



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET
Pat Pitney, Director

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February 14, 2017

The Honorable Anna MacKinnon
Co-Chair, Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801-1182

The Honorable Lyman Hoffman
Co-Chair, Senate Finance Committee
Alaska State Legislature
State Capitol, Room 518
Juneau, AK 99801-1182

The Honorable Paul Seaton
Co-Chair, House Finance Committee
Alaska State Legislature
State Capitol, Room 505
Juneau, AK 99801-1182

The Honorable Neal Foster
Co-Chair, House Finance Committee
Alaska State Legislature
State Capitol, Room 410
Juneau, AK 99801-1182

Re: FY 2018 Operating Budget Amendments HB 57/SB 22
FY 2018 Mental Health Budget Amendments HB 59/SB 24
FY 2018 Capital Budget Amendments HB 58/SB 23
FY 2017 Supplemental Budget Amendments HB 95/SB 43

Dear Finance Committee Co-Chairs,

Enclosed, please find proposed amendments to the FY 2018 operating budget, FY 2018 mental health budget, FY 2018 capital budget, and FY 2017 supplemental budget. These amendments increase FY 2018 unrestricted general fund spending by \$2.5 million from the December 15, 2016 Governor's FY 2018 budget. The FY 2017 supplemental amendments with additions and reductions total \$14.5 million in unrestricted general fund authority.

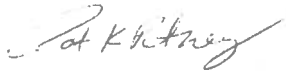
The noteworthy amendments include:

- \$15.0 million unrestricted general fund supplemental amendment for fire suppression activities.
- \$27.7 million in International Airport Revenue Fund authority request for early redemption of international airports revenue bonds. The early redemption of revenue bonds was initially planned for FY 2017 but is now scheduled to occur in FY 2018. A corresponding reduction is reflected as a FY 2017 supplemental amendment.
- \$10.2 additional federal receipt authority for the Child Nutrition Program in Department of Education due to an increase in grant funding for the National School Lunch Program, School Breakfast Program, and Summer Food Service Program.

- \$1.2 million in statutory designated program receipts for Department of Fish and Game industry supported research and assessment projects.
- A \$1.2 million reduction for the Technical and Vocational Education Program (TVEP) due to a projected decline in taxable wages that support the program.
- A \$10.0 million capital reappropriation for the Izembek road project.
- A \$15.0 million capital amendment from Highways and Equipment Working Capital Funds (Other Funds) for already collected replacement and refurbishment fees for equipment and vehicles that have reached the end of their useful life. This will replace the most aged, deteriorated, and costly equipment of the \$49.0 million current replacement-eligible equipment.
- A \$1.5 million unrestricted general fund capital request for Alaska Land Mobile Radio System that will cover a portion of the \$4.5 million needed for system upgrades. The remaining \$3 million needed was requested as a reappropriation in the supplemental bill. This system is critical for 125 agencies that use the public safety communication system for which there is currently no replacement.

Thank you for your consideration of these budget amendments.

Sincerely,



Pat Pitney
Director

Enclosures

cc: David Teal, Director, Legislative Finance Division

Change Record Detail with Description (1716) Department of Education and Early Development

Scenario: FY2018 Governor Amended (14205)
Component: Student and School Achievement (2796)
RDU: Teaching and Learning Support (56)
Title: Alaska Technical and Vocational Education Formula Funding

Language	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	PFT	Positions PPT	NP
N	1151 VoTech Ed	-52.8	0.0	0.0	0.0	0.0	0.0	-52.8	0.0	0	0	0

The Alaska Technical and Vocational Education Program (TVEP), is funded by 0.16 percent of employee contributions to the unemployment insurance trust fund. The taxable wages collected have declined more rapidly than originally anticipated. A reduction in TVEP authority is required in order to not overspend the fund. This is a new item for FY2018. It was not included in the FY2018 Governor's Budget due to timing of updated revenue collection projections.

TVEP, established under AS 23.15.830, provides non-competitive grants to institutions that are part of a statewide vocational training system. Institutions provide technical and vocational training programs that align with workforce regional demands.

The Department of Labor and Workforce Development (DOLWD) manages the TVEP administration, including projecting available revenue for distribution. DOLWD's proposal for the TVEP distribution in the FY2018 Governor's Budget assumed flat TVEP revenue FY2016 through FY2018. There was a carryforward balance from unspent prior year TVEP distributions at the end of FY2016 that was anticipated to be sufficient to cover reduced revenues in FY2017 and FY2018. Actual revenue collections through the first two quarters of FY2017 indicate taxable wages are declining faster than what was anticipated prior to the start of the fiscal year. An overall adjustment of \$1,319.2 is needed, bringing the total available for distribution to \$11,970.1.

The Galena Interior Learning Academy's distribution is set by AS 23.15.835(d), and will receive \$478.8, or four percent, of total receipts available. This decreases the Galena Interior Learning Academy's authority by \$52.8 from the FY2017 distribution level.

FY2018 Governor: \$160,466.4
FY2018 Total Amendments: (\$52.8)
FY2018 Total: \$160,413.6

Change Record Detail with Description (1716) Department of Education and Early Development

Scenario: FY2018 Governor Amended (14205)
 Component: Child Nutrition (1955)
 RDU: Teaching and Learning Support (56)
 Title: Additional Child Nutrition Grants from the US Department of Agriculture

Language	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	PFT	Positions PPT	NP
N	1002 Fed Rcpts	10,172.6	0.0	13.3	3,165.6	15.0	0.0	6,978.7	0.0	0	0	0

Due to increased growth in the National School Lunch Program, School Breakfast Program, and Summer Food Service Program additional federal receipt authorization is needed for acceptance of the increase in United States Department of Agriculture (USDA) grant funds. These are 100% USDA funds and do not require an increase in state general funds or additional staff. This is a new request for FY2018. It was not included in the FY2018 Governor request because at the time of budget development it was unknown whether an amendment request would be necessary due to pending information from the U.S. Department of Education.

The Child Nutrition Programs (CNP) has experienced significant program growth in the National School Lunch Program, School Breakfast Program, and Summer Food Service Program, as well as continued growth in remaining programs. The programs have been impacted by an overall shift in economic status of children served, with an increase of children meeting the Alaska adjusted poverty guidelines, resulting in a substantial increase in the federal reimbursement rate. It is anticipated that CNP will continue to receive these same grants, as well as a technology grant, which will increase the need for additional federal authority. Additional federal receipt authorization is needed for acceptance of the increase in United States Department of Agriculture (USDA) grant funds.

CNP growth is expected to continue beyond 2017. The funds are from a block grant, which provides claim reimbursement money to schools, child care facilities, etc. The department receives incremental receipts throughout the year based on USDA estimates on the department's CNP actuals. The federal receipts are received by weekly draws. These are 100% USDA funds and do not require an increase in state general funds. The department has existing, 100% federally-funded positions, which provide oversight and management for the various food programs; no additional staff will be required.

Without this additional authority, the department will not be able to accept the grant or provide reimbursements to Alaska school districts and other agencies for food and nutrition programs. Affected services and recipients include statewide food service programs that provide meals to economically disadvantaged Alaskans.

FY2018 Governor: \$63,796.1
 FY2018 Total Amendments: \$10,172.6
 FY2018 Total: \$73,968.7

Change Record Detail with Description (1716) **Department of Education and Early Development**

Scenario: FY2018 Governor Amended (14205)
 Component: Loan Servicing (3096)
 RDU: Alaska Student Loan Corporation (637)
 Title: FY2018 Health Insurance Rate Increase

Language	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions PFT	NP
N											
	Inc	197.3	0.0	0.0	197.3	0.0	0.0	0.0	0.0	0	0
	1106 ASLC Rcpts	197.3									

Alaska Student Loan Corporation (ASLC) contracts with the Alaska Commission on Postsecondary Education (ACPE) for loan servicing and pays for these services with ASLC receipts. The health insurance increase was added to ACPE's interagency receipt funding line within the appropriation but not within the ASLC's appropriation, which funds ACPE. This amendment provides FY2018 funding based on an FY2017 supplemental request of \$115.1.

FY2018 Governor: \$11,946.7
 FY2018 Total Amendments: \$197.3
 FY2018 Total: \$12,144.0