

**02/10/14
OVERVIEW:
FY 15 10-YEAR
PLAN, OFFICE
OF MANAGEMENT
& BUDGET**

<TARGET><BILL></BILL><SUBJECT>02-10-14 OVERVIEW FY 15
10-YEAR PLAN, OFFICE OF MANAGEMENT and
BUDGET</SUBJECT><COMM>HFIN28</COMM></TARGET>

FY2015 Ten-Year Plan Overview



House Finance Committee

February 10, 2014

Office of Management and Budget

Brief History

FY2015 is the sixth year of the plan

- Enacted in 2008 (HB 125)
- Initial statewide plan in winter 2008
- First agency plans in January 2009
- Fiscal planning module automated and part of the Alaska Budget System (ABS) 2010/2011
- First ABS generated plan in January 2012



Purpose of the Plan

A tool to keep a dialogue about Alaska's future in the forefront

- **Creates annual dialogue about the future fiscal health of Alaska**
- **Provides context for budget decisions within the overall revenue picture**
- **Informs decision making given a range of scenarios**



Plan Requirements

Objectives of the 10-year plan

- **AS 37.07.020 (b) (2) says the annual plan must:**
 - **Balance the budget between sources and uses of funds**
 - **Provide for essential state services**
 - **Protect Alaska's economic stability**



Annual Plan Release Schedule

Executive Summary and Agency plans

- **Statewide Executive Summary released in December**
- **Individual agency plans released in January**
- **Statewide and agency plans provide different levels of detail and information**



Guiding Principles of the FY2015 Plan

Foundation framework and strategies

- **Develop Alaska's Natural Resources**
- **Restrain Spending**
- **Save for Future Generations**



Develop Alaska's Natural Resources

Prosperity hinges on responsible development of abundant natural resources

- **Strategy – Increase Oil Production**
- **Strategy – Gas for Alaskans and Markets Beyond**
- **Strategy – Strategic Minerals Development**
- **Strategy – Affordable Power**



Restrain Spending

Smaller, more efficient government delivering essential services

- **Strategy – Spending Targets**
- **Strategy – Results Based Budgeting**
- **Strategy – Long-Term Investment Initiatives**



Save for Future Generations

Maintain Alaska's economic stability

- **Strategy – Preserve and grow Alaska's Permanent Fund**
- **Strategy – Build Reserves/Prudent Use of Reserves**
- **Strategy – Forward Fund**
- **Strategy – Focus on essential services**



Plan Scenarios

Alternate scenarios provide reasons for optimism and caution

Optimism

- Alaska's current financial outlook is positive
- Strong reserves
- Triple A bond rating
- Fiscal discipline

Caution

- Oil price and production levels quickly change the fiscal outlook
- Conservative revenue picture tempers long term outlook



Three Alternate Statewide Scenarios

Revenue outlook requires reduced spending and use of reserves

- Lower oil price and production result in decreased revenue
- Require fiscal discipline and prudent use of reserve funds in the near term to provide essential services
- Focus on priorities and strategic investments to grow the economy



Three Alternate Statewide Scenarios

Illustrate possibilities given different price and production assumptions

- **Scenario 1 – Fall 2013 Forecast with flat general fund spending beginning in FY2015**
- **Scenario 2 – Fall 2013 forecast for price with enhanced production and flat general fund spending beginning in FY2015**
- **Scenario 3 - \$100 price per barrel with flat general fund spending beginning in FY2015**



Disclaimer

Expect the plan to change

- The statewide scenarios are used as a planning tool
- Assumptions of revenue and expenditures are intended to inform and provide context to budget deliberations
- Revenue shortfalls will need to be managed through a combination of budget reductions and use of reserve funds in the near term.
- All three principles of the ten-year plan need to move in concert – develop our natural resources, restrain spending, and save for the future.
- The plan will change as conditions warrant.



Fall 2013 forecast, General Fund spending capped at \$5.6 billion through FY2024

Oil Price & Production	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Fall 2013 forecast ANS West Coast (\$/bbl.)	\$105.68	\$105.06	\$107.69	\$110.38	\$115.40	\$121.19	\$122.43	\$123.67	\$133.00	\$131.85	\$135.15
Fall 2013 forecast (Total ANS production State + Federal ths. bbl./day)	508.2	498.4	487.6	482.7	459.5	429.1	399.6	368.8	340.1	312.9	285.6
Revenue vs. Spending (\$millions)											
General Fund Revenues ^{1/}	\$4,964.9	\$4,532.0	\$4,609.5	\$4,980.6	\$5,105.0	\$5,135.4	\$4,810.0	\$4,502.5	\$4,653.6	\$4,129.4	\$4,006.1
General Fund Expenses	\$6,914.6	\$5,640.9	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0
Budget Surplus/Shortfall	\$1,949.7	\$1,108.9	\$990.5	\$619.4	\$495.0	\$464.6	\$790.0	\$1,097.5	\$946.4	\$1,470.6	\$1,593.9
Reserve Balances (\$millions)											
CBRF Main Account Balance End of Year	\$5,885.3	\$2,941.4	\$3,003.9	\$3,076.3	\$2,723.9	\$2,337.1	\$1,617.6	\$570.4	\$0.0	\$0.0	\$0.0
CBRF Subaccount Balance End of Year	\$6,363.9	\$6,755.1	\$7,170.3	\$7,611.0	\$8,078.9	\$8,575.4	\$9,102.6	\$9,662.1	\$9,937.0	\$9,049.3	\$7,959.7
CBRF Total	\$12,249.2	\$9,696.5	\$10,174.3	\$10,687.3	\$10,802.8	\$10,912.6	\$10,720.1	\$10,232.4	\$9,937.0	\$9,049.3	\$7,959.7
Statutory Budget Reserve Balance yr. end	\$2,783.4	\$1,674.5	\$684.0	\$64.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL RESERVES	\$15,032.6	\$11,371.0	\$10,858.3	\$10,752.0	\$10,802.8	\$10,912.6	\$10,720.1	\$10,232.4	\$9,937.0	\$9,049.3	\$7,959.7

1. FY2014 number includes \$4,930.0 GF Unrestricted Revenue forecast, plus \$34.9 reappropriated and/or carried forward from FY2013 for total of \$4,964.9

Appropriations projections in the plan do not represent a commitment by the Administration to propose spending or generate revenue at a particular level in FY2014, FY2015 or any future year. The 10-year forecast shows that unanticipated budget shortfalls during the 10-year period could be filled primarily through the use of reserve funds; however, other fiscal tools including spending reductions would likely be used in addition to, or in lieu of, reserve funds.

The plan will be revisited as conditions warrant.



Mid-High Case^{1/} oil Production, Fall 2013 price, \$5.6 Billion GF Spending

Oil Price & Production	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Fall 2013 forecast ANS West Coast (\$/bbl.)	\$105.68	\$105.06	\$107.69	\$110.38	\$115.40	\$121.19	\$122.43	\$123.67	\$133.00	\$131.85	\$135.15
MID-HIGH CASE ^{1/} Fall 2013 forecast (Total ANS production State + Federal ths. bbl./day)	508.2	498.4	490.2	493.1	479.6	459.0	437.3	412.6	393.3	375.9	351.0
Revenue vs. Spending (\$millions)											
General Fund Revenues ^{2/}	\$4,964.9	\$4,532.0	\$4,620.0	\$5,070.0	\$5,300.0	\$5,470.0	\$5,230.0	\$5,000.0	\$5,270.0	\$4,810.0	\$4,770.0
General Fund Expenses	\$6,914.6	\$5,640.9	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0
Budget Surplus/Shortfall	\$1,949.7	\$1,108.9	\$980.0	\$530.0	\$300.0	\$130.0	\$370.0	\$600.0	\$330.0	\$790.0	\$830.0
Reserve Balances (\$millions)											
CBRF Main Account Balance End of Year	\$5,885.3	\$2,941.4	\$3,003.9	\$3,076.3	\$3,022.0	\$2,981.0	\$2,704.3	\$2,194.3	\$1,949.6	\$1,233.6	\$454.1
CBRF Subaccount Balance End of Year	\$6,363.9	\$6,755.1	\$7,170.3	\$7,611.0	\$8,078.9	\$8,575.4	\$9,102.6	\$9,662.1	\$10,255.9	\$10,886.3	\$11,557.2
CBRF Total	\$12,249.2	\$9,696.5	\$10,174.3	\$10,687.3	\$11,100.9	\$11,556.5	\$11,806.9	\$11,856.3	\$12,205.5	\$12,120.0	\$12,011.3
Statutory Budget Reserve Balance yr. end	\$2,783.4	\$1,674.5	\$694.5	\$164.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL RESERVES	\$15,032.6	\$11,371.0	\$10,868.7	\$10,851.8	\$11,100.9	\$11,556.5	\$11,806.9	\$11,856.3	\$12,205.5	\$12,120.0	\$12,011.3

1. The mid-high oil production scenario assumes that oil production falls halfway between the Department of Revenue's Fall 2013 fully risked forecast and an unrisked, independent technical assessment provided to the Department.

2. The FY2014 number includes \$4,930.0 GF Unrestricted Revenue forecast plus \$34.9 of fund reappropriated and/or carried forward from FY2013 for a total of \$4,964.9

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Revenue @ \$100 oil beginning FY2015, \$5.6 Billion GF Spending through FY2024

Oil Price & Production	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Fall 2013 forecast ANS West Coast (\$/bbl.)	\$105.68	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Fall 2013 forecast (Total ANS production State + Federal ths. bbl./day)	508.2	498.4	487.6	482.7	459.5	429.1	399.6	368.8	340.1	312.9	285.6
Revenue vs. Spending (\$millions)											
General Fund Revenues ^{1/}	\$4,964.9	\$4,151.4	\$4,044.4	\$4,089.9	\$3,783.6	\$3,405.2	\$3,130.3	\$2,880.7	\$2,604.4	\$2,391.2	\$2,271.8
General Fund Expenses	\$6,914.6	\$5,640.9	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0	\$5,600.0
Budget Surplus/Shortfall	\$1,949.7	\$1,489.5	\$1,555.6	\$1,510.1	\$1,816.4	\$2,194.8	\$2,469.7	\$2,719.3	\$2,995.6	\$3,208.8	\$3,328.2
Reserve Balances (\$millions)											
CBRF Main Account Balance End of Year	\$5,885.3	\$2,941.4	\$2,740.1	\$1,283.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
CBRF Subaccount Balance End of Year	\$6,363.9	\$6,755.1	\$7,170.3	\$7,611.0	\$7,614.9	\$5,836.4	\$3,664.6	\$1,101.6	\$0.0	\$0.0	\$0.0
CBRF Total	\$12,249.2	\$9,696.5	\$9,910.4	\$8,894.6	\$7,614.9	\$5,836.4	\$3,664.6	\$1,101.6	\$0.0	\$0.0	\$0.0
Statutory Budget Reserve Balance yr. end	\$2,783.4	\$1,293.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL RESERVES	\$15,032.6	\$10,990.3	\$9,910.4	\$8,894.6	\$7,614.9	\$5,836.4	\$3,664.6	\$1,101.6	\$0.0	\$0.0	\$0.0

1. FY2014 number includes \$4,930.0 GF Unrestricted Revenue forecast, plus \$34.9 reappropriated and/or carried forward from FY2013 for total of \$4,964.9

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The plan will be revisited as conditions warrant.



Wrap Up

The ten-year plan is a tool to guide budget development and decisions

Optimism

- Alaska's current financial outlook is positive
- Strong reserves
- Triple A bond rating
- Fiscal discipline

Caution

- Oil price and production levels quickly change the fiscal outlook
- Conservative revenue picture tempers long term outlook



For More Information on the 10 Year Plan



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