

FISCAL TRENDS REPORT

1984 - 1990

(UPDATE)

INTRODUCTION

Since the Fiscal Trends Report was prepared in September 1984 and published in the 1985 proposed general government operating budget, a number of factors and assumptions affecting the expenditure and revenue projections have changed. This report identifies those changes, compares the original fiscal trends data with the updated data, and presents an analysis of the impact on per capita costs and revenue shortfall.

SUMMARY OF CHANGES

The following events, assumptions, or calculations have occurred which affect expenditure and revenue projections:

1. The approved 1985 general government operating budget is \$4.2 million more than originally proposed.
2. Capital projects additions and changes in the approved 1985 capital improvement budget resulted in higher operating and maintenance costs than originally proposed.
3. The anticipated rate of inflation has been adjusted from 5% to 4% for expenditure, revenue, and tax limitation calculations.
4. The Assembly provided an interpretation of the method used to calculate the tax limit.
5. Federal revenue sharing is projected to decrease \$0.6 million from 1985 to 1986.
6. State municipal assistance revenue is projected to increase \$1.2 million from 1985 to 1986.
7. The Assembly tentatively set a property tax ceiling of \$74.3 million for the approved 1985 general government operating budget. This is \$1.9 million below the allowed property tax limit. This lower ceiling has an impact on future years by lowering the base for tax limit computations.

The impact of all these changes is that the revenue shortfall originally projected for 1986 has increased from \$4.3 million to \$6.0 million. Also, there is now a revenue shortfall of \$1.9 million projected for 1987.

Options for funding the projected revenue shortfall which could be explored are:

1. Seek full funding of state-shared road maintenance and medical care facilities revenues;
2. Increase or establish new user fees;
3. Seek state support to compensate for federal revenue shortfall;
4. Seek voter approval of new services;
5. Seek new sources of revenues;
6. Seek alternative sponsors for services provided;
7. Reduce the level of future capital improvement projects which have operating and maintenance costs.

Options 1 through 4 are discussed in detail in section III of the original Fiscal Trends Report. Options 5 through 7 are included here as additional alternatives. Combinations of funding options are possible and in some cases are required to meet the revenue shortfall.

DATA

The series of charts on the following pages compares the data on which the original Fiscal Trends Report was based to the data on which this updated report is based.

CONCLUSION

The challenge to meet the service and capital improvement needs for an expanding population and commerce can be met through continued application of creative and balanced fiscal policies. Decisions concerning current fiscal policies need to consider future impact.

ORIGINAL DATA
GENERAL GOVERNMENT
(Including 1985 CIB)

EXPENDITURES
(\$ Millions)

| Budgeted/Projected Expenditures | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|-------|-------|-------|-------|-------|-------|-------|
| Operating Costs | 153.0 | 163.9 | 171.9 | 180.6 | 189.8 | 199.4 | 209.6 |
| Debt Service Existing | 18.6 | 19.2 | 18.8 | 18.3 | 17.8 | 17.4 | 16.1 |
| 1985 CIB | | .8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| Capital O & M Currently Funded | | | 8.8 | 9.6 | 11.7 | 12.3 | 12.9 |
| 1985 CIB | | | .7 | 1.8 | 1.9 | 2.0 | 2.2 |
| Total Expenditures | 171.6 | 183.9 | 202.0 | 212.1 | 223.0 | 232.9 | 242.6 |
| Total Expenditures Adjusted to 1984 Base Year Dollars | 171.6 | 176.1 | 185.1 | 186.0 | 186.9 | 186.6 | 185.6 |

UPDATED DATA
GENERAL GOVERNMENT
(Including 1985 CIB)

EXPENDITURES
(\$ Millions)

| Budgeted/Projected Expenditures | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|-------|-------|-------|-------|-------|-------|-------|
| Operating Costs | 153.0 | 167.1 | 173.5 | 180.7 | 187.9 | 195.7 | 203.7 |
| Debt Service Existing | 18.6 | 19.8 | 18.8 | 18.3 | 17.8 | 17.4 | 16.1 |
| 1985 CIB | | | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| Capital O & M Currently Funded | | | 8.6 | 9.3 | 11.3 | 11.7 | 12.2 |
| 1985 CIB | | | .9 | 2.2 | 2.3 | 2.4 | 2.5 |
| Total Expenditures | 171.6 | 186.9 | 203.6 | 212.3 | 221.1 | 229.0 | 236.3 |
| Total Expenditures Adjusted to 1984 Base Year Dollars | 171.6 | 178.9 | 188.2 | 189.3 | 190.2 | 190.0 | 188.9 |

Note: The 1985 CIB debt service of \$0.8 million is not included in the updated data because the expense is not part of the 1985 approved general government operating budget.

ORIGINAL DATA
GENERAL GOVERNMENT
PER CAPITA EXPENDITURES
(Including 1985 CIB)

EXPENDITURES
(Dollars Per Capita)

| Expenditures | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|------|------|----------|----------|----------|----------|----------|
| Operating Budget | 627 | 651 | 674 | 688 | 699 | 710 | 721 |
| Capital Related | | | | | | | |
| Debt Service | | | | | | | |
| Existing | 76 | 76 | 74 | 70 | 66 | 62 | 56 |
| 1985 CIB | | 3 | 7 | 7 | 6 | 6 | 6 |
| Capital O & M | | | | | | | |
| Currently Funded | | | 35 | 37 | 43 | 44 | 44 |
| 1985 CIB | | | <u>2</u> | <u>6</u> | <u>7</u> | <u>7</u> | <u>8</u> |
| Total Expenditures | 703 | 730 | 792 | 808 | 821 | 829 | 835 |
| Total Expenditures Adjusted to 1984 Base Year Dollars | 703 | 699 | 726 | 708 | 688 | 664 | 639 |

UPDATED DATA
GENERAL GOVERNMENT
PER CAPITA EXPENDITURES
(Including 1985 CIB)

EXPENDITURES
(Dollars Per Capita)

| Expenditures | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|------|------|----------|----------|----------|----------|----------|
| Operating Budget | 627 | 663 | 680 | 689 | 692 | 697 | 701 |
| Capital Related | | | | | | | |
| Debt Service | | | | | | | |
| Existing | 76 | 79 | 74 | 70 | 66 | 62 | 56 |
| 1985 CIB | | | 7 | 7 | 6 | 6 | 6 |
| Capital O & M | | | | | | | |
| Currently Funded | | | 34 | 35 | 42 | 42 | 42 |
| 1985 CIB | | | <u>4</u> | <u>8</u> | <u>8</u> | <u>9</u> | <u>9</u> |
| Total Expenditures | 703 | 742 | 799 | 809 | 814 | 816 | 814 |
| Total Expenditures Adjusted to 1984 Base Year Dollars | 703 | 710 | 739 | 722 | 700 | 677 | 651 |

Note: The \$3 per capita expenditure for 1985 CIB debt service is not included in the updated data because the expense is not yet included in the 1985 approved general government operating budget.

ORIGINAL DATA

REVENUES
(\$ Millions)

| Budgeted/Projected Revenues | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|------------------------------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| Federal | 15.7 | 11.2 | 11.2 | 11.3 | 11.3 | 11.3 | 11.3 |
| State | 54.4 | 60.2 | 60.3 | 60.4 | 60.6 | 60.7 | 60.9 |
| Locally Generated and Fund Balance | 38.6 | 37.5 | 38.4 | 38.0 | 37.5 | 38.5 | 39.9 |
| Property Taxes | <u>62.9</u> | <u>75.0</u> | <u>87.8</u> | <u>102.4</u> | <u>113.6</u> | <u>122.4</u> | <u>130.5</u> |
| Total Revenues Projected | 171.6 | 183.9 | 197.7 | 212.1 | 223.0 | 232.9 | 242.6 |
| Total Revenues Required | 171.6 | 183.9 | 202.0 | 212.1 | 223.0 | 232.9 | 242.6 |
| Revenue Shortfall | 0 | 0 | 4.3 | 0 | 0 | 0 | 0 |

UPDATED DATA

REVENUES
(\$1 Millions)

| Budgeted/Projected Revenues | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|------------------------------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| Federal | 15.7 | 11.2 | 10.6 | 10.6 | 10.7 | 10.7 | 10.7 |
| State | 54.4 | 60.3 | 61.6 | 61.7 | 61.8 | 62.1 | 62.3 |
| Locally Generated and Fund Balance | 38.6 | 41.1 | 38.9 | 38.5 | 38.0 | 38.9 | 40.4 |
| Property Taxes | <u>62.9</u> | <u>74.3</u> | <u>86.5</u> | <u>99.6</u> | <u>110.6</u> | <u>117.3</u> | <u>122.9</u> |
| Total Revenues Projected | 171.6 | 186.9 | 197.6 | 210.4 | 221.1 | 229.0 | 236.3 |
| Total Revenues Required | 171.6 | 186.9 | 203.6 | 212.3 | 221.1 | 229.0 | 236.3 |
| Revenue Shortfall | 0 | 0 | 6.0 | 1.9 | 0 | 0 | 0 |

ORIGINAL DATA
REVENUES
(Dollars Per Capita)

| Revenues | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---------------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Federal/State | 287 | 283 | 280 | 273 | 265 | 256 | 249 |
| Locally Generated and Fund Balance | 158 | 149 | 151 | 145 | 138 | 137 | 137 |
| Property Tax | <u>258</u> | <u>298</u> | <u>344</u> | <u>390</u> | <u>418</u> | <u>436</u> | <u>449</u> |
| Total Revenues Projected | 703 | 730 | 775 | 808 | 821 | 829 | 835 |
| Total Revenues Required | 703 | 730 | 792 | 808 | 821 | 829 | 835 |
| Revenue Shortfall | 0 | 0 | (17) | 0 | 0 | 0 | 0 |

UPDATED DATA
REVENUES
(Dollars Per Capita)

| Revenues | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---------------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Federal/State | 287 | 284 | 283 | 276 | 267 | 259 | 251 |
| Locally Generated and Fund Balance | 158 | 163 | 153 | 147 | 140 | 139 | 139 |
| Property Tax | <u>258</u> | <u>295</u> | <u>339</u> | <u>380</u> | <u>407</u> | <u>418</u> | <u>424</u> |
| Total Revenues Projected | 703 | 742 | 775 | 803 | 814 | 816 | 814 |
| Total Revenues Required | 703 | 742 | 799 | 809 | 814 | 816 | 814 |
| Revenue Shortfall | 0 | 0 | (24) | (6) | 0 | 0 | 0 |

ORIGINAL DATA

| CONSUMER PRICE INDEXES | | |
|------------------------|------------|-----------------|
| <u>Year</u> | <u>CPI</u> | <u>% Change</u> |
| FY84 | 275.5(1) | |
| | | 5.00 |
| FY85 | 285.1(2) | |
| | | 5.00 |
| FY86 | 299.3 | |
| | | 5.00 |
| FY87 | 314.3 | |
| | | 5.00 |
| FY88 | 330.0 | |
| | | 5.00 |
| FY89 | 346.5 | |
| | | 5.00 |
| FY90 | 363.8 | |

(1) January 1984 CPI for Anchorage

(2) Based on January 1984 CPI inflated by 5% each year thereafter

UPDATED DATA

| CONSUMER PRICE INDEXES | | |
|------------------------|------------|-----------------|
| <u>Year</u> | <u>CPI</u> | <u>% Change</u> |
| FY84 | 275.5(1) | |
| FY85 | 285.1(2) | |
| | | 4.00 |
| FY86 | 296.5 | |
| | | 4.00 |
| FY87 | 308.4 | |
| | | 4.00 |
| FY88 | 320.7 | |
| | | 4.00 |
| FY89 | 333.5 | |
| | | 4.00 |
| FY90 | 346.8 | |

(1) January 1984 CPI for Anchorage

(2) Based on January 1984 CPI inflated by 4% each year thereafter

ORIGINAL DATA

| AREAWIDE ASSESSED VALUATION \$ Millions | |
|--|------------------|
| <u>Year</u> | <u>Valuation</u> |
| FY84 | 12,095 |
| FY85 | 14,256 |
| FY86 | 16,374 |
| FY87 | 17,405 |
| FY88 | 18,900 |
| FY89 | 20,560 |
| FY90 | 22,481 |

UPDATED DATA

| AREAWIDE ASSESSED VALUATION \$ Millions | |
|--|------------------|
| <u>Year</u> | <u>Valuation</u> |
| FY84 | 12,095 |
| FY85 | 14,546 |
| FY86 | 16,707 |
| FY87 | 17,759 |
| FY88 | 19,284 |
| FY89 | 20,978 |
| FY90 | 22,938 |