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**LEGISLATIVE OVERVIEW
OF THE
GOVERNOR'S FY 1989 BUDGET**

Prepared for distribution to the Legislature by:

LEGISLATIVE FINANCE DIVISION

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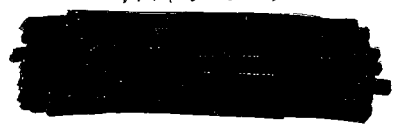


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Note: This overview is of the budget proposal made public by the Governor on December 15, 1987.

SPENDING PLAN

The Governor's proposed FY89 budget, presented to the Sixteenth Alaska Legislature on December 15, 1987, requires appropriations totaling \$3,172,783,400. Of this amount, \$2,172,061,500 or 68.5%, is unrestricted general fund. Compared with appropriations made during 1987 session, this spending plan represents:

- an increase of \$41,830,300, or 2.0% in general fund and general fund program receipts,
- an increase of \$54,936,700, or 1.8% in total funds,
- an increase of 4.5% in the operating budget, and declines of 28.7% in the capital budget, and 3% in the debt service budgets,
- an increase of \$52,129,400, or 2.4% in general fund due to general fund program receipts conversion.

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 FY89, the Governor is proposing general fund appropriations, including GF/Program Receipts, to fund agency operations at \$967,476,600 compared to \$915,819,000 for FY88 Authorized, -- an increase of 5.6% compared to FY88 Authorized.

Formula Programs are those which flow-through State agencies to municipalities and individuals, e.g. Education Support, Municipal Assistance, Revenue Sharing, Longivity Bonus, etc. For FY89, the Governor is proposing \$864,143,900 in general funds for formula programs, which presents 45% of the operating budget. By far, the largest formula program in Education Support which, at \$556,917,800 in the Governor's spending plan, accounts for 28.8% of the total general fund operating budget. This compares to 29.9% of the FY88 general fund operating budget authorization.

CAPITAL BUDGET

The Governor proposes in FY89 capital budget of \$70,089,300 in general funds, and \$265,235,400 in total funds.

DEBT SERVICE

In FY88, debt service included two elements: general obligation debt and school debt retirements; a statutory program in which the State funds a portion of the debt retirement costs municipalities incur for school construction. The 1987 session appropriated \$109,472,700 to provide 80% of the eligible school debt retirement. For FY89, the governor proposes \$102,368,100 which is included in the Department of Education's operating budget.

Although general obligation debt service requirements are on the downward trend, inclusion of the Lease Payments would maintain this debt at the FY88 funding level.

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

	<u>FY87</u> <u>Actual</u>	<u>FY88</u> <u>Auth</u>	<u>FY89</u> <u>Gov</u>
General Obligation	\$154.9	\$148.0	\$135.6
Lease Payments: (1)			
ASHA Bond Indebtedness			6.5
Seward Skill Center			.8
Spring Creek Facility			4.0
City of Palmer-Court			.4
School Debt Retirement	<u>115.8</u>	<u>109.5</u>	<u>102.4</u>
Total	\$270.7	\$257.5	\$249.7

Note: 1) Lease payments used to be in operating budget, now debt service to satisfy bond rating agency requirements.

Personal Services (Operating Budget)

In 1987, the Governor proposed a 10% reduction in the personal services budgets in anticipation of negotiated savings from the state employee collective bargaining units. The legislature passed the budget with the lower salary levels, but included language in Section 22 of the general appropriation bill authorizing reinstatement of up to 7.5% of the funding if the negotiations did not yield savings.

Lower salary levels have not been achieved and the Governor has announced that he will introduce a supplemental request to provide full funding in FY88.

Restoration of the full 10% salary reductions is included in the FY88 Authorized totals. The general fund increase for all of the agencies is approximately \$48.9 million, which includes \$8.6 million for the University of Alaska. Although the University's personal services reduction was not part of the "10% exercise" in the Governor's revised budget, the legislature included intent language in the budget which stated that University's funding should be equally restored.

The FY89 budget is based on full funding of salaries and anticipated benefits cost.

LOAN PROGRAMS

In FY89, compared to FY88 Authorized, the general fund portion of the student loan program has been increased by 13% or \$2,000,000. The remainder of the loan program will be financed via issuing bonds. This represents an increase of approximately 15% in the loan demand. Thus far, the demand trend has been downward. This could partially be attributed to legislation passed last year eliminating the forgiveness and interest grace period in addition to requiring a co-signer.

General Fund support of \$12,921,000 has been requested for Fisheries Enhancement, Housing Assistance, and Alaska Clean Water Act to cover some of the demand for such loans. On the other hand, \$9,981,700, from other loan program repayments, is being appropriated into the General Fund.

FY 88/89 BALANCE SHEET
(In Millions of Dollars)

	SEPT 30%	SEPT MEAN	SEPT 70%	NOTES
FY87 CARRY FORWARD	19.7	19.7	19.7	Source: Annual Financial Report
FY88 Revenues	1,934.0	2,115.4	2,199.7	DOR \$\$/BBL: \$16.18, \$17.36, \$18.12(US Gulf)
FY88 Settlements	159.8	159.8	159.8	Dinkum Sands Escrow Account: DOR estimate
FY88 Adjustments	155.3	155.3	155.3	Source: Legislative Finance Division
FY88 AVAILABLE	2,249.1	2,430.5	2,514.8	
FY88 Expenditures				
Operating	1,656.9	1,656.9	1,656.9	Source: Legislative Finance Division
Debt Service	257.4	257.4	257.4	Source: Legislative Finance Division
Capital	98.3	98.3	98.3	Source: OMB
Loans	22.6	22.6	22.6	Source: Legislative Finance Division
Sec. 22 Pers. Services	36.9	36.9	36.9	Source: OMB
Supplementals	56.6	56.6	56.6	Source: OMB
GF Program Receipts	46.3	46.3	46.3	Source: OMB
FY88 EXPENDITURES	2,175.0	2,175.0	2,175.0	
FY88 CARRY FORWARD	74.1	255.5	339.8	
FY89 Revenues	1,784.6	2,026.8	2,187.6	DOR \$\$/BBL: \$14.69, \$16.32, \$17.66(US Gulf)
FY89 Adjustments	52.1	52.1	52.1	Source: OMB
FY89 AVAILABLE	1,910.8	2,334.4	2,579.5	
FY89 Expenditures				
	<u>Governor's December 15, 1987 Budget</u>			
Operating	1,831.6	1,831.6	1,831.6	
GF PROG. RCPTS (NON-ADD)	52.1	52.1	52.1	
Debt Service				
-G.O.	135.5	135.5	135.5	
-School Debt	102.4	102.4	102.4	
-Lease Payments	11.7	11.7	11.7	
Loans	20.6	20.6	20.6	
Capital	70.1	70.1	70.1	
FY89 EXPENDITURES	2,171.9	2,171.9	2,171.9	
FY89 CARRY FORWARD	-261.1	162.5	407.6	

FY89 GOVERNOR'S BUDGET
GF & GF Program Receipts Comparisons
(In Millions of Dollars)

	FY88 CC	FY88 AUTH	FY89 GOV	% FY88 CC	% FY88 AUTH
Operating	1,692.8	1,752.0	1,831.6	8.2%	4.5%
Capital	88.5	98.3	70.1	-20.8%	-28.7%
Loans	22.6	22.6	20.6	-8.8%	-8.8%
Debt Service	257.4	257.4	249.7	-3.0%	-3.0%
TOTAL	2,061.3	2,130.3	2,172.0	5.4%	2.0%

Note: FY89 debt service includes General Obligation, School Debt, and Lease payments.

FY89 GOVERNOR'S OPERATING BUDGET SUMMARY
GF & GF Program Receipts
(In Thousands of Dollars)

	FY87 ACTUALS	FY88 AUTH	FY89 GOV	FY88 AUTH TO FY89 GOV \$	%
Operating Budget	1,721,460.8	1,751,892.9	1,831,620.5	79,727.6	4.6%
Less: Formula	-846,903.3	-836,073.9	-864,143.9	-28,070.0	3.4%
Agency Operation	874,557.5	915,819.0	967,476.6	51,657.6	5.6%
Formula Programs	46,943.2	50,600.0	52,971.0	2,371.0	4.7%
Longevity Bonus	.0	.0	726.2	726.2	
Administration-other	2,265.1	10,961.2	10,786.2	-175.0	-1.6%
Shared Taxes	386,518.2	407,742.4	411,913.0	4,170.6	1.0%
Foundation	115,845.0	109,472.7	102,368.1	-7,104.6	-6.5%
School Debt Ret.	68,495.4	40,160.4	42,636.7	2,476.3	6.2%
Education-other	89,836.0	96,577.1	115,259.7	18,682.6	19.3%
Health & Social Services	13,787.5	15,000.0	21,344.1	6,344.1	42.3%
Power Cost Equalization	4,674.3	4,415.7	4,900.0	484.3	11.0%
Fisheries Tax Rcpts.	859.4	702.4	780.9	78.5	11.2%
Nat'l Guard Ret.	688.7	396.7	396.7	.0	.0%
Military-other	3,087.2	3,087.5	3,003.5	-84.0	-2.7%
Sr. Citizen Tax Relief	47,845.4	40,773.4	40,773.4	.0	.0%
Municipal Rev. Sharing	65,749.1	56,084.4	56,084.4	.0	.0%
Municipal Assistance	308.8	100.0	200.0	100.0	100.0%
Other C&RA Programs					
TOTAL	846,903.3	836,073.9	864,143.9	28,070.0	3.4%

OPERATING BUDGET SUMMARY
GF & GF Program Receipts
(In Thousands of Dollars)

	FY87 ACTUALS	FY88 CC	FY89 AUTH	FY89 GOV
Office of the Governor	13,600.7	14,402.1	16,092.1	17,235.4
Administration	152,124.8	151,129.7	154,681.1	153,042.2
Law	22,391.2	23,336.1	26,369.5	32,803.7
Revenue	22,478.0	22,235.8	23,443.9	23,733.1
Education (1)	487,856.0	469,934.0	476,927.9	485,045.9
Health & Social Services (2)	224,303.5	230,318.2	237,302.2	260,423.2
Labor	12,421.3	9,116.9	9,938.2	9,840.6
Commerce & Econ. Dev.	46,809.2	50,110.5	51,160.3	59,748.2
Military & Vet. Affairs	5,574.6	10,758.9	10,959.7	11,206.6
Natural Resources	40,290.4	39,072.3	42,880.3	47,985.4
Fish & Game	41,491.4	38,677.7	41,512.4	44,529.4
Public Safety	70,035.3	64,453.2	68,454.2	73,324.0
Transp./Public Facilities	147,225.8	147,399.0	155,327.9	160,419.1
Environmental Conservation	10,199.5	11,193.5	12,186.7	15,277.4
Community & Reg. Affairs	139,370.1	129,805.4	124,275.4	124,824.1
Corrections	77,061.1	77,820.8	83,112.3	93,594.6
University	143,522.0	137,801.7	146,152.0	148,151.7
Court System	35,950.8	37,861.2	39,806.6	40,257.6
Legislature	28,755.1	27,408.3	31,310.2	30,178.3
TOTAL	1,721,460.8	1,692,835.3	1,751,892.9	1,831,620.5

Note: 1. Does not include School Debt Retirement.

2. In addition to GF & GF Prog. Rcpts, FY89 Gov includes \$27,557.7 in GF/Mental Health Trust.

OPERATING BUDGET SUMMARY
 CF Program Receipts
 (In Thousands of Dollars)

	FY87 ACTUALS	FY88 CC	FY88 AUTH	FY89 GOV
Office of the Governor	11.8	4,358.5	4,501.8	4,786.0
Administration	5,482.8	11.3	11.3	304.8
Law				
Revenue	9,881.7	1,054.1	1,067.1	1,257.7
Education	1,332.2	1,717.4	1,717.4	1,654.0
Health & Social Services	3,751.2	4,558.2	4,587.4	5,064.9
Labor	382.8	821.0	821.0	587.2
Commerce & Econ. Dev.	11,603.1	15,280.2	15,414.5	17,655.8
Military & Vet. Affairs	27.4	29.7	29.7	29.7
Natural Resources	471.2	3,240.0	3,474.9	4,681.3
Fish & Game	597.1	2,808.7	2,809.0	4,514.1
Public Safety	862.4	1,514.7	1,527.1	1,179.2
Transp./Public Facilities	2,867.4	7,371.3	7,560.9	7,596.2
Environmental Conservation	69.3	95.0	95.0	95.0
Community & Reg. Affairs		3.0	3.0	14.0
Corrections	233.8	2,596.5	2,596.5	2,638.5
University				
Court System				
Legislature				
		51.0	71.0	71.0
TOTAL	37,574.2	45,510.6	46,287.6	52,129.4

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 are: Commissions and Special Offices, Executive Office, Governor's Residence, Contingency Fund, Lieutenant Governor, Office of Management and Budget, and Elections.

SUMMARY ANALYSIS

The Governor's proposed FY89 spending level of \$17,235,400 general funds and \$19,416,000 total funds respectively represents a 7.1% and 6.1% increase over the FY88 Authorized budget. The FY89 proposal generally represents a maintenance level budget with selective increases and the normally higher election year budget for the Elections operations components.

Consistent with other agency budgets the FY88 authorized budget includes restoration of the 10 percent reduction in personal services reflected in the FY88 Conference Committee Report for each budget component and Section 22 of the general appropriation act. Adjustments for increased benefit costs are reflected in the Request/Governor's personal services recommendations.

MAJOR ISSUES

Program Changes

A continuation budget for the Alaska Women's Commission is proposed. The statutory existence of the Commission depends on enactment of "sunset" legislation to extend the June 30, 1988 termination date for concluding its affairs.

Three new positions are proposed for the Office of International Travel financed by transfer of \$171,300 within the existing budget from contractual to personal services. An additional \$80,000 is proposed for increased costs of operating foreign offices.

An existing position is transferred within the Office of Budget and Management from the Audit and Management Division to the Policy Division.

An increment of \$1,411,700 including 30 additional temporary positions, is proposed to support 1988 primary and general election activities. In addition, the FY88 budget includes \$250,600 for start-up costs of the elections.

Funding Sources

The budget is substantially supported from the general fund (89%). Federal Funds are received by the Human Rights Commission from Federal Housing and Urban Development

Department and the Division of Governmental Coordination from the U.S. Office of Coastal Zone Management.

The Alaska Women's Commission also receives Federal Older Americans Act funds transferred as inter-agency receipts from the Department of Administration, Older Alaskans Commission.

Non-general fund support is maintained at current levels. No new funding sources are proposed and the Governor's Office budget does not include any General Fund/Program Receipts authority.

ORGANIZATIONAL CHANGES

Office of Management and Budget

An internal transfer of one position from Audit and Management to Policy Division's proposed. An existing data processing position will be split between Budget Review and Elections.

POSITION ANALYSIS

Staffing changes are proposed:

- three new positions in the Office of International Trade financed within existing funds,
- one position transferred from Audit and Management to Policy Division,
- thirty additional temporary positions for the 1988 primary and general elections.

DEPARTMENT OF ADMINISTRATION

SUMMARY ANALYSIS

The Department of Administration provides two major functions in the Executive Branch: it provides general administrative services for all state departments (personnel, finance, office space, retirement, etc.) and it serves as the oversight agency for a variety of other programs and activities: Pioneer Benefits, Public Broadcasting, Public Defender, and Public Advocacy.

The FY89 Governor's budget request for the department reflects a decrease of 1.4 percent overall (1.1% general fund) from the FY88 authorized level.

This nominal decrease resulted from the transfer of the \$6.5 million Alaska State Housing Authority bond indebtedness payment and \$842,300 for the Seward Skill Center lease/purchase to the Department of Revenue. The Archives function of the Division of General Services and Supply has been transferred to the Department of Education (\$521,500). This request essentially provides for a continuation of programs at the FY88 levels. The two formula funded programs, Longevity Bonus and Elected Public Officials Retirement System (EPORS) are fully funded, with increases of \$1,771,000 and \$726,200, respectively.

MAJOR ISSUES

Program Changes

The Juneau Pioneers Home, a 54 bed facility funded for part of FY88, is scheduled to open in May of 1988. A request for proposals to operate the facility under contract, in accordance with legislative intent, is in progress. \$2,213,800 has been requested for full year operation in FY89.

Funding Sources

There is little actual change in the funding sources of the department. The \$4.8 million shown in FY89 as "GF/program receipts" is essentially the consolidation of FY88 "care and treatment" receipts from the Pioneer Homes and "User Fees" from the Retirement and Benefits SBS program.

POSITION ANALYSIS

Two new positions have been requested this year. A Pioneer Home Manager will oversee the contractor's operation at the Juneau Pioneer Home to insure that state quality of care standards are met. The Administrative Services Division has asked for an accounting technician to handle the billings for an interoffice long distance telephone system as a cost saving measure.

DEPARTMENT OF LAW

This Department provides services in three major areas: consumer protection, prosecution, 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 ensure that 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 and 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 several billion dollars.

SUMMARY ANALYSIS

The Governor's recommended FY89 level of \$40,163,500 in total funds represents a 22.1% or \$7,269,100 increase from FY88 authorized. The general fund portion when compared to FY88 authorized is increased by 24.4% or \$6,434,200.

MAJOR ISSUES

Program Changes

Oil and Gas Litigation is funded at \$15,474,000 up \$5,990,200 or 63.2% from the FY88 level. The increased appropriation is to meet deadlines for hearings, to gather information, and for expert witnesses.

Oil and Gas Special Projects is increased by \$478,500 to \$1,969,800. The increase is to provide additional in-house staff to help handle major oil and gas revenue matters that will be litigated during FY89.

Legal Services is funded at \$12,134,100 for FY89, an increase of \$1,131,700. Legal Services Operation's increase of \$849,500 is to overcome attorney caseload problems in the areas of Children in Need of Aid, Wage Claims, Safety Code Violations, Resources and protection of the environment. An additional increase of \$282,200 is to fund the new Debt Collection Unit which will collect fines, penalties, debts and damages due the state.

For FY89 the Governor has basically proposed a continuation budget for Consumer Protection and Prosecution.

Funding Sources

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

POSITION ANALYSIS

Staffing changes are as follows:

- Addition of 14 positions in the Legal Services Components.
- Addition of 7 position in the Oil and Gas Components.

Governor did not support budget increments for Consumer Protection and Prosecution Components.

DEPARTMENT OF REVENUE

SUMMARY ANALYSIS

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: Royalty and Gas advisory Board, Medical Facilities Authorities, Permanent Fund Corporation, Mental Health Fund Advisory, and the Public School Advisory Board. Additional responsibilities of the 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 \$54,708,300. Of this amount, \$23,733,100 is from the general fund. The general fund portion of the Governor's request represents an increase of \$289,200 or 1.2% increase over FY88 Authorized. However, the FY89 Governor's general fund request includes \$1,257,000 in GF/Program Receipts, \$880,900 for 10% restoration of salary reduction in FY88, and \$314,200 for oil and gas litigation which was included in the front section of the FY88 budget. Excluding the aforementioned items, the FY89 general fund proposal for the Department, as compared to FY88 Conference Committee, shows a slight increase of \$99,300 or .5%.

MAJOR ISSUES

Major Changes

In comparison to FY88 Authorized, an overall personal services increase of \$1,271,100 is made;

Shared Taxes is decreased by \$175,000 in Fisheries tax based on the Department of Revenue' September 1987 Forecast;

A non-general fund increase of \$1,190,300 in Treasury for common stock management fees;

A non-general fund increase of \$1,788,500 in Alaska Housing Finance for Corporation for the purpose of adding 15 new positions to handle increased foreclosures;

A non-general fund decrease of \$1,000,000 in Child Support Enforcement due to completion of the Western Interstate Clearinghouse project;

A non-general fund increase of \$1,992,300 in Permanent Fund Corporation: \$1,671,500 in common stock management fees, \$130,900 for three additional accounting and clerical staff, \$100,000 for Alaska Housing Marketing Council, \$73,400 in travel expenses for Board of Trustees and staff, and \$16,500 for other items.

Funding Source Changes

A number of program receipts have been converted into GF/Program Receipts. This increases FY89 general fund by \$1,257,000.

ORGANIZATIONAL CHANGES

The Department has consolidated all PFD positions into one BRU called Permanent Fund Dividend. Additionally, Divisions of Public Services and Enforcement have been deleted and their general fund positions are transferred to the Division of Audit-Excise Tax and the Commissioner's Office

POSITION ANALYSIS

According to the FY89 Governor's proposed budget, 22 full-time new positions are being requested. Alaska Housing Finance Corporation, Permanent Fund Corporation, and the Division of Audit-Petroleum are requesting 15, 3, and 4 new positions, respectively. Furthermore, the Department had requested 2 additional positions for the Division of Audit-excise Tax which were not approved by the Governor.

DEPARTMENT OF EDUCATION

SUMMARY ANALYSIS

The Department of Education is responsible for funding and regulating the State's K-12 schools. In addition, the Department administers Debt Retirement Reimbursement to school districts for school construction, the grant program for school construction in the REAA's, Adult Basic and Vocational Education grant program, the Alaska Vocational and the Kotzebue Technical Vocational schools, Mt. Edgecumbe Boarding School, the Alaska State Museums and Libraries, the Alaska Council on the Arts, 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 Governor's proposed budget for FY89 is \$684,988,300 total funds which is a 2.5% increase over FY88. Of this amount, \$587,414,000 is from the general fund. The general fund portion of the Governor's request represents an increase of .2% over FY88. Federal funds in the proposed budget have increased 2.2% or \$12,091,300.

MAJOR ISSUES

Program Changes

School Debt Retirement - is included in the FY89 operating budget request as a new BRU. The proposed funding at 90% proration of the entitlement is a \$7,104,600 reduction in general funds.

Education Program Support - Supplemental Programs proposed increase in federal authorization of \$8,925,000 for the anticipated carryforward of grants.

Alaska State Council on the Arts - transfer of \$100,000 from the Department of Commerce and Economic Development for the Alaska Repertory Theater.

Alaska State Library - proposed general fund increment of \$167,100 to meet federal maintenance of effort requirements, funding for a regional librarian, and public library grants program. The proposed budget also includes transferring \$521,500 and 8 full-time and 2 part-time positions from the Department of Administration for the Archives program.

Alaska Postsecondary Commission - increases corporation receipts \$504,400 to cover 10 positions and associated costs for increased repayment and prelitigation activities. The proposed budget also includes \$356,500 general funds for the cost of first and second year students in the WAMI Medical Program.

Student Loan Corporation - includes \$778,200 in corporation receipts to cover professional services necessary in conjunction with issuing revenue bonds.

Formula Programs

Foundation Program - the governor recommends full funding for an increase of \$5,603,500.

Student Lunch Program - proposes an increase in federal funds of \$2,623,000.

Tuition Students - recommends full funding for general fund increase of \$720,000.

Youth in Detention - includes \$115,000 general funds for educational programs for the expanded Juneau detention facility and start-up for the new Bethel detention facility.

Schools for the Handicapped - increases general funds \$190,000 for the Special Education Service Agency.

Pupil Transportation - recommends a general fund increase of \$1,428,800 to fund at 90% proration.

Funding Source Changes

A number of program receipts funding sources are converted into General Fund/Program Receipts in the FY89 budget.

POSITION ANALYSIS

The FY89 budget includes a request for 14 full-time positions and 2 part-time. District Support will receive 1 full-time position, Correspondence Study will gain 2 full-time and 2 part-time positions, 1 position was approved under Library Operations, and 10 positions under Student Loan Administration.

AGENCY REQUEST NOT SUPPORTED BY GOVERNOR

The Governor did not include the following increments/decrements in his FY89 proposed budget:

K-12 Support - \$2,521,900 to fully fund Pupil Transportation;

School Debt Reimbursement - \$4,269,500 to fully fund school construction debt;

Education, Finance and Support Services - \$28,000 for funding for an existing position;

Education Program Support - \$3,713,400 to fully fund Community Schools, \$421,100 for Children Services, \$90,800 for assessment, \$53,500 for Pacific Rim resources, \$51,500 for a new position, and a decrement of \$175,600 for Future Problem Solving;

Adult and Vocational Education - \$276,000 for Adult Basic Education Grants, \$120,000 for Adult and Vocational Education Administration, (the Governor added \$60,000 under Federal Vocational Education Grants), \$25,000 for AKCIS program maintenance, and a decrement of \$131,000 for the Ft. Yukon Vocational Center grant;

Executive Administration - \$113,600 for Children Services and \$27,500 for clerical support;

Boards and Commissions - \$300,000 in grants for the State Arts Council and \$74,000 for positions;

Alaska Vocational Technical Center - \$150,500 for 2 instructors and increases in risk management premiums;

Mt. Edgecumbe - \$81,500 for 2 positions, \$60,000 in equipment and \$53,000 in student travel;

Vocational Rehabilitation - \$300,000 for increases in medical costs, \$200,000 for increased services to the chronic mentally ill, \$100,000 for increased services to Traumatic Brain injured clients, \$75,000 for Rehabilitation Engineering, and \$20,000 for counselor travel;

Alaska State Library - \$150,000 for library materials, \$143,800 for interlibrary cooperative grants, \$60,000 for Health Sciences library, \$50,000 for Interlibrary Loan reimbursement, \$47,900 for a Reference Librarian, and \$35,000 for the Blue Book;

Alaska State Museums - \$55,900 to fund the Conservator position, \$30,000 for maintenance for Sheldon Jackson Museum, \$160,000 for a Statewide Heritage Arts Program, and a decrement of \$279,500 for specific cultural programs;

Postsecondary Commission - \$260,000 for start-up costs for the University of Alaska 1st year medical training.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

The Department of Health and Social Services provides direct services in the area 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 \$260,423,200 general fund is a 9.7% increase from FY88 Authorized. The total fund budget request of \$410,979,100 is a 13.0% increase from FY88 Authorized. The higher percentage increase in total funds is mainly the result of federal fund increases in the medical assistance program reflecting accounting changes due to the new Medicaid Management Information System.

The areas of increase in the budget are in the formula programs \$18,788,500, health benefits \$1,379,200, support for new facilities \$1,198,200, and increase staffing at Alaska Psychiatric Institute \$667,500. Grant programs for nonprofit agencies were continued at the FY88 Authorized level and funding increases for existing department programs were minimal.

MAJOR ISSUES

Facilities

Funding and positions are requested to expand the youth detention program in Bethel, \$1,002,500 and 16 positions. The center was scheduled to open in FY87, but funding was restricted as part of the revenue shortfall. In FY88 the legislature provided enough support to open the center for emergency 24-hour detention. The additional money and positions would provide the full range of youth detention services including a residential treatment program at the center.

Additional support is also requested: (1) \$152,000 to restore the residential treatment program at the Nome Youth Detention Center which is currently only providing day treatment services and (2) \$43,700 and 5 youth counselors to provide staff for the renovated detention wing at McLaughlin Youth Center in Anchorage for three months.

Formula Programs

Total general fund increase for the formula programs is \$18,788,500, which represents approximately a 10% increase over FY88 Authorized for all of the medical and public assistance programs. No new services or changes in the eligibility criteria are reflected in the increase. The funding increase in the public assistance program is due to caseload increases and cost of living adjustments. The

Medicaid program has the bulk of the increase, \$12,779,400. The program was unable to meet the target service rates which were used in the budget planning process, plus the program operating under the new payment schedule for the first full year in FY88. The department is preparing a supplemental request to cover current year shortfalls in funding for both public and medical assistance.

Funding Source Changes

The Governor's FY89 Request reflects funding source changes as a result of the consolidation of a number of receipt categories totaling \$5,064,900 into the GF/program receipt code consistent with changes made in other department budgets.

Mental Health Programs

Last year, the legislature passed the Mental Health Trust legislation as part of a lawsuit settlement concerning the mental health trust lands received from the federal government. In preparation of implementing the mental health fund identified in the legislation, the mental health programs are identified by a separate funding source code GF/Mental Health Trust in the FY89 budget. The programs currently being provided were transferred to this new funding source code as well as new programs being proposed. The funding source code is included with other general fund sources to the total general fund dollar amount being requested. The department requested \$2,100,000 in new funding for mental health of which the Governor supported \$969,100: \$667,500 for Alaska Psychiatric Institute staffing, \$130,000 Rural Village Staff Specialists and \$171,500 Rural Village Mental Health Projects.

ORGANIZATIONAL CHANGES

The department transferred the Yukon-Kuskokwim Health Corporation's programs from the individual statewide grants components into one budget request unit similar to the Maniilaq, Norton Sound, Kawerak and Tanana Chiefs Conference Budget Request Units.

The Vital statistics program moved to the Division of Public Health as part of the general reorganization of the old Division of Planning and Development whose other duties have been merged with the Division of Budget and Management.

Two components are new this year as a result of legislative action last year. The Alaska Aids Program, which was funded last year as a special appropriation is requested as an ongoing program in the Division of Public Health and the Alaska Mental Health Board which was funded with a fiscal note for the Mental

Health Trust legislation is included in the Administrative services Budget Request Unit.

Medical Assistance created three new components to improve accounting for the medical assistance payments. The Indian Health Services funding is transferred to a separate component because it is 100% federally funded and the funding increased to the anticipated level for FY89. The Medical Permanent Fund Dividend Hold Harmless funding is transferred into a separate component because of interest in that program. State Facilities is a new component to account for the amount of federal funding the state receives for eligible patients being served at Alaska Psychiatric Institute and Harborview. These federal funds are currently received directly by the institutions, but must now be accounted for the Division of Medical Assistance and transferred to the institutions as interagency receipts.

POSITIONS ANALYSIS

The Governor's budget approves 46 new positions, 21 of whom will be used to staff the youth detention facilities. Five full-time positions were approved to support the Alaska AIDS Project and eight temporary positions will be used a part of a federally funded AIDS project and a special diabetes project. Three eligibility technicians were approved to help with the caseload increase in assistance programs. The other increase to adjust positions account levels and support the program increase in mental health.

AGENCY REQUEST NOT SUPPORTED BY THE GOVERNOR

The Department requested funding for two new programs efforts which the Governor did not support: Runaway Services, \$524,000, and Prenatal Care, \$732,900. The Runaway Services would provide a central intake service for runaways in Anchorage and grant support to nonprofit programs offering counseling to children and parents as well as treatment services for drug and other abuse. The Prenatal Care program would fund contract mid-wife services for prenatal visits, pregnancy testing and the cost of delivery services.

Other Department requests not funded included increase funding to fill vacant social worker positions, and basic administrative support for existing programs.

DEPARTMENT OF LABOR

SUMMARY ANALYSIS

The Department of Labor is responsible for enforcing the State's labor laws, providing job placement through State Employment offices, paying unemployment claims, and reporting labor statistics on Alaska's worker population. The Department also administers the Alaska Worker's Compensation laws and the Fisherman's Fund.

The Governor's recommended FY89 budget of \$48,079,400 total funds represents a 1.0% reduction from FY88 Authorized. The reduction in total funds is due to deletion of excess authorization in general fund/program receipts, inter-agency receipts and the Disabled Fishermen's Fund totalling \$1,257,800. Without the deletion of excess funding authorization, the Department of Labor budget would have increased by 1.6%, total funds.

The recommended FY89 level for general funds of \$9,840,600 represents a 1.0% reduction from FY88 Authorized. The department did not request any general fund increments.

MAJOR ISSUES

Program Changes

The Management Services Component of Administrative Services is requesting an increment in inter-agency receipts of \$83,300 to fund a part-time Accounting technician I and to fund the transfer of the Internal Auditor position from the Commissioner's Office. The transfer of the Internal Auditor will allow the Department to use general funds for the Special Assistant II position in the Commissioner's Office.

General Fund Program/Program Receipts are reduced in the Employment Services Component for unrealized contract receipts.

Inter-agency Receipts decreased due to deletion of the Retirement Incentive Program and inter-agency authorization for U.I. Investigations.

The Disabled Fishermans' Fund is reduced to more accurately reflect demand for the program.

ORGANIZATIONAL CHANGES

BRU's/Components

The proposed budget includes transferring the following components to provide better coordination and continuity of effort within the Department:

The U.I. Investigations Component is transferred from Labor Standards and Safety and combined with the Unemployment Insurance Component of Employment Security to enhance investigation efforts in the Unemployment Insurance Division.

Occupational Medicine is transferred from the Office of the Commissioner to Labor Standards and Safety as well as Occupational Safety and Health to develop and enforce more efficient and effective workplace safety regulations.

POSITION ANALYSIS

The Department is requesting 2 new positions, one part-time and one full-time. Both positions were created in FY88 by Revised Program. The full-time position is for a Special Assistant II and the part-time position is for an Accounting Technician I.

The number of authorized full-time positions has increased from 592 in FY88 to 602. 11 positions were reclassified to full-time, 2 positions were deleted, and 1 was added by Revised Program. The number of part-time positions has decreased from 202 in FY88 to 185. 11 positions were reclassified to full-time, 7 positions were deleted, and 1 was added by Revised Program.

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

SUMMARY ANALYSIS

The Department of Commerce and Economic Development (DCED) has responsibilities in two major areas: Public Protection and Development. The Public protection role provides regulation of weights and measures, financial institutions, insurance, public utilities, and the licensing of various professions. The development function attempts to stimulate Alaska's economy with Divisions of Business Development, Business Loans, and Tourism. DCED also serves as oversight agency for the Alaska Power Authority, the Alaska Industrial Development Authority, and the Alaska Seafood Marketing Institute.

The FY89 budget request is \$8,430,000 higher than the FY88 authorized, a fourteen percent increase. \$7.86 million of this increase (93%) may be attributed to two programs: \$6,344,100 has been added to fully fund the Power Cost Equalization program. A \$1.5 million increase in Tourism reflects the industry contribution to the state's tourism promotion program. In previous years these funds did not pass through the state accounting system.

MAJOR ISSUES

Program Changes

The Division of Measurement Standards has restored funding to permit more complete coverage of weight stations during the construction season and to provide fish buyers' scale testing in Bristol Bay and Dutch Harbor.

In accordance with Chapter 74, SLA 87, the Real Estate Commission has been transferred to the Division of Occupational Licensing.

\$150,000 is requested by the Commissioner's Office to contract with the Institute of Social and Economic Research at the University of Alaska to assist with economic recovery programs.

The Division of Business Development, created last session by the Legislature, combines the various Economic Development Advocate Offices into a single unit. This organization is central to the Governor's economic recovery plans. He has requested nine new positions, two of which are federally funded to assist various sectors and regions with economic development programs. The request adds \$509,800 for FY89.

Funding Sources

The DCED FY89 request reflects substantial fund source changes as a result of the consolidation of a number of receipt categories totalling more than ten million dollars into the GF/program receipt source used in FY89. The largest change, however, the pass-through Fisheries Enhancement Tax Receipts, is now shown as general funds (\$4,900,000).

POSITION ANALYSIS

Five new positions (in addition to the above Business Development staffing) have been requested by the Alaska Power Authority. All are funded by capital project (C.I.P.) funds.

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

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

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 FY89 budget of \$18,185,400 in total funds is \$2,090,400 or a 13% increase over FY88 Authorized. Federal Receipts increased by \$1,743,500 while general funds increased \$246,900, or 2.3%.

MAJOR ISSUES

Program Changes

Disaster Planning and Control is increased by \$503,700 for FY89. The major increase in the amount of \$388,700 is for federal funds to train personnel in responses to hazardous materials accidents.

Additional federal funds in the amount of \$1,200,000 are provided in the Army Guard Facilities Maintenance Component for maintenance and repair of facilities throughout the state.

The proposed funding level for the National Guard Retirement Benefits is increased to \$780,900 in general funds from FY88 authorized level of \$702,400. The Department of Administration has revised the annual contribution required to fund the retirement program.

Funding Sources

The majority of the budget is funded from general funds. Federal receipts have increased from \$5,135,300 in FY88 to an estimated FY89 amount of \$6,878,800.

POSITION ANALYSIS

The Governor approved 2 new positions for FY89, a recording clerk and a construction engineer for Air Guard Facility Component.

DEPARTMENT OF NATURAL RESOURCES

The Department of Natural Resources manages the state's land, water, forest grasslands, oil, gas, energy and hard rock minerals, parks, agriculture and related resource development activities. The 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 Governor's proposed FY89 budget for the Department of Natural Resources is \$47,985,400 general funds, a 11.9% increase over FY88 Authorized. The total funds budget request of \$55,921,100 is a 3.1% increase over FY88 Authorized. The difference in percentage increase between general fund and total funds is due to the deletion of excess federal authorization and interagency receipts in the fire suppression program.

MAJOR ISSUES

Program Changes

The Governor is recommending a \$3,480,300 general fund increase for the fire suppression fund. The recommendation is based on a three year average of actual fund expenditures. The budget also deletes \$2,500,000 in federal receipt authorization, money which the state has not received in the past. The state and the federal government operate under an agreement which calls for each agency to fight fires on each other's land and bill the other for the cost. Most years these bills net against each other and no federal money is received. If federal money is received in the future, it will be deposited into the general fund. Although the changes in the fire suppression fund were not part of the agency's request, the department supports the changes. A supplemental appropriation request for the program is being prepared for FY88.

The budget provides for the department to receive and expend \$500,000 in GF/program receipts to process the right of way lease for the construction of a common carrier pipeline. Processing the application is required by statute and the state will receive reimbursement from the applicant. This increment is a continuation of the project which was begun in FY88 by revised program.

The Division of Parks is requesting \$628,400 in GF/program receipt authorization to support basic park maintenance services. Revenue will be provided by park fees authorized by the legislature last year.

The Citizens Advisory Commission on Federal Areas is to terminate on June 30, 1988 according to statute (Section 3, Chapter 81, SLA-1981) and funding is deleted for FY89.

Funding Source Changes

The Governor's FY89 Request reflects funding source changes as a result of the consolidation of a number of receipt categories totaling \$4,681,300 in the FY89 request.

ORGANIZATIONAL CHANGES

The Information Resource Management and Word Processing Component has been transferred to other components within the Management and Administration Budget Request Unit as part of the reorganization of that division this year. The Energy Resources program within Petroleum Management was merged with the Petroleum Management component also as a result of reorganization and changing project priorities.

The ANWR program within Geological Management was renamed the Energy Inventory Assessment program to more accurately reflect the projects which are being funded from that component.

POSITION ANALYSIS

The Governor approved three new full-time and two part-time positions. The two new accounting positions will be used in the Division of Parks to help implement the new fee program. A Natural Resources Manager was approved as a Special Project Coordinator to handle the non-routine projects which the Division of Oil and Gas performs. A Clerk Typist and a Storekeeper were approved as part of a general reorganization in the Division of Forest Management. Other position count adjustments reflect changes requested by the department and reclassifications as the department adjusts to its new level of funding after significant program decreases over the past two years.

AGENCY REQUEST NOT SUPPORTED BY THE GOVERNOR

The Department requested \$3,623,700 in general fund and general fund/program receipts increments. Of this request the Governor recommended support for \$1,220,700. The nonapproved requests would have funded the department's quick start program which was developed to increase the state's income from natural resources. Some of the increments not funded include: Tideland Development \$235,200, Timber Resource Development Southcentral \$259,700, and the establishment of a Coal Leasing Program \$89,000.

DEPARTMENT OF FISH AND GAME

SUMMARY ANALYSIS

The Department of Fish and Game (DFG) is charged with the management responsibility for Alaska's wildlife resources. DFG receives substantial public input for its programs through regional and statewide Boards of Fish and Boards of Game. Statutes also provide for the protection of habitat and for the development of information on the subsistence usage of fish and game resources. DFG also serves as the oversight agency for the Commercial Fisheries Entry Commission.

The FY89 request is \$3,068,000 higher than FY88 authorized levels. The general fund request is up \$3 million, a 7.3 percent increase. The statewide adjustment in health and variable benefits accounts for 25 percent of this amount.

MAJOR ISSUES

Program Changes

The Commercial Fisheries Division has requested an increase of \$1.4 million and twelve seasonal positions to restore and enhance management capabilities for groundfish, shellfish, herring, and salmon.

A no-cost transfer of the operation of four state hatcheries to private non-profit aquaculture associations represents a major change in the Fisheries Enhancement and Rehabilitation Division (FRED). Resources freed by these transfers are proposed to be used for full staffing of the remaining FRED hatcheries. The Governor has also added \$70,000 for mariculture.

Sport Fish Division anticipates an additional \$802,500 in dedicated (Dingell-Johnson) federal funds which will fund thirteen part-time positions to support the proposed projects to improve sportfish management and provide better public access to streams.

\$170,000 has been requested for game division to enhance moose management in the Southcentral, Fairbanks, Southern Seward Peninsula, and Taylor Highway areas.

The Boards of Fish and Game have provided a total of 24 meeting days for the Board of Fisheries and 22 meeting days for the Board of Game at an added cost of \$139,500.

Three new part-time positions are requested to allow the Commercial Fisheries Entry Commission (CFED) to establish a limited entry fishery for westward region herring. Costs for the program total \$133,500.

Funding Sources

The major fund source change also occurred in CFEC as the FY88 "licenses/permits/certificates" category has been included in the FY89 "GF/program receipts". This category now totals \$4.5 million, or 6 percent of the DFG budget.

POSITION ANALYSIS

The Governor has requested a total of 28 new part-time positions as indicated above.

DEPARTMENT OF PUBLIC SAFETY

The Department of Public Safety is charged with the responsibility of administering programs which protect life and property. Organizationally, the Department consists of the Commissioner's Office and following Divisions: Administrative Services, Fire Prevention, Fish and Wildlife Protection, Alaska State Troopers, and Motor Vehicles. Programs administered by the Department include: Highway Safety Planning Agency, Village Public Safety Officer Program, Alaska Police Standards Council, Violent Crimes Compensation Board, and the Council on Domestic Violence and Sexual Assault. Furthermore, the following major programs are found within the Administration budget request unit: Contract Jails, Training Academy, Civil Air Patrol, Crime Detection Laboratory and Information Systems.

SUMMARY ANALYSIS

The Governor proposes an FY89 total funding level of \$77,060,600 and a \$73,324,000 level for general funds. This represents an increase of 8.1% and 7.1% respectively, over the FY88 Authorized Budget. Compared to the FY88 Conference Committee levels, there is an increase of 14.6% in total funds and a 13.8% in general funds.

MAJOR ISSUES

Program Changes

Due to underfunding in the FY88 Authorized budget, the Department is required to seek an FY88 Supplemental Appropriation to cover projected funding shortfalls in various components. At the direction of the Governor's Office, the FY88 Supplemental appropriation (\$3,500,000) has been incorporated into the base level of the FY89 budget. Therefore, the \$3,500,000 increase over FY88 Authorized is not displayed as an increment in FY89. It is included in the FY89 Agency Request and Governor's Approved Budget. The narratives below indicate which programs benefited from the FY89 base allocation of \$3,500,000:

In the Aircraft Section, \$150,300 in funding will provide for increased flying hours and associated support costs.

With an additional \$335,000 in funding, the Marine Enforcement section will increase patrol days at sea for the vessels Woldstad and Vigilant.

A distribution of \$354,700 will enable the department to increase fire code enforcement efforts in the interior and rural western regions of the state.

To place an emphasis on providing fire safety training, \$135,700 will be utilized.

To sustain the current level of commissioned officers and associated support, \$1,479,100 in funds has been provided.

In the Village Public Safety Officer program; \$28,500 in funds will provide a minimum amount of administrative support to the program.

A \$275,000 funding increase to the Prisoner Transportation program will support the transportation of prisoners.

To operate and maintain existing Rural Trooper Housing, \$375,000 has been allocated to the program.

A funding increase of \$366,700 to the Laboratory Services program will provide vital forensic support to enforcement agencies.

The following items are major increments approved in the Governor's budget:

An increment of \$1,054,000 in Federal monies for the Narcotics Task Force Component will provide nine full-time positions for major narcotics investigations.

An increment of \$250,000 in general funds for the Contract Jails program will meet the demands to house prisoners of the state.

For the Civil Air Patrol, a general fund increment of \$168,000 will provide contractual funds for search and rescue operations.

ORGANIZATIONAL CHANGES

The FY89 budget reflects a reorganization of the Alaska State Troopers budget request unit. The reorganization consists of funding transfers in the following components: Detachment and C.I.B. <\$24,655,400>, Narcotics <\$1,819,500>, Central Communications <\$1,047,400>, Judicial Services <\$3,089,000>, Community Services <\$241,300>, Director's Office <\$82,300>, Detachments \$25,020,300, Criminal Investigation Bureau \$4,446,400 and Judicial Services - Anchorage \$1,468,200.

The Alaska State Trooper reorganization has resulted in the reopening of several closed posts; Ft. Yukon, St. Mary's and Sand Point. Additionally, the Mat-Su Valley area has been identified with a separate detachment and the post is headquartered in Palmer.

The Court Services Officer program has been implemented and is enabling the Department to release more costly "commissioned officers" for higher priority enforcement functions.

POSITION ANALYSIS

Comparing Governor proposed FY89 full-time positions with the FY88 Authorized positions indicates an overall net increase of 27 full-time positions. However, four of these full-time positions were reclassified part-time positions. Therefore, the comparison of the Governor proposed FY89 part-time positions and the FY88 Authorized reflects a decrease of 4 positions.

The increase in 23 full-time positions does not accurately reflect new positions. Of these 23 positions, 21 were previously scheduled for deletion in the FY88 Authorized budget and were re-established by a Revised Program. Therefore, only 2 positions are actually newly created positions.

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

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

For FY89 the Governor has basically proposed a continuation budget for the Department of Transportation and Public Facilities. The FY89 budget of \$280,253,200 in total funds represents an increase of \$9,025,500 or 3.3% over FY88 authorized. The general fund portion when compared to FY88 authorized is increased by \$5,091,200. Included in FY89 budget increase is a Health and Benefit adjustment of about \$5,000,000.

MAJOR ISSUES

Program Changes

Maintenance and Operations Components were increased by \$747,500 for FY89 for new and/or expand highways and aviation facilities.

In addition, Maintenance and Operations Components were increased by \$2,060,000 for equipment cost due to a substantial rate increase by State Equipment Fleet.

The Governor has proposed increments for Anchorage International Airport in the amount of \$859,200. The increase is for additional field and building maintenance, custodial and security.

Statewide Research is increased by \$228,600 for additional Capital Improvement Project Receipts.

Funding Sources

The budget is closed 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 budget.

POSITION ANALYSIS

Overall 12 full-time positions were added and 1 part-time position was deleted leaving 2792 full-time and 1011 part-time positions.

Overall, the Governor supported the agency's proposed budget increments except for Management and Finance's request to increase accounting staff to alleviate problems in procedures and accounting control.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

The primary responsibility of the Department is to protect the public health and the natural environment of the State. The Department fulfills this responsibility through the promulgation and enforcement of regulations, and the coordination and development policies related to the environment and health concerns of the State. To execute its responsibilities the Department has developed programs in the areas of: management of hazardous wastes and industrial pollutants; development of unproved technology for placer mines; review of water and sewer systems; inspection of restaurants and other public facilities; regulation of the seafood industry; and construction and management of water and sewer facilities across the state.

SUMMARY ANALYSIS

The Governor proposes an FY89 total funding level of \$22,031,300 and a \$15,277,400 level for general funds. This represents an increase of 29.7% and 25.4% respectively, over the FY88 Authorized Budget. Compared to the FY88 Conference Committee levels, there is an increase of 38.9% in total funds and a 36.5% in general funds. For the total funding level in FY89, the 29.7% increase represents a dollar amount of \$5,050,100. Of this amount, \$1,793,200 is an increase in Federal receipts.

MAJOR ISSUES

Program Changes

An increment of \$314,400 in general funds will provide 5 new full-time positions and meet the associated costs for the regulation of placer mining in a more "project-site" specific manner.

A general fund increment of \$464,300 in the Environmental Sanitation Component will fund 7 new full-time positions, purchase four vehicles and meet other applicable costs. This increment has been requested to increase protection of those using public facilities such as schools, day care centers, and restaurants.

An increase of \$278,700 in general funds will support 6 new full-time positions to monitor air quality and establish an Air Quality Assurance Program.

An increment of \$828,900 in general funds will provide assistance to programs associated with responding to oil spills, and preventing or reducing the potential for oil spills. Additionally, the increment will establish a cleanup capability for hazardous substances. The funding will provide for 15 full-time positions and associated supporting costs.

To improve the enforcement of laws associated with hazardous and solid waste disposal, a general fund increment of \$365,200 is proposed to fund 6 full-time positions.

To improve chemical analysis capability, a \$240,000 increment of general funds is proposed to increase the lab staff by 5 full-time positions.

Federal funds have been increased in most components within the Department's budget, primarily in the drinking water and pollution programs (approximately \$1,500,000).

ORGANIZATIONAL CHANGES

The proposed budget includes an internal transfer within the Environmental Health budget request unit: the Statewide Pesticide program from the "EH Director" component to the Palmer Laboratory Component (\$119,000).

POSITION ANALYSIS

Comparing the Governor Approved FY89 positions with the FY88 Authorized positions indicates there is an overall net increase of 68 full-time positions and 3 part-time positions.

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

SUMMARY ANALYSIS

The Department of Community and Regional Affairs is responsible for providing a broad range of services to local governments and unincorporated communities in the form of grants and direct technical assistance. The Department administers the following grant programs: 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 also administers the Housing Assistance Loan Program, the Job Training Partnership Act, and the Municipal Land Trustee Program required by the Alaska Native Claims Settlement Act.

The Governor's proposed budget for FY89 is \$147,332,600 total funds, representing a .1% decrease from FY88 Authorized. The reduction in total funds is due to the decrease in federal funds and inter-agency receipts. The Governor's general fund request is \$124,824,100 and includes \$128,800 for the health benefit shortfall and deletes \$191,000 for one-time items. The general fund portion of the Governor's request represents a .4% increase from FY88 Authorized.

MAJOR ISSUES

Program Changes

The proposed budget provides an additional \$300,000 general funds for Dislocated Workers for job training.

An additional \$100,000 general funds is proposed in Child Care to include two positions and associated costs to administer child care programs.

The proposed budget includes a \$200,000 general fund organizational grant to the Aleutians East Borough for its second year operations. The first year grant of \$300,000 will be included as a supplemental request for FY88.

Proposed funding for the Rural Development Grants (RDG) component and the RDG position and funding from the Local Government Support component is transferred to the Block Grants CIP component.

A reduction in federal funding results in a decrement in the Energy Conservation Program of \$675,000. Further federal reductions will effect the Job Training Partnership Act (JTPA), with a decrement in the Dislocated Worker program of \$210,000.

The JTPA Training and Energy Field Office component will have a decrease in inter-agency receipts of \$378,200.

The Governor's Training component within JTPA is expected to receive additional federal funds, \$492,600, of which 78% will be allocated to service delivery areas in grants with a portion of those funds (22%) allocated to cover shortfalls in personal services, travel and contractual.

Two positions are transferred from the Local Government Support component to Administrative Services to establish a centralized grants administration section.

Formula Programs

The Department's formula funded programs, Homeowners' Property Tax Exemption; Renters' Equivalency Rebate; State Revenue Sharing; and Municipal Assistance are maintained at the FY88 level.

Funding Source Changes

Program Receipts from the Publications/Other Services funding source in FY88 are converted to General Fund/Program Receipts in FY89.

ORGANIZATIONAL CHANGES

The proposed budget includes transferring the Designated Grants component from the Community Assistance BRU to Administration and Support.

The Grants Administration component in FY88 is renamed Local Government Support in FY89.

POSITION ANALYSIS

Staffing changes are highlighted as follows:

- 3 positions within the Job Training Partnership Act are reclassified from part-time to full-time with additional Dislocated Worker funds;
- 2 new positions established by Revised Program in FY88 are requested under the Dislocated Worker Program to administer additional JTPA funds;
- 2 new positions are requested within the Child Care component to enhance delivery of Child Care services;
- 1 new position established by Revised Program in FY88 is requested under the JTPA Governor's Training Component to administer Dislocated Worker programs with emphasis on rural Alaska;
- 1 new position is requested under the Housing Loan Administration component for accounting and collections.

AGENCY REQUEST NOT SUPPORTED BY GOVERNOR

Rural Economic Development Initiative (REDI). This increment would fund three positions and associated costs, (\$279,800). An additional increment for equipment was also unfunded, (\$36,000).

Revolving Loan Fund for Community Based Businesses. To provide a source of capital for small projects requiring pay back, (\$100,000).

Financial Outreach Services to Encourage Recovery (FOSTER). This program was presented in a series of increments; Technical Assistance (146,900), Program Outreach, including funding for 5 positions (\$515,000), Data Processing (\$139,000), and Community Profile (\$120,000).

Energy Conservation Administrative Funds. This increment would provide contractual funding for a study to determine the role of energy conservation in economic development in rural Alaska. Funds would also be used to administer Exxon settlement funds and provide travel funds (\$130,000).

Regional Field Delivery Staff. This increment would add 1 position, fund an existing position and associated costs, and cover a shortfall in personal services funds due to a decrease in JTPA funds (\$199,000).

DEPARTMENT OF CORRECTIONS

In fiscal year 1989, the Department will operate 12 institutional centers for adult incarceration and 3 regional probational offices. As part of its rehabilitation efforts, the Department manages; educational and sex offender programs, alcohol counseling, medical services, half-way homes, and a restitution center.

SUMMARY ANALYSIS

The Governor proposes an FY89 total funding level of \$96,180,800 and a \$93,594,600 level for general funds. This level represents an increase of 13.1% and 12.6% respectively, over the FY88 Authorized Budget. Compared to the FY88 Conference Committee levels, there is an increase of 20.6% in total funds and a 20.2% in general funds.

MAJOR ISSUES

Program Changes

Under a contract with the State of Minnesota, housing is being provided for 35 medium-to-maximum security inmates. This contract is due to expire at the end of FY88. These inmates are scheduled to be housed at the new Spring Creek Correctional Center.

As a result of the "Cleary" lawsuit, the Department is required to return to Alaska approximately 200 inmates that are housed by the Federal Bureau of Prisons. These prisoners should be transferred to the Spring Creek facility by June 15, 1988.

The contractual funding (\$2,128,000) for the inmates held in Minnesota and federal prisons has been transferred to the Spring Creek Correctional Center Component.

A general fund increment of \$7,874,600 will provide monies for the "phase in" of prisoners for the Spring Creek facility. When fully operational, the facility will be maintained by a staff of approximately 230 employees. The increment of \$7,874,600 will support 84 new full-time positions and other support costs. The City of Seward has a lease/purchase agreement with the State relative to the Spring Creek facility. The lease expense for FY89 will be approximately \$4,018,800 and will be reported as bond indebtedness by the Department of Revenue.

A series of increments provide for increased security at various facilities:

For the Fairbanks Correctional Center, an increment of \$200,000 in general funds provides 4 new full-time positions in the new industrial shop building.

A general fund increment of \$246,400 for the Anvil Mountain Correctional Center will support 4 full-time positions. The additional personnel is associated with the center's expanded bed capacity.

The Yukon-Kuskokwim Correctional Center has a general fund increment of \$193,400 to provide 3 full-time positions.

A general fund increment of \$136,700 in the Northern Region Probation component provides a new full-time position in both Bethel and Barrow. Additionally, the funding allows for 1 full-time position in Kotzebue as clerical support.

In the Mat-Su Correctional Center, a \$150,900 general fund increment allows for 3 new full-time positions to support the "intake" and "main" sections of the facility.

A general fund increment of \$125,400 for the Wildwood Correctional Center provides for 3 new full-time security personnel.

In the Anchorage Annex Correctional Component, a general fund increment of \$326,900 is provided for a required lease payment to the Municipality of Anchorage.

Facilities

The Goose Bay Correctional Center was closed to inmates in FY87 and is intended to be used as a training center for Departmental staff in FY89.

The Spring Creek Correctional Center should open by May 1988 and be fully operational by the end of FY89. When fully operational, 412 beds will be open for use and will require staff of approximately 230 employees.

POSITION ANALYSIS

Comparing the Governor proposed FY89 positions with the FY88 Authorized positions indicates an overall increase of 109 full-time and 2 part-time positions -- 84 of the full-time positions are designated for Spring Creek facility. Another portion of the new positions include 5 full-time and 1 part-time position for medical care. The positions are to be paid from existing contractual monies in the Major Medical component. These positions will provide medical care in the institutions in lieu of contracted services.

Three positions were deleted in the Goose Bay Correction Center component consistent with its termination as a facility to house prisoners.

UNIVERSITY OF ALASKA

The University of Alaska underwent an extensive organization restructuring during the past year. The University now has regional university centers in Anchorage, Fairbanks and Juneau. The university centers have responsibilities for the colleges and extension centers located throughout the state. The Prince William Sound (Valdez) Community College is the only community college and will remain a separately accredited unit.

SUMMARY ANALYSIS

The Governor's proposed FY89 budget for University of Alaska is \$148,151,700 general fund which is a 1.4% increase over the FY88 Authorized. The major funding increases are for health benefits \$1,524,900, new facilities and utilities \$799,800 and support for the University of Alaska Anchorage Library \$300,000. The percent of general fund increase is low because of the deletion of the one-time contingency funding of \$600,000 which was included in last years budget to minimize the impact of the restructuring.

MAJOR ISSUES

Program Changes

Funding for the vocational/technical programs have been transferred from the individual components. The nongeneral fund authorization and most of the positions have been transferred to the campuses which had the authorization in the FY87 budget. The general fund amount has been transferred to one component in the UA Anchorage Budget Request Unit. Increments of interagency receipts authority were approved for the various campuses in the amount of the general fund monies. The university's plan is to keep the general fund monies in one component to ensure that the monies are used for vocational technical activities and to facilitate reallocation of program monies in future years starting in FY90. The interagency receipt authorization is to help the individual campuses plan for the level of vocational/technical programs which the campuses will offer in FY89.

Facilities

The Governor's budget provides support to open one floor of the Butovich Building in Fairbanks, \$125,000 for statewide administration and the Homer facility which is part of the Kenai Peninsula College, \$33,000.

ORGANIZATIONAL CHANGES

The university budget submission contains numerous transfers and component changes to relate the restructuring changes. Anchorage College and the Community College Statewide Support are combined

with the UA Anchorage budget. UA Anchorage created a new organized research component with transfers from UA Anchorage of the Health Sciences Research program, the Institute of Social and Economic Research and Justice Research programs plus funding from the Arctic Environmental Information Data Center component.

The individual components of the fisheries program are combined into a new component called Fisheries and Ocean Science. The Rural College is composed of transfers from the Chukchi (Kotzebue) College, Kuskokwim (Bethel) College and Northwest (Nome) College, the College of Human and Rural Development from UA Fairbanks, plus the existing rural education program except the Adak Center which transferred to UA Anchorage to consolidate in Anchorage the delivery of the military programs. The Tanana Valley College (Fairbanks) funding was transferred to UA Fairbanks.

Statewide Programs and Services also had budget structure changes. The GNOSIS (library circulation and retrieval system) became part of the Statewide Network program and the ACCFT Contract monies were transferred to Statewide Administration.

POSITION ANALYSIS

Although the Governor approved three positions for the Anchorage library, three positions for the Center for International Business, and a custodian position for the new Homer facility; the overall position count declined from FY88 Authorized. Many of the reductions made in last years budget were miscellaneous reductions. As the individual campuses documented the reductions the positions associated with the funding were deleted.

AGENCY REQUEST NOT SUPPORTED BY THE GOVERNOR

The University requested a 9.7% increase in funding. The major increment not included in the Governor's request is the \$4,000,000 for market pay adjustment to make university's salaries more competitive. The university requested funding increase in several areas including library services, research, public safety and mission enhancement.

ALASKA COURT SYSTEM

SUMMARY ANALYSIS

For the proposed FY89 budget the Governor has returned to the practice of forwarding the Judicial branch budget to the Legislature as it is requested by the Alaska Court System. This is in contrast to FY86-88, years in which the Governor recommended less than was requested by the judiciary through lump sum reductions.

The Alaska Court System request of \$40,257,600 (all general fund) is a 1.1 percent increase over FY88 authorized which includes restoration of personal service reductions, consistent with executive branch agencies.

The Court System budget is presented in three components -- Appellate Courts, Trial Courts, and Administration and Support. The Commission on Judicial Conduct and Judicial Council are each budgeted separately.

The requested budget largely provides continuation but does include increases for workload and improvements.

MAJOR ISSUES

Program Changes

Appellate Courts

Funds are transferred from Appellate Courts to Trial Courts to adjust for prior year personal services imbalances and benefit cost adjustments.

Trial Courts

Funds of \$25,000 are transferred to other agencies for interpreters and translators in criminal case: Department of Administration/Public Defender (\$10,000) and Department of Law/Prosecution (\$15,000).

An increment of \$122,700 for two new positions and upgrade of three existing half-time positions to full-time is requested for increased court workload in Craig, Anchorage, Galena, Nenana, and Healy.

Funding of a \$56,300 increment is requested to purchase equipment for new courtroom facilities in Palmer and Craig; and rent increase for the Nome court facility.

Funds amounting to \$25,400 are requested to implement SLA 87, Chapter 69, Rights of Disabled Persons, to allow deaf persons to serve as jurors by providing interpreters and purchasing TTY telephone equipment.

A decrement of \$50,300 is included for a reduction in the Palmer Trial Courts rental costs arising from the lease arrangement with the City of Palmer for the new court facility.

Administration and Support

The Administrative Office is requesting \$85,100 for two new positions (\$38,300) and equipment (\$46,800) for the Micrographics Section to continue the case file microfilming project.

Funding Sources

The Court System is entirely supported from the general fund.

POSITION ANALYSIS

The requested budget adds a total of four new positions and upgrades three part-time positions to full-time.

COMMISSION ON JUDICIAL CONDUCT

The Commission is established under the Alaska Constitutions to investigate complaints of alleged misconduct by Alaska judges and justices.

The Governor's FY89 budget continues the Commission at the FY88 level of \$78,400, supported entirely from the general fund.

JUDICIAL COUNCIL

The Council is constitutionally established to nominate candidates to the Governor to fill Supreme Court and Superior Court judicial vacancies, to conduct studies, and make recommendations to the Supreme Court and Legislature for improvements in the administration of justice. The Council is also mandated by statute to nominate candidates for Appeals and District Court and Public Defender vacancies; and to evaluate each judge or justice running for retention.

The proposed FY89 budget is a continuation of the FY88 level, including restoration of the 10 percent personal services reduction and health and benefits adjustment. The Council is entirely general fund supported.

ALASKA STATE LEGISLATURE

SUMMARY ANALYSIS

The Legislative budget is presented in four segments: Budget and Audit Committee, Legislative Council (Legislative Affairs Agency), Leadership, and Ombudsman.

The Budget and Audit Committee budget request unit includes the Audit Division, Finance Division, Finance Committees, and Legislative Budget and Audit Committee expenses. The budget requests are prepared by the Legislative Auditor and Legislative Fiscal Analyst for their respective statutory areas of responsibility for audit, fiscal analysis; and administrative and other committee support.

The Legislative Council budget is prepared by the Executive Director for operations of the Legislative Affairs agency; and the Ombudsman prepares the Office of the Ombudsman budget.

The Governor's proposed FY89 budget includes the amounts requested by the legislative agencies amounting to \$30,356,100, a 3.3% reduction from current FY88 authorizations.

Legislative Budget and Audit

The requested budgets of Audit, Finance, and Committee Expenses are continuation levels including restoration of the 10 percent salary reduction and adjustment for increased benefit and other non-salary costs.

Legislative Council

The Legislative Affairs Agency prepares a tentative budget request which is subsequently revised by the Legislative Council after convening of the Legislature -- detailed information will be presented at that time.

The tentative budget continues the FY88 levels including personal services restorations and adjustments for non-salary cost increases.

Leadership

The tentative request maintains FY88 authorizations.

Ombudsman

The Ombudsman proposed budget maintains the FY88 operating level, including personal services restoration and adjustments; and requests two new positions for workload.

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