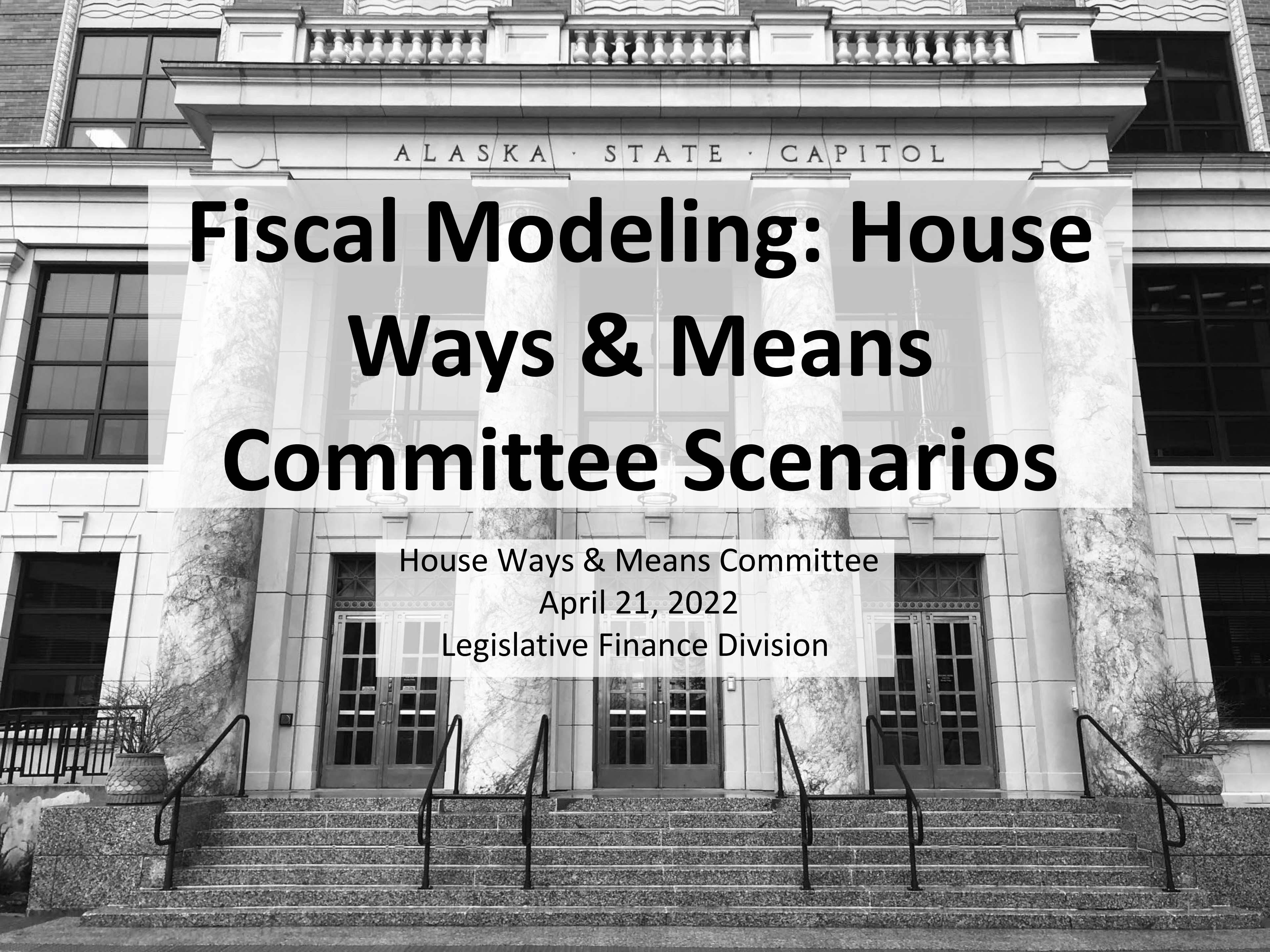


Fiscal Modeling: House Ways & Means Committee Scenarios

House Ways & Means Committee
April 21, 2022
Legislative Finance Division

Outline

- Review of LFD Modeling Baseline Assumptions
- Comparison of House Ways & Means Committee Assumptions to LFD Baseline
- Fiscal Models Using Committee Assumptions

Review of LFD Modeling Baseline

- Legislative Finance's fiscal model is designed to show policy makers the longer-term impact of fiscal policy decisions.
- The baseline assumptions are essentially that current budget levels are maintained, adjusted for inflation. Policy changes are then applied against that baseline.
- Our default is to assume that statutory formulas will be followed.
  - This includes a statutory PFD beginning FY23.

Review of Modeling Baseline (cont.)

Revenue Assumptions

- LFD's baseline revenue assumptions are the Department of Revenue's Spring Revenue Forecast.
  - This assumes $101 oil in FY23, following futures market thereafter.
  - DNR oil production forecast projects that Alaska North Slope production will increase from 502.3 thousand barrels per day in FY23 to 576.6 thousand barrels per day in FY31.
- For the Permanent Fund, we use Callan's return assumption of 5.86% total return in FY22 and 6.20% thereafter.

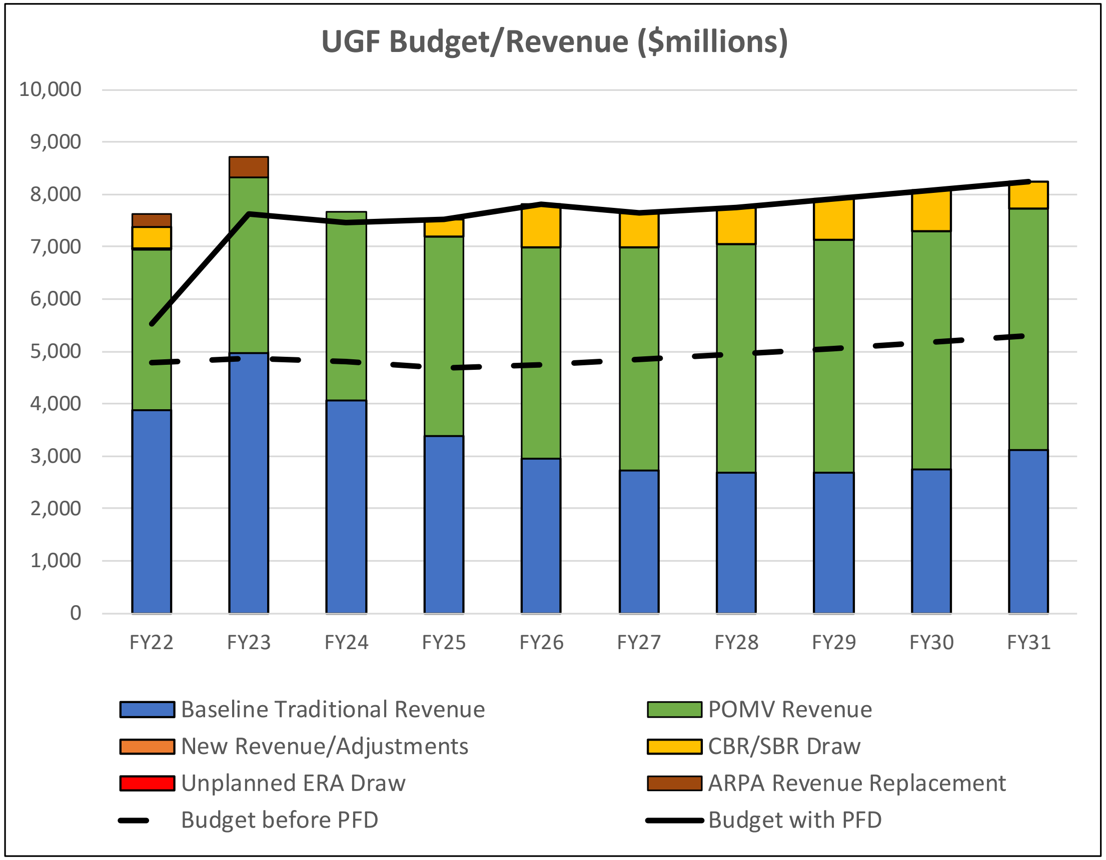
Review of Modeling Baseline (cont.)

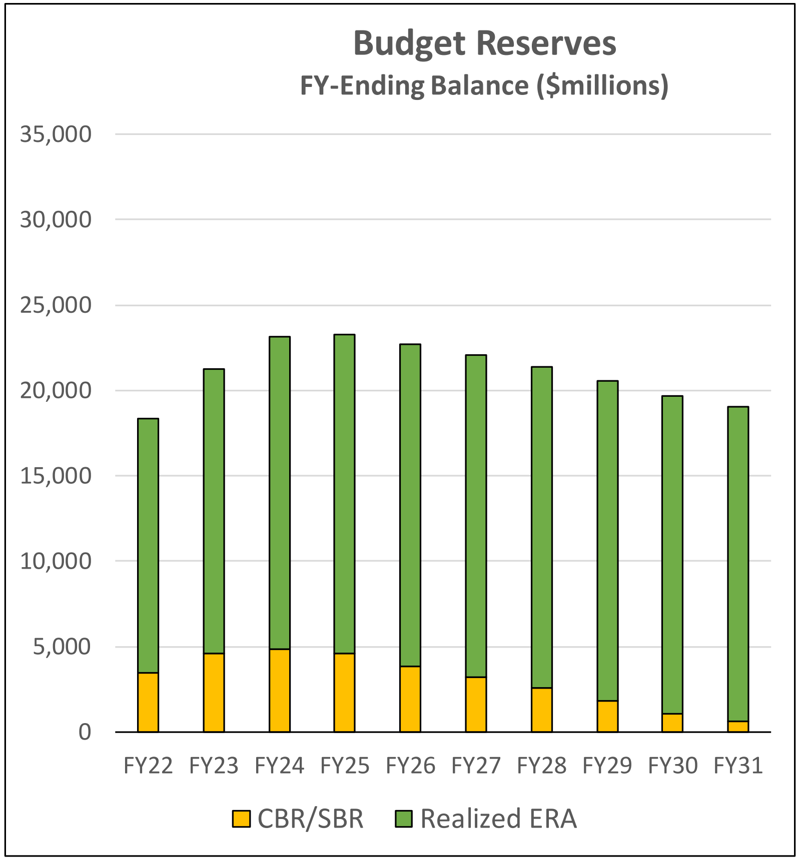
Spending Assumptions

- For **agency operations**, these scenarios assume the Governor's FY23 amended budget grows with inflation (2.25%).
- For **statewide items**, the baseline assumes that all items are funded to their statutory levels beyond FY23.
  - This includes School Debt Reimbursement, the REAA Fund, Community Assistance, oil and gas tax credits.
- For the **capital budget**, we assume the Governor's FY23 capital budget grows with inflation (2.25%)
- For **supplementals** we assume $50.0 million per year. This is based on the average amount of supplemental appropriations minus lapsing funds each year.

LFD Modeling Baseline

Surplus/(Deficit) ($millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,431	705	215	(327)	(829)	(656)	(702)	(783)	(795)	(520)





No ERA Overdraws

HW&M Committee Scenarios

Committee Chair asked for modeling with the following assumptions that differ from LFD's baseline:

- Capital budget baseline of $250 million (instead of $195.4 million)
- Agency operations assume FY23 House budget growing at 2.5% (instead of 2.25%)
- Assume expiring federal funds are replaced with UGF and PERS healthcare is funded after FY23
- Varying PFD scenarios: statutory PFD, 50% of POMV, 33% of POMV, 25% of POMV, and HB 260

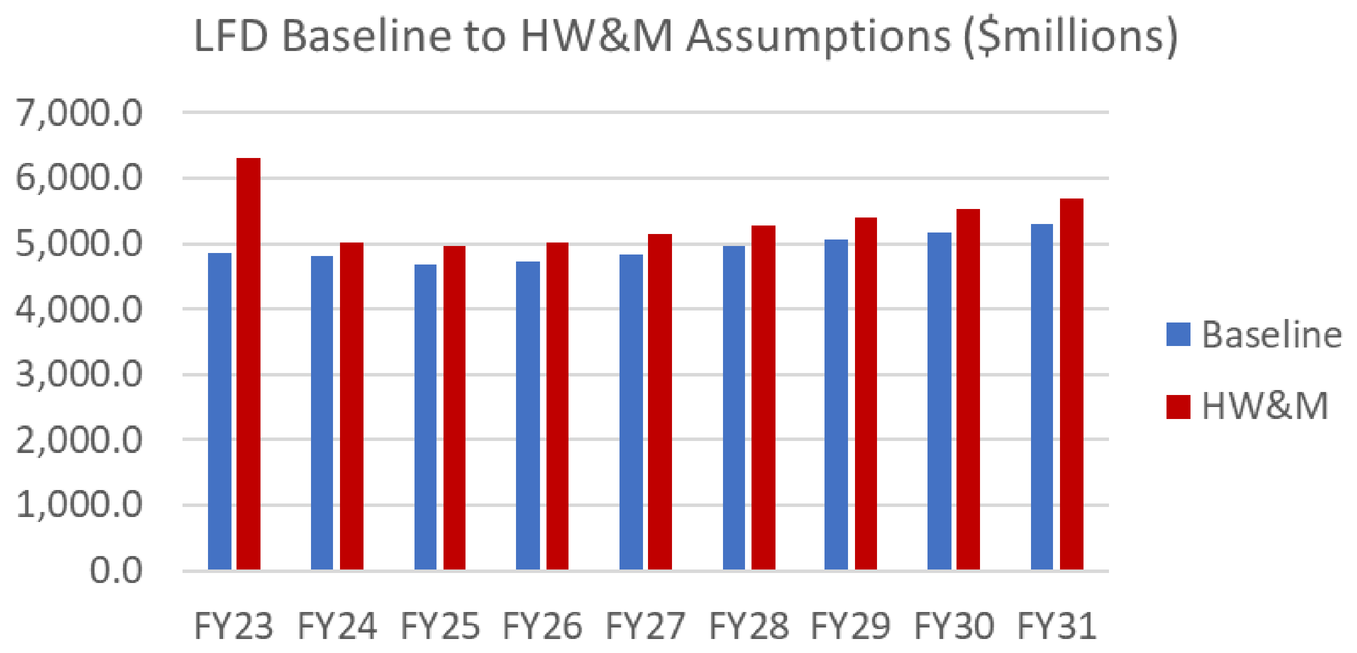
House Budget

The budget passed out of the House has significant changes from the Governor's amended budget, including:

- $60m FY22 supplemental appropriation to oil and gas tax credit fund.
- $1,215m for Forward-Funding K-12 in FY23. LFD modeling assumes this funding is <u>not</u> reduced to fill deficits.
- Swapped $59m Marine Highway funding from federal to UGF
- Added $27m UGF to offset state agencies' increased fuel costs
- Added $57 million in K-12 funding, conditional on no legislation increasing the BSA passing

Comparison of House Ways & Means Committee Scenario to LFD Baseline

Comparison of LFD Baseline to HW&M Assumptions ($millions)									
	FY23	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**
Baseline	4,862.1	4,812.2	4,681.2	4,735.4	4,840.3	4,952.0	5,058.8	5,171.9	5,289.7
HW&M	6,313.4	5,004.7	4,950.5	5,022.3	5,145.5	5,276.1	5,402.6	5,536.2	5,675.2
Difference	**1,451.3**	**192.5**	**269.4**	**286.9**	**305.2**	**324.1**	**343.8**	**364.3**	**385.5**



Revenue Assumptions

- Committee Chair asked that each scenario be shown under DOR's current forecast and two prior official forecasts.

DOR Spring 2022 Forecast

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
ANS Price	$101	$90	$82	$77	$75	$74	$74	$75	$77
UGF Revenue Ex-POMV ($millions)	4,970	4,065	3,384	2,957	2,729	2,693	2,682	2,750	3,111

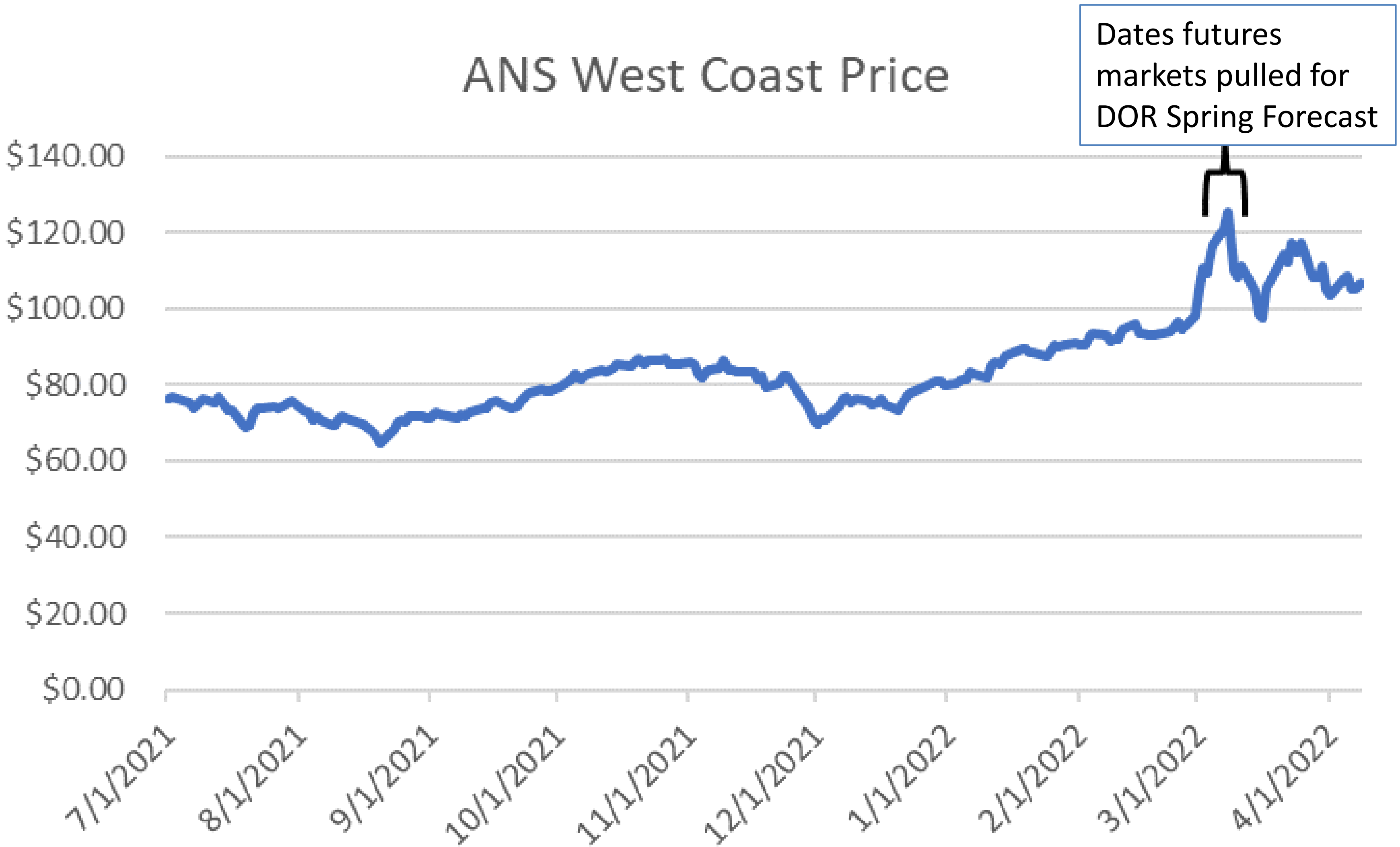
DOR Fall 2021 Forecast

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
ANS Price	$71	$69	$68	$67	$66	$66	$65	$67	$68
UGF Revenue Ex-POMV ($millions)	2,577	2,465	2,430	2,340	2,314	2,341	2,297	2,403	2,550

DOR Spring 2021 Forecast

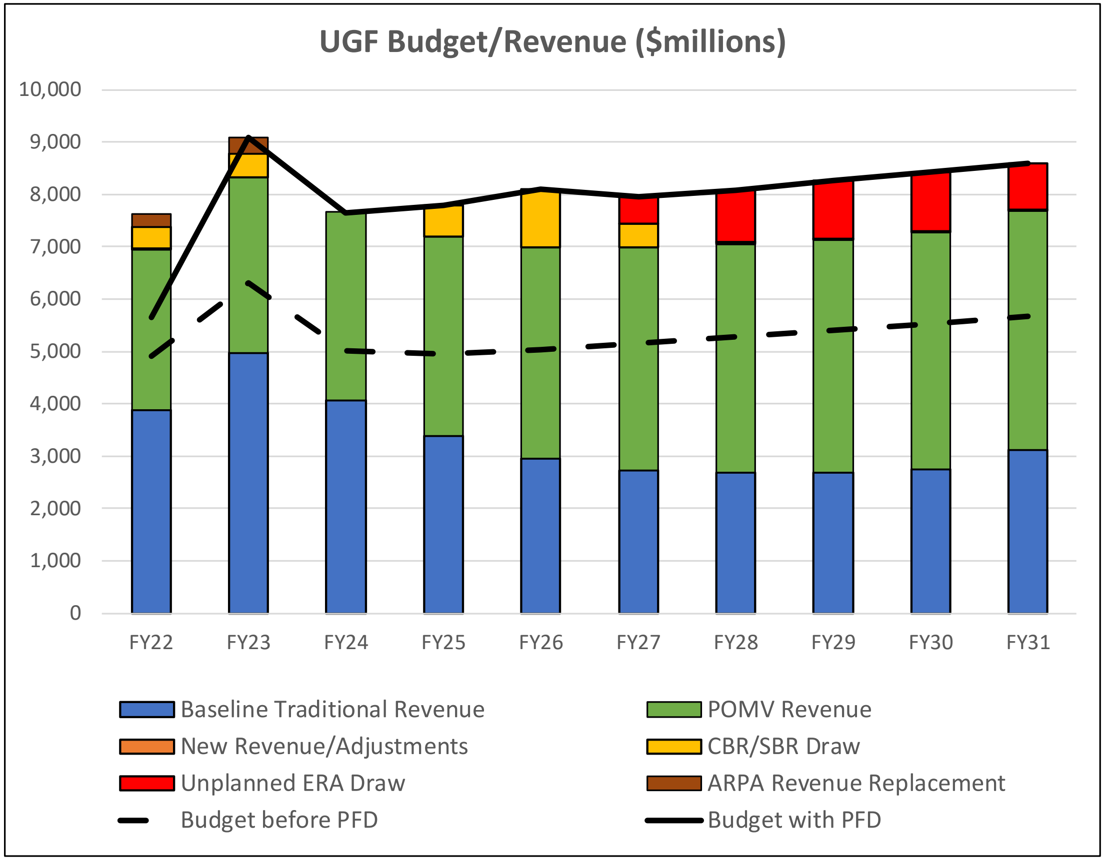
	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
ANS Price	$62	$63	$65	$66	$67	$68	$70	$71	$73
UGF Revenue Ex-POMV ($millions)	1,921	2,085	2,224	2,283	2,347	2,437	2,532	2,659	2,893

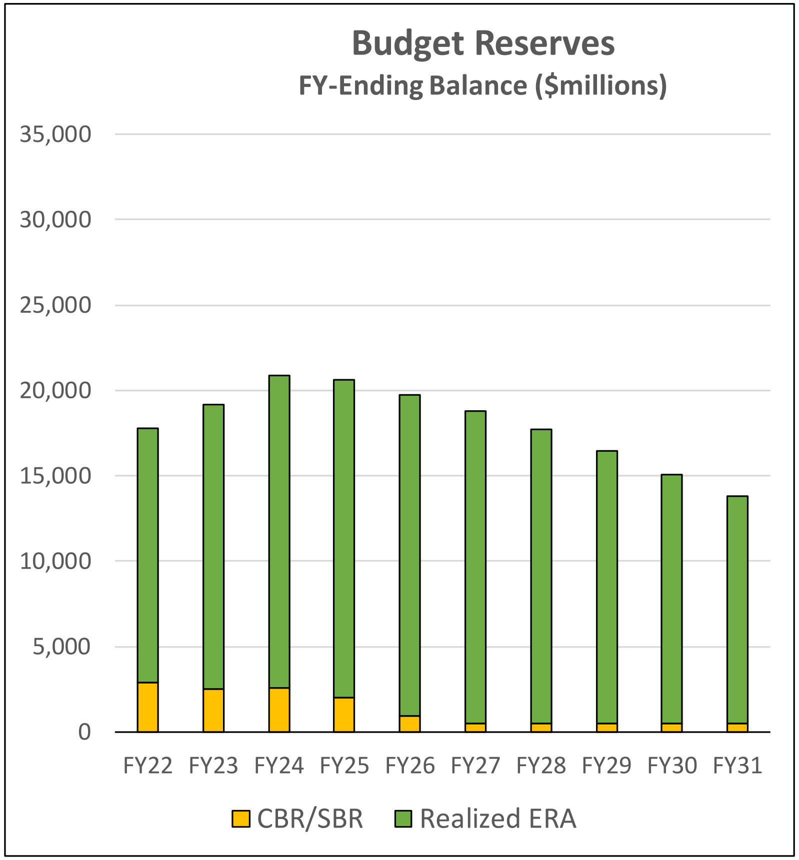
Oil Prices, FY22 to Date



Scenario 1: Statutory PFD
DOR Spring 2022 FC

Surplus/(Deficit) ($millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,324	(747)	23	(597)	(1,116)	(962)	(1,026)	(1,129)	(1,166)	(921)



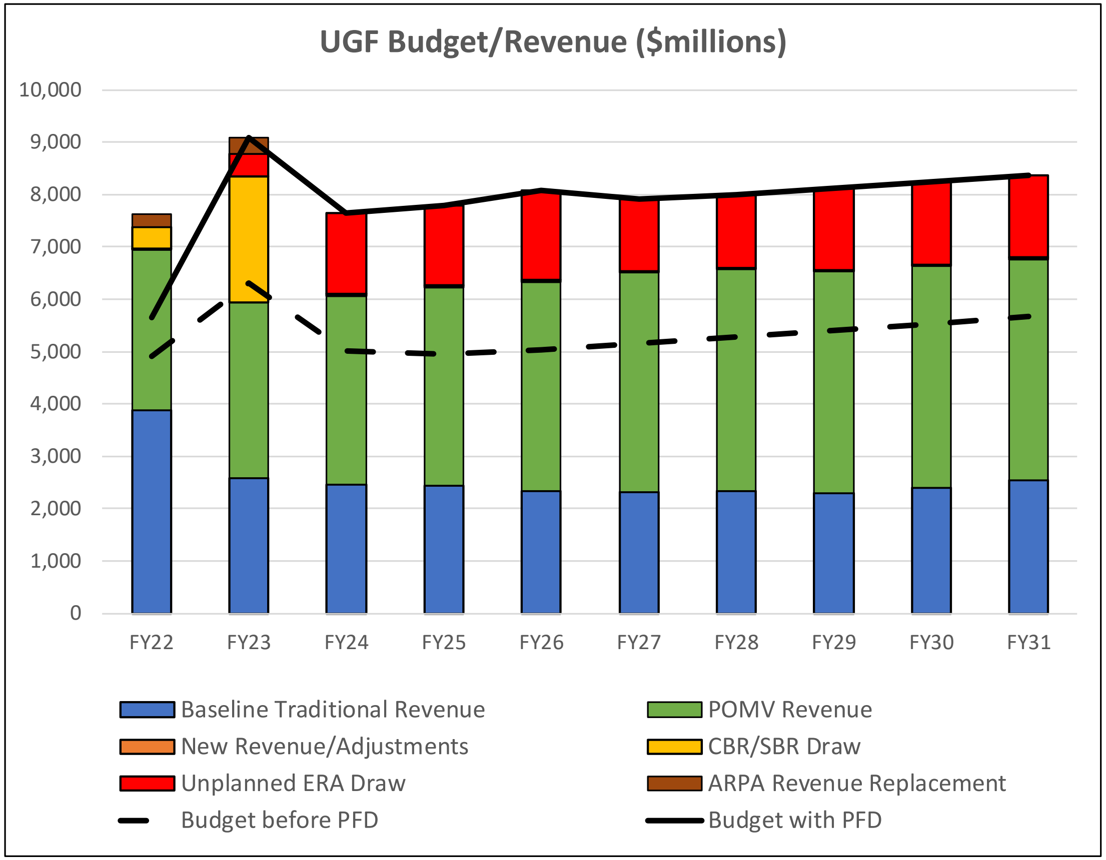


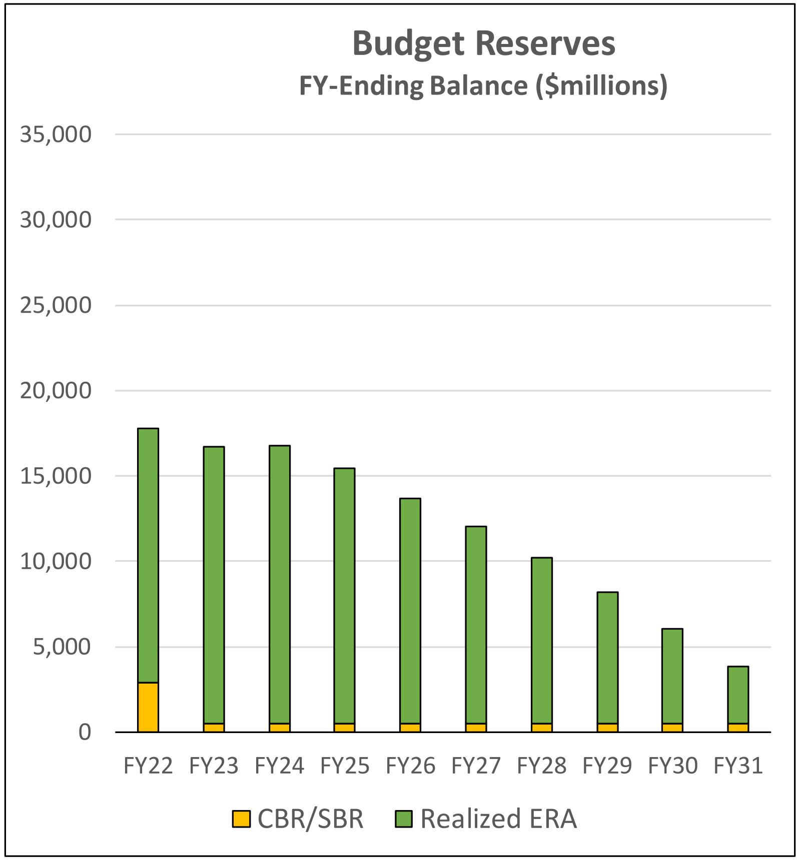
Effective POMV Draw Rate	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	5.00%	5.00%	5.00%	5.00%	5.00%	5.61%	6.15%	6.24%	6.26%	5.98%

Scenario 1: Statutory PFD

DOR Fall 2021 FC

Surplus/(Deficit) ($millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,324	(3,140)	(1,577)	(1,552)	(1,742)	(1,397)	(1,418)	(1,578)	(1,602)	(1,593)



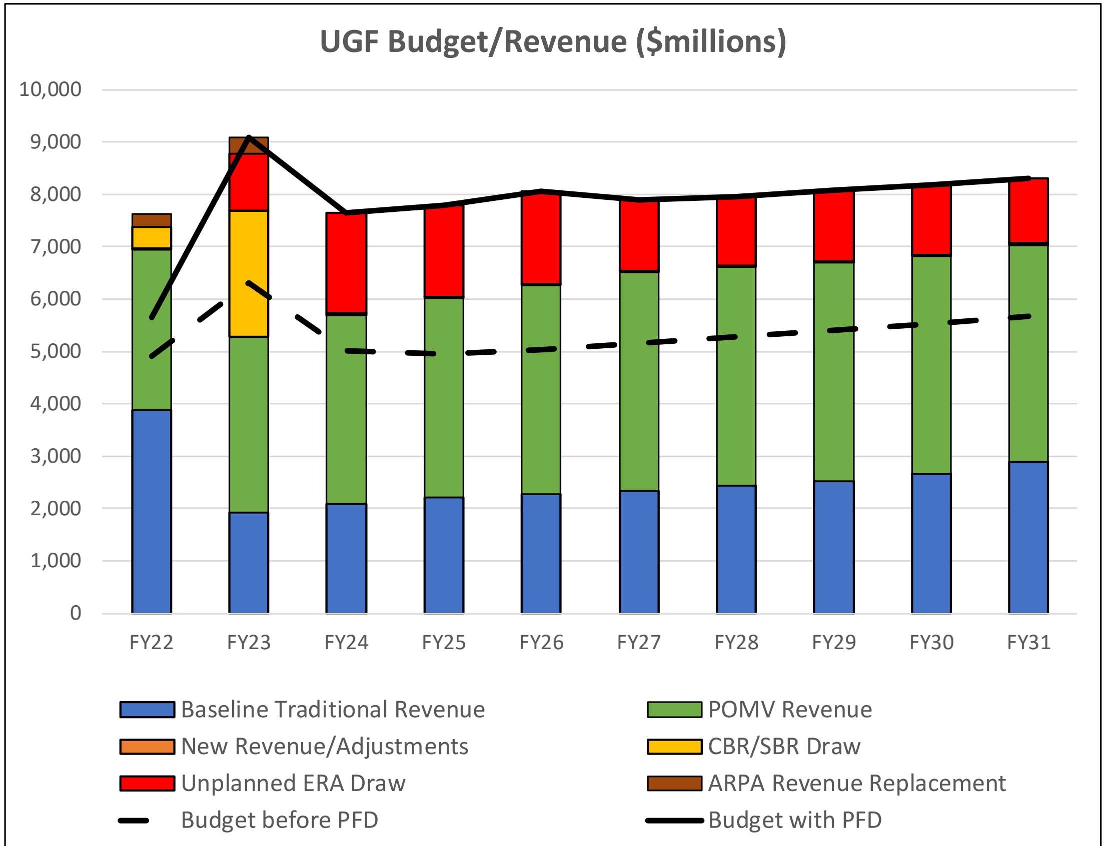


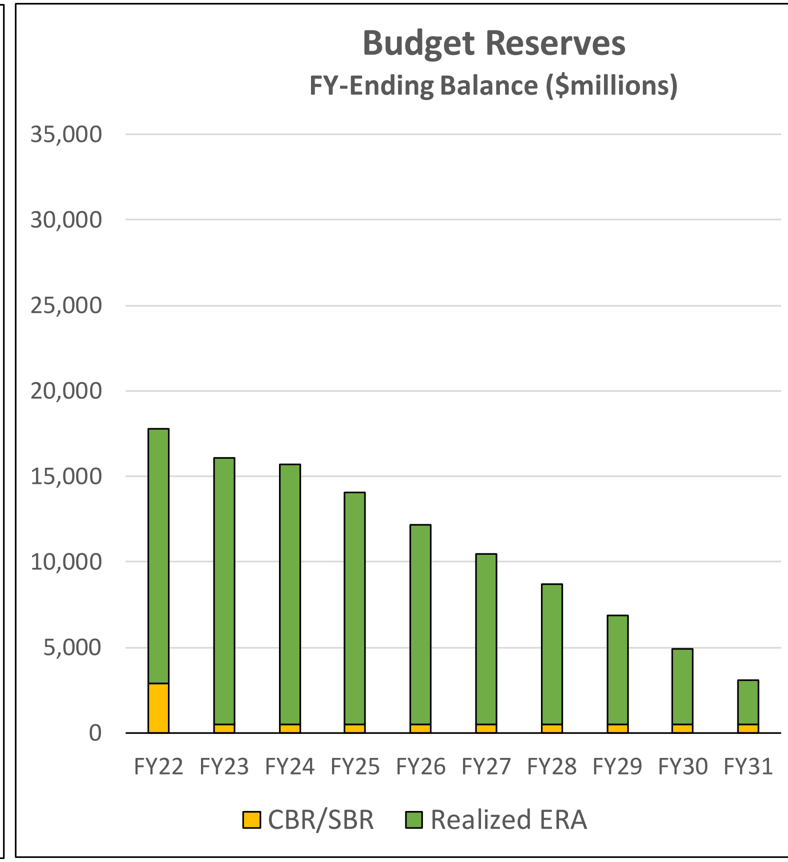
Effective POMV Draw Rate	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	5.00%	5.63%	7.14%	7.01%	7.15%	6.63%	6.65%	6.83%	6.86%	6.86%

Scenario 1: Statutory PFD

DOR Spring 2021 FC

Surplus/(Deficit) ($millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,324	(3,796)	(1,956)	(1,760)	(1,804)	(1,375)	(1,338)	(1,365)	(1,371)	(1,276)

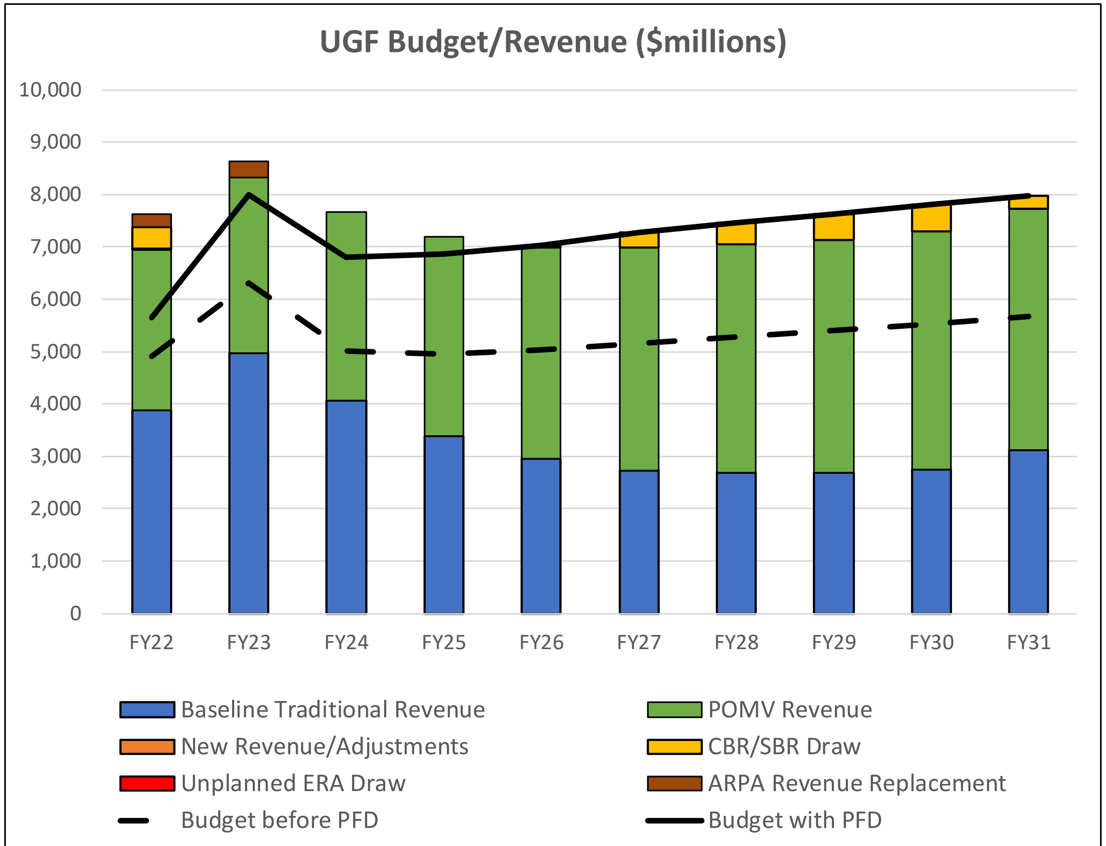


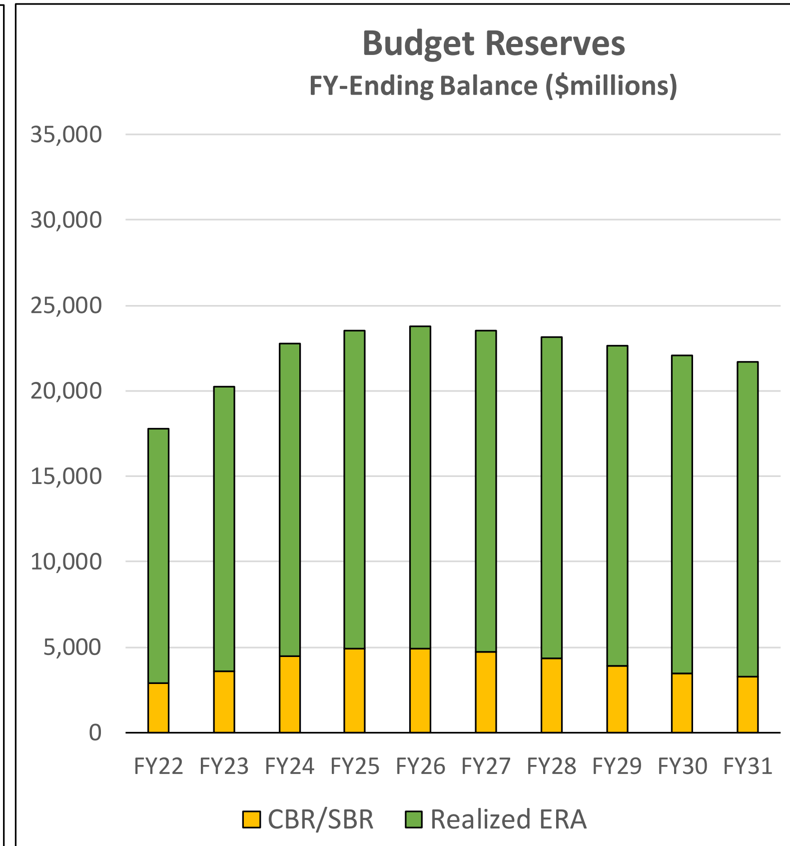


Effective POMV Draw Rate	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	5.00%	6.61%	7.67%	7.29%	7.24%	6.62%	6.57%	6.61%	6.62%	6.51%

Scenario 2: 50% of POMV PFD
DOR Spring 2022 FC

Surplus/(Deficit) ($millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,324	337	860	339	(53)	(283)	(403)	(495)	(518)	(256)



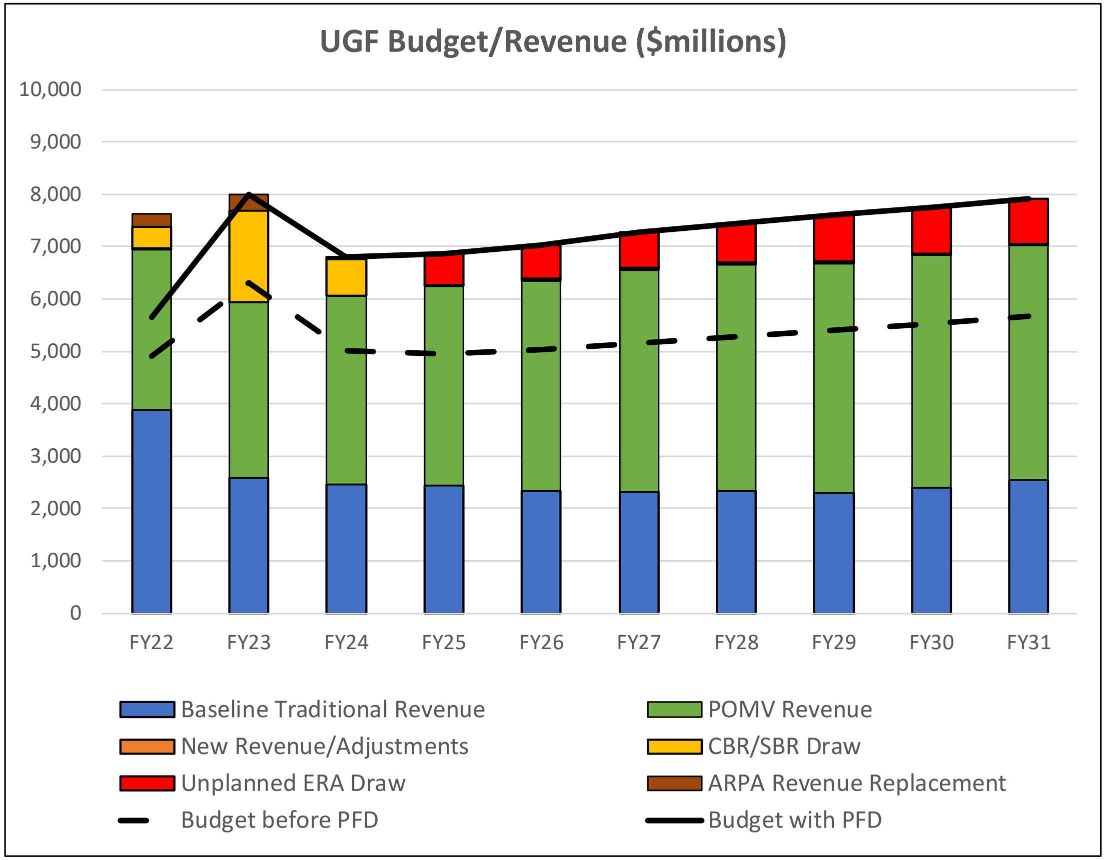


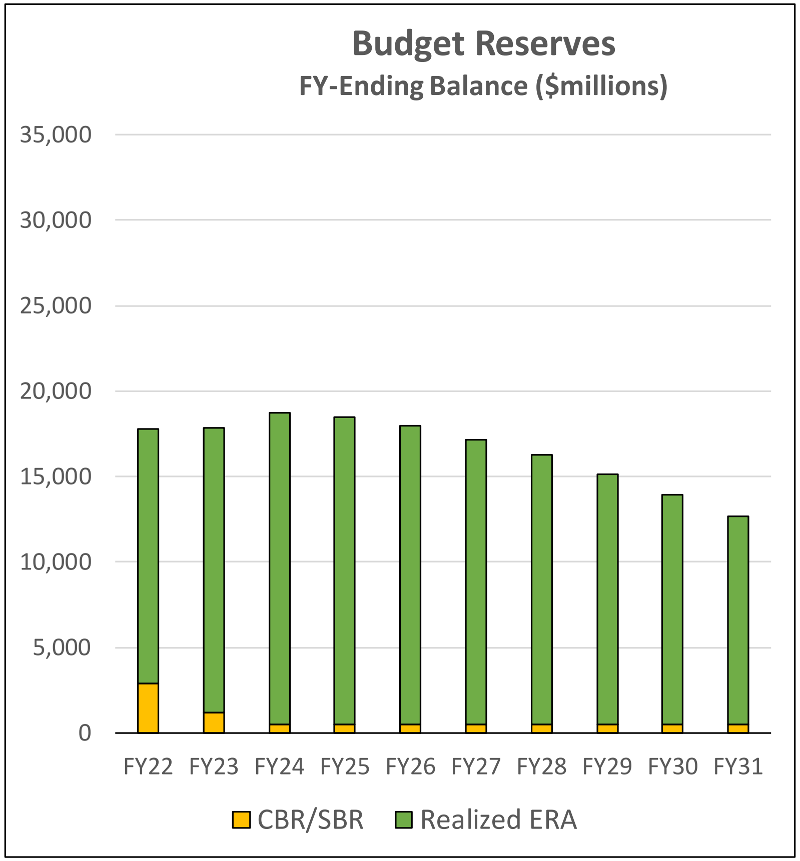
No ERA Overdraws

Scenario 2: 50% of POMV PFD

DOR Fall 2021 FC

Surplus/(Deficit) ($millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,324	(2,056)	(740)	(617)	(673)	(706)	(773)	(912)	(915)	(889)



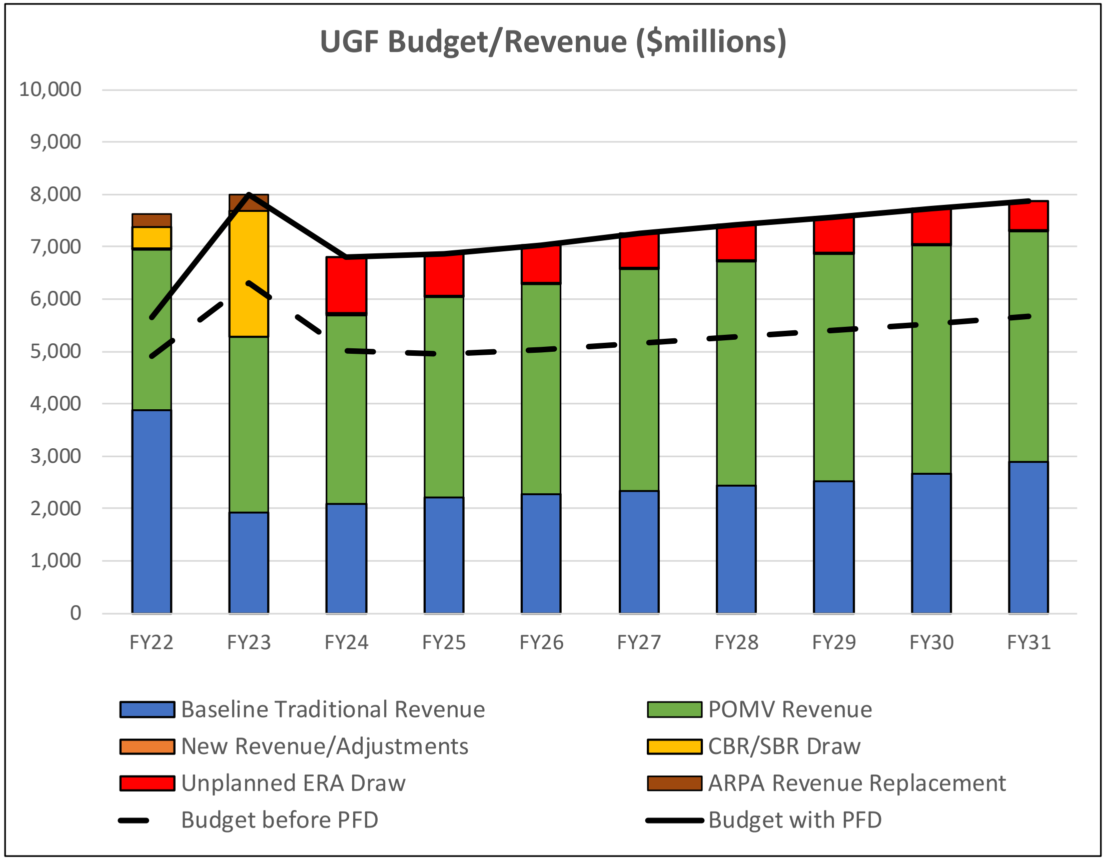


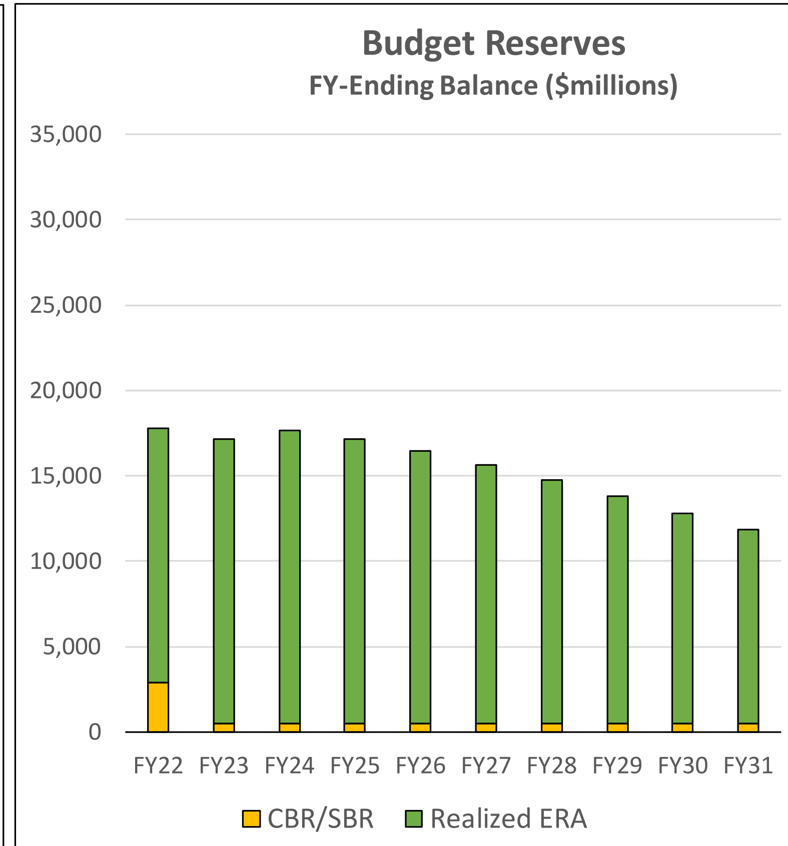
Effective POMV Draw Rate	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	5.00%	5.00%	5.06%	5.77%	5.81%	5.80%	5.86%	6.01%	6.00%	5.97%

Scenario 2: 50% of POMV PFD

DOR Spring 2021 FC

Surplus/(Deficit) ($millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,324	(2,712)	(1,120)	(823)	(736)	(687)	(699)	(707)	(697)	(584)

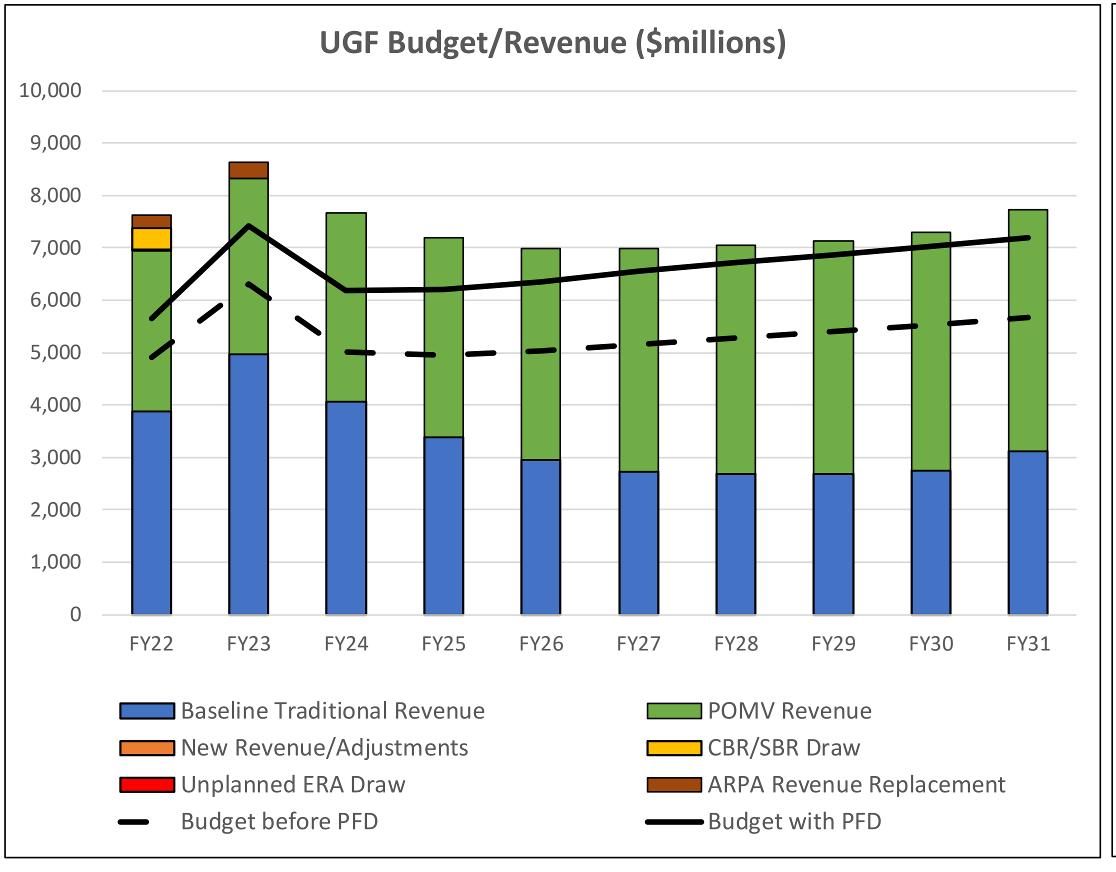


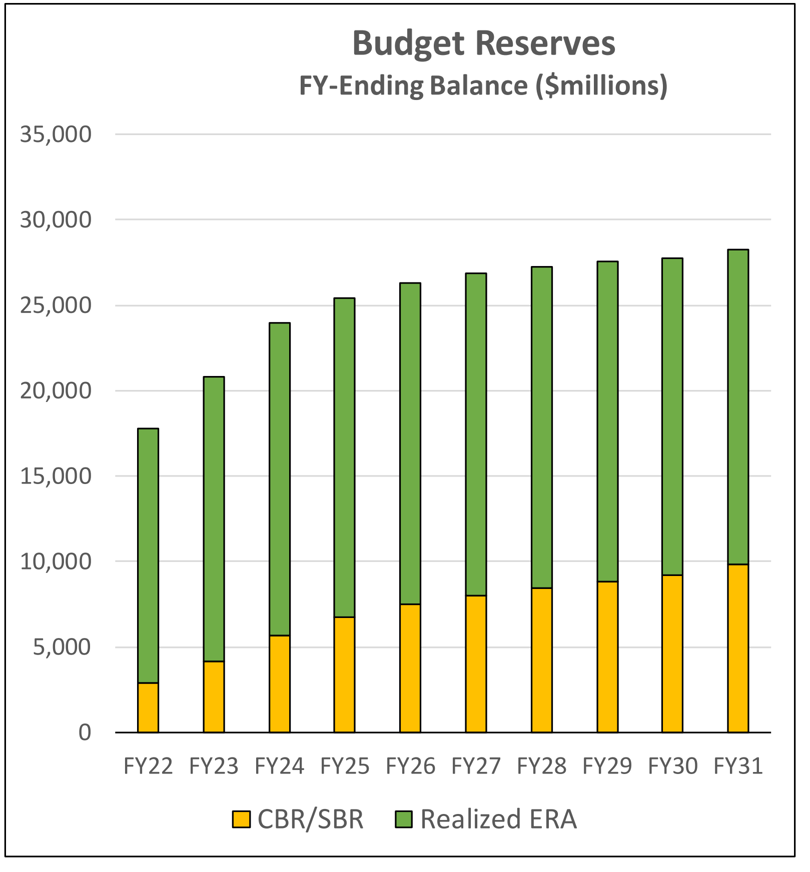


Effective POMV Draw Rate	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	5.00%	5.00%	6.50%	6.05%	5.89%	5.78%	5.79%	5.79%	5.77%	5.64%

Scenario 3: 33% of POMV PFD
DOR Spring 2022 FC

Surplus/(Deficit)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
($millions)	1,324	909	1,472	986	632	443	339	262	253	529



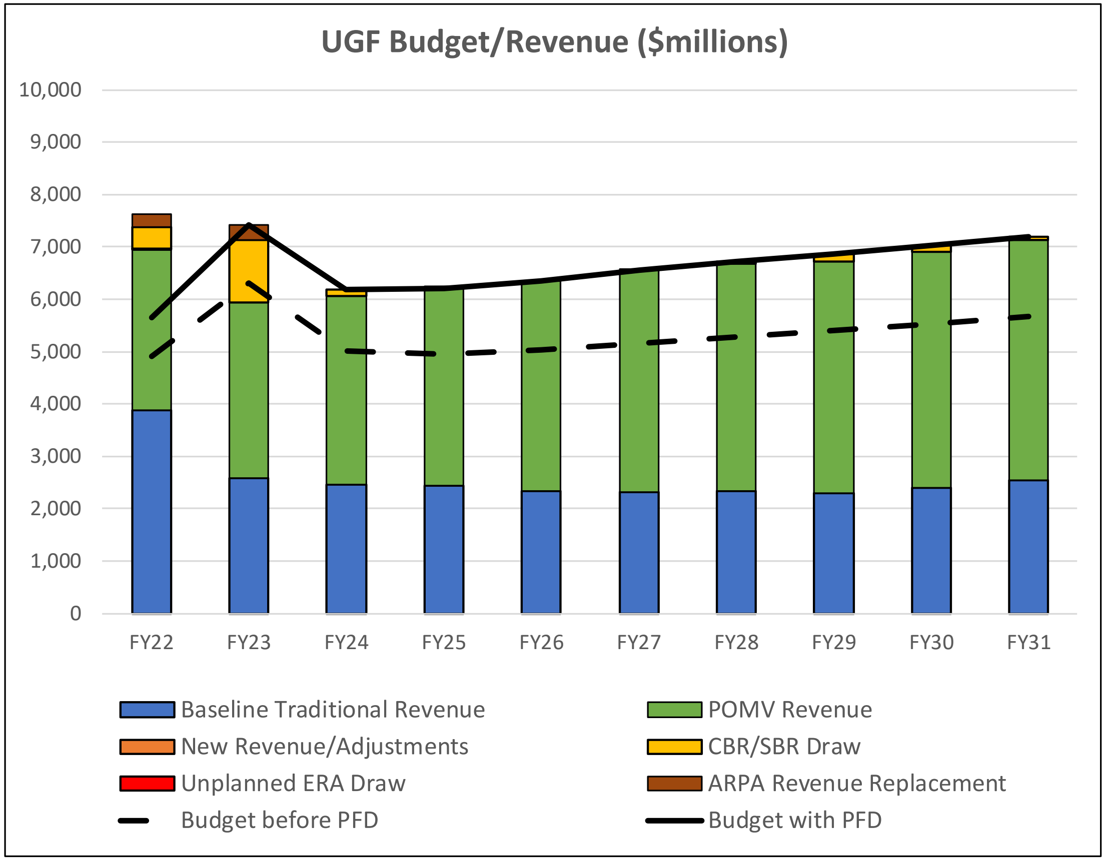


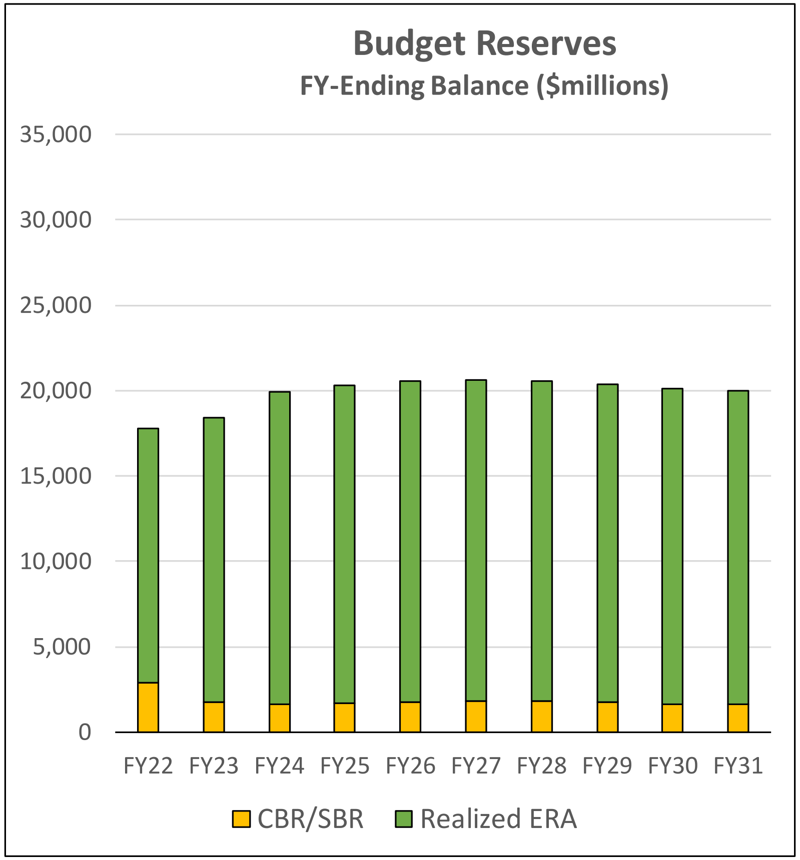
No ERA Overdraws

Scenario 3: 33% of POMV PFD

DOR Fall 2021 FC

Surplus/(Deficit) ($millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,324	(1,485)	(128)	30	10	21	(24)	(139)	(114)	(56)



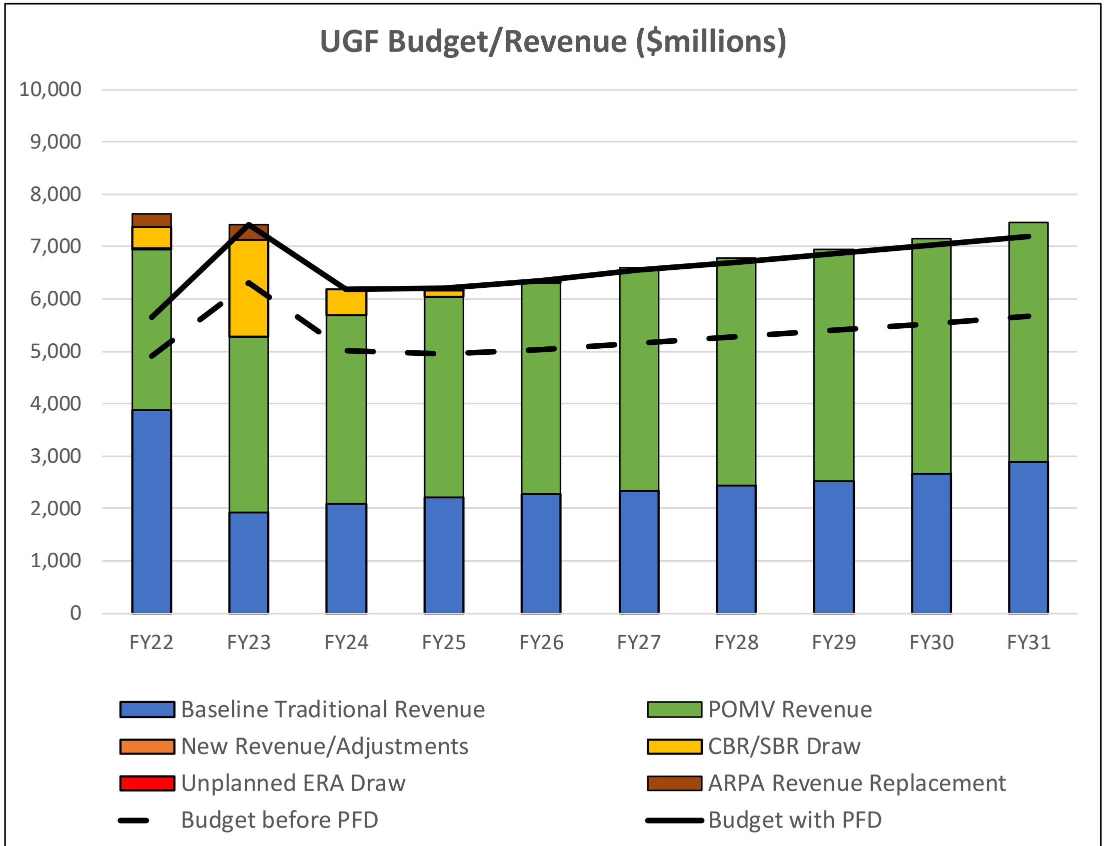


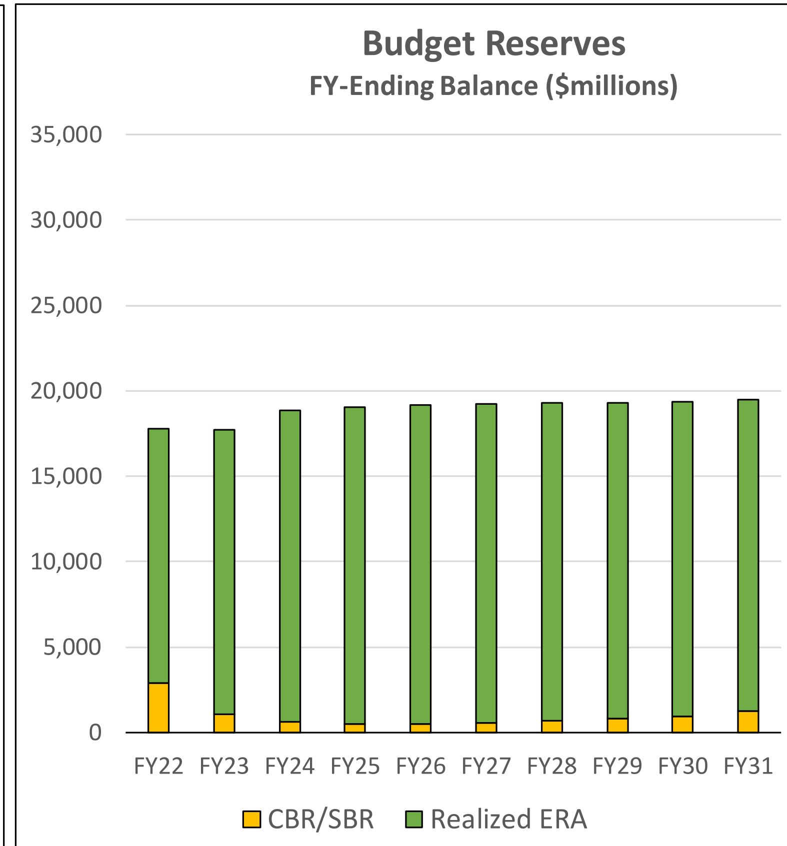
No ERA Overdraws

Scenario 3: 33% of POMV PFD

DOR Spring 2021 FC

Surplus/(Deficit) ($millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,324	(2,141)	(508)	(176)	(48)	51	67	90	135	281

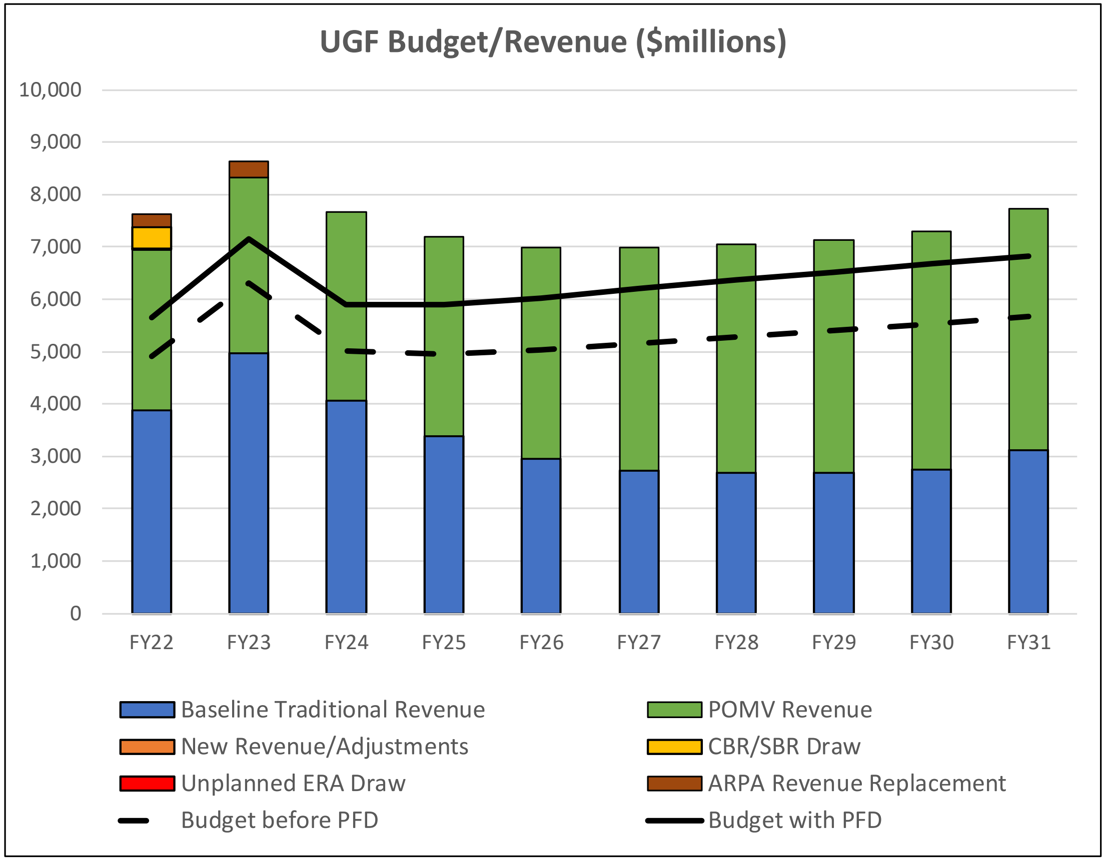


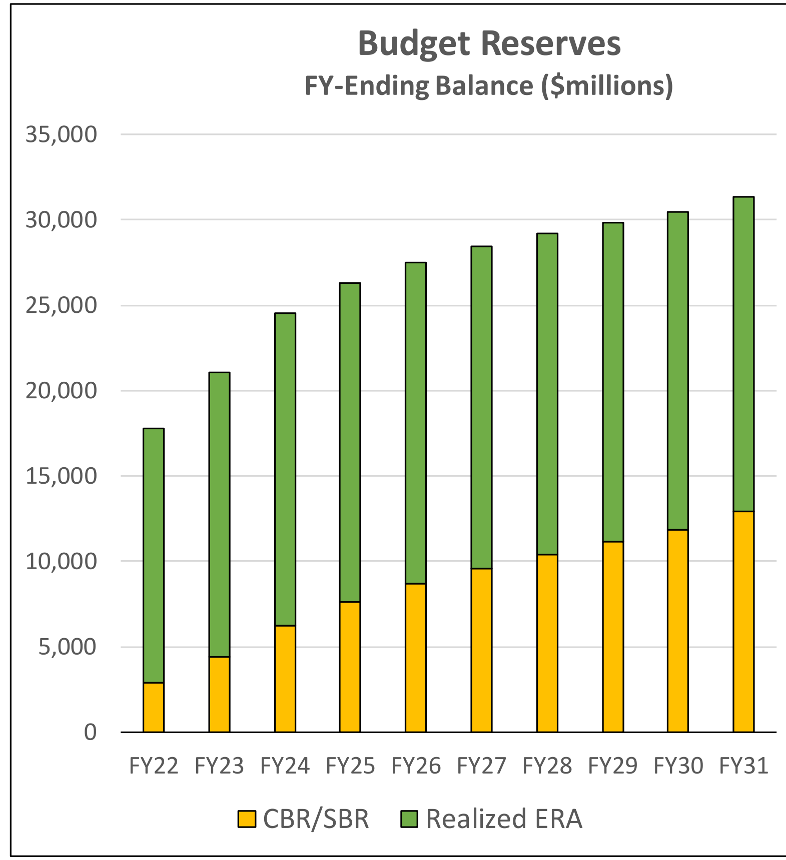


Effective POMV Draw Rate	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	5.00%	5.00%	5.00%	5.06%	5.03%	5.00%	5.00%	5.00%	5.00%	5.00%

Scenario 4: 25% of POMV PFD
DOR Spring 2022 FC

Surplus/(Deficit)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
($millions)	1,324	1,177	1,760	1,291	954	784	687	618	616	898



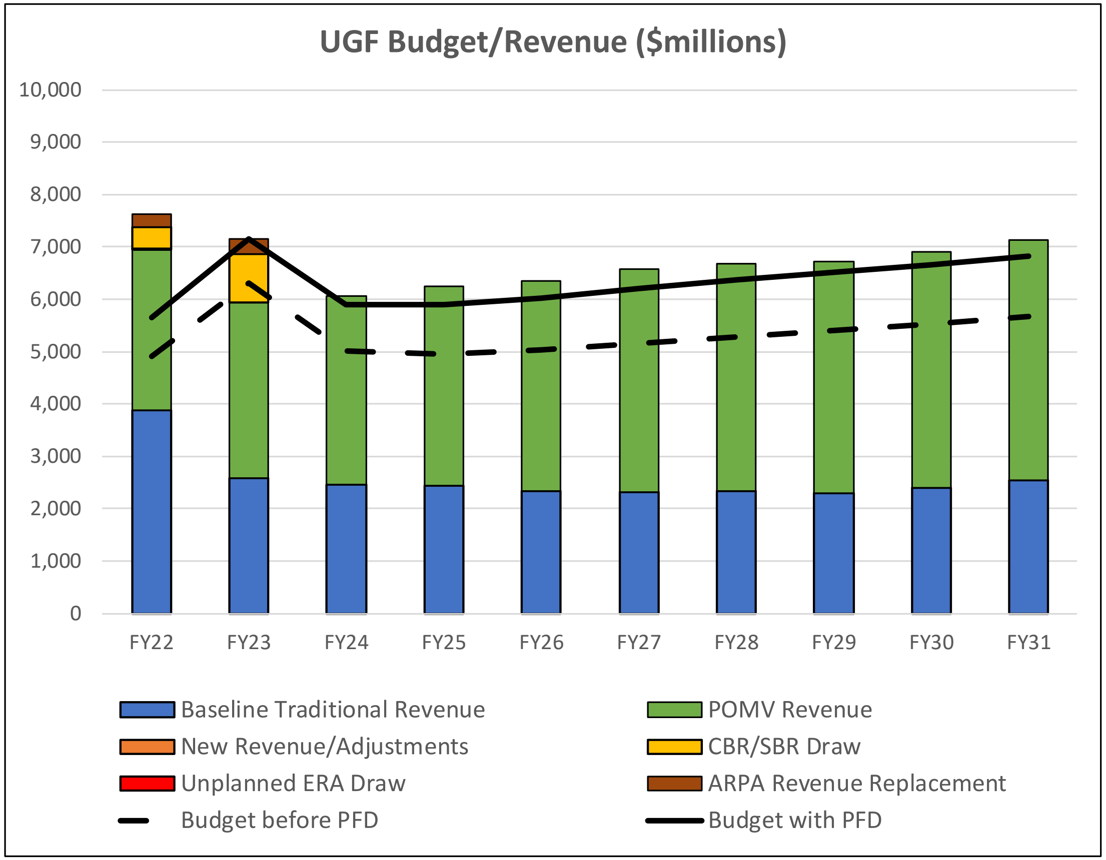


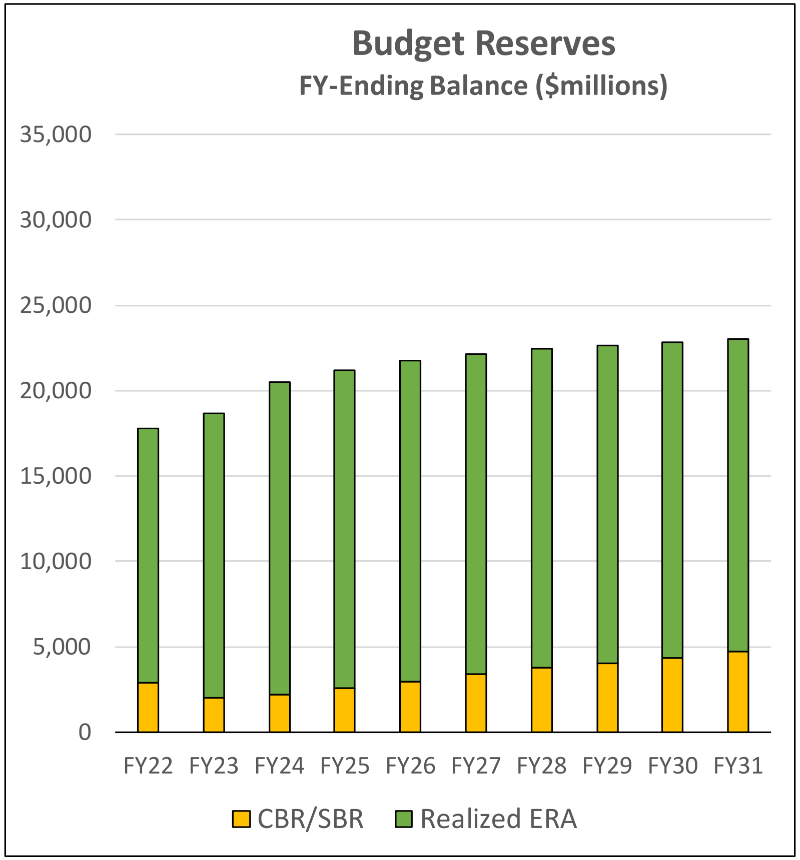
No ERA Overdraws

Scenario 4: 25% of POMV PFD

DOR Fall 2021 FC

Surplus/(Deficit)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
($millions)	1,324	(1,216)	160	335	332	361	323	216	247	311



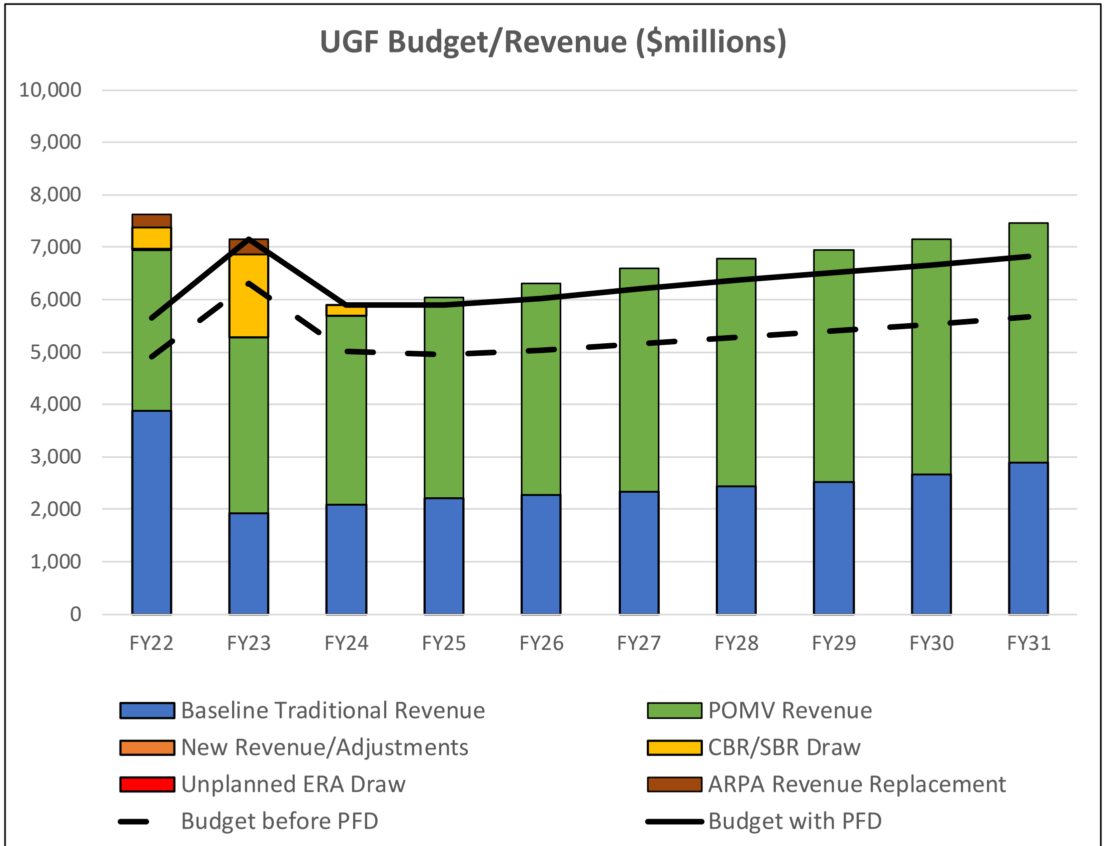


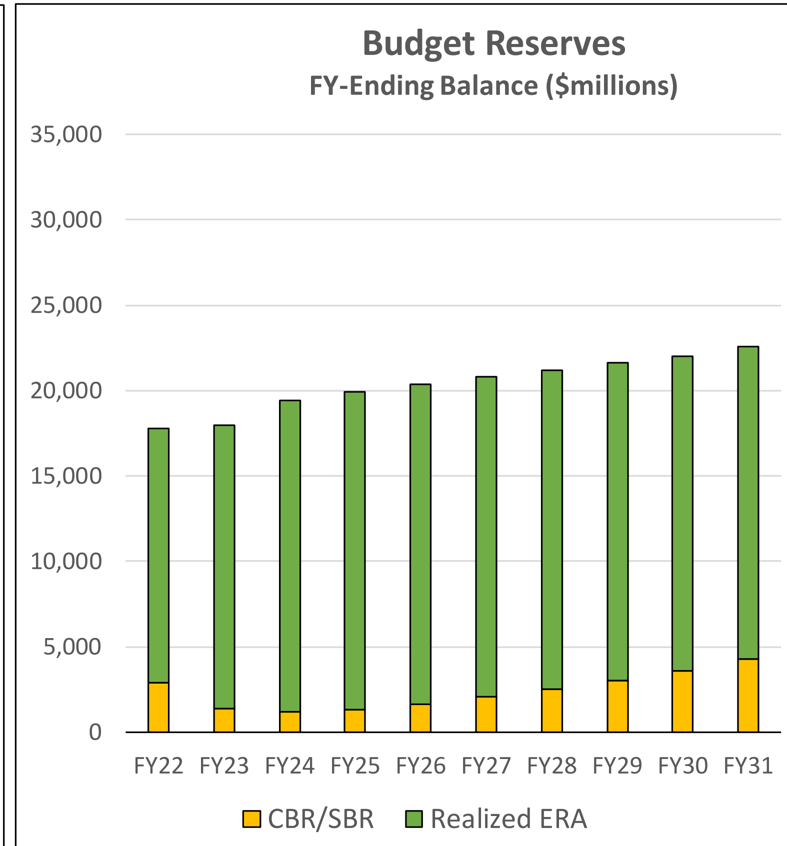
No ERA Overdraws

Scenario 4: 25% of POMV PFD

DOR Spring 2021 FC

Surplus/(Deficit) ($millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,324	(1,872)	(220)	128	273	392	415	445	497	649

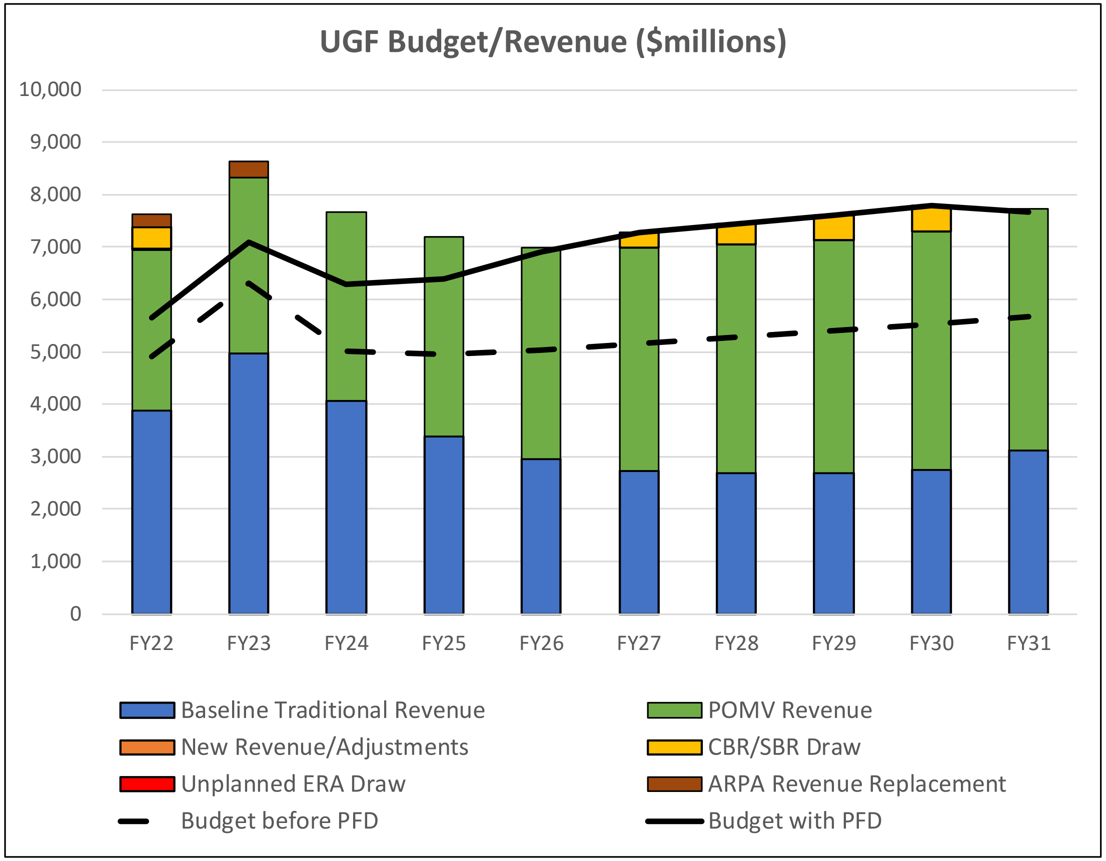


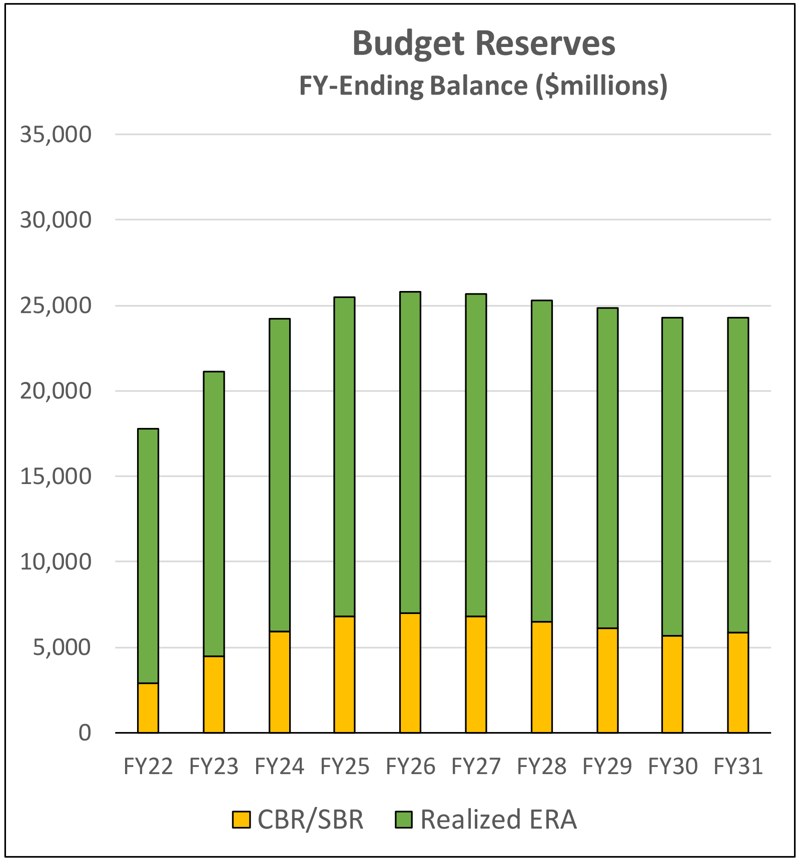


No ERA Overdraws

Scenario 5: HB 260
DOR Spring 2022 FC

Surplus/(Deficit) ($millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,324	1,243	1,385	808	72	(274)	(390)	(478)	(498)	67



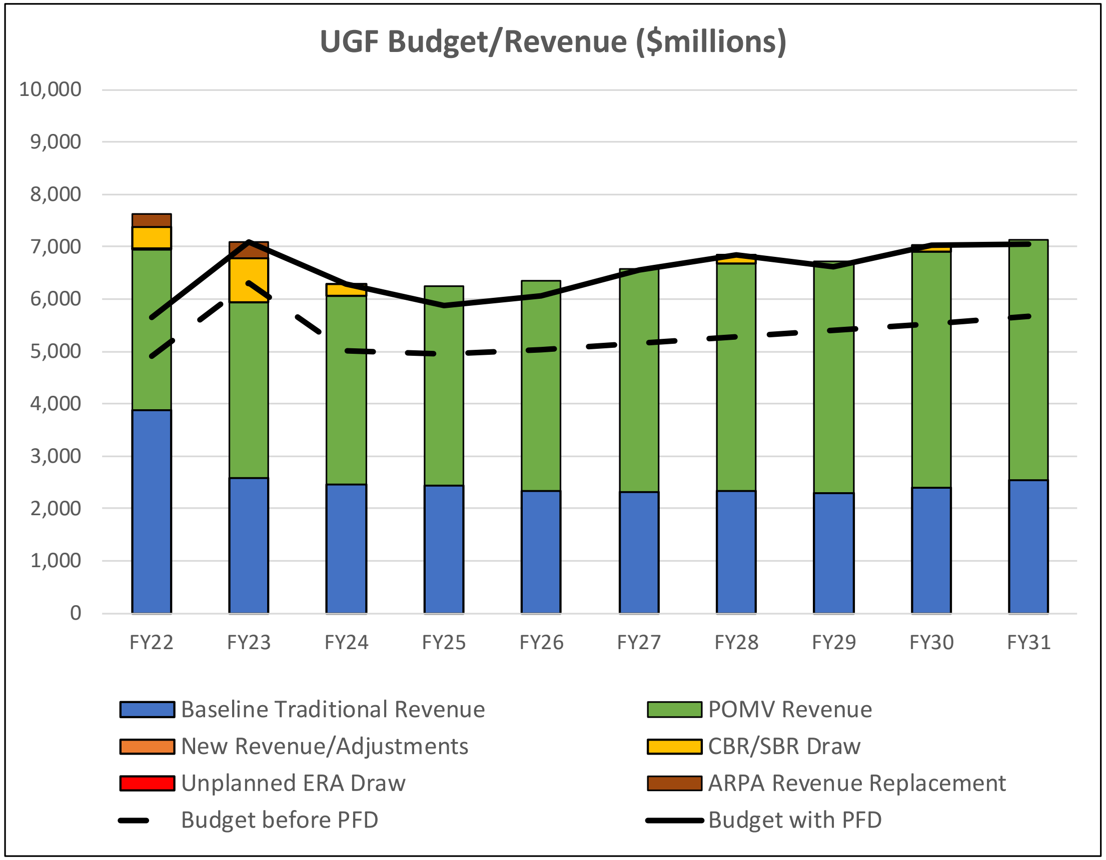


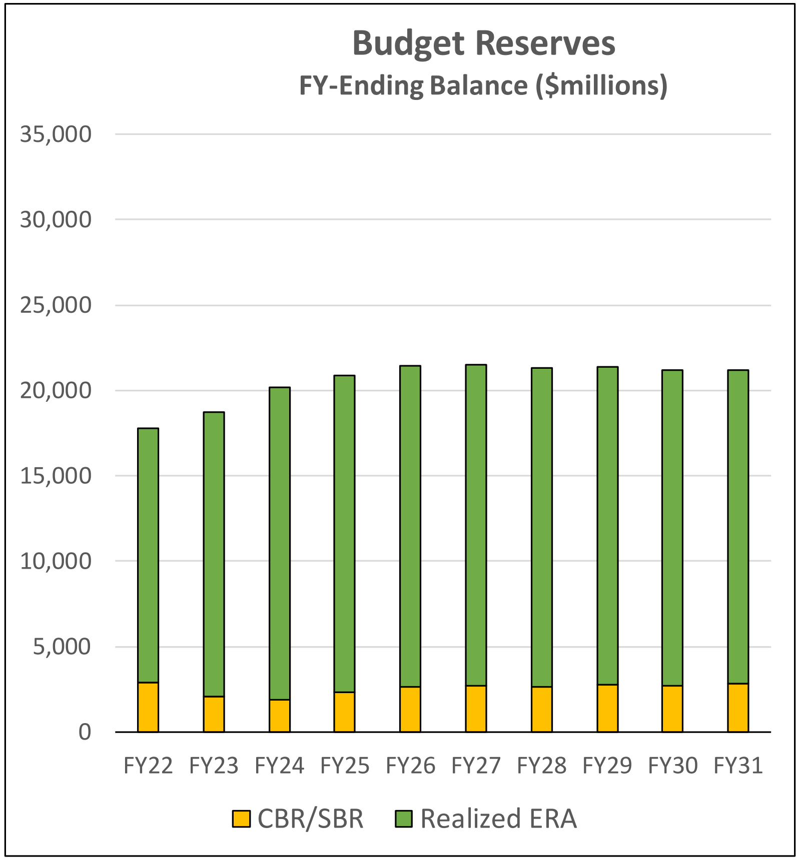
No ERA Overdraws

Scenario 5: HB 260

DOR Fall 2021 FC

Surplus/(Deficit) ($millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,324	(1,150)	(215)	357	307	24	(148)	109	(118)	86



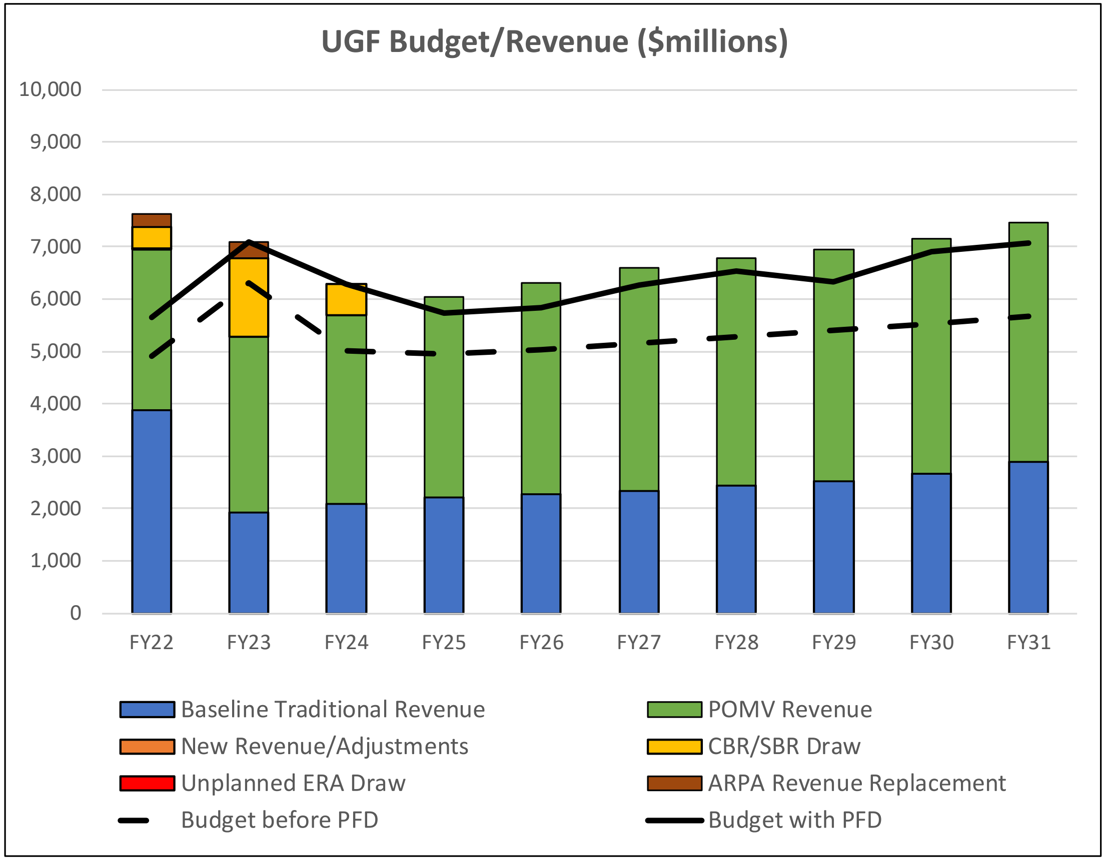


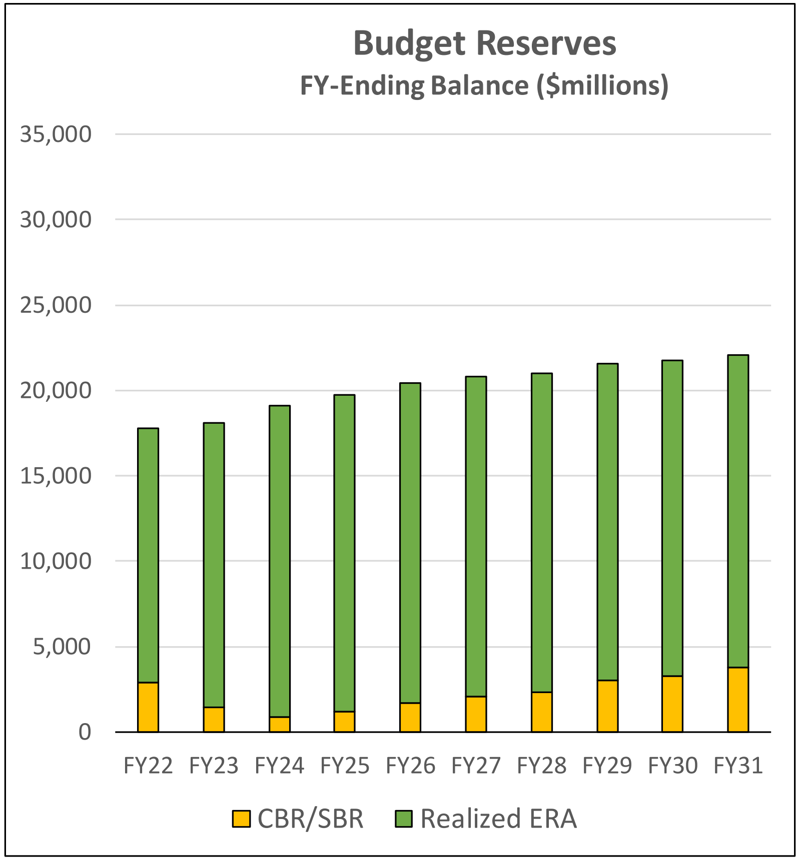
No ERA Overdraws

Scenario 5: HB 260

DOR Spring 2021 FC

Surplus/(Deficit) ($millions)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	1,324	(1,806)	(595)	289	471	326	235	630	253	407





No ERA Overdraws

Questions?

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