

City Gets Grim Budget Forecast From Legislative Lobbyist

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Brianna Gibbs/KMXT

The 2014 Legislative Session is still more than a month away, but the Kodiak City Council is already gearing up for what will most likely be another tight-budgeted year. Tuesday night the council heard from its lobbyist, Ray Gillespie, about what the next year of spending might look like for Alaska.

“The revenues are down significantly in the last two years, about \$2 billion down. Current year, which is FY 2014 we are going to spend somewhere between \$350 million and \$500 million more than what we brought in. That money will be taken from our statutory budget reserve fund.”

Gillespie said the new revenue forecast, which came out last week, indicates that this next fiscal year will probably be around \$1 billion deficit. He said it’s more than likely that the state will have to tap into its savings in order to cover that deficit. The state has about \$17 billion in savings right now, according to Gillespie, with \$12 billion in the constitutional budget reserve fund and about \$5 billion in the statutory reserve.

Governor Sean Parnell is expected to release the capital and operating budgets sometime on Thursday, and Gillespie said that will hopefully paint a better picture for where the city might stand as far as capital funding goes.

Number one on the city’s capital improvement project list is repairing the Monashka Pump House, which Gillespie thinks could fare quite well this year.

“And the application has been pending at the DEC to be funded through the municipal matching grant program, which is a very preferred position to be in. Because it scored very high. The governor usually, every governor that I’ve known who builds capital budgets, allocates a fairly sizeable chunk of money to go down that list. If you score high the chances are very good that we’ll get good news tomorrow and you will have been funded in the governor’s budget. There’s no better position to be in going into a legislative session where revenues are down.”

As far as the capital budget goes, Gillespie said it will be pretty modest and highly competitive.

“It’s an election year, so the pressure is going to be to have a generous capital budget, but with low revenues it’s not going to be what we would all like. It’s going to be stiff competition for limited funds. I know that the University of Alaska wants a whole bunch of money for a new power plant. There’s the Susitna project, there’s the gas line project there’s the KABATA project which is the bridge across Knik Arm. All of those vying for funding.”

Gillespie stressed the state's low revenue, and the fact that oil production is down, as are prices. He said it's interesting that current production is 500,000 barrels a day, but back in the height of the pipeline it was more than 2 million barrels a day. In more grim news, he said the current forecast, which came out earlier this week, projects that in 10 years the production will be down to 300 barrels a day.

"Department of Revenue is not forecasting an uptick in production in the next ten years. Despite what everyone has been hoping and talking about, it's not officially in the forecast."

Gillespie touched briefly on the oil tax cut that was passed during the last legislative session, and said it will be interesting to watch what happens to it this year, especially with the legislature possibly facing more cuts to public services.

"The reduction in public services is going to come home to roost in the next year or two. And the public's reaction to that and the impact it may have on the economy is yet to be seen. Remember that next August in the primary there is a ballot initiative to repeal the tax revision. So it seems only logical to me that if there are severe reductions in public services in this year's budget, that budget kicks in in July, and the public makes that direct connection, that vote could be a close one."

The city is planning to make its annual trip to Juneau again this year. The joint city/borough legislative reception is scheduled for February 27, and will be an opportunity for Kodiak's governing bodies to meet with legislators and advocate for Kodiak's projects and interests.