



March 27, 2019

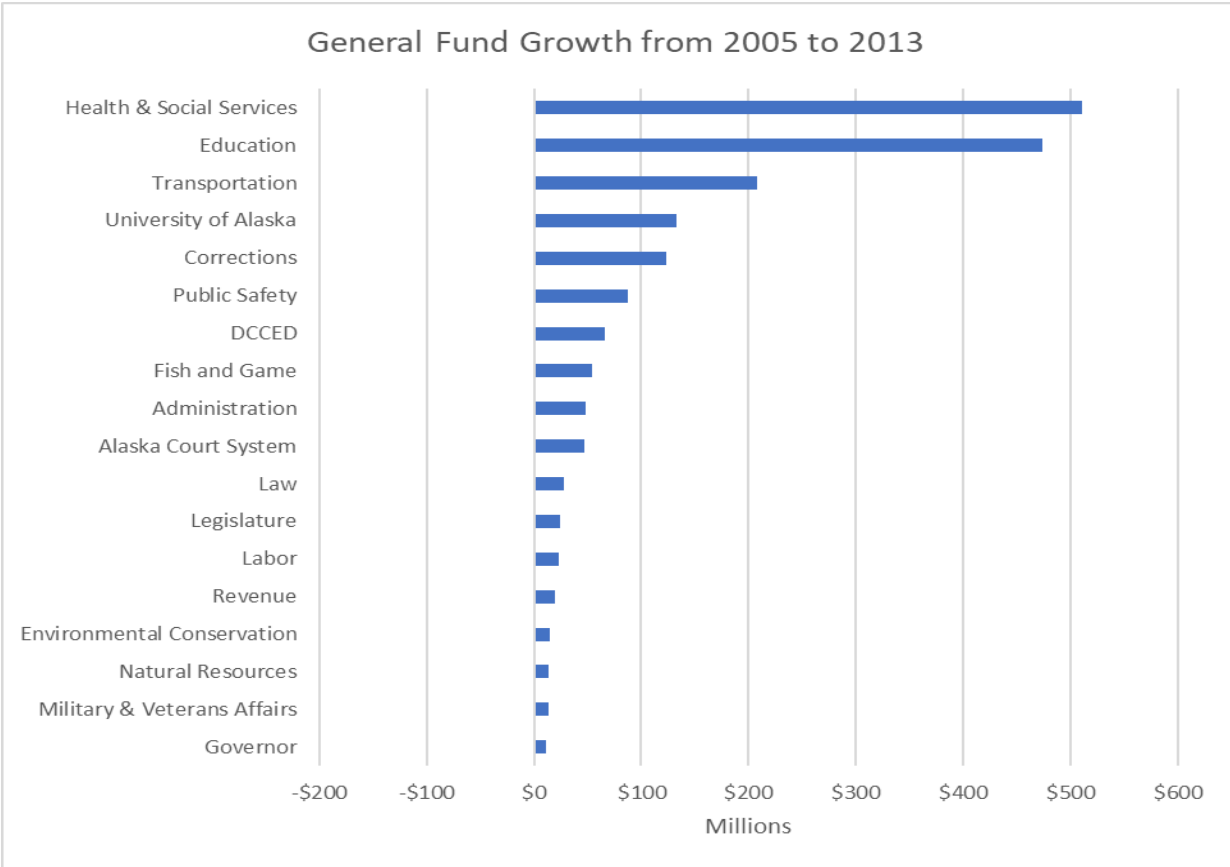
The Honorable Mike Shower  
Chair, Senate State Affairs Committee  
State Capitol Room 510  
Juneau, AK 99801

Dear Senator Shower:

During the March 26, 2019 Senate State Affairs Committee hearing on Senate Joint Resolution 6 (SJR 6), members asked for further information regarding budget changes that were included in my March 26 memo.

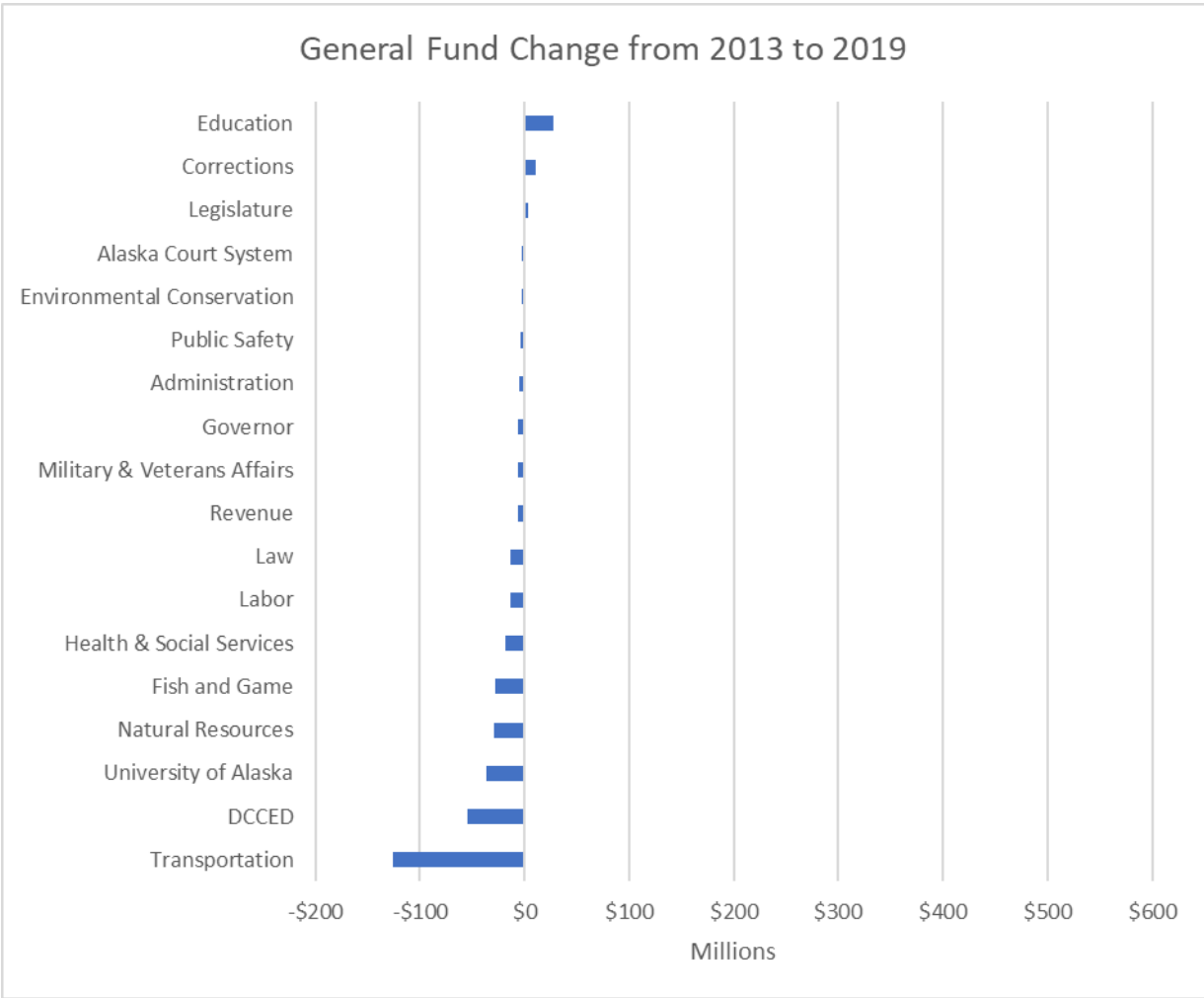
The intent of the table was to show how funding for agency operations changed during the high revenue years. This is government growth that would not have been allowed to occur, had an appropriation limit such as the one contemplated in SJR 6 had been in place. For completeness, here is that table and a visualization of the information:

Total GF (Millions)	2005	2013	Nominal Growth	% Nominal Growth
Health & Social Services	\$490	\$1,000	\$510	104%
Education	\$813	\$1,287	\$474	58%
Transportation	\$103	\$311	\$208	202%
University of Alaska	\$230	\$362	\$133	58%
Corrections	\$154	\$278	\$124	80%
Public Safety	\$84	\$172	\$87	104%
DCCED	\$7	\$74	\$66	883%
Fish and Game	\$28	\$82	\$54	190%
Administration	\$51	\$99	\$48	95%
Alaska Court System	\$59	\$105	\$46	79%
Law	\$35	\$64	\$29	81%
Legislature	\$37	\$61	\$25	68%
Labor	\$14	\$38	\$24	171%
Revenue	\$13	\$32	\$20	156%
Environmental Conservation	\$13	\$27	\$14	114%
Natural Resources	\$96	\$110	\$14	14%
Military & Veterans Affairs	\$10	\$23	\$13	134%
Governor	\$20	\$31	\$11	56%
<b>Total</b>	<b>\$2,256</b>	<b>\$4,156</b>	<b>\$1,899</b>	<b>84%</b>



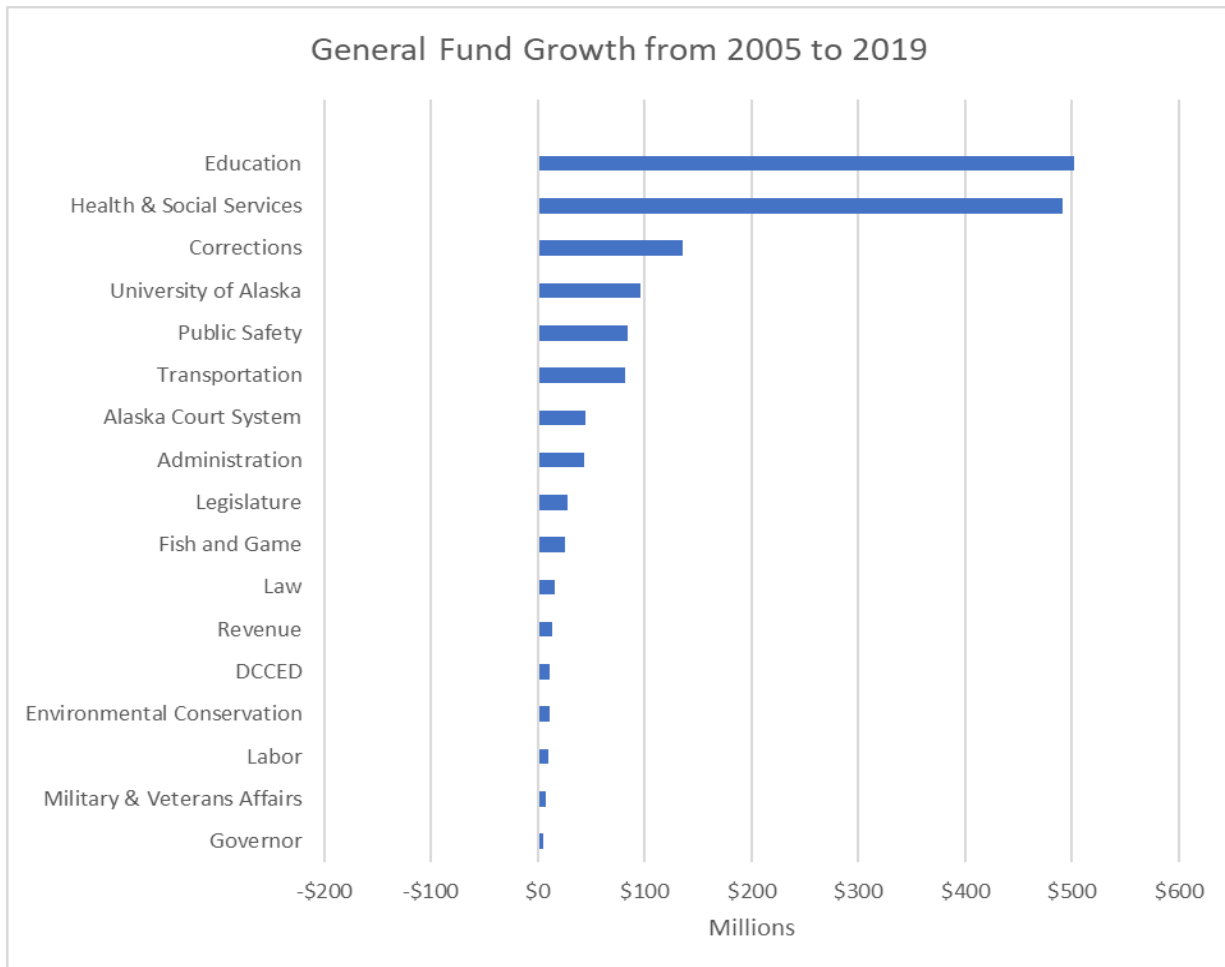
Committee members pointed out that several reductions have since been made and requested figures that show those reductions. That information is below:

Total GF (Millions)	2013	2019	Nominal Change	% Nominal Change
Transportation	\$311	\$185	-\$126	-41%
DCCED	\$74	\$19	-\$54	-74%
University of Alaska	\$362	\$326	-\$36	-10%
Natural Resources	\$110	\$80	-\$30	-27%
Fish and Game	\$82	\$54	-\$28	-34%
Health & Social Services	\$1,000	\$982	-\$18	-2%
Labor	\$38	\$24	-\$13	-36%
Law	\$64	\$51	-\$13	-21%
Revenue	\$32	\$26	-\$6	-18%
Military & Veterans Affairs	\$23	\$17	-\$6	-25%
Governor	\$31	\$25	-\$6	-19%
Administration	\$99	\$94	-\$5	-5%
Public Safety	\$172	\$168	-\$3	-2%
Environmental Conservation	\$27	\$24	-\$3	-11%
Alaska Court System	\$105	\$103	-\$2	-2%
Legislature	\$61	\$65	\$3	5%
Corrections	\$278	\$289	\$11	4%
Education	\$1,287	\$1,314	\$28	2%
<b>Total</b>	<b>\$4,156</b>	<b>\$3,848</b>	<b>-\$308</b>	<b>-7%</b>



It may be valuable to compare the growth period to the reduction period, in order to understand the net change in agency funding. Those numbers are provided below:

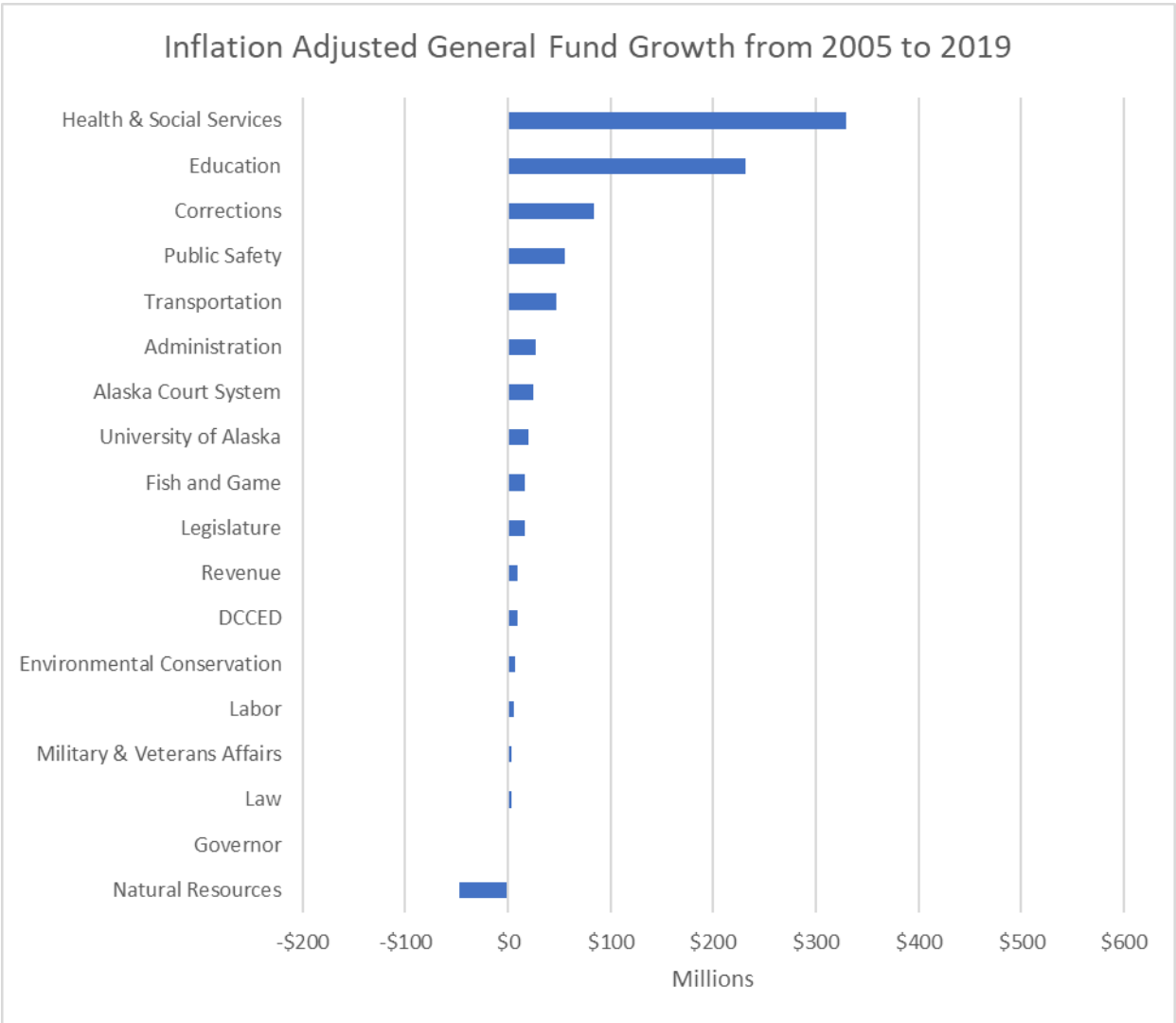
Total GF (Millions)	2005	2019	Nominal Growth	% Nominal Growth
Education	\$813	\$1,314	\$501	62%
Health & Social Services	\$490	\$982	\$492	100%
Corrections	\$154	\$289	\$135	88%
University of Alaska	\$230	\$326	\$97	42%
Public Safety	\$84	\$168	\$84	99%
Transportation	\$103	\$185	\$82	79%
Alaska Court System	\$59	\$103	\$44	76%
Administration	\$51	\$94	\$43	85%
Legislature	\$37	\$65	\$28	77%
Fish and Game	\$28	\$54	\$26	92%
Law	\$35	\$51	\$15	43%
Revenue	\$13	\$26	\$14	109%
DCCED	\$7	\$19	\$12	154%
Environmental Conservation	\$13	\$24	\$12	91%
Labor	\$14	\$24	\$10	75%
Military & Veterans Affairs	\$10	\$17	\$7	75%
Governor	\$20	\$25	\$5	27%
Natural Resources	\$96	\$80	-\$16	-17%
<b>Total</b>	<b>\$2,256</b>	<b>\$3,848</b>	<b>\$1,592</b>	<b>71%</b>



As shown in the table, funding for government operations remain \$1.6 billion above 2005 spending levels, even after the last 5 years of reductions to the budget.

Of course, inflation has increased the cost of providing services over the period. To account for the impacts of inflation, the next table and illustration are provided:

Inflation Adjusted Total GF (millions)	2005	2019	Real Growth	% Real Growth
Health & Social Services	\$653	\$982	\$329	50%
Education	\$1,082	\$1,314	\$232	21%
Corrections	\$206	\$289	\$84	41%
Public Safety	\$112	\$168	\$56	50%
Transportation	\$137	\$185	\$47	35%
Administration	\$68	\$94	\$27	39%
Alaska Court System	\$78	\$103	\$25	32%
University of Alaska	\$306	\$326	\$20	7%
Fish and Game	\$38	\$54	\$17	44%
Legislature	\$49	\$65	\$16	33%
Revenue	\$17	\$26	\$10	57%
DCCED	\$10	\$19	\$9	91%
Environmental Conservation	\$17	\$24	\$7	43%
Labor	\$18	\$24	\$6	31%
Military & Veterans Affairs	\$13	\$17	\$4	31%
Law	\$47	\$51	\$4	8%
Governor	\$26	\$25	-\$1	-5%
Natural Resources	\$128	\$80	-\$48	-37%
<b>Total</b>	<b>\$3,005</b>	<b>\$3,848</b>	<b>\$843</b>	<b>28%</b>



Even after considering inflation, funding for agency operations remain \$843 million above 2005 spending. These numbers don't explain why that growth occurred, or what value it generated for society.

It does demonstrate that the magnitude of reductions proposed by Governor Dunleavy will not take Alaska to uncharted territory. It will simply return the state to the level of government it could support prior to the rapid increase in revenues.

SJR 6 seeks to prevent future conversations regarding these types of reductions by preventing that growth from occurring in the first place.

Respectfully,

*Ed King*

Ed King  
Chief Economist