

State of Alaska FY2002 Governor's Operating Budget

Office of the Governor
Office of Management and Budget
Component

Component: Office of Management and Budget

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Component 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.

Component Services Provided

- Develop the Governor's annual budget and work through the budget process with agencies and the legislature.
- Generate and analyze fiscal projections.
- Coordinate inter-departmental financial issues and fiscal notes.
- Implement the budget throughout the year including managing budget modifications, reviewing internal service rates, and supporting the statewide Alaska Budget System.
- Provide policy analysis and support to the Governor.
- Oversee state single audit requirements.
- Coordinate distribution of Americans with Disabilities Act (ADA) capital improvement funds.

Component Goals and Strategies

- 1) Work toward a long-term plan to balance the budget.
 - Work with the Legislature, business groups, and the public to evaluate how best to balance the budget with a variety of fiscal tools.
 - Control spending while improving the effectiveness of key state services.
 - Work with the Legislature to resolve long-term capital needs, especially for school construction and deferred maintenance of schools and state facilities.
- 2) Improve public understanding of the state budget.
 - Provide timely information and projections to the Governor, agencies, Legislature and public.
 - Make budget information more accessible and meaningful to the public with a web-based Governor's Budget and timely updates throughout the session.
 - Provide a comprehensive view of budget policy issues by coordinating multi-agency testimony at legislative hearings and other public meetings.
- 3) Continue to make the state budget process more effective and efficient.
 - Expand the use of results-based budgeting to improve policy evaluation and decision-making.
 - Focus budget information and discussion on key policy issues.
 - Coordinate interdepartmental budget initiatives to address issues such as child protection and alcohol control.
- 4) Improve access to state buildings for persons with disabilities.
 - Continue to make all state programs and services accessible through program accommodations to persons with disabilities.
 - Continue removing physical barriers to access in state buildings as funds become available.

Key Component Issues for FY2001 – 2002

- Regardless of the price of oil, the state needs a long-range fiscal plan which balances the budget while maintaining stability for the Alaska economy and reliable services for Alaskans.
- The growing backlogs of school construction and deferred maintenance for schools and state facilities must be addressed with a plan that provides long-term financing.
- A consistent total funds perspective in publications and public discussion is needed to foster a more comprehensive understanding of the state's fiscal status. A better understanding of what does and does not

require "general purpose revenues" (such as oil revenues or the Constitutional Budget Reserve Fund) will help ensure that self-supporting services are not unnecessarily constrained.

- Further work is needed to implement more effective results-based budgeting and decision making.
- A methodology for charging rent for state facilities which is being piloted in eight state-owned office buildings in Juneau should be expanded to Anchorage, Fairbanks, and other buildings in Juneau. It incorporates the cost of facility maintenance and operations into agencies' program budgets and brings in non-general fund dollars where appropriate. Additional funds will still be needed to fix the deferred maintenance backlog.

Major Component Accomplishments for FY2000

- Expanded information on the OMB web site (www.gov.state.ak.us/omb/akomb.htm) to include detailed narrative and financial information about department budgets at the division (budget request unit) and program (component) levels.
- Coordinated development and implementation of the Governor's FY2001 "Children's Budget" which emphasized child protection, children's health, and quality education.
- Expanded use of performance measures in department budgets and developed key indicators in major interdepartmental program areas.
- Incorporated a rental rate methodology for eight state office buildings into the FY2001 budget to improve facility maintenance and make space costs part of agency budgets.
- Simplified data entry and expanded functionality for the statewide Alaska Budget System, which all the departments use to prepare their budgets.
- Updated the Alaska Budget System user guide and the statewide instruction manual for budget changes throughout the year.

Statutory and Regulatory Authority

AS 37.010 & .040, AS 37.06, AS 44.19.145

Key Performance Measures for FY2002

Measure: Well developed performance measures are added in three to five areas of each department's FY2003 budget which will be released December 2001.
(Not yet addressed by Legislature.)

Current Status:

Nearly every department has at least five performance measures in the Governor's FY2002 budget.

Benchmark:

Other states vary in the number of key performance measures they track. Several that started with hundreds of measures eventually reduced the number to focus on the most important areas. We are gradually increasing the number of areas with performance measures so we do it carefully and well.

Background and Strategies:

The governor's Executive Budget Summary (EBS) for FY1997 included a few key performance measures for each department. Each year since, departments have reported on their progress in the following year's EBS. One of the FY97 measures was for OMB to design a new statewide budget system. Performance measures are now an integral part of the budget system. Two years ago, the legislature began working on identifying missions and performance measures with departments.

Other states have learned that the process develops best when the executive and legislative branches work together to identify areas needing measures, agree on data needs and constraints, set targets for improvement that are aggressive but achievable, and adjust targets if necessary to meet the funding levels which are ultimately appropriated. The Knowles/Ulmer Administration is committed to working with the legislature to continue establishing viable performance measures and using the results to help evaluate budget needs and program effectiveness.

Measure: Recipients of state financial assistance are notified of audit requirements before the due date and granting agencies resolve audit findings within the required timeframe.

(Not yet addressed by Legislature.)

Current Status:

A database is used to identify which state and/or federal grant recipients are required to have single audits and whether the audits contain findings and questioned costs. 28% of audits required to be submitted in FY2001 were not received in a timely manner. Follow up by OMB on audits with findings and questioned costs generally takes place when a subsequent year audit is received.

Benchmark:

OMB has largely caught up with a significant backlog of audit reviews. Comparative information on other state's timeframes has not been gathered.

Background and Strategies:

As the state coordinating agency for single audits, OMB must ensure that entities expending \$300,000 or more per fiscal year in state financial assistance have an audit submitted within 9 months after the fiscal year end. Audit findings and questioned costs must be resolved by agencies within 6 months of the receipt of final audit.

As a recipient of federal financial assistance, OMB must ensure that the State's subrecipients of federal financial assistance submit federal single audits within 9 months after the fiscal year end. Audit findings and questioned costs must be resolved with the granting agency within 6 months of the receipt of the audit.

OMB is working to streamline the compilation of financial information so recipients can be notified of audit requirements at least 3 months before the audits are due. OMB will more closely track audits with findings and questioned costs to ensure that the granting state agencies are monitoring

Status of FY2001 Performance Measures

| | <i>Achieved</i> | <i>On track</i> | <i>Too soon to tell</i> | <i>Not likely to achieve</i> | <i>Needs modification</i> |
|---|-----------------|-----------------|-------------------------|------------------------------|---------------------------|
| <ul style="list-style-type: none"> OMB will expand performance measures to five additional areas in each department's FY2002 budget which will be released in December 2000. | X | | | | |

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Component Financial Summary

All dollars in thousands

| | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--|----------------|-------------------|-----------------|
| Non-Formula Program: | | | |
| Component Expenditures: | | | |
| 71000 Personal Services | 1,500.8 | 1,639.7 | 1,656.0 |
| 72000 Travel | 11.5 | 16.0 | 7.0 |
| 73000 Contractual | 103.7 | 86.7 | 84.5 |
| 74000 Supplies | 8.4 | 15.0 | 9.0 |
| 75000 Equipment | 10.0 | 5.0 | 5.0 |
| 76000 Land/Buildings | 0.0 | 0.0 | 0.0 |
| 77000 Grants, Claims | 0.0 | 0.0 | 0.0 |
| 78000 Miscellaneous | 0.0 | 0.0 | 0.0 |
| Expenditure Totals | 1,634.4 | 1,762.4 | 1,761.5 |
| Funding Sources: | | | |
| 1004 General Fund Receipts | 1,634.4 | 1,728.0 | 1,761.5 |
| 1053 Investment Loss Trust Fund | 0.0 | 8.6 | 0.0 |
| 1108 Statutory Designated Program Receipts | 0.0 | 25.8 | 0.0 |
| Funding Totals | 1,634.4 | 1,762.4 | 1,761.5 |

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Proposed Changes in Levels of Service for FY2002

No service changes.

Summary of Component Budget Changes

From FY2001 Authorized to FY2002 Governor

All dollars in thousands

| | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| FY2001 Authorized | 1,736.6 | 0.0 | 25.8 | 1,762.4 |
| Adjustments which will continue current level of service: | | | | |
| -Convert Special FY2001 Labor Cost Fund Sources to GF | 25.8 | 0.0 | -25.8 | 0.0 |
| -Year 2 Labor Costs - Net Change from FY2001 | 16.3 | 0.0 | 0.0 | 16.3 |
| -Transfer Funds for SCS CSHB316 Second Year Costs | -17.2 | 0.0 | 0.0 | -17.2 |
| FY2002 Governor | 1,761.5 | 0.0 | 0.0 | 1,761.5 |

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Personal Services Information

| Authorized Positions | | | Personal Services Costs | |
|----------------------|----------------------|--------------------|----------------------------------|------------------|
| | FY2001 Authorized | FY2002 Governor | | |
| Full-time | 23 | 22 | Annual Salaries | 1,284,825 |
| Part-time | 0 | 0 | COLA | 31,097 |
| Nonpermanent | 0 | 0 | Premium Pay | 490 |
| | | | Annual Benefits | 426,792 |
| | | | <i>Less 5.00% Vacancy Factor</i> | <i>(87,204)</i> |
| | | | Lump Sum Premium Pay | 0 |
| Totals | 23 | 22 | Total Personal Services | 1,656,000 |

Position Classification Summary

| Job Class Title | Anchorage | Fairbanks | Juneau | Others | Total |
|----------------------------|-----------|-----------|-----------|----------|-----------|
| Admin Support Technician | 0 | 0 | 2 | 0 | 2 |
| 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 | 1 | 0 | 1 | 0 | 2 |
| Internal Auditor I | 0 | 0 | 1 | 0 | 1 |
| Internal Auditor III | 0 | 0 | 1 | 0 | 1 |
| Policy Analyst | 0 | 0 | 1 | 0 | 1 |
| Program Budget Analyst III | 0 | 0 | 1 | 0 | 1 |
| Program Budget Analyst IV | 0 | 0 | 1 | 0 | 1 |
| Program Budget Analyst V | 0 | 0 | 5 | 0 | 5 |
| Project Program/Analyst | 0 | 0 | 2 | 0 | 2 |
| Senior Analyst | 0 | 0 | 1 | 0 | 1 |
| Senior Economist | 0 | 0 | 1 | 0 | 1 |
| Totals | 1 | 0 | 21 | 0 | 22 |