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Governor Walker Press Conference & Budget Vetoes

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Press Conference

Wednesday morning Governor Walker held a press conference to release his budget vetoes in [HB 256](#) – Operating Budget, and [SB 138](#) – Capital Budget. The governor began by thanking his commissioners for what they’ve done over the past year and a half. Without their work, the administration wouldn’t have been able to submit the broad-based plan that they submitted in December.

Governor Walker said last year the legislature drew down about \$3.5 billion from savings. This year the legislature’s plan is to draw down another \$3.5 billion from savings.

Governor Walker said throughout the entire process they wanted to make sure it’s balanced and fair, so that no one Alaskan or industry carries a greater burden than another. That’s not easy to do. They introduced nine pieces of legislature to make sure it was broad-based and balanced. No one piece creates that balance.

Governor Walker said they didn’t want to make the cuts that they made, but they had no choice. The administration can’t create new revenue, they can only submit bills to the legislature. They can impact with vetoes, which they have done.

Governor Walker said of the nine pieces that make up the Sustainable Alaska Plan, not one of them made it through the legislature. The senate passed the Permanent Fund Protection Act, but it didn't make it through the house.

Governor Walker said some months ago he was on an airplane, and someone came back and asked to shake his hand, and said he wanted to shake the governor's hand because he's a governor that will run through the fire. The fire is the future of Alaska. They want to make sure the state has a future, and that our children and grandchildren have a future.

Governor Walker said they asked each department to reduce 20 percent between 2015 and today. Twelve of the 18 departments were able to do that. Some of them had a difficult time doing that, such as the Dept. of Public Safety, where it would be difficult to make a 20 percent cut and still have troopers out there.

Governor Walker said for the first time in decades there was no cost-of-living increase in employee contracts. That was not easy to do, and he appreciates those on the other side of the table. Employees accepted furlough days. Alaska Courts now close at noon on Fridays. That has never been done before.

Governor Walker said he reached out to union partners, and asked them what they could do to bring down costs. They asked him if he was asking for contracts to be re-opened, and he said he wasn't. He honored the contracts, but they need to continue the discussions about what more they can do as Alaskans to bring down the cost of government, and that conversation will continue in congenial discussions, not in hard negotiations across the table. In future negotiations they are going to be mindful of the fiscal situation.

Governor Walker reviewed a few of the specific reductions he made through vetoes.

- The Dept. of Commerce, Community & Economic Development has taken a reduction of 62.4 percent, totaling \$25 million.
- **The Dept. of Education & Early Development has taken a reduction of 37 percent, totaling \$21 million in departmental operating expenditures.**
- The Dept. of Military & Veterans Affairs has taken a reduction of 37 percent, largely as a result of no longer funding the Alaska Aerospace.
- The Dept. of Labor & Workforce Development has taken a reduction of 32 percent, totaling \$11 million
- The Dept. of Fish & Game has taken a reduction of 30 percent, totaling \$24 million.

Governor Walker said it's not a day of celebration, but a day of reckoning. They can't solve the problem with cuts. Governor Hickel said many times that you cannot cut your way to prosperity, and they are not doing that. They are using the only tools available to meet the deficit.

Governor Walker then reviewed the vetoes. [*See the last three pages of this report for details on the vetoes.*] Vetoes total \$1.29 billion, with savings of \$1.5 billion.

A few comments made by Governor Walker in discussing the vetoes:

Governor Walker said they did not make any adjustments to the Judicial Branch or to the Legislative Branch. He would tell the legislature to be mindful of what other Alaskans are dealing with in the budget reductions. He asked that the legislature look into moving into the Atwood Building. The administration can make that work.

Governor Walker said these reductions are what they have to do with an 80 percent reduction in revenue. User groups have come to the administration and asked that their fees be raised. The fish and game fees are a good example of that.

Governor Walker said the administration presented a fiscal plan to the legislature. Some say they don't have to act now because they have savings. But the savings are the solution. It's the seed corn. As they draw down savings, it will increase the problem. The earnings on the savings would amount to what an income tax would earn. Drawing down savings is not the answer.

Governor Walker said others have said they need more cuts. It can't be argued that they haven't made significant cuts. When savings are gone they have to go into the Permanent Fund Earnings Reserve. This past special session, Democrats told him they would have voted for restructuring the Permanent Fund if they had gotten a better deal on tax cuts. Republicans told him they would have voted for it if there had been more cuts. He cut significantly more than the legislature cut.

Governor Walker said many house members told him that if they voted for the Permanent Fund cuts, they wouldn't be reelected. Governor Walker said he told them he would take all the blame, but the legislature needs to do the work. There shouldn't be any more excuses when the legislature comes back into session in July. He believes he has addressed all those roadblocks in his budget cuts. This is the fix-Alaska session. He takes responsibility for session not ending. Next session will be the grow-Alaska session. Alaskans deserve a growing economy and a sense of optimism for the future.

Governor Walker once again told the story of the photo that Lieutenant Governor Mallott gave him of people pulling stumps in Metlakatla, where everyone pulled on the rope to pull stumps. A number of people have told him that they want to help pull the rope. One person who did that months ago was incoming Dept. of Education & Early Development Commissioner Michael Johnson. With the Permanent Fund Dividend cuts, every Alaskan is now pulling on that rope. It's time for the legislature to pull on that rope.

Governor Walker said he's the luckiest governor in the history of Alaska because he works with Lieutenant Governor Mallott every day. They have a relationship unique to politics and unique to Alaska, and people sense that. Hardly a day goes by that they don't spend time together and talk about what's going on. It's a very unique relationship, and Alaska is much better off as a result of them working together every day.

Lieutenant Governor Mallott then spoke

Lieutenant Governor Mallott said he supports everything Governor Walker has said. He's had the opportunity to advise and work with the governor. He emphasized the lost opportunity that comes from not having closed the fiscal gap. Alaska's economy is lagging and the opportunity to grow Alaska is being significantly diminished. Alaska's capital budget is an example of that. Matching federal funds to build Alaska's infrastructure have been reduced to a de minimis. They are spending the result of past legislative action, and it will be gone in several years. That's a key driver in Alaska's economy. A key indicator of the state's ability to invest in the lives of Alaskans will be severely impacted.

Lieutenant Governor Mallott gave two examples. One is the Dept. of Education & Early Development. He and Governor Walker both believe passionately that education is key to Alaska's future. They are at the point where the tool available to them, without action by the legislature, is only being able to reduce and reapportion funds available to the executive branch. That is a circumstance in which there is a \$3 billion plus gap in the available revenue going forward. Revenue from savings will be gone in two years, and there is no replacement. If they don't begin to grow the capacity, the expertise, and the teachers to education children in a smart, cost-effective way, Alaska is crippling itself.

Lieutenant Governor Mallott said the second example is the Alaska Dept. of Fish & Game. Last week he had the opportunity to travel with Commissioner Sam Cotton to the lower Yukon River to look at the salmon resources, which are unique in the world. The salmon need to be managed in a science-based way. The ADF&G is losing its capacity to do that.

Lieutenant Governor Mallott said they are at a time when they will very soon severely cripple Alaska's ability to grow its economy, to grow its society, and to grow the civil sense of the kind of place Alaska can be unless the legislature acts to establish a fiscal plan that allows Alaskans to have the confidence to invest and that allows Alaska to attract investment from other parts of the world.

Governor Walker then took questions from the press. He was asked one education-related question:

When asked who in the education community he consulted with in deciding which education items to cut, Governor Walker said they did a lot of consulting over the last year and a half. At some point they had to take all the input they had received and close the door and decide what to do. They wanted to impact education as little as possible, but there had to be some modifications. The \$50 BSA adjustment was part of what they reduced. He's well aware that cutting bond debt service will impact local communities, and that communities will have to come up with additional funding for debt service. It doesn't eliminate the obligation. It shifts it to local communities, and they feel badly about that. Everyone will be impacted in some way. They sat down with DEED in the final days. As far as outside organizations, they took input from them throughout the year, and the administration respects them and thanks them for their passion, but the administration had to make the final cuts.

After answering questions, Governor Walker encouraged Alaskans to talk to legislators. He said the tools are there and the benefits are there. He's talked to people who will be impacted. Alaska's future deserves it. He said his team has done their part. He's not happy to make cuts, but he's willing to do it. Alaska has an incredible future in front of them, but they need to fix this problem now.

Budget Veto Details

ACTIONS TO PRESERVE REMAINING SAVINGS

Government Reductions to Date \$1.2B

\$1.2 billion in unrestricted general fund cuts since FY2015

Vetoed and Other Savings \$1.5B

Oil and gas tax credits (\$430 million)

Government, K-12, and UA vetoes (\$190 million)

Permanent Fund Dividend Reduction (\$665 million)

Pause Projects (\$250 million)

Anchorage: Glenn Highway, Hiland Road to Artillery Road Reconstruction

Fairbanks: Old Steese Highway to McGrath Road Reconstruction and Extension

Fairbanks: Wendell Street Bridge Replacement

Mat-Su: Knik-Goose Bay Road Reconstruction

Anchorage: U-Med District Northern Access

Mat-Su: Fairview Loop Road Reconstruction

Fairbanks: University Avenue Widening

Southeast: Kake-Petersburg Road

Closing Down Mega Projects

Knik Arm Bridge

Susitna-Watana Dam

Operating and Capital Budget Vetoed Items (numbers in thousands)

Department	Title of Vetoed Item	Fund Source	Veto Amount	FY17 Final
Partial Veto of Permanent Fund Dividend				
Fund Transfers	Earnings Reserve Transfer (maintains \$1000/person)	Designated General Funds	\$ 666,350.0	\$ 695,650.0
Veto of Oil & Gas Tax Credit Payments				
Fund Capitalizations	Deposit into Oil and Gas Tax Credit Fund	Unrestricted General Funds	\$ 430,000.0	\$ 30,000.0
Education Vetoes				
Education	K-12 Foundation Funding Reduction	Designated General Funds	\$ 6,350.0	\$ 1,208,425.5
Education	K-12 Pupil Transportation Funding Reduction	Unrestricted General Funds	\$ 6,350.0	\$ 72,619.8
	One-Time Funding Outside Formula for State Aid to			
Education	School Districts	Unrestricted General Funds	\$ 4,727.2	\$ -
Debt Service	School Debt Reimbursement - 25%	Unrestricted General Funds	\$ 30,498.4	\$ 91,498.0
Fund Transfers	Rural School Construction (REAA) - 25%	Unrestricted General Funds	\$ 10,410.0	\$ 31,230.0
Total Education Vetoes			\$ 58,335.6	
Agency Operating Vetoes				
Administration	Public Broadcasting - Radio	Unrestricted General Funds	\$ 750.0	\$ 2,786.6
Administration	Personnel - Human Resources Division	Unrestricted General Funds	\$ 500.0	\$ 13,295.7
Administration	Purchasing Division	Unrestricted General Funds	\$ 281.5	\$ 1,246.6
Administration	State Facilities Rent	Unrestricted General Funds	\$ 50.0	\$ 506.2
Commerce	Tourism Marketing	Unrestricted General Funds	\$ 3,028.9	\$ 1,500.0
Commerce	Alaska Seafood Marketing Institute	Unrestricted General Funds	\$ 1,428.4	\$ 21,519.8
	Correctional & Community Residential Centers (TBD			
Corrections	specific location)	Unrestricted General Funds	\$ 3,500.0	\$ 245,429.7
	Grant to Mat-Su District for AK Middle College			
Education	School	Unrestricted General Funds	\$ 116.5	\$ -
Education	Parents as Teachers Program	Unrestricted General Funds	\$ 200.0	\$ 500.0
Education	Online with Libraries (OWL) Program	Unrestricted General Funds	\$ 100.0	\$ 661.8
	Funding for Every Student Succeeds Act			
Education	Implementation	Unrestricted General Funds	\$ 200.0	\$ 300.0
	Pilot Program to Develop Additional Substance Use			
DHSS	Disorder Services	Unrestricted General Funds	\$ 5,000.0	\$ 6,000.0

DHSS	Family Reunification and Retention Grants	Unrestricted General Funds	\$ 575.0	\$ 1,725.0
DHSS	Child Care Benefits	Unrestricted General Funds	\$ 1,000.0	\$ 46,104.8
Labor	Workforce Development Grants	Unrestricted General Funds	\$ 502.4	\$ 31,706.5
Law	Attorney General's Office - Personnel Reduction	Unrestricted General Funds	\$ 179.5	\$ 286.3
Law	Department of Natural Resources RSA	Other Duplicated Fund Source	\$ 17,200.0	\$ 8,349.0
Law	Civil Division - Collections	Unr & Des General Funds	\$ 627.5	\$ 2,645.3
Law	Administrative Division	Unrestricted General Funds	\$ 100.0	\$ 3,041.5
DMVA	Consultant for BRAC	Unrestricted General Funds	\$ 120.0	\$ 6,403.3
Natural Resources	Citizens Advisory Commission on Federal Areas	Unrestricted General Funds	\$ 272.9	\$ -
Natural Resources	Land Claims - Mining, Land, and Water	Unrestricted General Funds	\$ 78.5	\$ 26,399.9
Revenue	Eliminate Research Analyst Position	Unrestricted General Funds	\$ 73.8	\$ 9,461.0
Revenue	Eliminate Child Support Specialist PCN Funding	Unr General Funds & Federal	\$ 1,313.3	\$ 26,063.1
Revenue	Delete Funding in Commissioner Office	Unrestricted General Funds	\$ 100.0	\$ 912.2
Revenue	Delete State Facility Rent	Unrestricted General Funds	\$ 342.0	\$ -
Transportation	Central and Chitina Maintenance Station Closure	Designated General Funds	\$ 911.9	\$ 61,961.6
Total Agency Vetoes			\$ 38,552.1	
University	University Reduction	Unrestricted General Funds	\$ 10,000.0	\$ 899,796.5
Fund Transfers	Deposit into Higher Education Fund	Unrestricted General Funds	\$ 80,000.0	\$ 330,000.0
Debt Service	Debt Issue Payment Less Than Budgeted	Unrestricted General Funds	\$ 5,000.0	\$ 82,644.5
Government, K-12, and UA Vetoes			\$ 191,887.7	
Capital Vetoes				
Natural Resources	Snowmobile Trail Dev Prgm	Designated General Funds	\$ 250.0	\$ -
Revenue	AHFC - Supplemental Housing Program	Unrestricted General Funds	\$ 750.0	\$ 2,250.0
Other Vetoes				
Revenue	AHFC - Weatherization Program	Reappropriation	\$ 1,650.0	\$ 4,950.0
University	U-Med District Northern Access Project	Reappropriation	\$ 18,852.0	\$ -
Revenue	Sec. 9(c) Deposit of UGF to AK Cap Income Fund	Language	\$ -	\$ -
Total Vetoes			\$ 1,289,237.7	

Prepared by Office of Management and Budget