

State of Alaska

Office of Management and Budget

FY2023 Governor's Budget
House Finance Committee
January 20, 2022

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Budget Lookback

	FY2019 Authorized	FY2022 Auth and Supp	FY2023 Governor	FY2019 to FY2023 UGF Change	
Revenue	UGF			Change	%
Traditional Revenue ¹	2,683.4	2,662.7	2,577.2	(106.2)	(4.0%)
POMV Draw for Government	1,699.5	1,534.3	1,680.3	(19.2)	(1.1%)
Other Adjustments	15.3	672.7	375.4	360.1	2353.6%
Total Revenue	4,398.2	4,869.7	4,632.9	234.7	5.3%
Expenditures	UGF			Change	%
Total Operating	4,685.7	4,390.5	4,451.4	(234.3)	(5.0%)
Agency Operations	4,022.2	3,927.9	3,933.6	(88.6)	(2.2%)
Statewide Operations	663.5	462.6	517.8	(145.7)	(22.0%)
Total Capital	168.0	335.9	154.7	(13.3)	(7.9%)
Final Budget	4,853.7	4,726.4	4,606.1	(247.6)	(5.1%)
Surplus/(Deficit)	(455.5)	143.3	26.8	482.3	
PFD				Change	%
Total Transfer	1,023.5	1,535.0	1,680.3	656.8	64.2%
Dividend Per Person	\$1,600	\$2,330	\$2,564	\$964	60.3%

¹Based on Department of Revenue Official Fall Forecast released 12/15/21. DOR released an updated revenue outlook on 1/19/22 that increased UGF revenue by \$281.1m in FY22 and \$466.6m in FY23 and increased the UGF surplus accordingly.

Budget Objectives

- 50/50 PFD with Constitutional Amendment
- FY2023 operating budget to address baseline needs and priorities
 - Ensure a safe environment for individuals and businesses
 - Public protection, permitting, and resource development
- Continue efforts towards efficiency and operational change
- Use FY2022 surplus and bonding to support a robust capital investment
- Avoid a FY2023 deficit or draws from savings accounts

FY22 and FY23 Revenue

Revenues		UGF	FY2022 Total	UGF	FY2023 Total	UGF Change	UGF %
Unrestricted Revenue¹		2,662.7	2,662.7	2,577.2	2,577.2	(85.5)	-3%
	Petroleum	2,274.6	2,274.6	2,082.3	2,082.3	(192.3)	-8%
	Non-Petroleum	375.1	375.1	476.1	476.1	101.0	27%
	Investment	13.0	13.0	18.8	18.8	5.8	45%
POMV ERA Draw For Government		1,534.3	1,534.3	1,680.3	1,680.3	146.0	10%
	Statutory Draw	3,069.3	3,069.3	3,360.6	3,360.6	291.3	9%
	Draw Used for PFDs	(1,535.0)	(1,535.0)	(1,680.3)	(1,680.3)	(145.3)	9%
Restricted Revenue		-	6,676.7	-	6,276.9		
Carryforward and Adjustments		672.7	1,911.4	375.4	375.4	(297.3)	-44%
	Carryforward	12.0	1,250.7	-	-	(12.0)	-100%
	Undesignated Savings (SBR)	410.7	410.7	-	-	(410.7)	-100%
	Federal Revenue Replacement	250.0	250.0	375.4	375.4	125.4	50%
Total Revenue		4,869.7	12,821.3	4,632.9	10,909.8	(236.8)	-5%

- FY22 ANS Forecast: Fall Revenue Source Book at \$75.72; Updated DOR Outlook at \$80.37
- FY23 ANS Forecast: Fall Revenue Source Book at \$71.00; Updated DOR Outlook at \$78.17
- ANS price as of January 19th was \$89.49

¹Based on Department of Revenue Official Fall Forecast released 12/15/21. DOR released an updated revenue outlook on 1/19/22 that increased UGF revenue by \$281.1m in FY22 and \$466.6m in FY23 and increased the UGF surplus accordingly.

FY22 and FY23 Expenditures

Total Revenue ¹	4,869.7	12,821.3	4,632.9	10,909.8	(236.8)	-5%
Expenditures	UGF	FY2022 Total	UGF	FY2023 Total	UGF Change	UGF %
Total Operating	4,348.4	10,615.8	4,451.4	9,206.5	103.0	2%
Agency Operations	3,919.8	9,812.1	3,933.6	8,455.5	13.8	0%
<i>Agency Non-Formula</i>	<i>1,877.1</i>	<i>5,612.6</i>	<i>1,855.3</i>	<i>4,418.6</i>	(21.8)	-1%
<i>Agency Formula</i>	<i>2,042.7</i>	<i>4,135.3</i>	<i>2,078.3</i>	<i>4,037.0</i>	35.7	2%
Statewide Operations	428.6	803.6	517.8	750.9	89.2	21%
<i>Debt</i>	<i>96.7</i>	<i>172.3</i>	<i>156.2</i>	<i>204.0</i>	59.6	62%
<i>Retirement</i>	<i>246.2</i>	<i>246.2</i>	<i>129.6</i>	<i>129.6</i>	(116.6)	-47%
<i>Fund Capitalization</i>	<i>71.1</i>	<i>124.8</i>	<i>231.7</i>	<i>320.4</i>	160.6	226%
<i>Shared Taxes & Other</i>	-	208.0	-	63.2		
<i>Fund Transfers</i>	<i>14.6</i>	<i>18.3</i>	<i>0.3</i>	<i>33.8</i>	(14.3)	-98%
Total Capital	242.9	2,062.2	154.7	1,676.5	(88.2)	-36%
Total Operating + Capital	4,591.3	12,480.5	4,606.2	10,883.0	14.9	0%
FY22 Supplementals/RPLs	135.1	197.5				
Surplus/(Deficit)	143.3	143.3	26.7	26.7		

¹Based on Department of Revenue Official Fall Forecast released 12/15/21. DOR released an updated revenue outlook on 1/19/22 that increased UGF revenue by \$281.1m in FY22 and \$466.6m in FY23 and increased the UGF surplus to \$424.4m in FY22 and \$493.2m in FY23.

Fiscal Summary – Savings Balances

Statutory Budget Reserve	FY2022	FY2023
Beginning Balance	481.0	70.3
Withdrawals	(410.7)	-
Deposits	-	-
End Balance	70.3	70.3

Constitutional Budget Reserve	FY2022	FY2023
Beginning Balance	1,175.7	1,350.6
Earnings & Deposits	31.6	61.1
Surplus/(Deficit) ¹	143.3	26.7
End Balance	1,350.6	1,438.5

Total Reserves (CBR and SBR)	FY2022	FY2023
End Balance	1,420.9	1,508.8

- FY2022 CBR beginning balance reflects an estimated \$490.4m swept CBR under Alaska Constitution Art. IX Sec. 17(d). Audited amounts will be reported in the FY2022 Annual Comprehensive Financial Report.
- FY2023 budget includes \$33.6m in UGF to replace fund sources impacted by the CBR sweep. Fully supports all associated programs.

¹Based on Department of Revenue Official Fall Forecast released 12/15/21. DOR released an updated revenue outlook on 1/19/22 that increased UGF revenue by \$281.1m in FY22 and \$466.6m in FY23, resulting in an increased CBR EOY balance of \$1.6b in FY22 and \$2.2b in FY23.

Capital Budget

Baseline traditional FY23 capital budget

- \$157.4m UGF; \$1.4b Fed
- Minimum level capital budget for federal match and core state functions

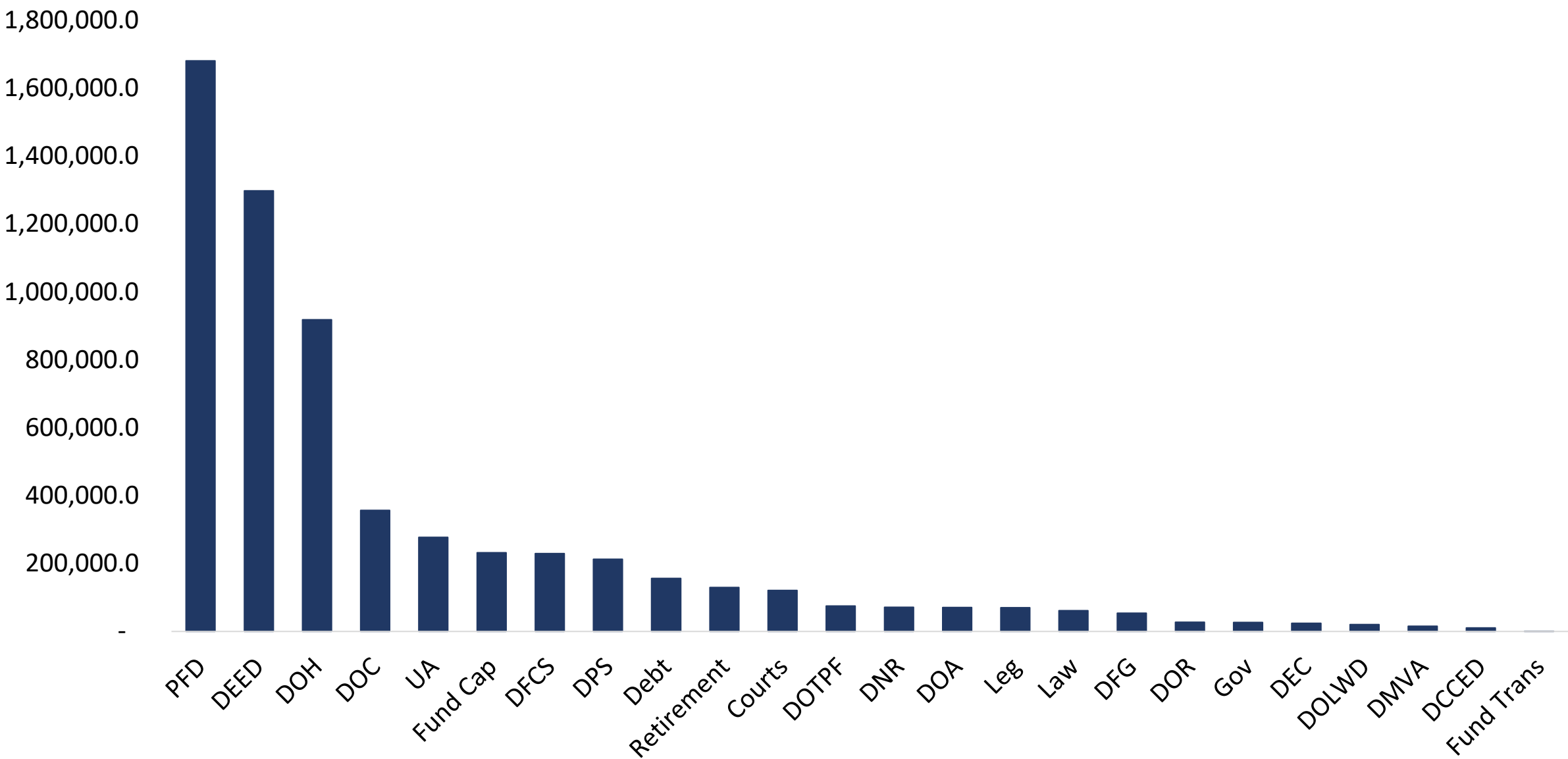
Use FY22 surplus for additional capital projects

- \$93m UGF
- Projects that benefit from expedited construction

GO Bond financing for community projects

- \$325.2m bond issuance
- Investment in key infrastructure to maximize public benefit around the state
- Approved by voters in Fall 2022 general election

FY2023 Operating UGF



FY23 Agency Operating Budget Changes

FY23 Agency Operating Budget Changes	UGF (\$m)
FY22 Management Plan Agency Operating	3,919.8
Built-In Cost Drivers	107.8
Reverse DOTPF One-Time Fed Relief	10.9
Medicaid Increase	45.0
Central Service Rate Adjustments	4.2
Salary Adjustments	13.0
Restore Funding for Sweep Impacts	33.6
Other	1.1
Agency Reductions	(136.5)
AMHS Federal Subsidy	(63.4)
K-12 Formula	(16.8)
PERS/TRS/SB55	(44.5)
Targeted Savings	(11.8)
Targeted Investments	42.6
Public Safety Initiative	32.0
Resource Development & Primacy	10.6
Net Change from FY22	13.9
FY23 Governor's Agency Operating Budget	3,933.7

Formula Cost Drivers

K-12 Education

- Fully funded to the \$5,930 base student allocation

	FY2022 <i>Authorized</i>	FY2023 <i>Projection</i>	Difference
Regular ADM	108,133.22	107,437.12	(696.10)
Correspondence ADM	18,798.30	19,366.55	568.25
Total ADM	126,931.52	126,803.67	(127.85)
 Adjusted ADM	 258,585.13	 256,242.52	 (2,342.61)
 <u>Funding Sources</u>			
1004 General fund	1,162,308.5	1,142,427.0	(19,881.5)
1043 Federal	20,791.0	20,791.0	-
1066 Public School Trust	31,166.7	32,133.7	967.0
Total	\$1,214,266.2	\$1,195,351.7	(\$18,914.5)

Medicaid

- COVID-related enhanced federal match (FMAP) currently expires at end of FY2022
- Pent up demand for services increases utilization
- \$45m UGF increment restores Medicaid state share to pre-pandemic levels

Public Protection

Over \$30 million operating UGF added for public protection:

- Fully fund filled positions added in previous fiscal years for Public Safety and Law: \$1.3m
- 15 new Trooper positions
- 10 new Village Public Safety Officers and related costs: \$3.9m
- Add 14 DPS support positions so Troopers can focus on policing: \$1.8m
- Add positions for Rural Fire Investigations and increase DNR wildland fire fighting capacity: \$4.5m
- Add 30 Correctional institution support positions, mental health treatment resources, and Hiland Mountain booking: \$4.1m
- Address trial backlogs \$1.8m and defense capacity \$428.7k

People First Initiative UGF:

- Domestic Violence and Sexual Assault
 - \$3.5m for victim services provider grants
 - \$1.5m to reduce turnaround time on DNA testing and increase forensics lab capacity
 - \$1.0m for staff to provide victim services and perpetrator intervention
- Missing and Murdered Indigenous Persons
 - Tribal liaisons and additional support for the Missing Persons Clearinghouse \$713.9k
- Homelessness
 - Statewide homelessness coordinator, database and data manager \$866.3k
- Foster Care and Office of Children's Services
 - \$1.4m for the Tribal Child Welfare Compact

Resource Development and State Primacy

Invest in state primacy over resource management

- Expand timber resource capacity \$460.0k
- \$5.7m to assume primacy from the EPA over resource development permitting
 - Resource Conservation and Recovery Act \$830.0k
 - Clean Water Act Section 404 \$4.9m
- \$4m to continue statehood defense efforts

Capital funding to develop mariculture and agriculture industries to enhance food security and economic development \$50m

Improve State Government Functions

Executive Order for new Department of Family and Community Services and Department of Health

- DFCS for leadership focus to Children's Services, Juvenile Justice, and 24-hour facilities
- DOH for leadership focus on public health, Medicaid, and public assistance
- \$434.3k UGF and \$1.9m Total for new positions

Public Safety Communication Systems transfer to Public Safety

- This function is more aligned with DPS' mission to ensure public safety
- DPS has an existing division that can seamlessly absorb these services
- Net zero budget impact

Transfer Exxon Valdez Oil Spill Trustee Council from ADFG to DEC

- Net zero budget impact

Invest in Department of Administration Information Technology

- "Pandemic Proofing" and avoidance of the next major cyber attack \$28.9m UGF (capital)
- Restructured how cost of investments in IT and other central services are reflected in the budget. Adds additional accountability for DOA costs. \$4.1m UGF

American Rescue Plan Discretionary Funding

- \$375.4m for revenue replacement
- \$20m in Fast Track Supplemental for public health response
- \$37.4m FY2023 Operating investments
 - \$10m for workforce development
 - \$22.8m to the University of Alaska for critical economic development
 - Drone Research \$10m
 - Critical Minerals and Rare Earth Elements \$7.8m
 - Heavy Oil Recovery Method Research \$5m
 - \$3.5m for Domestic Violence and Sexual Assault Victim Services
 - \$1.1m to continue priority DNA collection activities in Corrections
- \$72m in Capital projects
- \$64m of Coronavirus Capital Project Funds Allocated
 - \$47.9m remaining to allocate

FY23 Statewide Operating Items

FY23 Statewide Items	FY22 UGF	FY23 UGF	FY22 - FY23
Debt Service	96.6	156.2	59.6
Traditional Debt	92.5	92.3	(0.2)
Muni School Bond Reimbursement	4.1	63.9	59.8
Retirement Assistance Payment	246.1	129.5	(116.6)
PERS	97.7	33.9	(63.8)
TRS	142.7	91.0	(51.7)
Other	5.7	4.6	(1.1)
Fund Capitalizations & Transfers	119.8	232.1	112.3
Oil & Gas Tax Credits	54.0	199.0	145.0
Disaster Relief Fund ¹	34.0	0.0	(34.0)
REAA Fund	17.2	32.8	15.6
Other ²	14.6	0.3	(14.3)
Statewide Items Total	462.5	517.8	55.3

¹FY22 proposed supplemental included

²FY23 reduction due to recategorization of funds from UGF to DGF

SB55/Retirement Contributions

Strong investment performance in FY21 resulted in significant savings for the public employee retirement systems

- Investment performance reduced the State's required contribution to PERS/TRS systems by \$75.4 million UGF
- Avoiding overcontribution to PERS/TRS health trusts saved \$71 million UGF

SB55 year two fiscal note reduction of \$14.7 million UGF by shifting to other fund sources

Total FY23 retirement savings: **(\$161.1 million UGF)**

Other Statewide Items

Fully fund municipal school bond debt reimbursement \$79.0m UGF

Fully fund rural school construction contribution (Regional Educational Attendance Area fund) \$32.8m UGF

Full community assistance deposit of \$30m from PCE

Full funding for oil and gas tax credits of \$199m UGF

Infrastructure Investments and Jobs Act

- Enacted November 15, 2021
- 5-year reauthorization of established federal programs and new programs
- New program details still pending
- Some program funding appropriated in the bill, others awaiting an FFY22 budget
- Maximizing use in Alaska Marine Highway System to preserve UGF and transition to a sustainable system
- Remaining funds to be addressed when further guidance is received