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Governor Walker Signs Budget Bills into Law
FY16 \$1.1 Billion Less than FY15; \$200 Million Vetoed

July 1, 2015 JUNEAU—Governor Bill Walker on Monday signed into law House Bill 2001, the state’s operating budget, and Senate Bill 26, the state’s capital budget, for fiscal year 2016 (July 1, 2015 – June 30, 2016).

With vetoes, the governor and lawmakers reduced the state’s unrestricted general fund spending for fiscal year 2016 to \$4.95 billion, a reduction of \$1.1 billion, or 19 percent, from the fiscal year 2015 budget adopted last year. Total spending for fiscal year 2016 will be \$12.1 billion.

Governor Walker used his line-item veto to reduce a \$700 million appropriation for refundable oil exploration expenditures to \$500 million. These are direct payments to oil companies that have no current tax liability. This has no impact on companies that are currently producing oil and gas.

“My administration is looking at cutting services to seniors and low-income Alaskans and freezing Medicaid rates; schools will be increasing class sizes; ferries are reducing services,” Governor Walker said. “The state is tightening our belt and it’s only right that we do the same with the payments to oil companies. I absolutely understand that the industry is the state’s life blood. Unfortunately, in these fiscally challenging times, everyone must be part of the solution.”

Governor Walker emphasized that the \$200 million he vetoed from the FY2016 operating budget does not deny but rather delays those state expenditures.

“What this veto means is \$200 million will not be withdrawn from our savings this year,” Governor Walker said. “We are honoring our word and will make those payments available over time. In the future, we need to look at a sustainable program of credits that incentivizes industry while protecting the state.”

The minimum amount the state is required by law to have in the fund for fiscal year 2016 oil exploration expenditures is \$91 million. However, Governor Walker is making \$500 million available.

Governor Walker also vetoed five items in SB 26, the capital budget, four of which do not impact projects.

The governor also vetoed a grant of \$175,000 to Arctic Power, a Washington D.C. lobbying effort. Governor Walker said he appreciates the good work done to date by Arctic Power, but believes that function can be accomplished more effectively with existing resources.

Three of the vetoes have the effect of maintaining funding for projects that are not yet complete. Here's how:

There were 96 prior-year capital appropriations with leftover funding. The legislature re-appropriated the project balances into the Alaska Housing Capital Corporation account for future use. However, three of the projects were not yet complete. The governor's veto means the balance of those three projects can be used to complete the original project:

- Department of Public Safety, Alaska Public Safety Information Network (APSIN) contract support
- AOGCC gas reservoir depletion studies, and
- Department of Military and Veterans' Affairs, Joint Base Elmendorf Richardson facilities projects

The final capital budget veto was a technical correction.

Due to dramatically falling oil revenues, reducing spending by more than \$1 billion still will not balance the state's budget.

"Even with this dramatic one-year reduction, we will use \$2.7 billion in savings to balance the budget," said Office of Management and Budget Director Pat Pitney.

Recognizing the magnitude of the state's fiscal imbalance, Governor Walker has taken the lead in initiating a statewide dialog about what Alaskans want from government, and how we can pay for it going forward.

"As Alaskans begin to discuss how to build a sustainable future, it's important to underscore that we continue to cut spending," Governor Walker said. "There is no end date to spending reductions."

The executive branch is receiving the largest cuts—an average of 13.5 percent. The legislative branch budget was reduced by 5.4 percent. The judicial branch budget was reduced by 1.3 percent. Capital spending was reduced by 80 percent.

The following table sets out reductions by agency.

	UGF Reduction	UGF Reduction
	FY15 –FY16	FY15 –FY16
Executive Branch Agencies	(millions)	(%)

Commerce and Economic Dev.	(\$13.8)	-34.2%
Governor's Office	(\$10.5)	-31.1%
Education & Early Development	(\$15.7)	-27.4%
Labor & Workforce	(\$7.6)	-22.8%
Natural Resources	(\$17.7)	-20.2%
Fish and Game	(\$14.3)	-18.0%
Revenue	(\$4.8)	-14.3%
Law	(\$8.2)	-13.4%
Administration	(\$10.9)	-12.6%
Transportation	(\$34.6)	-12.4%
Environmental Conservation	(\$2.4)	-10.6%
Military & Veterans Affairs	(\$1.6)	-8.9%
Corrections	(\$20.4)	-6.8%
Health & Social Services	(\$25.9)	-6.7%
Public Safety	(\$10.9)	-6.3%
Alaska Aerospace Corporation	(\$6.1)	-100.0%

To view the detailed budget reports, visit <https://www.omb.alaska.gov/html/budget-report/fy-2016-budget/enacted.html>

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