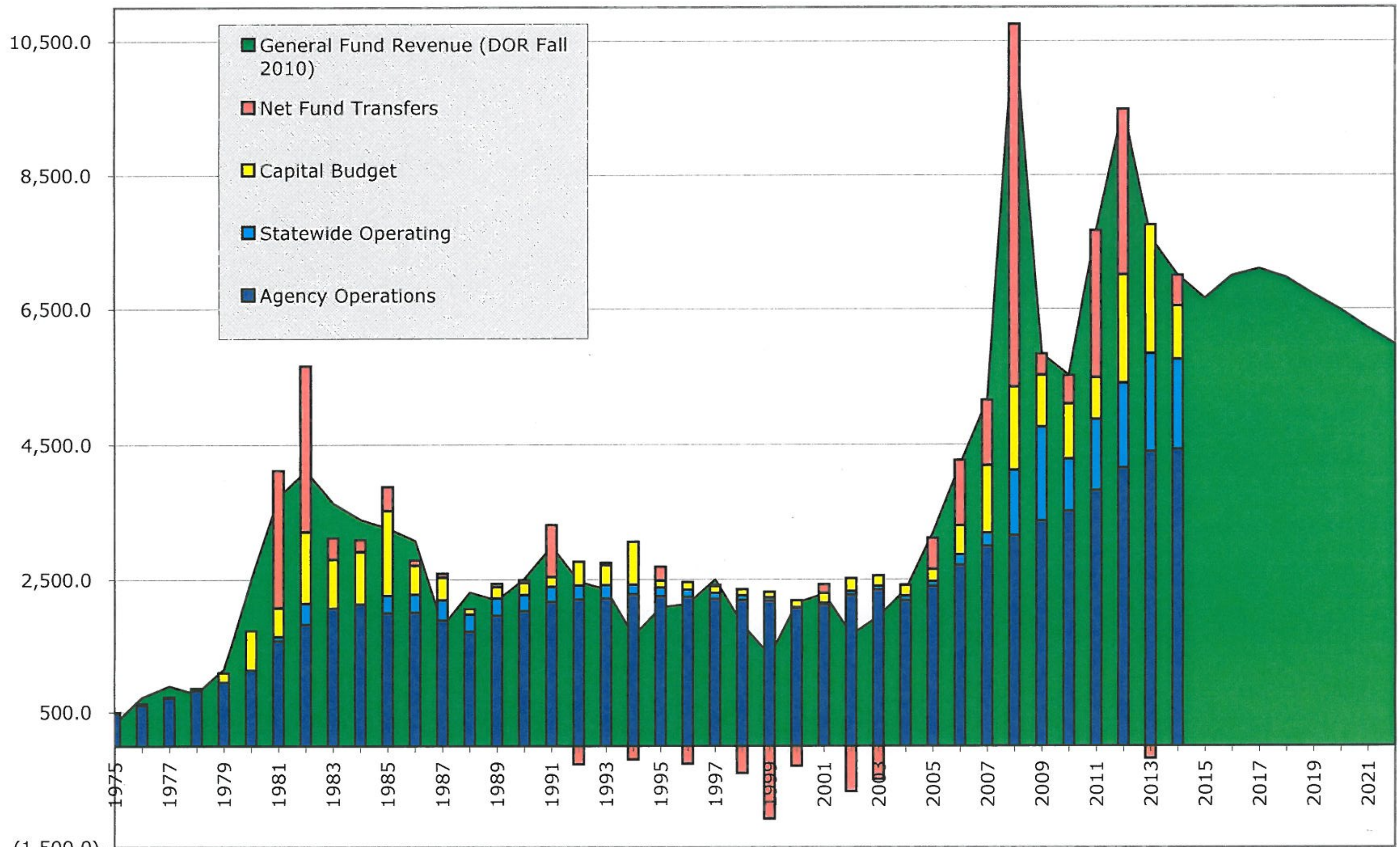
A Summary of Alaska's Fiscal Outlook

Prepared for the
Senate Finance Subcommittee on the Department of Education and Early Development
by the
Division of Legislative Finance

- The days of massive budget surpluses are probably gone.
- Revenue is projected to decline in the future.
- Continuation of growth in agency operating budgets is unsustainable.
    - Deficits will begin in FY15 and continue into the foreseeable future, even holding capital and statewide expenditures at current levels.
    - Deficits are projected to exceed $4 billion annually by FY22, wiping out our reserve balances of about $16 billion by about that time.
- The picture looks different at a 1% growth rate in agency operating budgets, but deficits are likely at any positive rate of growth.
- In anticipation of a changing fiscal environment, Legislative Finance has prepared graphs showing agency spending history. Subcommittees may wish to use the graphs as tools to
    - identify where growth has occurred,
    - frame questions that will prompt the agency to explain what the money was used for, what results were achieved, and whether the current level of spending on various programs is the best use of state resources,
    - enhance the incremental budget process with an opportunity to examine the base budget.

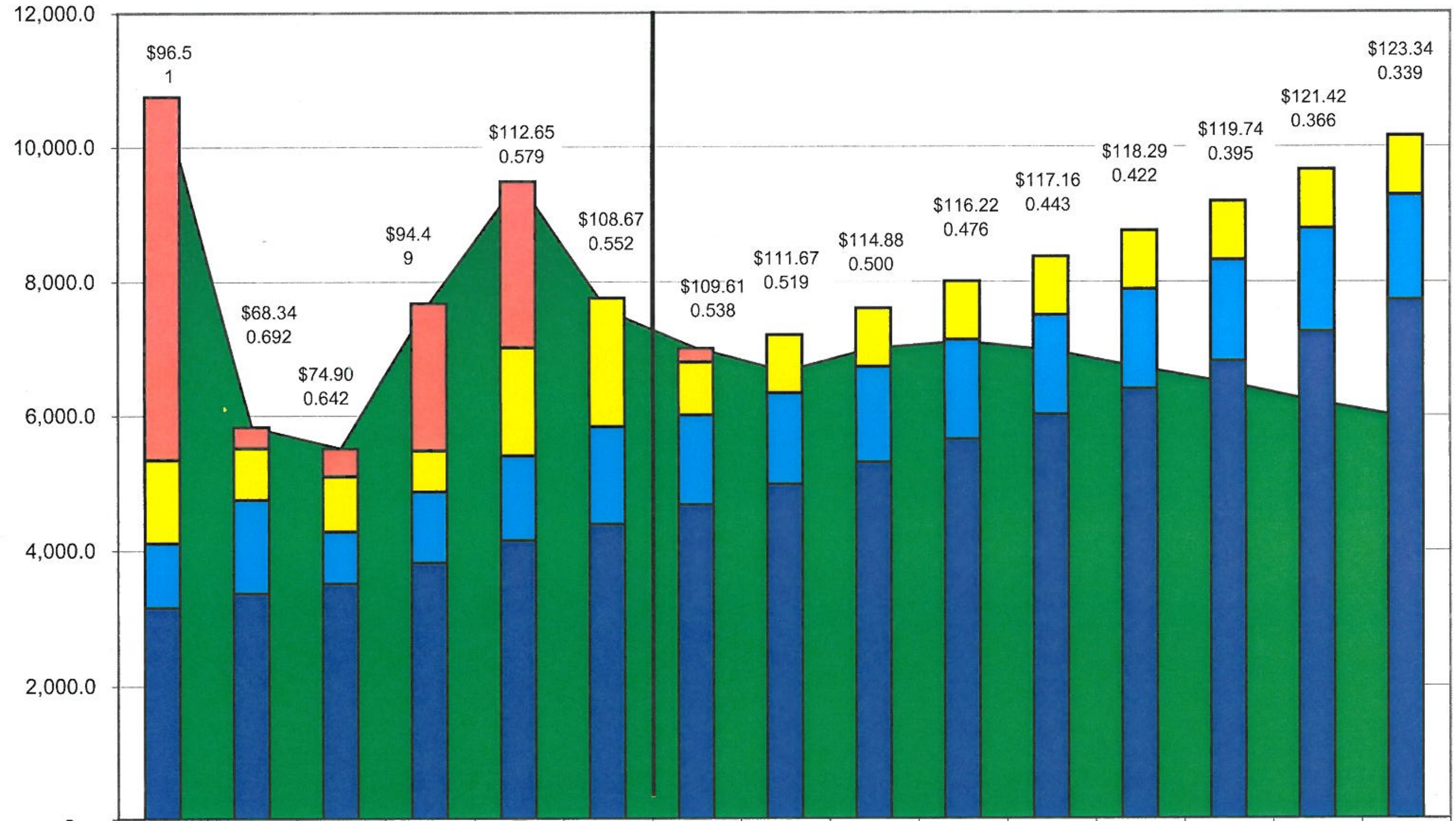
Unrestricted General Fund Revenue/ Budget History

(millions)



continuation of 6.5% growth in agency operating budgets

Figure 1. Unrestricted General Fund Revenue/ Budget History
($ millions, except for oil prices)



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
UGF Revenue (DOR Fall 2012)	10,749.	5,831.2	5,513.3	7,672.9	9,485.2	7,566.7	7,001.9	6,659.5	6,999.5	7,105.5	6,970.1	6,719.2	6,486.6	6,208.6	5,969.5
Net Fund Transfers	5,408.1	315.3	417.7	2,193.2	2,472.5	(188.4)	207.8	(543.2)	(600.6)	(897.3)	(1,398.4	(2,038.3	(2,706.8	(3,449.5	(4,186.0
Capital Budget	1,229.8	764.9	818.0	614.6	1,616.8	1,926.7	795.2	875.0	875.0	875.0	875.0	875.0	875.0	875.0	875.0
Statewide Operating	961.6	1,389.3	771.0	1,052.1	1,249.6	1,440.9	1,326.8	1,352.5	1,427.2	1,486.2	1,485.9	1,485.2	1,506.1	1,528.9	1,555.8
Agency Operations	3,149.6	3,361.7	3,506.6	3,813.1	4,146.3	4,387.5	4,672.1	4,975.2	5,297.9	5,641.6	6,007.6	6,397.3	6,812.3	7,254.2	7,724.7

1% growth in agency operating budgets

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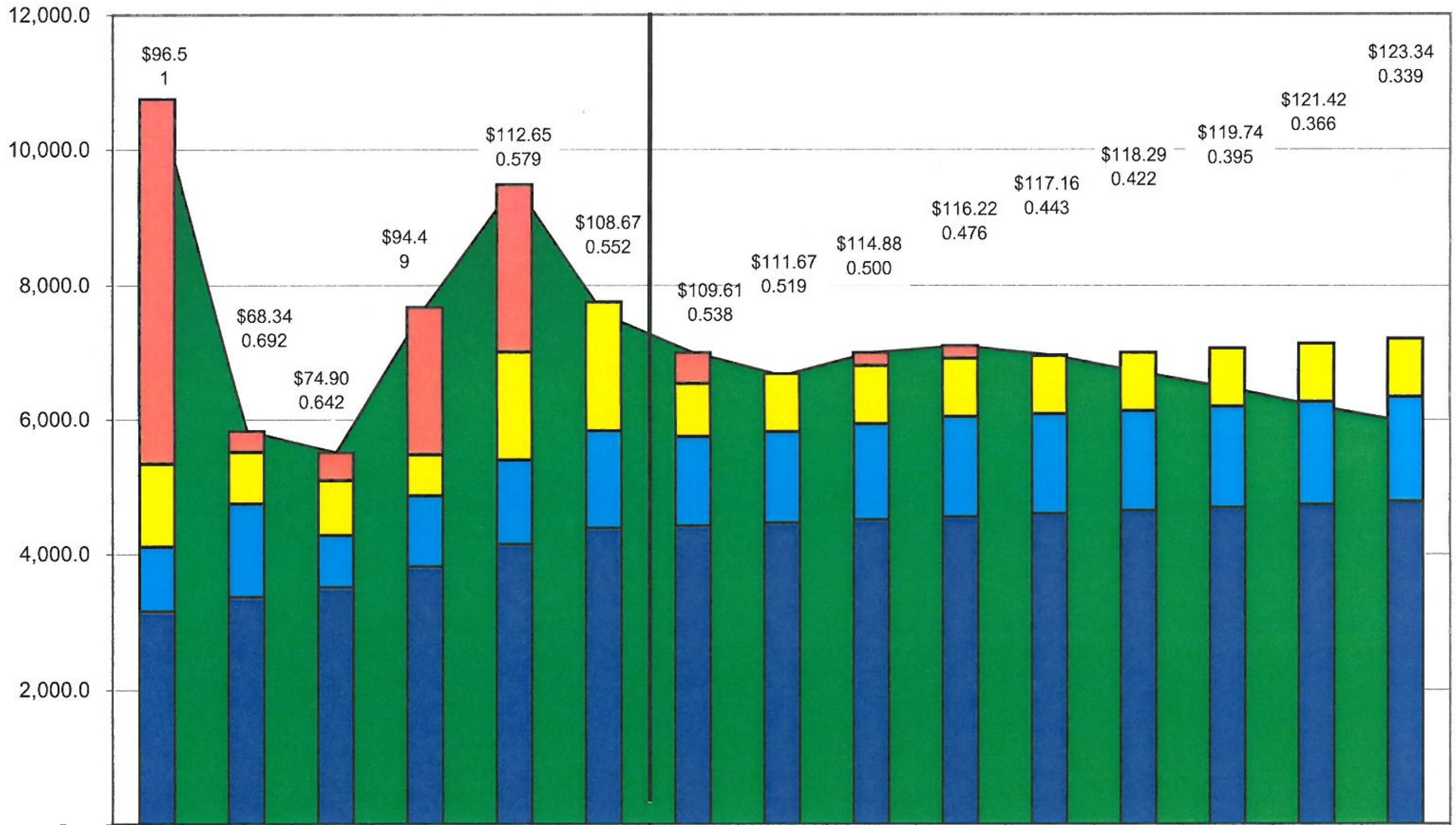

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Net Fund Transfers	5,408.1	315.3	417.7	2,193.2	2,472.5	(188.4)	459.9	(32.2)	188.5	190.4	9.7	(286.5)	(586.4)	(934.1)	(1,247.5
Capital Budget	1,229.8	764.9	818.0	614.6	1,616.8	1,926.7	795.2	875.0	875.0	875.0	875.0	875.0	875.0	875.0	875.0
Statewide Operating	961.6	1,389.3	771.0	1,052.1	1,249.6	1,440.9	1,326.8	1,352.5	1,427.2	1,486.2	1,485.9	1,485.2	1,506.1	1,528.9	1,555.8
Agency Operations	3,149.6	3,361.7	3,506.6	3,813.1	4,146.3	4,387.5	4,420.0	4,464.2	4,508.8	4,553.9	4,599.5	4,645.5	4,691.9	4,738.8	4,786.2