



Contents

Monday, May 18, 2015.....1
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Video not yet posted online. Check Gavel to Gavel to view it when it's posted.

Monday afternoon Governor Walker held a press conference to announce his decision on HB 72 – Operating Budget. A few key points he made are:

- The legislature, the Dept. of Corrections, the judicial system, the Dept. of Public Safety, Pioneer Homes, and debt service are 100 percent funded for FY16.
• The Dept. of Health & Social services is 100 percent funded for half the year.
• Every other department, including the Dept. of Education & Early Development, is funded at 28 percent.
• 15,000 layoff notices will be sent to state employees on June 1 if the budget isn't fully funded before then.

Governor Walker said he hoped it wouldn't come down to school starting in August and then shutting down after a month, but he hopes the funding issue will be resolved in the nine days remaining in the special session. He said if it's not resolved, he will immediately call another special session.

[As we all know, the repercussions will be severe if this issue isn't resolved. State employee layoffs and the state budget shortfall will impact much more than state government. School districts will have to lay off teachers and staff. The Dept. of Natural Resources and the Dept. of Environmental Conservation won't be able to issue permits for resource development. The Dept. of Fish & Game won't be able to manage commercial, sport, and subsistence fisheries. The Div. of Motor Vehicles won't be able to issue licenses

and registrations. Workers' comp will be shut down. Activities in the Dept. of Commerce, Community, & Economic Development will shut down. The Alaska Marine Highway and tourism will be affected - the list goes on and on.

There are three things that could happen:

- 1. A compromise could be reached to get the House Minority on board for the three-fourths vote necessary to access the constitutional budget reserve.*
- 2. The House and Senate Majorities could decide to use funds in the permanent fund earnings reserve, which would only require a majority vote in each body.*
- 3. Nothing. They could decide to do nothing.]*

In a press release after the press conference, Governor Walker said:

“I am gravely concerned about the effects this legislative impasse is having on the state. Tomorrow is the deadline by which I must take action. Today, to honor the terms of our contracts to give 10 to 30 days of notice, I let state employees know that layoff notices may be coming. Public services, employees and our economy are all in limbo because of this unfunded budget.

I chose the least detrimental of the three options. I have approved the fiscal year 2015 supplemental budget items, and vetoed much of the fiscal year 2016 budget items. The funded portions will be allocated for critical health, life and safety functions—like trooper duties and keeping prisons and health care facilities open.

It is time to stop debating the merits of the \$90 million differences in cuts, so we can begin the discussion on how to solve the \$3 billion deficit. We need to shift our focus from arguing over 3 percent to working toward solving 97 percent of the problem. I urge legislators to come back to the negotiating table and reach a compromise for the good of Alaska.”

During the press conference, Governor Walker said he had been hoping up to the end [*before he had to act on HB 72*] that the legislature would take action. It’s not an option to accept a \$3 billion funding shortfall in the budget. There were several options, and he chose to accept the bill but veto out enough items to bring it down to the amount funded. They can’t run the government on \$1.9 billion, but it’s now balanced. They did not make changes to the Dept. of Public Safety, the judicial system, the Dept. of Corrections, the legislature, and debt service. Half a year of the Dept. of Health & Social Services budget is funded. All other departments were reduced by 72 percent. They hope the issue will be resolved in the nine days left in special session so they don’t have to send out layoff notices to state employees. About 15,000 layoff notices will have to be sent out June 1st if the issue is not resolved.

Governor Walker said it's not where they want to be, or where they thought they would be. One thing to keep in mind is the amount in dispute is about \$100 million, which is 3 percent of the amount of the deficit; \$50 million would be 1.5 percent. The problem is the \$3 billion deficit, and when they focus on the three percent, they aren't even focused on the 97 percent of the problem. As he said recently in Petersburg, they need to fix the hole in the boat, not argue over the size of the pumps. The difference is four to seven days of drawdown. They are headed to Fairbanks the first week in June where they will have a transition process on addressing revenue and right-sizing government. He's seen some draft position papers. There are about 15-20 scenarios out there to fund the state. That's what they will focus on. All legislators will be invited, and it's open to the public and the media. They expect 200 – 250 people to participate, with most staying in the UAF dorms. They cannot cut their way to a balanced budget. They have to look at revenue also.

Governor Walker said some have likened them to the federal government in shutting down. But the federal government has continuing resolutions and Alaska does not. Because of that, they can't wait until the last minute. So they are taking action now to begin the process. He hopes the legislature will recognize the severity of the situation. He will be on the North Slope for the rest of the week and looking at ways to accelerate development. What will they do if DNR cannot issue drill permits? There are 15,000 employees who will get layoff notices. They are on the verge of making a decision this year on a gasline. This is taking time away from critical issues the state should be addressing.

When asked who should be held accountable for not having fully funded budget, Governor Walker said the legislature is the appropriating body. The governor submits a budget, and then the legislature acts on it and provides the funding. It's up to the legislature to resolve it. There are a couple things they could have done, such as a supplemental budget to get the constitutional budget reserve vote. They could have taken up HB 1001/SB 1001. To sit back and not do anything...

Governor Walker said he's not spent much time figuring out who's responsible. It's the legislature's job to authorize expenditures. The worst case scenario is laying off 15,000 people. It affects almost every part of state government: the Dept. of Fish & Game, DMV licensing and registration, workers' comp – it goes on and on. It's a long list of impacts. It's unprecedented for Alaska. Alaska has an AAA bond rating, and they're looking at a shutdown.

Governor Walker said some people have called this political gamesmanship. Sending out layoff notices and not being able to fulfill their obligations is not gamesmanship. It's the

reality of how to run the state with the limitations the legislature has put on the administration.

When asked his level of confidence that this will be resolved, Governor Walker said he had a high level of confidence that it would have been resolved before now. He thought the legislature was going to come back into session in Juneau today, but they aren't. The only thing the administration can do is prepare for the worst case scenario, and hope that they don't get there.

Governor Walker said the legislature needs to hold sessions in Juneau. If the legislature would spend as much time getting business done, maybe they would get it done. The special session call stands, and the call is for Juneau. He's not trying to be difficult, but legislators have one thing in common when they're in Juneau, and it's to do the state's business. He stands by his proclamation. He's been asked if he would amend it, but once it's issued, it is what it is and he can't amend it.

There were several questions about the resignation of the Boards & Commissions director, but Governor Walker said he wouldn't discuss that because it's a personnel issue.

When asked about Medicaid expansion, Governor Walker said he doesn't know how that will be dealt with. He's disappointed the House Majority has said they will not take it up.

When asked how he feels about using the permanent fund earnings reserve if the legislature can't access the constitutional budget reserve, Governor Walker said the legislature is the funding body, and they decide where the funds come from. They need a fully funded budget, and it's the legislature's decision where they get the funds.

Regarding whether he would take any steps to enforce the special session proclamation, and what his actions mean for education funding, Governor Walker said he will reissue another special session proclamation if necessary. Education funding, for both the University of Alaska and K-12, is reduced 72 percent, like everything else.

When asked if they accepted using money from forward funding of education, and why they say they only have \$1.9 billion to fund FY16, when revenue sources say they have \$2.2 billion, Office of Management & Budget Director Pat Pitney said the mental health and capital budgets use \$300 million, and that leaves \$1.9 billion for the operating budget for FY16. The forward funding education money was accepted to make sure they can operate through FY15. Had they vetoed HB 72 entirely, everything would have come to an immediate halt today, and it would have been complete chaos.

When asked what specific impacts the cuts would have on the Dept. of Education & Early Development, Governor Walker said the cuts were not on a program-by-program basis.

When asked what the layoff numbers are by region, Governor Walker said the numbers exist, but he doesn't have them memorized. They aren't doing this to scare anyone; they are doing this because they have to. They have to give notice in 11 days if they are going to lay anyone off.