

# **State of Alaska FY2007 Governor's Operating Budget**

**Office of the Governor  
Office of Management and Budget  
RDU/Component Budget Summary**

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**RDU/Component: Office of Management and Budget**

*(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)*

**Contribution to Department's Mission**

To improve the effectiveness and efficiency of state government by providing budgetary, policy development, management and auditing services to the Governor and state agencies.

**Core Services**

- Prepare, secure its approval, and implement the Governor's Budget.
- Guide agencies for continuous improvement of services.

End Results	Strategies to Achieve Results
<p><b>A: Achieve long-term fiscal stability in the State of Alaska</b></p> <p><u>Target #1:</u> Balance expenditures with revenue within a five year period  <u>Measure #1:</u> Annual percentage of recurring expenditures paid for by current year revenues</p>	<p><b>A1: Reduce reliance on Constitutional Budget Reserve in order to balance budget</b></p> <p><u>Target #1:</u> No greater than a \$400 million draw from the Constitutional Budget Reserve annually  <u>Measure #1:</u> Annual amount drawn from the Constitutional Budget Reserve</p> <p><u>Target #2:</u> Reduce percentage of general fund budget funded from the Constitutional Budget Reserve from FY2003 level of 20%  <u>Measure #2:</u> Percentage of general fund budget funded from the Constitutional Budget Reserve</p> <p><u>Target #3:</u> Maintain \$1 billion Constitutional Budget Reserve balance  <u>Measure #3:</u> Fiscal year beginning balance of the Constitutional Budget Reserve</p> <p><b>A2: Fund initiatives that over time will provide increased revenue to the State</b></p> <p><u>Target #1:</u> Increase revenue from new initiatives funded during the fiscal year  <u>Measure #1:</u> Amount of projected revenue increases due to new initiatives funded during the fiscal year</p> <p><b>A3: Maintain the State's excellent credit rating</b></p> <p><u>Target #1:</u> Maintain Aa2 or AA credit rating  <u>Measure #1:</u> Actual credit rating</p>
End Results	Strategies to Achieve Results
<p><b>B: Departments show improvement towards their performance targets</b></p> <p><u>Target #1:</u> 90% of departmental performance measures</p>	<p><b>B1: Improve the agencies' capacity to link activities to end results</b></p> <p><u>Target #1:</u> 98% of all agencies and divisions have</p>

are showing annual progress towards achieving desired end results.

Measure #1: Percent of departmental performance measures showing improvement

strategic frameworks that establish a link between desired results and the activities necessary to produce them

Measure #1: Percent of agencies with strategic frameworks that link desired results and activities

Target #2: 98% of agencies have performance measures that indicate whether results are being achieved and report on those measures annually (minimum)

Measure #2: Percent of agencies with performance measures reported annually

### Major Activities to Advance Strategies

- Strategic planning work sessions
- Produce performance management plans
- Continued performance management training and coaching
- Identify, prioritize and fund traditional responsibilities
- Develop and propose appropriate legislation
- Collaborate with departments
- Research and analyze new service improvement ideas
- Public outreach
- Identify priority programs and projects set out by the Governor
- Implement budget software enhancements

### FY2007 Resources Allocated to Achieve Results

**FY2007 Component Budget: \$2,171,500**

**Personnel:**

Full time	21
Part time	0
<b>Total</b>	<b>21</b>

### Performance Measure Detail

#### A: Result - Achieve long-term fiscal stability in the State of Alaska

**Target #1:** Balance expenditures with revenue within a five year period

**Measure #1:** Annual percentage of recurring expenditures paid for by current year revenues

#### Percent of Expenditures Paid for by Revenues

Fiscal Year	YTD Total
FY 2006	100% (projected)
FY 2005	99.1%
FY 2004	96.8%
FY 2003	82%
FY 2002	64.8%

#### A1: Strategy - Reduce reliance on Constitutional Budget Reserve in order to balance budget

**Target #1:** No greater than a \$400 million draw from the Constitutional Budget Reserve annually

**Measure #1:** Annual amount drawn from the Constitutional Budget Reserve

**Amount Drawn From the Constitutional Budget Reserve (in millions)**

Fiscal Year	YTD Total
FY 2007	0.0 projected
FY 2006	0.0 projected
FY 2005	34.9
FY 2004	10.8
FY 2003	498.1
FY 2002	884.3

**Target #2:** Reduce percentage of general fund budget funded from the Constitutional Budget Reserve from FY2003 level of 20%

**Measure #2:** Percentage of general fund budget funded from the Constitutional Budget Reserve

**Budget Percentage Funded from Constitutional Budget Reserve**

Fiscal Year	YTD Total
FY 2007	0% projected
FY 2006	0% projected
FY 2005	.01%
FY 2004	.5%
FY 2003	20%

**Target #3:** Maintain \$1 billion Constitutional Budget Reserve balance

**Measure #3:** Fiscal year beginning balance of the Constitutional Budget Reserve

**Beginning Balance of the Constitutional Budget Reserve (in thousands)**

Fiscal Year	YTD Total
FY 2006	\$2,235,693
FY 2005	\$2,155,078
FY 2004	\$2,093,556
FY 2003	\$2,466,918
FY 2002	\$3,110,104

**A2: Strategy - Fund initiatives that over time will provide increased revenue to the State**

**Target #1:** Increase revenue from new initiatives funded during the fiscal year

**Measure #1:** Amount of projected revenue increases due to new initiatives funded during the fiscal year

**Amount of Projected Revenue Increases due to New Initiatives (in millions)**

Fiscal Year	YTD Total
FY 2007	\$90.0
FY 2006	\$276.1
FY 2005	\$175.4
FY 2003	\$70.1

**Analysis of results and challenges:** The amount for FY04 reflects several fee and license increases.

The amount for FY05 reflects \$55.4 million due to the partial year implementation of the economic limit factor (ELF) adjustment, \$45 million in Alaska Housing Finance Corporation bond proceeds, and \$75 million in Alaska

Student Loan Corporation bond proceeds.

The amount for FY06 reflects \$191.1 million, a full year of the ELF adjustment, and \$85 million in Alaska Student Loan Corporation bond proceeds.

The amount for FY07 reflects \$90 million from bond refinancing.

**A3: Strategy - Maintain the State's excellent credit rating**

**Target #1:** Maintain Aa2 or AA credit rating

**Measure #1:** Actual credit rating

**State of Alaska's Credit Rating Moody's/Standard & Poor's/Fitch**

Fiscal Year	Rating by Entity	Outlook by Entity
FY 2007	Aa2/AA/AA	Stable/Stable/Stable
FY 2006	Aa2/AA/AA	Stable/Stable/Stable
FY 2005	Aa2/AA/AA	Stable/Stable/Stable
FY 2004	Aa2/AA/AA	Negative/Stable/Stable
FY 2003	Aa2/AA/AA	Negative/Stable/Stable

**Analysis of results and challenges:** Alaska is currently at the third most positive credit rating; there are only two higher levels.

The range of outlooks run from Positive, Stable, Negative, Credit Watch. A "Credit Watch" outlook is indicative of an upcoming rating decrease. The impact of a one step rating change is an interest rate change of 10-50 basis points (or 0.1% to 0.5%).

It is unlikely that Alaska's credit rating will improve for several reasons: lack of a comprehensive fiscal plan, narrow revenue base (oil production), and debt repayment capacity. The prospect of issuing a large amount of debt to finance the gas pipeline, albeit accompanied by a large annual revenue stream, could have an unknown effect on the state's credit rating. That said, however, the fact that the Permanent Fund has a balance of \$32 billion makes Alaska unique in the credit markets.

**B: Result - Departments show improvement towards their performance targets**

**Target #1:** 90% of departmental performance measures are showing annual progress towards achieving desired end results.

**Measure #1:** Percent of departmental performance measures showing improvement

**Percent of Performance Targets Showing Improvement**

Year	YTD Total
2005	75%
2004	48%

**B1: Strategy - Improve the agencies' capacity to link activities to end results**

**Target #1:** 98% of all agencies and divisions have strategic frameworks that establish a link between desired results and the activities necessary to produce them

**Measure #1:** Percent of agencies with strategic frameworks that link desired results and activities

**Percent of Agencies with Strategic Framework**

Year	YTD Total
2005	97%
2004	92%

**Target #2:** 98% of agencies have performance measures that indicate whether results are being achieved and report on those measures annually (minimum)

**Measure #2:** Percent of agencies with performance measures reported annually

**Percent of Agencies with Performance Measures Reported Annually**

Year	YTD Total
2005	96%
2004	57%

**Key Component Challenges**

- Regardless of the price of oil, the state needs to balance its budget while maintaining stability for the Alaska economy and reliable services for Alaskans. While the current high oil prices are generating significant additional revenue for the state, it is recognized that this price level cannot be expected to be recurring.
- Continue to work to implement more effective results-based budgeting and decision making.

**Significant Changes in Results to be Delivered in FY2007**

*Mission and Measures* – OMB, working with the departments, has made significant progress in advancing the state along its journey to performance-based management and budgeting. In preparation for fiscal year 2007, all agencies have, with Missions & Measures as a foundation, created performance management plans that communicate specific end results to be delivered, enabling strategies, performance targets with attendant measures, and logically connected programmatic activities. These "road maps" will be used by OMB to guide future funding recommendations and by agency management as a tool to assist in making forward-looking, results-focused management and budget decisions.

**Major Component Accomplishments in 2005**

- A primary criterion for judging the performance of OMB is how much of the Governor's agenda, as expressed in the annual budget proposal, gets enacted into law. Since the Legislature has the ultimate power of appropriation, passage of the initiatives embodied in the Governor's budget proposal is more important than number targets. The FY06 budget bills contained two of the Governor's main budget goals:
  1. Treated the FY05 general fund surplus as a windfall. The funds were used to cover the original \$361 million projected FY05 revenue shortfall, fund capital projects and supplementals, and capitalize the newly created Public Education Fund. The Legislature appropriated \$400 million of FY05 revenue into the Public Education Fund account and carried the funds forward into FY06 to help pay for K-12 education.
  2. Made use of the Amerada Hess earnings to fund capital projects. The Legislature established the Alaska Capital Income account within the general fund as a repository for the Amerada Hess earnings and used FY05 and FY06 earnings to fund many of the Governor's high priority transportation projects.
- Continued to improve the capacity for agencies to align resources with priority service results by enhancing the Missions and Measures performance management program.
- Further refined the Missions and measures web site as a communication tool on how public money is being invested to produce results that matter to Alaskans.
- Made substantial improvements to the online Alaska Budget System used by departments to submit their budgets to OMB.

**Statutory and Regulatory Authority**

AS 37.07, AS 37.06, AS 44.19.145

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**Office of Management and Budget  
Component Financial Summary**

*All dollars shown in thousands*

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	1,580.9	1,939.5	2,052.7
72000 Travel	25.7	7.0	7.0
73000 Services	124.9	97.3	97.8
74000 Commodities	20.7	9.0	9.0
75000 Capital Outlay	0.0	5.0	5.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>1,752.2</b>	<b>2,057.8</b>	<b>2,171.5</b>
<b>Funding Sources:</b>			
1004 General Fund Receipts	1,752.2	2,057.8	2,171.5
<b>Funding Totals</b>	<b>1,752.2</b>	<b>2,057.8</b>	<b>2,171.5</b>

**Summary of Component Budget Changes  
From FY2006 Management Plan to FY2007 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2006 Management Plan</b>	<b>2,057.8</b>	<b>0.0</b>	<b>0.0</b>	<b>2,057.8</b>
<b>Adjustments which will continue current level of service:</b>				
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	36.7	0.0	0.0	36.7
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	3.6	0.0	0.0	3.6
-FY 07 Retirement Systems Cost Increase	69.7	0.0	0.0	69.7
<b>Proposed budget increases:</b>				
-Risk Management Self-Insurance Funding Increase	3.7	0.0	0.0	3.7
<b>FY2007 Governor</b>	<b>2,171.5</b>	<b>0.0</b>	<b>0.0</b>	<b>2,171.5</b>

**Office of Management and Budget  
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2006</u> <u>Management</u> <u>Plan</u>	<u>FY2007</u> <u>Governor</u>		
Full-time	21	21	Annual Salaries	1,408,437
Part-time	0	0	COLA	37,861
Nonpermanent	0	0	Premium Pay	571
			Annual Benefits	706,484
			<i>Less 4.67% Vacancy Factor</i>	(100,653)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>21</b>	<b>21</b>	<b>Total Personal Services</b>	<b>2,052,700</b>

**Position Classification Summary**

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Admin Support Specialist	0	0	1	0	1
Admin Support Technician	0	0	2	0	2
Analyst Programmer III/IV	0	0	1	0	1
Analyst/Programmer V	0	0	1	0	1
Chief Analyst	0	0	1	0	1
Chief Budget Analyst	0	0	1	0	1
Director of OMB	0	0	1	0	1
Executive Secretary II	0	0	1	0	1
Internal Auditor IV	0	0	1	0	1
Management Analyst	0	0	2	0	2
Program Budget Analyst III	0	0	1	0	1
Program Budget Analyst IV	0	0	3	0	3
Program Budget Analyst V	0	0	4	0	4
Senior Economist	0	0	1	0	1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>0</b>	<b>21</b>