



FOR IMMEDIATE RELEASE

No. 08-205

**Governor Palin Releases Fiscal Year 2010 Budgets
*Spending Less Than Current Year***

December 15, 2008, Juneau, Alaska – Governor Sarah Palin released the budget proposal for Fiscal Year 2010 that will result in less government spending than the current year.

“With the present market conditions and oil prices, it is incumbent on the state to present a general fund budget that spends less than the current one, especially when adjusted for inflation,” Governor Palin said. “The spending plan is based on prudent decisions and fiscal discipline while providing for the safety, health and education of our citizens, pursuing responsible resource development, and maintaining a stable economy.”

The operating and capital budgets total \$4.9 billion in general funds and \$11.2 billion in total funds. The proposed FY2010 general fund and total fund spending represents a 7 percent decrease from FY2009. This comparison excludes the FY2009 one-time resource rebate of \$746.4 million and appropriations to savings.

The budget also proposes to spend less than the amount of revenue projected for the next fiscal year. For FY2010, the oil price forecast is \$74.41 per barrel, production of 665,000 barrels per day, and total unrestricted revenue of \$5.27 billion.

Based on the fall revenue forecast, the Governor’s proposed spending level in FY2010 will result in a surplus of \$388.7 million. These funds would flow into the constitutional budget reserve at the end of the fiscal year. “We were conservative in developing our budget and targeted a lower revenue number based on \$71 per barrel,” said Governor Palin.

“The fall revenue forecast again highlights how volatile our revenue cycles can be,” said the Governor. “Working with the legislature, we have made good decisions over the past two years – putting money into savings accounts and investing in infrastructure that will help develop our resources and our communities.

“The budget plan is consistent with the fiscal policy that has guided this administration and builds on our commitment to live within our means, save for the future, and control government spending,” Karen Rehfeld, budget director said. “The budget provides for essential state services and protects Alaskans.”

Highlights of Governor Palin's budget priorities for fiscal year 2010:

Full Funding of K-12 Education \$1.05 billion total funds including \$118 million for intensive needs students

School Major Maintenance – 20 projects - \$40.5 million

Pre-School Pilot Program \$2 million

Head Start Program \$7.7 million

Denali Kid Care \$34.9 million

Full funding of retirement costs unfunded liability \$451.2 million

Oil & Gas exploration tax credits \$300 million

Community Revenue Sharing \$60 million

Gasline Projects \$82.1 million - including \$20 million for the AGIA reimbursement fund

Capital federal highway, aviation and water projects \$887.3 million including \$88.6 million general fund match

- DOTPF Highway & Aviation \$772.5 million (\$49.6 GF match)
- DEC Village Safe Water \$91.6 million (\$39 GF match)
- DEC Municipal water/sewer \$23.2 million

Capital energy projects \$98 million

- \$50 million to capitalize Renewable Energy Grant Fund
- \$41 million AK Energy Authority
- \$7.2 million for AK Housing Finance Corporation

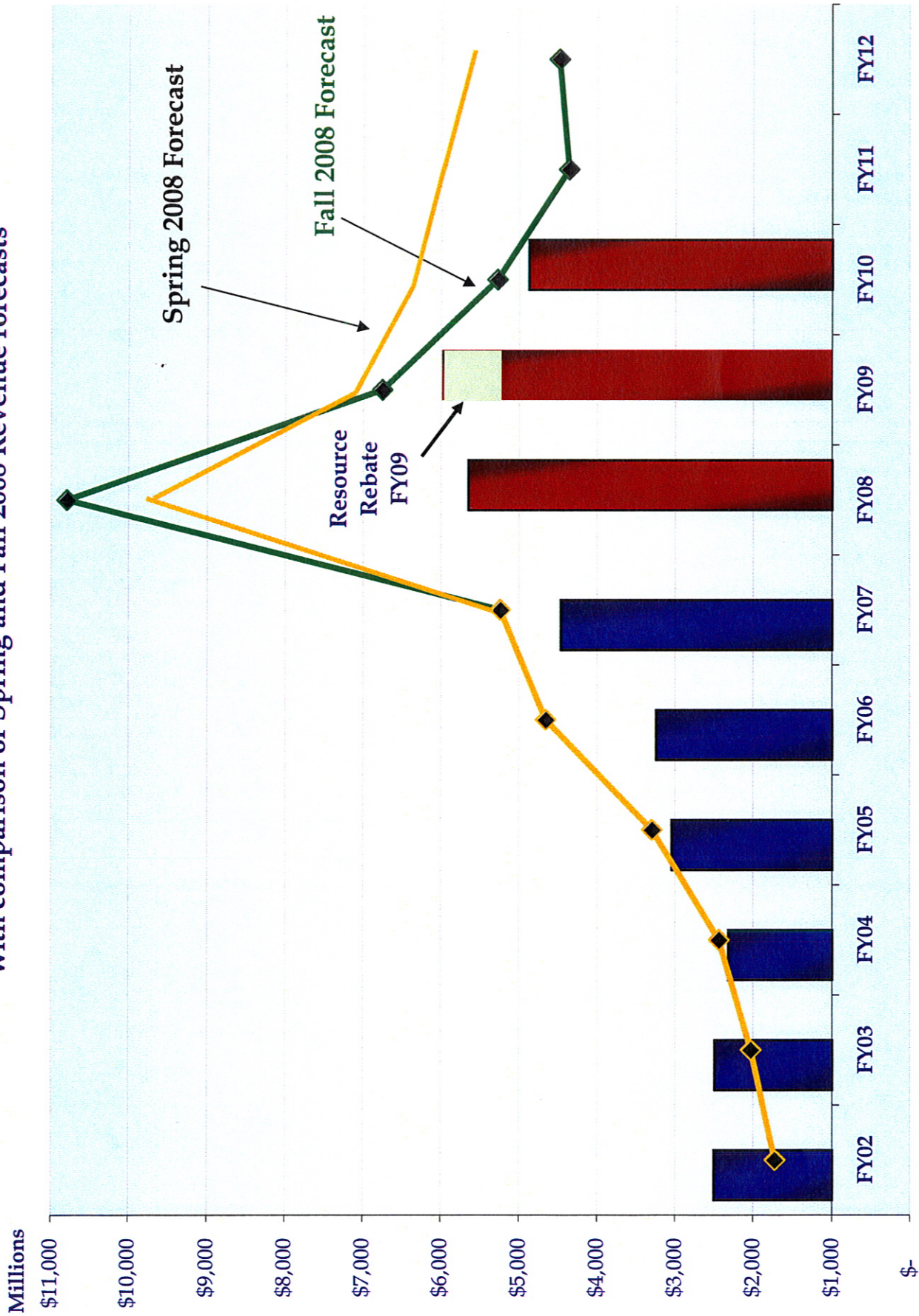
"I have met with legislative leaders and I am committed to working closely with the legislature on the budget and other priority issues," said Governor Palin. "We have a tremendous opportunity to work together and make great progress for the best interests of Alaskans."

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

###

Governor's FY10 Budget Proposal

with comparison of Spring and Fall 2008 Revenue forecasts



Annual appropriations exclude deposits to Public Education Fund and other special purpose appropriations such as to the Constitutional Budget Reserve or Statutory Budget Reserve.

State of Alaska

Fiscal 2010 Governor's Budget Fiscal Summary
(dollars shown in millions)

	FY2009 Authorized				FY2010 Governor				GF % Change	Total % Change
	General Fund	Federal Funds	Other Funds	Total Funds	General Fund	Federal Funds	Other Funds	Total Funds		
1 Revenues										
2 Total Unrestricted General Fund Revenues (A)	6,751.4			6,751.4	5,275.4			5,275.4		
3 Fall 2007 Forecast	6,754.5			6,754.5				0.0		
4 Spring 2008 Forecast Adjustment	768.8			768.8				0.0		
5 Fall 2008 Forecast Adjustment	(771.9)			(771.9)				0.0		
6 Reappropriations and Carry Forward (B)	14.0	4.6	1.4	20.0				0.0		
7 Corporate Dividends (C)			87.6	87.6			84.5	84.5		
8 Federal and Other State Funds		2,556.5	1,417.7	3,974.2	5,275.4	2,803.8	1,272.0	4,075.9		
9 Total Revenues	6,765.4	2,561.1	1,506.7	10,833.2	5,275.4	2,803.8	1,356.6	9,435.8		-22.0%
10 Authorization to Spend										
11 Agency Operating	3,425.5	1,713.1	991.7	6,130.3	3,492.4	1,667.9	989.4	6,149.7		2.0%
12 Agency Operations (Non-formula)	1,793.6	865.5	1,598.1	4,257.2	1,817.4	840.4	1,608.0	4,265.9		1.3%
13 Revised Programs Legislatively Approved		11.7	0.3	12.0				0.0		
14 Formula Programs and Potential Rate Adjustments	628.6	835.9	99.2	1,563.7	622.4	827.5	90.5	1,540.4		-1.0%
15 K-12 Foundation and Pupil Transportation (D)	1,003.3			1,003.3	1,052.6		(709.1)	1,052.6		4.9%
16 Duplicated Authorizations (E)			(705.9)	(705.9)						
17 Statewide Appropriations	1,101.4	40.6	238.2	1,380.2	1,002.6	32.0	110.4	1,145.0		-9.0%
18 Direct Deposit to Retirement Systems	449.6			449.6	451.2			451.2		
19 Debt Service (F)	37.2	0.0	209.6	246.9	38.3	0.0	223.2	261.5		
20 Debt Retirement Fund Capitalization (F)	107.0	13.1	0.6	120.7	118.7	12.0	3.7	134.4		
21 Other Fund Capitalization (G)	47.5	27.5	28.0	103.0	34.5	20.0	34.0	88.5		
22 Revenue Sharing	60.0			60.0	60.0			60.0		
23 Oil and Gas Tax Credits	400.0			400.0	300.0		(150.6)	300.0		
24 Duplicated Authorizations (E)			(136.2)	(136.2)						
25 Potential Supplementals, Amendments and Legislation	50.0	0.0	0.0	50.0	75.0	0.0	0.0	75.0		-0.2%
26 Statewide Supplementals (placeholder)	50.0			50.0	50.0			50.0		
27 Operating Amendments (placeholder)					20.0			20.0		
28 New Legislation	0.0	0.0	0.0	0.0	5.0	0.0	0.0	5.0		
29 Total Operating Authorization	4,576.9	1,753.6	1,229.9	7,560.5	4,570.0	1,699.9	1,099.8	7,369.7		-2.5%
30 Capital	669.0	807.4	276.7	1,753.1	287.2	1,103.9	256.8	1,647.9		-87.1%
31 Project Appropriations	529.0	786.7	458.2	1,773.9	227.7	1,103.9	361.1	1,692.7		
32 AHCC Receipts Funded Projects and Fund Capitalization (H)				0.0			238.4	238.4		
33 Revised Programs Legislatively Approved	140.0	20.6	5.2	25.8	59.5	0.0	0.0	59.5		
34 Fund Capitalization for Capital Projects		0.1		140.1				0.0		
35 AK Capital Income Fund Capitalization (Am Hess) (I)			28.0	28.0			28.0	28.0		
36 General Obligation Bond Capital Projects			315.1	315.1				0.0		
37 Duplicated Authorizations (E)			(529.7)	(529.7)			(370.7)	(370.7)		
38 Potential Capital Amendments	0.0	0.0	0.0	0.0	20.0	0.0	0.0	20.0		
39 Total Capital Authorization	669.0	807.4	276.7	1,753.1	307.2	1,103.9	256.8	1,667.9		-54.1%
40 Total Authorization to Spend	5,245.9	2,561.1	1,506.7	9,313.6	4,877.2	2,803.8	1,356.6	9,037.6		-7.0%
41 PF Dividends / PFD Division Operations and FY2009 Resource Rebate (J)	746.4		1,370.0	2,116.4			1,311.0	1,311.0		
42 PF Inflation Proofing			1,384.0	1,384.0			876.0	876.0		
43 Total AK Permanent Fund	746.4	0.0	2,754.0	3,500.4	0.0	0.0	2,187.0	2,187.0		
44 Totals with Permanent Fund	5,992.3	2,561.1	4,260.7	12,814.1	4,877.2	2,803.8	3,543.6	11,224.6		
45 Totals with Permanent Fund less Resource Rebate	5,245.9	2,561.1	4,260.7	12,067.6	4,877.2	2,803.8	3,543.6	11,224.6		-7.0%
46 Additional Savings / Investments	1,175.3	0.0	0.0	1,175.3	9.6	0.0	0.0	9.6		-7.0%
47 FY2009 CBR Savings Deposit	1,000.0			1,000.0						
48 Public Education Fund	175.3			175.3	9.6			9.6		
49 Total Authorization to Spend and Saving / Investments	7,167.6	2,561.1	4,260.7	13,989.4	4,886.7	2,803.8	3,543.6	11,234.1		
50 Balance to Constitutional Budget Reserve (K)	(402.2)				388.7					

State of Alaska

Notes

A Unrestricted General Fund Revenues: FY2009 Unrestricted Revenues are based on an ANS West Coast oil price of \$77.66 per barrel and estimated production of .689 million barrels per day. FY2010 Unrestricted Revenues are based on an ANS West Coast oil price at \$74.41 per barrel and .665 million barrels per day.

B Reappropriations and Carry Forward: Includes fund sources for reappropriations and other appropriations (typically roll-forwards of prior year authorizations) that were posted to FY2009 subsequent to the FY2009 Conference Committee, and that do not require additional FY2009 revenue.

C Corporate Dividends: Includes funds made available to the State by the boards of the Alaska Industrial Development and Export Authority (AIDEA), Alaska Housing Finance Corporation (AHFC) and Alaska Student Loan Corporation (ASLC). The AIDEA dividend is \$23.8 million for FY2009 and \$22.7 million for FY2010, though \$22 million is appropriated in the Governor budget. The total AHFC transfer for dividend, capital projects, loan programs and debt service is \$65.9 million for FY2009 and \$68.7 million for FY2010. Since AHFC's debt payments for general government purpose bonds do not require appropriation, the net transfers appropriated here are \$59.7 million for FY2009 and \$62.5 million for FY2010. The ASLC Dividend is \$4.1 million for FY2009; there is no ASLC Dividend for FY2010.

D Public Education Fund: Legislation in 2005 established the Public Education Fund (PEF). One of the effects of this legislation was to remove expenditures for K-12 Foundation Program and Pupil Transportation from operating formula programs (line 14), since expenditures from the fund do not require appropriation.

The FY2009 and FY2010 proposed Education K-12 Foundation Program and Pupil Transportation expenditures are shown as funds expended from the Public Education Fund on line 15.

Public Education Fund	Foundation	Pupil Transportation	Total
FY2009	944,776.2	58,516.6	1,003,292.8
FY2010	992,268.5	60,293.8	1,052,562.3
FY2011	1,049,674.8	62,239.9	1,111,914.7

The amount estimated for FY2011 is funded from the estimated balance of the Public Education Fund plus \$9,565.4 from the FY2010 deposit of \$1,062,127.7.

E Duplicated Authorizations: These appropriations are in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided. The most significant examples of these type of expenditures include operating payments from Interagency Receipts, and debt payments from the Debt Retirement Fund.

F Debt Service / Debt Retirement Fund Capitalization: The Debt Service line (line 19) includes actual payment of debt obligations, primarily general obligation bonds, State debt reimbursement programs, certificates of participation (lease-financing), and International Airports revenue bonds. Some of these debt payments are made from the Debt Retirement Fund, which is capitalized from a variety of fund sources. The Debt Retirement Fund Capitalization line (line 20) identifies various funding sources used to pay debt from the Debt Retirement Fund.

G Other Fund Capitalization: Other Fund Capitalization includes capitalization of various State operating funds, such as the Fish and Game Fund, Power Cost Equalization and Rural Electric Capitalization Fund, and others.

H AHCC Receipts Funded Projects and Fund Capitalization: In FY2006, the Legislature appropriated \$300 million to the Alaska Housing Finance Corporation (AHFC) for the purpose of funding capital projects in Sec. 14, Ch. 13, SLA 2006. The Legislature's intent also allowed AHFC to transfer those funds and the earnings to a subsidiary corporation, which AHFC did. Those funds currently total \$339 million in the Alaska Housing Capital Corporation (AHCC) as of mid-November, 2008. The receipts of the AHCC are the source of funds used for certain capital projects.

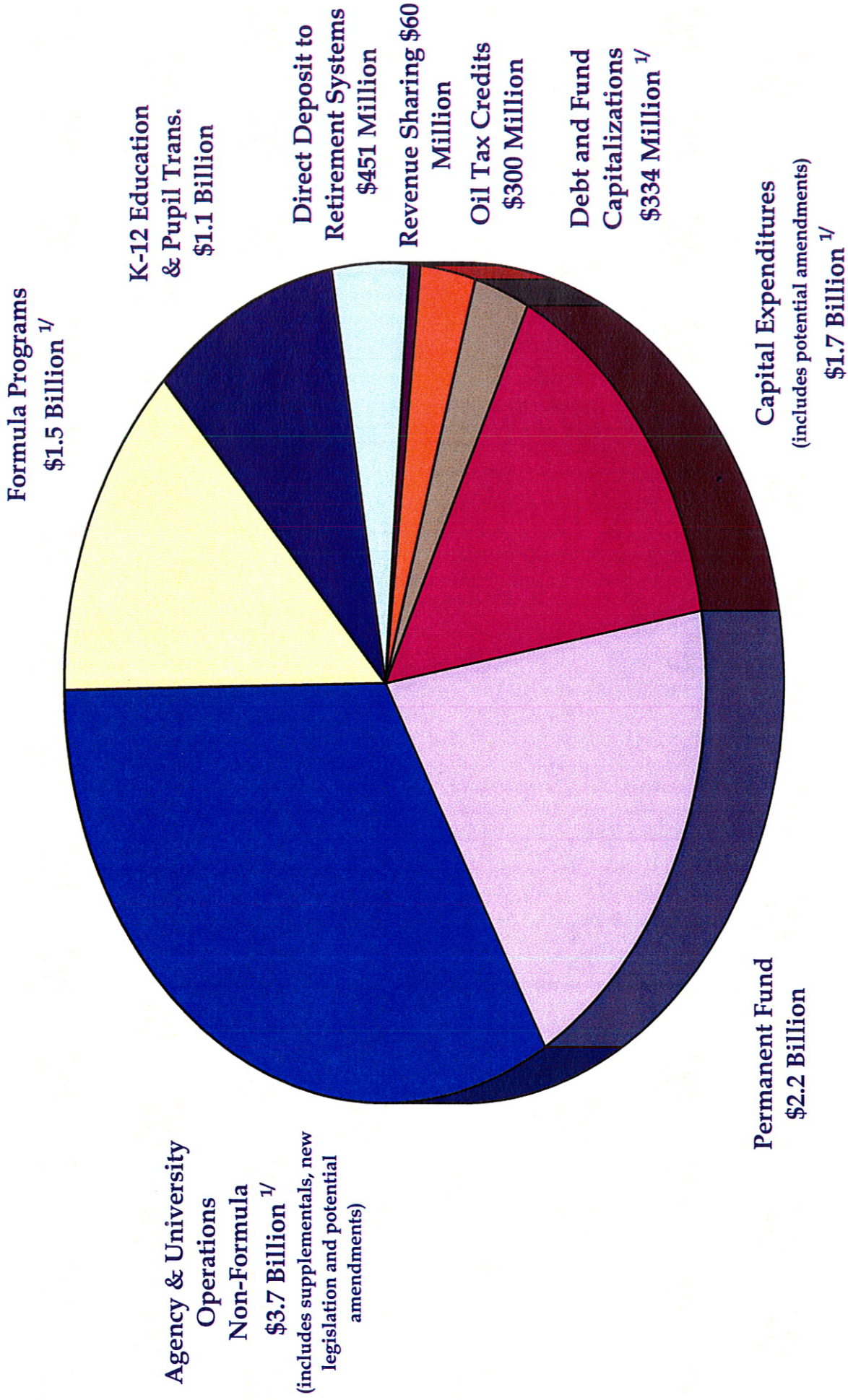
I Alaska Capital Income Fund Capitalization: The Alaska Capital Income Fund is authorized by AS 37.05.565. The fund consists of income earned on money awarded as a result of the State vs. Amerada Hess royalty case, estimated to be \$28-29 million per year, plus other appropriations.

J PF Dividends / PFD Division Operations: Line 41 includes both the amounts for Permanent Fund Dividend (PFD) checks and other State operating costs of the PFD. In FY2009 the State will spend \$20.7 million for Department of Revenue, Division of Permanent Fund Dividends operations (\$7.1 million) and DHSS Public Assistance PFD Hold Harmless (\$13.6 million). In FY2010 the amounts will be \$21 million for Department of Revenue, Division of Permanent Fund Dividends operations (\$7.4 million), and DHSS Public Assistance PFD Hold Harmless (\$13.6 million).

The FY2009 GF one-time resource rebate is shown here as it was distributed with the FY2009 Permanent Fund Dividend.

K Balance to Constitutional Budget Reserve: The FY2009 column shows a negative amount based on the Fall 2008 Revenue Forecast. The administration will be closely monitoring revenues and revising the forecast in the coming months. Adjustments will be made for FY2009 if necessary.

FY10 Budget Proposal Totals \$11.2 Billion



^{1/} Excludes duplicated authorizations.

FY2010 Agency Operating Totals

Department	General	Federal	Other	Total	PFT	PPT	NP	Total
	Funds	Funds	Funds	Funds				
Administration	73,172.5	2,782.4	216,295.0	292,249.9	1,068	20	33	1,121
Commerce, Community and Economic Development	19,627.0	64,377.2	103,613.9	187,618.1	525	2	12	539
Corrections	214,041.1	3,174.4	31,747.6	248,963.1	1,513	3	0	1,516
Education and Early Development	1,108,404.5	214,958.5	35,190.2	1,358,553.2	332	15	0	347
Environmental Conservation	19,140.5	21,497.6	33,496.9	74,135.0	532	1	5	538
Fish and Game	58,726.4	54,612.5	66,740.1	180,079.0	910	767	62	1,739
Governor	47,751.6	187.6	692.5	48,631.7	160	0	23	183
Health and Social Services	950,020.4	987,422.6	163,893.6	2,101,336.6	3,465	95	111	3,671
Labor and Workforce Development	31,001.0	85,751.6	58,432.5	175,185.1	825	115	23	963
Law	52,174.3	3,233.7	25,064.4	80,472.4	552	7	0	559
Military and Veterans Affairs	11,276.9	21,935.3	13,017.9	46,230.1	283	2	1	286
Natural Resources	71,233.6	15,804.3	49,383.1	136,421.0	780	246	76	1,102
Public Safety	123,186.6	15,191.2	24,977.2	163,355.0	844	16	14	874
Revenue	21,240.8	39,588.3	209,313.5	270,142.6	867	41	17	925
Transportation and Public Facilities	214,337.7	4,157.0	295,458.6	513,953.3	3,202	444	199	3,845
Executive Branch Subtotal	3,015,334.9	1,534,674.2	1,327,317.0	5,877,326.1	15,858	1,774	576	18,208
University of Alaska	321,476.9	131,558.5	369,028.4	822,063.8	4,697	222	0	4,919
Alaska Court System	89,627.1	1,675.6	1,016.3	92,319.0	754	61	28	843
Legislature	65,943.2	0.0	1,142.3	67,085.5	246	280	0	526
Statewide Agency Total	3,492,382.1	1,667,908.3	1,698,504.0	6,858,794.4	21,555	2,337	604	24,496

Department GF/Fed/Other Summary - Capital Budget
 FY2010 Governor

Department	General Funds	Federal Funds	Other Funds	Total Funds
Department of Administration	929,900	0	64,395,100	65,325,000
Department of Commerce, Community, and Economic Development	14,081,401	63,130,000	61,100,000	138,311,401
Department of Corrections	6,050,000	0	21,640,400	27,690,400
Department of Education and Early Development	2,000,000	0	40,514,065	42,514,065
Department of Environmental Conservation	39,041,600	52,125,000	29,439,396	120,605,996
Department of Fish and Game	5,225,000	24,325,000	1,368,000	30,918,000
Office of the Governor	4,527,498	864,285	6,793,400	12,185,183
Department of Health and Social Services	17,544,463	959,814	2,750,000	21,254,277
Department of Labor and Workforce Development	1,775,400	0	37,402,700	39,178,100
Department of Military and Veterans Affairs	2,050,000	11,350,000	0	13,400,000
Department of Natural Resources	6,365,000	68,810,000	22,507,000	97,682,000
Department of Public Safety	8,142,200	2,500,000	2,430,300	13,072,500
Department of Revenue	1,093,600	20,182,692	93,249,708	114,526,000
Department of Transportation and Public Facilities	104,152,900	744,676,450	117,889,441	966,718,791
University of Alaska	12,200,000	115,000,000	37,497,000	164,697,000
Alaska Court System	2,500,000	0	0	2,500,000
Totals:	227,678,962	1,103,923,241	538,976,510	1,870,578,713