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CBR Sweep in FY23 Budget

Senate Finance Committee
April 25, 2022
Legislative Finance Division

Budget Changes in FY23 in Response to Failure of FY22 Reverse Sweep

- Governor's budget included \$33.6 million of fund changes from sweepable funds to UGF to reduce the impact of the sweep.
 - The largest of these is the \$21.8 million of fund changes from the Higher Education Fund.
 - The House and Senate Finance budgets adopt all of these fund changes, except that the House did not accept the fund change from the Higher Education Fund.
- House and Senate Finance budgets also shift the timing of deposits into Oil and Hazardous Release funds to avoid sweep.

House Budget's Handling of Swept Funds

- The House budget recapitalizes all swept funds in FY22 from the general fund (not the CBR).
- However, only the Higher Education Fund is used in FY23 in the House budget, so for the most part the House budget does not rely on the sweep.
- The reverse sweep vote in the House failed, so as it stands now, all those funds would again be swept to the CBR.
- Based on the “scoop” or assignment interpretation, the Higher Education Fund appropriations would still flow out in FY23 but the remainder of the funds would be swept.

Other Funds that Could Be Impacted by the FY22 Sweep

- Alaska Marine Highway System Fund – not used in the FY22 budget in an effort to save up a balance for the future. Absent any changes, the FY22 revenue into the fund will be swept.
- Alaska Capital Income Fund – revenue to the fund is volatile because it is based on earnings of the Permanent Fund. Possible that a balance will sweep in FY22 because the Permanent Fund's realized income is currently trending above the forecast.
- The fund changes proposed by the Governor are based on projected revenue. If revenue to these funds falls short of projections, supplemental appropriations may be needed. If revenue exceeds projections, balances may sweep.

Questions?

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