

Revenue

Forecast

1/17/97

HFIN

FILE

Presentation to
Senate Finance Committee -
January 16, 1997
House Finance Committee -
January 17, 1997

Department of Revenue

Revenue Forecast

DIT 10

TABLE 3.

GENERAL FUND UNRESTRICTED REVENUE

This table presents the General Fund Unrestricted Revenue forecast in a new structure which conforms to the account structure of the State accounting system (AKSAS). The table includes all the program receipts reflected in AKSAS. This is a change in accounting for program receipts in our forecast of General Fund Unrestricted Revenue.

	1996*	1997	1998	1999
TAXES				
<u>Property Tax - Oil and Gas (1)</u>	55.9	50.9	48.4	45.8
<u>Sales/Use Tax</u>				
Alcoholic Beverage	12.0	12.0	12.0	12.0
Tobacco Products	14.2	14.3	14.5	14.6
Insurance Premium	28.2	28.2	28.2	28.2
Electric and Telephone Cooperative (2)	2.5	2.3	2.3	2.3
Motor Fuel Tax-Aviation (3)	8.2	8.2	8.2	8.2
Motor Fuel Tax-Highway	21.0	20.5	21.3	22.2
Motor Fuel Tax-Marine	<u>8.5</u>	<u>8.6</u>	<u>8.6</u>	<u>8.6</u>
Total	94.6	94.1	95.1	96.1
<u>Income Tax</u>				
Corporation General	53.3	50.1	50.1	50.1
Corporation Petroleum	<u>173.7</u>	<u>220.0</u>	<u>165.0</u>	<u>160.0</u>
Total	227.0	270.1	215.1	210.1
<u>Severance Tax</u>				
Oil and Gas Production	771.7	906.8	708.8	653.3
Oil and Gas Conservation	1.8	1.8	1.7	1.6
Oil and Gas Hazardous Release (4)	<u>13.7</u>	<u>13.2</u>	<u>12.9</u>	<u>12.1</u>
Total	787.2	921.8	723.4	667.0
<u>Other Natural Resource Tax</u>				
Salmon and Seafood Marketing (5)	8.6	7.3	7.2	3.7
Salmon Enhancement (6)	5.2	5.0	5.0	5.0
Fisheries Business (7)	38.2	37.3	37.0	37.0
Fishery Resource Landing (8)	7.1	7.1	7.1	7.1
Mine and Mining	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
Total	59.6	57.2	56.8	53.3
<u>Other Tax</u>				
Estate	1.7	1.4	1.4	1.4
Charitable Gaming	<u>1.9</u>	<u>2.1</u>	<u>2.2</u>	<u>2.3</u>
Total	3.6	3.5	3.6	3.7
TOTAL TAXES	1227.9	1397.7	1142.4	1076.0

(1) Amounts represent the State's share of the total oil and gas property taxes collected. Estimated total property taxes and the municipalities' share are as follows (millions \$): FY 1996: \$301.6 and \$248.3; FY 1997: \$289.8 and \$228.9; FY 1998: \$275 and \$226.6; FY 1999: \$259.1 and \$213.3. Note that these tax revenues are not reflected as shared taxes in Table 4 because the State never receives the municipal portion of this tax.

(2) 100 percent of the tax is subject to sharing with qualified municipalities (AS 10.25.570). See Table 4.

	1996*	1997	1998	1999
LICENSES AND PERMITS				
<u>Motor Vehicle</u>	29.9	29.9	29.9	29.9
<u>Other (9)</u>	31.1	31.1	31.1	31.1
TOTAL LICENSES AND PERMITS	61.0	61.0	61.0	61.0
INTERGOVERNMENTAL RECEIPTS	1.0	1.0	1.0	1.0
CHARGES FOR SERVICES				
<u>Marine Highways (10)</u>	38.5	40.3	40.9	41.7
<u>Airport</u>	0.1	0.1	0.1	0.1
<u>Other (11)</u>	36.8	36.8	36.8	36.8
TOTAL CHARGES FOR SERVICES	75.4	77.2	77.8	78.6
FINES AND FORFEITURES	9.3	9.3	9.3	9.3
RENTS AND RESOURCES				
<u>Oil and Gas Bonuses (12)(13)</u>	2.1	0.3	0.0	0.0
<u>Oil and Gas Royalties (12)</u>	645.8	760.0	633.6	593.7
<u>Timber Sales</u>	1.5	1.5	1.5	1.5
<u>Coal Rent and Royalties (12)</u>	1.2	1.6	2.6	3.6
<u>Other Resource Revenues</u>	11.5	11.5	11.5	11.5
TOTAL RENTS AND ROYALTIES	662.1	774.9	649.2	610.3
INVESTMENT EARNINGS	64.0	55.0	40.0	40.0
OTHER MISCELLANEOUS	33.8	33.8	33.8	33.8
TOTAL GENERAL FUND UNRESTRICTED REVENUE (14)	2134.5	2409.9	2014.5	1910.0

*PRELIMINARY ACTUAL

- (3) 60 percent of taxes attributable to aviation fuel sales at municipality owned or operated airports are subject to sharing with qualified municipalities (AS 43.40.010). See Table 4.
- (4) Reflects enactment of the modified conservation surcharge on oil (AS 43.55.300-310).
- (5) Provides annual funding, based on collections, for the Alaska Seafood Marketing Institute (AS 16.51.120 and AS 43.76.120). The salmon marketing tax sunsets on June 30, 1998. See Table 4.
- (6) Provides annual funding, based on collections, for qualified regional aquaculture associations (AS 43.76.025). See Table 4.
- (7) 50 percent is subject to sharing with qualified municipalities (AS 43.75.130). See Table 4.
- (8) 50 percent is subject to sharing with qualified municipalities (AS 43.77.060). Since taxpayers have contested the constitutionality of the tax, the shared portion (\$2.8 million collected for FY 1996) is currently escrowed by the municipalities. See Table 4.
- (9) Includes amounts of amusement and gaming licenses (AS 43.35.050) and liquor licenses (AS 04.11.610) shared to qualified municipalities. See Table 4.
- (10) The gross revenue of the State ferry system is deposited in the Alaska Marine Highway Fund (AS 19.65.06) and may then be appropriated for system operating and capital expenditures.
- (11) Most fees charged by various agencies are program receipts. Includes miscellaneous receipts for services, park fees, and land-disposal fees.
- (12) Net of Permanent Fund and Public School Fund contributions.
- (13) The State is planning another Cook Inlet Sale (85A) in December 1996. The next North Slope areawide lease sale is in June 1998. Other future sales include a re-offer of Cook Inlet leases and Beaufort Sea Sales—Sale 86 in September 1997 and Sale 85A in February 1998. 50 percent of the bonuses are deposited into the Permanent Fund.
- (14) This includes all revenues that are collected by the State and are not restricted in their use. Federal and other grants are restricted revenues which are excluded from this table.

TABLE 4.

NET DISPOSABLE GENERAL FUND UNRESTRICTED REVENUE

Each year the Governor's Office of Management and Budget and the Legislature must make three adjustments to the Department of Revenue's projected General Fund Unrestricted Revenue to derive Net Disposable General Fund Unrestricted Revenue. First, the amount of the tax and license revenues collected by the State that are passed through to municipalities must be deducted. Second, certain pass through and earmarked General Fund revenue items that the Legislature treats as "RESTRICTED" must also be deducted. Third, certain miscellaneous other revenue must be added. Table 4 reflects Net Disposable General Fund Unrestricted Revenue.

	1996*	1997	1998	1999
UNRESTRICTED TO RESTRICTED				
Tax Shared With Municipal Government (1)				
Electric and Telephone Cooperative	(2.5)	(2.3)	(2.3)	(2.3)
Fuel Tax-Aviation	(0.2)	(0.2)	(0.2)	(0.2)
Fisheries Business	(19.7)	(18.7)	(18.5)	(18.5)
Fishery Resource Landing	(3.0)	(3.0)	(3.0)	(3.0)
Liquor Licenses and Coin-Operated Device	(0.9)	(0.9)	(0.9)	(0.9)
Total	(26.3)	(25.1)	(24.9)	(24.9)
Pass Throughs (2)				
Salmon and Seafood Marketing	(8.6)	(7.3)	(7.2)	(3.7)
Salmon Enhancement	(5.2)	(5.0)	(5.0)	(5.0)
Total	(13.8)	(12.3)	(12.2)	(8.7)
Earmarked (3)				
Marine Highways	(38.5)	(40.3)	(40.9)	(41.7)
TOTAL UNRESTRICTED TO RESTRICTED	(78.6)	(77.7)	(78.0)	(75.3)
RESTRICTED TO UNRESTRICTED (4)				
Deposit Excess Loan Funds	0.9	0.6	0.4	0.3
Trans-Alaska Pipeline Liability Fund	4.8	20.0	0.0	0.0
AHFC Payment	70.0	50.0	50.0	50.0
AIDEA Payment	15.0	15.0	16.0	15.0
Mitigation Receipts and Storage Tank Registration Fees	1.7	1.8	5.4	7.5
Executive Life Transfers	79.2	0.0	0.0	0.0
TOTAL RESTRICTED TO UNRESTRICTED	171.6	87.4	71.8	72.8
NET ADJUSTMENTS TO GENERAL FUND UNRESTRICTED REVENUE				
	93.0	9.7	(6.2)	(2.5)
UNRESTRICTED GENERAL FUND REVENUE AS REFLECTED IN TABLE 3				
	2134.5	2409.9	2014.5	1910.0
NET DISPOSABLE GENERAL FUND UNRESTRICTED REVENUE				
	2227.5	2419.6	2008.3	1907.5

*PRELIMINARY ACTUAL

- (1) These taxes and fees are collected by the State and, some or all of the taxes or fees are paid to municipalities.
- (2) These fisheries-related items are General Fund Revenue (Article IX, Section 7 of the Alaska Constitution). Nevertheless, these amounts have always been appropriated for certain fisheries development and marketing purposes. For budget planning, these are treated as restricted revenues.
- (3) Ferry system revenue is general revenue (Article IX, Section 7 of the Alaska Constitution). For budget planning, this revenue is treated as restricted revenue.
- (4) These "RESTRICTED" items in AKSAS are treated as unrestricted revenues for budgeting.

ReveNEWS

A Summary of Monthly Events Influencing Alaska's Oil Revenues



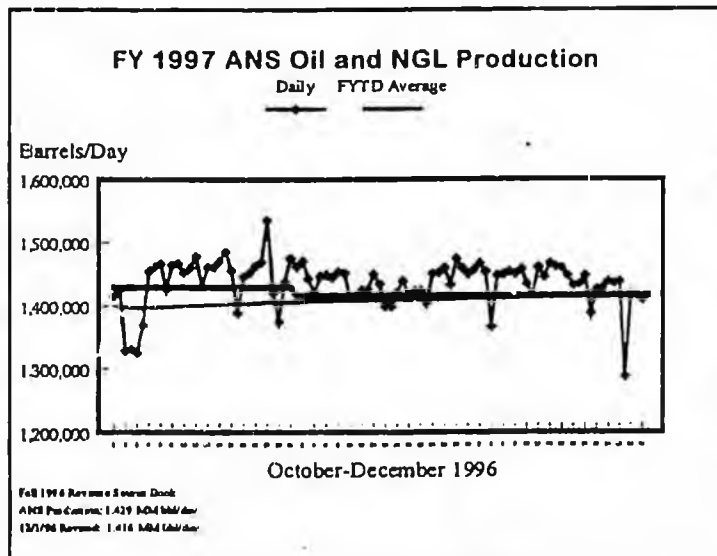
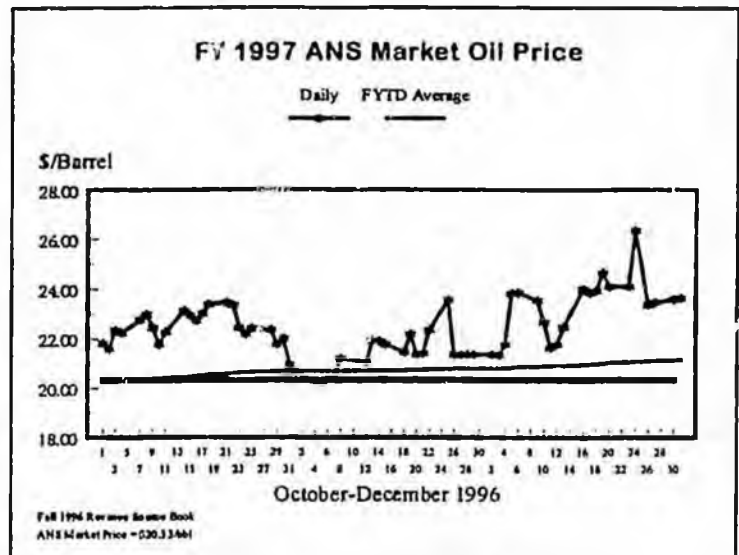
Alaska Department of Revenue Oil and Gas Audit Division

January 1, 1997 Volume XII, Number 1

ANS MARKET OIL PRICES continue at five-year highs, averaging over \$21/bbl for the past three months: \$22.60/bbl in October, \$21.50 in November, and \$23.41/bbl in December. Our fall forecast for FY 1997 ANS market price was \$20.33/bbl. Cumulative fiscal year-to-date ANS market price is \$21.14/bbl.

Mid-December spot prices dipped with news of renewed Iraq oil exports. However, given the continued low crude inventories during the peak demand season, and OPEC's decision to maintain its production at slightly over 25 million bbl/day, prices have remained firm.

Our December market forecast (using five months of actual prices, July through December, and ANS futures-adjusted prices for the remainder of the fiscal year) projects a year-end ANS market price of \$21.63/bbl—\$1.30/bbl above our fall forecast.



ANS PRODUCTION remained relatively stable over the past three months: 1,439, 1,437, and 1,434 million bbl/day in October, November, and December, respectively. Cumulative average year-to-date ANS production is 1,414 million bbl/day.

On December 27, Prudhoe Bay output dropped by almost 150,000 barrels due to unscheduled maintenance. This contributed to the 3,000 bbl/day decrease from November's average monthly production. Cold temperatures continue contributing to more efficient gas handling and increased North Slope output.

Our December market forecast projects year-end ANS output of 1.413 million bbl/day, a slight decrease from that estimated in our revised 12/1/96 (ReveNEWS) production forecast.

GENERAL FUND UNRESTRICTED REVENUE of \$2,410 million and Net Disposable General Fund Unrestricted Revenue of \$2,420 million was projected for FY 1997 this past fall. Our current market forecast for General Fund revenue is \$2,521 million and for Net Disposable revenue, \$2,531 million, a \$111 million surplus in revenue over our Fall 1996 forecast.

The revenue-sensitivity matrix shows the effects that different price and production assumptions have on State revenues. We update this matrix monthly.

December Sensitivity Matrix
FY 1997 General Fund Unrestricted Revenue
(\$Billion)

Annual Average	ANS Production					
ANS Market Price (\$/bbl)	(million bbl/day)					
	1.300	1.350	1.400	1.413	1.450	1.500
\$19.00	2.143	2.192	2.241	2.253	2.289	2.338
\$20.00	2.231	2.286	2.341	2.355	2.396	2.451
\$21.00	2.319	2.381	2.442	2.458	2.503	2.565
\$21.63	2.375	2.440	2.506	2.521	2.571	2.636
\$22.00	2.408	2.475	2.543	2.560	2.610	2.678
\$23.00	2.496	2.570	2.644	2.662	2.717	2.791

TONY KNOWLES, Governor

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FY 1997 Executive Petroleum Revenue Update

As of December 31, 1996

	ANS Market Price \$/barrel		ANS Liquid Production Million barrels/day		General Fund Revenue Unrestricted \$Million		Net Disposable \$Million	
	current	+ / (-)	current	+ / (-)	current	+ / (-)	current	+ / (-)
	projection	revision	projection	revision	projection	revision	projection	revision
Fall 1997 Forecast	20.33		1.429		2,410		2,420	
12/1/96 ReveNEWS	20.97	.64	1,416	(.013)	2,470	60	2,480	60
1/1/97 ReveNEWS	21.63	.66	1,413	(.003)	2,521	51	2,531	51
Cumulative REVISION from Fall 1997 Forecast		<u>1.30</u>		<u>(.016)</u>		<u>111</u>		<u>111</u>

PETROLEUM REVENUE (royalty and severance tax) fiscal year-to-date collections are \$697 million. (Oil revenues are collected the month following actual prices and production.) Our December market update projects an additional \$1,097 million in oil revenues will be collected this fiscal year. Our current FY 1997 estimate for total petroleum royalty and severance tax collections is \$1,793 million which is \$111 million above our Fall 1996 estimate of \$1,682 million.

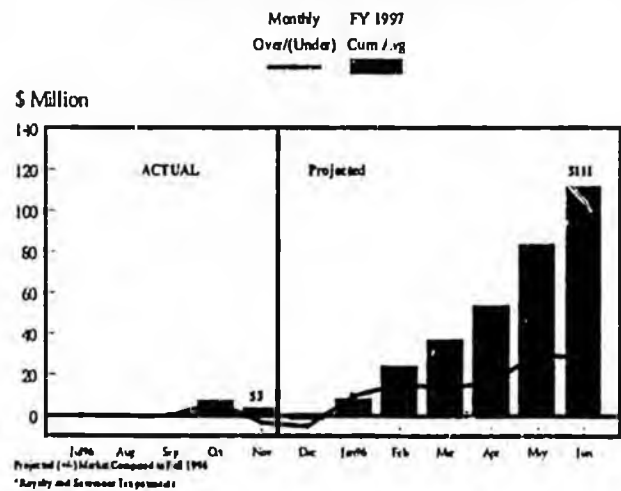
An overview of petroleum and non-petroleum revenues follows:

EXECUTIVE UPDATE: FY 1997

Actual Petroleum Revenue Collections	\$ 696 million
Projected Market-Forecast Oil Collections	\$1,097 million
Total Petroleum Collections	\$1,793 million
Projected Other Revenue Collections	\$ 728 million

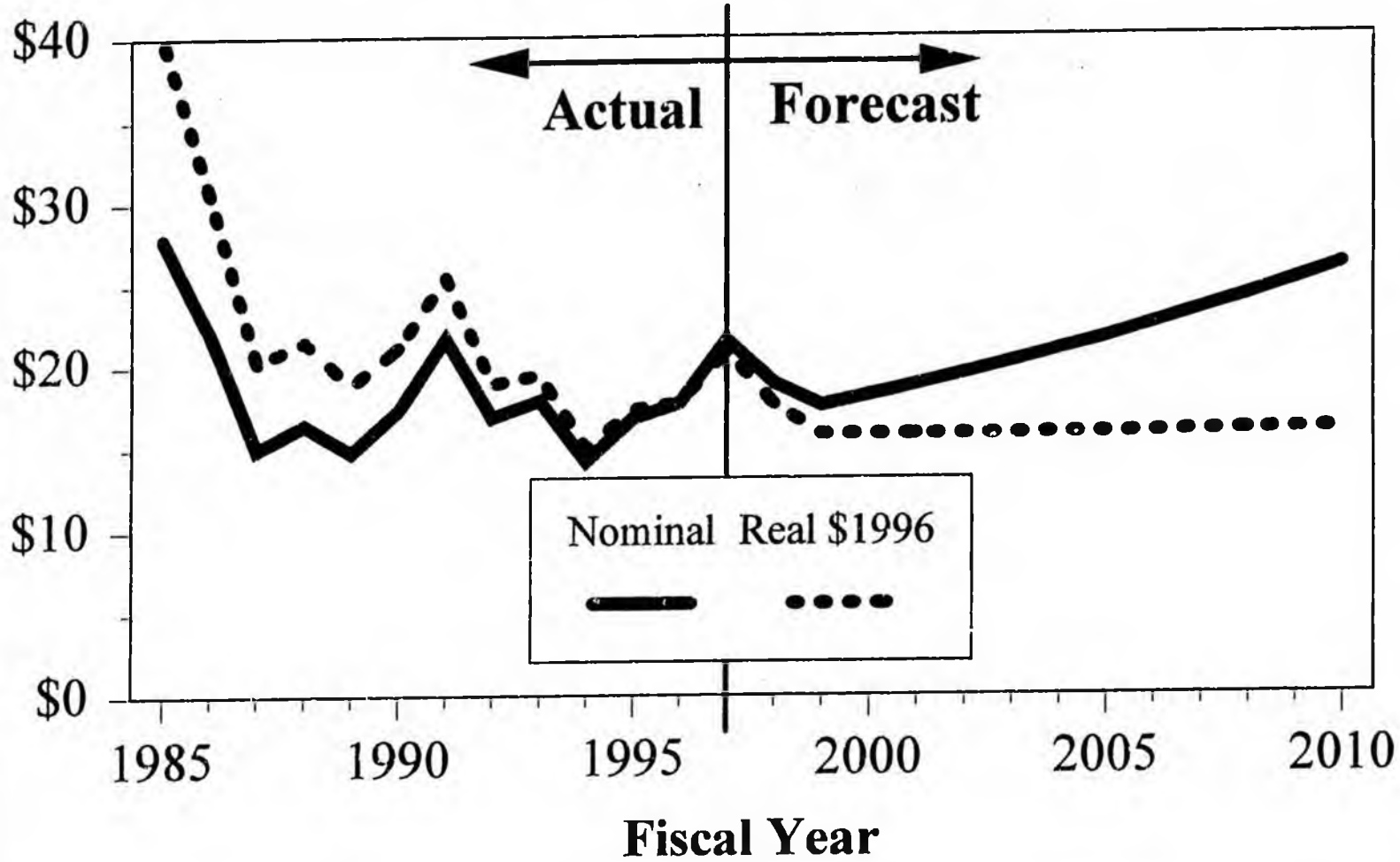
Updated General Fund Unrestricted Revenues	\$2,521 million
Updated Net Disposable Unrestricted GF Revenues	\$2,531 million

**FY 1997 Petroleum Revenue Collections
Market Compared to Fall 1996 Forecast**



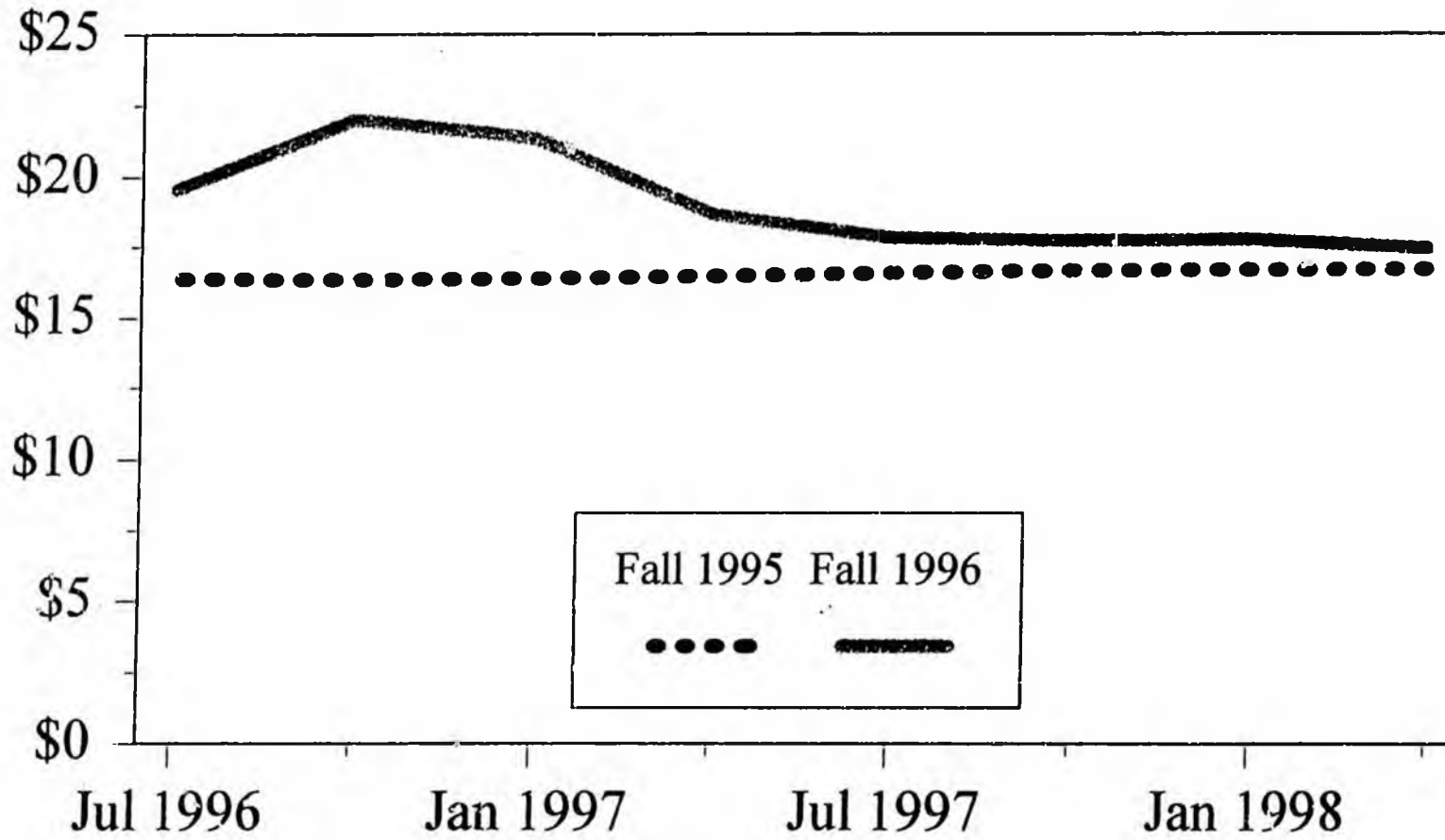
ANS Prices

\$/bbl



ANS Prices

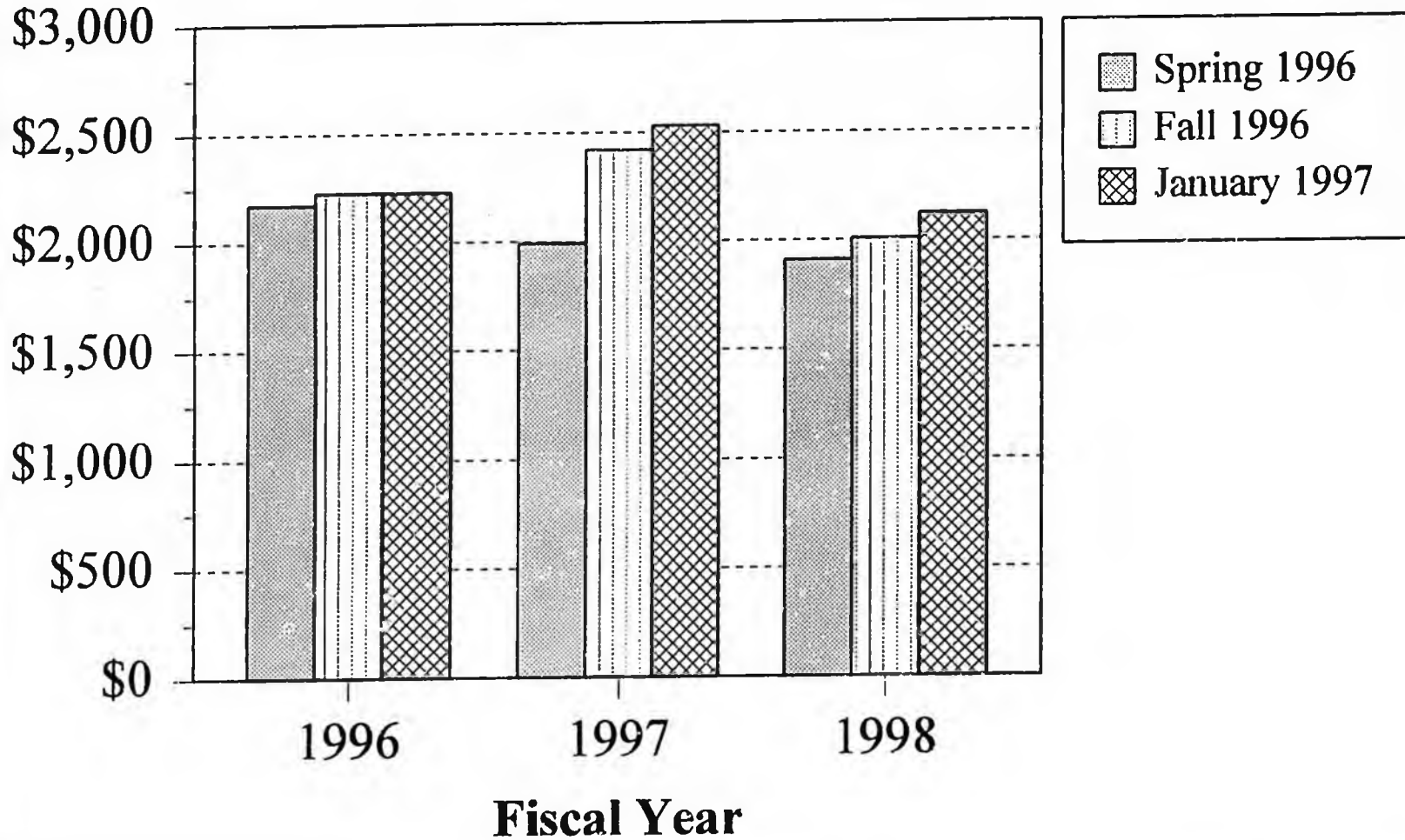
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Fiscal Year

Revenues

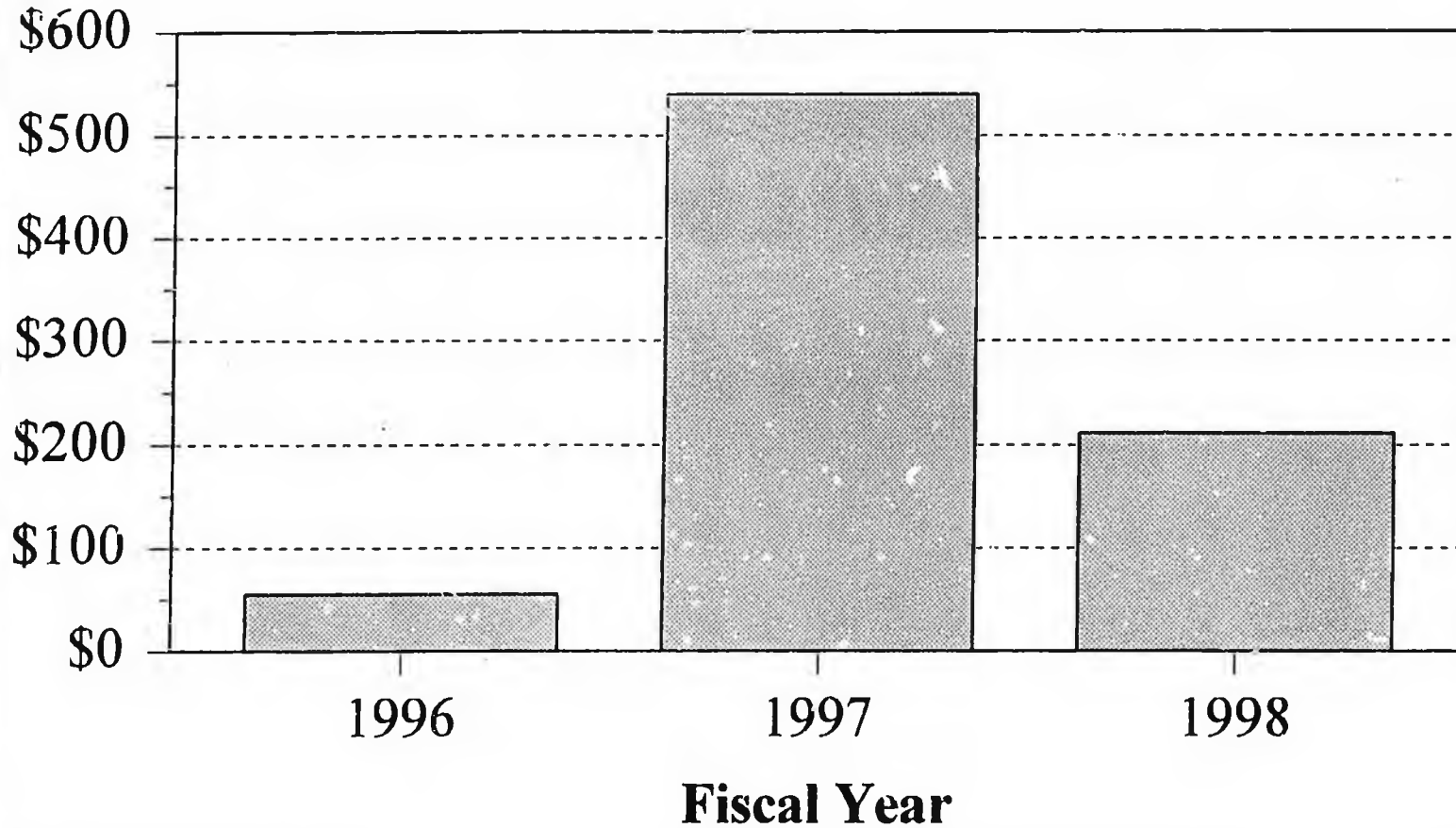
\$ million



Additional Revenue due to Price Bubble

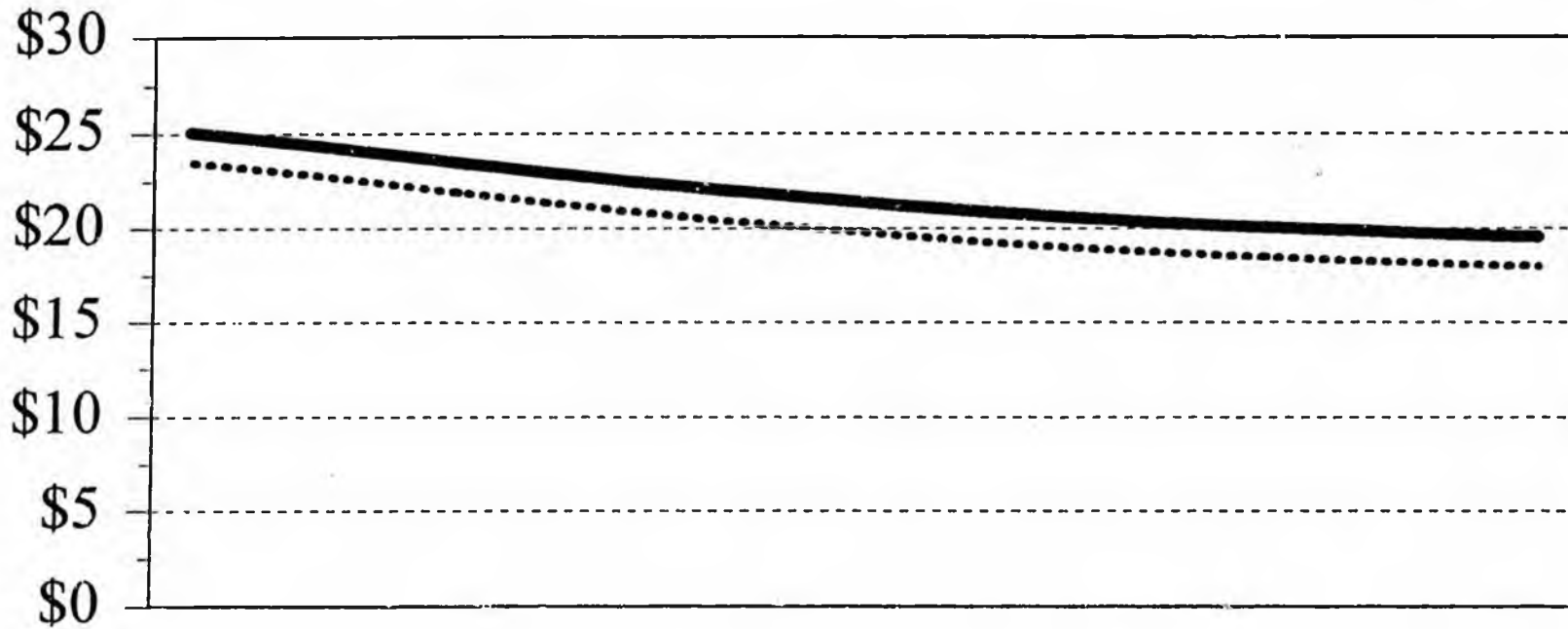
over Spring 1996 forecast

\$ million



ANS Futures Implied Price

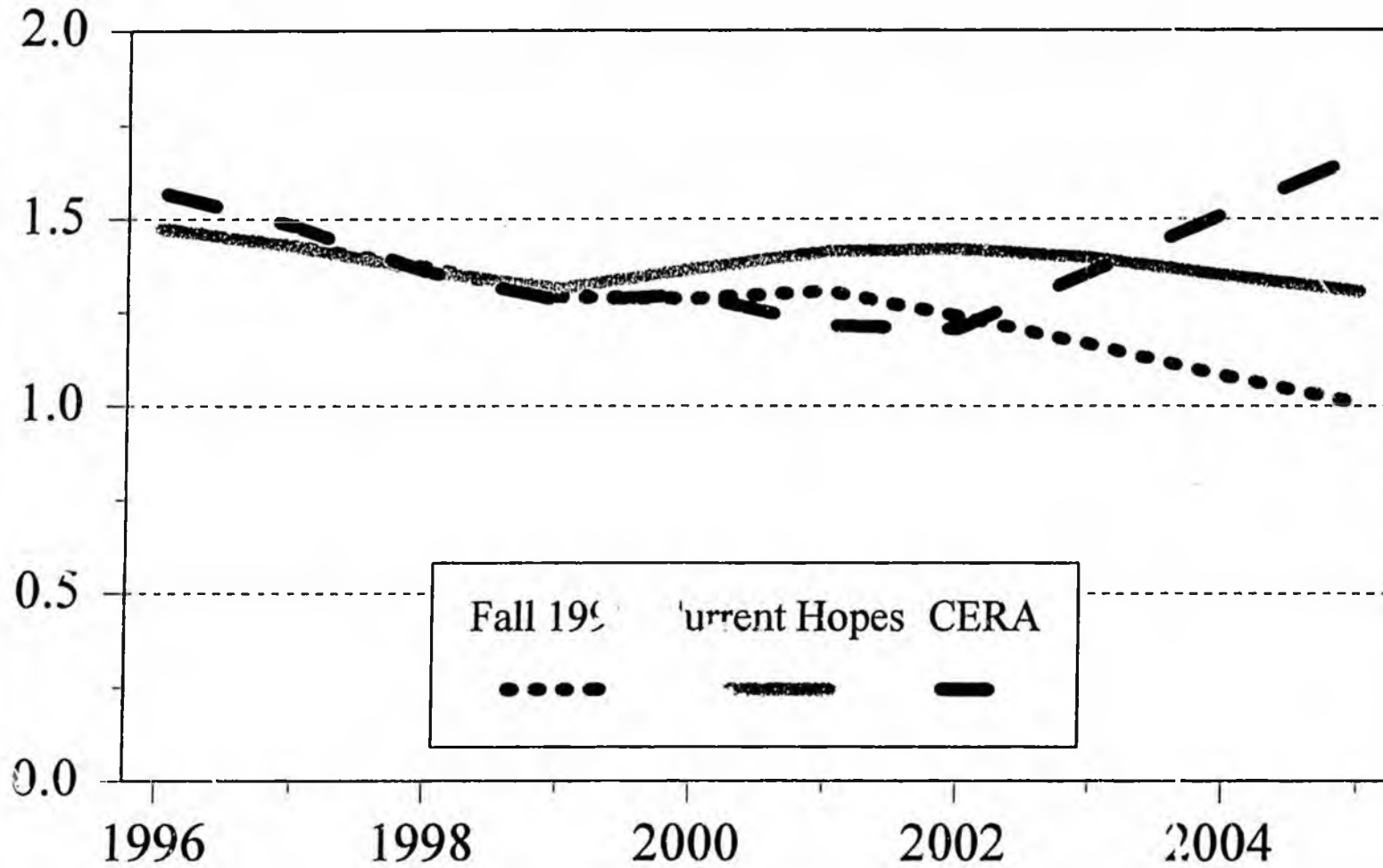
\$/bbl



	Feb 97	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb 98	Mar	Apr	May
WTI	25.11	24.62	24.07	23.51	22.96	22.45	22.00	21.59	21.21	20.85	20.55	20.29	20.10	19.91	19.73	19.57
ANS	23.51	23.02	22.47	21.91	21.36	20.85	20.40	19.99	19.61	19.25	18.95	18.69	18.50	18.31	18.13	17.97

Projections and Hopes

million bpd



Additional Revenue due to New Production

over Fall 1996 forecast

\$ million

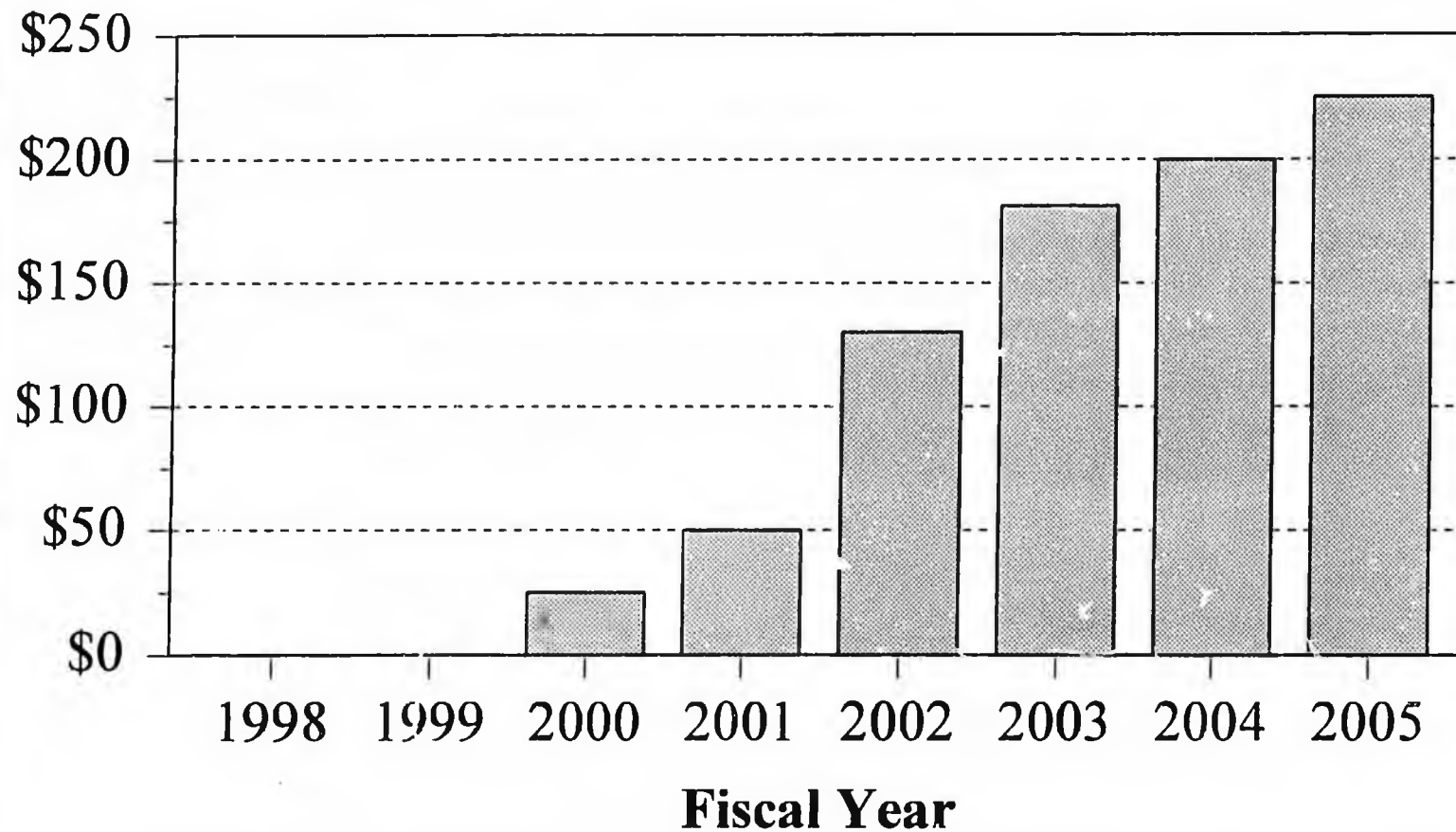


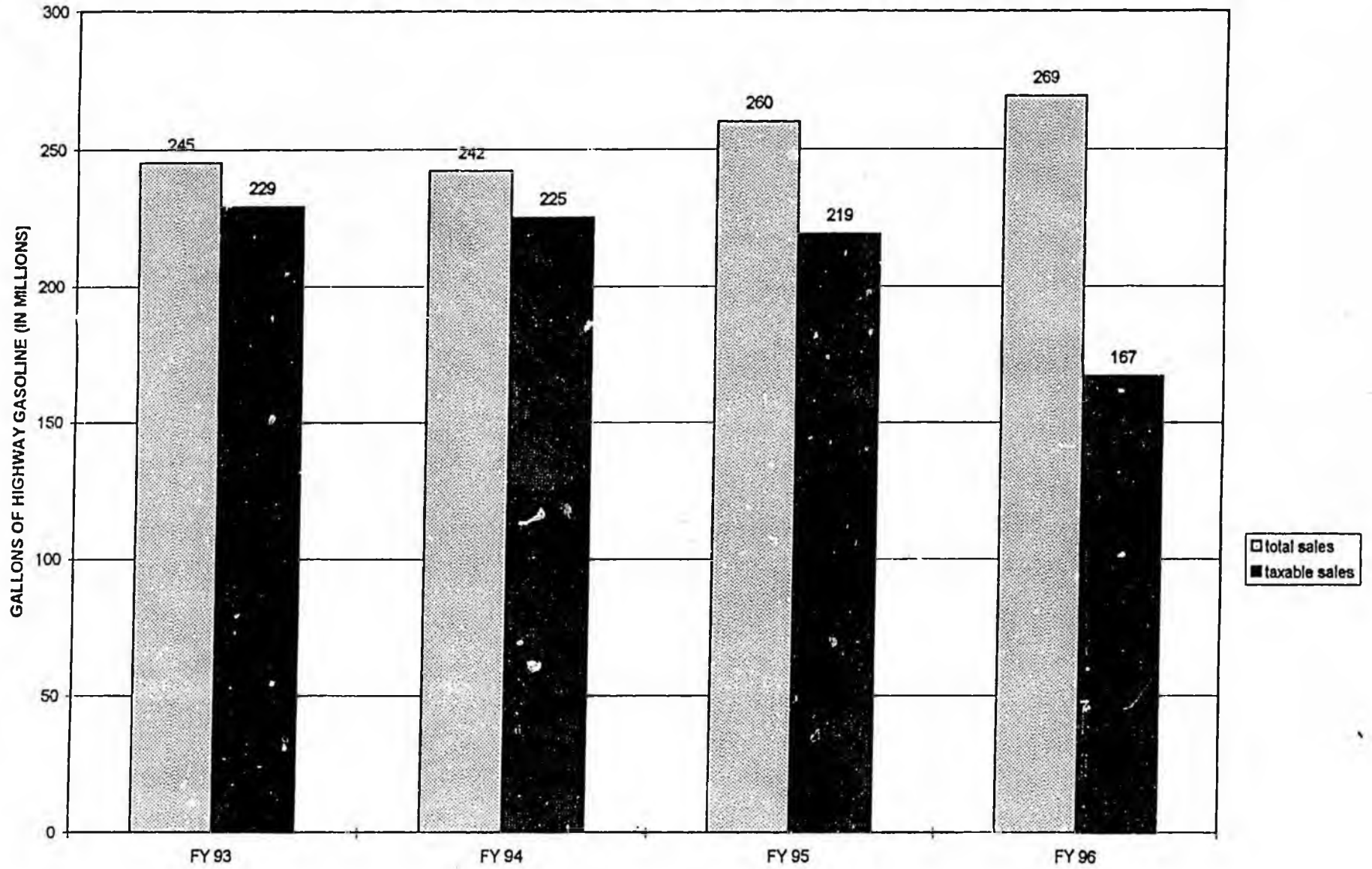
Table 8 - Corporation Tax Liabilities Statistics

Tax Liabilities Reported on Original Tax Returns Filed in FY 96

Alaska Net Income	Oil and Gas Corporations			Other than Oil and Gas Corporations			All Corporations		
	# Filers	Amount	% Total	# Filers	Amount	% Total	# Filers	Amount	% Total
Above \$1 million	6	\$93,345,640	97.04%	5	\$17,528,458	33.28%	11	\$110,874,098	74.48%
\$500,000 - \$1 million	1	725,724	0.75%	14	9,006,010	17.10%	15	9,731,734	6.54%
\$100,000 - \$499,999	7	2,016,931	2.10%	61	14,285,506	27.12%	68	16,302,436	10.95%
\$50,000 - \$99,999	0	0	0.00%	53	3,892,063	7.39%	53	3,892,063	2.61%
\$10,000 - \$49,999	4	99,763	0.10%	215	5,228,382	9.93%	219	5,328,135	3.58%
\$1,000 - \$9,999	0	0	0.00%	677	2,344,349	4.45%	677	2,344,349	1.57%
\$100 - \$999	2	576	0.00%	837	339,150	0.64%	839	339,726	0.23%
\$1 - \$99	1	63	0.00%	1,348	41,889	0.08%	1,349	41,952	0.03%
Zero Tax	16	0	0.00%	10,504	0	0.00%	10,520	0	0.00%
Total	37	\$96,188,687	100.00%	13,714	\$52,665,806	100.00%	13,751	\$148,854,493	100.00%

Note: Amounts reflect tax liabilities reported on the taxpayer original returns. Liabilities may differ from amounts remitted by the taxpayer during the fiscal year due to timing differences resulting from estimated tax payments, credits and final payment of taxes reported.

TOTAL GALLONS OF HIGHWAY GASOLINE SOLD VS. TAXABLE GALLONS



Formula Funded Programs

Shared Taxes Budget Summary (in thousands of dollars)

	<i>FY 95 Actual</i>	<i>FY 96 Actual</i>	<i>FY 97 Estimate</i>	<i>FY 98 Estimate</i>
Amusement & Gaming	47.0	32.2	35.0	35.0
Aviation Fuel	142.8	158.6	160.0	160.0
Electric & Telephone	2,286.7	2,454.8	2,500.0	2,500.0
Liquor License	900.2	886.2	900.0	900.0
Fisheries Business	17,181.9	19,450.0	19,703.4 *	18,650.0
Fishery Resource Landing	N/A	2,896.4	3,320.7 *	4,000.0
Total	20,558.6	25,878.2	26,619.1	26,245.0

*N/A - Not Applicable - first year landing tax returns received in FY 95.
(FY 96 appropriation for FY 95 collections)*

** Actuals - FY 97 appropriation was for FY 96 collections.*

FISHERIES BUSINESS TAX
 FY 1996 PRELIMINARY ACTUAL AND FY 1997-1999 PROJECTED
 (Millions of Dollars)

	<u>FY 1996 (CY 1995)</u>		<u>FY 1997 (CY 1996)</u>		<u>FY 1998-1999</u>
	Value of Catch	Tax Revenue	Value of Catch	Tax Revenue	Forecast Activity
Halibut	57	1.7	57	1.7	Catch Same Unit Value Same
Salmon	477	18.0	360	14.8	Catch Same Unit Value Same
Herring	48	2.0	61.5	2.7	Catch Same Unit Value Down
Shellfish	241	8.8	256	10.4	Catch Same Unit Value Down
Groundfish	<u>256</u>	<u>7.7</u>	<u>256</u>	<u>7.7</u>	Catch Same Unit Value Same
TOTAL	1079	38.2	990.5	37.3	

Funds and Accounts Established in Statute

Agency	Fund/Account	Cits	Activity	Balance	Notes
ACPE	Family Education Loan Account (In Scholarship RLF)	AS 14.43.720(a)	Active	NA	Revolving Loan Funds.
ACPE	Teacher Scholarship Revolving Loan Fund	AS 14.43.020(a)	Active	NA	Revolving Loan Funds.
DCED	Foreclosure Expense Account (In Fisheries Enhancement RLF)	AS 16.10.507(a)	Active	NA	Necessary for accounting purposes.
ADFG	Furbearer Management Account	AS 10.05.130(c)	Active	NA	Records trapping lic. fees. Can be deleted.
ADFG	State Waterfowl Tag Fee Account	AS 16.05.130(b)	Active	NA	Records waterfowl tag fees. Can be deleted.
AIDEA	Business Assistance Fund	AS 44.88.500(o)	Active	NA	
AIDEA	Economic Development Account	AS 44.88.172(a)	Active	NA	
AIDEA	Enterprise Development Account	AS 44.88.155(a)	Active	NA	
AIDEA	Export Insurance Account	AS 44.88.390(a)	Inactive	\$0	Not used now, but may be in the future.
DCED	Alaska Amateur Sports Fund	AS 05.35.150	Inactive	\$0	The Authority was eliminated. Can be deleted.
DCED	Fishery Resource Landing Tax - Revenue Sharing	AS 43.77.050(b)	Active	NA	Will be used after legal problem resolved.
DCED	Fishery Resource Landing Tax - Seafood Marketing	AS 43.77.050(a)	Active	NA	Will be used after legal problem resolved.
DCED	Foreclosure Expense Account (In Small Business RLF)	AS 45.95.065(a)	Active	NA	
DCED	Neighborhood Revitalization & Development Fund	AS 44.33.436	Inactive	\$0	Can be deleted.
DCED	Regional Development Fund	AS 44.33.026(d)	Unsure.		Proposed to transfer from DCED to DCRA. Part of ARDOR.
DCED-APUC	Universal Service Fund	AS 42.05.840	Active		To assure competitive telephone rates in rural AK.
DCRA	Bulk Fuel Storage Facilities Grant Fund	AS 44.47.145(a)	Inactive	\$0	Will be needed in the future for \$200 mil upgrade & repairs.
DCRA	Community Legal Assistance Grant Fund	AS 44.47.200	Inactive	\$0	Has not been active in 10 years. Can be deleted.
DCRA	Miscellaneous Services Account	AS 29.60.170	Active	NA	Used with State Revenue Sharing Program.
DCRA	Municipal Available Fund	AS 29.60.350(e)	Inactive	\$0	Change Fund to Program
DCRA	Organization Grant Fund	AS 29.06.200(e)	Inactive	\$0	Change Fund to Program
DCRA	Tax Equalization Account	AS 29.60.000	Active	NA	Used with State Revenue Sharing Program.
DCRA	Unorganized Borough National Forest Receipts Fund	AS 41.15.180(b)	Inactive	\$0	Change Fund to Program
DEC	Alaska Clean Water Account	AS 46.03.034	Active	\$0	For State \$ - awaiting Fed Clean Water Act.
DEC	Alaska Drinking Water Account	AS 46.03.038	Active	\$0	For State \$ - awaiting Fed Safe Drinking Water Act.
DEC	Alaska Drinking Water Fund	AS 46.03.036	Active	\$0	Fed & State \$ - awaiting Fed Safe Drinking Water Act.
DEC	Clean Air Protection Account	AS 46.14.270	Active	\$0	Federal monies. New this fiscal year.
DEC	Clean Air Protection Fund	AS 46.14.260	Active	\$0	New this fiscal year.
DEC	Community Solid Waste Management Planning Grant Account	AS 46.08.041(e)	Inactive	\$0	Last activity was FY93. If not routinely funded - eliminate.
DEC	Hazardous Waste Reduction Grant Account	AS 46.03.317(a)	Active	\$0	Will give grants with federal funds beginning FY97.
DEC	Water Q'En Prog & W Supply, Waste W & Solid Waste Sys Fund	AS 46.03.030(c)	Inactive	\$0	Change Word Fund to Program
DISS	Com. Action Against Substance Abuse Grant Fund	AS 47.37.045(a)	Inactive	\$0	Can be deleted.
DISS	Community Health Aide Grant Account	AS 18.28.030(a)	Inactive	\$0	Can be deleted.
DISS	Handicap & Mental Illness Charitable Acct (Self-Sufficiency TF)	AS 47.80.240(a)	Inactive	\$0	Can be deleted.
DISS	Nursing Facility Resident Security Fund	AS 18.20.350(a)	Inactive	\$0	Can be deleted.
DISS	Self-Sufficiency Trust Fund	AS 47.80.200(a)	Inactive	\$0	Can be deleted.
DMV	Abandoned Motor Vehicle Fund	AS 22.11.110(a)	Active	\$4,500	Active, but not used in years. Hard to enforce.
DMVA	Veterans Service Fund	AS 26.10.020	Inactive	\$0	Can be deleted.
DNR	Alaska Municipal Land Account	AS 29.65.080(a)	Inactive	\$0	Never activated. Can be deleted.
DNR	Mineral Resource Revolving Fund	AS 41.90.016	Inactive	\$0	Can be deleted.
DNR	Outdoor Recreation, Open Space & Historic Property Dev. Fund	AS 41.90.170	Active	\$0	Can be deleted.
DNR	Special Alaska Historical Commission Receipts Account	AS 41.35.380(a)	Active	\$48,319	

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Funds and Accounts Established in Statute

Agency	Fund/Account	Cite	Activity	Balance	Notes
DNI	Special State Land Disposal Income Account	AS 38.04.022	Active	NA	
DOA	Alaska Longevity Bonus Fund	AS 47.45.090(a)	Inactive	\$0	Can be deleted.
DOA	Alaska Pioneers' Home Trust Fund	AS 47.55.060	Inactive	\$0	Can be deleted.
DOA	Federal Transitional Grants Account	AS 37.20.020	Inactive	\$0	Can be deleted.
DOA	Group Health & Life Benefits Fund	AS 39.30.095(a)	Inactive	\$0	May be reactivated - state self insurance.
DOA	Older Alaskans Service Programs Account	AS 47.65.010	Active	\$0	Can be deleted.
DOA	Special Revolving Fund (surplus property)	AS 44.68.130(c)	Active	\$300,000+	Used to fund auctions, warehouse space, etc.
DCE	Vocational Rehabilitation Small Business Enterprise RF	AS 23.15.130(a)	Active	NA	Vending Machine Receipts.
DCE	Alaska School Counseling Program Grant Fund	AS 14.30.750(a)	Inactive	\$0	Can be deleted.
DCE	Alaska Student Leadership Development Fund	AS 14.30.510	Inactive	\$0	Can be deleted.
DCE	Bilingual-Bicultural Education Fund	AS 14.30.410(a)	Inactive	\$0	Can be deleted.
DCE	Community Schools Grant Fund	AS 14.36.020	Inactive	\$0	Can be deleted.
DCE	Cooperative Arrangement Grant Fund	AS 14.14.115(b)	Inactive	\$0	Can be deleted.
DCE	Library Assistance Grant Fund	AS 14.56.300	Active	NA	
DOL	Employment Security Administration Fund	AS 23.20.155(a)	Active	NA	Fed \$ pays admin costs for FUTA tax collection.
DOR	Fishery Product Revolving Loan Guarantee Fund	AS 45.92.010	Inactive	\$0	Inactive as of 1/93. Can be deleted.
DOR	Forest Products Business Loan Guarantee Fund	AS 45.94.010	Inactive	\$0	Inactive as of 1/93. Can be deleted.
DOR	Medical Facilities Special Bond Guarantee Account	AS 18.26.260(a)	Inactive	\$147,884	Med Fac Authority not used for years. Can be deleted.
DOR	Public Access Fund	AS 38.05.874(a)	Inactive	\$0	Donations & approps allowed. To enhance public access.
DOIPF	Special Aviation Fuel Tax Account	AS 43.40.010(e)	Active	NA	In front section.
DOIPF	Special Highway Fuel Tax Account	AS 43.40.010(g)	Active	NA	In front section.
DOIPF	Special Nonpublic Highway Use Account	AS 43.40.010(i)			
DOIPF	Special Watercraft Fuel Tax Account	AS 43.40.010(l)			
DOIPF	Toll Facilities Construction Fund	AS 37.15.620(a)	Inactive	\$0	Not used but funding may go this way in the future.
DOIPF	Toll Facilities Revenue Bond Redemption Fund	AS 37.15.640	Inactive	\$0	Not used but funding may go this way in the future.
DOIPF	Toll Facilities Revenue Fund	AS 37.15.630(a)	Inactive	\$0	Not used but funding may go this way in the future.
DPS	Alaska Police Training Fund	AS 18.65.225	Inactive?	\$0	From new leg. surcharge on traffic tickets. Never capitalized
DPS	Crime Victim Compensation Fund	AS 18.67.162	Inactive?	\$0	Change Fund to Program.
DPS	Search & Rescue Fund	AS 18.60.145	Inactive	\$0	Can be deleted.
GOV	Fuel Emergency Fund	AS 26.23.400	Active	\$22,572	Similar to Disaster Relief Fund.
UA	Community College Fund of the University of Alaska	AS 14.40.610(a)	Inactive	\$0	Has never been active. Can be deleted.
UA	University of Alaska Risk Management Fund	AS 14.40.455(a)	Inactive	\$0	Good idea, but not functional. Can be deleted.
UA	University of Alaska Working Capital Reserve Fund	AS 14.40.296(a)	Active	\$4,700,000	Used for working capital.
AIIC	Alaska Energy Efficient Home Grant Fund	AS 18.56.410(a)	Active	NA	
AIIC	Home Ownership Assistance Fund	AS 18.56.430(a)	Active	NA	
AIIC	Housing Development Fund	AS 18.56.100(a)	Inactive	NA	Can be deleted.
AIIC	Housing Insurance Fund	AS 18.56.093(a)	Inactive	NA	Can be deleted.
AIIC	Low Cost & Low Income Multiple Family Housing Dev Fund	AS 18.56.650(a)	??	NA	
AIIC	Operating Loss Reserve Account	AS 18.56.450(a)	Inactive	NA	Can be deleted.
AIIC	Restricted Title Loss Reserve Account	AS 18.56.490(a)	Inactive	NA	Can be deleted.
AIIC	Rural Housing Hazard Insurance Fund	AS 18.56.093(a)	Inactive	NA	Can be deleted.
AIIC	Rural Housing Title Insurance Fund	AS 18.56.093(a)	Inactive	NA	Can be deleted.

Funds and Accounts Established In Statute

Agency	Fund/Account	Cite	Activity	Balance	Notes
NIFC	Senior Citizens Housing Development Fund	AS 18.56.810(a)	Active	NA	
NIFC	Senior Housing Bond Account	AS 18.56.790(d)	Active	NA	
NIFC	Senior Housing Revolving Fund	AS 18.56.710(a)	Inactive	NA	May be used in the future.
NIFC	State Mortgage Insurance Fund (aka Mortgage Insurance Fund)	AS 18.56.095(a)	Active	NA	
NIFC	Supplemental Housing Development Grant Fund	AS 18.55.998(a)	Active	NA	
NIFC	Residential Energy Conservation Fund	AS 45.89.010(a)	??	NA	

The Fiscal Year 1998 Budget:

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Legislative Finance Division

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INTRODUCTION

As required by statute, the Governor's proposed Fiscal Year 1998 budget was made public on December 16, 1996 to be formally presented to the Legislature on January 16, 1997.

Here follows, Legislative Fiscal Analyst staff analysis.

SUMMARY ANALYSIS

Beginning with the FY97 budget, the focus on general fund spending was widened to include all funding sources -- general, other state funds, and federal funds. The fiscal summary included in this overview document now reflects all fund sources but emphasizes the general fund portion although attention is directed to the other fund sources where appropriate.

The Governor's spending plan proposes to reduce overall FY98 general fund expenditures by \$2.6 million from the FY97 authorized level:

Operating		9.9
Agencies	-5.3	
Formula programs	23.2	
Statute change-		
-Longevity Bonus	-8.0	
Debt Service		-12.1
Capital		-0.1
Special Appropriations/Fund Transfers		-0.3

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OPERATING BUDGET

The Governor's proposed \$2.2 billion general fund operating budget includes two major segments: state agency operations and formula programs.

	FY96 Actual	FY97 Authorized	FY98 Governor
Operating budget (96 Actual includes CBR) (\$thousands, rounded)	2,224.8	2,206.2	2,228.2
Agency operations	1,150.9	1,137.6	1,136.4
Formula programs	1,073.9	1,068.6	1,091.8

The Governor's fiscal year 1998 recommendation for agency operations which support the costs of administering state government and providing public services accounts for 51 percent of the operating budget.

The Governor has included roughly \$11.1 million in additional general funds in the agencies' operating budget for increased salaries and benefits costs for those state employees covered by collective bargaining agreements and similar increases for executive branch non-covered employees. Total cost of the executive branch salary and benefits increase from all fund sources amount to approximately \$19 million. The governor's budget plan does not include similar increases for the Court System and Legislature, which would cost an estimated additional \$1 million to fund.

As noted in the preceding summary analysis, the Governor proposes to offset both agency and formula operating expenditure increases with reductions in other areas, such as new income eligibility provisions in the Longevity Bonus program. Implementing legislation would be required to effect savings of \$8 million estimated in the Governor's FY98 budget plan.

Formula programs include appropriations as payments to municipalities, non-profits, and individuals that comprise 49 percent of the operating budget. Compared to the past two years, the percentage of the operating budget allocated to formula programs was 48.6 percent in FY96 and 48.4 percent in FY97.

Formula Programs flow through the operating budget to municipalities, non-profits, or individuals: K-12 Education/Foundation support, municipal assistance and revenue sharing, health and social services assistance, and longevity bonus payments being the major ones. By far, the largest single formula expenditure in the budget is under the education support category with \$671.8 million general funds included in the Governor's proposed budget—an increase of \$14.8 million over FY97.

Local assistance through municipal assistance and revenue sharing at \$52.3 million is also a significant portion of formula program spending which the Governor proposes to reduce by 1.2 million.

Health and Social Services formula programs account for \$270.1 million of the formula general fund --a \$12.3 increase in general fund support over the current budget level. Caseload projections and anticipated federal and state welfare reform efforts are factored into the proposed spending level.

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DEBT SERVICE

The debt service portion of the budget consists of three parts: repayment of general obligation bond principal and interest (G.O. Debt), school construction debt reimbursement, and lease purchase obligations for court, correctional, and general office facilities.

	FY96 Actual	FY97 Authorized	FY98 Governor
Debt Service (\$millions)	109.4	93.1	86.9
G.O.	19.5	14.9	14.3
School	80.3	68.6	62.3
Lease	9.6	9.6	10.3

General obligation bonds provided for a variety of capital improvement projects authorized by law and approved the voters in earlier years. Debt service requirements have sharply tailed off in recent years because the state limited the maturities of these issue to conform with projected oil production in the Prudhoe Bay field and no additional obligations have been subsequently incurred. G.O. debt service need drops to \$14.3 million in FY98.

Requirements for state general fund school construction debt reimbursement are projected to drop \$6.3 million from the FY97 amount based on the administration's projection of local school bonding activity for FY98.

Lease debt funding requirements increase slightly for FY98 as a result of additional facility construction.

The overall need for appropriations in FY98 are reduced by a projected \$5.9 million in carryforward funds from prior years. Similarly, the FY97 amount needed had been reduced by \$1.6 million in carryforward funds applied to the G.O. debt service portion.

CAPITAL BUDGET

The Governor's initial FY98 spending plan earmarks \$100 million in general funds for the capital budget. An appropriation bill and specific project information are to be provided during the session.

LOANS PROGRAMS

The Governor's proposal for loans program funding consists of a single item: a general fund appropriation of \$1.5 million for the Alaska Clean Water Fund, the same level as the previous two years.

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FUND TRANSFERS/SPECIAL APPROPRIATIONS

Normally included under this category and for FY98 as well, are the appropriation of oil production five cents per barrel surcharge revenues from the general fund to the oil and hazardous substances release-prevention (\$.03) and response accounts (\$.02). Even though estimates are included in the spending plan each year, the actual amounts transferred are production-dependent on revenue collections and the status of the account balances. Currently these transfers are in the annual range of \$13 - 14 million.

REVENUES

The Governor's spending plan is financed through a combination of unrestricted general fund revenues, user fees, special taxes, payments from the Alaska Housing Finance Corporation and the Alaska Industrial Development and Export Authority, and an appropriation from the Constitutional Budget Reserve (CBR).

The fall 1996 revenue forecast for Fiscal Year 1998 has unrestricted general funds declining \$395 million from fiscal year 1997 current projections.

The Governor proposes to increase taxes on tobacco and tobacco products to generate approximately \$40 million in additional revenues for FY98.

The Governor's revenue plan includes a \$50 million payment from the Alaska Housing Finance Corporation as an annual return-to-the-general fund and a \$16 million payment of a similar nature from the Alaska Industrial Development and Export Authority.

The Governor's budget plan would require an estimated \$374 million appropriation from the Constitutional Budget Reserve fund to balance FY98 revenues and expenditures.

Last session, the Legislature anticipated that \$409 million may be needed to balance the FY97 budget but actual experience to date indicates that no CBR funds will be needed, instead, a general fund budget surplus exceeding \$100 million is anticipated if current oil price projections hold.

**FISCAL SUMMARY
AND
OTHER STATEWIDE FINANCIAL SUMMARIES**

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FY97/98 ALL FUNDS FISCAL SUMMARY (in millions of dollars)

	FY97 Authorized				FY98 Governor's Request			
	GF	Federal	Other	Total	GF	Federal	Other	Total
REVENUES								
Unrestricted General Fund: Fall 96 Forecast	2,409.9			2,409.9	2,014.5			2,014.5
Change in Unrestricted: Update 1/1/97 Update	111.0			111.0				
Revenue Adjustments	(48.0)			(48.0)	(65.0)			(65.0)
New Revenues: Tobacco Tax Increase					39.9			39.9
AHFC Transfer to General Fund	50.0			50.0	50.0			50.0
AIDEA Transfer to General Fund	15.0			15.0	16.0			16.0
From Constitutional Budget Reserve				0.0	373.8			373.8
Federal and Other Funds		1,097.4	2,143.2	3,240.6		764.3	2,092.4	2,856.7
TOTAL AVAILABLE	2,537.9	1,097.4	2,143.2	5,778.5	2,429.2	764.3	2,092.4	5,285.9
EXPENDITURES								
Operating								
Agency Operations (Non-Formula)	1,137.6	429.7	743.7	2,311.0	1,136.4	431.0	765.6	2,333.0
Court System Increments/Other					(4.1)			(4.1)
Formula Programs	1,168.6	307.9	147.5	1,524.0	1,091.8	326.0	136.3	1,554.1
Statutory Change: Longevity Bonus					(8.0)			(8.0)
Debt Service	93.1		31.9	125.1	81.0		30.4	111.4
Capital	100.1	352.5	188.1	640.7	100.0	*	*	100.0
Loans	1.5	7.3		8.8	1.5	7.3		8.8
Specials & Fund Transfers	13.9		1,031.9	1,045.8	13.6		1,160.1	1,173.7
Supplementals (estimated)	17.0			17.0	17.0			17.0
TOTAL APPROPRIATIONS	2,431.8	1,097.4	2,143.2	5,672.4	2,429.2	764.3	2,092.4	5,285.9
Less Duplicated Expenditures			(485.2)	(485.2)			(458.1)	(458.1)
UNDUPLICATED EXPENDITURES	2,431.8	1,097.4	1,658.0	5,187.2	2,429.2	764.3	1,634.3	4,827.8

Projected General Fund Surplus **106.1**

	FY 97 <u>Fall 96 Forecast</u>	FY 97 <u>1/1/97 Update</u>	FY 98 <u>Fall 96 Forecast</u>
(1) Price per barrel	\$20.33	\$21.63	\$17.71
Production (Millions of Barrels/day)	1.429	1.413	1.373
(2) Shared tax and salmon enhancement tax programs are off-budget.			
(3) The Governor's FY98 Capital budget is not yet available. As a result, the federal and other fund totals for FY98 cannot be calculated at this time. In addition, FY97 capital budget totals for federal and other funds have been used to calculate FY98 duplicated expenditures.			
(4) FY97 Authorized does not include RPL's			

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**FY 97/98 ALL FUNDS SPENDING PLAN
REVENUE ADJUSTMENT AND DUPLICATED EXPENDITURE DETAIL
(in millions of dollars)**

FY97 General Fund Revenue Adjustments	
From Unrestricted to Restricted:	
Marine Highway Receipts	(40.3)
Salmon and Seafood Marketing	
Other Adjustments:	
Trans Alaska Pipeline Fund	20.0
Loan Fund Transfers to General Fund	0.6
Storage Tank Assistance Fund Receipts	0.3
Salmon Enhancement "off budget"	(5.0)
Shared Taxes "off budget"	(25.1)
From Mitigation Account	1.5
FY97 Revenue Adjustment Total	(48.0)

FY98 General Fund Revenue Adjustments	
From Unrestricted to Restricted:	
Marine Highway Receipts	(40.9)
Salmon and Seafood Marketing	
Other Adjustments:	
Trans-Alaska Pipeline Fund	0.0
Loan Fund Transfers to General Fund	0.4
Storage Tank Assistance Fund Receipts	0.3
Salmon Enhancement "off budget"	(5.0)
Shared Taxes "off budget"	(24.9)
From Mitigation Account	5.1
FY98 Revenue Adjustment Total	(65.0)

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FY97/98 ALL FUNDS FISCAL SUMMARY
FY97 Authorized
 (in millions of dollars)

DUPLICATED EXPENDITURES	OPERATING	CAPITAL	TOTAL	OPERATING	CAPITAL	TOTAL
Interagency Receipts	198.8		198.8	181.5		181.5
Highway Working Capital Fund	22.5	11.8	34.3	22.7	11.8	34.5
Debt Retirement Fund	93.1		93.1	81.0		81.0
Oil & Hazardous Rel Resp & Prev	11.8	2.7	14.5	11.9	2.7	14.6
Interagency Oil & Haz	2.1		2.1	1.7		1.7
Capital Improvement Project Rcpts	76.9	1.5	78.4	79.3	1.5	80.8
Marine Highway System Fund	28.3		28.3	28.3		28.3
Information Services Fund	20.3	0.4	20.7	20.3	0.4	20.7
Municipal Capital Matching Fund		13.3	13.3		13.3	13.3
Unincorporated Capital Matching Fund		1.7	1.7		1.7	1.7
FY97 Duplicated Expenditure Total	453.8	31.4	485.2	426.7	31.4	458.1

legislative fiscal analyst overview of the governor's request

AGENCY OPERATING BUDGETS FORMULA/NON-FORMULA PROGRAM FUNDING GENERAL FUNDS and CONSTITUTIONAL BUDGET RESERVE FUNDS (in thousands of dollars)

	FY96 Actual			FY97 Authorized			(1) FY98 Governor		
	Formula	Agency	Total	Formula	Agency	Total	Formula	Agency	Total
Agencies									
Administration	98,149.7	75,061.7	173,211.4	98,524.3	74,379.8	172,904.1	95,826.9	77,334.8	173,161.7
Commerce & Economic Development	0.0	39,812.4	39,812.4	0.0	38,558.0	38,558.0	0.0	37,669.3	37,669.3
Community & Regional Affairs	59,730.7	31,077.6	90,808.3	53,872.3	28,109.1	81,981.4	52,640.1	27,707.5	80,347.6
Corrections	0.0	129,381.2	129,381.2	0.0	132,463.4	132,463.4	0.0	133,853.7	133,853.7
Court System	0.0	46,437.8	46,437.8	0.0	48,984.4	48,984.4	0.0	52,400.8	52,400.8
Education	653,359.0	30,015.7	683,374.7	656,973.5	29,747.0	686,720.5	671,754.0	30,320.5	702,074.5
Environmental Conservation	0.0	17,133.1	17,133.1	0.0	15,904.8	15,904.8	0.0	15,622.3	15,622.3
Fish and Game	0.0	39,467.3	39,467.3	0.0	39,864.1	39,864.1	0.0	40,954.2	40,954.2
Governor	0.0	14,898.6	14,898.6	0.0	19,766.7	19,766.7	0.0	15,737.7	15,737.7
Health and Social Services	253,588.2	190,394.7	443,982.9	257,832.6	194,004.7	451,837.3	270,113.2	189,438.7	459,551.9
Labor	0.0	9,058.4	9,058.4	0.0	8,901.3	8,901.3	0.0	8,894.0	8,894.0
Law	0.0	35,681.8	35,681.8	0.0	32,432.7	32,432.7	0.0	30,985.2	30,985.2
Legislature	0.0	29,314.8	29,314.8	0.0	31,113.4	31,113.4	0.0	31,113.4	31,113.4
Military & Veterans Affairs	9,104.4	11,457.5	20,561.9	1,434.9	5,650.0	7,084.9	1,434.9	5,940.6	7,375.5
Natural Resources	0.0	56,010.6	56,010.6	0.0	43,599.6	43,599.6	0.0	42,294.0	42,294.0
Public Safety	0.0	84,801.2	84,801.2	0.0	86,085.2	86,085.2	0.0	87,454.8	87,454.8
Revenue	0.0	12,404.4	12,404.4	0.0	12,162.8	12,162.8	0.0	12,179.5	12,179.5
Transportation/Public Facilities	0.0	129,787.1	129,787.1	0.0	128,179.0	128,179.0	0.0	128,810.6	128,810.6
University of Alaska	0.0	168,680.0	168,680.0	0.0	167,693.6	167,693.6	0.0	167,693.6	167,693.6
Total:	1,073,932.0	1,150,875.9	2,224,807.9	1,068,637.6	1,137,599.6	2,206,237.2	1,091,769.1	1,136,405.2	2,228,174.3
Percent:	48.6%	51.4%	100.0%	48.4%	51.6%	100.0%	49.0%	51.0%	100.0%

(1) FY98 Governor excludes veto override in Department of Natural Resources for Chapter 1 FSSLA 1996 (Agricultural Lands)

Notes: Excludes Shared Taxes/Fisheries Enhancement Tax Receipts

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FORMULA FUNDED PROGRAMS General Funds and Constitutional Budget Reserve Funds (in thousands of dollars)

	FY96 Actual	FY97 Auth	FY98 Governor	FY97 Auth to FY98 Governor
ADMINISTRATION				
Longevity Bonus Program	73,270.1	74,062.6	71,198.9	(2,863.7)
Retirement & Benefits/EPORS	855.7	891.1	1,033.8	142.7
Leasing	24,023.9	23,570.6	23,594.2	23.6
Subtotal	98,149.7	98,524.3	95,826.9	(2,697.4)
EDUCATION				
Public School Foundation	613,537.4	617,192.9	629,574.3	12,381.4
Tuition Students	1,854.2	1,731.2	1,731.2	0.0
Boarding Home Grants	129.4	185.9	185.9	0.0
Youth in Detention	693.8	800.0	800.0	0.0
Schools for the Handicapped	3,705.2	3,721.3	3,767.4	46.1
Pupil Transportation	32,842.2	32,842.2	35,195.2	2,353.0
Community Schools	596.8	500.0	500.0	0.0
Subtotal	653,359.0	656,971.5	671,754.0	14,780.5
HEALTH & SOC. SVS.				
AFDC	52,399.2	55,195.7	52,664.6	(2,531.1)
Adult Public Assistance	38,415.3	40,080.2	40,781.0	700.8
General Relief Assistance	1,025.7	1,041.9	1,041.9	0.0
Old Age Asst.-ALB Hold Harmless	2,428.7	2,298.1	2,298.1	0.0
Medicaid	138,251.7	142,309.5	149,640.1	7,330.6
Medicaid Asst.-ALB Hold Harmless	29.4	25.7	25.7	0.0
General Relief Medical	3,359.7	4,854.1	2,838.7	(2,015.4)
Waivers Services	2,436.6	2,106.3	7,144.2	5,037.9
Child Care Benefits	2,628.1	3,402.1	5,024.4	1,622.3
Foster Care	9,105.5	8,619.6	9,452.0	832.4
Subsidized Adoptions/Guardians	3,508.3	4,210.2	4,613.3	403.1
Social Services Block Grant Offset	0.0	(6,310.8)	(5,410.8)	900.0
Subtotal	253,588.2	257,832.6	270,113.2	12,280.6
MILITARY & VETS AFFAIRS				
National Guard Retirement	9,104.4	1,434.9	1,434.9	0.0
Subtotal	9,104.4	1,434.9	1,434.9	0.0
COMMUNITY & REG. AFFAIRS				
Senior Citizen Tax Relief	1,500.0	300.0	300.0	0.0
Municipal Revenue Sharing	26,271.7	24,170.0	23,614.1	(555.9)
Municipal Assistance	31,959.0	29,402.3	28,726.0	(676.3)
Subtotal	59,730.7	53,872.3	52,640.1	(1,232.2)
Total	1,073,932.0	1,068,637.6	1,091,769.1	23,131.5
DEBT SERVICE				
General Obligation	19,452.0	14,928.7	14,251.7	(677.0)
Lease Purchase	9,628.2	9,595.9	10,342.4	746.5
Local School Debt Retirement	80,322.4	68,616.6	62,288.4	(6,328.2)
Subtotal	109,402.6	93,141.2	86,882.5	(6,258.7)
TOTAL	1,183,334.6	1,161,778.8	1,178,651.6	16,872.8

Note: Excludes Shared Taxes and Fisheries Enhancement Tax Receipts

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FY96/97/98 OPERATING BUDGET BILLS COMPARISON General Funds and Constitutional Budget Reserve Funds (in thousands of dollars)

	FY96 Actuals	FY97 Authorized	FY98 Governor
Front Sections			
Alaska Clean Water Fund	1,516.3	1,469.2	1,469.2
Information Services	20.0	55.0	55.0
Marine Highway Fund	28,263.2	28,284.0	28,624.1
(a) Oil/Haz. Fund - Prevention Account (3c)	11,562.4	13,600.0	13,300.0
(a) Oil/Haz. Fund - Response Account (2c)	539.4	0.0	0.0
(b) Salmon Enhancement (estimated)	5,516.0	5,349.4	5,349.4
(b) Shared Taxes (estimated)	25,877.4	26,619.2	26,245.0
General Fund Debt Retirement Fund		(1,600.0)	
Lease Debt	9,584.0	9,595.9	10,342.4
General Obligation Debt	19,452.0	16,528.7	14,251.7
School Debt Retirement	80,322.4	68,616.6	62,288.4
Storage Tank Registration Fees	309.6	280.0	250.0
Storage Tank Assistance Fund	2,873.3	0.0	0.0
(c) Oil and Gas Audit	15,935.0	0.0	0.0
University Alumni Associations	0.0	20.7	0.0
Sitka Airport Maintenance	300.0	0.0	0.0
Community Jails	437.0	0.0	0.0
Criminal Justice Computer System	50.0	0.0	0.0
Healthy Families Program	150.0	0.0	0.0
	171,314.6	136,850.1	130,580.8
Agencies			
Administration	173,191.4	172,849.1	173,106.7
Commerce & Economic Development	39,812.4	38,558.0	37,669.3
Community & Regional Affairs	90,808.3	81,981.4	80,347.6
Corrections	128,944.2	132,463.4	133,853.7
Education	603,052.3	618,103.9	639,786.1
Environmental Conservation	17,133.1	15,904.8	15,622.3
Fish and Game	39,467.3	39,864.1	40,954.2
Governor	14,848.6	19,706.7	15,737.7
Health and Social Services	443,832.9	451,837.3	459,551.9
Labor	9,058.4	8,901.3	8,894.0
Law	19,746.8	32,432.7	30,985.2
Military & Veterans Affairs	20,561.9	7,084.9	7,375.5
(d) Natural Resources	56,010.6	43,561.1	42,294.0
Public Safety	84,801.2	86,116.4	87,454.8
Revenue	12,404.4	12,162.8	12,179.5
Transportation/Public Facilities	101,223.9	99,895.0	100,186.5
University of Alaska	168,680.0	167,672.9	167,693.6
Court System	46,437.8	48,984.4	52,400.8
Legislature	29,314.8	31,113.4	31,113.4
	2,099,330.3	2,109,253.6	2,137,206.8
TOTAL - Operating, Loans, Fund Transfers	2,270,644.9	2,246,103.7	2,267,787.6

Note: Items appearing in the front section are not included in the agencies' base totals.

(a)FY96 Actuals identifies operating expenditures only.

(b)For information purposes only. Not included in the totals.

(c) Includes FY96 appropriation only.

(d)FY98 Governor excludes veto override for Chapter 1 FSSLA 1996 (Agricultural Lands)

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CONSTITUTIONAL BUDGET RESERVE FUND ANALYSIS

January 1997 Update

Balance as of June 30, 1995 (1)	2,135.4
FY 96 Activity:	
To General Fund, estimated, to balance FY96 revenues and expenditures Chapter 94, SLA 1995, Section 43(b)	(284.9)
Direct appropriations of CBR funds in Chapter 94, SLA 1995	(8.4)
Appropriation of amounts swept under 17(d) from the CBRF, section 43(a) CCS HB 100 & section 110(a) SCS CSHB 268(FIN)	(95.5)
BP Settlement, December 1995 payment	350.0
Additional Settlements, FY96 to date per Department of Revenue	201.5
Estimated FY96 Interest Earnings	145.1
Sweep of various general fund subfund and account balances per section 17(d), estimated	74.4
Balance as of June 30, 1996 (1)	2,517.6
FY 97 Activity:	
To General Fund, estimated, to balance FY97 revenues and expenditures (2)	0.0
Appropriation of amounts swept under 17(d) from the CBRF, estimated (1)	(74.4)
BP Settlement, December 1996 payment (3)	350.0
Additional Settlements, FY97 to date per Department of Revenue (3)	68.7
Estimated FY97 interest earnings (3)	173.4
Sweep of various general fund subfund and account balances per section 17(d), estimated	75.0
Potential GF Surplus to CBR per section 17 (d) (2) (4)	106.1
Projected balance as of June 30, 1997 (1) (2)	3,216.4

(1) Source: State of Alaska Annual Financial Report, June 30, 1996

(2) Source: FY 1997 Executive Petroleum Revenue Update: 12/31/1996)

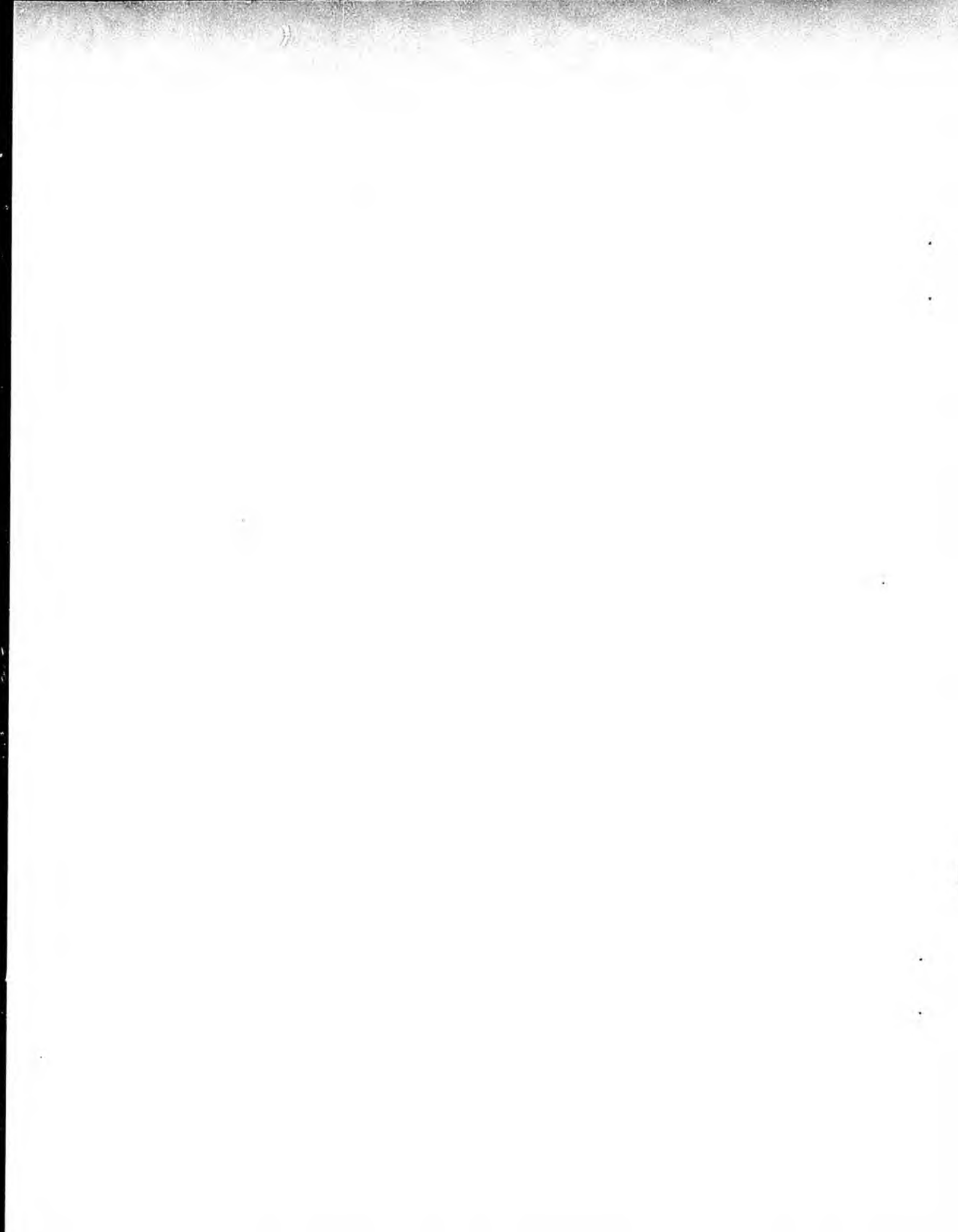
(3) Source: Department of Revenue, Projected Cash Flow and Fund Balances January 3, 1997.

Any additional settlements received will increase the projected balances.

(4) Source: Expenditure assumptions based on Governor FY97/98 Budget Plan for FY 1998, 12/15/96.

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COMPREHENSIVE INTEGRATED MENTAL HEALTH PROGRAM

The Alaska Mental Health Trust Authority (Trust Authority) is established in the Department of Revenue with responsibility for protecting trust assets and planning and promoting the State's comprehensive integrated mental health program. According to the Trust Authority's September 15, 1996, annual report, in FY96: the Trust Land Office generated approximately \$1,460,000 from Trust land fees, rents, royalties and sales. The total earnings of Mental Health Trust funds with the Alaska Permanent Fund Corporation are \$23,949,000 from earnings of the \$200 million money trust, inflation-proofing and land revenues allocated as principal. The Trust Authority must prepare, and periodically revise and amend, a plan for a comprehensive integrated mental health program in conjunction with the Department of Health and Social Services. The following agencies' mental health budgets are included in the separate mental health bill: Administration, Corrections, Education, Health and Social Services, Law, Natural Resources, Revenue, University of Alaska and the Court System. The Department of Health and Social Services has by far the majority of mental health programs and consequently funding – with 93% of total general fund mental health funds and 66% of Trust Authority funds.

MAJOR CHANGES

Department of Administration

- The Governor's request includes an increase of \$407,200 Trust Authority funds in the Home and Community Based Care component for Alzheimer's Disease and Related Dementia (ADRD) training and to assist seniors with mental illness.

Department of Health and Social Services

- The Trust Authority would provide \$1,150,000 Mental Health Trust funds to match federal funds of \$2,300,000 for restoring Medicaid Optional services for adult Medicaid recipients that have not been funded since the Fall of 1994: adult dental services, speech-language pathology services, audiology services and hearing aids, vision examinations and eyeglasses, and occupational therapy services. The proposal also includes an increase of \$1,150,000 general funds.
- In FY97, the department agreed to fund specific community mental health services with general funds while the Alaska Mental Health Trust Authority agreed to fund part of the operating costs of Harborview Development Center (HDC) with Trust Authority funds. Fiscal Year 1998 is the final year of a three year closure plan for HDC. A \$980,100 decrease of Trust Authority funds in the HDC reflects the planned closure.

There were no significant changes in Corrections, Education, Law, Natural Resources, Revenue, University of Alaska or the Court System.

The statutes relating to the separate mental health bill include a provision that if the bill for the comprehensive integrated mental health program includes any differences from the Trust Authority's

legislative fiscal analyst overview of the governor's request

funding recommendation, then a report must accompany the bill to explain the differences between the Trust Authority's recommendations and those of the Governor or Legislature. Below are some of the differences between the Trust Authority's funding recommendation and the Governor's recommendations.

Department of Administration

- The Governor did not fund increased respite and increased care coordination for seniors in the Home and Community Based Care component – the request was for \$400,000 and \$750,000 general fund mental health funds, respectively.

Department of Corrections

- The Governor did not fund an increment of \$600,000 general fund mental health funds for an Inpatient Unit for female mentally ill offenders.

Department of Health and Social Services

- Of \$3 million general fund mental health increments requested for the Department of Health and Social Services, the Governor recommended funding \$150,000 of the request. Of this amount \$100,000 is for the Infant Learning Program and \$50,000 is for an Inhalant Prevention Project in Alcohol and Drug Abuse Grants. Programs not funded include: increased respite care for developmental disabilities clients, seven new emergency services detoxification beds, new models for mental health crises respite services, developmental disabilities individualized vocational assistance and Harborview Development Center operating funds.

FY98 Governor's Recommendation for Mental Health Programs (In thousands of dollars)

Department	GF/MH	MHTAAR	MHT Admin	Total
Administration	3,131.5	407.2		3,538.7
Corrections	3,462.2			3,462.2
Education	228.1			228.1
Health and Social Services	101,726.7	4,053.7		105,780.4
Law	67.9			67.9
Natural Resources		743.5		743.5
Revenue			892.8	892.8
University of Alaska	200.8			200.8
Alaska Court System	79.3			79.3
Total	108,896.5	5,204.4	892.8	114,993.7

GF/MH - General Fund/Mental Health

MHTAAR - Mental Health Trust Authority Authorized Receipts

MHT Admin - Mental Health Trust Administration

The funding source for MHTAAR and MHT Admin is the Mental Health Trust Settlement Account (MHTSIA). The source of funds for the MHTSIA are earnings from the Trust Fund and land proceeds.

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COMPREHENSIVE INTEGRATED MENTAL HEALTH PROGRAM

FY97 CONFERENCE COMMITTEE	112,398.4
FY97 Salary Adjustment	44.9
FY97 AUTHORIZED	112,443.3
FY98 Salary Adjustment	209.3
FY98 Health Premium Increase	73.8
Miscellaneous Adjustment	(89.5)
FY98 ADJUSTED BASE	112,636.9
Trust Authority Increments	7,995.8
Governor's Increments	3,282.7
Governor's Decrements	(8,921.7)
FY98 GOVERNOR REQUEST	114,993.7
General Fund Mental Health	108,896.5
Mental Health Trust Authority Authorized Receipts	5,204.4
Mental Health Trust - Administration	892.8

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DEPARTMENT OF ADMINISTRATION

The Department of Administration provides basic internal services to other state agencies. These include services provided by Personnel, Finance, General Services, Retirement and Benefits, Labor Relations, Risk Management, and Information Services. The department also serves as the umbrella agency for a group of diverse social service, justice, and regulatory agencies. These functions are performed by the divisions of Senior Services, the Public Defender Agency, and the Office of Public Advocacy. The following boards and commissions are also administered by the department: Alaska Commission on Aging, Citizen's Review Panel for Permanency Planning, Pioneers' Homes Advisory Board, Alaska Public Offices Commission, Public Broadcasting Commission, and the Alaska Oil & Gas Conservation Commission.

MAJOR CHANGES

- Underfunding issues in the FY98 Governor's budget - The Office of Public Advocacy, Public Defender Agency, and Leasing budget requests do not include the department's estimate of full funding. The difference between the Governor's budget and the agency's estimate of full funding is \$720,000, \$550,000, and \$1,183,500, respectively, or a total general funding shortfall of up to \$2,453,500. These are all areas of the Department of Administration's budget which have required supplemental appropriations in the past, which the Governor apparently plans to continue as a matter of policy.
- Fiscal Year 1998 is the first year that the Longevity Bonus authorization will decrease because of the phase-out adopted by the Legislature in 1993. The last applicants accepted into the longevity bonus program are those individuals that turned 65 years of age before December 31, 1996. The expected FY98 general fund decrease is \$2,863,700, a 4% decrease from the FY97 authorized amount.
- The proposed budget for the Pioneers' Home component would increase the rates charged to residents. This is the second year in a seven year plan to charge residents for the full cost of care. As rates are increased, residents unable to pay the increased costs will not be discharged. The increase in rates would be effective July 1997. This increase would generate an additional \$1,887,900 in program receipts to replace direct general fund appropriation.

ORGANIZATIONAL CHANGES

The Office of Tax Appeals was added in Chapter 108, SLA 1996 (HB 341) and is codified in AS 43.05.400 through 43.05.499. The law governs administrative appeals regarding: electric and telephone cooperative taxes, seafood marketing assessment, and other state taxes, except for Oil & Gas Exploration, Production and Pipeline transportation Property Taxes.

Funding is transferred from the Department of Health and Social Services to the Department of Administration for the administrative costs of the Medicaid Home and Community Based Care program. This will not change how the program currently operates. Another addition to the Division of Senior Services in FY98 is the Home Health Services (personal care attendants) grant program. This program is transferred from the DHSS, Division of Public Health.

At the beginning of FY97, the Citizens Review Panel for Permanency Planning began reporting to the director of the Division of Senior Services. This change is reflected in the FY98 budget request.

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DEPARTMENT OF ADMINISTRATION

FY97 CONFERENCE COMMITTEE	262,191.3
Fiscal Notes	907.7
Vetoed	(100.0)
FY97 Salary Adjustment	479.1
FY97 AUTHORIZED	263,478.1
One-time Items	(185.2)
Agency Transfers In	1,789.2
Agency Transfers Out	(11.8)
FY98 Salary Adjustment	827.6
FY98 Health Premium Increase	285.7
Information Service Fund Front Section	(21,606.5)
Retirement Incentive Program funding	734.4
FY98 ADJUSTED BASE	245,311.5
Increments	2,370.4
Decrements	(3,461.6)
FY98 GOVERNOR REQUEST	244,220.3
General Funds	173,161.7
Other Funds	64,200.7
Federal Funds	6,858.0

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DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

The Department of Commerce and Economic Development has responsibilities in two major areas: Public Protection and Development. Public Protection regulates weights and measures, banking, securities and corporations, insurance, occupations and public utilities. Development provides general assistance and access to capital markets for business, coordinates numerous state loan programs, manages programs aimed at key economic sectors such as electric power generation, tourism, aerospace, mining and fishing. Additionally, the department participates in the domestic and international marketing of Alaskan products and attractions.

MAJOR CHANGES

- FY97 Authorization included \$9,185,800 in carryforward funding, including \$2,785,800 general funds. These amounts are reduced in the FY98 budget by \$8,013,900 total funds and \$1,613,900 general funds. These transactions affect Insurance, Occupational Licensing, Alaska Public Utilities Commission, Alaska Seafood Marketing Institute and the Alaska Science and Technology Foundation.
- The Trade and Development component includes \$56,200 additional interagency receipt funding to support international tourism and other development activity in Taiwan and Korea.
- Occupational Licensing has FY97 carryforward authorization of \$1,386,400 in general fund program receipts. This authorization was reduced by \$1,017,800 leaving \$368,600 to fund costs increases for: 1) two existing investigator positions; 2) an executive secretary for the Board of Registration for Architects, Engineers, and Land Surveyors; 3) administrative support for several boards; and 4) a contract (RSA) with the Department of Labor for increased enforcement of construction contractor and electrical/mechanical administrator licensing laws.
- The Alaska Tourism Marketing Council budget includes an increment for increased television advertising. The increment adds \$200,000 in general funds and \$66,700 in general fund program receipts as match for the increased state contribution. Funding for the Film Office in the Division of Tourism is reduced by \$157,300 and is accompanied by the elimination of one full time position. \$400,000 in general fund program receipts is requested to continue coordination of the Alaska/Canada cooperative program, Tourism North.
- Activities eliminated in the FY98 budget include the Juneau Mining and Development Specialist position and funding of \$2,700 general funds.

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DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

FY97 CONFERENCE COMMITTEE **58,685.2**

Fiscal Notes	1,161.0
Carryforward Funding	9,185.8
Multi-year Supplemental	47.5
FY97 Salary Adjustment	140.4

FY97 AUTHORIZED **69,219.9**

FY98 Salary Adjustment	303.6
FY98 Health Premium Increase	115.3
One-time Items	(6,447.5)
Inter Agency Receipts Increase	33.6
Funding for Tourism North	400.0

FY97 ADJUSTED BASE **63,624.9**

Increments	732.4
Decrements	(3,562.2)

FY98 GOVERNOR REQUEST **60,795.1**

General Funds	37,669.3
Other Funds	19,431.7
Federal Funds	3,694.1

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DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

The Department of Community and Regional Affairs provides a wide range of services to local governments and unincorporated communities in the form of grants and direct technical assistance. It operates the Rural Economic Development Initiative Program, the state administered federal Job Training Partnership Act program and parent caregiver and community services. It also administers programs offering assistance to incorporated and unincorporated entities in the areas of governmental and financial management, utility management, public planning processes, land use planning and capital project planning. It manages the Shared Fisheries Business Program and two major formula funded grant programs: Senior Citizens/Disabled Veterans Tax Relief and the State Revenue Sharing and Municipal Assistance Programs. The energy development components include a rural utility Circuit Rider Program and administration of the Power Cost Equalization (PCE) Program.

MAJOR CHANGES

- In FY97 the department received federal approval for a three year grant to implement an integrated one-stop career center system. Staff from the Departments of Community and Regional Affairs, Labor, Education, Health and Social Services and Administration will either co-locate physically or electronically through computer networks to provide integrated access to services required by job seekers and employers. In FY98 the Department establishes a new component in the Administration and Support BRU entitled One-Stop, and includes an increment for \$3,656,700 federal funds to continue the physical and electronic integration of one-stop sites in Eagle River, Kenai, Anchorage, Homer, Juneau, Kotzebue, Nome, Sitka and Wasilla. Statewide oversight of the One-Stop State Office system will be provided by the Alaska Human Resource Investment Council.
- As a part of the federal and state welfare reform effort, the Day Care Assistance program includes an increment for \$2,094,600 interagency receipts from the Department of Health and Social Services to provide child care subsidies for families receiving and coming off public assistance, and low income families at risk of going on public assistance.
- Funding and positions for the Community Development Quota (CDQ) program, the Rural Development Initiative Fund (RDIF) program, the Alaska Rural Development Council (ARDC), the Rural Development Grant program and the Community Development Block Grant program have been consolidated into a new component/BRU entitled Community and Economic Development. Responsibility for these programs has been transferred from the Division of Community and Rural Development to the Municipal and Regional Assistance Division.
- Municipal Assistance and Revenue Sharing are reduced 2.3 percent below the FY97 Authorized level (\$1,232,200 general funds).

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DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

FY97 CONFERENCE COMMITTEE	138,088.6
FY97 Salary Adjustment	76.6
Fiscal Notes	351.2
Vetoed	(100.0)
FY97 AUTHORIZED	138,416.4
One-time Items	(251.2)
FY98 Salary Adjustment	139.3
FY98 Health Premium Increase	49.4
FY98 ADJUSTED BASE	138,353.9
Increments	10,794.9
Decrements	(2,917.5)
FY98 GOVERNOR REQUEST	146,231.3
General Funds	80,347.6
Other Funds	30,963.6
Federal Funds	34,920.1

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DEPARTMENT OF CORRECTIONS

The primary responsibilities of the Department of Corrections are to administer the state's penal institutions and supervise the probation and parole of offenders. As part of an effort to rehabilitate inmates, the department manages education and sex offender programs, alcohol counseling, medical services and community residential and restitution centers.

MAJOR CHANGES

- \$727,100 general funds added to replace reappropriated funds in the FY97 budget for Community Residential Centers.
- The FY98 request increases funding in the Out-of-State Contractual component by a total of \$1,000,200 general funds. This request would allow the department to contract for an additional 44 beds in FY98 to address over-crowding of state institutions. The funding would come from general fund transfers from the Commissioner's Office and the Community Residential Centers components; the amounts are \$540,000 and \$460,200, respectively.

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DEPARTMENT OF CORRECTIONS

FY97 CONFERENCE COMMITTEE	136,840.7
Fiscal Notes	708.4
Reappropriation for Community Residential Centers	727.1
FY97 Salary Adjustment	469.3
FY97 AUTHORIZED	138,745.5
FY98 Salary Adjustment	1,082.4
FY98 Health Premium Increase	369.3
FY98 ADJUSTED BASE	140,197.2
Increments	358.5
Decrements	(55.3)
FY98 GOVERNOR REQUEST	140,500.4
General Funds	133,853.7
Other Funds	4,938.4
Federal Funds	1,708.3

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DEPARTMENT OF EDUCATION

The Department of Education is responsible for funding and regulating the state's K-12 schools. The department also administers reimbursement of debt for school construction to municipal school districts and grants for school construction. In addition, the department administers adult and vocational education programs, the Alaska Vocational Technical Center (AVTEC) in Seward and the Kotzebue Technical Center, the Mt. Edgecumbe Boarding School, the Alyeska Central School, the Alaska State Libraries and Museums and the Alaska State Council on the Arts. The Division of Vocational Rehabilitation and the Alaska Commission on Postsecondary Education are also within the Department of Education's budget.

MAJOR CHANGES

- To offset the one-time carryforward of \$3,678,000 authorized in Chapter 123 SLA 96. section 80, and the one-time increase and expenditure of \$3,422,700 Public School Funds in FY97, the Foundation Program component includes two major general fund increases. The first is a fund change of (\$2,633,800) in Public School Funds and a general fund increase of \$2,633,800. A general fund increment for \$9,747,600 represents the balance necessary to meet department's current estimates of an assumed 1.5 percent increase based on the past four years average increased costs. **The assumptions do not account for changes in local effort based on assessed values, or proposed changes in the foundation formula.**

Changes to the foundation formula as currently proposed by the department would require an additional \$12,000,000 general funds to accommodate the Level III/Incentive Grant associated with distinguished school recognition.

- School Debt Reimbursement for FY98 is decreased by \$6,328,200 based on the assumption that the remaining bond principal for Fairbanks, Anchorage, Aleutians East, Hoonah and Yakutat will be sold in FY97. Projections for potential carryforward in the School Debt Fund due to extended time frame for issuing bonds in FY97 could reduce the need for additional general funds required in FY98.
- Pupil Transportation is increased 7.2 percent (\$2,353,000 general funds) above FY97 Authorized. This is based on the department's assumption of a five year average 3 percent increase for contractual cost of living increases, and growth due to new routes and contracts.
- Additional district support for single site schools is increased 9.4 percent above FY97 Authorized (\$296,500 general funds).

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DEPARTMENT OF EDUCATION

FY97 CONFERENCE COMMITTEE **899,444.0**

Fiscal Notes 16.4

Special Appropriations 3,678.8

FY97 Salary Adjustment 241.8

FY97 AUTHORIZED **903,381.0**

FY98 Salary Adjustment 353.9

FY98 Health Premium Increase 156.9

FY98 ADJUSTED BASE **903,891.8**

Increments 19,852.8

Decrements (7,066.9)

FY98 GOVERNOR REQUEST **916,677.7**

General Funds 702,074.5

Other Funds 92,246.2

Federal Funds 122,357.0

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DEPARTMENT OF ENVIRONMENTAL CONSERVATION

The Department of Environmental Conservation is a technical assistance, regulatory and grant-in-aid agency responsible for protecting the environment and public health. The agency prevents or responds to air, land and water pollution; enforces basic standards of sanitation in public facilities; assures wholesome meat, fish and dairy products for consumers; and provides financial and technical assistance to municipalities and local communities for water, sewer and solid waste projects. It also has lead agency responsibility for oil spill management and oversees the disposition of the Oil and Hazardous Substance Release Response and Prevention Fund.

MAJOR CHANGES

- A decrement of \$1,976,200 in Storage Tank funds in the Storage Tank Program component proposes to transfer the financial assistance program staff and grants to the capital budget because storage tank projects typically require more than one year's time for completion.
- The line item transfer of \$71,800 from grants to the contractual line in Facility Construction Operations is due to an increase in DEC Administrative Services chargeback (for phone, copier and administrative support). Due to the additional non-general funds requested in the Remote Maintenance Worker Program, grantees will not be eliminated nor grant amounts reduced as a result of this transfer.
- An increment of \$592,500 in federal receipts is requested to support existing programs in the Facility Construction and Operations BRU. A fund source change from general fund to general fund match is proposed for the capture of the additional federal receipts. \$450,000 will provide continuing support and establish new services for the Remote Maintenance Worker program. \$120,000 will be used to increase local understanding, training, and management of rural sanitation facilities in conjunction with the Governor's Council on Rural Sanitation. A request for \$22,500 to increase travel will ensure efficient management of the federal contract management assistance grant.

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DEPARTMENT OF ENVIRONMENTAL CONSERVATION

FY97 CONFERENCE COMMITTEE	45,547.0
FY97 Salary Adjustment	216.2
FY97 AUTHORIZED	45,763.2
FY98 Salary Adjustment	387.2
FY98 Health Premium Increase	136.4
FY97 ADJUSTED BASE	46,286.8
Increments	2,688.4
Decrements	(2,916.3)
FY97 GOVERNOR	46,058.9
General Funds	15,622.3
Other Fund	19,897.6
Federal Fund	10,539.0

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DEPARTMENT OF FISH AND GAME

The Department of Fish and Game is responsible for the maintenance, development and enhancement of the fish and wildlife resources of Alaska consistent with social, cultural, environmental and economic needs. The department manages these resources in accordance with regulations adopted by the Boards of Fisheries and Game and the Commercial Fisheries Entry Commission.

MAJOR CHANGES

- The Commercial Fisheries Management and Development program, Fisheries Management component includes an increment for \$351,900 general fund program receipts from test fish project resource sales. Anticipated test fisheries include Southeast herring (\$30,800), Southeast groundfish (\$67,700), Southeast shellfish (\$39,000), a South Unimak chum-to-sockeye ratio assessment (\$90,400) and Kodiak herring (\$124,000).
- A \$574,800 Sport Fisheries increment for Dingeli-Johnson/Wallop Breaux federal funds (\$265,100) and Fish and Game Funds (\$309,700) will support a number of new or continuation projects. These include a reimbursable services agreement with the Department of Public Safety for increased Fish and Wildlife Protection officers on the Kenai Peninsula; dolly varden research in the Kenai River drainage; preseason king crab abundance estimates for the rapidly expanding personal use king crab fishery in Juneau; Katchemak Bay hard-shell clam and Dungeness crab stock assessment; Unalakeet and North River king salmon telemetry; spawning escapement surveys for Kodiak road system coho; Ninilchik razor clam assessment; research/assessment of Kobuk River sheefish spawning population; and enhancements for public communications and general program administration. Authorization for twenty-six new permanent full-time positions is included in this request.
- The Wildlife Conservation component includes a \$1,996,200 increment for Fish and Game Funds to restore prior year reductions to Fish & Game Fund authorization, and to support new and continuing projects relating to wolf management and control, watchable wildlife and hunter education. The component also includes a proposal to transfer \$319,500 Fish and Game Funds to the Boards of Fish and Game in exchange for a like amount of general funds to support continuation of the watchable wildlife program.
- Of the \$2,749,800 in decrements identified by the department for FY98, over 85% (\$2,359,900) represents a reduction in Exxon Valdez Oil Spill Settlement fund authorization for projects specifically related to and funded by the Exxon Valdez Oil Spill Settlement. The remaining \$389,900 is comprised of reductions in interagency receipts (\$252,300), general funds (\$71,900) and CIP receipts (\$65,700).

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF FISH AND GAME

FY97 CONFERENCE COMMITTEE	104,157.6
FY97 Salary Adjustment	520.2
Fiscal Notes	563.2
Vetoed	(44.2)
FY97 AUTHORIZED	105,196.8
FY98 Salary Adjustment	886.7
FY98 Health Premium Increase	314.8
FY98 ADJUSTED BASE	106,398.3
Increments	3,386.7
Decrements	(2,749.8)
FY97 GOVERNOR REQUEST	107,035.2
General Funds	40,954.2
Other Funds	34,286.9
Federal Funds	31,794.1

legislative fiscal analyst overview of the governor's request

OFFICE OF THE GOVERNOR

The Governor's Office is responsible for the operation of the executive branch of state government as specified in the *Alaska Constitution* and statutes: the Executive Office (Governor, Lieutenant Governor and related offices), Office of Management and Budget, Elections and Commissions/Special Offices.

The Executive Office is funded with funds carried forward from previous fiscal years in addition to current year appropriation, primarily from the general fund.

MAJOR CHANGES

- An every-other-year general fund decrement of \$1,825,300 is included in recognition that general and primary elections will not be held during fiscal year 1998 with their associated costs.
- A \$119,800 general fund increment is added to Human Rights Commission to reduce hearings backlog.
- Reduced funding is proposed for the Coastal Zone Management Program and savings from permitting streamlining amounting to \$259,100 in general funds and \$444,600 total funds.
- Minor travel and other non-personal services reductions are proposed throughout the budget components.

ORGANIZATIONAL CHANGES

- Office of Management and Budget: the previously separate components for Office of the Director, Budget Review, and Audit and Management are collapsed into a single new component through transfers.
- The Arctic National Wildlife Refuge development promotion component is renamed North Slope Development Promotion without a request for new funding. In recent years this effort has been funded with reappropriations.

legislative fiscal analyst overview of the governor's request

OFFICE OF THE GOVERNOR

FY97 CONFERENCE COMMITTEE	20,025.7
Fiscal Notes	72.0
Carryforward Funds	3,283.8
FY97 Salary Adjustment	82.1
FY97 AUTHORIZED	23,463.6
Backout Carryforward/One-time Items	(2,248.1)
FY98 Salary Adjustment	170.7
FY98 Health Premium Increase	57.0
FY98 ADJUSTED BASE	21,443.2
Increments	127.0
Decrements	(2,502.8)
FY98 GOVERNOR REQUEST	19,067.4
General Funds	15,737.7
Other Funds	406.9
Federal Funds	2,922.8

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

The Department of Health and Social Services (DHSS) provides direct services in the area of public assistance, medical care, child protection, treatment and prevention of substance abuse and mental health, as well as grants to local providers for additional public programs. More than half of the budget is made up of entitlement programs which include the following formula programs: Alaska Temporary Assistance Program (ATAP) - replaces Aid to Families with Dependent Children (AFDC), Adult Public Assistance, General Relief Assistance, Medicaid, General Relief Medical, Foster Care and Subsidized Adoption/Guardianship, plus the Permanent Fund Dividend and Alaska Longevity Bonus Hold Harmless which are tied directly to entitlement programs.

MAJOR CHANGES

- General fund increases in formula programs: ATAP - \$1,245,800, Medicaid - \$1,149,400, Foster Care - \$832.4, Subsidized Adoptions and Guardianship - \$403,100 and Social Services Block Grant Offset - \$900,000. The increase for Medicaid is net of \$2.0 million general fund reduction for changes to the Supplemental Security Income (SSI) eligibility criteria for alcohol and drug abuse as the primary disability determination and for children who are relatively less disabled. Social Services Block Grant offset funding reflects reduced federal funding.
- The Governor's budget proposes general fund transfers from assistance payments to: the Alaska Work Program - \$1,724,500, Child Care Benefits - \$1,722,300 and Data Processing \$261,100. A similar request was made in the FY97 budget. The Legislature elected to allow some reinvestments and to take some of the reductions as savings.
- A proposed increase of \$1,150,000 general funds for restoring Medicaid Optional services for adult Medicaid recipients that have not been funded since the Fall of 1994: adult dental services; speech-language pathology services; audiology services and hearing aids; vision examinations and eyeglasses; and occupational therapy services. The Alaska Mental Health Trust Authority would also provide \$1,150,000 Mental Health Trust funds to match federal funds of \$2,300,000.
- The request includes \$658,000 general funds for a new grant program in the Division of Family and Youth Services to enable communities to handle less serious offenses through community based diversion programs.
- The request places in the budget a new grant program begun by the department in FY97 - COMPASS Grants. COMPASS stands for **COM**munity **P**artnerships for **A**ccess, **S**olutions and **S**uccess. The grants are for communities to plan for the delivery of integrated education, health and social services. The source of the \$900,000 funds is the Division of Medical Assistance federal claims for services provided to Medicaid eligible children by school districts. The Department of Education uses part of the claim for grants to school districts and other administrative expenses.
- FY98 will be the first year that funds are appropriated from the Alaska Children's Trust Fund - \$100,000 for administrative costs, board travel and grants administration, and \$290,000 for community-based child abuse and neglect prevention grants.

ORGANIZATIONAL CHANGES

The DHSS is transferring the Home Health Services (personal care attendants) grant program to the Department of Administration, Division of Senior Services in FY98.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

FY97 CONFERENCE COMMITTEE	857,258.1
Fiscal Notes	3,333.4
Reappropriations	340.0
Special	150.8
One-time Item	(50.0)
FY97 Salary Adjustment	1,353.7
FY97 AUTHORIZED	862,401.0
One-time Item	(100.8)
Agency Transfers In	243.0
Agency Transfers Out	(1,753.8)
FY98 Salary Adjustment	1,586.7
FY98 Health Premium Increase	586.4
FY98 ADJUSTED BASE	862,962.5
Increments	43,079.9
Decrements	(9,747.1)
FY98 GOVERNOR REQUEST	896,295.3
General Funds	459,551.9
Other Funds	71,309.3
Federal Funds	365,434.1

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF LABOR

The Department of Labor is responsible for enforcing the state's labor laws, providing job placement, paying unemployment claims, reporting labor statistics, public protection through inspections, certification, training and enforcement of occupational safety and health standards. The department also administers the Alaska Worker's Compensation laws and the Fishermen's Fund.

MAJOR CHANGES

- Employment/Unemployment Services proposes a reduction of \$1,500,000 in federal and interagency receipts due to an anticipated reduction in available federal receipts -- along with the elimination of 25 vacant positions.
- A general fund match reduction in the Alaska Work Program is proposed due to reallocating data processing costs internally for an overall savings of \$100,000.
- An increment of \$99,900 of Employee Training funds is proposed due to an increased estimate in wages. One tenth of one percent of Unemployment Insurance (wage base) provides funding for the State Training Employment Program.
- Mechanical Inspection requests an increment of \$100,000 in interagency receipt authorization to allow an increase in the reimbursable services agreement with the Department of Commerce, Occupational Licensing. The Department of Labor inspects electrical/mechanical contractors statewide and, through the agreement with Occupational Licensing, checks for current and appropriate licensure.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF LABOR

FY96 CONFERENCE COMMITTEE	59,696.5
FY97 Salary Adjustment	322.8
Fiscal Notes	108.8
FY96 AUTHORIZED	60,128.1
FY98 Salary Adjustment	505.6
FY98 Health Premium Increase	189.1
FY96 ADJUSTED BASE	60,822.8
Increments	374.5
Decrements	(2,062.4)
FY97 GOVERNOR REQUEST	59,134.9
General Funds	8,894.0
Other Funds	15,996.1
Federal Funds	34,244.8

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF LAW

The Department of Law is responsible for public protection through enforcement of unfair trade practice and antitrust laws, prosecution of violators of state criminal laws, representing the state in legal actions, providing legal services in the resolution of tax and royalty disputes, and legal services for extraordinary proceedings such as oil and gas litigation. The department also advises state agencies in areas of legal concern including the promulgation of regulations and drafting of legislation.

MAJOR CHANGES

- The department plans to eliminate Statehood Defense as a separate BRU, and move its \$1.44 million and 13 positions to the Civil Division BRU, General Legal Services/Statehood Defense component. This is a continuation of the department's FY97 consolidation of the Civil Division, but contrary to FY97 legislative appropriation.
- The Civil Division proposes to eliminate two attorney positions and \$320,000 in general funds, while protecting the child protection and employment law areas.
- The department plans to reduce its outside counsel budget for oil and gas litigation by \$2,089,800 based on increasing in-house staff expertise in the area, and because the scope of work is decreasing.
- A \$132,100 Civil Division increment is proposed to create a new Anchorage position to prosecute fish and game violations, funded by the Fish & Game Fund.
- The department proposes to add \$504,000 in interagency receipts, in recognition of work it has been doing for two or more years through unbudgeted reimbursable service agreements.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF LAW

FY97 CONFERENCE COMMITTEE	47,520.8
Fiscal Notes	349.8
Reappropriations	500.0
FY97 Salary Adjustment	230.3
FY97 AUTHORIZED	48,600.9
FY98 Salary Adjustment	406.9
FY98 Health Premium Increase	129.7
One-time Items	28.0
FY98 ADJUSTED BASE	49,109.5
Increments	636.1
Decrements	(2,506.0)
FY98 GOVERNOR REQUEST	47,239.6
General Funds	30,985.2
Other Funds	15,829.3
Federal Funds	425.1

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS

The Department of Military and Veterans' Affairs is responsible for the state's military operations, disaster planning and control, and veterans programs. Within the department, the Commissioner's Office is primarily responsible for military and administrative operations and veterans programs, while the Division of Emergency Services is responsible for civil defense and disaster response and recovery plans.

MAJOR CHANGES

- A \$250,000 GF increment is requested as state support for continuation of the federal Youth Corps program as it moves out of its final year as a pilot project into a permanent program. Congress has stressed the need for state support for the Youth Corps projects in order to retain federal funding, which was \$3.12 million in FY97; FY98 federal funding has not yet been determined.
- The FY97 budget request includes \$9 million in federal receipts authorization for the Disaster Relief Fund – same as the FY97 request. It does not include a general fund appropriation to the Fund, which may occur through supplemental appropriation when and if needed. The average annual general fund cost for disaster relief efforts has been approximately \$5.75 million for FY91 through FY96.
- A new component, *Alaska National Guard Military Headquarters*, is created by transferring two existing PCN's and their funding from the Commissioner's Office and Air Guard Facilities Maintenance to the new component. The Air National Guard Commander, Army National Guard Commander will comprise the component.

The Army and Air National Guard Commanders each oversee 2,000 employees throughout the state, and together manage \$128 million in federal dollars. These two positions must be staffed at a full Commander level (equivalent to division director) to be in compliance with federal rules. This has not been the case for the Army Guard Commander position. Funding for the position upgrade is accomplished with a \$52.2 increment for increased federal receipts. The director positions are located in the new Military Headquarters component rather than the facilities maintenance components, because the Commanders are more involved with military activities than facilities maintenance.

- The department's FY98 request includes a \$168,600 increment in federal receipt authority to support a State Hazard Mitigation position, Terrorism Training, Arson training, FEMA training and the City of Sand Point's Emergency Operations Plan implementation.
- The agency proposes to move \$185,000 from 100% general funded facilities to general fund match. This will provide the federally-required 25% general fund match to support the new facilities at Bryant Airfield. The fund switch will impact maintenance plans for state-owned facilities by reducing general funds available.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS

FY97 CONFERENCE COMMITTEE	35,239.8
FY97 Salary Adjustment	80.5
FY97 AUTHORIZED	35,320.3
FY98 Salary Adjustment	119.6
FY98 Health Premium Increase	38.5
FY98 ADJUSTED BASE	35,478.4
Increments	470.8
Decrements	(7.1)
FY8 GOVERNOR REQUEST	35,942.1
General Funds	7,375.5
Other Funds	2,661.6
Federal Funds	25,905.0

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF NATURAL RESOURCES

The Department of Natural Resources manages the state's land, water, forest, grasslands, petroleum, minerals, parks, agriculture programs and related development activities. The goal of the department is the maximization of current and future public benefit through the prudent stewardship and wise development of Alaska's renewable and non-renewable resources.

MAJOR CHANGES

- Funding for the staff and operation of the Citizen's Advisory Commission on Federal Areas (CACFA) in the Commissions component is being eliminated. The total reduction is \$91,100 in general funds and one permanent full-time position.
- The department is requesting \$630,800 additional general fund program receipt authority in the Pipeline Coordinator component of the Resource Development BRU for three projects: Alpine/Colville Development (\$353,300), the Sadlerochit Pipeline (\$152,500) and the State Pipeline Coordinator's Office Liaison (\$125,000).
- Mental Health Lands Administration is adding two permanent full-time positions to work on the Asset Management Plan. Funding for these positions is being transferred from contractual service in order to perform the work in-house.
- Parks Access is a new component added to Parks and Recreation Management to segregate projects funded with CIP receipts from day-to-day operations of the State Park System. An internal transfer (\$1,367,100 CIP; \$41,800 federal; 24 permanent full-time and 5 permanent part-time positions) plus increments (\$332,500 CIP and 6 permanent full-time positions for Parks Facilities; \$41,800 CIP for Marine Recreation; \$73,000 interagency for Mining Reclamation; and \$26,100 interagency minus \$19,200 federal authority for Trails) are the fund sources.
- Funding (\$40,000 in general funds) for state fairs in the Agricultural Development BRU is being eliminated.
- The FY98 Governor's budget does not include the \$38,500 general fund appropriation restored by legislative veto override for Agricultural Programs and Land Used for Agricultural Purposes (Chapter 1 FSSLA96). Two components are effected: Land Development in the Resource Development BRU (\$15,000) and Agricultural Development (\$23,500).
- A total of \$336,100 in general fund reductions is proposed in the Governor's budget.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF NATURAL RESOURCES

FY97 CONFERENCE COMMITTEE	62,745.5
Fiscal Notes	1,005.6
Vetoed	(201.8)
Veto Override	38.5
Other/Special Appropriations	20,320.0
One-time Items	(12,496.8)
FY97 Salary Adjustment	231.7
FY97 AUTHORIZED	71,642.7
FY98 Salary Adjustment	528.1
FY98 Health Premium Increase	187.2
Remove One-time Items	(7,534.2)
Veto Override Removal	(38.5)
Other Miscellaneous Adjustments	0.0
FY98 Adjusted Base	64,785.3
Increments	2,889.6
Decrements	(1,027.4)
FY98 Governor	66,647.5
General Funds	42,294.0
Other Funds	13,446.2
Federal Funds	10,907.3

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF PUBLIC SAFETY

The Department of Public Safety is the state's primary law enforcement agency. The department's basic function is to safeguard the lives and property of citizens. Public Safety's responsibilities include enforcement of criminal laws, providing public protection programs for fire and traffic safety, enforcement of fish and game regulations, licensing drivers to ensure highway safety and register vehicles as property, search and rescue, operating the state's forensic crime laboratory and administering a training academy for public safety personnel. Public Safety also serves as the umbrella agency for the Council on Domestic Violence and Sexual Assault (DVSA), the Violent Crimes Compensation Board (VCCB) and the Alaska Police Standards Council.

MAJOR CHANGES

- A \$300,000 general fund increment is requested to provide base funding to establish Village Public Safety Officers in ten additional communities.
- The request includes \$560,000 in increments to the Fish and Wildlife Protection BRU, funded by the Fish & Game Fund. The additional funds are split between Marine Enforcement, Enforcement and Investigation Service Unit and Aircraft Enforcement components.
- A \$200,000 general fund increment would increase education and outreach efforts for victims' services from the Council on Domestic Violence and Sexual Assault (CDVSA). \$839,000 in additional federal receipt authority is also requested to continue and expand programs run by the Council

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF PUBLIC SAFETY

FY97 CONFERENCE COMMITTEE **95,452.8**

Fiscal Notes 411.3
Special Front Section Appropriation 25.0
FY97 Salary Adjustment 704.2

FY97 AUTHORIZED **96,593.3**

FY98 Salary Adjustment 805.8
FY98 Health Premium Increase 252.6
One-time Item (25.0)

FY98 ADJUSTED BASE **97,626.7**

Increments 3,478.0
Decrements (825.6)

FY98 GOVERNOR REQUEST **100,279.1**

General Funds 87,454.8
Other Funds 5,105.8
Federal Funds 7,718.5

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF REVENUE

The responsibilities of the Department of Revenue (DOR) include administration and enforcement of Alaska's tax laws, investment of most state funds, collection of fees and taxes and operation of the child support enforcement, charitable gaming, debt management and Permanent Fund Dividend programs. DOR also provides support and financial advice to the following boards and authorities: the Municipal Bond Bank Authority, State Bond Committee, Royalty Oil and Gas Advisory Board, Medical Facilities Authorities, Permanent Fund Corporation, Alaska Mental Health Trust Authority, Alcoholic Beverage Control Board, Alaska Housing Finance Corporation, State Assessment Review Board, Alaska Gas Pipeline Financing Authority, Alaska State Pension Investment Board (ASPIB) and the Public School Fund Advisory Board.

MAJOR CHANGES

- The Permanent Fund Corporation forecasts an increased need for investment management fees and requests an increment of \$751,200 from corporate receipts.
- Child Support Enforcement requests an increment of \$546,100 in the personal services and contractual lines. \$257,600 is proposed to fund reclassifications of approximately 54 positions due to increased responsibilities, and \$288,500 in contractual services, primarily Department of Administration information services charge back. The increment includes \$56,200 in general funds, \$360,500 in federal receipts and \$129,400 in federal incentive funds.
- The Alaska State Pension Investment Board requests an increase of \$10,383,900 from the various retirement funds for overhead costs. An RPL (4-7-0011) for \$2,425,000 was approved on November 7, 1996 by the Legislative Budget and Audit Committee for increased management fees.
- The Alaska Housing Finance Corporation requests increments in each of its three components for increased fixed costs, portfolio management fees and additional housing projects: Operations-\$425,000, Rural Housing-\$250,000 and Public Housing-\$250,800, for a total increment request of \$925,800 from corporate receipts.
- An increment of \$133,300 in Treasury is requested as part of the ASPIB compensation agreement for investment officers for salary increases and the purchase of portfolio management materials and software.
- The Permanent Fund Dividend BRU is requesting an increment of \$48,800 in Permanent Fund Dividend Funds and one new position as a result of increased appeals due to passing of SB 232 Notices and Eligibility.
- A general fund decrement of \$78,600, which includes one position, is proposed in Oil and Gas Audit due to the Retirement Incentive Program and projected reduced work load.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF REVENUE

FY97 CONFERENCE COMMITTEE	115,710.4
FY97 Salary Adjustment	426.9
Fiscal Notes	1,501.2
FY97 AUTHORIZED	117,578.3
FY98 Salary Adjustment	597.8
FY98 Health Premium Increase	236.1
One-time Item	
- Equipment reduction	(24.2)
- Fiscal Note HB32	(166.3)
FY97 ADJUSTED BASE	118,186.3
Increments	12,854.9
Decrements	(113.4)
FY98 GOVERNOR	130,927.8
General Funds	12,179.5
Other Fund	90,006.1
Federal Fund	28,742.2

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

The Department of Transportation and Public Facilities is responsible for the planning, design, construction, maintenance and operation of the State's major transportation infrastructure components and public buildings.

MAJOR CHANGES

- Capital Improvement Project (CIP) funding is increasing by \$258,000 for Statewide Planning, covering personal services for three permanent full-time positions proposed for transfer into the component, as well as for one existing vacant position. The objectives are to produce additional area transportation studies, to reduce the backlog of federally required accident reporting, and to increase support for various federally required programs.
- The Technology Transfer Program, including all component funding and three permanent full-time positions, is being consolidated within the research program under Engineering and Operations.
- The Administrative Services and Leasing and Property Management components for both the Central and Northern Regions were consolidated by legislative action for FY97 into a Central Region Administrative Services, Leasing and Property component and a Northern Region Administrative Services, Leasing and Property component. The department, however, is transferring funding back into the Central and Northern Region Administrative Services components, and into Central and Northern Region Leasing and Property Management components now under Statewide Maintenance and Operations.
- Safety and security concerns at the state's rural airports and at Anchorage International Airport expressed by the Federal Aviation Administration (FAA) through mandated regulations and recent recommendations are addressed in internal transfers and increments of funding and staffing in the Highways and Aviation components under the Statewide Maintenance and Operations BRU, and within the Anchorage International Airport BRU.
- \$3,000,000 in Alaska Marine Highways System (AMHS) fund authority is being reduced from the Overhaul component of the Marine Engineering BRU to reflect the reduced general fund support level to the fund for vessel repairs.
- The total agency general fund reduction is \$1,102,000. The information released from the Governor's Office entitled, "Governor's Proposed FY98 Operating Budget Summary of Changes from FY97", shows the total under two items: Reduce road maintenance in areas with low use and other access alternatives (\$265,000), and administrative efficiencies in Department of Transportation, including Marine Highway System (\$837,000). These are broad, inclusive categories, which encompass a variety of reductions throughout the budget.

legislative fiscal analyst overview of the governor's request

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

FY97 CONFERENCE COMMITTEE	337,263.7
Fiscal Note	16.5
Veto	(21.5)
FY97 Salary Adjustment	2,353.3
FY97 AUTHORIZED	339,612.0
FY98 Salary Adjustment	3,087.7
FY98 Health Premium Increase	943.3
Miscellaneous Adjustments	(3,000.0)
Transfers In	11.8
FY97 ADJUSTED BASE	340,654.8
Increments	1,423.9
Decrements	(1,601.0)
FY97 GOVERNOR REQUEST	340,477.7
General Funds	128,810.6
Other Funds	210,717.0
Federal Funds	950.1

legislative fiscal analyst overview of the governor's request

UNIVERSITY OF ALASKA

The primary mission of the University of Alaska (AS 14.40) is to provide postsecondary education to the citizens of Alaska. The University is governed by a Board of Regents consisting of 11 regents. The University of Alaska has regional centers in Anchorage, Fairbanks and Juneau. The university centers are responsible for the colleges and extension centers located throughout the state. The only community college separately accredited is the Prince William Sound Community College

MAJOR CHANGES

- Funding from the Alaska Science and Technology fund is reduced by \$530,000 in the Fairbanks Organized Research Component. This is part of a five year phase out of this fund source.
- The Governor's budget for the university contains an unallocated, general fund reduction of \$17,480,700. This reduction is composed of these actions: 1) \$15,703,000 in general fund increments are included in the Board of Regents request; 2) \$1,798,300 in general funds are included for FY98 salary increases; and 3) \$20,700 in general funds are removed as a one time item. The Governor's Office submits all increments requested by the University but offsets any general fund increases with an equivalent unallocated reduction. The net effect leaves general funds at the FY97 Authorized level.
- Non-general fund increments total \$14,815,200 and non-general fund decrements \$4,500,000. Much of this activity involves the adjustment of non-general fund receipt authority. This continues an on-going process to bring this authority in line with anticipated receipts.

ORGANIZATIONAL CHANGES

The FY98 budget includes the following organizational changes: 1) The Arctic Region Supercomputer Center is moved into Fairbanks Organized Research; 2) Alaska Cooperative Extension is included in the Fairbanks Campus; 3) the School of Fisheries and Ocean Sciences is divided between Fairbanks Organized Research and the Fairbanks Campus; 4) Higher Education/ Armed Forces is absorbed into the Anchorage Campus; and 5) the Homer Campus is combined with the Kenai Peninsula College.

legislative fiscal analyst overview of the governor's request

UNIVERSITY OF ALASKA

FY97 CONFERENCE COMMITTEE	433,017.7
Front Section: University License Plates	20.7
FY97 Salary Adjustment	2,183.2
FY97 AUTHORIZED	435,221.6
FY98 Salary Adjustment	2,581.9
One-time Items	(20.7)
FY98 ADJUSTED BASE	437,782.8
Increments	30,518.2
Decrements	(22,510.7)
FY98 GOVERNOR REQUEST	445,790.3
General Funds	167,693.6
Other Funds	210,283.2
Federal Funds	67,813.5

legislative fiscal analyst overview of the governor's request

ALASKA COURT SYSTEM

The Alaska Court System is the judicial branch of state government under the authority of Article IV of the *Alaska Constitution* and Title 22 of the Alaska Statutes.

There are four levels of courts: supreme court, court of appeals, superior court and district court. Judges preside in each of the courts except the district court where magistrates may also preside. The supreme court and superior courts are established in the *Alaska Constitution*; the districts and court of appeals, by statute.

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

MAJOR CHANGES

- The Court System request transfers a \$50,000 Anger Management Treatment Grant to the Department of Health and Social Services, Alcohol Safety Action Program.
- A \$1.43 million increment in general funds for contract services is requested to improve courthouse security statewide - in Ketchikan, Kodiak, Kotzebue, Kenai, Anchorage, Palmer, Dillingham, Fairbanks and Seward. These funds would pay for 22 Court Safety Officers (CSO) through a reimbursable services agreement with the Department of Public Safety.
- A general fund increment of \$87,300 is proposed to pay for increased space rental costs in Haines, Hoonah, Petersburg, Cordova, Homer, Naknek, Sand Point, Unalaska, Kiana, Unalakleet, Aniak and Galena. The component also includes a \$75,300 increment for courthouse maintenance, replacement equipment and leasehold improvements for Kenai and Fairbanks.
- The Trial Courts component would transfer \$193,000 to the Department of Health and Social Services, Bureau of Vital Statistics, to operate the Fairbanks Vital Statistics Office. For now, the Court System will continue to provide these services in locations other than Anchorage and Fairbanks.
- Trial Courts requests \$335,300 additional general funds for six new full time and two part time positions for clerical, library, domestic violence and law clerk functions.
- A \$103,000 general funds increment would increase juror pay from \$25/day to \$27.50/day.
- The Appellate Courts are seeking a \$37,800 increment to reduce personal services underfunding from 8% to 7%. The component also includes a \$102,500 increment to enhance the Computerized Case Management System. The funds will be used for an analyst to maintain the system, purchase hardware and provide Internet access.
- The Administration and Support component requests \$346,000 for five full time and one part time positions, and equipment for the Print Shop and Law Library.

legislative fiscal analyst overview of the governor's request

ALASKA COURT SYSTEM

FY97 CONFERENCE COMMITTEE	46,209.7
FY97 Salary Adjustment	1,665.8
Fiscal Notes	308.2
Veto	(79.0)
FY97 AUTHORIZED	48,104.7
FY98 Salary Adjustment	563.9
Transfer Out	(243.0)
FY98 ADJUSTED BASE	48,425.6
Increments	3,030.3
FY98 AGENCY REQUEST	51,455.9
General Funds	51,455.9

COMMISSION ON JUDICIAL CONDUCT

The Commission on Judicial Conduct is established under the *Alaska Constitution* to investigate complaints of alleged misconduct by judges and justices.

- The Commission has submitted a continuation budget for FY98, which includes salary adjustments: a 1.2% increase for FY98, compared to the FY97 increase of 5.2%.
- The request also includes a \$15,000 increment to pay special counsel attorneys fees in an on-going formal investigation.

legislative fiscal analyst overview of the governor's request

COMMISSION ON JUDICIAL CONDUCT

FY97 CONFERENCE COMMITTEE	228.0
FY97 AUTHORIZED	228.0
¹ FY97 Salary Adjustment	7.3
FY98 Salary Adjustment	2.1
FY98 ADJUSTED BASE	237.4
Increment	15.0
FY98 GOVERNOR	252.4
General Funds	252.4

¹ Due to an oversight, the Commission was not appropriated its funding for the FY97 COLA.

JUDICIAL COUNCIL

The Judicial 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 in Alaska. The council is also mandated by statute to nominate candidates for vacancies in the court of appeals, district courts and public defender position. The council is also empowered by statute to evaluate justices and judges in retention elections.

The Judicial Council has submitted a continuation budget and increments for three projects:

- \$13,900 in general funds to update two publications: the "Crime Victims' Handbook" and its "Guide to the Criminal Justice System";
- \$9,700 in general funds to complete a directory of rural justice organizations; and
- \$10,000 in general funds to restore a grant to the CourtWatch program run by the Victims for Justice organization. This program gives citizens the training and opportunity to evaluate the performance of judges.

legislative fiscal analyst overview of the governor's request

JUDICIAL COUNCIL

FY97 CONFERENCE COMMITTEE	617.8
FY97 Salary Adjustment	20.0
Fiscal Note	13.9
FY97 AUTHORIZED	651.7
FY98 Salary Adjustment	7.2
FY98 ADJUSTED BASE	658.9
Increments	33.6
FY98 GOVERNOR	692.5
General Funds	692.5

legislative fiscal analyst overview of the governor's request

ALASKA STATE LEGISLATURE

The Alaska State Legislature is the legislative branch of state government as provided in the *Alaska Constitution* and in statute. The legislative branch includes the sixty members and supporting staff including the legislative agencies: Legislative Budget and Audit Committee, Legislative Council (Legislative Affairs Agency), Legislative Operating Budget (leadership) and the Ombudsman.

The legislature is funded primarily with appropriations from the general fund.

MAJOR CHANGES

The FY1997 authorized level is proposed as the Governor's FY98 budget for the Legislature. The actual legislative budget request will be developed and submitted to the finance and oversight committees during session, approximately in February.

legislative fiscal analyst overview of the governor's request

ALASKA STATE LEGISLATURE

FY97 CONFERENCE COMMITTEE	30,724.6
Fiscal Notes	15.0
Reappropriations	224.0
FY97 Salary Adjustment	284.0
FY97 AUTHORIZED	31,247.6
FY98 ADJUSTED BASE	31,247.6
Increments	0.0
Decrements	0.0
FY98 GOVERNOR REQUEST	31,247.6
General Funds	31,113.4
Other Funds	134.2

Note: The Governor's proposed FY98 budget for the Legislature is the FY97 Authorized level.

legislative fiscal analyst overview of the governor's request

HISTORICAL SUMMARY State of Alaska Budgets General Funds (in millions of dollars)

FY	Operating	Capital	Loan	G.F. Debt	Total
61	37.8	8.1			45.9
62	46.2	6.1			52.3
63	57.7	8.1			65.8
64	70.9	12.0			82.9
65	74.4	4.7			79.1
66	84.1	2.0			86.1
67	92.5	1.3			93.8
68	102.0	11.1			113.1
69	125.5	2.3			127.8
70	170.8	2.0			172.8
71	274.3	36.5			310.8
72	302.1	8.4			310.5
73	327.4	14.7			342.1
74	360.3	10.1			370.4
75	489.2	23.0			512.2
76	574.6	53.4			628.0
77	696.4	19.8			716.2
78	791.1	51.1	10.0		852.2
79	837.7	171.0	14.0	59.8	1,082.5
80	959.6	92.0	33.5	75.2	1,160.3
81	1,364.3	565.2	560.1	97.4	2,587.0
82	1,706.2	1,164.9	471.8	102.4	3,445.3
83	1,897.0	470.1	337.0	143.6	2,847.7
84	1,958.0	778.4	171.9	178.6	3,086.9
85	2,110.5	1,241.9	140.0	169.5	3,661.9
86	2,116.5	471.4	80.4	163.3	2,831.6
87	1,844.1	337.6	61.0	155.0	2,397.7
88	1,911.3	173.4	22.6	148.0	2,255.3
89	2,086.7	127.1	17.5	147.4	2,378.7
90	2,118.6	180.2	10.0	132.5	2,441.3
91	2,286.3	147.3	13.7	107.6	2,554.9
92	2,325.0	354.6	11.7	80.2	2,771.5
93	2,327.0	300.3	7.6	71.1	2,706.0
94	2,344.2	521.8	18.3	45.1	2,929.4
95	2,339.2	101.3	0.0	29.7	2,470.2
96	2,273.3	116.6	1.5	29.1	2,420.5
97	2,192.2	100.1	1.5	24.5	2,318.3

Note: Shared Taxes, Fisheries Enhancement and extraordinary items such as appropriations to Permanent Fund, Budget Reserve Fund, special appropriations, etc., are not included.

Debt Service Comparison FY 97 - FY 98

	97 Auth	98 Gov	Change
Projected balance in the Debt Retirement Fund	1,600.0	5,911.7	4,311.7
GF appropriation into Debt Retirement Fund	93,141.2	80,970.7	-12,170.5
Fund Balance	94,741.2	86,882.4	-7,858.8
 Expenditures:			
Lease/purchase	9,595.9	10,342.4	746.5
General Obligation Bonds	16,528.7	14,251.6	-2,277.1
School Debt Reimbursement	68,616.6	62,288.4	-6,328.2
TOTAL	94,741.2	86,882.4	-7,858.8

(Excludes Int'l Airports debt - paid entirely from airport revenues)



STATE OF ALASKA

EXECUTIVE BUDGET SUMMARY

FOR FISCAL YEAR 1998

July 1997 - June 1998



Tony Knowles

Governor

Prepared by the Office of Management and Budget - January 1998

January 16, 1997



Dear Alaskan:

I am pleased to bring you this summary of my proposed operating budget for fiscal year 1998. Of course there are numbers in here, but the main purpose of this booklet is to let you know where I'm placing my priorities for improved services to Alaskans. After all, numbers alone don't tell the whole story — just like in a family budget, *where and how* we spend our dollars is just as important as how many we spend.

My vision for Alaska focuses on: 1) jobs for Alaskans; 2) the well being of children and quality education; 3) healthy, safe communities; and 4) budget discipline. This booklet describes in some detail what I want to accomplish with Alaska in those four areas. It outlines the strategies state agencies are using to reach the goals I've set and the financial resources they need to do the job.

As I travel Alaska, I find that many people wonder if the state budget is growing.

The answer is — NO — we are reducing state spending. The fact is that my proposed general fund budget for next year is \$138 million *less* than the budget was three years ago.

When you put both the 1979 and proposed 1998 budgets into today's dollars, we're spending \$340 *less* per person than we did back then — and that includes sending out Permanent Fund dividends which didn't even exist in '79!

We still have more budget cuts to go. My FY98 budget puts us 90% of the way to my long range plan of cutting \$100 million between fiscal years 1996 and 1999. Our challenge is to reduce state spending, balance the budget, and maintain services Alaskans depend on.

I pledge to work constructively with the legislature to find additional ways to cut costs and to discontinue state funding of services where that doesn't make sense any more. A responsible, long term financial plan for Alaska does not require drastic budget cuts that hurt the state economy and jeopardize vital state services which range from creating new private sector jobs to educating our children.

Alaska needs a sensible, diversified long range budget plan, not just budget cuts. Please join me in urging the legislature to adopt a long range budget plan to put Alaska on a firm financial footing. Our bright economic future for Alaska depends on it.

Sincerely,

A handwritten signature in cursive script that reads "Tony Knowles".

GOVERNOR'S EXECUTIVE BUDGET SUMMARY FOR FISCAL YEAR 1998

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Dear Alaskan,

We are pleased to give you this description of the FY 98 budget . . . in English, not budget-ese! I hope it helps you understand Governor Knowles' program and budget priorities for the coming year.

Last year, we outlined several key performance measures for each department. At the back of this book, you'll find a progress report on how we're doing after the first six months of the budget year.

Please let me know if you have suggestions for making this budget summary more useful in the future.

Sincerely,



Annalee McConnell, Director
Governor's Office of Management and Budget
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GOVERNOR'S PRIORITIES: JOBS AND ECONOMIC DEVELOPMENT

Major Goals and Strategies

1 Increase opportunities for Alaskans to have good, safe jobs.

- Continue a strong partnership with the oil industry.
- Maximize the benefit of economic development and job creation for Alaska's residents through work force development and promotion of resident hire.
- Continue the initiative with fish processors and factory trawlers to increase the percentage of Alaskans working in the fish processing industry.
- Ensure Alaska's place in national and international competitive salmon markets through quality standards, marketing and product development.
- Implement small business and loan evaluation task force recommendations to improve the environment for small businesses.
- Design, construct and maintain state transportation systems to provide access for viable economic development projects.
- Target loan and grant funds to projects such as value-added processing that create jobs for Alaskans, particularly in high unemployment areas of the state.
- Implement the Pioneer Incentive Program to encourage major investments such as a new international air carrier using Anchorage as a passenger delivery point.
- Apply the full complement of state resources in assisting economically distressed communities.
- Work closely with the private sector and Alaska's trading partners to expand trade opportunities.

- Continue *Marketing Alaska*, an economic development program developed in partnership between the state and the private sector to create jobs and encourage more national and international commerce with Alaska.
- Increase the state's involvement in export financing.
- Meet with business leaders to encourage increased investment in Alaska and hiring of Alaskans through the Governor's outreach program.

2 Encourage responsible resource development with sound science, prudent management and good public process.

- Use a broad public process to ensure that development provides employment for Alaskans while balancing the needs of all resource users and ensuring long-term protection of air, land, water, fish, wildlife and habitat.
- Develop partnerships between the state and the private sector to encourage sound development, especially of underutilized resources, and to share technical expertise and management costs.
- Encourage value-added production of timber, seafood, and other resources.
- Ensure that departments can provide the reliable scientific data and adequate monitoring necessary for sound resource decisions and operations.
- Contract for independent scientific review where appropriate.
- Take full legal and administrative measures to reverse and prevent the federal government and the courts from usurping Alaska's resource management authority.
- Ensure that the state is prepared to resume full management of subsurface resources.
- Streamline regulation and permitting.
- Improve wildlife viewing opportunities and facilities for Alaskans and visitors.

3 Train Alaskans for Alaska Jobs.

- Integrate state employment and training efforts through the Alaska Human Resources Investment Council.
- Provide tax credit incentives and initiate an employer recognition program for companies hiring welfare recipients.
- Target welfare recipients for job opportunities with mandatory work and training requirements and incentives that make it pay to work.
- Increase funding for training and child care programs that facilitate employment opportunities for out-of-work Alaskans.
- Promote school-to-work partnerships between schools and businesses to prepare Alaska children for good job opportunities.
- Work with Community Development Quota groups to fund programs that increase training and employment in high unemployment areas of Western Alaska.
- Fund technical assistance programs which train rural Alaskans to operate utility systems in their own villages.
- Make the student loan program financially sound and accountable.

Highlights of 1996 progress

- Began implementing *Marketing Alaska*, a partnership between private industry and the state to strengthen Alaska's industries, add value to our resources, bring more jobs to the state and open global markets to Alaska goods and services, while protecting our environment and cultural resources.
- Assisted in the financing of several large-scale projects, including expansion of the Red Dog Mine, development of other mine operations, construction of hotels in Anchorage, Denali and Fairbanks, and the Mount Roberts Tramway in Juneau, and expansion of the Dimond Center.

- Exposed more than 215 million viewers to national television advertisements enhancing Alaska's overall image as a desirable tourism destination.
- Reached more than 43 million potential visitors in the United States, and more than 4 million in Canada, through magazine advertising.
- Moved 4.9 million pounds of Alaska seafood through food service establishments.
- Increased seafood sales by 59 percent through joint promotions with 904 restaurants and hotels.
- Kicked off the regional seafood marketing effort to sell more salmon from the Arctic-Yukon-Kuskokwim region.
- Participated in several successful trade missions, including an Asia visit by the Governor and 27 Alaska companies to promote seafood, tourism, oil and gas, and oil spill prevention and cleanup technology.
- Signed legislation to provide a predictable reliable supply of state timber to small operators and create a manufactured forest products marketing program.
- Formed the Southeast Timber Task Force of growers and industry leaders to chart a future for the Southeast timber industry.
- Protected fishing jobs through flexible loan policies for commercial fishermen.
- Secured federal funding to develop Alaska's natural resources as a viable economic sector.
- Conducted a series of eleven regional roundtable meetings to support growth of the tourism industry in rural Alaska.

GOVERNOR'S PRIORITIES: CHILDREN AND EDUCATION

Major Goals and Strategies

1 Improve child health and development so children and their families are healthy.

- Increase the percentage of children who are fully immunized by age two.
- Support tobacco tax legislation to reduce the use of tobacco by children.
- Expand early childhood education programs such as Head Start and Healthy Families.

2 Improve youth development to help young people move from risk to opportunity.

- Implement recommendations from the Governor's Youth and Justice Conference such as those listed below.
- Encourage and support families to participate in their children's education by promoting initiatives to improve school quality.
- Continue and expand youth development projects such as National Guard Youth Corps Challenge program.
- Increase alcohol and drug prevention and treatment programs available for youth.
- Expand and reallocate resources to protect, support and treat children who are victims of physical or sexual abuse or neglect.
- Authorize communities to handle less serious offenses through community courts or youth courts.
- Change juvenile delinquency laws to deal with juveniles more effectively.

3 Improve school success so children succeed in school and are well prepared to enter the workforce.

- Sustain and enhance initiatives to improve the quality of Alaska's schools.
- Support a new school funding process so schools are funded more equitably and additional funding is tied to quality education initiatives.
- Promote the Education Summit recommendations so children and schools are prepared to enter the next century.

4 Improve family functioning so families are strong and children are safe in their homes and communities.

- Work together with and promote the Alaska Children's Trust so communities have access to additional resources for the prevention of child abuse and neglect and family violence.

5 Improve economic capacity so families and their children are financially secure.

- Advance a child care plan to expand access to quality, affordable child care so families are supported while they work and children are cared for in safe, nurturing environments.
- Link Jobs Cabinet and Children's Cabinet strategies to improve family self-sufficiency — including moving Alaskans from welfare into jobs so they can support their families.
- Support strong child support enforcement.

6 Increase the public's awareness of children's well-being and needs so citizens know what they can do to support children.

- Create partnerships between state government and communities to improve children's health, safety and learning by implementing COMPASS (Community Partnerships for Access, Solutions and Success).
- Deliver an annual State of the Child Address highlighting children's well-being and an action plan.
- Develop and implement a statewide integrated database to focus on children's needs and services.
- Collaborate with Kids Count Alaska to monitor how well children are faring based on indicators of education, health and safety, economic well-being, and child and violent death.

Highlights of 1996 progress

- Reactivated the Alaska Children's Trust by appointing a new board of trustees; raised the trust balance from \$0 to over \$6 million; formed the Friends of the Alaska Children's Trust, a fundraising arm; and started a statewide media campaign featuring Tom Bodett.
- Held an Education Summit which gathered more than 300 parents, educators, school board members, business and government leaders to design community action plans to improve student learning. Several local summits have been held in communities across the state.
- Worked with the Governor's Youth and Justice Conference of 90 Alaskans which released its report with more than 100 recommendations to reduce juvenile crime. The Governor's budget and legislative package begins to implement these ideas.
- Acquired a special grant from the Danforth Foundation and others to design and implement a new framework to help the state move towards more effective community-based children's services. The new framework is COMPASS (Community Partnerships for Access, Solutions and Success).
- Established evaluation standards for teachers and school administrators.
- Approved three charter schools.
- Established a toll free number for Alaskans to inquire about children's issues: 1-800-643-KIDS (5437).
- Delivered the first Governor's "State of the Child" address in September, challenging Alaskans to work together to improve the lives of children.
- Collaborated with Kids Count Alaska to collect and publicize information about trends in the health, safety, and economic status of children from birth through early childhood.

The Children's Cabinet

Governor Knowles appointed a Children's Cabinet to coordinate and advance priorities for children and families. The Cabinet's mission is: "In partnership with families, ensure children have opportunities for happy, healthy and productive lives." The members are:

Commissioner Mike Irwin, Community and Regional Affairs (co-chair)
Commissioner Karen Perdue, Health and Social Services (co-chair)
Attorney General Bruce Botelho
Commissioner Shirley Holloway, Education
Commissioner Ron Otte, Public Safety
Commissioner Margaret Pugh, Corrections
Director Annalee McConnell, Office of Management and Budget
Lieutenant Governor Fran Ulmer

For more information about the Children's Cabinet, contact:

*Nila Rinehart, Special Assistant
465-4870; 465-8638 (fax);
1-800-643-KIDS (5437)
nrinehart@comregaf.state.ak.us
PO Box 112100
Juneau, AK 99801*

GOVERNOR'S PRIORITIES: HEALTHY, SAFE COMMUNITIES

Major Goals and Strategies

1 Ensure that Alaska's families are healthy.

- Reduce the incidence of child abuse and neglect.
- Work with communities to develop prevention-based solutions to health problems.
- Reduce the use of tobacco products.
- Target alcohol abuse as a critical problem and increase efforts to reduce alcohol consumption.
- Address the root causes of public health problems such as TB and hepatitis by ensuring safe drinking water and sewage disposal systems.
- Ensure that Alaskan families continue to have basic safety nets for health care, food and shelter despite federal changes in welfare, Medicaid, and Medicare.

2 Ensure that Alaska's communities are healthy.

- Address rural Alaska's massive needs for improved water, sewer, landfill and bulk fuel storage facilities.
- Protect the quality of the Alaska environment by working with communities and industry to promote and implement effective air and water quality standards.
- Ensure safe transportation of oil and minerals through effective regulation and working relationships with industry, but be fully prepared to respond effectively to oil spills and other environmental disasters.
- Focus on prevention of environmental problems, but also deal promptly with those whose irresponsible actions damage our land, water, and air.
- Work closely with communities and the federal government on coastal management issues.
- Reduce the loss of life from residential fires through focused prevention programs.

- Improve emergency response capabilities by developing an integrated emergency management system to protect the lives and property of Alaskans in time of disaster.

3 Ensure public safety in our communities.

- Close the revolving door in the criminal justice system by establishing a coordinated, modern justice information network.
- Recognizing that alcohol is the single greatest contributor to crime in Alaska, implement strategies that provide needed intervention and prevention services but impose tough, unavoidable consequences on offenders.
- Resolve appropriate allocations of criminal justice responsibilities between the state and local governments.
- Develop a statewide 10-year plan for adult corrections and juvenile offender facilities.
- Attack the frightening increase in juvenile crime with long-needed improvements to our juvenile justice system.

Highlights of 1996 progress

- Capitalized the Alaska Children's Trust, which will in turn fund innovative community programs designed to prevent child abuse and neglect.
- Developed legislation based on the Governor's Conference on Youth and Justice recommendations to prevent and deal with youth crime.
- Continued village programs for handling minor infractions.
- Proposed the hiring of 10 new Village Public Safety Officers.
- Signed a welfare reform package that promotes responsibility, encourages work, limits benefits and maintains the safety net for children and the disabled.
- Began implementing an adolescent health pilot.
- Expanded the Healthy Families project which uses home visits to identify families with health and other problems and direct them to appropriate services.
- Continued partnerships with tribal entities to improve rural Alaska health care.
- Focused attention on the Governor's Office of Rural Sanitation to coordinate rural sanitation efforts and the goal of eliminating the honey bucket.

GOVERNOR'S PRIORITIES: BUDGET DISCIPLINE

Major Goals and Strategies

1 Close the fiscal gap for the long term

- Work with the Legislature to approve a long term budget plan that ensures a sustainable level of state services and helps support a healthy state economy. The plan should be based on a variety of fiscal tools — including budget reductions, revenue diversification, a prudent reserves policy and, if approved by a vote of the people, some use of Permanent Fund earnings.
- Continue educational efforts to build public understanding and support for the decisions necessary to ensure a healthy financial future.
- Work with communities to develop an efficient, responsive and rational allocation of public service responsibilities between the state and local governments and an appropriate means of funding them.

2 Protect the Permanent Fund

- Ensure that any changes to the Permanent Fund, including potential use of its earnings, occur only with a vote of the people.

3 Reduce the state budget

- Reduce state general fund spending \$100 million between fiscal years 1996 and 1999, absorbing formula cost increases such as school enrollment as well as inflation, employer costs and other increases.
- Curb growth in the fastest growing parts of the state budget: Medicaid, welfare and the criminal justice system.
- Successfully implement changes to large federal programs, including Medicaid and welfare, which will have major impacts on state funding and delivery of services.

4 Invest in Alaska's future

- Prepare a realistic, annually-updated Six Year Capital Plan for adoption by the Legislature.
- Involve the public in planning for vital services like schools, prisons, and transportation.
- Protect Alaska's investment in its public facilities and transportation systems through adequate maintenance. Eliminate the deferred maintenance backlog and develop a plan for transferring roads, harbors and airports to municipalities wherever appropriate.

- Make investments to reduce future operating costs, including prevention and training programs, improved technology, and energy efficiency.

5 Develop a more effective state budget system

- Provide better, more readable budget information for the administration, legislature and public.
- Present budget information on a total funds basis wherever possible to better inform the public.
- Develop the capability to provide a two year view of the operating budget.
- Establish and monitor performance measures to improve accountability of programs and services.
- Develop an automated budget system to reduce preparation time, provide better management information to decision makers and improve budget analysis.

Highlights of 1996 progress

- Made \$87 million cut toward the Governor's goal of reducing general fund budget \$100 million over three years.
- Reduced growth rates in two of the budget's fastest growing programs: Medicaid and welfare.
- Developed proposals for a new foundation funding formula for K-12 education that provides financial incentives for quality education and allows local governments to increase their contribution to education in their communities.
- Significantly restricted the use of supplemental budget requests and included estimates for limited supplemental funding estimates in annual budget plans to ensure accurate budget comparisons.
- Established task groups with local governments to develop plans for better coordination of state services in nine subject areas, including health care, roads and harbors.
- Developed an investment policy for the State's General Budget Reserve that ensures a more competitive rate of return while maintaining sufficient liquidity to address emergencies or significant revenue fluctuations caused by oil price volatility.

PROGRESS ON BUDGET DISCIPLINE

State general fund spending has been cut \$138 million since the FY95 budget. Over the same period, the total amount paid to Alaskans in Permanent Fund dividends increased by \$110 million.

When adjusted for inflation, the state operating budget has been cut 20 percent since 1991.

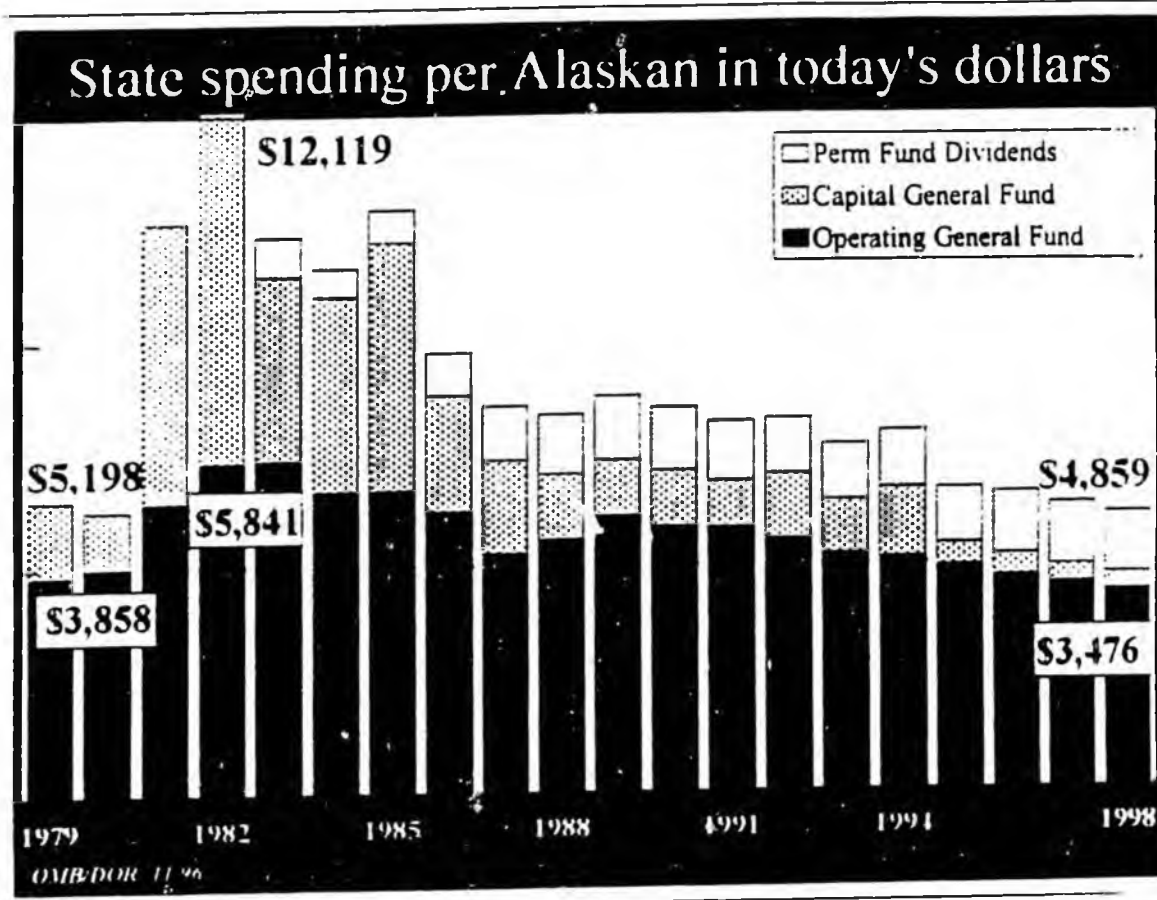
Spending Is Going Down

	<u>Operating & Capital</u>	<u>Perm Fund Dividends</u>
FY95 Budget	\$2,553 m	\$565 m
	>	
FY96	- 48 m	+ 78 m
	>	
FY97	- 87 m	+ 25 m
	>	
FY98	- 3 m	+ 7 m
	>	
3 Year Change	-\$138 m	+\$110 m

OMR DOR: 11-96

The state spends less per person now than it did in 1979, the last year before Alaska's petroleum revenues jumped from \$821 million to \$2.3 billion. In 1979, spending per person was nearly \$5,200 in today's dollars. The amount peaked in 1982 at more than \$12,000 per resident.

Today, we spend \$340 less per Alaskan than in 1979, and that includes sending out Permanent Fund dividends.



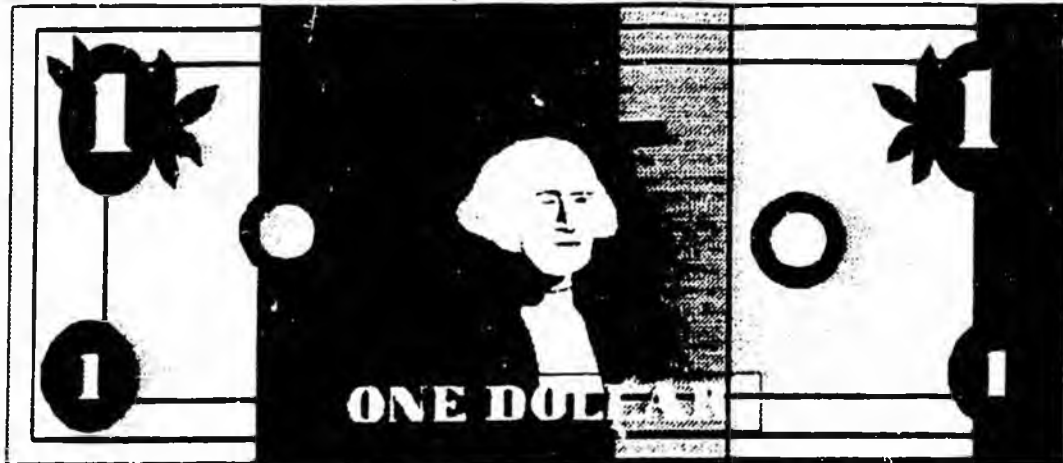
The next chart shows all the major revenues and expenditures of our entire \$5.4 billion state budget. Services provided by state agencies account for less than 30% of total state spending. Approximately \$350 million goes directly to the Permanent Fund. Nearly \$2.3 billion is sent to communities for education, social services and capital projects or to individuals for benefits such as Permanent Fund dividends, Longevity Bonus checks, Medicaid and welfare.

Where Does It Come From --

Where Does It Go?

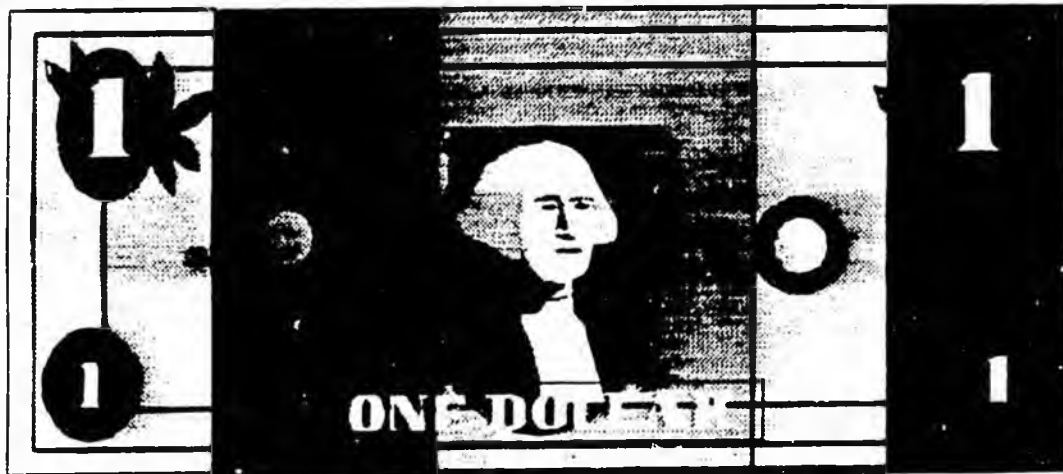
FY98 State Revenue Sources = \$5.4 billion

(Covered by Executive Budget Act)



Federal Funds \$1.3 b	Petroleum \$1.8 billion	Fees & Non-oil Taxes \$560 m	Permanent Fund Earnings \$1.3 b	Constitutional Budget Reserve & Public Corps \$450 m
--------------------------------------	------------------------------------	---	--	---

Major Categories of FY98 Expenditures



Local Gov't & Schools \$990 m	PFD's, Payments to Individuals, Groups \$1.3 b	State Services \$1.6 b	Univ, AHFC, AIDEA, Development Corps \$520 m	Permanent Fund Dedication, Infl Proof. Admin \$880 m
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REVENUE UPDATE

The table below describes how the state's revenue picture has evolved since the FY 97 budget was passed last June based on the Spring '96 revenue forecast. Higher than expected oil prices are currently projected to completely eliminate the FY 97 fiscal gap and dramatically reduce the FY 98 gap between estimated revenues and expenditures. (Note that the January update below is based on futures market prices - the next official revenue forecast is currently scheduled to be released in early April.)

Forecast Assumptions	FY 97	FY 98
Spring '96 (April)		
-Price	\$16.67/bbl	\$16.75/bbl.
-Production	1.428 million bbl/day	1.366 million bbl/day
-Net Disposable Revenue	\$1.992 billion	\$1.910 billion
-(Fiscal Gap)/Surplus	(\$411 million)	(\$418 million)
Fall '96 (November)		
-Price	\$20.33/bbl.	\$17.71/bbl.
-Production	1.429 million bbl/day	1.373 million bbl/day
-Net Disposable Revenue	\$2.420 billion	\$2.008 billion
-(Fiscal Gap)/Surplus	\$14 million	(\$377 million)
January 1, 1997 Update		
-Price (futures mkt.)	\$21.63/bbl.	\$18.94/bbl.
-Production	1.413 million bbl/day	1.373 million bbl/day
-Net Disposable Revenue	\$2.531 billion	\$2.121 billion
-(Fiscal Gap)/Surplus	\$99 million	(\$270 million)

Recent announcements of new investments by major North Slope producers have been incorporated for the most part into the Department of Revenue Fall oil production forecast, which projects a continued decline (at a rate of about 3% per year) until FY 2000, when a slight increase is projected for a year or two as new satellite fields come on line, followed by a continued decline. This means that the greatest area of uncertainty for state revenues in the near future will continue to be the price of oil. Past experience with major price increases argue for a moderate fiscal strategy in anticipation of lower future prices. (The 10 year historical average ANS price has been \$16.50/bbl.).

The effects of increased oil prices are twofold:

- 1) A demand response, as the pervasive impacts of higher priced petroleum products begin to drag on the economy, causing consumption to decline. We saw a dramatic example of this in the price crash following the Gulf war, when the price of ANS fell from \$31/bbl. in October 1990 to \$15.66/bbl. in March of 1991. Even though the current price increase has been more gradual, we should expect a negative effect on economic growth that will tend to lower prices.
- 2) A longer-term supply response, as producers reinvest higher profits in greater production capacity. Regardless of what OPEC does, the most immediate response from producers to higher prices is to drill more wells and produce more oil, which will tend to drive down future prices.

Additionally, many of the technological innovations currently being pioneered on the North Slope (and elsewhere) have dramatically lowered costs and increased recoverable reserves. These will soon spread to other parts of the world. Analysts anticipate that this technological revolution in the oil industry will result in a non-OPEC production surge over the next several years.

FY97/FY98 BUDGET PLAN - revised 1/16/97

(all dollars given in millions)

FISCAL YEAR 1997

FISCAL YEAR 1998

	Total General Fund			Total General Fund		
	without Designated Program Receipts	with	Total Funds	without Designated Program Receipts	with	Total Funds
Revenues						
Net Disposable Unrestricted Revenues (DOR: Jan. 1 update for FY97, Fall Forecast for FY98)	\$2,480.1	\$2,531.0	\$2,531.0	\$1,957.4	\$2,008.3	\$2,008.3
New Revenues - Tobacco Tax increase				39.9	39.9	39.9
Restricted Revenues (federal, corporate receipts, university receipts, etc.)	0.0	0.0	2,778.6			2,939.5
Total Revenues	2,480.1	2,531.0	5,309.6	1,997.3	2,048.2	4,987.7
From Constitutional Budget Reserve - Needed to Balance	0.0	0.0	0.0	381.0	391.0	381.0
Total Fund Sources Authorized to be Expended	2,480.1	2,531.0	5,309.6	2,378.3	2,429.2	5,368.7
Expenditures Including Supplementals						
Formula Programs (schools, Medicaid, Longevity Bonus, etc.)	1,057.3	1,068.6	1,524.0	1,072.4	1,083.7	1,546.0
Agency Operations	1,097.9	1,137.5	2,343.4	1,093.3	1,132.9	2,326.8
Supplementals & New Legislation (estimates)	17.0	17.0	17.0	16.5	16.5	16.5
Debt Service	93.1	93.1	125.0	81.0	81.0	117.1
Loans Budget - Alaska Clean Water Fund	1.5	1.5	8.8	1.5	1.5	8.8
Capital Appropriations	100.1	100.1	654.7	100.0	100.0	654.6
Perm Fund Dividend/Special Approp /Fund Transfers	13.9	13.9	1,044.3	13.6	13.6	1,173.7
Total Expenditures	2,380.8	2,431.7	5,717.2	2,378.3	2,429.2	5,843.5
Less Duplicated Expenditures (see note)	0.0	0.0	-500.1	0.0	0.0	-474.8
Expenditures Net of Duplicated Appropriations	\$2,380.8	\$2,431.7	\$5,217.1	\$2,378.3	\$2,429.2	\$5,368.7

DOR's Fall Forecast "reference case" uses the following oil prices. \$21.63/bbl for FY97 (Jan. 1 update), \$17.71/bbl for FY98.

FY97 does not include revised programs approved by L B & A (\$1.7m general fund/program receipts, \$2.0m designated/program receipts, \$29.7m other)

The State also collects tax receipts which it passes directly to municipalities (\$26.6 in FY97, \$26.2 in FY98) and aquaculture associations (\$5.0 in FY97 & FY98)

Duplicated expenditures are in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided

Both Designated Program Receipt columns reflect fiscal note for statutory change proposed by governor. Test Fisheries Receipts are included in these numbers

FY98 only reflects executive branch decisions and does not include any increase or decrease for either the Court System (\$3.4M) or the Legislature

includes \$8 million longevity bonus reduction (formula) & \$1 million savings in geographic pay differential (agency)

includes \$1 million for the Alaska State Police (ASAP) program for the fiscal year 1997. This number will be updated in February

FY96 - FY98 OPERATING BUDGETS BY AGENCY

(including mental health bill)

All dollars are in thousands.

Designated program receipts are shown in general fund totals

	FY96 Actuals		FY97 Authorized		FY98 Proposed	
	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds
Administration	173,211.4	257,195.6	172,904.1 *	264,333.0 *	167,161.7 *	238,220.3 *
Commerce and Economic Development	39,812.4	55,961.8	38,958.0	69,619.9	37,669.3	60,795.1
Community and Regional Affairs	90,808.3	140,453.1	81,981.4	138,416.4	80,347.6	146,231.3
Corrections	129,381.2	135,315.2	132,463.4	138,745.5	133,853.7	140,500.4
Education	683,374.7	893,830.3	686,720.5	903,381.0	702,074.5	916,677.7
Environmental Conservation	17,133.1	53,139.7	15,904.8	45,763.2	15,622.3	46,058.9
Fish and Game	39,467.3	100,167.6	39,864.1	105,196.8	40,954.2	107,035.2
Governor	14,898.6	18,258.9	19,766.7	23,463.6	15,737.7	19,067.4
Health and Social Services	443,982.9	819,257.2	451,837.3	862,401.0	457,551.9 *	894,295.3 *
Labor	9,058.4	54,952.0	8,901.3	60,128.1	8,894.0	59,134.9
Law	19,742.2	54,862.6	32,432.7 *	48,600.9 *	30,985.2	47,239.6
Military and Veterans Affairs	20,561.9	44,574.8	7,084.9 *	35,320.3 *	7,375.5	35,942.1
Natural Resources	56,010.6	83,902.9	43,561.1 *	71,604.2 *	42,294.0	66,647.5
Public Safety	84,801.2	95,147.5	86,085.2	96,593.3	87,454.8	100,279.1
Revenue	12,026.2	107,944.2	12,162.8	117,578.3	12,179.5	130,927.8
Transportation and Public Facilities	129,787.1	333,508.2	128,179.0	339,612.0	128,810.6	340,477.7
University of Alaska	168,680.0	370,600.4	167,693.6	435,221.6	167,693.6	445,790.3
EXECUTIVE BRANCH TOTAL	2,132,737.5	3,619,072.0	2,126,500.9 *	3,755,779.1 *	2,136,660.0 *	3,795,320.5 *
** Alaska Court System	46,037.8	46,560.5	48,984.4	48,984.4	52,400.8	52,400.8
** Legislature	29,314.8	29,436.7	31,113.3	31,247.5	31,113.3	31,247.5

* These FY97 totals and some others may increase with supplementals (e.g. disasters, judgments) FY98 numbers include proposed statutory changes to Longevity Bonus eligibility (Admin, HSS) & geographic pay differential (to be allocated among depts - shown here as cut in executive branch total)

** These FY98 budgets are shown as transmitted to OMB for the draft budget bill. The executive branch does not review or change them.

Major Formula Programs Included in the Department Totals Above (Revised 12/18/96)

	FY96 Actuals		FY97 Authorized		FY98 Proposed	
	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds
Education Foundation Program	607,840.9	639,723.1	617,192.9	649,839.8	629,574.3	659,587.4
Pupil transportation, single site schools	36,070.9	36,070.9	35,991.6	35,991.6	38,641.1	38,641.1
Longevity Bonus	73,270.1	73,270.1	74,062.6	74,062.6	65,198.9 *	65,198.9 *
Medical Assistance (incl. Gen. Relief Medical)	144,077.4	332,524.3	149,295.6	349,153.9	159,648.7	376,111.1
Alaska Temp. Assistance (formerly AI DC)	52,399.2	115,826.1	55,195.7	122,469.4	52,664.6	116,563.9
Adult Public Assistance	38,415.3	41,675.5	40,080.2	43,658.2	38,781.0 *	42,515.0 *
Municipal Assistance	31,959.0	31,959.0	29,402.3	29,402.3	28,726.0	28,726.0
Revenue Sharing	26,271.7	26,271.7	24,170.0	24,170.0	23,614.1	23,614.1
Power Cost Equalization	0.0	19,329.7	0.0	17,000.0	0.0	17,000.0

DEPARTMENT OF ADMINISTRATION

MISSION

To provide quality, cost-effective, and efficient centralized administrative and telecommunications support services to state agencies; to provide equitable legal and advocacy services for indigent Alaskans; to provide quality programs that promote the dignity, security, and independence of Alaska's seniors; and to provide administrative support to those commissions assigned to the department.

Major Goals and Strategies

1 Increase service quality and reduce cost of programs delivered by state government.

- Finish redesigning the state personnel system.
- Apply modern business practices and utilize current electronic technologies to eliminate waiting lines at the Division of Motor Vehicles for most Alaskans.
- Implement credit card acceptance for point of sale transactions for many state programs; e.g., DMV, state ferry system, fish and game fees and licenses, occupational licenses.
- Consolidate state program offices into 'one stop' locations in Anchorage, Fairbanks, Juneau, Ketchikan, Kenai/Soldotna, and Mat-Su.
- Design and implement a system for conducting electronic commerce in the state's procurement and vendor payment system.
- Move all campaign finance information into an instantaneous electronic environment.
- Assess communications methods, and determine whether to consolidate and standardize or continue a decentralized approach to acquiring and utilizing communications technologies.
- Strengthen delivery of programs for senior citizens and eliminate duplication of administrative costs between departments.

2 Improve the performance measurement system for services delivered by the department.

- Focus on internal and external service processes over the coming year. Priorities for change include: personnel hiring and classification; procurement delegations/training to departments, purchasing cards, and enhanced electronic commerce; payroll; print shop print on demand; Alaska Public Offices Commission

on-line reporting; and Division of Motor Vehicles paper and workflow processes.

- Develop a performance management plan to answer:
 - WHO are customers and stakeholders;
 - WHAT do they think of our performance;
 - WHAT are their performance targets for us, and
 - HOW do we continue to learn and improve?

KEY PERFORMANCE MEASURES

- Reduce "steps" in current hiring process by 50%.
- Eliminate multiple applications from the same applicant.
- Reduce current job classifications by at least 50%.
- Eliminate the applicant register system.
- Reduce the time from vacancy to new hire by 15-20%.
- Reduce total DMV office transactions over historical levels by 25%.
- Reduce average time spent waiting in line at all DMV offices, with specific target reductions of 50% in Fairbanks, downtown Anchorage, and Palmer over the next three years.
- Increase the number of seniors and adults with physical disabilities receiving home and community based care by 10% without increasing the state GF budget through streamlining and program efficiencies.

Major Changes and Key Issues

Purchasing

The newly formed Procurement Advisory Council has completed review and revision of regulations needed to implement changes made in the Procurement Code. Additional efficiencies are being sought through the use of electronic commerce.

Personnel Reengineering

A new hiring process will be piloted in February 1997 as the first release of a major reengineering effort. The new simplified process will eliminate the current register process and backlogs in application examining. The process will be more "user friendly" to the public, employees, and hiring managers.

Public Offices Commission Campaign Finance Reform

Implementation of the new Campaign Finance Reform law will bring sweeping changes to campaign disclosure procedures. Efforts are being made to ensure a smooth transition through education of filers and contributors using a variety of media including the Internet. In collaboration with the Department of Administration, changes in forms will move to an on-line, electronic format prior to the 1998 statewide elections.

Central Duplication

New equipment replacing offset printing in the state central duplication facility will enable printing of documents on demand from the public or government agencies. This facility can change previous state practice of printing and distributing large quantities of documents to standard distribution lists. Cost savings are anticipated within General Services as well as throughout the agencies.

Office of Public Advocacy/Public Defender

In spite of reducing the average cost per case by 36.5% over the last 12 years and having reduced the average cost per case in five out of seven case categories in the past year, OPA total costs continue to rise with increasing case load. Enhanced technology for communication and legal research is improving cost effectiveness for the Public Defender Agency but increased workload continues to increase their total cost.

Electronic Commerce

Major enhancements to the statewide accounting system (AKSAS) are underway to enable the state to take full advantage of electronic commerce opportunities including use of credit cards for state purchases, state acceptance of credit cards for payments, electronic purchasing including acceptance of electronic invoices.

One Stop Shopping for Seniors

By January 1997, seniors will have a single point of contact with state agencies through the Division of Senior Services. This streamlined approach will provide faster determination of appropriate services including financial aid.

Longevity Bonus Grants

In order to preserve essential senior services, legislation is again proposed to limit the Longevity Bonus to those seniors with individual incomes under \$60,000 and couple incomes of less than \$80,000. Targeted to affect only the wealthiest 8% of Alaska's Seniors, the intent is to reallocate scarce financial resources among senior Alaskans. Those losing eligibility would be able to reapply if their incomes later drop below the cap.

Pioneers' Homes Rate Increase

The FY 98 budget includes a rate increase for the Pioneers' Homes, the next step toward achieving full cost of care by 2003, a strategy recommended by the Pioneers' Home Advisory Board in October 1995.

Pioneers' Homes Group Purchasing

The department has implemented an innovative group purchasing contract for Pioneers' Homes supplies arranged through a large consortium of Northwest non-profit health care providers. Cost savings will help defray ever increasing cost of operations at the Homes.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Funds - Designated for specific purposes		\$ 217.7	\$ 266.4
General Funds - All others	\$ 173,211.4	172,686.4	172,686.4
Federal Funds	6,251.1	6,845.5	6,845.5
Other Funds - Internal service, interagency, etc.	77,733.1	84,383.4	84,383.4
TOTAL BUDGET	\$ 257,195.6	\$ 264,133.0	\$ 264,133.0
Positions - Full-time	1,100	1,091	1,091
Part-time	99	102	102
Non-permanent	85	94	94
KEY PROGRAM AREAS (Total Funds)			
Senior Services	\$ 118,932.6	\$ 120,242.9	\$ 120,242.9
Legal and Advocacy Services	15,868.0	16,146.9	16,146.9
Centralized Administrative Services	114,786.4	120,273.2	120,273.2
Commissions	2,386.4	2,406.6	2,406.6
Public Communication Services	5,222.2	5,063.4	5,063.4

COMMERCE AND ECONOMIC DEVELOPMENT

MISSION

To work with the private sector and our communities in creating new jobs for Alaskans, strengthening Alaska's competitiveness in the world marketplace, and maintaining a fair and consistent business regulatory environment in the state.

Major Goals and Strategies

1 Work with the private sector and our communities in creating new jobs for Alaskans.

- Facilitate the exchange of information between Alaskan exporters and potential customers through business intelligence services and trade practice assistance.
- Partner with other state agencies, private businesses and local governments to identify and develop opportunities for regional and local economic development.
- Stimulate natural resources development in Alaska by providing essential information about minerals, fisheries, timber and other development prospects and by promoting the benefits of doing business in Alaska.
- Restore the financial health of the Alaska salmon industry by implementing the Salmon Cabinet work plan.
- Maximize the reach and efficiency of the state's small business and loan program services.
- Develop a cultural resources marketing strategy for the state.
- Encourage new international air carriers to use Anchorage as a passenger delivery point.
- Increase the use of Alaska's highways and roads by independent visitors.
- Develop and implement targeted tourism marketing programs to expand Alaska's tourist season and increase visits to rural parts of the state.

2 Sell Alaska's goods and services throughout the world — Marketing Alaska.

- Raise national and international awareness and consumption of Alaska seafood products through generic and targeted marketing.

- Raise national and international interest in Alaska as a tourist destination through generic and targeted marketing.
- Continue the Governor's Business Opportunities Program under which the Governor, Commissioner Hensley and other Alaskans visit corporate boardrooms to solicit investment in Alaska.
- Participate in trade shows and seminars to raise the visibility of Alaska as a good place to do business.
- Organize and conduct business trade missions to key markets and potential markets.

3 Maintain a fair and consistent business regulatory environment in the state.

- Use technology to improve and expedite licensing services and provide information to the public.
- With passage of the Federal Telecommunications Act of 1996, expedite the conversion of Alaska's telecommunications industry from a monopoly-based to a competitive, market-based industry structure, while guaranteeing universal access to service.
- Implement an Alaska marine pilot simulator training program by the end of 1997.
- Create simple, self-explanatory license applications to make licensing more convenient to the public and reduce requests for staff assistance.
- Work with DEC/Division of Environmental Health and the accommodations industry to revise the applicable health standards regulations and establish a "best practices" standard that is reinforced through promotional efforts.

KEY PERFORMANCE MEASURES

- Create at least 350 new jobs for Alaskans in FY 98 by providing financial assistance to economic development projects that meet defined criteria for feasibility and financial success.
- Participate materially in the creation or expansion of at least twenty-five businesses in FY 98 through the funding of technology commercialization projects.
- Increase the number of Alaskans employed in the visitor industry to 30,000 by the year 2000.
- Increase the U.S. per capita consumption of Alaska salmon from 1.0 to 1.5 pounds per year by the year 2000.
- Reduce response time up to 75 per cent in FY 98 for the filing and retrieval of licensing and corporate documents, by providing forms and information on the Internet, accepting credit cards for the payment of fees, and making other uses of technology.

Major Changes and Key Issues Measurement Standards:

An Executive Order will be introduced to the 1997 Legislature transferring the division to the Department of Transportation and Public Facilities.

Occupational Licensing

The division will address its substantial investigative backlog by reviewing and streamlining investigation procedures and increasing investigative staff funded by license fees.

Trade and Development

With Alaska oil and gas field service companies increasingly interested in pursuing potential business in the Russian Far East, the division intends to establish a permanent but low-cost presence in Sakhalin. With the worldwide salmon industry in crisis, the division will step up its work to improve the competitiveness of and demand for Alaska salmon in both the domestic and international markets.

Tourism

The division will increase program receipts to expand Tourism North, the joint highway promotional program with the Yukon Territory. Other areas of emphasis will include increased air access to Alaska, elimination of trade barriers, and a push for greater access to Alaska's public lands so the effects of tourism can be dispersed.

Alaska Tourism Marketing Council

To address increased competition from other destinations and shrinking real spending power, the Council will continue innovative marketing of Alaska as a visitor destination. Recent efforts include publishing the State Vacation Planner on the Internet, and further partnering with private sector tourism businesses to expand Alaska's reach in the national marketplace.

Alaska Seafood Marketing Institute

Increased worldwide salmon production, coupled with record and near record Alaska harvests, has resulted in declining market share and value for Alaska seafood products. ASMI is addressing this crisis by developing and expanding cooperative promotions with seafood distributors, retailers, restaurant and hotel chains, and other compatible food products in both foreign and domestic markets.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Funds - Designated for specific purposes		\$ 16,280.9	\$ 16,280.9
General Funds - All others	\$ 39,812.4	22,677.1	22,677.1
Federal Funds	4,030.4	5,275.0	5,275.0
Loan Funds	3,109.4	3,261.8	3,261.8
Other Funds - Corporate receipts, interagency, etc.	9,009.6	22,125.1	22,125.1
TOTAL BUDGET	\$ 55,961.8	\$ 69,619.9	\$ 69,619.9
Positions - Full-time	391	390	390
Part-time and Seasonal	14	16	16
KEY PROGRAM AREAS (Total Funds)			
Regulatory Agencies	\$ 16,170.8	\$ 19,500.1	\$ 19,500.1
Trade and Development	3,286.0	2,497.6	2,497.6
Tourism Marketing	9,482.9	8,398.1	8,398.1
Seafood Marketing	14,825.1	13,406.4	13,406.4

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

MISSION

To foster the development of self-reliant and productive individuals, families and communities by providing training, technical assistance and financial support.

Major Goals and Strategies

1 Strengthen Individuals.

- Ensure that residents of small Western Alaska communities get maximum benefits from participation in the Community Development Quota (CDQ) fisheries program.
- Provide more user-friendly and efficient employment and job training services through "One Stop" co-location and electronic linking of various agency programs.

2 Strengthen Families.

- Improve the quality for life of low-income children and parents through a comprehensive Head Start program of education, health, nutrition, social services, parent involvement and career development.
- Ensure parents have access to affordable, high quality child care.
- Provide assistance to support Alaska Temporary Assistance Program (ATAP) families at risk of going on welfare.

3 Strengthen Communities.

- Increase the capacity of local government to effectively deliver public services by providing training and onsite technical assistance.
- Ensure that the state's investment in rural utilities is properly managed and maintained via business management assistance.
- Enhance basic local government services through State Revenue Sharing, Municipal Assistance, shared Fisheries Business Tax, and shared National Forest Receipts.
- Support local power generation at a reasonable cost and quality as a foundation for local economic and community development.

- Improve the safety and cost-effectiveness of energy sources in rural Alaska by constructing and repairing bulk fuel storage facilities.
- Promote local economic development projects with targeted funding and Economic Development Specialists who serve as catalysts to help make projects succeed.
- Provide rapid assistance, through coordinated response projects, to communities experiencing sudden economic disruptions.

KEY PERFORMANCE MEASURES

- **Community Development Quota Program (CDQ):** State regulations for the expanded species program will be completed. All 8 CDQ groups will meet the goals and milestones in their respective Development Plans.
- **Head Start:** will provide services to at least 10% more prenatal-to-5 year olds (about 320 children), and their families. Jobs and training will go to 575 community residents, at least 50% of whom are or were Head Start parents.
- **Child Care:** will serve 24 communities (2,600 families) and expand services to 3 more communities. Will serve over 1,500 families at risk of going on welfare.
- **Bulk Fuel Storage:** Storage tanks will be constructed in 8 communities. Piping will be brought up to acceptable standards in 6 communities.
- **Fuel Utility Business Assistance:** will provide adequate safety stockpiling systems in 8 more rural communities.
- **Internal Revenue Service Community Work Out Plans:** will help communities negotiate plans with the IRS on past due taxes and abate over \$50,000 in penalties.
- **Rural Community Development Strategies:** will establish a multi-agency, Coordinated Response Partnership with at least 2 rural communities to develop economic development strategies.
- **Rural Business Assistance and Finance:** In partnership with banks, issue at least 15 RDIF loans to start, strengthen or expand businesses. Award 15 rural development mini-grants for community efforts to start or expand local businesses.

Major Changes and Key Issues

Economic Development Assistance Programs Streamlined

During FY97, DCRA's community grant and economic development assistance programs were moved from the Division of Community and Rural Development (DCRD) to the Municipal and Regional Assistance Division (MRAD). The Alaska Regional Development Organization Program was also moved from the Department of Commerce and Economic Development to MRAD. A comprehensive array of programs has been integrated under one management structure to assist local efforts to develop a sustainable private sector and local government. This change makes it possible to use existing staff to support and monitor grant projects, thereby reducing central-office program staff travel. Two management positions were eliminated.

Focus Tightened for Division of Community and Rural Development

Moving the Economic Development programs to MRAD will provide a greater focus for the programs remaining in DCRD. This division will take the lead in the essential day care/child care and work force development aspects of welfare reform.

State "One-Stop" Jobs Initiative Awarded Federal Grant

The U.S. Department of Labor awarded the state a \$7.2 million grant for the next three years to help implement Alaska's "one-stop" Work Force Development System to be administered by the DCRD in conjunction with other welfare reform and work force development efforts.

Federal Job Training Funds Increase

Congress has provided a general increase in funding for the Job Training Partnership Act program to the 50 states. Alaska's program will seek additional authority to receive and expend these funds when the amount is identified.

Division of Energy Concentrates on Rural Programs

The Division of Energy has undergone significant downsizing, and is concentrating its efforts on rural programs, including bulk fuel system repairs and upgrades, power system upgrades, electric emergencies and alternative energy.

Power Cost Equalization

Effective FY97, the PCE program has been capped at \$17 million. This will result in reduced payments, which are pro-rated based on available funding. The FY98 reduction will be comparable to FY97. The Division of Energy has been working with program participants to develop ways to reduce program demand while protecting customers that need PCE the most.

Ketchikan Coordinated Response Project

The department, in cooperation with other agencies, is taking the lead in helping Ketchikan area residents cope with the economic disruption resulting from the closure of the Ketchikan Pulp Mill.

Rural Utility Business Assistance Strengthened

RU&A trains local governments to operate their utilities in a professional manner. This program is coordinated with Division of Energy's assistance for electric and rural utilities, as well as Department of Environmental Conservation and federal training and assistance programs for maintenance and operation of sanitation utilities.

Revenue Sharing Programs Considered for Legislative Changes

Legislative changes to the State Revenue Sharing and Municipal Assistance programs are expected during the coming session. The department supports a stable minimum entitlement and removal of the "no-harmless" from the Municipal Assistance Program base amount.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Funds - Designated for specific purposes			
General Funds - All others	\$ 90,808.3	\$ 81,981.4	\$ 73,447.6
Federal Funds	21,195.2	29,107.6	24,473.1
Other Funds - Interagency receipts, PCE, etc.	28,449.6	27,327.4	27,327.3
TOTAL BUDGET	\$ 140,453.1	\$ 138,416.4	\$ 125,248.0
Positions - Full-time	185	171	171
Part-time and Seasonal	7	3	4
KEY PROGRAM AREAS (Total Funds)			
Job Training Partnership Act	\$ 6,847.6	\$ 10,880.8	\$ 10,880.8
Energy Operations	3,047.6	2,604.8	2,604.8
Municipal Assistance/Revenue Sharing	58,230.7	53,572.3	53,572.3
Child Assistance	23,727.7	23,372.3	23,372.3

DEPARTMENT OF CORRECTIONS

MISSION

In partnership with the citizens of Alaska, protect the public from repeat offender crime by using the best correctional practices available to provide a continuum of appropriate, humane, safe, and cost effective confinement, supervision, and rehabilitation to people in the Department's custody. The Department will carry out its responsibilities while respecting the rights of victims and recognizing the dignity inherent in all human beings.

Major Goals and Strategies

- 1 Population Management.**
 - Increase Community Residential Center placements.
 - Expand the Pt. MacKenzie facility by 20 beds.
 - Establish the Harborview Substance Abuse Treatment Center.
 - Commence renovations at the Wildwood Correctional Center.
 - Expand usage of reception centers to process defendants.
- 2 Provide Cost Effective Offender Programs and Health Services.**
 - Develop an in-patient mental health unit for acutely and chronically mentally ill women.
 - Develop a comprehensive mental health plan for Mental Health Trust beneficiaries in the care and custody of the Department.
 - Ensure that anger management and batterers programs are available to offenders.
- 3 Continue to Improve Management Capabilities.**
 - Complete installation of a LAN/WAN network.
 - Decrease costs for health care services by charging fees for services.
 - Provide domestic violence training for staff as required by new legislation.

4 Strengthen Correctional Partnerships.

- Work with the public and local governments to meet community jail needs.
- Work with communities to expand Community Residential Centers where needed.
- Continue expanding treatment available in rural areas, such as the community sex offender treatment program established by contract in Bethel.

Major Changes and Key Issues

Inmate Population Growth

Continued growth of the inmate population in our already overcrowded institutions is the single most challenging issue. Despite intensive daily population management, increasing Community Residential Center beds, adding beds in Arizona, adding 76 beds to the Spring Creek Correctional Center, and 30 beds to Wildwood Correctional Center, overcrowding conditions continue. This chronic overcrowding violates a court order and subjects the State to damages now approaching \$2.3 million.

KEY PERFORMANCE MEASURES

- Expand community residential center services into one new community.
- Complete internal audits of four program areas.
- Increase funding from alternative sources by 15%.
- Complete the design of and begin implementing the Criminal Justice Information System project in FY98.

In FY96, presentence reports increased by 8.6% and offender supervision in the community increased by 7.3%. In Bethel alone, presentence reports increased by 26.3% during FY96 while the Bethel caseload increased by 23.6%. The need for increased capacity and for local governments to become active partners in handling misdemeanants will have to be addressed.

Division of Institutions

The Division of Institutions operates 12 correctional centers throughout the state, which have between 50 and 500+ prisoner beds, and also maintains the contracts for out-of-state prisoners. The Division provides programs for offenders in institutions and community supervision to protect the public from repeat offenders. Programs include sex offender treatment, substance abuse treatment, educational/vocational needs, batterers programs, and religious programs. The Division also provides medical and mental health services to offenders in prisons, community residential centers, work farms, out-of-state facilities, and community jails.

Division of Community Corrections

The Division of Community Corrections consists of six components: the Pt. MacKenzie farm, the community residential centers, the northern, southcentral, and southeastern probation regions, and the Director's office. The probation/parole offices supervise 3552 felony offenders across the state. This past year, there has been an 8.6% increase in presentence reports prepared by the offices and an 7.8% increase in the number of felons supervised. The Division's Community Residential Centers provide "soft beds" for 558 offenders (both felons and misdemeanants). The Pt. MacKenzie Rehabilitation Project houses up to 94 minimum security prisoners, both felons and misdemeanants, in a rural farm setting.

Administration and Support Division

The Division of Administrative Services is responsible for accounting, budgeting, expenditure control, personnel, labor relations, procurement, contracting, LAN/WAN network administration, MIS maintenance and development, data processing, research, facilities maintenance, and records management for the department. The department has had no supplementals for the last two fiscal years, has nearly completed the installation of its LAN/WAN network, is ready to begin procurement of its new MIS system, has revamped its personnel acquisition and training processes, begun implementation of its RIP program and is currently evaluating its procurement and expenditure control processes with assistance from OMB/Audit. Procurement of a new MIS is about to begin.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Funds - Designated for specific purposes	\$ 129,381.2	\$ 132,463.4	\$ 133,353.7
General Funds - All others	1,377.7	1,687.3	1,128.3
Federal Funds	4,556.3	4,594.8	4,153.4
Other Funds - Internal service funds, etc.			
TOTAL BUDGET	\$ 135,315.2	\$ 138,745.5	\$ 142,635.4
Positions - Full-time	1349	1352	1355
Permanent Part-time	6	4	4
Non-permanent	21	24	
KEY PROGRAM AREAS (Total Funds)			
Community Corrections	\$ 19,947.3	\$ 21,042.4	\$ 21,042.4
Institutions	107,241.0	108,694.6	108,694.6

DEPARTMENT OF EDUCATION

MISSION

To lead and support the development of responsible, economically viable, lifelong learners and citizens

Major Goals and Strategies

1 Focus on Learning

- Focus the education system on preparing learners for citizenship, lifelong learning and work.
- Develop standards through collaborative efforts that help raise the quality of Alaska's schools.
- Facilitate the use of education technology and information systems.
- Promote and support self-reliance and productivity for individuals who experience disabilities and their families.
- Protect and preserve Alaska's cultural and historical heritage.

2 Leadership for Effectiveness and Efficiency

- Provide leadership and support for innovative, quality programs and encourage the use of technology.
- Involve learners, parents, families and communities in all aspects of learning.
- Become a customer-service oriented organization, providing support that directly impacts learning and development.
- Ensure that all programs and services are fully accessible to persons with limited access.

3 Advocate Exemplary Practices

- Advocate the use of model programs and alternatives for all learners through collaboration and technology.
- Provide effective multicultural outreach services and opportunities.
- Improve vocational rehabilitation services to individuals from under-represented groups who experience disabilities.
- Provide technical assistance to regions and districts in establishing school-community partnerships.

4 Inspire Public Confidence

- Promote and inspire public confidence in and support for education and all learning programs.
- Maintain open and continuous communication with the Governor, State Board of Education and Legislature regarding education goals to ensure cohesive policy development.
- Tailor communications to various groups, including persons who experience disabilities, to ensure awareness of and access to appropriate resources, education and assistance.
- Ensure accountability, integrity and efficiency.
- Use technology to facilitate communication throughout the state.

KEY PERFORMANCE MEASURES

- **Complete second phase of multi-year project to develop statewide assessment tools for measuring student performance against established state education standards. This phase will focus on developing performance based assessment in reading and math, and the first statewide direct assessment of writing.**
- **Develop regulations that establish accreditation standards for Alaska's schools based on research on successful schools and a field test in selected districts.**
- **Develop regulations for a revised teacher and administrator licensure system based upon national and state standards for educators.**
- **Integrate the use of technology to facilitate delivery of services and education programs.**

Major Changes and Key Issues

Quality Schools Initiative

Department resources have been directed toward implementation of the Quality Schools Initiative that includes four elements: high student academic standards and assessment; quality professional standards; family, school and community network; and school excellence standards. The FY98 performance measures identified address three of these areas. Department resources currently provide support for parent involvement training for districts and schools requesting this, in partnership with the Alaska PTA, School Board's Association and Alaska Education Association.

Foundation Formula

Legislation will be introduced to revise the state's current school funding formula to allocate funds on a per student basis, eliminate unnecessary classification of students, increase local control for pupil transportation services, and provide incentive grants for improved student performance.

Division of Teaching and Learning Support

Much of the work of the division is focused on support for the implementation of the four Quality Schools Initiatives, through their compatibility with the purposes of many federal programs. The major general funded Quality Initiatives activities are development of appropriate student performance assessment tools for statewide use and maintenance of the state system for certification of teachers. Additional federal funds available to school districts in FY98 are in the areas of School to Work, Economically Disadvantaged Students, Migrant Education and Special Education. These funds will support local school district efforts to implement the Initiatives, subject to local district discretion within the funding source guidelines.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Funds - Designated for specific purposes		\$ 366.9	\$ 42
General Funds - All others	\$ 683,374.7	686,353.6	603
Federal Funds	106,317.3	115,658.6	370
Other Funds - Public School Fund, interagency, etc.	104,138.3	101,001.9	402
TOTAL BUDGET	\$ 893,830.3	\$ 903,381.0	\$ 1,417
Positions - Full-time	473	463	404
Part-time and Seasonal	101	107	93
KEY PROGRAM AREAS (Total Funds)			
Foundation Program	\$ 639,723.1	\$ 649,839.8	\$ 74
Pupil Transportation	32,842.2	32,842.2	61
School Debt Reimbursement	79,412.4	68,616.6	114

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

MISSION

The agency is dedicated to strengthening families and job opportunities through a cooperative stewardship with the citizens of Alaska that ensures protection of public health and the environment.

Major Goals and Strategies

- 1 Protect public health and promote economic development and jobs in rural Alaska through improved sanitation.**
 - Complete a statewide assessment of rural water and sewerage needs.
 - Work with the Governor's Council on Rural Sanitation to develop and implement a long term action plan to eliminate the honey bucket by 2005.
 - Provide the training, education, and technical assistance necessary for communities to properly operate, maintain, and manage water and sewerage systems to safeguard health and the state's investment in sanitation facilities.
- 2 Make permit application, approval, and tracking systems simpler, more accurate, and up-to-date.**
 - Refine the "permit team" approach to multi-disciplinary facility permits, giving permit holders and the public one primary contact on major projects.
 - Build regulatory changes around guidance and compliance, rather than trying to manage every possible exception through regulatory language.
 - Continue to consolidate and standardize data bases, and develop more efficient, understandable public access to permit conditions, changes, and status.
- 3 Develop environmental quality measures to give the public a way to judge DEC's effectiveness and guide allocation of resources.**
 - Develop, through public participation, measures of environmental quality.
 - Develop effective performance and quality measurements.
 - Integrate public health and economic indicators into environmental management.

KEY PERFORMANCE MEASURES

- Reduce by an additional 10 percent the number of Alaska homes still without safe water and/or sewer disposal.
 - Establish and meet new permit or plan review turnaround targets in at least 3 major, on-going programs such as solid waste, contingency plan review, and industrial wastewater discharges.
 - Add 3 major program or activity data bases to the bank of DEC revised and standardized databases to be used for permit tracking, risk analysis, and resource allocation.
-
- 4 Encourage sustainable resource development based on sound science, which protects public health, air and water quality, and promotes high quality Alaskan products.**
 - Implement work plans to address the 12 most pressing water quality standard issues with stakeholders.
 - Develop environmental leadership beyond compliance and green star which will reduce the frequency of inspections in industry sectors demonstrating consistent pollution prevention.
 - Implement pre-application and early project assistance to aid rapid assessment and issuance of industry permits.
 - 5 Ensure the best spill prevention technology is used in the production, storage and transportation of crude oil.**
 - Sponsor a spill prevention and response technology conference in cooperation with agencies, persons, and groups
 - Complete a comprehensive study comparing spill prevention technologies used worldwide to those now used in Alaska.
 - Provide incentives to increase industry prevention investments in exchange for reduced spill response investment.

Major Changes and Key Issues

Funding Constraints

As the state pursues the goal of minimizing use of general funds, it limits DEC's flexibility in setting priorities for service delivery. DEC is increasingly dependent on federal funds and program fees. Our priorities become more and more dictated by the federal agencies or a restricted fee source. With fees included in reductions targets, we can not deliver services to customers who are willing and able to purchase.

Partnerships and Incentives

DEC is increasing the emphasis on cooperative approaches, incentives, and partnerships to achieve environmental objectives. The King Salmon tri-party agreement is a first in the nation example of a cooperative approach to clean-up of a contaminated federal site. DEC initiated an "environmental leadership program" which is involving a broad spectrum of industry in developing new approaches and incentives for environmental protection. DEC awarded British Petroleum a "Beyond Compliance" award for their voluntary action to clean up an abandoned hazardous waste site.

Environmentally Sustainable Economic Development

The largest portion the DEC budget is focused on assisting environmentally sustainable economic development. Some activities are funded by the Clean Air Protection Fund, contracts with industry or fees, reducing state general funds. Remaining general funds are targeted to our basic public health mission where charging fees is less feasible.

Environmental Health

Environmental Health is emerging as the main point of contact for large clusters of small- and medium-sized Alaska businesses (such as restaurants and hospitality, seafood processing), and for communities (basic public health needs like drinking water and solid waste). The division continues its focus on regulatory streamlining and improvements to ensure that requirements add value to these key economic and public health sectors.

Spill Prevention and Response

Ketchikan Pulp Corporation is scheduled to close their pulp mill facility in March. SPAR will work with KPC, the City and Borough of Ketchikan, and the federal EPA to ensure that the closure and cleanup of mill properties will facilitate their economic reuse. In FY 98, SPAR will adopt contaminated site standards as the "measuring stick" for determining when no further clean up is needed to protect public health and the environment and to answer- "How clean is clean?" In FY 97, DEC approved oil spill prevention and response contingency plans for 21 tankers operating in Prince William Sound. As a condition, shippers were required to investigate possible improvements to the tugs that escort tankers through the Sound. In FY 98, SPAR will work with shippers, the U.S. Coast Guard, Marine Pilots, and Prince William Sound Regional Citizens Advisory Council to approve and put in place technological and procedural improvements to the tanker escort system.

Facility Construction and Operation

The program to sell revenue bonds to finance the state revolving funds is now authorized for wastewater cans. This gives DEC more flexibility in planning and targeting water and sewer improvements.

Air and Water Quality

The Title V air permit program was granted "interim final" approval by the federal EPA. Alaska industry will have three years to complete the permitting process. Water quality standard setting functions have been integrated with assessment and permitting. The water program now applies these tools from a total watershed perspective.

Statewide Public Service

The division will increase partnerships with communities and businesses to help them use limited financial resources to assess, rank and solve pressing environmental management challenges, including handling hazardous materials. The division will actively seek local government partners to take on specific sewage management responsibilities, allowing the systems to be run more flexibly for local concerns.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Funds - Designated for specific purposes		\$ 100.0	\$ 45.3
General Funds - All others	\$ 17,133.1	15,804.8	1770
Federal Funds	9,978.0	11,155.2	990
<u>Other Funds - Oil & Haz. Response, interagency, etc.</u>	<u>26,028.6</u>	<u>18,703.2</u>	<u>1176</u>
TOTAL BUDGET	\$ 53,139.7	\$ 45,763.2	\$ 3,681.9
Positions - Full-time	504	483	482
Part-time	3	4	7
KEY PROGRAM AREAS (Total Funds)			
Healthy, Safe Communities	\$ 22,551.4	\$ 19,782.5	1111
Environmentally Sustainable Economic Development	30,588.3	25,980.7	2570

DEPARTMENT OF FISH AND GAME

MISSION

To manage, protect, maintain and improve the fish, game and aquatic plant resources of Alaska. The primary goals are to ensure that Alaska's renewable fish and wildlife resources and their habitats are conserved and managed on the sustained yield principle, and that the use and development of these resources are in the best interest of the economy and well-being of Alaskans.

Major Goals and Strategies

1 Provide opportunities for people to use and enjoy Alaska's fish and wildlife resources.

- Provide for subsistence use of fish and game as the priority use.
- Provide for healthy, sustainable, economically viable commercial fisheries.
- Enhance opportunities for sport fishing, hunting and wildlife viewing.

2 Manage Alaska's fish and wildlife resources based on sound science, good management principles, and a fair and open public process.

- Manage Alaska's fish and game for sustained yield, following objectives established by the Boards of Fisheries and Game
- Engage in a deliberate, science based effort, utilizing best available technology, to assure well-informed, sustainable fisheries management for the 21st century and beyond.
- Assure efficient functioning of the Boards of Fisheries and Game to provide a fair and impartial public process for making allocation decisions.
- Help the salmon industry respond to changing market conditions.

3 Maintain, restore or enhance all habitat important to Alaska's fish and wildlife resources.

- Permit development that maintains healthy anadromous streams and wetlands.

- Work with the timber and mining industries to ensure projects meet legal requirements and adequately protect fish and wildlife resources.
- Improve coordination with the Departments of Natural Resources and Environmental Conservation to ensure resource sustainability and multiple use when planning timber sales, oil and gas leases and mining projects.

KEY PERFORMANCE MEASURES

- Pursue six new cooperative rehabilitation and enhancement projects with public and private development interests, while maintaining timely habitat permit approvals.
- Make significant progress toward regaining state management of subsistence hunting and fishing on all lands and waters.
- Meet production and harvest targets set by department managers and the Boards of Fisheries and Game.
- Ensure the opportunity for Alaskans to harvest groundfish in state waters and participate in other developing fisheries with no transfer and encumbers.
- Develop the wildlife management plans based on geographic regions and the interaction of different species, rather than the single species management plans.
- Use improved communications tools to provide greater public access to the department's fish and wildlife information base.
- Increase use of dispute resolution and consensus building processes to improve public involvement in policy and regulation development.

Major Changes and Key Issues

Commercial Fisheries Management and Development

The increase in worldwide salmon production has led to a decrease in the market value of Alaskan salmon. The division is working with the Salmon Industry Response Cabinet to improve market conditions, and with fishers and processors to improve quality. The department is working with hatchery operators, fishers, processors and food banks to ensure full utilization of hatchery salmon and solve problems with hatchery production and financing. Groundfish fisheries are being developed to benefit local residents. To develop under-utilized fisheries, more assessment and management planning are needed, using cooperative funding mechanisms. Complex allocation issues are increasing, and the division does not have adequate funding to gather and analyze data, nor does it have staff to carry out new and more complex allocative decisions. The division must optimize harvest in fisheries where hatchery fish are mixed with wild stocks, while obtaining high product quality. This can only be achieved through in-season assessment programs, for which adequate funding is lacking.

Sport Fish

To increase efficiency, non-contracted hatchery production has been consolidated, which will allow the Clear facility to be closed at the end of FY97. The division is emphasizing assessment of Chinook and Coho salmon stocks in the Upper Cook Inlet area and continuing to improve access for sport anglers statewide. Assessment of a variety of fish stocks and sport fisheries in western Alaska will be increased during FY98.

Habitat and Restoration

More fish habitat and fish passage permits were issued in FY97, largely for Kenai River property improvements, mining, forestry and transportation activities. Permit stream-lining will lead the policy agenda in FY98.

Subsistence

Providing the continued opportunity for subsistence fishing and hunting in the midst of federal-state jurisdictional uncertainty remains critical. The division and department work closely on this with the Boards of Fisheries and Game. The intervention of the federal government in subsistence management presents the department with increasing management challenges. For example, an increase in staff time is required for coordination and regulatory review to ensure that hunting opportunities on state land are not compromised by the federal management program.

Wildlife Conservation

Major issues include federal preemption of state management of resident wildlife, meeting increased demand for hunting opportunities, proposed endangered species listings of the archipelago wolf and goshawk in the Tongass, and meeting our mandates for managing refuges and sanctuaries. The division will also address post-logging, revegetation and habitat enhancement issues associated with the spruce bark beetle outbreak in southcentral and interior forests. Stable funding is needed for endangered species and marine mammal research and the refuges and sanctuary programs.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Fund - Designated for specific purposes		\$ 4,098.8	\$ 4,743.0
General Fund - All Other	\$ 39,467.3	35,765.3	35,311.2
Federal Funds	25,363.5	31,099.2	31,794.1
<u>Other Funds - Fish & Game, EVOS, interagency, etc.</u>	<u>35,336.8</u>	<u>34,233.5</u>	<u>34,236.9</u>
TOTAL BUDGET	\$ 100,167.6	\$ 105,196.8	\$ 107,035.2
Positions - Full-time	778	757	756
Part-time and seasonal	827	838	872
KEY PROGRAM AREAS (Total Funds)			
Commercial Fisheries Management & Development	\$ 37,715.1	\$ 43,434.2	\$ 43,439.3
Sport Fish	17,125.0	18,890.8	18,333.0
Wildlife Conservation	16,267.0	16,291.9	16,302.9
Habitat and Restoration	16,584.1	13,608.5	13,712.2
Boards, Commissioner, Administration	7,419.8	7,410.0	7,419.3
Subsistence	2,430.4	2,848.8	2,848.8
Commercial Fisheries Entry Commission	2,626.2	2,712.6	2,712.6

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

MISSION

To promote and protect the well-being of every Alaskan by investing in families and communities.

Major Goals and Strategies

1 Long Term Goals

- Focus on helping children and families stay healthy and safe.
- Increase the incentives and opportunities for communities to collaborate with the Department to improve results for children and families.
- Help Alaskans live healthier and have access to basic health care, resulting in reduced chronic and preventable disease.
- Assist Alaskans who are elderly or have disabilities to live with independence and remain economically secure.
- Move more Alaskans from welfare into jobs so they can support their families.
- Establish an integrated statewide system for data collection, analysis, and reporting which improves services to Alaskans.
- Promote efficient streamlined systems where employees value their work and meet customer needs.

2 Priority Projects and Strategies

- Youth and Justice: Provide a balanced approach of prevention, treatment, and community safety within the juvenile justice system by securing capital and operating funds and changes in law.
- Child Abuse and Neglect: Develop a plan to create a system that helps families and protects children. Award first grants of the Children's Trust.
- Substance Abuse: Work with the Criminal Justice Cabinet to reduce substance abuse.
- School/Health Partnership: Together with the Children's Cabinet, assist communities to plan for effective school-based or school-linked health and social services through the COMPASS initiative.

- Tobacco Issues: Introduce legislation to increase the tax on tobacco by \$1/pack to decrease youth tobacco use. Support community tobacco control efforts.
- Public Health Laboratory: Build a new public health laboratory facility to ensure a safe, secure and economically viable operation.
- Immunizations: Increase the percentage of Alaskan two-year-olds who are fully immunized.
- Comprehensive Integrated Mental Health Plan: Work with interested parties, particularly the Mental Health Trust Authority, to improve the integration and coordination of services.
- Long Term Care: Join with the Department of Administration, to enhance community-based long term care services.
- SSI/Adult Public Assistance: Assess the current eligibility system to improve work processes and eligibility policy to be more responsive to clients' needs.
- Welfare Reform: Implement programs that will move Alaskans from welfare to work.
- Child Care: Partner with the Department of Community & Regional Affairs to develop a plan for child care services in the State.

KEY PERFORMANCE MEASURES

- Increase the number of 2 year olds fully immunized to 90% by the year 2000.
- Reduce youth smoking and smokeless tobacco use rates by 10% by the end of FY98.
- Increase number of juveniles going into diversion programs by 10% by the end of FY98.
- Reduce the annual per capita alcohol consumption by people aged 14 and over from 2.65 to 2.25 gallons by the year 2000 through public awareness efforts and a focus on teens.
- Move 30% of welfare recipients into work activities by the end of FY98.

Major Changes and Key Issues

Entitlements

- Restore Medicaid optional services so that adults can receive eye glasses, acute dental services, hearing aids, and occupational therapy.
- Eliminate payments in Medicaid and Adult Public Assistance for services to alcoholics and drug addicts as a result of changes in federal legislation.
- Keep pace with caseload increases for sexually abused and neglected children in Foster Care and Subsidized Adoptions.
- Implement managed care pilot projects in Medicaid and continue efforts for cost containment.
- Reduce costs of the Alaska Temporary Assistance Program (ATAP-formerly AFDC) and reinvest in work and child care activities.

Grants

- Expand juvenile diversion and local community juvenile programs.
- Provide funds to support some of the projected growth in the Healthy Families program.
- Increase mental health grant funds in various programs.
- Establish a new Budget Review Unit for the Children's Trust Fund.
- Transfer the Home Health grant program from Public Health to Department of Administration/Division of Senior Services.

Program Services

- Fund three new juvenile probation officers and a position for compliance with the federal Indian Child Welfare Act.

Facilities/Institutions

- Reduce Harborview Developmental Center funding to reflect the final year of program operation.
- Secure funds for Juvenile Facility Master Plan, including 20 beds at Johnson Youth Center.

General Administration

- Reduce travel & other expenses by adopting better business practices.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Fund - Designated for specific purposes		\$ 3,215.0	\$ 4,185.9
General Fund - All Other	\$ 437,805.2	448,572.3	447,465.0
Federal Funds	312,416.4	337,834.7	312,223.3
Mental Health Trust Authority Authorized Receipts		2,232.5	4,553.7
Other Funds - Interagency, Perm Fund Dividend, etc.	68,930.8	70,546.5	66,468.4
TOTAL BUDGET, including mental health bill	\$ 819,152.4	\$ 862,401.0	\$ 831,095.3
Positions - Full-time	2,086	2,049	2,023
Part-time and seasonal	59	59	51
KEY PROGRAM AREAS (Total Funds)			
Community Grants	\$ 105,944.5	\$ 111,245.5	\$ 105,000.0
Entitlements	536,310.8	563,901.0	530,000.0
Facilities/Institutions	36,942.3	36,200.6	36,000.0
Program Services	133,033.5	144,224.3	140,000.0

DEPARTMENT OF LABOR

MISSION

To foster and promote the welfare of the wage earners of the state, improve their working conditions and advance their opportunities for profitable employment.

Major Goals and Strategies

- 1 Put Alaskans to work.**
 - Work with industries with large numbers or percentages of nonresident workers to provide opportunities for Alaskan workers to be recruited and/or trained for positions in those industries.
 - Extend the reach of the Department's statewide labor exchange through use of the Internet and through partnerships with employers, native organizations, labor unions, local governments, and other agencies.
 - Build upon the successful partnership with the Division of Public Assistance to move Alaskans from welfare to economic self-sufficiency.
 - Continue to implement local "One Stop" job centers for improvement in customer service and greater efficiency by co-locating and providing integrated services with Public Assistance, Job Training (JTPA), Vocational Rehabilitation, Adult Basic Education, and the Alaska Native Coalition on Employment and Training, where feasible.

- 2 Ensure that Alaska's workers receive the minimum wages and overtime pay to which they are entitled, are provided safe and healthy workplaces and communities, and are protected from economic hardship when injured on the job.**

- In addition to enforcement, consultative and training programs for occupational safety and health standards, work in partnership with business to implement voluntary programs which ease the regulatory burden and recognize effective employer efforts.

- Continue to work with all interested parties on medical cost containment in treatment of on-the-job injuries.
- Cooperate with the Division of Occupational Licensing to enhance the system of private sector self-inspection in the electrical and plumbing industries.

- 3 Provide comprehensive economic and demographic information to support government programs and facilitate private sector business decisions.**

- Continue to expand the availability of labor market and population information on the Internet.
- Provide labor market projections to the Alaska Human Resource Investment Council to make informed decisions regarding the allocation of training resources and track post-training employment of clients to monitor effectiveness of training programs.
- Coordinate and maximize participation of communities and local governments in preparations for the federal census in 2000.

KEY PERFORMANCE MEASURES

- Increase compliance with Electrical/Mechanical Administrator statutes by 5%.
- Reduce lost workday injuries by 2%.
- Increase the number of in-state hires for seafood processing work through the Alaska Employment Service by an additional 5%.
- Increase employer compliance with workers' compensation insurance requirements by an additional 5%.

Major Changes and Key Issues

Employment Security Division

During FY 97, processing of unemployment insurance for most areas was moved to regional call centers where claims are handled by mail. Customer response has been positive as timely payment of first claims has improved since the change. Remaining local office staff are better able to serve employers and job seekers through Labor's 19 employment service offices, and the impact of federal cuts to employment service funding is mitigated. Interactive Voice Response technology will be in place for UI claimants during FY 98, further improving efficiency and customer service.

Workers' Compensation Division

1995 reform legislation increased the Workers' Compensation Board's authority in policing fraud. With the success of division efforts to bring uninsured employers into compliance with the law, investigative resources will be directed to assist the Division of Insurance in workers' compensation fraud investigation in FY 98.

Labor Standards and Safety Division

Labor will receive \$100.0 from the Department of Commerce and Economic Development to do investigative and enforcement services for the Electrical and Mechanical Administrator program. DOL will prepare cases for prosecution by the Department of Law.

Alaska Labor Relations Agency

The agency will establish an Alaska chapter of the Industrial Relations Research Association to promote alternative dispute resolution and labor management cooperation in the public sector.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Fund - Designated for specific purposes		\$ 196.6	\$ 197.4
General Fund - All Other	\$ 9,058.4	8,704.7	8,706.6
Federal Funds	31,226.2	35,023.8	34,244.3
Other Funds - special funds, interagency receipts, etc.	14,667.4	16,203.0	15,295.1
TOTAL BUDGET	\$ 54,952.0	\$ 60,128.1	\$ 58,443.4
Positions - Full-time	669	645	636
Part-time and seasonal	46	52	57
KEY PROGRAM AREAS (Total Funds)			
Employment Security	\$ 35,073.9	\$ 38,019.9	\$ 36,251.1
Workers Compensation	5,098.1	5,423.8	5,113.3
Labor Standards and Safety	6,194.1	6,365.3	6,152.2
Alaska Labor Relations Agency	325.8	327.3	326.8

DEPARTMENT OF LAW

MISSION

The department's first primary mission is to assure safe communities by prosecuting and convicting criminal offenders in Alaska. The second is to work in partnership with executive, legislative and judicial agencies by providing legal advice and representing the state in all actions in which it is a party.

Major Goals and Strategies

1 CRIMINAL DIVISION **Protect the public through effective prosecutions.**

- Assist law enforcement agencies with criminal investigations and filing misdemeanor and felony charges.
- Serve as legal advisor to grand juries and represent the state in all phases of criminal trial and appellate proceedings.
- Effectively prosecute domestic violence crimes - both felonies and misdemeanors.

2 CIVIL DIVISION **Provide effective legal advice and representation of the state.**

- Protect Alaska's children and youth by handling child abuse, neglect and delinquency cases expeditiously.
- Ensure the state receives its correct share of oil and gas taxes and royalties; reduce taxpayer disputes and litigation by clarifying and improving the rules governing taxes..
- Resolve questions of state versus federal control and management of natural resources and lands.
- Resolve issues surrounding subsistence use of fish and game.
- Increase collections of money owed the state by businesses and individuals for child support, fines, loans and other unpaid obligations. Reduce fraud in benefit programs.
- Complete the reengineering of legal review of proposed regulations to make the process more efficient, timely and responsive to agencies and the public.

KEY PERFORMANCE MEASURES

- Collect at least \$100 million in oil and gas taxes, royalties, and tariff adjustments through administrative and judicial proceedings or settlements.
- Collect at least \$2.5 million in criminal judgments including indigent defense costs, costs of incarceration for DWI offenders, and other fines owed the state.
- Complete 2,500 child support enforcement cases.
- Review 50 percent of all proposed regulations within 120 days of receipt from the agency and 75 percent within 180 days.

Major Changes and Key Issues

Criminal Division

Implement the Domestic Violence Prevention and Victim Protection Act. In 1996, Governor Knowles introduced and signed a comprehensive bill to address domestic violence which represents an increasingly large percentage of all assaults sent to the criminal division for prosecution. The new law made fundamental changes in how these cases are handled by police and the courts, and requires additional efforts to contact victims. Due to intense pressure from the offenders, victims often refuse to cooperate when the cases are ready for trial. Under a new criminal division policy, cases are now investigated and prosecuted assuming that victims will not be present at trial.

Criminal Division Management Review

The department participated in a management review of the criminal division by the Conference of Western Attorneys General. The division will implement those recommendations that can best improve service and maximize use of increasingly limited resources.

Civil Division

Federal and Other State Relations. Examples of major issues being addressed:

- Dinkum Sands -Supreme Court argument before U.S. scheduled for February 1997.
- Statenscoo Compact case - before the Federal Circuit Court of Appeals.
- Southeast Alaska chinook fisheries - resisting attacks by Washington, Oregon, Canada and Northwest Tribes.
- Issue of whether tribes are entitled to 50% of salmon migrating to Alaska - scheduled for trial spring 1997.
- Ninth Circuit ruling that ANCSA did not extinguish Indian country in Alaska - seeking review by the U.S. Supreme Court.
- Proposed federal rules to regulate subsistence fishing in navigable waters or hunting and fishing on certain other nonfederal lands commenting on all proposals.

Child Protection Caseload

The child protection and juvenile delinquency caseload continues to increase, particularly in Southcentral and Western Alaska. Staffing to handle these cases remains inadequate, although it was somewhat improved by moving a position from Nome to Bethel, which eliminated the need to travel weekly from Anchorage to Bethel. The October 1996 report of the Alaska Judicial Council on children's cases recognizes the need for more resources for children's cases throughout the system, including the Department of Law. Anchorage-based attorneys are now handling 150-200 cases each.

Oil and Gas Litigation

The trial phase of a major case in which more than \$1 billion in tax and interest is contested is in formal hearing which will continue through spring 1997. Most pretrial preparation will be completed in another oil and gas production case scheduled for hearing in early FY 98. Litigation of pipeline tariff issues continues with a potential difference of millions of dollars in state taxes and royalties. In FY 98 staff will assist the Department of Revenue in adopting new production tax regulations to further clarify the rules governing taxpayers and reduce litigation in the future.

Timekeeping and Accountability

The Civil Division has fully implemented timekeeping for all attorneys and paraprofessionals. This reengineering enables the division to know exactly where and how resources are used, increasing the division's accountability to the executive and legislative branches and improving the accuracy of billing for client agencies.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Fund - Designated for specific purposes	\$ 637.2	\$ 697.0	\$ 753
General Fund - All Other	35,044.6	31,742.1	31,173.4
Federal Funds	347.2	419.8	451
Other Funds - Interagency, etc.	18,833.6	15,742.0	15,293
TOTAL BUDGET	\$ 54,862.6	\$ 48,600.9	\$ 47,670.4
Positions - Full-time	442	446	443
Part-time and seasonal	6	7	7
KEY PROGRAM AREAS (Total Funds)			
Criminal Division	\$ 12,297.3	\$ 12,904.9	\$ 12,904.9
Civil Division	24,465.7	23,756.2	23,756.2
Oil and Gas Litigation	18,099.6	11,939.8	11,939.8

DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS

MISSION

The mission of the Department of Military and Veterans' Affairs is to provide relevant, ready, quality forces and services for Alaska and the nation.

Major Goals and Strategies

1 Provide a National Guard force which fulfills state and federal military missions, attracts approximately \$154 million annually from the federal government, and continues to build leaders and communities which benefit over 4,000 Guard members and all citizens of the state.

- Increase average educational level of Army Guard members.
- Meet installation readiness level established by National Guard Bureau.
- Improve recruitment, retention, and education levels through a partnership with the University of Alaska to provide new educational options for National Guard members.
- Ensure Air Guard Airlift and Rescue squadrons achieve worldwide mobility qualification status by October 1, 1997.

2 Develop a statewide integrated emergency management system to protect the lives and property of Alaskans in time of disaster.

- Establish a cadre of trained reservists to support response and recovery operations.
- Provide communities with a mechanism to assist one another through coordination with the State Emergency Coordination Center.
- Establish state interagency teams with the capability to manage all types of hazards incidents.

3 Help Alaska's at-risk youth gain an education and learn self-discipline.

- Fund and formalize the National Guard Challenge Program as a continuing federal/state program.
- Sponsor and support expansion of Boy Scout and Girl Scout organizations statewide.
- Maintain education and prevention efforts of the Drug Demand Reduction program.

4 Advocate for veterans' benefits to recognize the sacrifices and achievements of Alaska's veterans and their families.

- Coordinate veterans' benefits by creating a point of contact available to all veterans in the state.

KEY PERFORMANCE MEASURES

- Increase Guard members' reading level by one grade per year measured by pre- and post-testing.
- Reduce deferred maintenance backlog by 5%.
- Enroll at least 50 participants in the University of Alaska education partnership program.
- Air Guard Airlift and Rescue squadrons attain worldwide mobility status.
- Test two trained State Incident Management Teams under simulated conditions.
- Maintain level of successful Youth Corps graduates (in school or at work) at 85%.
- Organize four new Scout Troops by October 1997.

Major Changes and Key Issues

Federal funding levels for the National Guard Youth Corps Challenge program next year are uncertain. Some state funding will be necessary to ensure the continuation of this effective program.

The Division of Emergency Services (DES) was restructured to provide a State Emergency Coordination Center and a statewide emergency training capability for regional and local governments.

A new federally-mandated Emergency Alert System must replace the current Emergency Broadcast System in January 1997. Capital funds of \$220,000 were included in the governor's proposed FY97 budget, but the project was not funded. The new equipment is needed to meet the federal requirement.

The State Emergency Management Project was initiated to fully integrate key state agencies into the State's emergency management system.

Operational control of Bryant Army Airfield at Ft. Richardson was transferred to the Alaska Army National Guard, providing a home for the Army Aviation Battalion.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Funds - Designated for specific purposes			\$ 1,755
General Funds - All others	\$ 20,561.9	\$ 7,084.9	1,150
Federal Funds*	21,263.1	25,597.7	1,150
Other Funds - Interagency receipts, etc.	2,749.8	2,637.7	1,150
TOTAL BUDGET	\$ 44,574.8	\$ 35,320.3	\$ 4,105
*Does not include \$128 million federal national guard expenditures in Alaska.			
Positions - Full-time	162	160	162
Non-permanent	45	45	45
KEY PROGRAM AREAS (Total Funds)			
Disaster Planning and Control	\$ 3,077.2	\$ 3,177.1	\$ 1,150
National Guard	14,471.6	18,079.3	1,150
Veterans and Youth Services	12,368.7	5,063.9	1,150

DEPARTMENT OF NATURAL RESOURCES

MISSION

Develop, conserve, and enhance natural resources for present and future Alaskans.

Major Goals and Strategies

1 Encourage resource development that creates Alaska jobs and ensures economic growth in all regions of the state.

- Offer 3.5 million acres of state land for oil and gas leasing in three sales.
- Expand the physical recovery and economic value of hydrocarbons through unitization operations.
- Offer 18.6 million boardfeet of forest products to industry and the public.
- Increase revenues generated from Alaska Mental Health Trust Lands to \$2.5 million.
- Increase revenues generated by park user fees to \$2.2 million.
- Increase farm production by 7% (\$2 million).
- Complete and publish the Kenai Area Plan.
- Complete 10 site-specific land use plans to facilitate land classification for development projects.
- Acquire title to 245,000 acres under the Statehood Act from the federal government.
- The Priority Mineral and Energy Resource Development Project will expand the online state geological database of mineral, energy and construction material resources state wide.

2 Ensure resource development planning, management, and new project approvals are based on sound science and protection of public health, air and water quality, and fish and wildlife habitat.

- Plant 1,496 acres of forest land, survey 650 acres for regeneration, and review 1800 acres of private land for successful regeneration.
- Supervise the safety inspection of approximately 20 dams and test emergency action plans for 2 high-risk dams.

- Complete a master plan for Afognak Island State Park.
- Complete and publish the revised Kenai River Management Plan.
- The Statewide Mineral Resource Appraisal Project will update and prioritize critical new geological surveys to sustain mineral industry investments.
- The Statewide Energy Resource Assessment Project will produce oil, gas, and coal resource information to identify new areas capable of resource discovery (e.g., viable local sources of alternative energy near rural communities).
- Conduct over 3,000 produce inspections, field inspections for seed certification and disease control, and issue certificates for export products.
- Successfully contain 500-600 wildfires to 100 acres or less.

3 Ensure resource sustainability and multiple use, including recreational enjoyment of the resource base.

- Implement an area-wide leasing program on the North Slope in 1998.
- Provide an expanded agriculture base by preparing 25 new land disposal packages and 12 lease opportunities on grass land areas.
- Implement the Asset Management Plan for Alaska Mental Health Trust Lands with emphasis on timber, minerals, and real estate.
- Develop a new Statewide Comprehensive Outdoor Recreation Plan.
- Develop 10 five year harvest schedules and 4 forest land use plans.

4 Streamline natural resource leasing, sales, and permitting processes.

- Synchronize and integrate the processing of permits, leases, rights-of-way, and other authorizations from the Department of Natural Resources.

Resources, Environmental Conservation, Fish & Game and the Division of Governmental Coordination.

- Manage Mental Health Trust Lands through the processing of new applications and resolve 75% of outstanding issues related to existing leases, contracts, rights-of-way, etc.
- Create 300 townships in automated format on the state's land ownership information system and convert 420 townships to present GIS format.

5 Ensure meaningful public participation on resource management issues.

- Conduct public meetings and publish preliminary and final best Interest Findings and coastal management consistency findings for oil and gas lease sales.
- Conduct public outreach meetings about parks and the state park system to interest groups and citizen forums and facilitate meetings of 13 Parks Citizen Advisory Committees.
- Conduct and/or attend at least 10 public meetings concerning oil and gas lease sales, and prepare informational materials for use at these meetings.

KEY PERFORMANCE MEASURES

- Offer another 3.5 million acres of state land for oil & gas leasing in three lease sales.
- Administer and facilitate the issuance of 31,000 mining claim permits.
- Maintain and operate 127 state park units to accommodate 6 million visits.
- Maintain the state's land data base through the notation of 10,000 state resource transactions, affecting 12,000 townships, and make this information available to the public.
- Generate \$1.3 million from sale of forest products and offer 49.3 million board feet for the forest industry.
- As part of its responsibility and process review, the department is in the process of redefining corresponding outcome-based performance measures. This process should be completed by February 1997.

Major Changes and Key Issues
Responsibility Review

DNR continues the comprehensive review of the agency's responsibilities, with the goal of concentrating on the "vital few".

Process review

Review all of our processes, particularly in the permitting arena and in relation to other departments, to eliminate unnecessary steps and avoid duplication of effort.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Funds - Designated for specific purposes	\$ 554.9	\$ 2,976.6	\$ 3,334.2
General Funds - All others	56,010.6	42,556.7	41,643.2
Federal Funds	17,238.5	16,083.0	1,407.3
Other Funds - Interagency receipts, EVOS, etc.	10,098.9	9,987.9	707.8
TOTAL BUDGET	\$ 83,902.9	\$ 71,604.2	\$ 46,092.5
Positions - Full-time	595	569	567
Part-time and Seasonal	235	231	230
KEY PROGRAM AREAS (Total Funds)			
Oil and Gas Development	\$ 4,118.7	\$ 4,283.8	\$ 4,360.7
Resource Development and Administration	34,677.5	35,721.3	34,344.4
Parks Management	7,155.0	6,824.5	7,403.3
Recorder's Office	2,307.2	2,265.9	2,103.1
Historic Preservation	1,298.2	1,261.5	1,164.4
Agricultural Development	2,316.6	2,796.1	2,433.9

DEPARTMENT OF PUBLIC SAFETY

MISSION

The mission of the Department of Public Safety is to maintain a commitment to all Alaskans to help ensure a safe, orderly, and positive environment, so children and families can work, live, and learn without fear of violence. This commitment is delivered through statewide police emergency response, motor vehicle, fire safety and other vital public safety services.

Major Goals and Strategies

1 **Preserve the public peace, enforce specific laws, prevent and detect crime, apprehend offenders, protect life, and property and Alaska's fish and wildlife resources.**

- Increase community participation in public safety programs - Continue to expand village involvement so trooper programs better address local needs. Evaluate alternatives like "Community Courts" to divert minor incidents and misdemeanors from the criminal justice system.
- Reduce domestic violence and sexual assault throughout Alaska.
- Deter fish and game violations by having Fish and Wildlife Troopers contact more resource users in the field.

2 **Administer motor vehicle and driving laws to promote driving safety and preserve property rights of vehicle owners and lien holders.**

- Improve delivery of services through private sector arrangements with Emission Inspection stations, car dealers, banks and fleet owners

3 **Provide statewide criminal justice training, information, person identification and forensic services.**

- Continue to integrate criminal justice agency computer systems to ensure essential information is available on-line to Alaska's 4,500 criminal justice professionals involved in investigations, arrest, sentencing, release from custody, employment and licensing.

4 **Promote ways to protect life and property against fire and explosion.**

- Develop a statewide fire suppression strategy with state, local and media participation to educate the public about the magnitude and prevention of fire hazards in Alaska.

KEY PERFORMANCE MEASURES

Alaska State Troopers

- Reduce by 3% the incidents of motor vehicle fatality traffic accidents involving alcohol/drugs occurring in State Trooper jurisdiction during FY98.
- Train 90% of all Alaska State Troopers and Village Public Safety Officers in Domestic Violence call response, investigation and legal issues.

Fish and Wildlife Protection

- Reduce the number of sport fish and wildlife violations by increasing the number of contacts with recreational hunters and fishermen statewide by 1.0% (approximately 800 more contacts).
- Reduce the number of commercial crab fishery violations by increasing enforcement patrol contacts with commercial crab fishermen by 5%.

Division of Motor Vehicles

- Increase the number of public-private partnership contracts to provide DMV service by 50%.
- Increase DMV productivity by processing an average of 5% more transactions per employee.
- Increase orientation visits to high schools by driver improvement specialists to at least two per month.

KEY PERFORMANCE MEASURES

State Fire Marshal/Division of Fire Prevention

- Increase the number of communities reached by the division's fire prevention education programs by 10%.
- Reduce Alaska's fire death rate by 10% by FY 2000 through fire prevention education and other programs.
- Maintain the number of fire investigations conducted by State Fire Marshals by 5%.

Fire Safety

Alaska's fire fatalities are nearly 4 times the national per capita average — 28 deaths in the just the first nine months of 1996. Together with the fire prevention industry, the department is reviewing ways to strengthen public fire education, early detection and early intervention to help reduce loss of life and property.

Commercial Fisheries Enforcement

The Department will purchase a 150' patrol vessel to strengthen commercial fisheries enforcement in western Alaska, using money received from settlements of violations.

Major Changes and Key Issues

Criminal Justice Policy Initiative

Development of a major computer system interface with the Anchorage Police Department will permit more efficient and effective exchange of information essential to police investigations, criminal sentencing and employment screening.

Legislation will be submitted so Alaska law enforcement officials can participate in a national system which notifies states about juveniles wanted in Alaska.

Strengthen prosecution of criminal violations of Alaska's fish and game laws by directing commercial fishing fines into an aggressive enforcement program.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Funds - Designated for specific purposes		\$ 1,047.4	\$ 1,047.4
General Funds - All others	\$ 84,801.2	85,037.8	85,037.8
Federal Funds	4,829.7	5,736.5	5,736.5
Other Funds - Interagency receipts, etc.	5,516.6	4,771.6	4,771.6
TOTAL BUDGET	\$ 95,147.5	\$ 96,593.3	\$ 96,593.3
Positions - Full-time	871	869	869
Permanent part-time	49	46	46
Non-permanent	2	1	1
KEY PROGRAM AREAS (Total Funds)			
Justice enforcement and Public Safety	\$ 67,150.5	\$ 69,359.0	\$ 69,359.0
Motor Vehicle/Highway Safety	10,249.0	9,619.6	9,619.6
Fish and Wildlife Protection	15,254.8	15,089.5	15,089.5

DEPARTMENT OF REVENUE

MISSION

To collect the correct state tax equitably, efficiently and expeditiously to fund services for Alaskans; to prudently manage the state treasury and the state pension funds; to ensure that eligible Alaskans receive their permanent fund dividends promptly; to ensure that children receive the financial support they need through the establishment and enforcement of child support orders; to issue charitable gaming licenses and permits and ensure that the state and charities receive the amounts to which they are entitled; to regulate the manufacture, barter, possession and sale of alcoholic beverages in the state; and to provide administrative support to the Alaska Permanent Fund Corporation, the Alaska Housing Finance Corporation, the Alaska Mental Health Trust Authority, and the Alaska Municipal Bond Bank Authority.

Major Goals and Strategies

1 Improve Customer Service

- Expand rural outreach program in the Permanent Fund Dividend Division by adding a northern region dividend information office and a rural desk.
- In the area of child support enforcement, provide more public education classes for clients and employers, increase the reliability and accuracy of case data, and increase client access to child support information through the Internet.
- Redesign and streamline the appeals process the public must go through when they disagree with a ruling from the Child Support Enforcement Division or the Permanent Fund Dividend Division.
- Assist state agencies in making the transition to electronic payments for taxes and fees.
- Provide for electronic filing of monthly reports for charitable gaming manufacturers and distributors.
- Provide for electronic filing of monthly severance tax returns for oil and gas taxpayers.

2 Increase Tax Certainty for Taxpayers

- Expedite the collection of back taxes and ensure that taxpayers pay the correct tax.
- Resolve some recurring issues of controversy in the area of oil and gas corporate income tax by promulgating new regulations.
- Continue the transition to real-time monitoring of oil and gas markets to reduce the number of issues under production tax audits.

KEY PERFORMANCE MEASURES

- The Child Support Enforcement Division will increase the percent of non-custodial parents who make at least a partial child support payment each month from 45% in FY96 to 48% in FY98.
- The Income and Excise Audit Division will allocate 20% of available audit time to non oil and gas corporations, motor fuel, fisheries, alcohol and tobacco.
- The Oil and Gas Audit Division will develop an electronic tax filing system by June 1998.
- The department will review and make appropriate changes to the appeals process for child support enforcement and permanent fund dividend appeals by June 1998 so that, at minimum, appellants receive decisions within the statutory and regulatory time limits.

Major Changes and Key Issues

Permanent Fund Dividend Division:

In FY98, the division will perform a complete review of its application process and customer service efforts. The major goal is to redesign the way permanent fund dividend applications are reviewed to ensure that (1) the applicant understands the process and (2) the division makes its best efforts to qualify eligible Alaskans.

Child Support Enforcement Division:

The division will focus its efforts on helping families increase their independence, reinforce parental responsibility and reduce their need for welfare. With ever increasing caseloads, the division will continue to use technology to increase the efficiency of collections. They will also increase their public outreach.

Oil and Gas Audit Division:

The division will transition to a smaller staff with more real-time monitoring of oil and gas markets, thus reducing the number of issues under audit and the number of audit hours required to effectively review tax returns and ensure that the correct tax has been paid.

Income and Excise Audit Division:

The division will continue to catch up on oil and gas corporate income tax audits while broadening the focus to include other tax types. They will also continue to streamline their tax collection and examination programs and reduce paperwork requirements for tax returns.

Treasury Division:

In FY98 the division will focus on meeting or exceeding the investment benchmarks for all the funds managed by the division. They will also assist other agencies in converting to electronic payments and automated draw downs for federal funds.

Charitable Gaming Division:

The division will continue to automate its review and audit processes. They will also decrease application processing time and provide for electronic filing options.

Budget Summary - Including AHFC and Permanent Fund Operations	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Fund - Designated for specific purposes			
General Fund - All Other	\$ 12,026.2	\$ 12,162.8	\$ 12,179.5
Federal Funds	27,912.1	31,055.5	22,313.9
Other Funds - Retirement, corp receipts, interagency, etc.	68,005.9	74,360.0	54,434.4
TOTAL BUDGET	\$ 107,944.2	\$ 117,578.3	\$ 89,927.8
Positions - Full-time	776	791	793
Part-time and seasonal	42	34	39
KEY PROGRAM AREAS (Total Funds)			
Permanent Fund Dividend Division	\$ 4,574.3	\$ 4,973.2	\$ 4,100.0
Child Support Enforcement	14,272.3	15,661.0	14,427.1
Oil and Gas Taxes	3,360.1	3,090.4	3,100.0
Income and Excise Taxes	3,501.7	3,447.7	3,120.0
Investment and Cash Management	2,726.3	2,772.3	2,100.0
Charitable Gaming	1,002.4	999.9	1,100.0

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

MISSION

The mission of DOT&PF is to improve the quality of life for Alaskans by cost effectively providing, operating and maintaining safe, environmentally sound and reliable transportation systems and public facilities.

Major Goals and Strategies

1 Improve the way Alaska builds and maintains its transportation system, with a significant commitment to public participation in development of the State Transportation Improvement Program (STIP) and capital budget.

- Bring Alaska's portion of the National Highway System up to first class standards by 2010.
- Competitively select community transportation projects on a statewide basis.
- Evaluate new transportation segments which might support significant economic development.
- Incorporate trails, recreational activities, scenic enhancements and visitor services in our transportation program.

2 Protect Alaska's investment in infrastructure by maintaining and operating over 13,000 state lane miles of roads, almost 700 buildings, over 250 rural airports and 80 ports and harbors.

- Invest federal construction funds in projects which reduce maintenance costs.
- Use regional maintenance equipment pools, which will be quickly shifted to the highest need, to reduce the number of maintenance vehicles.
- Implement a management structure which will identify and transfer cost saving maintenance techniques to other regions.
- Encourage local governments to assume ownership of local facilities.
- Work toward implementing a stable funding base for operation, maintenance and improvements of facilities.

3 Operate the Alaska Marine Highway to meet the surface transportation needs of Southeast, Southwest and Southcentral Alaska communities.

- Refurbish and maintain vessels to allow for continued operation.
- Reduce financial losses on vessel services which are not required for safety reasons.
- Work with communities to promote system use.
- Increase efficiencies in services to the public which will result in reduced staff expenditures.

4 Maintain, operate and promote Anchorage and Fairbanks International Airports, which are vital to the state's economy.

- Maintain and construct infrastructure to give Alaska a competitive market advantage, especially for international and domestic cargo traffic.
- Maintain and construct infrastructure to meet both required safety standards and capacity demands.
- Promote passenger service between Alaska and the Pacific Rim.

KEY PERFORMANCE MEASURES

Highways and Aviation

- Increase revenues to support rural airports by 25%.
- Chip seal or pave 10 miles of gravel roads and turn over to local governments.
- Complete statewide and area plans that guide transportation investments.

Alaska Marine Highway System

- Implement an integrated safety management system to meet International Maritime Organization standards.
- Achieve satisfactory results from the customer ridership and community based surveys.

International Airports

- Remove remaining hazardous underground storage tanks.
- Increase cargo traffic by 10%.
- Obtain a direct passenger flight between Alaska and a country in the Pacific Rim by mid-1998.

Major Changes and Key Issues

Department-wide:

A review has begun of specific administrative processes and the overall departmental structure. The purpose is to re-examine the department in light of significant pressure to meet new and additional responsibilities while reducing its operating budget. The goal is to maximize service at the least cost. This review is likely to result in organization, process and responsibility adjustments.

Federal Construction Funding:

The amount of federal construction funds available to the state is beginning to change. Congress reduced the allocation for FY97 by \$28 million and redistributed the funds to other states. Congress must pass reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) by October 1, 1997. It may contain changes to the formula for federal construction funds that would further reduce Alaska's funding.

Rural Airports:

The Federal Aviation Administration has notified the department that the numbers of qualified personnel at certain rural airports are inadequate to meet FAA regulations. Their concern is that conditions at Alaska's certificated airports are unsafe. The department's proposed solution would add \$1 million to rural airport operations and maintenance through reduction of lower priority services, increased program receipt funding and greater assistance from air carriers (e.g., providing ramp observers).

Commercial Vehicle Enforcement:

Legislative approval is being sought to consolidate regulation, administration, safety and enforcement of Alaska's Commercial Vehicle Program in DOT. Transferring weigh stations and permitting from Commerce and Economic Development and safety, size and weight enforcement from Public Safety will produce a more efficient operation, increased customer service and maximum program effectiveness, especially for federal compliance issues.

Alaska Marine Highway System:

In October 1997 the M/V Malaspina will not be able to serve Prince Rupert, an international port of call, because it will not meet the international fire safety requirements. The fleet will be redeployed to meet the current traffic demands through Prince Rupert. A new ocean class vessel capable of multi-missions (cargo, passengers, emergency responses) will be available for service by early FY99. Labor contracts will have to be modified to address certain operational conditions. An improved reservations system and changes to the ticketing process will come on line during FY98.

International Airports:

The Anchorage and Fairbanks International Airports require a reliable source of funding for badly needed capital improvements and development. Revenues are needed to replace declining federal Airport Improvement Program funds. Alternative funding sources will be discussed with the general public. Options could include seeking modification of federal programs to reflect the unique nature of Alaska.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Funds - Designated for specific purposes		\$ 543.8	\$ 933.5
General Funds - All others	\$ 129,787.1	127,635.2	24,372.1
Federal Funds	628.1	940.1	350.1
Other Funds - Marine Hwy, Internal service funds, etc.	203,093.0	210,492.9	2,077.0
TOTAL BUDGET	\$ 333,508.2	\$ 339,612.0	\$ 341,477.7
Positions - Full-time	2,691	2,704	2,706
Part-time	773	702	698
Non-permanent			7
KEY PROGRAM AREAS (Total Funds)			
Administration	\$ 11,857.7	\$ 12,047.2	\$ 11,605
Planning	5,369.6	5,688.4	5,375
Design/Construction	56,752.1	61,628.1	56,752
Maintenance/Operations	113,246.6	113,245.3	113,246
International Airports	35,826.4	38,409.4	35,826
Marine Highways	70,816.1	80,160.4	70,816

UNIVERSITY OF ALASKA

MISSION

The primary mission of the University of Alaska is to provide for the public postsecondary educational needs of the citizens of Alaska. The university incorporates the traditions of the land-, sea-, and space-grant institutions as well as the community college movement in focusing its instruction, research and scholarship on the educational, cultural and developmental needs of the state and its people. The University achieves its missions through a system of three main regional university centers, regional colleges and extension programs.

Major Goals and Strategies

1 Improve the quality, breadth and accessibility of academic programs.

- Address the issues of student retention and graduation rates through changes in curricula, methods of instruction counseling, advising, and administrative and academic services.
- Reemphasize the university's role in community college education through enriched offerings in the technologies and crafts, and by greater use of alternative delivery methods and off-campus sites.
- Reconstruct the way courses and programs are delivered with a growing emphasis on technologically-enhanced instruction, distance education, self-paced studies and collaborative initiatives.

2 Advance academic and fiscal effectiveness and accountability.

- Develop internal financial, human resource and student information systems to provide accurate and timely information.
- Implement and utilize outcome evaluations to improve effectiveness of academic programs and support services, assess student learning and measure achievement of the institution's missions and objectives.

3 Support Alaska's industrial structure, economic development and cultural richness.

- Augment the university's applied research capacity in fields that tie directly to Alaska's existing and potential resources.
- Cooperate with the state, local governments, school systems and the private sector to design joint projects which will substantially increase Alaska's potential.
- Renew the university's commitment to diversity and the enhancement of the artistic, cultural and intellectual life of Alaska.

4 Contribute to and help establish the state, national and international research agendas.

- Work with the state and local governments, other universities, private firms and other organizations to support research in areas that tie directly to Alaska's social and economic well-being.

KEY PERFORMANCE MEASURES

Over the next two years:

- Increase retention of students by 10%;
- Increase graduation rates by 5%;
- Increase course offerings for vocational-technical education by 5%;
- Increase faculty productivity by 15%.

Major Changes and Key Issues

The overriding issue facing the university today is to provide Alaskans a quality and relevant education at a reasonable cost in the face of declining state revenues. This issue underlies the major goals and strategies outlined above, as well as the specific performance measures the university has set for itself over the next three years. It also underlies actions that the university has taken and continues to take to maintain the quality of its programs while minimizing its dependence on state general funds. (Also, funding for agricultural and forestry research from the Alaska Science and Technology Foundation is being phased out over five years.)

Program Assessment:

Notable among these actions is the university's FY95 program assessment process, in which the university identified a wide variety of administrative and programmatic changes to improve the efficiency and effectiveness of its services. This process, which is ongoing and will continue through FY98, will affect nearly all programs in the university through reductions or reorganization. Savings realized through these efforts are being used to help offset fixed cost increases and to meet Board of Regents' priorities such as full funding of annual maintenance needs.

Tuition and Fees:

The university has also increased its reliance on other funding sources, including student tuition and fees. Since FY85, tuition rates have increased by 250% and the proportion of tuition and fee revenues to direct instruction expenditures has increased from 21% to 51%. Tuition rates at the University of Alaska are now comparable or above those for similar institutions in other Western states, particularly for the part-time or "community college" student.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Fund - Designated for specific purposes			\$ 11,935
General Fund - All Other	\$ 168,680.0	\$ 167,693.6	11,935
Federal Funds	46,795.0	77,462.3	11,935
Other Funds - tuition, fees, interagency, etc.	155,125.4	190,065.7	11,935
TOTAL BUDGET	\$ 370,600.4	\$ 435,221.6	\$ 44,805
Positions - Full-time	3,464	3,469	1,271
Part-time and seasonal	243	244	1,242
KEY PROGRAM AREAS (Total Funds)			
University of Alaska Anchorage	\$ 122,753.2	\$ 140,095.4	\$ 44,805
University of Alaska Fairbanks	197,967.2	254,622.4	11,935
University of Alaska Southeast	23,773.8	25,702.9	11,935
Statewide Programs & Services	24,787.9	28,400.9	11,935

OFFICE OF THE GOVERNOR

The Governor's program priorities are outlined earlier in this book. This section provides information on several agencies which are administratively located in the Governor's Office.

Lieutenant Governor

The Lieutenant Governor has statutory responsibilities for elections, regulations, the Administrative Code and journal, and notaries. She is leading several special projects for the governor, including settling the subsistence issue, state telecommunications policy, and the State/Federal Land Managers Forum. She also serves on the board of the Alaska Science and Technology Foundation.

Office of Management and Budget

OMB is responsible for developing and implementing fiscal policy and the state's annual budget and for ensuring that they reflect the administration's policies and programs. Key OMB goals, strategies and initiatives are in the budget discipline section of this book.

Division Of Governmental Coordination

DGC is responsible for operation of the Alaska Coastal Management Program, provides one-stop permit information to developers, and coordinates the State's interagency effort to streamline permitting. DGC also serves as the State liaison to federal agencies conducting activities under the Alaska National Interest Lands Conservation Act, the Outer Continental Shelf Lands Act, and other federal laws that significantly affect our state.

Commission For Human Rights

The Commission enforces Alaska's Human Rights law by impartially investigating complaints of discrimination and seeks to obtain relief for victims. The Commission provides public education through response to inquiries, presentations, and distribution of educational materials.

Office of Equal Employment Opportunity

EEO's mission is to improve representation of minorities and women in the work force, as prescribed by law. It is actively reaching out to key constituencies, including minority and women's groups, community organizations, and state agencies to improve awareness of affirmative action and equal employment, and to help make real progress toward securing equal employment opportunity.

Division Of Elections

The Division conducts statewide elections, as well as local and regional elections in the unorganized borough. It maintains statewide voter registration records and determines precinct boundaries and polling places. Technical assistance is provided to municipalities on a limited basis.

KEY PERFORMANCE MEASURES

- **OMB will implement the new computerized budgeting system on a pilot basis in at least two executive branch departments.**
- **The Division of Governmental Coordination will bring affected local coastal districts and state and federal agencies together to resolve issues and grant approvals for 500 coastal projects.**
- **The Human Rights Commission staff will conciliate or schedule 50 cases for public hearing in FY 98.**
- **The Office of Equal Employment Opportunity will adopt regulations to implement its statutory responsibilities in FY98.**

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Funds - Designated for specific purposes			
General Funds - All others	\$ 14,898.6	\$ 19,766.7	\$ 19,766.7
Federal Funds	3,056.7	3,456.2	3,456.2
Other Funds - Interagency receipts, etc.	303.6	240.7	240.7
TOTAL BUDGET	\$ 18,258.9	\$ 23,463.6	\$ 23,463.6
Positions - Full-time	183	178	173
Part-time and Seasonal	2	4	4
KEY PROGRAM AREAS (Total Funds)			
Human Rights Commission	\$ 1,191.9	\$ 1,214.5	\$ 1,214.5
Equal Employment Opportunity	240.2	308.0	308.0
Elections	1,939.5	3,858.1	3,858.1
Office of Management and Budget	2,175.8	2,446.2	2,446.2
Division of Governmental Coordination	4,506.3	5,075.2	5,075.2

ALASKA MENTAL HEALTH TRUST AUTHORITY

MISSION

Administer the Mental Health Trust established in perpetuity for its beneficiaries, including Alaskans who experience mental illness, mental retardation or similar disabilities, chronic alcoholism with psychosis, or Alzheimer's disease or related dementia. The Authority has a fiduciary responsibility to enhance and protect the Trust and to provide leadership in advocacy, planning, implementing, and funding of a Comprehensive Integrated Mental Health Program to improve its beneficiaries lives and circumstances.

Goals

- Develop a Comprehensive Integrated Mental Health Program planning process led by the Dept. of Health & Social Services in conjunction with the Authority.
- Coordinate and review budget recommendations developed by four planning boards.
- Make recommendations for the state operating and capital expenses of the mental health program.
- Contract with the Alaska Permanent Fund Corporation to manage the cash principal of the Trust and with the Dept. of Natural Resources to manage Trust lands.
- Spend Trust income to help ensure a Comprehensive Integrated Mental Health Program.

Major activities

- Obtain adequate baseline data about the number of beneficiaries who use or require services in FY97.
- With the four planning boards and administrative agencies, identify and understand outcomes for beneficiaries and other service consumers.
- Identify the current public costs of the system and where funding allocations could be changed to improve program effectiveness and efficiency.
- Put in place procedures defining roles in tracking Trust fund expenditures in state programs.
- Ensure that beneficiaries have access to necessary integrated services, regardless of their location and across service systems.
- Assist in planning for acute and long term care for people with mental illness in the Alaska Psychiatric Institute.
- Complete and adopt Trust Authority program regulations by December 1997.

Key Issues

- Continued phase-out of Harborview Developmental Center as a beneficiary facility.
- Funding for eyeglasses, hearing aids and acute dental care for beneficiaries.
- Increased direct services such as respite care, care coordination and treatment for people with dual diagnoses, and mental health services for seniors.
- Innovative systems change such as case management for seriously emotionally disturbed youth, improvements in management information systems, and quality assurance.
- Capital funding for accessible housing for Trust beneficiaries, facility modifications, and development of integrated transportation systems to better use beneficiary transportation systems.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
General Fund/Mental Health	\$ 114,726.3	\$ 108,579.6	\$ 114,826.5
Mental Health Trust Authority Authorized Receipts	557.7	7,634.5	5,234.4
<u>Mental Health Trust Administration</u>	<u>745.8</u>	<u>892.8</u>	<u>992.8</u>
TOTAL BUDGET	\$ 116,029.8	\$ 117,106.9	\$ 121,053.7
FY96 and FY97 include both operating and capital budget appropriations. FY 98 includes only operating budget amounts at this time.			
Positions - Full-time	5	5	5

ALASKA PERMANENT FUND CORPORATION

MISSION

The mission of the Alaska Permanent Fund Corporation is to conserve a portion of the State's revenue from nonrenewable mineral resources as designated by the Alaska Constitution and State Law to benefit all generations of Alaskans by:

- Investing to maintain the safety of the Fund's principal while maximizing total return over time;
- Maintaining liquidity to allow statutory use of the Fund's realized income;
- Fully inflation-proofing the Fund to maintain its value over time; and
- Managing the Fund's assets with professional excellence and the integrity of a fiduciary.

Key Goals and Issues

Achieve better than average investment performance with below average risk by maintaining an average 4% real rate of return.

Produce earnings sufficient to meet legislative mandates of funds for dividends, inflation proofing, and appropriations in accordance with statute.

Continue implementation of the Integrated Management Information and Portfolio Accounting System (FY97 Capital Request). This will meet the information needs of management, policy makers and the public.

Provide increased opportunities for Trustees' communication with the public.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
Corporate Receipts	\$ 28,733.9	\$ 29,108.7	\$ 29,902.2
CIP Receipts	63.2		
TOTAL BUDGET	\$ 28,797.1	\$ 29,108.7	\$ 29,902.2
Positions - Full-time	29	30	32

ALASKA INDUSTRIAL DEVELOPMENT & EXPORT AUTHORITY

MISSION

When AIDEA was created in 1967, its legislative mandate was to promote, develop and advance the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment, and to create additional employment. In 1987, legislators expanded the Authority's powers to assist in financing projects that the Authority would own, and to guarantee trade finance transactions. In 1993, the mission was further expanded to incorporate oversight responsibility for Alaska energy projects previously owed by the Alaska Energy Authority. The Authority fulfills its mission today by facilitating the financing for industrial, manufacturing, export, and other business-related enterprises and facilities in Alaska. AIDEA has authority to own and operate facilities which advance this goal.

Key Goals and Issues

Stimulate economic development and diversification by providing financing assistance to enterprise projects throughout the state.

Evaluate proposed development projects to determine whether development and ownership meets AIDEA's mandate.

Partner with local communities to assess basic local infrastructure needs that might complement private sector investment plans.

Find new ways of providing financing assistance and services to rural Alaska businesses to balance the Authority's efforts to meet the needs of both urban and rural Alaska businesses.

Maintain the Authority's bond ratings which are strategically important in providing lower-cost financing for economic development projects throughout Alaska.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
Corporate Receipts	\$ 3,973.4	\$ 4,804.6	\$ 4,446.8
Positions - Full-time	32	32	32

ALASKA AEROSPACE DEVELOPMENT CORPORATION

MISSION

AADC's mission is to develop Alaska-based economic and technical opportunities in the aerospace field. The Corporation is working with private corporations, government agencies and universities to develop aerospace services and facilities. Major projects include development of the low earth satellite orbit launch facility on Kodiak Island, and full-service satellite ground station facilities in Fairbanks. The Corporation is also active in the development of satellite assembly, test, and distribution facilities in Anchorage and educational opportunities throughout the state. AADC has made significant progress on its major development projects, and in gaining national and international recognition for Alaska.

Key Goals and Issues

Complete construction of the Kodiak launch complex.

Seek an appropriate balance of state and industry participation and funding in the development of a viable Alaska aerospace industry.

Refine relationships with the aerospace industry and maximize the quality and extent of resources available to AADC through its consultants, corporate network, and advisory committees.

Encourage the privatization of aerospace industry efforts in Alaska to minimize state investment.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
Corporate Receipts	\$ 142.1	\$ 43.2	\$ 43.2
Endowment	511.3	511.1	516.8
TOTAL BUDGET	\$ 653.4	\$ 554.3	\$ 560.0
Positions - Full-time	5	4	4

ALASKA SCIENCE AND TECHNOLOGY FOUNDATION

MISSION

To enhance the development of science and technology for the direct benefit of Alaskans. ASTF will help establish an environment where Alaska has the confidence, know-how, technology, and risk capital to grow an economy of sustainable development. ASTF's statutory purpose is "to promote and enhance, through basic and applied research and the development and commercialization of technology, economic and technological innovation in Alaska."

Key Goals and Issues

In FY97, ASTF will maintain its five year commitment to a flat operating budget. In FY 96, ASTF actively managed \$12.4 million in multi-year projects matched by \$29 million in non-ASTF support. ASTF also funded 27 science and math projects by K-12 teachers.

Matching federal funds have been secured to launch in 1997 a Manufacturing Extension Partnership Center to assist the state's

manufacturers. The ASTF-funded portion will be used in providing technical assistance and grading services to forest products firms.

In FY97, projects will continue in areas such as appropriate technology for rural sanitation, hydrocarbon remediation, testbed, telemedicine, modern remote sensing technology for mining exploration, and salmon processing and distribution innovations. The revised grants program emphasizes shared risk, economic feasibility and significant benefit to Alaska.

In FY97, ASTF expects to make a matching commitment to a Business Investment Development Company (BIDCC) as a private sector risk capital institution. A BIDCC will provide debt-equity financing and technical assistance to start-up and technology-based firms in the state.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
Corporate Receipts	\$ 3,592.5	\$ 15,402.8	\$ 15,402.8
Federal Funds		125.0	125.0
TOTAL BUDGET	\$ 3,592.5	\$ 15,527.8	\$ 15,527.8
Positions - Full-time	7	7	7
Part-time and seasonal			

ALASKA HOUSING FINANCE CORPORATION

MISSION

As a self-supporting public corporation, AHFC manages capital assets and grants to provide Alaskans equal access to safe, quality, affordable housing. It coordinates the state's housing strategy and homeless programs. AHFC provides needed housing assistance to Alaskans of low and moderate income levels, rural Alaskans, Alaskans with special needs, and Alaskan senior citizens. These activities create jobs and value-added industries for Alaskans.

Key Goals and Issues

AHFC's principal concern is to maintain the ability to generate an annual profit margin of approximately \$100 million. Maintaining Corporate profits will ensure funds are available to sustain the agreement between AHFC and the Department of Revenue to make annual \$50 million payments to the state for the next three fiscal years.

AHFC has developed an extensive rural outreach program. While the Corporation's overall loan portfolio is in decline, primarily in the urban areas, there is a strong demand in the outlying areas of Alaska, that may help offset this decline. Under certain programs, Regional Housing Authorities would act as agents for the Corporation by initiating and servicing loans on AHFC's behalf in rural Alaska. Working as a team with Regional Housing Authorities will enable AHFC's housing services to continue to expand into extremely remote areas of Alaska. This program will produce additional revenue through interest income on the expanded rural loan portfolio.

The Public Housing Program, which provides rental housing assistance to more than 4,500 low income families, depends on rental income and diminishing federal subsidies. With many of these housing projects in need of major repair, and federal funding declining, the Corporation will continue to pursue alternative financial resources to help narrow funding gaps.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
Federal Funds	\$ 15,040.2	\$ 16,943.9	\$ 17,401.2
Interagency Receipts	500.0	600.0	600.0
Corporate Receipts	11,701.4	11,999.4	12,320.0
CIP Receipts	914.7	1,274.2	259.2
TOTAL BUDGET	\$ 28,156.3	\$ 30,817.5	\$ 32,580.4
Positions - Full-time	304	304	309
Part-time and seasonal	36	36	35

ALASKA STUDENT LOAN CORPORATION

MISSION

To support the development of economically viable, lifelong learners and citizens by providing educational loans to Alaskan postsecondary students. The ASLC must value and serve its customers by identifying program efficiencies through improved management, processes, and technology to ensure the self-sustainability and marketability of the Alaska Student Loan Programs through the 21st century.

Key Goals and Issues

Continue support for legislative, regulatory and administrative improvement of the Alaska student loan fund portfolio. As the student loans are currently structured, the ASLC suffers from fund

equity erosion due to high borrower default rates and loss of interest income during periods of statutorily waived interest.

Having supported the elimination of certain interest free periods through legislation passed in FY97, the Corporation is now analyzing default data and, for FY98, will be proposing appropriate restrictions on clearly identified "high risk" borrowers or sectors.

The public policy implications are varied and while an action taken must be carefully considered, ultimately the need to ensure the long term financial viability of the fund will require that some restrictions be placed on access to these limited resources.

Budget Summary	FY 96 Actual	FY 97 Authorized	FY 98 Governor
Corporate receipts for administration & loan operations	\$ 6,886.6	\$ 7,150.2	\$ 7,150.2
Positions - Full-time	105	99	105
Part-time and seasonal		4	

STATUS OF FY 97 PERFORMANCE MEASURES

Last year's Executive Budget Summary included several key performance measures for each department. This chart gives a quick view of the status of these measures after the first six months of the budget year.

KEY

On track: the department expects to meet the target set in the performance measure.

Too soon: it is too early to tell, sometimes because the activity is seasonal.

Modified: or no longer appropriate, e.g. the original measure is no longer realistic for reasons such as a drop in market prices, or the budget was cut from the governor's proposal.

Not likely: the department does not expect to achieve the performance measure.

	On track	Too soon	Modified	Not likely
ADMINISTRATION				
Realign employee wages and benefits with the middle of Alaska's top 100 private sector employers by FY 2000.	✓			
Reduce the number of warrants issued to vendors by 10% through consolidation of multiple bills.			✓	
Reduce the cost of mainframe computing by 5% while maintaining service levels to agencies.	✓			
Reduce the cost per purchase transaction by 5%.	✓			
COMMERCE AND ECONOMIC DEVELOPMENT				
Create at least 350 new jobs for Alaskans by providing financial assistance to economic development projects meeting defined criteria for feasibility and financial success.	✓			
Participate materially in the creation or expansion of at least twenty-five businesses in FY 97 through the funding of technology commercialization projects.	✓			
Increase annual US per capita consumption of Alaska salmon from 1 to 1.5 pounds by the year 2000.	✓			
Increase the number of Alaskans employed in the visitor industry to 30,000 by the year 2000.	✓			
Reduce response time up to 75% for filing and retrieving licensing and corporate documents by providing forms and information on the Internet, accepting credit cards for payment of fees, and making other uses of technology.	✓			
COMMUNITY AND REGIONAL AFFAIRS				
Support child care programs that will serve 3,650 children and 550 child care providers.	✓			
Provide Head Start services to 256 more children ages 3 and under in the Bethel region and related jobs or training for 575 residents, at least 50% of whom are current or former Head Start parents.	✓			
Build bulk fuel storage facilities in two communities or bring bulk fuel storage facilities up to acceptable standards in about 10 communities.	✓			
Complete power system upgrades in at least three rural communities.	✓			

	On track	Too soon	Modified	Not key
<p>Help all six CDQ groups meet the goals and milestones in their CDQ Community Development Plans.</p> <p>Provide five more rural communities with adequate utility bookkeeping systems.</p> <p>Facilitate negotiations between the IRS and communities to develop work-out plans on past due taxes and abate over \$50,000 in communities' tax penalties.</p> <p>Facilitate local efforts to complete a base re-use plan for Adak and a preliminary economic recovery strategy and base re-use plan for Fort Greely/Delta Junction.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			
<p>CORRECTIONS</p> <p>Decrease the number of probation and parole violators returning to incarceration by 15%.</p> <p>Increase the number of low risk offenders diverted from incarceration to community-based programs.</p> <p>Establish a Community Residential Center in a new community.</p> <p>Improve management capabilities by installing network computer capabilities at 12 sites.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			
<p>EDUCATION</p> <p>Complete the first phase of a multi-year project to develop a statewide assessment tool for measuring student performance against established state education standards.</p> <p>Develop regulations this year that establish educational standards for Alaska's schools.</p> <p>Complete the second phase of a three-year project to develop improved standards for professional educators in Alaska.</p> <p>Improve public access to information by increasing usage of SLED (Statewide Electronic Doorway) by 7%.</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>✓</p>	
<p>ENVIRONMENTAL CONSERVATION</p> <p>Reduce the time for all DEC permit actions by a 15% average compared to last year.</p> <p>Reduce the number of spills of hazardous materials and/or oil by 15% from last year.</p> <p>Reduce the number of Alaskans without safe water and/or sewage disposal by 10% during FY97.</p> <p>Reduce the number of pages of regulations by 5%.</p> <p>Promote a one third increase in recycling from the present rate of 7.5% to 10%.</p>	<p>✓</p> <p>✓</p>		<p>✓</p> <p>✓</p>	<p>✓</p>
<p>FISH AND GAME</p> <p>Maintain, restore or enhance all habitat important to Alaska's fish and wildlife resources.</p> <p>Manage the harvestable surplus of Alaska's fish and wildlife resources to meet the many specific production and harvest targets set by department managers and the boards of fisheries and game.</p> <p>Increase the opportunity for Alaskans to harvest ground fish by developing the management program necessary to assume management of Alaska's territorial seas from the federal government.</p> <p>Improve Alaska's wildlife management program by developing plans based on regions and the interaction of different species, rather than the single species management plans done today.</p> <p>Improve the public's access to the department's planning, management and information.</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>		<p>✓</p>

	On track	Too soon	Modified	Not likely
HEALTH AND SOCIAL SERVICES				
Over the next 5 years, reduce the AFDC caseload by 10% through the reinvestment of up to \$55 million in job training and child care.	✓			
Provide employment or job training opportunities for 5,000 welfare families each month for next 5 years.	✓			
Reduce departmental administrative costs by 3% for FY97.	✓			
Reduce per capita alcohol consumption for ages 14 and over to 2.25 gallons by the year 2000 through public awareness efforts and a focus on teens.	✓			
LABOR				
Reduce lost workday injuries by 2%.		✓		
Increase in-state seafood processing hires through the Alaska Employment Service by 10%.	✓			
Increase employer compliance with Workers' Compensation insurance requirements by 10%.	✓			
LAW				
Collect at least \$100 million in oil and gas taxes.	✓			
Collect at least \$3 million in criminal judgments.	✓			
Review 50% of all proposed regulations within 120 days and 75% within 180 days.	✓			
Complete 2,400 child support enforcement cases.	✓			
MILITARY AND VETERANS AFFAIRS				
Reduce the deferred maintenance backlog by 9%.	✓			
Seek mission niches by increasing number of federally funded soldiers by 4%.			✓	
Develop one new armory, which will reduce future land rental costs by \$175,000 over six years.	✓			
Strengthen emergency management partnerships with local, state and federal agencies including the private sector, volunteers and military organizations.	✓			
NATURAL RESOURCES				
Offer 1.6 million acres of state land for oil and gas leases in three lease sales.	✓			
Administer and facilitate the issuance of 31,000 mining claim permits.	✓			
Maintain and operate 127 state park units to accommodate 6 million visits.	✓			
Maintain the state's land data base with notation of 10,000 state resource transactions affecting 12,000 townships and make this information available to the public.	✓			
Generate \$1.3 million from sale of forest products and offer 49.3 million board feet.			✓	
PUBLIC SAFETY				
Train 90% of all Alaska State Troopers and Village Public Safety Officers in Domestic Violence call response, investigation and legal issues.	✓			
Reduce sport fish and wildlife violations with a 1.5% increase in contacts with recreational hunters and fishers statewide (approximately 800).	✓			
Reduce the number of commercial crab fishery violations by increasing enforcement patrol contacts 5%.	✓			
Reduce motor vehicle fatality traffic accidents involving alcohol or drugs by 10% in State Trooper jurisdiction.				✓
Increase the number of public-private partnership contracts to provide Division of Motor Vehicle services by 50%.	✓			
Increase DMV productivity by processing an average of 5% more transactions per employee.	✓			

	On track	Too soon	Modified	Not likely
Increase orientation visits to high schools by driver improvement specialists to at least 2 per month.	✓			
Reduce Alaska's fire death rate 10% in 3 years through fire prevention education and other programs.				✓
Increase the number of fire investigations conducted by State Fire Marshals by 5%.	✓			
Increase the number of communities reached by fire prevention education programs by 10.	✓			
REVENUE				
Increase Child Support Enforcement collections from \$65 million in FY96 to \$78.6 million in FY97.			✓	
Decrease Income and Excise Audit Division audit completion time by 33% over FY95.	✓			
Achieve a 100% increase in the closure of Child Support Enforcement formal hearing appeals.			✓	
Increase Permanent Fund Dividend Division formal hearing decisions by 33%.		✓		
Complete the Oil and Gas Audit Division informal conferences within one year of taxpayers' requests.	✓			
TRANSPORTATION AND PUBLIC FACILITIES				
Decrease gravel stockpiles hauling distances and increase efficiency for these operations at least 10%.	✓			
Cut costs of a roadside brushing program 5 to 10%.	✓			
Increase revenue from rural airports by 25%.				✓
Reduce sand and salt orders by approximately \$350,000.	✓			
Increase In-transit International passenger traffic by 5% and cargo traffic by 10% at the Alaska International Airport System.	✓			
Reduce overtime costs by 5%.	✓			
Increase tariffs for commercial vehicles by 3%.	✓			
Provide 295 weeks of Marine Highway service and absorb a 40% increase in personnel and insurance costs.				✓
Monitor customer satisfaction evaluation through analysis of customer response cards.	✓			
UNIVERSITY OF ALASKA				
Increase freshman enrollments by 5%.		✓		
Increase retention of students by 10%.		✓		
Increase graduation rates by 5%.		✓		
Increase course offerings for vocational-technical education by 5%.		✓		
Increase faculty productivity by 15%.		✓		
OFFICE OF THE GOVERNOR				
Complete planning and design for a computerized budgeting system to replace the current antiquated system.	✓			
Bring local coastal districts and state and federal agencies together to resolve issues and grant approvals for 500 coastal projects, reducing review time by 5%.	✓			
Bring at least 20 Human Rights Commission complaint cases to public hearing.	✓			
Draft, solicit public review, and adopt regulations to implement Equal Employment Opportunity laws.				✓
Increase voter turnout in the 1996 general election by 10% over 1994.				✓