



ALASKA · STATE · CAPITOL

Alaska's Fiscal Position & Projections

House Ways & Means Committee

April 6, 2021

Legislative Finance Division

Where Are We Now? Governor's FY22 Budget

Short Fiscal Summary - FY21/FY22 Budget					
	(\$ Millions) (Non-duplicated Funds)	FY21 (MP + Gov Supps)	FY22 Gov Amd	Change in UGF	
		UGF	UGF		
1 Revenue		4,774.9	4,731.5	(43.4)	(0.9%)
2 UGF Revenue (Fall 2020 Forecast)		1,243.1	1,202.6	(40.5)	(3.3%)
3 Spring Revenue Forecast Update		331.7	459.6	127.9	38.6%
4 POMV Draw		3,091.5	3,069.3	(22.2)	(0.7%)
5 Misc/Adjust/Non-UGF Revenue		108.6	-	(108.6)	
6 Appropriations		6,537.6	6,368.9	(168.6)	(2.6%)
7 Operating Budget		4,502.8	4,282.8	(220.1)	(4.9%)
8 Agency Operations		4,008.9	3,818.6	(190.3)	(4.7%)
9 Statewide Items		446.3	464.1	17.8	4.0%
10 Supplemental Appropriations		47.6	-	(47.6)	
11 Capital Budget		129.2	62.2	(67.0)	(51.9%)
12 Current Year Appropriations		120.3	62.2	(58.1)	(48.3%)
13 Supplemental Appropriations		8.9	-	(8.9)	
14 Permanent Fund		1,905.5	2,023.9	118.4	6.2%
15 Permanent Fund Dividends		1,905.5	2,023.9	118.4	6.2%
16 Inflation Proofing/Other Deposits		-	-		
17 Pre-Transfer Surplus/(Deficit)		(1,762.7)	(1,637.4)		
18 Permanent Fund Earnings Reserve Account		(1,225.5)	(2,023.9)		
19 Other Fund Transfers		40.9	19.9		
20 Post-Transfer Surplus/(Deficit)		(578.1)	366.6		
21 CBR Direct Appropriations		(1,064.2)	-		
22 Draw After Direct CBR Appropriations		486.1	366.6		
23 Total CBR Deposit/(Draw)		(578.1)	366.6		

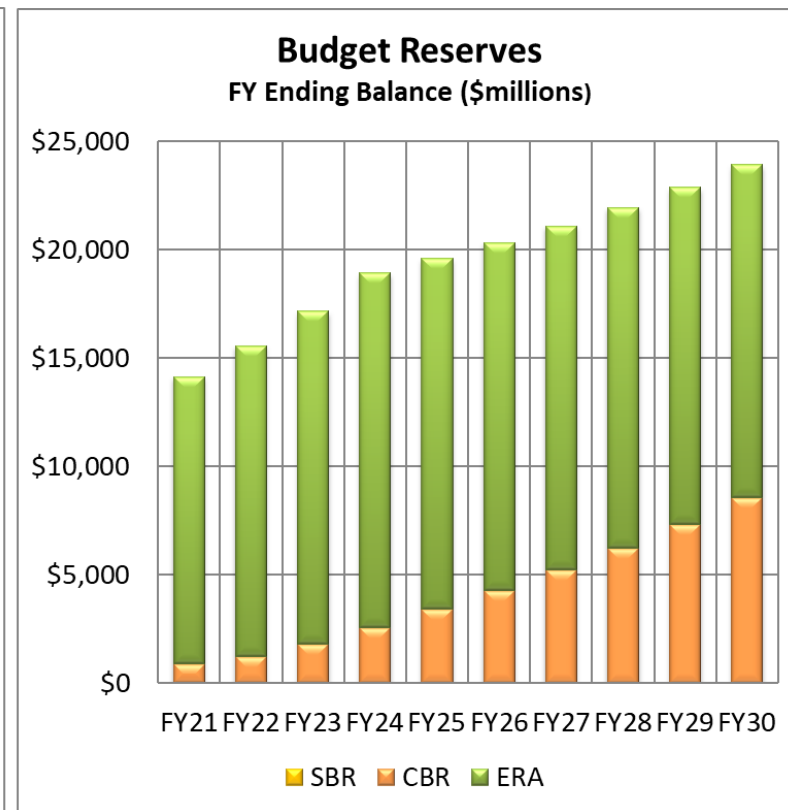
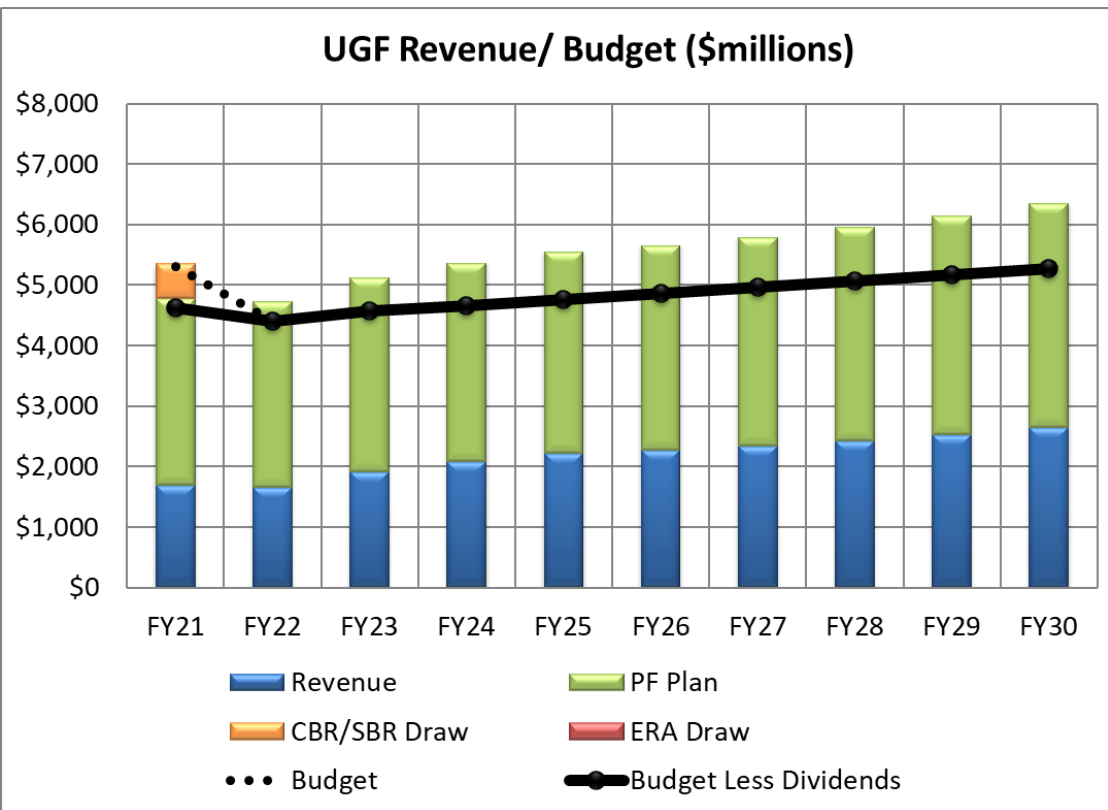
Reserve Balances (EOY)		
	FY21	FY22
CBR	860.0	1,252.2
ERA	11,439.0	10,652.0

About the LFD Fiscal Model

- Revenue is based on DOR's Spring Revenue Forecast
 - Assuming \$53 oil in FY21 and \$61 oil in FY22, adding \$331.7 million in FY21 and \$459.6 million in FY22 compared to fall forecast
- Permanent Fund returns are based on APFC's return assumption of 6.40% in FY21 and 6.75% in FY22-30, unless otherwise stated
 - Default assumption is no inflation proofing for FY21-24, statutory inflation proofing after (consistent with legislative intent)
- Assumes \$50 million for supplementals and 2.0% inflation growth on agency operations
- Assumes minimum \$500 million left in CBR
- Full version of the model includes many revenue and spending options. LFD can work with legislators who wish to see additional options
- A simplified, shorter-time horizon model is also available upon request

Fiscal Model: Governor's Amended Budget before PFD Payment

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-578	317	535	679	767	777	812	874	946	1,055



No ERA Overdraws

Unusual Fund Sources in Governor's Budget: Total of \$295.0 Million

- Use of lapsing balances in place of FY22 appropriations
 - \$35.0 million for Medicaid
 - \$5.0 million for fire break construction
 - \$5.0 million to OMB to smooth funding to rate-setting agencies
- Use of fund sources for non-designated purposes
 - \$60.0 million of AIDEA Receipts for oil and gas tax credits
 - Based on Spring forecast, that amount will be \$114.0 million
 - \$10.5 million of PCE funds for AEA capital projects
 - \$4.0 million of Higher Education funds for prosecutor recruitment and housing
 - \$0.8 million of PCE funds for AEA operating budget
 - \$0.4 million of Higher Education funds for ACPE operations
- Use of one-time or temporary fund sources
 - \$104.0 million AHFC bond package for DOT and DEC match
 - \$16.3 million of Mental Health Trust Reserve funds

Fiscal Summary: Governor's Budget

Typical Fund Sources (UGF)

Short Fiscal Summary - FY21/FY22 Budget					
(\$ Millions) (Non-duplicated Funds)	FY21 (MP + Gov Supps)	FY22 Gov Amd	Change in UGF		
	UGF	UGF			
1 Revenue	4,774.9	4,731.5	(43.4)	(0.9%)	
2 UGF Revenue (Fall 2020 Forecast)	1,243.1	1,202.6	(40.5)	(3.3%)	
3 Spring Revenue Forecast Update	331.7	459.6	127.9	38.6%	
4 POMV Draw	3,091.5	3,069.3	(22.2)	(0.7%)	
5 Misc/Adjust/Non-UGF Revenue	108.6	-	(108.6)		
6 Appropriations	6,547.6	6,653.9	106.4	1.6%	
7 Operating Budget	4,508.8	4,453.3	(55.6)	(1.2%)	
8 Agency Operations	4,008.9	3,875.1	(133.8)	(3.3%)	
9 Statewide Items	446.3	578.1	131.8	29.5%	
10 Supplemental Appropriations	53.6	-	(53.6)		
11 Capital Budget	133.2	176.7	43.5	32.7%	
12 Current Year Appropriations	120.3	176.7	56.4	46.8%	
13 Supplemental Appropriations	12.9	-	(12.9)		
14 Permanent Fund	1,905.5	2,023.9	118.4	6.2%	
15 Permanent Fund Dividends	1,905.5	2,023.9	118.4	6.2%	
16 Inflation Proofing/Other Deposits	-	-			
17 Pre-Transfer Surplus/(Deficit)	(1,772.7)	(1,922.4)			
18 Permanent Fund Earnings Reserve Account	(1,225.5)	(2,023.9)			
19 Other Fund Transfers	40.9	19.9			
20 Post-Transfer Surplus/(Deficit)	(588.1)	81.6			
21 CBR Direct Appropriations	(1,064.2)	-			
22 Draw After Direct CBR Appropriations	476.1	81.6			
23 Total CBR Deposit/(Draw)	(588.1)	81.6			

Reserve Balances (EOY)		
	FY21	FY22
CBR	850.0	957.2
ERA	11,439.0	10,652.0

+6 million

+4 million

+56.5 million

+114 million

+114.5
million

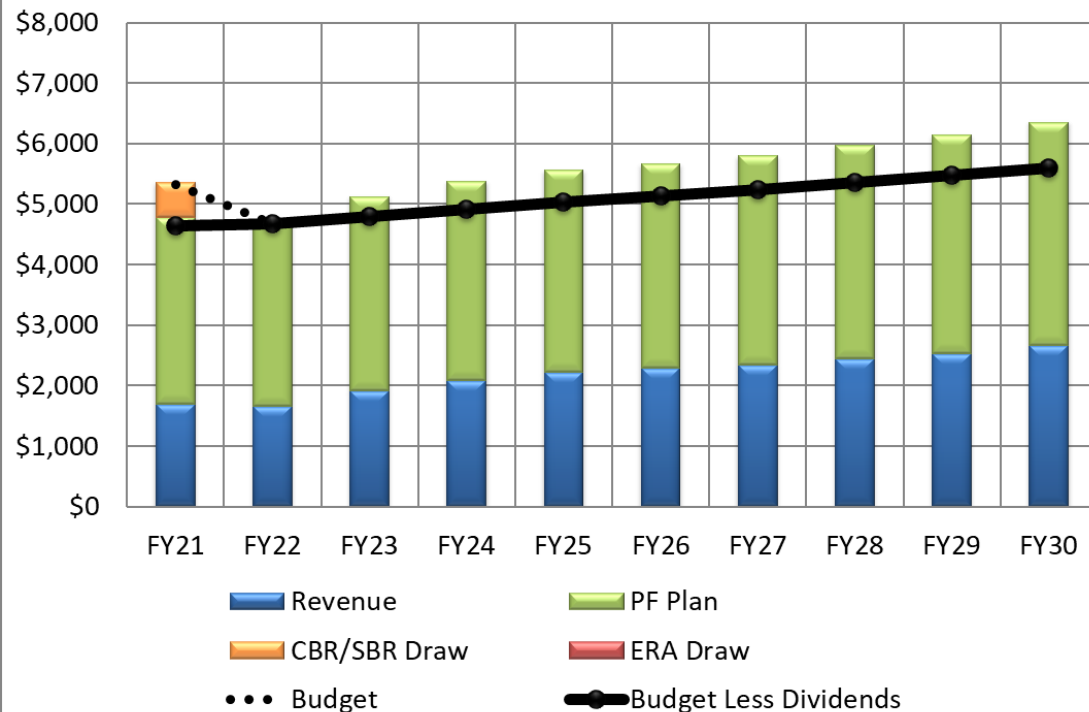
Fiscal Model: Governor's Budget

Typical Fund Sources (UGF)

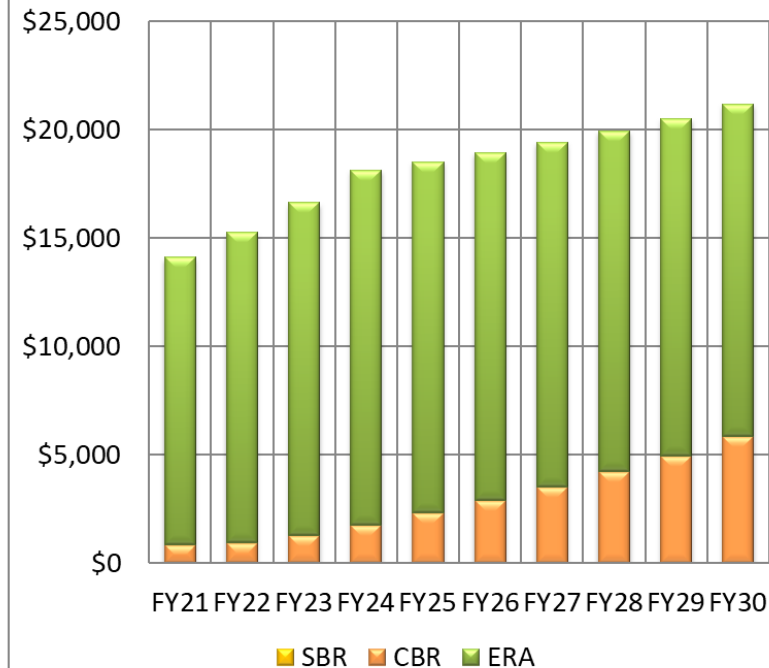
Constant 6.75% Returns

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-588	32	370	548	667	735	817	874	922	1,025

UGF Revenue/ Budget (\$millions)



Budget Reserves
FY Ending Balance (\$millions)



No ERA Overdraws

How Federal COVID-19 Relief Impacts Alaska's Budget

- Federal Medical Assistance Percentage (FMAP) increase from 50% to 56.2% for non-expansion population effective since March 2020
 - Saves Alaska \$15-17 million UGF per quarter in Medicaid program
 - Likely to be extended through end of CY2021
- Coronavirus Relief Fund (CRF) used before State funds created lapse in FY20 and FY21
- Ongoing federal funds to DOTPF through FY24 for airports (\$82.5 million), highways (\$124.4 million), and Federal Transit Authority grants (\$84.6 million)
 - \$14.6 million of fund changes in Governor's FY22 budget to utilize DOTPF funds in place of general funds
- CARES funds have mostly been expended, but CRRSA and ARP have mostly not yet been incorporated into the budget

American Rescue Plan (ARP) Impacts

- Alaska is set to receive \$1.019 billion of flexible funds, plus \$112.3 million of flexible capital funds
- Awaiting guidance on these funds – these are not yet factored into the budget
- Also includes \$230.7 million for local governments
- Many more specific areas, including \$358.7 million for K-12 schools
- For details, see the March 26 Senate Finance Committee hearing meeting documents

Fiscal Summary: Governor's Budget

UGF in Place of COVID-19 Funding

Short Fiscal Summary - FY21/FY22 Budget					
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	UGF	UGF			
1 Revenue	4,774.9	4,731.5	(43.4)	(0.9%)	
2 UGF Revenue (Fall 2020 Forecast)	1,243.1	1,202.6	(40.5)	(3.3%)	
3 Spring Revenue Forecast Update	331.7	459.6	127.9	38.6%	
4 POMV Draw	3,091.5	3,069.3	(22.2)	(0.7%)	
5 Misc/Adjust/Non-UGF Revenue	108.6	-	(108.6)		
6 Appropriations	6,547.6	6,668.5	121.0	1.8%	
7 Operating Budget	4,508.8	4,467.9	(41.0)	(0.9%)	
8 Agency Operations	4,008.9	3,889.7	(119.2)	(3.0%)	
9 Statewide Items	446.3	578.1	131.8	29.5%	
10 Supplemental Appropriations	53.6	-	(53.6)		
11 Capital Budget	133.2	176.7	43.5	32.7%	
12 Current Year Appropriations	120.3	176.7	56.4	46.8%	
13 Supplemental Appropriations	12.9	-	(12.9)		
14 Permanent Fund	1,905.5	2,023.9	118.4	6.2%	
15 Permanent Fund Dividends	1,905.5	2,023.9	118.4	6.2%	
16 Inflation Proofing/Other Deposits	-	-			
17 Pre-Transfer Surplus/(Deficit)	(1,772.7)	(1,937.0)			
18 Permanent Fund Earnings Reserve Account	(1,225.5)	(2,023.9)			
19 Other Fund Transfers	40.9	19.9			
20 Post-Transfer Surplus/(Deficit)	(588.1)	67.0			
21 CBR Direct Appropriations	(1,064.2)	-			
22 Draw After Direct CBR Appropriations	476.1	67.0			
23 Total CBR Deposit/(Draw)	(588.1)	67.0			
Reserve Balances (EOY)					
			FY21	FY22	
CBR			850.0	942.6	
ERA			11,439.0	10,652.0	

+6 million

+4 million

+56.5 million

+14.6 million

+113 million

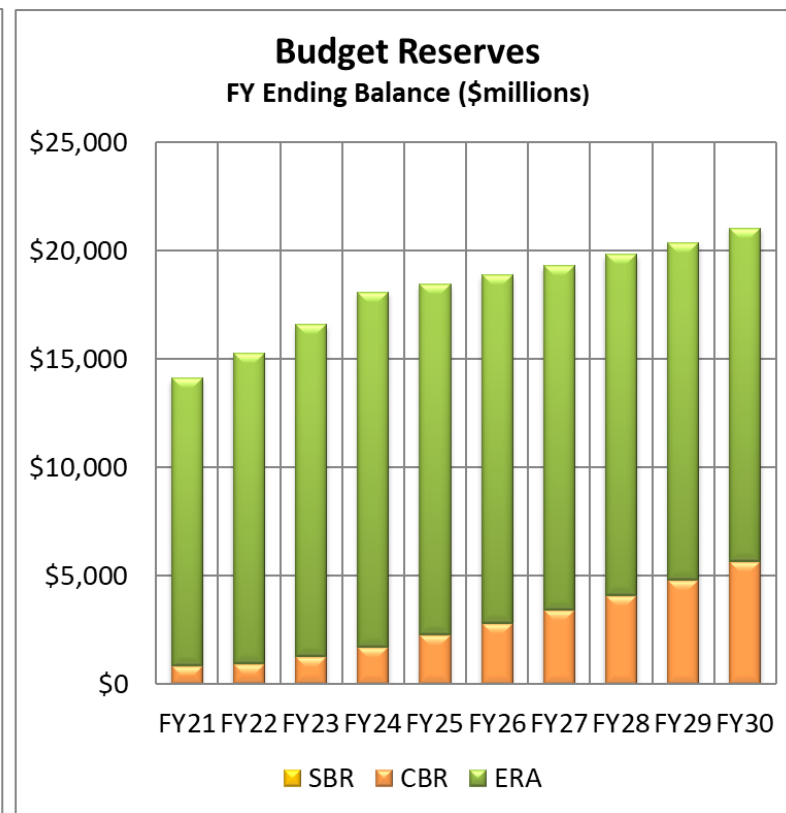
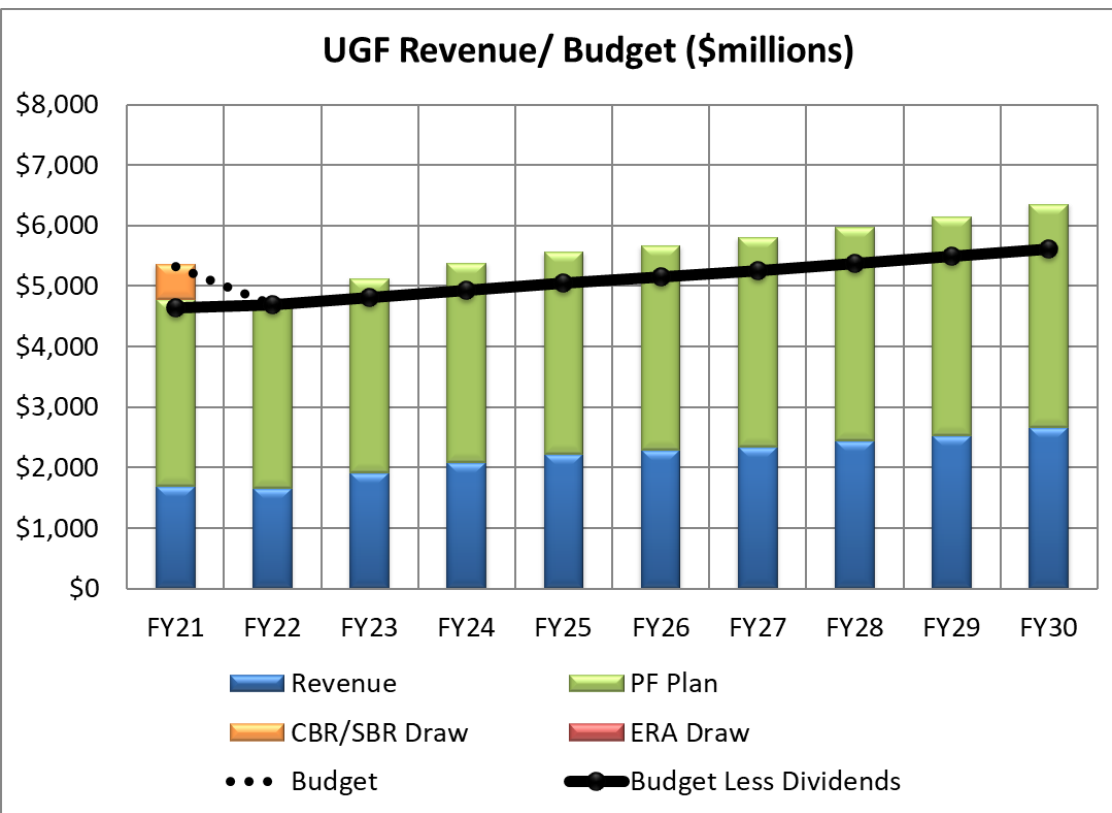
+114.5
million

Fiscal Model: Governor's Budget

UGF in Place of COVID-19 Funding and Typical Fund Sources (UGF)

Constant 6.75% returns

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-588	17	298	419	480	493	522	576	623	728



No ERA Overdraws

Obligations and Funding Needs of the State of Alaska

This is not an exhaustive list. The total for these items is about \$13 billion

- PERS/TRS Unfunded Liability: **\$6.2 billion**
 - Payment plan: annual payments through FY39
 - FY22 payment is \$336.2 million
- General Obligation Bonds and State Supported Debt: **\$1.1 billion**
 - Payment plan: annual payments through FY41
 - FY22 Governor's Budget includes \$91.3 million
- State Share of Municipal School Debt Service: **\$789.1 million**
 - Payment plan: annual payments through FY39
 - Full funding in FY22 would be \$84.0 million
- Oil and Gas Tax Credits: **\$760.0 million**
 - Payment plan: statutory deposits to Oil and Gas Tax Credit Fund
 - FY22 Governor's Budget includes \$60.0 million
- Deferred Maintenance: **\$2.0 billion**
 - Payment plan: annual appropriations using Alaska Capital Income Fund
 - FY22 Governor's Budget includes \$51.6 million
- State Share of School Major Maintenance and Construction Lists: **\$349.6 million**
 - Payment plan: REAA fund can be used for some projects; no plan for remaining projects
- Rural Alaska Sanitation Funding Need (per DEC FY21 list): **\$1.8 billion**
 - Payment plan: Village Safe Water capital program
 - FY22 Governor's Budget includes \$18.1 million of state funds, \$70.8 million total funds
- Rural Power System Deferred Maintenance: **\$327 million**
 - Payment plan: capital appropriations to Rural Power Upgrades program
 - FY22 Governor's Budget includes \$5 million of state funds, \$17.5 million of total funds
- Bulk Fuel Deferred Maintenance: **\$800 million**
 - Payment plan: capital appropriations to Bulk Fuel Upgrades program
 - FY22 Governor's Budget includes \$5.5 million of state funds, \$13 million total

Legislative Power of Appropriation

- “No money shall be withdrawn from the treasury except in accordance with appropriations made by law.” (Article IX, sec. 13). The dedicated funds prohibition (Article IX, sec. 7) prevents the legislature from dedicating the proceeds of any state tax or license to any special purpose.
- An appropriation is required to carry out any statutory formula.
- In *Wielechowski v. State*, the Alaska Supreme Court held that the legislature's use of permanent fund income is subject to the normal appropriation and budgetary veto process. Thus, each year, the legislature may appropriate from the earnings reserve account to the dividend fund any amount, regardless of the language in statute.
- Unless an exception to the dedicated funds prohibition applies, each year, the legislature may appropriate money from any available source, for any public purpose, as it deems appropriate. Statutory formulas serve as guidelines or policy suggestions for the legislature to follow.
- In general, each year, all state programs are subject to appropriation.

Governor's Budget and Statutory Formulas

- Governor funds School Debt Reimbursement at 50% of statutory level
 - 100% funding would add \$41.8 million to the FY22 budget
- Governor funds Regional Educational Attendance Area (REAA) Fund at 50% of statutory level
 - 100% funding would add \$17.1 million to the FY22 budget
- Governor funds Community Assistance at \$12.4 million, versus the \$30.0 million statutory deposit
 - 100% funding would add \$17.6 million to the FY22 budget
- Governor does not fund municipal project debt service
 - 100% funding would add \$2.4 million to the FY22 budget

Fiscal Summary: Governor's Budget

UGF in Place of COVID-19 Funding, Typical Fund Sources (UGF), and Statutory Funding of Statewide Items

Short Fiscal Summary - FY21/FY22 Budget					
(\$ Millions) (Non-duplicated Funds)	FY21 (MP + Gov Supps)	FY22 Gov Amd	Change in UGF		
	UGF	UGF			
1 Revenue	4,774.9	4,731.5	(43.4)	(0.9%)	
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3 Spring Revenue Forecast Update	331.7	459.6	127.9	38.6%	
4 POMV Draw	3,091.5	3,069.3	(22.2)	(0.7%)	
5 Misc/Adjust/Non-UGF Revenue	108.6	-	(108.6)		
6 Appropriations	6,547.6	6,747.4	199.9	3.1%	
7 Operating Budget	4,508.8	4,546.8	37.9	0.8%	
8 Agency Operations	4,008.9	3,889.7	(119.2)	(2.9%)	
9 Statewide Items	446.3	657.0	210.7	47.2%	
10 Supplemental Appropriations	53.6	-	(53.6)		
11 Capital Budget	133.2	176.7	43.5	32.7%	
12 Current Year Appropriations	120.3	176.7	56.4	46.8%	
13 Supplemental Appropriations	12.9	-	(12.9)		
14 Permanent Fund	1,905.5	2,023.9	118.4	6.2%	
15 Permanent Fund Dividends	1,905.5	2,023.9	118.4	6.2%	
16 Inflation Proofing/Other Deposits	-	-			
17 Pre-Transfer Surplus/(Deficit)	(1,772.7)	(2,015.9)			
18 Permanent Fund Earnings Reserve Account	(1,225.5)	(2,023.9)			
19 Other Fund Transfers	40.9	19.9			
20 Post-Transfer Surplus/(Deficit)	(588.1)	(11.9)			
21 CBR Direct Appropriations	(1,064.2)	-			
22 Draw After Direct CBR Appropriations	476.1	(11.9)			
23 Total CBR Deposit/(Draw)	(588.1)	(11.9)			

+6 million

+4 million

+56.5 million

+14.6 million

+114 million

+78.9 million

+114.5
million

Reserve Balances (EOY)		
	FY21	FY22
CBR	850.0	863.7
ERA	11,439.0	10,652.0

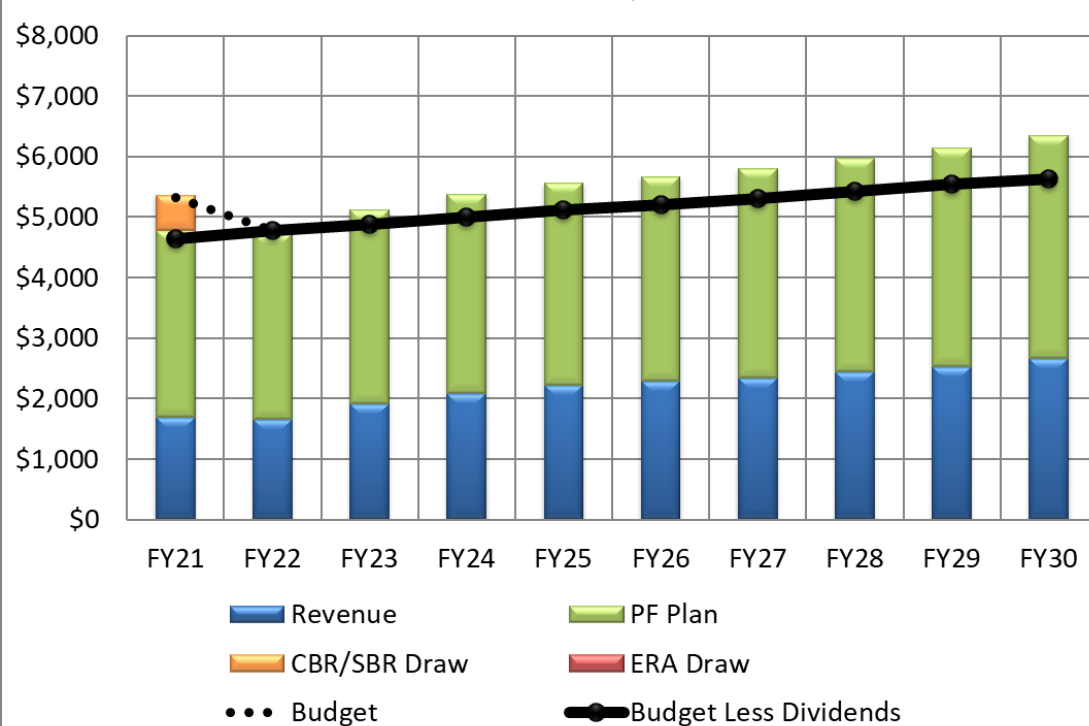
Fiscal Model: Governor's Budget

UGF in Place of COVID-19 Funding, Typical Fund Sources (UGF), and Statutory Funding of
Statewide Items

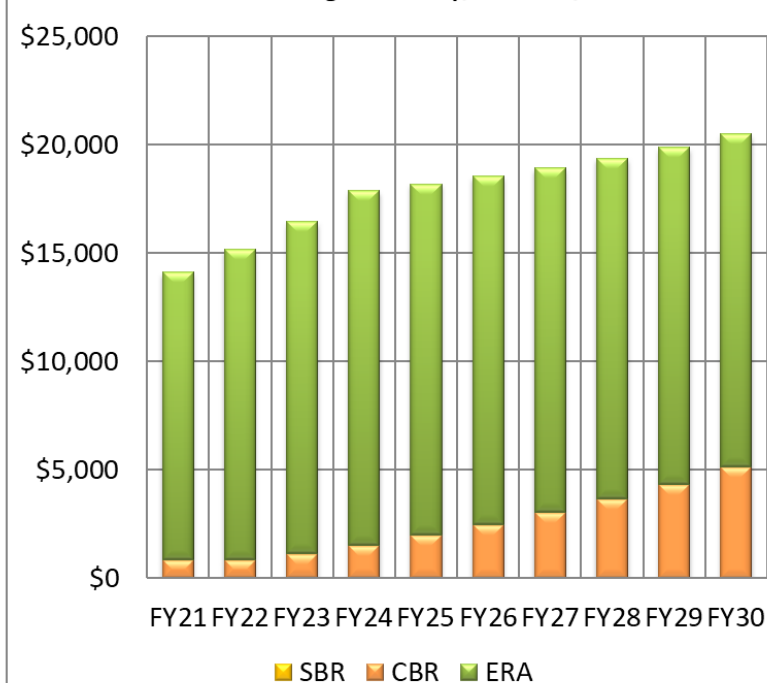
Constant 6.75% Returns

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-588	-62	230	357	425	440	471	528	576	704

UGF Revenue/ Budget (\$millions)



Budget Reserves
FY Ending Balance (\$millions)



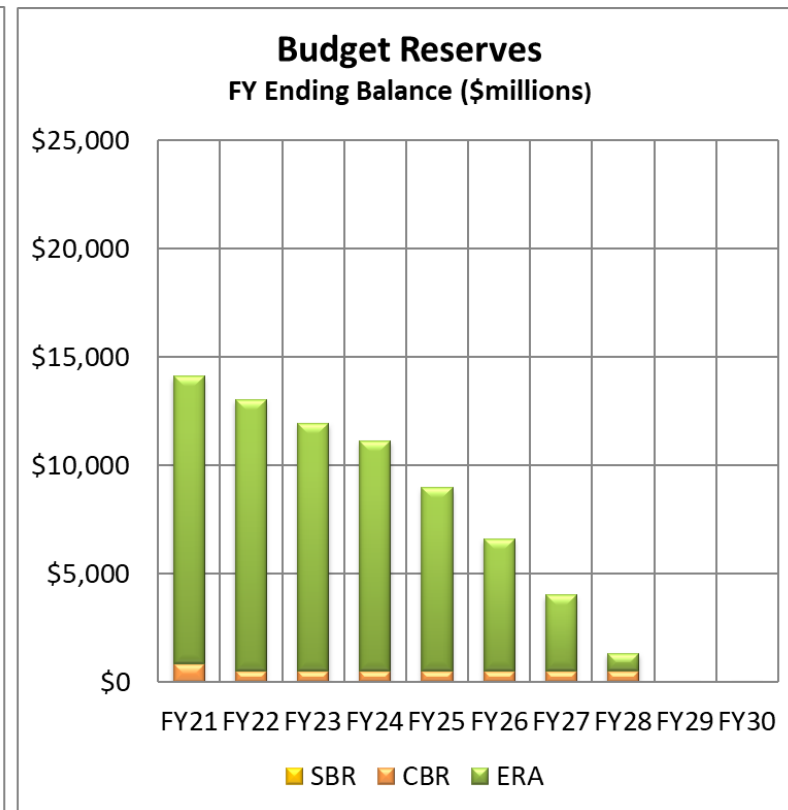
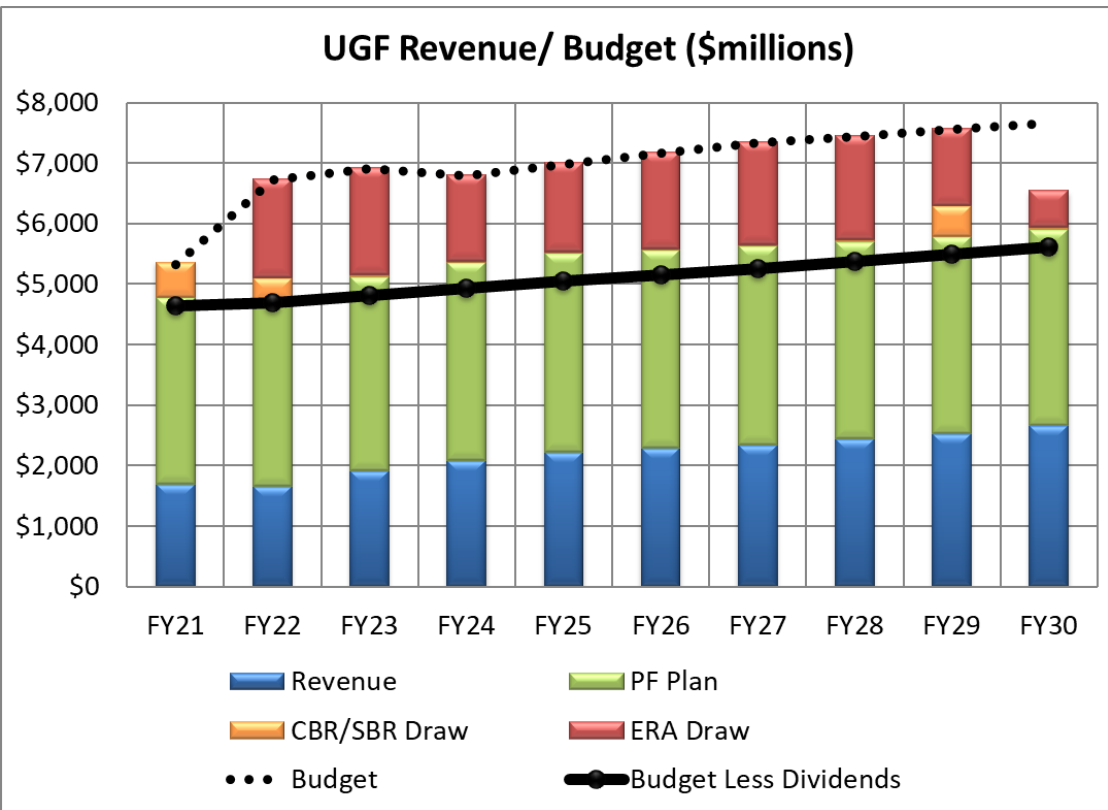
No ERA Overdraws

Fiscal Model: UGF in Place of COVID-19 Funding, Typical Fund Sources (UGF)

Statutory PFD

Constant 6.75% Returns

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-588	-2,006	-1,808	-1,457	-1,498	-1,625	-1,728	-1,754	-1,790	-1,772



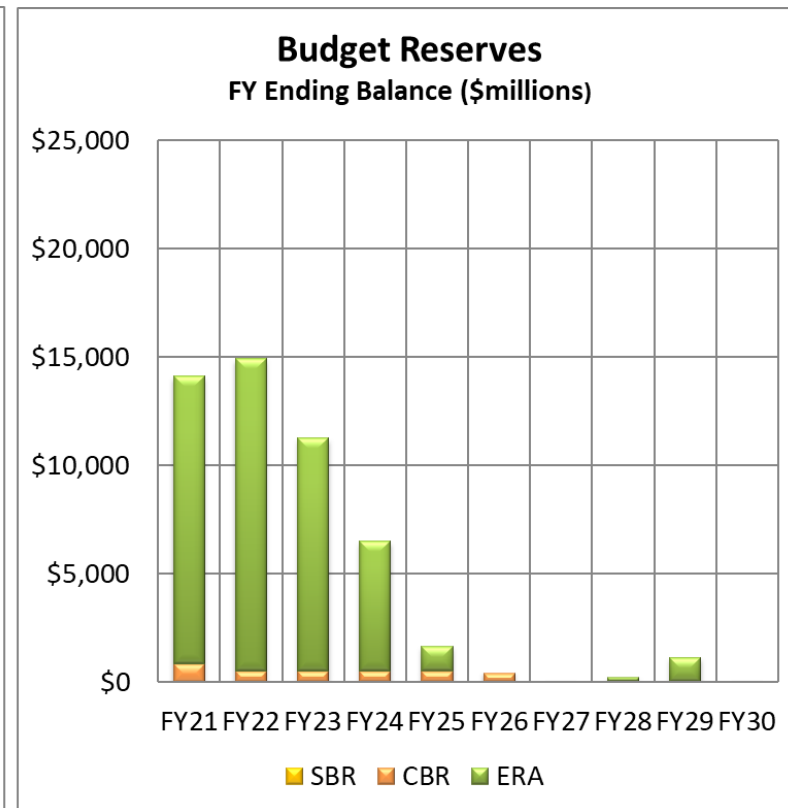
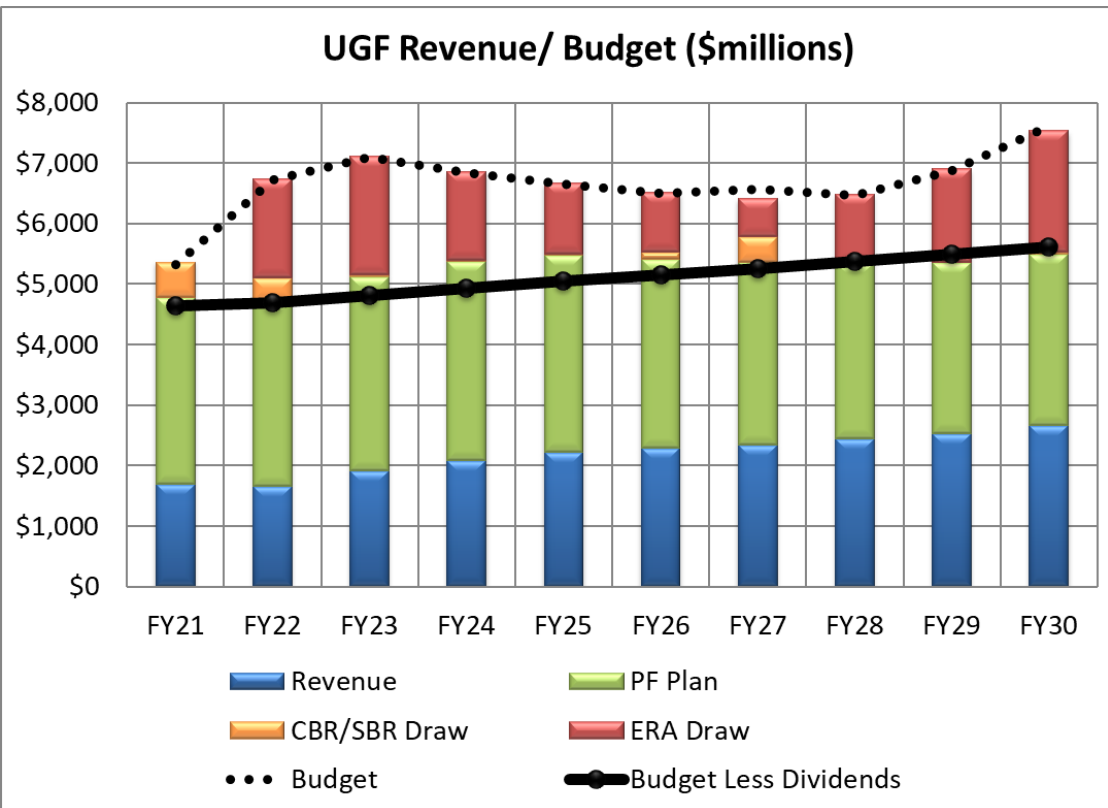
Effective POMV	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Draw Rate	5.25%	7.65%	7.77%	7.19%	7.25%	7.45%	7.60%	7.65%	6.97%	5.94%

Fiscal Model: UGF in Place of COVID-19 Funding, Typical Fund Sources (UGF)

Statutory PFD

FY00-08 Returns

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-588	-2,006	-1,989	-1,483	-1,203	-1,100	-1,235	-1,140	-1,546	-2,134



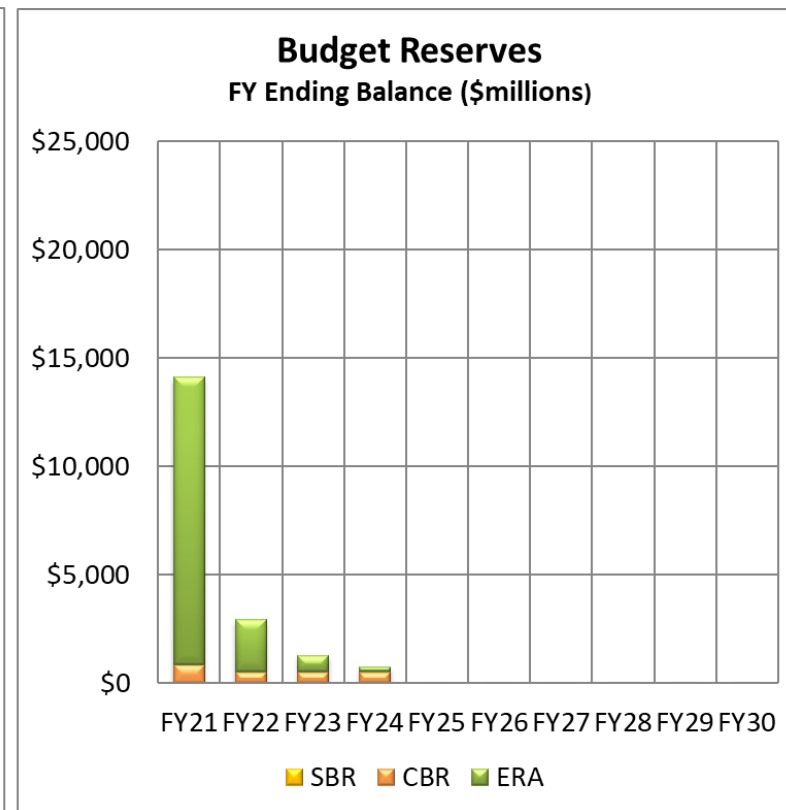
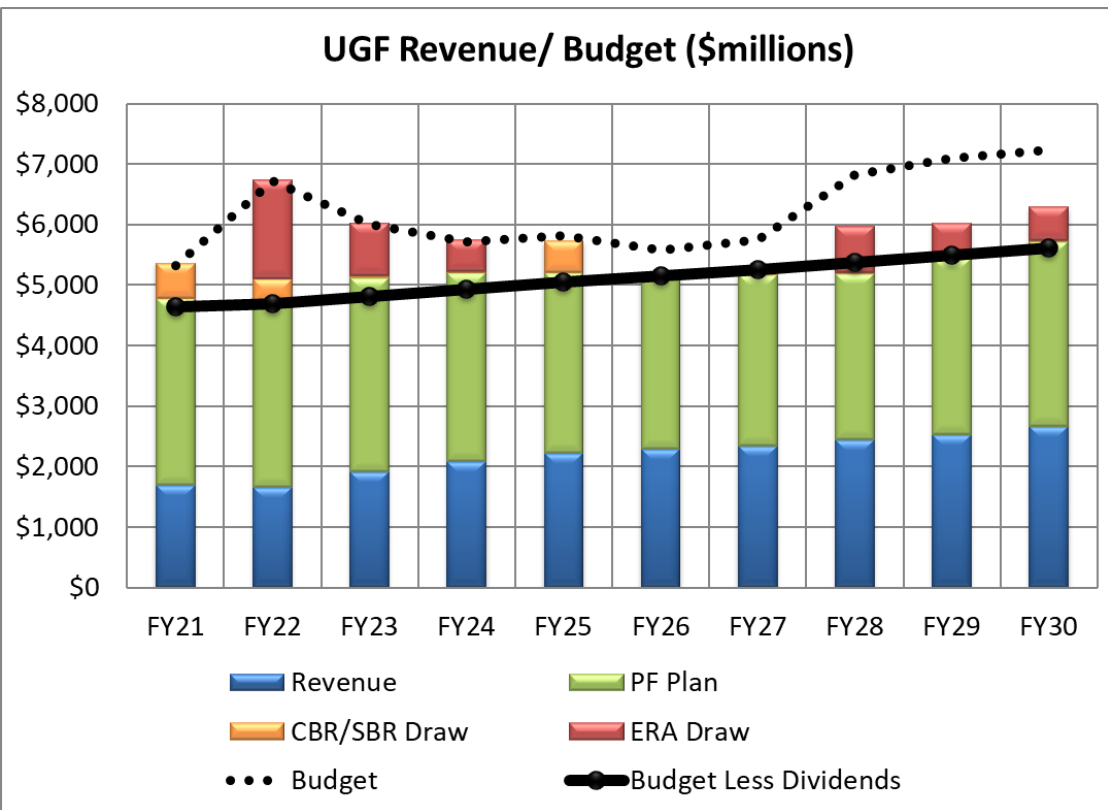
Effective POMV	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Draw Rate	5.25%	7.65%	8.05%	7.22%	6.82%	6.57%	6.06%	6.96%	7.74%	8.53%

Fiscal Model: UGF in Place of COVID-19 Funding, Typical Fund Sources (UGF)

Statutory PFD

FY09-17 Returns

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-588	-2,006	-901	-547	-638	-410	-603	-1,653	-1,662	-1,537



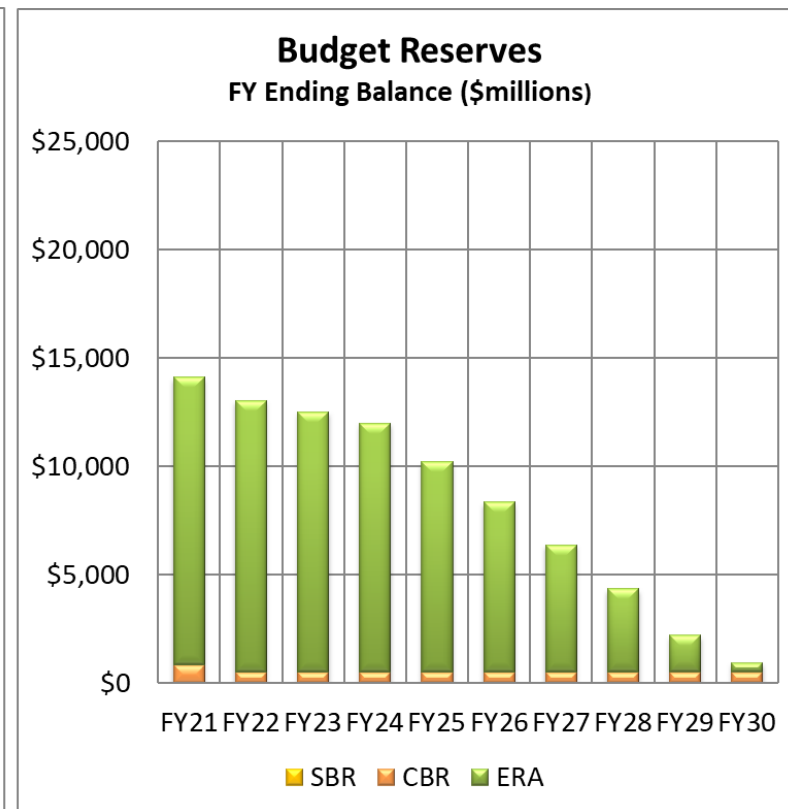
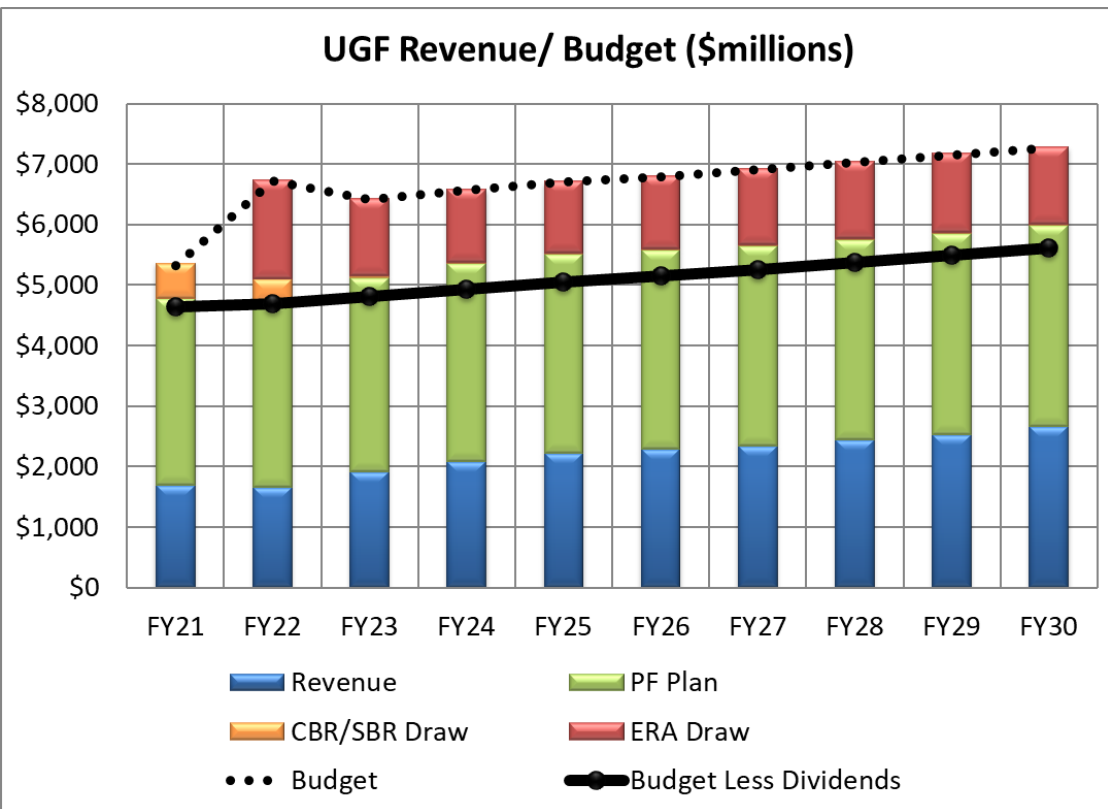
Effective POMV	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Draw Rate	5.25%	7.65%	6.36%	5.84%	5.00%	5.00%	5.00%	6.40%	5.96%	5.91%

Fiscal Model: UGF in Place of COVID-19 Funding, Typical Fund Sources (UGF)

50/50 of POMV PFD

Constant 6.75% Returns

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-588	-2,006	-1,305	-1,233	-1,209	-1,242	-1,278	-1,300	-1,330	-1,305



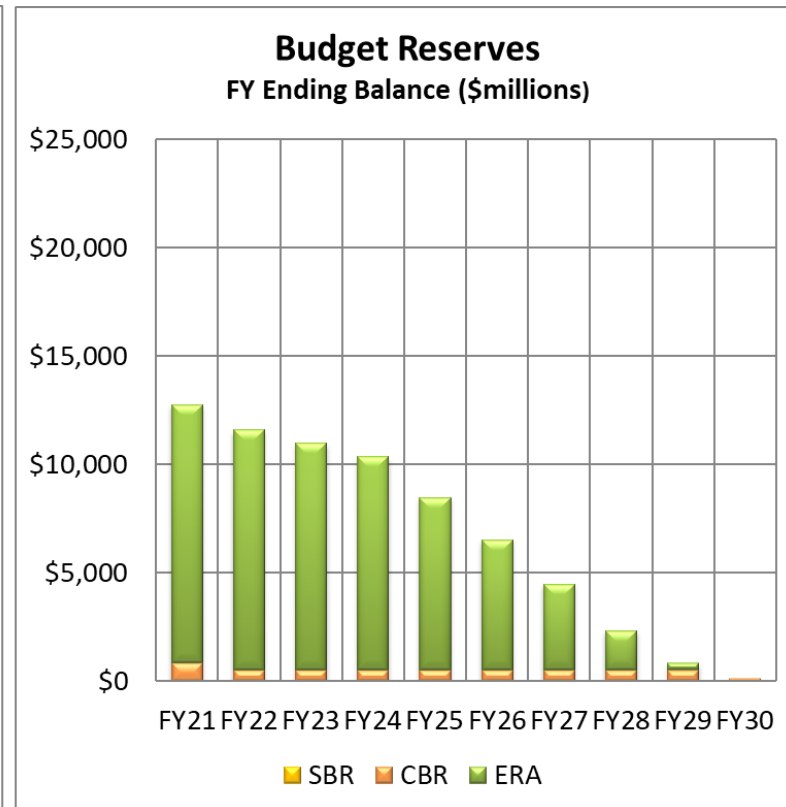
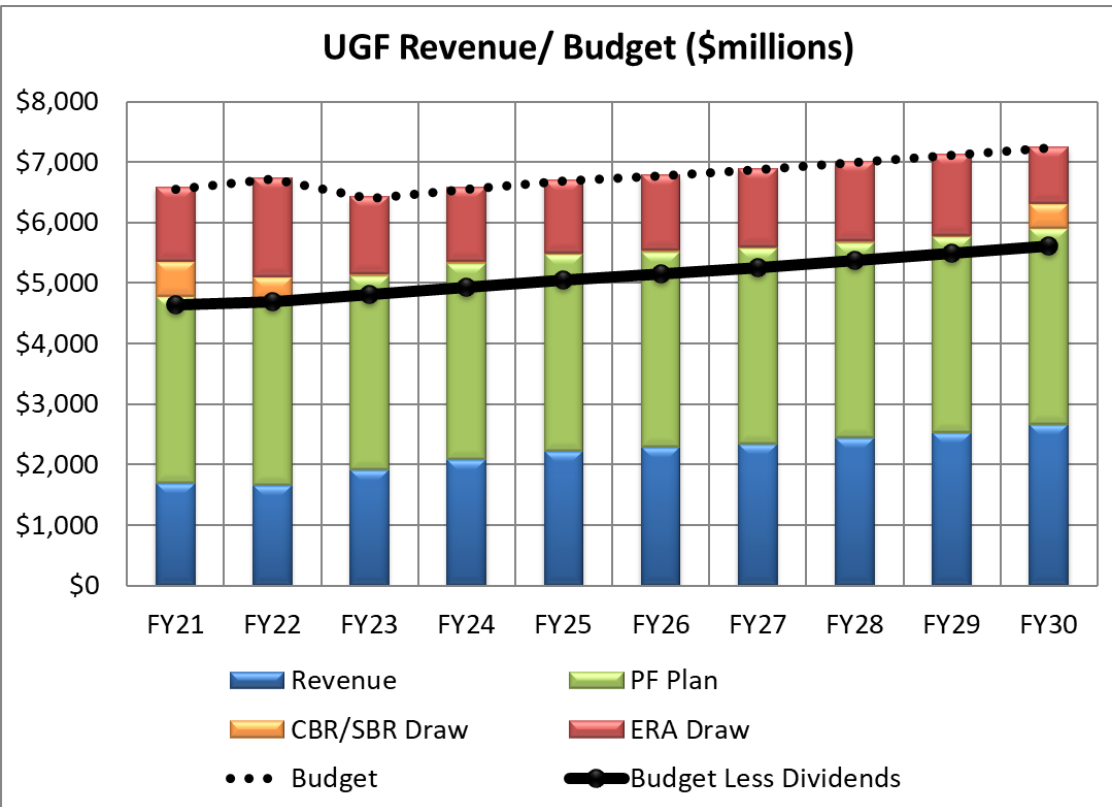
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	7.65%	6.99%	6.84%	6.81%	6.86%	6.90%	6.93%	6.97%	6.93%

Fiscal Model: UGF in Place of COVID-19 Funding, Typical Fund Sources (UGF)

Supp. PFD in FY21, Statutory PFD in FY22, 50/50 of POMV PFD FY23-30

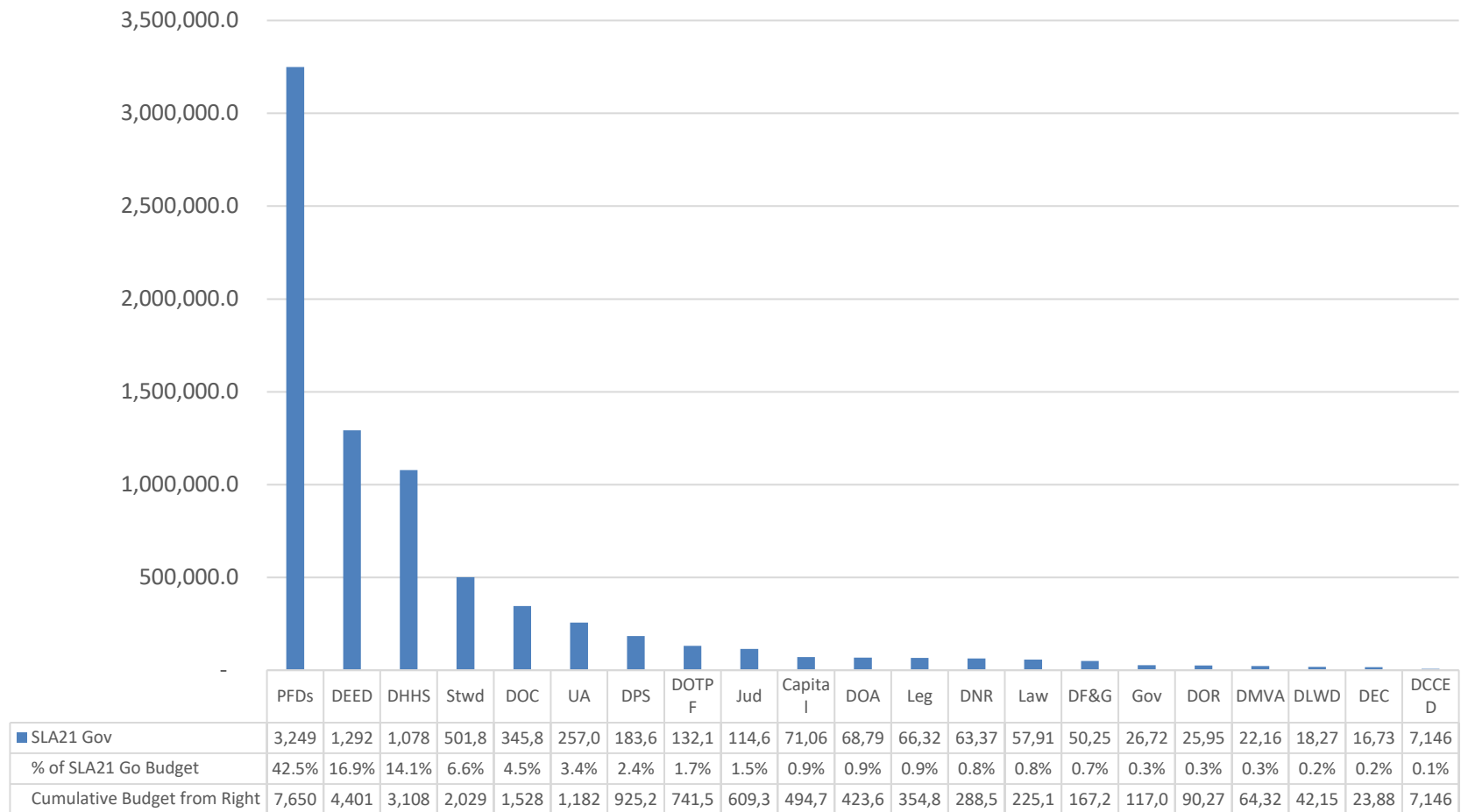
Constant 6.75% Returns

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-1,814	-2,006	-1,311	-1,246	-1,229	-1,269	-1,313	-1,337	-1,369	-1,346



Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	7.33%	7.65%	7.01%	6.88%	6.86%	6.93%	7.00%	7.03%	7.08%	6.45%

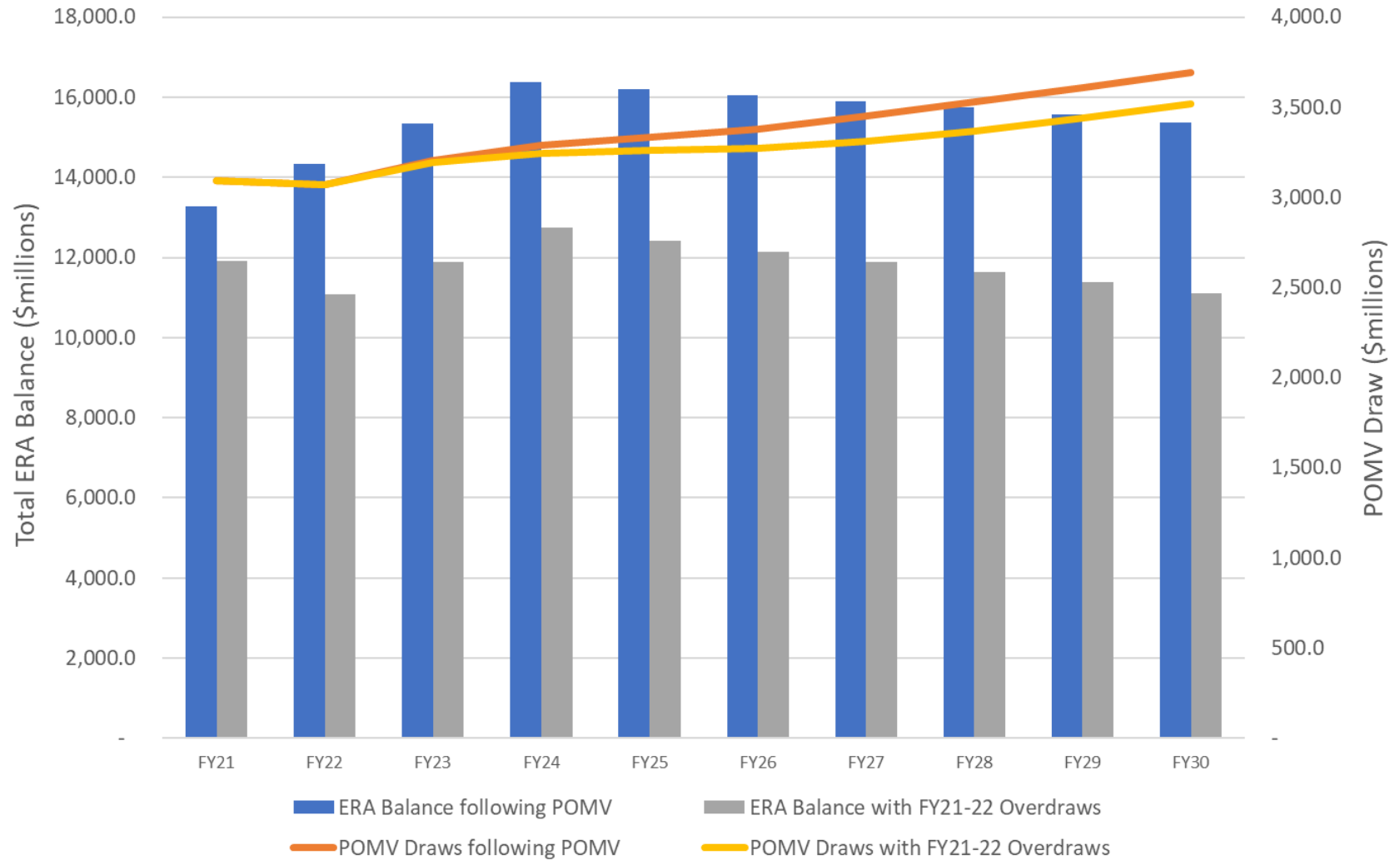
Swoop Graph of All Governor's SLA 21 Appropriations (GovAmend plus Governor's Supplementals)



Impact of FY21-22 Overdraws on ERA Balance and POMV Draw

Constant 6.75% Returns

(Assumes no inflation-proofing from FY21-24)



	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Difference in POMV Draw	-	-	(12.3)	(41.6)	(72.8)	(105.7)	(140.1)	(163.5)	(170.6)	(176.7)
Cumulative Difference in POMV	-	-	(12.3)	(53.9)	(126.7)	(232.5)	(372.6)	(536.1)	(706.7)	(883.4)

Questions?

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