



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET
Pat Pitney, Director

Court Plaza Building
240 Main Street, Suite 802
Juneau, Alaska 99811-0020
Main: 907.465.4660
Fax: 907.465.2090

March 17, 2016

The Honorable Pete Kelly
Co-Chair, Senate Finance Committee
Alaska State Legislature
State Capitol, Room 518
Juneau, AK 99801-1182

The Honorable Anna MacKinnon
Co-Chair, Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801-1182

The Honorable Mark Neuman
Co-Chair, House Finance Committee
Alaska State Legislature
State Capitol, Room 513
Juneau, AK 99801-1182

The Honorable Steve Thompson
Co-Chair, House Finance Committee
Alaska State Legislature
State Capitol, Room 515
Juneau, AK 99801-1182

Re: FY 2017 Operating Budget Amendments
FY 2017 Mental Health Budget Amendments
FY 2016 Supplemental Budget Amendments

Dear Finance Committee Co-Chairs,

Enclosed, please find proposed amendments to the FY2017 operating budget and mental health budget and FY2016 supplemental operating budget requests. The amendments are associated with negotiated contract agreements and also address healthcare contributions. The supplemental requests include judgements and claims since the February submittal and a request to carry forward funding for labor contract negotiations.

The amendments include recently completed negotiations with the Alaska State Employees Association, for the general government unit, and the Confidential Employees Association, for the confidential unit. Both of these contracts include required 15 hour furloughs for each employee and three years without any cost of living increases. The Alaska State Employees Association includes a one-year health insurance reduction. The Confidential Employees Association accepted the provision for a mandatory employee healthcare contribution. These contracts result in amendments that reduce the budget by over \$5 million (\$2.4 million is unrestricted general funds).

Also included is the Marine Engineers' Beneficial Association amendment for an agreement initially completed in FY2015 but not sent to members for ratification. Recent negotiations have resulted in the agreement being sent to members for a vote. The amendment includes \$156.0 that was removed by the Senate based on the contract not being ratified by members. This amount is included in the House version of the FY2017 operating bill. The estimated FY2017 additional cost is \$378.2 for a total amendment request of \$534.2.

There is an amendment for a health insurance rate increase for Alaska Care members based on claim experience. This rate increase was reduced by, and contingent on, the fund capitalization of \$7.5 million to the group health and life benefit fund which is included in both the House and Senate operating bills. It is important to note that, starting in January 2017, consistent with the Confidential Employees Association employees all exempt and partially exempt employees will be charged mandatory employee contributions for healthcare.

Finally, there are two FY16 supplemental requests. One is to extend the multi-year operating appropriation to the Department of Administration for labor contract negotiations through FY2017. Due to ongoing labor contract negotiations funding from the prior multi-year appropriation is needed through FY2017. The second is to fund two small settlements, \$3.8, received after February 16, 2016.

Thank you for your consideration of these budget amendments.

Sincerely,

A handwritten signature in blue ink that reads "Pat Pitney".

Pat Pitney
Director

Enclosures

cc: David Teal, Director, Legislative Finance Division