

State of Alaska FY 2018 Fiscal Plan Update

April 20, 2017

Ketchikan Community Meeting

Office of Management and Budget

Pat Pitney, Director



THE STATE
of ALASKA

Alaska's Budget in Household Terms

Income has dropped more than 80%

- Your annual income dropped from \$80,000 to \$16,000

Spending has been reduced 44%

- You have been able to reduce your rent or mortgage, heat, food, every day travel, and vacations. You stopped building your cabin, stopped remodeling, and you'll keep your old car.
- Expenses have been cut from \$80,000 to \$45,000

Savings has one year remaining

- You had \$130,000 in the bank, but now only \$25,000

Investment accounts have been growing steadily

- You have \$500,000 in an IRA and you need to decide whether to use it and how much you can prudently use

An income/spending gap remains

The Budget Has Already Been Greatly Reduced

There has been **\$1.7 billion** in unrestricted general fund cuts since FY2015.

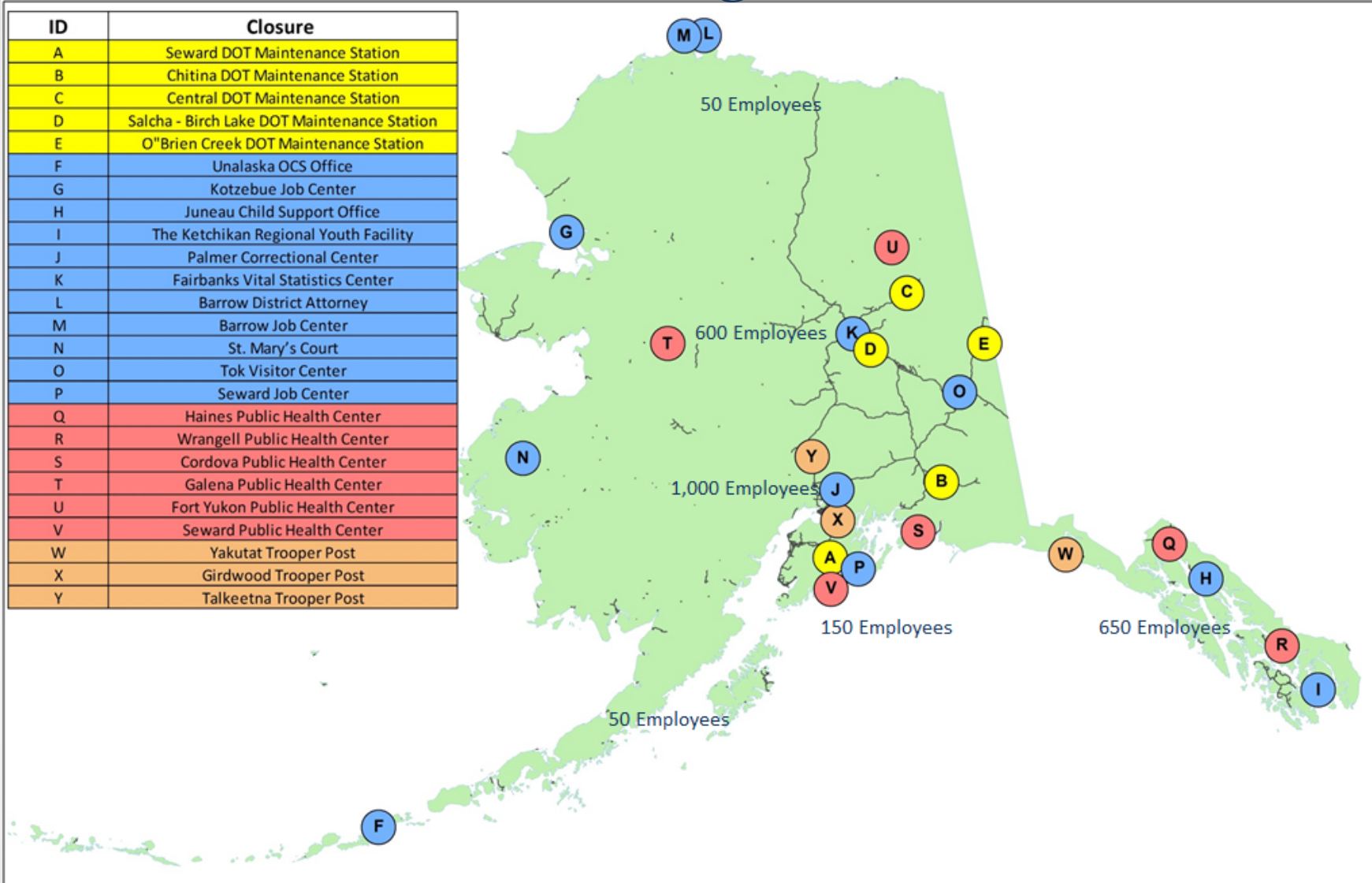
The FY2018 unrestricted general fund agency operating budget is lower than the **FY2011** budget.

Last year's and this year's capital budgets, \$96 million and \$115 million respectively, were the first time the capital budget was below \$120 million since **FY2000**, aside from FY2005 when there were general obligation bonds to cover capital projects.

There are fewer state employees now than there were 14 years ago in **2002**, even though there are 15 percent more Alaska residents using state services.

Closures Throughout the State

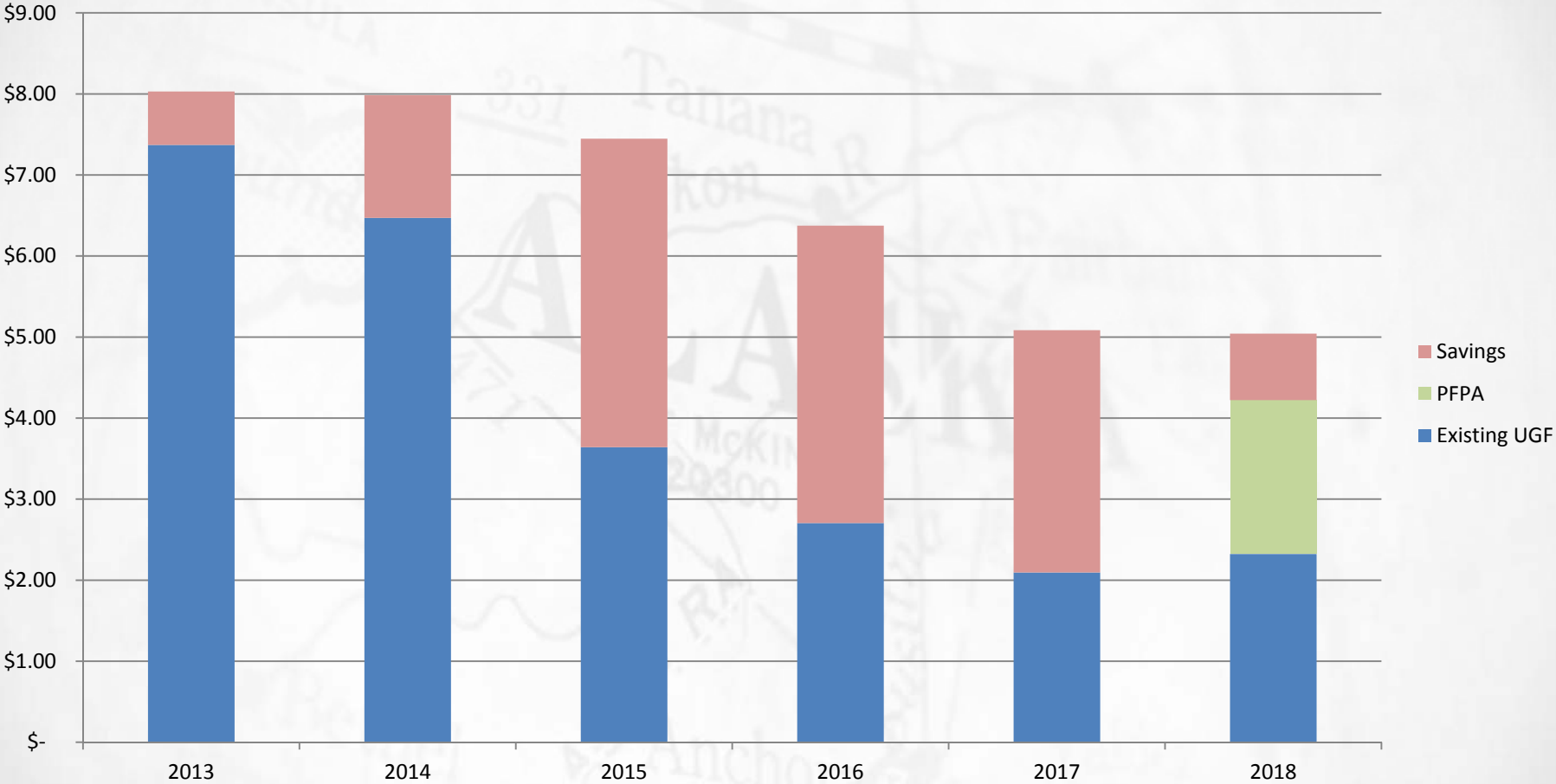
ID	Closure
A	Seward DOT Maintenance Station
B	Chitina DOT Maintenance Station
C	Central DOT Maintenance Station
D	Salcha - Birch Lake DOT Maintenance Station
E	O'Brien Creek DOT Maintenance Station
F	Unalaska OCS Office
G	Kotzebue Job Center
H	Juneau Child Support Office
I	The Ketchikan Regional Youth Facility
J	Palmer Correctional Center
K	Fairbanks Vital Statistics Center
L	Barrow District Attorney
M	Barrow Job Center
N	St. Mary's Court
O	Tok Visitor Center
P	Seward Job Center
Q	Haines Public Health Center
R	Wrangell Public Health Center
S	Cordova Public Health Center
T	Galena Public Health Center
U	Fort Yukon Public Health Center
V	Seward Public Health Center
W	Yakutat Trooper Post
X	Girdwood Trooper Post
Y	Talkeetna Trooper Post



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FY2018 Unrestricted General Fund Spending With Dividends: \$5.0 Billion



Dollars in billions



Ketchikan: Examples of Direct State Funding

- **School Formula: \$24.6 million**
- **School Pupil Transportation: \$1.7 million**
- **School Debt: \$2.7 million**
- **PERS/TRS: \$2.6 million**
- **Community Assistance: \$0.7 million**

Ketchikan: Examples of Other State Impacts

Payments to recipients in the Ketchikan Gateway Borough

- AHFC Housing Programs: \$1.3 million
- Senior Benefits: \$0.5 million
- Medicaid: \$40.8 million
- Permanent Fund Dividend: \$12.1 million

Other State Operations

- Ketchikan Pioneer Home: \$5.2 million
- Ketchikan Correctional Center: \$4.3 million
- University of Alaska Ketchikan Campus: \$5.4 million
- Alaska Class Ferry Construction at Vigor: \$120.0 million
- Grant to Inter-Island Ferry: \$0.3 million
- Ketchikan International Airport Subsidy: \$0.5 million
- Marine Highway Headquarters: \$4.1 million

Example if Burden is Shifted to Communities Ketchikan

\$100.0 million reduction to School Formula

- \$2.0 million loss to Ketchikan

Elimination of School Debt Reimbursement:

- \$2.7 million loss to Ketchikan

Elimination of Retirement Assistance:

- \$2.6 million loss to Ketchikan

\$7.3 million lost revenue. Equivalent to an additional 2.2% sales tax (86% increase), on top of lost services through Health Programs, the Marine Highway System, road maintenance and other state services.

Fiscal Plan Comparison

House

Complete fiscal plan to stabilize budget

- Permanent Fund restructure (House SB26)
- Oil credit and tax adjustment (HB111)
- Education Levy (HB115)
- Constrain budget while maintaining K-12, UA, PERS/TRS
- *Pending: Motor fuels tax*
- *Maintains CBR balance*

Senate

Permanent Fund restructure, continued cuts, planned structural deficit

- Permanent Fund restructure (Senate SB26)
- Additional reductions for three years: Specific to K-12, UA, DHSS, DOTPF
- *Pending: Motor fuels tax*
- *In Committee: Oil credit and tax adjustment*
- *Negative response to Education Levy (HB115)*
- *Depletes CBR balance*

Budget Update: House & Senate Comparison

K-12 Formula

House	Senate
<ul style="list-style-type: none"> Funded at BSA formula rate No increase from FY17 Forward funded using 2017 ERA draw Pupil transportation funded 	<ul style="list-style-type: none"> Pro Rata K-12 formula reduction FY18 -5% (-\$69M), FY19 -4%, FY20 -3% Pupil transportation funded Negative impact on federal revenue and local funding cap

Department of Education and Early Childhood Development

House	Senate
<ul style="list-style-type: none"> Maintained programs Pre-Kindergarten grants increased by \$1.8 million with no other increases 	<ul style="list-style-type: none"> Eliminated Pre- Kindergarten Eliminated Best Beginnings Eliminated Parents as Teachers Bills introduced to: <ul style="list-style-type: none"> Eliminate Alaska Performance Scholarship Fund K-12 grants Fund additional rural broadband

Budget Update: House & Senate Comparison

University

House

- Flat funding from FY17
- Reduced 12.3% from FY15

Senate

- Reduced \$21M from FY17
- Reduced 18.2% from FY15

Department of Health and Social Services

House

- Added to Governor's proposal
 - front line social workers
 - child care benefits
- Reduction of \$21M from FY17

Senate

- Reduction of \$60.3M from FY17 in:
 - Medicaid
 - Pioneer Homes
 - Public Assistance Programs
 - Public Health Nursing
 - Personnel across the board

Budget Update: House & Senate Comparison

Department of Transportation

House	Senate
<ul style="list-style-type: none"> • Modest increase to Marine Highway service levels • Highway and airport maintenance held harmless • Includes Motor Fuels Tax 	<ul style="list-style-type: none"> • Net reduction of \$8M from FY17 • Reduction to Highway and airport maintenance • Reduction to the Marine Highways • Pending \$44M reduction to AMHS in FY19 due to one-year fund source • Includes Motor Fuels Tax

Other Departments

House	Senate
Includes all general fund for PERS/TRS on behalf payments	Includes personnel reductions totaling \$16.8 million across multiple agencies

Revenue Solutions: House & Senate Comparison

Permanent Fund Protection Act (SB26)

House

- 5.25% dropping to 5.0% draw
- 33% allocated to dividend
- Revenue limit only
- ~\$1,250 dividend
- Net \$1.7 billion revenue

Senate

- 5.25% dropping to 5.0% draw
- 25% allocated to dividend
- Spending and revenue limit
- ~\$1,000 dividend
- Net \$1.8 billion revenue

New Revenue

House

- Net \$0.9 billion revenue
 - Education Funding Act (HB 115)
 - Oil and Gas Tax and Credits (HB111)
 - Pending Motor Fuels Tax

Senate

- Net \$0.1 billion revenue
 - Pending Motor Fuels Tax
 - Others in committee
 - Oil and Gas Tax and Credits

A Complete Fiscal Plan for Alaska

--- Now is the Time ---

1. Permanent Fund restructure
2. Adequate oil and gas credit and tax reform
3. Broad based tax tied to the economy
4. Continued spending discipline
5. Date-certain balanced sustainable budget

For more information on the budget



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& BUDGET**

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Please come to the nearest microphone for
comments and questions.

As always, if you have comments, questions or concerns,

feel free to call (907) 247 - 4672

or email Rep.Dan.Ortiz@akleg.gov