

State of Alaska

Office of Management and Budget

FY2024 Governor's Budget
SB 40, SB 41, and SB 42
Senate Finance
January 24, 2023

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Budget Lookback

Uses of Funds	FY2019 Final	FY2023	FY2024	FY2019 to FY2024 UGF	
	UGF	MGMT+Sup UGF	Governor UGF	Change	%
Total Operating	4,685.7	4,891.8	4,512.8	(172.9)	(3.7%)
Agency Operations	4,022.2	4,285.8	4,153.8	131.6	3.3%
Statewide Operations	663.5	606.0	359.0	(304.5)	(45.9%)
Total Capital	168.0	734.9	276.4	108.4	64.5%
Final Budget	4,853.7	5,626.7	4,789.2	(64.5)	(1.3%)

Sources of Funds	FY2019 Final	FY2023	FY2024	FY2019 to FY2024 UGF	
	UGF	UGF	UGF	Change	%
Traditional Revenue	2,683.4	3,865.2	3,410.1	726.7	27.1%
POMV Draw for Government	1,699.5	1,260.2	1,055.2	(644.3)	(37.9%)
Other Adjustments	15.3	550.6	60.0	44.7	291.9%
Total Revenue	4,398.2	5,676.1	4,525.3	127.1	2.9%

Surplus/(Deficit)	(455.5)	49.4	(263.9)	191.6
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PFD	FY2019 Final	FY2023	FY2024	FY2019 to FY2024 UGF	
	UGF	UGF	UGF	Change	%
Total Transfer	1,023.5	2,100.4	2,470.9	1,447.4	141.4%
Dividend Per Person	\$1,600	\$3,284	\$3,860	\$2,260	141.3%

FY23 and FY24 Uses of Funds

Uses Of Funds	UGF	FY2023 Total	UGF	FY2024 Total	UGF Change	UGF %
Expenditures:						
Total Operating	4,806.8	10,872.4	4,512.8	9,312.0	(294.0)	-6%
Agency Operations	4,200.8	9,626.9	4,153.8	8,745.7	(47.0)	-1%
Agency Non-Formula	2,065.7	5,412.2	2,070.5	4,629.9	4.8	0%
Agency Formula	2,135.1	4,214.6	2,083.3	4,115.8	(51.8)	-2%
Statewide Operations	606.0	1,245.5	359.0	566.3	(247.0)	-41%
Debt Service	158.6	206.3	148.1	187.8	(10.5)	-7%
Retirement System	129.6	129.6	140.3	140.3	10.7	8%
Capitalizations and Other	317.9	909.6	70.6	238.2	(247.3)	-78%
Total Capital	734.9	2,647.3	276.4	2,046.7	(458.5)	-62%
Supplementals and RPLs	85.0	110.2	-	-	-	0%
Subtotal - Expenditures	5,626.7	13,629.9	4,789.2	11,358.7	(837.5)	-15%
ERA Draw Used For PFD	2,100.4	2,100.4	2,470.9	2,470.9	370.5	18%
K-12 Forward Funding Deposit	49.4	49.4	-	-	-	0%
Total Uses of Funds	7,776.5	15,779.7	7,260.1	13,829.6	(516.4)	-7%

*\$85m placeholder included to represent potential supplementals.

FY23 and FY24 Sources of Funds

Sources Of Funds		UGF	FY2023 Total	UGF	FY2024 Total	UGF Change	UGF %
Unrestricted Revenue		3,865.2	3,865.2	3,410.1	3,410.1	(455.1)	-12%
POMV ERA Draw		3,360.6	3,360.6	3,526.1	3,526.1	165.5	5%
Restricted Revenue		-	7,259.4	-	6,569.5	-	0%
Draws, Deposits, and Adjustments		550.6	1,294.4	60.0	60.0	(490.7)	-89%
	Direct Approp from Savings	350.3	350.3	-	-	(350.3)	-100%
	Prior Year Carryforward	13.7	757.5	-	-	(13.7)	-100%
	K-12 Draw	-	-	49.4	49.4	-	0%
	ARPA Revenue Offset	186.6	186.6	10.6	10.6	(176.0)	-94%
Total Sources of Funds		7,776.5	15,779.7	6,996.2	13,565.6	(780.3)	-10%
Surplus/(Deficit) To/From Reserves		-	-	(263.9)	(263.9)		

- FY23 ANS Forecast: Fall Revenue Source Book at \$88.45
- FY24 ANS Forecast: Fall Revenue Source Book at \$81.00
- ANS price as of January 20th was \$84.36

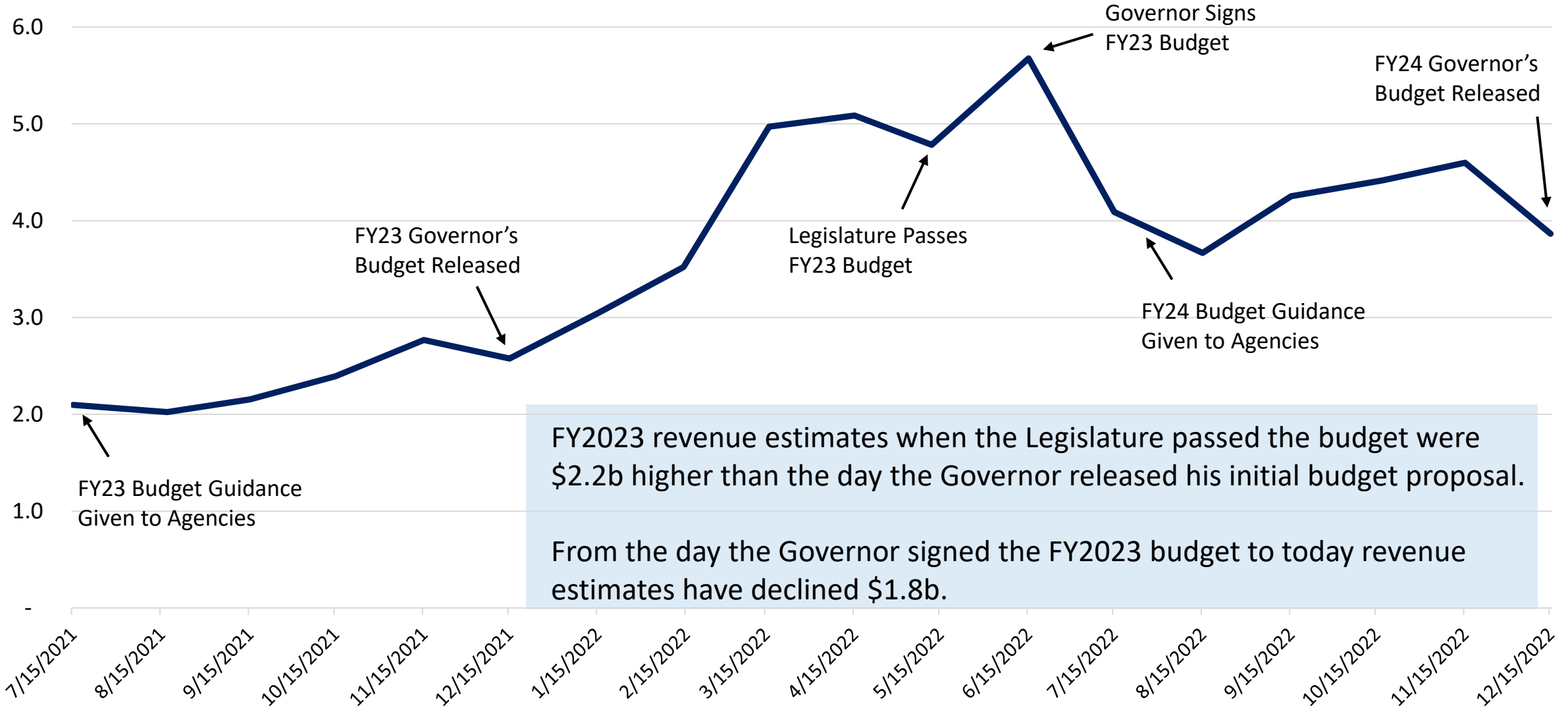
Fiscal Summary – Savings Balances

Savings Balances	K-12	SBR	CBR
Beginning Balance	0.0	370.3	2,255.5
FY23 Net Deposit/(Draw)	49.4	(350.3)	22.6
FY23 Ending Balance	49.4	20.0	2,278.1
FY24 Net Deposit/(Draw)	(49.4)	(20.0)	(219.0)
FY24 Ending Balance	0.0	0.0	2,059.1

- Minimum savings balance of \$500m required to maintain cashflows.
- Savings balances assume status quo revenue.
- Based on unaudited financial data.

Budget Challenges - Revenue Volatility

DOR FY2023 UGF Traditional Revenue Forecast Amount



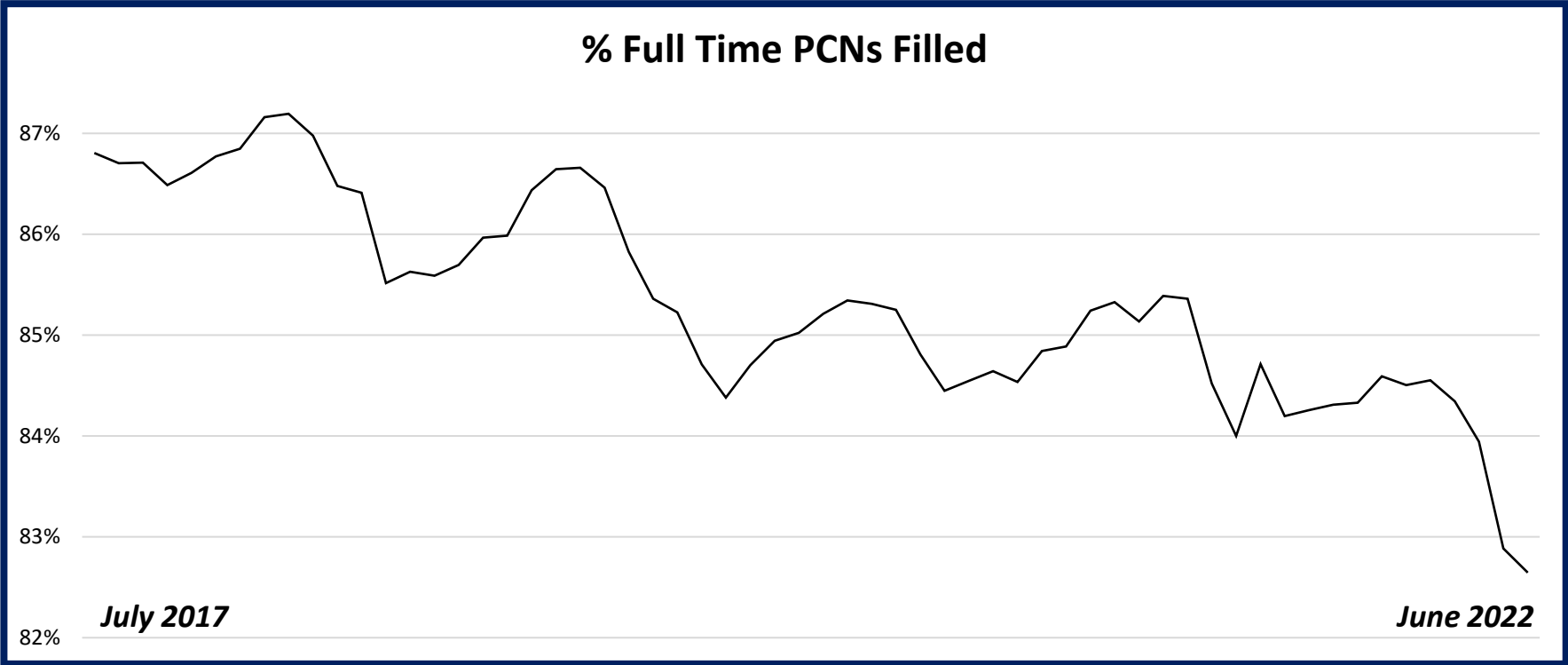
FY2023 revenue estimates when the Legislature passed the budget were \$2.2b higher than the day the Governor released his initial budget proposal.

From the day the Governor signed the FY2023 budget to today revenue estimates have declined \$1.8b.

Budget Challenges - Vacancy

% Vacant PCNs December 2022

DOA	14.4%
DCCED	19.1%
DOC	17.8%
DEED	15.5%
DEC	15.6%
DFG	19.3%
Gov	14.0%
DOH	22.8%
DFCS	19.5%
DOL&WD	20.8%
Law	11.4%
DMVA	12.2%
DNR	23.4%
DPS	17.4%
DOR	21.1%
DOT&PF	16.5%
Total	17.6%



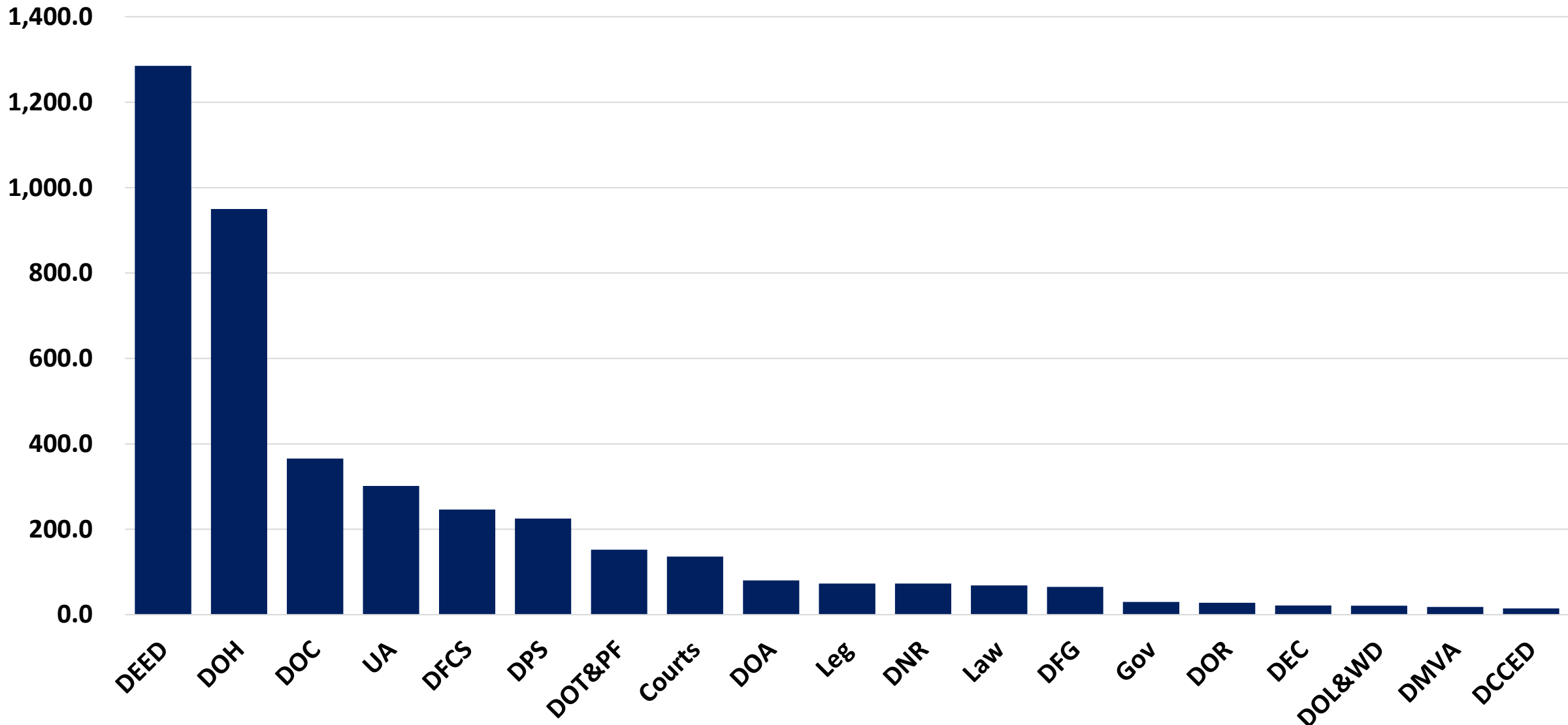
- Most departments are experiencing significantly greater vacancy than pre-pandemic levels.
- Recruitments are taking longer and are less likely to result in a hire.
- Recruitment incentives being used to address most critical public needs.

FY22 Unspent Personal Services	
Working Reserve	8.3
Group Health Life	9.5
Catastrophic Reserve	12.4
CBR	39.3

Budget Challenges – Medicaid Match Rate

- Under the COVID public health emergency the state received an enhanced federal medical assistance percentage match (eFMAP) of 6.2% resulting in \$17.3m in state savings per quarter.
- Dec 29, 2022 federal government authorized phase out of the eFMAP over state FY23 and FY24
 - 5% April 1, 2023 – Increases state share \$3.3m for Q4 FY23
 - 2.5% July 1, 2023 – Increases state share \$10.3m for Q1 FY24
 - 1.5% October 1, 2023 – Increases state share \$13m for Q2 FY24
 - 0% January 1, 2024 – Increases state share \$34m for Q3 and Q4 FY24
- Allows for eligibility redetermination

FY2024 Agency Operating UGF



FY24 Budget High Points

- UGF Operating down almost 4% since FY19
- Full Statutory PFD
 - Estimated \$3,860 per person
- K-12 Education
 - Fully funded to the \$5,960 base student allocation
 - Net UGF reduction of \$1.7m
- SLA 2022 HB114 – Reads Act year two funding \$6.4m
- Municipal and School Bond Debt/REAA fully funded
- PCE and Scholarships Fully Funded

FY24 Budget High Points

- \$5m for rural public professional housing
- \$5m to DCCED to market Alaska
- Oil and Gas Tax Credits to be fully paid off - \$42.7m
 - Retires about \$300m in debt
- WWAMI - \$2m capital investment and funding for 10 additional slots for medical students
- Alaska Marine Highway System fully funded
 - Federal funding still uncertain
- \$4m for new cabins and park sanitation
- \$56.2m (\$31.3m UGF) Net salary adjustments

FY24 Budget High Points

- **Statehood Defense Investments**
 - \$10m in funding for litigation, expert witnesses, and outside counsel
 - \$1.3m in additional funding for DFG wildlife research
 - \$1.5m in air quality monitoring for DEC
- **\$9.5m to address Congenital Syphilis and Tuberculosis and provide health coverage to post-partum mothers**
- **Food Security Investments**
 - \$4.6m to DFG and DNR for fisheries and livestock
 - \$3m investment in power infrastructure for the Delta farm region and co-op
 - \$3m for produce processing at Point Mackenzie

FY24 Budget High Points

- **Public Safety Investments**
 - Fully fund filled trooper positions
 - 30 new support positions
 - Allow the troopers to focus on public safety work
 - \$14.2m in assorted capital investment
 - Criminal justice IT systems
 - Trooper posts and training academy maintenance and upgrades
 - Forensic equipment refresh
 - Vessel and vehicle replacements
- \$2.5m investment in the Alaska State Defense Force
- \$10m investment in University drone program
- \$2m for the Business Enterprise Program

10 Year Outlook - UGF

Uses of Funds	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
1 Permanent Fund Dividend Transfer	2,100.4	2,470.9	2,663.4	2,892.4	2,626.9	2,735.6	2,852.3	2,930.4	3,009.6	3,090.9	3,175.6
2 Per capita PFD (<i>dollars</i>)	\$3,284	\$3,860	\$4,161	\$4,518	\$4,104	\$4,274	\$4,456	\$4,578	\$4,702	\$4,829	\$4,961
Unrestricted General Fund Expenditures	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
3 Operating Budget	4,891.8	4,512.8	4,517.7	4,572.9	4,662.0	4,732.7	4,796.7	4,867.1	4,929.6	5,003.5	5,074.5
4 Capital Budget	734.9	276.4	220.0	223.3	226.6	230.0	233.5	237.0	240.6	244.2	247.8
5 Total General Fund Appropriations	5,626.7	4,789.2	4,737.7	4,796.2	4,888.7	4,962.8	5,030.2	5,104.1	5,170.2	5,247.7	5,322.3
Sources of Funds	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
6 Total Revenue	7,776.4	6,996.1	6,787.4	6,773.3	6,769.4	6,826.2	6,809.7	6,916.5	7,120.8	7,313.6	7,706.0
7 Status Quo Deposit/(Draw)	49.4	(263.9)	(613.6)	(915.3)	(746.2)	(872.2)	(1,072.7)	(1,118.0)	(1,059.0)	(1,025.0)	(792.0)
New Revenue Scenario	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
8 New Revenue Target		300.0	500.0	750.0	900.0	900.0	900.0	900.0	900.0	900.0	900.0
9 Deposit/(Draw) with New Revenue	49.4	36.1	(113.6)	(165.3)	153.8	27.8	(172.7)	(218.0)	(159.0)	(125.0)	108.0
Reserve Balances	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
10 SBR End Balance	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11 CBR End Balance	2,278.1	2,359.1	2,292.6	2,173.1	2,370.3	2,445.6	2,321.7	2,150.2	2,034.2	1,949.9	2,096.9

Without targeted new revenue 10-year outlook:

- Eliminates reserves by FY2027
- Jeopardizes the PFD
- Requires significant reduction in public services

With targeted new revenue 10-year outlook:

- Maintains a healthy CBR balance
- Provides a full statutory dividend
- Provides for conservative growth in service levels