

Governor's Amended Budget Overview

Senate Finance Committee
March 4, 2020



Legislative Finance Division

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Short Fiscal Summary – FY19 to FY21

Short Fiscal Summary - FY19 - FY21 GovAmend						
	(\$ Millions) (Non-duplicated Funds)	FY19	FY20	FY21	FY19 to FY21	
		UGF	UGF	UGF		
1	Revenue	5,354.6	5,163.3	5,059.0	(295.6)	-6%
2	UGF Revenue (Fall 2019 forecast)	2,631.6	2,116.3	1,967.5	(664.1)	-25%
3	POMV Draw	2,723.0	2,933.1	3,091.5	368.5	14%
4	Misc/Adjust/Non-UGF Revenue	-	113.9	-	-	
5	Appropriations	5,856.8	6,647.7	6,587.2	730.4	12%
6	Operating Budget	4,665.3	4,517.3	4,441.8	(223.5)	-5%
7	Agency Operations + 19 & 20 Supps	4,008.2	4,007.8	3,887.9	(120.3)	-3%
8	Statewide Items + 19 & 20 Supps	657.1	509.5	554.0	(103.1)	-16%
10	Capital Budget	168.0	174.3	140.3	(27.7)	-17%
11	Current Year Appropriations	147.8	144.3	140.3	(7.5)	-5%
12	Supplemental Appropriations	20.1	30.0	-		
13	Permanent Fund	1,023.5	1,956.1	2,005.1	981.6	96%
14	Permanent Fund Dividends	1,023.5	1,068.9	2,005.1	981.6	96%
15	Inflation Proofing/Other Deposits	-	5,014.3	-		
16	Supplemental PFD from ERA	-	815.9	-		
17	Pre-Transfer Surplus/(Deficit)	(502.2)	(1,484.4)	(1,528.2)		
18	Transfer from ERA for Supp. PFD	-	(815.9)			
19	Pre-Transfer Deficit w/o Supp PFD	(502.2)	(668.5)			
20	Fund Transfers	28.0	(273.5)	69.2		
21	Post- Transfer Surplus/(Deficit)	(530.2)	(395.0)	(1,597.4)		

Reserve Balances (EOY)			
	FY19	FY20	FY21
SBR	172.4	-	-
CBR	2,149.0	1,919.9	429.8
ERA	18,479.2	13,224.3	14,717.8

Agency Operations Detail

Changes from FY19 to FY20

FY19 Agency Operations	4,008.2
K-12 Increase	+24.4
Fire Suppression Activity	+76.2
Marine Highway	-40.0
University of Alaska	-25.0
Medicaid	-31.6
All Other Changes	-4.4
Total Difference	-0.4

FY20 Agency Operations 4,007.8

Changes from FY20 to FY21

FY20 Agency Operations	4,007.8
K-12 Decrease	-19.3
Dept. of Corrections	+38.8
Fire Suppression Activity	-110.5
University of Alaska	-25.0
All Other Changes	-3.9
Total Difference	-119.9

FY21 Agency Operations 3,887.9

Statewide Items Detail

Changes from FY19 to FY20

FY19 Statewide Items	657.2
School Debt Reimbursement	-35.9
REAA School Fund	-20.0
GO Bond Reduction	-11.4
Oil Tax Credits	-100.0
Retirement Payments	+37.0
Disaster Relief Fund	-39.9
All Other Changes	-1.1
Total Difference	-171.3

Changes from FY20 to FY21

FY20 Statewide Items	485.9
GO Bond Increase	+10.6
Oil Tax Credits	+28.0
Retirement Payments	+37.6
All Other Changes	-8.1
Total Difference	+68.1
FY21 Statewide Items	554.0

Impact of Natural Disasters

- FY19 and FY20 saw unusually high spending on natural disasters due to the Southcentral earthquake and the record-breaking fire season.
- However, the fire suppression activity budget is underfunded so supplementals for this item are routine, even in normal fire years.

	FY19	FY20	FY21
Fire Suppression Supplemental	7.9	110.5	-
Estimated Fire Suppression Ratification	34.8	-	-
Disaster Relief Fund Capitalization	41.9	2.0	-
Total Impact of Disaster Funding	84.6	112.5	-

Short Fiscal Summary Less Disasters

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3	POMV Draw	2,723.0	2,933.1	3,091.5	368.5	14%
4	Misc/Adjust/Non-UGF Revenue	-	113.9	-	-	
5	Appropriations	5,772.2	6,535.2	6,587.2	815.0	14%
6	Operating Budget	4,580.7	4,404.8	4,441.8	(138.9)	-3%
7	Agency Operations + 19 & 20 Supps	4,008.2	4,007.8	3,887.9	(120.3)	-3%
8	Statewide Items + 19 & 20 Supps	657.1	509.5	554.0	(103.1)	-16%
9	Less Disaster Funding	(84.6)	(112.5)	-	84.6	
10	Capital Budget	168.0	174.3	140.3	(27.7)	-17%
11	Current Year Appropriations	147.8	144.3	140.3	(7.5)	-5%
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15	Inflation Proofing/Other Deposits	-	5,014.3	-		
16	Supplemental PFD from ERA	-	815.9	-		
17	Pre-Transfer Surplus/(Deficit)	(417.6)	(1,371.9)	(1,528.2)		
18	Transfer from ERA for Supp. PFD	-	(815.9)			
19	Pre-Transfer Deficit w/o Supp PFD	(417.6)	(556.0)			
20	Fund Transfers	28.0	(273.5)	69.2		
21	Post- Transfer Surplus/(Deficit)	(445.6)	(282.5)	(1,597.4)		

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A Note on Revenue

- Spring Revenue Forecast is expected later this month
- Based on current prices (\$50.85 per barrel on 3/2) and production, FY20 revenue may end up below the fall forecast by \$100-200 million
- The FY21 forecast is based on an oil price of \$59 per barrel. FY21 Brent futures are currently several dollars below that. This could reduce FY21 revenue by \$100-200 million as well
- The CBR balance projection at the end of FY21, \$429.8 million, may be optimistic by \$200-400 million

Reverse Sweep

- \$1.7 billion was swept to the Constitutional Budget Reserve (CBR) from subaccounts at the end of FY19 and subsequently appropriated back to those accounts in FY20 (the reverse sweep)
- The FY21 Governor's budget appropriates \$651 million from these funds. The failure to get a reverse sweep in FY21 would cause major issues for appropriations of many of those funds

Reverse Sweep Impacts

- Example 1: Alaska Higher Education Fund
 - This fund is used for the Alaska Performance Scholarship, Alaska Education Grants, and WWAMI
 - Its balance at the end of FY20 is estimated to be \$346 million. Scholarships are paid using earnings on that balance. The Governor's budget appropriates \$22.5 million from this fund
 - Sweeping the balance would leave no funding for those scholarships

Reverse Sweep Impacts (cont.)

- Example 2: Alcohol & Other Drug Abuse Treatment & Prevention Fund
 - This fund is used to support alcohol and drug abuse programs
 - Its balance at the end of FY20 is estimated to be \$2.9 million. Revenue collections to the fund are estimated to be \$21.0 million, but the Governor's FY21 budget spends \$21.6 million from the fund
 - Sweeping the balance would leave a shortfall of \$642.5 for those programs