



FOR IMMEDIATE RELEASE

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Governor Parnell Releases Fiscal Year 2012 Budget Plan
Focus on Resource Development, Infrastructure, Energy, and Public Safety

December 15, 2010, Anchorage, Alaska – Continuing his focus on fostering jobs and resource development, Governor Sean Parnell today released his balanced budget plan for Fiscal Year 2012.

The governor noted Alaska's strong financial position saying, "Alaska has a balanced budget, substantial cash reserves, and a stellar bond rating."

In his budget speech before the Anchorage Chamber of Commerce, Governor Parnell said, "If we are disciplined and strategic with our spending, and if we manage our savings well, Alaskans can have economic opportunities for years to come."

The operating and capital budgets total \$11.1 billion, with \$5.45 billion in state general funds. State agency operating growth has been limited to 1.9 percent. Statutorily required increases in Medicaid, payments on the retirement system's unfunded liability, debt service costs, and employee contracts result in a general fund budget that is larger than last year.

Resource Development and Infrastructure

The proposed capital budget totals \$1.6 billion, including \$644.9 million in state general funds. The capital budget includes an aggressive roads-to-resources effort and funds a comprehensive energy build out.

"This budget focuses on lowering the cost of energy throughout the state," Governor Parnell said. "Providing lower-cost energy creates opportunity for Alaskans. It opens doors and promotes responsible, sustainable development."

The budget includes \$65.7 million for the Alaska Energy Authority (AEA) to conduct planning, design, and permitting for the Susitna Hydroelectric Project, which is estimated to meet half of the Railbelt's electricity demand. The budget also includes funding for weatherization programs, renewable energy, and heating assistance.

The governor's proposed budget funds additional work on a road connecting the Dalton Highway to Umiat and on a road to the Ambler Mining District.

"We are going to put Alaskans to work," Governor Parnell said. "We've included \$103 million in the capital budget to leverage more than \$705 million in federal and other funds for transportation, highways, aviation, water, sewer projects for vital infrastructure improvements. We have targeted \$60 million for roads and ports that are key to opening up resource development."

Continued efforts on natural gas development, including \$160 million for the Alaska Pipeline Project and \$5.5 million for development of the instate gas line project, are incorporated in the capital budget. The budget also includes \$100 million for the second year of the five-year deferred maintenance plan.

Public Safety

The FY2012 budget builds on the “Choose Respect” campaign to combat the epidemic of domestic violence and sexual assault (DVSA) through prevention, investigation, reporting, and services for victims. It funds 15 new Village Public Safety Officers and three new trooper positions.

“We will investigate Internet crimes against children and protect seniors and vulnerable adults from exploitation by stepping up efforts through the Long Term Care Ombudsman,” Governor Parnell said. “We will strengthen criminal penalties for those who take advantage of vulnerable Alaskans.”

Education

The budget also includes \$8.2 million for Alaska Performance Scholarship awards for high school students who graduate in 2011. The merit-based program for post-secondary education and job-training assistance is one of Governor Parnell’s top priorities.

The FY2012 proposed budget will spend less than the amount of revenue projected for the next fiscal year. For FY2012, the oil price forecast is \$82.67 per barrel, production of 622,000 barrels per day, and total unrestricted revenue of \$5.74 billion.

Highlights of Governor Parnell’s Fiscal Year 2012 Budget:

RESOURCE DEVELOPMENT/INFRASTRUCTURE

Infrastructure

- Port of Anchorage \$20 million
- Port MacKenzie Rail \$20 million
- Skagway City Dock Improvements \$10 million
- Roads to Resources \$10.5 million
- Deferred Maintenance \$100 million

Oil and Gas Development

- Oil and Gas exploration tax credits \$400 million
- AGIA Reimbursement Fund \$160 million
- In-state Gas Development \$5.5 million

Energy

- Susitna Planning, Design, Permitting \$65.7 million
- Renewable Energy Grant Fund \$25 million
- Southeast Energy Grant Fund \$10 million
- Weatherization \$25 million

Matching/Leverage Funds

\$103 million general fund match to leverage over \$705 million in federal and other funds including:

- DOTPF Highway and Aviation \$623 million
- DEC Village Safe Water \$42.3 million
- DEC Municipal Water/Sewer \$20 million
- Municipal Harbor Grant Fund \$5 million

PUBLIC SAFETY

- Domestic Violence and Sexual Assault Prevention \$7.4 million
- 15 New VPSOs and 3 New Trooper Positions

EDUCATION

- Full Funding of K-12 Education \$1.13 billion
- Alaska Performance Scholarships \$8.2 million
- School Major Maintenance – 14 projects - \$19.9 million
- School Construction – Quinhagak K-12 Renovation–\$28.5 million

STATEWIDE

- Retirement System Unfunded Liability \$479.5 million
- Community Revenue Sharing \$60 million
- Tourism Marketing \$16 million (\$9 M operating; \$7 M capital)

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

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State of Alaska
Fiscal 2012 Governor Fiscal Summary
(dollars shown in millions)

	FY2011 Authorized					FY2012 Governor					UGF Change	UGF % Change	Total % Change
	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Funds	Total Funds	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Funds	Total Funds			
1 REVENUE	5,452.2	770.1	535.1	3,160.2	9,917.6	5,790.3	760.8	499.6	2,928.1	9,978.7			
2 Total Unrestricted General Fund Revenues (A) (\$77.96, \$82.67)	5,371.8				5,371.8	5,743.9				5,743.9			
3 Reappropriations and Carry Forward (B)	20.6	0.6	0.9	144.8	166.8					0.0			
4 Corporate Dividends (C)	59.8				59.8	46.4				46.4			
5 Other Revenue Reclassified as General Funds		769.5			769.5		760.8			760.8			
6 Federal and Other State Funds			534.2	3,015.4	3,549.7			499.6	2,928.1	3,427.7			
7 APPROPRIATIONS													
8 Total Operating	4,787.6	706.7	442.0	2,119.1	8,055.4	5,048.3	726.6	449.5	2,071.3	8,295.6	260.7	5.4%	3.0%
9 Agency Operations	3,711.1	685.5	389.6	2,092.0	6,878.2	3,842.5	704.9	408.3	2,044.1	6,999.9	131.5	3.5%	1.8%
10 Agency Operations (Non-formula)	1,825.6	631.8	384.7	1,058.2	3,900.3	1,860.0	647.1	404.6	935.6	3,847.3	34.3	1.9%	-1.4%
11 Legislature and Courts Operations	163.3	1.3	1.2	1.7	167.5	170.9	1.2	1.0	1.7	174.7	7.6	4.6%	4.3%
12 Total K-12 Foundation and Pupil Transportation (D)	1,114.3	10.7	0.0	23.5	1,148.5	1,127.3	12.4	0.0	20.8	1,160.5	13.0	1.2%	1.0%
13 Agency Operations (Formula)	607.8	41.7	2.8	973.6	1,625.9	682.3	44.2	2.8	1,086.0	1,815.4	74.5	12.3%	11.7%
14 Revised Programs Legislatively Approved			0.9	35.1	36.0					0.0			
15 Duplicated Authorizations Non-additive (E)					657.1					681.9			
16 New Legislation					0.0	2.0				2.0			
17 Statewide Operations	1,076.6	21.2	52.4	27.0	1,177.2	1,205.8	21.6	41.1	27.2	1,295.7	129.2	12.0%	10.1%
18 Debt Service (F)	171.5	21.2	52.4	18.0	263.1	208.8	21.6	41.1	18.2	289.7	37.3	21.8%	10.1%
19 Fund Capitalizations [G]	7.5	0.0		9.0	16.5	7.5	0.0		9.0	16.5			
20 Direct Appropriations to Retirement	357.6				357.6	479.5				479.5	121.9	34.1%	34.1%
21 Revenue Sharing	60.0				60.0	60.0				60.0			
22 Oil and Gas Tax Credits	430.0				430.0	400.0				400.0			
23 Supplementals	50.0				50.0	50.0				50.0			
24 Duplicated Authorizations Non-additive (E)	0.0	0.0	8.5	0.0	8.5	0.0	0.0	10.6	0.0	10.6			
25 Total Capital	553.7	59.7	78.0	1,018.1	1,709.4	644.9	95.8	36.1	835.7	1,612.6	91.2	16.5%	-5.7%
26 Project Appropriations [H]	407.3	59.7	78.0	1,008.3	1,553.2	484.9	95.8	36.1	835.6	1,452.5	77.7	19.1%	-6.5%
27 Revised Programs Legislatively Approved				8.4	8.4					0.0			
28 AGIA Reimbursement Fund	140.0				140.0	160.0				160.0			
29 Other Fund Capitalizations [G]	6.5			1.4	7.9				0.1	0.1			
30 Duplicated Authorizations Non-additive (E)			453.8		453.8			68.4		68.4			
31 Transfers/Savings	62.2	3.7	15.2	23.1	104.2	(246.8)	(61.6)	13.9	21.1	(273.3)			
32 Designated Savings													
33 Public Education Fund - Budget Year Draw (D)	(1,114.3)				(1,114.3)	(1,127.3)				(1,127.3)			
34 Public Education Fund - Future Year Funding (D)	1,131.0				1,131.0	1,141.0				1,141.0			
35 Power Project Fund	10.0				10.0					0.0			
36 Railbelt Energy Fund					0.0		(65.7)			(65.7)			
37 Renewable Energy Grant Fund [I]	25.0				25.0	25.0				25.0			
38 Undesignated Savings													
39 AHFC Subsidiary - AHCC Receipts					0.0	(295.4)				(295.4)			
40 Other Transfers (J)	10.6	3.7	15.2	23.1	52.5	9.9	4.2	13.9	21.1	49.1			
41 Total Authorization to Spend with Savings	5,403.6	770.1	535.1	3,160.2	9,869.0	5,446.4	760.8	499.6	2,928.1	9,634.9	42.9	0.8%	-2.4%
42 Post-Transfer Balance to/(from) SBR	48.6					343.8							
43 Permanent Fund Appropriations	1,200.0	0.0	0.0	0.1	1,200.1	1,468.0	0.0	0.0	0.0	1,468.0			
44 PF Dividends / PFD Division Operations (K)	696.0			0.1	696.1	524.0				524.0			
45 PF Inflation Proofing	501.0				501.0	922.0				922.0			
46 AK Capital Income Fund (Am Hess) (L)	3.0				3.0	22.0				22.0			
47 Total Authorization to Spend with Permanent Fund	6,603.6	770.1	535.1	3,160.3	11,069.1	6,914.4	760.8	499.6	2,928.1	11,102.9	310.9	4.7%	0.3%

Notes

A Total Unrestricted General Fund Revenues: Unrestricted Revenues are from the Department of Revenue Fall 2010 Forecast. FY2011 Unrestricted Revenues are based on an ANS West Coast oil price of \$77.96 per barrel and estimated production of .616 million barrels per day. FY2012 Unrestricted Revenues are based on an ANS West Coast oil price at \$82.67 per barrel and .622 million barrels per day.

B Reappropriations and Carry Forward: Includes fund sources for reappropriations and other appropriations (typically roll-forwards of prior year authorizations - including American Recovery and Reinvestment Act of 2009 (ARRA) Federal Receipts) that do not require additional FY2011 or FY2012 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 \$23.4 million for FY2011 and \$29.4 million for FY2012. The total AHFC transfer for dividend, capital projects, loan programs and debt service is \$42.6 million for FY2011 and \$23.1 million for FY2012. Since AHFC's debt payments for general government purpose bonds do not require appropriation, the net transfers appropriated here are \$36.4 million for FY2011 and \$17.0 million for FY2012. There is no ASLC Dividend for FY2011 or FY2012.

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 12), since expenditures from the fund do not require appropriation.

The FY2011 and FY2012 proposed total K-12 Foundation Program and Pupil Transportation expenditures are shown on line 12. The table below shows the amount of Public Education Fund funding included in the total K-12 Foundation Program and Pupil Transportation on line 12.

Public Education Fund Expenditures	Foundation	Pupil Transportation	Total
FY2011	1,050,483.0	63,839.2	1,114,322.2
FY2012	1,063,108.6	64,228.4	1,127,337.0
FY2013	1,075,193.6	65,813.3	1,140,996.9

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 Capital Improvement Project Receipts.

F Debt Service: The Debt Service line includes actual payment of debt obligations, primarily General Obligation Bonds, State debt reimbursement programs, Certificates of Participation (lease-financing), and International Airports Revenue Bonds.

G Fund Capitalizations: Operating Fund Capitalizations includes fund transfers to the Disaster Relief Fund and the Crime Victim Compensation Fund. The Disaster Relief Fund amount is \$16.5 million for both FY2011 and FY2012. The Crime Victim Compensation Fund amount is \$21,000 for FY2011 and \$27,100 for FY2012. Capital Fund Capitalizations for FY2012 includes fund transfers to the Election Fund for \$100,000. Capital fund transfers in FY2011 were \$2.4 million to the Emerging Technology Fund, \$2.5 million to the Trauma Care Fund, and \$1.6 million to the Election Fund.

H Capital Project Appropriations: In 2010, the Legislature appropriated \$991.7 million in Unrestricted General Funds for capital projects split between two fiscal years: The amount appropriated for FY2010 was \$584.4 million, and FY2011 was \$407.3 million for a total spend of \$991.7 .

I Renewable Energy Grant Fund: The Renewable Energy Grant Fund is capitalized with \$25 million Unrestricted General Funds in FY2011, and \$25 million AHCC receipts in FY2012. The grants from the Renewable Energy Grant Fund are spent in line 26 in the Designated General Funds columns.

J Other Transfers: Other Transfers includes capitalization of various State funds, such as the Fish and Game Fund, Oil and Hazardous Substance Release Prevention Account, and others.

K PF Dividends / PFD Division Operations: Line 44 includes both the amounts for Permanent Fund Dividend (PFD) checks and other State operating costs of the PFD. In FY2011 the State will spend \$21.4 million for Department of Revenue, Division of Permanent Fund Dividends operations (\$7.8 million) and DHSS Public Assistance PFD Hold Harmless (\$13.6 million). In FY2012 the amounts will be \$24.2 million for Department of Revenue, Division of Permanent Fund Dividends operations (\$7.9 million), and DHSS Public Assistance PFD Hold Harmless (\$16.3 million).

The financial information for the Permanent Fund section (lines 43-46) is from the Alaska Permanent Fund Corporation Fund Financial History & Projections as of October 31, 2010. These financial statements are available on the Alaska Permanent Fund website: www.APFC.org.

L Alaska Capital Income Fund: 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. Those projections have been reduced in the FY2011 and FY2012 columns per the Alaska Permanent Fund Corporation Fund Financial History & Projections as of October 31, 2010.

FY2012 Governor Operating Budget
UGF/DGF/Other/Fed Summary by Department

Scenario: FY2012 Governor (8665)

Department	UGF	DGF	Other	Federal	Total	PFT	PPT	NP Positions	Total
Department of Administration	79,908.9	24,728.6	199,194.2	4,529.2	308,360.9	1,073	18	39	1,130
Department of Commerce, Community, and Economic Development	36,437.1	70,941.4	34,317.2	63,482.7	205,178.4	538	3	12	553
Department of Corrections	244,793.1	15,211.0	14,925.0	3,220.6	278,149.7	1,509	2	0	1,511
Department of Education and Early Development	1,196,457.8	13,905.8	24,196.7	243,350.5	1,477,910.8	337	12	8	357
Department of Environmental Conservation	19,550.7	26,898.4	10,707.7	23,493.4	80,650.2	542	1	11	554
Department of Fish and Game	70,206.9	7,921.2	56,392.3	62,599.7	197,120.1	924	756	64	1,744
Office of the Governor	28,567.4	4.9	605.5	5,195.0	34,372.8	162	0	27	189
Department of Health and Social Services	1,011,783.6	72,712.2	99,375.2	1,261,236.1	2,445,107.1	3,489	84	117	3,690
Department of Labor and Workforce Development	31,246.0	34,906.0	25,741.1	104,716.8	196,609.9	842	120	48	1,010
Department of Law	55,790.8	2,649.3	25,618.5	1,609.8	85,668.4	563	2	0	565
Department of Military and Veterans Affairs	12,370.3	28.4	14,101.9	24,431.1	50,931.7	295	2	1	298
Department of Natural Resources	74,218.4	25,647.3	35,140.3	18,740.7	153,746.7	776	248	98	1,122
Department of Public Safety	143,800.9	14,174.9	19,383.9	11,630.4	188,990.1	877	16	13	906
Department of Revenue	29,524.1	9,256.5	189,958.8	73,935.2	302,674.6	878	40	20	938
Department of Transportation/Public Facilities	259,225.4	69,301.6	252,970.2	3,957.8	585,455.0	3,210	420	226	3,856
University of Alaska	342,755.6	315,450.9	85,374.3	136,318.7	879,899.5	4,694	222	0	4,916
Alaska Court System	101,439.1	518.0	1,824.7	1,675.6	105,457.4	759	47	22	828
Legislature	69,429.0	691.8	413.0	0.0	70,533.8	248	285	0	533
Branch-wide Unallocated Appropriations	33,000.0	0.0	0.0	0.0	33,000.0	0	0	0	0
Total:	3,840,505.1	704,948.2	1,090,240.5	2,044,123.3	7,679,817.1	21,716	2,278	706	24,700

FY2012 Governor Capital Budget

FY2012 Governor

Department	Unrestricted Gen (UGF)	Designated Gen (DGF)	Other Funds	Federal Funds	Total Funds
Department of Administration	10,750,000	200,000	4,533,200	0	15,483,200
Department of Commerce, Community, and Economic Development	92,296,000	90,766,063	4,740,200	18,280,000	206,082,263
Department of Corrections	7,400,000	0	0	0	7,400,000
Department of Education and Early Development	50,174,548	0	0	0	50,174,548
Department of Environmental Conservation	29,571,964	100,000	500,000	48,198,174	78,370,138
Department of Fish and Game	2,785,000	0	750,000	22,290,000	25,825,000
Office of the Governor	0	0	100,000	0	100,000
Department of Health and Social Services	17,638,580	0	300,000	3,841,759	21,780,339
Department of Labor and Workforce Development	1,710,000	0	0	0	1,710,000
Department of Law	15,250,000	0	0	0	15,250,000
Department of Military and Veterans Affairs	4,110,000	0	0	21,815,800	25,925,800
Department of Natural Resources	14,843,000	4,350,000	2,005,000	11,460,000	32,658,000
Department of Public Safety	6,278,000	0	0	2,000,000	8,278,000
Department of Revenue	69,272,100	366,500	1,000,000	13,839,900	84,478,500
Department of Transportation and Public Facilities	116,846,000	0	90,657,752	663,915,180	871,418,932
University of Alaska	39,500,000	0	0	30,000,000	69,500,000
Alaska Court System	6,500,000	0	0	0	6,500,000
Totals:	484,925,192	95,782,563	104,586,152	835,640,813	1,520,934,720