

Overview of the FY 2023 budget and the Governor's proposed FY2024 budget

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Fiscal Outlook

Last session, high oil prices provided the state with a significant spike in revenue. The legislature appropriated this revenue to numerous areas including:

1. \$1.2 billion to forward fund education
2. \$1.0 billion to SBR (Statutory Budget Reserve). Governor vetoed this funding resulting in the \$1.0 billion being transferred to the CBR.
3. \$921 million Capital budget spend
4. \$2.1 billion for PFD and the Energy Relief payment.
5. \$665 million on statewide items.
 - Back payment - School bond debt reimbursement
 - Back payment - Oil tax credits
 - Other

How Things Changed – Fast forward

The per barrel price of oil dropped significantly the last 6 months of 2022 creating a huge budget deficit.

Compared to the Spring 2022 Revenue Forecast, the Fall 2022 Forecast projects \$1.1 billion less UGF revenue in FY 2023 (current year)

How is this shortfall addressed?

- To balance the projected FY 2023 (current year) budget shortfall, \$1.1 billion is transferred from the K-12 Education fund. Estimates indicate \$50 million remains in this account. FY 2024 education funding will now be part of the budget/revenue discussions.

What is the FY 2024 anticipated budget surplus/deficit?

- Alaska's current budget breaks even at \$86/barrel
- Dept of Revenue estimates oil to trade \$81/barrel in FY2024.
- The Governor's proposed FY 2024 budget anticipates revenue of \$6.935 billion in Unrestricted General Funds (UGF)
- Projected deficit in FY 2024 is estimated at \$320 million
 1. Includes statutory PFD payment \$3800/resident
 2. Agency operations is \$54.8. (1.3%) above FY 2023 base
 3. Includes \$85 million placeholder for FY2023 supplement spending

How is the FY 2024 deficit offset?

- The FY 2024 deficit of \$322 million is filled with a combination of funds:
 - AARA revenue replacement - \$10.6 million
 - K-12 education forward funding - \$114 million
 - SBR draw - \$19.6 million
 - CBR draw - \$178 million

What about the PFD?

- Governor Dunleavy's FY 2024 budget includes a statutory PFD amount of \$3800
- There are two baselines to consider: current policy and current law
- Current policy assumes a 50/50 PFD plus “possibly” an energy relief payment. Total costs would be \$1.76 billion, paying about \$2700 PFD per recipient. Adding a \$420.1 million energy relief payment would result in a total distribution of \$3,350 per resident.
- Current law assumes a statutory PFD. This would amount to approximately \$3800 per with a total cost of \$2.47 billion.

What is on the table this session

- Increase education funding – BSA
- Increase hiring/retention in all professions including teachers, nurses, law enforcement, correction officers, state employees by making the employee benefits packages more attractive.
- Look at options to address homelessness and housing shortage statewide
- Consider new revenues:
 - Carbon
- Reduce costs to live in Alaska
 - Microreactors for rural areas