

FY24 Budget Situation:

- Spring Revenue Forecast brings next year's budget deficit to \$900 million, but there may need to be increases for K-12 funding, Community Assistance, and deferred maintenance, which pushes the deficit higher.
- The Governor's budget includes a statutory PFD of \$3,860, estimated to cost \$2.5 billion.
- Op. budget to House floor in early April. Few changes from Gov's flat budget. House at 50/50 split-\$418 mil. deficit, requires a CBR draw and a ¾ vote.
- Senate at 25/75 split, surplus \$300 mil.
- Neither includes any school funding increases or infrastructure funding.

Fast Track supplemental, \$365 mil. passed both bodies. Funds food stamp and public defenders back log and summer fires also covers the shortfall in the current year budget by drawing funds from the CBR.

Long-Term Outlook

- Alaska still faces a structural budget deficit over the long term.
- The Governor's 10-Year Plan calls for spending to grow slower than inflation (1.5%) and still shows deficits each year, rising to \$1 billion by FY28.
- The Governor has included a placeholder for new revenue rising to \$900 million per year.
- The State has three main fiscal levers: reducing spending, increasing revenue, and changing the PFD formula.

Every \$100 reduction to the PFD yields a gain of \$64 million for state services.

Big Issues This Year:

Deficit—how to fill it

School funding – no permanent substantial increase since 2017

Construction and maintenance

Defined Benefitsretention and recruitment of workers New Revenues – needed to fill the deficit Carbon/Taxes/PFD

Amount of PFD – longstanding issue

Matching Funds to federal dollars – once-ina-generation opportunity, but additional funding needed

Long-term fiscal plan- we still don't have one

Priority: Fair and Equitable Funding:

- SB 52 \$1,000 BSA increase in FY 24= \$257 million and increases the BSA \$348 for a total of \$7308.00 per student in FY 25. Adds tracking after graduation.
- HB65 \$1,250 BSA increase = \$321.25 million: HB65 moved from the (H) EDU Committee March 22 amended as follows:
- FY24 + \$680 increase to BSA (\$6,640) for a total of \$175 mil.; FY25 + \$800 increase in BSA (\$6,760), for a total of \$205 mil., now in House Finance.
- Adjusting the FY88 BSA for inflation would result in \$15,786.32 per student in FY22.
- District budget shortfalls flat BSA, inflation, energy, transportation, and healthcare costs.
- House Op. Budget \$175 mil. or \$680 BSA increase, one-time funds. House majority wants to examine formula during interim.

Priority: School Construction and Maintenance:

- There are 97 projects on the major maintenance list, totaling \$217.8 million.
- There are 17 projects on the school construction fund, totaling \$195 million.
- Maintenance runs about \$200 to \$400 million per year. Generally about 15% of a district's budget
- None of this is currently in the budget will be a major negotiating point to get out of session
- AHFC Teacher, Health, Public Safety Housing: \$5.5 million-in budget
- SB 113: REAA's: Allows maintenance of teacher housing, adds Mt. Edgecumbe and removes \$70 mil. cap.

Priority: Teacher Recruitment and Retention:

Serious recruitment and retention issues: 1 in 5 state jobs now vacant, 60% of AMHS positions vacant Service problems for public assistance, food stamps, Medicaid, Public Defender, AMHS.

Current Bills

- SB14 Kawasaki Retirement Incentive Program for early retirement
- HB22 Josephson Public Safety officers DB
- SB35 Kawasaki Public Safety officers DB
- SB11 Kiehl Teachers DB
- SB 88 Giessel establishes a new defined benefit retirement plan for public employees and teachers and provides an option for current Tier IV employees to convert their employee contribution plan to the new retirement system. Higher employee contributions, adjustments allowed and no medical insurance from age 60 to 65. Most traction currently.
- **HB 106/SB 97**-Governor The Teacher Retention and Recruitment Incentive bill aims to offer cash payments, ranging in increments from \$5,000 to \$15,000, to qualified and high-performing educators. The incentives would last for three years.
- **HB 147** Dibert A retired teacher could receive a free certificate allowing them to teach as a long-term substitute teacher.

Priority: Fiscal Plan by Adjusting PFD -- End of Session

HB72 Permanent Fund Dividend; 75/25 POMV Split (Rep. Ortiz)/ SB 107; 75/25 POMV Split (Hoffman add 50/50 split later)

HB90 Permanent Fund Dividend; \$1000 Dividend annually (Rep. Fields)

<u>HJR7</u> Const. Amendment: Permanent Fund Dividend (W&M); Payment constitutionally required and remove from annual appropriation process

HJR8 Constitutional Amendment: Guarantee Permanent Fund Dividend (W&M); Payment in constitution and remove dividend size from legislature

HJR9 Constitutional Amendment: Guarantee Permanent Fund Dividend (Rep. Groh); Merges earnings reserve account into the constitutionally protected PF principal, allow 5% for pay out of PFD.

Priority Fiscal Policy-Carbon Capture and Taxes:

The Governor's broad plan to raise revenue through carbon capture includes two parts:

- ➤ HB 50 establishes a permitting process and regulatory regime to oversee the injection of carbon dioxide into geologic reservoirs, typically empty oil reservoirs.
- ➤HB 49 provides for biologic sequestration, where the state can be paid to prohibit development on specific lands or waters, allowing accumulation of carbon in trees, soils, kelp, or other natural processes that can be promoted or encouraged.
- ► HB 142 2% sales tax year-round no exemptions.
- ➤SB 114-Oil tax adjustments: All oil producers pay the same 9.4 percent corporate income tax, no S Corporation exemption (Hilcorp). Reduces producers' production tax credits from \$8 per barrel to \$5 per barrel and caps the credits to an amount equal to a company's capital expenditure. Imposes "ring fencing" so that tax credits can only be taken against tax liability in a specific field, not North Slope-wide. \$1.3 bil. this year, \$866 next then to \$680 mil. a year.

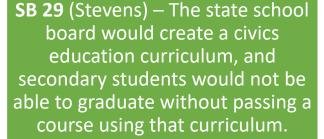


HB 89 creates a **childcare grant assistance program** that might be interesting to help address the current childcare challenge.

education, talking about sex or gender identity, and addressing students by a different pronoun or different names without the written approval of their parents. Parents would have to approve of kids joining a group or club related to sexual orientation or gender. Teachers would also be required to report to parents any information about a student's physical, medical or mental health. Dead in Senate.

Bills of Interest:

SB 98 – this bill proposes that management of the PCE endowment be moved to the Permanent Fund Corporation. **SB 24** (Gray-Jackson) – The education curriculum at public schools would be amended to include mental health issues.



SB 99 (Wielechowski) – High school students would be required to take a class that teaches them how to pay taxes, manage a household budget and have basic financial literacy.

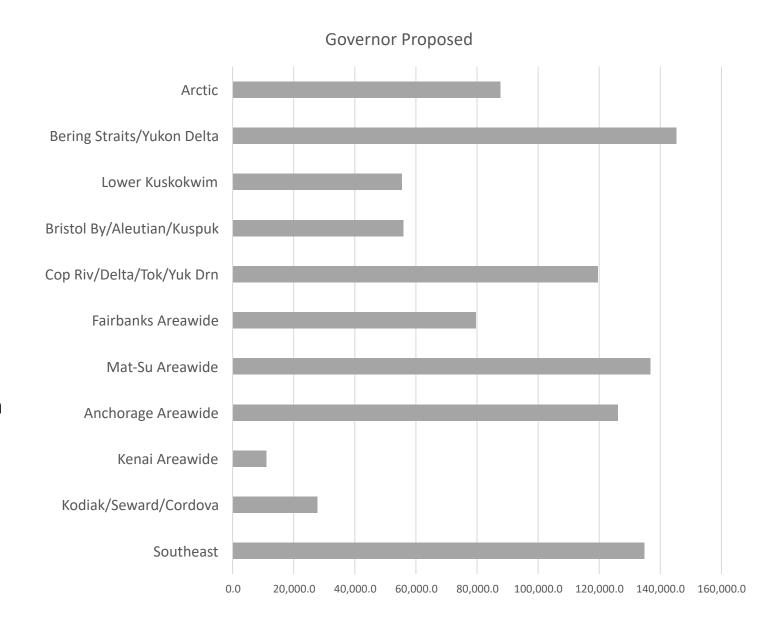


Tribal Compacting:

- Knik Tribe, Ketchikan Indian Community, Tlingit and Haida, King Island Native Community, and Inupiat Community of the Arctic Slope.
- Letters of Intent out, formal grants soon.
- 5 awards of \$100,000 to perform negotiations
- Next will be negotiations with the Tribes that will result in a legislative report.
 Report will establish what needs to happen to make compacting feasible. Will scope out what education compacting looks like in practice. Required by SB 34.
- Tribes will negotiate as a unit with 6 leads, one from each Tribe.
- Report due in 2024
- Legislation would then outline compacting in law
- Just at the start of the process

Capital Projects

- Capital Budget: \$2.6 billion
 \$2.1 billion is federal money
 \$1.8 billion goes directly to DOT&PF
- Western Alaska recovery \$125 million
- Bridges \$100 million
- NPRA Grants- \$32.1 million
- MatSu Daycare facility \$2 million
- Ferry match \$105 million
- VSW \$99 million + \$148.6 million
- Fish \$24 million



Determine amount of PFD

- Determine what services can be funded –
 schools, infrastructure, federal match
- Any required bills needed to pass
- Adjourn

 Possible special session in October to November to further examine school funding formula and/or fiscal plan.

END