

State of Alaska FY2009 Governor's Operating Budget

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

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 ensure the state's financial resources are budgeted and managed in a way that produces results that advance the Governor's priorities.

Core Services

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

End Result	Strategies to Achieve End Result
<p>A: Achieve long-term fiscal stability in the State of Alaska</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>A1: Reduce reliance on Constitutional Budget Reserve in order to balance budget</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>A2: Fund initiatives that over time will provide increased revenue to the State</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>A3: Maintain the State's excellent credit rating</p> <p><u>Target #1:</u> Maintain Aa2 or AA credit rating <u>Measure #1:</u> Actual credit rating</p>
End Result	Strategies to Achieve End Result
<p>B: Departments show improvement towards their performance targets</p> <p><u>Target #1:</u> 90% of departmental performance measures are showing annual progress towards achieving desired</p>	<p>B1: Improve the agencies' capacity to link activities to end results</p> <p><u>Target #1:</u> 98% of agencies have performance measures that indicate whether results are being achieved and report</p>

end results. Measure #1: Percent of departmental performance measures showing improvement	on those measures annually (minimum) Measure #1: Percent of agencies with performance measures reported annually
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Major Activities to Advance Strategies

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| <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • 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 |
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FY2009 Resources Allocated to Achieve Results

<p>FY2009 Component Budget: \$2,055,900</p>	<p>Personnel:</p> <table border="0" style="width: 100%;"> <tr> <td>Full time</td> <td style="text-align: right;">17</td> </tr> <tr> <td>Part time</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">17</td> </tr> </table>	Full time	17	Part time	0	Total	17
Full time	17						
Part time	0						
Total	17						

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
FY 2009	100% (projected)
FY 2008	100% (projected)
FY 2007	100%
FY 2006	100%
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
FY 2009	\$0.0 (projected)
FY 2008	\$0.0 (projected)
FY 2007	\$0.0
FY 2006	\$0.0
FY 2005	\$34.9
FY 2004	\$10.8
FY 2003	\$498.1
FY 2002	0

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
FY 2009	0% (projected)
FY 2008	0% (projected)
FY 2007	0%
FY 2006	0%
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 millions)

Fiscal Year	YTD
FY 2009	\$3,394.2 (projected)
FY 2008	\$3,015.2
FY 2007	\$2,423.7
FY 2006	\$2,235.7
FY 2005	\$2,155.1
FY 2004	\$2,093.6
FY 2003	\$2,466.9
FY 2002	\$3,110.1

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
FY 2009	\$60.0
FY 2008	\$1,600.0
FY 2007	\$1,270.0
FY 2006	\$276.1
FY 2005	\$175.4
FY 2004	\$70.1

Analysis of results and challenges: The amount for FY09 represents \$60 million in Alaska Student Loan Corporation bond proceeds from the Corporation's last return of capital to the state.

The amount for FY08 reflects the estimated \$1.6 billion in new revenue from implementation of oil and gas tax amendments made in HB2001.

The amount for FY07 reflects \$1.1 billion from implementation of the petroleum production tax that was effective April 1, 2006 and \$170 million from tobacco bond refinancing.

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 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 FY04 reflects several fee and license increases.

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 2009	Aa2/AA/AA (projected)	Stable/Stable/Stable (projected)
FY 2008	Aa2/AA/AA	Stable/Stable/Stable
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 (currently estimated at \$3-4 billion) 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 \$39.9 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
2008	76% (projected)
2007	72%
2006	75%
2005	75%
2004	48%

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

Target #1: 98% of agencies have performance measures that indicate whether results are being achieved and report on those measures annually (minimum)

Measure #1: Percent of agencies with performance measures reported annually

Percent of Agencies with Performance Measures Reported Annually

Year	YTD
2008	96% (projected)
2007	93%
2006	98%
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 FY2009

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 decision-making. In preparation for fiscal year 2009, all agencies have, with Missions & Measures as a foundation, created performance-based 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" are being used by OMB to guide 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 2007

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 Legislature passed bills that contained four of the Governor's main budget goals:

1. Treated the FY07 general fund surplus as a windfall. One billion dollars was deposited into the Public Education Fund for funding K-12 education in FY09.
 2. \$48.7 million was appropriated to local governments as a form of revenue sharing in FY08.
 3. The Senior Benefits program was adopted by the Legislature during the first special session in July 2007.
 4. Nearly \$455 million was appropriated to lower the employer contribution rates to the Public Employees Retirement System and the Teachers Retirement System, while contributing towards reducing the unfunded liability in those retirement systems.
- 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

Contact Information

Contact: Karen Rehfeld, Director
Phone: (907) 465-4660
Fax: (907) 465-3008
E-mail: karen.rehfeld@alaska.gov

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

All dollars shown in thousands

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,886.3	1,928.0	1,931.4
72000 Travel	44.9	7.0	7.0
73000 Services	146.2	100.1	103.5
74000 Commodities	11.9	9.0	9.0
75000 Capital Outlay	21.7	5.0	5.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	2,111.0	2,049.1	2,055.9
Funding Sources:			
1004 General Fund Receipts	2,111.0	2,049.1	2,055.9
Funding Totals	2,111.0	2,049.1	2,055.9

Estimated Revenue Collections

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
<u>Unrestricted Revenues</u>				
Unrestricted Fund	68515	0.4	0.0	0.0
Unrestricted Total		0.4	0.0	0.0
<u>Restricted Revenues</u>				
None.		0.0	0.0	0.0
Restricted Total		0.0	0.0	0.0
Total Estimated Revenues		0.4	0.0	0.0

**Summary of Component Budget Changes
From FY2008 Management Plan to FY2009 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	2,049.1	0.0	0.0	2,049.1
Adjustments which will continue current level of service:				
-ETS Chargeback Redistribution	3.4	0.0	0.0	3.4
-FY 09 Health Insurance Increases for Exempt Employees	3.4	0.0	0.0	3.4
FY2009 Governor	2,055.9	0.0	0.0	2,055.9

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

Authorized Positions			Personal Services Costs	
	<u>FY2008</u> <u>Management</u> <u>Plan</u>	<u>FY2009</u> <u>Governor</u>		
Full-time	17	17	Annual Salaries	1,362,972
Part-time	0	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	628,242
			<i>Less 3.00% Vacancy Factor</i>	(59,814)
			Lump Sum Premium Pay	0
Totals	17	17	Total Personal Services	1,931,400

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Admin Support Technician	0	0	1	0	1
Analyst Programmer III/IV	0	0	1	0	1
Analyst/Programmer V	0	0	1	0	1
Budget Analyst V	0	0	7	0	7
Chief Analyst	0	0	1	0	1
Chief Budget Analyst	0	0	1	0	1
Director of OMB	0	0	1	0	1
Internal Auditor IV	0	0	1	0	1
Management Analyst	0	0	1	0	1
OMB Administrative Assistant	0	0	1	0	1
Senior Economist	0	0	1	0	1
Totals	0	0	17	0	17