

State of Alaska

Office of Management and Budget

Alaska Municipal League FY2021 Budget Overview

February 18, 2020

Neil Steininger, Director

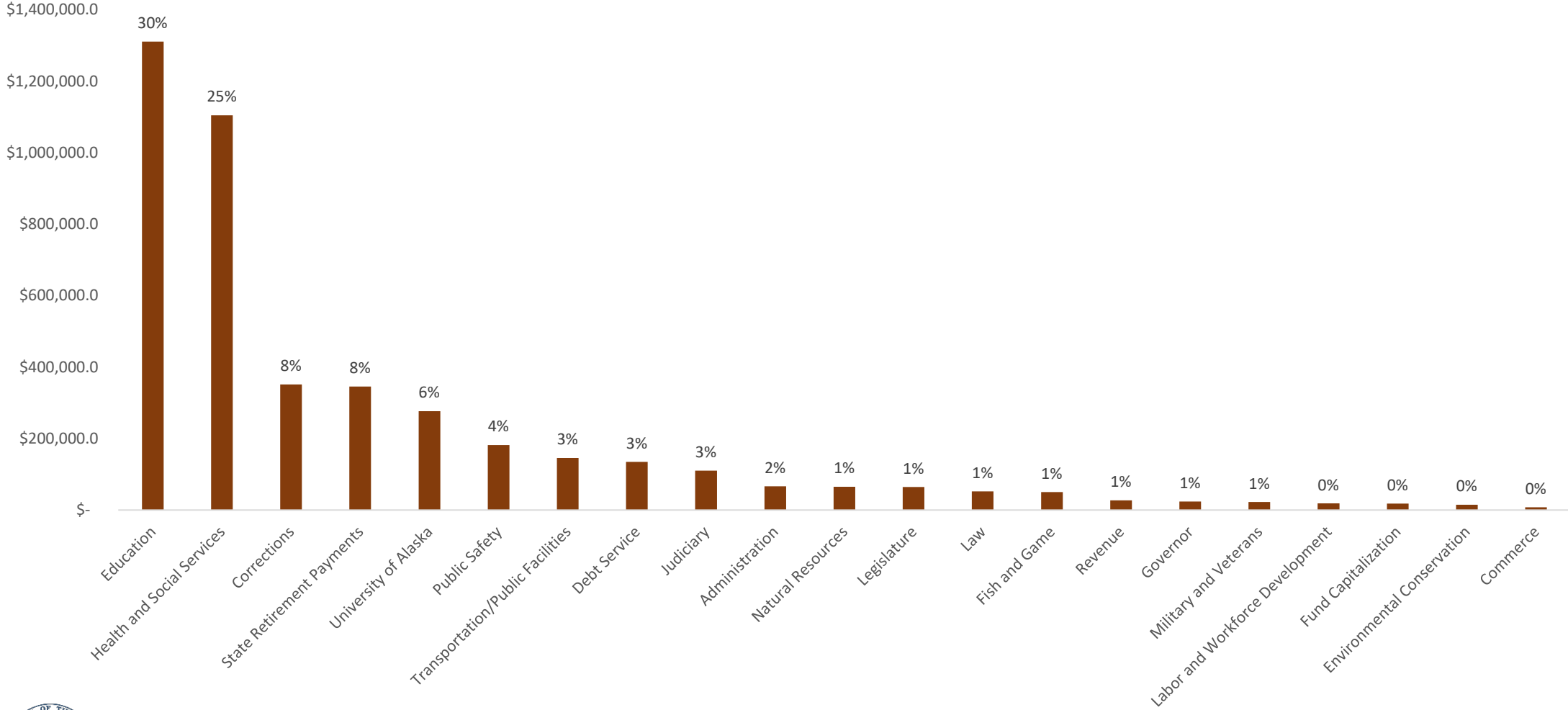


Office of Governor
MIKE DUNLEAVY

Annual Budget Cycle

- Late summer/early fall: Departments develop preliminary budgets for the next fiscal year
- September/October: Departments meet with OMB to present their budgets
- November/December: Governor and advisors make decisions
- December 15th: Governor's budget released
- Mid-January: Legislature convenes
- Regular session (and special sessions if necessary): Legislature reviews and adjusts Governor's proposed budget
- After budget passes: Governor has opportunity to veto

FY2021 Budget by Agency (UGF)



FY2021 Budget Position

February 5, 2020

FY2020 Management Plan plus Governor's Supplementals

FY2021 Governor Amended

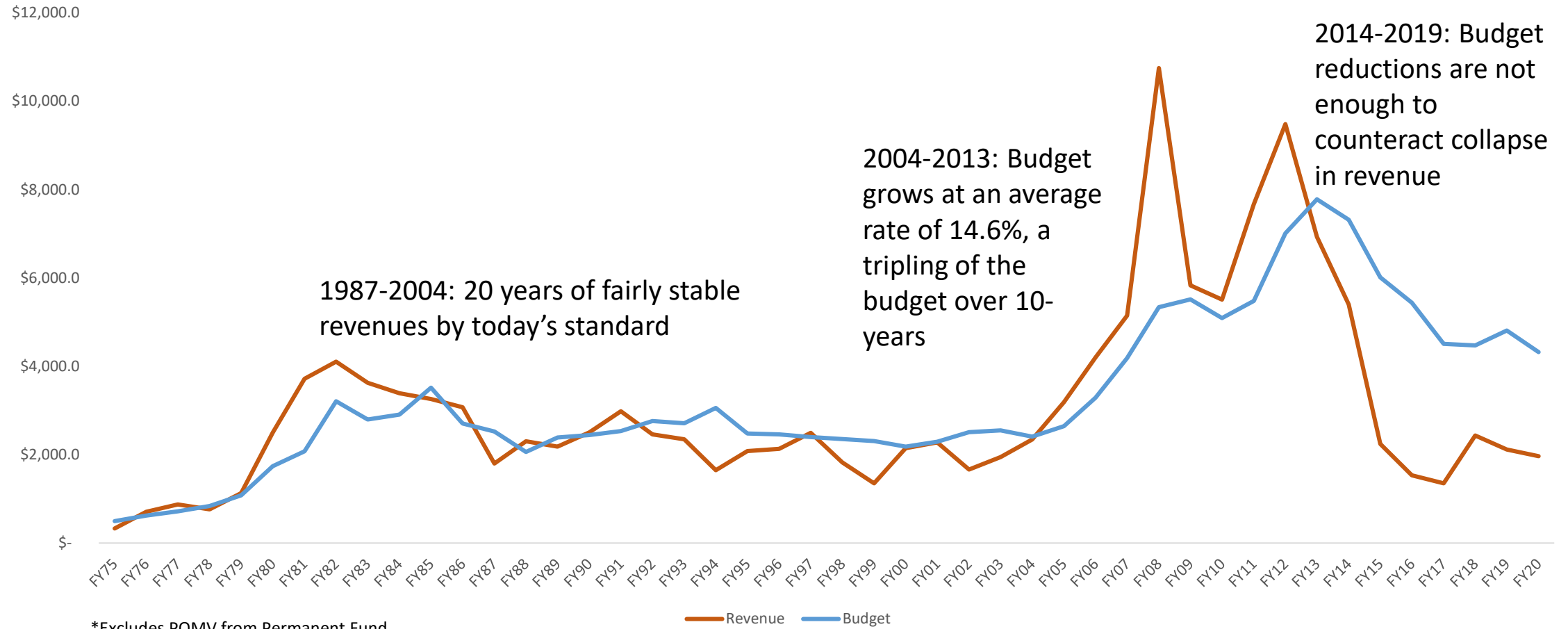
FY2020 to FY2021

Revenues	UGF	DGF	Other	Federal	FY2020 Total	UGF	DGF	Other	Federal	FY2021 Total	UGF Change	UGF %	Total Change
Annual Revenue	2,116.3	994.9	799.4	4,024.8	7,935.4	1,967.5	972.8	760.5	3,917.8	7,618.6	(148.8)	-7%	(316.8)
POMV ERA Draw to the General Fund	2,036.6	-	-	-	2,036.6	1,086.4	-	-	-	1,086.4	(950.2)	-47%	(950.2)
Carryforward and Adjustments	38.2	30.4	2.0	0.5	71.1	-	-	-	-	-	(38.2)	-100%	(71.1)
Total Revenue	4,191.1	994.9	799.4	4,024.8	10,010.2	3,053.9	972.8	760.5	3,917.8	8,705.0	(1,137.2)	-27%	(1,305.2)
Expenditures	UGF	DGF	Other	Federal	FY2020 Total	UGF	DGF	Other	Federal	FY2021 Total	UGF Change	UGF %	Total Change
Total Operating	4,525.0	950.1	728.0	2,955.1	9,158.3	4,465.7	897.4	707.8	2,865.9	8,936.8	(59.3)	-1%	(221.5)
Agency Operations	4,003.2	830.6	622.0	2,873.8	8,329.5	3,897.5	801.3	609.0	2,833.8	8,141.6	(105.7)	-3%	(188.0)
Statewide Operations	521.8	119.5	106.1	81.3	828.7	568.1	96.1	98.9	32.2	795.2	46.3	9%	(33.5)
Total Capital	145.6	44.8	71.3	1,069.7	1,331.4	135.6	75.5	52.7	1,051.8	1,315.6	(9.9)	-7%	(15.8)
Total Appropriations	4,670.6	994.9	799.4	4,024.8	10,489.7	4,601.3	972.8	760.5	3,917.8	10,252.4	(69.3)	-1%	(237.2)
Surplus/(Deficit)	(479.5)					(1,547.4)					(1,068.0)	223%	(1,068.0)



Alaska's Revenue & Expenditures: Look Back

Alaska Revenue and Spending History - FY1975-FY2020



FY2021 Revenue Outlook - \$Millions

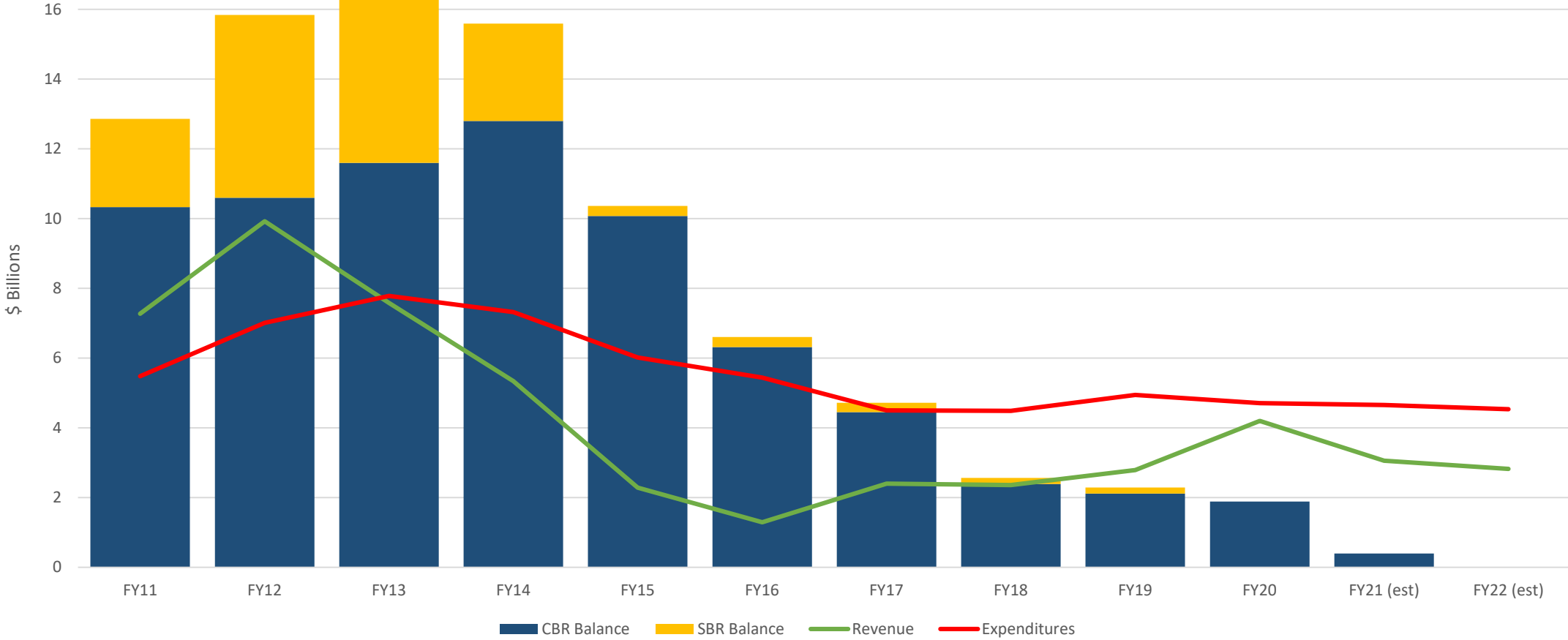
FY2021-FY2025 Projected Unrestricted General Fund Revenue (Source: Revenue Sources Book)					
Revenue Source	2021	2022	2023	2024	2025
Unrestricted General Fund Revenue	\$ 1,967.5	\$ 1,976.4	\$ 1,944.9	\$ 1,957.5	\$ 2,021.0
Gross POMV Transfer	\$ 3,091.5	\$ 3,095.0	\$ 3,262.0	\$ 3,378.0	\$ 3,460.0
Less Projected Payments of Permanent Fund Dividends	\$ (2,005.1)	\$ (2,247.7)	\$ (2,396.2)	\$ (2,231.3)	\$ (2,396.2)
Net POMV Transfer	\$ 1,086.4	\$ 847.3	\$ 865.8	\$ 1,146.7	\$ 1,063.8
Total Unrestricted General Fund	\$ 5,059.0	\$ 5,071.4	\$ 5,206.9	\$ 5,335.5	\$ 5,481.0
Total Unrestricted General Fund Statutorily Available for Government Use	\$ 3,053.9	\$ 2,823.7	\$ 2,810.7	\$ 3,104.2	\$ 3,084.8

FY2021 Revenue Sources

- ANS West Coast FY2021 Projection: \$59.00/Barrel
- Petroleum Revenue: \$1,410.0, 28%
- POMV Revenue: \$3,091.5, 61%
- Non-Petroleum and Non-Permanent Fund Investment Revenues: \$557.5, 11%



Historical CBR/SBR Balances



Over \$16 Billion in budget reserves have been spent
 \$0.5 billion estimated remaining in the CBR at the end of FY2021, empty in FY22



Significant Highlights

- Public safety investment: \$84,566.7 UGF
- Alaska Development Team: \$2,843.6 DGF
 - Pilot program through FY2023
- K-12 and retirement payment for communities are fully funded
 - K-12 formula payments: \$1.3B (\$19,817.4 UGF increase)
- School bond debt and REAA funding is proposed at the same level as FY2020
- Estimated PFD: \$2,005,100.0 UGF
 - Full Statutory Amount (Estimate: \$3,074 per Alaskan)
- Capital spending: \$135,639.2 UGF
 - Leveraging available federal funds (\$1.1B)



Alaska Marine Highway System

- Facing challenges related to aging terminals and vessels, gaps in service, collective bargaining agreements, and turnover and recruiting challenges
- Difference between FY2019 actuals and FY2021 proposed is \$37.6 million

	FY2019 Management Plan	FY2019 Actuals	FY2020 Management Plan	FY2021 Governor's Proposed	Difference FY19 Actuals and FY21
UGF	\$86,005.5	\$85,991.3	\$46,002.2	\$49,905.4	(\$36,085.9)
DGF	\$52,070.0	\$51,430.7	\$48,442.6	\$49,949.6	(\$1,481.1)
Other	\$1,893.7	\$907.7	\$1,921.9	\$849.2	(\$58.5)
Federal	-	-	-	-	-
Total	\$139,969.2	\$138,329.7	\$96,366.7	\$100,704.2	(\$37,625.5)

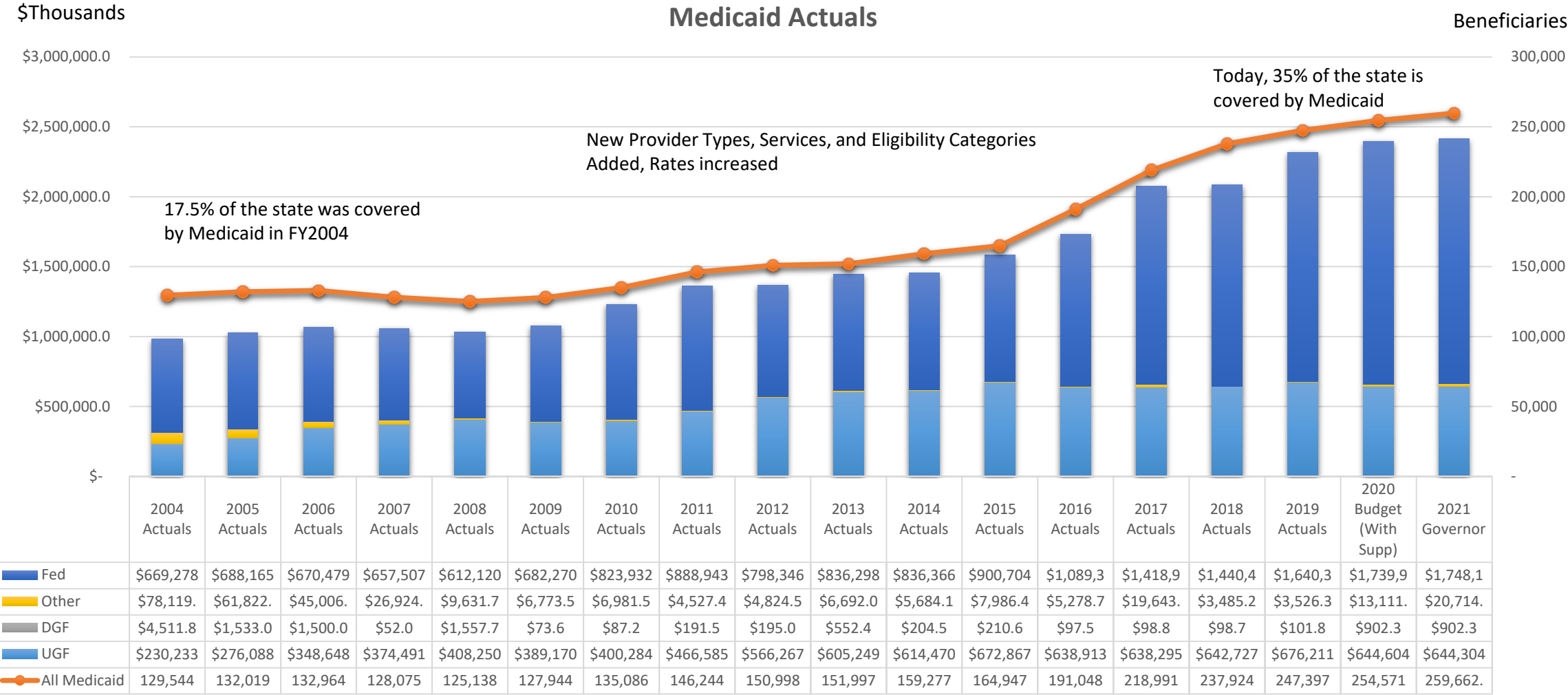
- Proposed \$12.1 million in supplemental budget (\$5.0 million repairs, \$7.1 million operations)
- FY2021 adds 8.8 weeks of service



Budget Drivers

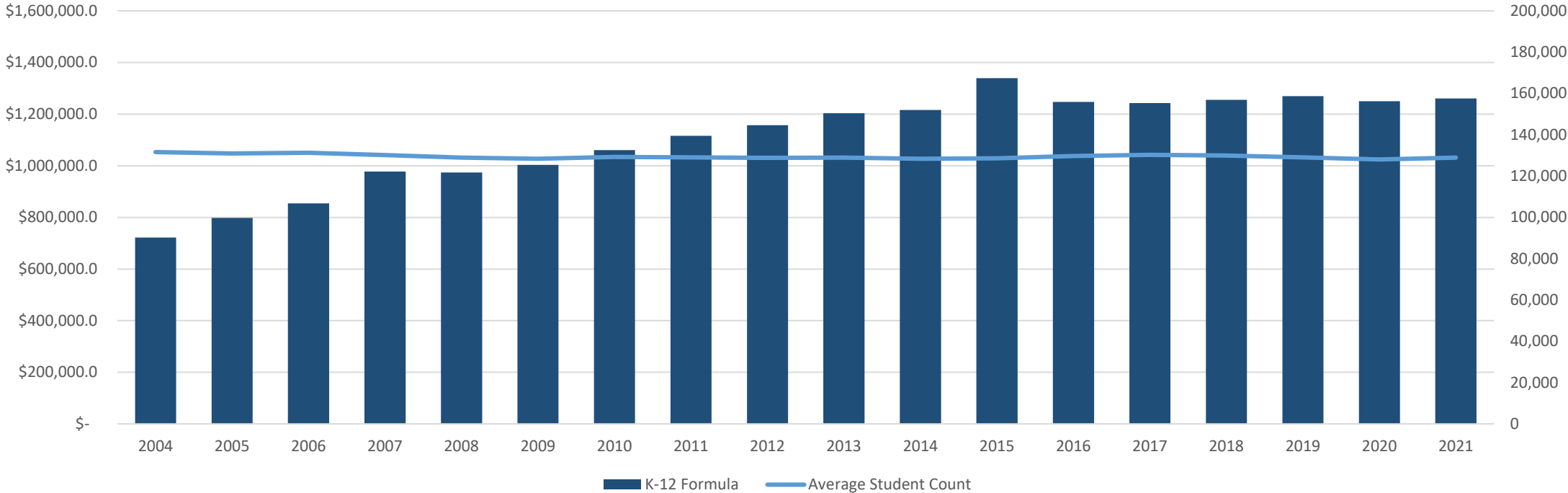
- K-12 Formula
 - \$1,310,883.4 UGF total (28% of all state UGF spending)
 - \$19,817.4 UGF increase
- Retirement
 - \$345,567.4 UGF total (8% of all state UGF spending)
 - \$37,631.3 UGF increase
- Debt
 - \$134,987.0 UGF total (3% of all state UGF spending)
 - \$12,233.7 UGF increase
- Medicaid
 - \$644,304.0 UGF total (14% of all state UGF spending)
- State Employee Costs (Cost of Living Adjustments and Health Insurance)
 - \$799,761.1 UGF total (18% of all state UGF spending)
 - \$9,661.5 UGF increase

Budget Drivers: Formula Programs – Medicaid (FY2004 – FY2021)



Budget Drivers: Formula Programs – K-12

UGF K-12 Formula Payments
 \$538 million Change over FY2004-2021 time period

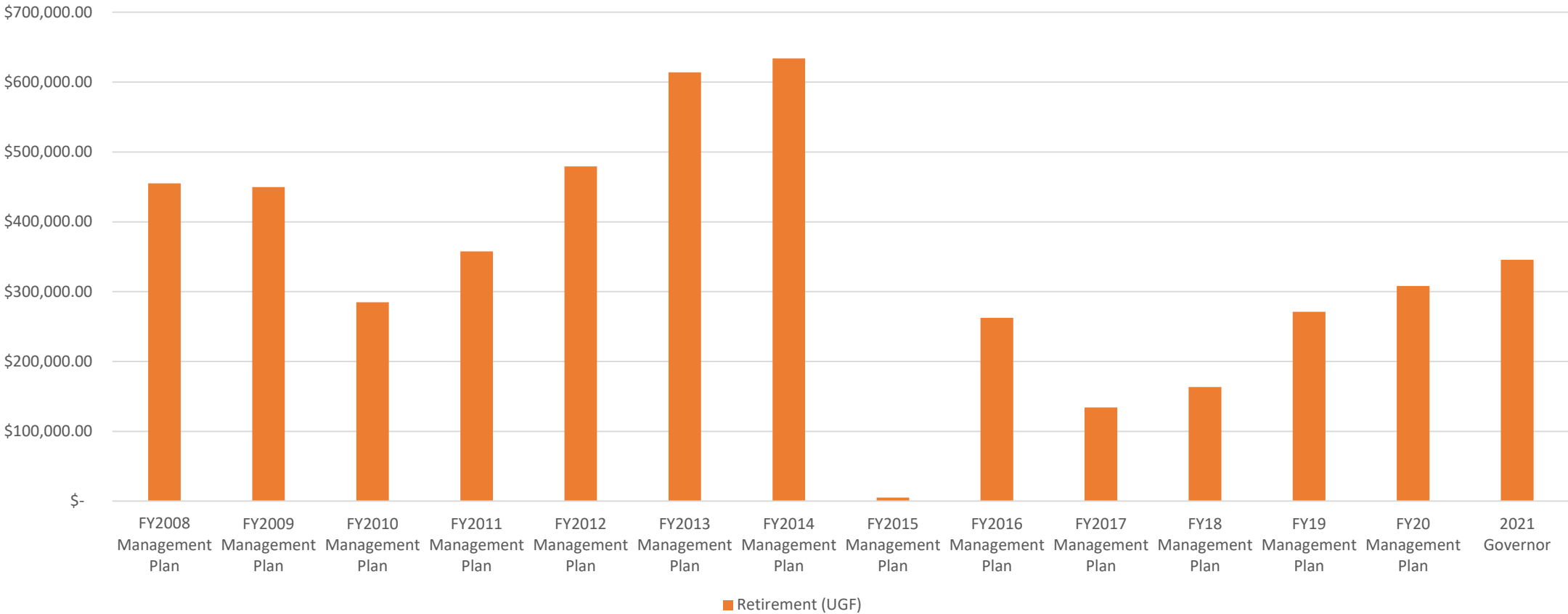


2012: Legislature Decreases local contribution from 4.0 mills to 2.65 mills.
 Base Student Allocation increases from \$4,169 to \$5,930 per student, 42%
 When considering all costs, including indirect, Alaska pays 75% of the non-federal cost of K-12. In other states, the average is 49% local, 51% state.



Budget Drivers: Pension Liabilities

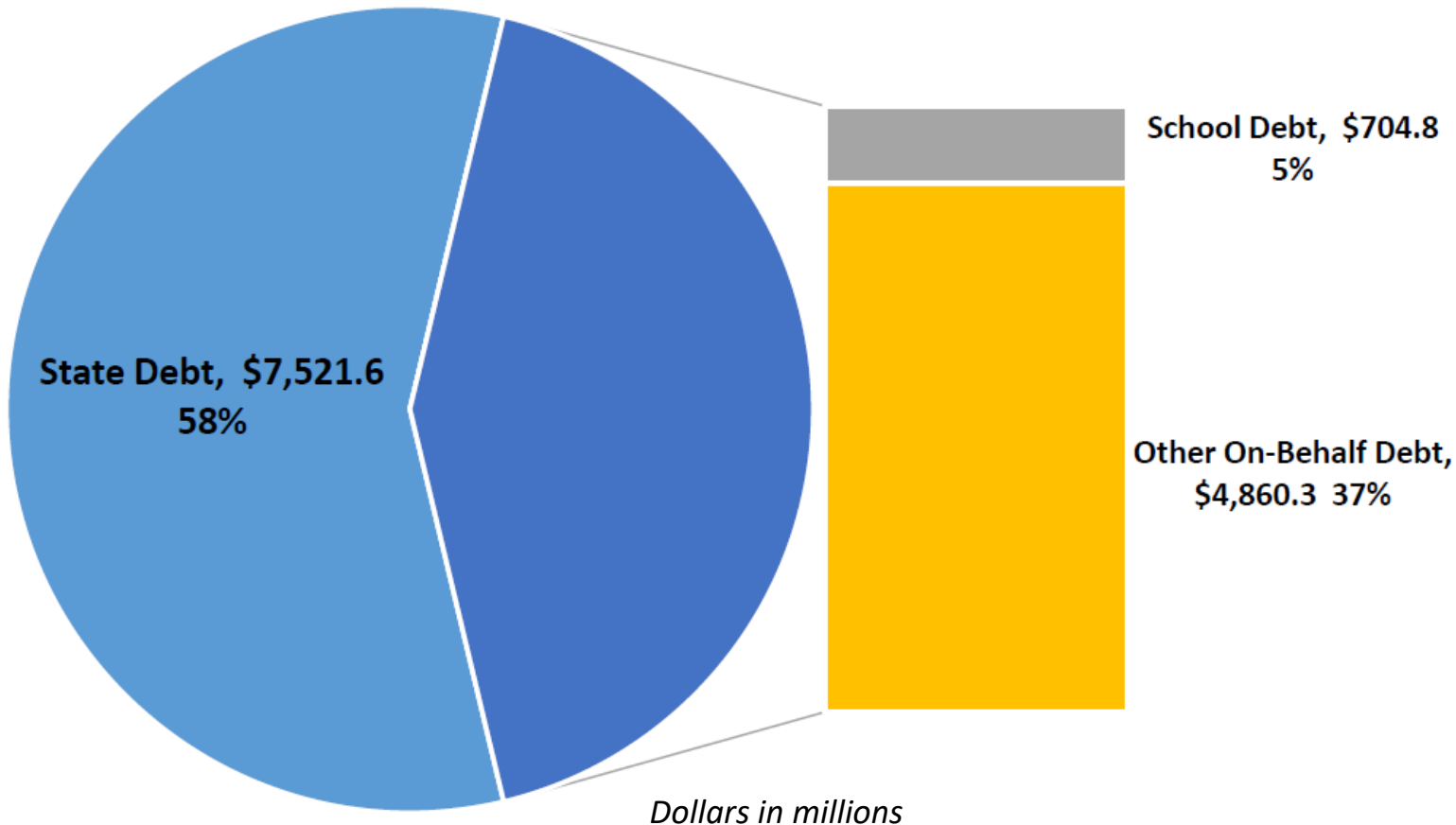
UGF Payments for Retirement Obligations



*Table excludes \$3.0 billion retirement refinancing in FY2015

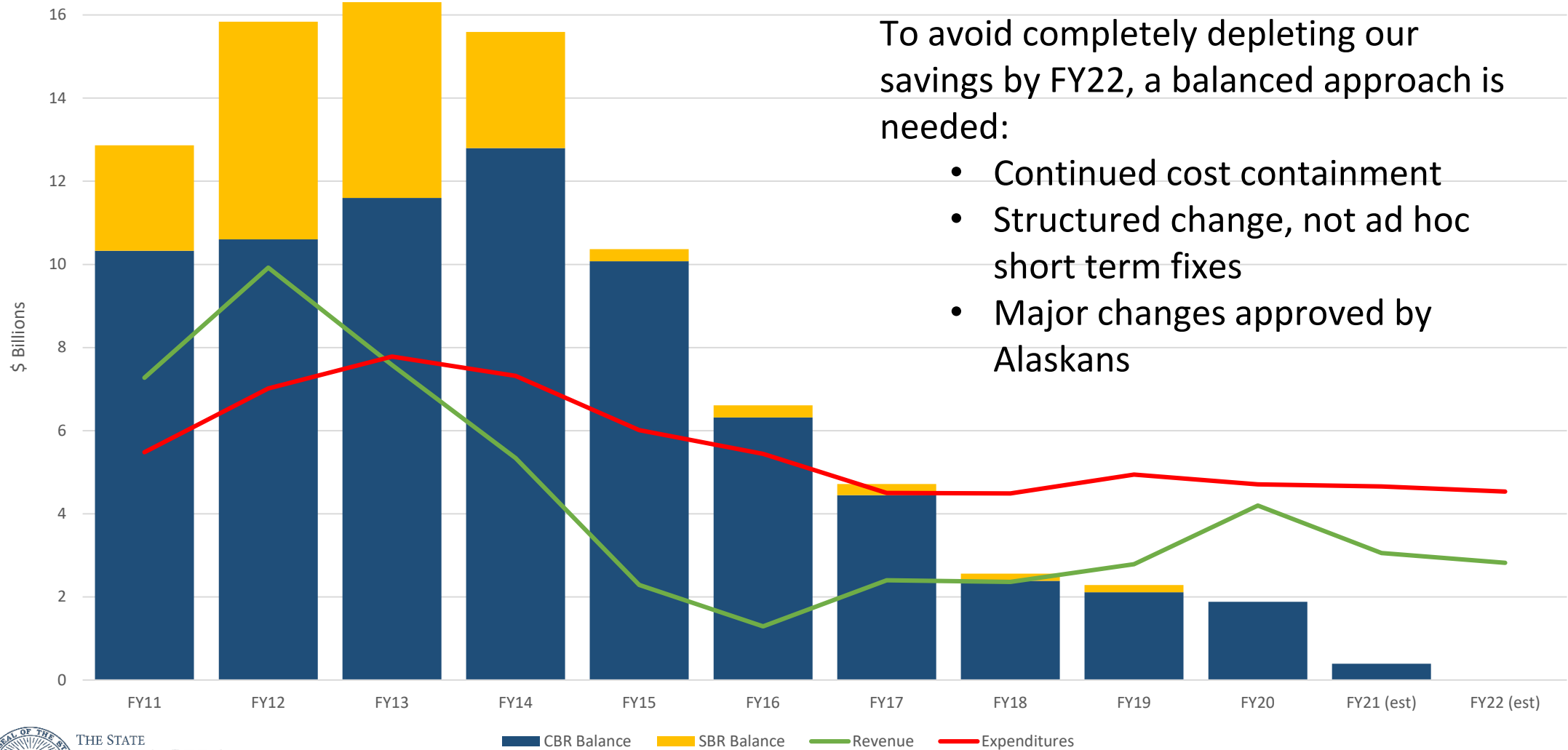


Total State Debt Principal



- State debt falls into two categories:
 - Debt accrued by the state such as for capital projects and defined benefit retirement programs.
 - Debt payments the state has agreed to make on behalf of other entities such as school construction bonds and municipal retirement plans.
- The state owes \$7.5 billion for debt it has accrued \$5.5 billion for debt “on behalf.”
- The annual servicing cost of this debt is \$551.3 million.

Balanced Solutions



To avoid completely depleting our savings by FY22, a balanced approach is needed:

- Continued cost containment
- Structured change, not ad hoc short term fixes
- Major changes approved by Alaskans



Questions



Office of Governor
MIKE DUNLEAVY