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Spring Revenue Forecast Modeling Update

House Finance Committee
March 18, 2022
Legislative Finance Division

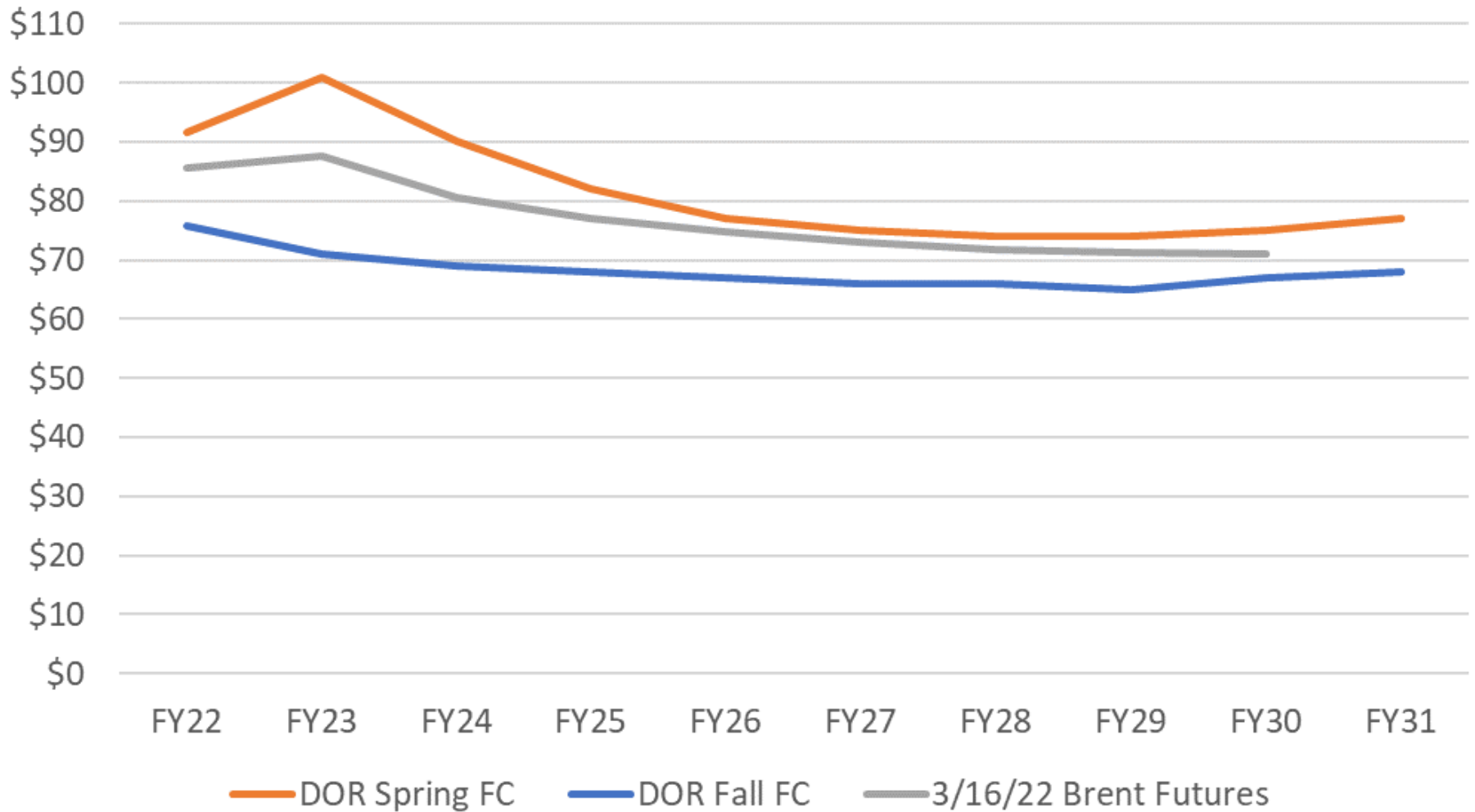
Outline

- Updated Fiscal Summary with HCS2 and Spring Forecast
- Comments on Spring Revenue Forecast
- Governor's 10-Year Plan with Spring Forecast
- HCS2 Models with Spring Forecast

Fiscal Summary: HCS2, Spring Forecast (UGF only)

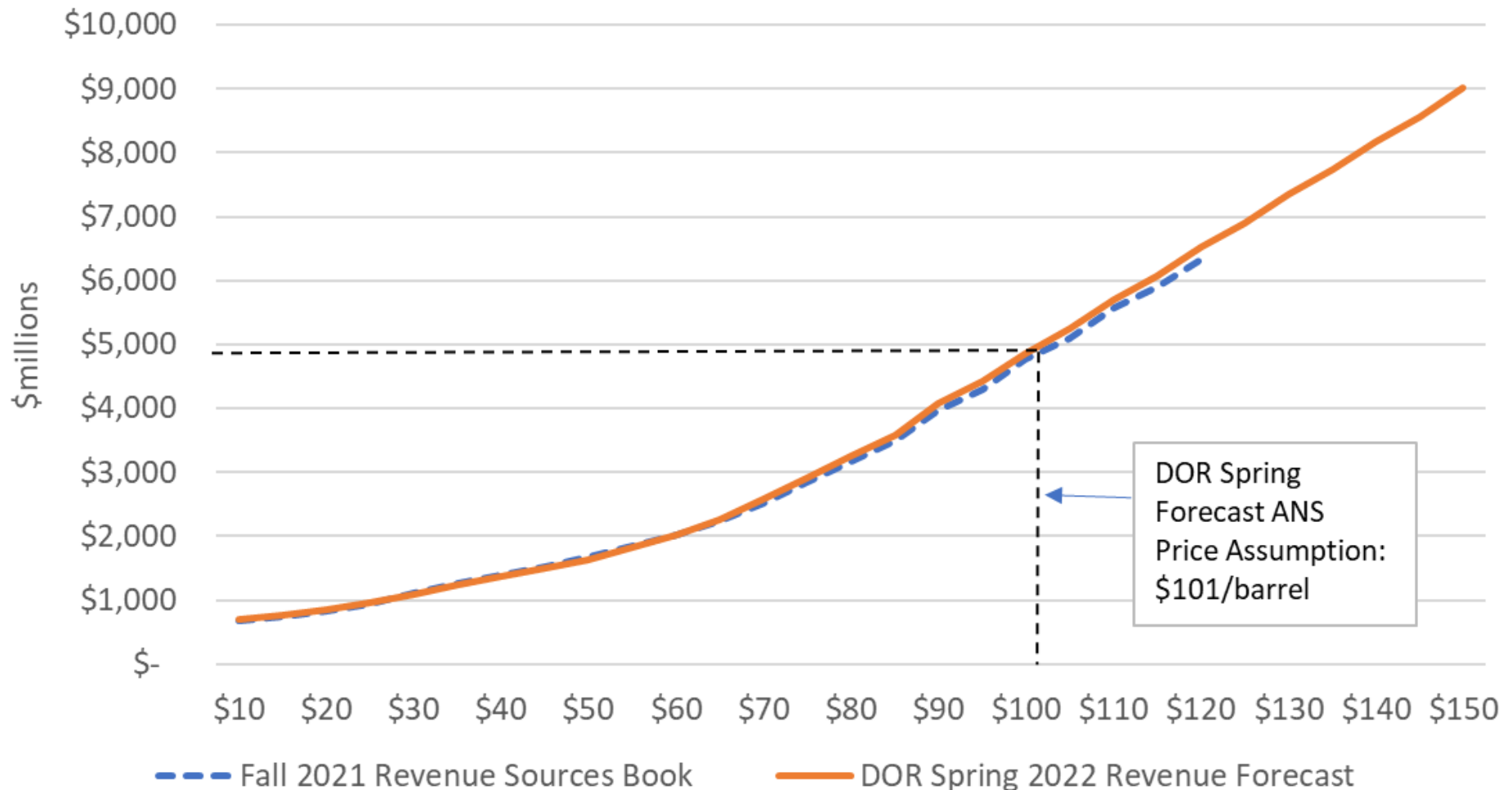
	(\$ Millions) (Non-duplicated Funds)	FY22 Budget	FY23 Governor/ HCS2	Change in UGF	
1	Revenue	6,965.0	8,330.8	1,365.8	20%
2	UGF Revenue (Fall 2021 Forecast)	2,662.7	2,577.2	(85.5)	-3%
3	Spring Forecast Addition	1,221.0	2,393.0	1,172.0	96%
4	POMV Draw	3,069.3	3,360.6	291.3	9%
5	Misc/Adjust/Non-UGF Revenue	12.0	-	(12.0)	
6	Appropriations	5,670.7	7,798.4	2,127.7	38%
7	Operating Budget	4,597.6	6,799.8	2,202.2	48%
8	Agency Operations (HCS2)	3,919.3	4,074.7	155.4	4.0%
9	Statewide Items (HCS2)	414.0	670.0	256.0	61.8%
10	Forward-Fund K12 (HCS1)	-	1,215.1	1,215.1	
11	Energy Relief (HCS2)	-	840.1	840.1	
12	Operating Supplementals (HCS2)	264.4	-	(264.4)	
13	Capital Budget	334.0	158.4	(175.6)	-52.6%
14	Current Year Appropriations (Gov)	242.9	158.4	(84.5)	-34.8%
15	Supplemental Appropriations (Gov)	91.1	-	(91.1)	
16	Permanent Fund	739.0	840.1	101.1	13.7%
17	Permanent Fund Dividends (HCS1)	739.0	840.1	101.1	13.7%
18	Inflation Proofing/Other Deposits*	-	-		
19	Pre-Transfer Surplus/(Deficit)	1,294.3	532.4	Reserve Balances (EOY)	
20	Statutory Budget Reserve	(410.7)	-		
21	American Rescue Plan Act (ARPA)	(250.0)	(300.0)	SBR	FY22
22	Other Fund Transfers (HCS2)	452.5	0.3	CBR	FY23
23	Post-Transfer Surplus/(Deficit)	1,502.5	832.1	ERA	
				1,572.6	2,404.7
				1,283.8	1,315.7
				14,901.4	15,613.8

Comparison of Oil Price Forecasts

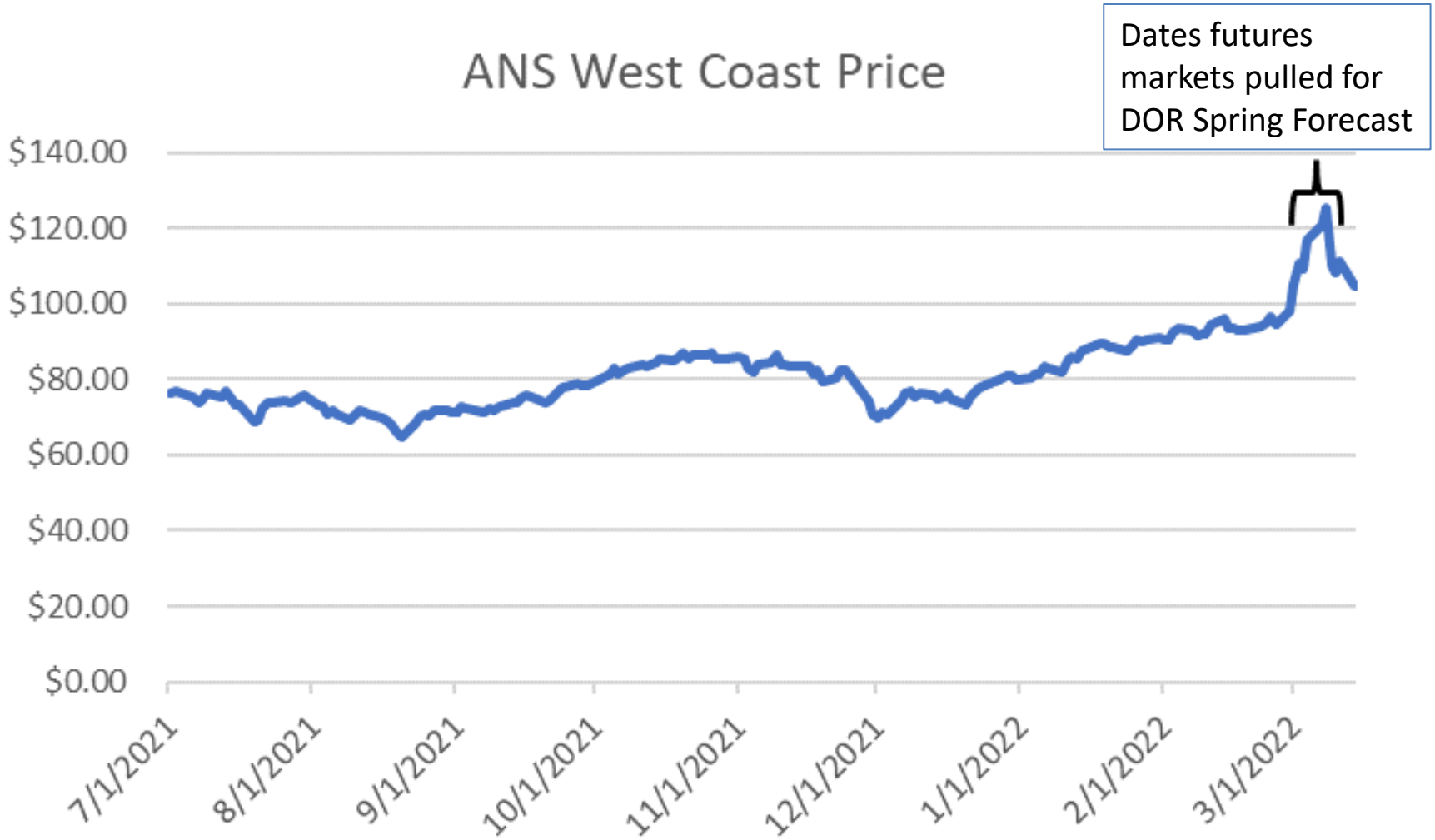


FY23 Oil Price Sensitivity Chart

FY23 UGF Revenue by ANS Price (Excluding POMV)



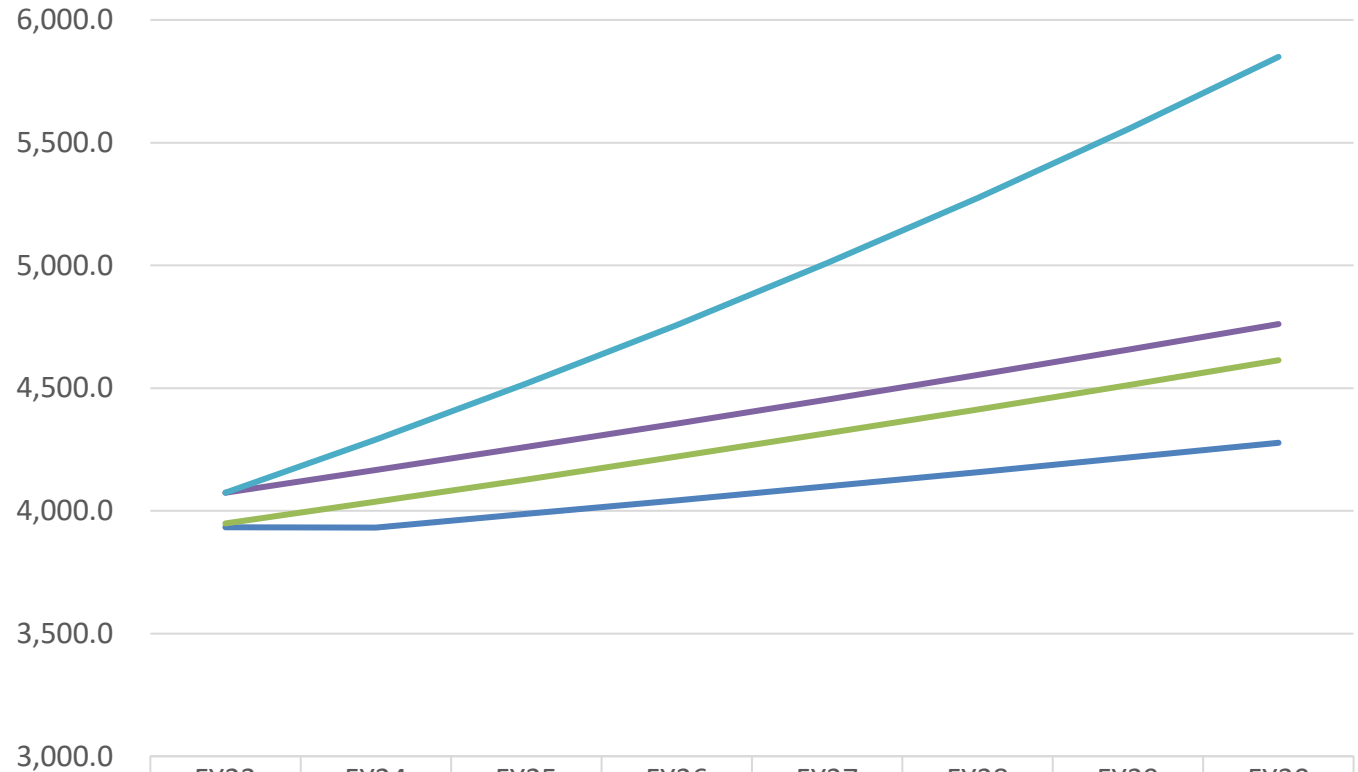
Oil Prices, FY22 to Date



Takeaways on Spring Forecast

- Oil prices have skyrocketed in recent months, but the market does not appear to expect that this will last over the long term.
- Oil has been extremely volatile recently. ANS prices rose by \$31.11 (33%) from 2/25 to 3/8 and dropped by \$26.76 (21%) from 3/8 to 3/15.
- LFD advises the legislature to approach oil prices conservatively given the level of volatility combined with relatively small savings account balances to backstop any shortfall.

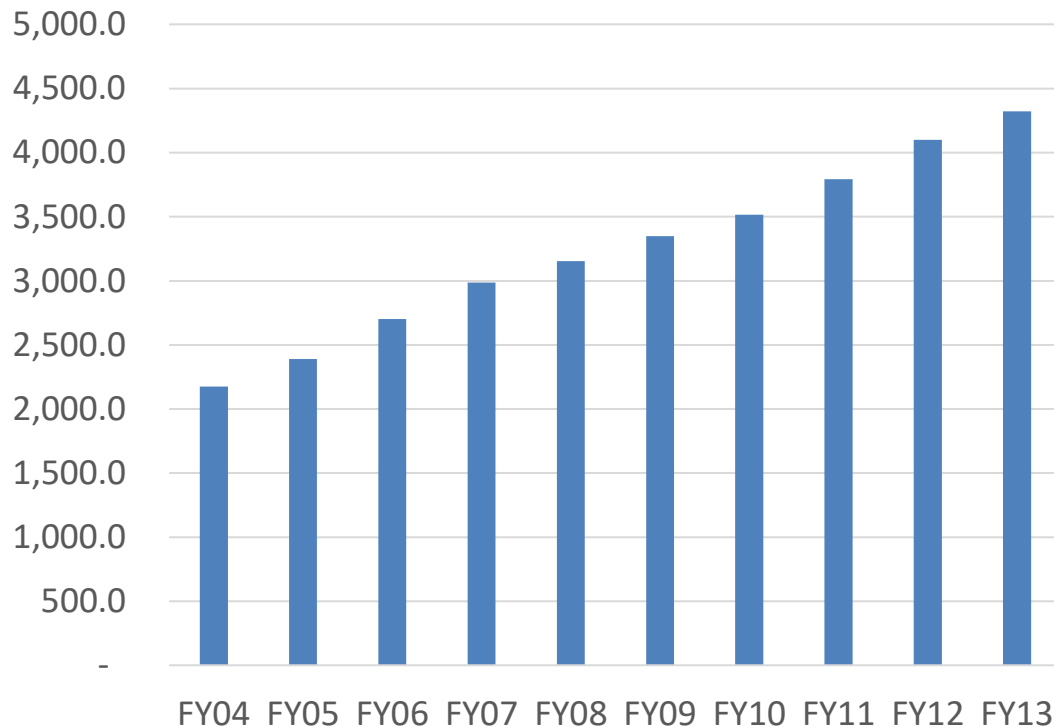
Comparison of Potential Agency Operations Paths



	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Gov 10-Year Plan	3,933.6	3,932.1	3,987.8	4,043.3	4,100.6	4,157.8	4,217.7	4,277.6
GovAmend, 2.25% Growth	3,948.4	4,037.2	4,128.1	4,221.0	4,315.9	4,413.0	4,512.3	4,613.9
HCS2 with 2.25% Inflation Growth	4,074.7	4,166.3	4,260.1	4,355.9	4,453.9	4,554.2	4,656.6	4,761.4
HCS2 with 5.3% Growth	4,074.7	4,290.6	4,518.0	4,757.5	5,009.6	5,275.1	5,554.7	5,849.1

Learning from the Past: Agency Operations Growth, FY04-13

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	Total
Agency Operations	2,176.2	2,389.3	2,701.7	2,986.3	3,152.5	3,349.1	3,514.7	3,793.5	4,099.5	4,322.7	
Growth (\$\$)		213.1	312.4	284.6	166.2	196.6	165.6	278.8	306.1	223.1	2,146.5
Growth Rate		9.8%	13.1%	10.5%	5.6%	6.2%	4.9%	7.9%	8.1%	5.4%	7.9%

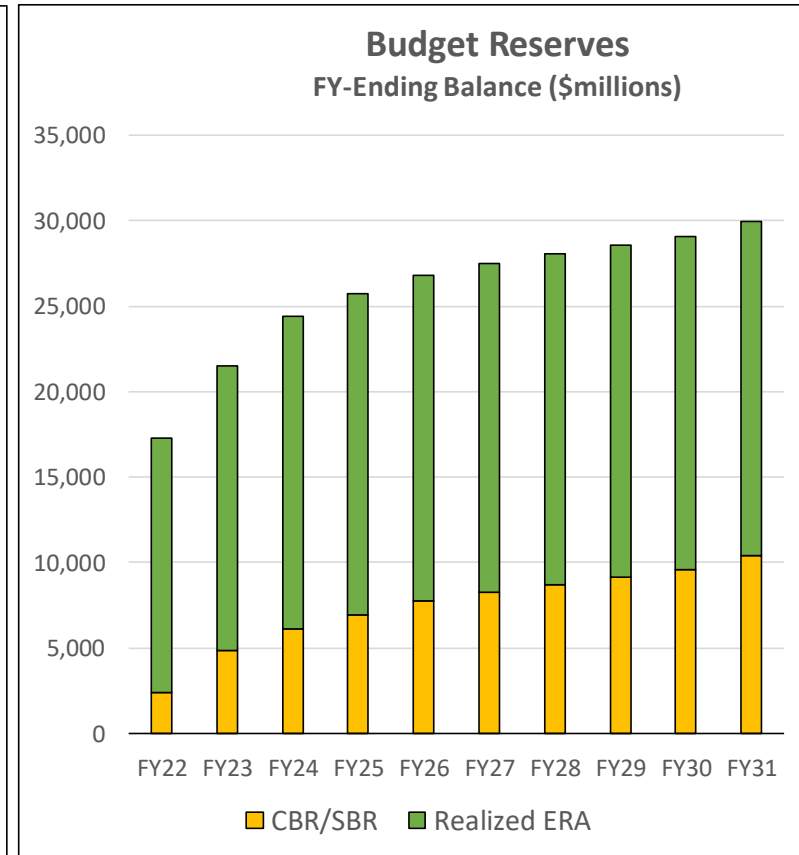
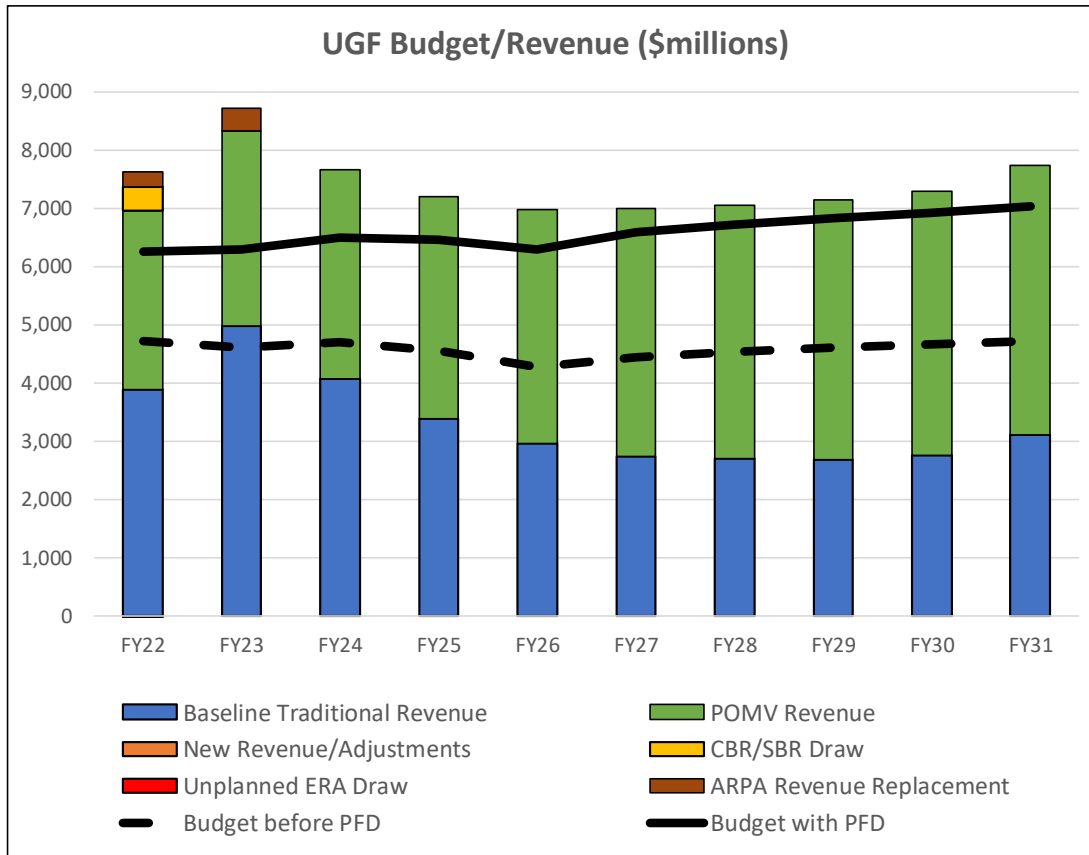


“Expenditure restraint is a ‘double barreled shot’ at the target of extending the life of reserve balances: it increases reserve balance deposits and it stretches those reserve balances further into the future by reducing future cash outflow...Continuing the historic rate of growth—or even remaining at the FY13 level of spending—could produce multi-billion dollar deficits in the near future.”

LFD Overview of the Governor’s FY13 Budget

Governor's 10-Year Plan with Spring Forecast

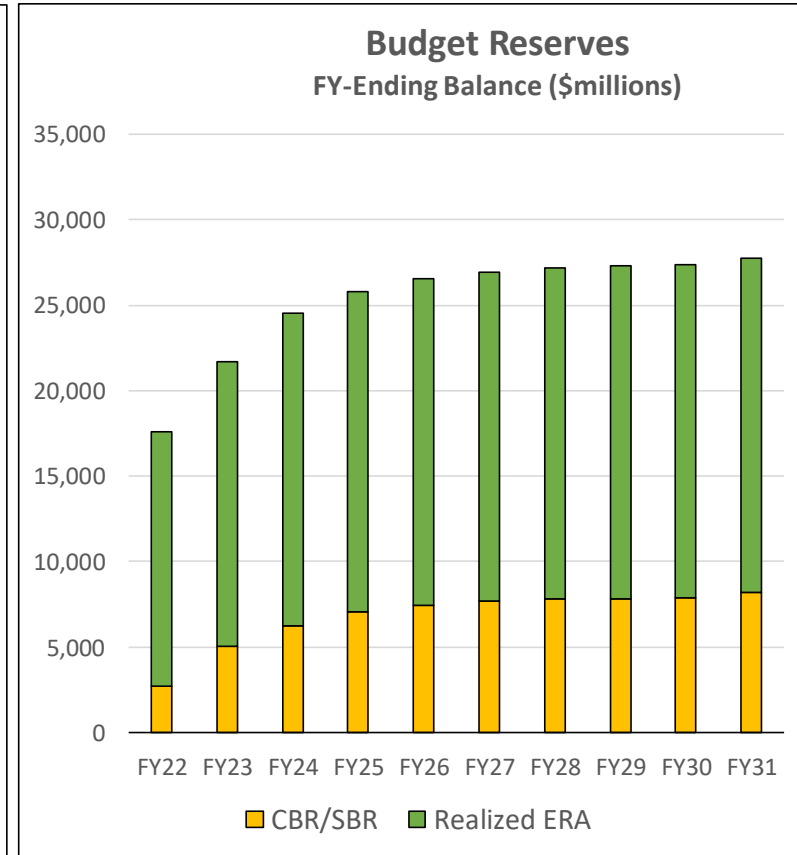
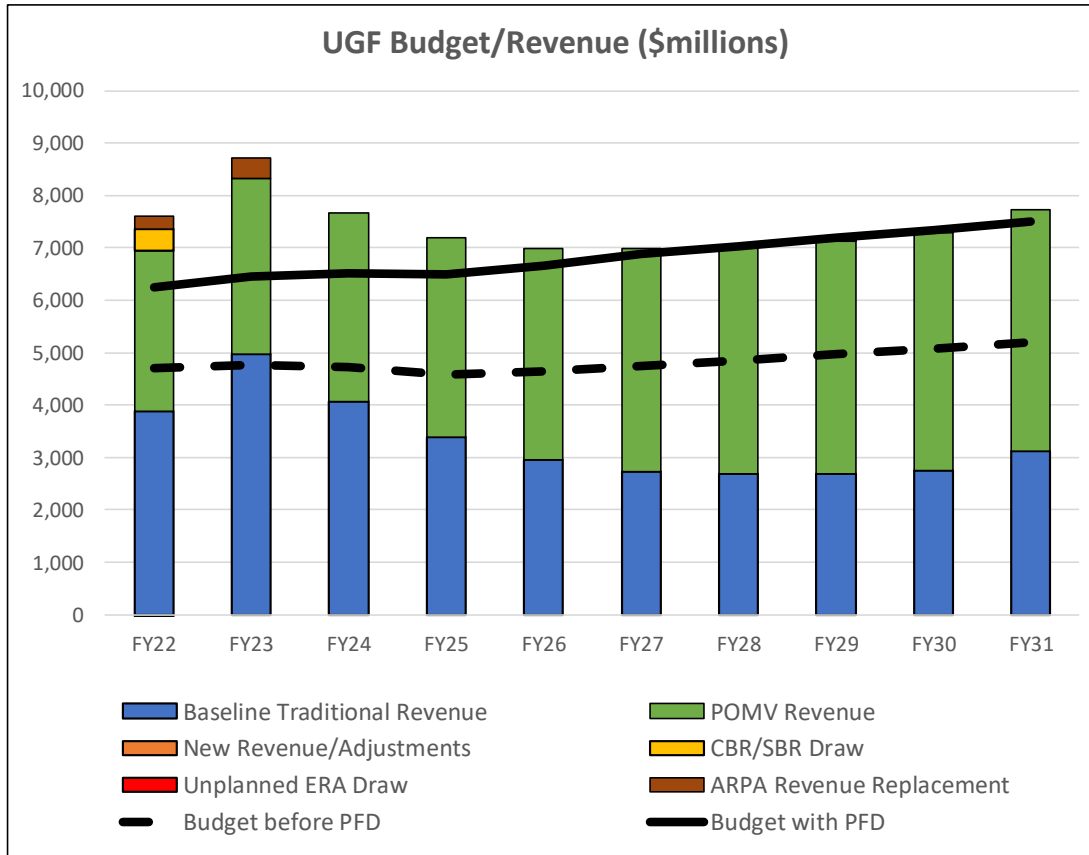
Surplus/(Deficit) (\$millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	704	2,044	1,175	737	703	418	338	314	362	707



No ERA Overdraws

GovAmend Growing with Inflation (2.25%), Spring Forecast

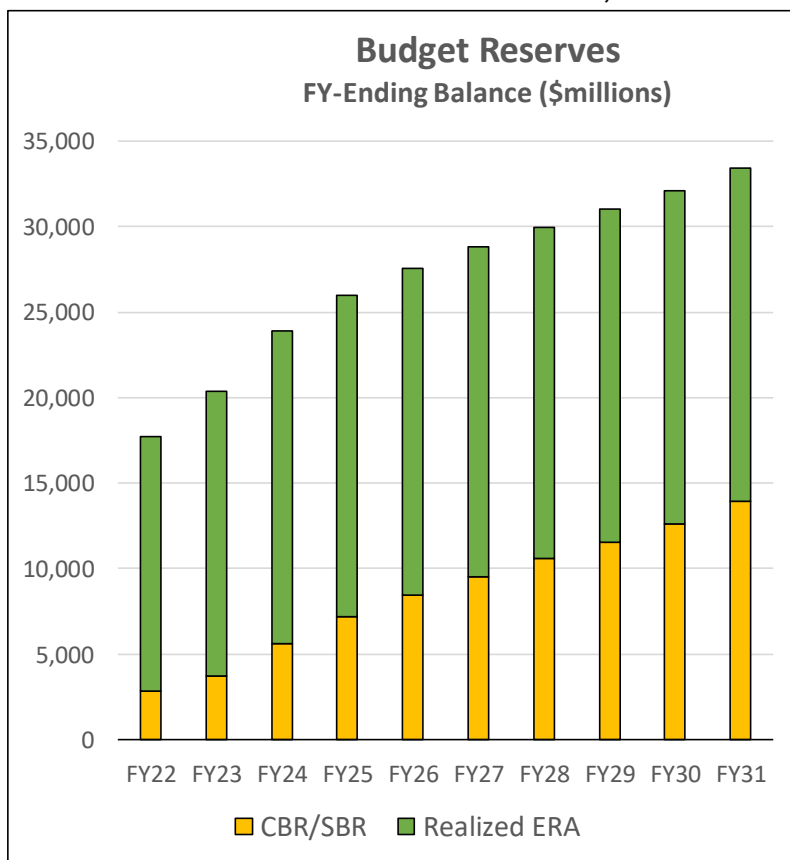
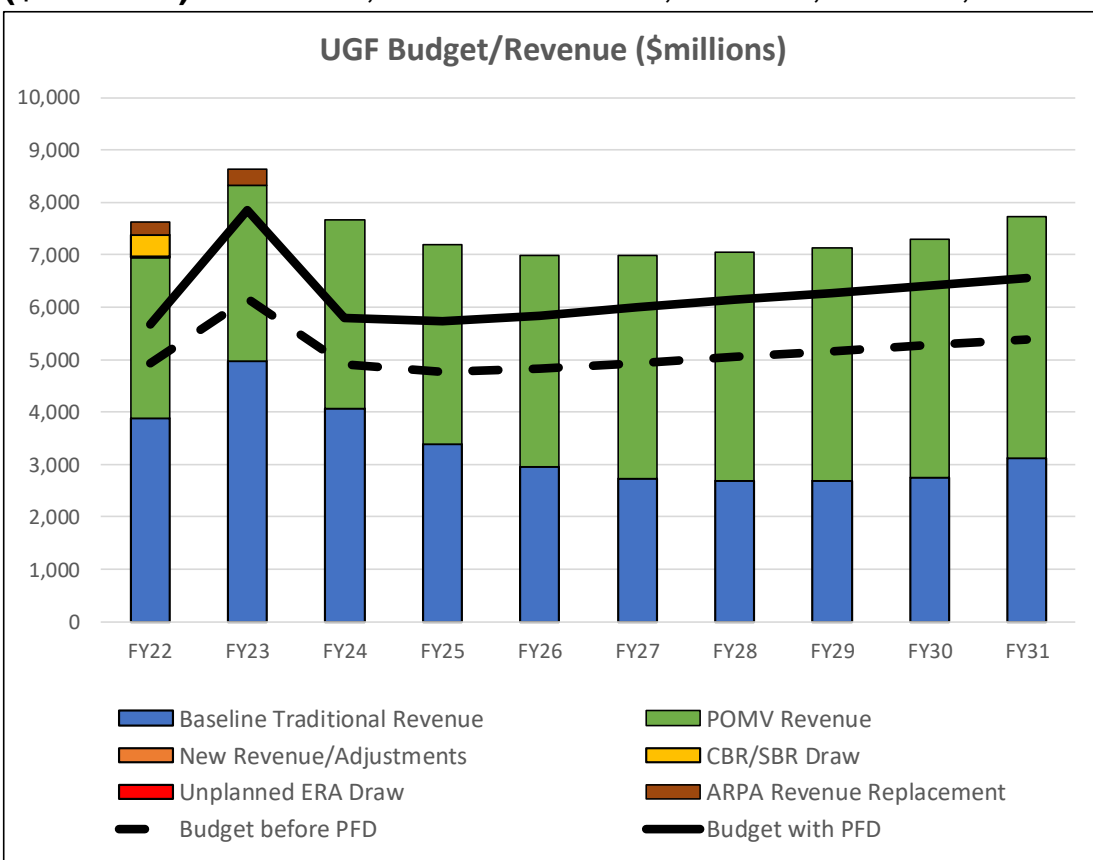
Surplus/(Deficit) (\$millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	704	1,880	1,145	701	329	117	18	(54)	(55)	229



No ERA Overdraws

HCS2 Growing with Inflation (2.25%), Spring Forecast, 25% POMV to PFD FY24+

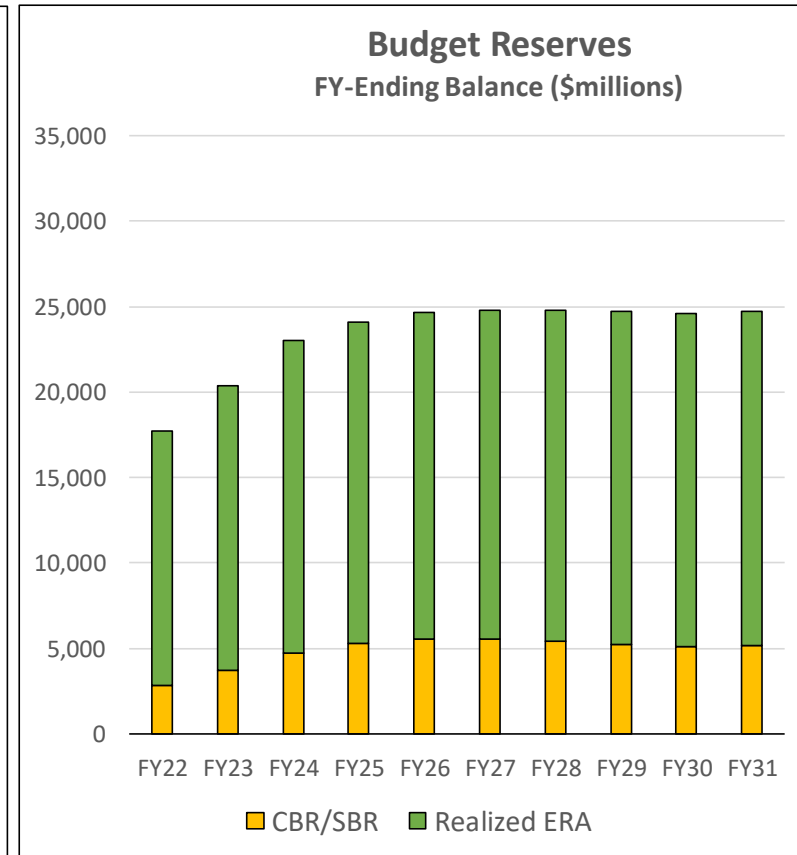
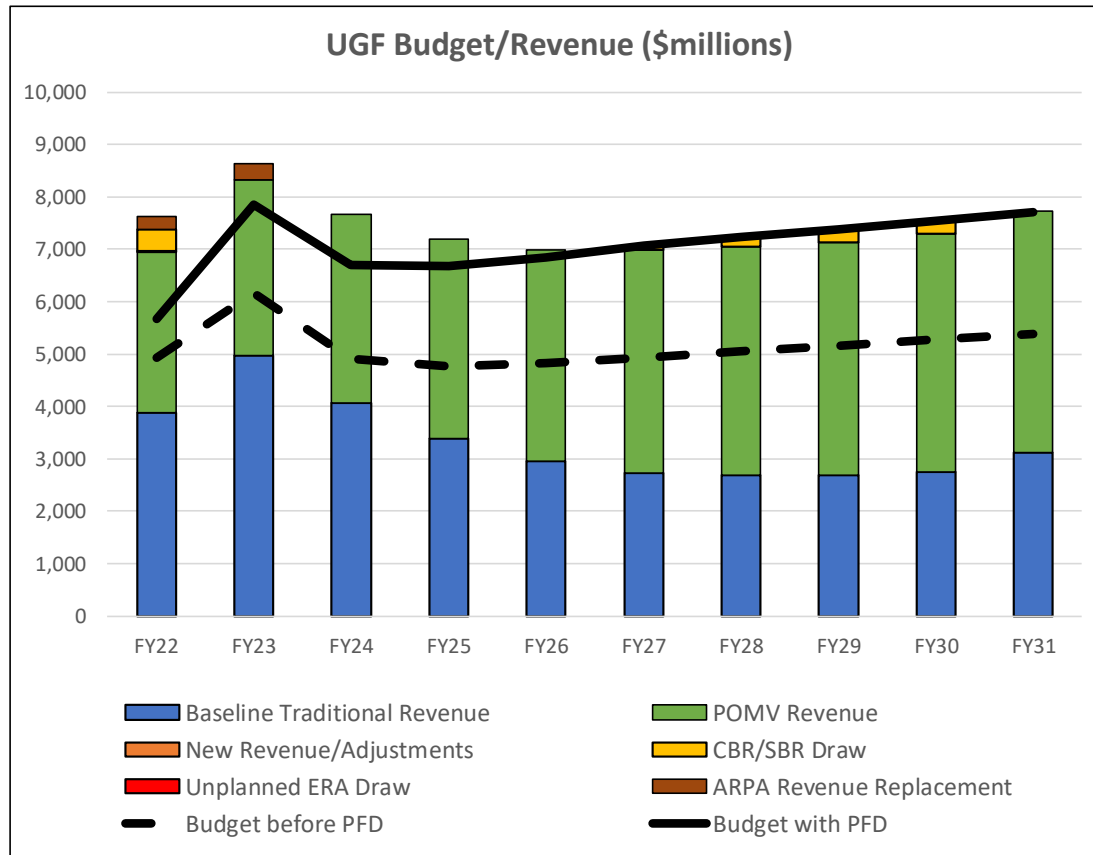
Surplus/(Deficit) (\$millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,294	489	1,866	1,472	1,150	996	917	865	881	1,182



No ERA Overdraws

HCS2 Growing with Inflation (2.25%), Spring Forecast, 50% POMV to PFD FY24+

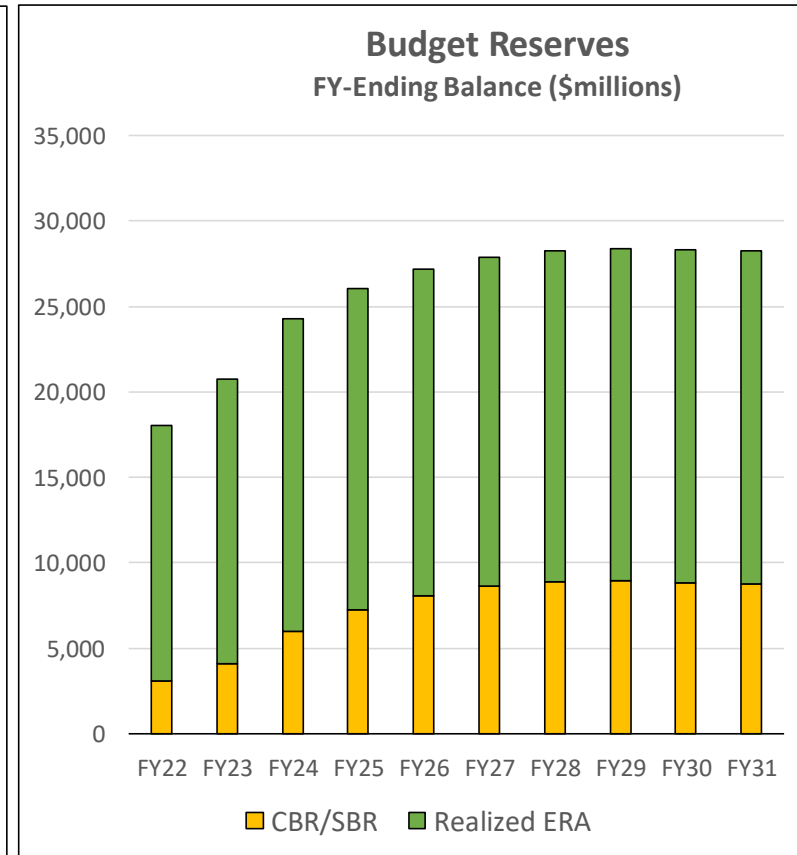
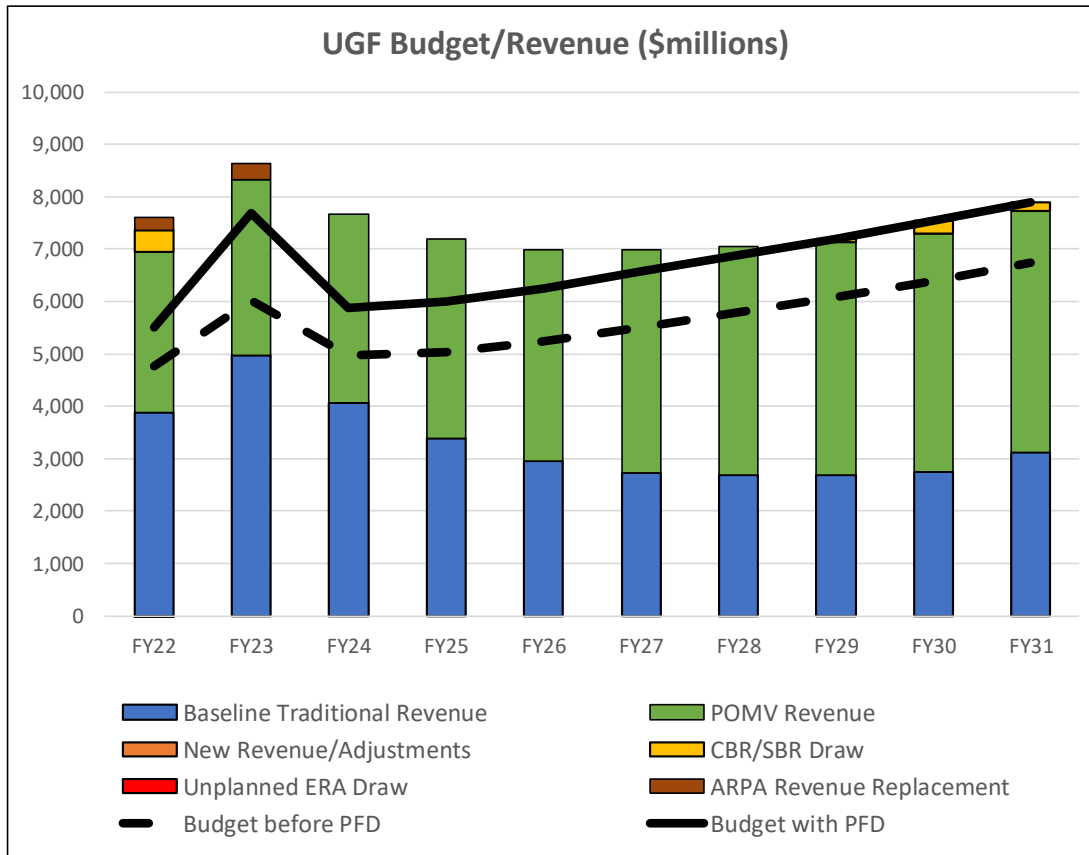
Surplus/(Deficit) (\$millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,294	489	966	519	144	(71)	(174)	(248)	(253)	28



No ERA Overdraws

HCS2 Growing by 5.3%, Spring Forecast, 25% POMV to PFD FY24+

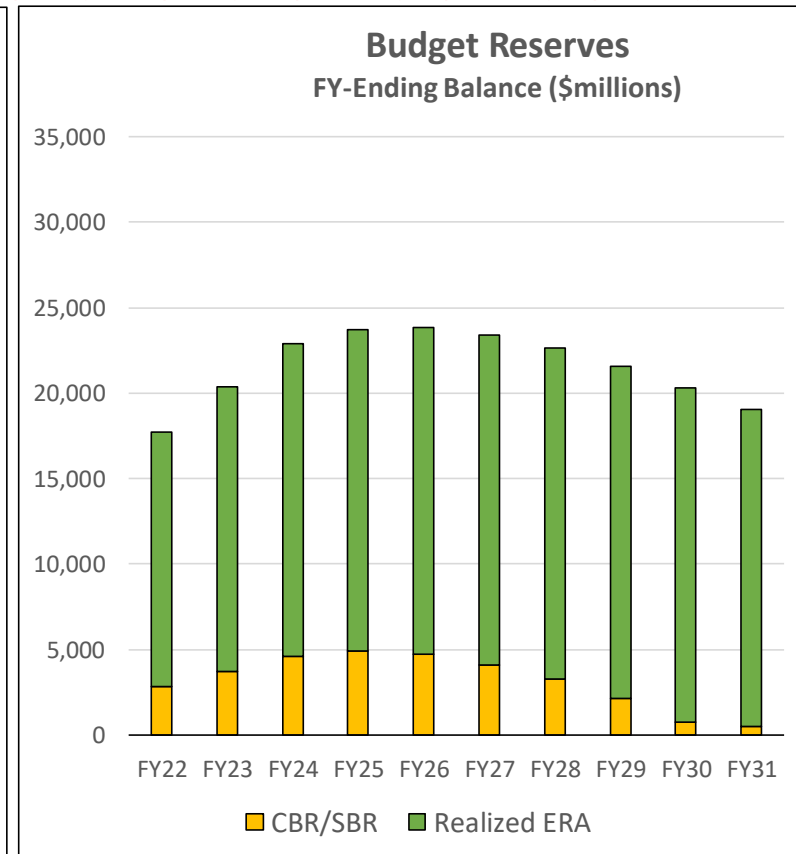
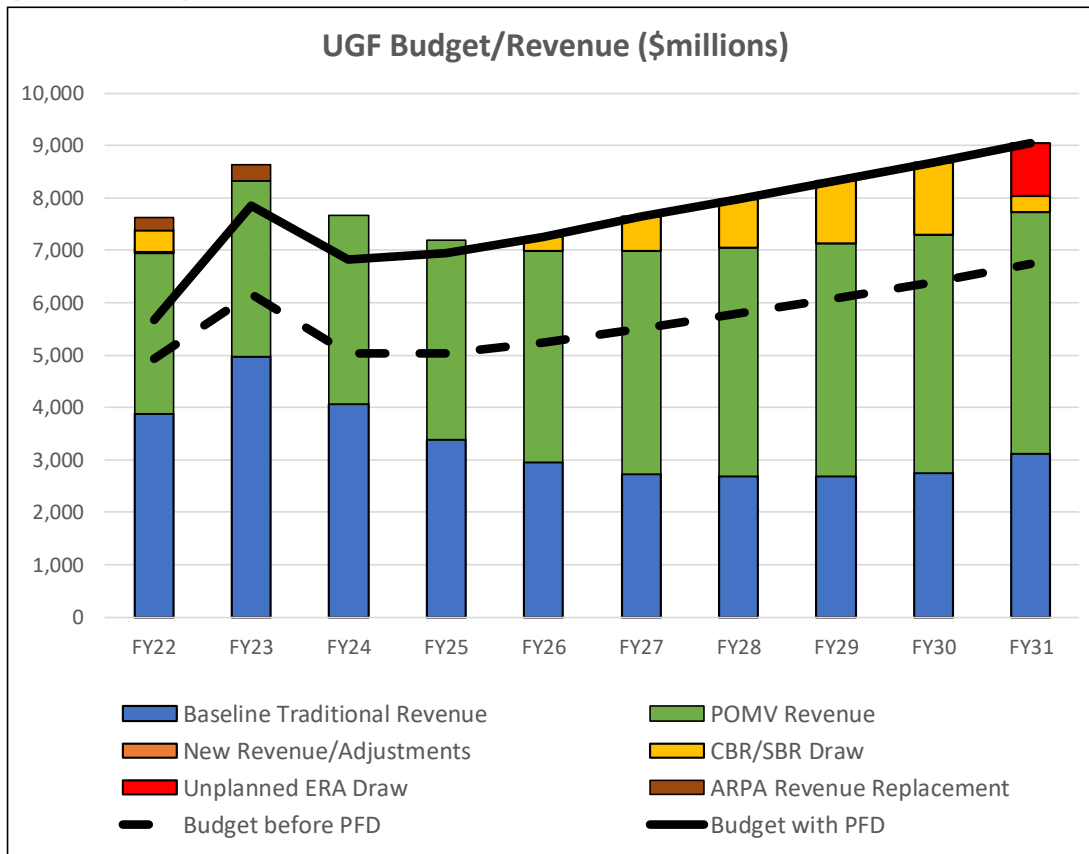
Surplus/(Deficit) (\$millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,440	639	1,794	1,204	733	420	168	(67)	(248)	(157)



No ERA Overdraws

HCS2 Growing by 5.3%, Spring Forecast, 50% POMV to PFD FY24+

Surplus/(Deficit) (\$millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,294	489	837	252	(273)	(647)	(922)	(1,180)	(1,382)	(1,311)



Effective POMV Draw Rate	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	6.09%

Questions?

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