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Governor Acknowledges Legislature's Action to Accept Stimulus Funds

\$929 million slated for state projects and services

April 28, 2009, Juneau, Alaska – The Palin administration today acknowledged the state legislature's action to accept economic stimulus funds with passage of House Bill 199, Senate Bill 75, HB81, HB113, and two legislative resolutions supporting receipt of the funds, House Joint Resolution 11 and House Concurrent Resolution 13.

"I have been clear and consistent about my concerns with accepting economic stimulus funds as our nation incurs tremendous debt," said Governor Palin. "As I am required to certify that stimulus dollars will create new jobs and stimulate the economy, I acknowledge the legislature's action. And now I must make sure that, by applying for funds that they've resolved to accept, we do not grow government but instead put people to work and grow Alaska's private-sector economy."

The House and Senate finance committees held nearly 20 public hearings and worked closely with the administration to research aspects of the stimulus bill.

"We provided the public with the opportunity to weigh in and for them to understand the complicated and evolving federal requirements in this package," Governor Palin said. "My concern remains that we must acknowledge these are one-time, temporary funds, that the federal government is deeply in debt, and that we must borrow money from other countries to fund much of government."

The legislature agreed with the Governor that these federal funds should be used to generate new private sector jobs and not be used to create new services or programs. HB199 includes intent language to that effect: "The state will not be granting additional funds to continue the programs after the federal aid is exhausted."

Protecting Alaska's Savings

In evaluating use of federal stimulus funds, the governor placed a priority on protecting the state's savings accounts so they can be a fiscal stabilizer over several years of revenue shortfalls. To keep the state from using more of its savings, Governor Palin asked the legislature to use federal money to replace state general funds in the FY2009 and FY2010 budgets. More than \$130 million of federal economic stimulus funds will be used to replace state general funds in the operating budget, specifically for Medicaid reimbursement and child support enforcement.

The governor also proposed redirecting an additional \$120 million in stimulus dollars, where appropriate, in order to reduce the draw on the state's savings accounts. However, the legislature did not accept those recommendations. "The governor is committed to extending the life of our savings during this time of low oil prices, and believes we could have done more with stimulus dollars to help with that by replacing state dollars with federal funds," said Karen Rehfeld, director of the Office of Management and Budget.

Education Funding

Education funding is one of the largest components of the economic stimulus package, and legislators appear to have assured themselves that Alaska schools will use the one-time funds wisely. Alaska's 53 school districts can access about \$171 million in stimulus funds. HB199 states, "School districts (should) focus on short-term investment with long-term gains for student and teacher performance."

"I have heard from the education community and parents that these funds can be invested in support of improved student achievement while not incurring ongoing expenses," said Larry LeDoux, commissioner of the Department of Education and Early Development. "Teacher training and technology upgrades are just some examples of how these funds can be invested wisely without creating unrealistic expectations when they are no longer available in 24 months."

Community Revenue Sharing

The legislature also approved \$20.7 million in community revenue sharing. These dollars will be added to the \$60 million included in the governor's budget.

"As a former city councilman and mayor, I support local decision-making instead of growing state government," Palin said. "Local governments can best meet a community's priorities and are held accountable for every public dollar spent for local projects and services."

Home Weatherization/Energy Efficiency

With passage of the legislature's budget, the state will see \$28 million for home weatherization and energy-efficiency programs. The governor did not accept an additional \$28.6 million for State Energy Program funds tied to adopting a statewide energy code.

"Alaska's vast expanse and differing conditions are not conducive to a federally mandated, universal energy code," said the governor. "In this case, one size does not fit all. Local governments and many unincorporated communities have very different needs and abilities to implement or enforce a statewide mandate. Government can certainly help with energy challenges, and I look forward to working with the legislative energy committees over the interim to determine the state's role in defining and implementing energy solutions. However, mandating universal energy building codes throughout our state is not in Alaskans' common or individual interests."

Unemployment Trust Fund/Electronic Medical Records

Working with the legislature and the business community, the administration reached agreement on accepting \$15.6 million in federal dollars for the unemployment trust fund to strengthen the account and save money for employers.

"The Alaska State Chamber of Commerce and the National Federation of Independent Businesses support this provision," said Click Bishop, commissioner of the Department of Labor and Workforce Development.

Private businesses and individual Alaskans will be affected with millions of dollars for the conversion to electronic medical records that are included in the federal funds. The Palin administration was told the switch to electronic health records will be federally mandated for all health care providers by 2015.

Transportation Funds

\$264.1 million of federal economic stimulus funding for surface transportation, transit and aviation projects is included in SB75, the capital budget.

"I thank legislators for their work on the federal economic stimulus package and the public for participating in the process," said the governor. "The legislature has accepted these stimulus dollars, and my agencies will make appropriate applications for funding. As we move forward, we must continue to exercise fiscal responsibility and prudent planning to develop our resources and build a stronger Alaska, and not assume federal dollars will continue to pay so many of Alaska's bills.

"Alaskans are strong and innovative as a people and we have great potential because of our vast natural resource wealth. It is my hope that Alaskans recognize this potential and will support efforts to responsibly develop our great state so our families and the private sector can thrive and prosper. Growing government stymies this, so it is with great caution, I am sure, that our legislature resolved to accept federal economic stimulus funds, and it is with great responsibility to future generations that I prudently and conservatively administer the funds."

The governor will take final action on all appropriation bills, including the economic stimulus package, within 20 days of receiving the documents from the legislature.

More detailed information on the federal economic stimulus package is available on the Office of Management & Budget website at www.alaska.gov/recovery.

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