

Department of Military and Veterans' Affairs

The Department of Military and Veterans' Affairs (DMVA) provides 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 FY17 Department of Military and Veterans' Affairs general fund operating budget submitted by the Governor on December 15, 2015 is \$1,483.0 (8.7%) above the FY17 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.

FY16 & FY17 AGENCY UNALLOCATED REDUCTIONS

- 1. FY16 Branch-Wide Unallocated Reduction: (\$374.4) UGF.** HB 2001 (Chapter 1, SSSLA 2015) included a \$29.8 million UGF unallocated reduction to be spread among Executive Branch agencies. The Governor allocated \$374.4 of the reduction to the Department of Military and Veterans' Affairs. The agency spread its reduction as follows:

- \$100.2 UGF to the Alaska Aerospace Corporation (eliminating all UGF)
- \$227.5 UGF and \$46.7 GF Match (UGF) to the Alaska Military Youth Academy (deleting authority for six permanent full-time positions)

- 2. FY17 Treatment of FY16 One-Time Salary Increases: (\$274.2) UGF.** FY16 operating budgets for all agencies contained COLA increases totaling approximately \$57 million (\$30.3 million UGF). For FY17, legislative intent stated that individual employees would continue to be paid at FY16 levels while agencies would absorb the UGF portion of the COLA.

The Governor's FY17 request removes the UGF portion of the FY16 COLA in every allocation that received the COLA.

For all agencies except the legislature, the judicial branch and the University of Alaska, the Governor requests:

1. that the UGF portion of the COLA be restored to each affected allocation in FY17. These actions are shown with *IncM* transaction types.
2. an agency-wide unallocated reduction equal to the sum of the amounts restored within each agency. These actions are shown with *Unalloc* transaction types.

Legislative Fiscal Analyst Comment: Legal Services has consistently opposed unallocated appropriations at any stage of the budget process on constitutional grounds. Legislative Finance views unallocated reductions as a tool to be used sparingly in the final stages of budget negotiations, but opposes their use in early stages of the budget process.

NEW PROGRAMS/ PROGRAM EXPANSION

- 3. Office of the Commissioner – Rural Engagement – Increased Role of the Alaska State Defense Force: \$1.3 million UGF.** The FY17 Governor's budget includes a request to expand rural participation in the Alaska State Defense Force (ASDF). The

goal over the next three to five years is to expand to an ASDF Scout Battalion comprised of an 81-member headquarters in Bethel and three 77-person companies, each composed of four to five person Scout teams, initially from across the Yukon-Kuskokwim Delta region, but eventually statewide. Requested funding will be used to form and equip an initial force composed of the headquarters team and one company of Scouts. Federal regulations prohibit the use of federal funding for the ASDF.

Legislative Fiscal Analyst Comment: According to the Department, the ASDF is under state control at all times and is funded with state general fund money. This is in contrast to the Alaska National Guard, which is federally funded, subject to federal requirements and restrictions, and may be called into federal service, at which time the governor relinquishes the commander-in-chief role to the President of the United States. Federal funds may not be used for the ASDF. The legislature may wish to inquire further on the following:

1) What purposes will the Alaska State Defense Force serve?

2) What are the consequences of failing to expand?

The Department is also requesting \$1 million in the FY17 capital budget to purchase equipment to support a new Scout Battalion of the Alaska State Defense Force in rural Alaska. This is a phased project requiring \$1 million annually for five years. If this operating request is not approved, the capital funding should not be appropriated.

4. **Office of the Commissioner – Consulting Contract for Base Realignment and Closure (BRAC) Act Preparation: \$120.0 UGF.** Funding is requested to address the potential impact of a Base Realignment and Closure (BRAC) Act as early as FY18. The Department will establish a consulting contract, specifically seeking expertise in the areas of federal legislation affecting military base viability, reducing the energy cost differences between Alaska bases and those outside of Alaska, improving partnerships between host communities and military bases, and developing enhanced use leases. The Department believes that focusing on these areas will allow it to enhance military, community and legislative partnerships in order to better prepare for and respond to a BRAC in the future, as well as hedge against any proposed force structure decrements.

MAINTENANCE OF SERVICES

5. **National Guard and Naval Militia Retirement System Actuarial Adjustment: \$63.0 UGF.** The National Guard and Naval Militia Retirement System Roll-Forward Actuarial Valuation dated June 30, 2014 identified the FY17 total annual contribution as \$797.5 to fund this retirement system. There is base funding of \$734.5 UGF within the Alaska National Guard Benefits appropriation and, with this increment request, there will be a total of \$797.5 UGF.

Legislative Fiscal Analyst Comment: The Actuarial Valuation also identifies FY17 Past Service Costs as \$69.4. An appropriation for past service costs is included in section 23(g) of the operating language (State Assistance to Retirement).

Legislative Fiscal Analyst Recommendation: The National Guard and Naval Militia Retirement System pays benefits to retired National Guard members. These costs are state obligations and should not be shown as agency operating costs. The Legislative Finance Division recommends moving the annual contribution to fund the retirement system from the Department of Military and Veterans' Affairs/

Alaska National Guard Benefits appropriation to State Assistance to Retirement/Direct Military appropriation.

ORGANIZATIONAL CHANGES

There are no organizational changes requested.

CAPITAL REQUEST

The Governor's FY17 Department of Military and Veterans' Affairs capital budget totals \$5.6 million (\$1 million UGF and \$4.6 million Federal Receipts). A summary of the projects is as follows:

- **Bethel Scout Battalion – Phase 1 of 5: \$1 million UGF.** This project will purchase equipment to support a new Scout Battalion of the Alaska State Defense Force in rural Alaska. This is a phased project requiring \$1 million annually for five years.

Legislative Fiscal Analyst Comment: The agency is requesting \$1.3 million UGF in the FY17 operating budget to increase the role of the Alaska State Defense Force. If funding is denied in the operating budget, this capital funding will not be needed.

- **National Guard Counterdrug Support: \$100.0 Federal Receipts.** The National Guard Counter Drug Support Program is federally funded and supports law enforcement agencies in drug enforcement operations, assists in training Law Enforcement Officers and provides community-based drug awareness programs. This funding is primarily used for technological support supplies and/or facility improvements to the program.
- **State Homeland Security Grant Programs: \$4,500.0 Federal Receipts.** The State of Alaska receives Homeland State Security Grants from the U.S. Department of Homeland Security. Typically 80% of this funding is passed-through to communities statewide for infrastructure installation and maintenance for emergency preparedness and response in the event of a catastrophe or emergency. Funding at the state level provides for crisis management, emergency notifications, infrastructure analysis, project mitigation, policy development and grant administration.