

# State of Alaska

# Office of Management and Budget

**FY2023 Governor's Budget**  
Senate Finance Committee  
January 21, 2022

**Neil Steininger, Director**



# Budget Lookback

	FY2019 Authorized	FY2022 Auth and Supp	FY2023 Governor	FY2019 to FY2023 UGF Change	
Revenue	UGF			Change	%
Traditional Revenue <sup>1</sup>	2,683.4	2,662.7	2,577.2	(106.2)	(4.0%)
POMV Draw for Government	1,699.5	1,534.3	1,680.3	(19.2)	(1.1%)
Other Adjustments	15.3	672.7	375.4	360.1	2353.6%
Total Revenue	4,398.2	4,869.7	4,632.9	234.7	5.3%
Expenditures	UGF			Change	%
Total Operating	4,685.7	4,390.5	4,451.4	(234.3)	(5.0%)
Agency Operations	4,022.2	3,927.9	3,933.6	(88.6)	(2.2%)
Statewide Operations	663.5	462.6	517.8	(145.7)	(22.0%)
Total Capital	168.0	335.9	154.7	(13.3)	(7.9%)
Final Budget	4,853.7	4,726.4	4,606.1	(247.6)	(5.1%)
Surplus/(Deficit)	(455.5)	143.3	26.8	482.3	
PFD				Change	%
Total Transfer	1,023.5	1,535.0	1,680.3	656.8	64.2%
Dividend Per Person	\$1,600	\$2,330	\$2,564	\$964	60.3%

<sup>1</sup>Based on Department of Revenue Official Fall Forecast released 12/15/21. DOR released an updated revenue outlook on 1/19/22 that increased UGF revenue by \$281.1m in FY22 and \$466.6m in FY23 and increased the UGF surplus accordingly.

# Budget Objectives

- 50/50 PFD with Constitutional Amendment
- FY2023 operating budget to address baseline needs and priorities
  - Ensure a safe environment for individuals and businesses
    - Public protection, permitting, and resource development
- Continue efforts towards efficiency and operational change
- Use FY2022 surplus and bonding to support a robust capital investment
- Avoid a FY2023 deficit or draws from savings accounts

# FY22 and FY23 Revenue

Revenues		UGF	FY2022 Total	UGF	FY2023 Total	UGF Change	UGF %
<b>Unrestricted Revenue<sup>1</sup></b>		<b>2,662.7</b>	<b>2,662.7</b>	<b>2,577.2</b>	<b>2,577.2</b>	<b>(85.5)</b>	<b>-3%</b>
	Petroleum	2,274.6	2,274.6	2,082.3	2,082.3	(192.3)	-8%
	Non-Petroleum	375.1	375.1	476.1	476.1	101.0	27%
	Investment	13.0	13.0	18.8	18.8	5.8	45%
<b>POMV ERA Draw For Government</b>		<b>1,534.3</b>	<b>1,534.3</b>	<b>1,680.3</b>	<b>1,680.3</b>	<b>146.0</b>	<b>10%</b>
	Statutory Draw	3,069.3	3,069.3	3,360.6	3,360.6	291.3	9%
	Draw Used for PFDs	(1,535.0)	(1,535.0)	(1,680.3)	(1,680.3)	(145.3)	9%
<b>Restricted Revenue</b>		<b>-</b>	<b>6,676.7</b>	<b>-</b>	<b>6,276.9</b>		
<b>Carryforward and Adjustments</b>		<b>672.7</b>	<b>1,911.4</b>	<b>375.4</b>	<b>375.4</b>	<b>(297.3)</b>	<b>-44%</b>
	Carryforward	12.0	1,250.7	-	-	(12.0)	-100%
	Undesignated Savings (SBR)	410.7	410.7	-	-	(410.7)	-100%
	Federal Revenue Replacement	250.0	250.0	375.4	375.4	125.4	50%
<b>Total Revenue</b>		<b>4,869.7</b>	<b>12,821.3</b>	<b>4,632.9</b>	<b>10,909.8</b>	<b>(236.8)</b>	<b>-5%</b>

- FY22 ANS Forecast: Fall Revenue Source Book at \$75.72; Updated DOR Outlook at \$80.37
- FY23 ANS Forecast: Fall Revenue Source Book at \$71.00; Updated DOR Outlook at \$78.17
- ANS price as of January 19th was \$89.49

<sup>1</sup>Based on Department of Revenue Official Fall Forecast released 12/15/21. DOR released an updated revenue outlook on 1/19/22 that increased UGF revenue by \$281.1m in FY22 and \$466.6m in FY23 and increased the UGF surplus accordingly.

# FY22 and FY23 Expenditures

<b>Total Revenue <sup>1</sup></b>	<b>4,869.7</b>	<b>12,821.3</b>	<b>4,632.9</b>	<b>10,909.8</b>	<b>(236.8)</b>	<b>-5%</b>
<b>Expenditures</b>	<b>UGF</b>	<b>FY2022 Total</b>	<b>UGF</b>	<b>FY2023 Total</b>	<b>UGF Change</b>	<b>UGF %</b>
<b>Total Operating</b>	<b>4,348.4</b>	<b>10,615.8</b>	<b>4,451.4</b>	<b>9,206.5</b>	<b>103.0</b>	<b>2%</b>
<b>Agency Operations</b>	<b>3,919.8</b>	<b>9,812.1</b>	<b>3,933.6</b>	<b>8,455.5</b>	13.8	0%
<i>Agency Non-Formula</i>	<i>1,877.1</i>	<i>5,612.6</i>	<i>1,855.3</i>	<i>4,418.6</i>	(21.8)	-1%
<i>Agency Formula</i>	<i>2,042.7</i>	<i>4,135.3</i>	<i>2,078.3</i>	<i>4,037.0</i>	35.7	2%
<b>Statewide Operations</b>	<b>428.6</b>	<b>803.6</b>	<b>517.8</b>	<b>750.9</b>	<b>89.2</b>	<b>21%</b>
<i>Debt</i>	<i>96.7</i>	<i>172.3</i>	<i>156.2</i>	<i>204.0</i>	59.6	62%
<i>Retirement</i>	<i>246.2</i>	<i>246.2</i>	<i>129.6</i>	<i>129.6</i>	(116.6)	-47%
<i>Fund Capitalization</i>	<i>71.1</i>	<i>124.8</i>	<i>231.7</i>	<i>320.4</i>	160.6	226%
<i>Shared Taxes &amp; Other</i>	<i>-</i>	<i>208.0</i>	<i>-</i>	<i>63.2</i>		
<i>Fund Transfers</i>	<i>14.6</i>	<i>18.3</i>	<i>0.3</i>	<i>33.8</i>	(14.3)	-98%
<b>Total Capital</b>	<b>242.9</b>	<b>2,062.2</b>	<b>154.7</b>	<b>1,676.5</b>	<b>(88.2)</b>	<b>-36%</b>
<b>Total Operating + Capital</b>	<b>4,591.3</b>	<b>12,480.5</b>	<b>4,606.2</b>	<b>10,883.0</b>	<b>14.9</b>	<b>0%</b>
<b>FY22 Supplementals/RPLs</b>	<b>135.1</b>	<b>197.5</b>				
<b>Surplus/(Deficit)</b>	<b>143.3</b>	<b>143.3</b>	<b>26.7</b>	<b>26.7</b>		

<sup>1</sup>Based on Department of Revenue Official Fall Forecast released 12/15/21. DOR released an updated revenue outlook on 1/19/22 that increased UGF revenue by \$281.1m in FY22 and \$466.6m in FY23 and increased the UGF surplus to \$424.4m in FY22 and \$493.2m in FY23.

# Fiscal Summary – Savings Balances

Statutory Budget Reserve	FY2022	FY2023
<b>Beginning Balance</b>	<b>481.0</b>	<b>70.3</b>
Withdrawals	(410.7)	-
Deposits	-	-
<b>End Balance</b>	<b>70.3</b>	<b>70.3</b>

Total Reserves (CBR and SBR)	FY2022	FY2023
<b>End Balance</b>	<b>1,420.9</b>	<b>1,508.8</b>

Constitutional Budget Reserve	FY2022	FY2023
<b>Beginning Balance</b>	<b>1,175.7</b>	<b>1,350.6</b>
Earnings & Deposits	31.6	61.1
Surplus/(Deficit) <sup>1</sup>	143.3	26.7
<b>End Balance</b>	<b>1,350.6</b>	<b>1,438.5</b>

- FY2022 CBR beginning balance reflects an estimated \$490.4m swept to the CBR under Alaska Constitution Art. IX Sec. 17(d). Audited amounts will be reported in the FY2022 Annual Comprehensive Financial Report.
- FY2023 budget includes \$33.6m in UGF to replace fund sources impacted by the CBR sweep. Fully supports all associated programs.

<sup>1</sup>Based on Department of Revenue Official Fall Forecast released 12/15/21. DOR released an updated revenue outlook on 1/19/22 that increased UGF revenue by \$281.1m in FY22 and \$466.6m in FY23, resulting in an increased CBR EOY balance of \$1.6b in FY22 and \$2.2b in FY23.

*(Dollars in Millions)* **6**

# Capital Budget

## Baseline traditional FY23 capital budget

- \$157.4m UGF; \$1.4b Fed
- Minimum level capital budget for federal match and core state functions

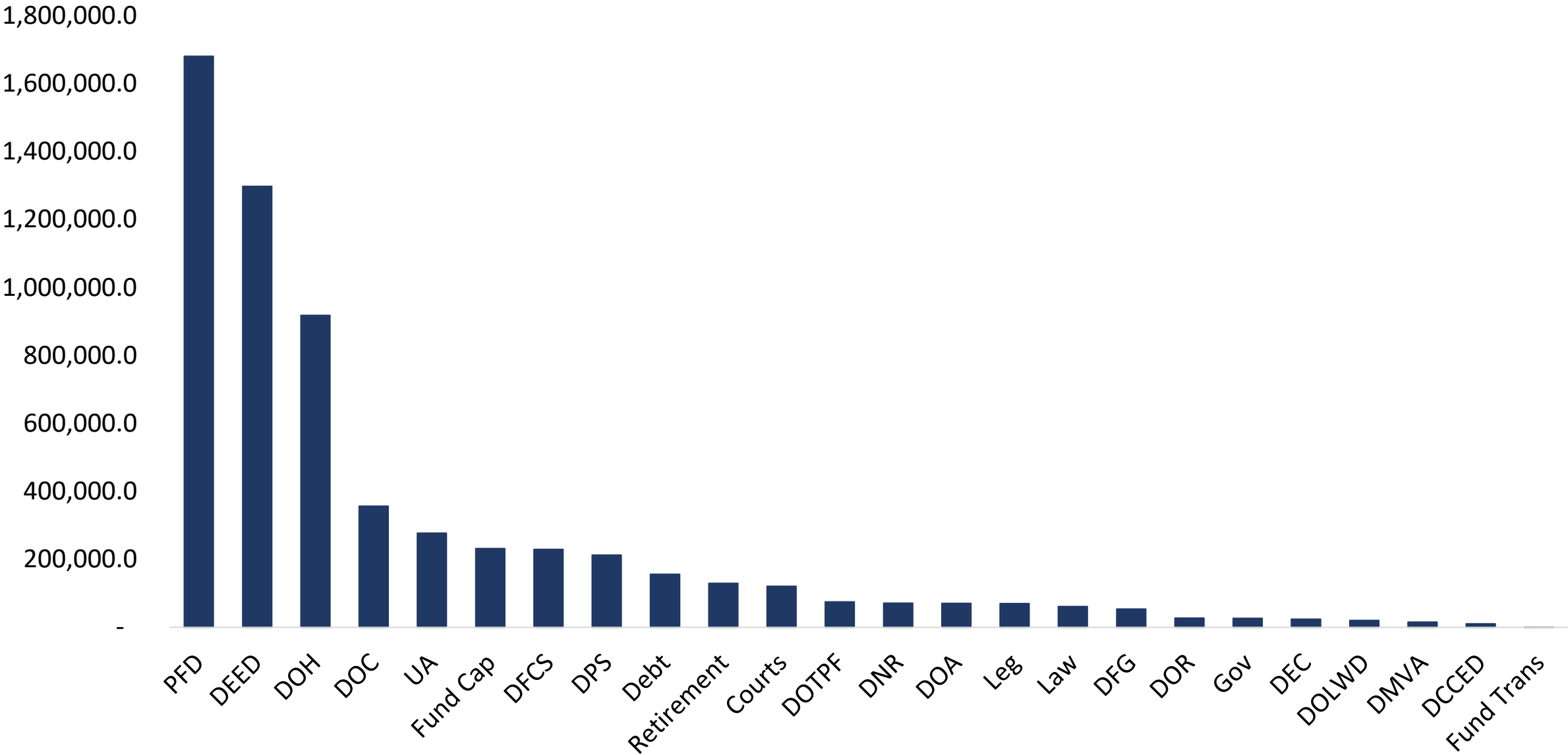
## Use FY22 surplus for additional capital projects

- \$93m UGF
- Projects that benefit from expedited construction

## GO Bond financing for community projects

- \$325.2m bond issuance
- Investment in key infrastructure to maximize public benefit around the state
- Approved by voters in Fall 2022 general election

# FY2023 Operating UGF





# FY23 Agency Operating Budget Changes

FY23 Agency Operating Budget Changes	UGF (\$m)
<b>FY22 Management Plan Agency Operating</b>	<b>3,919.8</b>
<b>Built-In Cost Drivers</b>	<b>107.8</b>
Reverse DOTPF One-Time Fed Relief	10.9
Medicaid Increase	45.0
Central Service Rate Adjustments	4.2
Salary Adjustments	13.0
Restore Funding for Sweep Impacts	33.6
Other	1.1
<b>Agency Reductions</b>	<b>(136.5)</b>
AMHS Federal Subsidy	(63.4)
DEED Formula	(16.8)
PERS/TRS/SB55	(44.5)
Targeted Savings	(11.8)
<b>Targeted Investments</b>	<b>42.6</b>
Public Safety Initiative	32.0
Resource Development & Primacy	10.6
<b>Net Change from FY22</b>	<b>13.9</b>
<b>FY23 Governor's Agency Operating Budget</b>	<b>3,933.7</b>

# Formula Cost Drivers

## K-12 Education

- Fully funded to the \$5,930 base student allocation

	FY2022 <i>Authorized</i>	FY2023 <i>Projection</i>	Difference
Regular ADM	108,133.22	107,437.12	(696.10)
Correspondence ADM	18,798.30	19,366.55	568.25
Total ADM	126,931.52	126,803.67	(127.85)
Adjusted ADM	258,585.13	256,242.52	(2,342.61)
<u>Funding Sources</u>			
1004 General fund	1,162,308.5	1,142,427.0	(19,881.5)
1043 Federal	20,791.0	20,791.0	-
1066 Public School Trust	31,166.7	32,133.7	967.0
Total	\$1,214,266.2	\$1,195,351.7	(\$18,914.5)

## Medicaid

- COVID-related enhanced federal match (FMAP) currently expires at end of FY2022
- Pent up demand for services increases utilization
- \$45m UGF increment restores Medicaid state share to pre-pandemic levels

# Public Protection

Over \$30 million operating UGF added for public protection:

- Fully fund filled positions added in previous fiscal years for Public Safety and Law: \$1.3m
- 15 new Trooper positions
- 10 new Village Public Safety Officers and related costs: \$3.9m
- Add 14 DPS support positions so Troopers can focus on policing: \$1.8m
- Add positions for Rural Fire Investigations and increase DNR wildland fire fighting capacity: \$4.5m
- Add 30 Correctional institution support positions, mental health treatment resources, and Hiland Mountain booking: \$4.1m
- Address trial backlogs \$1.8m and defense capacity \$428.7k

## People First Initiative UGF:

- Domestic Violence and Sexual Assault
  - \$3.5m for victim services provider grants
  - \$1.5m to reduce turnaround time on DNA testing and increase forensics lab capacity
  - \$1.0m for staff to provide victim services and perpetrator intervention
- Missing and Murdered Indigenous Persons
  - Tribal liaisons and additional support for the Missing Persons Clearinghouse \$713.9k
- Homelessness
  - Statewide homelessness coordinator, database and data manager \$866.3k
- Foster Care and Office of Children's Services
  - \$1.4m for the Tribal Child Welfare Compact

# Resource Development and State Primacy

Invest in state primacy over resource management

- Expand timber resource capacity \$460.0k
- \$5.7m to assume primacy from the EPA over resource development permitting
  - Resource Conservation and Recovery Act \$830.0k
  - Clean Water Act Section 404 \$4.9m
- \$4m to continue statehood defense efforts

Capital funding to develop mariculture and agriculture industries to enhance food security and economic development \$50m

# Improve State Government Functions

## Executive Order for new Department of Family and Community Services and Department of Health

- DFCS for leadership focus to Children's Services, Juvenile Justice, and 24-hour facilities
- DOH for leadership focus on public health, Medicaid, and public assistance
- \$434.3k UGF and \$1.9m Total for new positions

## Public Safety Communication Systems transfer to Public Safety

- This function is more aligned with DPS' mission to ensure public safety
- DPS has an existing division that can seamlessly absorb these services
- Net zero budget impact

## Transfer Exxon Valdez Oil Spill Trustee Council from ADFG to DEC

- Net zero budget impact

## Invest in Department of Administration Information Technology

- "Pandemic Proofing" and avoidance of the next major cyber attack \$28.9m UGF (capital)
- Restructured how cost of investments in IT and other central services are reflected in the budget. Adds additional accountability for DOA costs. \$4.1m UGF

# FY23 Statewide Operating Items

FY23 Statewide Items	FY22 UGF	FY23 UGF	FY22 - FY23
<b>Debt Service</b>	<b>96.6</b>	<b>156.2</b>	<b>59.6</b>
Traditional Debt	92.5	92.3	(0.2)
Muni School Bond Reimbursement	4.1	63.9	59.8
<b>Retirement Assistance Payment</b>	<b>246.1</b>	<b>129.5</b>	<b>(116.6)</b>
PERS	97.7	33.9	(63.8)
TRS	142.7	91.0	(51.7)
Other	5.7	4.6	(1.1)
<b>Fund Capitalizations &amp; Transfers</b>	<b>119.8</b>	<b>232.1</b>	<b>112.3</b>
Oil & Gas Tax Credits	54.0	199.0	145.0
Disaster Relief Fund <sup>1</sup>	34.0	0.0	(34.0)
REAA Fund	17.2	32.8	15.6
Other <sup>2</sup>	14.6	0.3	(14.3)
<b>Statewide Items Total</b>	<b>462.5</b>	<b>517.8</b>	<b>55.3</b>

<sup>1</sup>FY22 proposed supplemental included

<sup>2</sup>FY23 reduction due to recategorization of funds from UGF to DGF

# SB55/Retirement Contributions

Strong investment performance in FY21 resulted in significant savings for the public employee retirement systems

- Investment performance reduced the State's required contribution to PERS/TRS systems by \$75.4 million UGF
- Avoiding overcontribution to PERS/TRS health trusts saved \$71 million UGF

SB55 year two fiscal note reduction of \$14.7 million UGF by shifting to other fund sources

Total FY23 retirement savings: **(\$161.1 million UGF)**



# Other Statewide Items

Fully fund municipal school bond debt reimbursement \$79.0m UGF

Fully fund rural school construction contribution (Regional Educational Attendance Area fund) \$32.8m UGF

Full community assistance deposit of \$30m from PCE

Full funding for oil and gas tax credits of \$199m UGF

## American Rescue Plan Discretionary Funding

- \$375.4m for revenue replacement
- \$20m in Fast Track Supplemental for public health response
- \$37.4m FY2023 Operating investments
  - \$10m for workforce development
  - \$22.8m to the University of Alaska for critical economic development
    - Drone Research \$10m
    - Critical Minerals and Rare Earth Elements \$7.8m
    - Heavy Oil Recovery Method Research \$5m
  - \$3.5m for Domestic Violence and Sexual Assault Victim Services
  - \$1.1m to continue priority DNA collection activities in Corrections
- \$72m in Capital projects
- \$64m of Coronavirus Capital Project Funds Allocated
  - \$47.9m remaining to allocate

## Infrastructure Investments and Jobs Act

- Enacted November 15, 2021
- 5-year reauthorization of established federal programs and new programs
- New program details still pending
- Some program funding appropriated in the bill, others awaiting an FFY22 budget
- Maximizing use in Alaska Marine Highway System to preserve UGF and transition to a sustainable system
- Remaining funds to be addressed when further guidance is received