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# **Alaska's Fiscal Position, Look Back, & Projections**

House Finance Committee

March 10, 2021

Legislative Finance Division

# Outline

- Budget changes since FY15 (our peak agency operations budget year)
- Where we are now
- Looking forward
- Note: scenarios and adjustments in this presentation were developed for a March 4 meeting of the Senate Finance Committee. LFD is policy neutral and does not endorse a particular fiscal plan

# Why Unrestricted General Funds (UGF)?

- The budget deficit exists solely in UGF – excess appropriations of other fund sources cause “hollow” funding but not a deficit
- Narrowing the focus to UGF spotlights the State’s general fund cashflow issues
- This focus does not mean other funds should be ignored: DGF sources can contribute to revenue because of lapsing funds, and there are policy calls to make across all fund sources
- All Funds reports illustrate the size of government, but this presentation is focused on the deficit

# Agency Budget Changes Since FY15

- See Handout A for larger font
- Key points: \$661.2 million of UGF budget reductions were made from FY15-18, with every agency's budget going down
- Since FY18, reductions in some areas have balanced out increases elsewhere – are we at the “floor” for our current government structure?
- Major legislation would be needed to make further significant reductions

# Agency Budget Changes Since FY15

Agency	15FnIBud	16FnIBud	17FnIBud	18FnIBud	19FnIBud	20FnIBud	21MgtPln	22GovAmd	FY15-22 Change \$	FY15-22 Change %
Education & Early Dev	1,354,925.3	1,314,889.3	1,304,486.2	1,305,076.8	1,308,165.0	1,330,527.9	1,319,645.9	1,292,585.7	(62,339.6)	-4.6%
Health & Social Services	1,287,075.6	1,172,208.4	1,142,808.3	1,131,293.6	1,169,533.1	1,209,071.1	1,210,161.7	1,077,395.8	(209,679.8)	-16.3%
Corrections	299,368.7	276,286.5	267,649.3	285,297.1	294,108.0	299,636.7	339,285.9	345,878.2	46,509.5	15.5%
University of Alaska	375,189.7	350,787.0	324,883.5	317,033.5	327,033.5	302,033.5	277,033.5	257,033.5	(118,156.2)	-31.5%
Public Safety	171,539.7	160,220.2	156,683.4	159,095.7	165,018.1	175,966.4	180,029.3	183,682.8	12,143.1	7.1%
Transportation	296,094.9	244,813.1	218,862.6	135,673.2	181,355.1	142,589.5	150,113.6	132,151.1	(163,943.8)	-55.4%
Judiciary	111,967.3	110,402.9	107,549.7	104,838.6	105,444.9	107,597.1	111,151.7	114,653.2	2,685.9	2.4%
Administration	78,096.9	70,869.9	65,585.1	63,464.8	66,051.3	64,506.5	67,047.9	67,142.4	(10,954.5)	-14.0%
Legislature	67,543.9	65,904.4	59,937.7	58,447.4	58,213.9	60,789.2	67,177.4	66,326.2	(1,217.7)	-1.8%
Natural Resources	142,110.8	152,537.7	84,531.9	74,866.4	108,118.8	180,629.6	65,729.7	63,376.6	(78,734.2)	-55.4%
Law	61,275.3	61,210.9	50,577.1	50,624.8	51,589.8	51,228.8	52,162.8	53,918.7	(7,356.6)	-12.0%
Fish and Game	80,940.7	65,095.4	55,705.1	50,516.4	51,583.3	51,351.3	50,780.5	50,253.2	(30,687.5)	-37.9%
Governor	31,593.9	24,997.0	27,948.4	26,685.5	25,183.2	22,753.9	25,325.1	26,131.9	(5,462.0)	-17.3%
Revenue	33,031.4	30,028.5	26,145.5	25,584.9	25,139.2	25,914.5	27,752.2	25,822.7	(7,208.7)	-21.8%
Military & Veterans' Affairs	33,726.1	24,327.7	23,477.0	23,699.4	24,157.2	23,341.9	22,956.2	22,167.3	(11,558.8)	-34.3%
Labor & Workforce Dev	33,661.0	25,883.7	22,555.2	20,992.0	20,697.2	20,846.6	18,650.6	17,524.2	(16,136.8)	-47.9%
Environmental Conservation	22,280.5	20,093.3	16,858.7	15,297.9	15,391.8	15,397.2	15,463.9	15,853.4	(6,427.1)	-28.8%
Commerce, Community & Econ Dev	42,814.4	29,938.5	16,243.4	11,586.6	10,101.6	8,522.5	8,462.0	6,734.7	(36,079.7)	-84.3%
<b>Agency Operations Total</b>	<b>4,523,236.1</b>	<b>4,200,494.4</b>	<b>3,972,488.1</b>	<b>3,860,074.6</b>	<b>4,006,885.0</b>	<b>4,092,704.2</b>	<b>4,008,929.9</b>	<b>3,818,631.6</b>	<b>(704,604.5)</b>	<b>-15.6%</b>
Debt Service	213,416.9	206,209.1	181,536.4	209,416.9	199,995.4	149,753.3	100,730.3	104,993.8	(108,423.1)	-50.8%
State Retirement Payments	710,914.3	265,280.7	134,245.4	163,649.6	271,166.6	307,936.1	345,567.4	341,984.8	(368,929.5)	-51.9%
Special Appropriations	2,322,359.4	11,050.3	11,408.5	9,432.5	367.2	7,046.9	-	-	(2,322,359.4)	-100.0%
Fund Capitalization	717,496.1	696,434.0	103,230.0	102,539.7	185,610.7	27,324.5	30.0	17,149.0	(700,347.1)	-97.6%
<b>Statewide Items Total</b>	<b>3,964,186.7</b>	<b>1,178,974.1</b>	<b>430,420.3</b>	<b>485,038.7</b>	<b>657,139.9</b>	<b>492,060.8</b>	<b>446,327.7</b>	<b>464,127.6</b>	<b>(3,500,059.1)</b>	<b>-88.3%</b>
<b>Pre-Permanent Fund Total</b>	<b>8,487,422.8</b>	<b>5,379,468.5</b>	<b>4,402,908.4</b>	<b>4,345,113.3</b>	<b>4,664,024.9</b>	<b>4,584,765.0</b>	<b>4,455,257.6</b>	<b>4,282,759.2</b>	<b>(4,204,663.6)</b>	<b>-49.5%</b>
Permanent Fund	1,235,000.0	1,373,000.0	695,650.0	726,000.0	1,023,487.2	1,076,036.3	680,000.0	2,023,947.0	788,947.0	63.9%
<b>Operating Budget Total</b>	<b>9,722,422.8</b>	<b>6,752,468.5</b>	<b>5,098,558.4</b>	<b>5,071,113.3</b>	<b>5,687,512.1</b>	<b>5,660,801.3</b>	<b>5,135,257.6</b>	<b>6,306,706.2</b>	<b>(3,415,716.6)</b>	<b>-35.1%</b>
Capital Budget	611,378.2	129,794.1	107,426.0	129,635.0	167,960.9	177,487.2	120,327.5	62,200.0	(549,178.2)	-89.8%
<b>Total Budget</b>	<b>10,333,801.0</b>	<b>6,882,262.6</b>	<b>5,205,984.4</b>	<b>5,200,748.3</b>	<b>5,855,473.0</b>	<b>5,838,288.5</b>	<b>5,255,585.1</b>	<b>6,368,906.2</b>	<b>(3,964,894.8)</b>	<b>-38.4%</b>

# Agency Budget Change, FY15-18

Agency	15FnlBud	16FnlBud	17FnlBud	18FnlBud	FY15-18 Change \$	FY15-18 Change %
Education & Early Dev	1,354,925.3	1,314,889.3	1,304,486.2	1,305,076.8	(49,848.5)	-3.7%
Health & Social Services	1,287,075.6	1,172,208.4	1,142,808.3	1,131,293.6	(155,782.0)	-12.1%
Corrections	299,368.7	276,286.5	267,649.3	285,297.1	(14,071.6)	-4.7%
University of Alaska	375,189.7	350,787.0	324,883.5	317,033.5	(58,156.2)	-15.5%
Public Safety	171,539.7	160,220.2	156,683.4	159,095.7	(12,444.0)	-7.3%
Transportation	296,094.9	244,813.1	218,862.6	135,673.2	(160,421.7)	-54.2%
Judiciary	111,967.3	110,402.9	107,549.7	104,838.6	(7,128.7)	-6.4%
Administration	78,096.9	70,869.9	65,585.1	63,464.8	(14,632.1)	-18.7%
Legislature	67,543.9	65,904.4	59,937.7	58,447.4	(9,096.5)	-13.5%
Natural Resources	142,110.8	152,537.7	84,531.9	74,866.4	(67,244.4)	-47.3%
Law	61,275.3	61,210.9	50,577.1	50,624.8	(10,650.5)	-17.4%
Fish and Game	80,940.7	65,095.4	55,705.1	50,516.4	(30,424.3)	-37.6%
Governor	31,593.9	24,997.0	27,948.4	26,685.5	(4,908.4)	-15.5%
Revenue	33,031.4	30,028.5	26,145.5	25,584.9	(7,446.5)	-22.5%
Military & Veterans' Affairs	33,726.1	24,327.7	23,477.0	23,699.4	(10,026.7)	-29.7%
Labor & Workforce Dev	33,661.0	25,883.7	22,555.2	20,992.0	(12,669.0)	-37.6%
Environmental Conservation	22,280.5	20,093.3	16,858.7	15,297.9	(6,982.6)	-31.3%
Commerce, Community & Econ Dev	42,814.4	29,938.5	16,243.4	11,586.6	(31,227.8)	-72.9%
<b>Agency Operations Total</b>	<b>4,523,236.1</b>	<b>4,200,494.4</b>	<b>3,972,488.1</b>	<b>3,860,074.6</b>	<b>(663,161.5)</b>	<b>-14.7%</b>
Debt Service	213,416.9	206,209.1	181,536.4	209,416.9	(4,000.0)	-1.9%
State Retirement Payments	710,914.3	265,280.7	134,245.4	163,649.6	(547,264.7)	-77.0%
Special Appropriations	2,322,359.4	11,050.3	11,408.5	9,432.5	(2,312,926.9)	-99.6%
Fund Capitalization	717,496.1	696,434.0	103,230.0	102,539.7	(614,956.4)	-85.7%
<b>Statewide Items Total</b>	<b>3,964,186.7</b>	<b>1,178,974.1</b>	<b>430,420.3</b>	<b>485,038.7</b>	<b>(3,479,148.0)</b>	<b>-87.8%</b>
<b>Pre-Permanent Fund Total</b>	<b>8,487,422.8</b>	<b>5,379,468.5</b>	<b>4,402,908.4</b>	<b>4,345,113.3</b>	<b>(4,142,309.5)</b>	<b>-48.8%</b>



# Agency Budget Change, FY18-22

Agency	18FnlBud	19FnlBud	20FnlBud	21MgtPln	22GovAmd	FY18-22 Change \$	FY18-22 Change %
Education & Early Dev	1,305,076.8	1,308,165.0	1,330,527.9	1,319,645.9	1,292,585.7	(12,491.1)	-1.0%
Health & Social Services	1,131,293.6	1,169,533.1	1,209,071.1	1,210,161.7	1,077,395.8	(53,897.8)	-4.8%
Corrections	285,297.1	294,108.0	299,636.7	339,285.9	345,878.2	60,581.1	21.2%
University of Alaska	317,033.5	327,033.5	302,033.5	277,033.5	257,033.5	(60,000.0)	-18.9%
Public Safety	159,095.7	165,018.1	175,966.4	180,029.3	183,682.8	24,587.1	15.5%
Transportation	135,673.2	181,355.1	142,589.5	150,113.6	132,151.1	(3,522.1)	-2.6%
Judiciary	104,838.6	105,444.9	107,597.1	111,151.7	114,653.2	9,814.6	9.4%
Administration	63,464.8	66,051.3	64,506.5	67,047.9	67,142.4	3,677.6	5.8%
Legislature	58,447.4	58,213.9	60,789.2	67,177.4	66,326.2	7,878.8	13.5%
Natural Resources	74,866.4	108,118.8	180,629.6	65,729.7	63,376.6	(11,489.8)	-15.3%
Law	50,624.8	51,589.8	51,228.8	52,162.8	53,918.7	3,293.9	6.5%
Fish and Game	50,516.4	51,583.3	51,351.3	50,780.5	50,253.2	(263.2)	-0.5%
Governor	26,685.5	25,183.2	22,753.9	25,325.1	26,131.9	(553.6)	-2.1%
Revenue	25,584.9	25,139.2	25,914.5	27,752.2	25,822.7	237.8	0.9%
Military & Veterans' Affairs	23,699.4	24,157.2	23,341.9	22,956.2	22,167.3	(1,532.1)	-6.5%
Labor & Workforce Dev	20,992.0	20,697.2	20,846.6	18,650.6	17,524.2	(3,467.8)	-16.5%
Environmental Conservation	15,297.9	15,391.8	15,397.2	15,463.9	15,853.4	555.5	3.6%
Commerce, Community & Econ Dev	11,586.6	10,101.6	8,522.5	8,462.0	6,734.7	(4,851.9)	-41.9%
<b>Agency Operations Total</b>	<b>3,860,074.6</b>	<b>4,006,885.0</b>	<b>4,092,704.2</b>	<b>4,008,929.9</b>	<b>3,818,631.6</b>	<b>(41,443.0)</b>	<b>-1.1%</b>
Debt Service	209,416.9	199,995.4	149,753.3	100,730.3	104,993.8	(104,423.1)	-49.9%
State Retirement Payments	163,649.6	271,166.6	307,936.1	345,567.4	341,984.8	178,335.2	109.0%
Special Appropriations	9,432.5	367.2	7,046.9	-	-	(9,432.5)	-100.0%
Fund Capitalization	102,539.7	185,610.7	27,324.5	30.0	17,149.0	(85,390.7)	-83.3%
<b>Statewide Items Total</b>	<b>485,038.7</b>	<b>657,139.9</b>	<b>492,060.8</b>	<b>446,327.7</b>	<b>464,127.6</b>	<b>(20,911.1)</b>	<b>-4.3%</b>
<b>Pre-Permanent Fund Total</b>	<b>4,345,113.3</b>	<b>4,664,024.9</b>	<b>4,584,765.0</b>	<b>4,455,257.6</b>	<b>4,282,759.2</b>	<b>(62,354.1)</b>	<b>-1.4%</b>

# Where Are We Now? Governor's FY22 Budget

Short Fiscal Summary - FY21/FY22 Budget						
(\$ Millions) (Non-duplicated Funds)		FY21	FY22 Gov Amd	Change in UGF		
		UGF	UGF			
1	<b>Revenue</b>	<b>4,443.2</b>	<b>4,271.9</b>	<b>(171.3)</b>	<b>(3.9%)</b>	
2	UGF Revenue (Fall 2020 Forecast)	1,243.1	1,202.6	(40.5)	(3.3%)	
3	POMV Draw	3,091.5	3,069.3	(22.2)	(0.7%)	
4	Misc/Adjust/Non-UGF Revenue	108.6	-	(108.6)		
5	<b>Appropriations</b>	<b>6,537.6</b>	<b>6,368.9</b>	<b>(168.6)</b>	<b>(2.6%)</b>	
6	<b>Operating Budget</b>	<b>4,502.8</b>	<b>4,282.8</b>	<b>(220.1)</b>	<b>(4.9%)</b>	
7	Agency Operations	4,008.9	3,818.6	(190.3)	(4.7%)	
8	Statewide Items	446.3	464.1	17.8	4.0%	
9	Supplemental Appropriations	47.6	-	(47.6)		
10	<b>Capital Budget</b>	<b>129.2</b>	<b>62.2</b>	<b>(67.0)</b>	<b>(51.9%)</b>	
11	Current Year Appropriations	120.3	62.2	(58.1)	(48.3%)	
12	Supplemental Appropriations	8.9	-	(8.9)		
13	<b>Permanent Fund</b>	<b>1,905.5</b>	<b>2,023.9</b>	<b>118.4</b>	<b>6.2%</b>	
14	Permanent Fund Dividends	1,905.5	2,023.9	118.4	6.2%	
15	Inflation Proofing/Other Deposits	-	-			
16	<b>Pre-Transfer Surplus/(Deficit)</b>	<b>(2,094.4)</b>	<b>(2,097.0)</b>			
17	Permanent Fund Earnings Reserve Account	(1,225.5)	(2,023.9)			
	Other Fund Transfers	40.9	19.9			
18	<b>Post-Transfer Surplus/(Deficit)</b>	<b>(909.8)</b>	<b>(93.0)</b>			
19	CBR Direct Appropriations	(1,064.2)	-			
20	Draw After Direct CBR Appropriations	154.4	(93.0)			
21	<b>Total CBR Draw</b>	<b>(909.8)</b>	<b>(93.0)</b>			
Reserve Balances (EOY)						
				<b>FY21</b>	<b>FY22</b>	
	<b>CBR</b>			531.1	463.7	
	<b>ERA</b>			10,479.1	9,385.9	



# About the LFD Fiscal Model

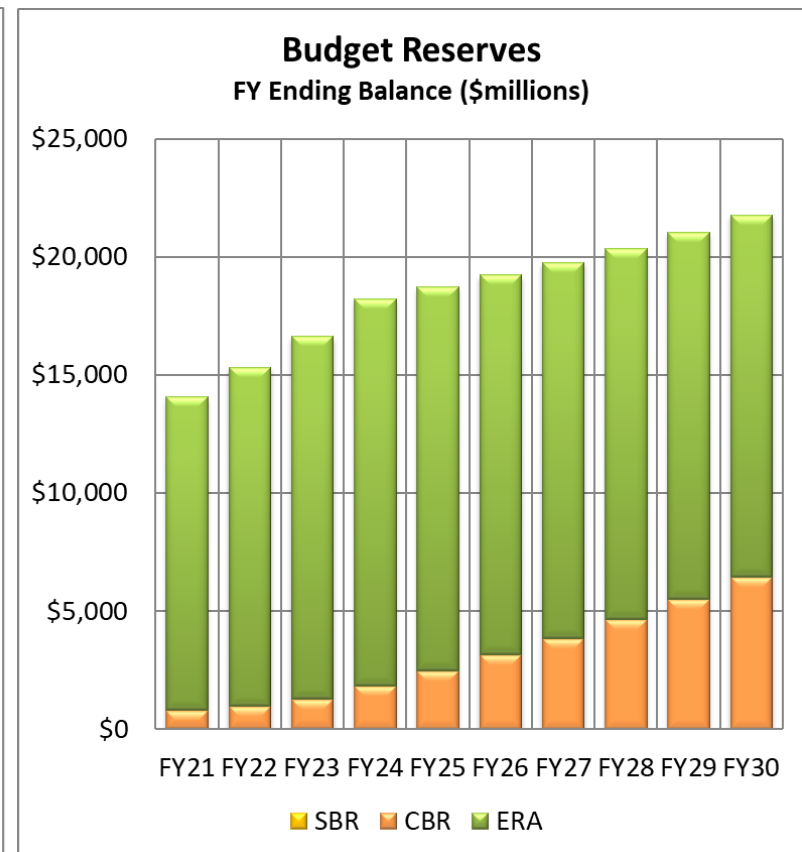
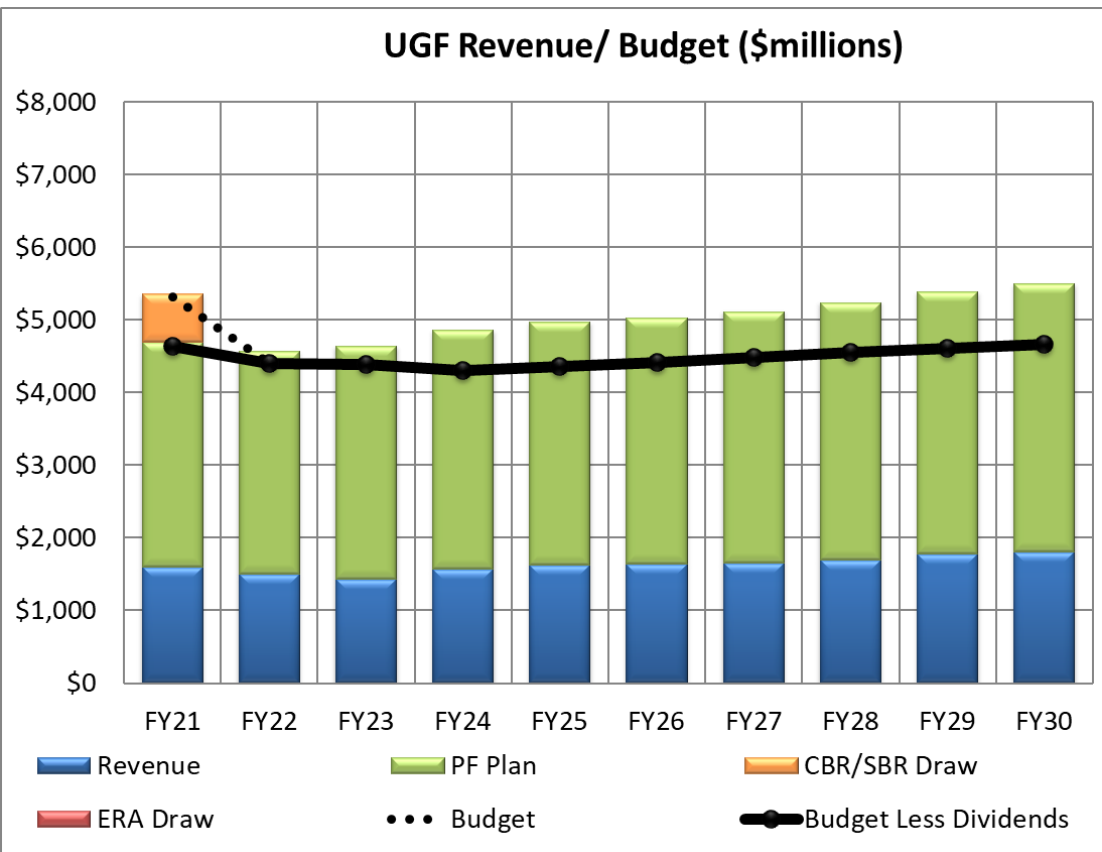
- FY21-22 revenue is based on higher oil prices experienced so far in FY21 than were in DOR's Fall Forecast. FY23+ revenue is based on the Fall Forecast
  - Assuming \$52 oil in FY21 and \$59 oil in FY22, adding \$249 million in FY21 and \$293 million in FY22 compared to fall forecast
- Permanent Fund returns are based on Callan's projections for all years
  - Default assumption is no inflation proofing for FY21-24, statutory inflation proofing after (consistent with legislative intent)
- Assumes \$50 million for supplementals and 2.25% inflation growth on agency operations
- Assumes minimum \$500 million let 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 Summary with Updated Revenue Assumptions

Short Fiscal Summary - FY21/FY22 Budget						
	(\$ Millions) (Non-duplicated Funds)	FY21	FY22 Gov Amd	Change in UGF		
		UGF	UGF			
1	<b>Revenue</b>	<b>4,692.2</b>	<b>4,564.7</b>	<b>(127.5)</b>	<b>(2.7%)</b>	
2	UGF Revenue (Fall 2020 Forecast)	1,243.1	1,202.6	(40.5)	(3.3%)	
3	February Adjustment	249.0	292.8	43.8	17.6%	
4	ROMV Draw	3,091.5	3,069.9	(22.2)	(0.7%)	
5	Misc/Adjust/Non-UGF Revenue	108.6	-	(108.6)		
6	<b>Appropriations</b>	<b>6,537.6</b>	<b>6,368.9</b>	<b>(168.6)</b>	<b>(2.6%)</b>	
7	<b>Operating Budget</b>	<b>4,502.8</b>	<b>4,282.8</b>	<b>(220.1)</b>	<b>(4.9%)</b>	
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	<b>Capital Budget</b>	<b>129.2</b>	<b>62.2</b>	<b>(67.0)</b>	<b>(51.9%)</b>	
12	Current Year Appropriations	120.3	62.2	(58.1)	(48.3%)	
13	Supplemental Appropriations	8.9	-	(8.9)		
14	<b>Permanent Fund</b>	<b>1,905.5</b>	<b>2,023.9</b>	<b>118.4</b>	<b>6.2%</b>	
15	Permanent Fund Dividends	1,905.5	2,023.9	118.4	6.2%	
16	Inflation Proofing/Other Deposits	-	-			
17	<b>Pre-Transfer Surplus/(Deficit)</b>	<b>(1,845.4)</b>	<b>(1,804.2)</b>			
18	Permanent Fund Earnings Reserve Account	(1,225.5)	(2,023.9)			
	Other Fund Transfers	40.9	19.9			
19	<b>Post-Transfer Surplus/(Deficit)</b>	<b>(660.8)</b>	<b>199.8</b>			
20	CBR Direct Appropriations	(1,064.2)	-			
21	Draw After Direct CBR Appropriations	403.4	199.8			
22	<b>Total CBR Draw</b>	<b>(660.8)</b>	<b>199.8</b>			
Reserve Balances (EOY)						
		FY21	FY22			
	<b>CBR</b>	780.1	1,005.5			
	<b>ERA</b>	10,479.1	9,385.9			

# Fiscal Model: Governor's Amended Budget before PFD Payment

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-661	150	228	540	588	592	612	668	749	799



# Unusual Fund Sources in Governor's Budget: Total of \$241.0 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
  - \$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 with Typical Fund Sources

Short Fiscal Summary - FY21/FY22 Budget					
(\$ Millions) (Non-duplicated Funds)		FY21	FY22 Gov Amd	Change in UGF	
		UGF	UGF		
1	<b>Revenue</b>	<b>4,692.2</b>	<b>4,564.7</b>	<b>(127.5)</b>	<b>(2.7%)</b>
2	UGF Revenue (Fall 2020 Forecast)	1,243.1	1,202.6	(40.5)	(3.3%)
3	February Adjustment	249.0	292.8	43.8	17.6%
4	POMV Draw	3,091.5	3,069.3	(22.2)	(0.7%)
5	Misc/Adjust/Non-UGF Revenue	108.6	-	(108.6)	
6	<b>Appropriations</b>	<b>6,547.6</b>	<b>6,599.9</b>	<b>52.4</b>	<b>0.8%</b>
7	<b>Operating Budget</b>	<b>4,508.8</b>	<b>4,399.3</b>	<b>(109.6)</b>	<b>(2.4%)</b>
8	Agency Operations	4,008.9	3,875.1	(133.8)	(3.3%)
9	Statewide Items	446.3	524.1	77.8	17.4%
10	Supplemental Appropriations	53.6	-	(53.6)	
11	<b>Capital Budget</b>	<b>133.2</b>	<b>176.7</b>	<b>43.5</b>	<b>32.7%</b>
12	Current Year Appropriations	120.3	176.7	56.4	46.8%
13	Supplemental Appropriations	12.9	-	(12.9)	
14	<b>Permanent Fund</b>	<b>1,905.5</b>	<b>2,023.9</b>	<b>118.4</b>	<b>6.2%</b>
15	Permanent Fund Dividends	1,905.5	2,023.9	118.4	6.2%
16	Inflation Proofing/Other Deposits	-	-		
17	<b>Pre-Transfer Surplus/(Deficit)</b>	<b>(1,855.4)</b>	<b>(2,035.2)</b>		
18	Permanent Fund Earnings Reserve Account	(1,225.5)	(2,023.9)		
	Other Fund Transfers	40.9	19.9		
19	<b>Post-Transfer Surplus/(Deficit)</b>	<b>(670.8)</b>	<b>(31.2)</b>		
20	CBR Direct Appropriations	(1,064.2)	-		
21	Draw After Direct CBR Appropriations	393.4	(31.2)		
22	<b>Total CBR Draw</b>	<b>(670.8)</b>	<b>(31.2)</b>		
				Reserve Balances (EOY)	
				FY21	FY22
				CBR	770.1
				FRA	10,479.1
					9,385.9

+6 million

+4 million

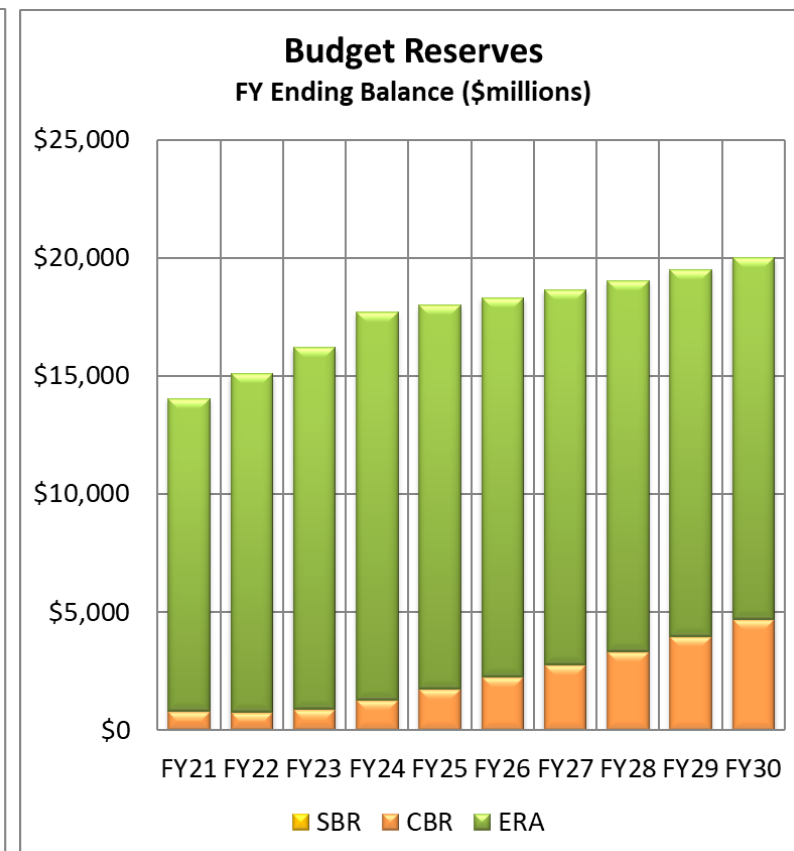
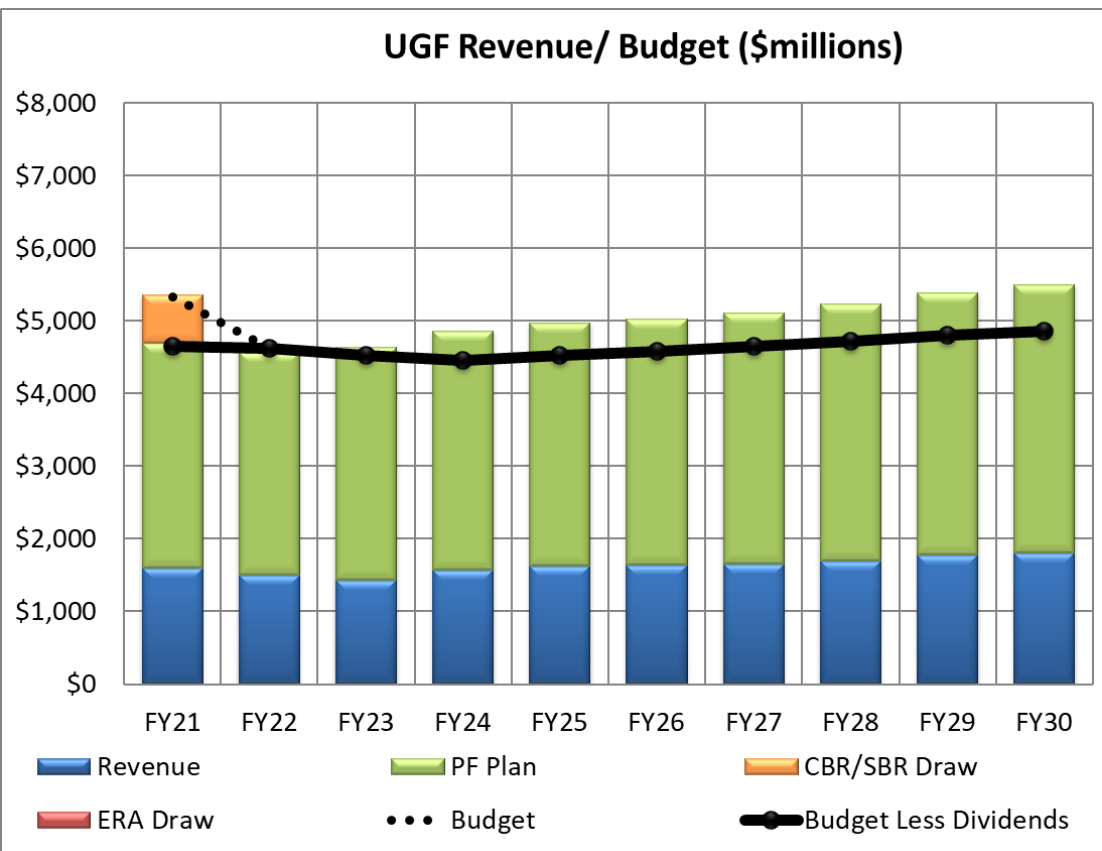
+56.5 million

+60 million

+114.5  
million

# Fiscal Model: Governor's Budget with Typical Fund Sources

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-671	-81	72	377	407	415	435	487	550	599





# 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

# Fiscal Summary: Governor's Budget without COVID-19 Funding

Short Fiscal Summary - FY21/FY22 Budget					
(\$ Millions) (Non-duplicated Funds)	FY21	FY22 Gov Amd	Change in UGF		
	UGF	UGF			
1 <b>Revenue</b>	<b>4,692.2</b>	<b>4,564.7</b>	<b>(127.5)</b>	<b>(2.7%)</b>	
2 UGF Revenue (Fall 2020 Forecast)	1,243.1	1,202.6	(40.5)	(3.3%)	
3 February Adjustment	249.0	292.8	43.8	17.6%	
4 POMV Draw	3,091.5	3,069.3	(22.2)	(0.7%)	
5 Misc/Adjust/Non-UGF Revenue	108.6	-	(108.6)		
6 <b>Appropriations</b>	<b>6,547.6</b>	<b>6,614.5</b>	<b>67.0</b>	<b>1.0%</b>	
7 <b>Operating Budget</b>	<b>4,508.8</b>	<b>4,413.9</b>	<b>(95.0)</b>	<b>(2.1%)</b>	
8 Agency Operations	4,008.9	3,889.7	(119.2)	(3.0%)	+56.5 million
9 Statewide Items	446.3	524.1	77.8	17.4%	+14.6 million
10 Supplemental Appropriations	53.6	-	(53.6)		
11 <b>Capital Budget</b>	<b>133.2</b>	<b>176.7</b>	<b>43.5</b>	<b>32.7%</b>	+60 million
12 Current Year Appropriations	120.3	176.7	56.4	46.8%	
13 Supplemental Appropriations	12.9	-	(12.9)		
14 <b>Permanent Fund</b>	<b>1,905.5</b>	<b>2,023.9</b>	<b>118.4</b>	<b>6.2%</b>	+114.5 million
15 Permanent Fund Dividends	1,905.5	2,023.9	118.4	6.2%	
16 Inflation Proofing/Other Deposits	-	-			
17 <b>Pre-Transfer Surplus/(Deficit)</b>	<b>(1,855.4)</b>	<b>(2,049.8)</b>			
18 Permanent Fund Earnings Reserve Account	(1,225.5)	(2,023.9)			
Other Fund Transfers	40.9	19.9			
19 <b>Post-Transfer Surplus/(Deficit)</b>	<b>(670.8)</b>	<b>(45.8)</b>			
<b>Reserve Balances (EOY)</b>					
20 CBR Direct Appropriations	(1,064.2)	-			
21 Draw After Direct CBR Appropriations	393.4	(45.8)			
22 <b>Total CBR Draw</b>	<b>(670.8)</b>	<b>(45.8)</b>			
			<b>CBR</b>	<b>FY21</b>	<b>FY22</b>
			ERA	770.1	759.9
				10,479.1	9,385.9

+6 million

+4 million

+56.5 million

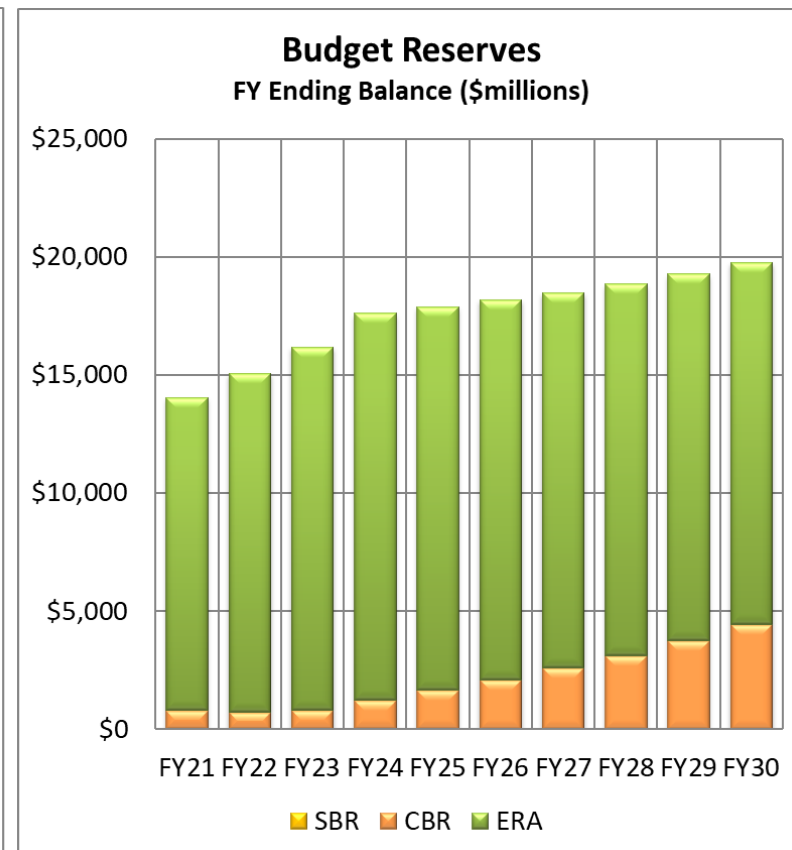
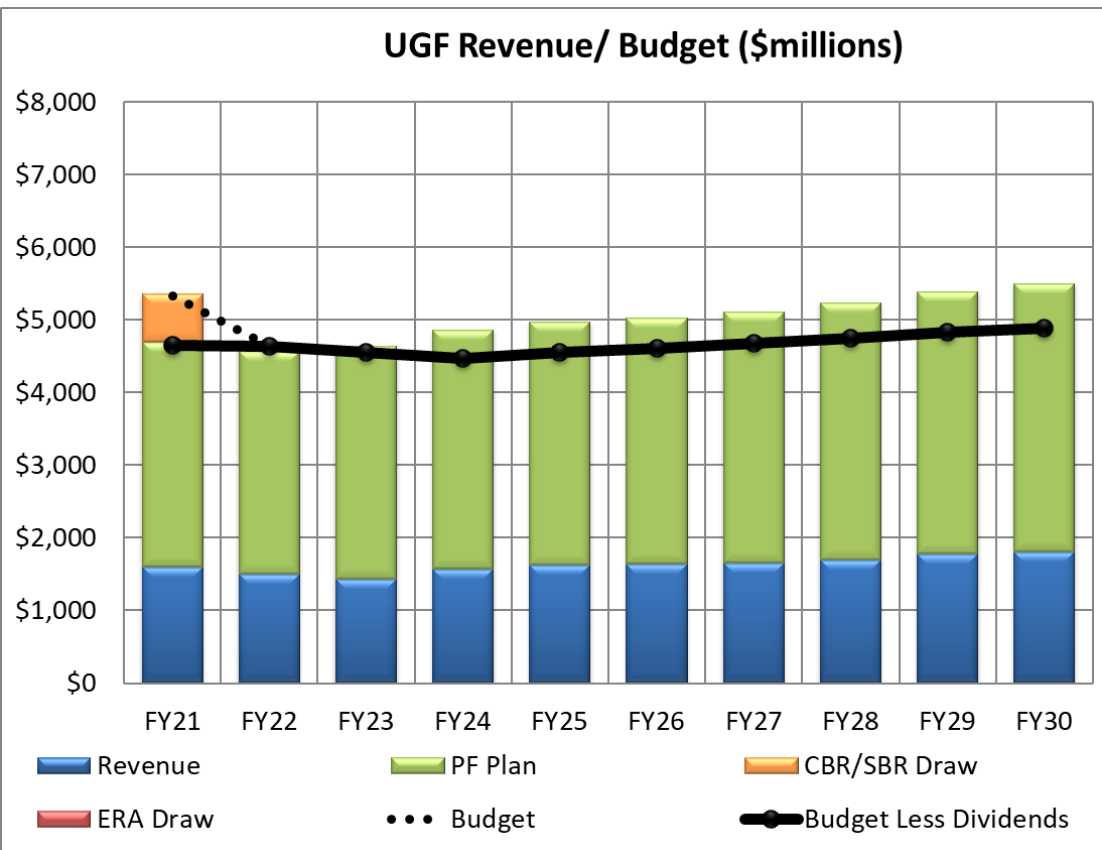
+14.6 million

+60 million

+114.5  
million

# Fiscal Model: Governor's Budget without COVID-19 Funding

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-671	-96	57	362	393	400	420	471	534	583



# FY18-22 Spending with Adjustments for Fund Sources and COVID-19

UGF Budget Changes, FY18 - FY22							
Agency	18FnlBud	19FnlBud	20FnlBud	21MgtPln	22GovAmd with Fund Source Adjustments	FY18-22 Change \$	FY18-22 Change %
Education & Early Dev	1,305,076.8	1,308,165.0	1,330,527.9	1,319,645.9	1,292,985.7	(12,091.1)	-0.9%
Health & Social Services	1,131,293.6	1,169,533.1	1,209,071.1	1,210,161.7	1,112,395.8	(18,897.8)	-1.7%
Corrections	285,297.1	294,108.0	299,636.7	339,285.9	345,878.2	60,581.1	21.2%
University of Alaska	317,033.5	327,033.5	302,033.5	277,033.5	257,033.5	(60,000.0)	-18.9%
Public Safety	159,095.7	165,018.1	175,966.4	180,029.3	183,682.8	24,587.1	15.5%
Transportation	135,673.2	181,355.1	142,589.5	150,113.6	146,751.1	11,077.9	8.2%
Judiciary	104,838.6	105,444.9	107,597.1	111,151.7	114,653.2	9,814.6	9.4%
Administration	63,464.8	66,051.3	64,506.5	67,047.9	67,142.4	3,677.6	5.8%
Legislature	58,447.4	58,213.9	60,789.2	67,177.4	66,326.2	7,878.8	13.5%
Natural Resources	74,866.4	108,118.8	180,629.6	65,729.7	68,376.6	(6,489.8)	-8.7%
Law	50,624.8	51,589.8	51,228.8	52,162.8	53,918.7	3,293.9	6.5%
Fish and Game	50,516.4	51,583.3	51,351.3	50,780.5	50,253.2	(263.2)	-0.5%
Governor	26,685.5	25,183.2	22,753.9	25,325.1	31,131.9	4,446.4	16.7%
Revenue	25,584.9	25,139.2	25,914.5	27,752.2	25,822.7	237.8	0.9%
Military & Veterans' Affairs	23,699.4	24,157.2	23,341.9	22,956.2	22,167.3	(1,532.1)	-6.5%
Labor & Workforce Dev	20,992.0	20,697.2	20,846.6	18,650.6	17,524.2	(3,467.8)	-16.5%
Environmental Conservation	15,297.9	15,391.8	15,397.2	15,463.9	15,853.4	555.5	3.6%
Commerce, Community & Econ Dev	11,586.6	10,101.6	8,522.5	8,462.0	7,534.7	(4,051.9)	-35.0%
<b>Agency Operations Total</b>	<b>3,860,074.6</b>	<b>4,006,885.0</b>	<b>4,092,704.2</b>	<b>4,008,929.9</b>	<b>3,879,431.6</b>	<b>19,357.0</b>	<b>0.5%</b>
Debt Service	209,416.9	199,995.4	149,753.3	100,730.3	104,993.8	(104,423.1)	-49.9%
State Retirement Payments	163,649.6	271,166.6	307,936.1	345,567.4	341,984.8	178,335.2	109.0%
Special Appropriations	9,432.5	367.2	7,046.9	-	-	(9,432.5)	-100.0%
Fund Capitalization	102,539.7	185,610.7	27,324.5	30.0	77,149.0	(25,390.7)	-24.8%
<b>Statewide Items Total</b>	<b>485,038.7</b>	<b>657,139.9</b>	<b>492,060.8</b>	<b>446,327.7</b>	<b>464,127.6</b>	<b>(20,911.1)</b>	<b>-4.3%</b>
<b>Pre-Permanent Fund Total</b>	<b>4,345,113.3</b>	<b>4,664,024.9</b>	<b>4,584,765.0</b>	<b>4,455,257.6</b>	<b>4,282,759.2</b>	<b>(62,354.1)</b>	<b>-1.4%</b>

# Obligations and Funding Needs of the State of Alaska

- This is not an exhaustive list. The total for these items is about \$12 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

# 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



# 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.

# Fiscal Summary: Governor's Budget with Statutory Funding of Statewide Items

Short Fiscal Summary - FY21/FY22 Budget						
(\$ Millions) (Non-duplicated Funds)		FY21	FY22 Gov Amd	Change in UGF		
		UGF	UGF			
1	Revenue	4,692.2	4,564.7	(127.5)	(2.7%)	
2	UGF Revenue (Fall 2020 Forecast)	1,243.1	1,202.6	(40.5)	(3.3%)	
3	February Adjustment	249.0	292.8	43.8	17.6%	
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	6,693.4	145.9	2.2%	
7	Operating Budget	4,508.8	4,492.8	(16.1)	(0.4%)	
8	Agency Operations	4,008.9	3,889.7	(119.2)	(3.0%)	+56.5 million
9	Statewide Items	446.3	603.0	156.7	35.1%	+14.6 million
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%	+60 million
13	Supplemental Appropriations	12.9	-	(12.9)		+78.9 million
14	Permanent Fund	1,905.5	2,023.9	118.4	6.2%	+114.5 million
15	Permanent Fund Dividends	1,905.5	2,023.9	118.4	6.2%	
16	Inflation Proofing/Other Deposits	-	-			
17	Pre-Transfer Surplus/(Deficit)	(1,855.4)	(2,128.7)			
18	Permanent Fund Earnings Reserve Account	(1,225.5)	(2,023.9)			
	Other Fund Transfers	40.9	19.9			
19	Post-Transfer Surplus/(Deficit)	(670.8)	(124.7)			
Reserve Balances (CBR)						
20	CBR Direct Appropriations	(1,064.2)	-		FY21	FY22
21	Draw After Direct CBR Appropriations	393.4	(124.7)	CBR	770.1	681.0
22	Total CBR Draw	(670.8)	(124.7)	ERA	10,479.1	9,385.9

+6 million

+4 million

+56.5 million

+14.6 million

+60 million

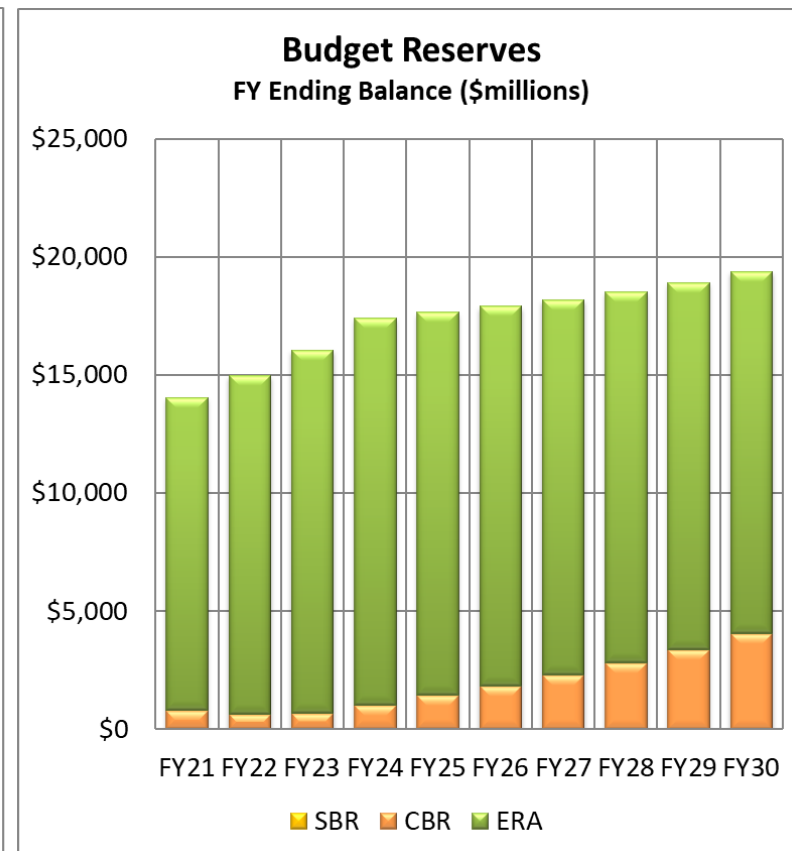
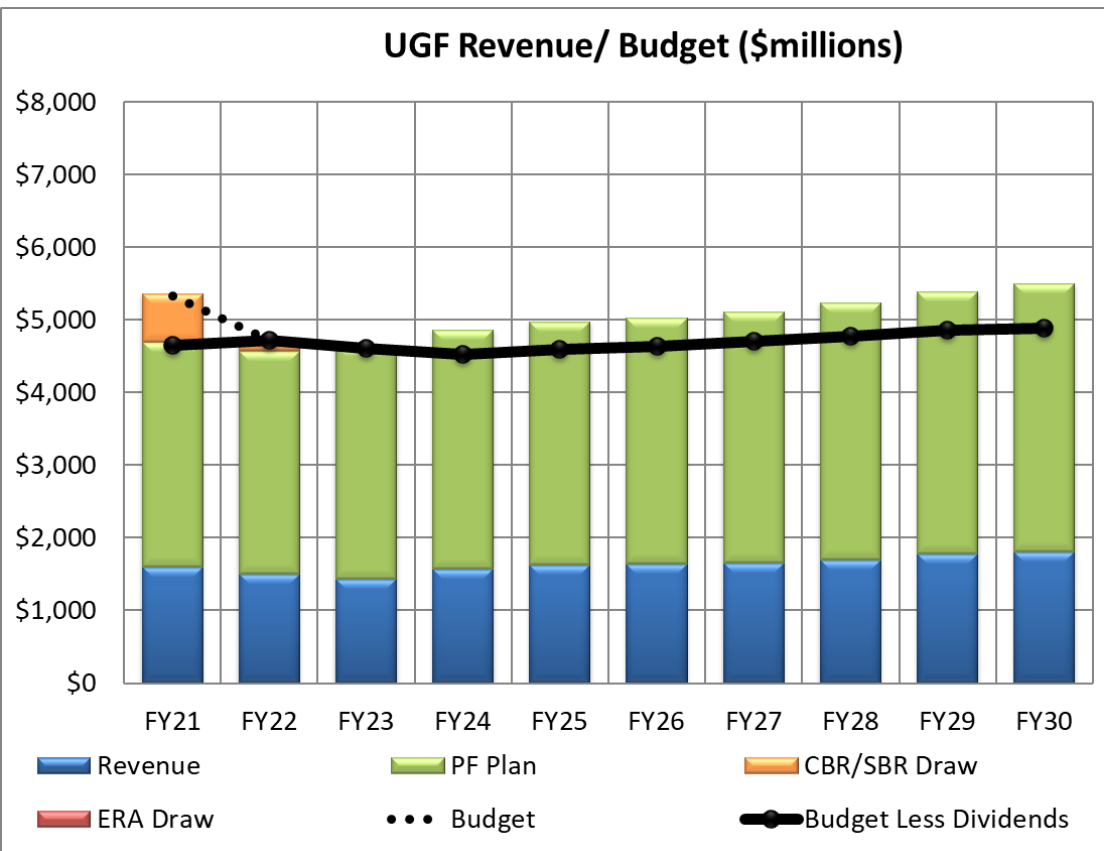
+78.9 million

+114.5

million

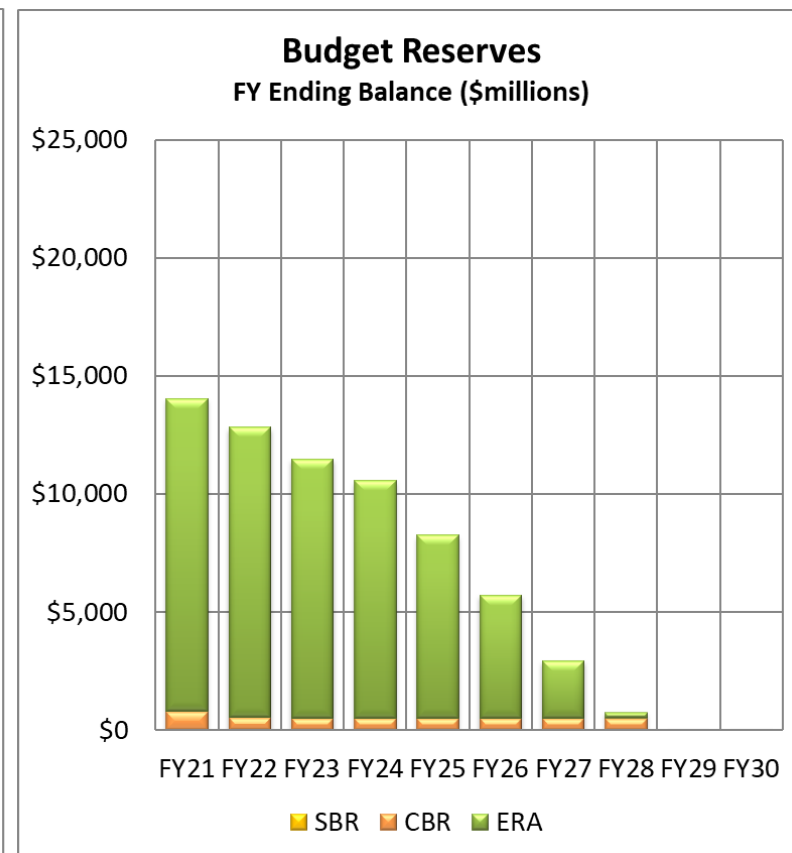
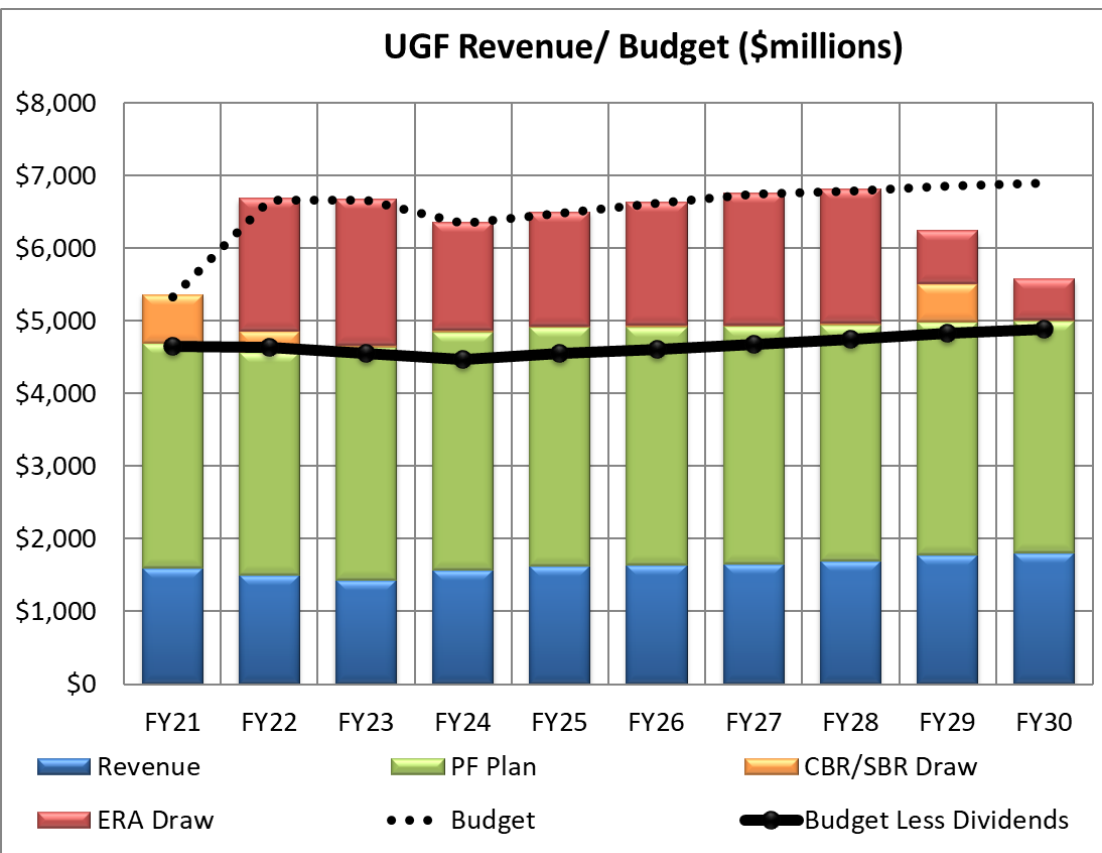
# Fiscal Model: Governor's Budget with Statutory Funding of Statewide Items

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-671	-175	4	317	356	367	388	443	507	579



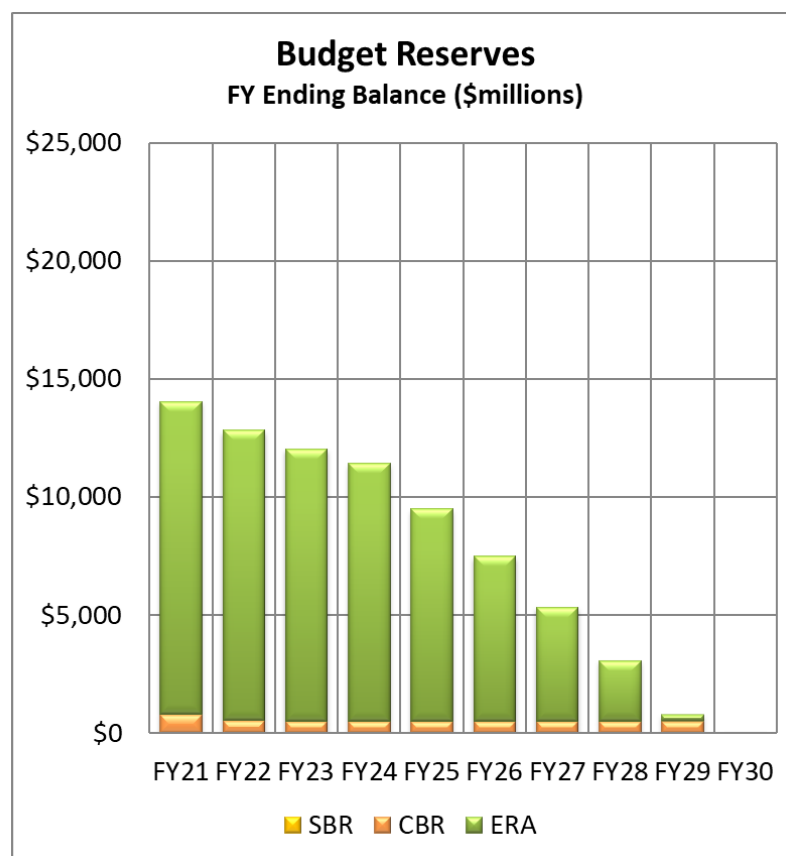
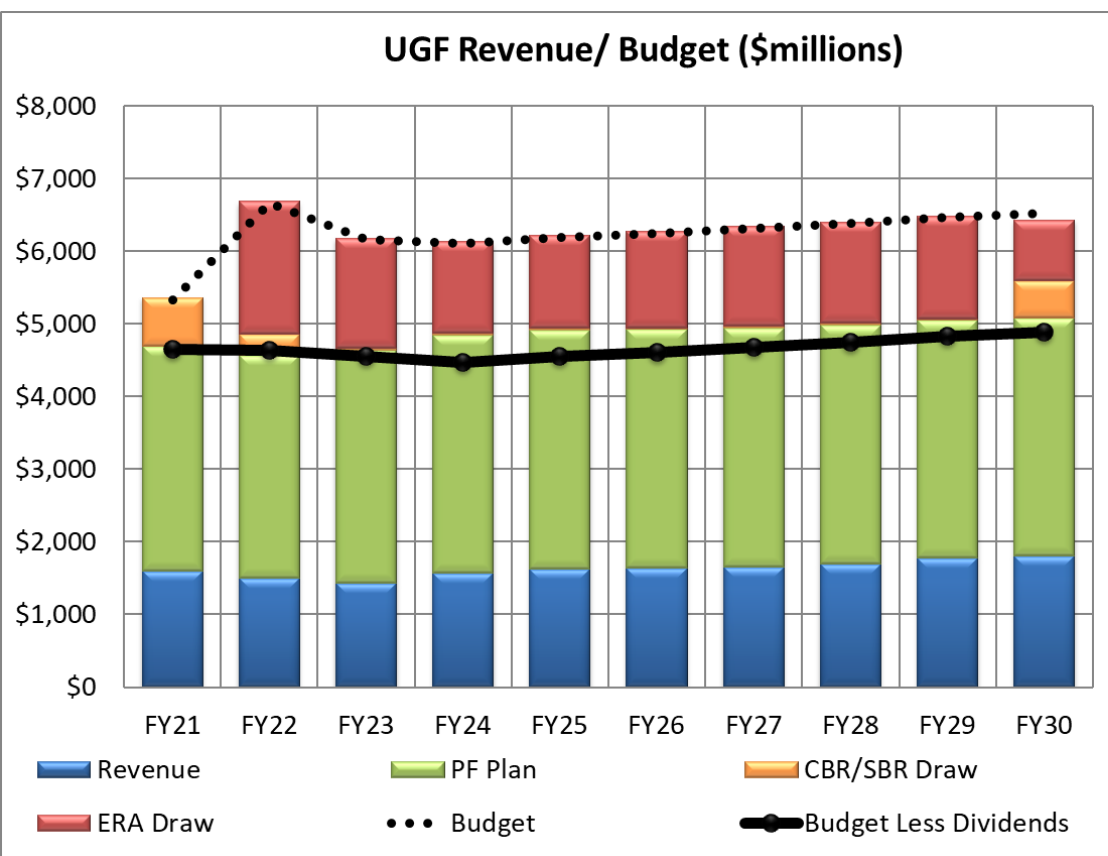
# Fiscal Model: Budget with Typical Fund Sources, No COVID Offsets, Statutory PFD

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-671	-2,119	-2,049	-1,517	-1,592	-1,724	-1,839	-1,867	-1,885	-1,921



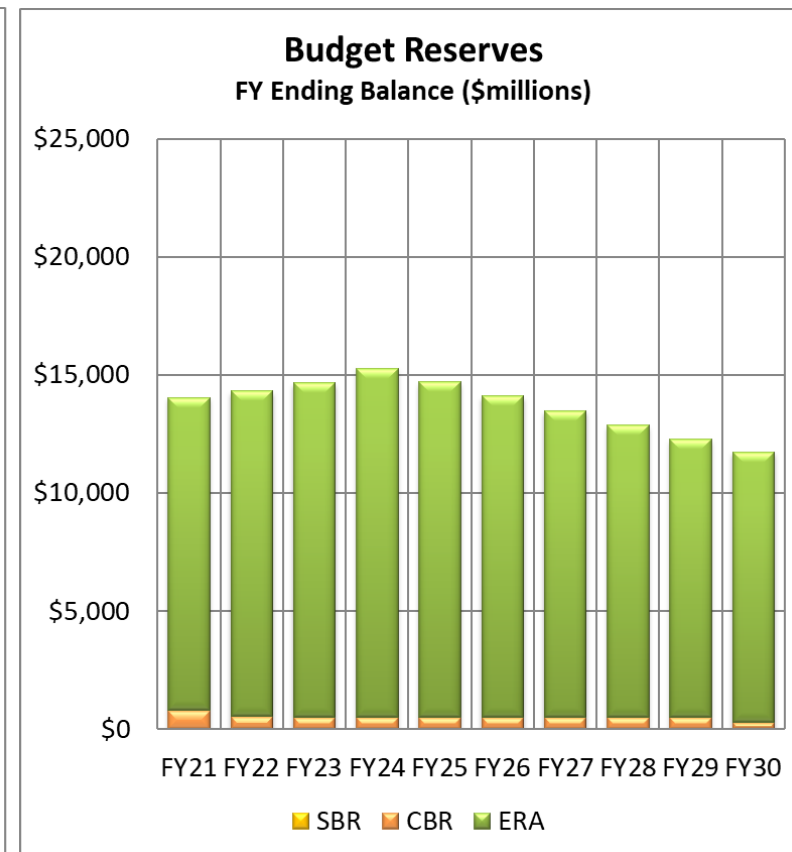
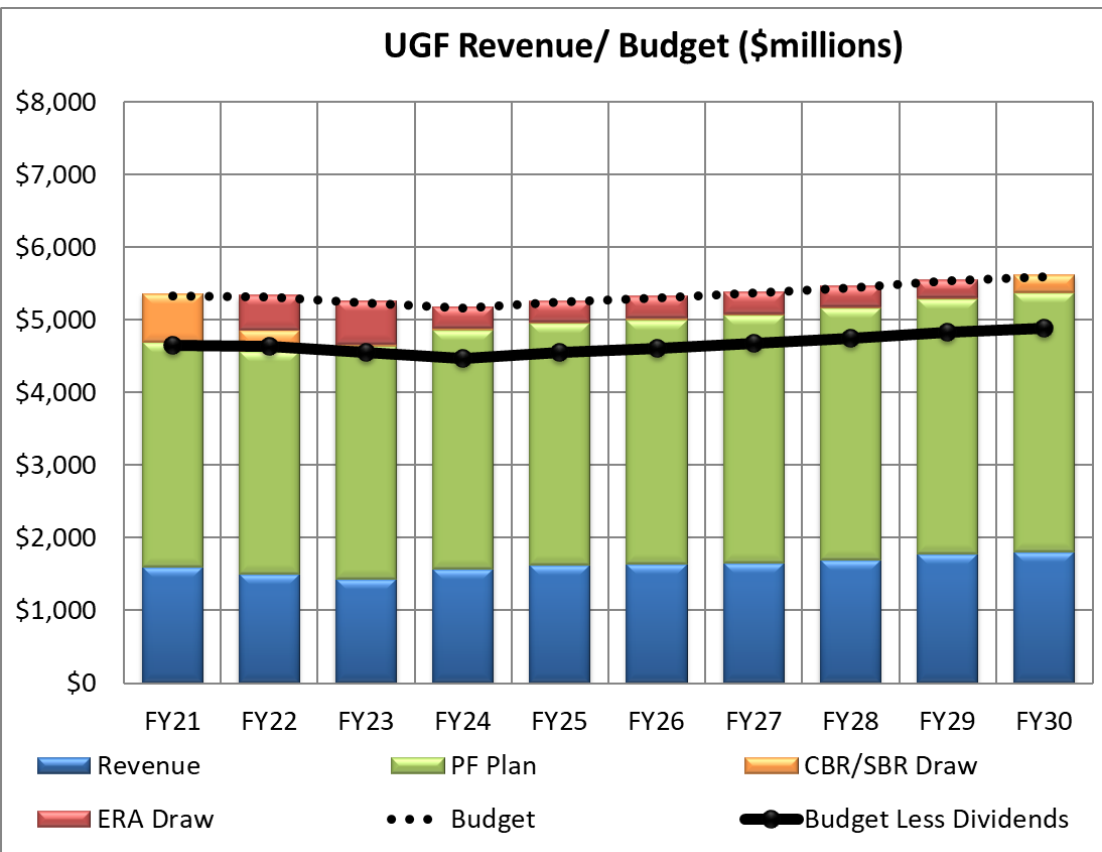
# Fiscal Model: Budget with Typical Fund Sources, No COVID Offsets, and 50/50 POMV Split

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-671	-2,119	-1,546	-1,293	-1,303	-1,343	-1,392	-1,419	-1,434	-1,465



# Fiscal Model: Budget with Typical Fund Sources, No COVID Offsets, and \$1,000 PFD

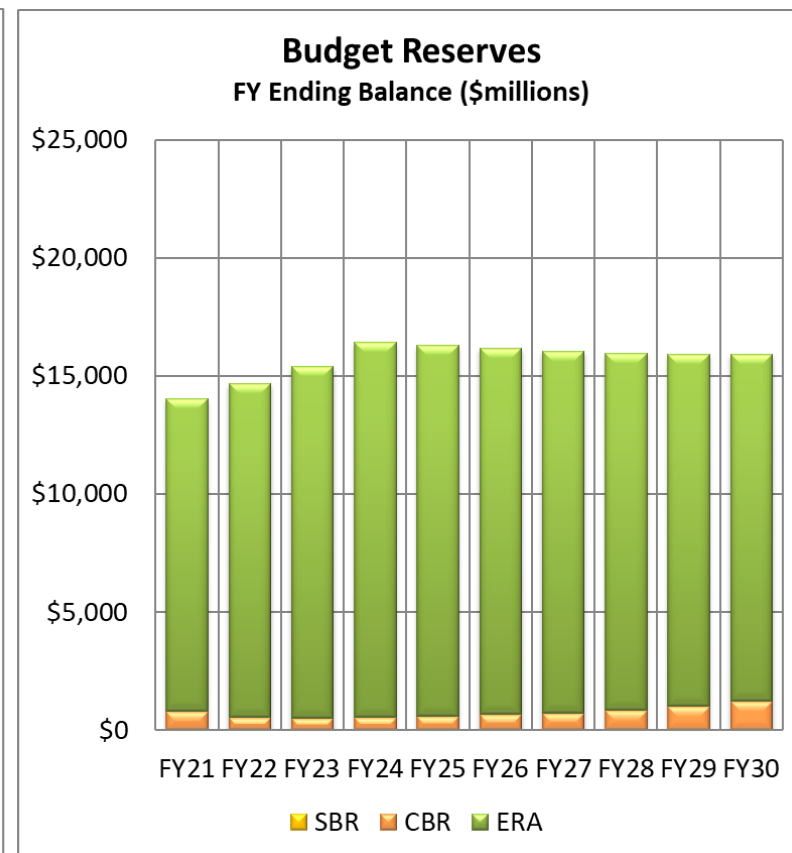
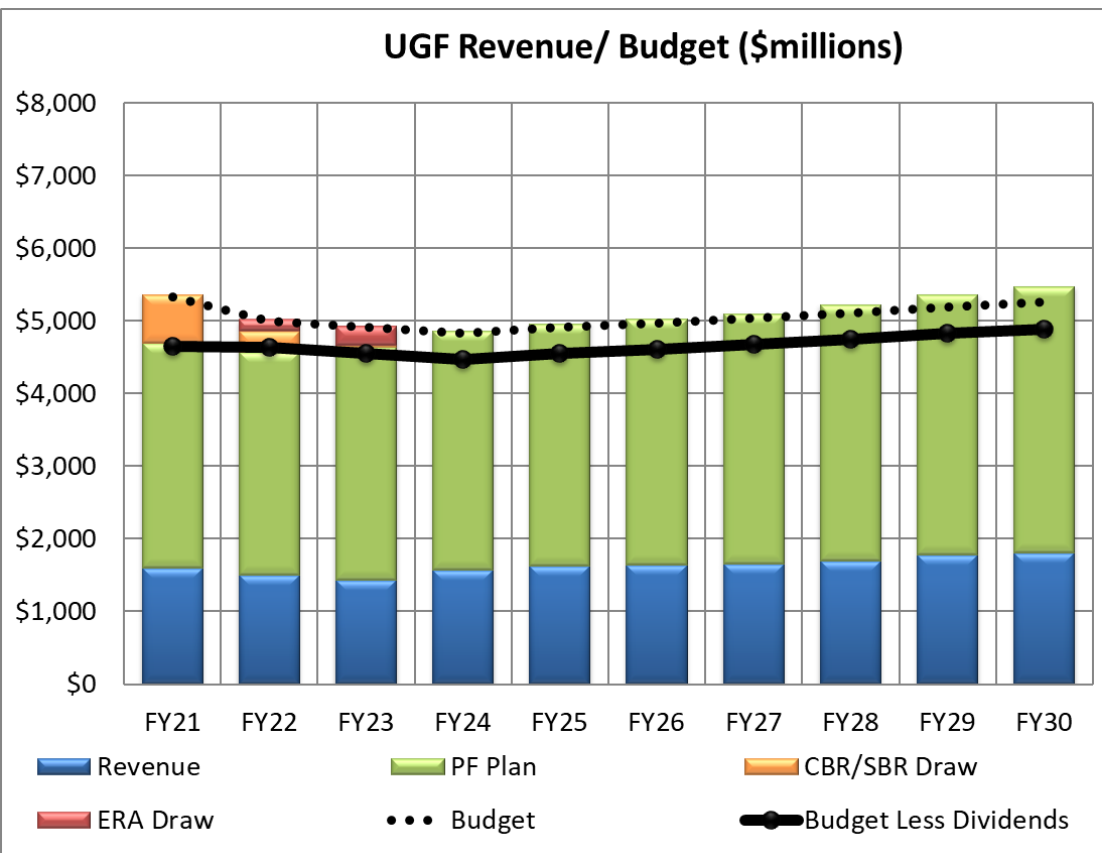
Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-671	-775	-626	-330	-315	-325	-328	-303	-266	-240





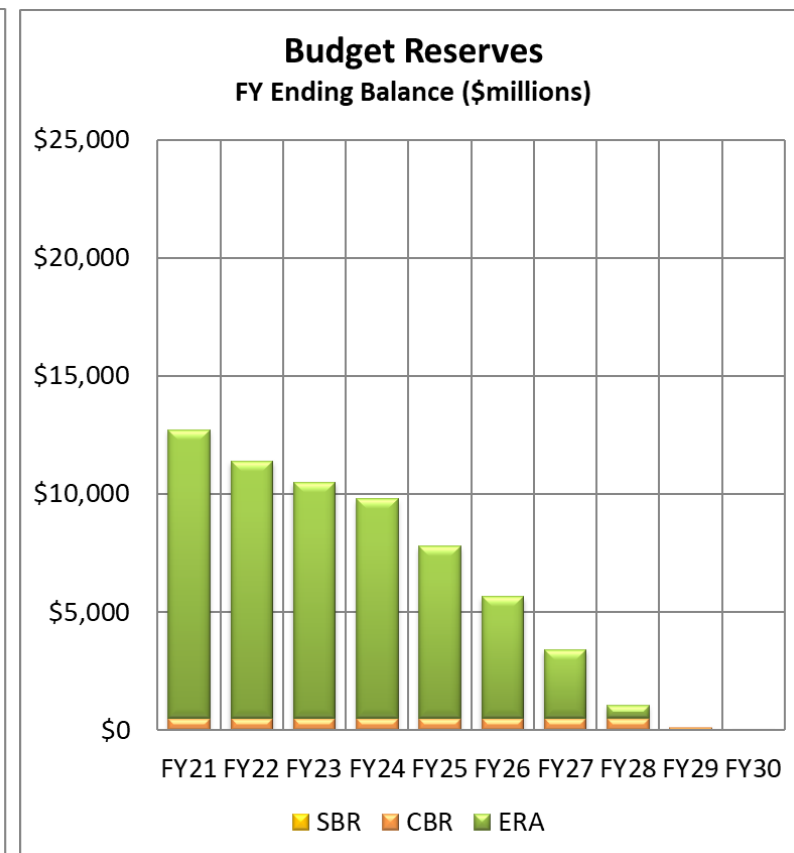
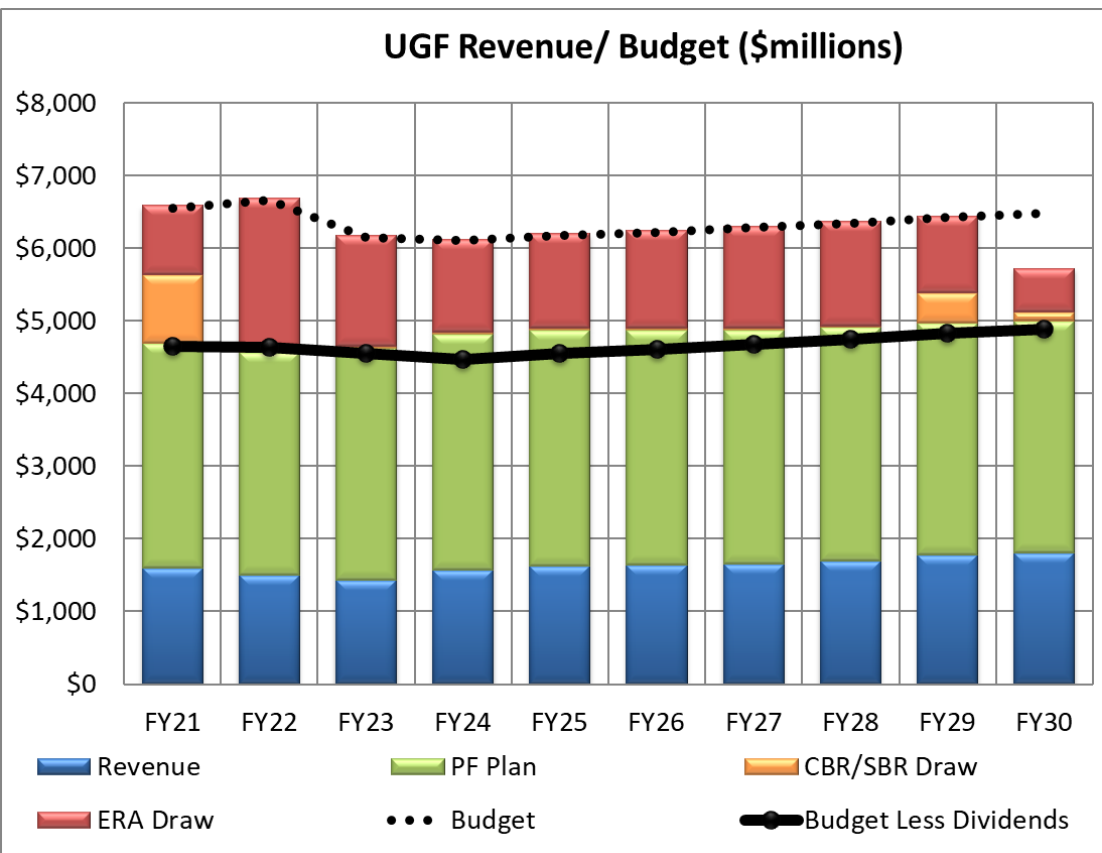
# Fiscal Model: Adjusted Budget with \$500 PFD

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-671	-453	-297	3	27	28	41	85	141	187

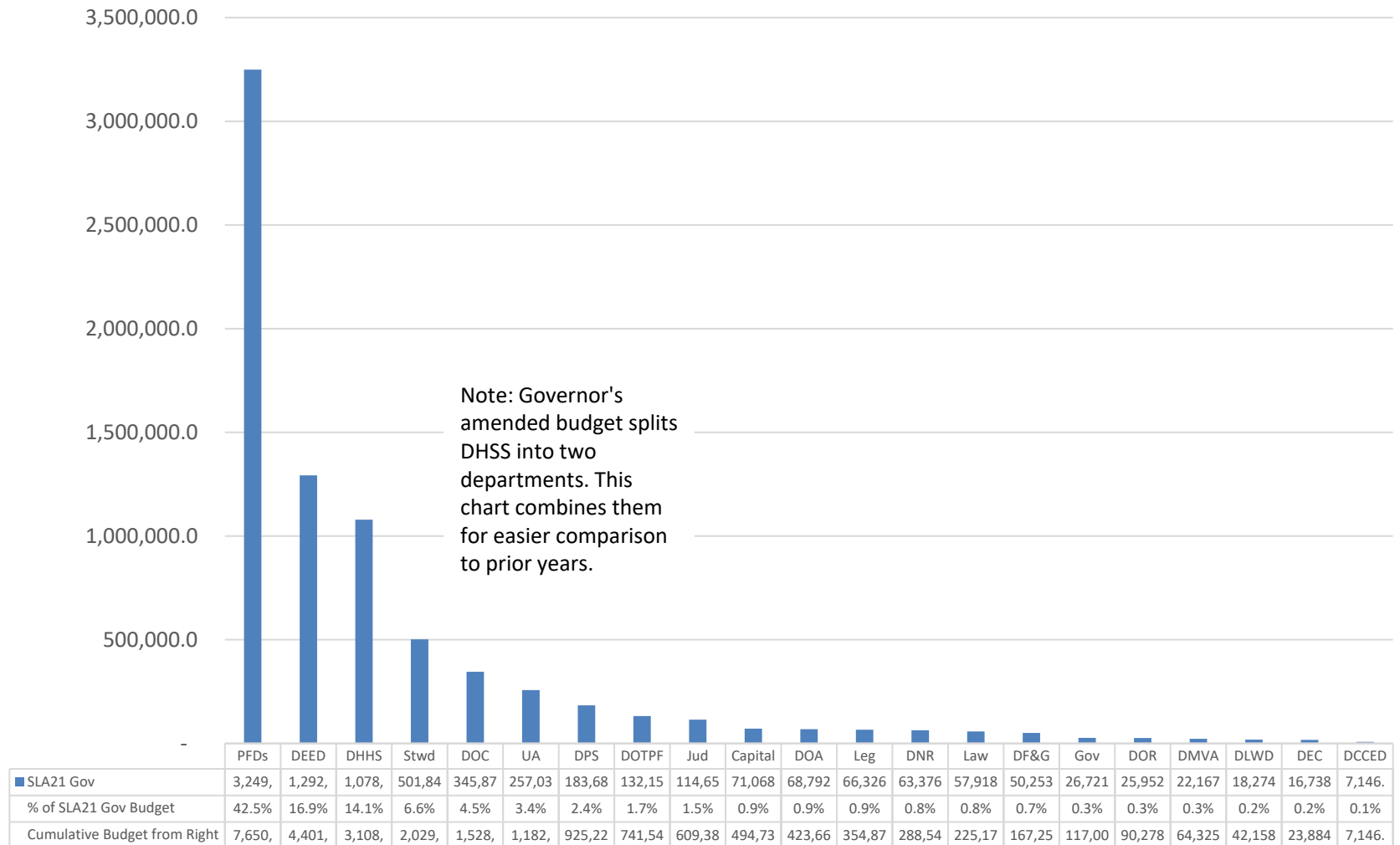


# Fiscal Model: Budget with Typical Fund Sources, No COVID Offsets, 50/50 POMV PFD, FY21 Supplemental PFD

Surplus/(Deficit) (\$millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-1,896	-2,119	-1,551	-1,304	-1,321	-1,368	-1,425	-1,456	-1,473	-1,505



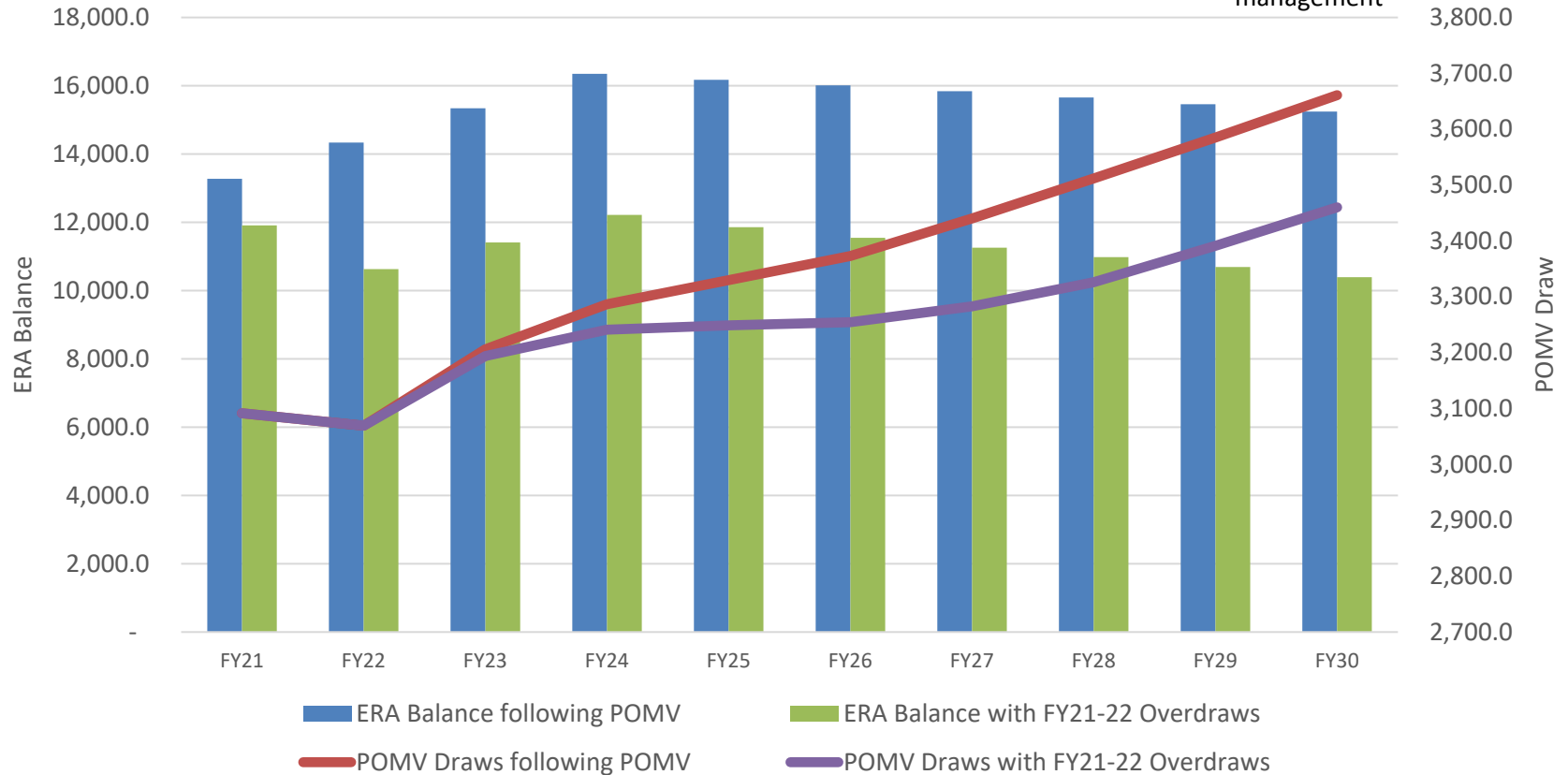
# Swoop Graph of All Governor's 2021 Session Appropriations (GovAmend plus Governor's Supplementals)



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

(In millions, based on Callan forecast)  
(Assumes no inflation-proofing from FY21-24)

Note: Actual differences may be larger if overdrafts cause changes in fund management



	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Difference in POMV Draw	-	-	(12.3)	(45.6)	(81.0)	(118.4)	(157.4)	(185.6)	(193.9)	(200.9)
Cumulative Difference in POMV Draws	-	-	(12.3)	(57.8)	(138.8)	(257.2)	(414.6)	(600.2)	(794.1)	(995.0)

# Questions?

## Contact Information

Alexei Painter  
Legislative Fiscal Analyst  
(907) 465-5413  
Alexei.Painter@akleg.gov

Conor Bell  
Fiscal Analyst/Economist  
(907) 465-3002  
Conor.Bell@akleg.gov

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