

**SJR**

**37**

SFIN

FILE

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/20/02

REPORTED OUT  
 MAR 22 2002  
 SENATE FINANCE  
 COMMITTEE

FURTHER:

DATE TURNED IN TO OFFICE: 22 March 2002

Finance Committee considered

SENATE JOINT RESOLUTION NO. 37

SJR 37 CONST AM: HIRING FREEZE

Proposing an amendment to the Constitution of the State of Alaska relating to officers and employees of the executive branch.

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
Gov.	7/22/02	1.5		#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

REPORTED OUT  
**FISCAL NOTE**  
 MAR 27 2002  
 SENATE FINANCE

**STATE OF ALASKA  
 2002 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SJR 37  
 (S) Publish Date: 2/27/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: OOG  
 Title Constitutional amendment BRU Elections  
officers/employees of the executive branch Component Elections  
 Sponsor Senator Kelly  
 Requester Senate State Affairs Component No. 21

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF	1.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58. If this measure requires the printing of an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by: Gail Fenumiai, Election Administrative Supervisor Phone 465-3935  
 Division: Division of Elections Date/Time 2/22/02 12:28 PM  
 Approved by: Lieutenant Governor Fran Ulmer Date 02/22/2002  
 Agency: Office of the Lieutenant Governor

# Alaska State Legislature

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Senator Pete Kelly  
District P

## **SJR 37 Sponsor Statement**

**Proposing an amendment to the Constitution of the State of Alaska relating to officers and employees of the executive branch.**

The State of Alaska is facing a billion dollar deficit and unfortunately the constitutional budget reserve fund cannot fill the gap. Revenue officials project it will be drained by July 2004 if the proposed fiscal year 2003 budget is funded. This budget includes an increase of 858 full-time state positions from the current fiscal year with a price tag of \$115 million.

In the face of such an enormous budget deficit, state spending must be reduced. The most logical first step you take when you have a fiscal problem is a hiring freeze. It will be impossible for the state to sustain such an increase in state employees. A hiring freeze will reduce the number of state positions through attrition, a much better solution than forced layoffs a year down the road.

This hiring freeze will include all positions funded with general funds **except** those temporary positions needed to respond to emergencies or needed for reasons involving health and safety.

The passage of SJR 37 will put this resolution to a vote of the people and if approved, will amend the Constitution of the State of Alaska.



provided by:  
Senator Pete Kelly

STATE OF WASHINGTON  
OFFICE OF THE GOVERNOR

P.O. Box 40002 • Olympia, Washington 98504-0002 • (360) 753-6780 • TTY/TDD (360) 753-6466

GOVERNOR'S DIRECTIVE No. 02-01

**TO:** State Elected Officials  
Agency Directors  
Presidents of Higher Education Institutions  
State Boards and Commissions

**FROM:** Gary Locke, Governor

**DATE:** February 21, 2002

**SUBJECT:** Directive to Freeze Hiring, Travel and Equipment Purchases

A worsening state revenue outlook requires immediate action to freeze hiring, travel, and equipment purchases. We are now looking at a deficit of more than \$1.6 billion in the 2001-03 biennial budget as a result of a lower revenue forecast and higher forecasts for public school enrollment, social service caseloads, and juvenile rehabilitation and prison populations.

Beginning February 22, 2002, all state agencies under my direction will impose a hiring freeze. Exempted from this freeze are positions that directly serve public safety and essential health and welfare activities of state government. I also call upon the presidents of higher education institutions, boards and commissions, and our separately elected officials to impose similar restrictions within their agencies and jurisdictions.

Additional exemptions from the hiring freeze may be granted as vacancies occur in critical areas in the rest of government based on a written justification provided to and approved by the director of the Office of Financial Management.

We all recognize the practical difficulties and complications of implementing a hiring freeze. While this is not going to be easy, I ask each manager to use common sense, good judgment, and creativity to aggressively accomplish the ultimate goal of this directive: to save taxpayer dollars through FTE reductions. In addition, non-essential travel and non-essential equipment purchases made with state funds are frozen until further notice.

In implementing this order, agencies shall comply with the appropriate contractual provisions of any current collective bargaining agreement made with their employees. Agencies shall also comply with guidelines and reporting requirements as directed by the Office of Financial Management in separate instructions.

provided by: Senator Pete Kelly



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## Office of Governor Gary Locke

FOR IMMEDIATE RELEASE - February 19, 2002

Contact: Governor's Communications Office, 360-902-4136

### Locke may order across-the-board budget cuts

OLYMPIA – Gov. Gary Locke today said a worsening state revenue outlook will likely mean deeper budget cuts and may require him to order an across-the-board budget reduction.

"Today's announcement by the state Office of the Forecast Council is sobering," Locke said, referring to the official state revenue forecast downturn of \$246.8 million. "We are now looking at a deficit of more than \$1.5 billion in the 2001-03 biennial budget and that deficit may grow with tomorrow's forecast on school enrollment, rising social service caseloads and increasing prison populations."

Noting that Washington's situation is not unique, Locke said, "A national economic recession intensified by the events of September 11 has left our state and 39 others facing budget shortfalls in the billions of dollars. Today's revenue announcement means we must tighten our belts even more."

Locke said he already has taken action to impose a hiring freeze in addition to the 1,685 full-time equivalent (FTE) reductions since July. He also restricted state employee travel and imposed a freeze on equipment purchases. He added that more severe measures will be necessary to offset the serious revenue losses caused by the effect of the Sept. 11 terrorist attacks on the national and state economies.

The governor met this morning with legislative leadership and budget chairs and pledged to work with them to find a solution to the growing budget problem.

"As I have said all along, it remains my hope that the state budget be balanced without a general tax increase," Locke said.

The governor also will ask the Legislature to consider eliminating cost of living adjustments (COLAs) for state workers and state vendors.

Locke suggested other cost-saving options including an additional across-the-board reduction in all state agency budgets.

In addition to budget cuts, Locke suggested increasing revenue by closing outdated tax exemptions. The governor has asked the Office of Financial Management to review the tax exemptions and report back on its findings.

"These are difficult times but we have gotten through them before and we will get through them again if we work together," Locke concluded.

**SEATTLE POST-INTELLIGENCER**

[http://seattlepi.nwsourc.com/local/59009\\_revenue20.shtml](http://seattlepi.nwsourc.com/local/59009_revenue20.shtml)

provided by:  
Senator Pele Kelly

**Locke puts a freeze on state hiring**

**'So possible: Tax increase, program cuts, delayed raises**

*Wednesday, February 20, 2002*

By ANGELA GALLOWAY  
SEATTLE POST-INTELLIGENCER REPORTER

OLYMPIA -- Gov. Gary Locke yesterday imposed an immediate state hiring freeze and said the state may need to raise taxes, make sweeping program cuts and stall pay raises for state workers -- even blocking voter-mandated teacher raises -- to fill a budget gap of \$1.6 billion.

While saying it's still his "hope" that he and the Legislature can avoid a broad tax increase, such as to sales or business taxes, Locke offered his softest stance on that yet. "Any general tax increase should be a last resort," the Democratic governor said. "And I'm not prepared to say that we need to go there."

But he did say that it is time to consider repealing more state tax exemptions, as many lawmakers -- particularly Democrats -- have said for weeks.

State officials yesterday announced the third consecutive drop in the state's revenue forecast. Projected tax income over the next 16 months -- which had already dropped by \$914 million since September -- fell another \$247 million to below \$21 billion yesterday.

Today, another forecast council is expected to announce about \$100 million in unanticipated state program cost increases, such as for health care for the poor and public school enrollments.

That would bring the state's budget gap of \$1.25 billion in January up to \$1.6 billion. Most of that would have to be made up in the second year of the current \$23 billion biennial operating budget.

"It's very, very grave," said Rep. Jack Cairnes, R-Covington, a leader of the House Finance Committee.

In some corners, the news has even spurred new interest in one proposal to temporarily raise sales tax by about half a cent, dubbed the "freedom surcharge."

In addition to softened anti-tax rhetoric -- including from the GOP -- substantial spending cuts are on the table:

- Locke said he is "actively" considering across-the-board cuts of about 6 percent to all state programs -- including public schools and prisons -- although basic education would be protected. But some leading Democrats said that's too Draconian. "It's like taking a machete to the budget," said Seattle Democrat Helen Sommers, chairwoman of the House Appropriations Committee.
- Lawmakers agreed that substantial cuts to state programs would be necessary, from slashes in social services to temporary park closures, said Spokane Democratic Sen. Lisa Brown, the upper chamber's budget writer. Also, the Senate probably will propose triple the public school cuts that Locke recommended in December, and colleges probably face both tuition increases and funding cuts, she said.
- In December, Locke proposed stalling July cost-of-living raises for state employees by two months.

Yesterday, he suggested skipping altogether the 2.6 percent raises for the state's 100,000 workers next year -- saving about \$85 million but raising the specter of worker walkouts. In addition, Locke said the state might need to save \$90 million by blocking the 3.4 percent raises for public schoolteachers that voters approved in a November 2000 statewide initiative. That would require a two-thirds vote of the Legislature.

- In addition to freezing hiring, Locke froze equipment purchases and restricted state worker travel. Critical services such as prison guards and Washington State Patrol troopers are exempt from the hiring freeze, he said.

The revenue forecast was not the only bad news yesterday. The state continues to have among the worst unemployment rates in the country, with a new 8.2 percent jobless rate.

State figures also show that 65,000 jobs were lost last year, barely counting recent layoffs at The Boeing Co. Of those, 85 percent were in King County. Many were in construction and Internet-related businesses, said Chang Mook Sohn, the state's chief economist.

Unlike in the national economy, there's no indication that Washington will recover anytime soon from its recession, officials said.

"King County is clearly leading the rest of the state into a much deeper recession than any time since the 1980s," Sohn said.

It adds up to a grim political battle facing the Legislature and governor. Senate Democrats had planned to release their budget proposal next week -- but now predict delay while they hammer out unpopular spending cuts and politically painful tax increases.

And both sides staked out traditional but sobered partisan positions. Democrats said tax hikes must be on the table. Republicans said all state spending should be re-examined.

"I don't see how it is possible to tax ourselves out of this," Cairnes said. "My caucus will not look at significant tax increases until we see a good-faith effort on the part of the Democrats to control spending."

But he did not rule out at least incremental tax increases, saying, "I'm not sure we can get through this just strictly with cuts."

Rep. Lynn Kessler, Democratic majority leader, said it's time to revive proposals to expand gambling to raise more in taxes, such as a bill that would allow thousands of slot machines in mini-casinos, bars and restaurants. "We have to go scouring through and see what we can dig out," Kessler said.

And some are interested in the two- or three-year sales tax surcharge suggested by Sen. James Hargrove, D-Hoquiam, she said. "I don't know if we have to do that. We don't want to close the door on anything," Kessler said.

Brown, the budget chairwoman, yesterday introduced legislation to allow the Legislature to raise taxes and take money out of reserves by a simple majority -- rather than the two-thirds vote required by 1993's voter-approved Initiative 601.

"It just gives us some flexibility for solving the budget crisis," Brown said. "I'm just putting a couple options out there."

GOP lawmakers -- who had been calling for a state hiring freeze for months -- said it was about time Locke responded.

But the governor needs to offer more than talk on the other ideas he floated yesterday, such as state worker pay freezes, some said.

"He's been considering it for the last year. It's time to make a recommendation or not," said Rep. Barry Sehlin, R-Oak Harbor. "But I certainly endorse the ideas."

Greg Devereux, of the largest state employee's union, said walkouts are possible if the state freezes pay. Weeks ago, the union backed a hiring freeze, he added. But "eliminating (cost-of-living adjustments) is just another tax on state employees," Devereux said.

Rich Wood, spokesman for the statewide teachers' union, the Washington Education Association, said, "Now is not the time to cut public education."

The state's economic pain is most obvious in the job market. The Washington jobless rate jumped to 7.5 percent last month, fueled in part by mass Boeing layoffs.

The state job market for seasonal workers is even worse. The unemployment rate unadjusted for seasonal variations, such as holiday hiring and construction work, soared to 8.2 percent in January from 7.3 percent in December, according to state data.

Since the state economy began cooling early last year, the unemployment rate has steadily risen, from 5.5 percent last January to 7.4 percent in December, the Employment Security Department reported yesterday. The rates are adjusted for seasonal changes.

Last month, the jobless rate stood at its highest point in nine years, according to one local economist.

"The overall picture remains the same: namely, a recession more severely concentrated in the metropolitan Seattle economy than in the rest of the state," said Roberta Pauer, a Seattle-based economist for the Employment Security Department.

Pauer predicts Washington will remain mired in recession at least through this summer.

Seattle continues to experience the most severe contraction, absorbing 78 percent of the 63,700 jobs lost around the state in the past year, Pauer said.

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**SEATTLE POST-INTELLIGENCER**

[http://seattlepi.nwsource.com/local/58441\\_welfare15.shtml](http://seattlepi.nwsource.com/local/58441_welfare15.shtml)

provided by: Senator  
Pete  
Kelly

**Locke cuts back welfare programs**

**Demand outstrips money available; subsidized child care takes a hit**

*Friday, February 15, 2002*

By ANGELA GALLOWAY  
SEATTLE POST-INTELLIGENCER REPORTER

OLYMPIA -- Gov. Gary Locke is eliminating nearly \$60 million in welfare reform programs -- partly by cutting 1,000 working poor families off subsidized child care -- to fill a new deficit in welfare money.

For years, Washington state enjoyed surpluses of \$200 million a year in its \$900 million annual budget for welfare reform, thanks to a drop in caseloads of more than 40 percent.

And the Legislature and Locke diverted much of the state's share of the surpluses into social and other programs. About \$200 million went to education, officials said.

But, in recent months, demand for the WorkFirst reform program has outstripped what's left of the money. For example, the state underestimated demand for child care assistance -- today the largest program within welfare, even surpassing cash grants -- by \$35 million over the next 18 months. In August, 43,000 families received such subsidies -- 2,000 more than anticipated.

In addition, demand in the last two months for public assistance has grown because of the recession. In December and January alone, 2,800 new families qualified for Temporary Assistance for Needy Families (TANF).

"We told them this would happen...that when the economy went down there would be more people in there," said Sen. Darlene Fairley, D-Lake Forest Park.

Yakima Republican Sen. Alex Deccio added that the state should have waited to see how the first five years of welfare reform went before raiding the surpluses.

The federally mandated program aims to move people off public assistance rolls and into jobs through training, child care and other help. About 60 percent of the money comes from the federal government and the rest is from the state.

No one will lose those TANF grants in Locke's cuts, officials said. The cuts to child care subsidies amount to \$22.6 million from an annual budget of \$300 million.

But some politicians and social service advocates say the cuts could have been prevented -- particularly cuts Locke made to child care and education programs.

"This does have grave implications -- there's no doubt," Rep. Kip Tokuda, D-Seattle, said of the cuts.

And some lawmakers say it's time to rein in the sole discretion they granted the governor in how to spend surpluses in 1997. "It's a consideration -- which I wasn't willing to say several months ago," Tokuda said.

Locke's cuts include:

Reducing income eligibility for subsidized child care from 225 percent of the federal poverty level to 200 percent, saving \$3 million. For a family of three, the top allowed income drops from nearly \$33,000 a year to \$29,260.

Increasing co-payments for child care by \$5 a month, up to between \$15 and about \$300 a month, to raise \$13.5 million.

\$7.5 million for Families That Work, which helped parents with literacy, parenting and basic job skills. Ken Miller, Locke's welfare adviser, said the program hasn't failed, but its benefits aren't enough to justify its cost in the current budget climate.

\$5.4 million for the Job Success Coach program, designed to keep people in jobs.

\$3 million for a practice job program that placed welfare reform participants in unpaid work so they could learn job skills. The program hasn't worked, Miller said.

\$3.1 million for new pilot projects. The welfare reform program was constantly trying new ways to move people from public assistance to the work force, Miller said, but can't afford to experiment now.

In addition to diverting hundreds of millions of welfare surplus dollars into the general fund, the state used them to create other programs for the poor. That's in part because federal officials warned states to spend down surpluses because they wouldn't look good in welfare reform budget talks in Congress this year, said Marty Brown, Locke's budget director.

Miller said, "There are a lot of things to use the money for and we think they were used wisely."

For example, \$24 million a year went to tuition and child care assistance for vocational students of community colleges, he said. Another \$2.4 million went to legal aid for the poor. Locke cut the legal aid yesterday.

"I can't disagree with how the state spent (that) money," said Jean Colman, director of the Welfare Rights Organizing Coalition. "I do argue with the state putting TANF dollars into some (other welfare) programs and moving those dollars into state general fund programs.

"Making it harder for families to receive assistance in a recession is just really mean-spirited."

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provided by: Senator Pete Kelly



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

February 22, 2002

**TO:** State Elected Officials  
Agency Directors  
Presidents of Higher Education Institutions  
State Boards and Commissions

**FROM:** Marty Brown  
Director

*Marty Brown*

**SUBJECT: IMPLEMENTATION INSTRUCTIONS RELATED TO  
GOVERNOR'S DIRECTIVE NO. 02-01 TO FREEZE HIRING,  
TRAVEL AND EQUIPMENT PURCHASES**

In response to recent revenue and caseload forecasts, the Governor has imposed a hiring, travel and equipment purchase freeze on agencies under his direction. The following instructions provide guidelines regarding the implementation of his directive.

**Basic Provisions of Directive 02-01**

Beginning February 22, 2002, all executive agencies are prohibited from filling new or vacant positions unless directly related to public safety, or essential health and welfare activities.

Requests for exemption from the hiring freeze for the purpose of maintaining critical services may be approved by the Office of Financial Management (OFM).

The hiring freeze applies to all positions, regardless of fund source.

Non-essential travel and equipment purchases made with any state funds are also frozen until further notice.

Agencies shall comply with the appropriate contractual provisions of current collective bargaining agreements in implementing the Governor's directive.

February 22, 2002

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### Monitoring

OFM is not requiring special reports from agencies, but my staff and I will regularly monitor statewide accounting data (FTEs, travel, equipment) and, in consultation with the Department of Personnel, will review hiring, payroll and headcount reports. Inquiries may be directed to agencies based on this information. I encourage agency directors to maintain sufficient internal records for monitoring implementation of the freeze.

### Activities Exempt from the Hiring Freeze

Because of their connection to the health and safety of state citizens, or to the protection of public assets, the following direct service activities are exempt from the hiring freeze:

- Direct custody, supervision and patient care in corrections and juvenile rehabilitation programs; community programs and institutions for the care of veterans, the elderly, the mentally ill, and the developmentally disabled; and the School for the Blind and School for the Deaf
- Child and adult protective services in the Department of Social and Health Services
- Washington State Patrol Crime Lab and field enforcement (troopers)
- Emergency Management within the Military Department
- Hazardous materials and methamphetamine lab response
- Fire fighting
- Public health laboratory, and emergency public health response
- Child support enforcement
- Unemployment and workers compensation payments
- Safety inspections
- Department of Fish and Wildlife enforcement officers, and park rangers

Exemption is also granted for activities directly involved in producing revenues:

- Tax and fee collection and auditing
- Financial and estate recovery

Specific hiring authorization from OFM is not required for activities that agency directors determine match the above descriptions.

**Process and Criteria for Requesting Additional Hiring Freeze Exemptions**

Agencies may request additional hiring freeze exemptions from OFM for critical activities that are necessary:

- For the immediate health, safety or welfare of state citizens, or for the protection of critical state assets.
- For production or collection of state or federal revenue.
- To respond to unforeseen, emergent circumstances.

Requests for exemption should consist of the completed OFM form (attached) addressed to me and signed by the director of the agency making the request. The form must contain the following elements: description of activity requested for exemption and why it qualifies as an essential state service, number of staff involved, how the activity matches the above exemption criteria, why other staff could not be transferred within the agency to perform this service, and the consequences of not granting the exemption.

**Process and Criteria for Requesting Exemptions from the Travel and Equipment Purchase Freeze**

Agency directors are responsible for complying with the directive freezing non-essential travel and non-essential equipment purchases made with state funds. ("Essential" travel or equipment is that which is necessary to carry out critical state services.) I expect any out-of-state travel or significant equipment purchases to be scrutinized and decided upon by high level agency management. In addition, the agency should keep information about the nature and purpose of these expenses.

At a minimum, agencies should consider whether each travel and equipment request is absolutely necessary for maintaining essential state operations, and whether all alternatives have been exhausted.

Travel and equipment purchases in the following categories must receive pre-approval from the Office of Financial Management:

- Travel outside the continental United States
- Equipment purchases in excess of \$10,000

February 22, 2002

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Questions

Questions about budget or FTE issues can be communicated to your assigned OFM budget analyst or to the OFM compensation analyst.

Please direct personnel or human resource management questions to your agency personnel officer, or the Rules Unit at Department of Personnel.

I appreciate the challenges these actions create for state managers and am willing to assist you in whatever way possible. We are making every effort to impose realistic expectations on agencies, at the same time maintaining a commitment to the high standards of the Governor's directive. In the end, it will be the responsibility of every state manager to pursue the most frugal and practical measures to sustain critical operations.

We will continue to monitor these efforts through the end of the biennium and will re-assess the freeze as the budget situation warrants.

provided by: Senator Pete Kelly

Agency Name: \_\_\_\_\_

**REQUEST FOR EXEMPTION FROM DIRECTIVE NO. 02-01  
(2/22/02 HIRING, TRAVEL AND EQUIPMENT FREEZE)**

In order to be considered for exemption beyond those provided by the February 22 OFM Implementation Instructions, agencies must complete this form and submit it to the director of OFM.

Identify Type of Request for Exemption:

HIRING FREEZE  TRAVEL  EQUIPMENT

**HIRING FREEZE**

Description of activity requested for exemption

Identify under which exemption criteria the request is being made

Justification (why it qualifies as an essential state service)

Number of staff positions involved

Explanation of why other staff could not be transferred within the agency to perform this service

Consequences of not granting the exemption

**TRAVEL**

Destination:

Number of staff traveling:

Justification for Travel (Why is this essential?):

Applicable Exemption Criteria:

Explanation of why alternatives to travel won't work:

**EQUIPMENT**

Justification for Equipment purchase (Why is this essential?):

Applicable Exemption Criteria:

\_\_\_\_\_  
Signature of Agency Director

Tony Knowles  
Governor  
P.O. Box 110001  
Juneau, Alaska 99811-0001  
NEWS RELEASE

State of Alaska  
Office of the Governor



Bob King  
Press Secretary  
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For Immediate Release: February 4, 1999

**KNOWLES ANNOUNCES BUDGET AUSTERITY MEASURES**

*Includes Hiring Freeze, Travel and Purchasing Restrictions in Current Budget*

As part of his overall plan to achieve a balanced, sustainable budget in the wake of declining oil revenues, Gov. Tony Knowles today announced \$6.25 million in cuts for the current budget year, including an immediate freeze on state hiring, travel restrictions and cutbacks in state purchasing and contracting.

"While much progress has been made over the past several years in reducing the cost of state services, more needs to be done as part of our overall plan for a long-term, sustainable, balanced budget," Knowles said. "Alaskans want assurance that as their employers, businesses and families tighten their belts, the state is doing the same."

Cuts in the current year budget include a reduction in personnel services totaling \$2.5 million, a 10 percent reduction in travel expenses of \$1.2 million, and a reduction in contracts, supplies and equipment, totaling \$2.6 million. Since there are fewer than 5 months left in the current fiscal year, the reductions have an annualized impact of about \$15 million.

Although these amounts are specific to the state's general funds, belt-tightening measures will apply to all areas of state government, regardless of funding sources.

"These cuts will involve reduced service and may require some layoffs," Knowles said. "I have asked departments to manage these reductions carefully, such as through attrition, to minimize impacts on the public."

In announcing his austerity actions, Knowles said public safety would not be compromised. Areas excluded from the cuts include trooper detachments, child protection and child support enforcement, and 24-hour institutions such as Pioneer Homes, prisons, community jails, youth correction facilities and the Alaska Psychiatric Institute. Similarly, travel for needed prisoner transfers will not be affected.

Cuts will not be made in current year funding for education and municipal grants.

Knowles said the hiring freeze applies to existing vacant positions and to new positions. Exceptions will only be allowed for positions affecting life, health and safety, such as child protection workers and public health nurses, and only at the express direction of department commissioners.

"Budget cuts alone will not solve the state's current fiscal dilemma, but are necessary given the current drop in oil prices," Knowles said. "By taking these steps in cooperation with the Legislature, I want to

show Alaskans we're serious about cutting the budget, eliminating the fiscal gap and improving on the most cost-effective delivery of state services. I believe Alaskans will support the long-range balanced budget plan I outlined last month as they see us taking the actions we do today."

The governor said he is working cooperatively with the Legislature to achieve the cuts. In recent meetings and communications with legislative leaders, including Senate President Drue Pearce, House Speaker Brian Porter and finance committee chairs, Knowles and legislators have agreed on the need for further cuts. The governor also noted he is working with Senate Minority Leader Johnny Ellis, House Minority Leader Ethan Berkowitz, and minority Democrats to achieve responsible reductions.

Knowles said today's budget cuts are the first in a series he will announce in coming weeks. Next week, he plans an announcement about efforts to work with the Legislature to reduce the size of the supplemental spending request. He will follow that with specific details about Budget Year 2000 cuts.

The governor said the austerity measures announced today should be extended to other quasi-state agencies, including the University of Alaska, Permanent Fund Corporation, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Railroad and others. Reductions in their operations will produce benefits for their customers and ratepayers.

The two other branches of government, the Legislature and court system, are not covered by the governor's action.

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Broadcasters: Video excerpts from this morning's news conference with Gov. Knowles will be broadcast on the Governor's window on ARCS at 3:30 today. Radio actualities will be available on the Governor's Information Line at 800-478-5669 or 465-5213 in Juneau.