

Real Solutions to Alaska's Budget Crunch

Cheryl Frasca

Resource Development Council

November 19, 2015

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to Alaska's Budget Crunch~~

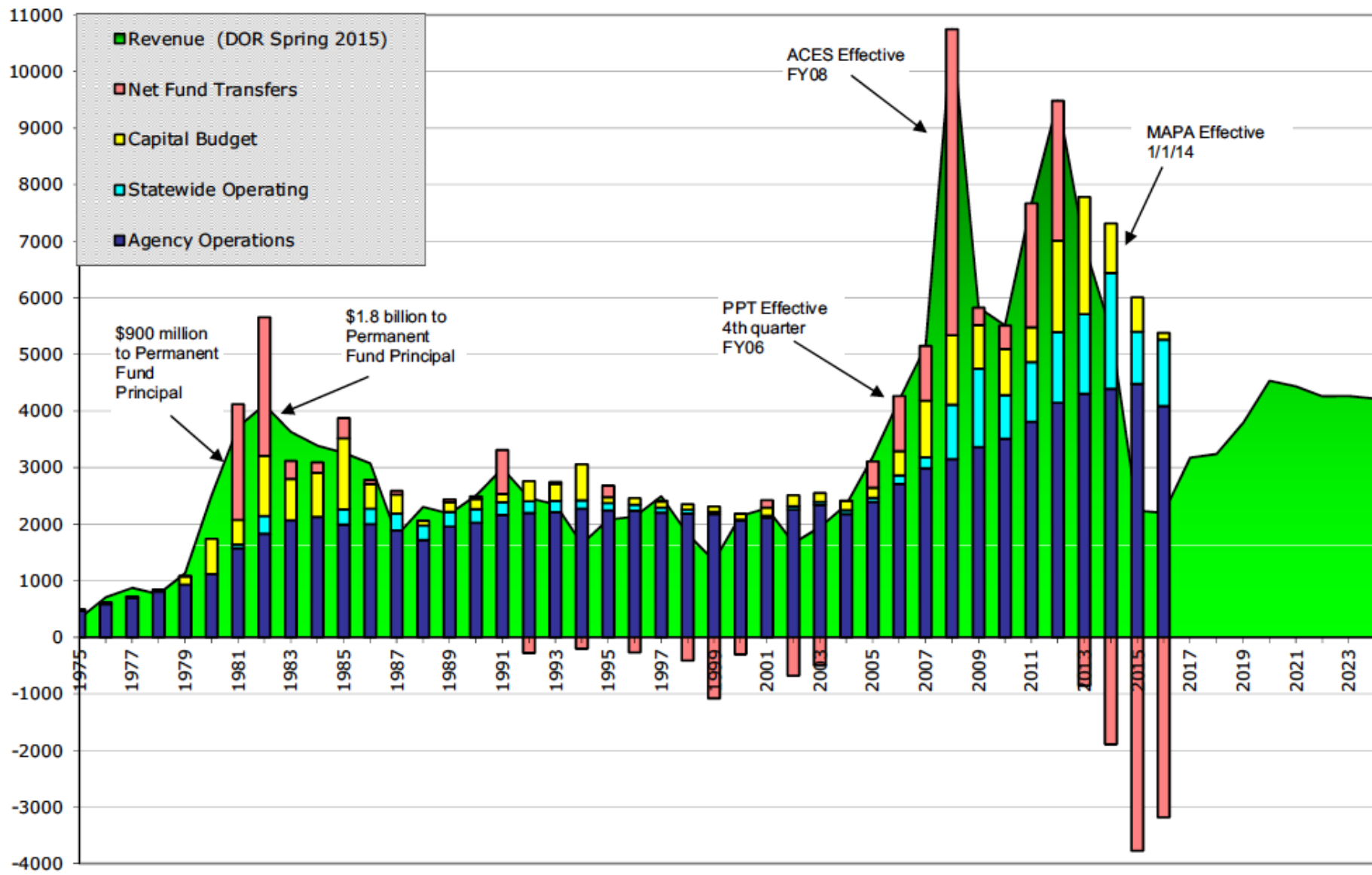
**A “To Do” List to Help Address
Alaska's Spending Crisis**

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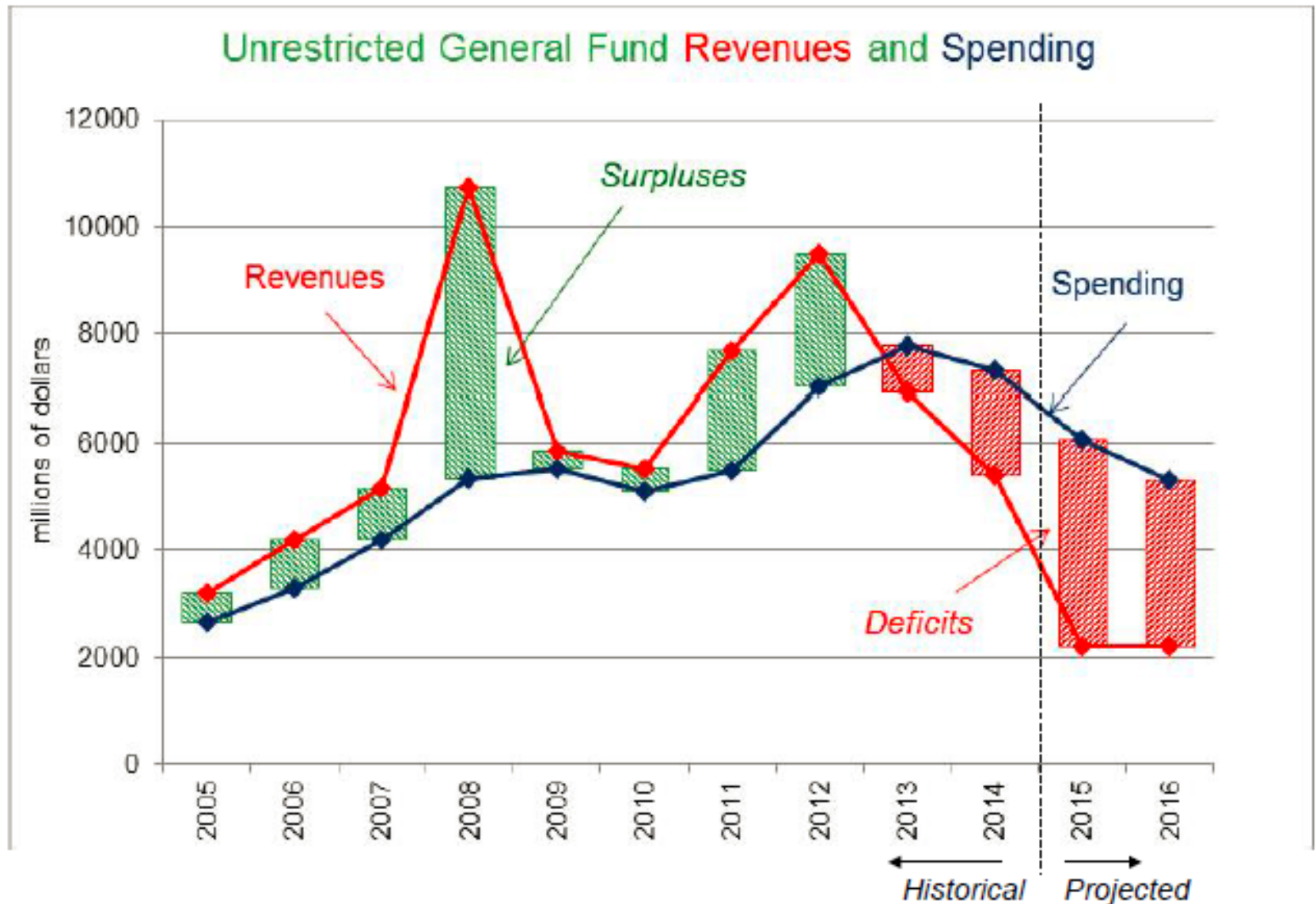
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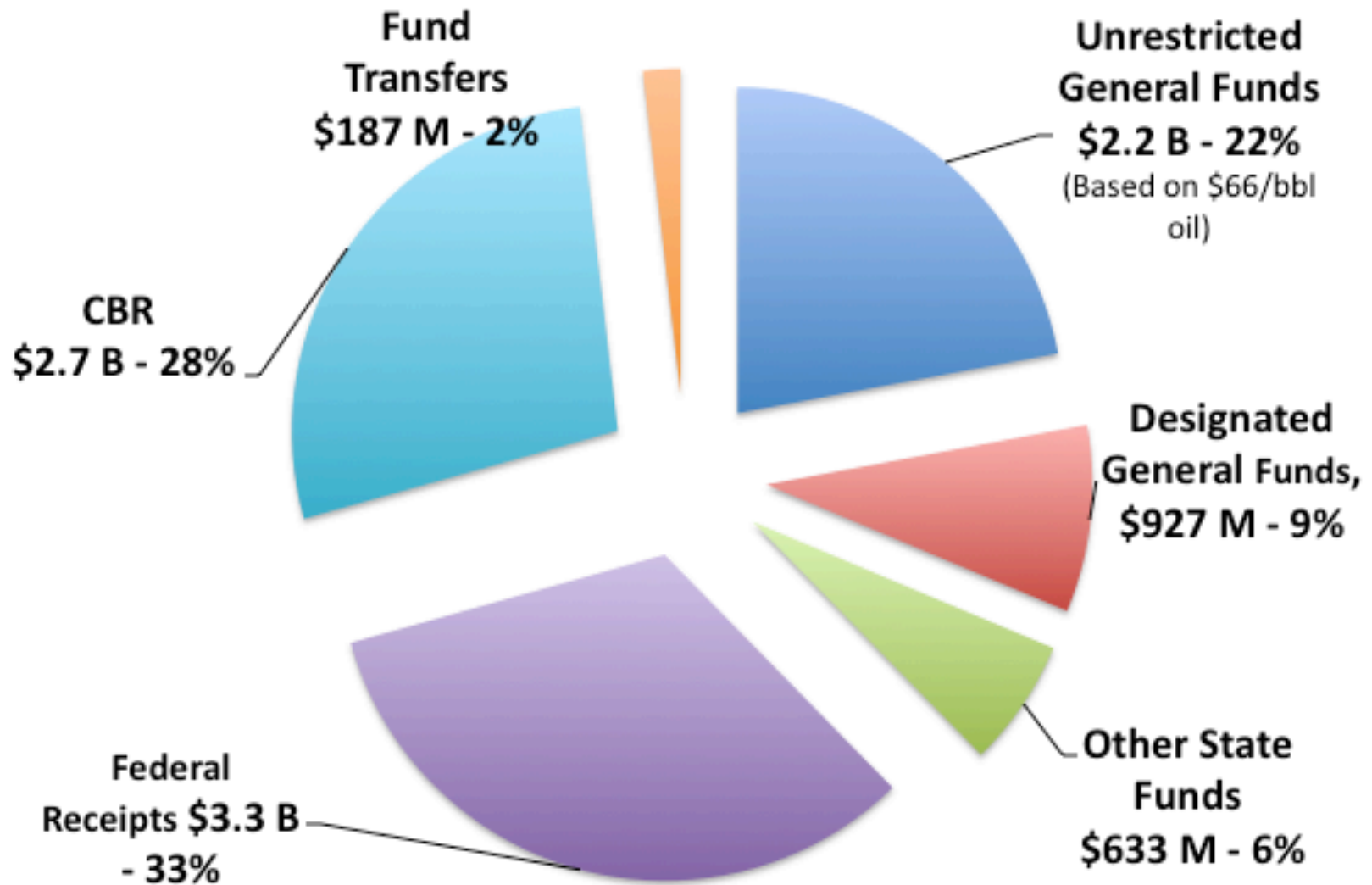
Unrestricted General Fund Revenue/ Budget History (millions)



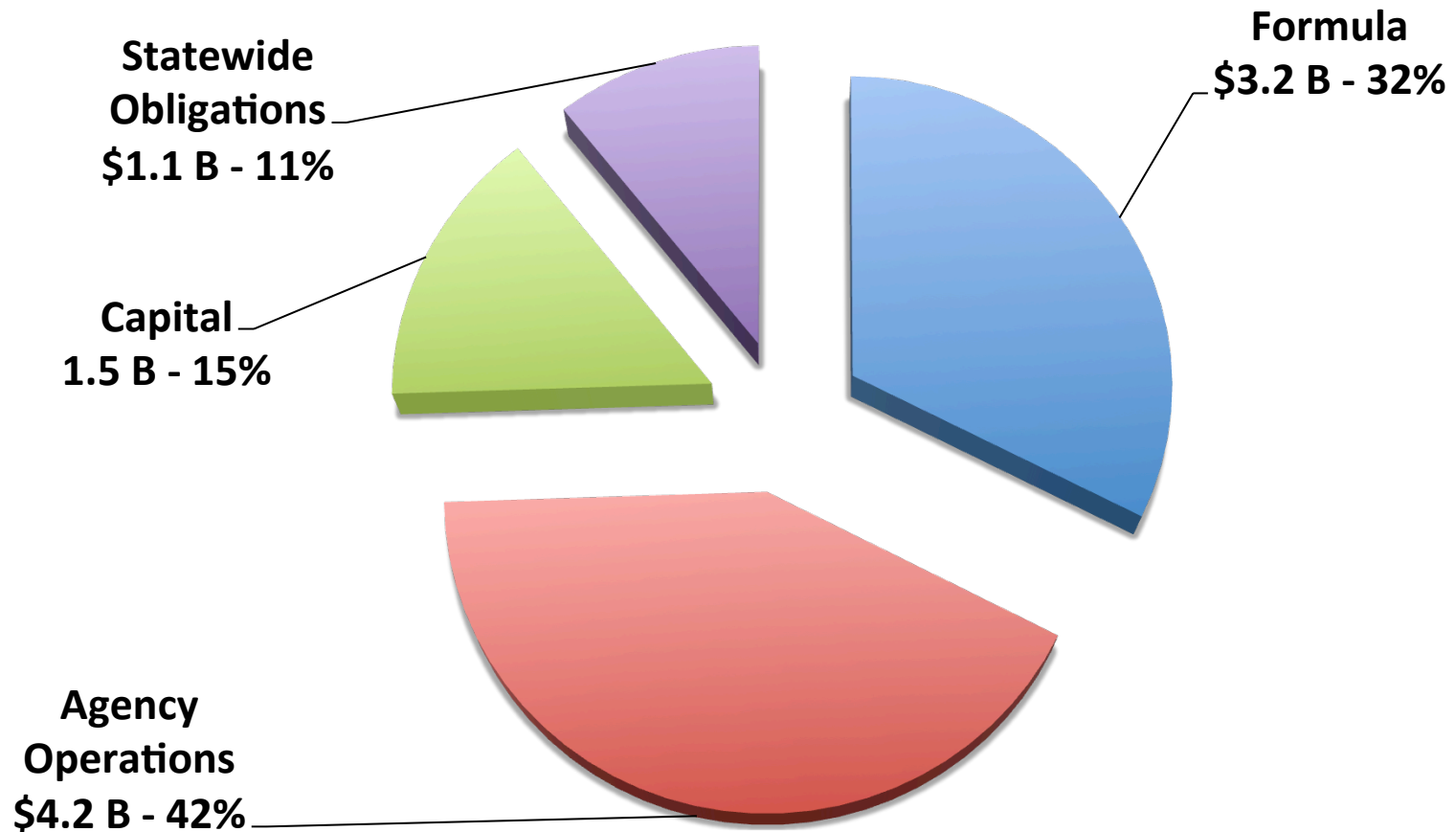
From 2005 to 2012, even though spending was rising, we ran big General Fund **surpluses**. Since 2013 we have been running big General Fund **deficits**.



Budget 101: Where \$\$ Comes From

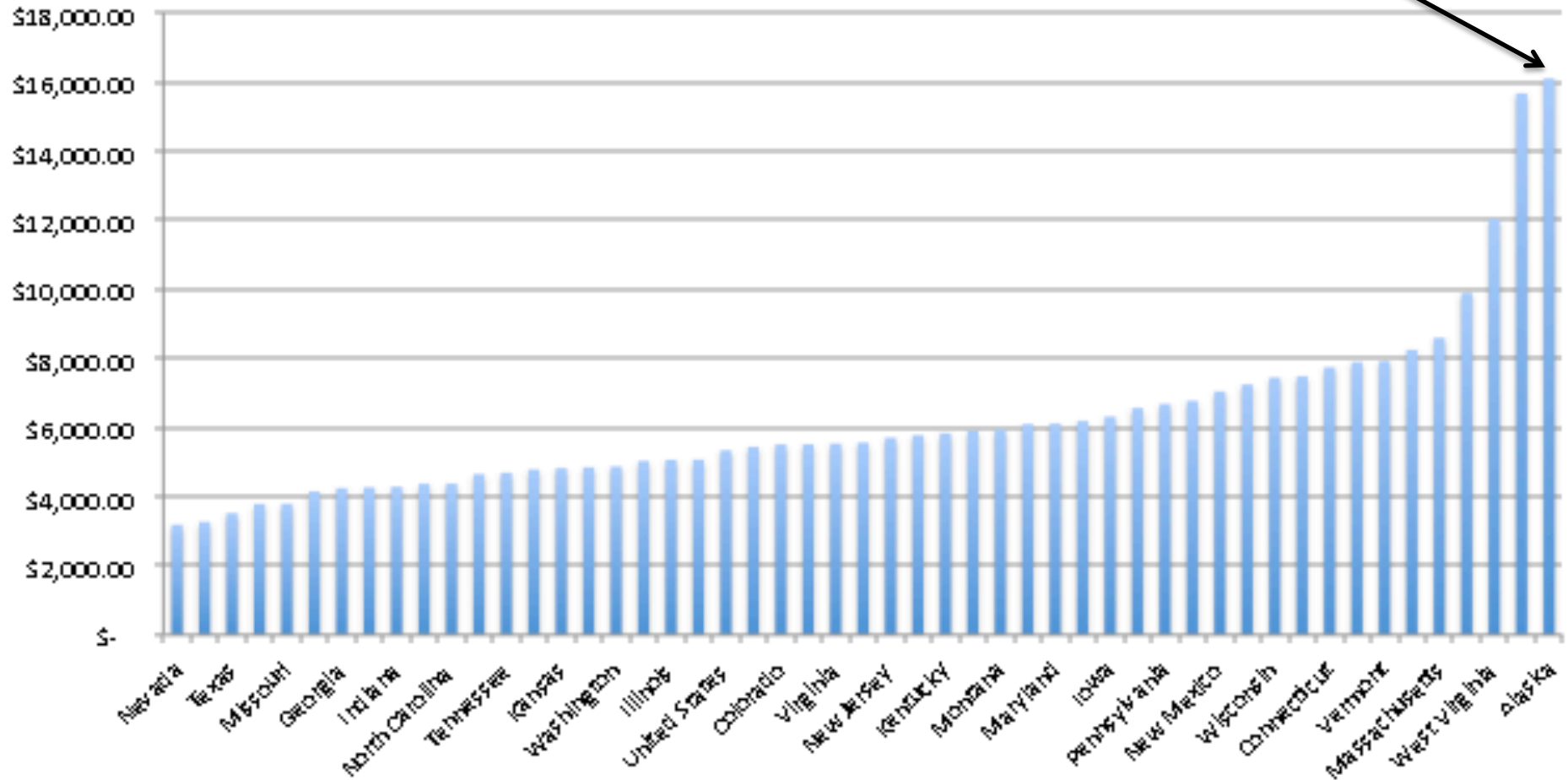


Budget 101: What \$\$ Spent On



State Spending Per Capita

Alaska: Highest in the Nation



FY 13 data

Data Source: Kaiser Family Foundation (<http://kff.org/other/state-indicator/per-capita-state-spending/#>)

Last Session's Bottom Line

Operating	- \$ 359 M	- 7%
SW Obligations	+ 49 M	+ 5%
Capital	- \$ 584 M	- 77%
FY 16 v 15	- \$ 894 M	- 13%

Total General Funds (Unrestricted and Designated)

“To Do” List

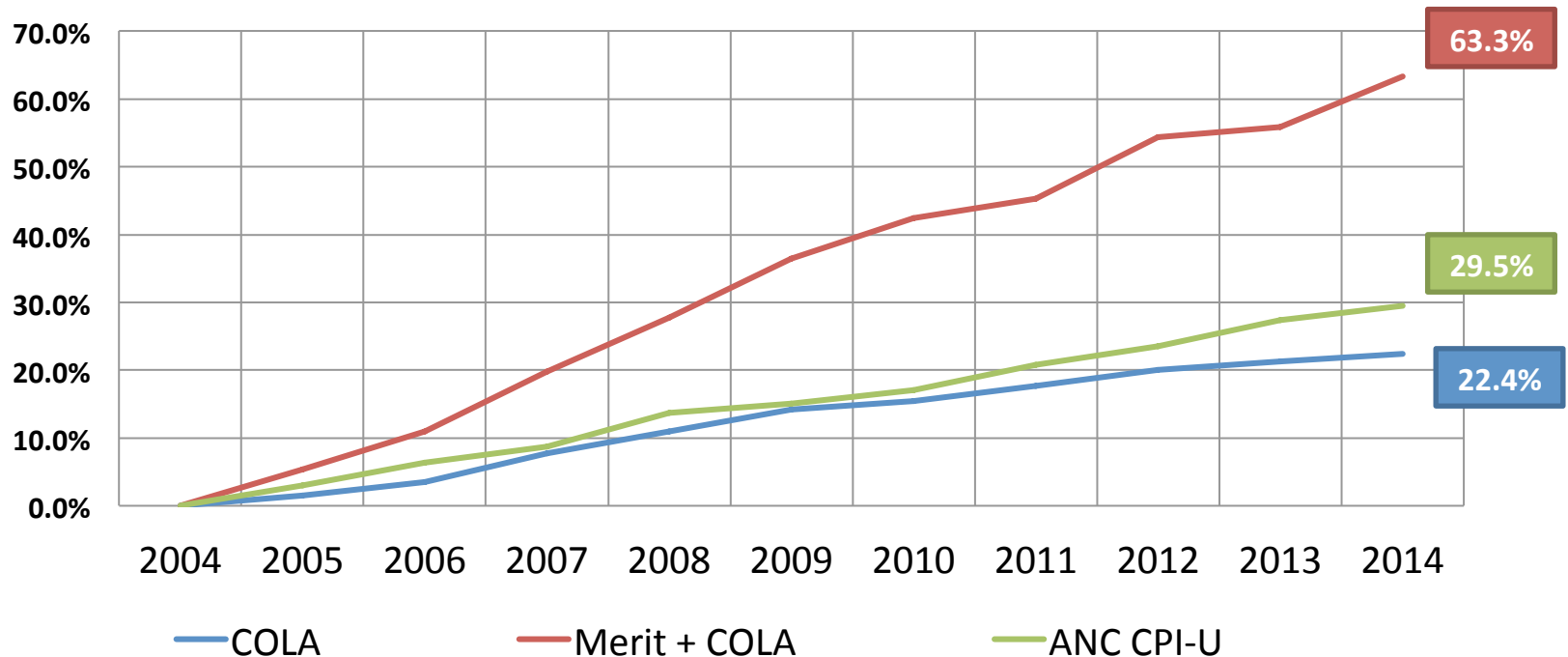
Enterprise-Wide Savings: Employee Salaries

- Salary increases
 - COLA
 - 1% in FY 15 – cost of \$53 million
 - 2.5% in FY 16
 - 3.5% “merit” annual increase
 - 3.25% “Pay Increments” every two years

Built in Wage Escalation

For typical employee over first 10 years,
combined COLA + Merit/Pay Increment results in
an approximate **63% increase** in hourly wage
(e.g. move from \$40,000 to \$65,000 over 10 Years)

Mid- Level Professional Salary Adjustments (COLA & MERIT)
Range 16 GGU Salary Schedules eff July 2004-2014



Enterprise-Wide Savings: Employee Health Insurance

Active Employees

FY 15

\$ 372 million

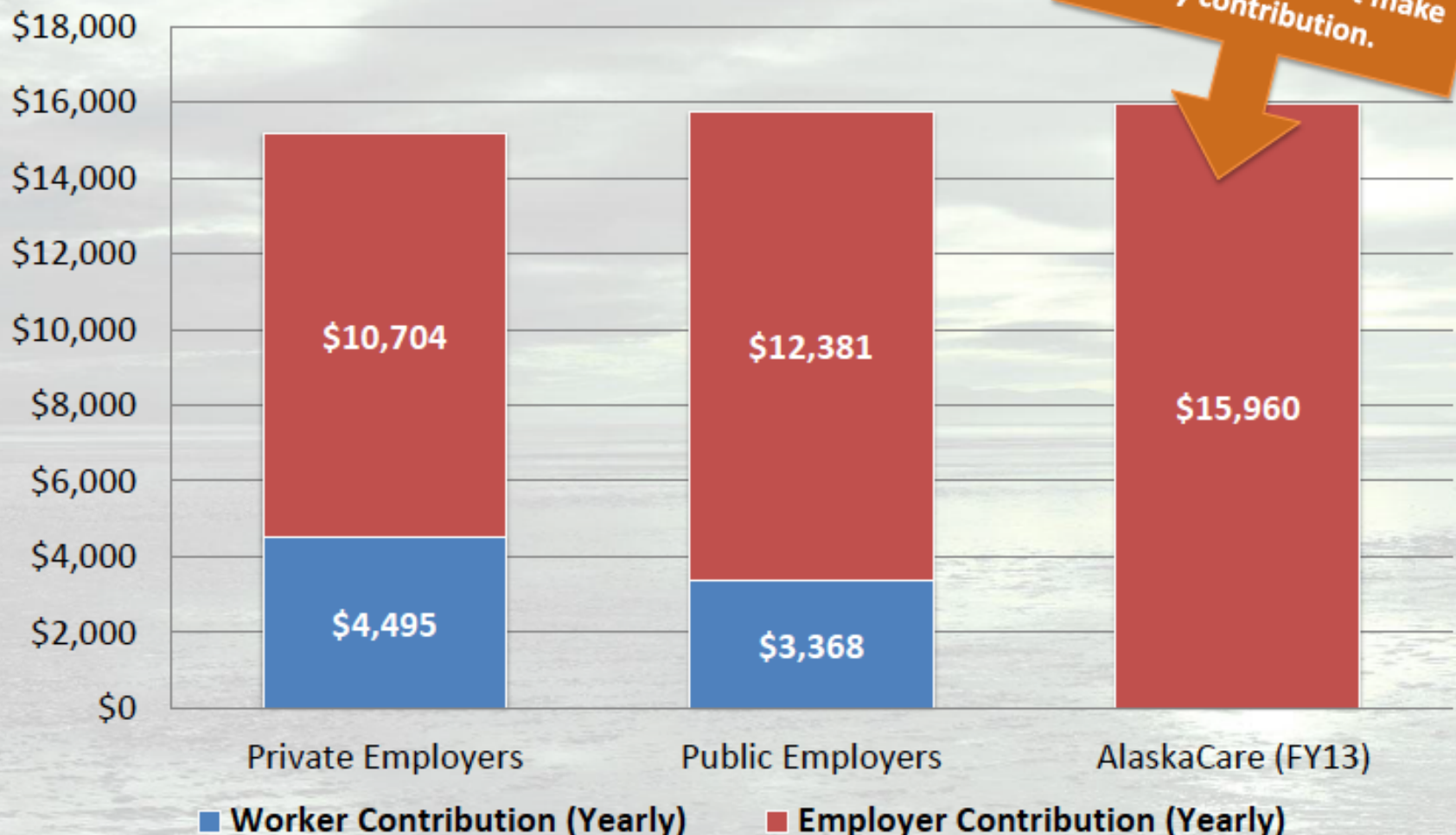
FY 16

\$ 355 million

US EMPLOYER & EMPLOYEE CONTRIBUTIONS

Worker and Employer Premium Contributions for Family Coverage / Economy Plans (2012)

Participants in the economy plan don't make any contribution.



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Potential Savings Subject to Collective Bargaining Process

- Negotiations currently underway for 80% of workforce:
 - AK State Employee Association - 9000 employees
 - AK Public Employee Association - 2428 employees
- Administration's parameters to negotiating teams?

Rigorous Review of Programs

- Constitutional requirement? Appropriate government responsibility?
- If so, how effective is the program—what are the results?
- What's the cost to deliver those results?
- Is the State the only entity that can provide the service?

Ranking the Spenders

Unrestricted General Funds Only

Education & Early Development	\$ 1.3 billion
Health & Social Services	\$ 1.2 billion
Oil & Gas Tax Credits	\$ 500 million
University of Alaska	\$ 356 million
Corrections	\$ 281 million
Retirement System Contribution	\$ 257 million
Transportation	\$ 248 million
Debt Service	\$ 206 million
All other departments	\$ 733 million

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