



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET
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February 9, 2016

The Honorable Mark Neuman
Co-Chair, House Finance Committee
Alaska State Legislature
State Capitol, Room 505
Juneau, AK 99801-1182

The Honorable Steve Thompson
Co-Chair, House Finance Committee
Alaska State Legislature
State Capitol, Room 515
Juneau, AK 99801-1182

Dear Co-Chair Neuman and Co-Chair Thompson:

Thank you for the opportunity to present the Governor's FY 2017 budget overview before the House Finance committee on January 22 and 25, 2016. The following is in response to questions posed by the committee during the overview for distribution to the members.

Representative Saddler: Figures about the number of staff cut, is that headcount or FTE?

The state does not collect data on an FTE basis. The position reports are "headcount" and indicate if a position is full-time, part-time, or non-permanent.

Representative Wilson: Figures about the number of staff cut, do those numbers include contracts? Are departments replacing cut employees with contracts?

The figures presented on positions do not include contractual amounts. The majority of departments have contractual line item reductions proposed for FY2017.

Representative Wilson: Would like a slide similar to slide 21 showing how salaries and benefits have changed.

A document showing average full-time salary and benefit costs from FY2000 through FY2016 is attached and is available on the OMB website below. It includes average full-time nominal and real costs for salaries, benefits, and total average costs per person.

https://www.omb.alaska.gov//ombfiles/17_budget/PDFs/PS/State_of_Alaska_Average_Full-time_Position_Cost_Trends.pdf

Attachment #1.

Representative Gara: How many deputy commissioners are there?

There are 23 Deputy Commissioners and 6 Assistant Commissioners. Attached is a list of the positions by component and Position Control Number (PCN).

Attachment #2.

Representative Munoz: I'd like a list of exempt employees who make more than the governor.

Attached is a list of the 260 employees who make more than the Governor's salary of \$145,000.

Attachment #3.

Representative Edgmon: What departments are the reduced employees from?

Attached is the budgeted position count comparison from FY2015 through FY2017 by department. Full-time budgeted positions have been reduced by 587 positions from FY2015 to FY2016 and 109 full-time positions are proposed for deletion in the FY2017 budget for a total proposed reduction of 696 budgeted positions.

Attachment #4.

Additional position information is available on the OMB website at:

<https://www.omb.alaska.gov/html/budget-report/fy2017-budget/proposed-personal-services-changes.html>.

Representative Neuman: I'd like a chart of people gone by department--people and PCNs.

Attached is a listing of budget position changes from FY2015 to FY2016 with position control number (PCN). This report includes if the position is filled or vacant and if the position has been deleted from the human resources/payroll system. Position changes based on the enacted FY2017 budget will be made in the human resources/payroll system effective July 1, 2016.

By all measures state positions have been significantly reduced since FY2015:

- Full-time budgeted positions have been reduced by **696** since FY2015.
- Full time filled positions have been reduced by **629** between December 31, 2014 and November 15, 2015.*
- Department of Labor state government positions reductions are **1,517** from FY2015 to FY2016.

**Payroll system based on employee number. University, Alaska Housing Finance Corporation, and Alaska Gasline Development Corporation do not use the state payroll system.*

Attachment #5

Representative Neuman: On slide 12 what are the amounts by formula versus nonformula?

Representative Saddler: Would like more details by fund group and more detail (also referring to slide 12).

Representative Guttenberg: Why is the dividend check amount jumping in and out of slides (also referring to slide 12)? Would like to see it reflected consistently.

The \$4.8 billion unrestricted general fund budget for FY2017 is: \$2 billion for agency non-formula, \$2 billion for agency formula, 623 million for statewide operating, and \$195 million for the capital budget. Page six of the overview packet is the “Budget Review Summary” for unrestricted general funds shows the budget by department, non-formula versus formula, with the statewide and capital budget and is attached.

Information on the budget by fund type is included in the FY2017 Fiscal Summary found on page two and three of the overview packet distributed for the hearing and also distributed at the hearing as a large format document.

Legislative Finance includes the \$700 million FY2017 Governor proposed dividend fund payment as unrestricted general funds for a total unrestricted general fund budget of \$5.5 billion. The Office of Management and Budget reflects the dividend payments from the permanent fund earnings reserve as designated general funds for an unrestricted general fund budget of \$4.8 billion. Both amounts are on slide 12 to reflect this difference.

Attachment #6 (Also see page 2, 3, and 6 of the overview packet and slide 12 of the overview).

Representative Gara: Wanted to know if the cuts to formula spending were made up by federal money. Are we losing federal matching funds?

Representative Saddler: I'd like to see where we're replacing UGF with federal funds.

Attached is a summary report on the proposed increases and decreases in the FY2017 Governor proposed budget. A detailed report of reductions and replacement funds is also provided.

Federal matching funds and funding to replace unrestricted general funds with other funds to maintain essential services are available are preserved to the extent possible. The most significant fund replacement of unrestricted general funds with federal funds is for Medicaid reform.

- Agency unrestricted general fund net reductions were \$101 million from the FY2016 Management Plan.
- Agency unrestricted general fund net reductions are \$140 million excluding the \$38 million liquefied natural gas pipeline and the \$1.3 million DMVA rural engagement initiative. (This is reflected in page 4 of overview packet).

- Including the \$11 million for salary and benefit increases (\$10 million for the University), along with other small increases such as \$1.6 million for the marijuana initiative, total unrestricted general fund increases are \$57 million and total reductions are \$158 million for a net reduction of \$101 million. Bargaining unit salary adjustments are submitted per the terms of bargaining unit contracts.
- All other funds increased by \$219 (\$161 million federal increase in Medicaid and \$58.5 million in designated general funds and other funds) for a total budget increase of \$118 million.
- Examples where unrestricted general funds were replaced with other funds are: DCCED Alaska Seafood Marketing Institute - \$1.5 million industry receipts, Education Foundation Program - \$17 million in Public School Trust funds, Fish and Game - \$1.3 million in designated general funds and \$1.5 million in federal funds, Natural Resources - \$2.0 million in designated general funds.

Attachment #7 and #8

Representative Gara: Apart from Medicaid, what is the budget change for DHSS?

The unrestricted general fund reduction for the Department of Health and Social Services (DHSS) from FY2015 to FY2017 was \$135.1 million. Excluding the \$89.5 million reduction for Medicaid, the reduction is \$45.6 million or -8.1%. Attached is a report by appropriation and component of the changes from FY2015 to FY2017.

Attachment #9

Representative Gattis: What percent have departments been cut when all money is included?

The agency operating budget for all funds went from \$7,629.4 million in FY2015 to \$7,548.1 million in FY2016 or a decrease of 1.1%. This is reflected in the fiscal summaries of both Legislative Finance (line 12) and the Office of Management and Budget (line 11) included in page one and two of the overview packet. With statewide operations and the capital budget, the total reduction in all funds from FY2015 to FY2016 is a decrease of 6.1% (line 58 of the Office and Management Budget fiscal summary).

Representative Edgmon: Why do we have to act this year? Why the urgency?

The urgency to act is due to the size of the sustainable draw necessary to allow us to maintain essential services while continuing to have among the lowest taxes in the nation. The larger the balances of the Constitutional Budget Reserve and the Permanent Fund Earnings Reserve when the plan is implement, the larger the amount of Alaska's existing wealth. If the plan is implemented this year--allowing for a sustainable draw of \$3.3 billion--there is still a budget gap without additional spending cuts and additional revenue. If action is delayed even one year and \$3 - \$4 billion is withdrawn from savings this year to pay for government, the amount that can be earned and sustainably drawn from savings is diminished forever. This would necessitate deeper spending cuts and/or additional new revenue.

Please let me know if you have additional questions.

The Honorable Mark Neuman
The Honorable Steve Thompson
February 9, 2016
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Sincerely,



Pat Pitney
Director

Enclosures

1. FY2000 – FY2016 Average Full-Time Position Cost Trends – Salary, Benefits, and Total
2. List of Deputy and Assistant Commissioners
3. List of Exempt Positions with Salary Greater than the Governor (\$145,000)
4. Budgeted Position Count – FY2015 to FY2017
5. Budgeted Position Change Detail with Filled versus Vacant – FY2015 to FY2017
6. Budget Review Summary – Unrestricted General Funds (LF GF Unrestricted) FY2015-FY2017
7. FY2017 Governor Budget Increases and Decreases Summary
8. FY2017 Governor Budget Reductions and Replacement Fund Detail
9. DHSS UGF Budget excluding Medicaid

cc: David Teal, Director, Legislative Finance