

*Legislative Fiscal Analyst's Overview of the Governor's FY2015 Request*

## Department of Military and Veterans' Affairs

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
<b>FY14 Conference Committee (GF Only)</b>	<b>\$22,455.8</b>			
FY14 Fiscal Notes	-			
CarryForward	-			
Misc Adjustments	-			
Agency Transfers	23.6			
Vetoed	(153.1)			
<b>FY14 Management Plan (GF only)</b>	<b>\$22,326.3</b>	<b>(\$129.5)</b>	<b>-0.6%</b>	
One-time Items Removed	(323.6)			
Agency Transfers	4,791.4			4
Temporary Increments (IncTs)	300.0			
FY15 Health Insurance & Working Reserve Reductions	(40.1)			6
FY15 Contractual Salary Increases	94.7			
<b>FY15 Adjusted Base Budget (GF only)</b>	<b>\$27,148.7</b>	<b>\$4,822.4</b>	<b>21.6%</b>	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	-			
FY15 Governor's GF Increments/Decrements/Fund Changes	(2,097.9)			
<b>FY15 Governor's Agency Request (GF only)</b>	<b>\$25,050.8</b>	<b>(\$2,097.9)</b>	<b>-7.7%</b>	
<b>FY15 Governor's Increments, Decrements, Fund Changes and Language</b>	<b>FY15 Adjusted Base Budget (GF Only)</b>	<b>FY15 Governor's Request (GF only)</b>	<b>Change from FY15 Adj Base to FY15 Governor's Request</b>	<b>See Note:</b>
<b>Allocation</b>			<b>(\$2,097.9)</b>	
Office of the Commissioner	2,939.6	2,898.6	(41.0)	6
Air Guard Facilities Maintenance	1,847.9	1,805.1	(42.8)	3
Alaska Military Youth Academy	4,955.3	4,979.0	23.7	2
Retirement Benefits	740.1	769.9	29.8	1
Alaska Aerospace Corporation	3,322.0	2,460.5	(861.5)	5
Alaska Aerospace Corporation Facilities Maintenance	4,829.9	3,623.8	(1,206.1)	5 & 6
<b>Non-General Fund Agency Summary</b>	<b>FY15 Adjusted Base Budget</b>	<b>FY15 Governor's Request</b>	<b>Change from FY15 Adj Base to FY15 Governor's Request</b>	<b>See Note:</b>
Other State Funds (all allocations)	16,775.4	12,106.2	(4,669.2)	4, 5 & 6
Federal Funds (all allocations)	25,370.7	23,386.2	(1,984.5)	6
<b>Total Non-General Funds (all allocations)</b>	<b>\$42,146.1</b>	<b>\$35,492.4</b>	<b>(\$6,653.7)</b>	
<b>Position Changes (From FY14 Authorized to Gov)</b>	<b>342</b>	<b>336</b>	<b>(6)</b>	<b>6</b>
PFT	339	333	(6)	
PPT	2	2	-	
Temp	1	1	-	
<b>Governor's Capital Request</b>	<b>State Funds (GF + Other)</b>	<b>Federal Funds</b>	<b>Total</b>	<b>See Note:</b>
Planning and Research	-	-	-	
Maintenance and Repairs	4,100.0	7,903.1	12,003.1	
Remodel, Reconstruction and Upgrades	1,637.5	12,362.5	14,000.0	
New Construction and Land Acquisition	-	-	-	
Equipment and Materials	-	-	-	
Information Systems and Technology	-	-	-	
Other	-	4,500.0	4,500.0	
<b>TOTAL CAPITAL</b>	<b>\$5,737.5</b>	<b>\$24,765.6</b>	<b>\$30,503.1</b>	

## **Department of Military and Veterans' Affairs**

The mission of the Department of Military and Veterans' Affairs (DMVA) is to provide military forces to accomplish military missions in the state and around the world; provide homeland security and defense; emergency response; veterans' services; and youth military style training and education.

### **BUDGET SUMMARY**

The FY15 Department of Military and Veterans' Affairs general fund operating budget as submitted by the Governor is \$2.1 million *below* the FY15 Adjusted Base [all Unrestricted General Funds (UGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

### **FUNDING REDUCTIONS AND MAINTENANCE OF SERVICES**

- 1. National Guard and Naval Militia Retirement System Actuarial Adjustment: \$29.8 UGF.** The National Guard and Naval Militia Retirement System Actuarial Valuation dated July 2013 identified the FY15 Total Annual Contribution as \$627.3 to fund this retirement system. There is base funding of \$740.1 UGF within the Alaska National Guard Benefits appropriation and with this increment request there will be a total \$769.9 UGF.

**Legislative Fiscal Analyst Comment:** The department excluded the Past Service Cost Amortization in the amount of (\$142.6) from the calculation of the Total Annual Contribution. The legislature may prefer to fund this retirement system at the actuarially recommended level by:

- denying the increment request of \$29.8 UGF and
- reducing the Alaska National Guard Benefits appropriation by \$112.8 UGF.

- 2. Alaska Military Youth Academy – General Education Development (GED) Testing Change: \$23.7 UGF.** Effective January 1, 2014, the GED Testing requirements changed nationally from a paper-based to a computer-based format. The estimated increased cost of this change to the Alaska Military Youth Academy (AMYA) is \$67.1. The department is requesting \$23.7 UGF to help offset the increased cost. (See item #3.)

**Legislative Fiscal Analyst Comment:** In FY14, the department transferred general funds from the STARBASE program to AMYA to off-set increased costs due to the GED Testing change. For FY15, the department is currently analyzing the actual (versus estimated) cost of the new GED program and how it will absorb the difference within its existing budget.

- 3. Air Guard Facilities Maintenance - Closure of the STARBASE Program: (\$42.8) UGF.** On September 30, 2013, the Department of Military and Veterans' Affairs closed the STARBASE program. The FY15 Governor's Requested budget eliminates all remaining general funds associated with the program. A separate revenue reconciliation transaction eliminates all excess federal receipt authorization within the Air Guard Facilities Maintenance allocation, including \$300.0 federal receipt authority associated with the STARBASE program.

**Legislative Fiscal Analyst Comment:** In FY14, the legislature reduced the STARBASE program's general fund support by \$50.0, from approximately \$85.0 to \$35.0. General funds were used to pay for expenses that were prohibited under the federal award, for example Information Technology services, facility costs, maintenance and utilities.

4. **Alaska Military Youth Academy Funding Changes: Transfer-In \$4,791.4 UGF and Decrement (\$5,654.7) Inter-Agency (I/A) Receipts.** Chapter 72, SLA 2013 (HB 180) established the Alaska Military Youth Academy (AMYA) within the Department of Military and Veterans' Affairs as part of the National Guard Youth Program established under 32 U.S.C. 509. It also repealed AS 14.30.740 [i.e., the funding formula for the Alaska Challenge Youth Academy (ACYA) that was in the Department of Education and Early Development (DEED)]. In FY15, instead of appropriating funding to DEED to be transferred to AMYA using a statutory funding formula, the funding is being directly appropriated to AMYA. All general funds within the DEED's ACYA allocation are being transferred to AMYA and the excess I/A Receipt authority is being eliminated from AMYA.

**Legislative Fiscal Analyst Comment:** In future budgets, AMYA will be required to request changes to the level of funding through increments and decrements in the budget process, instead of receiving changes automatically through the funding formula.

5. **Alaska Aerospace Corporation (AAC) Operations and Maintenance: (\$2,000.0) UGF, (\$1,312.5) Capital Project Improvement Receipts (Other), and \$3,115.5 AAC Receipts (Other).** In FY14, the legislature appropriated \$8,129.2 UGF to the Alaska Aerospace Corporation for operating and maintenance costs of the Kodiak Launch Complex. AAC presented a plan to the legislature that would reduce future UGF support annually by \$2 million. The FY15 budget includes several requested changes:

- Reduce general funds by \$2 million;
- Replace \$1,312.5 of empty Capital Project Improvement Receipt authority with Alaska Aerospace Receipt authority to appropriately account for launch contract revenue; and
- Increase Alaska Aerospace Receipt authority by an additional \$1,803.0 to appropriately account for launch contract revenue.

**Legislative Fiscal Analyst Comment:** In FY14, the legislature also included contingency language specifying that if AAC does not secure a multi-year commercial launch contract for the Kodiak Launch Complex on or before March 1, 2014, UGF funding appropriated to AAC would be reduced by \$2 million. This contingency was met on May 22, 2013.

6. **Health Insurance and Working Reserve Rate Decreases and Vacant Position Deletions.** The Governor's FY15 budget request contains several reductions common to all agencies. Reductions for the Department of Military & Veterans' Affairs are shown below.

Description	Funding Amount	Fund Group
Position Deletions	(\$108.6)	UGF
• 6 PFT positions	(\$416.3)	Other
	(\$70.3)	Fed
Health Insurance and Working Reserve Rate Decreases	(\$40.1)	UGF
• Health Insurance decrease from \$1,389 to \$1,371 per month (a decrease of \$18/month)	(\$30.3)	Other
• Working Reserve Rate (i.e., leave cash-in, terminal leave and unemployment insurance) decrease from 3.94% to 3.56%	(\$32.5)	Fed

## **ORGANIZATIONAL CHANGES**

There are no significant organizational changes requested.

## **CAPITAL REQUEST**

The Governor's FY15 Department of Military and Veterans' Affairs capital budget totals \$30.5 million (\$5,737.5 UGF/ \$24,765.6 Federal Receipts). A summary of the projects is as follows:

- **Fairbanks Veterans Cemetery – Gold Rush Historic Ditch Mitigation:** \$100.0 UGF;
- **Army Guard Construction, Contingency, and Planning:** \$10,000.0 Federal Receipts;
- **State Homeland Security Grant Programs:** \$4,500.0 Federal Receipts;
- **Armory Facilities Projects:** \$4,000.0 (\$1,637.5 UGF/ \$2,362.5 Federal Receipts); and
- **Deferred Maintenance, Renewal, Repair and Equipment Projects:** \$11,903.1 [\$3,680.4 UGF/ \$319.6 GF Match (UGF)/ \$7,903.1 Federal Receipts].