

2/14/06

OVERVIEW:

GOV.'S

BUDGET

PROPOSAL

SFIN

FILE

*Senate Finance Snapshot
of
The Governor's
Budget Proposal*

2/14/06

| Available to Spend - 24th Legislature - 2nd Session | | | |
|--|--|------------------|----------------|
| A | FY 06 Surplus (1/10/05 estimate) | | \$1,200 |
| B | FY 07 Unrestricted General Fund Revenue (Fall Revenue Forecast) | | \$3,139 |
| C | Total General Fund Revenue Available to Spend (our checkbook) | | \$4,339 |
| Minus | | | |
| Governor Proposed Spending Bills | | Legislature | |
| D | Operating Budget FY07 (SB 228 + K-12) | \$ 3,103.60 | \$ - |
| Minus | | | |
| E | Energy Supplemental FY06 (SB 232) | \$ 52.00 | |
| F | Capital Supplemental FY06 (SB 233) | \$ 129.40 | |
| G | Regular Supplemental FY06 (SB 263) | \$ 99.90 | |
| H | Fast Track Supplemental FY06 (SB 264) | \$ 13.50 | |
| | Total Supplementals | \$ 294.80 | \$ - |
| Minus | | | |
| I | Capital Budget (SB 231) | \$ 432.10 | \$ - |
| Minus | | | |
| J | "Other" - Gas Pipeline Equity FY07 | \$ 400.00 | |
| K | "Other" ~ Legislation (12/15 OMB handout) FY07 | \$ 28.00 | |
| L | "Other" ~ Budget amendments FY07 | \$ - | |
| | Total "Other" | \$ 428.00 | \$ - |
| Minus | | | |
| M | FY 07 Supplemental (estimate) | \$ 75.00 | \$ - |
| Leaves | | | |
| O | Savings | \$ 5.50 | \$ - |

| Income | |
|--|----------------|
| FY 06 Surplus (1/10/06 estimate) | \$1,200 |
| FY 07 Unrestricted General Fund Revenue | \$3,139 |
| Total Revenue (millions) | \$4,339 |

| FY 2006 | |
|--|----------------|
| Gas Pipeline Equity | \$400 |
| FY06 Energy Supplemental (SB 232) | 52 |
| FY06 Capital/Deferred Maintenance (SB 233) | 129.4 |
| FY 06 Regular Supplemental (SB 263) | 99.9 |
| FY 06 Fast Track Supplemental (SB 264) | 13.5 |
| FY 07 Legislation | 28 |
| Subtotal | \$722.8 |

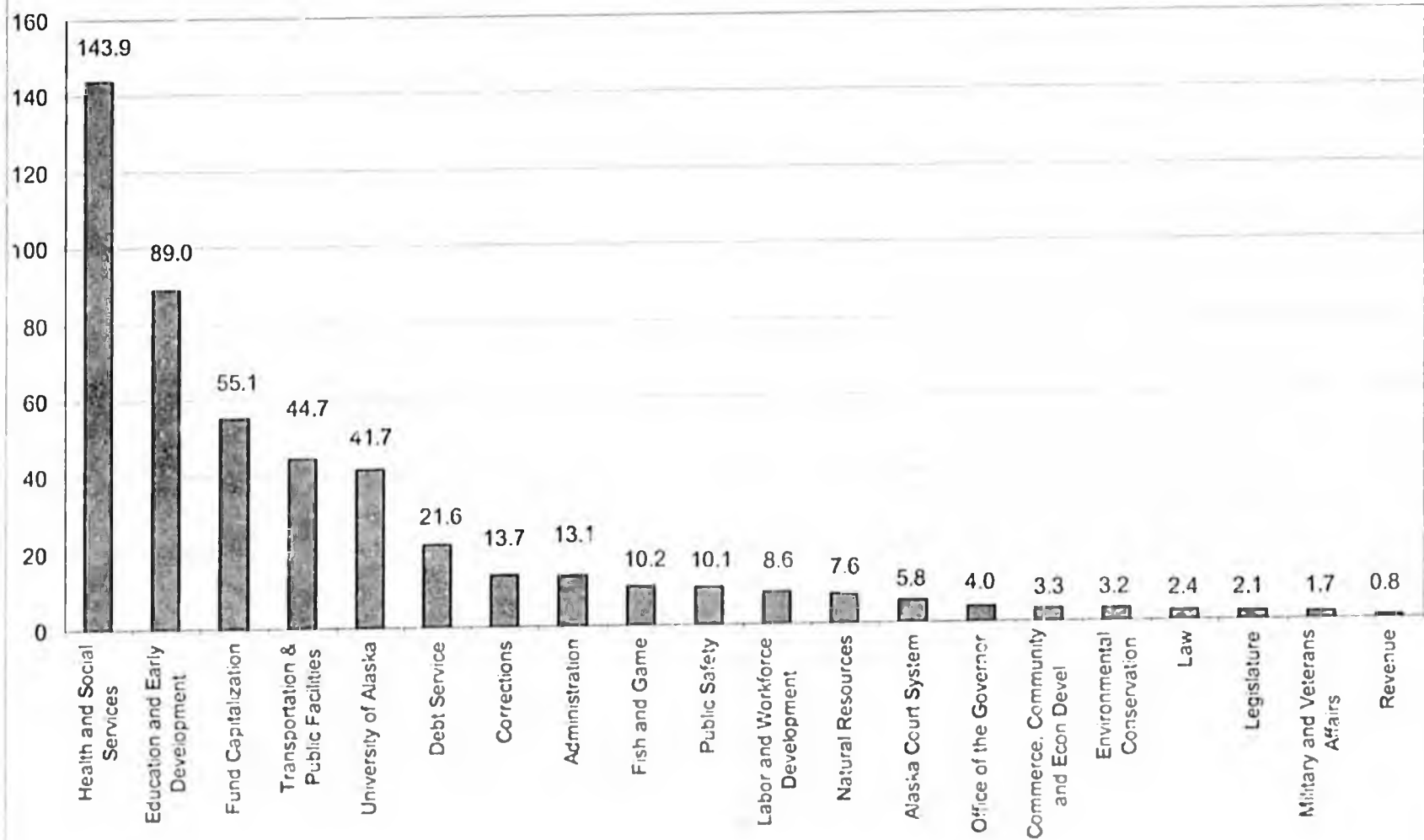
| FY 2007 | |
|--------------------------------------|------------------|
| FY06 Base Operating | \$2,620 |
| FY07 Fixed Operating Increases | 210 |
| FY07 Variable Operating Increases | 273 |
| FY07 Operating Total | \$3,103.6 |
| FY07 Supplemental (estimate) | 75 |
| FY07 Capital (12/15/05) | 432 |
| Subtotal | \$3,611 |

| FY 2008 | |
|----------------------------|------------|
| Education Fund | \$0 |
| Debt Retirement Fund | \$0 |
| | |
| | |
| | |
| | |
| Subtotal | \$0 |

| Out Years | |
|---------------------------------------|------------|
| Permanent Fund Earnings Reserve | |
| Constitutional Budget Reserve | |
| Permanent Fund Principal | |
| | |
| | |
| Subtotal | \$0 |

| | |
|------------------------------------|------------------|
| Total Proposed Spending | \$4,333.5 |
| Savings | \$5.5 |
| Surplus | \$0.0 |

**Governor's Proposed FY07 GF Increases
\$ millions**



| Alaska North Slope Production Forecast | | | | |
|--|---------------------|-------------------|------------------|-----------|
| Fiscal Year | Currently Producing | Under Development | Under Evaluation | Total ANS |
| 2000 | | | | 1.040 |
| 2001 | | | | 0.991 |
| 2002 | | | | 1.004 |
| 2003 | | | | 0.991 |
| 2004 | | | | 0.980 |
| 2005 | 0.917 | | | 0.917 |
| 2006 | 0.815 | 0.051 | | 0.866 |
| 2007 | 0.724 | 0.114 | 0.005 | 0.843 |
| 2008 | 0.658 | 0.138 | 0.035 | 0.831 |
| 2009 | 0.602 | 0.146 | 0.086 | 0.834 |
| 2010 | 0.555 | 0.149 | 0.128 | 0.832 |
| 2011 | 0.514 | 0.145 | 0.194 | 0.853 |
| 2012 | 0.479 | 0.136 | 0.231 | 0.846 |
| 2013 | 0.449 | 0.127 | 0.242 | 0.818 |
| 2014 | 0.423 | 0.121 | 0.244 | 0.788 |
| 2015 | 0.400 | 0.118 | 0.244 | 0.762 |
| 2016 | 0.380 | 0.114 | 0.306 | 0.800 |

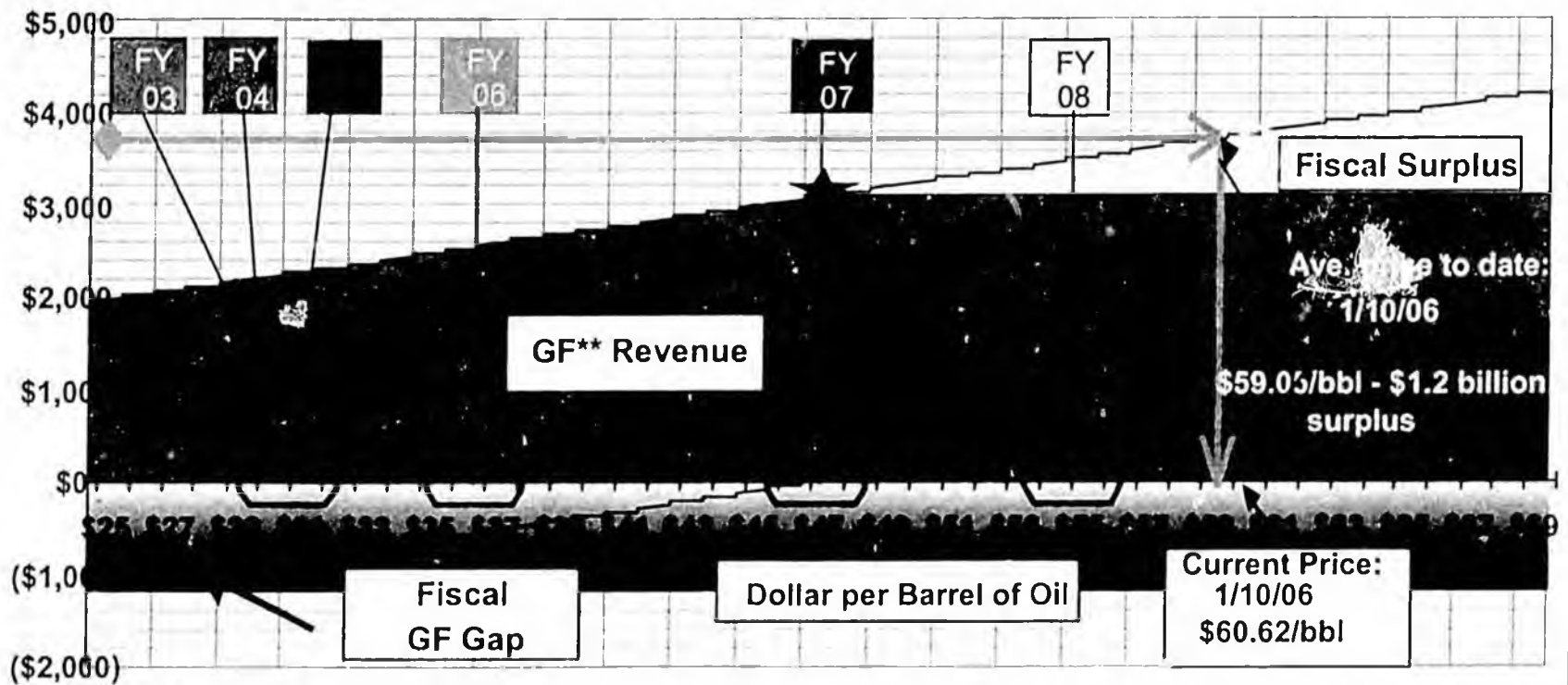
Some of the oil forecasted in the Under Development and Under Evaluation categories are from new projects in fields currently producing.

Trouble Ahead...???

| Fiscal Year 2008 (Estimated Fiscal Summary) | | |
|--|---------|---|
| FY07 Base Operating | \$3,103 | Assumes Governor's FY07 proposed operating budget is adopted |
| FY08 Fixed Operating Increases | 220 | Assumes 7% fixed cost increase. (PERS/TRS, Health Insurance, Debt Service & Fund Capitalization, Contracts) |
| Estimated Major FY08 Variable Operating Increases | 150 | Medicaid ~ \$50 million K-12 formula ~ \$50 million Agencies/U of A increments ~ \$50 million |
| FY08 Operating Total | \$3,473 | |
| FY07 Supplemental (estimate) | 75 | Estimate + Placeholder (this year FY06 = \$294 million) |
| FY08 Capital | 133 | Minimum F Match for Federal road funds |
| Total FY 08 Spending | \$3,681 | |
| FY 08 Revenues | \$3,000 | Estimated at \$49 dollars per barrel @.831 barrels/day (Dept. of Revenue Fall Forecast) |
| Surplus ? | \$0 | Assumes no carryforward (surplus) from FY07 |
| Surplus/Deficit | (\$681) | |

Projected Fiscal Gap/Surplus at Various Year-End Average ANS Crude Prices
\$3.1 Billion FY07 General Fund Operating Budget with
FY 03 - 08 Breakeven Points added

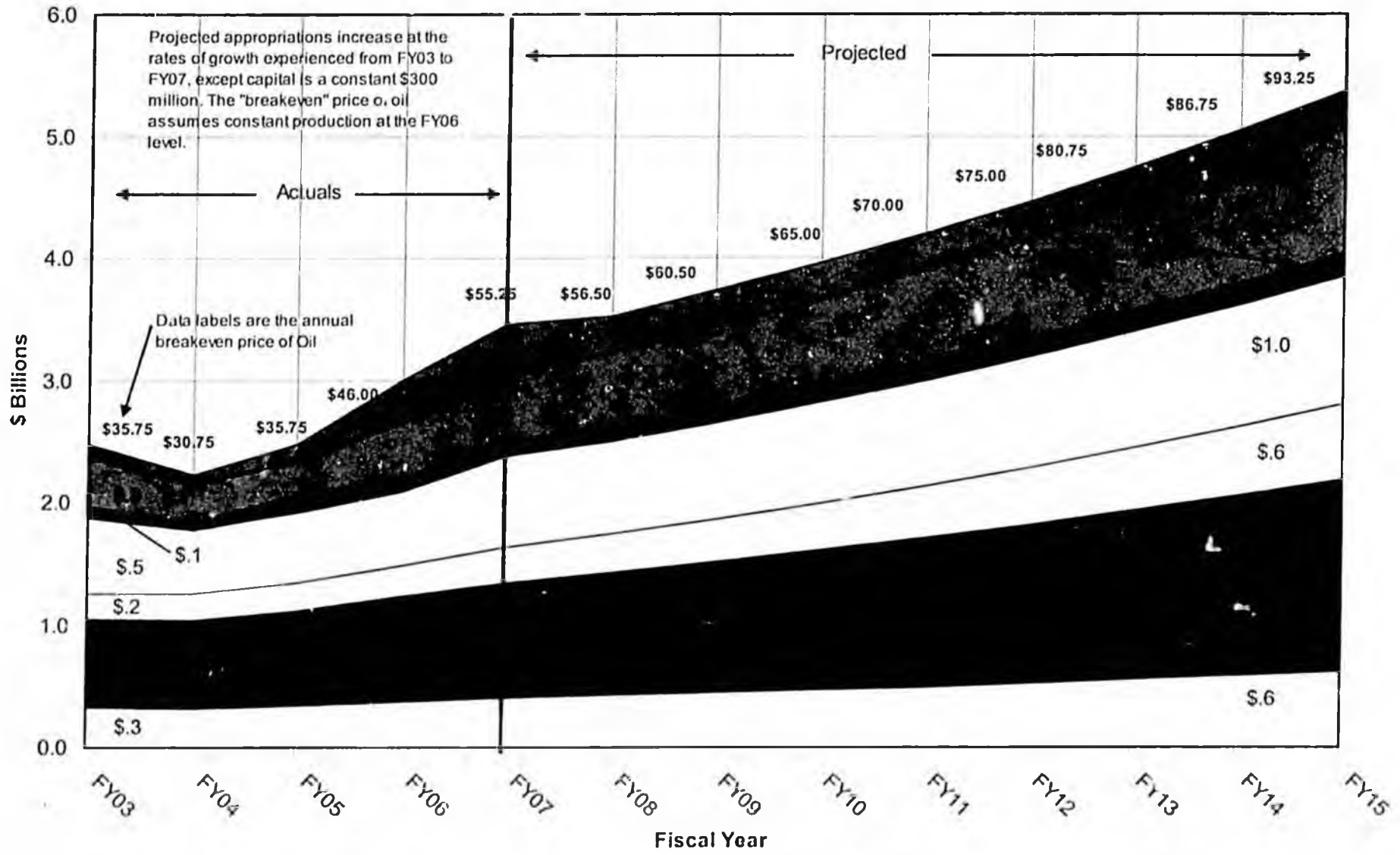
(Millions)



* Assumes \$60 million placeholder for supplemental appropriations

**Unrestricted GF Revenue required for government operations, includes revenues not directly affected by fluctuations in oil prices Assumes DOR Fall 2005 Revenue Forecast

Alaska General Fund Expenditures



Criminal Justice
 K-12 Funding
 University of Alaska
 Health & Social Services
 Resources
 All Others
 Capital Projects

| | A | B | C | D |
|----|---|------------------------|-----------------------|--|
| 1 | Governor's 12/15/05 Proposed Fiscal Year 2007 Operating Budget - Preliminary Analysis #2 | | | |
| 2 | Fiscal Year 2006 Operating Budget Totals | | Change | |
| | | | FY 05 to FY 06 | |
| 3 | FY05 Management Plan | \$2,321,477,000 | | |
| 10 | FY 06 Budget with Fixed Costs Increases | \$2,495,200,800 | 7.48% | |
| 11 | FY 06 Program Increments (Variable cost) | \$133,062,600 | 5.73% | |
| 12 | FY 06 Operating Budget | \$2,828,263,400 | 13.22% | |
| 13 | FY 06 New Legislation (Fiscal Notes) | \$11,429,100 | | |
| 14 | FY 06 Operating Budget (Conference Committee) | \$2,639,692,500 | | |
| 15 | Management Plan Adjustments | -\$18,861,000 | | Back out Local Government PERS Relief |
| 16 | FY 06 Base Budget | \$2,620,831,500 | | |
| 17 | Fiscal Year 2007 Operating Budget Increments | | Change | |
| | | | FY 06 to FY 07 | |
| 18 | Fixed Cost Increases | | | |
| 19 | Executive Agencies & UA Contracts | \$20,200,000 | | |
| 20 | Executive Agencies & UA Health Insurance Costs | \$8,900,000 | | |
| 21 | Executive Agencies Risk Management Insurance Costs | \$9,400,000 | | Self-insurance cost increases |
| 22 | Executive Agencies & UA PERS Relief | \$33,900,000 | | Figures 5% higher than FY06 |
| 23 | K-12 TRS Relief | \$40,000,000 | | |
| 24 | Medicaid - Fair Share | \$45,000,000 | | Lost appeal in 9th Circuit Court |
| 25 | Debt Service & Fund Capitalization | \$22,000,000 | | |
| 26 | Major Maintenance Grant Fund | \$25,100,000 | | FY07 Capital Spending adopted in FY06 Capital budget |
| 27 | Arizona Prison Contracts | \$2,900,000 | | |
| 28 | 2006 Elections | \$2,800,000 | | Biennial cost |
| 29 | FY 07 Fixed Cost Increases | \$210,200,000 | | |
| 30 | FY 07 Budget with Fixed Costs Increases | \$2,831,031,500 | 8.02% | Fixed % increase above FY06 operating budget |
| 31 | Variable Cost Increases | | | |
| 32 | Medicaid Formula | \$53,300,000 | | |
| 33 | Other H&SS increments | \$29,300,000 | | Total less Medicaid increases and Fairshare replacement funding |
| 34 | K-12 Formula Increase | \$50,000,000 | | Does not include PRS Costs |
| 35 | PCE Funding | \$16,000,000 | | |
| 36 | Executive Agencies & UA Fuel Costs | \$14,700,000 | | |
| 37 | Marine Highway System Expanded Services | \$9,700,000 | | Expanded service |
| 38 | DOT Increased Maintenance | \$6,300,000 | | Statewide or Targeted? |
| 39 | Teacher & Principal Mentoring | \$5,000,000 | | Program expansion |
| 40 | Youth First Initiative | \$4,000,000 | | New Program |
| 41 | Bring the Kids Home | \$3,800,000 | | Program expansion |
| 42 | Disaster Relief upfront funding | \$3,000,000 | | |
| 43 | Senior Care | \$11,000,000 | | |
| 44 | Epidemiology public health labs | \$3,000,000 | | Expansion of program |
| 45 | Public Advocacy & Public Defender | \$2,900,000 | | |
| 46 | Wildlife Conservation - Game Management | \$2,900,000 | | Program expansion |
| 47 | "Top 15% in Class" Tuition Program | \$5,000,000 | | Expansion from 10% to 15% |
| 48 | UA Program Increment Requests | \$17,800,000 | | |
| 49 | Executive Agencies Program Increments | \$34,850,000 | | Contains all other increments less than \$2.5 million |
| 50 | FY 07 Variable Cost Increases | \$272,550,000 | | |
| 51 | FY 07 Budget with Fixed & Variable Costs Increases | \$3,103,581,500 | 10.40% | Variable % increase above FY06 operating budget |
| 52 | New Legislation | \$28,000,000 | | Gov's request of \$118 million less \$90 million for K-12 education |
| 53 | Community Dividend - Revenue Sharing | \$0 | | Proposes use of \$27.5 of AMHess Funds that was used for FY06 Capital Budget |
| 54 | FY 07 New Legislation Increases | \$28,000,000 | 1.07% | |
| 55 | FY 07 Budget w/Fixed, Variable & New Legislation Increases | \$3,131,581,500 | 19.49% | |
| 56 | Potential Increase over FY06 Operating Budget | \$510,750,000 | | Total potential increase above FY06 operating budget |
| 57 | | | | Total potential increase above FY06 operating budget |
| 58 | | | | |
| 59 | Other potential increments | | | |
| 60 | Federal Medicaid Assistance Program - \$75,000,000 | | | \$0 Congress debating 2 year extension |