

SCOMM

150:3



25th Alaska State Legislature

House Special Committee on Ways & Means

Chair:

Rep. Mike Hawker
Capitol Room 502
465-4949

Vice-Chair:

Rep. Anna Fairclough
Capitol Room 411
465-3777

Members:

Rep. Bob Roses
Capitol Room 416
465-4939

Rep. Paul Seaton
Capitol Room 102
465-2689

Rep. Peggy Wilson
Capitol Room 403
465-3824

Rep. Sharon Cissna
Capitol Room 420
465-3875

Rep. Max Gruenberg
Capitol Room 110
465-4940

Committee Aide:

Juli Lucky
465-6587 direct
465-4979 fax

AGENDA

February 5, 2007

3:30 – 5:00 pm

Where did the fiscal gap go? Part III **Office of Management and Budget: Expense Projection**

Presenters:

John Boucher, Senior Policy Analyst
Office of Management and Budget

Melanie Millhorn, Deputy Commissioner
Department of Administration

Janet Clarke, Assistant Commissioner
Department of Health & Social Services

Jill Lewis, Medicaid Budget Unit
Department of Health & Social Services

Office of Management and Budget



Presentation to Ways and Means Committee

February 5, 2007

Where Did The Fiscal Gap Go?

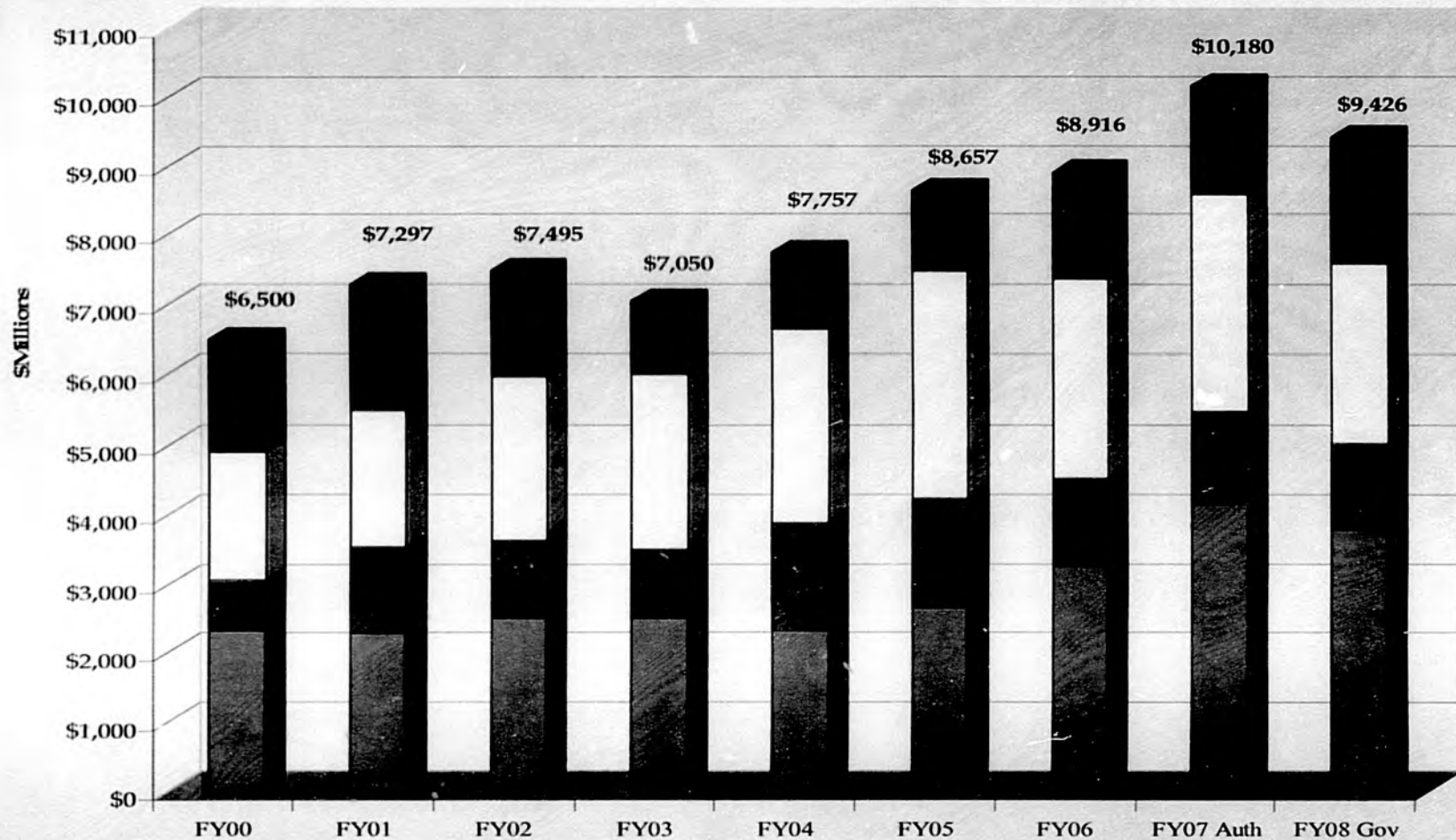
Agenda

- Macro Budget Overview
 - Appropriations by Revenue Source
 - Defining the "Gap"
- Appropriations versus Revenue
 - History
 - 2 Spending Scenarios
- 2 Spending Drivers
 - PERS/TRS
 - Medicaid



Total Appropriations by Revenue Source

FY 2000 – FY 2008 Governor's Proposed



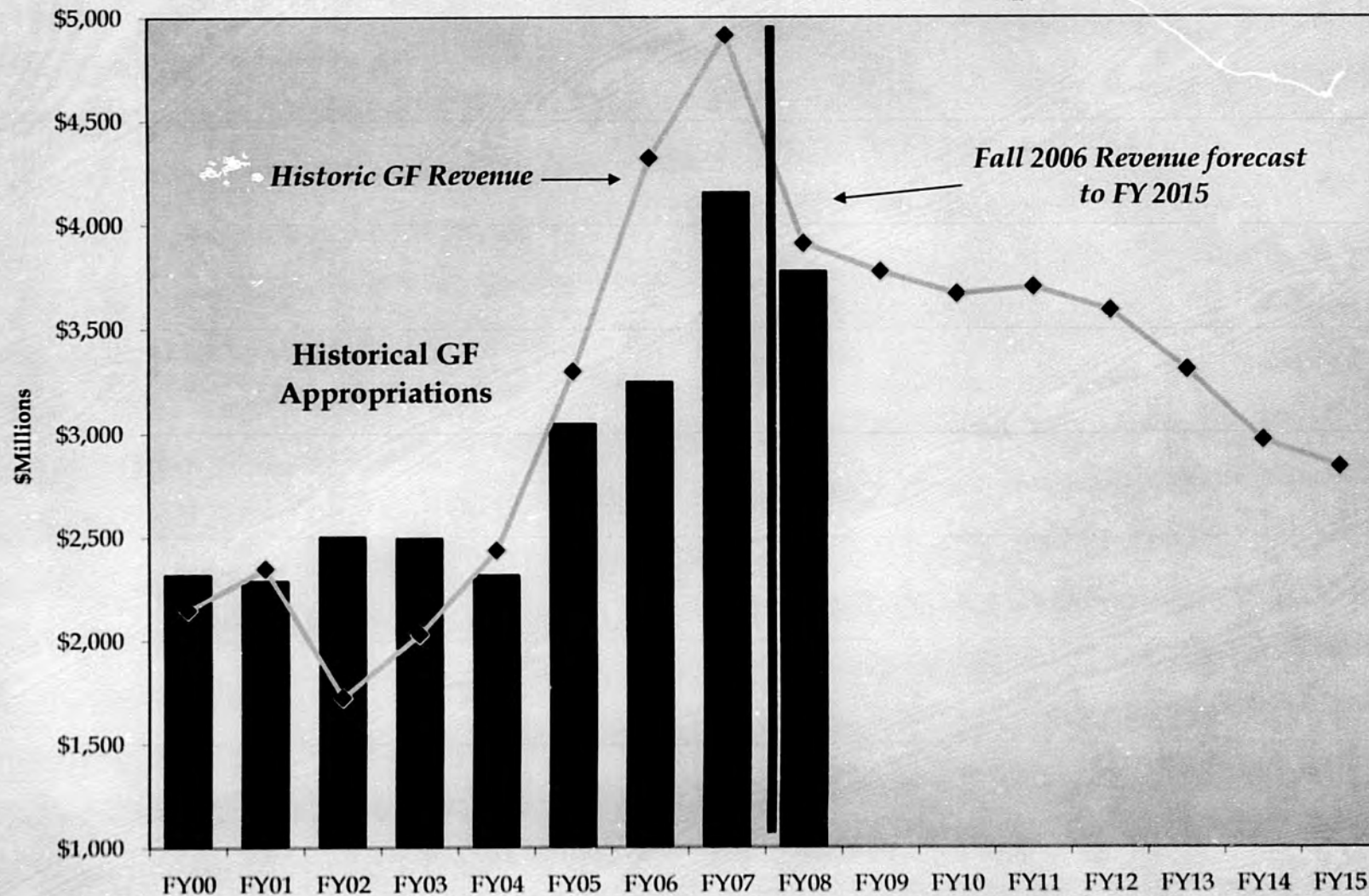
Office of Management and Budget

Sources: Legislative Finance Budget History File and OMB Fiscal Summaries.

*Permanent Fund (PF) includes appropriations for dividends and inflation proofing.

General Fund Revenue versus Appropriations

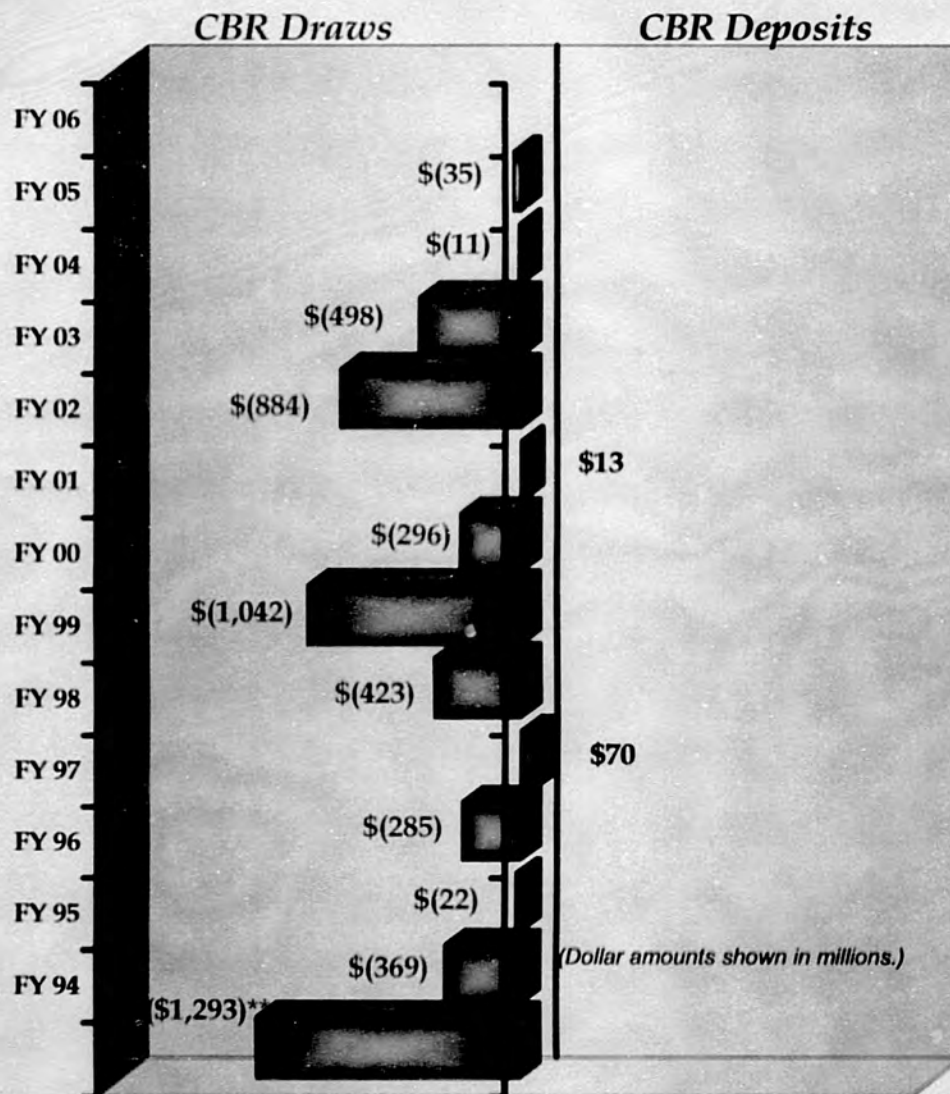
FY2000 - FY2008 Governor's Proposed



Office of Management and Budget

Source: Office of Management and Budget and
Alaska Department of Revenue Fall 2006 Revenue Sources Book.

CBR Draws Total \$5.2 Billion



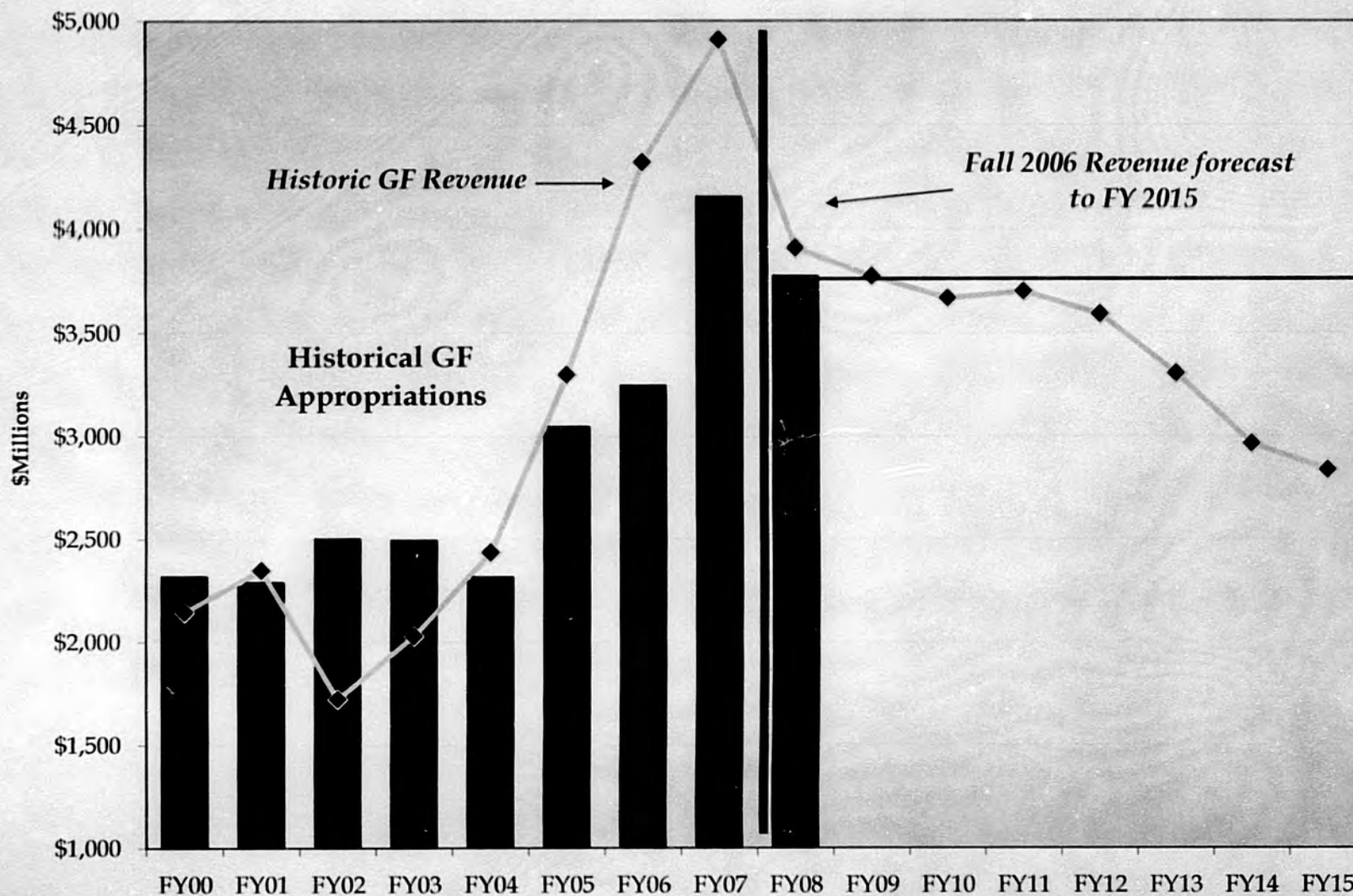
*Non-deficit borrowing includes Court ordered reconstitution of the CBR, Y2K expenditures, Mental Health Trust settlement and PCE endowment.

Total appropriations from the CBRF are \$5,162 million



General Fund Revenue versus Appropriations

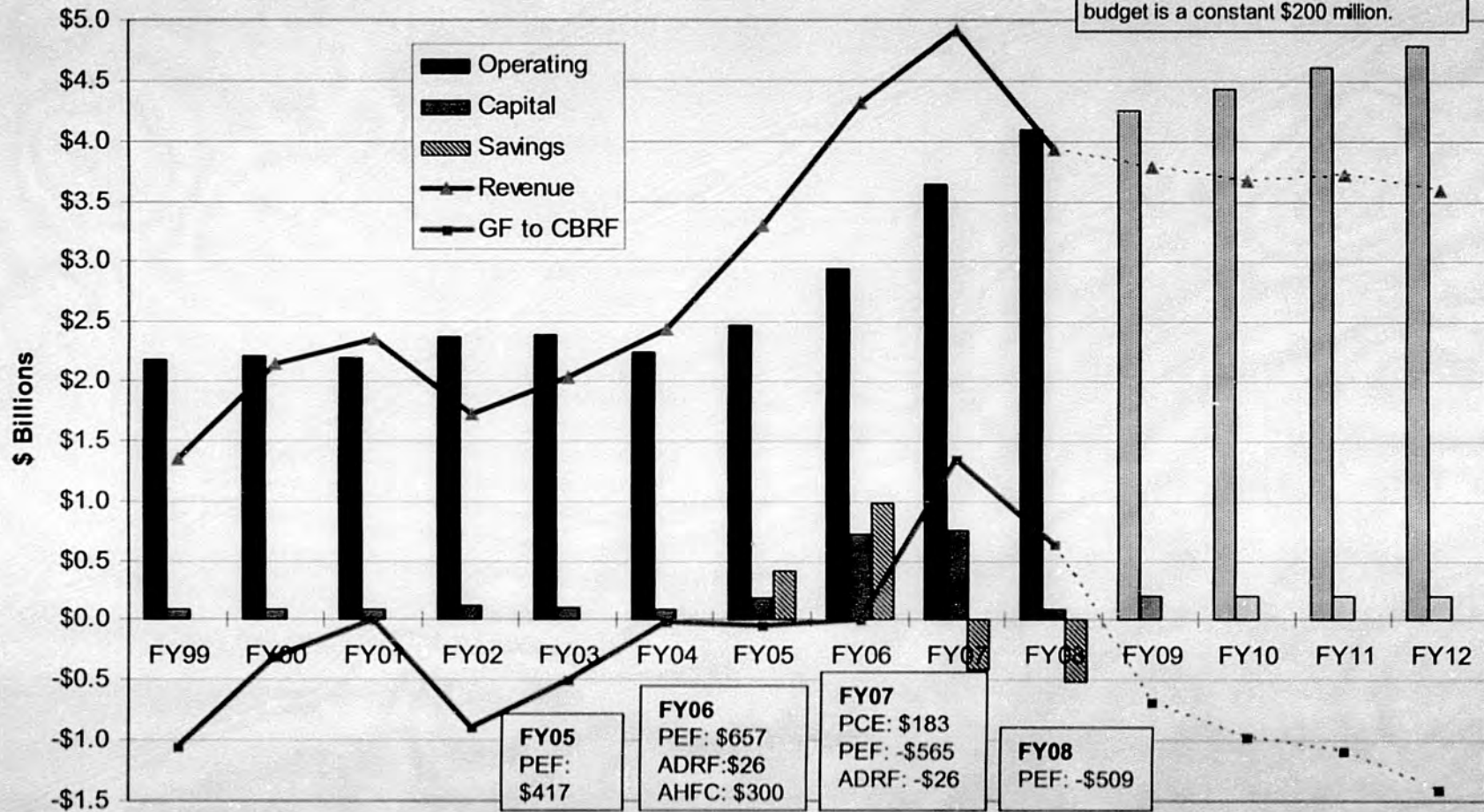
FY2000 - FY2008 Governor's Proposed



Office of Management and Budget

Source: Office of Management and Budget and
Alaska Department of Revenue Fall 2006 Revenue Sources Book.

General Fund Budget



Constitutional Budget Reserve Runout Matrix

Fall 2006 Revenue Sources Book

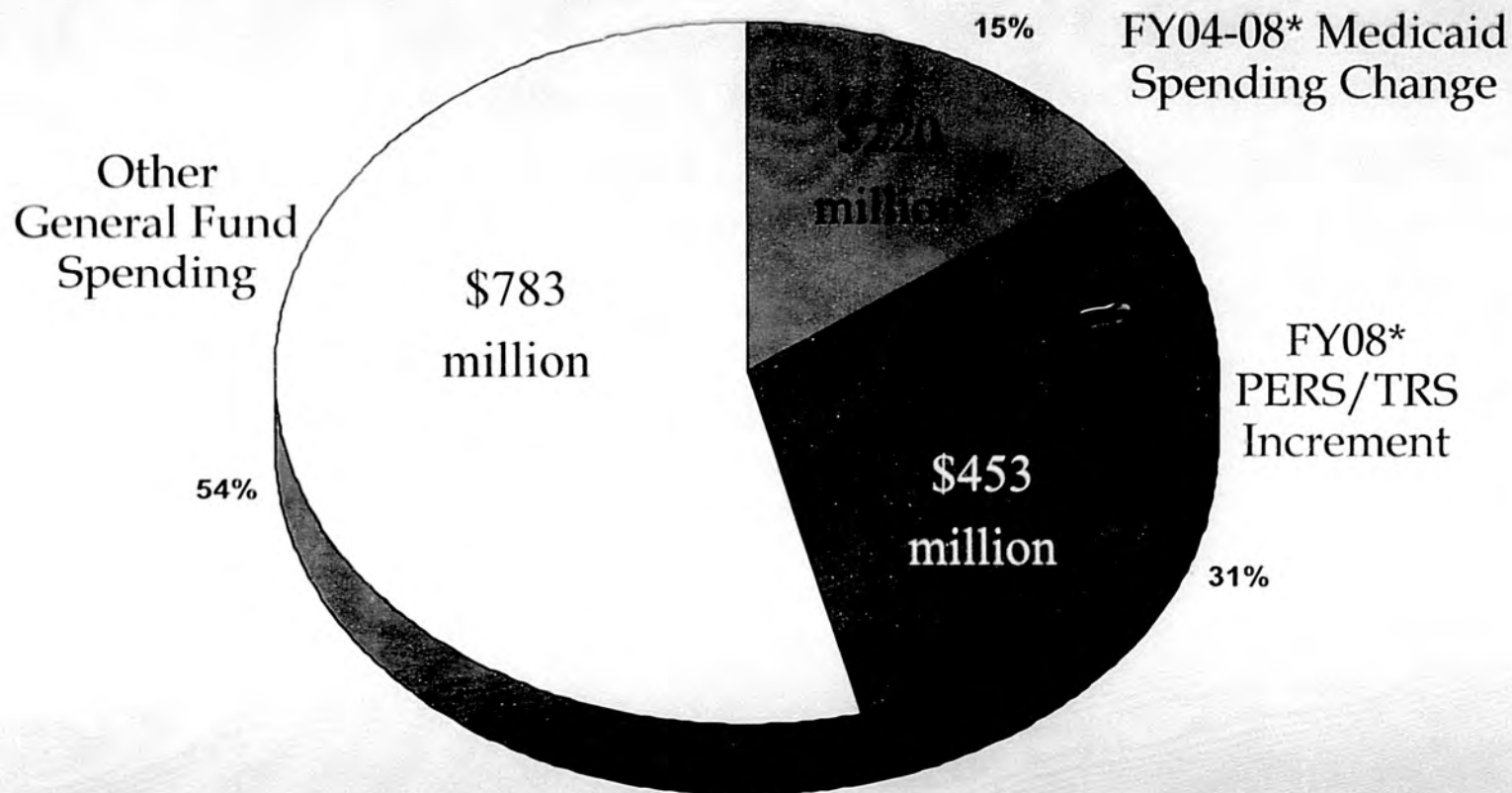
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Annual State Budget After FY 07 (\$ billion)	Fall 2006 Oil Price Forecast ⁽²⁾	Fiscal Model of Oil Revenue & CBRF Performance at Selected Prices (\$/barrel) ⁽³⁾				
		\$25	\$35	\$45	\$55	\$65
2.3	Dec 2020	Aug 2015	Dec 2020	Dec 2020	Dec 2020	Dec 2020
2.7	Dec 2020	Mar 2012	Dec 2020	Dec 2020	Dec 2020	Dec 2020
3.0	Dec 2020	Jan 2011	May 2017	Dec 2020	Dec 2020	Dec 2020
3.3	Dec 2020	May 2010	Nov 2013	Dec 2020	Dec 2020	Dec 2020
3.7	Dec 2020	Oct 2009	Jul 2011	Apr 2019	Dec 2020	Dec 2020
4.0	Feb 2017	Jun 2009	Aug 2010	Mar 2015	Dec 2020	Dec 2020
4.3	Sep 2014	Mar 2009	Feb 2010	Sep 2012	Dec 2020	Dec 2020
4.6	Jan 2013	Dec 2008	Sep 2009	Apr 2011	Dec 2017	Dec 2020



The PERS/TRS/Medicaid challenges

Percent of overall GF change from FY04 to FY08*



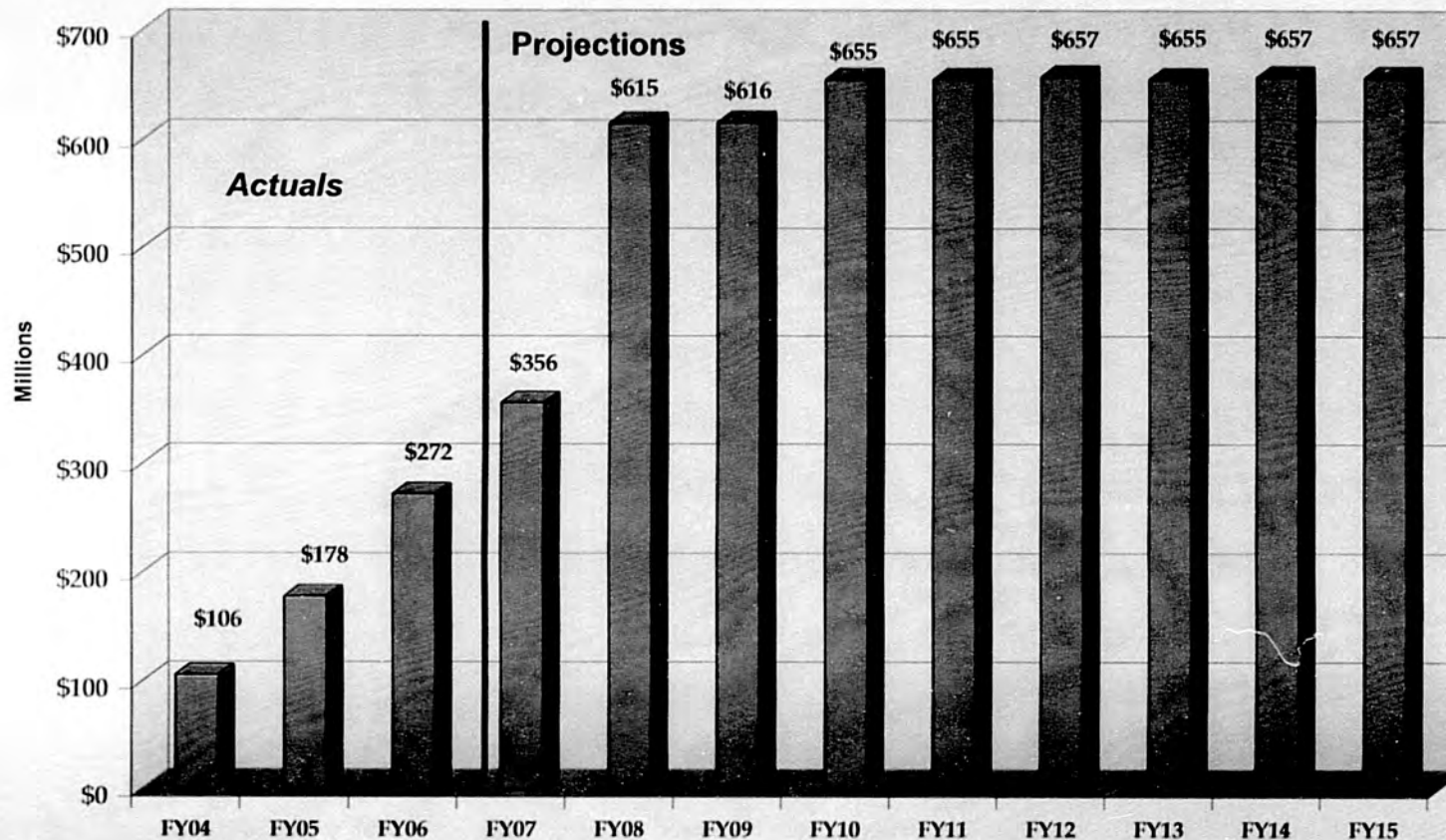
Total GF increase FY04-FY08*: \$1,456 million

* FY08 is Governor's proposed



PERS Projected Contribution Amounts to FY15

Actuarial Projections-Projections at Calculated Rate
Based on DB Only Payroll After July 1, 2006



Source: Buck Consultants



Office of Management and Budget

Data, Assumptions, Methods and Plan Provisions.

Assumes contribution will be on DB payroll only.

No payroll growth is used for FY08 rates and later.

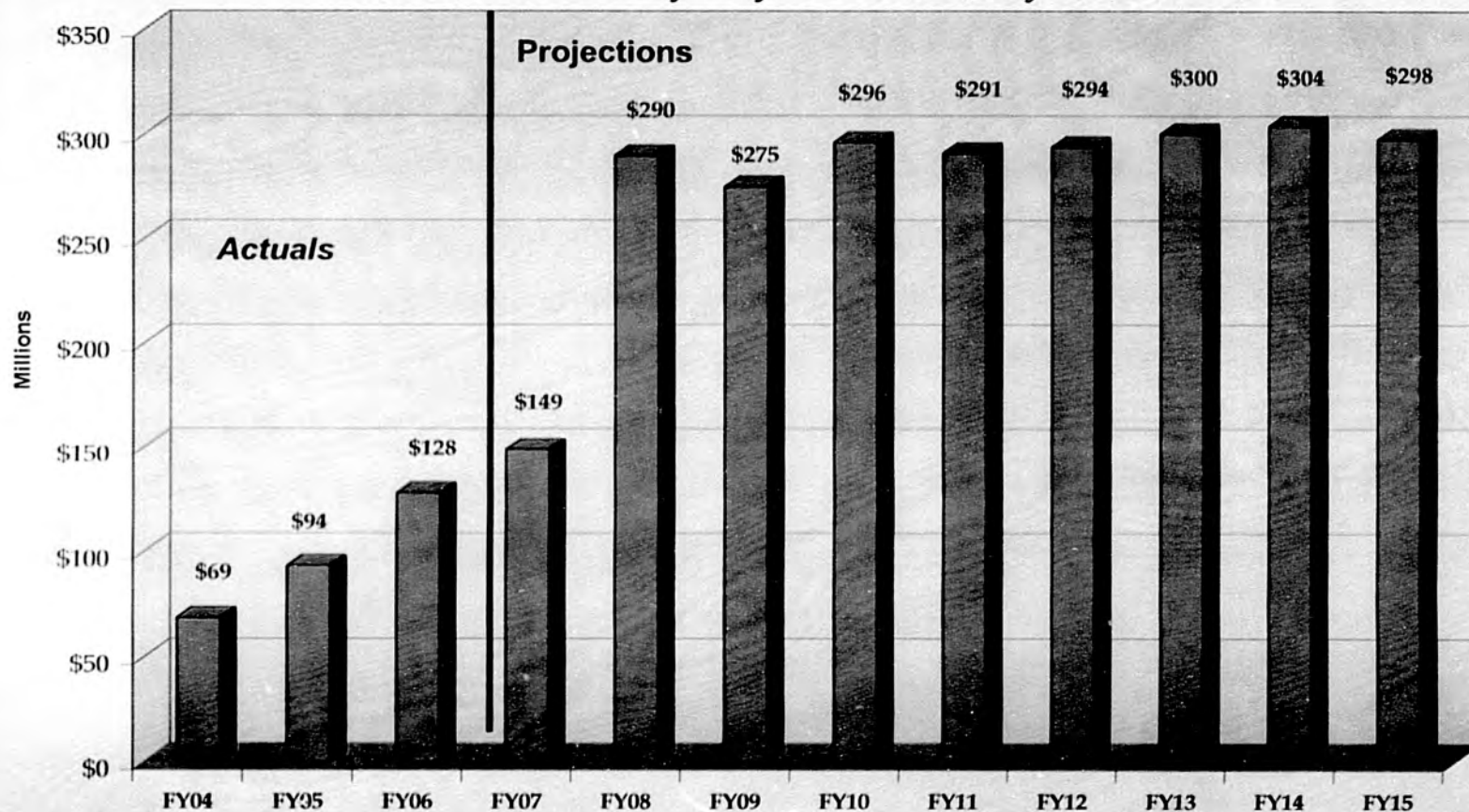
No new members after July 1, 2006.

All other data, assumptions, methods and plan provisions

are the same as those described in the June 30, 2005 valuation reports.

TRS Projected Contribution Amounts to FY15

Actuarial Projections-Projections at Calculated Rate
Based on DB Only Payroll After July 1, 2006



Data, Assumptions, Methods and Plan Provisions.

Assumes contribution will be on DB payroll only.

No payroll growth is used for FY08 rates and later.

No new members after July 1, 2006.

All other data, assumptions, methods and plan provisions are the same as those described in the June 30, 2005 valuation reports.

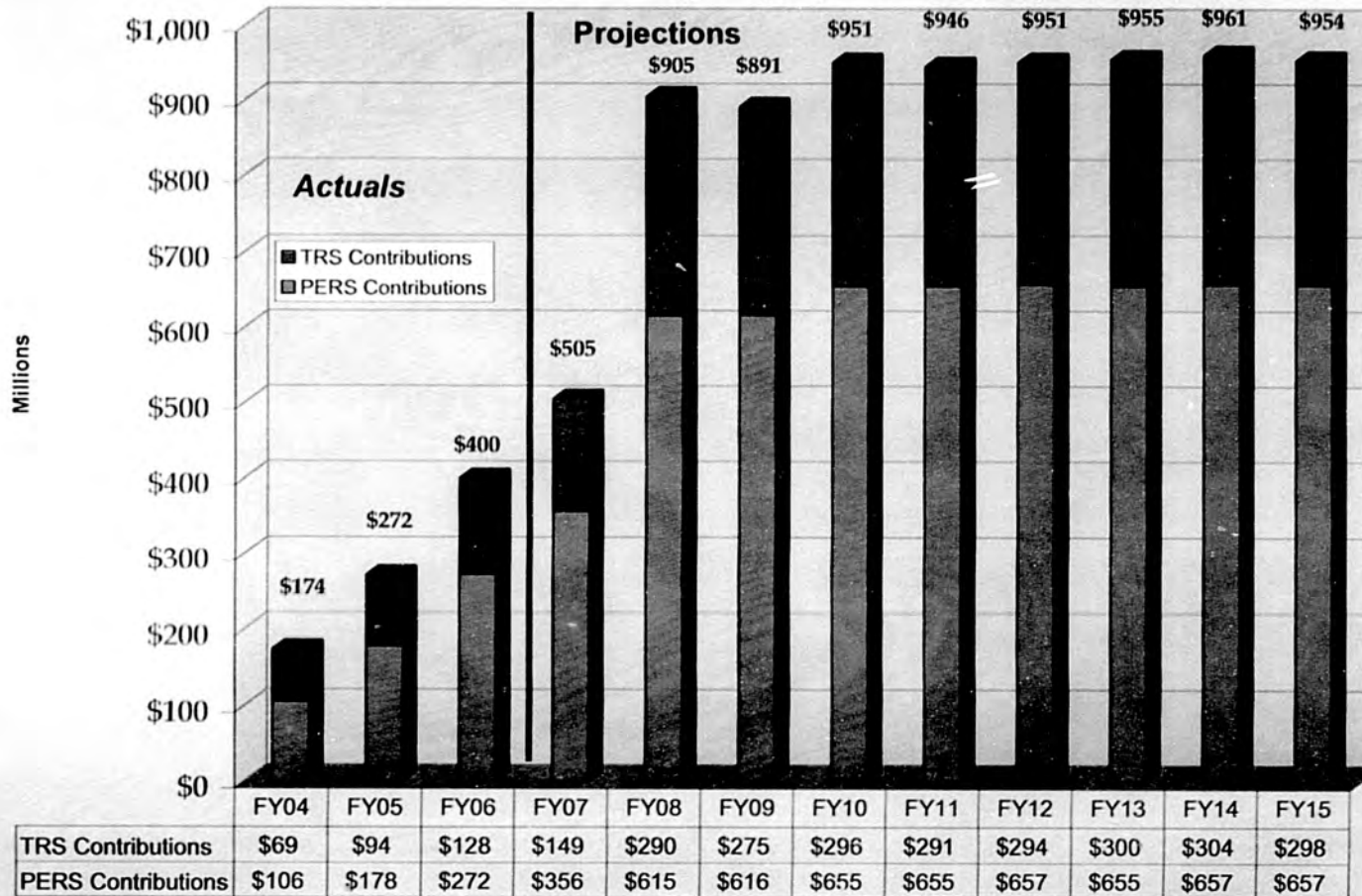
Source: Buck Consultants



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PERS/TRS Projected Contribution Amounts to FY15

Actuarial Projections-Projections at Calculated Rate
Based on DB Only Payroll After July 1, 2006



Source: Buck Consultants

Data, Assumptions, Methods and Plan Provisions.

Assumes contribution will be on DB payroll only.

No payroll growth is used for FY08 rates and later.

No new members after July 1, 2006.

All other data, assumptions, methods and plan provisions are the same as those described in the June 30, 2005 valuation reports.



Office of Management and Budget

**DEPARTMENT OF HEALTH AND SOCIAL SERVICES
PRESENTATION TO THE
HOUSE WAYS AND MEANS COMMITTEE
February 5, 2007**

**Preliminary Update to
Long Term Forecast
of**

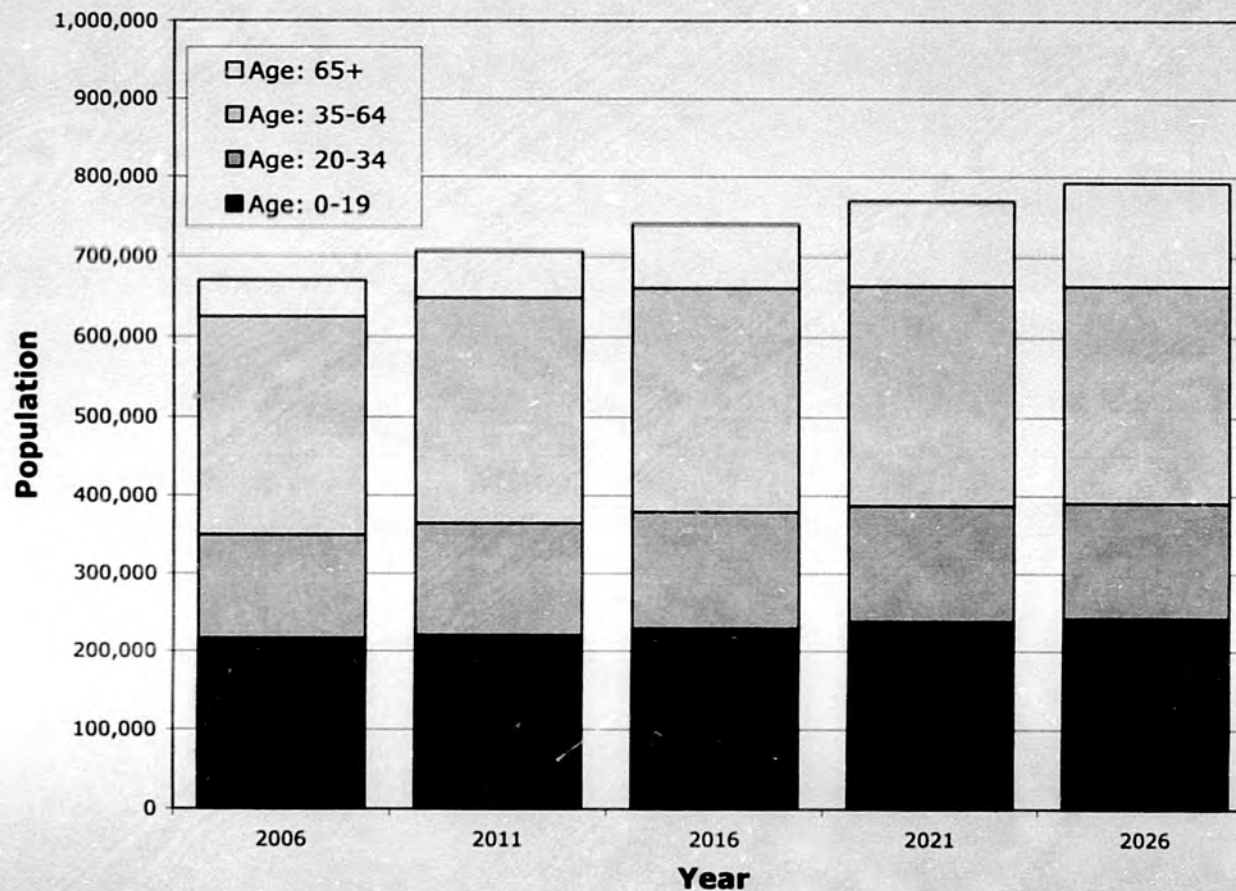
Medicaid Enrollment and Spending in Alaska: 2005-2025

Alaska Population

- Currently, Medicaid is foremost a children-driven program; however, with the expected aging of the population over the next 20 years, the focus of the state's Medicaid program will undergo a shift to concentrate primarily on serving the needs of seniors.

Alaska Population

Alaska's population growth will be driven by the elderly



Total Spending

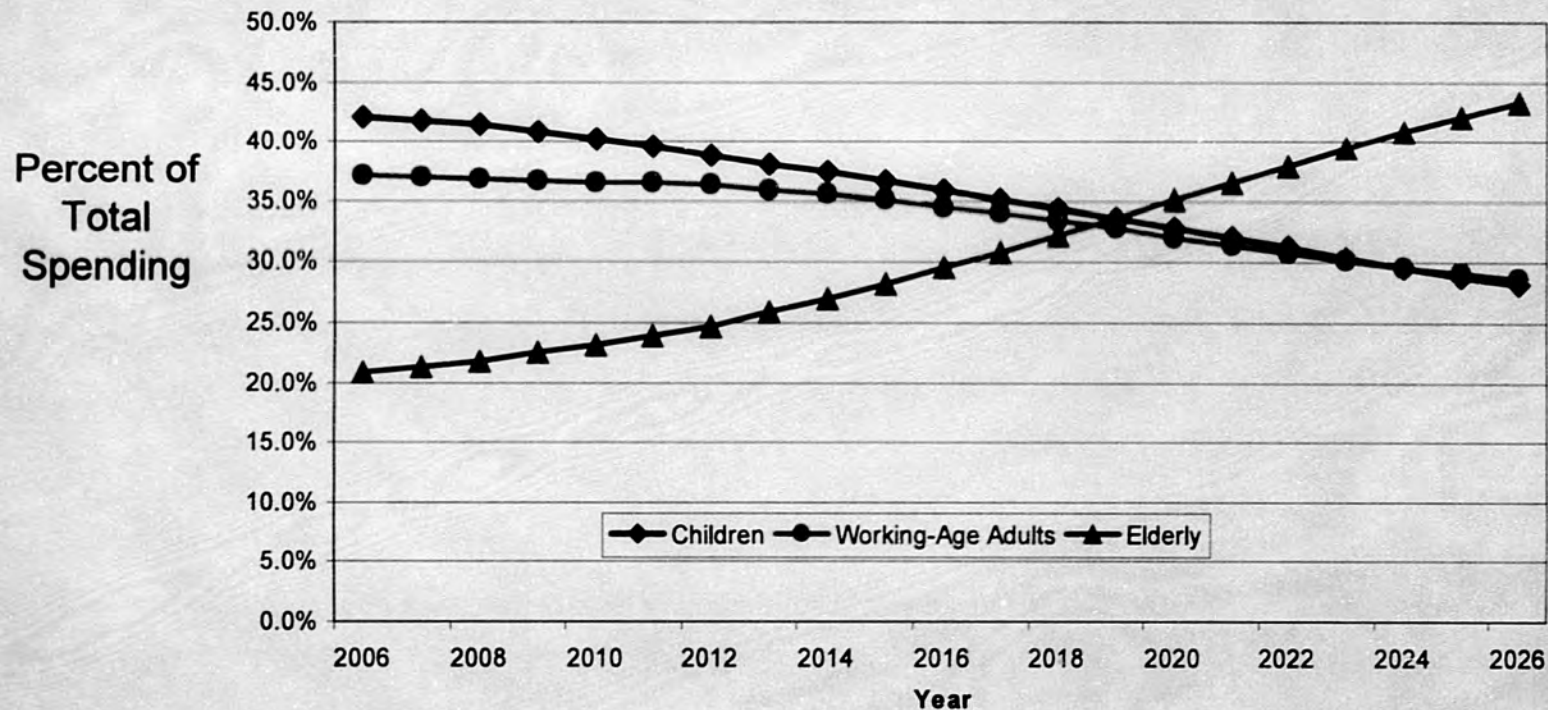
- Overall Medicaid spending will increase at an average annual rate of 7.9% between 2006 and 2026.
- Without accounting for inflation, total spending will equal **\$4.86 billion in 2026**, a dramatic difference compared to \$1.01 billion of spending in 2006.

Total Spending

- Driving this increase is the aging of Alaska's population.
- Spending on the elderly will make up 43.2% of total spending in 2026.
- This is in stark comparison to 2006, when spending was projected to comprise 20.8%, less than half the percentage devoted to children.

Total Spending

Spending on the Elderly will Surpass Spending on Working-Age Adults and Children by 2019

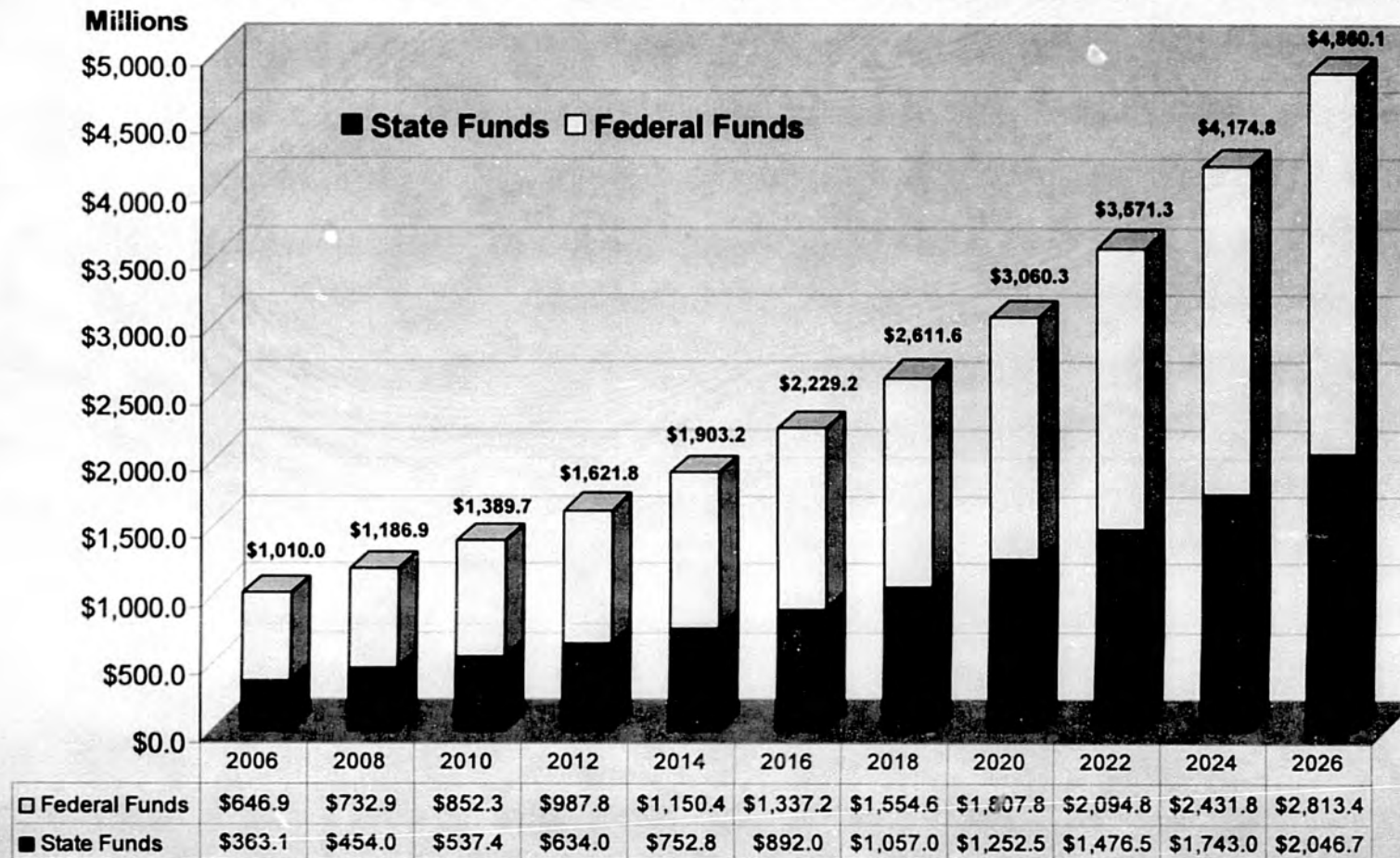


State Funds Spending

- State spending will increase at an average annual rate of 8.6%, rising from \$363.1 million in 2006 to **\$2.05 billion in 2026.**
- State spending per Medicaid enrollee will also soar, growing from \$3,435 per enrollee in 2006 to \$15,161 per enrollee in 2026.

State Funds Spending

Projected Total Spending on Medicaid by Fund Source



Comparing 2025 to 2026 Forecast

- As expected, there was little overall change between the 2005-2025 and 2006-2026 Medicaid forecasts.
- Overall, the 2025 enrollment estimate for the 2006-2026 forecast is 1.7% lower than the original prediction in the 2005-2025 forecast. It is now projected that 129,160 Alaskans will be enrolled in 2025.
- Total spending in 2025 is anticipated to be 3.7% less in the 2006-2026 forecast as compared to the 2005-2025 forecast. Although spending is now \$171.8 million less than what had been estimated in the last forecast, close to \$4.50 billion will be spent on Medicaid in 2025.
- Overall state spending in 2025 is expected to be 8.8% lower than was predicted in the 2005-2025 forecast. State spending, per the 2006-2026 forecast, will be \$1.89 billion, compared to the \$2.07 billion previously expected.