What is Currently Driving the Legislature

Norm Wooten
April 2, 2017
77th Legislative Day
The Fiscal Gap

“Permanent Fund Protection Act” (SB 26) introduced by Governor Walker and passed by Senate on March 15:

- Annual draw on earnings: 5 percent to help fund essential services and pay PFD
- Caps PFD at $1,000 for three years
- Still to come: major cuts to formula programs (including K-12 Education) to meet projected fiscal gap
77th Day
The Fiscal Gap

- House approves Operating Budget (HB 57) of $5.1 billion for FY 2018 on March 24 (reduction of $82.5 million from FY 2017)
  - Funds K-12 education foundation formula at $1.2 billion (BSA of $5,930)
- Still to come: revenue-generating measures including personal income tax (HB 115) and reductions to oil industry tax credits (HB 111)
Fiscal Gap
Taxes

- HB 115, proposes personal income tax & draw on Permanent Fund earnings, capping dividend at $1,250
- Current status: House Finance Committee
- Passage by House could set up negotiations with Senate over SB 26, Governor’s Permanent Fund Bill

Rep. Paul Seaton, R-Homer
Co-Chair, House Finance Committee
Fiscal Gap
Shrink the Budget

- Senate President Pete Kelly advocates further reductions to operating budget
- 5 percent cut to K-12 schools?
- Goal of reducing budget to $4.5 billion in FY 2018

Sen. Pete Kelly, R-Fairbanks
Alaska Senate President
121st Day

What Compromise is Ahead?

• By May 17, will House and Senate have filled the fiscal gap with budget reductions, Permanent Fund income and new revenues?

• Will public opinion influence decisions? Alaska State Chamber of Commerce betting it can sway public with TV ads opposed to income tax.

• Will 5 percent cut to education be moderated or dropped entirely? Will public opinion influence decision on school funding?
Meanwhile in Washington
The New Administration

- President Trump has revoked ESSA rules issued by Obama Administration
- Education budget priorities include charter school funding

Secretary Betsy DeVoss
Department of Education
Back at Home

Education Challenge

- EED & School Boards joining in community discussions on future of K-12 education
- Getting consensus before making major decisions on budget
- $200,000 requested for public process denied by Finance Committees

Commissioner Michael Johnson
Education & Early Development