

# **FY2018 Budget and Fiscal Plan Overview**

**January 3, 2017**

**Office of Management and Budget**

**Pat Pitney, Director**

# Governor Walker's FY2018 Fiscal Plan

The Governor's FY2018 fiscal plan is comprised of three necessary elements this year to assure sustainable and balanced budgets long term.

1. Continue to reduce state spending
2. Draw from Permanent Fund earnings to support vital state services and protect the dividend
3. Generate more revenue

# 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, after 5 years of use only \$25,000 remains

## 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 so it lasts a lifetime

## 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 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.

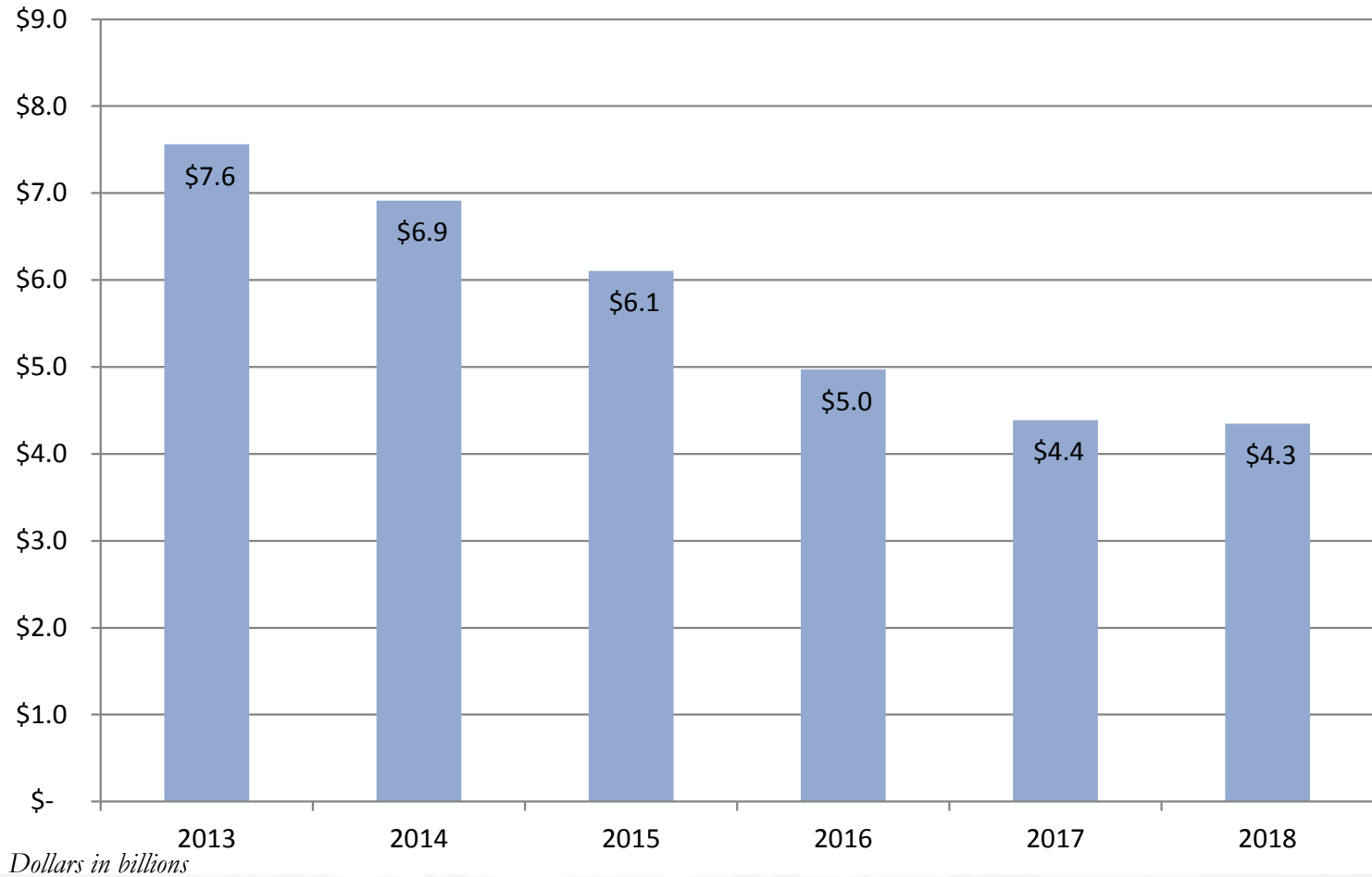
# Workforce Savings

- 2,500 fewer state employees since October 2014
- Hiring restrictions
- Mandatory furloughs
- Increased health insurance premiums
- No COLA in new union contracts
- No COLA for non-union employees
- Pay freezes for non-union employees

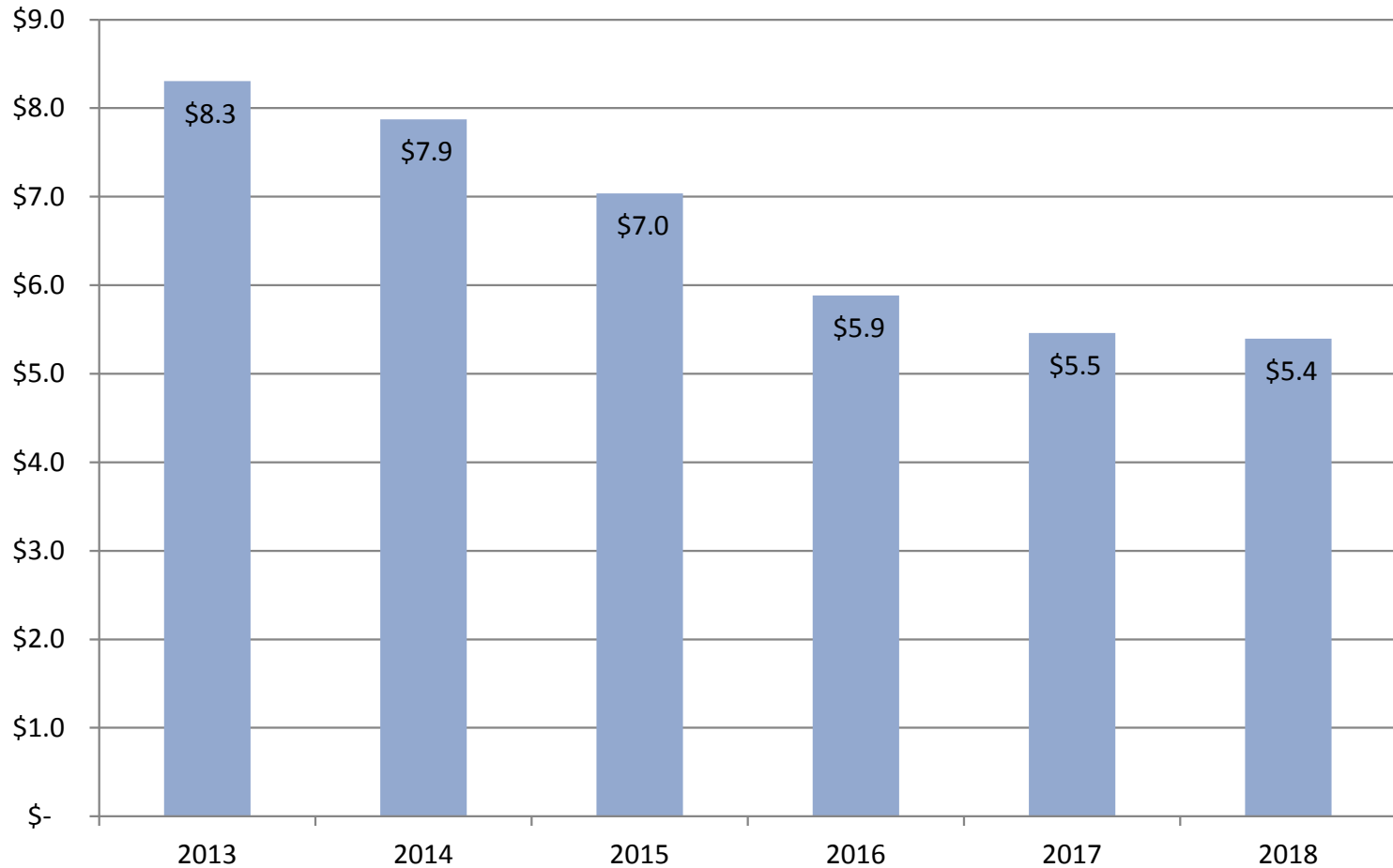
# Continue to Reduce Spending

- Shared Services and IT consolidation (\$600,000)
- Executive branch travel expenditures down 41 percent compared to two years ago (down \$9 million in FY2016; down another \$8 million in FY2017; and down \$8.8 million more in FY2018 proposed)
- Reduced and consolidated leases have eliminated 100,000 sq. ft. (\$3 million)
- Halted mega projects that, if pursued, totaled hundreds of millions in state funding
- Paused 100% state funded capital projects (\$229 million)
- State fleet reductions and extended use of vehicles (\$2 million)

# FY2018 Unrestricted General Fund Spending Without Dividends: \$4.3 Billion



# FY2018 Unrestricted and Designated General Fund Spending Without Dividends: \$5.4 Billion

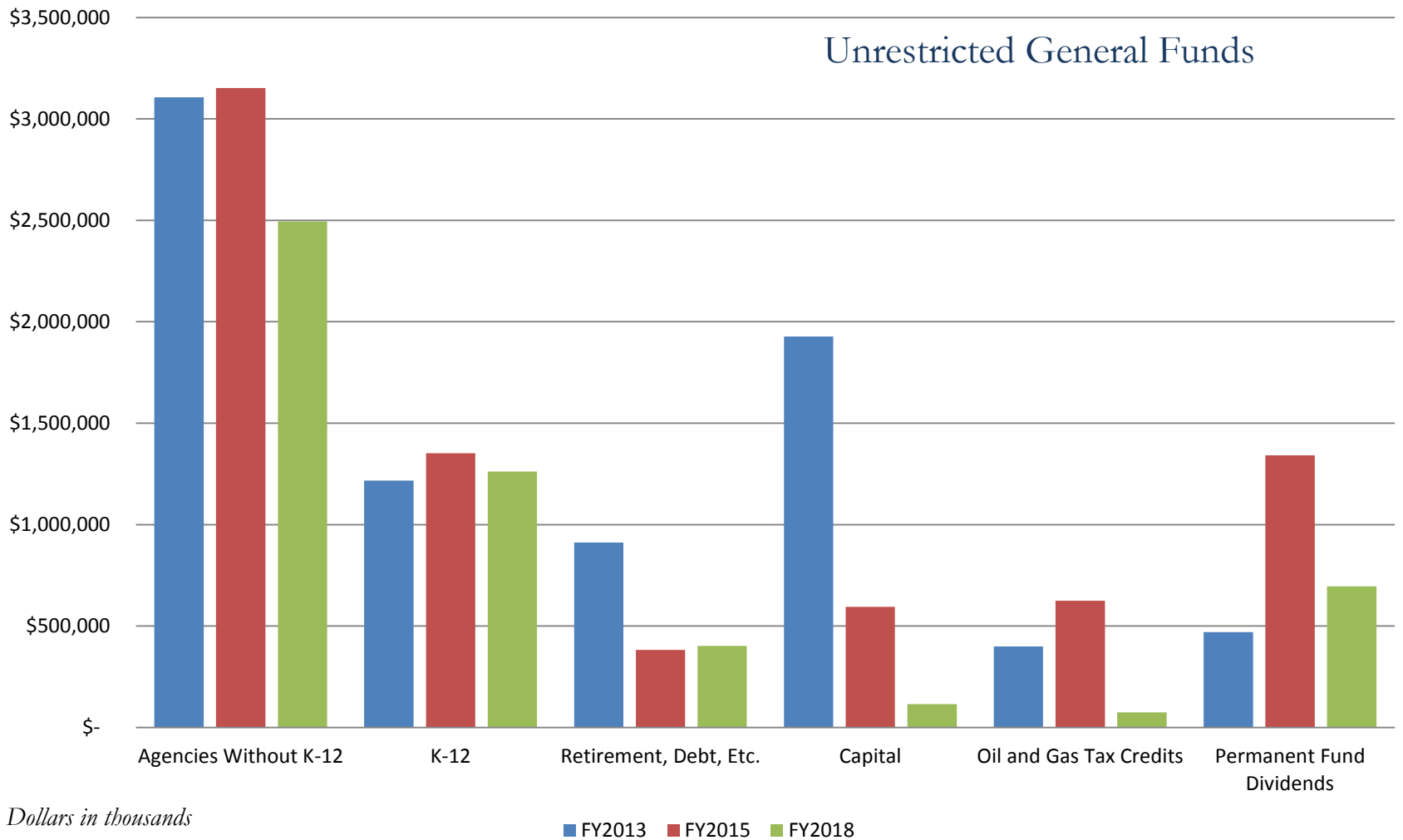


*Dollars in billions*

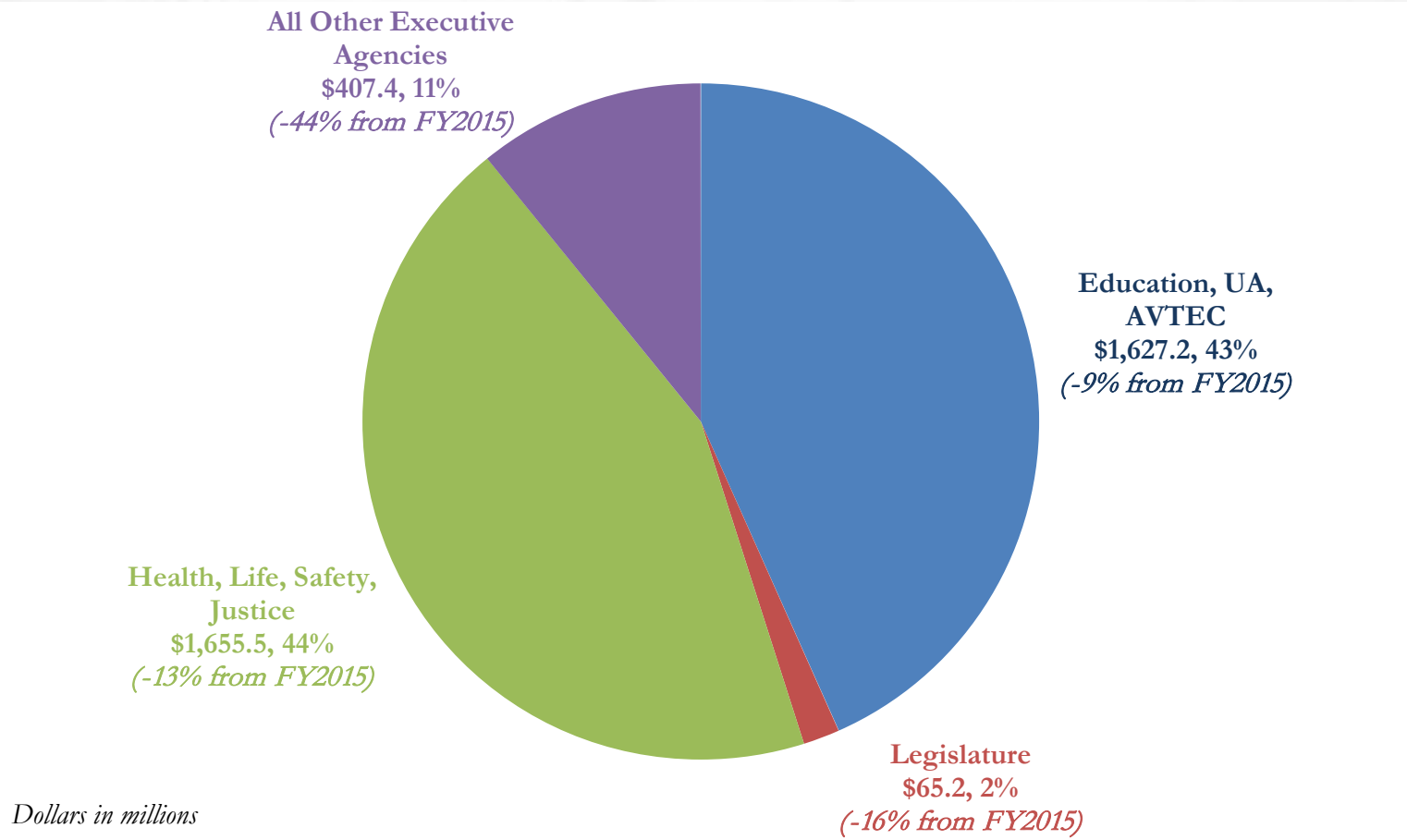


# Spending on Major Items FY2013 Compared to FY2018

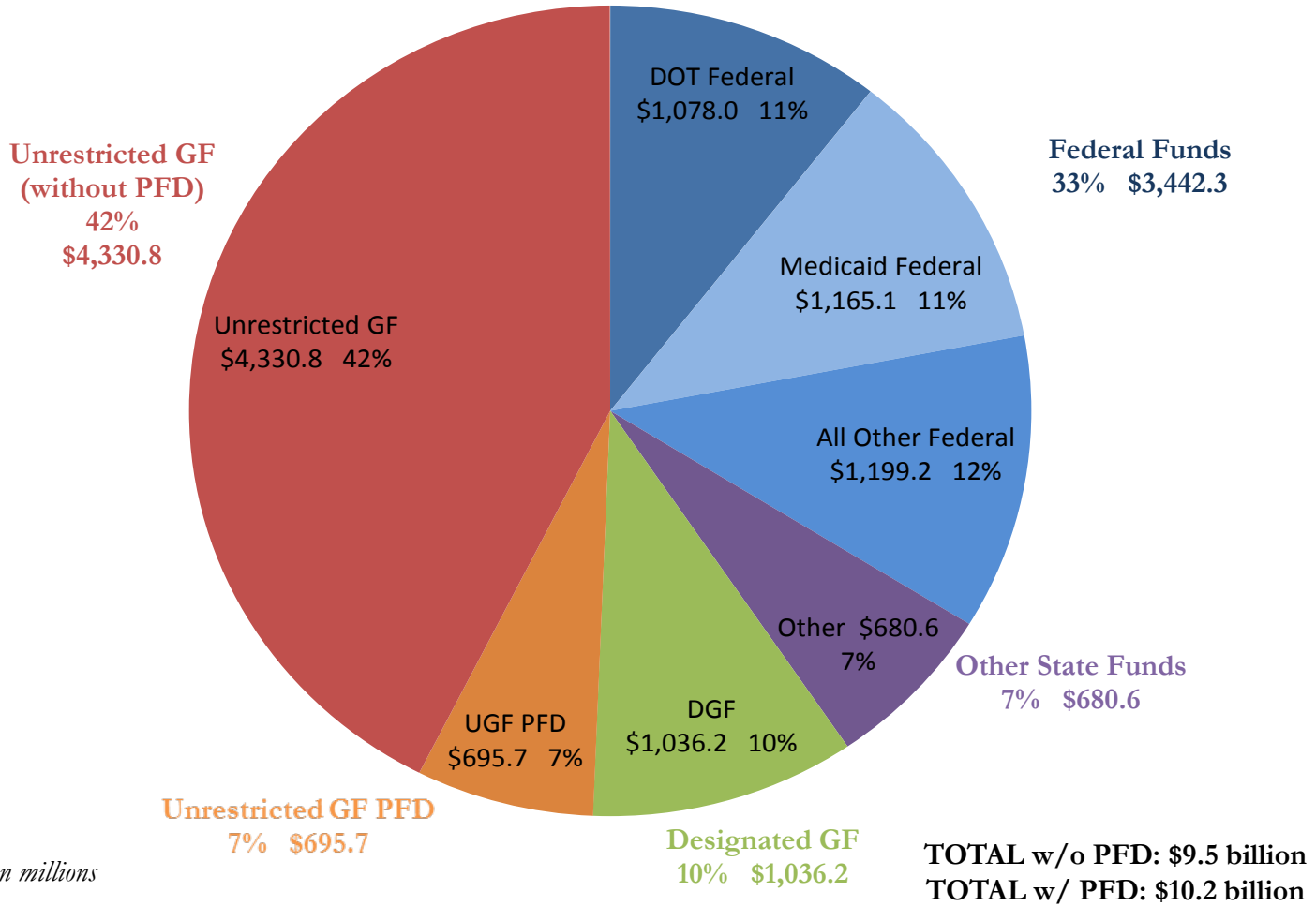
## Unrestricted General Funds



# FY2018 Unrestricted General Fund Agency Operating Budget



# FY2018 Budget by All Fund Sources



# FY2018 Capital Budget

Priority Area	UGF	All Funds
Federal Transportation, Sewer, Water Match	\$75,684.2	\$1,318,629.4
Housing	\$17,450.0	\$42,600.0
Bulk Fuel/Rural Energy Upgrades	\$7,250.0	\$27,396.0
Maintenance	\$14,865.4	\$40,984.3
<b>Total</b>	<b>\$115,249.6</b>	<b>\$1,429,609.7</b>

*Dollars in thousands*

- Future general obligation bonds: 2019-20 to keep capital budget low while still allowing for maintenance, etc., financially advantages to the state

# Statewide Obligations

- **Oil and gas credits:** Statutorily required amount increased to \$74 million
- **School debt reimbursement and REAA funding:** Restored veto, FY2018 increase \$40 million
- **Retirement payments on behalf of municipalities and school districts:** Amount is based on an actuarial rate which is predicted to grow significantly in coming years
- **Community assistance:** Per legislation payout has been reduced by 50% since FY2015, will continue to require a \$30 million annual appropriation to maintain current payout level
- **Maintaining private insurance viability:** Keeps insurance costs low for individuals purchasing insurance through private market and enables current insurer to remain in Alaska, \$55 million

# Kenai: Examples of Direct State Funding

**School Formula:** \$81 million

**School Pupil Transportation:** \$8 million

**School Debt Reimbursement:** \$3 million

**PERS/TRS On Behalf:** \$10 million

City of Kenai - \$0.3 million

Kenai Peninsula Borough School District – \$8.4 million

City of Soldotna - \$0.2 million

Kenai Peninsula Borough - \$0.9 million

**Community Assistance (FY2017):** \$1.8 million

City of Kenai - \$0.3 million

Kenai Peninsula Borough - \$1.3 million

City of Soldotna- \$0.2 million

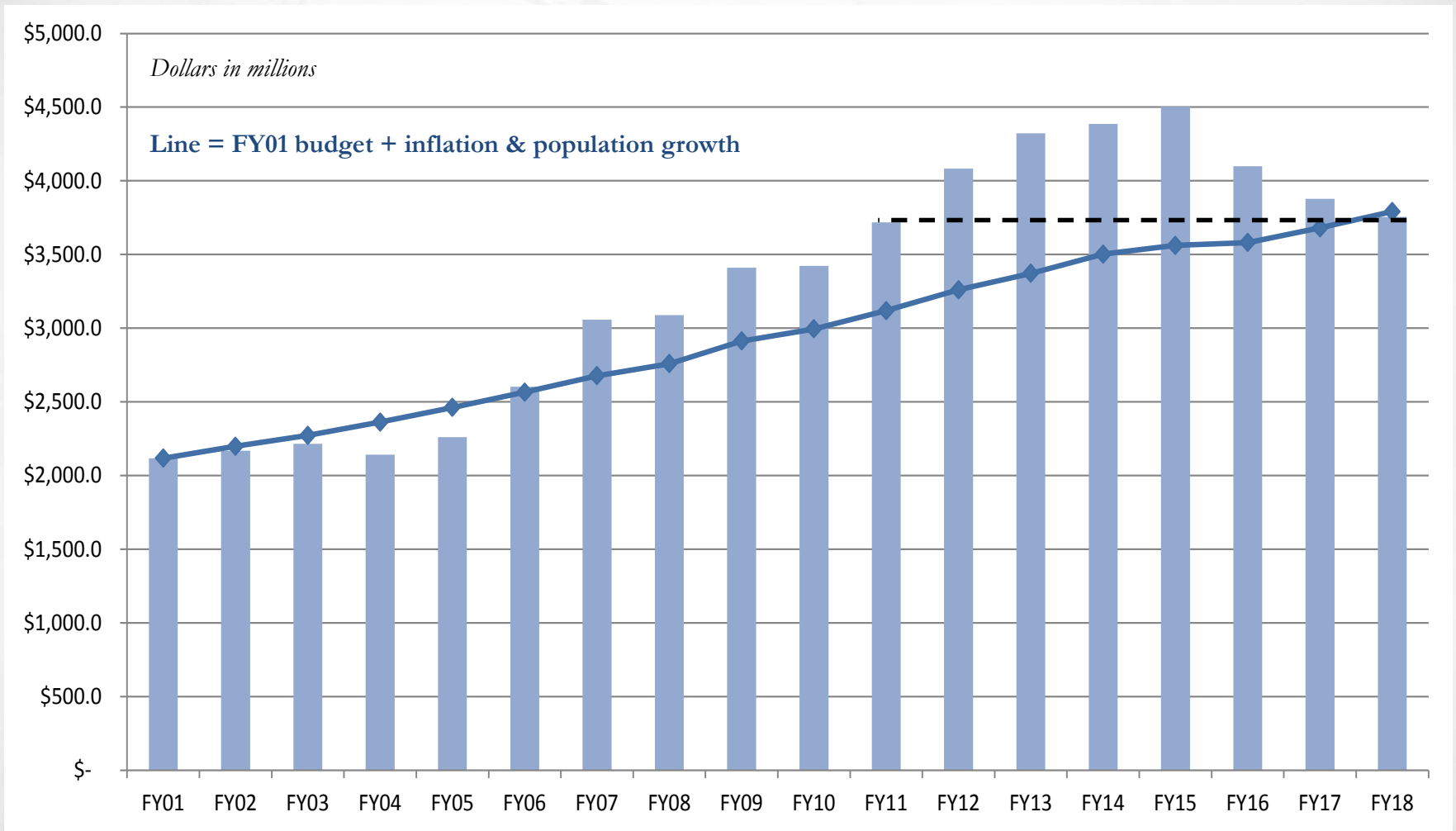
# Kenai: Examples of Other State Impacts

## Payments to recipients in Kenai Peninsula Borough (FY2015)

- Health and Social Services Grants (\$1.2 million in Public Health services, \$2.5 million in Behavioral Health Treatment/Prevention Grants)
- Medicaid (\$4.1 million)
- Foster Care and Adoption (\$2.2 million)
- Child Care Benefits (\$1.5 million)
- Public Assistance and Food Stamp Payments (\$7.2 & \$7.9 million)
- Senior Benefit Payments (\$2.3 million)
- AHFC Housing Programs (\$2.2 million)
- Juvenile Justice (\$3.1 million)
- Road Maintenance
- Troopers
- State Parks
- And More...

# Unrestricted General Fund Agency Operating Budgets

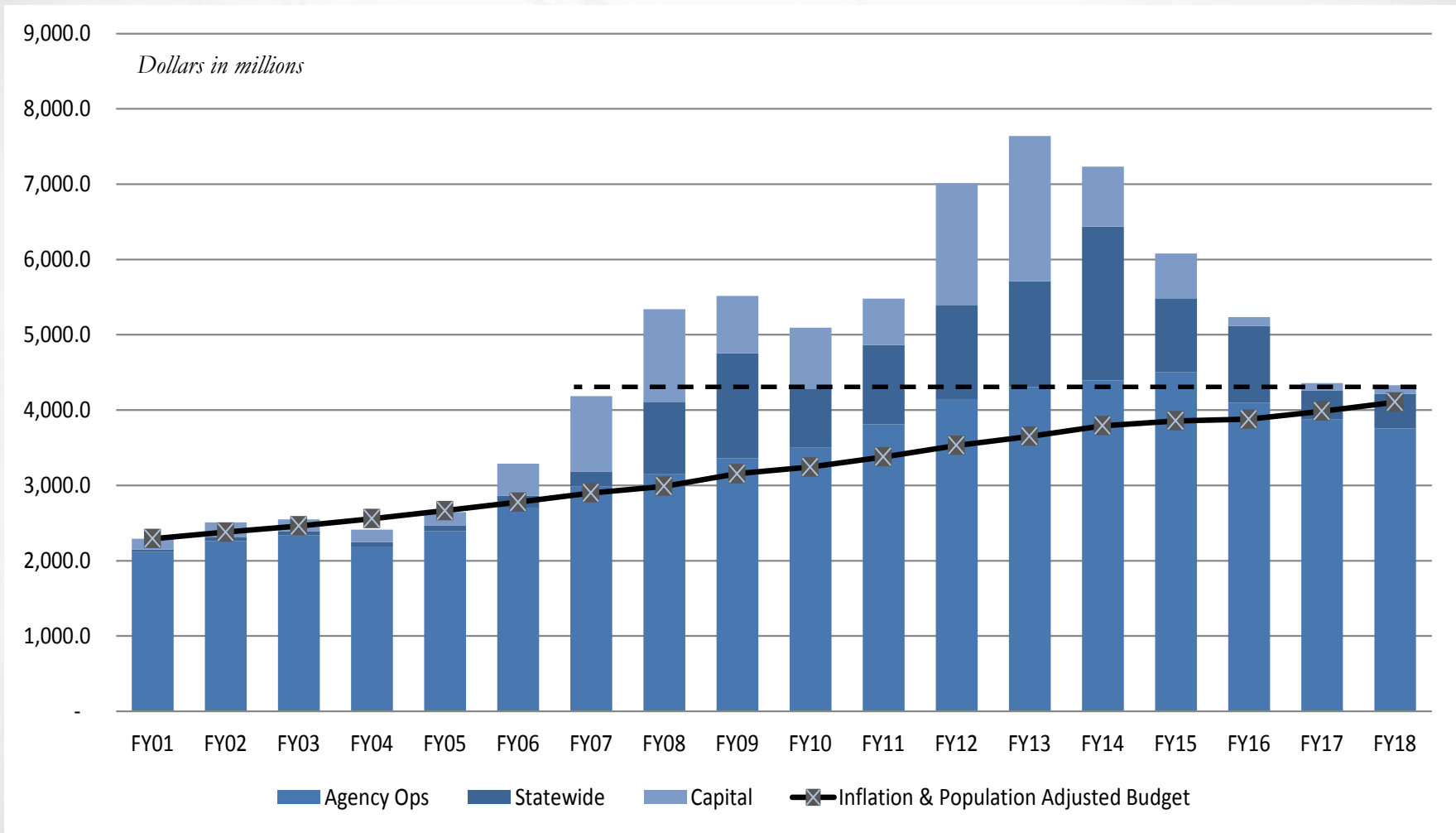
## FY2001 – FY2018 in Nominal Dollars





# Total Unrestricted General Fund Budget

## FY2001 – FY2018 in Nominal Dollars



# Revenue Measures

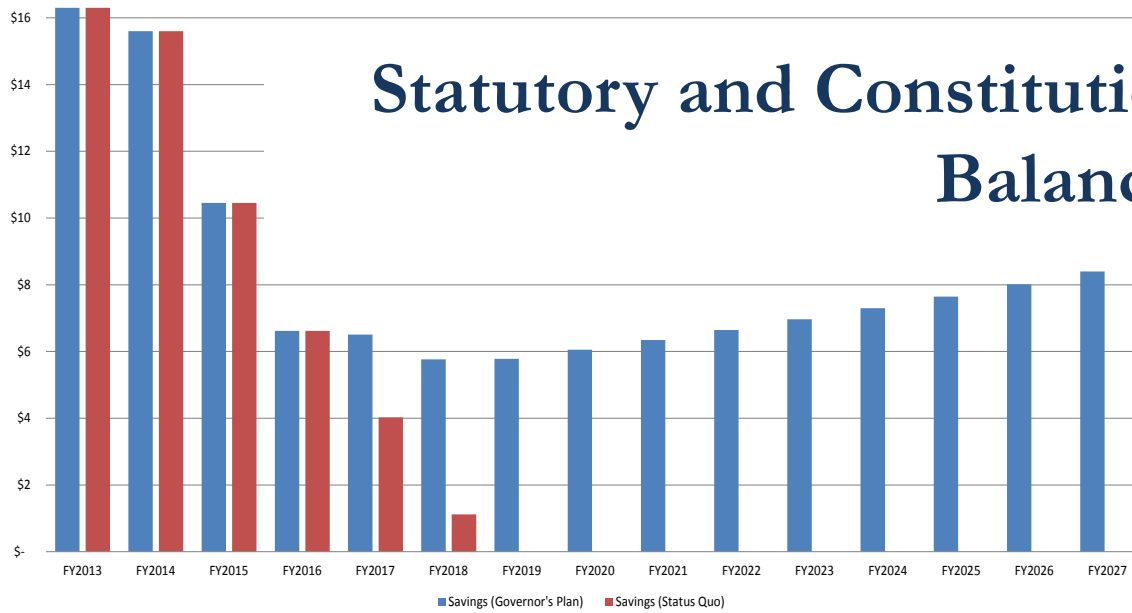
## FY2018 Governors Proposal

- Permanent Fund Protection Act
- Motor Fuels Tax Increase

Additional measure needed to bridge the gap – work with the legislature for acceptable solution

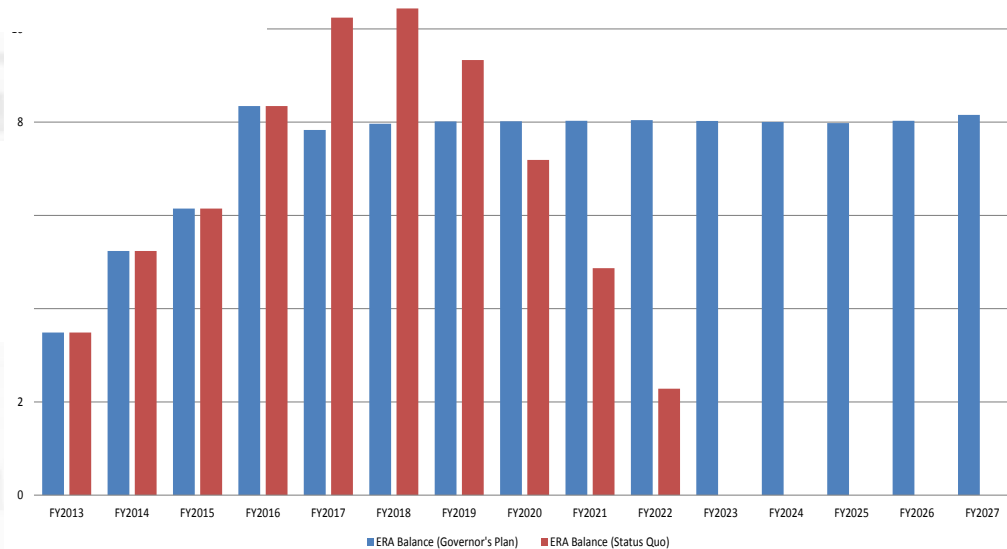
- Income tax or sales tax
- Corporate tax increase
- Oil tax credits reform and/or tax change

# Statutory and Constitutional Budget Reserve Balances



# Earnings Reserve Balance (ERA)

Dollars in billions



For more information on the budget



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