

# Office of Management and Budget: Fiscal Year 2019 Budget Introduction

## *Budget Reform, the Alaska Economic Recovery Act, and Sustainable Spending*

The Walker-Mallott Administration is releasing a budget for fiscal year 2019 that is designed to fix broken processes, invest in our future, and put Alaska on a path to stability and prosperity.

By focusing on areas where all parties can agree and significantly narrowing the fiscal gap, we can rebuild confidence in Alaska and begin to grow the economy. This budget does not fully close the fiscal gap, but it lays the groundwork for economic recovery, investor confidence, and the road to future fiscal sustainability. It invests in our economy, it bolsters public safety and it sustains education. Finally, this budget and the associated elements of the fiscal plan ensures equity for current and future generations of Alaskans:

1. This budget package includes reforms to fix our broken budget process and prevent a government shutdown from ever happening in the future. Under the Governor's Plan, the legislature will pass operating and capital budgets for 2 fiscal years within the first 90 days of their session, or lose pay and per diem until the bills are passed. The plan institutes the same penalty should the Governor fail to make his budget proposal public by December 15.
2. This budget also includes the 3-year, \$1.4 billion **Alaska Economic Recovery Plan**, designed to jump-start the economy, address deferred maintenance needs, and completely pay off cashable oil and gas tax exploration credits. The Plan includes a capital budget of \$280 million for deferred maintenance and critical community infrastructure projects funded by a limited payroll-deduction tax. The proposed construction projects maintain existing public assets, reduce long-term liability and don't grow the size of government. The proposed tax will sunset in three years.
3. The fiscal year 2019 budget is up less than one percent compared to fiscal year 2018. It does not include any cost-of-living wage increases and continues to reduce the government workforce. Further, this budget provides a framework for \$50 million in specific additional cost savings efficiency measures. These savings offset some inflation growth and reduce the real size of Government over the next ten years.
  - a. This budget leverages work already passed by both chambers to provide funding from the Earnings Reserve account in a sustainable way and closes 83% of the budget deficit.
  - b. This budget provides a growing Permanent Fund Dividend. The estimated PFD for 2018 will be \$1,216. By 2028, the PFD is estimated to be \$1,500.
  - c. Public safety is a critical priority in this budget. It is a core responsibility of Government to ensure that Alaskans feel safe in their homes and communities. That's why we are including investments in public safety resources in the budget to tackle crime and address the opioid and drug trafficking epidemic.
  - d. This budget continues the practice of stable funding for education – a vital responsibility of Government that promotes future generations of Alaskan leaders who will invest in their state, create private sector jobs, and grow our economy.

The Walker-Mallott administration recognizes that legislators aren't ready to take the steps necessary to completely close the state's fiscal gap. This budget plan requires continued withdrawals from reserves and aggressive containment of upward cost pressures.