

OFFICE OF GOVERNOR BILL WALKER

FY2018 10-Year Plan

Departmental Operating Budget Forecasts

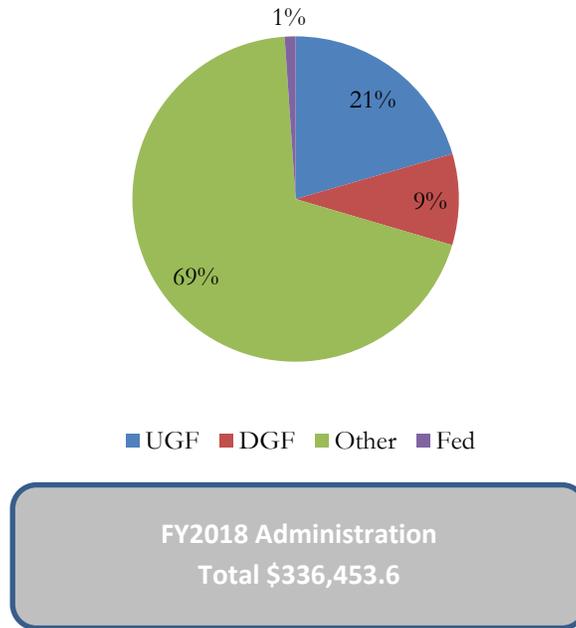
**Office of Management and Budget
January 9, 2017**

All dollars in thousands; funds shown are duplicated.

Department of Administration

To learn more about the mission and services provided by the department, please visit its website at <http://doa.alaska.gov/>. For the core mission and performance projections see <https://www.omb.alaska.gov/html/performance/departments-key-indicators.html>.

FY2018 Funding All Fund Sources



Anticipated changes to fund sources in the next ten years

UGF: The bulk of the general funds reside in the Office of Public Advocacy which provides services to wards of the State and the Public Defender Agency (both agencies provide public defense). Other components with general funds are Finance which is responsible for statewide accounting and payroll systems, SATS and ALMR -- the emergency interoperable communications system for emergency responders statewide, and Public Communication Services where grants for public television and radio are housed. A very small amount of general funds are also used for rate subsidies for leases and for non-rate related activities such as labor negotiations.

Decreasing general fund revenues has resulted in a reduction in funds that help offset rates to all state agencies for services provided by DOA. As these subsidies are reduced, DOA has found efficiencies or cost savings which have held rates steady or, in some instances, allowed rates to be reduced. Goals of shared services are to save 10 percent in FY18 and 30 percent relative to FY17 in FY19 by providing 'back office' administrative functions more efficiently.

It is anticipated that department growth will be held below the projected inflation rate; while individual division growth may be higher or lower.

DGF: Department services that are funded with receipts are anticipated to remain steady in the future. The Division of Motor Vehicles is the largest generator of receipts and returns approximately \$30.0 million to the general fund each year.

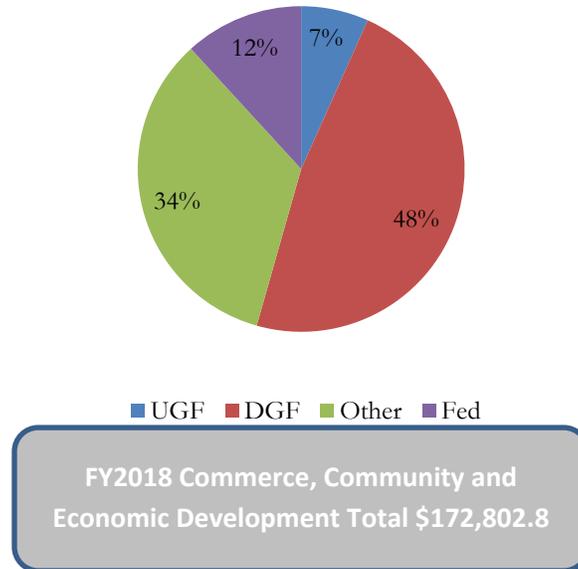
Other Funds: Department services that collect funds from other agencies for services provided are in large part rate related and are anticipated to remain steady as rate subsidies of general funds are eliminated and cost savings are found. Other funds are utilized to manage the active and retirement benefits for all agencies and as a pass through for leased space. As agencies' space is reduced, a reduction in other funds can be realized.

Federal Funds: Federal funding is anticipated to remain stable, although at times grants may be requested and received, the department will insure that general funds will not be needed to backfill once the grant expires.

Department of Commerce, Community and Economic Development

To learn more about the mission and services provided by the department, please visit its website at <https://www.commerce.alaska.gov/web/>. For the core mission and performance projections see <https://www.omb.alaska.gov/html/performance/department-key-indicators.html>.

FY2018 Funding All Fund Sources



Anticipated changes to fund sources in the next ten years

UGF: Decreasing general fund revenue statewide has already required significant changes to department programs and will necessitate continuous evaluation of services provided and funding sources used to support programs. DCCED will continue to reduce general funds in FY2018 and FY2019; FY2020-27 cumulative growth for all agencies will be held to slightly below the anticipated inflation rate.

DGE: Department services funded by receipts will be maintained at their current level of service. Some receipt-supported programs, like the Division of Corporations, Business, and Professional Licensing, will require increases to their receipt collection authority to maintain current operations given increases in the number of professions and licensees covered by the program. General funds used to support implementation of marijuana regulation activities are anticipated to be replaced by licensing receipts on a graduated basis from FY2018-FY2020.

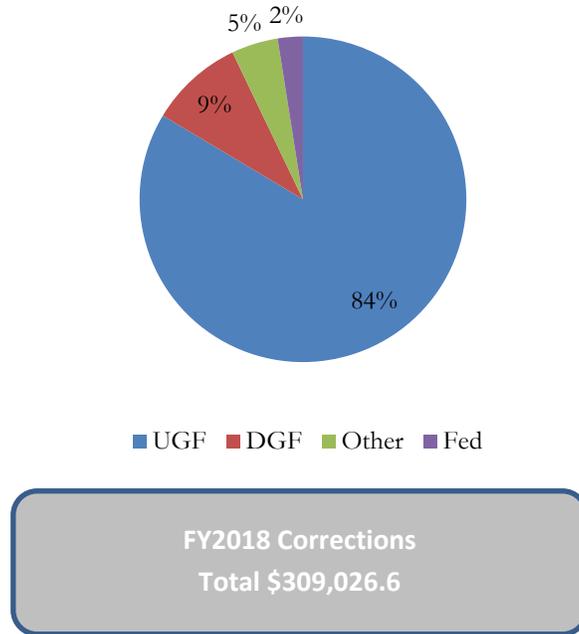
Other Funds: Multiple corporate agencies are funded by ‘Other funds’ that are specific to their agency. This includes the Alaska Industrial Development and Export Authority, the Alaska Energy Authority, and the Alaska Gasline Development Corporation. As development projects come online, increased receipt authority will be needed to provide continued service.

Federal Funds: Federal funding is anticipated to be stable, though federal funding for programs in future years is not yet authorized or secured. The Alaska Seafood Marketing Institute competes annually for a \$4.5 million federal award; if that award were not received, the agency would require additional funding in the “Other” category to attempt to replace that authorization with industry collections. Uncertain federal funding for the Payment In Lieu of Taxes and Secure Rural Schools programs may reduce distributions made to communities.

Department of Corrections

To learn more about the mission and services provided by the department, please visit its website at <http://www.correct.state.ak.us/>. For the core mission and performance projections see <https://www.omb.alaska.gov/html/performance/departments-key-indicators.html>.

FY2018 Funding All Fund Sources



Anticipated changes to fund sources in the next ten years

UGF: FY2018-19 a combination of reductions and investments consistent with justice reform efforts resulting in an overall net decrease; FY2020-27 growth will be held to slightly below the anticipated inflation rate cumulatively for all agencies, while individual department growth may be higher or lower. Costs are externally driven by the success of the justice reform effort, the number of inmates sentenced to incarceration and the length of sentences.

DGF: Decreasing due to anticipated smaller dividend checks.

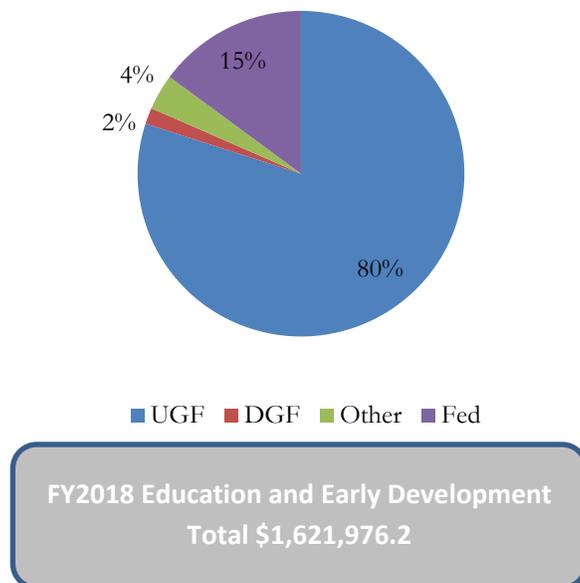
Other Funds: Decreasing due to less interagency receipt authority as other agencies' budgets shrink.

Federal Funds: Fluctuates with the number of federal inmates in Alaska's system.

Department of Education and Early Development

To learn more about the mission and services provided by the department, please visit its website at <https://education.alaska.gov/>. For the core mission and performance projections see <https://www.omb.alaska.gov/html/performance/department-key-indicators.html>.

FY2018 Funding All Fund Sources



Anticipated changes to fund sources in the next ten years

UGF: Due to reduced general fund revenues statewide over the past couple of years, as well as the current and next fiscal years, the department continues to review and evaluate programs and services in efforts to maintain critical support to school districts while finding internal efficiencies to off-set the effects of annual inflation rates and increases in contractual obligations. Unrestricted general funds have been reduced in the past; however, any reduction to general fund/match, which is already at its lowest allowable threshold, will threaten the receipt of federal funds. FY2019-27 projections for the formula-based foundation and pupil transportation programs remain at FY2017 funding levels; however, it is anticipated that increases will be necessary due to an increase in the number of children needing an education. FY2019-27 non-formula programs will experience contractual inflation costs at an anticipated rate of approximately 1.7 percent annually (CPI-Anchorage).

DGF: Department programs and services funded with non-general fund receipts are expected to remain relatively stable if they remain at current levels of service and FY2019-27 projections are flat. Programs funded with DGF include the Alaska Performance Scholarship Awards, Alaska Education Grants, WWAMI, Technical and Vocational Education Program (TVEP), Professional Teaching Practices Commission, museum protection and visitor services, Live Homework Help, and School Broadband grants.

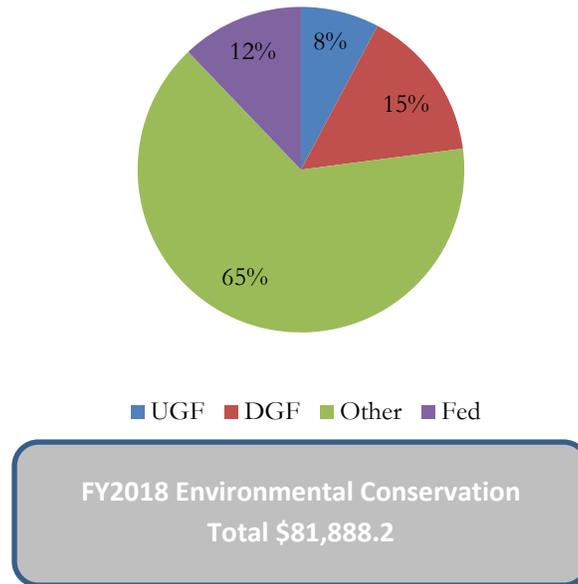
Other Funds: Other funds, such as Statutory Designated Program Receipts, are expected to remain stable; however, it is possible that an increase in authorization may be necessary should the department be in receipt of additional grant awards from private entities.

Federal Funds: Grants from the U.S. Department of Education are expected to remain stable, though actual awards are driven by the number of children eligible for federal programs. Over the last couple of years, the department has experienced an increase in grants from the U.S. Department of Agriculture in support of the National School Lunch Program, Child and Adult Care Food Program, and Summer Food Service Program, which are all administered through the department's Child Nutrition component. If this trend continues, additional federal receipt authorization will be necessary for the state to accept the increase in grant awards.

Department of Environmental Conservation

To learn more about the mission and services provided by the department, please visit its website at <http://dec.alaska.gov/>. For the core mission and performance projections see <https://www.omb.alaska.gov/html/performance/departments-key-indicators.html>.

FY2018 Funding All Fund Sources



Anticipated changes to fund sources in the next ten years

UGF: FY2018-19 continued reductions, FY2020-27 cumulatively for all agencies growth will be held to slightly below the anticipated inflation rate, while individual department growth may be higher or lower

DGF: Continued increases in user fee revenue offsets a portion of reductions in general funds

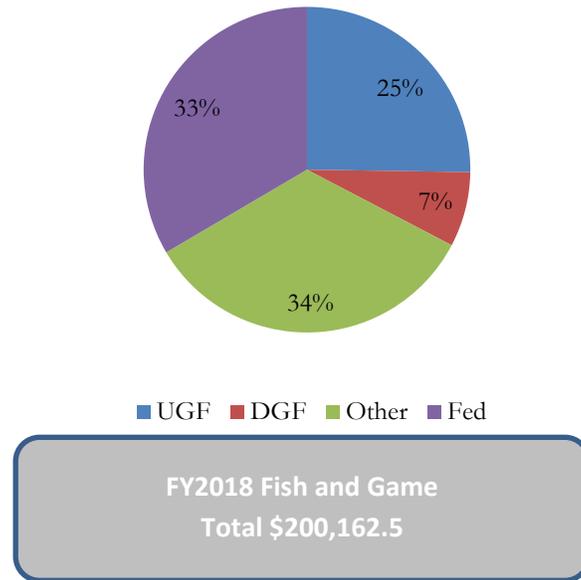
Other Funds: Reductions in uncollectible receipt authority

Federal Funds: Stable

Department of Fish and Game

To learn more about the mission and services provided by the department, please visit its website at <http://www.adfg.alaska.gov/>. For the core mission and performance projections see <https://www.omb.alaska.gov/html/performance/departement-key-indicators.html>.

FY2018 Funding All Fund Sources



Anticipated changes to fund sources in the next ten years

UGF: FY2018-19 continued reductions, FY2020-27 limited increases and more reliance on fees and industry (Other Funds)

DGF: House Bill 137 increased hunting, trapping, and sport fishing fees, and will generate over nine million in annual revenue. This bill offsets current cuts to the department and is helping to pay for the agency’s core services.

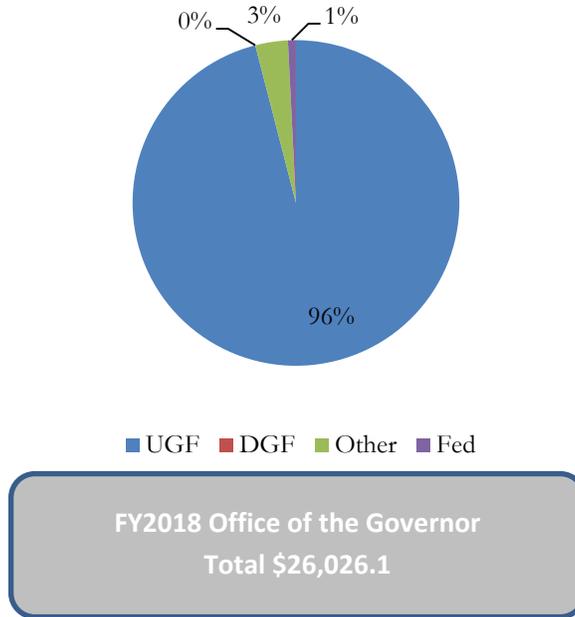
Other Funds: Statutory designated program receipts will continue to increase due to the commercial fishing industry’s contributions. These contributions are maintaining department services and decreasing the need for UGF.

Federal Funds: Stable

Office of the Governor

To learn more about the mission and services provided by the department, please visit its website at <http://www.gov.state.ak.us/>.

FY2018 Funding All Fund Sources



Anticipated changes to fund sources in the next ten years

UGF: FY2018-19 no increase beyond elections, FY2020-27 cumulatively for all agencies growth will be held to slightly below the anticipated inflation rate, while individual department growth may be higher or lower

DGF: The Office receives no DGF.

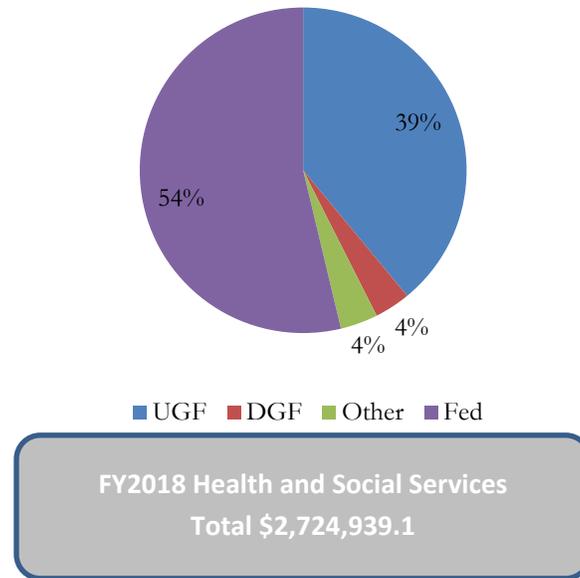
Other Funds: Stable

Federal Funds: Stable

Department of Health and Social Services

To learn more about the mission and services provided by the department, please visit its website at <http://dhss.alaska.gov/Pages/default.aspx>. For the core mission and performance projections see <https://www.omb.alaska.gov/html/performance/departments-key-indicators.html>.

FY2018 Funding All Fund Sources



Anticipated changes to fund sources in the next ten years

UGF: Reductions to general funds have already impacted services provided by the department. The department’s general funds are primarily for formula programs which directly serve the population of eligible recipients. Inflation of healthcare costs is projected to impact the general funds needed as rates for providers increase. A feasibility study for privatization is currently under way for the Alaska Psychiatric Institute, Division of Juvenile Justice, and the Alaska Pioneer Homes. Changes in the state economy will have direct impacts to the programs administered by the department as growth in the populations being served is anticipated.

DGF: The department will continue to leverage opportunities to increase services funded by receipts and other non-general fund sources. The omnibus crime bill (SB91) established new funding for the department to administer the recidivism reduction program increasing access to rehabilitation programs and support for offender transition and re-entry.

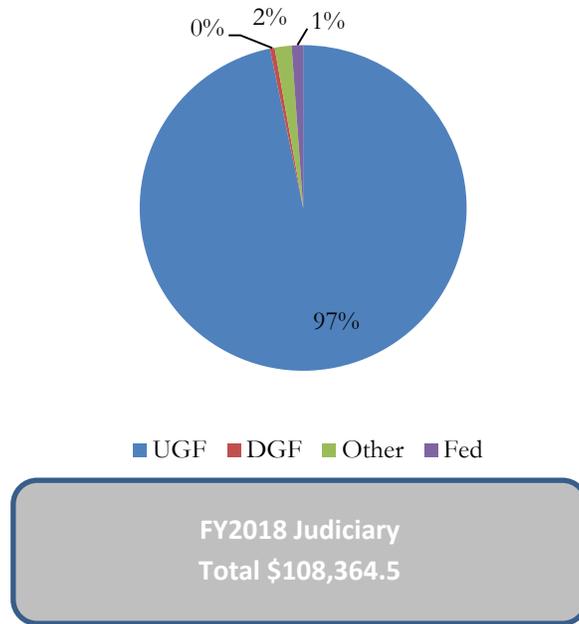
Other Funds: Increases to interagency authority are anticipated as administrative costs paid for with other sources are shifting to IA receipts. The Pioneer Homes requirement that applicants apply for Medicaid is estimated to increase interagency receipts being received from the Medicaid division.

Federal Funds: Collection of federal funds is anticipated to continue to increase due to participation in Medicaid expansion and reform efforts and as the department implements the new Center for Medicaid Services tribal claiming policy. Any changes to the Affordable Care Act would be likely to impact federal funds.

Judiciary

To learn more about the mission and services provided by the court system, please visit its website at <http://www.courts.alaska.gov/>.

FY2018 Funding All Fund Sources



Anticipated changes to fund sources in the next ten years

UGF: FY2018-19 continued reductions, FY2020-27 cumulatively for all agencies growth will be held to slightly below the anticipated inflation rate, while individual department growth may be higher or lower.

DGF: Stable

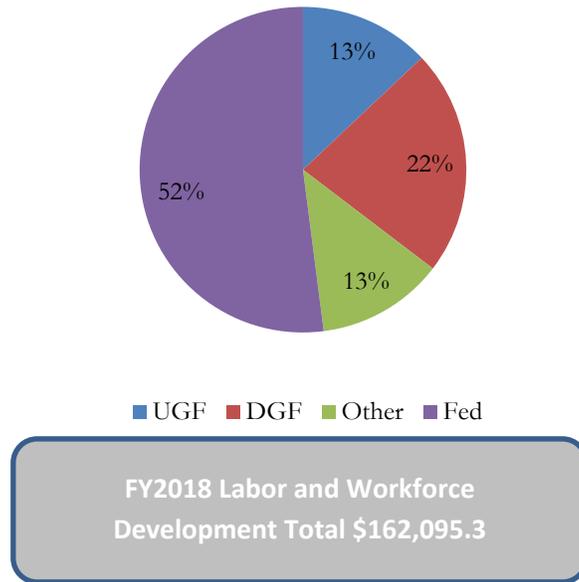
Other Funds: All dedicated funds, stable

Federal Funds: Stable

Department of Labor and Workforce Development

To learn more about the mission and services provided by the department, please visit its website at <http://labor.alaska.gov/>. For the core mission and performance projections see <https://www.omb.alaska.gov/html/performance/departments-key-indicators.html>.

FY2018 Funding All Fund Sources



Anticipated changes to fund sources in the next ten years

UGF: FY2018-19 continued reductions, FY2020-27 growth will be held to slightly below the anticipated inflation rate cumulatively for all agencies, while individual department growth may be higher or lower.

DGF: Stable, unless employment decreases substantially then revenue would be impacted

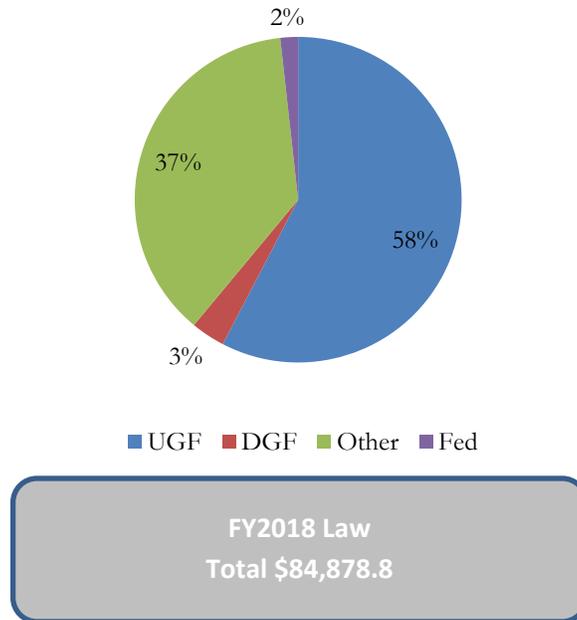
Other Funds: Stable

Federal Funds: Stable

Department of Law

To learn more about the mission and services provided by the department, please visit its website at <http://law.alaska.gov/>. For the core mission and performance projections see <https://www.omb.alaska.gov/html/performance/departments-key-indicators.html>.

FY2018 Funding All Fund Sources



Anticipated changes to fund sources in the next ten years

UGF: In FY2018-19 Law will continue to maximize the value of its services by working closely with client agencies to maintain only the capacity necessary to meet their demand for legal services, and to improve operational value by integrating process and platform efficiencies wherever opportunities are present.

DGF: Stable

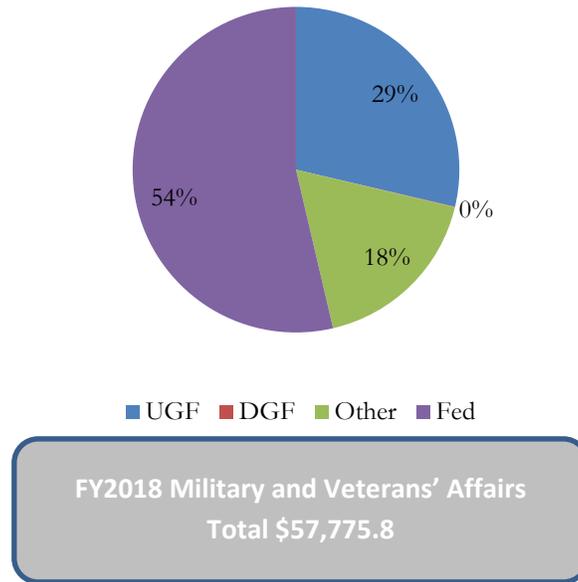
Other Funds: Stable, it is worth noting that interagency receipt funding amounts are tied to enterprise demand for legal services, and such, are generally reflective of client-agency operations.

Federal Funds: Slight increases over the next couple of years, then stable

Department of Military and Veterans' Affairs

To learn more about the mission and services provided by the department, please visit its website at <https://dmva.alaska.gov/>. For the core mission and performance projections see <https://www.omb.alaska.gov/html/performance/departments-key-indicators.html>.

FY2018 Funding All Fund Sources



Anticipated changes to fund sources in the next ten years

UGF: Decreasing general fund revenues statewide has already required significant changes to department programs and will require continuous evaluation of services provided and funding sources used to support DMVA programs. If additional general fund reductions are required, DMVA will be forced to eliminate programs and/or divisions. An increment is being requested in FY18 to invest in the Rural Engagement Initiative. In general, future years will have an increase to keep up with inflation.

DGF: The department does not anticipate any changes to this funding.

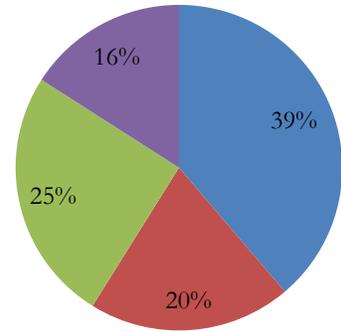
Other Funds: Stable with potential changes for Alaska Aerospace Corporation depending on their business operations.

Federal Funds: At this point, federal funding is anticipated to be stable with a possibility of a slight increase due to equipment authorization and Alaska Aerospace Corporation.

Department of Natural Resources

To learn more about the mission and services provided by the department, please visit its website at <http://dnr.alaska.gov/>. For the core mission and performance projections see <https://www.omb.alaska.gov/html/performance/departments-key-indicators.html>.

FY2018 Funding All Fund Sources



■ UGF ■ DGF ■ Other ■ Fed

FY2018 Natural Resources
Total \$152,745.6

Anticipated changes to fund sources in the next ten years

UGF: Continued reductions in general funds will require the department to prioritize, reduce, and in some cases eliminate services until the state’s budget stabilizes under a balanced fiscal plan.

DGF: Fee increases, revenue from new fees, and increased program receipt authorization will offset a portion of the general fund reductions and allow the department to continue delivering certain critical services to Alaskans.

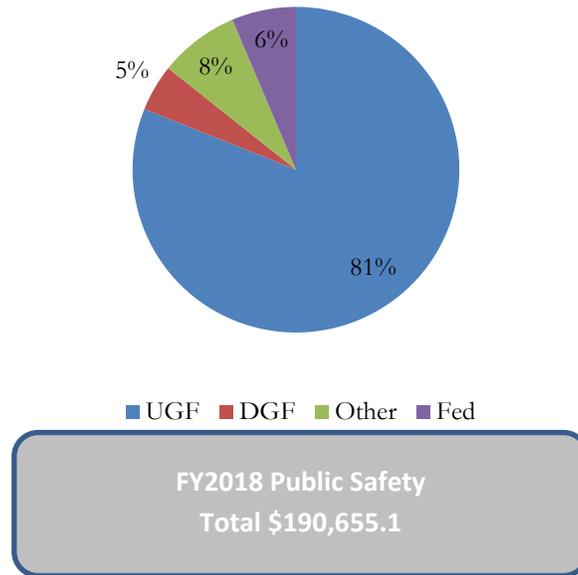
Other Funds: Decreasing capital dollars and decreases in industry receipts resulting from a reduction in large development projects in Alaska.

Federal Funds: Federal funding is anticipated to be stable, though federal funding for programs in future years is not yet authorized or secured. Federal funding for fire suppression on federally owned land is variable year to year.

Department of Public Safety

To learn more about the mission and services provided by the department, please visit its website at <http://dps.alaska.gov/>. For the core mission and performance projections see <https://www.omb.alaska.gov/html/performance/departments-key-indicators.html>.

FY2018 Funding All Fund Sources



Anticipated changes to fund sources in the next ten years

UGF: The department will continue to look for efficiencies to stay within available funding, FY2020-27 cumulatively for all agencies growth will be held to slightly below the anticipated inflation rate, while individual department growth may be higher or lower.

DGF: Services funded by receipts are expected to remain stable or increase slightly due to potential fee increases and service area charges. Some receipt-supported programs may require increases to their receipt authority.

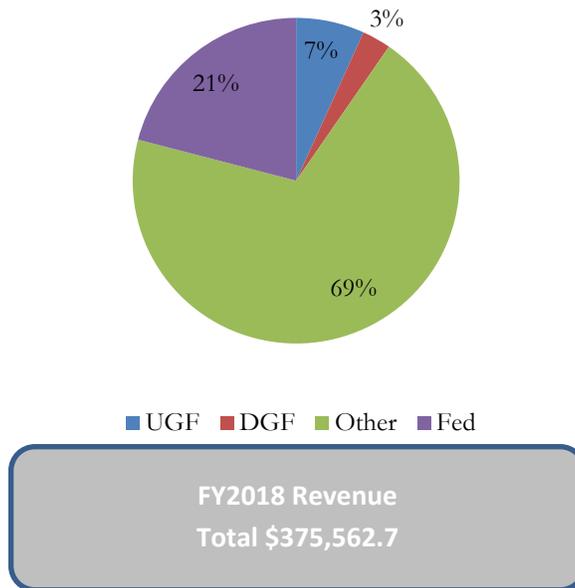
Other Funds: Decline slightly based on anticipated reduction in inter-agency receipts.

Federal Funds: Though receipt of federal funding in future years is always uncertain, the department does anticipate slight growth in this area as a result of increased appropriations at the federal level with respect to certain formula grants the department typically receives each year. Increased receipt authority may be needed to provide continued service.

Department of Revenue

To learn more about the mission and services provided by the department, please visit its website at <http://dor.alaska.gov/>. For the core mission and performance projections see <https://www.omb.alaska.gov/html/performance/departments-key-indicators.html>.

FY2018 Funding All Fund Sources



Anticipated changes to fund sources in the next ten years

UGF: FY2018-20 proposed tax measures, if passed, will increase funding and staffing to process tax returns, FY2021-27 cumulatively for all agencies growth will be held to slightly below the anticipated inflation rate, while individual division growth may be higher or lower pending legislative action

DGF: Will remain flat during this period

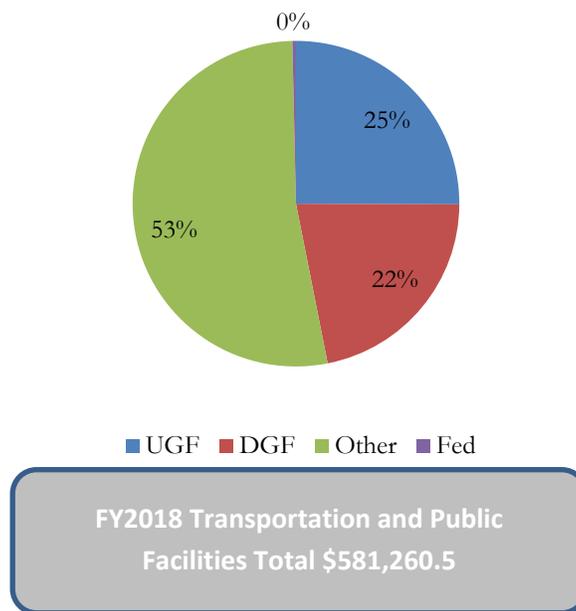
Other Funds: May increase slightly based on Treasury’s cost allocation plan and a higher proportion of Alaska Retirement Management Board funds

Federal Funds: Stable

Department of Transportation and Public Facilities

To learn more about the mission and services provided by the department, please visit its website at <http://www.dot.state.ak.us/>. For the core mission and performance projections see <https://www.omb.alaska.gov/html/performance/departments-key-indicators.html>.

FY2018 Funding All Fund Sources



Anticipated changes to fund sources in the next ten years

UGF: The department will continue to reduce general funds and look for efficiencies until there is a balanced fiscal plan.

DGF: Program receipts will increase steadily as fees are increased. Fee increases at rural airports will generate an estimated \$1.5 million increase in revenue beginning in FY2018 due to an approximate 20 percent increase in rates across the board.

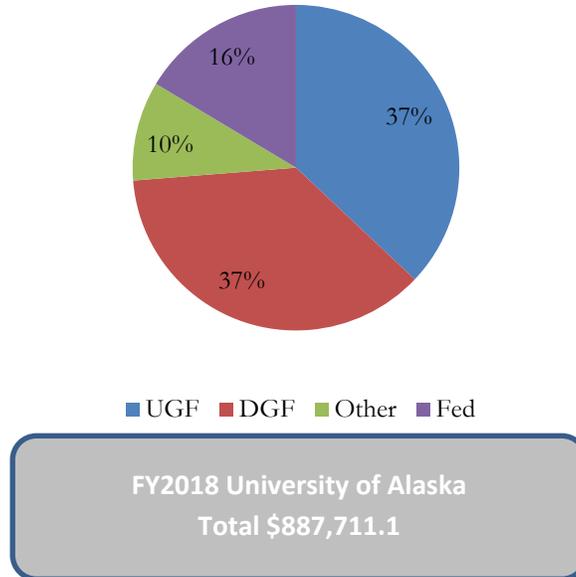
The Alaska Marine Highway System (AMHS) anticipates steady vehicle traffic, but a continued slight decrease in passenger traffic due to service level reductions and less frequent sailings. AMHS expects revenue generated to remain fairly steady with tariff increases, premium fares to high demand ports, and a formula based tariff structure being offset by the decline in ridership and less consistent, less predictable scheduling from year to year due to budget reductions.

Other Funds: Decreasing based on continuing to outsource Capital Improvement Program (CIP) from federal transportation match. **Federal Funds:** Federal changes reflected in the capital budget. Alaska’s federal apportionment for capital projects is expected to increase two percent annually through 2020.

University of Alaska

To learn more about the mission and services provided by the department, please visit its website at <http://www.alaska.edu/alaska/>. For the core mission and performance projections see <https://www.omb.alaska.gov/html/performance/department-key-indicators.html>.

FY2018 Funding All Fund Sources



Anticipated changes to fund sources in the next ten years

UGF: FY2018-19 no increase, FY2020-27 growth will be held to slightly below the anticipated inflation rate cumulatively for all agencies, while individual department growth may be higher or lower.

DGE: UA is building a ten-year framework that strives to meet the state’s workforce needs. In light of the state’s high contribution and UA’s low tuition, the framework assumes a gradually declining contribution from the state and gradually increasing tuition revenue. The key to the success of this framework is an unprecedented increase in enrollment and completion. Even after the five percent tuition rate increase for academic year 2017-2018, the University of Alaska is still among the most affordable of its institutional peers.

Other Funds: Expected to remain stable

Federal Funds: Expected to decline slightly as fewer UA faculty are available to apply for increasingly competitive federal grants.