

FY21/22 FISCAL UPDATE

HOUSE FINANCE COMMITTEE



ALEXEI PAINTER, DIRECTOR

LEGISLATIVE FINANCE DIVISION

ALASKA STATE LEGISLATURE

OCTOBER 2, 2020

FY 20 Update

- Actual expenditures and revenue will not be finalized until the release of the Comprehensive Annual Financial Report (CAFR) later this fiscal year
- Can't rely on cash balance of CBR because of two factors:
 - Direct appropriations may be drawn over time, which is reflected in the CAFR but not cash balances
 - CBR balance also includes some money in the general fund, which can fluctuate by hundreds of millions from year to year
- However, the true balance is likely to be higher than the \$586.9 million in the fiscal summary due to lapse and higher-than-expected deposits in FY20

FY21 Incomplete Capital Budget

- Most of the FY21 capital budget was contained in HB 205, the operating budget. RPLs approved in August added several missing projects that did not require match
- A significant portion of the typical capital budget has not yet been appropriated: about \$150 million of projects from the Governor's capital budget have not yet been funded, of which about \$33 million were funded with UGF
- Remaining items include deferred maintenance, Alaska Energy Authority projects, Fish and Game items such as Pittman-Robertson projects, Municipal Harbor Facility Matching Grant projects, and UAF's USArray earthquake monitoring network
- An early appropriation of the remainder is desirable to maximize the 2021 construction season

FY21 Emerging Budget Issues

- Some agencies have lost significant revenue due to COVID-19 and may need supplemental appropriations
 - Alaska Marine Highway revenue is down by \$45 million in FY20 and 21, causing schedule reductions and a shortfall for vessel overhauls
 - Other fee-reliant agencies such as Fish and Game may have shortfalls as well
- School District enrollment is down due to lack of in-person classes
 - October student count will make the scope of the issue clearer
 - Districts receive payments based on previous year's student count through April, so there is no immediate revenue loss. Final payments are used to true-up to this year's student count
 - Districts that experience 5% enrollment loss trigger hold harmless provision and retain 75% of the difference between previous year's funding and this year's funding

FY21 Emerging Budget Issues (cont.)

- Significant portion of CARES Act funding still unspent
 - Many local governments have been slow to spend
 - State small business grant program has seen increased activity
 - What will happen if there's remaining money at the end of the year?
- Election Fund appropriation needed early in the calendar year
- Mild fire season – lapsed funds in FY20, about \$11 million left for second half of FY21 fire season
- No “headroom” in CBR vote for supplementals

FY22 Budget Outlook

- Two baselines to consider: current law and current policy
- Current law assumes statutory PFD, full funding of school debt, REAA, Community Assistance
 - Statutory PFD is projected to be about \$2 billion, paying about \$3,100 per recipient
 - Statewide items that were unfunded in FY21 are estimated to be about \$174 million UGF in FY22
- Current policy assumes roughly \$1,000 PFD, no funding for school debt/REAA/Community Assistance
- Both assume agency operations are flat and use the 10/2/20 DOR revenue projection

FY22 Budget Preview: Current Law

	FY20	FY21	FY22
UGF Revenue (10/2 DOR)	4,514.4	4,266.2	4,362.2
Agency Operations	3,739.1	3,913.0	3,913.0
Statewide Items	479.4	446.3	630.2
Capital Budget	144.3	120.3	150.0
Supplemental Placeholder	399.2	50.0	50.0
Permanent Fund Dividend	1,068.9	680.0	2,024.0
UGF Spending Total	5,830.9	5,209.6	6,767.2
Fund Transfers (excl. CBR/SBR)	15.8	30.4	15.6
Deficit	(1,332.3)	(973.8)	(2,420.6)

FY22 Budget Preview: Current Policy

	FY20	FY21	FY22
UGF Revenue (10/2 DOR)	4,514.4	4,266.2	4,362.2
Agency Operations	3,739.1	3,913.0	3,913.0
Statewide Items	479.4	446.3	456.2
Capital Budget	144.3	120.3	150.0
Supplemental Placeholder	399.2	50.0	50.0
Permanent Fund Dividend	1,068.9	680.0	680.0
UGF Spending Total	5,830.9	5,209.6	5,249.2
Fund Transfers (excl. CBR/SBR)	15.8	30.4	15.6
Deficit	(1,332.3)	(973.8)	(902.6)

FY22 Budget Preview: Fund Balances

	Projected Balance Available in FY22	Notes
CBR	\$586.9	FY20 actuals may increase, FY21 supplementals may reduce
ERA	\$11,704.5	Projected balance on 7/1/21 before FY22 POMV and earnings
Sweepable Funds	Approx. \$1.5 billion	Mostly held in PCE Fund (\$1.1 billion) and Higher Ed. Fund (\$0.3 billion)

QUESTIONS?

Alexei Painter, Director

Legislative Finance Division

alexi.painter@akleg.gov

(907) 465-3795

<http://www.legfin.akleg.gov/>

Appendix:

Statewide Items in FY22 Scenarios

Item	Current Law	Current Policy
State Assistance to Retirement	324.0	324.0
Debt Service	132.2	132.2
School Bond Debt Reimbursement	82.6	-
REAA Fund Deposit	33.8	-
Community Assistance	17.6	-
Oil and Gas Tax Credits	40.0	-
Total	630.2	456.2