

MEMORANDUM

STATE OF ALASKA

Office of the Governor
Office of Management and Budget

To: Commissioners
Administrative Services
Directors

Date: January 19, 2007

Phone: 465-4660

From: Karen J. Rehfeld
Director

Subject: FY2008 Budget Amendments

Governor Palin has clearly outlined her budget goals to save for the future, live within our means, prioritize spending, and find efficiencies and reductions in state government. The Governor will be requesting that the University, Legislature, and Court System also review their general fund budgets to identify efficiencies and reductions to include in the FY2008 amended budget.

As discussed during the January 16 cabinet meeting, departments need to develop FY2008 budget amendments in order to meet the Governor's general fund target reduction of \$150 million. The proposed amendments and supporting information you develop will assist the cabinet and OMB in making FY2008 budget recommendations to the Governor. FY2008 budget amendments are due to the legislature on March 1, 2007.

The Governor's FY2008 operating budget is the starting point. Departments are asked to incorporate general fund budget reduction options in the statewide ABS scenario that OMB has created called FY2008 Governor Target. The personal services module will only need to be adjusted once final decisions are made for the FY2008 Governor's Amended budget scenario.

Attached is a spreadsheet that lists specific programs that will be "held harmless," which means that the program's general fund budget amount is not included in the calculation of the various targets. Also attached is a spreadsheet that identifies each department's amendment target. This target amount is not intended to limit an agency from recommending changes that exceed the target or changes to programs on the hold harmless list. Also, if there are recommendations that may take longer than one budget cycle to implement, please include those as well. You'll note that the target amount is larger than \$150 million in order to give the Governor more options to choose from.

Some key points:

- ALL fund sources may be adjusted, though departments MUST meet their general fund target.
- Be sure to review program prioritization and program effectiveness.
- The grant line should not be the first place to look for reductions.

- Add change records with descriptions that explain the level of service that will be provided at the respective funding targets and identify any key constituent groups that are impacted.
- Identify in the change record description any statutory changes needed to implement a department's proposed reduction, which may include suggestions for elimination of programs. If a statutory change is required, code the change record to the "Statutory Program (Formula) Changes" management group.
- Recommendations to eliminate a program, whether by statutory change or not, should include the basis for the recommendation, i.e., not achieving intended results, cost outweighs benefits, etc.
- Departments should review all positions that have been vacant for one year and delete those wherever possible.
- Departments may propose budget structure changes to provide more budget flexibility, being sure to note if that suggestion has been presented to the Legislature within the last couple of years.
- Do not propose reductions that impact other departments. Any suggestions of a statewide or multi-department nature should be submitted in memo form to me.
- Prioritize the proposed reductions.
- Departments may suggest fee increases, but the suggestion does not negate the reduction exercise.

I realize that there may be further questions. Please forward any questions to your OMB Analyst so the questions can be consolidated and answers provided to each of you.

The DEPT NAME version of the target scenario is due at OMB by close of business on Thursday, February 1, 2007. Meetings with the Governor's Chief of Staff, OMB, Commissioners and Administrative Service Directors to review the recommendations will be scheduled beginning on Saturday, February 3 through Thursday, February 15. Please contact Paula Spreter at 465-4660 to schedule a time.

Thank you for your assistance.

Attachments

FY2008 Governor's General Fund Included in Amendment Targets:

Administration	352,525.4
Commerce	60,387.7
Corrections	213,804.7
Education	995,180.6
Environmental Conservation	20,928.5
Fish and Game	52,680.3
Governor	19,839.8
Health and Social Services	861,448.3
Labor	31,544.9
Law	46,983.5
Military and Veterans Affairs	14,724.9
Natural Resources	75,143.8
Public Safety	118,997.1
Revenue	18,057.4
Transportation	235,958.9

(Excludes University, Courts, Legislature, Debt and Fund Capitalizations)

General Fund Balance

3,118,205.8

Amounts to be Held Harmless:

(LESS) PERS/TRS

Statewide - Dept PERS/TRS Increases	(127,059.9)
Admin - Political Subdivisions PERS	(77,474.7)
Admin - School Districts TRS	(207,432.5)

Subtotal PERS/TRS

(411,967.1)

(LESS) Some Formula Programs

Admin - EPORS	(1,953.1)
DEED - Foundation (incl \$35 M) and Pupil Trans	(939,831.5)
DMVA - AK National Guard Benefits	(1,737.4)

Subtotal Formula

(943,522.0)

(LESS) Governor's Initiatives

Admin - APOC Investigator	(96.0)
Commerce - Local Govt Support	(48,100.0)
DHSS - Longevity Bonus	(33,709.2)

Subtotal Initiatives

(81,905.2)

Total to be Held Harmless

(1,437,394.3)

Remaining GF Included in Amendment Targets

1,680,811.5

FY2008 Governor's Budget Amendment Targets

Department	Budgeted GF	PERS Held Harmless	Formula and Initiatives Held Harmless	Total Held Harmless	Remaining GF Balance	% of Remaining GF Balance	10% Target
Administration	352,525.4	(291,701.9)	(2,049.1)	(293,751.0)	58,774.4	3.5%	5,877.4
Commerce	60,387.7	(1,012.4)	(48,100.0)	(49,112.4)	11,275.3	0.7%	1,127.5
Corrections	213,804.7	(15,710.1)		(15,710.1)	198,094.6	11.8%	19,809.5
Education	995,180.6	(2,691.1)	(939,831.5)	(942,522.6)	52,658.0	3.1%	5,265.8
Environmental Conservation	20,928.5	(2,125.8)		(2,125.8)	18,802.7	1.1%	1,880.3
Fish and Game	52,680.3	(12,160.4)		(12,160.4)	40,519.9	2.4%	4,052.0
Governor	19,839.8	(1,833.8)		(1,833.8)	18,006.0	1.1%	1,800.6
Health and Social Services	861,448.3	(24,911.0)	(33,709.2)	(58,620.2)	802,828.1	47.8%	80,282.8
Labor	31,544.9	(7,047.7)		(7,047.7)	24,497.2	1.5%	2,449.7
Law	46,983.5	(6,684.4)		(6,684.4)	40,299.1	2.4%	4,029.9
Military and Veterans Affairs	14,724.9	(1,995.7)	(1,737.4)	(3,733.1)	10,991.8	0.7%	1,099.2
Natural Resources	75,143.8	(7,234.0)		(7,234.0)	67,909.8	4.0%	6,791.0
Public Safety	118,997.1	(10,701.6)		(10,701.6)	108,295.5	6.4%	10,829.6
Revenue	18,057.4	(2,884.4)		(2,884.4)	15,173.0	0.9%	1,517.3
Transportation	235,958.9	(23,272.8)		(23,272.8)	212,686.1	12.7%	21,268.6
TOTALS	3,118,205.8	(411,967.1)	(1,025,427.2)	(1,437,394.3)	1,680,811.5	100.0%	168,081.2

Percentage of GF budget held harmless: 46%