

The Fiscal Year 2000 Budget:

legislative fiscal analyst overview of the governor's request



Legislative Finance Division

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

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

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

**Legislative Finance Division
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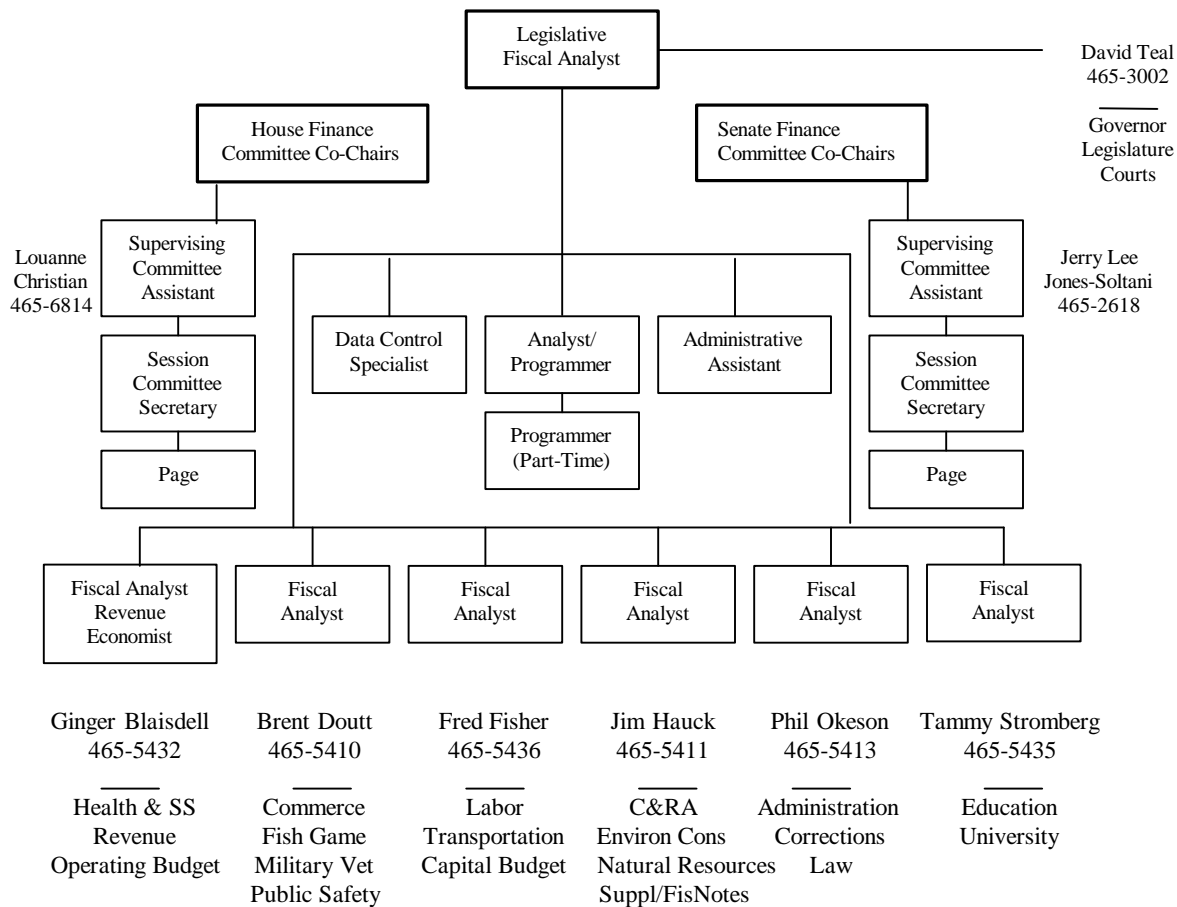


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INTRODUCTION

By law, the Governor's proposed budget for the upcoming fiscal year is submitted to the Legislature and made public on December 15 of each year. The following is a summary and analysis of the Governor's proposed FY00 budget prepared by the Legislative Finance Division in accordance with its responsibilities assigned by Alaska Statute 24.20.211-231.

SUMMARY ANALYSIS

The most significant fiscal issue facing the State is that anticipated general fund expenditures are nearly double projected general fund revenue. In recent years, the Constitutional Budget Reserve Fund (CBRF) has been used to fill the gap between revenues and expenditures. Recent low oil prices have enlarged the projected fiscal gap significantly. Our latest estimates indicate a fiscal gap of \$1.1 billion for FY99 and over \$1.1 billion in FY00. Continued draws of over \$1 billion annually are likely to exhaust the reserve account by FY02.

The Governor's budget plan contains both revenue enhancements and expenditure reductions, but neither narrows the fiscal gap significantly. The Governor's FY00 proposed budgets include the following new sources of revenue:

- **Motor Fuel Tax Increase**—New or revised legislation would generate \$26.7 million. The Governor's budget classifies the anticipated expenditures associated with this tax increase as other funds so that they do not appear to increase the general fund budget.
- **Increased Pioneers Homes Receipts**—Fees charged to Pioneers Homes residents are expected to increase by \$2.4 million in FY00. This agency has not seen the plan for changing the fee structure. The Governor's budget classifies the anticipated expenditures associated with this fee increase as other funds so that they do not appear to increase the general fund budget.
- **Tobacco Settlement Receipts**—This new source of revenue does not require specific legislative change in order to receive the funds. However, failure to enact model legislation will result in a significant reduction in Alaska's allotment. The Governor's budget classifies the anticipated expenditures associated with this revenue source as other funds so that they do not appear to increase the general fund budget.

The Legislative Finance Division's overview of the Governor's FY00 expenditure plan differs from the presentation by the Office of Management and Budget as follows:

- The Legislative Finance Division bases its analysis on actual amounts, fund sources, or other appropriation items contained in session law. The Governor's budget is not entirely consistent with session law.
- The Legislative Finance Division bases its analysis on the information contained in the Governor's appropriation bills. The appropriation bills are not entirely consistent with other public documents and press releases.
- The Governor's budget classifies some expenditures as "off budget" by specifying that some new revenue is non-general funds. The Legislative Finance Division believes the legislature's power of appropriation includes not only the power to specify *how much* is appropriated, but also to specify the *source* of the appropriation. The Legislative Finance Division classifies new sources of revenue—and associated expenditures—as general funds and will retain that classification until it is changed by the legislature.
- The Governor's budget includes expenditure reductions that are contingent upon statutory changes or unspecified legislative action. Examples include reductions in Longevity Bonus payments and unspecified reductions of \$15 million. Legislative Finance Division reports exclude these expenditure reductions on the basis that they should be reflected in fiscal notes rather than as assumptions built into the budget.

In addition to these differences, the following points are noteworthy:

- No funding for collective bargaining agreements for state employee salary increases is included in the Governor's proposed budget. The exception is the University of Alaska. Its budget includes \$5.6 million general funds for salary increases.

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- FY99 supplemental requirements appear to be understated. Potential supplemental requests totaling over three times the \$16.5 million specified in the Governor's proposal have been identified. The Legislative Finance Division has not revised the Governor's figure because no formal requests have been submitted.
- The Governor's budget typically increases as the result of technical corrections, amendments and fiscal notes. For example, the Governor's FY99 budget request grew by \$11.7 million in general funds and \$84.7 million in federal and other funds between the time it was introduced and the 45th day of the 1998 session.
- The Governor's proposed operating budget uses unexpended and unobligated AHFC corporate receipts from both FY99 and FY00 to capitalize the debt retirement fund. The estimated amounts are \$23.6 million from FY99 and \$14.6 million from FY00 AHFC earnings. However, section 1(a) of Chapter 137, SLA 1998 (the FY99 operating budget measure) expressed the 1998 Legislature's intent that any unrestricted AHFC receipts be transferred to the general fund. Also note that the \$17.4 million in AHFC corporate receipts appropriated by the 1998 Legislature as part of the K-12 Foundation program remain in the FY00 K-12 funding base.
- The Governor's draft capital budget measure proposes use of \$18.8 million in FY00 AIDEA corporate receipts to capitalize the Municipal and Unincorporated Community Capital Matching Grant funds and for other capital projects.

The issues noted above are incorporated in the following Legislative Finance Division interpretation of the Governor's FY00 budget proposal as presented on December 15, 1998. In summary, comparison with FY99 authorized figures shows the Governor's FY00 budget proposes changes to general fund expenditures as follows:

Operating Budget:	\$72.8 million increase
Capital Budget:	\$27.5 million increase
Debt Service/other	(\$42.7) million decrease
Total:	\$57.6 million increase

Although analysis of the budget generally focuses on dollars rather than positions, it is noteworthy that the Governor's FY00 budget adds approximately 600 positions, as indicated in the table on page 4.

Please note that our financial schedules use the funding group General Funds/Constitutional Budget Reserve/Investment Loss Trust Fund (GF/CBR/ILTF). The Investment Loss Trust Fund source is added to the GF/CBR grouping for year-to-year comparison purposes because the ILTF is a one-time fund source used for purposes normally supported from the general fund. An example is the salary increase for state employees normally paid from general fund appropriations. It is anticipated that the ILTF fund source will not be available beyond FY01.

FY99 / FY00 ALL FUNDS FISCAL SUMMARY

(\$ millions)

	FY99 Authorized				FY00 Governor			
	GF/CBRF/ ILTF	Federal	Other	Total	GF/CBRF/ ILTF	Federal	Other	Total
REVENUES								
Unrestricted GF Fall 98 Forecast Update	1,287.0			1,287.0	1,299.0			1,299.0
Revenue Adjustments	-63.5			-63.5	-17.7			-17.7
AIDEA Transfer to General Fund	16.0			16.0	0.0			0.0
Federal and Other Funds		1,470.2	2,859.6	4,329.8		1,581.0	2,558.4	4,139.4
TOTAL AVAILABLE	1,239.5	1,470.2	2,859.6	5,569.3	1,281.3	1,581.0	2,558.4	5,420.7
EXPENDITURES								
Operating (1)	2,159.4	864.7	1,001.3	4,025.4	2,232.2	924.6	1,046.4	4,203.3
Agency Operations (Non-Formula)	1,095.0	475.1	844.1	2,414.2	1,144.1	508.0	891.5	2,543.5
Formula Programs	1,064.4	389.6	157.3	1,611.2	1,088.2	416.7	155.0	1,659.8
Debt Service	46.0	0.0	30.7	76.7	5.7		59.9	65.6
Capital including Mental Health	85.4	586.4	530.9	1,202.7	112.9	640.9	185.6	939.4
Loan Fund Capitalization	3.8	19.1		23.0	3.1	15.5		18.6
Special Appropriations & Fund Transfers	17.2		9.4	26.6	16.6		14.0	30.6
Permanent Fund Dividends/Inflation Proofing			1,287.3	1,287.3			1,252.5	1,252.5
Supplementals (2)	16.5			16.5	15.4			15.4
New Legislation (3)								0.0
TOTAL APPROPRIATIONS (4)(5)	2,328.4	1,470.2	2,859.6	6,658.2	2,386.0	1,581.0	2,558.4	6,525.4
Less Duplicated Expenditures			-434.7	-434.7			-484.8	-484.8
UNDUPLICATED EXPENDITURES	2,328.4	1,470.2	2,424.9	6,223.5	2,386.0	1,581.0	2,073.6	6,040.6
From Constitutional Budget Reserve (6)	1,088.9			1,088.9	1,104.7			1,104.7

Revenue Assumptions:	Price \$/BBL	Production MMbd
FY99 Updated Fall 98 Forecast	11.58	1.177
FY00 Updated Fall 98 Forecast	12.50	1.117

Notes:

- (1) Shared Taxes and Fishery Enhancement Tax Receipts are not included-those items are off-budget.
- (2) Supplemental figures are estimates. Note that the \$16.5 million estimate of FY99 general fund supplemental needs appears to be unrealistically low. The footnotes to the "Governor's Budget Comparison for FY99 - FY00" state that the administration's estimate of FY99 supplemental needs is \$35 million plus an unspecified amount for the Y2K compliance effort.
- (3) The "Governor's Budget Comparison for FY99-FY00" includes a reduction of \$5.3 million in general funds resulting from the estimated cost of selected pieces of legislation that the Governor intends to sponsor. We will incorporate the costs of the Governor's legislation as it is introduced and fiscal notes are prepared.
- (4) Total appropriation figures do not include RPLs.
- (5) FY00 total appropriations figures do not include the \$15.0 million in general fund budget reductions reflected in the "Governor's Budget Comparison for FY99 - FY00". We will incorporate those reductions into this document as specific amendments to the budget and/or legislation are proposed.
- (6) Further legislative action will be required to withdraw any amount greater than \$700 million from the CBR for FY99.

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POSITION COMPARISON

Department	FY99 Authorized PFT	FY00 Authoriz ed PFT	Change PFT	FY99 Authorized PPT	FY00 Authorized PPT	Change PPT
Administration	1,262	1,372	110	114	106	-8
Commerce & Economic Dev.	343	370	27	10	8	-2
Community & Regional Affairs	168	185	17	3	3	0
Corrections	1,360	1,405	45	1	0	-1
Education	465	479	14	104	108	4
Environmental Conservation	488	503	15	5	5	0
Fish and Game	805	820	15	879	914	35
Office the Governor	187	181	-6	5	5	0
Health and Social Services	2,073	2,250	177	58	68	10
Labor	564	561	-3	111	96	-15
Law	443	451	8	14	14	0
Military and Veterans Affairs	210	219	9	1	3	2
Natural Resources	556	578	22	247	243	-4
Public Safety	757	746	-11	28	27	-1
Revenue	782	790	8	32	30	-2
Transportation/Public Facilities	2,735	2,821	86	647	645	-2
University Alaska	3,387	3,446	59	233	233	0
Alaska Court System	665	671	6	50	53	3
Legislature	218	218	0	271	271	0
TOTALS	17,468	18,066	598	2,813	2,832	19

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NEW SOURCES OF REVENUE

The Governor's requested budget for FY00 identifies three new funds, Motor Fuel Tax Increase, Pioneers Homes Receipts and Tobacco Settlement Receipts. Although the Governor classified these funds as "other funds" the Legislative Finance Division believes the legislature's power of appropriation includes not only the power to specify *how much* is appropriated, but also to specify the *source* of the appropriation. The Legislative Finance Division classifies these new sources of revenue—and associated expenditures—as general funds and will retain that classification until it is changed by the legislature. The legislature may wish to consider amending AS 37.07.050 in order to clarify the legislature's authority to create new fund sources.

Reclassifying these funds increases the general fund portion of the Governor's proposed budgets by approximately \$51 million. Each new source of revenue is discussed below.

Motor Fuel Tax Increase

The Governor has stated that he will submit a bill proposing a 9-cent per gallon tax increase on motor fuel for highway use. Generally, all taxes are to be included in the general fund unless statute precludes this requirement. At this time, all motor fuel taxes are considered general fund revenues. The Governor's proposal would classify only the new receipts as "other funds" and would use the new receipts primarily as matching funds for federal highway funding.

The appropriation appears in the Governor's proposed capital appropriation bill, section 10, page 15, line 14-19:

<i>Department of Transportation and Public Facilities</i>		
<i>Aviation and Surface Transportation Program</i>		
<i>Federal-Aid Highway State Match</i>	<i>GF/Match</i>	\$23,900.0
	<i>Motor Fuel Increase</i>	\$26,700.0

Pioneers Homes Receipts

All fees collected for Pioneers Homes have been, and still are, classified as general fund program receipts. The Governor's proposal would increase fees paid by Pioneers' Homes residents. Only the increased fees would be considered "other funds" in the Governor's proposed budget. The proposed increase will fund 63 additional full-time certified nursing aides. The appropriation appears in the Governor's proposed operating appropriation bill, section 41, page 15, line 38-39.

<i>Department of Administration</i>	
<i>Alaska Longevity Programs</i>	
<i>Pioneers Homes</i>	\$2,364.0

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Tobacco Settlement Receipts

On November 23, 1998 the Attorneys General and representatives of 46 states, Puerto Rico, US Virgin Islands, Northern Mariana Islands, Guam, and the District of Columbia signed an agreement with the five largest tobacco manufacturers ending a four-year legal battle involving the effects of tobacco use. During the next 25 years, states will receive over \$206 billion from the settlement.

Under the provisions of the agreement, states must begin implementation of the settlement agreement immediately. States must obtain "State Specific Finality", the trigger for access to the state funds. To obtain State Specific Finality, the state must review the consent decrees and address any challenges to the implementation of the settlement in the state. The State Attorney General believes that Alaska will reach State Specific Finality by April 1999. The "up-front" payment of \$8,194,050 is held in escrow until Alaska (and 80% of the other states who settled in this agreement), reach State Specific Finality. If finality is not met by December 31, 2001, the up-front payment will be terminated.

The most immediate task for state legislatures is the consideration and enactment of the "model statute" included in the settlement agreement. This model statute is designed to provide a level playing field between participating and non-participating tobacco manufacturers. Failure to enact the model statute will result in a significant reduction in a state's allotment.

Assuming that Alaska obtains State Specific Finality, Alaska's first annual payment will be received no later than June 30, 2000. The following schedule identifies the annual payments to be received on or around April 15 of each year through the year 2025.

Payments to Alaska under PROPOSED SETTLEMENT OF TOBACCO LITIGATION		
"Up-front" payment		\$8,194,049.54
Annual Payments		
April – June	2000	\$21,890,915.46
April	2001	\$23,638,672.09
April	2002	\$28,383,145.58
April	2003	\$28,651,761.36
April	2004	\$23,912,967.90
April	2005	\$23,912,967.90
April	2006 - 2025	<u>\$478,259,358.00</u>
Annually	(\$23,912,967.90)	
	Total	\$668,903,056.53
Source: Department of Law, Office of the Attorney General		

The estimated annual payments of \$23,912,967.90 may vary slightly year to year based on adjustments due to interest earned and other settlements or issues that could affect the payment.

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The US Department of Health and Human Services believes that it is authorized and obligated, under existing Medicaid law, (Section 1903(d) of the Social Security Act), to collect its share of any settlement funds attributable to Medicaid. The State Attorney General anticipates that Congress will require states to spend at least 50% (or an amount equal to each state's federal Medicaid contribution) of the settlement payments on public health services.

Given the following Governor's proposed appropriation of these funds, Alaska would meet this requirement.

Department of Health and Social Services	
Medical Assistance	\$ 7,540.7
Purchased Services	\$ 3,649.6
Front Line Social Workers and FYS components	\$ 2,547.2
Kawerak Social Services	\$ 63.2
State Health Services	\$ 4,467.8
Alcohol and Drug Abuse Services	\$ 1,804.9
Sub-Total DHSS Tobacco Settlement Rcpts	\$ 20,073.4
Department of Administration	
Legal and Advocacy Services	\$360.8
Department of Community and Regional Affairs	
Child Assistance	\$880.0
Department of Law	
Criminal and Civil Divisions	\$576.7
Total STATEWIDE Tobacco Settlement Rcpts	\$21,890.9

In summary, the up-front payment of \$8.2 million may not be available for appropriation in FY00 because the receipt of the funds is contingent on the actions of other parties to the agreement. The 1998 Revenue Sources Book includes the \$8.2 million as available revenues for FY99.

Timing of receipt of the first \$22 million annual payment is late in the fiscal year and may not be received by Alaska until June 2000. The state could be placed in the position of spending prior to receiving the funds. Future annual payments will be made by April 15. Other than cash flow, there should be no problem receiving and expending the annual payment in FY00.

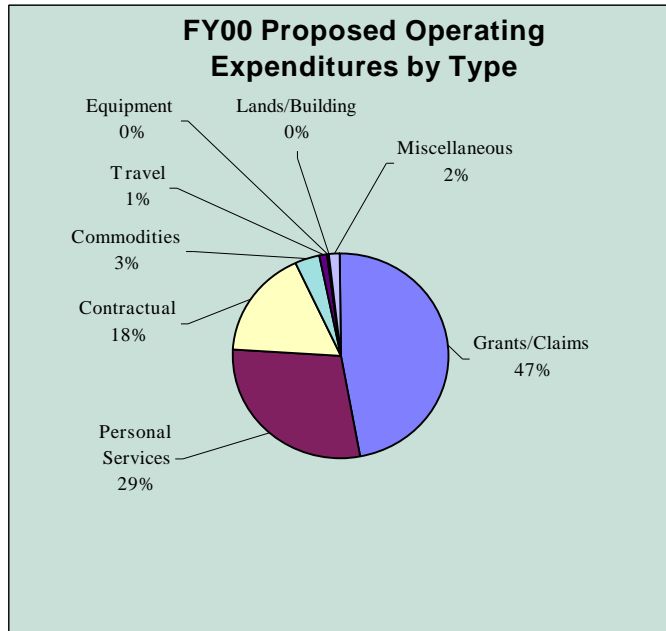
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OPERATING BUDGET

The Governor proposes a total operating budget of \$4.2 billion for FY00. This request is \$178 million more than FY99 Authorized. The Governor proposes a general fund increment of \$73 million for a \$2.2 billion total general fund operating budget in FY00.

Expenditure by Type	<u>FY00</u>
Personal Services	\$1,219.7
Travel	45.5
Contractual	737.9
Commodities	142.4
Equipment	19.4
Lands/Building	0.3
Grants/Claims	1,970.9
Miscellaneous	<u>67.1</u>
Total Operating	4,203.3



Because the operating budget includes money for purposes other than state operations, it is useful to separate expenditures into two categories shown below.

Formula Programs include payments to municipalities, non-profits and individuals. They generally require increases proportionate with Alaska's population.

Agency Operations (non-formula) include costs associated with management and implementation of the state's services as required by federal law, state statute or regulation, or discretionary programs.

	FY98 Actuals	FY99 Auth	FY00 Gov	FY99 Auth – FY00 Gov
Formula Programs	\$ 1,054,656.9	\$ 1,064,362.1	\$ 1,088,168.9	\$ 23,806.8
Agency Operations	\$ 1,076,176.4	\$ 1,095,033.0	\$ 1,144,054.4	\$ 49,021.4
Operating GF Total	\$ 2,130,833.3	\$ 2,159,395.1	\$ 2,232,223.3	\$ 72,828.2

In the Governor's FY00 request, general funds make up approximately 66% of the total formula program funding and 46% of the agency operations funding. For comparison, general funds made up approximately 69% of the total formula program funding and 52% of the agency operations funding in the FY95 authorized budget.

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CAPITAL BUDGET

The Governor's FY00 budget proposes total capital spending of approximately \$939 million, a reduction of approximately \$264 million from FY99. This overall reduction is due to the absence of the \$200 million AHFC and \$179 million International Airport bond packages appropriated in the FY99 capital bill. The reduction is offset by proposed increases in the amounts of federal receipts, general funds, AIDEA corporate receipts, and International Airport Revenue Funds included in the FY00 capital budget.

The Governor's FY00 capital budget proposes to increase capital spending from general fund sources by approximately \$27.5 million (from FY99 \$85.4 million to FY00 \$112.9 million). As noted in previous sections of this overview, the Legislative Finance Division classifies revenue and expenditures from the proposed increase in the motor fuel tax as general funds. Of the proposed \$50.6 million appropriation to the Department of Transportation and Public Facilities for federal highway project match, \$26.7 million is predicated on proceeds of the increased motor fuel tax.

The proposed use of \$18.8 million in AIDEA corporate receipts for capitalization of the Municipal and Unincorporated Capital Matching Grant Funds and other capital projects is a noteworthy change from past capital budgets. Direct appropriation of this funding for capital projects and grants would preclude its use as a source of revenue to the general fund. The Legislature may wish to review this proposal in the context of significantly reduced forecasts of unrestricted general fund revenues for FY00.

Project details for federal highway projects are expected to change when the Statewide Transportation Improvement Program (STIP) has been completed and reviewed by the public.

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FY99 / FY00 CAPITAL BUDGET FUNDING SOURCES COMPARISON

(in \$thousands)

Source	FY99 Enacted	FY00 Governor	Change from FY99
Federal Receipts	586,370.6	640,859.0	54,488.4
General Fund Match	46,406.4	33,808.9	-12,597.5
General Fund	38,355.5	51,184.2	12,828.7
General Fund Program Rcpts.	205.2	370.0	164.8
Interagency Receipts	721.3	97.7	-623.6
Benefit System Receipts	48.8	0.0	-48.8
EVOS Settlement	4,622.3	743.0	-3,879.3
Agricultural Rev Loan Fund	400.0	450.0	50.0
Fish & Game Fund	3,989.2	812.8	-3,176.4
Hwy Eqpt Working Cap Fund	10,969.3	11,800.0	830.7
Int'l Airport Revenue Fund	11,023.3	21,644.0	10,620.7
Public Emp Ret System Fund	193.4	0.0	-193.4
Teachers Retirement System Fund	82.8	0.0	-82.8
General Fund/Mental Health	425.0	850.0	425.0
University Receipts	5,700.0	0.0	-5,700.0
Permanent Fund Dividend Fund	1,000.0	0.0	-1,000.0
Oil/Haz Subs Rel Resp/Prev Fund	11,661.4	10,300.0	-1,361.4
CIP Receipts		1,500.0	1,500.0
Rural Elec Revolving Loan Fund	392.0	366.1	-25.9
Marine Highway System Fund		1,500.0	1,500.0
Storage Tank Assistance Fund	5,123.5	5,000.0	-123.5
Information Service Fund	2,768.0	3,500.0	732.0
Alyeska Settlement Fund	400.0	0.0	-400.0
Municipal Matching Grant Fund	13,676.3	12,375.0	-1,301.3
Unincorporated Matching Grant Fund	2,013.7	1,093.0	-920.7
Mental Health Trust Authorized Rcpts	1,380.0	3,335.0	1,955.0
Ak. Aerospace Dev't Corporate Rcpts	500.0	5,000.0	4,500.0
AIDEA Corporate Receipts		18,800.0	18,800.0
AHFC Corporate Receipts	53,680.0	52,000.0	-1,680.0
Permanent Fund Corporate Receipts	492.8	890.0	397.2
Post Secondary Educ Corp Rcpts	108.5	64.5	-44.0
Statutory Designated Receipts	21,050.0	9,000.0	-12,050.0
Int'l Airport Construction Fund	179,175.0	25,000.0	-154,175.0
AHFC Bond Receipts	199,634.5	0.0	-199,634.5
EVOS Restoration Fund	130.0	0.0	-130.0
Motor Fuel Tax (increase only)	0.0	26,700.0	26,700.0
Total	1,202,698.8	939,043.2	-263,655.6

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DEBT SERVICE

The most interesting feature of the FY00 debt service budget category is the manner in which the Governor proposes to capitalize the Debt Retirement Fund. The Governor's budget proposes use of AHFC corporate receipts from both FY99 and FY00 as the primary funding source for capitalization of the Debt Retirement Fund for FY00. Historically, obligations arising from general obligation debt, lease financing, and the school debt reimbursement program have been appropriated from the general fund. Last year, that historical trend began to change when School fund proceeds were appropriated for a portion of the cost of the school debt reimbursement program. The additional amount available from the School fund is attributable to increased tobacco taxes.

The Legislature will need to clarify its intent regarding the disposition of any unobligated FY99 AHFC corporate receipts. Section 1(a) of the FY99 operating budget bill (Ch 137, SLA98), states that up to \$50 million in unrestricted AHFC receipts is anticipated to be transferred to the general fund. It appears that the Governor's proposal conflicts with this provision of 1998 session law by applying an estimated \$23.6 million of unobligated FY99 AHFC receipts to capitalization of the debt retirement fund for FY00.

With respect to the estimated \$50 million FY99 AHFC transfer to the general fund, note that the subsequent use of AHFC corporate receipts to satisfy debt service obligations arising from appropriation of \$200 million in AHFC bond proceeds for capital projects as well as use of \$17.4 million in AHFC corporate receipts as part of the FY99 Education budget have reduced the amount of unobligated FY99 AHFC receipts to an estimated \$26.4 million.

On a positive note, the state's final payment on general obligation debt will be made during FY00.

FY00 Debt Service (in \$millions)

Sources of Debt Retirement Fund capitalization for FY00:

Projected Debt Retirement Fund balance as of 6/30/99	1.2
From the general fund	5.7
From FY99 AHFC receipts	23.6
From FY00 AHFC receipts	14.6
Total sources	<u>45.1</u>

Applications of Debt Retirement Fund proceeds for FY00:

General obligation debt	2.5
Lease purchase obligations	16.3
School debt reimbursement*	26.3
Total applications of DRF proceeds	<u>45.1</u>

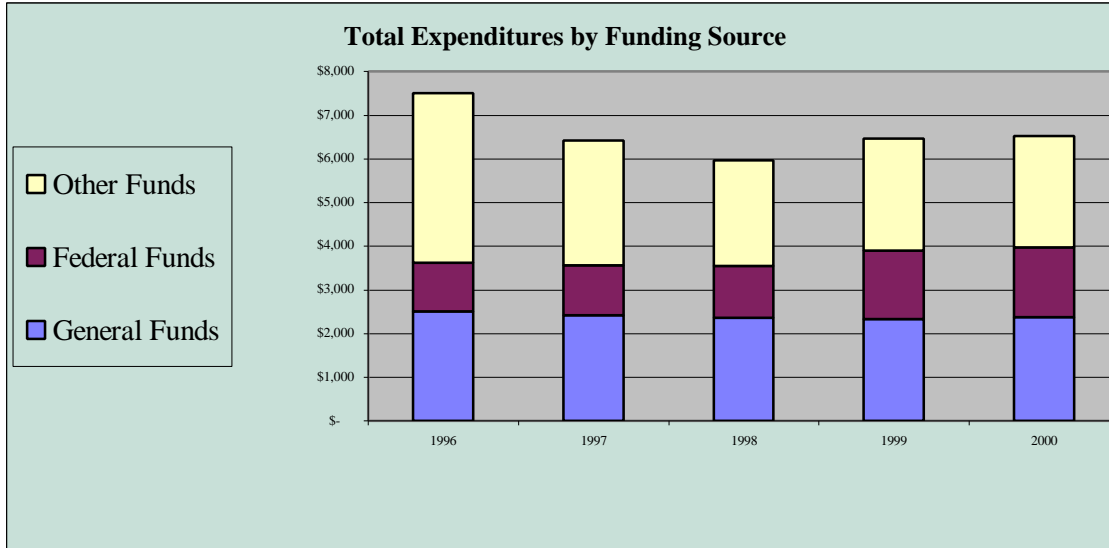
* Net of \$45.5 million appropriated from the School fund.

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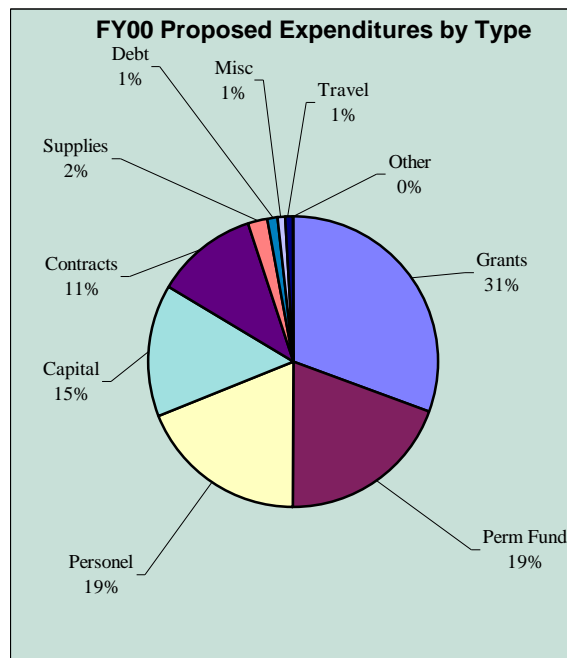
TOTAL STATE EXPENDITURES ALL FUNDS

(in \$ millions)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General Fund Expenditures	2,502.8	2,430.7	2,359.4	2,328.4	2,386.0
Federal Expenditures	1,113.8	1,134.1	1,198.5	1,470.2	1,581.0
Other Fund Expenditures	3,886.5	2,868.6	2,401.6	2,859.6	2,558.4
Total Expenditures	\$ 7,503.1	\$ 6,433.4	\$ 5,959.5	\$ 6,658.2	\$ 6,525.4



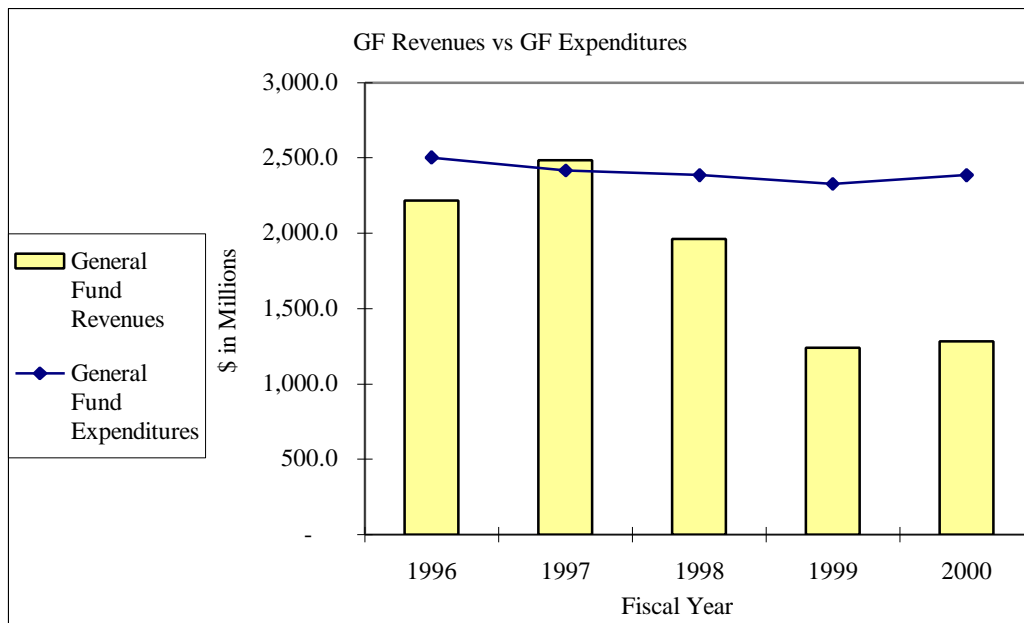
Expenditure by Type	<u>FY00</u>
Personal Services	\$ 1,219.7
Travel	45.5
Contractual	737.9
Commodities	142.4
Equipment	19.4
Lands/Building	0.3
Grants/Claims	1,970.9
Miscellaneous	67.2
Total Operating	4,203.3
Debt Service	65.6
Capital including Mental Health	939.4
Loan Fund Capitalization	18.6
Special Appropriations & Fund Transfers	30.6
Perm Fund Dividends & Inflation Proofing	1,252.5
Supplementals	15.4
Total Expenditures	\$ 6,525.4



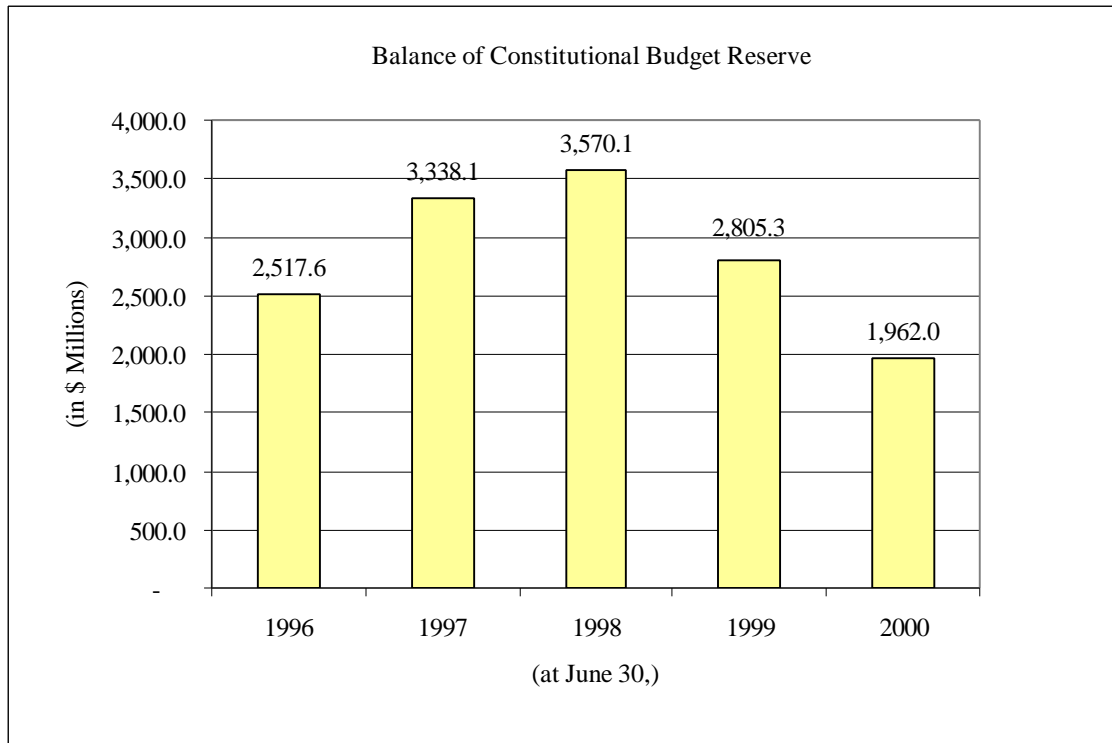
legislative fiscal analyst overview of the governor's request

GENERAL FUND REVENUE VS. EXPENDITURES (in \$ millions)

REVENUES	1996	1997	1998	1999	2000
ANS Production (Fall 98 Rev Src Book)	N/A	N/A	N/A	1.177mb/d	1.117mb/d
ANS Price (Fall 98 Rev Src Book)	N/A	N/A	N/A	11.58	12.50
Total Petroleum Revenue	1,666.0	2,011.2	1,332.5	827.9	831.7
Total Non-Petroleum Taxes	211.1	194.2	203.7	197.6	191.5
Other Revenues	256.2	289.5	290.9	261.5	275.8
Unrestricted General Fund	2,133.3	2,494.9	1,827.1	1,287.0	1,299.0
Revenue Adjustments	(0.4)	(73.1)	(21.7)	(63.5)	(17.7)
PY Carryforward	-	-	70.1	-	-
AHFC Transfer to General Fund	70.0	50.0	70.0	-	-
AIDEA Transfer to General Fund	15.0	15.0	16.0	16.0	-
Other Transfers or Revenues	-	-	-	-	-
Total Available for GF Expenditure	2,217.9	2,486.8	1,961.5	1,239.5	1,281.3
EXPENDITURES					
Agency Operations	1,144.0	1,131.9	1,108.2	1,095.0	1,144.1
Formula Programs	1,074.1	1,060.3	1,054.7	1,064.4	1,088.2
Total Operating Expenditures	2,218.1	2,192.2	2,162.9	2,159.4	2,232.2
Debt Service	109.4	93.1	72.3	46.0	5.7
Capital Spending (Including Mental Health)	116.0	100.1	91.5	85.4	112.9
Loan Fund Capitalization	1.5	1.5	8.0	3.8	3.1
Special Appropriations & Fund Transfers	17.1	13.9	18.3	17.2	16.6
Supplementals & New Legislation	40.7	15.9	31.8	16.5	15.4
Total Appropriations	2,502.8	2,416.7	2,384.8	2,328.4	2,386.0
(From CBR)/Next Year Carry-Forward	(284.9)	70.1	(423.3)	(1,088.9)	(1,104.7)
CBR Balance at June 30,	2,517.6	3,338.1	3,570.1	2,805.3	1,962.0



CONSTITUTIONAL BUDGET RESERVE FUND



The Alaska legislature enacted SJR 5 during the 1990 session, and provisions of the measure were incorporated in the Alaska Constitution as Article IX, section 17 effective on January 2, 1991. Article IX, section 17 establishes the constitutional budget reserve as a separate fund in the state treasury. It provides for the deposit of certain tax and mineral revenue dispute settlements into the fund, establishes limitations on appropriations from the fund, and requires that amounts withdrawn from the fund be repaid.

Chapter 5 SLA 94 amended Title 37 (The Executive Budget Act) to provide guidance in the administration of the constitutional budget reserve fund, particularly in relation to providing definitions of the broad terms used in section 17, e.g., "administrative proceeding" and "amount available for appropriation." The legislation defined the "amount available for appropriation" as the annually recurring unrestricted general fund revenues, plus general fund program receipts, and any general fund balance carried forward from the previous fiscal year. The courts subsequently found this definition too narrow even though this definition had longstanding use in the state budget process and state financial reporting.

The extent of judicial guidance is the Supreme Court's finding that the "amount available for appropriation" includes all moneys over which the legislature has retained the power to appropriate and which requires further appropriation before expenditure.

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The court has included and specifically mentioned as “available for appropriation” such funds as:

- trust receipts, e.g., federal funds;
- railbelt energy funds (and by its reasoning, other energy funds like the power cost equalization fund);
- educational facilities and maintenance construction fund;
- marine highway system vessel replacement fund (and by its reasoning, other funds in the general fund like the marine highway fund for system operations); and
- permanent fund earnings reserve account because appropriations may be made from it and it is not subject to expenditure without legislative action.

With respect to the earnings reserve account, the court held that it must be considered as “available for appropriation”, but is not subject to the section 17(d) repayment provision because it is not in the general fund. The Supreme Court, in its May 24, 1994 decision, did provide some guidance regarding the section 17(d) repayment provision: “we see no reason to give ‘available for appropriation’ a different meaning in subsection (d) than we did in subsection (b). We recognize, however, that the payback provision in section 17(d) is limited only to those funds which are ‘available for appropriation’ and ‘in the general fund’.” Thus, available funds that are not in the general fund, such as the permanent fund earnings reserve account, need not be deposited in the budget reserve in order to satisfy the repayment provision.

The Supreme Court has excluded from its definition of “funds available”:

- moneys which already have been validly committed by the legislature for some purpose; and
- non-liquid assets owned by the state that are not available so long as they remain non-liquid.

The appropriations from the constitutional budget reserve fund under the provisions of section 17(c) require a $\frac{3}{4}$ vote of each body of the legislature. Section 17(c) allows withdrawals for any purpose. Section 17(b) allows withdrawals with a simple majority vote. Section 17(b) applies only to withdrawals sufficient to provide for appropriations equal to the amount of appropriations made in the previous calendar year for the previous fiscal year.

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**CONSTITUTIONAL BUDGET RESERVE FUND ANALYSIS FY99 AUTHORIZED/FY00
GOVERNOR'S REQUEST**

(\$millions)

Projected balance available for appropriation as of June 30, 1998	3,570.1
--	----------------

FY 99 Activity:	
To General Fund, estimated, to balance FY99 revenues and expenditures (2)	(1,088.9)
Appropriation of amounts swept under 17(d) from the CBRF, estimated	(89.3)
Settlements, FY99 projection per Department of Revenue (3)	106.0
Federal MMS 8(G), estimated (3)	3.2
Estimated FY99 interest earnings (3)	214.9
Sweep of various general fund subfund and account balances per section 17(d), estimated	89.3

Projected balance available for appropriation as of June 30, 1999	2,805.3
--	----------------

FY 00 Activity:	
To General Fund, estimated, to balance FY00 revenues and expenditures (2)	(1,104.7)
Appropriation of amounts swept under 17(d) from the CBRF	(89.3)
Settlements, FY99 projection per Department of Revenue (3)	106.0
Federal MMS 8(G), estimated (3)	3.2
Estimated FY99 interest earnings (3)	152.3
Sweep of various general fund subfund and account balances per section 17(d), estimated	89.3

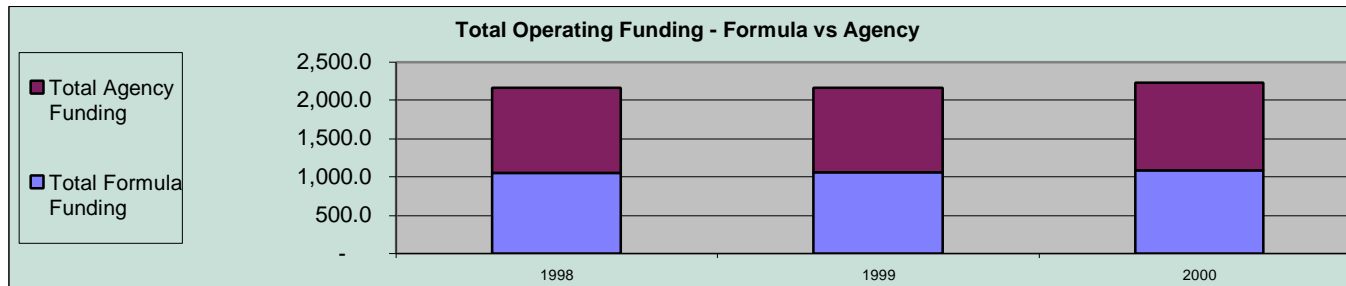
Projected balance available for appropriation as of June 30, 2000	1,962.0
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AGENCY OPERATING BUDGETS FORMULA/NON-FORMULA PROGRAM FUNDING

General Funds, Constitutional Budget Reserve Funds, and Investment Loss Trust Fund (in \$ millions)

	1998			1999			2000			Change from FY99 to FY00		
	Formula	Agency	Total	Formula	Agency	Total	Formula	Agency	Total	Formula	Agency	Total
Administration	93.5	84.3	177.8	87.9	85.3	173.2	84.1	89.3	173.4	(3.8)	4.0	0.2
Commerce & Economic Development	4.1	24.7	28.8		26.4	26.4		26.6	26.6	-	0.2	0.2
Community & Regional Affairs	50.7	26.2	76.9	48.1	21.9	70.0	48.1	18.0	66.1	-	(3.9)	(3.9)
Corrections		136.3	136.3		140.2	140.2		153.0	153.0	-	12.8	12.8
Education	663.1	29.2	692.3	682.7	26.1	708.8	699.2	28.5	727.7	16.5	2.4	18.9
Environmental Conservation		13.0	13.0		12.8	12.8		13.5	13.5	-	0.7	0.7
Fish and Game		34.3	34.3		34.4	34.4		34.5	34.5	-	0.1	0.1
Governor		14.9	14.9		18.2	18.2		15.6	15.6	-	(2.6)	(2.6)
Health and Social Services	241.9	174.1	416.0	244.5	180.9	425.4	255.7	202.2	457.9	11.2	21.3	32.5
Labor		8.4	8.4		8.3	8.3		8.4	8.4	-	0.1	0.1
Law		31.3	31.3		27.5	27.5		28.2	28.2	-	0.7	0.7
Military & Veterans Affairs	1.4	8.6	10.0	1.1	6.9	8.0	1.1	6.9	8.0	-	-	-
Natural Resources		59.7	59.7		39.6	39.6		40.8	40.8	-	1.2	1.2
Public Safety		76.4	76.4		77.7	77.7		79.7	79.7	-	2.0	2.0
Revenue		11.5	11.5		10.7	10.7		12.5	12.5	-	1.8	1.8
Transportation/Public Facilities		128.7	128.7		130.2	130.2		130.1	130.1	-	(0.1)	(0.1)
University of Alaska		164.9	164.9		166.3	166.3		172.0	172.0	-	5.7	5.7
Court System		49.6	49.6		49.7	49.7		52.4	52.4	-	2.7	2.7
Legislature		32.1	32.1		31.9	31.9		31.9	31.9	-	-	-
FY00 Salary Adjustment			-		-	-		-	-	-	-	-
Total:	1,054.7	1,108.2	2,162.9	1,064.4	1,095.0	2,159.4	1,088.2	1,144.1	2,232.3	23.8	49.1	72.9
Percent:	49%	51%	100%	49%	51%	100%	49%	51%	100%	2.24%	4.48%	3.38%



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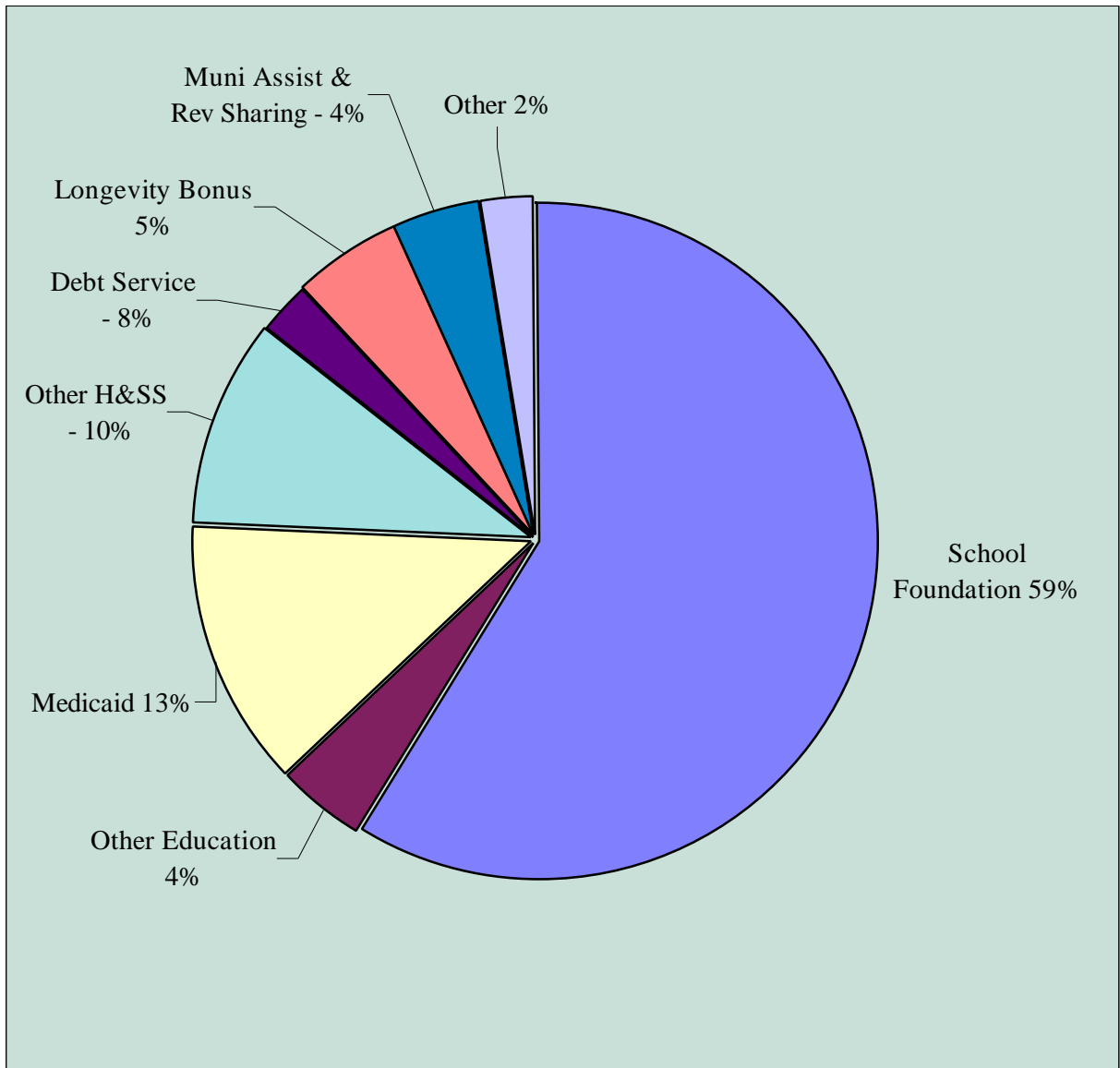
FORMULA FUNDED PROGRAMS

General Funds, Constitutional Budget Reserve Funds, and Investment Loss Trust Funds
(in \$ thousands)

	FY96 Actual	FY97 Actual	FY98 Actual	FY99 Authorized	FY00 Governor
ADMINISTRATION					
Longevity Bonus Program	73,270.1	71,950.8	68,031.9	63,499.4	57,702.1
Retirement & Benefits/EPORS	855.7	950.6	1,077.1	1,111.5	1,111.5
Leasing	24,023.9	24,908.9	24,387.2	23,329.5	25,303.8
Subtotal	98,149.7	97,810.3	93,496.2	87,940.4	84,117.4
COMMERCE & ECON. DEVELOPMENT					
Fish Enhancement	-	-	4,072.6	-	-
EDUCATION					
Public School Foundation	613,537.4	611,138.8	620,731.1	638,882.0	653,320.0
Tuition Students	1,854.2	2,235.6	2,213.9	1,921.2	2,225.0
Boarding Home Grants	129.4	180.7	161.7	185.9	185.9
Youth in Detention	693.8	785.3	557.5	800.0	800.0
Schools for the Handicapped	3,705.2	3,685.6	3,734.9	3,801.7	3,840.5
Pupil Transportation	32,842.2	32,842.2	35,195.2	36,620.6	38,313.6
Community Schools	596.8	482.3	499.3	500.0	500.0
Subtotal	653,359.0	651,350.5	663,093.6	682,711.4	699,185.0
HEALTH & SOC. SVS.					
ATAP (Formerly AFDC)	52,399.2	52,267.8	43,422.9	40,606.0	37,417.2
Adult Public Assistance	38,415.3	40,572.0	41,924.3	43,592.0	45,592.0
General Relief Assistance	1,025.7	950.3	625.2	1,041.9	1,041.9
Old Age Asst.-ALB Hold Harmless	2,428.7	2,482.9	2,472.7	2,098.1	1,907.2
Medicaid State Programs	-	-	4,590.3	2,369.5	2,359.9
Catastrophic & Chronic Illness	-	-	-	1,900.0	-
Medicaid	138,251.7	139,362.9	117,187.6	130,359.8	139,899.8
Medicaid Asst.-ALB Hold Harmless	29.4	43.3	50.7	-	-
General Relief Medical	3,359.7	3,412.9	4,189.7	-	-
Waivers Services	2,436.6	4,890.0	8,303.2	-	-
Child Care Benefits	2,628.1	3,302.1	4,224.4	6,104.3	6,104.3
Foster Care	9,105.5	9,134.0	9,949.4	11,105.7	13,272.9
Subsidized Adoptions/Guardians	3,508.3	4,295.8	4,963.8	5,288.4	8,026.7
Social Services Block Grant Offset	-	(4,893.2)	-	-	-
Subtotal	253,588.2	255,820.8	241,904.2	244,465.7	255,621.9
MILITARY & VETS AFFAIRS					
National Guard Retirement	9,104.4	1,434.9	1,434.9	1,104.5	1,104.5
COMMUNITY & REG. AFFAIRS					
Senior Citizen Tax Relief	1,500.0	299.8	300.0	300.0	300.0
Municipal Revenue Sharing	26,271.7	24,170.0	22,717.2	21,583.8	21,583.8
Municipal Assistance	31,959.0	29,402.3	27,638.2	26,256.3	26,256.3
Subtotal	59,730.7	53,872.1	50,655.4	48,140.1	48,140.1
Total Agency Formula Funding	1,073,932.0	1,060,288.6	1,054,656.9	1,064,362.1	1,088,168.9
DEBT SERVICE	109,402.6	98,741.2	102,700.0	76,700.0	65,622.4
TOTAL	1,183,334.6	1,159,029.8	1,157,356.9	1,141,062.1	1,153,791.3

legislative fiscal analyst overview of the governor's request

**FORMULA FUNDED PROGRAMS
AS A PERCENTAGE OF ALL FY00 FORMULA FUNDED PROGRAMS**



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INTRODUCTION TO AGENCY NARRATIVES AND FINANCIAL SUMMARIES

The assigned fiscal analysts have prepared a narrative description and analysis of the significant issues in the operating budgets from FY99 to the Governor's FY00 budget request for each agency.

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

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COMPREHENSIVE INTEGRATED MENTAL HEALTH PROGRAM

The Alaska Mental Health Trust Authority (Authority) administers the Mental Health Trust established in perpetuity. It has a fiduciary responsibility to its beneficiaries to enhance and protect the Trust and to provide leadership in advocacy, planning, implementation, and funding of a comprehensive integrated mental health program to improve the lives and circumstances of its beneficiaries.

THE TRUST'S BENEFICIARIES

- People with mental illness
- People with mental retardation and similar disabilities
- Chronic alcoholics with psychosis;
- People with dementia.

THE TRUST'S RESPONSIBILITIES

- Manage the land and cash assets of the Trust in perpetuity
- Provide leadership and advocacy for beneficiaries;
- Recommend the state's budget for the Comprehensive Integrated Mental Health Program.

Mental Health Lands Trust Settlement: The Settlement reconstituted the trust established by the Alaska Mental Health Enabling Act of 1956 with trust land totaling approximately 930,000 acres. The settlement also required the state to:

1. provide a cash payment of \$200 million into a newly created mental health trust fund;
2. establish a Trust Authority;
3. to return the principal of the trust fund; and perpetually use the income of the trust pay for trust administration costs and ensure improvements and continuation of the integrated, comprehensive mental health program.

Chapter 6, SLA 94: \$200 million was appropriated to the mental health trust fund from the following sources:

Mental health trust income account	\$33,000.0
DNR mental health trust income in the general fund	\$11,700.0
Proceeds from sale of DNR land sale contract portfolio	\$25,000.0
Budget reserve fund	\$130,300.0

This appropriation was finalized after the superior court of the State of Alaska made its final determination that the state has satisfied its obligation to reconstitute the Mental Health Trust.

The Mental Health Trust Authority Authorized Receipts (MHTAAR) fund source is comprised of income generated from the \$200 million trust fund's earnings, land sale/lease proceeds, and land use royalties. Mental Health Trust income provides approximately \$10 million per year for MHTAAR funded projects and mental health trust administrative costs.

Management of the Trust: The Permanent Fund Corporation manages the trust principal, the Mental Health Trust Lands Office (Dept. of Natural Resources) manages the land, and the Mental Health Trust Authority (Dept. of Revenue) and its Board make recommendations for project funding. *One unique provision of the settlement grants the Authority the power to appropriate mental health trust income without legislative approval.* Most Authority appropriations are made to state agencies that require legislative appropriation to spend the funds.

Separate Appropriation Bill: AS 37.14.001 establishes the responsibilities and authority for management of the Mental Health Trust. The statute requires that a separate appropriation bill limited to appropriations for the state's integrated comprehensive mental health program be submitted to the legislature. If appropriations in the bill submitted by the governor, or by the legislature, differ from those proposed by the Authority, the bill must be accompanied by a report explaining the reasons for the differences.

Legislative Fiscal Analyst Comment: The separate appropriation bill for operating mental health projects includes GF/MH and MHTAAR fund sources. Capital projects may use other fund sources for clearly defined mental health related projects. The FY00 budget classified some mental health project funding with Tobacco Settlement Receipts. This funding is not included in the governor's mental health bill.

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The **Comprehensive Integrated Mental Health Program**(CIMHP) is funded with earnings from the Trust and the state's general fund. Fund source names used to identify funds used for the MH Program are:

- MHTAAR – Mental Health Trust Authority Authorized Receipts from earnings of the Trust
- GF/MH – General Fund/Mental Health
- MHTAdmin – used only to fund the Mental Health Trust Authority administrative costs
- MHTIA – Mental Health Trust Income Account has not been used since FY95.

The Authority uses two approaches to request funding for the CIMHP.

1. The GF/MH funding process follows a similar budget process as other state agencies where adjustments are shown based on appropriations made the previous fiscal year.
2. The MHTAAR fund source is allocated by the Authority after reviewing projects already promised for multi-years, then considering requests approved by the beneficiary boards and departments before they request legislative approval for state funded programs. MHTAAR funding is not based on prior year appropriations.

Mental Health Funding:In the following graph you will see a significant increase in mental health funding from FY89 to FY95 using the MHTIA fund classification. A \$7 million drop in mental health funds occurred in FY96 as the settlement specifically identified the kinds of programs that should use mental health funds. Since the settlement, the mental health budget has increased from \$117,628,900 to a requested \$143,226,200 in FY00.

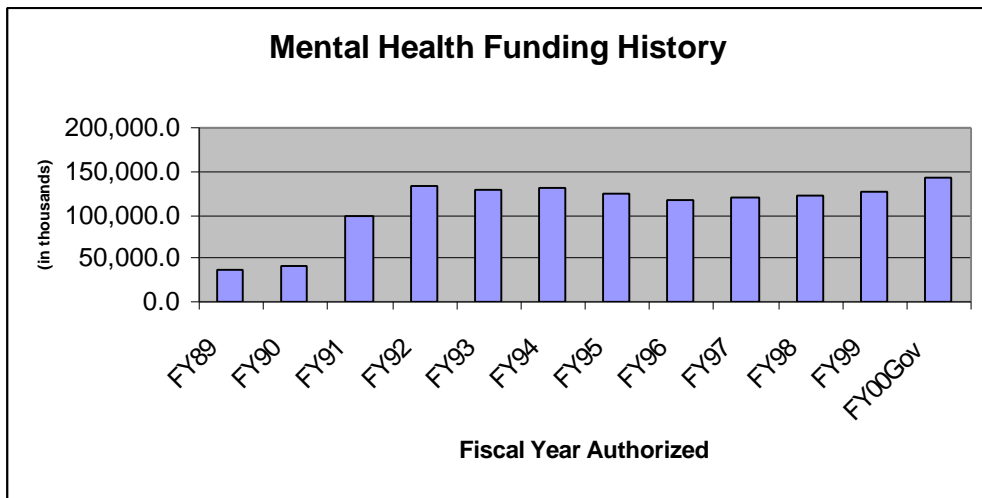
STATEWIDE TOTAL APPROPRIATIONS

MHTIA fund source only (pre settlement)

FY89	FY90	FY91	FY92	FY93	FY94	FY95
36,426.6	41,675.1	98,092.1	132,386.9	128,314.4	132,079.1	124,656.4

GF/MH, Fed Rcpts, MHTAAR, MHTAdmin, and AHFC Rcpts

FY96	FY97	FY98	FY99	FY00Gov
117,628.9	119,184.3	121,335.5	127,498.8	143,226.2



Significant fund classification changes from general fund to general fund/mental health (GF/MH) has occurred in the Department of Administration, Senior Services and Pioneers Homes. The classification of GF/MH is directly associated with the state's increasing elderly population and the mental health illnesses related with Alzheimer, Dementia and Related Diseases of the elderly. This year the Governor requests a fund change of nearly \$4 million from GF to GF/MH in the Department of Administration.

The Department of Health and Social Services mental health budget is increased significantly due to population increases in existing programs. The Governor is requesting an increase of slightly less than \$1 million in operating expenses and \$10,275,000 in capital project authorization for Alaska Psychiatric Institute replacement (\$9,225,000) and \$1,050,000 for other special needs housing and ADA compliance projects.

legislative fiscal analyst overview of the governor's request

COMPREHENSIVE INTEGRATED MENTAL HEALTH PROGRAM FUNDING SUMMARY

	GF/MH	MHTAAR	MH Admin	Total
FY99 Conference Committee	118,132.8	6,519.9	882.9	125,535.6
Fiscal Notes	48.0			48.0
Miscellaneous Adjustments	-103.2			-103.2
FY99 Authorized	118,077.6	6,519.9	882.9	125,480.4
One Time Item		-372.8		-372.8
Fund Change from General Funds	4,045.5			4,045.5
Transfers In	2,849.5			2,849.5
Transfers Out	-2,849.5			-2,849.5
FY00 Adjusted Base	122,123.1	6,147.1	882.9	129,153.1
Increments	1,836.1		41.9	1,878.0
Decrements	-640.3	-549.6	0.0	-1,189.9
FY00 Governor Request	123,318.9	5,597.5	924.8	129,841.2

CAPITAL BUDGET FISCAL SUMMARY

Department	GF/MH Funds	Federal Funds	MHTAAR AHFC	Total
Department of Health and Social Services	750.0	7,000.0	2,575.0	10,275.0
Department of Natural Resources			660.0	660.0
Department of Revenue			2,150.0	2,150.0
Department of Transportation & PF	150.0		150.0	300.0
Total Capital Budget Request	850.0	7,000.0	5,535.0	13,385.0

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF ADMINISTRATION

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

SIGNIFICANT ISSUES

The Department of Administration's overall budget is increased from the FY99 Authorized level by \$10,885,600. The department's general fund increase of \$226,100 is made up of \$97,100 fund changes (Investment Loss Trust Fund receipts reclassified to GF), \$5,926,200 in increments and \$5,797,300 in decrements. The department's budget increased by \$10,610,500 funded in other funds and \$49,100 in federal funds.

Legislative Fiscal Analyst Comment: The Governor's Budget describes \$360,800 in Tobacco Settlement receipts as "other funds". Legislative Finance has reclassified these amounts to general funds. See the discussion of the classification of the Tobacco Settlement Receipts and other funds in the statewide summary section of this document.

Increments

Increments totaling \$10,406,200, from all funding sources, are detailed in the following table and text:

(in \$ Thousands)	General Funds	Federal Funds	Other Funds	I/A Receipts	Total Funds	New PFT	New PPT
<u>Underfunding Issues</u>							
Leases	1,752.8			1,822.6	3,575.4		
Office of Public Advocacy	563.0				563.0		
Public Defender's Office	397.0				397.0	1.0	2.0
AK Oil & Gas Conserv. Comm.	138.6				138.6		
Underfunding Subtotal	2,851.4	0.0	0.0	1,822.6	4,674.0	1.0	2.0
Retirement & Benefits (Increased Retiree Population)			518.5		518.5	10.0	
Office of Public Advoc. (Increased CINA Svcs)	135.8				135.8	2.0	
Public Defender's (Increased Child Protection)	225.0				225.0	1.0	1.0
AK Oil & Gas Conserv. Comm. (Increased Drilling)	100.0				100.0		
Central Mail (Centralization of State Mail System)				485.0	485.0		
Increased Demand for Services Subtotal	460.8	0.0	518.5	485.0	1,464.3	13.0	1.0
<u>Increased Costs</u>							
Pioneer Home Costs/Program Receipts	2,364.0				2,364.0	63.0	
Increased Info Tech expenses				494.5	494.5		
Increased Airport Liability expenses				450.0	450.0		
Travel Card Incentive Rebates				112.5	112.5		
Sr. Svcs-Gen Relief Grant-Adult Protective Svcs	150.0				150.0		
Sr. Svcs - Protection & Comm Svcs		49.1	12.5	186.5	248.1		
Sr. Svcs - Grants (Program Expansion)				123.8	123.8		
Workplace AK - Online recruitment	100.0				100.0		
Increased Costs Subtotal	2,614.0	49.1	12.5	1,367.3	4,042.9	63.0	0.0
Other Misc. Subtotal	0.0	0.0	85.0	140.0	225.0	0.0	0.0
Total Increments	5,926.2	49.1	616.0	3,814.9	10,406.2	77.0	3.0

legislative fiscal analyst overview of the governor's request

Legislative Fiscal Analyst Comment: The \$4,674,000 increment for "Underfunding Issues" is composed of estimates made by the department to fully fund these particular components current service levels. In the past, these components have been fully funded with supplemental appropriations. Three of these components are also asking for additional increments to fund expected workload increases.

The department has proposed headcount increases totaling 110 PFT positions. 77 PFT positions are from increments (See schedule above), another 14 PFT positions are funded from other funds (See schedule below), and an additional 19 PFT net positions are being added to the department via position adjustments. These position adjustments will be funded in part by decreased PPT positions and other internal resources.

The \$2,364,000 increase in Pioneer Home general fund expenditures is related to the anticipated increase in Pioneer Home fee revenues. This proposed increased funding would be used to fund an additional 63 PFT certified nursing aides.

Legislative Fiscal Analyst Comment: The Governor's Budget describes the \$2,364,000 increase in fees (and appropriations) as other funds. Legislative Finance has reclassified these funds as General Fund/Program Receipts to be consistent with other Pioneer Home fee revenue.

The \$494,500 increase to fund expected information technology (IT) costs, primarily this increase is related to the annualization of salary increases approved in August 1998 for all IT positions in the State, several of which are located in this department.

Decrements

The primary source of the \$5,797,300 decrease in requested general funds results from the continuing decline in Longevity Bonus grants as the program is slowly phased out.

OTHER CHANGES

The department is requesting a fund source change of \$3,480,000 from GF to GF/MH in the Pioneer Home component. This was done in order to recognize the cost incurred by the Pioneer Homes for Alzheimer's, Dementia & Related Diseases (ADRD).

Legislative Fiscal Analyst Comment: A discussion of mental health funding can be found in the statewide summary at the front of this report.

\$476,800 in funds will be used by the department to fund the activities of six new PFT positions in the Y2K Coordination Office. The department proposes funding this expense with CIP Receipts. At this point there have been no appropriations, either operating or capital, for this activity.

Legislative Fiscal Analyst Comment: The current FY99 Y2K efforts are being paid out of the Office of Risk Management.

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See schedule below for the detail of how Other and Organizational Changes tie to Budget Summary.

(in \$ Thousands)

	General Funds	Federal Funds	Other Funds	I/A Receipts	Total Funds	New PFT	New PPT
<u>Detail of Other Fund Source Changes</u>							
Misc. Adjustments							
Breakout of DOA Info Technology				988.6	988.6		
Public Advoc.-Smart Start Funding from DH&SS				184.1	184.1	3.0	1.0
Public Defender-Smart Start Funding from DH&SS				255.0	255.0	3.0	
Adoption Backlog - See below for offset				206.0	206.0	2.0	
Y2K Coordination (Funded From CIP Receipts)			476.8		476.8	6.0	
Subtotal Misc. Adjustments	0.0	0.0	476.8	1,633.7	2,110.5	14.0	1.0
<u>One Time Adjustments</u>							
Misc. Lost Funding - Sr. Svcs (All Loss of MHTAAR)			(369.7)		(369.7)		
Adoption Backlog - See above for offset			(206.0)		(206.0)		
Subtotal One Time Adjustments	0.0	0.0	(575.7)	0.0	(575.7)	0.0	0.0

ORGANIZATIONAL CHANGES

- The department has established a new budget component to capture the expenditures related to the State's IT efforts. In FY00 the DOA Information Technology Support Component will be established to capture an expected \$988,600 in interagency receipts. In the past these efforts were expended in various other components throughout the department, and will now be identified with this separate component.
- In FY00 the department proposes that four Senior Services Grant Components used in FY99 (Nutrition, Transportation & Support Component, Senior Employment Services Component, Home & Community Based Care Component, and the Senior Residential Services Component) be consolidated into a single component called Senior Services Grants.
- In FY00 the department proposes that four DMV Components used in FY99 (Field Services Component, Driver Services Component, Administration Component, and the Financial Responsibility Act Enforcement Component) be consolidated into a single component called Motor Vehicles.
- The department has established a State Facilities Maintenance BRU/appropriation and component in accordance with Chapter 90, SLA98. The total projected expenditures in this component totals \$4,787,000.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF ADMINISTRATION FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	172,669.7	75,767.9	6,912.9	255,350.5
Fiscal Notes	337.0		77.1	414.1
FY98 COLA	145.6	182.5	3.7	331.8
FY99 Authorized	173,152.3	75,950.4	6,993.7	256,096.4
Specials - Facilities Breakout		4,787.0		4,787.0
One Time Item		-575.7		-575.7
Fund Change - Invest Loss Trust	97.1	-97.1		0.0
Misc. Adjustment		2,110.5		2,110.5
Transfers In	15,997.6	1,272.2	5,546.3	22,816.1
Transfers Out	-15,997.6	-1,272.2	-5,546.3	-22,816.1
FY00 Adjusted Base	173,249.4	82,175.1	6,993.7	262,418.2
Increments	5,926.2	4,430.9	49.1	10,406.2
Decrements	-5,797.3	-45.1		-5,842.4
FY00 Governor Request	173,378.3	86,560.9	7,042.8	266,982.0
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Position Summary		PFT	PPT	Tmp
FY99 Conference Committee		1,261	111	108
Fiscal Notes		1	3	
FY99 Authorized		1,262	114	108
Position Adjustments		20	-12	1
Transfers In		161	13	4
Transfers Out		-161	-13	-4
Misc Adjustment		14	1	
FY00 Adjusted		1,296	103	109
Position Adjustments		-1		-7
Increments		77	3	0
FY00 Governor		1,372	106	102

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DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

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

SIGNIFICANT ISSUES

- Front section appropriations in the FY99 budget authorize several programs to carry forward unobligated balances from FY98 into FY99. The FY99 conference committee reduced the Insurance and Occupational Licensing budgets in recognition of this additional authorization. Carryforward amounts were larger than anticipated and more than offset the reductions. In addition, three programs received carryforward authorization without associated Conference Committee reductions. In all cases the additional FY99 authorization increases the FY00 budget to the extent that the total carryforward is not backed out.

	FY99 CC Reduction	FY99 Actual Carryforward	Net Increase FY99 Authority	FY99 Reduce Carryforward	FY00 Change
<i>Insurance Operations</i>	(2,309.0)	2,665.0	356.0	(356.0)	0.0
<i>Occupational Lic Ops</i>	(976.1)	1,529.5	553.4	(553.4)	0.0
<i>APUC Operations¹</i>	0.0	436.2	436.2	0.0	436.2
<i>Trade & Development</i>	0.0	759.0	759.0	0.0	759.0
<i>AK Science and Tech</i>	0.0	13,505.0	13,505.0	(13,505.0)	0.0

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

Legislative Fiscal Analyst comment: *The Legislature may wish to consider modifying front section appropriations to maintain more control of enacted appropriation levels. The Legislature could draft front section language that would allow revenues to be carried forward, but the carry forward amount would be included in the authorized levels. Another option the Legislature may wish to consider is front section language that identifies a specific amount to be carried forward for use in the operating budget. The department did request a full reduction in the FY99 carry forward balance for Insurance Operations and Occupational Licensing Operations in the FY00 budget submission in contrast to the FY99 budget submission where the balance after reducing the carry forward was \$174,100.*

- The Banking, Securities and Corporations BRU budget request includes increments totaling \$210,800 in general fund/program receipts. A Securities Examiner Position accounts for \$74,000 and one permanent full time position; \$51,800 is for an Analyst Programmer and one permanent full time position; \$40,000 is for hearing officer support to the section; and \$45,000 is for Department of Law legal services.
- The Insurance Operations BRU includes a \$118,200 increment in general fund/program receipts and two permanent full time positions for data processing support.
- The Occupational Licensing BRU includes \$86,300 in general fund/program receipts and one permanent full time position for a Nurse Aide Investigator that was authorized, but not funded by Ch 2 SLA 98 (SB 152).
- The department has decided to implement a cost allocation plan for the Office of the Commissioner and the Division of Administrative Services. This action results in fund source changes, increments and/or decrements for most BRU/components in the department's budget. Following is a summary of the proposed changes:

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Component	GF/PR	APUC Rcpts	GF	I/A Rcpts Ln	Cm Fish Ln	AIDEAR cpts	Sci/Tech	Total
<i>Banking, Securities and Corp</i>	35.2							35.2
<i>Insurance Operations</i>	98.5							98.5
<i>Occupational Licensing</i>	174.7							174.7
<i>APUC Operations</i>		75.7						75.7
<i>Commissioner's Office</i>			(179.5)	179.5				0.0
<i>Trade and Development</i>			13.7					13.7
<i>Administrative Services</i>			(134.8)	199.7				64.9
<i>ASTF</i>							(12.6)	(12.6)
<i>Investments</i>					(6.0)			(6.0)
<i>Alaska Tourism Mktg Council</i>			(2.7)					(2.7)
<i>Tourism Development</i>			14.8					14.8
<i>AIDEA</i>						(22.9)		(22.9)
<i>ASMI</i>	14.6							14.6
<i>AK Aerospace Develop. Corp</i>							(3.3)	(3.3)
Total	323.0	75.7	(288.5)	379.2	(6.0)	(22.9)	(15.9)	444.6

Legislative Fiscal Analyst comment: The cost allocation plan is essentially a combination of fund source changes, increments and decrements. The most significant changes are an increase in general fund/program receipts of \$323,000, a decrease of \$288,500 in the general fund and an increase of \$379,200 in interagency receipts. In the commissioner's office there is a fund source change from the general fund to interagency receipts and in administrative services is a fund source change from general fund to interagency receipts and a \$64,900 increment and one permanent full time position.

ORGANIZATIONAL CHANGES

There are three organizational changes proposed in the Department of Commerce and Economic Development budget. The department combined the Operations and Licensing Boards components into a new component called Occupational Licensing in the same BRU. The Office of the Governor transferred the international trade positions and funding, \$586,700 in general funds and five full time permanent positions and one permanent part-time position, back to the department to reverse a transfer initiated by the Legislature in FY99. The department created an AIDEA Facilities Maintenance component in the AIDEA BRU in compliance with Ch 90 SLA 98.

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**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT FUNDING
SUMMARY**

	GF	Other	Federal	Total
FY99 Conference Committee	22,048.0	25,541.5	3,650.0	51,239.5
Fiscal Notes	124.0	7.1		131.1
Special	4,194.5	14,700.2		18,894.7
FY98 COLA	47.2	41.8	0.1	89.1
FY99 Authorized	26,413.7	40,290.6	3,650.1	70,354.4
Fund Change	34.9	-34.9		0.0
Agency Transfers In	586.7			586.7
Transfers In	5,265.7	641.5		5,907.2
Transfers Out	-5,265.7	-641.5		-5,907.2
FY00 Adjusted Base	27,035.3	40,255.7	3,650.1	70,941.1
Increments	818.4	490.5		1,308.9
Decrements	-912.1	-13,904.4		-14,816.5
Fund Change	-314.3	314.3		0.0
FY00 Governor Request	26,627.3	27,156.1	3,650.1	57,433.5

Position Summary	PFT	PPT	Tmp
FY99 Conference Committee	342	9	0
Fiscal Note (SB331) Professional Counselors	1	1	0
FY99 Authorized	343	10	0
Position Adjustment PPT to PFT	2	-2	0
Position Adjustment/Reconciliation	11	0	0
Transfer in from Office of Governor	5	1	0
FY00 Adjusted	361	9	0
Increment	9	0	0
Decrement	0	-1	0
FY00 Governor	370	8	0

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DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

The Department of Community and Regional Affairs provides a wide range of services to local governments and unincorporated communities in the form of grants and direct technical assistance. It administers programs offering assistance in the areas of government and financial management, utility management and power cost equalization, energy development, public planning processes, land use planning, and capital project planning. The department manages formula funded grant programs for Renters' Equivalency Rebate, State Revenue Sharing, and Municipal Assistance. The department also operates programs that provide assistance to individuals and families in areas such as job training, child care, day care, and Head Start.

SIGNIFICANT ISSUES

- A total of \$8,230,100 new interagency (I/A) expenditure authority is being added to the Child Assistance BRU. This funding comes from the Department of Health and Social Services to pay for Child Care grants and subsidy payments and Head Start expansion. A total of \$4,725,100 general funds is being reduced in the process. The fund source for Health & Social Services is federal grant receipts. The funds are to be spent specifically on Child Care projects, and are projected to be totally spent by FY03. A summary of the transactions for Community & Regional Affairs is as follows:

\$1,725,100 fund change from GF to I/A in the Child Care component

\$3,000,000 fund change from GF to I/A in the Day Care Assistance component

\$2,755,000 increment of I/A in Day Care Assistance

\$750,000 increment of I/A in the Head Start Grants component

Legislative Fiscal Analyst comment: The Legislature approved a similar fund change of \$4,000,000 from general funds to interagency receipts from the Department of Health and Social Services for Day Care Assistance for FY99.

- An increment of \$880,000 Tobacco Settlement and \$110,000 I/A receipts is included in the Child Care component for Child Care quality improvement.
- There is a \$1,500,000 transfer of federal authority from the Job Training Partnership Act (JTPA) component, and a \$220,000 transfer of interagency authority from the State Training and Employment (STEP) component to the Statewide Service Delivery (SSD) component. These adjustments are needed to absorb the Fairbanks Private Industry Council (PIC). At the request of the Fairbanks PIC, the department is assuming responsibilities for the Fairbanks Service Delivery Area (SDA), formerly provided through a contractual agreement with the City of Fairbanks. Eight new permanent full time positions funded by federal money are being added to the SSD component.
- The Power Cost Equalization program is projected to need a general fund appropriation of \$9.6 million in order to fund the \$17.0 million operating request from the Power Cost Equalization Fund for FY00.

Legislative Fiscal Analyst comment: The general fund requirement is not reflected in the Governor's budget.

- Chapter 34, SLA 98 appropriated \$6,595,800 federal authority for the 1997 Bristol Bay economic disaster. That has been removed from the adjusted base as a one-time item.
- A decrement of \$50,000 federal and \$30,000 statutory designated receipts for Alaska Rural Development Council activities is included in the Community and Economic Development component. The Council relocated to the University of Alaska-Anchorage during FY99.
- The agency is adding a net of 17 permanent full time positions to the FY99 authorized position count, including the positions noted above.

ORGANIZATIONAL CHANGES

The department has established a State Facilities Maintenance BRU/appropriation and component in accordance with Chapter 90, SLA 98.

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DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	69,983.3	39,644.9	45,308.9	154,937.1
Special			6,595.8	6,595.8
FY98 COLA	14.3	25.6	9.1	49.0
FY99 Authorized	69,997.6	39,670.5	51,913.8	161,581.9
Specials		6.7		6.7
One Time Item			-6,595.8	-6,595.8
Fund Change	-4,710.6	6,210.6	-1,500.0	0.0
Transfers In	21.6	220.0	1,586.0	1,827.6
Transfers Out	-21.6	-220.0	-1,586.0	-1,827.6
FY00 Adjusted Base	65,287.0	45,887.8	43,818.0	154,992.8
Increments	880.0	3,980.9	307.0	5,167.9
Decrements		-80.0	-50.0	-130.0
FY00 Governor Request	66,167.0	49,788.7	44,075.0	160,030.7

Position Summary	PFT	PPT	Tmp
FY99 Conference Committee	168	3	7
FY99 Authorized	168	3	7
Position Adjustments, Reconciliation RP	4	-1	
Position Adjustments, Bristol Bay Disaster			1
Transfers In	8		
Line Item Transfers	2		-1
FY00 Adjusted	182	2	7
Decrements	-2		
Increments	5	1	
FY00 Governor	185	3	7

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DEPARTMENT OF CORRECTIONS

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

SIGNIFICANT ISSUES

The Department of Correction's proposed budget includes general fund increases totaling \$13,001,000 from the FY99 Authorized. The department expects that funding from Other Funds will increase by \$7,433,400, while Federal Funding is reduced by \$1,595,600. The result of these changes is an increase in total funds of \$18,838,800.

The entire loss in federal funds (\$1,595,600) is from the reduction of federal support for the Violent Offender Incarceration (VOI) program. VOI federal funds were scheduled to decrease in FY00 as part of the federal Government's efforts to turn the ongoing costs of the increased beds established by this program over to the states. The department is proposing that the State make up the loss of federal funds with general funds.

\$7,780,500 of the change in Other Funds comes from a restructuring of the department to separately account for facilities costs (See organizational changes below.) The remaining net decrease in other funds is made of the following items

- \$230,000 change in fund sources in the department's Inmate Health Care section. In the past this program was funded by MHTAAR, with the anticipation that MHTAAR funding would be used only to get this program started. It is proposed that FY00 be made up from GF/MH.

Legislative Fiscal Analyst Comment: A discussion of mental health funding can be found in the statewide summary at the front of this report.

- \$51,200 increase (increment) in MHTAAR funds for residential substance abuse treatment in the department's Inmate Health Care section. These funds are required to match certain pass through funds coming from the Department of Public Safety.
- \$168,300 decrease from a fund change relating to the reclassification of investment loss trust fund receipts being reclassified to general fund.

The remaining increase in general fund appropriations includes the following items:

- \$5,198,500 for the Arizona out-of-state incarceration contract.
- \$1,766,300 for out-of-state contracts to fund the out-of-state excess population. The department expects that this increment will fund 266 new beds. In addition, in FY00, this increment will also fund another 50 beds until the temporary housing units, detailed below, come on line.
- \$325,000 for the maintenance of 10 Community Residential Center (CRC) beds in Bethel. In FY99, RPL #20-9-0006 funded these beds for nine months with federal VOI funds. This increment is needed to annualize the costs of these beds and to change the funding source to the general fund.
- \$225,000 to create an additional 10 Culturally Relevant CRC Beds in Nome to be added to the 30 CRC beds currently in Nome and created in FY99.
- \$52,300 to annualize the costs of 20 additional Pt. MacKenzie CRC beds brought on for nine months in FY99.
- \$290,000 for the department's CRC Offender Supervision Component. In FY99 these costs were funded for six months. This increment annualizes the cost of this program.

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- \$952,000 for temporary housing units. The increase will be used in the following sections of the department's proposed budget in order to bring on 54 new beds in each section: \$243,600 Fairbanks Correctional Center, \$229,700 Lemon Creek Correctional Center, \$229,700 Palmer Correctional Center, and \$249,000 Yukon-Kuskokwim Correctional Center.
- \$550,000 to reduce staffing vacancies. The department is working to increase the emergency capacity at its Spring Creek Correctional Center by 64 beds and at its Cook Inlet Correctional Center by 57 beds. The department believes this can be accomplished by funding \$300,000 to Cook Inlet Correctional Center to fill five correctional officer vacancies and \$250,000 to Spring Creek Correctional Center to fill four correctional officer vacancies.
- \$499,000 to fund the Juvenile Unit in the department's Inmate Programs section. This program separates offenders, younger than 18, who were tried as adults, from the other adult prisoner population. The department believes that this will reduce costs associated with "special incidents" often associated with this particular prison population.
- \$358,700 related to an expected increase in lab and pharmaceutical costs in the department's Inmate Health Care section. These costs were put out to bid in the prior year and the department experienced an increase in the costs of these services of approximately 400%. In addition, the department has seen an increase in the cost of psychotropic and HIV prescriptions in FY99 of 190% and 150% respectively over the prior year.
- \$175,000 for inmate transportation due to general increase in prison population.
- \$155,000 for enhanced probation and parole activities in the Southcentral Region Probation section. This program endeavors to reduce the number of prison beds required, by allowing parole officers to consider alternative sanctions to prison for parole and probation violations.
- \$145,000 for supervision of sexual predator's activities in the department's Community Corrections Director section. This program is part of the Smart Start Program. In FY99 two probation officers were funded and this year's increment is proposed to be used for an additional two probation officers.
- \$125,300 for electronic monitoring activities in the department's Institution Director's Office section. This increment is used to annualize this program that was begun in FY99. \$95,300 of this increment is from interagency receipts and \$30,000 is funded from the general fund.

ORGANIZATIONAL CHANGES

The department has established a State Facilities Maintenance BRU/appropriation and component in accordance with Chapter 90, SLA98. The total projected expenditures in this component totals \$7,780,500.

There are no other planned substantial changes to the department's organization in FY00.

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DEPARTMENT OF CORRECTIONS FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	139,209.3	5,421.9	7,135.9	151,767.1
Fiscal Notes	603.5			603.5
FY98 COLA	176.5	172.2	6.7	355.4
FY99 Authorized	139,989.3	5,594.1	7,142.6	152,726.0
Specials - Facilities Breakout		7,780.5		7,780.5
Fund Change - Cola Adjustment	168.3	-168.3		0.0
Transfers In	278.6			278.6
Transfers Out	-278.6			-278.6
FY00 Adjusted Base	140,157.6	13,206.3	7,142.6	160,506.5
Increments	11,007.1	51.2		11,058.3
Fund Change	1,825.6	-230.0	-1,595.6	0.0
FY00 Governor Request	152,990.3	13,027.5	5,547.0	171,564.8

	PFT	PPT	Tmp
Position Summary			
FY99 Conference Committee	1,360	1	0
FY99 Authorized	1,360	1	0
Position Adjustments	5	-1	
Transfers In	7		
Transfers Out	-7		
LIT	2		
FY00 Adjusted	1,367	0	0
Increments	38		
FY00 Governor	1,405	0	0

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DEPARTMENT OF EDUCATION

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

SIGNIFICANT ISSUES

- In FY99, the Foundation Program utilized \$5,860,400 in general funds carried forward from FY98. That amount is included in the base for the FY00 budget. \$13,936,500 of AHFC receipts as funded in the FY99 budget (CH83 SLA98 – SB36) is also included to reach the FY99 authorized funding level. An additional \$14,438,000 in general funds and \$494,100 of Public School Funds (Other Funds) is requested for FY00. Enrollment increases from FY99 to FY00 are projected at 3.18%.

Legislative Fiscal Analyst comment: Of the total requested to fully fund the foundation formula, approximately \$9,909,000 is related to the remaining 40% of the FY99 funding increase for Districts that gained from the implementation of SB36.

- Other programs in K-12 Support add an additional \$2,035,600 to the general fund request including \$1,693,000 for increased pupil transportation costs, \$303,800 for increased enrollment for tuition students and \$38,800 for the Special Education Service Agency entitlement. The request also includes \$1,461,500 in AHFC receipts for pupil transportation as funded in the FY99 budget (CH83 SLA98 – SB36) to reach the FY99 funding level.
- Increments in Teaching and Learning Support, Quality Schools include general fund increases of \$1,000,000 for assessment and \$500,000 for the exit exam program. The request continues the use of \$1,892,000 in AHFC receipts as funded in the FY99 budget (CH83 SLA98 – SB36).
- Under School Finance, District Support Services increased general fund sources by \$250,000 for costs associated with District audits and monitoring District Cost Factors. The request continues the use of \$154,000 in AHFC receipts as funded in the FY99 budget (CH83 SLA98 – SB36).

Legislative Fiscal Analyst comment: The total dollar amount of AHFC receipts remaining in the department's request as continuations of FY99 appropriations is \$17,444,000.

- The Alyeska Central School budget included an I/A receipt (Other Funds) increase of \$4,386,100 for increased enrollment and funding changes. The funds will be used for curriculum, supplies, computer equipment and contract services.

Legislative Fiscal Analyst comment: The total dollar amount represents an increase of over 100% of FY99 authorized funding levels.

- The Vocational Rehabilitation budget requests an increase of general fund sources of \$190,000 to prevent the loss of federal funds due to maintenance of effort requirements. A fund source change of \$165,000 for the Business Enterprise Program replaces Statutory Designated Receipts with the Vocational Small Business fund source and requests an increase of \$50,000 from Vocational Small Business fund source.
- Other components within the department's budget requested general fund increases totaling \$332,000.
- The Debt Service budget includes a decrease of \$4,345,500 in the debt retirement fund. The debt retirement fund has been funded by general fund appropriations in prior years. The Governor's FY00 request utilizes a combination of general fund and AHFC receipts for this purpose. A funding source change of \$3,800,000 from the school fund to the debt retirement fund is made in anticipation of lower cigarette tax receipts.

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The following table summarizes the development of the Governor's request for School Debt:

	School Debt <u>Fund</u>	Retirement <u>Fund</u>	<u>Total</u>
FY99 Conference	34,000.0	26,804.1	60,804.1
Special Appropriation (CH139 Sec29 – SB231)	15,329.5	--	15,329.5
Reduced Cigarette Tax Receipts	(3,800.0)	3,800.0	--
Decrement for School Debt		(4,345.5)	(4,345.5)
FY00 Governors Request	<u>45,529.5</u>	<u>26,258.6</u>	<u>71,788.1</u>

The decrement adjusts authorization based on improved estimates of debt service for local bonding, authorized in FY99 by SB11.

ORGANIZATIONAL CHANGES

The Commissioner's Office moves into the Executive Administration component. Also the department created a new Facilities Maintenance BRU and component (Ch90 SLA98).

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF EDUCATION FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	702,823.0	85,880.7	139,334.3	928,038.0
Fiscal Notes	85.7	17,444.0		17,529.7
Special	5,860.4	15,329.5		21,189.9
FY98 COLA	27.1	51.3	40.1	118.5
FY99 Authorized	708,796.2	118,705.5	139,374.4	966,876.1
Specials		1,496.1		1,496.1
Fund Change	18.0	-18.0		0.0
Transfers In	238.8	333.1	292.0	863.9
Transfers Out	-238.8	-333.1	-292.0	-863.9
FY00 Adjusted Base	708,814.2	120,183.6	139,374.4	968,372.2
Increments	18,745.6	5,835.4	2,982.0	27,563.0
Decrements		-4,516.9	-80.0	-4,596.9
FY00 Governor Request	727,559.8	121,502.1	142,276.4	991,338.3

Position Summary	PFT	PPT	Tmp
FY99 Conference Committee	461.0	104.0	5.0
Fiscal Note	4.0	0.0	1.0
FY99 Authorized	465.0	104.0	6.0
Reconciliation RP position adjustments	1.0	-1.0	0.0
Position Adjustments	0.0	0.0	0.0
FY00 Adjusted	466.0	103.0	6.0
Increments	13.0	5.0	5.0
Decrements	0.0		0.0
FY00 Governor	479.0	108.0	11.0

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

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

SIGNIFICANT ISSUES

- A new component, Food Safety and Sanitation, is funded by a transfer in of \$697,900 from Animal Industries; a transfer in of \$2,783,300 from Seafood and Sanitation Inspection; and increment amounts of \$180,000 general funds and \$150,000 GF/program receipts. Incremental funding provides for increased frequency of public health inspections at high risk facilities, and includes four permanent full-time positions. Also, a fund source change of \$175,000 from one-time use of the Commercial Fisheries Loan Fund back to general funds is included in the new component.
- The Drinking Water component includes an increment of \$50,000 GF/program receipts for compliance with new requirements of the Safe Drinking Water Act.
- The Water Quality component includes an increment of \$1,150,000 federal receipts, \$150,000 general fund match, and four permanent full-time positions for increased efforts for salmon habitat protection.
- Facility Construction and Operations includes an increment of \$240,800 from the Alaska Drinking Water Fund (ADWF) and \$9,000 Clean Water funds that replaces federal funds for loan program administration and contractual auditing and loan servicing. The component also requests an increment of \$352,100 CIP receipts and four permanent full-time positions for increased Village Safe Water project management. These funds are needed due to increased federal grant funds.
- The agency is adding a net of 15 permanent full-time positions to the FY99 authorized position count, including the positions noted above.

ORGANIZATIONAL CHANGES

- Food Safety and Sanitation is a new component under Environmental Health BRU/appropriation, and was formed from a consolidation of Animal Industries component and Seafood and Sanitation Inspection component.
- Solid Waste Management is a new component under Environmental Health BRU/appropriation, and was formed from a consolidation of Municipal Solid Waste and Industrial Solid Waste components.

Legislative Fiscal Analyst comment: The agency considers this to be an adjustment to rename Municipal Solid Waste to Solid Waste Management, however, funding and positions were technically transferred out of Municipal Solid Waste to form Solid Waste Management. Municipal Solid Waste and Industrial Solid Waste were components formed from the Solid Waste component by the Legislature for FY98.

- Exxon Restoration component has been moved to the Administration BRU/appropriation.
- Statewide Public Services remains the only BRU that is not also an appropriation. The Statewide Public Services component under this BRU is part of the Environmental Health appropriation in the Governor's operating budget bill.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF ENVIRONMENTAL CONSERVATION FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	12,703.7	20,644.3	13,430.7	46,778.7
FY98 COLA	31.1	73.3	32.1	136.5
FY99 Authorized	12,734.8	20,717.6	13,462.8	46,915.2
Fund Change	188.6	-188.6		0.0
Transfers In	4,175.3	240.4	597.3	5,013.0
Transfers Out	-4,175.3	-240.4	-597.3	-5,013.0
FY00 Adjusted Base	12,923.4	20,529.0	13,462.8	46,915.2
Increments	530.0	745.9	1,150.0	2,425.9
FY00 Governor Request	13,453.4	21,274.9	14,612.8	49,341.1

Position Summary	PFT	PPT	Tmp
FY99 Conference Committee	488	5	4
FY99 Authorized	488	5	4
FY00 Adjusted	488	5	4
Increments	15		
FY00 Governor	503	5	4

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF FISH AND GAME

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

SIGNIFICANT ISSUES

- SB 250 (Ch 76 SLA 98) requires all money appropriated from the fish and game fund and federal aid acts be appropriated to the Division of Wildlife Conservation or the Division of Sport Fish. These divisions may use money appropriated from the fish and game fund and federal aid acts to acquire administrative and other services from other agencies if the divisions acquire the services through reimbursable service agreements. The budgetary requirements of SB 250 have been implemented in the department's budget submission.
- The Commercial Fisheries budget request includes an increment for \$2,647,500 in test fishery receipts and 50 permanent part-time positions for the Shellfish Observer Program. This program provides at-sea observers to gather data for managing the Bering Sea and Aleutian Islands crab fisheries.
- The Sport Fisheries budget request contains an increment of \$1,927,300 in federal receipts to offset reductions in fish and game funds. Federal receipts for Dingell-Johnson/Wallop-Breaux have increased and the department is shifting funding of salaries and other costs to federal funds where allowable. The fish and game fund decrement is \$2,690,700 and three permanent full time, one permanent part-time and four seasonal positions due to an anticipated shortfall in the fish and game fund.
- The Wildlife Conservation budget request includes an increment for \$1,386,700 in fish and game funds to offset a loss of federal funds. The increment proposes adding three permanent part-time positions, but no new projects are funded with this increment. Pittman Robertson Act funds have been steadily declining since FY95.
- The Habitat BRU includes increments to fund various projects from interagency receipts per SB 250, increments are: \$593,700 in the Habitat component; \$481,500 (and one permanent part-time position) in the Special Projects component; and \$284,400 in the Habitat Permitting/Title 16 component.
- The Habitat component budget request includes an increment of \$75,000 in general funds and \$45,000 in interagency receipt funds for its participation in oil and gas leasing, and oilfield development projects. The Habitat component also includes a decrement of \$1,980,000 in the Exxon Valdez Oil Spill Settlement Fund for planned decreases in Exxon Valdez restoration projects.
- The Department of Fish and Game may receive \$11,000,000 in federal receipts from the US Department of the Interior and the US Department of Agriculture. Receipt of this funding is contingent upon the Alaska legislature adopting a constitutional amendment for ratification by Alaska voters to allow a rural subsistence priority. The full amount will be available to Alaska if the contingency is satisfied by June 1, 1999. If the contingency is satisfied after June 1, 1999, but by September 30, 1999 the amount will be only \$10,000,000. The federal receipts will be appropriated to the Department of Fish and Game to help implement a subsistence management system, (approximately 73% of the federal receipts) and to support the Board of Fisheries, Board of Game and local regional advisory organizations for subsistence (approximately 27% of the federal receipts).

ORGANIZATIONAL CHANGES

There are two organizational changes proposed in the Department of Fish and Game budget. The Commissioner's Office component is transferred back to its own BRU and component from the Administration and Support BRU in FY99. A new State Facilities Maintenance BRU and component was added in compliance with CH 90 SLA 98.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF FISH AND GAME FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	34,227.2	41,951.6	32,585.5	108,764.3
FY98 COLA	98.4	169.1	107.7	366.2
FY99 Authorized	34,316.6	42,120.7	32,693.2	109,130.5
Specials		894.3		894.3
Fund Change	72.3	-72.3		0.0
Transfers In	103.0	2,799.2	2,356.4	5,258.6
Transfers Out	-103.0	-2,799.2	-2,356.4	-5,258.6
FY00 Adjusted Base	34,388.9	42,942.7	32,693.2	110,024.8
Increments	75.0	8,656.6	1,927.3	10,658.9
Decrements		-5,192.5		-5,192.5
Fund Change		40.0	-40.0	0.0
FY00 Governor Request	34,463.9	46,446.8	34,580.5	115,491.2

Position Summary	PFT	PPT	Tmp
FY99 Conference Committee	805	879	68
FY99 Authorized	805	879	68
Position Adjustment PFT to PPT	-3	3	0
Position Adjustment PPT to PFT	4	-4	0
Position Adjustment TMP to PFT	1	0	-1
Position Adjustment/Reconciliation	2	-1	4
Increment/Transfer In	3	0	3
FY00 Adjusted	812	877	74
Position Adjustment PFT to PPT	-1	1	0
Position Adjustment PPT to PFT	14	-14	0
Increments	0	54	4
Decrements	-5	-4	-10
FY00 Governor	820	914	68

legislative fiscal analyst overview of the governor's request

OFFICE OF THE GOVERNOR

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

SIGNIFICANT ISSUES

- The General and Primary Elections component contains a non-election-year general fund reduction of \$1,629,100.

Legislative Analyst Comment: The election-year (FY99) increase for General and Primary Elections was \$1,939,100, so the FY00 reduction of \$1,629,100 is \$310,000 less than the amount appropriated for the election. In effect, understatement of the one-time reduction restores \$310,000 of a \$443,500 agency-wide reduction included in the FY99 budget. The agency-wide reduction was allocated entirely to the General and Primary Elections component.

- \$303,800 of interagency receipts were removed from the Human Resource Investment Council budget to bring the authorization level in line with expected revenue.
- A general fund decrement of \$158,000 removes contractual funding no longer needed from the Office of Management & Budget component.

ORGANIZATIONAL CHANGES

The Office of International Trade was transferred to the Department of Commerce and Economic Development. Six positions and \$586,700 of general funds were included in the transaction.

legislative fiscal analyst overview of the governor's request

OFFICE OF THE GOVERNOR FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	17,893.3	399.2	3,026.3	21,318.8
Fiscal Notes	272.0	619.5		891.5
Special			44.4	44.4
FY98 COLA	20.9	18.6	2.1	41.6
FY99 Authorized	18,186.2	1,037.3	3,072.8	22,296.3
One Time Item	-230.2	-315.7		-545.9
Fund Change	17.6	-17.6		0.0
Agency Transfers Out	-586.7			-586.7
FY00 Adjusted Base	17,386.9	704.0	3,072.8	21,163.7
Decrements	-1,787.1	-303.8		-2,090.9
FY00 Governor Request	15,599.8	400.2	3,072.8	19,072.8

Position Summary	PFT	PPT	Tmp
FY99 Conference Committee	187	4	32
Fiscal Notes		1	5
FY99 Authorized	187	5	37
Transfer In	1		
Transfer Out	-1		
Agency Transfers Out	-6		
One Time Item			-5
FY00 Adjusted	181	5	32
Decrements			-13
FY00 Governor	181	5	19

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

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

SIGNIFICANT ISSUES

- The Department of Health and Social Services requests \$20,073,400 in increments using Tobacco Settlement Receipts. In the Governor's budget this fund source is classified as "other funds". This report discusses the classification of the Tobacco Settlement Receipts and other funds in the statewide summary. The requested authorization to spend these funds is summarized below:

Department of Health and Social Services	
Medical Assistance	7,540,700
Purchased Services	3,649,600
Front Line Social Workers and FYS components	2,547,200
Kawerak Social Services	63,200
State Health Services	4,467,800
Alcohol and Drug Abuse Services	<u>1,804,900</u>
Total Tobacco Settlement Receipts	\$20,073,400

- The department requests total increments of \$84,936,600 for the following fund sources:

General Funds	\$32,613,900
<i>Tobacco Settlement (\$20,073,400)</i>	
Federal Funds	\$44,966,200
Other Funds	<u>\$7,356,500</u>
Total Increments	\$84,936,600

Following are the increments shown as Formula and Non-Formula Programs by fund source:

FORMULA		NON-FORMULA	
General Funds	\$11,156,200	General Funds	\$21,457,700
Federal Funds	\$27,055,600	Federal Funds	\$17,910,600
Other Funds	<u>(\$275,100)</u>	Other Funds	<u>\$7,631,600</u>
Formula Total	\$37,936,700	Non-formula Total	\$46,999,900

- 177 new permanent full-time and 10 new part-time positions are requested. The significant net position increments are in the following areas:

BRU/Component	Full-Time	Part-Time
Front Line Social Workers	29	-2
Youth Corrections BRU	54	8
Public Assistance Field Services	24	3
Alaska Psychiatric Institute	12	2
State Health Services BRU	32	0

legislative fiscal analyst overview of the governor's request

- The Division of Public Assistance is requesting a net decrease of \$10.5 million federal funds from FY99 Authorized due to transferring funds out of the division and an increase of \$2.4 million in General Funds for the Adult Public Assistance component.

Legislative Fiscal Analyst Comment: Alaska Temporary Assistance Program (ATAP) caseloads are decreasing, yet the Governor's request does not reflect proportional decreased funding of Federal Funds or GF/Match. From January 1997 to January 1998, the ATAP caseload dropped 12.9%. January 1999 information is not yet available. ATAP (AFDC) grants have decreased from FY96 Authorized \$130,039.7 to the FY00 Governor's request of \$77,853.4 indicating an average declining rate of approximately \$10 million per year.

Legislative Fiscal Analyst Comment: In past years, the Legislature elected to allow some reinvestment of the reductions in other public assistance related programs and budgeted some of the reductions as savings.

- Child Care Benefits have requested authorization to receive a transfer from ATAP of \$7,024,700. The additional funding in the Child Care Benefits component would provide funding for child care assistance to clients required to work (PASS I - \$4,269,700), transitioning from welfare to work (PASS II - \$1,000,000) and the working poor to help them retain employment (PASS III - \$1,755,000).

Unspent TANF grant funds are held in a federal account to be used at the state's discretion for child care subsidy and quality services. The department will use \$3,000,000 of the federal funds to replace general funds and increase federal funding by \$2,725,100 for a total federal increment of \$5,725,100.

- Intent language for the Catastrophic and Chronic Illness Assistance appropriation requested that the funds be used only for catastrophic, acute, or chronic illness. That language was vetoed.

\$1,900,000 for GRM was established in a new appropriation, Catastrophic and Chronic Illness Assistance, at a rate equal to the FY98 Authorized, less the estimated cost for abortion services. The department has experienced a shortfall of funding in this appropriation and will request additional funding.

- The net change from FY99 Authorized for the Division of Family and Youth Services (DFYS) is summarized below:

Division of Family and Youth Services	GF	Other	Federal	Total
Purchased Services	6,806.8	1,229.4	4,131.1	12,167.3
Family and Youth Services	0.0	0.0	0.0	0.0
Front Line Social Workers and FYS components	2,448.3	-29.9	991.9	3,410.3
Probation Services	0.0	0.0	705.8	705.8
Youth Facilities	2,392.5	-39.7	0.0	2,352.8
Grant Programs	450.9	0.0	0.0	450.9
Net change from FY98 Authorized	12,098.5	1,159.8	5,828.8	19,087.1

- The Front Line Social Workers, Family and Youth Services (FYS) Management and FYS Staff Training components were established by the legislature through reorganization of the Family and Youth Services regional offices components. Legislative intent language enacted in the Front Line Social Workers component identified that the appropriated amount would be full-funded with the unexpended unobligated balance of the Family and Youth Services component. An increment of \$3,653,400 (\$802,100 federal, \$2,880,700 GF, and less 29,400 other funds) is requested for FY00 to fully fund the Front Line Social Workers component.

legislative fiscal analyst overview of the governor's request

With increasing population, new laws and the department's goals to meet "zero-tolerance", anticipated staff growth for the Front Line Social Workers component for this and the next two years follows:

	FY00	FY01	FY02
New Investigation Positions	16	19	17
New Permanency Positions	28	66	40

- The total amount of the increments requested in the Youth Corrections BRU is \$3,058,600 (\$705,800 federal, 2,392,500 GF, and less 39,700 other funds). The total number of new positions requested for FY00 are 54 permanent full-time and 8 permanent part-time.
 1. McLaughlin requests \$433,500 and 19 full-time and 3 part-time positions for its 30-bed expansion.
 2. Nome requests \$101,000 and 1 full-time and 1 part-time position to establish a 30-day, short term detention program. Prior to this, Nome had only a 48-hour detention program and had to send juveniles to Bethel or Fairbanks for long-term stays.
 3. Johnson requests \$571,000 and no new positions. The Johnson Treatment Unit was opened in January 1999 and funded for only 6 months during FY99. The increment will fund the Treatment Unit for a full year.
 4. Mat-Su requests \$461,400 and 18 full-time and 3 part-time positions for the phased opening of a new 15-bed facility in FY00. The increment will fully fund three months of operating costs and six months for key supervisory personnel to hire and train staff and facilitate the opening of the facility.
 5. Probation Services requests 16 new full-time positions to adequately support the increased case load.

ORGANIZATIONAL CHANGES

The following are new components in the FY00 budget: Work Services (new name for Alaska Work Programs). Funding for Catastrophic and Chronic Illness Assistance has been transferred back into the Medical Assistance appropriation and renamed Chronic Acute Medical Assistance (CAMA).

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF HEALTH AND SOCIAL SERVICES FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	422,708.2	73,110.6	426,307.2	922,126.0
Fiscal Notes	2,001.0		12,976.9	14,977.9
Special	255.9			255.9
FY98 COLA	265.9	219.5	171.1	656.5
FY99 Authorized	425,231.0	73,330.1	439,455.2	938,016.3
Specials		2,584.9		2,584.9
One Time Item		-3.2		-3.2
Fund Change	121.3	-121.3		0.0
Agency Transfers Out	-1,080.1			-1,080.1
Transfers In	9,130.4	721.0	19,893.2	29,744.6
Transfers Out	-9,130.4	-721.0	-19,893.2	-29,744.6
FY00 Adjusted Base	424,272.2	75,790.5	439,455.2	939,517.9
Increments	33,763.6	8,408.0	45,023.2	87,194.8
Decrements	-190.9	-3,511.9	-57.0	-3,759.8
FY00 Governor Request	457,844.9	80,686.6	484,421.4	1,022,952.9

Position Summary	PFT	PPT	Tmp
FY99 Conference Committee	2,073.0	58.0	18.0
Position Adjustment/Reconciliation	0.0	0.0	0.0
FY99 Authorized	2,073.0	58.0	18.0
Position Adjustment/Reconciliation	38.0	4.0	0.0
FY00 Adjusted	2,111.0	62.0	18.0
Increments	139.0	6.0	0.0
FY00 Governor	2,250.0	68.0	18.0

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF LABOR

The Department of Labor is responsible for enforcement of laws and regulations pertaining to work hours, wages, and job safety. The department provides employment services and administers the Unemployment Insurance, Worker's Compensation, and Fisherman's Fund programs. The department provides inspection services for mechanical devices and pressure vessels to assure compliance with established safety standards. The department compiles, analyzes, and prepares reports on labor market, consumer price, and population statistics.

SIGNIFICANT ISSUES

- An increase of \$700,000 in federal receipts is proposed in the Unemployment Insurance component for an anticipated increase in the amount of Trade Readjustment Allowance grants for FY00, for implementation of an interactive voice response system for processing unemployment insurance claims, and for implementation of an electronic fund transfer system for direct deposit of unemployment benefit checks.
- An increment of \$80,000 in general fund program receipts is included in the Mechanical Inspection component for addition of a Boiler/Pressure Vessel Inspector I position in the Fairbanks Regional Office.
- An increase of \$350,000 in interagency receipts from the Department of Health and Social Services, Division of Public Assistance is included in the Employment Security component for providing employment counseling, job training, and other employment related services to welfare recipients.
- An additional \$122,800 in interagency receipts is proposed for the Data Processing component. The additional funds will be used for Y2K equipment alterations, local area network support, and to offset the cost of across-the-board salary increases for state information technology staff.

ORGANIZATIONAL CHANGES

A new Second Injury Fund component has been added to the Workers' Compensation BRU in order to provide easy differentiation between the Workers' Compensation and Second Injury Fund budgets.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF LABOR FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	8,291.1	14,547.6	33,967.3	56,806.0
Fiscal Note		447.0		447.0
FY99 COLA	19.6	43.9	192.0	255.5
FY99 Authorized	8,310.7	15,038.5	34,159.3	57,508.5
ILTF Fund Source Change	10.5	-10.5		0.0
Other Fund Source Changes		-3.9	3.9	0.0
FY00 Adjusted Base	8,321.2	15,024.1	34,163.2	57,508.5
Increments	80.0	569.1	700.0	1,349.1
Decrements		-637.6	-3.9	-641.5
FY00 Governor Request	8,401.2	14,955.6	34,859.3	58,216.1

Position Summary	PFT	PPT	Tmp
FY99 Conference Committee	561	111	0
Fiscal Note	3	0	0
FY99 Authorized	564	111	0
Position Adjustments	0	-5	0
FY00 Adjusted	564	106	0
Increments	1	0	2
Decrements	-4	-10	0
FY00 Governor	561	96	2

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF LAW

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

SIGNIFICANT ISSUES

The Governor's proposed budget for the Department of Law includes an overall increase of \$1,270,900 compared to the FY99 Authorized. This change is made up primarily from \$710,700 in general fund increments and \$608,700 other fund increments.

Legislative Fiscal Analyst Comment: The Governor's Budget describes \$576,700 in Tobacco Settlement receipts as "other funds". Legislative Finance has reclassified these amounts to general funds. See the discussion of the classification of the Tobacco Settlement Receipts and other funds in the statewide summary section of this document.

The proposed \$608,700 increase in appropriations funded from other funds comes from an increase in expected interagency receipts for the following items:

- \$259,000 increase to correct an error in the FY99 budget. In prior years the Department of Law had supported AHFC's use of outside specialized expert counsel. In the FY99 budget a portion of this normal ongoing expense was inadvertently omitted and was subsequently funded by an unbudgeted RSA, which was approved by OMB. This increment puts back this historical funding back into the budget
- \$304,700 to support the Department of Administration's Risk Management Section's anticipated increased efforts by hiring two attorneys, one paraprofessional, and one legal secretary.
- \$45,000 to support the Department of Education Commission on Post Secondary Education's student loan collection efforts with the use of .5 paraprofessional.

The proposed \$710,700 increase in appropriations funded from general funds comes from the following increments:

- \$95,700 is being requested by The Criminal Division's Third Judicial District Anchorage Office to fund one new PFT paraprofessional to support for its ongoing Smartstart Program aimed at reducing juvenile delinquency, child abuse, and child neglect.
- \$190,000 is being requested by the Civil Division's Fair Business Practices Section in order to fund one attorney, .5 paraprofessional, and .5 secretary positions in order to increase the department's efforts to enforce consumer and antitrust laws.
- \$291,000 is being requested by the Civil Division's Human Services Section to fund two attorney positions in order to increase the Civil side of the ongoing Smartstart Program aimed at working through issues of child protection, adoption backlog, and juvenile delinquency.
- \$134,000 is being requested by the Civil Division's Human Services Section in order to fund the annualization of the positions that were hired in a staggered fashion during FY99.

ORGANIZATIONAL CHANGES

There are no planned substantial changes to the Department of Law's organization in FY00.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF LAW FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	27,372.2	15,730.5	474.8	43,577.5
Fiscal Notes	102.8			102.8
FY98 COLA	30.3	68.5	1.3	100.1
FY99 Authorized	27,505.3	15,799.0	476.1	43,780.4
One Time Item	-48.5			-48.5
Fund Change -ILTF	29.5	-29.5		0.0
Transfers In	247.4	411.9		659.3
Transfers Out	-247.4	-411.9		-659.3
FY00 Adjusted Base	27,486.3	15,769.5	476.1	43,731.9
Increments	710.7	608.7		1,319.4
FY00 Governor Request	28,197.0	16,378.2	476.1	45,051.3

Position Summary	PFT	PPT	Tmp
FY99 Conference Committee	443	13	0
Fiscal Notes		1	
FY99 Authorized	443	14	0
Position Adjustments		-3	
Transfers In	5	1	
Transfers Out	-5	-1	
FY00 Adjusted	443	11	0
Position Adjustments			
Increments	8	3	
Decrements			
FY00 Governor	451	14	0

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DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS

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

SIGNIFICANT ISSUES

- The Disaster Planning and Control component is requesting a decrement of \$319,000 in federal receipts due to a Federal Emergency Management Agency policy change from 100% federal to 50% for state and local assistance. This decrement will reduce personal services by \$44,000 and pass through grants to 16 communities statewide by \$275,000.
- The Office of the Commissioner is transferring the Veterans Services Administrator, a permanent full time position, and \$80,500 in general funds to the Veterans Services component to consolidate the Veterans Services budget in one component.
- The Disaster Planning and Control component and the Office of the Commissioner component include interagency receipts for \$630,200 and \$27,800, respectively. These interagency receipts are from the Disaster Relief Fund.

Legislative Fiscal Analyst comment: This transaction would be more appropriately identified as a fund source change from interagency receipts to the Disaster Relief Fund.

- The Army Guard Facilities Maintenance component includes a decrement of \$1,500,000 in federal receipts for minor construction and deferred maintenance projects on federally supported facilities. This decrement is offset by a request for the same amount in the capital budget.
- The Youth Corps component received a supplemental appropriation in Ch 139 SLA 98, section 14(j) of \$1,467,000, which consisted of \$681,000 in general funds and \$786,000 in federal receipts for FY99. The general fund and federal amounts were included in the adjusted base for FY00. A decrement of \$116,900 in federal receipts in the Youth Corps component is requested to delete excess federal authority. The excess federal authority resulted from the base budget amount of \$2,186,000 in federal receipts being greater than the National Guard Bureau funding cap for Alaska of \$2,069,100, resulting in a \$116,900 decrement in federal authority. The total funding requested for Youth Corps is \$3,350,100 and is displayed below:

<i>Fund Source</i>	<i>FY99 CC Amount</i>	<i>Supplemental CH 139</i>	<i>Requested Decrement</i>	<i>Governor's Budget</i>
<i>Federal Receipts</i>	<i>1,400.0</i>	<i>786.0</i>	<i>(116.9)</i>	<i>2,069.1</i>
<i>General Fund</i>	<i>600.0</i>	<i>681.0</i>	<i>0.0</i>	<i>1,281.0</i>
<i>Total</i>	<i>2,000.0</i>	<i>1,467.0</i>	<i>(116.9)</i>	<i>3,350.1</i>

ORGANIZATIONAL CHANGES

There are no significant organizational changes proposed in the Department of Military and Veterans' Affairs budget.

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DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	7,312.1	3,213.5	24,315.6	34,841.2
Special	681.0		786.0	1,467.0
FY98 COLA	11.6	15.8	38.1	65.5
FY99 Authorized	8,004.7	3,229.3	25,139.7	36,373.7
Fund Change	4.9	-4.9		0.0
Transfers In	80.5			80.5
Transfers Out	-80.5			-80.5
FY00 Adjusted Base	8,009.6	3,224.4	25,139.7	36,373.7
Increments		102.2	202.6	304.8
Decrements			-1,936.1	-1,936.1
FY00 Governor Request	8,009.6	3,326.6	23,406.2	34,742.4

Position Summary	PFT	PPT	Tmp
FY99 Conference Committee	210	1	17
FY99 Authorized	210	1	17
Position Adjustment TMP to PFT	11	0	-11
FY00 Adjusted	221	1	6
Increments	0	1	0
Decrements	-1	0	-1
Position Adjustment PFT to PPT	-1	1	0
FY00 Governor	219	3	5

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DEPARTMENT OF NATURAL RESOURCES

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

SIGNIFICANT ISSUES

- The Recorder's Office/Uniform Commercial Code component includes an increment of \$300,000 GF/program receipts and seven permanent full-time positions to address its recording volume increase and backlog.
- The Information Resource Management component includes an increment of \$150,000 general funds and \$50,000 federal receipts for a better business practices plan for electronic commerce.
- The Mental Health Lands Administration component includes an increment of \$46,400 MHTAAR (Mental Health Trust Authority Authorized Receipts) and one permanent full-time position for service and capacity improvements to achieve annual work plan goals.
- The Land Development component includes an increment of \$150,000 statutory designated receipts to expedite the sale and lease of land.

Legislative Fiscal Analyst comment: The department received approval for \$150,000 statutory designated receipts for the same purpose through FY99 RPL 10-9-4001. The Legislature had removed \$150,100 general funds for FY99, and provided intent language directing the agency to request statutory designated receipt authority in the amount of \$150,000 through LB&A under AS 38.05.860. The funds support the preparation of land use plans and expedite the sale, lease, or other disposal of land or an interest in land.

- The Oil and Gas Development component includes an increment of \$200,000 general funds to maintain staff levels to cover workload demands and exploration licensing.
- A net increase of \$318,500 statutory designated receipts within the Pipeline Coordinator component includes \$213,600 for the Tyonek Pipeline project, \$77,000 for the Milne Point Enhanced Oil Recovery Pipeline, \$72,000 for the North Slope Borough Natural Gas project, \$92,800 for the Kuparuk extension project, and a reduction of \$136,900 for completed projects.

Legislative Fiscal Analyst comment: The department received approval for \$136,220 statutory designated receipts for the North Slope Borough Natural Gas Right-of-Way Lease through FY99 RPL 10-9-4016.

- The Mining Development component includes an increment of \$50,000 general funds and one permanent full-time position for the Mineral Property Management Section to expedite the processing of mineral locations being staked.
- The Parks Management component includes an increase of \$33,200 statutory designated receipts for the Aleknagik duplex in the Wood-Tikchik District (\$13,200), and interpretive and maintenance services at Denali State Park (\$20,000).

Legislative Fiscal Analyst comment: The department received approval for \$13,200 statutory designated receipts for the Aleknagik duplex through FY99 RPL 10-9-4032.

- The Parks Access component includes an increment of \$600,000 federal receipts and two permanent full-time positions for the Alaska State Boating Safety program.

Legislative Fiscal Analyst comment: The department received approval for \$300,000 federal receipts for the Boating Safety Program through FY99 RPL 10-9-4006.

- The North Latitude Plant Material Center component includes an increment of \$350,000 federal receipts and three permanent positions for a USDA grant for native plant acquisition and commercial development.

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- The department eliminated funding for the Citizen's Advisory Commission on Federal Areas (CACFA), as appropriated by Chapter 71, SLA 1998, by transferring \$17,000 general funds to Data Processing Chargeback, and transferring \$76,200 general funds to the Commissioner's Office component. The CACFA Executive Director position was also eliminated. The Commissioner's Office funding is restored to the level prior to a legislative reduction of \$76,700 for FY99.
- The agency is adding a net of 22 permanent full-time positions to and reducing a net of 4 permanent part-time positions from the FY99 authorized position count, including the positions noted above. The net decrease of 738 temporary positions is a result of elimination of non-permanent fire suppression positions from the reconciled adjusted base. Non-permanent positions are added as needed during the fire season.

ORGANIZATIONAL CHANGES

The department has established a Facilities Maintenance BRU/appropriation and component in accordance with Chapter 90, SLA 98. The Fairbanks Office Building Chargeback component has been moved from Information/Data Management BRU to this new BRU.

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DEPARTMENT OF NATURAL RESOURCES FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	39,117.7	13,718.4	10,685.3	63,521.4
Fiscal Notes	326.7			326.7
Special		432.5		432.5
FY98 COLA	92.6	86.6	8.4	187.6
FY99 Authorized	39,537.0	14,237.5	10,693.7	64,468.2
Specials		1,100.0		1,100.0
One Time Item		-432.5		-432.5
Fund Change	51.5	-51.5		0.0
Transfers In	168.2			168.2
Transfers Out	-168.2			-168.2
FY00 Adjusted Base	39,588.5	14,853.5	10,693.7	65,135.7
Increments	700.0	1,070.4	1,098.6	2,869.0
Decrements		-361.1	-363.0	-724.1
FY00 Governor Request	40,288.5	15,562.8	11,429.3	67,280.6

Position Summary	PFT	PPT	Tmp
FY99 Conference Committee	556	247	816
FY99 Authorized	556	247	816
Position Adjustments/Reconciliation RP	5	-2	-737
Position Adjustments	1	-1	
Line Item Transfers	3	-2	-1
Transfers Out	-1		
FY00 Adjusted	564	242	78
Decrements	-1		
Increments	15	1	
FY00 Governor	578	243	78

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DEPARTMENT OF PUBLIC SAFETY

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

SIGNIFICANT ISSUES

- The Fish and Wildlife Protection BRU is requesting increments of \$384,500 in general funds. A total of \$109,500 is requested to maintain commissioned Fish and Wildlife Protection Troopers at 87 Troopers; \$200,000 for Fish and Wildlife Protection support costs; and \$75,000 for a fund source change from the Fish & Game Fund. In addition, this BRU contains a line item transfer of \$162,000 from personal services to contractual in the reconciliation revised program to cover fixed contractual costs that were not funded in FY99. This BRU also contains a decrement of \$75,000 in Fish & Game Fund as the corresponding decrease for the fund source change to the general fund.
- The Fire Service Training component includes an increment of \$37,800 in statutory designated receipts to provide emergency response training. This increment is needed to support increased costs for marine fire training that has been scheduled for FY00.
- The Alaska State Trooper Detachments BRU and component requests an increment of \$1,090,000 general fund to maintain trooper enforcement levels at 240 troopers. In addition, this BRU and component contains a line item transfer of \$674,800 from personal services to contractual that covers fixed contractual services costs and helicopter operating costs which were not funded in FY99. These changes were made in the reconciliation revised program. This BRU and component also contains a decrement of 16 permanent full time positions.
- The Village Public Safety Officer Program BRU includes an increment for \$242,500 in general funds for a 5% wage increase for VPSOs. The funding in this increment is provided only for raises to the 84 VPSOs serving 82 villages and does not allow for merit increases, additional overtime or increases in overhead rates.
- The Statewide Support BRU includes increments totaling \$329,100 in general funds. The Laboratory Services component increment of \$238,500 is to fund DNA/Toxicology/DWI testing. This increment is split into \$204,300 in personal services for three approved Criminalist positions, \$3,000 in training travel and \$31,200 in supplies. The Alaska Public Safety Information Network component requests \$90,600 and one permanent full time position in the increment for the Smart Start program. This increment will add funding and a position to Information Systems that provides technical support for programs directly related to protecting children.
- The AST Detachments component received a reappropriation (in Ch 139 SLA 98) of \$352,000 in general funds for underfunded personal services costs. The reappropriation language specified that the amount appropriated was for the fiscal year ending June 30, 1999. The AST Detachments component received \$18,800 in general funds in FY99 from a fiscal note in Ch 108 SLA 98 for registration of sex offenders and child kidnappers. These general fund amounts are included in the FY00 request for AST Detachments of \$34,503,100.
- The VPSO BRU, Contracts component received a supplemental appropriation (in Ch 139 SLA 98) of \$248,000 in general funds for VPSO Program contracts with non-profit regional corporations. The reappropriation language specified that the amount appropriated was for the fiscal year ending June 30, 1999. This general fund amount is included in the total funding requested for the Contracts component of \$5,766,000.

ORGANIZATIONAL CHANGES

There is one organizational change proposed in the Department of Public Safety budget. A Facility Maintenance BRU and component was added in compliance with Ch 90 SLA 98.

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DEPARTMENT OF PUBLIC SAFETY FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	76,585.1	8,248.2	8,807.3	93,640.6
Fiscal Notes	340.0		30.0	370.0
Special	600.0			600.0
FY98 COLA	85.7	91.0	4.2	180.9
FY99 Authorized	77,610.8	8,339.2	8,841.5	94,791.5
Specials		608.8		608.8
Fund Change	83.1	-83.1		0.0
Transfers In	18.3			18.3
Transfers Out	-18.3			-18.3
FY00 Adjusted Base	77,693.9	8,864.9	8,841.5	95,400.3
Increments	2,046.1	108.8	1,275.8	3,430.7
Decrements		-233.2		-233.2
FY00 Governor Request	79,740.0	8,740.5	10,117.3	98,597.8

Position Summary	PFT	PPT	Tmp
FY99 Conference Committee	757	28	1
FY99 Authorized	757	28	1
Position Adjustment PPT to PFT	3	-3	0
Position Adjustment/Reconciliation	3	1	
FY00 Adjusted	763	26	1
Increments	2	1	0
Decrements	-19	0	0
FY00 Governor	746	27	1

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DEPARTMENT OF REVENUE

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

SIGNIFICANT ISSUES

- The Child Support Enforcement Division (CSED) collects support payments that are passed through to families. If a family is receiving Alaska Temporary Assistance Payments (ATAP) and child support payments, the state passes through a small portion of the support payment to the family and retains the balance to "reimburse" the Temporary Assistance for Needy Families (TANF Title IVA) federal grant. 50% of the balance is transferred to the DHSS, ATAP to supplant the TANF-IVA federal grant and 50% is retained in CSED to supplant the TANF Title IVD federal grant. With Welfare Reform, more families are getting off welfare than projected, therefore collections from obligors that go to families on welfare are fewer and there is less income available to supplant the federal grants. As fewer Alaskans require ATAP assistance, less money is needed in DHSS. Therefore, ATAP requests a decrement in federal receipts and state match. The problem in CSED is that as more Alaskans get off welfare, the federal grant and incentive payments are reduced. However, the CSED case load does not decline with the decline in welfare recipient families. DHSS, ATAP proposes a transfer of \$1.1 million GF/Program Receipts (originally collected by CSED) to CSED to offset its shortfall of federal incentive funding for FY00.

Legislative Analyst Comment: Every state in the nation is facing a similar funding shortfall according to NCSL. Federal incentive funding to CSED for excellence in achieving the goals of the Welfare Reform declines as families no longer need TANF assistance. To resolve the CSED fiscal shortfall, the federal government claims that states must choose 1) not to move people off welfare to be eligible to collect more TANF funding, 2) charge processing fees to the obligors in addition to their child support payment, or 3) fund the shortfall with other funds. No resolution to the Title IVD shortfall of funding has been proposed by the federal Office of Child Support Enforcement at the time of this publication.

Legislative Analyst Comment: CSED shows collections for families on welfare as federal receipts. These receipts should be classified as GF/Program Receipts. Correct classification of these receipts would increase the GF request for CSED by approximately \$7.5 million.

ORGANIZATIONAL CHANGES

FY98 intent language for the Alaska Housing Finance Corporation (AHFC) requested that the corporation clearly reflect accounting practices. That language was vetoed. The AHFC transferred the Rural and Public Housing components into the AHFC Operations component in the FY99 budget request. The Legislature denied the consolidation by moving the funds back to the Rural and Public Housing components. In the FY00 request, funding is again moved into the AHFC Operations component

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DEPARTMENT OF REVENUE FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	10,663.8	105,181.1	28,172.8	144,017.7
Fiscal Notes	8.6	579.2	16.8	604.6
FY98 COLA	27.3	152.2	134.9	314.4
FY99 Authorized	10,699.7	105,912.5	28,324.5	144,936.7
Fund Change	8.7	-8.7	0.0	0.0
Agency Transfers In	1,080.1			1,080.1
Transfers In		4,406.8	15,476.6	19,883.4
Transfers Out		-4,406.8	-15,476.6	-19,883.4
FY00 Adjusted Base	11,788.5	105,903.8	28,324.5	146,016.8
Increments	753.8	4,638.3	1,126.7	6,518.8
Decrements	-51.8	-7,087.6	-48.2	-7,187.6
FY00 Governor Request	12,490.5	103,454.5	29,403.0	145,348.0

Position Summary	PFT	PPT	Tmp
FY99 Conference Committee	781.0	32.0	55.0
Position Adjustment/Reconciliation	1.0	0.0	0.0
FY99 Authorized	782.0	32.0	55.0
Position Adjustment/Reconciliation	2.0	-2.0	0.0
FY00 Adjusted	784.0	30.0	55.0
Increments	6.0	0.0	3.0
FY00 Governor	790.0	30.0	58.0

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DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

The Department of Transportation and Public Facilities is responsible for the planning, design, construction, operation, and maintenance of the state's transportation infrastructure and public buildings. The department also bears responsibility for enforcement of commercial vehicle standards and testing and certification of weight and measurement devices used in commercial transactions.

SIGNIFICANT CHANGES

- Increases totaling \$1,271,000 in International Airport Revenue Fund (IARF) proceeds and eight new full-time positions are requested for the Anchorage International Airport and the International Airport Systems Office. The increases are predicated on an ongoing increase in activity levels and associated fees at the Anchorage International Airport.
- Increased amounts of Capital Improvement Project (CIP) receipts are proposed for planning functions in the amount of \$183,500 and Construction and CIP support functions in the amount of \$765,000. These increased funding levels are predicated on the anticipated expansion of the federal highways program and include one new full-time planning position and six new full-time positions in the Construction and CIP Support components.
- Several changes are proposed for the Measurement Standards and Commercial Vehicle Enforcement component budget: Transfer of federal receipts for commercial vehicle safety enforcement efforts to the capital budget, an attendant increase of \$350,000 in CIP receipts and one new full-time position in the operating budget, and reclassification of \$420,500 in general fund program receipts to general funds for the increased out-of-state commercial vehicle registration fees enacted in HB 404.
- Revisions to State Equipment Fleet (SEF) rate calculation methods have resulted in transfers totaling \$416,000 in general funds to the Central Region Highways and Aviation Maintenance and Operations (M&O) component from Northern and Southeast Region Highways and Aviation M&O components.
- The Alaska Marine Highway System (AMHS) budget has been consolidated for FY00, including transfer of the Kennicott/Malaspina Vessel Operations component (and appropriation) to Southeast Vessel Operations. The Marine Engineering component budget includes a proposed increase of \$255,000 in CIP receipts and three new full-time positions related to anticipated increases in ferry and shoreside facility construction associated with the Southeast Transportation Plan.

ORGANIZATIONAL CHANGES

The agency's appropriation, BRU, and component structure and names have been revised for FY00, a chart reflecting the changes from FY99 to FY00 is available.

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DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	128,869.3	203,257.3	1,308.9	333,435.5
Fiscal Notes	512.9			512.9
Reappropriations	500.0			500.0
FY99 COLA	152.4	792.1	2.9	947.4
FY99 Authorized	130,034.6	204,049.4	1,311.8	335,395.8
ILTF Fund Source Change	143.3	-143.3		0.0
Miscellaneous Adjustments		40.3		40.3
Agency Transfers In	9.4			9.4
Transfers In and Out (net*)		-8.7		-8.7
FY00 Adjusted Base	130,187.3	203,937.7	1,311.8	335,436.8
Increments		3,241.5		3,241.5
Decrements	-83.2	-500.0	-383.6	-966.8
FY00 Governor Request	130,104.1	206,679.2	928.2	337,711.5

* This amount will be reduced to zero when technical corrections are sent by OMB

Position Summary	PFT	PPT	Tmp
FY99 Conference Committee	2,726	647	1
Fiscal Note	9	0	0
FY99 Authorized	2,735	647	1
Position Adjustment	65	0	0
FY00 Adjusted	2,800	647	1
Increments	21	-2	0
FY00 Governor	2,821	645	1

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UNIVERSITY OF ALASKA

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

SIGNIFICANT ISSUES

- The Board of Regents requested general fund increments totaling \$16,263,200. The Governor's budget includes all Board of Regent increments. However, with the exception of salary increases, the general fund portion of the requests was offset by an unallocated reduction of \$10,643,200. The net effect is an increase of \$5,620,000 in general funds.

The front section of the Governor's bill includes language stating that appropriations made to the University include amounts to implement the monetary terms of collective bargaining agreements, for compensation increases for those not covered by collective bargaining agreements, and for potential changes to Public Employee Retirement System and Teacher Retirement System contribution rates.

- The University budget includes increments totaling \$17,750,000 from the following non-general fund sources:
 - \$9,600 in Interest Income;
 - \$9,052,900 in University Receipts;
 - \$1,192,600 in Dorm, Food, and Auxiliary Receipts;
 - \$5,428,000 in Federal Receipts;
 - \$1,544,300 in Student Tuition & Fees Receipts;
 - \$52,500 in Indirect Cost Recovery;
 - \$459,900 in Interagency Receipts; and
 - \$10,200 in CIP Receipts.
- Funding from the Alaska Science Technology Fund remains at the FY99 Authorized level of \$2,630,000.
Legislative Fiscal Analyst comment: Use of this fund source was decreased in the Governor's FY98 budget by \$530,000. The intention was to eliminate use of this source of funding over a five-year period. No reductions occurred in either FY98 or FY99 and none are proposed for FY00.
- The University budget shows an increase from authorized levels of 59 permanent full time positions. These numbers reflect the replenishment of positions reduced in FY99 due to retirement incentive program impacts.

ORGANIZATIONAL CHANGES

There are no organizational changes.

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UNIVERSITY OF ALASKA FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	166,307.6	218,101.5	58,006.2	442,415.3
Fiscal Notes	25.4			25.4
FY99 Authorized	166,333.0	218,101.5	58,006.2	442,440.7
Transfers In	301.4			301.4
Transfers Out	-301.4			-301.4
FY00 Adjusted Base	166,333.0	218,101.5	58,006.2	442,440.7
Increments	16,263.2	12,322.0	5,428.0	34,013.2
Decrements	-10,643.2			-10,643.2
FY00 Governor Request	171,953.0	230,423.5	63,434.2	465,810.7

Position Summary	PFT	PPT	Temp
FY99 Conference Committee	3,387.0	233.0	0.0
FY99 Authorized	3,387.0	233.0	0.0
Position Adjustments	2.0	0.0	0.0
FY00 Adjusted	3,389.0	233.0	0.0
Position Increments	57.0	0.0	0.0
FY00 Governor	3,446.0	233.0	0.0

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ALASKA COURT SYSTEM

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

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

The Court System budget is presented in three Budget Request Units. Appellate Courts, Trial Courts and Administration & Support are components in the Alaska Court System appropriation. The Commission on Judicial Conduct and the Judicial Council are individual appropriations.

SIGNIFICANT ISSUES

- Increments totaling \$361,000 general funds would add six PFT positions and three PPT positions. In addition, the Commission on Judicial Conduct would add \$15,000 general funds to fully fund its two existing positions. Trial Courts would add a PFT Computer Systems Technician, a PPT Library Assistant in Juneau, and a PFT Clerk in Barrow at a cost of \$136,400 (with equipment). Administration & Support requests \$224,600 general funds for one PFT and one PPT human resource position, a PFT Computer Services Librarian, a PPT Library Assistant, a PFT Computer Clerk and a PFT coordinator for Alternative Dispute Resolution programs.

Legislative Fiscal Analyst comment: Funding for five of these positions was requested in FY99. The requests for the Computer Systems Technician, Clerk in Barrow, Computer Clerk, and coordinator for Alternative Dispute Resolution programs are new requests.

- A \$1.417 million general fund increment is requested to improve courthouse security statewide. Funds would pay for 22 Court Security Officers in Ketchikan, Kodiak, Kotzebue, Kenai, Anchorage, Palmer, Dillingham, Fairbanks and Seward.

Legislative Fiscal Analyst comment: The Governor's Office has requested this increment in each of the past two years. The intention is to RSA the funds to the Department of Public Safety (DPS), which has statutory responsibility for providing court security. The increment was developed by DPS, but I/A receipts for this purpose are not included in DPS's FY00 budget. The request might be more properly submitted directly by DPS.

- A \$42,500 general funds increment would pay travel expenses for "circuit-riding judges" to improve service in rural areas. The request is based on a 1997 report by the Court Advisory Committee on Fairness and Access.
- Appellate Court is requesting \$60,000 general funds to continue improvements to case management systems and for electronic dissemination of information.
- Trial Courts is requesting \$109,800 general funds to increase juror pay from \$25 to \$27.50 per day.

Legislative Fiscal Analyst comment: Similar requests in past budgets have been denied.

- In compliance with the recommendation of the Supreme Court's Committee on Fairness and Access, the Judicial Council requests \$194,100 general funds to study disparities in the criminal justice process for felonies.

Legislative Fiscal Analyst comment: The Council claims that study results will aid all branches of government in assessing the effectiveness of budget and policy decisions, and that reduced incarceration costs could quickly repay the costs of the study.

- Three general fund increments totaling \$243,900 are requested to modernize equipment. Trial Courts is requesting \$120,400 as part of a five-year computer replacement plan and an additional \$36,500 for other equipment. Administration & Support and the Judicial Council are requesting \$77,000 and \$10,000, respectively, for replacement computers.

legislative fiscal analyst overview of the governor's request

- Trial Courts and Administration & Support are requesting two general fund increments totaling \$226,300 to cover increased facility operations and routine maintenance costs and improvements to the Ketchikan Court lobby. Another increment would provide \$24,500 general funds to complete furnishing the Palmer Court. Appellate Courts requests an increment of \$19,000 general funds to provide furnishings and facilitate improvements to comply with the Americans with Disabilities Act.
- Trial Courts requests an increment of \$300,000 for unspecified federal grants.

Legislative Fiscal Analyst comment: The Court System has increased its federal grant activity in recent years. Authority to spend the grants has come through RPL requests. This request is the result of discussions with the Legislative Budget and Audit Committee.

ORGANIZATIONAL CHANGES

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

legislative fiscal analyst overview of the governor's request

ALASKA COURT SYSTEM FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	49,373.5	0.0	0.0	49,373.5
Fiscal Notes	124.9			124.9
FY98 COLA	106.7	112.6		219.3
FY99 Authorized	49,605.1	112.6	0.0	49,717.7
One Time Item	-33.7			-33.7
Fund Change	112.6	-112.6		0.0
FY00 Adjusted Base	49,684.0	0.0	0.0	49,684.0
Increments	2,713.1		300.0	3,013.1
FY00 Governor Request	52,397.1	0.0	300.0	52,697.1

Position Summary	PFT	PPT	Tmp
FY99 Conference Committee	665	54	26
Fiscal Notes	3	5	
Position Adjust/Reconciliation	-3	-9	
FY99 Authorized	665	50	26
Position Adjust/Reconciliation			
Line Item Transfer			
FY00 Adjusted	665	50	26
Decrements			
Increments	6	3	
FY00 Governor	671	53	26

legislative fiscal analyst overview of the governor's request

ALASKA LEGISLATURE

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

Legislative Budget and Audit Committee

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

Legislative Council (Legislative Affairs Agency)

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

Legislative Operating Budget

Leadership/Interim Expenses

Ombudsman

MAJOR CHANGES

- The FY99 budget level is proposed in the Governor's FY00 spending plan for the Legislature while displaying the tentative agency request for information purposes.
- The actual legislative budget request will be developed and submitted in its final form to the appropriate oversight and finance committees during the course of the session.

ORGANIZATIONAL CHANGES

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

legislative fiscal analyst overview of the governor's request

ALASKA LEGISLATURE FUNDING SUMMARY

	GF	Other	Federal	Total
FY99 Conference Committee	31,324.8	78.3	0.0	31,403.1
Fiscal Notes	19.5			19.5
Reappropriations	336.7			336.7
FY98 COLA	126.3	133.1		259.4
Misc. Adjustment	-0.1			-0.1
FY99 Authorized	31,807.2	211.4	0.0	32,018.6
Fund Change	133.1	-133.1		0.0
Misc. Adjustment	9.4			9.4
Agency Transfers Out	-9.4			-9.4
FY00 Adjusted Base	31,940.3	78.3	0.0	32,018.6
FY00 Governor Request	31,940.3	78.3	0.0	32,018.6
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Position Summary		PFT	PPT	Tmp
FY99 Conference Committee		218	271	0
FY99 Authorized		218	271	0
FY00 Adjusted		218	271	0
FY00 Governor		218	271	0