

**1/16/08**

**OVERVIEW:**

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# Governor's FY2009 Budget Proposal Overview & Policy Discussion



Presented to Joint Finance Committee  
January 16, 2008  
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Office of Management and Budget

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# Agenda

- Governor's Two-year Savings Plan
  - Components of the plan
- FY2009 Proposed Budget
  - Operating Budget Highlights
  - Capital Budget Highlights
- Outlook for Revenue and Expenditures through FY2011
- Questions

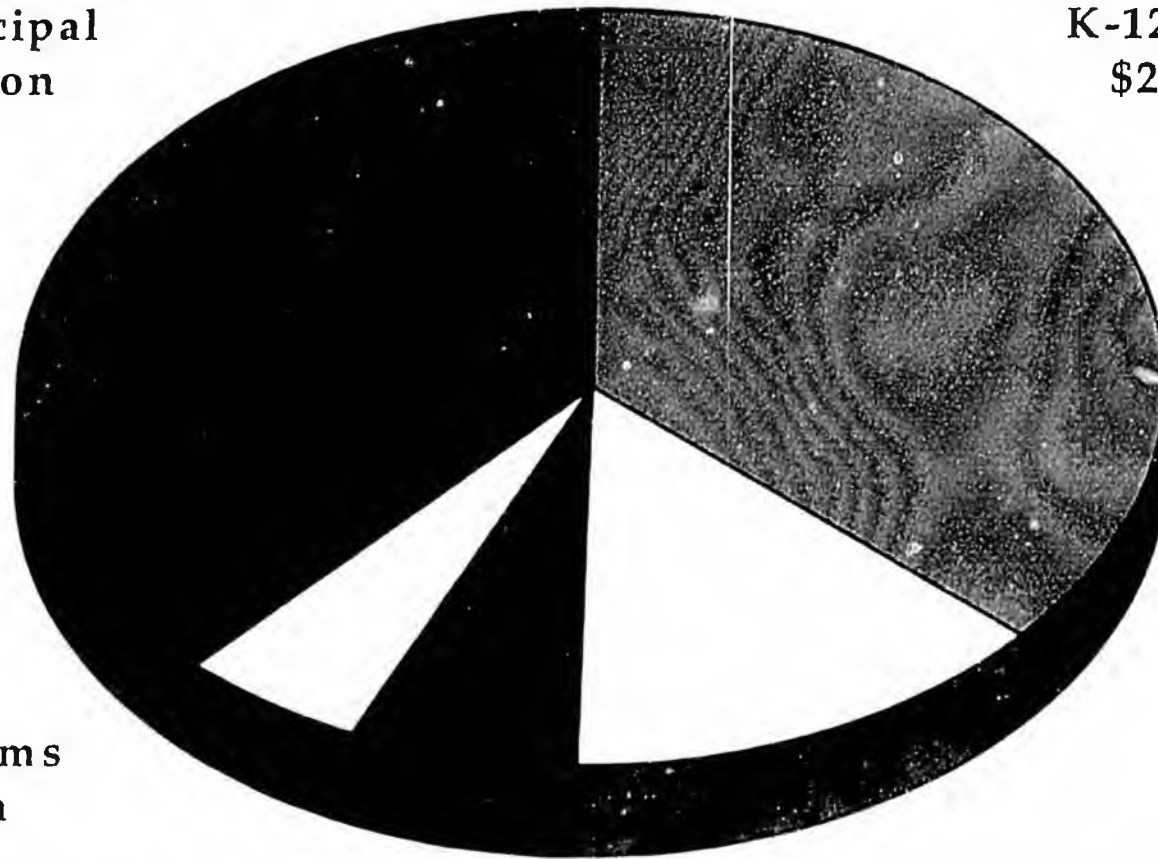


# Governor Palin's Two-year Savings Proposal

Total Proposal: \$7.1 Billion

Deposit to Permanent  
Fund Principal  
\$2.4 Billion

K-12 Education  
\$2.6 Billion



Energy Programs  
\$250 Million

Replenish the CBR  
\$379 Million

Reduce Retirement  
System Liability \$450  
Million

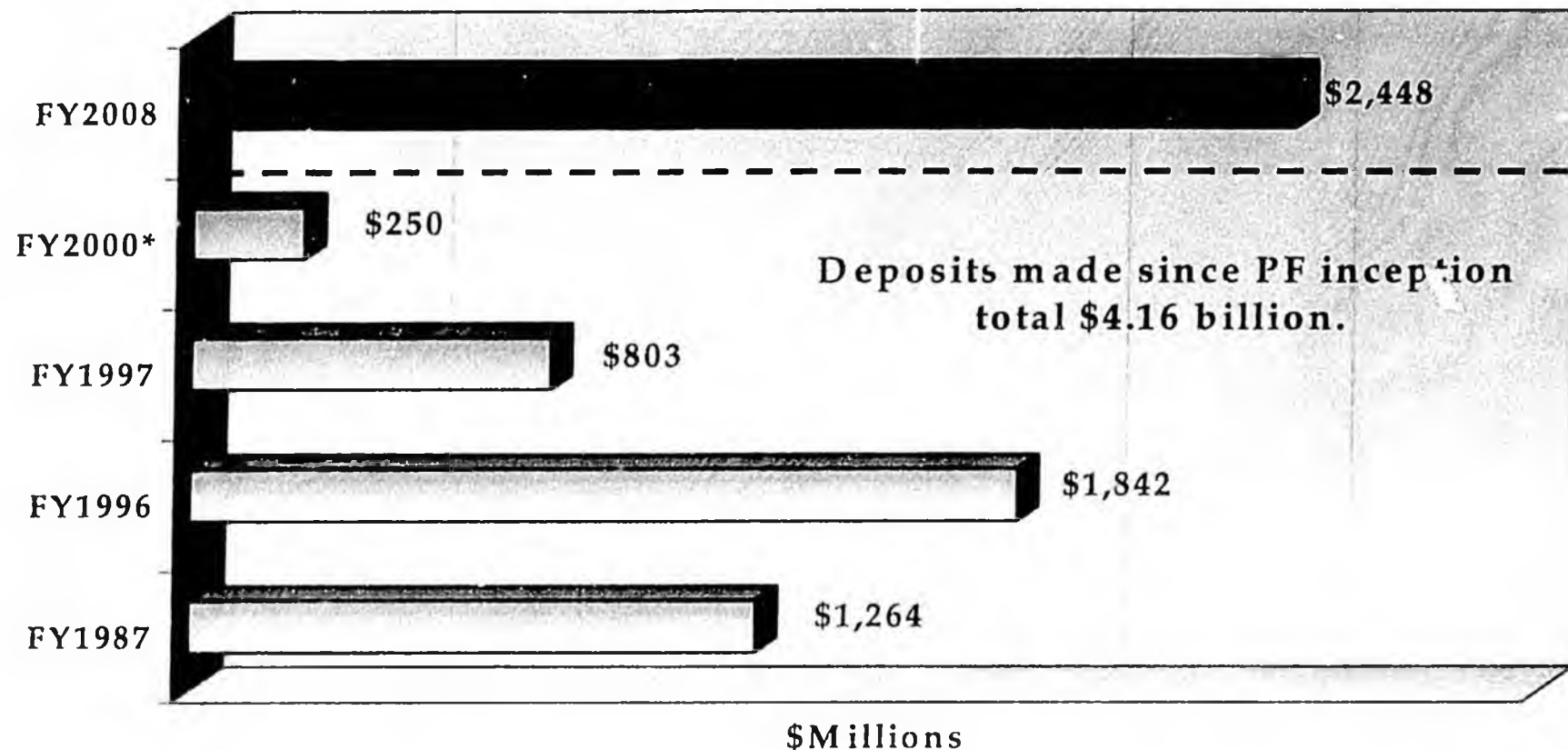
Transportation &  
Infrastructure  
\$1.0 Billion



# Governor Palin's Two-year Savings Proposal

## Save the Earnings

Deposit \$2.4 Billion from the Permanent Fund Earnings Reserve to the Permanent Fund



Amended HB99/SB54 proposal is to leave a balance of \$2.2 billion in the Permanent Fund Earnings Reserve after dividends, inflation proofing and Amerada Hess calculation.

FY2008 projections are from *Alaska Permanent Fund Financial History and Projections*.

\* FY2000 deposit was \$276.4 million, figure shown excludes \$26.4 million in 8G Escrow Principal Earnings that was deposited to the Permanent Fund Principal as part of a lawsuit settlement.



# Governor Palin's Two-year Savings Proposal

## Sources by Fiscal Year

	Total FY08 Surplus Savings (\$millions)	Total FY09 Surplus Savings (\$millions)	Combined FY08 and FY09 Savings
Public Education Fund	\$1,575	\$1,000	\$2,575
Transportation & Infrastructure	\$500	\$500	\$1,000
Reduce TRS Unfunded Liability	\$450	\$0	\$450
Constitutional Budget Reserve	\$224	\$155	\$379
Energy Programs	\$250	\$0	\$250
<b>Surplus Savings Total</b>	<b>\$2,981</b>	<b>\$1,673</b>	<b>\$4,654</b>



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# Governor Palin's Two-year Savings Proposal

## Forward Fund Education \$2.6 Billion

### Goals:

- Provide a stable and predictable funding source for Alaska's K-12 education
- Shift focus to classroom results
- Build on the objectives and funding requirements set out in the Education Task Force report



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# Governor Palin's Two-year Savings Proposal

## Alaska State Transportation Fund- \$1.0 Billion

### Goals:

- Diversify the funding streams available to meet Alaska's transportation funding requirements
- Create a more flexible funding stream that can be directed at state and local priorities
- Avoid tripling the gas tax to fund a similar program



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# Governor Palin's Two-year Savings Proposal

Reduce the State's Retirement Liability- \$450 million

## Goals:

- Reduce a long-term State liability by contributing \$450 million to the Teacher's Retirement System
- Immediate FY09 savings of \$46 million
- Total savings estimated over 25 years is more than \$600 million



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# Governor Palin's Two-year Savings Proposal

## Deposits to the CBR- \$379 million

### Goals:

- Replenish Alaska's main emergency reserve fund
- These amounts represent two of the largest deposits to the CBR in recent history
- This is in addition to the recent \$379 million oil tax settlement that will be deposited in the CBR



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# Governor Palin's Two-year Savings Proposal

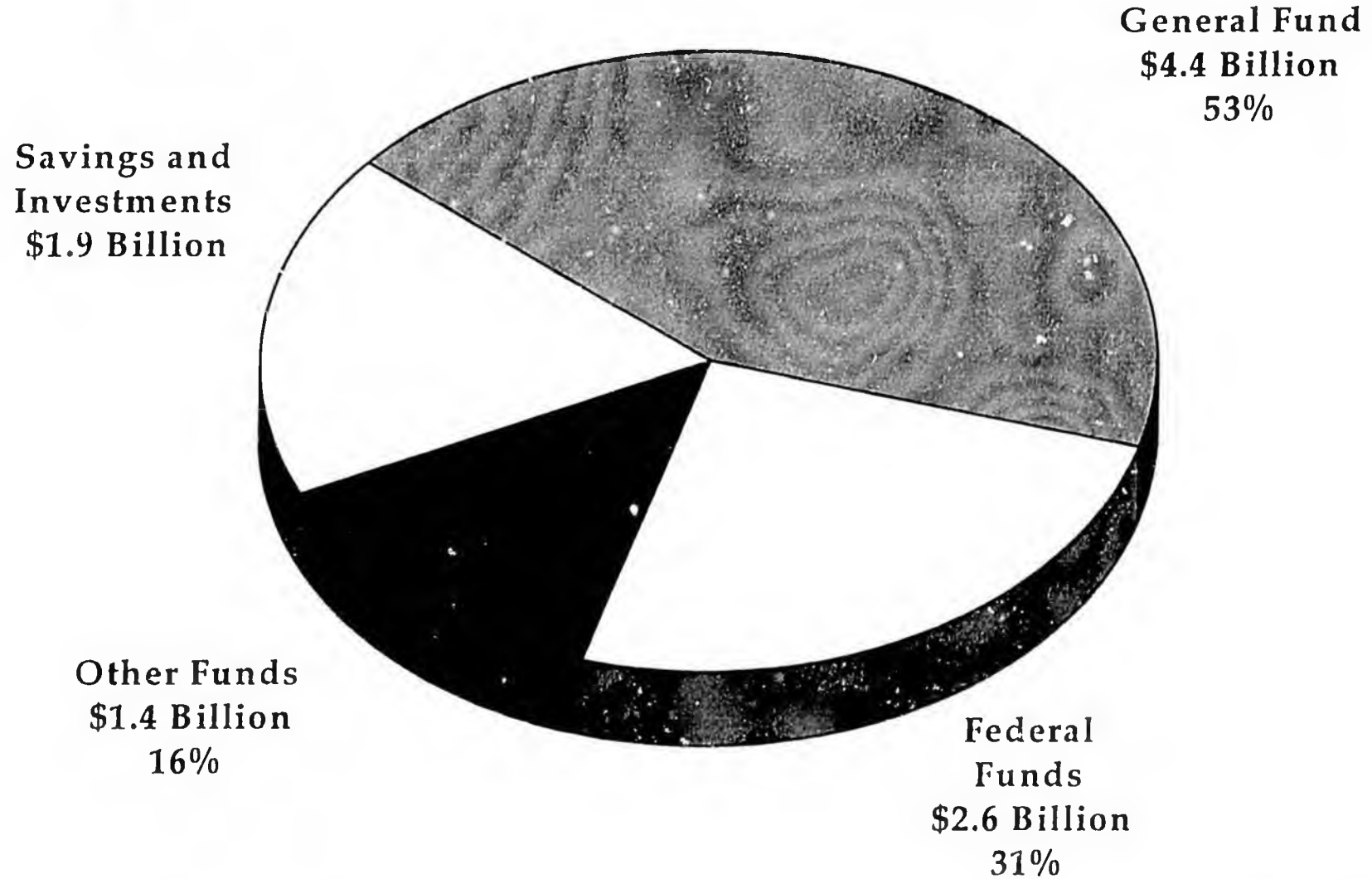
## Energy Programs - \$250 million

### Goals:

- Reduce the cost of power to Alaskan consumers
- Promote energy conservation
- Displace diesel generation
- Provide some impetus for development of alternative, particularly renewable energy sources (wind, hydro, etc.).

# FY2009 Budget- \$8.3 Billion

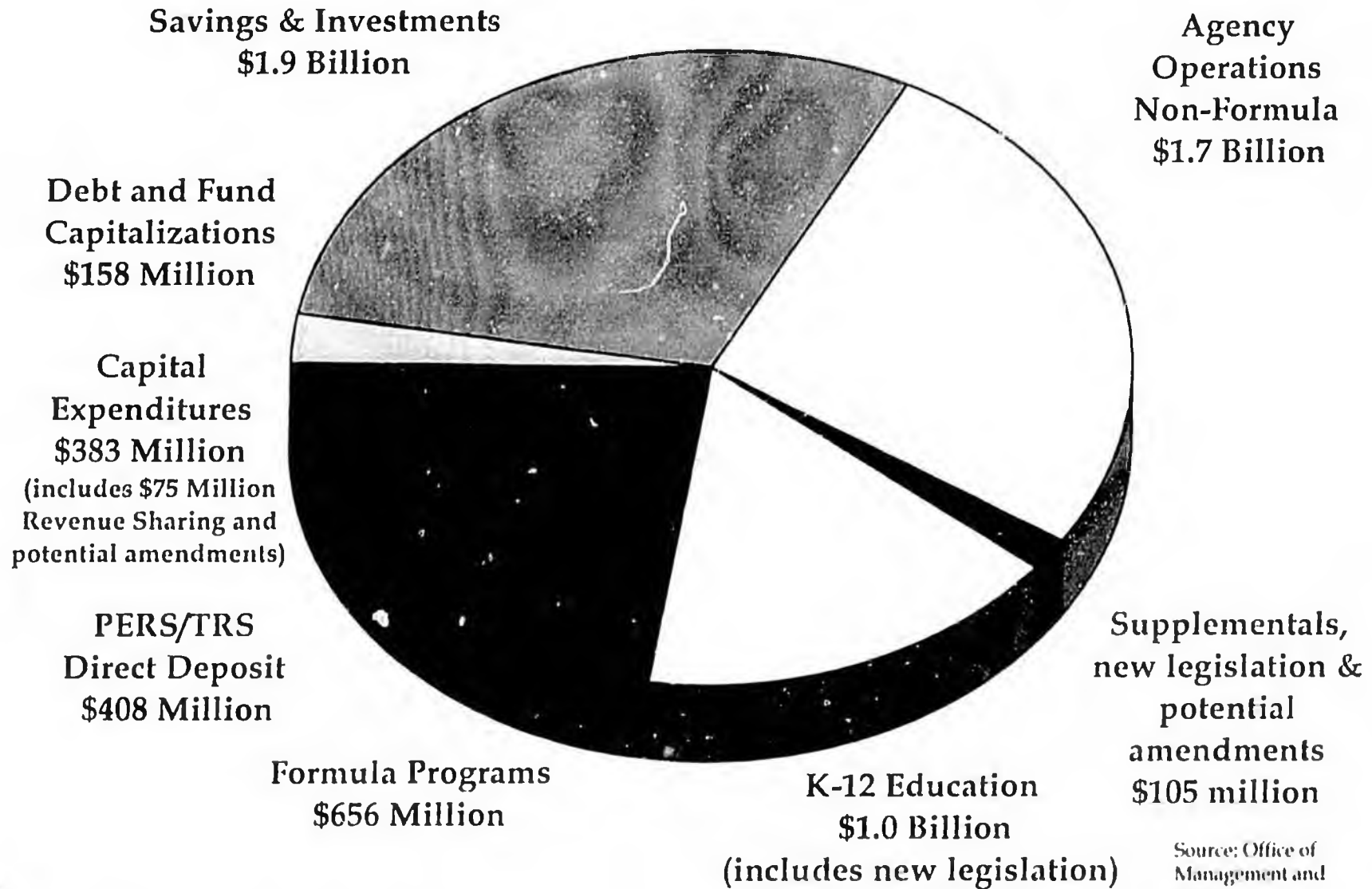
Plus \$1.9 Billion in Savings and Investments (excludes Perm Fund)



# FY09 Budget-Highlights

	Total FY08	Total FY09	Change FY08 to FY09	Percent Change FY08 to FY09
General Fund	\$4,239.3	\$4,409.6	\$170.3	4.0%
Federal Funds	\$2,544.5	\$2,571.2	\$26.7	1.0%
Other Funds	\$1,202.1	\$1,364.9	\$162.8	13.5%
Authorization to Spend	\$7,985.9	\$8,345.7	\$359.8	4.5%

# FY2009 General Fund Budget Total \$4.4 Billion Plus \$1.9 Billion in Savings and Investments



Source: Office of Management and Budget



# FY09 General Fund Budget-Highlights

Agency Operations Non-formula: \$1.67 billion

- Up \$76.4 million over FY08
  - Agency Bargaining Unit increases- \$29.3 million
  - University Bargaining Increases \$9.0 million
  - Public Safety and Protection- \$11.6 million
  - Workforce Development- \$6.8 million
    - University, Labor, DOT/PF
  - Court System- \$6.7 million
  - Alaska Marine Highway- \$4.6 million
  - Elections- \$3.7 million
  - ACES Implementation- \$1.9 million
  - Resource Development & Protection \$1.8 million



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# FY09 General Fund Budget-Highlights

Supplemental- \$50 million

- Placeholder for FY09

Potential Operating Amendments- \$41 million

- Bargaining Unit increases
- Other agency needs

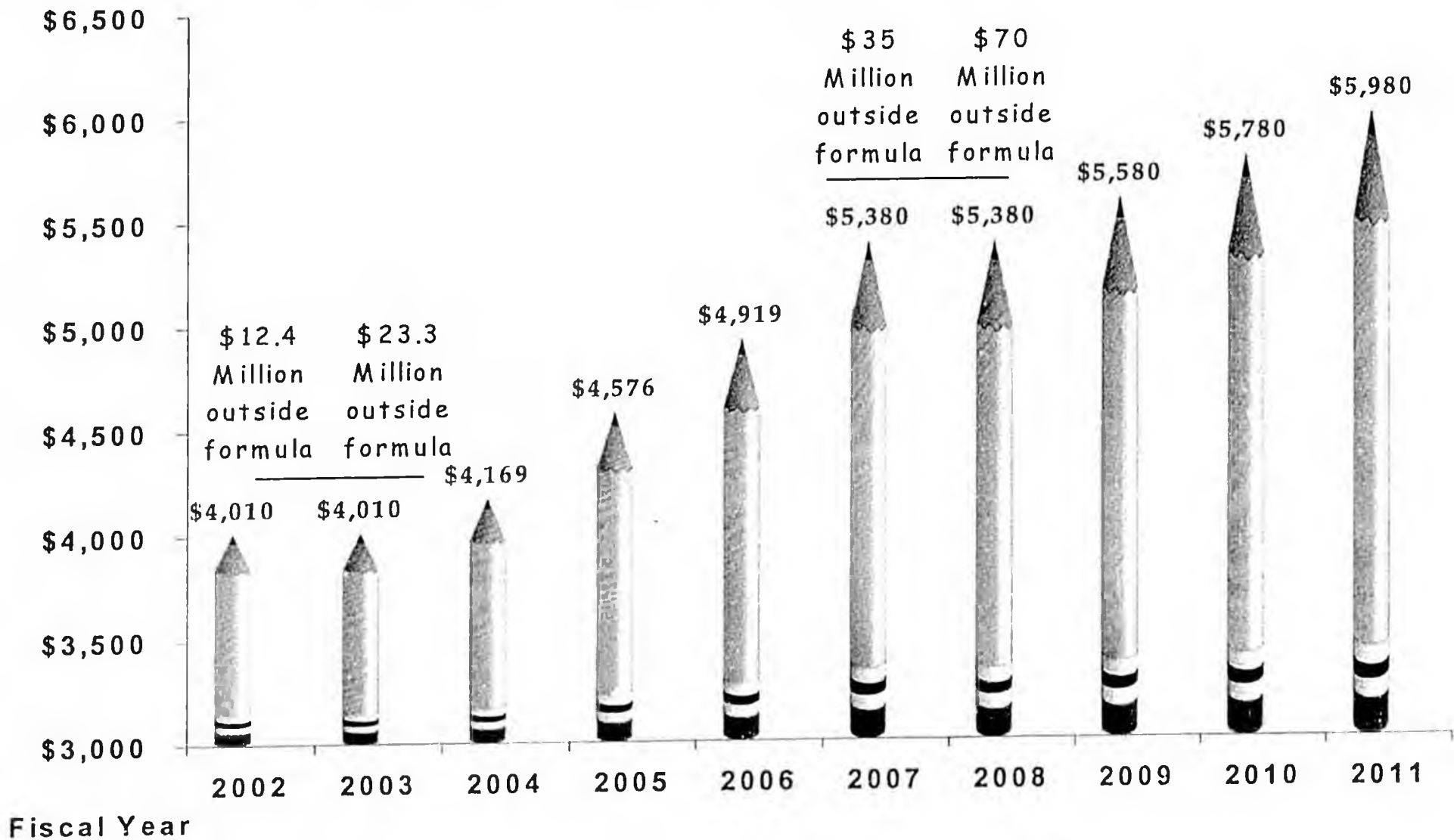
New Legislation- \$14 million

Public Education (new legislation)- \$141 million



# K-12 Education Funding Plan

## Base Student Allocation FY2002-FY2011



# FY09 General Fund Budget- Highlights

Formula Programs: \$656 million

- Up \$96.7 million over FY08
  - Medicaid/Proshare FMAP- \$71.2 million
  - H&SS Rate Increases- \$24.4 million
  - National Guard benefits - \$0.7 million
  - Alaska Military Youth Academy- \$0.4 million



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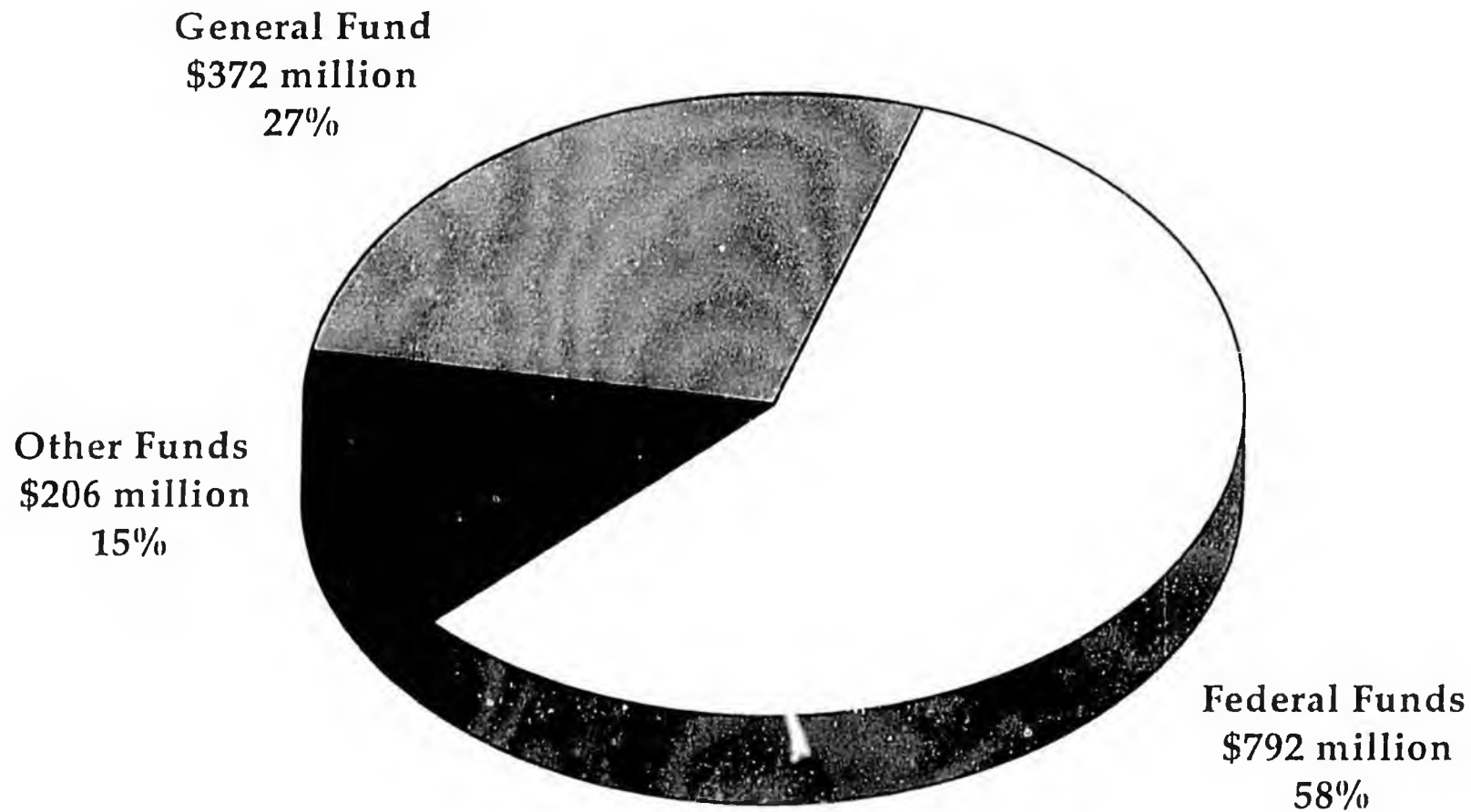
# FY09 General Fund Budget- Highlights

Direct Deposit to PERS/TRS- \$408.4 million

- Down \$46.4 million from FY08
  - PERS \$246.0 million
    - retain employer rate at 22%
  - TRS \$162.4 million
    - retain employer rate at 12.56%



# FY2009 Capital Budget- \$1.4 Billion



# FY09 Capital Budget- Highlights

## General Funds- \$372.3 million

- Revenue Sharing	\$75.0 million
- DOT/PF	\$151.3 million
• Federal Match	\$48.8 million
• Connect Anchorage	\$23.5 million
• Glenn Highway Repair	\$11.5 million
-- Water & Wastewater Program	\$41.9 million
- McLaughlin Youth Center	\$19.5 million
- Palmer Office Building	\$15.7 million



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# FY09 Capital Budget- Highlights

## Other Funds- Alaska Student Loan Corp.

- Third and final return of capital from the original capitalization of the ASLC
- Expected to generate \$60 million in bond proceeds
- The Administration has identified agencies' high priority deferred maintenance projects and proposes funding them with the proceeds from the ASLC return of capital



# FY09 Capital Budget- Highlights

## Other Funds- Alaska Capital Income Fund

- Alaska Capital Income Fund is expected to have an available balance of \$277 million
  - \$249 million additional deposit from the FY07 surplus
  - \$28 million in expected FY09 Amerada Hess earnings
  
- The Administration has identified K-12, University, energy and other projects and proposes using a portion the available balance in the Alaska Capital Income Fund to fund these projects.



# FY09 Capital Budget- Highlights

## Alaska Capital Income Fund Projects

- School construction/major maintenance \$99.8 mil.
- University deferred maintenance \$40.0 mil.
- DOT/PF maintenance stations \$10.2 mil.
- AEA energy projects \$10.0 mil.
- DNR energy related projects \$6.4 mil.
- AOGCC reservoir depletion studies \$1.5 mil.

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# FY09 Capital Budget- Highlights

Federal Funds- \$791.6 million

- DOT/PF	\$515.6 million
• Roads	\$237.1 million
• Airports	\$223.5 million
• Safety Emergency Repairs	\$55.0 million
- DEC (Water and Wastewater)	\$78.7 million
- Commerce	\$56.4 million
• AEA Energy Projects	\$30 million
• Kodiak Launch Complex	\$14 million
- University Research Vessel	\$45.0 million



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# G.O. Bond Proposal

The Administration is proposing two General Obligation (G.O.) Bond packages go before the voters in the 2008 election cycle.

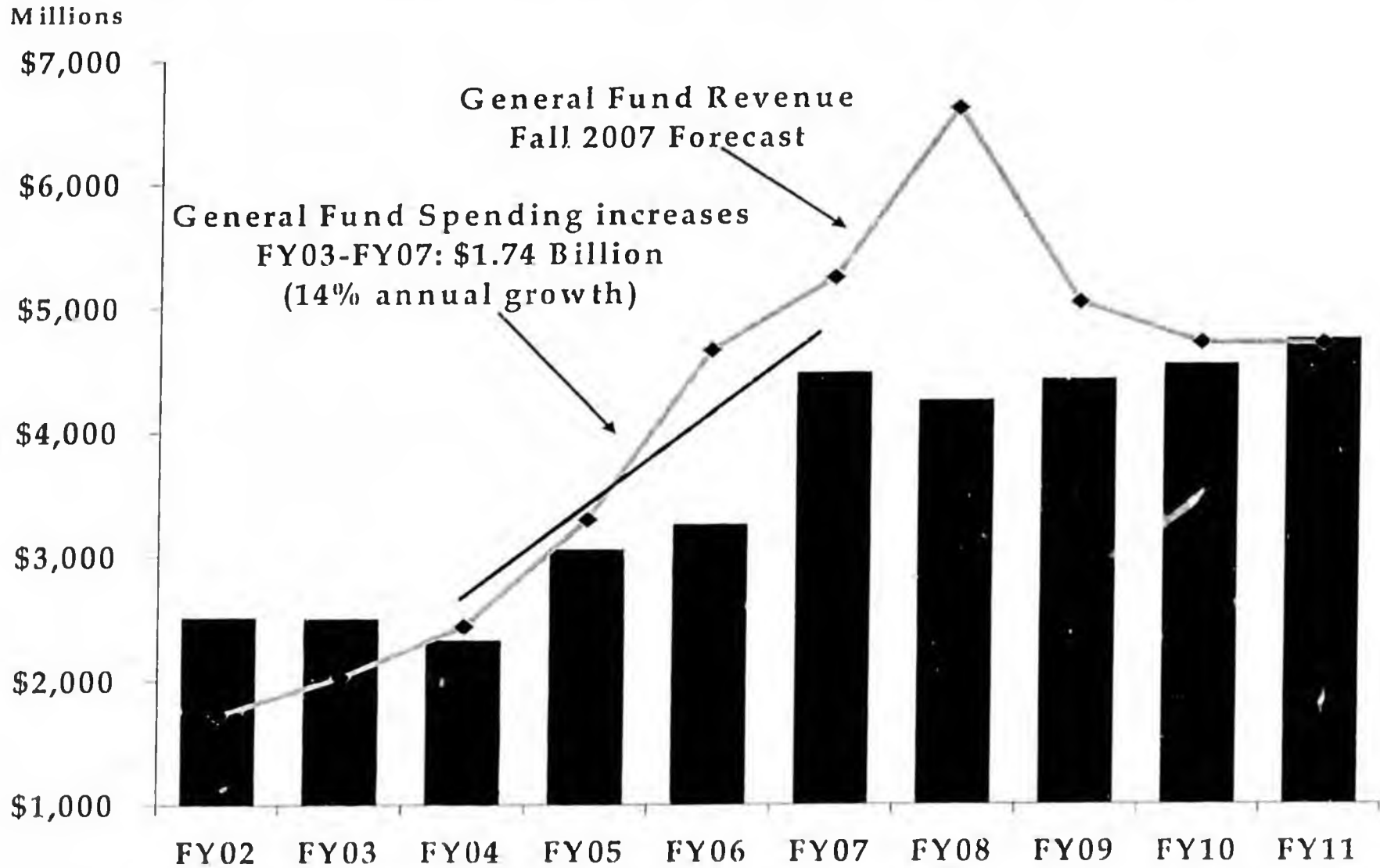
Transportation G.O. Bonds - \$140 million

State Crime Lab G.O. Bonds - \$100 million



# Changing the Course to Slow Government Growth

General Fund Revenues versus Appropriations FY02 to FY11 (3.5% average growth rate projected for FY10 & FY11)



Annual appropriations exclude deposits to Public Education Fund, ACES tax credits and other special purpose appropriations.

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# More Budget Details: Sources

Office of Management and Budget Website

[www.gov.state.ak.us/omb/](http://www.gov.state.ak.us/omb/)

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