

# FY2010 10-year Plan



**Governor's Office of Management and Budget**  
**December 15, 2008**

# Implementation Schedule

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**Agency and additional fund projection detail to come in January**

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- HB 125 introduced in 2007 session, passed in April 2008.
- In June 2008, HB 125 signed into law.
- Initial 10-year plan development schedule:
  - August-December 2008 – Development of initial 10 year plans (simultaneous with agency budgets)
  - December 2008 - Release of FY2010 budget, revenue forecast, and executive summary of 10-year plan
  - January 2009 - Release of agency level plan detail and additional required fund projections

# Purpose of the Plan

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To keep a dialogue about Alaska's future in the forefront

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- The FY2010 plan is a starting point - not the “answer”.
- Should initiate a dialogue about the future fiscal health of Alaska.
- Must involve the Legislature and engage Alaskans.

# Imperatives of the Plan

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## The fiscal plans “must do’s”

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- AS Statute 37.30.020 (b) (2) says that the annual fiscal plan must:
  - Balance the Budget
  - Provide for essential state services
  - Protect Alaska’s economic stability

# Goal of the FY2010 Plan

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## Bridge the projected revenue gap from today to first gas

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- In the long run, Alaska must diversify its revenue base.
- Monetizing Alaska's natural gas resource represents the state's best chance to replace the revenue decline that is projected due to falling oil production.
- The plan's primary goal is to bridge the revenue gap from today to the onset of natural gas revenue, currently forecast to occur sometime between 2018 and 2020.

# Principles of the FY2010 Plan

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## Four basic principles of the FY2010 plan

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- Responsibly develop Alaska's natural resources
- Live Within Our Means
- Control Government Growth
- Save for the Future

# Disclaimer

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## The plan will change

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- *Appropriations projections in the plan do not represent a commitment by the Administration to propose spending at a particular level in FY2010 or any future year.*
- *The 10 year forecast shows that based on current revenue and expenditure assumptions, budget shortfalls over the 10-year period could be filled through prudent use of reserve funds. However, other fiscal tools including spending reductions could be used in addition to, or in lieu of, reserve funds.*
- *The plan will be revisited as conditions warrant.*



# The 10-year forecast

Under Fall 2008 forecast, the CBR and SBR can sustain 3% growth through 2019

Fall 2008 Forecast	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
ANS West Coast (\$/bbl)	\$77.66	\$74.42	\$71.65	\$72.57	\$73.55	\$74.24	\$73.82	\$78.51	\$80.74	\$83.03	\$85.31
ANS production (mbbl./day)	0.683	0.659	0.640	0.641	0.641	0.658	0.633	0.614	0.605	0.584	0.643

## Revenue vs. Spending (\$ Millions)

General Fund Unrestricted Revenue	\$6,765.4	\$5,275.4	\$4,356.6	\$4,482.3	\$4,417.9	\$4,964.1	\$4,596.3	\$4,758.8	\$5,052.2	\$5,383.2	\$6,294.6
General Fund Expenses	\$7,167.6	\$4,886.7	\$5,033.3	\$5,184.3	\$5,339.8	\$5,500.0	\$5,665.0	\$5,835.0	\$6,010.0	\$6,190.3	\$6,376.0
<b>Budget Surplus/Shortfall</b>	<b>\$402.2</b>	<b>\$388.7</b>	<b>\$676.7</b>	<b>\$702.0</b>	<b>\$921.9</b>	<b>\$535.9</b>	<b>\$1,068.7</b>	<b>\$1,076.1</b>	<b>\$957.9</b>	<b>\$807.2</b>	<b>\$81.5</b>

## Reserve Balances

<b>CBRF Total</b>	\$5,985.6	\$6,806.5	\$7,301.0	\$7,097.9	\$6,673.1	\$6,636.1	\$6,035.1	\$5,378.9	\$4,791.9	\$4,308.7	\$4,551.9
<b>Statutory Budget Reserve Balance</b>	\$638.5	\$664.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Total Reserve Balances</b>	\$6,624.1	\$7,471.0	\$7,301.0	\$7,097.9	\$6,673.1	\$6,636.1	\$6,035.1	\$5,378.9	\$4,791.9	\$4,308.7	\$4,551.9



# Total Reserves Remain above \$4.0 Billion

Largest projected budget shortfall would be slightly more than \$1.0 billion

