



ALASKA · STATE · CAPITOL

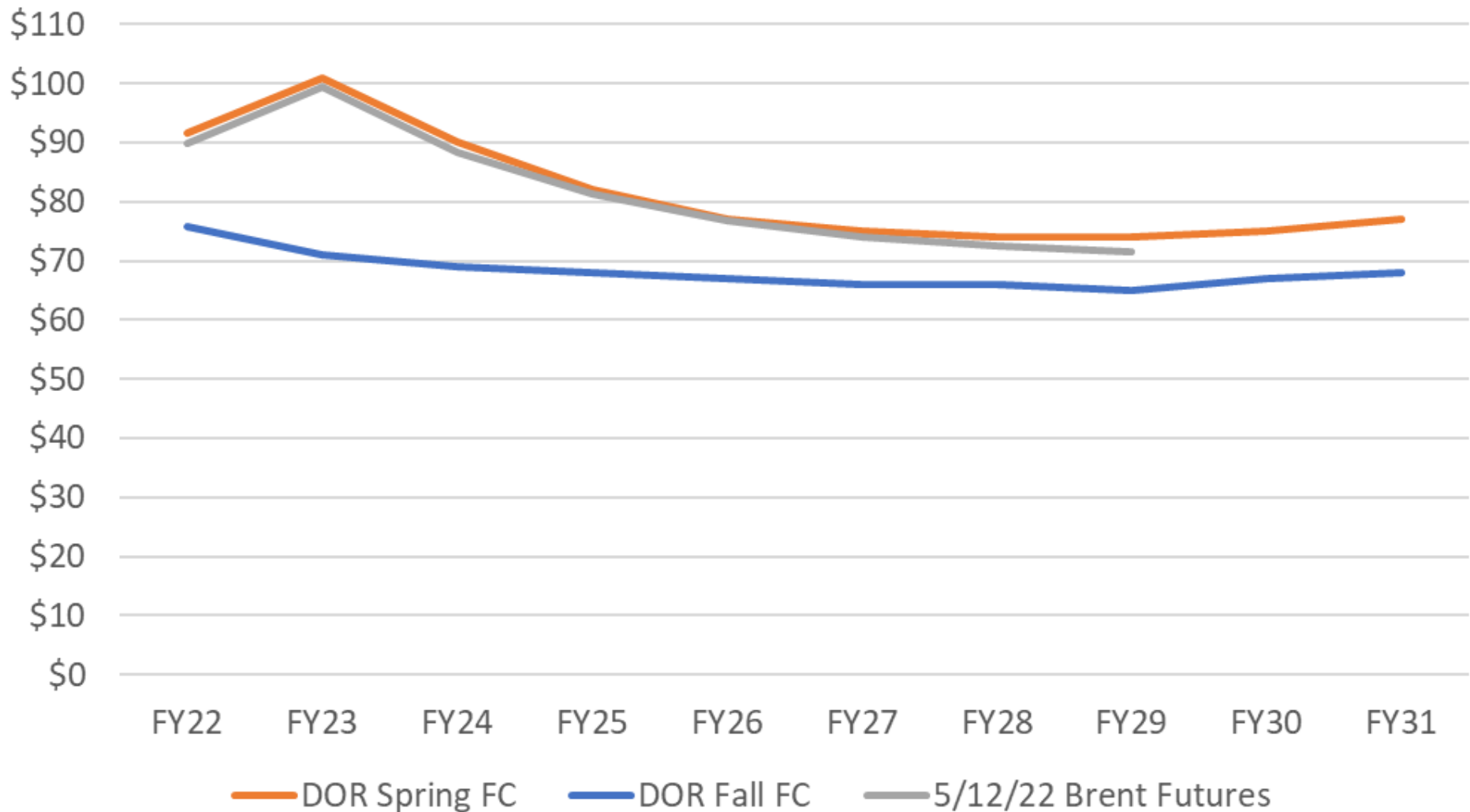
# Fiscal Update with Senate Budget

Senate Finance Committee  
May 13, 2022  
Legislative Finance Division

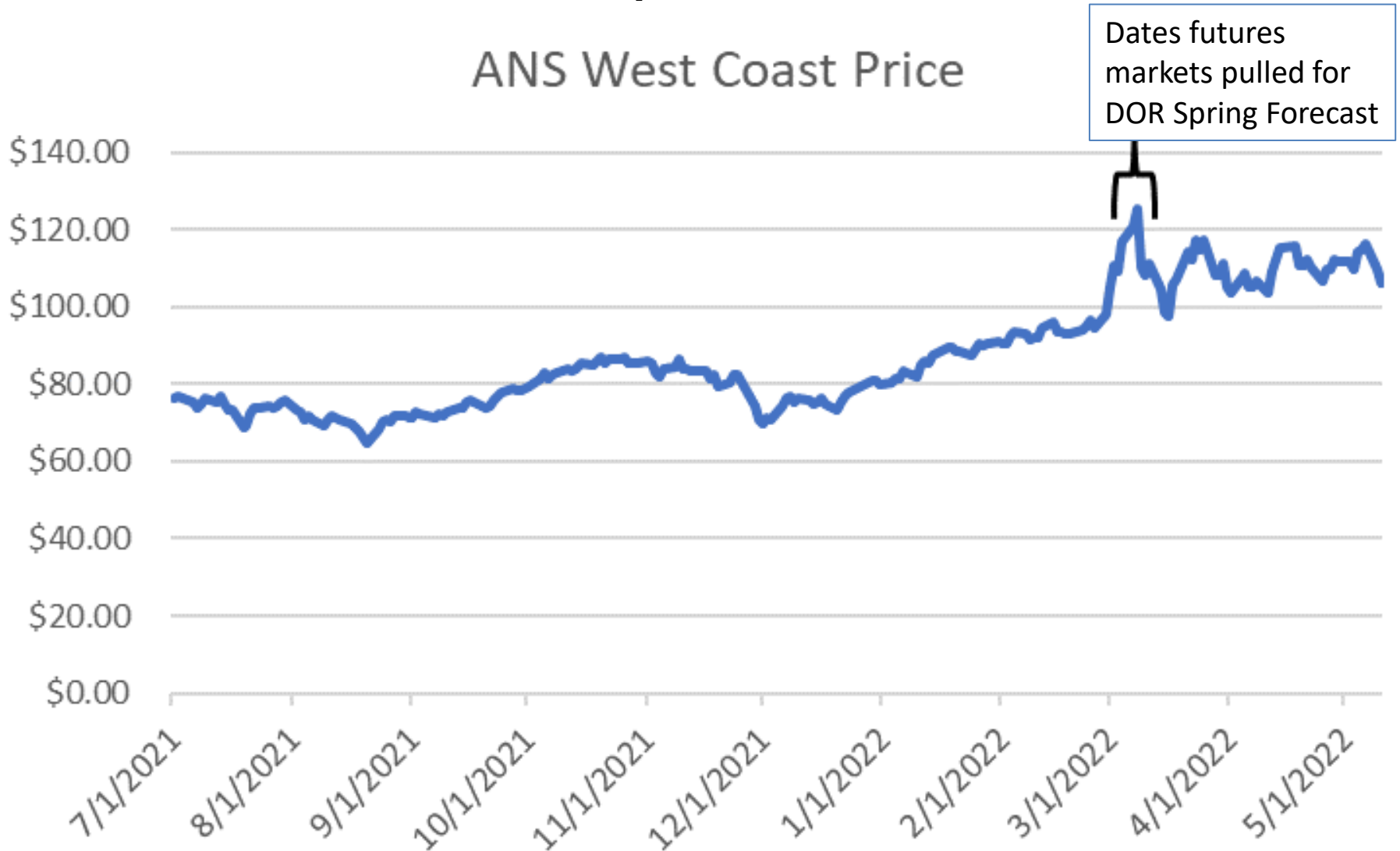
# Outline

- Volatility and Spring Revenue Forecast
- Updated Fiscal Summary with Senate budget
- Summary of Changes from Senate Finance and House Budgets to Senate Budget
- Big Picture: How the Senate Budget Handles the Oil Price Spike
- Projecting FY24 and Beyond
- New Revenue Options

# Oil Price Forecast Update

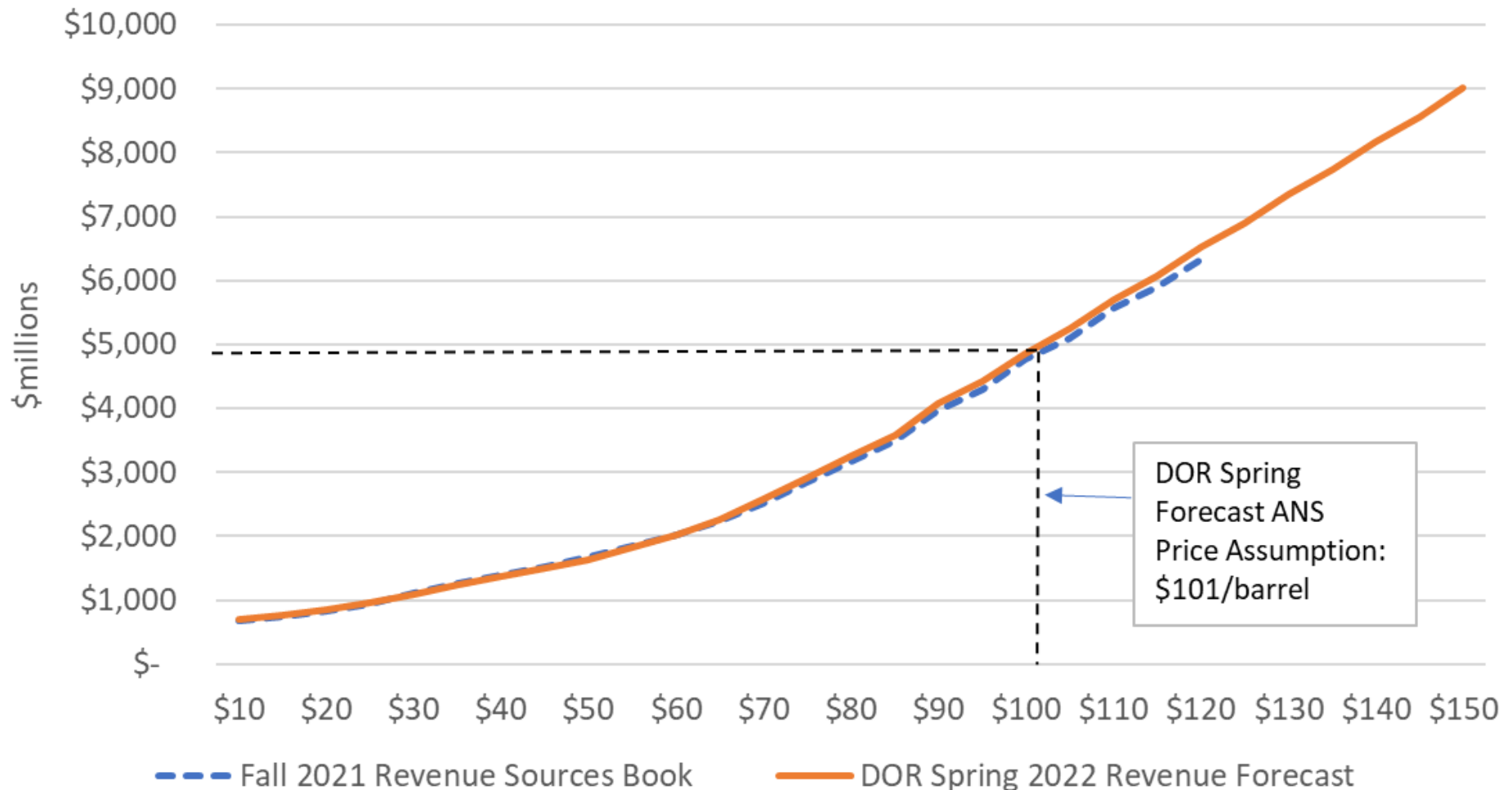


# Oil Prices, FY22 to Date



# FY23 Oil Price Sensitivity Chart

FY23 UGF Revenue by ANS Price (Excluding POMV)



# New Revenues

Estimated 1st Year Revenues (\$millions)	
1% Sales Tax: exempts b2b, groceries, fuel, utilities	175
1% Sales Tax: minimal exemptions	275
Income Tax: 1% of AGI	300
Income Tax: 1% of Fed Tax Liability	40
Reduce non-GVR per-barrel credit by \$3, \$40 oil	0
Reduce non-GVR per-barrel credit by \$3, \$60 oil	293
Reduce non-GVR per-barrel credit by \$3, >\$70 oil	435

Income and sales taxes would take approximately one year to implement. Oil production tax changes could be implemented more quickly.

*Income tax estimates based on LFD modeling. Other estimates based on DOR's 4/11/22 Fiscal Plan Model.*

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

(\$ Millions) (Non-duplicated Funds)		FY22 Budget	FY23 Senate	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>6,410.8</b>	<b>9,458.5</b>	<b>3,047.7</b>	<b>48%</b>
7	<b>Operating Budget</b>	<b>4,912.7</b>	<b>5,862.9</b>	<b>950.2</b>	<b>19.3%</b>
8	Agency Operations	3,919.5	4,185.1	265.6	6.8%
9	Placeholder for K-12 Disparity Test	72.4	74.6	2.2	3.0%
10	Statewide Items	414.0	763.1	349.0	84.3%
11	Energy Relief	-	840.1	840.1	
12	Operating Supplementals	506.8	-	(506.8)	
13	<b>Capital Budget</b>	<b>560.1</b>	<b>830.9</b>	<b>270.8</b>	<b>48.3%</b>
14	Current Year Appropriations	242.9	830.9	588.0	242.1%
15	Capital Supplementals	317.2		(317.2)	
16	<b>Permanent Fund</b>	<b>938.0</b>	<b>2,764.8</b>	<b>1,826.8</b>	<b>194.7%</b>
17	Permanent Fund Dividends	739.0	2,764.8	2,025.8	274.1%
18	Royalty Deposit to Corpus	199.0	-		
19	<b>Pre-Transfer Surplus/(Deficit)</b>	<b>553.9</b>	<b>(1,127.5)</b>	<b>Reserve Balances (EOY)</b>	
20	Statutory Budget Reserve	(410.7)	(350.3)		
21	American Rescue Plan Act (ARPA)	(550.0)	(186.6)	<b>SBR</b>	<b>FY22</b>
22	Over \$100 Oil Deposit to PF	-	106.0	<b>CBR</b>	<b>FY23</b>
23	Forward-Fund K12	-	-	<b>ERA*</b>	
24	Other Fund Transfers	14.6	0.3		
25	Supplemental Statutory Budget Reserve Deposit	660.0	-		
26	<b>Post-Transfer Surplus/(Deficit)</b>	<b>839.9</b>	<b>(696.9)</b>		

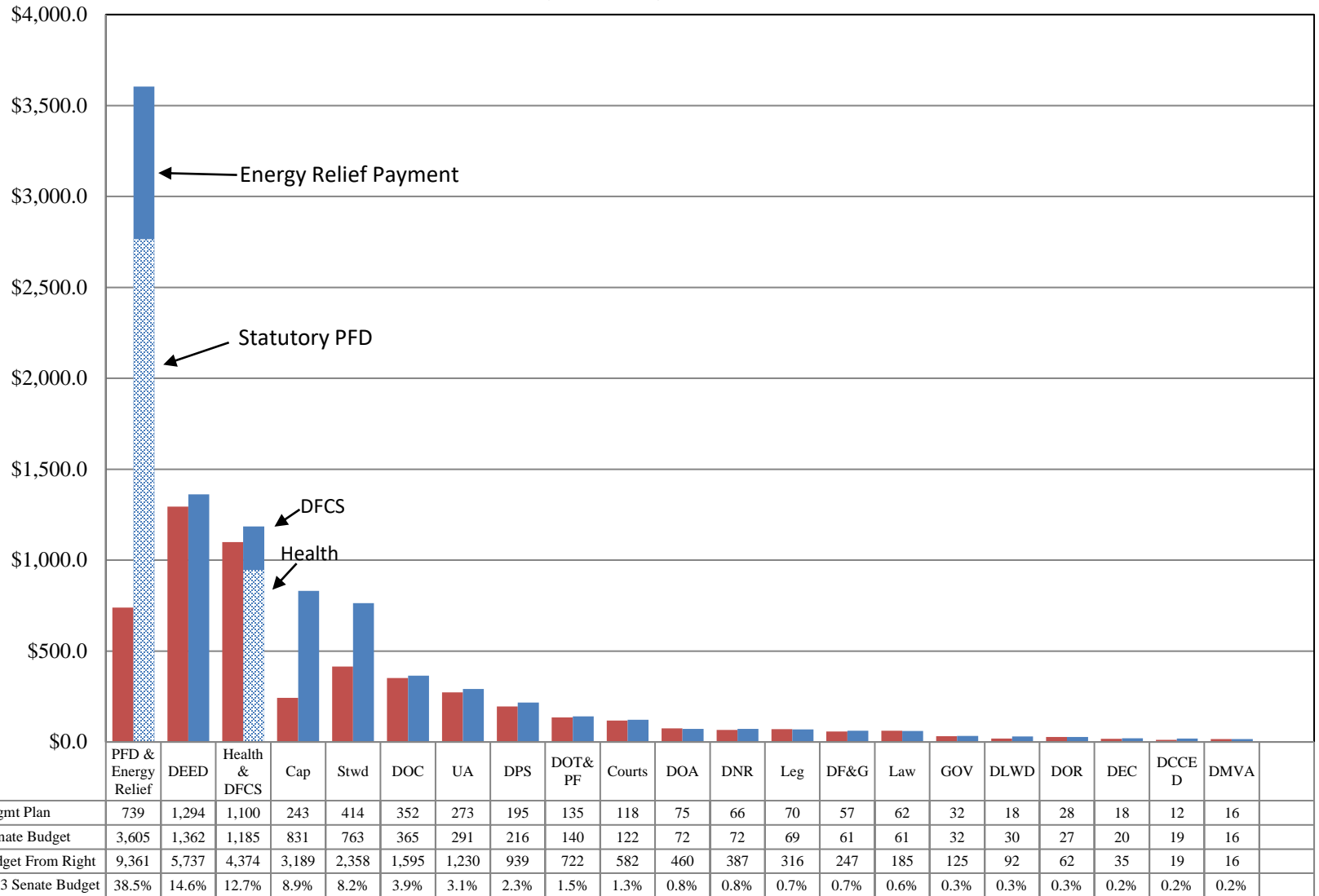
SBR falls to \$0 at about \$93 oil

CBR (if accessed) falls to zero at about \$75 oil

# Swoop Graph - UGF Only

## FY23 Senate Compared to FY22 Management Plan

(Millions)





# Flow of Savings in Senate Budget

- In FY22, an estimated \$1.5 billion is deposited into the SBR (\$660 million direct, \$840 million from projected surplus).
- In FY23, an estimated \$1.05 billion is withdrawn from the SBR (\$350 million direct, \$700 million from projected deficit).
- Across the two years, this means about \$450 million is estimated to be deposited into the SBR.
- If oil prices exceed the Spring forecast, the additional amounts flow into the Permanent Fund, not the SBR.
- If prices are below the Spring forecast, the SBR could fill the FY23 deficit down to about \$93 oil. Below that, an additional deficit-filling account would be needed. The CBR, if accessed, would drop to zero at about \$75 oil.

# Changes from Senate Finance Budget to Senate Budget

- PFD increased from 50% of POMV draw (\$1,680.3 million, about \$2,350 per recipient) to an amount equal to estimated statutory PFD (\$2.764.8 million, about \$4,200 per recipient)
- Added \$840.1 million for a \$1,300 energy relief payment
- Added \$416.0 million to the capital budget:
  - 175.3 million for Nome port
  - \$175.0 million (in addition to \$25.0 million in SFIN budget) for Port of Alaska
  - \$30.0 million for Mat-Su Borough Transportation Infrastructure
  - \$24.3 million for smaller capital projects
- In total, **\$2,342.3 million UGF** was added on the Senate floor.
- This results in reduced savings: the Senate Finance budget forward-funded K-12 (\$1,215.1 million) and deposited \$1,579.9 million into the SBR. After the amendments, there is no forward funding and a \$452.7 million SBR deposit.

# Major Differences between House and Senate Operating Budgets

- House budget replenishes Alaska Higher Education Fund in FY22 and utilizes it to pay scholarships in FY23.
- Senate budget includes significant structure changes in Departments of Revenue and Fish and Game and the Office of the Governor.
- House funds \$29.8 million of University of Alaska projects utilizing CLSFRF, Senate does not.
- Senate has an additional \$5.5 million for UA fixed costs above the House and utilizes a two-appropriation structure, while the House has a one-appropriation structure.
- House includes a structure change intended to prevent Medicaid spending on abortion, Senate did not.
- House included \$4.9 million for 404 Primacy in DEC (plus \$750.0 supplemental), Senate did not.

# How the Senate Budget Spends the Revenue Spike – Comparison to December 2021

Item	Amount	Notes
FY22/23 Surplus, December Gov Budget with Fall Forecast	170.9	
Additional ARPA CSLFRF Available	111.2	Gov spent directly, Senate uses as revenue replacement
Added Spring Forecast Revenue, FY22/23	3,613.9	
<b>Surplus Available</b>	<b>3,896.0</b>	
Higher PFD and Energy Relief	1,129.0	Gov proposed 50/50 plus \$795.6m supp, Senate passed statutory plus \$840.1 million energy relief
Increased Capital Budget	900.3	
FY22 Operating Supplemental Increases	464.2	
FY23 Agency Operations Increases	251.5	
FY23 Statewide Items Increases	245.5	
<b>Total Spending Increases</b>	<b>2,990.5</b>	
Deposits to Permanent Fund	305.0	
Net Deposit to SBR	452.7	
<b>Total Savings</b>	<b>757.7</b>	Note: totals do not add up due to placeholder for K-12 disparity test

# Major Increases in FY23 Governor's Budget from FY22

- \$45.0 million for Medicaid
- \$33.6 million UGF increases to offset DGF lost in CBR sweep
- \$27.0 million UGF for union contracts, health insurance, and other contractual items
- \$17.4 million combined increases in Department of Public Safety (adding troopers, VPSOs, and support positions)
- \$12.9 million combined increases in Department of Corrections (booking and MH unit at Hiland Mountain, adding non-CO support positions)
- \$5.7 million for DEC to take primacy of federal permitting programs
- \$4.0 million for Department of Law for statehood defense
- \$3.8 million for fire suppression preparedness

# Major Increases in Senate Agency Operations from Governor Proposal

- \$60.0 million K-12 Outside BSA Formula
- \$59.4 million for AMHS (Governor eliminated UGF)
- \$27.0 million for fuel trigger to offset high oil prices
- \$16.1 million DOH to Increase Personal Care Attendant Wages
- \$14.1 million for University of Alaska
- \$5.0 million for ASMI
- \$4.3 million for Food Bank pilot program
- \$4.3 million for 50% increase to K-12 residential schools

# Major Increases in Senate Statewide Items from Governor Proposal

- \$89.3 million for PERS/TRS pension fund (amount that would have gone to healthcare fund but for ARM Board decision to leave it unfunded)
- \$199.0 million to PF corpus in FY22 to satisfy audit finding relating to FY17-18 royalties
- \$220.8 million in FY22 to pay past unfunded School Bond Debt Reimbursement from FY17-21
- \$84.0 million in FY22 to repay past unfunded REAA deposits from FY17-21
- \$60.0 million in FY22 to pay oil tax credits at statutory amount
- \$38.9 million in FY22 to bring Community Assistance distributions to \$30 million in FY22 and FY23

# How the Senate Budget Spends the Revenue Spike – Comparison to September 2021

Item	Amount	Notes
FY22 Post-Transfer Surplus with Enacted FY22 Budget	74.2	
FY22 Revenue Increase in Spring 2022 Forecast Compared to Spring 2021 Forecast	2,233.1	
FY23 Revenue Increase in Spring 2022 Forecast Compared to FY22 Revenue in Spring 2021 Forecast	3,599.4	
CSLFRF Remaining	486.6	
Less FY22 Savings Draws/One Time Sources	(660.7)	\$410.7 SBR, \$250.0 CSLFRF
<b>Total Additional Revenue, FY22/23</b>	<b>5,732.6</b>	
Higher PFD and Energy Relief	2,865.9	Versus \$739.0 million in FY22
Increased Capital Budget	905.1	Versus FY22 level
FY22 Operating Supplementals	506.8	
FY23 Agency Operations Increases	265.6	Versus FY22 level
FY23 Statewide Items Increases	349.0	
<b>Total Additional Spending, FY22/23</b>	<b>4,892.5</b>	
Deposits to Permanent Fund	305.0	
Net Deposit to SBR	452.7	
<b>Total Savings</b>	<b>757.7</b>	Note: totals do not add up due to placeholder for K-12 disparity test and other adjustments



# Projecting FY24 with a 50/50 PFD

(\$ Millions) (Non-duplicated Funds)	FY23 Senate	FY24 Projection
	UGF	UGF
<b>Revenue</b>	<b>8,331.0</b>	<b>7,665.7</b>
Spring Forecast (\$101 in FY23, \$90 in FY24)	4,970.4	4,064.7
POMV Draw	3,360.6	3,601.0
Misc/Adjust/Non-UGF Revenue	-	-
<b>Appropriations</b>	<b>9,458.5</b>	<b>6,823.4</b>
<b>Operating Budget</b>	<b>5,862.9</b>	<b>4,770.7</b>
Agency Operations (FY23 minus OTI plus inflation)	4,185.1	4,171.6
Placeholder for K-12 Disparity Test	74.6	74.6
Statewide Items	763.1	524.5
Energy Relief	840.1	-
<b>Capital Budget</b>	<b>830.9</b>	<b>252.2</b>
Current Year Appropriations (match plus \$100m)	830.9	252.2
<b>Permanent Fund</b>	<b>2,764.8</b>	<b>1,800.5</b>
Permanent Fund Dividends (50/50)	2,764.8	1,800.5
<b>Pre-Transfer Surplus/(Deficit)</b>	<b>(1,127.5)</b>	<b>842.3</b>
Statutory Budget Reserve	(350.3)	-
American Rescue Plan Act (ARPA)	(186.6)	-
Over \$100 Oil Deposit to PF	106.0	-
Forward-Fund K12*	-	-
Other Fund Transfers	0.3	0.3
Supplemental Statutory Budget Reserve Deposit	-	-
<b>Post-Transfer Surplus/(Deficit)</b>	<b>(696.9)</b>	<b>842.0</b>

Change in UGF	
<b>(665.3)</b>	<b>-8%</b>
(905.7)	-18%
240.4	7%
-	

<b>(2,635.2)</b>	<b>-28%</b>
<b>(1,092.2)</b>	<b>-18.6%</b>
(13.5)	-0.3%
-	0.0%
(238.6)	-31.3%
(840.1)	-100.0%

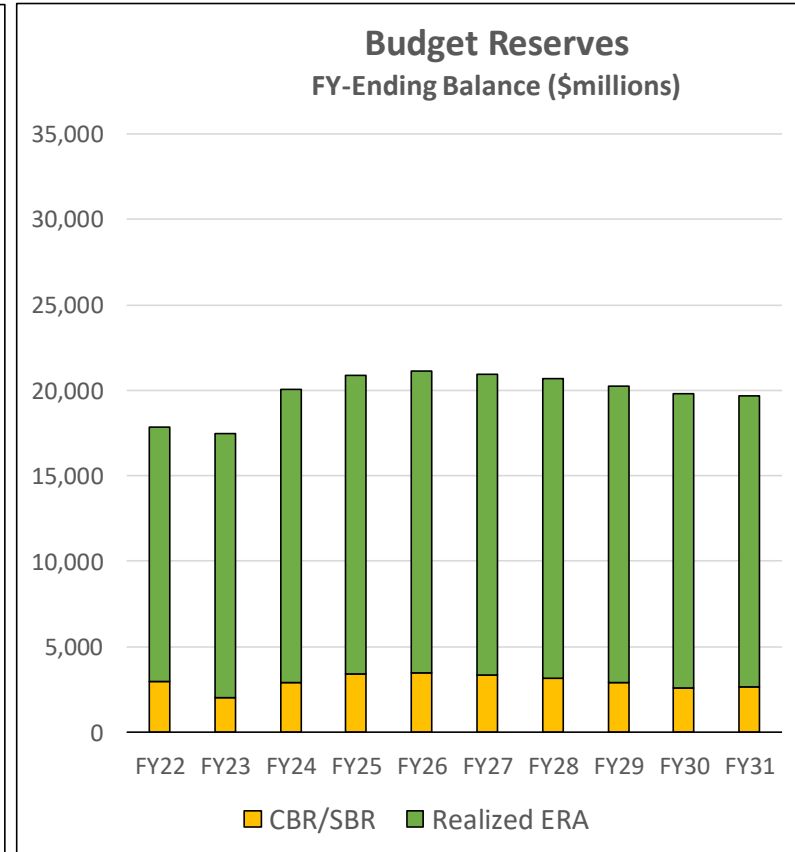
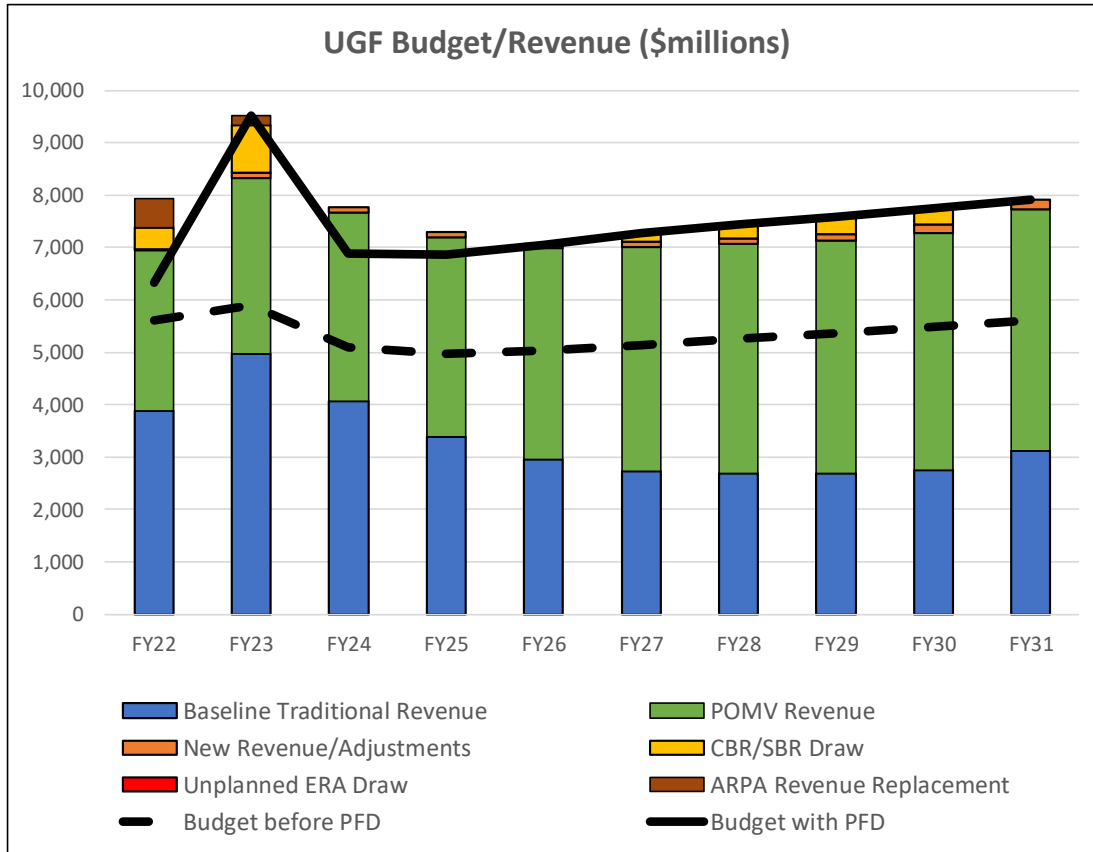
<b>(578.6)</b>	<b>-69.6%</b>
(578.6)	-69.6%

<b>(964.3)</b>	<b>-34.9%</b>
(964.3)	-34.9%

Reserve Balances (EOY)		
	FY22	FY23
<b>SBR</b>	522.8	1,364.8
<b>CBR</b>	1,304.7	1,304.7
<b>ERA*</b>	15,613.8	16,194.0

# Fiscal Model: Senate Budget with 50% of POMV to PFD FY24+

Surplus/(Deficit) (\$millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	627	(1,075)	872	423	40	(168)	(262)	(333)	(316)	14



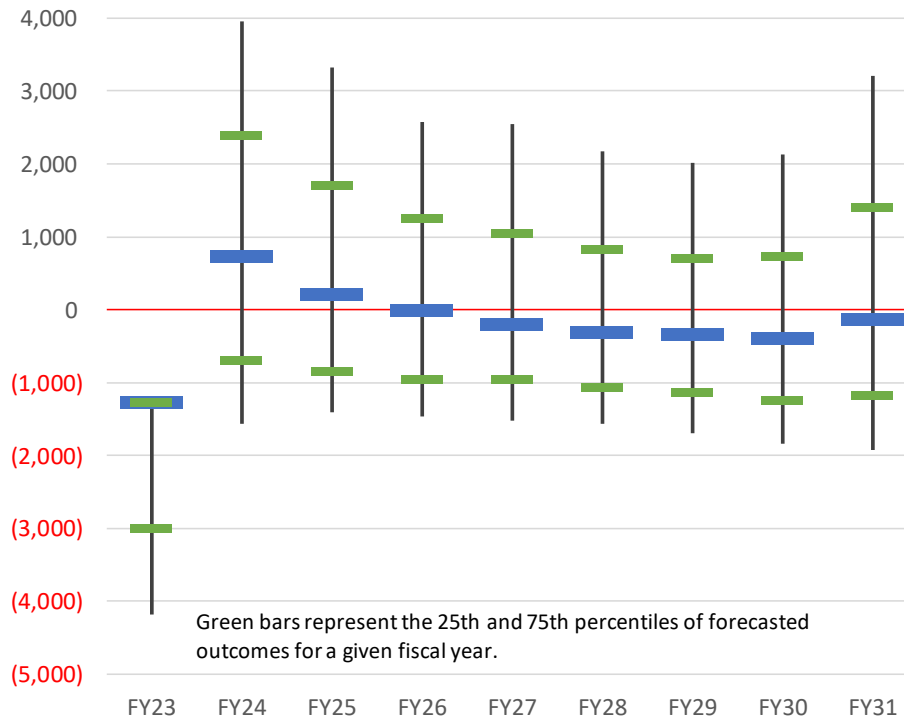
Effective POMV Draw Rate	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

# Senate Budget with 50/50 PFD FY24+

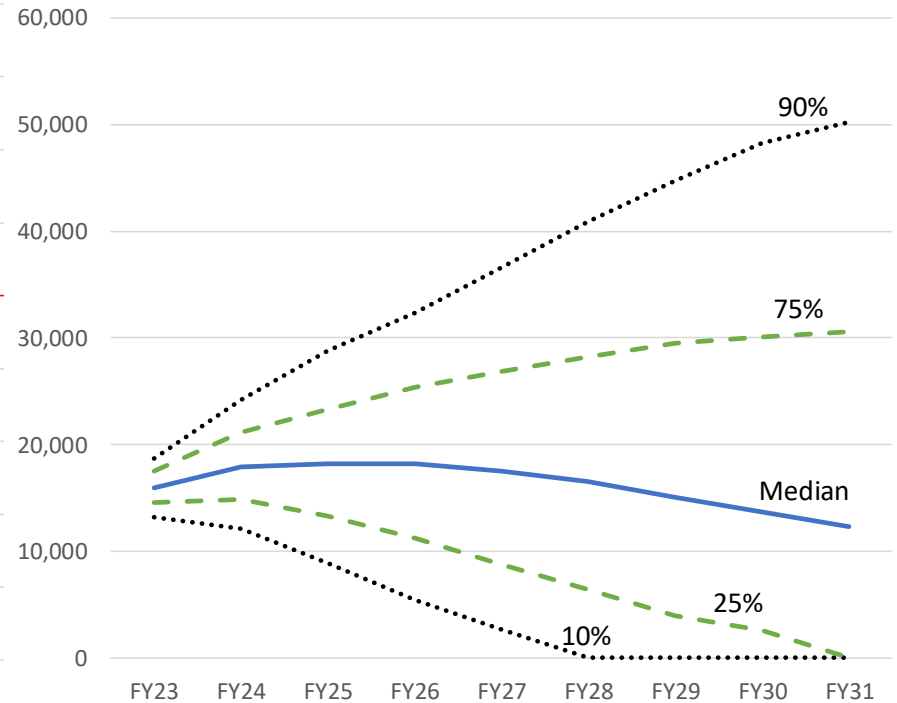
## Revenue Stress Test

Median	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
Surplus/(Deficit)	(1,284)	733	199	(17)	(203)	(310)	(346)	(400)	(121)

Surplus/(Deficit) by Fiscal Year (\$millions)



Range of FY-End Realized ERA Balances (\$millions)



CBR/SBR Balance Probabilities	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
CBR/SBR below \$2.5 billion	100%	56%	45%	40%	38%	38%	41%	42%	40%
CBR/SBR at/below \$500 million	30%	24%	18%	17%	17%	18%	19%	23%	24%

# Projecting FY24 with a 75/25 PFD

(\$ Millions) (Non-duplicated Funds)	FY23 Senate	FY24 Projection
	UGF	UGF
<b>Revenue</b>	<b>8,331.0</b>	<b>7,665.7</b>
Spring Forecast (\$101 in FY23, \$90 in FY24)	4,970.4	4,064.7
POMV Draw	3,360.6	3,601.0
Misc/Adjust/Non-UGF Revenue	-	-
<b>Appropriations</b>	<b>9,458.5</b>	<b>5,923.1</b>
<b>Operating Budget</b>	<b>5,862.9</b>	<b>4,770.7</b>
Agency Operations (FY23 minus OTI plus inflation)	4,185.1	4,171.6
Placeholder for K-12 Disparity Test	74.6	74.6
Statewide Items	763.1	524.5
Energy Relief	840.1	-
<b>Capital Budget</b>	<b>830.9</b>	<b>252.2</b>
Current Year Appropriations (match plus \$100m)	830.9	252.2
<b>Permanent Fund</b>	<b>2,764.8</b>	<b>900.3</b>
Permanent Fund Dividends (75/25)	2,764.8	900.3
<b>Pre-Transfer Surplus/(Deficit)</b>	<b>(1,127.5)</b>	<b>1,742.6</b>
Statutory Budget Reserve	(350.3)	-
American Rescue Plan Act (ARPA)	(186.6)	-
Over \$100 Oil Deposit to PF	106.0	-
Forward-Fund K12*	-	-
Other Fund Transfers	0.3	0.3
Supplemental Statutory Budget Reserve Deposit	-	-
<b>Post-Transfer Surplus/(Deficit)</b>	<b>(696.9)</b>	<b>1,742.3</b>

Change in UGF	
<b>(665.3)</b>	<b>-8%</b>
(905.7)	-18%
240.4	7%
-	

<b>(3,535.4)</b>	<b>-37%</b>
<b>(1,092.2)</b>	<b>-18.6%</b>
(13.5)	-0.3%
-	0.0%
(238.6)	-31.3%
(840.1)	-100.0%

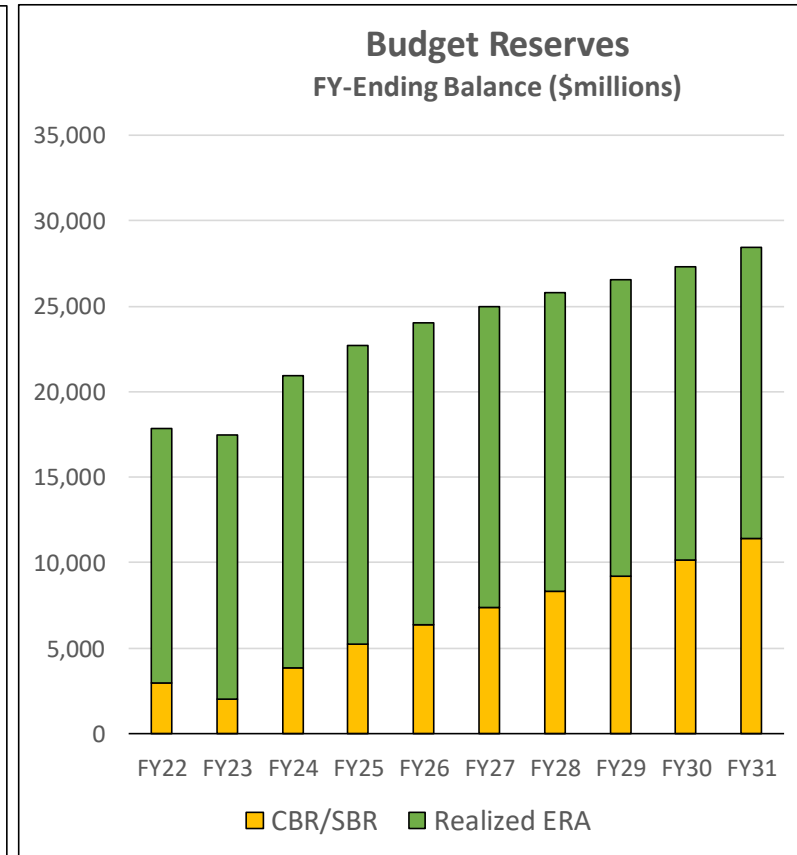
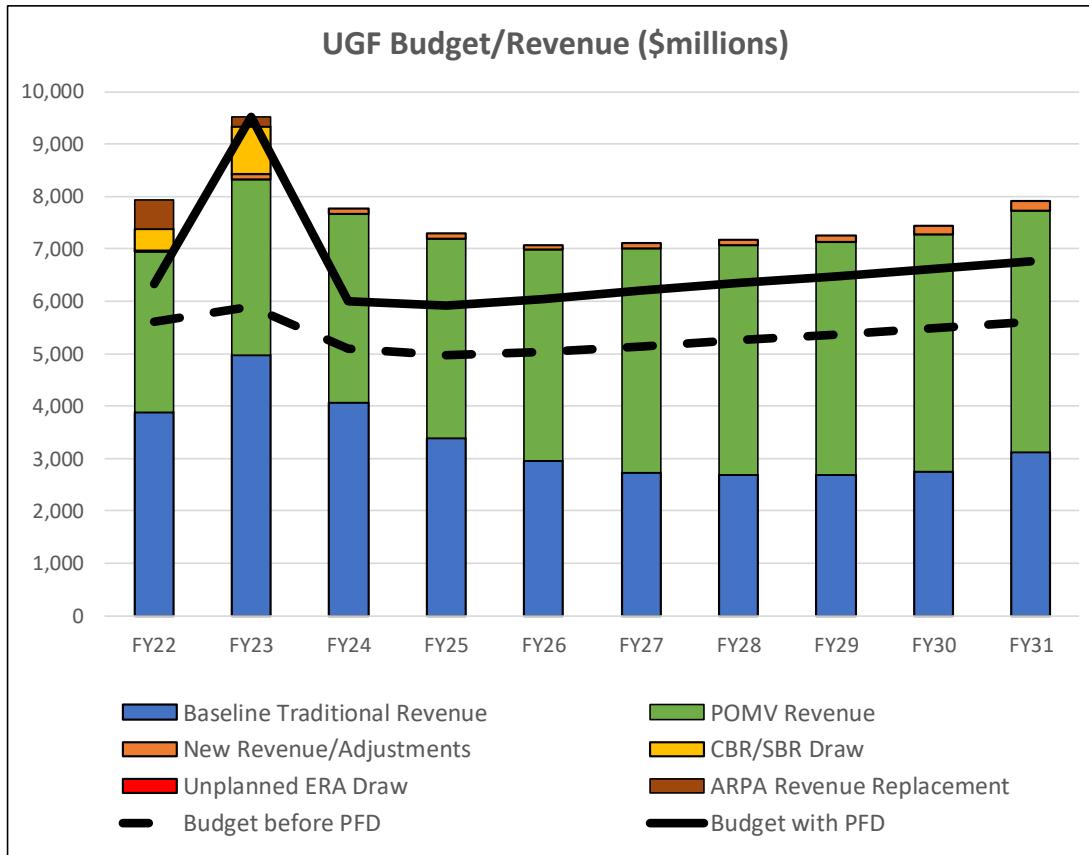
<b>(578.6)</b>	<b>-69.6%</b>
(578.6)	-69.6%

<b>(1,864.6)</b>	<b>-67.4%</b>
(1,864.6)	-67.4%

Reserve Balances (EOY)		
	FY22	FY23
<b>SBR</b>	522.8	2,265.1
<b>CBR</b>	1,304.7	1,304.7
<b>ERA*</b>	15,613.8	16,194.0

# Fiscal Model: Senate Budget with 25% of POMV to PFD FY24+

Surplus/(Deficit) (\$millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	627	(1,075)	1,773	1,377	1,047	900	830	780	817	1,166



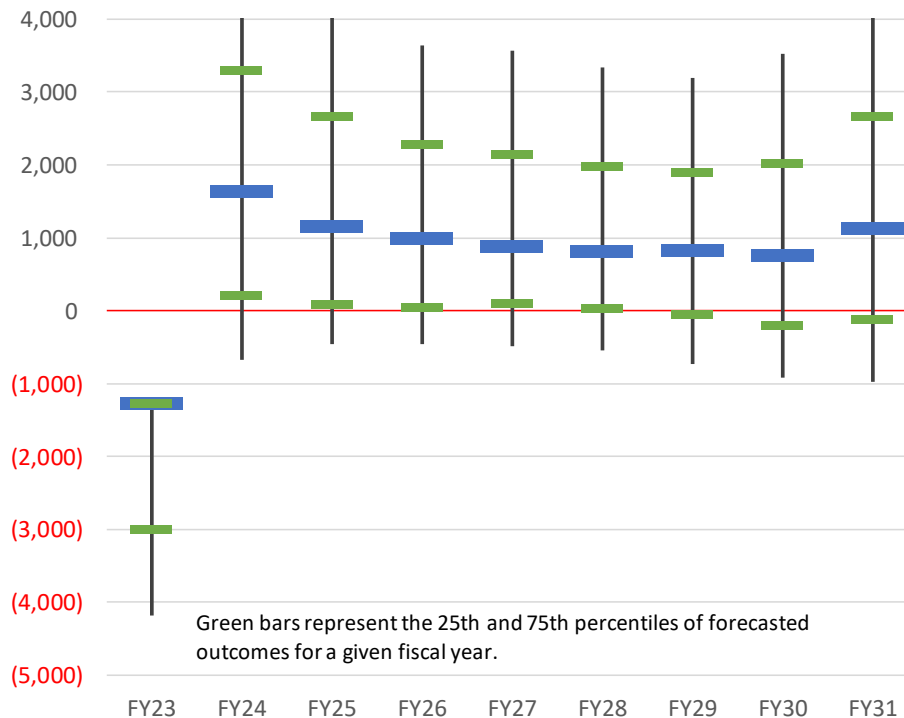
Effective POMV Draw Rate	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

# Senate Budget with 25/75 PFD FY24+

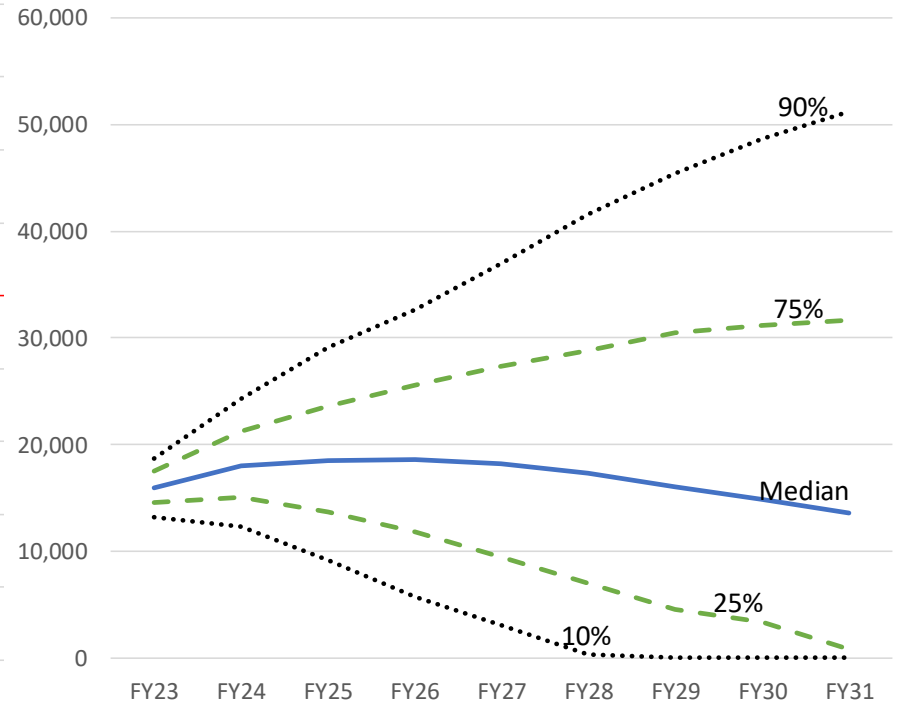
## Revenue Stress Test

Median	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
Surplus/(Deficit)	(1,284)	1,634	1,148	989	885	812	817	758	1,118

Surplus/(Deficit) by Fiscal Year (\$millions)



Range of FY-End Realized ERA Balances (\$millions)



CBR/SBR Balance Probabilities	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
CBR/SBR below \$2.5 billion	100%	41%	22%	13%	8%	6%	5%	5%	5%
CBR/SBR at/below \$500 million	30%	10%	4%	2%	1%	1%	1%	2%	2%

# Questions?

## Contact Information

Alexei Painter

Legislative Fiscal Analyst

(907) 465-5413

Alexei.Painter@akleg.gov

Subscribe to email notifications from LFD:

<https://www.legfin.akleg.gov/EmailNotifications/subscribe.php>