

Pre-Fly In Briefing on Budget Stuff

Alaska Chamber
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Today's Discussion . . .

Goal: Provide a sense of the moving parts related to this session's budget discussion

- FY 19 challenge
- Governor's proposal
- How compares to current fiscal year (FY 18)
- What it means
- Some other budget stuff

FY 19 UGF Revenue & Governor's Spending

UGF Only (in millions)	FY 19	
Revenue	2,085.8	Basically ADOR forecast: 526,000 b/d at \$57/barrel
Spending - Governor's Proposal		
Agency Ops & Formula	3,916.4	
Statewide	514.3	
Capital budget	150.1	
	4,580.8	
Surplus/(Deficit)	(2,495.0)	

Above excludes oil/gas tax credits, \$425M proposed to be funded from CBR (see slide 13), any transfers, PFD 3

Available Reserves to Help Fill \$2.5B Deficit

Reserve Funds Available Beginning of FY 19

(in millions)

Constitutional Budget Reserve	2,187.7	
Statutory Budget Reserve	172.4	
Total	2,360.1	
Amount of UGF Deficit	-2,495.0	
Surplus/(Deficit)	-134.9	After spending reserves down to zero

Budget Proposals That Require Legislation

- 1.5% Payroll Tax (HB 281/SB 139) to generate \$800M over 3 years to fund capital projects (HB 282/SB 140)
 - FY 19 revenue of \$200 M; spends \$280 M
- Biennial budget (HB 283/SB 141)
 - Cuts legislators pay if fail to pass budget 90 days
- No funds requested to pay \$206M in statutory minimum purchases of oil and gas tax credits
 - Instead, debt financing legislation is awaiting introduction

The Result: Governor's Budget Package

UGF Only (in millions)

FY 19

Revenue

PF earnings	2,700.0	5.25% POMV; includes \$819.0 for PFD
Payroll tax	160.0	To fund "Economic Recovery Act"
Motor fuels tax	40.0	
Other revenues	2,115.7	
Total Revenue	5,015.7	

Spending - Governor's Proposal

PF Dividends	819.0	
Fiscal notes	29.0	Senior Benefits, Public School Trust, Debt for oil/gas credits
"Economic Recovery Act"	280.0	
Other spending	4,580.8	
Total Spending	5,708.8	

Surplus/(Deficit)

(693.1)

CBR & SBR balances still available

Increases, Shortfalls, Other Issues

- \$170M UGF for FY 18 supplementals
 - \$100M for Medicaid; corresponding \$127M UGF increase in FY 19
- Retirement system contribution shortage
 - Governor anticipates \$61M savings ARM Board setting new percentage and \$25M in savings from proposed change to retiree Rx program
- \$34M increase for “Public Safety Action Plan”
 - \$4.8M troopers, prosecutors
 - \$18M substance abuse treatment
 - \$11M corrections
 - \$500k public defenders

Is Spending Up or Down?

OMB's "Transparency Report"	\$150M below FY 15
OMB's Fiscal Summary	\$257M below FY 18 Management Plan + Supplementals
Leg Finance's Fiscal Summary	\$287M increase above FY 18 Management Plan + Supplementals
Cheryl's "Back of the Napkin"	\$176M increase above FY 18 Management Plan + Supplementals

Counting the Beans Has Gotten Way More Challenging . . .

State of Alaska Fiscal Summary
(\$ millions)

	FY06 Authorized				FY07 Governor's Budget				GF Change
	GF	Federal	Other	Total	GF	Federal	Other	Total	
REVENUE (Excludes Permanent Fund Earnings)									
Unrestricted General Fund Revenue (1)	2,664.0			2,664.0	3,139.3			3,139.3	
Bond Proceeds and Other Borrowing (2)			330.2	330.2			89.3	89.3	
Corporate Dividends (3)			114.9	114.9			105.2	105.2	
Retained Corporate Dividends (3)			(59.9)	(59.9)			(31.9)	(31.9)	
Federal and Other Funds		2,787.8	880.3	7,894.0		2,893.8	1,058.9	3,952.7	
Total Revenue	2,664.0	2,787.8	1,265.5	6,717.3	3,139.3	2,893.8	1,221.3	7,254.4	
APPROPRIATIONS									
Operating	2,225.5	1,683.2	1,022.4	4,931.0	3,131.4	1,800.7	1,039.1	5,971.1	
Agency Operations (Non-Formula) & RPLs	1,310.8	825.2	1,362.1	3,498.1	1,509.7	845.8	1,448.8	3,804.3	
Formula Programs (4)	1,257.5	816.0	148.6	2,222.1	1,445.9	915.0	109.8	2,470.7	
Debt Service	53.1	8.0	241.2	302.4	74.7	9.7	243.3	327.7	
Fund Capitalization	(396.0)	33.9	15.3	(346.8)	73.3	30.1	40.1	143.5	
New Legislation				0.0	27.8			27.8	
Duplicated Authorization (5)			(744.8)	(744.8)	0.0	0.0	(802.9)	(802.9)	
Capital	338.7	1,102.0	238.7	1,679.4	432.1	1,093.1	182.3	1,707.5	93.4
Project Appropriations & RPLs (Revised Programs)	332.2	1,102.0	198.1	1,632.3	429.1	1,093.1	109.5	1,631.8	
Mental Health Projects	6.5	0.0	5.6	12.1	3.0	0.0	3.9	6.9	
Projects Funded with Debt Proceeds			308.2	308.2	0.0	0.0	212.4	212.4	
Duplicated Authorization (5)			(273.2)	(273.2)			(143.5)	(143.5)	
Total Authorization (unduplicated)	2,564.2	2,785.1	1,261.0	6,610.4	3,563.5	2,893.8	1,221.3	7,678.7	
Surplus (Draw From CBR) at Session End	99.8				(424.2)				
ADJUSTMENTS TO REVENUE									
Fall Revenue Forecast (Increase of \$15.84/bbl) (1)	1,145.7			1,145.7					
Public Education Fund used in Subsequent Fiscal Year (6)	416.8			416.8	3.4			3.4	
Other Carryforward from FY05 (6)	41.5	0.9	4.5	47.0					
Total Revenue	4,268.1	0.9	4.5	4,273.5	3,142.7	0.0	0.0	3,142.7	(1,125.4)
ADJUSTMENTS TO AUTHORIZATION									
Public Education Fund used in Subsequent Fiscal Year (6)	416.8			416.8					
Other Carryforward from FY05 (6)	41.5	0.9	4.5	47.0					
Supplemental Placeholder	60.0			60.0	60.0	0.0	0.0	60.0	
Total Authorization (unduplicated)	3,082.6	2,786.0	1,265.5	7,134.2	3,623.5	2,893.8	1,221.3	7,738.7	540.9
Revised Surplus (Draw From CBR)	1,185.5				(480.9)				
Governor's Proposed Uses of the Surplus									
Supplemental Appropriations (7)	180.0			180.0					
Public Education Fund to be used in FY07	565.0			565.0	(565.0)			(565.0)	
Gas Pipeline Ownership (7)	400.0			400.0					
Total Authorization (unduplicated)	4,227.6	2,786.0	1,265.5	8,279.2	3,058.5	2,893.8	1,221.3	7,173.7	
Revised Surplus (Draw From CBR)	40.5				84.1				
Permanent Fund Dividends			610.0	610.0			795.0	795.0	
Deposits to Permanent Fund Principal		1.7	901.0	902.7		0.0	691.0	691.0	
Capital Income Fund			30.0	30.0			28.0	28.0	
TOTAL WITH PERMANENT FUND	4,227.6	2,787.8	2,806.5	9,821.9	3,058.5	2,893.8	2,735.3	8,687.7	

Notes:

- (1) Revenue assumptions are from the Fall 2005 Revenue Sources Book. The oil forecast is .865 million barrels per day at \$57.30 per barrel in FY06 and .843 mbd at \$49.20 per barrel in FY07.
- (2) Money borrowed for FY06 projects and debt service includes \$62.1 million in revenue bonds, \$138 million in Airport bonds, \$20.4 million in COPs, \$85 million in ASLG bonds and \$20 million in line of credit. The FY07 budget includes \$89.3 million in funding from securitization of the tobacco settlement revenue stream, which reduces future revenue.
- (3) Corporate dividends include funds made available to the State by the boards of AHFC, AIDEA, and ASLC. Dividends retained by AHFC for debt service on state capital project bonds are subtracted.
- (4) FY06 appropriations for formula programs exclude \$415 million FY05 capitalization of the Public Education Fund (line 25) that was used for K-12 education in FY05. That amount reduces fund capitalization (on line 14) by \$415 million. FY07 appropriations for formula programs exclude \$565 million of FY05 capitalization of the Public Education Fund. That amount is shown on line 37.
- (5) Duplicated authorizations are in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided.
- (6) Money appropriated in one fiscal year for use in later fiscal years shows as offsetting adjustments to revenue and authorization.
- (7) The Governor has not yet provided details on the how this money is to be used.

State of Alaska Fiscal Summary--FY18 and FY19 (Part 1)

(\$ millions)

	FY18 Management Plan + Governor's Supplemental						FY19 Governor						Change in UGF	
	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	\$	%
REVENUE	2,865.8	1,002.3	3,868.1	727.6	3,965.5	8,561.2	4,815.4	834.7	5,650.1	741.0	3,670.5	10,061.6	1,949.6	68.0%
Unrestricted General Fund Revenue (Dec 17 Forecast) (1)	2,865.8	1,002.3	3,868.1	727.6	3,965.5	8,561.2	4,815.4	834.7	5,650.1	741.0	3,670.5	10,061.6	1,949.6	68.0%
Revenue Adjustments (2)	2,081.8	-	2,081.8	-	-	2,081.8	2,047.1	-	2,047.1	-	-	2,047.1	-	-
Royalties Beyond 25% Constitutional Dedication (3)	-	-	-	-	-	-	(17.8)	-	(17.8)	-	-	(17.8)	-	-
Percent of Market Value Payout from ERA for Government	-	-	-	-	-	-	98.5	-	98.5	-	-	98.5	-	-
Percent of Market Value Payout from ERA for Dividends	-	-	-	-	-	-	1,910.7	-	1,910.7	-	-	1,910.7	-	-
Transfer from ERA for Dividends (FY 18)	780.0	-	780.0	-	-	780.0	818.9	-	818.9	-	-	818.9	-	-
Carryforward, Repairs, and Reappropriations (4)	24.2	35.0	59.2	-	0.8	59.8	-	-	-	-	-	-	-	-
Restricted Revenue (5)	-	987.3	987.3	727.6	3,984.9	5,699.8	-	834.7	834.7	741.0	3,670.5	5,246.2	-	-
APPROPRIATIONS														
TOTAL OPERATING APPROPRIATIONS	4,220.5	960.5	5,180.9	662.0	2,777.1	8,620.1	4,430.7	796.5	5,227.2	640.9	2,660.1	8,528.3	210.2	5.0%
Agency Operations	3,751.1	912.7	4,663.8	583.1	2,749.5	7,996.4	3,916.4	774.2	4,690.7	587.3	2,632.2	7,910.2	165.3	4.4%
Current Fiscal Year Appropriations	3,751.1	912.7	4,663.8	583.1	2,749.5	7,996.4	3,916.4	774.2	4,690.7	587.3	2,632.2	7,910.2	165.3	4.4%
Agency Operations (Non-Formula)	1,793.7	858.5	2,643.2	558.4	926.2	4,121.7	1,825.7	723.1	2,548.8	574.6	921.3	4,044.8	42.0	2.4%
K-12 Foundation and Pupil Transportation (Formula)	1,255.5	-	1,255.5	20.0	20.8	1,296.3	1,249.9	-	1,249.9	23.3	20.8	1,294.0	(5.8)	-0.4%
Medicaid Services (Formula)	564.2	0.5	564.7	8.7	1,185.1	1,738.5	891.4	0.9	892.3	7.4	1,584.0	2,283.8	127.2	22.5%
Other Formula Programs	147.7	55.7	203.4	-	109.1	312.5	149.4	50.2	199.7	(18.0)	108.0	287.7	1.8	1.2%
Revised Programs Legislatively Approved (RPLs)	-	-	-	-	1.0	528.3	-	-	-	-	-	-	-	-
Duplicated Authorization (non-additive) (8)	-	-	-	-	786.1	-	-	-	-	772.7	-	-	-	-
Statewide Items	469.4	47.8	517.1	79.0	27.6	623.7	514.3	22.3	536.6	53.6	27.9	618.1	44.9	9.6%
Current Fiscal Year Appropriations	469.4	47.8	517.1	79.0	27.6	623.7	514.3	22.3	536.6	53.6	27.9	618.1	44.9	9.6%
Debt Service	209.4	18.8	228.0	72.7	5.2	308.0	201.8	22.2	223.8	47.2	5.2	276.3	(7.8)	-3.7%
Fund Capitalization	90.7	0.1	90.9	8.2	22.4	119.5	41.7	0.1	41.8	6.4	22.7	70.9	(40.0)	-54.0%
Community Assistance	8.0	-	8.0	-	-	8.0	-	-	-	-	-	-	(8.0)	-100.0%
Oil & Gas Production Tax Credits	57.0	-	57.0	-	-	57.0	-	-	-	-	-	-	(57.0)	-100.0%
NSAA School Fund	46.5	-	46.5	-	-	46.5	38.7	-	38.7	-	-	38.7	(1.0)	-2.4%
Public Education Fund	(17.0)	-	(17.0)	-	-	(17.0)	-	-	-	-	-	-	17.0	-100.0%
Other Fund Capitalization	2.1	0.1	2.2	6.2	22.4	30.9	2.0	0.1	2.1	6.4	22.7	31.2	(0.0)	-1.1%
State Payments to Retirement Systems	183.5	29.0	192.5	-	-	192.5	271.0	-	271.0	-	-	271.0	107.5	85.7%
Judgments, Claims and Settlements	5.7	-	5.7	-	-	5.7	-	-	-	-	-	-	(5.7)	-100.0%
Duplicated Authorization (non-additive) (8)	-	-	-	14.4	-	14.4	-	-	-	13.9	-	-	-	-
TOTAL CAPITAL APPROPRIATIONS	132.0	28.2	160.2	65.6	1,188.4	1,414.1	150.1	24.7	174.8	100.0	1,010.4	1,285.2	18.1	13.7%
Current Fiscal Year Appropriations	132.0	28.2	160.2	65.6	1,188.4	1,414.1	150.1	24.7	174.8	100.0	1,010.4	1,285.2	18.1	13.7%
Project Appropriations & RPLs	132.0	28.2	160.2	65.6	1,188.4	1,414.1	150.1	24.7	174.8	100.0	1,010.4	1,285.2	18.1	13.7%
Duplicated Authorization (non-additive) (8)	-	-	-	19.6	-	19.6	-	-	-	32.6	-	-	-	-
Money on the Street (includes all fund sources) (7)	138.0	28.2	166.2	30.4	1,188.4	1,447.3	150.1	24.7	174.8	132.6	1,010.4	1,317.8	12.1	8.7%
Pre-Permanent Fund Authorization (unduplicated)	4,352.5	988.6	5,341.1	727.6	3,965.5	10,034.2	4,580.7	821.2	5,402.0	741.0	3,670.5	9,813.5	228.3	5.2%
Permanent Fund Earnings Reserve	760.0	-	760.0	-	-	760.0	818.9	-	818.9	-	-	818.9	58.9	7.7%
Permanent Fund Dividends	760.0	-	760.0	-	-	760.0	818.9	-	818.9	-	-	818.9	58.9	7.7%
Inflation Proofing Deposits to Principal from the ERA	-	-	-	-	-	-	2,398.0	-	2,398.0	-	-	2,398.0	-	-
Inflation Proofing Deposits from ERA to Principal	-	-	-	-	-	-	(2,398.0)	-	(2,398.0)	-	-	(2,398.0)	-	-
Pre-Transfers Authorization (unduplicated)	5,112.5	988.6	6,101.1	727.6	3,965.5	10,794.2	5,399.6	821.2	6,220.9	741.0	3,670.5	10,632.4	287.2	5.6%
Pre-Transfer Balance to/from the CBRSBR (9)	(2,346.8)	-	(2,346.8)	-	-	(2,346.8)	(584.2)	-	(584.2)	-	-	(584.2)	-	-
Revenue Covers	-	-	-	56.1%	-	-	-	-	-	89.2%	-	-	-	-
of Appropriations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Transfers (9)	(64.6)	13.7	(50.9)	-	-	(50.9)	(21.2)	13.4	(7.8)	-	-	(7.8)	43.4	-67.2%
Current Fiscal Year Transfers	(64.6)	13.7	(50.9)	-	-	(50.9)	(21.2)	13.4	(7.8)	-	-	(7.8)	43.4	-67.2%
Undesignated Reserves (Alaska Housing Capital Corp)	(95.8)	-	(95.8)	-	-	(95.8)	(21.8)	-	(21.8)	-	-	(21.8)	(21.8)	-
Statutory Budget Reserve Fund	15.9	2.2	18.1	-	-	18.1	14.8	1.9	16.5	-	-	16.5	96.6	-100.0%
Oil & Hazardous Substance Fund	-	-	-	-	-	-	-	1.0	1.0	-	-	1.0	(1.3)	-8.2%
Renewable Energy Fund	-	10.5	10.5	-	-	10.5	-	10.5	10.5	-	-	10.5	-	-
Vaccine Assessment Account	15.1	-	15.1	-	-	15.1	(14.0)	-	(14.0)	-	-	(14.0)	(29.1)	-192.7%
Alaska Capital Income Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Post-Transfers Authorization (unduplicated)	5,047.9	1,002.3	6,050.2	727.6	3,965.5	10,743.3	5,378.4	834.7	6,213.1	741.0	3,670.5	10,624.6	330.5	6.5%
Post-Transfer Balance to/from the CBRSBR (9)	(2,182.1)	-	(2,182.1)	-	-	(2,182.1)	(563.0)	-	(563.0)	-	-	(563.0)	-	-
Revenue Covers	-	-	-	56.8%	-	-	-	-	-	89.5%	-	-	-	-
of Appropriations	-	-	-	-	-	-	-	-	-	-	-	-	-	-

January 6, 2018

State of Alaska Fiscal Summary-FY18 and FY19 (Part 1)

(\$ millions)

	FY18 Management Plan + Governor's Supplemental						FY19 Governor						Change in UGF	
	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	\$	%
FISCAL YEAR SUMMARY	5,047.9	1,002.3	6,050.2	727.6	3,965.5	10,743.3	5,378.4	834.7	6,213.1	741.0	3,670.5	10,624.6	330.5	6.5%
Agency Operations	3,751.1	912.7	4,663.8	583.1	2,740.5	7,986.4	3,916.4	774.2	4,690.7	587.3	2,832.2	7,970.2	165.3	4.4%
Statewide Items	463.4	47.8	511.1	79.0	27.8	623.7	514.3	22.3	536.6	53.6	27.9	618.1	44.9	9.8%
Permanent Fund Earnings Reserve	760.0	-	760.0	-	-	760.0	818.0	-	818.0	-	-	818.0	58.0	7.7%
Total Operating	4,980.5	960.5	5,940.9	662.0	2,777.1	9,380.1	5,248.8	796.5	6,045.3	640.9	2,860.1	9,347.2	289.1	5.4%
Capital	132.0	28.2	160.2	85.6	1,188.4	1,414.1	130.1	24.7	154.8	109.0	1,090.4	1,289.2	18.1	13.7%
Transfers	(84.6)	13.7	(98.9)	-	-	(98.9)	(21.2)	13.4	(7.8)	-	-	(7.8)	43.4	-87.2%
Supplemental Appropriations (10)	170.1	44.4	214.5	8.1	0.7	223.3	-	-	-	-	-	-	(170.1)	-100.0%
Agency Operations	339.8	0.4	340.2	-	0.7	340.8	-	-	-	-	-	-	(139.8)	
Statewide Items	2.7	30.0	32.7	-	-	32.7	-	-	-	-	-	-	(0.7)	
Community Assistance	-	30.0	30.0	-	-	30.0	-	-	-	-	-	-	-	
Katina Lake Road	0.4	-	0.4	-	-	0.4	-	-	-	-	-	-	(0.4)	
Judgments, Claims and Settlements	0.3	-	0.3	-	-	0.3	-	-	-	-	-	-	(0.3)	
Capital	6.0	-	6.0	8.1	-	14.1	-	-	-	-	-	-	(8.0)	
Fund Transfers	23.9	14.0	37.9	-	-	37.9	-	-	-	-	-	-	(23.9)	
AMHS Fund	23.9	-	23.9	-	-	23.9	-	-	-	-	-	-	(23.9)	
Renewable Energy Fund	-	14.0	14.0	-	-	14.0	-	-	-	-	-	-	-	
Governor's Legislation and Supermajority Votes (11)														
Revenue	-	-	-	-	-	-	200.3	-	200.3	-	-	200.3		
Alaska Economic Recovery Act Revenue	-	-	-	-	-	-	180.0	-	180.0	-	-	180.0		
Motor Fuel Tax	-	-	-	-	-	-	40.3	-	40.3	-	-	40.3		
Changes in Expenditures	-	-	-	-	-	-	309.0	8.0	317.0	18.0	98.0	433.0		
Fiscal Note for Public School Trust Fund	-	-	-	-	-	-	(18.0)	-	(18.0)	18.0	-	-		
Fiscal Note for Senior Benefit Payment Program	-	-	-	-	-	-	20.0	-	20.0	-	-	20.0		
Fiscal Note for Oil & Gas Tax Credits Financing	-	-	-	-	-	-	27.0	-	27.0	-	-	27.0		
Alaska Economic Recovery Act Spending	-	-	-	-	-	-	280.0	8.0	288.0	-	98.0	386.0		
Total Revenue with Governor's Legislation	2,865.8	1,002.3	3,868.1	727.6	3,965.5	8,561.2	5,015.7	834.7	5,850.4	741.0	3,670.5	10,261.9	2,149.9	75.0%
Total Auth with Governor's Legislation + Supps	5,218.1	1,002.3	6,050.2	727.6	3,965.5	10,743.3	5,687.4	842.7	6,530.1	759.0	3,768.5	11,057.6	469.4	9.0%
Transfer from CBR (12)	2,352.2	-	-	-	-	-	425.5	-	-	-	-	-		
Transfer from SBR (12)	-	-	-	-	-	-	172.4	-	-	-	-	-		
Remaining Deficit (12)	-	-	Revenue Covers	54.9%	of Appropriations		(73.8)	Revenue Covers	88.2%	of Appropriations				

Notes:

January 6, 2018

- The Department of Revenues Fall 2017 oil forecast for FY18 is 0.533 mbd at \$56.00 per barrel; the FY 19 forecast is 0.528 mbd at \$57.00 per barrel.
- There are two adjustments to the revenue forecast due to late corporate dividend announcements: AHFC is reduced by \$12.8 million and AIDEA is reduced by \$5.3 million.
- The FY18 revenue forecast reflects the minimum (25%) deposit to the Permanent Fund. The forecast for FY19 has an additional \$66.5 million going to the Permanent Fund, while the Governor's budget proposes reducing the deposit to the minimum required, thereby increasing general fund revenue.
- Carryforward is money that was appropriated in a prior year that is made available for spending in a later year via multiyear appropriations. Receipts increase revenue by reducing prior year authorization. Total carryforward into FY19 will be unknown until the close of FY18. Reappropriations to operating budget funds are counted as UGF revenue.
- Restricted revenue equals spending for each category. Designated general funds include: 1) program receipts that are restricted to the program that generates the receipts and 2) revenue that is statutorily designated for a specific purpose. Other funds have stricter restrictions on usage, and federal funds originate from the federal government and can be used only for a particular purpose.
- Duplicated authorization is in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided. Duplicated authorization also includes the expenditure of bond proceeds when debt service on bonds (which includes repayment of principal) will be reflected in future operating budgets.
- Including duplicated fund sources in the amount of capital spending provides a valuable measure of "money on the street" because it includes projects funded with bond proceeds and other duplicated fund sources.
- The post-transfer deficit for FY18, estimated to be \$2.2 billion, will be drawn from the Constitutional Budget Reserve. The FY19 deficit will be drawn from the CBR, SBR, and other sources (see note 12).
- "Fund Transfers" refer to appropriations that move money from one fund to another within the Treasury. Although transfers are not true expenditures, they reduce the amount of money available for other purposes so must be included in the calculation of the surplus/deficit. For reserve accounts, a positive number indicates a deposit and a negative number indicates a withdrawal. When money is withdrawn and spent, the expenditure is included in the operating or capital budget, as appropriate.
- Typically, supplemental requests are not included in the Governor's December 15 budget submission. The Governor submitted several supplemental items in the operating budget, but has until the 15th day of the legislative session to submit all supplemental requests. The CBR vote for the FY18 budget allowed for up to \$200 million of supplemental appropriations.
- The Governor's budget includes several items that require additional legislation to enact, which are listed here. In addition, the Governor's budget directly paid for items out of the CBR, which requires a supermajority vote. For clarity, these items are shown as a typical CBR draw.
- The Governor's budget has a fixed CBR draw of \$425.5 million. The SBR contains \$172.4 million, so draws from it must be limited to that amount. That leaves a remaining deficit of \$73.8 that is unaddressed in the Governor's budget.

Translating Budget Speak . . .

- “Capacity Budget”
 - To help with “timely” passage of budget (or, not have to send out pink slips), Governor proposes to fund department budgets, debt service, capital budget from fund sources that require majority vote
 - \$425M in funding would come from CBR, which requires $\frac{3}{4}$ vote
 - Contribution to retirement accounts, REAA school construction, \$27M in oil and gas tax credits, some debt service
 - Compares to practice of open-ended appropriation from CBR for entire budget

More Budget Speak . . .

- OMB New “Budget Transparency Report”
 - Counts spending that uses one-time funding for recurring program costs
 - Reclassifies previous UGF to DGF so it would appear as a budget “cut”
 - Counts supplementals in year used/not appropriated
 - Reappropriations—counts new purpose spending in year being spent
- Leg Finance’s “Misused Fund Transactions”
 - Funds used outside of statutorily designated purpose
 - FY 18 \$63M was used in this way; \$34M proposed in FY 19
 - Alaska Scholars fund used to fund WWAMI, State Library operations, Retirement System contribution

Steps in Right Direction

- Lease cost savings through space consolidation
- Shared Services
 - IT
 - Commodity purchases
- No COLA in new collective bargaining agreements
- State employees sharing in cost of health insurance

In the end, the bottom line?

1. For first time in many years, not enough in CBR to cover the deficit
2. PF earnings alone (after paying a dividend) aren't even enough to cover the deficit
3. Proposed Payroll Tax increases the deficit because it, and more, is spent on capital projects
4. If use PF earnings--and spending is restrained—CBR may help cover deficit for about 3 years

The challenge: enough votes to make real cuts that reduce footprint of government.

Other Reserve Accounts

Projected Balances - Beginning of FY 19

(in millions)

Power Cost Equalization Endowment	979.8
Alaska Higher Education Investment Fund	339.4
Community Assistance	90.0
Total	1,409.2