



Alaska State Legislature

Senator Gretchen Guess

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Senator Guess Calls for Forward Funding the Budget Legislation limits government to spend only money it has in hand

JUNEAU – Sen. Gretchen Guess (D-Anchorage) today called for using this year's surplus along with most of the Constitutional Budget Reserve (CBR) to fund this year's budget. Doing so will enable using revenue from the upcoming year to fund the following year's state budget, or "forward funding" the state budget.

SB 276 by Guess is the first step. This bill restricts use of general fund revenues (excluding Federal funds) during the fiscal year in which they are received.

"We have a unique opportunity this year to start forward funding our budget and improve the fiscal stability of the state," Guess said. "Instead of spending the surplus this year, we should plant it for the future."

Currently, the legislature approves an annual budget funded by money collected during the same year. By forward funding this year's budget and restricting how we use revenue, the state can only spend what they have in the bank versus what the state believes it may or may not receive. It will allow for better planning on all sides, and more fiscal stability.

Although SB 276 does not specify how to pay for this year's budget, Guess believes using the projected surplus and 80 percent of the CBR is an appropriate place to start.

The calculations would be as follows.

Projected Surplus	\$1,185.0 million
80 percent of CBR	<u>\$1,857.3 million</u>
Total FY07 Revenue	\$3,042.3 million

Governor's FY06 Budget	\$2,225.5 million
Governor's FY07 Formula Increases	\$188.4 million
Governor's FY07 Debt Service	\$74.7 million
Governor's FY07 Fund Capitalization	\$73.3 million
Governor's FY07 Matching Capital	<u>\$133.0 million</u>
Total FY07 Budget	\$2,694.9 million

Remaining Revenue	\$ 347.4 million
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With the calculations above, the state could still add \$90 million to education, take care of its responsibilities for formula programs, and have approximately \$350 million to fund additional capital projects, supplemental needs, and/or increased operating expenses.

"When revenues were down and I was part of the fiscal policy caucus, we constantly lamented how we wished legislatures in the early 1980s had forward funded the budget," said Guess. "Now we should take advantage of our current situation and lay this foundation for the future."

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