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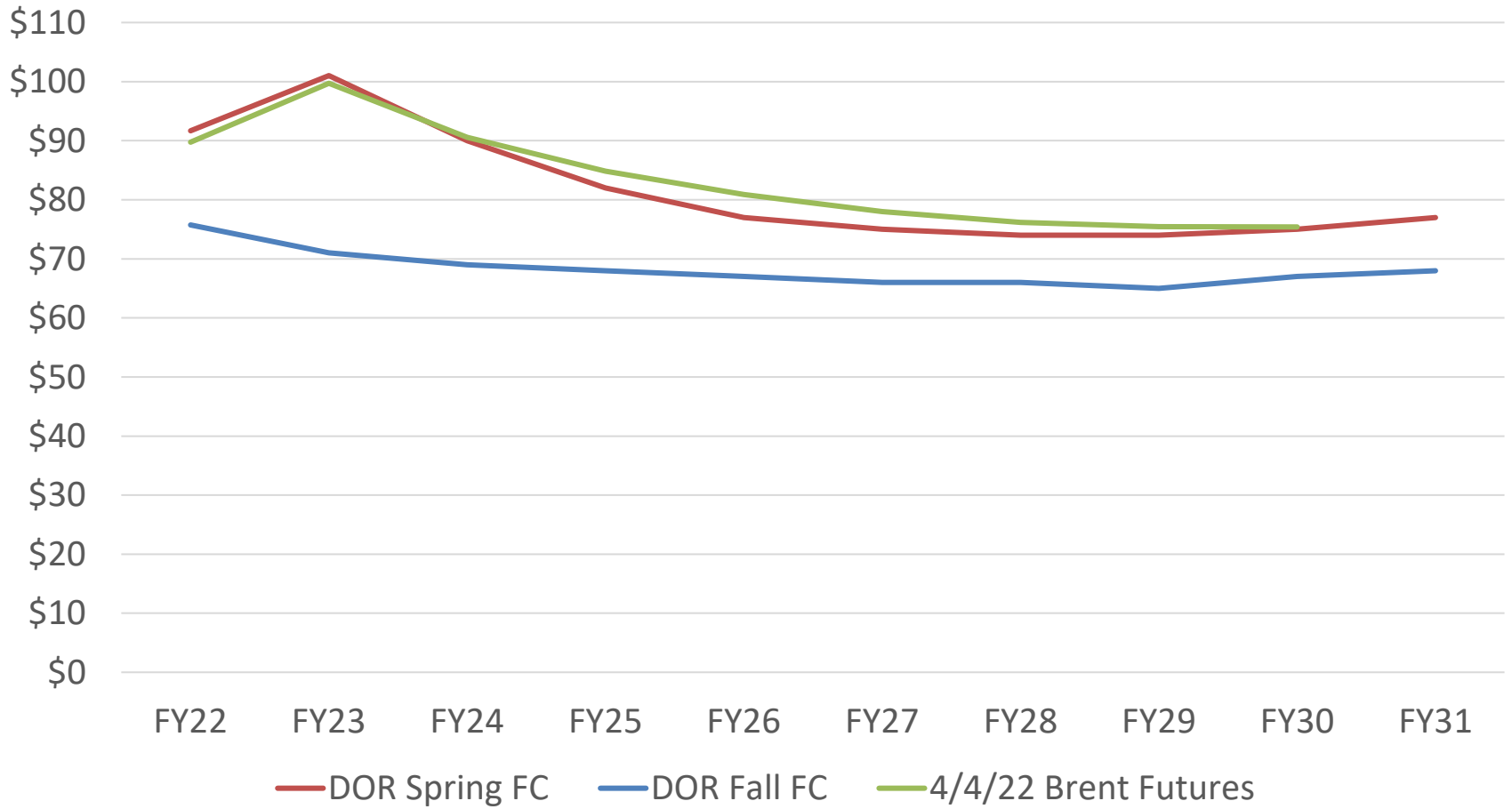
# Fiscal Update and Senate Committee Substitute

Senate Finance Committee  
April 6, 2022  
Legislative Finance Division

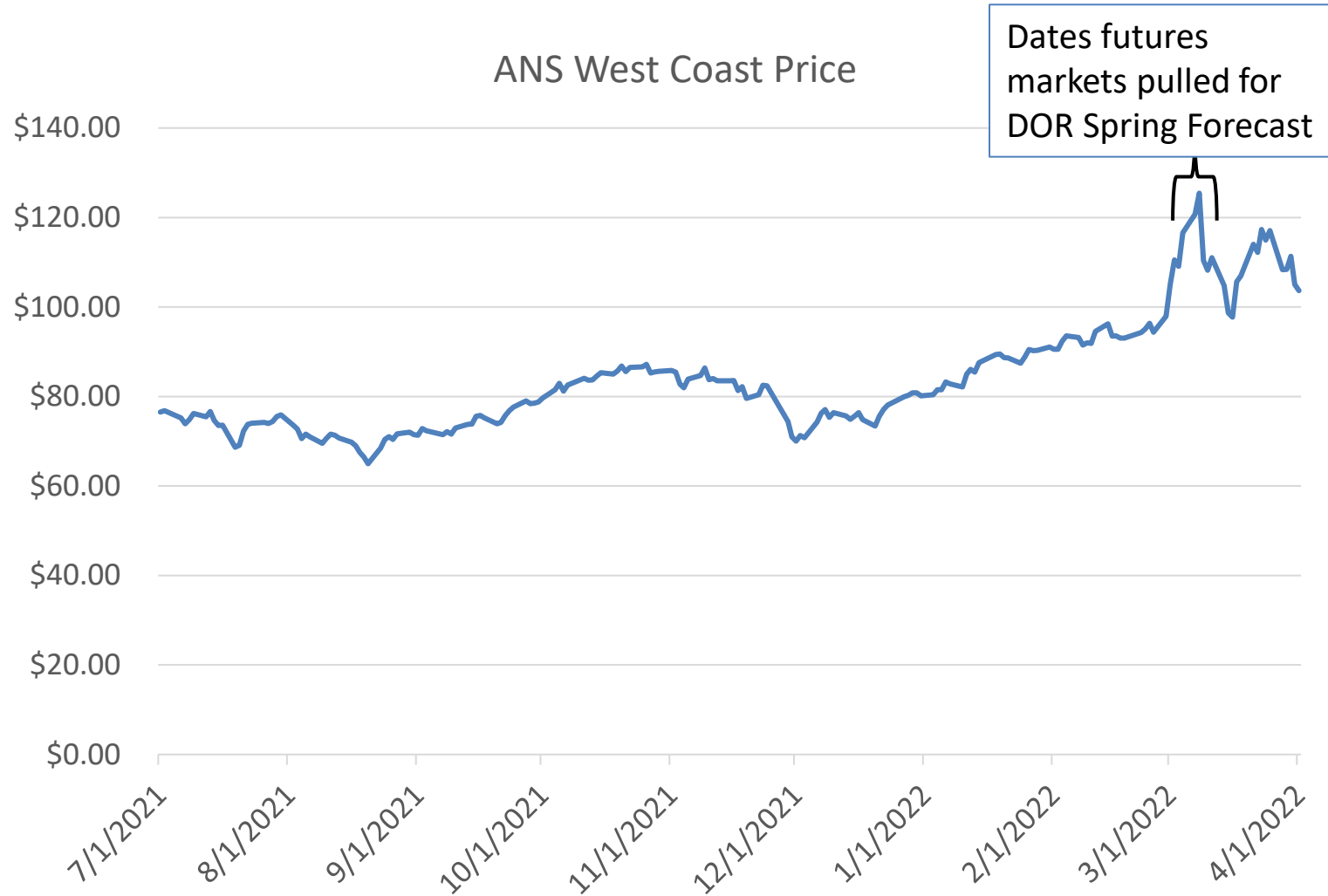
# Outline

- Volatility and Spring Revenue Forecast
- Updated Fiscal Summary with Senate CS
  - Outlook at different oil prices
- Operating Budget Growth
- Position Count Growth

# Oil Price Forecast Update

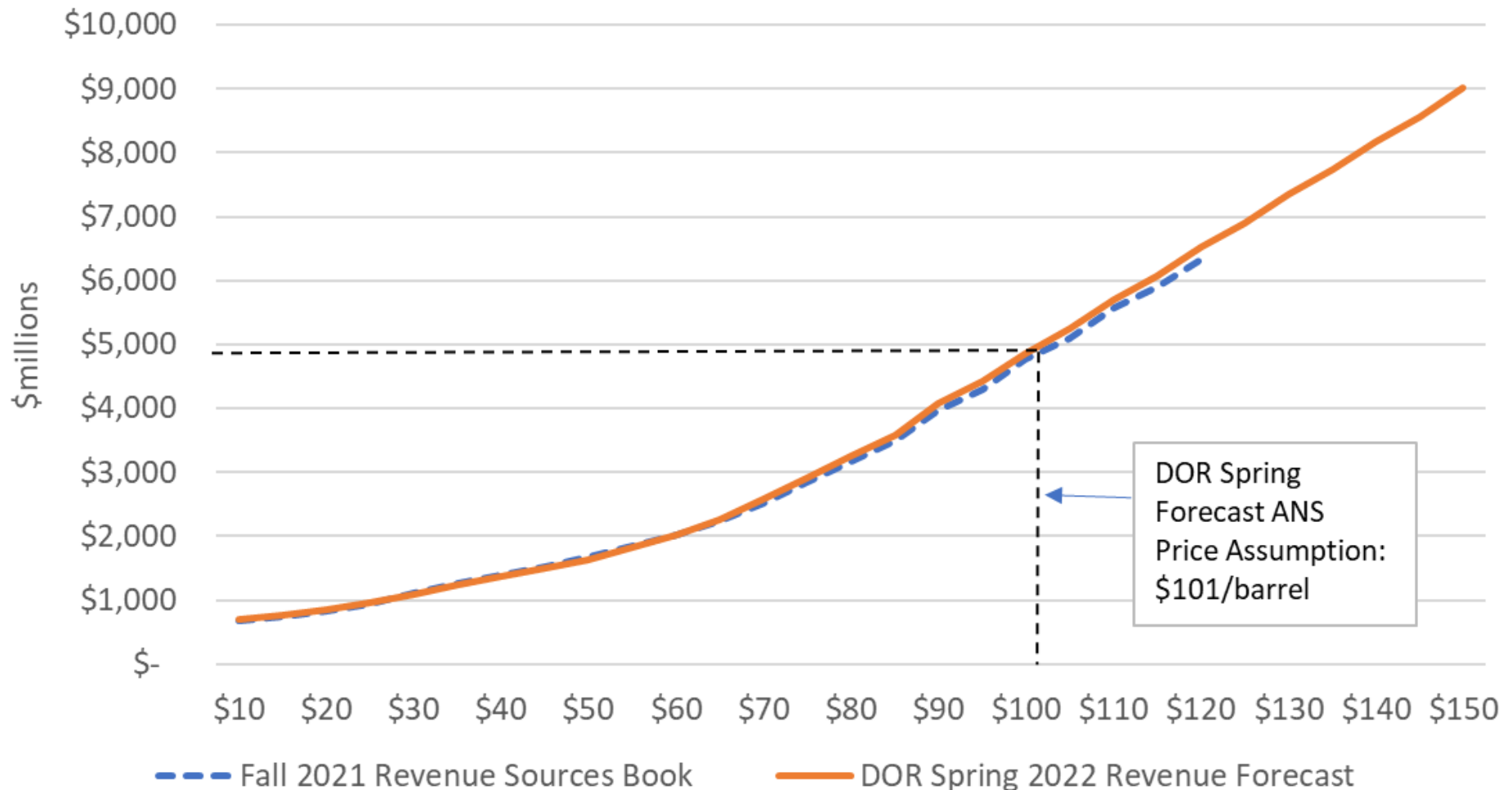


# Oil Prices, FY22 to Date



# FY23 Oil Price Sensitivity Chart

FY23 UGF Revenue by ANS Price (Excluding POMV)



# Takeaways on Spring Forecast

- Oil prices have skyrocketed in recent months, but the market does not appear to expect that this will last over the long term.
- Oil has been extremely volatile recently and there is no consensus on the price outlook in the short term.
- LFD advises the legislature to approach oil prices conservatively given the level of volatility combined with relatively small savings account balances to backstop any shortfall.

# Fiscal Summary: Senate Finance CS, Spring Forecast (UGF only)

	(\$ Millions) (Non-duplicated Funds)	FY22 Budget	FY23 SCS1	Change in UGF	
		UGF	UGF		
1	<b>Revenue</b>	<b>6,964.7</b>	<b>8,331.0</b>	<b>1,366.3</b>	<b>20%</b>
2	Fall 2021 Revenue Forecast	2,662.7	2,577.2	(85.5)	-3%
3	Spring 2022 Forecast Increase	1,220.7	2,393.2	1,172.5	96%
4	POMV Draw	3,069.3	3,360.6	291.3	9%
5	Misc/Adjust/Non-UGF Revenue	12.0	-	(12.0)	
6	<b>Appropriations</b>	<b>5,782.6</b>	<b>4,663.6</b>	<b>(1,118.9)</b>	<b>-19%</b>
7	<b>Operating Budget</b>	<b>4,598.0</b>	<b>4,663.6</b>	<b>65.6</b>	<b>1.4%</b>
8	Agency Operations (SCS1)	3,919.5	4,092.7	173.2	4.4%
9	Statewide Items (SCS1)	414.0	571.0	156.9	37.9%
10	Operating Supplementals (SCS1)	264.5	-	(264.5)	
11	<b>Capital Budget</b>	<b>246.5</b>	<b>-</b>	<b>(246.5)</b>	<b>-100.0%</b>
12	Current Year Appropriations	242.9	-	(242.9)	-100.0%
13	Supplemental Appropriations	-	-	-	
14	Capital Appropriations (SCS1)	3.6	-	(3.6)	
15	<b>Permanent Fund</b>	<b>938.0</b>	<b>-</b>	<b>(938.0)</b>	<b>-100.0%</b>
16	Permanent Fund Dividends (SCS1)	739.0	-	(739.0)	-100.0%
17	Supplemental Royalty Deposit to Corpus (SCS1)	199.0			
18	<b>Pre-Transfer Surplus/(Deficit)</b>	<b>1,182.1</b>	<b>3,667.4</b>	<b>Reserve Balances (EOY)</b>	
19	Statutory Budget Reserve	(410.7)	-	<b>FY22</b>	<b>FY23</b>
20	American Rescue Plan Act (ARPA)	(250.0)	-	<b>SBR</b>	730.1
21	Other Fund Transfers (SCS1)	14.6	0.3	<b>CBR</b>	2,446.2
22	Supplemental Statutory Budget Reserve Deposit	660.0		<b>ERA*</b>	14,901.4
23	<b>Post-Transfer Surplus/(Deficit)</b>	<b>1,168.2</b>	<b>3,667.1</b>		15,613.8

# Fiscal Summary: Senate Finance CS, Spring Forecast (UGF only) – with 50/50 PFD and Governor’s Capital Budget

	(\$ Millions) (Non-duplicated Funds)	FY22 Budget	FY23 Governor/ SCS1	Change in UGF	
		UGF	UGF		
1	<b>Revenue</b>	<b>6,964.7</b>	<b>8,331.0</b>	<b>1,366.3</b>	<b>20%</b>
2	Fall 2021 Revenue Forecast	2,662.7	2,577.2	(85.5)	-3%
3	Spring 2022 Forecast Increase	1,220.7	2,393.2	1,172.5	96%
4	POMV Draw	3,069.3	3,360.6	291.3	9%
5	Misc/Adjust/Non-UGF Revenue	12.0	-	(12.0)	
6	<b>Appropriations</b>	<b>5,873.7</b>	<b>6,502.3</b>	<b>628.7</b>	<b>11%</b>
7	<b>Operating Budget</b>	<b>4,598.0</b>	<b>4,663.6</b>	<b>65.6</b>	<b>1.4%</b>
8	Agency Operations (SCS1)	3,919.5	4,092.7	173.2	4.4%
9	Statewide Items (SCS1)	414.0	571.0	156.9	37.9%
10	Operating Supplementals (SCS1)	264.5	-	(264.5)	
11	<b>Capital Budget</b>	<b>337.6</b>	<b>158.4</b>	<b>(179.2)</b>	<b>-53.1%</b>
12	Current Year Appropriations (Gov)	242.9	158.4	(84.5)	-34.8%
13	Supplemental Appropriations (Gov)	91.1	-	(91.1)	
14	Capital Appropriations (SCS1)	3.6	-	(3.6)	
15	<b>Permanent Fund</b>	<b>938.0</b>	<b>1,680.3</b>	<b>742.3</b>	<b>79.1%</b>
16	Permanent Fund Dividends (SCS1)	739.0	1,680.3	941.3	127.4%
17	Supplemental Royalty Deposit to Corpus (SCS1)	199.0			
18	<b>Pre-Transfer Surplus/(Deficit)</b>	<b>1,091.0</b>	<b>1,828.7</b>		
19	Statutory Budget Reserve	(410.7)	-		
20	American Rescue Plan Act (ARPA)	(250.0)	-		
21	Other Fund Transfers (SCS1)	14.6	0.3		
22	Supplemental Statutory Budget Reserve Deposit	660.0			
23	<b>Post-Transfer Surplus/(Deficit)</b>	<b>1,077.1</b>	<b>1,828.4</b>		

Reserve Balances (EOY)		
	FY22	FY23
<b>SBR</b>	730.1	730.1
<b>CBR</b>	2,355.1	4,210.2
<b>ERA*</b>	14,901.4	15,613.8



# Fiscal Summary at \$80 oil: Senate Finance CS, Spring Forecast (UGF only) – with 50/50 PFD and Governor's Capital Budget

	(\$ Millions) (Non-duplicated Funds)	FY22 Budget	FY23 Governor/ SCS1	Change in UGF	
		UGF	UGF		
1	<b>Revenue</b>	<b>6,964.7</b>	<b>6,619.6</b>	<b>(345.1)</b>	<b>-5%</b>
2	Fall 2021 Revenue Forecast	2,662.7	2,577.2	(85.5)	-3%
3	Increase over Fall Forecast at \$80 oil	1,220.7	681.8	(538.9)	-44%
4	POMV Draw	3,069.3	3,360.6	291.3	9%
5	Misc/Adjust/Non-UGF Revenue	12.0	-	(12.0)	
6	<b>Appropriations</b>	<b>5,873.7</b>	<b>6,502.3</b>	<b>628.7</b>	<b>11%</b>
7	<b>Operating Budget</b>	<b>4,598.0</b>	<b>4,663.6</b>	<b>65.6</b>	<b>1.4%</b>
8	Agency Operations (SCS1)	3,919.5	4,092.7	173.2	4.4%
9	Statewide Items (SCS1)	414.0	571.0	156.9	37.9%
10	Operating Supplementals (SCS1)	264.5	-	(264.5)	
11	<b>Capital Budget</b>	<b>337.6</b>	<b>158.4</b>	<b>(179.2)</b>	<b>-53.1%</b>
12	Current Year Appropriations (Gov)	242.9	158.4	(84.5)	-34.8%
13	Supplemental Appropriations (Gov)	91.1	-	(91.1)	
14	Capital Appropriations (SCS1)	3.6	-	(3.6)	
15	<b>Permanent Fund</b>	<b>938.0</b>	<b>1,680.3</b>	<b>742.3</b>	<b>79.1%</b>
16	Permanent Fund Dividends (SCS1)	739.0	1,680.3	941.3	127.4%
17	Supplemental Royalty Deposit to Corpus (SCS1)	199.0			
18	<b>Pre-Transfer Surplus/(Deficit)</b>	<b>1,091.0</b>	<b>117.2</b>	<b>Reserve Balances (EOY)</b>	
19	Statutory Budget Reserve	(410.7)	-		
20	American Rescue Plan Act (ARPA)	(250.0)	-	<b>FY22</b>	<b>FY23</b>
21	Other Fund Transfers (SCS1)	14.6	0.3	<b>SBR</b>	730.1
22	Supplemental Statutory Budget Reserve Deposit	660.0		<b>CBR</b>	2,355.1
23	<b>Post-Transfer Surplus/(Deficit)</b>	<b>1,077.1</b>	<b>116.9</b>	<b>ERA*</b>	14,901.4
					15,613.8

# Items Not Addressed in the Senate CS

- The current CS does not have a PFD appropriation.
- The committee's version of the capital budget has not yet been introduced. The Governor's capital budget was based on the Fall revenue forecast and does not include additional items that the committee may consider based on current revenue expectations such as additional deferred maintenance funding.
- The Governor introduced a new infrastructure bill and several budget amendments on Monday that have not yet been addressed by the committee.
- The House Finance Committee's version of the operating budget included K-12 forward funding, \$57 million outside the formula for K-12, additional payments for oil tax credits, a CBR reverse sweep, and specified where surpluses would go. The Senate CS does not yet address these items.

# Areas of Growth in FY23 Budget

- Major increases in FY23 GovAmend:
  - \$45.0 million for Medicaid.
  - \$33.6 million UGF increases to offset DGF lost in CBR sweep
  - \$17.4 million combined increases in Department of Public Safety
- Major increases from GovAmend to Senate CS1:
  - \$59.4 million for AMHS (Governor eliminated UGF)
  - \$27.0 million for fuel trigger to offset high oil prices
  - \$14.5 million in University of Alaska
  - \$13.4 million in Fish and Game

# Many FY23 Increases Reverse Past Budget Reductions

- Several increments in the Governor's FY23 budget request reverse reductions or vetoes made since FY23:
  - \$45.0 million Medicaid increase – Medicaid was reduced by \$35.0 million in FY22.
  - \$4.0 million University of Alaska increase – UA was reduced by \$54.3 million from FY20-22.
  - \$2.0 million for Legislative per diem – vetoed by Governor in FY22.
  - \$0.7 million – GF/MH items vetoed by the Governor in FY22.
- Several other items reverse reductions made from FY15-FY19 under previous governors:
  - \$4.9 million for DEC 404 Primacy – this was cut in FY15.
  - \$3.8 million for wildfire prevention and academy – this was cut in FY16.
  - \$2.4 million for Village Public Safety Officers – this was cut in FY16.
  - \$1.2 million for Judiciary for increased hours – this was cut in FY16.

# What's the True Operating Budget Growth Rate?

- Several changes from FY22-23 give the FY23 agency operations budget a lower starting point than FY22.
- The Governor's FY23 budget increases agency operations by \$94.9 million (2.5%) over the FY23 baseline.
- However, the Governor's budget uses temporary federal funds in place of UGF for the Alaska Marine Highway System. Keeping UGF funding level (as the HFIN and SCS1 budgets do) would result in a \$154.3 million (4.0%) over the baseline.
- Senate CS1 is \$239.2 million (5.8%) over the baseline. HFIN is \$272.9 million (6.7%) over the baseline.

<b>FY22 Management Plan</b>	<b>3,919.3</b>
<i>Retirement Investment</i>	(29.7)
<i>SB 55 Fund Changes</i>	(14.7)
<i>K-12 Student Count</i>	(18.7)
<i>Removal of One-Time Items</i>	(17.8)
<i>Contractual and Other Changes</i>	15.2
<b>Total Reductions</b>	<b>(65.8)</b>
<b>FY23 LFD Baseline</b>	<b>3,853.5</b>

Item	Amount	\$ Change	% Change
FY23 LFD Baseline	3,853.5		
GovAmend Agency Operations	3,948.4	94.9	2.5%
GovAmend Agency Ops + AMHS	4,007.8	154.3	4.0%
HFIN	4,126.4	272.9	7.1%
SCS1	4,092.7	239.2	6.2%

# Full-Time Position Count Comparison

Agency	22MgtPln	23GovAmd	HFIN	SCS1	GovAmd to FY22	HFIN to GovAmd	SCS1 to GovAmd
Administration	1,228	1,245	1,245	1,245	17	-	-
Commerce, Community & Econ Dev	513	515	515	515	2	-	-
Corrections	2,078	2,108	2,109	2,098	30	1	(10)
Education & Early Dev	248	245	245	245	(3)	-	-
Environmental Conservation	469	503	503	503	34	-	-
Family and Community Services	1,759	1,847	1,850	1,850	88	3	3
Fish and Game	818	816	816	816	(2)	-	-
Governor	153	155	155	155	2	-	-
Health	1,500	1,446	1,467	1,457	(54)	21	11
Labor & Workforce Dev	666	667	668	668	1	1	1
Law	551	550	550	550	(1)	-	-
Military & Veterans' Affairs	256	262	262	262	6	-	-
Natural Resources	639	671	669	671	32	(2)	-
Public Safety	896	965	965	952	69	-	(13)
Revenue	819	826	826	826	7	-	-
Transportation	2,964	2,964	2,964	2,964	-	-	-
University of Alaska	3,759	3,759	3,759	3,759	-	-	-
Judiciary	738	740	740	740	2	-	-
Legislature	255	258	268	267	3	10	9
<b>Statewide Total</b>	<b>20,309</b>	<b>20,542</b>	<b>20,576</b>	<b>20,543</b>	<b>233</b>	<b>34</b>	<b>1</b>

# Questions?

## Contact Information

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