

**LEGISLATIVE OVERVIEW
OF THE
GOVERNOR'S FY 1988 BUDGET**

Prepared for distribution to the Legislature by:

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Note: This overview is of the budget proposal transmitted by
the Governor on January 22, 1987.

SPENDING PLAN

The Governor's proposed FY88 budget, presented to the Fifteenth Alaska Legislature on January 22, 1987, requires appropriations totaling \$3,169,700,000. Of this amount, \$1,885,500,000 or 59.5%, is unrestricted general fund. Compared with appropriations made during the 1986 session, this spending plan represents:

- a decrease of \$683,000,000, or 26.6% in general funds,
- a decrease of \$529,300,000, or 14.3% in total funds,
- declines of 17.2% in the operating budget, 84.6% in the capital budget, 25.1% in the debt service budgets.

Compared to the FY87 Revised budget (Governor's Restrictions) the proposed FY88 budget is reduced: Operating -9%, Capital -84.6%, Loans -16.8% and Debt Service -18.7%.

OPERATING BUDGET

The Operating budget includes two major segments: state agency operations and formula programs.

State agency operations funds the actual costs of the administration of State government and the direct public services it provides. For FY88, the Governor is proposing general fund appropriations to fund agency operations at \$804,700,000, compared to \$848,900,000 FY87 Revised, and \$931,100,000 originally authorized for FY87 -- a reduction of 5.2% compared to FY87 Revised and 13.6% compared to FY87 Authorized.

Formula programs are those which flow-through State agencies to municipalities and individuals, e.g. Education Support, Municipal Assistance, Revenue Sharing, Longevity Bonus, etc. For FY88 the Governor is proposing \$745,000,000 in general funds for formula programs, which represents 48% of the operating budget. By far, the largest formula program is Education Support which, at \$518,400,000 in the Governor's spending plan, accounts for 33.5% of the total general fund budget. This compares to 34.8% of the FY87 general fund operating budget authorization, and 24.9% of the total FY87 general fund authorizations.

CAPITAL BUDGET

The Governor proposes an FY88 capital budget of \$58,100,000 in general funds, and \$306,300,000 in total funds. The spending for capital projects would be increased if the Legislature acts on the Governor's proposal to repeal prior year projects. Of the \$337,600,000 in general funds appropriated for capital projects in 1986, \$213,400,000 was restricted by the previous Governor. Unless the restricted projects are enacted by the Legislature as repeals, they remain a general fund liability for funding.

LOAN PROGRAMS

In FY88, compared to FY87 Authorized, the general fund portion of the Student Loan Program has been reduced by 35% or \$21,500,000. Consequently, this decline will have severe program impact. Further, additional funding of \$6,200,000 has been requested for the Fisheries Enhancement and Housing Assistance loan programs because of insufficient cash inflow.

DEBT SERVICE

Debt service includes two elements: general obligation debt and school debt retirement, a statutory program in which the State funds a portion of the debt retirement costs municipalities incur for school construction. The 1986 session appropriated \$144,300,000 to provide 80% of the eligible school debt retirement. The FY87 Revised budget reduced this funding level to \$115,800,000. For FY88, the Governor proposes 70% funding which would reduce the required general fund support to \$84,000,000; the level of municipal support would increase accordingly. General obligation debt service requirements are on the downturn since new debt obligations have not been incurred in recent years.

The debt service portion of the budget is summarized (millions):

	FY86	FY87	FY88
	Actual	Auth	Gov
General Obligation	\$163.2	\$155.0	\$148.0
School Debt Retirement	106.2	144.3	84.0
	<u>\$269.4</u>	<u>\$299.3</u>	<u>\$232.0</u>

REVENUES AND APPROPRIATIONS
GENERAL FUND

	FY87	FY88 GOVERNOR	
CARRY FORWARD	- 196.0	- 866.4	
REVENUES	1,334.2	1,325.0	
ADJUSTMENTS		1987 SESSION LEGISLATION	
Loan Transfers to GF	144.4	428.4	Budget Reserve
HWCF to GF	25.0	295.0	FY87 PF Res. Acct.
Other payments to GF	10.7	325.0	FY88 PF
Well Credit	- 2.9	- 2.9	Well Credit
TAPS refunds	65.0	25.0	Loans to GF
Prior years repeals	128.2	50.0	User Fees
Proram Receipts Adj.	- 1.8	139.0	Suspend ELF
		125.0	Personal Income Tax
		100.0	Est. Net Prior CIP Repeals
TOTAL AVAILABLE	1,506.8	1,943.1	
APPROPRIATIONS			
Operating	1,870.6	1,549.7	
Debt Service	299.3	232.0	
Capital	337.6	58.1	
Loan Programs	61.0	45.7	
GOV'S RESTRICTIONS			
Operating	- 181.4		
Debt Service	- 13.9		
Capital	- 213.4		
Loan Programs	- 6.1		
TOTAL APPROPRIATIONS	2,153.7	1,885.5	
LIABILITY/UNREPEALED CAPITAL AND LOANS	219.5		
SURPLUS/DEFICIT	- 866.4	57.6	

GOVERNORS FY88 BUDGET
GENERAL FUND COMPARISONS

	FY87AUTH	FY87 REV	FY88 GOV	% FY87AUTH	% FY87 REV
Operating	1,870.6	1,702.2	1,549.7	-17.2	-9.0
Capital	377.6	377.6	58.1	-84.6	-84.6
Loans	61.0	54.9	45.7	-25.1	-16.8
Debt Service	299.3	285.4	232.0	-22.5	-18.7
Total	2608.5	2420.1	1885.5	-27.7	-22.1

*Note: FY87 Capital restrictions remain a general fund appropriation liability until repealed by legislation

FY88 GOVERNOR'S GENERAL FUND CHANGES SUMMARY

	FY87 AUTH	FY87 REVISED	FY88 GOV	FY87 REVISED TO FY88 GOVERNOR DIFFERENCE	%
Operating Budget	1,865,955.2	1,699,572.9	1,549,735.0	- 149,837.9	- 8.8
Less: Formula	- 934,869.7	- 850,663.3	- 745,006.1	105,657.2	- 12.4
Agency Operations	931,085.5	848,909.6	804,728.9	- 44,180.7	- 5.2
Formula Programs	47,130.0	47,130.0	31,630.0	- 15,500.0	- 32.9
Longevity Bonus	2,516.7	2,265.1	10,961.2	8,696.1	383.9
Shared Taxes	649,317.0	582,642.6	518,425.8	- 64,216.8	- 11.0
Education*	87,501.7	87,171.7	81,296.6	- 5,875.1	- 6.7
Health & Social Serv.	17,558.0	13,769.4	11,000.0	- 2,769.4	- 20.1
Power Cost Equalization	1,041.2	859.4	702.4	- 157.0	- 18.3
Nat'l Guard Ret.	3,430.0	3,087.5	0.0	- 3,087.5	- 100.0
Sr. Citizen Tax Relief	53,199.0	47,879.1	38,303.3	- 9,575.8	- 20.0
Municipal Rev. Sharing	73,176.1	65,858.5	52,686.8	- 13,171.7	- 20.0
Municipal Assistance	934,869.7	850,663.3	745,006.1	- 105,657.2	- 12.4
Total Formula					
*Education Formula Programs	422,877.9	380,590.1	399,442.4	18,852.3	5.0
Foundation	144,263.7	129,837.3	84,026.9	-45,810.4	-35.3
School Debt Retirement	31,595.7	26,856.3	0.0	-26,856.3	-100.0
TRS Match	50,579.7	45,358.9	34,956.5	-10,402.4	-22.9
Other	649,317.0	582,642.6	518,425.8	-64,216.8	-11.0
Total					

OPERATING BUDGET SUMMARY
GENERAL FUND

	FY86 ACTUAL	FY87 AUTH	FY87 REV	FY88 GOV
Office of the Governor	16,264.1	16,841.6	14,315.3	13,573.9
Administration	196,259.7	153,112.0	147,835.9	119,082.4
Law	25,920.9	28,463.4	24,194.2	21,269.8
Revenue	25,956.1	15,034.4	13,059.3	20,965.6
Education	562,668.7	542,637.1	485,428.9	457,645.9
Health & Social Services	235,258.4	236,806.6	219,574.2	203,804.1
Labor	14,345.3	13,525.0	12,401.9	8,940.3
Commerce & Econ. Dev.	49,071.6	47,196.2	40,826.0	30,083.2
Military & Vet Affairs	6,574.9	6,147.6	5,684.0	14,825.1
Natural Resources	51,253.1	45,793.1	39,672.3	37,463.2
Fish & Game	51,589.0	45,948.3	41,353.5	36,192.5
Public Safety	78,411.8	79,654.0	70,116.5	61,435.4
Transp./Public Facilities	176,161.1	161,446.1	143,380.6	120,972.0
Environmental Conservation	12,363.6	11,923.5	10,457.6	11,491.0
Community & Reg. Affairs	175,252.8	156,368.5	139,783.9	113,445.6
Corrections	77,410.8	82,579.6	79,291.9	79,291.9
University	167,615.7	153,022.8	143,741.3	132,834.7
Court System	39,541.0	39,707.8	39,661.3	35,861.3
Legislature	31,144.7	31,393.3	31,393.3	30,557.1
****Totals****	1,993,063.3	1,867,600.9	1,702,171.9	1,549,735.0

OFFICE OF THE GOVERNOR

The Office of the Governor is responsible for the operation of the executive branch of state government. The major budget units include: Commissions and Special Offices, Executive Office, Governor's Mansion, Contingency Fund, Lieutenant Governor, Office of Management and Budget, and Elections.

SUMMARY ANALYSIS

The recommended FY88 level of \$15,709,000 total funds and the \$13,573,900 general funds respectively represents a 5.1% and 5.2% reduction from FY87 Revised (Governor's Restrictions). Compared to the FY87 Authorized level appropriated by the 1986 session, the cumulative reductions are -21.3% general funds and -18.8% total funds.

MAJOR ISSUES

Program Changes

Personal Services reductions in the Human Rights Commission are partially restored.

Additional funding is provided in the Executive Office for Governor's security, \$127,700.

The proposed funding level for the Governor's Contingency Fund is increased to \$300,000 general funds from the FY87 Authorized level of \$150,000 and \$127,500 Revised level.

Funding is added to the Lieutenant Governor for a special assistant, \$90,900 general funds.

Research and Analysis is transferred from the Department of Commerce and Economic Development to the Policy Division of the Office of Management and Budget (formerly known as Strategic Planning), \$408,300 general funds and seven permanent full-time positions.

An auditor position is added to the Management and Audit Division through reimbursable services agreement funding from the Department of Law, \$41,000 other funds.

Additional personal services funds are provided in Governmental Coordination to restore prior reductions, \$158,800 general funds.

Coastal Zone Management Grants to local agencies are maintained at the FY87 Revised level of \$1,199,600, down from the FY87 Authorized level of \$1,550,000.

Elections Operations are continued at the FY87 Revised level, 15% below the FY87 Authorized level.

The General and Primary Elections component is reduced from FY87 Authorized level of \$2,251,200 and Revised level of \$1,913,500 to \$250,600 because there will be no general or primary election in FY88, but start-up costs for the 1988 elections will be provided for.

Funding Sources

The budget is substantially funded from general funds. The Human Rights Commission also receives federal Housing and Urban Development 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 current levels. No new funding sources are proposed.

ORGANIZATIONAL CHANGES

Office of Management and Budget

The proposed budget includes internal transfers of positions and funds within the Office of Management and Budget. The Central Services component is zeroed-out with funds and positions transferred to Policy (\$10,400), Budget Review (\$70,000) and Audit and Management (\$30,000 and three positions).

The Research and Analysis section of the Department of Commerce and Economic Development is transferred into the Policy Division.

Funding for the Alaska Land Use Council is included as a separate Budget Request Unit consistent with 1986 legislative directions.

POSITION ANALYSIS

Staffing changes are highlighted as follows:

- eight vacant Executive Office positions are deleted;
- funding is restored for a special assistant position in the Lieutenant Governor's office;
- positions are transferred within the Office of Management and Budget, an auditor position is added, and seven positions are transferred from the Department of Commerce and Economic Development;
- unfunded positions in Governmental Coordination are deleted;
- 35 of 51 temporary General and Primary Election positions are deleted, consistent with the off-election year reduced activity level.

DISCUSSION OF FY87 AUTHORIZED TO FY87 REVISED (GOVERNOR'S RESTRICTIONS)

The general approach throughout the Office of the Governor was to achieve overall general fund savings of approximately 15% through a 10% pay reduction for its exempt employees, augmented with reductions in other line items without eliminating or seriously curtailing any of its activities.

The Department of Administration provides basic internal services such as personnel, finance, and data processing. It also serves as the "umbrella" agency for a number of other functions: Public Defender, Public Advocacy, Public Broadcasting, Pioneer Homes, etc.

The Governor's Department of Administration budget proposal for FY88 reflects a 19.4% reduction in general funds and an overall 24.6% decrease from the interim FY87 Revised figures. Reduction from the FY87 Authorized budget was \$34,029,600 (22%) in general funds. The \$65,000,000 (28%) total funds reduction reflects the transfer of the \$31,500,000 Teacher Retirement Match to the University and the Department of Education. Absent this large program shift, the reduction in total funds equals 14.5%.

MAJOR ISSUES

There are a number of statewide programs which would be significantly impacted should this budget be adopted:

The Longevity Bonus Program has been reduced by nearly one-third (\$15,500,000) by lowering the monthly benefit to \$200 and establishing a limit of \$20,000 on recipient income. Because the benefit level is specified in Alaska Statute 47.45.010, new legislation will be required to make these changes.

The Public Broadcasting Commission, which supplements funding for non-profit radio and television stations throughout the State, has been deleted from the budget.

The Rural Alaska Television Network (RATNET), a combination of educational and entertainment services for bush communities, has been eliminated. Funds are provided for contract termination costs.

The sum of \$2,000,000 was taken from the contractual services line of the Pioneer Homes. The sum was allocated among the five homes. Overall reduction totalled 9%.

The Public Defender Agency deleted the Sitka and Barrow offices. Services for those areas will be provided from Juneau and Fairbanks, respectively. Remaining offices were held at FY87 Revised funding levels. Fifty-eight full-time positions became part-time. Equilibrium with district attorney staffing was maintained by similar reductions in the Department of Law.

Leasing and Facilities, severely underfunded in FY87, received a \$4,400,000 increase to avoid default on a number of State office leases.

Basic departmental functions such as Personnel, Payroll, and Finance were reduced only slightly, previous cuts having reduced them to minimal staffing levels.

POSITION ANALYSIS

The Legislature authorized 1081 full-time and 89 part-time positions for FY87. The Sheffield revisions deleted 11 full-time, ten of which were CIP funded positions whose projects had been completed. The FY88 budget transfers out 12 full-time, deletes 126, and adds four new positions (Municipal Grant Administration) for a requested total of 947. Sixty-two of the deleted full-time positions became part-time, which, with six transfers, raised the part-time total to 157. The largest change was in the Public Defender Agency, where 47 Third Judicial District and ten Fourth Judicial District positions became part-time. Other substantial deletions included Personnel (15 PFT), Information Resources (15 PFT), Public Broadcasting (6 PFT), and General Services (5 PFT).

PROGRAM DIRECTION

There was a significant difference in the nature of the reductions made by the two administrations which combined to produce this budget. The initial revision to the FY87 budget deleted 11 positions and reduced general funds approximately \$5,300,000. Public services were largely unaffected. The FY88 Governor's budget reductions (126 positions, \$28,800,000 general funds) impacts major public programs including Longevity Bonus and Public Broadcasting.

DEPARTMENT OF LAW

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, and 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.

SUMMARY ANALYSIS

The recommended FY88 level of \$27,806,000 in total funds represents a 9.0% reduction from FY87 Revised and a 20.6% reduction when compared to FY87 Authorized. The general fund portion, when compared to FY87 Authorized is reduced by 25% or \$7,193,600.

MAJOR ISSUES

Program Changes

Consumer Protection will be completely eliminated.

The District Attorney offices in Dillingham, Sitka, Valdez, and Barrow will be closed.

The Pre-trial Diversion and Administration components in the Prosecution Budget Request Unit are entirely eliminated. The Administration component is the Chief Prosecutor's office for the State. This component handles most correctional cases and administrative matters.

Prosecution, overall, is reduced by 34% when compared to FY87 Authorized.

Legal Services is funded at \$9,935,000 down \$2,123,900 or 17.6% from the FY87 Authorized level.

Funding Sources

The budget is substantially funded from general funds. Another main source of funding is inter-agency receipts.

POSITION ANALYSIS

Staffing changes are as follows:

- elimination of 57 positions in Prosecution components.
- deletion of 24 positions in the Legal Services appropriation.
- elimination of all positions (13 PFT) in Consumer Protection.

DISCUSSION OF FY87 AUTHORIZED TO FY87 REVISED (GOVERNOR'S RESTRICTIONS):

The general approach throughout the Department of Law was to achieve an overall general fund savings of approximately 15% through a 10% pay reduction for partially exempt employees and a 5% reduction for classified employees, augmented with reductions in other line items without eliminating or seriously curtailing any of its activities.

The main responsibilities of the Department of Revenue include: administration and enforcement of Alaska's tax laws, investment and management of almost all State funds, and collection of fees and taxes. The Department also provides support and financial advice to the following boards and authorities: the Municipal Bond Bank Authority, State Bond Committee, Royalty and Gas Advisory Board, Medical Facilities Authorities, Permanent Fund Corporation, Alaska Housing Finance Corporation, Mental Health Fund Advisory Board, and the Public School Advisory Board. Additional responsibilities of this Department pertain to oil and gas litigation, revenue projections, and other in-house special projects.

The Governor's proposed budget for the Department of Revenue is \$49,340,900. Of this \$20,965,600 is from the general fund. The general fund portion of the Governor's request represents an increase of \$5,931,200 or 39% over FY87 Authorized.

It should be noted that FY87 Revised general fund represents a 13% reduction to FY87 Authorized.

MAJOR ISSUES

Major Changes

In comparison to FY87 Authorized, an overall personal services reduction of \$649,200 general fund was made, which resulted in loss of vacant and non-vacant positions;

Shared Taxes is increased mainly as a result of adding back \$7,960,000 to the fisheries tax which was not appropriated in FY87 due to a legislative intent to change the funding cycle from forward funding to current revenues in order to eliminate the funding lag;

A non-general fund increase of \$3,497,900 in Treasury represents management fees for handling stock portfolios of the Teacher's Retirement Fund and the Public School Fund through contractual services;

A non-general fund increase of \$697,000 in Alaska Housing Finance Corporation for the purpose of adding ten new positions to handle increased foreclosures;

Changes in funding sources for various positions in Administration, Enforcement, Public Services, and Permanent Fund Corporation components were made in order to comply with the Division of Legislative Audit's recommendations concerning positions that were funded by a particular source of funding when their performance did not meet the objective of that fund.

Funding Source Changes

The Alcohol Beverage Control Board is transferring \$111,900 from general funds to Licenses/Permit/Certificate funding. The funding source for the Municipal Bond Bank Authority, and the Permanent Fund Corporation Budget Request Units (BRU) are being converted from program receipts to corporation receipts. Furthermore, Revenue Operations and Permanent Fund Corporation Enforcement propose to collect funds through contractual service reimbursement methods instead of program receipts.

Based on Legislative Audit Division's recommendation, a number of changes between Administration and Permanent Fund Corporation components are proposed. This will allow the proper allocation and use of general funds and Permanent Fund Corporation funds. As a result of these transactions, from FY87 Revised to FY88 Governor's Proposed Budget, general funds will be reduced by \$37,800 while increasing Permanent Fund Corporation funds by the corresponding amount.

Other Issues

Oil and Gas Litigation is funded for \$8,500,000, down \$400,000 from the FY87 level of funding.

The sum of \$1,668,300 is being appropriated to Oil and Gas Special Projects.

POSITION ANALYSIS

According to the FY88 Governor's Proposed Budget, 19 full-time and four part-time positions are being deleted. However, these numbers do not represent the actual decline in the number of positions. Three full-time and two part-time positions are displayed as decrements yet only their funding sources are being switched. In Audit Division, eight unfunded PCNs are being deleted, but this does not mean that actual bodies have been given up. The Department is requesting 11 new positions, ten full-time positions in Alaska Housing Finance Corporation and one full-time position in the Permanent Fund Corporation. Additionally, Audit Division had requested ten new positions which were not approved by the Governor. The increments for additional positions in Public Services, Administrative Services, and Permanent Fund Corporation Administrative Services are used to offset the aforementioned decrements as a result of a funding source change.

The Department is responsible for funding and regulating the K-12 schools in the State. In addition, the Department administers the Debt Retirement Reimbursement to school districts for school construction, the grant program for school construction in the RFAAs, Adult Basic and Vocational Education grant program, the Alaska Vocational and the Alaska School Activities Association, and the Professional Teaching Practices Commission. The Division of Vocational Rehabilitation and the Alaska Commission on Postsecondary Education are also within the Department of Education's budget.

The FY88 budget represents a total funds reduction from FY87 Revised of 9.1% or \$62,400,000 and a 19.2% or \$147,956,400 reduction from FY87 Authorized. General funds reductions from FY87 Revised to FY88 are 9.9% or \$59,601,100 and 21.1% or \$145,338,000 from FY87 Authorized. Federal funds in this budget have increased by 6.6% or \$2,655,500. The Student Lunch program accounts for \$1,427,400 of this increase. The major cause for the reduction in the other funds category is the decrease of \$5,000,000 in PL 81-874 funds received from the federal government in the Foundation component. The reduction is not an actual loss of revenue but a correction in the Authorized amount included in the budget.

MAJOR ISSUES

Program Changes

Foundation Program. Several components have been rolled into the Foundation component for FY88: Community Schools, \$2,206,000; Secondary Formula Account, \$5,940,000; and a portion of the Teachers Retirement Match component, \$23,096,400. Also included in this component is a general fund reduction of \$12,390,400 and a Federal fund reduction in PL 81-874 funds of \$5,000,000 (see above).

Pupil Transportation. The Transportation component has been reduced \$5,924,400. Part of the reduction represents a transfer to the Tuition Students component (\$2,983,400), and another transfer to Schools for the Handicapped (\$200,000), for a new program called the Alaska Youth Initiative. This new program is to reduce the number of youth sent out-of-State and to return others already Outside. These children have been sent outside of Alaska because no appropriate program existed in Alaska that could respond to their needs.

Tuition Students. Transfer in from the Pupil Transportation component to fully fund reimbursement to school districts, \$2,983,400; an increment is requested in this component of \$400,000 to subsidize some school districts for excess space left over from the old State Operated Schools. For instance, Nome High School was an old boarding school and as such is paying for operation of excess space

due to a decision over which Nome had no control. This increment would reimburse excesses attributable to situations of this type.

Teacher Retirement Match. This component has been transferred to the Foundation component, \$23,096,400; to Executive Administration for internal DOE employer match, \$537,100; and to the University of Alaska, \$3,222,800 for its employer match.

Community Schools. Transferred to the Foundation program, \$2,206,000.

Boards and Commissions BRU. All components in this BRU have been eliminated to include the Professional Teaching Practices Commission, Alaska School Activities Association, Alaska Council on the Arts. The Historical Commission has been transferred to the Department of Natural Resources.

Kotzebue Technical Center. This program has been eliminated in this budget submission.

Vocational Rehabilitation. This program has been reduced by \$1,121,000 in general funds. The Division is seeking a federal waiver from the maintenance of fiscal effort requirement. The waiver, if received, will save the Division from receiving a like reduction from the federal government.

Postsecondary Education Commission. The major issue in this BRU is the elimination of the WICHE Student Exchange, \$1,108,600. The effect of this program deletion is to cut off funding to continuing students pursuing a professional education in areas not offered at the University of Alaska. These programs are also very difficult to get into without WICHE membership.

All Legislative designated grants and DOE specific program grants have been deleted except for Student Leadership which remains at \$185,900.

Funding Sources

The general fund supports most of the Department's budget due to the Foundation and Debt Retirement programs. However, federal funds of \$42,813,600 are also budgeted in DOE. These funds are provided as supplements to the regular school programs in each school district and restrictions apply as to how to expend these funds. They include funds for the Handicapped, Bilingual/Bicultural, Migrant, Neglected and Delinquent, Vocational Education, Student Lunch, and Vocational Rehabilitation programs. The major sources of the other funds category are the Public School Fund, \$8,000,000; PL 81-974, \$20,644,100; and Cigarette Tax receipts, \$3,500,000.

ORGANIZATIONAL CHANGES

Management and Monitoring component has been combined with District Support Services component.

Curriculum Services, Information Services and Instructional Services components have been merged to form a new component Instructional Materials Center.

Commissioner's Office and State Board of Education components have been merged into Executive Administration component.

POSITION ANALYSIS

The best information available at the present time concerning full-time positions at the Department is that they will delete 22. However, the Department has not had sufficient time to revise their Position Authorization and Control System or PACS. The Department believes that total layoffs of personnel will reach 70 full-time positions.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

The Department of Health and Social Services provides direct services in the areas of public assistance, medical care, child and adult protection, and mental health, as well as grants to local providers for additional public programs.

SUMMARY ANALYSIS

The Governor's recommended funding level of \$203,804,100 general fund is a 7.1% reduction from FY87 Revised and a 13.9% reduction from FY87 Authorized. The total fund budget of \$328,887,500 is a 0.8% reduction from FY87 Revised and a 5.6% reduction from FY87 Authorized. The percentage change between general funds and total funds is mainly due to an increase in federal receipts because of increases in entitlement programs, and funding source changes.

In the FY88 budget, the Department tried to protect its core programs such as medical assistance, basic public assistance, child abuse intervention, institutional care, and public health. To fund these programs some supporting grant programs and auxiliary public assistance programs were deleted.

MAJOR ISSUES

Program Changes

Several grant programs are deleted: Anchorage Block Grant -\$2,410,600, Fairbanks Block Grant -\$437,500, Pre-Maternal Services -\$347,200, Preventative Services -\$1,381,700, Early Intervention -\$632,400, and Health System Agencies (HSA) -\$131,250.

Alaska Longevity Bonus Hold Harmless programs are deleted because the proposed change to a needs based program would make hold harmless programs unnecessary, -\$1,459,000.

Caseload increases are funded for: Aid to Families with Dependent Children (AFDC) \$3,311,000 general funds/\$3,311,000 federal funds; Adult Public Assistance \$1,563,800; General Relief \$599,100; Medicaid \$1,388,700 general funds/\$1,578,600 federal funds; General Relief Medical \$453,600; and Foster Care \$565,900.

Cost of living increases are deleted for AFDC -\$305,700 general funds/- \$305,700 federal funds and Adult Public Assistance -\$171,400.

The interim benefits program is deleted for the Aid to the Disabled -\$1,008,000.

The services covered are reduced under Medicaid -\$1,089,600 general funds/- \$1,089,600 federal funds and long-term care rates are reduced -\$2,573,800 general funds/\$2,573,800 federal funds.

Several new components were created to increase the visibility of existing programs such as Epidemiology, Emergency Medical Services Training and Licensing, and the Alcohol Safety Action Program (ASPA). The remaining Hepatitis B general fund support was transferred to the Epidemiology component.

Foster Care and Residential Care are transferred from a separate Budget Review Unit (BRU) to the Purchased Services BRU.

The Post-Mortem Examination Program, which provides funding for court ordered autopsies, is transferred from the Division of Public Health to the Division of Public Assistance.

ORGANIZATIONAL CHANGES

The Governor's budget recommends funding the entire cost of the Permanent Fund Dividend Hold Harmless program from the PFD earnings. Currently, only the federal portion is paid from the PFD earnings. A general funds savings of \$4,166,400 would be realized. The budgeted program receipts are divided into the following new funding source codes: Care and Treatment, User Fees, Child Support Enforcement, and Legal Settlement Receipts.

Funding Source Changes

Funding to open the new youth detention facility in Bethel was restricted as part of the FY87 Revised savings. No money is included to open the center in FY88.

To relieve overcrowding at McLaughlin Youth Center in Anchorage, the new wing at the Fairbanks Youth Facility will be opened this winter by lifting part of its funding restriction. Full year funding for the new wing is included in the FY88 budget, \$827,100.

Facilities

Grants are reduced an additional 5% over the FY87 Revised reduction of 12.5%.

The Anchorage Commissioner's Office is deleted, -\$80,000.

Some personal services funding is restored for Social Services \$271,200, McLaughlin Youth Center \$406,900 and the Alaska Psychiatric Institute \$550,000. The funding will allow the Department to fill vacant positions.

The Southeast Laboratory will be closed. The laboratories in Anchorage and Fairbanks will assume the workload, -\$381,800, six PFT, and three PPT positions.

The Alaska Youth Initiative program began in FY87 as a pilot project between the departments of Health and Social Services and Education to reduce the need for out-of-State placement of severely disturbed children. The two departments are working together to develop an FY88 budget.

The small, separate data and word processing components in the divisions were transferred to administration components.

POSITION ANALYSIS

- three new positions are added to the Claims Processing Unit in Medical Assistance, no new general fund money is necessary;
- six full-time and three part-time positions will be deleted when the Southeast Laboratory closes in Juneau;
- six positions in Planning are deleted due to the reduction in federal funds;
- thirteen full-time positions are changed to part-time and seven part-time positions in eligibility determination are changed to full-time;
- two positions will be deleted when the Northern Mental Health Administration office is closed;
- administrative positions are deleted in the Commissioner's Office, Audit, and Budget & Finance.

DISCUSSION OF FY87 AUTHORIZED TO FY87 REVISED (GOVERNOR'S RESTRICTIONS)

The FY87 Revised budget held the public assistance programs harmless, but allocated reductions to other Department programs such as Social Workers and the Institutions. The Department found that the reductions in personal services were not sustainable and restored some funding in the FY88 Request. In order to achieve an overall funding reduction below the FY87 Revised amount, Assistance cost of living increases were reduced, the entire cost of the Permanent Fund Dividend Hold Harmless program was funded from the earnings, and reductions in some services were necessary.

SUMMARY ANALYSIS

The Department of Labor is responsible for enforcing the State's labor laws, providing job placement through State Employment offices located throughout the State, paying unemployment claims to Alaska's workers when they are out of work, and reporting labor statistics on Alaska's worker population. The Department also administers the Alaska Workers' Compensation laws which regulate and review claims by injured workers against employers and insurance companies, and administers the Fisherman's Fund which aids licensed commercial fishermen injured while engaged in commercial fishing in Alaska. This fund is supported by the fishermen through license fees.

The FY88 budget represents a total funds reduction from FY87 Revised of 3.5% or \$1,757,900, and a 5.9% or \$1,284,500 reduction from FY87 Authorized. In general funds, however, the Department has received a substantial reduction from FY87 Authorized of 33.9% or \$4,584,700. From FY87 Revised to the FY88 Request the reduction was 27.9% or \$3,461,600.

The major change in the Department's budget other than the decrease in general funds, was the increase in federal funds of 13.4% or \$3,471,500. These additional federal funds are due to the increased workload at the Department caused by the unemployment rates in Alaska which impacts both the Employment Services and the Unemployment Insurance components of this budget.

MAJOR ISSUES

Program Changes

The State Interim Benefits program has been deleted from the FY88 budget in accordance with Legislative intent. The general fund amount reduced was \$1,851,700 which represents 53% of the total general fund reduction from FY87 Revised to FY88 Governor of \$3,471,500.

The Youth Employment Services component has been eliminated in this budget request. However, additional federal funds available in the Employment Services component will allow limited special services to youth.

Funding Sources

The Department has been able to cushion the reduction in general funds by a corresponding increase in federal funds as can be seen by the overall budget reduction of only 5.9% since FY87 Authorized. However, those programs in the Department which are basically federally required and funded have been reduced in general funds to either zero or the required General Fund Match, except for the Occupational Safety and Health component. OSH has been reduced by \$195,700 leaving only \$129,600 in general funds.

ORGANIZATIONAL CHANGES

The Department has made a major organizational change detailed below:

The Data Processing Component

Legislative Intent in the FY87 budget directed Labor to merge this unit with the Department of Administration's data processing unit. This has substantially occurred. Personnel in the component which the Department of Labor requires for programming, have been transferred to the Employment Services Division. Of the 47 employees in the component last year, 16 have been transferred, eight deleted, and four reduced to part-time. Those remaining in the component represent data processing support of general fund programs which could not be funded by federal funds.

Positions

The Department is requesting 20 new positions, seven full-time and 13 part-time, to be funded by federal funds. Ten of these positions were approved in December, 1986 by the Legislative Budget and Audit Committee. Overall, since FY87 Authorized, the Department has reduced full-time positions from 622 to 591, a loss of 31. Permanent part-time positions have increased from 174 to 198 or 24 positions. Of these only 13 are new positions. Others are reduction in hours from full-time to part-time.

The Department of Commerce and Economic Development (DCEd) serves both public protection and development advocacy roles. DCEd regulates weights and measures, banking, security dealers, corporations, insurance, and many professions. The Real Estate, Public Utilities, and Oil & Gas Conservation Commissions fall within its purview.

In the development area the Alaska Power Authority, the Alaska Industrial Development Authority (AIDA), and the Alaska Seafood Marketing Institute (ASMI) are quasi-independent agencies. The Power Authority utilizes general funds only for its administrative component. Power sales fund operational facilities and capital appropriations fund APA projects in planning or under construction. AIDA sells tax exempt development bonds to purchase loans from financial institutions. This facilitates capital acquisition for new industries in the State. The Delong Mountain Transportation System (Red Dog Mine port and road) bond sale is the current major project. The fishing industry funds approximately two-thirds of the ASMI budget, most of which is dedicated to advertising Alaska seafood products.

Regular DCEd divisions involved in development include Tourism, Business Loans, Economic Development Advocacy, and International Loans.

DCEd has reduced its overall budget by \$5,900,000 (10.1%) from the FY87 Revised figure, \$12,300,000 (19%) from the FY87 Authorized. More significantly, the general fund figure has dropped by \$10,700,000 (26.3%) from the Revised and \$17,100,000 (36.2%) below the FY87 appropriation.

MAJOR ISSUES

Program Changes

The most substantial reduction in a single program was \$6,558,000 in general funds removed from the Power Cost Equalization program. This represents a 37% decrease from the FY87 authorization. The fishing industry, which had funded about one-third of ASMI in FY87, is being asked to fund two-thirds in FY88.

Funding Source Changes

Approximately half of the FY88 reduction resulted from changes in funding sources. The greatest change of this type was the replacement of \$4,435,300 general funds in the Fisheries Enhancement Tax Receipts component with \$3,284,000 from a new category, Resource Assessment Receipts. The various regulatory divisions are now largely funded through licensing and permit fees. This is another new category, more specific than the generic "program receipts" used in previous budgets.

ORGANIZATIONAL CHANGES

Three DCED units have been reorganized by the new administration:

The Division of Business Loans is a combination of the former Divisions of Investments and Accounting & Collections.

The new Economic Development Advocacy Division is composed of the offices of Enterprise (Small Business), Minerals & Forest Products, and Commercial Fisheries Development. The Research and Analysis Section has been transferred to the Office of the Governor.

The former Office of International Trade has been expanded and given division status, reflecting the increased emphasis on Pacific Rim trade.

POSITION ANALYSIS

Position changes have been relatively limited in this Department. The 412 full-time positions in the FY87 Authorized budget became 404 in the FY87 Revised version and the FY88 Request is for 387. Seven positions were transferred to the Office of the Governor with the Research and Analysis Section. The Investments Division lost nine in the consolidation with Accounting & Collections. The Commissioner's Office has deleted a deputy commissioner and a special assistant.

The only new positions requested are two bank examiners for the Anchorage office of the Financial Institutions component, Division of Banking, Securities, and Corporations.

PROGRAM DIRECTION

The programs of the Department of Commerce and Economic Development are continued with minimal reductions. The development advocacy components have been reorganized and are receiving increased emphasis.

The Department of Military and Veterans Affairs is responsible for the military affairs of the State, disaster planning and control, and veterans' 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.

SUMMARY ANALYSIS

The Governor's FY88 budget of \$19,920,200 in total funds is 86.1% or a \$9,218,800 increase over FY87 Revised. However, after adjusting for an increment of \$10,000,000 for Disaster Relief funding, the FY88 budget is \$781,200 or 7.3% less than FY87 Revised. Compared to the FY87 Authorized level appropriated by the FY86 session, the cumulative reductions are 21.5% in general funds and 11.1% in total funds.

MAJOR ISSUES

Program Changes

The Disaster Relief Fund is established as an operating program. The Governor has requested \$10,000,000 for FY88.

Retention Benefits (Reenlistment Bonus Program) is reduced by \$304,000 for FY88.

The proposed funding level for the National Guard Retirement Benefits is decreased to \$702,400 in general funds from FY87 Authorized level of \$1,041,200. The Department of Administration has revised the annual contribution required to fund the retirement program.

Additional funding is provided in the Facilities Maintenance/Army component to maintain the new Kotzebue Armory. Funding was made available by the cancellation of all janitorial contracts.

The Office of the Adjutant General consolidated or eliminated certain functions for a savings of \$256,500.

Funding Sources

The budget, except for the Disaster Relief Fund, is substantially funded from federal receipts. Federal receipts have increased from \$4,436,700 in FY86 to an estimated FY88 amount of \$5,065,400.

ORGANIZATIONAL CHANGES

Office of Management and Budget

The proposed budget includes internal transfers of positions and funds within the Disaster Planning and Control Budget Request Unit. The Civil Preparedness and Disaster component is eliminated with funds and positions transferred to Emergency Management Assistance and Disaster Preparedness Improvements components.

The Federal Community Assistance component was created by transferring \$257,800 from Emergency Management Programs.

POSITION ANALYSIS

Overall, seven full-time positions were deleted and two new full-time positions were added, resulting in a full-time position reduction, from the FY87 Authorized amount, of 97 to 92. One part-time position was deleted leaving eight positions for FY87.

Alaska's Department of Natural Resources is the third largest (in land area) land management agency in the country and is directly responsible for 104 million acres of State land. The Department manages land, water, forests, grasslands, oil, gas, energy and hard rock minerals, parks, agriculture, and related resource development activities. The Department's jurisdiction in some areas, such as water resource management and land recording, extends over the complete 367 million acres of Alaska. The ultimate goal of the Department is the maximization of current and future public benefits through the prudent stewardship of Alaska's renewable and non-renewable resources.

SUMMARY ANALYSIS

The Department of Natural Resources FY88 budget proposal reflects a 5.6% or \$2,209,100 general fund reduction from the FY87 Revised budget. Compared to the FY87 Authorized level, general funds are reduced by 18.2% or \$8,329,900. It is important to note that the proposed FY88 budget includes a general fund increase of \$5,799,000 for Fire Suppression. In the past, Fire Suppression costs have been paid by an annual transfer from the Rainy Day Fund (eliminated upon the creation of the Budget Reserve Fund) to the Fire Suppression Fund and such transfers were not considered as part of the operating budget. If this single item is not considered, the FY88 proposed budget reduces general funds by 20.2% or \$8,008,100 from the FY87 Revised budget and 31% or \$14,128,900 from FY87 Authorized. Federal funding anticipated for FY88 increases by 80% or \$2,486,300 largely due to the first-time inclusion of federal Fire Suppression receipts. Other funding also increases by 32% or \$1,998,200, significantly above amounts authorized for FY87 as the Department requests increased use of inter-agency receipts, Agricultural Revolving loan funds, and user fees.

MAJOR ISSUES

Program Changes

In the Commission's component, a \$175,000 general fund reduction (from FY87 Authorized) eliminates the Citizen's Advisory Commission on Federal Areas in Alaska. For FY88, the Commission's component funds only the Mental Health Lands Trust Commission. Grants for the Bowhead Whale Census Project and the Eskimo Walrus Commission are totally eliminated by a \$300,000 general fund reduction (from FY87 Authorized). Statewide Recorder's Offices will be consolidated from 14 locations to three; Juneau, Anchorage and Fairbanks, with services to rural areas maintained by mail. Within the Land and Water Management Division, the Land Disposal Program is suspended, and efforts toward water rights adjudication are significantly reduced.

A 24% or \$262,800 general fund reduction (from FY87 Authorized) in Timber Sale Project will result in efforts being concentrated on larger, long-term sales in order to reduce field work. Seasonal fire personnel will be used to help with timber sale layouts and a bad fire season could mean less timber will be made available to the public.

In the Division of Mining, Geological and Geophysical Survey, the funding and staff working on coal and geothermal investigations will be reassigned to support work on the Arctic National Wildlife Refuge Petroleum project. Also, the Juneau Regional Office of this Division will be closed and geologic investigations of the Juneau mining district will cease.

In the Division of Parks and Outdoor Recreation, archeological, cultural and historic resource surveys will be reduced by one-half. Numerous park units statewide will have reduced services.

A new program funded by \$266,000 in program receipts is proposed for increased effort on State land preference rights.

The Horticultural Development Project in the Division of Agriculture is eliminated as well as the Seed Testing Laboratory.

Funding Sources

The Recorder's Office, previously funded by general funds only, is converted entirely to program receipts (user fees) by a \$1,580,000 funding source change. Funding for the Uniform Commercial Code function is converted from general funds to program receipts (user fees) by a \$93,700 funding source change.

ORGANIZATIONAL CHANGES

The Alaska Historical Commission is transferred from the Department of Education to the Division of Parks and Outdoor Recreation. Also, archeological functions previously conducted in the Division of Geology and Mining are transferred to the Division of Parks and Outdoor Recreation.

In the Commissioner's Office, one deputy commissioner position and two full-time support staff positions are eliminated, placing increased reliance on division directors.

POSITION ANALYSIS

From FY87 Authorized, the proposed budget reflects an overall net reduction of 206 full-time positions. In terms of part-time positions, there is an error in the Forest Management component position count where 132 part-time positions were incorrectly shown as temporary. With this adjustment made, part-time positions are increased by 35 over the FY87 Authorized and temporary positions are reduced by nine.

The Department of Fish and Game (DFG) manages and regulates the living resources of the State through six large divisions: Commercial Fisheries manages the \$900,000 per year fishing industry. Fisheries Rehabilitation and Enhancement Division (FHED) reinforces natural runs through stream and lake fertilization, fish ladders, and hatchery programs. Sport Fish Division serves the 350,000 non-commercial fishermen of Alaska. The Game Division has both management and regulatory responsibilities. Habitat Division works with the public and private sectors to insure that development projects minimize degradation of fish and wildlife resources. Subsistence Division was established by statute to monitor the subsistence use of fish and wildlife so that the Boards of Fish and Game may develop regulations to protect this lifestyle.

It is important to note that the Commercial Fisheries Entry Commission is not a part of the Department of Fish and Game, but is included in its budget for administrative convenience. This independent agency was reduced by 19.6% from its FY87 Authorized budget and lost eight of its 36 full-time positions.

The Governor's FY88 budget request reflects an interim reduction (FY87 Revised) of \$4,594,000 or 10% in general funds. The FY88 budget subtracts an additional \$5,155,900 for a general fund reduction of 21.2%. Some of this reduction has been replaced by small increases in federal funds and Fish and Game funds, (hunting and fishing license fees). A new category, user fees, added \$889,500 to FHED. The reduction in total funds of 10.2% reflects that adjustment in funding sources.

MAJOR CHANGES

Program Changes

The magnitude of changes varies with the availability of non-general funds for each program. Sport Fisheries Division, which uses no general funds, was reduced only one-half percent, while Commercial Fisheries lost 17.5% of the FY87 Authorized. Commercial Fisheries spread its reductions among projects throughout the State in an attempt to minimize the impact on both local economies and on specific resource stocks. However, there will be a considerable decrease in the Division's ability to collect the data necessary to optimize harvests. Two vessels, one in Ketchikan and one in Cordova, will be removed from service. FRED Division will close four of its 19 hatcheries: Cannery Creek, a pink salmon hatchery on Prince William Sound, with three full-time (PFT) and eight part-time (PPT) positions; Tutka, pink salmon, on Katchemak Bay, four PFT, 10 PPT; Russell Creek, chum salmon, near Gold Bay, four PFT, four PPT; and Siksuiq, chum salmon, near Noatak, four PFT, five PPT. The Karluk streamside incubation facility will also be closed.

Game Division, which lost 18% of its FY87 full-time staff and 30% of its general funds, will curtail a wide range of game management projects and public information programs.

Another area of significant program impact was the Commissioner's Office, which lost one deputy commissioner and one special assistant. The Administrative Services Division deleted four PFT in the personnel and accounting sections.

Funding Source Changes

The Department has made no significant changes in funding sources, with the exception of the new category, user fees, which totals only two percent of the DFG FY88 budget. Future funding from federal receipts could be reduced through the Gramm-Rudman-Hollins process in Congress.

POSITION ANALYSIS

Funding reductions have forced the deletion of 46 permanent full-time positions and 18 permanent part-time positions. While this is only 6% below the FY87 Authorized, it is a full 20% below FY86. The largest reduction in positions was 24 PFT in Game Division; however, nine of those became part-time.

PROGRAM DIRECTION

The changes from FY87 Authorized to FY87 Revised to FY88 reflects a similar approach. The interim reduction of \$4,600,000 in general funds was offset by adding \$1,200,000 in federal funds and \$250,000 from the Fish and Game Fund. The subsequent FY88 reduction of \$5,155,900 in general funds was similarly offset by an addition of \$816,700 in federal and other funds.

The Department of Public Safety is charged with the responsibility of administering the functions of the State relative to the protection of life and property. Organizationally, the Department consists of the Commissioner's Office and the divisions of Alaska State Troopers, Fish and Wildlife Protection, Motor Vehicles, Fire Prevention, and Administrative Services. Other program areas included: the Highway Safety Planning Agency, the Village Public Safety Officer Program, the Alaska Police Standards Council, the Violent Crimes Compensation Board and the Council on Domestic Violence and Sexual Assault. Additionally, the following programs are found within the Administration Budget Request Unit (BRU): Contract Jails, Training Academy, Civil Air Patrol, Laboratory Services, and Data/Word Processing.

SUMMARY ANALYSIS

The Department of Public Safety's budget proposal for FY88 reflects a 12.4% or \$8,681,100 reduction in general funds from the FY87 Revised budget. In comparing FY88 to FY87 Authorized, general funds are reduced by 22.9% or \$18,218,600. Overall, federal funding anticipated for FY88 drops by 32%. There are significant federal fund reductions in Highway Safety Planning Agency (\$262,000), the Council on Domestic Violence and Sexual Assault (\$200,000), and the Violent Crimes Compensation Board (\$283,000) which is proposed for elimination.

MAJOR ISSUES

Program Changes

In Marine Enforcement, the P/V Vigilant will be removed from service.

Funding for the Violent Crimes Compensation Board is entirely deleted by a \$578,000 general fund reduction (from FY87 Authorized). Available federal funding estimated at \$283,000 will be lost.

Administration of the Mandatory Insurance Program (enabling legislation sunsets January 1, 1989), will cease on July 1, 1987. In vehicle accidents where the individual has no insurance and is at fault, citations will continue to be issued. When appropriate, license suspensions will be pursued. The Department reports that the Administration will submit legislation to move the sunset date on the Mandatory Insurance Program up to July 1, 1987, to coincide with the elimination of this program.

In the Alaska State Troopers Division, approximately 45 commissioned officers will be laid off. To minimize the impact of this reduction in terms of actual enforcement manpower, the Department will concentrate on reducing the number of commissioned officers involved in administrative tasks.

Narcotics Unit Operations are significantly reduced with 24% or \$561,500 general fund reduction and the loss of four full-time employees (from FY87 Authorized).

In Judicial Services, 30 commissioned officer positions (13 troopers, one corporal, and two sergeants) will be reclassified to judicial service officers saving an estimated \$515,500 in general funds.

Building Security functions were essentially eliminated in the FY87 Revised budget process, and are not reinstated in the FY88 proposal.

Facilities

The Training Academy in Sitka will be closed.

Six of the lower volume Motor Vehicle Field Offices will be closed. These locations are: Cordova, Glennallen, Haines, Tok, Nome, and the Anchorage Satellite Office. This proposed reduction from 20 field offices to 14 field offices is estimated to save \$249,700 in general funds.

Funding Sources

For FY88, program receipts are separated by type of receipt and are reduced by \$150,000 from FY87 Authorized.

ORGANIZATIONAL CHANGES

Funding for Rural Trooper Housing has been transferred from the Department of Administration to a new component in the Public Safety budget.

The Records Identification Unit will be consolidated in Anchorage by the transfer of six full-time positions from Juneau.

POSITION ANALYSIS

From FY87 Authorized, the Proposed budget reflects an overall net reduction of 130 full-time positions. Part-time positions are increased by eight, and 35 temporary positions are deleted.

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.

SUMMARY ANALYSIS

The Governor has proposed general fund decrements totaling \$21,100,000 and one general fund increment of \$1,800,000 for Marine Highways Risk Management, resulting in a net reduction of \$19,300,000. This results in a 13.5% reduction from the FY87 Revised general fund budget. Please note, the Governor's budget contained general fund errors of approximately \$3,100,000. The correct general fund total should be \$124,100,000 instead of the \$120,900,000 contained in the Governor's proposed budget. Our analysis is based on the correct general fund total. In addition, the Governor has proposed that \$5,200,000 be changed from general funds to user fees to reflect operation of the Dalton Highway as a toll road. This would bring the general fund reduction to \$24,500,000 or 17.1% of the Department's FY87 Revised general fund budget. Compared to the FY87 Authorized Level appropriated by the 1986 session, the cumulative reductions are 23% in general funds and 12% in total funds.

MAJOR ISSUES

Program Changes

Elimination of all State maintenance on nearly 1600 miles of roads currently on the State maintenance system that are not considered the highest priority routes, or do not require minimal maintenance efforts due to investment of Federal funds;

Elimination of all maintenance except for minimal safety repairs and physical highway protection for approximately 800 miles of highways that are not priority routes, but have Federal investment requiring continued State efforts to protect this investment;

Reduction of maintenance funding by another 8% on the remaining 2900 miles of roads, which means a total reduction well in excess of 25% for maintenance and operation of these facilities in less than 18 months;

Elimination or reduction of airport maintenance by over 7%, with particular emphasis on daytime operations only and major reduction of winter maintenance at certain airports statewide;

Substantial reductions in Marine Highway service including unmanned layup of six vessels for a total of 29 months. This will affect at least 230 crew members. This leaves the Southeast system with no change to summer service, but only one mainline vessel and one feeder vessel for the other eight months of the year, and the Southwest system with single vessel service for six months and no service for two months during the winter.

Institution of a toll or user fee charge of approximately \$500 per trip, per 18-wheeler for commercial use of the James Dalton Highway north of the Yukon River, which may lead to eventual closure due to the inability to recover adequate fees;

Elimination of maintenance for campgrounds, rest areas, etc., and reduction in facilities maintenance.

Funding Sources

The budget is close to being equally funded by general and other funds. The majority of the other funds are International Airport Revenue and Capital projects. Federal receipts make up less than 2% of the budget.

ORGANIZATIONAL CHANGES

The Governor's FY88 proposed budget requests funds to establish the International Airport Revenue Controller's Office within the Commissioner's Office Budget Request Unit.

POSITION ANALYSIS

Elimination of 99 full-time positions;

Addition of 100 part-time positions;

The Department is in the process of updating its position count. The position counts may substantially change.

DISCUSSION OF FY87 AUTHORIZED TO FY87 REVISED (GOVERNOR'S RESTRICTIONS)

The major reductions to the FY87 Authorized budget were in the Maintenance and Operations components.

The mission of the Department is to protect public health and the environment while maintaining a stable and credible regulatory regime for industry. The Department has a broad range of responsibilities including the management of hazardous wastes and industrial pollutants, the development of improved technology for placer miners, the review of water and sewer systems, the inspection of restaurants and other public facilities, the regulation of the seafood industry and the construction and management of water and sewer facilities across the State.

SUMMARY ANALYSIS

The Department of Environmental Conservation's FY88 budget proposal reflects a 9.9% or \$1,033,400 increase in general funds from the FY87 Revised budget. However, in comparing FY88 to FY87 Authorized, general funds are reduced by 3.6% or \$432,500. The major general fund increase in FY88 from the Revised FY87 budget is a personal services increment which restores a five day work week throughout the Department. Overall, federal and other funding anticipated for FY88 remains very near the FY87 Authorized level with moderate reductions in some programs and a \$300,000 federal fund increase for Superfund site investigations.

MAJOR ISSUES

Program Changes

In the Hazardous Waste Program, a proposed \$325,000 general fund increase would allow four new full-time employees and associated costs for partial assumption of the Federal Hazardous Waste Program.

A \$930,100 general fund increase is proposed which would return Department offices to a five day work week. In preparing the FY87 Revised budget, the Department chose to apply most of the required reduction uniformly across all programs. This was accomplished by requesting and receiving voluntary work week reductions from the majority of employees Range 10 and above. The primary impact of these reductions has been that most of the Department's offices are now open 32 hours a week, 8:00 A.M. to 5:00 P.M., Monday through Thursday. All program areas have been impacted by this reduced work week. In certain units, where voluntary savings were not adequate to meet needed reductions, layoffs and position reclass actions were pursued.

In the Division of Environmental Quality, the Southcentral and the Northern District Officer positions have been deleted, eliminating an intermediate supervisory level within these regions. The Remote Maintenance Worker Program, funded through the Division of Facilities Construction and Operations by grants to three regional health corporations, has been cut by 30% from the FY87 Authorized amount.

Other Changes

FY87 intent requested the Department's FY88 budget request be prepared and presented in project budget format, similar to other natural resource agencies. The FY87 Revised budget was prepared in compliance with this intent and the Department plans to provide operating budget subcommittees with project detail for FY88 as well.

ORGANIZATIONAL CHANGES

The proposed budget includes internal transfers within the Administration BRU, where the Public Information Office component and the Data and Word Processing component are combined within the Administrative Services component.

POSITION ANALYSIS

Overall, five full-time positions are being deleted and four new full-time positions are being added (for partial takeover of the Federal Hazardous Waste Program), resulting in a full-time position reduction from the FY87 Authorized amount of 247 to 246. Three part-time positions are deleted from the 19 Authorized for FY87.

DISCUSSION OF FY87 AUTHORIZED TO FY87 REVISED (GOVERNOR'S RESTRICTIONS)

Reductions to the FY87 Authorized budget were achieved primarily from personal services savings generated from the voluntary reduction of work hours.

DEPARTMENT OF CORRECTIONS

The Department of Corrections operates 11 correctional centers for adult incarceration as well as probation and parole supervision. As part of its rehabilitation efforts the Department also funds educational programs, alcohol counseling, medical services, halfway houses, and a restitution center.

SUMMARY ANALYSIS

The Governor's proposed FY88 budget of \$79,291,900 in general funds is at the same level as the FY87 Revised budget, but a 4% decrease from FY87 Authorized. Anticipated increased activity in the Correctional Industries Fund caused the total fund budget to increase slightly over the FY87 Revised level.

Although the Governor's budget does not request a decrease from the revised level of funding, the Department made reductions in existing programs to provide support for necessary program increases.

MAJOR ISSUES

Program Changes

Last year, the Legislature authorized funding to send 100 inmates to Minnesota for a year to relieve overcrowding. As part of the FY87 Revised savings, funding for the Minnesota space was reduced to six months. The Governor's budget provides for 12 months, \$1,003,300.

The Department plans to replace contract medical personnel with State employees inside the correctional centers. Funding was transferred from contractual to personal services, \$964,100 and 32 positions.

Facilities

Spring Creek Correctional Center is scheduled to be completed in November, 1987. The Governor's budget authorizes the positions to operate the center but provides funding for limited staff training in FY88, \$366,700 and 217 positions.

Goose Bay Correctional Center was closed during FY87 to inmates and is now used as a training center for Department staff.

POSITION ANALYSIS

Although the Governor's recommended budget approves creating 217 new positions to open the Spring Creek facility in Seward, the funding level recommended would only support all the positions for about two weeks. The budget also approves 32 new temporary employees to be paid from existing contractual monies to provide medical care in the institutions with state employees instead of contract employees.

The reduction in position count between FY87 Authorized and Revised is the deletion of the new positions approved last year. These new positions were not hired and staff from the closed Goose Bay facility was transferred to open the Matanuska-Susitna Pre-trial facility, which provides minimum increases in Probation Services.

Eight existing positions are deleted. Four capital project positions are deleted because of the reduction in funding for capital projects. The three regional probation administrators are deleted as the Department reorganizes the Probation Services. Also a social worker is deleted at Lemon Creek in Juneau.

DISCUSSION OF FY87 AUTHORIZED TO FY87 REVISED (GOVERNOR'S RESTRICTIONS)

The FY87 Revised budget consisted of reducing funding for the Minnesota inmates from twelve to six months and the deletion of funding for new staff. The need to open the Matanuska-Susitna Pre-trial facility which can hold maximum security inmates, caused the Department to close the Goose Bay Correctional Center, which only provides minimum security bed space.

SUMMARY ANALYSIS

The Department of Community and Regional Affairs is responsible for providing state assistance to governments at the community and regional level. The Department provides a broad range of services to local governments and municipalities in the form of grants and direct technical assistance. The following grant programs are administered through this Department: State Revenue Sharing, Municipal Assistance, Rural Development, Organizational Grants, Child Care Assistance, Dislocated Workers, Community Service and Community Development Block Grants, and Energy and Weatherization Grants. The Department is also administratively responsible for the Housing Assistance Loan Program which makes loans for nonconforming houses in rural areas, the Job Training Partnership Act, and the Municipal Land Trustee Program required by the Alaska Native Claims Settlement Act.

Governor Cowper's FY88 budget represents a total funds decrement from FY87 Revised of 15.6% (\$25,339,100). When compared to the FY87 Authorized amount, this Department has been reduced 23.5% (\$41,873,500) in total funds. The general fund decrease in Community and Regional Affairs FY88 budget represents an 18.8% (\$26,285,600) decrease from FY87 Revised and a 27.4% (\$42,870,000) reduction from the FY87 amount authorized by the 1986 Legislature.

The State Revenue Sharing and Municipal Assistance programs account for the majority of the general fund reductions in this Department. This amount totals \$35,385,000 from the FY87 Authorized amount. The Municipal Assistance appropriation is based on up to 30% of the Corporate Income Tax of the prior year or an estimated \$125,000,000. Thirty percent would be \$37,500,000 or \$15,186,800 less than the amount proposed in the FY88 budget.

MAJOR ISSUES

Program Changes

The major changes in programs deal with the elimination of all tax relief programs for senior citizens/disabled veterans and the agricultural exemption. These payments go to various municipal-ities that exempt property taxes. In the future, these exemptions will become a local option. The only increase in general funds requested is in the Child Assistance program which has been increased \$2,700,000 to alleviate the waiting lists for day care assistance. An increase in federal funds for Dislocated Workers and the Energy and Weatherization programs is also requested. This amounts to \$1,585,500.

POSITION ANALYSIS

According to the most current information available, the Department has eliminated 15 full-time positions. It is not known at this time where these positions are located except for one in Galena. With this reduction the Department now has 177 full-time positions and two part-time positions.

The University operates three university centers, 12 community colleges, and 12 extension centers, as well as research and community service activities.

SUMMARY ANALYSIS

The Governor's proposed FY88 budget for the University of Alaska is \$132,834,700 general fund which is a 7.6% decrease over FY87 Revised and a 13.2% decrease from FY87 Authorized. The new budget includes the transfer of the Teachers Retirement System (TRS) Match program of \$3,222,800. Excluding the transfer, the University's budget decrease is 15.3% from FY87 Authorized.

The total fund budget of \$249,457,200 is a 2.2% decrease from FY87 Revised and a 5.2% decrease from FY87 Authorized. The University has been able to somewhat offset the general fund reductions by increasing tuition and other fees and the use of one-time funding sources such as interest income.

The University plans to reduce the cost of providing postsecondary education in the State by reorganizing the existing administrative system and by changing the program offerings at some campuses. The specifics of the reorganization are currently being developed by special task forces set up by the University. Although the reorganization and budget reductions will be an ongoing process, the University plans to have more details by the beginning of March.

MAJOR ISSUES

Program Changes

Most of the cost reductions of the new plan are still in large miscellaneous groups. For example, the following campuses show unallocated reductions: University of Alaska, Fairbanks -\$3,401,700, Anchorage Community College -\$1,005,000; and the University of Alaska, Juneau -\$700,000. The University of Alaska, Anchorage specified its reductions in numerous small program changes.

The reductions at the various community campuses are generally the result of transfers and do not as yet reflect the reductions which will be made as the result of the reorganization.

The University hopes to make salary and benefit reductions totaling -\$8,000,000. This reduction is not as yet allocated to the units but is budgeted in a new component called Compensations and Benefits along with the transfer of the TRS Match program.

Several of the proposed University cost reductions will not yield savings this year. The Governor is proposing a one-time allocation of \$4,700,000 to offset the savings which will not occur until FY88.

In order to help the University, the Governor will be proposing a one-time use of \$4,000,000 prior year capital monies and \$600,000 by changing lapse dates on current year operating appropriations. These general fund reductions are budgeted under the FY88 Restructuring Transition component. The legislation to make the capital and lapse date changes has not, as yet, been introduced.

Funding Source Changes

The University is planning to use \$3,800,000 in interest income as a general fund offset for FY88. These are monies that were going to be returned to the State general fund as part of the FY87 Revised savings.

The budgeted program receipts are divided into the following new funding source codes: License/Permits/Certifications, Publications and Other Services, Dormitory and Food Services, Contract Service Reimbursement and User Fees.

ORGANIZATIONAL CHANGES

The major component of the University's plan is to combine the instructional campuses, research and public service programs into three administrative units: Interior/Western, Southcentral, and Southeastern. As presented in the current budget these units will include the following programs:

Interior/Western University of Alaska - Fairbanks, Arctic Environmental Data Center, GNOSIS, Chukchi Community College (Kotzebue), Cooperative Extension Service, Kuskokwim Community College (Bethel), Northwest Community College (Nome), Rural Education, Tanana Valley Community College (Fairbanks), Organized Research, and the newly combined Fisheries and Marine Science Program which includes the Fisheries Industrial Technical Center.

Southcentral University of Alaska - Anchorage, Anchorage Community College, Community College Statewide Staff and Support, Kenai Peninsula Community College, Kodiak Community College, Matanuska-Susitna Community College, Prince William Sound Community College and the newly combined Statewide Vocational/Technical Programs.

Southeastern University of Alaska - Juneau, Island Community College (Sitka), and Ketchikan Community College.

Two other components were created to identify unallocated cost savings and reduction, Compensation and Benefits and the FY88 Restructuring Transition. Eventually, these costs will be allocated to the campuses.

Statewide Network Services is a combination of the Center for Instructional and Distance Education which funds the audioconferencing services and the University of Alaska Computer Network (UACN) transferred from the Statewide Administration component.

During FY87 the Alaska Native Language Center was transferred from Rural Education to the University of Alaska, Fairbanks.

POSITION ANALYSIS

Some of the transferred positions in the newly created components were not included in the Governor's column of the budget, therefore, the position count in the Governor's column is low by 182 full-time and five part-time positions.

Although the budget has gone down substantially, the position counts have not generally been reduced to reflect the reductions since so many of the cuts are still unallocated miscellaneous reductions. Two campuses which have begun to identify position reductions are the University of Alaska, Anchorage with ten positions and Anchorage Community College with 18. Also, six Capital Improvement Project positions are deleted because of the reduced capital budgets. Better position impact will be presented in the March budget.

DISCUSSION OF THE FY88 AUTHORIZED TO FY87 REVISED (GOVERNOR'S RESTRICTIONS)

The University's reorganization plan will provide long-term cost savings. In order to meet the short term budget reductions targeted for FY87 Revised, the University made several one-time cost reductions in such areas as maintenance and non-contractual programs. In the FY88 plan, these one-time reductions were added back and other reductions identified.

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 FY88, the Governor is recommending a reduction from the Court System request through a general reduction of \$3,800,000, 9.6% below the current operating level.

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 requested budget provides for continuation levels. The impact of the general reduction proposed by the Governor is not known.

MAJOR ISSUES

Program Changes

Programs are funded at the current level without provision for projected workload increases.

Funding Sources

The Court System remains entirely supported from the general fund.

ORGANIZATIONAL CHANGES

The FY87 revised budget transfers the Micrographics Section from Trial Courts to Administration and Support -- \$214,400 and seven full-time positions.

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:

- add three new positions for the Trial Courts in high growth areas of new cases: Juneau, Palmer and Bethel, \$113,700.
- fund land rental for the Kotzebue Trial Courts which occupy lands selected by Kikitagrak Inupiat Corporation under the Alaska Native Claims Settlement Act, \$17,900.

The Governor's budget funds the current operating level, the FY87 amount of \$398,900. The Council's operating budget is supported from the general fund.

JUDICIAL COUNCIL

The Governor recommends continuation of the FY87 funding level which operates the Commission on a part-time basis, \$64,700. The Commission's FY88 request includes an additional \$13,700 to increase its hours of operation throughout the fiscal year and add a part-time position. The Commission's operations are supported entirely from the general fund.

COMMISSION ON JUDICIAL CONDUCT

ALASKA STATE LEGISLATURE

SUMMARY ANALYSIS

The Legislative budget is presented in four Budget Request Units (BRU's): Budget and Audit Committee, Legislative Council (Affairs Agency), Leadership, and the Ombudsman.

The Legislative Auditor and Legislative Fiscal Analyst prepare their respective requests for the Legislative Budget and Audit Committee BRU: Audit Division, 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 FY88 budget recommends the amounts requested, a continuation, generally of the current operating levels.

The legislative budget request would require a general fund appropriation of \$30,600,000, a 2.7% reduction from the 1987 level of \$31,400,000.

Legislative Budget and Audit

The requested budget essentially maintains the current operating levels for the Audit, Finance and Committee components. One-time finance committee project funds appropriated in prior years are not included in the request. Rental monies for Legislative Finance Division leased space are deleted resulting from the office relocation to the State Office Building.

No new positions are requested.

Overall, a 12.4% reduction is requested. The requested appropriation of \$5,900,000 compares to the present level of \$6,700,000.

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 continues the present budget of \$20,400,000.

House and Senate Leadership

The request includes \$3,763,000 for House and Senate Leadership, the currently authorized level from the 1986 appropriation and transfers.

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. The Governor has recommended the request.

The Ombudsman budget request continues the FY87 reduced level of \$725,600 appropriated in 1986.

Ombudsman