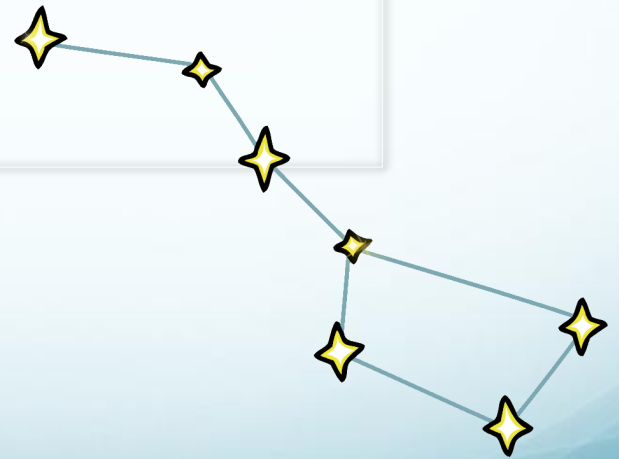


AML Legislative Update 2018

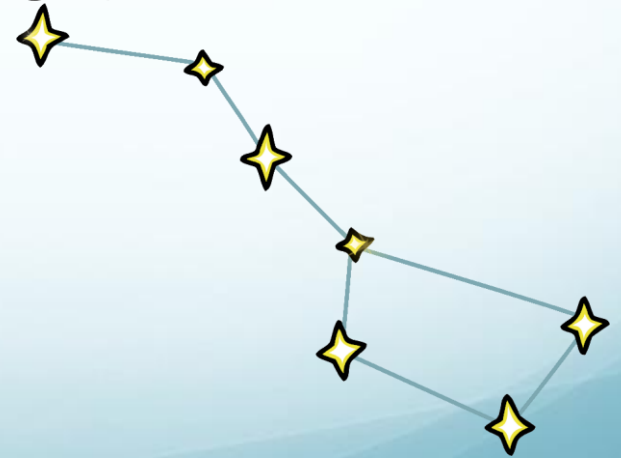
Lobbyists:
Ray Gillespie
Dianne Blumer



I.

Status of Fiscal Plan

2.5 Billion Deficit



FY19 Revenue and Appropriations

UGF Only (\$millions)	Cash Flow Basis
Revenue	2,085.8
Appropriations	
Agency Operations	3,916.4
Statewide Items	514.3
Capital	150.1
Total Appropriations	4,580.8
Surplus/(Deficit)	(2,495.0)
Revenue covers this portion of appropriations:	46%
CBR Balance	2,187.7
SBR Balance	172.4
Total Budget Reserves	2,360.1
Surplus/(Deficit) after Reserves	(134.9)

- (1) Revenue excludes transfers from the ERA
- (2) Appropriations exclude dividends and transfers to/from reserves
- (3) Excludes items that require legislative action beyond a simple majority vote
- (4) Excludes an appropriation to purchase oil and gas tax credits

Revenue Sensitivity

(\$ billions)

Oil Price Assumption	FY2018		FY2019	
	Revenue	Remaining Deficit	Revenue	Remaining Deficit
Forecast (\$56.00/\$57.00)	\$2.1	(\$2.4)	\$2.0	(\$2.5)
\$50.00/barrel	\$1.9	(\$2.6)	\$1.8	(\$2.8)
\$60.00/barrel	\$2.3	(\$2.2)	\$2.1	(\$2.4)
\$70.00/barrel	\$3.1	(\$1.4)	\$2.7	(\$1.8)
\$80.00/barrel	\$4.1	(\$0.4)	\$3.5	(\$1.1)
\$90.00/barrel	\$5.0	\$0.5	\$4.4	(\$0.1)
\$100.00/barrel	\$6.1	\$1.6	\$5.4	\$0.8

SB 26 Can produce \$2.7 billion but this amount must be shared between government and dividends.

75/25 Split- \$2.1 billion for government/Budget Balances just above \$65/bbl

70/30 Split -\$2.0 billion for government/ Budget Balances just under \$70/bbl

67/33 Split- \$1.9 billion for government/ Budget Balances at \$70 /bbl

Average Forecast for FY2019 is approximately \$57.00/bbl

ANS West Coast as of 1/9/2017- \$69.02/ bbl

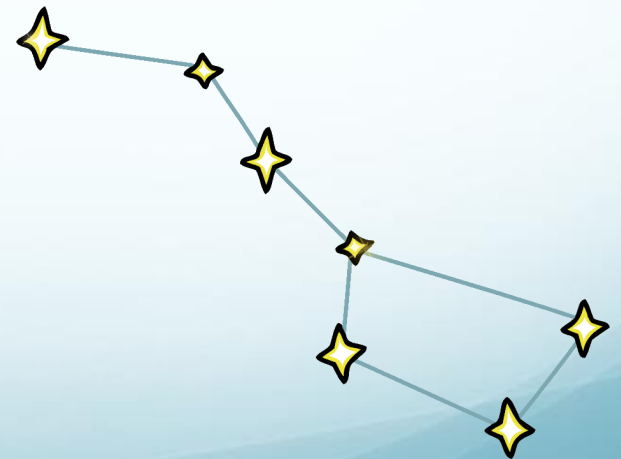
Potential New Revenue Measures

- Statewide Income Tax \$ 650,000M
 - SB 12 Education Head Tax \$ 80,000 M -130,000 M
 - SB 25 Motor Fuel Tax \$ 60,000M
 - Statewide Sales Tax \$ 500,000M
- *amounts are approximate
- Governor's Alaska Economic Recovery Plan -proposes a 1.5% payroll tax dedicated to critical infrastructure and deferred maintenance which would sunset in 3 years. The plan is to raise \$800 M over three years matched by federal, state and local funds to produce a \$1.4B construction program. The tax would be a payroll deduction plan capped at \$2,200 per person per year.

II.

Community Assistance (Revenue Sharing)

- New Funding Source PEC
- Unstable
- Unpredictable
- SB 196 (2016)



CCS SB196

5 * **Section 1.** AS 42.45.080(c) is amended to read:

6 (c) On July 1 of each year, the commissioner shall determine

7 (1) the monthly average market value of the fund for the previous three
8 closed fiscal years; and

9 (2) the earnings of the fund for the previous closed fiscal year.

10 * **Sec. 2.** AS 42.45.085(a) is amended to read:

11 (a) **Five** [SEVEN] percent of the amount determined by the commissioner of
12 revenue on July 1 of each year under **AS 42.45.080(c)(1)** [AS 42.45.080(c)] may be
13 appropriated [FOR THE FISCAL YEAR BEGINNING THE FOLLOWING JULY 1]
14 for the following purposes:

15 (1) funding the power cost **equalization and rural electric capitalization**
16 fund (AS 42.45.100);

CCS SB196

1 (2) reimbursement to the Department of Revenue for the costs of
2 establishing and managing the fund; and

3 (3) reimbursement of other costs of administration of the fund.

4 * **Sec. 3.** AS 42.45.085 is amended by adding new subsections to read:

5 (c) If the amount appropriated under (a) of this section is insufficient to
6 achieve the purposes of (a)(1) - (3) of this section, the amount shall be prorated among
7 the purposes listed in (a)(1) and (2) of this section.

8 (d) If the earnings of the fund for the previous closed fiscal year, as calculated
9 under AS 42.45.080(c)(2), exceed the appropriation under (a) of this section for the
10 current fiscal year, the legislature may appropriate 70 percent of the difference
11 between the earnings of the fund for the previous closed fiscal year, as calculated
12 under AS 42.45.080(c)(2), and the appropriation made under (a) of this section for the
13 current fiscal year as follows:

14 (1) if the amount calculated under this subsection is less than
15 \$30,000,000, that amount to a community revenue sharing or community assistance
16 fund; or

17 (2) if the amount calculated under this subsection is \$30,000,000 or
18 more,

19 (A) \$30,000,000 to a community revenue sharing or
20 community assistance fund; and

21 (B) the remaining amount, not to exceed \$25,000,000, to the
22 renewable energy grant fund established under AS 42.45.045, to the bulk fuel
23 revolving loan fund established under AS 42.45.250, or for rural power system
24 upgrades or to a combination of the funds or purposes listed in this paragraph.

25 * **Sec. 4.** This Act takes effect June 30, 2016.

FY 2019 Governor's Budget Community Assistance Supplemental Appropriation

- **(f)** The sum of \$30,000,000 is appropriated from the power cost equalization endowment fund (AS 42.45.070) to the community assistance fund (AS 29.60.850) for the fiscal year ending June 30, 2018.
- **Subsection (f)** capitalizes the Community Assistance fund with Power Cost Equalization Endowment funds in FY18, allowing a FY19 payout of \$30 million instead of \$20 million.

Quote from the Legislative Finance Overview of Governor's Budget

“The Governor did not appropriate FY17 excess PCE earnings for Community Assistance in FY19, as outlined in statute, Without a FY19 appropriation, communities will once again be uncertain of the amount of assistance they can build into their FY20 budgets.

Subsection (f) provides for a \$30 million community assistance payout in FY19, but the appropriation is unrelated to PCE earnings available for FY19. Subsection (f) simply takes money from the PCE endowment, which is use of a designed fund for a non-designated purpose”

What is Missing?

Community Assistance

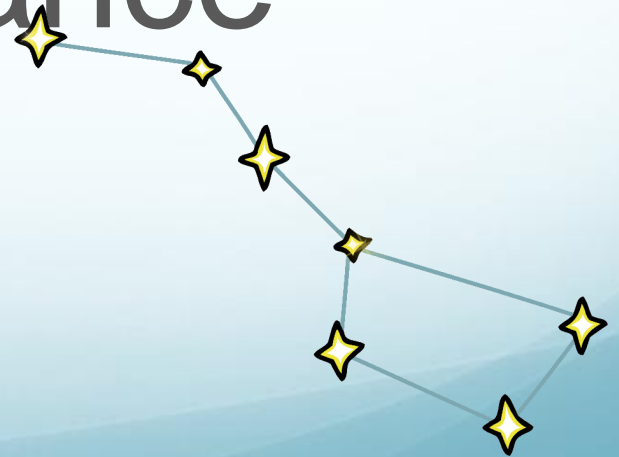
- The FY19 distribution will be \$30 million if a proposed \$30million FY18 deposit to the Community Assistance fund is approved.
- But the FY20 distribution will fall to \$20 million unless there is a \$30 million deposit in FY19.
- The Governor did not request a deposit in FY19.
- Without a deposit this session, communities won't be certain of their FY20 payments.

III.

FY 2019

PERS/TRS

State Assistance



-

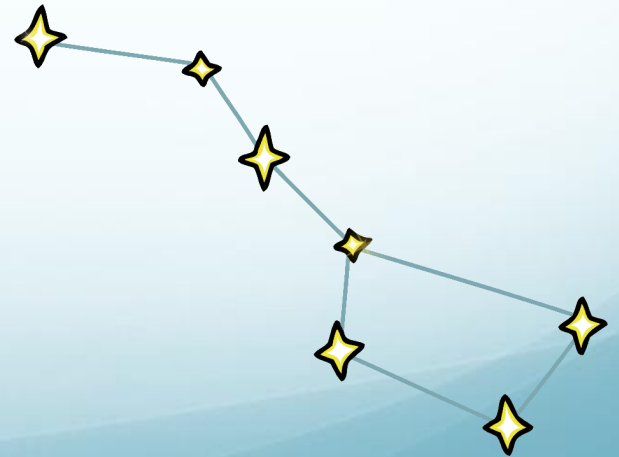
PERS/TRS

Also Missing

- **Retirement Contribution**
 - Actuarial valuations call for state retirement assistance of \$299 million for PERS and TRS.
 - The Governor proposes appropriations of \$238 million, a shortage of \$61 million.
 - Underfunding retirement systems has consequences – not just with rating agencies, but real world consequences.

IV.

Future of Revenue Sharing: Community Dividend



-

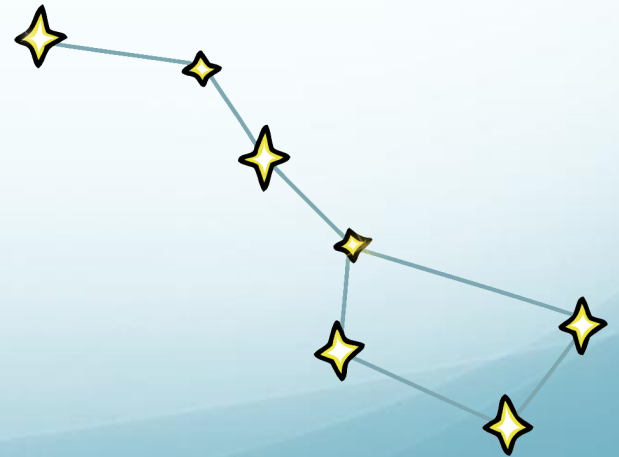
Conceptual Funding Source Community/ Municipal Dividend (From HB 20, 2002)

Sec. 29.60.330. Municipal Dividend Fund. There is established in the department of the municipal dividend fund consisting of municipal dividends transferred to the fund under AS37.13.145(e). Each fiscal year, the legislature may appropriate money in the municipal dividend fund for the organization grant program (AS 29.05.200), municipal tax resource equalization program (AS 29.60.010–29.60.080), priority revenue sharing for municipal services program (AS 29.60.010–29.60.180), and revenue sharing for safe communities program (AS 29.60.350–29.60.375). Any balance in the fund may be appropriated for

- (1) capital project matching grants (AS 37.06.010–37.06.090);
- (2) payments to municipalities for costs of confinement and care of state prisoners.

v.

Bills on the Move



Must Continue to Watch

Article 5. Contributions by Employers

- **Sec. 39.35.255. Contributions by employers.** (a) Each employer shall contribute to the system every payroll period an amount calculated by applying a rate of 22 percent of the greater of the total of all base salaries.
- **Sec. 39.35.280. Additional state contributions.** In addition to the contributions that the state is required to make under AS 39.35.255 as an employer, the state shall contribute to the plan each July 1 or, if funds are not available on July 1, as soon after July 1 as funds become available, an amount for the ensuing fiscal year that, when combined with the total employer contributions that the administrator estimates will be allocated under AS 39.35.255©, is sufficient to pay the plans past service liability at the contributions rate adopted by the board under AS 37.10.220 for that fiscal year.

Questions?

