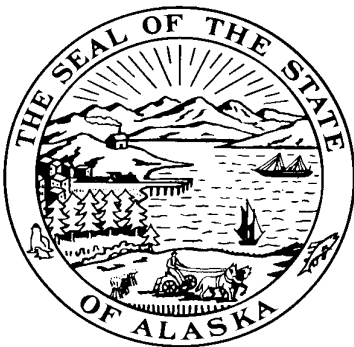


# **The Fiscal Year 2003 Budget:**

## **legislative fiscal analyst overview of the governor's request**

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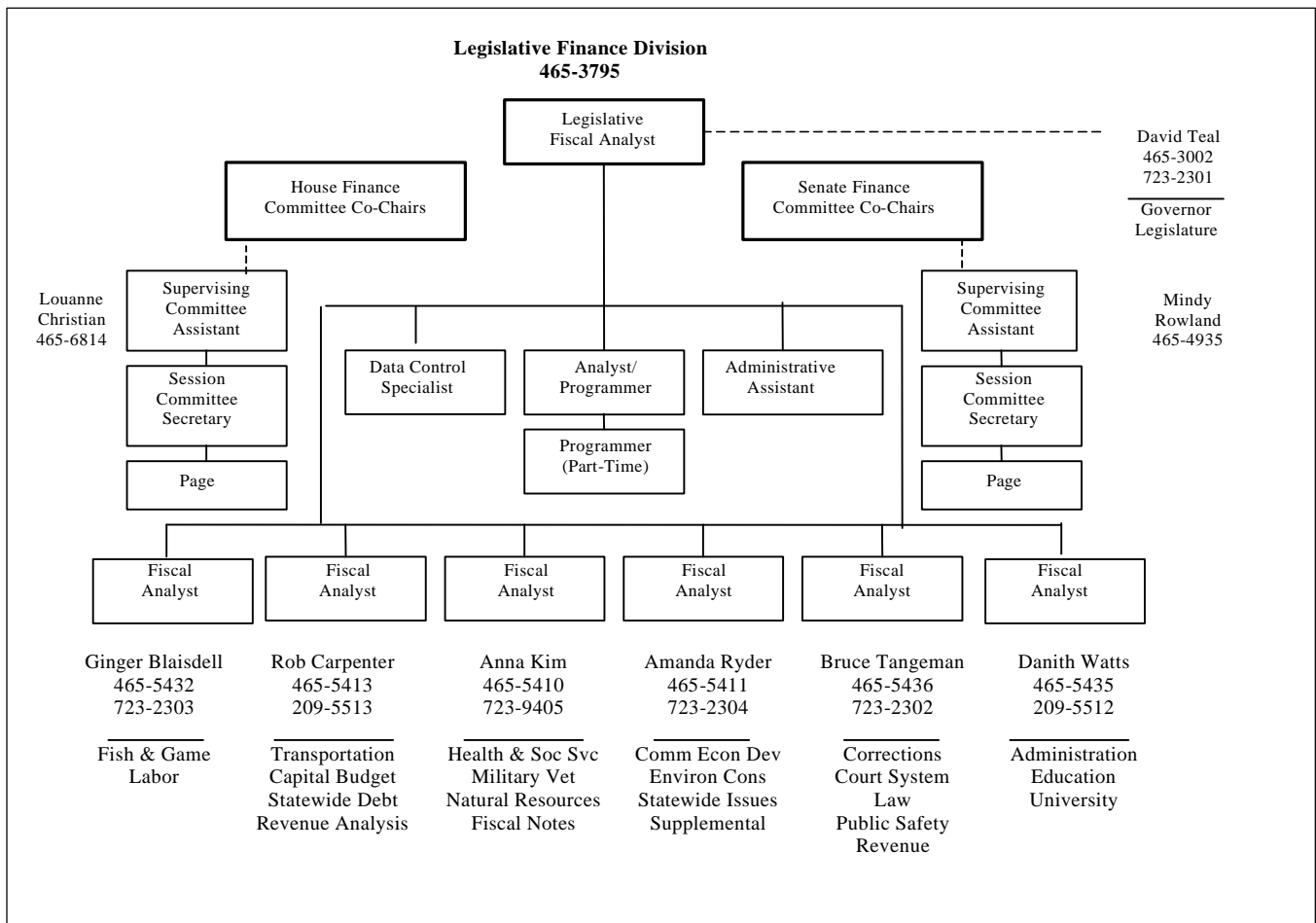
*Legislative Finance Division*

<http://www.legfin.state.ak.us/>

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

- (1) *analyze the budget and appropriation requests of each department, institution, bureau, board, commission or other agency of state government;*
- (2) *analyze the revenue requirements of the state;*
- (3) *provide the finance committees of the legislature with comprehensive budget review and fiscal analysis services;*
- (4) *cooperate with the Office of Management and Budget in establishing a comprehensive system for state budgeting and financial management as set out in the Executive Budget Act (AS 37.07);*
- (5) *complete studies and prepare reports, memoranda or other materials as directed by the Legislative Budget and Audit Committee;*
- (6) *with the Governor's permission, designate the legislative fiscal analyst to serve ex officio on the Governor's budget review committee. [AS 24.20.231]*

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



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# legislative fiscal analyst overview of the governor's FY03 request

## Introduction

By law, the Governor's proposed budget for the upcoming fiscal year is submitted to the legislature and made public by December 15 of each year. The following summary and analysis of the Governor's proposed FY03 budget was prepared by the Legislative Finance Division in accordance with responsibilities assigned by Alaska Statute 24.20.211-231.

## Summary Analysis

The Governor's press release presented a budget that would spend \$179 million more in general funds than was appropriated for FY02. This estimate excludes the impact of several appropriations in the language section of the bill. After discussions with agencies, Legislative Finance determined that the Governor's press release understates the fiscal impact of the bill by about \$13 million in general funds. All discussion in this Overview is based upon the inclusion of those additional costs.

The Governor's proposed FY03 budget is \$7.3 billion. This amount includes federal funds as well as Permanent Fund Dividends, Permanent Fund inflation proofing, and other proposed expenditures that are not classified as general funds.

While familiarity with the comprehensive budget is important, analysis of the budget often focuses on general fund sources only. This narrowed scope is reasonable, given that the state cannot spend more non-general fund money than is available. Put another way, the State's surplus/deficit position is strictly a general fund issue; there is no imbalance in other fund sources.

The imbalance of general fund revenue and general fund expenditures (often called the fiscal gap) remains Alaska's most significant long-term fiscal issue. The Department of Revenue projects FY03 general fund revenue of \$1.4 billion (down \$98 million from FY02). When combined with the Governor's proposed general fund appropriations of \$2.6 billion, the FY03 fiscal gap is \$1.2 billion. By spending nearly twice the amount of revenue available in FY03, Alaska will reduce its Constitutional Budget Reserve Fund balance to \$1.3 billion. The Fund balance is sufficient to underwrite deficits of the proposed magnitude only through FY04.

The projected deficit excludes funding for budget amendments and for initiatives the Governor intends to introduce independent of the capital and operating appropriations bills. These initiatives include the Governor's plans to spend \$47 million of general funds on homeland security. The projected deficit also excludes consideration of revenue measures that may be proposed by the Governor.

Legislative Finance's analysis of the Governor's FY03 capital and operating requests shows general fund increases in the following areas:

Operating Budget:	\$133 million
Capital Budget:	\$0 million
Debt Service/other:	<u>\$60 million</u>
<b>Total:</b>	<b>\$193 million</b>

The Governor's operating request includes increased general fund spending in every agency except Education and Early Development (DEED), Labor and the Legislature. Appropriations in those agencies declined due to reduced state aid for K-12 education (DEED), the final phase of replacing general funds with workers' compensation funds (Labor) and the elimination of one-time studies (Legislature).

Discussions of individual agency issues and budgets comprise the final section of this Overview. Agencies with large general fund increases are:

**Corrections** (\$10 million), with the major issue being replacement of \$5 million in federal funds with general funds.

**Health and Social Services** (\$69 million), with large increases in Medicaid (\$37 million) and Drug and Alcohol Abuse (\$8.5 million).

The **University of Alaska** (\$22 million), which requests additional funding for several initiatives.

There is also a \$26 million increase for **debt service and capitalization of funds**.

## *legislative fiscal analyst overview of the governor's FY03 request*

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Labor cost increases throughout state government (due to a 3% cost-of-living increase and other changes in salary and benefits) are included in all agency requests. The labor cost increases total \$29 million (about \$17 million general funds, after replacing sources with insufficient funds).

### **Federal Funds**

The Governor requests reduced federal authorization of \$28 million. A \$213 million increase federal funding for agency operations (and a small increase in fund capitalization) was more than offset by a \$243 million reduction for capital projects. The Department of Corrections was the only agency with a significant reduction in federal operating funds (\$5 million). Most agencies' FY03 requests for federal funds are similar to last year's authorization. Exceptions are the Department of Health and Social Services (\$201 million increase in Medicaid) and the University of Alaska (\$15 million increase). The reduction of federal funds in the capital budget is attributable primarily to reductions in highway and airport projects (\$170 million) and the University's supercomputer (\$30 million).

### **Other Funds**

Requests for authorization to spend other fund sources (net of duplication) increased by \$77 million. While most agencies show small changes between FY02 and FY03, there are some notable exceptions. The Department of Health and Social Services request (up \$55 million) includes a refinancing plan for Medicaid; the University requests authority to spend \$24 million in increased university receipts; and the Department of Transportation and Public Facilities adds \$9 million in other funds, primarily Alaska Marine Highway Funds.

### **Issues**

The Department of Health and Social Services request accounts for \$67 million of the \$133 million increase in the general fund operating budget. The request is based on the assumption that a refinancing plan for Medicaid will be approved. If the plan cannot be implemented, the agency will require an additional \$56 million general fund increment to provide the level of service reflected in the budget.

A number of funds and fund sources no longer provide historic levels of funding. The Alaska Marine Highway System (AMHS) fund balance has been declining for years. It no longer has the ability to make up revenue shortfalls, so the Governor's request for general funds for AMHS operations is up from less than \$30 million in recent years to over \$45 million in FY03. Eighty percent of Tobacco Settlement revenue of about \$25 million annually has been diverted to bond payments, requiring \$20 million in general funds to replace the diverted revenue. Reduced AHFC dividends for FY03 leave a \$17 million hole that has been filled with general funds.

The Governor claims that several language provisions have no fiscal impact. Legislative Finance estimates that four open-ended provisions affecting the Longevity Bonus and three programs in the Department of Health and Social Services will cost \$13 million in general funds.

The Governor did not ask agencies to run reduction scenarios. These scenarios are useful in identifying efficiencies. Although the lack of reduction scenarios may have little impact on the final budget, they may add time to the subcommittee process if the subcommittees wish to see agency suggestions for budget reductions.

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## Fiscal Summary--FY02/FY03

(\$ millions)

	FY02 Authorized				FY03 Governor's Request				FY02 to FY03
	GF	Federal	Other	Total	GF	Federal	Other	Total	GF
<b>REVENUE</b> (Excludes Permanent Fund Earnings)									
Unrestricted General Purpose Revenue	1,543.8	0.0	0.0	1,543.8	1,445.1	0.0	0.0	1,445.1	(98.7)
AIDEA Receipts	0.0	0.0	17.5	17.5	0.0	0.0	19.0	19.0	0.0
AHFC Receipts	0.0	0.0	58.0	58.0	0.0	0.0	40.4	40.4	0.0
AK Commission on Postsecondary Education	0.0	0.0	4.0	4.0	0.0	0.0	5.3	5.3	0.0
Federal and Other Funds	0.0	2,097.9	822.8	2,920.7	0.0	2,069.6	914.3	2,983.9	0.0
Revenue Added after Publication of Forecast	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Revenue</b>	<b>1,543.8</b>	<b>2,097.9</b>	<b>902.3</b>	<b>4,544.0</b>	<b>1,445.1</b>	<b>2,069.6</b>	<b>979.0</b>	<b>4,493.7</b>	<b>(98.7)</b>
<b>AUTHORIZATION TO SPEND</b>									
<b>Operating (1)</b>	<b>2,197.4</b>	<b>1,149.8</b>	<b>665.9</b>	<b>4,013.1</b>	<b>2,330.4</b>	<b>1,362.6</b>	<b>740.5</b>	<b>4,433.5</b>	<b>133.0</b>
Agency Operations (Non-Formula)	1,135.9	661.5	1,089.7	2,887.1	1,229.8	684.1	1,188.9	3,102.7	93.9
Formula Programs	1,061.5	477.9	78.1	1,617.5	1,100.6	678.5	126.5	1,905.6	39.1
Other Appropriations (2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revised Programs (Legislatively approved only)	0.0	10.4	0.3	10.7	0.0	0.0	0.0	0.0	0.0
Duplicated Authorization	0.0	0.0	(502.2)	(502.2)	0.0	0.0	(574.9)	(574.9)	0.0
<b>Capital</b>	<b>114.0</b>	<b>923.3</b>	<b>163.3</b>	<b>1,200.6</b>	<b>114.0</b>	<b>680.6</b>	<b>129.9</b>	<b>924.5</b>	<b>(0.0)</b>
Project Appropriations	114.0	917.3	172.3	1,203.7	114.0	680.6	171.8	966.5	(0.0)
Bonds / COP's	0.0	0.0	272.9	272.9	0.0	0.0	0.0	0.0	0.0
Revised Programs (Legislatively approved only)	0.0	6.0	32.0	38.0	0.0	0.0	0.0	0.0	0.0
Duplicated Authorization	0.0	0.0	(313.9)	(313.9)	0.0	0.0	(41.9)	(41.9)	0.0
<b>Statewide</b>	<b>105.7</b>	<b>24.8</b>	<b>73.1</b>	<b>203.5</b>	<b>165.6</b>	<b>26.5</b>	<b>108.5</b>	<b>300.6</b>	<b>60.0</b>
Debt Retirement (3)	37.2	0.0	95.5	132.7	44.9	0.0	91.0	135.8	7.6
Non-Debt Fund Capitalization	51.9	24.8	22.4	99.2	69.9	25.2	58.5	153.5	17.9
Supplemental Appropriations (4)	16.5	0.0	0.0	16.5	16.5	0.0	0.0	16.5	0.0
New Legislation	0.0	0.0	0.0	0.0	34.4	1.3	3.3	39.0	34.4
Duplicated Authorization	0.0	0.0	(44.8)	(44.8)	0.0	0.0	(44.2)	(44.2)	
<b>TOTAL AUTHORIZATION (unduplicated)</b>	<b>2,417.1</b>	<b>2,097.9</b>	<b>902.3</b>	<b>5,417.3</b>	<b>2,610.0</b>	<b>2,069.6</b>	<b>979.0</b>	<b>5,658.6</b>	<b>192.9</b>
(excludes Permanent Fund Earnings)									
<b>Draw From Constitutional Budget Reserve</b>	<b>873.3</b>				<b>1,164.9</b>				<b>291.6</b>
<b>Homeland Security (5)</b>	<b>46.7</b>	<b>48.8</b>	<b>6.2</b>	<b>101.7</b>					

Revenue Assumptions:  
 Price per Barrel of Oil  
 Oil Production (MMb/day)

Fall 01 Revenue Source Book  
 \$20.55  
 1.012

Fall 01 Revenue Source Book  
 \$18.81  
 1.070

**Notes:**

- (1) Shared Taxes, Fishery Enhancement Tax Receipts and retained fees are "pass throughs" that are excluded from the budget.
- (2) Includes operating items in the capital budget and excludes debt service and fund capitalization.
- (3) FY02 debt retirement includes \$19.5 million of tobacco settlement revenue diverted to the Northern Tobacco Securitization Corporation for bond retirement.
- (4) Supplemental appropriations for FY02 & FY03 are placeholders.
- (5) Homeland Security estimates from Terrorism Disaster Policy Cabinet recommendations



## Fiscal Summary--FY02/FY03

(\$ millions)

### Constitutional Budget Reserve and Permanent Fund Account Balances

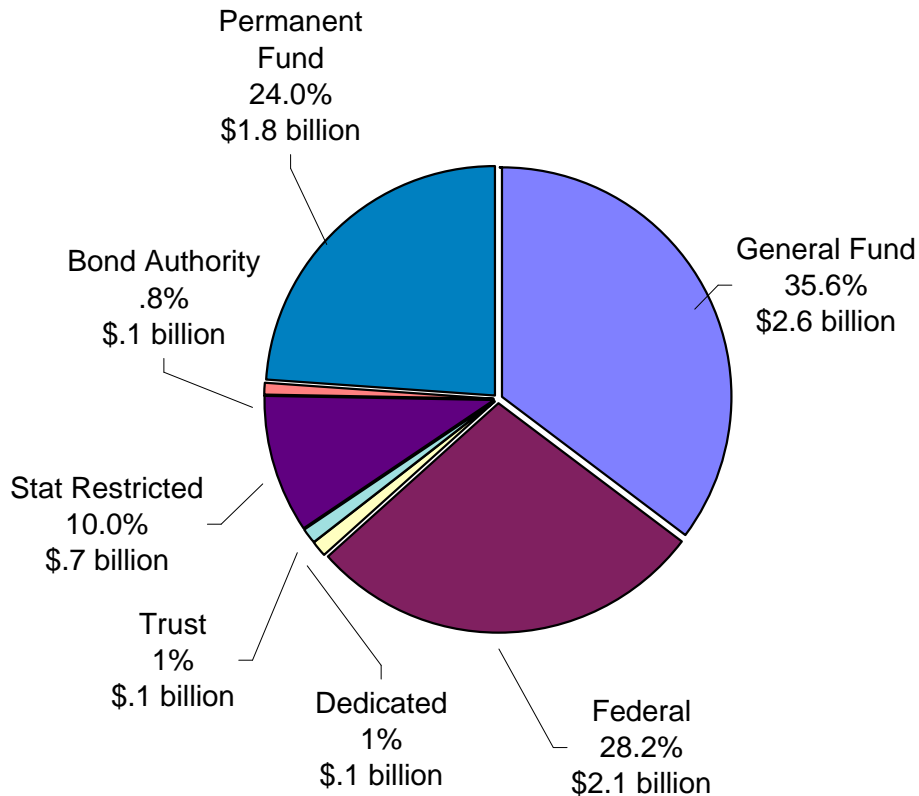
	Constitutional Budget Reserve	Permanent Fund			
		Permanent Fund Total	Principal	Earnings Reserve	Unrealized Gains
FY02 Beginning Balance	2,994.8	24,813.8	21,046.8	2,384.0	1,383.0
Settlements	100.0	-	-	-	-
Earnings/Dedicated Revenues	168.8	392.0	223.0	1,349.3	(1,180.3)
Permanent Fund Inflation Proofing	-	-	687.4	(687.4)	-
Permanent Fund Deposits to Principal	-	-	11.8	(11.8)	-
Permanent Fund Dividend Payout	-	(1,040.0)	-	(1,040.0)	-
Transfer to General Fund	(873.3)	-	-	-	-
Balance Adjustments	-	-	-	-	-
<b>FY02 Ending Balance</b>	<b>2,390.3</b>	<b>24,165.8</b>	<b>21,969.0</b>	<b>1,994.1</b>	<b>202.7</b>
<b>Net Additions to Account Balance</b>	<b>(604.5)</b>	<b>(648.0)</b>	<b>922.2</b>	<b>(389.9)</b>	<b>(1,180.3)</b>
FY03 Beginning Balance	2,390.3	24,165.8	21,969.0	1,994.1	202.7
Settlements	45.0	-	-	-	-
Earnings/Dedicated Revenues	85.7	2,301.1	216.0	1,947.1	138.0
Permanent Fund Inflation Proofing	-	-	721.7	(721.7)	-
Permanent Fund Deposits to Principal	-	-	21.5	(21.5)	-
Permanent Fund Dividend Payout	-	(958.0)	-	(958.0)	-
Transfer to General Fund	(1,164.9)	-	-	-	-
Balance Adjustments	-	(138.0)	-	(138.0)	-
<b>FY03 Ending Balance</b>	<b>1,356.1</b>	<b>25,370.9</b>	<b>22,928.2</b>	<b>2,102.0</b>	<b>340.7</b>
<b>Net Additions to Account Balance</b>	<b>(1,034.2)</b>	<b>1,205.1</b>	<b>959.2</b>	<b>107.9</b>	<b>138.0</b>

**Permanent Fund information is from the Department of Revenue's Fall 2001 Source Book**

<b>Total Authorization (all fund sources)</b>	<b>FY02</b>	<b>FY03</b>	<b>FY02 to FY03</b>
Total Authorization (from Fiscal Summary page 1)	5,417.3	5,658.6	241.3
Permanent Fund Inflation Proofing & Other Transfers	699.2	743.2	44.0
Permanent Fund Dividends (less Op/Cap approps & Hold Harmless)	1,009.7	929.6	(80.1)
<b>Total</b>	<b>7,126.2</b>	<b>7,331.5</b>	<b>205.3</b>

## Fiscal Summary--FY02/FY03

**State of Alaska Expenditures by Category--FY03  
Governor's Request  
Total All Funds: \$7.3 billion**



### Definitions of Funds

**General Fund expenditures** include general fund match, general fund program receipts, "pure" general fund expenditures, and several expenditure codes that are separated for tracking purposes. "Tracking codes" include general fund mental health and tobacco settlement receipts.

**Federal Restricted expenditures** include all federal funds received and spent by the State. Federal funds typically can be used only for the specific purposes for which they are received.

**Dedicated expenditures** as provided for in the Constitution include expenditures by the School Fund (cigarette tax), Public School Fund, Second Injury Fund, Fisherman's Fund and the Fish and Game Fund.

**Trusts** include the Alaska Advance College Tuition Savings Fund, the Alyeska Settlement Fund, the Mental Health Trust, the Exxon Valdez Oil Spill Restoration Fund and several funds associated with public employee retirement systems.

**Statutorily Restricted expenditures** include tuition, food and service fees and interest earned by the University of Alaska; several State loan and enterprise funds; the Marine Highway Fund; receipts of several State corporations and the disaster relief fund.

**Permanent Fund expenditures** include inflation proofing deposits into the Fund, dividends and administrative costs. They also include special deposits to the Fund as appropriated by the legislature.

# legislative fiscal analyst overview of the governor's FY03 request

## Historical Perspective of Budgetary Changes FY95 through FY03 Request

Program funding and staffing levels are reviewed carefully during the appropriation process, but changes from the prior year are typically the primary focus for legislators. To help put the Governor's FY03 request in perspective, Legislative Finance compared the operating budgets for FY95 (the year the Governor's term of office began) through FY03 (the latest budget request).

During the time frame of this comparison, budget fund sources have been added and/or reclassified and items may be treated in different ways. This comparison attempts to overcome those differences by using all fund sources instead of just general funds and by limiting the comparison to appropriations made in the "numbers" sections of operating appropriation bills. (Several language appropriations were excluded from FY95 reports, so their inclusion would distort the comparison.)

As shown in the table below, the FY03 budget is 74 percent higher than the FY95 budget. This reflects a growth rate of about 7.2 percent annually. During the past eight years, state population has increased by 6 percent and the consumer price index has increased by 16 percent. On a real, per capita basis the operating budget has increased by about 40 percent during the Knowles administration, from \$5,500 per capita to \$7,800 per capita.

### A Line Item Comparison of FY95 and FY03 Budgets

	FY95	FY03	FY95 to FY03	FY95 to FY03	Percent of Total Increase
<b>TOTAL</b>	<b>2,850,456.3</b>	<b>4,959,242.7</b>	<b>2,108,786.4</b>	<b>74%</b>	<b>100%</b>
Personal Services	1,160,954.9	1,397,964.9	237,010.0	20%	11%
Travel	44,191.3	56,263.6	12,072.3	27%	1%
Contractual	540,284.8	914,820.8	374,536.0	69%	18%
Commodities	128,362.2	169,524.0	41,161.8	32%	2%
Equipment	18,338.0	25,519.3	7,181.3	39%	0%
Lands/Buildings	1,674.3	701.6	(972.7)	-58%	0%
Grants	984,604.4	2,331,888.4	1,347,284.0	137%	64%
Miscellaneous	(27,953.6)	62,560.1	90,513.7		4%

Note: The Miscellaneous line item is used for undesignated reductions or increases . Agencies can spread the miscellaneous line to other lines at their discretion.

An analysis by line item reveals that the most significant increase in spending, nearly two-thirds of the total, is in **grant** authorization. This funding typically goes to Alaska's children, seniors, disadvantaged citizens, and not-for-profit organizations. The most significant increases in grant programs have occurred in the programs shown below:

## *legislative fiscal analyst overview of the governor's FY03 request*

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### Significant Grant Increases—FY95 to FY03

	FY95 Conference Committee	FY03 Governor's Request	FY95 to FY03	FY95 to FY03
Medicaid Services	140,482.7	839,110.5	698,627.8	497%
K-12 Education	639,213.9	740,646.2	101,432.3	16%
Public Assistance Programs	97,084.1	126,908.7	29,824.6	31%

Clearly, Medicaid is the program with the greatest single impact on the budget. The program accounts for nearly one third of the increase in the budget and grew at an average annual rate of 25 percent from FY95 to FY93.

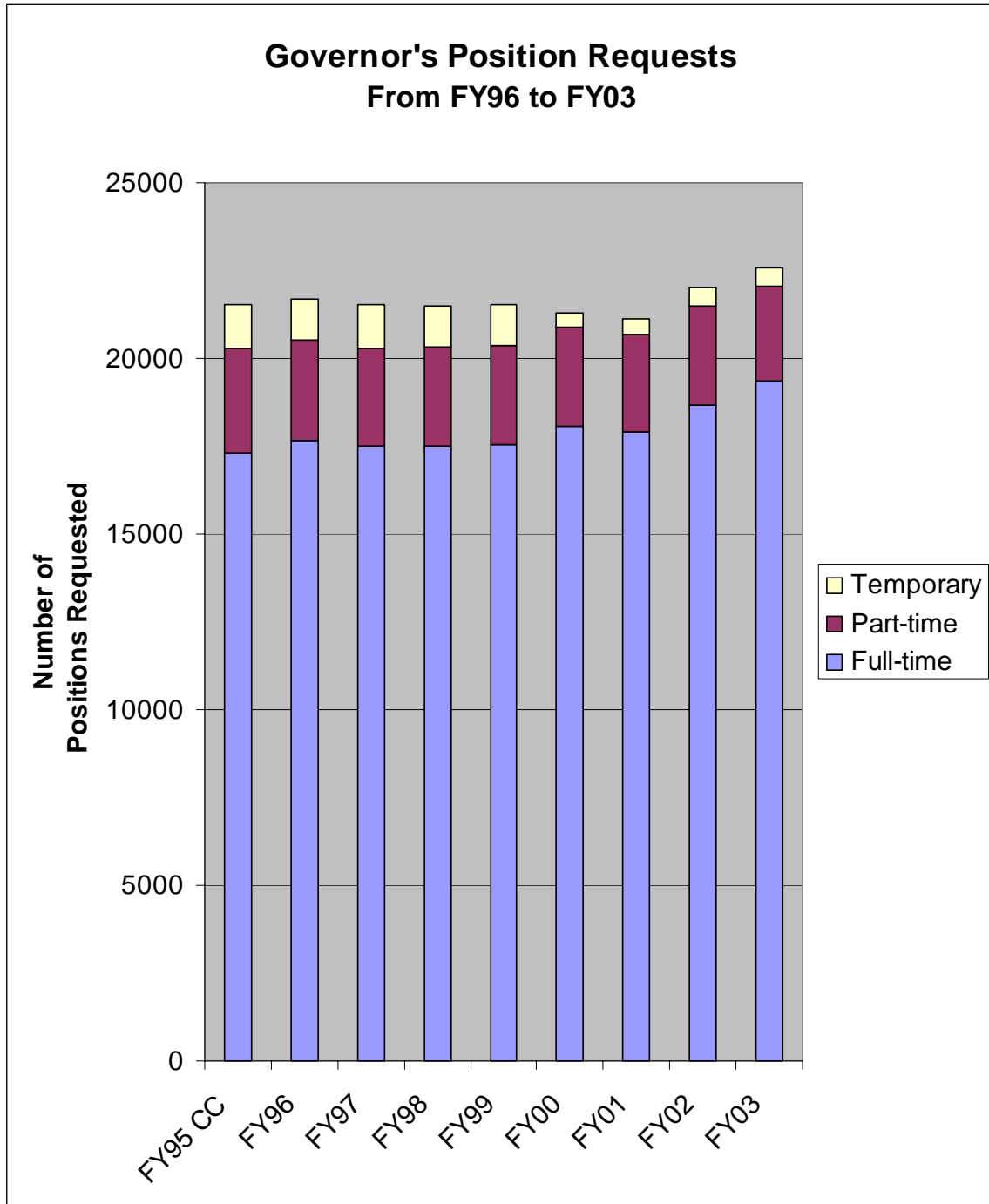
The next highest growth area is in **contractual services**. An increase of 69% could indicate that an increasing portion of state services is being provided by individuals or organizations other than state employees. Some of the major increases in contractual services are shown below.

Department and Section	FY95 Conference Committee	FY03 Governor's Request
Administration	76,686.8	132,074.4
Risk Management		
Leasing		
Computer Services		
Corrections	23,889.9	67,419.2
Community Jails		
Community Residential Centers		
Fish and Game	20,909.5	41,044.8
Departmentwide Special Projects		
Health and Social Services	41,363.4	123,668.7
Public Assistance		
Family and Youth Services		
Revenue	59,409.0	106,059.2
Corporation and ASPIB Investment Fees		

**Equipment, commodities, and travel** expenses have increased 39%, 32%, and 27%, respectively. Inflation directly impacts each of these three categories and explains about half of the increase in spending.

Authority to spend for **personal services** costs shows an increase of 20% over the FY95 authorization, the smallest increase shown in any of the major line items. The FY03 Governor's request is 2,043 full-time positions above the FY95 position count. This is an increase of about 12%. That leaves about 8 percentage points of the cost increase attributable to increases in salary and benefit costs. This is about half the rate of increase in the cost of living.

The graph below tracks positions requested by the Governor for each year since FY95. Position increases were relatively modest from FY05 to FY01. Of the 2,043 new full-time positions added since FY95, over 1,400 were added in FY02 and FY03.



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# ***legislative fiscal analyst overview of the governor's FY03 request***

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## **Operating Budget**

The fiscal summary provides a “big picture” of the budget, including revenue, debt, transfers, new legislation and capital projects. This section of the Overview focuses on the operating budget.

As shown in the following Agency Summary table, the Governor’s proposed FY03 Operating Budget is \$5.3 billion in total funds (\$496.0 more than the FY02 Management Plan). Note that Agency Summary reports include duplicated fund sources and funding for debt service and transfers, while the fiscal summary removes these items from the operating portion of the budget.

The Governor proposes general fund increments of \$157.5 for a \$2.4 billion general fund Operating Budget in FY03. The largest increases are \$67 million in the Department of Health and Social Services, with \$37 million for Medicaid and \$30 million for other programs.

The University of Alaska requests an additional \$21.6 million of GF, about half of which will be used to meet salary and fixed cost increases. The remaining general fund increments will be used to improve programs and to replace lost funding sources.

In addition to summaries of agency budgets, this section of the Overview contains summaries/discussions of:

- Formula and non-formula programs
- positions in the FY03 Governor’s request
- Debt Obligations
- the Governor’s Oil Safety and Development Initiative
- the Constitutional Budget Reserve Fund.

*legislative fiscal analyst overview of the governor's FY03 request*

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**Agency Summary – FY03 Operating Budget – All Funds**

Agency	FY01 Act	FY02 CC	FY02 Auth	02MgtPln	Adj Base	Gov	02MgtPln	to Gov
Department of Administration	274,832.9	284,811.8	285,621.2	285,621.2	283,298.2	306,008.0	20,386.8	7.1 %
Department of Community and Economic Development	125,197.8	148,972.8	148,947.9	148,947.9	141,405.4	153,047.0	4,099.1	2.8 %
Department of Corrections	167,928.5	175,723.9	176,930.7	176,930.7	178,580.1	184,197.8	7,267.1	4.1 %
Department of Education and Early Development	917,840.7	948,711.2	971,537.4	971,537.4	958,279.8	980,514.8	8,977.4	0.9 %
Department of Environmental Conservation	48,528.3	50,955.6	52,303.6	52,303.6	51,696.0	55,059.3	2,755.7	5.3 %
Department of Fish and Game	105,745.3	127,947.7	128,034.8	128,034.8	129,549.2	135,718.6	7,683.8	6.0 %
Office of the Governor	21,243.2	19,996.8	21,809.2	21,809.2	19,233.3	23,440.8	1,631.6	7.5 %
Department of Health and Social Services	1,159,703.8	1,196,799.7	1,202,031.4	1,202,031.4	1,205,824.4	1,529,715.8	327,684.4	27.3 %
Department of Labor and Workforce Development	101,696.7	119,119.6	119,119.6	119,119.6	120,457.7	122,407.4	3,287.8	2.8 %
Department of Law	46,522.5	45,425.8	46,766.7	46,766.7	46,927.5	49,006.5	2,239.8	4.8 %
Department of Military and Veterans Affairs	27,901.6	30,079.2	30,291.2	30,291.2	30,871.7	32,719.6	2,428.4	8.0 %
Department of Natural Resources	83,593.3	72,753.3	73,568.0	73,568.0	71,809.7	79,916.2	6,348.2	8.6 %
Department of Public Safety	96,667.4	102,738.0	104,045.1	104,045.1	105,649.0	110,178.7	6,133.6	5.9 %
Department of Revenue	144,619.3	169,702.1	170,561.6	170,561.6	171,554.0	170,439.1	-122.5	-0.1 %
Department of Transportation/Public Facilities	329,321.1	327,436.7	327,606.7	327,606.7	334,272.7	356,020.3	28,413.6	8.7 %
University of Alaska	472,115.6	548,264.7	553,133.6	553,133.6	551,133.6	620,750.8	67,617.2	12.2 %
Alaska Court System	50,918.8	51,777.6	52,377.8	52,377.8	53,774.8	59,935.2	7,557.4	14.4 %
Legislature	33,681.5	37,640.2	39,960.6	39,960.6	38,803.8	39,257.7	-702.9	-1.8 %
Debt Service and Special Appropriations	80,744.9	219,698.9	262,154.1	262,154.1	0.0	254,490.7	-7,663.4	-2.9 %
<b>Total - Operating Budget</b>	<b>4,288,803.2</b>	<b>4,678,555.6</b>	<b>4,766,801.2</b>	<b>4,766,801.2</b>	<b>4,493,120.9</b>	<b>5,262,824.3</b>	<b>496,023.1</b>	<b>10.4 %</b>
Gen Purpose	2,172,501.6	2,250,543.0	2,286,569.4	2,286,569.4	2,186,963.4	2,444,062.2	157,492.8	6.9 %
Fed Restricted	982,119.9	1,147,717.2	1,164,242.7	1,164,242.7	1,141,567.3	1,371,569.9	207,327.2	17.8 %
Other Funds	1,134,181.7	1,280,295.4	1,315,989.1	1,315,989.1	1,164,590.2	1,447,192.2	131,203.1	10.0 %



*legislative fiscal analyst overview of the governor's FY03 request*

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**Agency Summary – FY03 Operating Budget – General Purpose Funds**

Agency	FY01Act	FY02 CC	FY02 Auth	02MgtPln	Adj Base	Gov	02MgtPln to Gov
Department of Administration	154,705.6	156,940.3	157,658.7	157,658.7	154,768.4	164,320.6	6,661.9 4.2 %
Department of Community and Economic Development	48,995.4	42,904.6	42,904.6	42,904.6	43,286.5	43,146.5	241.9 0.6 %
Department of Corrections	142,519.4	147,323.9	148,268.5	148,268.5	149,859.4	158,248.4	9,979.9 6.7 %
Department of Education and Early Development	723,804.4	733,444.0	754,449.7	754,449.7	741,190.9	753,680.8	-768.9 -0.1 %
Department of Environmental Conservation	11,604.8	13,039.1	13,039.1	13,039.1	13,286.6	16,400.0	3,360.9 25.8 %
Department of Fish and Game	30,223.8	30,907.3	30,907.3	30,907.3	31,414.6	31,947.7	1,040.4 3.4 %
Office of the Governor	17,716.7	16,484.2	18,296.6	18,296.6	15,812.5	19,372.5	1,075.9 5.9 %
Department of Health and Social Services	464,253.5	473,434.8	475,406.4	475,406.4	476,865.1	542,291.0	66,884.6 14.1 %
Department of Labor and Workforce Development	12,991.9	12,228.1	12,228.1	12,228.1	12,395.2	12,056.6	-171.5 -1.4 %
Department of Law	26,515.4	25,473.6	26,737.1	26,737.1	26,581.7	27,639.0	901.9 3.4 %
Department of Military and Veterans Affairs	8,264.5	8,505.5	8,517.5	8,517.5	8,858.7	9,636.2	1,118.7 13.1 %
Department of Natural Resources	50,194.5	37,816.1	35,702.4	35,702.4	35,802.0	38,183.4	2,481.0 6.9 %
Department of Public Safety	75,022.3	75,761.5	76,767.5	76,767.5	78,530.6	81,823.6	5,056.1 6.6 %
Department of Revenue	12,138.0	11,952.3	12,423.0	12,423.0	12,200.7	12,724.2	301.2 2.4 %
Department of Transportation/Public Facilities	97,587.1	97,554.5	97,554.5	97,554.5	99,267.6	104,296.6	6,742.1 6.9 %
University of Alaska	184,136.9	195,500.0	195,500.0	195,500.0	195,500.0	217,119.7	21,619.7 11.1 %
Alaska Court System	50,505.6	50,923.5	51,523.7	51,523.7	52,920.7	59,056.1	7,532.4 14.6 %
Legislature	33,230.8	37,278.1	39,534.6	39,534.6	38,422.2	38,433.4	-1,101.2 -2.8 %
Debt Service and Special Appropriations	28,091.0	83,071.6	89,150.1	89,150.1	0.0	113,685.9	24,535.8 27.5 %
<b>Total Operating Budget</b>	<b>2,172,501.6</b>	<b>2,250,543.0</b>	<b>2,286,569.4</b>	<b>2,286,569.4</b>	<b>2,186,963.4</b>	<b>2,444,062.2</b>	<b>157,492.8 6.9 %</b>

## *legislative fiscal analyst overview of the governor's FY03 request*

### **Formula Funding**

The “formula” and “non-formula” designations are sometimes used to separate mandatory expenditures from discretionary expenditures. Although the breakout is useful, the line between mandatory and discretionary programs is not as clear as the breakout may imply.

**Formula Programs** include payments to municipalities, non-profit organizations and individuals. Funding typically increases in proportion to increases in population served or to cost of service. They are characterized by expenditures in the “grants” line item. Changes in funding (and/or the allocation of funding) for these programs often require a statutory change.

**Non-Formula (Agency Operations)** funding describes costs associated with managing and implementing the state’s services as required by federal law, state statute or regulation, or policy. This category includes the entire operating budget less formula programs, debt service and fund transfers.

Formula programs are sometimes described as nondiscretionary because funding is often determined by statute. For example, K-12 education funding depends on the number of students served, local and federal receipts of the school districts, and other factors that are not directly controlled by the legislature. Based on these factors and the “base student allocation” set by statute, the level of funding is predetermined. Note, however, that the legislature is free to modify the base student allocation or the definition/relationship of other relevant factors to change the level of funding.

Non-formula (agency operations) funding is considered “discretionary” because the legislature can, with no statutory change, determine how much to appropriate for program operations. Note, however, that many non-formula program functions are mandated by state or federal law.

In the Governor’s FY03 Operating Budget request, formula programs use almost half (45%) of the total general fund request. As the following table shows, the FY03 total formula program funding request has grown 3.5% from the FY02 Management Plan. Non-formula funding is up by 8.8%.

The vast majority of formula funding growth is in the Health and Social Services budget. In fact, formula funding in all other agencies (combined) is \$5 million below the FY02 level.

*legislative fiscal analyst overview of the governor's FY03 request*

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**Agency Operating Budgets –Formula vs. Non-Formula Program Funding**

**General Purpose Fund Group Only  
Agency**

	FY02 Management Plan			FY03 Governor's Request			Change from FY02 to FY03		
	Formula	Non-Formula	Total	Formula	Non-Formula	Total	Formula	Non-Formula	Total
Administration	53,727.5	103,931.2	157,658.7	50,936.0	113,384.6	164,320.6	-2,791.5	9,453.4	6,661.9
Community and Economic Development	12,855.2	30,049.4	42,904.6	12,855.2	30,291.3	43,146.5	0.0	241.9	241.9
Corrections		148,268.5	148,268.5		158,248.4	158,248.4	0.0	9,979.9	9,979.9
Education and Early Development	722,671.2	31,778.5	754,449.7	719,748.7	33,932.1	753,680.8	-2,922.5	2,153.6	-768.9
Environmental Conservation		13,039.1	13,039.1		16,400.0	16,400.0	0.0	3,360.9	3,360.9
Fish and Game		30,907.3	30,907.3		31,947.7	31,947.7	0.0	1,040.4	1,040.4
Office of the Governor		18,296.6	18,296.6		19,372.5	19,372.5	0.0	1,075.9	1,075.9
Health and Social Services	271,400.4	204,006.0	475,406.4	315,740.6	226,550.4	542,291.0	44,340.2	22,544.4	66,884.6
Labor and Workforce Development		12,228.1	12,228.1		12,056.6	12,056.6	0.0	-171.5	-171.5
Law		26,737.1	26,737.1		27,639.0	27,639.0	0.0	901.9	901.9
Military and Veterans' Affairs	879.8	7,637.7	8,517.5	1,322.5	8,313.7	9,636.2	442.7	676.0	1,118.7
Natural Resources		35,702.4	35,702.4		38,183.4	38,183.4	0.0	2,481.0	2,481.0
Public Safety		76,767.5	76,767.5		81,823.6	81,823.6	0.0	5,056.1	5,056.1
Revenue		12,423.0	12,423.0		12,724.2	12,724.2	0.0	301.2	301.2
Transportation/Public Facilities		97,554.5	97,554.5		104,296.6	104,296.6	0.0	6,742.1	6,742.1
University of Alaska		195,500.0	195,500.0		217,119.7	217,119.7	0.0	21,619.7	21,619.7
Alaska Court System		51,523.7	51,523.7		59,056.1	59,056.1	0.0	7,532.4	7,532.4
Legislature		39,534.6	39,534.6		38,433.4	38,433.4	0.0	-1,101.2	-1,101.2
Debt Service and Special Appropriations		89,150.1	89,150.1		113,685.9	113,685.9	0.0	24,535.8	24,535.8
<b>Total Operating Budget</b>	<b>1,061,534.1</b>	<b>1,225,035.3</b>	<b>2,286,569.4</b>	<b>1,100,603.0</b>	<b>1,343,459.2</b>	<b>2,444,062.2</b>	<b>39,068.9</b>	<b>118,423.9</b>	<b>157,492.8</b>
Percent of Total Budget	46.4%	53.6%	100.0%	45.0%	55.0%	100.0%	3.5%	8.8%	6.4%

**Formula Funded Programs  
General Purpose Funds  
(in \$ thousands)**

	<b>FY99 Actuals</b>	<b>FY00 Actuals</b>	<b>FY01 Actuals</b>	<b>FY02 Mgt Plan</b>	<b>FY03 Governor</b>
<b>ADMINISTRATION</b>					
Unlicensed Vessel Retirement Plan	0.0	0.0	0.0	75.0	75.0
Retirement & Benefits/EPORS	1,106.3	1,111.5	1,111.5	1,093.9	1,093.9
Longevity Bonus Program	63,528.6	55,897.8	54,829.9	52,558.6	49,767.1
<b>Subtotal</b>	<b>64,634.9</b>	<b>57,009.3</b>	<b>55,941.4</b>	<b>53,727.5</b>	<b>50,936.0</b>
<b>COMMUNITY &amp; ECON DEVEL</b>					
Renter's Equivalency Rebate	300.0	0.0	0.0	0.0	0.0
State Revenue Sharing	21,583.8	12,852.8	12,855.2	12,855.2	12,855.2
Municipal Assistance	26,256.3	15,638.2	15,638.2	0.0	0.0
Fish Enhancement Tax Receipts	4,016.8	3,860.9	5,302.2	0.0	0.0
<b>Subtotal</b>	<b>52,156.9</b>	<b>32,351.9</b>	<b>33,795.6</b>	<b>12,855.2</b>	<b>12,855.2</b>
<b>EDUCATION</b>					
Public School Foundation	631,070.6	643,794.4	643,179.4	663,781.0	656,921.9
Tuition Students	1,921.2	2,225.0	2,225.0	2,225.0	2,625.0
Boarding Home Grants	185.9	185.9	167.3	185.9	185.9
Youth in Detention	800.0	800.0	1,100.0	1,100.0	1,100.0
Schools for the Handicapped	3,801.7	4,357.6	4,231.5	4,315.3	4,482.1
Community Schools	500.0	400.0	500.0	500.0	500.0
Pupil Transportation	36,609.6	41,914.8	42,413.5	50,564.0	53,933.8
<b>Subtotal</b>	<b>674,889.0</b>	<b>693,677.7</b>	<b>693,816.7</b>	<b>722,671.2</b>	<b>719,748.7</b>
<b>HEALTH &amp; SOCIAL SERVICES</b>					
ATAP (Formerly AFDC)	40,005.0	37,414.4	35,591.9	27,542.0	27,171.7
Adult Public Assistance	44,065.4	46,153.0	47,483.5	49,229.6	51,761.2
General Relief Assistance	829.3	871.6	945.6	829.3	1,061.4
Old Age Asst.-ALB Hold Harmless	2,377.2	2,198.2	1,962.3	1,760.0	1,527.9
Tribal Assistance	0.0	2,108.7	3,908.1	6,783.9	7,154.2
Medicaid State Programs	2,369.5	0.0	0.0	0.0	0.0
Medicaid Services	131,522.9	145,514.7	152,791.1	155,907.0	193,102.0
Catastrophic & Chronic Illness	3,045.0	3,653.5	4,304.4	4,000.0	4,000.0
Child Care Benefits	6,104.3	6,102.1	3,000.0	3,000.0	3,000.0
Children's Health Eligibility	0.0	816.2	538.7	889.1	889.1
Foster Care	12,813.8	13,912.3	12,917.1	12,854.1	14,421.9
Subsidized Adoptions/Guardians	5,305.9	6,401.4	8,356.5	8,105.4	11,151.2
Court Ordered Reunification	0.0	0.0	500.0	500.0	500.0
<b>Subtotal</b>	<b>248,438.3</b>	<b>265,146.1</b>	<b>272,299.2</b>	<b>271,400.4</b>	<b>315,740.6</b>
<b>MILITARY &amp; VETS' AFFAIRS</b>					
National Guard Retirement	1,104.5	1,104.5	879.8	879.8	1,322.5
<b>TOTAL AGENCY FORMULA FUNDING</b>	<b>1,041,223.6</b>	<b>1,049,289.5</b>	<b>1,056,732.7</b>	<b>1,061,534.1</b>	<b>1,100,603.0</b>

# *legislative fiscal analyst overview of the governor's FY03 request*

## Position Comparison

The Governor's FY03 Operating Budget request includes 1,030 more permanent full time (PFT) employees than were authorized in the FY02 Conference Committee Budget. Almost 500 of these employees were added by the Administration during FY02.

The Governor's funding description for the additional 536 PFTs for FY03 is as follows:

- 25 positions are in self-supporting enterprises (Alaska Aerospace Development Corporation, Ted Stevens Anchorage International Airport).
- 14 positions are funded with user fees and other funds.
- 77 positions are for federally funded construction and services.
- 12 positions are for programs or facilities approved by the Legislature last year.
- 29 positions are for the new Oil Safety & Development Initiative and are mostly funded with GF.
- 75 existing part-time and nonpermanent positions are being converted to full-time.
- Funding for the remaining 197 positions is unclear.

### Net Change (Perm Full-Time)

Agency	FY02 CC	FY02Mgt Plan	FY03 Gov Request	FY02 CC-FY03 Gov	FY02 Mgt Plan-FY03 Gov
Administration	1,371	1,387	1,415	44	28
Comm Econ Dev	477	483	506	29	23
Corrections	1,459	1,469	1,481	22	12
Education	370	400	420	50	20
Envir Cons	480	483	509	29	26
Fish and Game	855	878	894	39	16
Governor	175	179	186	11	7
H&SS	2,337	2,415	2,453	116	38
Labor	793	827	852	59	25
Law	460	469	474	14	5
Military Vet Affairs	246	253	259	13	6
Natural Resources	579	630	656	77	26
Public Safety	738	748	759	21	11
Revenue	807	816	828	21	12
DOT&PF	2,874	2,901	2,985	111	84
University	3,388	3,554	3,736	348	182
Courts	670	678	687	17	9
Legislature	230	233	239	9	6
<b>Statewide</b>	<b>18,309</b>	<b>18,803</b>	<b>19,339</b>	<b>1,030</b>	<b>536</b>

## *legislative fiscal analyst overview of the governor's FY03 request*

AS 39.25 establishes the system of personnel administration within the state, including the governor's authority to create and appoint positions within the executive branch and the responsibilities of the personnel board. Some of these powers have been delegated to individual departments. Exempt service employees (AS 39.25.110) are exempt from the provisions of this chapter in the way it is currently enacted. Positions in the partially exempt service are included in the position classification plan established under this chapter. A position that is paid (even a portion) from capital project appropriations (CIP Receipts), is required to be shown in the operating budget. These positions can vary widely from one year to the next.

Positions (i.e. Position Control Numbers – PCNs) do not necessarily equate to the number of actual employees. Positions may be double filled, triple filled, etc. This generally should occur on a short-term basis, i.e. for training purposes where the outgoing employee remains to assist in training an incoming employee for that position. There are times, however, when circumstances dictate 24-hour position coverage or special coverage and more than one person fills a single PCN. For example, Vessel Operations positions in the Department of Transportation and Public Facilities reflect the required vessel positions, but not the number of employees who work in those positions (i.e. "A" and "B" crews). Another example is the Department of Natural Resources which hires many employees into firefighting positions of necessity on an emergency basis—literally hundreds of people per PCN for varying lengths of time—which are not fully reflected by PCN count.

Currently, departments retain unfilled positions to meet the vacancy requirement in the governor's budget process. New positions may be added while others remain vacant to accommodate the intentional short funding that vacancy mandates. The Legislative Finance Division budget reports do not identify positions that may be vacant.

Each phase of the budget process and implementation by the agencies could require an adjustment in the number of PCNs. The following paragraphs identify position changes in the Governor's FY03 budget request at each phase of the FY02 budget implementation and preparation for FY03.

From the Conference Committee closeout in May 2001, the number of positions legislatively "approved" is identified on Legislative Finance's budget system reports. The Conference Committee budget is then entered into the state's accounting and payroll systems and within limits, adjustments are made. This phase of the budget is typically called the Authorized budget, identifying what was authorized by the legislature. Positions are adjusted at the "Authorized" phase to identify PCN counts affected by fiscal notes or other agency-identified corrections to the PCN count.

	<b>Conference Committee</b>	<b>FY02 Authorized</b>	<b>Difference</b>
Permanent Full Time	18,309	18,481	172
Permanent Part Time	2,776	2,789	13
Temporary	504	504	0

After the budget information is entered into the state's accounting and payroll systems, agencies prepare a "reconciliation" revised program (RP) that adjusts funding and positions to more adequately reflect where expenditures will be made during the fiscal year. The reconciliation RP process begins July 1 of a fiscal year and is usually completed within a couple of months. Agencies may submit additional RPs to OMB throughout the fiscal year as needs change. The management plan position count most closely reflects the position count in November as the agencies are preparing their next year's budget request.

## *legislative fiscal analyst overview of the governor's FY03 request*

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	<b>FY02 Authorized</b>	<b>FY02 Management Plan</b>	<b>Difference</b>
Permanent Full Time	18,481	18,803	322
Permanent Part Time	2,789	2,749	-40
Temporary	504	524	20

Adjusted Base is a phase of budget preparation where agencies plan the next fiscal year's changes and introduce transfers of programmatic responsibility. These are changes that have not been reviewed by the legislature but are discussed during the House and Senate Finance Sub-Committee review process.

	<b>FY02 Management Plan</b>	<b>FY03 Adjusted Base</b>	<b>Difference</b>
Permanent Full Time	18,803	18,873	70
Permanent Part Time	2,749	2,682	-67
Temporary	524	504	-20

Increments and Decrements to the budget are requested in the final phase of the Governor's budget request. Again, positions may be adjusted with program changes as requested by the Governor. If the legislature does not approve an increment that includes the addition of new positions, Legislative Finance does not add the positions to their budget system reports.

	<b>FY03 Adjusted Base</b>	<b>FY03 Governor's Request</b>	<b>Difference</b>
Permanent Full Time	18,873	19,339	466
Permanent Part Time	2,682	2,719	37
Temporary	504	542	38

In summary, the total position request from the close of the legislative session 2001 to the Governor's request made December 15, 2001 has changed by:

	<b>Conference Committee</b>	<b>FY03 Governor's Request</b>	<b>Difference</b>
Permanent Full Time	18,309	19,339	1,030
Permanent Part Time	2,776	2,719	-57
Temporary	504	542	40

# legislative fiscal analyst overview of the governor's FY03 request

## Debt Obligations

Total State debt service obligations for FY03, excluding corporate debt such as that of AHFC and AIDEA, amount to \$163 million. This is an overall increase of \$8.7 million from FY02. Debt service paid with general funds increased \$7.6 million to \$44.9 million.

The Governor proposes capitalizing the Alaska Debt Retirement Fund (ADRF) with \$41.3 million in general funds. If AHFC dividends are spent as the Governor requests, no dividend will be available to capitalize the ADRF. In FY02, \$6 million in AHFC dividends were used for this purpose.

Ch. 130, SLA 2000 (HB 281) redirected 40% of the tobacco settlement revenue stream to pay debt service on \$93 million in bonds issued for school construction. Ch. 96, SLA 2001 (HB 234) redirected another 40% of the tobacco settlement revenue stream to pay debt service on \$110 million in bonds issued for school construction and directs the remaining 20% to capitalize the Tobacco Use Education and Cessation Fund. The debt service on these tobacco bonds and the debt service paid with AHFC dividends retained by the corporation do not appear on the fiscal summary.

**Legislative Fiscal Analyst Comment:** *The \$279 million of capital projects funded with a combination of Tobacco Revenue Bonds and AHFC Revenue Bonds have a long-term impact on the general fund. The tobacco bonds are secured by 80% of Alaska's revenue stream from the class action tobacco settlement with Phillip Morris. This revenue (approximately \$20 million for FY03) has been sold to the Northern Tobacco Securitization Corporation<sup>1</sup> (NTSC) for tobacco bond redemption. Similarly, increased AHFC revenue bonding for capital projects has reduced the AHFC dividend available for non-debt purposes. Of the \$96.3 million FY03 dividend, only \$40.4 million<sup>2</sup> would be available for non-debt use given the governor's proposed budget. As debt service requirements increase, additional general fund appropriations are required to fund programs and the ADRF.*

**Legislative Fiscal Analyst Comment:** *Allowing AHFC to retain a portion of the dividend without an appropriation reduces legislative oversight, provides poor tracking of funds and understates state debt service obligations. The preferred approach is to appropriate \$55.9 million in FY03 AHFC dividends to the Debt Retirement Fund, then appropriate money from the Debt Retirement Fund to AHFC for payment of specific debt obligations.*

School Debt Reimbursement requirements have decreased \$742,000 to a total of \$56.3 million. The Governor proposes funding school debt reimbursement with \$29 million in School Funds<sup>3</sup> and \$27.3 million from the ADRF.

Debt service obligations for Certificates of Participation (COPs) have increased by \$1.6 million to a total of \$14.1 million. Additionally, the Governor proposes appropriating \$8.8 million of general funds to the Department of Administration for lease payments to the Municipality of Anchorage and AHFC.

**Legislative Fiscal Analyst Comment:** *The Municipality of Anchorage issued municipal bonds to pay for the construction of the Anchorage jail. The bonds are secured by lease payments from the State of Alaska for use of the jail. AHFC purchased the Robert B. Atwood building for approximately \$39 million in cash and then issued revenue bonds secured by the building itself and lease payments from the State. OMB classifies both of these payments as debt obligations of the state. The Atwood building payment is effectively pass-through-to-the-state debt service. The Anchorage jail payment, however, is unique. The State of Alaska will never own the jail, but the payment is considered a capital lease (a lease for more than 70% of an asset's useful life), and the state's credit rating could be affected if the lease were terminated. Legislative Finance favors the interpretation that the payment is a lease because Anchorage will maintain ownership of the jail.*

Debt service for international airport revenue bonds has increased \$994,000 to a total of \$17.7 million. Additional airport bonds authorized in Ch. 99, SLA 2001 (SB 218) are scheduled to be issued in April of 2002 with expected debt service payments to commence in FY04. Debt payments are projected to increase \$12 million by FY05.

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<sup>1</sup> A subsidiary of AHFC

<sup>2</sup> \$96.3 million dividend less \$51 million in debt service payments for prior bonding, less \$4.9 million for the FY03 proposal of \$55 million in new AHFC bonding (public housing unit renovation).

<sup>3</sup> The School Fund consists of all proceeds derived from the payment of taxes, fees, penalties and license fees under the Cigarette Tax Act (AS 43.50.010-180). Its intended purpose is funding new school construction.



## legislative fiscal analyst overview of the governor's FY03 request

The Alaska Clean Water Fund's and the Alaska Drinking Water Fund's interest earnings are appropriated to their revenue bond redemption funds (\$1.6 million and \$1 million, respectively). In FY01 and again in FY02, both funds issued revenue bonds secured by the funds' loans and assets. The proceeds of the bond sales were used to meet the match requirement for federal grants. The bonds were paid in full the day after issuance with the interest earnings of the respective funds. Because of federal regulations restricting use of the funds' assets, the interest earnings were effectively recycled by the bond issuance and payback, and used as the state match to the federal grants.

<b>State of Alaska Debt Service</b>				
(\$ thousands)				
		<u>FY 02</u>	<u>FY03 Gov</u>	<u>Change</u>
<b><u>General Funds Use</u></b>				
ADRF Capitalization		33,678	41,308	7,630
Leases:				
	Anchorage Jail	-	-	-
	Robert B. Atwood Building	3,549	3,549	-
		<u>37,228</u>	<u>44,858</u>	<u>7,630</u>
<b><u>ADRF Use</u></b>				
COPs (lease purchase):	Alaska Psychiatric Institute	-	1,636	1,636
	Palmer Airport Fire Facility	767	760	(7)
	Spring Creek Correctional Facility	4,022	4,002	(20)
	Palmer Courthouse	416	416	(0)
	Kenai Courthouse	563	566	3
	Anchorage Times Building	790	789	(0)
	Soldotna DOT Maintenance Facility	637	637	(1)
	Anchorage Health Lab	2,261	2,288	26
	Fairbanks Courthouse	2,895	2,900	5
	Trustee Fees	100	100	-
School Debt Reimbursement		<u>27,971</u>	<u>27,272</u>	<u>(699)</u>
		<b>40,421</b>	<b>41,365</b>	<b>943</b>
<b><u>Other Funds Use</u></b>				
International Airport Revenue Bonds				
	Int. Airport Revenue Funds	16,750	17,744	994
School Debt Reimbursement				
	School Fund	29,049	29,006	(43)
ADRF Capitalization				
	AHFC Dividend	6,000	-	(6,000)
Capital Project Bonding				
Ch. 26, SLA 1996; Sec. 2(c), Ch. 129, SLA 1998; Sec. 10, Ch. 130, SLA 2000	AHFC Dividend	45,000	51,000	6,000
Sec. 10, Ch. 130, SLA 2000; Ch. 96, SLA 2001	Tobacco Settlement Receipts	20,106	20,192	85
AK Clean Water Bond Redemption Fund Capitalization				
	Clean Water Fund Interest	1,680	1,680	-
AK Drinking Water Bond Redemption Fund Capitalization				
	Drinking Water Fund Interest	850	1,061	211
		<u>119,435</u>	<u>120,682</u>	<u>1,247</u>
	<b>Total Debt Obligations</b>	<b>\$ 154,133</b>	<b>\$ 162,799</b>	<b>\$ 8,666</b>

The total excludes duplicate (ADRF) and Clean and Drinking Water fund capitalization

# *legislative fiscal analyst overview of the governor's FY03 request*

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## **Oil Safety and Development Initiative**

The FY03 Operating Budget contains increments in six agencies totaling \$4.8 million (\$3.7 million of GF) to support the Governor's Oil Safety and Development Initiative (the "Initiative"). This Initiative is designed to improve monitoring of environmental and workplace safety at oil and gas production facilities on the North Slope and Cook Inlet, and to streamline the oil and gas permitting process.

Citing a commitment to environmental protection and regulatory efficiency, Governor Knowles directed the six agencies dealing with oil and gas resources to review their current activities in light of the following changing conditions:

- increased leasing, permitting and exploration;
- increased activity in off-shore and more remote areas;
- shorter winter drilling seasons;
- level or reduced agency budgets and staffing levels;
- aging infrastructure in both Cook Inlet and the North Slope;
- pipeline and valve failures in recent years;
- new security concerns.

Legislative Fiscal Analyst Comment: There are no increments specifically addressing security concerns in the Governor's FY03 operating budget. The Homeland Security Bill will address these concerns.

### **Total Funding and Positions**

General funds comprise \$3.7 million of the \$4.8 million requested for this Initiative. There would be a total of 29.5 positions added.

**The Department of Environmental Conservation's** budget is slated to receive a large share of the funding (54%) under this Initiative. A total of \$2.1 million in GF, \$600.0 in Clean Air Funds and thirteen positions are requested. According to DEC, aggressive exploration in areas west of the Kuparuk River and in the National Petroleum Reserve (NPR-A) is making it very difficult for existing staff and resources to keep up with this increased activity.

The requested funding in the Air and Water Quality components would enable DEC to open a North Slope field office in Deadhorse and to hire eight people to increase air and water quality monitoring, inspections, and oil spill preparedness drills.

The Statewide Public Services component requests \$125.0 in GF to hire an employee to identify potential problems, work with the industry on design and technology, mitigate environmental impacts, and streamline the permitting process.

The Industry Preparedness and Pipeline Operations component requests an increment of \$451.2 in GF to increase the number of exercises conducted to test and determine compliance with oil discharge prevention contingency plans.

The Prevention and Emergency Response component requests \$244.0 in GF to hire an employee, increase the number of exercises conducted and increase the number of inspections to determine compliance.

**The Department of Administration, Alaska Oil and Gas Conservation Commission (AOGCC)** component requests \$562.5 in AOGCC Receipts. According to the Governor's December 12, 2001 press release, the number of wells in Alaska has increased from less than 1,000 in the early 1980s to over 3,600 today while the number of state staff monitoring wells is the same as it was 20 years ago. This increment would be used to hire three full-time positions and one part-time position. In addition, a three year professional services contract with a reservoir engineer is budgeted at a cost of \$125.0 per year.

**The Department of Labor, Occupational Safety & Health** component requests an increment of \$222.7 in GF to fund an Industrial Hygienist position and an Electrical Inspector. These two Anchorage-based positions would provide compliance and inspection services to new and existing wells and drilling projects.

## ***legislative fiscal analyst overview of the governor's FY03 request***

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**The Department of Public Safety**, Fire Prevention Operations component, requests an increment of \$500.0 in GF to:

- Hire three permanent full-time employees.
- Conduct fire and life safety inspections of all oil, gas and energy resource facilities that were deemed part of the priority inspection program.
- Provide timely processing of plan reviews and ensure accurate reviews are conducted for new and renovated facilities.
- Investigate complaints for validity, identification and correction if required.
- Perform fire investigations to determine the origin and cause of fires.
- Increase fire and life safety inspections by the Fire Marshall's office to ensure worker and resource protection.

***Legislative Fiscal Analyst Comment:*** *Until recently, the producers have regulated themselves. However, the Agency believes that the aging facilities and support systems justify the need for on-site state supervision.*

**The Department of Fish and Game**, Habitat component requests an increment of \$222.6 in GF for two positions who will work to see that projects are constructed in an environmentally sound manner and to ensure habitat restoration and protection of fish and wildlife.

**The Department of Natural Resources**, Oil and Gas component requests an increment of \$500.0 in GF to hire four new positions (and other associated costs) with four goals in mind:

1. Bring new exploration and development companies into the state.
2. Accelerate issuance of leases.
3. Assure proper reservoir management, maximization of oil and gas recovery and the proper royalty share of production.
4. Fast permitting and more inspection of operations in areas with private surface ownership and state leases.

The Claims, Permits & Leases component requests an increment of \$110.0 in GF to fund a position to supplement increased shallow gas leasing activities.

The Title Acquisition & Defense component requests \$80.0 in GF to hire a Natural Resource Officer II position. The state may lease land only where it owns the subsurface rights. Therefore, before a lease may be issued in accordance with AS 38.05.180(f) and (m), DNR must conduct a title search. There is presently a 6-month backlog for Oil & Gas lease sale title reports.

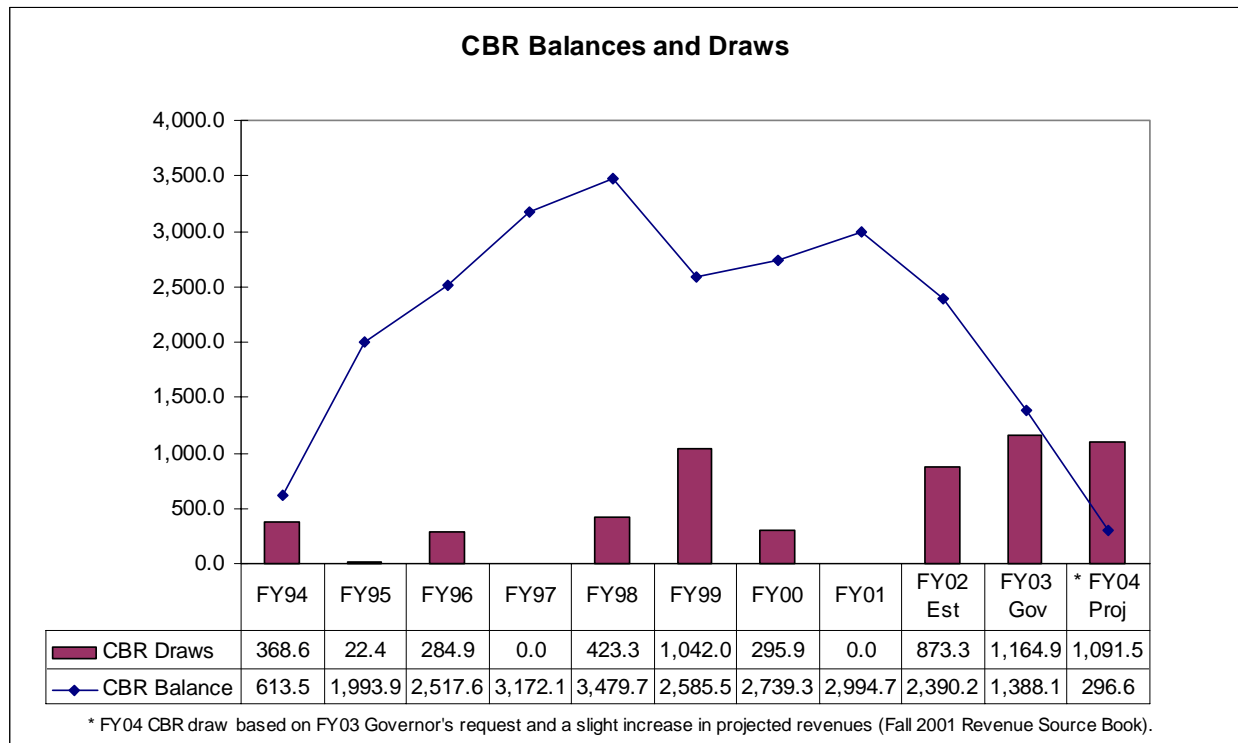
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# *legislative fiscal analyst overview of the governor's FY03 request*

## **Constitutional Budget Reserve Fund**

The Constitutional Budget Reserve Fund (CBRF) was created when SJR 5 (1990 legislative session) was followed by a public vote to amend the Alaska Constitution effective January 2, 1991. Article IX, section 17 establishes the CBRF 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.

The Constitutional Budget Reserve Fund was originally intended to act as a shock absorber; it would fill in budget deficits during years when oil prices were low and be replenished during years when oil prices were high. Unfortunately there have been only two years since the fund was established when oil revenues were high enough to replenish the CBR. With modest oil prices projected for the foreseeable future, it appears the fund will be depleted within the next few years. The following graph shows the history of the CBRF balances and amounts needed to fill the gaps by fiscal year.



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.

The extent of judicial guidance is the Supreme Court’s finding that the “amount available for appropriation” includes all money over which the legislature has retained the power of appropriation and which require further appropriation before expenditure.

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

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- 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. No withdrawals from the CBR have been made under section 17(b).

# legislative fiscal analyst overview of the governor's FY03 request

## Language Sections of the Governor's Operating Bill-FY03

**Sec. 4. ALASKA AEROSPACE DEVELOPMENT CORPORATION.** Corporate receipts of the Alaska Aerospace Development Corporation received during the fiscal year ending June 30, 2003, that are in excess of the amount appropriated in sec. 1 of this Act are appropriated to the Alaska Aerospace Development Corporation for operations during the fiscal year ending June 30, 2003.

This provision limits legislative oversight of the Alaska Aerospace Development Corporation by allowing the corporation to spend all AADC receipts received from any source during FY03. Note, however, that

- (1) the corporation is legally separate and independent from the state and has a board of directors charged with overseeing corporate activity,
- (2) two legislators are ex officio members of the AADC board of directors and
- (3) AADC must submit a full operational and financial report to the legislature by the third day of each regular session of the legislature.

**LFD Recommendation:** Section 1 language allows AADC to carry forward balances from FY02. The combination of authority to spend FY02 carryforward and FY03 receipts limits scenarios in which AADC would be required to obtain additional authorization through the Legislative Budget and Audit Committee. AADC receipts should be deleted from the list of fund sources (in section 12) that may be increased by LB&A.

**LFD Recommendation:** Alaska Science and Technology Foundation receipts could be deleted from the list of fund sources (in section 12) that may be increased by LB&A if language similar to that in Section 4 applied to ASTF.

**Funding:** The agency's estimated impact of this section is \$9 million AADC Receipts. Although the estimate provided by the department is probably on the high side, we have no factual basis for revising the estimate.

**Sec. 5. ALASKA CHILDREN'S TRUST.** The portions of the fees listed in this section that are collected during the fiscal year ending June 30, 2003, are appropriated to the Alaska children's trust (AS 37.14.200):

- (1) fees collected under AS 18.50.225, less the cost of supplies, for the issuance of birth certificates;
- (2) fees collected under AS 18.50.272, less the cost of supplies, for the issuance of heirloom marriage certificates; and
- (3) fees collected under AS 28.10.421(d) for the issuance of special request Alaska children's trust license plates, less the cost of issuing the license plates.

This provision appropriates (to the principal of the Alaska Children's Trust) net receipts collected during FY03 from sales of heirloom birth certificates, heirloom marriage certificates and Trust license plates.

The Alaska Children's Trust was created by Chapter 19, SLA 88. The legislature appropriated \$6 million from the investment loss trust fund to the principal of the trust in Chapter 123, SLA 96. The trust was established to provide a continuing source of revenue for grants to community-based programs for the prevention of child abuse and neglect. Permissible uses of the trust are: awarding of grants, obtaining private and federal grants for the trust, soliciting contributions, gifts, and bequests for the trust, and reimbursement to the Department of Revenue for the costs of establishing the trust.

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**Funding:** OMB projects \$25.6 net proceeds from the sale of certificates/plates. Legislative Finance considers the net proceeds to be contributions to the Children's Trust. As such, they are revenue and require no appropriation into the Trust. Appropriations are required to spend earnings on Trust balances.

**Sec. 6. ALASKA HOUSING FINANCE CORPORATION.** (a) The board of directors of the Alaska Housing Finance Corporation anticipates that the net income from the second preceding fiscal year will be available in each of the fiscal years 2003 through 2008. During fiscal year 2003, the sum of \$96,300,000, which was the net income from fiscal year 2001, is anticipated to be transferred by direction of the Alaska Housing Finance Corporation board of directors from the available unrestricted cash in the general account of the Alaska housing finance revolving fund (AS 18.56.082) for repayment of bonds authorized under sec. 2(c), ch. 129, SLA 1998 and sec. 10, ch. 130, SLA 2000, for repayment of debt authorized under ch. 26, SLA 1996, for repayment of debt authorized for public housing capital projects, for expenditures on corporate funded capital projects and housing loan programs, and for transfer to the general fund.

(b) The money described in (a) of this section for the fiscal year ending June 30, 2003, is used for the following purposes in the following estimated amounts by the Alaska Housing Finance Corporation and in the operating, capital, and mental health budgets, for the fiscal year ending June 30, 2003:

- (1) \$36,357,000 for capital projects;
- (2) \$1,000,000 for debt service on University of Alaska, Anchorage dormitory construction authorized under ch. 26, SLA 1996;
- (3) \$37,986,612 for debt service on the bonds authorized under sec. 2(c), ch. 129, SLA 1998;
- (4) \$12,013,355 for debt service on the bonds authorized under sec. 10, ch. 130, SLA 2000;
- (5) \$4,943,000 for debt service on public housing bonds;
- (6) \$4,000,000 for housing loan programs.

(c) After deductions for the items set out in (b) of this section are made, any remaining balance of the amount under (a) of this section determined by the Alaska Housing Finance Corporation board of directors to be available in fiscal year 2003 is appropriated to the Alaska debt retirement fund (AS 37.15.011).

(d) All unrestricted mortgage loan interest payments, mortgage loan commitment fees, and other unrestricted receipts received by or accrued to the Alaska Housing Finance Corporation during fiscal year 2003 and all income earned on assets of the corporation during that period are appropriated to the Alaska Housing Finance Corporation to hold as corporate receipts for the purposes described in AS 18.55 and AS 18.56. The corporation shall allocate its corporate receipts among the Alaska housing finance revolving fund (AS 18.56.082), housing assistance loan fund (AS 18.56.420), and senior housing revolving fund (AS 18.56.710) in accordance with procedures adopted by the board of directors.

(e) The following amounts are appropriated to the Alaska Housing Finance Corporation (AHFC) from the sources indicated and for the following purposes:

PURPOSE	AMOUNT	SOURCE
Housing loan programs not subsidized by AHFC	\$798,000,000	AHFC corporate receipts
Housing loan programs and projects subsidized by AHFC	30,000,000	AHFC corporate receipts derived from arbitrage earnings



## *legislative fiscal analyst overview of the governor's FY03 request*

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PURPOSE	AMOUNT	SOURCE
Housing assistance payments Section 8 program	30,000,000	Federal receipts
Housing loan programs	4,000,000	AHFC dividend

**Subsection a** informs the legislature that the annual corporate "dividend" to the state will be \$96.3 million, which is the corporation's FY01 net income. This is \$6.7 million less than the \$103 million dividend available since FY99. AHFC would like the dividend to be used for debt service, corporate funded capital projects, housing loan programs, and a transfer to the general fund.

**LFD Recommendation:** *Although this section suggests a transfer to the general fund, subsection c appropriates any "unused" balance of the dividend to the Debt Retirement Fund. The language should be made consistent with subsection c.*

**Funding:** *This subsection makes no appropriations and has no fiscal impact.*

**Subsection b** informs the legislature that the suggested uses of the dividend total \$96.3 million.

**Funding:** *This subsection makes no appropriations but has substantial fiscal impact. Money for the capital projects mentioned in subsection b(1) is appropriated in the capital bill. AHFC dividends for item (6) are appropriated in subsection e. Other items are not appropriated. The impact of the subsection is substantial because it describes how much of the AHFC dividend is paid to the state and how much is retained by the corporation.*

**LFD Recommendation:** *Item (5) should be clarified; no specific bonds are identified and no appropriation is made. A likely candidate for item (5) is \$55 million in AHFC housing bonds proposed in the capital budget. As written, subsection b allows AHFC to retain \$60 million of the dividend (plus \$14 million for AHFC capital projects).*

**LFD Recommendation:** *As written, subsection b does not appropriate money for the debt service purposes described in subsections b(2), (3), (4) or (5). AHFC apparently expects to retain the \$55.9 million for those purposes rather pay the money to the state as a dividend. This reduces the effective dividend to \$40.4 million. While item (5) may warrant further discussion, there should be little argument that the state has agreed to pay debt service on the University, schools and ports/harbors debt mentioned in items (2), (3) and (4). Allowing AHFC to retain a portion of the dividend without an appropriation reduces legislative oversight, provides poor tracking of funds and understates state debt service obligations. The preferred approach is to appropriate \$55.9 million in AHFC dividends to the Debt Retirement Fund, then appropriate money from the Debt Retirement Fund to AHFC for payment of specific debt obligations.*

**Subsection c** appropriates the "unused" portion of the dividend to the Alaska Debt Retirement Fund.

**LFD Recommendation:** *Based on a dividend of \$96.3 million and suggested uses totaling \$96.3 million, there would be no transfer to the Debt Retirement Fund. However, appropriations do not match uses suggested in subsection b. The language should be revised to clarify that the amount of the dividend not appropriated for other purposes goes to the Debt Retirement Fund.*

**Funding:** *The remaining balance of the dividend depends on appropriations made in the capital bill and in subsection e as well as the amount of the dividend retained by the corporation. As written, the bill transfers no money to the Debt Retirement Fund. The FY02 appropriation of AHFC dividends to the Debt Retirement Fund was \$6 million.*

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**Subsection d** appropriates certain FY03 receipts of the AHFC to the corporation and allocates those receipts to the AHFC revolving loan fund, housing assistance loan fund, and senior housing revolving fund.

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

**Subsection e** appropriates certain FY03 corporate receipts to various housing programs. These amounts establish lending limits for the year. There are three changes to note in this section.

- (1) There is a \$40 million decrease of the amount appropriated from AHFC corporate receipts derived from arbitrage earnings for housing loan programs and projects subsidized by AHFC. This appropriation was \$70 million in FY02.
- (2) The appropriation of federal receipts for the housing assistance payments for the Section 8 program has risen from \$27.5 million in FY02 to \$80 million in FY03.
- (3) \$4 million of the AHFC dividend is appropriated to its housing loan programs.

**Funding:** *The appropriation of \$4 million of the AHFC dividend to the corporation's housing loan programs effectively converts that portion of the dividend to corporate receipts. The retention of \$4.9 million of the AHFC dividend for debt service on the corporation's public housing bonds effectively converts that portion of the dividend to corporate receipts.*

**LFD Note:** *While AHFC traditionally requests more internal (typically capital) use of the dividend than the legislature has been willing to approve, there has always been a portion of the dividend that the legislature can "spend like GF." After deducting debt service, the amount of the FY02 dividend available for capital and discretionary spending was \$58 million. In the Governor's request, the amount of the FY03 dividend available for capital and discretionary spending is \$45.3 million (\$36.4 million if \$4 million is used for housing loan programs and \$4.9 million for debt service on public housing bonds). AHFC requests \$14.4 million for internal capital projects, leaving \$22 million available for other purposes. This is \$17.1 million less than was available for discretionary spending in FY02.*

**LFD Note:** *Legal Services is concerned that subsections d and e may both appropriate the same money, providing twice the intended authority.*

**Sec. 7. ALASKA PERMANENT FUND CORPORATION.** (a) The amount authorized for transfer by the Alaska Permanent Fund Corporation under AS 37.13.145(b) is appropriated from the earnings reserve account (AS 37.13.145) to the dividend fund (AS 43.23.045(a)) for the payment of permanent fund dividends and administrative and associated costs.

(b) After money is transferred to the dividend fund under (a) of this section, the amount calculated under AS 37.13.145 to offset the effect of inflation on the principal of the Alaska permanent fund is appropriated from the earnings reserve account (AS 37.13.145) to the principal of the Alaska permanent fund.

(c) The amount required to be deposited under AS 37.13.010(a)(1) and (2) during fiscal year 2003 is appropriated to the principal of the Alaska permanent fund in satisfaction of that requirement.

(d) The interest earned during fiscal year 2003 on revenue from the sources set out in AS 37.13.010 while the revenue is held in trust, escrow, or otherwise before receipt by the state is appropriated to the principal of the Alaska permanent fund.

**Subsection a** appropriates funds from the earnings reserve account to the dividend fund for payment of dividends and administrative and associated costs. Permanent Fund Dividends do



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that is required to secure the federal funding appropriated for the child support enforcement program in sec. 1 of this Act is appropriated to the Department of Revenue, child support enforcement division, for the fiscal year ending June 30, 2003.

(b) Program receipts collected as cost recovery for paternity testing administered by the child support enforcement division, as required under AS 25.27.040 and 25.27.165, and as collected under AS 25.20.050(f), are appropriated to the Department of Revenue, child support enforcement division, for the fiscal year ending June 30, 2003.

(c) Interest earned on the reserve account to receive and distribute child support collections, which is administered by the child support enforcement division under AS 25.27.030, is appropriated to the Department of Revenue, child support enforcement division, for program costs and as required to secure the federal funding appropriated for the child support enforcement program in sec. 1 of this Act, for the fiscal year ending June 30, 2003.

**Subsection a** permits an unspecified amount of general fund program receipts collected by the CSED to be spent to capture the Federal Receipts appropriated in section 1. The agency typically collects more in receipts than it is authorized to spend.

Federal incentive payments (which can be used to match other federal receipts) have declined as welfare roles decline. Continued reductions in incentive payments could trigger this provision. The agency projects that the provision will not be triggered, but requests that it remain to eliminate the potential need for a supplemental. CSED also notes that every dollar spent under the provision would bring in two dollars in federal receipts.

**Funding:** *This provision has been included in the budget for at least three years and has not been triggered. Legislative Finance concurs with the agency's projection that the provision will not be triggered in FY03.*

**Alternative:** *Delete the provision and have the agency request a supplemental appropriation, if necessary.*

**Subsection b** is new for FY03. It appropriates (to CSED) general fund program receipts collected to recover the costs of paternity testing.

**Funding:** *The department estimates that paternity testing will generate \$43.0 in general fund program receipts.*

**Alternative:** *Delete the subsection and include the estimated amount of collections in section 1. This would limit cost recovery to the amount of the estimate rather than to the amount of recovery, as the language allows.*

**Subsection c** appropriates interest earned on the CSED reserve account to CSED for both program costs and to secure federal funding.

**Funding:** *The department projects earnings of \$60.0 on the reserve fund. Earnings are classified as general funds.*

**LFD Recommendation:** *Any shortage in general fund match will trigger subsection a, so that the likely use of funds appropriated by subsection c is program operations. Subsection c is essentially a general fund increment of \$60.0 that would be more appropriate in section 1. As an alternative, the appropriation of earnings could be offset by a reduction of general funds appropriated in section 1.*

**LFD Recommendation:** *Subsections b and c should specify the period to which the provisions apply.*

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**LFD Note:** *If the reserve fund contains money that was paid to the state for the benefit of specific individuals, there is some question about whether earnings on those payments belong to the state or to the individuals. If earnings are deposited in the reserve fund, the case for paying earnings to individuals is stronger. Payment of interest to individuals would increase operating costs of the program.*

**Sec. 9. CONSTITUTIONAL BUDGET RESERVE FUND.** (a) Deposits in the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) for fiscal year 2002 that were made from subfunds and accounts other than the operating general fund (state accounting system fund number 11100) by operation of art. IX, sec. 17(d), Constitution of the State of Alaska, to repay appropriations from the budget reserve fund are appropriated from the budget reserve fund to the subfunds and accounts from which they were transferred.

(b) If the unrestricted state revenue available for appropriation in fiscal year 2003 is insufficient to cover the general fund appropriations made for fiscal year 2003, the amount necessary to balance revenue and general fund appropriations is appropriated to the general fund from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska).

(c) The sum of \$125,000 is appropriated from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) to the Department of Revenue, treasury division, for the fiscal year ending June 30, 2003, for investment management fees for the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska).

(d) The appropriations in (a) - (c) of this section are made under art. IX, sec. 17(c), Constitution of the State of Alaska.

**Subsection a** is "sweep reversal language." The Constitution requires that year-end general fund balances be used to repay withdrawals from the CBR. All general fund subaccounts are "swept" into the CBR; this provision reverses that action. Note that the provision does not reverse the sweep from the operating general fund.

**Funding:** *This subsection has no net fiscal impact; it simply transfers money between accounts.*

**Subsection b** allows the state to cover any shortfall in unrestricted revenues with transfers from the CBR to the general fund. The subsection is used to draw CBR funds for short-term cash flow needs as well as to balance year-end revenue and expenditures.

**Funding:** *The estimated FY03 draw from the CBR \$1.17 billion. This amount excludes the impact of supplemental appropriations, amendments to appropriation bills, costs associated with new legislation (including the Governor's proposed education initiative and homeland security bill, and revenue measures. The CBR draw does not appear in the bill summary or in Legislative Finance reports.*

**Subsection c** appropriates \$125,000 from the budget reserve fund to the Department of Revenue, Treasury Division, for investment management fees for FY03.

**Subsection d** stipulates that appropriations made by (a-c) must be approved by at least three-quarters of the members of each house of the legislature.

**Funding:** *This subsection has no fiscal impact.*

**Sec. 10. DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT.** The recommendations of the Education Funding Task Force are implemented in the Fiscal Year 2003 budget as follows:

## *legislative fiscal analyst overview of the governor's FY03 request*

(1) The recommended \$23,000,000 increase in the base student allocation will be reflected in a fiscal note accompanying legislation that makes the necessary statutory change to the foundation formula.

(2) If the task force recommendation to increase the amount of the statutory quality schools funding grant from \$16 to \$74 per adjusted average daily membership is not approved by the Twenty-Second Alaska State Legislature in legislation described in (1) of this section, or in any other legislation, or if the fiscal note for \$12,372,000 for the legislation is not financed, the sum of \$12,372,000 is appropriated from the general fund to the Department of Education and Early Development for the fiscal year ending June 30, 2003, for payment as learning opportunity grants to school districts based on the school district's adjusted average daily membership to pay for direct student intervention programs to improve student performance.

(3) The recommendation to suspend the supplemental funding floor is in legislation pending before the Twenty-Second Alaska State Legislature to suspend the current formula provision until 2004, when the results of the cost study can be incorporated into the statutory formula; the cost of the suspension is reflected in a fiscal note for \$1,200,000 accompanying that legislation.

(4) The teacher loan assumption program recommendation will be reflected in a fiscal note for \$800,000 accompanying legislation to attract and retain new teachers.

(5) The recommendations of \$2,000,000 to establish the Alaska Center for School Excellence, \$2,000,000 for assistance to low-performing schools, and \$2,000,000 for incentives for high-performing schools will be reflected in a fiscal note accompanying legislation to support school accountability and improve student achievement.

(6) The task force's final two recommendations are included in the appropriation in sec. 1 of this Act to the Department of Education and Early Development, teaching and learning support, quality schools, as follows:

(A) \$1,000,000 for distance-delivered coursework;

(B) \$730,000 for data collection and analysis of state assessment programs.

Other than subsection (2), this section provides information only; no funds are appropriated. The section declares that the Governor intends to introduce legislation that would implement the recommendations of the Education Funding Task Force. The costs of the recommendations will be included in fiscal notes accompanying the proposed legislation.

**Subsection 2** is a contingent appropriation. It appropriates \$12,372.0 from the general fund to the Department of Education and Early Development for FY03 for payment as learning opportunity grants to school districts ONLY if the legislation mentioned in subsection 1 does not pass this session, or if an accompanying fiscal note for \$12,372.0 is not funded.

**LFD Note:** *This appropriation is similar to the Learning Opportunity Grants (LOGs) in the FY02 budget with one notable exception. The Governor proposes to allocate money per adjusted Average Daily Membership (ADM) while LOGs allocated money per unadjusted ADM. The Governor's proposal would allocate money in the same manner as regular K-12 funds are allocated, so that the language effectively adds \$12.4 million to the \$23 million increase (in the base student allocation) described in subsection 1. The Governor's proposal would reallocate LOGs so that more money would go to rural schools. Technically, appropriation bills are not allowed to specify an allocation method; that requires substantive legislation.*

**Subsection 6** states that \$1.7 million for distance-delivered coursework and data collection and analysis of state assessment programs is included in section 1 of the bill.

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**Funding:** Only the \$12.4 million appropriation in subsection 2 and the \$1.7 million referred to in subsection 6 are included in totals for this appropriation bill. Other spending will be addressed in separate legislation.

**Sec. 11. DISASTER RELIEF AND FIRE SUPPRESSION.** (a) Federal receipts received for disaster relief are appropriated to the disaster relief fund (AS 26.23.300).

(b) Federal receipts received for fire suppression are appropriated to the Department of Natural Resources for fire suppression activities for the fiscal year ending June 30, 2003.

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

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

**Subsection b** appropriates an unspecified amount of federal receipts received for fire suppression to the Department of Natural Resources.

**Funding:** Fire suppression appropriations typically appear in section 1 of operating bills. Section 1 requests \$5.3 million federal authorization for fire suppression for FY03 (the same amount as for FY02). This language addresses receipts greater than the amount appropriated in section 1. The \$2 million estimate for additional fire suppression funding is the amount that has been used for several years.

**LFD Note:** General funds are used for pay for fires occurring on state or privately owned land and federal receipts are used for fires on federally owned land.

**LFD Note:** The language does not limit the appropriation of federal receipts to receipts collected during FY03.

**Sec. 12. FEDERAL AND OTHER PROGRAM RECEIPTS.** (a) Federal receipts, designated program receipts as defined in AS 37.05.146(b)(3), information services fund program receipts as defined in AS 44.21.045(b), non-general fund program receipts as set out in AS 37.05.146(b)(4), Exxon Valdez oil spill trust receipts as defined in AS 37.05.146(b)(5), receipts of the Alaska Fire Standards Council under AS 37.05.146(b)(6), corporate receipts of the Alaska Aerospace Development Corporation, and program receipts of the Alaska Science and Technology Foundation, that exceed the amounts appropriated by this Act are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

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

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

**Subsection a** lists types of receipts that may be spent if the Legislative Budget and Audit Committee approves requests to do so.

**LFD Note:** Prior to FY01, appropriation bills limited LB&A committee review to federal receipts, designated program receipts and test fisheries receipts. Beginning in FY02, Information

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Technology, Aerospace and Alaska Science and Technology Foundation (ASTF) program receipts were added to the list.

**LFD Note:** The Governor proposes adding about 50 programs/fund sources listed in AS 37.05.146(b)(4), as well as Exxon Valdez oil spill trust receipts and receipts of the Alaska Fire Standards Council, to the list of fund sources eligible for LB&A committee review. Many of the proposed additions use the Receipt Supported Services fund code. These are not considered to be unrestricted general fund program receipts.

**LFD Recommendation:** Per AS 37.05.146(b), the program receipts listed are not part of the unrestricted general fund. Technically, they are restricted general funds, so that the words "non-general fund" should be deleted from the reference to receipts listed in AS 37.05.146(b)(4).

**LFD Recommendation:** Section 4 allows the Alaska Aerospace Development Corporation to spend FY03 receipts, so there is no need to list AADC receipts in this section. Alaska Science and Technology Foundation receipts could be deleted from this section if language similar to that in Section 4 applied to ASTF.

**Subsection b** is standard language that permits state (general fund) authorization to be reduced if unanticipated money is received for projects funded by general funds.

**LFD Note:** no process for reducing appropriations is specified and Legislative Finance is unaware of any application of section b.

**Subsection c** is standard language that reduces appropriations if federal and other receipts are less than the amount appropriated in the bill.

**LFD Note:** Typically, unrealized receipts are restricted in the accounting system, but authorization is not actually reduced.

**Funding:** Although requests for approval to spend additional receipts are a virtual certainty, there is no way to determine where the increases will be, how much they will be, or what fund sources would be appropriate. LFD places no dollar value on appropriations in this section.

**LFD Recommendation:** The section should specify the period for which appropriations are made.

**Sec. 13. FEDERAL MEDICAL ASSISTANCE PERCENTAGE.** If the estimated federal receipts for medical assistance appropriated in sec. 1 of this Act are below 59.8 percent for Medicaid services provided during the fiscal year ending June 30, 2003, the amount of the shortfall in federal receipts is appropriated from the general fund to the Department of Health and Social Services for Medicaid Services.

This section provides an unspecified general fund appropriation to the Department of Health and Social Services if the federal funding share for Medicaid services is less than 59.8 percent. Congress did not approve a continuation of the 59.8 percent rate, so that a decline to 57.25 percent is likely.

**Funding:** The Department estimates that a decline in the federal rate will require an additional \$10.8 million in general funds in FY03.

**LFD Note:** The provision avoids the application of AS 47.07.035 Priority of Medical Assistance. "If the department finds that the cost of medical assistance for all persons eligible under this chapter will exceed the amount allocated in the state budget for that assistance for the fiscal year, the



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department shall eliminate coverage for optional medical services and optionally eligible groups of individuals in the following order:" (32 listings of optional services follow in statute).

**LFD Recommendation:** The sections should specify the period for which appropriations are made.

**LFD Recommendation:** The section should be redrafted to clarify how the appropriation would be triggered.

**Alternative:** Delete the provision and have the agency request a supplemental appropriation, if necessary, or require the department to initiate a reduction of services by applying AS 47.07.035.

**Sec. 14. FISH AND GAME ENFORCEMENT.** (a) To increase enforcement of the fish and game laws of the state, the amount deposited in the general fund during the fiscal year ending June 30, 2002, from criminal fines, penalties, and forfeitures imposed for violation of AS 16 and its implementing regulations and from the sale of forfeited property or alternative damages collected under AS 16.05.195 is appropriated to the fish and game fund (AS 16.05.100).

(b) Appropriations totaling the estimated amount of the deposits described in (a) of this section and the remaining unappropriated balances from prior year transfers for these purposes are made in sec. 1 of this Act to the Department of Public Safety and the Department of Law for increased enforcement, investigation, and prosecution of state fish and game laws. If the amounts of the deposits and unappropriated balances fall short of the estimates appropriated by this Act, each department's appropriation from the fish and game fund set out in sec. 1 of this Act is reduced proportionately.

**Subsection a** is standard language specifying that criminal fines, penalties and forfeitures associated with fish and wildlife enforcement collected during FY02 are appropriated to the Fish and Game Fund.

**Funding:** Estimated FY02 collections addressed by this section are \$1.1 million.

**Subsection b** is standard language appropriating the collections in subsection a to the Departments of Law and Public Safety. It also appropriates any balance remaining if past collections exceeded appropriations.

**Funding:** Appropriations of FY02 collections (\$1.1 million) appear in section 1. The FY02 unappropriated balance is expected to be zero.

**LFD Recommendation:** The last sentence of this provision implies that each department using F&G funds will have its F&G appropriations reduced if F&G revenues are less than estimated. The language should clarify that F&G funds appropriated to the Department of Fish & Game are unaffected by these collections; only the appropriations of F&G funds to the Departments of Law and Public Safety should be reduced if there is a shortage of collections.

**LFD Recommendation:** References to "unappropriated balances" should be changed to ensure that unspent and unobligated balances are appropriated. The current wording may not appropriate all available balances.

**Sec. 15. FISH AND GAME FUND.** The following revenue collected during the fiscal year ending June 30, 2003 is appropriated to the fish and game fund (AS 16.05.100):

(1) receipts from the sale of crewmember fishing licenses (AS 16.05.480(a)) that are not deposited into the fishermen's fund under AS 23.35.060;

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(2) range fees collected at shooting ranges operated by the Department of Fish and Game (AS 16.05.050(a)(16));

(3) fees collected at boating and angling access sites described in AS 16.05.050(a)(7) and managed by the Department of Natural Resources, division of parks and outdoor recreation, under a cooperative agreement;

(4) receipts from the sale of Chitina dip net fishing permits (AS 16.05.340(a)(22)); and

(5) receipts from the sale of waterfowl conservation stamp limited edition prints (AS 16.05.826(a)).

This provision appropriates revenue generated by the named licenses and fees into the Fish and Game (F&G) Fund.

**LFD Note:** Receipts from the sale of waterfowl conservation stamp limited edition prints is a new source of revenue in FY03.

**LFD Note:** This provision describes revenue to the Fund, but does not appropriate money from the Fund. The money appropriated to the Fish and Game Fund is general fund program receipts. Appropriations of these receipts to the Department of Fish and Game appear as appropriations of F&G funds in section 1.

**Funding:**

Crewmember Licenses	\$1,500.0
Range Fees	\$165.0
Boat Access	\$325.0
Chitina Dip Net	\$235.0
Waterfowl Stamps	\$10.0

**Sec. 16. INSURANCE AND BOND CLAIMS.** (a) The amount necessary to fund the uses of the state insurance catastrophe reserve account described in AS 37.05.289(a) is appropriated from that account to the Department of Administration for those uses.

(b) The amounts to be received in settlement of claims against bonds guaranteeing the reclamation of state land are appropriated from the general fund to the agency secured by the bond for the purpose of reclaiming state land affected by a use covered by the bond.

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

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

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

**Funding:** This provision has no fiscal impact; it allows money appropriated elsewhere to be swept into the reserve account but does not increase total appropriations.

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**Subsection b** is standard language that appropriates claims against bonds for land reclamation to the agencies that will direct the reclamation.

**Funding:** *The Department of Natural Resources estimates that \$294.3 will be received under this section.*

**LFD Recommendation:** *The sections should specify the period for which appropriations are made.*

**Sec. 17. LONGEVITY BONUS GRANT PROGRAM.** If the amount appropriated in sec. 1 of this Act for the longevity bonus grant program (AS 47.45) is not sufficient to fully finance that program for the fiscal year ending June 30, 2003, the amount of the shortfall is appropriated from the general fund to the Department of Administration.

This language provides open-ended general fund authorization to make up a potential shortfall in Longevity Bonus grants. Section 1 appropriates \$48.5 million for grants, after a \$4 million decrement based on a projected decrease in Longevity Bonus payments during FY03.

**LFD Note:** *This language would eliminate the need for a supplemental request if the section 1 appropriation falls short of program needs. Supplemental requests have been approved for the program in the past. If the funding is insufficient to meet the entire final month's payments, no payments can be made. There is no provision for "pro-rata" partial payments to participants.*

**Funding:** *The department submitted a decrement in section 1 that reduced requested funding to the "low case" scenario. If the "base case" is accurate, this provision will appropriate \$1.2 million general funds for ALB grants.*

**Alternative:** *Delete the provision and (1) add \$1.2 million to section 1 and/or (2) have the agency request a supplemental appropriation, if necessary.*

**LFD Recommendation:** *Legal Services suggests that the purpose of the appropriation should be clarified if the language remains in the bill.*

**Sec. 18. MARINE HIGHWAY SYSTEM FUND.** The sum of \$45,769,800 is appropriated from the general fund to the Alaska marine highway system fund (AS 19.65.060).

This section appropriates \$45,769.8 of general funds to the Alaska Marine Highway System Fund for the operations costs of the AMHS.

**LFD Note:** *This amount is \$17 million more than was transferred during FY02. See the Department of Transportation and Public Facilities summary in this publication for details on this subject.*

**Sec. 19. MEDICAID SCHOOL BASED CLAIM.** If the federal receipts for the School Based Services Administrative Claim under 42 U.S.C. 1396a (Sec. 1902(a)(4), Title XIX of the Social Security Act) for the fiscal year ending June 30, 2003, fall short of the estimate appropriated in sec. 1 of this Act, the amount of the shortfall is appropriated from the general fund to the Department of Health and Social Services for Medicaid services.

Section 1 of the bill appropriates \$2.4 million for direct charges by school districts for medical care of Medicaid eligible (K-12) students. This provision appropriates an unspecified amount of General Funds if Medicaid reimbursement is less than estimated.

The Department of Health and Social Services allocates these Medicaid reimbursements to the Human Services Matching Grants, Maternal and Child Health, and Administrative Services

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Grants Administration programs. These programs would be short funded if the anticipated receipts were not received and if this provision were not approved.

**Funding:** *The department's latest projections show no shortage of receipts in this program, but notes that up to \$400.0 general fund may be appropriated under this section. This amount is in addition to the \$2.4 million appropriated for this purpose in section 1.*

**Sec. 20. MOTOR FUEL TAX.** The following estimated amounts from the unreserved special accounts in the general fund are included within the general fund amounts appropriated by this Act:

Special highway fuel tax account (AS 43.40.010(g))	\$25,500,000
Special aviation fuel tax account (AS 43.40.010(e))	\$ 5,300,000

This section does not appropriate funds; it simply identifies estimated amounts from unreserved special accounts within the General Fund collected for highway and aviation fuel taxes. These estimates are identified because federal highway and aviation funding is dependant on the amount of specific state receipts collected for related purposes. The language may not be necessary, but it does no harm.

**Funding:** *This subsection has no fiscal impact.*

**Sec. 21. NATIONAL FOREST RECEIPTS.** The unexpended and unobligated balance of federal money apportioned to the state as national forest income that the Department of Community and Economic Development determines would lapse into the unrestricted portion of the general fund June 30, 2003, under AS 41.15.180(j) is appropriated as follows:

(1) the sum of \$170,000 is appropriated to the Department of Transportation and Public Facilities, commissioner's office, for road maintenance in the unorganized borough; and

(2) the balance remaining is appropriated to home rule cities, first class cities, second class cities, a municipality organized under federal law, or regional educational attendance areas entitled to payment from the national forest income for the fiscal year ending June 30, 2003, to be allocated among the recipients of national forest income according to their pro rata share of the total amount distributed under AS 41.15.180(c) and (d) for the fiscal year ending June 30, 2003.

**Subsection 1** appropriates \$170.0 of National Forest Receipts to DOT & PF for road maintenance in the unorganized borough.

**Subsection 2** appropriates any remaining balance to be paid as grants to local governments in the unorganized borough.

**LFD Note:** *National Forest receipts consist of national forest income received by DCED for the portion of national forests located within the unorganized borough. By law, 75 percent of the income is allocated to public schools and 25 percent for public roads in the unorganized borough.*

**LFD Note:** *AS 41.15.180(j) states that the amount in the national forest receipts fund remaining at the end of the fiscal year lapses into the general fund and shall be used for school and road maintenance in the affected areas of the unorganized borough for which direct distribution of funds has not been made. Appropriating money from this fund before year-end conflicts with rules regarding distribution of the funds. The appropriation may appear to be designed to spend federal receipts before they lapse and must be spent as general funds. However, the section also changes the potential purpose of the appropriation. Lapsing money must be spent in areas that do not receive money under AS 41.15.180(c) and (d).*

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Section 21 takes money that would otherwise be spent in unorganized areas and appropriates it to local governments. By citing a specific amount, subsection 1 also raises questions about the distribution of funds (i.e., does DCED withhold \$170.0 from the allocation or reallocate the money only if the \$170.0 would lapse?).

**LFD Recommendation:** Delete the section and allocate money per existing statute or change the language in subsection 1 to read "...up to \$170.0 is appropriated...."

**Sec. 22. OIL AND HAZARDOUS SUBSTANCE RELEASE PREVENTION ACCOUNT.** The following amounts are appropriated to the oil and hazardous substance release prevention account (AS 46.08.010(a)(1)) in the oil and hazardous substance release prevention and response fund (AS 46.08.010) from the sources indicated:

- (1) the balance of the oil and hazardous substance release prevention mitigation account (AS 46.08.020(b)) in the general fund on July 1, 2002, not otherwise appropriated by this Act;
- (2) the amount collected for the fiscal year ending June 30, 2002, estimated to be \$10,000,000, from the surcharge levied under AS 43.55.300.

This is standard language appropriating (to the Oil and Hazardous Substance Release Prevention Account) the balance of the Release Prevention Mitigation Account and the FY01 collections from the 3 cent per barrel surcharge on oil produced in the state.

**Funding:** The projected balance of the mitigation account that will be transferred under this section is \$5.9 million. The surcharge mentioned in subsection 2 is about \$10 million.

**Sec. 23. OIL AND HAZARDOUS SUBSTANCE RELEASE RESPONSE ACCOUNT.** The following amounts are appropriated to the oil and hazardous substance release response account (AS 46.08.010(a)(2)) in the oil and hazardous substance release prevention and response fund (AS 46.08.010) from the following sources:

- (1) the balance of the oil and hazardous substance release response mitigation account (AS 46.08.025(b)) in the general fund on July 1, 2002, not otherwise appropriated by this Act;
- (2) the amount collected for the fiscal year ending June 30, 2002, from the surcharge levied under AS 43.55.201.

This is standard language appropriating (to the Oil and Hazardous Substance Release Response Account) the balance of the Release Response Mitigation Account and the FY01 collections from the 2 cent per barrel surcharge on oil produced in the state.

**Funding:** The projected balance of the mitigation account that will be transferred under this section is \$475.5. The surcharge mentioned in subsection 2 has not been triggered for several years.

**Sec. 24. POWER COST EQUALIZATION.** (a) In accordance with sec. 14(a)(2), ch. 60, SLA 2000, seven percent of the market value of the power cost equalization endowment fund (AS 42.45.070) as of February 1, 2002, is appropriated to the power cost equalization and rural electrification fund (AS 42.45.100).

(b) The sum of \$3,294,000 is appropriated from the general fund to the power cost equalization and rural electrification fund (AS 42.45.100).

**Subsection a** transfers seven percent of the market value of the PCE endowment to the account from which PCE grants are paid.

**Funding:** The estimated amount of the transfer is \$12.5 million.

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**LFD Note:** The amount of the transfer will depend upon timing of (1) the sale of the four dam pool, (2) the appropriation of FY02 funds from the endowment and (3) the performance of the endowment's investment portfolio.

**Subsection b** adds \$3.3 million in general funds to the PCE fund (from which grants are paid).

**LFD Note:** Issues surrounding PCE are too complex for full discussion in this Overview of the budget. Issues include:

- FY01 PCE grants (and the FY03 request of \$16.9 million) exceed the \$15.7 million "agreement" for annual PCE funding.
- No appropriation from the PCE Endowment was made for FY02 grants. This appropriation will be requested as an FY02 supplemental.
- The PCE Endowment is too small to support the current level of funding (or the \$15.7 million level appropriated in recent years); the program requires GF appropriations.
- Appropriating 7% of the endowment market value (for annual PCE grants) is eroding the endowment. This will increase future GF funding of the program.
- Elimination of GF funding would require an endowment market value of \$245 million at the FY03 level of grants.
- The estimated balance of the endowment is \$104 million. Proceeds from the sale of the Four Dam Pool (\$81 million) would bring the endowment balance to \$176 million (after transfers and investment losses). This balance will provide annual funding of about \$12 million, which is \$5 million per year less than current grants.

**Sec. 25. RETAINED FEES AND BANKCARD SERVICE FEES.** (a) The amount retained to compensate the collector or trustee of fees, licenses, taxes, or other money belonging to the state during the fiscal year ending June 30, 2003, is appropriated for that purpose to the agency authorized by law to generate the revenue.

(b) The amount retained to compensate the provider of bankcard or credit card services to the state during the fiscal year ending June 30, 2003, is appropriated for that purpose to each agency of the executive, legislative, and judicial branches that accepts payment by bankcard or credit card for licenses, permits, goods, and services provided by that agency on behalf of the state, from the funds and accounts in which the payments received by the state are deposited.

This language addresses the need to appropriate vendor compensation that is not directly appropriated by the state for vendors that collect fees on behalf of the state. The provision originally addressed Fish and Game fishing, hunting and trapping license sales in which the vendor retained a portion of the sale. It also applies to several programs in the Department of Administration, Department of Natural Resources and the Trial Courts.

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

**Sec. 26. SALARY AND BENEFIT ADJUSTMENTS.** (a) The operating budget appropriations made to the University of Alaska in sec. 1 of this Act include amounts for salary and benefit adjustments for university employees who are not members of a collective bargaining unit and for implementing the monetary terms of the following collective bargaining agreements with entities representing employees of the University of Alaska:

- (1) Alaska Higher Education Crafts and Trades Employees;
- (2) Alaska Community Colleges' Federation of Teachers;
- (3) United Academics;
- (4) United Academics-Adjuncts.

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(b) The operating budget appropriations made to the executive branch of state government in sec. 1 of this Act include amounts for salary and benefit adjustments for public officials, officers, and employees of the executive branch who are not members of a collective bargaining unit and for implementing the monetary terms of the following collective bargaining agreements:

- (1) Alaska Public Employees Association, for the Supervisory Unit;
- (2) Alaska State Employees Association, for the General Government Unit;
- (3) Alaska Vocational Technical Center Teachers Association, representing teachers at the Alaska Vocational Technical Center;
- (4) Alyeska Correspondence School Education Association, representing teachers at the Alyeska Central School;
- (5) Confidential Employees Association;
- (6) Inlandboatmen's Union of the Pacific, representing the unlicensed marine unit;
- (7) International Organization of Masters, Mates, and Pilots, Pacific Maritime Region, for the Masters, Mates, and Pilots Unit;
- (8) Marine Engineers Beneficial Association, representing licensed engineers employed by the Alaska marine highway system;
- (9) Public Employees Local 71, for the Labor, Trades and Crafts Unit;
- (10) Public Safety Employees Association, for the Correctional Officers Unit;
- (11) Public Safety Employees Association, representing state troopers and other commissioned law enforcement personnel;
- (12) Teachers' Education Association of Mt. Edgecumbe.

(c) The operating budget appropriations made to the Alaska Court System in sec. 1 of this Act include amounts for salary and benefit adjustments for Alaska Court System employees.

(d) The operating budget appropriations made to the legislative branch of state government in sec. 1 of this Act include amounts for salary and benefit adjustments for employees of the legislature and for benefit adjustments for legislators.

This section is not an appropriation. It specifies that various salary adjustments are funded with money appropriated in section 1.

**Funding:** *This section has no fiscal impact.*

**Sec. 27. SALMON ENHANCEMENT TAX.** The salmon enhancement tax collected under AS 43.76.010 - 43.76.028 in calendar year 2001 and deposited in the general fund under AS 43.76.025(c) is appropriated from the general fund to the Department of Community and Economic Development for payment in fiscal year 2003 to qualified regional associations operating within a region designated under AS 16.10.375.

This is standard language that appropriates salmon enhancement tax receipts (general funds) to the Department of Community and Economic Development for payment in FY03 to qualified aquaculture associations.

**Funding:** *The amount is excluded from Legislative Finance reports on the operating bill.*

**Sec. 28. SHARED TAXES AND FEES.** The amount necessary to refund to local governments their share of taxes and fees collected in the listed fiscal years under the following programs is appropriated to the Department of Revenue from the general fund for payment in fiscal year 2003:

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REVENUE SOURCE	FISCAL YEAR COLLECTED
fisheries taxes (AS 43.75)	2002
fishery resource landing tax (AS 43.77)	2002
aviation fuel tax (AS 43.40.010)	2003
electric and telephone cooperative tax (AS 10.25.570)	2003
liquor license fee (AS 04.11)	2003

This is standard language that appropriates general funds to the Department of Revenue in order to refund local governments their share of taxes and fees collected for payment in FY03.

**Funding:** *The amounts are excluded from Legislative Finance reports on the operating bill.*

**Sec. 29. SOCIAL SERVICES BLOCK GRANT.** If the federal social services block grant receipts under 42 U.S.C. 1397-1397f (Title XX of the Social Security Act) fall short of the amount appropriated in sec. 1 of this Act, the amount of the shortfall is appropriated from the general fund to the Department of Health and Social Services for the fiscal year ending June 30, 2003.

This appropriation is contingent upon federal funding for the Social Services Block Grant being less than the amount appropriated for this purpose in section 1.

**LFD Note:** *The Social Services Block Grant has remained fairly steady for the past few years and has been supplemented with excess TANF funding that is not spent on cash assistance. If there is a shortage of funds, the provision provides incentive to make up the shortfall with general funds instead of (1) using TANF funds or (2) reducing expenditures.*

**Funding:** *The estimated impact of the section is \$500.0 general funds.*

**LFD Recommendation:** *The section should specify the period in which appropriations fall short.*

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

(b) The amount required to be paid by the state for principal and interest on all issued and outstanding state-guaranteed bonds is appropriated from the general fund to the state bond committee for payment of principal and interest on those bonds.

(c) The sum of \$41,308,100 is appropriated from the general fund to the Alaska debt retirement fund (AS 37.15.011).

(d) The sum of \$14,092,700 is appropriated from the Alaska debt retirement fund (AS 37.15.011) to the state bond committee for trustee fees and lease payments relating to certificates of participation issued for real property.

(e) The sum of \$17,744,000 is appropriated from the International Airports Revenue Fund (AS 37.15.430) to the state bond committee for payment of debt service and trustee fees on outstanding international airports revenue bonds.

(f) The sum of \$56,378,400 is appropriated to the Department of Education and Early Development for state aid for costs of school construction under AS 14.11.100 from the following sources:

Alaska debt retirement fund (AS 37.15.011)	\$27,372,100
School fund (AS 43.50.140)	29,006,300



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(g) The sum of \$5,211,100 is appropriated from the general fund to the Department of Administration for payment of obligations to the Municipality of Anchorage for the Anchorage Jail.

(h) The sum of \$3,549,400 is appropriated from the general fund to the Department of Administration for payment of obligations to the Alaska Housing Finance Corporation for the Robert B. Atwood Building in Anchorage.

(i) The sum of \$1,680,000 is appropriated from interest earnings of the Alaska clean water fund (AS 46.03.032) to the Alaska clean water fund revenue bond redemption fund (AS 37.15.565) for payment of principal and interest, redemption premium, and trustee fees, if any, on bonds issued by the state bond committee under AS 37.15.560.

(j) The sum of \$1,060,500 is appropriated from interest earnings of the Alaska drinking water fund (AS 46.03.036) to the Alaska drinking water fund revenue bond redemption fund (AS 37.15.565) for payment of principal and interest, redemption premium, and trustee fees, if any, on bonds issued by the state bond committee under AS 37.15.560.

***LFD Recommendation:*** Sections b, d and e appropriate money to the State Bond Committee. The Bond Committee does not pay debt service and the section should be redrafted to appropriate money to the paying agents. For example, the Treasury Division makes payments on COPS and the Division of Finance makes payments on Airport Revenue Bonds.

***LFD Recommendation:*** Debt service is understated by the amount of the AHFC dividend retained by the corporation in order to pay debt service obligations for the University of Alaska and for schools, ports and harbors. The preferred treatment of statewide AHFC debt is to show a deposit of \$55.9 million AHFC dividends into the Debt Retirement Fund and to make appropriations from the Fund to AHFC for the purposes of paying specific debt obligations.

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

***Funding:*** No notes are expected to be issued.

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

***Funding:*** The revenue stream from mortgage loans is expected to be sufficient to cover bond payments, so the expected fiscal impact of this subsection is zero. A potential general fund obligation exists; AHFC has approximately \$500 million in outstanding veterans bonds.

**Subsection c** capitalizes the Alaska Debt Retirement Fund with an appropriation from the general fund. Every year this fund is capitalized based on fund balance and projected debt service requirements for the upcoming fiscal year.

***Funding:*** \$41.3 million general funds. This amount includes replacement of \$6 million of the AHFC Dividend used to capitalize the fund in FY02.

**Subsection d** appropriates funds from the debt retirement fund to the state bond committee for payment of trustee fees and lease payments related to state-issued certificates of participation. Certificates of participation (COPs) are sold by the state to finance construction or purchase of state facilities. COPs represent fractional interest in the ownership of the lease payments that are paid over time by the state. Eventually, the state owns the facility outright.

## *legislative fiscal analyst overview of the governor's FY03 request*

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**Funding:** No fiscal impact; subsection d merely transfers \$14.1 million general funds from the Debt Retirement Fund to the State Bond Committee.

**Subsection e** appropriates funds to the state bond committee for payment of debt service and fees on outstanding international airport revenue bonds. These are revenue bonds issued by the Anchorage and Fairbanks airports.

**Funding:** \$17.7 million International Airport Revenue Funds.

**Subsection f** appropriates funds for municipal school debt reimbursement. AS 14.11.100 authorizes the State to reimburse municipalities for selected bonds issued for school construction (70% of principal and interest in the latest authorization) within specific time periods totaling specific amounts.

**Funding:** \$27.4 million from the Debt Retirement Fund and \$29 million from the School Fund.

**Subsection g** appropriates general funds to pay lease costs for the Anchorage jail. Anchorage issued municipal bonds to pay for the construction of the Anchorage Jail, which the State leases.

**LFD Note:** Legislative Finance placed this appropriation in the leasing component in the Department of Administration's FY02 budget. In common language, the contract with the Municipality of Anchorage is a lease, but terms of the contract are such that Governmental Accounting Standards Board's (GASB) rule #34 classifies it as a Capital Lease. In simple terms, this means that a default on lease payments could affect the state's credit rating.

**LFD Recommendation:** Despite the unique classification of the lease, this provision could be replaced by an appropriation in section 1. If there is concern regarding specific identification of lease payments, the lease could be placed in a separate appropriation in DOA's budget.

**Funding:** \$5.2 million general funds.

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

**Funding:** \$3.5 million general funds.

**Subsections i and j** appropriate the interest earnings of the named funds to their respective bond redemption funds. In FY01, both programs issued bonds and used the proceeds to pay the required match for federal grants.

**Funding:** \$1.7 million from the Alaska Clean Water Loan Fund and \$1.1 million from the Alaska Drinking Water Fund.

**LFD Recommendation:** The sections should specify the period for which appropriations are made.

**Sec. 31. STATE TRAINING AND EMPLOYMENT PROGRAM.** The lapsing balance of the employment assistance and training program account (AS 23.15.625) on June 30, 2002, is appropriated to the employment assistance and training program account for the fiscal year ending June 30, 2003.

## legislative fiscal analyst overview of the governor's FY03 request

**Funding:** The Department of Labor estimates a zero lapsing balance.

**LFD Note:** *The Department's estimate is based on current obligations. Although all available money has been obligated, some grantees may not spend all money available to them.*

**LFD Recommendation:** *This section has no impact and can be deleted. The section is a holdover from language that formerly appropriated lapsing balances to the Unemployment Insurance Trust Fund (in accordance with AS 23.15.625). Unspent money stays in the employment assistance and training account unless it is appropriated elsewhere. This language appropriates money from the fund back into the fund, so is unnecessary.*

**Sec. 32. STATEWIDE ELECTION AND TRANSITION COSTS.** (a) The sum of \$2,446,700 is appropriated from the general fund to the Office of the Governor, division of elections, for costs associated with conducting the statewide primary and general elections in the fiscal year ending June 30, 2003.

(b) The sum of \$90,000 is appropriated from the general fund to the Department of Administration, Alaska Public Offices Commission, for costs associated with the statewide primary and general elections in the fiscal year ending June 30, 2003.

(c) The sum of \$350,000 is appropriated from the general fund to the Office of the Governor, executive office, for the fiscal year ending June 30, 2003, to pay for transition costs following the election of a new governor.

This section appropriates general funds to pay costs associated with statewide elections and the transition in the Office of the Governor.

**Funding:** *The Governor requests \$2.8 million general funds.*

**Sec. 33. STUDENT LOAN PROGRAM.** The amount from student loan borrowers of the Alaska Commission on Postsecondary Education that is assessed for loan origination fees for the fiscal year ending June 30, 2003, is appropriated to the origination fee account (AS 14.43.120(u)) within the student loan fund of the Alaska Student Loan Corporation for the purposes specified in AS 14.43.120(u).

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

**LFD Recommendation:** *The sections should be renamed Education Loan Program in keeping with recent statutory change.*

**Funding:** *The amount of the loan origination fee is set by regulation at 3%. The estimated loan volume for FY03 is \$60 million. With a 3% origination fee, this section transfers approximately \$1.8 million. Because the appropriation earmarks money within a fund, there is no impact on state expenditures.*

**Sec. 34. NONLAPSE OF APPROPRIATIONS.** The appropriations made by secs. 5, 6(c), 7, 11(a), 14(a), 15, 18, 22, 23, 24, 30(c), 30(i), 30(j), and 33 of this Act are for the capitalization of funds and do not lapse.

**LFD Recommendation:** *Sections 9(a) and (b) and 31 should be added to the list of nonlapsing appropriations. Section 7(a) should be removed from the list.*

## ***legislative fiscal analyst overview of the governor's FY03 request***

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**LFD Recommendation:** Section 16 from the capital bill (balance of a loan fund to DCED for electrical emergencies) appears to be an operating appropriation and could be added to this bill.

**Sec. 35.** Section 31 of this Act takes effect June 30, 2002.

**Sec. 36.** Except as provided in sec. 35 of this Act, this Act takes effect July 1, 2002.

# legislative fiscal analyst overview of the governor's FY03 request

## Capital Budget

The Governor's FY03 capital budget is \$966.5 million,<sup>4</sup> including \$6.5 million for projects contained in the mental health bill. Additionally, the Governor has introduced, or plans to introduce, several bonding bills for capital construction totaling over \$800 million<sup>5</sup>.

Compared with the capital budget authorized in FY02, the Governor's FY03 request is \$236.7 million less in federal receipts, \$273.4 million less in other funds, while general funds remain the same at \$114 million.

The federal funding decrease can be attributed to a \$167.1 million drop in DOT&PF Surface Transportation and Airport Improvement Programs, and a couple of large projects in other agencies (\$30 million dollar decrease for the University's supercomputer; \$14.9 million in DOA- land mobile radio communication system). The majority of the other funding decrease can be attributed to FY02 bonding issues (Int. Airport Revenue Bonds- \$146 million, Tobacco Settlement Bonds- \$110 million).

The corporate dividend from AIDEA is \$19 million, \$1.5 million greater than FY02. Once again, the proposed use of the dividend is to capitalize the municipal and unincorporated community capital matching grant funds at \$15.0 million. The remaining \$4 million is allocated to DCED for bulk fuel system upgrades (\$800.0) and to DOT&PF for federal-aid highway match (\$3.2 million).

The corporate dividend from AHFC is \$96.3 million, \$6.7 million smaller than the FY02 dividend. The Governor proposes allocating \$51 million to payment of debt service on AHFC bonds issued for statewide capital purposes<sup>6</sup>. Additionally, the Governor proposes using \$36.4 million for new capital projects, while the remainder would go to AHFC for housing loan programs (\$4 million) and public housing bonds<sup>7</sup> (\$4.9 million). Of the \$36.4 million requested for capital projects, \$14.4 million would fund various AHFC capital projects, and \$21.4 million would fund various Village Safe Water feasibility studies/projects and municipal water and sewer matching grant projects.

Of the \$114 million in general fund spending proposed by the Governor, \$59.8 million is earmarked as the state's match to federal receipts (\$42.6 million for federal-aid highway match, \$9.7 million for federal-aid aviation match and \$7.5 million for other match).

Substantial GF projects include the following:

\$1.1 million	DOC Correctional Institutions Roof Repairs and Siding Replacement
.9 million	DOC Corrections Security System and Life Safety Equipment Replacement
.9 million	DEED Yuut Elitnaurviat People's Learning Center – Phase 1 Construction
3.0 million	DEC Anchorage Water, Wastewater and Water Quality Projects
.8 million	Replacement of the Research Vessel Montague
1.3 million	H&SS Federal Health Insurance Portability and Accountability Act Compliance
1.3 million	DMVA Juneau Readiness Center Joint Venture with the University
4.2 million	DPS Aircraft and Vessel Repair, Maintenance, and Replacement
5.5 million	DOT&PF AMHS Vessel Overhaul and Rehabilitation
5.8 million	DOT&PF Facilities, Harbors, Airport and Highways Deferred Maintenance and Repairs
1.3 million	Statewide Replacement of Court System Technology and Communications Resources

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<sup>4</sup> Excludes fund capitalizations included in the language section (Sections 5, 6, and 8) and includes duplicated fund sources of \$41.9 million.

<sup>5</sup> Bills introduced in the 2001 session include the \$425 million GARVEE package (HB 168/SB122), \$38.9 million for harbor projects (HB 146/SB 118), and \$11.5 million for the DEC Seafood and Food Safety Lab (CSHB 51). Planned 2002 bond bills include \$135.6 million for deferred maintenance and a \$200 million GO bond issue for school construction and major maintenance.

<sup>6</sup> see "Debt Service" in this document

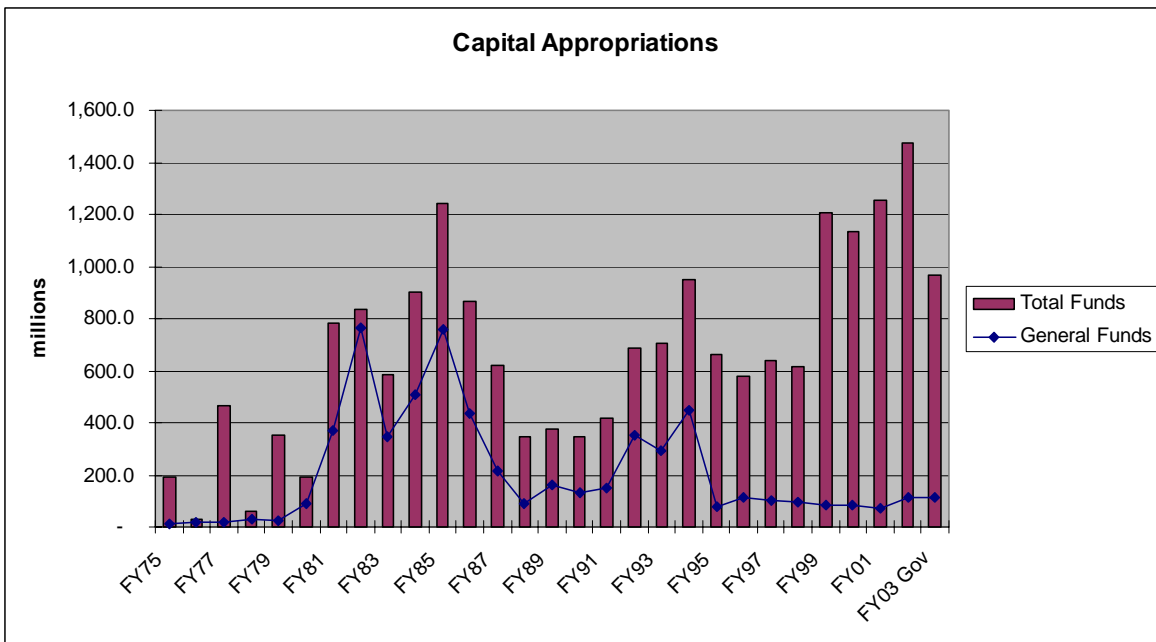
<sup>7</sup> AHFC is proposing an issuance of \$55.2 million in AHFC Bonds to modernize and renovate AHFC's inventory of public housing units. Terms of the bond issuance are not known at this time, but it is assumed from the AHFC Dividend language that they would like to service the debt by reducing their dividend to the State by the amount of the debt service.

## *legislative fiscal analyst overview of the governor's FY03 request*

Substantial non-GF (federal) projects include:

- \$10.0 million     Delta Junction Missile Defense Test Bed Impact Mitigation Projects
- \$30.0 million     DCED Financial Assistance Awards from the Denali Commission for Energy Projects
- \$28.5 million     GOV Pacific Coastal Salmon Recovery Fund/Pacific Salmon Treaty<sup>8</sup>
- \$14.6 million     DOT&PF Alaska Marine Highway System: Prince William Sound Fast Vehicle Ferry

**LFD Note:** *Currently, DOT&PF has \$51 million of unexpended federal receipt authority appropriated for fast ferries. As of December, they issued a notice of intent to award a contract for construction of 2 fast ferries. The contract award bid was \$67.9 million.*



<sup>8</sup> \$32 million federal receipts were received in the FY01 and FY02 capital budgets. \$28.5 million is requested in the FY03 capital budget bringing the total to \$60.5 for three years. The federal funding is anticipated for four years with an unknown amount available for FY04.

***legislative fiscal analyst overview of the governor's FY03 request***

**Language Sections of the Governor's Capital Bill –FY03**

**Sec. 4. FINDINGS: APPROPRIATIONS RELATING TO CERTIFICATES OF PARTICIPATION AND BONDS FOR CERTAIN CAPITAL PROJECTS.** The legislature finds that, in addition to the appropriations made by this Act, capital appropriations for the following amounts, relating to certificates of participation or bonds for the following purposes, are before, or will be before, the Second Session of the Twenty-Second Alaska State Legislature:

(1) approximately \$100,000,000 for public elementary and secondary school construction, renovation, and improvement projects as the fiscal year 2003 appropriation from the \$200,000,000 in general obligation bonds that the voters of the state will be asked to approve in the next general election;

(2) \$135,604,700 for state deferred maintenance, replacement, and expansion of state facilities;

(3) \$425,000,000 for transportation projects plus financing costs;

(4) \$11,460,000 for the environmental health, seafood, and food safety laboratory construction;

(5) \$38,953,500 for port and harbor projects plus financing costs.

This section is informational only. Bills introduced in the 2001 session include the \$425 million GARVEE package (HB 168/SB122), \$38.9 million for harbor projects (HB 146/SB 118), and \$11.5 million for the DEC Seafood and Food Safety Lab (CSHB 51). Planned 2002 bond bills include \$135.6 million for deferred maintenance and a \$200 million GO bond issue for school construction and major maintenance.

**Sec. 5. ALASKA CLEAN WATER FUND.** The sum of \$9,720,000 is appropriated to the Alaska clean water fund (AS 46.03.032) for the Alaska clean water loan program from the following sources:

Alaska clean water fund revenue bond receipts	\$1,620,000
Federal receipts	8,100,000

Since 1972, Alaska communities have relied on federal grants to partially fund their larger, more complex wastewater collection and treatment systems. In 1987, congress began a phase-out of the 15-year-old grant program to replace it with a state administered revolving loan fund. The Alaska Clean Water Fund is the State's revolving loan fund. The federal loan program is contingent on the state's 20 percent contribution/match.

The state now reduces general fund expenditures by selling revenue bonds and using the proceeds to meet the federal match requirements.

This language provision capitalizes the Alaska Clean Water Loan Fund with federal receipts and Alaska Clean Water Fund Revenue Bond Receipts.

**Sec. 6. ALASKA DRINKING WATER FUND.** The sum of \$9,663,000 is appropriated to the Alaska drinking water fund (AS 46.03.036) for the Alaska drinking water loan program from the following sources:

Alaska drinking water fund revenue bond receipts	\$1,010,500
Federal receipts	8,052,500
General fund match	600,000

## *legislative fiscal analyst overview of the governor's FY03 request*

The Alaska Drinking Water Fund program was approved by congress August 6, 1996 in response to the reauthorization of the federal Safe Drinking Water Act. The Act contains provisions that offer grants to states to help fund revolving loan programs for drinking water projects. Like the Alaska Clean Water Loan Program, the Alaska Drinking Water Loan Program must provide a 20% state contribution/match.

The state now reduces general fund expenditures by selling revenue bonds and using the proceeds to meet the federal match requirements.

This language provision capitalizes the Alaska Drinking Water Loan Fund with general funds, federal receipts and Alaska Drinking Water Fund Revenue Bond Receipts.

**Sec. 7. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY DIVIDEND.** The sum of \$19,000,000 that is anticipated to be declared available by the Alaska Industrial Development and Export Authority board of directors for appropriation as the fiscal year 2003 dividend from the unrestricted balance in the Alaska Industrial Development and Export Authority revolving fund (AS 44.88.060) is appropriated in secs. 1 and 8 of this Act.

Alaska Industrial Development and Export Authority (AIDEA) is a financial corporation of the state. In recent years, AIDEA has generated earnings beyond the needs of the corporation and has provided cash dividends to the State.

This section informs the legislature that the AIDEA's annual corporate dividend to the state will be \$19 million. It then points out that this dividend is appropriated in sections 1 and 8 of the Governor's Capital appropriations bill.

**Sec. 8. CAPITAL PROJECT MATCHING GRANT PROGRAMS.** (a) The sum of \$15,000,000 is appropriated from the Alaska Industrial Development and Export Authority revolving fund (AS 44.88.060) to the following funds in the Department of Community and Economic Development, in the amounts stated, to provide capital project matching grants:

Municipal capital project matching grant fund (AS 37.06.010(b))	\$13,100,000
Unincorporated community capital project matching grant fund (AS 37.06.020(b))	1,900,000

(b) An amount equal to the interest earned on money in the individual grant accounts in the municipal capital project matching grant fund (AS 37.06.010(b)) and the unincorporated community capital project matching grant fund (AS 37.06.020(b)) is appropriated from the general fund to the respective funds. The interest is calculated using the average percentage interest rate received by other accounts in the state's general investment fund that received interest during fiscal year 2002. The appropriations made by this subsection are allocated pro rata to each individual grant account based on the balance in the account on the close of business on June 30, 2002.

**Sub-section a** appropriates \$15 million of the AIDEA dividend to the Department of Community and Economic Development to be split between the Municipal Capital Project Matching Grant Fund and the Unincorporated Community Capital Project Matching Grant Fund.



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The purpose of these funds is to provide a funding system that is equitable to municipalities throughout the state. The funds were also created to improve the process for making grants for capital projects by providing a more orderly and thoughtful planning process that involves the local community, the executive branch, and the legislature.

**Sub-section b** appropriates general funds (equal to interest earned on the grant funds) to the two matching grant funds.

**Funding:** \$15,000.0 of AIDEA Dividends and \$425.0 in general funds.

**Sec. 9. CONSTITUTIONAL BUDGET RESERVE FUND.** (a) Deposits in the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) for fiscal year 2002 that were made from subfunds and accounts other than the operating general fund (state accounting system fund number 11100) by operation of art. IX, sec. 17(d), Constitution of the State of Alaska, to repay appropriations from the budget reserve fund are appropriated from the budget reserve fund to the subfunds and accounts from which they were transferred.

(b) If the unrestricted state revenue available for appropriation in fiscal year 2003 is insufficient to cover the general fund appropriations made for fiscal year 2003, the amount necessary to balance revenue and general fund appropriations is appropriated to the general fund from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska).

(c) The appropriations in (a) and (b) of this section are made under art. IX, sec. 17(c), Constitution of the State of Alaska.

**Sub-section a** is "sweep reversal language." The Constitution requires that year-end general fund balances be used to repay withdrawals from the CBR. All general fund subaccounts are "swept" into the CBR; this provision reverses that action. Note that the provision does not reverse the sweep from the operating general fund.

**Sub-section b** allows the state to cover any shortfall in unrestricted revenues with transfers from the CBR to the general fund. The subsection is used to draw CBR funds for short-term cash flow needs as well as to balance year-end revenue and expenditures.

**Sub-section c** stipulates that appropriations made by (a and b) must be approved by at least three-quarters of the members of each house of the legislature.

**LFD Note:** *This language is identical to the CBR provision in the operating budget with the exception of an appropriation of \$125,000 to the Department of Revenue for CBR management fees. If the capital bill receives the required  $\frac{3}{4}$  vote and the operating bill does not, this provision should be amended to include management fees.*

**Sec. 10. DEPARTMENT OF FISH AND GAME.** The proceeds from the sale of the research vessel R/V Montague, including parts inventory, are appropriated from the general fund to the Department of Fish and Game for the purchase of a replacement vessel.

The department expects to receive approximately \$200,000 from the sale of the research vessel Montague. The proceeds, coupled with a CIP request of \$600,000 in general funds, will be used to purchase a replacement vessel for Fish and Game research uses.

**Funding:** \$200.0 in General Fund Program Receipts.

**Sec. 11. DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS.** (a) The unexpended and unobligated balance on June 30, 2002, estimated to be \$152,200, of the appropriation made in sec. 82, ch. 100, SLA 1997, p. 53, line 20 (National Warning System upgrade - \$220,000) is

## *legislative fiscal analyst overview of the governor's FY03 request*

reappropriated to the Department of Military and Veterans' Affairs for the National Guard Juneau Readiness Center.

(b) The unexpended and unobligated balance on June 30, 2002, estimated to be \$102,900, of the appropriation made in sec. 131, ch. 139, SLA 1998, p. 51, lines 29 - 30 (National Warning System upgrade phase II - \$250,900) is reappropriated to the Department of Military and Veterans' Affairs for the National Guard Juneau Readiness Center.

**Sec. 12. DEPARTMENT OF PUBLIC SAFETY.** The proceeds from the sale of three Department of Public Safety aircraft and surplus aircraft parts and accessories are appropriated from the general fund to the Department of Public Safety for the purchase of replacement aircraft.

The department expects to receive up to \$750,000 from the sale of three of its aircraft. The proceeds will be used to purchase replacement aircraft for Department of Public Safety uses. An identical appropriation appeared in FY02.

**Funding:** \$750.0 of General Fund Program Receipts

**Sec. 13. FEDERAL AND OTHER PROGRAM RECEIPTS.** (a) Federal receipts, designated program receipts as defined in AS 37.05.146(b)(3), information services fund program receipts as defined in AS 44.21.045(b), receipts of the University of Alaska as described in AS 37.05.146(b)(2), receipts of commercial fisheries test fishing operations under AS 37.05.146(b)(4)(U), corporate receipts of the Alaska Aerospace Development Corporation, program receipts of the Alaska Science and Technology Foundation, non-general fund program receipts as set out in AS 37.05.146(b)(4), Exxon Valdez oil spill trust receipts as defined in AS 37.05.146(b)(5), and receipts of the Alaska Fire Standards Council under AS 37.05.146(b)(6), that exceed the amounts appropriated by this Act are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

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

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

**LFD Note:** *Identical language is proposed in the operating budget; it permits requests for additional operating authorization to be submitted to the LB&A committee for approval. This language applies to capital authorization. Capital spending is unlikely for many of the programs and funding sources listed in AS 37.05.146.*

**Sub-section a** lists types of receipts that may be spent if the Legislative Budget and Audit Committee approves requests to do so.

**LFD Note:** *Prior year language limited LB&A committee review to federal receipts, designated program receipts and test fisheries receipts. The proposed language adds about 50 programs/fund sources to the list of fund sources eligible for LB&A committee review. Many of the new additions to AS 37.05.146(b)(4) use the "Receipt Supported Services" fund code.*

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**Sub-section b** is standard language that permits state (general fund) authorization to be reduced if unanticipated money is received.

**LFD Note:** *no process for reducing appropriations is specified and Legislative Finance is unaware of any application of section b.*

**Sub-section c** is standard language that reduces appropriations if federal and other receipts are less than the amount appropriated in the bill.

**LFD Note:** *Typically, unrealized receipts are restricted in the accounting system, but authorization is not actually reduced.*

**Sec. 14. INSURANCE CLAIMS.** The amounts to be received in settlement of insurance claims for losses and the amounts to be received as recovery for losses are appropriated from the general fund to the

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

This section allows an agency to receive funds directly from a third party for settlement of insurance claims.

**LFD Note:** *This provision was prompted by an incident during FY01. Without this provision, settlements would be deposited into the general fund and would not be available to offset the agency's loss without another appropriation.*

**Sec. 15. NATIONAL PETROLEUM RESERVE - ALASKA IMPACT GRANT PROGRAM.** The amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530) under 42 U.S.C. 6508 during the fiscal year ending June 30, 2002, estimated to be \$1,680,000, is appropriated from federal receipts to the Department of Community and Economic Development for capital project grants under the National Petroleum Reserve - Alaska impact program.

This section appropriates all of the NPR-A funding received during FY02 for grants to alleviate development impacts in municipalities that are impacted by the NPR-A oil and gas development.

**LFD Note:** *Though AS 37.05.530 makes it clear that the Legislature's intent is to fund all meritorious grants to communities impacted by NPR-A oil and gas development, at the end of the fiscal year, any unappropriated amount is to be distributed as follows:*

1. 25% to the Alaska Permanent Fund;
2. ½% to the Public School Trust Fund;
3. remaining funding may be appropriated to the Power Cost Equalization and Rural Electric Capitalization Fund;
4. the remaining balance, after the above deposits have been made, lapses into the general fund for planning; construction, maintenance, and operation of essential public facilities; and other necessary public services.

**Sec. 16. RURAL ELECTRIFICATION REVOLVING LOAN FUND.** Notwithstanding AS 42.45.020(g), the balance of the rural electrification revolving loan fund (AS 42.45.020) on June 30, 2002, is appropriated to the Department of Community and Economic Development for the electrical emergencies program.

This section appropriates the unexpended and unobligated balance of the fund to the Department of Community and Economic Development for the electrical emergencies program.

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**LFD Note:** This contrasts with AS 42.45.020(g) which specifies that the unexpended and unobligated balance of this fund lapses into the general fund.

**LFD Note:** This appropriation appears to be for operating costs and could be moved to the operating appropriations bill.

**Funding:** \$350.0 of Rural Electrification Revolving Loan Funds

**Sec. 17. TRANS-ALASKA PIPELINE LIABILITY FUND.** The state's rebate share of the federal Trans-Alaska Pipeline Liability Fund, estimated to be \$2,150,000, and all investment earnings on this amount while in the custody of the state are appropriated to the Alaska Energy Authority for petroleum remediation at Alaska bulk fuel facilities in accordance with federal law (P.L. 101-380, sec. 8102(a)(2)(B)(I)), which requires that the rebate be used for the remediation of above-ground storage tanks.

This section appropriates the estimated amount of State's share of the TAPL fund rebate and all of the TAPL fund investment earnings to AEA for remediation of above-ground storage tanks.

**LFD Note:** An identical appropriation for FY02 was made in sec. 25, Ch. 61, SLA 2001. The actual TAPL funding and interest earned that is presently available for FY02 is \$1.1 million. Though DCED does not expect to receive much more than this in FY03, this appropriation should enable AEA to expend the full amount it receives in FY03.

**Sec. 18. LAPSE PROVISIONS.** (a) The appropriations made by secs. 5, 6, 8, and 14(1) of this Act are for capitalization of funds and do not lapse.

(b) The appropriations made by secs. 10, 11, 12, 14(2), 15, 16, and 17 of this Act are for capital projects and lapse under AS 37.25.020.

**Sec. 19.** This Act takes effect July 1, 2002.

### Agency Summary - Capital Projects Request - Governor's Structure

	All Funds			General Purpose Fund Group		
	FY02 Enacted	FY03 Governor	Change	FY02 Enacted	FY03 Governor	Change
Department of Administration	20,257,000	14,000,400	(6,256,600)	1,518,860	3,752,000	2,233,140
Department of Community and Economic Development	88,929,510	60,810,000	(28,119,510)	15,586,675	1,355,000	(14,231,675)
Department of Corrections	1,750,000	3,800,000	2,050,000	1,250,000	3,800,000	2,550,000
Department of Education and Early Development	77,965,197	1,400,000	(76,565,197)	1,900,000	900,000	(1,000,000)
Department of Environmental Conservation	93,494,600	100,085,000	6,590,400	1,300,000	11,688,200	10,388,200
Department of Fish and Game	15,237,700	7,085,000	(8,152,700)	1,175,000	3,375,000	2,200,000
Office of the Governor	18,637,789	29,186,389	10,548,600	637,789	686,389	48,600
Department of Health and Social Services	36,641,900	14,538,654	(22,103,246)	14,169,400	4,838,360	(9,331,040)
Department of Labor and Workforce Development	100,000	260,000	160,000	-	260,000	260,000
Department of Law	-	-	-	-	-	-
Department of Military and Veterans Affairs	5,142,700	7,597,900	2,455,200	1,222,300	2,221,600	999,300
Department of Natural Resources	29,568,300	15,530,600	(14,037,700)	1,965,500	3,955,000	1,989,500
Department of Public Safety	11,883,500	11,009,550	(873,950)	2,207,600	7,348,100	5,140,500
Department of Revenue	35,145,460	82,989,000	47,843,540	510,000	576,300	66,300
Department of Transportation/Public Facilities	957,444,421	593,431,300	(364,013,121)	61,448,465	66,074,800	4,626,335
University of Alaska	65,979,000	8,950,000	(57,029,000)	7,033,300	450,000	(6,583,300)
Alaska Court System	2,125,000	2,760,000	635,000	2,125,000	2,760,000	635,000
Legislature	-	-	-	-	-	-
Municipal Capital Matching Grants (AS 37.06.010)	13,489,686	11,831,684	(1,658,002)	-	-	-
Unincorp. Community Capital Matching Grants (AS 37.06.020)	2,752,537	1,193,996	(1,558,541)	-	-	-
<b>Total - Capital Budget</b>	<b>1,476,544,300</b>	<b>966,459,473</b>	<b>(510,084,827)</b>	<b>114,049,889</b>	<b>114,040,749</b>	<b>(9,140)</b>
Gen Purpose	114,049,889	114,040,749	(9,140)	-	-	-
Fed Restricted	917,285,874	680,580,644	(236,705,230)	-	-	-
Other Funds	445,208,537	171,838,080	(273,370,457)	-	-	-

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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.

### **THE TRUST**

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

- provide a cash payment of \$200 million into a newly created mental health trust fund;
- establish a Trust Authority;
- return the principal of the trust fund to the Authority; 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 1994:** appropriated \$200 million 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 had satisfied its obligation to reconstitute the Mental Health Trust.

**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 spend mental health trust income without legislative approval.* This provision does not remove the legislature from spending decisions: most Authority money goes to state agencies that require legislative authorization to spend the funds.

### **THE MENTAL HEALTH BUDGET**

**Separate Appropriation Bill:** AS 37.14.001 establishes the responsibilities and authority for management of the Mental Health Trust. The statute requires the Governor to submit a separate appropriation bill limited to appropriations for the state's integrated comprehensive mental health program. If appropriations in the bill submitted by the Governor

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differ from those proposed by the Authority, or the bill approved by the legislature differs from the bill submitted by the Governor, the bills must be accompanied by a report explaining the reasons for the differences.

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.

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 funds used for Mental Health purposes
- MHTAdmin – used only to fund the Mental Health Trust Authority administrative costs
- MHTIA – Mental Health Trust Income Account (not used since FY95).

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

1. The MHTAAR fund source is allocated by the Authority after reviewing projects with committed funds. The Authority considers requests approved by relevant beneficiary boards and departments, then submits a list of projects and funding proposals to the Governor. MHTAAR funding is not based on prior year appropriations.
2. The allocation of GF/MH funding is similar to the process that applies to other general funds; state agency operating requests show adjustments to appropriations made the previous fiscal year and capital requests are typically independent of prior year appropriations.

**Mental Health Funding:** The table below shows a consistent increase in mental health funding from FY96 to the Governor's FY03 request. Since the resolution of the Mental Health class action suit, the mental health budget increased from \$117,628.9 in FY96 to \$155,833.8 for FY03. General funds appropriated for capital projects fluctuate from year to year.

### Statewide Total Appropriations

FY96	FY97	FY98	FY99	FY00	FY01	FY02 Gov	FY03 Gov
117,628.9	119,184.3	121,335.5	127,498.8	141,151.3	146,138.4	151,347.8	155,833.8

Significant increases in General Fund/Mental Health funding is found in the following components:

#### Department of Health and Social Services

Infant Learning Program	\$200.0
Alcohol & Drug Abuse Grants	\$1,692.6
Rural Services & Suicide Prevention	\$867.7
Psychiatric Emergency Services	\$495.6
Services to the Chronically Mentally Ill	\$952.8
Mental Health & Developmental Disabilities Administration	\$360.5
Alaska Psychiatric Institute	\$1,256.5

**Legislative Fiscal Analyst Comment:** *Use of the AHFC Dividend (without a MH designation) in the Mental Health bill causes the bill to contain non-MH funding, which conflicts with the reasons for having a separate MH bill. Although there is no established state contribution amount, the state has an obligation to track mental health expenditures as part of the settlement. Considering that both GF/MH and AHFC dividends are unrestricted fund sources, it may be more appropriate to use general funds (GF/MH) in the Mental Health bill and use the AHFC Dividend in the regular capital budget.*



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**Comprehensive Integrated Mental Health Program Funding Summary**

	GF/MH	MHTAAR	MH Admin	Total
<b>FY02 Conference Committee</b>	<b>130,890.4</b>	<b>10,771.3</b>	<b>1,040.3</b>	<b>142,702.0</b>
Fiscal Note FY 02	100.5	125.0		225.5
Re-appropriation		209.6		209.6
<b>FY02 Authorized</b>	<b>130,990.9</b>	<b>11,105.9</b>	<b>1,040.3</b>	<b>143,137.1</b>
Transfer in	777.6	2.0		779.6
Transfer out	(777.6)	(2.0)		(779.6)
<b>FY02 Management Plan</b>	<b>130,990.9</b>	<b>11,105.9</b>	<b>1,040.3</b>	<b>143,137.1</b>
One time item	(5.0)	(449.2)		(454.2)
Salary adjustment	634.9	47.3	19.0	701.2
Transfer in	7,764.4	118.3		7,882.7
Transfer out	(7,841.8)	(118.3)		(7,960.1)
<b>FY03 Adjusted Base</b>	<b>131,543.4</b>	<b>10,704.0</b>	<b>1,059.3</b>	<b>143,306.7</b>
Funding Change	1,775.1	(1,078.4)		696.7
Increment	6,271.6	962.1	118.7	7,352.4
Decrement	(390.9)	(1,648.6)		(2,039.5)
<b>FY03 Governor Request</b>	<b>139,199.2</b>	<b>8,939.1</b>	<b>1,178.0</b>	<b>149,316.3</b>

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**Capital Budget Funding Summary**

	GF/MH		AHFC	
<b>Department</b>	<b>Funds</b>	<b>MHTAAR</b>	<b>Dividends</b>	<b>Total</b>
Administration	250.0	238.0		488.0
Health and Social Services	1,579.5	1,350.0	100.0	3,029.5
Natural Resources		800.0		800.0
Revenue		500.0	1,300.0	1,800.0
Transportation/Public Facilities	250.0	150.0		400.0
<b>FY03 Governor Capital Request</b>	<b>2,079.5</b>	<b>3,038.0</b>	<b>1,400.0</b>	<b>6,517.5</b>

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**Agency Narratives and Funding Summaries**

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## **Department of Administration**

The Department of Administration, comprised of sixteen divisions, provides basic internal services to other state agencies and serves as an umbrella agency for a group of diverse social service, justice, and regulatory agencies. The Divisions of Personnel, Finance, General Services, Retirement and Benefits, and Risk Management provide services to other state agencies. 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. The Information Technology Group provides internal services to state agencies and also provides for the state's satellite-based public communications system.

### **SIGNIFICANT CHANGES**

- The Governor's request for the Department of Administration is \$20.4 million above the FY02 total funding level. The net change includes an increase of \$6.7 million in general funds and \$13.7 million in other funds.
- The Centralized Administrative Services appropriation includes 13 components with a variety of responsibilities. The most significant increase in this area includes \$792.3 (non-GF) for Retirement and Benefits increments to accommodate growth in the customer base, actuarial, audit and legal services expenses, and a facility rent increase. The Commissioner's Office is requesting restoration of their only permanent, full-time legislative liaison position (funded by Interagency Receipts) which had been deleted by the legislature for FY02. Other changes in this area include increments totaling \$359.4 (of which \$225.6 is GF) in Finance to provide three new permanent, full-time AKPAY programmers for the aging payroll system plus budgeted I/A Receipts to accommodate AKPAY/AKSAS chargeback rates approved by the Administrative Solutions Team.
- Within the Leases appropriation, an increase of \$1.9 million GF has been included to fully fund contractual lease obligations. The department would like to avoid a supplemental for FY03 with this addition. An increment for the Anchorage Jail Lease (\$5.2 million GF) is in the language section of the Governor's FY03 request (Section 30 (g)).

***Legislative Fiscal Analyst Comment:** Legislative Finance included the initial lease payment for the Anchorage Jail (Sec. 27(g), Ch. 60, SLA 2001) with the FY02 Conference Committee transactions in the leasing appropriation. The governor's request includes this amount (\$3.6 million GF) with State Debt obligations. The \$5.2 million increment that appears in Leases is actually a \$1.6 million increase over FY02, and reflects a full year of payments on the jail lease.*

- State Owned Facilities includes increments (totaling \$680.7 Public Building Fund) to offset utility cost increases and other operational expenses such as janitorial and risk management. Tenant agencies have endorsed these increases. This budget is also reduced (\$1.9 million Public Building Fund) by the amount anticipated to be collected for public facilities maintenance and repairs in FY03 because that funding is included in the FY03 Capital Budget.
- The Information Technology Group requests a \$12.7 million Information Services Fund increment to handle pass-through funds from other state agencies to the state's new telecommunications partner. This increase does not fund any services in ITG; it simply allows the division to make one payment on behalf of the state to the provider, Alaska Communications System Group.
- Risk Management's budget is increased by \$1.0 million (I/A Receipts) to partially offset known increases in workers' compensation and liability costs. These cost increases will be paid for by client state agencies.
- Longevity Bonus Grants includes a \$4.0 million general fund *decrement* to reflect the department's projected decrease in Longevity Bonus payments for FY03. On January 1, 1997, the Longevity Bonus Program was closed to new participants and, as a result, the total annual payout is decreasing.

***Legislative Fiscal Analyst Comment:** The governor's budget includes a language appropriation (Section 17) that provides for open-ended GF spending on the longevity bonus grant program. The legislature removed a similar section from the FY02 appropriations bill. After reviewing department forecasts, Legislative Finance added \$1.2 million to the Governor's bill as an estimate of the impact of section 17. This action reflects "Base" estimate payments of \$49.8 million (rather than the "low" estimate on which the governor's decrement is based).*

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- Senior Services requests increments of \$656.9 for the following:
  - 1) Assisted Living Rate Increase and General Relief Program Growth \$364.3 GF
  - 2) Eligibility Technician Position for General Relief & Medicaid Clients \$ 39.5 GF  
\$ 17.0 I/A Receipts
  - 3) Non Permanent Position for Coordinated Public Awareness & Education \$ 75.5 MHTAAR
  - 4) Change Unbudgeted RSAs with DHSS to Budgeted \$158.6 I/A Receipts
  - 5) Funding for Substance Abuse Treatment for Seniors \$ 2.0 MHTAAR

An additional \$491.0 GF replaces MHTAAR funding for general relief clients for the assisted living program. This fund source change is a continuation of the assisted living rate increase for general relief clients that became effective July 2000 as a result of the passage of Ch. 83 SLA 2000 (SB 73). MHTAAR funding was only available for the first two years of this program.

- The Alaska Oil and Gas Conservation Commission's request for \$680.6 AOGCC Receipts would cover increased drilling activity costs plus salary adjustments and position reclassification increases.
- Legal and Advocacy Services include \$3.2 million (all GF) in increments. The Office of Public Advocacy increments (totaling \$1.1 million) reflect increased funding for contractual legal services, funds to reduce personal services vacancy and legal secretary reclassifications. The Public Defender Agency budget is increased by \$2.1 million to provide full funding of three alcohol initiative fiscal notes (\$852.0 total) plus provision for ongoing operational costs mainly in personal services (\$1.3 million).

In addition to the increments, a total of \$596.8 GF (\$298.4 each for the Office of Public Advocacy and for the Public Defender Agency budgets) replaces I/A Receipts for the Smart Start Project and the Balloon Project to ensure that child protection cases are not delayed. Funding from the Department of Health and Social Services was reduced or eliminated.

- The Alaska Public Offices Commission has requested \$20.0 GF to convert the one part-time Juneau clerk position to full time to ensure that the Juneau office is able to serve the public and to handle the extra workload during the upcoming statewide elections.
- Motor Vehicles includes the retention of \$200.0 GF/PR for Administrative Hearing Costs.

**Legislative Fiscal Analyst Comment:** *These hearing costs were added to the DMV budget in Sec. 27(k) Ch. 61 SLA 2001. The department retained this special appropriation in their base. Legislative Finance considers this to be a one-time item which was backed out in the adjusted base budget. An increment was subsequently added by Legislative Finance to match the Governor's FY03 budget request.*

- The net change in positions for the department shows an increase of 39 PFT positions, a decrease of (10) PPT positions, and an increase of 12 budgeted temporary positions.

### **ORGANIZATIONAL CHANGES**

The Governor's FY03 budget includes a reversal of the organizational structure created by the Legislature for FY02 in Leases, i.e. leases for Anchorage Division of Motor Vehicles Facilities are no longer separated out for appropriations funding and accounting purposes. The structure as submitted matches that of previous years with the exception of FY02.

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**Department of Administration Funding Summary**

	<b>General Purpose</b>	<b>Federal Restricted</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY02 Conference Committee</b>	<b>156,940.3</b>	<b>9,404.1</b>	<b>118,467.4</b>	<b>284,811.8</b>
Fiscal Note FY 02	575.6		91.0	666.6
Special appropriation	200.0			200.0
Veto	<i>(57.2)</i>			<i>(57.2)</i>
<b>FY02 Authorized</b>	<b>157,658.7</b>	<b>9,404.1</b>	<b>118,558.4</b>	<b>285,621.2</b>
<b>FY02 Management Plan</b>	<b>157,658.7</b>	<b>9,404.1</b>	<b>118,558.4</b>	<b>285,621.2</b>
One time item	<i>(3,811.9)</i>		<i>(110.0)</i>	<i>(3,921.9)</i>
Salary adjustment	1,173.6	28.1	649.2	1,850.9
Agency transfer in	2.5			2.5
Agency transfer out	<i>(254.5)</i>			<i>(254.5)</i>
Transfer in	1,186.4	564.3		1,750.7
Transfer out	<i>(1,186.4)</i>	<i>(564.3)</i>		<i>(1,750.7)</i>
<b>FY03 Adjusted Base</b>	<b>154,768.4</b>	<b>9,432.2</b>	<b>119,097.6</b>	<b>283,298.2</b>
Language	1,318.8			1,318.8
Funding Change	1,072.5		<i>(1,072.5)</i>	0.0
Increment	11,181.2		16,369.0	27,550.2
Decrement	<i>(4,020.3)</i>		<i>(2,138.9)</i>	<i>(6,159.2)</i>
<b>FY03 Governor Request</b>	<b>164,320.6</b>	<b>9,432.2</b>	<b>132,255.2</b>	<b>306,008.0</b>
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<b>Position Summary</b>		<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>		<b>1,376</b>	<b>116</b>	<b>100</b>
<b>FY03 Governor Request</b>		<b>1,415</b>	<b>106</b>	<b>112</b>
<b>Net Change</b>		<b>39</b>	<b><i>(10)</i></b>	<b>12</b>
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<b>FY03 Governor Capital Request</b>	<b>3,752.0</b>	<b>0.0</b>	<b>10,248.4</b>	<b>14,000.4</b>

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## **Department of Community and Economic Development**

The Department of Community and Economic Development (DCED) provides a wide range of services to private businesses and aids in protecting the public by regulating certain industries. Development services provide general assistance and access to capital markets for businesses, coordinate numerous state loan programs, and manage 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. The public protection function regulates banking, securities and corporations, insurance, occupations and public utilities.

DCED also provides 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.

### **SIGNIFICANT CHANGES**

- The Governor's request for FY03 is \$4.1 million (2.8%) above the FY02 Management Plan. The General Fund request is \$241.9 (.6%) above the FY02 Management Plan.
- The Community and Business Development component requests an increment of \$275.0 in GF for four new positions to operate the newly developed Alaska Economic Information System (AEIS). The AEIS is a one-stop portal on the Web designed to provide extensive information from which individuals, businesses, and government agencies can base development plans. The AEIS was developed in-house with federal funding from an Economic Development Administration (EDA) grant.

The Community and Business Development component is also requesting an increment of \$75.0 of GF for a new Assistant State Assessor position to aid the State Assessor in reviewing the Full and True Value Determination (FTVD) for property in each municipality. The State Assessor must review local assessment practices because the amount of state funding to municipal school districts is affected by the FTVD.

- The International Trade and Development Component requests \$90.0 in GF to fund contract trade representation in China.
- The Qualified Trade Association (QTA) request a \$600.0 *decrement* in general funds. A delayed amendment of AS 44.33.125(a) increases the percentage of the marketing budget that must be raised by the QTA from 30% to 60%. This reduces the State's share of the QTA budget from \$4.6 million to \$4 million.
- The Power Cost Equalization (PCE) component request an increment of \$1.3 million of PCE funds for increased fuel costs.

**Legislative Fiscal Analyst Comment:** *The increment is arguably funded with general funds. In addition to transferring 7% of the market value of the PCE Endowment Fund to the PCE fund (estimated to be \$12.5 million), section 24 of the Governor's FY03 Operating Bill appropriates \$3.3 million of general funds to the PCE fund. The increment allows the general fund capitalization to be spent. For a more detailed discussion of this issue, please see the discussion of section 24 in the analysis of language sections portion of this Overview.*

### **ORGANIZATIONAL CHANGES**

To distinguish between AIDEA and the Alaska Energy Authority (AEA), a new Alaska Energy Authority BRU has been established. Funding for all programs administered by AEA is being transferred to this BRU. These include the AEA Statewide Operations and Maintenance, Energy Operations, Circuit Rider, and Power Cost Equalization components.



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**Department of Community and Economic Development Funding Summary**

	<b>General Purpose</b>	<b>Federal Restricted</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY02 Conference Committee</b>	<b>42,904.6</b>	<b>21,038.6</b>	<b>85,029.6</b>	<b>148,972.8</b>
Fiscal Note FY 02			145.1	145.1
Re-appropriation		(170.0)		(170.0)
<b>FY02 Authorized</b>	<b>42,904.6</b>	<b>20,868.6</b>	<b>85,174.7</b>	<b>148,947.9</b>
Transfer in			5.7	5.7
Transfer out			(5.7)	(5.7)
<b>FY02 Management Plan</b>	<b>42,904.6</b>	<b>20,868.6</b>	<b>85,174.7</b>	<b>148,947.9</b>
One time item		170.0	(9,004.0)	(8,834.0)
Salary adjustment	184.8	32.8	876.8	1,094.4
Agency transfer in	197.1			197.1
Transfer in	614.7	166.0	18,797.2	19,577.9
Transfer out	(614.7)	(166.0)	(18,797.2)	(19,577.9)
<b>FY03 Adjusted Base</b>	<b>43,286.5</b>	<b>21,071.4</b>	<b>77,047.5</b>	<b>141,405.4</b>
Language			9,000.0	9,000.0
Agency transfer out		(170.0)		(170.0)
Funding Change			0.0	0.0
Increment	460.0	2.3	3,811.6	4,273.9
Decrement	(600.0)		(862.3)	(1,462.3)
<b>FY03 Governor Request</b>	<b>43,146.5</b>	<b>20,903.7</b>	<b>88,996.8</b>	<b>153,047.0</b>
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<b>Position Summary</b>		<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>		<b>479</b>	<b>6</b>	<b>1</b>
<b>FY03 Governor Request</b>		<b>506</b>	<b>5</b>	<b>0</b>
<b>Net Change</b>		<b>27</b>	<b>(1)</b>	<b>(1)</b>
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<b>FY03 Governor Capital Request</b>	<b>1,355.0</b>	<b>55,830.0</b>	<b>3,625.0</b>	<b>60,810.0</b>

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## **Department of Corrections**

The Department of Corrections is responsible for public safety through the administration of correctional services including: twelve prisons and jails which provide secure incarceration and appropriate rehabilitation programs for felons and misdemeanants; community residential centers; supervision and case management of probationers and parolees in the community; and oversight of 15 small community jails. Also included in the department is the Alaska Board of Parole, a quasi-judicial Board which makes all parole related decisions.

### **SIGNIFICANT CHANGES**

- Replace federal funding for the State Criminal Alien Assistance Program (SCAAP) with general funds. SCAAP provides federal assistance to states to partially reimburse them for costs incurred in incarcerating undocumented criminal aliens. The availability of SCAAP federal funds to Alaska has been decreasing during the last several years due to increasing demand nationwide for these funds. All SCAAP awards will be expended at the end of FY02 and will not be available for FY03. General fund increments to replace \$4,625.7 of the \$5,129.9 in lost federal funds are requested in the Data and Word Processing and Out-of-State Contractual components.
- Replace Violent Offender Incarceration (VOI) federal grant funds. This five year federal program was aimed at increasing prison and CRC beds for violent offenders. The department used these funds to purchase beds from the Central Arizona Detention Center (CADC) and several of the Community Residential Centers currently under contract with the State. The total loss of \$3,984.5 in federal funds is replaced with GF increment requests of \$2,984.5 in the Community Residential Centers BRU and the Out-of-State Contractual component.
- The Inmate Health Care component requests a \$2 million increment (\$1,655.0 GF and \$345.0 PFD) for increased costs of providing medical care to sentenced and un-sentenced offenders. Personal services costs have increased due to a reclassification which took place in late FY01. The department requested an increment for FY02 of \$654.5 which was not granted. Consequently a line item transfer of \$473.0 from contractual was executed to cover these costs in FY02. Contractual medical services and pharmaceutical costs have also increased, requiring additional funds.
- The Inmate Programs and the Southcentral Region Probation components are requesting increments totaling \$1,015.0 for Children with Incarcerated Parents/Probationers & Parolees (\$721.2 GF and \$293.8 PFD). This funding will be used to ease the adjustment for inmates with children when the parent's term of incarceration is over and the family is reunited.
- The Institution Director's Office requests an increment of \$433.6 (\$405.6 GF and \$28.0 Receipt Supported Services) to fully fund HB132 – Liquor License Applicant Check/.08 DWI. This increment funds the difference between the second fiscal year funding needs of the legislation and what was appropriated for the first fiscal year. These funds will cover the incarceration costs for new felons convicted of violating the provisions of the legislation.
- An increment for \$1,895.9 in GF is requested to fully fund the Anchorage Jail. The original legislation (Ch. 15, SLA 98) authorizing the department to replace the existing Sixth Avenue Jail stipulated that the “additional costs of the facility may not exceed \$6,000.0 as a result of the replacement.”

*Legislative Fiscal Analyst Comment: Last session about \$4 million was appropriated for first year funding and start-up costs including support of 83 new permanent full-time positions. This increment requests the remaining amount needed to cover operating costs of the new correctional facility.*

- The Community Jails component requests a \$400.0 GF increment for increased Community Jails contracts. There are 15 local community jails (153 total beds) under contract to the department to provide local short-term incarceration for state prisoners. The communities operating jails are experiencing substantial funding difficulties in providing jail services.

*Legislative Fiscal Analyst Comment: Last session the department requested an increment of \$400.0 and was granted an increment for \$200.0, less \$73.8 for a miscellaneous reduction.*

## ***legislative fiscal analyst overview of the governor's FY03 request***

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- The Parole Board requests an increment of \$100.0 in GF to cover increased prisoner hearings and Parole Board activity relating to parole releases and revocations.
- Increments totaling \$133.3 GF for increased fuel costs occur throughout the twelve institutions. Fuel cost increases over the past few years have had a large impact on 24-hour facility operations. Without these additional funds the institutions will continue to reduce expenses in other areas, which could affect public protection, security operations, and fire and safety issues.
- A \$1,797.4 Fund Change from General Fund/Program Receipts (GF/PR) to Statutory Designated Program Receipts (SDPR) would reclassify receipts the department collects for housing prisoners charged with municipal offenses. The municipal governments, by contractual agreement, reimburse the department for the daily cost of care of these prisoners.

*Legislative Fiscal Analyst Comment: The department has requested this fund change for the past few years. Legislative Finance believes the fund source change meets statutory criteria.*

### **ORGANIZATIONAL CHANGES**

There are no significant organizational changes.

*legislative fiscal analyst overview of the governor's FY03 request*

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**Department of Corrections Funding Summary**

	<b>General Purpose</b>	<b>Federal Restricted</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY02 Conference Committee</b>	<b>147,323.9</b>	<b>8,518.5</b>	<b>19,881.5</b>	<b>175,723.9</b>
Fiscal Note FY 02	944.6		262.2	1,206.8
<b>FY02 Authorized</b>	<b>148,268.5</b>	<b>8,518.5</b>	<b>20,143.7</b>	<b>176,930.7</b>
Transfer in	1,083.6	453.4	136.8	1,673.8
Transfer out	<i>(1,083.6)</i>	<i>(453.4)</i>	<i>(136.8)</i>	<i>(1,673.8)</i>
<b>FY02 Management Plan</b>	<b>148,268.5</b>	<b>8,518.5</b>	<b>20,143.7</b>	<b>176,930.7</b>
One time item	<i>(20.0)</i>			<i>(20.0)</i>
Salary adjustment	1,700.9	47.8	10.7	1,759.4
Agency transfer in	5.0			5.0
Agency transfer out	<i>(95.0)</i>			<i>(95.0)</i>
Transfer in	3,960.8	464.9	83.6	4,509.3
Transfer out	<i>(3,960.8)</i>	<i>(464.9)</i>	<i>(83.6)</i>	<i>(4,509.3)</i>
<b>FY03 Adjusted Base</b>	<b>149,859.4</b>	<b>8,566.3</b>	<b>20,154.4</b>	<b>178,580.1</b>
Funding Change	<i>(1,732.3)</i>	<i>(6.7)</i>	1,739.0	0.0
Increment	10,281.8		666.8	10,948.6
Decrement	<i>(160.5)</i>	<i>(5,120.7)</i>	<i>(49.7)</i>	<i>(5,330.9)</i>
<b>FY03 Governor Request</b>	<b>158,248.4</b>	<b>3,438.9</b>	<b>22,510.5</b>	<b>184,197.8</b>

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<b>Position Summary</b>	<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>	<b>1,463</b>	<b>3</b>	<b>0</b>
<b>FY03 Governor Request</b>	<b>1,481</b>	<b>3</b>	<b>0</b>
<b>Net Change</b>	<b>18</b>	<b>0</b>	<b>0</b>

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<b>FY03 Governor Capital Request</b>	<b>3,800.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3,800.0</b>
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# *legislative fiscal analyst overview of the governor's FY03 request*

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## **Department of Education and Early Development**

The Department of Education and Early Development is responsible for funding and regulating the state's K-12 schools as well as administering school debt reimbursement, grants for school construction, and a comprehensive system of early care and learning. The department houses the Alaska State Community Service Commission, Alyeska Central School, Commissions and Boards (including the Professional Teaching Practices Commission, the Alaska State Council on the Arts and the Alaska Postsecondary Education Commission) and is responsible for the Kotzebue Technical Center Operations Grant, Alaska Vocational Technical Center Operations, Mt. Edgecumbe Boarding School, E&ED State Facilities Maintenance, and Alaska Library and Museums.

***Legislative Fiscal Analyst Comment:** Although the Governor's budget places costs of the school debt reimbursement program in the department, Legislative Finance classifies the program as debt service. School debt is discussed in a separate section of this overview that addresses all state debt.*

### **SIGNIFICANT CHANGES**

- The Governor's budget for K-12 Support fully funds the FY03 public school Foundation Program. This includes increases available in Public School Trust Funds revenues of \$665.7 (non-GF) plus funding provided for Foundation Program grants by the fiscal notes to Ch. 95, SLA 2001 (SB 174) (\$18.4 million GF) and Ch. 70, SLA 2001 (HB 101) (\$609.8 GF). A decrement (\$6.9 million GF) is reflected to acknowledge that the level of state aid is reduced in the formula due to an increase in required local contributions and changes in the funding floor. Section 10 in the language portion of the Governor's FY03 request includes replacement of one-time funding for Learning Opportunity Grants (\$12.4 million GF). The Education Funding Task Force has recommended a permanent increase in the amount of the statutory quality schools funding grant from \$16 to \$74 per adjusted average daily membership. If this is not approved as legislation, it is designed that this language section would be retained within the Foundation Program so that direct student intervention programs intended to improve student performance would continue.
- The K-12 Support for non-Foundation Programs reflects an increase of \$400.0 GF to compensate individual school districts for loss of revenue in serving students who are wards of the state. Schools for the Handicapped also increases by \$166.8 GF for out-of-state placement costs not covered by Medicaid and for Special Education Service Agency full funding as required by statute. There are no changes in the formula programs for Boarding Home Grants, Youth in Detention or Community Schools.
- Pupil Transportation includes an increment (\$3.4 million GF) to fully fund reimbursable pupil transportation costs based on contract COLA increases, additional routes, fuel increases, and new bus purchases.
- The Commissioner's Office requests \$150.0 (I/A Receipts) to fully fund the operating costs of that office.
- In Teaching and Learning Support, the Special and Supplemental Services component requests total increments of \$5.6 million to provide sufficient authorization for federal grant increases (\$5 million Federal Receipts), to accommodate the Fetal Alcohol Syndrome reimbursable services agreement with H&SS (\$500.0 I/A Receipts), and to fund the Early Literacy Program (\$100.0 GF). Major increments are also presented in the Quality Schools area as follows: Department of Defense Troops to Teachers (\$250.0 Federal Receipts); Correspondence Program Monitoring & Review (\$175.0 GF); and Statewide Data Collection and Analysis as proposed by the Education Funding Task Force (\$730.0 GF). A decrement relating to charter schools is also included due to the projected shortfall based on the number of charter schools applying for one-time grants. The Education Special Projects budget is reduced 86% reflecting the realignment of program responsibilities to Head Start and the creation of a new BRU/Component for the Alaska State Community Service Commission.
- Early Development requests increments totaling \$4.2 million including the continuation of a one-time reappropriation (\$250.0 GF) to Head Start. Other significant changes include an increase to correct an error in budgeted Interagency Receipt authority in Child Care Assistance & Licensing for Temporary Assistance to Needy Families (TANF) (\$3.9 million I/A Receipts); an increment for Head Start Expansion (\$500.0 GF); and a decrement of \$1.2 million to delete excess authority for unrealized federal funds for education and training for Head Start

## ***legislative fiscal analyst overview of the governor's FY03 request***

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workers. One significant transfer from Education Special Projects in Teaching and Learning Support to Head Start Grants aligns positions with program responsibilities (\$924.0 I/A and \$80.1 Federal Receipts).

- The Kotzebue Technical Center Operations Grant received a special appropriation of \$470.0 GF for operations in FY02 (Sec. 88 Ch. 61 SLA 2001) plus a portion of the vocational technical education fiscal note (Ch. 102 SLA 2001). The fiscal note (\$500.9 VoTech Ed) remains as part of this component's base budget. The department also retained the special appropriation funds as part of the governor's request.

***Legislative Fiscal Analyst Comment:*** *Legislative Finance backed out the special appropriation because it was considered a one-time appropriation. Legislative Finance then added an increment in the same amount in order to match the governor's request.*

- The Alaska Postsecondary Education Commission request includes Post-Secondary Receipts increments for Early Awareness & Outreach (\$183.5), second-year funding of the fiscal note for HB 204 relating to the Federal Family Education Loan Program (\$115.0), and Anchorage Leased Space (\$60.0). Another increment is requested for Gear Up Scholarships (\$350.0 I/A Receipts). ACPE Dividend fund sources are switched to general fund, both in the Student Loan Operations component (\$250.0) and in the WWAMI Medical Education component (\$63.1).
- There is a net increase of 47 permanent full-time positions.

### **ORGANIZATIONAL CHANGES**

The Department of Education and Early Development has transferred responsibility and funding for the Children's Trust Programs to the Department of Health and Social Services in FY03. Internally, the Alaska State Community Service Commission is established as a distinct appropriation/component.



*legislative fiscal analyst overview of the governor's FY03 request*

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**Department of Education and Early Development Funding Summary**

	<b>General Purpose</b>	<b>Federal Restricted</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY02 Conference Committee</b>	<b>733,444.0</b>	<b>161,730.9</b>	<b>53,536.3</b>	<b>948,711.2</b>
Fiscal Note FY 02	20,285.7		1,820.5	22,106.2
Re-appropriation	250.0			250.0
Special appropriation	470.0			470.0
<b>FY02 Authorized</b>	<b>754,449.7</b>	<b>161,730.9</b>	<b>55,356.8</b>	<b>971,537.4</b>
<b>FY02 Management Plan</b>	<b>754,449.7</b>	<b>161,730.9</b>	<b>55,356.8</b>	<b>971,537.4</b>
One time item	<i>(13,224.0)</i>			<i>(13,224.0)</i>
Salary adjustment	222.0	90.9	373.3	686.2
Agency transfer in	14.3	110.0		124.3
Agency transfer out	<i>(271.1)</i>	<i>(100.0)</i>	<i>(473.0)</i>	<i>(844.1)</i>
Transfer in	63.0	2,902.1	1,159.1	4,124.2
Transfer out	<i>(63.0)</i>	<i>(2,902.1)</i>	<i>(1,159.1)</i>	<i>(4,124.2)</i>
<b>FY03 Adjusted Base</b>	<b>741,190.9</b>	<b>161,831.8</b>	<b>55,257.1</b>	<b>958,279.8</b>
Language	12,372.0			12,372.0
Funding Change	433.3	<i>(2,500.0)</i>	2,066.7	0.0
Increment	7,358.6	5,300.0	6,116.4	18,775.0
Decrement	<i>(7,674.0)</i>	<i>(1,238.0)</i>		<i>(8,912.0)</i>
<b>FY03 Governor Request</b>	<b>753,680.8</b>	<b>163,393.8</b>	<b>63,440.2</b>	<b>980,514.8</b>

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<b>Position Summary</b>	<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>	<b>373</b>	<b>114</b>	<b>3</b>
<b>FY03 Governor Request</b>	<b>420</b>	<b>114</b>	<b>3</b>
<b>Net Change</b>	<b>47</b>	<b>0</b>	<b>0</b>

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<b>FY03 Governor Capital Request</b>	<b>900.0</b>	<b>0.0</b>	<b>500.0</b>	<b>1,400.0</b>
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# *legislative fiscal analyst overview of the governor's FY03 request*

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## **Department of Environmental Conservation**

The Department of Environmental Conservation is a technical assistance and grant-in-aid agency responsible for protecting the environment and public health. The agency administers programs for preventing and responding to air, land, and water pollution; enforces standards of sanitation in public facilities; assures wholesome 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 CHANGES**

- The Governor's request for FY03 is \$2.7 million (5.3%) above the FY02 Management Plan. The general fund request is \$3.4 above the FY02 Management Plan.
- The majority of this increase (\$2.7 million) can be attributed to the Oil Safety Development Initiative. The following increments for this Initiative are described in the "Oil Safety and Development Initiative" section in this Overview.

Statewide Public Services	\$125.0 GF
Air Quality	\$302.7 GF
	\$553.4 Clean Air Protection Funding
Water Quality	\$943.8 GF and GF/Program Receipts
Statewide Public Services	\$125.0 GF
Industry Preparedness and Pipeline Operations	\$451.2 GF
Prevention and Emergency Response	\$244.0 GF

Other significant changes are as follows:

- The Environmental Health Director component requests \$175.0 in general funds which will be used mainly to hire one full time employee to update child care sanitation regulations. These regulations were last updated in 1982.
- The Food Safety and Sanitation component requests a \$324.0 (\$274.0 of GF) increment for a Wild-Seafood Monitoring Project. A variety of species from all areas of the State will be tested and the data entered into a publicly accessible database that will provide information regarding the presence of persistent bioaccumulative toxins.
- The Drinking Water component requests an increment of \$154.9 in G/F Match and an equal amount of federal funds to clear a backlog in several areas, including:
  - a number of water systems that are out of compliance with testing rules;
  - completion of sanitary surveys; and
  - completion of "ground water under the direct influence of surface water" determinations.
- The Water Quality component requests a fund change from \$375.0 in federal funds to \$350.0 of GF and \$25.0 in GF/Program Receipts. The federal "seed money" to fund the wastewater permitting program development is not available in FY03.
- Because Storage Tank Assistance Funding is no longer available, Administrative Services and the Contaminated Sites Program request a \$972.2 fund source change from this fund to the Oil/Hazardous Prevention & Response Fund.

### **ORGANIZATIONAL CHANGES**

The Exxon Restoration component in the Administration BRU has been deleted due to reduced funding. A staff position and \$13.2 in EVOSS funding to facilitate the program closeout are being transferred to the Air and Water Quality Director's Office. The remaining authorization (\$622.3 of EVOSS) is eliminated.

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**Department of Environmental Conservation Funding Summary**

	General Purpose	Federal Restricted	Other Funds	Total
<b>FY02 Conference Committee</b>	<b>13,039.1</b>	<b>16,223.8</b>	<b>21,692.7</b>	<b>50,955.6</b>
Fiscal Note FY 02			78.0	78.0
Re-appropriation			270.0	270.0
Special appropriation			1,000.0	1,000.0
<b>FY02 Authorized</b>	<b>13,039.1</b>	<b>16,223.8</b>	<b>23,040.7</b>	<b>52,303.6</b>
Transfer in		20.7		20.7
Transfer out		(20.7)		(20.7)
<b>FY02 Management Plan</b>	<b>13,039.1</b>	<b>16,223.8</b>	<b>23,040.7</b>	<b>52,303.6</b>
One time item			(1,351.2)	(1,351.2)
Salary adjustment	247.5	175.1	321.0	743.6
Transfer in			13.2	13.2
Transfer out			(13.2)	(13.2)
<b>FY03 Adjusted Base</b>	<b>13,286.6</b>	<b>16,398.9</b>	<b>22,010.5</b>	<b>51,696.0</b>
Funding Change	375.9	(375.0)	(0.9)	(0.0)
Increment	2,770.1	154.9	2,077.0	5,002.0
Decrement	(32.6)	(554.0)	(1,052.1)	(1,638.7)
<b>FY03 Governor Request</b>	<b>16,400.0</b>	<b>15,624.8</b>	<b>23,034.5</b>	<b>55,059.3</b>

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<b>Position Summary</b>	<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>	<b>483</b>	<b>7</b>	<b>4</b>
<b>FY03 Governor Request</b>	<b>509</b>	<b>9</b>	<b>4</b>
<b>Net Change</b>	<b>26</b>	<b>2</b>	<b>0</b>

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<b>FY03 Governor Capital Request</b>	<b>11,688.2</b>	<b>61,495.0</b>	<b>26,901.8</b>	<b>100,085.0</b>
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# *legislative fiscal analyst overview of the governor's FY03 request*

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## **Department of Fish and Game**

The Department of Fish and Game has a mandate to manage, protect, maintain, improve and extend the fish, game, and aquatic plant resources of Alaska in the interest of the economy and for the general well-being of the State. The Boards of Fisheries and Game adopt regulations to conserve and develop these resources. The commissioner and the department conduct management and research functions necessary to support these goals. The department includes the Commercial Fisheries Entry Commission, a quasi-judicial agency which promotes resource conservation and sustained yield management by regulating entry into Alaska's commercial fisheries.

### **SIGNIFICANT CHANGES**

- In FY01, \$14 million federal funds were appropriated to the Governor's Office for the Pacific Salmon Treaty. FY02 appropriations included an additional \$18 million federal funds for the same project. The governor's FY03 request includes \$28.5 million capital project federal funding for the Pacific Coastal Salmon Recovery Fund and the Pacific Salmon Treaty. This is the third of four federal appropriations anticipated by Alaska. An increment in Commercial Fisheries for \$723.0 CIP receipts includes one full-time and seven part-time positions to conduct the research required as part of the Pacific Salmon Treaty. Sport Fisheries Special Projects requests \$44.8 CIP receipts to assist with the Pacific Salmon Treaty project. Habitat Special Projects is also requesting \$31.5 additional authorization for the same project.
- The Division of Sport Fisheries is requesting an increment of \$549.4 federal receipts in anticipation of additional funding from the US Fish and Wildlife Service to conduct research on wild rainbow trout.
- All significant general fund increases are requested in the Habitat Component. Approval of the Oil Safety and Development Initiative (\$222.6), Matanuska-Susitna permitting and habitat restoration center (\$202.5), and permit application review on the Kenai South Peninsula (\$100.0) projects would also include five full-time positions.

*Legislative Fiscal Analyst Comment:* For a more detailed discussion of the Oil Safety & Development Initiative increments, please see the "Oil Safety and Development Initiative" section in this Overview.

- A reduction of \$346.5 in EVOS (Exxon Valdez Oil Spill Settlement) funding is requested as projects end. All of the reduction will come from the personal services line.
- A total of approximately \$3.5 million federal funds are requested in the Wildlife Conservation BRU for species management, non-game management, and wildlife education. The increase of federal funding reduces the need for Fish and Game Funds by \$486.4.

### **ORGANIZATIONAL CHANGES**

The CARA Implementation component has been transferred to a new component entitled Wildlife Conservation Restoration Program.

*legislative fiscal analyst overview of the governor's FY03 request*

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**Department of Fish and Game Funding Summary**

	<b>General Purpose</b>	<b>Federal Restricted</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY02 Conference Committee</b>	<b>30,907.3</b>	<b>43,220.2</b>	<b>53,820.2</b>	<b>127,947.7</b>
Re-appropriation			87.1	87.1
<b>FY02 Authorized</b>	<b>30,907.3</b>	<b>43,220.2</b>	<b>53,907.3</b>	<b>128,034.8</b>
Transfer in	40.7			40.7
Transfer out	<i>(40.7)</i>			<i>(40.7)</i>
<b>FY02 Management Plan</b>	<b>30,907.3</b>	<b>43,220.2</b>	<b>53,907.3</b>	<b>128,034.8</b>
One time item			<i>(87.1)</i>	<i>(87.1)</i>
Salary adjustment	495.1	477.4	616.8	1,589.3
Agency transfer in	12.2			12.2
Transfer in	1,162.7	2,310.0	1,724.9	5,197.6
Transfer out	<i>(1,162.7)</i>	<i>(2,310.0)</i>	<i>(1,724.9)</i>	<i>(5,197.6)</i>
<b>FY03 Adjusted Base</b>	<b>31,414.6</b>	<b>43,697.6</b>	<b>54,437.0</b>	<b>129,549.2</b>
Funding Change		486.4	<i>(486.4)</i>	0.0
Increment	533.1	3,666.6	2,481.7	6,681.4
Decrement			<i>(512.0)</i>	<i>(512.0)</i>
<b>FY03 Governor Request</b>	<b>31,947.7</b>	<b>47,850.6</b>	<b>55,920.3</b>	<b>135,718.6</b>
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<b>Position Summary</b>		<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>		<b>855</b>	<b>904</b>	<b>139</b>
<b>FY03 Governor Request</b>		<b>894</b>	<b>889</b>	<b>138</b>
<b>Net Change</b>		<b>39</b>	<i><b>(15)</b></i>	<i><b>(1)</b></i>
<hr/>				
<b>FY03 Governor Capital Request</b>	<b>3,375.0</b>	<b>3,210.0</b>	<b>500.0</b>	<b>7,085.0</b>

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## **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 appropriations: Commissions/Special Offices, Executive Operations, State Facilities Rent, Office of Management and Budget, Governmental Coordination and Elections.

### **SIGNIFICANT CHANGES**

- The Human Rights Commission requests \$148.9 GF and two positions to address increased workload.
- Executive Operations requests \$350.0 GF for transition costs associated with the gubernatorial election and \$390.0 to establish the Office of Tribal-State Affairs.
- FY02 general fund reappropriations of \$1.6 million to the Executive Contingency Fund have been backed out of the Executive Operations appropriation. The remaining request for contingency funding is \$410.0, the same level as in the FY02 Management Plan.
- Governmental Coordination requests increments of \$79.4 GF and \$73.8 CIP Receipts to fund positions associated with oil and gas development. An increment of \$272.1 in CIP Receipts would fund four positions in the Coastal Impact Assistance program and Coastal Programs requests an additional \$350.0 in federal receipt authority.
- Elections deletes \$1.2 million in GF funding for reapportionment and elections costs and requests an increment of \$2.4 million for statewide elections costs. Elections also requests \$80.0 GF for maintenance of the voter registration management system and \$30.0 to develop an interactive website.

### **ORGANIZATIONAL CHANGES**

A Tribal Affairs component was added to reflect the establishment of the Office of Tribal-State Affairs and to implement the Millennium Agreement.

*legislative fiscal analyst overview of the governor's FY03 request*

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**Office of the Governor Funding Summary**

	<b>General Purpose</b>	<b>Federal Restricted</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY02 Conference Committee</b>	<b>16,484.2</b>	<b>3,512.6</b>	<b>0.0</b>	<b>19,996.8</b>
Fiscal Note FY 02	5.2			5.2
Re-appropriation	1,602.8			1,602.8
Special appropriation	204.4			204.4
<b>FY02 Authorized</b>	<b>18,296.6</b>	<b>3,512.6</b>	<b>0.0</b>	<b>21,809.2</b>
<b>FY02 Management Plan</b>	<b>18,296.6</b>	<b>3,512.6</b>	<b>0.0</b>	<b>21,809.2</b>
One time item	(2,759.8)			(2,759.8)
Salary adjustment	266.3	15.4	2.8	284.5
Agency transfer in	9.4			9.4
Agency transfer out		(110.0)		(110.0)
Transfer in	147.5			147.5
Transfer out	(147.5)			(147.5)
<b>FY03 Adjusted Base</b>	<b>15,812.5</b>	<b>3,418.0</b>	<b>2.8</b>	<b>19,233.3</b>
Funding Change	1.3	(102.7)	101.4	0.0
Increment	3,558.7	350.0	360.5	4,269.2
Decrement		(61.7)		(61.7)
<b>FY03 Governor Request</b>	<b>19,372.5</b>	<b>3,603.6</b>	<b>464.7</b>	<b>23,440.8</b>

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<b>Position Summary</b>	<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>	<b>175</b>	<b>3</b>	<b>27</b>
<b>FY03 Governor Request</b>	<b>186</b>	<b>2</b>	<b>55</b>
<b>Net Change</b>	<b>11</b>	<b>(1)</b>	<b>28</b>

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<b>FY03 Governor Capital Request</b>	<b>686.4</b>	<b>28,500.0</b>	<b>0.0</b>	<b>29,186.4</b>
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# *legislative fiscal analyst overview of the governor's FY03 request*

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## **Department of Health and Social Services**

The Department of Health and Social Services (DHSS) is responsible for administration of the majority of health and social service programs in the state. Health programs include medical assistance for Alaska's poor through the Medicaid program and Denali Kid Care (children's health insurance program), and public health programs such as nursing services, vital statistics, community health and emergency medical services, infectious disease control, the State Medical Examiner's office (coroner services) laboratories, and maternal, child and family health services. Social services programs include temporary cash assistance, food stamps, child protection, foster care, child residential care, juvenile justice, mental health and developmental disabilities services, and substance abuse prevention and treatment services. The department also administers the certificate of need (CON) program that requires application and approval of construction of ambulatory surgery centers over \$1 million.

### **SIGNIFICANT CHANGES**

*Legislative Fiscal Analyst Comment: The department requested a number of "transfers" that reallocate money but not program responsibilities. The department also requested fund changes that replace lost funding, particularly from federal and mental health fund sources, with general funds. In order to better describe program changes, Legislative Finance reclassified several of these transfers and fund changes as decrements and increments.*

- Medicaid Services is requesting an increment of \$278.1 million (\$200,591.0 Federal Receipts, \$7,876.4 General Fund Match, and \$69,636.4 statutory designated program receipts) in order to keep up with projected payment increases of about 17 percent (the average annual increase since 1999).

This increment incorporates the department's proposed refinancing plan (referred to as Fair Share) to offset lost Pro-Share revenue. By "recycling" federal receipts through government-owned hospitals or nursing homes, Pro-Share effectively allowed the State to use federal funds to match federal receipts. The Medicaid Pro-Share revenue mechanism is being phased-out nationwide. The time frame for Alaska's phase-out is two years.

The refinancing plan applies the Pro-Share concept to Indian Health Services (IHS) facilities and private hospitals. The division would increase payments for services (up to the payment limit applicable for Tribal hospitals). Hospitals would return 90% of the excess payments to the Medicaid program as statutory designated program receipts (SDPR). These receipts would be applied to federal match requirements for Medicaid service payments, resulting in a net savings of general funds.

Private hospitals would be paid an additional amount up to the aggregate Medicare Upper Payment Limit for private hospitals. Hospitals would retain 5% of the difference between standard billing and the upper limit, and would use the remaining 95% to pay for programs currently funded with direct general fund appropriations, grants or contracts. Essentially, the program increases hospital billing rates and pays the higher rates with a combination of general and federal funds. Hospitals direct 95% of the combined funds to programs that currently receive general funds. The state then reduces general fund support of those programs, resulting in a net general fund savings.

*Legislative Fiscal Analyst Comment: The refinancing plan does not yet have federal approval. If the plan cannot be implemented, there will be a \$56 million hole in the Medicaid budget that can be filled only with an appropriation of general funds. This is in addition to the \$18.7 million GF increase caused by the phase-out of Pro-Share. Implementing the refinancing plan may include approval of a State Plan Amendment, formal agreements with Tribes, and possible regulation changes.*

The Federal Medical Assistance Percentage (FMAP) rate for Alaska's Medicaid and other assistance programs is 59.8%. Review by the Bureau of Economic Analysis resulted in a change to Alaska's per capita income calculation. That change would reduce Alaska's FMAP to 57.25% effective October 2001. A remedy for Alaska's FMAP rate decline was tied to Congress' (now dormant) economic stimulus package. If congressional action does not reverse the FMAP decline, general funds will be required to fill the gap. The department estimates the FY03 general fund shortage will be \$10.8 million dollars and that an FY02 supplemental of an undetermined amount will be required.

## ***legislative fiscal analyst overview of the governor's FY03 request***

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**Legislative Fiscal Analyst Comment:** *The Governor's fiscal summary excludes an appropriation for the change in FMAP rate. See comments regarding section 13 in this document's "Discussion of Language Sections of the Governor's Operating Bill."*

- The Tobacco Prevention and Control component is requesting an increment of \$4.1 million in Tobacco Education and Cessation funds (classified as Other Funds). This increment will implement comprehensive tobacco prevention and control programs in Alaska consisting of \$1,050.0 to community programs, \$1,050.0 to cessation programs, \$600.0 for counter-marketing efforts, \$750.0 for school-based programs, \$250.0 for statewide programs, \$123.9 for program development/management, and \$300.0 for evaluation of tobacco prevention and control programs.

**Legislative Fiscal Analyst Comment:** *During FY02, the legislature did not appropriate approximately \$2 million tobacco education and cessation funds. The cash flow from the tobacco settlement (now 20% of the total; 80% has been diverted to debt service on bonds) is approximately \$5 million annually, making the amount available to spend in FY02 \$7 million. Spending the entire available balance for a continuing need could cause the program to be developed based on the \$7 million, therefore creating a \$2 million need for additional funds in future budgets.*

- The Adult Public Assistance (APA) component is requesting a general fund increment of \$2.5 million for caseload increase. Growth is due in part to the long-term needs of program recipients. People who receive APA meet certain income and asset eligibility standards, and are over 64 years old or experience severe and long-term disabilities that impose mental and/or physical limitations on their day-to-day functioning.
- The Subsidized Adoption and Guardianship component is requesting an increment of \$3.6 million (\$3.0 general fund and \$.6 federal funds) for projected program growth of 14% as the department continues to comply with State and Federal laws to move children waiting in the child welfare system to permanent homes.

**Legislative Fiscal Analyst Comment:** *Purchased Services and Family and Youth Services appropriations both contain several increments that cumulatively equal approximately \$2.6 million general funds for the Governor's Child Protection Initiative and rate increases for foster care. The Adoption Placement Program transferred in money from the Balloon Project and also requested a \$459.6 general fund increment and \$1.2 million fund change from federal funds to general funds.*

- Alcohol and Drug Abuse Services is requesting increments totaling \$9.1 million (\$6,049.6 general fund, \$2,560.3 general fund/mental health, and \$300.0 mental health trust authority agency receipts) to implement the Governor's initiative on alcohol and drug abuse and children's health by eliminating the waitlist for alcohol and drug abuse treatment and expansion of various services to communities.

### **ORGANIZATIONAL CHANGES**

- Fraud Investigation moved from its own appropriation to an allocation under Public Assistance Administration.
- Established a new appropriation called Family and Youth Services. Under this appropriation, Front Line Social Workers moved from its own appropriation to an allocation, Adoption Placement Program (transfer of the Balloon Project) is a new allocation, Family and Youth Services Management and Family and Youth Services Training both moved from their own appropriations to allocations.
- Established a new appropriation called Children's Trust Programs through an agency transfer from the Department of Education and Early Development.
- Established appropriations and allocations for social services, public health services, and drug and alcohol abuse services for the following designated budget request units (BRUs): Maniilaq, Norton Sound, Southeast Alaska Regional Health Consortium, Kawerak Social Services, Tanana Chiefs Conference, Tlingit-Haida, and Yukon-Kuskokwim Health Corporation.
- Deleted Health Services/Medicaid allocation under State Health Services in a reorganization.
- Under the Alcohol and Drug Abuse Services appropriation, establishes new allocations called Alcohol and Drug Abuse Treatment Grants, Alaska Fetal Alcohol Syndrome Program, Community Action Prevention and Intervention Grants, and Rural Services and Suicide Prevention.

*legislative fiscal analyst overview of the governor's FY03 request*

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**Department of Health and Social Services Funding Summary**

	<b>General Purpose</b>	<b>Federal Restricted</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY02 Conference Committee</b>	<b>473,434.8</b>	<b>618,839.2</b>	<b>104,525.7</b>	<b>1,196,799.7</b>
Fiscal Note FY 02	2,113.6	413.4	125.0	2,652.0
Re-appropriation	333.0		209.6	542.6
Special appropriation	1,025.0		1,012.1	2,037.1
Funding Change	(1,500.0)		1,500.0	0.0
<b>FY02 Authorized</b>	<b>475,406.4</b>	<b>619,252.6</b>	<b>107,372.4</b>	<b>1,202,031.4</b>
Transfer in	1,449.7	2,876.9	1,669.9	5,996.5
Transfer out	(1,449.7)	(2,876.9)	(1,669.9)	(5,996.5)
<b>FY02 Management Plan</b>	<b>475,406.4</b>	<b>619,252.6</b>	<b>107,372.4</b>	<b>1,202,031.4</b>
One time item	(1,046.5)		(374.2)	(1,420.7)
Salary adjustment	2,505.2	1,320.9	814.6	4,640.7
Agency transfer in		100.0	473.0	573.0
Transfer in	16,674.9	12,883.7	2,574.6	32,133.2
Transfer out	(16,674.9)	(12,883.7)	(2,574.6)	(32,133.2)
<b>FY03 Adjusted Base</b>	<b>476,865.1</b>	<b>620,673.5</b>	<b>108,285.8</b>	<b>1,205,824.4</b>
Language	11,700.0			11,700.0
Funding Change	21,689.3	(2,687.8)	(19,001.5)	0.0
Increment	32,742.9	204,968.3	84,312.5	322,023.7
Decrement	(706.3)	(1,485.7)	(7,640.3)	(9,832.3)
<b>FY03 Governor Request</b>	<b>542,291.0</b>	<b>821,468.3</b>	<b>165,956.5</b>	<b>1,529,715.8</b>
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<b>Position Summary</b>		<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>		<b>2,341</b>	<b>59</b>	<b>26</b>
<b>FY03 Governor Request</b>		<b>2,453</b>	<b>58</b>	<b>30</b>
<b>Net Change</b>		<b>112</b>	<b>(1)</b>	<b>4</b>
<hr/>				
<b>FY03 Governor Capital Request</b>	<b>4,838.4</b>	<b>4,500.3</b>	<b>5,200.0</b>	<b>14,538.7</b>

# ***legislative fiscal analyst overview of the governor's FY03 request***

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## **Department of Labor and Workforce Development**

The Department of Labor and Workforce Development fosters and promotes the welfare of wage earners in the state, working to improve working conditions and advance opportunities for profitable employment. The agency is responsible for employment security, unemployment insurance, adult basic education, job training and work readiness, workers' compensation, the Fisherman's Fund, vocational rehabilitation; occupational safety and health, mechanical inspections, and wage and hour administration. It also serves as the labor relations agency for public employment in the state; and collects, analyzes, and releases labor market and population statistics.

### **SIGNIFICANT CHANGES**

- The Employment Security Division, Job Training Programs component requests an additional \$2 million in federal receipt authority to receive Denali Commission funding to increase services to rural Alaskans. This increase brings the department's portion of Denali Commission funding to \$5 million for FY03.
- The Alaska Human Resource Investment Council (AHRIC) was established by Executive Order in 1996 and was later provided statutory authority as the state's advisory committee on human resource programs. The department added one new staff member in FY02 to manage the Carl Perkins federal grant for vocational programs. The AHRIC is requesting an additional \$332.7 I/A receipts and will be taking over certification of the post secondary vocational education institutions and will operate WorkStar, which is an initiative by the Governor to recognize the outstanding welfare to work employers and employees.

*Legislative Fiscal Analyst Comment: The legislature may wish to review the new program responsibilities assumed by the AHRIC to determine if the purpose of the council should include program administration as well as advisory/planning/coordinating responsibilities.*

- The Division of Labor Standards and Safety is requesting two Wage and Hour Technician positions to conduct routine payroll audits, two Mechanical Inspector positions to conduct boiler pressure vessel inspections in Anchorage, one Electrical Inspector in Fairbanks, two positions for oil safety and one Administrative Clerk. General fund increments totaling \$616.9 are requested to fund the new positions.
- Significant fund source changes in Worker's Compensation (\$625.4) and Labor Standards and Safety (\$343.5) change general funds to Worker's Safety funds. This fund source change completes the conversion of federal grant matching funds from the general fund to fee based funding.

### **ORGANIZATIONAL CHANGES**

Many technical transfers of positions and funding are requested as the agency continues to reorganize the Employment Services Division programs; however, no significant organization changes will occur agencywide.

***legislative fiscal analyst overview of the governor's FY03 request***

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**Department of Labor and Workforce Development Funding Summary**

	General Purpose	Federal Restricted	Other Funds	Total
<b>FY02 Conference Committee</b>	<b>12,228.1</b>	<b>82,255.8</b>	<b>24,635.7</b>	<b>119,119.6</b>
<b>FY02 Authorized</b>	<b>12,228.1</b>	<b>82,255.8</b>	<b>24,635.7</b>	<b>119,119.6</b>
Transfer in		1,409.5	1,082.8	2,492.3
Transfer out		(1,409.5)	(1,082.8)	(2,492.3)
<b>FY02 Management Plan</b>	<b>12,228.1</b>	<b>82,255.8</b>	<b>24,635.7</b>	<b>119,119.6</b>
Salary adjustment	162.2	902.6	268.4	1,333.2
Agency transfer in	8.9			8.9
Agency transfer out	(4.0)			(4.0)
Transfer in		161.4	750.0	911.4
Transfer out		(161.4)	(750.0)	(911.4)
<b>FY03 Adjusted Base</b>	<b>12,395.2</b>	<b>83,158.4</b>	<b>24,904.1</b>	<b>120,457.7</b>
Funding Change	(968.9)	(250.0)	1,218.9	0.0
Increment	656.9	2,238.0	509.9	3,404.8
Decrement	(26.6)	(1,165.0)	(263.5)	(1,455.1)
<b>FY03 Governor Request</b>	<b>12,056.6</b>	<b>83,981.4</b>	<b>26,369.4</b>	<b>122,407.4</b>
<hr/>				
<b>Position Summary</b>		<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>		<b>793</b>	<b>70</b>	<b>10</b>
<b>FY03 Governor Request</b>		<b>852</b>	<b>59</b>	<b>9</b>
<b>Net Change</b>		<b>59</b>	<b>(11)</b>	<b>(1)</b>
<hr/>				
<b>FY03 Governor Capital Request</b>	<b>260.0</b>	<b>0.0</b>	<b>0.0</b>	<b>260.0</b>

# legislative fiscal analyst overview of the governor's FY03 request

## Department of Law

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

### SIGNIFICANT CHANGES

- Legal Secretary Reclassifications - \$345.5 General Funds  
The department implemented a reclassification of all its legal support positions in the final pay period of FY01. A study was implemented primarily because recruitment and retention of legal secretaries was becoming increasingly difficult. This reclassification took place at the end of FY01 and was in effect for all of FY02. An increment was not requested during the FY02 budget process because the study was still in progress.

*Legislative Fiscal Analyst comment: Because the Legal Secretary Reclassifications were effective throughout FY02, the legislature should expect (1) a supplemental request for funding or (2) no request for an increment in FY03.*

- Annualize Fiscal Note Funding - \$527.4 General Funds
  1. The Third Judicial District: Anchorage requests \$168.4 for one PFT Attorney and associated costs to handle the increased drunk driving prosecutions as a result of the 0.8% DWI law passed last session.

*Legislative Fiscal Analyst comment: In the fiscal note, an increment to fully fund the position should be \$159.6.*

2. The department requests a total of \$252.5 and two positions in Anchorage and Bethel pilot sites for therapeutic courts for alcohol and drug addicted offenders. The components are the Third Judicial District: Anchorage \$33.3 and one Law Office Assistant, Fourth Judicial District \$70.9, and Human Services Section \$148.3 and one Attorney.
3. Collections and Support requests \$106.5 to fully fund a fiscal note allowing the department to collect restitution on behalf of crime victims.

*Legislative Fiscal Analyst comment: Though DOL requested \$306.5 in the fiscal note for FY02, the legislature approved only \$200.0 of this. The fiscal note stated that DOL would need \$300.0 in FY03. This increment request is \$6.5 over what the Department stated it would need in FY03.*

- New Positions - \$98.7 General Funds; \$210.6 Inter-agency Receipts (I/A)
  1. Commercial Section requests \$70.3 of I/A to fund a part time Attorney IV to further assist the Department of Community and Economic Development with interpretation of federal and state laws.
  2. Governmental Affairs Section requests \$140.3 of I/A for a full time Attorney IV to assist the Division of Retirement and Benefits with disputes and litigation resulting from an increasingly complex retirement and medical benefits program.
  3. Human Services Section requests \$98.7 of GF for a full time paralegal in Fairbanks to provide assistance to the child protection legal system.
- Outside Counsel Assistance - \$120.0 GF; \$700.0 I/A
  1. Commercial Section requests \$120.0 GF to replace funding that in previous years was provided by the Governor's Office via RSA for specialized legal counsel and advice on proposed telecommunications legislation and new rulemakings and petitions filed by the FCC.
  2. Governmental Affairs Section requests \$700.0 I/A to more accurately reflect the existing RSA between the Department of Law and the Department of Revenue's Permanent Fund Corporation. For several years the budget authorization has been insufficient requiring numerous amendments.

### ORGANIZATIONAL CHANGES

There are no organizational changes.

*legislative fiscal analyst overview of the governor's FY03 request*

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**Department of Law Funding Summary**

	<b>General Purpose</b>	<b>Federal Restricted</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY02 Conference Committee</b>	<b>25,473.6</b>	<b>480.4</b>	<b>19,471.8</b>	<b>45,425.8</b>
Fiscal Note FY 02	681.5		77.4	758.9
Special appropriation	582.0			582.0
<b>FY02 Authorized</b>	<b>26,737.1</b>	<b>480.4</b>	<b>19,549.2</b>	<b>46,766.7</b>
Transfer in	301.6		271.4	573.0
Transfer out	(301.6)		(271.4)	(573.0)
<b>FY02 Management Plan</b>	<b>26,737.1</b>	<b>480.4</b>	<b>19,549.2</b>	<b>46,766.7</b>
One time item	(621.0)		(6.5)	(627.5)
Salary adjustment	465.6	6.3	316.4	788.3
Transfer in	237.8		22.4	260.2
Transfer out	(237.8)		(22.4)	(260.2)
<b>FY03 Adjusted Base</b>	<b>26,581.7</b>	<b>486.7</b>	<b>19,859.1</b>	<b>46,927.5</b>
Funding Change	20.0		(20.0)	0.0
Increment	1,037.3	1.7	1,040.0	2,079.0
<b>FY03 Governor Request</b>	<b>27,639.0</b>	<b>488.4</b>	<b>20,879.1</b>	<b>49,006.5</b>
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<b>Position Summary</b>		<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>		<b>467</b>	<b>20</b>	<b>1</b>
<b>FY03 Governor Request</b>		<b>474</b>	<b>19</b>	<b>0</b>
<b>Net Change</b>		<b>7</b>	<b>(1)</b>	<b>(1)</b>
<hr/>				
<b>FY03 Governor Capital Request</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

# ***legislative fiscal analyst overview of the governor's FY03 request***

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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 department also operates the Alaska Military Youth Academy, which provides a military style high school for "at risk" youth.

### **SIGNIFICANT CHANGES**

- The Governor's request for FY03 is \$2.4 million above the FY02 Management Plan. The general fund request is \$1.1 million above the FY02 Management Plan.
- The Army Guard Facilities Maintenance component requests two increments totaling \$1.2 million in federal receipts. These increments are for deferred and preventative maintenance projects and for increased federal funding for rising telecommunications costs.
- The Air Guard Facilities Maintenance component requests an increment of \$1.6 million in federal receipts and \$56.9 in general fund match for operations and maintenance of two new facilities at the Kulis Air National Guard Base. In addition, an increment for \$122.8 in federal receipts and \$41.0 in general fund match is requested for an Airport Joint Use Agreement between the Department of Transportation and Public Facilities, the United States of America, and the State of Alaska.
- The Alaska National Guard Benefits component requests general fund increments of \$465.2, for Guard member tuition assistance and increases of the State National Guard and Naval Militia Retirement System due to an increase in actuarial costs. Additionally, a transfer of \$250,000 in general funds from the Alaska Commission on Postsecondary Education would provide 100% of guard members' tuition and fees for courses at the University of Alaska.
- Local Emergency Planning Committees (LEPCs) requests increments totaling \$147.3. A \$97.3 increment to replace unavailable Inter-agency Oil and Hazardous Response (IA/OIL HAZ) funds with general funds will reduce IA/OIL HAZ funding to the 3% statutory funding level. An increment of \$50.0 in general funds would replace \$50.0 in ILTF.

### **ORGANIZATIONAL CHANGES**

There are no significant organizational changes.



***legislative fiscal analyst overview of the governor's FY03 request***

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**Department of Military and Veterans' Affairs Funding Summary**

	<b>General Purpose</b>	<b>Federal Restricted</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY02 Conference Committee</b>	<b>8,505.5</b>	<b>16,883.0</b>	<b>4,690.7</b>	<b>30,079.2</b>
Fiscal Note FY 02		200.0		200.0
Re-appropriation	12.0			12.0
<b>FY02 Authorized</b>	<b>8,517.5</b>	<b>17,083.0</b>	<b>4,690.7</b>	<b>30,291.2</b>
One time item	<i>(12.0)</i>			<i>(12.0)</i>
Salary adjustment	103.2	184.2	55.1	342.5
Agency transfer in	250.0			250.0
<b>FY03 Adjusted Base</b>	<b>8,858.7</b>	<b>17,267.2</b>	<b>4,745.8</b>	<b>30,871.7</b>
Funding Change	0.0	<i>(163.3)</i>	163.3	0.0
Increment	778.2	1,428.6		2,206.8
Decrement	<i>(0.7)</i>	<i>(133.1)</i>	<i>(225.1)</i>	<i>(358.9)</i>
<b>FY03 Governor Request</b>	<b>9,636.2</b>	<b>18,399.4</b>	<b>4,684.0</b>	<b>32,719.6</b>

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<b>Position Summary</b>	<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>	<b>251</b>	<b>3</b>	<b>8</b>
<b>FY03 Governor Request</b>	<b>259</b>	<b>3</b>	<b>1</b>
<b>Net Change</b>	<b>8</b>	<b>0</b>	<b>-7</b>

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<b>FY03 Governor Capital Request</b>	<b>2,221.6</b>	<b>5,376.3</b>	<b>0.0</b>	<b>7,597.9</b>
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# ***legislative fiscal analyst overview of the governor's FY03 request***

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## **Department of Natural Resources**

The Department of Natural Resources manages the State of Alaska'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 CHANGES**

- The Department of Natural Resources' (DNR) total request is \$6.3 million above the FY02 Management Plan while the general fund (GF) request is \$2.5 million more.
- DNR has three general fund increments totaling \$690.0 related to the Oil Safety and Development Initiative: an Oil & Gas Development component increment for \$500.0; Claims, Permits & Leases increment for \$110.0; and a Title Acquisition & Defense increment for \$80.0.

*Legislative Fiscal Analyst Comment:* For a more detailed discussion of the Oil Safety & Development Initiative increments, please see the "Oil Safety and Development Initiative" section in this Overview.

- The Trustee Council Projects component requests a decrement of \$528.2 in EVOSS funds. The Exxon Valdez Oil Spill Restoration program is transitioning to a long-term monitoring and habitat protection program funded by the Restoration Reserve. As a result, fewer contractual and support services will be required and fewer restoration projects will be funded and managed by DNR.
- The Oil and Gas Development component requests increments totaling \$750.4 in general funds. An increment of \$250.4 is requested to hire employees who will focus on increasing the State's oil and gas revenue by ensuring that the State receives full value for its oil and gas royalties.
- The Minerals, Land and Water Development budget request unit requests increments totaling \$350.0 in general funds. The Claims, Permits and Leases component requests \$160.0 in general funds for Denali Block management to accelerate mineral exploration.
- The Parks and Recreation Management component requests increments totaling \$760.9 in general funds. The department contends that it can no longer provide adequate staffing and maintenance attention necessary to keep the parks safe and clean. This increment would fund ten full-time and one temporary position to manage volunteers and safeguard user fees, and improve maintenance needs of park facilities and fee collections.
- The RS2477 Navigability Assertions and Litigation Support component requests a general fund increment of \$300.0 for RS2477 easement management. There has been significant public demand for department action following the passage of AS 19.30.400-415. Resolution is time-consuming and the increment would fund four positions (2 southcentral region and 2 northern region) to address issues related to the use of easements and for the Survey Unit to diagram/survey routes selected by region staff in the hope it would allow the division to satisfy the need for access provided in law and avoid conflicts between landowners and users.
- The Forest Management and Development component requests increments totaling \$280.0, of which \$50.0 is in Land Sales & Municipal Entitlements component requests a \$210.0 increment in the State Land Disposal Income Fund to fund four new positions to increase the rate of transfer of state land to municipalities by developing a public process to determine what land should be reclassified and made available for borough ownership.

### **ORGANIZATIONAL CHANGES**

In FY03 a new component called Gas Pipeline Office is established with 39 full time positions and funding provided by Capital Improvement Project (CIP) receipts. An amended budget is likely for this component.

*legislative fiscal analyst overview of the governor's FY03 request*

**Department of Natural Resources Funding Summary**

	<b>General Purpose</b>	<b>Federal Restricted</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY02 Conference Committee</b>	<b>37,816.1</b>	<b>13,215.2</b>	<b>21,722.0</b>	<b>72,753.3</b>
Fiscal Note FY 02	(2,511.2)		2,603.0	91.8
Re-appropriation			325.4	325.4
Special appropriation	414.3			414.3
Veto	(16.8)			(16.8)
<b>FY02 Authorized</b>	<b>35,702.4</b>	<b>13,215.2</b>	<b>24,650.4</b>	<b>73,568.0</b>
Transfer in			100.0	100.0
Transfer out			(100.0)	(100.0)
<b>FY02 Management Plan</b>	<b>35,702.4</b>	<b>13,215.2</b>	<b>24,650.4</b>	<b>73,568.0</b>
One time item	(449.3)	(2,000.0)	(325.4)	(2,774.7)
Salary adjustment	548.9	72.7	394.8	1,016.4
<b>FY03 Adjusted Base</b>	<b>35,802.0</b>	<b>11,287.9</b>	<b>24,719.8</b>	<b>71,809.7</b>
Language	294.3	2,000.0		2,294.3
Funding Change			0.0	0.0
Increment	2,171.3	560.0	3,771.5	6,502.8
Decrement	(84.2)		(606.4)	(690.6)
<b>FY03 Governor Request</b>	<b>38,183.4</b>	<b>13,847.9</b>	<b>27,884.9</b>	<b>79,916.2</b>
<hr/>				
<b>Position Summary</b>		<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>		<b>579</b>	<b>237</b>	<b>93</b>
<b>FY03 Governor Request</b>		<b>656</b>	<b>235</b>	<b>101</b>
<b>Net Change</b>		<b>77</b>	<b>(2)</b>	<b>8</b>
<hr/>				
<b>FY03 Governor Capital Request</b>	<b>3,955.0</b>	<b>9,840.0</b>	<b>1,735.6</b>	<b>15,530.6</b>

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# ***legislative fiscal analyst overview of the governor's FY03 request***

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## **Department of Public Safety**

The Department of Public Safety is Alaska's primary law enforcement agency for federal, state, and local laws. The mandate of the department is to prevent loss of life and property as a result of illegal or unsafe acts. The department enforces criminal laws, traffic laws, and state fish and game regulations, and provides public protection programs for fire and traffic safety. Public Safety also serves as the umbrella agency for the Council on Domestic Violence and Sexual Assault, the Violent Crimes Compensation Board, the Alaska Police Standards Council, and the Alaska Fire Standards Council.

### **SIGNIFICANT CHANGES**

#### **Fish and Wildlife Protection**

- The Aircraft Section requests an increment of \$510.0 Inter-agency Receipts (I/A) for an RSA with the Division of Alaska State Troopers to provide aircraft and helicopter support services for FY03. Flying hours will be provided for investigations and search and rescue missions, training for AST pilots, and aircraft/helicopter hangar space in Fairbanks, Anchorage, and King Salmon.

*Legislative Fiscal Analyst Comment: There is no change in level of service from FY02. This increment formalizes an FY02 unbudgeted RSA between the agencies.*

- Increments totaling \$154.6 of general funds for increased fuel costs are requested to continue the current level of law enforcement services including vehicle, aircraft and vessel patrols.

#### **Fire Prevention**

- An increment of \$500.0 GF and three permanent full-time positions to support the Governor's Oil Safety and Development Initiative establishing an Oil & Gas Regional office is requested.

*Legislative Fiscal Analyst Comment: For a more detailed discussion of the Oil Safety & Development Initiative increments, please see the "Oil Safety and Development Initiative" section in this Overview.*

- An increment of \$149.5 in CIP Receipts is requested to provide support to Gas Pipeline Office activities via RSA with the Department of Natural Resources. The Division of Fire Prevention is the lead agency in activities related to permitting, oversight and inspection of gas pipeline facilities. These receipts fund a Fire Safety Specialist and a Building Plans Examiner which were established in the FY02 management plan and funded by an unbudgeted RSA.

#### **Alaska State Troopers & Alaska State Trooper Detachments**

- The Special Projects component requests \$110.0 in federal receipts to establish a statewide Drug Abuse Resistance Education (DARE) coordinator office that will be responsible for the DARE training of law enforcement officers in Alaska. This program began in 1996 and the troopers provided oversight on a part-time basis. The program has grown and now requires full-time support. The department will provide office space and equipment for the two positions as the state match requirement.
- The Director's Office requests \$85.0 GF for an Internal Auditor I for federal grant compliance. The Division of Legislative Audit has concluded that the Director should develop and implement procedures to monitor recipients of federal pass-through funds. The department could be out of compliance and may risk the loss of over \$5 million in federal funds per year.
- Prisoner Transportation requests \$115.0 (\$70.0 GF; \$45.0 I/A) for increased costs related to prisoner transports for the Department of Corrections (DOC), Health & Social Services (H&SS) and the Court System. DOC is under court-ordered mandate to not exceed capacity at the twelve institutions around the state. Public Safety assists in transporting inmates to balance the population. The number of transports has increased significantly over the past six years and with a new courthouse in Fairbanks and the new Anchorage Jail opening, transports are expected to continue to grow.

## ***legislative fiscal analyst overview of the governor's FY03 request***

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- The Search and Rescue component is requesting an increment of \$750.0 GF for avalanche public education, search and rescue equipment, and the re-establishment of an Avalanche Warning Center which existed from 1979 to 1986.

***Legislative Fiscal Analyst Comment:*** *The department requested \$350.0 last session to fund these programs and was granted \$50.0.*

- The Rural Trooper Housing component requests \$105.0 in GF for increased rural trooper housing utility, lease, and maintenance costs. The department provides housing in rural communities where no viable alternatives exist for housing troopers and their families. Under Article 13 of the PSEA collective bargaining agreement, the department is responsible for increased costs of utilities, leases and maintenance above and beyond the contractually mandated trooper contributions.
- The Alaska State Trooper Detachments appropriation requests five new State Troopers (\$825.0 GF) to investigate cases involving sexual abuse of minors, serious physical assaults of minors, and criminal exploitation of children.
- Increments totaling \$375.2 in GF for increased fuel costs and State Equipment Fleet (SEF) rates are also requested. Fuel costs for vehicles, vessels, aircraft, heating oil and diesel generated electricity in rural locations have increased significantly. The Department of Transportation has also increased State Equipment Fleet (SEF) rates by 8.3%.

### **Village Public Safety Officer Program**

- Fully funding four Regional Public Safety Officers that were added with the passage of SB 145 (Ch 97, SLA 01) will require \$194.8 GF.

***Legislative Fiscal Analyst Comment:*** *The department's FY02 fiscal note minus one-time items was \$990.5. They requested \$1,160.9 for FY03 which equates to a \$170.4 increment request for full funding. The FY03 increment request is \$24.4 more than the department requested in their original fiscal note.*

### **ORGANIZATIONAL CHANGES**

There are no significant organizational changes.

*legislative fiscal analyst overview of the governor's FY03 request*

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**Department of Public Safety Funding Summary**

	<b>General Purpose</b>	<b>Federal Restricted</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY02 Conference Committee</b>	<b>75,761.5</b>	<b>11,019.8</b>	<b>15,956.7</b>	<b>102,738.0</b>
Fiscal Note FY 02	1,006.0		101.1	1,107.1
Special appropriation			200.0	200.0
<b>FY02 Authorized</b>	<b>76,767.5</b>	<b>11,019.8</b>	<b>16,257.8</b>	<b>104,045.1</b>
Transfer in	417.6		101.1	518.7
Transfer out	<i>(417.6)</i>		<i>(101.1)</i>	<i>(518.7)</i>
<b>FY02 Management Plan</b>	<b>76,767.5</b>	<b>11,019.8</b>	<b>16,257.8</b>	<b>104,045.1</b>
One time item	<i>(15.5)</i>		<i>(301.1)</i>	<i>(316.6)</i>
Salary adjustment	1,674.9	54.0	87.9	1,816.8
Agency transfer in	103.7			103.7
Transfer in			116.6	116.6
Transfer out			<i>(116.6)</i>	<i>(116.6)</i>
<b>FY03 Adjusted Base</b>	<b>78,530.6</b>	<b>11,073.8</b>	<b>16,044.6</b>	<b>105,649.0</b>
Funding Change	12.7		<i>(12.7)</i>	0.0
Increment	3,280.3	110.0	1,274.4	4,664.7
Decrement			<i>(135.0)</i>	<i>(135.0)</i>
<b>FY03 Governor Request</b>	<b>81,823.6</b>	<b>11,183.8</b>	<b>17,171.3</b>	<b>110,178.7</b>

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<b>Position Summary</b>	<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>	<b>742</b>	<b>20</b>	<b>1</b>
<b>FY03 Governor Request</b>	<b>759</b>	<b>20</b>	<b>1</b>
<b>Net Change</b>	<b>17</b>	<b>0</b>	<b>0</b>

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<b>FY03 Governor Capital Request</b>	<b>7,348.1</b>	<b>3,601.5</b>	<b>60.0</b>	<b>11,009.6</b>
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# legislative fiscal analyst overview of the governor's FY03 request

## Department of Revenue

The Department of Revenue's responsibilities include administration and enforcement of Alaska's tax laws; collection, investment, and management of state funds and employee pension trust funds; administration and enforcement of tax and charitable gaming laws; administration of the Permanent Fund Dividend Program, the Shared Taxes Program, and Child Support Enforcement Program. The Department of Revenue also provides administrative support to the following independent boards and corporations: Alaska Permanent Fund Corporation, Alaska Housing Finance Corporation, Alaska Mental Health Trust Authority, Alaska Municipal Bond Bank Authority, Alaska State Pension Investment Board, and the Alcoholic Beverage Control Board.

### SIGNIFICANT CHANGES

- The Governor's request for FY03 is \$122.5 less than the FY02 total funding level. This is the result of an overall decline in several non-general fund sources. General funds have risen \$301.2 and federal funds are up \$1.3 million.
- The Child Support Enforcement Division (CSED) requests increments (totaling \$509.4) for caseload legal cost increases (\$66.0 Fed Receipts, \$34.0 GF/PR); five new caseworkers (\$194.2 Fed Receipts, \$100.0 GF/PR); increased federal incentives awarded due to CSED's high performance (\$70.0 Fed Incent); and state facilities rent increases (\$29.8 Fed Receipts, \$15.4 GF/PR). Based on current projections, a decrement is also included (\$89.7 Fed Receipts) to reduce CSED's portion of federally reimbursable receipts under provisions of Title IV-D of the Social Security Act.

*Legislative Fiscal Analyst Comment: The governor's budget also includes language section increments for cost recovery for paternity testing (\$43.0 GF/PR) and for interest earnings of the CSED Reserve Account for CSED operations (\$60.0 GF). Please see discussion of language section 8 in the analysis in this Overview.*

- The Alcohol Beverage Control Board requests increments for a new permanent, full-time Investigator II position to aid in the enforcement of Alaska's liquor laws (\$96.0); for contractual and travel-related expenses to meet requests for services from liquor licensees and to respond to complaints from the public regarding liquor law violations (\$35.0); and for a state facilities rent increase (\$2.9).
- The Alaska Permanent Fund Corporation requests a reduction (\$432.8) in Permanent Fund Corporate Receipt authority. Costs have been curtailed in several line items.
- Alaska Housing Finance Corporation (AHFC) requests an additional \$4.5 million. The largest increment is for \$4.0 million to finance AHFC Housing Loan Programs (See language section 6 for discussion of this and another potential increment of \$4.9 million.) Other increments are for weatherization (\$200.0 I/A Receipts); salary restructuring (\$37.4 CIP receipts); low-income housing (\$215.8 with 3 PFT positions); and maintenance of rental units (\$50.0 Federal Receipts for 15 PPT and 5 Temporary positions).
- The Alaska Mental Health Trust Authority requests increments for a graduate intern position and full funding of the Deputy Director position (\$117.3 MHT Admin) and for a state facilities rent increase (\$1.4 MHT Admin).
- Revenue Operations includes increments in Treasury Management investment officer salaries (\$50.0 GF, \$150.0 non-GF) and position reclassification costs related to the anticipated increase in unclaimed property (\$27.5 GF/PR).
- Lower contract fees for managers and a reduction in market values allow a \$5.8 million (non-GF) decrement for pension management fees.
- Administration and Support requests increased internal transfers to the Commissioner's Office and Administrative Services) and a decrement to eliminate excess authority for Statutory Designated Program Receipts (\$498.6) in the Commissioner's Office.

### ORGANIZATIONAL CHANGES

There are no significant organizational changes in the Department of Revenue's budget submission.



*legislative fiscal analyst overview of the governor's FY03 request*

**Department of Revenue Funding Summary**

	<b>General Purpose</b>	<b>Federal Restricted</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY02 Conference Committee</b>	<b>11,952.3</b>	<b>36,026.7</b>	<b>121,723.1</b>	<b>169,702.1</b>
Fiscal Note FY 02	270.0			270.0
Re-appropriation	31.9	63.8		95.7
Special appropriation	168.8		325.0	493.8
<b>FY02 Authorized</b>	<b>12,423.0</b>	<b>36,090.5</b>	<b>122,048.1</b>	<b>170,561.6</b>
<b>FY02 Management Plan</b>	<b>12,423.0</b>	<b>36,090.5</b>	<b>122,048.1</b>	<b>170,561.6</b>
One time item	(470.7)	(63.8)	(325.0)	(859.5)
Salary adjustment	232.0	806.5	797.0	1,835.5
Agency transfer in	16.4			16.4
<b>FY03 Adjusted Base</b>	<b>12,200.7</b>	<b>36,833.2</b>	<b>122,520.1</b>	<b>171,554.0</b>
Language	103.0		4,125.0	4,228.0
Funding Change	52.8	(55.7)	2.9	(0.0)
Increment	367.7	676.9	1,190.2	2,234.8
Decrement		(89.7)	(7,488.0)	(7,577.7)
<b>FY03 Governor Request</b>	<b>12,724.2</b>	<b>37,364.7</b>	<b>120,350.2</b>	<b>170,439.1</b>

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<b>Position Summary</b>	<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>	<b>810</b>	<b>25</b>	<b>56</b>
<b>FY03 Governor Request</b>	<b>828</b>	<b>39</b>	<b>50</b>
<b>Net Change</b>	<b>18</b>	<b>14</b>	<b>(6)</b>

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<b>FY03 Governor Capital Request</b>	<b>576.3</b>	<b>12,227.7</b>	<b>70,185.0</b>	<b>82,989.0</b>
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# legislative fiscal analyst overview of the governor's FY03 request

## Department of Transportation & Public Facilities

The Department of Transportation and Public Facilities (DOT & PF) is responsible for planning, research, design, construction, operation, maintenance, and protection of all state transportation systems and public facilities. This includes approximately 250 state-owned airports and seaplane bases, 6,000 miles of state roads, 700 buildings ranging from maintenance shops to state office complexes, and 75 ports and harbors. In addition, the department owns and operates the Alaska Marine Highway System, serving 32 Alaskan communities with connections to Bellingham and Prince Rupert. The department also owns and operates the State Equipment Fleet which provides full maintenance support and replacement activities for all departments and state agencies, including 7,500 light and heavy duty vehicles and attachments.

### SIGNIFICANT CHANGES

The Governor's request for FY03 is \$28.4 million greater than the FY02 Management Plan. This includes an increase in general fund spending of \$6.7 million (not including the Alaska Marine Highway System Fund capitalization). Federal fund spending increases \$207.0 and other fund spending increases \$21.5 million. The majority of the increase, \$16.7 million, is allocated to the personal services line-item (\$6.8 million for year three salary adjustments). The remaining increase is allocated as follows: \$7.8 million for contractual; \$3.8 million for commodities; \$137.8 for travel; and \$28.0 for equipment.

- The Commissioner's Office is requesting \$90.0 of CIP receipt authority for a new Gas Pipeline Liaison position to coordinate department-wide pipeline activities and serve as a single point of contact for DOT&PF. An increase of \$170.0 of federal receipt authority is requested to continue the one-time appropriation in Sec. 42(1), Ch 61, SLA 2001 for road maintenance in the unorganized borough.

*Legislative Fiscal Analyst Comment: The budget received from OMB had the appropriation in Sec. 42(1), Ch 61, SLA2001 coded as general funds. The appropriation was booked in AKSAS as Federal receipts (the correct fund source). However, in order to match the Governor's request for general fund expenditures, we have added an increment for \$170.0 of general funds for road maintenance in the unorganized borough. The legislature may wish to disregard the increment.*

- The Equal Employment and Civil Rights BRU is requesting \$65.0 of CIP receipt authority for an EEO Officer to implement the Alaska Unified Certification Program which will centralize the Disadvantaged Business Enterprise certification program into one centralized location.
- The Administrative Services BRU is requesting additions to interagency receipt and CIP receipt authority in the amount of \$234.5 in order to cover rising technology costs and other indirect capital costs. This increment is spread through its various components.
- The Statewide Administrative Services component is adding a Department Safety Officer position and requesting \$52.1 of general funds and \$52.1 of CIP receipts to fund the position. This position will coordinate the efforts of various region and section safety officers.
- The State Equipment Fleet Administration component is requesting \$250.0 of Highway Working Capital Funds (HWCF) in order to pay invoices generated from an increased usage of the fuel credit card system.
- The Central Region Planning component is adding one position and \$71.8 of CIP receipt authority to assist in the development of the STIP and long term airport improvement plans as required by the FAA in order to receive Airport Improvement Program (AIP) grant funding.
- The Design and Engineering Services BRU has added 20 positions in the FY02 Management Plan and funded these positions with unbudgeted RSA's via capital appropriations. They are requesting \$1.9 million of additional CIP receipt authority spread among several components to support these positions and bring them "on budget."
- The Construction and Capital Improvement Program Support BRU is requesting 27 additional positions and \$1.6 million of CIP receipt authority to support the expanded capital construction program.
- The Central, Northern, and Southeast Region Facilities components are requesting \$706.3 in general funds for projected increased fuel prices and utility costs.

## ***legislative fiscal analyst overview of the governor's FY03 request***

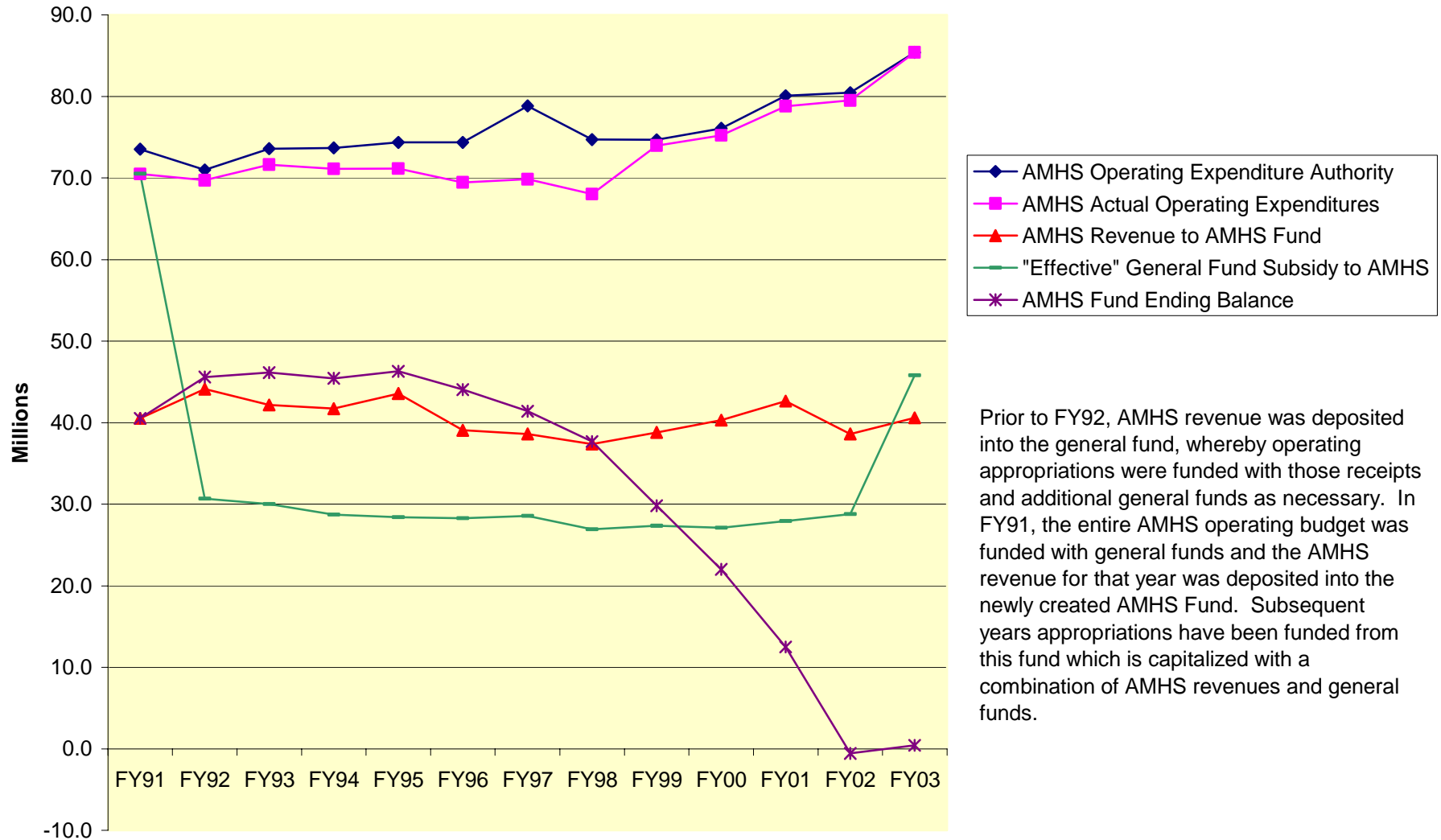
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- Northern Region Facilities is requesting \$85.0 of federal receipt authority in order to receive and expend funding from the FAA for lease of space at the Kotzebue Airport.
- Central Region Leasing and Property Management is requesting \$30.8 of general fund program receipt authority for increased water/wastewater fees at the Kodiak Airport. DOT&PF leases space from the US Coast Guard at the airport, collects utility fees from sub-tenants, and reimburses the USCG at a specified rate.
- The State Equipment Fleet BRU is requesting \$346.9 of HWCF authority to account for equipment fleet rate increases and its use of the equipment pool. This increase is spread among the Central, Northern, and Southeast components.
- Measurement Standards & Commercial Vehicle Enforcement is requesting \$200.0 of Receipt Supported Services authority for a computer network position to travel to remote areas and inspect new data service connections.
- The Highways and Aviation BRU is requesting \$3 million of CIP receipt authority to allow M&O staff to charge directly to capital maintenance projects, thus avoiding unbudgeted RSAs. \$255.0 of general funds would cover increased costs of rural airport maintenance contracts. \$1.1 million of general funds will pay for expected higher fuel costs. These increases are spread among the Central, Northern and Southeast Region components.
- Central Region Highways and Aviation is requesting a fund change of \$350.0 Oil and Hazardous Response funds to general funds. Additionally, \$130.0 of GF/Program receipts collected from accident claims will allow for repair to guardrails, luminaries, etc. damaged in accidents. \$188.5 of general funds is requested to cover the State Equipment Fleet rate increase. \$3.4 million of Receipt Supported Services and CIP receipt authority will pay for operation and maintenance of the Whittier Tunnel.
- Northern and Southeast Region Highways and Aviation request \$1.9 million of general funds to pay for conversion to wet equipment rental. The conversion is expected to improve equipment maintenance and extend equipment life.
- The International Airports BRU is requesting \$421.7 of International Airport Revenue Funds (IARF) to fund expected increases in utility and fuel costs. This increase is spread among the Anchorage and Fairbanks International Airport components.
- Anchorage International Airport (AIA) Administration is requesting the addition of three project engineer positions and \$250.0 in CIP receipt authority to coordinate airport construction projects and provide oversight and planning support. AIA Safety requests \$100.0 of federal receipt authority to receive and expend federal reimbursement for property and cash recovered in drug seizure operations at the airport.
- Anchorage and Fairbanks International Airport (FIA) Facilities request \$300.0 IARF and eight positions to implement an apprenticeship program in conjunction with the Public Employees Local 71 union.
- The Alaska Marine Highway System (AMHS) is requesting \$5.9 million of AMHS funds for salary adjustments, expected higher fuel prices, and to restore operating weeks to FY99/FY00 planned service levels.
- The Alaska Marine Highway System fund capitalization request (in the language section of the bill) is \$45.8 million in general funds, an increase of \$17 million over last year. The requested operations level only amounts to \$5.9 million of this increase. The remaining increase reflects the zero balance of the AMHS fund. *See the graph on the following page.*

### **ORGANIZATIONAL CHANGES**

- The Administration and Support BRU is adding a new component called Transportation Management and Security to centralize maintenance and construction management.
- The North Kenai Maintenance Station appropriation has been eliminated and all of the funding has been transferred to Central Region Highways and Aviation.
- AMHS Southeast and Southwest Vessel Operations components have been eliminated and all of the funding and personnel have been combined and transferred to a new component called Vessel Operations.

**Alaska Marine Highway System Fund  
(inception to present)**



Prior to FY92, AMHS revenue was deposited into the general fund, whereby operating appropriations were funded with those receipts and additional general funds as necessary. In FY91, the entire AMHS operating budget was funded with general funds and the AMHS revenue for that year was deposited into the newly created AMHS Fund. Subsequent years appropriations have been funded from this fund which is capitalized with a combination of AMHS revenues and general funds.

***legislative fiscal analyst overview of the governor's FY03 request***

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**Department of Transportation & Public Facilities Funding Summary**

	<b>General Purpose</b>	<b>Federal Restricted</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY02 Conference Committee</b>	<b>97,554.5</b>	<b>1,716.4</b>	<b>228,165.8</b>	<b>327,436.7</b>
Unallocated reduction	0.0			0.0
Special appropriation		170.0		170.0
Funding Change			0.0	0.0
<b>FY02 Authorized</b>	<b>97,554.5</b>	<b>1,886.4</b>	<b>228,165.8</b>	<b>327,606.7</b>
Transfer in			147.7	147.7
Transfer out			(147.7)	(147.7)
<b>FY02 Management Plan</b>	<b>97,554.5</b>	<b>1,886.4</b>	<b>228,165.8</b>	<b>327,606.7</b>
One time item		(170.0)		(170.0)
Salary adjustment	1,714.1	22.0	5,100.9	6,837.0
Agency transfer out	(1.0)			(1.0)
Transfer in	452.2		68,321.9	68,774.1
Transfer out	(452.2)		(68,321.9)	(68,774.1)
<b>FY03 Adjusted Base</b>	<b>99,267.6</b>	<b>1,738.4</b>	<b>233,266.7</b>	<b>334,272.7</b>
Agency transfer in		170.0		170.0
Funding Change	352.9		(352.9)	0.0
Increment	4,676.1	185.0	16,716.5	21,577.6
<b>FY03 Governor Request</b>	<b>104,296.6</b>	<b>2,093.4</b>	<b>249,630.3</b>	<b>356,020.3</b>
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<b>Position Summary</b>		<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>		<b>2,874</b>	<b>634</b>	<b>9</b>
<b>FY03 Governor Request</b>		<b>2,985</b>	<b>600</b>	<b>12</b>
<b>Net Change</b>		<b>111</b>	<b>(34)</b>	<b>3</b>
<hr/>				
<b>FY03 Governor Capital Request</b>	<b>66,074.8</b>	<b>492,499.9</b>	<b>34,856.6</b>	<b>593,431.3</b>

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# legislative fiscal analyst overview of the governor's FY03 request

## University of Alaska

The major task of the University is to provide Alaska residents with high quality academic and technical programs. The FY03 budget has been developed around five major themes: Maintaining a Solid Foundation, Keeping Pace with Technology, Attracting and Retaining Alaska's Students, Meeting Alaska's Employment Needs, and Preparing for Alaska's Economic Success. This request builds on the state's FY00-01 commitment and its FY02 investment in higher education as a catalyst for fostering Alaska's future economic development and diversification. The University of Alaska has regional centers in Anchorage, Fairbanks and Juneau which, in turn, are responsible for the colleges and extension centers located throughout the state.

### SIGNIFICANT CHANGES

- The Governor's budget includes all increments (\$17 million GF/\$50.6 million non-GF) approved by the Board of Regents. Fund change requests would replace \$4.6 million of non-GF funds with GF, bringing the total GF increment to \$21.6 million.

The University's major increment requests can be divided by program area as follows (in millions of dollars):

Program Initiative	Total Funds	General Fund	Non-GF
Maintaining a Solid Foundation	\$17.8	\$9.5	\$ 8.3
Keeping Pace with Technology	1.1	.8	.3
Attracting and Retaining Alaska's Students	3.1	1.7	1.4
Meeting Alaska's Employment Needs	13.8	3.4	10.4
Preparing for Alaska's Economic Success	31.8	1.6	30.2
	<u>\$67.6</u>	<u>\$17.0</u>	<u>\$50.6</u>

**Legislative Fiscal Analyst Comment:** The Governor's bill replaced \$2 million in ACPE Dividends with general funds in the Budget Reductions/Additions – Systemwide component. Legislative Finance replaced the single GF fund change submitted by the Governor with reductions to the four components that received the original funds and then replaced the ACPE Dividend funds with general fund increments totaling \$2 million. Total funding matches the Governor's request.

- **Maintaining a Solid Foundation**

General funds of \$9.5 million have been requested to meet salary and fixed cost increases including anticipated facilities maintenance and repair, Egan Classroom Addition operating costs, provisions for web-based library income, license agreements and some inflationary costs. Also included in this category is funding for distance delivery and other information technology services.

**Legislative Fiscal Analyst Comment:** The Maintaining a Solid Foundation initiative contains the University's salary increase requests. While salary adjustments in other agencies contain only contractual cost-of-living increases, the University combines contractual cost-of-living increases with range/step increases and bonus/incentive payments. Legislative Finance was unable to obtain a breakdown of salary increases by type for FY02 and salary information for FY03 has not been requested. The University's request for salary adjustments of all types totals \$8.6 million (\$5.7 million GF).

## ***legislative fiscal analyst overview of the governor's FY03 request***

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- **Keeping Pace with Technology**

This is the first year that the University has included this theme as a major increment. General funds of \$774.0 are included to provide for technological advances to help students compete in a changing world upon graduation, and to keep faculty and staff current in their fields.

- **Attracting and Retaining Alaska's Students**

The requested funding level of \$3.1 million (of which \$1.7 million is GF) includes a comprehensive strategy for enrollment management which is directly aimed at increasing enrollment. Funding will target recruitment, first-year programs, retention, advising, and campus-based integrated marketing. The University expects a 5% enrollment increase in FY03 through retention and recruitment efforts.

- **Meeting Alaska's Employment Needs**

Funding requests of \$3.4 million in general funds plus \$10.4 million in Non-GF support the University's desire to offer the programs necessary to meet current high-demand workforce needs. Assessments from the Alaska Department of Labor and Workforce Development, Alaska's Human Resource Investment Council, and the Alaska Department of Education and Early Development, industry consortiums and corporations show highest workforce demands exist for teachers, health care workers, information technology specialists and trained technical workers. Most programs under this initiative are a continuation and were partially funded in FY02 (including finance, education, allied health, and distance education). There is some expansion of existing initiative programs and resources to meet current student demand. Project management and web-based vocational teacher education are examples of new program requests.

- **Preparing for Alaska's Economic Success**

This increment totals \$31.8 million and is provided by 95% external funding plus 5% state required funding (\$1.6 million GF). The focus is two-fold: to address Alaska's community and policy issues and to enhance University leadership in strategic areas.

1. This area stresses service and outreach including economic policy research, the Alaska Center for Excellence in Schools and attracting nationally recognized senior faculty in disciplines key to Alaska's future.
2. This includes expansion of the successful Experimental Program to Stimulate Competitive Research (EPSCoR) program (began in FY01) and now funded entirely through external sources; development of a Center for Nanosensor Technology to develop a program in advanced manufacturing technology for microelectronic devices; and start-up funding for relevant research programs such as sea-air-land monitoring observation in Prince William Sound, bio-informatics, monitoring of Alaska's sanitation systems, and the Geographic Information Network of Alaska.

- The Fairbanks Organized Research component is requesting a replacement of \$2.6 million of Alaska Science and Technology Foundation (ASTF) funding with general funds.

***Legislative Fiscal Analyst Comment:*** *The University has been receiving funding from the ASTF since FY94. Though available funding from ASTF for the five years ending in FY00 was over \$10 million/year, market conditions have reduced available funding by about 50 percent. Continued funding of the University would greatly reduce ASTF's ability to fund projects/activities other than University research.*

- The University budget adds 225 permanent, full-time positions and deletes 10 permanent, part-time positions in FY03.

### **ORGANIZATIONAL CHANGES**

There are no organizational changes in the University's budget submittal.



*legislative fiscal analyst overview of the governor's FY03 request*

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**University of Alaska Funding Summary**

	<b>General Purpose</b>	<b>Federal Restricted</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY02 Conference Committee</b>	<b>195,500.0</b>	<b>94,116.0</b>	<b>258,648.7</b>	<b>548,264.7</b>
Fiscal Note FY 02			2,868.9	2,868.9
Special appropriation			2,000.0	2,000.0
<b>FY02 Authorized</b>	<b>195,500.0</b>	<b>94,116.0</b>	<b>263,517.6</b>	<b>553,133.6</b>
Transfer in	12,514.2	29,207.2	30,420.1	72,141.5
Transfer out	(12,514.2)	(29,207.2)	(30,420.1)	(72,141.5)
<b>FY02 Management Plan</b>	<b>195,500.0</b>	<b>94,116.0</b>	<b>263,517.6</b>	<b>553,133.6</b>
One time item			(2,000.0)	(2,000.0)
<b>FY03 Adjusted Base</b>	<b>195,500.0</b>	<b>94,116.0</b>	<b>261,517.6</b>	<b>551,133.6</b>
Funding Change	2,630.0		(2,630.0)	0.0
Increment	19,389.7	14,863.0	35,764.5	70,017.2
Decrement	(400.0)			(400.0)
<b>FY03 Governor Request</b>	<b>217,119.7</b>	<b>108,979.0</b>	<b>294,652.1</b>	<b>620,750.8</b>

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<b>Position Summary</b>	<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>	<b>3,511</b>	<b>239</b>	<b>0</b>
<b>FY03 Governor Request</b>	<b>3,736</b>	<b>229</b>	<b>0</b>
<b>Net Change</b>	<b>225</b>	<b>(10)</b>	<b>0</b>

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<b>FY03 Governor Capital Request</b>	<b>450.0</b>	<b>3,500.0</b>	<b>5,000.0</b>	<b>8,950.0</b>
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# ***legislative fiscal analyst overview of the governor's FY03 request***

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## **Alaska Court System**

The Alaska Court System constitutes the Judicial Branch of the state's government. Alaska has a unified, centrally administered, and totally state-funded judicial system. There are four levels of courts in the Alaska Court System, each with different powers, duties and responsibilities.

The four levels of courts are the Supreme Court, the Court of Appeals, the Superior Court and the District Court. The Supreme Court and the Superior Court were established in the Alaska Constitution. The District Court was established by state statute in 1959 and the Court of Appeals was established by state statute in 1980. Jurisdiction and other areas of the judicial responsibility for each level of court are set out in Title 22 of the Alaska Statutes.

The Alaska Court System budget is presented in three appropriation requests - the Alaska Court System, the Commission on Judicial Conduct, and the Judicial Council.

### **SIGNIFICANT CHANGES**

- Changes in the Judicial Retirement System require general fund increments of \$96.7 in Appellate Courts and \$583.5 in Trial Courts to fund a contribution rate increase from 17.07% to 28.28%.
- Trial Courts requests general fund increments as follows:
  - \$4,098.9 in general funds to improve courthouse security;

***Legislative Fiscal Analyst Comment:*** *Funding courthouse security has been requested and denied for the last several years.*

- \$105.1 for increased lease expenses at Unalaska, Unalakleet and Bethel;
- \$100.0 for increased travel to remote areas;
- \$146.1 for second year funding of the Therapeutic Courts passed in Ch.64, SLA 07 (HB 172);

***Legislative Fiscal Analyst Comment:*** *The fiscal note for HB 172 was not fully funded in FY02. The increment for Therapeutic Courts includes \$65.1 in second-year costs plus \$81.0 that the court system did not receive in FY02.*

- \$373.9 in general funds to fund one District Court Judge, one Rural Court Trainer, and four In-Court Clerks;
- \$113.1 in general funds to increase juror pay from \$25.00 to \$27.50 per day.

***Legislative Fiscal Analyst Comment:*** *Funding for increased juror pay has been requested and denied for the last several years.*

- Administration and Support requests \$235.7 GF to fund three permanent full-time Computer Support Specialists, a part-time Human Resources Assistant, and a part-time Library Assistant.
- The Judicial Council requests \$42.4 of general funds to conduct a self-represented litigants study.

### **ORGANIZATIONAL CHANGES**

There are no significant changes.

*legislative fiscal analyst overview of the governor's FY03 request*

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**Alaska Court System Funding Summary**

	<b>General Purpose</b>	<b>Federal Restricted</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY02 Conference Committee</b>	<b>50,923.5</b>	<b>516.0</b>	<b>338.1</b>	<b>51,777.6</b>
Fiscal Note FY 02	436.0			436.0
Re-appropriation	164.2			164.2
<b>FY02 Authorized</b>	<b>51,523.7</b>	<b>516.0</b>	<b>338.1</b>	<b>52,377.8</b>
<b>FY02 Management Plan</b>	<b>51,523.7</b>	<b>516.0</b>	<b>338.1</b>	<b>52,377.8</b>
One time item	(182.2)			(182.2)
Salary adjustment	1,579.2			1,579.2
<b>FY03 Adjusted Base</b>	<b>52,920.7</b>	<b>516.0</b>	<b>338.1</b>	<b>53,774.8</b>
Increment	6,135.4		25.0	6,160.4
<b>FY03 Governor Request</b>	<b>59,056.1</b>	<b>516.0</b>	<b>363.1</b>	<b>59,935.2</b>
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<b>Position Summary</b>		<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>		<b>678</b>	<b>52</b>	<b>26</b>
<b>FY03 Governor Request</b>		<b>687</b>	<b>53</b>	<b>26</b>
<b>Net Change</b>		<b>9</b>	<b>1</b>	<b>0</b>
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<b>FY03 Governor Capital Request</b>	<b>2,760.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2,760.0</b>

# *legislative fiscal analyst overview of the governor's FY03 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 following legislative appropriations and allocations:

Legislative Budget and Audit Committee

Legislative Audit  
Ombudsman  
Legislative Finance  
Committee Expenses  
Legislature State Facilities Rent

Legislative Council (Legislative Affairs Agency)

Redistricting Board  
Salaries and Allowances  
Administrative Services  
Session Expenses  
Council & Subcommittees  
Legal and Research Services  
Select Committee on Ethics

Legislative Operating Budget

- With the exception of salary adjustments associated with labor contracts and a small increase in space costs, the legislature's budget proposed in the Governor's FY02 operating bill has only one increment. The Office of Victims' Rights is funded at \$442.7 GF, per the fiscal note that established the office.
- FY02 appropriations for a school cost study, gas pipeline reports and studies, redistricting activities and a meeting of the Council of State Governments were deleted from the FY03 budget. The net result is a general fund reduction of \$1.1 million from the FY02 Management Plan.

### **ORGANIZATIONAL CHANGES**

There are no significant organizational changes.

*legislative fiscal analyst overview of the governor's FY03 request*

**Alaska Legislature Funding Summary**

	<b>General Purpose</b>	<b>Federal Restricted</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY02 Conference Committee</b>	<b>37,278.1</b>	<b>0.0</b>	<b>362.1</b>	<b>37,640.2</b>
Fiscal Note FY 02			263.9	263.9
Re-appropriation	100.0			100.0
Special appropriation	2,156.5			2,156.5
Veto			(200.0)	(200.0)
<b>FY02 Authorized</b>	<b>39,534.6</b>	<b>0.0</b>	<b>426.0</b>	<b>39,960.6</b>
Transfer in	40.0			40.0
Transfer out	(40.0)			(40.0)
<b>FY02 Management Plan</b>	<b>39,534.6</b>	<b>0.0</b>	<b>426.0</b>	<b>39,960.6</b>
One time item	(2,156.5)		(44.4)	(2,200.9)
Salary adjustment	1,038.0			1,038.0
Agency transfer in	6.1			6.1
<b>FY03 Adjusted Base</b>	<b>38,422.2</b>	<b>0.0</b>	<b>381.6</b>	<b>38,803.8</b>
Increment	11.2		442.7	453.9
<b>FY03 Governor Request</b>	<b>38,433.4</b>	<b>0.0</b>	<b>824.3</b>	<b>39,257.7</b>

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<b>Position Summary</b>	<b>PFT</b>	<b>PPT</b>	<b>Tmp</b>
<b>FY02 Authorized</b>	<b>231</b>	<b>277</b>	<b>0</b>
<b>FY03 Governor Request</b>	<b>239</b>	<b>276</b>	<b>0</b>
<b>Net Change</b>	<b>8</b>	<b>(1)</b>	<b>0</b>

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<b>FY03 Governor Capital Request</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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