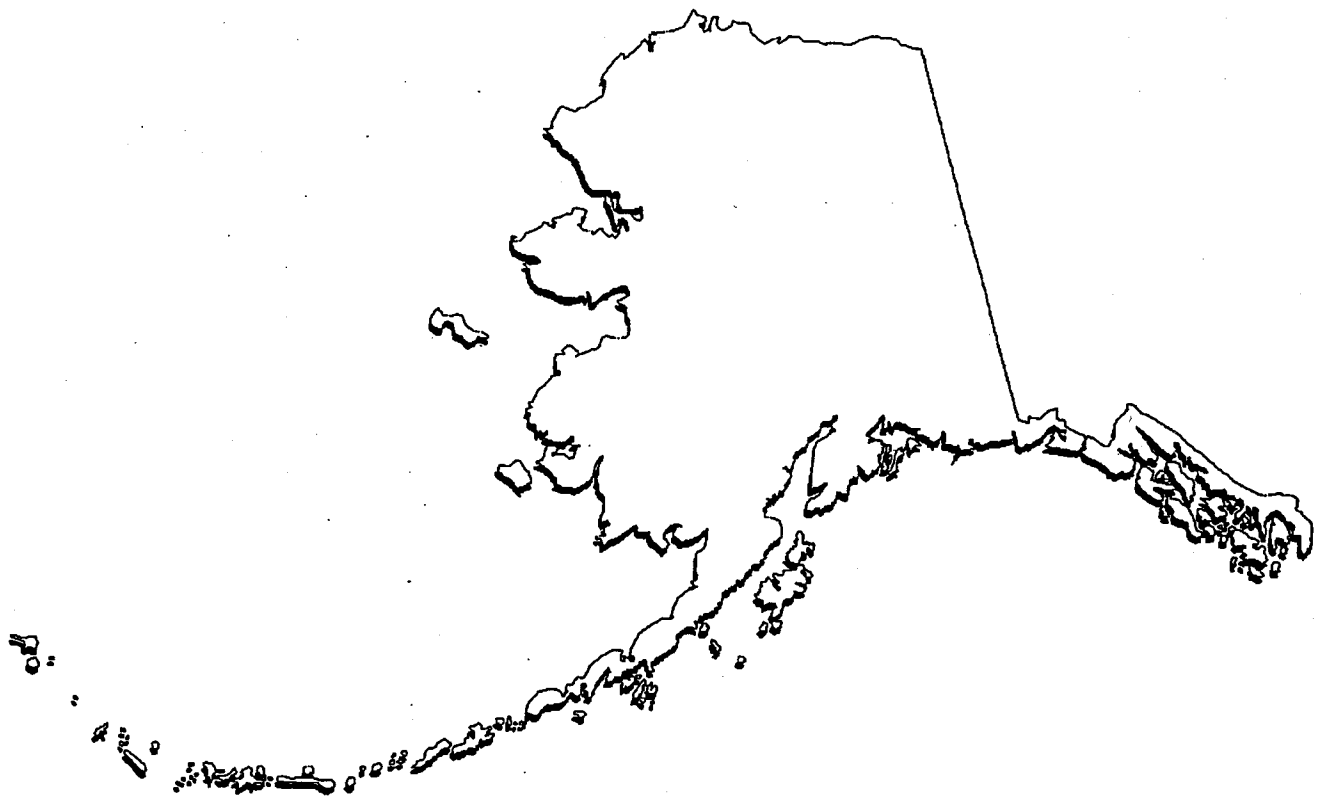


The Fiscal Year 1999 Budget:

legislative fiscal analyst overview of the governor's request



Legislative Finance Division

Second Printing

The Legislative Fiscal Analyst Office is a professional non-partisan staff that provides general budget analysis for members of the Legislature and specifically supports the Legislative Budget and Audit Committee and the House and Senate standing finance committees. Each fiscal analyst is assigned agency areas of responsibility. Duties of the office are (AS 24.20.231):

- (1) *analyze the budget and appropriation requests of each department, institution, bureau, board, commission or other agency of state government;*
- (2) *analyze the revenue requirements of the state;*
- (3) *provide the finance committees of the legislature with comprehensive budget review and fiscal analysis services;*
- (4) *cooperate with the Office of Management and Budget in establishing a comprehensive system for state budgeting and financial management as set out in the Executive Budget Act (AS 37.07);*
- (5) *complete studies and prepare reports, memoranda or other materials as directed by the Legislative Budget and Audit Committee;*
- (6) *with the governor's permission, designate the legislative fiscal analyst to serve ex officio on the governor's budget review committee.*

Legislative Finance Budget System. In addition to the Conference Committee reports and the Governor's budget request books, the system provides reports for subcommittees containing different appropriation assumptions, analysis or comparison sheets, the general appropriations bill, and the capital budget by election district.

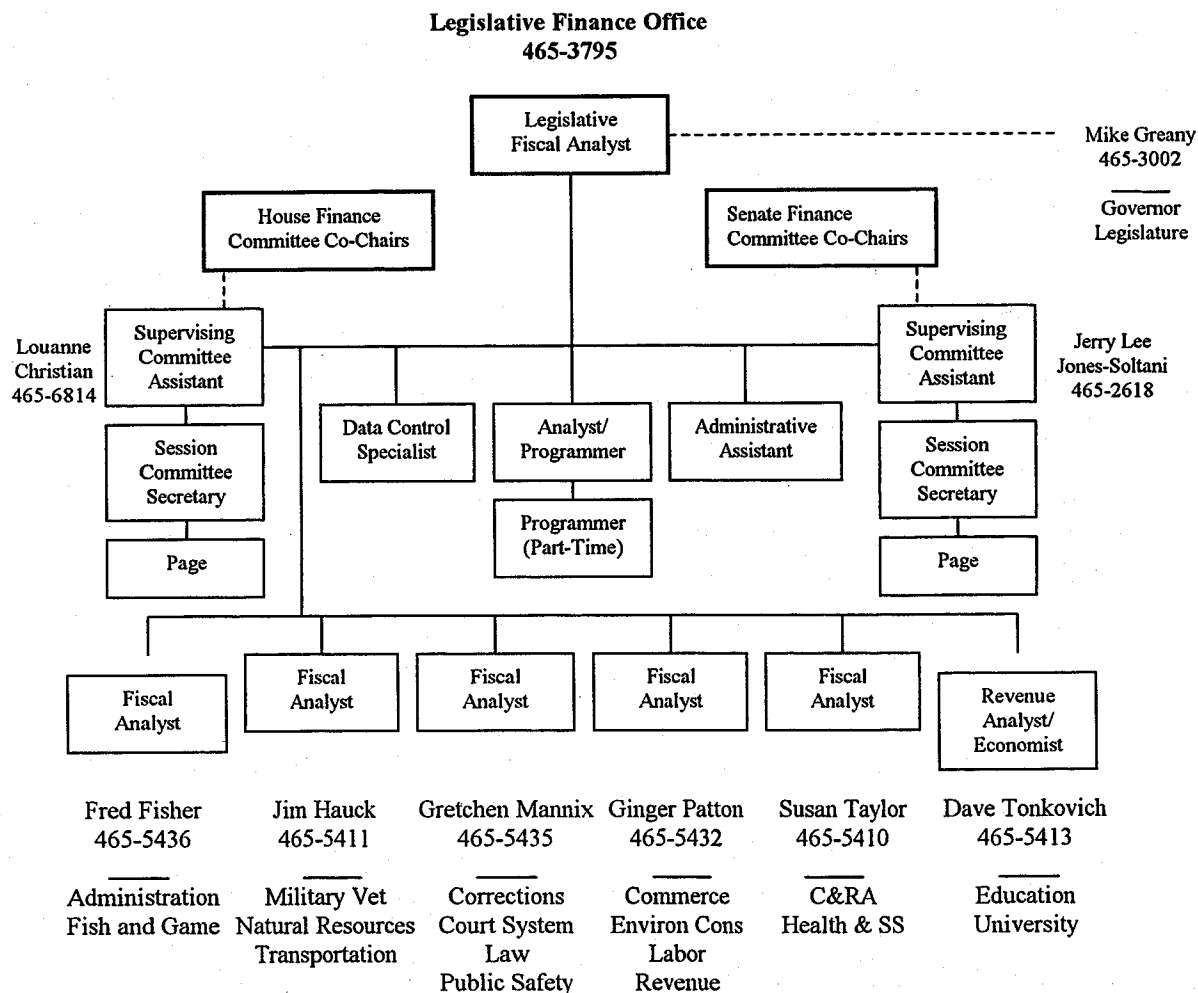


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INTRODUCTION

By law, the Governor's proposed budget for the upcoming fiscal year is submitted to the Legislature and made public on December 15 of each year.

Here follows a summary and analysis of the Governor's proposed FY99 budget prepared by the Legislative Fiscal Analyst office in accordance with its responsibilities assigned by Alaska Statute 24.20.211 - 231.

SUMMARY ANALYSIS

The reader will note that our financial schedules use the funding group General Funds/Constitutional Budget Reserve/Investment Loss Trust Fund. The Investment Loss Trust Fund source is added to the General Funds/Constitutional Budget Reserve grouping for year-to-year comparison purposes because the ILTF was a one-time fund source used for purposes normally supported from the General Fund, i.e., salary increase for general government employees normally paid from General Fund appropriation that become a part of the ongoing base budget for subsequent fiscal years.

The Legislative Fiscal Analyst office view of the FY98/99 budget may differ from the Office of Management and Budget version:

FY98 Authorized

The Legislative Fiscal Analyst office uses the actual amounts, fund sources, or other appropriation items contained in session law.

FY99 Governor

The Legislative Fiscal Analyst office bases the Governor's proposed budget on the information contained in the Governor's appropriation bill(s) in contrast to such other displays as the "Governor Knowles' FY98/FY99 Budget Plan December 15, 1997".

The Governor's budget plan document differs from the information contained in the actual appropriation measures.

A significant difference between FY98 Authorized, based on session law versus the FY98 amounts included in the Governor's budget plan, is the treatment of a \$30 million General Fund appropriation contingent upon changes to the state/federal match rates for Medicaid. Because the contingent appropriation is inoperative, the Legislative Fiscal Analyst office does not include it in FY98 Authorized.

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The Governor's FY99 spending plan compared to FY98 Authorized:

	(\$ millions)	
	<u>GF</u> ¹	<u>Total</u>
Operating		
Agencies	38.7	70.6
Formula Programs	20.6	53.1
Debt Service	-8.3	-8.3
G.O.		-5.4
Lease/Purchase		6.0
Schools ²		-1.5
Airport		-0.8
Clean Water Fund		+0.5
Capital	8.7	316.0
Loan Fund Capitalization	-4.2	-24.9
Special Appropriation/Fund Transfers	-3.6	2.7
Permanent Fund Dividends/Inflation Proofing		27.8
Supplementals (estimated)	-2.7	-2.7
New Legislation (estimated)	<u>21.6</u>	<u>21.6</u>
Total	70.8	454.7

¹ "GF" includes: General Funds, CBR and ILTF

² School debt reimbursement is included in formula program totals.

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STATUTORY DESIGNATED RECEIPTS

Session Law enacted in 1997 created a new Others Funds source of receipts: *Statutory Designated Receipts*.

These receipts generally include payments from a third party to a state agency for the performance of a service or a grant of funds made with stipulations attached to the use of the funds, i.e., a grant or bequest. In common language, if the third party doesn't pay the money, the state agency doesn't perform the service – and vice versa – if the state agency doesn't perform the service, the third party doesn't pay the money. This is in contrast to the general fund/program receipts situation where receipts go to the state treasury regardless of whether a commensurate service is provided.

The Legislature carefully considered the list of possible candidates for inclusion in the new statutory designated receipts category, and conservatively specified the inclusion of then existing receipt types into the new funding source. This changed over \$15 million previously characterized as General Funds to Other Funds.

The Governor's FY99 budget inappropriately uses the statutory designated receipts fund source for some receipt types previous considered but specifically rejected from inclusion when the new designation was implemented. Additionally, the Governor's budget includes others that arguably fall into a "gray area" but clearly go beyond the FY98 implementation.

During the FY98 interim, the Office of Management and Budget also tested the new receipt type designation through the Legislative Budget and Audit Committee RPL process. In each instance, the Committee affirmed the Legislature's conservative approach, rejecting the executive branch requests.

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OPERATING BUDGET

The Governor proposes a \$2.2 billion General Fund operating budget for **state agency operations** and **formula programs**.

The Governor's FY99 spending plan would require a \$59.3 million General Fund increase in the operating budget over FY98.

	FY97 <u>Actual</u>	FY98 <u>Authorized</u>	FY99 <u>Governor</u>	FY98 to <u>FY99</u>
Agency Operations	1,132.0	1,083.8	1,122.5	+38.7
Formula Program	1,060.3	1,053.7	1,074.3	+20.6
Operating Total	2,192.3	2,137.5	2,196.8	+59.3
<u>Percent of Operating</u>				
Agency Operations	52%	51%	51%	
Formula Programs	48%	49%	49%	

Agency Operations

That portion of the Governor's FY99 budget for agency operations constitutes a \$38 million increase over FY98, including FY99 salary and benefits increases for state employees.

Agency operations continue to account for slightly more than one-half of the total operating budget.

The Governor's FY99 budget includes salary and benefit adjustments. The request totals \$9,208,250 that is broken out by fund source as follows: General Funds (\$5,450,690); Federal Funds (\$1,103,490); and Other Funds (\$2,654,070). These adjustments are in the front section of the budget and include changes for cost of living, health benefit and Public Employees Retirement System (PERS) contributions for most Executive Branch agencies. Adjustments for the Legislature, Court System and University were presented slightly differently. Salary and health adjustments for the Legislature and Court are in the front section but PERS savings are included directly in the agency budgets. With the exception of the CEA and ACCFT bargaining units any changes to University salary and benefits are included in the University budget. Cost of living adjustments of 1.1 percent cover most state employees with a few bargaining units receiving 1.5 percent increases. The employer contribution for Health insurance costs increase by \$25/Month for the majority of state employees. Contributions to PERS decline by 1.57 percentage points for police and fire and by .81 percentage points for other state employees. The PERS rate for the University will increase by 1.03 percentage points.

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Formula Programs

These programs include payments to municipalities, non-profits and individuals and would require a \$20.5 million increase in state funding over FY98.

Formula programs expenditures account for 49 percent of the total operating budget.

Notably, the **formula programs with significant changes in funding levels** include:

	(GF - \$ millions)		
	FY98	FY99	
	Authorized	Governor	Change
Longevity Bonus	\$ 70.6	\$ 67.0	\$ -3.6
School Foundation	628.0	633.0	+5.0
Pupil Transportation	35.2	36.6	+1.4
Child Welfare Assistance (ATAP)	48.6	40.6	-8.0
Adult Public Assistance	40.6	43.6	+3.0
Medicaid	116.8	130.6	+13.8
General Relief Medical	2.8	4.0	+1.2
Child Care Benefits	4.2	6.1	+1.9
Foster Care/subsidized Adoptions	13.9	16.4	+2.5

The Governor's FY99 spending plan also relies on an additional and separate \$8 million reduction to the longevity bonus program and Hold Harmless contingent upon enactment of legislation placing an income cap on recipients. To date, neither the Nineteenth nor the Twentieth Legislature have moved the necessary legislation.

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DEBT SERVICE

The **debt service** budget expenditure category consists of four parts: General Obligation (G.O.) principal and interest repayment, school construction debt reimbursement, lease-purchase obligations for state-used facilities, and international airport revenue bonds. Mechanically, appropriations are made to a Debt Retirement Fund, and then from that fund to the particular debt service purposes, except for the airport revenue bonds which are appropriated directly from the International Airport Revolving Fund.

	FY97 Actual	FY98 Authorized	FY99 Governor
DEBT RETIRMENT FUND BEGINNING BALANCE	2.1	12.2	5.3
REVENUES (Fund Services)			
¹ General Fund	93.8	72.3	64.0
² Investment Lost Trust Fund	5.0	-	-
Unobligated G.O./CIP balances	-	7.7	-
School Fund	-	-	16.0
Clean Water Fund	-	-	0.5
³ International Airport Revenue Fund	5.8	5.8	5.0
Total - Available	104.6	85.8	85.5
EXPENDITURES			
G.O. Bonds	16.5	14.3	8.9
Lease Purchase	9.5	10.3	16.3
School Construction	62.7	62.3	60.8
¹ International Airport Revenue Bond	5.8	5.8	5.0
Clean Water Loan Program	-	-	0.5
Total - Expenditures	94.5	92.7	91.5
DEBT RETIREMENT FUND ENDING BALANCE	12.2	5.3	-0.7

Based on this analysis, the Governor's FY99 debt service appropriations and available balance in the Debt Retirement Fund fall \$700,00 short of meeting FY99 requirements.

To meet the apparent shortfall, the Governor's Office of Management and Budget is counting on an anticipated \$845,000 lapse of unused G.O. bond funds from old projects prior to the end of Fiscal Year 1998.

¹ FY97 includes \$0.6 million appropriated by SLA 97, ch. 100, sec. 71

² FY97 includes \$5.0 million appropriated by SLA 97, ch. 100, sec. 71

³ Appropriated directly - not through the Debt Retirement Fund

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CAPITAL BUDGET

The Governor's December 15 submittal proposes Capital expenditures of \$892.6 million total funds and \$100.2 million General Funds, according to the "Governor Knowles' FY98/99 Budget Plan" document. While some project information was furnished, major elements are absent: highway and airport improvement projects and a school construction plan.

According to a press release from the Governor's office, the additional pieces and completed capital budget will be furnished to the legislature in the budget amendments due on the forty-fifth day of the session.

Some of the **major features** of the Governor's FY99 proposal to date:

(figures are shown in \$millions)

	GF	AHFC	AIDEA	TOTAL
CAPITAL MATCHING GRANTS				
Municipal Capital Matching Grants	13,150.0			13,150.0
Unincorporated Community Capital Matching Grants	1,850.0			1,850.0
DEVELOPMENT				
Economic and Resource Development	2,708.0		3,415.0	66,985.3
HEALTH AND SAFETY				
Health and Safety Facility Repairs	225.0	900.0	500.0	1,625.0
Village Safe Water/Rural Sanitation	22,860.4	16,551.0		53,371.9
HOUSING				
Senior Housing		5,750.0		6,200.0
Other Housing		28,799.0		44,699.0
TECHNOLOGY				
Electronic/Information Technology	3,962.6		1,135.0	11,928.5
TRANSPORTATION				
Airport/Highway/Harbor/Facility Deferred Maintenance	200.0		4,900.0	5,100.0
Federal Aid Aviation Program State Match			5,000.0	85,000.0
Federal Aid Highway Program State Match	26,500.0			284,800.0
Harbor Design and Construction			500.0	500.0
International Airport Improvements				222,509.0
Marine Highway Overhaul and Rehabilitation	4,000.0			4,000.0
U.S. Army Corps of Engineers Projects			900.0	900.0
UNIVERSITY				
University of Alaska Deferred Maintenance	7,000.0			7,000.0
University of Alaska Facility Design & Construction			450.0	450.0

As noted in the REVENUES discussion, the Governor's FY99 budget would use Alaska Industrial and Export Authority Funds as a direct fund source for capital projects. In addition to the \$50 million transfer of surplus Alaska Housing Finance Corporation Funds to the State General Fund as a revenue source, the Governor's capital budget spends an additional \$52 million in AHFC funds directly on capital projects.

legislative fiscal analyst overview of the governor's request

LOAN PROGRAMS

The Governor's FY99 budget proposal would appropriate \$3.8 million General Funds and \$19.1 million Federal Funds to capitalize the Alaska Clean Water Fund and Alaska Drinking Water Fund:

	General Funds	Federal Funds	Total
Alaska Clean Water Fund	2,359.7	11,798.4	14,158.1
Alaska Drinking Water Fund	<u>1,468.1</u>	<u>7,340.3</u>	<u>8,808.4</u>
Total - Loans Capitalization	3,827.8	19,138.7	22,966.5

The FY99 capitalization amounts are reductions from FY98: \$4.2 million General Fund and \$20.8 million Federal Funds.

	FY98 <u>Authorized</u>	FY99 <u>Governor</u>	<u>Change</u>
Alaska Clean Water Fund	32,184.0	14,158.1	-18,025.9
Alaska Drinking Water Fund	<u>15,706.6</u>	<u>8,808.4</u>	<u>-6,898.2</u>
Total - Loans Capitalization	47,890.6	22,966.5	-24,924.1
General Funds	7,981.8	3,827.8	-4,154.0
Federal Funds	39,908.8	19,138.7	-20,770.1

SPECIAL APPROPRIATIONS/FUND TRANSFERS

This category of budget expenditures generally includes appropriations to effect inter-fund transfers for:

	FY98 <u>Authorized</u>	FY99 <u>Governor</u>	<u>Change</u>
Fish & Game Fund	692.1	685.6	-6.5
Oil & Hazard Substance Release Prevention & Response Fund			
Prevention Account - Surcharge	12,931.9	12,300.0	-631.9
Mitigation Account	4,376.4	1,500.0	-2,876.4
Response Account - Surcharge	0.0	0.0	0.0
Mitigation Collections	79.4	50.0	-29.4
Storage Tank Assistance			
Registration Fees	250.0	200.0	-50.0
Prevention Account	2,910.6	4,164.8	1,254.2
Four Dam Pool Transfer Fund		5,000.0	5,000.0
Subtotal	21,240.4	23,900.4	2,660.0
Total - Non Permanent Fund			
General Fund	18,329.8	14,735.6	-3,594.2
Other Funds	2,910.6	9,164.8	6,254.2
Permanent Fund			
Dividend	717,742.7	751,450.6	33,707.9
Inflation Proofing	486,000.0	480,000.0	-6,000.0
Total - Permanent Fund	1,203,742.7	1,231,450.6	27,707.9

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REVENUES

The Governor's spending plan is financed with state General Fund revenues (largely petroleum royalty and production taxes), restricted state Other Funds and Federal Funds -- with an increasing reliance on Constitutional Budget Reserve (CBR) funds to balance in FY98 and FY99. The deteriorating petroleum price situation emerging over the recent past months, coupled with declining production, will further throw the budget out of balance unless measures are taken to: use additional reserves such as CBR funds, reduce expenditures further, or use other revenue sources.

A look at the Fiscal Years 97/98/99 period demonstrates the crux of the budget-balancing problem in the face of the state's reliance upon unstable and widely fluctuating petroleum revenues:

FY97	Higher oil prices, coupled FY97 with spending restraint, produced a \$70 million budget surplus .
FY98	Falling oil prices even coupled with additional expenditure reductions are expected to produce a shortfall that will require drawing on CBR funds at least in the \$200 - \$300 million range.
FY99	A continuing soft petroleum market projected from current knowledge could require CBR funds in the \$400 - \$500 million range even with further spending restraint to address the shortfall

Experience has proven, however, that this shortfall amount could readily change - even into a surplus depending upon the turn of world events.

Of additional note, the Governor's FY99 budget plan continues to annually use \$50 million in surplus Alaska Housing Finance Corporation funds as a revenue source. A similar \$16 million return to the General Fund from the Alaska Industrial Development and Export Authority would be spent directly on projects proposed by the Governor in the capital budget -- this would alter the legislative preference to also use the AIDEA 'dividend' as a revenue source.

Another revenue source of note are the tobacco taxes, increased during the 1997 legislative session. The Governor proposes to use \$16 million of the revenues to fund a portion of School Construction Debt Reimbursement. The Governor has not identified the use of the remaining \$35 million in new revenues in the December 15 submittal.

**FISCAL SUMMARY
AND
OTHER STATEWIDE FINANCIAL SUMMARIES**

FY98/99 ALL FUNDS FISCAL SUMMARY
(\$ millions)

	FY98 Authorized			FY99 Governor		
	GF/CBRF/ ILTF	Federal	Other	GF/CBRF/ ILTF	Federal	Other
REVENUES						
Unrestricted General Fund Fall 97 Forecast	2,080.9			2,000.4		
Change in Unrestricted: January 1998 Update	-42.2			-86.4		
Revenue Adjustments	-42.9			-62.8		
FY97 General Fund Carryforward	70.1			50.0		
AIIFC Transfer to General Fund	70.0					
AIDEA Transfer to General Fund	16.0					
From Constitutional Budget Reserve	192.2					
Federal and Other Funds		1,147.8	2,354.4		1,324.5	2,562.6
TOTAL AVAILABLE	2,344.1	1,147.8	2,354.4	2,415.0	1,324.5	2,562.6
EXPENDITURES						
Operating (1)	2,137.5	793.0	947.0	2,196.8	851.2	953.1
Agency Operations (Non-Formula)						
Formula Programs	1,083.8	440.7	810.3	1,122.5	462.0	820.9
Debt Service	1,053.7	352.2	136.7	1,074.3	389.2	132.3
Capital including Mental Health	72.3	0.0	30.4	64.0	0.0	30.7
Loan Fund Capitalization	91.5	314.9	170.2	100.2	454.2	338.2
Special Appropriations & Fund Transfers	8.0	39.9		3.8	19.1	
Permanent Fund Dividends/Inflation Proofing	18.3		2.9	14.7		9.2
Supplementals (2)						
New Legislation (4)	16.5		1,203.7			1,231.5
TOTAL APPROPRIATIONS (3)	2,344.1	1,147.8	2,354.4	2,415.0	1,324.5	2,562.6
Less Duplicated Expenditures			-459.2			-472.3
UNDULICATED EXPENDITURES	2,344.1	1,147.8	1,895.2	2,415.0	1,324.5	2,090.3
Revenue Assumptions:	Price	Production				
	\$/BBL	MMbbl				
FY98 Fall 97 Forecast	18.11	1.325				
FY98 January Update	17.59	1.318				
FY99 Fall 97 Forecast	18.22	1.310				
FY99 January 98 Update	17.28	1.310				
			Notes:			
			(1) Shared Taxes and Fishery Enhancement Tax Receipts are not included-these items are off-budget.			
			(2) Supplemental figures are estimated.			
			(3) Total appropriation figures do not include RPLs.			
			(4) The Governor's estimated FY99 new legislation includes:			
			Savings from the proposed Longevity Bonus			
			Income limit			
			Other 1998 session new legislation			
			Education Initiative			
			Total New Legislation			
			(8.0) million			
			5.0 million			
			24.6 million			
			21.6 million			

FY 98/99 ALL FUNDS SPENDING PLAN
General Fund Revenue Adjustments
(\$ millions)

FY98 General Fund Revenue Adjustments	
From Unrestricted to Restricted:	
Marine Highway Receipts	-37.5
Other Adjustments:	
Trans Alaska Pipeline Liability Fund	15.8
Unclaimed Property Payments	1.5
Loan Fund Transfers to General Fund	0.9
Salmon Enhancement "off budget"	-4.0
Shared Taxes "off budget"	-19.6
FY98 Revenue Adjustment Total	-42.9

FY99 General Fund Revenue Adjustments	
From Unrestricted to Restricted:	
Marine Highway Receipts	-41.0
Other Adjustments:	
Trans-Alaska Pipeline Fund	0.0
Unclaimed Property Payments	1.5
Loan Fund Transfers to General Fund	0.9
Salmon Enhancement "off budget"	-4.1
Shared Taxes "off budget"	-20.1
FY99 Revenue Adjustment Total	-62.8

FY97/98 ALL FUNDS FISCAL SUMMARY
Special Appropriations And Fund Transfers
(\$ millions)

Special Appropriations and Fund Transfers	FY98 Authorized				FY99 Governor			
	GF/CBR	Federal	Other	Total	GF/CBR	Federal	Other	Total
Permanent Fund Dividends			717.7	717.7			751.5	751.5
Permanent Fund Inflation Proofing			486.0	486.0			480.0	480.0
Permanent Fund Special Appropriations			1,203.7	1,203.7			1,231.5	1,231.5
Four Dam Pool Transfer Fund				0.0			5.0	5.0
Fish and Game Fund-Criminal Fines and Penalties	0.7			0.7	0.7			0.7
Surcharge Transfer to OHSR Prevention Account	12.9			12.9	12.3			12.3
Prevention Mitigation Account to OHSR Prevention	4.4			4.4	1.5			1.5
Surcharge Transfer to OHSR Response Account				0.0				0.0
Response Mitigation Account to OHSR Response	0.1			0.1	0.1			0.1
Storage Tank Assistance Fund Receipts	0.3			0.3	0.2			0.2
Storage Tank Assistance Fund Capitalization			2.9	2.9			4.2	4.2
Special Appropriations and Fund Transfers	18.3	0.0	2.9	21.2	14.7	0.0	9.2	23.9

FY97/98 ALL FUNDS FISCAL SUMMARY
Duplicate Expenditures
(\$ millions)

Duplicated Expenditures	FY98 Duplications			FY99 Duplications		
	Operating	Capital	Total	Operating	Capital	Total
Interagency Receipts	177.9	0.1	178.0	187.2		187.2
Highway Working Capital Fund	23.4	11.8	35.2	22.5	11.9	34.4
Debt Retirement Fund	72.3		72.3	64.0		64.0
Oil & Hazardous Rel Resp & Prev	12.4	7.9	20.3	12.5	10.7	23.1
Fish & Game Fund	0.7		0.7	0.7		0.7
Interagency Oil & Haz	1.8		1.8	1.8		1.8
Capital Improvement Project Rcpts	82.8	1.0	83.8	77.3	1.0	78.3
Marine Highway System Fund	26.9		26.9	28.2		28.2
Information Services Fund	19.7	2.4	22.1	19.8	2.8	22.6
Municipal Capital Matching Fund		13.2	13.2		13.2	13.2
Unincorporated Capital Match Fund		1.9	1.9		1.9	1.9
Storage Tank Assistance Fund	0.9	2.3	3.2	0.9	5.1	6.0
Group Health Insurance	10.6			10.6		10.6
AK Drinking Water Fund		7.8		0.5		0.5
Duplicated Expenditure Total	429.4	48.3	459.2	425.9	46.5	472.3

AGENCY OPERATING BUDGETS
FORMULA/NON-FORMULA PROGRAM FUNDING
General Funds, Constitutional Budget Reserve Funds and Investment Loss Trust Fund
(in thousands)

	FY97 Actual		FY98 Authorized		FY99 Governor	
	Formula	Agency	Formula	Agency	Formula	Agency
Agencies		Total		Total		Total
Administration	97,810.3	83,393.6	181,203.9	94,721.6	84,733.5	179,455.1
Commerce & Economic Development	0.0	35,820.4	35,820.4	0.0	27,818.8	27,818.8
Community & Regional Affairs	53,872.1	27,652.4	81,524.5	50,658.0	26,889.4	77,547.4
Corrections	0.0	130,330.5	130,330.5	0.0	131,868.3	131,868.3
Education	651,350.5	28,914.5	680,265.0	670,144.4	29,304.0	699,448.4
Environmental Conservation	0.0	15,958.6	15,958.6	0.0	13,273.5	13,273.5
Fish and Game	0.0	39,466.4	39,466.4	0.0	34,360.4	34,360.4
Governor	0.0	17,523.0	17,523.0	0.0	15,623.9	15,623.9
Health and Social Services	255,820.8	192,806.7	448,627.5	236,786.9	175,644.5	412,431.4
Labor	0.0	8,851.2	8,851.2	0.0	8,416.8	8,416.8
Law	0.0	31,551.4	31,551.4	0.0	28,168.2	28,168.2
Military & Veterans Affairs	1,434.9	5,816.9	7,251.8	1,434.9	5,597.6	7,032.5
Natural Resources	0.0	51,295.5	51,295.5	0.0	39,410.3	39,410.3
Public Safety	0.0	76,136.1	76,136.1	0.0	76,248.8	76,248.8
Revenue	0.0	12,146.7	12,146.7	0.0	11,402.2	11,402.2
Transportation/Public Facilities	0.0	127,329.8	127,329.8	0.0	129,565.6	129,565.6
University of Alaska	0.0	167,693.6	167,693.6	0.0	164,304.5	164,304.5
Court System	0.0	49,045.4	49,045.4	0.0	49,602.9	49,602.9
Legislature	0.0	30,245.7	30,245.7	0.0	31,553.8	31,553.8
FY99 Salary Adjustment		0.0				0.0
Total:	1,060,288.6	1,131,978.4	2,192,267.0	1,053,745.8	1,083,787.0	2,137,532.8
Percent:	48.4%	51.6%	100.0%	49.3%	50.7%	100.0%
				1,074,270.3	1,122,528.1	2,196,798.4
				48.9%	51.1%	100.0%

Notes: Excludes Fisheries Enhancement Tax Receipts and Shared Taxes

legislative fiscal analyst overview of the governor's request

FORMULA FUNDED PROGRAMS

General Funds and Constitutional Budget Reserve Funds and Investment Lost Trust Funds (in thousands)

	FY97 Actual	FY98 Auth ⁽¹⁾	FY99 Governor	FY99 Auth to FY99 Governor
Administration				
Longevity Bonus Program	71,950.8	70,593.6	67,022.1	(3,571.5)
Retirement & Benefits/EPORS	950.6	1,033.8	1,111.5	77.7
Leasing	24,908.9	23,094.2	24,740.2	1,646.0
Subtotal	97,810.3	94,721.6	92,873.8	(1,847.8)
Community and Regional Affairs				
Senior Citizen Tax Relief	299.8	300.0	300.0	0.0
Municipal Revenue Sharing	24,170.0	22,719.8	22,719.8	0.0
Municipal Assistance	29,402.3	27,638.2	27,638.2	0.0
Subtotal	53,872.1	50,658.0	50,658.0	0.0
Education				
Public School Foundation	611,138.8	627,964.7	633,021.6	5,056.9
Tuition Students	2,235.6	1,731.2	2,331.2	600.0
Boarding Home Grants	180.7	185.9	185.9	0.0
Youth in Detention	785.3	800.0	800.0	0.0
Schools for the Handicapped	3,685.6	3,767.4	3,801.7	34.3
Pupil Transportation	32,842.2	35,195.2	36,620.6	1,425.4
Community Schools	482.3	500.0	500.0	0.0
Subtotal	651,350.5	670,144.4	677,261.0	7,116.6
Health and Social Services				
ATAP (formerly AFDC)	52,267.8	48,596.0	40,606.0	(7,990.0)
Adult Public Assistance	40,572.0	40,625.0	43,625.0	3,000.0
General Relief Assistance	950.3	541.9	1,041.9	500.0
Old Age Asst.-ALB Hold Harmless	2,482.9	2,298.1	2,193.5	(104.6)
Medicaid	139,362.9	116,818.3	130,629.7	13,811.4
Medicaid Asst.-ALB Hold Harmless	43.3	25.7	45.7	20.0
General Relief Medical	3,412.9	2,838.7	4,060.1	1,221.4
Waivers Services	4,890.0	6,894.2	7,672.7	778.5
Child Care Benefits	3,302.1	4,224.4	6,104.3	1,879.9
Foster Care	9,134.0	9,311.3	11,105.7	1,794.4
Subsidized Adoptions/Guardians	4,295.8	4,613.3	5,288.4	675.1
(2) Social Services Block Grant Offset	(4,893.2)	0.0	0.0	0.0
Subtotal	255,820.8	236,786.9	252,373.0	15,586.1
Military and Veterans Affairs				
National Guard Retirement	1,434.9	1,434.9	1,104.5	(330.4)
Subtotal	1,434.9	1,434.9	1,104.5	(330.4)
Total excluding Debt Service	1,060,288.6	1,053,745.8	1,074,270.3	20,524.5
Debt Service				
From GF (and ILTF in FY97) to Debt Retirem	98,741.2	72,270.7	64,029.1	(8,241.6)
Subtotal	98,741.2	72,270.7	64,029.1	(8,241.6)
Total	1,159,029.8	1,126,016.5	1,138,299.4	12,282.9

Notes: Excludes Shared Taxes and Fisheries Enhancement Tax Receipts

(1) FY98 Authorized incorporates fund source changes in accordance with Chapter 59 SLA 1997 (SB 55).

(2) The Social Services Block Grant Offset funding was moved to a non-formula appropriation in FY98.

legislative fiscal analyst overview of the governor's request

FY97/98/99 OPERATING APPROPRIATIONS COMPARISON General Funds, Constitutional Budget Reserve Funds and Investment Loss Trust Funds (in thousands)

	FY97 Actuals	FY98 Authorized	FY99 Governor
Front Section GF, CBR and ILTF Operating Appropriations			
6 Income limits for Longevity Bonus - legislation required			-8,000.0
10 Fish & Game Enforcement - Approp. from GF to Fish & Game Fund		692.1	685.6
12 Information Services Fund ¹	*	*	*
15 Transfer from GF to Marine Highway System Fund ¹	*	*	*
18 OHSR Prevention Account - Surcharge	13,689.9	12,931.9	12,300.0
18 OHSR Prevention Account - Mitigation Collections	1,344.5	4,376.4	1,500.0
19 OHSR Response Account - Surcharge	0.0	0.0	0.0
19 OHSR Response Account - Mitigation Collections	98.4	79.4	50.0
22 Salary Adjustment - Pay Increases for State Employees ¹	*	*	*
23 Salmon Enhancement Tax ²	5,349.4	4,072.7	4,072.7
24 Shared Taxes and Fees ²	26,813.8	22,199.6	19,565.0
25 From GF (and ILTF in FY98) to Debt Retirement Fund	98,741.2	72,270.7	64,029.0
28 Storage Tank Assistance Fund	253.4	250.0	200.0
Less Fisheries Enhancement Tax, Shared Taxes and Fees to "off budget" ²	-32,163.2	-26,272.3	-23,637.7
	114,127.4	90,600.5	70,764.6
Agency			
Administration	181,203.9	179,455.1	179,562.3
Commerce & Economic Development	35,820.4	27,818.8	25,987.0
Community & Regional Affairs	81,524.5	77,547.4	81,262.4
Corrections	130,330.5	131,868.3	133,116.8
Education	680,265.0	699,448.4	707,457.7
Environmental Conservation	15,958.6	13,273.5	13,444.9
Fish and Game	39,466.4	34,360.4	34,771.7
Governor	17,523.0	15,623.9	17,750.1
Health and Social Services	448,627.5	412,431.4	439,741.6
Labor	8,851.2	8,416.8	8,463.9
Law	31,551.4	28,168.2	29,356.8
Military & Veterans Affairs	7,251.8	7,032.5	7,493.4
Natural Resources	51,295.5	39,410.3	39,396.8
Public Safety	76,136.1	76,248.8	80,168.8
Revenue	12,146.7	11,402.2	11,855.3
Transportation/Public Facilities	127,329.8	129,565.6	130,962.6
University of Alaska	167,693.6	164,304.5	167,177.1
Court System	49,045.4	49,602.9	51,675.4
Legislature	30,245.7	31,553.8	31,703.1
FY99 Salary Adjustment ¹			5,450.7
	2,192,267.0	2,137,532.8	2,196,798.4
TOTAL - Operating and Fund Transfers	2,306,394.4	2,228,133.3	2,267,563.0

¹ FY97 Actual and FY98 Authorized Agency Totals include these front sections:

	FY97 Actuals	FY98 Authorized	FY99 Governor
Information Services Fund (Stat. Designated Rcpts in FY98/99)	55.0		
Transfer from GF to Marine Highway System Fund	28,284.0	26,937.2	28,158.1
Salary Adjustments	7,278.8	8,698.0	5,450.7

² The Fisheries Enhancement Tax and Shared Taxes are considered "off budget" and are included here for informational purposes only.

legislative fiscal analyst overview of the governor's request

CONSTITUTIONAL BUDGET RESERVE FUND ANALYSIS

Appropriable Balance as of June 30, 1996 (1)	2,517.6
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FY 97 Activity:

To General Fund, estimated, to balance FY97 revenues and expenditures	0.0
Appropriation of amounts swept under 17(d) from the CBRF, estimated	(74.4)
Direct Appropriation of CBR Funds	(8.3)
FY97 Settlements	566.6
Federal MMS 8(G) and other adjustments	6.6
Transfers in, Restatements, and other adjustments	8.6
FY97 interest earnings	155.4
Sweep of various general fund subfund and account balances per section 17(d)	95.9
GF Surplus to CBR per section 17 (d)	70.1

Appropriable Balance as of June 30, 1997 (1)	3,338.1
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FY 98 Activity:

To General Fund, estimated, to balance FY98 revenues and expenditures (2)	(192.2)
Appropriation of amounts swept under 17(d) from the CBRF (1)	(95.9)
Appropriation of Prior Year Surplus swept under 17(d) from the CBRF (1)	(70.1)
Settlements, FY98 estimate per Department of Revenue (3)	10.1
Federal MMS 8(G) (3)	6.6
Estimated FY98 interest earnings (3)	269.4
Sweep of various general fund subfund and account balances per section 17(d), estimated	95.9

Projected appropriable balance as of June 30, 1998	3,291.7
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(1) Source: State of Alaska Annual Financial Report, June 30, 1997

(2) All Funds Fiscal Summary January, 1998.

Includes direct appropriation of \$0.6 million in CBR funds to Revenue Treasury Management.

(3) Source: Dept of Revenue, Projected Cash Flow and Fund Balances December 1, 1997

Any additional settlements received will increase the projected balance.

INTRODUCTION TO AGENCY NARRATIVES AND FINANCIAL SUMMARIES

The assigned fiscal analysts have prepared a narrative description and analysis of the major changes in the operating budgets from FY98 to the Governor's FY99 budget request for each agency.

There is also an agency financial summary accompanying the narratives. Please note that the financial summaries display General Funds as a distinct fund group so as to demonstrate the effect of the Investment Loss Trust Fund fund-source change from Other Funds to General Funds.

legislative fiscal analyst overview of the governor's request

COMPREHENSIVE INTEGRATED MENTAL HEALTH PROGRAM

The Alaska Mental Health Trust Authority (Trust Authority) is established in the Department of Revenue with responsibility for protecting trust assets and planning and promoting the State's comprehensive integrated mental health program (CIMPH). According to the Trust Authority's 1997 annual report, the estimated balance of the trust fund administered by the Alaska Permanent Fund Corporation will be almost \$250 million at the end of FY98. The Trust Authority also must prepare, and periodically revise and amend, a plan for a CIMHP in conjunction with the Department of Health and Social Services. Implementing settlement statutes require a separate mental health bill. The following agencies' mental health budgets are included in the separate mental health bill: Administration, Community and Regional Affairs, Corrections, Education, Health and Social Services, Law, Natural Resources, Revenue, University of Alaska and the Court System. The Department of Health and Social Services has by far the majority of mental health programs and consequently funding – with 88% of total general fund mental health funds and 59% of Trust Authority funds.

MAJOR CHANGES

- The FY99 Governor's proposed budget for the CIMHP is summarized below. Please note that the mental health funding for the proposed FY99 Salary Adjustment is included in the general appropriations operating budget and not in the separate mental health bill.

FY99 Governor's Recommendation for Mental Health Programs

Operating Department	GF/MH ¹	MHTAAR ²	MHT- Admin ³	AHFC ⁴	Total
Administration	9,413.2	1,106.5			10,519.7
Community and Regional Affairs		50.0			50.0
Corrections	3,762.7	590.0			4,352.7
Education	227.3				227.3
Health and Social Services	104,580.4	3,778.0			108,358.4
Law	62.8				62.8
Natural Resources		890.0			890.0
Revenue			881.5		881.5
University of Alaska	200.8				200.8
Alaska Court System	79.3				79.3
FY99 Salary Adjustment	56.5	11.3	3.3		71.1
Operating Bill					
Total Operating	118,383.0	6,425.8	884.8	0.0	125,693.6
Total Capital	575.0	880.0		3,500.0	4,955.0
Total	118,958.0	7,305.8	884.8	3,500.0	130,648.6

¹ GF/MH - General Fund/Mental Health

² MHTAAR - Mental Health Trust Authority Authorized Receipts

³ MHT Admin - Mental Health Trust Administration

⁴ AHFC - Alaska Housing Finance Corporation

legislative fiscal analyst overview of the governor's request

- The Trust Authority takes two approaches to requesting funding for the CIMHP. When proposing funding from MHTAAR funds, the Trust Authority begins with projects previously funded for multi-years, next they look at the requests approved by the beneficiary boards and departments and approve requests for funding. This is in contrast to how they approach funding from GF/MH. The GF/MH process is similar to the budgeting process followed by state agencies where adjustments are made to the amount authorized in the previous fiscal year. This is an important distinction to note when reviewing Trust Authority operating budget supporting documentation.

MHTAAR funding: *The Trust Authority requested spending \$6,414,500 MHTAAR funds and the Governor proposes \$6,425,800. The difference of \$11,300 is for the FY99 Salary Adjustments.*

GF/MH funding:

Operating Budget

<i>Governor's request</i>	<i>Trust Request</i>	<i>GOV</i>	<i>Difference</i>
FY98 Conference Committee	108,326.7	108,326.7	0.0
FY98 COLA and Misc. Adjust	105.1	105.1	0.0
FY99 Increase	13,018.3	9,894.7	(3,123.6)
FY99 COLA	56.5	56.5	0.0
<i>Total</i>	<i>121,506.6</i>	<i>118,383.0</i>	<i>(3,123.6)</i>

<i>FY99 Increase by Department</i>	<i>Trust Request</i>	<i>Approved</i>	<i>Denied</i>
Administration	7,300.0	6,310.0	(990.0)
Corrections	307.5	307.5	
Health and Social Services	5,410.8	3,277.2	(2,133.6)
<i>Total</i>	<i>13,018.3</i>	<i>9,894.7</i>	<i>(3,123.6)</i>

Although it appears that there is an increase of \$6,310,000 in the Department of Administration (DOA), \$6,100,000 is a fund source change from GF to GF/MH. The actual general fund increase in DOA is \$210,000. Understanding the nature of the fund change, the total general fund increase for the CIMHP is \$3,794,700 (\$9,894,700 GF/MH increase - \$6,100,000 GF fund source change).

- The Governor proposes some capital funding requests at the request of the Trust Authority. The Trust Authority request and the Governor's budget are summarized below:

Capital Budget

<i>Governor's request</i>	<i>Trust Request</i>	<i>GOV</i>	<i>Difference</i>
MHTAAR	1,960.0	880.0	(1,080.0)
GF/MH	1,455.0	575.0	(880.0)
General Funds	9,400.0		(9,400.0)
AHFC Corporate Receipts	4,485.0	3,500.0	(985.0)
<i>Total</i>	<i>17,300.0</i>	<i>4,955.0</i>	<i>(12,345.0)</i>

The Governor requests MHTAAR funding for: Deferred Maintenance Competitive Grants for Trust Beneficiary Program Facilities \$200,000, Trust Land Office – Land and Resource Enhancement \$530,000, Transportation and Vehicles – Competitive Grants for Trust Beneficiaries \$150,000.

legislative fiscal analyst overview of the governor's request

The Governor requests GF/MH funding for: coordinated Transportation Service Transit Grants - \$150,000, Deferred Maintenance Competitive Grants for Trust Beneficiary Program Facilities - \$200,000, and Stop-Gap Repairs at Alaska Psychiatric Institute - 225,000. Although the Governor approved funding for repairs to the Alaska Psychiatric Institute, a \$9 million general fund request to demolish the current facility was denied.

The Governor requests AHFC Corporate Receipts funding for: Pioneers' Homes Special Care Units (Anchorage, Palmer, Juneau) - \$200,000, Beneficiary and Special Needs Housing \$1.8 million, Homeless Assistance program \$1.25 million, and Federal and Other Grants match for Transitional Housing \$250,000.

The Governor notes that American Disabilities Act Upgrades - Competitive Grants for Trust Beneficiaries (\$250,000 MHTAAR and 250,000 GF/MH) and additional funding for the Client Data Integration Project in the Department of Health and Social Services (\$200,000 MHTAAR and \$400,000 GF) capital projects are being considered for inclusion in the FY98 supplemental appropriations bill.

legislative fiscal analyst overview of the governor's request

COMPREHENSIVE INTEGRATED MENTAL HEALTH PROGRAM FUNDING
SUMMARY

	GF/MH	MHTAAR / MHT- Admin	Federal	Total
FY98 Conference Committee	108,326.7	5,430.0	876.7	114,633.4
Reappropriations	18.0			18.0
Special		143.2		143.2
FY98 Salary Adjustment	110.6	27.1	5.2	142.9
Misc. Adjustment	5.9			5.9
FY98 Authorized	108,461.2	5,600.3	881.9	114,943.4
One Time Item	-18.0	-143.2		-161.2
Fund Change: Pioneers' Homes	6,100.0			6,100.0
DIS Network Reallocation	-11.7			-11.7
Agency Transfers In: Corrections	49.7			49.7
Agency Transfers Out: Health & Social Svc	-49.7			-49.7
Misc. Adjustment	0.3		-0.4	-0.1
FY99 Adjusted Base	114,531.8	5,457.1	881.5	120,870.4
Increments	2,966.1	4,652.9		7,619.0
Decrements		-2,545.5		-2,545.5
Medicaid Optional Services	828.6	-1,150.0		-321.4
FY99 Salary Adjustment	56.5	11.3	3.3	71.1
FY99 Governor Request	118,383.0	6,425.8	884.8	125,693.6

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF ADMINISTRATION

The Department of Administration provides basic internal services to other state agencies and also serves as an umbrella agency for a group of diverse social service, justice, and regulatory agencies. Services to other state agencies are provided by the Divisions of Personnel, Finance, General Services, Retirement and Benefits, Labor Relations, Risk Management, and Information Services. The Divisions of Senior Services, Motor Vehicles, the Public Defender Agency, and the Office of Public Advocacy provide services to the public.

MAJOR CHANGES

- The Longevity Bonus phase-out results in a reduction of \$3,571,500 in general funds for FY99.

Legislative Fiscal Analyst comment: the Governor's proposed income limit for longevity bonus eligibility (HB77/SB54) would further reduce the cost of the longevity bonus program by an estimated \$6,000,000.

- Increments totaling \$489,500 in general funds, \$1,099,700 in mental health trust authority authorized receipts, and \$390,000 in interagency receipts which support 5 new positions are proposed for Senior Service programs including; hospice and respite care, mental health needs assessments, long-term care development and training, adult protective services, and assisted living licensing.
- The Office of Public Advocacy and Public Defender Agency budget requests include increments totaling \$558,600 in general funds for addition of 8 positions needed for increased child abuse response and support for families and \$1,391,300 in general funds to fully fund operations based on anticipated caseloads.
- An increment of \$310,000 in general funds is included in the Commissioner's Office budget for contractual services needed to prepare for labor union contract negotiations.

Legislative Fiscal Analyst comment: it is not clear why this increment was requested in the Commissioner's Office component rather than the Labor Relations component.

- Increments totaling \$250,000 in general funds are proposed for the Alaska Oil and Gas Conservation Commission component for the addition of 2 positions for oversight of additional drilling rigs and wells and for membership in the Interstate Oil and Gas Compact Commission.
- The Alaska Public Offices Commission request includes an increment of \$167,300 in general funds for addition of 2 positions to meet increased election year support needs.
- The Leases budget includes increments of \$1,277,900 in general funds to fully fund projected lease costs, \$150,000 in general funds for 1 position for facilities management consolidation efforts, and \$2,000,000 in private tenant rents (collected by AHFC and budgeted as interagency receipts) for the operation and maintenance of the Bank of America Building.
- An increment of \$485,000 in general funds is included in the Division of Motor Vehicles request for purchase of license plates and drivers manuals.

Legislative Fiscal Analyst comment: funding for purchase of license plates and driver's manuals has traditionally been appropriated in the capital budget.

ORGANIZATIONAL CHANGES

There are no significant organizational changes proposed in the department's budget.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF ADMINISTRATION FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	177,217.8	74,612.0	6,836.5	258,666.3
Fiscal Notes	1,079.8	78.6		1,158.4
Reappropriations	440.0			440.0
Fund Change	-1.3	1.3		0.0
FY98 Salary Adjustment	296.7	662.7	9.2	968.6
FY98 Authorized	179,033.0	75,354.6	6,845.7	261,233.3
One Time Items	-923.0			-923.0
ILTF Fund Change	422.1	-422.1		0.0
DIS Network Reallocation	7.0			7.0
Agency Transfers In Records Storage	23.2			23.2
Agency Transfers Out	-196.6			-196.6
Anchorage Office Building Purchase	-829.8	-78.6		-908.4
FY99 Adjusted Base	177,535.9	74,853.9	6,845.7	259,235.5
Increments	5,157.9	4,361.9	16.8	9,536.6
Decrements	-3,131.5	-2,368.8		-5,500.3
FY99 Governor Request	179,562.3	76,847.0	6,862.5	263,271.8

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	1,251	113	102
Fiscal Notes	2		
FY98 Authorized	1,253	113	102
Position Adjustments	3	-2	6
Transfers In	6		
FY99 Adjusted	1,262	111	108
Increments	23	2	
Decrements	-1		
FY99 Governor	1,284	113	108

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

The Department of Commerce and Economic Development has responsibilities in two major areas: public protection and development. Public protection regulates banking, securities and corporations, insurance, occupations and public utilities. Development provides general assistance and access to capital markets for business, coordinates numerous state loan programs, manages programs aimed at key economic sectors such as electric power generation, tourism, aerospace, mining and fishing. Additionally, the department participates in the domestic and international marketing of Alaskan products and attractions.

MAJOR CHANGES

- Front section appropriations in the FY98 budget authorize several programs to "carryforward" unobligated balances from FY97 into FY98. The FY98 Conference Committee reduced the Insurance and Occupational Licensing budgets in recognition of this additional authorization. Carryforward amounts were larger than anticipated and more than offset the reductions. In addition, three programs received carryforward authorization without associated Conference Committee reductions. In all cases the additional FY98 authorization increases the FY99 budget to the extent that the total carryforward is not backed out.

	FY98 CC Reduction	FY98 Actual Carryforward	Net Increase FY98 Auth	FY98 Reduce Carryforward	FY99 Change
Insurance Operations	(942.4)	1,700.0	757.6	(742.6)	15.0
Occupational Lic Ops	(649.6)	1,480.0	830.4	(671.3)	159.1
APUC Operations ¹	0	444.7	444.7	0	444.7
AK Seafood Mktg Inst ²	(800.0)	200.0	(600.0)	0	(600.0)
AK Science and Tech	0	17,319.0	17,319.0	(17,319.0)	0

¹APUC calculates carryforward balance in its computation of regulatory cost charge.

²Adjustment made in recognition of lower seafood marketing assessment revenues.

Legislative Fiscal Analyst comment: The Legislature should consider modification of front section appropriations to maintain more control on enacted appropriation levels. The Legislature could amend front section language so as to allow revenues to be carried forward but not increase authorization levels. This insures that revenues generated by fees should be used for the purpose of the program for which the fee was collected. It may not be appropriate in all instances to collect more than what is needed to operate a program knowing that unobligated balances would lapse into the General Fund. The Legislature should also consider front section language that identifies a specific amount to be carried forward for use in the operating budget.

- The Legislature eliminated the Special Assistant to the Commissioner position in the FY96, FY97 and FY98 budgets yet the department continues to fund and retain the position. The FY99 Governor's Proposed budget reinstates the Special Assistant to the Commissioner and eliminates an Oil and Gas Specialist position. The Oil and Gas Specialist position was established in FY94 to promote oil and gas development and to serve as a voice for oil and gas development within state government.
- The FY99 Governor's Proposed budget inadvertently deleted \$942,400 in General Fund Program Receipts twice in the Insurance Operations component. Current budget documents reflect this double reduction although an amendment is expected in the FY99 Governor's Amended budget submission due by the 45th legislative day.

ORGANIZATIONAL CHANGES

There are no significant organizational changes proposed in the department's budget.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	25,074.1	24,947.4	3,650.0	53,671.5
Fiscal Notes	2.5			2.5
Vetoed	-800.0			-800.0
Reappropriations	3,380.0	17,763.7		21,143.7
FY98 Salary Adjustment	127.8	144.5		272.3
FY98 Authorized	27,784.4	42,855.6	3,650.0	74,290.0
One Time Item: AK Sci Tech excess auth		-17,319.0		-17,319.0
ILTF Fund Change	34.4	-34.4		0.0
DIS Network Reallocation	63.3	26.6		89.9
Agency Transfers In: Records Storage	3.8			3.8
Agency Transfers Out	-5.0			-5.0
Fund Change	-2.6	2.6		0.0
Increments		303.3		303.3
Decrements: Occ Lic Carryforward Offset	-671.3			-671.3
Misc. Adjustment: duplicated decrement	-942.4	0.0		-942.4
FY99 Adjusted Base	26,264.6	25,834.7	3,650.0	55,749.3
Increments	465.0	220.7		685.7
Decrements	-742.6	-117.9		-860.5
FY99 Governor Request	25,987.0	25,937.5	3,650.0	55,574.5

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	347	10	0
Position Adjustment Net Zero			
FY98 Authorized	347	10	0
Retain Special Assistant to Commissioner	1		
FY99 Adjusted	348	10	0
Position Adjustment Net Zero			
FY99 Governor	348	10	0

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

The Department of Community and Regional Affairs provides a wide range of services to local governments and unincorporated communities in the form of grants and direct technical assistance. The department operates the Rural Economic Development Initiative Program, the state administered federal Job Training Partnership Act program, child care programs and Head Start. It also administers programs offering assistance to incorporated and unincorporated entities in the areas of government and financial management, utility management, public planning processes, land use planning and capital project planning. The department manages the Shared Fisheries Business Program and two major formula funded grant programs: Senior Citizens/Disabled Veterans Tax Relief and the State Revenue Sharing and Municipal Assistance Programs. The energy development areas include the rural utility Circuit Rider Program and administration of the Power Cost Equalization (PCE) Program.

MAJOR CHANGES

- The Department retained \$206,000 general funds in their base in the Child Care component from a FY98 reappropriation from the Alaska Temporary Assistance Program.

Legislative Fiscal Analyst comment: Reappropriations are usually considered one-time items and should be deleted from FY98 Authorized to arrive at FY99 Adjusted. If this had been done, the general fund increment for the Child Care component would have been \$206,000 greater than it is in the Governor's request.

- The department is transferring \$343,200 general fund match in the Child Care component to the Department of Health and Social Services' Child Care Benefits component. These funds will be accounted for in the Division of Public Assistance and will be used as general fund match for the Child Care and Development Fund block grant.
- An increase of \$3,270,600 general funds for the Day Care Assistance Programs would provide additional child care funding for families at or below 85% of the state median income.
- There is a request for a \$1 million dollar general fund increase for Head Start Services. The Alaska Mental Health Trust Authority is also funding \$50,000 of mental health trust authority authorized receipts (MHTAAR) for the Head Start program.
- The department is also requesting an additional \$4,210,000 in Interagency Receipt authority in the Day Care Assistance Programs component for child care funds from the Department of Health and Social Services. The original source of the Interagency Receipts is general and federal funds. The amount of \$1,510,000 is for PASS II child care – families leaving the Alaska Temporary Assistance Program are eligible to receive a child care subsidy for up to 12 months after leaving the program. The amount of \$2,700,000 is for PASS III child care – families who have very low incomes at or below 85% of the state median income.
- An increase of \$34,400 general funds would bring the FY99 Alaska Legal Services grant to \$125,000 in FY99.
- The Division of Energy requests several increases: \$240,300 CIP Receipts from federal capital grants for rural energy projects; bulk fuel system upgrades; development of wind energy projects and other similar capital appropriations; \$236,000 Interagency Receipts from the Alaska Housing

legislative fiscal analyst overview of the governor's request

Finance Corporation for the Rebuild America Program/Energy Conservation; and \$61,100 Power Project Loan Fund to provide training to clerks of rural utilities participating in energy programs.

- The department is requesting an increase of \$7,969,900 in federal authorization for the Job Training Partnership Act (JTPA) program. The State expects to receive nearly \$5.6 million from the Welfare-to-Work program over a two-year period beginning January 1, 1998. \$2,413,800 is from increased congressional appropriations to JTPA programs serving adults, youth, dislocated workers, and dislocated pulp mill workers in Ketchikan and Prince of Wales Island. The JTPA program is requesting 5 temporary positions for the Welfare-to-Work program, 4 of these are positions to administer the program in rural areas of the state.
- There is a \$4 million federal fund increase in the Statewide Assistance component for the Payment in Lieu of Taxes (PILT) program. The program provides payments to units of local government containing federally owned lands. In FY98, the State received and distributed \$2,023,884 federal funds for the PILT program.

Legislative Fiscal Analyst comment: The department requested authority to receive \$2,025,300 in federal receipts at the August 21, 1997, Legislative Budget and Audit Committee meeting. The committee denied the request and the Governor used the "45 day rule" as provided in Alaska Statute 37.07.080(h)(3) to proceed with the distribution of the federal funds to the ninety-six eligible communities.

- The department expects the federal funding for the integrated one-stop career center system to decrease up to \$459,000 in FY99 and have reduced federal funding in the One Stop component by that amount.
- In federal FY97, the Child Care and Development Fund block grant replaced the Child Care Development Block Grant. The federal receipt authority in the Child Care and Day Care Assistance Program has been reduced by a total of \$ 1,148,700 for that program and only a small amount of federal authorization remains in these components for the carryforward of federal receipts in state FY99.
- Additional federal authority of \$113,700 is requested for a grant from the Federal Emergency Management Agency (FEMA) for the purpose of continuing the Flood Mitigation Assistance Grant Program newly authorized by Congress. During FY98, the Legislative Budget and Audit Committee approved at its August 21, 1997 meeting, the authority to receive and expend \$113,700 federal funds for this same purpose.

ORGANIZATIONAL CHANGES

There are no organizational changes proposed in the Department of Community and Regional Affairs budget.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	76,994.1	30,700.1	34,847.5	142,541.7
Fiscal Notes	100.0	666.4		766.4
Reappropriations	357.2		100.0	457.2
FY98 Salary Adjustment	27.9	92.4	20.7	141.0
FY98 Authorized	77,479.2	31,458.9	34,968.2	143,906.3
One Time Item	-151.2	-666.4	-100.0	-917.6
ILTF Fund Source Change	68.2	-68.2		0.0
Fund Change: Fishermen's Fund Income	-100.0	100.0		0.0
DIS Network Reallocation	42.7			42.7
Agency Transfers In: Records Storage	0.2			0.2
Agency Transfers Out: DHSS/Child Care	-343.2			-343.2
FY99 Adjusted Base	76,995.9	30,824.3	34,868.2	142,688.4
Increments	4,305.0	4,946.7	12,083.6	21,335.3
Decrements	-38.5	-203.9	-1,642.9	-1,885.3
FY99 Governor Request	81,262.4	35,567.1	45,308.9	162,138.4

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	163	4	2
Position transferred from DCED	1		
Position Adjustment	1	1	
FY98 Authorized	165	5	2
Energy Operations	8	-1	
OTI - Regulation for Econ. Assist. Prgm.		-1	
FY99 Adjusted	173	3	2
Position Adjustment	-2		
Decrement	-1		
Increment - Welfare to Work			5
FY99 Governor	170	3	7

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF CORRECTIONS

The primary responsibilities of the Department of Corrections are to administer the state's penal institutions and supervise the probation and parole of offenders. As part of an effort to rehabilitate inmates, the department manages education and sex offender programs, alcohol counseling, medical services, community residential centers and contract jails.

MAJOR CHANGES

- The proposed budget includes five increments totaling \$897,500 (\$590,000 MHTAAR* funds and \$897,500 GF/Mental Health) for the Inmate Health Care Budget Request Unit. These increments focus on **mental health services**, including:

\$90,000 (\$30,000 GF/MH, \$60,000 MHTAAR) for a Mental Health Planner/Coordinator. This position would carry out the plans outlined in a two-year needs assessment project begun in FY97.

\$600,000 (\$200,000 GF/MH and \$400,000 MHTAAR) for the new women's mental health unit at the Combined Highland Mountain Correctional Center. On September 26, 1997, the Legislative Budget and Audit Committee approved an RPL for \$314,000 MHTAAR funds to provide start up and six months' operating funds for the unit.

(As of January 7, 1998, all remodeling had been completed and professional staff hired. The department expects the unit to have a full census by January 25, 1998.)

Legislative Fiscal Analyst comment: When supporting the RPL request, the Mental Health Trust Authority committed to provide 2/3 of the annual cost for the unit (\$400,000) in FY99 and 1/3 in FY00.

\$130,000 MHTAAR funds to initiate a Pilot Diversion Program in Anchorage to identify, monitor and refer mentally ill misdemeanor offenders to existing community-based programs. A case coordinator would supervise up to 35 mentally ill misdemeanants diverted from correctional facilities to the community.

\$47,500 in GF/MH funds to upgrade a half time Mental Health Clinician at the Sixth Avenue Correctional Center, to full time. This position would provide treatment and discharge planning to up to 15 mentally individuals daily, who have not been transferred to other facilities.

- The Community Jails unit is requesting \$500,000 in additional general funds. Community jails hold state charged prisoners who are pretrial status pending transfer to a State Correctional facility, or in some cases, prisoners who are serving short term sentences. The program is currently in the third year of a three-year contract with 15 communities, with contracts expiring in June 1998. A \$400,000 increment is requested for anticipated increases in the costs of the contracts.

\$100,000 would support up to six months of operational funding for communities successfully proposing to begin participation in the community jails programs. The number of communities will depend on the size and per bed prices of the proposed facilities.

* Mental Health Trust Authority Authorized Receipts (MHTAAR)

legislative fiscal analyst overview of the governor's request

Legislative Fiscal Analyst comment: Expanded use of community jails is part of the department's proposed strategy to reduce prison overcrowding, as described in its December 22, 1997 "Plan to Reduce Prison Overcrowding".

- The Community Corrections Director's Office is requesting \$350,000 general funds to hire four additional Adult Probation Officers and implement contracts in all three probation regions to increase the surveillance of sexual predators. These funds are to be distributed to each region based on sexual offender caseloads.
- In FY98 the department purchased 120 additional beds from out-of-state contract facilities, using primarily federal funds from the Violent Offender Incarceration grant. The department proposes to continue the contract for these additional out-of-state beds through FY99, at \$57.50/day/bed. Additional federal authorization of \$1,142,500 and GF Match of \$114,200 is requested for this increment to fund the beds through FY99.

Legislative Fiscal Analyst comment: The State may not supplant state funds with federal funds, using FY97 levels as a base. Therefore the department must be cautious to ensure federally funded beds are "new" beds in order to remain in compliance. This also applies to CRC beds (see below).

- Again using federal Violent Incarceration grant funds, the department contracted for additional Community Residential Center (CRC) beds in FY98 – 51 beds from existing CRCs and 20 beds in the New Community Residential Center component. the department is requesting \$80,000 in additional federal receipt authority and \$7,900 in GF Match to continue these contracts through FY99.

Community Residential Centers are private facilities that provide "soft beds" for sentenced and unsentenced misdemeanants and furloughed felons.

Legislative Fiscal Analyst comment: Over the past few years there has been considerable debate over the appropriate level of private sector facilities use by the Department of Corrections. Until state facilities meet Cleary Settlement standards, this debate can be expected to continue. In its December 1997 "Plan to Reduce Prison Overcrowding", the Department notes that some 580 prisoners must be removed from state facilities to meet the Cleary Settlement Agreement. One of the department's strategies to house these prisoners is expanded use of CRCs. The need to address the entire range of alternatives for housing prisoners remains, including facility construction directly or through a private sector arrangement.

ORGANIZATIONAL CHANGES

The department proposes no organizational changes in this budget request.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF CORRECTIONS FUND SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	125,573.9	4,822.2	4,093.3	134,489.4
Fiscal Note	65.0		650.0	715.0
Reappropriations	2,663.1			2,663.1
Special Appropriation	2,500.0		50.0	2,550.0
FY98 Salary Adjustment	335.1	740.9	15.9	1,091.9
FY98 Authorized	131,137.1	5,563.1	4,809.2	141,509.4
ILTF Fund Source Change	731.2	-731.2		0.0
One Time Item - Reappropriation	-100.0			-100.0
Agency Transfer In: ISAT Counslr Svcs	99.4			99.4
Agency Transfer In: Record Storage	1.2			1.2
DIS Network Reallocation	15.7			15.7
Fund Change to PFD	-47.4	47.4		0.0
FY99 Adjusted Base	131,837.2	4,879.3	4,809.2	141,525.7
Increments	1,279.6	590.0	1,303.3	3,172.9
FY99 Governor Request	133,116.8	5,469.3	6,112.5	144,698.6

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	1,355	4	0
FY98 Authorized	1,355	4	0
Position Adjustment	1	-1	
FY99 Adjusted	1,356	3	0
Increments	7		
Decrement		-2	
FY99 Governor	1,363	1	0

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF EDUCATION

The Department of Education is responsible for funding and regulating the state's K-12 schools. The department also administers reimbursement of debt for school construction to municipal school districts and grants for school construction. In addition, the department administers adult and vocational education programs, the Alaska Vocational Technical Center (AVTEC) in Seward and the Kotzebue Technical Center, the Mt. Edgecumbe Boarding School, the Alyeska Central School, the Alaska State Libraries and Museums, and the Alaska State Council on the Arts. The Division of Vocational Rehabilitation and the Alaska Commission on Postsecondary Education are also within the Department of Education's budget.

MAJOR CHANGES

- The Foundation Program includes these elements: \$1,867,200 in general funds replaces carryforward funds included in the FY98 budget (SLA97, Ch. 100, Sec. 31(d)); \$1,609,600 of one-time, Federal PL81-874 funds and \$2,103,400 of Public School Trust Funds ("Other Funds") are replaced by like amounts of general funds; and \$1,343,900 in general funds is requested for full funding of the Foundation Program. There is approximately a 2 percent enrollment increase projected from FY98 to FY99. This increases "Basic Need" by \$11.2 million, but \$9.2 million will be local share. The local share will pick up 82 percent of the increased enrollment costs. Other programs in K-12 Support add an additional \$1,918,200 to the general fund request.

Legislative Fiscal Analyst comment: Treasury increased the Public School Trust Funds' allocation to equities in FY96. The initial impact of this change reduced income available to the Department but has resulted in appreciation of the Fund principal. Over time, the larger principal will lead to increased income.

- The Governor's budget discontinues the Cigarette Tax Distribution program. This reduces the use of School Funds by \$2,608,400. Alternatively, \$16,000,000 of School Funds is included in the budget for School Debt Reimbursement. This program was previously funded entirely by general fund appropriations to the Debt Retirement Fund. Total expenditures for debt reimbursement falls by \$1,484,300 from FY98 levels.

Legislative Fiscal Analyst comment: Total School Fund revenues are projected to be \$18,612,114 in FY98 and \$34,616,315 in FY99. The FY98 appropriation for Cigarette Tax Distribution and the FY99 appropriation for School Debt Reimbursement total \$18,608,400 or approximately the FY98 revenues. The "unused balance" of the Cigarette tax revenues will presumably be used to fund education construction.

- The budgets for Special and Supplemental Services and Quality Schools include requests for increased Federal Authority totaling \$12,000,000. In addition, increased funding of \$985,000 in general funds is requested for Quality Schools. These increments fund pre-school certification and on-site inspection, a statewide reading initiative, support for low performing schools and a comprehensive assessment system.

ORGANIZATIONAL CHANGES

The Commissioner's Office moves into Executive Administration and Archives returns to the Alaska State Library.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF EDUCATION FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	696,891.4	92,229.2	129,065.0	918,185.6
Fiscal Notes	550.0	15.1		565.1
Reappropriations	1,867.2			1,867.2
Fund Change	-1.0	1.0		0.0
FY98 Salary Adjustment	50.7	195.9	108.8	355.4
FY98 Authorized	699,358.3	92,441.2	129,173.8	920,973.3
ILTF Fund Source Change	90.1	-90.1		0.0
Fund Change	3,662.3	-1,827.4	-1,834.9	0.0
DIS Network Reallocation	0.0	23.6		23.6
Agency Transfers In	94.8			94.8
FY99 Adjusted Base	703,205.5	90,547.3	127,338.9	921,091.7
Increments	4,393.7	436.7	12,250.0	17,080.4
Decrements	-141.5	-4,999.7	-329.6	-5,470.8
FY99 Governor Request	707,457.7	85,984.3	139,259.3	932,701.3

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	458.0	107.0	5.0
Fiscal Note	1.0	1.0	
FY98 Authorized	459.0	108.0	5.0
Reconciliation RP position adjustments	3.0	-5.0	
Position Adjustments	4.0	1.0	2.0
FY99 Adjusted	466.0	104.0	7.0
Increments	5.0	2.0	
Decrements	-2.0		-2.0
GOVERNOR	469.0	106.0	5.0

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

The Department of Environmental Conservation is a technical assistance, regulatory and grant-in-aid agency responsible for protecting the environment and public health. The agency administers programs for prevention and response to air, land and water pollution; enforces basic standards of sanitation in public facilities; assures wholesome meat, fish and dairy products for consumers; and provides financial and technical assistance to municipalities and local communities for water, sewer and solid waste projects. It also has lead agency responsibility for oil spill management and oversees the disposition of the Oil and Hazardous Substance Release Response and Prevention Fund.

MAJOR CHANGES

- The department created five new PFT positions in the FY98 Authorized budget through the reconciliation process and is requesting an additional six new PFT positions associated with increments. Part-time and full-time positions have changed status as part of the department's reorganization.
- Project increments totaling \$1,587,100 are requested throughout the department.

<u>Component</u>	<u>Purpose</u>	<u>Fund source</u>	<u>Amount</u>
Seafood and Sanitation	Travel	General Fund	7.5
Drinking Water	Wellhead protection	ADWF	285.8
Air and Water Director	RSA for Joint Pipeline Office	I/A Receipts	49.9
Air Quality	Cruise ship air quality	Statutory Desig	50.0
Air Quality	Fine particulate monitoring	CIP Receipts	108.7
Air Quality	Radiomucleide analysis	Fed Receipts	150.0
Water Quality	Update standards	General Fund	100.0
Contaminated Sites	Fed voluntary cleanup grant	Fed Receipts	405.4
Storage Tank Program	UST financial assistance	CIP Receipts	42.2
Facility Construction Ops	Water/wastewater training	GF/Program	10.0
Facility Construction Ops	Drinking water training	Fed Receipts	150.0
Facility Construction Ops	AK Drinking Water Fund	ADWF	227.6
			<u>1,587.1</u>

- A decrement of \$1,656,000 in the Exxon Restoration component results from completion of the Chenega Shoreline Residual Oil Reduction and Kodiak Island Waste Management Plan projects.

ORGANIZATIONAL CHANGES

Response Fund Administration has been moved from Administration to the Spill Prevention and Response BRU.

Statewide Public Service transferred 33 positions to other divisions (staffing level went from 51 to 18) as the department reorganized the division's functions. The division was a conglomerate of department functions focused on providing assistance for non-technical or non-complicated issues. Complex inquiries were forwarded to the appropriate section for response. The department reorganized Statewide Public Service to provide more immediate attention to inquiries instead of continuing the "returned call" system for complex responses.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF ENVIRONMENTAL CONSERVATION FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	13,117.0	21,022.2	12,064.0	46,203.2
FY98 Salary Adjustment	67.6	230.5	92.3	390.4
FY98 Authorized	13,184.6	21,252.7	12,156.3	46,593.6
ILTF Fund Change	87.7	-87.7		0.0
DIS Network Reallocation	53.4		49.7	103.1
Agency Transfers In: Records Storage	1.7			1.7
FY99 Adjusted Base	13,327.4	21,165.0	12,206.0	46,698.4
Increments	117.5	764.2	705.4	1,587.1
Decrements		-1,684.5	-48.5	-1,733.0
Fund Change: to I/A Receipts		71.8	-71.8	0.0
FY99 Governor Request	13,444.9	20,316.5	12,791.1	46,552.5

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	470	7	4
Solid Waste positions reinstated	13		
FY98 Authorized	483	7	4
Position Adjustment: Reconciliation/Xfers	-7	5	
FY99 Adjusted	476	12	4
Position Adjustment		1	
Increments	13	-7	
Decrement	-1		
FY99 Governor	488	6	4

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF FISH AND GAME

The Department of Fish and Game is responsible for the management, protection, and enhancement of the fish, wildlife, and aquatic plant resources of the state in keeping with social, environmental, and economic needs. The department manages these resources in accordance with regulations adopted by the Boards of Fisheries and Game, and the Commercial Fisheries Entry Commission.

MAJOR CHANGES

- Increments totaling \$758,100 in test fishery receipts (other funds) are included in the Commercial Fisheries BRU budget requests, the major elements of the increase consist of \$460,500 for a Sitka Sound open platform herring spawn on kelp test fishery, \$151,400 for a redesigned Southeast Region sablefish survey, and \$62,600 for a Central Region stock assessment project.

Legislative Fiscal Analyst comment: The Department is expected to fulfill its need for additional FY98 test fishery receipt authority with a supplemental appropriation request. Additional authority through the Legislative Budget and Audit RPL process is precluded.

- The Sport Fisheries budget request contains an increment of \$1,746,900 in federal receipts and \$1,273,200 in fish and game funds for 34 new or expanded sport fisheries projects, which will result in the addition of 9 permanent full-time and 15 permanent part-time positions. The increased availability of fish and game and federal funds results from enactment of SB 7, which increased certain non-resident license and tag fees and an increase in the proceeds of federal excise taxes on sales of fishing and boating equipment.
- The Wildlife Conservation budget request includes increments totaling \$3,249,200 in fish and game funds for collection and analysis of population data for multiple wildlife species, hunter information and training programs, wildlife refuge management, regional and field office support, printing and distribution of hunting regulations, and development of area plans. The increments propose addition of 1 permanent full-time and 5 permanent part-time positions.
- The Commissioner's Office component is returned to the Administration and Support BRU from its own BRU and appropriation in FY98. The Commissioner's Office budget request includes an increment of \$81,800 in federal and capital improvement project receipts for support of the federal management research coordinator position and an increment of \$110,000 in federal receipts and fish and game funds is proposed for restoration of prior year reductions to the Commissioner's Office budget.
- The Subsistence Field Office budget request includes increments of \$150,000 in general funds for updating information regarding community use of fish and wildlife resources for the Boards of Fisheries and Game and \$225,000 in interagency receipts from Wildlife Conservation for state/federal management liaison and a big game harvest assessment project.
- The Habitat component budget request includes an increment of \$200,000 in general funds and fish and game funds for its participation in oil and gas leasing, oilfield development projects, and Tongass wildlife monitoring. The Habitat Permitting/Title 16 budget request includes an increment of \$300,000 in general funds and fish and game funds for salmon protection, the Kenai River Center, and Tongass stream crossings.

ORGANIZATIONAL CHANGES

There are no significant organizational changes proposed in the department's budget.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF FISH AND GAME FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	33,987.2	36,565.8	31,028.5	101,581.5
FY98 Salary Adjustment	133.9	519.3	243.6	896.8
FY98 Authorized	34,121.1	37,085.1	31,272.1	102,478.3
ILTF Fund Change	239.3	-239.3		0.0
Other Fund Changes	-2.2	0.2	2.0	0.0
DIS Network Reallocation	146.0			146.0
Agency Transfers In Records Transfer	9.9			9.9
FY99 Adjusted Base	34,514.1	36,846.0	31,274.1	102,634.2
Increments	419.4	7,887.5	2,426.1	10,733.0
Decrements		-1,483.9	-1,223.2	-2,707.1
Fund Change	-161.8	161.8		0.0
FY99 Governor Request	34,771.7	43,411.4	32,477.0	110,660.1

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	779	865	83
FY98 Authorized	779	865	83
Position Adjustment	3	8	
FY99 Adjusted	782	873	83
Increments	12	22	2
Decrements	-4	4	-17
Position Adjustment	14	-14	
FY99 Governor	804	885	68

legislative fiscal analyst overview of the governor's request

OFFICE OF THE GOVERNOR

The Governor's Office is responsible for the operation of the executive branch of Alaska state government with duties conferred by the *Alaska Constitution* and statutes. The Office is organized: Commissions/Special Offices, Executive Office, Office of Management and Budget (including Division of Governmental Coordination), and Elections.

MAJOR CHANGES

Prior to Fiscal Year 1998, the Office received a portion of its operating budget from general and federal funds carried forward from previous fiscal years, in addition to the current year appropriations. Except for reappropriations for specific FY98 capital items and an increase to the Contingency Fund, this practice has been discontinued.

- An on-election year general fund increment of \$1,939,100 is added in the General and Primary Elections component to fund the costs of conducting the 1998 general and primary elections.
- A \$181,000 general fund increment is included in the General and Primary Elections component as an operating expense item to fund the lease/purchase of ballot tabulation computer hardware and software. The payments would occur over a 7 – 8 year period and would be used to replace "ancient technology" for which service is no longer available.

Legislative Fiscal Analyst comment: alternatively this request could be considered as a capital item if a cost/benefits analysis demonstrates sufficient justification.

- Increments of \$100,000 general fund and \$29,700 federal funds are requested in the Human Rights Commission component to reduce caseload backlog and capture additional federal funding for co-jurisdictional cases.

ORGANIZATIONAL CHANGES

There are no organizational changes proposed in the Office of the Governor budget.

legislative fiscal analyst overview of the governor's request

OFFICE OF THE GOVERNOR FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	15,105.6	395.7	2,898.9	18,400.2
Fiscal Notes	49.0			49.0
Reappropriations	310.0			310.0
FY98 Salary Adjustment	43.9	119.0	7.7	170.6
FY98 Authorized	15,508.5	514.7	2,906.6	18,929.8
ILTF Fund Source Change	115.4	-115.4		
One Time Item: Elections Reapprop.	-30.0			-30.0
Agency Transfers In: Records Storage	4.2			4.2
DIS Network Reallocation	-5.8	-0.1		-5.9
FY99 Adjusted Base	15,592.3	399.2	2,906.6	18,898.1
Increments	2,220.1		29.7	2,249.8
Decrements	-62.3			-62.3
FY99 Governor Request	17,750.1	399.2	2,936.3	21,085.6

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	178	4	20
Position Adjustment	2	-2	2
FY98 Authorized	180	2	22
Employee RIP	-1		
FY99 Adjusted	179	2	22
Position Adjustment			1
Increments	1	2	10
FY99 Governor	180	4	33

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

The Department of Health and Social Services (DHSS) provides direct services in the areas of public and medical assistance, child protection, treatment and prevention of substance abuse and mental health, as well as grants to local providers for additional services to the public. More than half of the budget is made up of entitlement programs which include the following formula programs: Alaska Temporary Assistance Program (ATAP), Adult Public Assistance, General Relief Assistance (GRA), Medicaid, General Relief Medical, Foster Care and Subsidized Adoption/Guardianship. The Permanent Fund Dividend and Alaska Longevity Bonus Hold Harmless programs are also included in the department.

MAJOR CHANGES

- The Division of Public Assistance is requesting a net **decrease** of \$1.4 million general funds (GF), \$1.9 million other funds, and an increase of \$2.1 million in federal funds from FY98 Authorized.

As a result of decreasing Alaska Temporary Assistance Program (ATAP) caseloads, general funds (GF) will decrease by almost \$8 million for this program. Of this amount \$5.3 is proposed as a reduction and the Governor proposes general fund transfers of \$2.7 million from ATAP to the: Alaska Work Program - \$1.1 million, Child Care Benefits - \$1.5 million and \$90,000 to Public Assistance Administration for community food bank grants. Of the \$1.1 million for the Alaska Work Program, \$600,000 is for welfare to work and the \$500,000 is for unwed pregnancy prevention.

Legislative Fiscal Analyst comment: A similar request was made in the FY97 and FY98 budgets. The Legislature elected to allow some reinvestments and budgeted some of the reductions as savings.

There is a \$3 million GF request for Adult Public Assistance formula growth. The department is also requesting a funding source change from Alaska Housing Finance Corporation Receipts (AHFC) – budgeted as Interagency Receipts – to general fund for the rental assistance program. The legislature changed the funding source for this program to AHFC funds in the FY98 budget.

The total proposed increase for child care programs budgeted in DHSS is \$1.9 million GF/Match and \$5.8 million federal funds from FY98 Authorized. One change from FY98 is that all of the federal authority received by DHSS for program administration, quality and subsidy costs would be consolidated in the Child Care component from the Alaska Work Programs.

Parents Achieving Self-Sufficiency (PASS) I is for families who receive a cash benefit from ATAP who work or are in a work related activity such as a job club, job search or community service activity. This is administered by DHSS. The Department of Community and Regional Affairs operates the PASS II and PASS III programs for DHSS. PASS II is for families leaving the ATAP program who are eligible to receive a child care subsidy for up to 12 months after leaving the program, and PASS III is for families who have very low incomes at or below 85% of the state median income. DCRA has requested an additional \$4.2 million of Interagency receipt authority for an anticipated increase from DHSS of \$1.5 million in additional funds for PASS II and \$2.7 for PASS III child care costs.

Legislative Fiscal Analyst comment: At the December 12, 1997, the Legislative Budget and Audit Committee approved an additional \$875,000 federal funds for the DHSS Child Care component for PASS II child care costs.

legislative fiscal analyst overview of the governor's request

- The net change from FY98 Authorized for the Division of Medical Assistance is summarized below:

<i>Division of Medical Assistance</i>	<i>GF</i>	<i>Other</i>	<i>Federal</i>	<i>Total</i>
<i>Children's Health Initiative - program costs</i>	6,202.7	0.0	16,864.2	23,066.9
<i>Children's Health Initiative - administrative costs</i>	997.3	0.0	1,308.2	2,305.5
<i>Medicaid Formula</i>	8,387.2	1,816.7	19,913.8	30,117.7
<i>Medical Assistance administrative costs</i>	1,701.0	-7.0	2,950.3	4,644.3
<i>General Relief Medical formula</i>	1,241.4	0.0	0.0	1,241.4
<i>Net change from FY98 Authorized</i>	18,529.6	1,809.7	41,036.5	61,375.8

One important note about the Division of Medical Assistance is that the federal match rate for the Medicaid program has increased from 50% to 59.8% in federal FY98. State FY99 will be the first year that this change will be in place for the full year. In state FY98, the increased match rate was in effect for three-quarters of the year October 1, 1997 through June 30, 1998.

Legislative Fiscal Analyst comment: The legislature included conditional language which would have restored a \$30 million general fund reduction and federal fund increase if the increased federal match percentage was not approved by Congress. Congress approved the change and therefore the conditional language is inoperative.

The department will likely request a supplemental appropriation because the federal match rate change in Medicaid Non-Facility and Medicaid Facilities was less favorable to Alaska anticipated. In FY98, the Legislature included extensive Legislative Intent related to the Medicaid program. Any proposed FY98 Supplemental Appropriation request will be scrutinized closely in respect to the efforts made by the department to comply with the legislative intent in terms of the department's management of costs limiting scope, duration and amount of services, as well as through implementation of managed care initiatives, while providing certain services mandated in the legislative intent.

Legislative Fiscal Analyst comment: At the December 12, 1997, Legislative Budget and Audit Committee meeting, the department requested additional federal authorization of \$3,750,000 for the Indian Health Service component. The request also involved other Medical Assistance components. This request was denied.

Federal law allows states to use funds appropriated under the new Title XXI of the Social Security Act to either expand Medicaid eligibility for children or to purchase health coverage, or both. Alaska's allocation is \$5.6 million with an increased federal match rate of 71.86% for the additional children covered under Title XXI. Under the general title, Children's Health Initiative, the governor proposes to expand the number of children covered by Medicaid. He also plans to change the eligibility requirements so that more children and pregnant women qualify for Medicaid.

Legislative Fiscal Analyst comment: According to the department, the Governor will introduce legislation in January 1998, to implement the Children's Health Initiative. The costs for the Title XXI program could have been included in a fiscal note with the legislation but are included in the general appropriations bill.

The state receives federal reimbursement for services provided to Medicaid eligible children by local school districts. There is a \$2.6 million increase budgeted in FY99 to be spent in the following manner: the current Reimbursable Service Agreement with the Department of Education (DOE) would be increased by \$1.4 million for grants to school districts with a small administrative portion for DOE and \$1.2 would be used to increase the Healthy Families program in DHSS.

legislative fiscal analyst overview of the governor's request

Since FY92, expenditures for the Community Mental Health Center (CMHC) provider services have increased at a rate greater than the other Medicaid programs. An agreement between the Divisions of Medical Assistance and Mental Health and Developmental Disabilities has been made to address this situation. DMHDD will transfer up to \$2.5 million of additional GF/Mental Health for use as match for the CMHC under certain conditions.

Legislative Fiscal Analyst comment: The Division of Legislative Audit prepared a report, entitled DHSS, Divisions of Medical Assistance and Mental Health and Developmental Disabilities Community Mental Health Center Program Selected Issues, September 1, 1997. This report reviews and discusses the factors contributing to a 65% increase in the community mental health center (CMHC) costs from FY92 to FY97.

- The net change from FY98 Authorized for the Division of Family and Youth Services (DFYS) is summarized below:

<i>Division of Family and Youth Services</i>	<i>GF</i>	<i>Other</i>	<i>Federal</i>	<i>Total</i>
<i>Purchased Services</i>	4,046.3	200.0	538.3	4,784.6
<i>Family and Youth Services personnel and other costs</i>	2,192.9	-22.3	770.8	2,941.4
<i>Probation Services</i>	190.5	0.0	0.0	190.5
<i>Youth Facilities</i>	2,180.1	-181.8	0.0	1,998.3
<i>Net change from FY98 Authorized</i>	<i>8,609.8</i>	<i>-4.1</i>	<i>1,309.1</i>	<i>9,914.8</i>

In Purchased Services there is a GF increase of \$4,046,300. The GF increases are for a Community Based Family Assessment/Case Management Pilot - \$835,900, Supervised Visitation Pilot - \$100,000, Emergency Shelter And Alternative Residential Care - \$640,900 and foster care and subsidized adoption costs - \$2,469,500.

The Governor's budget proposes to change the average foster care base rate from \$21.48 to \$23.84 per day. This would require a change in regulations. There is a \$940,600 (\$150,600 federal, \$150,600 GF/Match and \$639,400 GF) increment requested for Foster Care Base Rate. Of this amount \$200,300 is for formula growth and the rest is for the increase in the average daily rate.

As part of the Governor's Smart Start Initiative, the department is requesting funding for additional child protection staff. The region, net general fund and staff position increases follow (a few of these positions may be support positions): Southcentral Region \$1.3 million, full-time 28, Northern Region \$589,900, full-time 18, and, Southeastern Region \$157,000, 1 full-time and Central Office \$149,700.

Legislative Fiscal Analyst comments: At its December 12, 1997 meeting, the Legislative Budget and Audit Committee approved \$433,333 of a \$1.3 million federal funds for Medicaid State Programs to be transferred to DFYS through an Reimbursable Services Agreement for the remainder of FY98. The purpose of the funds is to reduce the backlog of children waiting for adoption assistance. The \$1.3 was for an 18-month effort extending into FY99. Continuation beyond the initial FY98 authorization will need to be reviewed along with other children's needs.

GF increases are requested for Youth Facilities. The amount for McLaughlin is \$651,200 and 13 full-time positions and the amount for Johnson Youth Facility is \$800,000 and 14 full-time positions. The McLaughlin Youth Center Interim Cottage is scheduled for occupancy by May 1998. The Johnson Youth Center 20 bed treatment addition is scheduled to be operational in January 1999. The department also requests \$232,000 general funds to open the Nome Youth Facility for correctional detention. Currently the Nome Facility only provides 48 hour emergency

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detention for the Nome and Kotzebue areas. Youth requiring continued detention and or long-term placement are sent to either Bethel or Fairbanks Youth Facilities.

- There is a \$125,000 general fund increase requested for the Norton Sound Public Health Services for tuberculosis early detection, oversee TB case management, initiate preventive therapy, and conduct timely contact investigations for each new case of TB in the region.
- There are three significant GF increases requested for the Division of Public Health: \$761,900 for Healthy Families, \$650,000 for a Tobacco Use Reduction project and \$200,000 for Infant Learning program grants. The division is also requesting \$1.8 federal funds and \$1 million statutory designated program receipts for the Women, Infant and Children's program.
- The Division of Alcoholism and Drug Abuse requests a \$600,000 GF/Mental Health increment for a Residential Program for Women and Children. The Alaska Mental Health Trust Authority (Trust Authority) is also funding several projects with Mental Health Trust Authorized Receipts (MHTAAR) in the division. There is a funding increase of \$633,800 MHTAAR from FY98 Authorized. The division is also reducing federal authorization to recognize federal receipts that will not be collected in the amount of \$889,100 in the administration (\$289,100) and grants (\$600,000) areas.
- The Division of Mental Health and Developmental Disabilities is requesting a net decrease of \$1.3 million GF and \$142,600 other funds from FY98 Authorized. The Trust Authority is funding \$1 million with MHTAAR funds for community emergency mental health services implementation. \$1,349,400 GF/MH is transferred to Waivers Services for use as general fund match for Medicaid Waivers Services clients from the Community Developmental Disabilities component. A major change in the division is the closing of Harborview Development Center in FY98. Consequently, in FY99, there isn't any funding in the component. The department eliminated 39 full-time positions in HDC and transferred 5 full-time positions to the Pioneers Homes in the Department of Administration. \$824,800 GF/MH funds were transferred to Community Developmental Disabilities grants.

Legislative Fiscal Analyst comments: The City of Valdez is negotiating to purchase the HDC facility and lease part of the facility to the State Department of Corrections for a residential substance abuse treatment center. The costs to protect this state asset in FY99 if it remains a state facility and is unoccupied are estimated to be \$260,000. These costs are currently unbudgeted.

- The Trust Authority is funding a Mental Health Parity project of \$50,000 MHTAAR coordinated by the Alaska Mental Health Board. The Governor's Council on Disabilities and Special Education is requesting an additional \$330,000 in MHTAAR funding from the Trust Authority. The funding is for the following projects: Employment Initiatives (\$175,000), Economic Development/Entrepreneurial Business (\$100,000), Systems Examination – DD Medicaid Waivers (\$50,000), Increase provider Capacity for Fundraising (\$50,000), and a reduction of \$45,000 MHTAAR funding not continued into FY99.
- The major general fund increases requested for the Division of Administrative Services are \$200,000 for the COMMunity Partnerships for Access, Solutions and Success (COMPASS) community grants. This grant program was started by the department in FY97 and was not funded in FY98. The remaining GF increases are to establish a Personnel Specialist for increased DFYS staffing (\$36,300) and for Comprehensive Integrated Mental Health Plan costs (\$50,000).

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ORGANIZATIONAL CHANGES

The following are new components in the FY99 budget: Medical Assistance Administration/Children's Health Eligibility and Administrative Services/COMPASS Community Grants. Funding for Laboratory Services has been transferred back into the State Health Services appropriation.

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DEPARTMENT OF HEALTH AND SOCIAL SERVICES FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	441,261.9	74,358.3	360,056.1	875,676.3
Fiscal Notes	126.0	-74.6	-349.2	-297.8
Reappropriations	18.0			18.0
Fund Change	-30,000.0		30,000.0	0.0
FY98 Salary Adjustment	409.7	853.6	330.6	1,593.9
FY98 Authorized	411,815.6	75,137.3	390,037.5	876,990.4
One Time Item	-18.0			-18.0
ILTF Fund Source Change	615.8	-615.8		0.0
Reduce CIP Funds		-14.9	14.9	0.0
DIS Network Reallocation	-59.2		0.0	-59.2
Agency Transfers In: Records Storage	8.4			8.4
Agency Transfers In: Community & Regional Affairs	343.2			343.2
Agency Transfers Out: Corrections	-99.4			-99.4
FY99 Adjusted Base	412,606.4	74,506.6	390,052.4	877,165.4
Increments	31,324.8	9,034.6	46,484.3	86,843.7
Decrements	-5,518.2	-3,722.6	-1,090.5	-10,331.3
Fund Change	1,328.6	-1,650.0	321.4	0.0
FY99 Governor Request	439,741.6	78,168.6	435,767.6	953,677.8

POSITION SUMMARY

	PFT	PPT	Tmp
FY98 Conference Committee	2,027	61	10
Fiscal Notes	10		
FY98 Authorized	2,037	61	10
Position Adjustments	16	-4	13
Agency Transfer Out: to Pioneers' Homes	-5		
FY99 Adjusted	2,048	57	23
Increments	86	1	
Decrements	-43		-5
Position Adjustment	2		
FY99 Governor	2,093	58	18

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DEPARTMENT OF LABOR

The Department of Labor is responsible for enforcing the state's labor laws, providing job placement, paying unemployment claims, reporting labor statistics, public protection through mechanical inspections, certification, training and enforcement of occupational safety and health standards. The department also administers the Alaska Worker's Compensation laws and the Fisherman's Fund.

MAJOR CHANGES

- The department requests an increment of \$221,700 in statutory designated receipts in the Employment Services component to fully authorize funding for a contract with the City of Sitka to provide on-the-job training funds for displaced timber workers. An RPL (#07-8-4013) was approved during the Legislative Budget and Audit Committee's October meeting for this project.
- The department requests an increment of \$690,000 federal receipts in the Data Processing component to fund professional services contracts to rewrite the automated unemployment insurance tax system. Four new full-time staff positions are also requested.
- Labor Market Information component requests three increments:
 1. \$60,000 in general funds to fund a vacant position to assist with the Census 2000 preparation work. The department has begun updating the census geographic boundary files that will specify census blocks and align them with election precincts. This work will precede the next elections reapportionment for Alaska. It is anticipated that federal funds will not be available for this task.
 2. \$75,000 in statutory designated receipts is requested to allow Alaska to participate in multi-state research projects. An RPL (#07-8-4013) was approved during the Legislative Budget and Audit Committee's October meeting for similar projects.
 3. \$65,000 in federal receipts for software acceptance testing from the Federal Bureau of Labor Statistics.

ORGANIZATIONAL CHANGES

The department separated its Employment/Unemployment Services component into two components - Employment Services and Unemployment Insurance to clearly distinguish the services and associated costs. The two components had been separate in earlier years but were combined in FY94 to maximize flexibility where functions were combined. The department recently reorganized and separated the Unemployment Insurance program from the local field offices into telephonic assistance areas in Juneau, Anchorage and Fairbanks because shared resources are no longer an issue.

As part of the same reorganization effort, all data processing staff were transferred to the Data Processing BRU/Component to maximize efficiencies.

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DEPARTMENT OF LABOR FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	8,321.4	15,833.0	33,169.8	57,324.2
FY98 Salary Adjustment	36.0	129.8	345.6	511.4
FY98 Authorized	8,357.4	15,962.8	33,515.4	57,835.6
ILTF Fund Change	59.4	-59.4		0.0
DIS Network Reallocation	26.7	-13.2	-303.1	-289.6
Agency Transfers In: Records Storage	2.9			2.9
Agency Transfers Out	-42.5			-42.5
FY99 Adjusted Base	8,403.9	15,890.2	33,212.3	57,506.4
Increments	60.0	328.6	755.0	1,143.6
Decrements		-1,837.6		-1,837.6
FY99 Governor Request	8,463.9	14,381.2	33,967.3	56,812.4

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	594	79	0
Miscellaneous Reduction	-1		
FY98 Authorized	593	79	0
Adjust positions for seasonal fluctuation	-33	33	
Position Adjustment	-3		
FY99 Adjusted	557	112	0
Position Adjustment	4	-1	
Increments	1		
Decrement	-1		
FY99 Governor	561	111	0

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DEPARTMENT OF LAW

The Department of Law is responsible for public protection through enforcement of unfair trade practice and antitrust laws, prosecution of violators of state criminal laws, representing the state in legal actions, providing legal services in the resolution of tax and royalty disputes, and legal services for extraordinary proceedings such as oil and gas litigation. The department also advises state agencies in areas of legal concern, including the promulgation of regulations and drafting of legislation.

MAJOR CHANGES

Legislative Fiscal Analyst comment: The department's FY98 appropriation reallocated Civil Division funds to new components to align the budget structure with the organizational structure. Intent language (although vetoed) indicated that the Legislature expected the department to reallocate the funds as necessary, but to submit an FY99 budget substantially similar in structure to the FY98 budget. The department reallocated Civil Division funds according to revenue sources. The agency has complied with Legislative intent by submitting an FY99 budget request that substantially follows the FY98 structure.

- The department's proposed budget includes an overall increase of \$2 million (\$1.5 million general funds and \$500,000 Other Funds. The Other Funds are RSAs with other agencies that had previously been unbudgeted.). These increments are described separately below.
- The budget request includes two general fund increments for Child Abuse Response totaling \$948,000 – one each in the Civil and Criminal budget request units. These increments are requested in response to policy changes regarding the initiation of child protection investigations and the addition of police, child protection workers and child advocates to support these policy changes.

The Civil Division request is for \$698,000 to add 5 new attorneys, 2 paralegals and 2 support positions. The Criminal Division is requesting \$250,000 for 1 attorney, 1 paralegal and 1 support position in the Anchorage Judicial District. The Criminal Division funds will fill existing positions that have been held vacant due to funding constraints.

Legislative Fiscal Analyst comment: The department proposes to stagger the hiring of these personnel, which means additional funds will be required in FY00 to fully fund the positions.

- The Human Services Section in the Civil Division is also requesting a general fund increment of \$291,000 to hire two new full time attorneys to meet its current child protection services caseload in the Anchorage section. This office handles cases from Palmer, Unalaska, Cordova, Dillingham, Valdez, Glennallen and Kenai.
- The Human Services Section requests another general fund increment of \$291,000 - for juvenile prosecution in the Anchorage Attorney General's office. Currently there is one full time position to handle juvenile prosecution in that office which was funded for one year by an RSA from the Department of Health and Social Services. This increment would maintain that position and add one attorney.
- The Timekeeping and Support component requests Interagency Receipt authority for \$102,900 to fully fund its function. This component monitors the timekeeping of staff participating in a shared resources pool, in order to account for and bill to agencies, those costs associated with salaries, benefits and overhead of attorney and paraprofessionals and support staff.

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This increment does not represent new expenditures, but requests the authority to receive funds transferred from operating divisions to cover its costs.

- The proposed budget also moves five RSAs to the budget as increments, described below. These moves are requested because the RSAs, which have been "off-budget" in previous years, are expected to continue, and should properly be reflected in the budget and the shared resources pool.

\$165,000 RSA between the Criminal Division and the Council on Domestic Violence and Sexual Assault to implement the prosecution component of the federal Violence Against Women program. This increment continues one statewide paralegal supervisor position established in FY98.

\$59,500 to continue legal services associated with disaster management issues. These services began as an unanticipated RSA between Governmental Affairs and the Department of Military and Veterans' Affairs for Disaster Management.

\$28,200 RSA to continue services to an "Unanticipated Regulations" working group started in FY97. This is a group of those state agencies that generally promulgate the majority of regulations. Its purpose is to review how regulations projects are handled in the Department of Law and make recommendations for improvements to the process. In FY98 the agencies jointly funded, through RSAs, a regulations attorney position in the Legislation and Regulations component. This increment will bring into the FY99 budget that portion of the RSAs which exceed the component's existing interagency receipt authority.

\$93,800 RSA between the Environmental Law section and the Department of Environmental Conservation to coordinate the Oil/Hazardous Substance cost recovery program. In FY98 DEC and the Department of Law agreed to establish a single point of contact within Law to coordinate, track and execute actions to recover money spent by DEC for containment and cleanup of a hazardous substance spill.

\$65,000 to move the "unanticipated management" RSA between the Civil Division and Administrative Services to the budget. These are special accounting and management services that Administrative Service provides to client agencies that exceed the Timekeeping and Support functions. The request is funded by interagency receipts and is recoverable through FY99 billing rates.

ORGANIZATIONAL CHANGES

The proposed budget eliminates the Third Judicial District component and replaces it with two - Third Judicial District: Anchorage and Third Judicial District: Outside of Anchorage. It also combines the Medicaid Provider Fraud and Welfare Fraud components into the Criminal Appeals/Special Litigation component. Timekeeping and Support is moved from Administrative Services to the Civil Division, which generates the revenue for the shared resources pool.

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DEPARTMENT OF LAW FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	27,541.6	15,352.6	478.6	43,372.8
Fiscal Notes	114.7			114.7
FY98 Salary Adjustment	71.8	331.2	3.9	406.9
Reappropriation	270.7			270.7
FY98 Authorized	27,998.8	15,683.8	482.5	44,165.1
One Time Item	-1.6	-6.5	-4.9	-13.0
Reappropriation - One Time Item	-270.7			-270.7
ITLF Fund Source Change	169.4	-169.4		0.0
DIS Network Reallocation	-66.5	-92.7	-2.8	-162.0
Agency Transfers In: Records Storage	47.4			47.4
FY99 Adjusted Base	27,876.8	15,415.2	474.8	43,766.8
Increments	1,530.0	515.3		2,045.3
Decrements	-50.0			-50.0
FY99 Governor Request	29,356.8	15,930.5	474.8	45,762.1

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	444	7	0
Position Adjustment	-18	3	
Fiscal Notes	1	1	
FY98 Authorized	427	11	0
Position Adjustment	8	1	
FY99 Adjusted	435	12	0
Increments	15	1	
FY99 Governor	450	13	0

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DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS

The Department of Military and Veterans' Affairs is responsible for the state's military operations, disaster planning and control, and veterans' programs. The agency is composed of the Office of the Commissioner, the Administrative Services Division, the Division of Emergency Services, the Alaska Air National Guard, the Alaska Army National Guard, the Alaska National Guard Joint Staff, and the National Guard Youth Corps.

MAJOR CHANGES

- An increment for \$143,000 federal receipts from the Federal Emergency Management Agency (FEMA) is being requested for the Disaster Planning and Control component. A total of \$50,000 will be for the Tsunami Hazard Mitigation Implementation Plan; \$50,000 will be for Terrorism Planning; and \$43,000 will be utilized to help fund two new disaster response positions.

Legislative Fiscal Analyst comment: FEMA has emphasized the necessity to close out disasters faster and has agreed to help fund the two positions.

- A fund source change is being requested for Emergency Management within the Disaster Planning and Control component, replacing \$76,100 Oil and Hazardous Substance Response Funds (Oil Hazard IA) and \$55,900 Disaster Relief Funds (IA) with \$132,000 general funds.

Legislative Fiscal Analyst comment: Funding adjustment from Oil and Hazard IA began in FY98 with a reduction of \$246,500. Planning is now under way for the gradual phase out of Disaster Relief Fund support.

- A \$100,000 general funds increment is being requested to pay for the Army National Guard Director (Assistant Adjutant General) position within the National Guard Military Headquarters component. The federal funds are not available for top management of the department.

Legislative Fiscal Analyst comment: This position was reestablished for FY98 per AS26.05.180, and was 100% federally funded. The agency believed that it was possible to cover personal services costs within the federal cooperative agreement under facility management. The position, however, performs few tasks associated with that activity, and thus is not eligible for federally funded cost allocation.

- An increment is being requested for \$126,000 federal receipts in the Air Guard Facilities Maintenance component to cover facility maintenance of three new buildings at Kulis ANG Base in Anchorage.
- An increment of \$600,000 general funds in the Youth Corps component is to partially fund the Youth Corps Challenge Program, which completed its three year pilot stage in September, 1997. Decrements of \$250,000 CIP receipts, deleting one-time funding in the capital budget for the Youth Corps program, and \$1,709,200 federal receipts, reducing federal support for the program, necessitate the general fund increment. The increment also includes the addition of 45 permanent full-time positions, and the reduction of a net 34 temporary positions.

Legislative Fiscal Analyst comment: The increment meets the federal matching requirement of 25%, however, it will not ensure that the program continues for all of FY99. An estimated \$1,400,000 federal funding (exact amount still being determined) along with the GF increment of \$600,000 will sustain the program at a reduced level, with smaller class size, for at most six months of the fiscal year. The executive branch may be requesting additional funding. The permanent full-time position gain is a result of

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reclassification action, following Fair Labor Standards guidelines, that took place in conjunction with the transition from the program's pilot stage to permanent status.

- A decrement of \$330,400 general funds for Alaska National Guard Retirement Benefits is due to the strong stock market in 1997 and the resulting earnings by the retirement fund.

ORGANIZATIONAL CHANGES

There are no organizational changes proposed for the Department of Military and Veterans' Affairs for FY99.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	6,956.0	2,895.8	25,701.5	35,553.3
Reappropriations	8.7			8.7
Special Appropriations	30.0	16.4	109.5	155.9
FY98 Salary Adjustment	11.5	44.4	65.2	121.1
FY98 Authorized	7,006.2	2,956.6	25,876.2	35,839.0
One Time Item	-38.7	-16.4	-65.5	-120.6
ILTF Fund Change	26.3	-26.3		0.0
DIS Network Reallocation	-2.2			-2.2
Agency Transfers In/Records Storage	0.2			0.2
FY99 Adjusted Base	6,991.8	2,913.9	25,810.7	35,716.4
Increments	700.0	534.6	269.0	1,503.6
Decrements	-330.4	-250.0	-1,804.1	-2,384.5
Fund Change	132.0	-132.0		0.0
FY99 Governor Request	7,493.4	3,066.5	24,275.6	34,835.5

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	162	1	46
Position Adjustment/Reconciliation	-1		
FY98 Authorized	161	1	46
FY99 Adjusted	161	1	46
Increments	49		-29
FY99 Governor	210	1	17

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DEPARTMENT OF NATURAL RESOURCES

The Department of Natural Resources manages the state's land, water, forests, grasslands, petroleum, minerals, parks, agriculture programs and related development activities. The mission of the department is to develop, conserve, and enhance renewable and non-renewable natural resources for present and future Alaskans.

MAJOR CHANGES

- A decrement of \$1,201,400 Exxon Valdez Oil Spill Settlement (EVOSS) funding in the Trustees Council Projects component reflects decreased costs associated with the completion of restoration projects that were part of the FY98 work plan and declining settlement funds.
- An increment of \$48,000 statutory designated receipts is being requested for the Land Development component for the municipal land entitlement program. The program is funded by payments from municipalities and other applicants in order to expedite the processing of applications.

Legislative Fiscal Analyst comment: A similar increase was authorized for municipal land entitlements through RPL 10-8-4013, approved by LB&A in October, 1997.

- An increment of \$200,000 general funds is being requested for the Oil and Gas Development component to cover a projected shortfall in personal services costs and an increased workload.
- A decrement of \$1,893,200 federal receipts in the Mining Development component for the Abandoned Mine Land program is due to a change to the capital budget of \$1,500,000 and a reduction of \$393,200 excess authority. A \$1.5 million request of federal receipts in the capital budget for FY99 covers reclamation and abatement construction work, mostly coal related, at abandoned mine lands.
- The agency is making the following net zero adjustments of statutory designated receipts within the Pipeline Coordinator component to reflect project progress and changes: a decrement of \$179,100 for the Alpine/Colville Pipeline; an increment of \$412,200 for the Liberty Pipeline project; a decrement of \$287,900 for the Badami Pipeline; and an increment of \$54,800 for the Northstar Pipeline.
- An increment of \$130,100 MHTAAR (Mental Health Trust Authority Authorized Receipts), along with one new permanent full-time position, is being requested for the Mental Health Lands Administration component. The increase will provide for service improvements in areas such as real estate development projects and field inspections.
- The agency is deleting \$100,000 agricultural loan funds for the virus free seed potato project in the Development-Special Projects component.

Legislative Fiscal Analyst comment: Funding for this project was eliminated in the FY98 Governor's budget also, but restored by the Legislature.

- An increment of \$14,000 statutory designated receipts is being requested for the Parks Management component in order to provide for a janitorial maintenance and repair contract at the Monashka Bay facility for the Kodiak Island Borough.

legislative fiscal analyst overview of the governor's request

- The Agricultural Development component is increasing agricultural revolving loan fund expenditure authority by \$170,400, of which \$135,000 is planned for food and farm inspection services. The other \$35,400 is for support to the Natural Resources Conservation and Development Board.

Legislative Fiscal Analyst comment: The Legislature reduced agricultural loan funding to the agency for FY98 by 28.1% or \$589,800, with the intent of conserving the loan fund. The new appropriation Agricultural Revolving Loan Program Administration was created with this intent in mind, and to keep administration of the fund separate from Agricultural Development in general.

- An increment of \$100,000 agricultural revolving loan fund expenditure authority is being requested for the Agricultural Revolving Loan Program Administration component to enable the agency to protect its asset properties/collateral obligations under the loan program.
- An increment for \$58,800 statutory designated receipts is being requested for the North Latitude Plant Material Center in order to respond quickly to industry needs. Two permanent part-time positions are also included in the increment to work with industry contracts.

Legislative Fiscal Analyst comment: The statutory designated fund source is a legitimate characterization of the receipts. The agency is requesting this expenditure authority as a part of its annual appropriation rather than separate authorizations from the Legislative Budget & Audit Committee requested through the RPL process.

- A general fund decrement of \$93,000 eliminates funding for the Citizen's Advisory Committee on Federal Areas component.

Legislative Fiscal Analyst comment: The component was proposed for reduction in the previous Governor's budget, but restored by the Legislature for FY98.

The Statehood Defense appropriation was inadvertently left out of the Governor's operating bill. The intent is that RS 2477/Navigability Assertions and Litigation Support component continue to be under that appropriation as in FY98. No funding is being requested for the other component within that appropriation, Citizen's Advisory Commission on Federal Areas, as discussed above.

ORGANIZATIONAL CHANGES

There are no organizational changes proposed for the Department of Natural Resources for FY99.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF NATURAL RESOURCES FUND SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	38,696.5	14,234.7	10,831.0	63,762.2
Fiscal Notes	146.2			146.2
Reappropriations	100.0			100.0
Special Appropriations	43.0	143.2		186.2
FY98 Salary Adjustments	182.6	332.1	20.4	535.1
FY98 Authorized	39,168.3	14,710.0	10,851.4	64,729.7
One Time Items	-143.0	-143.2		-286.2
ILTF Fund Change	242.0	-242.0		
Misc. Adjust/DIS Network Reallocation	18.2			18.2
Agency Trans In/Record Storage, Lease	4.3			4.3
FY99 Adjusted Base	39,289.8	14,324.8	10,851.4	64,466.0
Increments	200.0	1,070.6	91.0	1,361.6
Decrements	-93.0	-1,985.0	-1,893.2	-3,971.2
FY99 Governor Request	39,396.8	13,410.4	9,049.2	61,856.4

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	562	231	816
Fiscal Notes	2	2	
Position Adjust/Reconciliation		-1	
FY98 Authorized	564	232	816
Position Adjust/Reconciliation	-9	8	-1
Line Item Transfer	-3	3	
FY99 Adjusted	552	243	815
Decrements	-1	-1	
Increments	3	1	
FY99 Governor	554	243	815

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DEPARTMENT OF PUBLIC SAFETY

The Department of Public Safety is the state's primary law enforcement agency. Its basic function is to safeguard the lives and property of citizens. Public Safety's responsibilities include enforcement of criminal laws, providing public protection programs for fire and traffic safety, enforcement of fish and game regulations, search and rescue, operating the state's forensic crime laboratory and administering a training academy for public safety personnel. Public Safety also serves as the umbrella agency for the council on Domestic Violence and Sexual Assault, the Violent Crimes Compensation Board and the Alaska Police Standards Council.

MAJOR CHANGES

Legislative Fiscal Analyst comments: There is often confusion over the actual number of Alaska State Troopers, due to the large number of positions held vacant because of lack of funding, and the lengthy hiring process. For example, according to the department, at the beginning of FY96 there were ten vacant trooper positions. By FY98 31 trooper positions had to be held vacant because they were not funded. However, at one point during FY98 there were 52 trooper positions vacant. Transfers of personal services funds recommended by the Governor further cloud the issue. A more straight-forward approach would be for the department or legislature to delete the unfunded positions to establish a base, before considering increments or other changes to that base.

- The department's proposed \$6.2 million increase (\$4.2 general funds, \$500,000 federal and \$1.4 million Interagency Receipts mostly from the Court System - budgeted as general funds in the Court System) would reclassify six part time positions to full time, and fund 62 additional positions, summarized below, and discussed in subsequent paragraphs.

- 28 Alaska State Troopers (fill existing but vacant/unfunded positions)
- 4 Fish and Wildlife officers (fill existing but vacant/unfunded positions)
- 22 New Court Security Officers
- 3 New positions in CDVSA (1 is federally-funded and temporary)
- 3 Criminalist positions in the Crime Lab (2 existing vacant/unfunded and 1 new)
- 2 New positions for the Alaska Public Safety Information Network (APSIN)

Legislative Fiscal Analyst comment: The proposed budget also eliminates seven positions but retains their funding: 2 Part time Fish and Wildlife Aides added in FY98 for Bristol Bay; 2 Trooper positions added in FY98; and 3 federally-funded positions denied by the funding source.

- The largest general fund increment is \$1,518,800 to fill 20 existing but vacant/unfunded Trooper positions. The department proposes to hire 10 Troopers for 9.6 months of the year, and the remaining 10 to be hired for 4 months. Approximately half of the increment is for personal services; the remainder is spread among equipment, travel and contractual. Ten new vehicles would be purchased. This increment is part of the Governor's Children's Initiative, to increase enforcement, as well as to increase investigation into child abuse and neglect cases.
- Two general fund increments for \$691,000 in Detachments and \$391,000 in Fish and Wildlife would add personal services to fill eight existing but vacant/unfunded Trooper positions, and four vacant/unfunded Fish and Wildlife Trooper positions. The intent of these increments is to offset the costs for internal chargebacks for law enforcement information systems and telecommunications. The Alaska State Troopers and Fish and Wildlife budget units pay for these

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services with Reimbursable Services Agreements (RSA) with Administrative Services from their base budgets.

Legislative Fiscal Analyst comment: Unlike the previous increment, these appear to fund all 12 positions for the full 12 months of the year, with no equipment costs.

- The budget would increase the Prisoner Transportation component in Alaska State Troopers by reallocating \$250,000 from the Troopers personal services line.
- The proposed budget includes general fund increments totaling \$936,000 for a 12% pay increase for the 84 existing Village Public Safety Officers (VPSO), and to add six new VPSOs to the program. This is part of the Governor's Children's Initiative.
- The Department is requesting \$1,417,000 in Interagency Receipts from the Court System to add 22 Court Security Officers statewide. The Court System is requesting a general fund increment for this amount as the source of the Interagency Receipts.
- The Council on Domestic Violence and Sexual Abuse is requesting a general fund increment of \$165,000 to increase victim services – \$115,000 for shelter coverage, legal advocacy and children's services, and \$50,000 in personal services to increase program coordination.
- A general fund increment of \$181,200 is requested by the Information Systems component. This would hire two new positions to provide technical support for projects related to state and federal laws and programs to protect children. The positions would work on access to records about sexual predators, domestic violence offenders and others, by modifying and integrating existing databases and designing others.
- The Fire Prevention Service Training component includes a requested increment of \$163,500 in Statutory Designated Receipts to provide fire service training to five organizations serving communities statewide.

Legislative Fiscal Analyst comment: In previous years training fees have been paid by individuals attending the classes, and the resulting GF/Program Receipts had been cut to \$18,000 by FY98. During the interim, the Legislative Budget and Audit Committee approved a request by the department to receive Statutory Designated Receipts for this training through contracts with organizations. This increment reflects that action.

- The budget request changes the \$244,800 fund source for the Rural Trooper Housing component from GF/Program Receipts to Statutory Designated Receipts (Other Funds).

Legislative Fiscal Analyst comment: The department's basis for this fund change is that the program receipts collected by the program are driven by a contractual arrangement with the Public Safety Employees Association. This fund source was submitted last year as possible Statutory Designated Receipts, and disallowed. The view of this office is that these receipts should be properly classified as GF/Program Receipts (not Other Funds).

ORGANIZATIONAL CHANGES

The department proposes no major organizational changes in this budget request

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF PUBLIC SAFETY FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	75,572.1	5,534.3	8,994.3	90,100.7
FY98 Salary Adjustment	203.3	497.5	15.9	716.7
Miscellaneous Adjustment	-8.2			-8.2
FY98 Authorized	75,767.2	6,031.8	9,010.2	90,809.2
LTF Fund Source Change	481.6	-481.6		0.0
Fund Change: GF/Pgrm to Statut. Desig.	-224.8	224.8		0.0
DIS Network Reallocation	-15.4			-15.4
Agency Transfer In: Records Storage	1.2			1.2
FY99 Adjusted Base	76,009.8	5,775.0	9,010.2	90,795.0
Increments	4,159.0	1,747.7	500.1	6,406.8
Decrements		-122.8	-703.0	-825.8
FY99 Governor Request	80,168.8	7,399.9	8,807.3	96,376.0

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	735	34	2
Position Adjustment	1	-1	-2
FY98 Authorized	736	33	0
Position Adjustment	1	-5	
FY99 Adjusted	737	28	0
Increments	23	1	1
FY99 Governor	760	29	1

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF REVENUE

The Department of Revenue's responsibilities include administration and enforcement of Alaska's tax laws, investment of most state funds, collection of fees and taxes and operation of the child support enforcement, charitable gaming, debt management and Permanent Fund Dividend programs. The Department of Revenue also provides support and financial advice to the following boards and authorities: the Municipal Bond Bank Authority, State Bond Committee, Royalty Oil and Gas Advisory Board, Medical Facilities Authorities, Permanent Fund Corporation, Alaska Mental Health Trust Authority, Alcoholic Beverage Control Board, Alaska Housing Finance Corporation, State Assessment Review Board, Alaska Gas Pipeline Financing Authority, Alaska State Pension Investment Board and the Public School Fund Advisory Board.

MAJOR CHANGES

- The Child Support Enforcement Division requests an increment of \$220,500 - \$145,500 in federal receipts and \$75,000 in general funds - for position reclassifications as a result of the Division of Personnel's position reviews and to reduce its vacancy factor.
- The Governor's package of increases for child protection impacts the Child Support Enforcement Division (CSED) and the Alcohol Beverage Control (ABC) Board components. An increment for \$1,034,600 - \$682,800 in federal receipts and \$351,800 in general fund match - in CSED will fund 13 new positions, contractual services and equipment to assist with child support collections. An increment for \$76,000 in general fund program receipts in the ABC Board component will fund an Investigator position to assist with safe community and healthy family issues as they relate to alcohol and abuse.
- The Permanent Fund Corporation (PFC) requests an increment of \$14,241,400 for management fees and operation costs. \$12,900,000 will be used for management fees and \$1,341,400 will be used for the financial computer network, data processing, software upgrades, and increased real estate due diligence, auditing and legal fees. An FY98 supplemental request for \$8,145,000 is also proposed to fund increased management fees.
- The PFC contracts with a financial institution or "bank" for the custody of its funds. The bank processes deposit and withdrawal transactions requested by the corporation or fund managers. In a recently negotiated contract for custody services the PFC reduced custody fees by \$625,000. \$351,500 of this surplus was transferred into the personal services, travel, commodities and equipment lines with the remaining \$273,500 left in contractual services to supplement operations costs such as teleconferencing, postage and photocopying.

Legislative Fiscal Analyst comment: Although the requested increment does not affect expenditures from the general fund, expended permanent fund corporation receipts indirectly reduce the amount of the earnings available for dividends or other purposes. The appearance is given that the corporation is increasing other portions of its budget in the name of increased management fees.

ORGANIZATIONAL CHANGES

Intent language for the Alaska Housing Finance Corporation (AHFC) to consolidate its components to clearly reflect accounting practices was vetoed. The AHFC transferred the Rural and Public Housing components into the AHFC Operations component as the Legislature intended. A new component, Alaska State Office Building, was added to clearly separate that function from AHFC's other programs.

The Alaska Municipal Bond Bank remains a separate budget component however the supervisory function was moved under the Treasury Division.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF REVENUE FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	10,587.6	89,652.3	27,980.6	128,220.5
Fiscal Notes	67.5	-35.0		32.5
FY98 Salary Adjustment	51.5	335.4	212.4	599.3
FY98 Authorized	10,706.6	89,952.7	28,193.0	128,852.3
ILTF Fund Change	60.6	-60.6		0.0
DIS Network Reallocation	-21.9	-6.1	-31.1	-59.1
Agency Transfers In: Records Storage	11.0			11.0
FY99 Adjusted Base	10,756.3	89,886.0	28,161.9	128,804.2
Increments	502.8	16,235.5	828.3	17,566.6
Decrements: includes fund change	-91.1	-340.4	80.9	-350.6
Fund Change: CSED Fed Rcpts to GF	70.0		-70.0	0.0
FY99 Governor Request	11,238.0	105,781.1	29,001.1	146,020.2

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	788	33	71
No Change			
FY98 Authorized	788	33	71
Position Adjustment: Reconciliation	-3		
FY99 Adjusted	785	33	71
Position Adjustment	-5	-1	-17
Increments	14		
Decrement			
FY99 Governor	794	32	54

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

The Department of Transportation and Public Facilities is responsible for the planning, design, construction, maintenance and operation of the State's public buildings and major transportation infrastructure components: roads and highways, the Alaska Marine Highway, airports, harbors, the state equipment fleet, and commercial vehicle measurement standards (transferred as Weights and Measures from the Department of Commerce and Economic Development in FY98).

MAJOR CHANGES

- The Governor's operating budget for FY99 does not fully include the reorganization of the Alaska Marine Highway System with the Southeast Region, and is, therefore, essentially a "bookmark" insofar as the Marine Highway System. Substantial changes are expected in the Governor's Amended budget.

Legislative Fiscal Analyst comment: Likewise, the department's capital budget request for FY99 is not complete, since it does not include federal aid highway and airport projects because the draft Statewide Transportation Improvements Program (STIP) and draft Airport Improvement Program (AIP) are still under public review. Project allocations will be included in the Governor's capital budget amendments.

- Increments of statutory designated receipts are being requested for Central Region Engineering Management, \$50,000, and Northern Region Engineering Management, \$40,000, for utility right-of-way services. The services are purchased by utility and cable companies, and are provided for in statute.
- An increment of \$500,000 general funds is being requested for Central Highways and Aviation for the National Pollutant Discharge Elimination System (NPDES) federal program, which requires permits for the discharge of pollutants from any source into waters of the United States. An additional \$200,000 general funds are being transferred in from the Commissioner's Office and Statewide Information Systems components for NPDES.
- An increment of \$800,000 general funds is being requested for Marine Highway Stabilization (front section) for partial restoration of legislative reductions.

Legislative Fiscal Analyst comment: The Governor's budget for the Alaska Marine Highway System requests \$72,079,800 Marine Highway expenditure authority and \$28,158,100 general funds for Marine Highway Stabilization. The general funds portion is 39% of the total Marine Highway expenditure authority, compared to 36% in FY97 authorized and 38% in FY96 authorized.

- The agency added 12 permanent full-time (PFT) positions by increment and reduced one PFT by decrement: reduction of a PFT to permanent part-time (PPT) in Statewide Internal Revenue; addition of a laboratory assistant PFT position in Measurement Standards and Commercial Vehicle Enforcement; addition of an assistant manager PFT position and upgrade of 3PPT positions to PFT in Anchorage International Airport (AIA) Field Maintenance; addition of a FAA liaison PFT position in AIA Safety; addition of a storekeeper PFT position in AIA Equipment Maintenance; addition of an accounting technician PFT position and upgrade of one leasing officer from PPT to PFT in AIA Administration; addition of an administrative clerk PFT position in Fairbanks International Airport (FIA) Maintenance along with \$48,000 International Airport funds; addition of engineering assistant and environmental analyst PFT positions in FIA Operations along with \$135,700 International Airport funds.

legislative fiscal analyst overview of the governor's request

Legislative Analyst comment: The agency reduced its position count by 13 PFT positions and 42 PPT positions in its FY98 personal services reconciliation.

- The FY97 Statewide Programs appropriation received a lapse extension to June 30, 1998 by Chapter 100, SLA97, Section 64, and is part of the agency's FY98 authorized budget. Most non-general fund sources were removed from the Governor's budget for FY99, however, a total of \$868,400 general funds and \$127,100 general fund/program receipts was left in the Statewide Programs appropriation and becomes part of the base budget.

Legislative Fiscal Analyst comment: The interpretation of legislative intent being that the lapse extension amounts should have all been removed from the FY99 request as one-time items. The retention of any funds is equivalent to an overall increment, although not requested as such.

- The agency was allocated \$37,300 general funds as part of the statewide DIS Network Reallocation by the Division of Information Services, Department of Administration. This was a statewide net zero reallocation of resources. A total of \$91,900 general funds was, in fact, added by the agency as in-house DIS Network adjustments to the agency's FY99 budget.

Legislative Fiscal Analyst comment: The general fund excess is, therefore, actually an increment, although not requested as such, since the original statewide reallocation was net zero.

ORGANIZATIONAL CHANGES

- The Alaska Marine Highway System BRU/appropriation with the Administration component has been eliminated. The Marine Management, Marine Engineering, and Marine Operations (now Marine Vessel Operations) BRU's, with respective components, have been moved to the Statewide Programs appropriation.

Legislative Fiscal Analyst comment: The operating budget for the most part does not include adjustments and transfers to reflect a reorganization involving the Southeast Region and the Alaska Marine Highway System. These are to be submitted later in the amendment process.

- The Weights and Measures BRU and component, transferred in FY98 from the Department of Commerce and Economic Development by Executive Order 98, have been renamed Measurement Standards & Commercial Enforcement.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	127,353.3	200,724.4	1,297.2	329,374.9
Fiscal Note & Veto Override	43.0			43.0
Veto	-21.5			-21.5
Reappropriations	995.5	9,706.2	350.8	11,052.5
FY98 Salary Adjustment	469.6	2,998.9	11.7	3,480.2
FY98 Authorized	128,839.9	213,429.5	1,659.7	343,929.1
ILTF Fund Change	725.7	-725.7		0.0
DIS Network Reallocation	91.9	-136.5		-44.6
Agency Transfers In/Records Storage	5.1			5.1
FY99 Adjusted Base	129,662.6	212,567.3	1,659.7	343,889.6
Increments	1,300.0	273.7		1,573.7
Decrements		-11,961.5	-300.8	-12,262.3
FY99 Governor Request	130,962.6	200,879.5	1,358.9	333,201.0

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	2,729	694	3
FY98 Authorized	2,729	694	3
Position Adjustment: Reconciliation	-13	-42	-2
FY99 Adjusted	2,716	652	1
Decrements	-1	1	
Increments	12	-4	
Position Adjustment		-1	
FY99 Governor	2,727	648	1

legislative fiscal analyst overview of the governor's request

UNIVERSITY OF ALASKA

The major task of the University is to provide Alaska residents with high quality academic and technical programs. In recent years the budget has been developed around these major themes: ensure safe and well-maintained facilities; improve the quality, breadth and accessibility of university academic programs; address academic and fiscal effectiveness and accountability; support Alaska's industrial structure, economic development and cultural richness; and contribute to the state's, the nation's and the international research agenda. The University of Alaska has regional centers in Anchorage, Fairbanks and Juneau. The university centers are responsible for the colleges and extension centers located throughout the state. The only community college separately accredited is the Prince William Sound Community College.

MAJOR CHANGES

- A general fund increment of \$2,889,500 is included in the Budget Reductions/Additions Systemwide component by the Governor. The Board of Regents requested an increase of \$6,789,600. Funding will be used to cover salary increases for employees not covered by finalized collective bargaining agreements, building maintenance, and fixed costs such as power and heating.

Legislative Fiscal Analyst comment: In prior years the Governor's budget showed all Board of Regents' requests. While those requests were included in the budget submission the general fund portion of the requests was offset by an unallocated reduction. The FY99 budget includes only the Governor's recommended general fund increase.

- The front section of the budget includes salary increases for two university bargaining units, the Alaska Classified Employees Association (CEA) and the Alaska Community College Federation of Teachers (ACCFT). These requests total \$684,500. No front section appropriation is included for United Academics as that contract is still in negotiation. It is not clear if additional funding will be requested when that contract is finalized or if any negotiated increases will come from the increment currently included.
- The University budget includes increments totaling \$8,380,000 from the following non-general fund sources: \$330,000 in Interest Income; \$3,550,000 in University Receipts; and \$4,500,000 in Dorm, Food, and Auxiliary Receipts. Decrements totaling \$10,863,700 are taken from these sources: \$9,552,100 in Federal; and \$1,311,600 in Indirect Cost Recovery. The combined effect is a decrease from non-general fund sources of \$2,483,700.
- Funding from the Alaska Science Technology Fund remains at the FY98 Authorized level of \$2,630,000.

Legislative Fiscal Analyst comment: Use of this fund source was decreased in the Governor's FY98 budget by \$530,000. The intention was to eliminate use of this source of funding over a five-year period. That reduction was restored in the final budget and no reduction is proposed by the Governor for FY99.

- The University budget shows a decrease from authorized levels of 84 permanent full time and 9 permanent part time positions. These numbers reflect a combination of retirement incentive program impacts and cleanup of position counts for prior year retirements and attrition.

ORGANIZATIONAL CHANGES

There are no organizational changes.

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UNIVERSITY OF ALASKA FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	163,196.0	209,742.4	67,489.7	440,428.1
Fiscal Notes		1,000.0		1,000.0
FY98 Salary Adjustment	942.1	406.2	62.4	1,410.7
FY98 Authorized	164,138.1	211,148.6	67,552.1	442,838.8
ILTF Fund Source Change	166.4	-166.4		0.0
DIS Network Reallocation	-16.9	0.0	0.0	-16.9
FY99 Adjusted Base	164,287.6	210,982.2	67,552.1	442,821.9
Increments	2,889.5	8,380.0		11,269.5
Decrements		-1,311.6	-9,552.1	-10,863.7
FY99 Governor Request	167,177.1	218,050.6	58,000.0	443,227.7

Position Summary	PFT	PPT	Temp
FY98 Conference Committee	3,471.0	242.0	0.0
FY98 Authorized	3,471.0	242.0	0.0
Position Adjustments	1.0	-1.0	0.0
FY99 Adjusted	3,472.0	241.0	0.0
Position Decrements	-85.0	-8.0	0.0
FY99 Governor	3,387.0	233.0	0.0

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ALASKA COURT SYSTEM

The Alaska court System is the judicial branch of state government under the authority of Article IV of the *Alaska Constitution* and Title 22 of the Alaska Statutes.

There are four levels of courts: Supreme Court, Court of Appeals, Superior Court and District Court. Judges preside in each of the courts except the District Court, where magistrates may also preside. The Supreme Court and Superior Courts are established in *the Alaska Constitution*, The District Courts and Court of Appeal, by statute.

The Court System budget is presented in three components: Appellate Courts, Trial Courts and Administration and Support. The Commission on Judicial Conduct and the Judicial Council are budgeted separately.

MAJOR CHANGES

(All increments and decrements are general funds)

- Trial Courts are requesting \$386,500 for six positions to respond to the Governor's initiative on child protection. The Court System anticipates that the initiative will have an impact on the volume of cases to be managed by the court system. Even before this initiative, filings for children's matters have increased 40% since 1993. Trial Courts are requesting the following positions: Anchorage – Family Court Master, Pro Tem Superior Court Judge and two In-Court Clerks; Fairbanks – Family Court master and an In-Court Clerk.
- Trial Courts are requesting two general fund increments totaling \$175,700 for new positions to maintain current service levels and to reduce personal services underfunding. \$55.7 would hire one full time Court Clerk in Juneau and one part time Library Assistant I in Juneau. \$120,000 would reduce Trial Courts personal services underfunding from 8.36 to 8.0%.
- Administration and Support is requesting \$263,800 for new positions and equipment - \$194,400 in personal services and \$69,400 in equipment for Administrative Offices and the Law Library. This increment would fund three new full time positions and two part time positions. An Administrative Assistant, a part time Assistant Clerk, a Facilities Supervisor, Computer Services Librarian and a part time Library Assistant would be hired.
- Two increments totaling \$317,700 are requested to modernize computer equipment. The Appellate Courts are requesting \$128,300 to enhance their computerized case management system. This would establish a new full-time Systems Analyst position and provide \$65,000 for new computers. Trial Courts are requesting \$189,400 in equipment costs as part of a five-year computer replacement plan.
- A \$1.42 million general funds increment for contract services is requested to improve courthouse security statewide – in Ketchikan, Kodiak, Kotzebue, Kenai, Anchorage, Palmer, Dillingham, Fairbanks and Seward. These funds would pay for 22 Court Security Officers (CSO) through a reimbursable services agreement (RSA) with the Department of Public Safety.

Legislative Fiscal Analyst comment: This is the second year this increment has been proposed.

- Trial Courts are requesting \$113,600 to increase juror pay from \$25 to \$27.50 per day.

Legislative Fiscal Analyst comment: This is proposed in the Court System request each year.

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- Trial Courts request \$113,500 for courthouse rent increases and leasehold improvements - \$93,500 in contractual funds for increased rental costs in Nome and Bethel, and \$20,000 to improve the state-owned facility in Delta Junction.
- The Court System budget proposes decrements totaling \$730,300 to reflect savings from the reduction of the Judicial Retirement Contribution rate. The reduction is a reflection of better than expected returns on investments and lower actual costs than actuarially assumed. Decrements are \$12,100 in Administration and Support, \$611,100 in Trial Courts and \$107,100 from the Appellate Courts.
- The Administration and Support Component requests \$50,700 to match non-specific projects. No other fund receipt authority is requested in the increment.

Legislative Fiscal Analyst comment: This budget reflects no federal funds, although the Court System has increased its federal grant activity. This is reflected in four RPL requests to receive federal funds brought to the Legislative Budget and Audit Committee this past year. The Court System may want to review its policy regarding budgeting for federal funds as an alternative to the RPL process.

ORGANIZATIONAL CHANGES

The Court System proposes no organizational changes in this budget request.

legislative fiscal analyst overview of the governor's request

ALASKA COURT SYSTEM FUND SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	48,039.5	0.0	0.0	48,039.5
Fiscal Notes	103.8			103.8
FY98 Salary Adjustment	156.3	407.6		563.9
FY98 Authorized	48,299.6	407.6	0.0	48,707.2
One Time Item	-19.2			-19.2
ILTF Fund Source Change	407.6	-407.6		0.0
Miscellaneous Adjustment	-58.4			-58.4
FY99 Adjusted Base	48,629.6	0.0	0.0	48,629.6
Increments	2,838.5			2,838.5
Decrements	-730.3			-730.3
FY99 Governor Request	50,737.8	0.0	0.0	50,737.8

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	659	48	20
Position Adjustment	-8	-1	
Fiscal Notes	1	8	
FY98 Authorized	656	56	20
Position Adjustment		-7	1
FY99 Adjusted	656	49	21
Increments	9	5	
FY99 Governor	665	54	21

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COMMISSION ON JUDICIAL CONDUCT

The Commission on Judicial Conduct is established under the *Alaska Constitution* to investigate complaints of alleged misconduct by judges and justices.

MAJOR CHANGES

The Judicial council has submitted a continuation budget with no increments.

ORGANIZATIONAL CHANGES

The Commission on Judicial Conduct proposes no organizational changes in this budget request.

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COMMISSION ON JUDICIAL CONDUCT FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	216.0	0.0	0.0	216.0
FY98 Salary Adjustment	2.6	6.8		9.4
FY98 Authorized	218.6	6.8	0.0	225.4
ILTF Fund Source Change	6.8	-6.8		0.0
FY99 Adjusted Base	225.4	0.0	0.0	225.4
FY99 Governor Request	225.4	0.0	0.0	225.4

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	2	0	0
Position Adjustment			
Fiscal Notes			
FY98 Authorized	2	0	0
Position Adjustment			
FY99 Adjusted	2	0	0
Increments			
FY99 Governor	2	0	0

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JUDICIAL COUNCIL

The Judicial council is constitutionally established to nominate candidates to the Governor to fill Supreme Court and Superior court judicial vacancies, to conduct studies, and make recommendations to the Supreme Court and Legislature for improvements in the administration of justice in Alaska. The Council is also mandated by statute to nominate candidates for vacancies in the court of Appeals, District Courts and Public Defender position. This Council is empowered by statute to evaluate justices and judges in retention elections.

MAJOR CHANGES

The Judicial council has submitted a continuation budget and two increments for four projects:

- To implement the alternative dispute resolution (ADR) provisions of the 1997 "tort reform" legislation, the Council requests \$9,300 general funds to develop, print and distribute up to 7,500 copies of a short brochure explaining various alternative dispute resolution procedures such as mediation, arbitration and early neutral evaluation. The brochure will be aimed at litigants as well as attorneys.
- Also in response to the alternative dispute resolution provisions of tort reform, the Alaska Court System is planning two ADR pilot projects. The first is an early neutral evaluation (ENE) pilot project for commercial cases, and the second involves mediation of probate and guardianship cases. The Court System has asked the Judicial Council to evaluate these programs to determine whether they are meeting their goals.

Tort reform legislation also requires changing three court rules to encourage the voluntary use of alternative dispute resolutions. The Court System also intends to train its judges to better understand the various ADR processes. The Council proposes evaluating whether the rules changes and judge training are effective in increasing the appropriate use of ADR to resolve civil cases.

This increment requests \$32,600 general funds to accomplish the evaluations - \$21,000 for the ENE project, \$5,400 for the Probate Mediation project, and \$6,200 to evaluate the rules changes and judges training.

ORGANIZATIONAL CHANGES

The Judicial Council proposes no organizational changes in this budget request.

legislative fiscal analyst overview of the governor's request

JUDICIAL COUNCIL FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	636.6	0.0	0.0	636.6
Fiscal Note	26.5			26.5
FY98 Salary Adjustment	2.0	5.2		7.2
FY98 Authorized	665.1	5.2	0.0	670.3
ILTF Fund Source Change	5.2	-5.2		0.0
FY99 Adjusted Base	670.3	0.0	0.0	670.3
Increments	41.9			41.9
FY99 Governor Request	712.2	0.0	0.0	712.2

Position Summary	PFT	PPT	Tmp
FY98 Conference Committee	6	0	4
Position Adjustment			
Fiscal Notes		1	1
FY98 Authorized	6	1	5
Position Adjustment			
FY99 Adjusted	6	1	5
Increments			
FY99 Governor	6	1	5

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ALASKA LEGISLATURE

The Alaska State Legislature is the legislative branch of state government as provided in the *Alaska Constitution* and in statute. The legislative branch includes the sixty members and their office staffs, and the legislative agencies:

Legislative Budget and Audit Committee

Legislative Audit
Legislative Fiscal Analyst
House & Senate Finance Committees
Committee Expenses

Legislative Council (Legislative Affairs Agency)

Salaries and Allowances
Administrative Services
Session Expenses
Council & Subcommittees
Legal and Research Services

Legislative Operating Budget

Leadership/Interim Expenses

Ombudsman

MAJOR CHANGES

The FY98 budget level is proposed in the Governor's FY99 spending plan for the Legislature while displaying the tentative agency request for information purposes.

The actual legislative budget request will be developed and submitted in its final form to the appropriate oversight and finance committees during the course of the session.

ORGANIZATIONAL CHANGES

There are no organization changes proposed in the Governor's budget for the Legislature.

legislative fiscal analyst overview of the governor's request

ALASKA LEGISLATURE FUNDING SUMMARY

	GF	Other	Federal	Total
FY98 Conference Committee	30,429.8	83.3		30,513.1
Reappropriations/Special	836.5			836.5
FY98 Salary Adjustment	79.6	207.9		287.5
Transfer from Capital		396.3		396.3
FY98 Authorized	31,345.9	687.5		32,033.4
One Time Item	-500.0			-500.0
ILTF Fund Source Change	207.9	-207.9		0.0
Retain Base Funding	396.3	-396.3		0.0
FY99 Adjusted Base	31,450.1	83.3		31,533.4
Increments	589.5			589.5
Decrements	-336.5			-336.5
FY99 Governor Request	31,703.1	83.3		31,786.4

Position Summary	PFT	PPT
FY98 Conference Committee	209	278
Position Adjustments	6	
FY98 Authorized	215	278
FY99 Adjusted	215	278
Increments (All General Funds)	1	-1
FY99 Governor	216	277