

NEW SUSTAINABLE  
**ALASKA**  
PLAN



*Pulling Together to Build Our Future*

**House Finance – 1.22.16**

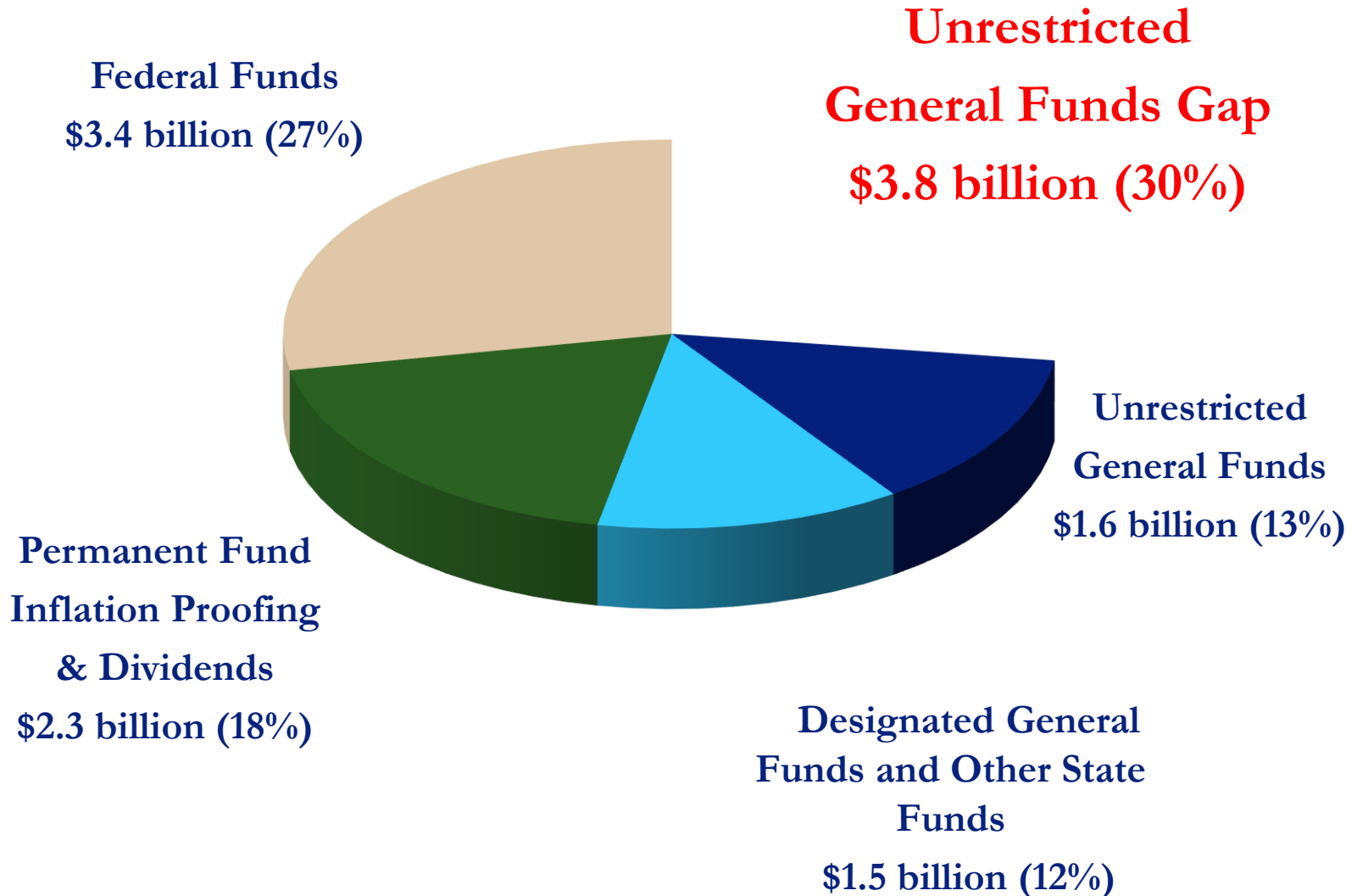
**Randall J Hoffbeck, Commissioner**

Department of Revenue

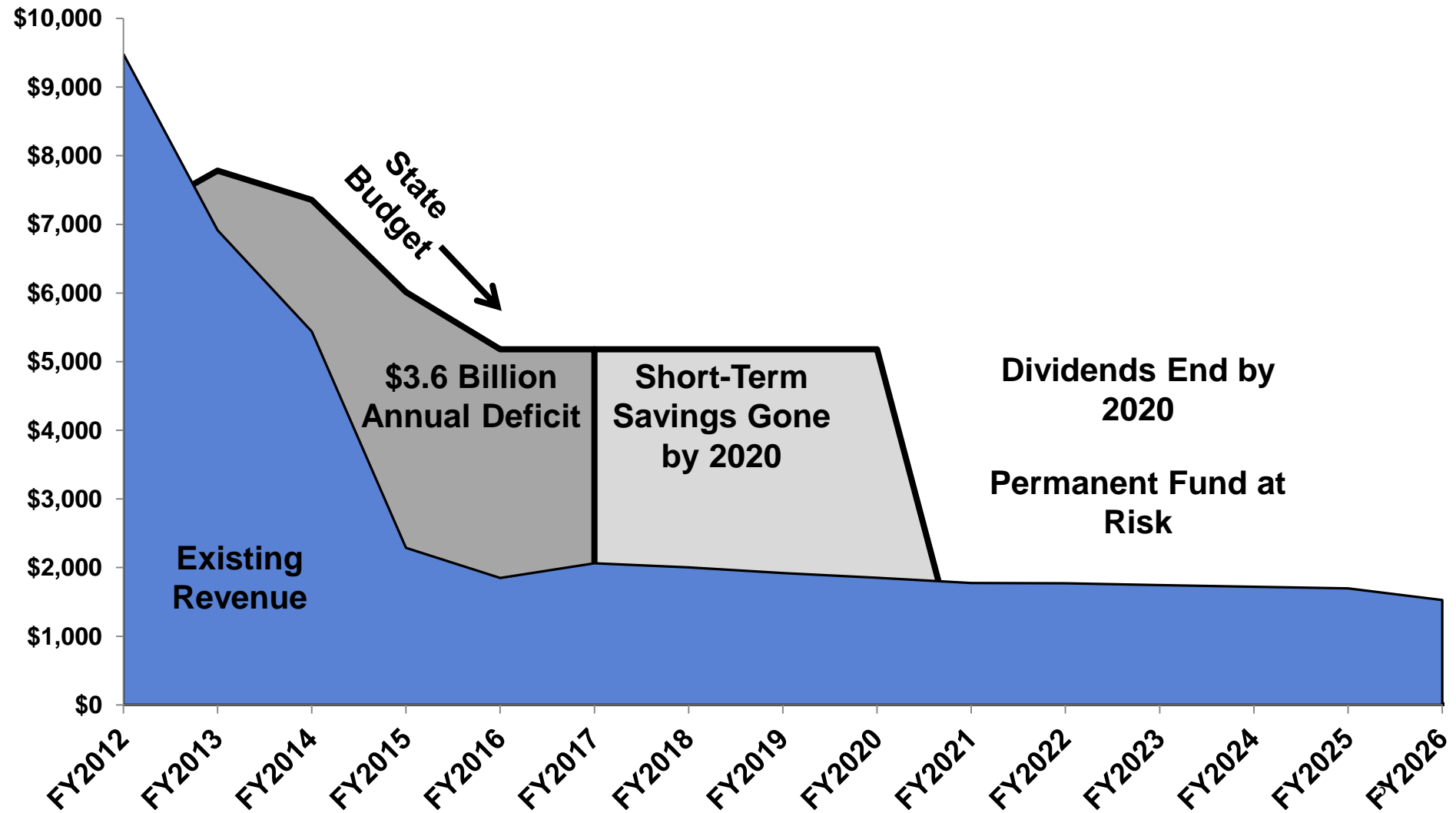
**Pat Pitney, Director**

Office of Management & Budget

# Fiscal Challenge



# Fiscal Challenge



# Fiscal Challenge

## **Take action now, not later:**

Government must be cut further  
Protect essential services

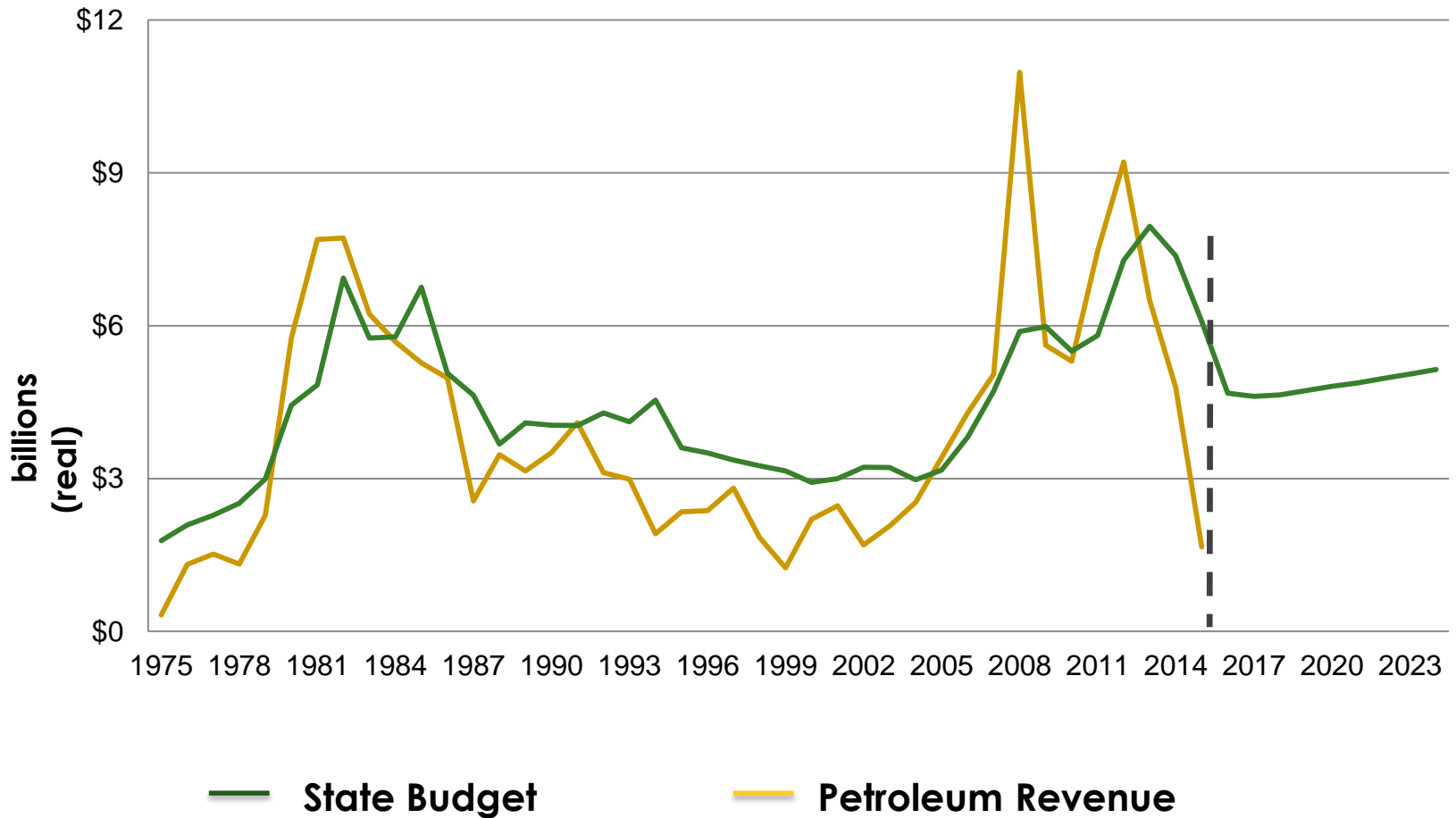
## **Use of Permanent Fund earnings is acceptable if:**

Protect the Permanent Fund Corpus  
Preserve a Dividend Program

## **New Revenues are acceptable if:**

They support right-sized government  
The burden is shared equitably

# Fiscal Challenge



# The New Sustainable Alaska Plan

- Alaska Permanent Fund Protection Act
- FY17 Budget and Future Spending Reductions
- Revenue Increases

# Alaska Permanent Fund Protection Act

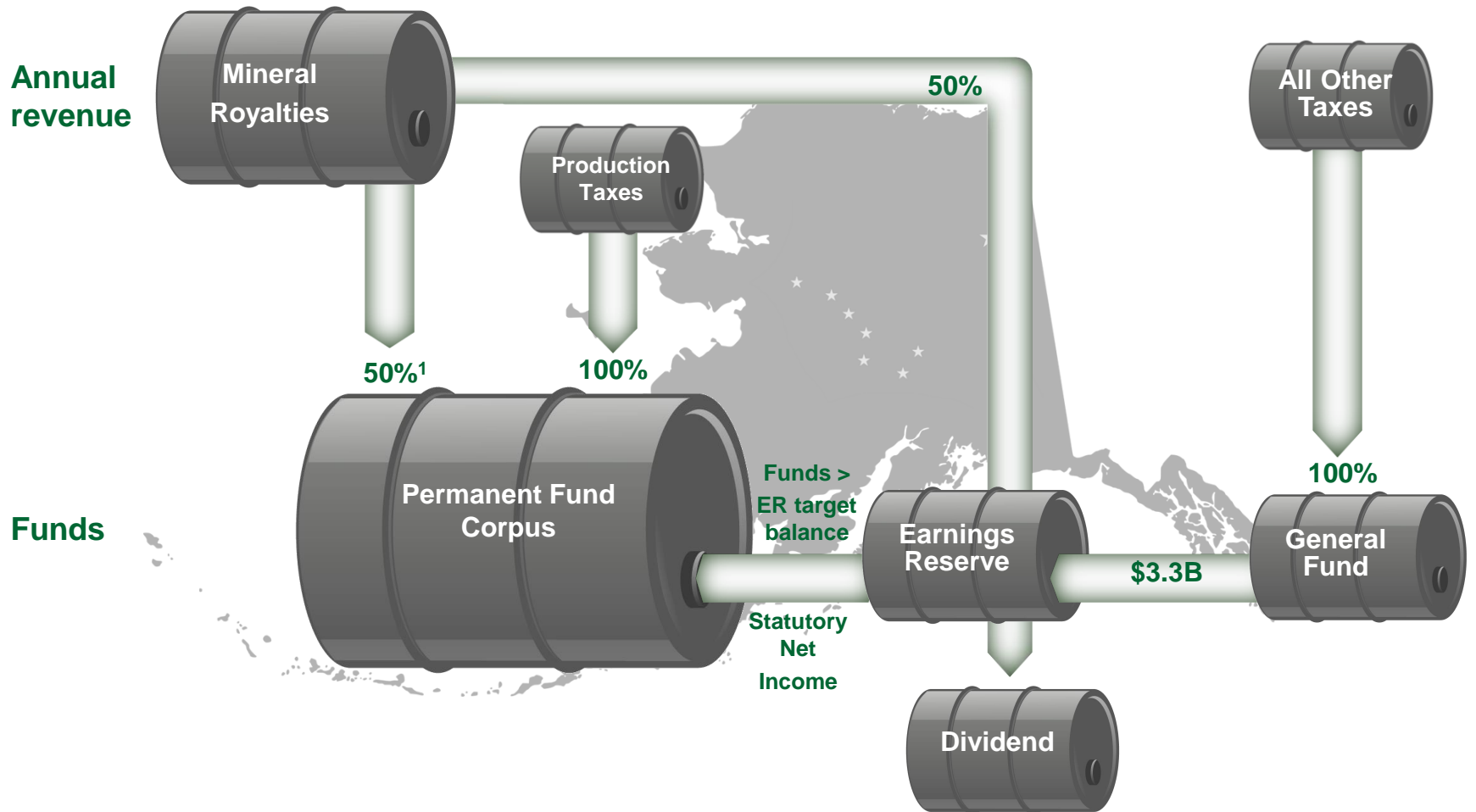
A fiscal framework for using our wealth to:

- Help resolve this year's fiscal challenge
- Sustainably fund government operations into the future
- Provide the maximum benefit to the broader economy

Main components of the framework:

- Royalties and production taxes into the Permanent Fund
- Endowment draw
- Royalty dividend
- Periodic review

# Alaska Permanent Fund Protection Act





# The New Sustainable Alaska Plan

(Millions of Dollars)

Alaska Permanent Fund Protection Act (annual draw)	\$ 3,300
Revenue from existing taxes and fees	\$ 850
Earnings on Savings	\$ 135
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	\$ 4,285

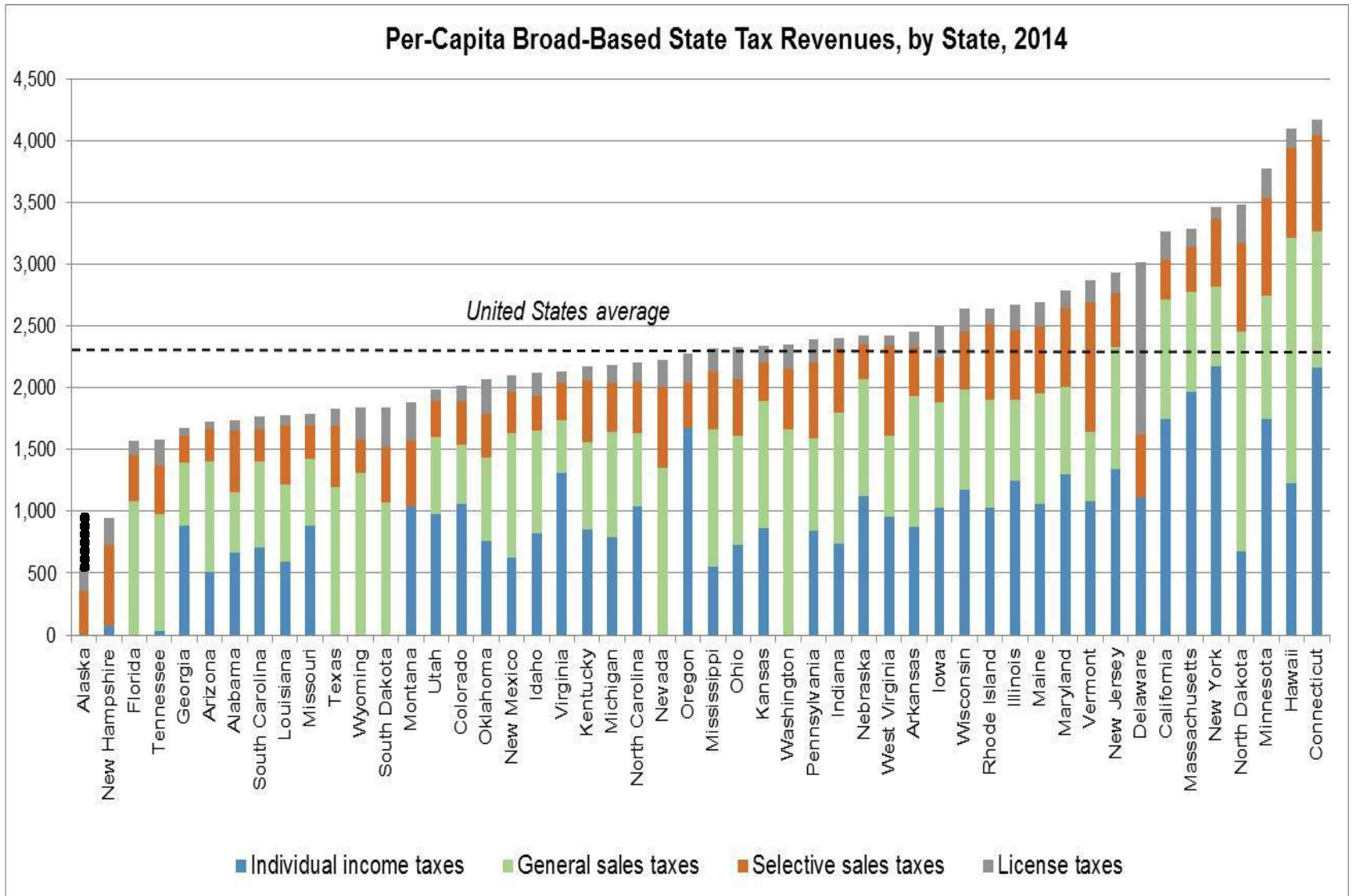
## Spending Reductions (estimated amounts)

FY17–FY19 Cuts*	(\$ 240)
Reform O&G Tax Credits	(\$ 400)
FY17 Priority Investments	\$ 40
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	(\$ 600)

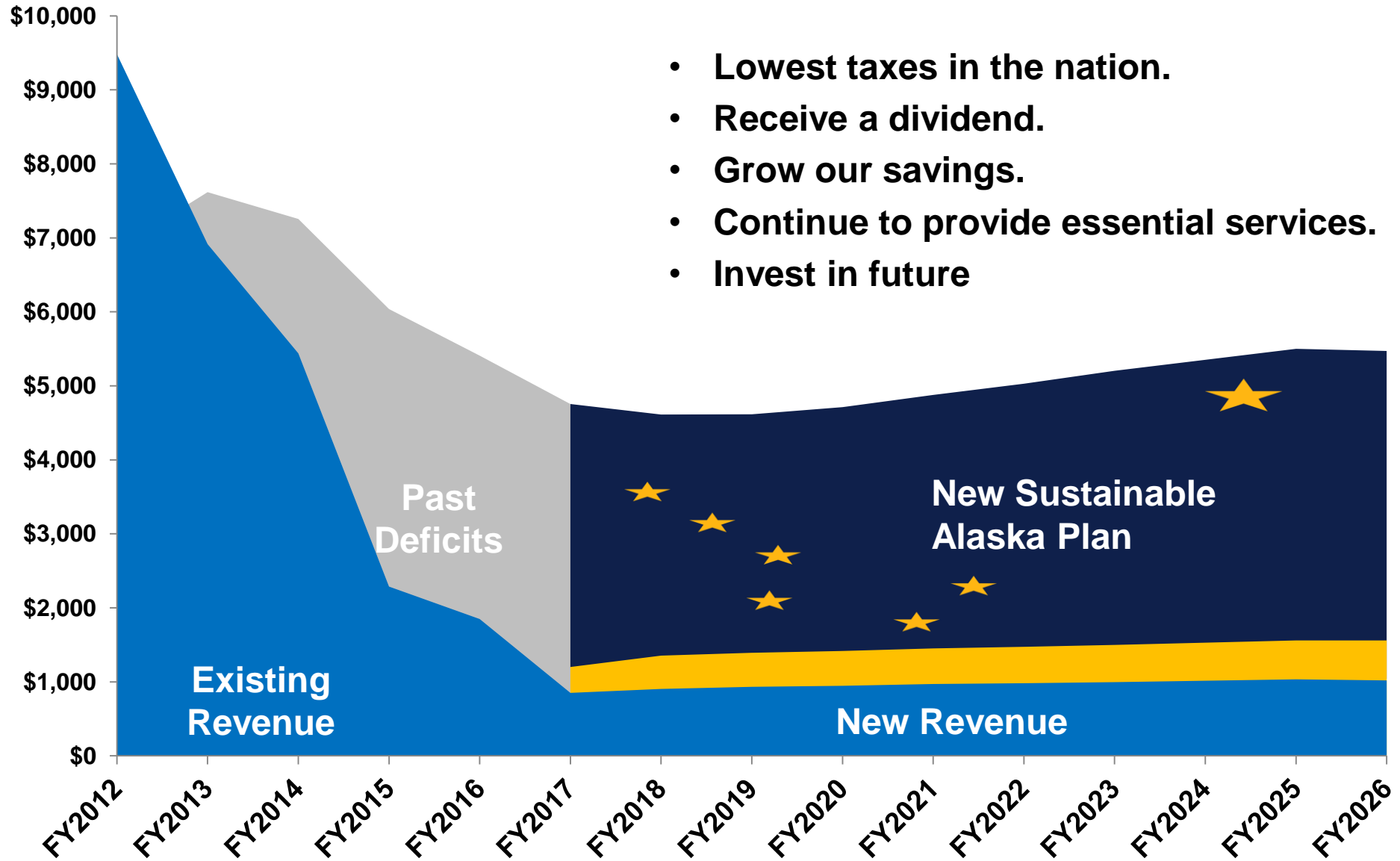
## New Revenue Components (estimated amounts)

Mining	\$ 6
Fishing	\$ 18
Tourism	\$ 15
Motor Fuel	\$ 49
Alcohol	\$ 40
Tobacco	\$ 29
Oil and Gas	\$ 100
Individual Alaskans (Income Tax)	\$ 200
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	\$ 457

# The New Sustainable Alaska Plan

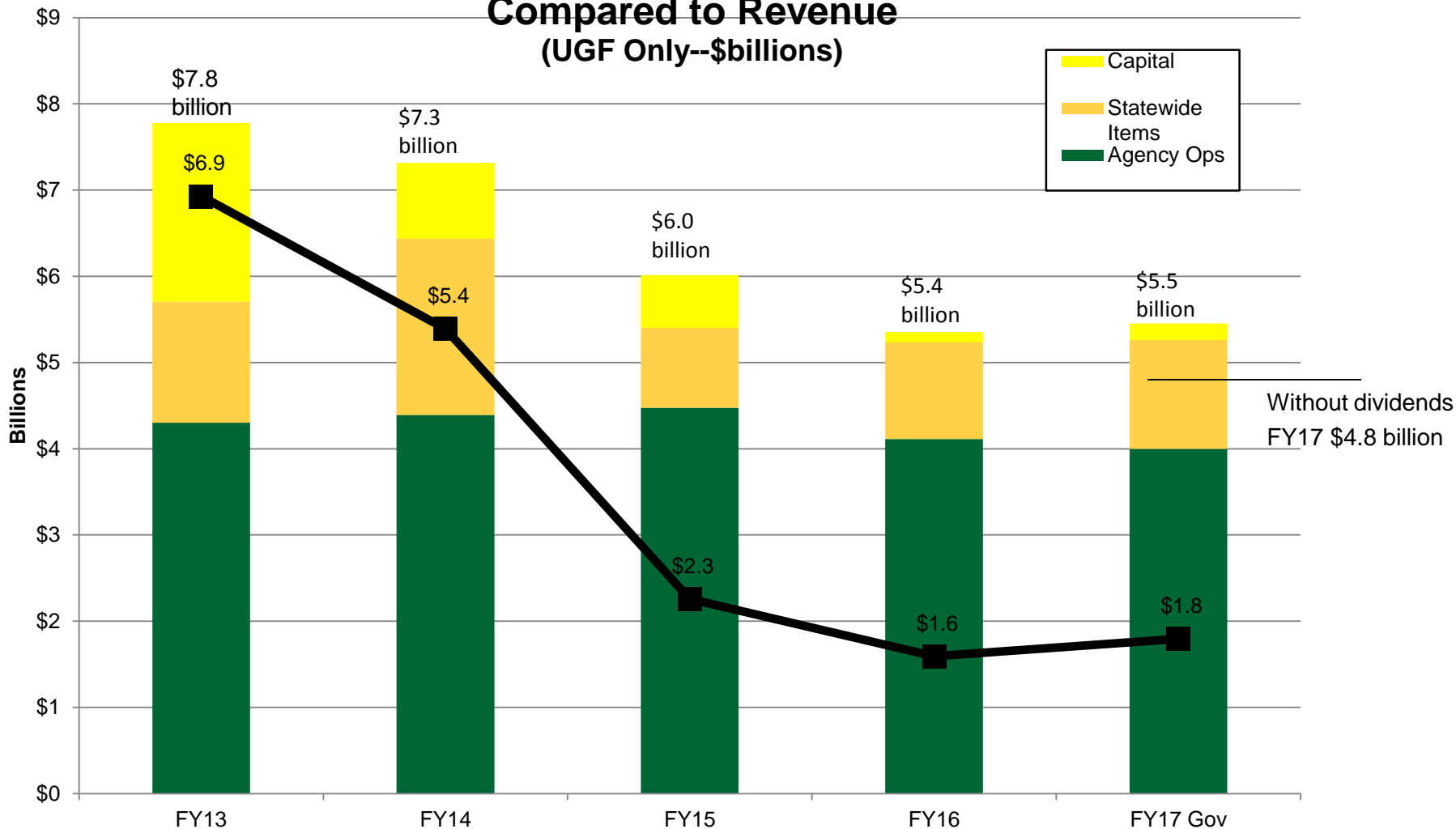


# The New Sustainable Alaska Plan

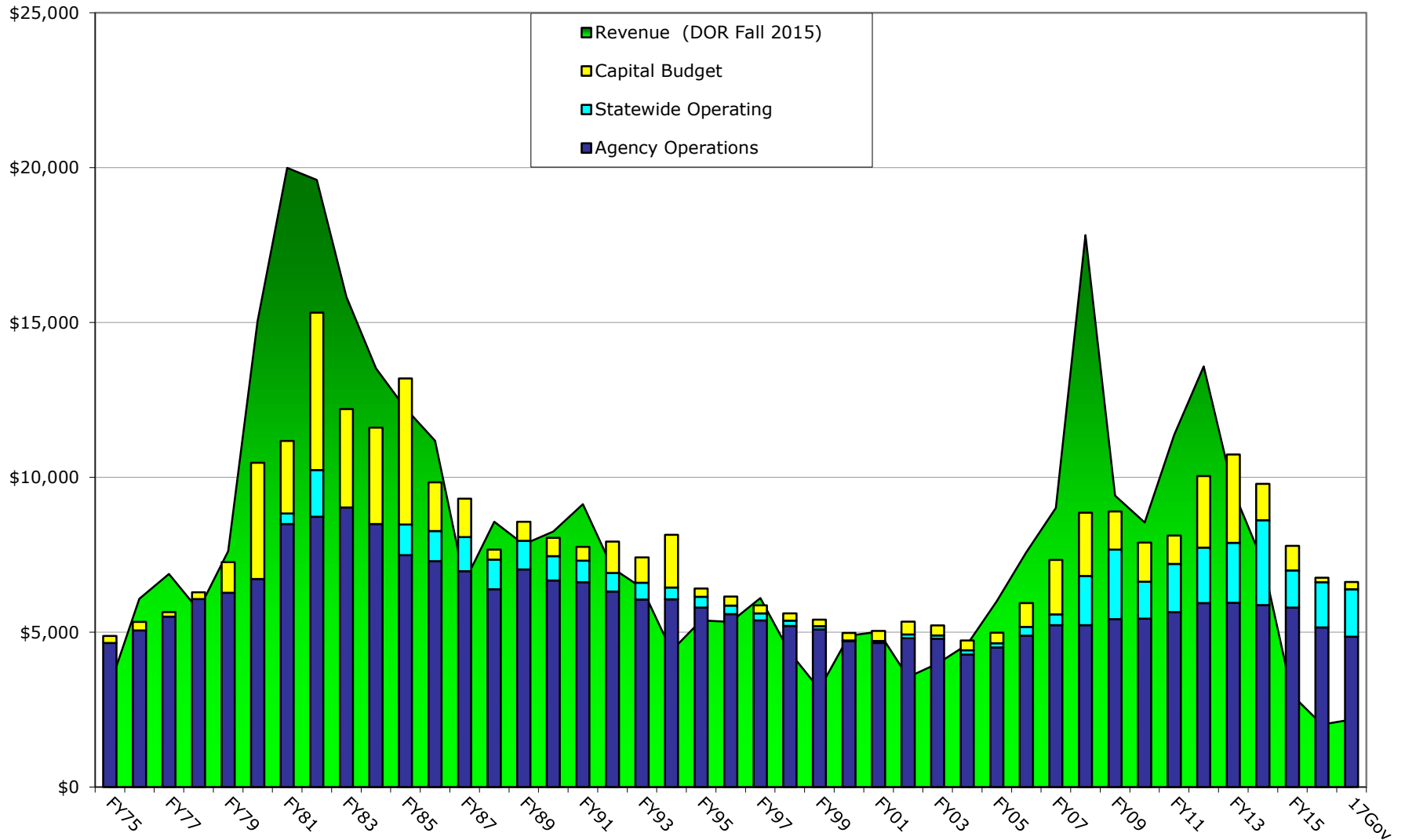


# FY 17 Budget Overview

## Total Agency Operating Budgets, Statewide Items and Capital Budget Compared to Revenue (UGF Only--\$billions)



## Real Per Capita Unrestricted General Fund Revenue/ Budget History (2014 dollars Per Person)



**State of Alaska Fiscal Summary--FY16 and FY17 (Part 1)**

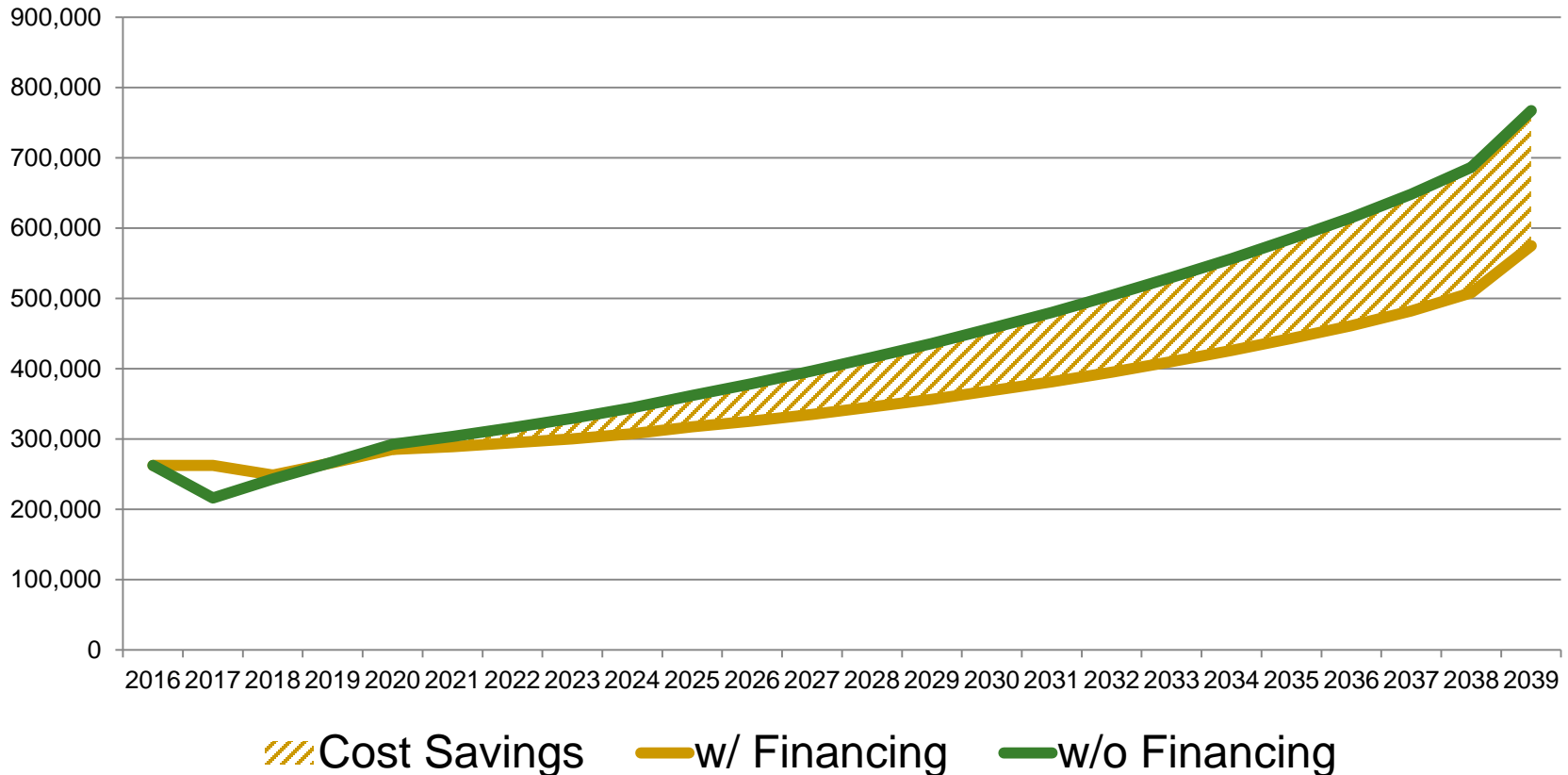
(\$ millions)

	FY16 Management Plan						FY17 Governor						Change in UGF	
	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	\$	%
<b>REVENUE</b>	<b>1,609.5</b>	<b>926.8</b>	<b>2,536.2</b>	<b>639.5</b>	<b>3,458.3</b>	<b>6,634.0</b>	<b>5,013.5</b>	<b>894.7</b>	<b>5,908.2</b>	<b>713.2</b>	<b>3,142.9</b>	<b>6,976.6</b>	<b>3,404.0</b>	<b>211.5%</b>
Unrestricted General Fund Revenue (Fall 2015) (1)	1,593.0	-	1,593.0	-	-	1,593.0	1,796.4	-	1,796.4	-	-	1,796.4	-	-
Production Taxes and Non-dedicated Royalties	-	-	-	-	-	-	991.3	-	991.3	-	-	991.3	-	-
Other Current Sources of Revenue	-	-	-	-	-	-	805.1	-	805.1	-	-	805.1	-	-
Sustainable Transfer from the Earnings Reserve Account (2)	-	-	-	-	-	-	3,200.0	-	3,200.0	-	-	3,200.0	-	-
Transfer from the Earnings Reserve Account for Dividends (2)	-	-	-	-	-	-	230.9	-	230.9	-	-	230.9	-	-
Production Taxes and Royalties to Earnings Reserve Account	-	-	-	-	-	-	(446.5)	-	(446.5)	-	-	(446.5)	-	-
New Revenue Sources Proposed by the Governor (3)	-	-	-	-	-	-	244.0	-	244.0	-	-	244.0	-	-
Carryforward, Repeals, Adjustments and Fiscal Notes (4)	16.5	-	16.5	-	0.4	16.9	(11.3)	-	(11.3)	-	-	(11.3)	-	-
Designated General Fund Revenue (5)	-	926.8	926.8	-	-	926.8	-	894.7	894.7	-	-	894.7	-	-
<b>APPROPRIATIONS</b>														
<b>TOTAL OPERATING APPROPRIATIONS</b>	<b>5,270.6</b>	<b>830.6</b>	<b>6,101.2</b>	<b>611.8</b>	<b>2,182.4</b>	<b>8,895.4</b>	<b>5,259.9</b>	<b>848.7</b>	<b>6,108.6</b>	<b>645.6</b>	<b>2,185.9</b>	<b>8,940.2</b>	<b>(10.7)</b>	<b>-0.2%</b>
<b>Agency Operations</b>	<b>4,111.8</b>	<b>805.0</b>	<b>4,916.9</b>	<b>558.9</b>	<b>2,153.7</b>	<b>7,629.4</b>	<b>3,997.9</b>	<b>828.8</b>	<b>4,826.7</b>	<b>564.3</b>	<b>2,157.1</b>	<b>7,548.1</b>	<b>(113.9)</b>	<b>-2.8%</b>
Current Fiscal Year Appropriations (includes Fiscal Notes)	4,098.8	805.0	4,903.9	558.9	2,153.7	7,616.4	3,997.9	828.8	4,826.7	564.3	2,157.1	7,548.1	(100.9)	-2.5%
Agency Operations (Non-Formula)	2,040.4	714.1	2,754.5	553.5	906.1	4,214.0	1,979.8	721.8	2,701.6	559.5	905.4	4,166.6	(60.6)	-3.0%
K-12 Foundation Formula and Pupil Transportation	1,247.5	13.0	1,260.5	-	20.8	1,281.3	1,243.0	30.0	1,273.0	-	20.8	1,293.7	(4.5)	-0.4%
Medicaid Services (Formula)	635.1	1.8	636.9	2.8	966.2	1,606.0	603.5	1.8	605.3	4.8	1,125.3	1,735.3	(31.6)	-5.0%
Other Formula Programs	175.8	76.2	252.0	-	100.8	352.9	171.6	75.2	246.8	-	105.6	352.4	(4.2)	-2.4%
Revised Programs Legislatively Approved	-	-	-	2.6	159.7	162.3	-	-	-	-	-	-	-	-
Duplicated Authorization (non-additive) (6)	-	-	-	747.3	-	747.3	-	-	-	771.7	-	771.7	-	-
Supplemental Appropriations (Agency Operations) (7)	13.0	-	13.0	-	-	13.0	-	-	-	-	-	-	-	-
<b>Statewide Obligations</b>	<b>1,158.7</b>	<b>25.6</b>	<b>1,184.3</b>	<b>52.9</b>	<b>28.7</b>	<b>1,265.9</b>	<b>1,262.0</b>	<b>19.9</b>	<b>1,281.9</b>	<b>81.3</b>	<b>28.9</b>	<b>1,392.1</b>	<b>103.3</b>	<b>8.9%</b>
Current Fiscal Year Appropriations	979.3	25.6	1,004.9	48.7	28.7	1,082.3	1,262.0	19.9	1,281.9	81.3	28.9	1,392.1	282.7	28.9%
Debt Service	206.2	23.9	230.1	43.3	5.2	278.7	436.7	18.3	455.0	76.0	5.2	536.2	230.4	111.8%
Fund Capitalization	502.0	1.7	503.7	5.4	23.5	532.5	776.4	1.6	778.0	5.3	23.6	807.0	274.4	54.7%
Oil & Gas Production Tax Credits	500.0	-	500.0	-	-	500.0	73.4	-	73.4	-	-	73.4	(426.6)	-85.3%
Other Fund Capitalization	2.0	1.7	3.7	5.4	23.5	32.5	3.0	1.6	4.6	5.3	23.6	33.5	1.0	50.0%
Permanent Fund Dividend Fund (2)	-	-	-	-	-	-	700.0	-	700.0	-	-	700.0	700.0	-
Retirement Costs: Actuarial Recommendation	262.5	-	262.5	-	-	262.5	48.9	-	48.9	-	-	48.9	(213.6)	-81.4%
Judgments, Claims and Settlements	8.6	-	8.6	-	-	8.6	-	-	-	-	-	-	(8.6)	-100.0%
Duplicated Authorization (non-additive) (6)	-	-	-	15.4	-	15.4	-	-	-	12.2	-	12.2	-	-
Supplemental Appropriations (Statewide)	179.4	-	179.4	4.2	-	183.6	-	-	-	-	-	-	-	-
Community Revenue Sharing	35.4	-	35.4	-	-	35.4	-	-	-	-	-	-	-	-
AKLNG and In-state Pipeline (7)	144.0	-	144.0	4.2	-	148.2	-	-	-	-	-	-	-	-
Cost of Issuing Pension Obligation Bonds (duplicated)	-	-	-	12.7	-	12.7	-	-	-	-	-	-	-	-
Pension Obligation Bond Proceeds to Retirement (duplicated)	-	-	-	2,531.5	-	2,531.5	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL APPROPRIATIONS</b>	<b>118.4</b>	<b>56.6</b>	<b>175.0</b>	<b>27.7</b>	<b>1,275.9</b>	<b>1,478.6</b>	<b>194.3</b>	<b>6.8</b>	<b>201.0</b>	<b>67.6</b>	<b>956.9</b>	<b>1,225.5</b>	<b>75.9</b>	<b>64.1%</b>
Current Fiscal Year Appropriations	118.4	56.6	175.0	27.7	1,275.9	1,478.6	194.3	6.8	201.0	67.6	956.9	1,225.5	75.9	64.1%
Project Appropriations & RPLs (Revised Programs)	118.4	56.6	175.0	27.7	1,275.9	1,478.6	194.3	6.8	201.0	67.6	956.9	1,225.5	75.9	64.1%
Duplicated Authorization (non-additive) (6)	-	-	-	32.5	-	32.5	-	-	-	36.2	-	36.2	-	-
Money on the Street (includes all fund sources) (8)	118.4	56.6	175.0	60.2	1,275.9	1,511.1	194.3	6.8	201.0	103.8	956.9	1,261.8	75.9	64.1%
<b>Pre-Transfers Authorization (unduplicated)</b>	<b>5,389.0</b>	<b>887.2</b>	<b>6,276.2</b>	<b>639.5</b>	<b>3,458.3</b>	<b>10,374.0</b>	<b>5,454.2</b>	<b>855.4</b>	<b>6,309.6</b>	<b>713.2</b>	<b>3,142.9</b>	<b>10,165.7</b>	<b>65.2</b>	<b>1.2%</b>
Pre-Transfers Surplus/(Deficit)	(3,779.5)	-	-	29.9%	-	-	(440.7)	-	-	91.9%	-	-	-	-
Pre-Transfer Authorization without Governor's Legislation (9)	-	-	-	-	-	-	5,305.8	-	-	-	-	-	-	-
Pre-Transfer Deficit without Governor's Legislation (9)	-	-	-	-	-	-	(3,520.7)	-	-	33.6%	-	-	-	-

# Pension Payments

## Pension Payment Projections (PERS and TRS) w/ Financing vs w/o Financing

\$ Thousands



# Reduce UGF Spending

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Goal: Maintain service delivery to the maximum extent possible while reducing unrestricted general fund spending

Multi-year approach

- All agencies and programs involved
- Maximize efficiency to do more with less, implementing 11 efficiency initiatives
- Offices closed across the state
- Services reduced or eliminated
- Workforce reductions
- Contract negotiations
- Grants reduced or eliminated



# Budget Guidance to Departments

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Among the issues that departments were asked to consider as they evaluated their budgets:

Is it required by a constitutional mandate?

Is it required by a legislative mandate?

Does it leverage other resources?

Does it pay for itself or make money for the state?

How utilized is the service?

What is the impact on the statewide economy?

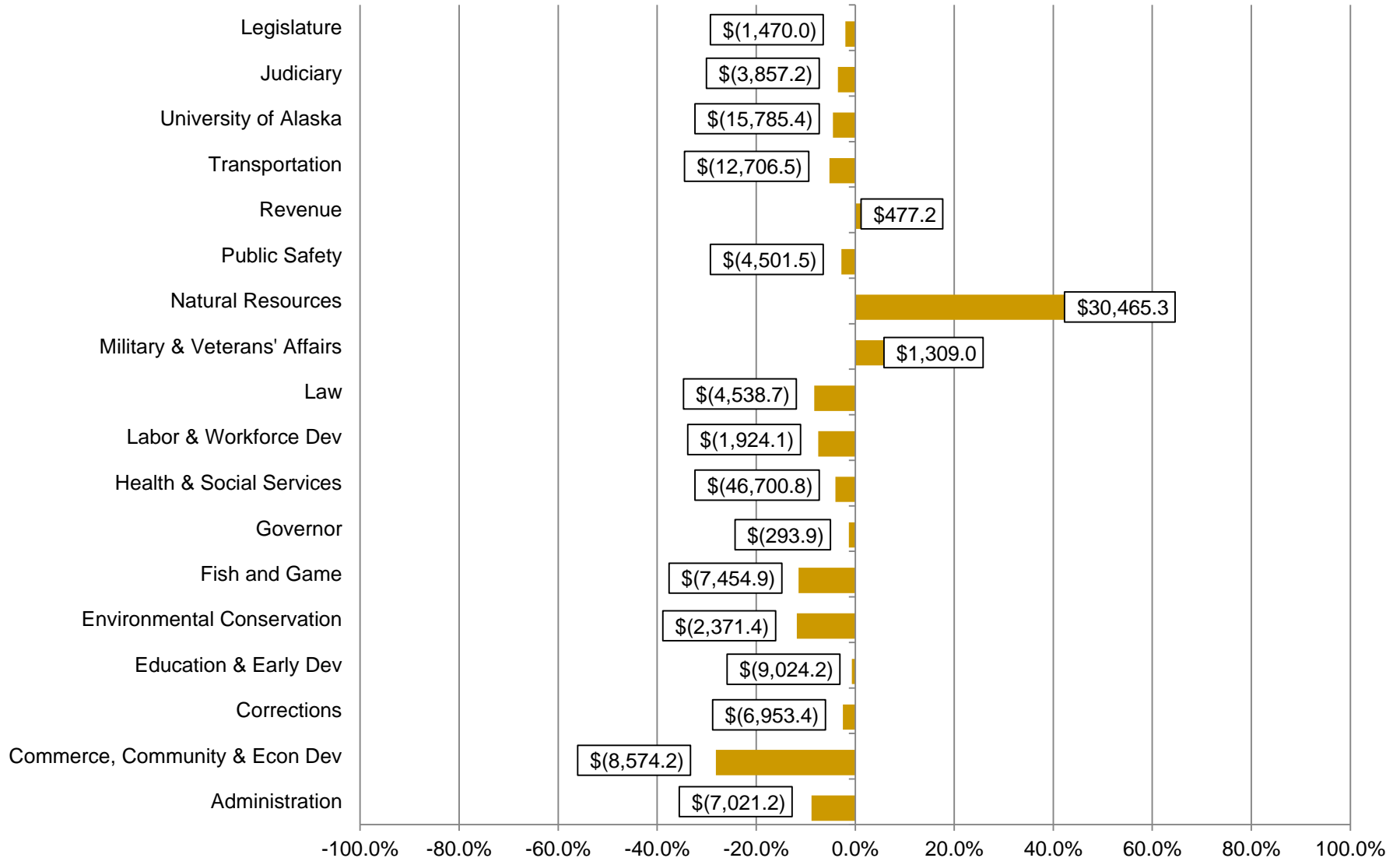
How difficult would it be to privatize or be absorbed by another agency?

Does it directly contribute to the vision of this Administration?

# Agency Operating Budgets

## Percentage Change from FY16 Mgt Plan to FY17 Gov (UGF Only)

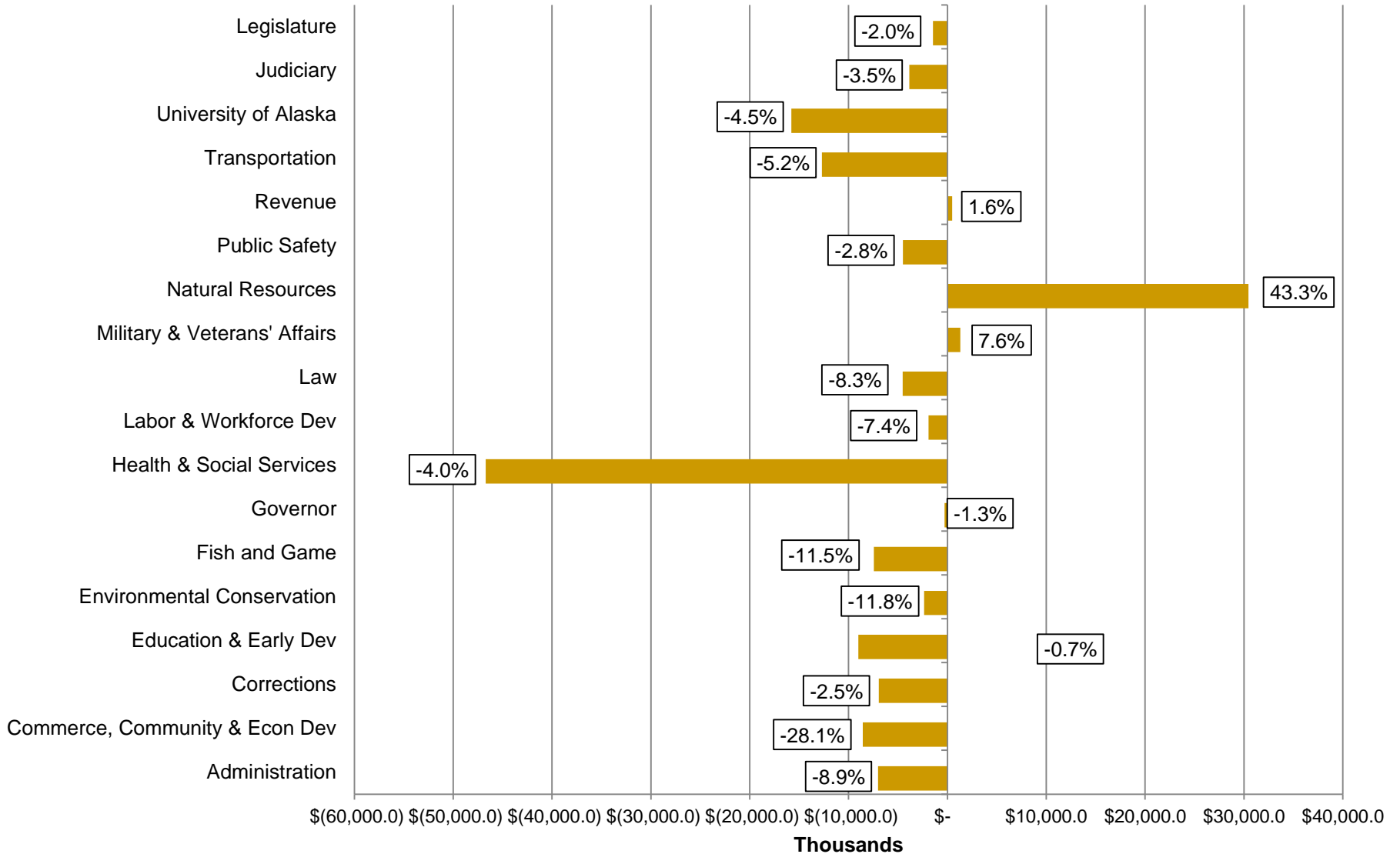
Boxes reflect the \$ change in



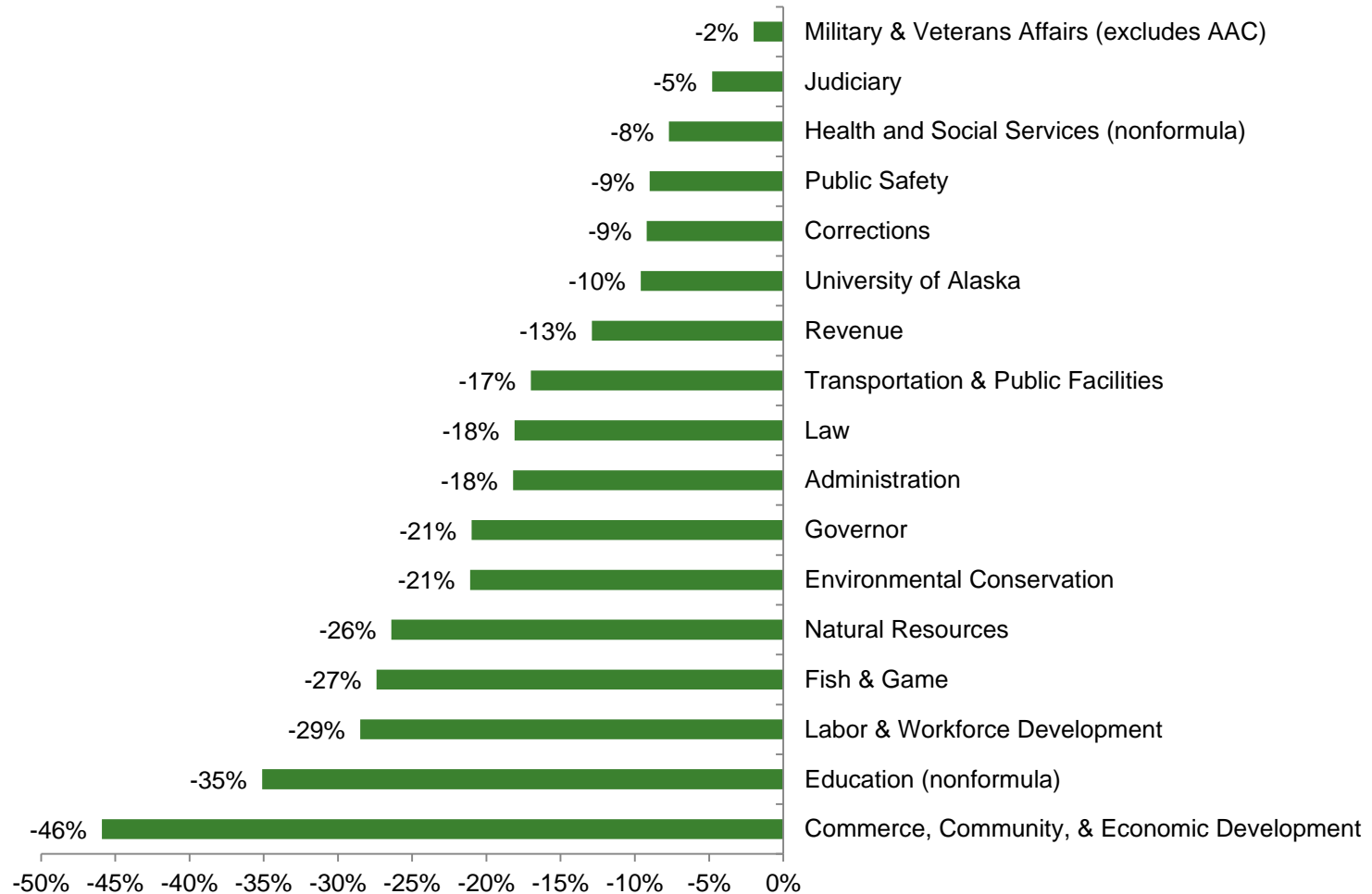
# Agency Operating Budgets

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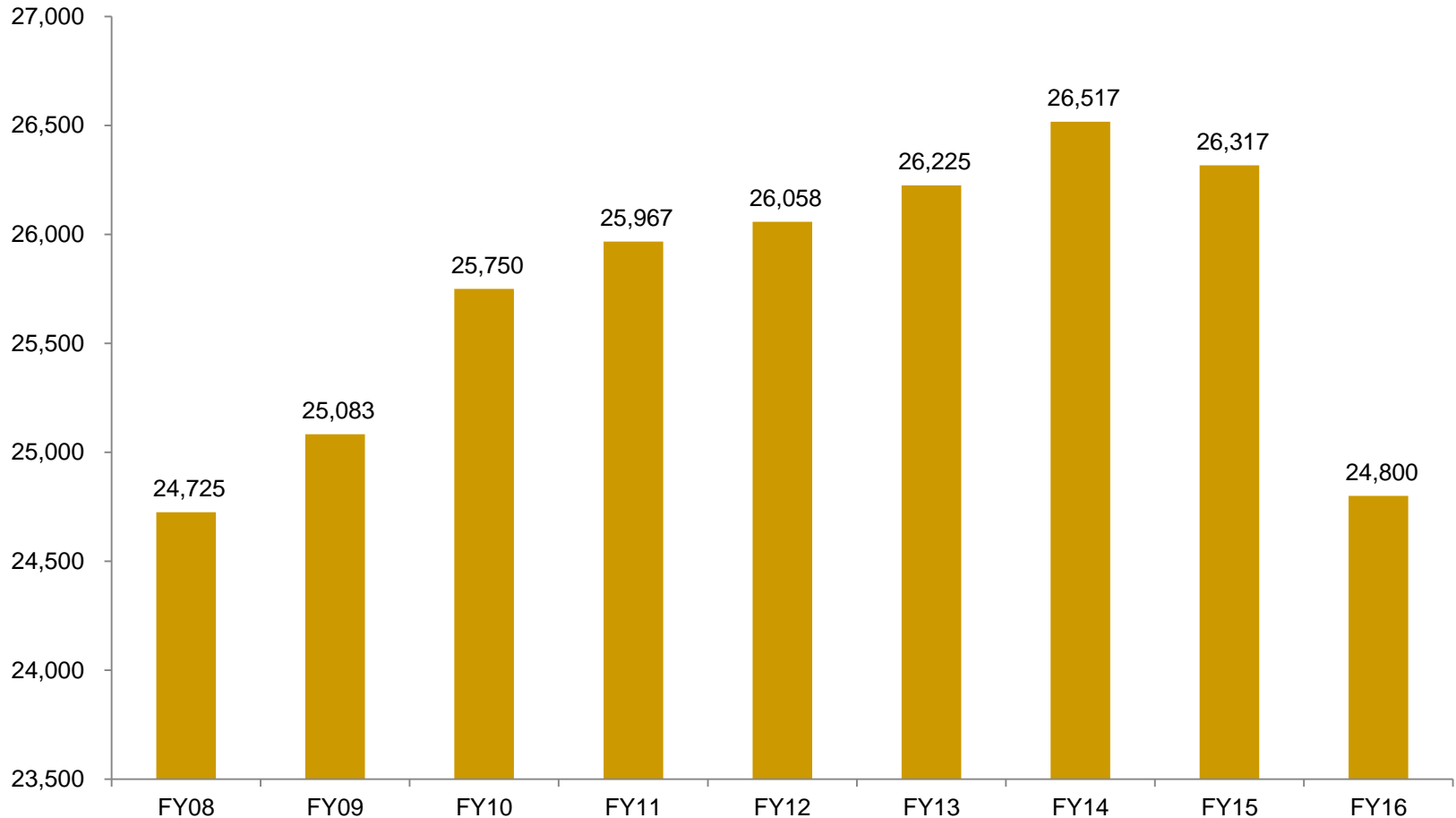
Boxes reflect the percentage change.



## Reductions FY15 Management Plan to FY17 Governor (adjusting for investments)



# FY08-FY16 State Employees

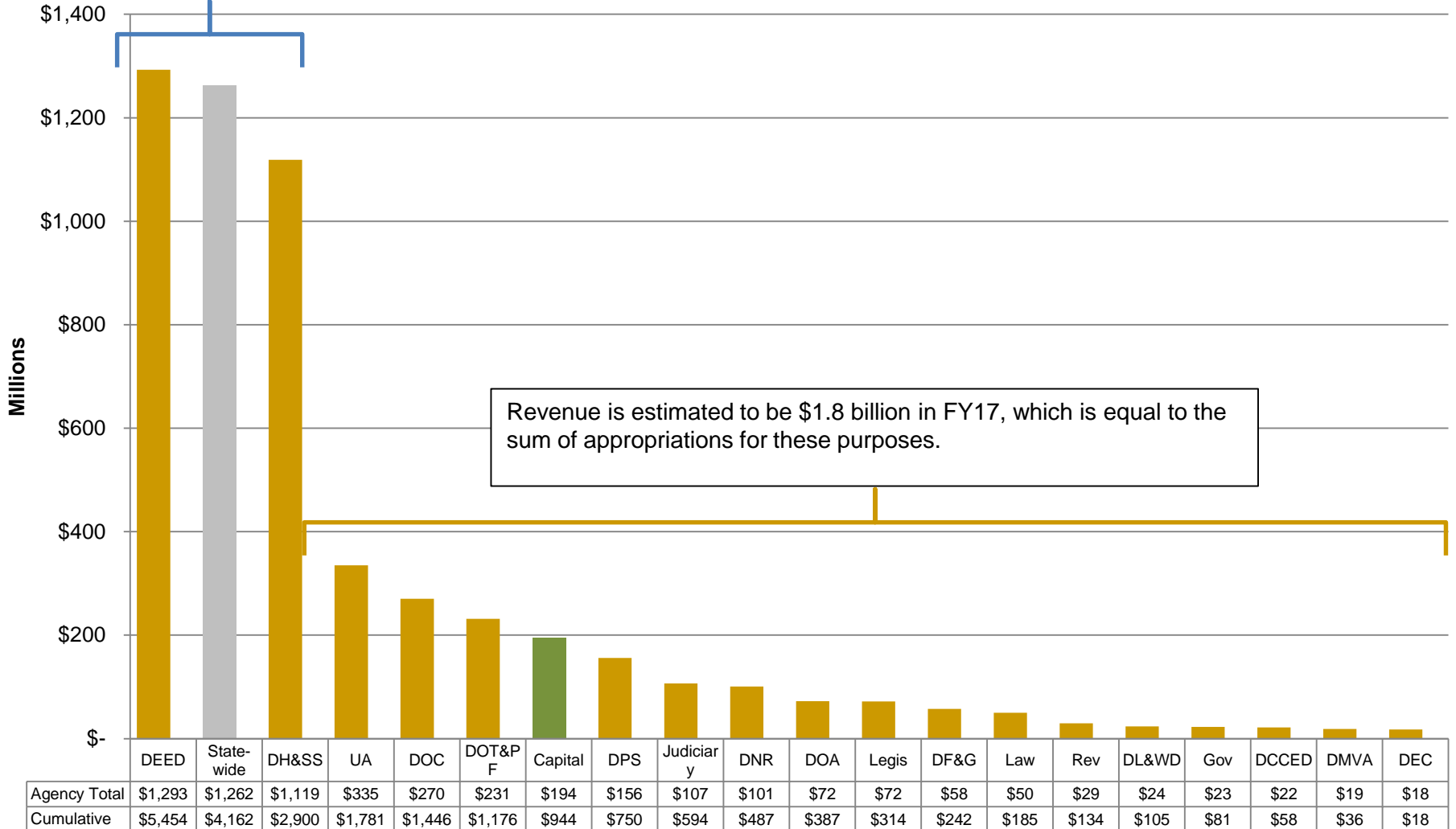


Source: Dept. of Labor & Workforce Development Data

# FY17 Governor's Request

## Agency Operating Budget, Statewide Items and Capital Budget (Formula & Non-Formula) (UGF Only--\$ millions)

Sum of remaining appropriations equal \$3.7 billion.



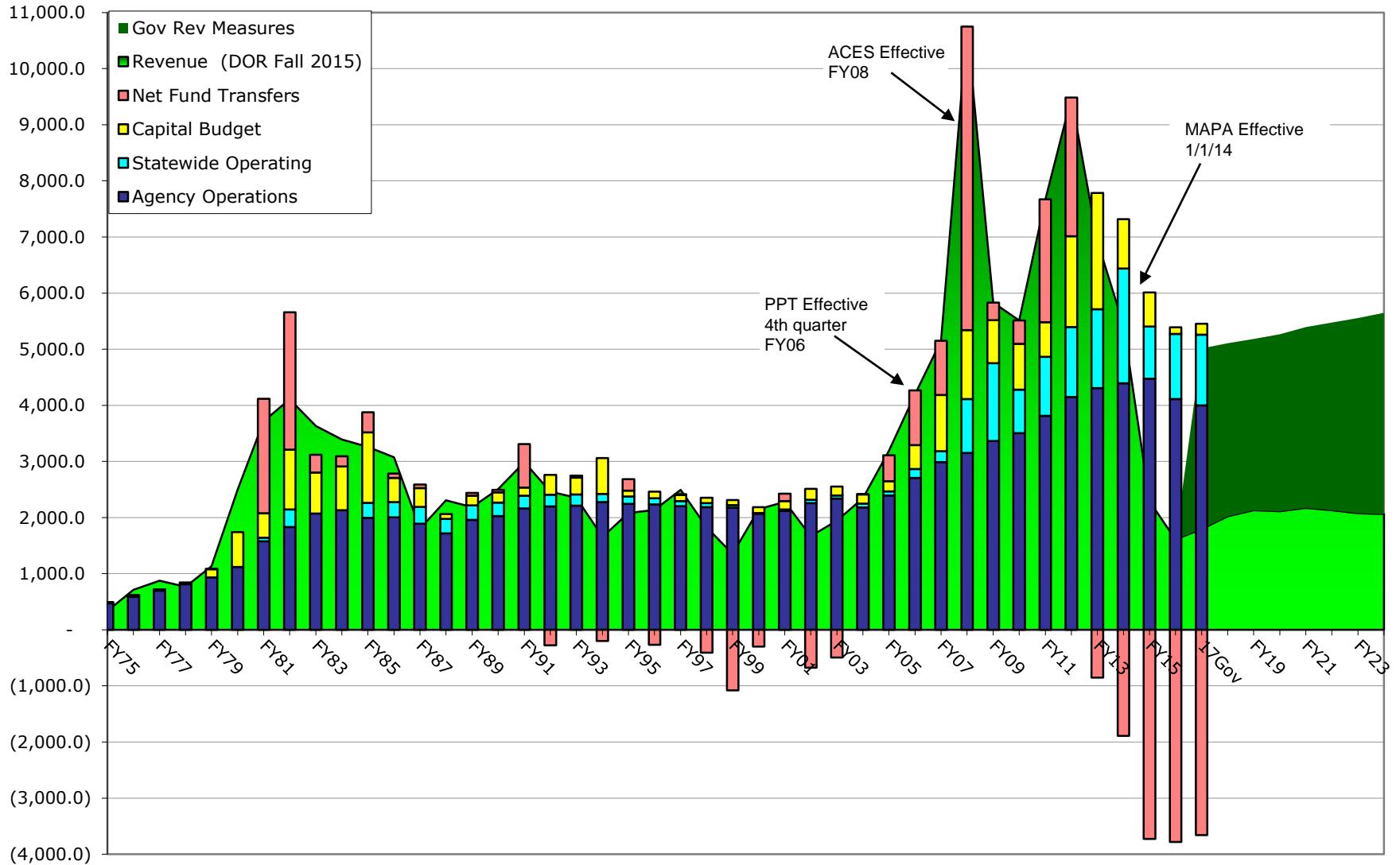
**State of Alaska Fiscal Summary--FY16 and FY17 (Part 1)**

(\$ millions)

	FY16 Management Plan						FY17 Governor						Change in UGF	
	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	\$	%
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Unrestricted General Fund Revenue (Fall 2015) (1)	1,593.0	-	1,593.0	-	-	1,593.0	1,796.4	-	1,796.4	-	-	1,796.4	-	-
Production Taxes and Non-dedicated Royalties	-	-	-	-	-	-	991.3	-	991.3	-	-	991.3	-	-
Other Current Sources of Revenue	-	-	-	-	-	-	805.1	-	805.1	-	-	805.1	-	-
Sustainable Transfer from the Earnings Reserve Account (2)	-	-	-	-	-	-	3,200.0	-	3,200.0	-	-	3,200.0	-	-
Transfer from the Earnings Reserve Account for Dividends (2)	-	-	-	-	-	-	230.9	-	230.9	-	-	230.9	-	-
Production Taxes and Royalties to Earnings Reserve Account	-	-	-	-	-	-	(446.5)	-	(446.5)	-	-	(446.5)	-	-
New Revenue Sources Proposed by the Governor (3)	-	-	-	-	-	-	244.0	-	244.0	-	-	244.0	-	-
Carryforward, Repeals, Adjustments and Fiscal Notes (4)	16.5	-	16.5	-	0.4	16.9	(11.3)	-	(11.3)	-	-	(11.3)	-	-
Designated General Fund Revenue (5)	-	926.8	926.8	-	-	926.8	-	894.7	894.7	-	-	894.7	-	-
<b>APPROPRIATIONS</b>														
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Other Formula Programs	175.8	76.2	252.0	-	100.8	352.9	171.6	75.2	246.8	-	105.6	352.4	(4.2)	-2.4%
Revised Programs Legislatively Approved	-	-	-	2.6	159.7	162.3	-	-	-	-	-	-	-	-
Duplicated Authorization (non-additive) (6)	-	-	-	747.3	-	747.3	-	-	-	771.7	-	771.7	-	-
Supplemental Appropriations (Agency Operations) (7)	13.0	-	13.0	-	-	13.0	-	-	-	-	-	-	-	-
<b>Statewide Obligations</b>	<b>1,158.7</b>	<b>25.6</b>	<b>1,184.3</b>	<b>52.9</b>	<b>28.7</b>	<b>1,265.9</b>	<b>1,262.0</b>	<b>19.9</b>	<b>1,281.9</b>	<b>81.3</b>	<b>28.9</b>	<b>1,392.1</b>	<b>103.3</b>	<b>8.9%</b>
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Fund Capitalization	502.0	1.7	503.7	5.4	23.5	532.5	776.4	1.6	778.0	5.3	23.6	807.0	274.4	54.7%
Oil & Gas Production Tax Credits	500.0	-	500.0	-	-	500.0	73.4	-	73.4	-	-	73.4	(426.6)	-85.3%
Other Fund Capitalization	2.0	1.7	3.7	5.4	23.5	32.5	3.0	1.6	4.6	5.3	23.6	33.5	1.0	50.0%
Permanent Fund Dividend Fund (2)	-	-	-	-	-	-	700.0	-	700.0	-	-	700.0	700.0	-
Retirement Costs: Actuarial Recommendation	262.5	-	262.5	-	-	262.5	48.9	-	48.9	-	-	48.9	(213.6)	-81.4%
Judgments, Claims and Settlements	8.6	-	8.6	-	-	8.6	-	-	-	-	-	-	(8.6)	-100.0%
Duplicated Authorization (non-additive) (6)	-	-	-	15.4	-	15.4	-	-	-	12.2	-	12.2	-	-
Supplemental Appropriations (Statewide)	179.4	-	179.4	4.2	-	183.6	-	-	-	-	-	-	-	-
Community Revenue Sharing	35.4	-	35.4	-	-	35.4	-	-	-	-	-	-	-	-
AKLNG and In-state Pipeline (7)	144.0	-	144.0	4.2	-	148.2	-	-	-	-	-	-	-	-
Cost of Issuing Pension Obligation Bonds (duplicated)	-	-	-	12.7	-	12.7	-	-	-	-	-	-	-	-
Pension Obligation Bond Proceeds to Retirement (duplicated)	-	-	-	2,531.5	-	2,531.5	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL APPROPRIATIONS</b>	<b>118.4</b>	<b>56.6</b>	<b>175.0</b>	<b>27.7</b>	<b>1,275.9</b>	<b>1,478.6</b>	<b>194.3</b>	<b>6.8</b>	<b>201.0</b>	<b>67.6</b>	<b>956.9</b>	<b>1,225.5</b>	<b>75.9</b>	<b>64.1%</b>
Current Fiscal Year Appropriations	118.4	56.6	175.0	27.7	1,275.9	1,478.6	194.3	6.8	201.0	67.6	956.9	1,225.5	75.9	64.1%
Project Appropriations & RPLs (Revised Programs)	118.4	56.6	175.0	27.7	1,275.9	1,478.6	194.3	6.8	201.0	67.6	956.9	1,225.5	75.9	64.1%
Duplicated Authorization (non-additive) (6)	-	-	-	32.5	-	32.5	-	-	-	36.2	-	36.2	-	-
Money on the Street (includes all fund sources) (8)	118.4	56.6	175.0	60.2	1,275.9	1,511.1	194.3	6.8	201.0	103.8	956.9	1,261.8	75.9	64.1%
<b>Pre-Transfers Authorization (unduplicated)</b>	<b>5,389.0</b>	<b>887.2</b>	<b>6,276.2</b>	<b>639.5</b>	<b>3,458.3</b>	<b>10,374.0</b>	<b>5,454.2</b>	<b>855.4</b>	<b>6,309.6</b>	<b>713.2</b>	<b>3,142.9</b>	<b>10,165.7</b>	<b>65.2</b>	<b>1.2%</b>
Pre-Transfers Surplus/(Deficit)	(3,779.5)	-	-	29.9%	-	-	(440.7)	-	-	91.9%	-	-	-	-
Pre-Transfer Authorization without Governor's Legislation (9)	-	-	-	-	-	-	5,305.8	-	-	-	-	-	-	-
Pre-Transfer Deficit without Governor's Legislation (9)	-	-	-	-	-	-	(3,520.7)	-	-	33.6%	-	-	-	-

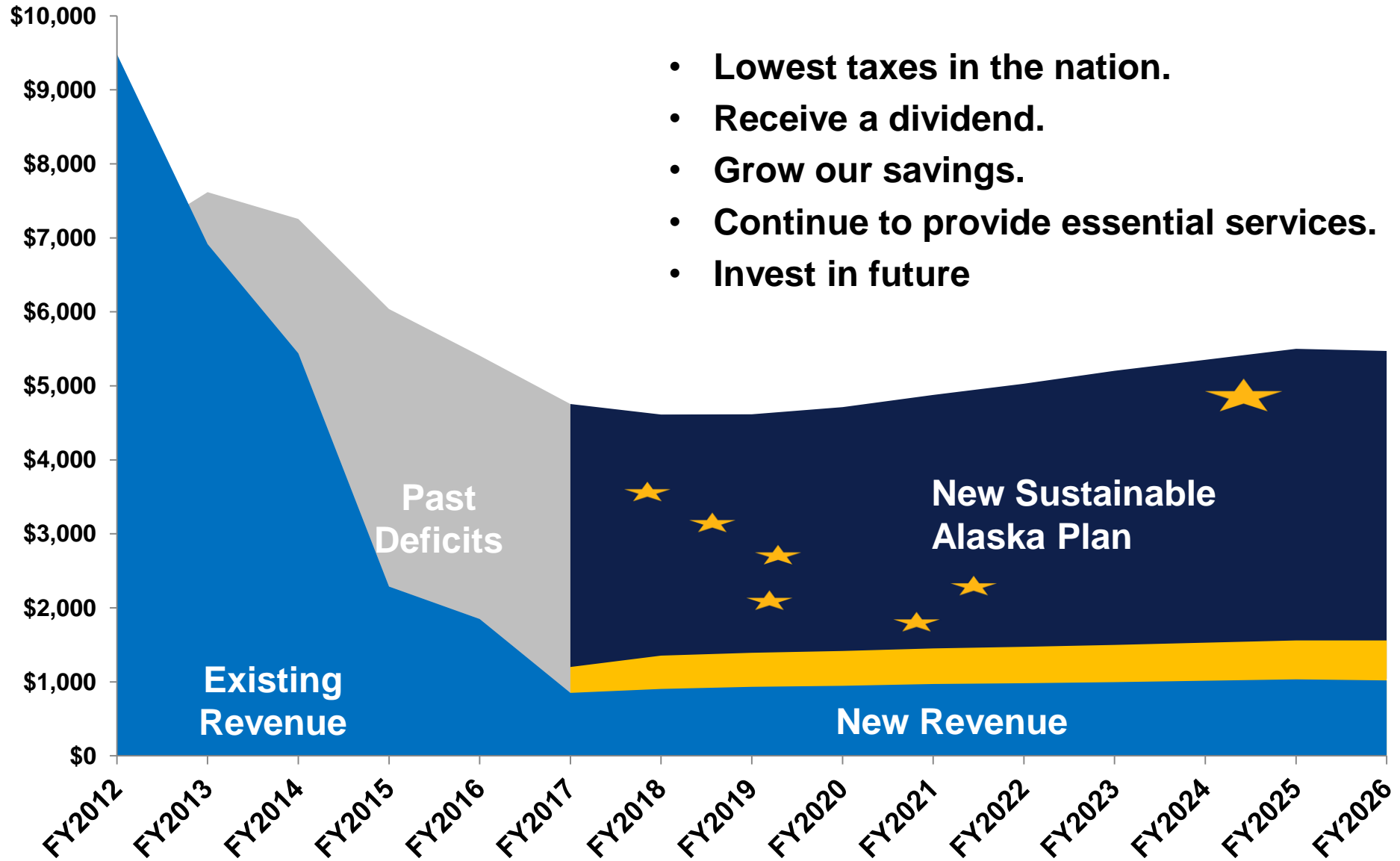
# The New Sustainable Alaska Plan

**Unrestricted General Fund Revenue/ Budget History**  
(millions)





# The New Sustainable Alaska Plan



- **Lowest taxes in the nation.**
- **Receive a dividend.**
- **Grow our savings.**
- **Continue to provide essential services.**
- **Invest in future**