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Governor Sean Parnell
STATE OF ALASKA

February 1, 2010

The Honorable Gary Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens,

Under the authority of Art. III, Sec. 18, of the Alaska Constitution, I am transmitting a bill relating to supplemental appropriations for the State's operating and capital budgets for Fiscal Year 2010 (FY2010).

My guiding principles for the budget include maintaining budget discipline by limiting State agency growth, focusing on results for Alaskans, and promoting economic opportunities for our families. Supplemental appropriations are intended to respond to unanticipated increases in the current year budget, and provide the opportunity to put more money into savings for future needs.

With the upward trend of oil prices, I asked the Department of Revenue to prepare an interim forecast to update the projection from December 2009. The interim forecast projects a FY2010 surplus of over \$2.2 billion, rather than the original forecasted surplus of \$1.5 billion.

Given the projected surplus for FY2010, the supplemental bill I am submitting today includes a deposit of \$1,116,986,600 into the Public Education Fund for the purpose of funding K-12 education and pupil transportation in the next fiscal year. Putting this money into savings for the next fiscal year and continuing to forward fund a significant component of our annual general fund budget when surplus revenue is available, will keep our reserve accounts healthy and available for those times when the revenue declines.

I am also requesting an appropriation necessary to repay the Constitutional Budget Reserve (CBR), estimated at \$402 million. This request is consistent with the Legislature's and my administration's goals to fully repay the CBR, build up reserves, and forward fund when appropriate. Combined with the Public Education Fund deposit, the supplemental bill sets aside over \$1.5 billion into savings. Consistent with achieving the objective of fully repaying the CBR, I have proposed repealing section 43(c) of Ch. 15, SLA 2009, which, if left intact, would result in unnecessary general fund borrowing from the CBR.

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The supplemental request also covers unanticipated increased costs in fire suppression activities and replenishes the disaster relief fund, given the draws on that fund during this fiscal year in response to flooding and other emergencies. State funds of approximately \$45 million and federal funds of \$45 million are requested for formula program costs, particularly in the area of Medicaid, given the increases in enrollments, utilization, and cost of Medicaid services in the current year. Additionally, \$58.3 million are requested for emergency repairs, mitigation, and unanticipated increases. Finally, unanticipated State agency costs due to caseload and other factors are included at \$32 million.

Thank you for your consideration of this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean Parnell", written in a cursive style.

Sean Parnell
Governor