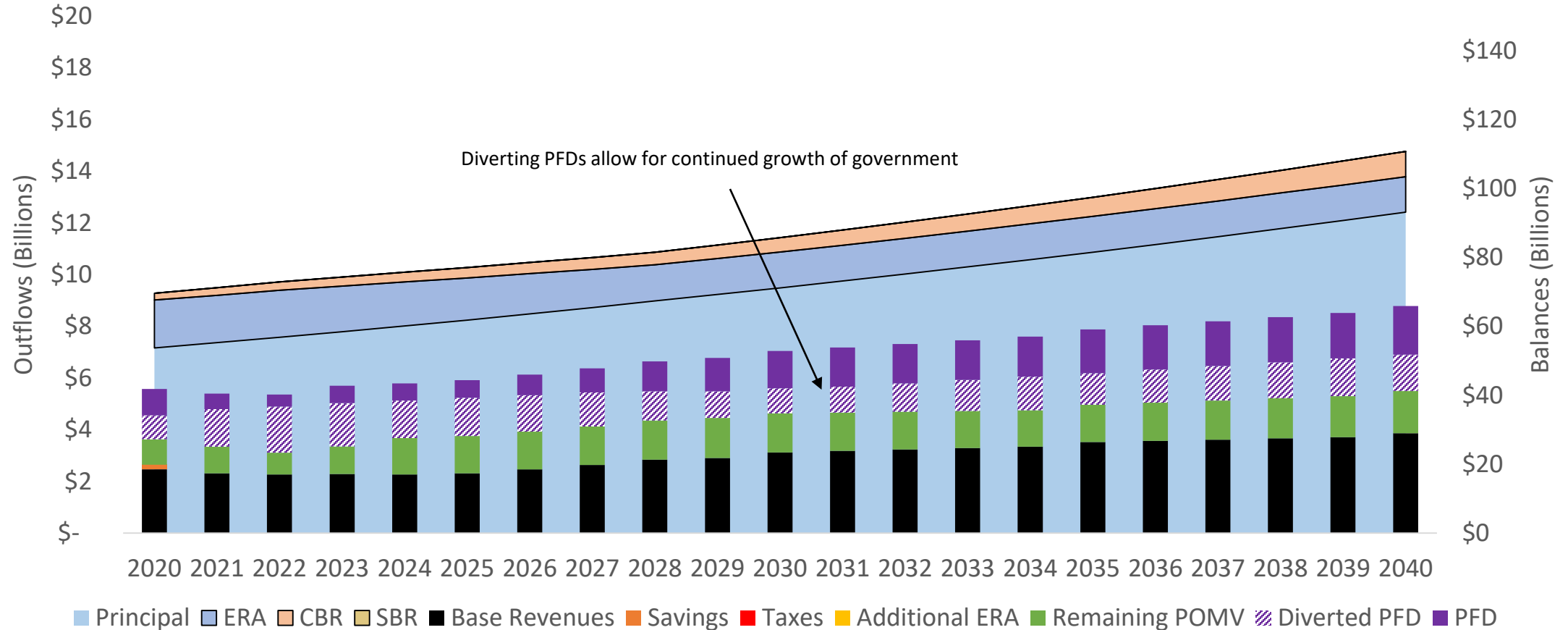
- FY20 Budget (UGF Only):
 - Legislature's - \$4.4B Op & \$150mm Cap
 - Governor's - \$4.0B Op & \$150mm Cap
 - \$4B ERA transfer to Corpus (after Inflation Proofing and POMV)
- Base Revenue Forecast: Spring 2019 Revenue Sources Book page 10
 - Extrapolated beyond 2028
- Production Scenarios: Fall 2018 RSB page 63
 - Declining at 3% after 2028
- Inflation: 2.25% (from Callan)
 - Agency Operations and Capital Items Grow with Inflation
- Population Growth: 0.5% (Department of Labor)
- Permanent Fund Returns:
 - FY20-FY29: 6.55%
 - FY30+: 5% + inflation
- CBR Balance at End of FY19: \$1.77 billion (Treasury)
- Recommended Minimum CBR Balance: \$1 billion

Problem Statement:

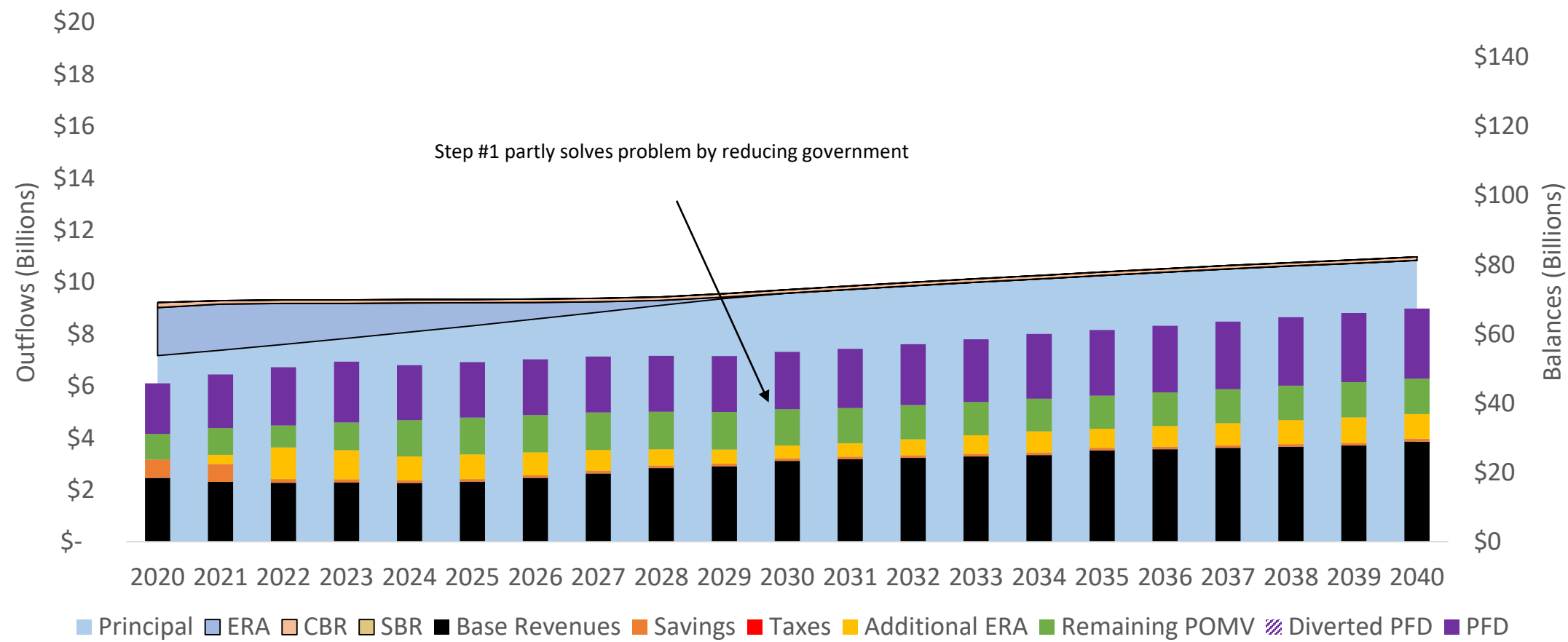
Under the current projections of revenues and investment earnings, there is not enough money to fund the size of budget passed by the legislature and the full PFD for more than 10 years



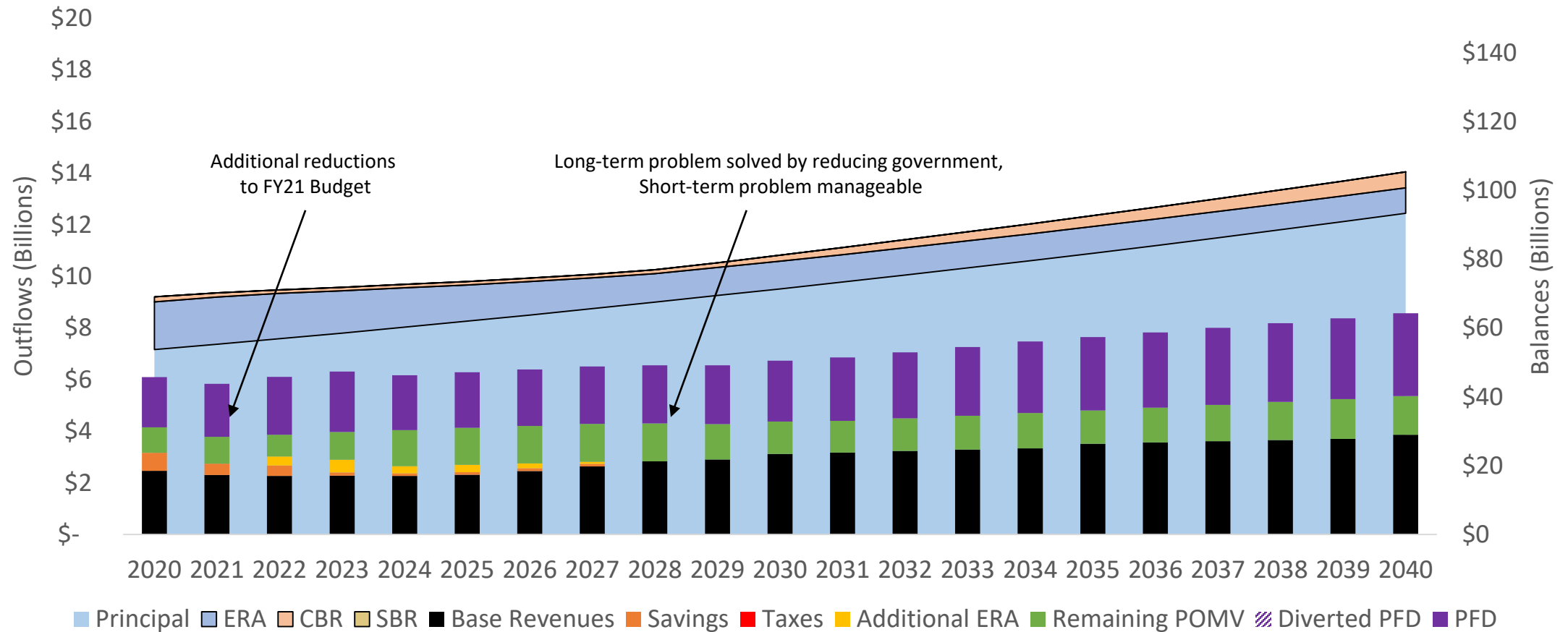
The “Surplus PFD” Option



The Governor's Option (Step #1): Reduce the Budget to \$4.2B (\$400 Million in Vetoes)



The Governor's Option (Step #2): Reduce the Budget to \$3.6B (Governor's Proposed Budget)



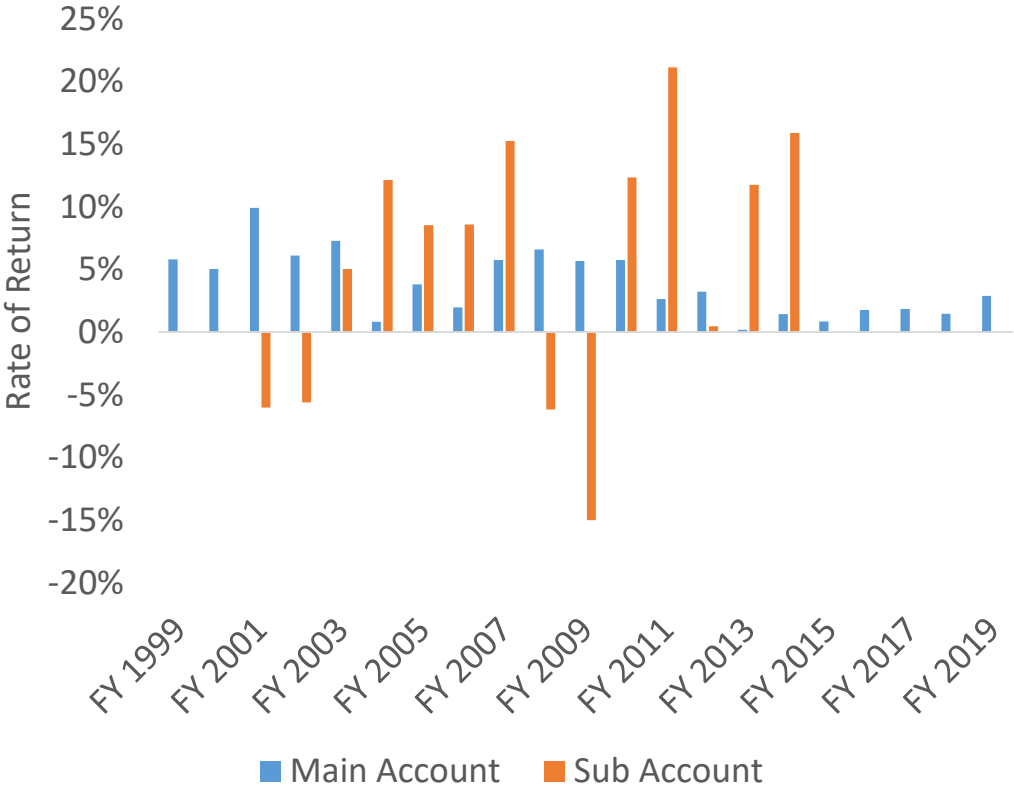
Conclusions

- There are many ways to address the fiscal issues facing the state
 - Cutting the PFD is the most regressive way to solve the problem
 - Alaska's budgets have been built for decades on one revenue stream
 - We have entered a new period in Alaska's history and "picking up where we left off" by merely making tweaks to the existing budget is not sufficient for the long term
 - Continued fiscal restraint will be critical moving forward
- The "fiscal crisis" we are trying to solve may not exist
 - There are a lot of good things happening on the North Slope which may help resolve much of the problem
 - The Legislature & the Governor took an important first step in the right direction on the FY20 budget.
 - We all have more work to do in order to right-size the government for the next generation
- We may be trying to solve a temporary problem with a permanent solution
 - It is prudent to gather more information before making drastic changes
 - We are still the envy of most other states
 - Let's keep things in perspective – our financial reserves will allow us to pay the full PFD while we all make prudent decisions for the future of Alaska

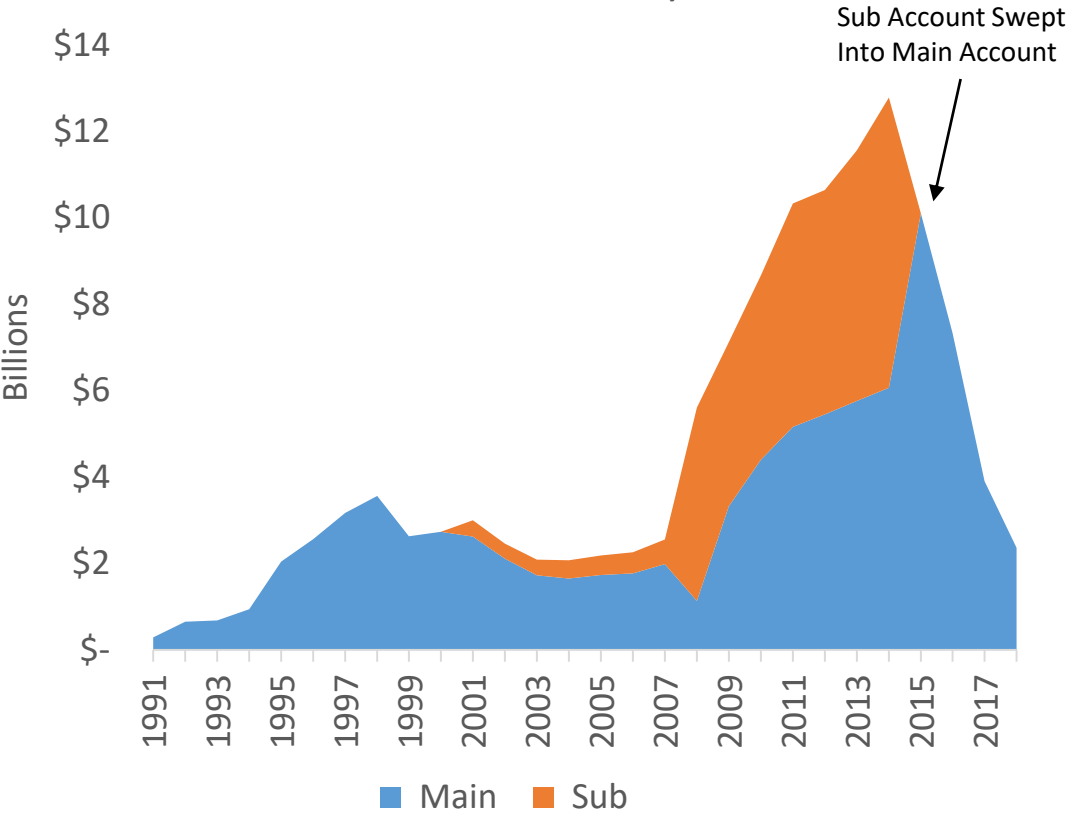
Additional Information

CBR Information

CBR Return History



CBR Balance History

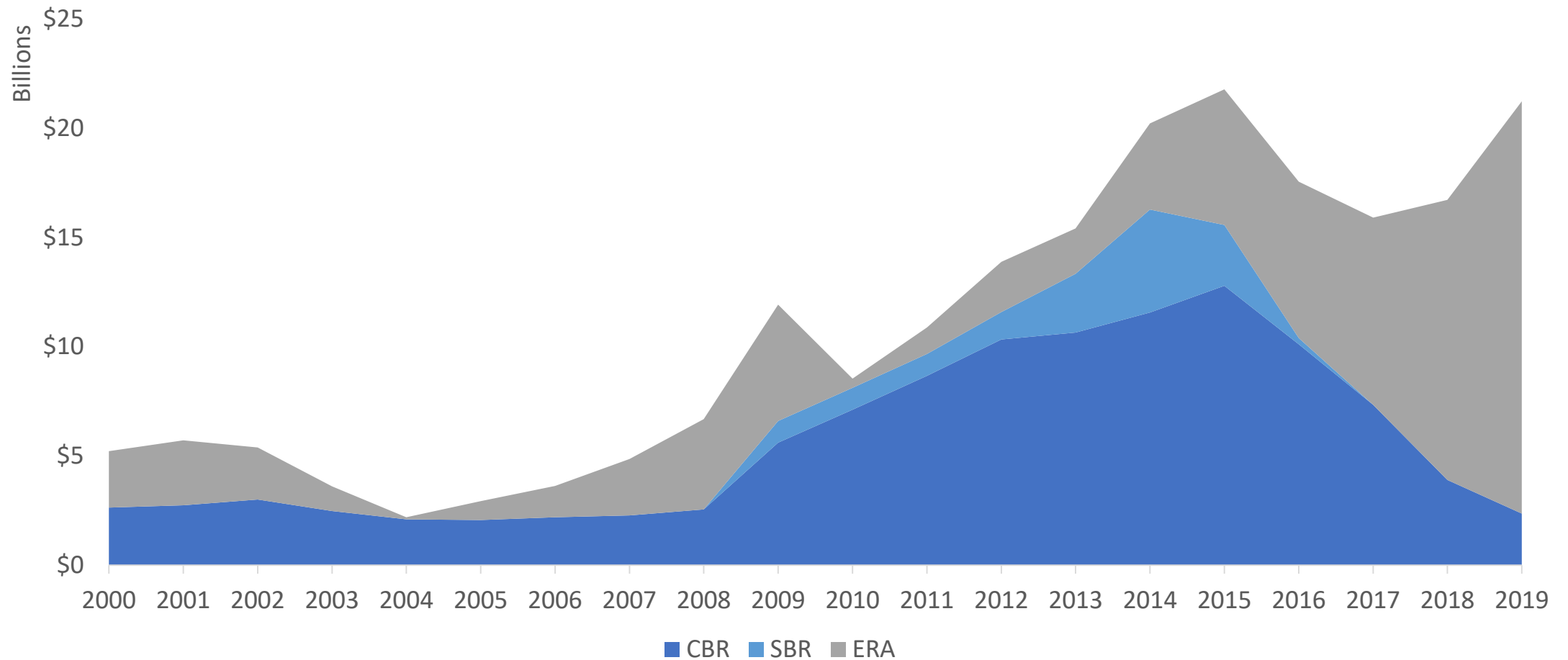


FY19 Transfers from ERA to General Fund

Date	Amount
7/24/2018	\$38,619,600
9/10/2018	\$123,487,200*
9/10/2018	\$900,000,000*
9/28/2018	\$350,000,000
12/31/2018	\$250,000,000
2/14/2019	\$250,000,000
4/4/2019	\$150,000,000
6/24/2019	\$660,546,712
Total	\$2,722,653,512

*subsequently transferred to the Dividend Fund

Account Balance History



THANK YOU



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