

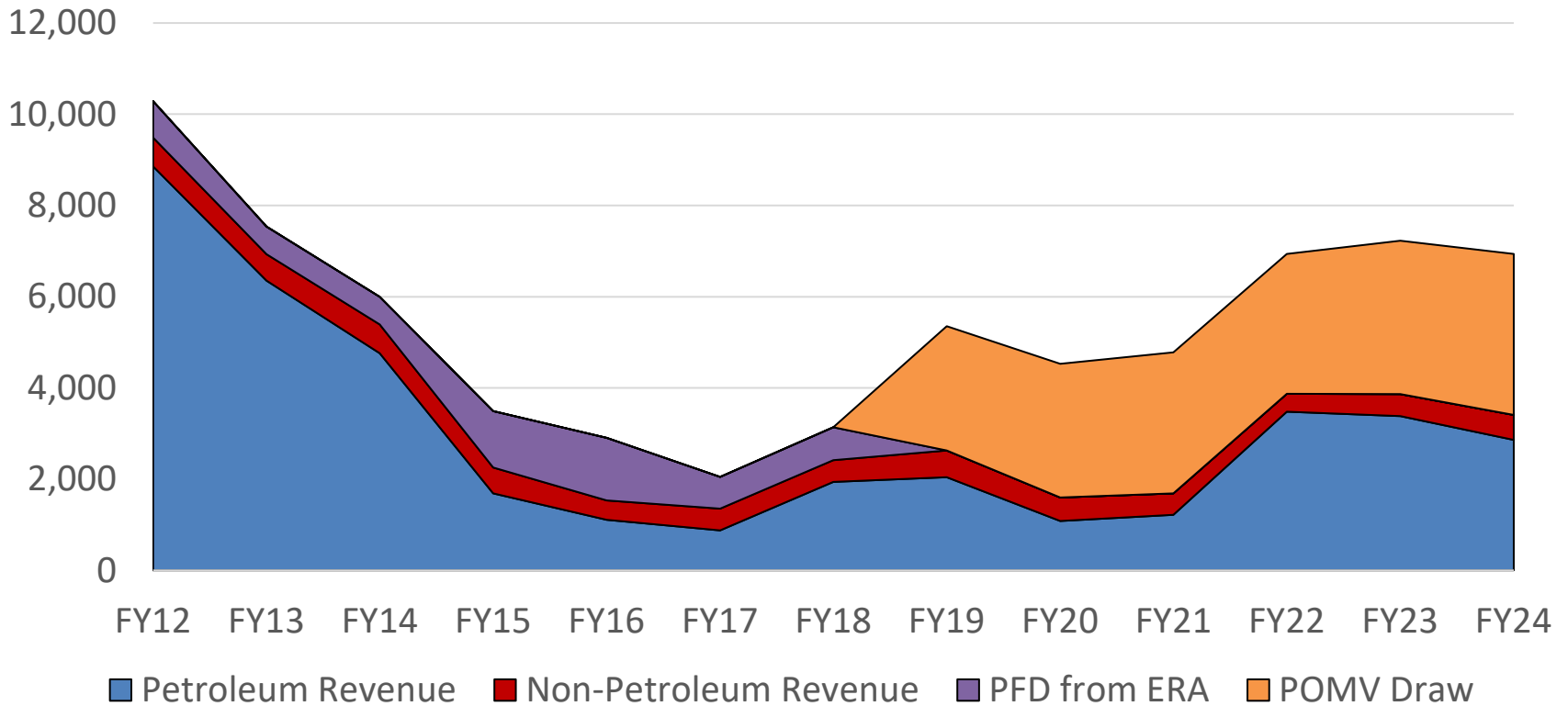
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Alaska's Fiscal Position

Alaska Municipal League
February 22, 2023
Legislative Finance Division

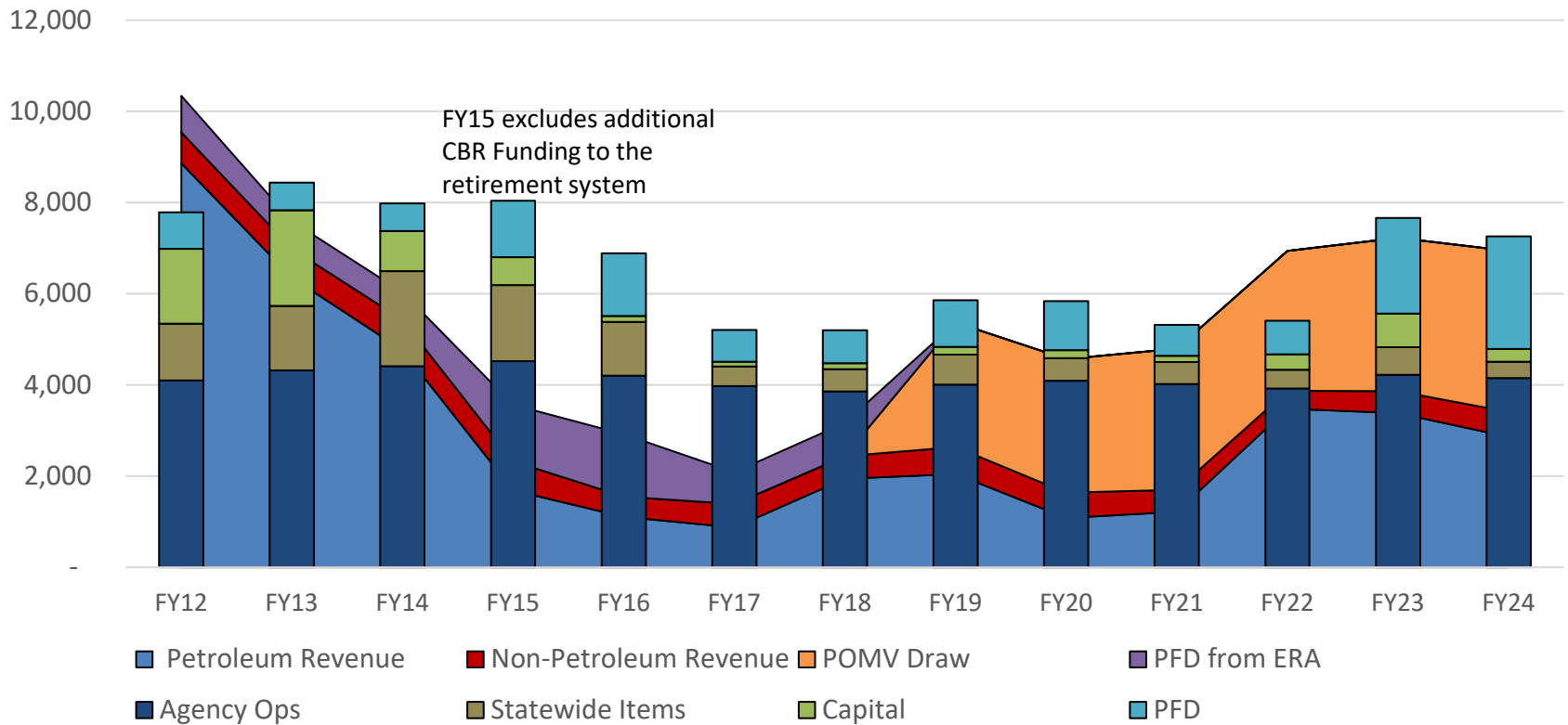
Recent Fiscal History

UGF Revenue, FY12 - FY24
(\$millions)



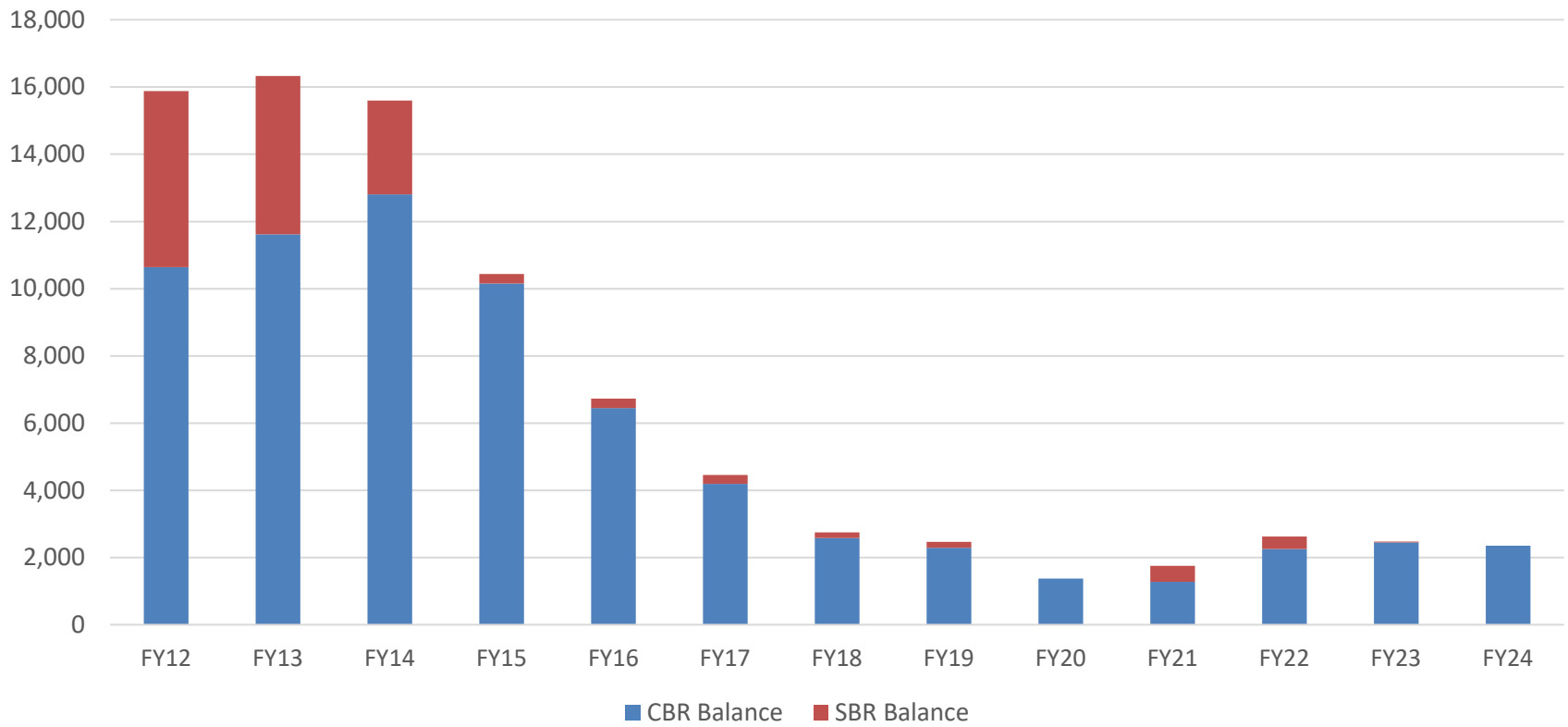
Recent Fiscal History (Cont.)

UGF Budget & Revenue, FY12-F24 Governor's Budget
(\$millions)



Recent Fiscal History (Cont.)

Savings Balances, FY12-24 Governor's Budget
(\$ millions)



Oil Price Volatility Since 2020

Daily ANS Price, January 2020- February 2023



Short Fiscal Summary – Governor’s Amended Budget

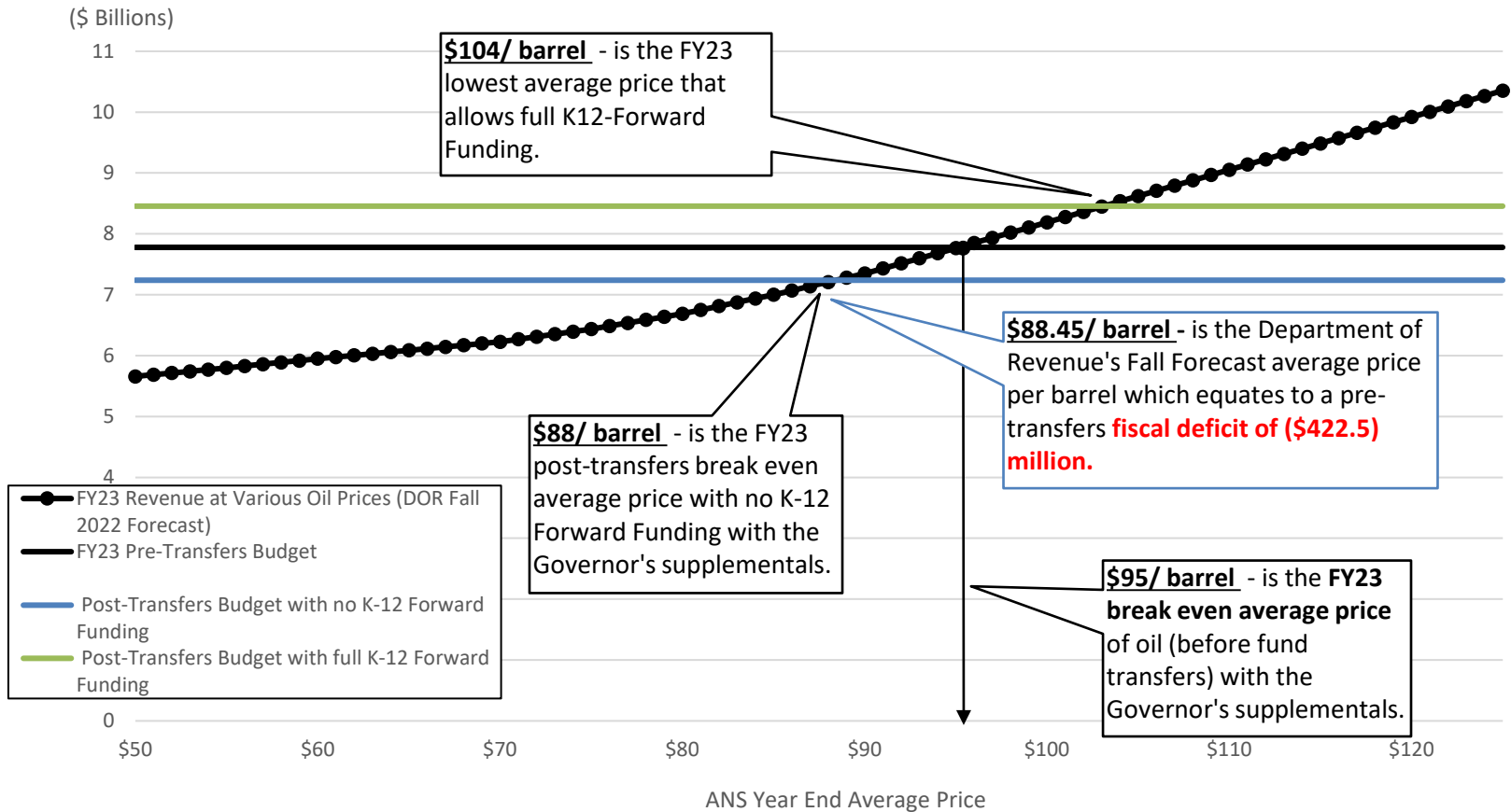
	(\$ Millions) (Non-duplicated Funds)	FY23 Mgt Plan + Gov Supps	FY24 Governor	Change in UGF	
		UGF	UGF		
1	Revenue	7,239.5	6,922.3	(317.2)	-4.4%
2	UGF Revenue (DOR Fall 2022 Forecast)	3,865.2	3,410.1	(455.1)	-11.8%
3	POMV Draw	3,360.6	3,526.1	165.5	4.9%
4	Misc/Adjust/Non-UGF Revenue	13.7	(13.9)	(27.6)	
5	Appropriations	7,776.3	7,356.6	(419.7)	-5.4%
6	Operating Budget	5,345.1	4,582.1	(763.0)	-14.3%
7	Agency Operations	4,220.8	4,223.5	2.7	0.1%
8	Statewide Items*	1,025.8	358.6	(667.2)	-65.0%
9	Supplemental Appropriations	98.5	-	(98.5)	
10	Capital Budget	750.9	303.6	(447.3)	-59.6%
11	Current Year Appropriations	735.1	303.6	(431.6)	-58.7%
12	Supplemental Appropriations	15.8	-	(15.8)	
13	Permanent Fund	1,680.3	2,470.9	790.6	47.1%
14	Permanent Fund Dividends	1,680.3	2,470.9	790.6	47.1%
15	Pre-Transfer Surplus/(Deficit)	(536.8)	(434.3)		
16	Statutory Budget Reserve	(350.3)	-		
17	American Rescue Plan Act (ARPA)	(186.6)	(10.6)		
18	K-12 Forward Funding**	-	-		
19	Other Fund Transfers	0.3	7.8		
20	Post-Transfer Surplus/(Deficit)	(0.2)	(431.5)		

Reserve Balances (EOY)		
	FY23	FY24
SBR	19.6	0.0
CBR	2,454.4	2,121.2
ERA	10,821.5	10,956.4

February 20, 2023

* Includes \$420.1 million FY23 Energy Relief Payment.
 ** Estimated forward-funding is pro-rated to the amount available after other appropriations.

Fiscal Sensitivity – FY23

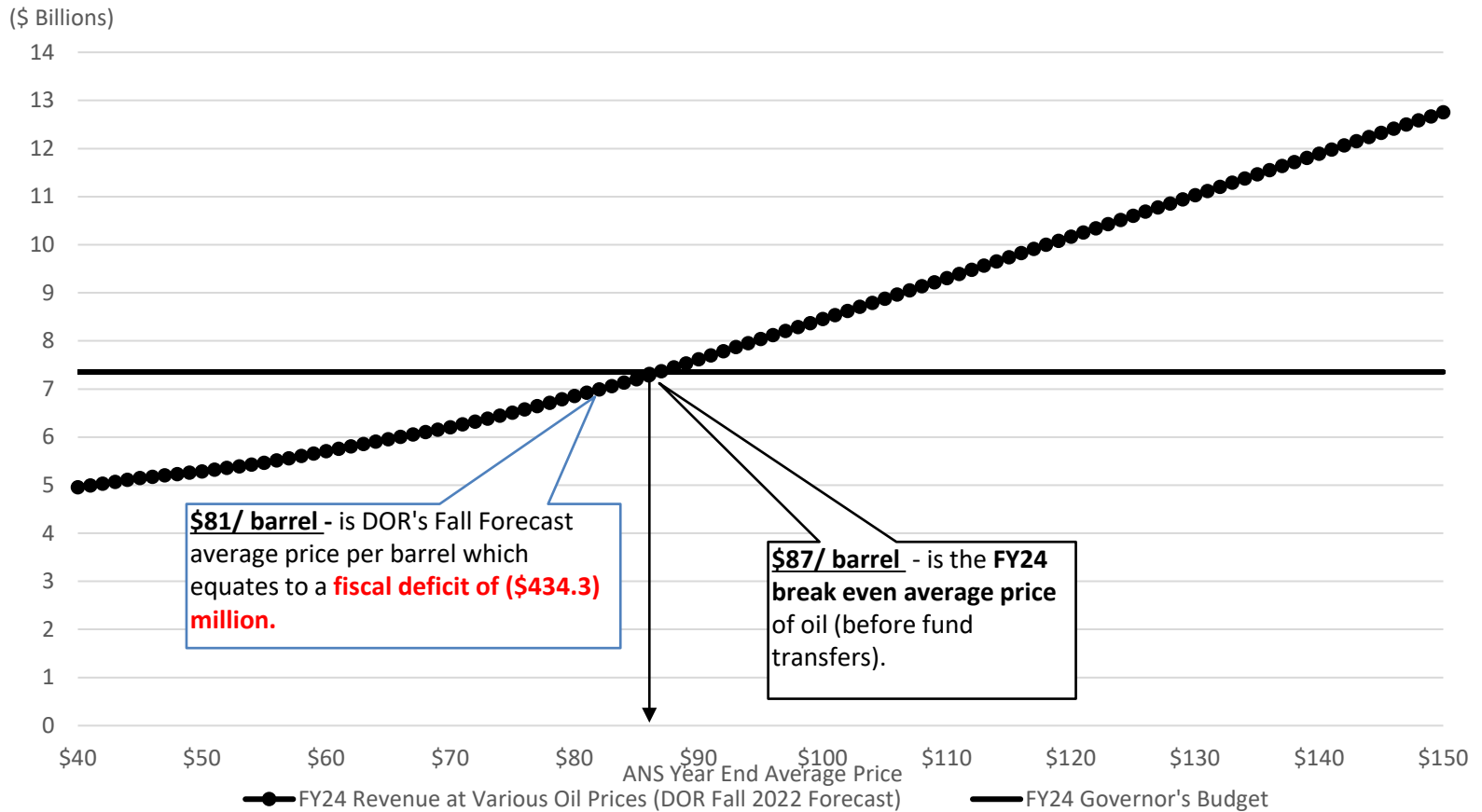


Note: Revenue projections are based on the average price for the entire fiscal year. ANS prices averaged \$97.59 for July-November 2022. An FY23 average price of \$50.00 would require December-June prices to average \$16.01.

FY23 Budget Situation

- Based on the forecast, the post-transfer deficit would be \$0.3 million with the Governor's supplementals. The FY23 budget currently has deficit-filling language from the Statutory Budget Reserve, which has a balance of about \$20 million.
- Deficits beyond the SBR balance currently have no source - the FY23 budget does not have CBR access (which would require a $\frac{3}{4}$ vote of the legislature to add). The legislature will need to address this in its supplemental budget.
- The Governor has introduced a fast-track supplemental bill for items in the Public Defender Agency, the Office of Public Advocacy, and the Office of Public Assistance, indicating that these items are time-sensitive.
- The largest supplemental (\$58 million) is for fire suppression costs, mostly already incurred earlier in the fiscal year.

Fiscal Sensitivity – FY24



FY24 Budget Situation

- Governor's FY24 budget has a pre-transfer deficit of \$434.3 million, most of which would come from the CBR.
- Some legislators have indicated that there may need to be increases for K-12 funding, Community Assistance (currently not funded in the Governor's budget), and deferred maintenance, which could push the deficit higher.
- The Governor's budget includes a statutory PFD, estimated to be \$2.5 billion. Market performance may reduce that to \$2.2 billion, reducing the deficit but resulting in less money in the Permanent Fund for future years.

Long-Term Outlook

- Alaska still faces a structural budget deficit over the long term.
- The Governor's 10-Year Plan calls for spending growing slower than inflation (1.5%) and still shows deficits each year, rising to \$1 billion by FY28.
- The Governor has included a placeholder for new revenue rising to \$900 million per year but has not identified a source other than exploring carbon offsets.
- The State has three main fiscal levers: reducing spending, increasing revenue, and changing the PFD formula.

Questions?

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