



State of Alaska Update on Fiscal Outlook

Alaska Common Ground
May 4, 2020



Legislative Finance Division

www.legfin.akleg.gov

Outline

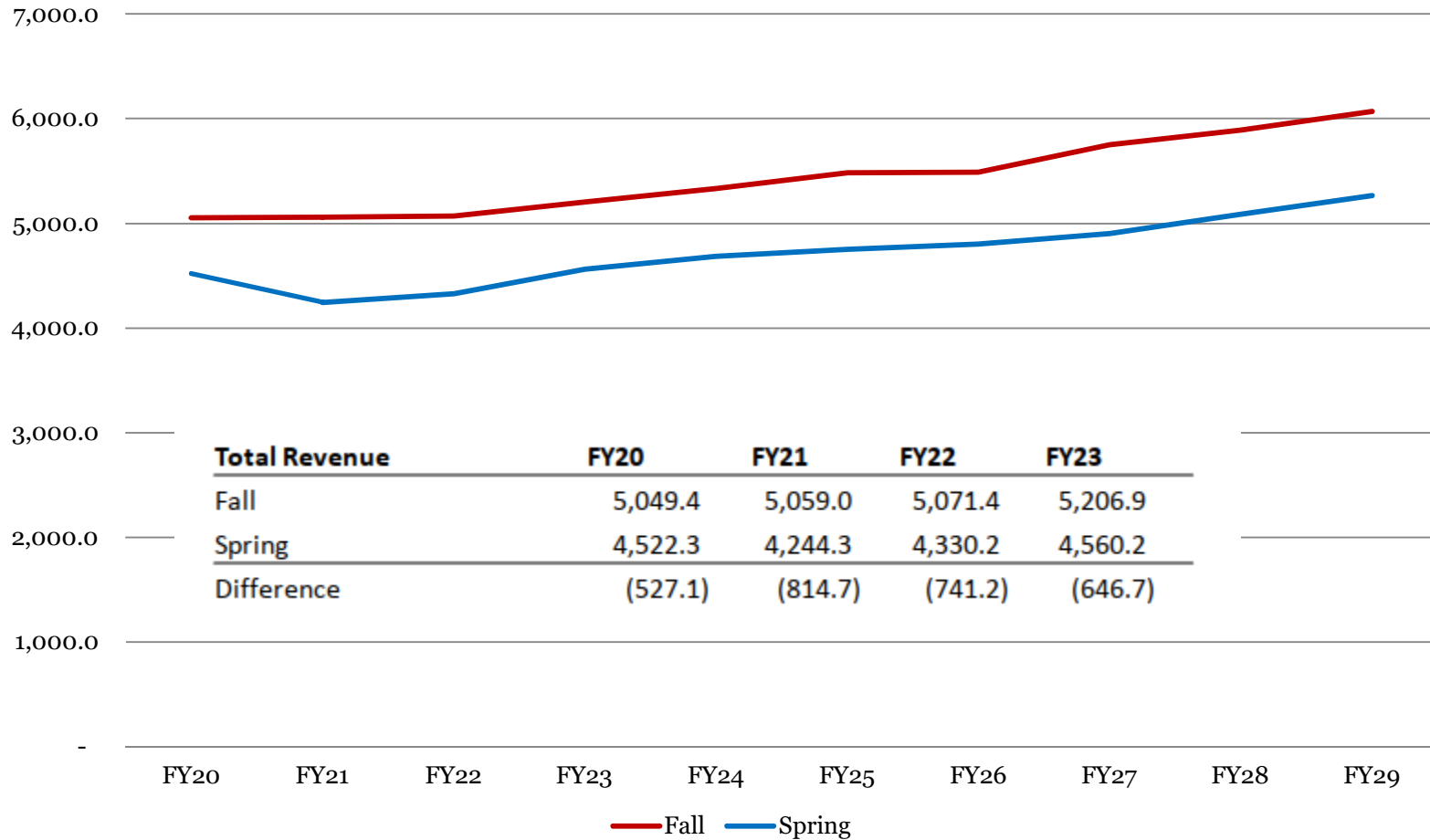
- Alaska's FY20 and FY21 state funded budget
- Alaska's fiscal reserves
- Options to address the growing structural budget deficit
- Federal aid for the State of Alaska

Revenue Forecast

- DOR Spring Revenue Forecast assumes \$51.65/bbl average oil price in FY20 down from \$63/bbl
- In FY21 Spring Forecast is \$37/bbl down from \$59/bbl
- Optimistic given the \$10/bbl price range and supply and demand expectations
- Production forecast is optimistic given known reductions
- 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

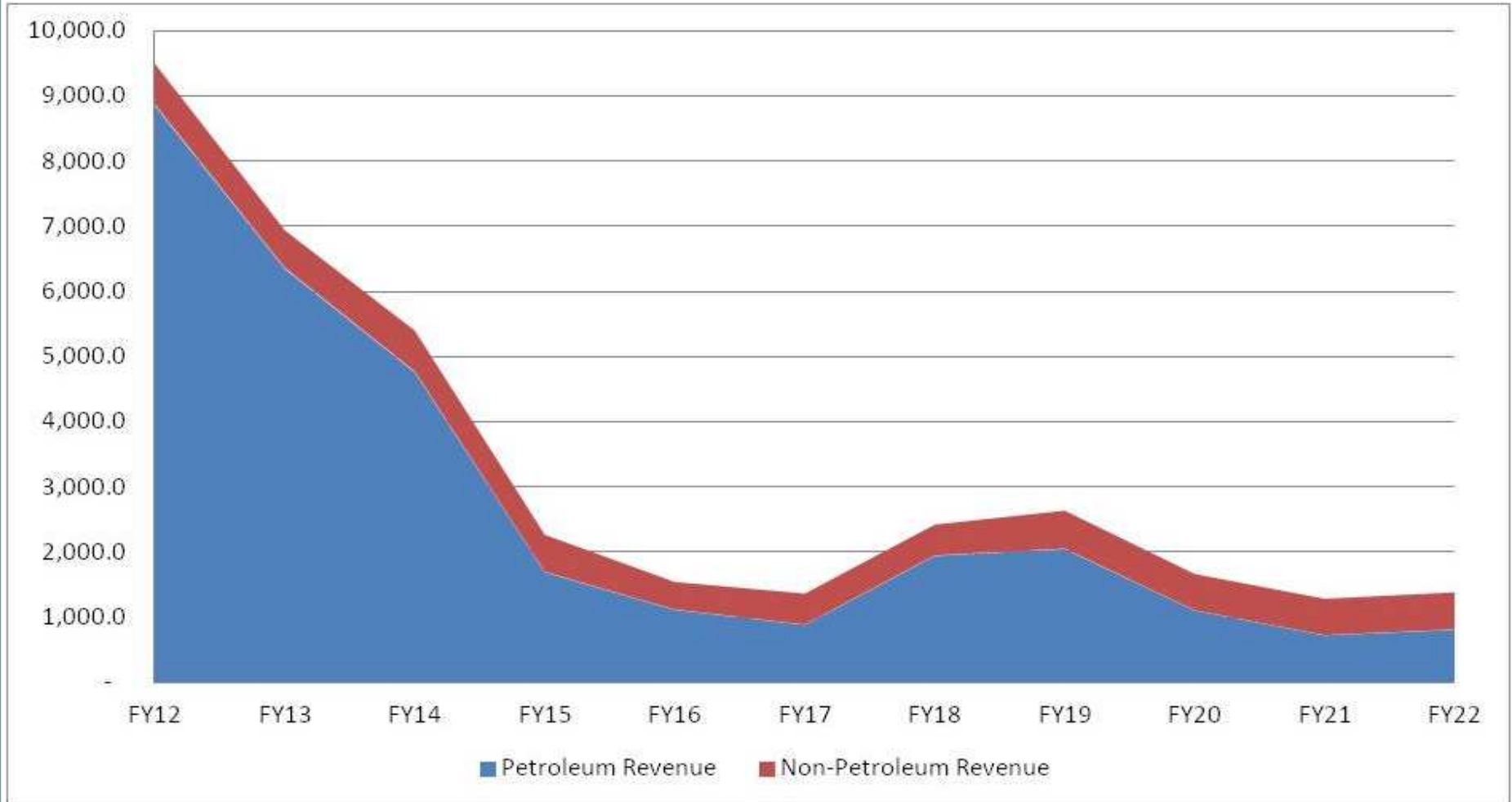
Spring Revenue Forecast (cont.)

Fall to Spring Forecast Comparison



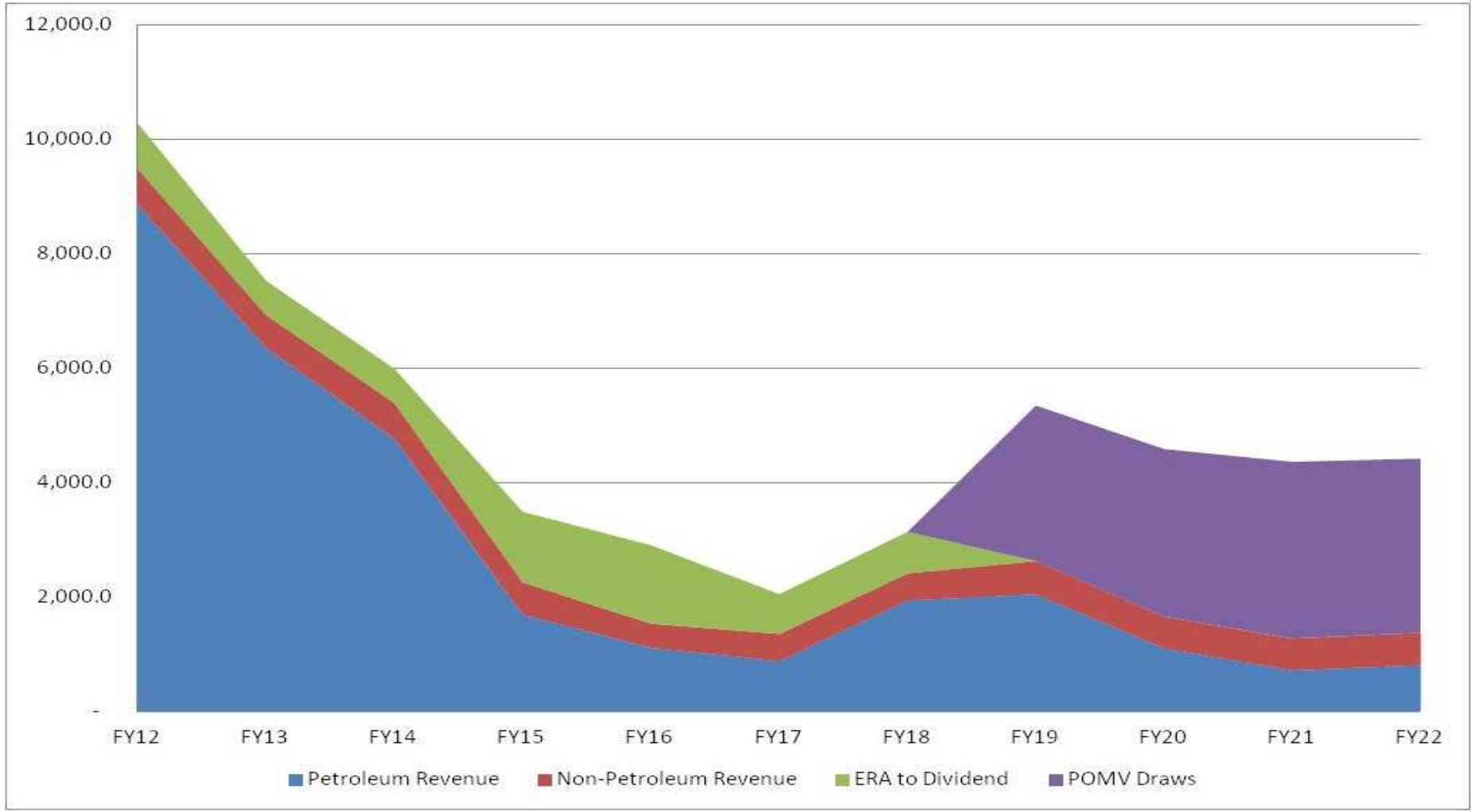
Spring Revenue Forecast (cont.)

FY12-22 Revenue Collapse



Spring Revenue Forecast (cont.)

FY12-22 Revenue Collapse

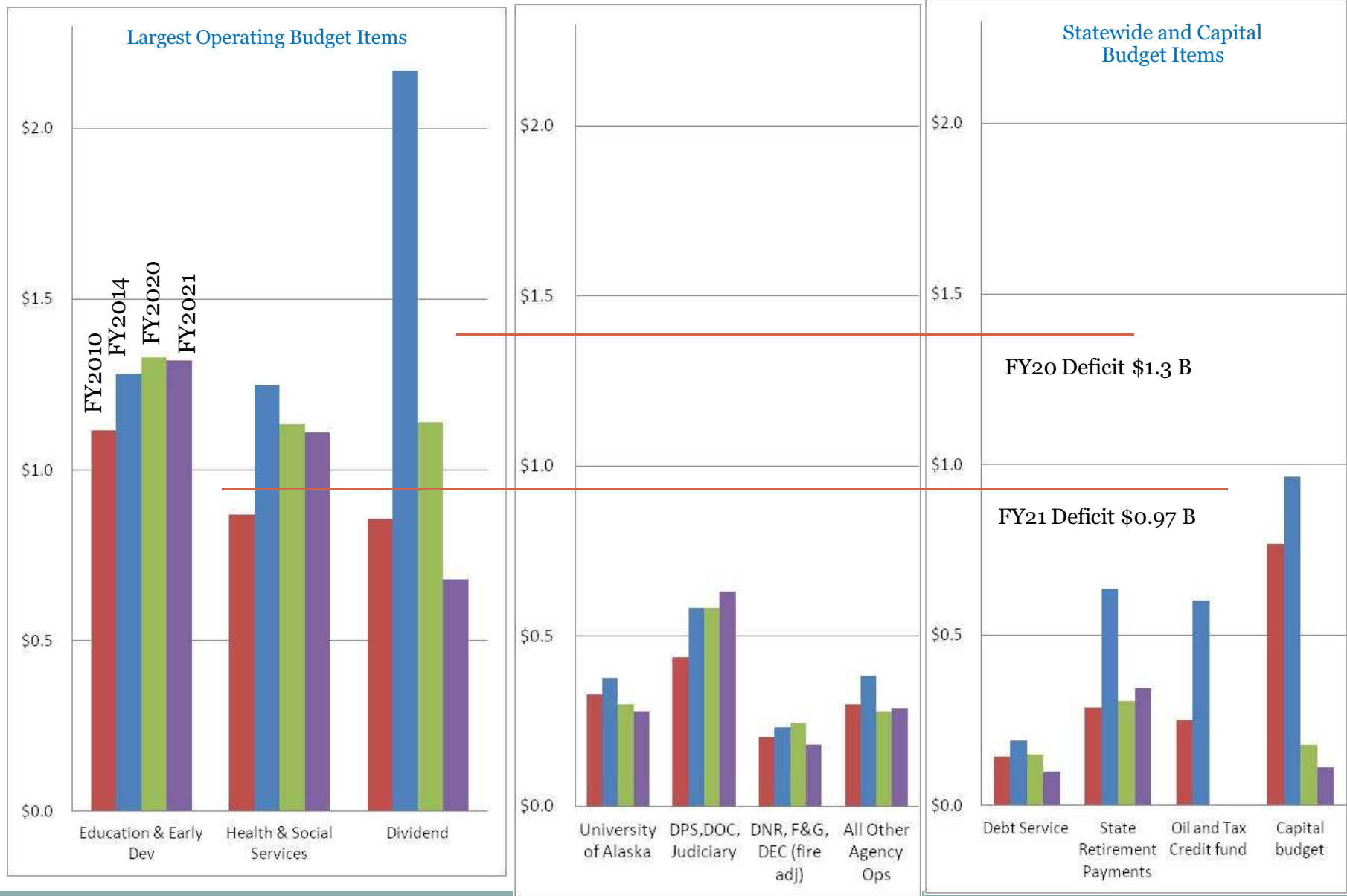


Updated Fiscal Summary

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

	FY20	FY21
Revenue	\$4,560.5	\$4,244.3
Budget	5,474.4	5,152.2
Supplementals	399.2	-
Total	5,873.6	5,152.2
SBR/CBR Draw	(\$ 1,313.1)	(\$ 968.2)

State of Alaska Budget FY10, FY14, FY20, FY21



Budget Reserves

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

Constitutional Budget Reserve

	FY20	FY21
Start Balance	\$2,293.7	\$1,421.1
Deposits/earnings	268.1	84.5
Draws	(1,140.7)	(968.2)
End Balance	\$1,421.1	\$537.4

- The CBR balance includes \$464.9 million that is currently held in the General Fund as short-term cashflow borrowing. Excluding that amount, the CBR balance would be \$72.5 million

Permanent Fund Status

Permanent Fund Value and Funding Draws (in billions)

	PF Earnings Reserve Account	Total Permanent Fund Value	Dividend Before POMV	Percent of Market Value Draw (POMV)
FY16	\$8.3	\$53.5	(\$1.41)	
FY17	\$10.9	\$59.8	(\$0.70)	
FY18	\$16.5	\$64.9	(\$0.73)	
FY19	\$16.1	\$66.3		(\$2.72)
<i>FY20</i>	<i>\$11.7</i>	<i>\$63.2</i>		<i>(\$2.93)</i>
<i>FY21</i>	<i>\$13.8</i>	<i>\$64.5</i>		<i>(\$3.09)</i>
<i>FY22</i>	<i>\$15.1</i>	<i>\$65.9</i>		<i>(\$3.05)</i>
<i>FY23</i>	<i>\$16.3</i>	<i>\$67.2</i>		<i>(\$3.17)</i>
<i>FY24</i>	<i>\$17.5</i>	<i>\$68.6</i>		<i>(\$3.23)</i>

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

Longer-term outlook

- Extreme 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 B to date), etc.*
- Some funds will flow through the State ~ \$1.4B-\$1.8B
 - Unemployment,*
 - Medicaid,*
 - Public Health,*
 - Community Grants,*
 - Education,*
 - University,*
 - Airports, Transportation*
 - Other Discretionary programs – non-profits,*