

# State of Alaska

# Office of Management and Budget

**FY2023 Governor's Budget**  
**Association of Alaska School Boards**  
**February 13, 2022**

**Neil Steininger, Director**



# Budget Lookback

	FY2019 Authorized	FY2022 Auth and Supp	FY2023 Governor	FY2019 to FY2023 UGF Change	
<b>Revenue</b>	<b>UGF</b>			<b>Change</b>	<b>%</b>
Traditional Revenue <sup>1</sup>	2,683.4	2,662.7	2,577.2	(106.2)	(4.0%)
POMV Draw for Government	1,699.5	1,534.3	1,680.3	(19.2)	(1.1%)
Other Adjustments	15.3	672.7	375.4	360.1	2353.6%
<b>Total Revenue</b>	<b>4,398.2</b>	<b>4,869.7</b>	<b>4,632.9</b>	<b>234.7</b>	<b>5.3%</b>
<b>Expenditures</b>	<b>UGF</b>			<b>Change</b>	<b>%</b>
Total Operating	4,685.7	4,390.5	4,451.4	(234.3)	(5.0%)
Agency Operations	4,022.2	3,927.9	3,933.6	(88.6)	(2.2%)
Statewide Operations	663.5	462.6	517.8	(145.7)	(22.0%)
Total Capital	168.0	335.9	154.7	(13.3)	(7.9%)
<b>Final Budget</b>	<b>4,853.7</b>	<b>4,726.4</b>	<b>4,606.1</b>	<b>(247.6)</b>	<b>(5.1%)</b>
<b>Surplus/(Deficit)</b>	<b>(455.5)</b>	<b>143.3</b>	<b>26.8</b>	<b>482.3</b>	
<b>PFD</b>				<b>Change</b>	<b>%</b>
Total Transfer	1,023.5	1,535.0	1,680.3	656.8	64.2%
Dividend Per Person	\$1,600	\$2,330	\$2,564	\$964	60.3%

<sup>1</sup>Based on Department of Revenue Official Fall Forecast released 12/15/21. DOR released an updated revenue outlook on 1/19/22 that increased UGF revenue by \$281.1m in FY22 and \$466.6m in FY23 and increased the UGF surplus accordingly.

# Major Budget Changes

## From FY2019 to FY2023

- Reduced the overall UGF budget 5.1%
  - All state funds (UGF and DGF) down ~7%
- Reduced agency operating budgets 2.2%
- Approximately \$100m UGF saved in retirement payments
- Held Medicaid flat – Down \$5m UGF
- Reopened highway maintenance stations
- Transitioned Alaska Marine Highway to a calendar year budget to provide schedule certainty
- Made significant investments in public protection

# FY22 and FY23 Revenue

Revenues	UGF	FY2022 Total	UGF	FY2023 Total	UGF Change	UGF %
<b>Unrestricted Revenue<sup>1</sup></b>	<b>2,662.7</b>	<b>2,662.7</b>	<b>2,577.2</b>	<b>2,577.2</b>	<b>(85.5)</b>	<b>-3%</b>
Petroleum	2,274.6	2,274.6	2,082.3	2,082.3	(192.3)	-8%
Non-Petroleum	375.1	375.1	476.1	476.1	101.0	27%
Investment	13.0	13.0	18.8	18.8	5.8	45%
<b>POMV ERA Draw For Government</b>	<b>1,534.3</b>	<b>1,534.3</b>	<b>1,680.3</b>	<b>1,680.3</b>	<b>146.0</b>	<b>10%</b>
Statutory Draw	3,069.3	3,069.3	3,360.6	3,360.6	291.3	9%
Draw Used for PFDs	(1,535.0)	(1,535.0)	(1,680.3)	(1,680.3)	(145.3)	9%
<b>Restricted Revenue</b>	<b>-</b>	<b>6,676.7</b>	<b>-</b>	<b>6,276.9</b>		
<b>Carryforward and Adjustments</b>	<b>672.7</b>	<b>1,911.4</b>	<b>375.4</b>	<b>375.4</b>	<b>(297.3)</b>	<b>-44%</b>
Carryforward	12.0	1,250.7	-	-	(12.0)	-100%
Undesignated Savings (SBR)	410.7	410.7	-	-	(410.7)	-100%
Federal Revenue Replacement	250.0	250.0	375.4	375.4	125.4	50%
<b>Total Revenue</b>	<b>4,869.7</b>	<b>12,821.3</b>	<b>4,632.9</b>	<b>10,909.8</b>	<b>(236.8)</b>	<b>-5%</b>

- FY22 ANS Forecast: Fall Revenue Source Book at \$75.72; Updated DOR Outlook at \$80.37
- FY23 ANS Forecast: Fall Revenue Source Book at \$71.00; Updated DOR Outlook at \$78.17
- ANS price as of January 19th was \$89.49

<sup>1</sup>Based on Department of Revenue Official Fall Forecast released 12/15/21. DOR released an updated revenue outlook on 1/19/22 that increased UGF revenue by \$281.1m in FY22 and \$466.6m in FY23 and increased the UGF surplus accordingly.

# FY22 and FY23 Expenditures

<b>Total Revenue <sup>1</sup></b>	<b>4,869.7</b>	<b>12,821.3</b>	<b>4,632.9</b>	<b>10,909.8</b>	<b>(236.8)</b>	<b>-5%</b>
<b>Expenditures</b>	<b>UGF</b>	<b>FY2022 Total</b>	<b>UGF</b>	<b>FY2023 Total</b>	<b>UGF Change</b>	<b>UGF %</b>
<b>Total Operating</b>	<b>4,348.4</b>	<b>10,615.8</b>	<b>4,451.4</b>	<b>9,206.5</b>	<b>103.0</b>	<b>2%</b>
<b>Agency Operations</b>	<b>3,919.8</b>	<b>9,812.1</b>	<b>3,933.6</b>	<b>8,455.5</b>	<b>13.8</b>	<b>0%</b>
<i>Agency Non-Formula</i>	<i>1,877.1</i>	<i>5,612.6</i>	<i>1,855.3</i>	<i>4,418.6</i>	<i>(21.8)</i>	<i>-1%</i>
<i>Agency Formula</i>	<i>2,042.7</i>	<i>4,135.3</i>	<i>2,078.3</i>	<i>4,037.0</i>	<i>35.7</i>	<i>2%</i>
<b>Statewide Operations</b>	<b>428.6</b>	<b>803.6</b>	<b>517.8</b>	<b>750.9</b>	<b>89.2</b>	<b>21%</b>
<i>Debt</i>	<i>96.7</i>	<i>172.3</i>	<i>156.2</i>	<i>204.0</i>	<i>59.6</i>	<i>62%</i>
<i>Retirement</i>	<i>246.2</i>	<i>246.2</i>	<i>129.6</i>	<i>129.6</i>	<i>(116.6)</i>	<i>-47%</i>
<i>Fund Capitalization</i>	<i>71.1</i>	<i>124.8</i>	<i>231.7</i>	<i>320.4</i>	<i>160.6</i>	<i>226%</i>
<i>Shared Taxes &amp; Other</i>	<i>-</i>	<i>208.0</i>	<i>-</i>	<i>63.2</i>		
<i>Fund Transfers</i>	<i>14.6</i>	<i>18.3</i>	<i>0.3</i>	<i>33.8</i>	<i>(14.3)</i>	<i>-98%</i>
<b>Total Capital</b>	<b>242.9</b>	<b>2,062.2</b>	<b>154.7</b>	<b>1,676.5</b>	<b>(88.2)</b>	<b>-36%</b>
<b>Total Operating + Capital</b>	<b>4,591.3</b>	<b>12,480.5</b>	<b>4,606.2</b>	<b>10,883.0</b>	<b>14.9</b>	<b>0%</b>
<b>FY22 Supplementals/RPLs</b>	<b>135.1</b>	<b>197.5</b>				
<b>Surplus/(Deficit)</b>	<b>143.3</b>	<b>143.3</b>	<b>26.7</b>	<b>26.7</b>		

<sup>1</sup>Based on Department of Revenue Official Fall Forecast released 12/15/21. DOR released an updated revenue outlook on 1/19/22 that increased UGF revenue by \$281.1m in FY22 and \$466.6m in FY23 and increased the UGF surplus to \$424.4m in FY22 and \$493.2m in FY23.

# FY2023 Budget Highlights

- 50/50 PFD without savings draws or deficit
- Mitigates impacts of the CBR Sweep
  - Ensures the budget can be passed without a  $\frac{3}{4}$  super-majority vote
- Use available federal funding to maximize benefit to Alaska
  - Invest in economic development
  - Preserve UGF for future state needs
  - Run a full AMHS schedule
- Over \$30m operating UGF added for public protection

# FY2023 Budget Highlights

- Fully fund school bond debt (\$79.0m UGF) and REAA (\$32.8 UGF)
- Fund construction of a Napakiak K-12 school replacement (\$54.9m)
- Fund scholarships, education grants, and WWAMI from UGF
- \$2.15 billion all funds capital budget
- \$719.9 million investment in capital projects from state, GO bond, and discretionary funds prepares us for influx of federal infrastructure money.



# K-12 Foundation Funding

## K-12 Education

- Fully funded to the \$5,930 base student allocation
- Based on district reported student projections
- Totals \$1.2b

	FY2022 <i>Authorized</i>	FY2023 <i>Projection</i>	Difference
Regular ADM	108,133.22	107,437.12	(696.10)
Correspondence ADM	18,798.30	19,366.55	568.25
<b>Total ADM</b>	<b>126,931.52</b>	<b>126,803.67</b>	<b>(127.85)</b>
<b>Adjusted ADM</b>	<b>258,585.13</b>	<b>256,242.52</b>	<b>(2,342.61)</b>
<u>Funding Sources</u>			
1004 General fund	1,162,308.5	1,142,427.0	(19,881.5)
1043 Federal	20,791.0	20,791.0	-
1066 Public School Trust	31,166.7	32,133.7	967.0
<b>Total</b>	<b>\$1,214,266.2</b>	<b>\$1,195,351.7</b>	<b>(\$18,914.5)</b>

## COVID Education Relief

- Over \$500m in federal relief to districts
  - Nearly \$440m remains unspent
- 10% cap on unreserved fund balances waived till June 30, 2025
  - 26 districts have taken advantage
  - \$163m in unreserved fund balances
- \$602.8m in balances available outside the normal formula



# Projecting State Budgets

Unrestricted General Fund Expenditures	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
<b>Agency Operations</b>	<b>3,927.9</b>	<b>3,933.6</b>	<b>3,932.1</b>	<b>3,987.8</b>	<b>4,043.3</b>	<b>4,100.6</b>	<b>4,157.8</b>	<b>4,217.7</b>	<b>4,277.6</b>	<b>4,339.3</b>	<b>4,401.8</b>
Agency Formula	2,042.6	2,078.4	2,078.1	2,106.0	2,133.3	2,161.9	2,190.0	2,219.5	2,248.4	2,278.6	2,309.3
K-12 Formula	1,233.7	1,215.1	1,215.1	1,233.3	1,251.8	1,270.6	1,289.7	1,309.0	1,328.6	1,348.6	1,368.8
Medicaid	610.6	656.0	656.0	662.6	669.2	675.9	682.6	689.5	696.4	703.3	710.4
Other Formula	198.3	207.2	207.0	210.1	212.3	215.5	217.7	221.0	223.4	226.7	230.2
Agency Non-Formula	1,885.2	1,855.3	1,855.3	1,881.8	1,910.0	1,938.7	1,967.8	1,998.3	2,029.2	2,060.6	2,092.5

## Agency Operating Expenditure Assumptions

**K-12 Formula:** Flat in FY24, 1.5 percent annual expenditure growth applied in FY25+

Population projections indicate a mostly flat student age-population over projection period  
Growth factor allows for potential post-pandemic shift back to brick-and-mortar schooling

**Medicaid:** Flat in FY24, 1.0 percent annual expenditure growth applied in FY25+

Projections in line with population growth with room for provider rate increases

**Other Formula:** Flat in FY24, 1.5 percent annual expenditure growth applied in FY25+

**Agency non-formula:** Flat in FY24, 1.5 percent annual expenditure growth applied in FY25+

## Infrastructure Investments and Jobs Act

- Enacted November 15, 2021
- 5-year reauthorization of established federal programs and new programs
- New program details still pending
- Some program funding appropriated in the bill, others awaiting an FFY22 budget
- Maximizing use in Alaska Marine Highway System to preserve UGF and transition to a sustainable system
- Remaining funds to be addressed when further guidance is received

# 10-Year Fiscal Outlook

Permanent Fund Dividend	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
50-50 Permanent Fund Dividend Transfer	1,534.7	1,680.3	1,800.0	1,904.0	2,009.5	2,128.5	2,172.5	2,214.5	2,254.0	2,291.5	2,328.5
Per capita PFD ( <i>dollars</i> )	\$2,330	\$2,564	\$2,712	\$2,855	\$3,000	\$3,164	\$3,212	\$3,258	\$3,300	\$3,338	\$3,375
Unrestricted General Fund Expenditures	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
Agency Operations	3,927.9	3,933.6	3,933.4	3,987.8	4,043.3	4,100.6	4,157.8	4,217.7	4,277.6	4,339.3	4,401.8
Statewide Items	462.6	517.8	453.2	412.2	242.0	217.9	222.5	221.9	224.5	217.9	222.4
Operating Budget	4,390.5	4,451.4	4,386.6	4,400.0	4,285.3	4,318.6	4,380.2	4,439.6	4,502.1	4,557.2	4,624.2
Capital Budget	335.9	154.7	154.7	154.7	154.7	154.7	154.7	154.7	154.7	154.7	154.7
Total General Fund Appropriations	4,726.4	4,606.1	4,540.0	4,554.7	4,440.1	4,473.3	4,535.0	4,594.3	4,656.8	4,711.9	4,779.0
Unrestricted Revenues	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
Traditional UGF Revenue 12/15/21	2,662.5	2,577.2	2,464.5	2,429.9	2,340.0	2,314.2	2,340.8	2,297.1	2,402.8	2,549.7	2,549.7
<i>Traditional UGF Revenue 1/19/22</i>	<i>2,943.6</i>	<i>3,043.8</i>									
POMV Draw for Government	1,534.7	1,680.3	1,800.0	1,904.0	2,009.5	2,128.5	2,172.5	2,214.5	2,254.0	2,291.5	2,328.5
Revenue Adjustments	672.7	375.4									
Total Revenue	4,869.7	4,632.9	4,264.5	4,333.9	4,349.5	4,442.7	4,513.3	4,511.6	4,656.8	4,841.2	4,878.2
<i>Total Revenue 1/19/22</i>	<i>5,150.8</i>	<i>5,099.5</i>									
Final Surplus/(Deficit) 12/15/21	143.3	26.7	(275.5)	(220.8)	(90.6)	(30.6)	(21.7)	(82.7)	0.0	129.3	99.2
<i>Final Surplus/(Deficit) 1/19/22</i>	<i>424.4</i>	<i>493.4</i>	<i>(275.5)</i>	<i>(220.8)</i>	<i>(90.6)</i>	<i>(30.6)</i>	<i>(21.7)</i>	<i>(82.7)</i>	<i>0.0</i>	<i>129.3</i>	<i>99.2</i>
Reserve Balances	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
CBR End Balance 12/15/21	1,350.6	1,438.4	1,215.4	1,042.7	995.3	1,005.7	1,024.3	982.3	1,022.2	1,192.4	1,336.4
<i>CBR End Balance 1/19/22</i>	<i>1,631.7</i>	<i>2,192.3</i>	<i>1,986.3</i>	<i>1,830.8</i>	<i>1,801.2</i>	<i>1,829.8</i>	<i>1,866.9</i>	<i>1,843.9</i>	<i>1,903.1</i>	<i>2,093.1</i>	<i>2,257.5</i>