

LEGISLATIVE OVERVIEW OF THE GOVERNOR'S FY 1987 BUDGET

Prepared for distribution to the Legislature by:

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Note: This overview remains keyed to the budget proposal transmitted by the Governor on December 13, 1985.

SPENDING PLAN

The Governor's proposed FY87 budget as presented to the 14th Alaska State Legislature calls for appropriations totaling \$3,678.8 million. Of this amount \$2,654.7, or 72%, is unrestricted general fund (GF). Compared with appropriations made during the 1985 session, this spending plan represents:

A decrease of \$271.3 million, or 7% in total funds.

A decrease of \$183.6 million, or 6.5% in general funds.

A marginal decline in the operating budget, a sharp decline in the capital budget, and a moderate increase in the loans budget.

The distribution of the Governor's budget between its major components is presented in Table I and the accompanying charts of pages 5 to 9.

OPERATING:

The Governor's recommended operating budget, with no provision for inflation or population increase, is essentially at the same level as FY86: it declines less than 1% in both total funds and general funds. Some of the more significant features of this budget are the following:

The GF component of the operating budget, at \$2,252.9 million, is \$22.0 million lower than FY86. This decline is attributable primarily to reductions in pass-thru programs, debt service and travel and elimination of the one-time FY85 retroactive salary increase.

There is a \$21.6 million provision for FY87 salary increases for state employees covered by collective bargaining agreements. The GF portion of this increase is \$14.9 million. No salary increases are funded for non-covered employees.

\$669.4 million GF is allocated for pass-thru programs (i.e. K-12 Education Support including TRS Match, Municipal Assistance, and Revenue Sharing). This is \$20.2 million GF lower than FY86, and represents 30% of the FY87 operating budget.

The Foundation program is reduced by \$16.4 million GF from FY86 levels. This includes the replacement of \$6.0 million GF by funds from the Public School fund.

The Governor's proposal is \$128.5 million GF, or 6%, below cumulative agency requests.

There are a total of 272 new positions (204 full-time, 17 part-time, 51 temporary) with salary and benefit costs of \$9.5 million (\$6.4 million GF). Law, Health and Social Services, Corrections and the University are agencies with 20 or more new full-time positions.

The total number of full-time positions declines from adjusted base by 20 to 16,810. The agencies showing the most deleted positions are Fish and Game (107), Natural Resources (51), and Transportation (48). These deletions, in large part, are the result of vacant PCN clean-up and completion of capital projects which funded CIP positions.

The personal services component of the operating budget, excluding FY87 salary increases, is \$905.0 million. This represents an increase of \$6.4 million, or 1%, over adjusted base.

Anticipated federal receipts increase \$18.0 million or 8%, to \$244.7 million. Other major non-general fund sources also generally increase over adjusted base.

The travel budget is reduced \$5.3 million GF, across the board on a statewide basis. For each agency this reduction is made in the Commissioner's agency's office and represents about 20 to 25% of the agency's travel request.

The operating budget includes a \$19.6 million GF for the Power Cost Equalization program.

\$7.6 million GF and 85 full-time/5 part-time new positions are provided for new and expanded facilities in Health and Social Services, Corrections and the University.

Health and Social Services Formula programs such as Aid to Families with Dependent Children, Medicaid and Foster Care, have been increased by \$10.0 million GF.

There is a \$6.1 million GF reduction in the General Relief Medical program due to the elimination of outpatient services, prescription drugs and home nursing services. Coverage under this program will be limited to hospitalization and pregnancy related services.

Within Commerce and Economic Development, general funds are replaced entirely by loan program funds in the two divisions that administer loan programs.

The Alaska Railroad is excluded from the budget this year in accordance with statutory provisions that exempt it from the requirements of the Executive Budget Act.

There are numerous intra-agency organizational changes reflected in the FY87 budget. Interagency program changes include the following transfers:

Municipal Assistance from Revenue to Community and Regional Affairs.

Equal Employment Opportunity program from Administration to the Office of the Governor.

Teacher's Retirement System match from Administration to Education.

Commission on Employment of the Handicapped from Education to Labor.

Fire Service Training program from Education to Public Safety.

Youth Employment Services program from Education to Labor.

Avalanche Control program from Public Safety to Transportation, and elimination of the Alaska Avalanche School and Alaska Avalanche Forecast Center.

CAPITAL:

The Governor's FY87 capital budget proposal is sharply reduced from capital appropriations made last session: in total funds this budget is down 28% to \$653.9 million, while in GF terms it is reduced 26% to \$348.2 million.

No funds are provided for the Susitna Hydro project in the capital budget; however, \$50.0 million GF is recommended for the Bradley Lake Hydro project. Other significant items include \$16.0 million GF for the Eklutna Water project, \$72.3 million GF and \$63.6 million other funds for Anchorage road repairs and construction, and \$12.8 million for capital improvements at the Anchorage International Airport. In addition, \$20.0 million is budgeted as GF match for FY87 federal aid highway and airport projects.

LOAN PROGRAMS:

The Governor's proposed FY87 funding for loan programs is \$82.9 million, a \$3.1 million or 4% increase over FY86. However, GF funding at \$63.6 million is significantly lower than in FY86. In fact, student loans and the Housing Assistance Loan fund are the only programs receiving GF funding. This was made possible by the transfer of funds between different programs. Based on anticipated demand and cash flow, funds have been transferred to the Commercial Fishing, Child Care Facility, Bulk Fuels, Rural Electrification and Power Project loan programs from the Veterans, Historical District, Alternative Energy, Residential Energy and Power Development loan programs. In addition to GF funding, the Housing Assistance Loan Fund also receives \$9.0 million from the Mining Loan Fund. No additional funding is requested for either Alaska Housing Finance Corporation or Agricultural loan programs.

OTHER ISSUES:

Funding for Oil and Gas litigation is maintained at the FY86 level of \$11.1 million GF.

General Obligation debt service funding at \$155.0 million is 5% below FY86.

Funding for school construction bond debt retirement is \$106.3 million GF. This is substantially lower than agency estimates of the requirement for FY87.

Although no dollar amount is specified, funding for the 1986 Permanent Fund Dividend program is provided in the front section of the proposed budget bill.

\$10.0 million is transferred from the Highway Working Capital Fund to the General Fund.

No supplemental appropriations for FY86 are requested in the Governor's budget.

The Governor has not recommended any additional appropriation for the Permanent Fund.

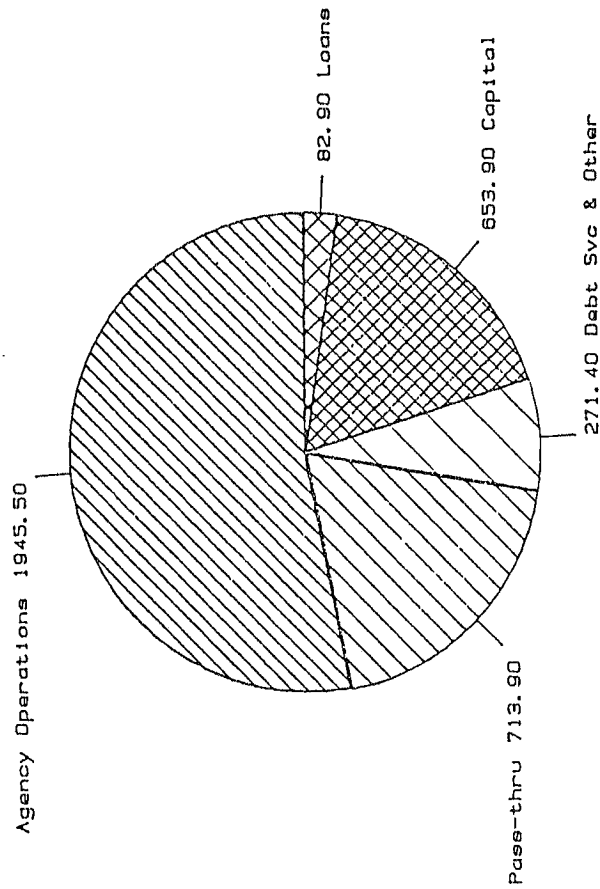
Table I
1985 Session Appropriations
vs
1986 Session Gov's Proposal
(\$ millions)

	1985 Session (1)	1986 Session (2)	---- Change ----	
			Amount	Percent
GENERAL FUND:				
Operating				
3) Agency Operations	1,305.5	1,311.1	5.6	.4%
4) Pass-thru	689.6	669.4	-20.2	-2.9%
5) Debt Service	268.6	261.3	-7.4	-2.7%
O&G Litigation	11.1	11.1	.0	.0%
Subtotal	2,274.9	2,252.9	-22.0	-1.0%
Capital	471.1	348.2	-122.9	-26.1%
Loans	79.6	63.6	-15.9	-20.0%
Supplemental	12.7	.0	-12.7	-100.0%
6) Miscellaneous	.0	-10.0	-10.0	n/a
Total	2,838.3	2,654.7	-183.6	-6.5%
TOTAL FUNDS:				
Operating				
3) Agency Operations	1,935.2	1,945.5	10.3	.5%
4) Pass-thru	732.1	713.9	-18.1	-2.5%
5) Debt Service	274.2	271.4	-2.8	-1.0%
O&G Litigation	11.1	11.1	.0	.0%
Subtotal	2,952.6	2,942.0	-10.6	-.4%
Capital	902.8	653.9	-248.9	-27.6%
Loans	79.8	82.9	3.1	3.9%
Supplemental	14.8	.0	-14.8	-100.0%
TOTAL	3,950.1	3,678.8	-271.3	-6.9%

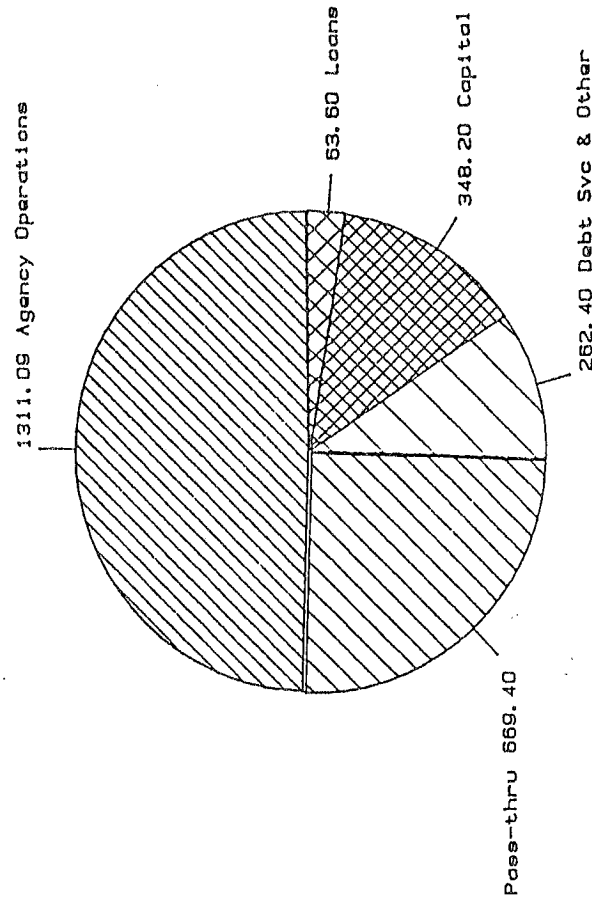
- 1) From 1985 Alaska State Appropriation Digest, OMB
- 2) From Governor's proposed General Appropriations Bill
- 3) 1985 Session Agency Operations include salary increase funding of \$41.3 million total funds and \$34.4 million GF; 1986 Session includes salary increase funding of \$21.6 million total funds, and \$14.9 million GF.
- 4) K-12 Education Support including TRS match, Municipal Assistance, and Revenue Sharing; other formula programs totaling about \$181.5 million are included in Agency Operations.
- 5) General Obligation, School Construction, and International Airport
- 6) Transfer from Highway Working Capital Fund to general fund

GOVERNOR'S PROPOSED FY 87 BUDGET

(\$ Millions)



Total Funds



General Funds

APPROPRIATIONS, 1984-1986 SESSIONS

General Fund

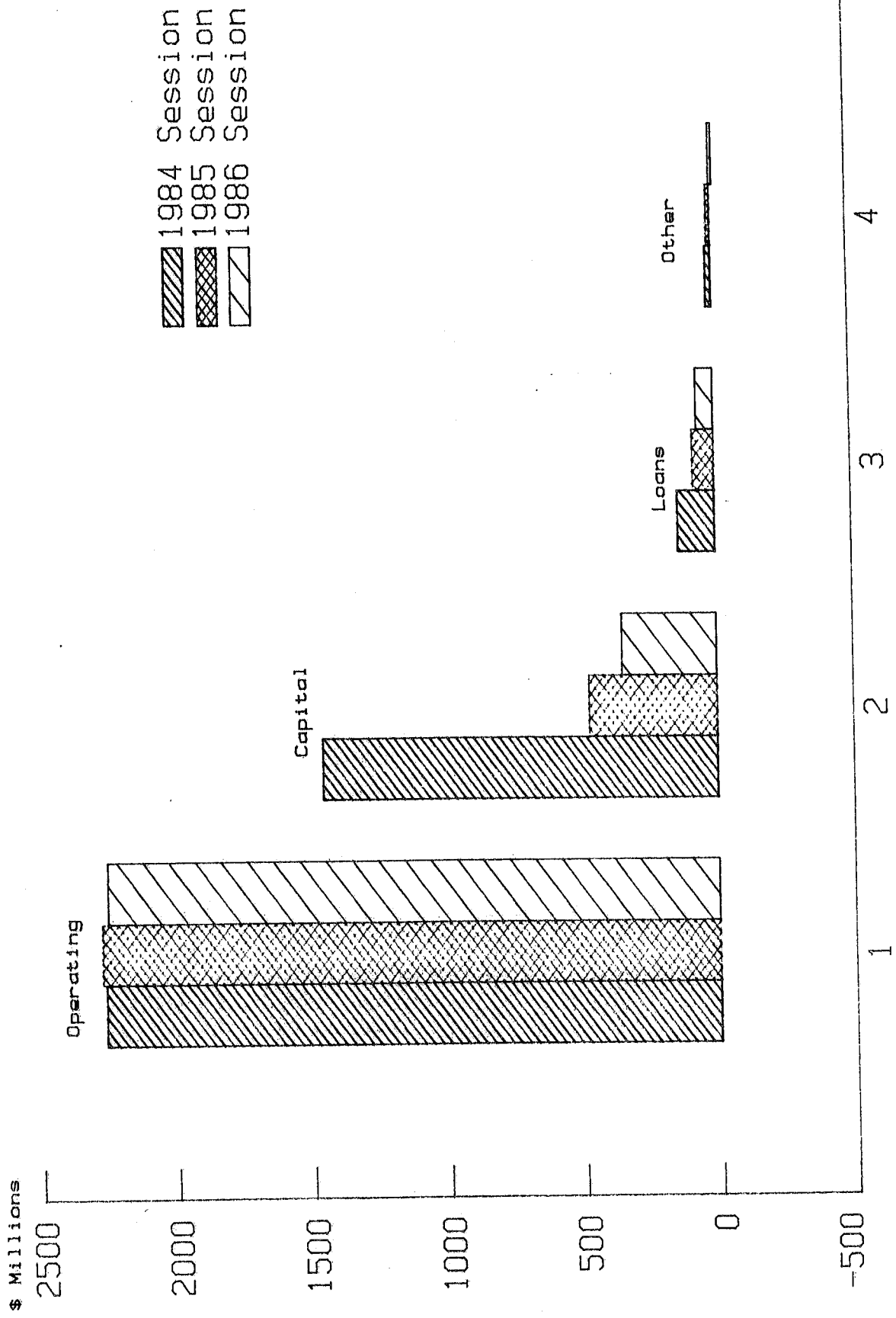


TABLE II
 Governor's Proposed FY 87 Budget
 Operating, by Agency
 General Fund
 (\$ 000)

	Adjusted Base	FY 87 Proposed	---- Change ---- Amount	Percent
Office of the Governor	17,650.1	19,552.5	1,902.4	10.8%
Administration	161,249.0	160,116.5	-1,132.5	-.7%
Law	17,379.9	17,331.4	-48.5	-.3%
Revenue	26,931.2	26,300.7	-630.5	-2.3%
Education	597,622.3	583,611.8	-14,010.5	-2.3%
Health & Social Services	230,786.2	243,390.5	12,604.3	5.5%
Labor	14,571.7	14,729.9	158.2	1.1%
Commerce & Econ Development	53,543.9	50,496.9	-3,047.0	-5.7%
Military & Veteran Affairs	6,672.2	6,621.4	-50.8	-.8%
Natural Resources	50,675.1	48,456.8	-2,218.3	-4.4%
Fish & Game	50,799.5	49,492.3	-1,307.2	-2.6%
Public Safety	81,726.9	83,227.9	1,501.0	1.8%
Transportation	167,228.0	162,484.8	-4,743.2	-2.8%
Environmental Conservation	12,299.8	12,787.0	487.2	4.0%
Community & Regional Affairs	172,819.4	168,577.4	-4,242.0	-2.5%
Corrections	75,307.4	80,552.6	5,245.2	7.0%
University of Alaska	167,996.6	167,382.8	-613.8	-.4%
Court System	39,295.8	39,019.7	-276.1	-.7%
Legislature	31,622.7	31,431.3	-191.4	-.6%
TOTAL	1,976,177.7	1,965,564.2	-10,613.5	-.5%

Note: Adjusted Base includes FY 86 salary increase while FY 87 Proposed does not include FY 87 salary increase request.

TABLE III
Funds Available for Appropriation
Unrestricted General Fund
(\$ Millions)

	FY 86	FY 87
BALANCE FORWARD	-213.9	116.0 (1)
Revenues	3,124.6	2,718.9 (2)
Adjustments		
Estimated Lapse	50.0	25.0 (3)
GF Investment Repaid	17.0	10.9 (3)
Drilling Credit	-15.0	-15.0 (3)
TAPS restriction	-59.2	-156.9 (2)
AVAILABLE	2,903.5	2,698.9
APPROPRIATIONS		
Operating		
Agency Operating	1,960.8	1,965.6
Debt Service - G.O	163.3	155.0
Debt Service - Schools	105.3	106.3
Salary Increase	34.4	14.9
O & G Litigation	11.1	11.1
Subtotal	2,274.9	2,252.9 (4)
Capital	433.0	348.2 (4)
Loan Programs	79.6	63.6 (4)
Other	.0	-10.0 (4)
TOTAL	2,787.5	2,654.7
	-----	-----
BALANCE FORWARD	116.0	44.2
	-----	-----

- (1) FY 85 balance forward of -\$213.9 million is from DOA, Division of Finance, 1/7/86; this differs from previous estimates which were derived from FY 84 balance forward.
- (2) Department of Revenue risk-adjusted January 86 forecast.
- (3) Preliminary estimates of OMB, Strategic Planning, 1/7/86.
- (4) 1985 Alaska Appropriations Digest, OMB; Governor's proposed General Appropriations Bill.

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OFFICE OF THE GOVERNOR

Except for the biennial increase for the election year budget of the Election Division, the Office of the Governor operations budget is essentially recommended at the continuation level. The recommended budget increases approximately 9% from \$19.8 million to \$21.6 million. The General Fund support increases from \$17.4 million to \$19.6.

SUMMARY ANALYSIS:

Executive Office travel reduction of 25% to be allocated throughout the budget - \$208,700

Election year funding for Primary and General elections: increase of \$2.7 million and 51 new temporary positions.

MAJOR ISSUES:

Program Changes

The Equal Employment Opportunity program is transferred from the Department of Administration to a new Office of Equal Employment Opportunity, a move mandated by 1985 legislation.

Funding for Executive Office Grants for the Special Olympics are transferred to the Department of Community and Regional Affairs, \$30,000.

The Governor's Contingency Fund is reduced from \$450,000 to \$350,000.

Coastal Zone Management Grants to local agencies are maintained at their current level, \$1,550,000.

Funding for State/Federal Oil and Gas Leasing Review is transferred to the agencies directly involved, \$306,800: Departments of Natural Resources, Environmental Conservation and Fish and Game.

Funding Sources

The budget is substantially funded from the General Fund. However, the Human Rights Commission also receives Federal Housing and Urban Development Department funding and the Governmental Coordination Division receives Federal Coastal Zone Management funds. The Alaska Women's Commission receives federal Older Americans Act funds transferred as interagency receipts from the Department of Administration, Older Alaskans Commission. Federal funding is maintained at the current level. No new funding sources are proposed.

ORGANIZATIONAL CHANGES:

Office of Management and Budget

The proposed budget continues internal transfers of positions and funding authority within the Office of Management and Budget from the Director's office to its various divisions: Strategic Planning, Budget Review, Management and Audit and Governmental Coordination. The transfers result in a net reduction of 2 full-time positions and \$599,000 in general fund support. Of the \$599,000 reduction, \$306,800 is actually a transfer of expenditures to other agencies' general fund appropriations: Natural Resources, Environmental Conservation and Fish and Game.

Funding for the Alaska Land Use Council is transferred to the Division of Governmental Coordination consistent with 1985 Legislative direction for the Division to provide necessary support to the Council.

POSITION ANALYSIS:

Staffing changes are highlighted as follows:

- funding is deleted for the Office of Management and Budget Director position which has been vacant since 1984, and a vacant Analyst position in Budget Review.
- funding for 51 new temporary positions in the Elections Division for the 1986 General and Primary elections.

COMPARISON OF GOVERNOR'S BUDGET TO REQUEST:

The Governor's budget does not include requested increments for:

- the Human Rights Commission to add 3 new Investigator positions to restore previous budget reductions, \$119,800.
- the Alaska Women's Commission to revise and reprint the Legal Rights Handbook and Statewide Women's Directory, \$18,000.

The proposed budget funds the requested increment component for General and Primary elections but reduces the contractual item \$150,000, a general reduction.

DEPARTMENT OF ADMINISTRATION

SUMMARY ANALYSIS:

The Department of Administration facilitates the internal workings of the Executive branch through its personnel, finance, purchasing and similar housekeeping divisions. It also serves as an umbrella agency for a variety of disparate functions such as Pioneer Benefits, Public Defender, Public Broadcasting, etc. This FY87 request is essentially a maintenance budget with a number of adjustments to reduce general funds. Funding has increased 1.9% overall but general funds are down 17.4%.

The dramatic general fund reduction resulted from a legislative intent statement which consolidated education costs by transferring the \$31 million Teacher Retirement Match to the Department of Education. The funds are still reflected in this department, which manages the retirement system, as interagency receipts. Interagency receipts are also the source of a \$7 million increase in Risk Management, needed to offset soaring insurance costs. An 8.5% increase in the Longevity Bonus component (\$3.9 million) was deemed necessary for this formula program.

MAJOR ISSUES:

Program Changes

The Division of Equal Employment Opportunity was transferred to the Office of the Governor in September, 1985.

Funding Source Changes

As indicated, Teacher Retirement Match is now shown in interagency receipts. Pioneer Homes has increased program receipts by \$900,000 including funding for 8 new positions. This approach was used wherever possible throughout the agency.

POSITION ANALYSIS:

Pioneer Homes received 7 Nursing positions and a Social Worker. The Public Offices Commission upgraded 3 part-time positions to full-time and added 2 new full-time positions (to a total of 11 PFT) to meet election year needs. Information Resource Management added 1 interagency receipt funded position, but deleted 40, largely by transferring staff to the divisions whose programs they maintain.

COMPARISON OF GOVERNOR'S BUDGET TO REQUEST:

The Governor made a major reduction in travel funding, approximately 25 percent, which is shown as a negative in the Commissioner's office. This was done in all agencies. Most other disparities are relatively minor with two exceptions: the Leasing and Facilities request has been reduced by the amount of the ASHA bond payment for the State Office Building (\$3,313,800). The bonds have been paid in full. Also significant is the the \$850,700 reduction in the Information Resources Management (IRM) BRU. This will eliminate data entry services for IRM customers, forcing agencies to assume these costs.

DEPARTMENT OF LAW

SUMMARY ANALYSIS:

This department provides services in three major areas:

Public Protection (Consumer Protection)
Administration of Justice (Prosecution)
General Government (Legal Services and Oil & Gas Special Projects)

The Office of Consumer Protection enforces the State's Consumer Protection and Unfair Trade Practices laws. The purpose of Consumer Protection is to insure Alaskan consumers receive honest information and fair treatment when purchasing goods and services and that goods and services are of acceptable quality.

The Prosecution component prosecutes violations of state criminal law, including legal assistance to investigative agencies, pre-trial and trial proceedings, appellate proceedings, post-conviction and habeas court proceedings, extraditions and forfeiture.

The Legal Services component represents the State in all civil actions (except special oil and gas litigation), provides legal advice to the executive branch, handles matters for the Governor, executive agencies and upon request, the legislative and judicial branches. This component reviews all regulations prepared by executive agencies and drafts all legislation introduced by the Governor.

The Oil & Gas Special Projects component handles all of the major oil and gas revenue disputes, including challenges involving lands that have high potential value to the State. There are presently six or more significant litigation matters being handled by the component. The amount at issue in the State's oil and gas litigation totals at least 15 to 20 billion dollars in present day dollars.

For FY87 the Governor has basically proposed a continuation budget for the Department of Law. The General Fund budget of \$17,331,400 is 1.0% less than FY86 authorization of \$17,502,700. The portion funded from interagency receipts increased 16.9% from the FY86 authorization of \$7,500,800 to the Governor's proposed FY87 amount, \$8,771,100. The increase in the interagency receipts is due primarily to the transferring of responsibility for fraud investigation to the Department of Law from Health and Social Services.

MAJOR ISSUES:

Program Changes

The Governor's proposed FY87 budget reduces the Consumer Protection component by \$261.6 or 31.1%. As a result of this reduction the Department has indicated that it will close the two-person Fairbanks and Juneau Consumer Protection offices.

POSITION ANALYSIS:

The Governor approved 23 new positions. Nineteen new positions had been established through RPs in FY86, with the approval of the Legislative Budget and Audit Committee. The 4 other positions are aimed at handling a growing child abuse caseload in the first and third Judicial Districts within the Prosecution budget.

COMPARISON OF GOVERNOR'S BUDGET TO REQUEST:

The Department requested a 10.0% increase in funding and 38 new positions. The Governor supported a 4.4% increase and 23 new positions. The largest disparity between the Department's request and the Governor's budget is in the Consumer Protection component. The Department asked for \$910,600 and received \$602,500 or 31.1% less.

DEPARTMENT OF REVENUE

SUMMARY ANALYSIS:

The Governor's proposed FY87 budget for the Department of Revenue (DOR) is \$48,494,400, which represents an increase of 6% over adjusted base. This higher level is a result of non-general fund increments; the general fund (GF) portion of the budget declines 2% to \$26,300,700. Despite the GF reduction the budget does not reflect any significant realignment of priorities or shifts in policy emphasis.

The GF reductions are across the board in almost every component with GF funding; conversely, non-GF funding remains at FY86 levels or increases in each component.

The major increases/decreases in the FY87 budget as compared with adjusted base are:

A department-wide travel reduction of \$104,300 GF, \$94,600 non-GF, in the Commissioner's office;

\$214,400 GF reduction in formula funded programs (Shared Taxes);

\$129,200 GF increase in Treasury for management and insurance expenses relating to Alaska Resources Corporation properties;

\$65,600 GF reduction in the Commissioner's office for Multistate Tax Commission participation and support costs for the State Bond Committee;

\$1,862,600 non-GF increase in Treasury for higher management fees due to a projected increase in common stock portfolios for PERS, TRS, and Public School funds;

\$770,400 non-GF increase in the Permanent Fund Corporation for higher custodial and management fees;

\$504,000 non-GF increase in Child Support Enforcement for the purpose of designing, developing and implementing an interstate clearinghouse for child support cases;

\$115,600 non-GF increase in the Alaska Housing Finance Corporation for merit increases.

MAJOR ISSUES:

Program Changes

The most significant program change for FY87 is the transfer of the Municipal Assistance program to the Department of Community and Regional Affairs in accordance with the revision of the municipal code (SLA-1985, CH 74).

Funding Source Changes

There is a net \$85,000 GF decrease, and a corresponding non-GF increase in Treasury, to more accurately reflect time and resources spent on management of the general fund and the PERS and TRS funds. Within the Enforcement Division, there is a \$150,000 increase in program receipts, and a \$50,000 GF decrease, relating to collection agency fees.

OTHER ISSUES:

Formula funded programs (Shared Taxes) are reduced 2% from FY86. This level of funding is 5% below the full-funding level.

Refundable credits are funded at the FY86 level of \$600,000 GF for Child Care Credits and \$1,100,000 GF for Political Contribution Credits.

Oil and Gas litigation is funded in the front section of the bill at the FY86 level of \$2,000,000 GF.

Administrative costs of the Permanent Fund Dividend program are 2% higher than FY86 levels.

ORGANIZATIONAL CHANGES:

The Petroleum Revenue Division has been dissolved with its audit functions being transferred to the Audit Division and economic analysis functions being combined with the Research Section in the Commissioner's office. The objective is to contain operational costs through economies of scale, elimination of repetitive functions and promote greater coordination through sharing of skills, training and experience.

On an agency-wide basis, the data and word processing components have been consolidated with the operations components for the purpose of simplifying the budget and providing managers with flexibility in pursuing their functions.

A new component, PFD-Formal Hearings, has been added to the FY87 budget to reflect the costs of providing statutorily required appeal rights to contesting denied applicants.

POSITION ANALYSIS:

The number of full-time positions has declined by 8 from 415 in FY86 to 407 in the FY87 budget. Four new positions are recommended by the Governor: 3 in Child Support Enforcement to enhance the data processing functions and, one Accounting Clerk for the Permanent Fund Corporation. The deleted positions include an Investigator for the Fairbanks office of Alcohol Beverage Control Board, and 3 clerical positions in Administrative Services. Other deletions were made due to workload changes, clean-up of vacant or unfunded positions, and to fund other items in the budget.

COMPARISON OF THE GOVERNOR'S BUDGET TO REQUEST:

The Governor's FY87 non-GF budget for DOR is identical with the agency's request. However, the GF budget is \$1,801,500 or 6% below the agency request. Significant agency increment requests that were not funded include:

5 PFTs and \$291,800 GF in Public Services for education and enforcement of the Games of Chance and Contests of Skill program;

3 PFTs and \$193,100 GF in the Commissioner's office for agencywide data processing modernization and integration;

3 PFTs, and \$118,000 GF for Investigators and clerical support for the Alcohol Beverage Control Board;

1 PFT and \$99,900 GF in the Administrative Services division for examining and recruitment of candidates for Revenue-specific job classes;

\$35,000 GF in the Enforcement Division for publication of names of delinquent taxpayers;

\$75,000 GF in Treasury for an RSA with the Department of Natural Resources for an appraisal to determine the amount owed to the Public School Fund as compensation for federal trust lands.

The Governor's budget does not include any items that were not requested by the agency.

DEPARTMENT OF EDUCATION

SUMMARY ANALYSIS:

The Governor's FY87 Department of Education (DOE) budget is basically a continuation budget. K-12 Support Programs which represent 87% of total DOE funding are increased 3.2%. This is due, however, to the transfer from the Department of Administration of Teacher's Retirement State Match (TRS). If DOE K-12 Support is analyzed without TRS, there is a decrease of 2.4% in the K-12 program. Overall, DOE increased 3.2% over FY86 authorized amounts.

Major changes are:

\$5,000,000 decrease in anticipated PL81-874 federal funds for foundation program.

\$9,913,900 decrease in General funds for Foundation, Pupil Transportation and Community Schools to correspond to a decrease in available state operating funds.

\$1,015,400 miscellaneous reductions in general funds by the Governor of \$663,300 and an agency-wide travel reduction of \$352,100.

\$1,000,000 increase in Cigarette Tax fund.

\$1,410,300 increase in general funds to meet obligations in Tuition Students program.

\$1,500,000 general funds for a new program, Schools of the Future. Purpose is to improve the quality of public education to all students in the State.

\$1,742,000 increase in federal funds for the Migrant Education program.

\$428,700 increase (\$23,700 federal) in general funds for Arts Council Grants.

\$693,400 increase in federal funds for the Vocational Rehabilitation program.

MAJOR ISSUES:

Foundation Program

DOE plans to present draft legislation to the 1986 legislature for a new foundation program which will not only alter the allocation system to school districts but will consider ways to equalize funding across the state. DOE basically held state funding levels to FY86 authorized amounts while the Governor reduced Foundation program funding by \$9,334,500 in the FY87 budget request.

Program Changes

One program was transferred to DOE, three transferred out of DOE and one new program was added in the FY87 budget as follows:

Teacher's Retirement State Match transferred to DOE from Department of Administration \$32,152,000 general funds.

Governor's Committee on Employment of the Handicapped \$140,300 general funds and 3 positions transferred to Department of Labor; Fire Service Training program, \$318,800 general funds and 3 positions transferred to Department of Public Safety; Youth Employment Services and \$270,000 general funds transferred to the Department of Labor.

Schools of the Future, a new program in FY87 was recommended at \$1,500,000 general funds.

Funding Source Changes

The Governor replaced \$6,000,000 of general funds in the Foundation program with \$6,000,000 available from the Public School fund.

POSITION ANALYSIS:

No new positions were authorized in the Governor's budget request although DOE requested 35. Six positions were transferred to other agencies and 1 position was deleted.

COMPARISON OF GOVERNOR'S BUDGET TO REQUEST:

DOE requested total funding for FY87 of \$696,729,100 while the Governor recommended \$665,893,100 a \$30,836,000 reduction, \$30,558,000 of which is general funds.

A total of \$25,593,500 in increments were requested of which \$7,309,400 was recommended by the Governor. Of that amount \$3,443,300 is general funds. Major increments not funded are:

\$9,169,500 TRS State Match. To fully fund TRS Match, DOE requested \$41,321,500. The Governor did not allow the increment and further reduced TRS by \$643,000 to \$31,509,000.

\$4,500,000 in Public School funds for Schools of the Future.

\$485,600 for Handicapped Schools.

\$600,000 Arts Council Grants.

Of the \$3,580,800 in FY86 legislative add-ons, \$1,083,000 was deleted in the FY87 budget request and \$2,497,800 was retained in the budget.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

SUMMARY ANALYSIS:

The Governor's FY87 request for the Department of Health and Social Services is \$243,390,500 GF for a 3% increase over the FY86 authorized level. The total funds budget request of \$356,058,100 is a 5.9% increase over FY86. The other fund increases are mainly in federal receipts for entitlement programs and budgeting unrestricted receipts as program receipts.

Major GF increases/decreases:

Caseload and cost of living increases for Aid to Families with Dependent Children (AFDC) \$3,363,600, Adult Public Assistance \$2,389,000, General Relief, \$247,800 and Longevity Bonus Hold-Harmless, \$279,900.

Open a new youth facility in Bethel \$1,068,200 and 22 positions, and a new wing to the Fairbanks Youth Facility \$620,200 and 12 positions.

Medicaid increases for usage, eligibility and price increases \$3,983,700. The Governor later deleted the portion of this increment for the price increases -\$1,226,800, for a net increase of \$2,756,900.

Estimated general fund match for medicaid eligible patients in the new Soldotna Nursing home \$996,800.

Rate adjustments and population increases for foster care \$982,300 and rate adjustments for residential care grants \$427,300.

Increase the availability of mental health services in the Fairbanks area \$2,185,800.

Limit General Relief Medical coverage to people needing hospital care and pregnancy related services for a reduction of -\$6,069,100.

Close one wing of Harborview Developmental Disabilities Center in Valdez for a reduction of -\$495,000 and delete 5 positions.

MAJOR ISSUES:

Program Changes

Funding for the General Relief Medical (GRM) program is reduced to only include hospitalization and pregnancy related services. The GRM program serves adults who fall below minimum asset requirements and who are not eligible for other medical programs. Coverage which will no longer be provided includes emergency room visits which do not result in hospitalization, prescription drugs, home health care and nursing home care waiver clients. HB 209, which is before the Legislature, would provide prescription drugs coverage under Medicaid for GRM clients who qualify.

The Public Assistance Fraud Unit was transferred to the Department of Law during FY86. The transfer is to improve prosecution of fraudulent welfare recipients. The program will continue to be budgeted in the department and funding transferred to the Department of Law, Legal Services Operations component because of federal reporting requirements.

Funding Source Changes

Program Receipts are being used as a funding source for the first time in three programs: AFDC, the Alaska Psychiatric Institute (API) and Foster Care. These program receipts which used to be collected as unrestricted revenue are being used to help finance program expansion. The AFDC program receipts are based on revenues collected by the Division of Child Support Enforcement, Department of Revenue, from people making child support payments to AFDC clients. The API program receipts are from third party payments for persons receiving treatment. The Child Support Enforcement division also collects parental support payments for children in state custody. Although some parental support payments have been collected in the past, the Governor is introducing legislation to make collection of these receipts mandatory.

New Facilities

A new youth facility is opening to serve Bethel and the surrounding 50 village catchment area. Eight months of funding is included for operation of the new 8-bed detention and 12-bed program unit facility. The Fairbanks Youth Facility is opening a new 21-bed detention unit. The new wing was built to relieve extensive overcrowding at the facility and is scheduled to open in September, 1986.

A new nursing home is opening in Soldotna. The Governor's budget includes funding for paying the general fund match for medicaid eligible patients. Some of the increase for Fairbanks mental health services will be used for operations of new facilities built with capital money appropriated in CH105, SLA-1985, Section 502.

ORGANIZATIONAL CHANGES:

The FY87 budget request contains several budget structure changes. The old Medical Assistance program is divided into two Budget Request Units (BRU), "Medical Assistance Facilities" and "Medical Assistance Non-Facilities". The purpose of the division is to separate the programs into different appropriations, because of possible funding shortages. If the programs are in separate appropriations, clients receiving services in non-facilities would still be able to receive some services even if the facilities component expended all of its funding. By state law, clients receiving services in hospitals have first priority for funding.

Two components are created to identify the amount of money necessary to "hold harmless" longevity bonus clients who must report their bonuses as income against eligibility to entitlement programs. The components are in the Assistance Payments BRU and the Medical Assistance Non-Facilities BRU.

The Homemaker Services and Day Care Services components are combined into a new component called Early Intervention Services to promote program integration and flexibility in delivery. The Mental Health division transferred the Regional Administration component into the Mental Health Administration component for administrative purposes.

POSITION ANALYSIS:

The Governor approved 45 full-time and 3 part-time new positions. The majority of the new positions are to operate the new youth facility at Bethel (20 PFT/2 PPT) and the expansion at the Fairbanks Youth Facility (12 PFT). The Alaska Psychiatric Institute received authority for 6 additional positions, mostly Nurses and funded by program receipts. Five Mental Health Clinicians are approved, funded with monies within the base as the department has found that it is more cost effective to hire state employees rather than contract for evaluation and testing. A full-time GF Microbiologist is requested for the Fairbanks State Laboratory and a Quality Control Technician is supported by general funds and federal receipts. The remaining positions are funded by non-general funds.

Several positions were deleted as programs were eliminated or transferred to other departments. Harborview deleted 5 positions because of closing one wing, the 9 full-time and 2 part-time positions in fraud investigations were eliminated when the program transferred to the Department of Law and the 3 positions for the Rural Food Stamp program were deleted because the project was completed.

COMPARISON OF THE GOVERNOR'S BUDGET TO REQUEST:

The department requested \$35,677,000 GF in increments of which the Governor approved \$20,138,500. The Governor also took \$8,034,200 in program reductions which were not requested by the department in General Relief Medical Non-Facilities, medical price freeze, Harborview and statewide travel. The Governor also approved a \$400,000 increase to the Anchorage Block Grant and \$100,000 for a policy task force on early childhood development coordination which were not requested by the department.

Two major increments were not approved by the Governor, a \$5,500,000 increase to start a new health promotion program funded by the increase in cigarette tax revenue and \$2,000,000 in a lawsuit settlement in Adult Public Assistance payments. The lawsuit settlement will probably either be requested as a budget amendment or as a special appropriation.

DEPARTMENT OF LABOR

SUMMARY ANALYSIS:

The Governor's FY87 Department of Labor request represents a continuation budget. Although there is a 1.9% overall increase from FY86 authorized this is due to increases in federal and program receipts. General funds requested amount to \$14,729,900 which is a .5% decrease from FY86. Total funds requested for FY87 are \$52,705,400.

Major increases are:

\$506,900 program receipts for mechanical inspections, labor market requests and employment services.

\$803,200 federal funds for an expanded Unemployment Insurance program including a new tax office in Seattle and 12 new positions.

\$100,000 federal funds for toll free lines in rural areas.

\$250,000 Fisherman's Fund for increased claims.

\$200,000 Second Injury Funds for anticipated increase in claims.

MAJOR ISSUES:

Program Changes

Two programs were transferred to DOL and one program deleted for FY87 as follows:

\$270,000 GF Youth Employment Services transferred from the Department of Education.

\$183,000 GF Governor's Committee on Employment of the Handicapped with 3 full time positions transferred from the Department of Education.

-\$138,900 GF Railroad Safety Survey program was completed in FY86. Four temporary positions were deleted.

Funding Source Changes

There were no major funding source changes. However, some requests for general fund increments were approved with program receipt funding.

POSITION ANALYSIS:

The Governor approved 12 new positions and reclassified 1 part-time position to full-time to operate the expanded Unemployment Insurance program. These positions are funded with increased federal funds. Three new positions were approved and are funded with General Funds.

COMPARISON OF GOVERNOR'S BUDGET TO REQUEST:

The Governor did not approve any general fund increments requested by DOL. In addition to a general travel reduction in DOL of \$35,000, all generally funded legislative add-ons in FY86 were deleted in the FY87 budget which amounted to \$355,300. The following increments were not recommended by the Governor:

\$227,200 GF to fund 2 positions in Occupational Disease Early Recognition and Resource Targeting. The positions were approved but funded by transfer of general funds within the agency adjusted base.

\$68,000 GF for 1990 Census Planning.

\$110,900 GF for 5 new full-time positions and 13 part-time positions for Youth Employment Services.

\$25,700 GF Alaska Health Projects.

\$48,000 GF Rural Alaska toll free telephone lines.

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

SUMMARY ANALYSIS:

This agency provides services in two major areas: Public Protection and Economic Development.

Protection activities include the regulation of banking, insurance, utilities, occupational licensing, etc. Economic Development functions include the Alaska Power Authority, the various loan programs, Tourism and Seafood Marketing. The specialized Development Advocates group provides expertise in small business, minerals, fisheries, international trade and forest products to encourage new or expanded industry.

This is a maintenance level budget with minimal change from last (FY86) year. Overall, there is a 3.3% reduction, but general funds are down 6.9%.

MAJOR ISSUES:

Program Changes

The Measurement Standards Division has added 2 positions to handle the Air Carrier Registration program, previously a responsibility of the Alaska Transportation Commission.

Funding Source Changes

Alternative funding sources have been utilized where possible to replace general funds. Both the Investments and the Accounting and Collection Divisions are now wholly funded by the various loan programs.

POSITION ANALYSIS:

Measurement Standards has added 2 positions for the Air Carrier Registration program. Forty percent of the cost will be recovered from program receipts. The Real Estate Commission is funding a position for their public education program with program receipts. Forest products and Tourism are each adding 1 general funded clerical position.

COMPARISON OF THE GOVERNOR'S BUDGET TO REQUEST:

The largest single disparity between request and budget is in Power Cost Equalization. The agency asked for \$21,700,000 as required by statute; the Governor funded \$19,588,900 which is an estimate of the actual need.

The major reduction in the Commissioner's office reflects the 25% statewide travel reduction which will be distributed later. Alaska Seafood Marketing is also well below request, funded at the same level as last year. The \$600,000 added to ASMI by HB195 was not included in the Governor's budget, however, the Tourism budget was restored to FY85 levels with the addition of \$900,000 in general funds.

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

SUMMARY ANALYSIS:

The Department of Military and Veteran's Affairs is responsible for the military affairs of the State, disaster planning and control, and veteran's affairs.

The Office of the Adjutant General is primarily responsible for military and administrative operations for the Department.

The Division of Emergency Services is responsible for State civil defense and disaster response and recovery plans. The Division's loss prevention activities include river dusting and flood watch programs.

The Division of Veterans' Affairs serves as a central point of contact within State government to coordinate veterans' programs and issues. Veteran Services is responsible for the Veterans' Death Gratuity Program.

The Governor's FY87 Department of Military and Veterans' Affairs budget is a maintenance level budget with minimal change from last year, with the exception of the Alaska National Guard Benefit Program which was reduced by \$449,400 or 21.4%. The reduction is due to the actuary determining that a lower level of funding is adequate to fund the program.

MAJOR ISSUES:

Funding Source Changes

Congress has mandated that all states assume a portion of the costs of some programs that are now 100% federally funded. The Federal Emergency Management Agency has proposed 25/75 percent funding ratio in FY87. The Governor has requested \$63,000 in general fund match for these programs.

POSITION ANALYSIS:

The Governor approved 2 of the 3 new positions requested by the Department. Civil Preparedness and Disaster Relief received 1 of the new positions for a Grants Administrator. The Office of the Adjutant General received the other new position for an Analyst/Programmer.

COMPARISON OF GOVERNOR'S BUDGET TO REQUEST:

The Governor made a major reduction in travel funding which is reflected as a negative in the Commissioner's office. Most other reductions are relatively minor.

DEPARTMENT OF NATURAL RESOURCES

SUMMARY ANALYSIS:

The Governor proposes numerous reductions in the Department of Natural Resources FY87 budget. General funds are reduced 6.2% or \$3,186,500. Other funding sources show a slight decline over FY86 authorized.

MAJOR ISSUES:

Program Changes

The Division of Technical Services has been reduced 8.1% or \$654,200 in general funds. These reductions are based on a decision to eliminate the division and incorporate its functions into the Division of Management and the Division of Land & Water Management. The Governor's budget does not contain the reallocation of funding and positions at this time. A budget amendment will be submitted at a later date identifying these allocations.

Funding for the University of Alaska Geological Internship Program, which consists of \$123,200 and 20 internship positions, has been transferred back to the Division of Geological and Geophysical Surveys where the interns are actually paid.

The Division of Agriculture received a 28.5% or \$620,700 general fund reduction. Although the impact of this reduction is lessened with an increase of Agricultural Loan Fund receipts, the Horticultural Development Project has been deleted.

Funding Source Changes

For the Division of Agriculture, the Governor's budget includes a funding source change in three projects from general fund to Agricultural Revolving Loan Funds (ARLF) and program receipts. The projects affected are Agricultural Administration \$102,000 ARLF, Farm Conservation/Contract Administration \$100,000 ARLF, and Grain Reserve \$48,000 in program receipts.

ORGANIZATIONAL CHANGES:

The Citizen's Advisory Commission, previously funded within the Commissioner's Office Component, is transferred to a separate component within the same BRU. As outlined under Program Changes, the Division of Technical Services is being eliminated as a separate division and its functions will be incorporated into the Divisions of Management and Land & Water. The Division of Geological and Geophysical Surveys has reorganized its budget for FY 87. The new structure will place all the division's funding within one BRU and appropriation.

POSITION ANALYSIS:

The department requested 2 new non-general funded positions. In the Division of Agriculture, the Governor approved 1 part-time Clerk Typist which was the result of converting 1 permanent position into 2 part-time positions with no additional cost for FY87. The Governor did not approve a temporary Natural Resource Manager in Land & Water Management which was to be funded with interagency receipts from the department of Revenue for work on the appraisal of school trust lands.

The department's request deleted 26 full-time positions authorized in FY86. The Governor deleted an additional 25 full-time positions from the department's request. In total, 51 full-time positions have been deleted.

COMPARISON OF GOVERNOR'S BUDGET TO REQUEST:

The Governor made significant reductions to the department's request.

In the Information and Records Management BRU the department's request was reduced \$475,700 and 8 full-time positions. In the Land & Water Management BRU the department's request was reduced \$426,000 and 6 full-time positions. The Resource Appraisal BRU was reduced \$325,100 and 3 full-time positions. The Parks and Recreation BRU was reduced \$195,100. And finally, the Agricultural BRU was reduced by \$328,200 and 3 full-time positions.

DEPARTMENT OF FISH AND GAME

SUMMARY ANALYSIS:

The department has a reduced budget for FY87, down some 6.9% below FY86. Most significant is a reduction of 107 full-time positions.

MAJOR ISSUES:

Program Changes

The Habitat Division regional grants project (CIP funded) will be completed in FY86. This eliminated 36 full-time staff, one third of the division. Reductions in the Commercial Fisheries Division will essentially eliminate the State presence in the management of the Bering Sea and Westward groundfish and crab hatcheries. Both the Sikusuilaq experimental chum hatchery north of Kotzebue and the Beaver Falls sockeye facility near Ketchikan will be closed.

Funding Source Changes

The \$500,000 in Fish and Game funds allotted FRED Division in FY86 has not been continued. The Division of Game has budgeted \$550,000 in Fish and Game fund monies to replace Federal receipts.

POSITION ANALYSIS:

Total full-time staff has been reduced by 107 positions compared to FY86. Part-time staff is down by 5. Nineteen full-time and 15 part-time positions were eliminated by the PACS clean-up. The completion of the Habitat Division's regional guide project (CIP funded) eliminated another 36 positions. FRED Division is losing the assistant area biologists in Cordova, Homer, Soldotna and Ketchikan as well as the hatchery employees in Sikusuilaq and Beaver Falls (2 each). Commercial Fisheries is losing 4 Kodiak positions associated with crab and groundfish management in the Bering Sea and Westward Regions. Other professional positions will be deleted (1 each) in Juneau, Homer, Kotzebue and Ketchikan. One Sitka Biologist position is converted to seasonal.

COMPARISON OF THE GOVERNOR'S BUDGET TO REQUEST:

The Governor's budget falls some \$6,000,000 short of the departmental request, virtually all in general funded projects. Generally, the divisions are held to FY86 levels or slightly less, absent new federal or other funds. FRED Division is farthest below request level with the Statewide Salmon Enhancement projects the largest unfunded increment (\$1,667,200). Other unfunded increments for various hatchery and research projects total approximately one million dollars. Commercial Fisheries Division increments totalling \$1,600,000 were not funded. Most significant were those related to Bering Sea and Westward crab and groundfish management. This leaves a major void in offshore resource management.

DEPARTMENT OF PUBLIC SAFETY

SUMMARY ANALYSIS:

The FY87 Department of Public Safety budget continues the majority of programs at the FY86 level with the largest general fund increase aimed at fully funding existing Trooper positions. The Governor proposes a 1.5% increase in general funds. Anticipated federal funding increases by 65.1%. Other funding, consisting of program and interagency receipts increase 37.7%. Overall, the department's budget reflects a 3.1% total funding increase.

MAJOR ISSUES:

Program Changes

Funding for the Avalanche Warning System has been reduced by the Governor from \$275,000 to \$32,000. This action essentially eliminates the Alaska Avalanche School and the Alaska Avalanche Forecast Center. The balance of funding will be transferred to the Department of Transportation and Public Facilities for avalanche control.

The Governor has added \$261,000 to fund a State Fire Commission within the Fire Prevention BRU.

A new program, Commercial Vehicle Safety, is created as a transfer of responsibility from the Alaska Transportation Commission which was eliminated by initiative. The Governor requests \$346,100 and 5 full-time positions for the inspection, investigation and reporting of violations relating to the safety and fiscal responsibility of commercial carriers.

The Alaska State Troopers received a \$1,344,200 increase aimed at reducing trooper vacancy from 12% to 4%. This equates to retaining approximately 24 existing commissioned Trooper positions during FY87.

A \$91,600 cut in building security funding deletes 2 full-time positions and security service at the State Museum.

Previously all general funded, the Violent Crimes Compensation Board anticipates \$283,000 in federal funds from the Victims of Crime Act to be used for grants.

The Domestic Violence and Sexual Assault Program anticipates \$375,000 in federal receipts from the Victims of Violent Crime Act to be used for grants.

The Department of Education transferred an existing fire education program with \$318,000 and 3 full-time positions to a new Fire Service Training Component within Public Safety.

ORGANIZATIONAL CHANGES:

Laboratory Services, consisting of \$1,041,600 and 16 full-time positions, is transferred from the Troopers BRU to the Administration BRU. Also, the Highway Safety Planning Agency federal grant program is separated from operations and established separately for FY87.

POSITION ANALYSIS:

The Governor has approved 7 new full-time positions. In the Troopers' Community Services program, a Publications Specialist and an Audio/Visual Technician are added. The newly created Commercial Vehicle Safety Program is staffed with 5 new Transportation Field Agents.

COMPARISON OF GOVERNOR'S BUDGET TO REQUEST:

The department requested 11 new positions and \$735,800 for the newly created Commercial Vehicle Safety Program. The Governor approved 5 positions and \$346,100 in funding. The department also requested 2 new Trooper positions which did not receive the Governor's approval.

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

SUMMARY ANALYSIS:

The Department of Transportation and Public Facilities is responsible for the planning, design, construction, maintenance and operations of major infrastructure components. These include buildings, marine shoreside facilities, vessels, airports, highways, port harbors, erosion control and related facilities.

The Governor's FY87 budget is \$289,879,000 which is \$4,093,100 or 1.4% less than FY86 authorizations. Of this decrease \$3,538,400 is from the general fund, down 2.1% from FY86, \$1,378,700 is from other funding sources, down 1.1% from FY86, while federal receipts increased \$824,000 or 30.4% from FY86.

MAJOR ISSUES:

Program Changes

The Governor's FY87 budget proposes the closure of the Steese Highway to winter traffic for a savings of \$494,700. In addition, the Governor has proposed laying up the M.V. Columbia for six weeks in September and October of 1986, as part of a general reduction of \$1,081,100.

Funding Source Changes

The FY87 DOT/PF budget shows a major increase in federal receipts of \$824,000 or 30.4%. This is due to a policy decision to use available federal funding instead of general funds.

ORGANIZATIONAL CHANGES:

The Equal Employment and Civil Rights component proposed in the FY87 budget amounts to \$737,300. It is comprised of funding and/or positions formerly budgeted in the Statewide Deputy Commissioner component, the Statewide Management and Finance component, the Southeast Region Administrative Services BRU and the Central Region Planning BRU. The Governor is requesting additional funding in the amount of \$91,700 for a Division Director.

The Statewide Aviation Planning component was part of the Central Region Planning BRU in FY86. The FY87 budget proposal places this function in the department's Headquarters area under the supervision of the Director of Statewide Plans, Programs and Budget.

Statewide Plans, Programs and Budget is now responsible for the department's operating and capital budgets. Prior to September, 1985 the Division of Finance and Management was responsible for the operating budget. Two operating budget analysts and \$132,400 were involved in this transfer.

POSITION ANALYSIS:

The Governor's proposed budget would reduce the number of employees authorized to the department by a net 54 positions. The department requested a total of 30 new full-time positions and 3 new seasonal positions. The Governor approved 9 of the full-time positions and 3 new seasonal positions. The Anchorage International Airport received 6 new full-time positions (4 equipment operators, 1 building maintenance specialist and 1 data clerk). Statewide Management and Finance added 1 Supply Officer. The Governor also approved 1 full-time Ferry Terminal Assistant and 3 seasonal Ferry Terminal Assistants for Marine Marketing and Services.

COMPARISON OF THE GOVERNOR'S BUDGET TO REQUEST:

The Governor reduced the department's budget by a total of \$4,637,400. Major reductions were made in the following areas:

Planning-planning components statewide were reduced significantly (\$835,200). Southeast Regional Planning was reduced by 34.5%.

Travel-the department's travel budget was reduced by \$811,400.

Maintenance and Operations-the Interior's maintenance and operations budget was reduced by \$494,700 due to the Governor's proposed closure of the Steese Highway in the winter months.

Marine Highway System-the Marine Highway System budget was reduced by \$1,081,000 due to the Governor's proposed six week lay up of the M.V. Columbia.

Design and Construction-D & C components statewide were reduced by \$762,300.

This reduction will have no effect on the level of service except for closure of the Steese Highway and the lay up of the M.V. Columbia.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

SUMMARY ANALYSIS:

The FY87 Department of Environmental Conservation budget is essentially a continuation budget with several general fund increases aimed at addressing specific environmental and health issues. General funds are increased 1.6%, while anticipated federal funding is reduced 7.8% primarily due to a one-time \$500,000 Superfund Site Investigation grant received in FY86. Other funding, consisting of CIP receipts and interagency receipts is increased by 38.8%. Overall, the Governor proposes a 1.9% increase in total funding for the department.

MAJOR ISSUES:

Program Changes

The Division of Environmental Quality Southcentral Region, received a \$140,000 general fund increase allowing the addition of 1 Environmental Engineer and 2 part-time Field Officers plus associated costs in Soldotna. These positions will provide additional attention to health and environmental concerns related to industry on the Kenai Peninsula. An additional general fund increase of \$143,500 adds 1 Environmental Field Officer and 2 support positions with associated costs to work on Anchorage area water quality problems, a new computerized tracking system, and free existing staff to alleviate a projected permit review backlog.

Funding Source Changes

In Facility Construction and Operations, general funds are reduced \$137,000 by transferring engineering positions to CIP funding.

ORGANIZATIONAL CHANGES:

The Palmer Laboratory is shown as a new component established by transfer to more clearly define the Laboratory organization as it relates to the various environmental health programs.

POSITIONS ANALYSIS:

In total, the Governor has approved 10 full-time and 8 part-time positions. One full-time Public Information Officer is added to the Juneau Information office. In the Environmental Quality Division, Southcentral Region, 3 part-time and 2 full-time Environmental Field Officers are added along with 1 full-time Environmental Engineer and 1 part-time and 1 full-time Clerk Typist. In general, these positions will concentrate on industrial issues on the Kenai Peninsula, water quality in the Anchorage area, and permit acquisition for the Susitna Hydroelectric Project. In the Northern Region 1 full-time Environmental Field Officer is added for coastal zone monitoring and 1 part-time Environmental Engineer is added for Prudhoe Bay/North Slope monitoring. Two part-time Environmental Technicians are added for peak season monitoring and laboratory workload assignments. The Air and Solid Waste Program adds 2 full-time Environmental Engineers. One position is for Superfund Site Investigation and the other position is requested for the Hazardous Waste Program. Finally within this division, 1 full-time Development Specialist position is added to Water Quality for Underground Storage tank identification.

The Division of Environmental Health, Director's office, adds 1 full-time Environmental Sanitarian for Pesticide Program Development. Finally, 1 part-time Environmental Sanitarian is added to the Sanitation Program in the Mat-Su area.

DEPARTMENT OF CORRECTIONS

SUMMARY ANALYSIS:

The Governor's FY87 Department of Corrections budget is \$80,552,600 GF, a 5.5% increase over FY86 authorized. Almost every component received an increase, usually to reduce personal services underfunding.

Major increases are:

Reduce personal services underfunding department-wide \$3,648,100.

Provide additional monies for the new Anvil Mountain (Nome) Correctional Center which opened in FY86 \$752,400 and 1 position.

Open the new pre-trial facility for the Matanuska-Susitna Borough for four and a half months in FY87 \$967,700 and 40 positions.

MAJOR ISSUES:

Program Changes

Last year, the Legislature passed SB4 authorizing the department to establish restitution centers and provided \$1,074,700 for their operations. In November 1985, Glennwood Center in Anchorage opened and is operating at its 75-inmate capacity. Existing halfway houses in Juneau and Fairbanks were restructured to also allow qualified inmates to participate in the program. The department also plans to expand the program to other communities. The Governor's FY87 budget continues the program at the FY86 level of funding.

New and Closed Facilities

Two correctional centers were closed in FY86, Ridgeview and State (Third Avenue) both located in Anchorage. The two facilities were closed because of problems with the physical buildings and changing program needs with the correctional system. The funding and personnel from the closed facilities were transferred to support needs at other correctional centers. Most of the resources went to Anvil Mountain (Nome), Wildwood (Kenai), Cook Inlet (Anchorage), Palmer and Ketchikan.

Anvil Mountain Correctional Center opened in November, 1985. Most of the personnel to operate the new facility were transferred from the closed Ridgeview and State Correctional Centers. The Governor added money and 1 position for additional operating expenses in his FY87 budget request. The old Nome facility which was leased from the federal government was vacated and returned to the federal government. The new pre-trial facility for the Matanuska-Susitna Borough could be opened July 1, 1986 but the Governor only provided funding for four and a half months of operation.

ORGANIZATIONAL CHANGES:

The department combined the Meadow Creek and Hiland Mountain Correctional Centers into one facility administratively called the Combined Hiland Mountain Correctional Center. The new pre-trial facility for the Matanuska-Susitna Borough will be operated as part of the existing Palmer Correctional Center and is budgeted in that component. The purpose of both these changes is to reduce administrative costs.

POSITION CHANGES:

The Governor authorized 56 new full-time positions, 40 for the pre-trial facility at Palmer, 1 Clerk Typist for Anvil Mountain and 15 revised program positions created in FY86 spread throughout the correctional centers.

COMPARISON OF GOVERNOR'S BUDGET TO REQUEST:

The department requested \$10,580,500 GF in increments, the Governor approved \$5,245,200. The major requests not fully funded were for Palmer Correctional Center. The department requested funding for two Palmer additions in FY87, the new pre-trial facility and three 20-bed housing units. The Governor approved funding for four and a half months operation of the pre-trial facility although the department requested funding for twelve months. Funding four months of operations for the new housing units was denied.

The department requested additional medical staffing and administrative increases which were denied. Funding for a community residential center in Bethel which was added by the Legislature in FY86 was deleted as a one-time item and is not included in the Governor's FY87 budget request.

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

SUMMARY ANALYSIS:

The Governor's FY87 budget request for the Department of Community and Regional Affairs represents a 64.3% increase over FY86 authorized. This is due to the transfer from the Department of Revenue of the Municipal Assistance program, \$81,306,800 GF. When C&RA is analyzed without the Municipal Assistance Program, however, there is an overall decrease in general funds of 5.4%. The total FY87 request for C&RA is \$190,740,600 of which \$168,577,400 is general funds.

Major Changes are:

Bulk fuel grants were not recommended by the Governor as the need has been substantially met - decrease \$400,000 GF.

One-time grants were generally deleted from the agency request. These represent \$2,384,000 GF.

Weatherization grants will be requested in the Capital budget - decrease \$860,000 GF.

One-time federal grants to the Petroleum Violation Account - decrease \$302,400.

State Revenue Sharing Program reduced due to repeal of the Hospital construction assistance portion of AS 29.90 CH 10, SLA 1983 - decrease \$1,000,000 GF.

Increase Housing Loan Funds to cover increased bank fees \$409,600.

MAJOR ISSUES:

Program Changes

There are two areas of significance as follows:

As mentioned above, the transfer of the Municipal Assistance Program and \$81,306,800 GF from the Department of Revenue to C&RA.

A 2% reduction by the Governor to correspond to the decline in operating revenue, applied to the State Revenue Sharing and Municipal Assistance programs. This reduction in general funds represents \$1,172,600 and \$1,626,000, respectively to these two programs.

Formula Funded Programs

The department identified full funding requirements for its Senior Citizens/Disabled Veterans Tax Relief Program of \$8,527,500 GF. The agency requested and the Governor recommended \$4,430,200 or \$4,097,300 less than full funding.

Full funding for State Revenue Sharing programs is identified as \$62,349,400. The agency requested \$58,632,200 while the Governor recommended \$57,459,600 or \$4,889,800 less than full funding.

POSITION ANALYSIS:

No new positions were requested. Five full-time positions were deleted and 1 part-time position upgraded to full-time.

COMPARISON OF GOVERNOR'S BUDGET TO AGENCY REQUEST:

Overall the Governor reduced the agency request by 1.3% due to the reduction in the State Revenue and Municipal Assistance Programs. The Governor added \$955,000 of general funds which consisted of grants to certain non-profit corporations.

UNIVERSITY OF ALASKA

SUMMARY ANALYSIS:

The Governor's FY87 budget for the University of Alaska is \$167,382,800 GF. Although the Governor's request is a 1% decrease over the FY86 authorized level, the Governor's request is basically a continuation budget after the one-time salary adjustment is deleted from last year's funding. The Governor's request including all funding sources is a 0.4% increase over FY86. The major non-general funding increases are in the area of federal receipts and student fees.

Generally, any increases the university received were offset by reductions. Although the Governor approved \$1,031,600 GF in increments for operations of new facilities, a statewide travel reduction of \$1,070,300 GF left the funding level at continuation.

MAJOR ISSUES:

New Facilities

The Governor approved general fund support for operating five new facilities: UA/Anchorage Classroom/Laboratory/Office Building \$721,600, UA/Fairbanks Power Plant Expansion \$100,000, Islands Community College maintenance and operating costs for the renovated facilities on the Mt. Edgecumbe campus, \$150,000, UA/Juneau Marine Technology Center, \$40,000 and Matanuska-Susitna Community College Agricultural Classroom Building, \$20,000.

Equipment

The University of Alaska and the Office of Management and Budget (OMB) negotiated a formula increase for calculating replacement equipment. OMB agreed that the university would apply the formula as an adjustment to the base in the FY87 budget request. A total of \$575,100 in equipment increases were included as an adjustment. After the university finished its request, OMB disagreed with how the university applied the formula. As a result the entire formula amount was deleted in the proposed Governor's budget.

ORGANIZATIONAL CHANGES:

The university's budget contains two new components "ACCFT Contract Provisions" and "Non-Covered Salary Increases/Compensation" both in the Statewide Program and Services, BRU. The ACCFT Contract component contains funding for the FY86 lane change (similar to step increases) provisions and costs for administering the contract. Statewide Administration will administer the contract instead of CCREE administration because the contract impacts the campus other than just the the CCREE campuses. The Non-Covered Salary component contains the FY86 salary increase funding which has not been distributed to the various campuses. The university also requested new monies for implementing the classification system and required faculty promotions in this component, but the requests were not included in the Governor's budget.

POSITION ANALYSIS:

The Governor approved 23 new positions, 14 GF positions for new facilities and 9 other fund positions to support increases in student generated activities.

In reconciling the authorized position count and making program changes in the adjusted base budget, the university deleted 38 full-time and 13 part-time positions. Because some part time positions were changed to full-time, the net position count changed by a decrease of 34 full-time and 17 part-time positions.

COMPARISON OF GOVERNOR'S BUDGET TO REQUEST:

The university requested a 4.4% GF increase over the FY86 authorized budget, but only received continuation funding. The only set of general fund increments which received funding were for new facilities. But an unrequested travel reduction, offset the increase. Major requests not funded were \$1,700,000 for risk management cost increases and \$3,844,100 in increments for program restoration and expansion.

A request for \$160,000 for FY87 ACCFT lane change costs, which was requested in the ACCFT contract component, is included in section 16 of the proposed budget bill, along with other increases for collective bargaining agreements.

All legislative additions to the FY86 budget are included in the Governor's FY87 request except for the increase to UA/Fairbanks for resources books which is only partially funded. Special appropriations to the university in HB195 (CH 105) were evaluated individually, some items are included in the base and others are treated as one-time items and deleted.

ALASKA COURT SYSTEM

SUMMARY ANALYSIS:

Until FY86, the Governor submitted the Court System's budget request to the Legislature without recommendation. Beginning with the proposed FY86 budget the Governor recommended a lower than requested budget with an unspecified lump sum reduction. Again for FY87, the Governor is recommending a reduction from the Court System request through a general travel reduction and deleting prior year funding for retroactive salary increase, and not including increments for workload increases.

The Court System budget is presented in three components -- Appellate Courts, Trial Courts and Administration. For budgetary purposes, the Commission on Judicial Conduct and Judicial Council are also included.

Generally, the recommended budget provides for continuation levels but with reductions in travel and continued salary underfunding amounting to an overall decrease of 1.5% below FY86 authorizations -- from \$39.8 million to \$39.0 million. This compares to the 5.8% increases to \$42.2 million requested by the Court System.

MAJOR ISSUES:

Program Changes

Programs are funded at the current level which does provide for projected workload increases

Funding Sources

The Court System remains almost entirely supported from the General Fund.

ORGANIZATIONAL CHANGES:

The recommended budget proposes no change in organization or budget structure.

POSITION ANALYSIS:

The Governor's budget does not fund requested new positions.

COMPARISON OF GOVERNOR'S BUDGET TO REQUEST:

Not funded in the Governor's budget are increments to:

- cover increased Appellate Court's workload and higher payroll benefits costs, \$78,100.
- add 2 new positions to improve Appellate Court's caseload processing, \$80,500.
- cover increased operating costs of the Trial Courts arising in increased caseload, higher space rental costs, and payroll benefits increases, \$678,000.
- add 10 new positions and upgrade 2 existing positions for the Trial Courts in high growth areas of new cases, \$376,500.
- expand court facilities in Haines, Homer, Fairbanks and Aniak, \$202,500.
- install computerized legal research systems in the courts in Juneau, Petersburg, Bethel, Nome, Kotzebue, Palmer, Kodiak and Fairbanks, \$187,000.
- raise juror pay from \$25 to \$30 per day (current rate established in July, 1980), \$246,300.
- add 10 new full-time, upgrade 2 part-time, and 1 temporary position to improve public service levels and improve efficiency of Trial Court operations, \$481,100.
- purchase or rent equipment and services for Trial Courts productivity improvements, \$175,900.
- cover increased operating costs of the Administrative office, \$71,400.
- add 2 positions for the state Law Library, fund magistrates' attendance at the Northern Judicial Conference in Sitka, upgrade equipment, develop magistrate training films, support ongoing maintenance costs of the Regional Microfilming project, purchase new reference materials, and to cover higher library subscription costs, \$157,700.

COMMISSION ON JUDICIAL CONDUCT

The Governor recommends continuation of the FY1986 funding level which operates the Commission on a part-time basis, \$69,900. The Commission's FY87 request includes an additional \$20,000 to increase its' hours of operation throughout the fiscal year. No additional positions are recommended or requested. The Commission's operations are supported entirely from the General Fund.

JUDICIAL COUNCIL

The Governor's budget funds the current operating level, the FY86 adjusted base of \$419,900. The recommended budget does not include additional Commission requests amounting to \$110,000 for implementation of its recommendation regarding grand jury reform, Judicial Performance Evaluation, and Alternate Dispute Resolution (an alternative to litigation). The Council's operating budget is supported from the General Fund.

ALASKA STATE LEGISLATURE

SUMMARY ANALYSIS:

The Legislative budget (BRU) is presented in four budget request units: Budget and Audit Committee, Legislative Council (Affairs Agency), House and Senate Leadership and the Ombudsman.

The Legislative Auditor and Legislative Fiscal Analyst prepare their respective components of the Legislative Budget and Audit Committee BRU: Audit Division and Finance Division and the Finance Committees. The Executive Director of the Legislative Affairs Agency prepares the Legislative Council budget; and the Ombudsman, the Ombudsman's budget.

The Governor's proposed FY87 budget recommends lump sum reductions tied to unspecified travel reductions and continued salary underfunding.

Because the actual legislative budget requests are presented directly to the Legislature, our analysis is keyed to the requests rather than the Governor's recommendation. The legislative budget request would require a General Fund appropriation of \$33.3 million, a 4% increase over the 1986 level of \$32.0 million.

Legislative Budget and Audit

The requested budget essentially maintains the current operating levels for the Audit and Finance Division components, and an increase of Committee expenses. One-time Finance Committees' special projects funds appropriated in prior years are not included in the request.

No new positions are requested.

Overall, a 2.6% increase (less than inflation) is requested. The requested appropriation of \$6.5 million compares to the present level of \$6.2 million.

Legislative Council

The Legislative Affairs Agency prepares a tentative budget request which is subsequently revised after the Legislature convenes. Detailed information will be available at that time. The tentative budget represents a 1% increase over the present budget, from \$21.0 million to \$21.2 million.

House and Senate Leadership

The request includes \$2.0 million each for House and Senate Leadership, a restoration to the historic budget levels. Gubernatorial vetoes reduced the present budget to \$1.3 million and \$1.7 million respectively.

Ombudsman

By statute, the Ombudsman submits a budget directly to the Finance committees of the Legislature and to the Governor as a matter of information in the preparation of the executive budget. For the second time the Governor has recommended reductions to the request.

The Ombudsman budget request would require a 12.6% increase in appropriation to maintain its current operating level, including funding for a Deputy Ombudsman, and restore previous budget reductions.

The Legislature's operating budget is almost entirely supported with General Fund appropriations. The requested amount of \$1.8 million compares to \$1.6 million in the current budget.