

Alaska's Fiscal Future

Dan E. Dickinson CPA
Alaska Common Ground

Oct 4, 2014

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Alaska state expenditures
and savings accounts:
overview, history and
projections

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Time Series with Spending/Appropriations

- Leg Finance: Summary of appropriations/fiscal summary
 - Appropriations
 - Prior to fiscal year
 - After fiscal year (includes supplemental and re-appropriation)

- Division of Finance: Comprehensive Annual Financial Report :
 - Expenditures
 - Supplemental Schedules: restates on budgetary basis
 - Original/Finals/Actuals/Encumbered

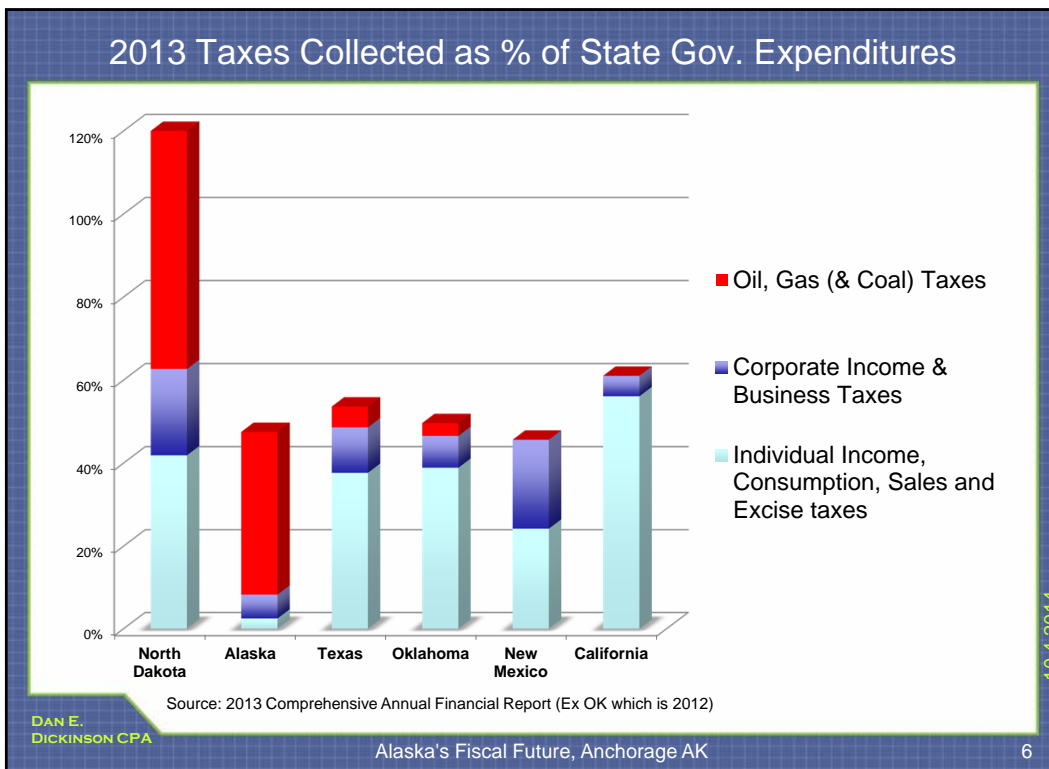
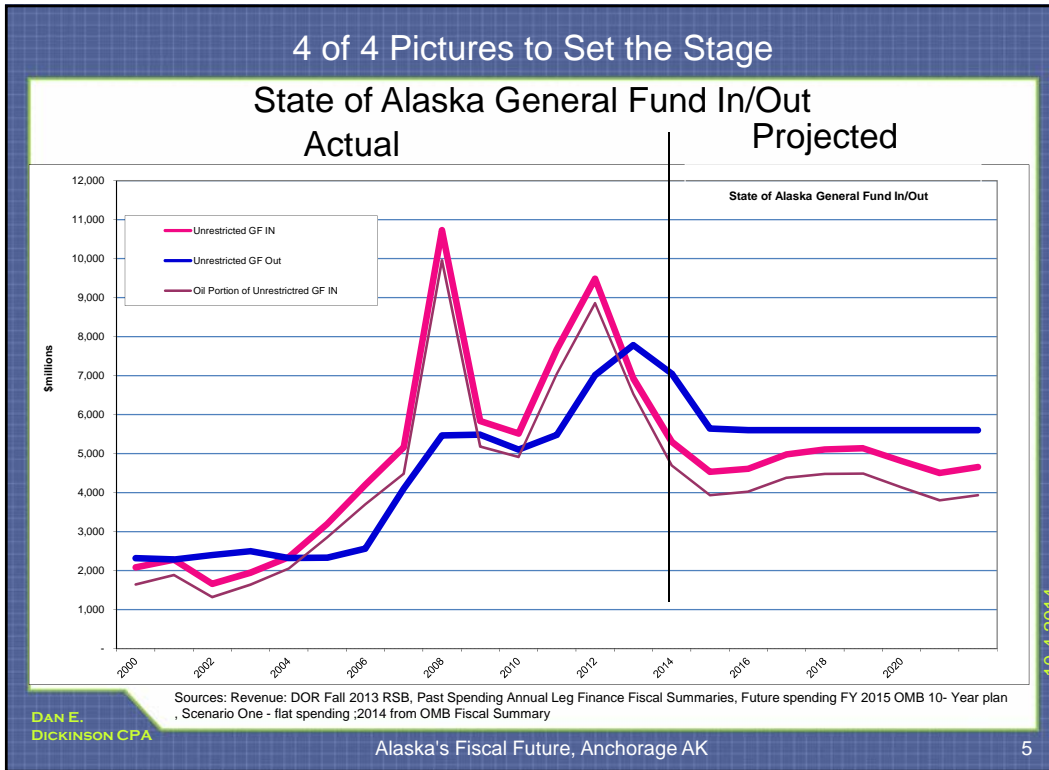
 - All state prepare CAFRs on similar (GAAP) basis

Fair Representation?

- FY 2005 \$2.6 Billion Budget

- FY 2008 \$5.3 Billion Budget ($>2.6 * 2$)

- FY 2013 \$7.8 Billion Budget ($=2.6 * 3$)

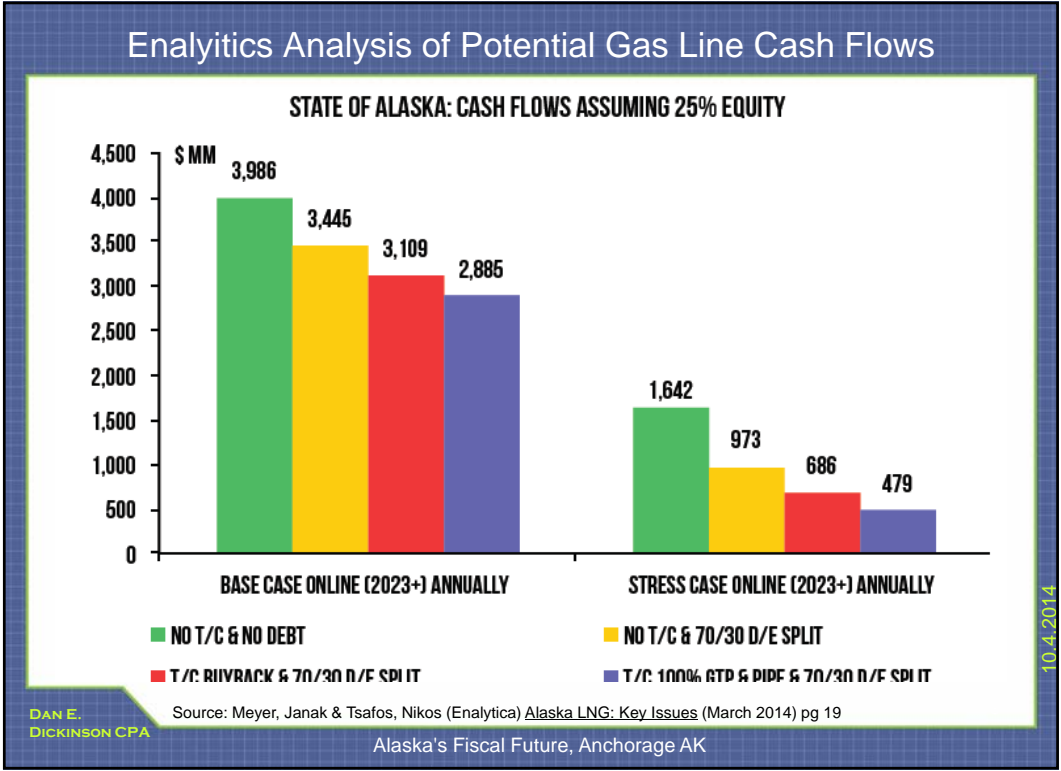


- Fiscal implications of the gasline/LNG export project

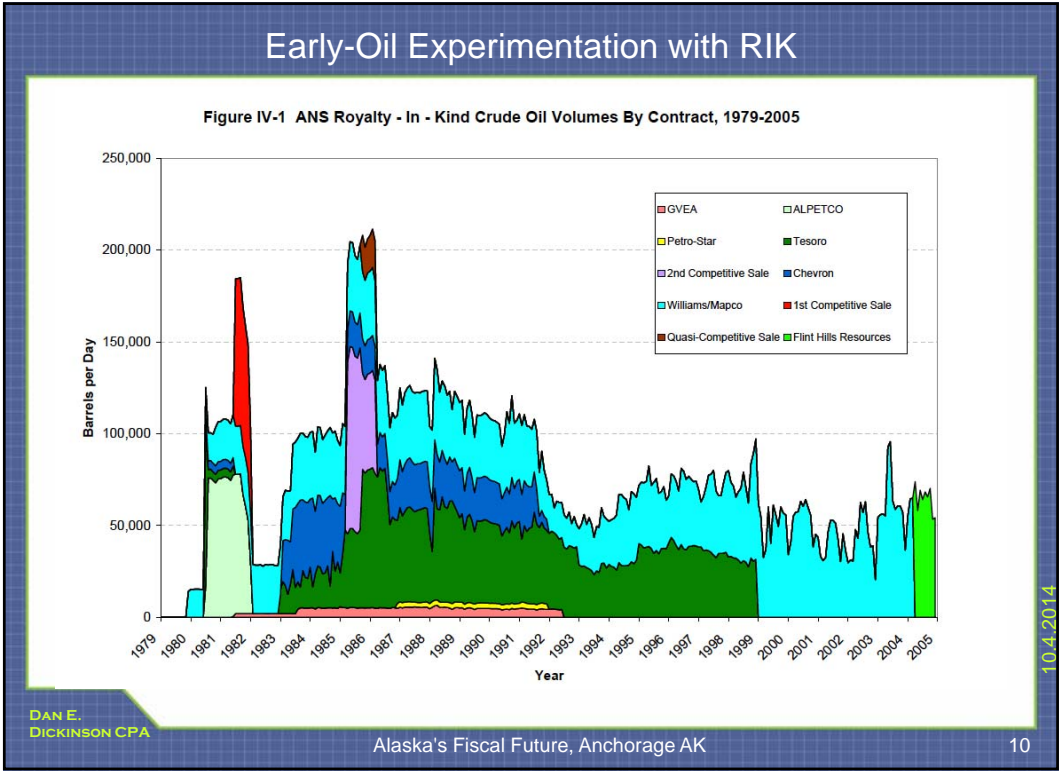
Bridge to a gas driven future...

- “From a revenue standpoint gas will never replace oil”
 - Dan Fauske, President of Alaska Gas Development Authority,
 - (Presentation to Sitka Chamber of Commerce April 21, 2014 as reported by Robert Woolsey, KCAW Sitka)

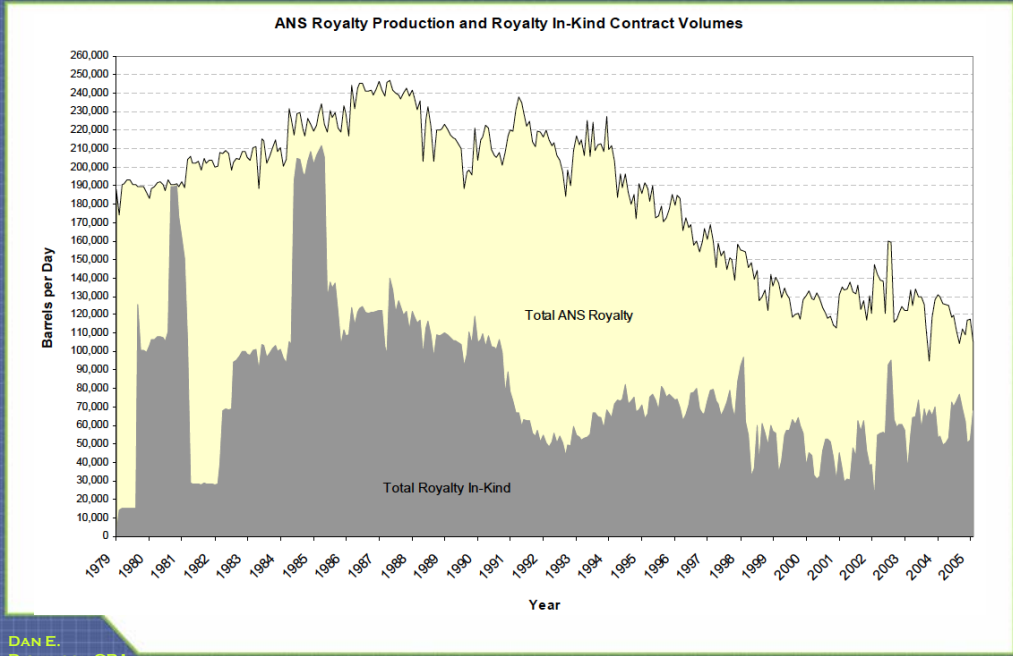
Analytics Analysis of Potential Gas Line Cash Flows



Early-Oil Experimentation with RIK



Early Year Experimentation wit RIK



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- Alaska fiscal solutions panel

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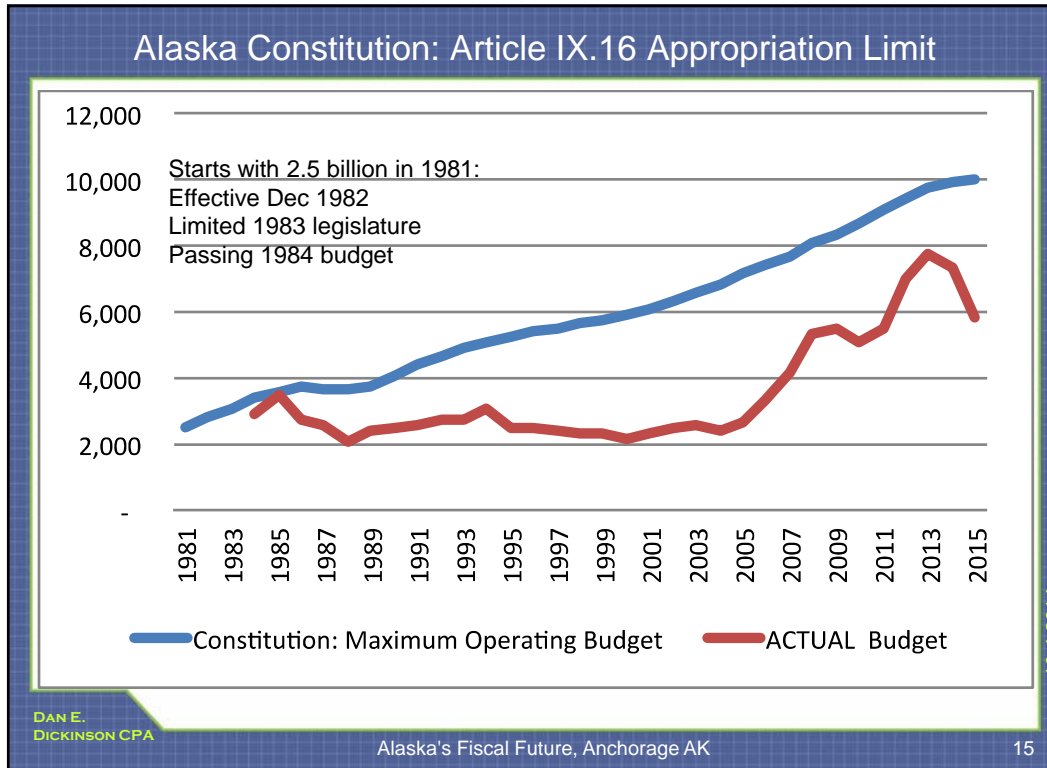
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- A constitutional amendment to reform the budgeting process and provide for
- a long slow soft landing
- If there is another revenue boom, the spending boom will lag.

Alaska Constitution: Article IX.16 Appropriation Limit

- Section 9.16 - Appropriation Limit
- Except for appropriations for Alaska permanent fund dividends, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds, **appropriations from the treasury made for a fiscal year shall not exceed \$2,500,000,000 by more than the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981.** Within this limit, at least one-third shall be reserved for capital projects and loan appropriations. **The legislature may exceed this limit** in bills for appropriations to the Alaska permanent fund and **in bills for appropriations for capital projects**, whether of bond proceeds or otherwise, if each bill is approved by the governor, or passed by affirmative vote of three-fourths of the membership of the legislature over a veto or item veto, or becomes law without signature, and is also approved by the voters as prescribed by law. Each bill for appropriations for capital projects in excess of the limit shall be confined to capital projects of the same type, and the voters shall, as provided by law, be informed of the cost of operations and maintenance of the capital projects. No other appropriation in excess of this limit may be made except to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unexpended and unappropriated balance to be invested so as to yield competitive market rates to the treasury.



New Appropriation Limit – Replace

- On July 1 201X, the current text of section 9.17 on the budget reserve fund is repealed and replaced with the following:
 - Point One – All oil and gas production and transportation derived revenues not constitutionally dedicated to other funds go into the CBR starting July 1, 201X
 - {Issues – definitions of “oil and gas ... revenues,” especially income taxes}
 - Point Two – In any year only one half of the fund (balance as certified one year prior) may be appropriated.
 - {Issues – transition rules}

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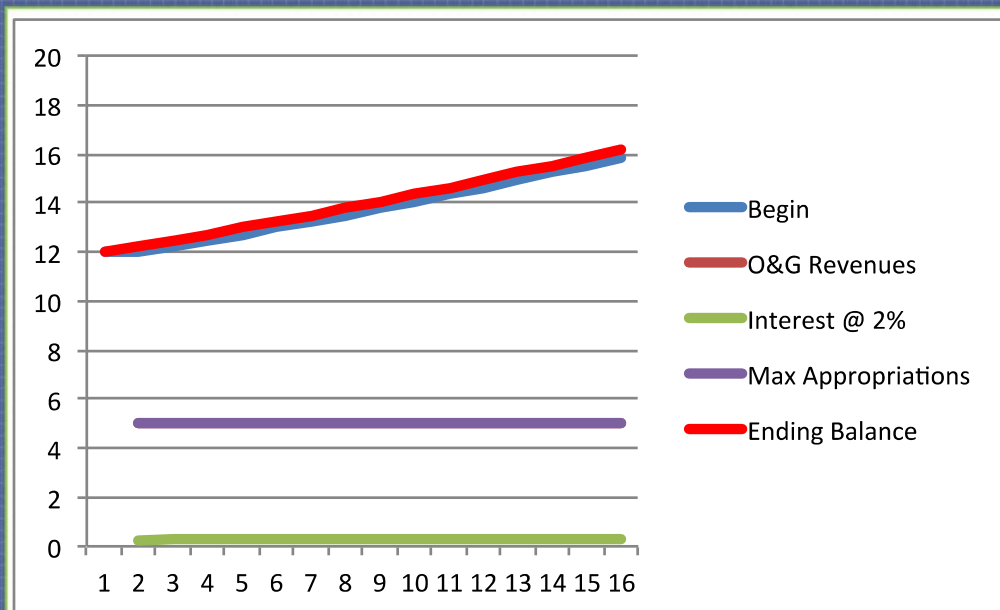
Variations

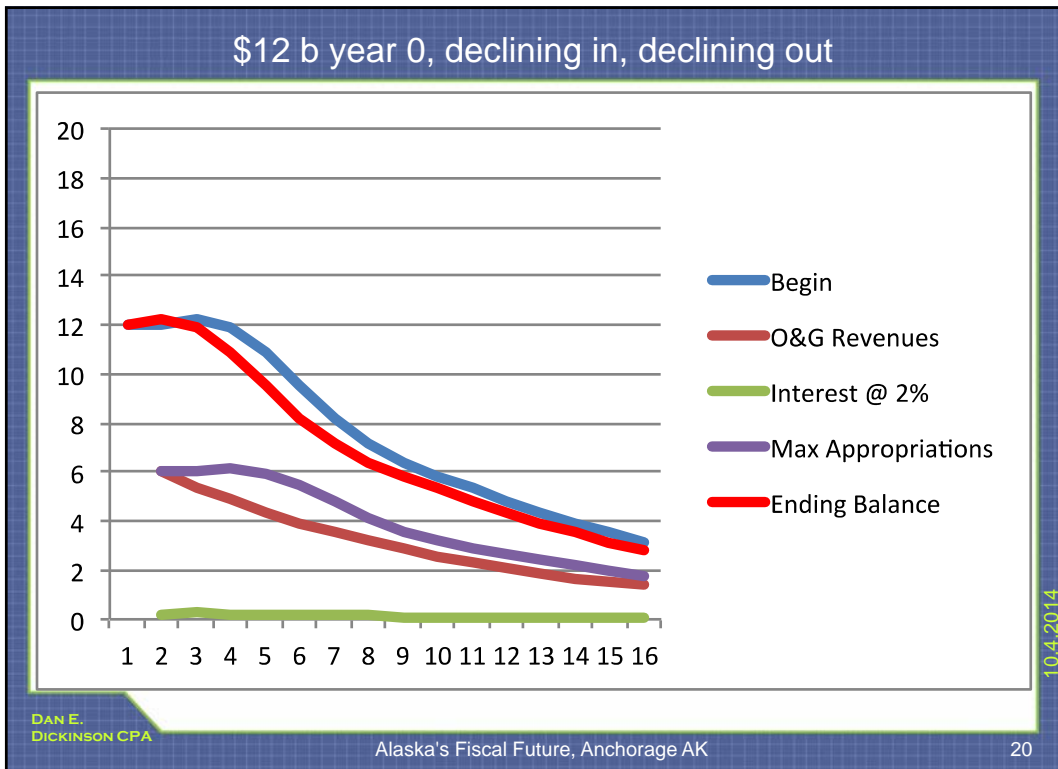
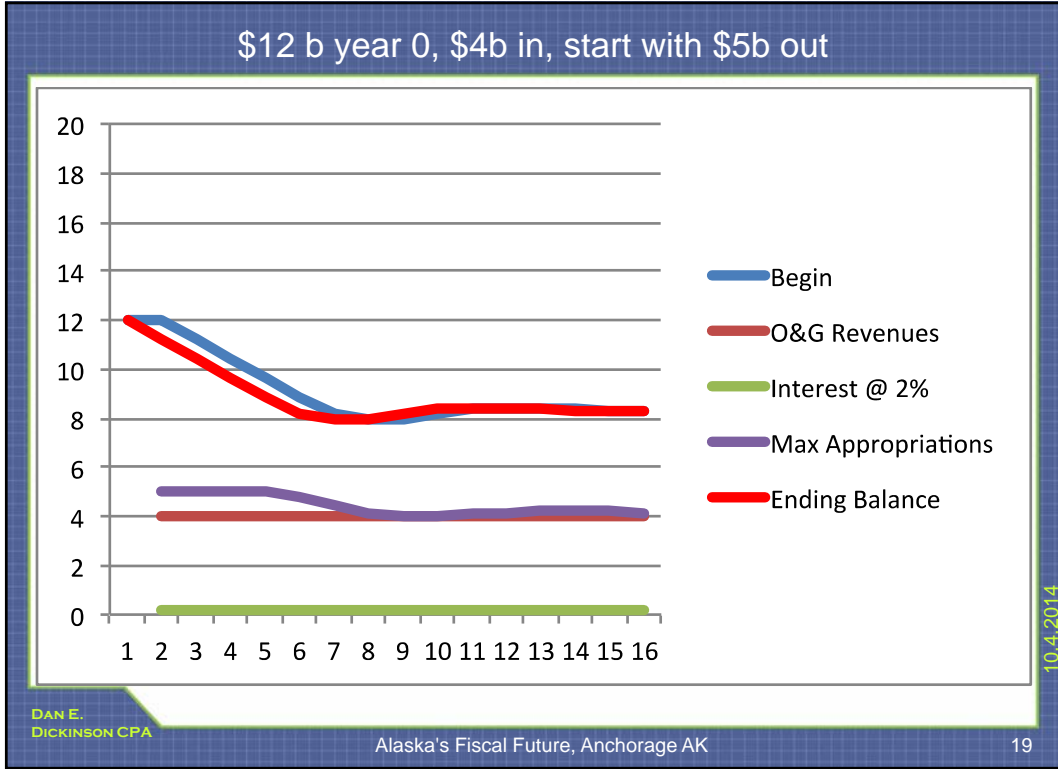
Transition rules – Use of other “buckets of cash” so Starting fund is at least 2X first year appropriation

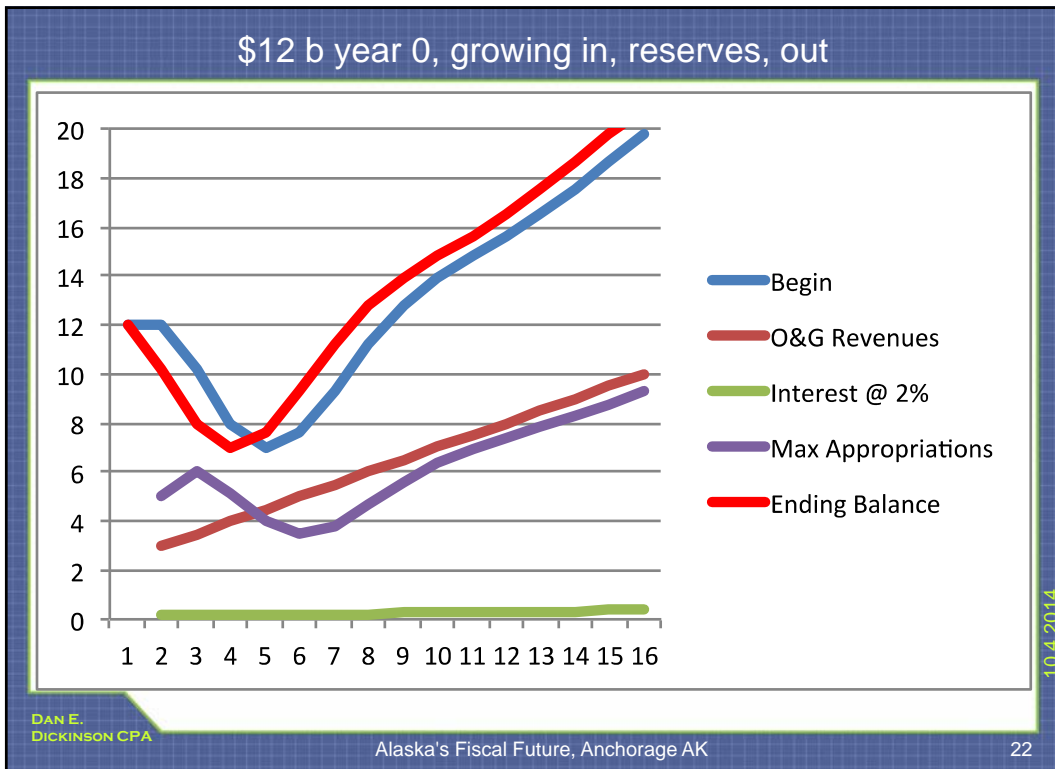
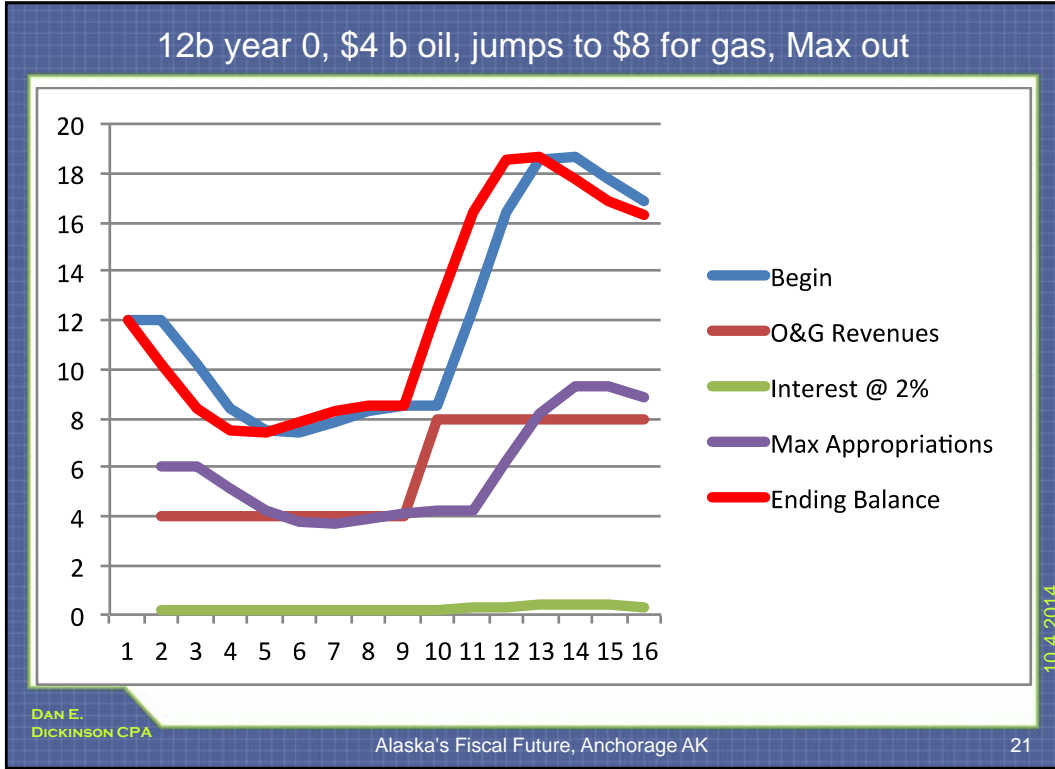
<i>all figures \$millions</i>	Fiscal Year 2014 End of Year Balance
Constitutional Budget Reserve Fund	12,238.8
Statutory Budget Reserve Fund	2,997.2
Alaska Housing Capital Corporation Fund	60.2
Permanent Fund Earnings Reserve	
Account NOTE: EXCLUDES PRINCIPAL	4,351.1
Alaska Capital Income Fund	63.8
Alaska Higher Education Investment Fund	433.3
Public Education Fund	1,202.7
Revenue Sharing Fund	180.0
Power Cost Equalization Fund	873.9
Totals	22,401.0

Source: Leg Fin FY14 and FY 15 Summary of Appropriations (Page 4)

\$12 b year 0: \$5 b in, 5 b out







- 4 slides to set the stage

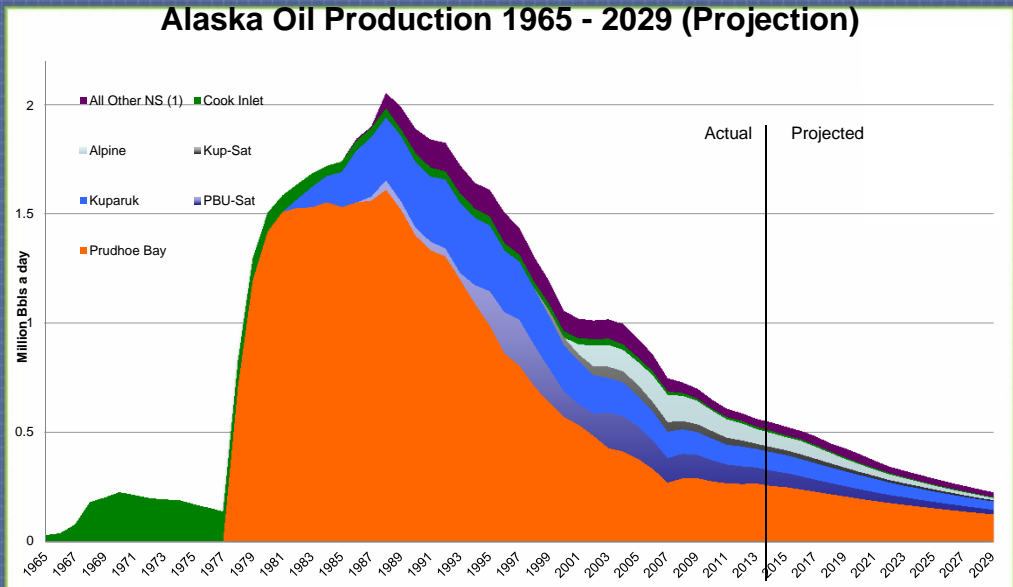
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1 of 4 Pictures to Set the Stage Alaska Oil Production 1965 - 2029 (Projection)



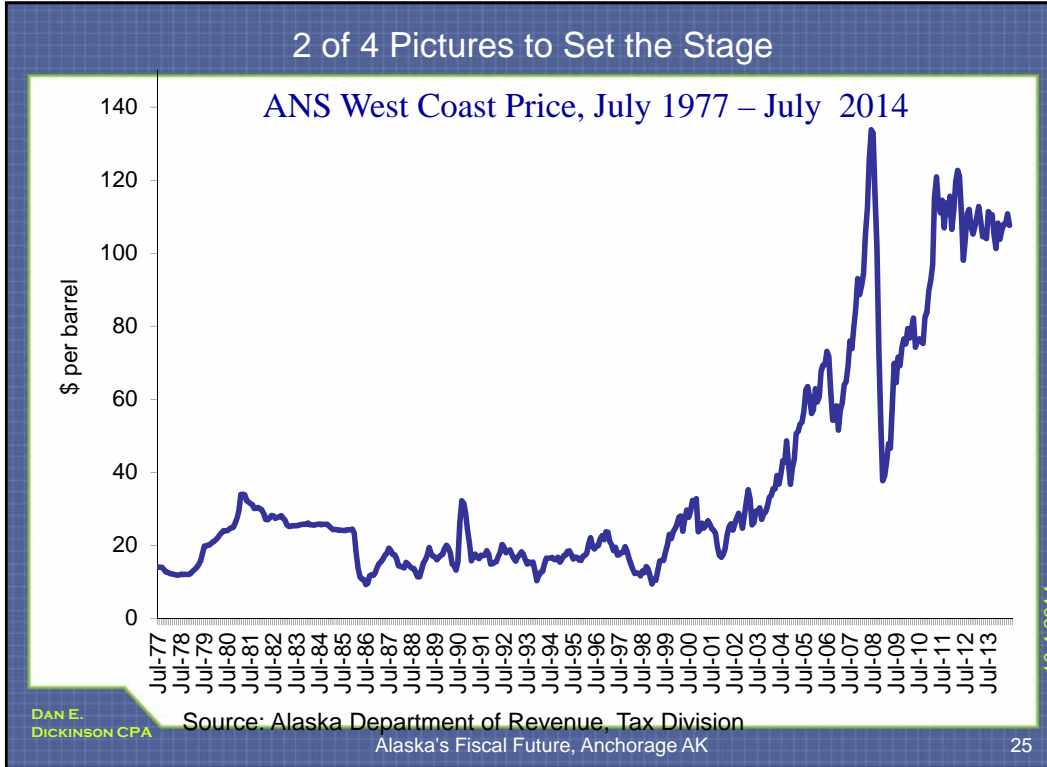
Source: Alaska Department of Revenue, Fall 2013 Revenue Sources Book & earlier RSB, DNR 2007 Oil and Gas Report (projected out to 2029)
 (1) Cook Inlet, Duck Island, Milne Point, Liberty, Pt Thomson, Fiord, Nanuq, Oooguruk, Nikaitchuq and NPRA.

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3 of 4 Pictures to Set the Stage

State of Alaska General Fund Revenues (& WC ANS price)

	FY 2007	FY 2008	FY 2009
Average ANS WC Price/bbl	\$ 61.63	\$ 96.51	\$ 68.34
<i>figures in \$000,000:</i>			
O&G Production Tax	2,292.3	6,879.0	3,112.0
O&G Income Tax	594.4	605.8	492.2
O&G Property Tax	65.6	81.5	111.2
O&G Royalties	1,613.0	2,446.1	1,465.6
O&G Subtotal	4,565.3	10,012.4	5,181.0
All Other GF Sources	675.2	780.0	650.2
Total GF	5,240.5	10,792.4	5,831.2
Thousands bbls a day:	750	730	702
O&G as % of State GF Rev	88%	93%	90%

SOURCE: SOA DOR Fall 2007, Fall 2008 & Fall 2009 Revenue Sources Book

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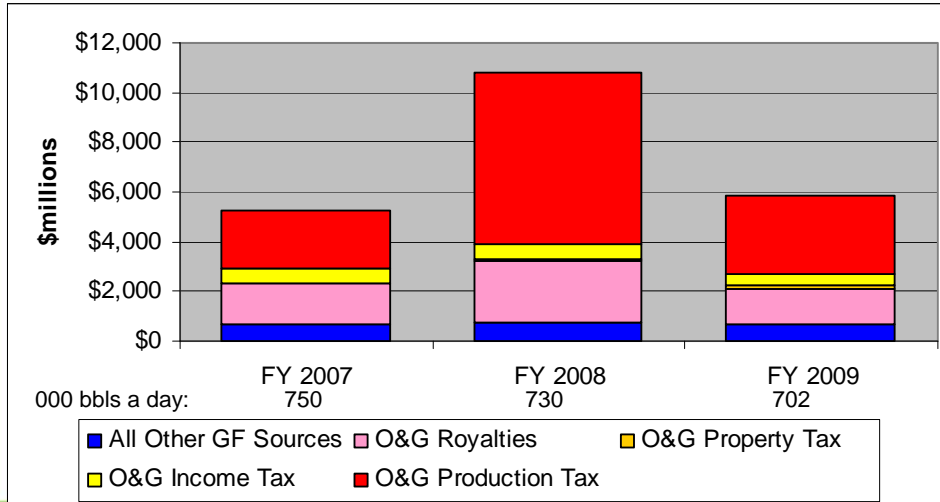
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3 of 4 Pictures to Set the Stage

State of Alaska General Fund Revenues

WC ANS price: \$61.63 \$96.51 \$68.34



SOURCE: SOA DOR Fall 2007, Fall 2008 & Fall 2009 Revenue Sources Book

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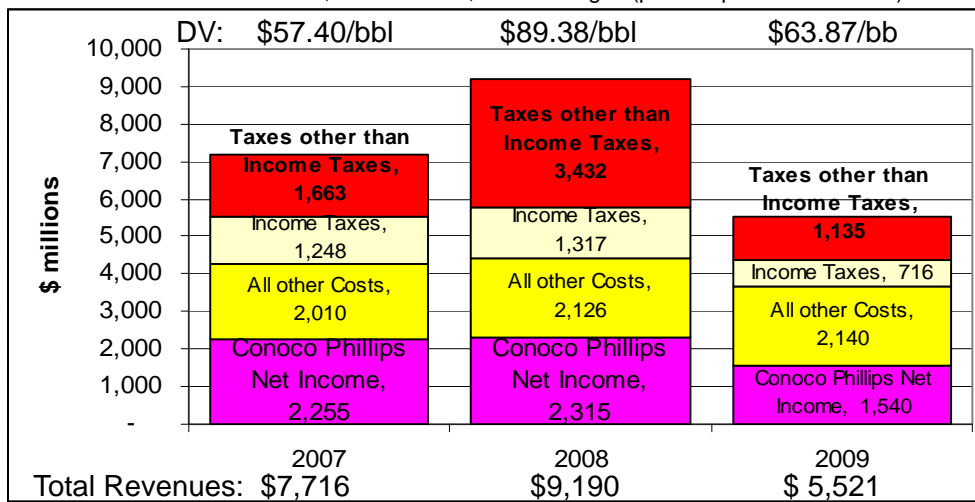
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Transition: Why Large Producers didn't like ACES

ConocoPhillips Revenues (and uses) for Alaska Segment

• Caution – Calendar Year, GAAP based, include CI gas (product price are US total)



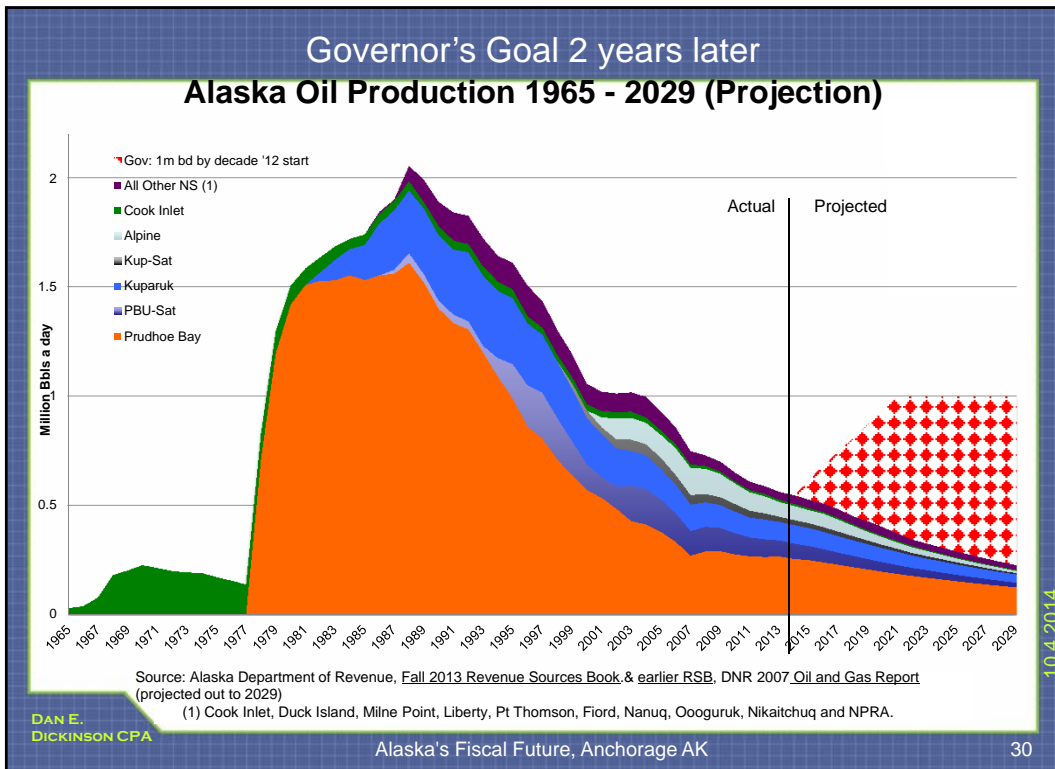
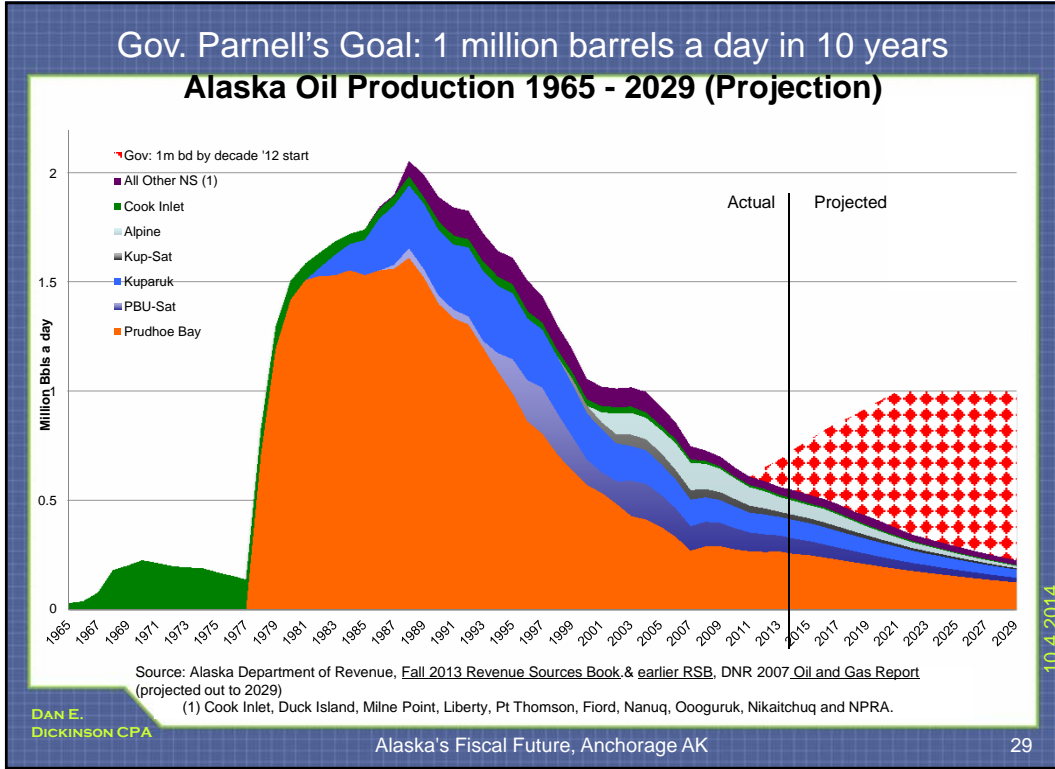
Source: CP 10K filings, pages 40, 41, 148, 149, 150

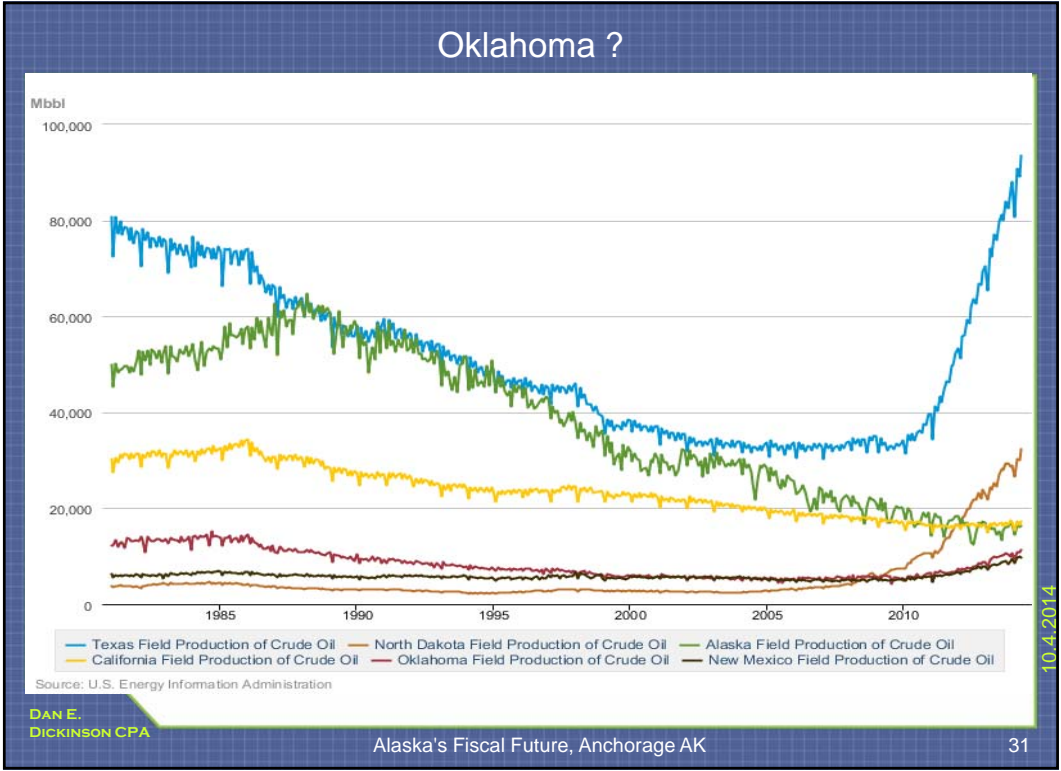
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Thank You

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