Big Picture and Housekeeping

Housekeeping

Amanda is going to explain the differences between our operating budget CS1 that we adopted on April 6th (SB 162 Version W) and this Committee Substitute, which we refer to as CS2

Since we adopted CS1 on April 6, the other body passed and we now have in our possession their version of the operating budget, HB 281.

Today we are essentially taking the House version of the operating budget, HB 281 and replacing all of the House appropriations with our proposed Committee substitute that is in front of you.

Big Picture

Mr. Chairman, the desire of the two Senate Finance co-chairs is to put away at least $4 billion in liquid savings from our projected windfall revenue, after all operating and capital appropriations are made in both FY22 and FY23.

The Director of Legislative Finance, Alexei Painter, will have a short presentation after the adoption of this CS that explains our fiscal picture with our projected revenue, with CS2 operating budget spending and what our savings could be under different assumptions for both capital budget and dividend spending.

A couple of significant changes in this proposed Committee Substitute that affect liquid savings are:

- FY23 Forward funding of K-12 with revenue below $100 a barrel
- Using $486 million of American Rescue Plan Act (ARPA) funding as revenue replacement (rather than increased spending)

Mr. Chairman, having at least $4 billion in liquid savings is very important for fiscal stability, in light of the volatility of oil revenue and the volatility of our recent revenue forecasts.

A new concept that is proposed in this CS is intended to strengthen fiscal discipline. Included in this CS is language that would take any windfall revenue above $100 a barrel and appropriate it to the corpus of the Permanent Fund.

- If the latest revenue forecast proves to be accurate and oil averages $101 a barrel in FY23, $101 million would be deposited into the corpus of the Permanent Fund

Mr. Chairman, you've proposed using some of our windfall revenue to rebuild the state's liquid savings to at least $4 billion, this Committee Substitute also proposes to share some of the state's windfall with communities so they can replenish savings also.

- $220.9 million to communities for school bond debt reimbursement that was either vetoed or short-funded the past few years.

As you've stated before Mr. Chairman, communities can choose to use this revenue to either replenish savings, keep local taxes from increasing or possibly even giving local taxpayers a break. How they choose to use the money intended to fill in the back pay for school bond debt reimbursement is up to them.

As the Rural Education Attendance Areas (REAA) schools are linked to school bond debt reimbursement in statute, this CS has $83.4 million in back pay due to the REAA fund because of past vetoes and short-funding from FY17 to FY22

Mr. Chairman that takes care of some of the big picture items addressed in the Committee Substitute, Mrs. Ryder and Mr. Painter will go into more detail next.