

The Fiscal Year 2006 Budget:

Legislative Fiscal Analyst

Overview of the Governor's Request



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 House district.

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TABLE OF CONTENTS

Table of Contents..... i

Introduction 1

Fiscal Summary 6

Operating Budget..... 9

 Agency Summary – FY06 Operating Budget – All Funds..... 10

 Agency Summary – FY06 Operating Budget – General Funds Group..... 11

 Non-Duplicated State Funding..... 12

 Agency Summary – FY06 Operating Budget – Non Duplicated State Funds 13

 Retirement System Funding and Salary Adjustments..... 14

 Position Comparison 16

 Debt Obligations 17

 Language Sections of the Governor’s FY06 Operating Budget 21

Capital Budget 63

 Language Sections of the Governor’s FY06 Capital Bill..... 65

 Agency Summary – FY06 Capital Budget – All Funds..... 69

Comprehensive Integrated Mental Health Program..... 70

Department of Administration 77

Department of Commerce, Community and Economic Development..... 82

Department of Corrections..... 86

Department of Education & Early Development 90

Department of Environmental Conservation 94

Department of Fish and Game 98

Office of the Governor 102

Department of Health & Social Services..... 104

Department of Labor and Workforce Development 110

Department of Law 114

Department of Military and Veterans Affairs 116

TABLE OF CONTENTS

Department of Natural Resources..... 118

Department of Public Safety 122

Department of Revenue 126

Department of Transportation & Public Facilities..... 130

University of Alaska..... 134

Alaska Court System 138

Alaska Legislature 142

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Introduction

As required by law, the Governor released his FY06 budget proposal to the public and the legislature on December 15, 2004. The Legislative Finance Division prepared this Overview of the Governor's proposal and "subcommittee books" for each agency in accordance with AS 24.20.211-.231.

Evaluating the Governor's Budget

While every year brings new twists to the budget process, this year some twists are more radical than in the past and call for a different perspective of the budget. Understanding the impact of the Governor's budget proposal (in the future as well as in FY06) requires that we view the budget as a "multi-year buying plan" rather than as an "FY06 spending plan."

When the budget was less complicated than it is today, comparisons of annual general fund spending were fairly accurate indicators of changes in the amount of goods and services the legislature purchased for the people of Alaska. However, the difference between a "general fund spending plan" and a "buying plan" are no longer subtle.

The suggestion that we need a different perspective is not a criticism of the Governor's plan. It is simply a response to a situation (not necessarily attributable to the Governor) in which presenting the budget as a "spending plan" no longer provides legislators or the public with sufficient information to evaluate impacts and make budgetary decisions.

We continue to present the budget in the traditional fashion—comparisons of the Governor's FY06 proposal to the prior year budget—but provide additional comparisons in response to the situation.

Synopsis

The Governor's December 15 presentation of his FY06 budget showed general fund spending \$107 million below FY05 spending. However, because the Governor's budget uses FY05 windfall revenue across fiscal years, his traditional "spending plan" analysis of the budget gives little indication of the long-term impact of the decisions to be made during the FY06 budget cycle.

For the first time in many years, the Governor and legislature have early notice of surplus general fund revenue for the fiscal year in progress. The Governor's response to the situation was to propose spending more than half the surplus on supplemental operating appropriations that cross fiscal years. Supplemental appropriations occur in the FY06 budget process but are counted as FY05 spending because the associated effective date is in FY05. More than \$200 million of the Governor's "supplemental" appropriations provide goods and services during FY06 and FY07. Appropriations that cross fiscal years are not new this year, but the scale of multi-year funding is unprecedented and is the primary reason for presenting the budget as "what we buy" in addition to "what we spend."

As shown in Table 1, appropriations crossing fiscal years can distort a presentation of the budget. The bottom line is that traditional comparisons of spending make the Governor's budget appear unrealistically low in FY06 and FY07 and may disguise the need for new money in FY08.

Table 1 shows that the Governor's FY06 budget sets firm direction toward an FY08 budget with a fiscal gap at least \$428 million larger than it would be at the enacted FY05 spending level. This estimate of the FY08 fiscal gap assumes there are no increases from the FY05 budget other than the commitments made

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

in the Governor's FY06 proposal.¹ In short, it recognizes that using the windfall to pre-pay costs is a way to make the FY06 and FY07 spending plans appear artificially low, and that this affect extends for only two years. The "payback" comes in FY08, when new money must be found in order to maintain the FY07 level of service. Continuing the plan set in motion by the Governor's FY06 budget—covering retirement costs increases, adjusting K-12 funding for inflation, etc.—would require new money in addition to the \$428 million shown in Table 1.

The FY06 Fiscal Gap

The Fiscal Summary (immediately following this discussion) shows that the Governor requests general fund operating budget increases of \$189.6 million, including a \$69.6 million increase for debt service and fund capitalization. The general fund capital budget request is \$29.3 million higher than in FY05.

High oil prices—with consequent high State revenue—eliminated the fiscal gap in FY04 and FY05. Despite the use of FY05 windfall revenue to reduce expenditure of FY06 revenue, the Governor's FY06 budget shows a fiscal gap of \$248.6 million (\$328 million after adding anticipated costs of new legislation and supplemental appropriations). The projected reappearance of a fiscal gap implies a need for a supermajority vote to gain access to the Constitutional Budget Reserve Fund (CBRF).

While the proposed increase (\$219 million total, before adding anticipated costs of new legislation and supplemental appropriations) in general fund spending plays a significant role in the reappearance of the fiscal gap, the revenue picture is also important. The FY05 oil price forecast is \$43.61 per barrel, which boosts total general fund revenue to \$2.986 billion. The FY06 forecast shows oil at \$34.5 per barrel and general fund revenue at \$2.301 billion, for a decline of \$685 million.

Although the FY06 oil revenue forecast is far more optimistic than the typical "return to the long-term trend" forecasts produced by the Department of Revenue, it would have been insufficient to close the fiscal gap in FY05. The FY06 revenue forecast is \$30 million less than the FY05 enacted level of spending.

Revenue Measures

The Governor's FY06 budget package contains no revenue measures. As in most recent years, the Governor's budget relies on language allowing access to the Constitutional Budget Reserve Fund to fill any fiscal gap and meet the requirement of AS 37.07.020(c). That statute states that proposed expenditures may not exceed estimated revenue for the succeeding fiscal year.

¹ That is, it discontinues appropriations to local governments for retirement costs (\$19 million), stops increases to school districts (\$64 million) and the University (\$15.5 million), assumes that the University and State agencies will absorb over \$30 million in general fund increases in the cost of retirement programs, excludes contractual salary adjustments for state employees, and holds all other operating spending at the FY06 level.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| Table 1 | | | | | | | | |
|--|---|--|--|--|--|---|--|--|
| A Comparison of the "Spending Plan" and the "Buying Plan" Approaches to Budget Analysis | | | | | | | | |
| FY05 to FY08 General Fund Operating Budget (\$ millions) | | | | | | | | |
| | FY05 Authorized | FY06 Gov | FY05 Auth to FY06 Gov | FY07 | FY06 to FY07 | FY08 | FY07 to FY08 | FY05 to FY08 |
| What We Spend | 2,560.4 | 2,511.0 | (49.4) | 2,628.6 | 117.6 | 2,750.0 | 121.3 | 189.6 |
| What We Buy | <u>2,321.5</u> | <u>2,628.6</u> | <u>307.2</u> | <u>2,750.0</u> | <u>121.3</u> | <u>2,750.0</u> | <u>-</u> | <u>428.5</u> |
| "What We Buy" minus "What We Spend" | (238.9) | 117.6 | 356.5 | 121.3 | 3.7 | - | (121.3) | 238.9 |
| | | | | | | | | |
| | The Governor's proposal (in effect) overstates the FY05 budget by \$239 million because that amount of goods and services will be provided in future years. | The Governor's proposal understates the FY06 budget by the amount of goods and services (\$118 million) purchased with FY05 money. | The combination of overstating FY05 and understating FY06 budgets makes the Governor's proposal appear to be \$50 million below FY05. In terms of "what is purchased for Alaskans" the budget is over \$300 million higher than in FY05. | The Governor's method will carry forward FY06 built-in increases, but new increases have no cost in FY07 (because they were paid with FY05 money). The "What We Buy" approach recognizes that the FY07 budget includes costs pre-paid in FY05. | The Governor's method will carry forward \$117.6 million of spending from FY06 to FY07, but the cost of goods and services provided (with FY05 money) is actually \$121 million higher than in FY06. | When the impact of pre-paid costs vanishes in FY08, both methods produce identical results. | The Governor's method will show a need for \$121.3 million in new money, while there is no real increase in goods or services provided. (Assumes no further increases for K-12 education, the University or PERS/TRS costs.) | Compared with the FY05 enacted budget, the FY08 budget is up \$428 million. Compared with the overstated FY05 budget, spending increases by \$190 million in FY08. |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Debt Financing

As in FY05, the Governor's budget includes proceeds from the sale of bonds. The sale of Alaska Student Loan Corporation bonds—and subsequent repayment of capital borrowed from the State—contributes \$85 million to the capital budget and payment of debt service. This is the second year of a planned three-year repayment schedule.

AHFC also plans to issue bonds. The \$6.2 million issue will pay for an aircraft hanger in Anchorage. Debt service associated with the bonds will reduce future AHFC dividends.

In a new budget twist, the Governor proposes to borrow \$37 million on a line of credit. Information Technology and payroll projects will be funded with the borrowed money. The Legislative Finance Division's fiscal summary differs from the Governor's with the addition of a new revenue line for non-bonded debt. Debt service on the borrowed money is paid with general funds, which raises questions regarding Information Technology chargeback rates in the future, whether other fund sources can be used to pay debt service on the line of credit, and the impact on future operating budgets.

Creation of a "Legacy Capital Fund" is another new twist. The Governor proposes to divert earnings on the Amerada-Hess settlement from Permanent Fund principal to the Legacy Fund in order to pay debt service on capital projects. The settlement is a "fenced-off" portion of the Permanent Fund because separation was once important to ensure that potential jurors and judges would not be personally affected (i.e., their PFDs would not be affected) by pending legal action.

With the settlement resolved (and with the potential repeal of AS 37.13.145(d), which deposits earnings to principal) Amerada-Hess earnings are no more (and no less) spendable than any other earnings of the Permanent Fund. Press accounts stating that the Legacy Fund would not affect PFDs are misleading; the repeal of section (d) and deposit of earnings in the Capital Legacy Fund would not reduce PFDs from current levels (as reported), but spending the earnings would make future dividends lower than they would otherwise be.

There may be valid political reasons for the Governor's capital/debt/windfall proposals, but there are some issues raised when the proposals are viewed from a technical perspective. Why use one-time FY05 windfall revenue to pay for continuing operating programs instead of to pay for one-time capital projects? At the same time, why use a continuing cash flow (Permanent Fund earnings) to pay for one-time capital projects? Discussion of such issues is too complex for this overview; the bottom line is that legislators should be aware that incurring debt and appropriating money that crosses fiscal years complicates year-to-year comparisons of the budget. The Governor's budget has far more impact on future budgets than is apparent in a superficial comparison of spending in FY05 versus FY06.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Other Issues

Costs incurred by the Department of Administration for core services (particularly Information Technology) provided to state agencies are increasing significantly. In some cases, increments for Inter-Agency Receipts in the Department of Administration (DOA) can be tracked back to “real money” in other agencies. For example, consolidation of human resources activities in DOA appears to be linked to general fund increments totaling \$1.3 million. In some cases—particularly Information Technology—it is unclear that increments for Inter-Agency Receipts in the Department of Administration (DOA) are backed by cash in other agencies. Over \$20 million in DOA Information Technology appropriations will be paid with general funds in order to avoid increasing chargeback rates. While this may ease the budget crunch for agencies, it gives a “free ride” to programs that are funded with federal and other fund sources.

The \$37.5 million in General Funds appropriated to reduce the **liability of political subdivisions (local governments) to the Public Employees' Retirement System** will phase out in FY08. Retirement increases are cumulative, but the amounts appropriated will pay about half the increased costs in FY07, then leave communities to find a way to fund the \$60 million in cumulative retirement cost increases in FY08. Note, however, that we have little indication of the Governor's intentions for future budgets.

The proposed use of FY05 windfall revenue may not address all **supplemental requests**. Based on press releases and information in the Governor's FY06 budget, general fund supplemental requests may exceed \$100 million. The larger requests may include fire suppression (\$37 million), the Alaska Marine Highway System (\$18 million) and Medicaid (at least \$20 million).

The **Federal Medical Assistance Percentage (FMAP)**, which is the portion of Medicaid claims paid by the federal government) **is scheduled to be reduced** in October 2005 from 57.59% to 50.16%. The change would increase general funding spending by an estimated \$52 million dollars in FY06. This amount is excluded from the Governor's FY06 request.

The Governor's plan to spend FY05 windfall revenue includes **\$28.6 million to prepare for a gas line**. This amount is excluded from the FY06 request.

State of Alaska Fiscal Summary

(\$ millions)

| REVENUE (Excludes Permanent Fund Earnings) | FY05 Authorized | | | | FY06 Governor's Request | | | | GF Change |
|--|-----------------|----------------|----------------|----------------|-------------------------|----------------|----------------|----------------|----------------|
| | GF | Federal | Other | Total | GF | Federal | Other | Total | |
| Unrestricted General Fund Revenue (1) | 2,985.5 | | | 2,985.5 | 2,300.6 | | | 2,300.6 | (684.9) |
| Borrowing on Line of Credit | | | | | | | 37.2 | 37.2 | |
| Bond Proceeds (2) | | | 120.0 | 120.0 | | | 91.2 | 91.2 | |
| Corporate Dividends (3) | | | 130.6 | 130.6 | | | 114.9 | 114.9 | |
| Retained Corporate Dividends (3) | | | (53.9) | (53.9) | | | (59.9) | (59.9) | |
| Federal and Other Funds | | 3,095.3 | 1,083.7 | 4,179.1 | | 2,499.3 | 961.8 | 3,461.1 | |
| Total Revenue | 2,985.5 | 3,095.3 | 1,280.5 | 7,361.3 | 2,300.6 | 2,499.3 | 1,145.2 | 5,945.1 | (684.9) |
| APPROPRIATIONS | | | | | | | | | |
| Operating | 2,321.5 | 1,636.5 | 1,007.0 | 4,965.0 | 2,511.0 | 1,674.4 | 971.1 | 5,156.5 | 189.6 |
| Agency Operations (Non-Formula) & RPLs | 1,116.1 | 817.0 | 1,309.4 | 3,242.5 | 1,188.6 | 808.2 | 1,347.1 | 3,343.8 | 72.4 |
| Formula Programs | 1,150.9 | 778.3 | 148.6 | 2,077.8 | 1,198.5 | 821.7 | 144.0 | 2,164.2 | 47.6 |
| Debt Service & Fund Capitalization | 54.4 | 41.3 | 277.7 | 373.4 | 124.0 | 44.5 | 275.1 | 443.7 | 69.6 |
| Duplicated Authorization (4) | | | (728.7) | (728.7) | | | (795.1) | (795.1) | |
| Capital | 8.8 | 1,458.8 | 153.5 | 1,621.1 | 38.2 | 824.9 | 174.1 | 1,037.1 | 29.3 |
| Project Appropriations & RPLs (Revised Programs) | 8.8 | 1,458.8 | 105.5 | 1,573.2 | 38.2 | 824.9 | 158.6 | 1,021.6 | 29.3 |
| Bond Specific Projects | | | 95.2 | 95.2 | | | 447.0 | 447.0 | |
| Duplicated Authorization (4) | | | (47.2) | (47.2) | | | (431.5) | (431.5) | |
| Total Authorization (unduplicated) | 2,330.3 | 3,095.3 | 1,160.5 | 6,586.1 | 2,549.2 | 2,499.3 | 1,145.2 | 6,193.7 | 218.9 |
| Draw From CBR | (655.2) | | | | 248.6 | | | | 903.8 |
| New Legislation (placeholder) | | | | | 20.0 | 14.0 | 7.0 | 41.0 | 20.0 |
| Supplemental Appropriations (5) | 59.3 | | | 59.3 | 59.3 | | | 59.3 | 0.0 |
| Windfall Appropriated for FY05 (6) | 113.1 | | | 113.1 | | | | | (113.1) |
| Windfall Appropriated for FY06 (6) | 117.5 | 6.6 | 17.1 | 141.2 | | | | | (117.5) |
| Windfall Appropriated for FY07 (6) | 121.3 | 6.8 | 17.7 | 145.8 | | | | | (121.3) |
| Total Auth w/Gov's Windfall Requests | 2,741.5 | 3,108.7 | 1,195.3 | 7,045.5 | 2,628.5 | 2,513.3 | 1,152.2 | 6,293.9 | (113.0) |
| Revised Draw From CBR | (244.0) | | | | 327.9 | | | | 571.9 |
| Permanent Fund Dividends | | | 608.0 | 608.0 | | | 690.0 | 690.0 | |
| Earnings from Amerada Hess | | | 27.0 | 27.0 | | | 21.0 | 21.0 | |
| Permanent Fund Inflation Proofing | | | 624.0 | 624.0 | | 2.6 | 650.0 | 652.6 | |
| TOTAL WITH PERMANENT FUND | 2,741.5 | 3,108.7 | 2,454.3 | 8,304.5 | 2,628.5 | 2,515.9 | 2,513.2 | 7,657.6 | (113.0) |

Notes:

- (1) Revenue assumptions are from the Fall 2004 Revenue Sources Book. FY05 is \$43.61 per barrel and .934 million barrels per day. FY06 is \$34.50 per barrel and .932 mbd.
- (2) AHFC is providing \$45 (FY05) and \$6.2 (FY06) million in bond proceeds. ASLC is providing \$75 (FY05) & \$85 (FY06) million in bond proceeds as a return on invested capital.
- (3) Corporate dividends include funds made available to the State by the boards of AHFC, AIDEA, and ASLC. Dividends retained by AHFC for debt service on state capital project bonds are subtracted.
- (4) Duplicated authorizations are in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided.
- (5) LFD uses a 5 year average based on actual supplementals appropriated. The governor has a supplemental placeholder of \$12.5 mill for FY05.
- (6) The governor has proposed spending \$350 of the estimated \$650 mill FY05 surplus as "windfall" expenditures for FY05-06-07.

State of Alaska Fiscal Summary

(\$ millions)

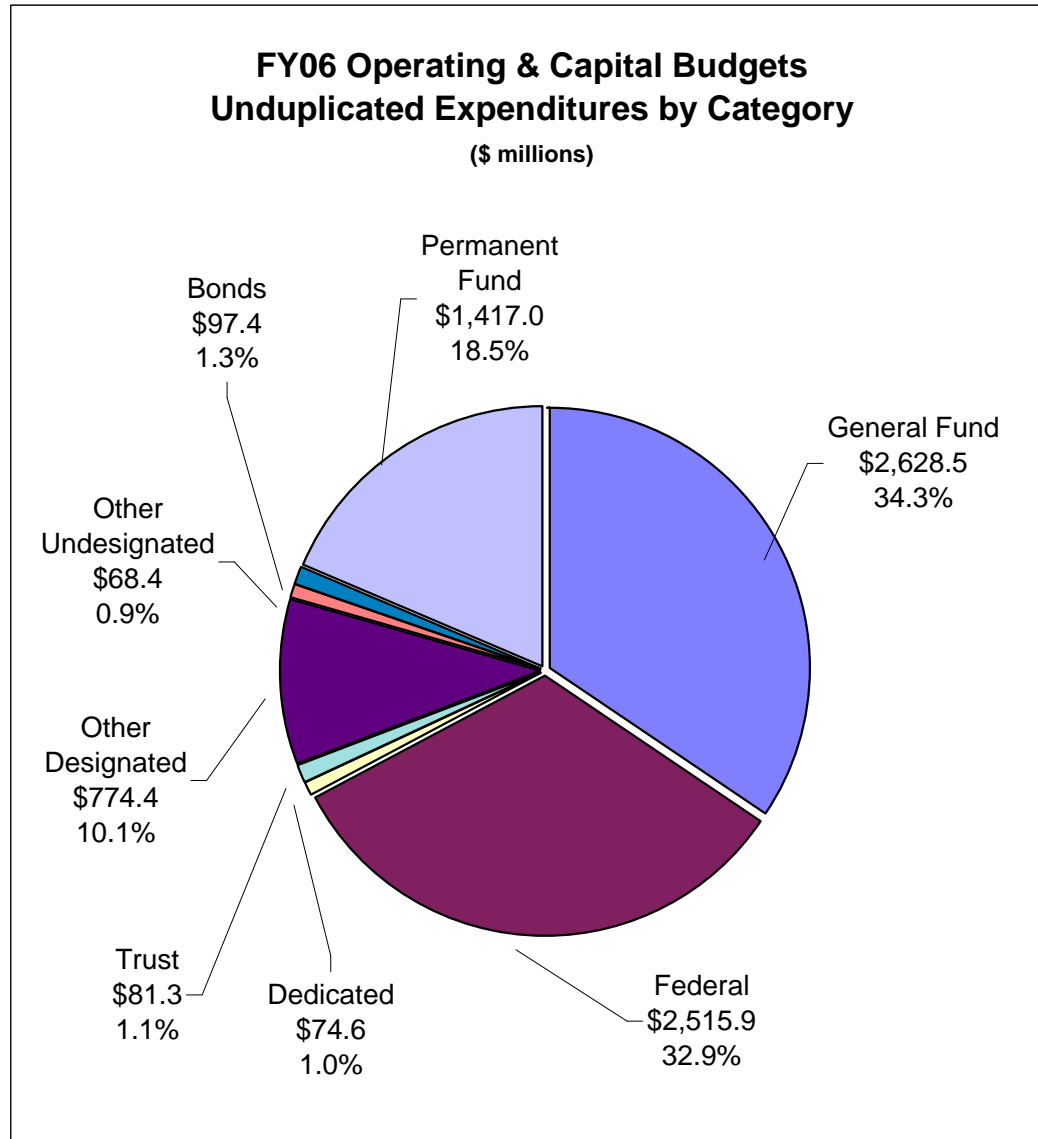
Constitutional Budget Reserve and Permanent Fund Account Balances

| | Constitutional Budget Reserve | Permanent Fund | | | |
|---|-------------------------------------|-------------------------|-----------|---------------------|---------------------|
| | | Permanent Fund Total | Principal | Earnings Reserve | Unrealized Gains |
| FY05 Beginning Balance | 2,064.2 | 27,400.0 | 23,526.0 | 859.0 | 3,015.0 |
| Settlements | 20.0 | - | - | - | - |
| Earnings/Dedicated Revenues | 118.3 | 2,524.0 | 476.0 | 2,501.0 | (453.0) |
| Permanent Fund Inflation Proofing | - | - | 624.0 | (624.0) | - |
| Permanent Fund Deposits to Principal | - | - | 27.0 | (27.0) | - |
| Permanent Fund Dividend Payout | - | (608.0) | - | (608.0) | - |
| Transfer (to)/from General Fund | 244.0 | - | - | - | - |
| Balance Adjustments | - | - | - | - | - |
| FY05 Projected Ending Balance | 2,446.5 | 29,316.0 | 24,653.0 | 2,101.0 | 2,562.0 |
| Net Additions to Account Balance | 382.3 | 1,916.0 | 1,127.0 | 1,242.0 | (453.0) |
| FY06 Projected Beginning Balance | 2,446.5 | 29,316.0 | 24,653.0 | 2,101.0 | 2,562.0 |
| Settlements | 20.0 | - | - | - | - |
| Earnings/Dedicated Revenues | 102.6 | 2,545.0 | 356.0 | 2,009.0 | 180.0 |
| Permanent Fund Inflation Proofing | - | - | 650.0 | (650.0) | - |
| Permanent Fund Deposits to Principal | - | - | 21.0 | (21.0) | - |
| Permanent Fund Dividend Payout | - | (690.0) | - | (690.0) | - |
| Transfer (to)/from General Fund | (327.9) | - | - | - | - |
| Balance Adjustments | - | - | - | - | - |
| FY06 Projected Ending Balance | 2,241.2 | 31,171.0 | 25,680.0 | 2,749.0 | 2,742.0 |
| Net Additions to Account Balance | (205.3) | 1,855.0 | 1,027.0 | 648.0 | 180.0 |

Permanent Fund information is from the APFC November 2004 financial projections

CBR information is from the Fall 2004 Revenue Sources Book

State of Alaska Fiscal Summary



- #### Definitions of Funds
- General Fund expenditures** include general fund match, general fund program receipts, general fund mental health, and "pure" general fund expenditures.
 - 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.
 - Federal 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.
 - Other Undesignated** includes all non-federal, non-general fund codes that are not designated for a specific purpose by statute.
 - Other Designated** includes all non-federal, non-general fund codes that are are designated for a specific purpose by statute.
 - Bonds** includes proceeds of bonds for which debt service payments will not appear in future budgets.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

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.

The Governor's proposal appropriates substantial amounts of the FY05 general fund surplus (the “FY05 Windfall”) to support the FY06 operating budget. Because spending of the FY05 Windfall crosses fiscal years, traditional year-to-year spending comparisons understate the true cost of the FY06 budget.

Legislative Finance continues to present the budget in the traditional fashion—comparisons of the Governor's FY06 proposed expenditures to prior year appropriations—but also provides a comparison of FY05 authorization to the Governor's proposal plus the portion of the FY05 Windfall used in FY06. The following Agency Summary tables highlight comparisons between the legislature's FY05 authorized budget after intra-agency transfers (i.e., the FY05 Management Plan) and the following two columns:

- **Gov+K12** (FY06 Governor + K-12 Education)—This is the traditional comparison column and shows the Governor's proposed expenditures of FY06 revenue. This column includes FY06 education funding for K-12, which appears in a separate appropriation bill.
- **The GovTot** column (Governor Total FY06 Budget)—This column includes everything in the Gov+K12 column plus the FY05 Windfall funding requested to support the FY06 operating budget. This comparison gives a more accurate picture of the services the Governor's FY06 budget provides relative to FY05.

Please see the agency narratives for details on significant issues in each agency's budget. 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.

In addition to summaries of agency budgets, this section of the Overview contains discussions of salary adjustments and increased PERS/TRS costs, position changes and details of debt obligations.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Agency Summary - FY 2006 Operating Budget - Governor Structure - All Funds

| Agency | 04Actual | 05 CC | 05MgtPln | Adj Base | Gov+K12 | 05 WFall | Gov Tot | 05MgtPln to Gov+K12 | 05MgtPln to Gov Tot |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|--------------------|------------------------|---------------------------|
| Administration | 188,461.7 | 210,320.6 | 213,335.4 | 215,648.9 | 225,418.6 | 20,829.3 | 246,247.9 | 12,083.2 5.7 % | 32,912.5 15.4 % |
| Commerce, Community and Economic Development | 122,671.2 | 124,120.9 | 125,609.1 | 125,450.8 | 135,802.0 | 1,275.7 | 137,077.7 | 10,192.9 8.1 % | 11,468.6 9.1 % |
| Corrections | 177,967.9 | 181,634.7 | 182,600.4 | 187,078.4 | 192,535.7 | 3,508.6 | 196,044.3 | 9,935.3 5.4 % | 13,443.9 7.4 % |
| Education and Early Development | 945,085.7 | 192,468.8 | 1,032,450.8 | 1,031,298.6 | 1,063,613.5 | 63,217.7 | 1,126,831.2 | 31,162.7 3.0 % | 94,380.4 9.1 % |
| Environmental Conservation | 49,760.2 | 53,147.5 | 54,983.5 | 56,082.8 | 55,911.1 | 1,245.8 | 57,156.9 | 927.6 1.7 % | 2,173.4 4.0 % |
| Fish and Game | 117,307.3 | 140,312.2 | 143,035.5 | 145,810.9 | 151,293.9 | 2,808.8 | 154,102.7 | 8,258.4 5.8 % | 11,067.2 7.7 % |
| Office of the Governor | 14,283.9 | 18,770.2 | 21,928.9 | 16,320.3 | 16,405.9 | 398.0 | 16,803.9 | -5,523.0 -25.2 % | -5,125.0 -23.4 % |
| Health and Social Services | 1,599,328.5 | 1,659,988.2 | 1,678,262.6 | 1,678,330.3 | 1,812,720.1 | 7,097.9 | 1,819,818.0 | 134,457.5 8.0 % | 141,555.4 8.4 % |
| Labor and Workforce Development | 119,913.2 | 153,079.4 | 157,393.3 | 158,920.2 | 154,059.7 | 2,215.9 | 156,275.6 | -3,333.6 -2.1 % | -1,117.7 -0.7 % |
| Law | 48,967.8 | 50,946.5 | 54,614.1 | 53,374.6 | 55,634.8 | 1,426.4 | 57,061.2 | 1,020.7 1.9 % | 2,447.1 4.5 % |
| Military and Veterans Affairs | 32,480.7 | 35,082.3 | 35,769.9 | 36,370.1 | 39,678.9 | 591.6 | 40,270.5 | 3,909.0 10.9 % | 4,500.6 12.6 % |
| Natural Resources | 95,509.3 | 105,462.8 | 112,476.2 | 108,588.9 | 112,159.1 | 2,085.5 | 114,244.6 | -317.1 -0.3 % | 1,768.4 1.6 % |
| Public Safety | 104,140.2 | 115,684.6 | 116,081.0 | 116,586.7 | 123,283.6 | 2,209.0 | 125,492.6 | 7,202.6 6.2 % | 9,411.6 8.1 % |
| Revenue | 149,670.9 | 162,889.6 | 169,472.6 | 163,339.0 | 174,707.4 | 2,065.4 | 176,772.8 | 5,234.8 3.1 % | 7,300.2 4.3 % |
| Transportation & Public Facilities | 367,517.1 | 384,326.9 | 394,477.8 | 393,221.6 | 407,166.6 | 8,938.6 | 416,105.2 | 12,688.8 3.2 % | 21,627.4 5.5 % |
| University of Alaska | 566,865.1 | 250.8 | 665,921.6 | 664,758.8 | 678,464.6 | 33,539.1 | 712,003.7 | 12,543.0 1.9 % | 46,082.1 6.9 % |
| Alaska Court System | 56,460.0 | 60,108.3 | 60,149.4 | 61,223.8 | 65,902.1 | 1,169.7 | 67,071.8 | 5,752.7 9.6 % | 6,922.4 11.5 % |
| Legislature | 34,369.1 | 39,188.5 | 42,147.0 | 43,169.6 | 43,261.6 | 1,250.6 | 44,512.2 | 1,114.6 2.6 % | 2,365.2 5.6 % |
| Debt Service Fund Capitalization and Special Appropriations | 892,498.7 | 1,580,739.3 | 1,635,579.1 | 1,608,579.1 | 1,807,278.6 | 0.0 | 1,807,278.6 | 171,699.5 10.5 % | 171,699.5 10.5 % |
| Total - Operating Budget | 5,683,258.5 | 5,268,522.1 | 6,896,288.2 | 6,864,153.4 | 7,315,297.8 | 155,873.6 | 7,471,171.4 | 419,009.6 6.1 % | 574,883.2 8.3 % |
| General Funds | 2,186,746.1 | 1,270,116.7 | 2,321,477.0 | 2,325,111.7 | 2,511,042.1 | 117,602.8 | 2,628,644.9 | 189,565.1 8.2 % | 307,167.9 13.2 % |
| Federal Receipts | 1,447,140.2 | 1,420,566.2 | 1,577,068.6 | 1,572,082.2 | 1,677,046.7 | 9,338.5 | 1,686,385.2 | 99,978.1 6.3 % | 109,316.6 6.9 % |
| Other | 2,049,372.2 | 2,577,839.2 | 2,997,742.6 | 2,966,959.5 | 3,127,209.0 | 28,932.3 | 3,156,141.3 | 129,466.4 4.3 % | 158,398.7 5.3 % |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Agency Summary - FY 2006 Operating Budget - Governor Structure - General Funds

| Agency | 04Actual | 05 CC | 05MgtPln | Adj Base | Gov+K12 | 05 WFall | Gov Tot | 05MgtPln to Gov+K12 | | 05MgtPln to Gov Tot | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|--------------------|---------------------|--------------|---------------------|---------------|
| Administration | 64,557.7 | 66,008.9 | 49,259.7 | 49,825.2 | 54,552.4 | 19,276.0 | 73,828.4 | 5,292.7 | 10.7 % | 24,568.7 | 49.9 % |
| Commerce, Community and Economic Development | 11,124.8 | 7,714.3 | 7,867.9 | 7,912.4 | 8,970.2 | 125.8 | 9,096.0 | 1,102.3 | 14.0 % | 1,228.1 | 15.6 % |
| Corrections | 150,293.9 | 154,739.1 | 155,704.8 | 160,021.6 | 166,512.8 | 3,394.0 | 169,906.8 | 10,808.0 | 6.9 % | 14,202.0 | 9.1 % |
| Education and Early Development | 746,968.2 | 23,432.5 | 830,516.1 | 828,961.0 | 819,160.8 | 62,728.9 | 881,889.7 | -11,355.3 | -1.4 % | 51,373.6 | 6.2 % |
| Environmental Conservation | 10,900.1 | 11,544.5 | 12,934.8 | 13,200.0 | 13,545.1 | 311.7 | 13,856.8 | 610.3 | 4.7 % | 922.0 | 7.1 % |
| Fish and Game | 26,682.8 | 26,194.0 | 28,571.7 | 29,612.3 | 31,456.4 | 1,465.6 | 32,922.0 | 2,884.7 | 10.1 % | 4,350.3 | 15.2 % |
| Office of the Governor | 13,686.8 | 17,538.8 | 19,075.0 | 15,082.0 | 15,346.6 | 383.0 | 15,729.6 | -3,728.4 | -19.5 % | -3,345.4 | -17.5 % |
| Health and Social Services | 524,858.7 | 527,159.9 | 530,551.4 | 536,045.4 | 616,818.9 | 5,561.8 | 622,380.7 | 86,267.5 | 16.3 % | 91,829.3 | 17.3 % |
| Labor and Workforce Development | 10,675.6 | 10,809.4 | 13,850.6 | 14,040.2 | 15,192.6 | 271.2 | 15,463.8 | 1,342.0 | 9.7 % | 1,613.2 | 11.6 % |
| Law | 31,218.5 | 29,607.2 | 31,481.1 | 31,381.0 | 33,503.7 | 908.0 | 34,411.7 | 2,022.6 | 6.4 % | 2,930.6 | 9.3 % |
| Military and Veterans Affairs | 8,587.1 | 9,007.8 | 9,175.8 | 9,404.4 | 11,566.3 | 363.3 | 11,929.6 | 2,390.5 | 26.1 % | 2,753.8 | 30.0 % |
| Natural Resources | 49,659.5 | 48,548.8 | 53,604.6 | 50,634.6 | 53,257.1 | 1,217.6 | 54,474.7 | -347.5 | -0.6 % | 870.1 | 1.6 % |
| Public Safety | 76,869.0 | 84,943.1 | 84,988.6 | 85,775.4 | 92,238.0 | 1,997.4 | 94,235.4 | 7,249.4 | 8.5 % | 9,246.8 | 10.9 % |
| Revenue | 9,659.1 | 7,844.1 | 12,099.2 | 8,016.8 | 9,954.5 | 258.8 | 10,213.3 | -2,144.7 | -17.7 % | -1,885.9 | -15.6 % |
| Transportation & Public Facilities | 96,504.1 | 98,021.2 | 98,905.2 | 100,279.1 | 110,615.2 | 1,541.3 | 112,156.5 | 11,710.0 | 11.8 % | 13,251.3 | 13.4 % |
| University of Alaska | 212,717.1 | 200.8 | 228,333.2 | 228,266.0 | 228,267.0 | 15,378.1 | 243,645.1 | -66.2 | | 15,311.9 | 6.7 % |
| Alaska Court System | 54,845.9 | 58,776.1 | 58,817.2 | 59,891.6 | 63,466.9 | 1,169.7 | 64,636.6 | 4,649.7 | 7.9 % | 5,819.4 | 9.9 % |
| Legislature | 33,581.4 | 38,469.9 | 41,344.0 | 42,366.6 | 42,625.5 | 1,250.6 | 43,876.1 | 1,281.5 | 3.1 % | 2,532.1 | 6.1 % |
| Debt Service Fund Capitalization and Special Appropriations | 53,355.8 | 49,556.3 | 54,396.1 | 54,396.1 | 123,992.1 | 0.0 | 123,992.1 | 69,596.0 | 127.9 % | 69,596.0 | 127.9 % |
| Total - Operating Budget | 2,186,746.1 | 1,270,116.7 | 2,321,477.0 | 2,325,111.7 | 2,511,042.1 | 117,602.8 | 2,628,644.9 | 189,565.1 | 8.2 % | 307,167.9 | 13.2 % |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Non-Duplicated State Funding

Traditionally, comparisons of the Governor's operating budget have been made using two "Agency Summary" reports—a report comparing *total funds* (includes all federal, general, and other funds) and a report comparing only *general funds*.

This Overview includes a third report comparing differences in non-duplicated *state funding*. Over the years, several fund sources have moved from the general funds (GF) group to the "other funds" group. Although transferring funding from GF to the Other fund group does not affect total spending, it does make it more difficult to see the true level of state spending.

The *State Funds* report shows all non-duplicated funds except federal receipts. Duplicate counting occurs when money is appropriated more than once. For example, an appropriation of general funds may be used to capitalize the Alaska Marine Highway System (AMHS) fund, while the AMHS funding is then appropriated in the operating budget. Reports using this fund group will not match the appropriations bill because the appropriations bill includes duplicated appropriations.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Agency Summary - FY 2006 Operating Budget - Governor Structure - State Funds (Non-Duplicated)

| Agency | 04Actual | 05 CC | 05MgtPln | Adj Base | Gov+K12 | 05 WFall | Gov Tot | 05MgtPln to Gov+K12 | | 05MgtPln to Gov Tot | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|--------------------|----------------------------|--------------|----------------------------|--------------|
| Administration | 187,666.0 | 209,242.7 | 212,129.2 | 214,422.8 | 223,989.6 | 20,808.6 | 244,798.2 | 11,860.4 | 5.6 % | 32,669.0 | 15.4 % |
| Commerce, Community and Economic Development | 83,485.8 | 98,348.9 | 98,637.1 | 99,630.2 | 109,381.4 | 1,234.1 | 110,615.5 | 10,744.3 | 10.9 % | 11,978.4 | 12.1 % |
| Corrections | 174,314.2 | 177,237.3 | 178,203.0 | 182,579.8 | 188,037.1 | 3,432.3 | 191,469.4 | 9,834.1 | 5.5 % | 13,266.4 | 7.4 % |
| Education and Early Development | 782,221.1 | 41,603.0 | 860,674.0 | 859,326.5 | 849,724.2 | 63,066.5 | 912,790.7 | -10,949.8 | -1.3 % | 52,116.7 | 6.1 % |
| Environmental Conservation | 36,786.9 | 36,718.9 | 38,319.9 | 39,082.7 | 38,440.8 | 927.6 | 39,368.4 | 120.9 | 0.3 % | 1,048.5 | 2.7 % |
| Fish and Game | 74,739.6 | 83,341.0 | 86,064.3 | 87,724.9 | 92,044.3 | 1,954.7 | 93,999.0 | 5,980.0 | 6.9 % | 7,934.7 | 9.2 % |
| Office of the Governor | 14,133.0 | 18,614.9 | 21,773.6 | 16,163.7 | 16,249.3 | 395.6 | 16,644.9 | -5,524.3 | -25.4 % | -5,128.7 | -23.6 % |
| Health and Social Services | 712,115.3 | 724,740.4 | 743,039.9 | 741,508.4 | 822,963.4 | 5,575.2 | 828,538.6 | 79,923.5 | 10.8 % | 85,498.7 | 11.5 % |
| Labor and Workforce Development | 47,616.1 | 54,411.5 | 58,725.4 | 58,760.4 | 61,628.4 | 896.4 | 62,524.8 | 2,903.0 | 4.9 % | 3,799.4 | 6.5 % |
| Law | 48,081.1 | 50,185.5 | 53,853.1 | 52,600.3 | 54,980.5 | 1,409.3 | 56,389.8 | 1,127.4 | 2.1 % | 2,536.7 | 4.7 % |
| Military and Veterans Affairs | 15,646.3 | 16,256.6 | 16,944.2 | 17,254.0 | 20,472.8 | 384.4 | 20,857.2 | 3,528.6 | 20.8 % | 3,913.0 | 23.1 % |
| Natural Resources | 80,404.9 | 89,256.5 | 96,269.9 | 92,161.5 | 96,585.9 | 1,913.5 | 98,499.4 | 316.0 | 0.3 % | 2,229.5 | 2.3 % |
| Public Safety | 94,779.9 | 103,769.8 | 103,784.4 | 104,687.1 | 111,498.7 | 2,152.8 | 113,651.5 | 7,714.3 | 7.4 % | 9,867.1 | 9.5 % |
| Revenue | 115,872.6 | 125,256.4 | 131,967.7 | 125,241.7 | 136,573.7 | 1,316.3 | 137,890.0 | 4,606.0 | 3.5 % | 5,922.3 | 4.5 % |
| Transportation & Public Facilities | 364,728.9 | 380,654.8 | 381,368.0 | 389,527.1 | 403,457.1 | 8,887.4 | 412,344.5 | 22,089.1 | 5.8 % | 30,976.5 | 8.1 % |
| University of Alaska | 453,810.7 | 250.8 | 541,559.6 | 540,396.8 | 544,445.8 | 29,760.1 | 574,205.9 | 2,886.2 | 0.5 % | 32,646.3 | 6.0 % |
| Alaska Court System | 56,019.2 | 59,392.3 | 59,433.4 | 60,507.8 | 64,376.5 | 1,169.7 | 65,546.2 | 4,943.1 | 8.3 % | 6,112.8 | 10.3 % |
| Legislature | 34,369.1 | 39,188.5 | 42,147.0 | 43,169.6 | 43,261.6 | 1,250.6 | 44,512.2 | 1,114.6 | 2.6 % | 2,365.2 | 5.6 % |
| Debt Service Fund Capitalization and Special Appropriations | 859,327.6 | 1,539,486.1 | 1,594,325.9 | 1,567,325.9 | 1,760,140.0 | 0.0 | 1,760,140.0 | 165,814.1 | 10.4 % | 165,814.1 | 10.4 % |
| Total - Operating Budget | 4,236,118.3 | 3,847,955.9 | 5,319,219.6 | 5,292,071.2 | 5,638,251.1 | 146,535.1 | 5,784,786.2 | 319,031.5 | 6.0 % | 465,566.6 | 8.8 % |
| General Funds | 2,186,746.1 | 1,270,116.7 | 2,321,477.0 | 2,325,111.7 | 2,511,042.1 | 117,602.8 | 2,628,644.9 | 189,565.1 | 8.2 % | 307,167.9 | 13.2 % |
| Federal Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | |
| Other | 2,049,372.2 | 2,577,839.2 | 2,997,742.6 | 2,966,959.5 | 3,127,209.0 | 28,932.3 | 3,156,141.3 | 129,466.4 | 4.3 % | 158,398.7 | 5.3 % |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Retirement System Funding and Salary Adjustments

As noted in the FY05 Overview of the Governor's Budget, required increases in contributions to the Public Employees Retirement System and the Teachers' Retirement System will be a major financial burden to the State. State contributions toward employee retirement add five percent to personnel costs annually through at least FY07. Costs are expected to remain at the new level for at least 10 years. Other adjustments are in addition to retirement costs.

Retirement System Funding

The Governor's FY06 operating budget includes several sections designed to meet the significant cost increases in both the Public Employees Retirement System (PERS) and the Teachers' Retirement System (TRS). These appropriations are excluded from the Governor's FY06 budget totals because they use FY05 windfall revenue derived from high oil prices. Sections of the bill provide funding as follows:

- Section 24 provides \$37.5 million in General Funds over the FY06-FY07 timeframe to reduce the liability of political subdivisions (local governments) to the Public Employees' Retirement System. This appropriation is divided into FY06 and FY07 portions (\$18.4 million and \$19.1 million, respectively). Amounts range from a low of \$881 for the City of Toksook Bay in FY06 up to a high of \$6.9 million in FY07 for the Municipality of Anchorage. Retirement increases are cumulative, but the amounts appropriated provide only short-term assistance. The grants will pay all of the FY06 increases, about half the increased costs in FY07, then leave communities to find a way to fund the \$60 million in cumulative retirement cost increases in FY08.
- Section 25 appropriates \$41.4 million (\$21.3 million General Funds, \$5.6 million Federal Receipts, \$14.5 million Other Funds) to pay increased FY06 State costs due to the rise in FY06 employer contribution rate increases for PERS and TRS. Appropriations to each agency (excluding the University of Alaska, which is handled separately) are sufficient to fund the FY06 employer contribution rate increases.

Legislative Fiscal Analyst Comment: A technical correction to roll-ups in Sections 26 and 27 is needed. Each of these sections totals to \$41,426,300, while Section 25 appropriates \$41,424,100.

- Section 28 provides \$43.1 million (\$22.2 million General Funds, \$5.8 million Federal Receipts, \$15.1 million Other Funds) to pay increased FY07 State costs due to the rise in FY07 employer contribution rate increases for PERS and TRS.
- **Section 37 (b).** This subsection provides \$7.0 million (\$3.4 million General Fund, \$1.0 million Federal Receipts, \$2.5 million University Receipts) for the **University of Alaska** portion of the increased employer costs resulting from FY06 employer contribution rate increases for PERS and TRS. It is expected that this appropriation will provide only half of the general funds needed to fund the FY06 increases.
- **Section 37 (d).** This subsection provides \$7.1 million (\$3.5 million General Fund, \$1.0 million Federal Receipts, \$2.6 million University Receipts) for the **University of Alaska** portion of the increased employer costs resulting from FY07 employer contribution rate increases for PERS and TRS. As is the case with FY06, it is expected that this appropriation with the carryforward from subsection (b) will fund only half of the FY07 general fund increases.

Funding for Sections 25-30 and Section 37(b) and (d) is derived from FY05 windfall revenue. The appropriations pre-pay FY06 and FY07 increases, but \$80 million in new sources of revenue must be found in FY08 to replace the general fund FY05 windfall for State PERS and TRS. It is also curious that non-general fund sources are included in these appropriations. The windfall is General Funds only. The sections in the operating bill are supplemental appropriations because

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

their effective date is June 30, 2005. Some FY05 non-GF revenue may not be available for use in FY06 or FY07.

FY06 Salary Adjustments

The FY06 Governor's Request includes \$39.0 million total for Salary Adjustments related to cost increases for bargaining units and non-covered employees, fulfillment of GGU bargaining unit contract terms, and adjustment for personal services working reserve rates and Supplemental Benefit System (SBS) cost changes. Seventeen agencies in state government split \$19.3 million General Funds, \$6.1 million Federal Receipts, and \$13.7 million Other Funds for these increases.

The three types of salary adjustment transactions in the Governor's FY06 budget submission are defined by the administration as follows:

- **FY06 Cost Increases for Bargaining Units and Non-Covered Employees**—increases for health insurance premiums are scheduled to occur in FY06 for all bargaining units except State Troopers Unit Public Safety Employees, Airport Security Officers, and Alaska Vocational Technical Center Teachers. The change record also includes wage increases scheduled to occur in FY06 for the Marine Engineers Beneficial Association; Correctional Officers Unit; General Government Unit Employees; Confidential Employees; Labor, Trades and Crafts; and the Teachers Education Association of Mt. Edgecumbe. (GGU and MEBA are pending monetary terms approval.);
- **FY05 Bargaining Unit Contract Terms: GGU**—the negotiated salary increases for General Government Unit employees for FY05. The FY05 increase was not agreed upon until after the FY05 budget was approved, and is not currently in the base for FY06; and
- **Adjustments for Personal Services Working Reserve Rates and SBS**—cost increases associated with the following FY06 personal services rate changes:
 - The Supplemental Benefit System (SBS) maximum has increased from \$89,200 to \$91,100;
 - The Terminal Leave rate has increased .59%, from 1.30% to 1.89%;
 - The Unemployment Insurance rate has increased .13%, from .73% to .86%; and
 - The Leave Cash-In and Risk Management rates, which are based on each department's actual experience.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Position Comparison

The Governor's FY06 Operating Budget request adds 254 permanent full time (PFT) positions to the FY05 Management Plan. In addition, 125 FTEs were added during FY05 to the number authorized by the legislature, so the total increase from the authorized level is 379.

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

Position Summary Report Permanent Full-Time Positions Only

| <u>Agency</u> | 05Auth | 05MgtPln | Gov+K12 | 05Auth to 05MgtPln | 05MgtPln to Gov+K12 | 05Auth to Gov+K12 |
|---------------------------------------|---------------|---------------|---------------|--------------------------|---------------------------|-------------------------|
| Administration | 943 | 967 | 955 | 24 | (12) | 12 |
| Commerce | 492 | 493 | 503 | 1 | 10 | 11 |
| Corrections | 1,415 | 1,416 | 1,421 | 1 | 5 | 6 |
| Education and Early Development | 294 | 294 | 295 | - | 1 | 1 |
| Environmental Conservation | 470 | 473 | 484 | 3 | 11 | 14 |
| Fish and Game | 849 | 850 | 850 | 1 | - | 1 |
| Office of the Governor | 147 | 147 | 147 | - | - | - |
| Health and Social Services | 3,027 | 3,076 | 3,178 | 49 | 102 | 151 |
| Labor and Workforce Development | 874 | 872 | 878 | (2) | 6 | 4 |
| Law | 490 | 501 | 508 | 11 | 7 | 18 |
| Military and Veterans Affairs | 259 | 269 | 286 | 10 | 17 | 27 |
| Natural Resources | 709 | 722 | 740 | 13 | 18 | 31 |
| Public Safety | 771 | 771 | 795 | - | 24 | 24 |
| Revenue | 801 | 802 | 817 | 1 | 15 | 16 |
| Transportation & Public Facilities | 2,892 | 2,905 | 2,943 | 13 | 38 | 51 |
| University of Alaska | 3,869 | 3,869 | 3,869 | - | - | - |
| Alaska Court System | 687 | 687 | 699 | - | 12 | 12 |
| Legislature | 237 | 237 | 237 | - | - | - |
| Total - All Agencies | 19,226 | 19,351 | 19,605 | 125 | 254 | 379 |

Debt Obligations

State debt service obligations total \$275 million for FY06. This is an increase of \$16 million from FY05. These obligations include required debt service on state capital project debt and debt reimbursement² to state and non-state entities. The Governor has proposed several funding sources for these obligations, some of which is appropriated through the Alaska Debt Retirement Fund (ADRF) and some appropriated directly for debt service.

- Required debt service for state general obligation bonds is \$45.7 million. Series 2003A is expected to be repaid by 2024 requiring over \$30 million per year. Series 2003B is expected to be repaid by 2014, requiring nearly \$14 million per year.³
- Payments for Certificates of Participation (COP's) total \$13.8 million. This is the same level as FY05. Obligations will drop to about \$9 million by FY08, when the Spring Creek Correctional Center debt is paid in full.
- Outstanding International Airport Revenue Bonds total \$422 million (ending FY04). Over \$30 million of annual debt service will be required through 2024 with payment in full by 2029.
- School Debt Reimbursement is budgeted at \$88 million. This is full funding for reimbursement of anticipated eligible debt. This is a net increase of approximately \$7 million over FY05, primarily attributable to increased eligible debt in Anchorage, Dillingham, and the North Slope Borough.
- The sum of \$3.6 million is budgeted for debt reimbursement authorized under HB 528 (Chapter 115, SLA 2002).

A substantial portion of the state's obligations could be considered "off budget." That is, the state pays the debt service indirectly⁴. One of the larger increases in debt service is attributable to "off budget" payments. The AHFC Dividend (to the state) is being reduced by \$6 million to pay the debt service on AHFC state capital project bonds authorized in FY05. The total required debt service for AHFC state capital debt amounts to \$59.9 million.

Other "off budget" debt obligations include bonds secured by the tobacco settlement revenue stream (issued by the Northern Tobacco Securitization Corporation), and bonds issued by the Alaska Student Loan Corporation. Both of these result in a reduction of state revenue as opposed to a direct payment by the state for debt service.

- 80% of the tobacco revenue stream (projected at \$21 million for FY06) is pledged to service over \$200 million in bonds. This amounts to nearly \$17 million annually. The bonds are projected to be repaid in full in about ten years.

² Debt reimbursement is typically subject to appropriation.

³ Series 2003B are GARVEE transportation bonds that are approximately 90% repaid with federal highway funds.

⁴ "Off budget" debt service generally exists in the form of a reduction of revenue to the state as opposed to a payment by the state. The primary example is AHFC, which issues debt for state capital projects and then reduces their dividend to the state by an amount sufficient to service the debt. The state does not make an actual payment, but does (in effect) pay the debt service via a reduction in revenue.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Proposed new debt amounts to over \$470 million.

- New COP's of \$24 million are proposed to replace the Fairbanks virology laboratory.
- The Alaska Student Loan Corporation (ASLC) plans to issue an additional \$85 million of state capital project bonds. \$22 million is proposed to pay the principal portion of existing debt service and \$63 million is proposed for new capital projects. ASLC bonds issued in FY05 have a 15 year term at an approximate 3% interest rate. A similar term could be expected for the FY06 issue with a somewhat higher interest rate. ASLC is hoping to issue \$100 million more in FY07, thereby completing their "return of invested capital" plan. The actual amount issued will depend on the bonding capacity of the assets securing the debt.
- The governor is proposing to finance several information technology projects, totaling \$37 million, by accessing the state's Master Lease Line of Credit. This financing was chosen because the projects were deemed eligible under the LOC, and the rate and term (3 to 5 years) are attractive. FY06 debt service is proposed to be paid from the general fund. However, discussions regarding repayment with money generated by increases in cost allocation rates have occurred.
- \$340 million of revenue bonds proceeds are built into the capital budget. These bonds are to be secured from the income of the Amerada Hess Settlement, currently managed as part of the permanent fund. As the income of the settlement is removed from the Permanent Fund and placed in a separate capital reserve fund (which the governor has named the Legacy Capital Fund), the amount available for investment in the Permanent Fund decreases. This could reduce future Permanent Fund Dividends.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

DEBT OBLIGATIONS

| (thousands) | FY05 | FY06 Gov | Comments |
|---|------------------|------------------|--|
| CAPITALIZATION OF THE DEBT RETIREMENT FUND | | | |
| <u>Fund Source</u> | | | |
| General Funds | - | 47,770.2 | |
| Federal Receipts | 8,606.4 | 8,043.1 | |
| Investment Loss Trust Funds | 104.0 | 59.7 | |
| Municipal Bond Bank Receipts (Earnings) | 775.0 | 250.0 | |
| AHFC Dividend | 27,568.0 | 18,854.6 | |
| AIDEA Dividend | 13,837.4 | 8,812.0 | |
| ASLC Dividend | - | 3,100.0 | |
| ASLC Bonds | 24,815.0 | 22,000.0 | |
| Lease Payment Accounts Residual (Misc. Earnings) | 109.8 | | |
| AATP Bond Proceeds (Misc. Earnings) | 438.6 | 1,196.9 | |
| GO Bond Interest - Series 2003A (Misc. Earnings) | 2,473.1 | 3,720.3 | |
| Total | 78,727.3 | 113,806.8 | |
| DEBT FUND CASHFLOW | | | |
| <u>ADRF Cashflow</u> | | | |
| Beginning Balance | 17,925.2 | 2,420.0 | |
| Capitalization | 78,727.3 | 113,806.8 | |
| Total Available | 96,652.6 | 116,226.8 | |
| Debt Payments | (94,232.6) | (116,226.8) | |
| Ending balance | 2,420.0 | (0) | |
| <u>GOB Debt Service Fund Cashflow</u> | | | |
| Beginning Balance | 22,164.7 | 6,343.6 | |
| Debt Payments | (17,654.9) | (4,640.1) | |
| Accrued Interest | 1,833.8 | | Premium and Interest are available only for GO Bond interest expense |
| Ending balance | 6,343.6 | 1,703.5 | |
| DEBT SERVICE/ REIMBURSEMENT | | | |
| <u>ADRF Debt Payments</u> | | | |
| GO Bonds -Schools/Roads (Series 2003A) | 19,706.2 | 31,772.1 | |
| GO Bonds -GARVEES (Series 2003B) | 9,045.0 | 9,241.0 | |
| Certificates of Participation (COP's) | 13,811.3 | 13,782.2 | |
| School Debt Reimbursement | 51,670.1 | 61,431.5 | |
| Subtotal | 94,232.6 | 116,226.8 | |
| <u>Other Funds Debt Payments</u> | | | |
| GO Bonds -Schools/Roads (Series 2003A) | 12,609.3 | 96.8 | GO Bond Premium |
| GO Bonds -GARVEES (Series 2003B) | 5,045.6 | 4,543.3 | GO Bond Premium |
| International Airport Revenue Bonds | 31,557.9 | 33,125.9 | IARF and PFC's |
| Clean Water Fund Bonds | 1,630.0 | 1,630.0 | ACWF Receipts |
| Drinking Water Fund Bonds | 1,030.0 | 1,105.0 | ADWF Receipts |
| COP's - Atwood Building | 3,549.4 | 3,549.4 | GF & Misc Earnings |
| School Fund - School Debt Reimbursement | 30,200.0 | 27,000.0 | School Fund |
| GF - Capital Project Reimbursement (HB 528) | 2,736.0 | 3,634.1 | GF |
| Master Lease Line of Credit | - | 1,600.0 | GF |
| Anchorage Jail (Capital Lease) | 5,274.1 | 5,275.1 | GF |
| AHFC State Capital Project Bonds | 53,892.5 | 59,895.4 | Reduction of AHFC Dividend |
| NTSC Tobacco Settlement Bonds (off budget) | 16,900.0 | 16,900.0 | Diverted Tobacco Settlement Revenue (to NTSC) |
| Subtotal | 164,424.8 | 158,355.0 | |
| TOTAL DS/ Reimbursement | 258,657.4 | 274,581.7 | Change ↑ 15,924.4 |

Not included in OMB Summary

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Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Language Sections of the Governor's FY06 Operating Budget

Possible addition to FY06 language:

Add language scoping all unexpended federal receipts provided to Alaska in the *Jobs and Growth Tax Relief Reconciliation Act of 2003* into the debt retirement fund. Adding this language would prevent unexpended money from going back to the federal government.

Legislative Fiscal Analyst Recommendation: This language scopes FY05 funding, therefore, could be placed in the FY05 supplemental bill.

Section Deleted; appeared in FY05 Operating Budget

LEGISLATIVE INTENT. It is the intent of the legislature that the amounts appropriated by this Act are the full amounts that will be appropriated for those purposes for the fiscal year ending June 30, 2006.

Legislative Fiscal Analyst Comment: In past years, several appropriations were traditionally underfunded and needed an annual supplemental. In recent years the legislature took steps to reduce the need for these types of supplemental appropriations.

Section Deleted; appeared in FY05 Operating Budget

COSTS OF JOB RECLASSIFICATIONS. The money appropriated in this Act includes the amount necessary to pay the costs of personal services due to reclassification of job classes during the fiscal year ending June 30, 2006.

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

Sec. 4. ALASKA AEROSPACE DEVELOPMENT CORPORATION. Corporate receipts of the Alaska Aerospace Development Corporation received during the fiscal year ending June 30, 2006, 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, 2006.

Legislative Fiscal Analyst Comment: This section is intended to maximize the AADC's ability to attract launch activity by eliminating all questions regarding the corporation's ability to accept and spend receipts in a timely manner.

This section provision limits legislative fiscal oversight of the Alaska Aerospace Development Corporation by allowing the corporation to spend all AADC receipts received from any source during FY06. 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*

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

(3) AADC must submit a full operational and financial report to the legislature by the third day of each regular session of the legislature.

Funding: The estimated impact of this section is zero. The appropriations to AADC in section 1 have been sufficient historically.

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, 2006, 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 Alaska Children's Trust) net receipts collected during FY06 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.

Funding: OMB projects \$33.5 net proceeds from the sale of certificates/plates.

Sec. 6. 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 |

Sec. 7. ALASKA DRINKING WATER FUND. The sum of \$10,201,200 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 | \$1,100,200 |
| Federal receipts | 8,501,000 |
| General fund match | 600,000 |

Funds in sections 6 and 7 provide money to develop sewer and water systems in Alaska communities. Money for the various projects is appropriated from the Clean Water and Drinking Water Funds in the capital budget. The State typically issues short-term bonds that are repaid with earnings from the loan programs, and uses the bond proceeds to match for federal money.

Legislative Fiscal Analyst Recommendation: These sections could be placed in the fund capitalization section of this bill.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Sec. 8. 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 fiscal year 2006. During fiscal year 2006, the board of directors anticipates that \$103,000,000 will be available for payment of debt service, appropriation in this Act, appropriation for capital projects, and transfer to the Alaska debt retirement fund (AS 37.15.011).

Subsection a informs the legislature that the anticipated annual AHFC corporate "dividend" to the state will be \$103 million, which is equal to the amount paid in recent years. This amount may change after FY06. A bill passed in 2003 [Chapter 76, SLA 03 (HB 256)] changes the calculation of the dividend to the "lesser of \$103,000,000 or 75 percent of the net income of the corporation for the base fiscal year."

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

(b) A portion of the amount set out in (a) of this section for the fiscal year ending June 30, 2006, will be retained by the Alaska Housing Finance Corporation for the following purposes in the following estimated amounts:

- (1) \$1,000,000 for debt service on University of Alaska, Anchorage, dormitory construction, authorized under ch. 26, SLA 1996;
- (2) \$21,391,893 for debt service on the bonds authorized under sec. 2(c), ch. 129, SLA 1998;
- (3) \$28,609,650 for debt service on the bonds authorized under sec. 10, ch. 130, SLA 2000;
- (4) \$2,893,808 for debt service on the bonds authorized under ch. 2, SSSLA 2002;
- (5) \$6,000,000 for debt service on the bonds authorized under sec. 4, ch. 120, SLA 2004.

Subsection b informs the legislature that AHFC will retain \$59.9 million of the dividend to pay debt service on various AHFC-financed capital projects authorized by past legislatures. This leaves \$43.1 million (\$6 million less than in FY05) for the legislature to spend as it wishes. Subsection b makes no appropriations.

(c) After deductions for the items set out in (b) of this section the remainder of the amount set out in (a) of this section is used for the following purposes in the following estimated amounts:

- (1) \$18,854,600 for debt service;
- (2) \$24,250,000 for capital projects.

Subsection c informs the legislature that the Governor is requesting \$18.6 million for debt service and \$24.3 million for capital projects. This subsection is informative only; it does not appropriate funding.

(d) After deductions for the items set out in (b) of this section and for appropriations for operating and capital purposes are made, any remaining balance of the amount set out in (a) of this section for the fiscal year ending June 30, 2006, is appropriated to the Alaska debt retirement fund (AS 37.15.011).

Subsection d appropriates the "unused" portion of the dividend to the Alaska Debt Retirement Fund. The Governor's proposed capital and operating budgets appropriate the entire amount of available dividend.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

(e) All unrestricted mortgage loan interest payments, mortgage loan commitment fees, and other unrestricted receipts received by or accrued to the Alaska Housing Finance Corporation during fiscal year 2006 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 program (AS 18.56.420), and senior housing revolving fund (AS 18.56.710) in accordance with procedures adopted by the board of directors.

Subsection e appropriates certain FY06 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.

(f) The sum of \$800,000,000 is appropriated from the corporate receipts appropriated to the Alaska Housing Finance Corporation and allocated among the Alaska housing finance revolving fund (AS 18.56.082), housing assistance loan program (AS 18.56.420), and senior housing revolving fund (AS 18.56.710) under (e) of this section to the Alaska Housing Finance Corporation for the fiscal year ending June 30, 2006, for housing loan programs not subsidized by the corporation.

(g) The sum of \$30,000,000 is appropriated from the portion of the corporate receipts appropriated to the Alaska Housing Finance Corporation and allocated among the Alaska housing finance revolving fund (AS 18.56.082), housing assistance loan program (AS 18.56.420), and senior housing revolving fund (AS 18.56.710) under (e) of this section that is derived from arbitrage earnings to the Alaska Housing Finance Corporation for the fiscal year ending June 30, 2006, for housing loan programs and projects subsidized by the corporation.

(h) The sum of \$30,000,000 is appropriated from federal receipts to the Alaska Housing Finance Corporation for housing assistance payments under the Section 8 program for the fiscal year ending June 30, 2006.

Subsections f, g, and h appropriate certain FY06 corporate receipts to various housing programs. These amounts establish lending limits for the year.

Sec. 9. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY. (a) The sum of \$8,812,000 has been declared available by the Alaska Industrial Development and Export Authority board of directors for appropriation as the fiscal year 2006 dividend from the unrestricted balance in the Alaska Industrial Development and Export Authority revolving fund (AS 44.88.060).

(b) After deductions for appropriations made for operating and capital purposes are made, any remaining balance of the amount set out in (a) of this section for the fiscal year ending June 30, 2006, is appropriated to the Alaska debt retirement fund (AS 37.15.011).

Subsection a informs the legislature that the anticipated annual AIDEA corporate "dividend" to the state will be \$8.8 million (the FY05 dividend was \$22 million). By statute (AS 44.88.088) the dividend made available should not be less than 25 percent and not more than 50 percent of the base year statutory net income. This year's dividend is the maximum available by law.

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

Subsection b appropriates the "unused" portion of the dividend to the Alaska Debt Retirement Fund. The Governor's proposed operating budget appropriates the entire \$8.8 million.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Sec. 10. ALASKA PERMANENT FUND CORPORATION. (a) The amount authorized under AS 37.13.145(b) for transfer by the Alaska Permanent Fund Corporation on June 30, 2006, 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 for the fiscal year ending June 30, 2006.

(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 during fiscal year 2006 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 2006 is appropriated to the principal of the Alaska permanent fund in satisfaction of that requirement.

(d) The income earned during fiscal year 2006 on revenue from the sources set out in AS 37.13.145(d) 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. Earnings in FY06 (as calculated on the last day of the fiscal year) will be used to pay PFDs in FY07 and associated costs throughout FY06.

Funding: The projected amount of dividend transfer for FY06 is \$690 million, including administrative and associated costs. Administrative and associated costs for FY06 are reflected in section 1 of the budget. They include the cost of operating the PFD Division, hold-harmless provisions that affect people served by the Department of Health & Social Services and "cost recovery" programs in various departments.

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

Funding: The Governor's projected amount of inflation proofing for FY06 is \$650 million.

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

Funding: These deposits to the Permanent Fund do not appear in the bill summary or in Legislative Finance reports. The Permanent Fund projects that dedicated deposits will be \$356 million during FY06.

Subsection d appropriates FY06 earnings received as a result of the State v. Amerada Hess to the principal of the Alaska Permanent Fund.

Funding: The Permanent Fund Corporation's November 2004 estimate of earnings from State v. Amerada Hess is \$21 million—not the \$29.7 million estimated in the Governor's 12/15/2004 press release.

Legislative Fiscal Analyst Comment: This subsection should be removed if the Governor introduces a bill using these earnings for the "Capital Legacy Fund."

Sec. 11. ALASKA STUDENT LOAN CORPORATION DIVIDEND. (a) The sum of \$3,100,000 has been declared available by the Alaska Student Loan Corporation board of directors for appropriation as the fiscal year 2006 dividend.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

(b) After deductions for appropriations made for operating and capital purposes are made, any remaining balance of the amount set out in (a) of this section for the fiscal year ending June 30, 2006, is appropriated to the Alaska debt retirement fund (AS 37.15.011).

Subsection a informs the legislature that the anticipated FY05 Student Loan Corporation dividend to the state will be \$3.1 million, which is \$2.5 million less than the \$5.6 million paid in FY05.

Subsection b appropriates the "unused" portion of the dividend to the Alaska Debt Retirement Fund. The Governor's proposed operating budgets appropriate the entire \$3.1 million.

Legislative Fiscal Analyst Comment: Dividends have dropped primarily because the drop in interest rates has decreased the corporation's net income. However, the dividend has also declined somewhat because of benefits offered to in-state borrowers. This year's dividend is calculated as 35 percent of 2004's net income. The total 2004 benefits were \$2.4 million which decreased the 2004 dividend by \$840,000 (or 35 percent of the benefit).

Sec. 12. CHILD SUPPORT SERVICES. (a) The minimum amount of program receipts received during the fiscal year ending June 30, 2006, by the child support services agency 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 services agency, for the fiscal year ending June 30, 2006.

(b) Program receipts collected as cost recovery for paternity testing administered by the child support services agency, as required under AS 25.27.040 and 25.27.165, and as collected under AS 25.20.050(f), are appropriated to the Department of Revenue, child support services agency, for the fiscal year ending June 30, 2006.

Subsection a permits an unspecified amount of program receipts collected by the CSSD to be spent to capture the Federal Receipts appropriated in section 1. Similar language appropriated about \$1 million to CSSD in FY05, but a fund change from federal incentive payments to Receipt Supported Services is expected to address the shortage of match funds.

Funding: Although federal incentive payments (which can be used to match other federal receipts) have declined as other states have improved performance, the estimated impact of this section is zero.

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

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

Sec. 13. DISASTER RELIEF AND FIRE SUPPRESSION. (a) Federal receipts received for disaster relief during the fiscal year ending June 30, 2006, are appropriated to the disaster relief fund (AS 26.23.300).

(b) Federal receipts received for fire suppression during the fiscal year ending June 30, 2006, are appropriated to the Department of Natural Resources for fire suppression activities for the fiscal year ending June 30, 2006.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

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: A \$2 million federal receipts estimate for fire suppression has been used for several years.

Sec. 14. EDUCATION LOAN PROGRAM. The amount of loan origination fees collected by the Alaska Commission on Postsecondary Education for the fiscal year ending June 30, 2006, is appropriated to the origination fee account (AS 14.43.120(u)) within the education 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.

Funding: The amount of the loan origination fee is set by regulation at 3%. Because the appropriation earmarks money within a fund, there is no impact on state expenditures.

Sec. 15. 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), Exxon Valdez oil spill trust receipts as defined in AS 37.05.146(b)(4), and receipts of the Alaska Fire Standards Council under AS 37.05.146(b)(5) that are received during the fiscal year ending June 30, 2006, and that exceed the amounts appropriated by this Act, are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

(b) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) that are received during the fiscal year ending June 30, 2006, 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) that are received during the fiscal year ending June 30, 2006, 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 are appropriated subject to review by the Legislative Budget and Audit Committee. There is no change from FY05.

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.

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

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

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Sec. 16. 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, 2005, 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 unexpended and unobligated 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 unexpended and unobligated balances fall short of the estimates appropriated in sec. 1 of this Act, the amounts appropriated to the Department of Public Safety and the Department of Law from the fish and game fund as set out in sec. 1 of this Act are reduced proportionately.

Subsection a specifies that criminal fines, penalties and forfeitures associated with fish and wildlife enforcement collected during FY05 are appropriated to the Fish and Game Fund.

Funding: Estimated FY05 collections addressed by this section are \$1,169.8.

Subsection b is standard language referencing appropriations made in section 1 to the Departments of Law and Public Safety. It also appropriates any balance remaining if past collections exceeded appropriations and reduces appropriations if available funds are less than amounts appropriated in section 1.

Funding: Appropriations of FY05 collections (\$1,169.8) appear in section 1. Carryforward is expected to be zero.

Sec. 17. FISHERMEN'S FUND. If the amount necessary to pay benefit payments from the fishermen's fund (AS 23.35.060(a)) exceeds the estimates appropriated in sec. 1 of this Act, the additional amount necessary to pay those benefit payments is appropriated from that fund to the Department of Labor and Workforce Development, fishermen's fund allocation, for the fiscal year ending June 30, 2006.

Legislative Fiscal Analyst Comment: This section will allow benefit payments to exceed the amount appropriated in section 1. This section has been included in language for the first time this year because FY05 benefit payments almost exceeded authorization. By statute benefits must be paid but legislative appropriations are also required—this language ensures that expenditure authorization exists.

Sec. 18. FUND TRANSFERS. (a) The sum of \$48,602,900 is appropriated from the general fund to the Alaska marine highway system fund (AS 19.65.060).

Legislative Fiscal Analyst Comment: This \$17.6 million increase from FY05 authorization is about the amount the Governor is expected to request as a supplemental. It is likely to leave the year-end FY06 balance of the fund near zero.

(b) The sum of \$3,720,300 is appropriated from the investment earnings on the bond proceeds deposited in the capital project funds for the series 2003A general obligation bonds to the Alaska debt retirement fund (AS 37.15.011).

(c) The sum of \$8,043,100 is appropriated from federal receipts for state guaranteed transportation revenue anticipation bonds, series 2003B, to the Alaska debt retirement fund (AS 37.15.011).

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

(d) The sum of \$1,196,900 is appropriated from Alaska accelerated transportation projects fund bond proceeds for state guaranteed transportation revenue anticipation bonds, series 2003B, to the Alaska debt retirement fund (AS 37.15.011).

(e) The sum of \$22,000,000 is appropriated from Alaska Student Loan Corporation bond proceeds to the Alaska debt retirement fund (AS 37.15.011).

Legislative Fiscal Analyst Comment: *These bond proceeds can be used only for capital projects or to pay the principal portion of debt service on capital projects.*

(f) The sum of \$18,854,600 is appropriated from Alaska Housing Finance Corporation fiscal year 2006 dividend to the Alaska debt retirement fund (AS 37.15.011).

(g) The sum of \$8,812,000 is appropriated from Alaska Industrial Development and Export Authority fiscal year 2006 dividend to the Alaska debt retirement fund (AS 37.15.011).

(h) The sum of \$250,000 is appropriated from miscellaneous earnings from earnings on unreserved investment earnings of the Alaska Municipal Bond Bank to the Alaska debt retirement fund (AS 37.15.011).

(i) The sum of \$47,770,200 is appropriated from general fund to the Alaska debt retirement fund (AS 37.15.011).

(j) The sum of \$59,700 is appropriated from the investment loss trust fund (AS 37.14.300) to the Alaska debt retirement fund (AS 37.15.011).

(k) The sum of \$3,100,000 is appropriated from the Alaska Student Loan Corporation fiscal year 2006 dividend to the Alaska debt retirement fund (AS 37.15.011).

Legislative Fiscal Analyst Recommendation: *subsections f through k could be combined into a single subsection listing sources and amounts appropriated to the debt retirement fund.*

(l) The sum of \$3,469,200 is appropriated to the election fund required by the federal Help America Vote Act from the following sources in the amounts stated:

| | |
|--------------------|------------|
| General fund match | \$ 469,200 |
| Federal receipts | 3,000,000 |

(m) Interest earned on amounts in the election fund are appropriated to the election fund as required by the federal Help America Vote Act.

Subsections l and m appropriate \$3 million in federal funds from the Help America Vote Act, the required GF Match (\$469,200), and interest earned to the election fund.

(n) The sum of \$4,321,800 is appropriated from the general fund to the power cost equalization and rural electric capitalization fund (AS 42.45.100).

(o) The amount necessary to provide the sum appropriated from the power cost equalization and rural electric capitalization fund (AS 42.45.100) by sec. 1 of this Act, after the appropriation made in (n) of this section, and any other appropriations made to that fund during the fiscal year ending June 30, 2006, are taken into account, is appropriated from the power cost equalization endowment fund (AS 42.45.070) to the power cost equalization and rural electric capitalization fund. However, in accordance with AS 42.45.085(a), the amount appropriated by this subsection may not exceed seven percent of the market value of the power cost equalization endowment fund, determined by the commissioner of revenue to be \$11,508,264, minus amounts appropriated during the fiscal year ending June 30, 2006, for reimbursement of the costs set out in AS 42.45.085(a)(2) and (3).

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Subsections n and o appropriate general funds and 7 percent of the PCE Endowment to the power cost equalization and rural electric capitalization fund (PCE Fund).

Legislative Fiscal Analyst Comment: *Issues surrounding PCE are complex and include:*

- *The PCE Endowment is too small to support the traditional level of funding (\$15.7 million) and this year the requested funding has increased to \$20.7 million (fully funding the formula program).*
- *Appropriating 7% of the endowment market value (for annual PCE grants) can erode the endowment and may increase future GF funding of the program.*
- *Elimination of other funding would require an endowment market value of \$300 million to fund grants at \$20.7 million (\$224 million is required to fund grants at the traditional \$15.7 million). At the end of November 2004, the balance of the endowment was \$186.4 million.*

In addition to the \$4.3 million of general funds, the Governor's capital budget (Section 7) proposal diverts \$10.5 million from the NPR-A grants to the Permanent Fund (\$2.6 million), the Public School Trust Fund (\$52,500), and the remainder to PCE (\$7.8 million split between the PCE Fund and PCE Endowment). Funding details for PCE are highlighted in the table below.

| POWER COST EQUALIZATION FUNDING | | | |
|---|--------------|-------------|---------------|
| | FY05* | FY06 | Change |
| Operating Budget | | | |
| PCE Program (Grants) | 15.7 | 20.7 | 5.0 |
| TOTAL | 15.7 | 20.7 | \$5.0 |
| PCE Fund Cap | | | |
| General Funds | 2.2 | 4.3 | \$2.1 |
| NPR-A Funds | 0 | 4.9 | \$4.9 |
| PCE Endowment | 11.4 | 11.5 | \$.1 |
| TOTAL | 13.6 | 20.7 | \$7.1 |
| PCE Endowment | | | |
| NPR-A Funds | 0 | 2.9 | 2.9 |
| *FY05 funding includes FY04 supplemental funding of \$2.2 million of GF & \$2.2 million of PCE Endowment funding appropriated to support FY05 grants. | | | |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Legislative Fiscal Analyst Recommendations:

1. *Place all appropriations capitalizing the PCE Fund into the operating budget. This means moving sections 7(b)-(f) of the capital budget to the operating budget. All expenditures of the PCE Fund are in the operating budget. Appropriating the expenditures of the fund and the capitalization of the fund in the same bill minimizes errors.*
2. *Appropriate all excess NPR-A funding to the PCE fund (not the PCE Endowment) and simply appropriate less than the 7% of the PCE Endowment. The level of funding remains the same, but it is easier to track where funding is spent. The danger of appropriating less than the 7% is that, as happened in FY04, the Governor can request a FY06 supplemental that spends the full 7%. The Governor's present budget proposal is more likely to protect the principal.*

(p) The following revenue collected during the fiscal year ending June 30, 2006, 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;

(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 waterfowl conservation stamp limited edition prints (AS 16.05.826(a)); and

(5) fees collected for sanctuary access permits (AS 16.05.050(a)(16)).

Subsection p appropriates revenue generated by the named licenses and fees into the Fish and Game Fund.

Legislative Fiscal Analyst Comment: For FY06, a new fund code (1194) has been created to separate the designated portion of the Fish & Game Fund from the dedicated portion ("designated" refers to statutory earmarking while "dedicated" refers to Constitutional status).

Legislative Finance Recommendation: The notes included with OMB's transactions of deposits into the F&G Fund included an estimate of \$85.3 in civil fines and forfeitures but a section is not included to appropriate this funding because, per AS 16.05.110(3), this funding is automatically deposited into the fund without an appropriation.

(q) The sum of \$17,159,000 is appropriated from proceeds of the State of Alaska master lease line of credit program to the information services fund (AS 44.21.045(a)) for purposes of financing the following Department of Administration fiscal year 2006 capital project requests:

| PROJECT | AMOUNT |
|--|-------------|
| System security | \$2,900,000 |
| Telecommunications projects | 5,641,000 |
| Data center and equipment upgrades | 3,297,000 |
| Enterprise IT projects | 3,706,000 |
| State of Alaska Telecommunication System (SATS) projects | 1,615,000 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Subsection q appropriates \$17.2 million from the State's master lease line of credit to the Information Services Fund to pay for five capital projects. The Governor is requesting \$1.2 million in general funds to pay FY06 obligations on this portion of the line of credit [See section 35(p)].

Legislative Fiscal Analyst Comment: For more information on use of the master lease line of credit, please see the "Debt Obligations" section in this publication.

Legislative Fiscal Analyst Recommendation: Contingency language limiting the appropriation to the total of the approved capital projects would ensure that extra funding is not appropriated to the Information Services Fund.

Sec. 19. 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 during the fiscal year ending June 30, 2006.

(b) The amounts received in settlement of claims against bonds guaranteeing the reclamation of state, federal, or private land, including the plugging or repair of wells, are appropriated to the agency secured by the bond for the fiscal year ending June 30, 2006, for the purpose of reclaiming the state, federal, or private 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 to satisfy claims or judgments arising under the program.

Legislative Fiscal Analyst Comment: 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.

Legislative Fiscal Analyst Comment: 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 FY06 fiscal impact; it allows money appropriated elsewhere to be swept into the reserve account but does not increase total appropriations.

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 \$606.7 will be received under this section.

Sec. 20. NATIONAL FOREST RECEIPTS. The unexpended and unobligated balance of federal money apportioned to the state as national forest income that the Department of Commerce, Community, and Economic Development determines would lapse into the unrestricted portion of the general fund June 30, 2006, under AS 41.15.180(j) is appropriated as follows:

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

(2) the balance remaining is appropriated to home rule cities, first class cities, second

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

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, 2006, 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, 2006.

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.

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

Legislative Fiscal Analyst Comment: 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 the end of the year conflicts with rules regarding distribution of the funds. The appropriation appears to be designed to spend federal receipts before they lapse and would 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). Section 20 takes money that would otherwise be spent in unorganized areas and appropriates it to local governments.

Sec. 21. 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, 2005, not otherwise appropriated by this Act;
- (2) the amount collected for the fiscal year ending June 30, 2005, estimated to be \$9,300,000, from the surcharge levied under AS 43.55.300;
- (3) \$991,187 from the underground storage tank revolving loan fund (AS 46.03.410).

This is standard language appropriating (to the Oil and Hazardous Substance Release Prevention Account) the balance of the Release Prevention Mitigation Account and the FY05 collections from the 3 cent per barrel surcharge on oil produced in the state.

Legislative Fiscal Analyst Recommendation: This subsection capitalizes a fund and should be placed in the fund capitalization section.

Sec. 22. 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

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

(AS 46.08.025(b)) in the general fund on July 1, 2005, not otherwise appropriated by this Act;

(2) the amount collected for the fiscal year ending June 30, 2005, 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 FY05 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 zero. The surcharge mentioned in subsection 2 has not been triggered for several years.*

Legislative Fiscal Analyst Recommendation: *This subsection capitalizes a fund and should be placed in the fund capitalization section.*

Sec. 23. 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, 2006, 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, 2006, 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. 24. RETIREMENT SYSTEM FUNDING FOR INCREASED EMPLOYER COSTS FOR POLITICAL SUBDIVISIONS. (a) The sum of \$37,544,859 is appropriated from the general fund to the Department of Administration to reduce the liability to the public employees' retirement system of political subdivisions that are members of that system, in order to reduce the increased employer costs resulting from fiscal year 2006 and fiscal year 2007 employer contribution rate increases. The Department of Administration shall allocate the appropriation to the public employees' retirement system account of each political subdivision based on the increased employer cost for that political subdivision resulting from fiscal year 2006 and fiscal year 2007 employer contribution rate increases, as estimated by the Department of Administration as of September 29, 2004 and as set out in (b) of this section. The appropriation made by this subsection is intended to reduce these increased employer costs, based on current estimates, but may not fully eliminate the increased employer costs because of changes in political subdivision payroll amounts and other factors.

(b) For purposes of allocating the appropriation made by (a) of this section to the public employees' retirement system account of each member political subdivision, the increased employer costs of the political subdivisions are as follows:

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| POLITICAL SUBDIVISION | FY06 AMOUNT | FY07 AMOUNT |
|------------------------------|----------------|----------------|
| Akutan, City of | \$ 14,932 | \$ 15,492 |
| Aleutians East Borough | 50,537 | 52,432 |
| Allakaket, City of | 2,564 | 2,660 |
| Anchorage, Municipality of | 6,615,843 | 6,863,937 |
| Anderson, City of | 2,009 | 2,084 |
| Angoon, City of | 15,955 | 16,553 |
| Atka, City of | 3,708 | 3,847 |
| Barrow, City of | 53,772 | 55,788 |
| Bethel, City of | 235,324 | 244,148 |
| Bristol Bay Borough | 70,944 | 73,605 |
| Cordova, City of | 98,482 | 102,175 |
| Craig, City of | 94,438 | 97,979 |
| Delta Junction, City of | 3,419 | 3,547 |
| Denali Borough | 29,484 | 30,590 |
| Dillingham, City of | 122,152 | 126,733 |
| Egegik, City of | 5,075 | 5,265 |
| Elim, City of | 9,077 | 9,418 |
| Fairbanks North Star Borough | 867,894 | 900,440 |
| Fairbanks, City of | 305,784 | 317,251 |
| Fort Yukon, City of | 15,338 | 15,914 |
| Galena, City of | 68,486 | 71,054 |
| Haines Borough | 105,665 | 109,627 |
| Homer, City of | 245,743 | 254,959 |
| Hoonah, City of | 33,095 | 34,336 |
| Hooper Bay, City of | 30,735 | 31,888 |
| Huslia, City of | 4,785 | 4,965 |
| Juneau, City and Borough of | 1,351,743 | 1,402,433 |
| Kachemak, City of | 3,068 | 3,183 |
| Kake, City of | 15,138 | 15,705 |
| Kaltag, City of | 1,479 | 1,535 |
| Kenai Peninsula Borough | 625,569 | 649,028 |
| Kenai, City of | 278,462 | 288,905 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

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|----------------------------|-----------|-----------|
| Ketchikan Gateway Borough | 206,307 | 214,044 |
| Ketchikan, City of | 415,937 | 431,534 |
| King Cove, City of | 53,681 | 55,694 |
| Klawock, City of | 42,542 | 44,138 |
| Kodiak Island Borough | 113,667 | 117,929 |
| Kodiak, City of | 293,700 | 304,714 |
| Kotzebue, City of | 162,767 | 168,871 |
| Koyuk, City of | 1,113 | 1,155 |
| Lake and Peninsula Borough | 32,811 | 34,042 |
| Matanuska-Susitna Borough | 496,101 | 514,704 |
| Nenana, City of | 19,388 | 20,115 |
| Nome, City of | 129,462 | 134,317 |
| Noorvik, City of | 18,250 | 18,934 |
| North Pole, City of | 107,535 | 111,567 |
| North Slope Borough | 2,458,409 | 2,550,600 |
| Northwest Arctic Borough | 36,340 | 37,703 |
| Palmer, City of | 132,967 | 137,953 |
| Pelican, City of | 6,559 | 6,805 |
| Petersburg, City of | 198,490 | 205,934 |
| Quinhagak, City of | 1,552 | 1,610 |
| Ruby, City of | 6,153 | 6,384 |
| Saint George, City of | 18,988 | 19,700 |
| Saint Mary's, City of | 15,895 | 16,491 |
| Saint Paul, City of | 70,881 | 73,539 |
| Sand Point, City of | 39,312 | 40,786 |
| Saxman, City of | 21,534 | 22,342 |
| Selawick, City of | 4,016 | 4,167 |
| Seldovia, City of | 4,997 | 5,185 |
| Seward, City of | 192,943 | 200,178 |
| Sitka, City and Borough of | 371,607 | 385,542 |
| Skagway, City of | 72,524 | 75,244 |
| Soldotna, City of | 139,473 | 144,704 |
| Tanana, City of | 11,285 | 11,708 |
| Thorne Bay, City of | 14,513 | 15,057 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

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|------------------------------|-------------------|-------------------|
| Toksook Bay, City of | 881 | 914 |
| Unalakleet, City of | 13,698 | 14,212 |
| Unalaska, City of | 493,130 | 511,622 |
| Valdez, City of | 255,619 | 265,205 |
| Wasilla, City of | 173,593 | 180,103 |
| Whittier, City of | 48,977 | 50,814 |
| Wrangell, City of | 125,854 | 130,573 |
| Yakutat, City and Borough of | 22,773 | 23,627 |
| Total | 18,426,923 | 19,117,936 |

***Section 24** appropriates a portion of the FY05 general fund surplus to pay for increased PERS costs for cities and boroughs participating in the PERS program. Its effective date makes this appropriation a FY05 supplemental—i.e., it will not be counted as expenditures in FY06 and FY07.*

***Legislative Fiscal Analyst Comment:** Because PERS costs increases are cumulative, this appropriation covers all of the increased PERS costs for FY06 and about half of the total needed for FY07.*

Sec. 25. RETIREMENT SYSTEM FUNDING FOR INCREASED EMPLOYER COSTS FOR STATE AGENCIES FOR FISCAL YEAR 2006. The sum of \$41,424,100 is appropriated to the following agencies, in the following amounts, in order to pay the increased employer costs resulting from fiscal year 2006 employer contribution rate increases for the public employees' retirement system and the teachers' retirement system; each agency shall allocate its appropriation to each component within the agency based on the estimated increased employer charge resulting from the fiscal year 2006 employer contribution rate increases:

| AGENCY | AMOUNT |
|---|--------------|
| Administration | \$ 2,402,400 |
| Commerce, Community, and Economic Development | 1,275,700 |
| Corrections | 3,508,600 |
| Education and Early Development | 734,200 |
| Environmental Conservation | 1,245,800 |
| Fish and Game | 2,808,800 |
| Office of the Governor | 398,000 |
| Health and Social Services | 7,097,900 |
| Labor and Workforce Development | 2,215,900 |
| Law | 1,426,400 |
| Military and Veterans' Affairs | 591,600 |
| Natural Resources | 2,085,500 |
| Public Safety | 2,209,000 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| | |
|--------------------------------------|-----------|
| Revenue | 2,065,400 |
| Transportation and Public Facilities | 8,938,600 |
| Alaska Court System | 1,169,700 |
| Legislature | 1,250,600 |

Sec. 26. The following sets out the funding by agency for the appropriations made in sec. 25 of this Act.

Department of Administration

| | |
|--|-----------|
| Federal Receipts | \$ 4,800 |
| General Fund Receipts | 788,500 |
| General Fund/Program Receipts | 15,000 |
| Inter-Agency Receipts | 535,900 |
| Benefits Systems Receipts | 61,100 |
| FICA Administration Fund Account | 5,200 |
| Public Employees' retirement System Fund | 117,100 |
| Surplus Property Revolving Fund | 9,100 |
| Teachers' retirement System Fund | 47,900 |
| General Fund / Mental Health | 45,600 |
| Judicial Retirement System | 300 |
| National Guard & Naval Militia Retirement System | 2,000 |
| Permanent Fund Dividend Fund | 2,800 |
| Capital Improvement Project Receipts | 10,700 |
| Information Services Fund | 374,400 |
| CSSD Administrative Cost Reimbursement | 6,800 |
| Public Building Fund | 29,900 |
| Receipt Supported Services | 256,100 |
| Alaska Oil & Gas Conservation Commission Rcpts | 89,200 |
| Total Agency Funding | 2,402,400 |

Dept. of Commerce, Community, and Economic Dev.

| | |
|------------------------------|---------|
| Federal Receipts | 41,600 |
| General Fund Match | 12,500 |
| General Fund Receipts | 113,300 |
| Inter-Agency Receipts | 169,600 |
| Commercial Fishing Loan Fund | 87,100 |
| Real Estate Surety Fund | 3,600 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| | |
|---|-----------|
| Capital Improvement Project Receipts | 62,700 |
| Fisheries Enhancement Revolving Loan Fund | 9,300 |
| Alaska Aerospace Development Corporation Receipts | 71,700 |
| Alaska Industrial Development & Export Authority Receipts | 95,000 |
| Statutory Designated Program Receipts | 400 |
| RCA Receipts | 148,900 |
| Receipt Supported Services | 409,200 |
| Rural Development Initiative Fund | 1,200 |
| Small Business Economic Development Revolving Loan Fund | 1,100 |
| Business License Receipts | 48,500 |
| Total Agency Funding | 1,275,700 |
| Department of Corrections | |
| Federal Receipts | 76,300 |
| General Fund Receipts | 3,254,500 |
| Inter-Agency Receipts | 2,300 |
| General Fund / Mental Health | 139,500 |
| Correctional Industries Fund | 27,300 |
| Capital Improvement Project Receipts | 8,700 |
| Total Agency Funding | 3,508,600 |
| Department of Education and Early Development | |
| Federal Receipts | 146,200 |
| General Fund Match | 12,800 |
| General Fund Receipts | 230,800 |
| Inter-Agency Receipts | 105,500 |
| Donated Commodity/Handling Fee Account | 5,000 |
| General Fund / Mental Health | 1,800 |
| Alaska Post-Secondary Education Commission Receipts | 216,300 |
| Receipt Supported Services | 15,800 |
| Total Agency Funding | 734,200 |
| Department of Environmental Conservation | |
| Federal Receipts | 318,200 |
| General Fund Match | 62,600 |
| General Fund Receipts | 235,600 |
| General Fund/Program Receipts | 13,500 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| | |
|---|-----------|
| Inter-Agency Receipts | 16,200 |
| Oil/Hazardous Response Fund | 331,800 |
| Capital Improvement Project Receipts | 74,500 |
| Alaska Clean Water Loan Fund | 12,000 |
| Clean Air Protection Fund | 78,000 |
| Alaska Drinking Water Fund | 13,700 |
| Receipt Supported Services | 83,700 |
| Commercial Passenger Vessel Environmental Compliance Fund | 6,000 |
| Total Agency Funding | 1,245,800 |
| Department of Fish and Game | |
| Federal Receipts | 854,100 |
| General Fund Match | 8,700 |
| General Fund Receipts | 1,456,900 |
| Exxon Valdez Oil Spill Settlement | 33,300 |
| Fish and Game Fund | 272,000 |
| Capital Improvement Project Receipts | 150,200 |
| Statutory Designated Program Receipts | 31,800 |
| Receipt Supported Services | 1,800 |
| Total Agency Funding | 2,808,800 |
| Office of the Governor | |
| Federal Receipts | 2,400 |
| General Fund Receipts | 383,000 |
| Inter-Agency Receipts | 2,600 |
| Capital Improvement Project Receipts | 6,500 |
| Business License Receipts | 3,500 |
| Total Agency Funding | 398,000 |
| Department of Health and Social Services | |
| Federal Receipts | 1,522,700 |
| General Fund Match | 720,000 |
| General Fund Receipts | 3,793,000 |
| Inter-Agency Receipts | 3,400 |
| General Fund / Mental Health | 1,048,800 |
| Children's Trust Earnings | 800 |
| Receipt Supported Services | 9,200 |
| Total Agency Funding | 7,097,900 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Labor and Workforce Development

| | |
|--|-----------|
| Federal Receipts | 1,319,500 |
| General Fund Match | 50,500 |
| General Fund Receipts | 219,300 |
| General Fund/Program Receipts | 1,400 |
| Inter-Agency Receipts | 368,100 |
| Second Injury Fund Reserve Account | 6,200 |
| Fishermen's Fund | 6,000 |
| Training and Building Fund | 21,100 |
| State Employment & Training Program | 8,200 |
| Statutory Designated Program Receipts | 1,400 |
| Technical Vocational Education Program Account | 15,000 |
| Receipt Supported Services | 32,200 |
| Workers Safety and Compensation Administration Account | 125,300 |
| Building Safety Account | 41,700 |
| Total Agency Funding | 2,215,900 |

Department of Law

| | |
|---------------------------------------|-----------|
| Federal Receipts | 17,100 |
| General Fund Match | 4,300 |
| General Fund Receipts | 889,900 |
| General Fund/Program Receipts | 11,900 |
| Inter-Agency Receipts | 458,400 |
| General Fund / Mental Health | 1,900 |
| Statutory Designated Program Receipts | 15,300 |
| RCA Receipts | 27,600 |
| Total Agency Funding | 1,426,400 |

Department of Military and Veterans' Affairs

| | |
|--------------------------------------|---------|
| Federal Receipts | 207,200 |
| General Fund Match | 99,200 |
| General Fund Receipts | 264,100 |
| Inter-Agency Receipts | 19,300 |
| Capital Improvement Project Receipts | 1,800 |
| Total Agency Funding | 591,600 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| | |
|---|-----------|
| Department of Natural Resources | |
| Federal Receipts | 172,000 |
| General Fund Match | 59,800 |
| General Fund Receipts | 1,058,200 |
| General Fund/Program Receipts | 99,600 |
| Inter-Agency Receipts | 38,300 |
| Agricultural Loan Fund | 32,700 |
| Capital Improvement Project Receipts | 55,900 |
| Mental Health Trust Authority Authorized Receipts | 30,700 |
| Alaska Permanent Fund Corporation Receipts | 101,800 |
| Statutory Designated Program Receipts | 76,000 |
| State Land Disposal Income Fund | 129,600 |
| Timber Sale Receipts | 16,200 |
| Receipt Supported Services | 214,700 |
| Total Agency Funding | 2,085,500 |
| Department of Public Safety | |
| Federal Receipts | 56,200 |
| General Fund Match | 13,000 |
| General Fund Receipts | 1,961,400 |
| General Fund/Program Receipts | 23,000 |
| Inter-Agency Receipts | 70,700 |
| Capital Improvement Project Receipts | 42,600 |
| Statutory Designated Program Receipts | 2,900 |
| AK Fire Standards Council Receipts | 2,400 |
| Receipt Supported Services | 36,800 |
| Total Agency Funding | 2,209,000 |
| Department of Revenue | |
| Federal Receipts | 749,100 |
| General Fund Receipts | 237,200 |
| General Fund/Program Receipts | 21,600 |
| Inter-Agency Receipts | 115,300 |
| International Airports Revenue Fund | 2,500 |
| Student Revolving Loan Fund | 1,800 |
| Permanent Fund Dividend Fund | 135,200 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| | |
|--|--------------|
| Capital Improvement Project Receipts | 60,600 |
| Public School Fund | 6,100 |
| Mental Health Trust Administration | 37,900 |
| Children's Trust Earnings | 1,200 |
| Alaska Housing Finance Corporation Receipts | 387,900 |
| Alaska Municipal Bond Bank Receipts | 2,600 |
| Alaska Permanent Fund Corporation Receipts | 123,100 |
| Retiree Health Ins Fund/Major Medical | 2,300 |
| Retiree Health Ins Fund/Long-Term Care Fund | 1,400 |
| Receipt Supported Services | 158,900 |
| PCE Endowment Fund | 3,700 |
| Business License Receipts | 17,000 |
| Total Agency Funding | 2,065,400 |
| Department of Transportation and Public Facilities | |
| Federal Receipts | 51,200 |
| General Fund Receipts | 1,541,300 |
| Inter-Agency Receipts | 96,100 |
| Highways Equipment Working Capital Fund | 470,800 |
| International Airports Revenue Fund | 1,213,600 |
| Capital Improvement Project Receipts | 3,326,000 |
| Marine Highway System Fund | 2,102,900 |
| Statutory Designated Program Receipts | 11,700 |
| Receipt Supported Services | 125,000 |
| Total Agency Funding | 8,938,600 |
| Alaska Court System | |
| General Fund Receipts | 1,169,700 |
| Total Agency Funding | 1,169,700 |
| Legislature | |
| General Fund Receipts | 1,250,600 |
| Total Agency Funding | 1,250,600 |
| Operating Total | \$41,426,300 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Sec. 27. The following sets out the statewide funding for the appropriations made in sec. 25 of this Act.

| FUNDING SOURCE | AMOUNT |
|--|--------------|
| Federal Receipts | \$ 5,538,600 |
| General Fund Match | 1,043,400 |
| General Fund Receipts | 18,847,300 |
| General Fund/Program Receipts | 186,000 |
| Inter-Agency Receipts | 2,002,800 |
| Donated Commodity/Handling Fee Account | 5,000 |
| Benefits Systems Receipts | 61,100 |
| Exxon Valdez Oil Spill Settlement | 33,300 |
| Agricultural Loan Fund | 32,700 |
| FICA Administration Fund Account | 5,200 |
| Fish and Game Fund | 272,000 |
| Highways Equipment Working Capital Fund | 470,800 |
| International Airports Revenue Fund | 1,216,100 |
| Public Employees' retirement System Fund | 117,100 |
| Second Injury Fund Reserve Account | 6,200 |
| Fishermen's Fund | 6,000 |
| Surplus Property Revolving Fund | 9,100 |
| Teachers' retirement System Fund | 47,900 |
| Commercial Fishing Loan Fund | 87,100 |
| General Fund / Mental Health | 1,237,600 |
| Real Estate Surety Fund | 3,600 |
| Judicial Retirement System | 300 |
| National Guard & Naval Militia Retirement System | 2,000 |
| Student Revolving Loan Fund | 1,800 |
| Training and Building Fund | 21,100 |
| Permanent Fund Dividend Fund | 138,000 |
| Oil/Hazardous Response Fund | 331,800 |
| State Employment & Training Program | 8,200 |
| Correctional Industries Fund | 27,300 |
| Capital Improvement Project Receipts | 3,800,200 |
| Public School Fund | 6,100 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| | |
|---|--------------|
| Fisheries Enhancement Revolving Loan Fund | 9,300 |
| Alaska Clean Water Loan Fund | 12,000 |
| Marine Highway System Fund | 2,102,900 |
| Information Services Fund | 374,400 |
| Mental Health Trust Authority Authorized Receipts | 31,800 |
| Clean Air Protection Fund | 78,000 |
| Mental Health Trust Administration | 37,900 |
| Children's Trust Earnings | 2,000 |
| Alaska Drinking Water Fund | 13,700 |
| Alaska Aerospace Development Corporation Receipts | 71,700 |
| Alaska Industrial Development & Export Authority Receipts | 95,000 |
| Alaska Housing Finance Corporation Receipts | 387,900 |
| Alaska Municipal Bond Bank Receipts | 2,600 |
| Alaska Permanent Fund Corporation Receipts | 224,900 |
| Alaska Post-Secondary Education Commission Receipts | 216,300 |
| Statutory Designated Program Receipts | 139,500 |
| CSSD Administrative Cost Reimbursement | 6,800 |
| RCA Receipts | 176,500 |
| Retiree Health Ins Fund/Major Medical | 2,300 |
| Retiree Health Ins Fund/Long-Term Care Fund | 1,400 |
| Public Building Fund | 29,900 |
| Technical Vocational Education Program Account | 15,000 |
| AK Fire Standards Council Receipts | 2,400 |
| State Land Disposal Income Fund | 129,600 |
| Timber Sale Receipts | 16,200 |
| Receipt Supported Services | 1,343,400 |
| Workers Safety and Compensation Administration Account | 125,300 |
| Alaska Oil & Gas Conservation Commission Rcpts | 89,200 |
| Rural Development Initiative Fund | 1,200 |
| Commercial Passenger Vessel Environmental Compliance fund | 6,000 |
| PCE Endowment Fund | 3,700 |
| Small Business Economic Development Revolving Loan Fund | 1,100 |
| Building Safety Account | 41,700 |
| Business License Receipts | 69,000 |
| Total | \$41,426,300 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Sections 25-27 appropriate a portion of the FY05 general fund surplus (and other funding) to pay for increased FY06 PERS/TRS costs for all State agencies except the University of Alaska (University PERS Costs are appropriated in section 37). Its effective date makes this appropriation a FY05 supplemental—i.e., it will be counted as expenditures in FY05, not FY06.

Legislative Fiscal Analyst Recommendation: *A technical correction to roll-ups in Sections 26 and 27 is needed. Each of these sections totals to \$41,426,300, while Section 25 appropriates \$41,424,100.*

Legislative Fiscal Analyst Recommendation: *Inclusion of non-general funds in these sections complicates an already complicated appropriation. The point of an FY05 effective date is to indicate that the money being appropriated is from FY05. This works for windfall general funds, but there may be no surplus of other funds to appropriate. If the legislature chooses to use the windfall in ways similar to the Governor's proposal, they should separate non-general fund sources and give them an FY06 effective date.*

Sec. 28. RETIREMENT SYSTEM FUNDING FOR INCREASED EMPLOYER COSTS FOR STATE AGENCIES FOR FISCAL YEAR 2007. The sum of \$43,110,400 is appropriated to the following agencies, in the following amounts, in order to pay the increased employer costs resulting from fiscal year 2007 employer contribution rate increases for the public employees' retirement system, the teachers' retirement system, and the judicial retirement system; each agency shall allocate its appropriation to each component within the agency based on the estimated increased employer charge resulting from the fiscal year 2007 employer contribution rate increases:

| AGENCY | AMOUNT |
|---|--------------|
| Administration | \$ 2,492,400 |
| Commerce, Community, and Economic Development | 1,323,600 |
| Corrections | 3,642,600 |
| Education and Early Development | 762,000 |
| Environmental Conservation | 1,292,400 |
| Fish and Game | 2,914,100 |
| Office of the Governor | 412,800 |
| Health and Social Services | 7,364,100 |
| Labor and Workforce Development | 2,299,300 |
| Law | 1,480,200 |
| Military and Veterans' Affairs | 613,900 |
| Natural Resources | 2,163,900 |
| Public Safety | 2,291,900 |
| Revenue | 2,142,900 |
| Transportation and Public Facilities | 9,273,300 |
| Alaska Court System | 1,343,400 |
| Legislature | 1,297,600 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Sec. 29. The following sets out the funding by agency for the appropriations made in sec. 28 of this Act:

Department of Administration

| | |
|--|-----------|
| Federal Receipts | \$ 5,000 |
| General Fund Receipts | 818,100 |
| General Fund/Program Receipts | 15,600 |
| Inter-Agency Receipts | 555,900 |
| Benefits Systems Receipts | 63,400 |
| FICA Administration Fund Account | 5,400 |
| Public Employees' retirement System Fund | 121,500 |
| Surplus Property Revolving Fund | 9,400 |
| Teachers' retirement System Fund | 49,700 |
| General Fund / Mental Health | 47,300 |
| Judicial Retirement System | 300 |
| National Guard & Naval Militia Retirement System | 2,100 |
| Permanent Fund Dividend Fund | 2,900 |
| Capital Improvement Project Receipts | 11,100 |
| Information Services Fund | 388,400 |
| CSSD Administrative Cost Reimbursement | 7,100 |
| Public Building Fund | 31,000 |
| Receipt Supported Services | 265,700 |
| Alaska Oil & Gas Conservation Commission Rcpts | 92,500 |
| Total Agency Funding | 2,492,400 |

Dept. of Commerce, Community, and Economic Dev.

| | |
|---|---------|
| Federal Receipts | 43,200 |
| General Fund Match | 13,000 |
| General Fund Receipts | 117,500 |
| Inter-Agency Receipts | 176,000 |
| Commercial Fishing Loan Fund | 90,400 |
| Real Estate Surety Fund | 3,700 |
| Capital Improvement Project Receipts | 65,100 |
| Fisheries Enhancement Revolving Loan Fund | 9,600 |
| Alaska Aerospace Development Corporation Receipts | 74,400 |
| Alaska Industrial Development & Export Authority Receipts | 98,600 |
| Statutory Designated Program Receipts | 400 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| | |
|---|-----------|
| RCA Receipts | 154,500 |
| Receipt Supported Services | 424,600 |
| Rural Development Initiative Fund | 1,200 |
| Small Business Economic Development Revolving Loan Fund | 1,100 |
| Business License Receipts | 50,300 |
| Total Agency Funding | 1,323,600 |
| Department of Corrections | |
| Federal Receipts | 79,200 |
| General Fund Receipts | 3,376,800 |
| Inter-Agency Receipts | 3,500 |
| General Fund / Mental Health | 144,700 |
| Correctional Industries Fund | 28,300 |
| Capital Improvement Project Receipts | 9,000 |
| Mental Health Trust Authority Authorized Receipts | 1,100 |
| Total Agency Funding | 3,642,600 |
| Department of Education and Early Development | |
| Federal Receipts | 151,800 |
| General Fund Match | 13,400 |
| General Fund Receipts | 239,400 |
| Inter-Agency Receipts | 109,500 |
| Donated Commodity/Handling Fee Account | 5,200 |
| General Fund / Mental Health | 1,900 |
| Alaska Post-Secondary Education Commission Receipts | 224,400 |
| Receipt Supported Services | 16,400 |
| Total Agency Funding | 762,000 |
| Department of Environmental Conservation | |
| Federal Receipts | 330,100 |
| General Fund Match | 65,000 |
| General Fund Receipts | 244,400 |
| General Fund/Program Receipts | 14,000 |
| Inter-Agency Receipts | 16,700 |
| Oil/Hazardous Response Fund | 344,200 |
| Capital Improvement Project Receipts | 77,400 |
| Alaska Clean Water Loan Fund | 12,500 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| | |
|---|-----------|
| Clean Air Protection Fund | 80,900 |
| Alaska Drinking Water Fund | 14,200 |
| Receipt Supported Services | 86,800 |
| Commercial Passenger Vessel Environmental Compliance Fund | 6,200 |
| Total Agency Funding | 1,292,400 |
| Department of Fish and Game | |
| Federal Receipts | 886,100 |
| General Fund Match | 9,000 |
| General Fund Receipts | 1,511,600 |
| Exxon Valdez Oil Spill Settlement | 34,400 |
| Fish and Game Fund | 282,200 |
| Capital Improvement Project Receipts | 155,900 |
| Statutory Designated Program Receipts | 33,000 |
| Receipt Supported Services | 1,900 |
| Total Agency Funding | 2,914,100 |
| Office of the Governor | |
| Federal Receipts | 2,500 |
| General Fund Receipts | 397,300 |
| Inter-Agency Receipts | 2,700 |
| Capital Improvement Project Receipts | 6,700 |
| Business License Receipts | 3,600 |
| Total Agency Funding | 412,800 |
| Department of Health and Social Services | |
| Federal Receipts | 1,579,600 |
| General Fund Match | 747,000 |
| General Fund Receipts | 3,935,300 |
| Inter-Agency Receipts | 3,500 |
| General Fund / Mental Health | 1,088,400 |
| Children's Trust Earnings | 800 |
| Receipt Supported Services | 9,500 |
| Total Agency Funding | 7,364,100 |
| Department of Labor and Workforce Development | |
| Federal Receipts | 1,369,000 |
| General Fund Match | 52,400 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| | |
|--|-----------|
| General Fund Receipts | 227,600 |
| General Fund/Program Receipts | 1,500 |
| Inter-Agency Receipts | 382,000 |
| Second Injury Fund Reserve Account | 6,400 |
| Fishermen's Fund | 6,200 |
| Training and Building Fund | 21,900 |
| State Employment & Training Program | 8,500 |
| Statutory Designated Program Receipts | 1,500 |
| Technical Vocational Education Program Account | 15,600 |
| Receipt Supported Services | 33,400 |
| Workers Safety and Compensation Administration Account | 130,000 |
| Building Safety Account | 43,300 |
| Total Agency Funding | 2,299,300 |
| Department of Law | |
| Federal Receipts | 17,800 |
| General Fund Match | 4,500 |
| General Fund Receipts | 923,300 |
| General Fund/Program Receipts | 12,400 |
| Inter-Agency Receipts | 475,700 |
| General Fund / Mental Health | 2,000 |
| Statutory Designated Program Receipts | 15,900 |
| RCA Receipts | 28,600 |
| Total Agency Funding | 1,480,200 |
| Department of Military and Veterans' Affairs | |
| Federal Receipts | 215,000 |
| General Fund Match | 102,900 |
| General Fund Receipts | 274,000 |
| Inter-Agency Receipts | 20,100 |
| Capital Improvement Project Receipts | 1,900 |
| Total Agency Funding | 613,900 |
| Department of Natural Resources | |
| Federal Receipts | 178,600 |
| General Fund Match | 62,100 |
| General Fund Receipts | 1,097,900 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| | |
|---|-----------|
| General Fund/Program Receipts | 103,400 |
| Inter-Agency Receipts | 39,600 |
| Agricultural Loan Fund | 33,900 |
| Capital Improvement Project Receipts | 57,900 |
| Mental Health Trust Authority Authorized Receipts | 31,900 |
| Alaska Permanent Fund Corporation Receipts | 105,600 |
| Statutory Designated Program Receipts | 78,800 |
| State Land Disposal Income Fund | 134,600 |
| Timber Sale Receipts | 16,800 |
| Receipt Supported Services | 222,800 |
| Total Agency Funding | 2,163,900 |
| Department of Public Safety | |
| Federal Receipts | 58,300 |
| General Fund Match | 13,500 |
| General Fund Receipts | 2,034,800 |
| General Fund/Program Receipts | 23,900 |
| Inter-Agency Receipts | 73,400 |
| Capital Improvement Project Receipts | 44,300 |
| Statutory Designated Program Receipts | 3,000 |
| AK Fire Standards Council Receipts | 2,500 |
| Receipt Supported Services | 38,200 |
| Total Agency Funding | 2,291,900 |
| Department of Revenue | |
| Federal Receipts | 777,200 |
| General Fund Receipts | 246,100 |
| General Fund/Program Receipts | 22,400 |
| Inter-Agency Receipts | 119,600 |
| International Airports Revenue Fund | 2,600 |
| Student Revolving Loan Fund | 1,900 |
| Permanent Fund Dividend Fund | 140,300 |
| Capital Improvement Project Receipts | 62,900 |
| Public School Fund | 6,300 |
| Mental Health Trust Administration | 39,300 |
| Children's Trust Earnings | 1,200 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| | |
|--|--------------|
| Alaska Housing Finance Corporation Receipts | 402,400 |
| Alaska Municipal Bond Bank Receipts | 2,700 |
| Alaska Permanent Fund Corporation Receipts | 127,800 |
| Retiree Health Ins Fund/Major Medical | 2,400 |
| Retiree Health Ins Fund/Long-Term Care Fund | 1,500 |
| Receipt Supported Services | 164,900 |
| PCE Endowment Fund | 3,800 |
| Business License Receipts | 17,600 |
| Total Agency Funding | 2,142,900 |
| Department of Transportation and Public Facilities | |
| Federal Receipts | 53,100 |
| General Fund Receipts | 1,599,000 |
| Inter-Agency Receipts | 99,500 |
| Highways Equipment Working Capital Fund | 488,300 |
| International Airports Revenue Fund | 1,259,200 |
| Capital Improvement Project Receipts | 3,450,800 |
| Marine Highway System Fund | 2,181,700 |
| Statutory Designated Program Receipts | 12,100 |
| Receipt Supported Services | 129,600 |
| Total Agency Funding | 9,273,300 |
| Alaska Court System | |
| General Fund Receipts | 1,343,400 |
| Total Agency Funding | 1,343,400 |
| Legislature | |
| General Fund Receipts | 1,297,600 |
| Total Agency Funding | 1,297,600 |
| Operating Total | \$43,110,400 |

Sec. 30. The following sets out the statewide funding for the appropriations made in sec. 28 of this Act.

| FUNDING SOURCE | AMOUNT |
|-------------------------------|--------------|
| Federal Receipts | \$ 5,746,500 |
| General Fund Match | 1,082,800 |
| General Fund Receipts | 19,684,100 |
| General Fund/Program Receipts | 193,200 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| | |
|---|-----------|
| Inter-Agency Receipts | 2,077,700 |
| Donated Commodity/Handling Fee Account | 5,200 |
| Benefits Systems Receipts | 63,400 |
| Exxon Valdez Oil Spill Settlement | 34,400 |
| Agricultural Loan Fund | 33,900 |
| FICA Administration Fund Account | 5,400 |
| Fish and Game Fund | 282,200 |
| Highways Equipment Working Capital Fund | 488,300 |
| International Airports Revenue Fund | 1,261,800 |
| Public Employees' retirement System Fund | 121,500 |
| Second Injury Fund Reserve Account | 6,400 |
| Fishermen's Fund | 6,200 |
| Surplus Property Revolving Fund | 9,400 |
| Teachers' retirement System Fund | 49,700 |
| Commercial Fishing Loan Fund | 90,400 |
| General Fund / Mental Health | 1,284,300 |
| Real Estate Surety Fund | 3,700 |
| Judicial Retirement System | 300 |
| National Guard & Naval Militia Retirement System | 2,100 |
| Student Revolving Loan Fund | 1,900 |
| Training and Building Fund | 21,900 |
| Permanent Fund Dividend Fund | 143,200 |
| Oil/Hazardous Response Fund | 344,200 |
| State Employment & Training Program | 8,500 |
| Correctional Industries Fund | 28,300 |
| Capital Improvement Project Receipts | 3,943,000 |
| Public School Fund | 6,300 |
| Fisheries Enhancement Revolving Loan Fund | 9,600 |
| Alaska Clean Water Loan Fund | 12,500 |
| Marine Highway System Fund | 2,181,700 |
| Information Services Fund | 388,400 |
| Mental Health Trust Authority Authorized Receipts | 33,000 |
| Clean Air Protection Fund | 80,900 |
| Mental Health Trust Administration | 39,300 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| | |
|---|--------------|
| Children's Trust Earnings | 2,000 |
| Alaska Drinking Water Fund | 14,200 |
| Alaska Aerospace Development Corporation Receipts | 74,400 |
| Alaska Industrial Development & Export Authority Receipts | 98,600 |
| Alaska Housing Finance Corporation Receipts | 402,400 |
| Alaska Municipal Bond Bank Receipts | 2,700 |
| Alaska Permanent Fund Corporation Receipts | 233,400 |
| Alaska Post-Secondary Education Commission Receipts | 224,400 |
| Statutory Designated Program Receipts | 144,700 |
| CSSD Administrative Cost Reimbursement | 7,100 |
| RCA Receipts | 183,100 |
| Retiree Health Ins Fund/Major Medical | 2,400 |
| Retiree Health Ins Fund/Long-Term Care Fund | 1,500 |
| Public Building Fund | 31,000 |
| Technical Vocational Education Program Account | 15,600 |
| AK Fire Standards Council Receipts | 2,500 |
| State Land Disposal Income Fund | 134,600 |
| Timber Sale Receipts | 16,800 |
| Receipt Supported Services | 1,393,800 |
| Workers Safety and Compensation Administration Account | 130,000 |
| Alaska Oil & Gas Conservation Commission Repts | 92,500 |
| Rural Development Initiative Fund | 1,200 |
| Commercial Passenger Vessel Environmental Compliance Fund | 6,200 |
| PCE Endowment Fund | 3,800 |
| Small Business Economic Development Revolving Loan Fund | 1,100 |
| Building Safety Account | 43,300 |
| Business License Receipts | 71,500 |
| Total | \$43,110,400 |

Sections 26-30 appropriate a portion of the FY05 general fund surplus (and other funding) to pay for increased FY07 PERS/TRS costs for all State agencies except the University of Alaska (University PERS/TERS costs are appropriated in section 37). Its effective date makes this appropriation a FY05 supplemental—i.e., it will not be counted as expenditures in FY07.

***Legislative Fiscal Analyst Recommendation:** Inclusion of non-general funds in these sections complicates an already complicated appropriation. The point of an FY05 effective date is to indicate that the money being appropriated is from FY05. This works*

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

for windfall general funds, but there may be no surplus of other funds to appropriate. If the legislature chooses to use the windfall in ways similar to the Governor's proposal, they should separate non-general fund sources and give them an FY07 effective date.

Sec. 31. SALARY AND BENEFIT ADJUSTMENTS. (a) The operating budget appropriations made in sec. 1 of this Act, and in sec. 1 of the Act making appropriations for the state's integrated comprehensive mental health program, include amounts for benefit adjustments for public officials, officers, and employees of the executive branch, Alaska Court System employees, employees of the legislature, and legislators and to implement the monetary terms for the fiscal year ending June 30, 2006, of the following collective bargaining agreements:

- (1) Alaska Correctional Officers Association, for the Correctional Officers Unit;
- (2) Alaska Public Employees Association, for the Confidential Unit;
- (3) Alaska Public Employees Association, for the Supervisory Unit;
- (4) Alaska State Employees Association, for the General Government Unit;
- (5) Marine Engineers Beneficial Association, representing licensed engineers employed by the Alaska marine highway system;
- (6) Public Employees Local 71, for the Labor, Trades and Crafts Unit;
- (7) Teachers' Education Association of Mt. Edgecumbe.

(b) The operating budget appropriations made to the University of Alaska in this Act include amounts for salary and benefit adjustments for the fiscal year ending June 30, 2006, for university employees who are not members of a collective bargaining unit and for implementing the monetary terms of the collective bargaining agreements with the following 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.

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

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

Sec. 32. SALMON ENHANCEMENT TAX. The salmon enhancement tax collected under AS 43.76.010 - 43.76.028 in calendar year 2004 and deposited in the general fund under AS 43.76.025(c) is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for payment in fiscal year 2006 to qualified regional associations operating within a region designated under AS 16.10.375.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

This is standard language that appropriates salmon enhancement tax receipts (general funds) to the Department of Commerce, Community and Economic Development for payment in FY06 to qualified aquaculture associations.

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

* **Sec. 33.** SECOND INJURY FUND. If the amount necessary to pay benefit payments from the second injury fund (AS 23.30.040(a)) exceeds the estimates appropriated in sec. 1 of this Act, the amount necessary to make those benefit payments is appropriated from that fund to the Department of Labor and Workforce Development, second injury fund allocation, for the fiscal year ending June 30, 2006.

Legislative Fiscal Analyst Comment: *This section will allow benefit payments to exceed the amount appropriated in section 1. This section has been included in language for the first time this year because FY05 benefit payments almost exceeded authorization. By statute benefits must be paid but legislative appropriations are also required—this language ensures that expenditure authorization exists.*

Sec. 34. 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 2006:

| REVENUE SOURCE | FISCAL YEAR COLLECTED |
|---|-----------------------|
| fisheries taxes (AS 43.75) | 2005 |
| fishery resource landing tax (AS 43.77) | 2005 |
| aviation fuel tax (AS 43.40.010) | 2006 |
| electric and telephone cooperative tax (AS 10.25.570) | 2006 |
| liquor license fee (AS 04.11) | 2006 |

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 FY06.

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

* **Sec. 35.** STATE DEBT AND OTHER OBLIGATIONS. (a) The amount required to pay interest on any revenue anticipation notes issued by the commissioner of revenue under AS 43.08 during the fiscal year ending June 30, 2006, is appropriated from the general fund to the Department of Revenue for payment of the interest on those notes.

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

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

(b) The sum of \$88,431,500 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:

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| | |
|--|--------------|
| Alaska debt retirement fund (AS 37.15.011) | \$61,431,500 |
| School fund (AS 43.50.140) | \$27,000,000 |

Subsection b 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). The amount of this appropriation is the projected need for full reimbursement.

Legislative Fiscal Analyst Comment: This amount is full funding for the program.

(c) The sum of \$13,782,200 is appropriated from the Alaska debt retirement fund (AS 37.15.011) to the state bond committee for the fiscal year ending June 30, 2006, for trustee fees and lease payments relating to certificates of participation issued for real property.

Subsection c 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.

(d) The sum of \$3,549,400 is appropriated to the Department of Administration for the fiscal year ending June 30, 2006, for payment of obligations to the Alaska Housing Finance Corporation for the Robert B. Atwood Building in Anchorage from the following sources:

| | |
|------------------------|-------------|
| General fund | \$2,534,900 |
| Miscellaneous earnings | 1,014,500 |

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

(e) The amount required to be paid by the state for principal and interest on all issued and outstanding state-guaranteed bonds is appropriated from the general fund to the Alaska Housing Finance Corporation for the fiscal year ending June 30, 2006, for payment of principal and interest on those bonds.

Subsection e 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.

Legislative Fiscal Analyst Comment: 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.

(f) The sum of \$3,634,016 is appropriated from the general fund to the following agencies for the fiscal year ending June 30, 2006, for payment of debt service on outstanding debt authorized by AS 14.40.257, AS 29.60.700, and AS 42.45.065, respectively, for the following projects:

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| AGENCY AND PROJECT | APPROPRIATION AMOUNT |
|--|----------------------|
| (1) University of Alaska | \$1,412,478 |
| Anchorage Community and Technical College Center | |
| Juneau Readiness Center/UAS Joint Facility | |
| (2) Department of Transportation and Public Facilities | |
| (A) Nome (port facility addition and renovation) | 131,650 |
| (B) Matanuska-Susitna Borough (deep water port and road upgrade) | 756,143 |
| (C) Aleutians East Borough/Akutan (small boat harbor) | 101,840 |
| (D) Lake and Peninsula Borough/Chignik (dock project) | 116,057 |
| (E) City of Fairbanks (fire headquarters station replacement) | 944,018 |
| (F) City of Valdez (harbor renovations) | 171,830 |

Subsection f appropriates \$3.6 million to reimburse debt service for projects authorized in 2002.

(g) The sum of \$31,772,113 is appropriated to the state bond committee from the Alaska debt retirement fund (AS 37.15.011) for payment of debt service, accrued interest, and trustee fees on outstanding State of Alaska general obligation bonds, series 2003A.

(h) The sum of \$96,800 is appropriated to the state bond committee from State of Alaska general obligation bonds, series 2003A bond issue premium, interest earnings, and accrued interest held in the Alaska debt service fund for the fiscal year ending June 30, 2006, for payment of debt service, accrued interest, and trustee fees on outstanding State of Alaska general obligation bonds, series 2003A.

Subsections g and h appropriates \$31.8 million from the debt retirement fund and \$96,800 from premiums and interest, respectively, to pay debt service on series 2003A general obligation bonds.

(i) The sum of \$9,240,963 is appropriated to the state bond committee from the Alaska debt retirement fund (AS 37.15.011) for payment of debt service, accrued interest, and trustee fees on outstanding state guaranteed transportation revenue anticipation bonds, series 2003B.

(j) The sum of \$4,543,300 is appropriated to the state bond committee from state-guaranteed transportation revenue anticipation bonds, series 2003B bond issue premium, interest earnings, and accrued interest held in the Alaska debt service fund for the fiscal year ending June 30, 2006, for payment of debt service and trustee fees on outstanding state-guaranteed transportation revenue anticipation bonds, series 2003B.

Subsections i and j appropriates \$9.2 million from the debt retirement fund and \$4.5 million from premiums and interest, respectively, to pay debt service on series 2003B state guaranteed transportation revenue anticipation bonds.

(k) The sum of \$5,275,100 is appropriated from the general fund to the Department of Administration, for the fiscal year ending June 30, 2006, for payment of obligations and fees for the Anchorage Jail.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Subsection k appropriates \$5.3 million 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.

Legislative Fiscal Analyst Comment: Legislative Finance placed this appropriation in the leasing component in the Department of Administration's FY06 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.

Legislative Fiscal Analyst 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.

(l) The sum of \$1,630,000 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 during the fiscal year ending June 30, 2006.

(m) The sum of \$1,105,000 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 during the fiscal year ending June 30, 2006.

Subsections l and m appropriate the interest earnings of the clean water and drinking water fund to their respective bond redemption funds.

(n) The sum of \$33,125,900 is appropriated to the state bond committee for the fiscal year ending June 30, 2006, for payment of debt service and trustee fees on outstanding international airports revenue bonds from the following sources in the amounts stated:

| SOURCE | AMOUNT |
|--|--------------|
| International Airports Revenue Fund (AS 37.15.430) | \$31,125,900 |
| Passenger facility charge | 2,000,000 |

Subsection n appropriates funds for payment of debt service and fees on outstanding international airport revenue bonds. These revenue bonds were issued by the Anchorage and Fairbanks airports.

(o) The sum of \$400,000 is appropriated from the general fund to the Department of Administration for payment of obligations and fees for the statewide administrative system replacement phase 1 - human resources and payroll project for the fiscal year ending June 30, 2006.

Subsection o appropriates \$400,000 of general funds to DOA to pay debt and fees for the statewide system replacement for human resources and payroll project. The \$20 million project is included in the Governor's capital request and is funded with money borrowed on the State's master lease line of credit.

(p) The sum of \$1,200,000 is appropriated from the general fund to the Department of Administration for payment of obligations and fees from the State of Alaska master lease line of credit program for five enterprise technology projects for the fiscal year ending June 30, 2006.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Subsection p appropriates \$1.2 million from the general fund to pay the FY06 costs that will be incurred if the appropriation of \$17.2 million from the State's master lease line of credit [Sec. 18(q)] to fund five technology projects is approved.

Sec. 36. UNIVERSITY OF ALASKA. The fees collected under AS 28.10.421(d) during the fiscal year ending June 30, 2005, for the issuance of special request university plates, less the cost of issuing the license plates, are appropriated from the general fund to the University of Alaska for support of alumni programs at the campuses of the university for the fiscal year ending June 30, 2006.

Funding: The University expects to receive about \$1,000 under this section.

Sec. 37. UNIVERSITY OF ALASKA FUNDING INCREASE FOR FISCAL YEAR 2006 AND FISCAL YEAR 2007. (a) The sum of \$33,539,100 is appropriated to the University of Alaska for operating costs for the fiscal year ending June 30, 2006, from the following sources and in the amounts stated:

| SOURCE | AMOUNT |
|---|--------------|
| General fund | \$15,378,100 |
| Federal receipts | 3,779,000 |
| University receipts | 13,032,000 |
| Mental health trust authority authorized receipts | 500,000 |
| UA intra-agency transfers | 850,000 |

(b) \$6,955,900 of the sum appropriated in (a) of this section is to reduce the increased employer costs resulting from fiscal year 2006 employer contribution rate increases for the public employees' retirement system and the teachers' retirement system from the following sources and in the amounts stated:

| SOURCE | AMOUNT |
|---------------------|-------------|
| General fund | \$3,444,100 |
| Federal receipts | 999,600 |
| University receipts | 2,512,200 |

(c) The sum of \$19,144,000 is appropriated to the University of Alaska for operating costs for the fiscal year ending June 30, 2007, from the following sources and in the amounts stated:

| SOURCE | AMOUNT |
|---------------------|--------------|
| General fund | \$15,542,300 |
| Federal receipts | 1,025,200 |
| University receipts | 2,576,500 |

(d) \$7,134,000 of the sum appropriated in (c) of this section is to reduce the increased employer costs resulting from fiscal year 2007 employer contribution rate increases for the public employees' retirement system and the teachers' retirement system from the following sources and in the amounts stated:

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

| SOURCE | AMOUNT |
|---------------------|-------------|
| General fund | \$3,532,300 |
| Federal receipts | 1,025,200 |
| University receipts | 2,576,500 |

Subsections a and b increase the University's FY06 budget by appropriating another \$33.6 million (\$15.4 million of general funds) of FY05 windfall for operating costs and increased PERS/TRS costs.

Subsections c and d increase the University's FY07 budget by appropriating another \$19.1 million (\$15.5 million of general funds) of the FY05 windfall for operating costs and increased PERS/TRS costs.

Legislative Fiscal Analyst Comment: Although the appropriations in this section are intended to be expended in FY06 and FY07, the effective date in FY05 means the appropriations will be counted as FY05 expenditures.

Legislative Fiscal Analyst Recommendation: Inclusion of non-general funds in this section complicates an already complicated appropriation. The point of an FY05 effective date is to indicate that the money being appropriated is from FY05. This works for windfall general funds, but there may be no surplus of other funds to appropriate. If the legislature chooses to use the windfall in ways similar to the Governor's proposal, they should separate non-general fund sources and give them FY06 and FY07 effective dates.

Sec. 38. VETERANS' MEMORIAL ENDOWMENT. Five percent of the market value of the average ending balance in the Alaska veterans' memorial endowment fund (AS 37.14.700) from July 31, 2002, to June 30, 2005, is appropriated to the Department of Military and Veterans' Affairs for the purposes specified in AS 37.14.730(b) for the fiscal year ending June 30, 2006.

Funding: Endowment proceeds are expected to be about \$12,100.

Sec. 39. CONSTITUTIONAL BUDGET RESERVE FUND. (a) Deposits in the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) for fiscal year 2005 that are 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 2006 is insufficient to cover the general fund appropriations that take effect in fiscal year 2006, 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) Unrestricted interest earned on investment of the general fund balances for the fiscal year ending June 30, 2006, is appropriated to the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska). The appropriation made by this subsection is intended to compensate the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) for any lost earnings caused by use of the fund's balance to permit expenditure of operating and capital appropriations in the fiscal year ending June 30, 2006, in anticipation of receiving unrestricted general fund revenue. The amount appropriated by this subsection may not exceed an amount equal to the earnings lost by the budget reserve fund as the result of

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

the use of money from the budget reserve fund to permit expenditure of operating and capital appropriations in the fiscal year ending June 30, 2006, in anticipation of receiving unrestricted general fund revenue.

(d) An amount equal to the investment management fees, estimated to be \$222,900, for the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) 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, 2006.

(e) The appropriations made by (a), (b), and (d) 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.

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.

Subsection c appropriates general fund earnings to the CBR as compensation for earnings lost by the CBR as a result of draws to meet the Treasury's cash flow requirements.

Subsection d appropriates \$222,900 from the budget reserve fund to the Department of Revenue, Treasury Division, for investment management fees for FY06.

Legislative Fiscal Analyst Comment: Management fees have been \$125,000 for several years.

Subsection e stipulates that appropriations made from the CBR must be approved by at least three-quarters of the members of each house of the legislature.

Sec. 40. NONLAPSE OF APPROPRIATIONS. The appropriations made by secs. 5, 6, 7, 8(d), 9(b), 10(b), 10(c), 10(d), 11(b), 13(a), 14, 16(a), 18, 21, 22, 35(l), 35(m), 39(a), and 39(c) of this Act are for the capitalization of funds and do not lapse.

Sec. 41. The unexpended and unobligated balance of the appropriations made by secs. 25 and 37(a) of this Act lapse June 30, 2006.

Sec. 42. The unexpended and unobligated balance of the appropriations made by secs. 24, 28, and 37(c) of this Act lapse June 30, 2007.

Sec. 43. RETROACTIVITY. Those portions of the appropriations made in sec. 1 of this Act that appropriate either the unexpended and unobligated balance of specific fiscal year 2005 program receipts or the unexpended and unobligated balance on June 30, 2005, of a specified account are retroactive to June 30, 2005, solely for the purpose of carrying forward a prior fiscal year balance.

Sec. 44. Sections 24 - 30, 36, 37, 39, and 40 of this Act take effect June 30, 2005.

Sec. 45. Except as provided in sec. 44 of this Act, this Act takes effect July 1, 2005.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Capital Budget

The Governor's FY06 capital budget appropriates over \$1 billion dollars of cash and an additional \$450 million of debt financing. The approximately \$600 million reduction from FY05 is due entirely to a decrease in budgeted federal receipts.

The significant decrease in proposed federal receipts was anticipated. The FY05 budget contained several large federal projects (Gravina Island Bridge, Juneau Access, and a UA Research Vessel totaling \$420 million) that have no counterparts in the FY06 budget. The two largest federal programs, the Airport Improvement Program and the Surface Transportation Program, are expected to meet or exceed last year's available revenue.⁵ Areas of significant federal receipt authority include:

- Airport Improvement Program - \$164 million
- Surface Transportation Program - \$302 million
- Village Safe Water Program - \$60 million
- Pass-through Energy Project Grants - \$21 million
- Kodiak Launch Site Infrastructure - \$36 million
- Pacific Coastal Salmon Recovery - \$26 million
- Denali Commission Grants for Health Care Facilities - \$25 million
- Homeland Security Grant Program - \$15 million

General funds increased from \$9 million to almost \$40 million. Substantial general fund projects include:

- Village Safe Water Projects State Match - \$18 million
- Alaska Psychiatric Institute Asbestos Abatement - \$3 million
- Corp of Engineers – Harbors Program Construction - \$2.6 million
- DNR Unified Permitting Process Phase 2 - \$1.2 million
- City of Valdez – Harborview Demolition - \$1 million
- City of Cordova – Cordova Center - \$1 million
- Lower Kuskokwim School District – The People's Learning Center - \$1 million

As was the case last year, the Governor proposes various forms of debt financing, including the following:

- “Amerada Hess” revenue bonds totaling over \$340 million would be secured by income generated from the Amerada Hess oil settlement (part of the Permanent Fund). The bonds funds are distributed across all agencies and cover a range of projects, including deferred maintenance, Federal-Aid Highway state match, and portions of the governor's proposed transportation initiatives. The largest proposed uses include:
 - Transportation initiatives (see the Governor's December 15 press release for project descriptions) totaling \$145 million.
 - “Bottleneck Busters” - \$97 million

⁵ Expected federal highway funding is over \$200 million more than was received in FY05.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

- “Tourism Promotion” - \$11 million
- “Access to Resources” - \$37 million
- Federal transportation programs’ state match
 - Fed-Aid Highway - \$42 million
 - Fed-Aid Aviation - \$14.5 million
- University of Alaska Integrated Science Complex - \$21 million
- Alaska Student Loan Corporation bonds (\$85 million) for general capital use. This is a continuation of the “return of invested capital” policy that began last year.⁶ Major use of the proceeds includes:
 - \$30 million covering the top twenty projects on the school major maintenance projects list
 - \$22 million to the Alaska Debt Retirement Fund to pay the principal portion on various capital projects’ debt service
- Certificates of participation are the proposed mean to finance a replacement virology laboratory in Fairbanks. The lab is run by the Department of Health and Social Services, however, the project is being coordinated with the University. \$24 million is the projected replacement cost.
- A “Master Lease Line of Credit” is the source of \$37 million. It provides borrowed funds for the following projects:
 - \$20 million to replace the statewide administrative human resource and payroll system.
 - \$17 million for 5 high priority information technology projects ranging from data security to telecommunications upgrades.

Other non-debt funding sources include:

- \$25 million of International Airport Revenue Funds for an Alaska International Airport System Development Fund and the Anchorage International Airport Maintenance and Operations Reserve Fund.
- Over \$44 million of University Receipts is proposed for projects including the following:
 - UA Student Housing
 - Bio Research and Diagnostic Facility
 - Logistical Support Facility
 - Rasmuson Reading Room
 - Alaska Statehood Gallery
- \$24 million of AHFC Dividends are proposed to cover AHFC housing programs.

⁶ In FY05 \$75 million of ASLC bonds projects were appropriated. A total of \$300 million over 3 years was projected to be issued to fully refund invested capital to the State.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Language Sections of the Governor's FY06 Capital Bill

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

(b) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) exceed the estimates appropriated by this Act, the appropriations from state funds for the affected program 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.

Subsection a lists types of receipts that are appropriated subject to review by the Legislative Budget and Audit Committee. There is no change from FY05.

Legislative Fiscal Analyst Comment: This standard language permits requests for additional capital authorization to be submitted to the LB&A committee for approval. Similar language in the operating budget applies only to operating authorization. Operating language excludes University receipts and corporate receipts of the Alaska Aerospace Development Corporation.

Subsection b permits authorization of state funding (general funds or other state funds) to be reduced if unanticipated money is received.

Legislative Fiscal Analyst Comment: Unlike the FY05 capital budget language, this section states that if federal or other program receipts exceed the estimates appropriated, then "appropriations from state funds for the affected program are reduced...." Last year's language was modified by adding the word "may" in place of "are." That action allowed the legislature the option to reduce the state funding instead of it being required. The intent of the provision is to increase authorization for a project when unexpected funding presents itself. Changing the provision will allow the legislature to maintain the state funds if it desires.

LFD Recommendation: Consider amending the FY06 capital language to replace "are" with "may."

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

Sec. 5. DEPARTMENT OF FISH AND GAME. The proceeds from the sale of previous and existing research vessels, including parts and inventory, are appropriated from the general fund to the Department of Fish and Game for the repair or maintenance of vessels or equipment.

This provision allows the agency to optimally manage their research vessel fleet by allowing reinvestment of proceeds from the sale of any of their vessels. The agency also has a standard capital project in Section 1 for vessel and aircraft repair and maintenance. The language section allows for the appropriation of the unknown sale proceeds.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Sec. 6. 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. 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. 7. NATIONAL PETROLEUM RESERVE - ALASKA IMPACT GRANT PROGRAM. (a) Subject to (b) of this section, the amount, estimated to be \$29,517,700, received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530) under 42 U.S.C. 6508 by August 31, 2005, is appropriated to the Department of Commerce, Community, and Economic Development for capital project grants under the National Petroleum Reserve - Alaska impact grant program.

Subsection a appropriates federal receipts for the National Petroleum Reserve-Alaska impact grant program.

(b) That portion of the amount appropriated by (a) of this section that is not subject to a signed grant agreement between the Department of Commerce, Community, and Economic Development and an impacted municipality by August 31, 2005, lapses into the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530) September 1, 2005.

Subsection b clarifies that, after all meritorious grants have been funded, the remaining NPR-A funding lapses in the NPR-A special revenue fund (AS 37.05.530).

(c) An amount equal to 25 percent of the amount that lapsed into the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530) under (b) of this section, estimated to be \$2,623,600, is appropriated to the principal of the Alaska permanent fund from the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530).

Subsection c (per AS 37.05.530(g)) appropriates twenty five percent (25%) of the lapsing balance to the Permanent Fund.

(d) An amount equal to 0.5 percent of the amount that lapsed into the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530) under (b) of this section, estimated to be \$52,500, is appropriated to the public school trust fund (AS 37.14.110) from the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530).

Subsection d (per AS 37.05.530(g)) appropriates one half percent (.5%) of the lapsing balance to the Public School Trust Fund.

(e) Of the amount that lapses under (b) of this section and that is not appropriated under (c) and (d) of this section, \$4,900,000 is appropriated to the power cost equalization and rural electric capitalization fund (AS 42.45.100) from the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530).

Subsection e (per AS 37.05.530(g)) appropriates \$4.9 million of the lapsing balance remaining after (c) and (d) to the PCE Fund to fund the PCE program.

(f) The remaining balance of the amount that lapses under (b) of this section and that is not appropriated under (c) - (e) of this section, estimated to be \$2,918,400, is appropriated to the power cost equalization endowment fund (AS 42.45.070) from the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530).

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Subsection f appropriates the remaining balance after subsections (c-e) to the Power Cost Equalization Endowment Fund (NOT the PCE Fund).

Legislative Fiscal Analyst Comment: Subsections e and f implicitly assume that grant awards take less than \$19 million of the \$29.5 million available. These appropriations would be reduced if grant awards leave less than \$10.5 million available for other purposes. Grants have first call on the NPR-A receipts.

Legislative Fiscal Analyst Recommendation: The fund capitalization portions of this section can be moved to the operating bill.

Sec. 8. 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, 2005, estimated to be \$330,000, is appropriated to the Department of Commerce, 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.

Legislative Fiscal Analyst Comment: This provision for funding the electrical energy program has been used for several years. The provision supersedes the statutory lapse provision (AS 42.45.020(g)) transferring year-end fund balances to the general fund.

Sec. 9. DEPARTMENT OF PUBLIC SAFETY. (a) The proceeds from the sale of 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 or for aircraft maintenance.

(b) The proceeds from the sale of Department of Public Safety vessels and surplus vessel parts and accessories are appropriated from the general fund to the Department of Public Safety for the purchase of replacement vessels or for vessel maintenance.

This section is identical in intent to Section 5. Note analysis in Section 5.

Sec. 10. LAPSE OF APPROPRIATIONS. (a) The appropriations made by secs. 5, 6(2), 7(a), 8, and 9 of this Act are for capital projects and lapse under AS 37.25.020.

(b) The appropriations made by secs. 6(1) and 7(c) - (f) of this Act are to capitalize funds and do not lapse.

Sec. 11. The appropriation made by sec. 8 of this Act takes effect June 30, 2005.

Sec. 12. Except as provided in sec. 11 of this Act, this Act takes effect July 1, 2005.

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Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Capital Budget Summary

| | All Funds (Includes MH) | | | FY06 Governor by Fund Group | | | | |
|------------------------------------|----------------------------|----------------------|------------------------|-----------------------------|--------------------|--------------------|---------------------------------|--------------------|
| | FY05 Enacted | FY06 Governor | Change 05-06 | General Funds | Other State Funds | Duplicated Funds | Total Nonduplicated State Funds | Federal Funds |
| Administration | 6,329,000 | 50,719,000 | 44,390,000 | - | 50,719,000 | 50,159,000 | 560,000 | 106,412,700 |
| Community and Economic Development | 84,860,870 | 116,980,700 | 32,119,830 | 6,288,000 | 4,280,000 | 2,850,000 | 7,718,000 | - |
| Corrections | 1,850,000 | 11,050,000 | 9,200,000 | - | 11,050,000 | 11,050,000 | - | - |
| Education and Early Development | 6,229,980 | 30,252,131 | 24,022,151 | - | 30,252,131 | - | 30,252,131 | - |
| Environmental Conservation | 91,385,100 | 94,885,000 | 3,499,900 | 18,158,800 | 8,999,600 | - | 27,158,400 | 67,726,600 |
| Fish and Game | 7,240,947 | 4,219,700 | (3,021,247) | 212,700 | 2,197,000 | 1,500,000 | 909,700 | 1,810,000 |
| Office of the Governor | 26,418,000 | 27,192,500 | 774,500 | 100,000 | 1,092,500 | 1,092,500 | 100,000 | 26,000,000 |
| Health and Social Services | 18,527,480 | 69,393,500 | 50,866,020 | 4,233,000 | 36,808,100 | 35,108,100 | 5,933,000 | 28,352,400 |
| Labor and Workforce Development | 4,018,500 | 5,800,000 | 1,781,500 | 300,000 | 5,500,000 | 2,500,000 | 3,300,000 | |
| Law | | 1,250,000 | 1,250,000 | 250,000 | 1,000,000 | 1,000,000 | 250,000 | |
| Military and Veterans Affairs | 16,217,000 | 40,041,400 | 13,507,000 | 550,000 | 3,776,900 | 1,276,900 | 3,050,000 | 35,714,500 |
| Natural Resources | 26,534,400 | 33,964,363 | 24,006,563 | 2,995,400 | 7,653,500 | 2,450,000 | 8,198,900 | 23,315,463 |
| Public Safety | 9,957,800 | 18,717,000 | (7,099,500) | 300,000 | 11,652,000 | 5,475,200 | 6,476,800 | 6,765,000 |
| Revenue | 25,816,500 | 35,676,150 | (1,150,182,938) | | 24,707,865 | 117,000 | 24,590,865 | 10,968,285 |
| Transportation/Public Facilities | 1,185,859,088 | 831,712,525 | (354,146,563) | 3,221,000 | 310,693,000 | 285,119,000 | 28,795,000 | 517,798,525 |
| University of Alaska | 142,752,500 | 91,697,400 | (51,055,100) | 1,551,000 | 90,146,400 | 30,636,500 | 61,060,900 | - |
| Alaska Court System | 1,000,000 | 5,025,000 | 4,025,000 | - | 5,025,000 | 1,125,000 | 3,900,000 | - |
| Total - Capital Budget | 1,654,997,165 | 1,468,576,369 | (1,356,062,884) | 38,159,900 | 605,552,996 | 431,459,200 | 212,253,696 | 824,863,473 |
| General Funds | 8,830,400 | 38,159,900 | 29,329,500 | | | | | |
| Other State Funds | 200,701,290 | 605,552,996 | 404,851,706 | | | | | |
| Federal Receipts | 1,445,465,475 | 824,863,473 | (620,602,002) | | | | | |

Comprehensive Integrated Mental Health Program

The Alaska Mental Health Trust Authority (Authority) administers the Mental Health Trust established in perpetuity. The Authority has a fiduciary responsibility 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 include:**

- People with mental illness;
- People with developmental disabilities;
- People with chronic alcoholism;
- People with Alzheimer's disease and related dementia.

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 to 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 program funding.

A unique provision of the settlement grants the Authority the power to spend mental health trust income without legislative approval. This provision does not, however, remove the legislature from spending decisions. Most funding programmed by the authority is allocated to state agencies that require legislative authorization to expend the funds. This maintains the legislature's involvement.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

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 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 generates revenue from the investment earnings on the \$200 million trust, land sale/lease proceeds, and land use royalties. Mental Health Trust income, identified in the appropriation bill as MHTAAR or Mental Health Trust Authority Authorized Receipts, provides approximately \$10 million per year for CIMHP funded programs and mental health trust administrative costs. Other state funds and federal funding are typically included in the CIMHP. These might include general funds, AHFC Dividend funds, and Alcohol and Other Drug Abuse Treatment & Prevention Funds,

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, and 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 state funding is similar to the process that applies to other state 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: Mental Health appropriations increased consistently through FY03. The FY04 and FY05 operating budgets both showed decreases, but that trend has reversed in FY06. General funds appropriated for capital projects fluctuate from year to year.

Statewide Total Appropriations

| | FY01 | FY02 | FY03 | FY04 | FY05 Enacted | FY06 GOV |
|------------------------|------------------|------------------|------------------|------------------|-------------------------|---------------------|
| State-Controlled | 125,488.7 | 130,990.9 | 133,999.9 | 117,388.9 | 111,554.1 | 113,200.0 |
| MH Trust | 12,380.8 | 11,936.6 | 10,224.7 | 9,846.0 | 10,056.5 | 10,773.4 |
| Total Operating | 137,869.5 | 142,927.5 | 144,224.6 | 127,234.9 | 121,610.6 | 123,973.4 |
| State-Controlled | 150.0 | 2,125.0 | 1,300.0 | 3,785.3 | 3,300.0 | 8,099.2 |
| MH Trust | 5,053.2 | 4,170.0 | 3,313.0 | 3,352.1 | 4,080.0 | 3,100.0 |
| Total Capital | 5,203.2 | 6,295.0 | 4,613.0 | 7,137.4 | 7,380.0 | 11,199.2 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

The net increase in operations from FY05 is nearly \$2.4 million. Below are significant single allocation changes:

Department of Health and Social Services

| | |
|---|------------|
| Pioneer Homes | \$ 422.4 |
| Behavioral Health Grants | \$ 355.0 |
| Services to the Seriously Mentally Ill | \$2,181.4 |
| Services for Severely Emotionally Disturbed Youth (SED) | \$1,958.0 |
| Alaska Psychiatric Institute (API) | \$441.7 |
| Senior Community Based Grants | \$2,849.4 |
| Home & Community Base Care | \$-3,533.9 |
| Community DD Grants | \$-477.4 |

Proposed capital expenditures total \$13.1 million. This is an increase of nearly \$6 million from FY05. Below are some of the significant projects:

| | |
|--|---------------|
| Crisis Treatment Facility Phase 2 | \$2.5 million |
| Alaska Psychiatric Institute (API) Automation Project | \$674.2 |
| Deferred Maintenance & Accessibility Improvements | \$150.0 |
| Alaska Psychiatric Institute Asbestos Abatement | \$3.0 million |
| Fairbanks Detoxification Unit Construction Expansion and Renovation | \$1.0 million |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Comprehensive Integrated Mental Health Program Funding Summary

| | GF/MH | MHTAAR | MH Admin | A/D P&T Fd | Total |
|------------------------------------|-----------------|----------------|-----------------|---------------------------|------------------|
| FY05 Conference Committee | 94,362.3 | 8,789.0 | 1,267.5 | 17,191.8 | 121,610.6 |
| FY05 Authorized | 94,362.3 | 8,789.0 | 1,267.5 | 17,191.8 | 121,610.6 |
| Salary adjustment | 1,197.4 | 23.7 | 13.5 | | |
| Transfer in | 114.3 | 250.0 | | | |
| Transfer out | (114.3) | (250.0) | | | |
| FY06 Adjusted Base | 95,559.7 | 8,812.7 | 1,281.0 | 17,191.8 | 122,845.2 |
| Transfer in | 2,930.5 | 540.3 | | | |
| Transfer out | (2,930.5) | (540.3) | | | |
| Funding Change | | (155.9) | 155.9 | | |
| Increment | 448.6 | 2,873.4 | 85.1 | | |
| Decrement | | (2,278.8) | | (0.1) | |
| FY06 Governor + K12 Request | 96,008.3 | 9,251.4 | 1,522.0 | 17,191.7 | 123,973.4 |

FY06 Governor's Capital Request

| Fund Source | Amount |
|-----------------------|-----------------|
| GF/MH | 3,775.0 |
| MHTAAR | 3,100.0 |
| Federal | 1,000.0 |
| Bonds | 3,324.2 |
| AHFC Dividends | 1,950.0 |
| Total | 13,149.2 |

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Agency Narratives and Funding Summaries

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Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Administration

The Department of Administration (DOA) provides statewide leadership and policy direction in the following areas:

- finance and accounting;
- payroll;
- information technology;
- human resources;
- labor relations;
- procurement;
- facility leasing and management;
- risk management; and
- employee and retiree benefits programs for state and local governments.

Direct public services are provided through the Division of Motor Vehicles, Public Defender Agency, Office of Public Advocacy, and the Office of Administrative Hearings (which replaced the Office of Tax Appeals in FY05). The department also oversees administrative functions of four independent boards and commissions (the Alaska Public Broadcasting Commission, the Alaska Public Offices Commission, the Alaska Oil and Gas Conservation Commission, and the Violent Crimes Compensation Board).

SIGNIFICANT ISSUES

- The Governor's FY06 request for the Department of Administration is \$12.1 million above the FY05 total funding level. All fund groups have increased--\$5.3 million General Funds, \$0.2 Federal Receipts, and \$6.6 million in Other Funds.
- Several statewide issues are driven by the Department of Administration; increments for Inter-Agency Receipts in this department reflect costs that other departments pay. **The additional chargebacks amount to \$8.5 million** of duplicative funding (I/A Receipts)--a 10% increase. The total I/A Receipts budget in the department is \$88.5 million. In the FY06 budget, as with past budget presentations, these charges have been difficult to match between agencies. However, the Department of Administration reports that all proposed chargeback rate increases are discussed well in advance with affected agencies and it would be unlikely that other agencies would be unaware of changes proposed by DOA.
- The following areas impact other agencies as well as the Department of Administration:
 - **Enterprise Technology Services (ETS)** includes a fund source change of \$3,656.6 from Information Services Fund to General Fund (Legislative Finance views this as a decrement and a corresponding increment). This fund source change is a direct result of removing the State of Alaska Telecommunications System (SATS) leased or dedicated line services including voice, radio, and data plus two-way radios from the chargeback rate assessed each state agency. The chargeback rate is referred to as the Enterprise Productivity Rate, or EPR. According to the department, SATS and two-way radios were removed from the EPR for a variety of reasons. ETS costs are increasing for FY06. The potential impact of the increased

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

costs on the EPR was of such significance that some alternative to increasing agency chargeback was deemed necessary. SATS and two-way radios were a logical component to remove from the EPR because they are not used equally across the enterprise and, therefore, should not be charged as if they were. Their removal helps keep EPR increases to a manageable level. One of the reasons SATS and two-way radios were put into the EPR in 2002 was that ACS agreed as part of the Telecommunications Partnering Agreement to use SATS circuits in the network design to further lower costs. That never came to fruition, and is no longer a factor that would support keeping SATS and two-way radios in the EPR. The department's long-term goal is to secure alternative funding for SATS and two-way radios. They are also exploring the possibility of alternative fund sources for SATS and two-way radios including the development of a usage based chargeback methodology.

- The **Division of Personnel** is experiencing cost increases for FY06. Most of the increases are attributable to the enterprise wide personal services cost increases including the Public Employees Retirement System increase (\$377.6 total--\$3.5 General Funds and \$374.1 Other Funds) and the health insurance and wage increases (\$347.7 total--\$3.2 General Funds and \$344.5 Other Funds). These are occurring throughout state government and would have been experienced by all agencies if the consolidation had not occurred. There is a separate increase related to the cost of filling some vacant positions for FY06 (\$385.0 Other Funds). Even with the filled vacancies, the Division of Personnel is doing the Human Resources work with about 15 fewer employees than in the months leading up to the consolidation.
- Pursuant to Legislative Intent in the FY05 operating budget (Sec. 1, Ch. 158, SLA2004, p. 4, lines 26-29), and with some notable exceptions (i.e. the Anchorage Jail, the Subport parking lot, and space left vacant by the HR Integration Initiative), **all general funds in the Leases and Lease Administration allocations are being transferred in FY06 from the Department of Administration to tenant departments.** The total agency transfers amount to \$16.9 million. (\$19.4 million Interagency Receipts replaced the GF TrOuts.) One reason for the decentralization of funding was to allow departments to shift lease costs to non-general fund sources. The department estimated that the transferred general funds would be nearly sufficient to cover general fund lease costs; any increases, however, will be tenant responsibilities.
- The **eTravel** Initiative adds \$1.8 million to fund one full-time State Travel Manager, the state's new travel agency contract to achieve reduced airfare costs, travel, equipment, and lease space. The State Travel Office opened for business on 1/1/05 for Medicaid travel. Recipients will make travel arrangements as pre-authorized by the Department of Health & Social Service Medicaid contractor, First Health. According to the Department of Administration, administrators of the program at both DHSS and First Health expect several process improvements and efficiencies from working with a single provider for travel services. Other agencies will begin using the State Travel Office later in Spring 2005. The state has purchased "Extensity" which will automate the request, approval, reimbursement, and reporting of travel. The goal is to bring all Executive Branch departments into the new process by the end of October 2005.
- Within the **State Owned Facilities** appropriation, the Facilities allocation has requested a Public Facility Fund Maintenance and Operations increment to cover rising costs for maintenance and operations, which includes rising utility costs, including fuel, and services contract costs--\$504.8 Public Building Fund. On July 1, 2000, the Alaska Public Building Fund was created as a special account in the general fund into which lease payments made to the Department of Administration, as well as appropriations to the fund, are deposited (CH19, SLA2000—HB 112). Beginning in FY01, the legislature made appropriations from the fund

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

to DOA to pay use, management, operation, maintenance, and depreciation costs related to space of covered buildings managed under agreement with the department. One advantage of the original plan is that it captures additional non-general fund money for rent. The danger (from the individual agency perspective) is that agency rent payments could be increased without appropriations to fund the increased costs. Thirteen state agencies pay state rent to DOA.

- **The Public Defender Agency** is adding funding for caseload increases, cost increases, and unfunded and underfunded prior year fiscal notes—Total increment \$624.0 GF. The work handled by this office has been identified by the department as their number one priority in services to the public. In thirteen out of the last fourteen years, the Public Defender Agency has requested and received supplemental appropriations.
- Within the **Office of Public Advocacy**, continuation funding to cover the FY04 supplemental amount actually spent and not rolled into the FY05 base budget has dictated a \$394.5 total increment (\$288.0 General Funds, \$106.5 Other Funds). Shortfalls have resulted from increased caseloads that are more expensive due to felony filing increases. On the positive side, however, this office experienced a \$350.0 drop in actual expenditures between FY03 and FY04 due to cost containment measures implemented by management.
- Due to full-year implementation in FY06 for the **Office of Administrative Hearings** (Ch. 164, SLA04—SB 203), the FY06 budget is increased \$398.9 total (\$79.4 GF, \$319.5 Other Funds). The increase is the result of transfers from the other agencies whose positions are moving to the new office. In conjunction with that new office, all remaining funds in the Tax Appeals allocation is eliminated in a decrement for \$113.9 total funds (\$92.9 GF, \$21.0 Other Funds). Additional second-year savings are also reflected in the Department of Revenue due to the consolidation of hearing officer responsibilities in the Department of Administration (\$255.4 Total funds--\$22.7 General Funds, \$233.1 Other Funds). The Department of Commerce, Community & Economic Development has an increment for \$45.8 in Receipt Supported Services to increase support for insurance hearings in FY06. These funds would then be transferred to the Department of Administration via Inter-Agency Receipts associated with a Reimbursable Services Agreement.
- The **Violent Crimes Compensation Board** reflects an increment (\$146.9 GF) to replace the statewide reduction in the amount of felon's dividends available for appropriation due to the significantly smaller permanent fund dividend in FY2005.
- The **Division of Motor Vehicles (DMV)** has proposed an increment to reduce customer wait times at DMVs busiest offices with the addition of five new permanent full-time positions--\$250.0 Other Funds. The additional funding will enable DMV to create an information center in the Anchorage Mid-Town Office. The DMV staff can determine if customers have the proper documentation to proceed and then direct them to the correct next stop. These centers are currently in use at three of the highest traffic offices, which are the Anchorage Benson Field Office, the Fairbanks Office, and the Palmer Office; according to the department, the existing facilities have proved to be very effective.
- A decrease in **Public Communications Services Satellite Infrastructure** has occurred because of the reduction in rental costs of satellite equipment—(\$300.0 GF).

ORGANIZATIONAL CHANGES

Position changes from FY05 Management Plan include the deletion of 12 PFT positions, the addition of three part-time positions, and the deletion of 14 budgeted temporary positions.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

The Department of Administration has no major, internal budgetary structural changes in FY06. For the sake of clarity, the following organizational items are noted:

- To complete the process begun in FY05 with the passage of Senate Bill 203, the Tax Appeals allocation is eliminated and replaced by the Office of Administrative Hearings within the Centralized Administrative services appropriation.
- For consistency and oversight, internal accounting changes have occurred with the consolidation of the ETS Division accounting unit (8 positions) and the accounting function within the Division of Risk Management (1 position) into the Division of Administrative Services (DAS). Funding remains in the respective sections and is transferred to DAS through Reimbursable Services Agreement.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Administration Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|--------------------------------------|------------------|---------------------|------------------|------------------|
| FY05 Conference Committee | 66,008.9 | 1,077.9 | 143,233.8 | 210,320.6 |
| Veto | (146.7) | | | (146.7) |
| Fiscal Note | 314.0 | 128.3 | 185.9 | 628.2 |
| Miscellaneous Adjustment | | | 19,449.8 | 19,449.8 |
| Agency transfer out | (16,916.5) | | | (16,916.5) |
| Transfer in | 3,734.4 | | | 3,734.4 |
| Transfer out | (3,734.4) | | | (3,734.4) |
| FY05 Authorized | 49,259.7 | 1,206.2 | 162,869.5 | 213,335.4 |
| FY05 Management Plan | 49,259.7 | 1,206.2 | 162,869.5 | 213,335.4 |
| One time item | (12.0) | | (22.0) | (34.0) |
| Salary adjustment | 483.6 | 19.9 | 1,750.1 | 2,253.6 |
| Agency transfer in | 93.9 | | | 93.9 |
| Transfer in | 2.3 | | 0.2 | 2.5 |
| Transfer out | (2.3) | | (0.2) | (2.5) |
| FY06 Adjusted Base | 49,825.2 | 1,226.1 | 164,597.6 | 215,648.9 |
| Increment | 5,120.1 | 202.9 | 8,740.0 | 14,063.0 |
| Decrement | (392.9) | | (3,900.4) | (4,293.3) |
| FY06 Governor + K12 Request | 54,552.4 | 1,429.0 | 169,437.2 | 225,418.6 |
| <hr/> | | | | |
| Position Summary | | PFT | PPT | Tmp |
| FY05 Authorized | | 943 | 30 | 34 |
| FY06 Governor + K12 Request | | 955 | 32 | 31 |
| Net Change | | 12 | 2 | (3) |
| <hr/> | | | | |
| FY06 Governor Capital Request | 0.0 | 0.0 | 50,719.0 | 50,719.0 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Commerce, Community and Economic Development

The Department of Commerce, Community and Economic Development (DCCED) provides a wide range of development services to private businesses and aids in protecting the public by regulating certain industries and provides services to communities. The department

- provides general assistance and access to capital markets for businesses,
- coordinates numerous state loan programs,
- manages programs aimed at key economic sectors such as electric power generation, tourism, aerospace, mining, and fishing,
- participates in the domestic and international marketing of Alaskan products and visitor attractions,
- regulates banking, securities and corporations, insurance, occupations and public utilities,
- provides services to local governments and unincorporated communities in the form of grants and direct technical assistance, and
- 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 ISSUES

- The Governor's request for FY06 is \$10.2 million higher than the FY05 Management Plan and the general fund request is \$1.1 million (14.6%) more than the FY05 Management Plan.
- Most of the general funds increase (\$1 million) is requested in the Qualified Trade Association Contract (QTA Contract) allocation for **tourism marketing**. The QTA contract is awarded to the Alaska Tourism Industry Association (ATIA). This increase (from \$4 million in FY05 to \$5 million in FY06) is expected to enhance what the agency is presently doing (i.e., more TV ads, direct mailings, enhanced effort on overseas travel/trade promotions, and enhancement for public relations efforts).

In addition to the proposed 25 percent increase in funding, legislation passed in 2004 reduces the amount of ATIA's required FY06 match from 60 percent to 50 percent. [Chapter 180, SLA 04 (SB 254)].

- Statutes authorizing the **Alaska Regional Economic Assistance (ARDORs) Program** sunset at the end of FY05, therefore, interagency funding for this program is being eliminated from Community Advocacy's FY06 budget. Statutorily extending the sunset date is necessary for the ARDORs program to continue. Although the ARDORs program is housed in Community Advocacy, funding for the program comes from AIDEA's operating budget. AIDEA's budget contains no decrement for ARDOR funding. If this program is eliminated and the funding is not decremented from AIDEA's budget, AIDEA will have \$650.0 hidden in its operating budget.
- The Community Advocacy allocation is requesting an increment of \$60,000 in Receipt Supported Services (RSS) to replace unrealizable Fishermen's Fund Income that was used to fund the grant for the **Marine Safety and Education programs**. This is improper use of this funding source. The RSS requested comes from the Division of Motor Vehicles and, by statute (AS 37.05.144-146), RSS may be used to administer the program that generates the receipts. Community Advocacy does not

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

generate these receipts, and is using RSS that would lapse into the general fund at the end of the fiscal year. Another funding source should be used for this increment.

- An increment of \$4.9 million in PCE Funding is being requested to fully fund the **Power Cost Equalization (PCE) formula program** at \$20.7 million. This increment gives the PCE program an increase of 32% (up from \$15.7 million) from the FY05 Management Plan. Historically, the formula program has been short-funded at \$15.7 million and the payments to utilities are pro-rated based on the funding appropriated. Although it may appear that increases in PCE program expenditures do not affect general funds, the PCE Fund is capitalized with a variety of funding sources. For FY06, the Governor has requested that the PCE Fund be capitalized with \$4.3 million in general funds, \$4.9 million in National Petroleum Reserve lease sales funding, and \$11.5 million from the PCE Endowment.

The Alaska Energy Authority administers this program and, until FY05, absorbed the entire cost of the two employees working on this program. In FY05, \$66,000 of the PCE Fund was transferred from grants to pay for one of these employees. This year another \$64,000 of PCE Funding is being requested to pay for the other employee (totaling \$130,000 transferred from grants over two years).

- **The Alaska Seafood Marketing Institute (ASMI)** is requesting an increment of \$4 million in Receipt Supported Services. A federal grant for marketing seafood was awarded to a non-profit organization. This funding reflects ASMI's share of this federal grant.

Legislative Fiscal Analyst Comment: This funding should be classified as Statutory Designated Program Receipts (SDPR)—not RSS. RSS is funding received by an agency from fees, charges, etc., in connection with the performance of its functions. SDPR (or designated program receipts) is received from a third party (in this case a non-profit organization) and the funding is restricted to a specific use by the terms of a gift, grant, bequest or contract.

ORGANIZATIONAL CHANGES

There are no significant structural changes in this agency.

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Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Commerce, Community and Economic Development Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|--|------------------|---------------------|------------------|------------------|
| FY05 Conference Committee | 7,714.3 | 25,772.0 | 90,634.6 | 124,120.9 |
| Veto | (143.3) | | | (143.3) |
| Fiscal Note | 75.5 | | 134.6 | 210.1 |
| Re-appropriation | 30.0 | | | 30.0 |
| Special appropriation | | 1,200.0 | | 1,200.0 |
| Agency transfer in | 166.4 | | | 166.4 |
| Multi Year | 25.0 | | | 25.0 |
| FY05 Authorized | 7,867.9 | 26,972.0 | 90,769.2 | 125,609.1 |
| Transfer in | | | 135.0 | 135.0 |
| Transfer out | | | (135.0) | (135.0) |
| FY05 Management Plan | 7,867.9 | 26,972.0 | 90,769.2 | 125,609.1 |
| One time item | (130.5) | (1,200.0) | | (1,330.5) |
| Salary adjustment | 115.0 | 48.6 | 948.6 | 1,112.2 |
| Agency transfer in | 60.0 | | | 60.0 |
| Transfer in | | | 730.8 | 730.8 |
| Transfer out | | | (730.8) | (730.8) |
| FY06 Adjusted Base | 7,912.4 | 25,820.6 | 91,717.8 | 125,450.8 |
| Funding Change | (85.0) | | 85.0 | 0.0 |
| Increment | 1,219.0 | 600.0 | 10,335.2 | 12,154.2 |
| Decrement | (76.2) | | (1,726.8) | (1,803.0) |
| FY06 Governor + K12 Request | 8,970.2 | 26,420.6 | 100,411.2 | 135,802.0 |
| <hr/> | | | | |
| Position Summary | | PFT | PPT | Tmp |
| FY05 Authorized | | 492 | 4 | 0 |
| FY06 Governor + K12 Request | | 503 | 4 | 2 |
| Net Change | | 11 | 0 | 2 |
| <hr/> | | | | |
| FY06 Governor's Capital Request | 6,288.0 | 106,412.7 | 4,280.0 | 116,980.7 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Corrections

The Department of Corrections is responsible for public safety through the administration of correctional services including:

- twelve prisons and jails that 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 that makes all parole related decisions.

SIGNIFICANT ISSUES

- The Department of Corrections has requested a general fund increase of \$10.8 million, which is the third highest among all agencies (H&SS, DOT). A majority of this increase (\$8.5 million) can be attributed to two areas: personal services increases (salary, health care and retirement costs) and contract increases for the Arizona prison beds and in-state community jail beds.
- **Salary increases** (\$4.4 million) is such a large portion of the department's request due to the large number of employees in the agency.
- The **Out-of-State allocation** has an increment request for \$3.1 million general funds to finance an increase in the **renegotiated contract** with Corrections Corporation of America. This contract is for the housing of the state's prisoners in Florence, Arizona. The previous contract was for \$52.93 per prisoner per day while the new amount is for \$57.12 and will cover an estimated average of 785 prisoners per day.
- The **Community Jails** allocation is requesting \$1.1 million for a **10 percent inflationary increase** to the 15 jails and also to **reestablish the Kotzebue jail contract** that was cancelled in FY05. The previous Kotzebue contract totaled \$544.3 of which \$200.0 was deleted in FY05 and the remaining \$344.3 was to be used to fund an RSA with Public Safety to provide prisoner transportation. There is no mention what the department plans to do with the \$344.3 should the new increment be authorized.
- The **Offender Habilitative Program** requested a fund change of \$854.6 from Permanent Fund Dividend (PFD) felon funds to general funds in the governor's request. Legislative Finance replaced that single transaction with increment and decrement transactions to more accurately reflect a decrease of non-state funds and an increase of general funds. Permanent fund dividend felon funds are funds that would have been paid as PFDs to individuals who were ineligible for dividends because of criminal activity. The number of ineligible individuals increased by 17 from 8,490 to 8,507. As PFDs have declined, the amount available to the State has also declined. Available funding for FY06 declined about 17.5 percent as the amount of individual Permanent Fund Dividends declined. This is on top of a 25 percent reduction that occurred for the FY05 budget.
- The **Inmate Health Care section** has seen significant growth in the past several years due to escalating costs in medical care and supplies. However the FY06 budget calls for relatively flat funding when compared to FY05. This could change because we do not know what to expect as a

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

supplemental request for FY05, but it appears the department's efforts to control health care costs may be taking effect.

- The **Transportation allocation** is up significantly even though the new Anchorage Correctional complex as well as increased beds in Arizona were supposed to reduce inmate transfers. During FY05 Management Plan the department transferred \$555.8 GF into this allocation to fund the reimbursable service agreement with the Department of Public Safety relating to the closure of the Kotzebue jail. When the department cancelled the contract, there was a need for State Troopers to move prisoners back and forth to a state prison facility. Despite the department's request for a substantial increment in the Community Jails allocation to reestablish the Kotzebue jail contract, the FY05 money moved into the Transportation allocation remains there in FY06. The department's budget detail states there is no significant change in the current level of services so it appears that a possible transfer of funding from the Transportation allocation to the Community Jails allocation could offset the need for the requested increment.
- During the past few years large sums of GF have been requested and appropriated to the **Anchorage Correctional complex (ACC)** and then transferred out during the ensuing Management Plan process. During the FY04 Management Plan process the department transferred \$1.7 million out of ACC to various allocations, indicating that the funding was not needed in ACC. The FY05 Governor's request added \$723.3 for salary adjustments, but transferred out \$685.1 for a net increase of \$201.5. During the FY05 Management Plan the department transferred out of ACC another \$1.4 million but is requesting an increase of \$731.8 in FY06. The department stated in subcommittee last session that they needed to move funds around in FY04 to establish truth in budgeting, but the transfers continued in FY05. The subcommittees may wish to take a detailed look at transfers in order to avoid moving funds without moving program responsibilities.
- There appears to be a significant **vacancy issue in Institutions and Probation and Parole**. At least 15 percent of the field probation positions have been held vacant since prior to the start of FY05. The department transferred \$244.3 from field probation offices to the Director's Office in the FY05 Management Plan, making it appear that these positions would remain vacant for some time. The funds transferred into the Director's Office increased money in this allocation by 30 percent between FY05 and FY06 and by 77 percent over the FY04 Actuals. Most of the increases between FY05 and FY06 are in travel (65 percent) and commodities (146 percent). The subcommittees may wish to take a close look at this potentially dangerous under-staffing issue. If the department intends to fill these vacant probation officer positions, funding may need to be transferred back to the field offices in order to fully fund the personal services line item.

ORGANIZATIONAL CHANGES

There are no significant changes requested.

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Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Corrections Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|------------------------------------|--------------------------|-----------------------------|------------------------|------------------|
| FY05 Conference Committee | 154,739.1 | 4,397.4 | 22,498.2 | 181,634.7 |
| Veto | (435.0) | | | (435.0) |
| Fiscal Note | 260.0 | | | 260.0 |
| Agency transfer in | 1,140.7 | | | 1,140.7 |
| FY05 Authorized | 155,704.8 | 4,397.4 | 22,498.2 | 182,600.4 |
| Transfer in | 2,506.5 | 1,320.4 | | 3,826.9 |
| Transfer out | (2,506.5) | (1,320.4) | | (3,826.9) |
| FY05 Management Plan | 155,704.8 | 4,397.4 | 22,498.2 | 182,600.4 |
| Salary adjustment | 4,340.8 | 101.2 | 60.0 | 4,502.0 |
| Agency transfer out | (24.0) | | | (24.0) |
| Transfer in | 129.5 | | | 129.5 |
| Transfer out | (129.5) | | | (129.5) |
| FY06 Adjusted Base | 160,021.6 | 4,498.6 | 22,558.2 | 187,078.4 |
| Increment | 6,491.2 | | 35.6 | 6,526.8 |
| Decrement | | | (1,069.5) | (1,069.5) |
| FY06 Governor + K12 Request | 166,512.8 | 4,498.6 | 21,524.3 | 192,535.7 |

| Position Summary | PFT | PPT | Tmp |
|------------------------------------|--------------|------------|------------|
| FY05 Authorized | 1,415 | 2 | 0 |
| FY06 Governor + K12 Request | 1,421 | 2 | 0 |
| Net Change | 6 | 0 | 0 |

| | | |
|--|-----------------|-----------------|
| FY06 Governor's Capital Request | 11,050.0 | 11,050.0 |
|--|-----------------|-----------------|

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Education & Early Development

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

- provide state student performance standards;
- assist school districts in aligning curriculum to standards;
- provide a Comprehensive Statewide Student Assessment System including standards-based assessments in Grades 3-9 and the High School Graduation Qualifying Examination;
- award federal grants to improve student learning;
- support schools in developing school improvement plans;
- provide services to recruit, certify and retain highly qualified teachers in Alaska including professional development and mentoring; and
- promote research-based family and community involvement models to improve student learning

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

SIGNIFICANT ISSUES

- The FY06 Governor's Total Request is \$94.4 million above the FY05 Management Plan (increases of \$51.4 General Funds, \$42.3 million Federal Receipts and \$0.7 million Other Funds). The Governor submitted a separate bill "making special appropriations for the support of K-12 public education."

Legislative Fiscal Analyst Comment: All K-12 Support was zeroed out in the normal operating budget bill submitted on 12/15/04. Legislative Finance reports combine the K-12 bill with other operating appropriations so that year-to-year comparisons are more meaningful.

- The Governor's budget fully funds the current FY06 public school **Foundation Program** at a level of \$762.3 million. This number reflects a decrease in general funds of \$14.6 million due to changes in the required local effort, federal impact aid funds, enrollments, and deleting one-time funds included in FY05. However, the Governor's K-12 funding bill also includes contingent language that would appropriate an additional \$62.1 million in FY06 and \$64.0 million in FY07 upon passage of a bill that increases the base student allocation from \$4,156 to \$4,880 in FY06 and to \$5,190 in FY07.
- Within the Special Schools allocation, funding for the **Alaska Challenge Youth Academy** (located in the Division of Military and Veterans Affairs and funded through Reimbursable Services Agreement) increases \$551.8 in FY06 based on the current student allocation of \$4,156. Contingent upon the passage of the Governor's K-12 education funding package, the Alaska Challenge Youth Academy will receive an additional \$425.1 in FY06 and \$433.5 in FY07.
- **Pupil Transportation** increases by \$536.0 (General Funds) for a CPI cost adjustment. The total Pupil Transportation request for FY06 is \$54.1 million.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

- Non-formula funded changes in the department include the following:
 - Within the Executive Administration allocation, a \$100.0 General Fund increment for programs such as **statewide teacher and principal mentoring, reading instruction and teacher licensure to increase student achievement** is requested.
 - An increment of \$80.0 General Funds would provide funding for a **full-time Special Assistant to the Commissioner** (part-time only in FY05).
 - A fund switch of \$551.1 between Inter-Agency Receipts and General Funds responds to legislative intent language included in the FY05 operating budget bill. This action is meant to **reduce interagency chargebacks** imposed on department divisions enabling them to focus on mission critical programs and services;
 - **Child Nutrition** requests an additional \$2.0 million Federal Receipts to meet increased participation in food programs as well as to meet federal rate increases;
 - Special and Supplemental Services (transferred to a new allocation--Student and School Achievement--in FY06) adds \$40.0 million in Federal Receipts in response to a **significant, unanticipated increase in federal funds** that have been received during the past three years for specific federally-mandated programs as well as for earmarked grants to school districts. (*Legislative Fiscal Analyst Note: RPL 05-05-0655 was approved by the Legislative Budget & Audit Committee on 9/28/04 to correct this problem for FY05.*);
 - **Alaska State Council on the Arts** is increasing \$80.6 (General Funds) for the National Education Association grant match and in support of the silver hand program;
 - **Mt. Edgecumbe Boarding School** has requested a General Fund increment of \$1.0 million for operational increases due to the FY06 completion of **dormitory and classroom expansions** to serve an additional 60-80 students. These funds will support the residential program necessary to provide safe and appropriate services 24 hours a day, 7 days per week, for Mt. Edgecumbe students. The funds will be used for dormitory management, food services, and janitorial services, along with an increase of staff to support the residential program;
 - **EED State Facilities Rent** increased \$170.8 General Funds for lease costs for the Anchorage Talking Book Center Library, the Alaska State Council on the Arts and for the DEED Central Office. Leased space costs will be increasing in FY06 due to market conditions and the need to seek competitive solicitations for space in areas of the state that are currently experiencing a rising demand.
 - **Alaska Library and Museums** has requested \$300.0 General Funds to allow these entities to focus on mission critical programs and services. The increment reverses the impact of the Governor's FY05 veto of \$100.0 GF in Library Operations and \$69.4 GF in Archives.
 - **Alaska Postsecondary Education Commission** includes increases (\$37.2 Federal Receipts, \$725.9 Other Funds) for a variety of purposes such as electronic business services, ETS mainframe services, borrower billing services, outreach services, industry benchmarking, and WICHE dues increase.

Legislative Fiscal Analyst Comment: The school debt reimbursement program is discussed in a separate section of this overview that addresses all state debt.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

ORGANIZATIONAL CHANGES

The only organizational and structural change for FY06 in the Department of Education and Early Development is the consolidation of two allocations—Special & Supplemental Services and Quality Schools--into a new allocation Student and School Achievement within the Teaching and Learning Support Appropriation.

Legislative Fiscal Analyst Comment: The intent of the department is to zero out Special & Supplemental Services and Quality Schools and transfer all funds to Student and School Achievement, but as the FY05 Windfall information/column was generated, there appear to be small transactions for FY06 Retirement Systems Cost Increases that were “left behind.” This will need to be fixed during the subcommittee process.

The only position change from FY05 management plan to the FY06 budget submission is the switching of the Special Assistant to the Commissioner from a part-time to a full-time position.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Education and Early Development Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|------------------------------------|------------------|---------------------|-----------------|--------------------|
| FY05 Conference Committee | 23,432.5 | 150,865.8 | 18,170.5 | 192,468.8 |
| Veto | (179.4) | | | (179.4) |
| Fiscal Note | 520.1 | 120.0 | | 640.1 |
| Re-appropriation | 225.0 | | | 225.0 |
| Special appropriation | 805,382.3 | 20,791.0 | 11,947.3 | 838,120.6 |
| Agency transfer in | 1,135.6 | | | 1,135.6 |
| Multi Year | | | 40.1 | 40.1 |
| FY05 Authorized | 830,516.1 | 171,776.8 | 30,157.9 | 1,032,450.8 |
| FY05 Management Plan | 830,516.1 | 171,776.8 | 30,157.9 | 1,032,450.8 |
| One time item | (1,785.1) | | (40.1) | (1,825.2) |
| Salary adjustment | 237.0 | 195.3 | 247.7 | 680.0 |
| Agency transfer out | (7.0) | | | (7.0) |
| Transfer in | 5,644.3 | 155,460.3 | 1,676.8 | 162,781.4 |
| Transfer out | (5,644.3) | (155,460.3) | (1,676.8) | (162,781.4) |
| FY06 Adjusted Base | 828,961.0 | 171,972.1 | 30,365.5 | 1,031,298.6 |
| Special appropriation | 792,365.6 | 20,791.0 | 11,947.3 | 825,103.9 |
| Funding Change | 551.1 | | (551.1) | 0.0 |
| Increment | 2,819.2 | 42,000.0 | 749.0 | 45,568.2 |
| Decrement | (805,536.1) | (20,873.8) | (11,947.3) | (838,357.2) |
| FY06 Governor + K12 Request | 819,160.8 | 213,889.3 | 30,563.4 | 1,063,613.5 |

| Position Summary | PFT | PPT | Tmp |
|------------------------------------|------------|-----------|----------|
| FY05 Authorized | 294 | 34 | 0 |
| FY06 Governor + K12 Request | 295 | 36 | 0 |
| Net Change | 1 | 2 | 0 |

| | | | | |
|--------------------------------------|------------|------------|-----------------|-----------------|
| FY06 Governor Capital Request | 0.0 | 0.0 | 30,252.1 | 30,252.1 |
|--------------------------------------|------------|------------|-----------------|-----------------|

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Environmental Conservation

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

- development and enforcement of standards for protection of the environment that allow for sustainable economic growth;
- controls and enforcement for the prevention and abatement of pollution to the environment; and
- controls and enforcement to protect citizens from unsafe sanitary practices.

SIGNIFICANT ISSUES

- The FY06 Governor's Request is \$927.6 above FY05 Management Plan (increases of \$610.3 General Funds and \$806.7 Federal Receipts; decrease of \$489.4 in Other Funds).
- One of the challenges facing the Department of Environmental Conservation will be to bring the new **Environmental Health Laboratory** on-line with full operational capability. In the new DEC Buildings Maintenance and Operations Appropriation, a new maintenance position plus operating costs for the Laboratory (previously referred to as the seafood and food safety laboratory) are proposed in accordance with Chapter 79, SLA2003 (SB 215). DEC will pay for all utilities and maintenance costs for the new building (\$304.7 General Funds). A decrement (\$18.4 GF) removes DEC's portion of the lease costs for the old Palmer laboratory facility (paid to the Department of Administration through a Reimbursable Services Agreement). The funding will not be required after completion of the new laboratory.
- A **new fish testing program** (\$400.0 Federal Receipts plus 1 new PFT position) is planned in the Laboratory Services allocation for FY06. Half of the funds are earmarked for the Department of Health & Social services to evaluate the contaminant data that is generated by the Fish Tissue Testing in order to develop consumption advice for the general public. Bio-monitoring studies will also be performed to determine the prevalence of toxins and other contaminants that pass from Alaskan fish to consumers.
- In the Food Safety & Sanitation and Laboratory Services allocations, there are increments totaling \$278.7 relating to **seafood monitoring and inspection** (\$211.2 Other Funds) and **seafood testing** (\$37.5 GF, \$30.0 Other Funds). Additional monitoring, inspection, and laboratory testing costs will be funded by increasing seafood and shellfish permit fees. Fees for classification and recertification work will be increased as well, with discounts for growers who choose to personally perform some of the required annual water quality monitoring. Three new PFT positions are included in these requests to aid in testing, surveillance and monitoring.
- Increasing responsibilities in the Office of the State Veterinarian require the addition of a **new Assistant State Veterinarian** (\$96.9 total funds--\$30.0 Federal Receipts and \$66.9 General Funds). Additional duties involving foreign animal disease monitoring and surveillance is the driving force for the request. This position will provide support in all of the animal-related areas as well as aid in developing and revising rules and policy for animal health programs including state and federal laws and rules relating to the livestock industry, and animal health and environmental and public health rules and regulations.
- In conjunction with the Governor's development of **State Oceans Strategies**, a permanent, part-time position (\$48.7 Federal Receipts) within the Office of the Commissioner will assist the Alaska Ocean

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Policy Coordinator established in the Department of Fish and Game. The new DEC position will also work with the many non-governmental organizations operating in Alaska whose mission is predominantly oceans research and programs. According to the department, "the State is not adequately informed or involved in any of these endeavors."

- Beginning in FY06, **regulatory oversight of all Class C Public Water Systems will be eliminated** from the Drinking Water allocation (\$45.6 GF). The FY05 Conference Committee passed a decrement of \$45.9 GF to begin phase-out of the Drinking Water Class C Program. This FY06 decrement eliminates the remaining funding for that program. The Federal Safe Drinking Water Act requires all water systems serving more than 25 people per day to comply with federal drinking water standards. DEC had also been regulating water systems that serve less than 25 people per day from more than a single family or duplex home (Class C systems). There are approximately 1,746 identified Class C systems serving 32,000 people. In the past, DEC has required owners and operators of Class C water systems to register with the state and submit construction and operation plans for approval. It is this registration and plan approval process that will be eliminated.
- Within the Contaminated Sites Program and Information and Administrative Services allocations, **all Underground Storage Tank Revolving Loan Fund Authority is eliminated** because financial assistance activities for underground storage tanks have been completed (\$884.8 Other Funds). No requests for loans have been received and no more grants will be issued. This total reduction also includes an administrative support decrease commensurate with the elimination of these financial assistance activities.

ORGANIZATIONAL CHANGES

- The only organizational and structural change in the Department of Environmental Conservation's FY06 budget is the addition of a new appropriation/allocation for DEC Buildings Maintenance & Operations.
- Also, although not a change, it is noteworthy that the Governor's Results Delivery Unit (RDU) structure does not match the operating bill. The agency's detail books reflect an additional RDU for Air Quality comprised of Air Director and Air Quality components. In the operating bill, these are allocations under the Environmental Health appropriation.

Position changes from FY05 management plan include the addition of eleven permanent, full-time positions and one permanent, part-time position.

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Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Environmental Conservation Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|------------------------------------|------------------|---------------------|-----------------|-----------------|
| FY05 Conference Committee | 11,544.5 | 16,428.6 | 25,174.4 | 53,147.5 |
| Veto | (20.8) | | | (20.8) |
| Fiscal Note | 254.8 | 235.0 | 210.7 | 700.5 |
| Agency transfer in | 1,156.3 | | | 1,156.3 |
| FY05 Authorized | 12,934.8 | 16,663.6 | 25,385.1 | 54,983.5 |
| Transfer in | 80.9 | 444.2 | 34.5 | 559.6 |
| Transfer out | (80.9) | (444.2) | (34.5) | (559.6) |
| FY05 Management Plan | 12,934.8 | 16,663.6 | 25,385.1 | 54,983.5 |
| One time item | (24.1) | | (81.8) | (105.9) |
| Salary adjustment | 289.3 | 336.5 | 611.9 | 1,237.7 |
| Agency transfer out | | | (32.5) | (32.5) |
| Transfer in | | 100.0 | 144.0 | 244.0 |
| Transfer out | | (100.0) | (144.0) | (244.0) |
| FY06 Adjusted Base | 13,200.0 | 17,000.1 | 25,882.7 | 56,082.8 |
| Funding Change | | | | 0.0 |
| Increment | 409.1 | 478.7 | 582.3 | 1,470.1 |
| Decrement | (64.0) | (8.5) | (1,569.3) | (1,641.8) |
| FY06 Governor + K12 Request | 13,545.1 | 17,470.3 | 24,895.7 | 55,911.1 |

| Position Summary | PFT | PPT | Tmp |
|------------------------------------|------------|------------|----------|
| FY05 Authorized | 470 | 5 | 4 |
| FY06 Governor + K12 Request | 484 | 3 | 4 |
| Net Change | 14 | (2) | 0 |

| | | | | |
|--------------------------------------|-----------------|-----------------|----------------|-----------------|
| FY06 Governor Capital Request | 18,158.8 | 67,726.6 | 8,999.6 | 94,885.0 |
|--------------------------------------|-----------------|-----------------|----------------|-----------------|

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 ISSUES

The Governor's FY06 budget contains general fund increases of almost \$2.9 million from the FY05 Management Plan [this is \$4 million more than he requested in FY05--\$2.9 million of GF & 1.1 million of Commercial Fisheries Revolving Loan Funds (CFRLF)]. Salary increases, which are included in every agency, are responsible for about half of the general fund increases (\$1.4 million) while the remaining \$1.4 million is requested for other purposes.

Last year (FY05) the Governor proposed cutting almost \$1 million in general funds and intended to make the agency absorb more than \$1 million in increased PERS costs (effectively cutting the department by \$2 million). The legislature chose not to have the Agency absorb the PERS costs so added about \$1.1 million of CFRLF.

- The Commercial Fisheries Division is requesting two increments totaling \$900,000 for projects in the Central Region.
 - An increment of \$400,000 in general funds is being requested in the Central Region Fisheries Management allocation to fund a **project to help validate sonar counts** of sockeye salmon passing upstream in the Kenai, Yentna and Copper Rivers.
 - The Fisheries Development allocation is requesting an increment of \$500,000 in general funds to implement two large-scale **genetic stock identification projects** in the Upper Cook Inlet and Bristol Bay.
- Although the request for **Test Fisheries Receipts** is identical to the FY05 Management Plan, expenditures based upon estimated revenues are expected to be higher in FY05 & FY06 than in previous years. Test Fisheries Receipts are spent to support operations in the Commercial Fisheries Division. Historically, expenditures of test fisheries receipts have been much lower than the authorized amounts. For instance, the FY05 budget contains \$2.5 million of Test Fisheries Receipt authority, which is \$769,000 above the FY04 actual expenditures. In FY05, the anticipated expenditures and revenues total \$2.4 million--an increase of more than \$668,000 over FY04 actual expenditures.
- The Sport Fisheries Division is requesting an increment of \$1.2 million in SDPR in order to have sufficient expenditure authority for **several projects it will be doing for the Nature Conservancy and the Cook Inlet Regional Citizens Advisory Council**.
- Because the Wildlife Conservation Division has **insufficient Fish & Game Fund revenue** to cover its appropriations, decrements totaling \$440,700 are being requested and, for the first time in years, general funds are being requested in this budget (\$424,600 for salary adjustments). The requested decrements in Fish and Game Funds and the request for general funds were expected. Including the

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

operating costs for the Fairbanks and Juneau shooting ranges has exacerbated the imbalance between the revenue stream and expenditures (which have increased over the years).

- The Administration and Support appropriation is requesting \$933,600 more in general funds. While \$162,100 of this funding is for salary adjustments, the following increments are requested.
 - The State Subsistence allocation is requesting \$400,000 more in general funds to focus on current research and **update databases important for providing information for subsistence management** and other hunting and fishing opportunities.
 - The Commissioner's Office is requesting \$100,000 in general funds in response to Administrative Order 223 establishing the position of **Alaska Ocean Policy Coordinator** to recommend to and coordinate with the Ocean Policy Cabinet, and other state agencies, state policies for ocean research and management in Alaska.
 - Administrative Services is requesting \$224,100 more in general funds due to increased costs from the consolidation of **human resources services**.
 - Board of Fisheries and Game is requesting \$100,000 in general funds. A portion of this increase is necessary to maintain what is being done (\$10,000) and the remainder will be used to enable the two boards to resume **meetings in regions and communities outside of Juneau, Anchorage and Fairbanks**.

ORGANIZATIONAL CHANGES

There are no significant structural changes in this agency.

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Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Fish and Game Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|------------------------------------|------------------|---------------------|-----------------|------------------|
| FY05 Conference Committee | 26,194.0 | 56,971.2 | 57,147.0 | 140,312.2 |
| Veto | (27.0) | | | (27.0) |
| Fiscal Note | | | 345.6 | 345.6 |
| Re-appropriation | 172.6 | | | 172.6 |
| Agency transfer in | 2,044.1 | | | 2,044.1 |
| Multi Year | 188.0 | | | 188.0 |
| FY05 Authorized | 28,571.7 | 56,971.2 | 57,492.6 | 143,035.5 |
| Transfer in | 185.0 | 120.0 | 200.0 | 505.0 |
| Transfer out | (185.0) | (120.0) | (200.0) | (505.0) |
| FY05 Management Plan | 28,571.7 | 56,971.2 | 57,492.6 | 143,035.5 |
| One time item | (360.6) | | (12.3) | (372.9) |
| Salary adjustment | 1,401.2 | 1,114.8 | 632.3 | 3,148.3 |
| Transfer in | 78.0 | 1,451.2 | 2,780.1 | 4,309.3 |
| Transfer out | (78.0) | (1,451.2) | (2,780.1) | (4,309.3) |
| FY06 Adjusted Base | 29,612.3 | 58,086.0 | 58,112.6 | 145,810.9 |
| Funding Change | | | | 0.0 |
| Increment | 1,844.1 | 1,163.6 | 3,219.1 | 6,226.8 |
| Decrement | | | (743.8) | (743.8) |
| FY06 Governor + K12 Request | 31,456.4 | 59,249.6 | 60,587.9 | 151,293.9 |

| Position Summary | PFT | PPT | Tmp |
|------------------------------------|------------|------------|------------|
| FY05 Authorized | 849 | 825 | 108 |
| FY06 Governor + K12 Request | 850 | 816 | 100 |
| Net Change | 1 | (9) | (8) |

| | | | | |
|--|--------------|----------------|----------------|----------------|
| FY06 Governor's Capital Request | 212.7 | 1,810.0 | 2,197.0 | 4,219.7 |
|--|--------------|----------------|----------------|----------------|

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Office of the Governor

The Governor's Office is responsible for the operation of the executive branch of Alaska State government, with fiscal and policy duties conferred by the Alaska Constitution and statutes.

SIGNIFICANT ISSUES

The Governor's request reveals no significant changes in policy. All FY05 funding appropriated on a one-time basis was removed from the FY06 budget, including:

- \$1.5 million in contingency funds;
- \$1 million for resource development and marketing;
- \$2.4 million for general elections; and
- a total of about \$800.0 for other items.

In addition, a \$96.0 grant for the **World Trade Center** and \$83.0 in CIP funding are deleted. When netted against the increments listed below, the result is a reduction of \$5.1 million, \$3.4 million of which is general funds.

- **Two new commissions**—the Statehood Celebration Commission and the Commemorative Coin Commission—approved by legislation add \$133.7 to the budget.
- **Increased lease costs** in Elections and the Human Rights Commission add \$130.9 to the budget.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Office of the Governor Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|------------------------------------|------------------|---------------------|----------------|-----------------|
| FY05 Conference Committee | 17,538.8 | 155.3 | 1,076.1 | 18,770.2 |
| Veto | (193.0) | | | (193.0) |
| Fiscal Note | (9.5) | | 442.8 | 433.3 |
| Re-appropriation | 1,571.0 | | 229.7 | 1,800.7 |
| Agency transfer in | 167.7 | | | 167.7 |
| Multi Year | | | 950.0 | 950.0 |
| FY05 Authorized | 19,075.0 | 155.3 | 2,698.6 | 21,928.9 |
| One time item | (3,966.6) | | (1,622.5) | (5,589.1) |
| Salary adjustment | 127.5 | 1.3 | 5.6 | 134.4 |
| Agency transfer out | (153.9) | | | (153.9) |
| Transfer in | 167.7 | | | 167.7 |
| Transfer out | (167.7) | | | (167.7) |
| FY05 Management Plan | 19,075.0 | 155.3 | 2,698.6 | 21,928.9 |
| FY06 Adjusted Base | 15,082.0 | 156.6 | 1,081.7 | 16,320.3 |
| Increment | 264.6 | | | 264.6 |
| Decrement | | | (179.0) | (179.0) |
| FY06 Governor + K12 Request | 15,346.6 | 156.6 | 902.7 | 16,405.9 |

| Position Summary | PFT | PPT | Tmp |
|------------------------------------|------------|------------|-------------|
| FY05 Authorized | 147 | 1 | 39 |
| FY06 Governor + K12 Request | 147 | 2 | 17 |
| Net Change | 0 | 1 | (22) |

| | | | | |
|--|--------------|-----------------|----------------|-----------------|
| FY06 Governor's Capital Request | 100.0 | 26,000.0 | 1,092.0 | 27,192.0 |
|--|--------------|-----------------|----------------|-----------------|

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Health & Social Services

The Department of Health and Social Services promotes and protects the health and well being of Alaskans through the following core services:

- Providing quality assisted living in a safe environment;
- Providing an integrated behavioral health system;
- Promoting stronger families and safer children;
- Managing health care coverage;
- Encouraging self-sufficiency and providing basic living expenses for Alaskans in need;
- Addressing juvenile crime by promoting accountability, public safety and skill development;
- Promoting independence of Alaska seniors and people with physical developmental disabilities; and
- Providing quality administrative services supporting the Department's mission.

SIGNIFICANT ISSUES

Legislative Fiscal Analyst Comment: The department continues its practice of transferring funding and/or positions without a transfer of program responsibilities. In order to help the legislature make more informed decisions, Legislative Finance presents these transfers in the Governor's request column rather than as changes to the base budget.

- The Governor's FY06 request for the Department of Health and Social Services is \$134.5 million above the FY05 total funding level. The net change includes increases in general funds of approximately \$86.3 million dollars and \$54.5 million in federal funds, and a decrease in other funds of \$6.3 million.
- Medicaid Program net increases total \$105,550.9 across all Medicaid allocations and all funding sources from FY05.
- **Medicaid growth** increments (\$93,631.8: GFM \$46,120.4; Federal \$47,511.4) are attributable to increases in the number of clients and costs. Average growth over the past five years for Behavioral Health Medicaid Services and Health Care Medicaid Services is 14%, and Senior and Disabilities Services Medicaid costs grew an average of 18%. Supplemental appropriations for Medicaid are historically large, and efforts to improve projections do not appear to be effective.
- The **Federal Medical Assistance Percentage** (FMAP, which is the portion of Medicaid claims paid by the federal government) **is scheduled to be reduced** in October 2005 from 57.59% to 50.16%. The change would increase general funding spending by Alaska by an estimated \$52 million dollars in FY06. This amount is excluded from the Governor's FY06 request.
- **Medicaid cost containment measures** (\$36,400.4: GFM \$16,405.8; Federal \$19,994.6) imposed in the FY05 budget were not fully realized and an increment is requested. In FY05 the agency introduced an aggressive cost containment effort intended to reduce general fund spending by approximately \$24 million. About \$8 million in spending reductions were achieved. Although the agency continues its work on cost containment and efficiencies, many of the cost containment measures have not been fully implemented due to provider complaints and/or administrative delays. The legislature could also expect to also see a supplemental request to replace some or all of the

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

FY05 unrealized saving from unsuccessful refinancing efforts (totaling nearly \$20 million) and efficiency efforts (nearly \$23 million).

- A **Drug Assistance Program Expansion** increment (\$5,347.1: \$5,351.2 General Fund Match; -\$4.1 Federal) would help cover Medicare Part A (inpatient services) and B (outpatient services) premium increases for dual-eligibles (people eligible for both Medicaid and Medicare). In FY05 the legislature passed HB 374, creating the Senior Care program that began offering Alaskan seniors bridge assistance until the new Medicare drug benefit begins in 2006. The Medicare Prescription Drug Improvement and Modernization Act of 2003 create a new Medicare Part D prescription drug benefit available to all Medicare beneficiaries, effective January 1, 2006. Medicare recipients who qualify for Medicaid will no longer be eligible to receive prescription drug coverage through Medicaid resulting in a decrease in the state's direct spending on drugs for dual eligibles. However, savings are negated through the Act's clawback measure, a provision of the new law requiring states to pay the savings back to the federal government based on a formula intended to estimate the savings. States will be required to pay 90% of this estimated savings the first year and eventually phase down to 75% in 10 years. This increment estimates the FY06 phase down payment, or savings that the state will repay the federal government, for a six month period beginning January 1, 2006.
- An increment for **Breast and Cervical Health Care** (\$1,800.0 General Funds) replaces the Center for Disease Control (CDC) federal funding of \$500.0, and expands the program services such as screening, diagnostics and outreach. Four full-time and one part-time position are included.
- The agency requests an increment for Alaska's participation in a project for a **Payment Error Rate Measurement (PERM) Program** (\$1,783.9: GFM \$892.0; Federal \$891.9). In October 2005, the Centers for Medicare and Medicaid Services (CMS) will implement a mandatory program for all states to measure the error rate of a random sample for the Medicaid program (similar to the Food Stamp Program error rate). During December, the agency requested an RPL to participate in a PERM pilot project (RPL 06-5-0169 \$200.0 federal funds) as they move toward mandatory program implementation. A nationwide error rate will be determined and states with high error rates will likely be penalized. Several states have expressed great concern about the cost of this program, part of which will be paid by the states. The impact on Alaska is unclear at this point in time.
- **Private hospital Pro-Share payments** (totaling approximately \$35.8 million) that were previously deferred were released by the U.S Department of Health and Human Services in October. Additionally, the state will make additional claims for the current fiscal year providing an estimated \$24.5 million in federal funding.
- **Fair-Share Program Status.** The Fair-Share Program introduced in FY03 proposed a program extension of the Hospital ProShare Program to Tribal hospitals, which were not excluded from federal regulations restricting ProShare from community hospitals. Currently the case has been appealed and there is no final decision date in sight.
- An increment for **Front Line Social Worker Expansion** and Title IV-E Foster Care Realignment adds \$3,028.1 (General Funds \$830.5; Federal \$2,197.6) and 31 full-time positions. As a result of the federal Child and Family Services Review completed in September 2002, the agency submitted and began implementing a Program Improvement Plan (PIP) the following year. Implementing the PIP has resulted in the need for 31 additional positions: 10-to perform home studies, 2-to supervise home study workers, 3-to enhance recruitment and retention of foster families, 11-to perform intake, investigations, follow-up and ongoing case management, and 5-to serve as business experts and liaisons to all users of ORCA (Online Resource for the Children of Alaska) system. In addition, to enhance staff retention, the agency will pay the licensing fees (\$500 per license for two-year period) to ensure licensure credentials are current for front-line workers, supervisors, and management staff.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Legislative Fiscal Analyst Comment: In FY05, the legislature authorized a total of 26 new full time positions: 20 social workers, 4 independent living specialists, and 2 quality assurance positions. To date, the agency has filled all but 7 of the social worker positions.

- Online Resource for Children of Alaska (ORCA) increments total \$1,547.5 (GFM \$821.5; Federal \$726.0).
- **Bring the Kids Home** increments total \$2.5 million; \$409.0 federal receipts from Behavioral Health Medicaid Services and nearly \$2.1 million MHTAAR from Severely Emotionally Disturbed Youth. Bring the Kids Home is an attempt to return children from behavioral health care in out-of-state residential facilities to in-state or community-based care facilities. Challenges surrounding this initiative involve finding qualified and available staff and facilities while a moratorium on final actions on all pending and new Certificate of Need (CON) applications for facilities are in place.
- **Behavioral Health Substance Abuse** increments total \$2 million. An increment in the Fetal Alcohol Syndrome Program replaces federal funding of \$1,096 (\$596.0 general funds and \$500.0 I/A receipts) to continue the FASD diagnostic team and community based prevention, and increments in Behavioral Health Grants of \$1.5 million I/A receipts are to keep kids alcohol-free and to implement statewide multimedia education campaigns. The inter-agency (I/A) receipts will be funded by the TANF (Temporary Assistance for Needy Families) high performance bonus award. See TANF High Performance Bonus discussion below.
- Tobacco Use Education and Cessation Fund is budgeting nearly \$1 million over FY05 management plan. Increased funding is budgeted in anticipation of higher revenues resulting from the higher tobacco tax taking effect at the beginning of 2005, as well as approximately \$1.4 million carry forward.
- Alcohol and Other Drug Abuse Treatment and Prevention Fund appropriations remain unchanged since FY05. Funding is intended to provide continued/conservative funding at the FY05 level based on the agency's forecast of receipts. The fund balance of approximately \$3.7 million carries forward to FY06.
- A **Public Assistance (PA) Administration** increment reflects a \$3,180.0 (federal funds) TANF High Performance Bonus Award. Alaska received a TANF bonus award for achievement of program objectives. The agency plans to distribute this bonus as I/A receipts to the following allocations: Women Children and Family Health \$480.0, BH Grants \$1,500.0, AK Fetal Alcohol Syndrome \$500.0, and the Governor's Advisory Council on Faith-Based and Community Initiatives \$105.0. The remaining \$595.0 remains in PA Administration.

Legislative Fiscal Analyst Comment: The agency has received a similar performance bonus award in FY02-FY04. In FY05 the legislature authorized the use of this \$3,180.0 bonus award and the agency used the federal funding to reduce the state's share or maintenance-of-effort (MOE) from 80% of historic expenditures to 75%, resulting in a MOE floor change from \$44 million of general fund match (GFM) to \$41.1 million GFM, and to reduce Adult Public Assistance by \$900.0 general funds. However, this 75% MOE is contingent upon meeting the work participation rates for a two parent family. If the work participation rate is not met, the agency may incur a penalty.

- A **Probation Services Juvenile Crime** increment adds \$1,070.0 general funds and 11 full-time positions. This funding provides for additional efforts in the areas of public safety, juvenile accountability, and victim services to address juvenile crime. Funding for Youth Courts was transferred here.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

ORGANIZATIONAL CHANGES

- Juvenile Justice Appropriation: removed prior year funding from Youth Courts allocation, but the agency will continue to report activities related specifically to Youth Courts.
- Public Assistance Appropriation: established a new allocation called Senior Care based on the passage of legislation during the previous legislative session (HB 374).
- Public Health Appropriation: established a new allocation called Women, Children and Family Health through transfers across various appropriations and allocations agency-wide.
- Seniors and Disabilities Services Appropriation: established a new allocation called Senior Community Based Grants by transferring funding from the allocations of Nutrition, Transportation and Support Services and Home & Community Based Care.
- Departmental Support Services Appropriation: moved prior year funding from Audit to Administrative Support Services allocation.
- Boards and Commissions Appropriation: established the Governor's Advisory Council on Faith-Based and Community Initiatives that will advise the Governor on policies and practices to increase the contributions and support building between faith, community and governmental entities.
- Renamed Protection, Community Services, and Administration to Protection and Community Services.

Position changes from FY05 management plan include the addition of 102 full-time positions.

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Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Health and Social Services Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|--|------------------|---------------------|------------------|--------------------|
| FY05 Conference Committee | 527,159.9 | 935,247.8 | 197,580.5 | 1,659,988.2 |
| Veto | (110.7) | | | (110.7) |
| Fiscal Note | 69.4 | (25.1) | 14,908.0 | 14,952.3 |
| Re-appropriation | 268.2 | | | 268.2 |
| Agency transfer in | 3,164.6 | | | 3,164.6 |
| FY05 Authorized | 530,551.4 | 935,222.7 | 212,488.5 | 1,678,262.6 |
| Transfer in | 839.2 | 2,549.8 | 1,789.8 | 5,178.8 |
| Transfer out | (839.2) | (2,549.8) | (1,789.8) | (5,178.8) |
| FY05 Management Plan | 530,551.4 | 935,222.7 | 212,488.5 | 1,678,262.6 |
| One time item | (318.2) | | (7,171.4) | (7,489.6) |
| Salary adjustment | 5,649.7 | 1,599.2 | 95.9 | 7,344.8 |
| Agency transfer in | 162.5 | | | 162.5 |
| Increment | | | 50.0 | 50.0 |
| FY06 Adjusted Base | 536,045.4 | 936,821.9 | 205,463.0 | 1,678,330.3 |
| Transfer in | 21,141.1 | 38,764.6 | 3,586.2 | 63,491.9 |
| Transfer out | (21,141.1) | (38,764.6) | (3,586.2) | (63,491.9) |
| Funding Change | (25.0) | (1,482.4) | 1,507.4 | 0.0 |
| Increment | 80,942.1 | 79,701.1 | 12,561.4 | 173,204.6 |
| Decrement | (143.6) | (25,283.9) | (13,387.3) | (38,814.8) |
| FY06 Governor + K12 Request | 616,818.9 | 989,756.7 | 206,144.5 | 1,812,720.1 |
| <hr/> | | | | |
| Position Summary | | PFT | PPT | Tmp |
| FY05 Authorized | | 3,027 | 101 | 128 |
| FY06 Governor + K12 Request | | 3,178 | 107 | 186 |
| Net Change | | 151 | 6 | 58 |
| <hr/> | | | | |
| FY06 Governor's Capital Request | 4,233.0 | 28,352.4 | 36,808.1 | 69,393.5 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Labor and Workforce Development

The Department of Labor and Workforce Development is responsible for providing safe and legal working conditions and advancing employment opportunities through the following core services:

- Resolving disputes between organized labor and public employers;
- Administering programs and funds for workers' compensation, second injury, fishermen's fund, and unemployment insurance;
- Providing labor standards and safety programs;
- Providing employment services including job centers, job referral and training, vocational rehabilitation, and vocational technical education; and
- Providing information on the current condition of the state's labor market and economy.

SIGNIFICANT CHANGES

- The Governor's FY06 request for the Department of Labor and Workforce Development is approximately \$3.3 million below the FY05 total funding level. The net change includes increases of \$1.3 million general funds and \$1.6 million in other funds, and a reduction in federal funds of \$6.2 million.
- The Governor's **Jobs Are Alaska's Future Initiative** will cost the agency \$250.0 General Funds and will be the agency's highest priority during the next two years. This initiative will include various services and activities associated with promoting Alaska hire. Last November, the Governor launched Alaska Hire with the goal of 90% or more resident hire in the state's major economic categories. This year's Jobs strategy involves "linking private sector investors with public-sector opportunities." The agency's focus includes job training for youth, ensuring Alaska businesses hire Alaskans, and aggressive outreach to employers. This Jobs strategy will be a challenge with the continued reductions of funding and training programs at the federal level.
- The **Alaska Vocational Technical Center** has an increment of \$525.0 General Funds. This increment would fund a second Licensed Practical Nurse (LPN) program to meet industry demand. Classes are to be conducted at a satellite location in Anchorage in order to minimize costs.
- Approximately \$3.4 million of **Reed Act federal funds replace grant funds for operation of employment assistance programs, including those for veterans and for operation of the unemployment insurance federal program** in the Employment and Training Services and Unemployment Insurance allocations. These funds are from an \$8 billion distribution made to states' accounts in the Unemployment Trust Fund on March 13, 2002. Alaska's distribution was approximately \$14.8 million; \$7.5 million of this \$14.8 million has been used to fill holes in federal funding and Alaska expects to use \$3.4 million in FY06. Reed Act funds, in addition to paying benefits, are restricted to supporting operations of the Employment and Training and Unemployment Insurance programs, and require specific appropriation by the legislature to be used [TEUCA (Temporary Extended Unemployment Compensation Act) of 2002, Section 903 (c)(2), SSA]. The money can also be used to administer the state's UC law and its system of public employment offices. In FY05, reduced federal grant funding was replaced with \$2.1 million of Reed Act federal funding, and this trend continues.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

- **Legislative Fiscal Analyst Comment:** *Although Federal Reed Act funding may be used to fill some future gaps, this source is rapidly being depleted. After FY06 only \$3.9 million will be left. That will last through FY07 at the current rate of consumption. Future Reed Act distributions are uncertain.*
- The agency is **eliminating unrealizable federal receipts** of nearly \$7.8 million in the Workforce Development appropriation. The agency is reducing federal authorization in Employment and Training (\$2.2 million), Unemployment Insurance (\$580.0), Workforce Investment Board (\$84.1), and Business Services (\$5 million) due to reductions in training programs at the federal level and to other unrealizable receipts. These are reductions not offset by federal Reed Act funding.
- The agency requests \$250.0 Federal Funds for **consolidation of shared costs in its Indirect Cost Plan**. This increment will allow shared costs to be more efficiently allocated and monitored. Costs will be billed directly to federal grants, bypassing internal billing. In addition, wordage in various allocations would allow the agency to carry forward any unexpended and unobligated balance of receipts collected from all prior years under the agency's federal indirect cost plan.
- **Legislative Fiscal Analyst Comment:** *The department wants to establish federal authorization in Management Services to identify and implement consolidations of allocated costs, and then determine how much each federal grant will be billed. Once that has been determined, federal reductions can be made to the appropriate program budget allocations. If necessary, reductions will not be made until the FY07 budget. The department prefers to take this approach as the allocated costs will cross appropriation lines, thereby limiting the department's ability to adjust expenditure authorizations if necessary.*
- Labor Market Information (LMI) requests \$190.0 General Funds for 2010 **Census preparation activities**. The component will be the official liaison with the Census Bureau for all Census 2010 projects and will assist in local area geography projects to ensure all data have been identified and integrated into the census. Efforts by LMI assure the equitable distribution of federal program funding and other population based allocations both state and federal.
- Wage & Hour Child Safety program funding was changed from \$337.5 General Funds to \$337.5 Inter-Agency Receipts from the Occupational Safety & Health (OSH) allocation. OSH will use funds from the Workers' Safety Account to support the program. This is appropriate as the Child Safety program is a direct extension of the OSH program but is targeted at workers under 18 years old.
- The Business Services allocation requests \$796.9 of State Training and Employment Program (STEP) authorization to provide additional assistance and training to put Alaskans to work.

ORGANIZATIONAL CHANGES

- The **Office of Citizenship Assistance** was established through legislation (HB 379), with the purpose of providing legal aliens with employment services and information about how labor unions, administrative agencies, and court actions can be used to deal with claims or charges of job discrimination, illegal termination of employment, sexual harassment, and unsafe working conditions. In FY05, the duties of this office were added to those of the Commissioner's Office and the fiscal note was for \$77.0. In FY06, the department created a separate budget allocation and has requested an increase of \$49.2 for full funding.
- A **new allocation called Leasing** was established to transfer funding to tenant agencies from the Department of Administration per the prior year operating budget intent language (HB 375) Ch. 158, SLA 2004, Page 4, Lines 26-29. The Department of Administration transferred nearly \$3 million in general funds for leasing costs. The funds were transferred in two amounts with \$2,821.3 for

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

payment of the actual lease costs and \$148.4 for payment of the cost of lease administration. All transferred funds are for payments made to the Department of Administration.

- Human Resources allocation increased \$131.5 in general funds over FY05, due to increased costs related to the Human Resources consolidation.
- The Southwest Alaska Vocational and Education Center Operations Grant and Yuut Elitnaurviat Inc. People's Learning Center Operations **Grant allocations were established** in the Workforce Development appropriation through legislation (HB123), with the purpose of providing technical and vocational education. A reallocation of receipts, from the Alaska Technical and Vocational Education Program, will provide each allocation with approximately \$205.0.

Position changes from FY05 management plan include the addition of six full-time positions and one part-time position, and removal of two temporary positions.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Labor and Workforce Development Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|--|------------------|---------------------|-----------------|------------------|
| FY05 Conference Committee | 10,809.4 | 98,667.9 | 43,602.1 | 153,079.4 |
| Veto | (5.5) | | | (5.5) |
| Fiscal Note | 77.0 | | 142.0 | 219.0 |
| Agency transfer in | 2,969.7 | | | 2,969.7 |
| Multi Year | | | 1,130.7 | 1,130.7 |
| FY05 Authorized | 13,850.6 | 98,667.9 | 44,874.8 | 157,393.3 |
| Transfer in | | 1,623.2 | | 1,623.2 |
| Transfer out | | (1,623.2) | | (1,623.2) |
| FY05 Management Plan | 13,850.6 | 98,667.9 | 44,874.8 | 157,393.3 |
| One time item | | | (1,130.7) | (1,130.7) |
| Salary adjustment | 189.6 | 1,491.9 | 611.8 | 2,293.3 |
| Agency transfer in | | | 364.3 | 364.3 |
| Transfer in | 77.0 | | | 77.0 |
| Transfer out | (77.0) | | | (77.0) |
| FY06 Adjusted Base | 14,040.2 | 100,159.8 | 44,720.2 | 158,920.2 |
| Funding Change | (337.5) | (233.3) | 570.8 | 0.0 |
| Increment | 1,489.9 | 3,779.4 | 1,982.0 | 7,251.3 |
| Decrement | | (11,274.6) | (837.2) | (12,111.8) |
| FY06 Governor + K12 Request | 15,192.6 | 92,431.3 | 46,435.8 | 154,059.7 |
| <hr/> | | | | |
| Position Summary | | PFT | PPT | Tmp |
| FY05 Authorized | | 874 | 107 | 8 |
| FY06 Governor + K12 Request | | 878 | 108 | 11 |
| Net Change | | 4 | 1 | 3 |
| <hr/> | | | | |
| FY06 Governor's Capital Request | 300.0 | | 5,500.0 | 5,800.0 |

Legislative Fiscal Analyst Overview of the Governor's FY06 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,
- providing legal services for extraordinary proceedings such as oil and gas litigation, and
- advising state agencies in areas of legal concern including promulgating regulations and drafting legislation.

SIGNIFICANT ISSUES

- The Department of Law is once again requesting a significant increase in both positions and general funds to support them. The Governor's general fund request for FY06 is \$2 million (6.4%) over the FY05 Authorized amount (which was a \$2 million increase over FY04). There were 15 positions added to the FY05 budget by the legislature and another 11 added by the department during the FY05 Management Plan. For FY06 the department is requesting an additional 8 positions.
- For FY05 the department requested and received \$1.8 million in general funds for 15 new attorneys. In FY06 the department has several increment requests totaling \$554.6 for "**complete funding for under-funded attorney positions**" and the detail for these increments refers to the positions added by the legislature.

During the FY05 Management Plan process the department added 2 more attorneys and 9 support staff, none of which was requested or funded during the FY05 budget process. There is no reference in the FY06 budget as to how these positions were funded in FY05 or will be funded in FY06. The department decided to partially fund the authorized attorney positions and the internally created staff positions with the FY05 funds. However, **7 full time positions** (3 attorneys, 3 paralegals, 1 investigator) and 1 part time paralegal are requested in FY06 with a total general fund request of \$1.4 million and an average of nearly \$190.0 per position. The total amount appropriated in FY05 for 16 positions (15 attorneys, 1 paralegal) plus the amount requested in FY06 to "complete funding for under-funded attorney positions" equals \$2.5 million or approximately \$155.0 per position. This discrepancy in how the department requests and funds positions will need to be addressed in subcommittee.

- In the Civil Division the Commercial and Fair Business allocation requested a fund change of \$300.0 from statutory designated program receipts (SDPR) to general funds. Legislative Finance split this transaction into an increment and decrement to draw attention to the fact that it substantially increases general funds. SDPR is decreasing due to the **absence of large-dollar consumer protection/antitrust cases on the horizon**. This allocation has also requested \$430.0 general funds to add 1 attorney and 1 investigator (see above discussion concerning positions).

ORGANIZATIONAL CHANGES

There are no significant changes requested.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Law Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|------------------------------------|------------------|---------------------|-----------------|-----------------|
| FY05 Conference Committee | 29,607.2 | 761.0 | 20,578.3 | 50,946.5 |
| Veto | (50.5) | | | (50.5) |
| Fiscal Note | 46.5 | | 384.3 | 430.8 |
| Unallocated reduction | | | | 0.0 |
| Re-appropriation | 572.8 | | | 572.8 |
| Agency transfer in | 1,305.1 | | | 1,305.1 |
| Multi Year | | | 1,409.4 | 1,409.4 |
| FY05 Authorized | 31,481.1 | 761.0 | 22,372.0 | 54,614.1 |
| Transfer in | 139.8 | | 355.3 | 495.1 |
| Transfer out | (139.8) | | (355.3) | (495.1) |
| FY05 Management Plan | 31,481.1 | 761.0 | 22,372.0 | 54,614.1 |
| One time item | (572.8) | | (1,415.9) | (1,988.7) |
| Salary adjustment | 472.7 | 13.3 | 263.2 | 749.2 |
| Transfer in | 265.2 | | 49.9 | 315.1 |
| Transfer out | (265.2) | | (49.9) | (315.1) |
| FY06 Adjusted Base | 31,381.0 | 774.3 | 21,219.3 | 53,374.6 |
| Increment | 2,122.7 | | 557.5 | 2,680.2 |
| Decrement | | (120.0) | (300.0) | (420.0) |
| FY06 Governor + K12 Request | 33,503.7 | 654.3 | 21,476.8 | 55,634.8 |

| | PFT | PPT | Tmp |
|------------------------------------|------------|-----------|----------|
| Position Summary | | | |
| FY05 Authorized | 490 | 9 | 0 |
| FY06 Governor + K12 Request | 508 | 10 | 0 |
| Net Change | 18 | 1 | 0 |

| | | | | |
|--|--------------|--|----------------|----------------|
| FY06 Governor's Capital Request | 250.0 | | 1,000.0 | 1,250.0 |
|--|--------------|--|----------------|----------------|

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Military and Veterans' Affairs

The Department of Military and Veterans' Affairs (DMVA) provides relevant military forces that are fully prepared to mobilize and accomplish military missions, provide homeland defense, and respond to emergency requirements in the state or around the world. The remaining divisions of the department are responsible for

- providing emergency services,
- training for at-risk juveniles,
- coordinating veterans' assistance and programs, and
- providing support to other state and federal agencies in suppressing the use of illegal drugs.

SIGNIFICANT ISSUES

- The Governor's general fund request for FY06 is \$2.4 million (26.1%) over the FY05 Authorized amount. There was also an increase in the number of permanent full time positions of 27 (10%) over the FY05 Authorized amount.
- The operational aspect of the **Office of Homeland Security and Emergency Services** has seen little change since FY05. However, the federal funding the state brings in, most of which is pass-through funds, has seen a significant reduction from Federal Fiscal Year (FFY) 04 to FFY05 and the downward trend is expected to continue for FFY06. In FFY04 the department received \$19.6 million from the Office of Domestic Preparedness for planning, training, exercises, and equipment associated with counterterrorism activities. This year the department received \$13.4 million.
- A general fund increment for \$266.0 is requested in the Army Guard Facilities Maintenance allocation for the operational costs of the newly constructed **Juneau Readiness Center**. This is an Army National Guard facility located on the University of Alaska Southeast campus and is scheduled to be fully operational in April 2005.
- Due to an increase to the educational formula fund, the **Alaska Military Youth Academy (AMYA)** has requested an increment of \$551.8 I/A to receive increased formula funding from the Department of Education and Early Development. This is in addition to the \$520.1 the Academy received in FY05 for increased education funding the legislature introduced and passed last session (Ch. 58, SLA 2004). The general funds backing this RSA appear in the budget of the Department of Education and Early Development.
- The **AMYA** has also requested a general fund increment of \$885.0 for the expansion of an additional platoon to support the **increased enrollment**. This would be the fourth platoon supporting sixty cadets annually and include one platoon leader, seven team leaders, two coordinators and general overhead such as food, clothing, bedding and transportation.
- There is a total of \$182.0 general funds requested for **educational and retirement benefits for guardsmen** including a new Project Assistant to administer the educational program.

ORGANIZATIONAL CHANGES

In the FY06 request the Alaska Land Mobile Radio Project is transferred from the Department of Administration to DMVA. The appropriation title is Military and Veterans' Affairs and the allocation is Alaska Statewide Emergency Communications.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Military and Veterans Affairs Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|--|------------------|---------------------|----------------|-----------------|
| FY05 Conference Committee | 9,007.8 | 18,825.7 | 7,248.8 | 35,082.3 |
| Veto | (25.0) | | | (25.0) |
| Fiscal Note | | | 520.1 | 520.1 |
| Miscellaneous Adjustment | | | (0.5) | (0.5) |
| Agency transfer in | 193.0 | | | 193.0 |
| FY05 Authorized | 9,175.8 | 18,825.7 | 7,768.4 | 35,769.9 |
| Transfer in | 40.3 | 280.6 | 58.1 | 379.0 |
| Transfer out | (40.3) | (280.6) | (58.1) | (379.0) |
| FY05 Management Plan | 9,175.8 | 18,825.7 | 7,768.4 | 35,769.9 |
| Salary adjustment | 320.4 | 290.4 | 48.7 | 659.5 |
| Agency transfer in | | | 32.5 | 32.5 |
| Agency transfer out | (91.8) | | | (91.8) |
| Transfer in | 80.0 | | | 80.0 |
| Transfer out | (80.0) | | | (80.0) |
| FY06 Adjusted Base | 9,404.4 | 19,116.1 | 7,849.6 | 36,370.1 |
| Increment | 2,161.9 | 90.0 | 1,056.9 | 3,308.8 |
| FY06 Governor + K12 Request | 11,566.3 | 19,206.1 | 8,906.5 | 39,678.9 |
| <hr/> | | | | |
| Position Summary | | PFT | PPT | Tmp |
| FY05 Authorized | | 259 | 5 | 1 |
| FY06 Governor + K12 Request | | 286 | 4 | 4 |
| Net Change | | 27 | (1) | 3 |
| <hr/> | | | | |
| FY06 Governor's Capital Request | 550.0 | 35,714.5 | 3,776.9 | 40,041.4 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Natural Resources

The Department of Natural Resources develops, conserves, and maximizes the use of Alaska's natural resources consistent with public interest by providing the following core services:

- oil and gas development;
- land, water, and habitat management;
- forestry and parks management and development;
- fire preparedness and suppression; and
- agriculture development and revolving loan fund administration.

SIGNIFICANT ISSUES

- The Governor's FY06 request for the Department of Natural Resources is \$317.1 below the FY05 total funding level. The net change includes decreases in general funds of \$347.5 and federal funds (\$633.1 million) and a \$663.5 increase in other funds.
- A \$978.5 general funds increment for **Oil and Gas Development-Gas line commercialization and expanding investment in exploration** adds four full-time positions. As the State works toward construction of a gas line, the agency is experiencing a workload increase in the commercial section. By creating and disseminating geological data, the state hopes to attract new companies to the state (such as those exploring Cook Inlet and the North Slope Foothills) and encourage new exploration in areas like the Kenai Peninsula. This increment provides full funding for oil and gas workload and staff, including a petroleum geologist, commercial analyst, microcomputer technician, and accounting technician.
- Nearly \$1.4 million of federal funds for the **Alaska Coastal Management Program** was moved to the capital budget. Better accounting of the grants will continue across several fiscal years by reestablishing these funds using pass-through grants,
- A \$349.9 general fund increment for Claims, Permits and Leases adds five full-time positions. This increment funds **general mine permitting and management** through improving the quality of technical reviews (both placer and hard rock mining projects), the permit and plan approval process, and documentation of the General Mine Permitting Program's regulatory oversight of the mining industry. There will be additional geologists based in Anchorage and Fairbanks, and a mining engineer associate based in Fairbanks. With the addition of an administrative clerk and accounting technician, there will be more accurate and timely statewide filings and billings for mining activities. This will provide increased capacity to conduct audits and process penalties/cures for abandonment, resulting in increased revenues from mining.
- Capital Improvement Project Receipts show a net increase of nearly \$1 million since FY05. The **Parks and Recreation Access** allocation is not filling six full-time vacant positions due to reduced funding for highway projects through the Department of Transportation. CIP funding for highway projects is trending downward, and each year positions have not been filled once vacated, so the agency is decrementing \$630.0 CIP receipts and deleting six full-time vacant positions.
- In the Resource Development appropriation there are increments in the Gas Pipeline Office (\$483.8) for costs related to the **gas line development**, and Title Acquisition and Defense (\$730.0) for costs related to a **Bureau of Land Management DLM 2009 conveyance project** that is expected to result

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

in the state receiving approximately 10-12 million acres still owed to the state under the Statehood Act.

- A transaction removing \$1,270.7 in Permanent Fund Corporation Receipts appropriated for Gas Pipeline risk analysis and right-of-way application [Ch. 159, SLA 2004 (SB 283)] is a technical adjustment only. This funding is still in the budget and will remain in the budget until FY09 (or until it is fully expended). This adjustment simply ensures that funding appropriated in one fiscal year (FY05) is not counted as a FY06 appropriation.
- Use of Receipt Support Services (\$178.3) in Parks and Recreation Access allocation is new in FY06. As with all program receipts, RSS can be used only within the program that collects the receipts (AS 37.05.144).
- *Legislative Fiscal Analyst Comment: The Alaska Boating Safety program is funded with RSS from the Division of Motor Vehicles. Sections 05.25.053 and .096 outline the collection and use of the fees by the agency.*
- The **Fire Suppression** Preparedness allocation had minimal increases over FY05 (approximately 2%) and the Fire Suppression Activity allocation held to FY05 management plan. Given that during the FY05 year Alaska had a huge fire season that affected nearly 7 million acres of land in total, expect to see a **supplemental** of approximately \$40 million dollars.

ORGANIZATIONAL CHANGES

Resource Development Appropriation: A Gas Pipeline Office allocation has five positions (one full-time position and four full-time transferred from Development-Special Projects allocation) and is funded with CIP receipts (\$483.8) and small amount of general funds (\$10.0) to cover salary adjustments. This allocation will continue work related to right-of-way issues and the physical side of the gas pipeline work. Currently, this allocation is budgeted only for existing workload; this allocation may become quite large as the State moves toward construction of the gas line.

Position changes from FY05 management plan include the addition of 18 full-time positions, and removal of two part-time and 14 temporary positions.

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Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Natural Resources Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|--|--------------------------|-----------------------------|------------------------|------------------|
| FY05 Conference Committee | 48,548.8 | 16,206.3 | 40,707.7 | 105,462.8 |
| Veto | (12.0) | | | (12.0) |
| Fiscal Note | 439.1 | | | 439.1 |
| Re-appropriation | | | 582.7 | 582.7 |
| Miscellaneous Adjustment | | | 4.9 | 4.9 |
| Agency transfer in | 828.7 | | | 828.7 |
| Multi Year | 3,800.0 | | 1,370.0 | 5,170.0 |
| FY05 Authorized | 53,604.6 | 16,206.3 | 42,665.3 | 112,476.2 |
| One time item | (4,091.6) | | (1,952.7) | (6,044.3) |
| Salary adjustment | 1,121.6 | 221.1 | 814.3 | 2,157.0 |
| Transfer in | 3,800.0 | | 1,386.0 | 5,186.0 |
| Transfer out | (3,800.0) | | (1,386.0) | (5,186.0) |
| FY06 Adjusted Base | 50,634.6 | 16,427.4 | 41,526.9 | 108,588.9 |
| Funding Change | (0.6) | | 0.6 | 0.0 |
| Increment | 2,623.1 | 572.2 | 3,692.1 | 6,887.4 |
| Decrement | | (1,426.4) | (1,890.8) | (3,317.2) |
| FY06 Governor + K12 Request | 53,257.1 | 15,573.2 | 43,328.8 | 112,159.1 |
| <hr/> | | | | |
| Position Summary | | PFT | PPT | Tmp |
| FY05 Authorized | | 709 | 265 | 103 |
| FY06 Governor + K12 Request | | 740 | 264 | 91 |
| Net Change | | 31 | (1) | (12) |
| <hr/> | | | | |
| FY06 Governor's Capital Request | 2,995.4 | 23,315.5 | 7,653.5 | 33,964.4 |

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

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,
- provides public protection programs for fire and traffic safety, and
- serves as the umbrella agency for the Council on Domestic Violence and Sexual Assault, the Alaska Police Standards Council, and the Alaska Fire Standards Council.

SIGNIFICANT ISSUES

The Governor is continuing to emphasize the need for more public safety by requesting a total general fund increase of \$7.3 million over the FY05 authorized amount (an increase of \$5.6 million over the previous year). Included in this request is \$2.3 million to fund 23 new positions as well as some significant non-personal services requests.

- In order to bolster the 20 new troopers authorized in the FY05 budget the Governor is requesting **8 new troopers, 4 court security officers, 3 positions for a new crime scene investigation team**, and several support staff. Of the 8 troopers requested, 5 are funded using general funds while 3 were added with position adjustment transactions and are actually covered by federal funds.
- There is a general fund request of \$1.4 million in the FY06 budget to **lease a jet for "prisoner transport and other state business."** During FY05 the Department of Public Safety (in conjunction with the Department of Military and Veterans' Affairs) submitted a request to the Office of Homeland Security to use \$2 million in federal Homeland Security funding to purchase a used jet (for approximately 9 passengers) for prisoner transport, homeland security issues, and other state business including use by the Governor's office. The Governor currently has access to two King Air turbo prop aircraft. One of these was to be traded in to help offset the cost of the jet.
- The **Council on Domestic Violence and Sexual Assault (CDVSA)** requested a **fund change** of \$1,406.7 from federal, inter-agency receipts and Permanent Fund Dividend (PFD) felon funds to general funds in the Governor's request. Legislative Finance replaced that single transaction with increment and decrement transactions to more accurately reflect a decrease of non-state funds and an increase of general funds. Permanent fund dividend felon funds are funds that would have been paid as PFDs to individuals who were ineligible for dividends because of criminal activity. As PFDs have declined, the amount available to the State has also declined. The reduction to the Department of Public Safety from the FY05 amount is \$521.4. CDVSA is reducing their federal authority by \$869.7. The council historically would carryover a portion of their federal funds from year to year even though the funds were eligible to be spent in the previous year. Midway through last year's session the council stated they were approximately \$1.2 million short in their grants line for shelters. The legislature appropriated an additional \$300.0 in general funds and instructed them to use in FY05 the federal funds they had reserved for FY06. It is unclear what, if any new federal grants the council is currently pursuing.
- A \$308.0 general fund increment is requested to cover increased costs of **existing and new office leases** for the trooper detachments. The affected posts are Ketchikan, Palmer, Western Mat-Su Valley, Willow, Talkeetna, Glennallen, Emmonak, Nome, and Iliamna.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

- An increment of \$874.2 (\$517.8 GF; \$356.4 SDPR) is requested to **enhance rural trooper housing** to help in the recruitment and retention of troopers. This will subsidize twenty-eight leased housing units in rural Alaska of which seventeen will be in Bethel. The biggest single reason troopers are reluctant to bid on rural posts is the lack of available adequate housing.
- The department is requesting a total general fund increase of \$482.4 for **increased vehicle, heating, marine, diesel, and aviation fuel costs.**

ORGANIZATIONAL CHANGES

There are no significant changes requested.

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Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Public Safety Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|------------------------------------|------------------|---------------------|-----------------|------------------|
| FY05 Conference Committee | 84,943.1 | 11,914.8 | 18,826.7 | 115,684.6 |
| Veto | (800.5) | (31.6) | (30.9) | (863.0) |
| Fiscal Note | (5.0) | | | (5.0) |
| Agency transfer in | 851.0 | | | 851.0 |
| Multi Year | | 413.4 | | 413.4 |
| FY05 Authorized | 84,988.6 | 12,296.6 | 18,795.8 | 116,081.0 |
| Transfer in | 1,123.7 | | 280.0 | 1,403.7 |
| Transfer out | (1,123.7) | | (280.0) | (1,403.7) |
| FY05 Management Plan | 84,988.6 | 12,296.6 | 18,795.8 | 116,081.0 |
| One time item | | (413.4) | | (413.4) |
| Salary adjustment | 826.5 | 16.4 | 115.9 | 958.8 |
| Agency transfer out | (39.7) | | | (39.7) |
| Transfer in | 393.3 | | 5.5 | 398.8 |
| Transfer out | (393.3) | | (5.5) | (398.8) |
| FY06 Adjusted Base | 85,775.4 | 11,899.6 | 18,911.7 | 116,586.7 |
| Increment | 6,462.6 | 755.0 | 1,221.2 | 8,438.8 |
| Decrement | | (869.7) | (872.2) | (1,741.9) |
| FY06 Governor + K12 Request | 92,238.0 | 11,784.9 | 19,260.7 | 123,283.6 |

| Position Summary | PFT | PPT | Tmp |
|------------------------------------|------------|------------|-----------|
| FY05 Authorized | 771 | 20 | 11 |
| FY06 Governor + K12 Request | 795 | 19 | 11 |
| Net Change | 24 | (1) | 0 |

| | | | | |
|--|--------------|----------------|-----------------|-----------------|
| FY06 Governor's Capital Request | 300.0 | 6,765.0 | 11,652.0 | 18,717.0 |
|--|--------------|----------------|-----------------|-----------------|

Legislative Fiscal Analyst Overview of the Governor's FY06 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; and
- administration of the Permanent Fund Dividend Program, the Shared Taxes Program, and Child Support Services 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 Natural Gas Development Authority; and
- the Alaska State Pension Investment Board.

SIGNIFICANT ISSUES

The Governor's request for FY06 is 3% greater than FY05 Authorization, totaling just over \$174.7 million.

- Two significant increases occur in the Tax Division.
 - An increment of \$778.9 of general funds would support 6 permanent full time audit and enforcement staff for **tobacco tax compliance**. This need was identified in the fiscal note attached to SB 1001 last year which increased the tax on tobacco and implemented the cigarette tax stamp program. SB 1001 also identified a fiscal impact for FY05 that was not funded (due to the unavailability of an appropriation bill). The cigarette tax increase phases in starting January 1, 2006 (the 2nd half of FY05). The initial FY05 need of \$828.1 was revised downward by the agency to \$687.3. A letter was written to the leaders of both houses informing them of a supplemental request forthcoming that would address the fiscal impact in FY05. They are currently expending other available funding in expectation of a supplemental appropriation.
 - An increment of \$998.6 of general funds to **increase corporate tax code compliance** would be used to add eight corporate tax auditor positions, develop an auditor training program to improve recruitment efforts by hiring and training less experienced workers, contract for outside tax expertise to identify noncompliant out-of-state corporations, and fill vacant positions in the oil and gas production and fisheries tax enforcement that are currently supported by audit staff. A target of \$5 million in additional revenue per year in 5 years has been set. If attained, this would more than offset the cost.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

- Continuing a trend from last year's budget, the Treasury Division requests an increment of \$80.0 to bring **investment officer salaries closer to market**. This is partially funded by fiduciary retirement accounts and partially with general funds. The Alaska Permanent Fund Corporation (APFC) is requesting \$160.0 for similar adjustments, as well as to fund merit increases, for the Executive Director and investment officer salaries.
- **Investment management fees** are expected to rise. These are calculated as a percentage of market value of assets under management. FY04 produced gains in market value and the expected returns for FY05 and FY06 imply the need for additional authorization to cover the associated increase in management fees. The Treasury Division is requesting an additional \$225.5 for the funds they manage (including the CBRF). Due to the inherent difficulty in predicting market returns these amounts may not be necessary if returns are negative or lower than projected. Any excess due to lower than expected returns is lapsed at the end of the year. Alaska State Pension Investment Board (ASPIB) is requesting an additional \$5.5 million and APFC is requesting an additional \$1.5 million.
- As noted above, projected market returns for FY05 indicate the possible need for additional funds to cover associated external management costs. Supplemental requests for this purpose should be expected.
- ASPIB is requesting an additional \$380.3 of pension funds for various external **legal and performance auditing** and other costs. Increased class action activity and increased contractual costs for external performance monitoring account for the majority of this increase. One hundred thousand dollars are attributable to increased investment options for employees in the defined contribution plans (SBS and Deferred Comp). These costs are funded by the participants in those plans.
- The Permanent Fund Dividend Division is increased by an additional \$200.0 in Permanent Fund Dividend Funds to cover **increased Enterprise Technology Services'** (formerly Information Technology Group) **billing rates for mainframe services**. These costs have risen \$130.7 in FY05 and will surpass \$215.3 in FY06.
- The **Child Support Services Division** (formerly the Child Support Enforcement Division) has addressed the budgetary problems related to a shortfall in federal incentive payments the last few years. Use of their language section and a substantial \$1.1 million fund source change in FY05 appear to have corrected the problem. This is reflected in their zero estimate for accessing additional receipts to fully maximize federal funding.
- The **Alaska Housing Finance Corporation** is requesting an additional \$507.7 of expenditure authority to pilot a cooperative purchasing agreement "Spend Management Program" with the Municipality of Anchorage to reduce supply costs, this request also funds other smaller information technology and personal services costs.
- **APFC** is requesting an additional \$263.1 of expenditure authority for staff due diligence travel to external asset managers, bank custodians and property assets (\$53.7), and for increased contractual costs related to real estate acquisition activity and public education on permanent fund issues (\$217.4).

ORGANIZATIONAL CHANGES

There are no structural changes.

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Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Revenue Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|--------------------------------------|--------------------------|-----------------------------|------------------------|------------------|
| FY05 Conference Committee | 7,844.1 | 37,633.2 | 117,412.3 | 162,889.6 |
| Veto | (41.2) | | | (41.2) |
| Fiscal Note | 37.1 | (128.3) | (68.8) | (160.0) |
| Re-appropriation | 41.5 | | | 41.5 |
| Special appropriation | | | 125.0 | 125.0 |
| Agency transfer in | 23.1 | | | 23.1 |
| Multi Year | 4,194.6 | | 2,400.0 | 6,594.6 |
| FY05 Authorized | 12,099.2 | 37,504.9 | 119,868.5 | 169,472.6 |
| One time item | (4,296.1) | | (3,321.4) | (7,617.5) |
| Salary adjustment | 213.7 | 592.4 | 677.8 | 1,483.9 |
| FY06 Adjusted Base | 8,016.8 | 38,097.3 | 117,224.9 | 163,339.0 |
| Language | | | 43.0 | 43.0 |
| Funding Change | | (0.3) | 0.3 | 0.0 |
| Increment | 1,960.4 | 165.0 | 9,455.8 | 11,581.2 |
| Decrement | (22.7) | (128.3) | (104.8) | (255.8) |
| FY06 Governor + K12 Request | 9,954.5 | 38,133.7 | 126,619.2 | 174,707.4 |
| <hr/> | | | | |
| Position Summary | | PFT | PPT | Tmp |
| FY05 Authorized | | 801 | 56 | 20 |
| FY06 Governor + K12 Request | | 817 | 66 | 17 |
| Net Change | | 16 | 10 | (3) |
| <hr/> | | | | |
| FY06 Governor Capital Request | | 10,968.3 | 24,707.9 | 53,835.0 |

Legislative Fiscal Analyst Overview of the Governor's FY06 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 Alaska 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 ISSUES

Excluding salary adjustments⁷, the Governor is proposing an additional \$13.9 million of expenditure authority for FY06. \$10.3 million of this increase is general funds.

The increase in the budget can be summarized into 3 areas:

- Operations – up \$7.6 million (\$6.9 million GF)
- Support – up \$2 million (\$0.9 million GF)
- Commodity Prices – up \$4.3 million (\$2.5 million GF)

Operations

The proposed general fund increase in operations reflects a policy shift; recent budgets have barely maintained a flat level of general fund supported service. The FY06 budget clearly expands general fund supported transportation services.

The increments proposed tend to be justified by one of two reasons: to pay the “actual cost” of a service, or to coincide with the governor’s economic expansion policy. Below are some of the more substantial increases.

- \$3.5 million of general funds would support 16 additional employees and associated equipment and materials for an increase in the level of **maintenance on the Dalton Highway**. This increment is to prepare the Dalton Highway for increased use as a result of building a natural gas pipeline. Construction of a pipeline could be an economic boon to the state.
- \$975.0 of general funds would **extend the operational hours** at the Nome, Kotzebue, Bethel, Dillingham, Wrangell, and Petersburg **Airports**. This is as a result of air carriers repeatedly requesting additional hours of service so they could expand their own operations. As air services are expanded, economic expansion could follow.
- Increments totaling \$870.8 of general funds are proposed to fund commodities and utilities for **maintenance of 124.8 lane miles of roadway** added the last two years in the Northern and Central regions. These lane miles of road result in increased maintenance costs.
- An increment of \$700.0 of general funds would be used to increase the number of snow hauls in the Anchorage bowl and for **consistent clearing of all state streets and sidewalks** throughout the municipality.

Support

⁷ Both retirement cost and increases as a result of employee bargaining unit agreements are excluded.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Expansion and increased regulation create the need for additional oversight. Often this is the first budget area cut when looking for "fat." However, operational support is an integral part of smooth operations. Conversely, top heavy organizations or errant reorganization deserve scrutiny. Below are a few of the more substantial operational support increases.

- \$275.0 of general funds is proposed to start an equipment operator training program. Equipment operators are trained on the job informally. This increment will allow for a contract to be established with the Heavy Equipment Training Academy to provide training and certification of all heavy equipment operators.
- \$500.0 of Alaska Marine Highway Funds is proposed to implement an AMHS Marketing Campaign. Increased ridership is important to sustain the marine highway. However, the coastal region transportation plans are built on increased local ridership due to increased convenience. How the marine highway is marketed will determine its effectiveness.
- \$336.1 of general funds is requested as a reallocation of funding for the centralized human resource services provided by the Department of Administration. Reallocation implies that it was removed from elsewhere in the budget. No corresponding decrease can be found, which implies an overall increase in the cost of services due to cost increases in DOA.

Commodities

Rising commodity prices are having an impact on DOT&PF operational costs. The price of oil and steel has risen substantially, affecting the price of fuel, utilities, and heavy equipment apparatus such as grader blades and plow blades. This budget reflects these price increases with numerous increment requests.

- The **State Equipment Fleet** is requesting an additional \$1.6 million of expenditure authority from the Highway Working Capital Fund for increased fuel prices. The state's fuel credit card system has allowed for accurate tracking of the amount of fuel consumed within the state equipment fleet.
- The three regional **Highways & Aviation components** are requesting a combined \$1.9 million of general funds to cover additional costs for fuel, utilities and steel.

Other Issues

The Alaska Marine Highway System fund capitalization (in the language section of the bill) is \$48.6 million of general funds. Although this is over \$17 million greater than the amount enacted for FY05, the increment is the result of depletion of reserves rather than an increase in service level. Unless the reserve fund is recapitalized, the legislature should expect to face a subsidy of \$50 to 55 million annually in order to maintain current levels of service.

Although mentioned in the governor's press packet "Investing in Alaska's Future," there is no specific increment for fuel built into the Alaska Marine Highway System budget for FY06. As announced in September 2004, a supplemental request in the range of \$20 million is expected, including \$9 million for fuel. The FY05 fuel budget was based on \$0.85 per gallon. The average price to date is nearly double that (\$1.65 per gallon). Given that the marine highway consumes over 10 million gallons of fuel each year, and that oil prices are projected to remain near current levels, some sort of fuel adjustment seems warranted.

ORGANIZATIONAL CHANGES

The state equipment fleet components have been consolidated. Previously, each regional maintenance shop reported to their respective regional director while the administrative function reported to the administrative director. Now the entire equipment fleet reports to a general manager that reports directly to the commissioner's office. A decrement is proposed in the amount of \$775.0 as a result of expected savings from the reorganization.

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Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Department of Transportation & Public Facilities Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|------------------------------------|--------------------------|-----------------------------|------------------------|------------------|
| FY05 Conference Committee | 98,021.2 | 3,672.1 | 282,633.6 | 384,326.9 |
| Veto | (836.0) | (7.5) | (170.8) | (1,014.3) |
| Agency transfer in | 1,720.0 | | | 1,720.0 |
| Multi Year | | 9,445.2 | | 9,445.2 |
| FY05 Authorized | 98,905.2 | 13,109.8 | 282,462.8 | 394,477.8 |
| Transfer in | | | 342.6 | 342.6 |
| Transfer out | | | (342.6) | (342.6) |
| FY05 Management Plan | 98,905.2 | 13,109.8 | 282,462.8 | 394,477.8 |
| One time item | | (9,445.2) | | (9,445.2) |
| Salary adjustment | 1,373.9 | 29.9 | 6,785.2 | 8,189.0 |
| Transfer in | | | 29,231.2 | 29,231.2 |
| Transfer out | | | (29,231.2) | (29,231.2) |
| Funding Change | | | | 0.0 |
| FY06 Adjusted Base | 100,279.1 | 3,694.5 | 289,248.0 | 393,221.6 |
| Funding Change | | | | 0.0 |
| Increment | 10,336.1 | 15.0 | 4,618.9 | 14,970.0 |
| Decrement | | | (1,025.0) | (1,025.0) |
| FY06 Governor + K12 Request | 110,615.2 | 3,709.5 | 292,841.9 | 407,166.6 |

| Position Summary | PFT | PPT | Tmp |
|------------------------------------|--------------|------------|------------|
| FY05 Authorized | 2,892 | 535 | 17 |
| FY06 Governor + K12 Request | 2,943 | 532 | 9 |
| Net Change | 51 | (3) | (8) |

| | | | | |
|--------------------------------------|----------------|------------------|------------------|------------------|
| FY06 Governor Capital Request | 3,221.0 | 517,798.5 | 310,693.0 | 831,712.5 |
|--------------------------------------|----------------|------------------|------------------|------------------|

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

University of Alaska

The major task of the University is to respond to the educational needs of Alaskans and to enhance Alaska's economy by fostering and promoting the following:

- a high quality postsecondary educational system;
- appropriate vocational education development and training;
- advancement and extension of knowledge, learning, and culture; and
- application of new knowledge and emerging technologies to meet the needs of the state.

SIGNIFICANT ISSUES

- The University of Alaska Board of Regents requested \$18,822.2 in GF and \$31,417.8 in receipt authority to include the following increases for FY06:
 - Maintaining A Solid Foundation (subtotal \$24,183.2)
 - Salary Maintenance - \$14,883.2
 - Operating & Extra-Ordinary Fixed Costs- \$3,200.0
 - Risk Management/Insurance Fees- \$600.0
 - Debt Service - \$3,000.0
 - Network Bandwidth - \$900.0
 - Maintenance & Repair Increment/New Facility Operating Cost - \$1,600.0
 - Program Priorities (subtotal - \$15,656.8)
 - Additional Student Demand in Existing Programs - \$3,800.0
 - Continued Expansion of AAS Nursing (three sites) - \$600.0
 - Behavioral Health Program Partnership - \$1,000.0
 - Research Program Success - \$10,256.8
 - Extra-Ordinary Retirement Program Increases (Total request- \$10,400.0)
 - Addressing New Opportunities for Alaska's Economy (subtotal \$16,600.0)
 - Competitive Research Investment - \$12,500.0
 - Distance Education & Instructional Program Expansion - \$1,500.0
 - UA Scholars in excess of Available NRF funding - \$1,600.0
 - Academic Equipment Replacement - \$1,000.0
- The Governor's request does not include the entire Board of Regent's proposal. The Governor's FY06 request totaling \$712.0 million (\$243.6 million GF; \$137.8 million Fed Receipts; \$330.6 million Other Funds) includes increases only for Maintaining a Solid Foundation, Program Priorities and half of the GF request for Extra-Ordinary Retirement Program Increases (all of the non-GF is included). None of the New Opportunities for Alaska's Economy are included in the Governor's submission.

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

- Overall, this budget reflects a \$46.1 million (6.9%) total increase above FY05. General Funds are up by 6.7% (\$15.3 million); Federal Receipts have increased by 10.8% (\$13.5 million); and Other Funds reflect a 5.5% increase (\$17.3 million).
- Funding for the University's budget is split between Sec. 1 in the Governor's Operating Budget Bill (\$678.1 million) and Sec. 37(a) and (b) (\$52.7 million). The significance of this split is that all general fund increases (\$15.4 million for FY06 and \$15.5 million for FY07, as stated in section 37) are funded with FY05 windfall dollars provided by surplus oil revenues. This approach to funding the University means that \$30.9 million of new money must be found in FY08 to keep state funding at the FY07 level.
- In addition to operating increases, the University's 2006 capital request is substantial at \$91.7 million (with \$1.6 million of this request in General Funds). The capital budget covers fourteen appropriation-level projects ranging from \$600,000 up to \$21.6 million.

ORGANIZATIONAL CHANGES

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

There is no change in University permanent, full-time and part-time positions between FY05 and FY06.

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Legislative Fiscal Analyst Overview of the Governor's FY06 Request

University of Alaska Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|------------------------------------|------------------|---------------------|------------------|------------------|
| FY05 Conference Committee | 200.8 | | 50.0 | 250.8 |
| Veto | (250.0) | | | (250.0) |
| Fiscal Note | | | 100.0 | 100.0 |
| Re-appropriation | 65.0 | | | 65.0 |
| Special appropriation | 228,315.2 | 124,362.0 | 312,445.1 | 665,122.3 |
| Miscellaneous Adjustment | 2.2 | | | 2.2 |
| Multi Year | | | 631.3 | 631.3 |
| FY05 Authorized | 228,333.2 | 124,362.0 | 313,226.4 | 665,921.6 |
| Transfer in | 15,821.8 | 17,722.9 | 23,320.3 | 56,865.0 |
| Transfer out | (15,821.8) | (17,722.9) | (23,320.3) | (56,865.0) |
| FY05 Management Plan | 228,333.2 | 124,362.0 | 313,226.4 | 665,921.6 |
| One time item | (67.2) | | (731.3) | (798.5) |
| Agency transfer out | | | (364.3) | (364.3) |
| FY06 Adjusted Base | 228,266.0 | 124,362.0 | 312,130.8 | 664,758.8 |
| Increment | 1.0 | 9,656.8 | 4,048.0 | 13,705.8 |
| FY06 Governor + K12 Request | 228,267.0 | 134,018.8 | 316,178.8 | 678,464.6 |

| Position Summary | PFT | PPT | Tmp |
|------------------------------------|--------------|------------|------------|
| FY05 Authorized | 3,869 | 176 | 1 |
| FY06 Governor + K12 Request | 3,869 | 176 | 0 |
| Net Change | 0 | 0 | (1) |

| | | | | |
|--------------------------------------|----------------|------------|-----------------|-----------------|
| FY06 Governor Capital Request | 1,551.0 | 0.0 | 90,146.4 | 91,697.4 |
|--------------------------------------|----------------|------------|-----------------|-----------------|

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

- The Court System is requesting a total general fund increase of over \$4.7 million, which is an 8% increase over the amount authorized by the legislature for FY05.
- \$1.1 million of this amount is **salary adjustments** due to increases in health insurance and other costs faced by all agencies.
- \$1.1 million is requested for several **non-personnel related increases** including the following:
 - \$250.0 for "life cycle replacement of computer systems"
 - \$373.8 for furniture/office equipment and increased utility & lease costs
 - \$150.0 for Bethel courthouse security
 - \$227.0 for staff training and juror process enhancement
- The remaining \$2.5 million is for the following increments relating to salaries and positions:
 - \$550.0 to **incorporate a "G" step into the salary structure** of the Court System. Funding for this salary structure change has been requested and denied several times in the past. Court employees, much like legislative employees, are not among the bargaining units with contracts that incorporated the "G" step a few years ago. The Court is not required to implement this increase but would like to remain consistent with salaries paid to the classified state employees in the executive branch.
 - \$881.2 for a **2% salary increase for non-union employees**. The Court System has included this request to mirror the bargaining unit contracts passed last year for executive branch employees. Court employees, much like legislative employees, have historically matched the salary increases funded by the executive branch in order to keep pace. However it is expected that a bill with an accompanying fiscal note will be introduced this session to make this adjustment. If the funding is included with the bill, this transaction should be removed.
 - \$227.3 "**experience pay**" for deputy clerk positions. This essentially is a request to fund a department-wide re-classification of all the deputy clerk positions (currently range 10).
 - \$130.7 for the **balance of funding required for FY05 positions associated with public protection**. In the FY05 governor's request Public Safety, Law and Corrections asked for significant increases for additional troopers, attorneys and correctional staff for increased

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

public protection. The Court System prepares its budget separately from the governor's office and was therefore unaware of these substantial increases. After a brief analysis prior to the Senate subcommittee process they requested \$1.2 million and eventually received \$1 million from the conference committee for personnel to handle the increased workload that would be generated by the above agencies. This request is the net amount requested to fully fund the new positions.

ORGANIZATIONAL CHANGES

There are no significant changes.

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Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Alaska Court System Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|------------------------------------|--------------------------|-----------------------------|------------------------|-----------------|
| FY05 Conference Committee | 58,776.1 | 716.0 | 616.2 | 60,108.3 |
| Agency transfer in | 41.1 | | | 41.1 |
| FY05 Authorized | 58,817.2 | 716.0 | 616.2 | 60,149.4 |
| FY05 Management Plan | 58,817.2 | 716.0 | 616.2 | 60,149.4 |
| Salary adjustment | 1,074.4 | | | 1,074.4 |
| Transfer in | 190.4 | | | 190.4 |
| Transfer out | (190.4) | | | (190.4) |
| FY06 Adjusted Base | 59,891.6 | 716.0 | 616.2 | 61,223.8 |
| Increment | 3,575.3 | 809.6 | 293.4 | 4,678.3 |
| FY06 Governor + K12 Request | 63,466.9 | 1,525.6 | 909.6 | 65,902.1 |

| Position Summary | PFT | PPT | Tmp |
|------------------------------------|------------|------------|------------|
| FY05 Authorized | 687 | 56 | 27 |
| FY06 Governor + K12 Request | 699 | 57 | 31 |
| Net Change | 12 | 1 | 4 |

| | | | |
|--|--|----------------|----------------|
| FY06 Governor's Capital Request | | 5,025.0 | 5,025.0 |
|--|--|----------------|----------------|

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Alaska Legislature

The Alaska State Legislature sets policy through the adoption of laws and has the power of appropriation as provided in the Alaska Constitution and in state statute. 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)
 - Salaries and Allowances
 - Administrative Services
 - Session Expenses
 - Council & Subcommittees
 - Legal and Research Services
 - Select Committee on Ethics
 - Office of Victims Rights

- Legislative Operating Budget

Legislative Fiscal Analyst Comment: *The legislative budget traditionally appears in preliminary form in the Governor's request. The request is not reviewed by legislative leadership until late in the budget process, so does not necessarily indicate what the final budget will include.*

Legislative Fiscal Analyst Overview of the Governor's FY06 Request

Legislature Funding Summary

| | General Funds | Federal Receipts | Other Funds | Total |
|------------------------------------|------------------|---------------------|----------------|-----------------|
| FY05 Conference Committee | 38,469.9 | | 718.6 | 39,188.5 |
| Fiscal Note | 58.0 | | | 58.0 |
| Re-appropriation | 2,806.7 | | 84.4 | 2,891.1 |
| Agency transfer in | 9.4 | | | 9.4 |
| FY05 Authorized | 41,344.0 | | 803.0 | 42,147.0 |
| Salary adjustment | 1,022.6 | | | 1,022.6 |
| FY05 Management Plan | 41,344.0 | | 803.0 | 42,147.0 |
| FY06 Adjusted Base | 42,366.6 | | 803.0 | 43,169.6 |
| Funding Change | 166.9 | | (166.9) | 0.0 |
| Increment | 92.0 | | | 92.0 |
| FY06 Governor + K12 Request | 42,625.5 | | 636.1 | 43,261.6 |

| Position Summary | PFT | PPT | Tmp |
|------------------------------------|------------|------------|------------|
| FY05 Authorized | 237 | 280 | 0 |
| FY06 Governor + K12 Request | 237 | 278 | 0 |
| Net Change | 0 | (2) | 0 |

| | | | | |
|--|---|---|---|---|
| FY06 Governor's Capital Request | - | - | - | - |
|--|---|---|---|---|