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Tuesday, May 31, 2016

Legislature Passes Budgets

By late Tuesday afternoon both the senate and the house passed the operating ([HB 256](#)), mental health ([HB 257](#)), and capital budgets ([SB 138](#)). They are now awaiting transmittal to Governor Walker.

The operating budget includes funding for the \$50 BSA increase. The foundation formula is fully funded with \$1,163,984,500, using undesignated general funds (UGF). There is a total of \$1,020,000 for Best Beginnings and Parents as Teachers, \$2 million for Pre-K grants, and \$761,800 for Online with Libraries.

The operating budget is reduced by \$418 million from FY16, with a total budget of \$4.3 billion for FY17. The capital budget contains \$130 million in unrestricted general funds (UGF) and designated general funds (DGF), and \$1.3 billion in federal matching funds.

During house floor discussion on the capital budget, Rep. Gara said it’s one of the smallest capital budgets in the last 15 years. The state doesn’t have a lot of money, and it’s an appropriately-sized capital budget. He said the co-chairs of the House Finance Committee did a fair job in allowing debate. What they didn’t allow was the traditional

practice of every legislator getting a project in their district, which they don't have the money for. He commended them on the conservative capital budget.

Details on the capital budget are below. Details on the operating budget will be sent out on Wednesday.

House Majority & Senate Majority Press Conferences

Senate Majority

The Senate Majority held a press conference after adjournment of their floor session, but since it was held while the house was still in session, which I was following live, and it's not available on Gavel to Gavel, I don't have anything to report on from their press conference.

According to a [press release](#) from the Senate Majority, the legislature has reduced the operating budget by \$1.2 billion over the last two years. Sen. Kelly said in the press release that "As we enter into discussions about revenue, we have fulfilled our promise to first reduce state government."

The press release states that Medicaid reform will save the state \$500 million over eight years, while criminal justice reform will save the state \$380 million over the next ten years.

House Majority

In the House Majority press conference after adjournment of their floor session ([audio & video](#)), Speaker Chenault said the legislature passed five of the items on the governor's special session call (HB 27 and HB 200 relating to foster care and adoption, and the operating, mental health, and capital budgets).

Rep. Neuman said the legislature met their goal to get the operating budget below \$4.5 billion, and they did it in two years. He said one of their goals is to get legislation in place for further reductions next year. He said the state can't continue to subsidize municipalities and school districts for PERS and TRS contribution rates, and he intends to work with municipalities on that issue. They need to consider hundreds of millions of dollars in further reductions.

Rep. Thompson said they passed a monumental amount of legislation this year, with big policy changes, including Medicaid and criminal justice reform. They've been told all year by the media and others that they have a \$4.5 billion deficit. But this year, it's \$3.2 billion. They passed a responsible capital budget, one of the smallest in many years. The total capital budget is \$95 million in undesignated general funds, leveraging \$1.3 billion

in federal funding. He said the House Finance Committee will get revenue bills out of committee and to the floor so the entire the legislature has the opportunity to vote on them.

When asked if they were concerned about the size of the \$3.2 billion draw from overall savings, Rep. Neuman said they were able to keep the size of the draw down by using some FY16 funds. Rep. Thompson said the draw will be reduced if they pass any of the revenue bills.

When asked if the \$50 increase to the BSA and the early education items were just used as a negotiating tool to get the House Minority to vote for a draw from the Constitutional Budget Reserve, and if they would have been included in the budget anyway since some majority members support those items, Speaker Chenault said he couldn't say. There are numerous people who know in this time of deficit spending that they need to cut back and look at all budget items. He won't assign motive to any of it. He thinks, in general, that the legislature supports K-12 education, but they also support trying to craft a budget that they are able to maintain long-term. A number of majority members would like to see an increase to K-12 and university spending. But in the times they are in, it's pretty tough. Education seems to always be part of the negotiations to be able to get out of Juneau. They were able to fund K-12 and the university, and to pass a budget.

When asked about HB 247 (oil and gas tax credits) Speaker Chenault said it's in conference committee right now. They didn't want anything else to interfere with budget negotiations, so they let that sit for a couple of days. That conference committee will begin meeting again and try to negotiate an agreement.

When asked about the budget only containing \$30 million for oil tax credits, Rep. Neuman said the amount of tax credits applied for right now is \$650 million. They had some money left from last spring, and the administration found some money in the Statutory Budget Reserve (SBR). When the formula for tax credits was established the cost of oil was higher, so they would have had that money. But oil dropped and the bills kept coming, and they still have the credits. He thinks it's responsible to use FY16 funds to pay F16 debt.

Speaker Chenault said \$200 million in tax credits were carried over from FY16 when Governor Walker vetoed them. It starts to get cumbersome carrying those over.

When asked if there was a plan for filling the fiscal gap, Rep. Neuman said there isn't a plan right now. They pulled as much money together as they could. Oil and gas is one-third of the employees in the state, and they can't dump and run on those companies.

Speaker Chenault said it's not a great day to celebrate. They got some of the work done today, but there's still a lot of work to be done. They will take up all the other issues as best they can and get them to the floor where they will be voted up or down. If they don't pass, then maybe there needs to be more work done on them. They will try to pass what's responsible and make Alaska a better place.

When asked if he is saying there will be an up or down vote on every bill on the special session call, Speaker Chenault said he doesn't have a problem with that, but that's not what he said. Those bills have to have support to get out of committee and get on the floor. He can't guarantee that support. He doesn't have a problem voting yes or no on any of those bills.

Rep. Millett said those are the governor's bills. What the legislature would like to see is the governor advocating for those bills and telling them what his plan is. The governor has to engage and talk to their constituents and have a conversation with Alaska. It's the governor's responsibility. Those are his bills and his fiscal plans. The governor should be asked these questions. She would like to see the governor work toward consensus and engage.

Speaker Chenault said they've worked well with the House Minority and the senate, and they will continue doing so until they finish.

Capital Budget Details

Below are education items in [SB 138](#) – Capital Budget. SB 138 is awaiting transmittal to the governor.

- Intent language, page 3: *“It is the intent of the legislature that the Dept. of Education & Early Development add to their criteria when reviewing project applications for school major maintenance grants (AS 14.11.007) that all eligible energy efficiency improvements be excluded from the grant process and the grantee be redirected to work with the Alaska Housing Finance Corporation on receiving a loan through the Alaska Energy Efficiency Revolving Loan Fund (AS 18.56.855).”*
- School Construction Grant Fund Projects, page 3:
 - \$10,867,503 – Kachemak Selo new K-12 school construction
 - \$7,129,765 – Lower Kuskokwim School District, Bethel Regional High School central kitchen and multipurpose addition
 - \$350,000 – Mt. Edgecumbe High School deferred maintenance
- Funding sources for School Construction Grant Fund Projects:
 - \$11,217,503 – unrestricted general fund
 - \$7,129,765 – REAA and Small Municipal School District School Fund

- \$2,300,000 – AHFC teacher, health and public safety professionals housing
- FY16 supplemental appropriations:
 - \$10,000 – DEED, Education Support Services, Executive Administration, page 27
 - \$58,000 from the Public School Trust Fund for Dept. of Revenue, Treasury Division expenses (page 31)
- \$500,000 – to the Dept. of Education & Early Development for multi-year funding dedicated to a temporary position or contract personnel and other expenses relating to the Every Student Succeeds Act for FY17 and FY18 (Sec. 20, page 36)