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LEGISLATIVE OVERVIEW OF THE GOVERNOR'S FY 1986 BUDGET

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SPENDING PLAN

The Governor's proposed FY86 spending plan as presented to the 14th Alaska State Legislature calls for appropriations totaling \$4,350.2 million during the 1985 legislative session. Of this amount, \$3,095.0 million or 71 percent is unrestricted general funds (GF). Compared with appropriations made during the 1984 session, this spending plan represents:

- ° a decrease of \$491.5 million, or 10 percent, in total funds;
- ° a decrease of \$771.3 million, or 20 percent, in general funds;
- ° a moderate increase in the operating budget, and a sharp reduction in the capital budget;
- ° marginal changes in the funding level of the Loans budget and Debt Service & Miscellaneous programs.

The distribution of the Governor's budget between its major components is presented in Table I and the accompanying charts on pages 5 through 8.

Operating. The Governor's recommended FY86 operating budget is essentially a continuation budget; it increases 8 percent to \$2759.9 million in total funds. The GF portion of the budget increases by \$135.5 million, or 7 percent to \$2,120.6 million. The following are some of the more significant issues addressed in the budget:

- ° There is a \$21.5 million provision for FY86 salary increases for state employees.
- ° \$634.5 million GF is allocated for the pass-through programs (i.e. Foundation, Municipal Assistance, and Revenue-Sharing). This is \$27.1 million or 4 percent higher than FY85, and it represents 30 percent of the FY86 operating budget.
- ° Between them, the pass-through programs account for 20 percent of the \$135.5 million GF operating budget increment.
- ° There are 705 new positions (491 full-time, 214 part-time and temporary) with a salary & benefits cost of \$16.1 million GF. Health & Social Services, University and Natural Resources are the agencies with over fifty new full-time positions.

- ° The personal services component of the operating budget increases \$35.7 million, or 4 percent, to \$911.5 million in total funds.
- ° An increment of \$4.4 million GF and 59 new positions is included in the Law, Health & Social Services, and Community & Regional Affairs budgets for combating child sexual abuse and child neglect.
- ° Anticipated federal funds in the FY86 operating budget increase \$12.8 million, or 6 percent, over FY85 to \$223.5 million.
- ° With the exception of Municipal Assistance and Senior Citizens Tax Relief, all formula programs are fully funded. The Foundation program is funded under the existing method with adjustments for increased enrollments and inflation.
- ° The operating budget includes a "continuing appropriation" of \$21.7 million GF for the Power Cost Equalization program.
- ° No GF monies are budgeted for the Alaska Railroad in either the operating or the capital budgets. The operating budget does include \$62.7 million for the railroad from other funds.
- ° Organizational changes are restricted to intra-agency transfers with the exception of the Johnson Human Services Center which was transferred from Corrections to Health and Social Services, and the Railroad Safety Survey program which was moved from Commerce & Economic Development to Labor.

Capital. The sharp decline in the State's revenues and funds available is reflected primarily in the Governor's proposed FY86 capital budget. In total funds, this budget is \$947.2 million, which is \$752.7 million or 43 percent lower than capital budget appropriations made last session. If only general funds are considered, the decline in the capital budget is even more pronounced; the GF portion of the budget is \$547.2 million, which is \$904.3 million or 62 percent less than GF capital budget appropriations made during the 1984 session.

Included in this \$547.2 million GF are the "continuing appropriations" for the Susitna and Bradley power projects. The remaining \$297.2 million is distributed as follows: Administration of Justice, \$14.8 million; Development \$18.3 million; Education, \$70.5 million; General Government \$7.1 million; Health, \$12.5 million; Natural Resources, \$36.3 million; Public Protection, \$12.7 million; Social Services, \$18.1 million; Transportation, \$98.3 million, and; University, \$18.5 million.

The Governor's spending plan does not include any funds for the Permanent Fund, Major Projects-type fund, Eklutna Water project or the Knik Arm Crossing. The "continuing appropriation" of \$200.0 million for Susitna includes \$20.0 million for licensing process expenses; these expenses were appropriated as a separate line item for FY85.

Loan Programs. The Governor's proposed FY86 GF funding for Loan programs is \$131.5 million. This is a modest decline from \$136.0 million GF in FY85. The Loan programs are funded solely from GF monies except for a small amount of federal funds for the Student Loan program. The Loans package is distributed as follows: Education, \$64.2 million; Housing, \$37.0 million; Energy, \$3.1 million; Agriculture, \$3.5 million, and; Economic Development, \$18.0 million. Changes in the GF funding for these programs are generally not very significant, except for:

- Housing Loans: There is no funding for Alaska Housing Finance Corporation's housing programs because of lower expected demand and favorable availability of other funds, and; the Housing Assistance Loan Fund in Community & Regional Affairs is funded at \$37.0 million, down from 45.0 million in FY85.
- Economic Development: A major new program is the \$18.0 million recommendation for the Red Dog mine/DeLong Mountain transportation project through the Economic Development Fund in the Alaska Industrial Development Authority.
- Energy and Education program funding increases moderately, while Agricultural loans funding declines somewhat.

Other Issues

- The General Obligation Debt Service requirement is \$6.2 million lower in FY86, but this is offset by a corresponding increase in the School Construction Bond Debt Service requirement.
- The Governor's spending plan includes a \$20.0 million GF provision for FY85 supplementals.
- With the exception of FY86 salary increases and FY85 supplementals, all elements of the Governor's spending plan are incorporated in his proposed General Appropriation Bill.
- The amount available for Permanent Fund Dividend (PFD) payments is estimated to be \$210.0 million. If 500,000 applicants file claims, the 1985 PFD check will be about \$420.00.

- ° Different interpretations of the Constitutional Appropriations limit have generated much controversy in the past. The major points of contention in calculating the limit are which federal population and inflation indices should be used, and whether these indices should be applied till the beginning or the end of the fiscal year. The Office of Management and Budget uses the U.S. Bureau of Census July estimates of population, and a change in the price of goods and services purchased by state and local governments; these indices are applied till the beginning of the fiscal year for which the limit is being calculated. According to this methodology, the Governor's spending limit for FY86 is \$4,051 million. It should be noted that it is common for these indices to be revised subsequent to their initial release, and the spending limit will change accordingly.

Revenues

The Governor's proposed spending plan is based upon the January 1985 risk-adjusted revenue forecast of the Department of Revenue. According to this forecast, FY86 GF revenues are expected to be \$3,312.1 million, a marginal decrease from the expected FY85 GF revenues of \$3,314.7 million. However, funds available for appropriation during the 1985 session are significantly lower than in the 1984 session because of a GF deficit that will be carried forward into FY86. Appropriations during the 1984 session were made on the basis of somewhat more optimistic Spring 1984 revenue forecasts. Since then, weakness in the oil markets has caused a downward revision of revenue projections. This, combined with a \$300.0 million GF transfer to the Permanent Fund, results in a GF deficit of \$267.9 million going into FY86 (the deficit will be larger if supplemental appropriations are made this session).

General funds available for appropriation this session are estimated to be \$3,106.2 million under the risk-adjusted DOR projections. If the mean case is considered, the funds available are expected to be \$3,210.3 million GF. The Governor's spending plan will leave a balance of \$11.2 million GF under the risk-adjusted scenario, and \$115.3 million GF under the mean case (See Table N). This revenue picture may change dramatically if the proposed settlement of the Trans-Alaska Pipeline System tariff case is finalized.

TABLE I
 1984 Session Appropriations
 vs
 1985 Session Gov's Spending Plan
 (\$ millions)

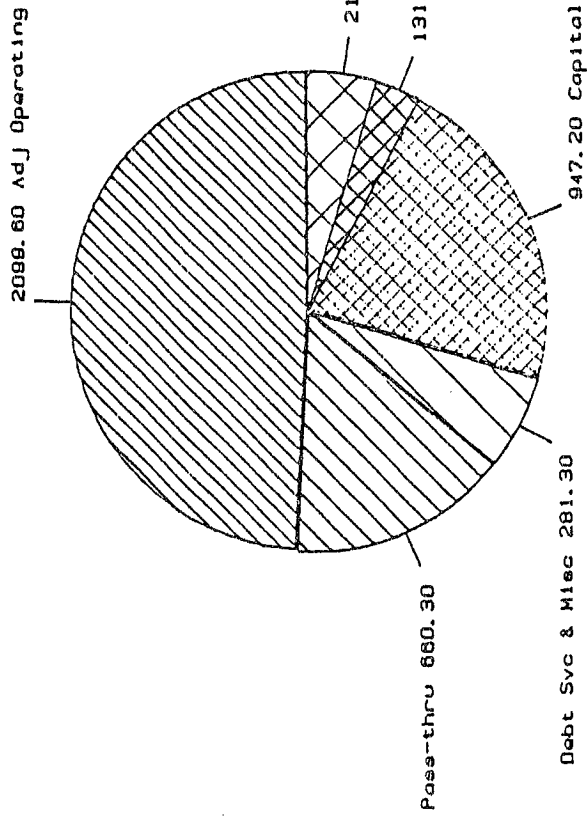
	1984 Session	1985 PlanChange.....	
			Amount	Percent
GENERAL FUND:				
Operating	1,985.1	2,120.6	135.5	6.8%
Supplemental	18.1	20.0	1.9	10.5%
Debt Svc & Misc	275.6	275.7	.1	.0%
Capital	1,451.5	547.2	-904.3	-62.3%
Loans	136.0	131.5	-4.5	-3.3%
TOTAL	3,866.3	3,095.0	-771.3	-19.9%
TOTAL FUNDS:				
Operating	2,556.4	2,759.9	203.5	8.0%
Supplemental	19.7	20.0	.3	1.5%
Debt Svc & Misc	281.2	281.3	.1	.0%
Capital	1,672.9	947.2	-725.7	-43.4%
Loans	136.5	131.8	-4.7	-3.4%
PFD payments	174.8	210.0	35.2	20.1%
TOTAL	4,841.5	4,350.2	-491.3	-10.1%

Source: 1985 spending plan data is from the Governor's proposed General Appropriations Bill. 1984 Session data is from Alaska State Appropriations Digest, OMB, Oct 1984.

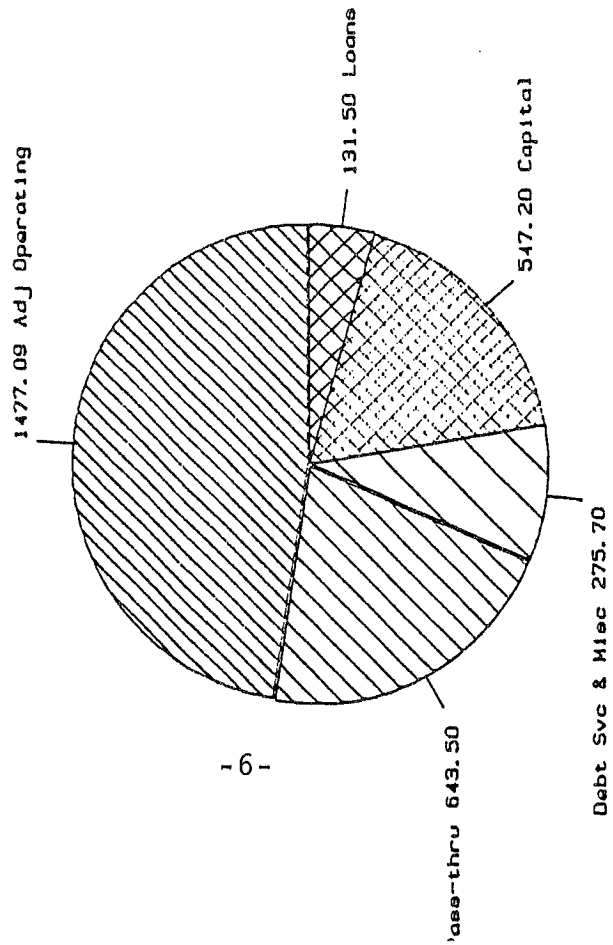
LFD/Jan 4, 1985

GOVERNOR'S PROPOSED FY 86 BUDGET

(\$ millions)



Total Funds



General Fund

1984 vs 1985 SESSION TOTALS

General Fund

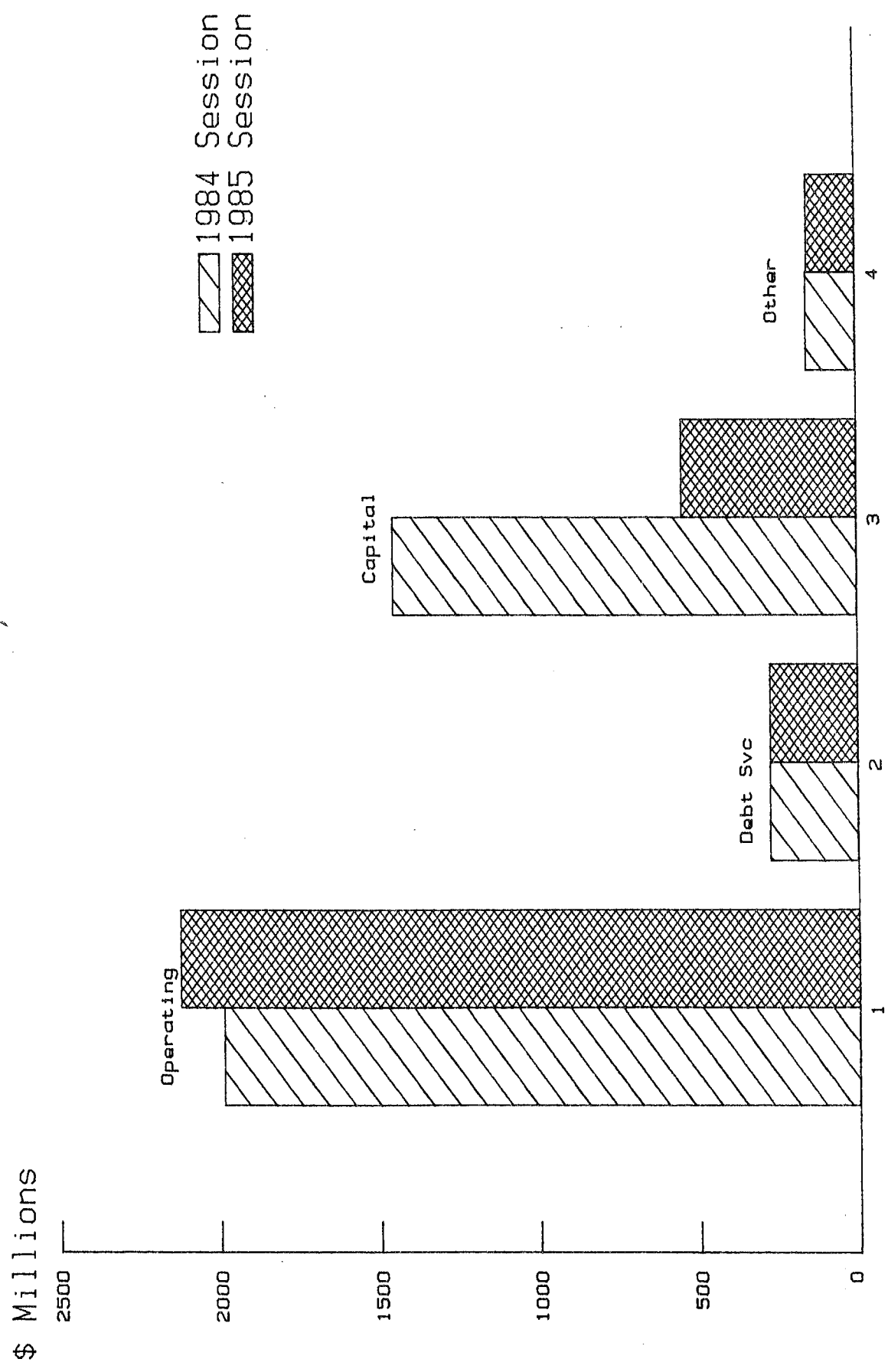


TABLE II
 Funds Available for Appropriation, FY 86
 Unrestricted General Funds
 (\$ millions)

		Risk- Adjusted	Mean Case
FY 85:			
1. Balance, 7-1-84	224.1		
2. Estimated Lapse	50.0		
3. Loan Repayments	24.0		
4. Expl Well Credit	-12.0		
5. FY 85 Revenues		3,314.7	3,346.6
Available for FY 85		3,600.8	3,632.7
6. FY 85 Appropriations	-3,568.7		
7. Transfer to Perm Fund	-300.0		
Balance, 7-1-85		-267.9	-236.0
FY 86:			
8. Estimated Lapse	50.0		
9. Loan Repayments	24.0		
10. Expl Well Credit	-12.0		
11. FY 86 Revenues		3,312.1	3,384.3
Avialable for FY 86		3,106.2	3,210.3
12. Gov's Spending Plan		-3,095.0	-3,095.0
Balance, 7-1-86		11.2	115.3

-
1. Annual Financial Report 6-30-84, Statement 12; plus \$300.0 mill for transfer to PF not made as of 6-30-84.
 - 2,3,6,8,9. OMB Estimates.
 - 4,5,10,11. DOR January 1985 Projections.
 7. Transfers made during FY 86; SLA 81, CH 61.
 12. From Table I.

LFD/Jan 4, 1985

TABLE III
GOVERNOR'S PROPOSED FY 86 OPERATING BUDGET *
GENERAL FUND
(\$ 000)

	Adjusted Base	FY 86 Proposed	Percent Inc(Dec)
Office of the Governor	21,072.9	19,778.6	-6.1%
Administration	190,487.5	200,861.4	5.4%
Law	16,573.0	18,283.5	10.3%
Revenue	107,156.2	113,583.6	6.0%
Education	562,995.5	596,022.1	5.9%
Health & Social Services	217,371.5	238,751.4	9.8%
Labor	14,537.7	15,418.2	6.1%
Commerce & Econ Development	53,800.4	57,805.5	7.4%
Military & Veteran Affairs	7,299.0	7,541.0	3.3%
Natural Resources	55,958.7	58,334.2	4.2%
Fish & Game	53,962.8	57,237.2	6.1%
Public Safety	78,502.4	84,220.9	7.3%
Transportation	171,664.1	186,819.5	8.8%
Environmental Conservation	12,458.2	13,522.5	8.5%
Community & Regional Affairs	93,831.4	97,386.0	3.8%
Corrections	74,285.4	78,766.3	6.0%
University of Alaska	169,074.0	175,034.4	3.5%
Court System	37,223.9	38,056.9	2.2%
Legislature	36,800.6	38,753.3	5.3%
TOTAL	1,975,055.2	2,096,177.5	6.1%

* Excludes Debt Service & Miscellaneous programs and front sections of proposed budget bill.

LFD/Jan 4, 1985

OFFICE OF THE GOVERNOR

Budget Summary

The Office of the Governor budget generally maintains existing programs at their current levels with the following exceptions:

- a temporary staff position is added to the Alaska Women's Commission
- the Executive Office automated office system is enhanced
- Alaska Coastal Zone Management grants to communities are increased 24 per cent above the FY85 level
- a new Grants Administration Unit is established to centralize state grant administration activities requiring a General Fund allocation of \$204,600
- Elections Division is reduced to off-General Election year levels

The Contingency Fund is continued at the \$750,000 level.

The apparent overall reduction from the FY85 authorizations actually result from:

1. one-time expenditures that apparently were not continued
2. the Election's Division reverts to a lower operating level in 1986 because it is not a major election year.
3. employee salary and benefit increase funds are held in reserve (\$21.5 million) and will be proposed later in the appropriation process.

Funding Sources

Traditional funding sources and ratios are generally maintained.

Organizations

The office of the Governor continues the same operating organization, but in response to Legislative Intent, the Office of Management and Budget is presented in separate components for each Division: Director/Central Services, Budget Review, Strategic Planning, Management and Governmental Coordination.

New Programs

One new program is proposed: Grants Administration Unit to coordinate and provide centralized administration of certain state grant program activities.

Governor's Budget vs. Request

The Governor's budget funds all requested increments either in their entirety or to a significant extent. These increments are highlighted above in the Budget Summary.

New Positions

Two new full-time positions are proposed to staff the Grants Administration Unit and a temporary position to augment the present staffing level of the Alaska Women's Commission -- the Office of Management and Budget had requested four new positions for the Grants Administration Unit.

DEPARTMENT OF ADMINISTRATION

With few exceptions discussed below, this is a maintenance level budget allowing for inflationary changes.

Formula funded programs (Teachers Retirement Match and Longevity Bonus) were increased to a level somewhat below the agency request. Modest increases were allowed in Personnel (six positions), Administrative Services (one position), EEO (one position), Information Resources (four positions), and Telecommunications Operations (one position). The Public Defender Agency has retained the FY85 add-ons of a Sitka office an increased staffing in Barrow and Palmer. The agency requested paralegal assistant for Bethel was disallowed by the governor.

Issues which may develop during this session include employee housing reductions, currently halted by union legal action; legislative direction for statewide telecommunications; and a chargeback scheme for data processing costs, which is currently in preparation.

DEPARTMENT OF LAW

The Governor's FY86 Department of Law general fund budget of \$18,283,500 is 11% greater than the FY85 authorization of \$16,470,000. The portion funded from interagency receipts increased 20.3% from the FY85 authorization of \$6,107,200 to the Governor's proposal FY86 amount \$7,345,900.

Major General Fund Increases

- a) \$1,215,900 and 20 new positions for the Department's coordinated response to child sexual assault. Of this \$1,060,000 and 16 new positions appear in various components of the Prosecution budget and, 4 new positions appear in the Legal Services budget.
- b) \$331,100 for FY85-86 salary increases for employees covered by collective bargaining agreements.

Non-General Fund Changes

- a) Reimbursable Services Agreements:
 - 1. \$72,500 with the Department of Corrections for one attorney to represent the department in prisoner litigation.
 - 2. \$120,700 with DHSS, Division of Family and Youth Services for 3 Community Counselor positions for the juvenile diversion program.
 - 3. \$145,200 with DHSS for 2 attorney positions and related costs for the coordinated response to child sexual assault.
 - 4. \$432,200 with various departments for 6 permanent full-time positions and one part-time position to respond to requests for legal services.
- b) Oil and Gas Special Projects:
 - 1. \$132,600 and 2 positions and related costs for services related to document collection and evaluation.
 - 2. \$201,200 and 3 positions for services related to litigation support management.

DEPARTMENT OF REVENUE

The Governor's proposed FY86 budget for the Department of Revenue (DOR) is \$342,669,300, which represents an increase of 23 percent over FY85. Notwithstanding this sharp increase, the budget does not reflect any major realignment of priorities relative to FY85. A large proportion of this increase is in non-general fund monies; the general fund (GF) budget is \$113,583,600, an increase of \$6,513,900 or 6 percent over FY85. Much of the GF increment is attributable to formula funded programs.

The major increases in DOR's FY86 budget are the following:

- a) Permanent Fund Dividend (PFD) payments are estimated to be \$210,000,000, a 36 percent increase over FY85. This estimate is subject to revision when the actual FY85 earnings of the Permanent Fund become known. The increase in PFD payments is a result of both higher rates of return and larger balances in the Permanent Fund.
- b) Municipal Assistance funding is increased by 6 percent to \$86,185,200. DOR's full funding request, calculated as 30 percent of corporate income tax revenues, was \$87,900,000. Other shared tax formula programs are proposed at full funding levels which represents a GF increase of \$1,012,000.
- c) The GF budget, excluding formula programs, increases modestly by \$623,500 (4 percent) to \$16,144,900. The major component of this increase is a new gambling education and enforcement program in the Public Services BRU.

New Programs

The Governor's proposed FY86 budget for DOR includes funding for two new programs:

- a) \$496,200 in federal funds is included in the Child Support Enforcement BRU for the purpose of developing a computerized interstate child support clearinghouse for five western states. No general fund match is required for this project as specific federal funds are available for promoting the Congressional intent of supporting child support on a nationwide basis.
- b) An increment of \$369,100 and six new positions are included in the Public Services BRU for implementing an educational and enforcement program relating to Games of Chance and Contests of Skill. Although DOR has issued permits for these activities for many years, no resources have previously been allocated towards educating the public on the controlling statutes and regulations or on enforcing these statutes and regulations.

Organizational Changes

The Governor's FY86 DOR budget does not embody any major organizational changes. However, the following budgetary features are noteworthy:

- a) Refundable credits (Political Contributions and Child Care Credits) are funded in the front section of the Governor's proposed budget bill. Also included in this front section are amendments to prior year appropriations; these amendments will result in a June 30, 1985 lapse date for all prior year appropriations for refundable credits. The objective is to change funding methodology from a claim year basis to a fiscal year basis.
- b) Funding for oil and gas litigation is provided under a separate agency classification named Debt Service and Miscellaneous Programs. In previous years, oil and gas litigation appropriations were made in the front section of the general appropriations bill. The three positions funded by these interagency receipts are shown as new positions in the, Administration and Support BRU. Although these positions have existed for some time, they are now being entered on the State's standardized position control system (PACS).
- c) The Governor's proposed FY86 DOR budget contains numerous transfers and reallocations of resources between line items, components and BRU's. The most notable of these is the transfer of \$282,000 GF and seven positions from Revenue Operations to the Administration and Support BRU.

Non-General Fund Changes

Increased non-general funds for PFD payments and for the new child support enforcement project have been noted above. In addition, the Governor's budget reflects a \$670,400 PERS/TRS funding increase in the Treasury BRU for higher common stock portfolio management fees. Another non-general fund increase is in the Alaska Housing Finance Corporation's budget which is 10 percent higher than FY85 due to inflation and relocation increments.

New Positions/Comparison of DOR Request with Governor's Budget

With the exception of Municipal Assistance, DOR's request and the Governor's budget are identical. Refundable credits were funded in the front section of the bill instead of with the agency budget. All increments requested were funded, and the Governor did not include any programs which had not been requested. Nine new positions were requested by DOR and the Governor approved all of them.

DEPARTMENT OF EDUCATION

The Governor's FY86 Department of Education (DOE) budget is basically a continuation budget. K-12 Support Programs, which represent 87% of total DOE funding, are increased over FY85 by 5.5%; all other DOE programs are increased 4.9%.

Major increases are:

- a) Foundation funding, which assumes continuation of the current funding method, is increased by \$26,150,900 based on higher enrollments and a 4% inflation adjustment.
- b) Other K-12 Support programs - Public Transportation, Tuition Students, State Contract Programs - are increased by \$4750,200 for higher enrollments, local tax contributions, and program costs.
- c) Personal services is increased \$3,176,600. \$2,026,800 of this is due to the addition of 48 new positions, with the balance due to FY85-FY86 salary increases and adjustments to vacancy vacancy factors.

Major Issues

There are two major issues in DOE's FY86 budget: Foundation funding and the reopening of Mt. Edgecumbe school. The single biggest issue is Foundation funding. The Governor's budget assumes continuation of the funding mechanism established in SLA '83/CH 82, under which school districts receive a set amount for each student in attendance. However, Ch.82 also directed DOE to recommend a method for revising and improving the public school foundation program. In response DOE will be presenting draft legislation to the 1985 Legislature that could significantly change the amount and method of distribution. Early drafts of DOE's proposal have generated considerable controversy and debate, and it is likely that Foundation Funding will also be a major issue during the 1985 legislative session.

The second major issue is the reopening of Mt. Edgecumbe school. The Mt. Edgecumbe BRU was established in FY85 with \$975,300 and 7 positions to provide for caretakership and maintenance responsibilities and to develop an educational program for the 1985-86 school year. This program was to be developed in conjunction with an Institute of Social and Economic Research (ISER) study on rural education. Since the Governor's FY86 budget was prepared before the completion of ISER's report (due in January), it is based on a general education and boarding school program for 175 students. The Governor's budget includes 40 positions and a funding level of \$3,733,400.

Organizational Changes

DOE is undergoing significant organizational change in FY85 that is also reflected in the FY86 budget structure. Briefly, this involves:

- a) Management, Law and Finance has been split into 2 divisions: Management, Law and Finance, which provides administrative support for K-12 programs, school construction and teacher certification; and Administrative Services, which provides internal administrative support to the Department.
- b) Educational Design and Delivery has been eliminated, with Research, Evaluation and Information functions being divided among 3 other BRU's, Educational Technology and Telecommunications transferred to Education Program Support, and Centralized Correspondence Study being established as a separate BRU.
- c) Adult and Vocational Education has been given division status, as has been Museums.
- d) Community Education has been transferred to Education Program Support.

New Programs/Comparison of Requests with Governor's Budget

There are few new programs in DOE's FY86 budget. Other than Mt. Edgecumbe, most growth in individual BRU's resulted from reorganization. Exceptions are \$315,000 in State Contract Programs for a new group home for the deaf and multi-handicapped, and \$100,000 in three different increments for Pacific Rim related projects.

In general, other increments for expansion of existing programs or development of new ones are not funded. DOE requested a 10.6% increase over FY85, the Governor approved 5.5%; DOE requested 89 new positions, the Governor approved 48 (33 of which are for Mt. Edgecumbe).

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

The Governor's FY86 Department of Health and Social Services (DHSS) general fund (GF) budget is \$238,751,400, a 7.0% increase over FY85. In total funds the DHSS budget is 8.6% higher. Increases in federal receipts for the entitlement programs and energy assistance program constitute the bulk of the non-general fund increase.

Major increases are:

- a) Social services components increased by \$2,174,600 GF over adjusted base and received an additional 39 new positions of which 31 are full-time positions. The increase in positions is to reduce the number of caseloads handled by social workers which in turn should help Alaska's child protection services.
- b) Inpatient Forensics is a new component designed to transfer the criminally insane prisoners currently at Alaska Psychiatric Institute (API) to Hiland Mountain Correctional Center in Eagle River. The Governor's request is for \$1,742,600 GF and 45 new positions.
- c) Formula programs: Aid to Families with Dependent Children \$2,767,000 GF/14.3% increase, Adult Public Assistance \$319.5/2.4% increase, Medicaid \$1449.8/4.5% increase, General Relief Medical \$609.6/6% increase, Foster Care \$1538.2/30.3% increase.

Major Issues

The Governor's budget establishes a new component to fund the maintenance of criminally insane prisoners at Hiland Mountain Correctional Center in Eagle River. The prisoners are currently housed at the Alaska Psychiatric Institute (API) which is neither physically nor programmatically designed to house the inmates. The concerns about the transfer are 1) the cost, the Governor is proposing adding 45 new positions at a cost of \$1,742,600 and 2) whether housing the prisoners at Hiland Mountain will disrupt the treatment nature of that facility.

Organizational Changes

The Johnson Human Services Center located in Juneau was transferred from the Department of Corrections to DHSS. The Center used to house both women and juveniles but will now only be used as a juvenile detention center. Women inmates will be housed at the Lemon Creek Correctional Center. The Center is budgeted as a separate component within the Youth Services BRU.

The medical programs, formerly located in the Public Assistance Division, have been transferred to a new division called the Division of Medical Assistance. The new division will administer Medicaid, General Relief Medical, Catastrophic Illness and certification and licensing.

Comparison of the Department Request with Governor's Budget

DHSS requested a \$29,120,100 GF or 13.1% increase over the FY85 budget. Although most of the increase represented expansion of existing programs, two new programs were requested but not included in the Governor's Budget, Community Based Waiver program (\$1,045,500 GF and 5 full-time positions) would allow payment for home and community based services for medicaid clients. The Day Treatment request (\$520,000 GF) would provide intensive, daytime rehabilitative services for adolescents with behavioral and emotional problems.

New Positions

The Governor approved 107 new positions, the majority of which are for Social Services 39 and the new Inpatient Forensic Unit at Eagle River 45.

DEPARTMENT OF LABOR

The Governor's FY86 Department of Labor budget is \$15,418,200 GF which is an 11.5% increase over FY85. Although some of the increase is attributed to salary increases and transfer of the Railroad Safety Survey program from the Department of Commerce and Economic Development, the Department received \$880,500 GF increase over adjusted base for a real growth increase of 6.0%.

Major increases are:

- a) Open a job service office in Valdez for \$215,900 and 2 positions,
- b) Develop a comprehensive occupational information system for use in developing career information in the schools for \$250,600 GF and 4 full-time positions,
- c) Begin planning for the 1990 census with \$112,600 GF and two full-time positions,
- d) Increase of 2 positions and data processing support for processing workers compensation claims \$183,400 GF.

Comparison of Request to Governor's Budget

The Governor recommended all of the Department of Labor's request except for \$135,300 in GF. Two increments were not funded, a worker's compensation officer II to handle the increased number of prehearings \$65,700 and an inflation increase for the Rural Apprentice Outreach program \$12,300. In addition the Governor's budget recommends reducing the request for a new job services office in Valdez from the three positions requested to two positions for a \$57,300 savings.

New Positions

The Governor approved 21 new positions of which 16 were full-time.

DEPARTEMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

There are three categories of programs in this department each of which has been budgeted differently in FY86. The Public Protection group, which consists of regulatory agencies, was reduced by 15% overall from FY85 authorizations, half of the decrease resulted from the demise of the Alaska Transportation Commission following the passage of Initiative 83-02. The remainder was largely the one-time expense related to bringing the Alaska Railroad to the point of transfer. The approach by the Governor has been to hold the line on general funds with a modest increases allowed in regulatory divisions which have experienced significant new workloads during this administration. Two positions were added to Banking, Securities and Corporations and three to Occupational Licensing.

The Development group of programs has increased substantially in the Governor's request. Economic Development Advocacy programs have added \$494,500, mostly for small business assistance. One position was added to the Small Business Development Division. The two loan examiner positions allowed the Accounting and Collections Division appear justified as the loan portfolios become larger and more complex. The major increase is in the Alaska Power Authority which adds \$1,960,200 and the two positions in Plant Operations (funded by program receipts), \$1,132,800 and 22 positions funded by CIP receipts, and \$5,400,000 in general funds for the Power Cost Equalization Program. The positions were added by revised program approved by the Legislative Budget and Audit Committee during the interim.

The Transportation group (the Alaska Railroad) was funded for six months of FY85 operation at ~~\$3,709,000~~. FY86 costs are estimated at \$62,702,000. These funds are provided from the Alaska Railroad Revenue Fund.

\$37,090,000

DEPARTMENT OF MILITARY AND VETERAN'S AFFAIRS

The Governor's FY86 Department of Military and Veteran's Affairs budget is basically a continuation budget. The FY86 general fund increase is \$362,300. a 5% increase over the FY85 authorization. The federal fund increase is \$285,800. a 6.3% increase over FY85 authorization.

Policy, Program and General Fund Changes

General Fund Changes:

- a) In keeping with FY85 legislative intent, the department has entered into a professional services contract with the Alaska wing of the Civil Air Patrol, that is designed to ensure proper accounting for the state's financial support of the CAP program. The administrative officer position previously budgeted in the CAP component is budgeted in the department's administrative unit in the Office of the adjutant General component.
- b) The Governor's budget for state Emergency Management programs includes an approximate increase of 160% for flood control. The FY85 authorization was \$25,000. The FY86 request is \$65,000.
- c) The Department's request and the Governor's budget include \$73,700 for one position and associated costs to establish an Alaska Naval Militia and an Alaska State Militia. The Naval Militia would provide maritime expertise for the National Guard. The State Militia would be a volunteer defense force to assist authorities in the event of a federal mobilization of the National Guard or as a supplement in domestic emergency situations.
- d) The National Guard Reinlistment Bonus Program is increased by \$75,300 to fully fund the 150 members projected to reinlist during FY88.
- e) \$92,500 has been added for maintenance and operation of new armories at Sitka and Kotzebue and lease spaces for other National Guard Units.

Federal Fund Changes

The Federal Emergency Management Agency will make \$74,300 additional funds available to local jurisdictions to install modern warning and alert systems.

DEPARTMENT OF NATURAL RESOURCES

The Governor's FY86 Department of Natural Resources budget increases general funds (GF) by 6.6% (\$3,679,300) and requests total general funding of \$58,334,200. Overall, the Governor's budget reflects a continuation of department priorities and programs with 65% of the GF increase slated to cover union negotiated salary obligations.

Besides salaries, other noteworthy GF increases include:

- a) \$225,200 for five new full-time employees in the Administrative Services Division to handle fiscal and personnel requirements.
- b) \$300,000 GF for Bowhead Whale Visual/Acoustical Census Projects. This represents a continuation of prior year Legislative add-ons and was included by the Governor.
- c) \$113,500 for three full-time positions to handle increased permit reform workload in the Land/Water Public Use area. This funding was not in the department's request, but added by the governor.
- d) \$136,000 GF to continue Placer Mining Research and Data Gathering efforts. This FY85 Legislative add-on (\$199,000) is continued at a lower funding level.

A notable increment which did not receive Governor's approval would have established an overhead CIP project with \$216,800 in CIP receipts and 6 new full-time employees to oversee capital improvement projects. This was to be included in the Management BRU and in addition to existing direct charge CIP's in the various operating programs.

New Positions

The department requested a total of 82 new full-time positions and 18 new part-time positions. The Governor has approved 51 new full-time positions and 21 new part-time positions for FY86. Three part-time positions were approved in the adjusted base.

DEPARTMENT OF FISH AND GAME

The Governor's FY86 Department of Fish and Game budget increases general funds (GF) by 7.5% (\$3,998,700) and requests total general funding of \$57,237,200. For FY86 the department anticipates a 35% (\$3,747,100) increase in federal funding available primarily for special research projects. Fish and Game Fund revenue available for FY86 is estimated at \$7,300,000. Overall, the Governor's budget represents a continuation of department programs and priorities.

Major GF increases are highlighted below:

- a) Crab Population Dynamics Research-\$300,000 GF adding five seasonal positions
- b) Statewide Groundfish-\$405,300 GF adding one permanent position
- c) Lake and Stream Enhancement-\$176,300 GF
- d) Increased Hatchery Production-\$352,400 GF adding four seasonal positions
- e) Increased staffing for Commercial Fisheries Entry Commission adjudications-\$242,500 GF adding three permanent positions
- f) Moose Physiology/Nutrition/Census-\$212,500 GF adding two seasonal positions
- g) Additional Subsistence Research and Analysis-\$418,800 GF adding two full-time plus four seasonal positions.
- h) Continuation of Placer Mining Research and Data Gathering-\$143,700 GF. This FY85 Legislative add-on (\$300,000) is funded at a lower level.
- i) Title 16 Implementation-\$276,300 GF adding two full-time employees plus two seasonal positions.

Major Funding Source Changes

As mentioned, a 35% increase in federal funding is anticipated for FY86. The majority of this increase will occur in the various "Special Projects" components where the department will work on federal research contracts. Most notable are the following:

- a) An additional \$561,400 for U.S./Canada Salmon Interception Research which will fund 24 seasonal positions.

- b) \$3,000,000 anticipated to be available from expansion of the Dingell-Johnson Act funding base by new federal legislation called the Wallop-Breaux bill. This funding is available for the enhancement of sports fishing projects with an emphasis on providing public access.

Fish and Game Fund monies anticipated for FY86 decline by \$700,000 or about 9%. This is primarily due to the FY85 authorization being raised to absorb a fund surplus.

New Positions

The Department of Fish and Game has an historical problem with authorized position count. The department has corrected this situation by bringing 72 unauthorized positions into the FY86 adjusted base. These positions, 12 full-time and 60 part-time, are shown as new positions in the short form book and are identified by footnote. Above the adjusted base, the Governor has approved 13 new full-time positions and 39 new part-time positions. The department's request was for 31 new full-time, 67 new part-time and 10 new temporary positions.

DEPARTMENT OF PUBLIC SAFETY

The Department submitted a budget of \$8,422,400, an increase of 5.1% over FY85. The additional funds largely represented inflation and salary costs. Ten new positions were requested, seven in Motor Vehicle Driver Services and three for the Anchorage Crime Laboratory now under construction. Eleven positions and \$667,900 were provided for a Commercial Vehicle Safety program via transfer from the Department of Commerce and Economic Development, Alaska Transportation Commission, terminated by Initiative 83-02.

The Office of the Governor deleted one of the laboratory positions but added substantial funding for overtime in enforcement units. A new Narcotics Major Operations Unit was provided (\$578,200) to prevent depletion of funds required for day to day enforcement programs.

The Village Public Safety Officer Program was increased by the Governor (\$1,204,100 added), although this program has had some difficulty utilizing available funds in the past. The Domestic Violence and Sexual Assault grant program received an additional \$600,000, reflecting the Administration's well publicized commitment to reduce child abuse.

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

The Governor's FY86 DOT/PF budget is \$368,653,500 which is \$23,903,000 or 8.3% greater than the FY85 authorizations. Of this increase \$18,237,400 are from the general fund, up 10.8% from FY85, \$2,847,200 are from the International Airport Review fund, up 11.7% from FY85 and \$2,818,400 from other funding sources, mostly Capital Improvement Project receipts, up 3% from FY85.

Major increases are:

- a) \$12,850,000 of the \$18,237,400 general fund increase is found in the Maintenance and Operations components. This is a 15.3% increase over FY85 authorizations. Over \$7,000,000 of this is applied to contractual services, over \$4,000,000 is applied to Commodities and \$1,500,000 is for FY85-FY86 salary increases and adjustments to vacancy factors. The remainder of the general fund increase occurs in Marine Transportation \$2,750,300 up 4.34%, Statewide Programs and Administrative Services \$1,597,500 up 8.8%, Planning, \$625,200 up 11.5% and Design Construction, \$436,400 up 5.6%.
- b) Anchorage International Airport is budgeted for a \$2,315,800 increase funded through the International Airport Revenue fund. \$1,051,800 of this is for operation and maintenance of the expanded terminal, and includes 3 new Maintenance workers, 1 new Electrician, 6 new Airport Safety officers and 12 new Janitors. All of these are permanent full-time positions. \$496,700 is for an increase in the contract with the operator of the airport parking lot, and other related airport leasing expenses. The Fairbanks International Airport has received the passenger terminal parking study and, based upon it, has budgeted \$300,000 for a parking lot management contract.

Organizational Changes

- a) The Statewide Deputy Commissioner component is established in the FY86 budget through transfers from these other components. The Deputy Commissioner, the Department's Equal Employment Opportunity program, and clerical support together with \$484,200 in general funds and \$300,000 in federal receipts are transferred from the Finance and Administration component. Three clerk typists and \$86,900 are transferred from the Commissioner's office and a Secretary and \$34,100 from Statewide Planning.
- b) The Statewide Reasearch component appearing in the FY86 budget in past years has been budgeted as a component of the Northern Region Planning division and titled

"Research". Its movement in the budget structure is to demonstrate that the Research section supports all regions and all divisions of the Department. In the chain of command the statewide research section reports though the Northern Region Planning Director to the Statewide Deputy Commissioner.

- c) The Central Region Major Projects Development component is eliminated from the FY86 budget. The Special Assistant to the Commissioner and \$74,100 is transferred to the Commissioner's office component. The Secretary position and \$32,500 is transferred to the Central Region Design and Construction, Engineering Management Component.
- d) The Statewide Aviation Planning component was established as a component of the Central Region Division of Planning because the Division has been assigned statewide aviation policy planning and programming responsibilities. All personnel and resources were budgeted as part of the Central Region planning component in past years.

Funding Source Changes

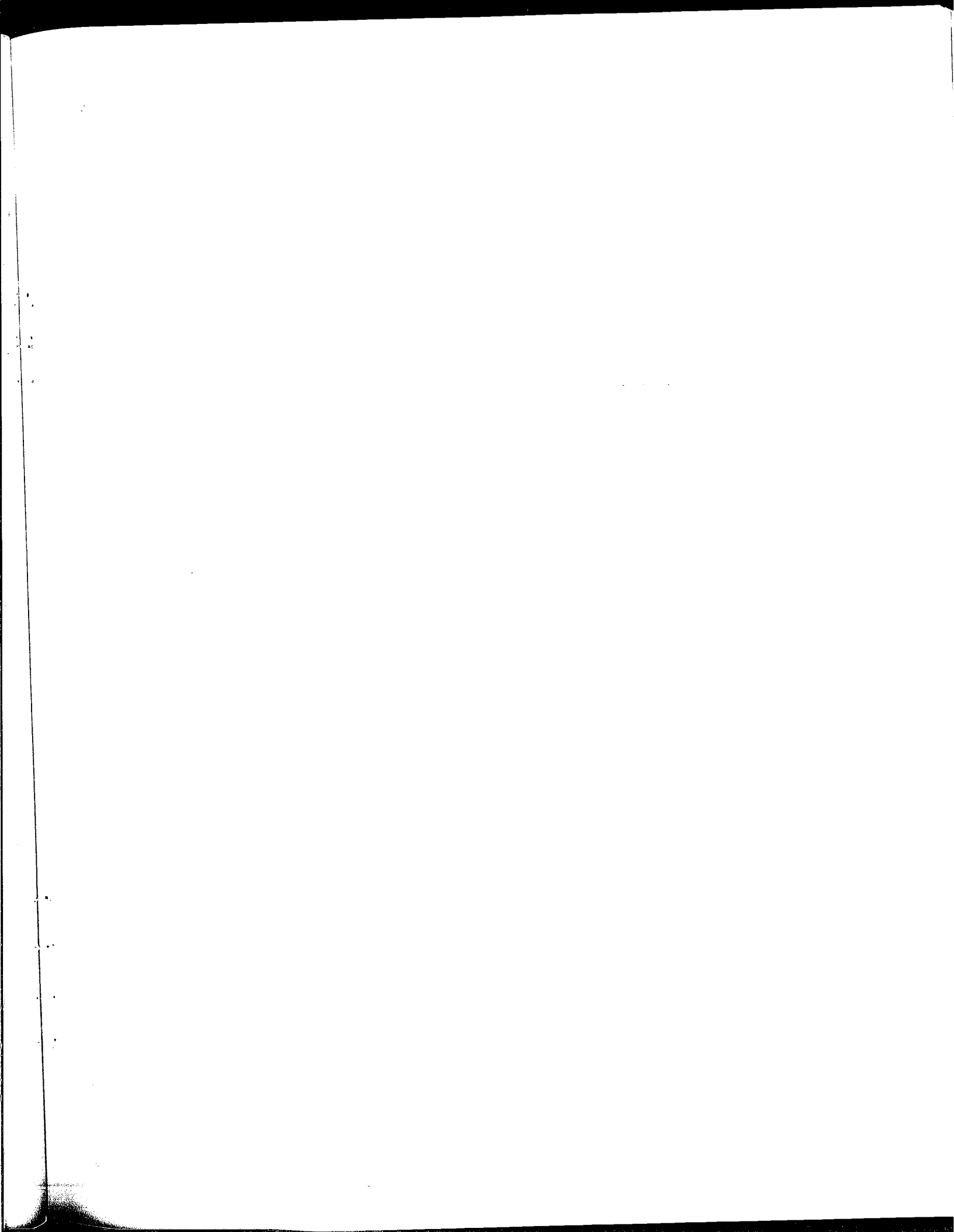
The FY86 DOT/PF budget shows a new funding source titled Capital Improvement Projects Receipts. It also shows a large decrease in interagency receipts. The FY86 budget establishes a General Fund suspense account which allows payment of expenditures and payroll until such time that the Capital Improvement projects collect interagency receipts. Consequently it is more correct to consider the source of funds as CIP receipts rather than Interagency receipts.

The apparent increase in Federal funds is merely a change in designation for federal receipts which had appeared as program receipts in past years in the Central Region and the Northern Region Interior District Maintenance and Operations budgets.

Comparison of Requests with Governor's Budget

Planning. The State Planning, Policy and Program component requested \$286,500 and 6 new positions to establish a professional career path development program and \$98,800 and 2 new positions for railroad program planning which the Governor did not fund.

In the Regions, the Central Region Planning component requested \$145,500 and 3 new positions for pavement management and the Northern Region Planning component requested \$194,600 and 3 new positions for the same program. The Governor did not fund either request.



DEPARTMENT OF ENVIRONMENTAL CONSERVATION

The FY86 Department of Environmental Conservation budget reflects a 7.3% (\$936,300) General Fund (GF) increase and requests total general funding at with at \$13,522,500. Overall, federal funding anticipated for FY86 declines 3.1% (\$86,000) from FY85 authorized.

Major General fund increases are highlighted below:

- a) Personal services underfunding - \$345,500 GF. The number one priority of the department was to bring the funding of existing positions to a level which the department feels necessary to accomplish its goals and objectives. The total requested was \$446,500 GF.
- b) Additional legal assistance from the Department of Law - \$70,000 GF.
- c) Continuation of Placer Mining Research and Data Gathering Programs - \$229,500 GF. This FY 1985 Legislative add-on of \$488,000 is continued at a lower funding level as an increment.
- d) Eight new seasonal employees for additional seafood inspections - \$59,300 GF.
- e) Increased emphasis for remote maintenance of sanitation facilities - \$112,900 GF for one new permanent full-time position and associated costs.

Organizational Changes

The department has undergone significant reorganization since the FY85 budget submittal. The FY86 budget reflects the reorganization of basic field activities into two new BRU's; the Division of Environmental Quality and the Division of Environmental Health. Also, Public Information is established as a new component in the Administration BRU.

New Positions

The department requested 12 new permanent full-time positions and 8 new part-time positions. The Governor approved 4 permanent full-time positions and 8 part-time positions.

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

The Governor's FY86 budget request for the Department of Community and Regional Affairs is \$97,386,000 GF which is less than the FY85 budget of \$97,732,600. The reduction in the Department's budget is due to the deletion of FY85 additions by the Legislature. The Governor's budget compared to adjusted base (FY85 Authorized less one-time items, plus salary increases) show a \$3,554,600 GF increase, which is 3.8% higher than adjusted base amount.

Major increases are:

- a) Child care received a \$1,000,000 increase to reduce the waiting list of clients who are eligible for the program.
- b) Municipal Revenue Sharing received a \$1,000,000 increase to provide full funding of this formula program.
- c) Administrative components of the department received increases to funding existing positions and contractual needs: Training/Energy Field Offices \$171,600, Training and Development \$206,000, Statewide Assistance and Entitlement \$203,800, and Administration and Support \$187,100.

Major Issues

The Department of Community and Regional Affairs administers the Senior Citizens/Disabled Veterans Tax Relief program. In its detail budget request, the Department identified full funding for the various components as \$5,426,600, although it only requested and the Governor funded \$4,435,200 or \$971,400 less than full funding.

Comparison of Department's to Governor's Request

The Governor's budget is higher than the Department's request by \$745,400 GF. The Governor added two increments which were not requested by the Department 1) \$1,000,000 for child care to eliminate the waiting list of clients eligible for the program and 2) \$200,000 for Alaska Legal Services. Although the Governor added \$200,000 to the amount of money requested by the Department for Alaska Legal Services, the Governor's budget only includes \$500,000 which is less than the \$1,200,000 received in FY85.

New Positions

The Department did not request any new positions but did reclassify 6 part-time positions to full-time positions.

DEPARTMENT OF CORRECTIONS

The Governor's FY86 Department of Corrections budget is \$78,766,300 general fund, an 8.3% increase over FY85. Except for funding the expansion at the Anvil Mountain Correctional Center in Nome, the Governor's budget is basically a continuation request.

Major increases are:

- a) Major medical received a \$538,400 GF increase which is a 16.1% increase over adjusted base to provide medical care for the increasing prisoner population.
- b) The Anvil Mountain Correctional Center in Nome is adding 55 beds in August, 1985. The budget increased by \$1,906,400 and 22 positions over adjusted base.
- c) Wildwood, which opened last year, received a \$596,900 GF increase based on better understanding of the cost of operating that facility.

Organizational Changes

The Johnson Human Services Center, located in Juneau, was transferred to the Department of Health and Social Services. The Center which used to house women and juveniles will now only serve juveniles. Women inmates and seven positions were transferred to the Lemon Creek Correctional Center in Juneau.

Comparison of Department's Request to Governor's Request

The Department of Corrections requested a 20.7% increase in funding and 147 new positions. The Governor supported an 8.3% increase and 28 new positions. Although every institution received less than the Department requested, the major increment not funded in the Governor's budget was funding to open the Mat-Su Correctional Center for \$187,700 and 46 new positions. The Department plans to open the new Center in FY87.

UNIVERSITY OF ALASKA

The Governor's FY86 University of Alaska (UA) general fund (GF) budget is \$175,034,400, which is 4% greater than FY85. Additional funding for salary increases is expected to be proposed in separate legislation, bringing the total UA increase over FY85 to 8.9%.

GF increases generally follow the University's system-wide priorities, and are highlighted below:

- a) Salary Increases. UA requested \$13,000,000 to cover increases in FY85-FY86 staff benefits and salaries for non-union employees. The Governor has indicated support for salary increases comparable to those received by other State employees, for a funding level of approximately \$8,300,000.
- b) Inflation. The Governor funded \$3,079,900 or approximately 75% of the University's request.
- c) Legislative Add-ons. The continuation of programs added by the 1984 Legislature do not represent an increase over FY85. However, the Governor required agencies to first back out add-ons and then treat continuations along with other increments. The University requested \$968,700 or nearly all FY85 program add-ons as increments; the Governor funded this in its entirety.
- d) Support for New Facilities and Computer Systems. The Governor funded \$809,000 of UA's request of \$1,084,500.
- e) Program Packages. The University split its requests for new or enhanced programs into six system-wide packages. The Governor funded all of priority package 1, which totals \$938,000 and includes increments for all major units. Only a small portion of the remaining packages were funded.

Organizational Changes

The major organizational change for FY86 is the transfer of \$1,948,300 and 35 positions for the Institute of Social and Economic Research (ISER) from Organized Research to the University of Alaska, Anchorage. The bulk of ISER staff is already housed in Anchorage; positions housed in Fairbanks will remain in the University of Alaska, Fairbanks budget.

New Programs

The only major GF increase for new programs is the \$809,000 referenced above for new facilities and computer systems. Other increases are primarily for expansion of existing programs to reflect higher enrollments or accreditation requirements.

Non-General Fund Changes

While the Governor's GF budget increased by 4.0%, the increase in total funds is only 1.7%. This is mainly due to the reduction of excess budget authority in the Organized Research component and does not reflect a reduction in actual receipts.

The Governor did in fact approve all non-GF increments, two of which are of particular interest. Statewide Programs and Services requested and received approval for a \$483,400 increase in interest income to fund 8 new programmer positions and related costs. The University of Alaska, Fairbanks received approval for a \$1,870,500 increase in interagency receipts to fund, among other things, 19 new positions.

University Positions

For the first time, University position information is being entered into the State's standardized position control system (PACS). This process is not yet complete and some differences are going to occur between authorized position counts and actual counts. It is, however, a first step towards meaningful information about University position counts and personal service costs.

The University requested 159 new positions for FY86, 91 of which were approved by the Governor at a cost of \$3,236,400. Of those positions approved by the Governor, 19 are funded with non-GF and 26 are funded in part or total through internal resource reallocation.

ALASKA COURT SYSTEM

Traditionally, the Governor's budget has included the Alaska Court System at the requested expenditure levels. For the proposed FY86, the Governor has departed from this practice with the intention of recommending a six percent increase over current year levels using an allocated reduction mechanism, "Budget Target Offset". In actuality, the Governor's proposed budget provides for a 2.3 percent increase.

Because the Governor's "lump sum" recommendation does not allow for analysis and the Court System request is normally reviewed intact by the Legislature in the appropriations process, Legislative Finance Division analysis is keyed to the Court System Request.

The Alaska Court System Budget Request Unit, which includes three components -- Appellate Courts, Trial Courts, and Administration and Support, would require a 9.9 percent increase over the adjusted current year level.

The requested increase is largely attributed to:

- the cost associated with 31 new positions, \$1,081,600.
- salary increases for law clerks
- increased caseload support costs
- adjustments for full year funding of new positions phased in for funding during FY1985
- expand court space \$822,600
- a computerized legal research system \$125,000
- library book supplements \$91,900

The Alaska Court System is entirely supported with a General Fund appropriation.

Commission on Judicial Conduct

The Commission on Judicial Conduct budget request on establishes the Commission on a full-time basis with its first permanent full-time staff position. The request would require a 105.3 percent increase over the current year appropriation.

The increase is mostly due to:

- one new full-time position to provide permanent staff support \$35,700
- increased support costs for travel, office space, communications, professional services and supplies \$40,600,-- with the largest single expenses of \$18,000 to provide office space outside of the Anchorage court building.

Judicial Council

The Judicial Council is requesting a 50 percent increase in its operating budget to:

- add one new position to develop a program for Periodic Judicial Performance evaluations \$42,700
- undertake three new projects: Juror Utilization \$80,000, Reduction of Appellate Delay \$70,000, and Enforcement of Court Orders \$25,000
- provide for inflationary costs and fund merit increases.

ALASKA STATE LEGISLATURE

The Legislative budget is presented in three budget request units: Budget and Audit Committee, Legislative Council, and Ombudsman.

The Legislative Auditor and the Legislative Fiscal Analyst prepare their respective components of the Legislative Budget and Audit BRU; the Executive Director of the Legislative Affairs Agency prepares the Legislative Council budget; and the Ombudsman, the Ombudsman Budget.

The Governor's proposed FY86 budget, is recommending a reduction to these requests, through an unallocated reduction (Budget Target Offset), for a six percent increase over the current budget, adjusted for one-time items. Because the Governor's budget recommendations are presented in lump sum, and traditionally it is the actual requests which are presented to the Legislature, our analysis compares the FY86 request to current year authorizations.

Legislative Budget and Audit

The requested budget components essentially maintain current operating levels, plus an additional amount for Legislative Budget and Audit Committee expenses. Funds for one-time special Finance Committee projects are not included in the request. No new positions are requested. In total, a one percent reduction from FY85 is proposed.

Legislative Council

The Legislative Council traditionally prepares a tentative budget request which is subsequently revised after the Legislature convenes and the Legislative Council Committee reviews the budget. More detailed budget information will be available at that time. The tentative budget would require a 14.3 percent increase in appropriation.

Ombudsman

By statute, the Ombudsman submits a budget to the finance committees of the legislature and an estimated budget to the Governor for information purposes in the preparation of the executive budget. The budget submitted by the Ombudsman requires an 18.9 percent increase in appropriation and includes six new positions to meet anticipated workload.

The operations of the Legislature are entirely supported from General Fund appropriations.