Alaska's Fiscal Position & Projections

Senate Finance Committee

May 12, 2021

Legislative Finance Division

Disclaimer

Scenarios and adjustments in this presentation were requested by the Finance co-chairs. LFD is policy neutral and does not endorse a particular fiscal plan.

About the Modeling Assumptions

- 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
- FY21 returns use APFC's actual total income through March 31 of $13,903 million, and actual statutory net income of $5,272 million
  - Assume APFC will realize an additional $350 million in Q4 due to interest and rental income
- FY22-FY30 assumes 6.20% returns 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

Projected Growth in POMV and Other Revenue

- Under these assumptions, the POMV draw is projected to grow faster than inflation from FY23-27 due to strong earnings in FY21

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
POMV Draw	3,069.3	3,304.1	3,486.2	3,633.4	3,782.3	3,956.9	4,037.3	4,115.0	4,191.6
Growth Rate		7.65%	5.51%	4.22%	4.10%	4.61%	2.03%	1.92%	1.86%

- DOR's Spring Forecast projects rapid revenue growth from FY23-25 due to rebounding corporate income tax and other petroleum revenue growth

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Spring Forecast	1,662.2	1,921.0	2,085.1	2,223.9	2,282.8	2,346.9	2,436.5	2,531.5	2,658.5
Growth Rate		15.6%	8.5%	6.7%	2.6%	2.8%	3.8%	3.9%	5.0%

- The combined effect is a projection of shrinking deficits in the next few years even if the budget grows with inflation

Fiscal Summary with Capital Budget Placeholder

	($ Millions) (Non-duplicated Funds)	FY20 Final Budget	FY21 Plus Supps	FY22 Sen. CS1
			UGF	UGF
1	**Revenue**	**4,529.1**	**4,772.0**	**4,731.6**
2	UGF Revenue (Spring 2021 Forecast)	1,596.0	1,571.9	1,662.3
3	POMV Draw	2,933.1	3,091.5	3,069.3
4	Misc/Adjust/Non-UGF Revenue	-	108.6	-
5	**Appropriations**	**5,830.6**	**5,343.3**	**4,735.9**
6	**Operating Budget**	**4,584.5**	**4,532.8**	**4,559.2**
7	Agency Operations	3,739.1	4,009.3	3,906.0
8	Statewide Items	479.4	446.3	653.1
9	Supplemental Appropriations	366.0	77.2	-
10	**Capital Budget**	**177.5**	**130.5**	**176.7**
11	Current Year Appropriations	144.3	120.3	176.7
12	Supplemental Appropriations	33.2	10.2	-
13	**Permanent Fund**	**1,068.7**	**680.0**	**?**
14	Permanent Fund Dividends	1,068.7	680.0	?
15	**Pre-Transfer Surplus/(Deficit)**	**(1,301.5)**	**(571.3)**	**(4.3)**
	Fund Transfers	(272.4)	40.9	14.6
16	**Post-Transfer Surplus/(Deficit)**	**(1,029.1)**	**(612.3)**	**(18.9)**

Projected Reserve Balances with Senate CS and Capital Budget Placeholder

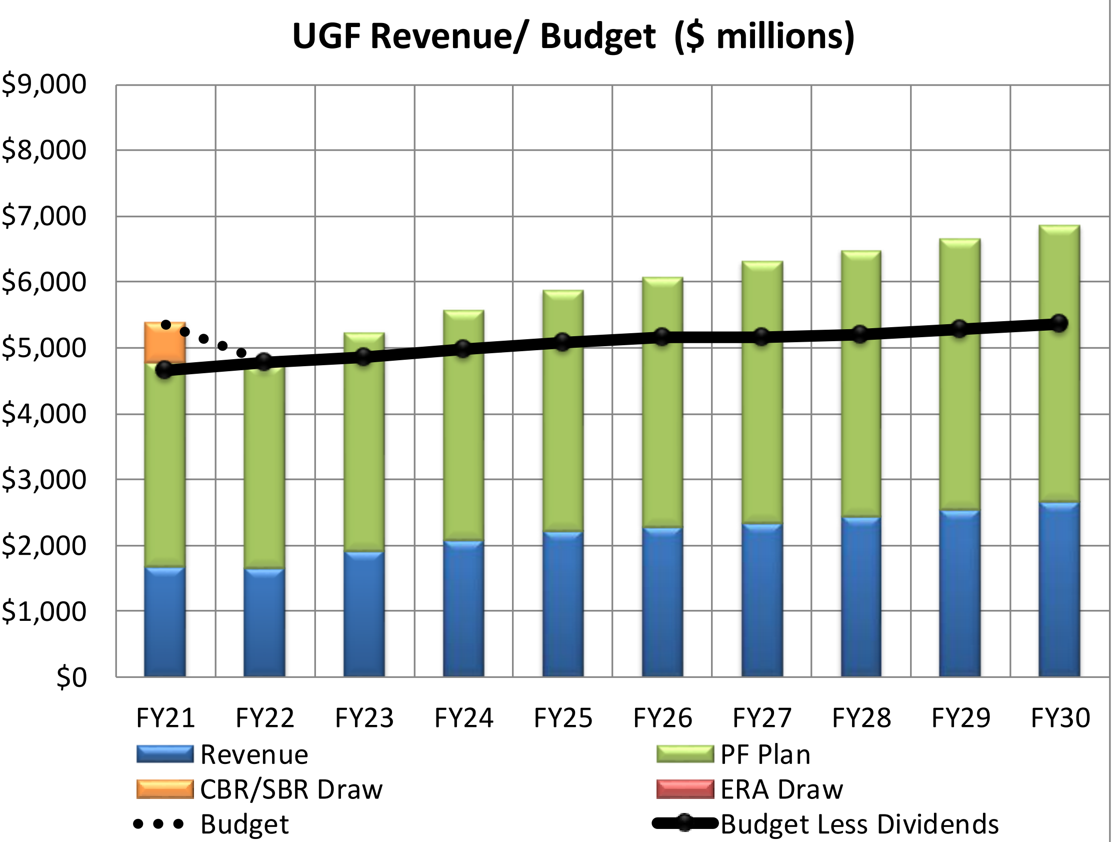
CBR Balance	**FY21**	**FY22**
Starting Balance	**1,435.0**	**614.8**
Deposit/Earnings	42.0	50.5
FY21 Direct Appropriations	(979.7)	-
FY20 DHSS Direct Lapse	75.0	-
Post-Transfer Surplus	367.5	(18.9)
Less SBR Transfer	(325.0)	-
Ending Balance	**614.8**	**646.4**

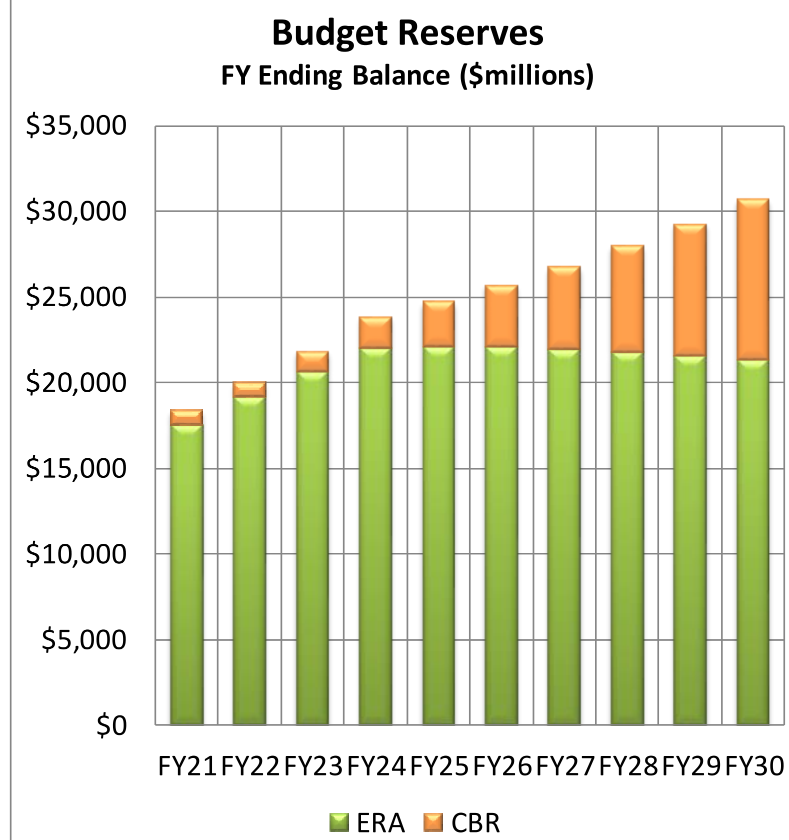
SBR Balance	**FY21**
Starting Balance	**-**
Post-Transfer Surplus	325.0
Lapsing Appropriations	100.7
Ending Balance	**425.7**

Fiscal Model: Budget before PFD

Constant 6.2% Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-69	345	583	764	893	1,128	1,269	1,347	1,480



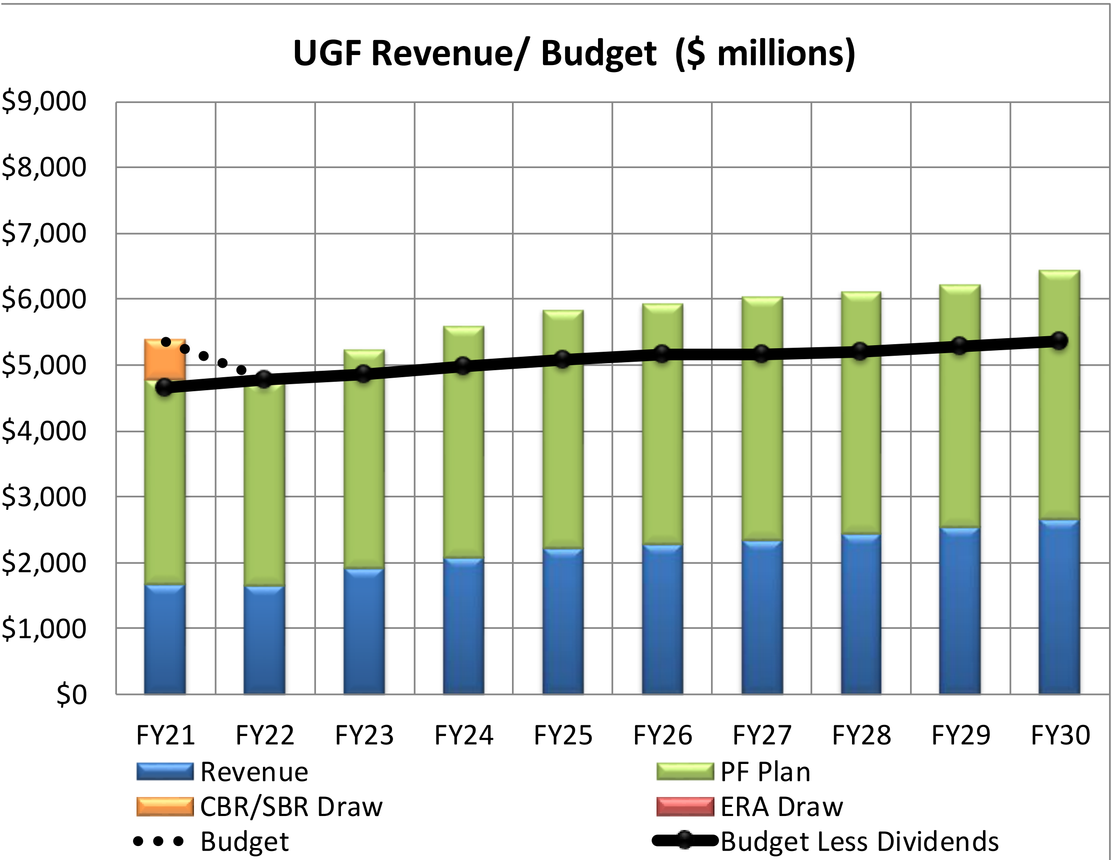


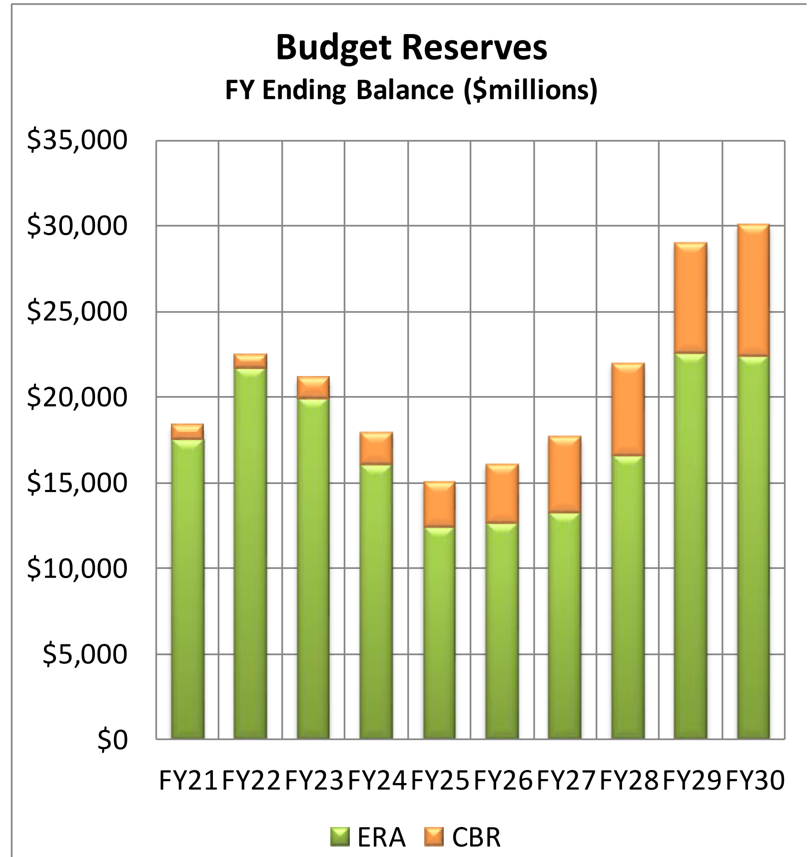
No ERA Overdraws

Fiscal Model: Budget Before PFD

FY00-FY08 Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-69	345	605	735	749	850	904	902	1,066



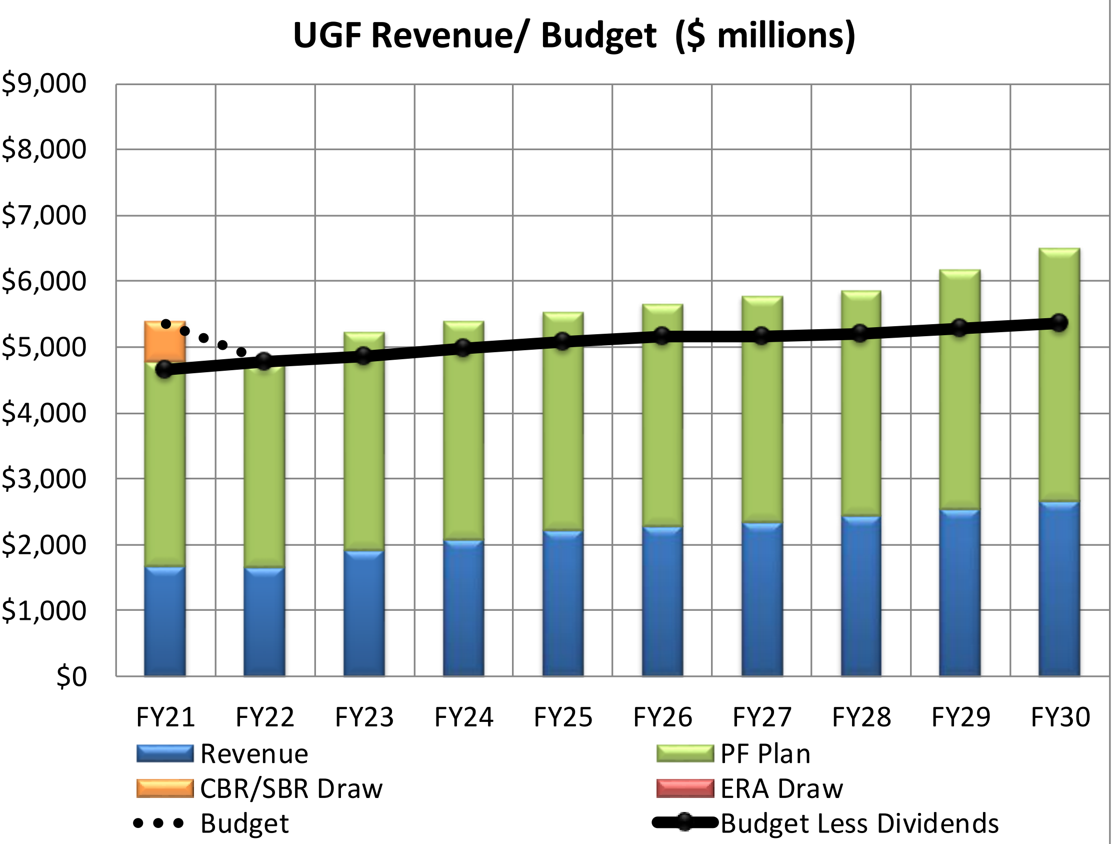


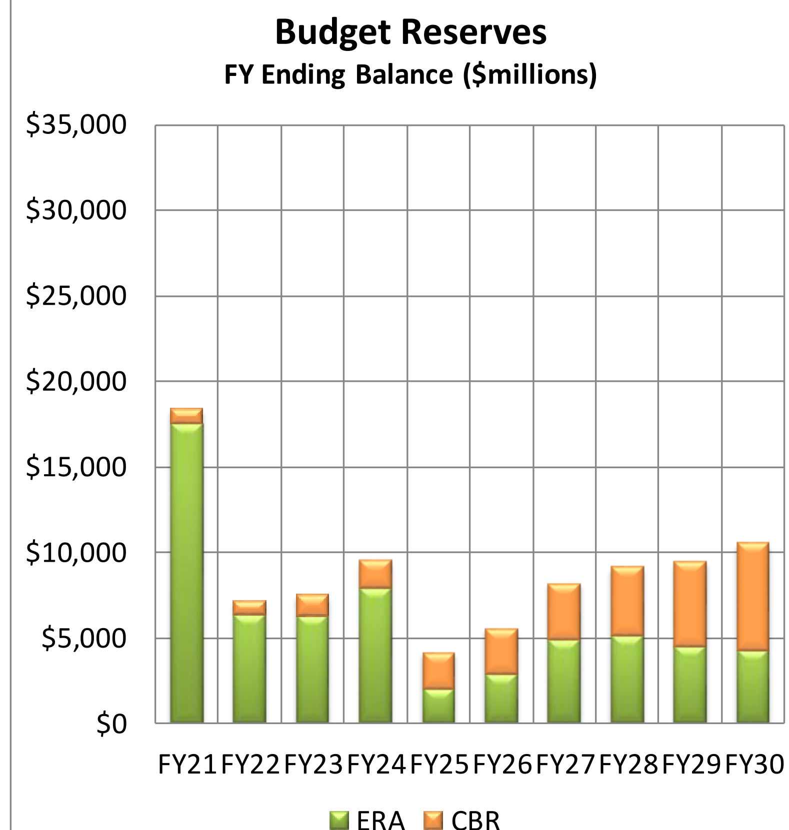
No ERA Overdraws

Fiscal Model: Budget Before PFD

FY09-FY17 Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-69	345	402	424	476	587	633	865	1,126



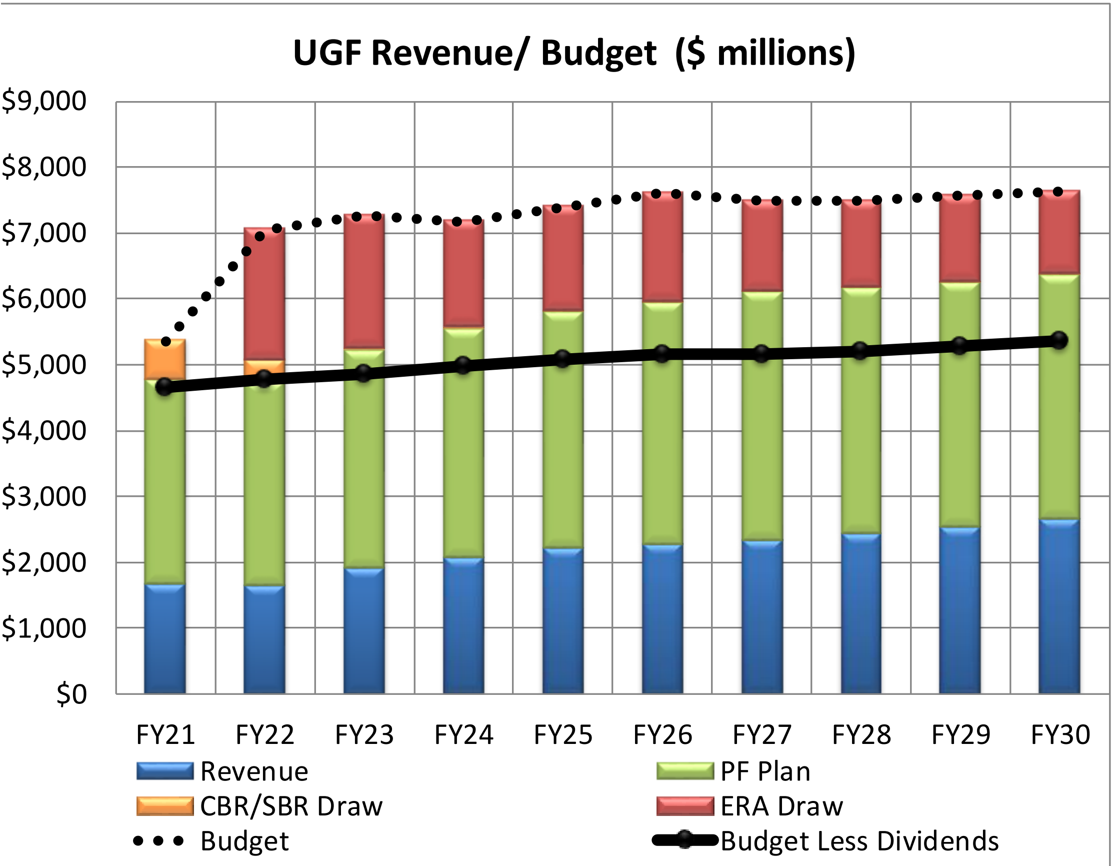


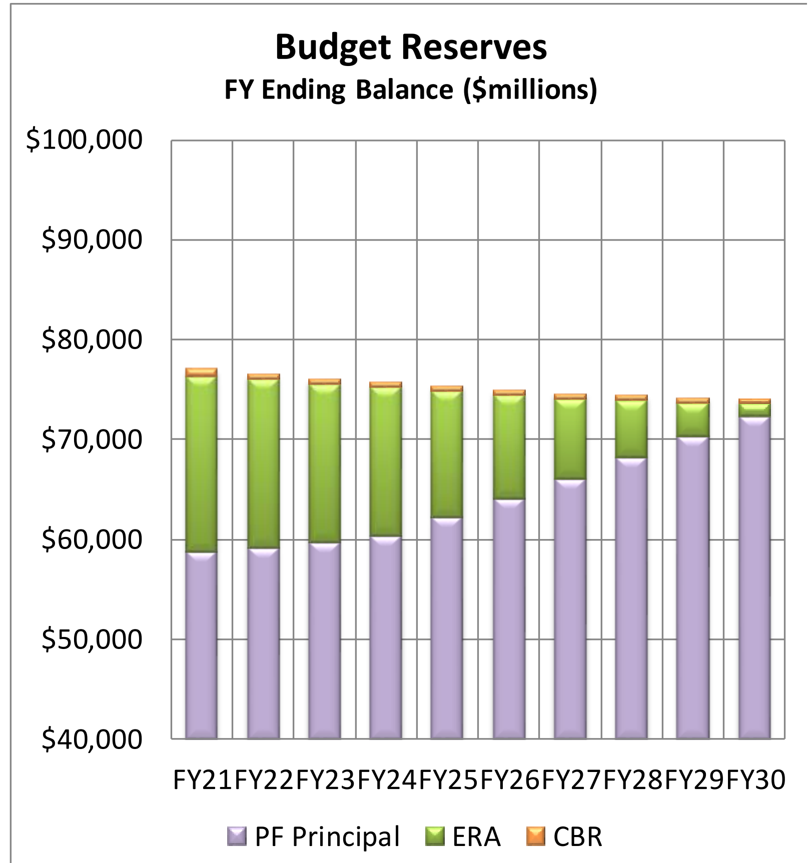
No ERA Overdraws

Fiscal Model: Budget w/ Statutory PFD

Constant 6.2% Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-2,334	-2,053	-1,638	-1,614	-1,679	-1,390	-1,332	-1,336	-1,282



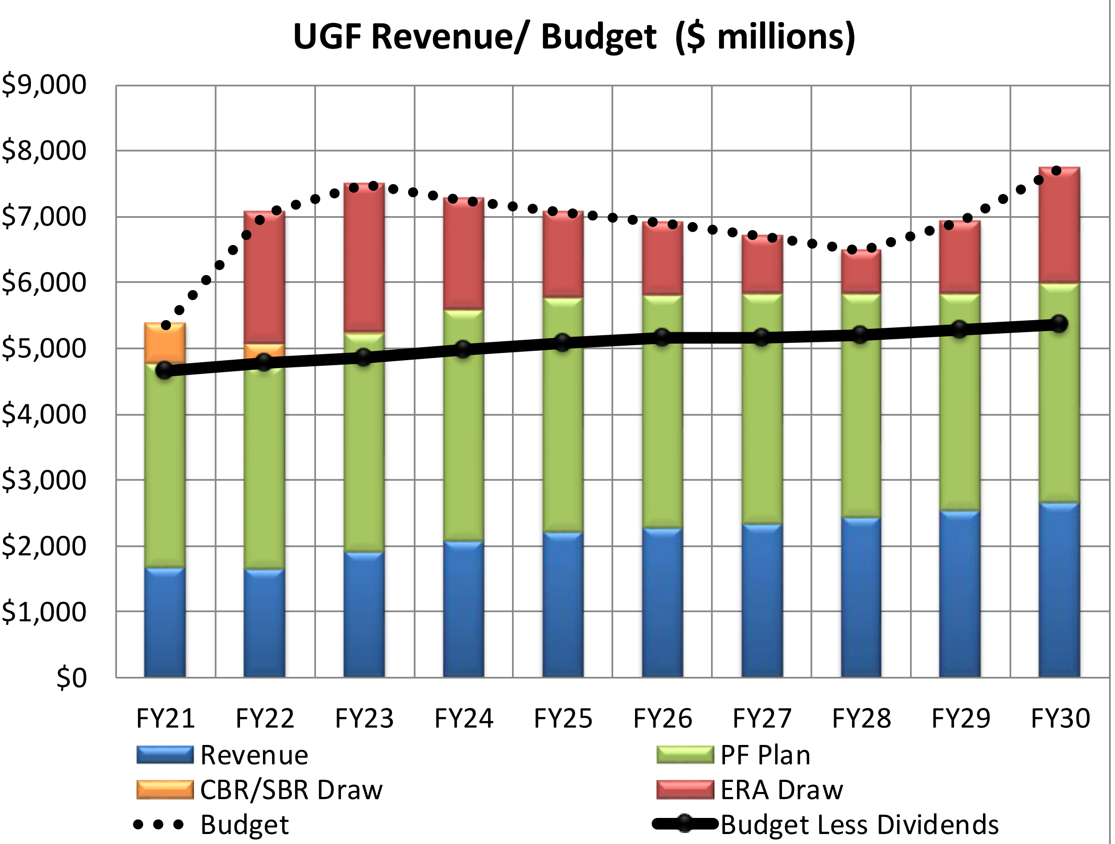


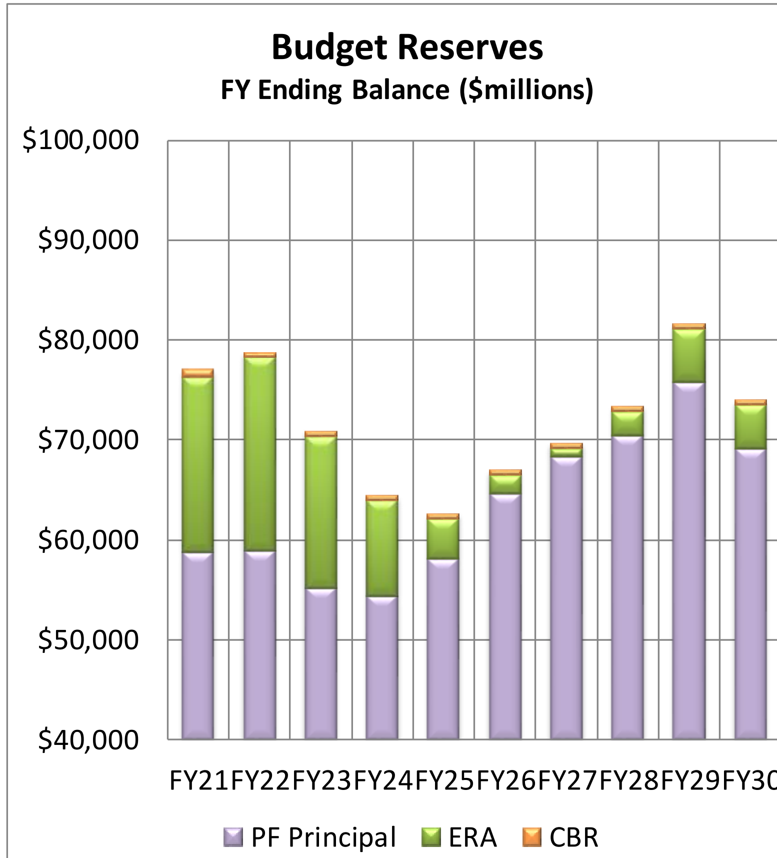
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	8.23%	8.06%	7.33%	7.23%	7.26%	6.82%	6.76%	6.77%	6.70%

Fiscal Model: Budget w/ Statutory PFD

FY00-08 Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-2,334	-2,278	-1,697	-1,312	-1,121	-878	-674	-1,103	-1,753



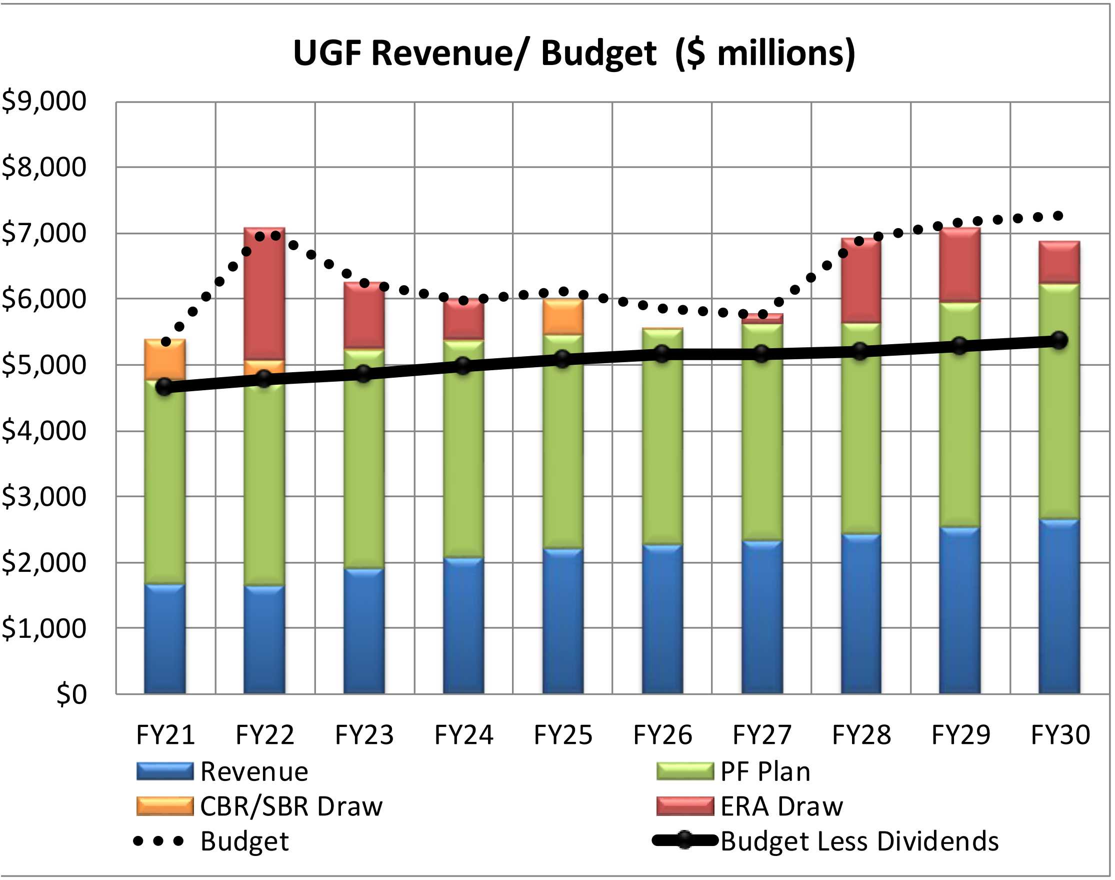


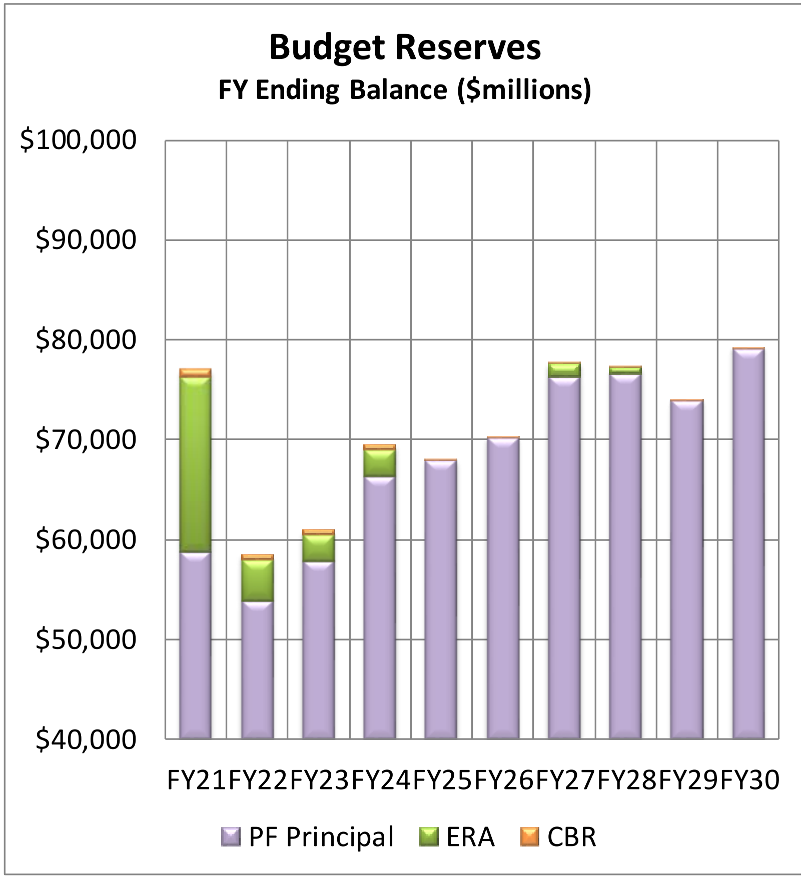
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	8.23%	8.40%	7.40%	6.82%	6.56%	6.23%	5.97%	6.64%	7.61%

Fiscal Model: Budget w/ Statutory PFD

FY09-17 Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-2,334	-1,025	-619	-665	-327	-152	-1,269	-1,235	-1,055



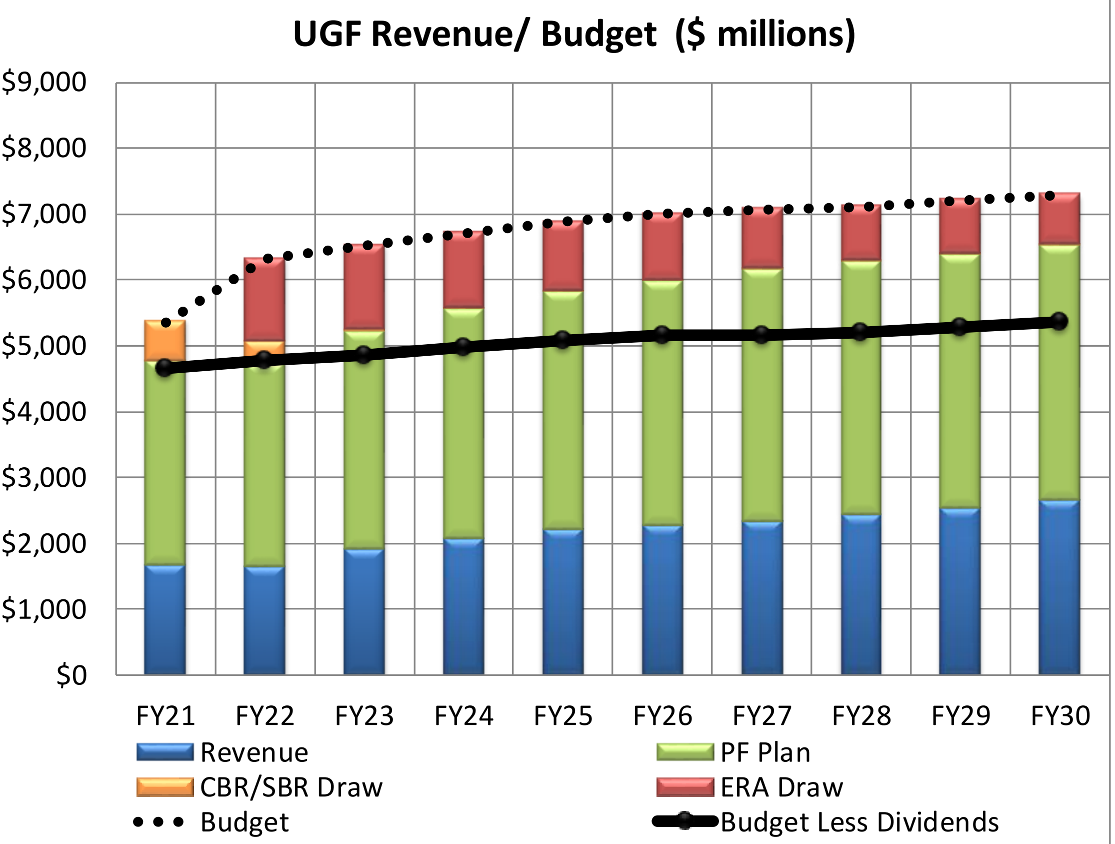


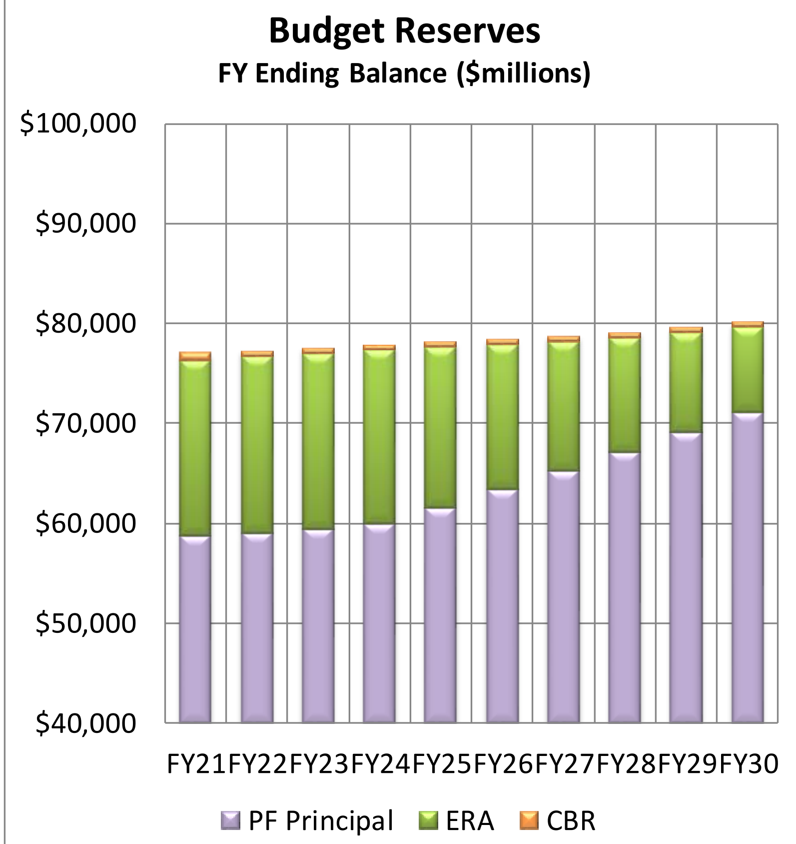
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	8.23%	6.51%	5.90%	5.00%	5.00%	5.23%	6.97%	6.62%	5.88%

Fiscal Model: Budget w/ 50% POMV PFD

Constant 6.2% Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-1,604	-1,308	-1,167	-1,072	-1,037	-915	-847	-839	-774



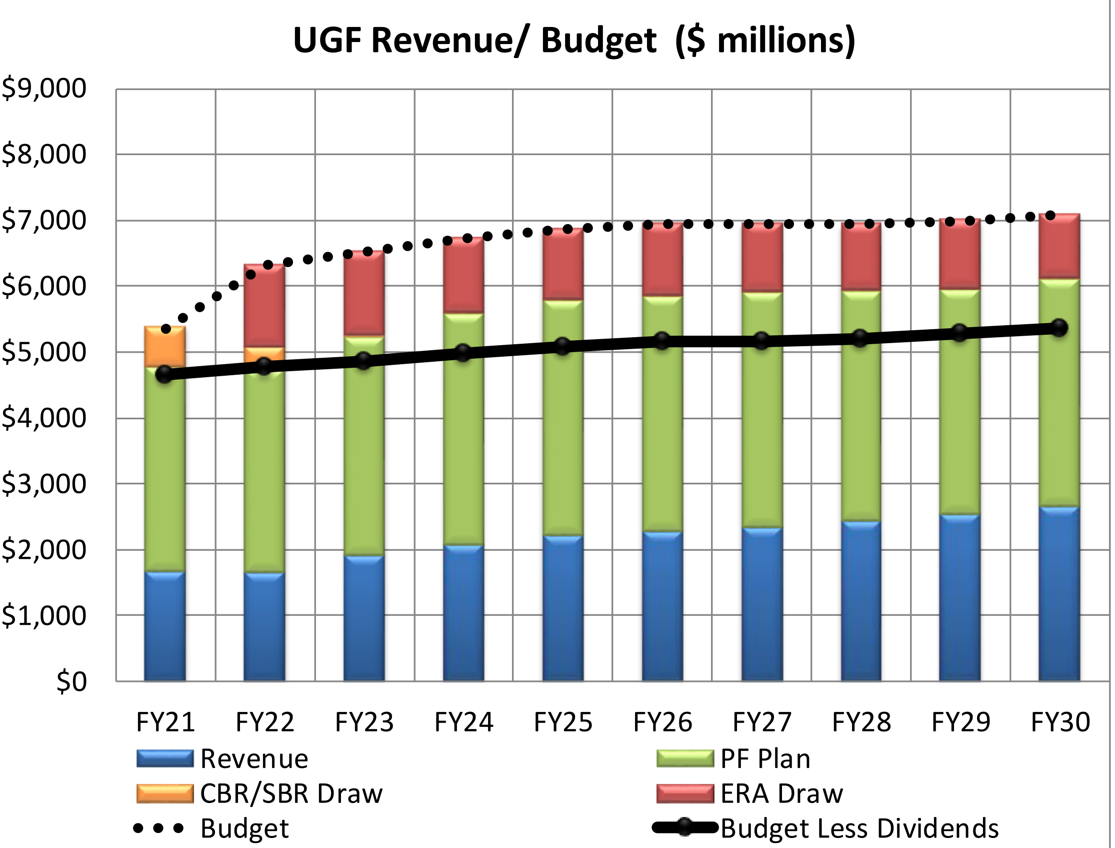


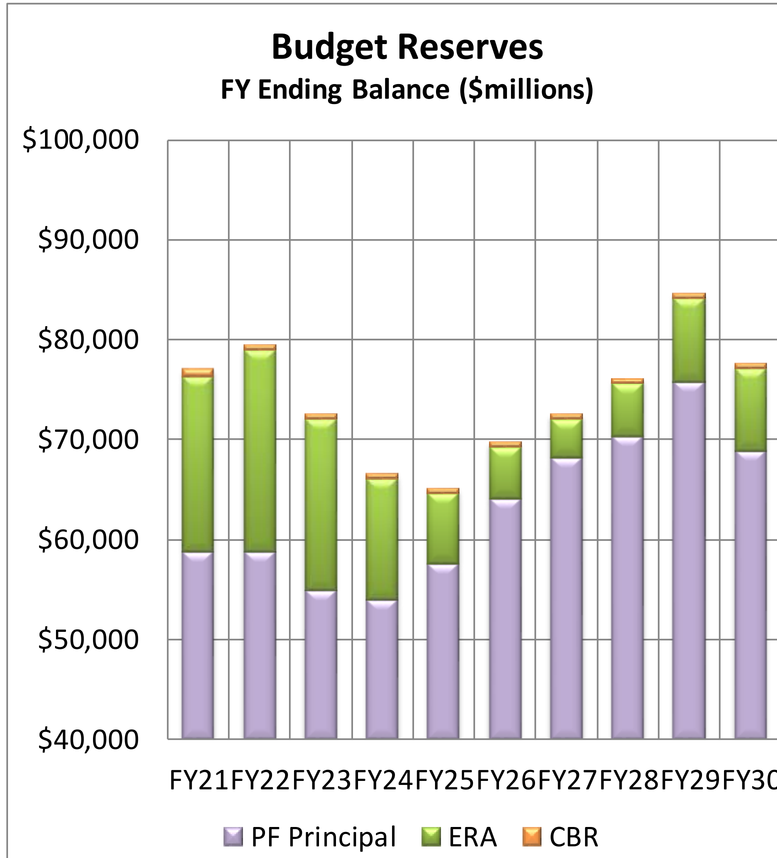
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	7.04%	6.94%	6.64%	6.46%	6.37%	6.17%	6.07%	6.06%	5.97%

Fiscal Model: Budget w/ 50% POMV PFD

FY00-08 Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-1,604	-1,308	-1,156	-1,086	-1,106	-1,049	-1,025	-1,059	-984



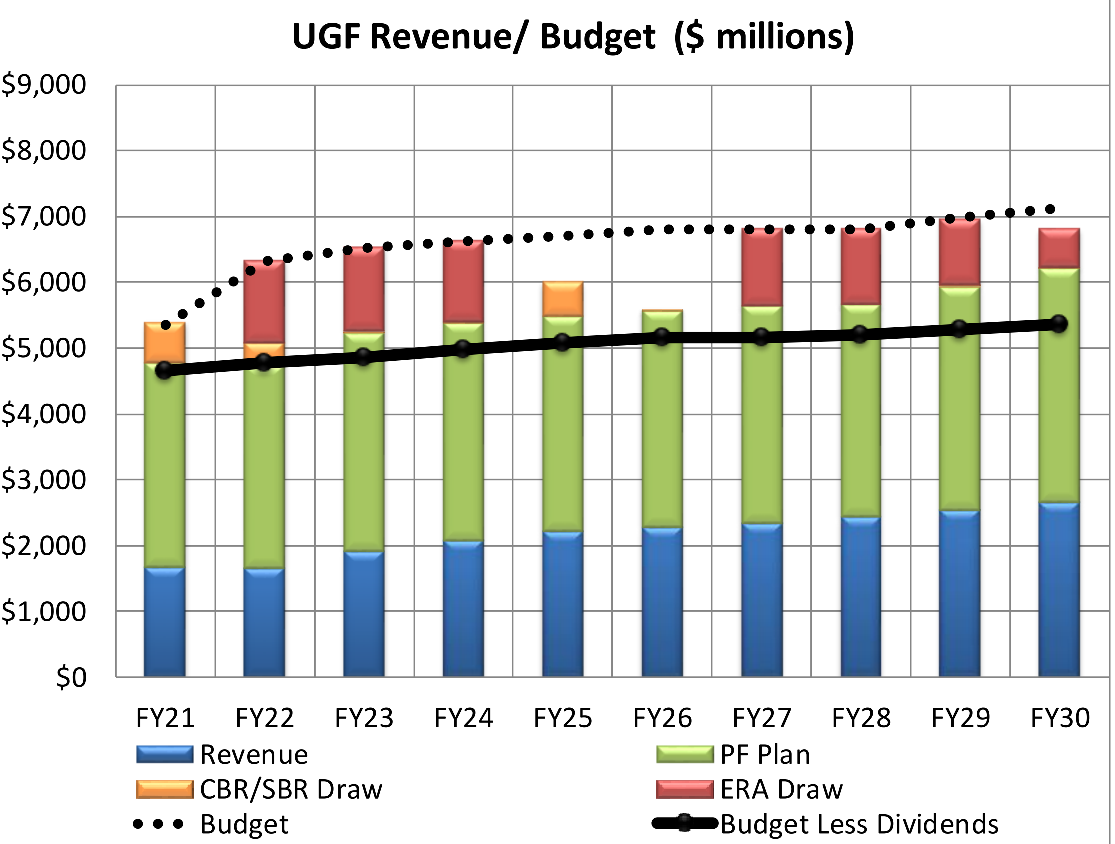


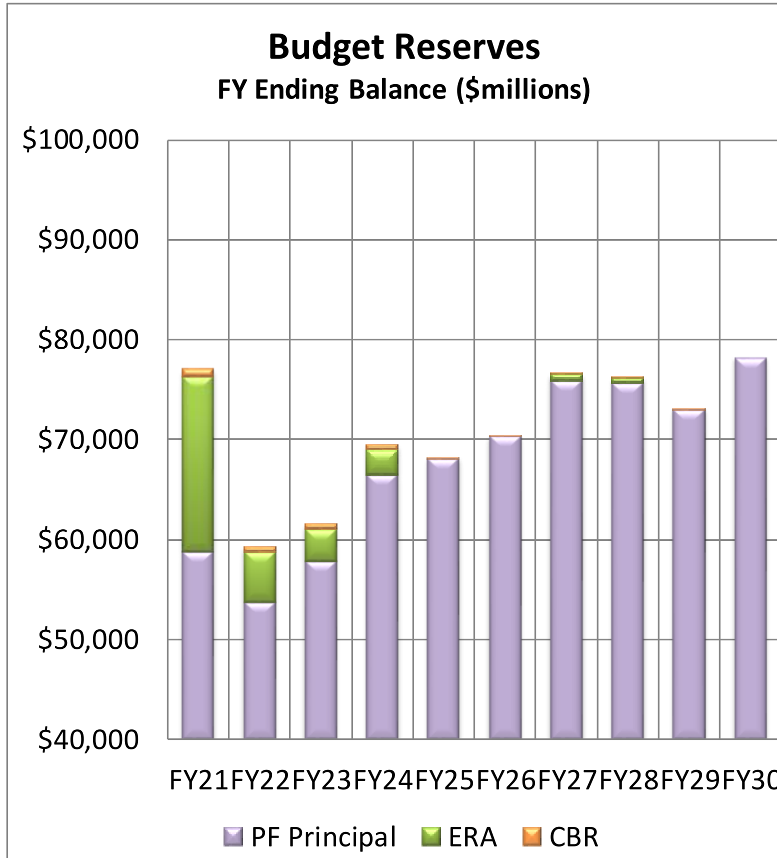
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	7.04%	6.94%	6.62%	6.49%	6.52%	6.45%	6.44%	6.52%	6.40%

Fiscal Model: Budget w/ 50% POMV PFD

FY09-17 Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-1,604	-1,308	-1,257	-1,242	-1,248	-1,184	-1,156	-1,066	-933



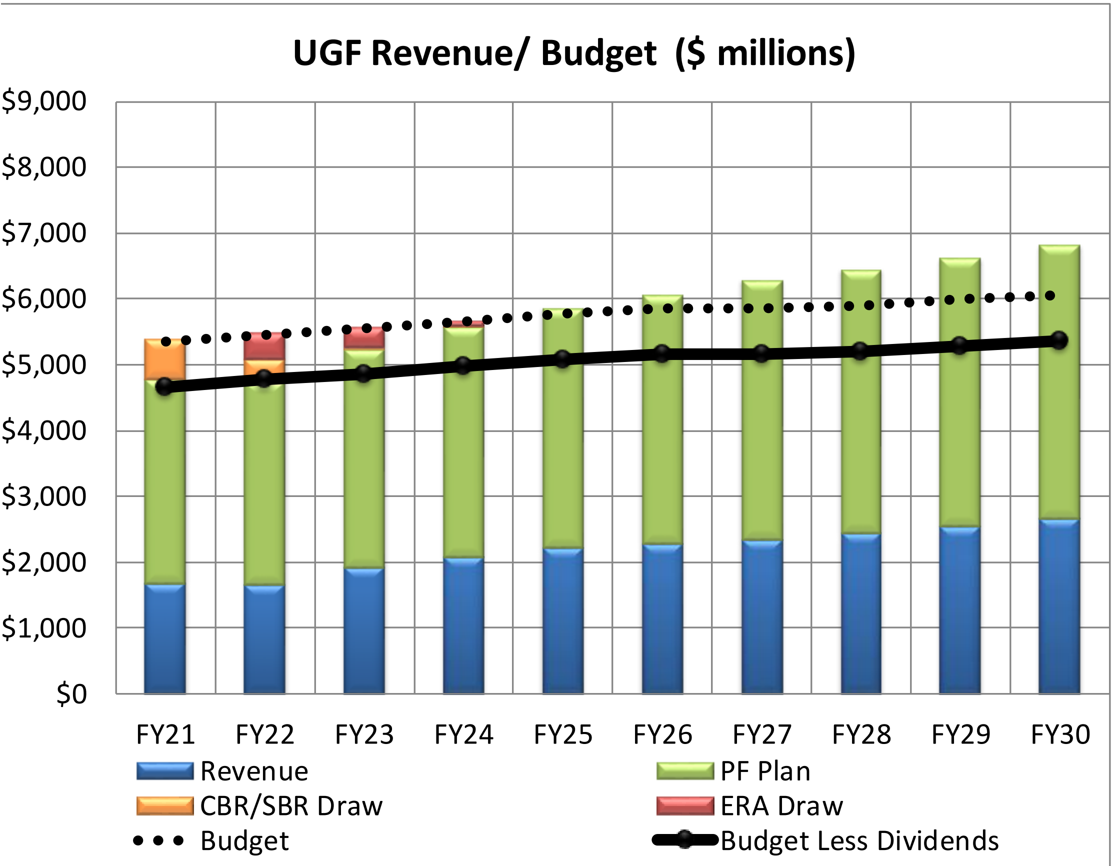


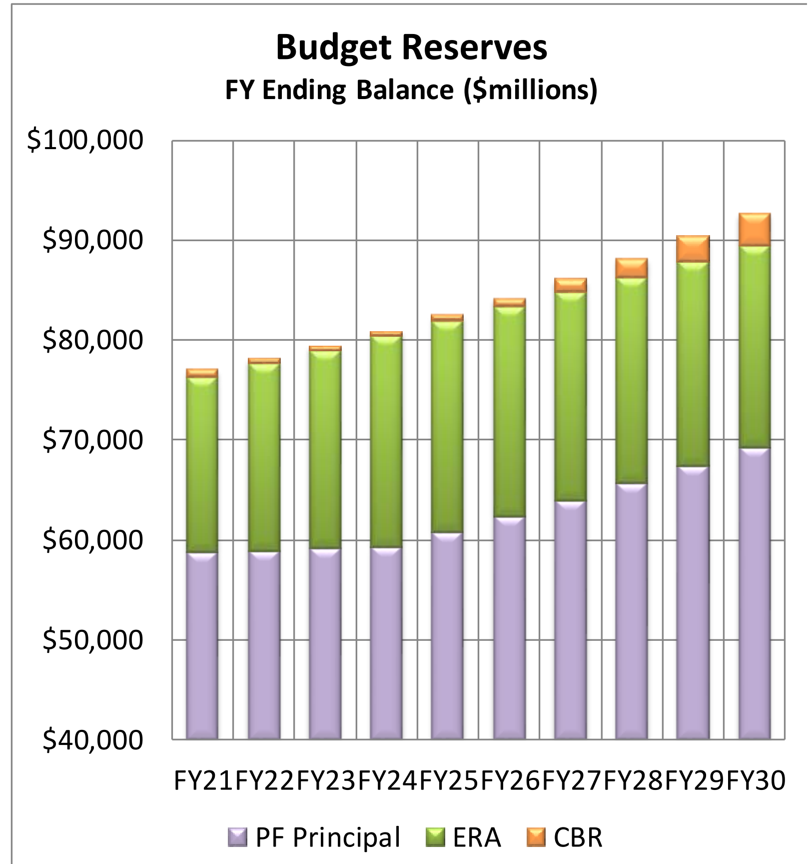
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	7.04%	6.94%	6.87%	5.00%	5.00%	6.80%	6.79%	6.46%	5.83%

Fiscal Model: Budget w/ $1,000 PFD

6.2% Constant Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-744	-334	-104	66	183	405	532	601	729



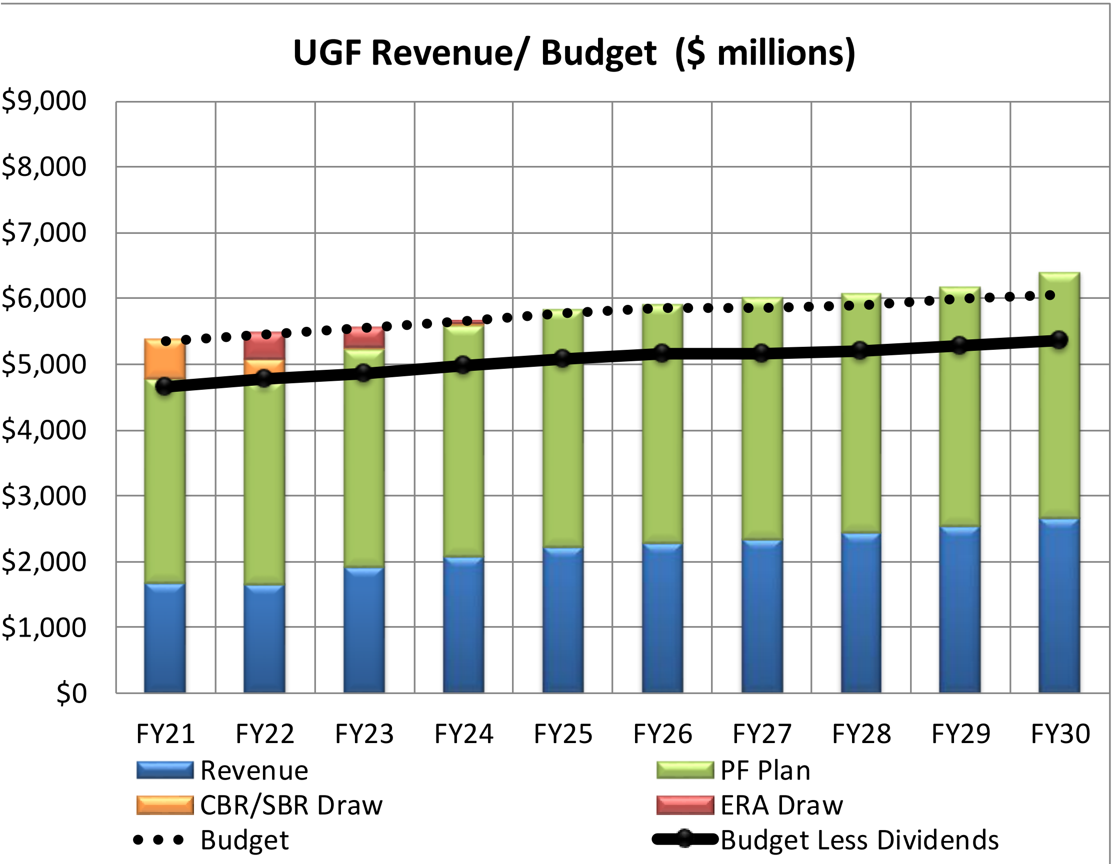


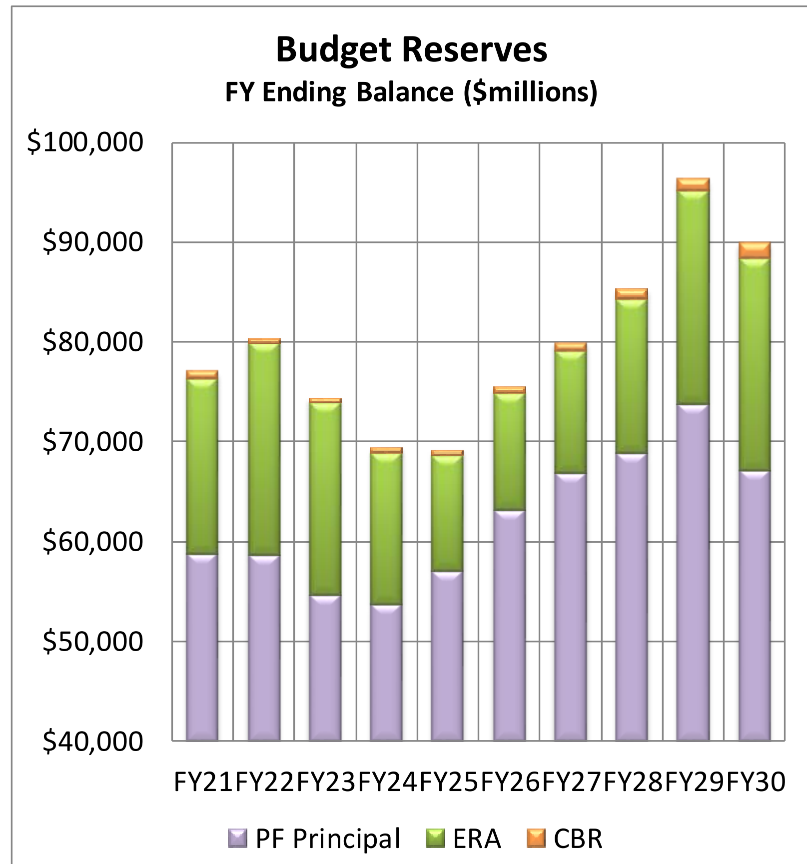
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	5.64%	5.46%	5.11%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Fiscal Model: Budget w/ $1,000 PFD

FY00-08 Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-744	-334	-82	37	40	130	171	161	319



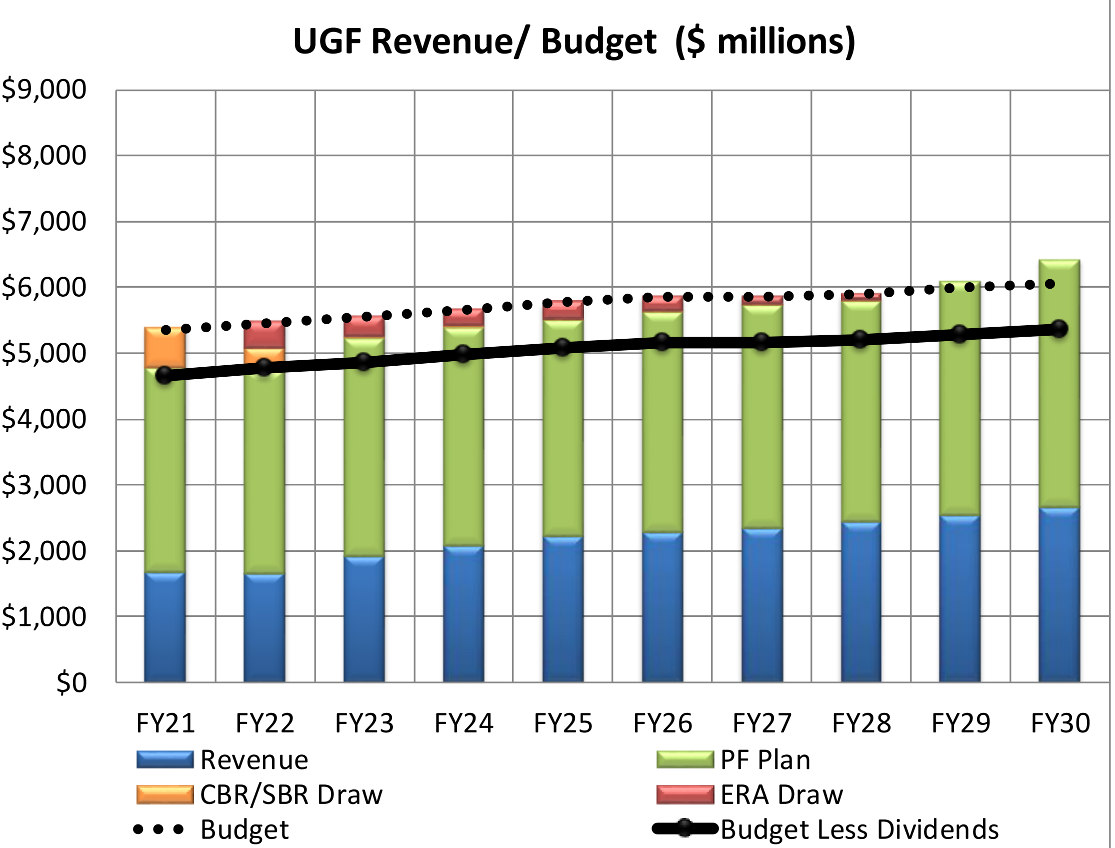


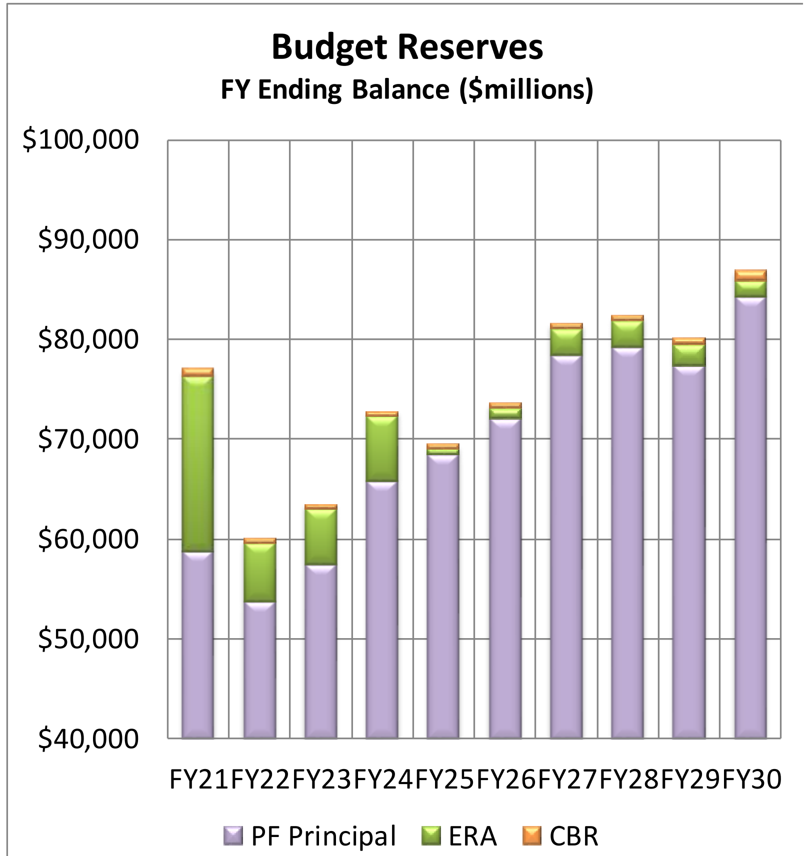
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	5.64%	5.46%	5.08%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Fiscal Model: Budget w/ $1,000 PFD

FY09-17 Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-744	-334	-285	-274	-238	-145	-120	91	333



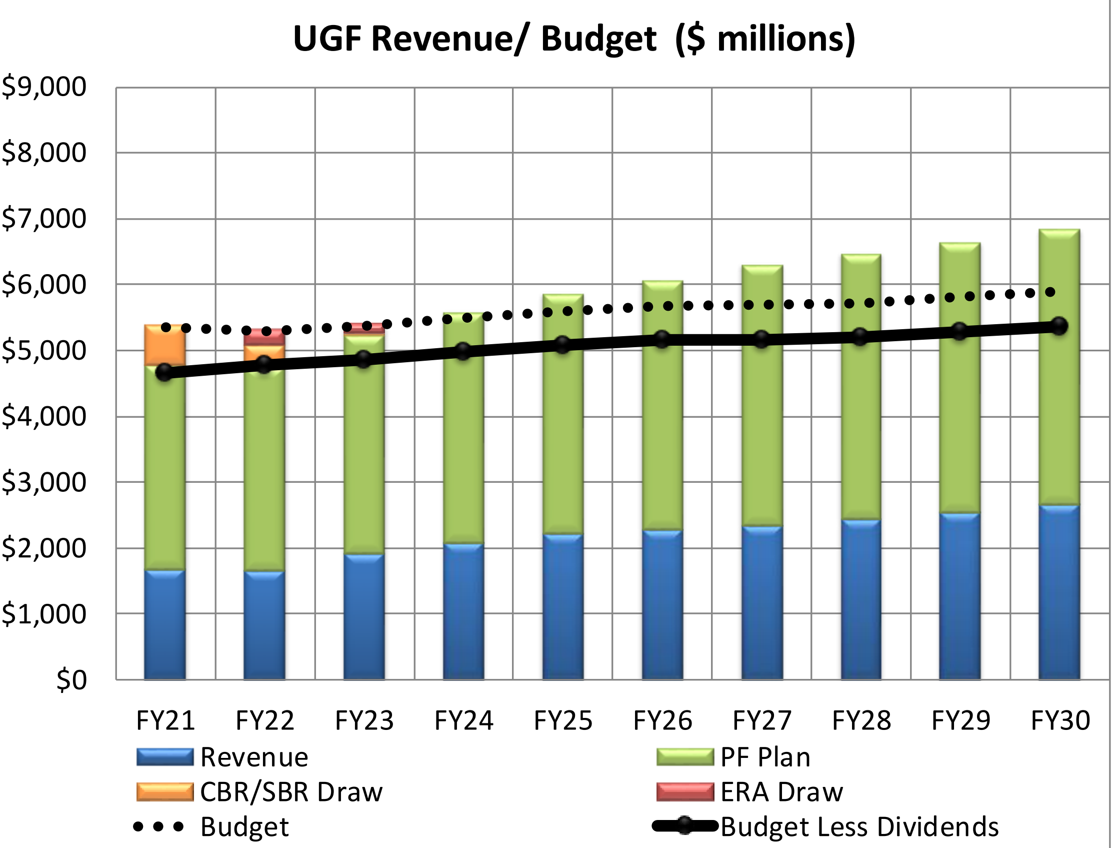


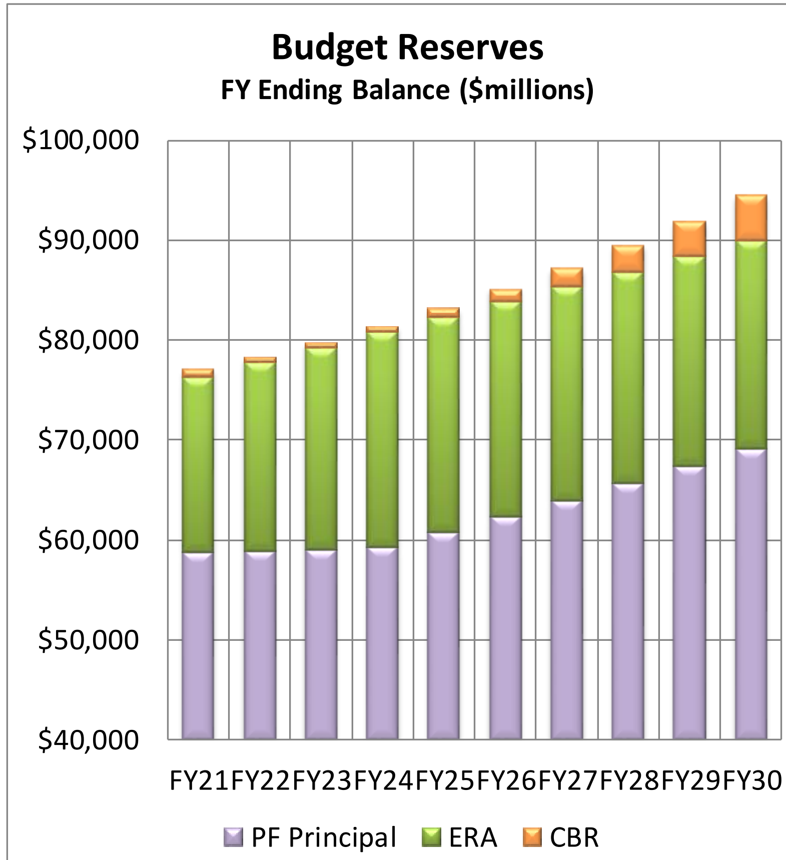
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	5.64%	5.46%	5.39%	5.39%	5.33%	5.18%	5.15%	5.00%	5.00%

Fiscal Model: Budget w/ $750 PFD

6.2% Constant Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-584	-171	61	235	358	585	718	791	921



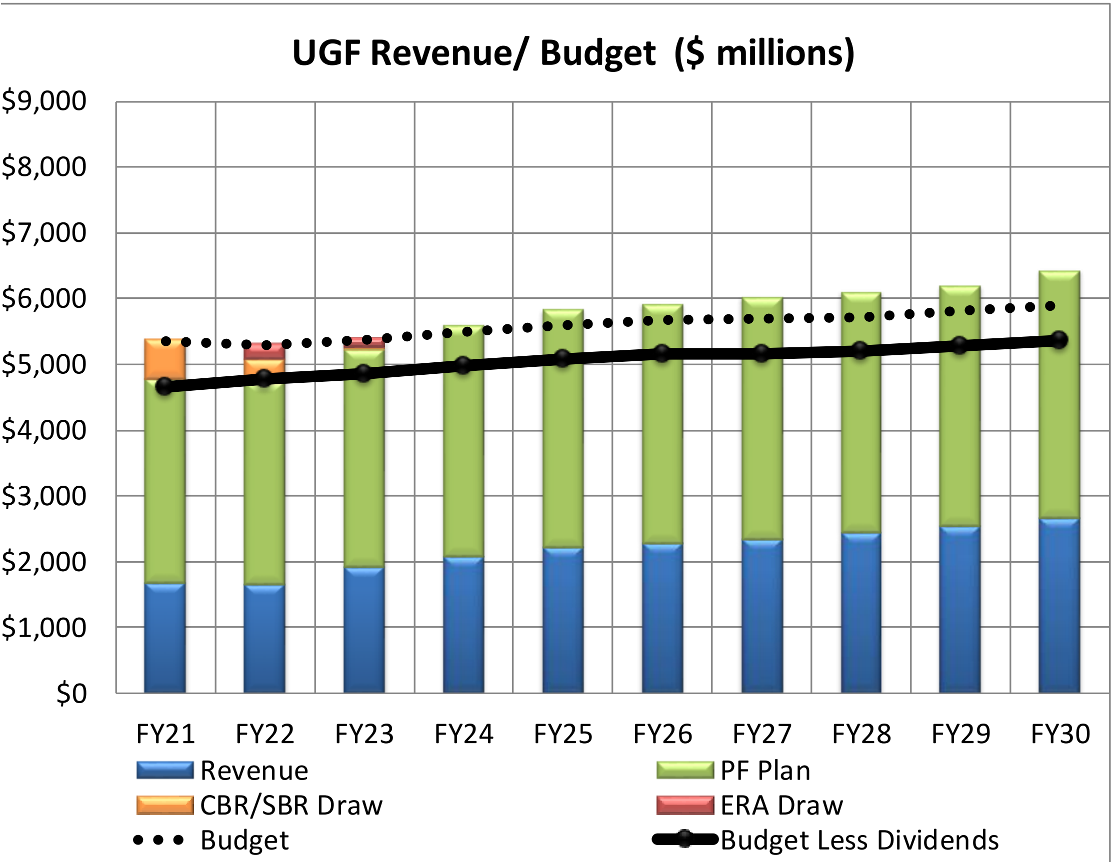


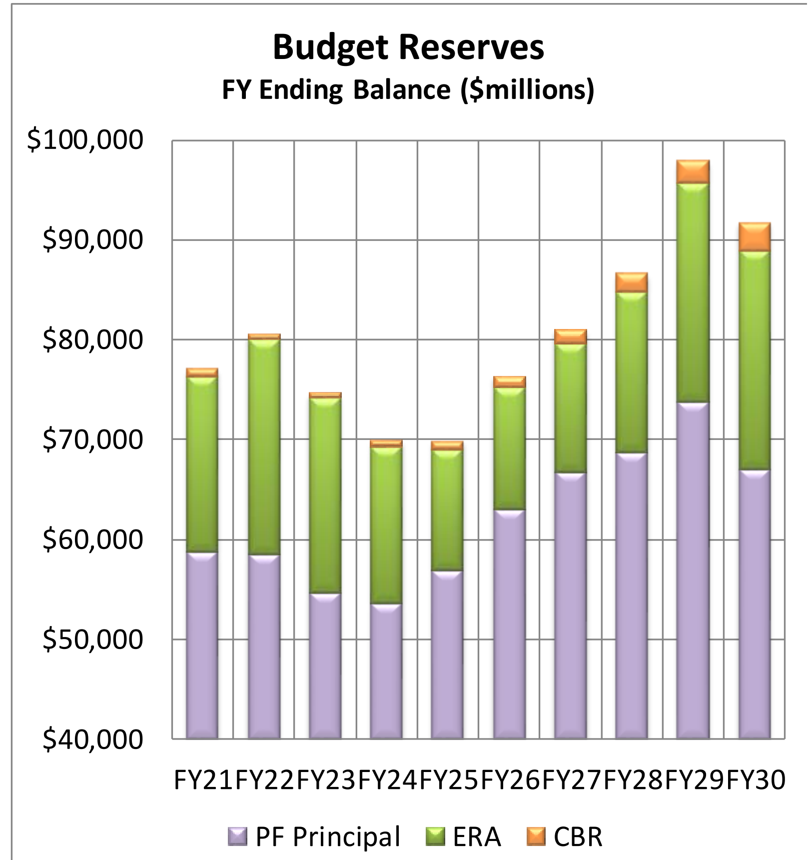
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	5.37%	5.22%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Fiscal Model: Budget w/ $750 PFD

FY00-08 Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-584	-171	84	207	214	308	355	348	509



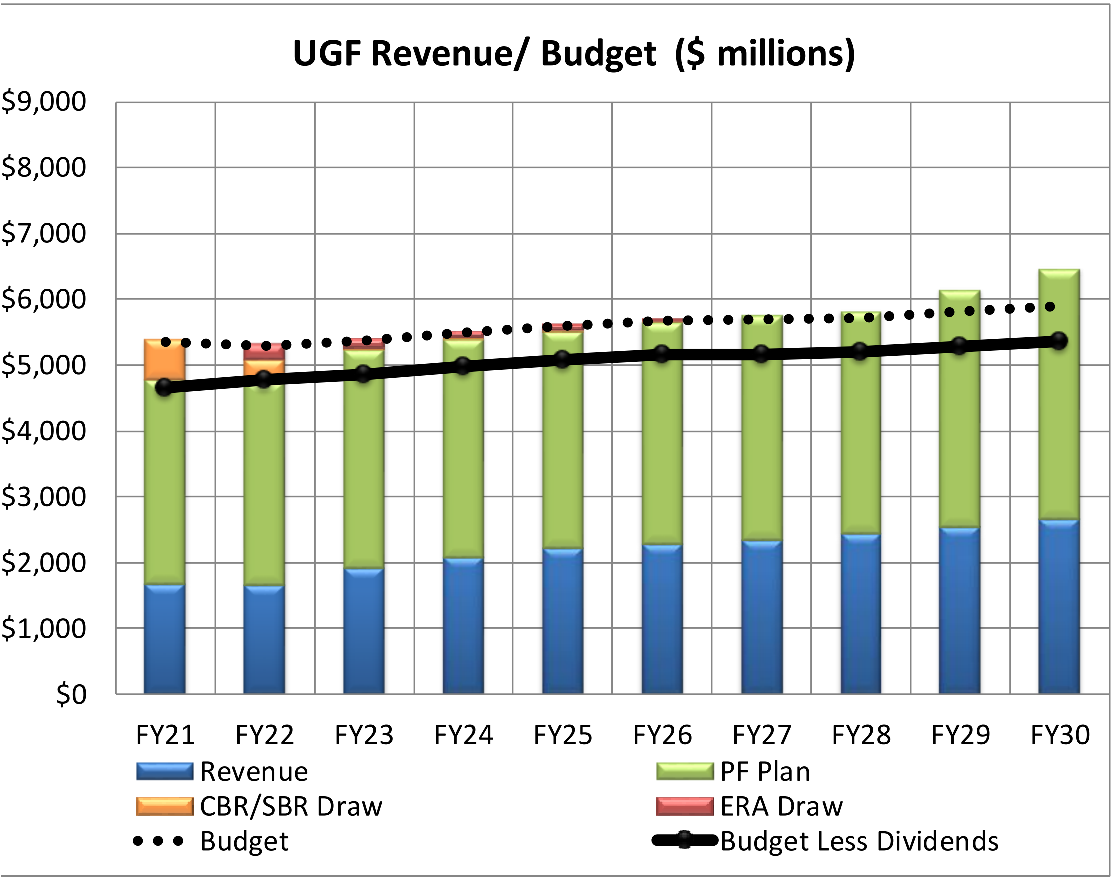


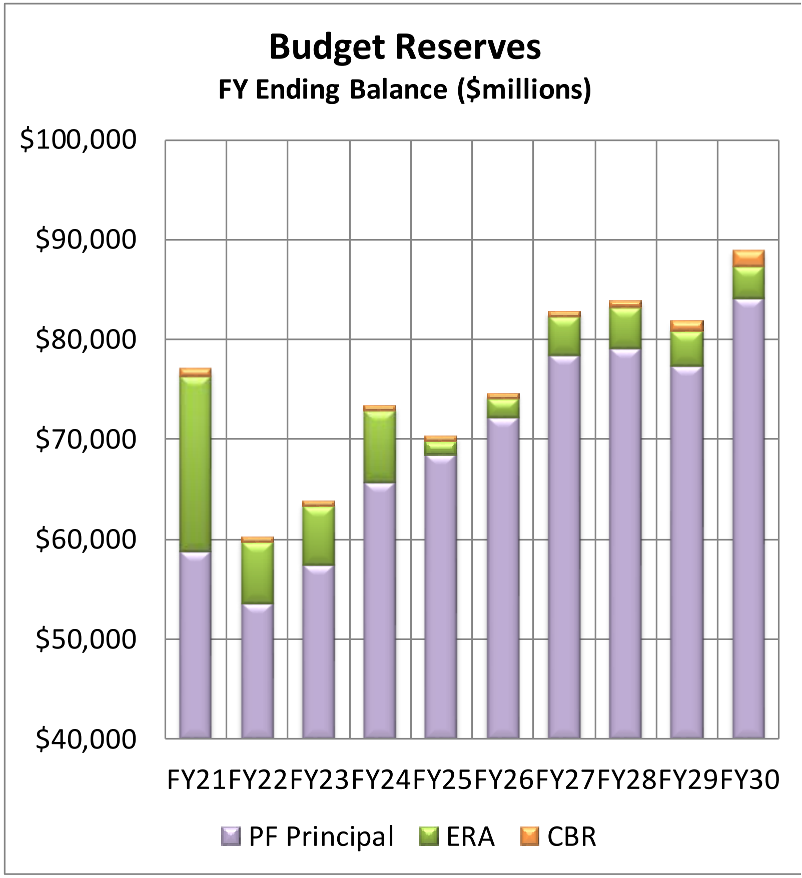
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	5.37%	5.22%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Fiscal Model: Budget w/ $750 PFD

FY09-17 Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-584	-171	-119	-104	-62	40	76	299	552



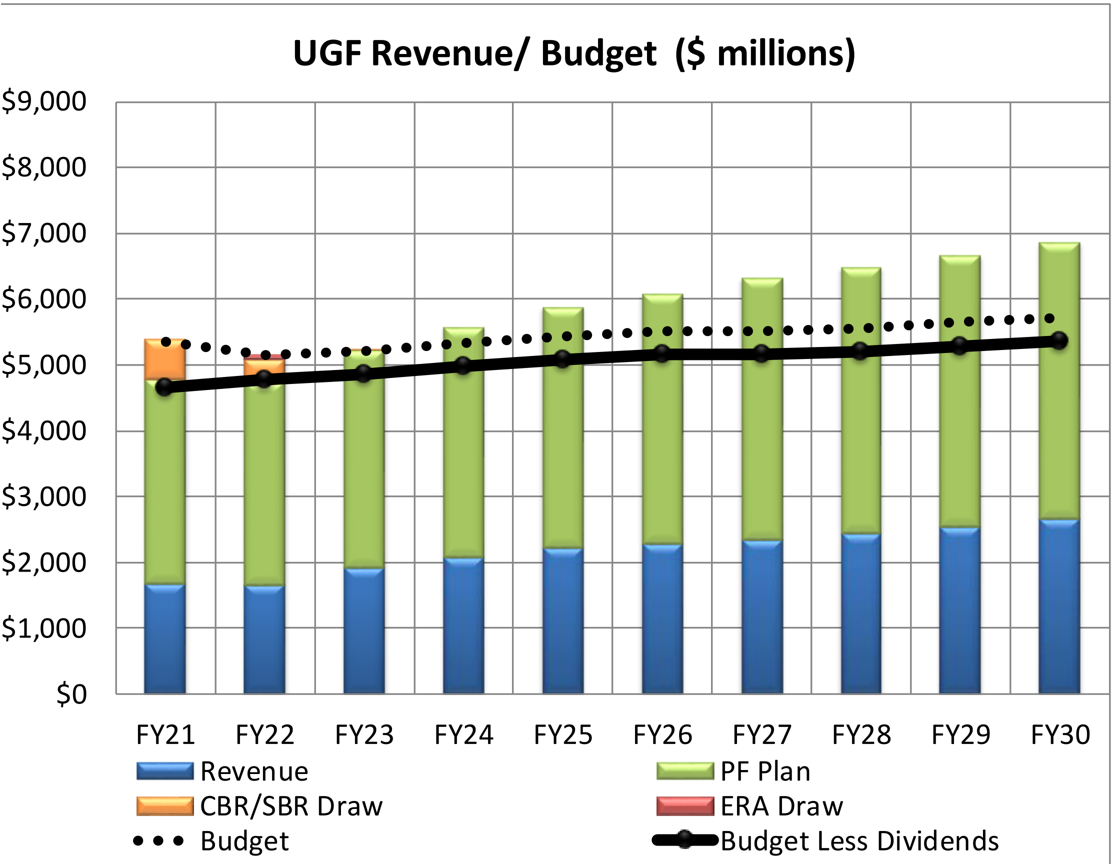


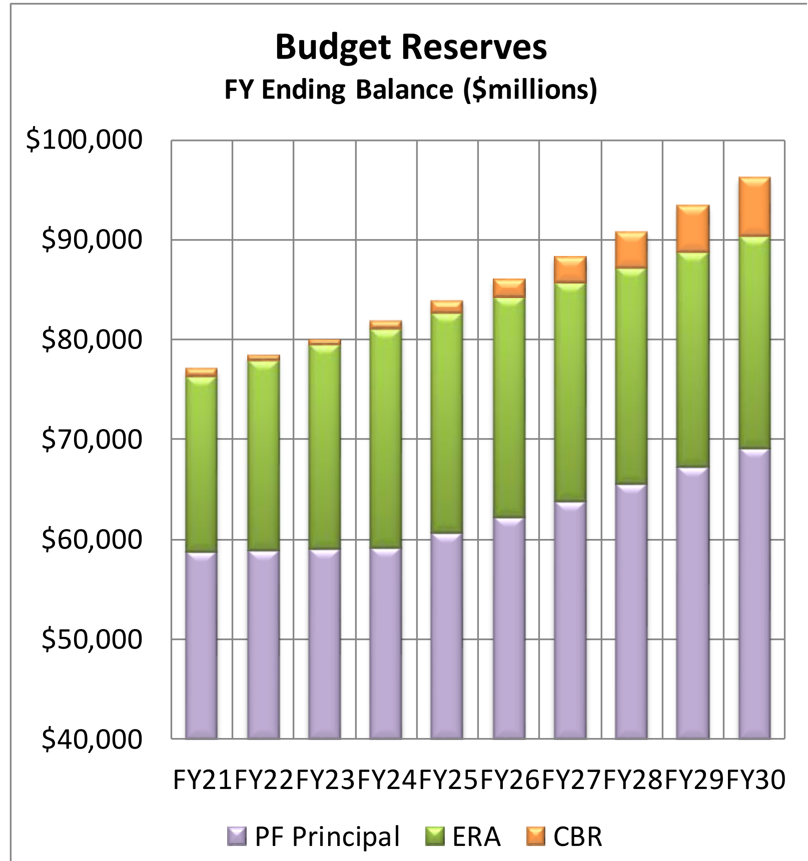
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	5.37%	5.22%	5.14%	5.13%	5.06%	5.00%	5.00%	5.00%	5.00%

Fiscal Model: Budget w/ $500 PFD

6.2% Constant Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-424	-8	227	405	532	764	901	977	1,108



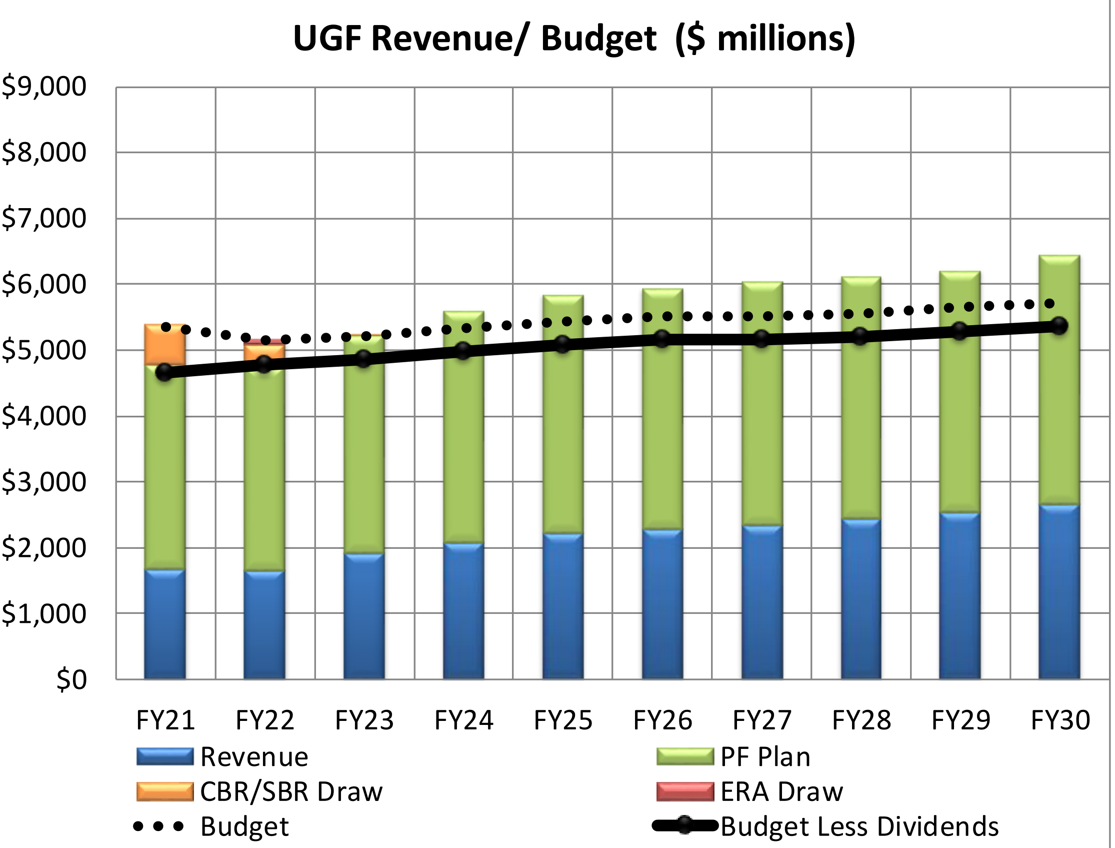


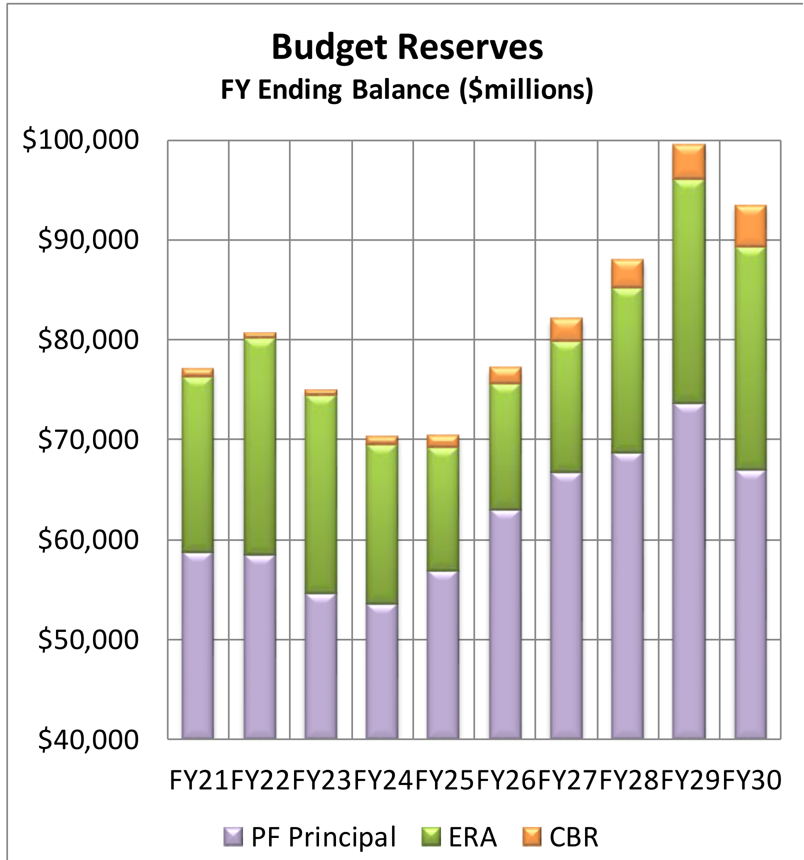
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	5.11%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Fiscal Model: Budget w/ $500 PFD

FY00-08 Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-424	-8	249	377	388	486	536	532	694



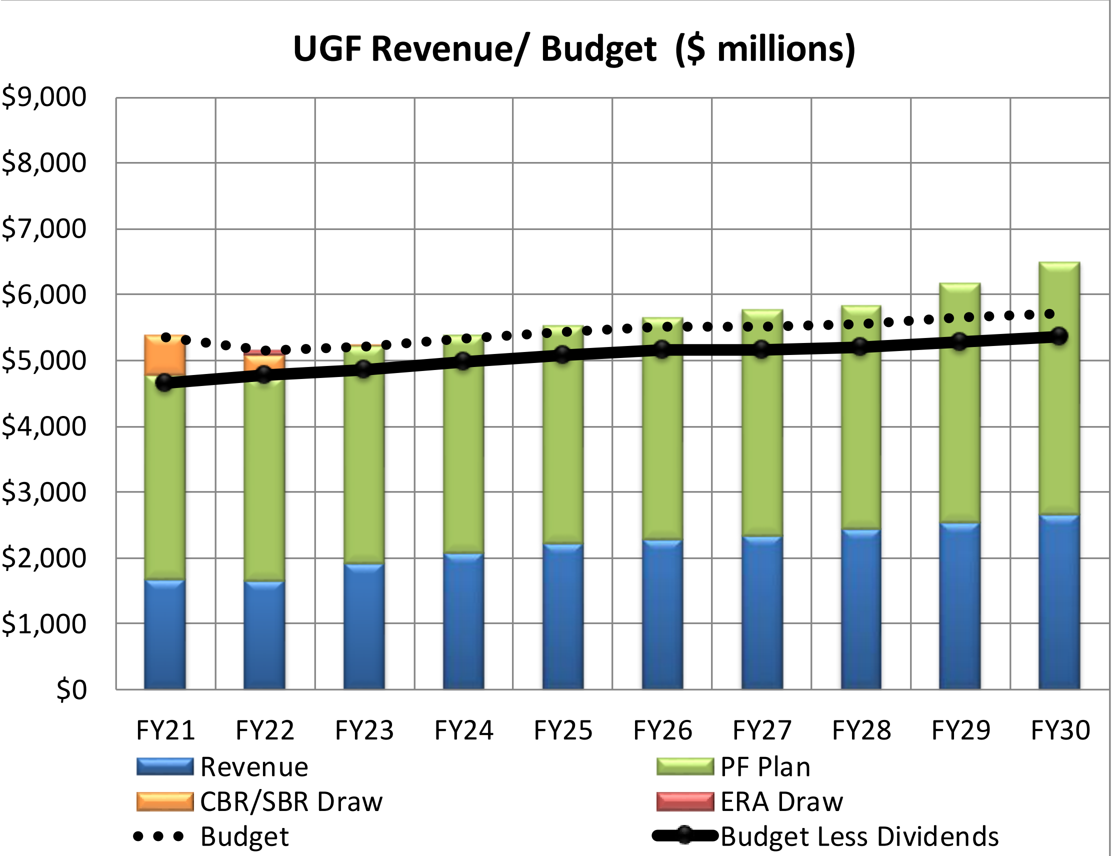


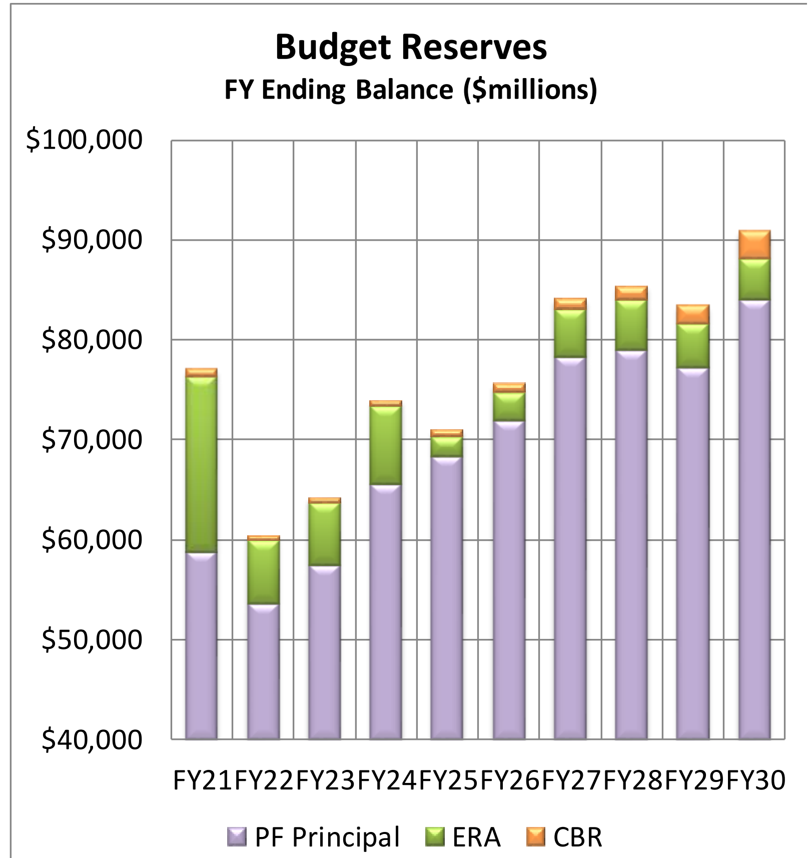
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	5.11%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Fiscal Model: Budget w/ $500 PFD

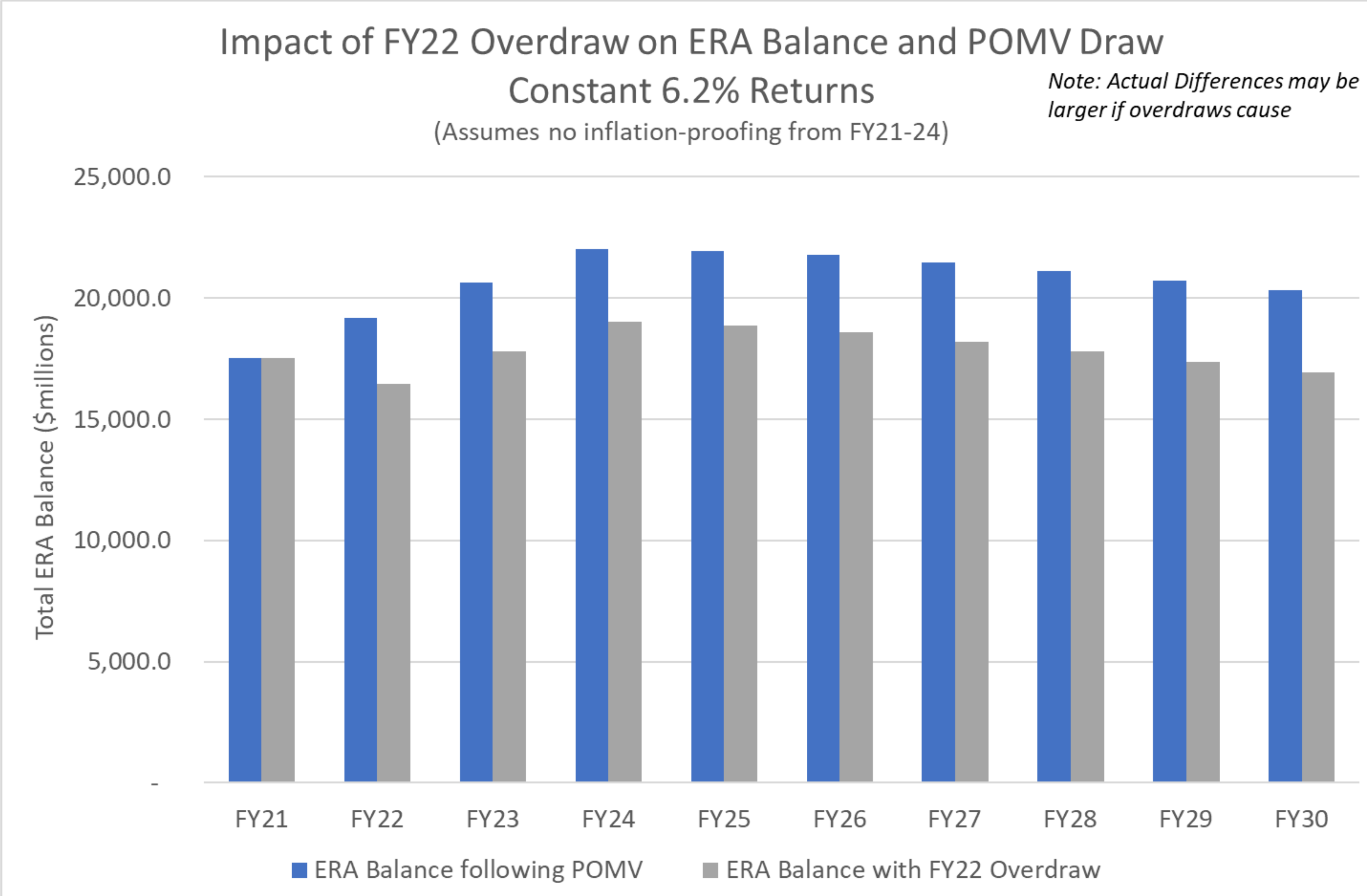
FY09-17 Returns

Surplus/(Deficit) ($millions)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	-612	-424	-8	47	66	114	222	265	494	752

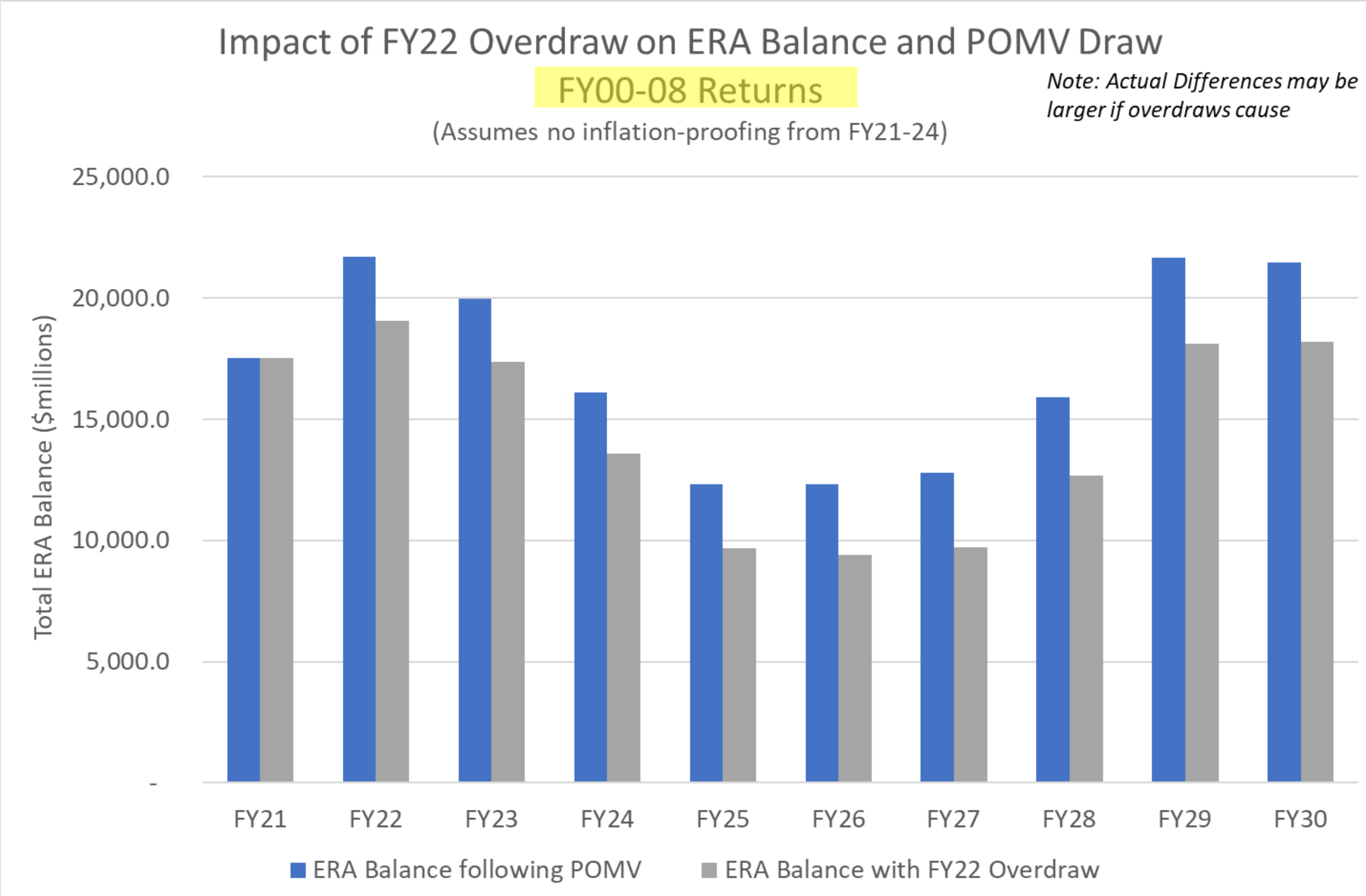




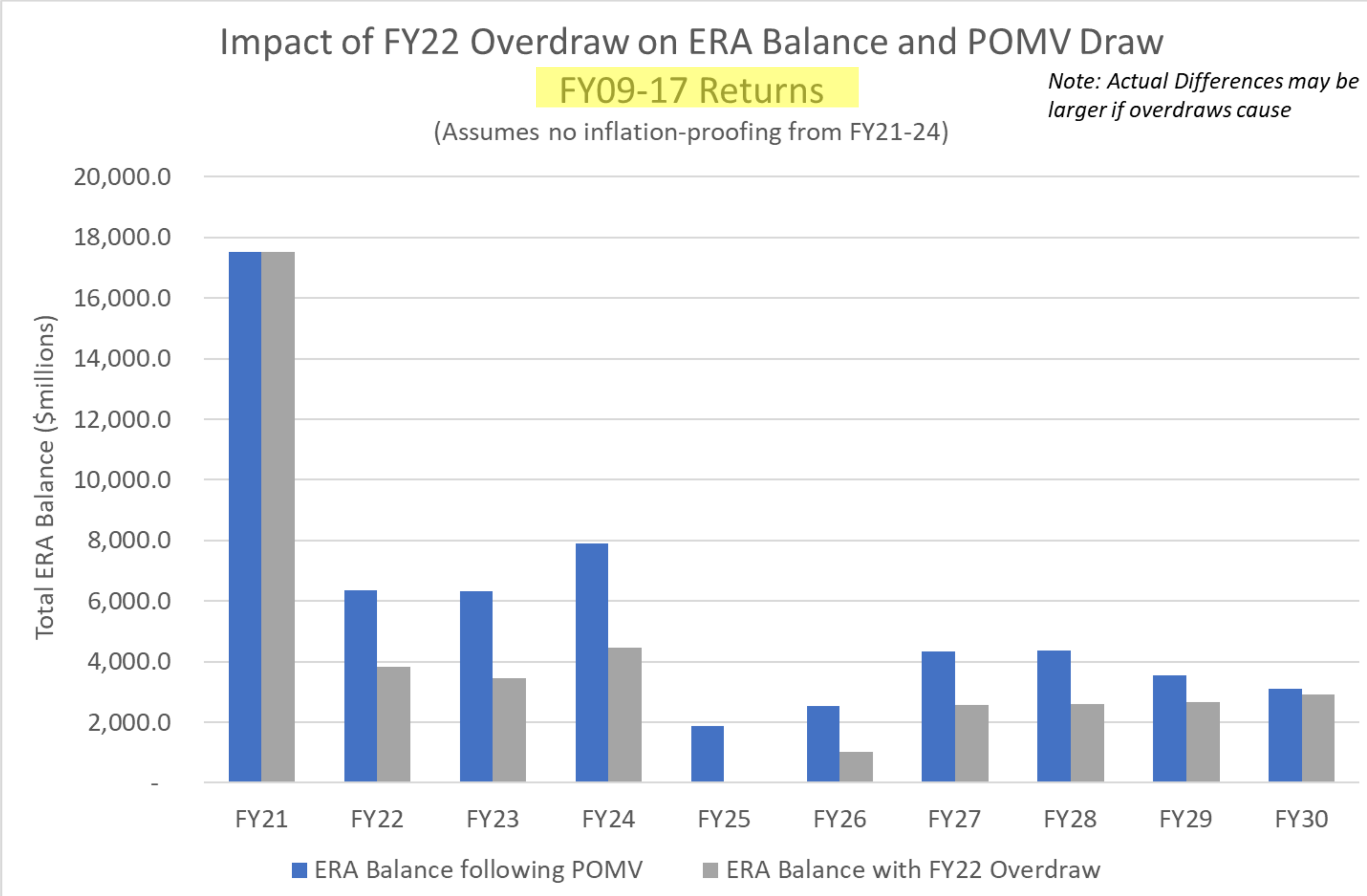
Effective POMV Draw Rate	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
	5.25%	5.11%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%



	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Difference in POMV Draw	-	-	-	(22.7)	(46.7)	(72.0)	(98.4)	(125.7)	(131.0)	(135.4)
Cumulative Diff. in POMV	-	-	-	(22.7)	(69.4)	(141.4)	(239.8)	(365.5)	(496.6)	(632.0)



	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Difference in POMV Draw	-	-	-	(22.7)	(44.6)	(65.8)	(87.5)	(111.5)	(114.5)	(119.9)
Cumulative Diff. in POMV	-	-	-	(22.7)	(67.2)	(133.0)	(220.4)	(332.0)	(446.5)	(566.4)



	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Difference in POMV Draw	-	-	-	(22.7)	(48.0)	(78.2)	(108.0)	(140.2)	(153.6)	(164.7)
Cumulative Diff. in POMV	-	-	-	(22.7)	(70.6)	(148.8)	(256.8)	(397.0)	(550.6)	(715.3)

Questions?

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