

The Fiscal Year 2013 Budget:

Legislative Fiscal Analyst's Overview of the Governor's Request



Legislative Finance Division

www.legfin.state.ak.us

The Legislative Fiscal Analyst Office has 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 to:

- (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. [AS 24.20.231]*

Legislative Finance Budget System. The system tracks budget transactions and provides comparative reports for committees and subcommittees. In addition, the system is used to produce the Governor's budget request books, the general appropriations bills, Conference Committee reports and a breakdown of the capital budget by House district.

LEGISLATIVE FINANCE DIVISION FISCAL ANALYST/BUDGET ASSIGNMENTS

Fiscal Analyst	Agency/Assignment	Phone
David Teal	Governor, Legislature, Fiscal Summary	465-3002
Amanda Ryder	Health & Social Services, Labor & Workforce Development, Operating Budget Coordinator, Supplemental Budget	465-5411
Rob Carpenter	Natural Resources, Transportation & Public Facilities, Capital Budget Coordinator, Statewide Debt/Revenues	465-5413
Danith Watts	Administration, Education & Early Development, Environmental Conservation, University of Alaska	465-5435
Kelly Cunningham	Corrections, Court System, Law, Public Safety, Fiscal Note Coordinator	465-3821
Lacey Sanders	Commerce, Community, & Economic Development, Fish & Game, Military & Veterans Affairs, Revenue	465-5410

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Introduction

As required by law, the Governor released his FY13 budget proposal to the public and the legislature by December 15, 2011. The Legislative Finance Division prepared this overview of the Governor's proposal and "subcommittee books" for each agency in accordance with AS 24.20.211-.231.

Alaska's Fiscal Situation

At the close of the 2011 legislative session, the fiscal summary showed that \$444 million of anticipated FY12 UGF revenue remained available for appropriation. During FY12, the projected \$444 million surplus has been affected by strong oil prices. Per the December 2011 revenue forecast, **the revised FY12 surplus is just over \$1.9 billion.**

The Department of Revenue predicts that oil prices will remain strong during FY13—matching the FY12 projected price of \$109/bbl. A projected decline in production—from 574,000 barrels per day in FY12 to 555,000 barrels per day in FY13—combined with higher costs of production drops the FY13 revenue forecast by \$700 million. The Governor's request for FY13 UGF appropriations is \$600 million lower than was appropriated in FY12, leaving a **projected FY13 surplus of \$1.8 billion.**

During the 2012 legislative session, legislators have a combined surplus of \$3.7 billion that is available for appropriation. This surplus provides an opportunity to save for the future while meeting current needs of Alaskans.

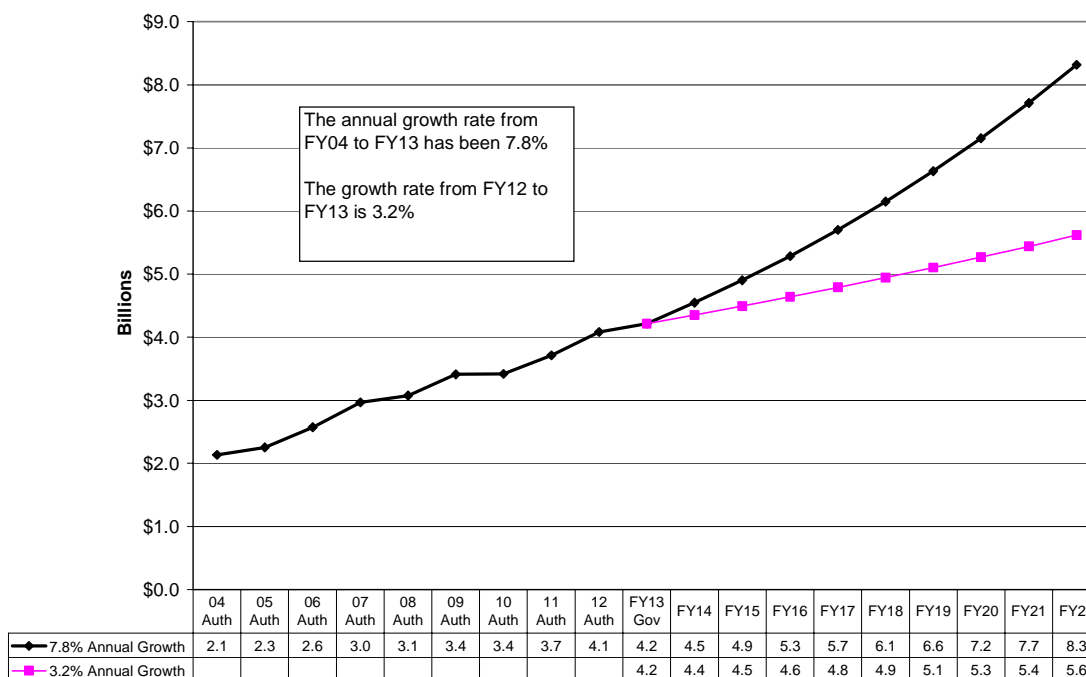
There is little doubt that the legislature will add to the Governor's capital budget. There are also early indications that the legislature intends to save a large portion of the available money. If the FY12 surplus is saved, year end FY12 balances of the AHFC account and the two budget reserve accounts will total about \$16 billion. While Alaska's reserve balances are huge in comparison to reserves held by other states, there are solid arguments in support of additional savings.

Alaska's heavy reliance on oil revenue is not news to anyone that pays attention to state fiscal matters. Nor is it news that oil production is declining and that state revenue will suffer as a result of that decline. Legislators will again discuss the Governor's proposal to modify the petroleum tax structure in order to encourage future oil production and generate additional future revenue.

The wisdom and effectiveness of the Governor's "revenue side" approach to a balanced budget will not be debated here. We note, however, that tools to balance budgets include expenditure restraint as well as revenue enhancement, and that the Governor has embraced expenditure restraint as a means to stretch Alaska's reserves further into the future.

Figure 1 shows recent growth in Alaska's budget for agency operations. While the capital budget and statewide operations—debt service, retirement costs, tax credits and other items not associated with operating a particular agency—are important (and large), it is agency operations over which the Governor has the greatest influence.

Figure 1. Growth in Alaska's UGF Budget for Agency Operations



The cost of agency operations—counting only unrestricted general funds—doubled (from \$2.1 billion to \$4.2 billion) from FY04 to FY13. If the budget continues to expand at the FY04-to-FY13 rate of 7.8 percent annually, the budget would again double by FY22.

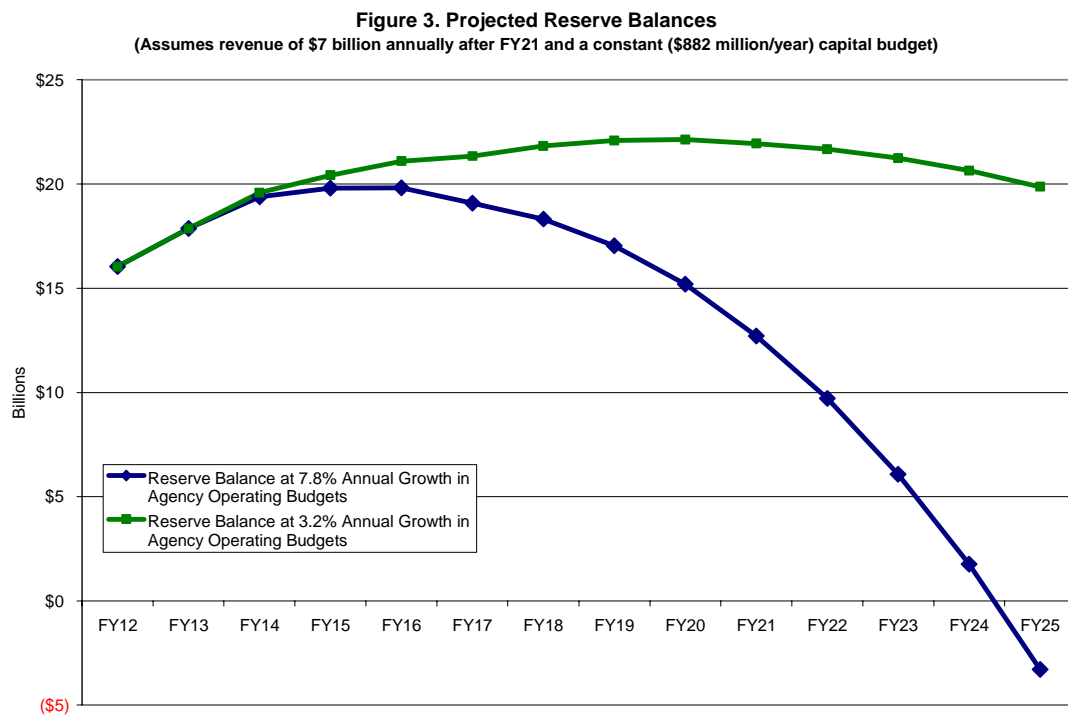
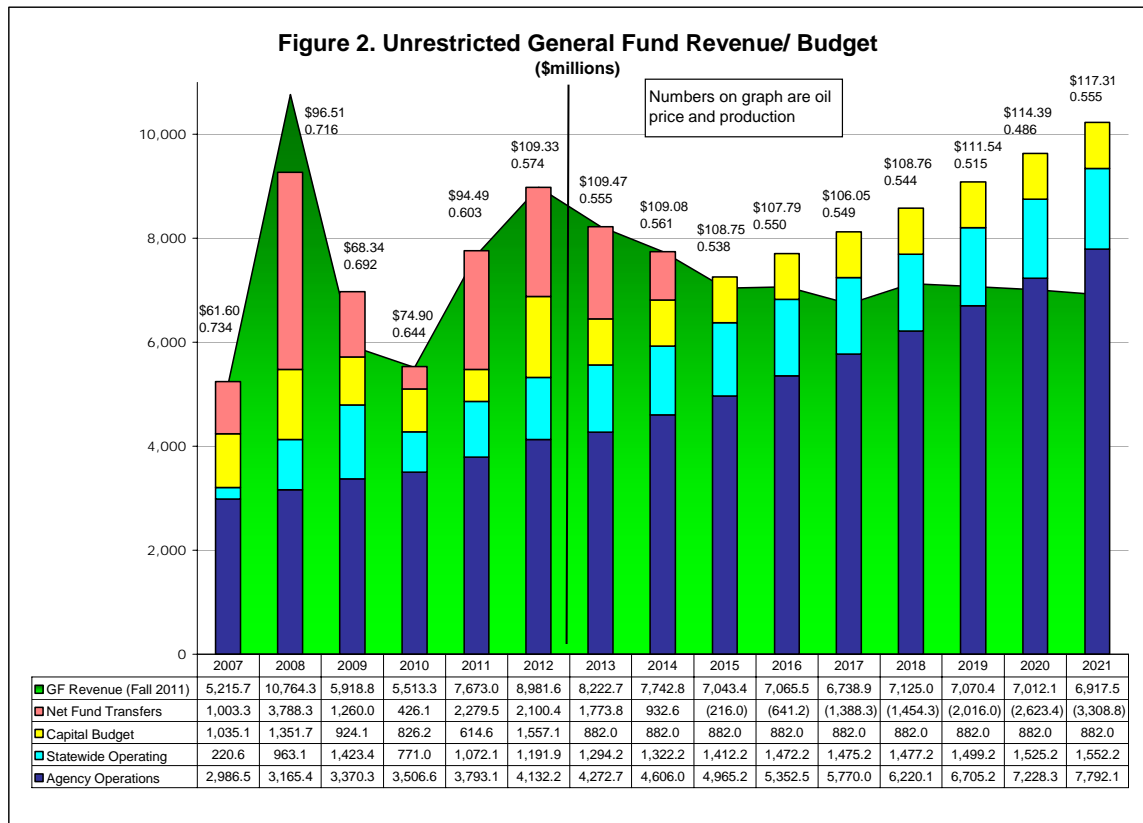
The Governor's proposed FY13 budget for agency operations is 3.2 percent above the budget for FY12. If that degree of expenditure restraint can be continued, the FY22 operating budget will be about \$5.6 billion—\$2.7 billion lower than if the historical trend continues.

Expenditure restraint is a “double barreled shot” at the target of extending the life of reserve balances: it increases reserve balance deposits and it stretches those reserve balances further into the future by reducing future cash outflow.

Figures 2 and 3 show why expenditure restraint is critical to Alaska's fiscal future. In Figure 2, future capital budgets remain at the Governor's proposed FY13 level, statewide costs increase only by the projected direct state contributions to retirement systems, and the rate of growth of agency operations is 7.8 percent. Figure 2 also shows projected revenue under the current petroleum tax regime.

If assumptions regarding future revenue and state spending are fulfilled, the combination of declining revenue and increasing expenditures produces budget deficits after FY15. Those deficits will exhaust reserve balances by FY25.

Changing the assumption regarding the growth rate of agency operations from 7.8 percent to 3.2 percent has a significant impact on the projected life of reserves. As shown in Figure 3, a change from 7.8 percent growth to 3.2 percent growth results in a difference of nearly \$24 billion in FY25 reserve balances.



The Governor's Budget

While peering into the future adds perspective to current issues, the focus of this *Overview* is the Governor's FY13 budget. The following discussion is based on the fiscal summary that appears on page 8. Parenthetical references refer to line numbers on the summary. This review focuses on unrestricted general funds, not because other funds are unimportant, but because the difference between unrestricted general fund spending and unrestricted general fund revenue defines the fiscal surplus/gap.

- 1. Agency Operations (line 8)** refers to money appropriated/requested to operate all public agencies. It may be the best expression of public perception of "the budget" and includes money for K-12 education (line 10) and other formula programs like Medicaid (line 11) as well as all non-formula operating costs (line 9). The Governor's request is up \$158.7 million (3.3%) from FY12. Roughly 2/3 of that amount is for non-formula agency operations and 1/3 is for formula programs (mostly Medicaid).

There are no obvious places in non-formula operations for significant budget reductions. In fact, the legislature may find it difficult to remain below the Governor's request.

- The Governor's budget contains no new increases for K-12 education. Given that most school districts throughout the state face a fiscal challenge as costs rise and federal stimulus funding fades, there is certain to be pressure to increase education funding.
- The Governor's request for Medicaid increases is about \$6.5 million (one percent) below the amount of need indicated by growth projections prepared by the Department of Health and Social Services.
- The fuel trigger—a table in section 21 of the operating bill that appropriates up to \$36 million to offset increased fuel and utility costs—has an upper limit of \$100 per barrel. Extending the table to the official price projection of \$109 per barrel would increase the estimated cost of the fuel trigger by \$9 million.
- Several funds—the Alaska Marine Highway System (AMHS) Fund, the Fish and Game Fund, the Land Use Disposal Fund and the Workers Compensation and Safety Fund—that are used to pay operating costs of various agencies have been overspending in recent years. The FY13 cost of addressing the deficits could exceed \$17 million—and that would not necessarily build reserves to comfortable levels or address structural deficits.

- 2. Statewide Operations (line 16)** refers to appropriations that are typically not reviewed by operating budget subcommittees. The Governor's request is up \$95 million (7.7%) from FY12. Most of these items—debt service, retirement system costs and petroleum tax credits—are often considered to be nondiscretionary.

- The \$25 million reduction in debt service (line 18) is attributable to three actions:

- FY12 defeasance of debt obligations saved \$45 million in FY13 debt service costs;
- the addition of \$15 million of debt service on the proposed sale of \$350 million in general obligation bonds; and
- the cost of reimbursing municipal school debt service increased by \$12 million.
- The estimate of required deposits to the tax credit fund (line 20) may be understated. Payments in FY11 were revised upward throughout the year, reaching \$450 million. The Governor's estimate for FY12 has not yet been revised from the original \$400 million estimate, and the request for FY13 remains at \$400 million. The appropriation for tax credits is merely an estimate; the appropriation is open-ended and will pay out the full amount claimed. Legislators should not be surprised if spending for this purpose is \$100 million over the estimate.
- Actuarially required contributions to retirement systems increased by \$131 million from FY12 to FY13 (line 22). The amount is determined by the State's actuarial consultants, and is projected to increase rapidly in the near future. Without legislative action, this \$610 million appropriation will double by 2030. The Governor's failure to request a \$3.5 million actuarially required contribution to the judicial retirement system is an interesting twist for FY13.

3. Capital Appropriations (line 25) include capital projects and a \$60 million deposit to the Alaska Gasline Inducement Act (AGIA) reimbursement fund. The Governor's \$882 million general fund request is \$639 million (40%) less than the FY12 capital budget adopted by the legislature.

- The legislature typically adds a substantial amount to the Governor's capital request. Any projection of legislative additions would be purely speculative.
- Under the Alaska Gasline Inducement Act (AGIA), the state will reimburse the licensee (TC Alaska) for qualified expenditures incurred in development of a natural gas pipeline. To date, \$245 million has been appropriated to the fund, and \$49.4 million has been used to reimburse the licensee through 3/31/11. Projected reimbursements for the remainder of FY11 are \$57.1 million. Projections for FY12 and FY13 are \$170 and \$129 million, respectively, for a total through FY13 of \$405.5 million (as outlined in the 6/8/2011 gas pipeline project report at gasline.alaska.gov). The Governor's proposed \$60 million capitalization for FY13 would bring the fund balance to \$305 million, \$100 million short of projected reimbursements.

4. Transfers (line 36) is the portion of the fiscal summary that requires the most explanation. The transfers section records money that passes from one fund to another without leaving the treasury. Although transfers are not considered spending—because money is transferred *within* the treasury—they affect the surplus/deficit because transfers of general funds change the amount that is available for other purposes.

A positive number indicates a deposit to a fund (typically *from* the general fund). A negative number (such as the \$29 million in the FY13 UGF column on line 44) indicates an effective transfer from a savings account *to* the general fund. In this case, the \$29 million withdrawal from the Alaska Housing Capital Corporation account is spent directly in the capital and operating budgets. That is simply a short-cut for transferring the money back to the general fund, then using general funds for the projects funded directly from the savings account. The Governor's proposed FY13 transfers are far less complicated than those that occurred in FY12.

The Governor's proposed spending plan results in a projected FY13 surplus of \$1.8 billion (line 49). Because projecting oil revenue is so speculative, Legislative Finance prefers sensitivity charts to a revenue/surplus estimate based on a specific oil price.

Figure 4 shows the sensitivity of revenue to changes in oil prices for FY12 and FY13. Point A is the intersection of FY12 expenditures and the FY12 revenue curve. The point indicates the FY12 budget would be balanced if oil sells for an average of \$94 per barrel. Figure 4 also indicates the surplus/deficit as oil prices move above/below the break-even point.

As proposed by the Governor, the FY13 budget is \$385 million below the FY12 budget. If the FY12 revenue curve applied to FY13, the Governor's FY13 budget would break even at just over \$90 per barrel (at point B).

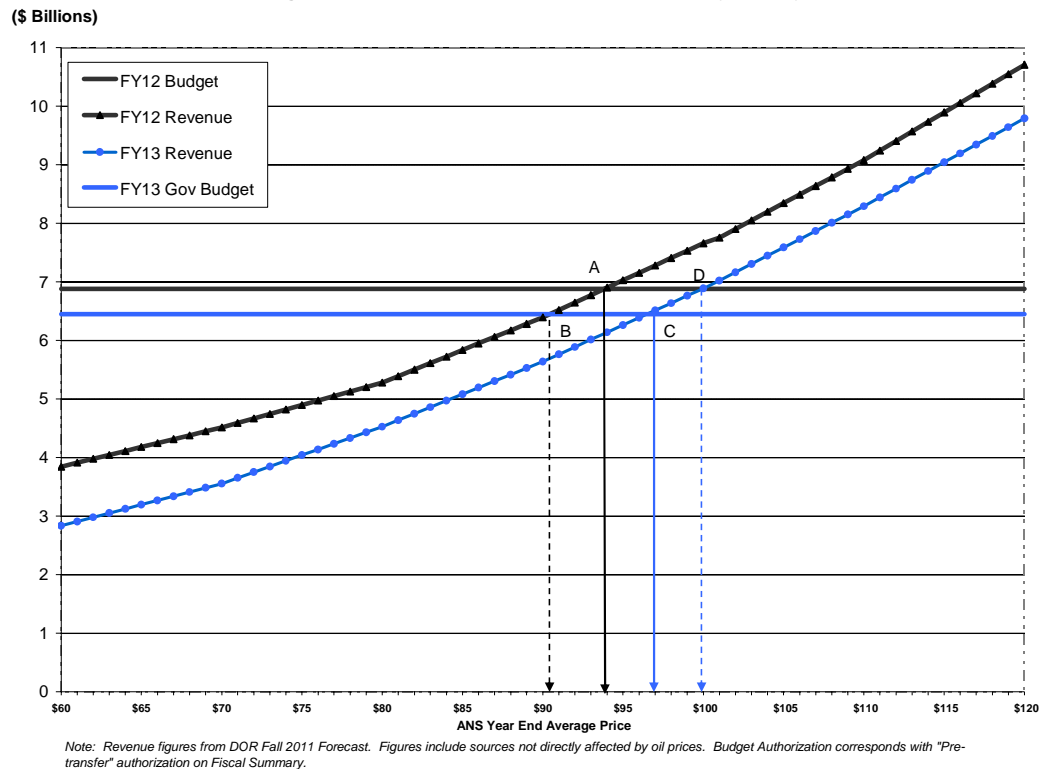
Unfortunately, the revenue curve shifts downward in FY13. The downward shift pushes the FY13 break-even price of oil to about \$97 (at point C). If the final FY13 budget returns to the FY12 level, the break-even price will be about \$100 (at point D).

The downward shift in the revenue curve is caused by declining production—less oil to sell means less revenue—and by increasing production costs. As increasing production costs are spread over fewer barrels, per barrel costs rises and per barrel profit shrinks. As this chain of events continues, the revenue curve will continue to shift downward. The rapid increase in the breakeven price of oil, \$64 in FY10, \$77 in FY11, \$94 in FY12 and \$97 or more in FY13 should be cause for concern. If the expenditure line continues to shift upward rapidly, the break-even price will soon exceed the market price and Alaska will have budget deficits.¹

Retirement system funding is a second major cause for concern. Projections indicate the State will need to pay about \$900 million annually in direct contributions to retirement systems by FY22. Reducing retirement contributions would be a major stride in delaying the arrival and reducing the size of future deficits.

¹ The breakeven price is driven, in part, by the capital budget. If surpluses vanish, the capital budget can be expected to shrink. There would be a corresponding decrease in the breakeven price.

Figure 4. FY12/13 General Fund - Fiscal Sensitivity Overlay



Further Analysis

Although the fiscal summary provides a concise statement (and comparison) of projected revenue, appropriations and the size of the anticipated surplus or deficit, it has the limitation of being short on explanation. This *Overview* contains more detailed discussions of the proposed FY13 budget:

- Agency summaries (operating budget on pages 17 & 18 and capital budget beginning on page 71) provide a quick comparison of the Governor's proposed budget with FY12 spending.
- Narratives on individual agency operating budgets begin on page 90.
- Language sections of both operating and capital bills (with analysis) begin on pages 25 and 79, respectively.

Subcommittee members will want to review the detailed agency books available in the Finance Committee rooms.

State of Alaska Fiscal Summary--FY12 and FY13

(\$ millions)

FY12 Budget						FY13 Governor's Request						Change in GF	
Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	\$	%
8,981.5	787.3	9,768.8	514.1	3,111.8	13,394.7	8,222.7	834.5	9,057.2	505.0	2,868.6	12,430.7	(711.6)	-7.3%
8,927.9	-	8,927.9	-	-	8,927.9	8,217.7	-	8,217.7	-	-	8,217.7	-	-
53.6	0.6	54.2	0.2	56.9	111.3	5.0	-	5.0	-	-	5.0	-	-
4	786.7	786.7	-	-	786.7	-	834.5	834.5	-	-	834.5	-	-
-	-	-	513.9	3,054.9	3,568.8	-	-	-	505.0	2,868.6	3,373.5	-	-
APPROPRIATIONS													
5,324.1	738.6	6,062.7	456.2	2,031.2	8,550.1	5,566.9	749.0	6,315.9	475.5	2,048.0	8,839.5	253.2	4.2%
4,132.2	707.2	4,839.4	413.0	1,988.1	7,240.4	4,272.7	725.4	4,998.0	432.9	2,005.7	7,436.7	158.7	3.3%
4,082.2	707.2	4,789.4	413.0	1,988.1	7,190.4	4,222.7	725.4	4,948.0	432.9	2,005.7	7,386.7	158.7	3.3%
2,117.7	650.6	2,768.3	408.4	986.7	4,175.4	2,210.5	668.0	2,878.4	429.9	935.3	4,243.6	110.1	4.0%
1,157.5	12.4	1,169.9	-	20.8	1,190.6	1,139.7	13.3	1,153.0	-	20.8	1,173.8	(16.9)	-1.4%
806.9	44.2	851.2	2.8	966.6	1,820.6	864.3	44.1	908.5	2.8	1,049.7	1,961.0	57.3	6.7%
-	-	-	1.8	2.0	3.8	-	-	-	-	-	-	-	-
-	-	-	-	-	-	8.2	-	8.2	0.2	-	8.4	-	-
-	-	-	693.4	-	693.4	-	-	-	723.5	-	723.5	-	-
50.0	0.0	50.0	0.0	0.0	50.0	50.0	0.0	50.0	0.0	0.0	50.0	-	0.0%
1,191.9	31.5	1,223.4	43.1	43.2	1,309.7	1,294.2	23.6	1,317.8	42.6	42.3	1,402.8	94.5	7.7%
1,191.9	31.5	1,223.4	43.1	43.2	1,309.7	1,294.2	23.6	1,317.8	42.6	42.3	1,402.8	94.5	7.7%
243.7	21.6	265.3	43.1	13.0	321.4	218.7	21.8	240.5	42.6	18.2	301.4	(24.8)	-9.4%
60.0	-	60.0	-	-	60.0	60.0	-	60.0	-	-	60.0	-	0.0%
400.0	-	400.0	-	-	400.0	400.0	-	400.0	-	-	400.0	-	0.0%
47.6	9.9	17.4	0.0	30.2	47.6	5.0	1.8	6.8	0.0	24.1	30.9	(10.5)	-60.7%
479.5	-	479.5	-	-	479.5	610.5	-	610.5	-	-	610.5	131.0	27.3%
1.2	-	1.2	-	-	1.2	-	-	-	-	-	-	(1.2)	-100.0%
Duplicated Authorization (non-additive) (5)													
1,557.1	44.5	1,601.6	49.2	1,080.5	2,731.3	882.0	81.0	963.0	20.6	820.5	1,804.2	(638.5)	-39.9%
1,557.1	44.5	1,601.6	49.2	1,080.5	2,731.3	882.0	81.0	963.0	20.6	820.5	1,804.2	(638.5)	-39.9%
1,494.7	44.5	1,539.2	49.2	1,078.1	2,666.5	822.0	81.0	903.0	20.6	818.8	1,742.5	(636.1)	-41.3%
62.4	0.0	62.4	0.0	2.4	64.8	60.0	0.0	60.0	0.0	1.7	61.7	(2.4)	-3.8%
0.0	0.0	0.0	50.0	0.0	50.0	0.0	0.0	0.0	350.0	0.0	350.0	-	-
0.0	0.0	0.0	19.2	0.0	19.2	0.0	0.0	0.0	16.8	0.0	16.8	-	-
(333.6)	0.0	(333.6)	(50.0)	(16.7)	(400.3)	0.0	0.0	0.0	0.0	0.0	0.0	-	-
0.0	0.0	0.0	102.6	0.0	102.6	0.0	0.0	0.0	392.7	0.0	392.7	-	-
1,557.1	44.5	1,601.6	151.8	1,080.5	2,833.9	882.0	81.0	963.0	413.3	820.5	2,196.8	(638.5)	-39.9%
Pre-Transfers Authorization (unduplicated)													
6,881.1	783.1	7,664.3	505.4	3,111.8	11,281.4	6,448.9	830.0	7,278.9	496.1	2,868.6	10,643.6	(385.4)	-5.0%
2,100.4	21.6% of UGF Revenue												

January 12, 2012

State of Alaska Fiscal Summary--FY12 and FY13
(\$ millions)

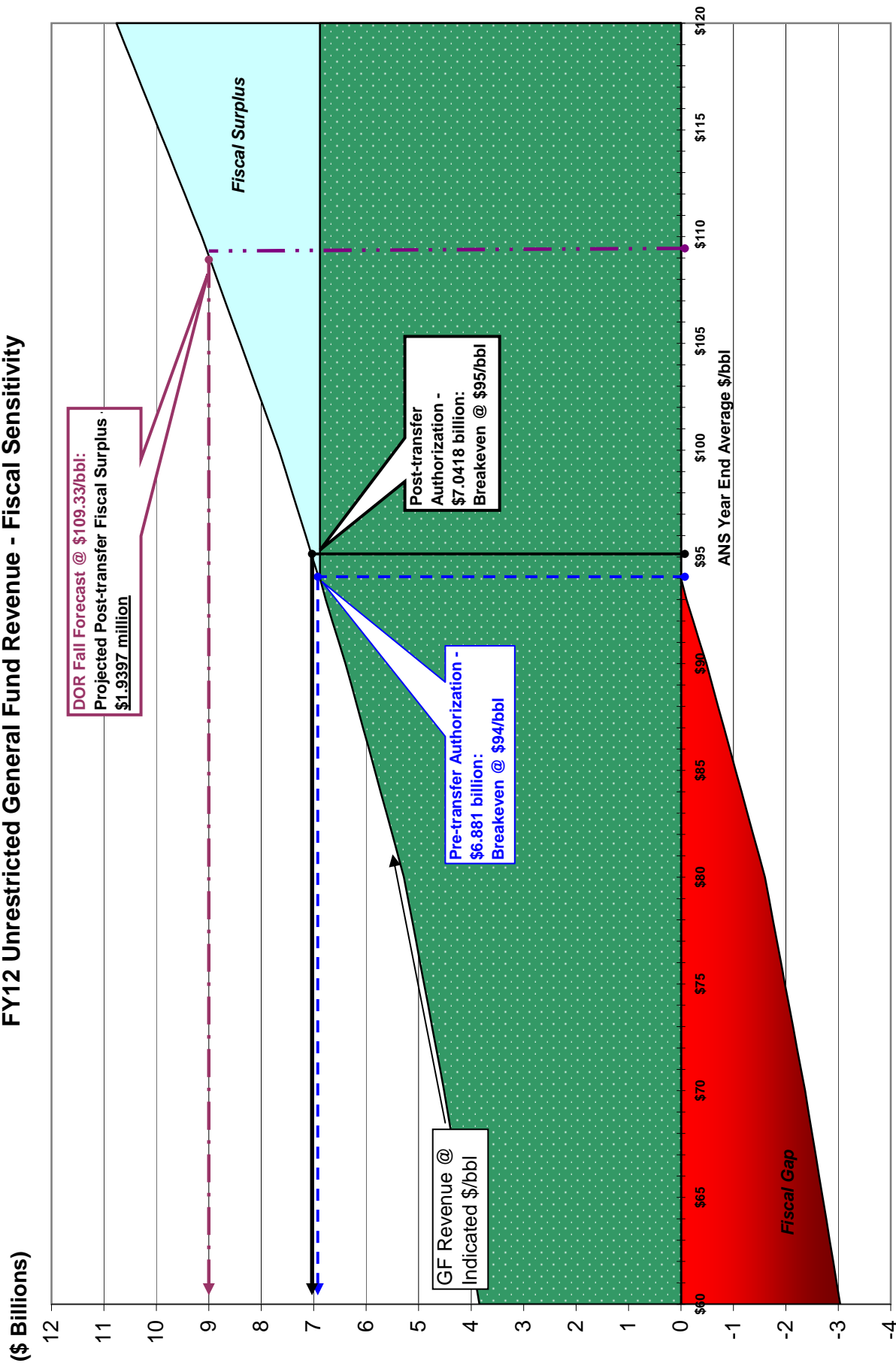
FY13 Governor's Request														Change in GF	
FY12 Budget						FY13 Governor's Request								Change in GF	
	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	\$	%	
Transfers (7)	160.7	4.2	164.8	8.8	-	173.6	(13.7)	4.5	(9.2)	8.8	-	(0.3)	(174.0)	-105.6%	
Current Fiscal Year Transfers	160.7	4.2	164.8	8.8	0.0	173.6	(13.7)	4.5	(9.2)	8.8	0.0	(0.3)	(174.0)	-105.6%	
Designated Savings (AMHS Vessel Replacement Fund)	-	-	-	-	-	-	(60.0)	-	(60.0)	-	-	(60.0)	-	-	
Designated Savings (In-State Pipeline)	200.0	-	200.0	-	-	200.0	-	-	-	-	-	-	-	-	
Designated Savings (Performance Scholarship)	400.0	-	400.0	-	-	400.0	-	-	-	-	-	-	-	-	
Designated Savings (Public Education Fund)	(31.8)	-	(31.8)	-	-	(31.8)	-	-	-	-	-	-	-	-	
Designated Savings (Railbelt Energy Fund)	(65.7)	-	(65.7)	-	-	(65.7)	-	-	-	-	-	-	-	-	
Designated Savings (Statutory Budget Reserve Fund)	50.0	-	50.0	-	-	50.0	-	-	-	-	-	-	-	-	
Undesignated Savings (Alaska Housing Capital Corp)	(400.0)	-	(400.0)	-	-	(400.0)	-	-	-	-	-	-	-	-	
Other Operating Transfers	(18.5)	4.2	(14.3)	8.8	-	(5.5)	14.8	4.5	19.3	8.8	-	28.1	-	-	
Capital Renewable Energy Fund	26.6	-	26.6	-	-	26.6	-	-	-	-	-	25.0	-	-	
Capital (REAA School Fund)	-	-	-	-	-	-	35.5	-	35.5	-	-	35.5	-	-	
Post-Transfers Authorization (unduplicated)	7,041.8	787.3	7,829.1	514.1	3,111.8	11,455.0	6,435.2	834.5	7,269.7	505.0	2,868.6	10,643.3	(559.4)	-7.1%	
Post-Transfer Balance to/from the SBR	1,939.7	21.6%	1,961.3	21.6%	1,961.3	1,961.3	1,787.5	21.7%	1,809.2	21.7%	1,809.2	1,809.2	(559.4)	-7.1%	
Permanent Fund	-	1,562.9	1,562.9	7.0	-	1,569.9	-	1,523.8	1,523.8	7.2	-	1,530.9	-	-	
Permanent Fund Dividends	-	652.0	652.0	-	-	652.0	-	572.0	572.0	-	-	572.0	-	-	
Deposits to Principal	-	847.0	847.0	-	-	847.0	-	888.0	888.0	-	-	888.0	-	-	
Other Uses of Earnings (included in op or cap budget) (8)	-	63.9	63.9	7.0	-	70.9	-	63.8	63.8	7.2	-	70.9	-	-	
Total Authorization (unduplicated)	7,041.8	2,286.3	9,328.1	514.1	3,111.8	12,954.0	6,435.2	2,294.5	8,729.7	505.0	2,868.6	12,103.3	(598.4)	-6.4%	
FISCAL YEAR SUMMARY	6,881.1	2,282.1	9,163.3	505.4	3,111.8	12,780.4	6,448.9	2,290.0	8,738.9	496.1	2,868.6	12,103.6	(424.4)	-4.6%	
Agency Operations	4,132.2	707.2	4,839.4	413.0	1,988.1	7,240.4	4,272.7	725.4	4,998.0	432.9	2,005.7	7,436.7	158.7	3.3%	
Statewide Operations	1,191.9	31.5	1,223.4	43.1	43.2	1,308.1	1,294.2	23.6	1,317.8	42.6	42.3	1,402.8	94.5	7.7%	
Total Operating	5,324.1	738.6	6,062.7	456.2	2,031.2	8,550.1	5,566.9	749.0	6,315.9	475.5	2,048.0	8,839.5	253.2	4.2%	
Capital	1,557.1	44.5	1,601.6	49.2	1,080.5	2,731.3	882.0	81.0	963.0	20.6	820.5	1,804.2	(638.5)	-39.9%	
Unduplicated Appropriation of Permanent Fund Earnings	0.0	1,499.0	1,499.0	0.0	0.0	1,499.0	0.0	1,460.0	1,460.0	0.0	0.0	1,460.0	(39.0)	-2.6%	
Transfers (non-additive)	160.7	851.2	1,011.8	8.8	-	1,020.6	(13.7)	4.5	(9.2)	8.8	-	(0.3)	(1,021.0)	-100.9%	

Notes:

- (1) Although Permanent Fund earnings may be appropriated for any purpose, the legislature traditionally excludes them from the definition of available revenue. Appropriations of Permanent Fund earnings are reported in lines 50-53 of the summary. Permanent Fund earnings and balance information is reported in part 2 of the fiscal summary.
- (2) The Department of Revenue's Fall 2011 oil forecast for FY12 is \$574 mbd at \$109.33 per barrel; the FY13 forecast is 0.555 mbd at \$109.47/bbl.
- (3) Carryforward is money that was appropriated in a prior year that is made available for spending in a later year via multiyear appropriations or reappropriations. Total carryforward into FY13 will be unknown until the close of FY12.
- (4) Designated general funds include 1) program receipts that are restricted to the program that generates the receipts and 2) revenue that is statutorily designated for a specific purpose.
- (5) Duplicated authorizations are in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided. Duplicated authorization also includes the expenditure of bond proceeds when debt service on bonds (which includes repayment of principal) will be reflected in future operating budgets. An FY12 appropriation replaced \$150 million of GO bond proceeds with general funds (line 27).
- (6) Including duplicated fund sources in the amount of capital spending provides a valuable measure of "money on the street" because it includes projects funded with bond proceeds and other duplicated fund sources.
- (7) "Transfers" refer to appropriations that move money from one fund to another within the Treasury. Although transfers are not true expenditures, they reduce the amount of money available for other purposes so must be included in the calculation of the surplus/deficit. For savings accounts, a positive number indicates a deposit and a negative number indicates a withdrawal. When money is withdrawn and spent, the expenditure is included in the operating or capital budget, as appropriate.
- (8) Amounts shown on line 53 can be considered duplicated appropriations—they are included in the operating or capital budgets above. The amounts in the Designated General Fund column includes earnings deposited in the Capital Income Fund and amounts associated with the dividend program. Amounts in the Other column reflect gross earnings of the Permanent Fund spent for purposes other than operation of the corporation.

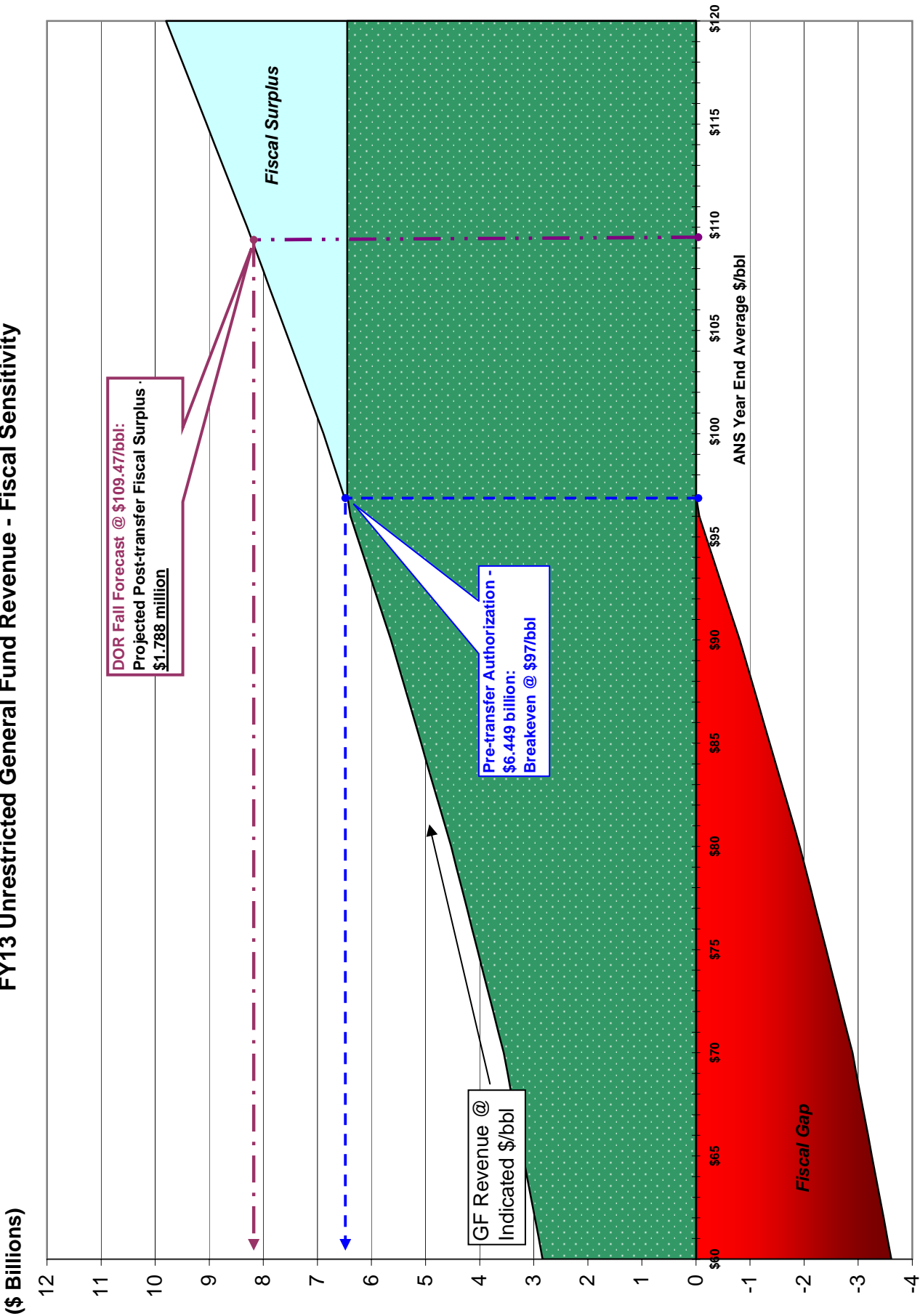
January 12, 2012

Figure 1
FY12 Unrestricted General Fund Revenue - Fiscal Sensitivity



Note: Revenue figures based on DOR Fall 2011 Forecast. Includes revenue not directly affected by oil prices. Revenue values are based on fiscal year average prices and do not reflect monthly price volatility that does affect total revenue.

Figure 1
FY13 Unrestricted General Fund Revenue - Fiscal Sensitivity



Note: Revenue figures based on DOR Fall 2011 Forecast. Includes revenue not directly affected by oil prices. Revenue values are based on fiscal year average prices and do not reflect monthly price volatility that does affect total revenue.

State of Alaska Fiscal Summary--FY12 and FY13

(\$ millions)

Part 2--Approximate Balances of Savings Accounts

	FY12				FY13			
	BoY Balance	In	Out	EoY Balance	BoY Balance	In	Out	EoY Balance
Permanent Fund (no appropriations allowed)	33,044.0	1,767.0	0.0	34,811.0	34,811.0	1,756.0	0.0	36,567.0
Undesignated Savings	16,098.7	4,475.2	1,523.0	19,050.9	19,050.9	4,813.5	1,516.0	22,348.4
Other Undesignated Savings	13,790.6	2,324.2	0.0	16,114.8	16,114.8	2,450.5	29.0	18,536.3
Constitutional Budget Reserve Fund (cash)	10,348.5	51.0	0.0	10,399.5	10,399.5	558.7	0.0	10,958.2
Statutory Budget Reserve Fund (1)	2,632.6	1,989.7	0.0	4,622.3	4,622.3	1,787.5	0.0	6,409.7
Alaska Housing Capital Corporation Fund	768.3	261.5	0.0	1,029.8	1,029.8	82.4	29.0	1,083.1
Alaska Capital Income Fund	41.3	22.0	0.0	63.3	63.3	22.0	0.0	85.3
Permanent Fund Earnings Reserve Account	2,308.1	2,151.0	1,523.0	2,936.1	2,936.1	2,363.0	1,487.0	3,812.1
Designated Savings	2,199.0	1,275.4	1,336.0	2,138.5	2,138.5	1,263.9	1,222.8	2,179.5
Public Education Fund	1,188.1	1,154.3	1,186.1	1,156.3	1,156.3	1,139.7	1,139.7	1,156.3
Revenue Sharing Fund	180.0	60.0	60.0	180.0	180.0	60.0	60.0	180.0
Railbelt Energy Fund	66.4	0.0	66.4	(0.0)	(0.0)	0.0	0.0	(0.0)
Power Cost Equalization Endowment	764.5	61.2	23.5	802.1	802.1	64.2	23.1	843.2
Reserves (Excluding Permanent Fund Principal)	18,297.8	5,750.6	2,859.0	21,189.3	21,189.3	6,077.4	2,738.8	24,527.9
Unrestricted General Fund Appropriations				7,041.8				6,435.2
Years of Reserves (Reserves/UGF Appropriations)				3.01				3.81

(1) FY12 & FY13 assume the Governor's proposed budget is adopted and surplus amounts are deposited in the Statutory Budget Reserve Fund.

Operating Budget

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Legislative Fiscal Analyst's Overview of the Governor's FY2013 Request

Agency Summary - FY13 Operating Budget - Total Funds										
Agency	11 Actual	12 CC	12 Auth	12 MgtPln	Adj Base	Gov	12 MgtPln to Gov			
Administration	293,324.2	312,859.5	312,409.0	312,409.0	316,012.0	321,820.2	9,411.2	3.0%	5,808.2	1.8%
Commerce, Community & Econ Dev	163,678.7	177,039.4	193,124.3	193,124.3	171,231.7	195,437.9	2,313.6	1.2%	24,206.2	14.1%
Corrections	269,667.7	286,332.3	288,322.5	288,322.5	287,734.1	320,604.1	32,281.6	11.2%	32,870.0	11.4%
Education & Early Dev	1,455,248.0	1,487,655.4	1,552,108.9	1,552,108.9	1,479,897.0	1,488,260.3	(63,848.6)	-4.1%	8,363.3	0.6%
Environmental Conservation	73,059.4	79,487.1	80,009.9	80,009.9	81,194.6	83,552.3	3,542.4	4.4%	2,357.7	2.9%
Fish and Game	170,647.1	198,959.0	199,134.8	199,134.8	203,207.2	209,309.5	10,174.7	5.1%	6,102.3	3.0%
Governor	99,233.0	29,370.4	45,414.8	45,414.8	26,396.5	33,361.7	(12,053.1)	-26.5%	6,965.2	26.4%
Health & Social Services	2,234,338.3	2,457,339.2	2,470,188.7	2,470,188.7	2,462,676.4	2,617,692.2	147,503.5	6.0%	155,015.8	6.3%
Labor & Workforce Dev	165,493.0	193,331.4	196,804.2	196,804.2	195,783.7	198,248.0	1,443.8	0.7%	2,464.3	1.3%
Law	90,888.7	85,393.6	99,652.2	99,652.2	85,401.5	97,241.9	(2,410.3)	-2.4%	11,840.4	13.9%
Military & Veterans Affairs	58,375.6	80,187.5	84,596.4	84,596.4	80,910.9	90,367.9	5,771.5	6.8%	9,457.0	11.7%
Natural Resources	186,591.7	151,432.8	153,785.5	153,785.5	145,200.8	165,404.1	11,618.6	7.6%	20,203.3	13.9%
Public Safety	171,700.6	195,038.8	199,621.2	199,621.2	194,064.1	201,956.6	2,335.4	1.2%	7,892.5	4.1%
Revenue	297,821.9	308,366.3	309,205.8	309,205.8	311,007.8	328,618.9	19,413.1	6.3%	17,611.1	5.7%
Transportation	570,701.2	597,706.8	611,350.5	611,350.5	604,867.7	616,004.9	4,654.4	0.8%	11,137.2	1.8%
University of Alaska	820,355.3	889,103.2	891,083.2	891,083.2	899,317.2	910,842.1	19,758.9	2.2%	11,524.9	1.3%
Alaska Court System	97,419.6	104,350.1	105,389.2	105,389.2	108,133.4	111,395.7	6,006.5	5.7%	3,262.3	3.0%
Legislature	56,042.5	69,334.6	74,894.1	74,894.1	74,698.3	75,631.0	736.9	1.0%	932.7	1.2%
Branch-wide Unallocated Approp	-	31,000.0	13,000.0	13,000.0	31,000.0	36,000.0	23,000.0	176.9%	5,000.0	16.1%
Agency Budgets Total	7,274,586.5	7,734,287.4	7,880,095.2	7,880,095.2	7,758,734.9	8,101,749.3	221,654.1	2.8%	343,014.4	4.4%
Statewide Items										
Debt Service	245,938.2	300,340.8	337,206.3	337,206.3	337,206.3	312,518.1	(24,688.2)	-7.3%	(24,688.2)	-7.3%
Fund Capitalization	711,578.5	504,926.2	512,726.2	512,726.2	504,500.7	494,555.1	(18,171.1)	-3.5%	(9,945.6)	-2.0%
Direct Approps to Retirement	357,564.7	479,471.8	479,471.8	479,471.8	479,471.8	610,511.0	131,039.2	27.3%	131,039.2	27.3%
Special Appropriations	1,608.9	1,200.0	1,200.0	1,200.0	1,200.0	-	(1,200.0)	-100.0%	(1,200.0)	-100.0%
Statewide Items Total	1,316,690.3	1,285,938.8	1,330,604.3	1,330,604.3	1,322,378.8	1,417,584.2	86,979.9	6.5%	95,205.4	7.2%
Statewide Total										
Unrestricted General (UGF)	8,591,276.8	9,020,226.2	9,210,699.5	9,210,699.5	9,081,113.7	9,519,333.5	308,634.0	3.4%	438,219.8	4.8%
Designated General (DGF)	4,953,818.3	5,022,462.4	5,274,082.3	5,274,082.3	5,222,021.4	5,508,706.1	234,623.8	4.4%	286,684.7	5.5%
Other State Funds (Other)	640,678.2	730,246.3	738,645.5	738,645.5	739,741.4	748,976.3	10,330.8	1.4%	9,234.9	1.2%
Federal Receipts (Fed)	1,030,984.6	1,165,639.6	1,168,770.5	1,168,770.5	1,168,141.0	1,213,607.0	44,836.5	3.8%	45,466.0	3.9%
	1,965,795.7	2,101,877.9	2,029,201.2	2,029,201.2	1,951,209.9	2,048,044.1	18,842.9	0.9%	96,834.2	5.0%
Fund Transfers (non-additive)	3,338,434.5	1,508,619.7	1,667,982.3	1,667,982.3	1,746,456.7	1,421,138.8	(246,843.5)	-14.8%	(325,317.9)	-18.6%

Agency Summary - FY13 Operating Budget - General Funds											
Agency	11 Actual	12 CC	12 Auth	12 MgtPln	Adj Base	Gov	12 MgtPln to Gov				
Administration	100,081.6	103,630.0	103,179.5	103,179.5	104,896.4	105,037.4	1,857.9	1.8%	141.0	0.1%	
Commerce, Community & Econ Dev	106,391.4	111,010.6	124,078.3	124,078.3	102,920.7	124,393.9	315.6	0.3%	21,473.2	20.9%	
Corrections	252,315.7	268,186.7	270,176.9	270,176.9	270,164.4	302,328.2	32,151.3	11.9%	32,163.8	11.9%	
Education & Early Dev	1,183,407.1	1,209,246.2	1,241,649.3	1,241,649.3	1,221,113.8	1,229,382.3	(12,267.0)	-1.0%	8,268.5	0.7%	
Environmental Conservation	43,973.7	45,695.8	46,218.6	46,218.6	46,702.7	48,030.4	1,811.8	3.9%	1,327.7	2.8%	
Fish and Game	71,843.7	80,442.1	80,617.9	80,617.9	82,477.3	85,279.4	4,661.5	5.8%	2,802.1	3.4%	
Governor	29,142.2	28,569.9	30,658.8	30,658.8	25,680.1	32,645.3	1,986.5	6.5%	6,965.2	27.1%	
Health & Social Services	1,029,540.6	1,083,677.8	1,222,328.6	1,222,328.6	1,228,065.3	1,287,537.0	65,208.4	5.3%	59,471.7	4.8%	
Labor & Workforce Dev	59,365.0	65,591.7	66,269.2	66,269.2	66,882.4	68,181.0	1,911.8	2.9%	1,298.6	1.9%	
Law	65,912.3	57,617.8	71,876.4	71,876.4	57,108.1	67,776.2	(4,100.2)	-5.7%	10,668.1	18.7%	
Military & Veterans Affairs	12,710.8	12,801.8	17,210.5	17,210.5	12,972.3	22,025.1	4,814.6	28.0%	9,052.8	69.8%	
Natural Resources	137,427.9	100,359.9	102,469.9	102,469.9	95,705.4	104,473.4	2,003.5	2.0%	8,768.0	9.2%	
Public Safety	148,313.2	162,259.9	162,648.1	162,648.1	161,883.3	170,202.1	7,554.0	4.6%	8,318.8	5.1%	
Revenue	55,494.5	39,559.3	40,398.8	40,398.8	40,570.4	41,181.1	782.3	1.9%	610.7	1.5%	
Transportation	331,553.2	339,011.7	352,655.4	352,655.4	342,095.3	347,493.9	(5,161.5)	-1.5%	5,398.6	1.6%	
University of Alaska	608,295.6	665,815.2	667,795.2	667,795.2	676,770.1	684,813.5	17,018.3	2.5%	8,043.4	1.2%	
Alaska Court System	94,965.3	100,568.5	101,607.6	101,607.6	105,261.1	107,805.6	6,198.0	6.1%	2,544.5	2.4%	
Legislature	55,645.4	68,955.1	74,514.6	74,514.6	74,318.8	75,251.5	736.9	1.0%	932.7	1.3%	
Branch-wide Unallocated Approp	-	31,000.0	13,000.0	13,000.0	31,000.0	36,000.0	23,000.0	176.9%	5,000.0	16.1%	
Agency Budgets Total	4,386,379.2	4,574,000.0	4,789,353.6	4,789,353.6	4,746,597.9	4,939,837.3	150,483.7	3.1%	193,249.4	4.1%	
Statewide Items											
Debt Service	183,789.6	228,461.9	265,327.4	265,327.4	265,327.4	240,509.0	(24,818.4)	-9.4%	(24,818.4)	-9.4%	
Fund Capitalization	665,154.1	469,575.0	477,375.0	477,375.0	469,175.7	466,825.1	(10,549.9)	-2.2%	(2,350.6)	-0.5%	
Direct Approps to Retirement	357,564.7	479,471.8	479,471.8	479,471.8	479,471.8	610,511.0	131,039.2	27.3%	131,039.2	27.3%	
Special Appropriations	1,608.9	1,200.0	1,200.0	1,200.0	1,200.0	-	(1,200.0)	-100.0%	(1,200.0)	-100.0%	
Statewide Items Total	1,208,117.3	1,178,708.7	1,223,374.2	1,223,374.2	1,215,174.9	1,317,845.1	94,470.9	7.7%	102,670.2	8.4%	
Statewide Total											
Unrestricted General (UGF)	5,594,496.5	5,752,708.7	6,012,727.8	6,012,727.8	5,961,762.8	6,257,682.4	244,954.6	10.9%	295,919.6	12.5%	
Designated General (DGF)	4,953,818.3	5,022,462.4	5,274,082.3	5,274,082.3	5,222,021.4	5,508,706.1	234,623.8	4.4%	286,684.7	5.5%	
	640,678.2	730,246.3	738,645.5	738,645.5	739,741.4	748,976.3	10,330.8	1.4%	9,234.9	1.2%	
Fund Transfers (non-additive)	3,332,866.8	1,499,858.0	1,659,220.6	1,659,220.6	1,737,695.0	1,412,307.0	(246,913.6)	-14.9%	(325,388.0)	-18.7%	

Positions: Authorized Count, Vacancy Factors and Legislative Control

The Governor's FY13 operating budget request increases permanent full-time (PFT) positions by 31 from the FY12 Management Plan. Departments also added 53 PFTs in the FY12 Management Plan (to the number authorized by the legislature) so the total increase from the FY12 authorized level is 84. Overall, the Governor's FY13 statewide budget contains 24,717 total positions (full-time, part-time, and temporary).

Permanent Full-time Positions Only						
Agency	FY12 Authorized	FY12 Management Plan	FY13 Governor	Positions Added by Agencies in FY12	Additional Positions Requested in FY13	TOTAL Change from FY12 to FY13
Administration	1,077	1,091	1,082	14	(9)	5
Commerce, Community and Economic Development	496	499	496	3	(3)	-
Corrections	1,509	1,508	1,699	(1)	191	190
Education and Early Development	337	336	332	(1)	(4)	(5)
Environmental Conservation	539	546	541	7	(5)	2
Fish and Game	925	924	911	(1)	(13)	(14)
Office of the Governor	162	161	156	(1)	(5)	(6)
Health and Social Services	3,490	3,510	3,464	20	(46)	(26)
Labor and Workforce Development	841	841	827	-	(14)	(14)
Law	569	572	570	3	(2)	1
Military and Veterans Affairs	345	344	338	(1)	(6)	(7)
Natural Resources	752	757	742	5	(15)	(10)
Public Safety	881	881	879	-	(2)	(2)
Revenue	877	878	880	1	2	3
Transportation and Public Facilities	3,217	3,221	3,172	4	(49)	(45)
University of Alaska	4,701	4,701	4,701	-	-	-
Alaska Court System	758	758	768	-	10	10
Legislature	248	249	250	1	1	2
TOTAL -- ALL Agencies	21,724	21,777	21,808	53	31	84

AS 39.25 (State Personnel Act) establishes the system of personnel administration within the state and describes the Governor's authority to create and appoint positions within the executive branch. Positions (i.e. Position Control Numbers (PCNs)) do not necessarily equate to the number of actual employees. More than one person can fill a single PCN, and many PCNs are vacant at some time during the fiscal year.

Legislators frequently express concern over the "unauthorized" addition of positions, as well as confusion over how positions are funded. There are a variety of reasons for both concern and confusion.

- Funding requested for FY13 positions is about 26% of the total operating budget (\$2.5 billion). Perhaps more pertinent, personal services funding is 44% of the operating budget excluding grants.
- Positions are difficult to delete. As former Representative Mike Kelly bluntly stated, "State employees have Velcro on their butts."
- Positions not authorized by the legislature are added every year (in Management Plan and beyond). As noted above, 53 positions added in the FY12 Management Plan were not authorized by the legislature.
- Legislators are often surprised when services cannot be performed because agencies hold "fully funded" positions vacant, claiming they have insufficient funding to fill the positions.

The following discussion addresses these issues. The intent is to give legislators (and staff) information so they can better understand budgetary issues involving positions. Before delving into a discussion of positions, the reader will need to be familiar with the following definitions.

- **Position Control Number (PCN)** - A PCN is a six- to eight-character code identifying a position. PCNs for authorized positions are assigned by the Division of Personnel and Labor Relations (henceforth referred to as the “Division of Personnel”). Exempt positions usually contain an “X” and exempt temporary positions usually contain a “T” in the third character of the PCN. The Personal Services Module of the executive branch budget system identifies new position requests (and positions which are not authorized) by using a non-numeric character “#” as the first character of a PCN, and assigns a sequential number, e.g. #123. If the position is authorized by the legislature, the Division of Personnel will assign an authorized number at the time the position is allocated to a job classification. Occasionally, a position will contain a “?” as the first character. This identifies a new position that has not been established through the Division of Personnel but has been authorized by the legislature.
- **Vacancy Factor** – The percentage by which personal services are purposely underfunded. In theory, a vacancy factor should account for savings attributable to employee turnover, and the budget should include sufficient funds to fill all positions listed in the budget. In reality, high vacancy factors, in combination with other complications, often force agencies to leave positions unfilled in the long-term. Minimum and maximum vacancy factors are suggested by OMB and increase with the number of full-time positions. *For more detailed information please see the “Vacancy Factor Explanation” section in this write-up.*

LEGISLATIVE CONTROL OVER POSITIONS

1. Can positions be created that have not been authorized by the legislature?

The short answer is “Yes”. According to the Alaska Administrative Manual (AAM 250.020), the following should occur to create positions:

- A requesting agency needs to obtain budgetary approval from OMB;
- The Division of Personnel must establish the position by assigning a position control number (PCN), job classification title, location, salary range, bargaining unit, overtime indicator, position type, and the agency that will pay the salary; and
- An agency may not appoint an individual to a position until the position has been authorized by the legislature or by OMB.

2. Can the legislature force a Department to lay off a person by cutting a PCN and/or its associated funding?

Although the specific PCN will be deleted, the *person* in the position may be unaffected. Instead of a lay off, the Department may choose, or be required by collective bargaining agreement, to place the person:

- in an existing, vacant PCN; or
- in a reclassified PCN; or
- in another PCN after “bumping” that PCN’s incumbent; or
- in a newly-created PCN.

Cutting funding for a position forces an agency to make choices: should cuts be made elsewhere, in other line items, in other allocations, or to other positions, so the person can be retained? Sometimes an agency can shift the impact of a cut by forcing others to pay. For example, cuts to a

Commissioner's Office will be passed to other divisions if the Commissioner's Office increases its collection of interagency receipts.

3. Can the legislature gain more control over the creation of positions?

The legislature could adopt a bill preventing agencies from creating positions not authorized in the budget. However, the undesirable consequences may far outweigh the perceived advantages.

- **Funded services may not be provided.** The legislature may appropriate funding for a purpose but an agency may have insufficient staff to conduct business.
- **Costs may increase** because agencies may have to contract for services instead of being able to do them in-house or may have to pay overtime to existing employees.
- **More legislative time could be needed** to approve the addition of "emergency" positions. (Budgets are prepared long in advance; unforeseen circumstances would almost certainly require a process for adding unbudgeted positions.)
- **Appropriations bills would need to be restructured** to include positions. This would not be technically difficult, but would bring up issues such as the ability to move positions across appropriation and agency lines.

FUNDING POSITIONS AUTHORIZED BY THE LEGISLATURE

4. Why does cutting funding for a vacant PCN affect the level of service an agency can provide? Conversely, how can a Department have insufficient funding to fill positions that are listed in the budget?

There are a variety of reasons an agency may have insufficient funding for budgeted positions, including:

- **Increased non-personal services expenditures.** Unfunded fixed costs offer a clear example of a situation in which an agency may have to use personal services money for a different purpose. Other situations are less clear, but occur frequently. For example, DCCED's Commissioner's Office contains a budget request for \$135.0 of Inter-Agency (I/A) receipts to reflect the Department's cost allocation plan. The funding source indicates that funding for this position will come from outside the Commissioner's Office. Unless additional funding is approved in the divisions from which the funding comes, those divisions must absorb the cost of the position—essentially, the divisions receive an unallocated reduction that may leave them with insufficient funding to fill their own positions. This problem arises in a number of ways, including paying the Department of Administration for centralized services, Law for legal assistance, or the state equipment fleet for vehicle costs. This situation is not always easy to spot; I/A receipts may not always be budgeted.
- **Step increases for existing employees.** While pay increases due to bargaining unit agreements are typically built into the base budget, departments are generally expected to absorb the cost of merit increases. The theory is that replacing a stepped-out employee with a low-step employee provides the money to pay the step increases for several other employees. The theory works if departing workers are replaced by workers with far less experience, but it doesn't work when turnover is low or when replacements come in at advanced steps. Generally speaking, agencies frequently must absorb much of the cost of merit increases.
- **Hollow authorization.** A personal services report that appears to be clean, meaning low vacancy rates, may "hide" a problem because budgeted funding sources may fail to materialize. For example, excess federal authorization in the personal services line may mean that an agency does not have cash to fill positions.

- **Reclassifications** may increase the cost for existing employees. Sometimes the legislature approves an increment to pay for job reclassifications. Sometimes agencies must absorb these costs.
 - **Geographic Differentials** change the cost of a position. For example, moving a position from Anchorage to Kotzebue can increase the cost of the position by more than 50%.
 - **Increased working reserve rates.** In FY13 the departments will absorb about \$6.1 million in unemployment insurance rates, leave cash-in, and terminal leave.
 - **Vacancy factors** are discussed below.
5. **If an agency cannot afford to fill a position, why the reluctance to delete it?** There are a several reasons an agency may not delete an unfilled PCN.
- Gaining legislative and OMB approval to add a PCN is not a painless process.
 - The manager may believe there is a need for the PCN and hope to eventually be able to afford it. For instance, if one-time costs decrease (such as one-time legal fees), the manager may be able to hire a person in the next fiscal year.
 - An agency may want to carry extra positions so that it can transfer personal services funding to other line items.

TRANSFERS TO AND FROM THE PERSONAL SERVICES LINE

6. **Why is funding transferred between the personal services line and other lines?** If an agency needs funding to pay for non-personal services costs, funding must be transferred from the personal services line to other line items by Revised Program (RP). This can occur in Management Plan or can occur after Management Plan has been submitted.
7. **Why is it important to analyze personal services transfers in the budget?** Transfers to and from the personal services line can signal “vacancy games” in an allocation. Funding moved from the personal services line to contractual line may simply indicate that the department
- is having difficulty recruiting so will contract for the services, or
 - must use the funding to pay increased contractual costs for leases, IT services, outside vendor costs, etc.

But some transfers, particularly those that are reversed before submitting the budget to the legislature, may indicate a lack of intent to follow the budget as submitted. When an agency consistently moves funding to and from the personal services line, it may be done to avoid deleting vacant positions. This may be important to those who place great importance on position counts and/or those who believe that the budget should be the best possible representation of how an agency expects to spend the money appropriated to it.

VACANCY FACTOR EXPLANATION

8. **What is a vacancy factor?**

A vacancy factor is the percentage by which personal services are purposely underfunded.

9. **Why are vacancy factors used in agency budgets?**

Vacancy factors reflect the expectation that the process of filling vacated positions is not instantaneous, all positions cannot be filled 100% of the time during the fiscal year so personal services do not need to be 100% funded.

10. What would happen if vacancy factors were not included in the budget?

Full funding may give an agency more money than is needed to pay for budgeted positions.

11. Who determines allowable vacancy factors?

The Office of Management and Budget (OMB) provides the following suggested minimum and maximum vacancy factor guidelines:

Number of Full Time Positions	Minimum Vacancy Factor *	Maximum Vacancy Factor
10 or less	0%	3%
11 to 20	1%	4%
21 to 30	2%	5%
31 to 50	3%	6%
51 plus	4%	7%

*Per OMB's August 2011 Operating Instructions, the minimum vacancy factor is optional.

12. Where do I find the vacancy factor for an allocation?

The vacancy factor for each allocation can be found in the personal services report in the Governor's Budget Detail books and on OMB's website.

13. When is the vacancy factor calculated?

Departments reconcile (or balance) personal services in the Automated Budget System (ABS) three times a year.

- Management Plan reflects the anticipated position costs in the current fiscal year and may include new positions which were added with OMB approval after the authorized budget.
- The Governor's December 15th request reflects the projected position costs for the next fiscal year and may include future position requests.
- Vacancy factors are also reconciled when the Governor's Amended budget is submitted.

14. Why do vacancy factors differ so much? Reasons include the following:

- **Allocation size.** Typically, larger allocations have higher vacancy factors. A zero percent vacant factor may be appropriate for an allocation with few employees but one can reasonably expect an allocation with 100 employees to experience turnover that is equivalent (in terms of cost) to having several vacant positions throughout the year. Forcing an allocation with three employees to maintain a 5% vacancy factor may mean that funding from another line item will need to be transferred to the personal services line to pay the full costs of the three positions.
- **High turnover and recruitment difficulties:** Some allocations experience higher turnover and/or more difficulty recruiting than other allocations (frequently where there are highly specialized positions). These allocations may be able to carry a higher vacancy factor than allocations that typically have little turnover and/or fill positions quickly.
- **Anticipated increase in another expenditure line.** It is also common for a department to choose to hold a position vacant for a portion of the year to meet anticipated increases in another expenditure line. For example, a position may be held vacant to meet increased lease costs.
- **A vacancy factor is, to a large extent, an arbitrary number,** as discussed in the following paragraph.

- 15. How is a vacancy factor determined for an allocation?** The personal services module within the Governor's Automated Budget System (ABS) details each budgeted position and the associated cost (salary and benefits) by allocation. Each position is reconciled for position status, bargaining unit, job class title, range, step, location, retirement, funding sources and other factors.

Once the reconciliation process is complete, a department will know the total personal services cost for each allocation, assuming that every position was filled for the full year. This amount is referred to as the pre-vacancy amount.

The agency then reviews how much money is available to each allocation, and how much of that money is required for nonpersonal services. Subtracting projected nonpersonal service costs from available funding gives an amount that is available for personal services. Alternately, the agency simply uses the amount appropriated to an allocation's personal services line. The amount available for personal services is the post-vacancy amount. In either case, the agency balances personal services by reducing the pre-vacancy amount so it equals the post-vacancy amount. The percentage reduction is the vacancy factor.

A key point: a vacancy factor reduces the amount available to pay for the positions within an allocation; it does not reduce the amount of funding appropriated to an allocation.

- 16. What happens when an allocation can't balance within the vacancy factor guidelines?**

If an allocation has a vacancy factor that does not meet guidelines, the Department may

- submit a line item transfer to/from another expenditure line (services, commodities, capital outlay) so that the guidelines are met,
- move personal services authorization from one allocation to another, within an appropriation, or
- submit an increment in the Governor's request to increase authorization or a decrement to remove excess authorization to balance personal services. Typically, an agency will attempt to transfer money within the agency rather than asking for a decrement.

Debt Summary Table

(\$ thousands)

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13Gov	FY12 to FY13	Comments
Alaska Debt Retirement Fund (ADRF) Capitalization												
General Funds	2,702.4	-	45,784.1	41,491.9	102,288.0	107,043.3	105,680.2	-	-	-	-	-
Federal Receipts	3,894.5	8,606.4	8,043.1	9,295.1	11,788.0	13,055.2	12,007.7	-	-	-	-	-
Investment Loss Trust Funds	2,500.0	104.0	77.8	12.7	376.5	171.9	26.0	-	-	-	-	-
Municipal Bond Bank Receipts (Earnings)	775.0	775.0	250.0	250.0	-	458.7	-	-	-	-	-	-
AHFC Dividend	8,861.1	27,568.0	18,854.6	17,441.7	-	-	-	-	-	-	-	-
AIDEA Dividend	-	13,837.4	8,812.0	16,649.5	-	-	-	-	-	-	-	-
ASLC Bonds	-	-	3,100.0	-	-	-	-	-	-	-	-	-
ASLC Bonds	-	24,815.0	22,000.0	-	-	-	-	-	-	-	-	-
Statutory Designated Program Receipts	-	-	-	-	-	-	-	-	-	-	-	-
State Land Fund	-	-	-	-	-	-	-	-	-	-	-	-
Church Interim Earnings (Misc. Earnings)	2,500.0	-	-	-	-	-	-	-	-	-	-	-
30,469.0	-	-	-	-	-	-	-	-	-	-	-	-
International Trade and Business Endowment	4,382.0	-	-	-	-	-	-	-	-	-	-	-
Lease Payment Accounts Residual (Misc. Earnings)	-	109.8	-	-	-	-	-	-	-	-	-	-
AATP Bond Proceeds (Misc. Earnings)	-	438.6	-	-	-	-	-	-	-	-	-	-
GO Bond Interest - Series 2003A (Misc. Earnings)	-	2,473.1	3,720.3	6,829.8	5,173.0	-	2,837.4	-	-	-	-	-
GO Bond Interest - Series 2003B (Misc. Earnings)	-	-	1,136.9	2,367.0	1,434.7	-	877.4	-	-	-	-	-
Total	56,084.0	78,777.3	111,838.8	94,337.7	121,070.2	120,725.1	121,428.7	-	-	-	-	-
DEBT SERVICE/REIMBURSEMENT												
ADRF Debt Payments												
GO Bonds - Schools/Roads (Series 2003A)	-	19,706.2	31,772.1	31,470.9	31,148.6	30,803.3	30,248.0	-	-	-	-	-
GO Bonds - GARVEES (Series 2003B)	4,194.5	9,045.0	9,241.0	11,662.0	13,222.7	13,062.5	12,885.1	-	-	-	-	-
GO Bonds - Transportation (Series 2009A)	-	-	-	-	-	-	5,689.0	-	-	-	-	-
GO Bonds - Transportation (Series 2010A)	-	-	-	-	-	-	-	1,039.0	3,107.0	-	(3,107.0)	-
Certificates of Participation (COPs)	15,751.4	17,280.7	13,782.1	13,147.6	11,170.1	8,061.3	8,036.3	-	-	-	-	-
School Debt Reimbursement	37,424.1	51,670.1	59,463.5	66,935.0	70,487.0	73,621.2	77,045.3	-	-	-	-	-
Administrative Systems Replacement	-	-	400.0	-	2,302.0	-	-	-	-	-	-	-
AMHS Vessel Overhaul	-	-	764.0	-	-	-	-	-	-	-	-	-
Subtotal	57,370.0	97,712.0	115,422.7	123,215.5	128,340.4	125,548.3	133,803.7	1,039.0	3,107.0	-	(3,107.0)	-
Direct Debt Payments												
GO Bonds - Schools/Roads (Series 2003A)	15,192.6	12,609.3	96.8	44.5	11.4	13.6	221.5	30,199.9	29,927.9	29,683.1	(234.8)	GO Bond Premium, Interest & GF
GO Bonds - GARVEES (Series 2003B)	-	5,045.6	4,543.3	1,860.1	56.3	6.9	1.3	12,728.1	12,571.9	12,420.1	(151.8)	Interest & Federal Rpts
GO Bonds - Transportation (Series 2009A)	-	-	-	-	-	-	-	10,832.1	12,878.3	12,905.0	26.7	GO Bond Premium, Interest & GF
GO Bonds - Educational Facilities (Series 2010A/B/C)	-	-	-	-	-	-	-	3,961.0	25,703.4	28,187.3	2,483.9	ILTF & GF
<i>Proposed GO Bonds - Port Projects (Series 2012A/B)</i>	-	-	-	-	-	-	-	-	-	15,000.0	15,000.0	GF
Certificates of Participation (COPs)	-	-	-	-	-	-	-	8,009.5	6,943.5	-	39.0	GF
One-time Deleverage - COPs	-	-	-	-	-	-	-	-	24,000.0	-	(24,000.0)	GF
School Fund - School Debt Reimbursement	28,600.0	30,200.0	27,000.0	27,000.0	24,500.0	23,400.0	23,000.0	106,258.5	108,145.6	120,386.3	12,240.7	GF & School Fund
International Airport Revenue Bonds	28,907.3	31,557.9	33,125.9	46,426.3	48,085.7	50,027.4	50,027.4	50,047.9	41,571.5	41,208.4	(363.1)	ARF, PFC's, Fed
Clean Water Fund Bonds	1,640.0	1,630.0	1,630.0	1,539.3	831.8	2,050.0	1,005.0	2,710.0	2,448.8	1,795.4	(653.4)	ACWF Receipts
Drinking Water Fund Bonds	1,040.0	1,030.0	1,105.0	1,075.3	1,109.8	1,115.0	1,670.0	2,973.2	2,724.6	1,863.6	(861.0)	ADWF Receipts
Sport Fish Hatchery Revenue Bonds	-	-	-	8,219.0	7,000.0	7,500.0	8,900.0	7,500.0	7,500.0	7,500.0	-	Sport Fish License Surcharge
Capital Project Reimbursement (HB 528)	2,818.7	2,736.0	3,634.1	10,209.9	10,459.0	8,036.2	5,549.9	5,707.3	6,071.0	5,888.9	(182.1)	GF
DOA for Alwood Building	3,549.4	3,549.4	3,549.4	3,467.1	3,467.1	3,467.1	3,467.1	3,467.1	3,467.0	3,467.0	-	GF
DOA for Linn's Padlo Parking Garage	-	-	-	-	3,443.0	3,303.5	3,303.5	3,303.5	3,303.5	3,303.5	-	GF
Anchorage Jail (Capital Lease)	5,264.5	5,274.1	5,275.1	5,091.8	5,102.0	5,091.2	5,103.9	5,108.0	4,028.7	4,101.2	72.5	GF
One-time Deleverage - Anchorage Jail	-	-	-	-	-	-	-	-	25,000.0	-	(25,000.0)	GF
Spring Creek Correctional Center	-	-	-	-	-	-	-	-	-	-	-	-
Yukon-Kuskokwim Correctional Center	-	-	-	-	-	-	-	-	-	-	-	-
Goose Creek Correctional Center	56,001.7	53,892.5	59,895.4	31,935.0	6,138.6	6,138.6	6,139.9	6,140.8	17,813.7	17,815.8	2.1	GF
AHFC State Capital Project Bonds	-	-	-	-	-	-	-	-	6,139.0	10,779.3	4,640.3	Diverted AHFC Dividends
NTSC Tobacco Settlement Bonds (off budget)	17,100.0	16,900.0	16,000.0	16,400.0	27,600.0	29,800.0	25,200.0	23,600.0	23,500.0	23,300.0	(200.0)	Diverted Tobacco Settlement
Subtotal	160,114.2	164,424.8	155,855.0	152,268.3	139,804.7	142,667.9	151,402.2	300,363.4	363,738.4	345,597.4	(17,141.0)	Revenue (to NTSC)
TOTAL Debt Service/Reimbursement	217,484.2	262,136.8	271,277.6	275,483.8	267,145.1	268,206.2	285,206.9	301,402.4	366,845.4	346,597.4	(20,248.0)	
Debt Payments by Type												
GO Bonds	19,387.1	46,406.1	45,653.2	45,037.5	44,439.0	43,886.3	48,944.9	58,760.1	84,188.5	98,205.5	14,017.0	COP's, Alwood Building, Parking Garage, Anchorage Jail, Goose Creek Prison
Lease - Purchase Financing	24,565.3	26,114.2	22,606.6	21,706.5	23,182.2	22,630.5	37,724.2	37,704.6	84,556.3	35,670.0	(48,886.4)	Creek Prison
Revenue Bonds	28,907.3	31,557.9	33,125.9	53,645.3	56,085.7	57,527.4	58,928.7	57,547.9	49,071.5	48,708.4	(363.1)	International Airport, Sport Fish
Debt Reimbursement	68,842.8	84,606.1	90,861.6	104,144.9	105,456.0	105,057.4	105,594.2	111,965.8	114,216.6	126,275.2	12,058.6	School Debt, Municipal Capital Debt
Corporate Debt for State Capital Projects	73,101.7	70,792.5	75,895.4	48,335.0	33,738.6	35,938.6	31,339.9	29,740.8	29,639.0	34,079.3	4,440.3	AHFC, NTSC
Short Term Financing	2,680.0	2,660.0	3,135.0	2,614.6	4,243.6	3,165.0	2,675.0	5,683.2	5,173.4	3,659.0	(1,514.4)	Clean and Drinking Water

Language Sections of the Governor's FY13 Operating Budget

Sec. 4. LEGISLATIVE INTENT. It is the intent of the legislature that the amounts appropriated by this Act are the full amounts that will be appropriated for those purposes for the fiscal year ending June 30, 2013.

In recent years the legislature has taken steps to reduce the need for routine supplemental appropriations. The intent of this section was to emphasize that supplemental operating appropriations are expected to be limited to needs that are truly unanticipated.

Sec. 5. COSTS OF JOB RECLASSIFICATIONS. The money appropriated in this Act includes the amount necessary to pay the costs of personal services because of reclassification of job classes during the fiscal year ending June 30, 2013.

This section was added by the legislature several years ago in response to agency requests for supplemental appropriations to cover the costs of reclassification of selected job classes that the legislature was not informed of in advance. The section clarifies that the cost of reclassifying positions is to be absorbed in an agency's existing budget.

Sec. 6. PERSONAL SERVICES TRANSFERS. It is the intent of the legislature that agencies restrict transfers to and from the personal services line. It is the intent of the legislature that the office of management and budget submit a report to the legislature on October 1, 2013, that describes and justifies all transfers to and from the personal services line by executive branch agencies during the fiscal year ending June 30, 2013.

A similar section was added by the legislature in FY09 and has appeared in operating budgets since then. It was added in response to some legislators' desire to gain a better understanding of personal services expenditures and the addition of positions that were not authorized by the legislature.

For FY13, the language is modified to require a single report covering the entire fiscal year. Previous language required two reports each year.

Sec. 7. ALASKA AEROSPACE CORPORATION. Federal receipts and other corporate receipts of the Alaska Aerospace Corporation received during the fiscal year ending June 30, 2013, that are in excess of the amount appropriated in sec. 1 of this Act are appropriated to the Alaska Aerospace Corporation for operations during the fiscal year ending June 30, 2013.

This section is intended to maximize the Alaska Aerospace Corporation's (AAC) ability to attract launch activity by eliminating all questions regarding the corporation's ability to accept and spend receipts in a timely manner.

Funding: The estimated impact of this section is zero. Historically, the appropriations to the corporation in section 1 have been sufficient to avoid application of this section. However, the language applied in FY11, when federal funds

diminished and the launch facility began to serve the private sector in addition to working on federal/military launches.

Sec. 8. ALASKA HOUSING FINANCE CORPORATION. (a) The board of directors of the Alaska Housing Finance Corporation anticipates that \$27,315,582 of the adjusted net income from the second preceding fiscal year will be available for appropriation during the fiscal year ending June 30, 2013.

Subsection a is not an appropriation; it merely specifies the amount of corporate receipts that will be made available to the state as a FY13 dividend payment. The amount available for the FY12 dividend was \$23.1 million.

Legislative Fiscal Analyst Comment: The statutory dividend is the lesser of \$103 million or 75% of the corporation's net income in the most recently completed fiscal year (AS 18.56.089(c)).

(b) A portion of the amount set out in (a) of this section for the fiscal year ending June 30, 2013, will be retained by the Alaska Housing Finance Corporation for the following purposes in the following estimated amounts:

- (1) \$1,000,000 for debt service on University of Alaska, Anchorage, dormitory construction, authorized under ch. 26, SLA 1996;
- (2) \$7,232,558 for debt service on the bonds described under ch. 1, SSSLA 2002;
- (3) \$2,546,724 for debt service on the bonds authorized under sec. 4, ch. 120, SLA 2004.

Subsection b makes no appropriation; it informs the legislature that the Alaska Housing Finance Corporation (AHFC) will retain \$10,779,282 of the amount available for the FY13 dividend to pay debt service on various AFHC-financed capital projects authorized by past legislatures. This leaves a dividend of \$16.536 million (\$440.3 less than in FY12) for the legislature to spend as it wishes.

Debt service for item 2 is roughly triple the amount required for FY12, offsetting the increase in the amount available for dividend. The reason for the increase is that debt service includes principal beginning in FY13—prior payments had been interest only. Debt service will remain at \$7.2 million through FY22.

Legislative Fiscal Analyst Comment: AHFC retains the amount required to make debt service payments on state-requested corporate debt in order to avoid higher interest rates that bonds with debt service subject to appropriation might command.

(c) After deductions for the items set out in (b) of this section, \$16,536,300 of the remainder of the amount set out in (a) of this section is available for appropriation.

Subsection c informs the legislature that, after the amounts retained in subsection b, the remaining amount of the AHFC Dividend is available for other purposes.

Legislative Fiscal Analyst Comment: Although corporate dividends are traditionally reserved for use in the capital budget, there is no requirement that this must occur—the legislature can appropriate corporate dividends for any purpose.

(d) After deductions for the items set out in (b) of this section and deductions for appropriations for operating and capital purposes are made, any remaining balance of the amount set out in (a) of this section for the fiscal year ending June 30, 2013, is appropriated to the budget reserve fund (AS 37.05.540(a)).

Subsection d appropriates any “unused” portion of the dividend to the statutory budget reserve fund.

***Legislative Fiscal Analyst Recommendation:** Appropriate the “unused” balance of dividends to the Alaska Capital Income Fund (AS 37.05.565). This will ensure that all dividends are appropriated while furthering the tradition of making corporate dividends available for capital projects.*

(e) All unrestricted mortgage loan interest payments, mortgage loan commitment fees, and other unrestricted receipts received by or accrued to the Alaska Housing Finance Corporation during the fiscal year ending June 30, 2013, and all income earned on assets of the corporation during that period are appropriated to the Alaska Housing Finance Corporation to hold as corporate receipts for the purposes described in AS 18.55 and AS 18.56. The corporation shall allocate its corporate receipts between the Alaska housing finance revolving fund (AS 18.56.082) and senior housing revolving fund (AS 18.56.710(a)) under procedures adopted by the board of directors.

Subsection e appropriates certain FY13 receipts of AHFC to the corporation and permits the corporation to allocate those receipts to the AHFC revolving loan fund and the senior housing revolving fund.

Funding: The corporate receipts used for purposes other than operating costs do not appear in the bill summary or in Legislative Finance reports. Corporate operating costs are appropriated in section 1.

(f) The sum of \$800,000,000 is appropriated from the corporate receipts appropriated to the Alaska Housing Finance Corporation and allocated between the Alaska housing finance revolving fund (AS 18.56.082) and senior housing revolving fund (AS 18.56.710(a)) under (e) of this section to the Alaska Housing Finance Corporation for the fiscal year ending June 30, 2013, for housing loan programs not subsidized by the corporation.

(g) The sum of \$30,000,000 is appropriated from the portion of the corporate receipts appropriated to the Alaska Housing Finance Corporation and allocated between the Alaska housing finance revolving fund (AS 18.56.082) and senior housing revolving fund (AS 18.56.710(a)) under (e) of this section that is derived from arbitrage earnings to the Alaska Housing Finance Corporation for the fiscal year ending June 30, 2013, for housing loan programs and projects subsidized by the corporation.

Subsections f and g appropriate bond proceeds and arbitrage earnings to various housing programs.

***Legislative Fiscal Analyst Comment:** Internal transfers are not reflected in reports prepared by the Legislative Finance Division.*

(h) The sum of \$32,000,000 is appropriated from federal receipts to the Alaska Housing Finance Corporation for housing assistance payments under the Section 8 program for the fiscal year ending June 30, 2013.

Subsection h appropriates federal receipts received by the corporation for Section 8 housing assistance payments.

Legislative Fiscal Analyst Recommendation: Replace section h with an appropriation in section 1. Doing so would make the appropriation part of the base budget in future years.

Sec. 9. ALASKA PERMANENT FUND CORPORATION. (a) The amount authorized under AS 37.13.145(b) for transfer by the Alaska Permanent Fund Corporation on June 30, 2013, estimated to be \$572,000,000, is appropriated from the earnings reserve account (AS 37.13.145) to the dividend fund (AS 43.23.045(a)) for the payment of permanent fund dividends and for administrative and associated costs for the fiscal year ending June 30, 2013.

Subsection a appropriates funds from the earnings reserve account to the dividend fund for payment of dividends and for administrative and associated costs. Earnings in FY13 (as calculated on the last day of the fiscal year) will be used to pay PFDs in October of 2013 and to pay administrative and associated costs throughout FY13.

Funding: The projected \$572 million dividend transfer includes funding for administrative and associated costs. Administrative and associated costs for FY13 are reflected in section 1 of the budget. They include the cost of operating the PFD Division, hold-harmless provisions that affect people served by the Department of Health & Social Services and "cost recovery" programs in various departments.

(b) After money is transferred to the dividend fund under (a) of this section, the amount calculated under AS 37.13.145(c) to offset the effect of inflation on the principal of the Alaska permanent fund during the fiscal year ending June 30, 2013, estimated to be \$888,000,000, is appropriated from the earnings reserve account (AS 37.13.145) to the principal of the Alaska permanent fund.

Subsection b is an "inflation proofing" provision. It transfers money from the Earnings Reserve Account to principal.

(c) The amount required to be deposited under AS 37.13.010(a)(1) and (2) during the fiscal year ending June 30, 2013, is appropriated to the principal of the Alaska permanent fund in satisfaction of that requirement.

Subsection c appropriates 25% of mineral lease rentals, royalties, royalty sales, etc. to the principal of the Permanent Fund as required by constitution or statute.

Funding: These deposits to the Permanent Fund do not appear in the bill summary or in Legislative Finance reports because the deposits are constitutionally dedicated rather than appropriated. The Permanent Fund projects that dedicated deposits will be \$816 million during FY13.

(d) The income earned during the fiscal year ending June 30, 2013, on revenue from the sources set out in AS 37.13.145(d), estimated to be \$22,000,000, is appropriated to the Alaska capital income fund (AS 37.05.565).

Subsection (d) appropriates FY13 earnings associated with the *State vs. Amerada Hess* settlement (held within the Permanent Fund) to the Alaska Capital Income Fund. The Capital Income Fund was established in FY05 and is customarily appropriated for capital projects.

Funding: The *Amerada Hess* settlement refers to a portion of the Permanent Fund that is “fenced off” from the rest of the Permanent Fund principal. The earnings on this \$425 million portion are projected at \$22 million per year based on the expected rate of return on Permanent Fund investments.

Legislative Fiscal Analyst Comment: Capitalization of a fund is preferable to direct appropriations from the Permanent Fund Earnings Reserve Account. Because the precise amount of earnings is unknown in advance, the amount available for appropriation is unknown. Putting the money in a non-lapsing fund ensures that all available earnings are appropriated while reducing the danger of appropriating more money than is available. The location of the language is open to debate. It once appeared in the capital budget because of a desire to place fund inflows and outflows in the same bill. However, earnings from the *Amerada Hess* settlement are independent of appropriations from the Capital Income Fund, so placing capitalization language in the capital bill offers no advantage. In recent years, the language has been placed with other appropriations of Permanent Fund earnings.

(e) The amount necessary to pay the custody, investment management, and third-party fiduciary fees of the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska), estimated to be \$108,200,000, is appropriated for that purpose from the receipts of the Alaska Permanent Fund Corporation to the Alaska Permanent Fund Corporation for the fiscal year ending June 30, 2013.

Subsection e appropriates gross earnings of the Permanent Fund—which are classified as corporate receipts—to the Corporation in order to pay the cost of managing the Fund’s investment portfolio. Appropriations for this purpose appeared in section 1 of the operating bill until last year. Moving the appropriation to the language portion of the bill prevents the use of management fees for APFC operations and provides flexibility in the amount available for management fees.

Legislative Fiscal Analyst Comment: Some legislators were uncomfortable with similar open-ended language for FY12. They replaced “estimated to be...” with “not to exceed...”, thereby nullifying the Permanent Fund Corporation’s desire for an open-ended appropriation. Such a change is equivalent to placing the appropriation as a separate appropriation in section 1 of the bill.

Sec. 10. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY. (a) The sum of \$20,400,000 has been declared available by the Alaska Industrial Development and Export Authority board of directors under AS 44.88.088 for appropriation as the dividend

for the fiscal year ending June 30, 2013, from the unrestricted balance in the Alaska Industrial Development and Export Authority revolving fund (AS 44.88.060).

Subsection a informs the legislature that the anticipated annual Alaska Industrial Development and Export Authority (AIDEA) corporate dividend to the state will be \$20.4 million (the FY12 dividend was \$29.4 million). By statute (AS 44.88.088) the dividend made available should not be less than 25 percent and not more than 50 percent of the base year statutory net income. This year's dividend is the maximum available by law.

(b) After deductions for appropriations made for operating and capital purposes are made, any remaining balance of the amount set out in (a) of this section for the fiscal year ending June 30, 2013, is appropriated to the budget reserve fund (AS 37.05.540(a)).

Subsection b appropriates the "unused" portion of the dividend to the statutory Budget Reserve Fund.

***Legislative Fiscal Analyst Recommendation:** Appropriate the "unused" balance of dividends to the Alaska Capital Income Fund (AS 37.05.565). This will ensure that all dividends are appropriated while furthering the tradition of making corporate dividends available for capital projects.*

Sec. 11. DEPARTMENT OF ADMINISTRATION. (a) The amount necessary to fund the uses of the state insurance catastrophe reserve account described in AS 37.05.289(a) is appropriated from that account to the Department of Administration for those uses during the fiscal year ending June 30, 2013.

Subsection a references the statute that allows up to \$5 million to be swept from lapsing general fund appropriations into the insurance catastrophe reserve account. It appropriates funds from the insurance catastrophe reserve account to the Department of Administration to obtain insurance, establish reserves for the self-insurance program, and to satisfy claims or judgments arising under the program.

***Legislative Fiscal Analyst Comment:** This section re-emphasizes the state's authority to expend funds from the state insurance catastrophe reserve account described in AS 37.05.289(a). The language may not be necessary, but it does no harm.*

The catastrophe reserve account sweeps lapsing general fund appropriations annually to maintain a balance not to exceed \$5 million. If these funds were not available, two opportunities would remain for meeting catastrophic situations: 1) supplemental appropriations by the legislature; and 2) judgment legislation. Delays that could occur with legislative remedies would cause difficulty in situations that require immediate action.

Funding: This provision has no FY13 fiscal impact; it allows money appropriated elsewhere to be transferred and spent but does not increase total appropriations.

NEW SUBSECTION

- (b) The amount necessary to have an unexpended and unobligated balance of \$5,000,000 in the state insurance catastrophe reserve account in accordance with AS 37.05.289 is appropriated from the general fund to the state insurance catastrophe reserve account (AS 37.05.289(a)).

Funding: The FY13 fiscal impact of this subsection is unknown, but may be as much as \$5 million. The proposed language complicates the funding mechanism for this fund because it fails to specify a date on which the balance is reviewed.

Legislative Fiscal Analyst Comment: A request for direct funding of the insurance reserve is unusual. The fund's normal funding source is appropriations for insurance-related purposes that are made to various agencies, which then transfer their appropriations to the reserve account. The method to maintain an adequate reserve balance is to scoop lapsing balances from the prior fiscal year—FY12 in this case—so that a \$5 million balance is available at the beginning of each year. If additional deposits are necessary during a fiscal year, the Department of Administration may scoop money from any current year appropriation that is determined by the Commissioner of Administration to be available for lapse at year end.

The proposed provision appears to be unnecessary. Subsection b implies that someone has determined that potentially lapsing balances in FY12 and FY13 are insufficient to meet FY13 needs. If that were the case, the Governor's budget should contain 1) additional appropriations to agencies for insurance-related purposes or 2) an estimate of the amount of the general fund deposit required to make up the short-fall. The Governor's budget transmittal has no transaction associated with the proposed language.

Legislative Fiscal Analyst Recommendation: Delete subsection b pending evidence that lapsing balances will be insufficient to meet FY13 needs.

NEW SUBSECTION

- (c) The amount necessary to fund the uses of the working reserve account described in AS 37.05.510(a) is appropriated from that account to the Department of Administration for those uses during the fiscal year ending June 30, 2013.

Subsection c appropriates funds from the working reserve account to the Department of Administration to pay leave cash-out, terminal leave, unemployment insurance contributions and workers compensation.

Legislative Fiscal Analyst Comment: This section re-emphasizes the state's authority to expend funds from the working reserve account described in AS 37.05.510.

The working reserve account scoops money from agency budgets, which include appropriations for the listed purposes. If the amount in the account is insufficient to cover expenditures, the Department of Administration may sweep lapsing personal services appropriations in order to cover expenses.

Funding: This provision has no FY13 fiscal impact; it allows money appropriated elsewhere to be transferred and spent but does not increase total appropriations.

Sec. 12. DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT. (a) The unexpended and unobligated balance of federal money apportioned to the state as national forest income that the Department of Commerce, Community, and Economic Development determines would lapse into the unrestricted portion of the general fund on June 30, 2013, under AS 41.15.180(j) is appropriated as follows:

(1) up to \$170,000 is appropriated to the Department of Transportation and Public Facilities, commissioner's office, for road maintenance in the unorganized borough, for the fiscal year ending June 30, 2013;

(2) the balance remaining after the appropriation made by (1) of this subsection is appropriated to home rule cities, first class cities, second class cities, a municipality organized under federal law, or regional educational attendance areas entitled to payment from the national forest income for the fiscal year ending June 30, 2013, to be allocated among the recipients of national forest income according to their pro rata share of the total amount distributed under AS 41.15.180(c) and (d) for the fiscal year ending June 30, 2013.

Subsection 1 appropriates \$170,000 of National Forest Receipts to DOT&PF for road maintenance in the unorganized borough.

Subsection 2 appropriates any remaining lapsing balance of National Forest Receipts to be paid as grants to local governments in the unorganized borough.

***Legislative Fiscal Analyst Comment:** National Forest receipts consist of national forest income received by DCCED for the portion of national forests located within the unorganized borough. By law, 75 percent of the income is allocated to public schools and 25 percent for maintenance of public roads in the unorganized borough.*

AS 41.15.180(j) states that the amount in the national forest receipts fund remaining at the end of the fiscal year lapses into the general fund and shall be used for school and road maintenance in the affected areas of the unorganized borough for which direct distribution has not been made. The amount appropriated in subsection 1 (\$170.0) has not changed for several years.

Subsection 2 affects lapsing receipts. Under AS 41.15.180(j) lapsing money must be spent in areas that do not receive money under AS 41.15.180(c) and (d). Subsection 2 takes money that would otherwise be spent in unorganized areas and appropriates it to local governments.

Funding: Historically, the Department has submitted decrements to reduce Federal Receipt authorization based on declining National Forest Receipt revenue. The program was scheduled to sunset in FY08, but the \$700 billion Economic Rescue Package (H.R. 1424--signed into law on October 3, 2008) extended the program's funding through FY12. Historical National Forest Receipt revenue levels are:

- FY10 - \$18,760.5

- FY11 - \$15,857.6
- FY12 Estimated - \$14,424.5

Legislative Fiscal Analyst Comment: The funding level requested for FY13 remains the same as for FY12. At this time, it is unknown if Congress will extend the program or if the program will return to the original formula. If the program returns to the original formula, the State of Alaska's portion is estimated to be \$600.0.

Legislative Fiscal Analyst Recommendation: If FY13 funding declines substantially, the legislature may wish to reevaluate the appropriation of \$170.0 of the receipts for rural road maintenance.

(b) If the amount necessary to make national forest receipts payments under AS 41.15.180 exceeds the amount appropriated for that purpose in sec. 1 of this Act, the amount necessary to make national forest receipt payments is appropriated from federal receipts received for that purpose to the Department of Commerce, Community, and Economic Development, revenue sharing, national forest receipts allocation, for the fiscal year ending June 30, 2013.

Subsection b is intended to ensure that all federal funding received for the National Forest Receipts program is disbursed expeditiously to communities.

Funding: The estimated impact of this section is zero. The \$15.2 million appropriated in section 1 for this program should be sufficient. Estimated receipts for FY12 were \$14.4 million and receipts for FY13 are expected to decline to \$600.0. Any shortage of authorization can be resolved by submitting a revised program to the Legislative Budget and Audit Committee.

(c) If the amount necessary to make payments for the payment in lieu of taxes for cities in the unorganized borough program under AS 44.33.020 exceeds the amount appropriated for that purpose in sec. 1 of this Act, the amount necessary to make those payments is appropriated from federal receipts received for that purpose to the Department of Commerce, Community, and Economic Development, revenue sharing, payment in lieu of taxes allocation, for the fiscal year ending June 30, 2013.

Subsection c is intended to ensure that all federal funding received for the Payment in Lieu of Taxes (PILT) program is disbursed expeditiously to communities.

Funding: The estimated impact of this section is zero. The \$10.1 million appropriated in section 1 for this program should be sufficient.

(d) An amount equal to the salmon enhancement tax collected under AS 43.76.001 - 43.76.028 in calendar year 2011 and deposited in the general fund under AS 43.76.025(c) is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for payment in the fiscal year ending June 30, 2013, to qualified regional associations operating within a region designated under AS 16.10.375.

Funding: These "pass through" amounts are excluded from Legislative Finance reports on the operating bill.

(e) An amount equal to the seafood development tax collected under AS 43.76.350 - 43.76.399 in calendar year 2011 and deposited in the general fund under AS 43.76.380(d) is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for payment in the fiscal year ending June 30, 2013, to qualified regional seafood development associations.

Funding: These "pass through" amounts are excluded from Legislative Finance reports on the operating bill.

(f) The interest earned by the renewable energy grant fund (AS 42.45.045(a)), not to exceed \$2,000,000, is appropriated to the Alaska Energy Authority for the administration of the renewable energy grant fund for the fiscal year ending June 30, 2013.

Subsection f allows the Alaska Energy Authority to use up to \$2 million of earnings on the renewable energy grant fund for grant administration. The AEA awards and monitors grants for renewable energy projects.

(g) The sum of \$22,875,800 is appropriated from the power cost equalization endowment fund (AS 42.45.070(a)) to the Department of Commerce, Community, and Economic Development, Alaska Energy Authority, power cost equalization allocation, for the fiscal year ending June 30, 2013.

Subsection g is intended to appropriate seven percent of the 36-month average balance of the Power Cost Equalization Endowment to the Alaska Energy Authority (AEA) for the Power Cost Equalization (PCE) program. As in the past, a seven percent payout is the maximum withdrawal that can occur under the statutory formula (AS 42.45.070-.085). The calculated amount is a reduction of \$634.8 from FY12.

(h) If the amount appropriated in (g) of this section is not sufficient to pay power cost equalization program costs without proration, the amount necessary to pay power cost equalization program costs without proration, estimated to be \$15,314,200, is appropriated from the general fund to the Department of Commerce, Community, and Economic Development, Alaska Energy Authority, power cost equalization allocation, for the fiscal year ending June 30, 2013.

Subsection h is an open-ended general fund appropriation to AEA for the PCE program. Combined with the appropriation in subsection g, this appropriation will provide the amount required to fund the statutory formula for the PCE program.

Funding: The estimated impact of this section is \$15.3 million—which is \$4.48 million more than the estimated UGF appropriation for FY12. Total program cost is projected to be \$38.4 million, an increase of \$3.9 million from FY12. The projected increase is due to a reduction in the base rate and an increase in fuel costs.

Legislative Fiscal Analyst Comment: A \$400 million deposit made as an FY11 supplemental appropriation has a negligible impact on the 36-month average balance because it counts in only the final month (June 2011) of the calculation period. As the deposit is phased in during FY14-FY16, the endowment payout will increase. The general fund subsidy for PCE is expected to be less than \$5 million in FY14 and to go to zero beginning in FY15.

RECOMMENDED NEW SECTION

Legislative Fiscal Analyst Comment: The FY12 operating bill included language that outlined a funding methodology for the Alaska Seafood Marketing Institute (ASMI). The methodology was designed to:

- *Match (with UGF appropriations) contributions by the seafood industry in the most recently closed fiscal year, limited to \$9 million annually;*
- *Enhance planning efforts by limiting expenditures of current year program receipts to approximately 20% of receipts collected in the most recently closed fiscal year;*
- *Stabilize the funding stream by allowing all unspent program receipts to be carried forward; and*
- *Provide federal receipt authorization sufficient to use all available federal funding.*

ASMI's FY13 request is in section 1 of the bill, which makes it base funding in future years. While the request is well within the bounds of the funding formula specified in the FY12 budget, there is some danger that the matching and stabilization concepts embodied in FY12 language will soon be forgotten if funding simply becomes part of the base budget.

Legislative Fiscal Analyst Recommendation: *Replace the section 1 appropriation to ASMI with language similar to that used in the FY12 operating budget.*

(i) **Section 56(e), ch. 43, SLA 2010, as amended by sec. 13(m), ch. 3, FSSLA 2011, is further amended to read:**

(e) The unexpended and unobligated balances of the appropriations made in sec. 37(a)(3), ch. 15, SLA 2009 (Legislative Council, addressing the effects of climate and environmental change on the state - \$750,000) and sec. 37(e), ch. 15, SLA 2009 (Legislative Council - Alaska Conference on State and Federal Responsibility Related to Economic Impacts of ESA Listings and for addressing the effects of climate and environmental change on the state) are reappropriated to the Department of Commerce, Community, and Economic Development, office of the commissioner, for addressing the effects of climate and environmental change on the state for the fiscal years ending June 30, 2010, June 30, 2011, [AND] June 30, 2012, and June 30, 2013.

Subsection i extends the lapse date (through FY13) of money made available to the Department for addressing the effects of climate and environmental change on the state.

Funding: The estimated impact of this section is zero. The appropriation is included in prior year reports, and a lapse extension makes no new money available. The estimated amount to be carried forward into FY13 is unknown at this time.

NEW SECTION

Sec. 13. DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT. Section 14(a), ch. 3, FSSLA 2011, is amended to read:

(a) The unexpended and unobligated balance of the appropriation for EduJobs, approved by the Legislative Budget and Audit Committee as RPL 05-1-0085, on June 30, 2011, estimated to be \$20,000,000, is reappropriated to the Department of Education and Early Development for the EduJobs program for the fiscal years [YEAR] ending June 30, 2012, and June 30, 2013.

Section 13 extends the lapse date (through FY13) of money made available to the Department—via a revised program approved by the Legislative Budget and Audit Committee—for the EduJobs program.

Funding: The estimated impact of this section is zero. A lapse extension makes no new money available. The estimated amount to be carried forward into FY13 is unknown at this time.

***Legislative Fiscal Analyst Recommendation:** Replace the \$20 million estimated carryforward into FY12 with the anticipated carryforward into FY13.*

PROPOSED NEW SECTION See section 12 of the capital bill

Fish and Game

Section 12 of the Governor's proposed capital budget permits a capital appropriation for the sport fish hatchery in Anchorage to be used for operating the facility and reappropriates \$5 million of general funds (originally appropriated for hatchery construction) to the Fish and Game fund.

***Legislative Fiscal Analyst Comment:** Both proposed actions affect operations, not just for FY13, but potentially for several years. Operating subcommittees must—at a minimum—be aware of the capital language. See the discussion under section 12 of the capital language analysis, which recommends a slight change in the Governor's approach to resolving funding issues. The recommendation includes the addition of language to the operating bill.*

NEW SECTION Similar language was in the FY12 capital bill

* **Sec. 14. DEPARTMENT OF HEALTH AND SOCIAL SERVICES.** (a) An amount equal to federal receipts received directly by tribes for the Low Income Home Energy Assistance Program during the fiscal year ending June 30, 2011, less federal receipts received directly by tribes for the Low Income Home Energy Assistance Program during the fiscal year ending June 30, 2013, not to exceed \$3,373,000, is appropriated from the general fund to the Department of Health and Social Services, public assistance, energy assistance program, for grants to tribes for energy assistance under AS 47.25.626 for the fiscal year ending June 30, 2013.

Subsection a ensures that LIHEAP funding for tribes is no less than the amount received for that purpose in FY11. The provision will replace up to \$3.4 million of federal receipts with general funds in order to maintain the FY11 funding level.

Funding: The estimated impact of this section is a \$3.4 million general fund cost, as it was for FY12.

(b) If federal receipts appropriated in sec. 1 of this Act to the Department of Health and Social Services, public assistance, energy assistance program, for the fiscal year ending June 30, 2013, are not available to the state in the amount appropriated, the appropriation of federal receipts is reduced by the unavailable amount, and the difference between the amount of federal receipts appropriated in sec. 1 of this Act and the amount received, not to exceed \$4,627,000, is appropriated from the general fund to the Department of Health and Social Services, public assistance, for the energy assistance program for the fiscal year ending June 30, 2013.

Subsection b ensures that LIHEAP funding for low-income Alaskans is not dependent solely on the amount of federal receipts for that purpose. If FY13 federal receipts for LIHEAP are less than the \$16 million appropriated for that purpose in section 1, the provision will replace up to \$4.6 million of unrealizable federal receipts with general funds.

Funding: The estimated impact of this section is \$4.6 million, as it was for FY12.

Sec. 15. DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT. (a) If the amount necessary to pay benefit payments from the fishermen's fund (AS 23.35.060) exceeds the amounts appropriated for that purpose in sec. 1 of this Act, the additional amount necessary to pay those benefit payments is appropriated for that purpose from that fund to the Department of Labor and Workforce Development, fishermen's fund allocation, for the fiscal year ending June 30, 2013.

This subsection allows benefit payments to exceed the amount appropriated in section 1, ensuring that expenditure authorization will be sufficient to pay benefits required by law.

Funding: The estimated impact of this section is zero.

(b) If the amount necessary to pay benefit payments from the second injury fund (AS 23.30.040(a)) exceeds the amount appropriated for that purpose in sec. 1 of this Act, the additional amount necessary to make those benefit payments is appropriated for that purpose from the second injury fund to the Department of Labor and Workforce Development, second injury fund allocation, for the fiscal year ending June 30, 2013.

This subsection allows benefit payments to exceed the amount appropriated in section 1, ensuring that expenditure authorization will be sufficient to pay benefits required by law.

Funding: The estimated impact of this section is zero.

(c) If the amount necessary to pay benefit payments from the workers' compensation benefits guaranty fund (AS 23.30.082) exceeds the amount appropriated for that purpose in sec. 1 of this Act, the additional amount necessary to pay those benefit payments is

appropriated for that purpose from that fund to the Department of Labor and Workforce Development, workers' compensation benefits guaranty fund allocation, for the fiscal year ending June 30, 2013.

This subsection allows benefit payments to exceed the amount appropriated in section 1, ensuring that expenditure authorization will be sufficient to pay benefits required by law.

Funding: The estimated impact of this section is zero.

(d) If the amount of contributions received by the Alaska Vocational Technical Center under AS 21.96.070, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, and AS 43.77.045 during the fiscal year ending June 30, 2013, exceeds the amount appropriated for the Department of Labor and Workforce Development, Alaska Vocational Technical Center, in sec. 1 of this Act, the additional contributions are appropriated to the Department of Labor and Workforce Development, Alaska Vocational Technical Center, Alaska Vocational Technical Center allocation, for the purpose of operating the center, for the fiscal year ending June 30, 2013.

Subsection d provides open-ended authority to spend program receipts, thereby eliminating all questions regarding AVTEC's ability to accept and spend receipts in a timely manner.

Funding: The estimated impact of this section is zero; the appropriation in section 1 is expected to be sufficient.

Sec. 16. DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS. Five percent of the average ending market value in the Alaska veterans' memorial endowment fund (AS 37.14.700) for the fiscal years ending June 30, 2010, June 30, 2011, and June 30, 2012, estimated to be \$13,500, is appropriated from the Alaska veterans' memorial endowment fund to the Department of Military and Veterans' Affairs for the purposes specified in AS 37.14.730(b) for the fiscal year ending June 30, 2013.

Section 16 appropriates the payout from the endowment to DMVA. The payout may be used for maintenance, repair and construction of monuments to the military.

Sec. 17. DEPARTMENT OF NATURAL RESOURCES. (a) Federal receipts received for fire suppression during the fiscal year ending June 30, 2013, estimated to be \$8,500,000, are appropriated to the Department of Natural Resources for fire suppression activities for the fiscal year ending June 30, 2013.

Subsection a appropriates an open-ended amount of federal receipts received for fire suppression to the Department of Natural Resources.

Funding: A \$2 million federal receipts estimate for fire suppression has been used for several years. This update to the anticipated amount of receipts is a more realistic estimate of FY13 receipts.

(b) The amount necessary for the purposes specified in AS 37.14.820 for the fiscal year ending June 30, 2013, estimated to be \$50,000, is appropriated from the mine reclamation

trust fund operating account (AS 37.14.800(a)) to the Department of Natural Resources for those purposes.

Subsection b appropriates money from Mine Reclamation Trust Fund operating account to DNR for the purposes specified in AS 37.14.820 (mine reclamation activities).

Legislative Fiscal Analyst Comment: This section is not required but does no harm; the appropriation contained in section 25(c)—an internal transfer of funds from the income account to the operating account—appears to satisfy the appropriation requirement of AS 37.14.800(b). Once that internal transfer occurs, expenditures require no further appropriation per AS 37.14.820.

Funding: The agency estimates the amount needed for mine reclamation expenditures is about \$50,000. The money is spent in the Claims, Permits and Leases allocation for reclamation of land use permits and leases on state lands.

Legislative Fiscal Analyst Recommendation: Although this section is not required, it should be retained because the appropriation in section 20(f) is classified as an internal transfer within a fund (so does not appear as a budget transaction). Subsection b ensures that the use of earnings appears as an appropriation of new money in the allocation in which the money is spent.

(c) The interest earned during the fiscal year ending June 30, 2013, on the reclamation bond posted by Cook Inlet Energy for operation of an oil production platform in Cook Inlet under lease with the Department of Natural Resources, estimated to be \$250,000, is appropriated from interest held in the general fund to the Department of Natural Resources for the purpose of the bond for the fiscal years ending June 30, 2013, June 30, 2014, and June 30, 2015.

Subsection c appropriates the interest earned on the bond posted by Cook Inlet Energy and held in the general fund to DNR for the purpose of the bond.

Legislative Fiscal Analyst Comment: This situation is atypical for reclamation bonding. In 2009, Pacific Energy Resources Ltd. declared bankruptcy and abandoned the Redoubt Unit in Cook Inlet. Their bond was transferred to DNR for reclamation of the site. Cook Inlet Energy (CIE) then purchased the Redoubt Unit, which meant that DNR did not need to perform further site reclamation work and that the State was holding cash from the Pacific Energy Resources bond. That cash was applied to the reclamation bond requirements imposed on Cook Inlet Energy. As a cost saving measure, the proceeds from the Pacific Energy Resources bond were retained in the general fund. This section appropriates the earnings on the bond to DNR to cover potential reclamation activity in the future.

Sec. 18. DEPARTMENT OF PUBLIC SAFETY. (a) If the amount of federal receipts received by the Department of Public Safety from the justice assistance grant program during the fiscal year ending June 30, 2013, for drug and alcohol enforcement efforts exceeds \$1,289,100, the appropriation made in sec. 1 of this Act for that purpose is reduced by the amount by which the federal receipts exceed \$1,289,100.

Subsection a is contingency language that requires a dollar-for-dollar reduction of general funds appropriated for drug and alcohol enforcement efforts in section 1 if DPS receives over \$1.3 million in federal grants for this purpose.

Legislative Fiscal Analyst Comment: Recent operating budgets have included similar language. The provision has not had a significant impact in the past and DPS does not expect to receive federal grants in FY13 that would trigger the contingency.

Legislative Fiscal Analyst Recommendation: *The legislature may wish to consider deleting subsection a. Doing so would allow federal grants for alcohol enforcement efforts to supplement general funds rather than replace them.*

(b) If federal receipts are received by the Department of Public Safety for the rural alcohol interdiction program during the fiscal year ending June 30, 2013, the appropriation made in sec. 1 of this Act for that purpose is reduced by the amount of the federal receipts.

Subsection b is contingency language that requires a dollar-for-dollar reduction of general funds appropriated for rural alcohol interdiction efforts in section 1 if DPS receives federal grants for this purpose.

Legislative Fiscal Analyst Comment: Recent operating budgets have included similar language. The provision has not had a significant impact in the past and DPS does not expect to receive federal grants in FY13 that would trigger the contingency.

Legislative Fiscal Analyst Recommendation: *The legislature may wish to consider deleting subsection b. Doing so would allow federal grants for alcohol enforcement efforts to supplement general funds rather than replace them.*

Sec. 19. DEPARTMENT OF REVENUE. (a) The sum of \$778,700 is appropriated from the general fund to the Department of Revenue, child support services agency, for the required 34 percent state match of federal receipts received for child support enforcement efforts for the fiscal year ending June 30, 2013.

Subsection a appropriates a portion of the general funds required to match federal receipts received for child support enforcement efforts. Other required matching funds are appropriated in section 1.

Legislative Fiscal Analyst Recommendation: *Subsection a should be deleted in favor of appropriating the full amount of required general fund match (\$1,044.0) in section 1.*

(b) If any amount of the federal incentive payments received under AS 25.27.125 by the Department of Revenue, child support services agency, during the fiscal year ending June 30, 2013, may be used as the required 34 percent state match of other federal receipts received for child support enforcement efforts, the appropriation made in (a) of this section is reduced by the amount by which the federal incentive payments may be used as the required 34 percent state match.

Subsection b is contingency language that requires a dollar-for-dollar reduction of general funds appropriated in subsection a for child support enforcement efforts if federal incentive payments may be used to match additional federal receipts.

Legislative Fiscal Analyst Comment: Although incentive payments were once an allowable source of matching funds, that use was not permitted in FY12 and there is no indication that rules will be relaxed to again allow use of federal incentive payments to match other federal receipts.

Legislative Fiscal Analyst Recommendation: Subsection b can be deleted or modified to refer to matching funds appropriated in section 1. The legislature may wish to consider increasing the amount of general fund match (from the \$778.7 mentioned in subsection a) to the \$1,044.6 shown in the spreadsheet below. Excess federal authorization of \$265.3 can be retained.

	FY13 Gov Request		FY13 w/ 34% Required Match	
	Ratio		Correct Ratio	
TOTAL BUDGET	28,096.5		28,096.5	
Budgeted Funding that is Ineligible to Match Federal Funds	2,544.8		2,544.8	
Federal Incentive Funds	1,800.0		1,800.0	
UGF for operating activities Ineligible as Match	698.8		698.8	
GF/PR for Paternity Testing	46.0		46.0	
Total Budget less Funding Ineligible for the Match	25,551.7		25,551.7	
Authorization Required based on Funding Ratio				
Federal Authorization	17,129.4	67%	16,864.1	66%
G/F Match	8,422.3	33%	8,687.6	34%
G/F Match Authorized in Section 1	7,643.6		7,643.6	
G/F Match Not Currently in Section 1	778.7		1,044.0	

(c) Program receipts collected as cost recovery for paternity testing administered by the child support services agency, as required under AS 25.27.040 and 25.27.165, and as collected under AS 25.20.050(f), estimated to be \$46,000, are appropriated to the Department of Revenue, child support services agency, for child support activities for the fiscal year ending June 30, 2013.

Subsection b appropriates (to CSSD) receipts collected to recover the costs of paternity testing.

Funding: The Department estimates that paternity testing will generate \$46,000 in program receipts.

NEW SECTION

Sec. 20. DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES. (a) The interest earned by the Alaska marine highway vessel replacement fund (AS 37.05.550(a)) is appropriated to the Alaska marine highway vessel replacement fund (AS 37.05.550(a)) for the fiscal year ending June 30, 2013.

(b) The interest earned by the Alaska marine highway system fund (AS 19.65.060(a)) is appropriated to the Alaska marine highway system fund (AS 19.65.060(a)) for the fiscal year ending June 30, 2013.

Section 20 appropriates interest earned on the AMHS vessel replacement fund and the AMHS fund to those funds. Earnings currently accumulate in the general fund.

Legislative Fiscal Analyst Comment: The Governor's budget excludes the transactions required to accomplish the actions specified in section 20. The subsections provide no estimates of FY13 earnings.

Legislative Fiscal Analyst Recommendation: Delete section 20. If the legislature wishes to increase the balances of the funds, it is simpler to appropriate general funds to the named funds.

Sec. 21. OFFICE OF THE GOVERNOR. (a) If the 2013 fiscal year-to-date average price of Alaska North Slope crude oil exceeds \$64 a barrel on August 1, 2012, the amount of money corresponding to the 2013 fiscal year-to-date average price, rounded to the nearest dollar, as set out in the table in (c) of this section, estimated to be \$18,000,000, is appropriated from the general fund to the Office of the Governor for distribution to state agencies to offset increased fuel and utility costs for the fiscal year ending June 30, 2013.

(b) If the 2013 fiscal year-to-date average price of Alaska North Slope crude oil exceeds \$64 a barrel on December 1, 2012, the amount of money corresponding to the 2013 fiscal year-to-date average price, rounded to the nearest dollar, as set out in the table in (c) of this section, estimated to be \$18,000,000, is appropriated from the general fund to the Office of the Governor for distribution to state agencies to offset increased fuel and utility costs for the fiscal year ending June 30, 2013.

(c) The following table shall be used in determining the amount of the appropriations made in (a) and (b) of this section:

2013 FISCAL YEAR-TO-DATE AVERAGE PRICE OF ALASKA NORTH SLOPE CRUDE OIL	AMOUNT
\$100 or more	\$18,000,000
99	17,500,000

98	17,000,000
97	16,500,000
96	16,000,000
95	15,500,000
94	15,000,000
93	14,500,000
92	14,000,000
91	13,500,000
90	13,000,000
89	12,500,000
88	12,000,000
87	11,500,000
86	11,000,000
85	10,500,000
84	10,000,000
83	9,500,000
82	9,000,000
81	8,500,000
80	8,000,000
79	7,500,000
78	7,000,000
77	6,500,000
76	6,000,000
75	5,500,000
74	5,000,000
73	4,500,000
72	4,000,000
71	3,500,000
70	3,000,000
69	2,500,000
68	2,000,000
67	1,500,000

66	1,000,000
65	500,000
64	0

(d) It is the intent of the legislature that a payment under (a) or (b) of this section be used to offset the effects of higher fuel and utility costs for the fiscal year ending June 30, 2013.

(e) The governor shall allocate amounts appropriated in (a) and (b) of this section as follows:

- (1) to the Department of Transportation and Public Facilities, 65 percent of the total plus or minus 10 percent;
- (2) to the University of Alaska, eight percent of the total plus or minus three percent;
- (3) to the Department of Health and Social Services and the Department of Corrections, not more than five percent each of the total amount appropriated;
- (4) to any other state agency, not more than four percent of the total amount appropriated;
- (5) the aggregate amount allocated may not exceed 100 percent of the appropriation.

Subsections a and b appropriate an estimated \$36 million—depending on the year-to-date average price of crude oil—to be distributed to agencies to offset increased fuel and utility costs.

Subsection c provides a table that determines, based on the price of oil, how much funding is appropriated in subsections a and b.

Subsection d states legislative intent that the funding is to offset fuel and utility cost increases.

Subsection e provides guidelines for allocating the money among agencies.

Funding: OMB included a \$36 million appropriation for fuel in its budget transmittal, which corresponds to a forecast oil price in excess of \$100/bbl.

***Legislative Fiscal Analyst Comment:** The Governor's proposed table is identical to the table used in FY12 and has an upper limit of \$100/bbl (at a cost of \$36 million), while the official revenue forecast uses a price of \$109.47/bbl. Extending the table to—or above—the official price projection would increase the estimated cost of the fuel trigger to \$45 million. As written, the table may leave agencies short of money to meet fuel cost increases in FY13. Among other options, the legislature may choose to follow the Governor's lead on this issue or bear the cost of updating the table.*

NEW SUBSECTION

(f) The unexpended and unobligated general fund balances on June 30, 2012 of the appropriations made in sec. 1, ch. 3, FSSLA 2011, page 17, line 9 (Office of the Governor, commissions/special offices - \$3,634,200); sec. 1, ch. 3, FSSLA 2011, page 17, line 12 (Office of the Governor, executive operations - \$16,973,400); sec. 1, ch. 3, FSSLA 2011, page 17, line 19 (Office of the Governor, state facilities rent - \$998,300); sec. 1, ch. 3, FSSLA 2011, page 17, line 24 (Office of the Governor, office of management and budget - \$2,590,900);

and sec. 1, ch. 3, FSSLA 2011, page 17, line 28 (Office of the Governor, elections - \$5,073,600) are reappropriated to the Office of the Governor for operating expenses for the fiscal year ending June 30, 2013.

Subsection f allows the Governor's Office to carry surplus funding forward from FY12 to FY13.

Funding: The precise amount of carryforward will remain unknown until the end of FY12. The language provides non-specific increments in an indeterminate amount, in addition to the \$2 million added (via carryforward) to the FY12 base.

***Legislative Fiscal Analyst Comment:** The Governor's request is unusual in its timing and placement; if carryforward language is allowed at all, it typically appears as a last-minute item in the capital budget.*

The \$2 million carried forward from FY11 into FY12 effectively indicates that the FY11 appropriation to the Governor's Office was \$2 million more than required in that year. That surplus does not necessarily imply that carryforward from FY12 to FY13 will be an additional \$2 million. Costs have risen—in this case, particularly legal costs associated with redistricting—and budgets must increase accordingly.

The legislature may wish to delete section 21(f) in order to limit surplus authorization in FY13. If deletion of the carryforward language provides insufficient funding for FY13, the legislature should encourage the Governor to submit specific increments for legislative review.

Sec. 22. UNIVERSITY OF ALASKA. The amount of the fees collected under AS 28.10.421(d) during the fiscal year ending June 30, 2012, for the issuance of special request university plates, less the cost of issuing the license plates, estimated to be \$2,000, is appropriated from the general fund to the University of Alaska for support of alumni programs at the campuses of the university for the fiscal year ending June 30, 2013.

Funding: The University expects to receive about \$2,000 under this section.

Sec. 23. BOND CLAIMS. The amount received in settlement of a claim against a bond guaranteeing the reclamation of state, federal, or private land, including the plugging or repair of a well, estimated to be \$50,000, is appropriated to the agency secured by the bond for the fiscal year ending June 30, 2013, for the purpose of reclaiming the state, federal, or private land affected by a use covered by the bond.

This section appropriates receipts associated with bonds for land reclamation to the agencies that will direct the reclamation.

Funding: The Department of Natural Resources estimates the impact of this section to be \$50,000: \$25,000 for reclamation of land use permits and leases on state lands in the Mining, Land and Water allocation and \$25,000 for reclamation bonds

associated with timber sales on state lands in the Forest Management and Development allocation.

Sec. 24. FEDERAL AND OTHER PROGRAM RECEIPTS. (a) Federal receipts, designated program receipts as defined in AS 37.05.146(b)(3), information services fund program receipts as described in AS 44.21.045(b), Exxon Valdez oil spill trust receipts described in AS 37.05.146(b)(4), receipts of the Alaska Housing Finance Corporation, receipts of the Alaska marine highway system fund described in AS 19.65.060(a), and receipts of the University of Alaska as described in AS 37.05.146(b)(2) that are received during the fiscal year ending June 30, 2013, and that exceed the amounts appropriated by this Act, are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

(b) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) that are received during the fiscal year ending June 30, 2013, exceed the amounts appropriated by this Act, the appropriations from state funds for the affected program shall be reduced by the excess if the reductions are consistent with applicable federal statutes.

(c) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) that are received during the fiscal year ending June 30, 2013, fall short of the amounts appropriated by this Act, the affected appropriation is reduced by the amount of the shortfall in receipts.

Subsection a provides open-ended appropriations of the types of receipts listed. Although the appropriations are conditioned on review by the Legislative Budget and Audit Committee, the Governor can increase authorization for listed fund sources without the approval of the Committee.

Subsection b permits state authorization to be reduced if unanticipated money is received for projects funded by general funds. There is no formal process for tracking potential reductions.

Subsection c automatically limits authorization of federal and other receipts to the amount actually received.

Funding: Although requests for approval to spend additional receipts will almost certainly be received, there is no way to determine where the increases will be, how much they will be, or what fund sources would be appropriate. Legislative Finance reports place no dollar value on appropriations made in this section.

Sec. 25. FUND TRANSFERS. (a) The federal funds received by the state under 42 U.S.C. 6506a(l) or former 42 U.S.C. 6508 not appropriated for grants under AS 37.05.530(d) are appropriated as follows:

(1) to the principal of the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska) and the public school trust fund (AS 37.14.110(a)), according to AS 37.05.530(g)(1) and (2); and

(2) to the principal of the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska), the public school trust fund (AS 37.14.110(a)), and the power cost equalization and rural electric capitalization fund (AS 42.45.100(a)), according to AS 37.05.530(g)(3).

Subsection a appropriates the lapsing balance of NPR-A grants (per AS 37.05.530(g)). No lapsing balance is anticipated.

Funding: The estimated fiscal impact of this section is zero.

***Legislative Fiscal Analyst Recommendation:** Remaining balances should be appropriated to a fund other than the Power Cost Equalization and Rural Electric Capitalization Fund, which is no longer used because the Power Cost Equalization program is funded with an open-ended appropriation of general funds. AS 37.05.530(g) should also be revised.*

(b) The loan origination fees collected by the Alaska Commission on Postsecondary Education for the fiscal year ending June 30, 2013, are appropriated to the origination fee account (AS 14.43.120(u)) within the education loan fund (AS 14.42.210(a)) of the Alaska Student Loan Corporation for the purposes specified in AS 14.43.120(u).

Subsection b appropriates origination fees charged on student loans to the origination fee account within the student loan fund. The fees are intended to offset loan losses due to death, disability, bankruptcy and default.

Funding: The amount of the loan origination fee is capped by regulation at 5% and set by the corporation. For FY13, the Alaska Commission on Postsecondary Education has indicated that the fee will be set at the maximum allowed of 5% and that it will remain there until further action is taken by the Board. Because the appropriation earmarks money within a fund, there is no impact on state expenditures.

(c) The balance of the mine reclamation trust fund income account (AS 37.14.800(a)) on June 30, 2012, and money deposited in that account during the fiscal year ending June 30, 2013, estimated to be \$50,000, are appropriated to the mine reclamation trust fund operating account (AS 37.14.800(a)).

Subsection c authorizes an internal transfer of funds from the income account to the operating account, where it is available to DNR for mine reclamation activity under AS 37.14.820.

Funding: The agency projects a transfer of approximately \$50,000. The money will be spent in the Mining, Land and Water and the Forest Management and Development allocations.

(d) If the Alaska Municipal Bond Bank Authority must draw on the Alaska municipal bond bank authority reserve fund (AS 44.85.270(a)) because of a default by a borrower, an amount equal to the amount drawn from the reserve is appropriated from the general fund to the Alaska municipal bond bank authority reserve fund (AS 44.85.270(a)).

Subsection d provides a moral obligation pledge of general funds if a default causes a draw on reserves of the bank. The intent of this section is to increase the credit rating of the bank and reduce the cost of borrowing money.

Funding: The fiscal impact of this section is estimated to be zero.

(e) The sum of \$1,139,716,000 is appropriated from the general fund to the public education fund (AS 14.17.300).

Subsection e appropriates \$1.14 billion to the Public Education Fund (PEF).

Legislative Fiscal Analyst Comment: The amount appropriated is the projected amount of K-12 funding required for FY14. Under the concept of forward funding, the amount appropriated in a given year is the amount projected to be needed in the following year. The projected amount needed for FY14 is the same as for FY13, based on an assumption of no changes to the formula or to the student count.

The effective date of subsection e is December 1, 2012. The delayed date was chosen for cash-flow purposes.

(f) An amount equal to the bulk fuel revolving loan fund fees established under AS 42.45.250(j) and collected under AS 42.45.250(k) from July 1, 2011, through June 30, 2012, estimated to be \$57,000, is appropriated from the general fund to the bulk fuel revolving loan fund (AS 42.45.250(a)).

Subsection f appropriates to the bulk fuel revolving loan fund an amount of general funds equal to the loan fund fees collected in FY11.

(g) The following amounts are appropriated to the oil and hazardous substance release prevention account (AS 46.08.010(a)(1)) in the oil and hazardous substance release prevention and response fund (AS 46.08.010(a)) from the sources indicated:

(1) the balance of the oil and hazardous substance release prevention mitigation account (AS 46.08.020(b)) in the general fund on July 1, 2012, estimated to be \$3,500,000, not otherwise appropriated by this Act;

(2) the amount collected for the fiscal year ending June 30, 2012, estimated to be \$7,900,000, from the surcharge levied under AS 43.55.300.

Subsection g appropriates (to the Oil and Hazardous Substance Release Prevention Account) the balance of the Release Prevention Mitigation Account and the FY12 collections from the 4 cent per barrel surcharge on oil produced in the state. Amendments effective April 1, 2006 changed the per barrel surcharge from \$0.03 to \$0.04.

(h) The following amounts are appropriated to the oil and hazardous substance release response account (AS 46.08.010(a)(2)) in the oil and hazardous substance release prevention and response fund (AS 46.08.010(a)) from the following sources:

(1) the balance of the oil and hazardous substance release response mitigation account (AS 46.08.025(b)) in the general fund on July 1, 2012, estimated to be \$500,000, not otherwise appropriated by this Act;

(2) the amount collected for the fiscal year ending June 30, 2012, from the surcharge levied under AS 43.55.201, estimated to be \$1,900,000.

Subsection h appropriates (to the Oil and Hazardous Substance Release Response Account) the balance of the Release Response Mitigation Account and the FY12 collections from the \$0.01 cent per barrel surcharge on oil produced in the state. Amendments effective April 1, 2006 changed the per barrel surcharge from \$0.02 to \$0.01.

Legislative Fiscal Analyst Comment: Based on the current balance and annual collections of \$2 million from the one cent surcharge, the surcharge may be in effect for a few more years.

(i) An amount equal to the federal receipts deposited in the Alaska sport fishing enterprise account (AS 16.05.130(e)), not to exceed \$1,781,813, as reimbursement for the federally allowable portion of the principal balance payment on sport fishing revenue bonds is appropriated from the Alaska sport fishing enterprise account (AS 16.05.130(e)) to the fish and game fund (AS 16.05.100).

Subsection i clarifies that the Department chooses to use up to \$1.8 million of current federal funding as reimbursement for debt service payments on sport fish revenue bonds. The Department may use federal operating receipts as reimbursement for a portion of debt service payments on the "Sportfish Bonds" issued in 2006 (see Section 25(k)).

Legislative Fiscal Analyst Comment: The Department's action increases flexibility in the use of existing federal receipts by placing federal money in the sport fishing enterprise account. Once there, the money can be used for sport fishing facilities intended to directly benefit license purchasers. On the downside, using money for debt service reimbursement precludes its use for other purposes more traditionally associated with the Fish and Game Fund.

Funding: The section simply transfers funds between accounts within the Fish and Game Fund; there is no direct fiscal impact.

(j) Fees collected at boating and angling access sites managed by the Department of Natural Resources, division of parks and outdoor recreation, under a cooperative agreement authorized under AS 16.05.050(a)(6), during the fiscal year ending June 30, 2013, estimated to be \$450,000, are appropriated to the fish and game fund (AS 16.05.100).

Legislative Fiscal Analyst Comment: The federal government has indicated that these receipts must be appropriated to the F&G Fund.

(k) The sum of \$7,000,000 is appropriated from the Alaska sport fishing enterprise account (AS 16.05.130(e)) in the fish and game fund (AS 16.05.100) to the Alaska fish and game revenue bond redemption fund (AS 37.15.770).

Subsection k transfers the amount collected under the surcharge on sport fish licenses (created by SB 147 (Ch 94, SLA 2005)) from the sport fish enterprise account, where the revenue is deposited, to the bond redemption fund. The transfer is for payment of debt service on bonds authorized for hatchery construction. As both funds are subfunds of the Fish and Game Fund, this section has no fiscal impact; it is an attempt to preempt legal issues associated with the fisheries revenue bonds.

(1) The amount of municipal bond bank receipts determined under AS 44.85.270(h) to be available for transfer by the Alaska Municipal Bond Bank Authority for the fiscal year ending June 30, 2012, estimated to be \$50,000, is appropriated to the Alaska municipal bond bank authority reserve fund (AS 44.85.270(a)).

Subsection l appropriates earnings of the Bond Bank to its earnings reserve fund.

Funding: Expectations for FY13 earnings are relatively low due to the low short-term interest rate environment.

Sec. 26. FUND CAPITALIZATION. (a) The portions of the fees listed in this subsection that are collected during the fiscal year ending June 30, 2013, estimated to be \$26,200, are appropriated to the Alaska children's trust grant account (AS 37.14.205(a)):

(1) fees collected under AS 18.50.225, less the cost of supplies, for the issuance of heirloom birth certificates;

(2) fees collected under AS 18.50.272, less the cost of supplies, for the issuance of heirloom marriage certificates;

(3) fees collected under AS 28.10.421(d) for the issuance of special request Alaska children's trust license plates, less the cost of issuing the license plates.

Subsection a appropriates (to the Alaska Children's Trust grant account) net receipts collected during FY13 from sales of heirloom birth certificates, heirloom marriage certificates and Trust license plates. Before FY12, these receipts were deposited to principal; the Children's Trust board may now spend from the grant account without further appropriation.

The Alaska Children's Trust was created by Chapter 19, SLA 1988. The legislature appropriated \$6 million from the investment loss trust fund to the principal of the trust in Chapter 123, SLA 1996. The trust was established to provide a continuing source of revenue for grants to community-based programs for the prevention of child abuse and neglect. During the past two fiscal years, the principal of the endowment was granted to the Friends of the Children's Trust.

(b) The sum of \$1,798,000 is appropriated from that portion of the dividend fund (AS 43.23.045(a)) that would have been paid to individuals who are not eligible to receive a permanent fund dividend because of a conviction or incarceration under AS 43.23.005(d) to the crime victim compensation fund (AS 18.67.162) for the purposes of the crime victim compensation fund (AS 18.67.162).

Subsection b capitalizes the Crime Victim Compensation Fund with a portion of what is commonly known as "PFD criminal funds." Beginning in FY12, PFD criminal funds were concentrated in only two appropriations—the Crime Victim Compensation Fund and the Inmate Health Care in the Department of Corrections.

The Violent Crime Compensation Board (in the Department of Administration) may order compensation from the fund to victims—and their dependents—of crime.

The amount of PFD criminal funds varies annually and the amount appropriated for

various purposes is discretionary. The amount appropriated for this purpose in FY12 was \$1.65 million.

Legislative Fiscal Analyst Comment: PFD criminal funds are exchanged dollar-for-dollar with general funds in the Department of Corrections. Every dollar appropriated to the Crime Victims Compensation Fund reduces the amount of PFD criminal funds that is available to the Department of Corrections, thereby increasing the general fund appropriation to the Department of Corrections.

(c) The amount received under AS 18.67.162 as program receipts, estimated to be \$27,100, including donations and recoveries of or reimbursement for awards made from the crime victim compensation fund, during the fiscal year ending June 30, 2013, is appropriated to the crime victim compensation fund (AS 18.67.162).

Subsection c capitalizes the Crime Victim Compensation Fund with money from donations and recoveries of or reimbursements for awards made from the fund.

Legislative Fiscal Analyst Comment: Chapter 112, SLA 2008 (HB 414) added language to the effect that money appropriated to the fund “may include donations, recoveries of or reimbursements for awards made by the fund, income from the fund, and other program receipts.” The language of subsection c does not appropriate income from the fund, so income will remain in the general fund.

(d) The amount of federal receipts received for disaster relief during the fiscal year ending June 30, 2013, estimated to be \$9,000,000, is appropriated to the disaster relief fund (AS 26.23.300(a)).

(e) The sum of \$5,000,000 is appropriated from the general fund to the disaster relief fund (AS 26.23.300(a)).

Subsection d appropriates federal receipts for disaster relief to the Disaster Relief Fund. The Governor needs no specific appropriations to spend money in the Disaster Relief Fund; money can be spent upon declaration of a disaster.

Funding: A \$9 million estimate for federal receipts for disaster relief has been used for several years.

Subsection e capitalizes the Disaster Relief Fund with \$5 million of general funds. The FY12 capitalization of the fund was \$7.5 million of general funds and \$8.2 million was spent.

Legislative Fiscal Analyst Comment: Disasters—and their costs—are unpredictable. There is no right or wrong amount to deposit to the fund. Note, however, that appropriating too little to the fund will prompt a supplemental funding request in the future.

(f) An amount equal to 20 percent of the revenue collected under AS 43.55.011(g), not to exceed \$60,000,000, is appropriated from the general fund to the community revenue sharing fund (AS 29.60.850).

Subsection f appropriates 20% of receipts from the progressive portion of the oil and gas production tax, to a limit of \$60 million, for revenue sharing.

Legislative Fiscal Analyst Comment: The revenue sharing fund was established with an FY08 supplemental appropriation of \$180 million. Each year since then, \$60 million (1/3 of the prior year balance, per AS 29.60.850) has been distributed to communities. Each year, the amount distributed was replaced by \$60 million of revenue from the progressive portion of the oil and gas production tax. The FY13 distribution to communities will be \$60 million (1/3 of the balance).

As long as oil prices are high enough to generate more than \$60 million from the progressive production tax, the cycle of \$60 million annual deposits/distribution will continue. At prices less than about \$60/barrel, the progressive tax generates no revenue and annual deposits and distributions will decline.

Funding: The full \$60 million potential amount of the appropriation is included in all Legislative Finance and OMB reports.

(g) If the balance of the oil and gas tax credit fund (AS 43.55.028) is insufficient to purchase transferable tax credit certificates issued under AS 43.55.023 and production tax credit certificates issued under AS 43.55.025 that are presented for purchase, the amount by which the tax credit certificates presented for purchase exceeds the balance of the fund, estimated to be \$400,000,000, is appropriated from the general fund to the oil and gas tax credit fund (AS 43.55.028).

Oil and gas tax credit claims have proven difficult to forecast; actual claims have typically exceeded projected claims by a wide margin. The appropriation to purchase tax credits is open-ended to ensure that the fund balance is sufficient to purchase all claims presented.

Funding: The original estimated impact of a similar provision in the FY11 budget was \$180 million, but the Department of Revenue requested an additional \$250 million in September and noted that additional transfers to the fund may be required. Total credits for FY11 were \$450 million. The Department claims that \$400 million remains the best estimate for FY12. The \$400 million estimate for FY13 credits may understate the actual impact of the subsection.

(h) The sum of \$10,355,320 is appropriated to the Alaska clean water fund (AS 46.03.032(a)) for the Alaska clean water loan program from the following sources:

Alaska clean water fund revenue bond receipts	\$1,785,400
Federal receipts	8,569,920

(i) The sum of \$8,248,520 is appropriated to the Alaska drinking water fund (AS 46.03.036(a)) for the Alaska drinking water loan program from the following sources:

Alaska drinking water fund revenue bond receipts	\$1,853,600
Federal receipts	6,394,920

Subsections h and i provide money to develop sewer and water systems in Alaska communities through revolving loan programs. The state typically issues short-term bonds that are repaid with earnings from the loan programs, and uses the bond proceeds to match federal money. See section 31(s) for further discussion.

(j) The following amounts are appropriated to the election fund required by the federal Help America Vote Act:

(1) interest earned on amounts in the election fund required by the federal Help America Vote Act;

(2) the sum of \$100,000 from federal receipts.

Subsection j capitalizes the elections fund, which is intended to provide states with money for election administration improvements (primarily equipment and accessibility aids). The Governor did not submit a FY13 capital project using money from the election fund. Money in the fund does not lapse.

Sec. 27. BANKCARD SERVICE FEES. (a) The amount necessary to compensate the collector or trustee of fees, licenses, taxes, or other money belonging to the state during the fiscal year ending June 30, 2013, is appropriated for that purpose to the agency authorized by law to generate the revenue. In this subsection, "collector or trustee" includes vendors retained by the state on a contingency fee basis.

Subsection a allows the state to compensate vendors that collect fees on behalf of the state. The provision originally addressed Fish and Game fishing, hunting and trapping license sales in which the vendor retained a portion of the sales. It now applies to several programs in multiple departments.

Funding: These fees do not appear in the bill summary or in Legislative Finance reports on the grounds that the state has no effective control over the money.

***Legislative Fiscal Analyst Recommendation:** Specify the source of the funds. As in subsection b, the source appears to be the funds and accounts in which the payments received by the state are deposited.*

(b) The amount necessary to compensate the provider of bankcard or credit card services to the state during the fiscal year ending June 30, 2013, is appropriated for that purpose to each agency of the executive, legislative, and judicial branches that accepts payment by bankcard or credit card for licenses, permits, goods, and services provided by that agency on behalf of the state, from the funds and accounts in which the payments received by the state are deposited.

Subsection b allows credit card service providers to retain fees charged for using a credit card.

Funding: These fees do not appear in the bill summary or in Legislative Finance reports on the grounds that the state has no effective control over the money.

(c) The amount necessary to compensate the provider of bankcard or credit card services to the state during the fiscal year ending June 30, 2013, is appropriated for that purpose to the Department of Law for accepting payment of restitution in accordance with AS 12.55.051 and AS 47.12.170 by bankcard or credit card, from the funds and accounts in which the restitution payments received by the Department of Law are deposited.

Subsection c allows credit card service providers to retain fees charged for using a credit card for *payment of restitution*.

Funding: These fees do not appear in the bill summary or in Legislative Finance reports on the grounds that the state has no effective control over the money.

NEW SUBSECTION

(d) The amount necessary to compensate the Department of Revenue for compliance costs required for the state to accept bankcard or credit card payments during the fiscal year ending June 30, 2013, is appropriated for that purpose to the Department of Revenue.

Subsection d appropriates money from an unnamed source to cover compliance costs of the Department of Revenue. Unlike subsections a, b and c, it does not appear that vendors or service providers would withhold compliance costs or that the state would have no effective control over the money.

Legislative Fiscal Analyst Recommendation: *Specify the source of the funds. Unlike vendor and provider fees, the cost of compliance may be a general fund cost. If so, a transaction stating the amount of compliance costs should be added to the budget. It appears that such a transaction could go in section 1 of the bill.*

Legislative Fiscal Analyst Comment: *Per the Department of Revenue, the Governor is expected to submit an amendment that addresses the flaws in and clarifies the proposed language.*

Sec. 28. RETIREMENT SYSTEM FUNDING. (a) The sum of \$302,777,153 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the teachers' retirement system as an additional state contribution under AS 14.25.085 for the fiscal year ending June 30, 2013.

(b) The sum of \$307,302,392 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the public employees' retirement system as an additional state contribution under AS 39.35.280 for the fiscal year ending June 30, 2013.

The appropriations in **subsections (a) and (b)** are amounts determined by the state's actuaries for the teachers (TRS) and public employees (PERS) retirement systems.

Legislative Fiscal Analyst Comment: *During recent years, Alaska's public retirement systems accrued a multi-billion dollar unfunded liability due to a combination of investment losses, escalating health care costs, modification of actuarial assumptions and capped contribution rates. Beginning in FY08, the State began making direct contributions to retirement systems in order to stabilize employer contribution rates while repaying that unfunded liability.*

Despite the State's efforts to pay down the unfunded liability, it has continued to grow (due to revised actuarial assumptions and to additional investment losses). The actuarial

unfunded liability of the PERS and TRS systems is now \$7 billion and \$4.1 billion for PERS and TRS, respectively. That is an increase of \$1.4 billion from the prior year.

Because the State caps employer contribution rates—and makes direct contributions to retirement accounts to bring total contributions to the actuarially required amount—the cost of paying off the unfunded liability is substantial, and is increasing rapidly. The FY13 direct State contribution to retirement systems is about \$130 million higher than it was in FY12, and projected annual increases are significant, reaching \$1.2 billion per year in about ten years.

(c) The sum of \$431,367 is appropriated from the general fund to the Department of Military and Veterans' Affairs for deposit in the defined benefit plan account in the Alaska National Guard and Alaska Naval Militia retirement system for the purpose of funding the Alaska National Guard and Alaska Naval Militia retirement system under AS 26.05.226 for the fiscal year ending June 30, 2013.

Legislative Fiscal Analyst Comment: A \$10 million FY08 supplemental appropriation to this retirement fund was intended to payoff the unfunded liability of the system. The system was fully funded—actually funded at 106.5% of accrued liability—as of the June 2010 valuation that is used to determine FY13 required contributions.

Subsection c unnecessarily duplicates an appropriation made in section 1 to DMVA. As submitted, the Governor's budget includes \$882.2 in section 1 and \$431.4 in subsection c, for a total of \$1,313.6, while the total required contribution is \$431.4.

As shown in the table below, the section 1 appropriation for military retirement addresses the normal cost and expense load. Those items can be reduced by \$143.1.

The subsection c appropriation to cover past service costs is unnecessary (a negative past service cost implies that no direct contribution is required. The total required contribution should be \$739.1, all of which should appear in section 1.

	FY11	FY12	FY13	FY12 to FY13
Normal Cost	744,154		605,097	
Expense Load	137,000		134,000	
Total Paid by DMVA	881,154	882,200	739,097	(143,103)
Past Service Cost	84,175	13,411	(307,730)	(321,141)
Total Required Contribution	965,329	895,611	431,367	

Legislative Fiscal Analyst Recommendation: Delete subsection c and reduce the section 1 appropriation for military retirement contributions from \$882.2 to \$739.1. Traditionally, funding for normal costs of this retirement system appear in section 1, while appropriations for past service costs appear in a section of the operating bill that addresses direct contributions to retirement funds.

RECOMMENDED ADDITIONAL SUBSECTION

***Legislative Fiscal Analyst Comment:** The Governor's proposal contains no direct appropriation for the judicial retirement system. Per the June 2010 valuation, total required contributions for FY13 include \$3.5 million for past service costs—primarily due to investment losses. As for the military retirement system, normal costs are appropriated to the agency and past service costs are typically addressed in this special language section.*

Section 1 contains appropriations totaling \$1,389.6 for increases in the normal cost of the judicial retirement system. The additional money appears in the adjusted base.

A \$49 million FY08 supplemental appropriation to the judicial retirement fund was designed to payoff the unfunded liability of the system. Large investment losses in FY09 re-opened the unfunded liability gap. The unfunded liability is now estimated to be \$50.1 million.

Excluding past service costs to fill the unfunded liability gap, the Court System must pay 40.13 percent of judicial salaries to fund the retirement plan. Past service costs bring the cost to 69.48 percent of salary.

***Legislative Fiscal Analyst Recommendation:** At a minimum, the operating budget should appropriate the full required contributions to retirement systems. That would require adding a subsection as follows:*

The sum of \$3,525,744 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the judicial retirement system for the purpose of funding the judicial retirement system under AS 22.25.046 for the fiscal year ending June 30, 2013.

The legislature may wish to consider an appropriation of \$50 million to pay off the entire unfunded liability of the system.

Given a system cost of 40% of salary, the legislature may wish to review the structure of the judicial retirement system.

Sec. 29. SALARY AND BENEFIT ADJUSTMENTS. (a) The operating budget appropriations made in sec. 1 of this Act include amounts for salary and benefit adjustments for public officials, officers, and employees of the executive branch, Alaska Court System employees, employees of the legislature, and legislators and to implement the terms for the fiscal year ending June 30, 2013, of the following ongoing collective bargaining agreements:

- (1) Alaska Public Employees Association, for the confidential unit;
- (2) Alaska State Employees Association, for the general government unit;
- (3) Alaska Public Employees Association, for the supervisory unit;

(4) Alaska Vocational Technical Center Teachers' Association, National Education Association, representing the employees of the Alaska Vocational Technical Center;

(5) International Organization of Masters, Mates, and Pilots, for the masters, mates, and pilots unit;

(6) Inlandboatmen's Union of the Pacific, Alaska Region, for the unlicensed marine unit;

(7) Marine Engineers' Beneficial Association;

(8) Public Safety Employees Association, representing the regularly commissioned public safety officers unit.

(b) The operating budget appropriations made to the University of Alaska in sec. 1 of this Act include amounts for salary and benefit adjustments for the fiscal year ending June 30, 2013, for university employees who are not members of a collective bargaining unit and for the terms of the current agreements for the fiscal year ending June 30, 2013, providing for the staff benefits for university employees represented by the following entities:

(1) Alaska Higher Education Crafts and Trades Employees, Local 6070, APEA/AFT (AFL-CIO);

(2) University of Alaska Federation of Teachers;

(3) United Academics-AAUP/AFT;

(4) United Academics-Adjuncts;

(5) Fairbanks Firefighters Association, IAFF Local 1324.

(c) If a collective bargaining agreement listed in (a) of this section is not ratified by the membership of the respective collective bargaining unit, the appropriations made by this Act applicable to the collective bargaining unit's agreement are reduced proportionately by the amount for the collective bargaining agreement, and the corresponding funding source amounts are reduced accordingly.

(d) If a collective bargaining agreement listed in (b) of this section is not ratified by the membership of the respective collective bargaining unit and approved by the Board of Regents of the University of Alaska, the appropriations made by this Act applicable to the collective bargaining unit's agreement are reduced proportionately by the amount for the collective bargaining agreement, and the corresponding funding source amounts are reduced accordingly.

[Section 29](#) appropriates no money; it specifies that various salary adjustments are funded with money appropriated in section 1.

Sec. 30. SHARED TAXES AND FEES. (a) The amount necessary to refund to local governments and other entities their share of taxes and fees collected in the listed fiscal years under the following programs is appropriated to the Department of Revenue from the general fund for payment to local governments and other entities in the fiscal year ending June 30, 2013:

REVENUE SOURCE	FISCAL YEAR COLLECTED
Fisheries business tax (AS 43.75)	2012
Fishery resource landing tax (AS 43.77)	2012
Aviation fuel tax (AS 43.40.010)	2013
Electric and telephone cooperative tax (AS 10.25.570)	2013
Liquor license fee (AS 04.11)	2013
Cost recovery fisheries (AS 16.10.455)	2013

Subsection a ensures that the Department of Revenue has the authorization to disburse taxes and fees collected on the behalf of local governments to those entities. The concept applies equally to prior-year collections (fisheries receipts) and to current-year receipts. Cost recovery fisheries appears on the list for the first time in FY13.

Funding: These “pass through” taxes are excluded from Legislative Finance operating budget reports.

(b) The amount necessary to pay the first seven ports of call their share of the tax collected under AS 43.52.220 in calendar year 2012 according to AS 43.52.230(b), estimated to be \$15,400,000, is appropriated from the commercial vessel passenger tax account (AS 43.52.230(a)) to the Department of Revenue for payment to the port of call during the fiscal year ending June 30, 2013.

Subsection b appropriates \$5 of the \$34.50 Commercial Passenger Vessel “Head” Tax to the first seven ports of call.

Funding: Revenue to the ports totaled \$9.1 million for FY11. Expected revenue for FY12 and for FY13 is expected to \$15.3 million. These “pass through” taxes are excluded from Legislative Finance reports on the operating bill.

Legislative Fiscal Analyst Comment: The legislature amended the statutes for the Commercial Passenger Vessel Head Tax effective October 31, 2010. The head tax was reduced from \$46 to \$34.50, with \$5 shared with the first 7 ports of call (previously 5 ports) and the Regional Impact Fund was eliminated.

The impacts to the state are a decrease in total available revenue (due to the reduction in the overall tax rate), coupled with an increased level of revenue sharing (5 ports to 7 ports), leaving less revenue available for funding port and harbor projects. The amount available for funding ports and harbors was \$14.1 million in FY11 and is expected to be about \$1.9 in FY12.

(c) It is the intent of the legislature that the payments to local governments set out in (a) and (b) of this section may be assigned by a local government to another state agency.

Subsection c is intended to allow a municipality to assign a payment under subsections (a) or (b) to a state agency. For example, the City of Homer might receive Fisheries Business tax payments under subsection (a), but owe the Department of Administration contributions for PERS. Homer could assign the payment to DOA, thus avoiding cash flow from the state to the city and back to the state.

Sec. 31. STATE DEBT AND OTHER OBLIGATIONS. (a) The amount required to pay interest on any revenue anticipation notes issued by the commissioner of revenue under AS 43.08 during the fiscal year ending June 30, 2013, is appropriated from the general fund to the Department of Revenue for payment of the interest on those notes.

Subsection a appropriates general funds to pay interest on any revenue anticipation notes that may be issued during the year.

Legislative Fiscal Analyst Comment: No notes are expected to be issued.

(b) The amount required to be paid by the state for principal and interest on all issued and outstanding state-guaranteed bonds is appropriated from the general fund to the Alaska Housing Finance Corporation for payment of principal and interest on those bonds for the fiscal year ending June 30, 2013.

Subsection b appropriates general funds to pay principal and interest on state-guaranteed bonds (veteran's mortgage bonds) if the revenue stream from the mortgage loans is insufficient to make those payments. The only purpose of the state general obligation pledge is to gain tax-exempt status for the bonds. Because the bonds are general obligations of the state, they must be authorized by law, ratified by the voters, and approved by the State Bond Committee.

Funding: The revenue stream from mortgage loans is expected to be sufficient to cover bond payments, so the expected fiscal impact of this subsection is zero. However, a potential general fund obligation exists.

(c) The sum of \$3,212 is appropriated to the state bond committee from the investment earnings on the bond proceeds deposited in the capital project funds for the series 2003A general obligation bonds for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2003A, for the fiscal year ending June 30, 2013.

(d) The amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2003A, for the fiscal year ending June 30, 2013, after the payment made in (c) of this section, estimated to be \$29,689,900, is appropriated from the general fund to the state bond committee for that purpose.

Subsections c and d appropriate \$29.9 million to pay debt service on series 2003A general obligation bonds. These bonds were authorized by the voters in 2002 for construction of schools and university facilities.

(e) The sum of \$1,870 is appropriated to the state bond committee from the investment earnings on the bond proceeds deposited in the capital project fund for state guaranteed transportation revenue anticipation bonds, series 2003B, for payment of debt service and accrued interest on outstanding state-guaranteed transportation revenue anticipation bonds, series 2003B, for the fiscal year ending June 30, 2013.

(f) The amount necessary for payment of debt service, accrued interest, and trustee fees on outstanding state-guaranteed transportation revenue anticipation bonds, series 2003B, for the fiscal year ending June 30, 2013, after the payment made in (e) of this section, estimated

to be \$12,418,200, is appropriated from federal receipts to the state bond committee for that purpose.

Subsections e and f appropriate \$12.4 million to pay debt service on series 2003B general obligation bonds. These bonds were authorized by the voters in 2002 for road and harbor construction.

Legislative Fiscal Analyst Comment: Although these bonds were issued with a general obligation pledge by the state, they are more appropriately referred to as GARVEE bonds. The majority of the debt service is paid using eligible federal-aid highway formula funding coupled with a state matching component.

(g) The sum of \$372,322 is appropriated to the state bond committee from the investment earnings on the bond proceeds deposited in the capital project funds for the series 2009A general obligation bonds for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2009A, for the fiscal year ending June 30, 2013.

(h) The amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2009A, for the fiscal year ending June 30, 2013, after the payment made in (g) of this section, estimated to be \$12,532,700, is appropriated from the general fund to the state bond committee for that purpose.

Subsections g and h appropriate \$12.9 million to pay debt service on series 2009A general obligation bonds. These bonds were authorized by the voters in 2008 for road construction.

Legislative Fiscal Analyst Comment: Of the \$315 million bond issue authorized by voters in 2008, approximately \$150 million remains to be issued. In FY12, the legislature changed the fund source for \$150 million of capital projects from GO bond proceeds to general funds.

(i) The sum of \$615,715 is appropriated to the state bond committee from the investment earnings on the bond proceeds deposited in the capital project funds for the series 2010A, 2010B, and 2010C general obligation bonds for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2010A, 2010B, and 2010C, for the fiscal year ending June 30, 2013.

(j) The sum of \$2,672,892 is appropriated to the state bond committee from the amount received from the United States Treasury as a result of the American Recovery and Reinvestment Act of 2009, Build America Bond credit payments due on the series 2010A general obligation bonds for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2010A, 2010B, and 2010C, for the fiscal year ending June 30, 2013.

(k) The sum of \$2,714,012 is appropriated to the state bond committee from the amount received from the United States Treasury as a result of the American Recovery and Reinvestment Act of 2009, Qualified School Construction Bond interest subsidy payments due on the series 2010B general obligation bonds for payment of debt service and accrued

interest on outstanding State of Alaska general obligation bonds, series 2010A, 2010B, and 2010C, for the fiscal year ending June 30, 2013.

(l) The sum of \$1,836,566 is appropriated to the state bond committee from State of Alaska general obligation bonds, series 2010C bond issue premium, interest earnings, and accrued interest held in the debt service fund of the series 2010C bonds for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2010C, for the fiscal year ending June 30, 2013.

(m) The amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2010A, 2010B, and 2010C, for the fiscal year ending June 30, 2013, after the payment made in (k) of this section, estimated to be \$20,343,700, is appropriated from the general fund to the state bond committee for that purpose.

Subsections i, j, k, l and m appropriate \$28.1 million to pay debt service on series 2010A, 2010B, and 2010C general obligation bonds. These bonds were authorized by the voters in 2010 for educational facilities.

Legislative Fiscal Analyst Comment: The most recent general election authorized issuance of \$397 million in bonds to finance educational facilities. The Department of Revenue recently issued \$200 million of bonds in three series, taking advantage of federal stimulus debt programs. Series A were issued using Build America Bonds (receiving a 30% federal subsidy on interest expense); Series B were issued as Qualified School Construction Bonds (receiving a federal subsidy on interest expense of nearly 100%); and Series C were issued as standard tax exempt bonds. All authorized bonds are not sold at the same time because IRS rules require complete expenditure of bond proceeds (for tax exempt status) within three years of bond issuance. Bonds are issued in specific series as cash is needed for projects.

(n) The amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2012A and 2012B, for the fiscal year ending June 30, 2013, estimated to be \$15,000,000, is appropriated from the general fund to the state bond committee for that purpose.

Subsection n appropriates \$15 million to pay debt service on a \$350 million general obligation bond package that is part of the Governor's proposed capital budget. The package will appear on the November 2012 general election ballot. All proposed projects are for ports.

(o) The amount necessary for payment of trustee fees on outstanding State of Alaska general obligation bonds, series 2003A, 2009A, 2010A, 2010B, 2010C, 2012A, and 2012B, for the fiscal year ending June 30, 2013, estimated to be \$4,400, is appropriated from the general fund to the state bond committee for that purpose.

Subsection o appropriates an estimated \$4,400 for trustee fees on all outstanding GO Bonds.

Legislative Fiscal Analyst Comment: These fees have previously been included in the debt service appropriation for each series of bonds. It is unclear why the trustee fees have been separated from other costs of issuing debt, but there is no harm in doing so.

(p) If the amount necessary to pay the debt service obligations on State of Alaska general obligation bonds exceeds the amounts appropriated in this section, the additional amount necessary to pay the obligations is appropriated for that purpose from the general fund to the state bond committee for the fiscal year ending June 30, 2013.

Legislative Fiscal Analyst Comment: This is a safety measure to ensure that the State can meet its general obligation pledge if unforeseen circumstances or miscalculation leave the appropriations in this section short of debt service requirements.

(q) The sum of \$41,208,341 is appropriated to the state bond committee for payment of debt service and trustee fees on outstanding international airports revenue bonds for the fiscal year ending June 30, 2013, from the following sources in the amounts stated:

SOURCE	AMOUNT
International Airports Revenue Fund (AS 37.15.430(a))	\$32,078,578
Passenger facility charge	8,700,000
AIAS 2012D Build America Bonds federal interest subsidy	429,763

Subsection q appropriates funding for payment of debt service and fees on outstanding international airport revenue bonds.

(r) The sum of \$1,795,400 is appropriated from interest earnings of the Alaska clean water fund (AS 46.03.032(a)) to the Alaska clean water fund revenue bond redemption fund (AS 37.15.565) for payment of principal and interest, redemption premium, and trustee fees, if any, on bonds issued by the state bond committee under AS 37.15.560 during the fiscal year ending June 30, 2013.

(s) The sum of \$1,863,600 is appropriated from interest earnings of the Alaska drinking water fund (AS 46.03.036(a)) to the Alaska drinking water fund revenue bond redemption fund (AS 37.15.565) for payment of principal and interest, redemption premium, and trustee fees, if any, on bonds issued by the state bond committee under AS 37.15.560 during the fiscal year ending June 30, 2013.

Subsections r and s appropriate the interest earnings of the clean water and drinking water funds to their respective bond redemption funds. Both funds are capitalized annually with federal receipts for drinking and clean water bond receipts (see sections 26(h) and (i)). The federal receipts require a state match. Federal rules permit interest earnings of the loan funds to be used to pay debt service as well as making loans. This section takes advantage of the ability to use the funds to pay debt service. Issuing short-term bonds (secured by the assets of the loan fund) allows the "restricted" earnings of the funds to be used to pay off the bonds. Essentially, the earnings of the funds are used as match.

(t) The amount necessary for payment of lease payments and trustee fees relating to certificates of participation issued for real property for the fiscal year ending June 30, 2013,

estimated to be \$6,982,520 is appropriated from the general fund to the state bond committee for that purpose.

Subsection t appropriates \$10.3 for trustee fees and \$7 million to make payments on:

- the Fairbanks Virology Lab - \$1.8 million;
- the Alaska Psychiatric Institute - \$1.3 million;
- the Environmental Health Lab - \$1.0 million;
- the Series 2005 Refunding - \$2.8 million.

(u) The sum of \$3,467,005 is appropriated from the general fund to the Department of Administration for payment of obligations to the Alaska Housing Finance Corporation for the Robert B. Atwood Building in Anchorage for the fiscal year ending June 30, 2013.

Subsection u appropriates \$3.5 million for obligations associated with the Atwood Building. AHFC purchased the Robert B. Atwood Building for approximately \$39 million in cash and then issued revenue bonds secured by the building itself and lease payments from the state. The state will own the building at the end of the lease.

(v) The sum of \$21,916,925 is appropriated from the general fund to the Department of Administration for payment of obligations and fees for the following facilities for the fiscal year ending June 30, 2013:

FACILITY AND FEES	ALLOCATION
(1) Anchorage Jail	\$4,097,150
(2) Goose Creek Correctional Center	17,815,775
(3) Fees	4,000

Subsection v appropriates funds to pay lease costs for the Anchorage Jail and the Goose Creek Correctional Center. Anchorage issued municipal bonds to pay for the construction of the Anchorage Jail, which the state leases. The Mat-Su Borough issued bonds for the Goose Creek Correctional Center.

Legislative Fiscal Analyst Comment: In common language, the contracts with the Municipality of Anchorage and the Mat-Su Borough are leases, but terms of the contracts are such that Governmental Accounting Standards Board's (GASB) rule #34 classifies them as capital leases. This means that a default on lease payments could affect the state's credit rating. Because of the potential impact on credit rating, the obligations are categorized as debt.

Chapter 160, SLA 2004 (SB 65) authorized lease-purchase agreements for the Spring Creek Correctional Center (SCCC) expansion, the Yukon-Kuskokwim Correctional Center (YKCC) expansion, and the Goose Creek Correctional Center construction. The 25-year lease of the Goose Creek Correctional Center is capped in statute at \$11,600 per bed, and annual debt service is limited to \$17.8 million. Because the Department of Corrections reports the SCCC and the YKCC projects are on hold, appropriations for those facilities are not required.

(w) The sum of \$3,303,500 is appropriated from the general fund to the Department of Administration for payment of obligations to the Alaska Housing Finance Corporation for the Linny Pacillo Parking Garage in Anchorage, for the fiscal year ending June 30, 2013.

Subsection w appropriates \$3.3 million for obligations associated with the Linny Pacillo parking garage. The obligation is a lease purchase similar to the obligation for the Robert B. Atwood Building.

(x) The sum of \$120,386,300 is appropriated to the Department of Education and Early Development for state aid for costs of school construction under AS 14.11.100 for the fiscal year ending June 30, 2013, from the following sources:

General fund	\$98,586,300
School Fund (AS 43.50.140)	21,800,000

Subsection x appropriates funds for municipal school debt reimbursement. AS 14.11.100 authorizes the state to reimburse municipalities for selected bonds issued for school construction (from 60-90% of principal and interest depending on the authorization). The amount of this appropriation is the projected need for full reimbursement.

(y) The sum of \$5,888,924 is appropriated from the general fund to the following agencies for the fiscal year ending June 30, 2013, for payment of debt service on outstanding debt authorized by AS 14.40.257, AS 29.60.700, and AS 42.45.065, respectively, for the following projects:

AGENCY AND PROJECT	APPROPRIATION AMOUNT
(1) University of Alaska	\$1,414,230
Anchorage Community and	
Technical College Center	
Juneau Readiness Center/UAS Joint	
Facility	
(2) Department of Transportation and	
Public Facilities	
(A) Matanuska-Susitna Borough	751,431
(deep water port and road	
upgrade)	
(B) Aleutians East Borough/False	114,730
Pass (small boat harbor)	
(C) Lake and Peninsula	118,019
Borough/Chignik (dock project)	

(D) City of Fairbanks (fire headquarters station replacement)	867,690
(E) City of Valdez (harbor renovations)	225,811
(F) Aleutians East Borough/Akutan (small boat harbor)	400,108
(G) Fairbanks North Star Borough (Eielson AFB Schools, major maintenance and upgrades)	335,455
(H) City of Unalaska (Little South America (LSA) Harbor)	366,594
(3) Alaska Energy Authority	
(A) Kodiak Electric Association (Nyman combined cycle cogeneration plant)	943,676
(B) Copper Valley Electric Association (cogeneration projects)	351,180

Subsection y appropriates \$5.9 million to various state agencies for reimbursement to municipalities and public entities for debt service on projects authorized in Ch. 115, SLA 2002 (HB 528).

(z) The sum of \$7,500,000 is appropriated from the Alaska fish and game revenue bond redemption fund (AS 37.15.770) to the state bond committee for payment of debt service, accrued interest, and trustee fees on outstanding sport fish hatchery revenue bonds for the fiscal year ending June 30, 2013. It is the intent of the legislature that up to \$2,400,000 of the amount appropriated may be used for early redemption of the bonds.

Subsection z appropriates the majority of the surcharge levied on sport fish licenses authorized under Ch 94, SLA 2005—and transferred to the bond redemption fund in Section 25(k) of this bill—for payment of debt service on bonds issued for sport fish hatchery development. The appropriation exceeds the debt service due on the bonds, allowing the bonds to be paid off ahead of schedule.

Sec. 32. AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009. (a) The unexpended and unobligated balance on June 30, 2012, of federal funding available under P.L. 111-5 (American Recovery and Reinvestment Act of 2009) and appropriated to the Department of Education and Early Development is reappropriated to the Department of

Education and Early Development for the administration and operation of departmental programs, for the fiscal year ending June 30, 2013.

(b) The unexpended and unobligated balance on June 30, 2012, of federal funding available under P.L. 111-5 (American Recovery and Reinvestment Act of 2009) and appropriated to the Department of Health and Social Services is reappropriated to the Department of Health and Social Services for the administration and operation of departmental programs, for the fiscal year ending June 30, 2013.

(c) The unexpended and unobligated balance on June 30, 2012, of federal funding available under P.L. 111-5 (American Recovery and Reinvestment Act of 2009) and appropriated to the Department of Labor and Workforce Development is reappropriated to the Department of Labor and Workforce Development for the administration and operation of departmental programs, for the fiscal year ending June 30, 2013.

(d) The unexpended and unobligated balance on June 30, 2012, of federal funding available under P.L. 111-5 (American Recovery and Reinvestment Act of 2009) and appropriated to the Department of Public Safety is reappropriated to the Department of Public Safety for the administration and operation of departmental programs, for the fiscal year ending June 30, 2013.

Section 32 extends the lapse date—through the end of FY13—of FY12 operating authorization associated with the American Recovery and Reinvestment Act of 2009. Carryforward will be added to the \$3.5 million of new ARRA money that is included in the Governor's FY13 request.

Sec. 33. RATIFICATIONS OF SMALL AMOUNTS IN STATE ACCOUNTING SYSTEM. The appropriation to each department under this Act for the fiscal year ending June 30, 2013, is reduced to reverse negative account balances for the department in the state accounting system in amounts of \$1,000 or less for each prior fiscal year in which a negative account balance of \$1,000 or less exists.

This section allows departments to use the amount appropriated in FY13 to clean up negative account balances (or ratifications) from prior fiscal years that are less than \$1,000. This section removes the need for minuscule ratifications.

Sec. 34. BUDGET RESERVE FUND. (a) If the unrestricted state revenue available for appropriation in the fiscal year ending June 30, 2013, is insufficient to cover general fund appropriations made for the fiscal year ending June 30, 2013, the amount necessary to balance revenue and general fund appropriations or to prevent a cash deficiency in the general fund is appropriated from the budget reserve fund (AS 37.05.540(a)) to the general fund.

Section 34 allows the state to cover any shortfall in unrestricted revenues with transfers from the Statutory Budget Reserve Fund (SBR) to the general fund. In FY08, the legislature appropriated \$1 billion of general funds to the SBR (Sec. 21(c), Ch. 11, SLA 2008). Additional appropriations have brought the balance to about \$2.9 billion. Unlike

the Constitutional Budget Reserve Fund (CBRF), the SBR can be accessed with a simple majority vote.

(b) The unexpended and unobligated balance of the operating general fund (state accounting system fund number 11100) for fiscal year ending June 30, 2013, is appropriated to the budget reserve fund (AS 37.05.540(a)).

Subsection b sweeps the available general fund balance into the budget reserve fund at the end of FY12.

Legislative Fiscal Analyst Comment: The legislature typically determines the disposition of the surplus, if any, in the supplemental bill.

Sec. 35. LAPSE OF APPROPRIATIONS. The appropriations made by secs. 8(d), 9(a) - (d), 10(b), 25, 26, and 28 of this Act are for the capitalization of funds and do not lapse.

Legislative Fiscal Analyst Comment: This language ensures that money deposited into various funds will not lapse if not expended during FY13.

Legislative Fiscal Analyst Recommendation: Add section 34(b) to the list. Appropriations to the budget reserve fund do not lapse.

Sec. 36. RETROACTIVITY. (a) Those portions of the appropriations made in sec. 1 of this Act that appropriate either the unexpended and unobligated balance of specific fiscal year 2012 program receipts or the unexpended and unobligated balance on June 30, 2012, of a specified account are retroactive to June 30, 2012, solely for the purpose of carrying forward a prior fiscal year balance.

(b) The appropriation made in sec. 21(f) of this Act is retroactive to June 30, 2012, for the purpose of carrying forward a prior fiscal year balance.

Section 36 ensures that unexpended receipts and balances carry forward into FY13 before they lapse.

Sec. 37. Section 25(e) of this Act takes effect December 1, 2012.

Section 37 refers to the deposit to the Public Education Fund intended to fund FY14 K-12 formula costs. The delayed date was chosen for cash-flow purposes.

Sec. 38. Sections 12(i), 13, 32, 35, and 36 of this Act take effect June 30, 2012.

Section 38 ensures that unexpended receipts and balances carry forward into FY13 before they lapse.

Sec. 39. Except as provided in secs. 37 and 38 of this Act, this Act takes effect July 1, 2012.

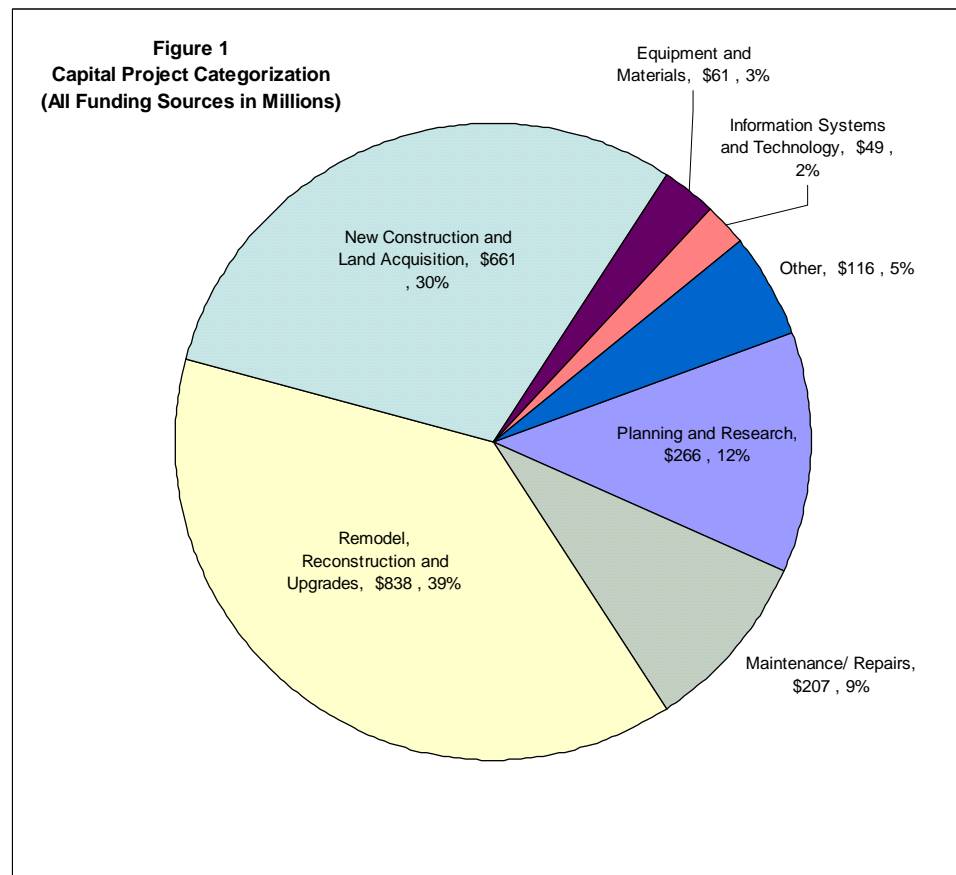
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Capital Budget

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Capital Budget

The Governor has proposed capital projects of \$2.2 billion (\$1.8 billion non-dup) for FY13. The budget includes \$963 million in general funds, \$413.3 million of other state funds (including \$350 million of GO Bonds) and \$821 million of federal funds. The pie chart below provides a categorical breakdown of the proposed capital spending plan.



Construction - \$1.5 billion

Construction projects—both new and reconstruction—comprise 69% of the Governor's proposed capital budget. New construction involves adding infrastructure to the state's capital stock, and includes both new roads and new buildings. Reconstruction involves modifying or improving existing roads or space.

As might be expected, the DOT&PF budget contains the majority of the construction projects. The Surface Transportation Program and the Airport Improvement Program (along with associated state match) total \$510 million. Other substantial construction projects in DOT&PF include:

- \$23.1 million to the Municipal Harbor Facility Grant Fund;
- \$29.7 million for highway corridor safety and congestion improvements;

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- \$14.5 million for the Roads to Resources initiative; and
- an additional \$60 million for an AMHS Alaska Class Ferry.

The Governor has proposed \$350 million of port projects to be funded with General Obligation Bonds (to be voted on in the 2012 election). The Port of Anchorage would receive \$200 million and the Port MacKenzie Rail Extension project would receive \$110 million. Both projects have received significant funding in recent years, but not of this magnitude.

Other significant construction programs include the Village Safe Water Program and the Municipal Water Sewer Matching Grants Program in the Department of Environmental Conservation. These programs account for \$80.9 million of the Governor's request.

Maintenance/Repairs - \$207 million

This category includes deferred, scheduled and preventative maintenance or repair projects for agency facilities, state parks, harbors, highways, bridges, rural airports, aircraft and vessels. The category accounts for 9% of the total capital budget.

In January of 2007, Legislative Finance compiled a list that showed a deferred maintenance back-log of \$954 million. By January of 2011, the back-log totaled approximately \$2.1 billion (a 120% increase). The Governor announced a plan in the FY11 budget proposal to reduce the back-log by spending \$100 million of general funds each year for five years. The legislature fully funded year one and two of the plan, yet **most recent estimates continue to show a back-log totaling \$2.3 billion**. The Governor's FY13 bill again contains \$100 million to address the issue.

The current back-log, as reported by OMB, follows:

Deferred Maintenance by Agency (millions)					
	Jan-10	Jan-11	Difference 2010 to 2011	Jan-12	Difference 2011 to 2012
Administration	80.8	80.6	(0.2)	50.3	(30.3)
Corrections	103.0	88.8	(14.2)	102.9	14.1
Court System	14.9	12.6	(2.3)	9.8	(2.8)
Education & Early Development	15.0	30.0	15.0	20.5	(9.5)
Environmental Conservation	0.5	0.2	(0.3)	0.2	-
Fish and Game	2.3	4.4	2.1	3.1	(1.3)
Health & Social Services	19.5	18.8	(0.7)	19.2	0.4
Labor & Workforce Development	58.2	49.2	(9.0)	49.0	(0.2)
Military & Veterans Affairs	32.4	25.8	(6.6)	50.0	24.2
Natural Resources	67.6	83.0	15.4	69.1	(13.9)
Public Safety	2.7	2.7	-	6.7	4.0
Transportation & Public Facilities	731.2	758.4	27.2	751.4	(7.0)
Airports	54.1	83.5	29.4	54.7	(28.8)
Harbors	19.1	19.1	-	15.5	(3.6)
Facilities	24.7	24.7	-	39.4	14.7
Highways	610.0	610.0	-	624.9	14.9
AMHS Vessels/Terminals	23.3	21.1	(2.2)	16.9	(4.2)
University of Alaska	967.3	1,173.4	206.1	1,185.8	12.4
Total	2,095.4	2,327.9	232.5	2,318.0	(9.9)

The numbers above should be considered as gross approximations. Unless and until the State adopts a definition for deferred maintenance, estimates of the deferred maintenance backlog will remain rough. The Federal Accounting Standards Advisory Board (FASAB) provides a model definition for "maintenance" that could be utilized.

FASAB definition:

“Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventative maintenance, replacement of parts, systems, or components, and other activities needed to preserve or maintain the asset. Maintenance and repairs exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.”

For purposes of categorizing the Governor’s capital budget request, all projects labeled “deferred maintenance” have been assigned to the “Maintenance and Repairs” category.

Why does it matter? Understanding a problem can lead to better decision making. A clear accounting of the state “maintenance” backlog could lead to a better understanding of the funding that needs to be applied to the backlog and to current and preventative maintenance plans. Without proper measurement, it will be difficult to determine whether improvements are being made.

Planning/Research - \$266 million

Another 12% of the budget falls into the planning and research category. The Governor has proposed a \$60 million deposit to the Alaska Gasline Inducement Act (AGIA) Reimbursement Fund. Under AGIA, the State provides matching contributions in the form of reimbursements to the licensee (TC Alaska) in an amount not to exceed \$500 million of the qualified expenditures incurred in development of a natural gas pipeline. Also included is \$21 million to the Alaska Gasline Development Corporation for the intra-state gas pipeline project. This is the 3rd year of funding for the corporation which, with this proposal, would total \$64.8 million.

Other significant planning appropriations include the federal highway and airport pre-construction appropriations. At \$45 million and \$18 million respectively, these highway and airport projects fund the preliminary design, engineering, environmental analysis, right-of-way and utility work for the federal Airport Improvement Program and Surface Transportation Program.

Information Systems/Technology - \$49 million

Information technology projects make up 2% of the budget. Spread throughout state agencies, projects include network upgrades/replacements, security projects, document imaging projects, database development and various communication projects. Also included are several Intelligent Transportation Systems (ITS) projects within DOT&PF. These projects utilize special funding from the Federal Highway Administration for improving transportation safety and efficiency. Examples include variable speed limit signs, traffic monitoring and incident detection systems, and weather and pavement sensors.

Two large projects—the DOR Tax Management System and the DOA Payroll and Accounting System Replacement—were finally addressed last session. The Governor requested and received \$47.4 million for the final phase of the payroll and accounting system replacement, while the Senate added funding for the tax revenue management system.

Equipment/Materials - \$61 million

This category, totaling 3% of the request, contains recurring projects for State Equipment Fleet replacement (\$15 million), various rural and international airport snow removal and safety equipment (\$10 million), and other agency equipment and materials as such:

- DOC Goose Creek Prison Start-up Furniture and Equipment - \$5 million;
- DMVA Statewide Emergency Food Supplies - \$4.9 million;
- DPS Search and Rescue Helicopter - \$3 million;
- DOT&PF Federal Transit Administration Grants (buses) - \$9 million; and
- DOT&PF Aggregate Surfacing Materials - \$2 million

Other - \$116 million

The “Other” category, at 5% of the budget, is comprised of projects that do not fit well in any of the other project categories. This category includes projects that provide economic assistance, training, safety grants/programs, and similar miscellaneous items. This category has often contained appropriations that may be more appropriately placed in an agency operating budget. The legislature has taken steps during the last few years to remove operating items from the capital budget. This budget again appears improved in this regard.

Notable projects in the “Other” category include:

- DCCED Economic Development Initiative - \$1.8 million
- DEC Clean and Drinking Water Subsidy Funding - \$7.2 million
- DMVA State Homeland Security Grants - \$9.5 million;
- AHFC Homeless Assistance Program - \$8 million;
- DOT&PF Statewide Safety Program - \$20 million;
- DOT&PF Whittier Tunnel Maintenance and Operations - \$2.9 million

Project Categorization Methodology

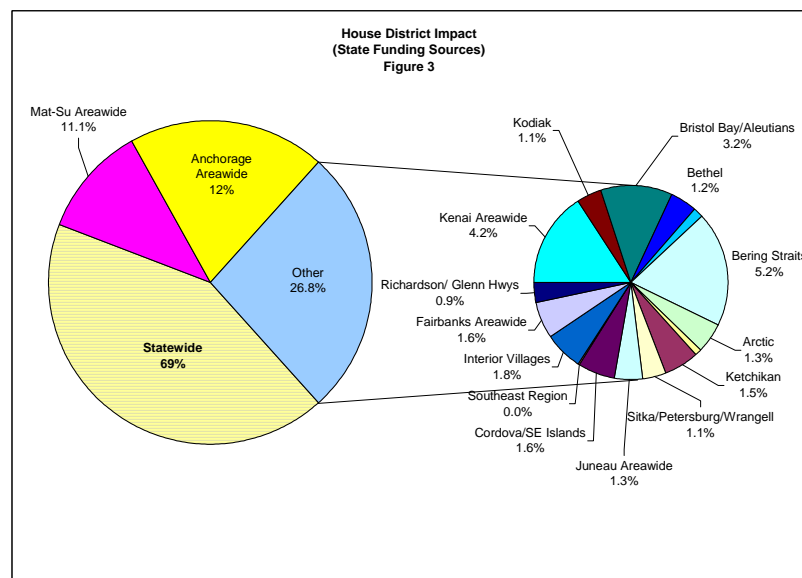
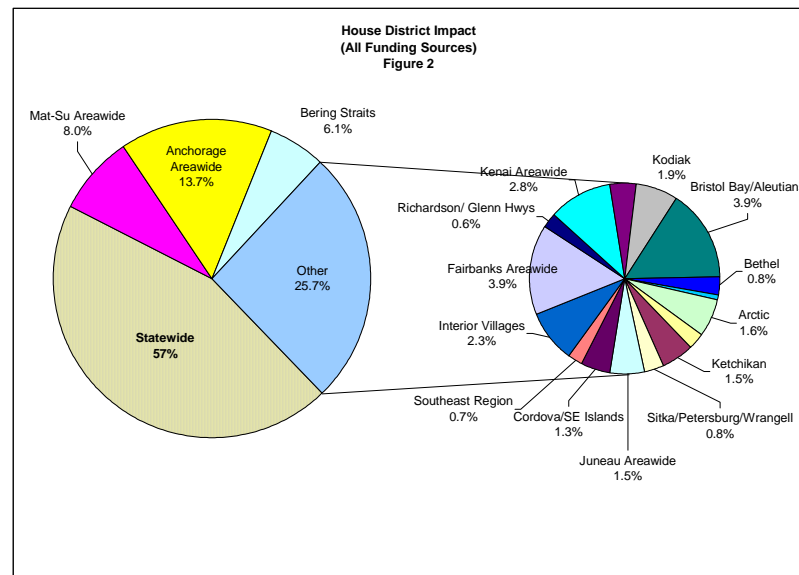
The pie chart at the beginning of this section and the spreadsheets accompanying each agency narrative categorize the capital budget by project groups. The groupings are a mutually exclusive set. This allows Legislative Finance to prepare a Project Group Summary report that reflects the entire capital budget without duplication. As with any task of categorization, subjectivity exists.

The rules used to define the projects in each group are provided in the table below.

Project Group	Description
Planning and Research	Projects involving planning, design, engineering, research, or studies
Maintenance and Repairs	Projects involving the repair of deteriorated conditions, restoration to previous condition, and preventative maintenance
Remodel, Reconstruction and Upgrades	Projects modifying or rebuilding existing space; includes complete replacement and upgrades
New Construction and Land Acquisition	Projects involving the addition of new space; including extensions and expansions
Information Systems and Technology	Projects related to information technology regardless of whether they are in a planning phase or construction (programming) phase - segregated due to their unique nature
Equipment and Materials	Projects involving the purchase of equipment and materials
Other	Projects that do not fit elsewhere

Distribution by House District

Figures 2 and 3 show the proportional breakdown of the Governor's capital request by house district on an "impact" basis.¹ Figure 2 contains all funding sources, while Figure 3 is state funds only. As can be seen, the majority of projects are assigned to the "Statewide" House District. Projects falling under this assignment are generally broad appropriations that span multiple regions of the state. The types of projects included are large deferred maintenance projects, information technology projects, and federal grant programs. The Capital Budget Summary table on the next page breaks out the funding sources by fund group (General funds (UGF & DGF), Other State, and Federal funds) for each house district. Project detail reports by House District (along with project back-up) can be found on the Legislative Finance website.



¹ Legislative Finance assigns two house districts to each project: 1) by the house districts impacted by a project, and 2) by the geographic location of a project.

Capital Budget Summary

(thousands)

Agency	Agency Comparison - All Funds (Includes MH)			FY13 Governor's Budget by House District				
	FY12 Budget (1)	FY13 Gov	Change FY12-FY13	House District	HD #	General Funds	Other State Funds	Federal Funds
Administration	65,663.2	39,813.0	(25,850.2)	Ketchikan	1	11,089.8	10,000.0	10,878.4
Commerce, Community & Econ Dev	757,352.6	528,590.0	(228,762.6)	Sitka/Petersburg/Wrangell	2	14,809.1	-	3,564.0
Corrections	7,400.0	11,250.0	3,850.0	Juneau Areawide	3-4	17,437.4	-	15,327.0
Education and Early Development	88,596.1	106,577.2	17,981.0	Cordova/SE Islands	5	22,627.1	-	4,935.0
Environmental Conservation	79,788.1	94,680.9	14,892.8	Southeast Region	1-5	475.0	-	14,000.0
Fish and Game	28,587.0	25,518.3	(3,068.7)	Interior Villages	6	24,111.0	-	26,860.0
Office of the Governor	100.0	-	(100.0)	Fairbanks Areawide	7-11	21,183.0	810.0	63,147.0
Health and Social Services	69,146.6	24,247.7	(44,898.9)	Richardson/ Glenn Hwys	12	12,199.5	-	2,037.5
Labor and Workforce Development	3,210.0	8,917.5	5,707.5	Mat-Su Areawide	13-16	43,034.0	110,000.0	23,560.0
Law	1,250.0	250.0	(1,000.0)	Anchorage Areawide	17-32	52,643.3	216,848.3	68,521.8
Military and Veterans Affairs	30,905.8	28,927.5	(1,978.3)	Kenai Areawide	33-35	47,717.3	10,641.3	4,010.0
Natural Resources	35,613.7	27,382.0	(8,231.7)	Southcentral Region	12-35	1,000.0	-	23,300.0
Public Safety	8,278.0	11,374.8	3,096.8	Kodiak	36	15,233.0	-	26,010.0
Revenue	213,919.5	123,749.4	(90,170.1)	Bristol Bay/Aleutians	37	33,855.8	10,000.0	42,901.4
Transportation & Public Facilities	1,210,943.4	1,040,261.4	(170,682.0)	Bethel	38	16,332.5	-	1,280.0
University of Alaska	159,504.0	52,500.0	(107,004.0)	Southwest Region	36-38	5,540.1	-	-
Alaska Court System	8,825.2	11,085.0	2,259.8	Bering Straits	39	61,563.1	10,000.0	61,780.0
Fund Capitalization (3)	64,800.0	61,700.0	(3,100.0)	Arctic	40	18,440.0	-	16,815.0
				Northwest Arctic Region	39-40	3,687.0	-	12,249.1
				Statewide	1-40	540,063.8	44,955.4	399,351.8
Total Capital - "Money on the Street" (4)	2,833,883.3	2,196,824.7	(637,058.6)	Total		963,041.7	413,255.0	820,528.0
Unrestricted General Funds	1,557,057.7	882,030.4	(675,027.3)	Unrestricted General Funds		882,030.4	-	-
Designated General Funds	44,501.7	81,011.3	36,509.5	Designated General Funds		81,011.3	-	-
Other State Funds	151,782.9	413,255.0	261,472.2	Other State Funds		-	413,255.0	-
Federal Funds	1,080,541.1	820,528.0	(260,013.1)	Federal Funds		-	-	820,528.0
Fund Transfers - Non-Additive (5)	26,620.2	60,512.3	33,892.1					

Notes:

1) The FY12 Budget figure includes approved RPL's through the 12/6/2011 meeting of the Legislative Budget and Audit Committee.

2) Fund Capitalization refers to funding appropriated to a program not requiring further appropriation for expenditure (e.g. - AGIA Reimbursement Fund).

3) "Money on the Street" is the total amount of funding for capital projects, net of fund transfers. Duplicated fund sources are not removed because doing so would understate the amount of funding going toward capital projects.

4) Fund Transfers are appropriations that move money from one "fund" to another "fund," not actually placing any new capital projects "on the street."

Language Sections of the Governor's FY12 Capital Budget

Sec. 7. FEDERAL AND OTHER PROGRAM RECEIPTS. (a) Federal receipts, designated program receipts as defined in AS 37.05.146(b)(3), information services fund program receipts as defined in AS 44.21.045(b), receipts of the University of Alaska as described in AS 37.05.146(b)(2), receipts of commercial fisheries test fishing operations under AS 37.05.146(c)(21), corporate receipts of the Alaska Housing Finance Corporation, corporate receipts of the Alaska Aerospace Corporation, Exxon Valdez oil spill trust receipts as defined in AS 37.05.146(b)(4), and receipts of the Alaska Fire Standards Council under AS 37.05.146(b)(5), that exceed the amounts appropriated by this Act are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

(b) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) exceed the estimates appropriated by this Act, the appropriations from state funds for the affected program may be reduced by the excess if the reductions are consistent with applicable federal statutes.

(c) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) fall short of the estimates appropriated by this Act, the affected appropriation is reduced by the amount of the shortfall in receipts.

Subsection a provides open-ended appropriations of the types of receipts listed. Although the appropriations are conditioned on review by the Legislative Budget and Audit Committee, the Governor can increase authorization for listed fund sources without the approval of the Committee. Similar language in the operating budget applies only to operating authorizations. The operating language excludes test fisheries receipts and corporate receipts of the Alaska Aerospace Corporation.

Subsection b permits state funding authorization to be reduced if unanticipated non-state funding is received for projects funded by state funds. There is no formal process for tracking potential reductions.

Subsection c automatically limits authorization of federal and other receipts to the amount actually received. The language applies to all appropriations in the Act, not merely to appropriations subject to LB&A review.

Funding: Although requests for approval to spend additional receipts will almost certainly be received, there is no way to determine where the increases will be, how much they will be, or what fund sources would be appropriate. Legislative Finance reports no dollar value on appropriations made in this section.

Legislative Fiscal Analyst Recommendation: Receipts of the Fire Safety Standards Council are now classified as generic designated program receipts; the specific reference can be deleted.

Sec. 8. FUND CAPITALIZATION. (a) The sum of \$60,000,000 is appropriated from the general fund to the Alaska Gasline Inducement Act reimbursement fund (AS 43.90.400(a)) for the natural gas pipeline project construction inducement under AS 43.90.110(a)(1).

Section a capitalizes the AGIA Reimbursement Fund with \$60 million from the general fund. Under AGIA, the state will provide matching contributions in the form of reimbursements (not to exceed \$500 million) to the licensee (TC Alaska) of qualified expenditures incurred in development of a natural gas pipeline. No appropriation is required to disburse money from the fund.

Funding: Under the Alaska Gasline Inducement Act (AGIA), the state will reimburse the licensee (TC Alaska) for qualified expenditures incurred in development of a natural gas pipeline. To date, \$245 million has been appropriated to the fund, and \$49.4 million has been used to reimburse the licensee through 3/31/11. Projected reimbursements for the remainder of FY11 are \$57.1 million. Projections for FY12 and FY13 are \$170 and \$129 million, respectively, for a total through FY13 of \$405.5 million (as outlined in the 6/8/2011 gas pipeline project report at gasline.alaska.gov). The Governor's proposed \$60 million capitalization for FY13 would bring the fund balance to \$305 million, \$100 million short of projected reimbursements.

(b) The amount of federal receipts from the financial assistance award for emerging energy technology by the Denali Commission established under P.L. 105-277, estimated to be \$1,700,000, is appropriated to the emerging energy technology fund (AS 42.45.375) for capital projects.

Section b capitalizes the Emerging Energy Technology Fund with an estimated \$1.7 million of federal receipts.

Funding: The fund was created in SLA 2010 and capitalized for FY11 with \$2.4 million general funds. For FY12, \$2.4 million of federal funding was secured from the Denali Commission and the legislature provided \$2.4 million of general funds as a "good faith" match to the Denali Commission funding. The Governor's proposed FY13 budget provides no match for the federal receipts.

Sec. 9. FUND TRANSFERS. (a) The sum of \$25,000,000 is appropriated from the general fund to the renewable energy grant fund (AS 42.45.045(a)).

Subsection a appropriates \$25 million from the general funds to the renewable energy grant fund for energy grant appropriations.

Funding: To date, \$176.6 million has been appropriated to and from the Renewable Energy Fund for projects.

Legislative Fiscal Analyst Comment: Funds established for the purpose of making grants typically require an appropriation to the fund, and grants may then be disbursed with no further appropriation. Appropriations to grant funds are,

therefore, typically classified as fund capitalizations. Because enabling legislation stated that money is to be appropriated from the Renewable Energy Fund as well as to it, deposits are classified as fund transfers. Recent capital bills contained a list of grantees and projects to be funded. The Governor's bill appropriates (in Section 1) \$25 million from the fund to the Alaska Energy Authority, but does not specify grantees or projects.

Legislative Fiscal Analyst Recommendation: *To comply with enabling statutes, the legislature should add a list of grantees to the appropriation bill. Compiling the list of grantees has typically required coordination with the AEA.*

(b) The sum of \$35,512,300 is appropriated from the general fund to the regional educational attendance area school fund (AS 14.11.030(a)).

Subsection b appropriates \$35.5 million to the REAA School Fund for a school construction project in a regional education attendance area.

Legislative Fiscal Analyst Comment: *Although created in Ch.93, SLA 2010, this fund does not become effective until July 1, 2012 (FY13). The fund is defined in statute as an account within the general fund. The enabling language is identical to that of the School Construction Fund (AS 14.11.005) and the Major Maintenance Grant Fund (AS 14.11.007). Appropriations to/through the School Construction Fund and Major Maintenance Fund occur in section 1 of the bill (with individual projects identified as allocations).*

The legislature's practice is to limit fund transfers as much as possible in order to encourage budget clarity. The Governor proposes creating a new transfer fund code and using that code to fund a portion of the Emonnak school.

The consent decree for the Kasayulie vs. State case requires the Governor to include funding for two REAA schools in his FY13 capital budget. The budget funds the Emmonak school with \$35.5 million through the REAA fund plus \$544.4 general fund. The Koliganek school is funded with \$24.9 million of general funds.

Legislative Fiscal Analyst Recommendation: *Appropriations to/through the REAA School Fund should occur in the same manner as appropriations to/through the School Construction Fund and Major Maintenance Fund. This will avoid creation of a new fund code, and will follow the method used to identify school construction and maintenance projects.*

Both the Emonnak and Koliganek schools should be funded to/through the REAA School Fund.

Sec. 10. INSURANCE CLAIMS. **The amounts to be received in settlement of insurance claims for losses and the amounts to be received as recovery for losses are appropriated from the general fund to the**

- (1) state insurance catastrophe reserve account (AS 37.05.289(a)); or
- (2) appropriate state agency to mitigate the loss.

Section 10 allows an agency to receive insurance claim settlement payments directly from a third party. Without this provision, settlements would remain in the general fund and would not be available to offset an agency's loss without a specific appropriation.

Sec. 11. NATIONAL PETROLEUM RESERVE - ALASKA IMPACT GRANT PROGRAM. The amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530(a)) under 42 U.S.C. 6506a(l) or former 42 U.S.C. 6508 by August 31, 2012, estimated to be \$5,400,000, is appropriated from that fund to the Department of Commerce, Community, and Economic Development for capital project grants under the National Petroleum Reserve - Alaska impact grant program.

Section 11 appropriates the entire amount received (estimated at \$5.4 million for FY13) from the revenue shared by the federal government from sales, rentals, bonuses, and royalties on leases issued within the NPR-A to the NPR-A Impact Grant Program. Grants are awarded to municipalities impacted by oil and gas development in the NPR-A. AS 37.05.530(g) states that receipts not appropriated as grants are to be distributed as follows: 25% to Permanent Fund Principal, ½% to the Public School Trust Fund, and any remaining amount to the Power Cost Equalization and Rural Electric Capitalization Fund.

***Legislative Fiscal Analyst Comment:** Recent capital bills contained a list of grantees and the projects to be funded. Providing this information allows it to be entered into the budget system so that it is available for future queries regarding grants.*

***Legislative Fiscal Analyst Recommendation:** Grantees and a short description of projects should appear in the bill.*

Remaining balances should be appropriated to a fund other than the Power Cost Equalization and Rural Electric Capitalization Fund, which is no longer used because the Power Cost Equalization Program is funded with an open-ended appropriation of general funds. AS 37.05.530(g) should also be revised.

NEW SECTION

Sec. 12. DEPARTMENT OF FISH AND GAME. (a) Section 63(d), ch. 29, SLA 2008, page 223, lines 5 - 7 is amended to read:

- (d) The sum of \$70,640,000 is appropriated from the general fund to the Alaska sport fishing construction account (AS 16.05.130(f)) for facility

upgrades, improvements, [AND] construction, and operations for the sport fish hatchery in Anchorage.

Subsection a permits a capital appropriation for the sport fish hatchery in Anchorage to be used for operating the facility. The language states neither the amount of money that would be appropriated nor the period the language may affect. Consequently, there are no transactions in the budget system for this appropriation (but transactions must be added if the language is adopted).

Re-designating capital appropriations for operating purposes is unusual in recent history. There was a time when such actions were not recorded in the budget system. In recent years, re-designation shows in the system as an increase in the operating budget. The offsetting reduction of the capital project is not shown in the budget system because doing so would understate FY13 capital appropriations. The fiscal summary shows the re-designation as a net zero: the increase in the operating budget is offset by an increase in revenue. Because there is no indication of the amount or period intended, there is currently insufficient information to record the appropriate transaction properly.

Legislative Fiscal Analyst Recommendation: Delete subsection a.

If the legislature wishes to provide additional operating funds for the hatchery, there are a number of alternatives that are more straightforward. Alternatives include an operating increment for hatchery operations and accelerated pay-off of the bonds issued for hatchery construction. The latter option would allow Fish and Game funds and federal receipts currently going toward debt service to be redirected to hatchery or other operations.

(b) The unexpended and unobligated balance of the appropriation made in sec. 63(d), ch. 29, SLA 2008, page 223, lines 5 - 7 (sport fish hatchery in Anchorage) in the amount of \$5,000,000 is appropriated to the fish and game fund (AS 16.05.100).

Subsection b reappropriates \$5 million of general funds (originally appropriated for hatchery construction) to the Fish and Game fund. As discussed above, the proposed language will appear in budget reports as an increase in the operating budget offset by an increase in revenue.

An appropriation of general funds to the Fish and Game fund would cause the fund to be reclassified from a *dedicated fund* to a *duplicated state fund*. For a dedicated fund, appropriations are counted on the way *out* of the fund. If general funds are mixed with dedicated revenues (as the proposed language would do) money must be counted on the way *into* the fund in order to prevent “changing the flavor” of general fund revenue to dedicated revenue. Deposits to the (newly reclassified) Fish and Game fund would appear as fund capitalization and money coming out of the fund would be categorized as duplicated expenditures. New fund codes would need to be established for the newly classified fund in order to prevent the change from affecting historical data.

Legislative Fiscal Analyst Comment: *Reclassification of the fund is technically complicated, but it could be done. The proposed language begs the question: “Why complicate matters when a direct operating appropriation of general funds to various allocations within the Department would accomplish the same purpose in a much simpler manner?”*

The answer is likely to absorb substantial time in subcommittee as members discuss whether the amount of Fish and Game funds requested in the FY13 budget can be sustained if the balance of the fund is not increased as requested in subsection b.

Legislative Fiscal Analyst Recommendation: *Delete subsection b.*

If the legislature wishes to use surplus capital funds to increase the balance of the Fish and Game Fund, the following approach is less complicated and more transparent than the method proposed:

- 1) repeal surplus capital authorization;*
- 2) appropriate up to \$5.5 million of UGF—the estimated surplus capital appropriation—as a one-time item for sport fish operations; and*
- 3) reduce FY13 operating authorization of Fish and Game funds by the same amount.*

These steps will not affect the classification of the Fish and Game Fund (because money would be retained in the fund rather than deposited into the fund), but would have the same outcome as the Governor’s proposal:

- 1) have a net zero impact on the FY13 surplus;*
- 2) provide money for Anchorage hatchery operations;*
- 3) increase the year-end FY13 balance of the Fish and Game Fund by up to \$5.5 million; and*
- 4) allow the “boost” to the fund balance to be used over several years.*

These steps should all occur in the operating budget so that the operating subcommittees have a comprehensive view of the FY13 operating requirements of the Department.

Legislative Fiscal Analyst Comment: *Note that neither the Governor’s proposal nor this revision addresses the Department’s structural funding problem—the actions boost the Fish and Game Fund balance (so extend the period that outflows can exceed inflows) but does not offer long-term sustainability.*

(c) An amount equal to the proceeds from the sale conducted during fiscal year 2013, 2014, or 2015 of a research vessel owned by the Department of Fish and Game, including parts and inventory, is appropriated from the general fund to the

Department of Fish and Game for the repair, maintenance, or replacement of vessels or equipment.

Subsection c permits the Department of Fish and Game to apply the proceeds from the sale of the *R/V Resolution* (estimated between \$300.0 and \$500.0) toward the purchase of equipment and any retrofits necessary on a new vessel.

Sec. 13. LAPSE. (a) The appropriations made in secs. 10(2), 11, 12(a), and 12(c) of this Act are for capital projects and lapse under AS 37.25.020.

(b) The appropriations made in secs. 8, 9, 10(1), and 12(b) of this Act are for the capitalization of funds and do not lapse.

Under AS 37.25.020, a capital appropriation is for the life of the project. In addition, an Attorney General's Opinion states that exclusion of a capital appropriation from a capital lapse provision (such as subsection a) does not prevent the appropriation from lapsing under AS 37.25.020 as long as the appropriation is "clearly a capital improvement."

***Legislative Fiscal Analyst Comment:** The belief that capital appropriations have a five-year lapse is a common misunderstanding. Capital projects are initially booked in the state accounting system for five years, but are administratively extended if the funding is still needed.*

The statutes governing Grants to Municipalities, AS 37.05.315, include a provision that if substantial and ongoing work has not begun within five years of the appropriation, the funding shall lapse.

***Legislative Fiscal Analyst Recommendation:** The legislature may wish to consider adding a similar provision to AS 37.25.020 in order to prevent capital projects from remaining on the books for extended periods with little to no activity.*

Sec. 14. This Act takes effect July 1, 2012.

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Agency Narratives and Funding Summaries

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Department of Administration

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)	\$103,630.0			
FY12 Fiscal Notes	464.8			
CarryForward	-			
Special Appropriations, Multi-Years & Contingents	-			
Agency Transfers	(915.3)			
Misc Adjustments	-			
Vetoed	-			
FY12 Management Plan (GF only)	\$103,179.5	(\$450.5)	-0.4%	
One-time Items removed	(151.5)			
Miscellaneous Adjustments	-			
Short-Term Increments	-			
FY13 Contractual Salary and Health Increases	1,868.4			
FY13 Adjusted Base Budget (GF only)	\$104,896.4	\$1,716.9	1.7%	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	-			
FY13 Governor's GF Increments/Decrements/Fund Changes	141.0			
FY13 Governor's Agency Request (GF only)	\$105,037.4	\$141.0	0.1%	
FY13 Governor's Increments, Decrements, Fund Changes and Language	FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation			\$141.0	
Finance	6,819.5	6,707.0	(112.5)	1
Alaska Oil & Gas Conservation Commission	6,270.1	6,306.4	36.3	4
Violent Crimes Compensation Board	12.9	-	(12.9)	
Alaska Public Offices Commission	1,507.3	1,575.4	68.1	3
Motor Vehicles	15,841.2	16,003.2	162.0	2,6
Non-General Fund Agency Summary	FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)	206,615.8	212,133.0	5,517.2	1,5,7
Federal Funds (all allocations)	4,499.8	4,649.8	150.0	8
Total Non-General Funds (all allocations)	\$211,115.6	\$216,782.8	\$5,667.2	
Position Changes (From FY12 Management Plan to Gov)	1,150	1,140	(10)	
PFT	1,091	1,082	(9)	
PPT	18	18	-	
Temp	41	40	(1)	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	10,000.0	-	10,000.0	
Maintenance and Repairs	6,750.0	-	6,750.0	
Remodel, Reconstruction and Upgrades	15,700.0	-	15,700.0	
New Construction and Land Acquisition	-	-	-	
Equipment and Materials	-	-	-	
Information Systems and Technology	7,363.0	-	7,363.0	
Other	-	-	-	
TOTAL CAPITAL	\$39,813.0	\$0.0	\$39,813.0	

Department of Administration

The mission of the Department of Administration (DOA) is to provide consistent and efficient support services to state agencies so that they may better serve Alaskans. DOA establishes policies and coordinates services among departments and provides statewide leadership and policy direction in the following areas:

- finance and accounting;
- payroll;
- information technology;
- human resources;
- labor relations;
- procurement, including final administrative decisions on statewide procurement appeals;
- facility leasing and management;
- risk management; and
- employee and retiree benefits programs for state and local governments.

Direct public services are provided through the Division of Motor Vehicles; by legal and advocacy services through the Public Defender Agency and the Office of Public Advocacy; and through the Office of Administrative Hearings which provides for adjudication services in a broad range of administrative appeals and alternative dispute resolution processes. The Department also oversees administrative functions of four independent boards and commissions (the Alaska Public Broadcasting Commission, the Alaska Public Offices Commission, the Alaska Oil and Gas Conservation Commission, and the Violent Crimes Compensation Board).

The FY13 Department of Administration general fund operating budget submitted by the Governor is \$141.0 above the FY13 Adjusted Base [\$55.2 Unrestricted General Funds (UGF) and \$85.8 Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

- 1. Finance – Integrated Resource Information System Positions Authority: \$1.5 million CIP Receipts (Other).** For several years, preparations have been underway for massive overhaul and automation of the state's administrative processes. Several aging and inefficient systems are being replaced, including the statewide accounting and payroll systems. An integrated procurement system is also evolving. The Division of Finance is the lead for this project. For FY13, the Department is requesting \$1.5 million in CIP receipts to provide funding for twelve new permanent, full-time positions to implement the integration of these administrative systems. These positions were approved by OMB on 6/23/11.

Legislative Fiscal Analyst Comment: The Division of Finance is also including a decrement in the Governor's FY13 Budget of \$112.5 GF/Program Receipts. That money was to pay for work to automate travel expenditure reports. The Division determined that the funding is not needed.

- 2. Motor Vehicles – Establish State Operated Office in Kotzebue: \$87.5 GF/Program Receipts (DGF) plus one PFT position.** The Division of Motor Vehicles' contract with the Northwest Arctic Borough to provide DMV services for Kotzebue and

the surrounding communities is expiring and the Borough has given notice to DMV that it is not interested in continuing the contract under the current fee structure. The Department is requesting an increase in its operating budget to fund a new state-operated office (with one new position). A contract with the Northwest Arctic Borough would require \$126,000 per year plus \$25,000 in space upgrades.

3. **Alaska Public Offices Commission (APOC) – One-time Personal Services and Travel Increases: \$68.1 UGF.** The APOC is anticipating an increase in the number of advisory opinion requests and complaints filed due to greater election activity in FY13. The recent redistricting process has resulted in the FY13 election being significantly larger than previously expected, with all but one senator running for election. The approval of this one-time \$68.1 increment request will allow for \$61.2 in Personal Services and \$6.9 in Travel to fund overtime and travel for staff. If necessary, this increment could also be used to hire non-permanent staff to respond to inquiries and complaints and to provide advisory opinions.
4. **AOGCC Increased Travel for Onsite Regulatory Oversight: \$36.3 AOGCC Receipts (DGF).** In FY12, the Alaska Oil and Gas Conservation Commission added two positions (a Petroleum Engineer and a Petroleum Inspector with \$316.0 in AOGCC Receipt funding) for additional oversight and on-site inspections. In FY13, the Governor's budget includes a 20% increase in AOGCC travel to allow for more inspections and to witness and verify the accuracy of function and pressure tests on blowout prevention equipment on every rig that is in use for oil, gas, and geothermal drilling. These travel funds will also give the staff the ability to conduct various inspections and assist in investigations into accidents and incidents of non-compliance. The approval of this increment will provide a total of \$215.0 in travel for the Commission.

MAINTENANCE OF SERVICES

5. **Health Plans Administration – Third Party Contract Increases: \$440.5 Group Health and Life Benefits Fund (Other).** The AlaskaCare contract is in its fourth year with a third party administrator (Wells Fargo). Under terms of the contract, a cost-of-living increase tied to the change in the increased member base population and the consumer price index will take effect in FY13. The Department has determined that the amount of this increase is \$440.5.
6. **Motor Vehicles – Costs for Server Hosting: \$74.5 GF/Program Receipts (DGF).** The Division of Motor Vehicles servers that are used to process transactions and store data are located in the Enterprise Technology Services Anchorage Data Center. An assessment of equipment and needs completed in FY12 showed that DMV was being charged only a fraction of the true cost of housing these servers—\$5,500 annually instead of the \$80,000 that is appropriate. DMV does not have a facility with sufficient space, bandwidth, and air conditioning to host the servers. Consequently, an increment is included in the Governor's budget to correct this situation so that DMV can meet its obligations.
7. **General Services – Interagency Receipts: \$3,330.0 Total (Other).** Several increments for services and space costs will affect user agencies. Agencies will absorb these increases in their FY13 operating budgets.
 - **Central Mail – Authority for Postage Increases: \$80.0.** Central Mail Services is requesting an additional \$80.0 in receipt authority to allow expenditure of the collections for projected postage costs. This increment will be used to cover existing and anticipated increases in postage and lease/maintenance agreement costs for mail processing and postage meter equipment;

- **Leases – Lease Costs: \$2,500.0.** The leases program is anticipating a \$2.5 million increase in FY13 based on several issues—the consumer price index provisions of many lease contracts, expiring leases being replaced at higher cost, new lease awards, and tenant demands for more space. This increment will allow for the collection and expenditure of the increased amounts from customer agencies occupying leased space; and
- **Facilities – Facilities Operation and Maintenance Costs: \$750.0.** Increased costs of \$750.0 for operation and maintenance of the eleven facilities currently included in the Public Building Fund group is projected in FY13. Cost increases include utilities and fuel and service contracts for security, janitorial, and property management fees.

Legislative Fiscal Analyst Note: The facilities in the Public Building Fund group are—the Robert B. Atwood Building, the Fairbanks Regional Office Building, the Juneau State Office Building, the Dimond Court House, the Linny Pacillo Parking Garage, the Palmer State Office Building, the Alaska Office Building, the Douglas Island Building, the Court Plaza, the Juneau Public Safety Building, and the Juneau Community Building.

Legislative Fiscal Analyst Comment: The fuel trigger in section 21 of the operating budget was designed to cover increased fuel costs.

- 8. Office of Public Advocacy – John R. Justice Student Repayment Program: \$150.0 Federal Receipts (Fed).** On August 19, 2011, the Legislative Budget and Audit Committee approved \$200.0 in Federal Receipts for this program for FY12. The Governor's FY13 request includes continuation of a similar funding stream. The John R. Justice (JRJ) Grant Program is designed to encourage qualified attorneys to choose careers as prosecutors and public defenders and to continue in that service for at least three years. Eligible full-time employees include those of the State of Alaska (Department of Administration's and Department of Law's attorneys) or a unit of a local government (including tribal governments).

Legislative Fiscal Analyst Note: An eight-member board has been appointed by the Executive Branch (four each for DOA and the Department of Law) to determine eligibility for receipt of funds which will then be disbursed directly to financial institutions holding qualified student loans. Individual awards are currently set at a minimum amount of \$2,500.

ORGANIZATIONAL CHANGES

In FY13, the following structural changes are reflected in the Governor's Department of Administration budget:

- A new appropriation – General Services – was added in FY13 to gather in one budgetary location all of the responsibilities of the Division of General Services. The nine allocations now housed under that appropriation are: Purchasing, Property Management, Central Mail, Leases, Lease Administration, Facilities, Facilities Administration, Non-Public Building Fund Facilities, and General Services Facilities Maintenance.
- Three appropriations were eliminated – Leases, State Owned Facilities, and General Services Facilities Maintenance since the allocations within those appropriations were moved under the new General Services appropriation.

CAPITAL REQUEST

The Governor's FY13 Department of Administration capital budget includes eleven projects and totals \$39.8 million. Included in the general fund category is \$35.25 million UGF and \$550.0 GF/Program Receipts (DGF), divided into the following projects:

- **\$10,000,000 UGF – Nome State Office Building and Courthouse** for continued planning, design, and construction of that building. The departments of Fish and Game, Health and Social Services, Corrections, Law, and the Legislative Information Office will be included in the space considerations;
- **\$2,500,000 UGF – Juneau – Repair State Office Building Parking Garage Phase 1 of 3** to repair the 37-year-old SOB North Garage and the 40-year-old SOB South Garage structures;
- **\$4,000,000 UGF – Alaska Geologic Materials Center Replacement Facility** to pursue potential options for a replacement center. The current building in Eagle River is 70% over capacity and has become inadequate for proper storage and access to the current collection which represents geologic resource exploration activity in Alaska during the past 70 years;
- **\$9,200,000 UGF – Douglas Island Building Renovation Phase 1 of 3** for renovation and improvements to the state-owned facility in Juneau that currently houses the Department of Fish & Game Region One Office and Headquarters for the Department of Corrections;
- **\$800,000 UGF – Enterprise Technology System Bandwidth Monitoring Toolset** to purchase a bandwidth monitoring toolset. Bandwidth usage, cost, and available capacity are critical for state agencies. This project is an enhancement to existing enterprise functions to achieve optimal performance strategies;
- **\$1,500,000 UGF – Enterprise Technology System Bandwidth Improvement Project for Rural Sites** for the implementation of bandwidth improvement strategies such as Wide Area Network Acceleration, content caching, and balancing service loads;
- **\$550,000 GF/Program Receipts (DGF) – Division of Motor Vehicles – Driver Knowledge Testing System** to replace its obsolete driver knowledge testing system. The system was purchased from a company that is no longer in business, so system support and replacement parts are no longer available. These funds will supply DMV with approximately 90 testing machines and state-of-the-art, easily modified testing software system; and
- **\$7,250,000 UGF plus \$3,000,000 Public Building Fund (Other) – Statewide Deferred Maintenance, Renewal, Repair and Equipment Projects** managed by the Department of Administration for Public Building Fund and non-Public Building Fund facilities as well as projects for the State of Alaska Telecommunication System (SATS) infrastructure and ETS facilities.

In addition to the \$3 million noted above in Public Building Fund deferred maintenance, the Governor's Department of Administration capital request includes **a little over \$1 million in non-GF projects related to the Division of Retirement and Benefits.**

Legislative Fiscal Analyst Comment: As in previous years, direct appropriations for costs associated with public employees' retirement systems are segregated from the Department's budget in order to avoid overstating the Department of Administration's budget. A total of \$610.5 million in direct appropriations for retirement include:

- **\$302,777.2 UGF for the teachers' retirement system** defined benefit plan account;
- **\$307,302.4 UGF for the public employees' retirement system** defined benefit plan account; and
- **\$431.4 UGF for the Department of Military and Veterans' Affairs AK National Guard and Alaska Naval Militia** defined benefit plan account.

A \$3.5 million actuarially required contribution to the **judicial retirement system** defined benefit plan account was not included in the Governor's budget. The contribution to the military retirement system is not required.

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Department of Commerce, Community, and Economic Development

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)	\$111,010.6			
FY12 Fiscal Notes	-			
CarryForward	22,037.4			
Special Appropriations, Multi-Years & Contingents	(9,000.0)			
Agency Transfers	30.3			
Misc Adjustments	-			
Vetoed	-			
FY12 Management Plan (GF only)	\$124,078.3	\$13,067.7	11.8%	
One-time Items removed	(22,481.4)			
Miscellaneous Adjustments	-			
Short-Term Increments	-			
FY13 Contractual Salary and Health Increases	1,323.8			
FY13 Adjusted Base Budget (GF only)	\$102,920.7	(\$21,157.6)	-17.1%	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	(51,164.1)			
FY13 Governor's GF Increments/Decrements/Fund Changes	72,637.3			
FY13 Governor's Agency Request (GF only)	\$124,393.9	\$21,473.2	20.9%	
FY13 Governor's Increments, Decrements, Fund Changes and Language	FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation			\$21,473.2	
Economic Development	3,147.0	19,422.0	16,275.0	1, 7
Investments	5,128.8	5,131.1	2.3	
AEA Power Cost Equalization	34,340.0	38,190.0	3,850.0	5
AEA Alternative Energy & Efficiency	3,151.9	3,182.1	30.2	
Alaska Seafood Marketing Institute	14,882.3	15,382.3	500.0	6
Corporations, Business & Professional Licensing	10,686.4	11,246.0	559.6	3, 4, 8
Regulatory Commission of Alaska	8,736.7	8,992.8	256.1	2
Non-General Fund Agency Summary	FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)	31,372.3	34,530.3	3,158.0	9
Federal Funds (all allocations)	36,938.7	36,513.7	(425.0)	6
Total Non-General Funds (all allocations)	\$68,311.0	\$71,044.0	\$2,733.0	
Position Changes (From FY12 Management Plan to Gov)	517	513	(4)	
PFT	499	496	(3)	
PPT	3	2	(1)	
Temp	15	15	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	24,150.0	2,000.0	26,150.0	
Maintenance and Repairs	630.0	-	630.0	
Remodel, Reconstruction and Upgrades	117,839.9	5,000.0	122,839.9	
New Construction and Land Acquisition	336,470.1	5,400.0	341,870.1	
Equipment and Materials	-	-	-	
Information Systems and Technology	600.0	-	600.0	
Other	30,080.0	6,420.0	36,500.0	
TOTAL CAPITAL	\$509,770.0	\$18,820.0	\$528,590.0	

Department of Commerce, Community, and Economic Development

The mission of the Department of Commerce, Community, and Economic Development (DCCED) is to promote a healthy economy, strong communities, and protect consumers in Alaska. To accomplish this, the Department implements programs to

- coordinate, develop, and promote programs for sustainable economic growth;
- regulate and enforce consumer protection and provide a stable business climate;
- assist in the development of sustainable energy systems and reduce the cost of energy in rural Alaska; and
- assist communities with achieving maximum local self-government and foster volunteerism statewide.

The Department consists of core agencies including the Divisions of: Banking & Securities, Corporations, Business and Professional Licensing, Community and Regional Affairs, Insurance, and Economic Development. Various corporate agencies are also part of the Department, including: Alaska Industrial Development and Export Authority, Alaska Energy Authority, Alaska Railroad Corporation, Alaska Seafood Marketing Institute, Regulatory Commission of Alaska, and the Serve Alaska Commission.

The FY13 Department of Commerce, Community, and Economic Development general fund operating budget submitted by the Governor is \$21.5 million above the FY13 Adjusted Base [\$20.8 million Unrestricted General Funds (UGF) and \$0.7 million in Designated General Funds (DGF)].

Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

- 1. Economic Development – Tourism Marketing Contracts: \$16 million UGF – \$4 million more than was available in FY12.** This increment will provide operating funds in the Division of Economic Development's base budget for an on-going Tourism Marketing Campaign. This campaign will include a multi-media program that creates awareness and demand among prospective visitors in North America and several international markets. It will also provide travel planning information designed to encourage the conversion of interest into actual Alaska bookings. Key program elements include: printing and distribution of the Official Alaska State Vacation Planner, development and promotion of the TravelAlaska.com website, advertising (including print, television, and internet), direct mail, media and travel trade programs, and market research.
- 2. Regulatory Commission of Alaska (RCA) – Address Utility and Pipeline Emerging Issues: \$256.1 RCA Receipts (DGF).** The RCA is requesting funding to support two new positions.
 - Utility Financial Analyst III – This position will provide the ability to analyze complex financial filings and do long term analysis. With uncertain financial markets, a high level of financial expertise is needed to provide timely analysis required for sound decisions.
 - Utility Engineering Analyst III – This position will address increased engineering demands being placed upon the Commission to address issues related to utility and pipeline filings.

3. **Corporations, Business and Professional Licensing (CBPL) – Business Licensing and Corporations Indirect Costs: \$250.0 GF/Prgm (DGF).** CBPL is requesting additional authorization to appropriately fund indirect costs associated with Business Licensing and Corporations programs. The indirect costs were previously funded by the Professional Licensing program.

Legislative Fiscal Analyst Comment: Because neither the level of service purchased nor the total cost of the purchased services is changing, a fund source change from Receipt Supported Services (in Professional Licensing) to General Fund Program Receipts (in Corporation and Business Licensing) would have reflected this situation accurately. However, rising investigations and legal costs in the Professional Licensing program cause the Department to retain Professional Licensing's Receipt Supported Services authorization in order to pay legal costs.

4. **Corporations, Business and Professional Licensing – Support of Board and Commission Members: \$244.6 Receipt Supported Services (DGF).** This increment doubles the budgeted travel funding for CBPL. According to the Department, this funding is requested to allow Professional Boards and Commissions members to travel to national associations and conferences in order to maintain licensing programs current with today's national trends and standards. This budget request is based on the boards' travel estimates.

MAINTENANCE OF SERVICES

5. **Alaska Energy Authority Power Cost Equalization (PCE): \$3.85 million [\$4,484.8 UGF/ (\$634.8) Power Cost Equalization Endowment (DGF)].** The Alaska Energy Authority (AEA) is requesting a total of \$38.2 million for the PCE program in FY13. The AEA has estimated program costs based of a variety of factors, including a projected increase in the cost of fuel and a reduction in the base rate or "floor" from 14.39 cents/kWh to 13.42 cents/kWh.

The amount available from the PCE Endowment for FY13 is calculated to be \$22,875.8 – a decrease of \$634.8 over the amount budgeted in FY12. The estimated amount of general funds required to subsidize the PCE Program is \$15,314.2 – an increase of \$4,484.8 over the amount budgeted in FY12.

Legislative Fiscal Analyst Comment: The request is merely a projection of costs; language in the operating budget bill appropriates general funds in the amount necessary to pay for the PCE program under the statutory formula. See additional comments under section 12(g) in the discussion of operating language in the FY13 Overview book.

6. **Alaska Seafood Marketing Institute (ASMI) Fund Source Change: \$500.0 GF/Prgm (DGF)/ (\$500.0) Federal Receipts.** The FY13 request follows the methodology implemented in FY12 (Sec 13(e), Ch 3, FSSLA 2011). The new funding methodology was designed to:

- Match (with UGF appropriations) contributions by the seafood industry in the most recently closed fiscal year, limited to \$9 million annually;
- Enhance planning efforts by limiting expenditures of current year program receipts to approximately 20% of receipts collected in the most recently closed fiscal year;
- Stabilize the funding stream by allowing all unspent program receipts to be carried forward; and
- Provide federal receipt authorization sufficient to use all available federal funding.

ASMI's request includes replacing \$500.0 unrealizable Federal Receipts with General Fund Program Receipts.

Legislative Fiscal Analyst Comment: ASMI's request is in section 1 of the bill, which makes it base funding in future years. While the request is well within the bounds of the funding formula specified in the FY12 budget, there is some danger that the matching and stabilization concepts embodied in FY12 language will soon be forgotten if funding simply becomes part of the base budget.

The legislature may wish to incorporate language similar to that used in the FY12 operating budget in order to guide future legislators.

7. Strengthened Economic Development and Timber Efforts: \$275.0 UGF.

The Division of Economic Development (DED) is requesting funding to support a Business Development Specialist position, and partially fund a Development Manager and a Timber/Forest products position. Funding these existing positions will allow the DED to:

- maintain realignment of division staff according to the economic development functions of Marketing, Finance, Research, Business Technical Assistance, and Outreach & Coordination;
- continue engagement with the business community and other economic development entities;
- perform additional tourism and marketing efforts undertaken in FY12; and
- reestablish timber and forest products statutory functions.

Legislative Fiscal Analyst Comment: In FY12 the legislature appropriated one-time funding of \$275.0 general funds to the DED for the above purposes. The requested increment would make that funding part of the base budget.

It is unclear why tourism marketing funding (see item 1) cannot be applied to a portion of this request.

The Governor's FY13 capital budget includes requests for two economic development projects that expand the operating services currently provided by the DED. The requests should be reviewed as increments during the operating budget process. The requests are:

- Economic Development Initiative—\$1,770.0 UGF in FY13 plus \$400.0 annually in future years. Funding would implement a multi-faceted, multi-agency marketing initiative.
- Strategic Minerals Implementation—\$450.0 UGF as one-time money in FY13. The funding is to develop and begin implementing a strategy for developing the State of Alaska's rare earth element resources.

8. Corporations, Business and Professional Licensing – Investigator position for Big Game Commercial Services Board: \$65.0 Receipt Supported Services (DGF).

The legislature approved one-time funding and one temporary Investigator position in FY11 and FY12 to ensure compliance with transporter license requirements. This one-time increment continues the appropriation and the temporary position for the same purpose in FY13. Due to increasing user conflict in game units over the last several years, the Big Game Commercial Services Board has needed an additional investigator to work on the problem.

Legislative Fiscal Analyst Comment: The legislature approved this funding as one-time in the FY11 & FY12 budgets. If the problem is persistent, the legislature may want to consider adding the funding and the position to the Department's base.

9. Commissioner's Office & Administrative Services – Increase Authorization to Accurately Reflect the Department's Cost Allocation Plan: \$583.7 Inter-agency (I/A) Receipts & \$87.4 CIP Receipts (Other).

The Department is requesting additional authorization within the Commissioner's Office (\$135.0 I/A Receipts) and Administrative Services (\$448.7 I/A Receipts & \$87.4 CIP Receipts) allocations to align the budget with the Department's cost allocation plan.

Authorization within the Commissioner's Office will support unbudgeted personal services and services costs. Authorization within Administrative Services will support a newly established long-term non-permanent Analyst/Programmer working on the new Banking and Securities Management System and three information technology positions previously transferred into Administrative Services from the Division of Investments.

Legislative Fiscal Analyst Comment: The I/A Receipt authorization increases the Commissioner's Office budget by 15.3% and Administrative Services budget by 12.5% over the Adjusted Base. The I/A Receipt increase is reflecting existing unbudgeted reimbursable services agreements in the budget. The only new cost is related to the nonpermanent Analyst/Programmer, which is funded through an existing capital project.

- 10. Community and Regional Affairs – Maintain Position to Provide Communities with Assistance on Land Management: 1 PFT.** In FY11 and FY12, the legislature approved one-time funding for a position to provide communities with land management, site control verification, planning assistance services and management of Alaska Native Claims Settlement Act (ANCSA) 14(c) actions. Because the funding and position were added as one-time items, both the funding and the positions were removed in the Adjusted Base. This position adjustment would add the position to the Community and Regional Affairs base budget without funding.

When ANCSA was passed in 1971, 95 unincorporated communities had a land conveyance obligation to the state under section 14(c)(3). Over 50 communities still have not completed the conveyance of land to the village corporation to be held in trust for a future municipality.

Site control and land status verifications are needed to ensure clear title on village corporation land. Lack of this verification can result in legal issues and can hold up capital grants disbursement. Other departments and entities depend upon the Department's verification actions to allow for the disbursement of capital grants and to avoid legal complications resulting from unresolved land status issues.

Legislative Fiscal Analyst Comment: The legislature approved this funding as one-time in FY11 & FY12 because the single Planner working on ANCSA 14(c) actions was expected to retire and to address the backlog of ANSCA and municipal land trust cases. The additional Planner position allowed for training the new Planner. According to the Department, this position will be funded in the FY13 budget with existing funds within the division by implementing efficiencies.

OTHER ISSUES

- 11. Corporations, Business and Professional Licensing – Fines and Penalties Carryforward:** Section 1 of the operating budget contains language that allows fines and penalties (collected under AS 08.01.010) to be used for licensing activities.

Legislative Fiscal Analyst Comment: Currently, fines and penalties are deposited into the general fund and are not available to spend in this appropriation. The Department estimates annual collections are \$200.0. The legislature may want to consider the following:

- The suggested language would redirect general funds. Program receipts from fines and penalties will no longer remain in the general fund—they will be available for operating costs of boards and commissions.
- However, use of fine and penalty receipts may not reduce license fees. Per AS 08.01.065(c), fees shall be set to approximately equal the cost of regulation. Because fines and penalties are not fees, they cannot be considered when calculating fees that approximately equal the cost of regulation. The suggested language may simply build carryforward that encourages increased regulatory expenditures, which will, in turn, increase license fees.

- If the legislature wishes to adopt the concept of spending fines and penalties in order to reduce license fees, an amendment to AS 08.01.065 may be required. The suggested appropriation bill language should also be clarified to precisely identify whether the language applies to prior or current year receipts.

12. Fiscal Note Increases for Personal Services Increases: Personal services contractual salary and health increases are calculated for all positions within the Department and are included in the FY13 Salary and Health Insurance transactions. The Department submitted duplicate contractual salary increases for positions approved in previously adopted fiscal notes within the Investments, AEA – Alternative Energy and Efficiency, and Alaska Industrial Development and Export Authority allocations.

Legislative Fiscal Analyst Comment: Because these increments duplicate the FY13 Salary and Health Insurance increments, they have been marked for removal by the subcommittee.

13. National Forest Receipts – Declining Federal Revenue. Historically, the Department has submitted decrements to reduce Federal Receipt authorization based on declining National Forest Receipt revenue. The program was scheduled to sunset in FY08 and the \$700 billion Economic Rescue Package (H.R. 1424--signed into law on October 3, 2008) extended the program's funding through FY12. Historical National Forest Receipt revenue levels:

- FY10 National Forest Receipts - \$18,760.5
- FY11 National Forest Receipts - \$15,857.6
- FY12 Estimated - \$14,424.5

Legislative Fiscal Analyst Comment: The funding level requested for FY13 remains the same as for FY12. At this time it is unknown if Congress will extend the program, if the program will return to the original formula or if other formula changes will be adopted. If the program returns to the original formula, the State of Alaska's portion is estimated to be \$600.0.

ORGANIZATIONAL CHANGES

There are no significant organizational changes requested.

CAPITAL REQUEST

The Governor's FY13 Department of Commerce, Community and Economic Development capital budget totals \$528.6 million—\$133.9 UGF/ \$25.0 DGF/ \$350.8 Other Funds/ \$18.8 million Federal Receipts. The budget consists of a diverse mix of grants and capital projects, most of which are more clearly described as *passing through DCCED* rather than *going to DCCED*. The pass-through projects include rural power and transportation systems, community economic assistance, port expansion and upgrades and maintenance for state owned hatcheries. Projects requested by DCCED include:

- **\$51.5 million for Alaska Energy Authority Projects** (\$18.7 million UGF/ \$25.0 million DGF/ \$800.0 Other/ \$7.0 million Federal Receipts);
- **\$20.0 million for Matanuska-Susitna Borough – Road Bond Package State Match** (\$20.0 million UGF);
- **\$11.5 million for State Owned Hatcheries – Upgrades and Repairs** (\$11.5 million UGF);
- **\$10.0 million for Kenaitze Indian Tribe – Dena'ina Health and Wellness Center Construction – Phase 2** (\$10.0 million UGF);
- **\$200.0 million for Port of Anchorage Expansion** [\$200.0 million G/O Bonds (Other)]; and

- **\$110.0 million for Matanuska-Susitna Borough – Port MacKenzie Rail Extension** [\$110.0 million G/O Bonds (Other)].

Legislative Fiscal Analyst Comment: Two projects included in the Governor's Capital Request appear to be operating in nature. The following projects should be evaluated for inclusion in the language section of the operating bill:

- \$1,770.0 UGF - Economic Development Initiative. Funding to implement a multi-faceted, multi-agency marketing initiative and increase demand for Alaska products and services and promote Alaska as a strategic place to invest and conduct business.
- \$450.0 UGF - Strategic Minerals Implementation. Funding to develop and begin implementing a strategy for developing the State of Alaska's rare earth element resources.

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Legislative Fiscal Analyst's Overview of the Governor's FY2013 Request

Department of Corrections

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)	\$268,186.7			
FY12 Fiscal Notes	-			
CarryForward	-			
Special Appropriations, Multi-Years & Contingents	1,200.0			
Agency Transfers	790.2			
Misc Adjustments	-			
Vetoed	-			
FY12 Management Plan (GF only)	\$270,176.9	\$1,990.2	0.7%	
One-time Items removed	(1,920.0)			
Miscellaneous Adjustments	-			
Short-Term Increments	-			
FY13 Contractual Salary and Health Increases	1,907.5			
FY13 Adjusted Base Budget (GF only)	\$270,164.4	(\$12.5)	0.0%	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	-			
FY13 Governor's GF Increments/Decrements/Fund Changes	32,163.8			11
FY13 Governor's Agency Request (GF only)	\$302,328.2	\$32,163.8	11.9%	
FY13 Governor's Increments, Decrements, Fund Changes and Language	FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation			\$32,163.8	
Information Technology MIS	2,058.4	2,258.4	200.0	9
Out-of-State Contractual	24,074.2	24,534.2	460.0	8
Institution Director's Office	1,157.9	1,203.9	46.0	6
Goose Creek Correctional Center	2,850.4	31,911.6	29,061.2	1
Statewide Probation & Parole	14,732.8	15,071.7	338.9	3
Electronic Monitoring	3,087.5	3,396.6	309.1	4
Community Residential Centers	21,906.8	22,759.5	852.7	7
Behavioral Health Care	6,889.2	7,279.1	389.9	12
Vocational Education Programs	150.0	306.0	156.0	5
Sex Offender Management	2,796.2	3,146.2	350.0	2
Non-General Fund Agency Summary	FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)	14,318.7	15,024.9	706.2	10, 12
Federal Funds (all allocations)	3,251.0	3,251.0	0.0	
Total Non-General Funds (all allocations)	\$17,569.7	\$18,275.9	\$706.2	
Position Changes (From FY12 Management Plan to Gov)	1,511	1,700	189	
PFT	1,508	1,699	191	1
PPT	3	1	(2)	
Temp	-	-	0	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance and Repairs	6,000.0	-	6,000.0	
Remodel, Reconstruction and Upgrades	-	-	-	
New Construction and Land Acquisition	-	-	-	
Equipment and Materials	5,000.0	-	5,000.0	
Information Systems and Technology	250.0	-	250.0	
Other	-	-	-	
TOTAL CAPITAL	\$11,250.0	\$0.0	\$11,250.0	

Department of Corrections

The mission of the Department of Corrections (DOC) is to provide secure confinement, reformative programs, and a process of supervised community reintegration to enhance the safety of Alaskan communities. The Department:

- provides secure confinement;
- provides supervised release; and
- provides reformative programs,

The FY13 Department of Corrections general fund operating budget as submitted by the Governor is \$32,163.8 above the FY13 Adjusted Base [\$32,854.7 Unrestricted General Funds (UGF) and a reduction of \$690.9 Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

- 1. Ramp-up of Goose Creek Correctional Center (GCCC): \$29.1 Million UGF, 192 Positions.** Construction of the new GCCC prison is complete and the Department's next major challenge is to recruit and train sufficient staff to provide support for the 1,019 offenders scheduled to be housed in the facility by the end of FY13 (full institutional capacity is 1,563 beds). Funding and positions are requested for the following:

Personal Services		Contractual Services		Commodities	
Correctional, Probation Officers and Other Staff Positions	\$16.1 million UGF	Utilities, Communications, etc.	\$8.8 million UGF	Office, Institutional, Structural, and Agricultural Supplies	\$4.2 million UGF
62% of projected full cost		50% of projected full cost		100% of projected full cost	

As of December 2011, the FY13 ramp-up plans include:

- Quarter 1: Begin housing of the Special Management Unit (SMU);
- Quarters 2 and 3: Continue SMU housing phase-in and open the General Housing Module A;
- Quarter 4: Initiate transfer of 635 out-of-state offenders from Hudson, Colorado back to Alaska.

Seven of the requested FY13 positions will be dedicated to recruitment and training of staff. Once the ramp-up is complete, these seven positions will become part of the GCCC workforce. The remaining positions needed to fully staff the facility will be requested in FY14 along with the transfer of all remaining out-of state prisoners.

Legislative Fiscal Analyst Comment: Based on the FY13 percentages provided by the Department, an FY14 request for full funding would add \$18.6 million UGF (\$9.8 million for personal services and \$8.8 million for contractual services).

The Department is also requesting \$5 million UGF in the FY13 capital budget to purchase start-up furniture, fixtures, and equipment (FF&E) costs. The Department plans to request an additional \$15 million UGF to pay for remaining FF&E items. Those requests—in the FY14 or FY15 capital budgets—could be less if the project's final contingency balance (currently estimated to be approximately \$3 million) is reappropriated for this purpose.

<u>Goose Creek Correctional Center Bonds - Status as of 12/5/11</u>		
Project Fund/Total Bonds		\$ 240,073.2
Bond Interest Proceeds Available to DOC		\$ 5,575.0
	TOTAL	\$ 245,648.2
Neeser Construction Contract Award & Change Orders		\$(223,468.0)
Water Treatment Facility Land Transfer		\$ (4,476.0)
Honorarium Bid Loser		\$ (400.0)
Permits, Inspections, Fees		\$ (1,000.0)
RISE Alaska Project Mgmt. Contract		\$ (5,000.0)
Alaska Planning & Architect		\$ (2,747.0)
MSB Project Admin & Fees (misc. professional fees)		\$ (1,458.0)
FF& Expenditures to Offset Future Capital (from bond interest)		\$ (4,050.0)
Unobligated Balance of Contingency*		\$ 3,049.2
* a portion of this contingency may be made available to DOC in approximately June 2012		

Legislative Fiscal Analyst Comment: The legislature may wish to request a status report of start-up expenditures at the beginning of the 2013 session. Funding adjustments can be made through the supplemental process if expenditures are not consistent with the amount appropriated this session.

2. **Sex Offender Management Program: \$350.0 UGF.** Funding is requested to expand sex offender management in the following areas:
 - **Bethel: \$150.0 UGF.** Currently, sex offenders who complete residential treatment at the Tundra Center Community Residential Center (TCCRC) in Bethel have limited (if any) options for aftercare or community outpatient treatment. This increment would provide additional support and monitoring for those TCCRC graduates returning to their home villages, in turn lowering the risk of re-offending; and
 - **MatSu Area (3rd Judicial District): \$200.0 UGF.** The Department is concerned that the majority of the state's 600 convicted sex offenders will be released with no tools or skills to minimize recidivism. To address this problem, funding is requested to expand the therapeutic residential sex offender treatment program (currently in place at Lemon Creek Correctional Center) to the MatSu area (the Department has not yet identified which facility) for approximately 30 offenders.
3. **Statewide Probation and Parole – Three Probation Officers to Provide Targeted Supervision of Domestic Violence and Sexual Assault (DVSA) Felons: \$338.9 UGF.** The addition of three dedicated full-time Adult Probation officers in Anchorage, Fairbanks, and Bethel would focus supervision and community reintegration efforts toward DVSA probationers and parolees.
4. **Electronic Monitoring Expansion: \$309.1 DGF.** Increased general fund program receipt authority will support four PFT positions and increase the number of offenders able to participate in the Electronic Monitoring program (approximately 20 in Juneau and 40 in the Anchorage/Palmer area). The Electronic Monitoring (EM) program allows inmates who meet certain requirements to serve time at home. Inmates can maintain employment, access community-based treatment, perform community work service, address medical issues, and attend religious functions. Offender participation fees are based on income and the offender's ability to pay up to \$14.00 per day plus a \$10.00 urinalysis test fee if applicable.

5. **Vocational Education Programs – Expand Education Support and Services: \$156.0 UGF.** To increase the likelihood of employment of incarcerated individuals following release, the Department is requesting funds to expand existing DOC vocational services as well as implement programs in additional facilities. As of 1/5/12, the selection of the additional sites had not been finalized.
6. **Institution Director's Office – Address Increased Prison Population as a Consequence of SB 222: \$46.0 UGF.** As a consequence of the enactment of SB 222 (Ch. 18, SLA 2010), the Department of Public Safety developed an enhanced reporting mechanism and data system to collect and track felony sex offenders. These advancements in the tracking of sex offenders has resulted in an increased number of offenders requiring incarceration by the Department of Corrections. This increment is tied to that increase.

MAINTENANCE OF SERVICES

7. **Community Residential Centers (CRC): \$852.7 UGF.** The Department currently contracts for 789 CRC beds throughout the state (681 regular and 108 per-diem) and these contracts allow for an annual Consumer Price Index (CPI) rate increase. Of the funding requested, \$735.5 would cover the anticipated regular bed rate increases, and \$117.2 would fund the per-diem bed cost increases. Five of the Department's six CRC contracts (Tundra, Seaside, Gastineau, Glendale, and Anchorage Consolidated) are affected by this increase (please note the NorthStar facility in Fairbanks is not included in this request).
8. **Out-of-State Contractual Daily Rate Increase: \$460.0 UGF.** The FY13 out-of-state facility bed rate will increase from \$60.64 to \$61.84 per prisoner, per day. Although significantly less than the current in-state rate of \$136.44 per prisoner, per day (as of 12/31/11), the difference is somewhat misleading as the out-of-state rate excludes travel and health care costs.

Legislative Fiscal Analyst Comment: The increment is based on maintaining the current count of just over 1,000 prisoners in Colorado. It does not adjust for the reduced prisoner count as prisoners are transferred to Goose Creek. It also excludes the transportation costs associated with transferring prisoners to Goose Creek.

9. **Information Technology MIS – Annual Licensing and Support Costs: \$200.0 UGF.** Funding is requested to provide for cost increases associated with contract support, licensing renewals, operating hardware support and renewals, and other information technology (IT) services. The Department provides centralized information technology services to maintain standardization within all the Department's IT areas.
10. **Statewide Probation and Parole – Year Two of Pilot Program for Domestic Violence Misdemeanants: Probationer Accountability with Certain Enforcement (PACE): \$200.0 Inter-Agency Receipts (Other).** The Governor's Office FY13 budget contains \$3 million UGF for funding Domestic Violence and Sexual Assault (DVSA) Prevention Programs in various departments. This I/A request represents the Department of Correction's participation in that initiative to continue supervision of Domestic Violence misdemeanants in Fairbanks (previously, DV misdemeanants were not supervised). Under the PACE model, DV offenders are immediately arrested, brought to court, and sanctioned for any violation of probation conditions. A similar PACE pilot program has been implemented in Anchorage (limited to felony offenders) and has been achieving positive results.
11. **Fund Change/Inmate Physical Health Care: \$1,029.9 UGF from PFD Criminal Funds (DGF).** Permanent Fund Dividend (PFD) Criminal Funds are available for appropriation due to the number of convicted felons and third time misdemeanants who are ineligible

to receive a PFD. Because available funding depends on the amount of PFDs and the number of affected inmates, the amount of available PFD Criminal funds is volatile. For FY13, the Department of Revenue calculated the amount available for appropriation to be \$16.7 million (\$880.5 less than in FY12). That reduction, combined with an additional \$149.4 PFD Criminal funds being appropriated to the Crime Victim Compensation Fund (FY12-\$1.65 million vs. FY13-\$1.8 million), necessitates this fund change in order to maintain services.

12. Mental Health Funding

FY13 will be the fifth year of zero-base budgeting for Mental Health Trust Authority Authorized Receipts (MHTAAR) – meaning that all MHTAAR funding in state agencies is removed from the adjusted base and reconsidered by the Mental Health Trust each fiscal year. Based on recommendations by the Trust, the Department is requesting \$511.5 in MHTAAR funding for FY13 (an increase of \$81.5 over FY12) as well as an increase of \$509.7 GF/MH over the FY12 funding level.

Legislative Fiscal Analyst Comment: DOC processes approximately 36,000 bookings annually; nearly 14,000 of these have a mental health diagnosis. All of the Department's mental health funding is currently allocated to the Inmate Health Care and Offender Habilitation appropriations. There are financial impacts of inmate mental health issues outside of these programs. The subcommittee may wish to work with the Department to ensure that the budget more accurately reflects the type of funding needed to provide mental health services.

ORGANIZATIONAL CHANGES

There are no changes requested.

CAPITAL REQUEST

The agency's \$11.25 million UGF capital budget includes:

- Goose Creek Correctional Center Furniture, Fixtures, and Equipment Startup Costs: \$5 million UGF;
- Deferred Maintenance Projects: \$5 million UGF. This appropriation will fund the most urgent projects on the Department's deferred maintenance list;
- Annual Facilities Maintenance and Repairs: \$1 million UGF; and
- Information Technology MIS/Disaster Recovery Equipment & Novell Replacement Project: \$250.0 UGF.

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Legislative Fiscal Analyst's Overview of the Governor's FY2013 Request

Department of Education and Early Development				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)	\$1,209,246.2			
FY12 Fiscal Notes	2,140.0			
CarryForward	20,000.0			
Special Appropriations, Multi-Years & Contingents	-			
Agency Transfers	94.2			
Misc Adjustments	10,168.9			
Vetoed	-			
FY12 Management Plan (GF only)	\$1,241,649.3	\$32,403.1	2.7%	
One-time Items removed	(21,168.6)			
Miscellaneous Adjustments	-			
Short-Term Increments	-			
FY13 Contractual Salary and Health Increases	633.1			
FY13 Adjusted Base Budget (GF only)	\$1,221,113.8	(\$20,535.5)	-1.7%	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	70.1			
FY13 Governor's GF Increments/Decrements/Fund Changes	8,198.4			
FY13 Governor's Agency Request (GF only)	\$1,229,382.3	\$8,268.5	0.7%	
FY13 Governor's Increments, Decrements, Fund Changes and Language	FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation			\$8,268.5	
Foundation Program	1,087,190.1	1,090,763.3	3,573.2	9
Pupil Transportation	62,665.8	62,202.7	(463.1)	9
Boarding Home Grants	3,330.8	3,728.8	398.0	4,10
Special Schools	3,318.4	3,314.7	(3.7)	
Alaska Challenge Youth Academy	5,826.8	4,958.4	(868.4)	13
Student and School Achievement	11,316.5	13,699.0	2,382.5	2,3,5,6,8
State System of Support	1,700.0	2,100.0	400.0	12
Teacher Certification	746.5	896.5	150.0	7
Early Learning Coordination	9,725.2	10,425.2	700.0	11
Alaska Performance Scholarship Awards	6,000.0	8,000.0	2,000.0	1
Non-General Fund Agency Summary	FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)	25,177.5	25,087.8	(89.7)	
Federal Funds (all allocations)	233,605.7	233,790.2	184.5	
Total Non-General Funds (all allocations)	\$258,783.2	\$258,878.0	\$94.8	
Position Changes (From FY12 Management Plan to Gov)	357	354	(3)	
PFT	336	332	(4)	
PPT	14	14	-	
Temp	7	8	1	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance and Repairs	1,700.0	-	1,700.0	
Remodel, Reconstruction and Upgrades	84,877.2	-	84,877.2	
New Construction and Land Acquisition	20,000.0	-	20,000.0	
Equipment and Materials	-	-	-	
Information Systems and Technology	-	-	-	
Other	-	-	-	
TOTAL CAPITAL	\$106,577.2	\$0.0	\$106,577.2	

Department of Education and Early Development

The Department of Education and Early Development (DEED) is committed to ensuring quality standards-based instruction to improve academic achievement for all students. The Department is responsible for funding and regulating the state's K-12 schools as well as administering school debt reimbursement and grants for school construction/major maintenance. Core services include the following:

- provide and evaluate a Comprehensive Student and School Standards, Assessment and Accountability System for all students and schools in Alaska that is based on student, school, educator, and culturally responsive standards and state and federal requirements;
- provide and support standards-based professional development and mentoring for Alaska's educators to ensure high quality instruction and growth in student achievement;
- provide a statewide program to ensure all students have the foundational skills required for a successful transition to college and/or the workforce after high school;
- secure and award state, federal, and private educational funding to school districts and other educational organizations to result in higher student achievement; and
- provide high quality data to school districts and stakeholders through the use of the Alaska Statewide Longitudinal Data System.

The Department also houses Commissions and Boards (including the Professional Teaching Practices Commission, the Alaska State Council on the Arts and the Alaska Postsecondary Education Commission) and is responsible for Mt. Edgecumbe Boarding School, EED State Facilities Maintenance, and Alaska Library and Museums.

The FY13 Department of Education and Early Development general fund operating budget submitted by the Governor is \$8,268.5 above the FY13 Adjusted Base [\$7,186.0 Unrestricted General Funds (UGF) and \$1,082.5 Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column of the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

- 1. Alaska Performance Scholarship Awards: \$2 million Alaska Housing Capital Corporation Receipts (AHCC) plus a Fund Source Change of \$6 million from General Fund to AHCC (all sources are UGF).** This \$2 million increment is requested to fully fund the anticipated costs of the second year of the Alaska Performance Scholarship Awards program. The request is based on FY12 eligibility and utilization rates plus estimated participant levels. The total \$8 million in funding is anticipated to support approximately 2,340 students with an average scholarship amount of \$3,416. Signed into law on May 10, 2010 (Ch. 14, SLA 10 – SB221), this merit-based scholarship is intended to

- provide incentives for high school students to take a more rigorous curriculum to better prepare for college or work,
- improve high school graduation rates, and
- make higher education more affordable for Alaska's families.

Legislative Fiscal Analyst Comment: The Governor proposes withdrawing money from a savings account to pay awards. The legislature did not conclude the transfer of money from the AHCC account to the Performance Scholarship fund last session.

- 2. Student and School Achievement – Support Funding for the Alaska Learning Network: \$1.2 million UGF.** In FY11-FY12, \$1.2 million in one-time ARRA funds, awarded

to the Chatham School District under a competitive grant process, were used to create the Alaska Learning Network (AKLN) to facilitate on-line learning for high school students throughout Alaska. The Governor's FY13 budget includes a request of \$1.2 million UGF to continue that program. The AKLN is a statewide consortium that includes all 54 Alaska school districts. The network is seeking to provide:

- a gateway to the Alaska Performance Scholarship Awards for rural students by offering distance courses designed to help meet curriculum requirements;
- a greater choice in courses for smaller high schools;
- highly qualified Alaska teachers to teach distance courses to students;
- a network for teachers and students to collaborate and share artifacts, resources, ideas and tools in a digital repository; and
- professional development coaching, including training specifically designed for those teachers wishing to participate in on-line education.

The FY13 increment for year two of the program will be divided as follows:

- **\$550.0 for Wrangell School District**
 - to continue FY12 distance education courses and
 - to direct and coordinate registration, orientation and assessment efforts of other districts that offer courses through AKLN,
- **\$250.0 for a contract with the Alaska Staff Development Network (ASDN)**
 - to continue professional development for teachers to learn effective on-line teaching techniques,
 - to conduct the annual AKLN Board Meeting,
 - to continue technology and website support, and
 - to investigate portability options for courses.
- **\$400.0 set aside for other Alaska School Districts**
 - to prepare new distance education courses for use by AKLN, and
 - to prepare local teachers to become effective on-line instructors.

Legislative Fiscal Analyst Comment: Subcommittees may wish to consider the following points:

- This program was initiated with ARRA funding—a short-term funding source that was not intended to be used for continuing programs.
- It is unclear why the costs should not be covered by K-12 formula payments.

- 3. Student and School Achievement – Alaska Comprehensive System of Statewide Assessments Contract Increases: \$750.0 UGF.** The Department of Education and Early Development has a statutory responsibility to maintain a system for assessing student and school achievement. During recent years, two separate formal solicitation processes have sought a contractor to provide the testing services required by the state for Standards Based Assessments, the High School Graduation Qualifying Examination, HSGQE Retest exams, and interim assessments in reading, writing, mathematics, and science. As part of the contract in place, the state must provide an annual increase to the contractor based on the scope of work required by the agency. The Governor's \$750.0 UGF increment will fund these increases.
- 4. Boarding Home Grants – Stipend for Galena Residential Program to Increase from 175 to 210 Students: \$398.0 UGF.** Pending an increased appropriation, the State Board of Education approved the Galena Interior Learning Academy's (GILA) request to expand the number of students by 35. GILA is an accredited statewide boarding school for grades 9 – 12.

5. **Student and School Achievement – Support of a Statewide Literacy Program: \$300.0 UGF.** The FY13 Governor’s budget includes a request for \$300.0 in grant funding for implementation of the Alaska State Literacy Blueprint, which was developed by a team of literacy leaders and approved by the State Board of Education in March 2011. The Blueprint is designed to provide direction for educators, parents, and agencies that work with children on improving literacy for all learners. Goals include ensuring that students are proficient readers by grade three, and that appropriate interventions and strategies are used with struggling readers, regardless of age, so that all Alaska students graduate ready for college and careers.
6. **Student and School Achievement – Theme-Based Learning Program for Iditarod School District Pilot Program: \$500.0 UGF.** The legislature adopted an increase to the operating budget by way of a fiscal note attached to Senate Bill 84 (Chapter 7, FSSLA 2011) to create and develop a theme-based learning pilot program for the Iditarod School District. The Governor’s increment for \$500.0 matches the fiscal note for the second year of this pilot program. The school district has determined that this program should include culturally relevant and theme-based curriculum materials and strategies for students who are enrolled in the Iditarod School District in grades K-12. Once completed, these materials will be shared with other Alaska school districts upon request.
Legislative Fiscal Analyst Comment: The FY12 appropriation of \$500.0 applied to all three years of the pilot program. Any unspent balance of the FY12 appropriation will be carried forward into FY13.
7. **Teacher Certification – Authorization Increase for Additional Teacher Certification Receipts: \$150.0 GF/Program Receipts (DGF).** The authority to receive additional teacher certification fees from districts will support an alternate route to teacher certification entitled “The Alaska Transition to Teaching” (AKT2). This program will allow candidates to transition into teaching without the typical hardship and expense of leaving the paid workforce. Unlike many traditional certification pathways that involve heavy tuition fees, take a year or more of pre-service coursework, and are designed for traditional students who do not typically work during their teacher preparation, AKT2 is an intensive five-month program that allows candidates the opportunity to continue working a full-time job while completing the online coursework. When the online coursework has been completed, the candidates will complete a six-week summer internship in Alaska working with Alaskan teachers. Candidates receive a state recommendation for professional teacher certification after successfully completing two years of teaching in a partner district and meeting all requirements of the AKT2 program.
8. **Student and School Achievement – MH Trust Grant for Rural Transition Services: \$100.0 GF/MH (UGF).** The Mental Health Trust Authority is supporting the Governor’s request for \$100.0 to fund sustainable transition services for youth with disabilities who live in rural and remote areas of the state. This funding will be used to assist with the youths’ transition to adult life, including employment, independent living, participation in postsecondary education, and participation in community life. This increment will fund hands-on training, technical assistance and ongoing consultation to lead to improved outcomes for youth with disabilities.

MAINTENANCE OF SERVICES

9. **K-12 Education Formula Funding.** Because education funding changes are likely to come through legislation rather than subcommittee action, the discussion here is brief and general. The \$1,077,513.3 UGF for the Foundation Program and \$62,202.7 UGF for Pupil Transportation reflect the statutory formula. Total funding for K-12 education formula programs is *decreasing* by \$16.9 million from FY12 due to a projected decline in the Average Daily Membership (ADM) (by 450 students).
Beginning in FY09, the legislature adopted a multi-year education plan presented by an Education Task Force. The recommendations (adopted in HB 273 (Ch. 9, SLA 2008)):

- increased the Base Student Allocation (BSA) by \$100/student/year for FY09, FY10, and FY11;
- increased the geographic differential paid to school districts with high operating costs; and
- increased the amount paid to school districts for approximately 2,000 intensive-needs students who experience health conditions and disabilities requiring daily monitoring and assistance with their school day activities.

In FY12, the base student allocation remained at the FY11 level of \$5,680. The Governor's request reflects that same Base Student Allocation for FY13.

Section 25(e) of the Governor's operating budget bill appropriates \$1.14 billion from the general fund to the Public Education Fund (PEF). The appropriation to the PEF is to fund FY14 K-12 Foundation Program and Pupil Transportation costs and is identical to the amount needed in FY13.

10. Boarding Home Grants – Increased Funding for Statewide Residential Education Programs – 2nd & Final Year: \$1,640.0 UGF. Funding to increase stipends for residential boarding homes in FY12 was approved in a fiscal note attached to SB 84 (Chapter 7, FSSLA 2011). This FY13 funding request is the second (and final year) of the increased stipends – the funding will be removed in FY14. Regions may claim room and board expenses for reimbursement as a per-pupil monthly stipend for a period not more than ten months.

11. Early Learning Coordination Pre-Kindergarten Program: \$700.0 UGF. This request is for \$700.0 in base funding for a pre-kindergarten program. According to the Department, this preschool program provides a voluntary, comprehensive, half-day for four-year olds and early five-year olds based on the standards set forth in the Alaska Early Learning Guidelines. Participating school districts are funded through a competitive grant process. It is anticipated that the preschools will serve 300-500 children statewide and that, eventually, this project will provide the framework and guidance for the creation of local programs in a variety of urban, rural, and remote sites.

Legislative Fiscal Analyst Comment: In both FY10 and FY11, the legislature approved \$2 million as one-time funding for a Pre-K Pilot Program. For FY12, the Department requested that this amount be added to its base budget. The legislature modified the FY12 Governor's request for third-year program funds and chose to appropriate \$1.0 million base funding plus \$700.0 as a one-time item to encourage continuing review.

12. State System of Support – Content Coaches and School District Trustee Funding: \$400.0 UGF. The Department is requesting FY13 base funding to maintain the services of Content Coaches who provide direct, sustained and targeted assistance for schools and districts to reach Adequate Yearly Progress (AYP) as required by the federal No Child Left Behind (NCLB) law. In addition, this increment maintains the services of a School District Trustee to authorize expenditures for implementing a District Improvement Plan, a School Improvement Grant, and to perform assessments to measure individual student growth.

Legislative Fiscal Analyst Comment: In FY11, base funding of \$291.7 was provided to add three PFT Content Specialists for Math, Science, and Reading. These content specialists are working to support content coaches and school districts throughout the state. In FY12, the legislature added \$400.0 as a one-time increment for further expansion of this state system of support.

13. Alaska Challenge Youth Academy (ACYA) – Formula Decrease: (\$868.4 UGF). The academy is operated by the Department of Military and Veterans Affairs (DMVA) and is funded through a Reimbursable Services Agreement with DEED in accordance with AS 14.30.740. The total FY13 general fund budget for the ACYA (also referred to as the Alaska Military Youth Academy (AMYA)) will be \$4,958.4 with 497 total students (192 in residence and 305 in the non-residential program). Due to a student count change and increases in the federal grant, the DEED FY13 Request shows a UGF *decrease* of \$868.4 from the original FY12 authorized level. However, the FY13 UGF request is only \$35.2 lower than the revised FY12 authorization. As shown in the table below, increased

federal funding reduces the amount of UGF funding in both FY12 and FY13. Total funding for the program is about \$8.7 million in both years, with the small changes due to student count and salary adjustments.

Legislative Fiscal Analyst Comment: The legislature may wish to revisit this formula program. The current statutory program support formula provides seven times the base student allocation for ACYA residential students plus a smaller non-resident amount. The legislature may wish to consider a direct appropriation to DMVA, as DEED has no legal responsibility for the ACYA and, therefore, should not act as a pass-through agency.

ALASKA CHALLENGE YOUTH ACADEMY

FY12 AUTHORIZED (HB108 p. 11)	
189 x \$5680 x 7 =	7,514,640
297 x \$5680 x 60% =	1,012,176
less \$2,700,000 (Federal Grant)	(2,700,000)
UGF TRANSFER FROM DEED TO ACYA	5,826,816

FY12 Revised Authorization	
<i>(Revised Federal Grant Amount & Student Counts)</i>	
194 x \$5680 x 7 =	7,713,440
292 x \$5680 x 60% =	995,136
less \$3,715,000 (Federal Grant)	(3,715,000)
UGF TRANSFER FROM DEED TO ACYA	4,993,576

FY13 Projection	
192 x \$5680 x 7 =	7,633,920
305 x \$5680 x 60% =	1,039,440
less \$3,715,000 (Federal Grant)	(3,715,000)
UGF TRANSFER FROM DEED TO ACYA	4,958,360

Difference	
FY12 Authorized To FY13 Projection	
Funding for Resident Students	119,280
Funding for Non-Resident Students	27,264
Federal Grant Amount	1,015,000
UGF TRANSFER FROM DEED TO ACYA	(868,456)

Difference	
FY12 Revised Authorization to FY13 Projection	
Funding for Resident Students	(79,520)
Funding for Non-Resident Students	44,304
Federal Grant Amount	-
UGF TRANSFER FROM DEED TO ACYA	(35,216)

ORGANIZATIONAL CHANGES

There are no significant changes.

CAPITAL REQUEST

In addition to school district major maintenance grants totaling \$23.9 million, the Department of Education and Early Development's FY13 capital budget includes \$82.7 million in general funds for the following projects:

- **Alaska State Library, Archives and Museum Facility: \$20 million UGF.** This request is for partial funding to continue with the development of the Alaska State Library, Archives and Museum combined facility. Between FY03 and FY12, \$33.95 million has been appropriated for this project.
- **Lower Yukon – Emmonak K-12 School Addition/Renovation: \$544.4 UGF plus \$35.5 million REAA Funding (DGF).** This project is #1 on the November 7, 2011 School Construction list and would complete the design and the construction of a new 26,988 square foot high school wing that will replace the existing school which was built in 1980.
- **Koliganek K-12 School Replacement: \$24.9 million UGF.** This request is #2 on the November 7, 2011 School Construction list and would replace 22,359 square foot of school facilities that were built between 1959 and 1981.
- **Deferred Maintenance, Renewal, Repair and Equipment – Mt. Edgecumbe High School (MEHS): \$1.7 million UGF.** Deferred maintenance is an ongoing necessity at MEHS which was constructed in 1940 as a boarding school and includes 13 buildings covering 100,000 square feet. It is anticipated that this request for funding will be allocated towards heating plant upgrades and siding replacement of the girl's dormitory (Bldg. 293).

Legislative Fiscal Analyst Comment: The school debt reimbursement program is shown in a separate section of the FY13 Overview book that addresses debt obligations.

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Department of Environmental Conservation

All Dollars in Thousands

		(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)		\$45,695.8			
	<i>FY12 Fiscal Notes</i>	-			
	<i>CarryForward</i>	-			
	<i>Special Appropriations, Multi-Years & Contingents</i>	400.0			
	<i>Agency Transfers</i>	122.8			
	<i>Misc Adjustments</i>	-			
	<i>Vetoed</i>	-			
FY12 Management Plan (GF only)		\$46,218.6	\$522.8	1.1%	
	<i>One-time Items removed</i>	(570.3)			
	<i>Miscellaneous Adjustments</i>	-			
	<i>Short-Term Increments</i>	-			
	<i>FY13 Contractual Salary and Health Increases</i>	1,054.4			
FY13 Adjusted Base Budget (GF only)		\$46,702.7	\$484.1	1.0%	
	<i>Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent</i>	-			
	<i>FY13 Governor's GF Increments/Decrements/Fund Changes</i>	1,327.7			
FY13 Governor's Agency Request (GF only)		\$48,030.4	\$1,327.7	2.8%	
FY13 Governor's Increments, Decrements, Fund Changes and Language		FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation				\$1,327.7	
	Food Safety & Sanitation	4,031.7	4,156.3	124.6	2
	Laboratory Services	2,045.2	2,876.2	831.0	4,5
	Water Quality	10,593.7	10,965.8	372.1	1
Non-General Fund Agency Summary		FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)		10,814.1	11,294.1	480.0	6
Federal Funds (all allocations)		23,677.8	24,227.8	550.0	3
Total Non-General Funds (all allocations)		\$34,491.9	\$35,521.9	\$1,030.0	
Position Changes (From FY12 Management Plan to Gov)		557	552	(5)	
	PFT	546	541	(5)	
	PPT	0	0	-	
	Temp	11	11	-	
Governor's Capital Request		State Funds (GF + Other)	Federal Funds	Total	See Note:
	Planning and Research	1,000.0	-	1,000.0	
	Maintenance and Repairs	4,790.4	-	4,790.4	
	Remodel, Reconstruction and Upgrades	17,009.7	16,900.0	33,909.7	
	New Construction and Land Acquisition	21,663.3	25,350.0	47,013.3	
	Equipment and Materials	750.0	-	750.0	
	Information Systems and Technology	-	-	-	
	Other	7,217.4	-	7,217.4	
TOTAL CAPITAL		\$52,430.8	\$42,250.0	\$94,680.8	

Department of Environmental Conservation

The Department of Environmental Conservation (DEC) is responsible for protecting human health and the environment. This agency provides the following core services:

- develop regulatory standards and other requirements for protection of human health and the environment;
- issue permits and other authorizations for emissions, discharges and disposal – and monitor compliance with those authorizations;
- provide financial assistance in the form of grants or low-interest loans for public drinking water, wastewater and solid waste facilities;
- oversee oil discharge prevention and contingency planning and conduct drills to lower the probability and severity of spills;
- respond to oil spills, other releases of hazardous substances and contaminated sites;
- operate the State Environmental Health Lab providing testing not available through commercial laboratories;
- safeguard the quality of food and seafood offered to the public;
- house the Office of the State Veterinarian which regulates the import and export of domestic animals and responds to animal disease outbreaks;
- regulate pesticides and certain types of use;
- monitor and report on the quality of the environment and changes that could impact human health;
- educate and assist the public, communities, businesses and industry on all forms of environmental matters;
- interact with federal agency counterparts at the Environmental Protection Agency (EPA), the Food & Drug Administration (FDA), the United States Department of Agriculture (USDA), the Pipeline and Hazardous Materials Safety Administration (PHMSA), the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE), and others on federal environmental law and how it is applied in Alaska; and
- investigate violations and enforce state environmental law.

The FY13 Department of Environmental Conservation general fund operating budget submitted by the Governor is \$1,327.7 above the FY13 Adjusted Base [\$1,213.7 Unrestricted General Funds (UGF)/ \$114.0 Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

- 1. Water Quality – Alaska Pollutant Discharge Elimination System Primacy: \$372.1 UGF.** The Department is assuming the responsibility for all oil and gas wastewater discharge permitting from the Environmental Protection Agency. With the transfer of authority for the Alaska Pollutant Discharge Elimination System (APDES) program, the state will have assumed full responsibility for these permitting activities. This funding is needed to:
 - support the expanded workload resulting from the primacy assumption;

- contract with an expert-level permit writer whose work can withstand potential legal challenges; and
- support an increased workload due to increased oil and gas lease sales and exploration activities in Alaska.

2. Food Safety & Sanitation – Travel for Food Safety Inspections: \$94.6

UGF/ \$30.0 GF/PR (DGF). A total of \$124.6 is being requested for travel to address two high-risk areas: (1) highly-susceptible populations and (2) federally mandated inspection requirements, such as federal meal programs. In particular, the inspection staff will focus this funding on high-risk facilities in communities where the potential impacts of foodborne illness outbreaks would significantly impact the public's health and, in turn, cause economic harm. Within the 157 communities not easily accessible by the road system, there are a total of 577 facilities that have not been inspected within the last five years.

3. Spill Prevention and Response Contaminated Sites Program – Increased Federal Receipt Authority to Increase Services: \$550.0 Federal Receipts.

The Department is receiving additional Contaminated Sites program grant funding from the Department of Defense, the EPA's Brownfield Program and the Federal Aviation Administration. This funding will allow the Department to accomplish additional priority cleanup work that would otherwise not be possible and will create private contract jobs.

4. Laboratory Services – Maintain and Expand Paralytic Shellfish Poison (PSP) Testing: \$190.0 UGF/ \$84.0 GF/PR (DGF) plus one PFT position.

The Department is requesting funding to perform Paralytic Shellfish Poison (PSP) testing to support the increased demand from geoduck farms, wild harvest areas, and commercial Dungeness whole-crab sellers. This request is broken into the following increments:

- \$84.0 GF/PR provides continued funding for the permanent full-time Microbiologist position added as an IncOTI in FY12; and
- \$190.0 UGF in new funding that allows for testing of 540 of the 1,244 additional samples anticipated from a variety of fisheries plus funding for contractual support and non-permanent staff to meet the increased demand for Paralytic Shellfish Poison testing.

The Department contends that without these increments, requested PSP tests cannot be handled in a timely manner, which will result in costly delays for the shellfish industry and prevent commercial Dungeness crab sellers from selling whole crab.

MAINTENANCE OF SERVICES

5. Laboratory Services – Fish Tissue Testing Program: \$557.0 UGF.

Since FY02, this program has been federally funded (sources include the Alaska Sustainable Salmon Fund, the Coastal Impact Assistance Program, and direct and pass-through federal grants) but those sources have dried up and the Department has been unable to secure new federal funding. This funding will allow the Department to continue to test fish and environmental samples for heavy metals and monitor the contaminants in fish tissue to determine trends, advise the public of any health threats posed by consuming fish, assure other states and countries that Alaska's fish are safe to import, and participate in international efforts to address pollutant sources. Two full-time positions (a Chemist and a Lab Technician) plus partial funding for the State Veterinarian position are supported through this program as well.

6. Inter-Agency Receipts

- **Administrative Services – Shared Departmental Costs: \$280.0 Other.**

The Department requests \$280.0 in budgeted Inter-Agency Receipt authority to allow for the accounting of personal services funding for positions that serve the entire Department. These include the travel coordinator, receptionist position, and the time tracking system coordinator. The FY12 Inter-Agency Receipt budget authority of \$46.0 is insufficient to budget all internal Reimbursable Services Agreements for the Department.

Legislative Fiscal Analyst Comment: This is to account for unbudgeted activity already occurring. This is just a technical adjustment to the budget. There is no change in costs to the Division.

- **Water Quality – Mine Permitting: \$200.0 Other.** Budgeted Inter-Agency Receipt Authority for an additional \$200.0 is requested to allow for the accounting of mining receipts from the Department of Natural Resources. These funds are reimbursement for the permitting work related to mining projects by mining engineers. The FY12 Inter-Agency Receipt budget authority of \$402.9 is insufficient to reflect all Reimbursable Services Agreements.

ORGANIZATIONAL CHANGES

There are no significant organizational changes requested.

CAPITAL REQUEST

The agency's \$94.7 million capital budget, of which \$44 million is UGF, includes the following:

- **Village Safe Water and Wastewater Infrastructure Projects: \$51.5 million Total (\$8,750.0 G/F Match/ \$500.0 Statutory Designated Program Receipts (Other)/ \$42,250.0 Federal Receipts).** This request provides financial and technical assistance to rural communities to plan, design and construct water and sewer system improvements. Of the total amount, 60% will provide first-time service to communities and 40% will be used for expansions, upgrades, and replacements of existing service.
- **Municipal Water, Sewage, and Solid Waste Facilities Grants: \$32,013.5 UGF.** This request provides grant funding to communities to plan, design and construct drinking water and sanitation facilities and the associated operating costs of the Facility Construction component within the Division of Water.
- **Drinking Water Capitalization Grant – Subsidy Funding: \$4,634.0 Alaska Drinking Water Fund (Other).** The federal Drinking Water Capitalization Grant requires states to issue 30% of the funding as subsidies (a loan forgiveness process).
- **Clean Water Capitalization Grant – Subsidy Funding: \$2,583.4 Alaska Clean Water Fund (Other).** The federal Clean Water Capitalization Grant requires states to issue subsidies (a loan forgiveness process). The subsidy amount required was identified under grant terms the Environmental Protection Agency has identified for Alaska.
- **Statewide Contaminated Sites Cleanup: \$2 million UGF.** This project will provide funding for assessment, cleanup and monitoring of activities at high-risk contaminated sites, state-owned sites and sites where the responsible party is unknown or has refused to take appropriate action.
- **Village Safe Water New Technology Approaches: \$1 million UGF.** Annual funding for Village Safe Water projects has declined from nearly \$100 million to less than \$35 million during the last ten years. Given this steep decline and the rapidly increasing magnitude of rural

sanitation needs, the Department requests \$1 million to investigate and test new technological approaches to reduce state costs associated with the Village Safe Water program.

- **Oil and Hazardous Substance First Responder Equipment and Preparedness: \$750.0 Oil/Hazardous Release Prevention & Response Fund (DGF).** This project funds essential oil and hazardous substance first responder equipment and preparedness needs for prevention and emergency responses within Alaska.
- **Deferred Maintenance, Renewal, Repair and Equipment: \$200.0 UGF.** This request funds deferred maintenance items in the State Environmental Health Laboratory Building. Examples of immediate deferred maintenance needs in the lab include installing water main back-flow backup devices, stand-alone autoclave, electronic door locks, window blast films and a generator transfer switch modification.

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Department of Fish and Game

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)	\$80,442.1			
FY12 Fiscal Notes	-			
CarryForward	-			
Special Appropriations, Multi-Years & Contingents	-			
Agency Transfers	175.8			
Misc Adjustments	-			
Vetoed	-			
FY12 Management Plan (GF only)	\$80,617.9	\$175.8	0.2%	
One-time Items removed	(845.7)			
Miscellaneous Adjustments	-			
Short-Term Increments	570.0			
FY13 Contractual Salary and Health Increases	2,135.1			
FY13 Adjusted Base Budget (GF only)	\$82,477.3	\$1,859.4	2.3%	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	-			
FY13 Governor's GF Increments/Decrements/Fund Changes	2,802.1			
FY13 Governor's Agency Request (GF only)	\$85,279.4	\$2,802.1	3.4%	
FY13 Governor's Increments, Decrements, Fund Changes and Language				
	FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation			\$2,802.1	
SE Commercial Fisheries Management	8,584.2	8,844.2	260.0	3
AYK Commercial Fisheries Management	7,311.1	7,901.1	590.0	4
Headquarters Fisheries Management	11,094.1	11,284.1	190.0	8
Commercial Fisheries Special Projects	4,006.4	4,256.4	250.0	9
Sport Fisheries	6,034.2	6,534.2	500.0	1
Wildlife Conservation	6,944.0	7,094.0	150.0	5
Boards and Advisory Committee	1,444.1	1,635.6	191.5	11
State Subsistence	2,586.7	2,903.8	317.1	2
Habitat	3,850.8	4,204.3	353.5	6, 7, 10
Non-General Fund Agency Summary				
	FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)	57,383.9	61,684.1	4,300.2	
Federal Funds (all allocations)	63,346.0	62,346.0	(1,000.0)	
Total Non-General Funds (all allocations)	\$120,729.9	\$124,030.1	\$3,300.2	
Position Changes (From FY12 Management Plan to Gov)	1,749	1,690	(59)	
PFT	924	911	(13)	
PPT	757	711	(46)	
Temp	68	68	-	
Governor's Capital Request				
	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	5,464.0	7,500.0	12,964.0	
Maintenance and Repairs	2,900.0	-	2,900.0	
Remodel, Reconstruction and Upgrades	4,400.0	-	4,400.0	
New Construction and Land Acquisition	1,266.3	1,875.0	3,141.3	
Equipment and Materials	2,113.0	-	2,113.0	
Information Systems and Technology	-	-	-	
Other	-	-	-	12
TOTAL CAPITAL	\$16,143.3	\$9,375.0	\$25,518.3	

Department of Fish and Game

The Department of Fish and Game (DF&G) is charged with protecting and improving the fish, game, and aquatic plant resources of the state, and managing their use and development in the best interests of the economy and the people of the state, consistent with the sustained yield principle.

Core Services:

- provide opportunity to utilize fish and wildlife resources;
- ensure sustainable and harvestable surplus of fish and wildlife resources;
- provide information to all customers;
- involve the public in management of fish and wildlife resources;
- protect the state's sovereignty to manage fish and wildlife resources; and
- protect important fish and wildlife habitat during permit and project review.

The FY13 Department of Fish & Game general fund operating budget as submitted by the Governor is \$2,802.1 above the FY13 Adjusted Base [\$2,162.1 Unrestricted General Funds (UGF) and \$640.0 Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column of the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

- 1. Sport Fisheries – Funds for Chinook Salmon Fisheries Work and Sport Fisheries Relief: \$500.0 G/F Match (UGF).** The Department is requesting additional general fund match for Chinook salmon fisheries work in Southeast Alaska and to provide relief to the Sport Fisheries allocation due to declining revenues. According to the Department, available annual funding has declined by approximately \$5.1 million during the last several years;

- \$1.5 million decline in Fish and Game funds between FY09 and FY12; and
- \$3.6 million decline in Federal Dingell-Johnson funds from FY09 to FY12.

According to the Department, there are sufficient Fish and Game funds available to meet the required 25% match of Federal Funds. No available federal funds were left unmatched in FY11 or FY12.

Legislative Fiscal Analyst Comment: This increment provides additional funding to the Sport Fisheries allocation for increased operational costs. Because this funding is not needed to meet the required federal match amount, the fund code should not be classified as G/F Match.

Legislative Fiscal Analyst Recommendation: If this increment is approved, replace General Fund Match (1003) with General Funds (1004) to clearly identify funding used to match federal funds.

- 2. State Subsistence – Increase Harvest Surveys: \$317.1 UGF.** According to the Department, annual on-going harvest surveys are necessary to rebuild the capacity of the division to identify subsistence use patterns in order to respond to resource issues connected with both the regulatory process and development opportunities. The Department is requesting funding for seasonal positions and community workers to conduct harvest surveys that identify subsistence use patterns.

3. **Commercial Fisheries SE Region Fisheries Mgmt – Southeast Alaska Demersal Shelf Rockfish Surveys: \$260.0 UGF.** This funding will provide an on-going demersal shelf rockfish stock assessment program in Southeast Alaska. According to the Department, there has been a lapse in surveys for many Southeast Alaska sub areas and the Gulf of Alaska Plan Team is requesting that additional surveys be conducted. Without these surveys, this fishery may be subject to more conservative management.
4. **Commercial Fisheries AYK Region Fisheries Mgmt – Tanana River Sonar Project Operating & Equipment Costs: \$200.0 UGF/ \$390.0 GF/Program Receipts (DGF).** The Department is requesting funding to implement a Tanana River Sonar project. This project will allow for daily estimates of king, chum, and coho salmon entering the Tanana River for in-season and post-season use to manage Tanana River fisheries, and by extension, provide additional information toward managing overall Yukon River salmon fisheries.
 - \$200.0 UGF for partial year on-going operational costs associated with this project (including seasonal employees and contractual costs). In FY14, the Department will request an additional \$175.0 UGF for total annual estimated operating costs of \$375.0; and
 - \$390.0 General Fund Program Receipts (DGF) as a one-time increment to purchase sonar equipment and supplies. The program receipts for this request have been identified as commercial crew member license fees.
5. **Wildlife Conservation – Expand Spatial Analysis of Fish and Wildlife Data: \$150.0 UGF.** The Department is requesting additional funds to expand spatial data analysis capability. The Information Services program provides a public service to hunters, but currently there is no statewide spatial approach for consolidating, managing and disseminating wildlife data and information. The requested funding will allow the division to provide the Habitat Division, industry, federal agencies, non-governmental organizations and the public with information on subjects like important big game areas, wildlife corridors, wintering areas and calving grounds summarized in a useable, geospatial format and provide online tools that can display summary fish and wildlife information concurrent with development projects.
6. **Habitat – Oil and Gas Related Pre-Permitting Activities: \$103.5 UGF.** Additional general funds are requested to support an existing vacant position to conduct pre-permitting science and planning for oil and gas development activities.

Legislative Fiscal Analyst Comment: In FY12 the legislature denied a similar request to fund an existing vacant full-time position (Habitat Biologist IV) to participate in planning and permitting of gasline projects.
7. **Habitat – Title 16 & Title 41 Increased Workload & Permit Streamlining and Reform: \$65.0 UGF.** Habitat provides pre-project review, permitting, monitoring and compliance for a variety of projects, including mining, public works, oil and gas and transportation. The Department is requesting additional funds to cover personal services costs associated with an increasing workload related to these Title 16 & Title 41 activities. This funding will also allow for participation in the Governor's initiative relating to permit streamlining and reform.

MAINTENANCE OF SERVICES

8. **Commercial Fisheries Headquarters Management – Pacific Salmon Treaty Chinook Technical Committee Support: \$190.0 UGF.** This request will fund a Fisheries Scientist I position to implement the current Chinook salmon annex of the Pacific Salmon Treaty and serve on the Chinook Technical Committee. A vacant position was transferred

from the Commercial Fisheries Special Projects allocation to replace the previous long-term nonpermanent positions that performed this function. The long-term nonpermanent positions were funded through various federal funding sources that are no longer available.

9. **Commercial Fisheries Special Projects – Additional Dive Fishery Revenue: \$250.0 GF/Program Receipts (DGF).** Additional program receipt authorization is being requested to allow for the pass-through of dive tax assessment revenue. Revenue is collected from a seven percent assessment on the landed value of geoducks and red sea urchins and a five percent assessment on sea cucumbers. Money is passed on to the Southeast Alaska Regional Dive Fisheries Association (SARDFA) and is also retained in the Department for fishery management costs. This increment will increase the receipt authority for SARDFA from \$555.7 to \$805.7 and is due to projected increases in both price and harvest level over FY12.
10. **Habitat – Continue Title 16 & Title 41 Pre-Project Review, Permitting, Monitoring and Compliance: \$185.0 UGF.** Habitat provides pre-project review, permitting, monitoring and compliance for a variety of projects, including mining, public works, oil and gas and transportation. Some of these Title 16 & Title 41 activities were previously federally funded by Alaska Coastal Management Program funds (\$100.0) and Forest Resources and Practices Act funds (\$85.0) which are no longer available. These federal funds were previously received as Inter-agency Receipts and the Department is requesting additional general funds to continue the current permit workload.
11. **Fish and Game Boards and Advisory Committees – Board Member Honorarium and Meeting Costs: \$191.5 UGF.** The Department is requesting additional funding to cover increased Board Member honorarium costs, to fully fund all advisory committee positions, and to meet increased travel costs for additional board meetings. During the past few years, increased costs have been absorbed. For instance, board member pay is tied to a range 20A in the state pay system, but funding for annual cost-of-living increases has not been added to the budget and additional board meetings and teleconferences have resulted in additional travel costs. During the past few years, the Department kept two positions vacant (a Bethel coordinator position in FY11 and a Dillingham coordinator position in FY12) to offset these increased costs.

OTHER ISSUES

12. **Fish and Game Fund Shortfall.** The Governor's capital budget request includes a \$5 million deposit of general funds into the Fish and Game fund. Although this approach addresses the declining balance of the Fish & Game fund, it raises several concerns:
 - According to the Department, this funding will be deposited into the Sport Fish subfund. However, unless the appropriation is more specific, it will be difficult to know whether the general funds are going into the Wildlife Conservation subfund or the Sport Fish subfund.
 - An appropriation of general funds to the Fish and Game fund would cause the fund to be reclassified from a dedicated fund to a duplicated state fund. See discussion in section 12 of the analysis of language in the Governor's capital budget (Overview publication) for details.
 - The proposed approach is likely to absorb substantial time in subcommittee as members discuss whether the amount of Fish and Game funds requested in the FY13 budget can be sustained if the balance of the fund is not increased as requested in subsection 12(b) of the capital bill.

Legislative Fiscal Analyst Recommendation: If the legislature wishes to provide additional general funds for departmental operations, direct appropriations would be far less complicated and more transparent than the method proposed.

Legislative Fiscal Analyst Comment: In addition to a general fund deposit to the Fish and Game Fund, section 12 of the Governor's capital budget amends the appropriation made for facility upgrades, improvements and construction for the sport fish hatchery in Anchorage to include operating costs. The proposal would hide the true cost of operating the sport fish hatchery in Anchorage until the capital funds have been exhausted. At that time, the Department may request money to operate the Anchorage Sport Fish Hatchery in the operating budget.

- 13. Commercial Fisheries Entry Commission (CFEC).** The Governor's operating budget request includes open-ended language allowing the CFEC to carry forward program receipts from licenses, permits and other fees. Similar language in recent years has allowed the carryforward balance to exceed \$4 million. The Governor's capital budget request proposes spending \$3.9 million of "surplus" CFEC Receipts for capital projects.

Legislative Fiscal Analyst Recommendation: The legislature may wish to consider removing the carryforward language or limiting the amount of carryforward. The excess receipts collected will lapse to the general fund.

ORGANIZATIONAL CHANGES

There are no significant organizational changes requested.

CAPITAL REQUEST

The Governor's FY13 Department of Fish and Game capital budget totals \$25.5 million (\$10.8 million UGF/ \$3.9 DGF/ \$9.4 million Federal Receipts/ \$1.5 Other Funds). A few of the projects requested include:

- **\$3.7 million for Replacement of the Research Vessel (R/V) Resolution** (\$3,700.0 UGF);
- **\$1.813 million for a Kenai River King Salmon Sonar Assessment Program** (\$1,813.0 UGF);
- **\$2.5 million for Wild/Hatchery Salmon Hatchery Tools** [\$2,500.0 CFEC Receipts (DGF)];
- **\$1.55 million for Endangered Species Act Candidate Species:** (\$1,550.0 UGF);
- **\$1.4 million for Statewide Facility Deferred Maintenance Projects** (\$1,400.0 UGF);
- **\$1 million for Facilities, Vessels, and Aircraft Maintenance, Repair and Upgrades** (\$1,000.0 UGF);
- **\$7.5 million for Pacific Coastal Salmon Recovery Fund** (\$7,500.0 Federal Receipts); and
- **\$2.5 million for Sport Fish Recreational Boating Access** [\$1,875.0 Federal Receipts/ \$625.0 F&G Funds (Other)].

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Legislative Fiscal Analyst's Overview of the Governor's FY2013 Request

Office of the Governor

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)	\$28,569.9			
FY12 Fiscal Notes	-			
CarryForward	2,037.1			2
Special Appropriations, Multi-Years & Contingents	45.7			
Agency Transfers	6.1			
Misc Adjustments	-			
Vetoed	-			
FY12 Management Plan (GF only)	\$30,658.8	\$2,088.9	7.3%	
One-time Items removed	(7,476.4)			2,7
Miscellaneous Adjustments	2,037.1			2
Short-Term Increments	-			
FY13 Contractual Salary and Health Increases	460.6			
FY13 Adjusted Base Budget (GF only)	\$25,680.1	(\$4,978.7)	-16.2%	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	-			
FY13 Governor's GF Increments/Decrements/Fund Changes	6,965.2			
FY13 Governor's Agency Request (GF only)	\$32,645.3	\$6,965.2	27.1%	
FY13 Governor's Increments, Decrements, Fund Changes and Language	FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation			\$6,965.2	
Human Rights Commission	2,102.1	2,327.8	225.7	1
Executive Office	13,269.3	13,295.4	26.1	4
Lieutenant Governor	1,154.0	1,173.6	19.6	5
Domestic Violence and Sexual Assault	-	3,000.0	3,000.0	6
Elections	3,643.2	7,337.0	3,693.8	3
Non-General Fund Agency Summary	FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)	518.9	518.9	-	
Federal Funds (all allocations)	197.5	197.5	-	
Total Non-General Funds (all allocations)	\$716.4	\$716.4	\$0.0	
Position Changes (From FY12 Management Plan to Gov)	189	205	16	
PFT	161	156	(5.0)	
PPT	-	-	-	
Temp	28	49	21	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance and Repairs	-	-	-	
Remodel, Reconstruction and Upgrades	-	-	-	
New Construction and Land Acquisition	-	-	-	
Equipment and Materials	-	-	-	
Information Systems and Technology	-	-	-	
Other	-	-	-	
TOTAL CAPITAL	\$0.0	\$0.0	\$0.0	

Office of the Governor

The Governor's Office is responsible for the operation of the executive branch of Alaska State government, with fiscal and policy duties conferred by the Alaska Constitution and statutes. The Governor's Office oversees the Office of Management and Budget and the Division of Elections. The Alaska State Commission for Human Rights and the Redistricting Board are included in the Governor's Office for budgetary purposes.

SIGNIFICANT ISSUES

The FY13 Office of the Governor general fund operating budget is \$6,965.2 above the FY13 Adjusted Base. This increase is due primarily to the traditional treatment of certain appropriations as one-time items, so that:

- an FY12 one-time appropriation of \$3 million to address domestic violence does not appear in the base despite the fact that domestic violence is a continuing program; and
- a one-time FY13 increment of \$3.7 million (in Elections) for statewide election costs does not appear in the base because it is considered to be a new increment request.

Significant issues are highlighted in the notes below and correspond to the numbers in the last column of the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

Of the budget changes discussed below, only the \$225.7 request (in the Human Rights Commission) is a clearly defined expansion of activities.

1. **Human Rights Commission: \$225.7 UGF.** This increment will pay for two field representative positions to be transferred from the Redistricting Board. The transfer of positions includes associated salary adjustments. The positions will address a backlog of cases.
2. **Carryforward from FY12 into FY13: \$2,037.1 UGF.** The Governor requested that the following amounts carried forward from FY11 into FY12 remain in the FY13 base:
 - \$1,463.9 in the Executive Office;
 - \$149.7 in the Governor's House;
 - \$100.0 in Domestic Violence and Sexual Assault;
 - \$100.0 in Facilities Rent;
 - \$123.5 in Leasing; and
 - \$100.0 in the Office of Management and Budget.

In addition, the operating bill submitted by the Governor contains language that carries forward lapsing balances from FY12 into FY13 (section 21(f)).

Legislative Fiscal Analyst Comment: The \$2 million carried forward from FY11 into FY12 effectively indicates that the FY11 appropriation was \$2 million more than

required in that year. The surplus does not necessarily imply that carryforward from FY12 to FY13 will be an additional \$2 million. Costs have risen—in this case, particularly legal costs associated with redistricting—and the amount of carryforward will not be known until FY12 year-end.

The language in section 21(f) of the Governors bill provides non-specific increments in an indeterminate amount, in addition to the \$2 million added (via carryforward) to the FY12 base. The legislature may wish to delete section 21(f) in order to limit surplus authorization in FY13. If deletion of the carryforward language provides insufficient funding for FY13, the legislature should encourage the Governor to submit specific increments for legislative review.

3. **Elections: \$3,693.8 UGF.** The Governor requested a one-time increment for election year funding. A similar amount is typically added for election years and removed from the budget in years without statewide elections.

MAINTENANCE OF SERVICES

4. **Executive Office: \$26.1 UGF.** This increment covers an FY12 increase in the Governor's salary as recommended by the State Officer Compensation Committee. Although funding was added to the budget for this purpose in FY12, the increment was not in the operating bill so was not added to the FY13 base budget.
5. **Lieutenant Governor: \$19.6 UGF.** This increment covers an FY12 increase in the Lieutenant Governor's salary as recommended by the State Officer Compensation Committee. Although funding was added to the budget for this purpose in FY12, the increment was not in the operating bill so was not added to the FY13 base budget.
6. **Domestic Violence and Sexual Assault: \$3,000.0 UGF.** This increment replaces \$2.9 million of UGF and \$100.0 of Mental Health Trust receipts that were appropriated as a one-time-item in FY12. The appropriation to the Governor's Office is intended to ensure that agency efforts to combat domestic violence and sexual assault are coordinated—\$2.95 million of the money is earmarked for transfer to various agency programs.

OTHER ISSUES

7. **Removal of One-Time Items: \$1,393.6 UGF and \$13.96 million ARRA federal receipts.** Removal of \$1.4 million from the FY13 budget for the Redistricting Board reflects the completion of their work and leaves the budget at zero for FY13. Federal American Recovery and Reinvestment Act (ARRA) receipts in the Governor's Office were passed through to the Department of Education and Early Development. The funding is no longer available and was removed from the FY13 budget.

There are no significant organizational changes requested.

The Governor's Office has no projects in the FY13 capital budget.

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Legislative Fiscal Analyst's Overview of the Governor's FY2013 Request

Department of Health and Social Services

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)	\$1,083,677.8			
FY12 Fiscal Notes	364.5			
CarryForward	-			
Special Appropriations, Multi-Years & Contingents	137,355.9			
Agency Transfers	930.4			
Misc Adjustments	-			
Vetoed	-			
FY12 Management Plan (GF only)	\$1,222,328.6	\$138,650.8	12.8%	
One-time Items removed	(1,279.7)			
Miscellaneous Adjustments	-			
Short-Term Increments	-			
FY13 Contractual Salary and Health Increases	7,016.4			
FY13 Adjusted Base Budget (GF only)	\$1,228,065.3	\$5,736.7	0.5%	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	(129,355.9)			
FY13 Governor's GF Increments/Decrements/Fund Changes	188,827.6			
FY13 Governor's Agency Request (GF only)	\$1,287,537.0	\$59,471.7	4.8%	
FY13 Governor's Increments, Decrements, Fund Changes and Language	FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Appropriation			\$59,471.7	
Alaska Pioneer Homes	51,552.3	51,552.3	0.0	
Behavioral Health	91,211.6	94,236.6	3,025.0	3,4,7
Children's Services	85,157.8	85,495.8	338.0	
Health Care Services	13,642.9	14,022.9	380.0	
Juvenile Justice	54,511.3	55,011.3	500.0	
Public Assistance	172,094.0	178,904.3	6,810.3	5
Public Health	61,466.8	63,286.8	1,820.0	2,6
Senior and Disabilities Services	39,661.0	40,561.0	900.0	
Departmental Support Services	23,293.3	23,720.8	427.5	8
Human Services Community Matching Grant	1,685.3	1,685.3	0.0	
Community Initiative Matching Grants	731.9	731.9	0.0	
Medicaid Services	633,057.1	678,328.0	45,270.9	1
Non-General Fund Agency Summary	FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)	92,939.8	101,028.7	8,088.9	3,4,5
Federal Funds (all allocations)	1,271,027.2	1,229,126.5	(41,900.7)	1,2,6,8
Total Non-General Funds (all allocations)	\$1,363,967.0	\$1,330,155.2	(\$33,811.8)	
Position Changes (From FY12 Management Plan to Gov)	3,690	3,633	(57)	
PFT	3,510	3,464	(46)	
PPT	76	65	(11)	
Temp	104	104	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	10,000.0	-	10,000.0	
Maintenance and Repairs	7,000.0	15.7	7,015.7	
Remodel, Reconstruction and Upgrades	1,050.0	-	1,050.0	
New Construction and Land Acquisition	-	-	-	
Equipment and Materials	1,050.0	-	1,050.0	
Information Systems and Technology	901.6	3,805.4	4,707.0	
Other	425.0	-	425.0	
TOTAL CAPITAL	\$20,426.6	\$3,821.1	\$24,247.7	

Department of Health and Social Services

The Department of Health and Social Services (DHSS) promotes and protects the health and well-being of Alaskans through the following core services:

- provide the highest quality of life in a safe home environment for older Alaskans and veterans;
- manage an integrated and comprehensive behavioral health system based on sound policy, effective practices, and open partnerships;
- promote safe children and strong families;
- manage health care coverage for Alaskans in need;
- hold juvenile offenders accountable for their behavior, promote the safety and restoration of victims and communities, and assist offenders and their families in developing skills to prevent crime;
- provide self-sufficiency and basic living expenses to Alaskans in need;
- protect and promote the health of Alaskans;
- promote the independence of Alaskan seniors and persons with physical and developmental disabilities; and
- provide quality administrative services in support of the Department's mission.

SIGNIFICANT ISSUES

The FY13 Department of Health and Social Services general fund operating budget submitted by the Governor is \$59.5 million (4.8%) above Adjusted Base. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

1. Medicaid Services are \$45.3 million (7.2%) above the FY13 Adjusted Base.

According to the *January 2011 Long-term Forecast of Medicaid Enrollment and Spending in Alaska*, the “average annual rate of growth in spending is projected to be between 6 and 7 percent for the overall program; however, state spending for Medicaid is projected to grow at a little more than 8 percent due to anticipated reductions in federal financial participation.” Given these projections, the FY13 budget request is in line with the long-term Medicaid forecast. The primary changes in FY13 UGF are:

- **The Replacement of the “Enhanced” FMAP Rate Contingency Language with a Section 1 General Fund Appropriation: \$129.4 million UGF.** The federal stimulus bill signed in February 2009 authorized a temporary increase in the Federal Medical Assistance Percentage (FMAP) matching rates. Alaska’s FMAP rate increased from 50.53% to 62.46% (including an unemployment rate bonus) for the period from October 1, 2008 through December 31, 2010. Congress then partially extended the “enhanced” FMAP rate. The enhanced FMAP rate dropped by 3.2% (about half of the current 6.2% enhancement rate) during the January-March 2011 quarter, and by 1.2% in the 4th quarter (April-June, 2011).

Holding out hope that Congress would extend the enhanced rate through FY12, the legislature appropriated federal receipts in FY12, but included contingency language (Sec. 15(b), Ch. 3, FSSLA 2011) appropriating general funds if the federal funds were not forthcoming. Because no Congressional action extending the FMAP rate occurred, general funds were expended when the

FMAP rate returned to 50.53% in FY12. The FY13 budget reflects the return to the “normal” FMAP rate of 50%. The FY12 contingency appropriation is included in the FY13 base.

- **Medicaid Services – Medicaid Growth: \$45.3 million UGF.** According to the Department, the funding requested for FY13 is expected to maintain the current level of Medicaid services for eligible Alaskans. Although a portion of the increase is expected to cover growth that occurred in FY12, most of the increment is requested to pay for projected growth between FY12 and FY13.

Legislative Fiscal Analyst Comment: The Governor’s FY13 request should be considered preliminary. Medicaid is an entitlement program that pays individual benefits according to formulas (which are continuously updated).

2. **Public Health/Nursing – Increase Funding for Public Health Nursing Grantees – Phase 3 (of 3 phases): \$990.0 UGF (and \$110.0 Federal Receipts).** The Division of Public Health currently provides direct public health nursing services to all communities in Alaska except those served by three grantees—the Maniilaq Association, the North Slope Borough and the Municipality of Anchorage. According to the Department, current grants are inadequate to support services on par with services provided to the rest of the state and grantees have threatened to return the public health nursing responsibilities to the state (as Norton Sound did in FY12). Maniilaq and the North Slope Borough serve a combined 14,160 people in 16 villages covering more than 125,000 square miles. The Municipality of Anchorage serves 42% of the state’s population.

According to the Department, even with increments of \$1 million in FY11 (Phase 1) and \$1.75 million in FY12 (Phase 2), grantees still subsidize operations with \$1.3 million of local funding. Phase 3 funding is expected to provide the three public health nursing grantees with sufficient funding to maintain services at their current level without local subsidies.

Legislative Fiscal Analyst Comment: When the Norton Sound Health Corporation returned the Public Health Nursing responsibilities back to the state, the cost of providing service increased by \$452.4.

3. **Behavioral Health/Services to the Seriously Mentally Ill – Bridge Home Program Expansion: \$300.0 UGF (and \$750.0 MHTAAR).** This project allows for up to 100 individuals to receive continuous services, including a rental subsidy, in order to “bridge” from institutions to non-institutional settings. Services typically include access to the U.S. Department of Housing and Urban Development Housing Choice voucher program paired with intensive in-home support services. According to the Department, this pairing of resources for beneficiaries is less expensive than institutional care and has proven successful in other states in reducing recidivism and impacts on service systems. The Department received \$750.0 of MHTAAR funding for this program in FY12 and is requesting an additional \$300.0 of UGF in FY13.
4. **Behavioral Health/Services for Severely Emotionally Disturbed Youth – Various MH Trust Increments: \$1.05 million UGF.** The Governor submitted a variety of Mental Health Trust increments that resulted in an increase of \$1.05 million (7.4%) over FY12. Significant increments are listed below:
 - **Early Childhood Screening & Brief Behavioral Services: \$400.0 UGF.** This funding will provide interventions for children and families experiencing the consequences of domestic violence.
 - **Evidence Based Family Therapy Models: \$300.0 UGF (and \$200.0 MHTAAR).** This funding will support a contract with Dr. Scott Sells to implement *Parenting with Love and Limits* (PLL) for children with severe emotional disturbances and their families.

- **Transitional Aged Youth: Sustain/Expand the Transition to Independence Process (TIP): \$250.0 UGF.** TIP is designed to assist transitional aged youth to move into adulthood with age-appropriate services ensuring productive work or education activities.
 - **Peer Navigator Program Expansion: \$100.0 UGF.** (The Department received \$100.0 of UGF for this in FY12—this increment doubles the GF for this program.) Peer Navigation allows trained parents and young adults to be hired to assist their peers in navigating the service delivery system, learning parenting skills and practicing self-help strategies.
- 5. Public Assistance/Alaska Temporary Assistance Program – Caseload Increases: \$5,665.5 UGF and \$409.5 of I/A Receipts (an increase of 10.5% over the Adjusted Base).** Due to an estimated increase in enrollment of about 4% in the Adult Public Assistance (APA) Program, particularly in the Aid to the Disabled & Blind category, the Department is requesting additional funding to pay benefits for eligible enrollees.
- Legislative Fiscal Analyst Comment:** It is unclear why projected growth is 4-5% while the requested general funds increased by 10.5%. Because an explanation for the discrepancy was not available by the publication date, the subcommittee may want to request additional information from the Department.
- 6. Public Health/Epidemiology – Immunization for Children and Seniors: \$630.0 UGF (and \$70.0 Federal Receipts).** The Department is planning to expend about half of the total request for pediatric vaccines to continue universal coverage for children ages 19-35 months. The other half will be used to purchase adult vaccines for influenza and pneumococcal vaccines for adults age 65 and over who do not have other resources.
- 7. Behavioral Health/Suicide Prevention Council – ABADA/AMHB School Based Suicide Prevention: \$450.0 GF/MH (an increase of 333.6% over the Adjusted Base).** According to the Department, this funding will be used to provide grants to school districts to implement evidence and research based training and intervention models to meet the unique needs of their student and teacher populations, such as Signs of Suicide (implemented in MatSu schools) and youth peer leadership/mentoring (implemented in the Northwest Arctic Borough schools). This increment would also fund statewide on-demand training (Kognito At-Risk, an evidence-based and rigorously evaluated best practice) for all high school educators and staff.
- 8. Medicaid School-Based Claims:** The FY13 budget deletes \$5.5 million of federal funding for the Medicaid School-Based Claims program. The DHSS Commissioner—in consultation with school districts—decided not to operate the program in FY13. This decision was prompted by the Anchorage School District’s decision to withdraw from the program due to the high administrative costs of the program. Without Anchorage, the federally required administrative efforts of the remaining participating school districts would have doubled.

ORGANIZATIONAL CHANGES

There are no significant organizational changes.

CAPITAL BUDGET

DHSS has proposed a total capital budget of \$24.2 million, which is comprised of \$20.4 million of state funds and \$3.8 million in federal funds. A variety of projects are being requested. The largest project and categories of projects are listed below:

- **Bethel Youth Facility Expansion – Phase 1: \$10 million UGF:** The Governor is requesting partial funding for extensive renovation and construction of the Bethel Youth Facility (BYF). The Phase 1 (of 2 phases) funding will pay for the pre-construction work of four new detention beds (for a total of twelve), upgraded treatment beds, additional probation space, expanded medical space, a vehicle sally port, a small gymnasium and a secure outdoor recreation area. This first phase will complete the design, address site issues and will assist with the removal of the Yukon Kuskokwim Health Corporation's Keyes Building that is too close to the Bethel Youth Facility. The total cost of the project is estimated to be \$19,025,400. The amount required to finish the project will be requested in FY14.
- **Deferred Maintenance for the Anchorage, Juneau, Sitka and the Alaska Veterans Pioneer Homes: \$4 million UGF.**
- **Non-Pioneer Homes Deferred Maintenance, Renewal, Repair and Equipment for twelve buildings: \$3 million UGF.** The bulk of the funding is requested for the Alaska Psychiatric Institute (\$902,475) and for the McLaughlin Youth Center (\$703,120).

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Legislative Fiscal Analyst's Overview of the Governor's FY2013 Request

Department of Labor and Workforce Development

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)	\$65,591.7			
FY12 Fiscal Notes	75.0			
Carry Forward	-			
Special Appropriations, Multi-Years & Contingents	486.0			
Agency Transfers	116.5			
Misc Adjustments	-			
Vetoed	-			
FY12 Management Plan (GF only)	\$66,269.2	\$677.5	1.0%	
One-time Items removed	(117.4)			
Miscellaneous Adjustments	-			
Short-Term Increments	-			
FY13 Contractual Salary and Health Increases	730.6			
FY13 Adjusted Base Budget (GF only)	\$66,882.4	\$613.2	0.9%	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	75.0			
FY13 Governor's GF Increments/Decrements/Fund Changes	1,223.6			1
FY13 Governor's Agency Request (GF only)	\$68,181.0	\$1,298.6	1.9%	
FY13 Governor's Increments, Decrements, Fund Changes and Language	FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation			\$1,298.6	
Workers' Compensation	5,600.8	5,675.8	75.0	
Workers' Compensation Benefits Guaranty Fund	280.0	603.2	323.2	5
Employment and Training Services	966.3	866.3	(100.0)	
Kotzebue Technical Center Operations Grant	1,507.7	1,580.8	73.1	4
SW AK Vocational & Education Center Operations Grant	497.6	521.9	24.3	4
Yuut Elitnaurviat, Inc. People's Learning Center Ops Grant	907.7	980.8	73.1	4
Northwest Alaska Career and Technical Center	702.6	726.9	24.3	4
Delta Career Advancement Center	302.6	326.9	24.3	4
New Frontier Vocational Technical Center	201.7	218.0	16.3	4
Independent Living Rehabilitation	987.9	1,187.9	200.0	3
Special Projects	118.4	218.4	100.0	3
Alaska Vocational Technical Center	10,440.6	10,905.6	465.0	2,4
Non-General Fund Agency Summary	FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)	26,545.0	26,445.0	(100.0)	
Federal Funds (all allocations)	102,356.3	103,622.0	1,265.7	
Total Non-General Funds (all allocations)	\$128,901.3	\$130,067.0	\$1,165.7	
Position Changes (From FY12 Management Plan to Gov)	1,015	989	(26)	
PFT	841	827	(14)	2
PPT	119	118	(1)	2
Temp	55	44	(11)	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance and Repairs	1,000.0	-	1,000.0	
Remodel, Reconstruction and Upgrades	-	-	-	
New Construction and Land Acquisition	7,000.0	-	7,000.0	
Equipment and Materials	917.5	-	917.5	
Information Systems and Technology	-	-	-	
Other	-	-	-	
TOTAL CAPITAL	\$8,917.5	\$0.0	\$8,917.5	

Department of Labor and Workforce Development

The Department of Labor and Workforce Development (DOLWD) is responsible for providing safe and legal working conditions and advancing employment opportunities. To accomplish these goals the Department provides the following core services:

- statutory and regulatory assistance and enforcement to protect Alaska's workers;
- workforce development to support Alaska hire and economic development; and
- income replacement for injured, unemployed, and permanently disabled workers.

The FY13 Department of Labor and Workforce Development general fund operating budget submitted by the Governor is \$1,298.6 above the FY13 Adjusted Base [\$2,776.8 Unrestricted General Funds (UGF)/ (\$1,478.2) Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

1. Occupational Safety and Health – G/F Match to Replace Unrealizable Workers' Safety and Compensation Administration Account (WSCAA)

Authority: \$2 million G/F Match (UGF). The Governor requests general funds to meet the required match for the federal Occupational Safety and Health Administration (OSHA) grants. Although the Workers' Safety and Compensation Administration Account (WSCAA) funding has been sufficient to match the federal grant in the past, a combination of declining revenue and increased program costs has resulted in a \$2 million projected shortfall in the account. The WSCAA revenue is from fees assessed on Workers' Compensation Insurance premiums and on Workers' Compensation self-insured program costs.

According to the Department, failure to match federal funding and maintain an adequate occupational safety and health program could result in the revocation of Alaska's state plan under the OSH Act of 1970 and a federal takeover of Alaska's current jurisdiction over occupational safety and health enforcement.

Legislative Fiscal Analyst Comment: The subcommittee may wish to explore several issues:

- Does the state program use any state funds beyond those required to match federal receipts?
- What are the negative consequences of a federal takeover of safety and health enforcement?
- What is the history of program growth and funding reductions?

2. Alaska Vocational Technical Center (AVTEC)

- **Registered Nurse (RN) Program: \$326.8 Total (\$226.8 UGF/ \$100.0 GF/Program Receipts (DGF)) plus a Position Adjustment to create a permanent part-time position.** The Governor's request would establish a new registered Nurse Training Program at the Alaska Vocational Technical Center. The increment will be used to support two registered nurse program instructors with specialized clinical experience (psychiatric and medical/surgical) to deliver a two-year Alaska Board of Nursing approved RN program. A position adjustment changes the time status of a vacant position from full time to part time, relocates that position from Sitka to Anchorage, and reclassifies it from an Employment Security Specialist to a Registered Nurse Program Instructor.

In FY12, the Cook Inlet Tribal Council (CITC) received a five-year, \$7.6 million federal Health Professions Opportunity Grant to promote welfare-to-work for Alaska Natives. The CITC has

included AVTEC in this grant to establish and deliver a Registered Nurse (RN) Training program in Anchorage. The RN program will have the capacity to train up to 20 RNs annually and will co-locate with the Certified Nurse Assistant and Licensed Practical Nurse Programs. Two instructors and additional training space are required to fulfill AVTEC's portion of this grant.

Legislative Fiscal Analyst Comment: Statutory Designated Program Receipt (SDPR) authorization was requested and approved for FY12 to allow AVTEC to use grant funding passed on from CITC for additional lease space for AVTEC's healthcare-related training, including the RN program. The FY13 requested increment is almost identical to one put forth in the FY12 Governor's Request—minus two new part-time positions. That increment was not approved by the legislature. Also, an existing PCN within this component will be used for the second instructor position.

- **AVTEC Request to Replace Unrealized Program Receipts with Unrestricted General Funds: \$250.0 UGF/ (\$250.0) GF/Program Receipts (DGF).** The Governor's FY13 request includes a substitution of unrestricted general funds for unrealizable GF/Program Receipts at the Alaska Vocational Technical Center. According to the Department, despite AVTEC management's successful efforts to generate other funds through negotiating Reimbursable Services Agreements, soliciting donations, and securing federal and other grants, AVTEC has been unable to generate enough revenue to keep up with the rising costs of goods and services.

3. Vocational Rehabilitation

- **Independent Living Rehabilitation – Independent Living Service Expansion Costs: \$200.0 UGF.** The Department is requesting funding to increase the amount of general funds for Centers for Independent Living (CILs) who will then partner with community members to expand Independent Living services. Currently Alaska has four CILs: Access Alaska, Southeast Alaska Independent Living (SAIL), Independent Living Center, Inc. (ILC), and Arctic Access. Independent Living services assist individuals with remaining in their own homes, engaging with their communities, and positioning themselves for employment.
- **Special Projects – Mental Health Trust: Governor's Council – Project SEARCH: \$100.0 GF/Mental Health (UGF).** The Governor's budget includes \$100.0 in funding for Project SEARCH. This is a program designed specifically to place high school seniors in internships within large businesses (often hospitals) in complex yet systematic jobs and teach them job skills. The business either hires the graduating students or works with related businesses in the community to secure employment for them. On a national level, Project SEARCH has 150 programs in 42 states to assist students with developmental and intellectual disabilities with finding secure employment in high-wage, high-demand jobs.

4. Technical Vocational Education Program (TVEP) Receipts (DGF). The Technical Vocational Education Program is a set-aside of employee contributions to unemployment insurance. The receipts are transferred to a separate account in the general fund, and, subject to appropriation, are used to support vocational training centers around the state. Legislative appropriations have been based on a formula set out in statute (AS 23.15.820 – 23.15.850). For FY13, the estimated available receipts of the Alaska Technical and Vocational Education Program total \$10,898.0. The following Department of Labor and Workforce Development allocations include FY13 increments that fully expend the total available receipts as reflected in AS 23.15.835(d):

- Alaska Vocational Technical Center: \$138.2 (17 percent);
- Kotzebue Technical Center Operations Grant: \$73.1 (9 percent);
- Southwest Alaska Vocational and Education Center Operations Grant: \$24.3 (3 percent);

- Yuut Elitnaurviat, Inc. People's Learning Center Operations Grant: \$73.1 (9 percent);
- Northwest Alaska Career and Technical Center: \$24.3 (3 percent);
- Delta Career Advancement Center: \$24.3 (3 percent); and
- New Frontier Vocational Technical Center: \$16.3 (2 percent)

5. Workers' Compensation Benefits Guaranty Fund (WCBenGF)

- **Grant Expenditure Authorization for Anticipated Benefit Payment Needs: \$220.0 WCBenGF (DGF).** The Department is requesting funds to meet the anticipated benefit payment needs in FY13. Recent Alaska Workers' Compensation Board and Workers' Compensation Appeals Commission decisions have ruled that the fund must pay benefits within 30 days of a Decision & Order or be subject to interest on the unpaid balance. According to the Department, failure to obtain an increase in the grants line may delay the fund's ability to pay benefits.
- **Workers' Compensation Benefits Guaranty Fund Collections Officer Funding: \$103.2 WCBenGF (DGF).** The Governor's request includes an increment to support a collections officer position to help increase collections to the WCBenGF. Since inception in FY05, the Workers' Compensation fraud unit has assessed approximately \$3.5 million in penalties to employers who failed to carry workers' compensation insurance. Only \$1.6 million (approximately 46 percent) has been collected to date. According to the Department, a collections officer should increase the division's collection rate to about 83 percent, providing an additional \$1.3 million in collected revenue. An existing vacant position has been identified for transfer to the Workers' Compensation Benefits Guaranty Fund component if the legislature approves this increment.

ORGANIZATIONAL CHANGES

There are no significant organizational changes requested.

CAPITAL REQUEST

The Department of Labor and Workforce Development is requesting \$8.9 million UGF in the capital budget for the following four projects:

- **Heavy Equipment Shop/Diesel Shop/Pipe Welding Relocation – Phase 1 of 3: \$6 million UGF.** This request will fund the first phase of the Alaska Vocational Technical Center's (AVTEC) Heavy Equipment Shop/Diesel Shop/Pipe Welding Relocation project. Funds will be used to construct an 8,000 square foot steel fabricated heavy equipment shop, including site preparation and utility hook-ups;
- **Job Center Computer Replacements: \$917.5 UGF.** This funding will provide a three-year statewide inventory replacement of aging computers used in job centers and operations of the Employment and Training Services (ETS) component, as well as servers and printers;
- **Fairbanks Pipeline Training Center Construction and Equipment Purchase: \$1 million UGF.** This request will fund a grant to the Fairbanks Pipeline Training Center (FPTC) to be used in combination with other funds to construct and equip FPTC's central training facility. The Center is a public/private partnership that prepares Alaskans for work in the high-demand oil/gas and construction industries; and
- **AVTEC Deferred Maintenance: \$1 million UGF.** This annual request is to pay for deferred maintenance needs at 16 state-owned buildings in Seward.

Legislative Fiscal Analyst's Overview of the Governor's FY2013 Request

Department of Law

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)	\$57,617.8			
FY12 Fiscal Notes	225.0			
CarryForward	2,000.0			
Special Appropriations, Multi-Years & Contingents	12,000.0			
Agency Transfers	33.6			
Misc Adjustments	-			
Vetoed	-			
FY12 Management Plan (GF only)	\$71,876.4	\$14,258.6	24.7%	
One-time Items removed	(16,000.0)			
Miscellaneous Adjustments	-			
Short-Term Increments	-			
FY13 Contractual Salary and Health Increases	1,231.7			
FY13 Adjusted Base Budget (GF only)	\$57,108.1	(\$14,768.3)	-20.5%	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	-			
FY13 Governor's GF Increments/Decrements/Fund Changes	10,668.1			
FY13 Governor's Agency Request (GF only)	\$67,776.2	\$10,668.1	18.7%	
FY13 Governor's Increments, Decrements, Fund Changes and Language	FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation			\$10,668.1	
Second Judicial District	1,826.4	1,878.9	52.5	5
Third Judicial District: Anchorage	7,500.6	7,640.6	140.0	2
Criminal Appeals/Special Litigation	4,712.4	4,965.5	253.1	1, 5
Child Protection	5,283.7	5,371.2	87.5	5
Collections and Support	1,256.7	1,291.7	35.0	5
Natural Resources	3,161.9	3,611.9	450.0	3
Oil, Gas and Mining	3,864.9	12,914.9	9,050.0	4
Transportation Section	144.8	744.8	600.0	6
Non-General Fund Agency Summary	FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)	26,327.5	27,499.8	1,172.3	7
Federal Funds (all allocations)	1,965.9	1,965.9	0.0	
Total Non-General Funds (all allocations)	\$28,293.4	\$29,465.7	\$1,172.3	
Position Changes (From FY12 Management Plan to Gov)	575	573	(2)	
PFT	572	570	(2)	1
PPT	3	3	0	
Temp	-	-	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance and Repairs	-	-	-	
Remodel, Reconstruction and Upgrades	-	-	-	
New Construction and Land Acquisition	-	-	-	
Equipment and Materials	-	-	-	
Information Systems and Technology	250.0	-	250.0	
Other	-	-	-	
TOTAL CAPITAL	\$250.0	\$0.0	\$250.0	

Department of Law

The mission of the Alaska Department of Law is to prosecute crime and provide legal services to state government for the protection and benefit of Alaska's citizens. The Department represents the state in:

- protecting the safety and physical and financial well-being of Alaskans;
- fostering the conditions for economic opportunity and responsible development and use of our natural resources;
- protecting the fiscal integrity of the state; and
- promoting and defending good governance.

The Criminal Division protects the public by prosecuting all violations of state criminal law committed by adults and juveniles, and by placing them under appropriate controls. The Civil Division serves the interest of Alaska's citizens by providing legal counsel to the executive branch in all civil actions. The Administrative Services Division provides the core administrative services that are essential to the day-to-day operation and to managing the resources of the Department.

The FY13 Department of Law general fund operating budget as submitted by the Governor is \$10,668.1 above the FY13 Adjusted Base [\$10,633.1 Unrestricted General Funds (UGF) and \$35.0 Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

1. **Criminal Appeals/Special Litigation – Cold Case Prosecutor – DVSA: \$225.0 UGF.** One PFT Attorney is requested in response to an increase in cold case activity. The state's cold case initiative includes two different programs: the Department of Public Safety's Cold Case unit which *investigates* serious felonies when the previous investigation reaches a dead end, and the Department of Law's Cold Case Unit which *prosecutes* these cases.

In addition, the Department of Law also handles the prosecution side of cases referred from the Municipality of Anchorage's Cold Case Unit to the Department of Public Safety. The Department of Law anticipates that a recent federal grant of \$500.0 to the Municipality for these efforts will result in an increased caseload for their unit.

2. **Third Judicial District: Anchorage – Language Interpreter Program for Victims and Witnesses of DVSA Crimes: \$140.0 UGF.** Because the State of Alaska receives some federal funding for DVSA cases, the federal government requires the state to provide interpreter services for victims and witnesses identified as Limited English Proficient (LEP). Federal grant money for the LEP is no longer available to cover these services, which include:

- Tracking which interpreters are available within the state;
- Managing contracts with interpreters;
- Providing transportation for both witnesses and interpreters; and
- Arranging other forms of communication (i.e. video conferencing, telecommunications, etc.).

3. Natural Resources – Statehood Defense and Resource Development

Outside Counsel: \$450.0 UGF. The Department requests additional funding for specialized outside counsel to help the state enforce its right to access public lands and the right to develop state and private natural resources. Current actions requiring state intervention include (but are not limited to):

- The Federal Roadless Rule limiting timber sales in national forests;
- Litigation brought by 3rd parties to halt oil & gas exploration on the outer continental shelf;
- Development of transportation corridors to allow oil, gas and resource extraction in northern Alaska;
- Defending the state against administrative appeals and lawsuits opposing mineral development, particularly in southwest Alaska;
- Revisions to the federal land management plans which guide activities and access through national parks, wildlife refuges (including ANWR), forests, NPR-A and BLM land in Alaska; and
- The Federal Endangered Species Act Issues - the state opposes listing healthy populations of animals based on speculative models of climate 100 years into the future.

Legislative Fiscal Analyst Comment: The Department's statehood and natural resources agenda has intensified in recent years. For Endangered Species issues alone, the Department received a \$1.25 million UGF FY10 reappropriation (lapsed 6/30/2010) as well as an FY11 base increment of \$1 million (\$200.0 for one PFT Attorney and \$800.0 for Outside Counsel).

MAINTENANCE OF SERVICES

4. Oil, Gas and Mining: \$9.05 million UGF. The Department is requesting funds to continue its role in one of the Governor's top priority projects - the construction of a gas pipeline and bringing natural gas to market. Additionally, the Department has a number of major oil and gas projects underway that continue to require outside counsel and experts beyond the funding included in the Department's base budget.

- **\$6.15 Million UGF** for ongoing oil and gas matters including Pt. Thomson litigation, proceedings before the Federal Energy Regulatory Commission (FERC), TransAlaska Pipeline Service (TAPS) tariff issues, and TAPS property tax matters.

Legislative Fiscal Analyst Comment: The Department received a \$3 million UGF multi-year appropriation for these efforts in FY12. That appropriation lapses 6/30/13 (see table on the following page).

- **\$2.9 Million UGF** is requested as an addition to the base for work related to the state gas pipeline and to bring North Slope gas to market.

Legislative Fiscal Analyst Comment: Legislative Finance categorizes this \$2.9 million UGF increment as one-time funding. This approach is consistent with the funding method most recently used for this work and promotes annual legislative review.

Department of Law's Oil & Gas Related Funding FY09-FY13

Oil & Gas Related Funding Base and Non-Base FY09-FY13 (includes transfers from the Governor's Office)	FY09 Budget		FY10 Budget		FY11 Budget		FY12 Budget		FY13 Request	
			NON-BASE						NON-BASE	
	BASE	NON-BASE	BASE	BASE	BASE	NON-BASE	BASE	NON-BASE	BASE	BASE
(Non-Gasline) Outside Counsel and Experts for Oil & Gas Matters (Including Pt. Thomson Litigation, FERC on TAPS Tariffs, and TAPS property tax matters)		\$3 million UGF		\$6.1 million UGF		\$3 million UGF		\$2 million UGF FY11 Supplemental Multi-Year Lapses 6/30/12	\$6.15 million UGF	
						\$3.87 million UGF FY11 Supplemental		\$3 million UGF FY12 Capital Multi-Year Lapses 6/30/13		
Gasline - Preparation of Legislation and Implementation of a Comprehensive Plan to Commercialize North Slope Gas		\$3.5 million UGF \$500.0 transferred back to Governor's Office				\$2.5 million UGF		\$2 million UGF	\$2.9 million UGF	

5. Various Allocations – Fully Fund Positions Added in FY12: \$203.1 UGF.

Seven of the agency's nine positions added by the legislature in FY12 were funded at three-quarters of the requested GF levels. The following increments represent the amounts needed to annualize all the filled positions:

- Second Judicial District: Outside Anchorage - Kotzebue Attorney: \$52.5 UGF.
- Child Protection Anchorage - Child Protection Positions: \$87.5 UGF.
- Collections and Support: New Paralegal: \$35.0 UGF.
- Criminal Appeals/Special Litigation: Three New Medicaid Fraud Investigators: 28.1 UGF.

Legislative Fiscal Analyst Comment: As of 1/1/12, only the Kotzebue Attorney position had been filled. The remaining unfilled positions are either being recruited for or awaiting finalization of their associated position descriptions.

6. Transportation Section – Fast Ferry Litigation: \$600.0 UGF. In 2001, the State executed a \$68 million contract with Derektor Shipyards for the design & construction of two fast vehicle ferries (FVFs). The manufacturer of the engines that Derektor installed, MTU, represented that the state could expect 100,000 service hours from each of the eight diesel engines (four per vessel) that powered the ferries. Contrary to expectations, the engines have suffered aggressive internal degradation and will not likely last much beyond 15,000 hours/engine. The State has filed a breach of contract suit against both Derektor and MTU and is requesting that Derektor and MTU honor their obligations by either retrofitting or replacing the engines, or by paying monetary damages.

Legislative Fiscal Analyst Comment: Legislative Finance categorizes this increment as one-time funding. This approach is consistent with the funding method most recently used for specific, temporary increments and promotes annual legislative review.

7. Various Allocations – Add Inter-Agency (I/A) Receipt Authority for RSAs: \$1,172.3 I/A. In an effort to establish authorization for RSAs previously recorded as unbudgeted, the Department requests additional I/A authority (\$977.3 I/A for anticipated RSAs with the departments of Health & Social Services, Revenue, Environmental Conservation, and Natural Resources and \$195.0 I/A for established RSAs internal to the Department).

ORGANIZATIONAL CHANGES

There are no organizational changes requested, however, it should be noted that funding is not requested in FY13 for BP Corrosion. The Department received \$9 million UGF in FY12 as a multiyear appropriation and estimates that this amount will cover the costs associated with the trial. The FY12 appropriation did not include the cost of any appeals that may be filed.

CAPITAL BUDGET

The Department's sole capital request is for \$250.0 UGF to implement a Charitable Organization Online Registration System intended to transform its registry of nonprofit organizations and fundraising professionals from a paper driven process to an online repository that is easily accessible to the public and is an effective law enforcement tool. This project is intended to improve government effectiveness and streamline the registration and filing processes for nonprofit organizations and fundraising professionals.

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Department of Military and Veterans Affairs

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)	\$12,801.8			
FY12 Fiscal Notes	-			
CarryForward	-			
Special Appropriations, Multi-Years & Contingents	4,000.0			
Agency Transfers	408.7			
Misc Adjustments	-			
Vetoed	-			
FY12 Management Plan (GF only)	\$17,210.5	\$4,408.7	34.4%	
One-time Items removed	(4,392.8)			
Miscellaneous Adjustments	-			
Short-Term Increments	-			
FY13 Contractual Salary and Health Increases	154.6			
FY13 Adjusted Base Budget (GF only)	\$12,972.3	(\$4,238.2)	-24.6%	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	-			
FY13 Governor's GF Increments/Decrements/Fund Changes	9,052.8			
FY13 Governor's Agency Request (GF only)	\$22,025.1	\$9,052.8	69.8%	
FY13 Governor's Increments, Decrements, Fund Changes and Language	FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation			\$9,052.8	
Office of the Commissioner	2,459.9	2,519.9	60.0	4
Homeland Security & Emergency Management	2,498.9	2,668.9	170.0	3
Veterans' Services	1,210.6	2,033.4	822.8	1, 6
Alaska Aerospace Corporation	20.0	1569	1,549.0	5
Alaska Aerospace Corporation Facilities Maintenance	22.3	6473.3	6,451.0	5
Non-General Fund Agency Summary	FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)	16,556.9	16,556.9	0.0	
Federal Funds (all allocations)	51,381.7	51,785.9	404.2	2, 6
Total Non-General Funds (all allocations)	\$67,938.6	\$68,342.8	\$404.2	
Position Changes (From FY12 Management Plan to Gov)	348	342	(6)	
PFT	344	338	(6)	
PPT	2	2	-	
Temp	2	2	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance and Repairs	4,000.0	4,542.5	8,542.5	
Remodel, Reconstruction and Upgrades	-	-	-	
New Construction and Land Acquisition	2,125.0	3,800.0	5,925.0	
Equipment and Materials	4,860.0	-	4,860.0	
Information Systems and Technology	-	-	-	
Other	-	9,600.0	9,600.0	
TOTAL CAPITAL	\$10,985.0	\$17,942.5	\$28,927.5	

Department of Military and Veterans Affairs

The mission of the Department of Military and Veterans Affairs (DMVA) is to provide military forces to accomplish military missions in the state and around the world; provide homeland security and defense; emergency response; veterans' services; and youth military style training and education.

The FY13 Department of Military and Veterans Affairs general fund operating budget as submitted by the Governor is \$9.1 million above the FY13 Adjusted Base. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

1. Expansion of Veterans' Services: \$727.0 UGF (a 68% increase). The Department is requesting funding to expand services to veterans:

- **\$300.0 UGF** to move the Veterans' Service Office from the Joint Base Elmendorf-Richardson to Anchorage to provide services where many of Alaska's veterans reside. This request includes funding to cover Anchorage office lease costs; on-going operational costs such as utilities and telecommunications; and two unfunded positions (Project Assistant and Administrative Assistant II) that are being transferred from the Air Guard Facilities Maintenance allocation.
- **\$250.0 UGF** for increased site visits to remote locations across Alaska to provide one-on-one assistance to help Alaska's veterans obtain earned benefits from the U.S. Department of Veterans Affairs. Veteran Service Officers (VSOs), Veteran's Affairs Liaisons, Counselors from the National Guard Family Programs, Transition Assistance Advisors and staff will participate in site visits to community hospitals, veteran organization events, town hall meetings and other appropriate venues.
- **\$102.0 UGF** for Cost of Living Allowance increases to the 17 Veterans' Service Officer (VSO) grants. According to the Department, the last increase was funded six years ago and this increase was recommended at the 2010 Statewide Veterans' Summit.
- **\$75.0 UGF** for a partial year (one quarter) of operational and maintenance costs of the Interior Alaska Cemetery. The State is designing and building a certified cemetery in Fairbanks during FY12 and FY13. In FY14, the Department will request an additional \$225.0 UGF for the total annual estimated operating costs of \$300.0. These costs include contracting costs, utilities, ongoing landscaping, lawn care, snow removal and maintenance costs.

Legislative Fiscal Analyst Comment: In FY11, the Department was appropriated \$5 million Federal Receipts, \$750.0 GF Match and \$250.0 UGF for design and construction costs of the Interior Alaska Veterans Cemetery. The Department is requesting an additional \$2 million Federal Receipt authorization in the FY13 Governor's Request to meet increased project costs.

2. Office of the Commissioner – Coast Guard Lease Payments for Anchorage Armory Expansion: \$500.0 Federal Receipts. The Department has entered into agreements with the USCG and Alaska Industrial Development and Export Authority (AIDEA) to build an expansion to the Joint Base Elmendorf-Richardson Armory. This expansion will house the Anchorage section of the USCG. This request provides the authorization to accept lease payments that will be used to pay back the construction of the loan to AIDEA that began in FY13.

3. Homeland Security & Emergency Management – On-going Emergency Generator Maintenance Costs: \$170.0 UGF. In FY12, the Division of Homeland Security and Emergency Management received an appropriation for \$4.98 million UGF for

Catastrophic Disaster Response Planning and Equipment. This included funding to purchase emergency cold weather generators for immediate response to a catastrophic disaster event. Funding is requested in FY13 to provide on-going operating, maintenance and storage costs for the generators. The division is working closely with the Alaska Energy Authority to engage appropriate experts for generator specifications, procurement, storage and maintenance.

- 4. Office of the Commissioner – Employee Education Reimbursement Costs: \$60.0 UGF.** The Department is requesting funding to provide an employee tuition reimbursement program. According to the Department, this funding will work to assure continued high-quality service to the public by assisting employees with improving their job performance skills and preparing for career changes that are in the best interest of the Department. Training is intended to serve as a management tool for the development of employees and to retain institutional knowledge in order to provide the highest quality service to residents of the state.

MAINTENANCE OF SERVICES

- 5. Alaska Aerospace Corporation (AAC) Operations and Maintenance: \$8.0 million UGF.** The Alaska Aerospace Corporation is requesting an addition of general funds to the base budget to meet the operation and maintenance costs of the Kodiak Launch Complex. This funding replaces federal funds that are no longer available.

Legislative Fiscal Analyst Comment: In FY12, the legislature appropriated one-time funding of \$4.0 million UGF to the Alaska Aerospace Corporation for on-going operating and maintenance costs. Because the AAC is pursuing private contracts that may result in a reduced need for future state funding, if the legislature chooses to approve the funding, it may want to consider this request on an annual basis (i.e., approve this request as a one-time increment).

- 6. Veterans' Services – Continuation of the State Approving Agency Program: \$95.8 UGF/ (\$95.8) Federal Receipts.** The Department is requesting general funds to replace lost federal revenue to continue administering Veterans' Educational programs. The U.S. Department of Veterans' Affairs is no longer distributing federal funds to administer the State Approving Agency grant for Veterans' Educational programs. This funding will allow the State of Alaska to continue providing educational support to Alaska veterans and their families and assist veterans in receiving earned federal benefits. The Department is also decrementing Federal Receipt authorization that is no longer collectable.

OTHER ISSUES

- 7. Alaska Challenge Youth Academy (ACYA).** The academy is operated by the Department of Military and Veterans Affairs (DMVA) and is funded through a Reimbursable Services Agreement with DEED in accordance with AS 14.30.740. The total FY13 general fund budget for the ACYA (also referred to as the Alaska Military Youth Academy (AMYA)) will be \$4,958.4 with 497 total students (192 in residence and 305 in the non-residential program). Due to a student count change and increases in the federal grant, the DEED FY13 request shows a UGF decrease of \$868.4 from the original FY12 authorized level. However, the FY13 UGF request is only \$35.2 lower than the revised FY12 authorization. As shown in the table below, increased federal funding reduces the amount of UGF funding in both FY12 and FY13. Total funding for the program is about \$8.7 million in both years, with the small changes due to student count and salary adjustments.

Legislative Fiscal Analyst Comment: The legislature may wish to revisit this formula program. The current statutory program support formula provides seven times the base student allocation for

ACYA residential students plus a smaller non-resident amount. DEED has no legal responsibility for the ACYA and, therefore, should not act as a pass-through agency. The legislature may wish to consider a direct appropriation to DMVA.

ALASKA CHALLENGE YOUTH ACADEMY

FY12 AUTHORIZED (HB108 p. 11)	
189 x \$5680 x 7 =	7,514,640
297 x \$5680 x 60% =	1,012,176
less \$2,700,000 (Federal Grant)	(2,700,000)
UGF TRANSFER FROM DEED TO ACYA	5,826,816

FY12 Revised Authorization	
<i>(Revised Federal Grant Amount & Student Counts)</i>	
194 x \$5680 x 7 =	7,713,440
292 x \$5680 x 60% =	995,136
less \$3,715,000 (Federal Grant)	(3,715,000)
UGF TRANSFER FROM DEED TO ACYA	4,993,576

FY13 Projection	
192 x \$5680 x 7 =	7,633,920
305 x \$5680 x 60% =	1,039,440
less \$3,715,000 (Federal Grant)	(3,715,000)
UGF TRANSFER FROM DEED TO ACYA	4,958,360

Difference	
FY12 Authorized To FY13 Projection	
Funding for Resident Students	119,280
Funding for Non-Resident Students	27,264
Federal Grant Amount	1,015,000
UGF TRANSFER FROM DEED TO ACYA	(868,456)

Difference	
FY12 Revised Authorization to FY13 Projection	
Funding for Resident Students	(79,520)
Funding for Non-Resident Students	44,304
Federal Grant Amount	-
UGF TRANSFER FROM DEED TO ACYA	(35,216)

8. **Alaska National Guard Retirement Benefits.** The FY13 budget contains \$882.2 for the costs of the military retirement system. Per the latest actuarial valuation, the payment can be reduced by \$143.1.

ORGANIZATIONAL CHANGES

There are no significant organizational changes requested.

CAPITAL REQUEST

The Governor's FY13 Department of Military and Veterans Affairs capital budget totals \$28.9 million (\$11.0 million UGF/ \$17.9 million Federal Funds). Projects requested include:

- **Statewide Emergency Food Supplies** (\$4,860.0 UGF);
- **Deferred Maintenance, Renewal, Repair and Equipment Projects** (\$4,542.5 Federal Receipts/ \$4,000.0 UGF);
- **Fort Richardson – Camp Denali – Install Sprinkler System** (\$1,800.0 Federal Receipts/ \$1,200.0 GF Match (UGF));
- **Mobile Emergency Operations and Command Vehicle Storage** (\$925.0 UGF);
- **State Homeland Security Grant Programs** (\$9,5000.0 Federal Receipts);
- **Interior Alaska Veterans Cemetery** (\$2,000.0 Federal Receipts); and
- **National Guard Counterdrug Support** (\$100.0 Federal Receipts).

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Legislative Fiscal Analyst's Overview of the Governor's FY2013 Request

Department of Natural Resources

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)	\$100,359.9			
FY12 Fiscal Notes	101.1			
CarryForward	1,867.0			
Special Appropriations, Multi-Years & Contingents	-			
Agency Transfers	141.9			
Misc Adjustments	-			
Vetoes	-			
FY12 Management Plan (GF only)	\$102,469.9	\$2,110.0	2.1%	
One-time Items removed	(8,487.8)			
Miscellaneous Adjustments	-			
Short-Term Increments	-			
FY13 Contractual Salary and Health Increases	1,723.3			
FY13 Adjusted Base Budget (GF only)	\$95,705.4	(\$6,764.5)	-6.6%	
Lang/Lang OTIs/MiscAdj/Carryforward/Multi Years/Contingent	-			
FY13 Governor's GF Increments/Decrements/Fund Changes	8,768.0			
FY13 Governor's Agency Request (GF only)	\$104,473.4	\$8,768.0	9.2%	
FY13 Governor's Increments, Decrements, Fund Changes and Language	FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation			\$8,768.0	
Commissioner's Office	1,140.2	1,390.2	250.0	1,11
Gas Pipeline Project Office	774.2	2,990.8	2,216.6	11, 15, 16
Project Management & Permitting	812.9	925.4	112.5	10
Administrative Services	1,918.5	2,043.5	125.0	11
Information Resource Management	2,985.1	3,254.3	269.2	11
Citizen's Advisory Commission	268.9	281.9	13.0	11
Oil and Gas	9,965.7	11,170.7	1,205.0	3, 9, 10, 16
Petroleum Systems Integrity	1,119.8	838.6	(281.2)	11
Mining, Land & Water	19,312.6	23,462.2	4,149.6	4, 5, 7, 8
Forest Management & Development	4,775.3	4,642.7	(132.6)	11
Geological and Geophysical Surveys	4,559.0	4,759.0	200.0	6
Agricultural Development	1,765.4	1,719.6	(45.8)	
Parks Management & Access	8,653.9	8,823.9	170.0	11
Fire Suppression Preparedness	16,334.1	16,850.8	516.7	12
Non-General Fund Agency Summary	FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)	35,396.1	38,378.0	2,981.9	2
Federal Funds (all allocations)	14,099.3	22,552.7	8,453.4	13
Total Non-General Funds (all allocations)	\$49,495.4	\$60,930.7	\$11,435.3	
Position Changes (From FY12 Management Plan to Gov)	1,100	1,080	(20)	
PFT	757	742	(15)	
PPT	248	242	(6)	
Temp	95	96	1	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	8,910.0	-	8,910.0	19, 20, 21
Maintenance and Repairs	4,000.0	5,800.0	9,800.0	
Remodel, Reconstruction and Upgrades	-	-	-	
New Construction and Land Acquisition	1,850.0	1,660.0	3,510.0	18
Equipment and Materials	-	-	-	
Information Systems and Technology	3,412.0	-	3,412.0	17
Other	150.0	1,600.0	1,750.0	
TOTAL CAPITAL	\$18,322.0	\$9,060.0	\$27,382.0	

Department of Natural Resources

The Department of Natural Resources (DNR) develops Alaska's resources by making them available for maximum use and benefit consistent with the public interest. Core Services include:

- Fostering responsible commercial development and use of state land and natural resources, consistent with the public interest, for long-term wealth and employment;
- Providing access to state lands for public and private use, settlement, and recreation;
- Ensuring sufficient data acquisition and assessment of land and resources to foster responsible resource development; and
- Mitigating threats to the public from natural hazards by providing comprehensive fire protection services on state, private, and municipal lands, and through identifying significant geological hazards.

The FY13 Department of Natural Resources general fund operating budget submitted by the Governor is \$8,768.0 above the FY13 Adjusted Base [\$8,910.4 Unrestricted General Funds (UGF)/ (\$142.4) Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

- 1. Commissioner's Office – Statewide Resource Development Marketing Initiative and Existing Personal Services Costs: \$150.0 UGF.** The Commissioner's Office is requesting \$50.0 for an aggressive marketing and outreach campaign to support resource development in the state. Funding would be used to sponsor more conferences and events, purchase worldwide advertising, produce promotional materials, and support regular trips to Washington D.C. (for federal outreach), and Houston, Calgary, and other locations to meet with energy companies. Also included in this increment is \$100.0 for a prior personal services costs shortfall.

Legislative Fiscal Analyst Comment: This increment should probably be split into two—a \$50.0 request for marketing money and a \$100.0 request for personal services costs. In combination with the redistribution of personal services costs (see item 11), the Commissioner's Office request for increased personal services funding totals \$200.0.

- 2. Office of Project Management and Permitting (OPMP) – Large Project Receipt Authority: \$2,000.0 Statutory Designated Program Receipts (SDPR) (Other).** This request would allow OPMP to collect additional SDPR revenue and provide the necessary permitting services for both projects coming online in FY13 and existing projects. An FY12 RPL in the amount of \$950.0 SDPR was authorized by the Legislative Budget and Audit Committee at the October 14, 2011 meeting. Projects requiring permitting services include Donlin Creek, Kensington, Chuitna Coal, and Bokan Mountain.
- 3. Oil & Gas – North Slope Easement Processing: \$105.0 GF/Prgrm Rcpts (DGF).** The Division of Oil and Gas is requesting an increment to fund an existing vacant position to process an increasing workload for easement permits and to prevent a backlog situation from developing. Permit fees from this permitting function flow to the general fund as general fund program receipts. This increment would use some of those receipts to cover the personal services costs.
- 4. Mining, Land & Water – Guide Concession Area Program Development: \$150.0 UGF.** This increment, coupled with \$120.0 added in FY12, would allow the Division of

Mining, Land and Water to continue developing a program offering big game guides the ability to competitively apply for authorization to run their businesses on state land. The goal is to limit the number of guides in any particular area so as to manage resources in a sustainable manner. The program would eventually be self-sustaining through program receipts, but requires general funds during development.

Legislative Fiscal Analyst Comment: Given the short-term requirement for the initial funding and eventual switch to a self-sustaining fund source, the subcommittee may wish to use a transaction type of IncT (Temporary Increment) or IncOTI (One-time Increment) if this increment is approved.

5. **Mining, Land & Water – Nome Gold Dredging Oversight: \$50.5 GF/Prgm Rcpts (DGF).** A recent gold dredging offshore lease sale in Nome generated \$9 million in Bonus Bids. Gold dredging began last summer and the Division of Mining, Land and Water plans to hire a local consultant to monitor dredging activity. The agency is evaluating FY12 budgetary needs and requesting general fund program receipt authority for FY13.
6. **Geological and Geophysical Surveys – Accelerated Map/Report Production and Baseline Aquifer Mapping: \$200.0 UGF.** The Division of Geological and Geophysical Surveys is requesting two UGF increments:
 - **Accelerated map and report production - \$80.0 UGF.** This funding will relieve professional geologist staff from non-scientific duties related to publication completion, thereby accelerating the timeliness of publication release.
 - **Baseline aquifer mapping - \$120.0 UGF.** This funding will allow the Division to fill a long-term non-perm position to work with contract personnel for geologic information relating to the state's aquifers.

MAINTENANCE OF SERVICES

7. **Mining, Land, and Water – Service Improvements: \$2,894.1 UGF, \$105.0 DGF.** Last session, the legislature provided funding in the Division of Mining, Land and Water to address a less-than-desirable level of service in several critical division functions. A detailed memorandum (Permit Backlog Plan - 2/22/11) outlines the problem and the work plan for service level improvements. The FY12 appropriation included intent language calling for adherence to this memorandum. One-time increments were approved with the intent that they be revisited the following session to ascertain agency effectiveness. Those increments are requested again by the agency and included as part of their FY13 base budget. An overview of each increment is included below. Details of progress made in FY12 can be found in the budget transaction notes provided by the agency.
 - **Public Land Stewardship, including Mine Permitting, Compliance and Assessment: \$802.0 UGF.** During the past five years, the State has received eight million acres of entitlement land from the federal government (with another five million acres outstanding). In addition, increased activity on state land—mineral exploration, alternative energy projects, telecommunication projects, and public use—has created significant demand for division resources. Continuation funding for five existing positions is requested to maintain an increased management presence and continue work on mine compliance, large mine permitting, and compliance inspections.
 - **Application Process Efficiency Improvements: \$1,421.1 UGF.** Funding was added for five existing positions and six new positions to address the growing land and water use permit backlog. A comprehensive review of the division's permitting processes and the continued development of computerized systems are underway (see item 17—Unified Permit Project and Document Management). This increased staffing, coupled with developing permitting efficiencies, appears to be having an impact. Although the backlog had grown from

2,376 at the end of FY10 to 2,516 at the end of FY11, by November 1, 2012, the division was able to process 253 authorizations, while receiving 208 in the same time period (a net decrease of 45 backlogged cases).

- **Oversight of Federal Land Transfers: \$671.0 UGF.** This increment will:
 - maintain funding for four existing positions;
 - allow the agency to continue adjudication of 1906 Native Allotment reconveyances (that were halted during Federal Bureau of Land Management budget cuts);
 - continue reviewing Alaska Native Claims Settlement Act (ANCSA) conveyances; and
 - continue work on State entitlement land selections (five million acres are still owed from the federal government).
- **Land Sales and Municipal Entitlements – Southeast Region Staff: \$105.0 State Land Disposal Income Fund (DGF).** This increment will maintain funding for one existing position to continue adjudicating municipal entitlements in the Southeast Region. Numerous complaints were lodged in FY11 about the lack of progress in this area. The position is filled and progress has been made toward preparing preliminary and final findings.

8. **Mining, Land, and Water – Maintain Staffing Level in Mining, Land and Water: \$950.0 GF/Prgm Rcpts (DGF).** An increment is requested in order to maintain the current level of effort on the permits backlog initiative. Funded positions have historically been held vacant in order to absorb personal services cost increases. As positions have been filled to address the permitting backlog initiative, funding is no longer available to absorb other costs.

Legislative Fiscal Analyst Comment: The legislature added funding last year for unfunded vacant positions and new positions. Funded vacant positions (and vacancy factors) were not addressed.

9. **Oil and Gas Royalty Arbitration: \$300.0 UGF.** The Governor requested \$500.0 in FY12 (\$200.0 for continuation of FY11 one-time funding, and \$300.0 as an additional one-time FY12 amount) for continued royalty arbitration issues. The Division expects ongoing increased royalty disputes and reopener arbitrations, and is requesting funding to retain the \$300.0 one-time increment added in FY12.

10. **Land Disposal Income Fund Funding Source Change: \$1,347.1 UGF, (\$1,347.1) DGF.** The budget includes two Fund Source Change transactions from the State Land Disposal Income Fund (LDIF) to unrestricted general funds. They are in the **Office of Project Management and Permitting (\$571.0)** and the Division of **Oil and Gas (\$776.1)**. Recent analysis conducted by the agency revealed current use of the fund to be unsustainable. Current operating appropriations alone are unsustainable, and capital projects will draw more than \$15 million from the fund.

Legislative Fiscal Analyst Comment: The analysis shows a small operating budget deficit beginning in FY10 growing to \$2.2 million in FY12 (projected revenue of \$5.5 million, with operating appropriations of \$7.7 million).

Even if the proposed fund source change transactions are adopted, the Governor's FY13 LDIF budget will have a cash-flow deficit (projected \$5.5 million revenue and operating appropriations of \$6.5 million).

Complicating matters further, the fund balance is projected to be zero at some point in FY12 given anticipated CIP expenditures (of approximately \$1 million).

Further analysis of revenue and use of the fund will be required. Additional general funds may need to replace LDIF funding in the operating budget (and possibly prior capital appropriations) to achieve fund source sustainability.

- 11. Position Deletions and Funding Redistribution: Net Zero Agency-wide (+\$587.2, -\$587.2) UGF.** The agency determined where funded vacant positions could be eliminated in order to make funding available elsewhere in the agency. Several decrements (and position deletions) and increments (funding reallocations) were proposed:

Decrements		Increments	
Gas Pipeline Project Office (-2 PFTs)	(223.4)	Commissioner's Office	100.0
Petroleum Systems Integrity Office (-3 PFTs)	(281.2)	Administrative Services	125.0
Forest Management & Development (-1 PFT)	(82.6)	Information Resource Mgmt	269.2
	(587.2)	Citizen's Advisory Commission	13.0
		Parks Mgmt & Access	80.0
		587.2	

- 12. Fire Suppression Preparedness Fixed Cost Increases: \$516.7 UGF.** Several increments for various fixed cost increases are included in this allocation. They include **\$150.0** for the Interagency Coordination Center; **\$150.0** for engine fleet and fire facility maintenance; **\$97.1** for contracted air tanker costs; and **\$119.6** for helicopter contract costs. All of these adjustments are intended to maintain the same level of service as FY12.
- 13. Fire Suppression Activity Increased Federal Estimate: \$8,500.0 Federal Receipts.** The language section estimate of the federally paid portion for state fire suppression has been adjusted from \$2 million to \$8.5 million to more accurately reflect anticipated expenditures.
- 14. Alaska Gasline Inducement Act (AGIA): \$3,617.5 UGF.** Funding for AGIA implementation has historically been added as multi-year and one-time items, with limited amounts added to the base budget (see table below). This has been done primarily because work related to AGIA is relatively short-term and because the specific amount of funding necessary each year (by agency and statewide) has been difficult to predict. As a result, legislators have annually revisited the issues (and the requests). The Department has several increment requests for the FY13 *base* budget that were appropriated as one-time items last session.

DNR AGIA Appropriations	FY08	FY09	FY10	FY11	FY12	FY13 Gov
Op Base Funding	-	681.7	681.7	709.1	745.8	550.8
FY13 Base Funding Request	-	-	-	-	-	3,240.0
Op Multi-year/Carryforward	7,919.8	5,516.4	3,801.1	2,929.8	1,284.4	
Op One-Time Items	-	5,500.0	3,200.0	3,967.5	3,240.0	-
Op Supplemental	-	-	537.6	(283.1)	-	-
Capital/Carryforward	7,075.0	1,306.3	760.9	1,189.8	616.3	497.3
Total Available	14,994.8	13,004.4	8,981.3	8,513.1	5,886.5	4,288.1
Actuals	8,772.1	4,153.5	5,059.0	5,039.1	n/a	n/a

- 15. Gas Pipeline Project Office – Staff and Operations: \$1,290.0 UGF.** The FY11 budget included an increment totaling \$1,440.0 for four new positions and associated travel and office expenses. The Conference Committee agreed upon an IncOTI and reduced the request by \$150.0 to \$1,290.0. That funding level was approved again for FY12 on a one-time basis. The FY13 request is again for the same level of funding, but as a base budget increase.
- 16. Contract Consultants: \$1,950.0 UGF.** As the AGIA process develops, the agency continues to require contract consultants with expertise in various aspects of engineering, finance and economics. One-time funding, totaling \$2.3 million, was appropriated in FY11 to meet these

needs. The Department requested \$1,950.0 as a FY12 base budget increase, but received the funding as one-time. The FY13 request is again for the same level of funding, but as a base budget increase.

- **Gas Pipeline Project Office – Contractors: \$1,150.0 UGF.** Funding will be used to retain outside experts for continued analysis for items such as pipeline engineering, gas treatment plant design, audit support, etc.; and
- **Division of Oil and Gas – Commercial Contractors: \$800.0 UGF.** This funding will be used to ensure that any changes to commercial terms comply with the AGIA license and provide general state support in negotiations with producers.

ORGANIZATIONAL CHANGES

The budget structure of the agency was significantly revised last session in the hopes of adding clarity and functionality. The number of appropriations increased from four to six, and the number of allocations were reduced from thirty-five to twenty-six. A crosswalk table can be found in the FY12 Conference Committee book for the agency. The Governor's FY13 budget retains the revised structure.

CAPITAL BUDGET

DNR has requested a total capital budget of \$27.4 million (\$15.8 million GF, \$2.5 million Other State Funds, and \$9.1 million Federal). The budget consists of a diverse mix of projects including deferred maintenance, snowmobile trail development and in-state natural gas assessments. A few highlights from the agency's capital budget are described below:

17. **Unified Permit Project and Document Management: \$3,300.0 UGF.** This capital appropriation will allow for continued development of new business information management systems and provide integration with existing agency systems to automate key business processes. The agency has received annual appropriations for information systems development since 2004. The intended end result will be a streamlined permitting processing system for state land and water permits.
18. **Lower Kasilof River Boat Takeout, Phase 2: \$1,600.0 UGF.** This request would fund a public drift boat takeout on this popular drift only salmon fishing river. The total estimated cost for the project is \$3.6 million. Phase 1 was funded last session to purchase property and provide for design/planning and site prep and utilities. Phase 2 would fund the remaining design and facility construction.
19. **Strategic and Critical Minerals Assessment: \$2,730.0 UGF.** This appropriation would fund the assessment of strategic and critical minerals potential in Alaska. These minerals are in high demand. Last session, \$498.0 was appropriated to begin this project. Out year funding projections estimate the total cost near \$13.7 million.
20. **Shale Oil Environmental Data: \$1,000.0 UGF.** This request would allow the Division of Oil and Gas to develop an inventory of environmental data to support permitting for shale oil development in Alaska. The data would support shale oil developers in their EIS documentation for federal and state permits. There has been no prior appropriation for this purpose.
21. **Timber and Resource Roads: \$2,000.0 UGF.** This appropriation would provide funding for identification, planning and development of roads for timber, minerals and other potential resource development.

Legislative Fiscal Analyst Comment: There has been no previous funding for this purpose in DNR. However, considerable funding has been appropriated to DOT&PF for resource road development. The distinction between this funding and that for DOT&PF is DNR will be focusing on timber access roads with additional resource development as a secondary benefit.

Legislative Fiscal Analyst's Overview of the Governor's FY2013 Request

Department of Public Safety

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)	\$162,259.9			
FY12 Fiscal Notes	-			
CarryForward	-			
Special Appropriations, Multi-Years & Contingents	-			
Agency Transfers	388.2			
Misc Adjustments	-			
Vetoed	-			
FY12 Management Plan (GF only)	\$162,648.1	\$388.2	0.2%	
One-time Items removed	(4,074.0)			
Miscellaneous Adjustments	-			
Short-Term Increments	-			
FY13 Contractual Salary and Health Increases	3,309.2			
FY13 Adjusted Base Budget (GF only)	\$161,883.3	(\$764.8)	-0.5%	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	-			
FY13 Governor's GF Increments/Decrements/Fund Changes	8,318.8			
FY13 Governor's Agency Request (GF only)	\$170,202.1	\$8,318.8	5.1%	
FY13 Governor's Increments, Decrements, Fund Changes and Language	FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation			\$8,318.8	
Special Projects	(326.3)	1,570.4	1,896.7	5, 7
Narcotics Task Force	1,028.1	2,754.1	1,726.0	6, 8
AST Detachments	62,099.5	62,388.6	289.1	3
Alaska Wildlife Troopers	19,052.8	18,966.0	(86.8)	
Alaska Wildlife Troopers Aircraft	4,519.9	4,823.4	303.5	4
VPSO Contracts	12,291.0	14,376.6	2,085.6	1
VPSO Support	904.4	1,874.6	970.2	1, 2, 7, 10
Domestic Violence/Sexual Assault	10,194.1	11,024.6	830.5	11
Alaska Public Safety Information Network	2,343.9	2,370.8	26.9	
Alaska Criminal Records and Identification	3,531.9	3,714.5	182.6	9
Laboratory Services	4,975.7	5,070.2	94.5	
Non-General Fund Agency Summary	FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)	20,138.5	20,279.8	141.3	9, 10, 11
Federal Funds (all allocations)	12,042.3	11,474.7	(567.6)	7
Total Non-General Funds (all allocations)	\$32,180.8	\$31,754.5	(\$426.3)	
Position Changes (From FY12 Management Plan to Gov)	910	909	(1)	
PFT	881	879	(2)	
PPT	16	16	-	
Temp	13	14	1	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance and Repairs	2,219.8	-	2,219.8	
Remodel, Reconstruction and Upgrades	2,400.0	-	2,400.0	
New Construction and Land Acquisition	200.0	-	200.0	
Equipment and Materials	4,375.0	-	4,375.0	
Information Systems and Technology	680.0	-	680.0	
Other	-	1,500.0	1,500.0	
TOTAL CAPITAL	\$9,874.8	\$1,500.0	\$11,374.8	

Department of Public Safety

The mission of the Department of Public Safety (DPS) is to ensure public safety and enforce fish and wildlife laws. The Department's core services include the following items:

- perform criminal and traffic law enforcement and investigations;
- manage and perform search and rescue operations for lost and missing persons;
- provide wildlife law enforcement and investigations;
- provide support to rural law enforcement entities;
- provide security to the Alaska Court System, transport inmates to and from court and between correctional institutions, and perform extradition of wanted persons to and from the state;
- provide criminal laboratory and forensic services, administer the statewide breath alcohol program, maintain Alaska's DNA identification system, and provide expert testimony in court proceedings;
- maintain accurate and complete Alaska criminal records and information for use by law enforcement agencies in Alaska and elsewhere;
- manage building and fire codes (development, adoption, interpretation, and review), conduct building plan reviews of commercial buildings and 4-plex and larger housing units, conduct fire and life safety inspections of priority facilities; and
- enforce alcoholic beverage laws.

The FY13 Department of Public Safety general fund operating budget as submitted by the Governor is \$8,318.8 above the FY13 Adjusted Base [\$8,378.7 Unrestricted General Funds (UGF) and a reduction of \$59.9 Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

- 1. Village Public Safety Officers (VPSO) Contracts and Support – Add 15 VPSOs: \$2.4 Million UGF.** The Department has dramatically increased its rural law enforcement recruiting efforts during the past few years. The following increment requests add funding for fifteen new VPSOs and are consistent with the 2008 VPSO Senate Task Force's recommendation to add 15 new officers each year for a total of five years:

- Personal services, liability insurance and travel: \$2,085.6 UGF (base increment)
- Ongoing Training, Supplies and Uniform Costs: \$124.2 UGF (base increment)
- Initial training costs: \$170.0 UGF (one-time funding)

FY13, the fifth year of increases (as supported by the VPSO task force) brings the total of *new VPSOs* to 75. At present, 93 of the 101 FY12 authorized positions are filled and this FY13 increment would bring the total authorized count to 116 positions. The Governor has indicated a desire to add 15 positions every year until FY20.

Legislative Fiscal Analyst Comment: An additional \$375.0 UGF is included in the Governor's capital budget request to purchase new and replacement equipment for the VPSOs such as snow machines, all terrain vehicles, tasers, and uniforms.

2. **VPSO Support - Establish Regional Village Public Safety Officer 12 Week Training Programs: \$500.0 UGF.** To accommodate the fast growing VPSO program, the Department requests funding for a 12 week VPSO and Village Public Officer (VPO) regional training program for approximately 25 to 30 attendees in either Sitka and/or rural Alaska. Covered costs would include airfare, lodging, per diem, facilities and trainers for two sessions per year.
3. **Alaska State Trooper (AST) Detachments – One New Trooper in Juneau for VPSO Oversight: \$289.1 UGF.** The over 100% increase in statewide VPSO presence over the past five years necessitates additional oversight by the Alaska State Troopers. Three new positions (located in Kotzebue, Bethel, and Fairbanks) were added in FY12. Funding for this Juneau position is split into two increment requests:
 - \$215.0 UGF for ongoing funding to cover personal services costs, field visits, training, housing and office space costs; and
 - \$74.1 UGF one-time funding to cover training at the academy, IT equipment, portable radios, office equipment, firearms and vehicles.
4. **Alaska Wildlife Troopers Aircraft Section – Pilot and Operating Costs for New Interior Helicopter: \$296.8 UGF.** This funding will support one turbine helicopter pilot based in Fairbanks (\$3 million UGF is included in the Department's FY13 capital request to purchase the helicopter). According to the Department, as Interior Alaska communities continue to grow, the need for a helicopter capable of covering long distances and at high elevations increases. The turbine helicopter would also be capable of supporting the Department's Special Emergency Reaction Teams (SERT).

MAINTENANCE OF SERVICES

5. **AST Special Projects – Maintain Alcohol Interdiction Program: \$1,545.0 UGF.** Two base increment requests include:
 - **\$1,270.0 UGF** (previously included in language) for Rural Bootlegging Enforcement Efforts (includes \$400.0 for prosecution efforts by the Department of Law); and
 - **\$275.0 UGF** (which will replace expiring federal funds) to support five state troopers and one administrative position within this program.
6. **AST Narcotics Task Force – Drug and Alcohol Enforcement Efforts: \$1,393.2.** This base increment request replaces language appropriations included in recent years to support drug and alcohol enforcement efforts throughout the state.

Legislative Fiscal Analyst Comment: Although conditional language to “reduce general funds if federal funds are forthcoming” has been included annually for the \$1.27 million Alcohol Interdiction and \$1.39 million Narcotics Task Force language appropriations mentioned above, federal Justice Assistance Grant (JAG) funds have seldom offset much, if any, of the general funds. The current federal JAG award (Federal Fiscal Year 2012) to the state is expected to be down 17% from last year. An additional reduction of 10% is very likely due to a penalty assessed against the State by the United States Department of Justice for non-compliance with the federal Sex Offender Registration and Notification Act (SORNA). Many states are finding that the costs to comply with the measure exceed the financial penalty for non-compliance. There have also been issues between Federal, State, and Tribal jurisdictions regarding SORNA.

Legislative Fiscal Analyst Recommendation: Because it is highly unlikely that federal funds will be forthcoming, the legislature may wish to remove the contingent language sections if the above base increments are approved.

7. **VPSO Support – Transfer Two Drug Abuse Resistance Education (DARE) Training Positions from AST Special Projects and Replace Unavailable Federal Funds: \$351.7 UGF.** Two DARE program staff positions will be transferred to the VPSO Support from AST Special Projects to bolster the VPSO DARE program. Because federal and CIP receipts are no longer available in the AST Special Projects allocation to pay for these positions, the Department is also requesting an increment of \$351.7 UGF. The decrement of unavailable funds occurs in the AST Special Projects allocation.
8. **AST Narcotics Task Force – Maintain Law Enforcement Activities Associated with Internet Crimes Against Children: \$332.8.** This increment will allow the continuation of law enforcement and prosecution activities to fight internet crimes (particularly internet crimes against children), as well as other major crimes such as domestic violence and sexual assault.

Legislative Fiscal Analyst Comment The Department's ARRA authorization for these activities will expire February 28, 2013. This UGF increase will provide funding for this program for the remainder of FY13. A GF request in FY14 is anticipated to replace the federal ARRA funds (originally \$5.8 million) which support the various state trooper/investigators, prosecutors, administrative support positions and supplies for this program. When the ARRA grant funds were accepted, the Department indicated it would seek GF funding when the federal funding expired.
9. **Alaska Criminal Records and Identification – Replace JAG Funds for Two Criminal Justice Specialists: \$182.6 UGF.** Funding is requested to replace federal JAG funds no longer available for two Criminal Justice Specialist positions. Previously these positions were funded with Inter-Agency (I/A) Receipts, backed by Federal Receipts, through an RSA with the Narcotics Task Force. An offsetting decrement of \$182.6 I/A is also included in this allocation.
10. **VPSO Support – Maintain Training Coordinator: \$176.0 UGF.** This increment will maintain funding for the Village Public Safety Officer (VPSO) Program training coordinator, previously funded through a federal grant (CIP receipts) from the Office of Community Oriented Policing Services to promote rural law enforcement training and equipment. This training coordinator position is a Sergeant based in Anchorage. An offsetting decrement of \$176.0 in CIP receipts is also included in this allocation.
11. **Council on Domestic Violence and Sexual Assault (CDVSA) – Domestic Violence and Sexual Assault Prevention: \$1.74 million [(\$830.5 UGF/ \$910.0 Inter-Agency Receipts (Other) through the Governor's Office)].** In early December of 2009, the Governor announced his initiative to "eliminate the epidemic of domestic violence and sexual assault (DVSA) within a decade." The Governor's comprehensive approach includes concentrated coordination between the newly established DVSA Initiative Coordinator (within the Governor's Office) and other state agencies.

UGF funding increases for DVSA programs within DPS can be separated into the following two categories:

Direct UGF Increases to CDVSA

- **DVSA Programs - Operational Cost Increases: \$475.5 UGF.** This increment would support utility, health and worker's compensation expenses as well as meals for victims;

- **Expanded Community-Level Domestic Violence CDVSA: \$250.0 UGF.** Funds would be used in both rural and urban communities for a multi-year implementation of the following three programs:
 - **Girls on the Run** – a positive youth development program that combines an interactive curriculum and running to inspire self-respect and healthy lifestyles in pre-teen girls;
 - **Green Dot** – a universal strategy (aimed at the general population) used in both primary and secondary prevention; and
 - **Community Prevention Team Building Conference:** The Council proposes organizing an annual 2-day Prevention Summit to provide statewide support and a forum for community teams to share strategies for the prevention of domestic violence, teen dating violence, and sexual assault;
- **DVSA By-Stander Intervention Program Data Collection: \$50.0 UGF;** and
- **Planning and Coordination for the DVSA Initiative: 55.0 UGF.** This increment is requested to allow the Council to organize, facilitate, and provide administrative support for the DVSA Initiative.

Definition of Domestic Violence Prevention Terms: Prevention efforts are generally considered in terms of primary, secondary, and tertiary. **Primary prevention (BEFORE)** is a prevention level that works to change social norms so violence does not occur. Secondary and Tertiary are considered early and long-term interventions. **Secondary (SHORT TERM)** efforts serve to address the consequences of violence after it has occurred and prevent violence from recurring. **Tertiary (LONG-TERM)** efforts provide responses after violence has occurred to deal with the lasting consequences of violence. In addition to the three levels of prevention there are three strategy categories: **Universal:** A universal strategy is most often delivered to the general population and the message is intended to reduce risk or promote protective factors so that violence does not occur. **Selected:** A selected strategy is most often delivered to a population thought to be at risk of being abused or of becoming abusive. **Indicated:** An indicated strategy is most often delivered to a population showing signs of being abused and/or of abusing.

Year Three - RSAs through the Governor's Office/DVSA Allocation

- **Universal Public Education Marketing Campaign: \$450.0 I/A.** Using a variety of campaign delivery methods (including radio, internet, television, and community events throughout the state), this grant to the Alaska Network on Domestic Violence and Sexual Assault (ANDVSA) will provide education to Alaskans on:
 - incidence rates of domestic violence and sexual assault;
 - impact of violence;
 - services available; and
 - violence prevention.
- **Planning Grants, Victimization Study & Evaluation: \$400.0 I/A.** CDVSA will continue its contract with the University of Alaska – Anchorage Justice Center to conduct a statewide victimization survey in order to have a definitive measure of the incidence and prevalence of domestic violence and sexual assault in Alaska.
- **Pro-Bono Attorneys: \$60.0 I/A.** As part of ANDVSA's Legal Advocacy Project, this funding will support the recruitment and training of pro-bono attorneys to help fill the considerable gap between referrals to the program and its capacity to provide the number of consultations and representation needed.

ORGANIZATIONAL CHANGES

There are no changes requested.

CAPITAL REQUEST

The agency's \$11.4 million capital budget (\$9.9 million UGF and \$1.5 million Federal Receipts) can be categorized as follows:

MAINTENANCE AND REPAIRS: \$2,219.8 UGF

- Statewide Facilities Maintenance, Repairs, and Improvements: \$1.35 million UGF
- Aircraft and Vessel Repair and Maintenance: \$869.8 UGF

REMODEL, RECONSTRUCTION, AND UPGRADES: \$2.4 million UGF

- P/V Wolstad – Engine Repower and Other Dry Dock Maintenance: \$ 2.4 million UGF

NEW CONSTRUCTION AND LAND ACQUISITION: \$200.0 UGF

- Public Safety Academy Dining Facility: \$200.0 UGF

EQUIPMENT and MATERIALS: \$4,375.0 UGF

- Search and Rescue and Law Enforcement Helicopter: \$3 million UGF
- Alaska State Trooper Law Enforcement Equipment Replacement: \$500.0 UGF
- Alaska Wildlife Trooper Law Enforcement Equipment Replacement: \$500.0 UGF
- VPSO Equipment Replacement: \$375.0 UGF

INFORMATION SYSTEMS AND TECHNOLOGY: \$680.0 UGF

- Alaska Public Safety Information Network (APSIN) Contractor Support: \$680.0 UGF

OTHER: \$1.5 million Federal Receipts

- Marine Fisheries Patrol Improvements: \$1.5 million Federal Receipts

Legislative Fiscal Analyst's Overview of the Governor's FY2013 Request

Department of Revenue

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)	\$39,559.3			
FY12 Fiscal Notes	-			
CarryForward	688.8			
Special Appropriations, Multi-Years & Contingents	100.0			
Agency Transfers	50.7			
Misc Adjustments	-			
Vetoed	-			
FY12 Management Plan (GF only)	\$40,398.8	\$839.5	2.1%	
One-time Items removed	(788.8)			
Miscellaneous Adjustments	-			
Short-Term Increments	-			
FY13 Contractual Salary and Health Increases	960.4			
FY13 Adjusted Base Budget (GF only)	\$40,570.4	\$171.6	0.4%	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	(824.7)			3
FY13 Governor's GF Increments/Decrements/Fund Changes	1,435.4			
FY13 Governor's Agency Request (GF only)	\$41,181.1	\$610.7	1.5%	
FY13 Governor's Increments, Decrements, Fund Changes and Language	FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation			\$610.7	
Tax Division	15,336.1	15,456.1	120.0	5
Treasury Division	5,181.7	5,646.5	464.8	4, 6
Office of the Long Term Care Ombudsman	272.9	298.8	25.9	1
Non-General Fund Agency Summary	FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)	195,767.6	212,553.6	16,786.0	2, 7
Federal Funds (all allocations)	74,669.8	74,884.2	214.4	
Total Non-General Funds (all allocations)	\$74,669.8	\$74,884.2	\$214.4	
Position Changes (From FY12 Management Plan to Gov)	938	935	(3)	
PFT	878	880	2	
PPT	40	36	(4)	
Temp	20	19	(1)	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	22,000.0	-	22,000.0	
Maintenance and Repairs	4,200.0	-	4,200.0	
Remodel, Reconstruction and Upgrades	52,500.0	4,700.0	57,200.0	
New Construction and Land Acquisition	19,250.0	-	19,250.0	
Equipment and Materials	-	-	-	
Information Systems and Technology	754.6	1,366.4	2,121.0	
Other	11,928.4	7,050.0	18,978.4	
TOTAL CAPITAL	\$110,633.0	\$13,116.4	\$123,749.4	

Department of Revenue

The Department of Revenue's responsibilities include:

- administration and enforcement of Alaska's tax laws;
- management of the treasury;
- administration of the Permanent Fund Dividend Program;
- collection and distribution of child support; and
- administrative support to the following independent boards and corporations:
 - Alaska Permanent Fund Corporation;
 - Alaska Housing Finance Corporation;
 - Alaska Municipal Bond Bank Authority;
 - Alaska Natural Gas Development Authority;
 - Alaska Retirement Management Board; and
 - the Alaska Mental Health Trust Authority.

The FY13 Department of Revenue (DOR) general fund operating budget submitted by the Governor is \$610.7 above the FY13 Adjusted Base [\$545.5 Unrestricted General Funds (UGF) and \$65.2 Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column of the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

1. **Office of the Long Term Care Ombudsman (LTCO) – Mental Health Trust Request for Operational Increases: \$25.9 GF/MH (UGF).** The Alaska Mental Health Trust Authority is requesting additional funding to:
 - develop and maintain an online Learning Management System to give staff and volunteers access to ongoing training relevant to the Ombudsman's responsibilities;
 - maintain a vacancy factor of zero percent because the LTCO has only five full-time positions; and
 - fund rising travel costs.
2. **Alaska Permanent Fund Corporation (APFC) Operational Increases: \$340.0 PF Gross Earnings (Other).** The APFC is requesting additional funding for the following:
 - \$185.0 to provide salary increases to current staff that have met or exceeded their annual performance goals.

Legislative Fiscal Analyst Comment: In FY12, the legislature denied \$167.0 of the APFC's requested \$319.0 for the same purpose (approved \$152.0).
 - \$155.0 to fund increased due diligence professional services for auditing, external legal services, and investment performance and risk measurement.

Legislative Fiscal Analyst Comment: In FY12, the legislature approved the APFC's request for \$115.0 of PF Gross Receipts for a similar purpose.

MAINTENANCE OF SERVICES

- 3. Child Support Services Division (CSSD) Match Increase: \$778.7 GF Match (UGF).** The Department is requesting \$778.7 general fund match to meet the required state match of federal receipts received for child support enforcement efforts (section 19 of the Governor's proposed budget). Contingency language in the same section requires a dollar-for-dollar reduction of those general funds if federal incentive payments may be used to match federal funds.

Legislative Fiscal Analyst Comment: Although incentive payments were once an allowable source of matching funds, that use was not permitted in FY12 and there is no indication that rules will be relaxed to again allow the use of federal incentive payments to match other federal receipts.

The legislature may wish to consider increasing the amount of general fund match (from the \$778.7 mentioned above) to the \$1,044.0 shown in the spreadsheet below and move the full amount from section 19 to section 1.

	FY13 Gov Request		FY13 w/ 34% Required Match	
	Ratio		Correct Ratio	
TOTAL BUDGET	28,096.5		28,096.5	
Budgeted Funding that is Ineligible to Match Federal Funds	2,544.8		2,544.8	
Federal Incentive Funds	1,800.0		1,800.0	
UGF for operating activities Ineligible as Match	698.8		698.8	
GF/PR for Paternity Testing	46.0		46.0	
Total Budget less Funding Ineligible for the Match	25,551.7		25,551.7	
Authorization Required based on Funding Ratio				
Federal Authorization	17,129.4	67%	16,864.1	66%
G/F Match	8,422.3	33%	8,687.6	34%
G/F Match Authorized in Section 1	7,643.6		7,643.6	
G/F Match Not Currently in Section 1	778.7		1,044.0	

- 4. Treasury Division – Constitutional Budget Reserve Fund (CBRF) Management: \$399.6 UGF.** This increment request is expected to fund the full cost of managing the CBRF in FY13.
- 5. Tax Division – Cigarette Tax Stamp Rate Increase: \$120.0 UGF.** Additional funds are being requested to cover the increased contractual costs to manufacture Alaska's cigarette tax stamps. This funding is necessary to meet the division's statutory responsibility (AS 43.50.500) for the sales of tobacco tax stamps.
- 6. Treasury Division – Power Cost Equalization (PCE) Fund Management: \$80.4 PCE Endowment Fund (DGF).** This increment request is expected to fund the full cost of managing the PCE Endowment Fund in FY13. The cost of managing this fund has increased due to a \$400 million deposit made on June 30, 2011.
- 7. APFC Custody, Investment Management and Third Party Fiduciary Fees: \$12.9 million PF Gross Earnings (Other).** This request will fund increased fees based on projected asset value growth and the higher fees that are associated with changes in the Permanent Fund's structure and strategies.

Legislative Fiscal Analyst Comment: An open-ended level of authorization is being requested in FY13 (section 9 of the Governor's bill). The APFC requested a similar open-ended language appropriation in FY12. Some legislators were uncomfortable with open-ended language and replaced "estimated to be..." with "not to exceed...". If the appropriation is not open-ended, there is no reason that custody and management cannot be appropriated in section 1.

ORGANIZATIONAL CHANGES

There are no significant organizational changes requested.

CAPITAL REQUEST

The Governor's FY13 Department of Revenue (DOR) capital budget totals \$123.7 million (\$109.7 million UGF/ \$900.0 Other Funds/ \$13.1 million Federal Receipts).

The Alaska Housing Finance Corporation (AHFC) capital budget makes up the majority of the Department's request (98% of the budget for FY13). AHFC has over \$121.6 million budgeted for their housing programs (\$109.0 million of UGF, \$850.0 Other Funds and \$11.8 million of Federal Receipts). A few of the projects requested include:

- **\$31.5 million for the Weatherization Program** (\$30 million UGF/ \$1.5 million Federal Receipts);
- **\$21 million for the Alaska Gasline Development Corporation – Year 3 In-State Gas Project** [\$21 million AHCC Dividend (UGF)];
- **\$20 million for the Home Energy Rebate Program** (\$20 million UGF);
- **\$8 million for the Homeless Assistance Program** [\$6.3 million UGF/ \$850.0 GF/MH (UGF)/ \$850.0 MHTAAR (Other)];
- **\$7 million for the Supplemental Housing Development Program** [\$2.6 million AHFC Dividend (UGF)/ \$4.4 million UGF];
- **\$6 million for the Teacher, Health, Public Safety Professionals, and Village Public Safety Officer (VPSO) Housing Loan Program** [\$3 million AHFC Dividend (UGF)/ \$3 million UGF]; and
- **\$4.5 million for the Senior Citizen's Housing Development Program** (\$4.5 million UGF).

The remainder of the DOR's capital budget request totals \$2.1 million and includes the following:

- **Child Support Services Case Management System Modernization Plan** [\$1,080.0 Federal Receipts/ \$557.0 GF Match (UGF)];
- **Child Support Services Computer Replacement Project Phase 3** [\$134.6 Federal Receipts/ \$69.4 GF Match (UGF)];
- **Child Support Services Interactive Voice Response System Replacement** [\$151.8 Federal Receipts/ \$78.2 GF Match (UGF)]; and
- **Permanent Fund Corporation Office Space Rewiring** [\$50.0 PF Gross Earnings (Other)].

Legislative Fiscal Analyst's Overview of the Governor's FY2013 Request

Department of Transportation and Public Facilities

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)	\$339,011.7			
FY12 Fiscal Notes	10.0			
CarryForward	-			
Special Appropriations, Multi-Years & Contingents	-			
Agency Transfers	13,633.7			
Misc Adjustments	-			
Vetoed	-			
FY12 Management Plan (GF only)	\$352,655.4	\$13,643.7	4.0%	
One-time Items removed	(13,765.1)			1
Miscellaneous Adjustments	-			
Short-Term Increments	-			
FY13 Contractual Salary and Health Increases	3,205.0			
FY13 Adjusted Base Budget (GF only)	\$342,095.3	(\$10,560.1)	-3.0%	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	-			
FY13 Governor's GF Increments/Decrements/Fund Changes	5,398.6			
FY13 Governor's Agency Request (GF only)	\$347,493.9	\$5,398.6	1.6%	

FY13 Governor's Increments, Decrements, Fund Changes and Language	FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation			\$5,398.6	
Statewide Information Systems	2,306.3	2,631.3	325.0	3
Program Development	618.2	650.7	32.5	
Measurement Standards & Commercial Vehicle Enforcement	4,762.8	4,851.2	88.4	5
Central Region Facilities	7,319.5	8,022.8	703.3	1, 4
Northern Region Facilities	11,029.9	11,964.4	934.5	1, 4, 5
Southeast Region Facilities	1,489.5	1,648.4	158.9	4
Central Region Highways and Aviation	51,441.9	51,798.2	356.3	7
Northern Region Highways and Aviation	66,011.1	66,434.7	423.6	7
Southeast Region Highways and Aviation	14,740.5	15,040.5	300.0	8
Whittier Access and Tunnel	717.1	1,001.4	284.3	9
Marine Vessel Operations	113,597.1	114,614.9	1,017.8	11
Marine Vessel Fuel	26,056.3	26,830.3	774.0	11
Non-General Fund Agency Summary	FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)	258,785.8	264,524.4	5,738.6	2, 3, 6, 10
Federal Funds (all allocations)	3,986.6	3,986.6	0.0	
Total Non-General Funds (all allocations)	\$3,986.6	\$3,986.6	\$0.0	
Position Changes (From FY12 Management Plan to Gov)	3,862	3,808	(54)	
PFT	3,221	3,172	(49)	
PPT	418	409	(9)	
Temp	223	227	4	

Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	15,822.5	98,862.5	114,685.0	
Maintenance and Repairs	46,900.0	64,427.0	111,327.0	
Remodel, Reconstruction and Upgrades	158,248.9	337,014.3	495,263.2	
New Construction and Land Acquisition	90,200.0	122,690.0	212,890.0	
Equipment and Materials	18,560.0	23,500.0	42,060.0	
Information Systems and Technology	4,687.0	22,949.1	27,636.1	
Other	2,900.0	33,500.0	36,400.0	
TOTAL CAPITAL	\$337,318.4	\$702,942.9	\$1,040,261.3	

Department of Transportation and Public Facilities

The Department of Transportation and Public Facilities (DOT&PF) is responsible for planning, research, design, construction, operation, maintenance, and protection of all state transportation systems and many public facilities. This includes approximately 260 state-owned airports and seaplane bases, approximately 5,600 miles of state roads, over 700 buildings ranging from maintenance shops to state office complexes, and 25 ports and harbors. In addition, the Department owns and operates the Alaska Marine Highway System (AMHS). The Department also owns and operates the State Equipment Fleet, which provides full maintenance support and replacement activities for all departments and state agencies, for approximately 8,020 light and heavy duty vehicles and attachments.

The FY13 Department of Transportation and Public Facilities general fund operating budget submitted by the Governor is \$5,398.6 (1.6%) above the FY13 Adjusted Base [\$3,606.8 Unrestricted General Funds (UGF)/ \$1,791.8 Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

- 1. New Facilities' Operating Costs: \$364.6 UGF.** A total of seven new facilities (45,000 square feet) will be added to the **Central Region Facilities'** inventory in FY13. These are either newly constructed buildings or buildings that have become the fiscal responsibility of the agency. An increment of **\$297.6** to cover building operations costs, such as heating fuel, electricity, supplies, and travel to perform maintenance is being requested. Likewise, a replacement snow removal equipment building in Unalakleet added 6,420 square feet of space to the **Northern Region Facilities'** inventory. An increment for **\$67.0** is requested for the cost of the additional maintained area.
- 2. Anchorage International Airport (AIA) – Kulis Air Field: \$1,200.0 International Airport Revenue Funds.** During the 2005 Base Realignment and Closure (BRAC), the BRAC Commission recommended closure of Kulis Air National Guard Base and the relocation of the Alaska Air Guard to Elmendorf by September 2011. The U.S. Department of Defense has transferred ownership and now DOT&PF is responsible for maintenance and operations of the base infrastructure. This includes approximately 130 acres of land, sidewalks, parking lots and access roads along with associated buildings. Increments of **\$750.0 (AIA Facilities)** and **\$450.0 (AIA Field and Equipment Maintenance)** are requested for building maintenance/utilities and property maintenance.
- 3. Statewide Information Systems Server Back-up and Recovery Equipment: \$650.0 (\$325.0 UGF, \$325.0 CIP).** In January 2011, the agency suffered an irreparable server failure that resulted in several public and internal applications crashing. Emergency repairs (totaling \$790.9) were implemented to restore existing systems. Now, working with the Department of Administration Enterprise Technology Services, the agency has implemented a permanent business continuity and disaster recovery system on the 5th floor of the State Office Building. This will require annual software licensing and support costs for the Oracle software and Dell support contract.
- 4. Heating Fuel and Utility Costs – \$1,347.1 UGF.** The agency is requesting heating fuel and utility cost increments of **\$405.7**, **\$782.5** and **\$158.9** for the **Central, Northern and Southeast Region Facilities** allocations, respectively.

Legislative Fiscal Analyst Comment: It is unclear why this request is in the Governor's budget. For several years the "trigger" appropriation in the language section of the operating bill has alleviated the effects of higher oil prices for the agency. This trigger appropriation is again included in the Governor's request. Additionally, in FY11 and FY12, portions of the trigger appropriation were incorporated into the DOT&PF base budget (totaling \$18.8 million). Of this amount, Central Region Facilities received \$343.1 and Northern Region Facilities received \$921.3. Reallocation of the funding the agency already receives may be a prudent alternative to adding funding to the base budget. For example, the Alaska Marine Highway System has received a distribution in excess of need for two years in a row. Last session, \$4 million was reappropriated for another purpose because of this excess distribution.

MAINTENANCE OF SERVICES

5. **State Equipment Fleet (SEF) Costs Increases: \$159.0 UGF.** Last session the three regional Highways & Aviation allocations and the Measurement Standards and Commercial Vehicle Enforcement allocation received over \$2.8 million for SEF cost increases. The SEF continues to be a growth area for the DOT&PF budget. Rising equipment replacement costs, commodities, shipping, and travel (for maintenance) are driving the equipment fleet rate increases. This year, two increments are requested as a result of the aforementioned drivers - **\$74.0 for Measurement Standards & Commercial Vehicle Enforcement** and **\$85.0 for Northern Region Facilities**.

6. **State Equipment Fleet (SEF) Credit Card Fuel Program: \$1,110.0 Highway Equipment Working Capital Fund (Other).** The agency is requesting an increment of \$1.11 million to cover projected increases in expenditures in the Credit Card Fuel Program. The program allows agencies to purchase fuel with a credit card that is then paid directly by the SEF. Subsequently, agencies are billed for their portion of usage. This increment is based on the same volume level of fuel, but requested due to a rising projected average cost of gasoline and diesel.

Legislative Fiscal Analyst Comment: SEF currently has \$4.8 million budgeted for the credit card fuel program. Last session a supplemental of \$500.0 was appropriated for the program putting total FY11 authorization at \$5.3 million. Already for FY12, SEF is projecting a supplemental need of \$850.0.

7. **Rural Airport Maintenance Contracts' Insurance Requirements: \$779.9 UGF.** Historically, rural airport maintenance contractors were covered under the state's insurance umbrella. However, a recent change of ideology by the Division of Risk Management requires these contractors to obtain insurance for Workers' Compensation, general liability and automobile liability. These additional costs incurred by the contractors will be passed on to the agency in the form of higher contract costs. Starting in FY12, all contracts up for re-bid will need to include the required insurance. FY13 increments are requested for the **Central and Northern Region Highways & Aviation** allocations in the amounts of **\$356.3 and \$423.6**, respectively, to cover the anticipated increase. A supplemental should be expected for those contracts re-bid in FY12.

Legislative Fiscal Analyst Comment: The impact of this change will be fairly significant once all contracts have been re-bid. A rough calculation puts the total impact at over \$1.9 million (\$15.0 per contract – 67 Central Region contracts and 59 Northern Region contracts).

8. **Southeast Region Highways and Aviation – Ketchikan Airport Shuttle Ferry Costs: \$300.0 UGF.** The Ketchikan Gateway Borough leases the Ketchikan airport from the State of Alaska. The lease has typically required the borough to cover operations costs. However, the most recent lease negotiations have the state sharing in the shuttle ferry costs. Last

session, the Senate added \$300.0 as a one-time increment awaiting finalized lease negotiations. The Governor's budget now includes a base budget increment for the ongoing costs.

9. **Whittier Tunnel Tolls and Maintenance Costs: \$284.3 UGF.** Additional funding is requested for the operation of the Whittier tunnel toll facility. Two increments – one for supplanting reduced tunnel toll revenue (**\$192.9**), and one for contractual cost increases (**\$91.4**) – are included in the budget.

Legislative Fiscal Analyst Comment: The Whittier Tunnel allocation has had supplemental appropriations of \$385.0 and \$413.8 for FY10 and FY11. The FY12 budget included an increment of \$109.6. Given the recent supplementals, this request appears to be well short of required need. A supplemental request of about \$360.0 should be expected in FY12. Additionally, the FY13 capital project from which the tunnel derives its operating CIP Receipts has increased from \$2 million to \$2.9 million. Its unclear at this time the intent of the increase. Additional federal funding (if available) could alleviate some budgetary pressure.

10. **Anchorage International Airport (AIA) – Deicing Chemicals Cost Increase: \$1,634.5 International Airport Revenue Funds.** Federal Aviation Administration approved deicing chemicals include Urea and E-36 (potassium acetate). This increment is made up of two parts:

- **\$1,000.0 for Urea** – The Agrium plant in Nikiski has historically been a relatively inexpensive supplier of Urea for AIA. However, since its closure, the use of a vendor outside of the state has been required and, due to substantially greater shipping costs, has caused the cost to more than double (\$342 to \$719 per ton in FY11). AIA was able to secure product from Agrium through FY09 and stockpile for FY10 (the last shipment was received in February of 2009). The additional cost for FY11 was absorbed as other purchases were delayed. For FY12, a supplemental request should be expected.
- **\$634.5 for E-36** – AIA has commissioned a new third tank for E-36. The tank will hold an additional 90,000 gallons (@ \$7.05/gallon) for winter deicing needs. Demand for the product has risen as a result of the acquisition of Kulis Air Base and a longer 3rd runway at AIA. A supplemental may be requested for FY12.

11. **Alaska Marine Highway System (AMHS) Service Reconfiguration Cost Increase: \$1,791.8 Alaska Marine System Highway Funds (DGF).** The Governor has submitted a budget for AMHS that is intended to provide essentially the same level of service as FY12. However, due to individual vessel service reconfiguration and minor schedule adjustments, the cost to provide that same level of service is greater. The *Kennicott* and *Columbia* will have additional weeks of service this year in replacement of the cheaper (to operate) *Malaspina* and *Tustumena* as they go into capital layup. Two increments are requested for the fleet reconfiguration - **\$1,017.8 AMHS Funds for Marine Vessel Operations**; and **\$774.0 AMHS Funds for Marine Vessel Fuel**.

Legislative Fiscal Analyst Comment: Current projections have AMHS running a budget deficit in FY12. Deficits have resulted in the draw down of the Marine Highway Fund in the amount of \$6.2 million in FY11 and a projected \$5.4 million for FY12. The main account balance is expected to be near zero at the end of FY12.

The Governor's current budget is built on continued deficit spending and dipping into the "Excess Fuel Trigger" appropriations sub-account. This "sub-account" was created when political pressure pushed the Department to separately account for reappropriations of excess fuel trigger allocations to the AMHS Fund. The sub-account balance is projected to be \$10.1 million at the end of FY12, and an anticipated draw of \$7.8 million will be required to fully fund the Governor's FY13 budget. Further analysis of the viability and sustainability of the AMHS Budget and the AMHS Fund may be required for FY14.

OTHER ISSUES

- 12. Fuel/Utility “Trigger” Appropriation (DOT&PF Maximum \$27 million UGF).** As mentioned previously, the oil price “trigger” appropriation created by the legislature is again included in the Governor’s budget. As in FY12, disbursements of “fuel trigger” funding would occur at the beginning of August and December. Disbursements would be based on the average price per barrel of ANS crude to date on the first day of the aforementioned months. For example, prices averaging \$109.47 (the Department of Revenue’s Fall Forecast price for FY13) on August 1st would result in disbursement of **\$18 million, of which DOT/PF would receive 65% plus or minus 10%** (as decided by the Governor’s Office).

ORGANIZATIONAL CHANGES

There are no significant changes.

CAPITAL REQUEST

The DOT&PF capital budget comprises the majority of the statewide capital budget each year. Typical programs include the Surface Transportation Program (receipts from the Federal Highway Administration) and the Airport Improvement Program (receipts from the Federal Aviation Administration). Both programs require state match components that are usually budgeted separately to allow for agency flexibility. The budget also typically has appropriations from the general fund for facility, harbor, airport, highway and Alaska Marine Highway vessel/terminal deferred maintenance, and for the stockpiling of materials for construction. The Governor’s proposal contains elements of all of the above.

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University of Alaska

All Dollars in Thousands

		(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)		\$665,815.2			
	<i>FY12 Fiscal Notes</i>	-			
	<i>CarryForward</i>	-			
	<i>Special Appropriations, Multi-Years & Contingents</i>	-			
	<i>Agency Transfers</i>	1,980.0			
	<i>Misc Adjustments</i>	-			
	<i>Vetoed</i>	-			
FY12 Management Plan (GF only)		\$667,795.2	\$1,980.0	0.3%	
	<i>One-time Items removed</i>	(3,070.7)			
	<i>Miscellaneous Adjustments</i>	-			
	<i>Short-Term Increments</i>	-			
	<i>FY13 Contractual Salary and Health Increases</i>	12,045.6			11
FY13 Adjusted Base Budget (GF only)		\$676,770.1	\$8,974.9	1.3%	
	<i>Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent</i>	(2.0)			
	<i>FY13 Governor's GF Increments/Decrements/Fund Changes</i>	8,045.4			
FY13 Governor's Agency Request (GF only)		\$684,813.5	\$8,043.4	1.2%	
FY13 Governor's Increments, Decrements, Fund Changes and Language		FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation				\$8,043.4	
	Budget Reductions/Additions - Systemwide	11,944.9	16,227.1	4,282.2	2,47
	Statewide Services	30,365.3	30,371.5	6.2	1
	Anchorage Campus	215,246.1	216,179.5	933.4	1,9
	Kenai Peninsula College	11,546.7	11,547.7	1.0	1
	Prince William Sound Community College	6,441.4	6,453.0	11.6	1
	Fairbanks Campus	204,253.4	206,938.3	2,684.9	1,3,5,8,9
	Interior-Aleutians Campus	3,142.4	3,159.4	17.0	1
	UAF Community and Technical College	12,419.9	12,522.1	102.2	1
	Sitka Campus	6,566.6	6,571.5	4.9	1
Non-General Fund Agency Summary		FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)		83,852.8	86,334.3	2,481.5	6
Federal Funds (all allocations)		138,694.3	139,694.3	1,000.0	2
Total Non-General Funds (all allocations)		\$222,547.1	\$226,028.6	\$3,481.5	
Position Changes (From FY12 Management Plan to Gov)		4,923	4,923	0	12
	PFT	4,701	4,701	-	
	PPT	222	222	-	
	Temp	-	-	-	
Governor's Capital Request		State Funds (GF + Other)	Federal Funds	Total	See Note:
	Planning and Research	-	-	-	
	Maintenance and Repairs	37,500.0	-	37,500.0	
	Remodel, Reconstruction and Upgrades	15,000.0	-	15,000.0	
	New Construction and Land Acquisition	-	-	-	
	Equipment and Materials	-	-	-	
	Information Systems and Technology	-	-	-	
	Other	-	-	-	
TOTAL CAPITAL		\$52,500.0	\$0.0	\$52,500.0	

University of Alaska

The major goals of the University are to inspire learning and to advance and disseminate knowledge through teaching, research, and public service (emphasizing the North and its diverse peoples) by fostering and promoting the following:

- a high quality postsecondary educational system;
- appropriate vocational education development and training;
- advancement and extension of knowledge, learning, and culture; and
- the University as the state's primary research facility with focus on the application of new knowledge and emerging technologies to meet the needs of the state.

The FY13 University of Alaska (UA) general fund operating budget submitted by the Governor is \$8,043.4 above the FY13 Adjusted Base [\$1,734.0 Unrestricted General Funds (UGF)/ \$6,309.4 Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

- 1. U of A Facilities Maintenance and Repair (M&R): \$2 million Total (\$1 million UGF/ \$1 million University Receipts (DGF)).** The University's annual facility maintenance and repair need is calculated at a minimum 1.5 percent of current building value, plus an adjustment factor for building age. Each Major Administrative Unit (MAU) annually dedicates a portion of its operating budget to facilities maintenance. As the deferred maintenance and renewal/repurposing backlog continues to grow, the amount of funding necessary to maintain buildings increases at a disproportionate rate and more M&R is pledged for unforeseen deferred maintenance needs. The Governor's budget includes M&R increments for the following allocations, split evenly between UGF and University Receipts fund sources:

- Statewide Services: \$6.2
- Anchorage Campus: \$818.4
- Kenai Peninsula College: \$1.0
- Prince William Sound Community College: \$11.6
- Fairbanks Campus: \$1,038.7
- Interior-Aleutians Campus: \$17.0
- UAF Community and Technical College: \$102.2
- Sitka Campus: \$4.9

Legislative Fiscal Analyst Comment: The Governor submitted these increments as generic fixed cost maintenance requests. Although funds are necessary each year for ongoing maintenance needs, the University has determined this M&R calculation rate as part of their long-range plan. Other agencies either plan to absorb operating inflationary increases within their existing budgets or request specific increments for legislative review.

- 2. Systemwide Non-Personal Services Fixed Cost Increases: \$4 million Total (\$3 million University Receipts (DGF) and \$1 million Federal Receipts.)** This increment will be used towards statewide University non-discretionary fixed costs increases. The amount has been calculated at a 2.9% increase over FY11 unrestricted expenditures (excluding personal services, utilities, and maintenance and repairs). The University states that it continues to

look for administrative improvements and efficiencies and to review processes for streamlining, outsourcing and business process automation to keep these increases under control.

3. Fairbanks Campus - New Facility Operating and Maintenance Costs: \$614.0 Total (\$434.0 UGF and \$180.0 University Receipts (DGF)). Approval of this increment would fund operating and maintenance costs for three new UAF facilities:

- **UAF Alaska Center for Energy and Power (ACEP) High Bay Test Facility: \$160.0 UGF/ \$40.0 University Receipts.** This request covers the operating and maintenance costs associated with the ACEP High Bay Test Module, a 5,300 square foot facility scheduled for completion in November 2011;
- **UAF Arctic Health Research Greenhouse: \$274.0 UGF.** The UAF West Ridge replacement greenhouse, scheduled for completion in December 2011, is a 10,000 square foot facility. This portion of the increment will cover the additional operating and maintenance costs associated with bringing the new greenhouse online; and
- **UAF Sustainable Village: \$140.0 University Receipts (DGF).** This increment will allow for the expenditure of new University Receipts that are anticipated from students residing at the planned Sustainable Village community. This project is a research demonstration partnership between the University of Alaska Fairbanks and the Cold Climate Housing Research Center to develop highly energy efficient and affordable housing. Projected receipts are based on the planned construction of four, four-bedroom units accommodating a total of sixteen students, with each student contributing monthly rents of approximately \$700. The receipts are expected to cover the costs of construction, regular maintenance and upkeep.

4. Systemwide Utility Cost Increases: \$875.7 University Receipts (DGF). This increment covers a portion of the utility and fuel oil cost increases for FY12 and was included in the budget approved by the legislature as a one-time item. That increment covered only the non-GF portion of the utility cost increase requirement that had been estimated for FY12 by the University.

Legislative Fiscal Analyst Comment: As a technical note, the Governor's budget did not remove this IncOTI as required in the budget submitted. Legislative Finance prepared a correcting OTI transaction and a corresponding increment to match the Governor's funding request.

5. Fairbanks Campus – Sikuliaq On-shore Staff Support: \$547.2 University Receipts (DGF). The increment will provide funding for on-shore staff for the *Sikuliaq*, a 261-foot oceanographic research ship capable of bringing scientists to the ice-choked waters of Alaska and the polar regions. When complete in 2013, the vessel will be one of the most advanced university research vessels in the world. The vessel will be owned by the National Science Foundation and operated by the University of Alaska Fairbanks as part of the U.S. academic research fleet. Operating the large and complex vessel will require considerable shore side support.

6. Systemwide Increase in Capital Improvement Project Receipts: \$1 million CIP Receipts (Other). FY13 revenue projections by the University indicate that additional budget authority is needed to cover expenditures in the area of capital improvement project receipts. These funds are generated by charge-backs to capital improvement projects for personal services administrative costs. This additional CIP authority is necessary to record personal services expenditures related to capital projects.

7. Increased Technical Vocational Education Program (TVEP) Receipts Funding: \$406.5 TVEP Receipts (DGF). According to Chapter 47, SLA 2008 (HB 2), 50% of TVEP funding is allocated to the University. For FY13, the University expects to receive a total of \$5,449.1 (of the estimated \$10.9 million of total TVEP receipts)—an increase of \$406.5 over FY12. University funding is statutorily allocated to UA Systemwide Programs – 45% – and to the

University of Alaska Southeast – 5%. TVEP funding has been instrumental in the University's ability to meet Alaska's workforce training and educational needs and continues to be the key source of funds for that purpose.

Legislative Fiscal Analyst Comment: Individual University campuses submit requests for TVEP funds to the University's Associate Vice President for Workforce Development. A review process occurs to determine which projects/campuses will receive TVEP funding in each fiscal year.

MAINTENANCE OF SERVICES

8. University of Alaska Fairbanks

- **Voice over Internet Protocol (VoIP) Phone System: \$185.0 University Receipts (DGF).** The University of Alaska Fairbanks has partnered with World Wide Technologies to roll out a campus-wide Voice over Internet Protocol phone system. Fairbanks is the home of the University of Alaska core network which provides network services across the UA system. The Anchorage and Juneau UA main campuses have already completed these upgrades. Over twenty buildings will be brought to a modern network standard and approximately 2,780 VoIP telephone handsets will be delivered to UAF and Statewide customers during the next three to four years.
- **IT Licenses, Software and Compliance: \$200.0 Total (\$100.0 UGF and \$100.0 University Receipts (DGF)).** The Office of Information Technology (OIT) manages several common campus-wide, on site academic and administrative software applications. To continue support for these shared software tools, OIT requires a base adjustment for the annual fixed licensing renewal costs.

9. University Honors Programs

- **University of Alaska Anchorage Honors College: \$115.0 Total (\$100.0 UGF and \$15.0 University Receipts (DGF)).** This request is to convert one-time funding received in FY12 to base funding. The University Honors College supports all the UAA schools and colleges through recruitment of exceptional students, providing them academic advising and student support, partnering to bridge undergraduate research experiences with post graduate opportunities. Students are provided with opportunities to participate in seminars, learning communities, community engagement, and research at the undergraduate level.
- **University of Alaska Fairbanks Honors Program: \$100.0 UGF.** As with UAA, this request is to convert one-time funding received in FY12 to base funding. The requested increment is to enhance the honors curriculum, to provide more honors sections of courses in a wider range of subject areas, which helps to recruit more eligible students into the program. UAF intends to use this as an opportunity to pilot different instructional approaches, such as active learning, interdisciplinary courses, and blended face-to-face and e-learning courses.

OTHER ISSUES

- 10. Legislative Intent – Establishing a Ratio for General Fund Support for the University of Alaska.** The FY12 operating budget conference committee continued to discuss methodologies for stabilizing/reducing the state's UGF share of the University's operating budget. In the budget adopted by the conference committee, the following language was added: "It is the intent of the legislature that the University of Alaska submits a FY13 budget in which requests for unrestricted general fund increments do not exceed the amount of additional University Receipts requested for that year. It is the intent of the legislature that future budget requests of the University

of Alaska for unrestricted general funds move toward a long-term goal of 125 percent of actual University Receipts for the most recently closed fiscal year.”

Legislative Fiscal Analyst Comment: Discussion of these ratios could prove helpful for long-term planning on the part of the University and the legislature. The University’s FY13 budget request for unrestricted general funds (\$353,392.9) exceeds 125 percent of actual University Receipts for FY11 (\$269,313.4) by \$16.8 million.

The FY13 request increases UGF by \$4,732.4 and University Receipts by \$12,285.9, which is a 38.5% ratio of new GF to new University receipts. This more than meets the short-term target of 50% and indicates strong progress toward the long-term goal of reducing total GF funding to 125 percent of University receipts.

- 11. Contractual Salary and Health Increases.** The budget includes a total of \$12,786.2 in previously negotiated salary and benefit increases including a 3.5% salary increase for non-unionized staff approved by the Board of Regents (scheduled to take effect July 1, 2012).

Legislative Fiscal Analyst Comment: This amount takes into account a benefit rate adjustment savings of \$2,429.4 realized from changes made to UA employee health care plans in FY12. The savings has been applied to the total FY13 compensation request of \$15,215.6.

All of the University’s current labor contracts expire on December 31, 2013, with the exception of the contract for Local 6070 (Alaska Higher Education Crafts & Trade Employees) that expires on December 31, 2012.

12. POSITIONS

The Governor’s University of Alaska FY13 budget adds no new positions. The total count is 4,923 (4,701 PFT and 222 PPT) positions.

13. BOARD OF REGENTS’ REQUEST

The Governor’s budget is less than the Board of Regents’ request by \$11.2 million (\$7.3 million of which is UGF). In past years, narratives discussed differences between the Regents’ request and the Governor’s request. In response to legislative direction that the Governor’s request will serve as the starting point of budget deliberations, the Regents’ request is not discussed here.

ORGANIZATIONAL CHANGES

The single appropriation structure under which the University had been organized for many years was replaced by the legislature with a multiple appropriation structure in FY09. The legislature determined that seven appropriations would allow more legislative oversight and control. Within this structure, the University is allowed to transfer expenditure authority contained in the Budget Reductions/Additions Systemwide appropriation (set up for budgetary purposes only) to other appropriations. The flexibility of this arrangement allows for expenditure and revenue fluctuations that cannot be anticipated during the budgetary planning process. The Governor’s FY13 budget maintained the seven-appropriation structure.

CAPITAL REQUEST

There are two project requests totaling \$52.5 million in the University’s FY13 capital budget:

- **\$37.5 million UGF to maintain existing facilities (deferred maintenance and renewal and repurposing)** for nearly 400 buildings, totaling 6.6 million gross square feet, with an adjusted value that currently exceeds \$2 billion. The current deferred maintenance backlog is about \$750 million and funding is needed to reduce the backlog to a level that lessens the amount of

resource invested in emergency response, thus taking away from preventative maintenance work that can be accomplished annually.

- **\$15 million of University Receipts authority (DGF) for Capital Projects.** Although the University requests designated receipt authority through the normal budget process for known projects with sufficient lead time, undesignated authority is also necessary to enable the University to act upon opportunities such as grants that are awarded without sufficient time to get funding authority established through the regular legislative process. This request is an estimate of potential university receipt authority needed for FY13-FY17 projects at the main and community campuses.

Alaska Court System

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)	\$100,568.5			
<i>FY12 Fiscal Notes</i>	1,038.8			
<i>CarryForward</i>	-			
<i>Special Appropriations, Multi-Years & Contingents</i>	-			
<i>Agency Transfers</i>	0.3			
<i>Misc Adjustments</i>	-			
<i>Vetoed</i>	-			
FY12 Management Plan (GF only)	\$101,607.6	\$1,039.1	1.0%	
<i>One-time Items removed</i>	(186.3)			
<i>Miscellaneous Adjustments</i>	-			
<i>Short-Term Increments</i>	-			
<i>FY13 Contractual Salary and Health Increases</i>	3,839.8			
FY13 Adjusted Base Budget (GF only)	\$105,261.1	\$3,653.5	3.6%	
<i>Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent</i>	-			
<i>FY13 Governor's GF Increments/Decrements/Fund Changes</i>	2,544.5			
FY13 Governor's Agency Request (GF only)	\$107,805.6	\$2,544.5	2.4%	
FY13 Governor's Increments, Decrements, Fund Changes and Language	FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation			\$2,544.5	
Appellate Courts	7,151.3	7,236.3	85.0	5, 6
Trial Courts	82,138.9	83,979.4	1,840.5	1, 2, 3, 6, 7, 8, 9
Administration and Support	10,395.7	10,722.4	326.7	4
Therapeutic Courts	4,057.5	4,349.8	292.3	6, 10
Non-General Fund Agency Summary	FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)	1,196.7	1,914.5	717.8	10
Federal Funds (all allocations)	1,675.6	1,675.6	0.0	
Total Non-General Funds (all allocations)	\$2,872.3	\$3,590.1	\$717.8	
Position Changes (From FY12 Management Plan to Gov)	827	837	10	
PFT	758	768	10	1,4,5
PPT	48	48	0	
Temp	21	21	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance and Repairs	2,500.0	-	2,500.0	
Remodel, Reconstruction and Upgrades	5,100.0	-	5,100.0	
New Construction and Land Acquisition	-	-	-	
Equipment and Materials	-	-	-	
Information Systems and Technology	1,785.0	-	1,785.0	
Other	1,700.0	-	1,700.0	
TOTAL CAPITAL	\$11,085.0	\$0.0	\$11,085.0	

Alaska Court System

The Alaska Court System constitutes the Judicial Branch of the state's government. Alaska has a unified, centrally administered, and completely state-funded judicial system. The mission of the Alaska Court System is to provide, expeditiously and with integrity, an accessible and impartial forum for the just resolution of all cases that come before it, and to decide such cases in accordance with the law.

There are four levels of courts in the Alaska Court System, each with different powers, duties and responsibilities. The four levels of courts are the Supreme Court, the Court of Appeals, the Superior Court, and the District Court. The Supreme Court and the Superior Court were established in the Alaska Constitution. The District Court was established by state statute in 1959. The Court of Appeals was established by state statute in 1980. Jurisdiction and other areas of the judicial responsibility for each level of court are set out in Title 22 of the Alaska Statutes.

The Alaska Court System's budget is presented in four appropriation requests - the Alaska Court System, Therapeutic Courts, the Alaska Commission on Judicial Conduct, and the Alaska Judicial Council.

The FY13 Alaska Court System's general fund operating budget is \$2,544.5 Unrestricted General Funds (UGF) above the FY13 Adjusted Base. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

- 1. Trial Courts – Improve Public Service: \$622.6 UGF.** The Court System continues to experience difficulty in recruiting and retaining qualified staff to manage the agency's increased caseloads throughout the state. In addition to personnel cost increases, the Court System seeks to expand agency services to the public through the following increments:

- No Dark Courtrooms: \$488.4 UGF and 6 PFT positions.** According to the Court System, the "No Dark Courtrooms Initiative" is integral to the Court System's long range plan to improve courtroom efficiencies and streamline proceedings. This request will be used to hire six positions to provide an adequate number of in-court clerks for court proceedings and to improve the Court System's ability to train in-court staff. Current and prior year appropriations for this initiative are outlined in the following table:

No Dark Courtrooms Initiative Funding History

<i>(all funding UGF)</i>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
Requested by the Court System	\$2,248.6	\$879.1	\$1,365.7	\$934.8	\$488.4 <i>(Remaining amount to fully fund initiative)</i>
Funding approved by Legislature	\$600.0	\$425.0	\$400.0	\$467.4	<i>To be determined</i>

- Add Magistrate Trainer Position in the 3rd District/Statewide: \$134.2 UGF.** Currently, there is one attorney assigned to coordinate and assist in providing judicial education services to 43 magistrates and 26 deputy magistrates. According to the Court System, the tremendous range of duties performed by these magistrates and deputy magistrates creates a high demand for a variety of training services. This increment adds funding for a magistrate trainer to assist the magistrate education coordinator.

Legislative Fiscal Analyst Comment: The Court System had similar requests for this position in FY11 and FY12. The requests were denied.

2. **Trial Courts – Update Operating Systems and Replace Outdated Equipment: \$175.0 UGF.** Rapid advancements in computer technology require the Court System to continually evaluate and improve its base of technological equipment. The Court System is requesting base funding for a planned, life-cycle approach to equipment replacement.

Legislative Fiscal Analyst Comment: The Court System is endeavoring to have a base budget amount of \$600.0 for this item. Prior year funding includes: FY06-\$125.0, FY10-\$125.0, FY11-\$100.0, and FY12-\$75.0.

3. **Trial Courts – Increased Leased Space in Emmonak: \$74.5 UGF.** The Emmonak Courthouse is currently in a 1,040 sq. ft. facility. Funding is requested to secure a facility in Emmonak that is comparable to the facilities that were recently constructed (or are under construction) and leased in Hooper Bay, Aniak, and Galena.

4. **Administration and Support – New Positions to Improve Administrative Services: \$326.7 UGF.** The Court System requests funding for the following three PFT positions:

- **\$71.8 UGF** for an additional records technician to maintain continuous case file document scanning and ensure timely responses to public record requests;
- **\$141.4 UGF** to establish a permanent, full-time Contracts and Leasing Manager within the Court System to manage the Court's 44 facilities; and
- **\$113.5 UGF** to fund a security analyst to organize and manage security projects and processes at court facilities throughout the state.

Legislative Fiscal Analyst Comment: Funding for the records technician and leasing manager was requested and denied in both FY11 and FY12. The security analyst position is a new request for the Court System.

5. **Appellate Courts – Expand Hours and Replace Furniture: \$75.2 UGF.** The agency requests the following two items:

- **\$25.7 UGF** to expand hours for a staff attorney from PPT to PFT; and
- **\$49.5 UGF** (one-time funding) to replace furnishings in the Boney Courthouse (not included in capital funding received for a building remodel).

Legislative Fiscal Analyst Comment: Funding to expand the hours for a staff attorney was requested and denied in both FY11 and FY12. Specific funding to replace furnishings in the Boney Courthouse was requested and denied in the FY12 budget cycle.

MAINTENANCE OF SERVICES

6. **Update Geographic Differentials in Appellate, Trial, and Therapeutic Courts: \$436.2 UGF:** In FY12, the Court System received funding for its employees equaling the geographic differentials being paid to employees working in the Supervisory Unit (SU) and General Government Unit (GGU). This increment would allow the FY13 differentials (ratified in the 2011 legislative session for the SU and GGU employees) to apply to court employees. Although paying the differential to Court System employees results in parity between the Court System employees and employees in the executive branch, it is not a contractual obligation.

7. Trial Courts – Operating Expenses: \$425.4 UGF. Operating costs are increasing for the Court System in the areas of leases, building, utilities, and service contracts. Increments for these purposes include:

- **\$105.2 UGF:** increased costs associated with providing security screening services in Juneau, Ketchikan, Anchorage, Palmer, Kenai, Fairbanks, and Bethel;
- **\$64.0 UGF:** Increased Utility Expenses for New Court Facilities opened in FY12 (Petersburg, Galena, Hooper Bay, and Aniak);
- **\$63.2 UGF:** Increased Utility Expenses for Existing Courts (primarily in Fairbanks & Bethel); and
- **\$193.0 UGF:** Increased lease costs in Aniak, Galena, Hooper Bay, Kotzebue, Juneau, and Palmer.

Legislative Fiscal Analyst Comment: In FY12, the Court System received \$69.2 for lease cost increases in Juneau and Palmer facilities, which are part of the Public Building Fund, \$55.6 to increase space in Aniak and \$181.3 to establish a new magistrate post in Hooper Bay.

8. Trial Courts – Software Support Costs: \$70.6 UGF. The Court System's recent migration to new case management, digital imaging and recording systems has required extensive investment in new and upgraded software. To protect these investments, funding is requested for ongoing license purchases and maintenance agreements. The amount requested represents the increased FY13 costs associated with installations of these systems during FY12.

Legislative Fiscal Analyst Comment: In FY12, the Court System received an increment of \$545.2 UGF for these purposes.

9. Trial Courts – Replace Federal CIP Funding for Operators Without Licenses (OWL) Program: \$50.0 GF/MH. Funding is requested to continue treatment services associated with the Operators Without Licenses (OWL) Court, previously funded through a pass-through federal grant that is no longer available in FY13. Although the OWL Court is a problem-solving court and the funding is generally used for substance abuse treatment, it isn't technically a therapeutic court.

10. Sustain Programs in Therapeutic Courts: \$717.8 Mental Health Trust Authority Authorized Receipts (MHTAAR) (Other)/ \$200.0 GF/MH (UGF), \$85.0 GF. The recent consolidation of therapeutic courts programs into one appropriation within the Court System appears to be achieving positive results. Departments that provide services to the Therapeutic Courts submit bills to the Court System and are paid via reimbursable services agreements in order to facilitate centralized tracking of expenses. As a transitional measure, the Criminal Justice Working Group has formed a therapeutic courts subcommittee that meets monthly to discuss the process and resolve any issues that may arise.

The majority of these maintenance level increments are funded with MHTAAR and will be backed out of the FY14 base as part of the Trust's zero-based budgeting approach.

Legislative Fiscal Analyst Comment: In both FY10 and FY11, the Court System received a specific \$500.0 MHTAAR increment through the Disability Justice Grant to provide treatment services for therapeutic court participants. The FY12 budget replaced half of that amount with \$250.0 GF/MH, with the intention of replacing the remaining \$250.0 MHTAAR in FY13. The Court System's FY13 budget request includes \$200.0 GF/MH to maintain this grant and is requesting the remaining \$50.0 GF/MH fund the OWL Court which is administered in the Trial Courts appropriation.

OTHER ISSUES

- 11. Judicial Retirement System (JRS):** The Court System must pay 40.13 percent of judicial salaries to cover the FY13 cost of providing benefits under the judicial retirement system. By comparison, the FY12 JRS rate was 29.79 percent and the FY13 “normal cost” rates for the teachers and public employees retirement systems are 8.67% and 7.47%, respectively. Past service costs—primarily to make up for investment losses—bring the cost of the judicial retirement system to 69.48 percent of salary.

Section 1 of the operating bill contains appropriations totaling \$1.4 million for increases in the normal cost of the judicial retirement system. This additional money appears in the adjusted base.

The Governor’s proposal contains no direct appropriation for past service costs of the judicial retirement system. Per the June 2010 valuation, the total required contributions for FY13 include \$3.5 million for past service costs. Appropriations for past service costs typically appear in a language section of the operating bill. See discussion under section 28 in the analysis of operating budget language for more details (Overview publication).

ORGANIZATIONAL CHANGES

There are no changes requested.

CAPITAL REQUEST

As a separate branch of state government, the Alaska Court System has the constitutional authority to submit its budget request directly to the legislature. As a courtesy, the Court System sends its operating and capital requests to the Governor for forwarding to the legislature. This allows the budgets for all three branches to be introduced in the Governor's budget bills.

The Governor transmitted the Court's operating budget as it was submitted, but reduced or eliminated several capital projects as shown on the following table:

Court System Priority	Project	FY13 Court System Capital Funding Request <i>(in thousands)</i>	FY13 Court System Funding Included in Capital Bill <i>(in thousands)</i>	Variance
1)	Anchorage Campus Project Renovation	\$11,346.5	\$5,100.0	(\$6,246.5)
2)	Electronic Filing System	\$1,985.0	\$1,785.0	(\$200.0)
3)	Court Security Projects	\$4,817.1	\$1,700.0	(\$3,117.1)
4)	Statewide Remodel Projects	\$1,175.5	\$0.0	(\$1,175.5)
5)	Replace Worn Furnishings and Repair Specialized Finishes in Public Use Spaces	\$1,252.8	\$0.0	(\$1,252.8)
6)	Deferred Maintenance Projects	\$2,764.5	\$2,500.0	(\$264.5)
7)	Statewide Building Code and Energy Upgrade for Court Buildings	\$1,237.3	\$0.0	(\$1,237.3)
	TOTAL	\$24,578.7	\$11,085.0	(\$13,493.7)

Alaska Legislature

All Dollars in Thousands

		(GF Only)	Change	% Change	See Note:
FY12 Conference Committee (GF Only)		\$68,955.1			
	<i>FY12 Fiscal Notes</i>	-			
	<i>CarryForward</i>	5,547.6			
	<i>Special Appropriations, Multi-Years & Contingents</i>	-			
	<i>Agency Transfers</i>	11.9			
	<i>Misc Adjustments</i>	-			
	<i>Vetoed</i>	-			
FY12 Management Plan (GF only)		\$74,514.6	\$5,559.5	8.1%	
	<i>One-time Items removed</i>	(4,722.6)			
	<i>Miscellaneous Adjustments</i>	3,174.9			
	<i>Short-Term Increments</i>	-			
	<i>FY13 Contractual Salary and Health Increases</i>	1,351.9			
FY13 Adjusted Base Budget (GF only)		\$74,318.8	(\$195.8)	-0.3%	
	<i>Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent</i>	675.0			
	<i>FY13 Governor's GF Increments/Decrements/Fund Changes</i>	257.7			
FY13 Governor's Agency Request (GF only)		\$75,251.5	\$932.7	1.3%	
FY13 Governor's Increments, Decrements, Fund Changes and Language		FY13 Adjusted Base Budget (GF Only)	FY13 Governor's Request (GF only)	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Allocation				\$932.7	
	Legislature State Facilities Rent	215.2	249.8	34.6	1
	Council and Subcommittees	1,334.7	2,084.7	750.0	2
	Legal and Research Services	4,365.3	4,513.4	148.1	3
Non-General Fund Agency Summary		FY13 Adjusted Base Budget	FY13 Governor's Request	Change from FY13 Adj Base to FY13 Governor's Request	See Note:
Other State Funds (all allocations)		379.5	379.5	0.0	
Federal Funds (all allocations)		0.0	0.0	0.0	
Total Non-General Funds (all allocations)		\$379.5	\$379.5	\$0.0	
Position Changes (From FY12 Management Plan to Gov)		533	534	1	
	PFT	249	250	1	
	PPT	284	284	0	
	Temp	-	-	0	
Governor's Capital Request		State Funds (GF + Other)	Federal Funds	Total	See Note:
	Planning and Research	-	-	-	
	Maintenance and Repairs	-	-	-	
	Remodel, Reconstruction and Upgrades	-	-	-	
	New Construction and Land Acquisition	-	-	-	
	Equipment and Materials	-	-	-	
	Information Systems and Technology	-	-	-	
	Other	-	-	-	
TOTAL CAPITAL		\$0.0	\$0.0	\$0.0	

Alaska Legislature

The Alaska State Legislature sets policy through the adoption of laws and has the power of appropriation as provided in the Alaska Constitution and in state statute.

SIGNIFICANT ISSUES

The budget submitted to the Governor is traditionally a preliminary draft that has not been formally reviewed by legislative leadership. The FY13 submittal is identical to the FY13 adjusted base—which includes salary adjustments—with the exceptions listed below. The notes below correspond to the numbers in the last column on the preceding spreadsheet.

1. The Facilities Rent allocation includes an increment of \$34.6 for lease cost increases.

Legislative Fiscal Analyst Comment: The amount includes FY12 cost increases that were not budgeted.

2. Legislative Council includes a request for \$750.0 for a large mine development study.

Legislative Fiscal Analyst Comment: Funding for the study is through a multiyear appropriation that lapses in FY14. As with all multiyear transactions, money remaining after FY12 will be added to FY13 authorization at the beginning of FY13. The request should not be included in the Governor's request and can be deleted in subcommittee.

3. Legal and Research Services requests \$148.1 for an additional attorney.

OTHER ISSUES

Funding for the following FY12 items should be removed from the Governor's request in subcommittee:

- \$300.0 UGF for an FY12 Energy Council conference;
- \$300.0 UGF for an FY12 Speakers conference; and
- \$192.7 UGF for the Northern Water Task Force, which is scheduled to complete its work in FY12.

The following amounts carried forward from FY11 into FY12 remain in the FY13 base:

- \$900.0 for Legislative Budget and Audit Committee expenses;
- \$2.85 million for Legislative Finance expenses; and
- \$325.8 for the House operating budget.

There are no capital projects or organizational changes requested.

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