



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

**Office of the Governor**

OFFICE OF MANAGEMENT AND BUDGET  
Pat Pitney, Director

Court Plaza Building  
240 Main Street, Suite 802  
Juneau, Alaska 99811-0020  
Main: 907.465.4660  
Fax: 907.465.2090

January 28, 2016

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

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

Dear Co-Chair Kelly and Co-Chair MacKinnon:

Thank you for the opportunity to present the Governor's FY 2017 budget overview before the Senate Finance committee on January 20, 2016. The following is in response to questions posed by the committee during the overview for distribution to the members.

*Senator MacKinnon: Would like identified appropriations related to the New Sustainable Alaska Plan.*

Proposed appropriations in the operating budget bill (SB139) related to the Permanent Fund Protection Act (PFPA) (SB128) are:

**Operating Bill Section 8. Alaska Permanent Fund Corporation.**

- *Sec. 8(a): 25% to the permanent fund principal - AS 37.13.010(a)(1) (as amended in sec. 1 of PFPA)*
- *Sec. 8(b): 24.5% to the permanent fund earnings reserve – new subsection AS 37.13.145(f) (sec. 6 of PFPA)*
- *Sec. 8(b): 50% to the permanent fund earnings reserve – new subsection AS 37.13.145(g) (sec. 6 of PFPA)*
- *Sec. 8(c): 100% percent of oil and gas production taxes to the permanent fund earnings reserve – new subsection AS 37.13.145(e) (sec. 6 of PFPA)*
- *Sec. 8(d): \$700 million dividend from the dividend fund – new uncodified law section (sec. 9 of PFPA)*
- *Sec. 8(e): \$3.2 billion from the earnings reserve account to the general fund - new subsection AS 37.13.145(i) (sec. 6 of PFPA)*

Section 27(b) and 28(a) budget reserve fund sections in the operating budget bill are also related to the New Sustainable Alaska Plan.

New Sustainable Alaska Plan revenue and oil and gas tax credit reform legislation are available at: <http://gov.alaska.gov/Walker/priorities/new-sustainable-alaska-plan.html>. There is \$73.4 million of unrestricted general funds for the oil and gas tax credit fund proposed in the operating budget bill (per AS 43.55.028(c)). A transition fund to pay earned tax credits along with an Alaska Industrial Development Export Authority loan fund will be proposed and are estimated to be \$1.2 billion contingent on legislation.

*Senator MacKinnon: Please provide a list of funds that replace unrestricted general fund reductions to provide the same level of service. And, Senator Hoffman: Please provide items that increase the budget (that offset the budget reductions).*

Attached is a summary report on the proposed increases and decreases in the FY2017 Governor proposed budget. A detailed report of reductions and replacement funds is also provided.

- Agency unrestricted general fund net reductions were \$101 million from the FY2016 Management Plan.
- Agency unrestricted general fund net reductions are \$140 million excluding the \$38 million liquefied natural gas pipeline and the \$1.3 million DMVA rural engagement initiative.
- With the inclusion of \$11 million for salary and benefit increases (\$10 million for the University) along with other small increases, such as \$1.6 million for the marijuana initiative, total unrestricted general fund increases are \$57 million and total reductions are \$158 million. (Bargaining unit salary adjustments are submitted per the terms of bargaining unit contracts).
- All other funds increased by \$219 (\$161 million federal increase in Medicaid and \$58.5 million in other funds) for a total budget increase of \$118 million.
- Examples where unrestricted general funds were replaced with other funds are: DCCED Alaska Seafood Marketing Institute - \$1.5 million industry receipts, Education Foundation Program - \$17 million in Public School Trust funds, Fish and Game - \$1.3 million in designated general funds and \$1.5 million in federal funds, Natural Resources - \$2.0 million in designated general funds.
- Position reductions – by all measures state positions have been significantly reduced.

*Note that position count reductions are included in multiple reduction subcategories and are the result of FY2016 and FY2017 budget reductions.*

- Full time filled positions have been reduced by **629** between December 31, 2014 and November 15, 2015, excluding the University.
- Full-time budgeted positions have been reduced by **696** since FY2015, including the University.
- Department of Labor state government positions reductions are **1,517** from FY2015 to FY2016.

Please see the attached budget and filled position report. The OMB website provides more detailed information on position changes at: <https://www.omb.alaska.gov/html/budget-report/fy2017-budget/proposed-personal-services-changes.html>

*Senator Dunleavy: Can you provide a list of state funding saved from Medicaid expansion?*

Attached is a list of general fund savings attributable to Medicaid.

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*Senator Dunleavy: What is the student count? And, Senator Hoffman: Please provide a breakout of the average daily membership (ADM) for the public school funding program.*

Attached is a report on the average daily membership (ADM) by school district. The FY17 projected student count is 129,818 students including all students. (Comparatively the FY2016 count is 129,705). The 118,459 amount mistakenly excluded correspondence student counts.

*Senator Micciche: Is the education budget increase required under AS 14.17.470?*

The increase in the base student allocation (BSA) is established per AS 14.17.470 as enacted by Chapter 15 SLA 2014 (HB 278) and increases the BSA from \$5,880 to \$5,930 in FY2017.

*Senator Hoffman: Please provide additional budget information on the Community Revenue Sharing program.*

The operating budget includes a supplemental request of \$35 million to provide for a \$50 million community revenue sharing payment in FY2017. The intent of the administration is to capitalize the Community Revenue Sharing fund \$60 million annually allowing for increasing payouts and returning to \$60 million over time.

Per AS 29.60.850 one-third of the balance of the community revenue sharing fund on June 30 is available for appropriation for payments in the next fiscal year. The current estimated balance is \$115 million.

Attached is a listing of community revenue sharing payments by community with the proposed fund capitalization and one with no additional fund capitalization.

Please let me know if you have additional questions.

Sincerely,



Pat Pitney  
Director

Enclosures

1. FY2017 Governor Budget Increases and Decreases Summary
2. FY2017 Governor Budget Reductions and Fund Replacement Detail
3. Filled Employees by Department – 12/31/2014 to 11/15/2015
4. Budgeted Positions FY2015 to FY2016
5. Medicaid State Savings
6. Average Daily Membership FY2011 to FY2017 Projected
7. Community Revenue Sharing Payments with Proposed Capitalization
8. Community Revenue Sharing Payment with no Capitalization

cc: David Teal, Director, Legislative Finance