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Research Article

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The Outlier State: Alaska's FY 2012 Budget

Abstract: This report discusses the Alaska economy in 2010 and 2011, reviews demographic and workforce changes, and surveys the 2010 primary and general election outcomes. It discusses state issues with federal connections, and then analyzes the FY 2012 budget process (the governor's requested budgets and legislative responses extending into a special session. The state entered FY 2012 with a substantial budget surplus, unlike most other states.

Keywords: Alaska Permanent Fund; natural gas pipe line; oil prices; petroleum production tax (ACES); redistricting

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1 Introduction

Alaska is a non-contiguous state of the American union. Certainly, it differs from all other American states in its revenue sources and expenditures. This paper describes the fiscal policy process explaining the Alaska FY 2012 budget plan, and covers the period from July 1, 2010 until the end of August, 2011. The report begins with a discussion of the state's economy in 2010 and the first eight months of 2011, provides an overview of the demographic and workforce changes in the previous year, and then surveys the 2010 primary and general election outcomes.

Next, we discuss the state issues with federal connections tracked in this report over the last dozen years. Central to this report is an analysis of the FY 2012 budget process, including the governor's requested budget (operating, supplemental, and capital), legislative responses, and the extension of debate into two special sessions. A special section examines the main fiscal issue of the legislative session – Governor Parnell's proposed reform of the state's oil taxation regime. The report presents the final FY 2012 budget, with explanations of changes from the previous year.

Alaska entered FY 2012 with a substantial budget surplus, unlike most of the other states. The plan for this year's expenditures is positive, and no major changes in state government operations are intended. In the concluding section, we examine state budget reserves and efforts to improve fiscal sustainability.

2 The Alaska Economy in 2010 and 2011

Alaska's economy has three pivots: the oil and gas industry, the Alaska Permanent Fund (PF), and everything else. The oil industry supplies 85%–89% of the general fund revenue of the state through severance taxes, royalties, and corporate income and other business taxes. A recent report of the Institute of Social and Economic Research (ISER) illustrated this dependence. The state's inflation-adjusted share of oil revenues since statehood in 1959 was $157 billion, compared with the combined revenue from seafood, mining and timber taxes of less than $4 billion (*Fairbanks Daily News-Miner* [FDNM], 3/23/11). Given that state taxation of hydrocarbons depends on both the highly volatile price of oil and the amount of production, we consider these factors first before discussing other natural resource production and the state's return on investments.

2.1 Oil Prices

Notwithstanding the continued recession in the U.S. economy, oil prices remained high during the reporting period because of disruptions in the Middle East and some African supplies, continued strong economic growth of China and India, and environmental catastrophes such as Deepwater Horizon influencing other production operations in the U.S. Although prices for Alaska North Slope (ANS) crude stayed in the $70–90 range through the first half of FY 2011, in only one day from late January 2011 to the end of the fiscal year on June 30, did they drop below $90/barrel; indeed, by late April prices had reached $122/barrel – the highest rate since the record oil prices of 2008 (Department of Revenue [DOR], *Revenue Sources Book*, Fall 2010; *Anchorage Daily News* [ADN], 4/7/11; FDNM, 4/22/11). These price increases late in FY 2011 brought in $485 million more to the state's revenue stream than anticipated, a useful cushion as ASN prices fell to $99.55/barrel after the stock market corrections of early August 2011.

2.2 Oil Production Declines and Other Problems/Prospects

During the reporting period, production from the state's legacy fields of Prudhoe Bay and Kuparuk continued to decline. From the peak North Slope oil production of 2 million barrels/day in 1988, production had dropped to 644,000 barrels/day by 2010, with an estimated further decline to 605,000 barrels/day in 2011 (DOR, Spring 2011 Forecast). As noted in previous reports, production from all other fields (e.g., Endicott and Alpine) is increasingly important in maintaining flow through the Trans-Alaska Pipeline System (TAPS).

The three largest oil companies operating in Alaska (i.e., BP, ConocoPhillips and ExxonMobil) continued their investment strike. BP suspended construction of its rig at the Liberty well site (FDNM, 12/2/10), while ConocoPhillips, complaining of high state oil taxes, announced that it would drill no exploratory wells for the second straight year (ADN, 11/18/10). As emphasized in the section on oil taxation below, only one exploratory well was drilled in Alaska in 2010. Both companies expected that their spending for maintenance and operations in 2011 would be flat, that is, in the neighborhood of $800–900 million each (FDNM, 3/1/11).

BP manages Prudhoe Bay on behalf of itself and the other owner-companies, and was charged with negligence due to severe corrosion in many oil pipelines: 148 received "F" ratings from regulators. BP was fined $25 million for 2006–2007 oil spills on the North Slope (ADN, 5/4/11). The Pipeline and Hazardous Materials Safety Commission stated that TAPS posed risks to public safety and the environment because of inadequate maintenance and monitoring (FDNM, 2/12/11). Apart from increased oil viscosity and wax buildups, another pressing concern was that the lowered volume of oil moving through the pipeline had dropped oil temperature to record low levels (from a high of 110 degrees when the pipeline was full to 40 degrees in recent years). However, high oil prices increased the valuation of the pipeline from $7.9 to $8.6 billion (FDNM, 6/2/11).

Although the news on oil production was mostly bleak, two new companies expressed interest in investing in the North Slope. First, the oil firm Apache planned some exploration work. Then, in March, the Spanish oil and gas company Repsol, an affiliate of Armstrong Oil and Gas, announced it would spend $768 million to explore for oil on the Alaska North Slope. It promised a "broad-reaching exploration and development program" to "evaluate the economic viability of the resource." (FDNM, 3/9/11; also *Alaska Economic Report* [AER], 3/11/11). Toward the end of this review period, *Petroleum News* reported that "operators on the North Slope and near shore Beaufort Sea are preparing for what promises to be one of the busiest exploration seasons since 1969." If plans materialize, as many as 28 exploration wells would have been drilled between October 2011 and mid-2012, with work done by smaller and independent oil companies (ADN, 8/15/11).

Two other developments improved state energy production prospects somewhat. First, the Obama administration lightened its post-Deepwater Horizon stance on OCS exploration/development by agreeing to both sell OCS leases in Alaska and extend existing ones, as well as hold more frequent lease sales in the on-shore National Petroleum Reserve-Alaska (NPR-A; FDNM, 5/15/11, 6/17/11, 6/24/11). The Obama administration also approved a work panel focusing on energy development in Alaska (FDNM, 7/13/11). Correspondingly, DNR and the governor's office promised an aggressive marketing of oil lease sales in NPR-A and the Beaufort Sea (ADN, 7/1/11). Second, the U.S. Geological Service re-evaluated its original projections on Cook Inlet natural gas and estimated that supplies were larger than originally thought (ADN, 6/29/11; AER, 7/31/11). This reduced somewhat the urgent need to find replacements for natural gas in southcentral Alaska.

2.3 Other Natural Resource Production: Mining, Fisheries, and Tourism

With the exception of forest products, Alaska's other natural resource sectors performed reasonably well in 2010. The best performer was the mining industry. A Department of Natural Resources (DNR) report said that the state's mining industry was entering a new "golden age". The total value of mineral production in 2010 was $3.1 billion, with projected sales of gold in the $1 billion range alone for 2011 (FDNM, 11/7/10). According to the DNR report, if Alaska were compared with other countries, it would have more zinc and silver than all but seven nation-states, the second largest coal resources, third largest copper, sixth largest lead, and seventh largest gold deposits (FDNM, 1/25/11). The mining industry in 2010 had 3,300 direct full-time employees and 8,700 indirect jobs (Szumigala 2011a).

Alaska has seven lode producing mines. For instance, the Red Dog Mine in northwest Alaska is one of the world's largest zinc mines, containing significant amounts of lead and silver. It also produces more than half of the state's mineral industry value. The Greens Creek Mine near Juneau is the fifth largest silver mine in the world, producing 7.2 million ounces in 2010. The Pogo Mine near Delta Junction is the largest gold mine in Alaska at present, producing 383,434 ounces of gold in 2010. The Fort Knox Mine near Fairbanks produced 349,729 ounces in 2010. A new gold mine, Kensington (near Juneau), produced 43,143 ounces of gold in 2010. The Nixon Fork Mine near McGrath began gold and silver production in 2011. Finally, International Tower Hills Mines stated that its Livengood prospect (70 miles north of Fairbanks) had a higher grade of gold than expected (FDNM, 8/3/11). The state's largest coal mine is Usibelli, near Healy, producing 2 million tons of coal in 2010 (Szumigala 2011b). In 2010 and early 2011, the firm reached a peak in coal exports to Asian nations (FDNM, 6/11/11).

Compared with other mining sectors in the U.S., Alaska is relatively unexplored, and mineral exploration expenditures in 2010 accounted for one-third of the annual American total. World class deposits under exploration and development include the Donlin Creek gold project near Aniak, the Pebble copper-gold-molybdenum project near Dillingham in southwest Alaska (which presents environmental concerns because of proximity to the rich Bristol Bay salmon fishery), and the copper-gold-silver-zinc Niblack project in the Southeast (Szumigala 2011b). Although mining contributes nearly $1 billion to the state's gross product, it turns over just millions in taxes and fees.

The fisheries and seafood industry, meanwhile, had a bumper year in 2010, with particularly high production of all salmon species except kings (AER, 11/18/10); a pattern that continued through most of 2011 (FDNM, 4/24/11; also see AER on coal and fish, 5/24/11). Tourism receipts in 2010 exceeded projections, reversing the 15%–20% decline in visitors associated with the 2008–2009 recession nationally (AER, 5/15/11). Tourist industry officials predicted that economic recovery would move 2011 figures close to those at the start of the U.S. recession (FDNM, 4/13/11). They moderated this forecast as fewer Alaska cruise ships headed north from Seattle in 2011, notwithstanding a rise in over-the-road travelers (FDNM, 7/4/11).

Although Alaska has 17% of U.S. forests, the wood products industry remains underdeveloped, largely because of environmental issues related to harvesting timber in the Tongass National Forest of southeast Alaska. One legislative accomplishment of Governor Parnell in 2011 was doubling the size of state forests in the Southeast, with the potential of increasing timber production.

Collectively, these other natural resource sectors employ two to three times as many Alaskans as does the oil and gas industry. However, the state reaps a far lower economic benefit from their resource production.

2.4 Return on Investments

The state's largest asset is the Permanent Fund (PF), which lost nearly $10 billion of its value in the early recession (from a high of $40 billion in October 2007), but had recouped most of that loss by the end of July, 2011. At that time, it was valued at $40.1 billion, but the stock market correction after the near-U.S. default and downgrade in the U.S. credit rating by Standard and Poor's erased a little more than $2 billion in its value (ADN, 8/3/11; FDNM, 8/10/11; 8/11/11). (The return on the PF in FY 2010 was $3.5 billion; the forecast returns for FY 11 and 12 are $2.5 and $2.7 billion, respectively, see www.apfc.org/). Constitutionally, the PF's principal may not be allocated by the legislature, but its interest earnings are controlled by this body. To date, the legislature has approved only three uses of fund earnings: 1) expenses of the Alaska Permanent Fund Corporation in managing the PF, and small amounts in budgets of DOR, DNR, DOL and on capital projects; 2) since 1982, distribution of a portion of the earnings to eligible Alaska residents, in the form of Permanent Fund Dividends (PFDs); and 3) inflation proofing the PF. In October 2010, the state added $822 million to the Alaska economy by distributing PFDs in the amount of $1,281 to each eligible resident, slightly less than the 2009 dividend. Since 1982, the state has paid out $18.5 billion in dividends to residents (see FDNM, 9/22/10 and AER, 9/30/10). The state's budget cushion includes other reserve funds, described below, which could fund state government without any other revenues for at least two years. Nothing comparable exists among the other American states.

3 Alaska Demographic and Employment Data

3.1 Census Results

Census research in 2010 identified 710,231 Alaskans, an increase in population of 83,299 from 2000. Alaska is now the 47th largest state in population, up one spot since the 2000 census (in comparison, Wyoming, Vermont, and North Dakota are more sparsely populated). The state's growth rate in the first decade of the 21st century was 13.3%, the 14th highest in the U.S. and about average compared to the western states (ADN, 12/22/10; US Census and Alaska Department of Labor and Workforce Development, May, 2011). Table 1 presents the population distribution by race and ethnicity.

The 2000 census did not display the category "two or more races", and this had an influence on the 2010 racial/ethnic distribution; otherwise, the Caucasian, Alaska Native and other minority populations would be larger. Alaska Natives remain the state's largest minority population, followed by Latinos and Asians, and then African-Americans. Commentators noted a decline by a few percentage

White, non-Hispanic	64.1%
Alaska Native (and American Indian)	14.8%
Hispanic/Latino	5.4%
Asian	5.4%
Black	3.3%
2+ races, other	7.0%
Total	100.0%

Table 1: Alaska's Race/Ethnic Distribution (2010 Census).
Source: 2010 Census Demographic Profile for Alaska, May 17, 2011.

points in the under 18-year-old population (now 26.3% of the population). Some attributed this to a decline in oil field workers who are of child-bearing years (but a significant part of whom are non-residents); others attributed this to the rise in the number of baby boomers, whose children are now adults (FDNM, 7/14/11). A more noticeable trend is the rise in the number of seniors, now 7.3% of the population. In this respect, as in gender (now 48% female compared to 52% male), the Alaska population increasingly resembles the national norm.

Within the state, population growth occurred unevenly. The fastest growing region was the Matanuska-Susitna Borough (immediately north of Anchorage). In 2010, it had 88,995 residents, compared with 59,322 in 2000, representing an increase of 50%. The unified municipality of Anchorage remained the state's most populous region, with 291,826 people, followed by the Fairbanks North Star Borough in the Interior with 97,581. However, rural areas lost parts of its population to the cities.

3.2 Redistricting

In late 2010, Alaska began the redistricting process, which was conducted by a five-member Redistricting Board (two selected by the governor, one each by the speaker of the house and president of the senate, and the final member by the chief justice of the Supreme Court). The board has a strong Republican bias (four of the five members are Republicans), unlike the one created after the 2000 census. In early work, it determined that the ideal size of house districts was 17,755, some 2,000 larger than in 2000. The largest losses of seats were in the Southeast and Interior (village) areas of the state (*Alaska Legislative Digest* [ALD], 11/11/10). The preliminary report of the board in early April (ADN, 4/14/11) proposed major changes in redistricting, and the board held hearings on it. By early June, the board had adopted a final plan, attacked by Democrats as biased and praised by Republicans as fair (FDNM, 4/20/11, 6/8/11). The plan placed two incumbent Democratic senators (Thomas and Paskvan, both representing Fairbanks) in the same district, and brought a host of conservatives into the senate district of Anchorage Democrat Bettye Davis. To Democrats at least, this political gerrymander seemed an attempt to destroy the senate's bipartisan coalition and return Republican control to the senate.

Alaska's redistricting plan requires pre-clearance by the federal Department of Justice, and the board took pains to insure that Native areas would not undergo diluted representation. This led the board to create one huge district (#38) from Fairbanks in the Interior to the western coast. The changes were most pronounced in the Interior and Southeast and will be tested in the state court system (as have all redistricting schemes in state history with the exception of 1962). Filing suit against the plan were the Fairbanks North Star Borough, two residents of the city of Fairbanks, and the city of Petersburg (FDNM, 6/25/11; 7/14/11 and 7/23/11). A superior court judge consolidated the cases and promised hearings in early 2012 (AER, 7/31/11).

3.3 Workforce

The Alaska labor situation, as in the previous two years, was considerably better than the national average. For nearly three years, the state's unemployment rate has been lower than the national rate; typically, it is 1%–2% higher. In August 2011, the Alaska rate was 7.7%, compared with the national rate of 9.1%. In addition, job growth in Alaska has outpaced the national norm (ADN, 9/16/10; AER, 4/25/11, "Alaska Economic Trends", August 2011).

Figure 1 shows the distribution of jobs in Alaska in 2010.

As in the past, government (federal, state, and local) has remained as the main employer of more Alaskans than any other sector, followed by the retail trades and leisure/hospitality industry. Notably, the health care sector is now the fourth largest employer. This industry has grown faster than any other sector in the last ten years ("Alaska Economic Trends", August 2011).

3.4 Business Climate

We reported on Alaska's business climate in 2008, when it was not yet considered highly conducive to economic development as compared with other states. Two recent surveys did not establish a basis for an improved business climate. The CNBC 2010 survey of "America's Top States for Business" placed Alaska 49th among the 50 states, one place above its 2009 ranking. Among the categories in which Alaska scored particularly low were cost of doing business, workforce, technology and innovation, cost of living and education (however, the condition of its economy ranked third among the American states). Alaska's climate was a significantly less important disincentive than were these factors as well as access to capital and business friendliness (CNBC 2010).

The second survey was conducted by the Fraser Institute, a Canadian, self-styled "independent" research organization but one that receives funding from ExxonMobil. Its 2011 rankings of Alaska slipped considerably from those in 2010, as noted in Table 2.

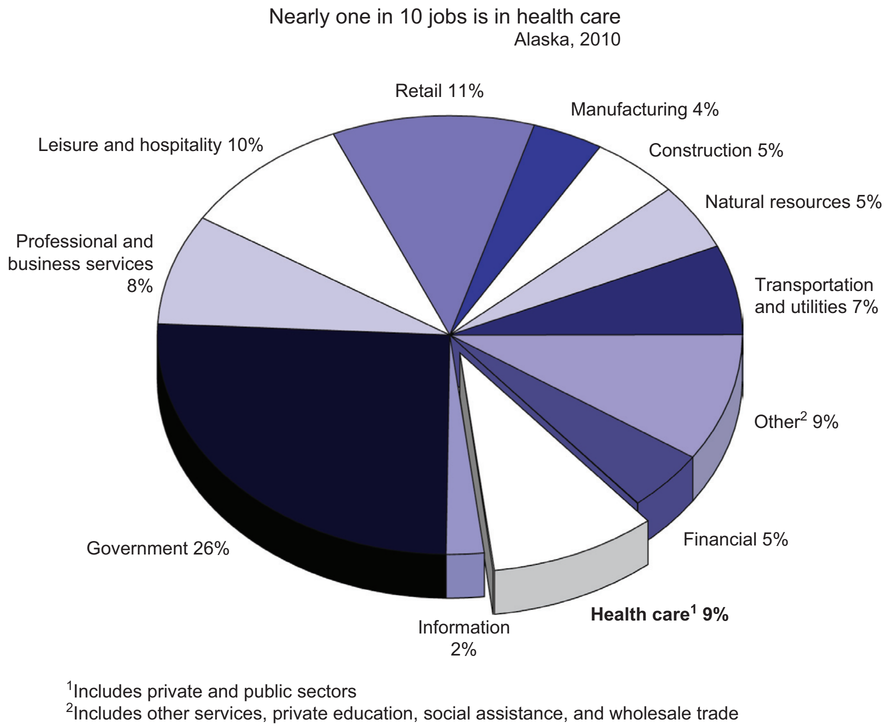

Figure 1: Alaska Jobs, 2010.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section.

This table suggests that respondents to the survey (i.e., some 502 managers and executives in the upstream petroleum industry) were significantly less positive about Alaska's oil taxation regime and regulatory burden in 2011 than in the previous year. This information will definitely play a part in the 2012 legislative debate over the state's petroleum production tax (see also, Petro, 7/17/11).

4 The 2010 Alaska Elections

Sarah Palin's departure from the governorship in July 2009 removed much of the drama from that office, and the other Alaska races seemed to present no challenges to incumbents in either the primary or general elections. As we shall see, the U.S. Senate race in Alaska, in both the primary and general election, attracted national interest.

	Rank in Group of 135, 2011	Rank in Group of 133, 2010	2011 Score	2010 Score
Offshore	78	57	47.23	36.20
Onshore	83	68	50.84	41.80

Table 2: Fraser Institute rankings of Alaska's oil investment favorability.
Source: Adapted by authors from Fraser Institute Global Petroleum Survey, 2011 (www.fraserinstitute.org).

4.1 The August 24th Primary

In the last decade, Alaska has had a "mostly closed" primary. Registered Republicans vote in a party primary, joined by interested non-partisan and undeclared voters (who comprise 53% of the state's electorate). Registrants of the Democratic, Green, Libertarian, and Alaska Independence parties vote in an "all other" primary. The purpose of this change from the former blanket primary system was to induce greater conservative Republican Party control over the nomination process, and certainly, it had that effect in 2010.

There were just a few serious challenges to legislative incumbents in the primary, as Alaska's elections, particularly in rural areas and small towns, are not very competitive. Yet the governor's race attracted competition on both Republican and Democratic sides. By the time of the primary, Sean Parnell had been the incumbent for a year, and was widely credited for his no-nonsense governance and dealing with the issues of Alaskans on a daily basis. Nevertheless, he had two opponents in the primary: Bill Walker, a business leader who had served in Fairbanks and Valdez local governments, and Ralph Samuels, an Anchorage business executive who had completed two terms in the state house, the second as majority leader. Parnell won the primary with more than 50% of the votes, followed by Walker, and at some distance, by Samuels. Joining Parnell as lieutenant gubernatorial candidate in the general election was Mead Treadwell. At that time, Treadwell had no political experience, although he was a member of the Treadwell mining clan of southeast Alaska and former chair of the U.S. Arctic Science Commission.

Competing for the Democratic nomination was Ethan Berkowitz, former minority leader of the house who ran against Don Young in the U.S. House race of 2008 and against Sarah Palin and Sean Parnell as Tony Knowles' lieutenant gubernatorial candidate in 2006. Opposing him was Hollis French, Anchorage member of the state senate. Berkowitz defeated French, and was joined on the ticket by Diane Benson, a Native Alaskan who previously ran against Don Young.

The main contest was the Republican nomination for the U.S. Senate. Early on, Lisa Murkowski was considered to be the certain victor, as she had won the senate seat on her own in 2004 (after being gifted the seat by her father, Frank Murkowski in 2002 when he left the senate to serve as governor). She was a ranking member of the Senate Energy and Natural Resources Committee, member of the Senate Appropriations committee, and vice-chair of the Senate Republican Conference (the 5th highest party leadership position). Opposing her was Joe Miller, whose political experience was limited to an unsuccessful (but close) 2004 run against a Democratic incumbent in the state house. Miller was a West Point college graduate who had won a bronze star in the first Gulf War. He was also a Yale law graduate, and magistrate and interim district court judge in Fairbanks.

Murkowski ran a "feel-good" campaign, resting on her laurels. However, Miller attacked her record. Calling her a Republican-in-name-only (RINO), he criticized her role in mounting U.S. deficits (and particularly her vote for the TARP). He also strongly emphasized his anti-abortion stance, and was aided by Proposition 2 on the primary ballot, which proposed toughening state rules on parental notification before minors could have abortions; it won a majority of the vote. Significantly, Miller was endorsed by former governor Sarah Palin, and through this endorsement gained support from the Tea Party Express, which donated more than a half million dollars to his campaign.

Murkowski lost the primary to Miller by 2,000 votes, in one of the greatest primary upsets of recent U.S. history. She conceded the race, but within two weeks prepared a write-in campaign.

4.2 The November 4th General Election

Alaska today is a Republican state. Thus, the gubernatorial election outcome was predictable. Parnell had made no major mistakes in his first year as governor, and Berkowitz carried the baggage of two lost elections. Nevertheless, Berkowitz ran a spirited campaign. He proposed partial state ownership of a gas line, stated that the state's petroleum tax regime discouraged investment and discovery of new oil, and argued that Parnell had done little to encourage economic development (ADN, 9/15/10, 9/25/10, 10/13/10; FDNM, 9/17/10, 9/28/10, and 10/25/10). As lieutenant governor, Parnell had supported both the TransCanada gas line (AGIA) and petroleum tax reform legislation of 2007 (ACES). The candidates differed ideologically and with respect to development strategies. Parnell won the race with a majority of the vote.

The U.S. Senate contest was a three-way affair. In addition to Miller as the Republican candidate and Murkowski as a write-in, Scott McAdams, former Sitka mayor, was the Democratic nominee. Three issues dominated this race: anti-incumbency fervor, Murkowski's seniority and questions about Miller's integrity.

In most of his ads, Miller stated, "To change Washington, D.C., you have to change who's there", the mark of an insurgent campaign. He said the U.S. was nearly bankrupt, and without sharp reductions in deficits and debt (to which he alleged Murkowski had significantly contributed), America would follow Greece into an economic meltdown. He stridently opposed earmarks as "the single most corrupting influence in Congress." Miller emphasized strict constitutionalism, proposing the elimination of the federal education department and other programs such as Social Security, Medicare and the minimum wage, because none was mentioned in the Constitution.

Murkowski, meanwhile, explained what her seniority had brought Alaska and defended earmarks. She used a support ad from former senior senator, Ted Stevens (who died in a plane crash two weeks before the primary). Finally, she challenged Miller's interpretation of her record and questioned his personal ethics. Specifically, he received subsidies for agricultural land he owned in Kansas while calling for an end to the welfare state; he hired his wife to work for him when he was a part-time magistrate judge; his family had received government support dedicated to low-income children and pregnant women; finally, as an assistant borough attorney in Fairbanks, he illegally used office computers in an attempt to unseat the chair of the state Republican party.

Miller netted endorsements from Republican leaders, both national and state (with the exception of Don Young, who backed Lisa Murkowski), and the Tea Party Express again contributed to his campaign. Murkowski received nearly $1 million in support from Alaskans Standing Together, a consortium of Alaska Native corporations, as well as endorsements from labor unions and Alaska community leaders. She won 10,000 more votes than Miller, who contested the poor penmanship of voters for Lisa and those who misspelled her name. His challenges added a month to the counting of the votes and ultimate certification of Murkowski's win (see McBeath and Shepro 2011; *New York Times,* 12/5/10). Notably, this was the first successful write-in campaign for the U.S. Senate since Strom Thurmond's South Carolina senate victory (without significant opposition) in 1956.

4.3 Legislative Reorganization

As in the previous two elections, outcomes in races for the 20-member state senate were evenly split between Democrats and Republicans. Again, a bipartisan working group formed, comprised of 10 Democrats and 6 Republicans; 4 Republicans formed the minority. Gary Stevens (R, Kodiak) continued to serve as president and Johnny Ellis (D, Anchorage) remained majority leader. In the house, Republicans added two seats, bringing the total to 23, and with the four rural Democrats (the “bush caucus”), they had a strong working majority. Mike Chennault (R, Kenai) retained his grasp on the speakership and Al Austerman (R, Kodiak) became the majority leader. The house became somewhat more conservative with election changes; the ideological tint of the senate did not change much.

5 State Issues with a Federal Connection

We treat four issues that have bearing on fiscal policy in Alaska: the natural gas pipeline, the Arctic National Wildlife Refuge (ANWR), outer-continental shelf (OCS) drilling and endangered species regulation, and predator control policy. We also mention the congressional delegation.

5.1 Natural Gas Pipe Line

Alaska has a clearly identified 35 billion cubic meters of natural gas on the North Slope, and estimates of total reserves are 7–8 times that amount. Of course, this resource is quite distant from the U.S. market, and thus discussion has focused on how best to move product to market. During most of the reporting period, the two competing pipeline proposals – TransCanada (loosely affiliated with ExxonMobil), with an authorization by the state under AGIA and an agreement by the state to pay $500 million in development costs, and Denali, without state authorization but combining the resources of BP and ConocoPhillips – both held open seasons and reported they had received multiple bids from producers to move gas through a 2,000-mile pipeline estimated to cost $40 billion (FDNM, 7/31/10, 9/28/10; ADN, 10/5/10, 12/8/10). However, neither consortium was obliged to reveal binding agreements with producers, and this occasioned concern from policy-makers for several reasons.

First, given abundant gas resources in the U.S. produced from shale, the natural gas market is very soft, and a new pipe line does not appear to be economically feasible in the second decade of the 21st century. Second, federal agents questioned whether or not the market could sustain the project. The federal Alaska gas pipeline coordinator, Larry Persily, commented that the project might require state assistance (FDNM, 11/20/10). The U.S. Energy Information Administration stated that building a major natural gas pipeline from Alaska to the U.S. mainland was not economical in the next 20 years (ADN, 12/23/10).

Third, support for the large diameter pipeline continued to erode among state policy-makers. Bert Stedman, co-chair of senate finance, called it a “dead project” and urged the state to cut its losses if the project were not viable by the summer (FDNM 1/22/11). Then, five Republican legislators filed a bill to scuttle AGIA, and demanded that TransCanada meet a deadline (FDNM 2/5/11). As of early 2011, the state had expended $36 million on pre-pipeline work and set aside an additional $100 million. A deadline on TransCanada's work likely would violate the terms of AGIA and no hearings have been held on its work to date.

In mid-May, BP and ConocoPhillips surprised Alaskans by announcing that the companies were stopping work on the Denali project, and withdrew their application from the Federal Energy Regulatory Commission (FERC). They did so because they were unable to attract commitments from shippers, which would be necessary in order to secure financing for pipe line construction (FDNM, 5/18/11; AER, 5/24/11).

However, TransCanada continued its planning and pre-permitting work, while FERC prepared to study the environmental impacts of a major gas line (ADN, 8/6/11). TransCanada and ExxonMobil have spent $288 million on the proposed 48-inch gas pipeline to Canada and expects to invest $700 million by the time FERC certifies the project (expected in 2014 or 2015, ALD, 8/18/11). At a resource committee meeting with legislators in mid-August, Tony Palmer, TransCanada's vice president of major projects, said shippers would be more willing to commit to space on a line if the legislature developed a long-term fiscal structure for natural gas taxes and if the continuing dispute between the state and ExxonMobil over Point Thomson gas field leases were resolved (FDNM, 8/17/11).

There is a market for natural gas within Alaska, but it is relatively small. Costs for home heating fuel in the Interior are almost $4/gallon and greater than twice that in most rural areas, while Cook Inlet gas fields still are running low. Thus, there is strong pressure from the Interior and rural Alaska for cheaper energy. During most of the reporting period, discussion focused on competing proposals to use natural gas in-state. A small diameter pipe line from the North Slope to Valdez (passing near Fairbanks with a line to Anchorage) would cost $7–8 billion. It might violate terms of AGIA, and would definitely require a large state subsidy to bring energy costs to a reasonable level (FDNM, 2/10/11). A study commissioned by the Natural Gas Port Authority found that were the state to invest in such a line, it would earn $65 billion over 30 years (FDNM, 7/29/11).

If a subsidy is considered seriously, then the issue becomes whether state dollars are better spent on a non-renewable source of energy or a renewable source, such as hydropower. During the first session of the 27th legislature, policy-makers paid more attention to the development of a new dam on the

Susitna River (the revival of a popular proposal from the 1980s, see AER, 10/28/10) than they did to an in-state gas line.

Finally, at least two groups proposed trucking natural gas from the North Slope to Fairbanks, but their management proposal and feasibility were somewhat vague (ALD, 1/23/11, 7/7/11 and AER, 7/20/11). These proposed projects would require a much smaller state subsidy, and bring relief sooner than a gas line. The road option is the liveliest as of this writing, because in early August, a new team proposed transporting liquefied natural gas (LNG) from Prudhoe Bay to Fairbanks by truck. The proponents are Flint Hills Refinery in North Pole, which needs a cheaper energy source to remain economically viable, and Golden Valley Electric Association (a nonprofit cooperative supplying electricity to Fairbanks and the Interior), which seeks to reduce energy costs to its owners/consumers (FDNM 8/5/11; AER, 8/8/11). The proponents promise that the arrangement would be completed by 2014, and would require limited government support.

5.2 ANWR

The year 2010 was the 50th anniversary of the establishment of the Arctic National Wildlife Refuge, and this led to the revival of debates over whether or not a small section of the refuge should be opened for oil and gas exploration and development. On the one hand, the U.S. Fish and Wildlife Service considered stricter conservation standards for the refuge that would preclude development, to which Alaska's senators strenuously objected (FDNM, 9/26/10, 9/28/10, ADN, 12/5/10). On the other hand, as rebellions swept the Middle East, senate Republicans launched a new effort to open ANWR, with the interesting proposal that one-fourth of federal royalties would benefit renewable energy projects (FDNM, 4/1/11).

5.3 OCS Drilling/ESA Issues

A third area of state-federal dispute concerns restrictions on outer-continental shelf oil and gas development and other environmental regulations, particularly as they pertain to the protection of species that recently have entered the federal threatened or endangered species lists. The issues concern polar bears, sea lions, walruses and wild lands, and the controversy pits federal regulatory authority against state and private corporation development interests.

When then Interior Secretary Dick Kempthorne listed the polar bear as a threatened species in 2008, the state filed a suit of objection in federal court. The controversy continued as the Interior Department established a critical habitat of 187,000 square miles for the polar bear, an area larger than the state of California. State government and private groups, such as Shell Oil and Alaska trade associations, called this excessive and unnecessary because it could potentially affect OCS drilling in the Beaufort and Chukchi seas (FDNM, 10/13/10, 3/10/11; ADN, 11/25/10, 3/4/11). During this reporting period, a federal judge agreed with scientists and environmental organizations regarding the polar bear suit (FDNM 4/1/11), and the Interior Department began work on a recovery plan (FDNM, 8/29/11).

Then the EPA halted Shell's OCS drilling because it did not comply with Clean Air Act standards, which led to a suspension of drilling (FDNM, 1/4/11; ADN, 2/4/11; AER, 3/15/11). However, the OCS of the North Slope contains an estimated 27 billion barrels of oil beneath the ocean floor, and strong pressures from the state's congressional delegation and the oil industry seem to have had an impact on federal regulators. The EPA drafted an air quality permit for Shell Oil's offshore drilling by mid-year (ADN, 5/7/11, 6/30/11 and FDNM, 7/1/11). Too, the U.S. Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE, the reconfigured MMS) approved Shell's plan to drill 10 wells offshore (FDNM, 8/5/11; 8/19/11).

The state also objected to the endangered species listing of the eastern Steller Sea Lion population, and challenged a biological opinion of the National Marine Fisheries Service that would apply further limits to commercial fisheries in the North Pacific (FDNM, 9/3/10). Then, the state prepared objections to potential listing of walruses to the endangered species list because of thinning sea ice, but conflict over this species was delayed by an Interior Department judgment that the walrus might be "warranted" for inclusion on the list but was "precluded" because other species such as polar bears were more critical (FDNM, 2/8/11; also see ADN, 4/22/11).

As several commentators noted, Governor Parnell appeared to engage in even more fed-bashing rhetoric than former governors Palin and Murkowski. Part of this rhetoric may be explained by heightened federal action. For example, the Interior Department sought to strengthen protection of wild lands by the Bureau of Land Management (ADN, 1/28/11), but the congressional compromise in the FY 11 budget blocked the implementation of this DOI effort (FDNM, 4/13/11). Moreover, Park Service employees arrested a 71-year old Central resident during a boat check on the Yukon River in late summer 2010, prompting demonstrators in Fairbanks to cry out against federal "Gestapo" tactics and the state's attorney general to complain about "unprecedented overreach" by the federal government in recent years (FDNM, 8/16/11).

A remaining OCS development issue is the revenue split between the federal and state governments. Some OCS fiscal splits have widely favored the federal government, allocating 90% of tax revenues to it (because most of the recoverable oil is in federal public domain). Although the state has sought a more favorable 50–50 distribution, this issue has remained unresolved (FDNM, 7/22/11).

5.4 Predator Control

The state's wolf control policy remains an object of contention and ridicule to animal rights groups nationwide, as do other animal rights issues in the state; PETA even challenged the Iditarod – Alaska's major dogsled race from Anchorage to Nome – because of alleged cruelty to animals. The issue increased state tensions with the federal government when the Interior Department blocked state plans to kill wolves on Unimak Island (a (federal reserve) in order to protect the caribou population (FDNM, 3/9/11). While attracting less publicity for culling wolves, the state department of fish and game decided to legalize trapping of bears in Alaska to protect caribou and moose calves (ADN, 10/9/10). Alaska is now only the second state (after Maine) to allow bear trapping, but the black bear population is not yet threatened as numbers are in excess of 100,000.

5.5 The Congressional Delegation

With Lisa Murkowski's reelection victory, Alaska's seniority in the U.S. Senate increased somewhat. Congressman Don Young's reelection made him the second most senior Republican in the house as he entered his 20th term, but he did not become chair of a committee when Republicans regained control of this body after the 2010 mid-term elections. That may become possible in the future, though, as the federal justice department cleared the representative of corruption charges related to VECO and influence-trading related to transportation projects (ADN, 8/5/10; FDNM, 1/28/11). The delegation was divided along partisan lines in response to the health care reform legislation and its impacts on Alaska (FDNM, 1/20/11). It was united in support of a continuation of federal earmarks, from which Alaska has benefited greatly (FDNM, 11/22/10, 2/4/11; ADN, 2/3/10). The deficit/debt reduction agreement the Congress reached in early August 2011 pointed out the need for the delegation to defend existing federal appropriations to Alaska which, on a per capita basis, remain among the highest in the nation (see AER, 7/31/11; FDNM, 8/24/11).

A recent survey by the state's primary pollster, David Dittman, indicated that the delegation was popular. Scoring highest was Lisa Murkowski, with a 71% favorable rating, followed by Don Young (63% favorable), and then Mark Begich (57% favorable). These relatively high ratings contrast with high unfavorable ratings for Sarah Palin (61%) and Joe Miller (73%). (AER, 4/25/11).

6 The FY 2012 Budget Process

Sean Parnell won the gubernatorial election with 59% of the vote. Thereafter, he formed seven teams to begin the transition process and resolved to create an administration loyal to him (he also retained all of Palin's commissioners when he replaced her in July 2009). He reorganized the cabinet by not retaining half of the commissioners, including Tom Irwin at DNR and Pat Galvin at DOR who had participated actively in the AGIA and ACES signature legislation of the Palin administration (ADN, 11/4/10; FDNM, 11/10/10). This was a signal that Parnell would distance himself from both AGIA and ACES.

At his inauguration in December 2010, Parnell said "Everything I work to do is founded on our economy and our people." He vowed to create opportunities, spend money conservatively, transform the K-12 education system, reduce domestic violence and sexual assault, and fight the federal government when it overstepped its boundaries (FDNM, 12/6/10, 12/7/10). Throughout, he stated that he wanted to hold the line on the operating budget of the state. In fact, the instructions he sent agencies were that expenditures should not increase beyond what could be justified by cost-of-living increases alone.

6.1 Executive Budget Request

Overall, Parnell's budget proposal amounted to $11.1 billion, some $313 million larger than the FY 2011 authorized budget. This included $1.2 billion in other funds and $2.1 billion of federal aid, almost the same as in FY 2011. It both continued emphases of the current fiscal year (i.e., reduced domestic violence and sexual assault, deferred maintenance funding) and increased funding for infrastructure (e.g., roads, harbors) and energy projects (i.e., some $400 million in tax credits for oil and gas exploration, $165.5 million for natural gas projects and renewable resources). Likewise, it put funding in several new programs, such as the governor's performance scholarship program (which was not funded by the 26th legislature), to be endowed with $400 million and funded at the initial rate of $8.3 million/year, and Susitna Dam studies (FDNM, 12/16/10; ABR, 12/22/10).

6.2 Operating

The requested operating budget of $9 billion incorporating all funds included about $5.75 billion of state general funds, a growth of 5% [$275 million] from FY 2012 and an increase of 3.5% for all funds. Parnell sought to limit state agency growth to 1.9% annually (then the Anchorage CPI stood at 1.8%), with larger allocations to non-discretionary categories, including Medicaid, and to reduce deficits in the state's retirement programs.

6.3 Legislative Responses

At initial hearings on the operating budget, Legislative Finance Director David Teal commented that the plan would be six percent larger when all state dollars were counted (*Juneau Empire*, 1/21/11). He also noted, as did several legislators, that the state would likely need to draw on reserves to fund the budget, but the increase in oil prices erased this concern. In the first 45 days of the 90-day session, department budgets underwent scrutiny in committees and subcommittees, which provided legislators their typical opportunity to criticize agency policies and operations with which they disagreed. Agency personnel costs received greater scrutiny than usual, and a block of fiscally conservative Republican legislators vowed to oppose funding collective bargaining agreements with across-the-board increases in excess of 1.5% (neither house followed through with this recommendation).

In general, legislators were satisfied with the governor's operating budget proposal, and critical discussion occurred at the margins, in three areas, namely, K-12 education, health care, and university scholarships. The governor had proposed no significant funding increase to K-12 education, and indeed did some bashing of the state's educational system for its alleged poor performance. His perspective received some support from an education task force, which recommended an overhaul of the K-12 system, greater parental involvement in their children's education, and increased teacher pay (FDNM, 3/11/11). The schools' coalition (mainly consisting of teachers, PTAs, school board members, and administrators) countered with more assertive lobbying than usual, requesting an increase of $125 in the per-pupil expenditure by the state. The house balked at this figure, but the senate agreed to an increase of $50 (as noted below, schools received $20 million as a FY11 supplemental).

Meanwhile, health care was a broader issue and one with large financial dimensions. Health care costs in Alaska are the highest in the nation, and seem to rise at a faster rate than elsewhere due to absence of a competitive marketplace in medical services, and higher energy and travel costs, among other reasons. At the end of the 2010 national health care debate, Governor Parnell joined most of the Republican governors who opposed implementation of reform legislation. Once a federal judge declared the law unconstitutional (without calling for a halt to implementation), Parnell declined to allow implementation to begin in Alaska (ADN, 10/29/10); moreover, he was the only governor to refuse to prepare for the development of a health care exchange system, for which *Politico* called him the "most aggressive, anti-healthcare reform Governor'' (FDNM, 1/7/11). He further declined to take advantage of some $90 million available for implementation purposes (FDNM, 9/3/10), saying he would return health care reform dollars to the federal government if requested (ADN, 2/23/11; FDNM, 3/4/10). This was the background for the legislative analysis of rising Medicaid costs in Alaska.

A third area of disagreement concerned Parnell's proposal to establish a $400 million endowment for his performance scholarship program. In 2010, the legislature had agreed to the concept but declined to establish an endowment; instead, it set up a task force to examine the issue. Late in 2010, the task force recommended the establishment of a state merit scholarship account as well as called for need-based aid (FDNM, 12/3/10). Both the house and senate recognized the need to increase assistance to needy college students (Alaska's program is among the nation's least well-funded). In addition, rural legislators particularly objected to performance-based scholarship aid because it required high school students to have taken four years of classes in math and sciences, which are not available in many rural districts.

The house adopted the operating budget in March, and by early April, the senate had followed suit (FDNM, 4/2/11). However, the budgets went to a joint conference committee as the house's numbers were lower and the senate's higher than the governor's request.

6.4 Supplemental Budget

The governor's supplemental budget request was small at $223.4 million for FY 2011. The operating budget total was $108.4 million; capital was $115 million. It included $105 million in federal funds and $19 million in other state funds. As has typically been the case, the largest single category of increase was for Medicaid funding ($46.8 million), followed by $20 million for school air. Capital supplemental included $18.3 million for airport construction and renovation and $32.9 million for surface transportation projects, all to begin in the 2011 calendar year. Other items receiving some attention from legislators, were $8.5 million primarily for inmate health care in state correctional facilities, $19 million intended to pay fees for investment managers of the PF, and nearly $1 million for unanticipated legal actions, such as expenses related to Joe Miller's challenge of the US Senate election (ALD, 2/7/11, and also ABR, 2/10/11 and 3/24/11).

6.5 Capital Budget

The governor initially proposed a capital budget of $1.6 billion (including $740 million in general funds), which was slightly less than half of the $3.1 billion capital budget approved by the legislature for FY 2011. As the legislative session progressed, the governor indicated willingness to increase this budget, and his amendments brought the total to $1.917 billion.

Late in the session, the Senate Finance Committee produced a committee substitute that would appropriate $2.9 billion for capital projects. Governor Parnell had no objections to a capital budget equaling the amount he had approved (after vetoes) in 2011 ($2.825 billion) based on greatly increased oil revenues (ABR, 4/12/11), and the senate version exceeded this by $65 million. Two areas of the senate proposal concerned the house and delayed a timely closure of the legislative session.

First, house members objected that the senate numbers were so high that law makers in the house were left with little room to add discretionary projects for their districts. Second, the senate added two strictures to capital funding provisions. In one, it said that if any of the energy projects were vetoed by the governor, the entire $399 million appropriated for energy work would be invalid. In the other it made $100 million of capital projects requested by the governor contingent on an average oil price greater than $150/barrel (not reached yet in 2011; ABR, 4/12/11, 4/15/11). These strictures raised constitutional questions about inter-branch relationships. As we shall see, the failure of the two houses to reach agreement on the capital budget prompted the governor to adjourn the regular session and convene a special session.

7 The Attack on ACES

None of the state spending plans received a significant amount of attention in the first session of the 27th legislature, because the most important item on the governor's agenda, which he aggressively pursued, was a steep cut in the state's oil taxation regime. Called Alaska's Clear and Equitable Share, ACES had produced huge increases in state revenue, resulting in projected surpluses (at continued high oil prices) for FY 2011 of $2.2 billion and for FY 2012 of $1.5 billion (FDNM, 4/7/11).

The ACES legislation was passed under different conditions than those of 2011. In 2006, Sarah Palin had become governor after an insurgent campaign, which feasted on alleged ethical lapses of the sitting governor and the developing corruption scandal affecting several Republican state legislators and implicating an oil field services corporation, VECO. Palin was popular and took a moderate stance in the governorship, working easily with Democrats and Republicans. Then a populist, she found it easy to criticize Big Oil and support a significant increase in the state's severance tax rate on oil production in 2007, with a highly progressive element as oil prices increased (see McBeath et al. 2008).

In 2009 oil companies began the investment strike discussed in the 2010 report (McBeath 2011). The state oil and gas association, the alliance of oil field workers, and chambers of commerce began to focus again on declining oil production. We speculate that during the 2010 general election campaign, Sean Parnell began changing his mind about ACES. In his state of the state address at the start of the 2011 legislative session, he unveiled his proposal: lowering the progressive tax rate to encourage long-term investment. He argued for capping the production tax at 50% (compared with the ACES rate of 75%), and establishing a tiered or bracketed system, starting at 25% for new field sites. He also proposed reducing penalties for late tax filings and additional tax credits.

Overall, the argument for lowering the progressivity of ACES was that it would increase oil company investment in Alaska, needed to explore and develop marginal tracts and process heavy oil, which would increase production (and state jobs) and throughput to the pipeline. Multinational oil companies were ardent supporters of the governor's proposal. For example, BP executives testified that the company had invested $20 billion elsewhere but not in Alaska because it was "uncompetitive" (ADN, 2/17/11). The CEO of ConocoPhillips said the current tax system stifled investment. Nevertheless, he promised that the corporation would move forward on already identified projects, such as a gas-partial processing plant and a new drill pad with 50 new wells, if the state reduced its take (FDNM, 4/6/11, 4/8/11). The Alaska Oil and Gas Association testified about the decline of oil industry jobs in recent years, and emphasized that the state's high taxes discouraged drilling. It pointed to studies comparing Alaska unfavorably with other oil patch jurisdictions. A new supportive group, the "Make Alaska Competitive Coalition", was formed to support an oil tax fix. Headed by former University of Alaska President Mark Hamilton, it claimed to have received no oil industry financial support (FDNM, 2/24/11). Chambers of commerce statewide joined this chorus and invited oil company and oil support firms to address and mobilize members.

The arguments for retaining ACES were that the state lacked three crucial elements: data to support changes, guarantees that lowered taxes would increase investment, and evidence that Alaska was an uncompetitive environment for oil and gas development. Indeed, Alaska has not conducted an audit of oil company use of tax credits and other incentives since 2006, and during this period the state extended $3 billion in credits to the multinationals (FDNM, 3/14/11). A legislative consultant said that the shortage of information left the state "shooting in the dark" on oil taxation (ALD, 2/21/11). Many legislators insisted on proof that oil companies would increase their investments and generate new jobs. Although the *Fairbanks Daily News-Miner*, a leading advocate of reduced oil taxation, claimed ConocoPhillips' promises were a virtual guarantee (FDNM, 4/10/11), critics pointed to the many broken promises made by oil companies in the past. The legislature's favorite oil taxation consultant, Pedro VanMeurs, is conducting a systematic analysis, the results of which were released late 2011. An existing study used by oil tax reduction advocates has been disputed. Fairbanks Columnist Dermot Cole reported that the 2010 Global Petroleum Survey of the Fraser Institute was not negative about Alaska's oil taxation regime: A "majority of survey respondents found Alaska's system attracts or has no impact on investment" (FDNM, 4/1/11). Finally, nearly all opponents to change worried about the significant reduction to state revenues (estimated to be from $1 to $2 billion a year, at relatively high oil prices) and resulting adverse impact on valued state programs, if Parnell's proposal were accepted.

Alaska has no regular measure of public opinion on important issues, but e-mails to the governor's office showed that the public was divided on the question of reducing state taxes on oil (FDNM, 4/3/11). At the end of March, the state house narrowly approved (22–16) the Parnell oil tax cut plan (ADN, 4/1/11). However, the legislation did not leave the resources committee in the senate.

One week before the scheduled adjournment of the legislature, Senate President Gary Stevens delivered a speech under "special orders" in defense of the senate's decision to postpone action on the governor's proposal. He said: "We will not be bullied into making a $2 billion mistake . . . We need answers, we need data, we need information." He continued by remarking that the Alaska Constitution called for employment of the state's resources "for the maximum benefit of its people. It does not say for the maximum benefit of big oil . . . our state's banking institutions . . . the chamber of commerce" (ABR, 4/12/11).

Proposed revisions to ACES will likely be the chief topic in the second session of the 27th legislature in 2012 (see editorial, FDNM, 8/18/11). In late August, a grass-roots group formed in opposition to Governor Parnell's plan, calling themselves Alaskans United to Stop Our Oil Wealth Giveaway. While organizer Bruce Gazaway personally was open to tax rate adjustments, he sought "folks of both faiths . . . that support a fair share for the citizens of Alaska" (FDNM, 8/25/11).

8 Special Session(s)

On April 17, 2011, at the end of the legislature's 90-day regular session, the House certified to the governor that the two houses were at an impasse. This allowed Governor Parnell to use his constitutional authority to adjourn the house and senate (an authority not previously used in state history). The governor then called both houses into special session, which began the next day and stretched to May 14, 2011 (ALD, 4/21/11). The governor listed 10 bills for consideration during the session: operating, supplemental and capital budgets, mental health appropriations, establishing an Alaska performance scholarship fund, granting the state energy authority (AEA) powers to develop the Susitna hydropower project, extending the coastal management program, adding vocational education to the school funding formula, extending the Regulatory Commission of Alaska, and extending four state boards and commissions (ABR, 4/29/11).

The supplemental and operating budgets were not controversial. The house cut $21.5 million from the governor's supplemental request. With his agreement, all supplemental capital projects were included in the capital budget instead (ALD, 4/21/11), and the supplemental totaled $135 million. Only minor differences separated the houses on the operating budget, namely, additional assistance ($40 million) to municipalities and school districts and financing the Alaska Coastal Management Program (ACMP), as discussed below, and they agreed to them in principle (ABR, 4/29/11). The issues were where and in what form the appropriations would appear. The final operating budget included mental health appropriations, the promised $1 billion added to the statutory budget reserve, and $400 million for the Power Cost Equalization Fund (ALD, 5/5/11). Both houses also passed legislation extending the RCA, boards and commissions, adding vocational education to the funding formula and expanding the AEA's powers regarding hydropower.

The legislature again declined to establish the scholarship fund requested by the governor, but it did fund college scholarships in the amount of $9 million, allocating $6 million to students based on performance in high school and $3 million to those in need (ALD, 5/5/11; also FDNM, 4/13/11 and 5/5/11).

There was disagreement about the capital budget that necessitated the special session, and it remained the focus until the end. Several factors explain the impasse (personal interviews with legislators, August 17, 18, 19, 2011). First is the normal tension in divided governments. The senate is led by a bipartisan working group with a majority of Democrats, facing off against a conservative Republican governor and a conservative Republican house. Second, the senate (as described above) refused to let out of committee the governor's chief legislative priority, a reduction in the state's oil production tax (narrowly approved by the house). The governor was miffed, and senate leaders believed he would retaliate by executing punitive vetoes on the capital budget. Thus, they bundled $399 million in energy projects and walled them off with restrictions and restraints in an attempt to make them veto-proof. They stalled action on the capital budget in order to deny the house opportunities to adjust projects, thereby giving the house only a "take it or leave it" option. Overall, the senate simultaneously waged battle with both the governor and the house. Third, the co-chairs of senate finance, Bert Stedman (R, Sitka) and Lyman Hoffman (D, Bethel), held bills in committee and worked money into projects which house finance leaders objected to. Fourth, personal relationships of house and senate finance leaders and the governor were less than friendly, and their communications were poor.

Prompted by concerns that federal funding would be jeopardized if the legislature did not act expeditiously (FDNM, 5/11/11), in the last week of the special session, the senate finance committee did reduce the senate's budget total from $2.9 to $2.7 billion, leaving the house some room to add projects, and it did indicate its willingness to omit the veto language, which the attorney general declared to be unconstitutional (FDNM, 4/17/11). The house adopted the senate's base numbers, added funds for in-state gas pipeline work, a bridge over the Tanana River, some other items, and then adjourned. The senate acquiesced in these relatively minor changes and adopted the by then $3.1 billion capital budget (with $1.1 billion of federal dollars) (FDNM, 5/15/11; ALD, 5/19/11).

This special session closed without agreement on extending the ACMP. The program gives the state rights of participation and influence in major federal decisions such as drilling in the OCS. Until 2003, coastal districts had significant input by determining whether federal actions were "consistent" with local and the statewide management plan. In 2003, the Murkowski administration centralized the process, leaving coastal communities without much say. Rural legislators led by Senator Hoffman sought to restore the old system in 2010 but failed; those who opposed were Governor Parnell, most Republican legislators, and the oil/gas industry. In the 2011 session, Hoffman sought to limit the governor's discretion to fire Coastal Policy Council members by allowing dismissals only "for cause". Likewise, he sought to insure that "local" (or traditional ecological) knowledge used as a decision basis could not be conditioned by contrary "scientific evidence" (AER, ALD, 6/6/11). These changes defined the senate's stance at a second, one-day special session in late June. Senators modified the local knowledge language to "aggregate evidence" (ALD, 6/27/11), but this change did not satisfy the house. The vote was split, with 18 in support, 18 opposed and 4 excused (ALD, 6/29/11). The failure to extend ACMP left Alaska – with one-third of the nation's coastline – as the only coastal state without a state program linked to the federal Coastal Zone Management Act.

8.1 Governor's Vetoes

During the session, Governor Parnell said he wanted to cap construction and other capital projects at FY 2011 levels, despite high oil prices (FDNM, 4/26/11). In late June, the governor vetoed or reduced items in this budget totaling $400 million, bringing the capital budget total down to $2.8 billion (FDNM, 6/30/11). Observers detected few if any vindictive cuts and thought most of the struck (or reduced) appropriations were explained as falling outside departmental priorities, or were municipal and not state obligations (AER, ALD, 7/5/11).

9 Final State Budget

We discuss the supplemental, operating, and capital budgets after first considering Alaska's revenue stream.

9.1 Revenues

Alaska's FY 2012 total authorized spending, including capital, supplemental and Permanent Fund dividends, is $11.78 billion. Table 3 indicates all sources of revenue for state government, comparing estimated revenues for FY 2011 with those estimated for FY 2012.

Our 2010 report listed revenues of $9.6 billion for FY 2011, and the amount listed above is $2.2 billion greater. This is because the figure we used then was an estimate, and the data (particularly oil prices) have changed.

Overall, state revenues are projected to remain stable through FY 2012, with the difference from the previous year projected to be only 0.6% lower. Total general funds are expected to rise slightly; other state funds are to fall by approximately 2.6%, and federal funds are to decline by approximately 3.8%. It seems likely that if discretionary funds are reduced nationally consequent to the federal debt and deficit reduction plans, federal funds flowing to Alaska will decline more sharply.

Revenue source (excludes Permanent Fund earnings)	FY 2011	FY 2012
Unrestricted General Funds (based on oil forecasts of the Department of Revenue)	7,274.3	7,300.2
Designated General Funds	760.8	786.7
Total General Funds	8,035.1	8,086.9
Other State Funds	556.4	512.1
Federal Receipts	3,248.3	3,182.7
All Funds	11,839.8	11,781.8*

Table 3: Revenue sources, FY 2011–2012 Budget Allocations (millions).
Source: State of Alaska Fiscal Summary for FY 2011 and FY 2012, 8/3/11.
*Excludes PF earnings.

9.2 Capital Budget

The total capital appropriations for FY 2012 amount to $2.731 billion, which is nearly $1 billion higher than the FY 11 amount (see appendix, with FY 11 all funds capital appropriations of $1,820 billion). Given that capital appropriations extend over many years, it is difficult to gauge what is authorized and expended in any given year. Legislative Finance Director David Teal notes that the funds are reserved when appropriated, but are not tracked when money is spent (personal communication, 8/25/11). Comparing legislative activity recorded in last year's report to this year, the amount of capital spending authorized is unchanged, and of the $2,731 million, federal receipts are $1,080 million, approximately 40% of the total.

9.3 Supplemental Budget

Discussion of amounts for supplemental funding in the legislature ranged from $125 million to more than $200 million. The final, official amount for the FY 2011 supplemental was $294.4 million, which included both agency and statewide operating total of $179.2 million and capital spending of $115.2 million. Supplemental *transfers* totaled $1.9 billion. These included issues discussed above, and specifically the $400 million transferred to the Power Cost Equalization Fund and the $1,050 million transferred to the statutory budget reserve (see appendix). Such transfers are not included in the FY 11 supplemental amount.

Supplemental budgets are designed to accommodate unanticipated needs during the year in which the legislature is adopting a budget for the next fiscal year. The state had such needs, as mentioned briefly above – increased expenditures on Medicaid and corrections, among others. However, in recent years, the state has also had unexpended budget authority, for example departments which did not hire all the personnel whom they were authorized to hire. Moreover, the state has paid off debt at a higher than anticipated level. This resulted in a relatively small supplemental budget for FY 11 (but larger than the automatic placeholder for unanticipated needs of $50 million GF). As Legislative Finance Director Teal remarks: "Alaska also waits until late in a FY to save and spend money – no sense appropriating uncertain FY 12 money when FY 11 money is in the bank" (personal communication, 8/25/11).

9.4 Operating Budget

The state's FY 2012 operating budget amounts to $8.434 billion, which is 2.3% larger than the FY 2011 budget of $8.211 billion. If duplicated expenses were included, the FY12 total would be $9.111 billion compared to $8.889 billion in FY11, an increase of 2.5%. Note in the appendix that "agency operations" in the new budget year are authorized to be 4.1% higher, which reflects more accurately the increase in budget authority from FY 2011 to FY 2012. The FY 2012 budget (unduplicated funding) includes $3.9 billion in unrestricted general funds, $707 million in designated general funds, $411 million in other funds, and $2.059 billion in federal funds.

Normally, Alaska governors make few, if any, vetoes in the operating budget. Governor Parnell did not veto funding for any substantive policy area. However, he did veto several millions in debt service, because Alaska's debt has declined in the last year and that budget authority was unnecessary.

Table 4 displays the FY 2012 operating budget compared with the FY 2011 final budget as well as changes in appropriations.

As can be seen, the budget allocations of seven agencies changed by 5% or more. The Department of Commerce, Community and Economic Development's budget was reduced by 5.9%. The largest change was the movement of $9 million from the operating to the capital budget, in the form of tourist industry grants. Moreover, national forest receipts fell by $2 million. The Department of Corrections budget increased by 5%, as the state has more prisoners and their medical costs continue to climb. Also, a new prison opened at Goose Creek, with its attendant costs.

The operating budget has two categories to accommodate cost increases that are system-wide – the "branch-wide unallocated appropriation" and the governor's budget. The branch-wide appropriation increased by 114%, which

Agency	FY 2011	FY 2012	Change in percent
Administration	304.8	313.3	2.8
Commerce, Community and Economic Development	182.4	171.5	-5.9
Corrections	273.8	287.5	5.0
Education and Early Development	1,493.7	1,501.5	0.5
Environmental Conservation	77.3	79.9	3.4
Fish and Game	193.5	199.0	2.8
Governor	115.5	29.4	-74.5
Health and Social Services	2,365.7	2,462.6	4.1
Labor and Workforce Development	199.6	193.9	-2.9
Law	95.2	97.6	2.6
Military and Veterans Affairs	78.8	84.2	6.8
Natural Resources	162.8	151.5	-6.9
Public Safety	189.4	195.0	3.0
Revenue	328.9	308.5	-6.2
Transportation	576.5	597.7	3.7
University of Alaska	856.4	889.1	3.8
Alaska Court System	98.9	105.4	6.6
Legislature	69.7	69.3	-0.5
Branch-wide Unallocated Appropriations	14.5	31.0	113.8
Sub-total, agencies	7,677.4	7,767.9	1.2
Statewide Items			
Debt service	271.7	349.3	28.6
Fund capitalization	581.0	512.7	-11.7
Direct appropriation to retirement	357.6	479.5	34.1
Special appropriations	1.5	1.2	-17.4
Sub-total statewide	1,211.8	1,342.7	10.8
Statewide total	8,889.2	9,110.6	2.5

Table 4: Operating budget allocations for FY 2011/2012 and corresponding changes (millions). *Source:* 2011 Legislature-Operating Budget, Agency Summary-Conf Comm Structure, Legislative Finance Division, August 18, 2011. The authors have adapted this table and compared the FY 2011 final budget to the total FY 2012 operating budget.

was accounted for by a $16.5 million increase for agency fuel costs. The allocation for the governor's office fell by 75%. The 2009 American Relief and Recovery Act (ARRA) passed through stimulus funding of $83 million has expired. Likewise, cuts were made to the redistricting board and elections budgets because their costs for FY 2012 are expected to be lower (e.g., no hand counts of ballots are predicted, as occurred in the 2010 McAdams-Miller-Murkowski senate race).

The department budget of the Military and Veterans Affairs increased by nearly 7%, while the largest increase ($4 million) was for the Alaska Aerospace Corporation. Funding for veterans services and the Alaska Military Youth

Academy increased as well. The Department of Natural Resources (DNR) lost nearly 7% of its funding for the new budget year. The largest cut ($10 million) was in fire suppression expenditures; this allocation had been beefed up to deal with large wild fire outbreaks in previous years, but wildfire costs were low in 2010 and 2011. The failure of the legislature to renew ACMP translated to savings of $4.5 million from DNR's budget. A $4.1 million reduction in the AGIA pipeline coordinator's office represents the expiration of one-time item (OTI) funding. The Department of Revenue (DOR) budget thinned by 6.2%; this agency had benefited from increments in previous years for the Alaska Gasline Development Corporation and for natural gas commercialization, and much of this work had been completed. Furthermore, in FY 2011, the state had lent $2.5 million to the city of Galena, and paying this back explained the $2.5 million reduction in bond bank operations. Finally, as reflected in the table above, the Alaska court system budget increased by nearly 7%. For several years, the courts have developed a "no dark court room" initiative, expanding court services through the state, and this increase will pay for more court staff and equipment.

The first session of the 27th legislature lacked any drama related to the funding of agencies. Overall, the winners were those departments with formula-driven programs, such as education and health and social services. When costs of such programs rise, the state has dutifully complied by increasing funding. The budget losers in recent years have been those agencies with short-term special purpose funding; thus, when those projects are completed, the agencies' budgets are cut back.

Table 5 presents agency totals alone for all sources of funding.

Notwithstanding federal fiscal distress and the expiration of most stimulus funding, the federal share of the operating budget is roughly the same as in the previous year. Three agencies comprise the primary beneficiaries of federal funding. In terms of absolute federal dollars, the Department of Health and Social Services has the largest take, some $1.3 billion (or 53% of the agency's budget). Two other departments are significantly more dependent on federal funding: The Department of Military and Veterans Affairs, which receives 74% of its budget from the federal government; and the Department of Labor and Workforce Development, which expects to receive 60% of its budget authority from the U.S. Their percentages are essentially the same as those of previous years.

Program receipts, such as user, license and permit fees, as well as university tuition, are large parts of the budgets of several state agencies. For FY 2012, they will comprise 62% of the budget of the Department of Revenue, 40% of the University of Alaska budget, 22% of the Department of Administration's funding, and 20% of the Department of Fish and Game's budget.

Agency	UGF*	DGF*	Other	Federal	All Funds
Administration	80.6	23.5	31.2	4.5	140.0
Commerce, Community and Economic Development	36.0	66.6	7.1	37.6	147.3
Corrections	247.1	22.3	0.7	3.2	273.3
Education and Early Development	1,209.2	14.0	14.7	253.4	1,491.3
Environmental Conservation	19.8	26.3	4.8	23.2	74.1
Fish and Game	72.1	8.4	34.9	62.2	177.6
Governor	28.6	0.1	0.1	0.2	29.0
Health and Social Services	1,016.4	72.2	26.5	1,274.5	2,389.6
Labor and Workforce Development	31.2	35.0	1.4	101.7	169.3
Law	67.2	2.6	2.4	2.0	74.2
Military and Veterans Affairs	16.8	0.03	1.0	51.0	69.0
Natural Resources	74.8	25.6	22.5	16.0	139.0
Public Safety	154.5	7.8	0.3	12.0	174.6
Revenue	30.3	9.4	183.9	74.0	297.6
Transportation	265.8	73.2	77.1	4.0	420.1
University of Alaska	346.7	319.1	1.5	138.0	805.3
Alaska Court System	101.1	0.5	1.0	1.7	104.3
Legislature	68.9	0.07	0.0	0.0	69.0
Branch-wide unallocated appropriations	31.0	0.0	0.0	0.0	31.0
Total	3.898.0	707.0	411.0	2,059.0	7,075.0#

Table 5: Agency summary, FY 2012 operating budget, all sources (millions).
Source: 2011 Legislature-Operating Budget; Agency Summary with Funding-Conf Comm Structure, Legislative Finance Division, August 3, 2011 (adapted by authors).
*UGF=unrestricted general funds; DGF=designated general funds, including program receipts that are restricted to the program that generates the receipts and revenue that is statutorily designated for a specific purpose; #The total excludes statewide items, such as debt service, fund capitalization and direct appropriations to retirement systems.

9.5 Reserve Funds and the Budget

As in previous years, Alaska's enacted budget is a plan, with revenues from oil (and thus dependency on production rate and oil prices) setting budget parameters. If expected revenues do not materialize, there will be automatic draws from reserves. Our last table presents information on Alaska's savings accounts, because they provide an essential cushion to the state given the volatility of its revenue stream:

In our 2010 report, we noted that reserves for FY 2010 and FY 2011 were $13 and $15 billion, respectively. This year's projected reserves are significantly larger, at $18 and $19 billion, respectively. A large part of this increase can be attributed

Nature of Savings (in millions)	FY 11	FY 12
Undesignated Savings	15,593.4	17,000.8
Permanent Fund Earnings Reserve Account	2.281.8	2,770.8
Constitutional Budget Reserve Fund (cash)	10,330.0	10,902.3
Statutory Budget Reserve Fund	2,532.1	2,891.3
Alaska Housing Capital Corporation Fund	768.2	383.2
Alaska Capital Income Fund	31.3	53.3
Designated Savings	2,200.3	2,139.1
Public Education Fund	1,187.7	1,154.3
Revenue Sharing Fund	180.0	180.0
Railbelt Energy Fund	65.5	(0.2)
Power Cost Equalization Endowment	767.1	805.0
Total Reserves (excluding Permanent Fund Principal)	18,143.7	19,139.9
Years of Reserves (Reserves/UGF Appropriations)	2.06	2.27

Table 6: Approximate Balances of Savings Accounts, FY 2011 and FY 2012.
Source: State of Alaska Fiscal Summary—FY 11 and FY 12, Legislative Finance Division, August 8, 2011 (adapted by authors).

to actions of the 2011 legislature. Legislators added $1.05 billion to the statutory budget reserve, thereby increasing the FY 2011 amount by 87%. They also added $400 million to the Power Cost Equalization Fund, and this more than doubled the amount in the account. The PF earning reserve account is used to fund PFDs, and this is expected to cost the state at least $600 million in FY 2012. However, the remainder of the reserves shall provide a comfortable cushion for the state in troubled fiscal times nationally and internationally.

10 Conclusions

Under the terms of a 2006 citizen's initiative, the Alaska legislature was supposed to have a 90-day session and was scheduled to complete its work on April 17th.

The legislature considered reverting to the constitutionally imposed 121-day limit; because it may amend initiatives after two years, it was no longer constitutionally bound by the initiative, but it did not act to do so. On the last day of the 90-day session, lawmakers declared an impasse in budget negotiations, and the governor called for a special session (limited to 30 days).

The governor set an agenda of 10 items for the first special session, and all but one was addressed in the three week period. Legislators had little to dispute about concerning operating and supplemental budgets. The capital budget was the largest budget issue, as the majority coalition in the senate, which had stonewalled the governor's request to reduce the petroleum production tax, sought to protect capital projects from what it feared would be recriminatory vetoes by the governor. Legislators passed a $3.1 billion capital budget and, predictably, the governor vetoed $400 million worth of items, without any apparent malice against senate leaders. The single, unresolved issue was the Alaska Coastal Management Plan, which expired at the end of FY 11 because legislators were not agreed on the continuation of a decentralized program often pictured as an obstacle to oil and gas development.

The largest issue of the 2011 session was Governor Parnell's effort to scuttle ACES, the state's revised petroleum production tax. Proposed by a then populist governor (Sarah Palin) in 2007 and a strong bipartisan majority of the legislature, this tax has produced the surplus revenues that have kept Alaska comfortably afloat during the turbulence of America's economic downturn. As such, ACES will be the chief issue of the second session of the 27th legislature in 2012, which also is a national and state election year.

On a per capita basis, each Alaskan has a nearly $17,000 share of the state's FY 2012 all funds budget, and on this basis, the state is rich beyond compare in the U.S. In the two years of Governor Parnell's administration, and with the cooperation of the state legislature, the state has exercised a modicum of fiscal restraint. Although the estimated FY 2012 budget will exceed the rate of inflation by about 2%, growth in this budget is 1% less than that of the previous fiscal year. More significantly, the governor and legislator have continued to allocate surplus funds into reserves, thus providing some relief for the uncertainty the state most likely will confront.

Appendix

$ Millions

	FY11 Budget						FY12 Budget						Change in GF	
	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	$	%
REVENUE (Excludes Permanent Fund Earnings) **(1)**	**7,274.3**	**760.8**	**8,035.1**	**556.4**	**3,248.3**	**11,839.8**	**7,300.2**	**786.7**	**8,086.9**	**512.1**	**3,182.7**	**11,781.8**	**51.9**	**0.6%**
Unrestricted General Fund Revenue (Spring 2011) **(2)**	7,250.9	–	7,250.9	–	–	7,250.9	7,300.2	–	7,300.2	–	–	7,300.2		
Reappropriation and Carryforward **(3)**	21.4	0.6	22.0	0.9	144.8	167.7	–	–	–	–	–	–		
Corporate Dividends **(4)**	1.9	–	1.9	–	–	1.9	–	–	–	–	–	–		
Designated General Fund Revenue **(5)**	–	760.2	760.2	–	–	760.2	–	786.7	786.7	–	–	786.7		
Other State Funds and Federal Receipts	–	–	–	555.5	3,103.5	3,659.0	–	–	–	512.1	3,182.7	3,694.8		
APPROPRIATIONS														
TOTAL OPERATING APPROPRIATIONS	4,865.2	698.5	5,563.7	461.4	2,186.0	8,211.2	5,139.9	738.1	5,878.0	454.2	2,102.1	8,434.3	314.2	5.6%
Agency Operations	3,793.1	677.1	4,470.2	409.3	2,140.0	7,019.5	3,948.0	706.6	4,654.6	411.0	2,059.0	7,124.6	184.4	4.1%
Current Fiscal Year Appropriations (Includes Fiscal Notes)	**3,711.6**	**685.5**	**4,397.1**	**390.1**	**2,069.0**	**6,856.1**	**3,898.0**	**706.6**	**4,604.6**	**411.0**	**2,059.0**	**7,074.6**	**207.6**	**4.7%**
Agency Operations (Non-Formula)	1,991.5	633.1	2,624.6	385.9	1,059.8	4,070.3	2,078.3	650.1	2,728.4	408.2	942.0	4,078.6	103.8	4.0%
K-12 Formula and Pupil Transportation	1,114.3	10.7	1,125.0	–	23.5	1,148.5	1,127.3	12.4	1,139.7	–	20.8	1,160.5	14.7	1.3%
Other Formula Programs	605.8	41.7	647.5	2.8	973.6	1,623.9	676.1	44.2	720.4	2.8	1,095.9	1,819.1	72.9	11.3%
Revised Programs Legislatively Approved	–	–	–	1.4	12.1	13.5	–	–	–	–	–	–		
Fiscal Notes (FY11 notes are included in Management Plan)	–	–	–	–	–	–	16.2	(0.1)	16.2	–	0.3	16.4		

(Appendix table continued)

$ Millions	FY11 Budget						FY12 Budget						Change in GF	
	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	$	%
Duplicated Authorization (non-additive) ***(6)***	–	–	–	*657.2*	–	*657.2*	–	–	–	*693.4*	–	*693.4*		
Supplemental Operating Appropriations	**81.5**	**(8.4)**	**73.2**	**19.2**	**70.9**	**163.3**	**50.0**	**0.0**	**50.0**	**0.0**	**0.0**	**50.0**	**(23.2)**	**-31.7%**
Statewide Operations	1,072.1	21.4	1,093.5	52.2	46.1	1,191.7	1,191.9	31.5	1,223.4	43.1	43.2	1,309.7	129.9	11.9%
Current Fiscal Year Appropriations	**1,056.4**	**21.2**	**1,077.6**	**52.4**	**45.9**	**1,175.8**	**1,191.9**	**31.5**	**1,223.4**	**43.1**	**43.2**	**1,309.7**	**145.8**	**13.5%**
Debt Service	171.5	21.2	192.7	52.4	12.4	257.4	243.7	21.6	265.3	43.1	13.0	321.4	72.6	37.7%
Local Government Support	60.0	–	60.0	–	–	60.0	60.0	–	60.0	–	–	60.0	–	0.0%
Oil & Gas Investment Tax Credits	450.0	–	450.0	–	–	450.0	400.0	–	400.0	–	–	400.0	(50.0)	-11.1%
Other Fund Capitalization	11.6	0.0	11.6	–	33.5	45.1	7.5	9.9	17.4	0.0	30.2	47.6	5.8	50.2%
Direct Appropriations to Retirement	357.6	–	357.6	–	–	357.6	479.5	–	479.5	–	–	479.5	121.9	34.1%
Resource Rebate	4.5	–	4.5	–	–	4.5	–	–	–	–	–	–	(4.5)	-100.0%
Judgments, Claims and Settlements	1.2	–	1.2	–	–	1.2	1.2	–	1.2	–	–	1.2	–	0.0%
Vetoes (non-additive)	–	–	–	–	–	–	*(12.1)*	–	*(12.1)*	–	–	*(12.1)*	*(12.1)*	
Duplicated Authorization (non-additive) ***(6)***	–	–	–	*19.9*	–	*19.9*	–	–	*20.9*	–		20.9		
Supplemental Statewide Appropriations	**15.7**	**0.2**	**15.9**	**(0.2)**	**0.2**	**15.9**	–	–	–	–	–	–	**(15.9)**	**-100.0%**
Debt Service	–	–	–	(0.2)	0.2	–	–	–	–	–	–	–		
Local Government Support	20.0	–	20.0	–	–	20.0	–	–	–	–	–	–	(20.0)	
Other Fund Capitalization	–	0.2	0.2	–	–	0.2	–	–	–	–	–	–		
Resource Rebate	(4.5)	–	(4.5)	–	–	(4.5)	–	–	–	–	–	–	4.5	
Judgments, Claims and Settlements	0.3	–	0.3	–	–	0.3	–	–	–	–	–	–	(0.3)	
Duplicated Authorization (non-additive) ***(6)***	–	–	–	0.4	–	0.4	–	–	–	–	–	–		
TOTAL CAPITAL APPROPRIATIONS	**614.6**	**58.5**	**673.1**	**85.5**	**1,062.2**	**1,820.8**	**1,557.1**	**44.5**	**1,601.6**	**49.2**	**1,080.5**	**2,731.3**	**928.5**	**137.9%**

(Appendix table continued)

$ Millions

	FY11 Budget						FY12 Budget						Change in GF	
	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	$	%
Current Fiscal Year Appropriations	**549.7**	**59.7**	**609.3**	**85.5**	**1,010.7**	**1,705.6**	**1,557.1**	**44.5**	**1,601.6**	**49.2**	**1,080.5**	**2,731.3**	**992.2**	**162.8%**
Project Appropriations & RPLs (Revised Programs)	407.3	59.7	466.9	85.5	1,010.7	1,563.2	1,494.7	44.5	1,539.2	49.2	1,078.1	2,666.5	1,072.2	229.6%
Fund Capitalization	142.4	0.0	142.4	0.0	0.0	142.4	62.4	0.0	62.4	0.0	2.4	64.8	(80.0)	-56.2%
Projects Funded with General Obligation Bonds (non-additive)	*0.0*	*0.0*	*0.0*	*397.2*	*0.0*	*397.2*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		
Projects Funded with Other Debt Proceeds (non-additive)	*0.0*	*0.0*	*0.0*	*37.1*	*0.0*	*37.1*	*0.0*	*0.0*	*0.0*	*(80.8)*	*0.0*	*(80.8)*		
Capital Vetoes (non-additive)	*(105.5)*	*(25.3)*	*(130.8)*	*6.4*	*(0.3)*	*(137.4)*	*(329.6)*	*0.0*	*(329.6)*	*(50.0)*	*(16.7)*	*(396.3)*		
Duplicated Authorization (non-additive) (6)	*0.0*	*0.0*	*0.0*	*459.7*	*0.0*	*459.7*	*0.0*	*0.0*	*0.0*	*(47.5)*	*0.0*	*(47.5)*		
Supplemental Appropriations	**64.9**	**(1.1)**	**63.8**	**0.0**	**51.5**	**115.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**		
Capital Projects (net of Duplication)	64.9	(1.1)	63.8	–	51.5	115.2	–	–	–	–	–	–		
Fund Capitalization	–	–	–	–	–	–	–	–	–	–	–	–		
Capital Vetoes (non-additive)	–	–		–	–	–	–	–	–	–	–	–		
Duplicated Authorization (non-additive) ***(6)***	–	–	–	–	–	–	–	–	–	–	–	–		
Money on the Street (includes all fund sources) ***(7)***	*679.4*	*57.4*	*736.9*	*545.2*	*1,113.7*	*2,395.8*	*1,557.1*	*44.5*	*1,601.6*	*1.7*	*1,080.5*	*2,683.8*	*864.7*	*117.4%*
Pre-Transfers Authorization (unduplicated)	**5,479.7**	**757.1**	**6,236.8**	**546.9**	**3,248.3**	**10,032.0**	**6,697.0**	**782.6**	**7,479.5**	**503.4**	**3,182.7**	**11,165.6**	**1,242.7**	**19.9%**
Pre-Transfers Surplus/(Deficit)	***1,794.5***	***24.7% of UGF Revenue***					***603.2***	***8.3% of UGF Revenue***						

Appendix table: State of Alaska Fiscal Summary--FY11 and FY12.

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