



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



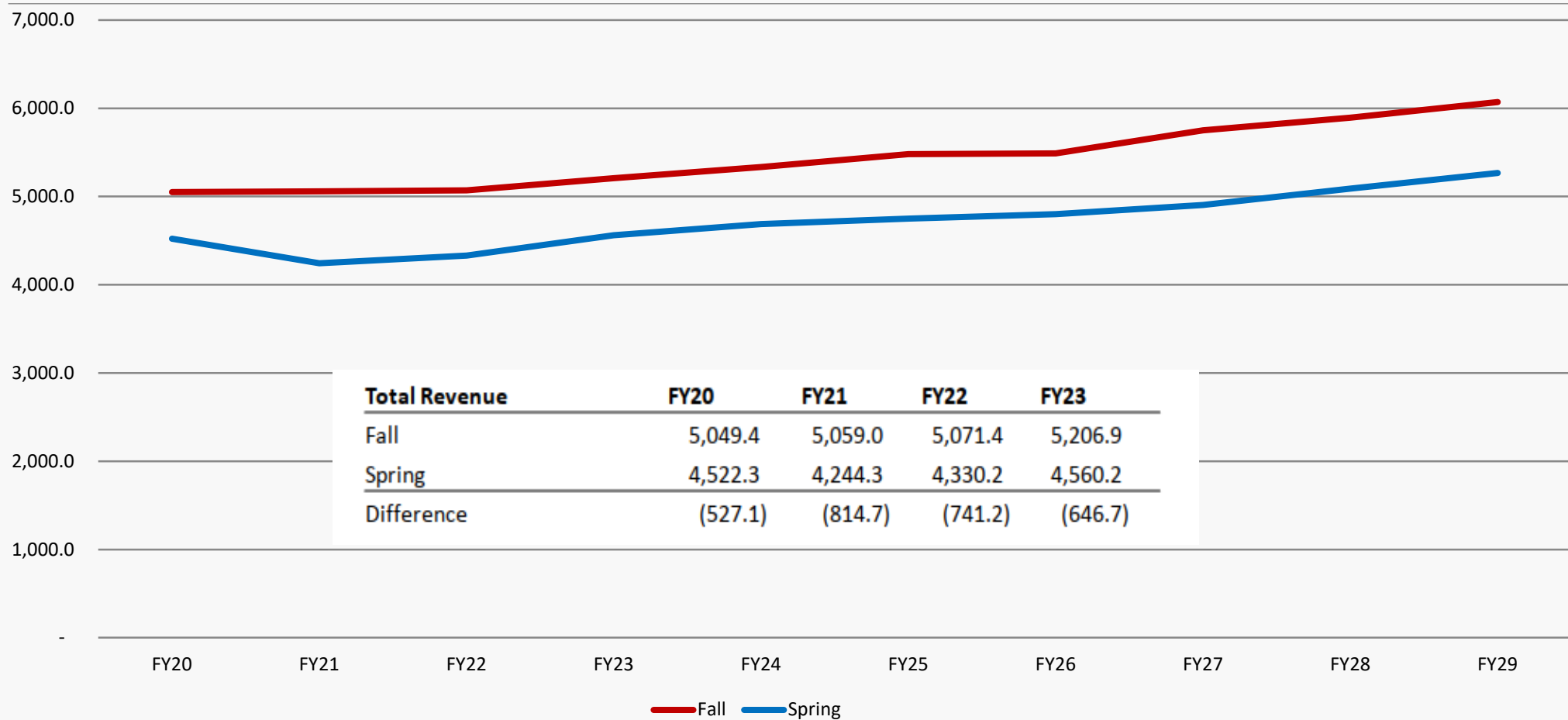
REVENUE FORECAST

- 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



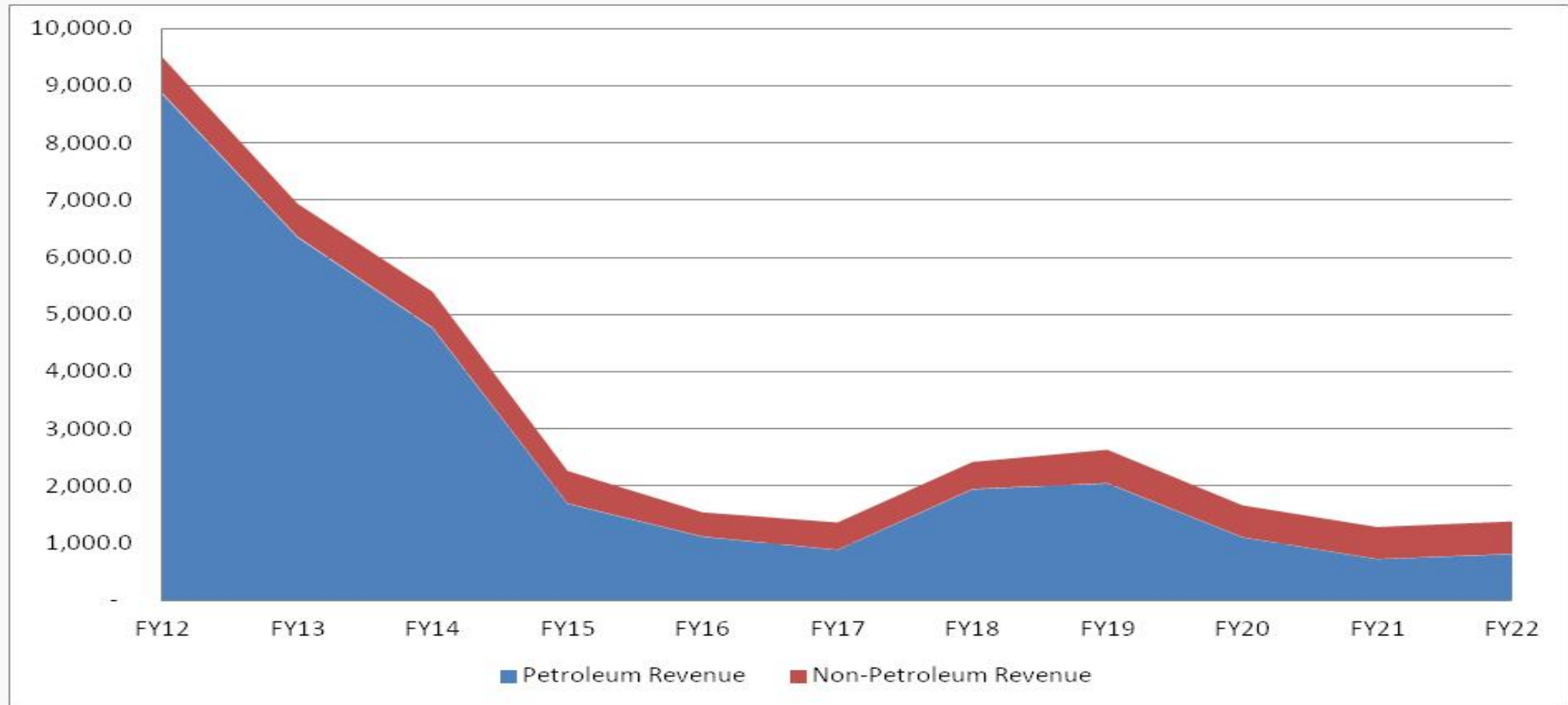
REVENUE FORECAST (CONT.)

FALL TO SPRING FORECAST COMPARISON



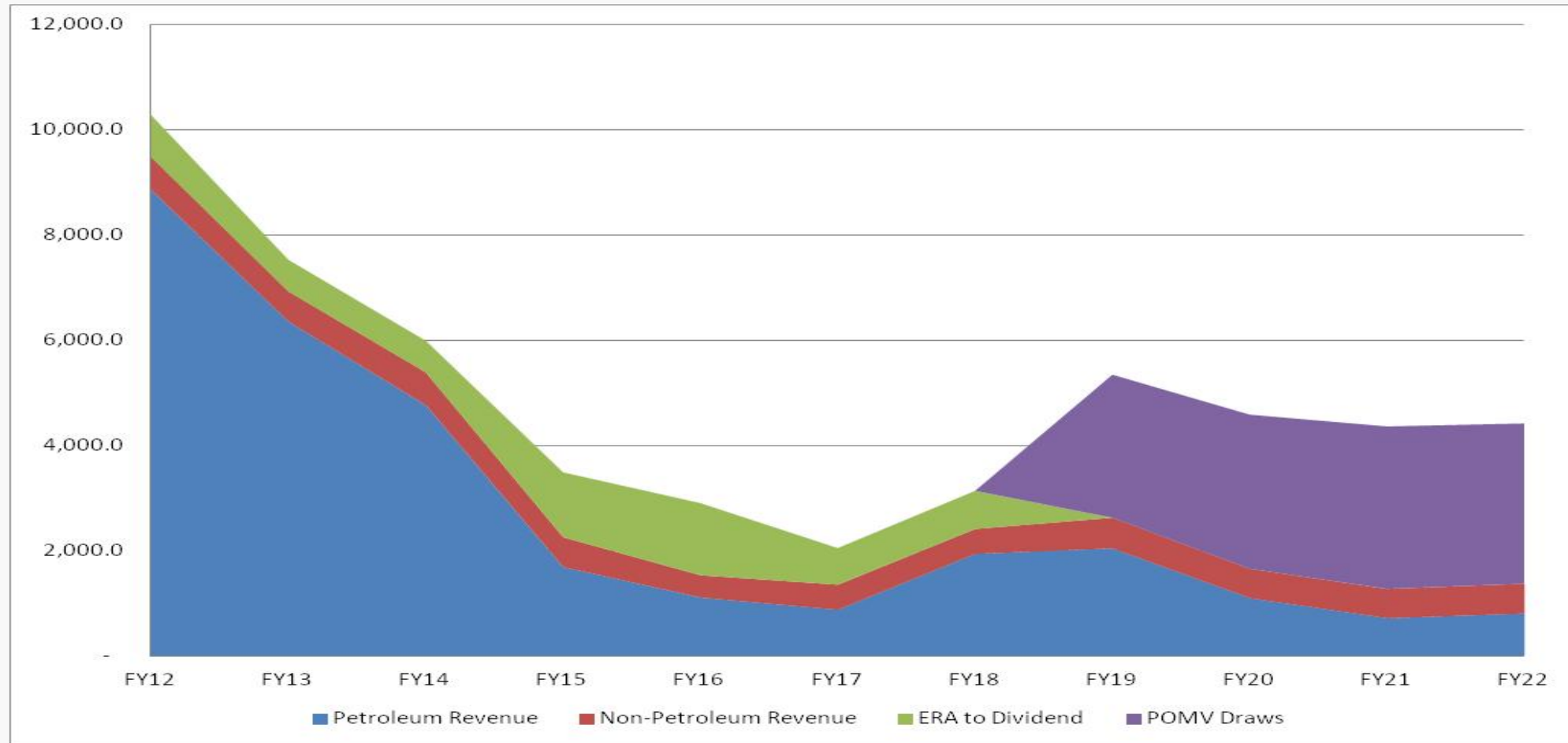
SPRING REVENUE FORECAST

FY12-22 REVENUE COLLAPSE



SPRING REVENUE FORECAST (CONT.)

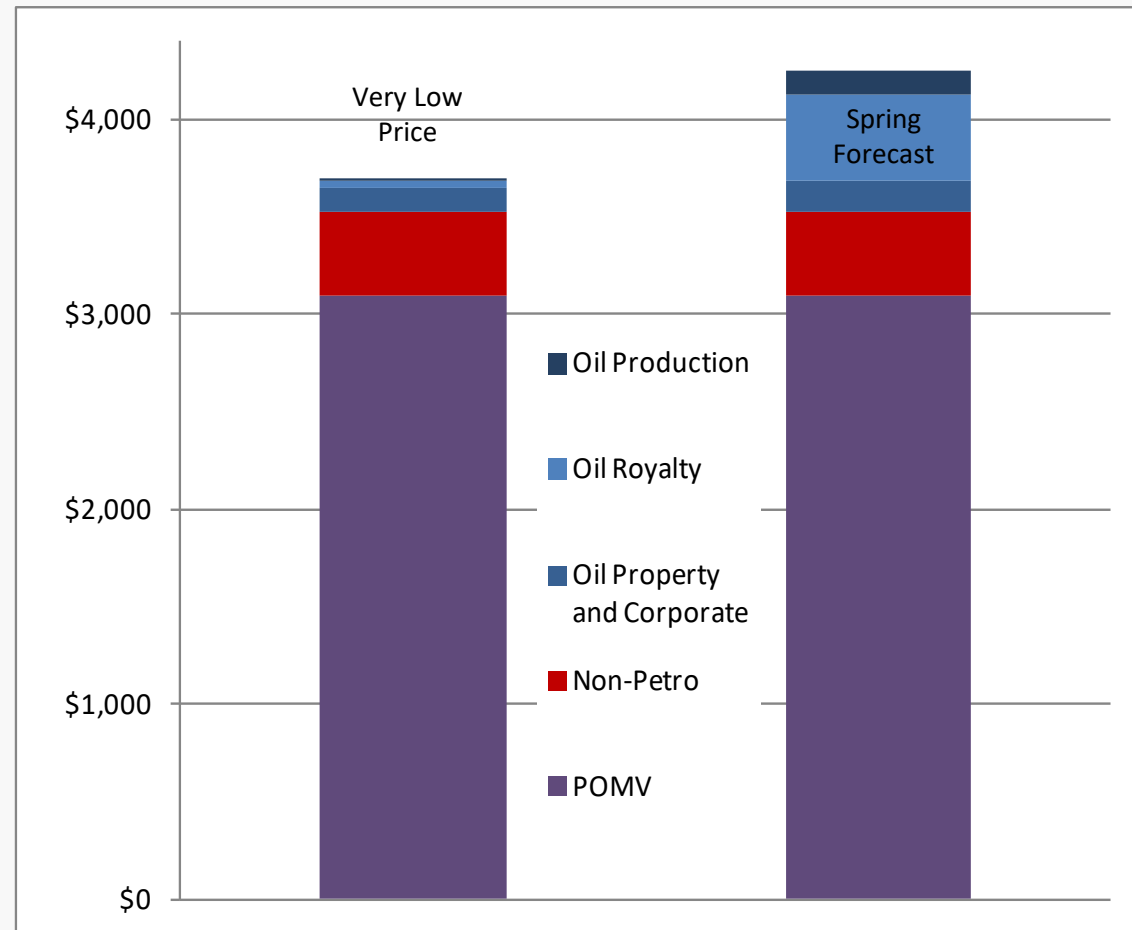
FY12-22 REVENUE COLLAPSE



SPRING REVENUE FORECAST (CONT.)

FY21 LOW PRICE AND PRODUCTION COMPARED TO SPRING FORECAST

At very low oil price
the revenue falls
another ~\$500 million



UPDATED FISCAL SUMMARY

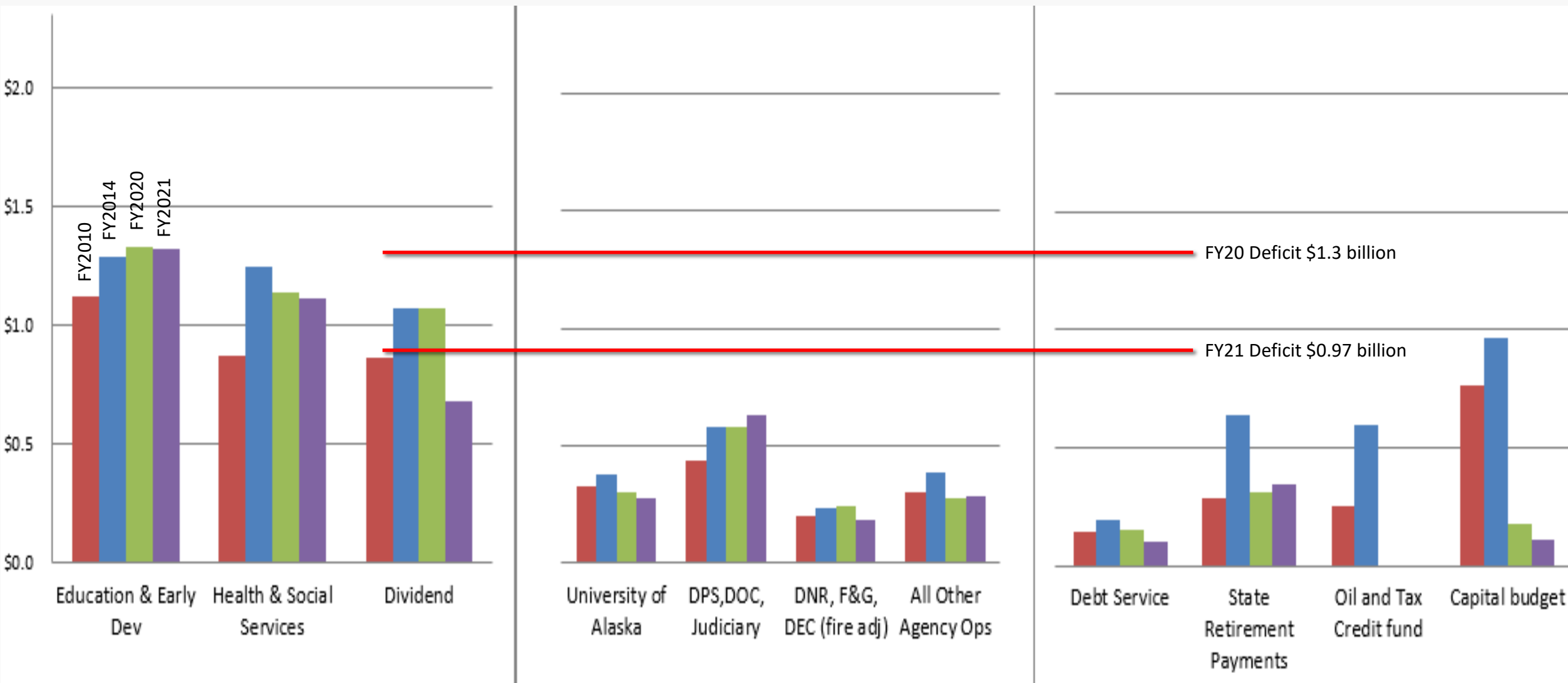
UGF Only	FY2020	FY2021
Revenue	\$4,560.5	\$4,224.3
Budget	\$5,464.8	\$5,159.6
Supplementals	\$366.0	-
Total	\$5,830.8	\$5,159.6
SBR/CBR Draw	(\$1,286.1)	(\$945.7)

Short fiscal summary available at: <http://www.legfin.akleg.gov/FisSum/FY21-Budget.pdf>



STATE OF ALASKA BUDGET (FY10, FY14, FY20, FY21)

(in millions)



BUDGET RESERVES

CONSTITUTIONAL BUDGET RESERVE (in millions)	FY2020	FY2021
STARTING BALANCE	\$2,293.7	\$1,448.1
Deposits/Earnings	\$268.1	\$84.5
Draws	(\$1,113.7)	(\$945.7)
ENDING BALANCE	\$1,448.1	\$586.9

- 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>





PERMANENT FUND STATUS

PERMANENT FUND VALUE AND FUNDING DRAWS (IN BILLIONS)

Fiscal Year	PF Earnings Reserve Account	Total Permanent Fund Value	Dividend Before POMV*	POMV Draw
2016	\$8.3	\$53.5	(\$1.41)	
2017	\$10.9	\$59.8	(\$0.70)	
2018	\$16.5	\$64.9	(\$0.73)	
2019	\$16.1	\$66.3	-	(\$2.72)
2020	\$11.7	\$63.2	-	(\$2.93)
2021	\$13.8	\$64.5	-	(\$3.09)
2022	\$15.1	\$65.9	-	(\$3.05)
2023	\$16.3	\$67.2	-	(\$3.17)
2024	\$17.5	\$68.6	-	(\$3.23)

* 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.



LONG-TERM OUTLOOK

- 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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