



ALASKA STATE BUDGET 101

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Budget Basics – Terminology

- **Appropriation** – Legal authorization from the Legislature to expend money.
- **General Fund** – State revenues available to appropriate for any purpose.
 - *Unrestricted General Fund (UGF)* – Revenue with no specific purpose or designation, usually the main focus of budget debate and committee process.
 - *Designated General Fund (DGF)* – Revenue with a statutory designation that is usually followed. Can be used for any purpose regardless of statute.
- **Change Record / CAPSIS Project / Intent Language** – Various methods for the Legislature or Administration to communicate the purpose of an appropriation.
- **Operating Budget** – Includes state agency operations, most government programs, debt service, community assistance, and other annual costs.
- **Capital Budget** – Includes maintenance and construction of capital assets like roads, buildings, infrastructure, and vessels.
- **Mental Health Budget** – Includes operating and capital spending for mental health services.
- **Supplemental Budget** – Includes unforeseen needs of the current fiscal year.

Operating Budget Cycle

- Administration begins budget preparations Sept/Oct
- Governor introduces budget – Dec 15th
- Governor introduces budget amendments – Feb 14th



■ House Finance Subcommittees (Operating) – Feb/March

- House Finance passes operating budget – Mid-Late March
- Operating budget on House Floor – Late March/Early April
- Senate Finance debates operating budget – April
- Operating budget on Senate Floor – Late April/Early May
- Conference Committee – Early May
- Governor Signs Budget – 20 days after transmittal (by June 30)

Governor's Proposed Budget

	FY24
Revenue	
Revenue as of 12/15 Forecast	6,527.1
Expenditures	
Operating	4,757.9
Capital	360.2
Transfers	23.8
PFD	881.5
Subtotal Base Budget	6,023.4
Supplementals	183.0
FY24 Proposed Expenditures as of 2/14	6,206.4
"Surplus" Appropriations	
Surplus to Energy Rebate	110.7
Surplus to CBR	110.7
Surplus/(Deficit)	99.4

	FY25
Revenue	
Revenue as of 12/15 Forecast	6,308.4
Expenditures	
Operating	4,686.6
Capital	305.2
Transfers	5.3
PFD	2,303.7
Subtotal Base Budget	7,300.8
Amendments	9.1
FY25 Proposed Expenditures as of 2/14	7,309.9
Pre-Dividend Surplus	1,302.2
Surplus/(Deficit)	(1,001.5)

UGF Budget including PFD \$ Billion

Local Government Priorities

Most local governments have lists of legislative priorities that include:

- Important local capital projects - facility, infrastructure, or grant funding
- Community assistance program funding
- State fiscal plan

Capital Projects

- Governor proposed \$305m capital budget for FY2025
- The proposed FY25 capital budget is smaller than FY22-24 but much larger than FY15-21.
- Governor's capital proposal contains discretionary spending in several areas:
 - *Agency capital needs – state facilities, IT infrastructure aircraft, and vessels (\$44m UGF)*
 - *Housing projects (\$52m UGF)*
- Includes match for DOT, Village Safe Water, and most energy projects
- Match for potential competitive energy projects not yet included.

Community Assistance

- Funding certainty has declined in recent years.
- Deposits are made from excess earnings of the Power Cost Equalization fund (PCE).
 - *Some years have required small UGF appropriations to reach \$30m target.*
- Excess earnings after the program costs are less certain in future years.
 - *Program benefits were increased from about \$30m per year to \$48m.*
- No deposit was made in FY24, FY25 distribution will be \$20m based on current budget.

State Fiscal Plan

What is a “Durable Fiscal Plan”?

A system of laws, rules, or conventions that dictate how the state collects revenue, where it spends money, and perhaps most importantly, how and why it builds savings. Combined these factors should balance in the long term.

It should be clear to the public how the system works.

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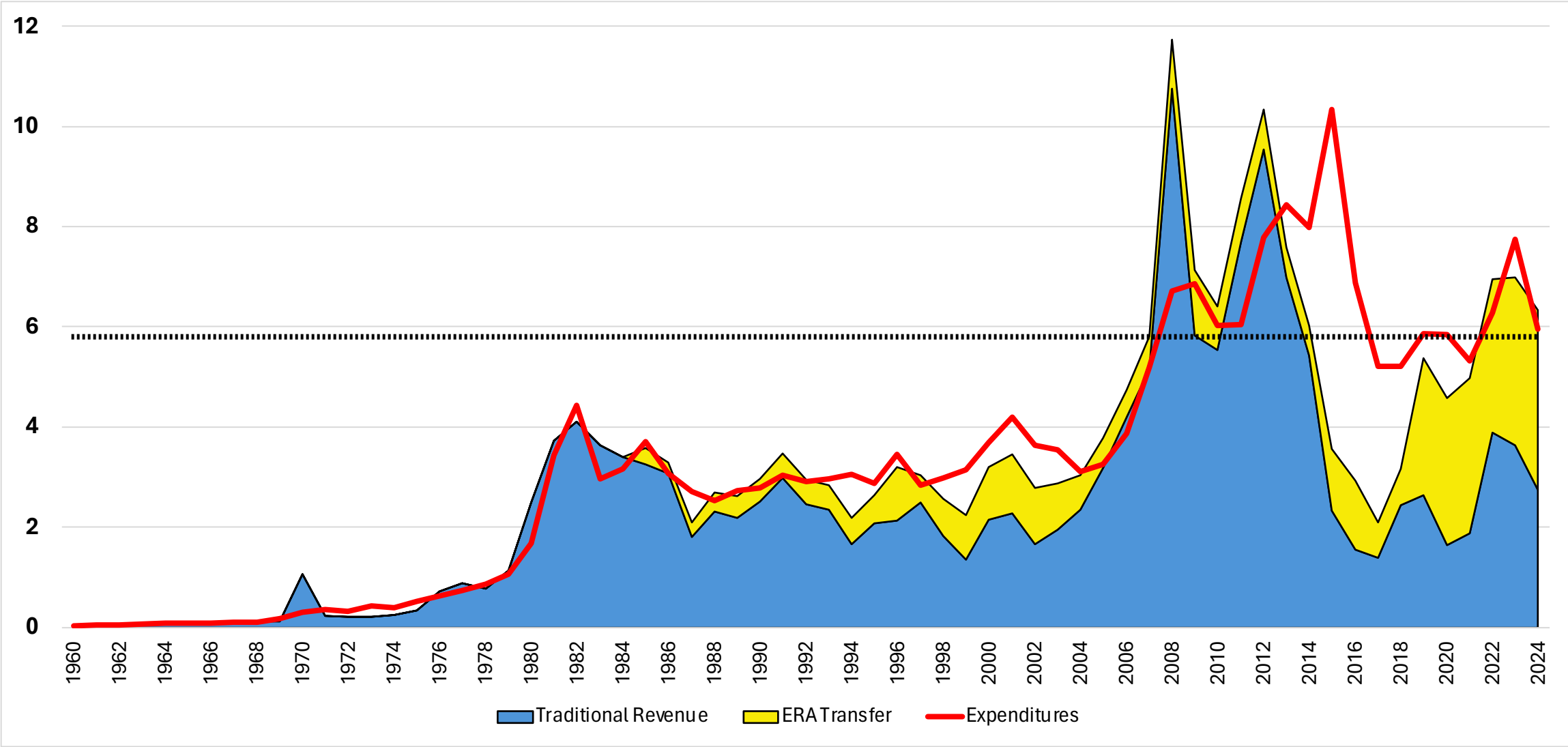
There should be transparent mechanisms to alter the plan for unexpected changes.

Alaska Already has a “Working” Fiscal Plan

We've just backed it into a corner

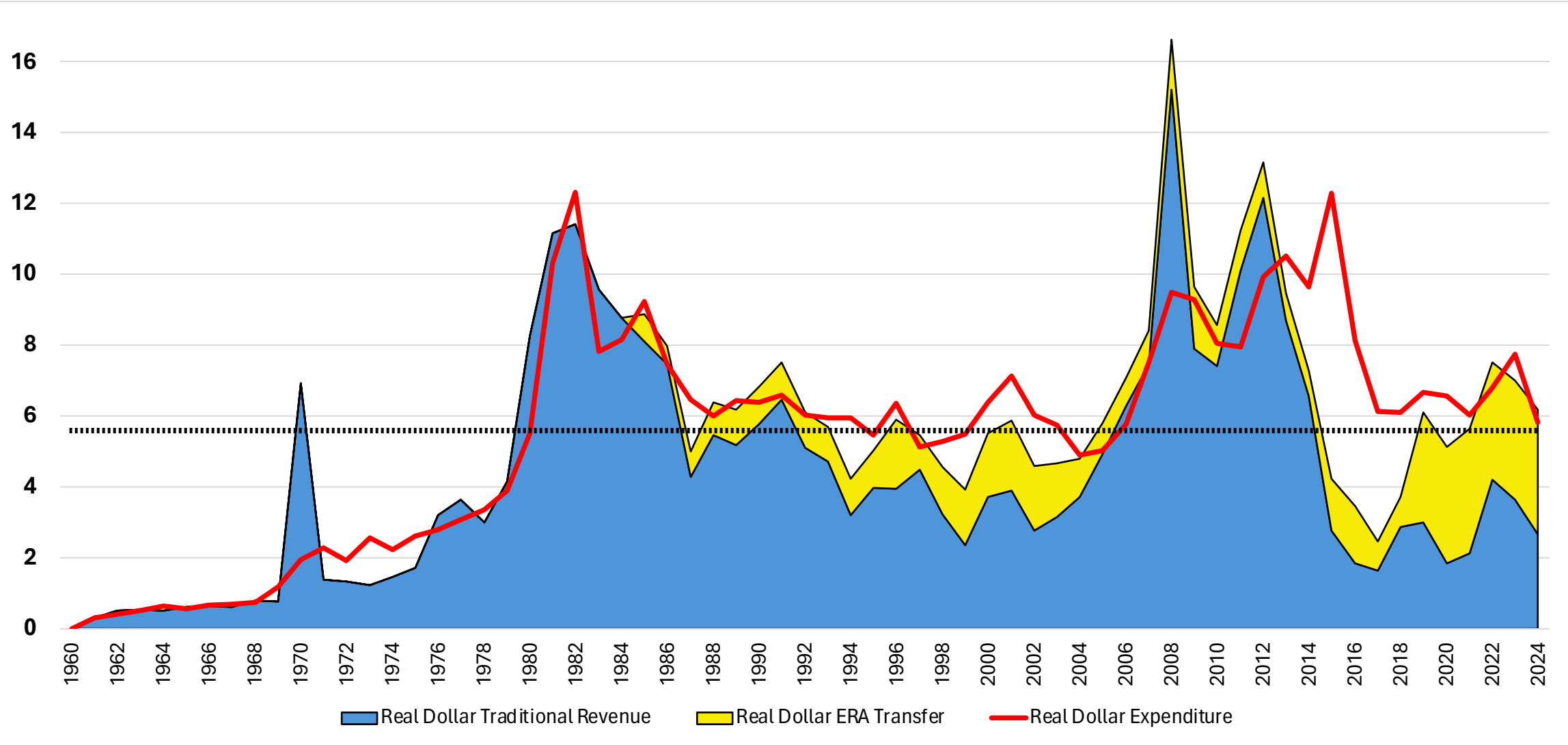
- Revenue is primarily based on a single industry and volatile commodity.
- We have automatic, constitutional, savings mechanisms (CBR and Permanent Fund)
- We have an unconstrained annual appropriation process
 - *No statute can force spending, they are guidelines, the legislature can react to current events through appropriations*
 - *Constitution requires that spending address things like education and health but leaves the level to legislative discretion.*
- Boom years are intended to be saved for years of low revenue.

Budget History – Nominal Dollars



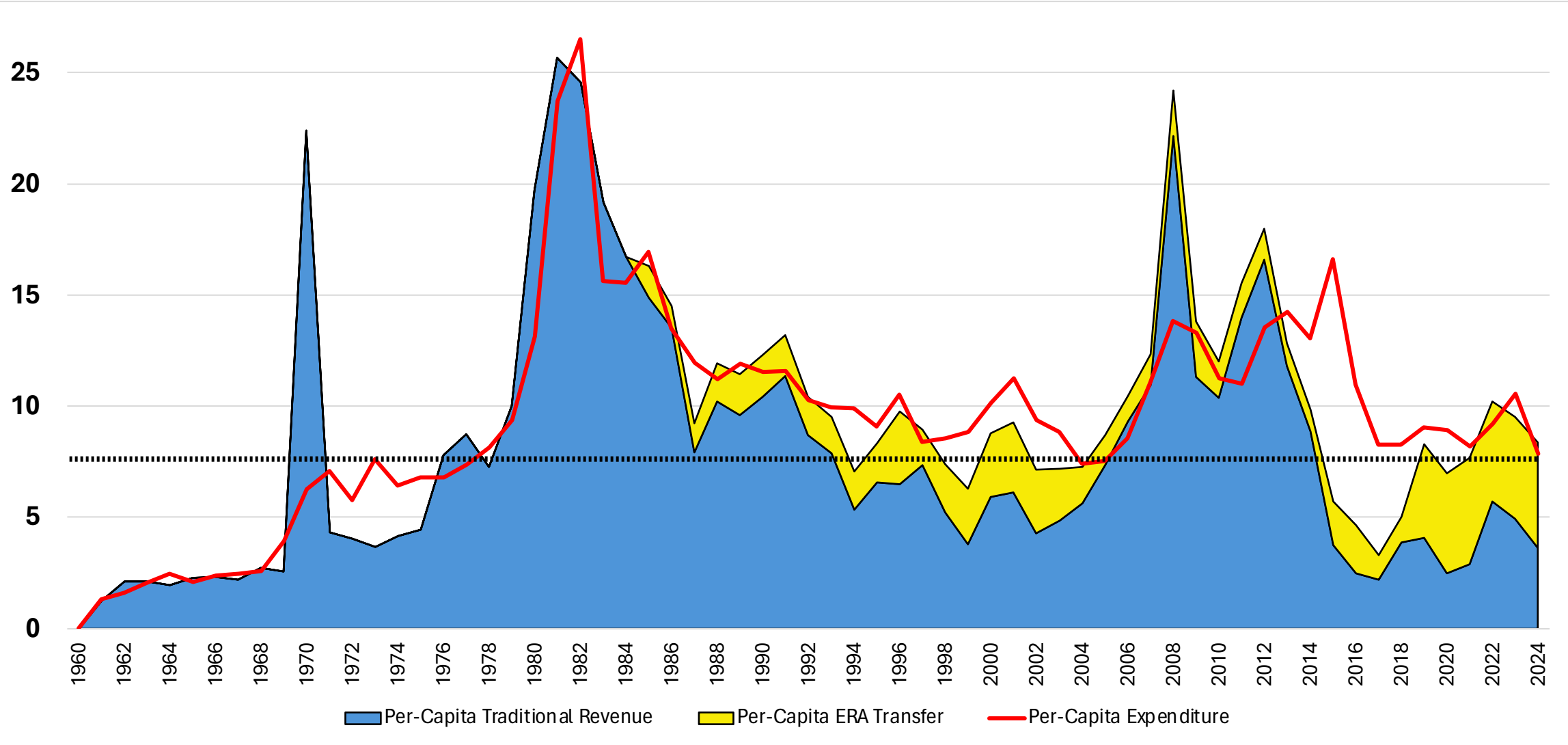
UGF Budget including PFD \$ Billion
Data from Legislative Finance Division

Budget History – Inflation Adjusted Dollars



UGF Budget including PFD \$ Billion in 2023 Dollars
Data from Legislative Finance Division

Budget History – Inflation Adjusted Per-Capita

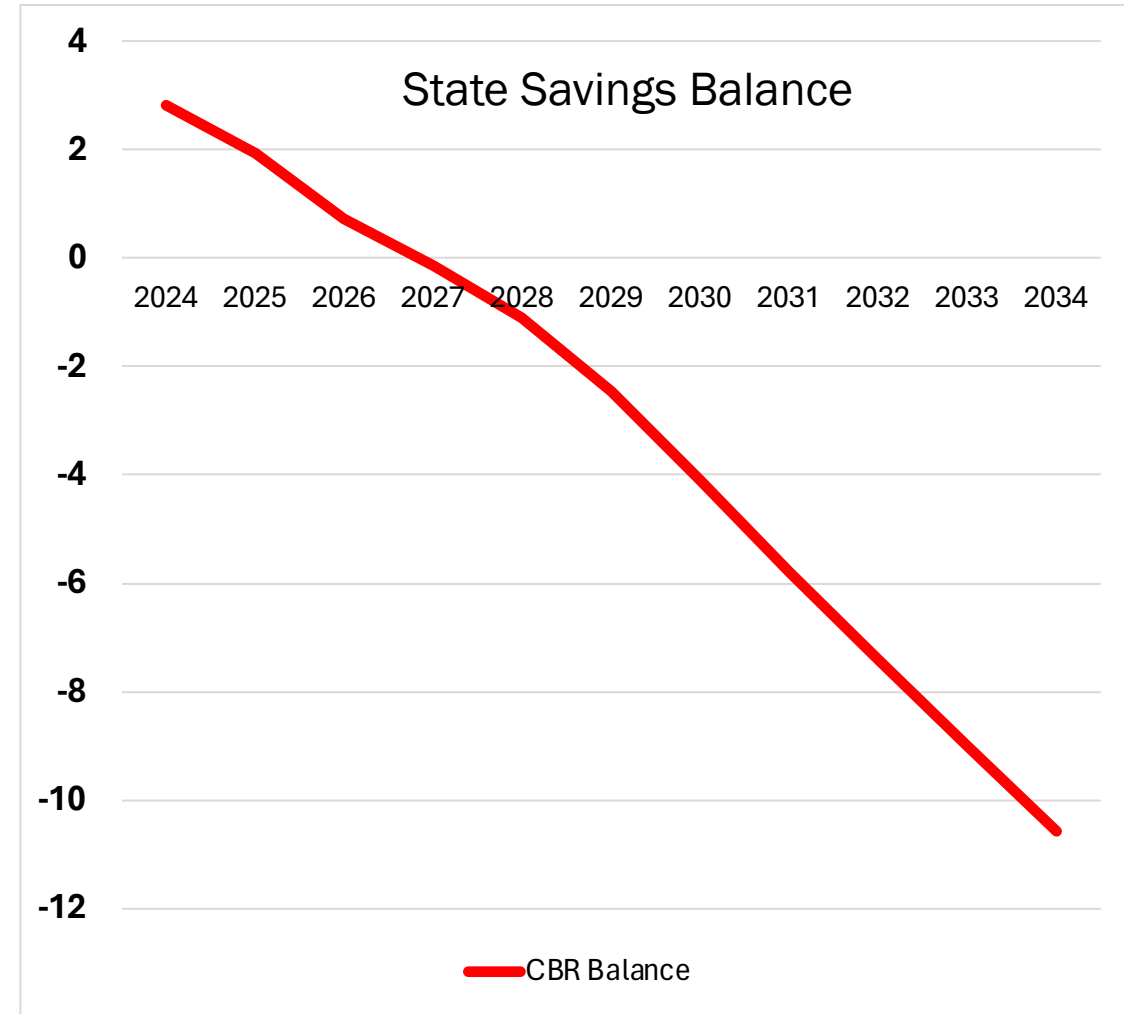
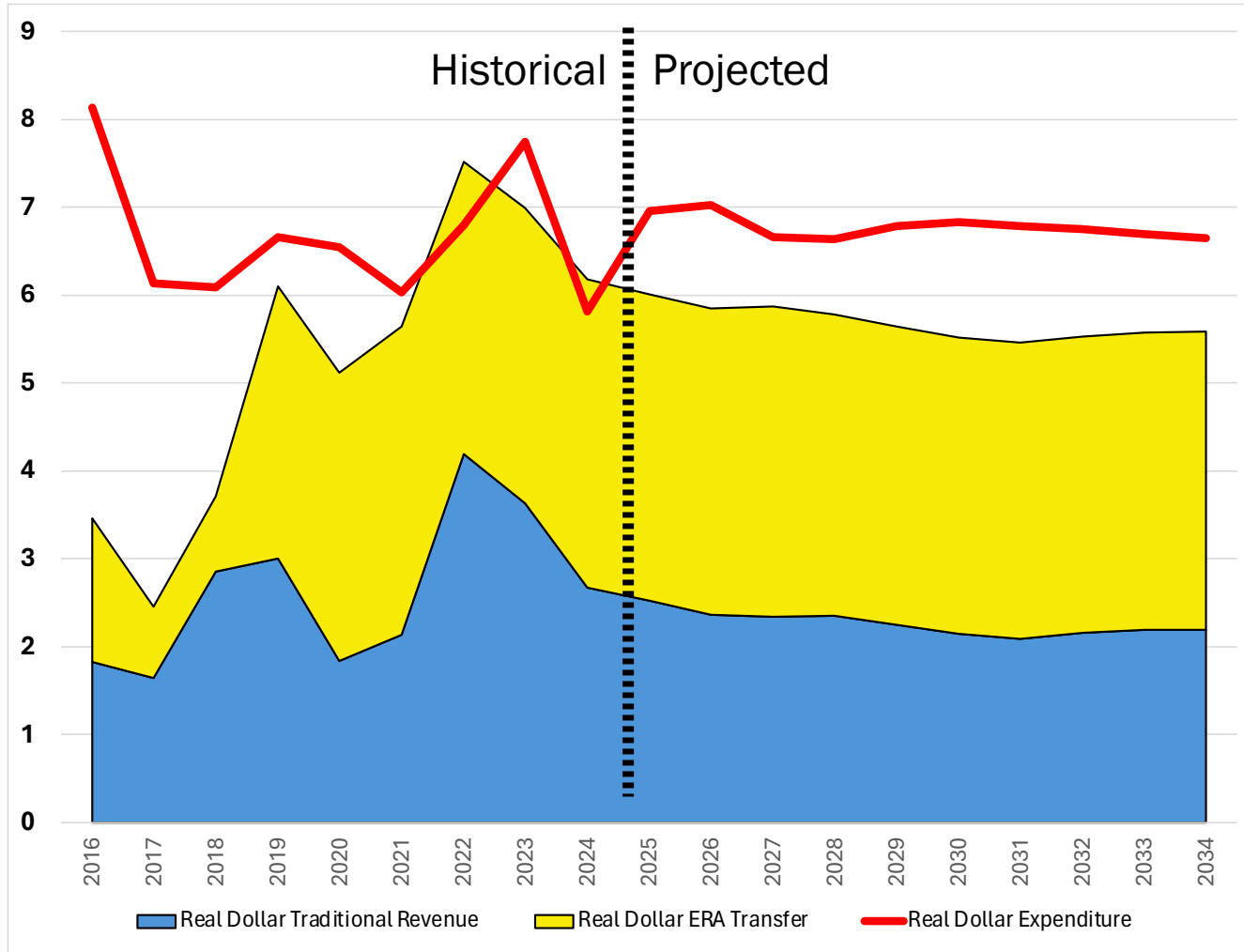


UGF Budget including PFD \$ Thousand in 2023 Dollars
Data from Legislative Finance Division

Alaska's fiscal plan has never failed however....

- In only 25 of the 66 years since statehood has Alaska operated on a surplus.
- We have drawn about \$11.2b net from savings since statehood but automatic savings mechanisms and fiscal restraint have kept us 'in the black'.
- We have come close though. CBR balance has gone as low as \$500m and we have had to restructure how we draw from savings.
- Flexibility in appropriations have allowed statutory programs to diverge from our means.
- And, in recent boom years, we have been spending more of our surpluses than saving them. FY23 revenue was up about \$2b from FY21 but total appropriations rose \$2.4b.

10-Year Status-Quo Outlook



UGF Budget including PFD \$ Billion in 2023 Dollars

FY24 and Previous Data from Legislative Finance Division – FY25 Forward from OMB 10-Year Plan Adjusted for Inflation

How do we Make Positive Change?

- If you advocate for a sustainable or durable fiscal plan you need to decide –
 - *Do you want to tweak Alaska's current system?*
 - Maybe an adjustment to the PFD statutes and/or some small revenue measures to smooth out volatility but preserve the reliance on boom and bust
 - *or make a massive shift in structure and political ideology?*
 - Should Alaska look more like states in the lower-48?

- Beware exclusively focusing on a 'comprehensive' plan. Eg. "We can't have this without including that"
 - *Changes are iterative over time and independent parts of a fiscal plan need independent vetting.*

Helpful Resources

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- Glossary of Terms
 - <https://omb.alaska.gov/information/budget-terminology/>
- Guide to Reports
 - https://omb.alaska.gov/ombfiles/Guide_to_OMB_Budget_Reports.pdf
- Guide to OMB Website
 - https://omb.alaska.gov/ombfiles/Guide_to_OMB_Website.pdf
- LFD “Swiss Army Knife”
 - <https://www.legfin.akleg.gov/Other/BudgetHandbook22.pdf>
- CAPSIS
 - <https://www.legfin.akleg.gov/CAPIS/CAPIS.php>