

# State of Alaska Office of Management and Budget

## Understanding Alaska's Fiscal Situation

Presentation to Commonwealth North's Fiscal Policy Study Group

March 15, 2019

Director Donna Arduin

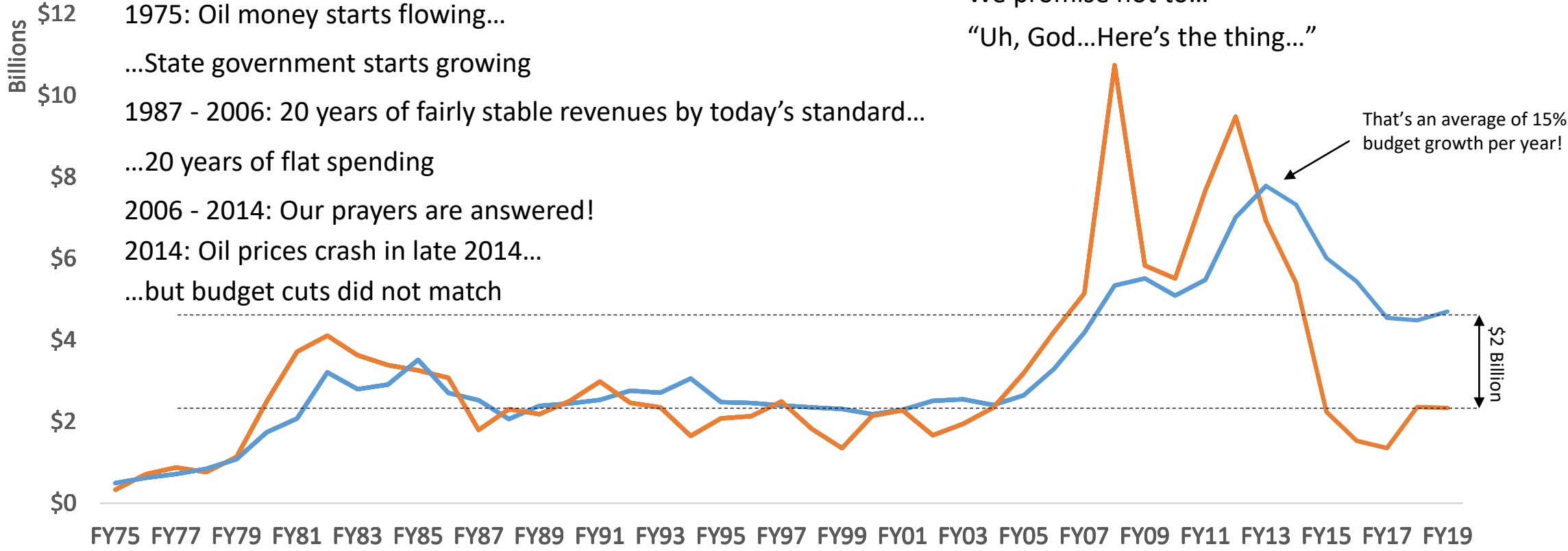


THE STATE  
of **ALASKA**

GOVERNOR MICHAEL J. DUNLEAVY

# Alaska's Revenue & Expenditures: Look Back

## Alaska Revenue and Spending History



“Please God, give us just one more oil boom. We promise not to...”  
 “Uh, God...Here’s the thing...”



— Revenues — Expenditures

## Defining the Deficit: \$1.6 Billion

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- Previous Administration proposed overspending based on wishful oil prices
- Updated oil revenue forecast price went from \$75 to \$64 per barrel
- Dividends have been taxed for the last three years
- Governor Dunleavy proposes paying a full statutory dividend – \$1200 more per Alaskan than the previous Governor proposed for FY20

## Building the Budget: Guiding Principles

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- Expenditures cannot exceed existing revenues
- The budget is built on core functions
- Maintaining and protecting our reserves
- The budget does not take additional taxes from Alaskans through taxes or PFD
- It must be sustainable, predictable, affordable

## Building the Budget: Core Programs

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- Public Safety
- Management of our natural resources
- Preserving maintenance of our transportation infrastructure

## Governor's Constitutional Amendments

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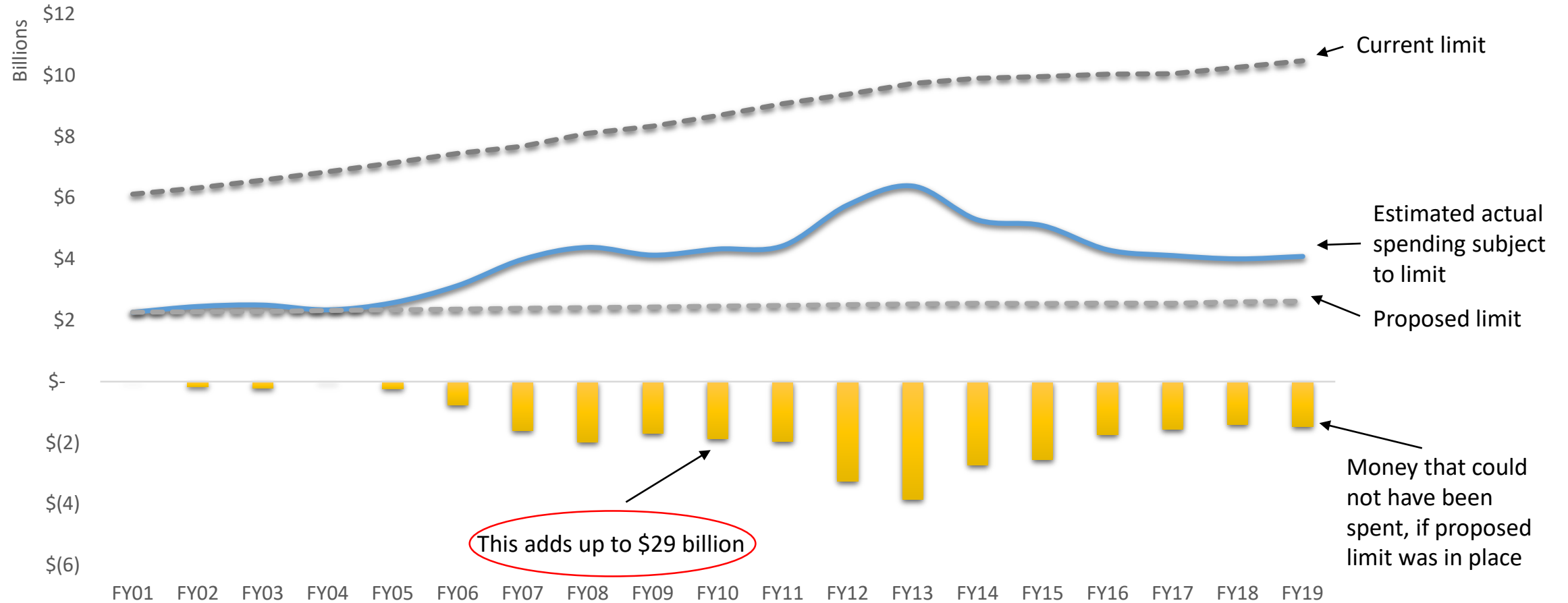
Three constitutional amendments were introduced to provide sustainability, predictability, and affordability for Alaska:

- Set an annual spending and savings rule to keep expenditures in line and not allow spending to increase when revenues are high
- Require a vote of the people before broad-based taxes can be implemented
- Constitutionally enshrine the PFD – Alaska is an owner state

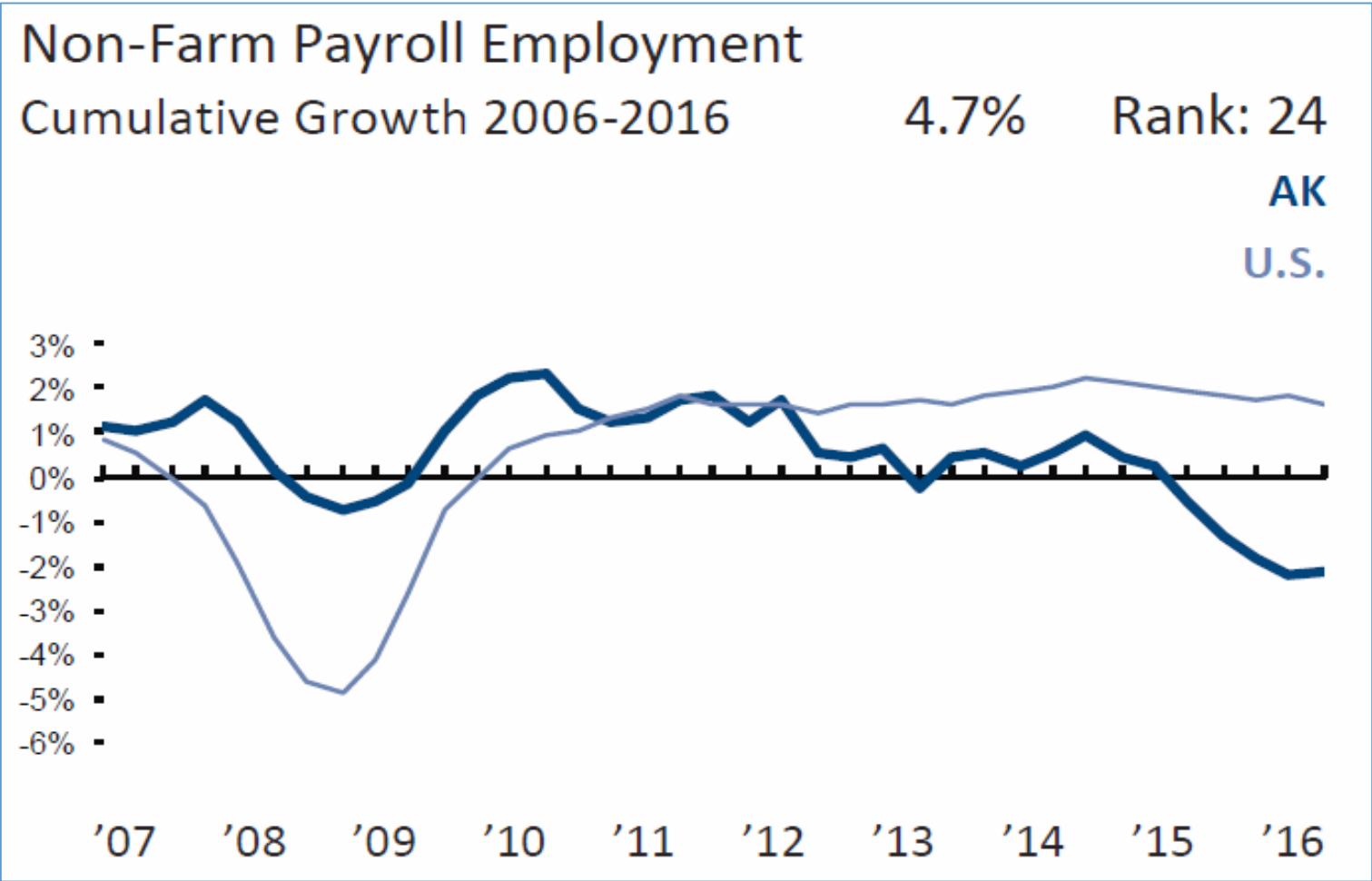
# Constitutional Amendment: Spending Cap

## What if the Proposed Spending Cap Passed 20 Years Ago?

We would have spent at least \$29 billion less

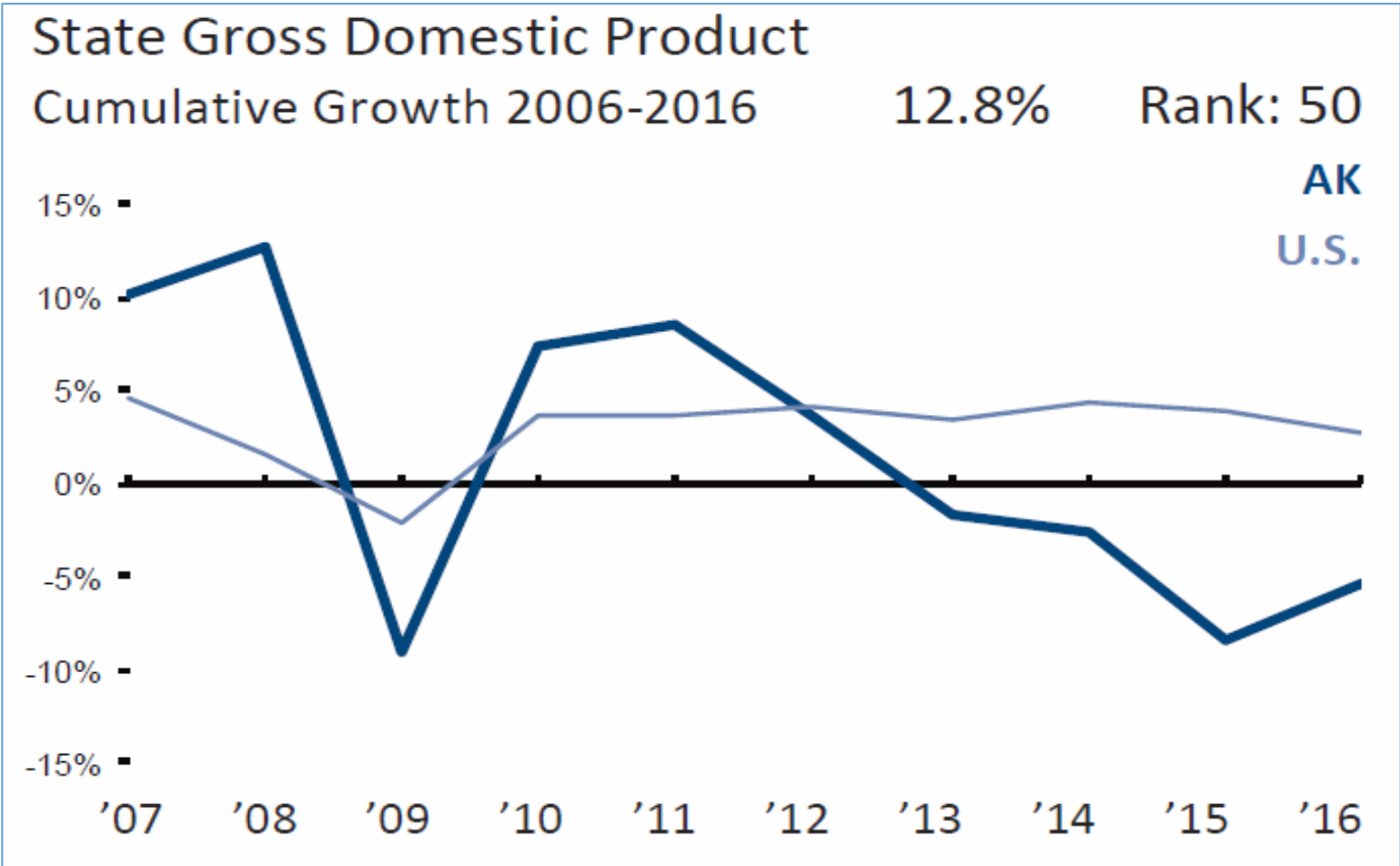


# Alaska Economic Trends: Employment

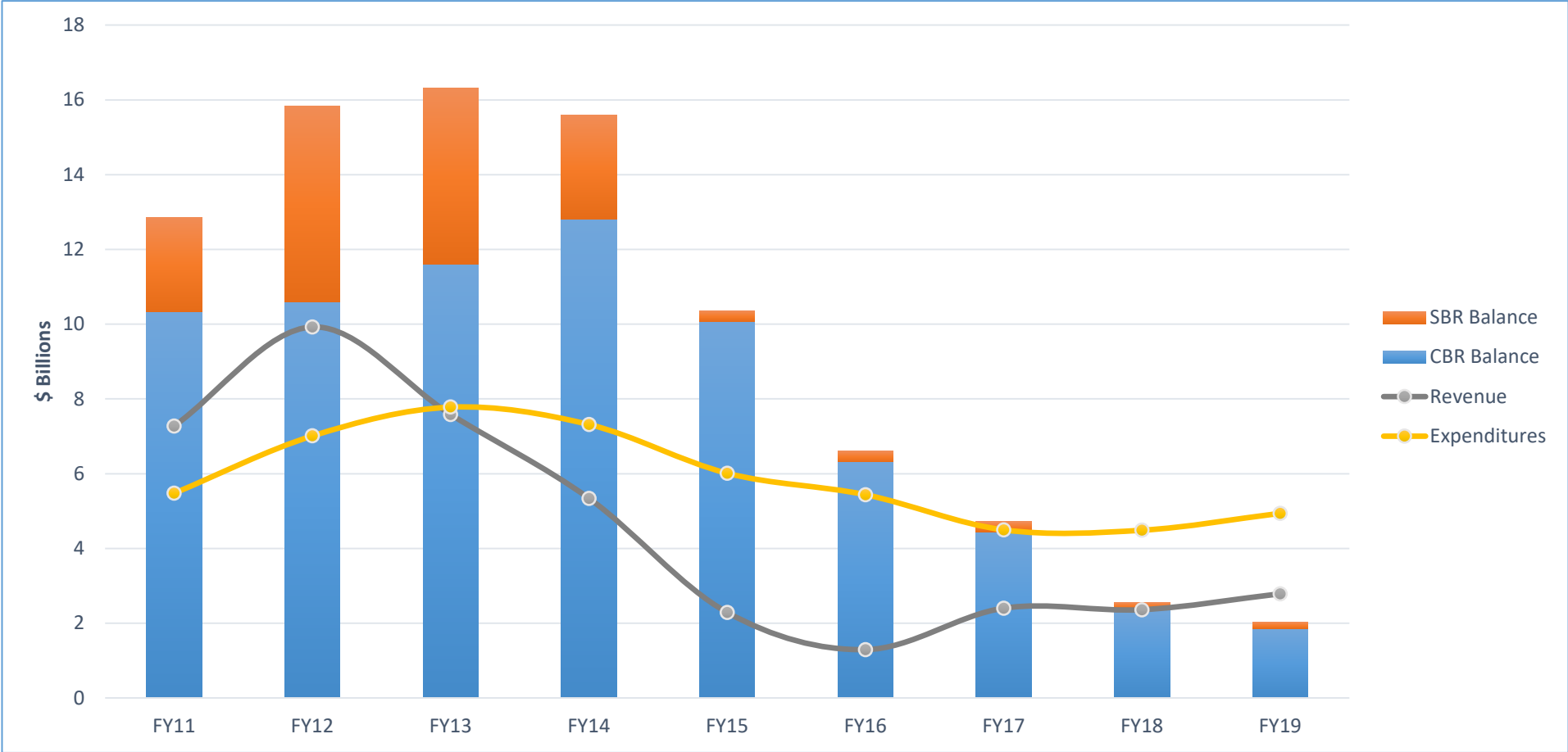




# Alaska Economic Trends: GDP

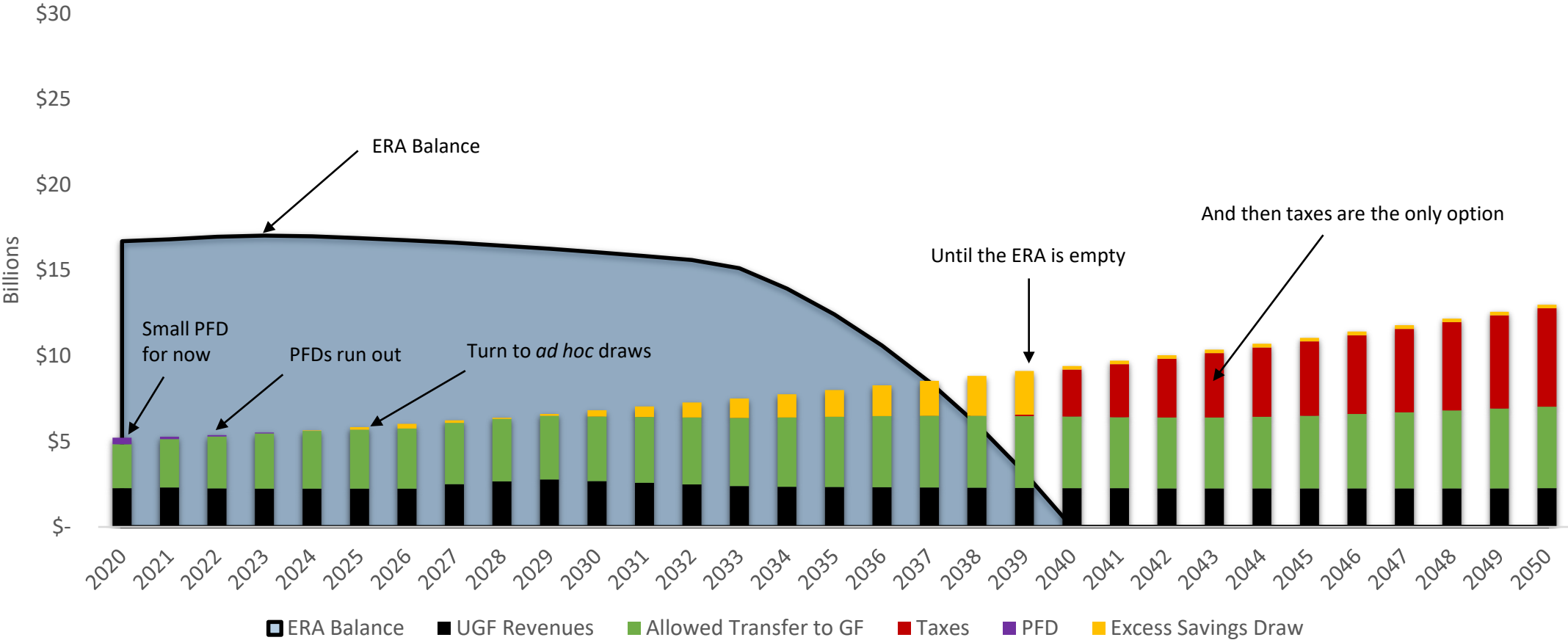


# Building the Budget: Historical Savings, Revenue & Expenditures

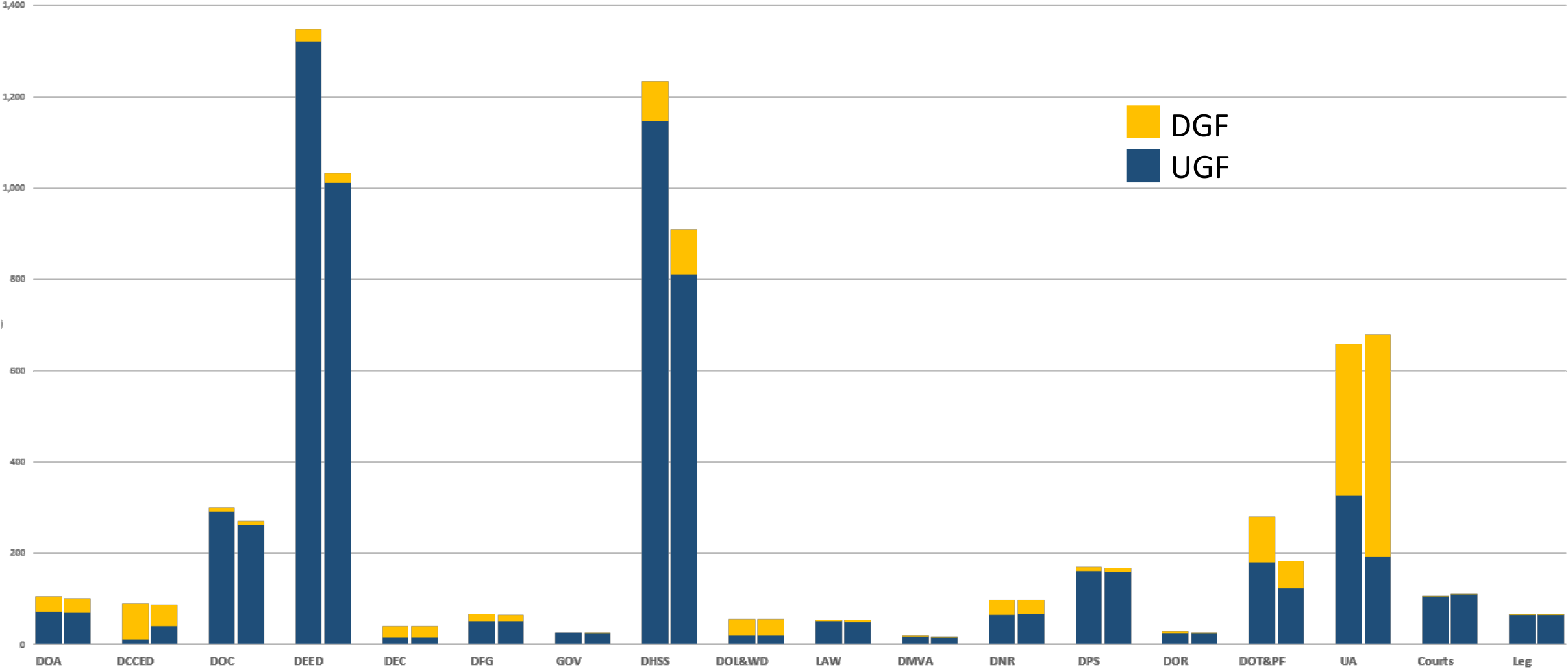


# Where Does the Current Path Lead?

No PFD, No Savings, and No good options for future Alaskans



# FY2020 Budget: UGF and DGF By Department – FY19 Management Plan vs FY20 Gov Amend



## FY2020 Budget: Significant Budget Changes & Legislative Proposals (\$ Thousands)

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- **Department of Corrections:**

- Crime Bill Repeal - Fiscal Note (+\$37,598.9 GF)
- Transfer 500 Inmates Out of State (-\$12,802.5 GF)
- Close Sentenced Wing of Wildwood Correctional Center (-\$6,000.0 GF)

- **Department of Law:**

- Crime Bill Repeal - Fiscal Note (+\$1,121.1 GF)

- **Judiciary:**

- Trial Courts – Re-Open Courts on Friday Afternoons (+\$3,098.0 GF & +15 PFT)

- **Department of Public Safety:**

- Federal Receipt authority for Council on Domestic Violence & Sexual Assault and the High Intensity Drug Trafficking Areas Program (+\$9,000.0 FED)

## FY2020 Budget: Significant Budget Changes & Legislative Proposals (\$ Thousands)

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- **Department of Education & Early Development:**
  - K-12 Foundation Formula Funding (-\$269,396.9 GF)
  - Repeal Education Funding Outside the Formula (-\$30,000.0 GF)
  - Repeal Curriculum Fund Established in SLA 2018 (-\$19,500.0 GF)
- **University of Alaska:**
  - Withdraw the State Subsidy for University of Alaska System-wide Campuses (-\$154,339.1 UGF)
- **Department of Health & Social Services:**
  - Medicaid Cost Containment Measures & Reform (-\$271,039.5 GF)
  - Repeal Senior Benefits (-\$19,986.1 GF)
  - Reduce Adult Public Assistance (-\$14,700.0 GF)
  - Reduce Temporary Assistance for Needy Families (TANF) Maintenance of Effort (-\$16,912.0 GF)

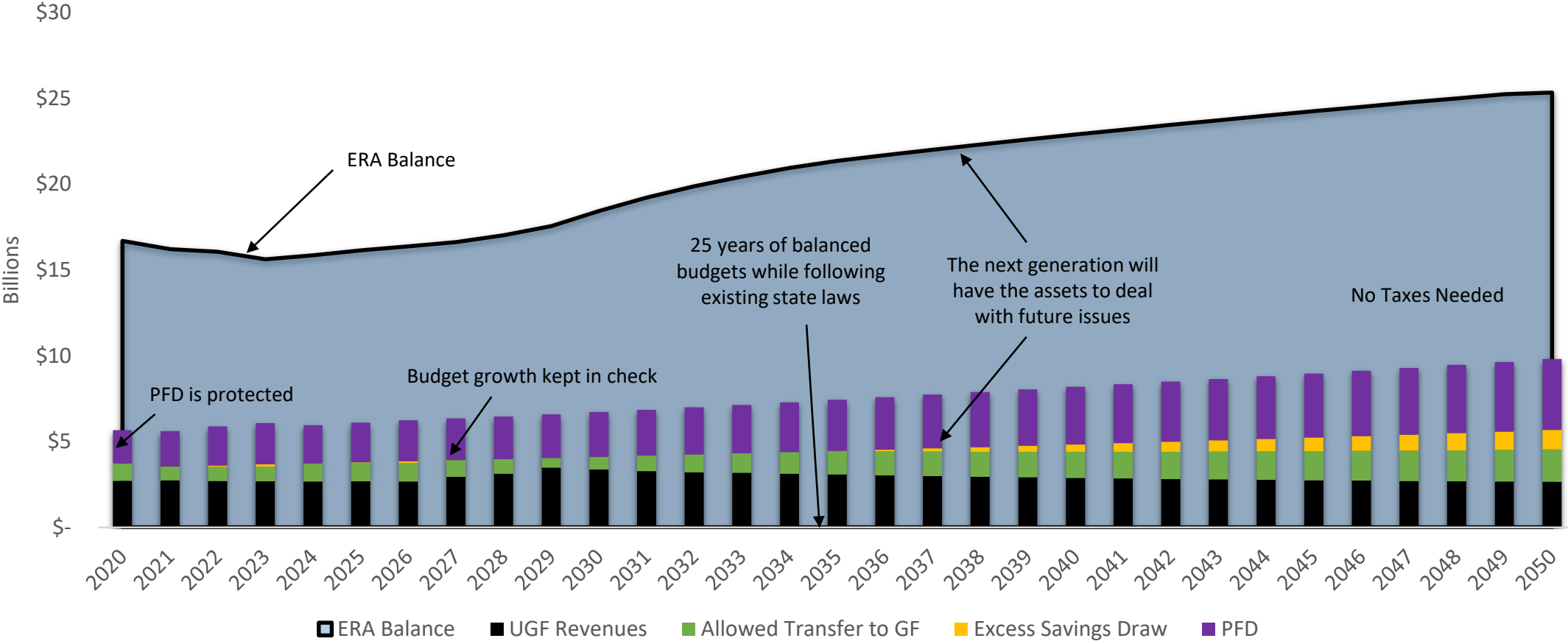
## FY2020 Budget: Significant Budget Changes & Legislative Proposals (\$ Thousands)

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- **Department of Transportation & Public Facilities:**
  - Alaska Marine Highway System Transition (-\$97,988.8 GF)
- **Statewide:**
  - Executive Branch 50% Travel Reduction (-\$4,476.9 GF)
  - Repeal Local Petroleum Property Tax (+\$398 million GF)
  - Repeal School Debt Reimbursement (-\$100 million GF)
  - Repeal Capital Project Debt Reimbursement (-\$4,500.0 GF)
  - Paydown Oil & Gas Tax Credits:
    - FY2019: \$84 million AIDEA Receipts
    - FY2020: \$170 million AIDEA Receipts
  - Begin to Eliminate Quasi-dedicated Funds
    - Power Cost Equalization Fund (~\$1.1 billion)
    - Community Assistance Fund (\$60 million)
    - Higher Education Investment Fund (~\$344 million)

# Where Does Governor Dunleavy's Plan Lead?

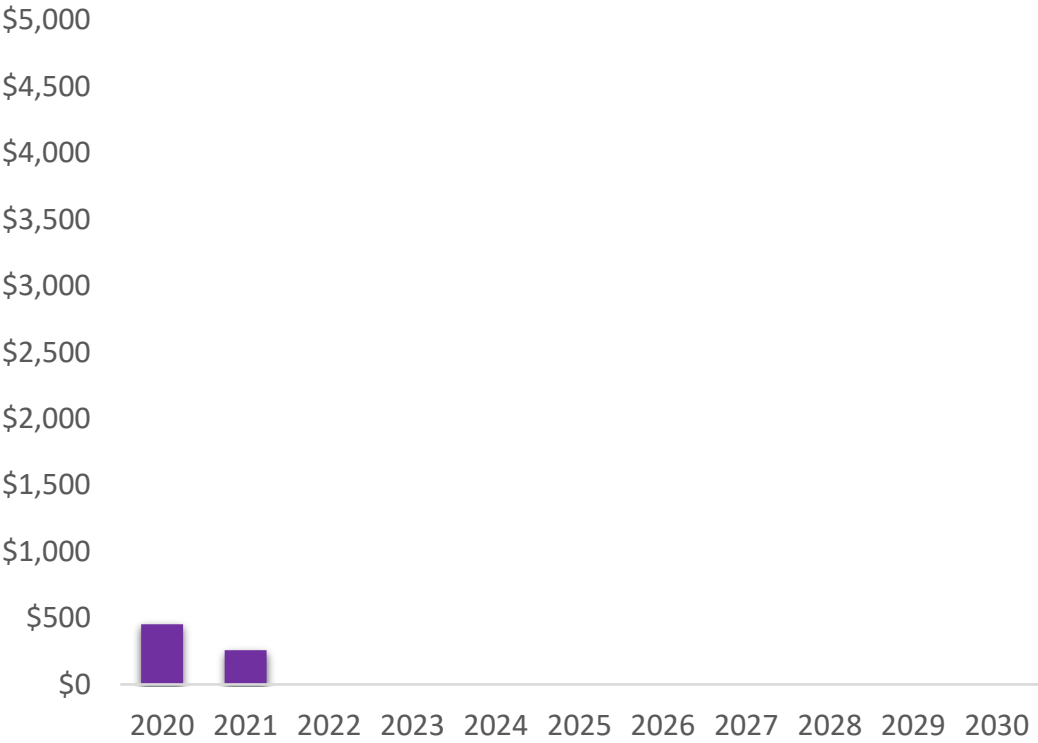
## Full PFDs, Balanced Budgets, and a Bright Future



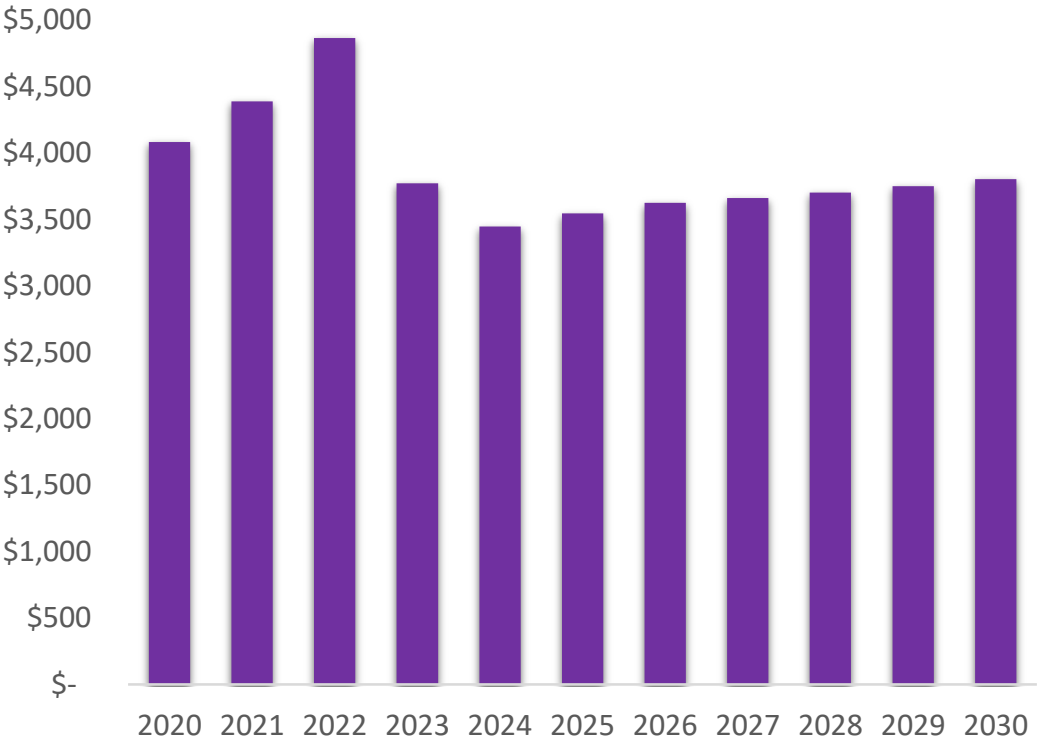


# PFD Amounts Under Alternative Plans

## Use PFDs to Balance



## Governor's Plan



# Options

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- Pray for oil to save the day
- Balance the budget on the backs of working Alaskans
- Take away the economic incentives to invest in Alaska
- Confiscate Alaskans' share of our oil wealth
- Raid our children's piggy bank
- Align our spending with our revenues

## Why This Plan?

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- The cost of doing nothing is too high
- Without controls, the government always grows
- Without protection, the PFD will go away
- Without a seat at the table, taxes are coming

# Sustainable, Predictable, Affordable

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