

LEGISLATIVE UPDATE 2020



2020 ELECTION ANALYSIS

What we know at this point as a result of Alaska elections and the organization of the House and Senate ? Still unclear....

- Majority in Alaska House of Representatives
- Majority in the Alaska State Senate
- Organization

The Legislature will convene on January 19, 2021

BRIEF RECAP OF LAST YEAR

- State facing \$1 billion deficit, plus several hundred million supplementals
- COVID-19 causes limited access and focus
- PFD remained unresolved
- Governors appointees not confirmed
- Incomplete Capital Budget

FY 2021 INCOMPLETE CAPITAL BUDGET

- Most of the FY 21 capital budget was contained in HB 205, the operating budget
- A significant portion of the typical capital budget has not yet been appropriated
- Early appropriation of the outstanding items is desirable to maximize the 2021 construction season.

FY 2022 BUDGET OUTLOOK

FY22 Budget Preview: Current Law

	FY20	FY21	FY22
UGF Revenue (10/2 DOR)	4,514.4	4,266.2	4,362.2
Agency Operations	3,739.1	3,913.0	3,913.0
Statewide Items	479.4	446.3	630.2
Capital Budget	144.3	120.3	150.0
Supplemental Placeholder	399.2	50.0	50.0
Permanent Fund Dividend	1,068.9	680.0	2,024.0
UGF Spending Total	5,830.9	5,209.6	6,767.2
Fund Transfers (excl. CBR/SBR)	15.8	30.4	15.6
Deficit	(1,332.3)	(973.8)	(2,420.6)

or,

FY22 Budget Preview: Current Policy

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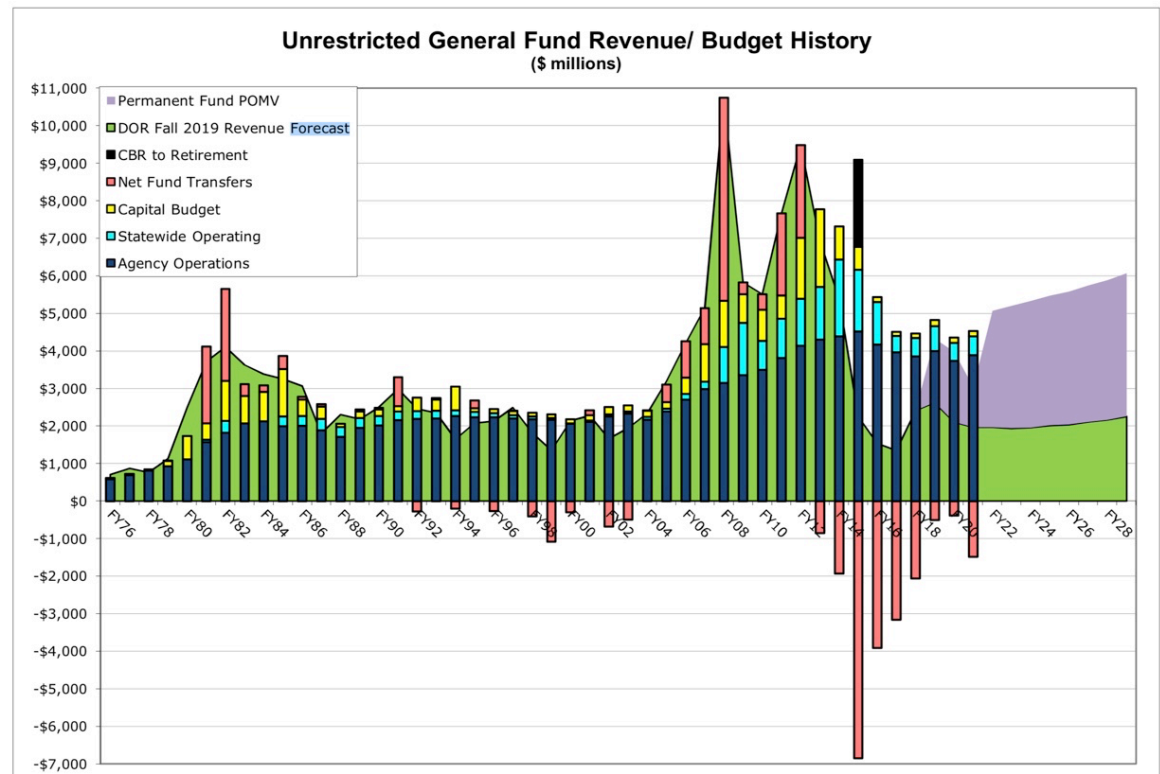
STATUS QUO SCENARIO

Status Quo Scenario

FY2021 – CBR is depleted. Appropriations needed to access other funds

Current Estimates of Cash Flows June 17, 2020					
	2020	2021	2022	2023	2024
POMV	\$ 2,933.1	\$ 3,091.5	\$ 3,048.0	\$ 3,164.0	\$ 3,224.0
UGF	\$ 1,584.8	\$ 1,109.0	\$ 1,241.1	\$ 1,396.2	\$ 1,462.9
Total Revenue	\$ 4,517.9	\$ 4,200.5	\$ 4,289.1	\$ 4,560.2	\$ 4,686.9
Agency	\$ 4,092.4	\$ 3,911.7	\$ 3,956.7	\$ 3,986.7	\$ 4,016.7
Statewide	\$ 534.8	\$ 506.7	\$ 513.2	\$ 560.6	\$ 561.6
Capital	\$ 177.5	\$ 120.4	\$ 150.0	\$ 150.0	\$ 150.0
Total Budget	\$ 4,804.7	\$ 4,538.8	\$ 4,619.9	\$ 4,697.3	\$ 4,728.3
PFD	\$ 1,068.9	\$ 680.0	\$ 2,121.4	\$ 2,226.6	\$ 1,996.0
Deficit/Surplus	\$ (1,355.7)	\$ (1,018.3)	\$ (2,452.2)	\$ (2,363.7)	\$ (2,037.4)
CBR BOY	\$ 1,828.8	\$ 913.4	\$ (20.4)	\$ (2,472.6)	\$ (4,836.3)
Deposits	\$ 268.1	\$ 84.5	\$ -	\$ -	\$ -
Draw	\$ (1,183.5)	\$ (1,018.3)	\$ (2,452.2)	\$ (2,363.7)	\$ (2,037.4)
EOY	\$ 913.4	\$ (20.4)	\$ (2,472.6)	\$ (4,836.3)	\$ (6,873.7)
Oil Price - \$/bbl	\$ 52.02	\$ 41.04	\$ 43.94	\$ 44.00	\$ 46.00

BUDGET HISTORY



ORDINARY BUDGET? NOT LIKELY...

- Decline in the price and production of Oil
 - Loss of revenue due to COVID-19 the pandemic
 - Permanent Fund Dividend formula
 - Permanent Fund Investment returns are lower than anticipated.
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- ***Commonwealth North Budget tool at <https://bit.ly/CWNfiscal>***

EMERGING BUDGET ISSUES CONTINUE

- State assistance to retirement (PERS/TERS)
- Debt service
- School bond debt reimbursement
- REAA fund deposit
- Community Assistance
- Oil and gas tax credits

POTENTIAL REDUCTIONS

- Community Assistance
- School Bond Debt Reimbursement
- Reverse Sweep
- Power Cost Equalization
- PERS/TERS Indebtedness
- Cost Shifting of Essential Services to Local Government
- Shared Taxes
- Permanent Fund Dividend Reduction or Elimination
- School Consolidation
- Alaska Marine Highway Systems
- Repeal of Debt Reimbursement for Capital Projects

POWER COST EQUALIZATION (PCE)

What should be considered when discussions commence to eliminate the Power Cost Equalization (PCE) program.

- Established in 1985 to assist rural residents with energy costs
- At that time, urban communities benefited from state-subsidized energy projects such as the Four Dam Pool and Bradley Lake
- PCE program directly subsidizes high energy costs for rate payers

CONSTITUTIONAL BUDGET REVERSE SWEEP

- Municipal Capital Project Matching Fund
- Marine Highway System Fund
- Vessel Replacement Fund
- Test Fisheries Receipt
- State Land Restoration
- Technical Vocational Education Program (TVEP)
- Workers Safety and Compensation Administration
- Alcohol & Other Drug Abuse Treatment and Prevention Fund
- Motor Fuel Tax

And many others

POSSIBLE CONSIDERATIONS – BROAD POLICIES

- Use of current reserves
- Implementation of broad-base tax
- Reduction or elimination of the Permanent Fund Dividend (PFD)
- Cost shifting to Local Governments
- Implementation of a new spending cap

ACTIONS – WHAT CAN YOU DO?

- Advocate for alternative solutions, including new revenues sources
- Identify municipal impacts and solutions for reduced funding
- Hold town hall meetings to provide knowledge and facts
- Express the merit to Alaskans in your community to be involved

QUESTIONS?

