



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 30, 2015

The Honorable Steve Thompson
Co-Chair, Senate Finance Committee
Alaska State Legislature
State Capitol, Room 515
Juneau, AK 99801-1182

The Honorable Mark Neuman
Co-Chair, Senate Finance Committee
Alaska State Legislature
State Capitol, Room 505
Juneau, AK 99801-1182

Dear Co-Chair and Co-Chair,

Thank you for the opportunity to present highlights of the Governor's FY 2016 budget before the House Finance committee on January 23. The following is in response to questions posed by the committee during the overview for distribution to the members.

Representative Gara: What is the year-year cut considering the retirement payment in FY15 came from the CBR?

If one assumed that \$703.2 million of the \$3.0 billion FY2015 PERS/TRS contribution was the required level percent of pay contribution to the PERS/TRS for FY2015 and should be included in the FY2015 budget, then the total budget for FY2015 would be \$6,808.8 million. A comparison of the number to the Governor's FY2016 proposal at \$5,606.0 million would mean that the year to year drop under that comparison is \$1,252.8 million (-17.7%).

Representative's Munoz and Wilson: Please provide a summary of education funding and spending over the next several years as an illustration of what the Governor's proposal does?

The unrestricted general fund (UGF) authorization for K-12 Foundation Program and Pupil Transportation is determined by statutory formula, school district projections, and appropriations made for additional state aid outside of the formula.

Most of the UGF expenditures will be drawn from the public education fund, although in FY2015, \$95,101.4 million UGF was appropriated outside the foundation formula for state aid to school districts (not through the public education fund) as multi-year funding in the Foundation Program. While the entire \$95,101.4 million was appropriated/authorized in FY2015, the intended spending plan was: FY2015 - \$42,953.5; FY2016 - \$32,243.7; and FY2017 - \$19,904.2. The \$95,101.4 counts as an FY2015 authorization (draw on reserves) even though only \$42,953.5 is specifically for FY2015.

Total estimated UGF K-12 Foundation Program and Pupil Transportation (adjusted by November 2014 student count) expenditures with three years of one-time funding:

FY2015 - \$1,244,647.2 + \$42,953.5 (one-time) = \$1,287,600.7

FY2016 - \$1,247,479.8 + \$32,243.7 (one-time) = \$1,279,723.5

FY2017 - \$1,260,030.9 + \$19,904.2 (one-time) = \$1,279,935.1

The Governor Amended budget repeals the one-time funding for FY2016 and FY2017. Total estimated UGF K-12 Foundation Program and Pupil Transportation (adjusted by November 2014 student count) expenditures with one year only of one-time funding:
FY2015 - \$1,244,647.2 + \$42,953.5 (one-time) = \$1,287,600.7
FY2016 - \$1,247,479.8
FY2017 - \$1,260,030.9

FY2016 one-time funding in the amount of \$32,243.7 represents 2.5% of the total FY2015 expenditure level (\$1,287,600.7).

Typically an appropriation to the public education fund is made each year based on the expected need for the following year. In FY2015 \$1,259,009,300 was appropriated in Chap. 16 HB266 and Chap. 18 SB119. The Governor's amended budget forward funding appropriation is 10% less than the current FY2017 estimate. This is not a funding recommendation but the amount endorsed for forward funding. Legislative studies completed during the summer of 2015 will inform discussion for FY2017 education funding levels next session.

Representative Pruitt: How is the Public Education Fund invested and how much if anything does it retain or earn?

The Public Education Fund (AS 14.17.300) is a segregated sub fund of the General Fund and earns at the same rate of other funds contained within the General Fund. The Department of Revenue currently estimates that the General Fund long-term earnings rate is 2.14%. (Fall 2014 RSB, page 58.) In accordance with AS 14.17.300 (b), interest earned on money held in the fund before expenditure may be appropriated to the fund by the Legislature.

Representative Munoz: How many H&SS staff are estimated to be needed for Medicaid expansion?

A meeting on Medicaid Expansion is scheduled for Health and Social Services, and they will provide the information at that time.

Representative Thompson: How much will repealing termination studies cost the state?

The cost of repealing termination studies depends upon the terms under which the repeal occurs. For example, CSHB 152 (L&C) (28th Legislative Session) proposed to repeal termination costs in their entirety if \$1.2 billion were to be appropriated to PERS. The PERS actuary estimated that the costs shifted to the State under this version of the bill would total approximately \$75 million. The costs would be less if the state were to only partially subsidize termination costs, such as was proposed in the original version of HB 152. Last session, the legislature appropriated \$1 billion to PERS. This amount is anticipated to return \$80 million to PERS each year under the assumed 8% rate of return. Thus, the cost to the state of completely eliminating termination costs equates to about one year of earnings on last year's PERS appropriation.

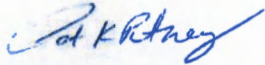
Representative Neuman: Balances of the re-appropriations from projects?

Please see the attached response that lists the balances of the re-appropriations as of January 22, 2015.

The Honorable Steve Thompson
The Honorable Mark Neuman
January 30, 2015
Page 3

Please let me know if you have additional questions.

Sincerely,



Pat Pitney
Director

Enclosures

1. Finance Overview Re-Appropriation Balances

cc: David Teal, Director, Legislative Finance

Reappropriation Estimated Balances Proposed in FY2016 Governor Amended Budget
Prepared by the Office of Management and Budget
As of January 22, 2015

Repeal FROM AEA – Mount Spurr Geothermal Project Development - \$12,500,000	(12,500,000)
Reappropriation TO AEA - Port Heiden Rural Power System Upgrade - \$4,000,000	4,000,000
Reappropriation TO AEA - Tuluksak Bulk Fuel Upgrade - \$3,900,000	3,900,000
Reappropriation TO AEA - Alternative Energy and Energy Efficiency - \$2,200,000	2,200,000
Reappropriation TO AEA - Kake Rural Power System Upgrade - \$1,070,000	1,070,000
Reappropriation TO AEA - Electrical Emergencies Program - \$330,000	330,000
Reappropriation TO Emerging Energy Technology Fund - \$1,000,000	1,000,000

Repeal FROM Alaska Aerospace Corporation Construction of New Medium Lift Launch Pad - \$22,000,000	(22,000,000)
Reappropriation TO Education Major Maintenance Grant Fund Projects - \$10,000,000	10,000,000
Reappropriation TO AMHS Vessel and Terminal Overhaul and Rehabilitation - \$12,000,000	12,000,000

Repeal FROM Shale Oil Environmental Data - \$1,000,000	(1,000,000)
Reappropriation TO Unified Permit Automation and Document Management - \$1,000,000	1,000,000

Repeal Third Avenue Dormitory Replacement - \$530,000	(530,000)
Reappropriation TO AVTEC Information Technology Systems Refresh - \$530,000	530,000

Repeal FROM Video Arraignments - Phase 1 of 2 - \$250,000	(250,000)
Repeal Video Judicial Conference Arraignment Study - \$100,000	(100,000)
Reappropriation TO Trooper Video Equipment and Storage	350,000