

FY2019 Governor's Operating and Capital Budget Explanation

Budget

The total budget, including unrestricted and designated general funds, federal, and other funds comes to \$10.65 billion including the Permanent Fund dividend, estimated at \$1,216 per person.

Separately, the Governor has introduced the Alaska Economic Recovery Act, the first of a three-phase plan to promote job growth and address the state's backlog of deferred maintenance bringing an additional \$1.4 billion in economic activity to the state over the next three years.

Transparency Initiative

The Governor's FY2019 transparent budget, which accounts for opaque budgeting tactics, totals \$4.7 billion compared to \$4.8 billion in FY2018 and \$6.3 billion in FY2015 (a 26 percent reduction). When comparing only the unrestricted general fund reported total, the proposed FY2019 budget is \$4.2 billion compared to \$4.3 billion in FY2018.

The figures above demonstrate that there are practices that distort unrestricted general budget reporting. This administration is committed to producing the most open and accurate data so that the public can better understand the complexities of the state budget. To this end, the Office of Management and Budget has provided the following [Budget Transparency Report](#) and [open data interactive tool](#) so Alaskans can see apples-to-apples state spending trends. The Budget Transparency Report is designed to start a collaborative effort with the Legislative Budget and Audit Committee to define a more transparent approach to reporting state budget totals that promotes trust and accountability.

Budget Trend (All figures use transparent budget)

Agency operating budgets increased by less than one percent from FY2018, driven by an investment in public safety of \$34.0 million, a higher than anticipated prison population, and increased formula costs of \$27.2 million for Medicaid. Most of these increases were offset by continued reductions across executive branch agencies. However, the unrestricted general fund change from FY2018 shows a 4 percent increase as a result of artificially low FY2018 unrestricted fund budgets for Medicaid, the Department of Corrections, and the Alaska Marine Highway System. Funding for each of these departments is addressed in the FY2018 supplemental process. The Legislature and the Judiciary FY2019 budgets increased two percent and one percent respectively.

Although Medicaid is a primary driver of the FY2019 increase, it is important to note that through significant coordination with the legislature to implement reforms and maximize federal funds, the projected general fund spend in FY2019 is \$691 million compared to \$693 million in FY2015. Today 34 percent more Alaskans are receiving needed healthcare while the state budget for the program

Office of Management and Budget: Fiscal Year 2019 Budget Summary

remains level with FY2015. In FY2015, Medicaid covered 163,388 unique individuals. In FY2017, 218,385 individuals were enrolled, with about 40,000 in Medicaid expansion. In FY2019 it is projected that more than 225,000 Alaskans will be covered by Medicaid.

In FY2019, statewide items including debt service, retirement, and oil and gas exploration credits decreased 12.6 percent as a result of cost containment initiatives including the implementation of a Medicare Part-D Employer Group Waiver Plan (estimated to save \$25.5 million), aimed at reducing state spending for retiree healthcare, and the [proposed financing of oil and gas exploration tax credit payments](#).

In total the FY2019 operating budget is one percent below FY2018 (includes agencies and statewide items).

Budget Structure

This year, in tandem with the FY2019 budget roll-out, the Governor is introducing a [budget reform](#) package to address the threat of government shutdown due to the delay in passing the budget as the legislature grapples with complex fiscal issues. These shutdown exercises are costly, due to the uncertainty and wasted productivity. To provide the legislature with a tool to address those budget components that impact day to day services and education, this operating budget is divided into two sections:

1. The first part funds operating agencies, formula programs, and certain debt obligations of the state. These are the day-to-day operations of the state and include payments to school districts for K-12 education, troopers, wildland fire fighters, public assistance payments, Permanent Fund and pension investment managers, road maintenance and other core government service functions. This budget will be funded with existing revenue, a sustainable draw from the Permanent Fund and the Statutory Budget Reserve Fund (SBR).
2. The second section funds oil and gas exploration credits, retirement payments, and school debt reimbursement and associated REAA payments. This section of the budget is funded by the Constitutional Budget Reserve fund (CBR). A delay on payment of these commitments, although inconvenient, will not disrupt schools or government services.

Capital Budget

The FY2019 proposed capital budget of \$150 million in unrestricted general fund is very minimal, covering federal match for transportation, rural and municipal water and sewer programs, housing, and required technology upgrades. FY2019's capital budget is 39 percent lower than the FY2018's state capital spend that included unrestricted general fund and re-appropriations (use of unrestricted general funds remaining in old projects re-directed to new priorities) totaling \$255 million.

Office of Management and Budget: Fiscal Year 2019 Budget Summary

The attached budget tables show the FY2019 total budget, transparent budget and unrestricted general fund budget. The Office of Management and Budget [website](#) provides complete budget detail.

State Workforce

There are 2,800 fewer state employees this year compared to three years ago. State employment today is lower than it was in 2002 (comparing month-to-month to avoid seasonal changes). Additionally, efficiency measures such as Shared Services and the Office of Information Technology, Alaska's strategic integration initiatives, are expected to reduce administrative staff by another 200 positions over the next several years. These eliminations will be managed through attrition as state government strives to run as efficiently and effectively as possible. When fewer resources are required for back-office functions, more is available to directly serve Alaskans.

The FY2019 budget continues to reduce the number of positions by 217 compared to FY2018. There are 2,127 fewer than in the FY2015 budget. This is the net change after adding 20 positions for public safety, 10 positions at the Permanent Fund Corporation to bring additional asset management in house, and 10 guardians in the Office of Public Advocacy to protect vulnerable seniors.

Conclusion

This budget maintains the level of service that Alaskans value most while making strategic investments in public safety and criminal justice. The budget, along with the Governor's Alaska Economic Recovery Act, will combat the recession, grow the economy and get Alaska back to work. Along with these high-priority initiatives, the budget provides Alaskans with a larger dividend that is expected to grow in the years ahead.

Targeted reductions aimed at making state government more efficient continue to be made as the state moves towards a sustainable budget that provides Alaskans with the highest value for their tax dollars.

FY2019 Budget Summary with FY2015 and FY2018 Comparison

Transparent Budget

	FY2015	FY2018	FY2019 Proposed
Agency Operations	\$ 2,277.3	\$ 1,900.2	\$ 1,894.1
Education Formula	1,307.4	1,287.6	1,285.3
Medicaid Formula	723.0	664.2	691.4
Other Formula	177.8	135.6	139.3
Total Agency	4,485.5	3,987.6	4,010.1
Tax Credits, Debt, Retirement, Etc.	966.4	591.0	516.8
Total Operating	5,451.9	4,578.6	4,526.9
Capital	846.7	255.0	156.0
Total Operating and Capital	6,298.6	4,833.6	4,682.9
Transfers	101.1	15.9	14.6
Dividend	1,070.0	760.0	818.9
Total Budget with Dividend	7,469.6	5,609.5	5,516.4
Alaska Economic Recovery Act	-	-	280.0

Transparent Budget - Change

	FY2015 to FY2019		FY2018 to FY2019		notes:
	(\$)	(%)	(\$)	(%)	page 8
	\$ (383.3)	-16.8%	\$ (6.1)	-0.3%	1
	(22.0)	-1.7%	(2.3)	-0.2%	2
	(31.6)	-4.4%	27.2	4.1%	3
	(38.4)	-21.6%	3.7	2.8%	4
	(475.4)	-10.6%	22.5	0.6%	5
	(449.6)	-46.5%	(74.3)	-12.6%	6
	(925.0)	-17.0%	(51.8)	-1.1%	7
	(690.6)	-81.6%	(98.9)	-38.8%	8
	(1,615.7)	-25.7%	(150.7)	-3.1%	9
	(86.5)	-85.6%	(1.3)	-8.2%	10
	(251.1)	-23.5%	58.9	7.7%	11
	(1,953.3)	-26.1%	(93.1)	-1.7%	12
	280.0	-	280.0	-	13

Unrestricted General Fund

	FY2015	FY2018	FY2019 Proposed
Agency Operations	\$ 2,283.4	\$ 1,783.7	\$ 1,824.6
Education Formula	1,351.5	1,267.6	1,262.0
Medicaid Formula	693.0	564.2	691.4
Other Formula	175.1	135.6	139.3
Total Agency	4,503.0	3,751.1	3,917.3
Tax Credits, Debt, Retirement, Etc.	979.9	469.4	115.8
Total Operating	5,483.0	4,220.5	4,033.0
Capital	667.6	132.0	150.1
Total Operating and Capital	6,150.6	4,352.5	4,183.1
Transfers	90.8	15.9	14.6
Dividend	1,070.0	760.0	818.9
Total Budget with Dividend	7,311.4	5,128.4	5,016.6
Alaska Economic Recovery Act	-	-	280.0

Unrestricted General Fund - Change

	FY2015 to FY2019		FY2018 to FY2019		
	(\$)	(%)	(\$)	(%)	
	\$ (458.8)	-20.1%	\$ 40.9	2.3%	14
	(89.5)	-6.6%	(5.6)	-0.4%	15
	(1.6)	-0.2%	127.2	22.5%	16
	(35.8)	-20.4%	3.7	2.8%	17
	(585.7)	-13.0%	166.2	4.4%	18
	(864.2)	-88.2%	(353.6)	-75.3%	19
	(1,449.9)	-26.4%	(187.4)	-4.4%	20
	(517.6)	-77.5%	18.1	13.7%	21
	(1,967.5)	-32.0%	(169.4)	-3.9%	22
	(76.2)	-83.9%	(1.3)	-8.2%	23
	(251.1)	-23.5%	58.9	7.7%	24
	(2,294.9)	-31.4%	(111.8)	-2.2%	25
	280.0	-	280.0	-	26

All Funds

	FY2015	FY2018	FY2019 Proposed
Agency Operations	\$ 4,352.5	\$ 4,031.8	\$ 4,043.6
Education Formula	1,393.3	1,320.2	1,317.9
Medicaid Formula	1,669.1	1,741.7	2,289.0
Other Formula	315.2	283.4	278.6
Total Agency	7,730.1	7,377.0	7,929.0
Tax Credits, Debt, Retirement, Etc.	1,082.9	713.7	619.6
Total Operating	8,813.1	8,090.8	8,548.6
Capital	1,902.1	1,414.1	1,252.6
Total Operating and Capital	10,715.1	9,504.9	9,801.3
Transfers	113.6	29.6	28.0
Dividend	1,070.0	760.0	818.9
Total Budget with Dividend	11,898.8	10,294.5	10,648.2
Alaska Economic Recovery Act	-	-	386.0

All Funds - Change

	FY2015 to FY2019		FY2018 to FY2019		
	(\$)	(%)	(\$)	(%)	
	\$ (308.9)	-7.1%	\$ 11.9	0.3%	27
	(75.4)	-5.4%	(2.3)	-0.2%	28
	619.9	37.1%	547.3	31.4%	29
	(36.6)	-11.6%	(4.8)	-1.7%	30
	198.9	2.6%	552.0	7.5%	31
	(463.3)	-42.8%	(94.1)	-13.2%	32
	(264.4)	-3.0%	457.9	5.7%	33
	(649.4)	-34.1%	(161.5)	-11.4%	34
	(913.8)	-8.5%	296.4	3.1%	35
	(85.6)	-75.3%	(1.5)	-5.2%	36
	(251.1)	-23.5%	58.9	7.7%	37
	(1,250.6)	-10.5%	353.7	3.4%	38
	386.0	-	386.0	-	39

*For more information about the budget, visit the interactive budget transparency tool at: <http://data.alaska.gov>

All figures in millions

FY2019 Budget Overview

Department	FY2019 Capacity Budget	FY2019 CBR Items	FY2019 Budget
Non-Formula			
Administration	\$ 70,347.9	\$ -	\$ 70,347.9
Commerce	\$ 10,034.3	\$ -	\$ 10,034.3
Corrections	\$ 289,168.5	\$ -	\$ 289,168.5
Educ & Early Devel	\$ 32,036.7	\$ -	\$ 32,036.7
Environ Conservation	\$ 15,190.0	\$ -	\$ 15,190.0
Fish and Game	\$ 50,509.1	\$ -	\$ 50,509.1
Governor	\$ 24,982.8	\$ -	\$ 24,982.8
Health & Social Svcs	\$ 334,376.1	\$ -	\$ 334,376.1
Labor & Workforce	\$ 20,624.2	\$ -	\$ 20,624.2
Law	\$ 50,377.9	\$ -	\$ 50,377.9
Military & Veterans Affairs	\$ 16,964.5	\$ -	\$ 16,964.5
Natural Resources	\$ 57,576.3	\$ -	\$ 57,576.3
Public Safety	\$ 163,317.1	\$ -	\$ 163,317.1
Revenue	\$ 25,009.2	\$ -	\$ 25,009.2
Transportation	\$ 177,931.5	\$ -	\$ 177,931.5
University of Alaska	\$ 316,883.5	\$ -	\$ 316,883.5
Branch-wide	\$ (786.5)	\$ -	\$ (786.5)
Judiciary	\$ 105,444.9	\$ -	\$ 105,444.9
Legislature	\$ 64,586.7	\$ -	\$ 64,586.7
Total Agency Non-Formula	\$ 1,824,574.7	\$ -	\$ 1,824,574.7
Formula			
Educ & Early Devel	\$ 1,261,973.4	\$ -	\$ 1,261,973.4
Medicaid	\$ 691,411.5	\$ -	\$ 691,411.5
HSS Formula (non-medicaid)	\$ 139,321.2	\$ -	\$ 139,321.2
Total Formula	\$ 2,092,706.1	\$ -	\$ 2,092,706.1
Total Agency Operating	\$ 3,917,280.8	\$ -	\$ 3,917,280.8
Debt Service	\$ 113,717.5	\$ 87,877.9	\$ 201,595.4
Direct Approp to Retirement Acct	\$ -	\$ 245,460.1	\$ 245,460.1
Oil and Gas Tax Credits	\$ -	\$ 27,000.0	\$ 27,000.0
REAA School Construction	\$ -	\$ 39,661.0	\$ 39,661.0
Fund Capitalization (DRF)	\$ 2,048.0	\$ -	\$ 2,048.0
Total Statewide	\$ 115,765.5	\$ 399,999.0	\$ 515,764.5
Capital Projects	\$ 150,063.8	\$ -	\$ 150,063.8
Total Budget	\$ 4,183,110.1	\$ 399,999.0	\$ 4,583,109.1
Transfers	\$ 14,600.0	\$ -	\$ 14,600.0
Dividends	\$ 818,876.5	\$ -	\$ 818,876.5
Total Budget With Dividend	\$ 5,016,586.6	\$ 399,999.0	\$ 5,416,585.6
Designated General Funds	\$ 834,179.1	\$ -	\$ 834,179.1
Other Funds	\$ 726,891.0	\$ -	\$ 726,891.0
Federal Funds	\$ 3,670,540.2	\$ -	\$ 3,670,540.2
Total All Sources	\$ 10,248,197.0	\$ 399,999.0	\$ 10,648,195.9

Unrestricted General Fund Budget - FY2018 to FY2019 Comparison

Department	FY2018 Management Plan	Management Plan + Supplementals*	FY2019 Budget	FY2018 MP to FY2019		FY2018 MP with Supplementals to FY2019	
Non-Formula							
Administration	\$ 70,147.6	\$ 70,601.1	\$ 70,347.9	\$ 200.3	0%	\$ (253.2)	0%
Commerce	\$ 11,586.6	\$ 11,586.6	\$ 10,034.3	\$ (1,552.3)	-13%	\$ (1,552.3)	-13%
Corrections	\$ 267,008.0	\$ 287,797.1	\$ 289,168.5	\$ 22,160.5	8%	\$ 1,371.4	0%
Educ & Early Devel	\$ 32,463.5	\$ 32,463.5	\$ 32,036.7	\$ (426.8)	-1%	\$ (426.8)	-1%
Environ Conservation	\$ 15,297.9	\$ 15,297.9	\$ 15,190.0	\$ (107.9)	-1%	\$ (107.9)	-1%
Fish and Game	\$ 50,516.4	\$ 50,516.4	\$ 50,509.1	\$ (7.3)	0%	\$ (7.3)	0%
Governor	\$ 28,322.9	\$ 28,322.9	\$ 24,982.8	\$ (3,340.1)	-12%	\$ (3,340.1)	-12%
Health & Social Svcs	\$ 347,848.7	\$ 365,848.7	\$ 334,376.1	\$ (13,472.6)	-4%	\$ (31,472.6)	-9%
Labor & Workforce	\$ 20,992.0	\$ 20,992.0	\$ 20,624.2	\$ (367.8)	-2%	\$ (367.8)	-2%
Law	\$ 50,624.8	\$ 50,624.8	\$ 50,377.9	\$ (246.9)	0%	\$ (246.9)	0%
Military & Veterans Affairs	\$ 16,349.4	\$ 16,664.5	\$ 16,964.5	\$ 615.1	4%	\$ 300.0	2%
Natural Resources	\$ 66,729.5	\$ 66,729.5	\$ 57,576.3	\$ (9,153.2)	-14%	\$ (9,153.2)	-14%
Public Safety	\$ 159,549.2	\$ 159,549.2	\$ 163,317.1	\$ 3,767.9	2%	\$ 3,767.9	2%
Revenue	\$ 25,584.9	\$ 25,584.9	\$ 25,009.2	\$ (575.7)	-2%	\$ (575.7)	-2%
Transportation	\$ 135,191.8	\$ 134,191.8	\$ 177,931.5	\$ 42,739.7	32%	\$ 43,739.7	33%
University of Alaska	\$ 317,033.5	\$ 317,033.5	\$ 316,883.5	\$ (150.0)	0%	\$ (150.0)	0%
Branch-wide	\$ -	\$ -	\$ (786.5)	\$ (786.5)		\$ (786.5)	
Judiciary	\$ 104,838.6	\$ 104,838.6	\$ 105,444.9	\$ 606.3	1%	\$ 606.3	1%
Legislature	\$ 63,587.1	\$ 63,587.1	\$ 64,586.7	\$ 999.6	2%	\$ 999.6	2%
Total Agency Non-Formula	\$ 1,783,672.4	\$ 1,822,230.1	\$ 1,824,574.7	\$ 40,902.3	2%	\$ 2,344.6	0%
						\$ -	
Formula						\$ -	
Educ & Early Devel	\$ 1,267,613.3	\$ 1,267,613.3	\$ 1,261,973.4	\$ (5,639.9)	0%	\$ (5,639.9)	0%
Medicaid	\$ 564,233.9	\$ 664,233.9	\$ 691,411.5	\$ 127,177.6	23%	\$ 27,177.6	4%
HSS Formula (non-medicaid)	\$ 135,579.3	\$ 135,579.3	\$ 139,321.2	\$ 3,741.9	3%	\$ 3,741.9	3%
Total Formula	\$ 1,967,426.5	\$ 2,067,426.5	\$ 2,092,706.1	\$ 125,279.6	6%	\$ 25,279.6	1%
						\$ -	
Total Agency Operating	\$ 3,751,098.9	\$ 3,889,656.6	\$ 3,917,280.8	\$ 166,181.9	4%	\$ 27,624.2	1%

*FY2018 Management Plan with Supplementals will differ from the transparency report. While unrestricted general fund reports that include supplementals are a better metric than traditional reports that only make comparisons between Management Plan budgets, several significant items are still omitted. One example of FY2018 spending not included in this report can be found in the Department of Transportation and Public Facilities budget. In FY2018 the Marine Highway System was funded on a one-time draw-down (\$44.0 million) of the designated balance of their operating fund. This artificially lowers the reported unrestricted general funds for that department. For a more transparent view of the budget please visit: https://omb.alaska.gov/19_budget/PDFs/FY2019_Budget_Transparency_Report_12-15-17.pdf

Unrestricted General Fund Budget - FY2015 to FY2019 Comparison

Department	FY2015 Management Plan	FY2019 Budget	FY2015 Management Plan to FY2019	
Non-Formula				
Administration	\$ 86,030.2	\$ 70,347.9	\$ (15,682.3)	-18%
Commerce	\$ 40,454.3	\$ 10,034.3	\$ (30,420.0)	-75%
Corrections	\$ 297,654.4	\$ 289,168.5	\$ (8,485.9)	-3%
Educ & Early Devel	\$ 57,419.6	\$ 32,036.7	\$ (25,382.9)	-44%
Environ Conservation	\$ 22,472.1	\$ 15,190.0	\$ (7,282.1)	-32%
Fish and Game	\$ 79,387.8	\$ 50,509.1	\$ (28,878.7)	-36%
Governor	\$ 33,609.5	\$ 24,982.8	\$ (8,626.7)	-26%
Health & Social Svcs	\$ 388,277.2	\$ 334,376.1	\$ (53,901.1)	-14%
Labor & Workforce	\$ 33,448.0	\$ 20,624.2	\$ (12,823.8)	-38%
Law	\$ 61,275.3	\$ 50,377.9	\$ (10,897.4)	-18%
Military & Veterans Affairs	\$ 24,189.6	\$ 16,964.5	\$ (7,225.1)	-30%
Natural Resources	\$ 88,072.8	\$ 57,576.3	\$ (30,496.5)	-35%
Public Safety	\$ 171,553.2	\$ 163,317.1	\$ (8,236.1)	-5%
Revenue	\$ 33,831.4	\$ 25,009.2	\$ (8,822.2)	-26%
Transportation	\$ 278,604.6	\$ 177,931.5	\$ (100,673.1)	-36%
University of Alaska	\$ 370,599.7	\$ 316,883.5	\$ (53,716.2)	-14%
Branch-wide	\$ 27,000.0	\$ (786.5)	\$ (27,786.5)	-103%
Judiciary	\$ 111,866.3	\$ 105,444.9	\$ (6,421.4)	-6%
Legislature	\$ 77,622.0	\$ 64,586.7	\$ (13,035.3)	-17%
Total Agency Non-Formula	\$ 2,283,368.0	\$ 1,824,574.7	\$ (458,793.3)	-20%
Formula				
Administration	\$ 2,148.1	\$ -	\$ (2,148.1)	-100%
Educ & Early Devel	\$ 1,351,502.2	\$ 1,261,973.4	\$ (89,528.8)	-7%
Medicaid	\$ 693,032.2	\$ 691,411.5	\$ (1,620.7)	0%
HSS Formula (non-medicaid)	\$ 172,340.8	\$ 139,321.2	\$ (33,019.6)	-19%
Military & Veterans Affairs	\$ 627.3	\$ -	\$ (627.3)	-100%
Total Formula	\$ 2,219,650.6	\$ 2,092,706.1	\$ (126,944.5)	-6%
Total Agency Operating	\$ 4,503,018.6	\$ 3,917,280.8	\$ (585,737.8)	-13%

Office of Management and Budget: Budget Comparison Notes

In an effort to keep Alaskans informed and provide a more accurate gauge of the true “footprint” of government, the Alaska Budget Transparency report was produced.

This companion report illustrates the difference between traditional comparisons (such as unrestricted general fund and total funds budgets) against a more transparent view that considers various budget reduction strategies such as the use of one-time funding sources or reappropriations that distort traditional budget reports. The administration has requested to work with Legislative Budget and Audit Committee to codify rules that will provide more visibility in state spending. To that end, this document represents a starting point.

Notes to the budget comparison on the previous page can be found below.

Definition of Budget Terms

Transparent Budget: Most budget reports are narrowly focused on unrestricted general funds (UGF), but these UGF reports often make state spending appear lower than it actually is. In past years, budget strategies have been used to reduce general fund spending on a one-time basis using designated fund sources, reappropriations, or other tactics that are not reflected on traditional reports. The transparent budget corrects for these items to illustrate a more accurate view of state government spending.

Unrestricted General Fund Budget: These figures represent one of the four categories of funding that the state receives – unrestricted general funds. These are the focus of most comparisons because it is the category of funding that directly hits the state treasury. The other three categories of revenue are restricted in use and money saved in those categories cannot always go towards reducing the deficit.

All Funds Budget: These figures represent the budget when considering all fund sources (unrestricted general funds, designated general funds, other funds, and federal funds). These reports still omit several budget items that are reflected in the transparent budget such as reappropriations and supplemental items.

Agency Operations Non-Formula: The day-to-day operations of state agencies (i.e. state government departments) not including formula programs listed below.

Education Formula: Payments made to school districts for classroom instruction, transportation of students, and other payments to boarding home schools, schools for disabled students, and youth in detention. The state distributes funding to schools based on a formula written in law.

Medicaid Formula: Medicaid provides health coverage and long-term care services for low-income Alaskans.

Other Formula: Other Formula includes 13 health components including foster care, subsidized adoptions, catastrophic & chronic illness, temporary assistance, general relief assistance, child care

Office of Management and Budget: Budget Comparison Notes

benefits, tribal assistance, senior benefits, energy assistance, adult public assistance as well as Power Cost Equalization, payment in lieu of taxes and national forest receipts (through Department of Commerce, Community and Economic Development). Any program (other than Education and Medicaid) that has eligibility requirements listed in law is listed under this category.

Tax Credits, Debt, Retirement, Etc.: Generally, these items are obligations of the state such as debt service for prior year general obligation bonds, other debt, payments for state employee and teacher retirement programs, and oil and gas tax credits.

Capital: Construction, maintenance, housing, and other projects. Many projects leverage federal dollars such as the Department of Transportation and Public Facilities projects to build and repair roadways and airports throughout the state.

Alaska Economic Recovery Act: The first phase of a three-year capital program designed to put Alaskans to work, address the growing deferred maintenance liability, and jump start the economy by providing confidence to Alaska businesses and investors.

Dividend: Permanent Fund Dividend payments.

Notes:

Agency Operations:

1. **(Transparent)** Using the transparent budget comparison, agency operations have been reduced by 16.8% from FY2015 and are 0.3% below FY2019. There are \$34.0 million in investments made to programs that support public safety and address the opioid epidemic. The administration proposes reducing agency budgets by \$6.1 million, year over year. Examples of reductions include eliminating certain discounts for the Marine Highway System, and administrative efficiencies such as Shared Services, Office of Information Technology and lease space consolidations.
14. **(Unrestricted)** Looking specifically at unrestricted general funds, the agency operating budget is proposed to increase by \$40.9 million. This is due to the use of one-time funding sources in FY2018 such as funding the Marine Highway System on a drawdown of the balance of their designated operating fund (\$44.0 million) and underfunding of the Department of Corrections (funded with a one-time designated source in FY2017 - \$10.0 million).
27. **(All Funds)** Notwithstanding the short funding of the Department of Corrections (\$10.0 million) and the investment in public safety and criminal justice, the increase to agency budgets when considering all fund sources is \$11.9 million, or 0.3%.

Office of Management and Budget: Budget Comparison Notes

Education Formula

2. **(Transparent)** The administration proposes fully fund the K-12 base student allocation and pupil transportation formulas. The reduction of \$2.3 million is related to the estimated student enrollment.
15. **(Unrestricted)** The unrestricted general fund reduction of \$5.6 million comes from an increase to the amount of funding available from the state's Public School Trust Fund (classified as an other fund source) and year-over-year variation of the number of students being educated in Alaska.
28. **(All Funds)** When considering all fund sources, the education formula has been reduced by \$2.3 million from the prior fiscal year. As noted above, this is due to variation in the estimated student enrollment.

Medicaid Formula

3. **(Transparent)** Medicaid spending growth is anticipated to total \$27.2 million. Still, Medicaid spending is remains below FY2015 levels even with 37,000 additional enrollees from the expansion population. This increase, however, is driven mostly by the core Medicaid enrollees rather than the Medicaid expansion population. Given the current recession and unemployment rates, enrollment in this program is projected to increase in the next fiscal year.
16. **(Unrestricted)** In FY2018 Medicaid was short-funded by \$100.0 million. While the true spending increase related to enrollment growth is \$27.2 million, reports that are narrowly focused on unrestricted general funds will report a larger increase. Again, much of this spending increase is due to the core Medicaid population, not the expansion enrollees who are funded primarily by the federal government.
29. **(All Funds)** The increase to Medicaid of \$547.3 million (31.4%) is comprised of organic program growth (\$27.1 million), replacing short funding from the prior fiscal year (\$100.0 million) and associated federal receipts (\$418.9 million)

Other Formula

4. **(Transparent)** Other formula programs are increased by 2.8% in order to fully fund federally required costs related to subsidized adoptions and guardianships.
17. **(Unrestricted)** The administration is proposing to increase other formula programs by 2.8% in order to fully fund federally required costs related to Subsidized Adoptions and Guardianships
30. **(All Funds)** This reduction of \$4.8 million is due to a transfer of funding from formula programs to non-formula programs due to the federal government covering additional costs that were historically covered by state funding.

Office of Management and Budget: Budget Comparison Notes

Total Agency

5. **(Transparent)** Total agency spending is essentially flat from the prior year, a 0.6% increase despite priority investments made to public safety and criminal justice programs and ensuring that education formula and Medicaid programs received their full formula funding.
18. **(Unrestricted)** Unrestricted general fund spending is proposed to increase by \$166.2 million, or 4.4%. The increase can be accounted for by investments in public safety and criminal justice, underfunding of Medicaid, and the funding of the Marine Highway System on a designated source in the prior year.
31. **(All Funds)** Total agency budget, when considering all fund sources, has increased by \$552.0 million, associated with federal dollars for the state's Medicaid program and the replacement of underfunding in Medicaid and the Department of Corrections (\$100.0 million and \$10.0 million respectively).

Tax Credits, Debt, Retirement and Other Obligations of the State

6. **(Transparent)** This figure reflects cost containment efforts of implementing a Medicare Part-D Employer Group Waiver Plan (\$25.5 million in savings) aimed at reducing state spending for retiree healthcare, and the proposed financing of oil and gas tax credits.
19. **(Unrestricted)** The unrestricted general fund budget for statewide items such as oil and gas tax credits, debt, and retirement, excludes funding from the Constitutional Budget Reserve fund. In past years, a portion of retirement payments (\$29.0 million in FY2018) was funded with a designated source. As such, this comparison is a poor indicator of the trend of state spending over this time period.
32. **(All Funds)** When considering all fund sources, statewide obligations are down \$94.1 million. This is due to savings associated with implementing a Medicare Part-D Employer Group Waiver Plan (\$25.5 million in savings), aimed at reducing state spending for retiree healthcare, and the proposed financing of oil and gas tax credits.

Total Operating

7. **(Transparent)** The Governor's proposal reduces the total operating budget by 1.1%, or \$51.8 million.
20. **(Unrestricted)** As mentioned in note 19, the FY2019 proposed operating reduction of \$187.4 million is not a fair indicator of actual spending due to use of other funding sources.
33. **(All Funds)** The year over year change in the operating budget is associated with federal reimbursement for Medicaid, statewide obligations and under funding (see notes 29, 31)

Office of Management and Budget: Budget Comparison Notes

Capital

- 8. **(Transparent)** The capital budget proposal is nearly \$100.0 million lower than in the previous year. The passage of the Alaska Economic Recovery Act will direct additional capital funding towards deferred maintenance, road projects, housing projects and other items while circulating additional funding into the economy (See note 13).
- 21. **(Unrestricted)** While the FY2019 unrestricted general fund capital budget indicates a \$18.1 million increase from the prior year, the FY2018 capital budget included almost \$100.0 million in reappropriations and therefore contains 93% more spending power than the report indicates (see note 8).
- 34. **(All Funds)** The capital budget is proposed to be \$161.5 million lower than in FY2018. This is partially due to a one-time appropriation of federal funds in FY2018 for a major surface transportation project that was funded with 90% federal funds and 10% designated funds.

Total Operating and Capital

- 9. **(Transparent)** The total operating and capital budget is reduced by \$150.7 million or 3.1%
- 22. **(Unrestricted)** the FY2019 proposed operating and capital reduction of \$169.4 million is not a fair indicator of spending due to use of other funding sources and prior year reappropriations that are not taken into account.
- 35. **(All Funds)** Operating and capital spending, when considering all fund sources has increased by 3.1%, mostly associated with federal funding for Medicaid mentioned in note 29.

Transfers

- 10. **(Transparent)** No comment
- 23. **(Unrestricted)** No comment
- 36. **(All Funds)** No comment

Permanent Fund Dividend

- 11. **(Transparent)** The Permanent Fund Dividend is proposed to be 7.7% greater than in the previous year, estimated at \$1,216 per person. Each body of the legislature has approved a version of the Permanent Fund Protection Act, however, the House and the Senate make different allocations the dividend program (25% and 33% of the Permanent Fund draw respectively). The Governor is proposing a compromise of 30% of the draw.
- 24. **(Unrestricted)** The dividend has historically been appropriated more transparently than other areas of the state budget. The Governor is proposing a 7.7% increase to the dividend payment in FY2019.
- 37. **(All Funds)** The dividend has historically been appropriated more transparently than other areas of the state budget. The Governor is proposing a 7.7% increase to dividend the payment in FY2019.

Office of Management and Budget: Budget Comparison Notes

Total Budget with Dividend

- 12. **(Transparent)** The total budget has decreased by 1.7%.
- 25. **(Unrestricted)** The FY2019 proposed operating and capital comparison is not a fair indicator of actual spending due to use of other funding sources and prior year reappropriations that are not taken into account.
- 38. **(All Funds)** No comment

Alaska Economic Recovery Act

- 13. **(Transparent)** The Alaska Economic Recovery Act is the Governor's jobs and economic stimulus package. In the first year, \$280.0 million in deferred maintenance, housing and school and community projects are proposed. Over 3 years it is anticipated that \$800.0 million in state funds will be matched with private, local, and federal dollars for a total economic impact of \$1.4 billion.
- 26. **(Unrestricted)** See above.
- 39. **(All Funds)** In the first year of the Alaska Economic Recovery program, \$386 million in federal and state dollars are proposed to be appropriated. This figure does not take into account community and private sector contributions.