



FOR IMMEDIATE RELEASE

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**Governor Palin Reduces FY2010 Spending Plan
*Overall \$445.5 million in GF reductions***

February 18, 2009, Juneau, Alaska – Governor Sarah Palin submitted a package of FY2010 budget amendments to legislators today that reduces general fund spending by \$445.5 million.

The Department of Revenue also issued a February 2009 interim forecast today based on an FY2010 average price per barrel of \$57.78 and estimates revenues of \$3.18 billion, which is down \$2.1 billion from the fall forecast based on an average of \$74.41 per barrel.

“Given current market conditions and oil prices, we have made reductions in the proposed spending plan for next year,” Governor Palin said. “We are continuing our efforts to provide important public services, while cutting back on areas that can certainly wait until we see improvement in our revenue stream.

“Even with the drop in oil prices, our goal is to continue to provide needed public services, and to keep Alaskans employed and the economy moving,” Palin added. “We have proposed responsible reductions in the current year and also in the FY2010 budget. These changes will reduce the draw on reserves needed at the end of the fiscal year.”

The operating budget is reduced by \$382.3 million in general funds. Significant operating reductions include \$166.5 million for the additional payment against the unfunded liability for public employee (PERS) and teachers (TRS) retirement systems. There is \$284.7 million remaining in the budget to fully fund the state’s obligations to public employers and school districts, and leave PERS and TRS employer rates unchanged. Also, there is a \$100 million reduction in authorization to pay exploration tax credits to mirror the funding authorization requested in the current year. A \$73.5 million general fund reduction is proposed and is also offset by the new federal reimbursement rate for Medicaid under the economic stimulus package. These funds are made available to states specifically to provide relief from state revenue shortfalls and also to prevent states from eliminating care to people in need.

There are also some proposed operating increases in the amendments including \$8.4 million in Public Safety for Alaska State Troopers and Village Public Safety Officers, \$2.3 million for the Inlandboatmen’s Union bargaining unit agreement, and \$6.0 million for the Department of Law to proceed with oil and gas and Endangered Species Act issues. Many of these increases were offset by other reductions in the operating budget.

Proposed capital spending reduces \$63.2 million in general funds and increases \$139.7 million in federal and other funds.

The federal and other fund changes include \$100 million to finance statewide financial and tax revenue management system replacements. Also, the Department of Military and Veterans Affairs will receive \$17 million in federal funds for environmental clean-up at National Guard facilities.

"We are providing for high-priority capital projects including transportation, schools, deferred maintenance and energy," Governor Palin said. "The legislature's recent approval of \$100 million for renewable energy projects, plus \$25 million in the FY2010 budget will allow us to continue progress in the very important energy area. With our proposed funds, healthy capital budgets of the past few years, and infrastructure dollars in the federal economic stimulus package, we will see increased job opportunities and construction activity across the state.

"We worked with lawmakers to put substantial dollars into savings over the past two years, so we have more than \$8 billion in various reserve accounts," Palin said. "We share the legislature's desire to extend the life of our savings."

The estimated draw on reserves for FY2009 is \$1.36 billion and FY2010 is approximately \$1.2 billion.

"Responsible reductions and prudent use of reserve funds that we had set aside for tougher times will help us weather the storm," Palin added. "I am committed to working with the legislature to make wise budget decisions and continue to invest in infrastructure that will help develop our resources and our communities."

The budget amendments and more detailed information on the budget are available on the Office of Management & Budget website at: <http://omb.alaska.gov/>

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