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 Governors 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