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Governor Bill Walker
STATE OF ALASKA

MEMORANDUM

To: All Commissioners

From: Governor Bill Walker

A handwritten signature in blue ink, appearing to read "Bill Walker".

Date: December 26, 2014

RE: Department Budgets

I trust you enjoyed your holiday celebrations and are now ready to roll up your sleeves. As you know, the oil price impact on State revenue is significant. The projected deficit of \$3.5 billion for FY15 represents more than 50 percent of the State's current spending level. Consequently, significant costs reductions will need to be accomplished in FY16.

I foresee at least a two-phase process. Initially, I am directing all State agencies to plan for, budget, and implement operating cost reductions during the remainder of FY15. The State will also begin a longer process running into FY16 and beyond, whereby we take a studied approach to identify the proper level of government services in view of existing programs, the needs of Alaskans, and funds available under a sustainable budget model.

As to the initial phase, I am requesting a quick initial assessment of your agency and departments on the implementation and impact of a 5 percent and 8 percent operating cost reduction as compared to Governor Parnell's FY16 WIP budget released on December 15, 2014. State government's footprint must be reduced; thus this assessment is requested of all State entities, not just those that rely on unrestricted general funds.

In assessing the impact at each of the levels, please consider the following:

- Redesign administrative infrastructure to maintain maximum program and service delivery.
- Seek mechanisms to maintain regional strength.
- Seek opportunities to partner with local governments and nonprofit organizations.
- Seek opportunities to privatize service delivery
- Assess fee structures to enhance other revenue.
- Assess all programs not specifically required by State law.

I also ask that each agency provide a list of any capital budget appropriations that should be re-appropriated to address higher priority needs.

Department Budget Memorandum

December 26, 2014

Page 2

As we think longer term to the second phase, I request your input on how, as Governor, I can provide the environment and mechanisms to successfully implement cross-agency solutions. State service delivery is often multi-agency; the action, or inaction, of one agency may adversely impact another; there might be economies of scale in combining services that meet the needs of the same constituents; and there might be opportunities to reduce administrative infrastructure or gain expertise by restructuring areas. These solutions will be more difficult to implement, likely take longer and require unguarded open dialog. However, these are the solutions that I challenge this team to collectively seek and implement.

Please provide your initial response before January 10, 2015. Thank you for taking on this challenging task.