



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET
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February 16, 2016

The Honorable Pete Kelly
Co-Chair, Senate Finance Committee
Alaska State Legislature
State Capitol, Room 518
Juneau, AK 99801-1182

The Honorable Anna MacKinnon
Co-Chair, Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801-1182

The Honorable Mark Neuman
Co-Chair, House Finance Committee
Alaska State Legislature
State Capitol, Room 513
Juneau, AK 99801-1182

The Honorable Steve Thompson
Co-Chair, House Finance Committee
Alaska State Legislature
State Capitol, Room 515
Juneau, AK 99801-1182

Re: FY 2017 Operating Budget Amendments HB256/SB139
FY 2017 Mental Health Budget Amendments HB257/SB140
FY 2017 Capital Budget Amendments HB255/SB138
FY 2016 Supplemental Budget Amendments HB293/SB167

Dear Finance Committee Co-Chairs,

Enclosed, please find proposed amendments to the FY 2017 operating budget, FY 2017 mental health budget, FY 2017 capital budget, and FY 2016 supplemental budget. In total, these amendments reduce FY 2017 unrestricted general fund spending by \$135.5 million from the December 15, 2015 Governor's FY 2017 budget.

The noteworthy amendments include:

- Allocation of reductions to accommodate Senator Kelly's letter of November 4, 2015, which expected the administration to include a second \$30 million set of reductions on top of the FY16 imposed \$30 million base reductions to offset FY16 negotiated employee salary costs. The administration honored the request pending the outcome of the employee contract negotiations. Although the employee contract negotiations won't be final until later in the session, the amendments submitted earlier this week specifically resolves the unallocated reductions in the original budget proposal.
- Elimination of the pension obligation bonds proposal. The administration feels strongly that this strategic use of debt is in the best interest of the state; however the proposal has not been received in a favorable manner. Over the interim, the administration will work with legislators to demonstrate the advantage of the approach and will reintroduce the strategy at a later time assuming the interest rate environment remains favorable.

- Elimination of unrestricted general fund support for additional renewable and emerging energy project grants. The administration would not be opposed, if the legislature chooses to fund these programs through funding sources other than unrestricted general fund.
- Elimination of the capital budget placeholder for the criminal justice reform effort. SB91 will include the necessary fiscal notes associated with the legislation. It is possible that sponsors will request budget amendments later in the process; however they are yet to be identified. The administration remains fully supportive of this effort.
- Restoration of the early childhood program funding. The evidence of long term savings due to effective pre-kindergarten programs relative to the criminal justice reform efforts cannot be ignored. The budget amendment restores funding to the FY 2016 level. The intent is to allow the incoming commissioner to evaluate and deploy the limited early childhood program funding in the most effective manner.
- Restoration of one trooper position for drug investigation and enforcement.
- Clarification of funding source and amount for Permanent Fund Dividends and the Sustainable Draw amount consistent with the Permanent Fund Protection Act.
- Clarification of funding amount for the oil and gas tax credit fund in the event oil and gas tax credit reform legislation is passed. The prior budget included an amount above that estimated to cover all earned tax credits.
- Transitions to designated funding for the Bethel school kitchen project (unrestricted general fund to REAA fund), and shifting from unrestricted funds to alcohol tax funds for existing eligible programs such as behavioral health grant programs and FASD awareness.

Thank you for your consideration of these budget amendments.

Sincerely,



Pat Pitney
Director

Enclosures

cc: David Teal, Director, Legislative Finance Division