

State of Alaska

Office of Management and Budget

FY2022 Budget Overview

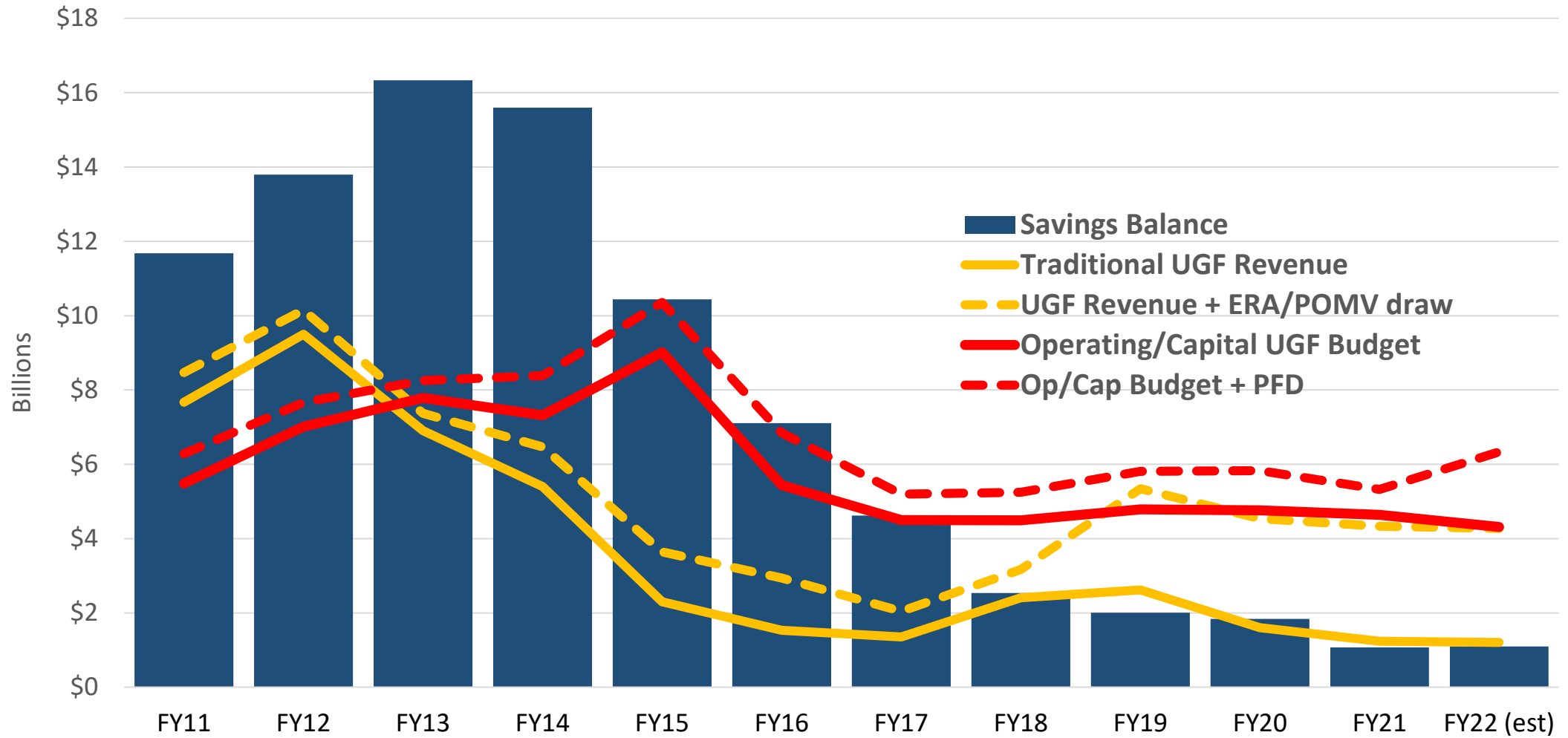
December 17th, 2020

Neil Steinger, Director



Office of Governor
MIKE DUNLEAVY

Historical Savings Balances



Over \$16 Billion in budget reserves have been spent

Budget Look Back

FY2019 Authorized		
Revenue	UGF	Total
Traditional Revenue	2,627.2	8,541.6
POMV Draw for Government	1,699.1	1,699.1
Total Revenue	4,341.6	10,240.7

FY2020 Authorized	
UGF	Total
1,603.9	8,426.3
1,864.1	1,864.1
3,506.2	10,290.4

FY2021 Management Plan + RPLs	
UGF	Total
1,240.3	7,901.0
2,411.5	2,411.5
3,747.6	10,312.5

Expenditures	UGF	Total
Total Operating	4,685.8	9,184.1
Agency Operations	4,022.3	8,193.2
Statewide Operations	663.5	990.9
Total Capital	168.0	1,568.8
Final Budget	4,853.8	10,752.9

UGF	Total
4,604.5	10,169.4
4,091.4	8,935.4
513.1	1,234.0
177.5	1,396.8
4,782.0	11,566.2

UGF	Total
4,498.5	9,990.3
4,009.0	8,415.6
489.5	1,574.7
120.3	1,201.9
4,606.0	11,170.9

Surplus/(Deficit) (512.2)

(1,275.8)

(858.4)

Revenue Forecast

FY2021 - FY2026 Projected UGF Revenue						
Revenue	FY21	FY22	FY23	FY24	FY25	FY26
Forecast ANS Price	\$45.32	\$48.00	\$49.00	\$50.00	\$51.00	\$53.00
Traditional UGF Revenue	1,240.3	1,202.6	1,432.5	1,572.7	1,634.7	1,650.1
Total POMV ERA Draw	3,091.5	3,069.3	3,193.8	3,241.0	3,248.6	3,254.1
<i>Less projected PFD payments</i>	<i>680.0</i>	<i>0.0</i>	<i>1,596.9</i>	<i>1,620.5</i>	<i>1,624.3</i>	<i>1,627.0</i>
Net POMV ERA Draw	2,411.5	3,069.3	1,596.9	1,620.5	1,624.3	1,627.0
Total UGF Revenue	4,331.8	4,271.9	4,626.2	4,813.7	4,883.3	4,904.2
Total UGF Available for Government	3,651.8	4,271.9	3,029.4	3,193.2	3,259.0	3,277.1

Price to balance FY22 budget: \$49

Price to balance FY22 budget with PFD: \$102

Price sensitivity: ±\$1.00 ≈ \$20 million UGF

POMV projections include impact of FY21 and FY22 draws for PFD

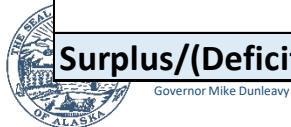


Budget Cost Drivers

- Medicaid \$610.0 Million UGF (14.2% of Operating Budget)
 - \$43.7 million UGF (7.7%) increase in last 10 years
- K-12 Support \$1,246.7 Million UGF (29.0% of Operating Budget)
 - \$72.2 million UGF (6.1%) increase in last 10 years
- Retirement Assistance \$342.0 Million UGF (8.0% of Operating Budget)
 - \$207.9 million UGF (155.1%) increase in last 5 years
- Payroll 17,149 PCNs \$812.4 Million UGF (18.9% of Operating Budget)
 - \$0.9 million UGF (0.1%) increase in last 10 years
 - 1,319 position reduction (7.1%) in last 10 years

FY2022 Fiscal Summary

FY2021 Management Plan plus RPLs			FY2022 Governor		FY2021 to FY2022	
Revenues	UGF	FY2021 Total	UGF	FY2022 Total	UGF Change	UGF %
Unrestricted Revenue	1,240.3	1,240.3	1,202.6	1,202.6	(37.7)	(3.0%)
Petroleum	861.7	861.7	808.9	808.9	(52.8)	(6.1%)
Non-Petroleum	363.0	363.0	372.8	372.8	9.8	2.7%
Investment	15.6	15.6	20.9	20.9	5.3	34.0%
POMV ERA Draw For Government	2,411.5	2,411.5	3,069.3	3,069.3	657.8	27.3%
Statutory Draw	3,091.5	3,091.5	3,069.3	3,069.3		
Draw Used for PFDs	(680.0)	(680.0)	-	-		
Restricted Revenue	-	4,859.7	-	5,973.1		
Carryforward and Adjustments	95.8	1,928.2	-	-	(95.8)	
Total Revenue	3,747.6	10,328.8	4,271.9	10,245.0	524.3	14.0%
Expenditures	UGF	FY2021 Total	UGF	FY2022 Total	UGF Change	UGF %
Total Operating	4,485.7	10,011.3	4,296.3	8,851.5	(189.4)	(4.2%)
Agency Operations	4,009.0	8,436.7	3,813.2	8,075.7	(195.8)	(4.9%)
Statewide Operations	476.7	1,574.7	483.1	775.9	6.4	1.3%
Total Capital	120.3	1,201.9	58.5	1,433.1	(61.9)	(51.4%)
Proposed Legislation			(43.3)	-	(43.3)	
Total Budget	4,606.0	11,187.2	4,311.4	10,284.6	(294.6)	(6.4%)
Surplus/(Deficit)	(858.4)	(858.4)	(39.5)	(39.5)		



FY2022 Projected Draws

FY2022 Reserve Balances					
Permanent Fund Earnings Reserve			Constitutional Budget Reserve		
	FY2021	FY2022		FY2021	FY2022
Beginning Balance	12,894.0	11,863.3	Beginning Balance	1,839.5	1,074.2
Net Income	3,286.3	3,815.0	Earnings & Deposits	103.0	50.0
POMV draw for Government	(2,411.5)	(3,069.3)	Deficit Draw	(868.3)	(39.5)
POMV draw for PFD	(680.0)	-	Estimated End Balance	1,074.2	1,084.7
Additional draw for statutory PFD	(1,225.5)	(2,023.9)			
Estimated End Balance	11,863.3	10,585.1			



FY22 Budget Items of Note

Savings from efficiencies and reform

- DHSS Division of Public Assistance efficiencies (\$4.9m UGF, 122 PCN)
- State of Alaska PERS cost share (\$43m UGF)
 - Allows for federal cost share of retirement payments, no changes to benefits or tiers
 - Requires legislation
- General administrative savings (\$712.8 travel, \$908.7 commodities, 44 vacant PCNs)
- Alaska Marine Highway System reshaping (\$3.4m UGF, \$4.7m DGF)

Short-term financing savings

- Use of federal CARES Act funds (\$35m UGF Medicaid, \$14.6m UGF DOTPF)
- AHFC bonding (\$101m for capital)



FY22 Budget Items of Note

- Education fully funded to the formula \$5,930 Base Student Allocation

	FY2021 <i>Authorized</i>	FY2022 <i>Projection</i>	Difference
Regular ADM	114,762.45	108,133.22	(6,629.23)
Correspondence ADM	14,161.46	18,798.30	4,636.84
Total ADM	128,923.91	126,931.52	(1,992.39)
Adjusted ADM	259,829.10	258,585.13	(1,243.97)
Basic Need	\$1,540,786.6	\$1,533,409.8	(\$7,376.8)
Required Local Effort	(262,398.8)	(274,384.2)	(11,985.4)
Other Adjustments	(44,318.4)	(44,759.4)	(441.0)
Total	\$1,234,069.4	\$1,214,266.2	(\$19,803.2)
Funding Sources			
1004 General fund: Public Education Fund/formula	1,183,504.2	1,162,308.5	(21,195.7)
1043 P/L 81-874	20,791.0	20,791.0	-
1066 Public School	29,774.2	31,166.7	1,392.5
Total	\$1,234,069.4	\$1,214,266.2	(\$19,803.2)

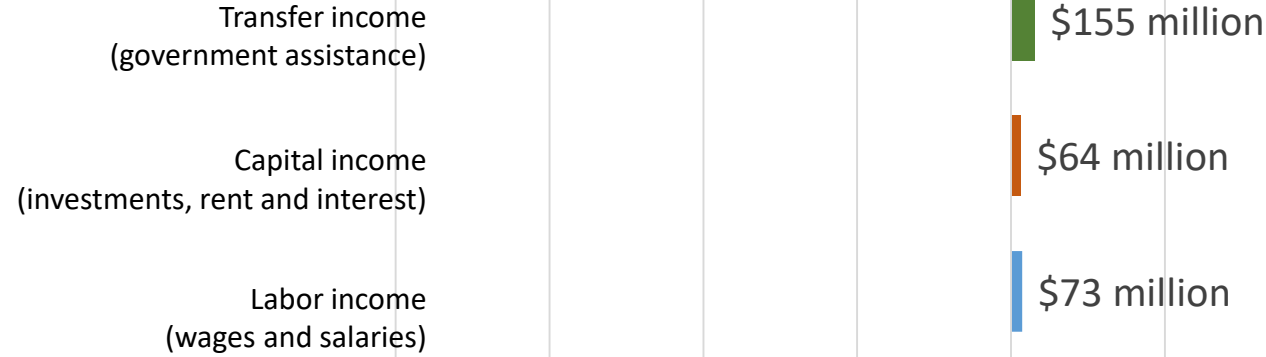


FY22 Budget Items of Note

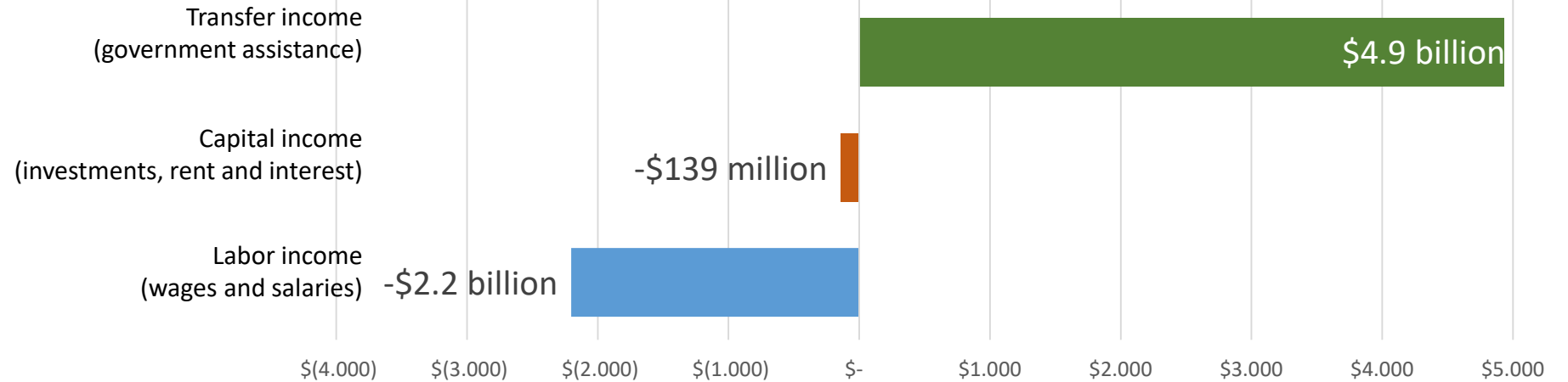
- School Bond Debt Reimbursement funded at 50% \$41.8 million
- REAA School Fund at 50% \$17.1 million
- Community Assistance capitalized per statutory formula \$12.4 million
- Oil and Gas Tax Credits funded at statutory minimum \$60 million
- Standard capital budget preserves federal matching funds

COVID-19 Federal Stimulus Impact on Alaska Personal Income

2019: Change in personal income from Q1 to Q2



2020: Change in personal income from Q1 to Q2



Alaska's economy lost \$5.6 billion in value in Q2 2020, even with \$5.8 billion in federal stimulus. One in eight Alaska jobs were lost or failed to materialize during peak 2020 employment season.

Economic Stabilization

Robust capital spending package

- \$59 million UGF capital leverages \$1.4 billion total capital spending with use of AHFC bond financing
- \$350 million general obligation bond package for shovel-ready critical infrastructure investment to jumpstart economy

Permanent Fund Dividends

- \$1,900 supplemental PFD as soon as March, 2021
- Statutory \$3,057 PFD in October, 2021

\$5 billion total investment in Alaska's economy



Five-Year Fiscal Outlook

Unrestricted Revenues	FY2022	FY2023	FY2024	FY2025	FY2026
Traditional UGF Revenue	1,202.6	1,432.5	1,572.7	1,634.7	1,650.1
Permanent Fund POMV GF Draw	3,069.3	1,596.9	1,620.5	1,624.3	1,627.0
Total Revenue	4,271.9	3,029.4	3,193.2	3,259.0	3,277.1
Unrestricted General Fund Expenditures	FY2022	FY2023	FY2024	FY2025	FY2026
Agency Operations	3,813.2	3,712.7	3,612.7	3,666.9	3,721.9
Statewide Items	483.1	466.3	462.1	456.1	456.4
Operating Budget	4,296.3	4,179.0	4,074.8	4,123.0	4,178.3
Capital Budget	58.5	126.9	128.8	130.7	132.7
Proposed Legislation	(43.3)	(43.3)	(43.3)	(43.3)	(43.3)
Total General Fund Appropriations	4,311.4	4,262.6	4,160.2	4,210.4	4,267.7
Budget change from previous year	(294.6)	(48.8)	(102.3)	50.2	57.3
Surplus/(Deficit)	(39.5)	(1,233.2)	(967.0)	(951.4)	(990.6)
Savings draw from Constitutional Budget Reserve	39.5				
Permanent Fund Dividend Transfer	FY2022	FY2023	FY2024	FY2025	FY2026
PFD Fund Sources					
Permanent Fund POMV for PFD (50%)		1,596.9	1,620.5	1,624.3	1,627.0
Permanent Fund Earnings Reserves	2,023.9				
PFD Appropriation	2,023.9	1,596.7	1,620.0	1,623.4	1,625.5
<i>Per capita PFD</i>	<i>\$3,057</i>	<i>\$2,378</i>	<i>\$2,410</i>	<i>\$2,402</i>	<i>\$2,392</i>



Looking Forward - Structural Reform

- Structural Reform Needed
- Solve the Dividend Question
- Resolve Cost Drivers

