

FISCAL OVERVIEW

House Finance Committee

January 22, 2020



Legislative Finance Division

www.legfin.akleg.gov

Presentation Outline

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- Where have we been?
- Last session
- Where are we now?
- Where are we going?

Why Unrestricted General Funds (UGF)?

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The focus of most state legislatures in balancing the budget:

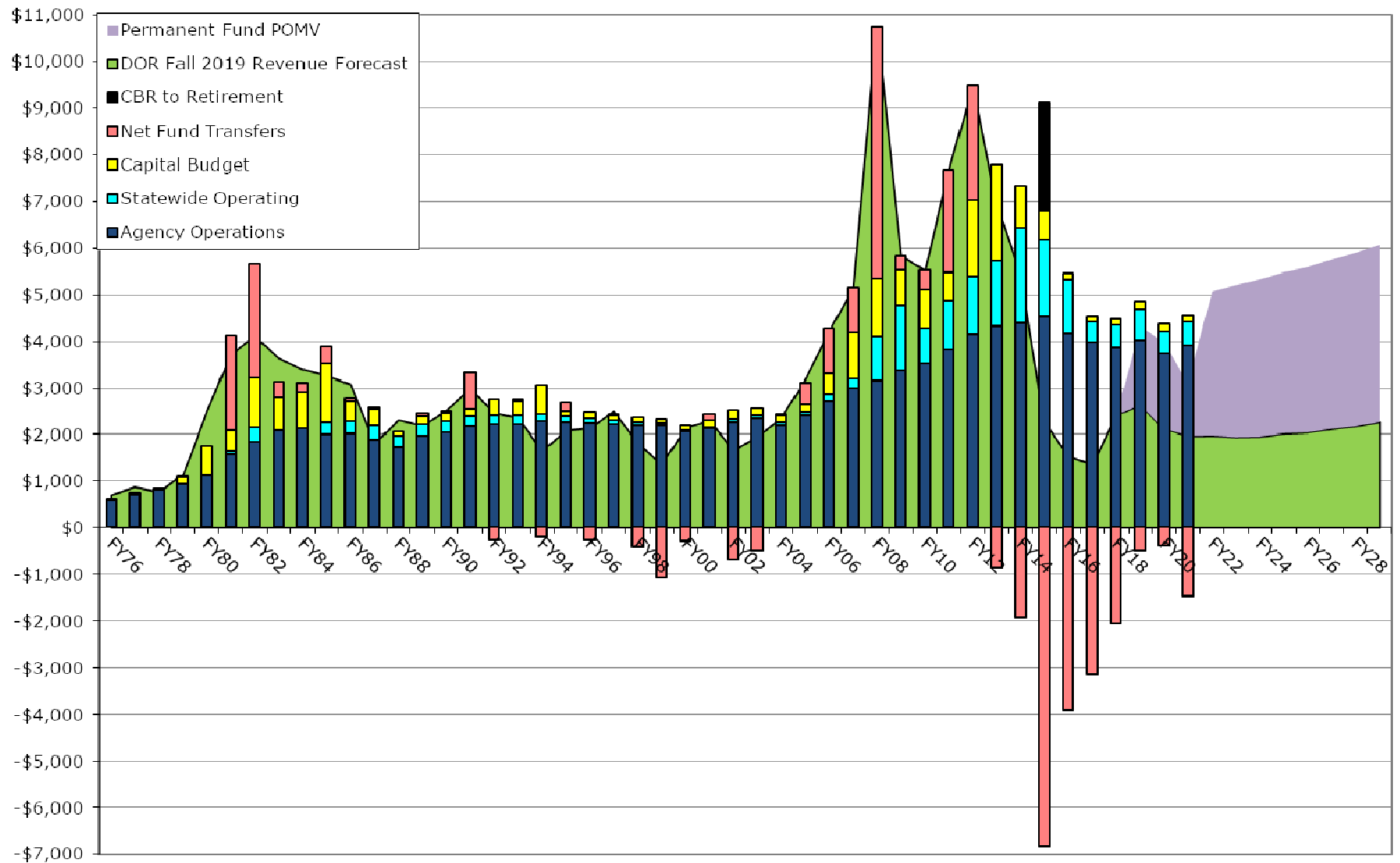
- They are **UNRESTRICTED**: No statutory designations or other contractual/ federal requirements
- Fewer annual decisions to make on non-UGF fund sources
 - Typically guided by statute or federal requirements
- Non-UGF funding is less likely to get out of balance
 - Expenditures controlled by receipts or a fund balances

Where have we been?

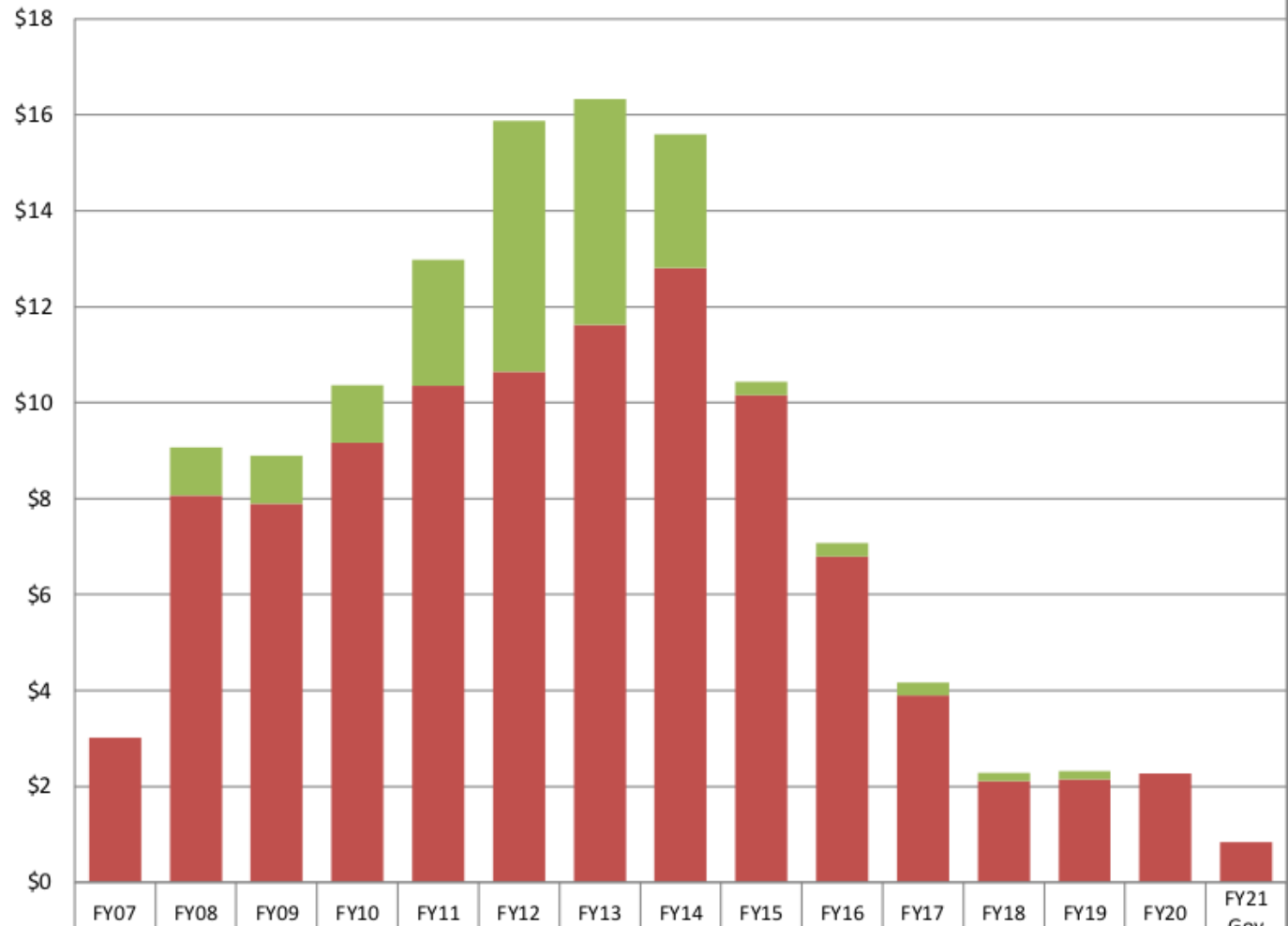
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- Oil prices and UGF revenue began declining in FY13 and plummeted by FY15
- Traditional UGF revenue has declined from \$9.5B in FY12 to \$1.5B by FY16
- UGF budget has declined 44% - \$7.8B to \$4.4B
- Budget deficits have averaged \$2.6B
 - Nearly half (44%) of the UGF Budget each year

Unrestricted General Fund Revenue/ Budget History (\$ millions)



End-of-Year Reserves Balances (\$billions)



Statutory Budget Reserve Fund (SBR)	-	1.00	1.00	1.20	2.63	5.24	4.71	2.79	0.29	0.29	0.27	0.17	0.17	-	-
Constitutional Budget Reserve Fund (CBR)	3.0	8.1	7.9	9.2	10.3	10.6	11.6	12.8	10.2	6.8	3.9	2.1	2.1	2.3	0.8

Last Session

7

- Governor proposed \$980 million UGF Operating budget reduction
- Governor proposed \$992 million increase to PFDs
- Legislature accepted \$146 million of Governor's proposed Operating budget reductions
- Governor vetoed an additional \$205 million from the Operating budget
- Total Operating budget reduction from FY19 was \$351 million
- Legislature passed PFDs similar to FY19

Progression – FY19 to FY20 Budget

Agency	ID=> Session=> Column=>	[1] 2019 19MgtPln	[2] 2019 20GovAmd+	[2] - [1] 2019 19MgtPln to 20GovAmd+	[4] 2020 Approp	[5] LegCuts	[6] 2020 20Vetos	[7] 2020 20MgtPln	[7] - [1] 2019 19MgtPln to 20MgtPln	[7] - [1] 2020 20MgtPln
Agency Operations										
Administration		65,632.7	61,431.6	-4,201.1 -6.4 %	66,672.5	1,039.8	-3,386.1	63,286.4	-2,346.3	-3.6 %
Commerce, Community & Econ Dev		10,101.6	40,093.9	29,992.3 296.9 %	8,522.5	-1,579.1	0.0	8,522.5	-1,579.1	-15.6 %
Corrections		291,108.0	272,995.1	-18,112.9 -6.2 %	299,636.7	8,528.7	0.0	299,636.7	8,528.7	2.9 %
Education & Early Dev		1,322,008.9	1,013,433.3	-308,575.6 -23.3 %	1,330,475.2	8,466.3	-47.3	1,330,427.9	8,419.0	0.6 %
Environmental Conservation		15,391.8	15,019.7	-372.1 -2.4 %	15,433.5	41.7	-36.3	15,397.2	5.4	0.0 %
Fish and Game		51,583.3	50,410.2	-1,173.1 -2.3 %	52,888.3	1,305.0	-1,537.0	51,351.3	-232.0	-0.4 %
Governor		27,683.2	24,654.3	-3,028.9 -10.9 %	24,020.5	-3,662.7	0.0	24,020.5	-3,662.7	-13.2 %
Health & Social Services		1,146,733.1	837,703.2	-309,029.9 -26.9 %	1,039,011.0	-107,722.1	-67,904.6	971,106.4	-175,626.7	-15.3 %
Labor & Workforce Dev		20,697.2	20,402.7	-294.5 -1.4 %	20,853.4	156.2	-6.8	20,846.6	149.4	0.7 %
Law		51,589.8	49,826.2	-1,763.6 -3.4 %	51,753.6	163.8	-524.8	51,228.8	-361.0	-0.7 %
Military & Veterans' Affairs		23,854.9	22,956.5	-898.4 -3.8 %	23,566.9	-288.0	-225.0	23,341.9	-513.0	-2.2 %
Natural Resources		65,154.5	66,748.6	1,594.1 2.4 %	70,021.0	4,866.5	-200.0	69,821.0	4,666.5	7.2 %
Public Safety		161,708.4	158,446.2	-3,262.2 -2.0 %	172,723.0	11,014.6	-3,500.0	169,223.0	7,514.6	4.6 %
Revenue		25,287.4	25,349.0	61.6 0.2 %	25,518.7	231.3	-4.2	25,514.5	227.1	0.9 %
Transportation		179,988.8	122,788.0	-57,200.8 -31.8 %	147,231.6	-32,757.2	-5,281.9	141,949.7	-38,039.1	-21.1 %
University of Alaska		327,033.5	193,105.0	-133,928.5 -41.0 %	322,033.5	-5,000.0	-20,000.0	302,033.5	-25,000.0	-7.6 %
Executive Branch-wide Approps		0.0	30,914.6	30,914.6 >999 %	0.0	0.0	0.0	0.0	0.0	0.0 %
Judiciary		105,444.9	108,936.7	3,491.8 3.3 %	107,672.4	2,227.5	-458.7	107,213.7	1,768.8	1.7 %
Legislature		64,132.4	64,779.2	646.8 1.0 %	64,129.2	-3.2	0.0	64,129.2	-3.2	0.0 %
Total		3,955,134.4	3,179,994.0	-775,140.4 -19.6 %	3,842,163.5	-112,970.9	-103,112.7	3,739,050.8	-216,083.6	-5.5 %
Statewide Items										
Debt Service		199,995.4	100,692.6	-99,302.8 -49.7 %	201,962.0	1,966.6	-52,208.7	149,753.3	-50,242.1	-25.1 %
State Retirement Payments		271,101.1	307,936.1	36,835.0 13.6 %	307,936.1	36,835.0	0.0	307,936.1	36,835.0	13.6 %
Fund Capitalization		143,709.0	2,030.0	-141,679.0 -98.6 %	71,419.0	-72,290.0	-49,694.5	21,724.5	-121,984.5	-84.9 %
Total		614,805.5	410,658.7	-204,146.8 -33.2 %	581,317.1	-33,488.4	-101,903.2	479,413.9	-135,391.6	-22.0 %
Total Agency and Statewide Operations		4,569,939.9	3,590,652.7	-979,287.2 -21.4 %	4,423,480.6	-146,459.3	-205,015.9	4,218,464.7	-351,475.2	-7.7 %

Progression – FY19 to FY20 Budget

Agency	ID=> Session=> Column=>	[1] 2019 19MgtPln	[2] 2019 20GovAmd+	[2] - [1] 2019 19MgtPln to 20GovAmd+	[4] 2020 Approp	[5] LegCuts	[6] 2020 20Vetos	[7] 2020 20MgtPln	[7] - [1] 2019 19MgtPln to 20MgtPln
Permanent Fund									
Permanent Fund		1,023,487.2	2,015,300.0	991,812.8 96.9 %	1,139,970.0	116,482.8	0.0	1,139,970.0	116,482.8 11.4 %
Total		1,023,487.2	2,015,300.0	991,812.8 96.9 %	1,139,970.0	116,482.8	0.0	1,139,970.0	116,482.8 11.4 %
Statewide Total		5,593,427.1	5,605,952.7	12,525.6 0.2 %	5,563,450.6	-29,976.5	-205,015.9	5,358,434.7	-234,992.4 -4.2 %
		\$1,600	\$2,910					\$1,606	

Where are we now?

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- Governor proposes \$178 million increase to Operating budget
- Governor proposes increase of \$865 million to PFDs over FY20

Progression FY19 to FY21 Gov

Agency	ID=> Session=> Column=>	[1] 2019 19MgtPln	[2] 2019 20GovAmd+	[2] - [1] 2019 19MgtPln to 20GovAmd+	[4] 2020 Approp	[5] LegCuts	[6] 2020 20Vetos	[7] 2020 20MgtPln	[7] - [1] 2019 19MgtPln to 20MgtPln	[9] 2020 21Gov	[9] - [7] 2020 20MgtPln to 21Gov
Agency Operations											
Administration		65,632.7	61,431.6	-4,201.1 -6.4 %	66,672.5	1,039.8	-3,386.1	63,286.4	-2,346.3 -3.6 %	66,528.0	3,241.6 5.1 %
Commerce, Community & Econ Dev		10,101.6	40,093.9	29,992.3 296.9 %	8,522.5	-1,579.1	0.0	8,522.5	-1,579.1 -15.6 %	7,916.3	-606.2 -7.1 %
Corrections		291,108.0	272,995.1	-18,112.9 -6.2 %	299,636.7	8,528.7	0.0	299,636.7	8,528.7 2.9 %	351,633.9	51,997.2 17.4 %
Education & Early Dev		1,322,008.9	1,013,433.3	-308,575.6 -23.3 %	1,330,475.2	8,466.3	-47.3	1,330,427.9	8,419.0 0.6 %	1,310,833.4	-19,594.5 -1.5 %
Environmental Conservation		15,391.8	15,019.7	-372.1 -2.4 %	15,433.5	41.7	-36.3	15,397.2	5.4	15,080.6	-316.6 -2.1 %
Fish and Game		51,583.3	50,410.2	-1,173.1 -2.3 %	52,888.3	1,305.0	-1,537.0	51,351.3	-232.0 -0.4 %	50,159.5	-1,191.8 -2.3 %
Governor		27,683.2	24,654.3	-3,028.9 -10.9 %	24,020.5	-3,662.7	0.0	24,020.5	-3,662.7 -13.2 %	23,816.1	-204.4 -0.9 %
Health & Social Services		1,146,733.1	837,703.2	-309,029.9 -26.9 %	1,039,011.0	-107,722.1	-67,904.6	971,106.4	-175,626.7 -15.3 %	1,104,853.4	133,747.0 13.8 %
Labor & Workforce Dev		20,697.2	20,402.7	-294.5 -1.4 %	20,853.4	156.2	-6.8	20,846.6	149.4 0.7 %	18,606.0	-2,240.6 -10.7 %
Law		51,589.8	49,826.2	-1,763.6 -3.4 %	51,753.6	163.8	-524.8	51,228.8	-361.0 -0.7 %	52,475.6	1,246.8 2.4 %
Military & Veterans' Affairs		23,854.9	22,956.5	-898.4 -3.8 %	23,566.9	-288.0	-225.0	23,341.9	-513.0 -2.2 %	22,761.6	-580.3 -2.5 %
Natural Resources		65,154.5	66,748.6	1,594.1 2.4 %	70,021.0	4,866.5	-200.0	69,821.0	4,666.5 7.2 %	65,595.0	-4,226.0 -6.1 %
Public Safety		161,708.4	158,446.2	-3,262.2 -2.0 %	172,723.0	11,014.6	-3,500.0	169,223.0	7,514.6 4.6 %	182,019.3	12,796.3 7.6 %
Revenue		25,287.4	25,349.0	61.6 0.2 %	25,518.7	231.3	-4.2	25,514.5	227.1 0.9 %	27,382.6	1,868.1 7.3 %
Transportation		179,988.8	122,788.0	-57,200.8 -31.8 %	147,231.6	-32,757.2	-5,281.9	141,949.7	-38,039.1 -21.1 %	145,899.9	3,950.2 2.8 %
University of Alaska		327,033.5	193,105.0	-133,928.5 -41.0 %	322,033.5	-5,000.0	-20,000.0	302,033.5	-25,000.0 -7.6 %	277,033.5	-25,000.0 -8.3 %
Executive Branch-wide Approps		0.0	30,914.6	30,914.6 >999 %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Judiciary		105,444.9	108,936.7	3,491.8 3.3 %	107,672.4	2,227.5	-458.7	107,213.7	1,768.8 1.7 %	110,371.8	3,158.1 2.9 %
Legislature		64,132.4	64,779.2	646.8 1.0 %	64,129.2	-3.2	0.0	64,129.2	-3.2	64,577.4	448.2 0.7 %
Total		3,955,134.4	3,179,994.0	-775,140.4 -19.6 %	3,842,163.5	-112,970.9	-103,112.7	3,739,050.8	-216,083.6 -5.5 %	3,897,543.9	158,493.1 4.2 %
Statewide Items											
Debt Service		199,995.4	100,692.6	-99,302.8 -49.7 %	201,962.0	1,966.6	-52,208.7	149,753.3	-50,242.1 -25.1 %	134,987.0	-14,766.3 -9.9 %
State Retirement Payments		271,101.1	307,936.1	36,835.0 13.6 %	307,936.1	36,835.0	0.0	307,936.1	36,835.0 13.6 %	345,567.4	37,631.3 12.2 %
Fund Capitalization		143,709.0	2,030.0	-141,679.0 -98.6 %	71,419.0	-72,290.0	-49,694.5	21,724.5	-121,984.5 -84.9 %	18,399.5	-3,325.0 -15.3 %
Total		614,805.5	410,658.7	-204,146.8 -33.2 %	581,317.1	-33,488.4	-101,903.2	479,413.9	-135,391.6 -22.0 %	498,953.9	19,540.0 4.1 %
Total Agency and Statewide Operations											
		4,569,939.9	3,590,652.7	-979,287.2 -21.4 %	4,423,480.6	-146,459.3	-205,015.9	4,218,464.7	-351,475.2 -7.7 %	4,396,497.8	178,033.1 4.2 %

Progression – FY19 to FY21 Gov

Agency	ID=> Session=> Column=>	[1] 2019 19MgtPln	[2] 2019 20GovAmd+	[2] - [1] 2019 19MgtPln to 20GovAmd+	[4] 2020 Approp	[5] LegCuts	[6] 2020 20Vetos	[7] 2020 20MgtPln	[7] - [1] 2019 19MgtPln to 20MgtPln	[9] 2020 21Gov	[9] - [7] 2020 20MgtPln to 21Gov
Permanent Fund											
Permanent Fund		1,023,487.2	2,015,300.0	991,812.8	96.9 %	1,139,970.0	116,482.8	0.0	1,139,970.0	116,482.8	11.4 %
Total		1,023,487.2	2,015,300.0	991,812.8	96.9 %	1,139,970.0	116,482.8	0.0	1,139,970.0	116,482.8	11.4 %
Statewide Total		5,593,427.1	5,605,952.7	12,525.6	0.2 %	5,563,450.6	-29,976.5	-205,015.9	5,358,434.7	-234,992.4	-4.2 %
		\$1,600	\$2,910					\$1,606			~\$3,100

Major UGF Changes FY20 to FY21 Gov

	A	B	C	D	E	F
1	UGF (thousands)	20MgtPln	21Gov	\$Diff	%Diff	Notes
2	DOA	63,286.4	66,528.0	3,241.6	5%	Increments in OPA, fund changes for HB49 fiscal notes
3	DCCED	8,522.5	7,916.3	(606.2)	-7%	Economic Development replaced with AK Development Team
4	DOC	299,636.7	351,633.9	51,997.2	17%	HB49 second year costs and out-of-state contractual services
5	DEED	1,330,427.9	1,310,833.4	(19,594.5)	-1%	K-12 formula costs up, \$30 million one-time funding removed
6	DEC	15,397.2	15,080.6	(316.6)	-2%	
7	DFG	51,351.3	50,159.5	(1,191.8)	-2%	
8	Gov	24,020.5	23,816.1	(204.4)	-1%	
9	DHSS	971,106.4	1,104,853.4	133,747.0	14%	Restores bulk of FY20 cuts, offset w/ \$11.4m fund change to DGF
10	DLWD	20,846.6	18,606.0	(2,240.6)	-11%	\$1.4m fund change to GF/PR and efficiency decrements
11	LAW	51,228.8	52,475.6	1,246.8	2%	
12	DMVA	23,341.9	22,761.6	(580.3)	-2%	
13	DNR	69,821.0	65,595.0	(4,226.0)	-6%	ASTAR multi-year ends in FY20
14	DPS	169,223.0	182,019.3	12,796.3	8%	Alaska State Troopers, Crime Lab Staff, Anchorage Emergency Ctr
15	DOR	25,514.5	27,382.6	1,868.1	7%	\$2.2 million increment for Tax Revenue Mgmt. System
16	DOTPF	141,949.7	145,899.9	3,950.2	3%	AMHS weeks of service increased
17	UA	302,033.5	277,033.5	(25,000.0)	-8%	Year two of multi-year compact agreement reduction
18	Courts	107,213.7	110,371.8	3,158.1	3%	
19	LEG	64,129.2	64,577.4	448.2	1%	
20	Statewide	479,413.9	498,953.9	19,540.0	4%	State Assistance to Retirement increase offset by other reductions
21	Total Operating	4,218,464.7	4,396,497.8	178,033.1	4%	
22	Capital Budget	135,639.2	144,298.8	8,659.6	6%	
23	Dividends	1,139,970.0	2,005,100.0	865,130.0	76%	PFDs increased to full statutory level
24	Total Budget	5,494,073.9	6,545,896.6	1,051,822.7	19%	

Short Fiscal Summary - FY20/FY21 Gov

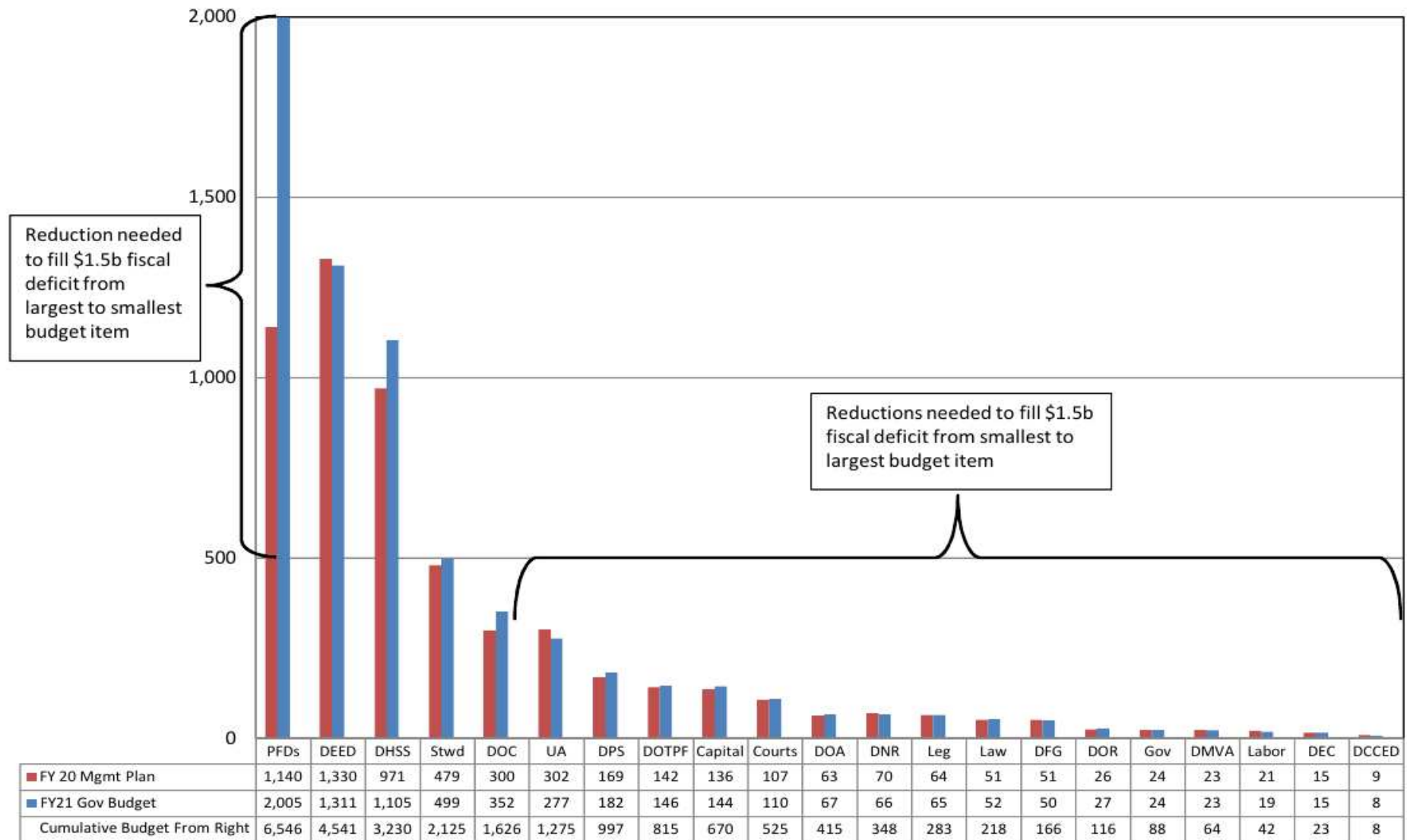
(\$ Millions) (Non-duplicated Funds)		FY20		FY21		Change in UGF		Change in All Funds	
		UGF	All Funds	UGF	All Funds				
1	Revenue	5,158.9	10,734.3	5,059.0	10,778.0	(99.9)	-2%	43.7	0%
2	UGF Revenue (Fall 2019 forecast)	2,116.3	2,116.3	1,967.5	1,967.5	(148.8)	-7%	(148.8)	-7%
3	POMV Draw	2,933.1	2,933.1	3,091.5	3,091.5	158.4	5%	158.4	5%
4	Misc/Adjust/Non-UGF Revenue	109.5	5,684.9	-	5,719.0	(109.5)		34.1	1%
5	Appropriations	5,505.4	10,861.6	6,537.2	12,253.0	1,031.8	19%	1,391.5	13%
6	Operating Budget	4,218.5	8,650.4	4,396.5	8,864.4	178.0	4%	214.0	2%
7	Agency Operations	3,739.1	7,874.5	3,897.5	8,141.5	158.5	4%	267.0	3%
8	Statewide Items	479.4	780.2	499.0	722.9	19.5	4%	(57.3)	-7%
9	Supplemental Appropriations	-	(4.4)	-	-				
10	Capital Budget	146.8	1,142.3	135.6	1,315.6	(11.2)	-8%	173.3	15%
11	Current Year Appropriations	144.3	1,137.9	135.6	1,315.6	(8.7)	-6%	177.8	16%
12	Supplemental Appropriations	2.5	4.4	-	-				
13	Permanent Fund	1,140.2	1,068.9	2,005.1	2,073.0	864.9	76%	1,004.1	94%
14	Permanent Fund Dividends	1,068.9	1,068.9	2,005.1	2,005.1	936.2	88%	936.2	88%
15	Inflation Proofing/Other Deposits	5,014.3	5,014.3	-	67.9				
16	Pre-Transfer Surplus/(Deficit)	(346.5)		(1,478.2)					
17	Fund Transfers	(272.4)	(269.2)	69.2	72.4				
18									
19	Post- Transfer Surplus/(Deficit)	(74.1)		(1,547.4)					

Reserve Balances (EOY)		
	FY20	FY21
SBR	-	-
CBR	2,275.1	835.0
ERA	14,040.2	15,533.7

Swoop Graph - UGF Only

FY20 to FY21 Budget

(Millions)



CBR Access and Headroom

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- Typically, CBR Access for balancing the budget has been limited to the bills passed that session
- However, restricting access to specific bills caused problems for any sort of Supplemental appropriations
- “CBR Headroom” is included to allow additional appropriations beyond the enacted acts up to a limit
 - E.g. – for FY20 the limit is \$250 million

FY20 Supps and CBR Headroom

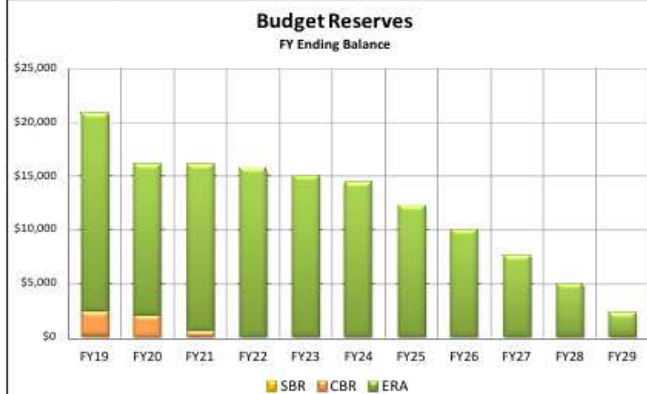
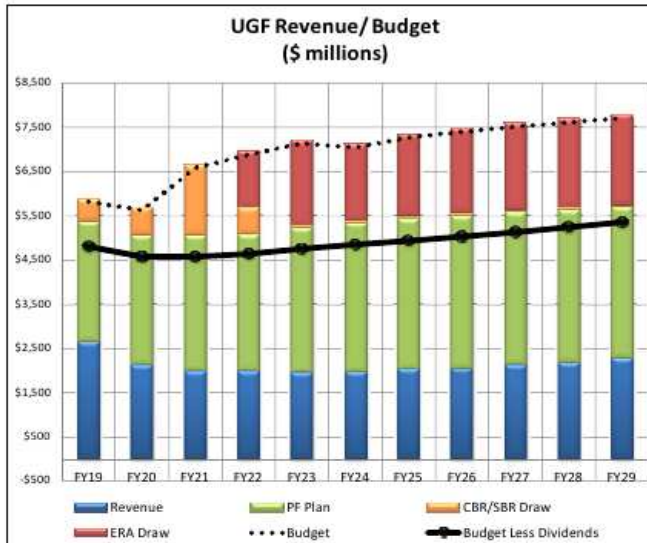
	A	B	C
1	CBR Headroom	250.0	
2	Medicaid	(120.0)	Governor "likely" request
3	Pioneer Homes	(5.0)	Governor "likely" request
4	Alaska Psychiatric Institute	(6.0)	Governor "likely" request
5	Adult Dental	(8.3)	Probable forthcoming request
6	Adult Public Assistance	(7.5)	Probable forthcoming request
7	Subtotal DHSS	(146.8)	
8	Fire Suppression	(102.5)	\$94.5 Gov "likely" and estimate for Spring
9	Redistricting Capital Project	(2.5)	Could be moved to FY21
10	Community Assistance	(30.0)	Needed to maintain \$30 million distribution
11	Subtotal Other	(135.0)	
12	Total Estimated Supps	(281.8)	
13	Available Headroom	(31.8)	
14			
15	Assuming Supplementals:		
16	CBR Balance Ending FY20	1,995.8	
17	CBR Balance Ending FY21 (Gov budget)	555.7	

Where are we going?

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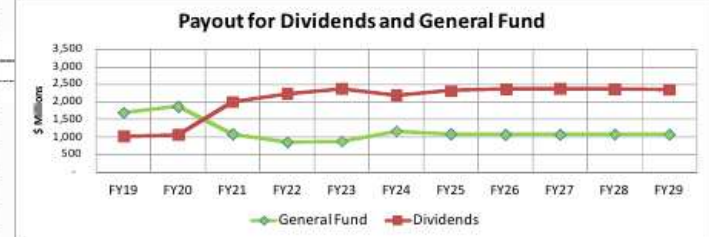
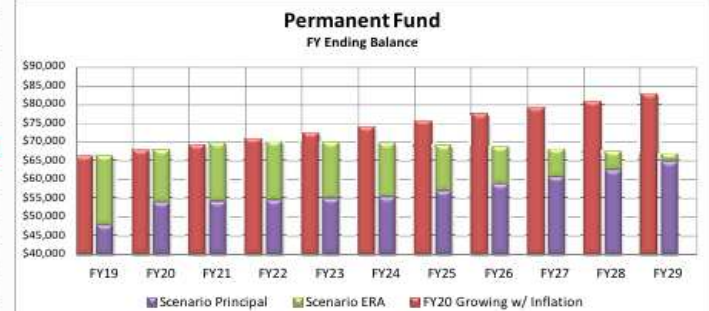
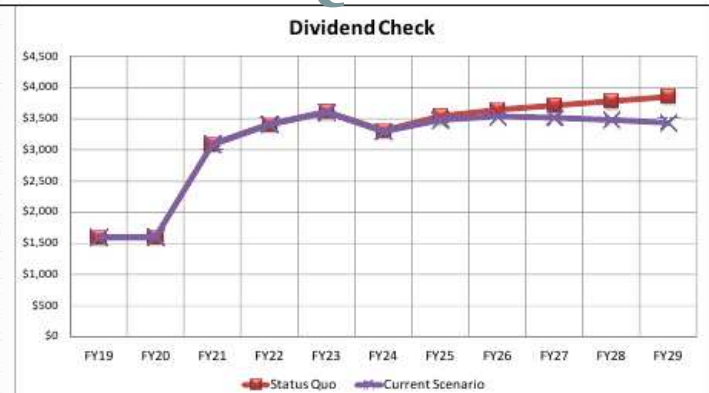
- Status quo scenario presented to show the magnitude of the fiscal problem
- LFD policy neutral regarding method of addressing
- CBR empty in FY22 requiring ad hoc draws from ERA
- ERA empty by FY30
- Out-year deficits range from \$1.8 - \$2 billion each year

LFD Fiscal Model and Status Quo



	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Reserves	16,075	16,085	15,726	15,916	14,972	12,282	9,976	7,540	4,960	2,268
Surplus (Deficit)	-629	-1,597	-1,886	-2,001	-1,798	-1,904	-1,994	-2,015	-2,065	-2,094
Remaining CBR Years	3	0	0	0	0	0	0	0	0	0
% Budget fr. Savings	11%	24%	27%	28%	25%	26%	27%	27%	27%	27%
Unplanned ERA Draw	0	0	1,285	1,943	1,748	1,854	1,944	1,965	2,015	2,044

Price Scenario	Fall Forecast
Production	Fall Forecast
COST VARIABLES	
Operating Budget	
Starting Point (FY21)	Governor 12/15
Growth Rate	2.250%
Budget Change (FY21+)	\$ -
School Debt Reimbursement	50%
Capital Budget (FY21-29)	FY21Gov w/ Inflation
Supp Budget (FY21+)	50.0
REVENUE VARIABLES	
Sales Tax	N
Income Tax	N
Motor Fuel Tax	N
Other New Revenue	\$ -
Assumptions	
Inflation Rate	2.25%
PF Investment Return	7% (Callan)
Population Growth Rate	Labor Stats
CBR Earnings	3.01%
Minimum CBR Balance	\$ -
Unplanned ERA Draws	Y
Permanent Fund Plan	SB 26
PLAN SPECIFICATIONS	
	Payout to GF
POMV Payout	5.00%
POMV Override	5.25%
Override Ends	21
% Statutory Net Income	0.00%
	Dividend
% of Stat Net Income to Div	50%
% of POMV Draw to Div	0%
% of GF Oil Revenue to Div	0%
Fixed Dividend	\$ -
Repay Dividends	None
Balanced Budget Dividends	N
	Inflation Proofing
Status Quo Inflation Proofing	Y
	Other Provisions
New Royalties to PF	50%



	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Dividends	1,024	1,061	2,005	2,240	2,381	2,198	2,329	2,378	2,383	2,372	2,354
General Fund	1,699	1,872	1,087	854	881	1,167	1,085	1,068	1,075	1,077	1,075
Plan %	5.25%	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Effective %	4.20%	4.42%	4.56%	6.30%	7.43%	7.33%	7.58%	7.80%	7.91%	8.03%	8.11%

QUESTIONS?

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