

FY09/FY10 Budget Overview



House Finance Committee
Governor's Office of Management and Budget
January 26, 2009

Budget Guidelines

Starts with clearly established goals communicated to state agencies, the legislature and the public

Governor Palin's budget goals have been consistent:

- Slow the growth of government
- Live within our means
- Save for the future
- Focus on core services
 - Invest in responsible resource development
 - Constitutional and statutory responsibilities



Budget Timelines

The process starts with state agencies

- The state fiscal year is July 1 through June 30
- Planning for the next fiscal year starts July 1
- Budget instructions to departments in August
- Discussion with agencies in September
- Preliminary decisions in October
- Final decisions in November
- Proposed budget released to the public Dec. 15
- Legislative review and final action by the 90th day



Budget Direction

The fundamental building blocks

- Focus on core state services,
- Find efficiencies in service delivery,
- Identify savings or reductions,
- Redirect existing resources, where possible, to higher priority items, and
- Limit growth in operating budget .



Budget Preparation

Fundamentals include accountability

- Agency budgets built on missions and results.
- Recommended strategies to implement the missions and results.
- Recommended measures for determining whether the missions and desired results are achieved.
- Assessment of whether prior year missions and desired results have been achieved.



FY2009 Revenues/Expenditures

A year of unprecedented revenue volatility

FY2009 Budget Version	Governor Dec. 15, 2007	Enacted May 23, 2008	Post Special Sessions	Governor Dec. 15, 2008	<i>What If ?</i> <i>Not an official forecast</i>
Forecast Version	Fall 2007	Spring 2008		Fall 2008	Interim Spring 2009
Price Per Barrel	\$66.32	\$83.04	\$100 +	\$77.66	\$60's
Production	0.701	0.689		0.689	
Total Revenue*	\$5,264.9	\$7,523.3	\$7,523.3	\$6,765.4	\$5,765.4
Budget Appropriations	\$4,609.6	\$5,045.6	\$5,979.7	\$5,992.3	\$5,992.3
Savings Appropriations	\$500.0	\$1,175.5	\$1,195.3	\$1,175.3	\$1,175.3
Surplus/ (Shortfall)	\$155.3	\$1,302.2	\$348.3	(\$402.2)	(\$1,402.2)

*Includes tax credits and carryover



Office of Management and Budget

FY2009 Revenue Shortfall

Steps taken and in process to address a revenue shortfall

- Governor Palin signed the appropriation bills on May 23, 2008, with instructions to the departments to achieve at least \$20 million in savings in the operating budget.
- Hiring freeze and non-essential purchases issued January 23, 2009.
- FY2009 supplemental bill will propose reductions in current year expenditures.
- Seek legislative approval for use of reserves.



Reserve Balances

Estimated balances as of December 31, 2008

- Constitutional Budget Reserve \$6.8 billion
 - Main Fund \$3.2 billion
 - Sub Fund \$3.6 billion
- Statutory Budget Reserve \$1.0 billion
- Public Education Fund \$1.0 billion
- AK Housing Capital Fund \$342.3 million



FY2009 Supplemental Bill

Due to the legislature on February 3, 2009 - 15th Legislative Day

- Interim FY09 forecast will be provided along with the supplemental bill.
- Reducing current year operating and capital expenditures.
- Seek authorization to access reserve funds to balance the budget.



FY2009 Economic Stimulus Bill

Moving quickly at the federal level

Federal action expected mid-February

- Formula and competitive grants
 - Transportation
 - Energy
 - Education
 - Health Care
- State agencies reviewing the legislation
- Anticipate separate supplemental bill



FY2010 Budget Overview

Consistent fiscal policy

- Dec. 15 budget proposes to spend less general fund dollars in FY2010 than we are spending in the current year - \$4.9 billion compared to \$5.2 billion (*comparison excludes resource rebate*)
- Budgeted \$389 million below the fall forecast of \$5.27 billion.
- Interim forecast will be provided on February 18 along with budget amendments.



FY2010 Budget Highlights

Focus on priorities

- Operating
 - K-12 Education \$1.05 billion
 - Revenue Sharing \$60 million
 - Retirement system unfunded liability \$451.2 million
 - Exploration tax credits \$300 million
 - State employee contract increases \$31 million
- Capital
 - Gas line projects \$82.1 million
 - Renewable Energy Fund \$50 million
 - School Major Maintenance \$40.5 million
 - Highways & Aviation \$772.5 million
 - Water & Sewer \$114.8 million



To Meet 09/10 Budget Challenges

and Protect Alaska's economy

- Fiscal Discipline
 - Savings and efficiencies
 - Budget reductions where practical and sustainable
 - Hiring freeze and non-essential purchases
- Prudent use of Reserves
 - \$8 billion in reserves
 - Careful planning to manage shortfall in the short-term and provide long-term stability
 - Avoid massive single-year cuts



More Information on the Budgets

<http://www.gov.state.ak.us/omb/>

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