STATE OF ALASKA
FISCAL OUTLOOK

Presentation to the Alaska Mental Health Trust Program and Planning Committee

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ALASKA STATE LEGISLATURE
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OUTLINE

• ALASKA’S GENERAL STATE REVENUE

• ALASKA’S FISCAL RESERVES

• OPTIONS TO ADDRESS THE GROWING STRUCTURAL BUDGET DEFICIT
REVENUE FORECAST

- Department of Revenue’s Spring Revenue Forecast assumes $51.65/bbl average oil price in FY20 down from $63/bbl

- Spring Forecast is $37/bbl down from $59/bbl in FY21

- Currently, the Spring Forecast is pretty close to actual price and production

- Assumed the Alaska Permanent Fund’s “low” FY20 projection (ending balance of $63.2 billion) and then 7% return in subsequent years

- Some non-petroleum forecasts updated but not all due to quickly changing situation
REVENUE FORECAST (CONT.)

FALL TO SPRING FORECAST COMPARISON

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fall</td>
<td>5,049.4</td>
<td>5,059.0</td>
<td>5,071.4</td>
<td>5,206.9</td>
</tr>
<tr>
<td>Spring</td>
<td>4,522.3</td>
<td>4,244.3</td>
<td>4,330.2</td>
<td>4,560.2</td>
</tr>
<tr>
<td>Difference</td>
<td>(527.1)</td>
<td>(814.7)</td>
<td>(741.2)</td>
<td>(646.7)</td>
</tr>
</tbody>
</table>
SPRING REVENUE FORECAST
FY12-22 REVENUE COLLAPSE
At very low oil price the revenue falls another ~$500 million.
## UPDATED FISCAL SUMMARY

<table>
<thead>
<tr>
<th></th>
<th>UGF Only</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$4,560.5</td>
<td>$4,224.3</td>
<td></td>
</tr>
<tr>
<td>Budget</td>
<td>$5,464.8</td>
<td>$5,159.6</td>
<td></td>
</tr>
<tr>
<td>Supplementals</td>
<td>$366.0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$5,830.8</td>
<td>$5,159.6</td>
<td></td>
</tr>
<tr>
<td>SBR/CBR Draw</td>
<td>($1,286.1)</td>
<td>($945.7)</td>
<td></td>
</tr>
</tbody>
</table>

Short fiscal summary available at: [http://www.legfin.akleg.gov/FisSum/FY21-Budget.pdf](http://www.legfin.akleg.gov/FisSum/FY21-Budget.pdf)
STATE OF ALASKA BUDGET (FY10, FY14, FY20, FY21)
(in millions)

FY20 Deficit $1.3 billion

FY21 Deficit $0.97 billion

Education & Early Dev
Health & Social Services
Dividend

University of Alaska
DPS, DOC, Judiciary
DNR, F&G, DEC (fire adj)
All Other Agency Ops

Debt Service
State Retirement Payments
Oil and Tax Credit fund
Capital budget
# BUDGET RESERVES

<table>
<thead>
<tr>
<th>CONSTITUTIONAL BUDGET RESERVE (in millions)</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>STARTING BALANCE</td>
<td>$2,293.7</td>
<td>$1,448.1</td>
</tr>
<tr>
<td>Deposits/Earnings</td>
<td>$268.1</td>
<td>$84.5</td>
</tr>
<tr>
<td>Draws</td>
<td>($1,113.7)</td>
<td>($945.7)</td>
</tr>
<tr>
<td>ENDING BALANCE</td>
<td>$1,448.1</td>
<td>$586.9</td>
</tr>
</tbody>
</table>

- The CBR balance includes $464.9 million that is currently held in the General Fund as short-term cash flow borrowing. Excluding that amount, the CBR balance would be $122 million.

Full short fiscal summary available at: [http://www.legfin.akleg.gov/FisSum/FY21-Budget.pdf](http://www.legfin.akleg.gov/FisSum/FY21-Budget.pdf)
<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>PF Earnings Reserve Account</th>
<th>Total Permanent Fund Value</th>
<th>Dividend Before POMV*</th>
<th>POMV Draw</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$8.3</td>
<td>$53.5</td>
<td>($1.41)</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$10.9</td>
<td>$59.8</td>
<td>($0.70)</td>
<td></td>
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<tr>
<td>2018</td>
<td>$16.5</td>
<td>$64.9</td>
<td>($0.73)</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>$16.1</td>
<td>$66.3</td>
<td>-</td>
<td>($2.72)</td>
</tr>
<tr>
<td>2020</td>
<td>$11.7</td>
<td>$63.2</td>
<td>-</td>
<td>($2.93)</td>
</tr>
<tr>
<td>2021</td>
<td>$13.8</td>
<td>$64.5</td>
<td>-</td>
<td>($3.09)</td>
</tr>
<tr>
<td>2022</td>
<td>$15.1</td>
<td>$65.9</td>
<td>-</td>
<td>($3.05)</td>
</tr>
<tr>
<td>2023</td>
<td>$16.3</td>
<td>$67.2</td>
<td>-</td>
<td>($3.17)</td>
</tr>
<tr>
<td>2024</td>
<td>$17.5</td>
<td>$68.6</td>
<td>-</td>
<td>($3.23)</td>
</tr>
</tbody>
</table>

* Percent of Market Value (POMV)
OUTLOOK FOR FY22

• Based on a flat budget from FY21 with its missing items, the FY22 budget with 50% funding of school debt reimbursement, would have a deficit of over $300 million before paying a dividend.

• With a $1,000 dividend, the deficit would be over $1 billion.

• With a statutory dividend, the deficit would be nearly $2.4 billion.

• Without the luxury of the CBR, the structural budget deficit must be addressed - continued budget reductions and new diversified revenue sources.

• Overdrawing the ERA has a cost. Each $1 billion drawn from Permanent Fund increases future deficits by $50 million annually.
• Uncertainty in oil market and economy in general. Long-term predictions made today are total conjecture.

• Changing the permanent fund dividend formula is not enough to close the structural budget deficit.

• Further structural budget reductions and new revenue sources are required to have a structurally balanced budget.

• Addressing the structural deficit requires changing existing laws and enacting new laws focused on reducing expenditures and increasing revenue.
CARES ACT AND OTHER COVID-19 RELATED FEDERAL FUNDING

- Some funds will flow directly to recipients
  - Tribes, some airport funding, health care facilities, $1,200 stimulus check, small business loans/grants ($1 billion to date), etc.

- Some funds will flow through the State (~$1.4 to $1.8 billion)
  - Unemployment
  - Medicaid
  - Public Health
  - Community Grants
  - Education
  - University
  - Airports
  - Transportation
  - Other Discretionary programs – non-profits
QUESTIONS?

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