ALASKA’S FISCAL CHOICES AND OPPORTUNITIES
DECEMBER 2019
OVERVIEW:

1. Past: Events leading up to now
2. Present: Where we are today
3. Future: What are our choices going forward
Change in State UGF Spending between FY13-FY19

- Agency Spending
- Capital
- Debt Service
- Retirement
- Oil and Gas tax Credits
- Permanent Fund Dividend

Total Revenue
DUNLEAVY PROPOSED BUDGET

- Governor’s Proposed Budget revealed on February 13th
- Reductions across all Agencies
- Includes $1.9 billion paid as PFDs = ~$3,000 per person
- Not much impact analysis done by MJD Administration
FY2020 UGF Proposed Budget Allocation

[Bar chart showing budget allocation across various categories such as Education, Corrections, University, Safety, Transportation, etc.]

- PF Dividends: $0
- Education: $1,000,000
- Health & Social Services: $800,000
- Corrections: $200,000
- University: $1,200,000
- Safety: $1,400,000
- Transportation: $1,600,000
- Judiciary: $1,800,000
- Administration: $2,000,000
- Natural Resources: $1,000,000
- Legislature: $800,000
- Fish & Game: $600,000
- Law: $400,000
- Commerce: $200,000
- Revenue: $0
- Governor: $0
- Labor: $0
- Military: $0
- Environment: $0
- Debt Service: $0
- Retirement: $0
- Community Assistance: $0
- Fund Capitalization: $0
- Capital: $0
### UGF Enacted FY2020 Budget

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Enacted FY20</th>
<th>∆ FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and other UGF Revenue</td>
<td>2,303,600</td>
<td></td>
</tr>
<tr>
<td>Permanent Fund/POMV Revenue</td>
<td>2,933,100</td>
<td></td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>5,236,700</td>
<td>5.11%</td>
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<table>
<thead>
<tr>
<th>Spending</th>
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<tbody>
<tr>
<td>Education</td>
<td>1,325,180</td>
<td>-0.51%</td>
</tr>
<tr>
<td>Health &amp; Social Services</td>
<td>971,102</td>
<td>-13.34%</td>
</tr>
<tr>
<td>Transportation</td>
<td>141,950</td>
<td>-21.19%</td>
</tr>
<tr>
<td>University</td>
<td>302,034</td>
<td>-7.64%</td>
</tr>
<tr>
<td>Other Agencies</td>
<td>987,590</td>
<td>-7.32%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>122,753</td>
<td></td>
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<tr>
<td>Retirement</td>
<td>307,936</td>
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<tr>
<td>Fund Capitalizations</td>
<td>21,725</td>
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<tr>
<td>Capital (FY20 funded from CBR)</td>
<td>144,300</td>
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<tr>
<td><strong>Spending Subtotal</strong></td>
<td>4,324,568</td>
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**Surplus** 912,132  + SBR = $1606
SO, WHAT IS IN STORE?

- Fall Revenue forecast expected price downgrade from $64 to ~$60
- Big supplemental in January (earthquake, wild fires, Medicaid) ~$200MM
- No resolution on PFD calculation yet
- Tax talk
## Pro Forma Budget - $60 oil - FY21 Scenarios

### Numbers in Millions

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
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<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UGF Petroleum/other</td>
<td>1,992</td>
<td>1,992</td>
<td>1,992</td>
<td>1,992</td>
</tr>
<tr>
<td>Permanent Fund/POMV</td>
<td>3,091</td>
<td>3,091</td>
<td>3,091</td>
<td>3,091</td>
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<tr>
<td>Total</td>
<td>5,083</td>
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### Expenditures

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<tr>
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<th>A</th>
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<th>C</th>
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<tbody>
<tr>
<td>Agency</td>
<td>3,987</td>
<td>3,987</td>
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<tr>
<td>Debt</td>
<td>189</td>
<td>189</td>
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<tr>
<td>Retirement</td>
<td>423</td>
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<tr>
<td>Fund Capitalizations</td>
<td>50</td>
<td>50</td>
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<td>50</td>
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<tr>
<td>Supplemental (assumed)</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
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<tr>
<td>Total Operating</td>
<td>4,699</td>
<td>4,699</td>
<td>4,699</td>
<td>4,699</td>
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<tr>
<td>Capital</td>
<td>185</td>
<td>185</td>
<td>185</td>
<td>185</td>
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<tr>
<td>Permanent Fund Dividend</td>
<td>0</td>
<td>1,080</td>
<td>1,545</td>
<td>2,005</td>
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<tr>
<td>Total Operating + Capital (UGF)</td>
<td>4,884</td>
<td>5,964</td>
<td>6,429</td>
<td>6,889</td>
</tr>
<tr>
<td>Surplus/ (Deficit)</td>
<td>199</td>
<td>(881)</td>
<td>(1,346)</td>
<td>(1,806)</td>
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CHOICES:

1. How much should the dividend be?
2. Should the dividend dictate the framework of our budget?
3. How do we pay for the deficit?
4. Should we tax ourselves when we are paying a dividend?
5. If we generate new revenue, where should it be spent?
6. Should we cut millions/billions of dollars from the budget in order to pay a dividend?
Total Permanent Fund Value Comparison

$ in millions

FY2020 - FY2029

- PF value with excess draw
- Foregone PF value
POMV draw comparison

- **Official forecast POMV**
  - FY2020: 2,933
  - FY2021: 3,091
  - FY2022: 3,095
  - FY2023: 3,263
  - FY2024: 3,380
  - FY2025: 3,463
  - FY2026: 3,550
  - FY2027: 3,639
  - FY2028: 3,731
  - FY2029: 3,823

- **POMV with excess PF draw**
  - FY2020: 2,933
  - FY2021: 3,091
  - FY2022: 3,095
  - FY2023: 3,248
  - FY2024: 3,331
  - FY2025: 3,359
  - FY2026: 3,370
  - FY2027: 3,361
  - FY2028: 3,345
  - FY2029: 3,326

- **Foregone POMV revenue**
  - FY2020: 0
  - FY2021: 0
  - FY2022: 0
  - FY2023: -15
  - FY2024: -49
  - FY2025: -104
  - FY2026: -180
  - FY2027: -279
  - FY2028: -386
  - FY2029: -498
TAKEAWAYS:

1. Need to find a balance between ALL spending
2. Then can determine deficit and how to fill it
3. Must include a spending cap to control spending growth
4. Must include constant downward pressure on budget