



BUDGET REVIEW

This year the budget process was messy and hard to follow. Usually the budget process is pretty straight forward and consists of an operating, supplemental, and capital budget. This year there were multiple bills in play funding different parts of the various budgets. HB 39 was the original operating budget that contained funding for state operations. According to documents from the Legislative Finance Division, the Governor originally vetoed \$420.7 million from HB 39, the state operating and mental health budgets, and withheld another \$30 million in K-12 funding over objections about its constitutionality. Eventually, the Legislature passed an additional bill HB 2001. HB 2001 restored funding for many of the items vetoed by Governor Dunleavy. So both HB 39 and HB 2001 contain funding for various state programs and departments.

Additionally, the prior Governor signed HB 287 which forward funded education at \$1.3 billion for K-12 education and student transportation for FY19 and FY 20. A provision of the bill also added an additional \$30 million in one-time grants. The \$30 million in funding is equivalent to a \$117 increase to the Base Student Allocation (BSA). Accomplishing early and full school funding is a top priority for most school districts. This forward funding of education is now the subject of a lawsuit that challenges the constitutionality of forward funding. While the litigations is being pursued, school districts are receiving funding. This year the Legislature attempted to forward fund education again for FY 2021 but the funds were ultimately vetoed in HB 2001.

HB 2001 was recently signed by Governor Dunleavy. The Governor once again vetoed 77 line-items, about \$220 million, but this time he also let funding for some items remain in HB 2001. Some of the restored items include the following:

- \$20 million for Senior Benefits with retroactive payments to July 1st
- PFD of \$1,600 (Will seek additional \$1,400 in fall special session)
- University of Alaska cut of \$135 million reduced to \$70 million over 3 years (may be some appropriation issues here because the Legislature is the appropriating body and this is an agreement between the Governor and the University). The step-down plan includes a \$25 million reduction this year and an additional \$45 million cut over the following two years.
- \$8.8 million for early learning coordination including \$6.8 million in funding for Head Start programs in Alaska. The state funding is used as a match to obtain about \$46 million in federal funding.
- \$1.2 million for Early Education Grants used to fund several Pre-K programs across the state. Additionally, there is another \$2 million already enacted in the FY 20 budget and \$4.2 million in unspent grants that have been carried forward.
- \$320,000 for Best Beginnings grants
- \$474,700 for the Parents as Teachers program
- \$138,200 for Live Homework Help

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- \$670,900 for Online with Libraries
- \$759,100 for Alaska Legal Services
- \$3.8 million for the Alaska State Council of the Arts (\$700,000 is state funding)
- \$100,000 for Veteran's Services
- \$2.25 million for Human Services Matching Grants and Community Initiative Grants
- \$533,500 for the Utqiagvik Law Office
- \$2.74 million for the Agriculture program

Items that were vetoed again include the following:

- Forward funding of the foundation formula and pupil transportation for FY21
- \$48,910,250 for school bond debt reimbursement (the remaining 50 percent of school bond debt reimbursement, which would have meant 100 percent reimbursement for school bond debt)
- \$19,694,500 for deposit into the REAA and Small Municipal School District Fund (tied to the amount paid for school bond debt reimbursement)
- \$2.7 million for public broadcasting
- \$3.4 million Ocean Rangers Program
- \$50 million Medicaid program
- \$6.1 million Behavioral Health and Recovery Grants
- \$7.41 million Adult Public Assistance
- \$2 million Nome Youth Detention Facility
- \$27 million Medicaid Adult Dental Services
- \$3 million VPSO Program
- \$46,900 Rural Airports
- \$333,193 for the Fairbanks North Star Borough School District Eielson Air Force Base Schools major maintenance and upgrades
- \$30 million capitalization of the Community Assistance Fund

CAPITAL BUDGET

Governor Dunleavy recently signed SB 2002, a bill approving funds for the capital budget, new public safety laws, and reversing the Constitutional Budget Reserve sweep. The reverse sweep returned money to over 54 state savings accounts which provides funding for a variety of vital programs. Addressing the reverse sweep issue saves Alaska Performance Scholarships for 12,000 college students, the WWAMI program for medical education, the BAGS program (internet upgrades grants), and helps reduce energy prices in rural Alaska through the Power Cost Equalization program. All of these programs now have funding. Additionally, \$1 billion in federal matching funds was secured for roads, airports, and water and sewer projects across the state. Other items funded in the capital budget include the following:

- \$2 mil. for the Northwest Arctic Borough School District school construction and major maintenance

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- \$484,000 for Jewel Lake Road Sand Lake Elementary School safety lighting project
- \$85,000 for Hope Community resources housing upgrades
- \$60,000 in Community Block grants, leveraging \$6 mil in federal funds
- \$73 mil. Federal Highway and Aviation Match, which secures \$877.2 million in federal funds
- \$12 mil. Village Safe Water and Wastewater Projects, securing over \$52 mil. in Federal funds
- \$10.7 mil. for statewide deferred maintenance
- \$1.5 mil. Court System deferred maintenance and \$973,000 for cyber security
- \$2.54 mil. for Hiland Mountain Women's Mental Health Unit
- \$680,200 to Electronic Visit Verification System
- \$2.5 mil. to Arctic Strategic Transportation and Resources
- \$1.5 mil. AHFC Rental Assistance for Victims- Empowering Choice Housing Program
- \$3.6 mil. AHFC Homeless Assistance and \$2 mil. for Special Needs Housing
- \$1.75 mil. AHFC Senior Citizen Housing
- \$1.5 mil. AHFC competitive grants and \$350,000 for public housing
- \$250,000 for Inter-Island Ferry Authority
- \$13.5 mil. to Alaska Marine Highway System vessel overhaul, annual certification, and facilities rehabilitation
- \$7.4 mil. to Alaska Travel Industry
- \$1.6 mil. for Harbor Grant program

Governor Dunleavy also vetoed many items. In total, \$34.7 million in line item vetoes were made, the largest being \$10 million for matching grants to fund addiction treatment programs. Cuts to funding for homeless programs, earthquake monitoring, home weatherization programs and University of Alaska deferred maintenance were also made. Vetoes to SB 2002 included the following:

- **Statewide Addiction Treatment Facilities Capital Matching Grants**
– (\$10,000,000)
- **Denali Commission – Clean Water and Safe Sanitary Sewer Disposal** (\$200,000)
- **Federation of Community Councils – Anchorage Area Community Patrols**
(\$50,000)
- **Federation of Community Councils – Mountain View Clean Up** (\$5,000)
- **Marine Exchange of Alaska – Alaska Vessel Tracking System Updates and Expansion** (\$400,000)
- **Sterling Area Senior Citizens Inc. – Safety and Security of Seniors Projects, Hallway Carpet and Kitchen Upgrade** (\$42,800)
- **Soldotna Patrol Vehicle Cameras** (\$70,000)
- **Emergency Medical Services Match for Code Blue Project** (\$500,000)
- **National Historic Preservation Fund** (\$150,000)
- **Alaska Housing Finance Corporation ("AHFC") Cold Climate Housing**
(\$750,000)
- **AHFC Energy Programs and Weatherization** (\$5,000,000)
- **AHFC Homeless Assistance Program** (\$3,600,000)
- **Public and Community Transportation State Match** (\$1,000,000)

- **US Array Earthquake Monitoring Network (\$2,500,000)**

School-related vetoed items:

- \$300,000 Yukon Flats School District, Chalkyitsik School roof replacement on potable water tank
 - \$900,000 Stratton Building renovation (DEED building in Sitka)
- \$1,750,000 AHFC Teacher, Health & Public Safety Professionals Housing
- \$2,500,000 University of Alaska deferred maintenance, renovation, & repairs
 - Appropriation of proceeds from the sale of DEED lands in Sitka to Mt. Edgecumbe High School



SUMMARY

Unless 45 members vote to override any of the remaining vetoes, the signing of HB 2001 will wrap up most of the funding issues for this year. In his recent announcement, Governor Dunleavy mentioned calling a special session in the fall to address fully funding the PFD. He also spoke about continuing funding reductions next fiscal year. J and H Consulting believes there will likely be significant funding battles again next year. The efforts of Coalition for Education Equity and Sarah Sledge, Executive Director, have made a difference in securing education funds. We look forward to working with the Coalition and assisting the group in achieving their priorities.

Chris and Reggie
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