

# LEGISLATIVE UPDATE 2020



# 2020 ELECTION ANALYSIS

What we know at this point in Alaska elections? Still unclear....

- Majority in Alaska House of Representatives
- Majority in the Alaska State Senate
- Organization

The Legislature will convene on January 19, 2021

# BRIEF RECAP OF LAST YEAR

- State facing \$1 billion deficit, plus several hundred million supplementals
- COVID-19 causes limited access and focus
- PFD remained unresolved
- Governors appointees not confirmed
- Incomplete Capital Budget

# FY 2021 Incomplete Capital Budget

- Most of the FY 21 capital budget was contained in HB 205, the operating budget
- A significant portion of the typical capital budget has not yet been appropriated
- Early appropriation of the outstanding items is desirable to maximize the 2021 construction season.

# Status Quo Scenario

## Status Quo Scenario

FY2021 – CBR is depleted. Appropriations needed to access other funds

Current Estimates of Cash Flows June 17, 2020					
	2020	2021	2022	2023	2024
POMV	\$ 2,933.1	\$ 3,091.5	\$ 3,048.0	\$ 3,164.0	\$ 3,224.0
UGF	\$ 1,584.8	\$ 1,109.0	\$ 1,241.1	\$ 1,396.2	\$ 1,462.9
<b>Total Revenue</b>	<b>\$ 4,517.9</b>	<b>\$ 4,200.5</b>	<b>\$ 4,289.1</b>	<b>\$ 4,560.2</b>	<b>\$ 4,686.9</b>
Agency	\$ 4,092.4	\$ 3,911.7	\$ 3,956.7	\$ 3,986.7	\$ 4,016.7
Statewide	\$ 534.8	\$ 506.7	\$ 513.2	\$ 560.6	\$ 561.6
Capital	\$ 177.5	\$ 120.4	\$ 150.0	\$ 150.0	\$ 150.0
<b>Total Budget</b>	<b>\$ 4,804.7</b>	<b>\$ 4,538.8</b>	<b>\$ 4,619.9</b>	<b>\$ 4,697.3</b>	<b>\$ 4,728.3</b>
PFD	\$ 1,068.9	\$ 680.0	\$ 2,121.4	\$ 2,226.6	\$ 1,996.0
Deficit/Surplus	\$ (1,355.7)	\$ (1,018.3)	\$ (2,452.2)	\$ (2,363.7)	\$ (2,037.4)
<b>CBR BOY</b>	<b>\$ 1,828.8</b>	<b>\$ 913.4</b>	<b>\$ (20.4)</b>	<b>\$ (2,472.6)</b>	<b>\$ (4,836.3)</b>
Deposits	\$ 268.1	\$ 84.5	\$ -	\$ -	\$ -
Draw	\$ (1,183.5)	\$ (1,018.3)	\$ (2,452.2)	\$ (2,363.7)	\$ (2,037.4)
<b>EOY</b>	<b>\$ 913.4</b>	<b>\$ (20.4)</b>	<b>\$ (2,472.6)</b>	<b>\$ (4,836.3)</b>	<b>\$ (6,873.7)</b>
Oil Price - \$/bbl	\$ 52.02	\$ 41.04	\$ 43.94	\$ 44.00	\$ 46.00

# FY 2022 BUDGET OUTLOOK

## FY22 Budget Preview: Current Law

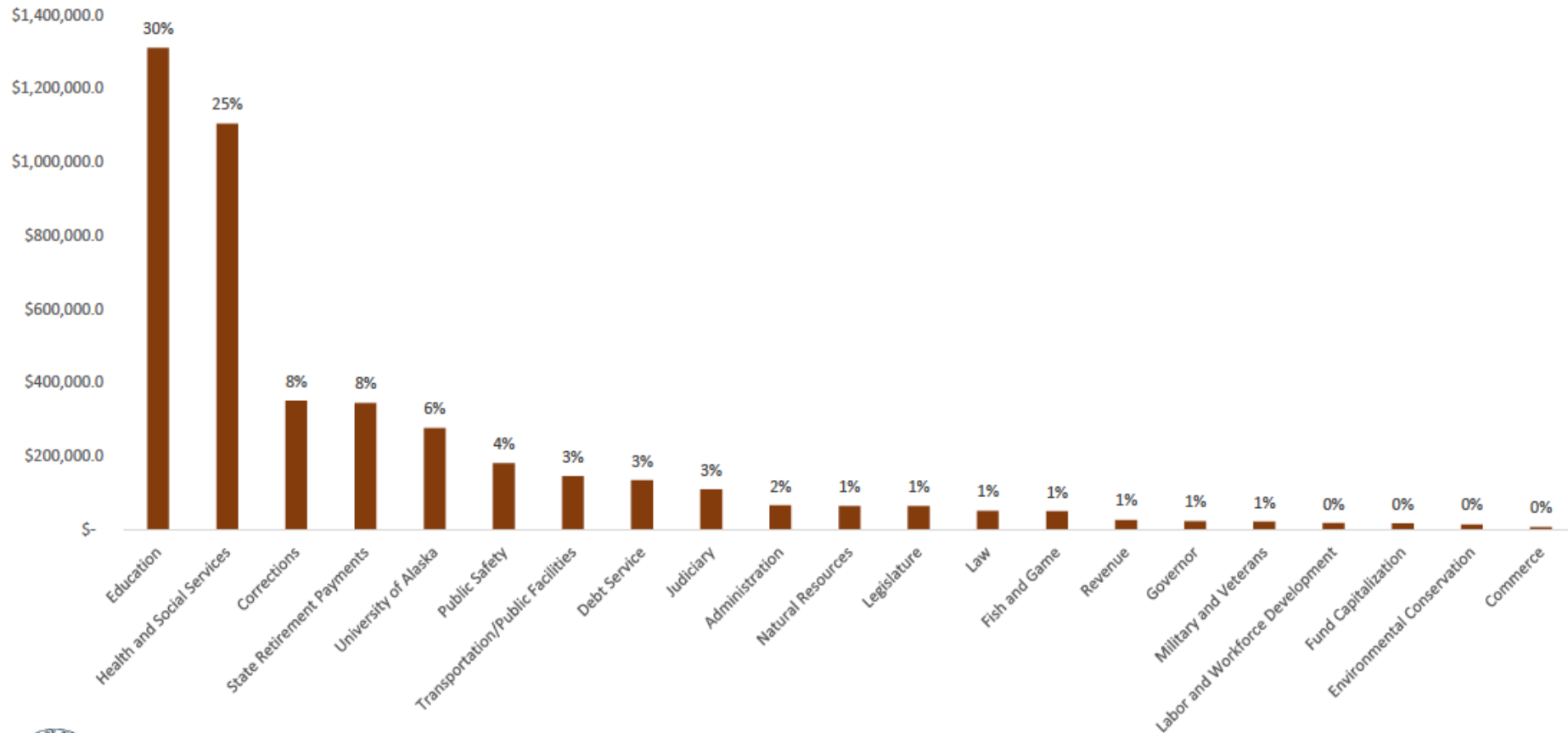
	FY20	FY21	FY22
<b>UGF Revenue (10/2 DOR)</b>	<b>4,514.4</b>	<b>4,266.2</b>	<b>4,362.2</b>
Agency Operations	3,739.1	3,913.0	3,913.0
Statewide Items	479.4	446.3	630.2
Capital Budget	144.3	120.3	150.0
Supplemental Placeholder	399.2	50.0	50.0
Permanent Fund Dividend	1,068.9	680.0	2,024.0
<b>UGF Spending Total</b>	<b>5,830.9</b>	<b>5,209.6</b>	<b>6,767.2</b>
Fund Transfers (excl. CBR/SBR)	15.8	30.4	15.6
<b>Deficit</b>	<b>(1,332.3)</b>	<b>(973.8)</b>	<b>(2,420.6)</b>

## FY22 Budget Preview: Current Policy

	FY20	FY21	FY22
<b>UGF Revenue (10/2 DOR)</b>	<b>4,514.4</b>	<b>4,266.2</b>	<b>4,362.2</b>
Agency Operations	3,739.1	3,913.0	3,913.0
Statewide Items	479.4	446.3	456.2
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Supplemental Placeholder	399.2	50.0	50.0
Permanent Fund Dividend	1,068.9	680.0	680.0
<b>UGF Spending Total</b>	<b>5,830.9</b>	<b>5,209.6</b>	<b>5,249.2</b>
Fund Transfers (excl. CBR/SBR)	15.8	30.4	15.6
<b>Deficit</b>	<b>(1,332.3)</b>	<b>(973.8)</b>	<b>(902.6)</b>

# FY 21 BUDGET BY AGENCY

## FY2021 Budget by Agency (UGF)



# BUDGET DRIVERS

## Budget Drivers

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- K-12 Formula
  - \$1,310,883.4 UGF total (29% 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
  - \$100,730.3 UGF total (2% of all state UGF spending)
- 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 challenges CONTINUE

- State assistance to retirement (PERS/TRS)
- School bond debt reimbursement Program
- REAA school construction fund capitalization
- Education funding
- Community Assistance Program and Fund Capitalization
- Debt service
- Outstanding Oil and gas tax credit Obligations

# POTENTIAL REDUCTIONS & COST SHIFTING

- Permanent Fund Dividend Reduction or Elimination
- K-12 Education Funding, Increase Local Contribution, and School District Consolidation
- Medicaid and Social Services Programs
- PERS/TRS Indebtedness
- School Bond Debt Reimbursement and REAA School Construction Fund Capitalization
- Community Assistance Program
- Power Cost Equalization Program
- Eliminate Shared Tax Program
- Alaska Marine Highway Systems
- Repeal of Debt Reimbursement for Capital Projects

# CONSTITUTIONAL BUDGET RESERVE/ REVERSE SWEEP

- Power Cost Equalization Endowment
- Municipal Capital Project Matching Fund
- Marine Highway System Operating and Vessel Replacement Funds
- Motor Fuel Tax
- Test Fisheries Receipts
- State Land Restoration
- Technical Vocational Education Program (TVEP)
- Workers Safety and Compensation Administration
- Alcohol & Other Drug Abuse Treatment and Prevention Fund

# POWER COST EQUALIZATION (PCE)

What should be considered when discussions commence to eliminate the Power Cost Equalization (PCE) program.

- Established in 1985 to assist rural residents with energy costs
- At that time, urban communities benefited from state-subsidized energy projects such as the Four Dam Pool and Bradley Lake
- PCE program directly subsidizes high energy costs for rate payers

# ALASKA MARINE HIGHWAY WORKING GROUP RECOMMENDATIONS

Areas addressed by the report's recommendations are:

- Strengthening AMHS Governance  
Strengthening Governance Support
- Improving System Reliability
- Stabilizing Budget Planning
- Reducing System Costs
- Renegotiation of Marine Union Labor Agreements
- Increasing System Revenue
- Leveraging Road Infrastructure

# POSSIBLE CONSIDERATIONS – BROAD POLICIES

- Use of current reserves
- Implementation of broad-base tax
- Reduction or elimination of the Permanent Fund Dividend (PFD)
- Cost shifting to Local Governments
- Implementation of a new spending cap

# ACTIONS – WHAT CAN YOU DO?

- Advocate for alternative solutions, including new revenues sources
- Identify municipal impacts and solutions for reduced funding
- Hold town hall meetings to provide knowledge and facts
- Express the merit to Alaskans in your community to be involved

# QUESTIONS?

