Alaska’s Fiscal Situation

Unrestricted General Funds ($ Billions)

Source: Legislative Finance Division

$83/barrel – FY18 break-even oil price based on $5 Billion budget w/$760 mill for dividends

$56/barrel – DOR FY2018 Forecasted FY18 Annual Average

Source: Legislative Finance Division
Alaska’s Fiscal Situation

In the last 4 years we’ve spent $14 Billion from savings

Just maintaining FY18 state service levels requires a $300 Million increase

Legislators enter this session facing another $2.5 Billion deficit…. 

…and just $2.4 Billion left in non-Permanent Fund savings

Source: Legislative Finance Division
Alaska’s Fiscal Situation

Alaska State Budget Revenue Sources (%)

Yesterday
- 85% Oil & Gas Revenue
- 15% Non-Oil & Gas Revenue

Today
- 30% Oil & Gas Revenue
- 57% Savings
- 13% Non-Oil & Gas Revenue

Tomorrow
- 30% Oil & Gas Revenue
- New Taxes
- Savings
- Non-Oil & Gas
- Permanent Fund Earnings

Source: Alaska OMB

Conflicting policy perspectives & political philosophies

Permanent Fund Earnings Reserve draw proposals could generate ~$2 Billion annually (SB 23)

Broad based sales, wage or income tax
University Budget

<table>
<thead>
<tr>
<th>State UGF Budget</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education (K-12)</td>
<td>$1,294</td>
</tr>
<tr>
<td>Health &amp; Social</td>
<td>$1,165</td>
</tr>
<tr>
<td>University</td>
<td>$317</td>
</tr>
<tr>
<td>Corrections</td>
<td>$289</td>
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<tr>
<td>DOTPF</td>
<td>$178</td>
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<tr>
<td>Public Safety</td>
<td>$163</td>
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<tr>
<td>Agency Ops</td>
<td>$510</td>
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<tr>
<td>Retirement Payments</td>
<td>$271</td>
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<tr>
<td>Debt Service</td>
<td>$202</td>
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<tr>
<td>Capital Budget</td>
<td>$150</td>
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<tr>
<td>Other</td>
<td>$42</td>
</tr>
<tr>
<td><strong>Total UGF</strong></td>
<td>$4,581</td>
</tr>
<tr>
<td>Revenue Projection</td>
<td>$2,086</td>
</tr>
<tr>
<td><strong>Deficit</strong></td>
<td>$(2,495)</td>
</tr>
<tr>
<td><strong>Savings</strong></td>
<td></td>
</tr>
<tr>
<td>CBR Balance</td>
<td>$2,188</td>
</tr>
<tr>
<td>SBR Balance</td>
<td>$172</td>
</tr>
<tr>
<td><strong>Remaining Deficit</strong></td>
<td>$(134.9)</td>
</tr>
</tbody>
</table>

Legislators want to support important public priorities

In times of surplus, one could navigate around budget proposals, work on “plus-ups” and “increments”

But, money simply isn’t there; reserves depleted

Solutions – *Permanent Fund Earnings, taxing or taking from someone else*
University Budget

Dollar Reduction ($ Mill)

- Commerce*: 39%
- Labor and Workforce: 37%
- Natural Resources: 36%
- Fish and Game: 32%
- Environmental Conservation: 32%
- Military and Veterans Revenue: 24%
- Transportation: 21%
- Governor: 21%
- Law: 20%
- Administration: 20%
- University of Alaska: 14%
- Health and Social Services: 8%
- Judiciary: 6%
- Legislature: 4%
- Public Safety: 4%
- Education: 3%
- Corrections: 2%

Source: Alaska OMB
University Budget

• UA’s budget cut from $378M in FY14 to $317M in FY18
  
  o $61 mill (16%) reduction or cumulative loss of $145 million
  o 1,183 fewer people working here then 3 years ago

• Collectively, state operating agencies have been reduced by 43% over the same time period - $780M to $446M

• State employment is at its lowest level in 16 years, since 2002; population has grown 15% over that time

• Additional cuts very hard to find; Larger GF budgets a target
University Budget

UA Budget by Major Funding Source

Legislature doesn’t appropriate to UA by academic programs, campuses, services, etc.

Pro:
- Single appropriation – one check
- Spending priorities set by Regents

Con:
- Advocating for specific priorities difficult
- Inability to quantify immediate impacts of proposed reductions
FY19 Operating/Capital Budget
- Operating: $341M Regents vs $317M Governor
- Capital: $50 Regents vs $0 Governor
- Capital: Gov Economic Recovery Plan Possible $70M

Protecting the Higher Education Fund
- ~$18M draw annually:
  - Alaska Performance Scholarship (~$12M)
  - Alaska Education Grant (~$6M)
- Non-designated spending could deplete fund by FY22

Extending the Education Tax Credit
- Expires December 2018
- Represents $5-$7 Million in revenue for UA
- Simple concept - complicated statute
Alaska’s revenue and budget crisis has both financial and political dimensions – we are impacted by both

Structural deficit makes it difficult to address investment priorities like higher-education and workforce development

State’s overall revenue pie, impacts the size of our slice

Budgeting situation will not improve until a long-term revenue solution is achieved
Public opinion and political constituents drive the agenda

Public doesn’t clearly distinguish between types of government spending

Legislators may support UA; their constituencies may not

Budget increases may not be considered politically wise

This dynamic demands an increased focus on public outreach and external advocacy
Strong and coordinated legislative engagement is always required; but a straight line approach alone isn’t going to be successful.

Legislative support comes with the consent of the broader public – the collective consciousness of Alaskans.

Broaden our definition of advocacy; connect with people who exercise influence – shape public opinions.

Mobilize and build support for our mission, programs and initiatives.

Communicate UA’s impact on the State and Alaska’s support for the university.