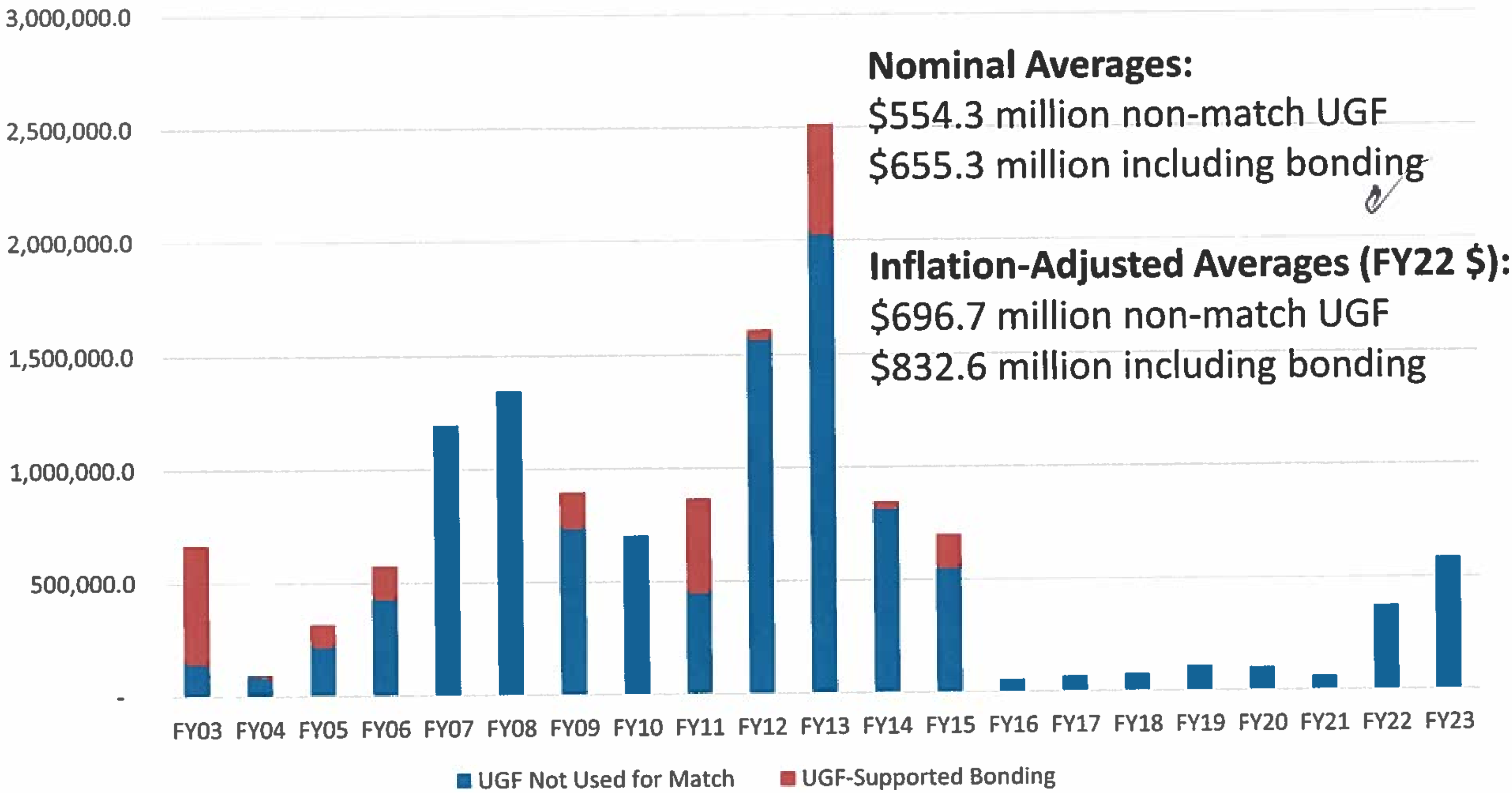
Historical UGF Capital Budgets



Obligations and Funding Needs of the State of Alaska

- This is not an exhaustive list. The total for these items is about **$13.1 billion**
- PERS/TRS Unfunded Liability: **$7.1 billion**
  - Payment plan: annual payments though FY39. FY24 payment is $140.3 million
- General Obligation Bonds and State Supported Debt: **$1.1 billion**
  - Payment plan: annual payments through FY41. FY24 Governor's Budget includes $90.9 million UGF
- State Share of Municipal School Debt Service: **$457.0 million**
  - Payment plan: annual payments through FY39. FY24 Governor's Budget includes $67.2 million GF
- Oil and Gas Tax Credits: **$42.7 million**
  - Payment plan: remaining payment in full is in FY24 Governor's Budget.
- Deferred Maintenance: **$2.2 billion**
  - Payment plan: annual appropriations using Alaska Capital Income Fund ($32.3 million in FY24).
- State Share of School Major Maintenance and Construction Lists: **$413.5 million**
  - Payment plan: FY24 Governor's Budget does not include an appropriation for this. REAA fund can also be used for some projects
- Rural Alaska Sanitation Funding Need (per DEC FY21 list): **$1.8 billion**
  - Payment plan: Village Safe Water capital program. FY24 Governor's Budget includes $25.0 million UGF, $247.7 million all funds

Funding Recommendations and Targets

There is no one definitive rule on the level of preventive maintenance necessary **to avoid** deferred maintenance, but a 2012 National Research Council publication references a range of 2-4% of replacement cost value

FY2021 replacement cost value (excluding University): $7,678,370.1

1% = $76.8 million

2% = $153.6 million

4% = $307.1 million

Capital Budget estimate *Produced by Senator Bishop office*

$ 200 State Match for federal funds
Most likely will increase as more IIJA grants are put forth

$ 125 Department-wide Capital Rebuild/replace delapidated buildings/equipment
Based on GOV current budget of $303m minus the match, rounded up

$ 75 Department-wide Initiatives, New Builds, New Equipment
For NEW GOV initiatives, i.e. Statehood defense, DPS initiatives, F&G research..

$ 155 2% Deferred Maintenance
2-4% rule to avoid accruing new Deferred Maintenance, the 2% figure would halt the backlog from growing, but not address the $2.2B Backlog
(4% would be $310m)

$ 50 AEA Bulk Fuel Deferred Maintenance backlog of $800m per AEA in 2021 Annual Report

$ 100 University DM
Priority list typically is $50-75m. Current Backlog is over $1.5B.
Following the 2-4% rule would be $98-196m

$ 50 School Major Maintenance
Current FY24 list is $413.5m. List is recurring yearly.

$ 50 School Construction
Current FY24 list is $195.6m. List is recurring yearly.

$ 20 Legislative Adds
Estimated based on $1m per Senate District. Potentially a low estimate, for example last year the State put match forward for Port of Nome, Army Corps projects

$ 825 million

*Gov proposed Cap budget of $303m does not include:
University DM
School Major Maintenance
School Construction
Harbor Matching Grants
State supported match for Muni's who received federal BUILD grants, or the like

Review of Committee Modeling Assumptions

Revenue Assumptions

- LFD's baseline revenue assumptions are the Department of Revenue's Spring Revenue Forecast.
  - This assumes $73 oil in FY24, following futures market thereafter.
  - DNR oil production forecast projects that Alaska North Slope production will increase from 496.4 thousand barrels per day in FY24 to 542.9 thousand barrels per day in FY32.
- For the Permanent Fund, we are using the February 2023 History and Projections update, which assumes a total return of 7.00% in FY23 and 7.05% in FY24 and beyond. For statutory net income, this update uses a blend of actuals and the low case for FY23 and a 6.90% statutory return assumption in FY24 and beyond.

Review of Senate Finance Committee Modeling Assumptions (cont.)

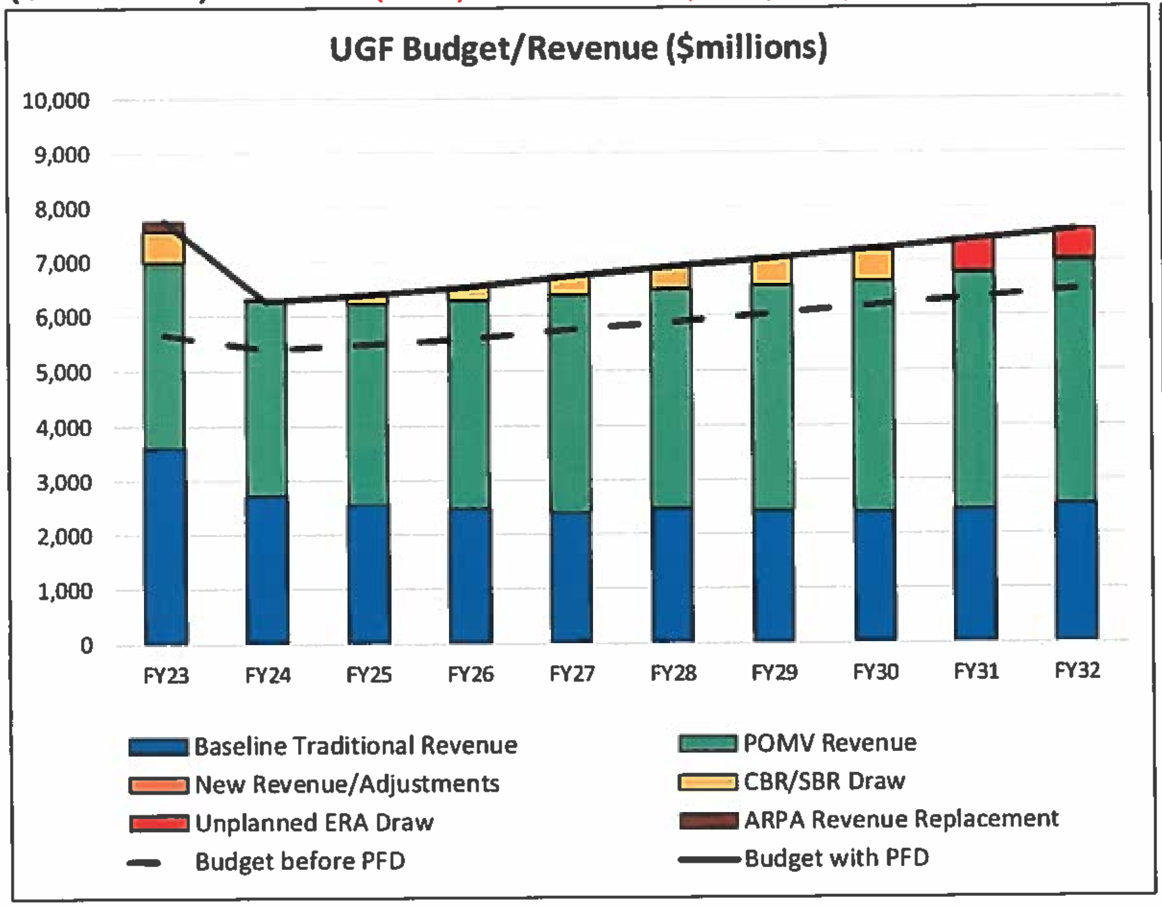
Spending Assumptions

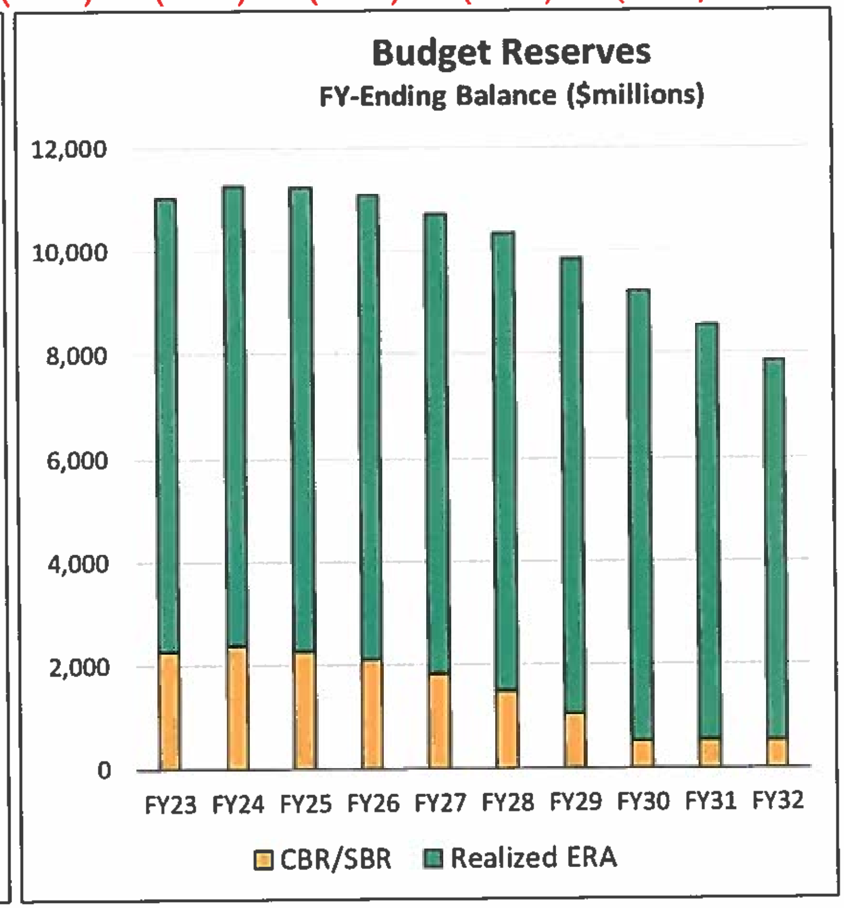
- For **agency operations**, the first model assumes the Governor's amended budget including amendments through 3/7 grows with inflation (2.50%). Other models assume the House Committee Substitute grows with inflation (2.50%).
- For **statewide items**, assumes that all items are funded to their statutory levels in FY24 and beyond.
  - This includes School Debt Reimbursement, the REAA Fund, Community Assistance, oil and gas tax credits.
- For the **capital budget**, assumes a $~~400~~ 700 million capital budget in FY24, growing with inflation thereafter (2.50%).
- For **supplementals** assumes $50.0 million per year. This is based on the average amount of supplemental appropriations minus lapsing funds each year.

Senate Finance Baseline Budget
25% of POMV to PFD

APFC Returns: 7.05% FY24+
Oil Price: DOR Spring FC
Agency Ops: House CS1, 2.5% Growth
Statewide: House CS1 FY24+
Capital/Additional K-12: $700m FY24, 2.5% Growth

Surplus/(Deficit) ($millions)	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
	(758)	17	(160)	(250)	(347)	(399)	(497)	(599)	(620)	(584)





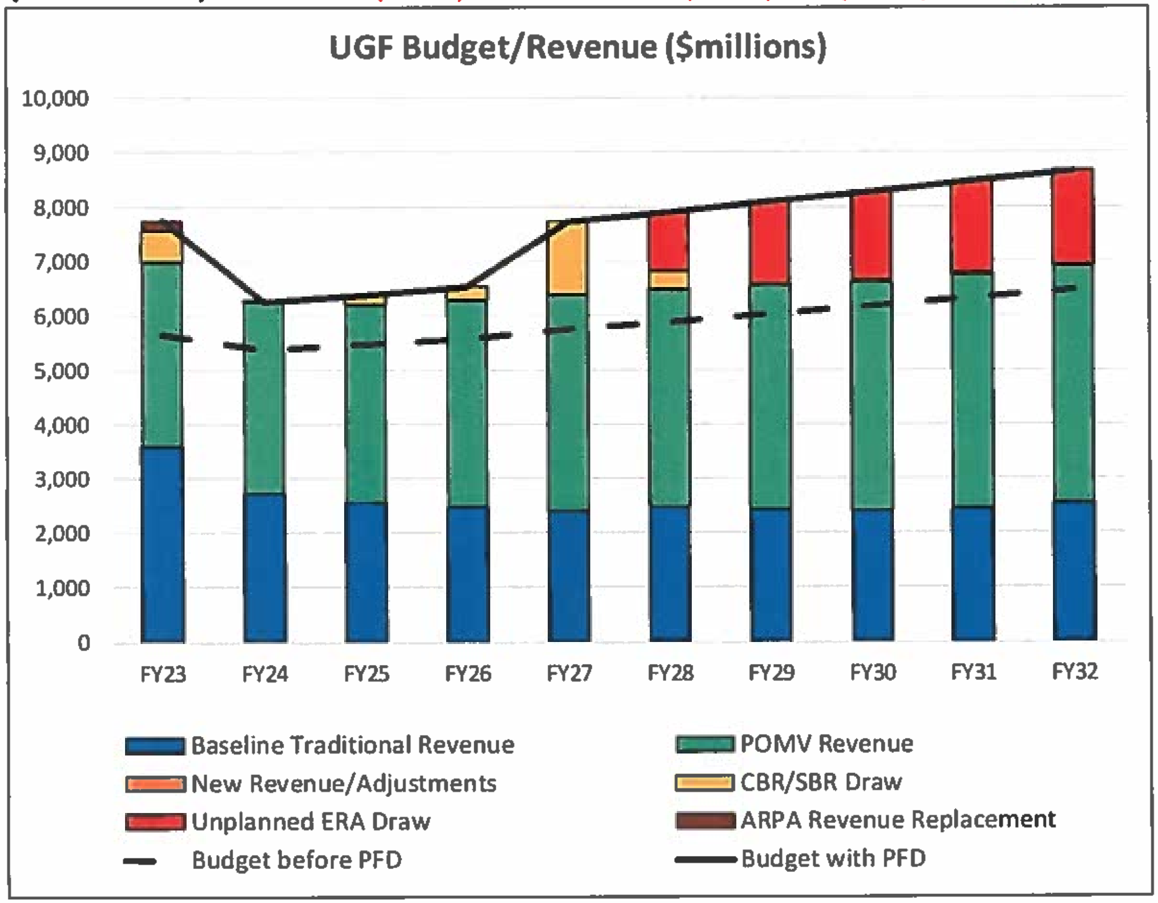
	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Effective POMV Draw Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.05%	5.67%	5.62%
PFD/Person	$3,284	$1,304	$1,377	$1,428	$1,491	$1,498	$1,535	$1,571	$1,608	$1,645

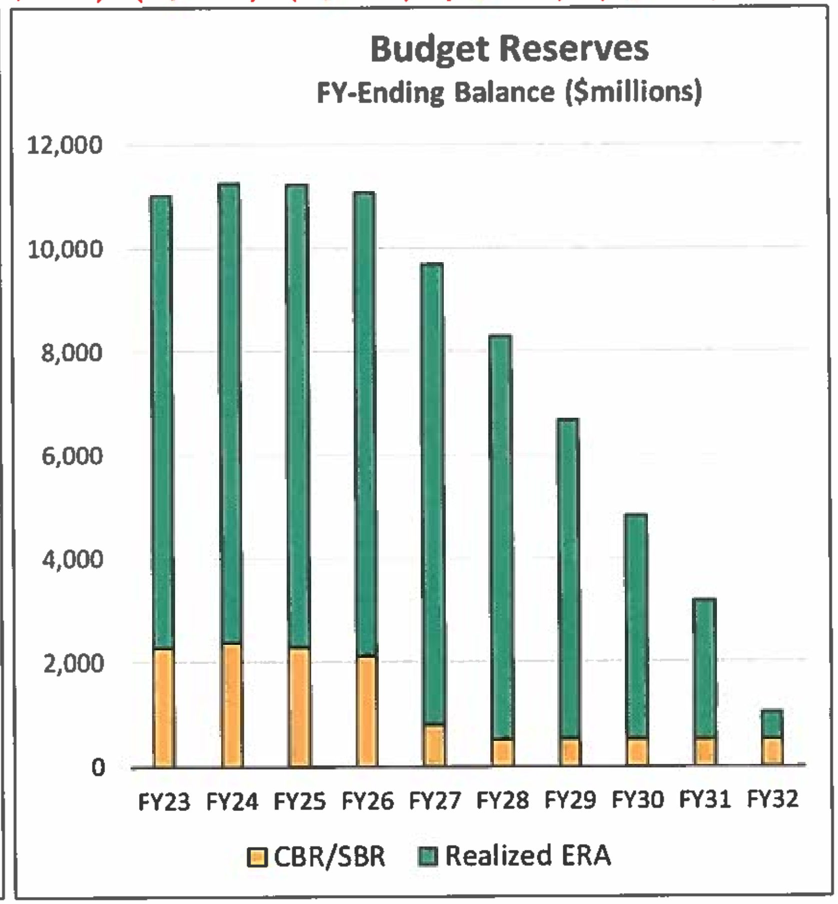
Senate Finance Baseline Budget

25% of POMV to PFD FY24-FY26, 50% of POMV to PFD FY27+; No New Revenues

APFC Returns: 7.05% FY24+
Oil Price: DOR Spring FC
Agency Ops: House CS1, 2.5% Growth
Statewide: House CS1 FY24+
Capital/Additional K-12: $700m FY24, 2.5% Growth

Surplus/(Deficit) ($millions)	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
	(758)	17	(160)	(250)	(1,344)	(1,403)	(1,528)	(1,661)	(1,722)	(1,735)





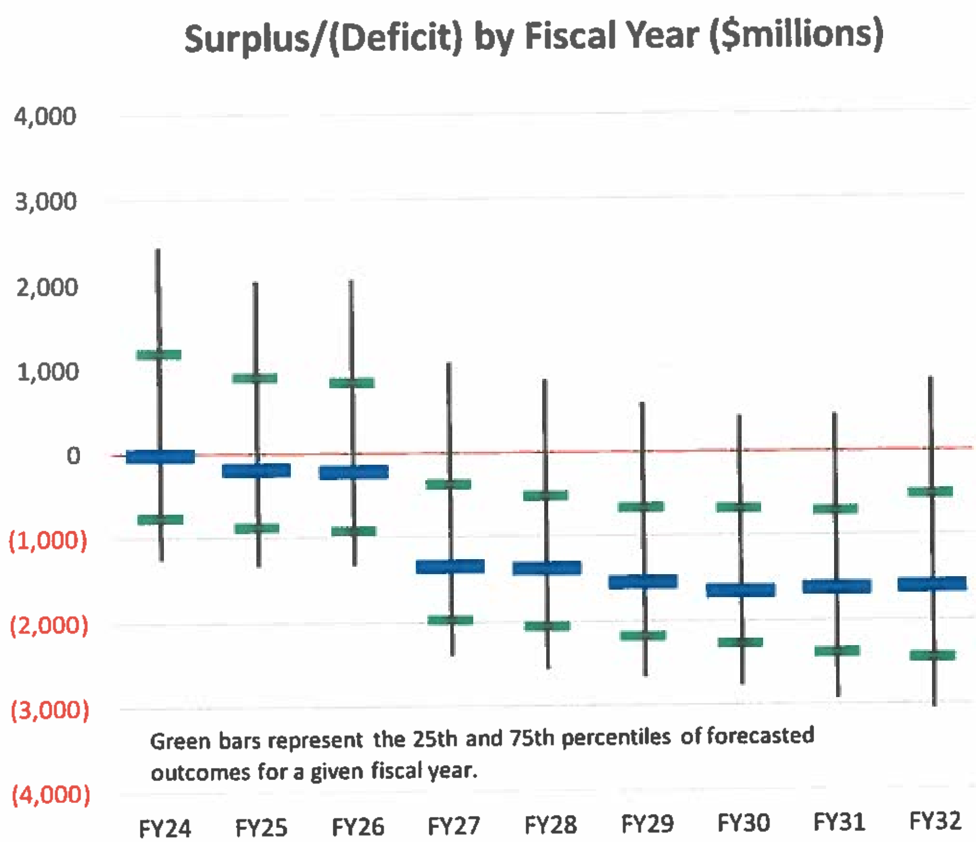
	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Effective POMV Draw Rate	5.00%	5.00%	5.00%	5.00%	5.00%	6.33%	6.81%	6.93%	6.97%	6.95%
PFD/Person	$3,284	$1,304	$1,377	$1,428	$3,043	$3,039	$3,115	$3,179	$3,234	$3,276

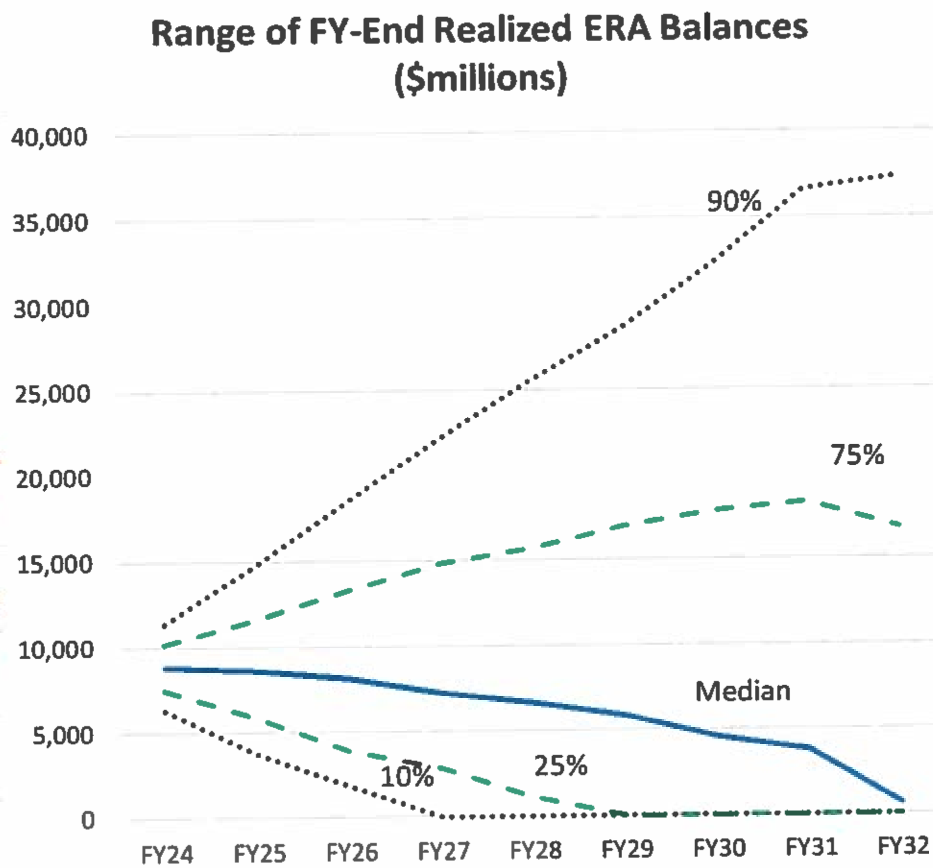
Senate Finance Baseline Budget

25% of POMV to PFD FY24-FY26, 50% of POMV to PFD FY27+; No New Revenues

APFC Returns: 7.05% FY24+
Oil Price: DOR Spring FC
Agency Ops: House CS1, 2.5% Growth
Statewide: House CS1 FY24+
Capital/Additional K-12: $700m FY24, 2.5% Growth

	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Median Surplus/(Deficit)	(15)	(184)	(222)	(1,336)	(1,365)	(1,548)	(1,656)	(1,625)	(1,608)





CBR Balance Probabilities	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
CBR below $3.5 billion	66%	58%	54%	63%	71%	76%	81%	84%	84%
CBR at/below $500 millior	0%	5%	11%	24%	39%	50%	57%	62%	64%

UGF Budget Changes, FY23 to FY24
$ Nominal

		Gov. Walker				Gov. Dunleavy					Nominal		Inflation Adjusted	
		29th Leg.		30th Leg.		31 Leg.		32 Leg.		33 Leg	FY16-FY24		FY16-FY24*	
1	Agency	16FnlBud	17FnlBud	18FnlBud	19FnlBud	20FnlBud	21FnlBud	22FnlBud	23MgtPln* + Gov Supps	24GovAmd	Change $	Change %	Change $	Change %
2	Education & Early Dev	1,314,889.3	1,304,486.2	1,305,076.8	1,308,165.0	1,330,527.9	1,320,573.9	1,292,978.1	1,361,671.3	1,283,068.9	(31,820.4)	(2.4%)	(246,813.8)	(16.8%)
3	Health	982,335.1	955,742.7	938,045.7	968,493.1	1,011,966.5	1,002,582.5	874,717.6	922,696.3	984,899.7	2,564.6	0.3%	(159,354.3)	(14.5%)
4	Corrections	276,286.5	267,649.3	285,297.1	294,108.0	299,636.7	339,285.9	366,495.6	385,974.8	365,572.2	89,285.7	32.3%	39,372.3	12.8%
5	University of Alaska	350,787.0	324,883.5	317,033.5	327,033.5	302,033.5	277,033.5	272,733.5	325,202.0	308,411.0	(42,376.0)	(12.1%)	(98,058.9)	(25.1%)
6	Family and Community Svcs	189,873.3	187,065.6	193,247.9	201,040.0	197,104.6	215,054.2	227,086.2	242,030.0	246,207.8	56,334.5	29.7%	22,280.5	10.5%
7	Public Safety	160,220.2	156,683.4	159,095.7	165,018.1	175,966.4	180,313.0	196,736.6	224,116.5	235,116.4	74,896.2	46.7%	44,809.7	25.1%
8	Transportation	244,813.1	218,862.6	135,673.2	181,355.1	142,589.5	150,444.6	135,222.4	161,423.1	154,450.0	(90,363.1)	(36.9%)	(126,222.6)	(46.2%)
9	Judiciary	110,402.9	107,549.7	104,838.6	105,444.9	107,597.1	111,486.4	119,744.6	134,522.4	136,212.9	25,810.0	23.4%	6,352.1	5.2%
10	Administration	70,869.9	65,585.1	63,464.8	66,051.3	64,506.5	68,697.9	78,867.2	83,696.3	87,190.5	16,320.6	23.0%	3,842.4	4.9%
11	Legislature	65,904.4	59,937.7	58,447.4	58,213.9	60,789.2	63,177.4	71,812.1	73,817.5	72,742.0	6,837.6	10.4%	(4,354.6)	(5.9%)
12	Natural Resources	152,537.7	84,531.9	74,866.4	108,118.8	180,629.6	60,729.7	87,007.5	129,892.1	72,611.0	(79,926.7)	(52.4%)	(101,103.5)	(59.4%)
13	Law	61,210.9	50,577.1	50,624.8	51,589.8	51,228.8	56,162.8	61,953.2	72,170.6	68,893.5	7,682.6	12.6%	(2,778.3)	(4.1%)
14	Fish and Game	65,095.4	55,705.1	50,516.4	51,583.3	51,351.3	50,780.5	60,514.9	62,448.5	65,092.5	(2.9)	(0.0%)	(10,724.1)	(14.8%)
15	Governor	24,997.0	27,948.4	26,685.5	25,183.2	22,753.9	24,915.1	38,185.0	39,079.1	30,084.2	5,087.2	20.4%	719.0	2.6%
16	Revenue	30,028.5	26,145.5	25,584.9	25,139.2	25,914.5	27,882.2	27,685.2	27,387.9	27,688.7	(2,339.8)	(7.8%)	(7,170.0)	(21.4%)
17	Environmental Conservation	20,093.3	16,858.7	15,297.9	15,391.8	15,397.2	16,348.5	17,904.6	20,711.5	26,551.5	6,458.2	32.1%	2,829.9	12.6%
18	Labor & Workforce Dev	25,883.7	22,555.2	20,992.0	20,697.2	20,846.6	19,400.6	18,123.7	28,300.9	20,989.4	(4,894.3)	(18.9%)	(8,915.7)	(30.9%)
19	Military & Veterans' Affairs	24,327.7	23,477.0	23,699.4	24,157.2	23,341.9	22,956.2	15,700.4	15,693.0	18,108.8	(6,218.9)	(25.6%)	(9,918.7)	(36.6%)
20	Commerce, Community & Econ Dev	29,938.5	16,243.4	11,586.6	10,101.6	8,522.5	8,876.0	11,581.5	10,377.6	19,641.9	(10,296.6)	(34.4%)	(14,719.1)	(44.1%)
21	**Agency Operations Total**	**4,200,494.4**	**3,972,488.1**	**3,860,074.6**	**4,006,885.0**	**4,092,704.2**	**4,016,700.9**	**3,975,049.9**	**4,321,211.4**	**4,223,532.9**	**23,038.5**	**0.5%**	**(669,927.8)**	**(14.3%)**
22											-	#DIV/0!	-	0.0%
23	Debt Service	206,209.1	181,536.4	209,416.9	199,995.4	149,753.3	100,730.3	317,513.5	158,588.6	147,520.7	(58,688.4)	(28.5%)	(89,753.7)	(39.0%)
24	State Retirement Payments	265,280.7	134,245.4	163,649.6	271,166.6	307,936.1	345,567.4	246,190.3	129,555.0	140,266.8	(125,013.9)	(47.1%)	(162,533.5)	(54.9%)
25	Special Appropriations	11,050.3	11,408.5	9,432.5	367.2	7,046.9	9,123.4	8,753.6	-	-	(11,050.3)	(100.0%)	(12,324.7)	(100.0%)
26	Fund Capitalization	696,434.0	103,230.0	102,539.7	185,610.7	27,324.5	30,030.0	304,261.5	320,637.4	70,827.0	(625,607.0)	(89.8%)	(709,421.6)	(91.3%)
27	**Statewide Items Total**	**1,178,974.1**	**430,420.3**	**485,038.7**	**657,139.9**	**492,060.8**	**485,451.1**	**876,718.9**	**608,781.0**	**358,614.5**	**(820,359.6)**	**(69.6%)**	**(974,033.4)**	**(74.1%)**
											-	#DIV/0!	-	0.0%
28	**Pre-Permanent Fund Total**	**5,379,468.5**	**4,402,908.4**	**4,345,113.3**	**4,664,024.9**	**4,584,765.0**	**4,502,152.0**	**4,851,768.8**	**4,929,992.4**	**4,582,147.4**	**(797,321.1)**	**(14.8%)**	**(1,643,961.3)**	**(27.4%)**
29														
30	Permanent Fund Dividend/ Energy Relief	1,373,000.0	695,650.0	726,000.0	1,023,487.2	1,076,036.3	680,000.0	938,038.5	2,100,354.5	2,470,900.0	1,097,900.0	80.0%	817,555.7	53.4%
31	**Operating Budget Total**	**6,752,468.5**	**5,098,558.4**	**5,071,113.3**	**5,687,512.1**	**5,660,801.3**	**5,182,152.0**	**5,789,807.3**	**7,030,346.9**	**7,053,047.4**	**300,578.9**	**4.5%**	**(826,405.6)**	**(11.0%)**
32														
33	Capital Budget	129,794.1	107,426.0	129,635.0	167,960.9	177,487.2	136,013.6	494,194.3	745,973.2	303,575.3	173,781.2	133.9%	143,823.4	99.4%
34	**Total Budget**	**6,882,262.6**	**5,205,984.4**	**5,200,748.3**	**5,855,473.0**	**5,838,288.5**	**5,318,165.6**	**6,284,001.6**	**7,776,320.1**	**7,356,622.7**	**474,360.1**	**6.9%**	**(682,582.2)**	**(8.9%)**

***FY23 and FY24 inflation adjusted numbers uses a 2.25% inflation rate. Given recent inflation rates, this is probably too low.**

10