

1/21/99

Overview:

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State of Alaska

Tony Knowles, Governor

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To: Senators Pearce, Parnell and Torgerson Date: February 2, 1999
Reps. Porter, Mulder and Therriault

From: Annalee McConnell



Subject: Explanation of "new"
positions in FY2000

As the governor promised when we met last week, I prepared the attached information to explain the raw numbers of position adjustments in the FY2000 budget. The governor asked me to let you know we are not planning to write any op ed pieces or letters to the editor to correct the misinformation about "new" positions that was in some recent news stories, editorials and floor discussions.

However, we would like to dispel legislators' concerns about the effect of position counts on the fiscal gap. Please distribute this information sheet to caucus members as you think useful. I will provide copies to the minority members and Legislative Finance.

Thanks.

Analysis of Position Changes in the FY2000 Budget

It's been claimed that the Governor's FY2000 budget will increase the fiscal gap with 598 new positions. That's simply not true. Here's the story behind the numbers.

A. 166 of the supposedly new positions are simply technical budget changes. For instance:

- 56 ferry workers to run the Malaspina as a day boat – the legislature approved funds last spring but did not show the positions in their FY99 authorized budget. The governor's budget had to bring the positions back on the books.
- The University requested 57 new positions but the governor's budget did not fund them. A technical budget amendment will remove them from the position count.
- Existing positions sometimes require a change in technical status — for instance, 9 non-permanent Youth Corps staff must now be treated as permanent under federal law.
- Without explanation of a technical budget transfer, it would have appeared that the Department Commerce added 5 full-time general fund positions to the state payroll and the Governor's Office cut 5. In fact, the International Trade Office and its existing positions are simply transferred from the Governor's Office back to Commerce.

B. 76 positions are for programs or facilities already approved by the Legislature, such as:

- 37 positions to staff the new youth offender facilities approved in prior budget capital budgets and now under construction — 19 for McLaughlin, 18 for Mat-Su.
- 21 workers needed to extend health coverage to 11,000 children and 800 pregnant women – this law was passed last session and although the Legislature provided part-year funding, its position count did not include the workers necessary to implement the legislation. (These positions will be more than 50% federally funded.)

C. 38 positions will be funded in enterprises such as Anchorage International Airport and AHFC, with absolutely no impact on the fiscal gap but a positive impact on the state's economy, such as:

- 8 workers for increased activity at Anchorage International Airport and 2 for the Kodiak Launch facility.
- 23 people to handle increased AHFC mortgage/housing activity (4), public utility matters (9) and retirements (10).

D. 89 positions are for federally funded construction and services, such as:

- 16 for increased federal construction dollars for highways (11) and safe water (5).
- 45 for the narcotics task force (1), AK Psychiatric Inst. (11) and various Health & Social Services programs (33).
- 8 job training workers in a federal program (JTPA) which the City of Fairbanks and Fairbanks Private Industry Council asked the state to take over and 10 vocational rehabilitation workers.
- 3 for the new Kachemak Bay National Estuarine Research Reserve project.

E. 160 positions are funded with tobacco settlement, user fees, etc. without impact on the fiscal gap:

- 28 front line child protection workers, 6 legal staff for child protection (3 in Law, 3 in Administration) and 4 tobacco control workers would be funded from the tobacco settlement which is a sustainable new revenue source.
- 63 Pioneers' Home nurse aides needed because residents with conditions such as Alzheimer's require more staff attention – fully paid by residents in the third year of a seven year plan to bring fees in line with the cost of care.
- Fee-supported staff for to meet the demands of increased state economic activity include areas such as banking, securities, insurance and occupational licensing (6), recorders' offices (7), land disposals (2), etc.
- 12 Sport Fisheries seasonal or part-time workers paid from fishing license fees who would become full time.

F. Of the 69 remaining positions:

- 35 are for Corrections, including 2 probation officers and 24 people to operate temporary housing units to comply with court orders. A final evaluation is underway to determine whether these units would be more cost effective than sending additional numbers of prisoners to out-of-state beds.
- 5 for Public Safety including 2 for domestic violence programs and 1 to monitor sexual predators.
- 6 for Y2K positions that will go away when the project is over.
- 2 maintenance workers for state highways and rural airports.

Note that many positions could be counted in more than one category, e.g. the child health program was already approved and would be funded with tobacco settlement money. Also, many positions have multiple fund sources such as highway construction with 90% federal and 10% state funds.

Balancing the FY2000 Budget

Major cost increases in critical services that have been accommodated in the FY2000 budget:

all numbers in millions

K-12 school funding according to new statute	\$16.5
K-12 exit exams and benchmark assessments	1.5
Adult corrections	12.9
Youth corrections	1.6
Medicaid caseload growth	4.0
Adult Public Assistance for the poor	2.0
Foster care and subsidized adoptions	3.1
Full funding for Public Safety troopers, crime lab, etc	2.1
University of Alaska	5.6
Child support enforcement: replace federal funds lost due to welfare re	1.1

General Fund Changes from FY99 to FY2000

Executive branch

Capital budget reduction	(3.9)
Operating budget reduction	(25.6)
K-12 Education and University increases	23.6
Further budget balancing through efficiencies, consolidations, new technology, user pay, service reductions, etc.	<u>(15.0)</u>
 Executive Branch budget cut before proposed investments in children and transportatio	 (20.9)
 Court System's proposed operating and capital budget increases	 <u>7.4</u>
 General fund budget reduction before investments below	 (13.5)

Proposed long-term investments with sustainable new revenue sources:

	<u>Expenditure</u>	<u>Revenue</u>	<u>Balance</u>
Investment in child health & protection, tobacco control and public health	21.9		
Tobacco settlement payment for FY2000		(21.9)	0.0
Match to secure maximum federal highway funds	26.7		
Motor fuel tax increase		(26.7)	0.0

OVERVIEW OF ALASKA'S TOBACCO SETTLEMENT AND
THREAT OF FEDERAL RECOUPMENT

Alaska's Share of the Tobacco Settlement

On November 23, 1998, Alaska, and all states and territories that had not previously settled their lawsuits, entered into a settlement agreement with the tobacco industry. This settlement is the largest recovery by the State of Alaska under state consumer protection and antitrust laws in state history. The settlement calls for Alaska to receive the following payments through 2025.

Initial Payment:

April 1999-June 2000 \$8,194,049.54

Annual Payments:

June	2000	\$21,890,915.46			
April	2001	\$23,638,672.09	April	2013	\$24,387,539.93
April	2002	\$28,383,145.58	April	2014	\$24,387,539.93
April	2003	\$28,651,761.36	April	2015	\$24,387,539.93
April	2004	\$23,912,967.90	April	2016	\$24,387,539.93
April	2005	\$23,912,967.90	April	2017	\$24,387,539.93
April	2006	\$23,912,967.90	April	2018	\$27,327,155.20
April	2007	\$23,912,967.90	April	2019	\$27,327,155.20
April	2008	\$24,387,539.93	April	2020	\$27,327,155.20
April	2009	\$24,387,539.93	April	2022	\$27,327,155.20
April	2010	\$24,387,539.93	April	2023	\$27,327,155.20
April	2011	\$24,387,539.93	April	2024	\$27,327,155.20
April	2012	\$24,387,539.93	April	2025	\$27,327,155.20
			TOTAL		\$668,903,056.53

Investing Alaska's Tobacco Settlement
in Tobacco Control, Children's Health and Protection, and Public Health

FY 2000 Tobacco Settlement Payment = \$21.9 million
A Sustainable Revenue Source for 25 Years
Annual Amounts from \$23.6 million to \$28.7 million

Dept Name	Investments	Tobacco Settlement Funds	Federal & Mental Health Trust Funds
Tobacco Control - Moving toward a Smoke-Free Alaska: 14%		3,000.0	
Health & Social Svcs	Comprehensive State Tobacco Prevention and Control Initiative	3,000.0	
Health and Consumer Protection: 45%		9,832.4	
Health & Social Svcs	Children's Health Insurance Program: implement new law partially funded last year	4,568.4	10,925.6
Health & Social Svcs	Chronic Acute Medical Assistance	1,637.5	
Health & Social Svcs	Child Custody Related Medicaid Costs	1,334.8	1,985.6
Health & Social Svcs	Maternal, Child & Family Health: replace school based claim underfunding	296.8	
Health & Social Svcs	Alcohol/Drug Abuse Grants: substance abuse treatment for women	850.0	706.0
Health & Social Svcs	Village Mental Health and Substance Abuse Services	465.0	150.0
Health & Social Svcs	Fetal Alcohol Syndrome (FAS)/Alcohol Related Neurodevelopmental Disorder Prevention Grants	489.9	275.0
Law	Increase Consumer Protection Services	190.0	
Child Protection and Abuse Prevention: 33%		7,303.1	
Health & Social Svcs	Family Preservation: Independent Living Program	200.0	
Health & Social Svcs	Residential Child Care: emergency shelter and treatment care for children	1,065.4	303.0
Health & Social Svcs	26 New Child Protection Staff - Moving to Zero Tolerance	1,769.8	387.1
Health & Social Svcs	Kawerak Social Services for child protection	63.2	
Health & Social Svcs	Front Line Social Workers Training	145.9	
Health & Social Svcs	State Medical Examiner: HB375 fiscal note for pathologist	193.0	
Health & Social Svcs	Foster Care Special Need: parent training	135.0	123.8
Health & Social Svcs	Training for Adoptive Parents of Special Needs Children	200.0	50.0
Health & Social Svcs	Foster Care Augmented Rate: caseload growth	276.4	92.1
Health & Social Svcs	Foster Care special need: caseload growth	648.9	142.4
Health & Social Svcs	Healthy Families Home Visiting Program expansion: 220 more families	978.0	
Comm. & Reg Affairs	Increase Child Care Grant amount from \$22 to \$33	880.0	
Administration	2 Guardians Ad Litem for Child Protection - Office of Public Advocacy	135.8	
Administration	1.5 attorneys for Child Protection - Public Defender	225.0	
Law	2 Attorneys for Children in Need of Aid and Paraprofessional Support	386.7	
Full Year Funding for the FY99 Smart Start Initiatives: 8%		1,755.4	
Health & Social Svcs	Front Line Social Workers - annual costs for child protection staff partially funded in FY99	631.5	70.7
Health & Social Svcs	Family Preservation - Dual track: Differential Response to Child Protection	635.9	37.0
Health & Social Svcs	Subsidized Adoption & Guardianship - Project Succeed	488.0	312.0
		21,890.9	15,560.3
		New Revenue to Offset Expenditures -21,890.9	
		Impact on Constitutional Budget Reserve 0.0	

**Information from 12/98 "Fiscal Survey of the States"
Prepared by the National Association of State Budget Officers**

Percentage of budget increase from one year to next

State	1996	1997	1998	1999	Total
Delaware	7.1	6.9	7.6	18.8	40.4
Utah	11.3	16.0	2.0	8.4	37.7
Oregon	6.3	10.5	8.8	8.3	33.9
Minnesota	8.8	6.2	6.5	11.8	33.3
Nevada	-6.4	23.5	9.8	5.8	32.7
California	8.3	7.7	8.7	7.3	32.0
Colorado	12.3	2.9	4.4	11.6	31.7
Missouri	11.8	13.2	2.1	4.4	31.5
Arizona	2.4	8.1	8.9	11.8	31.2
Virginia	2.2	8.2	7.8	12.5	30.7
Wisconsin	5.0	14.2	7.4	3.7	30.3
North Carolina	2.9	8.1	9.3	9.5	29.8
Nebraska	4.4	6.4	3.3	15.4	29.5
Georgia	9.0	6.5	6.0	7.2	28.7
Kentucky	5.6	6.9	5.5	9.9	27.9
Oklahoma	3.2	9.3	8.2	6.8	27.5
Kansas	4.9	3.5	7.5	10.3	26.2
Maine	-0.6	5.1	7.3	14.2	26.0
Florida	3.8	5.6	10.6	5.7	25.7
Idaho	5.4	4.1	3.9	11.4	24.8
Tennessee	4.5	5.9	7.5	6.9	24.8
Arkansas	7.3	5.3	5.9	5.8	24.3
Louisiana	8.5	16.2	0.0	-0.8	23.9
South Dakota	4.6	3.8	9.9	4.6	22.9
Illinois	4.9	2.4	6.0	9.2	22.5
Maryland	5.5	-0.1	8.0	8.9	22.3
Indiana	2.6	8.0	4.7	6.9	22.2
Ohio	5.9	3.4	4.2	8.1	21.6
West Virginia	5.8	5.1	3.5	7.0	21.4
Iowa	4.7	6.5	5.8	4.1	21.1
Rhode Island	0.3	2.7	8.1	8.8	19.9
Puerto Rico	1.0	2.9	7.3	8.7	19.9
North Dakota	3.5	5.2	6.3	4.5	19.5
Connecticut	5.5	5.2	5.5	1.5	17.7
South Carolina	7.0	6.4	6.3	-2.0	17.7
Mississippi	2.9	4.4	2.2	7.0	16.5
New Jersey	2.8	2.0	5.1	6.5	16.4
Alabama	2.1	5.7	4.3	3.4	15.5
Texas	5.8	0.9	8.1	0.6	15.4
New Mexico	2.2	7.3	2.9	2.8	15.2
Washington	1.4	5.7	2.3	4.7	14.1
Pennsylvania	3.5	1.7	4.5	4.1	13.8
New Hampshire	2.2	-0.5	8.2	3.5	13.4
Massachusetts	3.7	5.1	-2.3	6.7	13.2
New York	-2.2	0.7	4.4	7.1	10.0
Michigan	7.4	-3.8	4.0	1.7	9.3
Wyoming	-3.5	8.6	3.9	0.0	9.0
Montana	3.9	1.3	2.5	1.1	8.8
Vermont	1.8	2.6	13.6	-12.9	5.1
Hawaii	-1.4	2.0	0.9	-0.6	0.9
Alaska	-2.3	3.8	0.6	-4.9	-2.8
Average	4.1	5.9	5.7	6.0	21.7

FY99/00 ALL FUNDS FISCAL SUMMARY
(\$ millions)

	FY99 Authorized				FY00 Governor			
	GF/CBRF/ ILTF	Federal	Other	Total	GF/CBRF/ ILTF	Federal	Other	Total
REVENUES								
Unrestricted GF Fall 98 Forecast Update	1,287.0			1,287.0	1,299.0			1,299.0
Revenue Adjustments	-63.5			-63.5	-17.7			-17.7
AIDEA Transfer to General Fund	16.0			16.0	0.0			0.0
Federal and Other Funds		1,470.2	2,859.6	4,329.8		1,581.0	2,558.4	4,139.4
TOTAL AVAILABLE	1,239.5	1,470.2	2,859.6	5,569.3	1,281.3	1,581.0	2,558.4	5,420.7
EXPENDITURES								
Operating (1)	2,159.4	864.7	1,001.3	4,025.4	2,232.2	924.6	1,046.4	4,203.3
Agency Operations (Non-Formula)	1,095.0	475.1	844.1	2,414.2	1,144.1	508.0	891.5	2,543.5
Formula Programs	1,064.4	389.6	157.3	1,611.2	1,088.2	416.7	155.0	1,659.8
Debt Service	46.0	0.0	30.7	76.7	5.7		59.9	65.6
Capital including Mental Health	85.4	586.4	530.9	1,202.7	112.9	640.9	185.6	939.4
Loan Fund Capitalization	3.8	19.1		23.0	3.1	15.5		18.6
Special Appropriations & Fund Transfers	17.2		9.4	26.6	16.6		14.0	30.6
Permanent Fund Dividends/Inflation Proofing			1,287.3	1,287.3			1,252.5	1,252.5
Supplementals (2)	16.5			16.5	15.4			15.4
New Legislation (3)								0.0
TOTAL APPROPRIATIONS (4)(5)	2,328.4	1,470.2	2,859.6	6,658.2	2,386.0	1,581.0	2,558.4	6,525.4
Less Duplicated Expenditures			-434.7	-434.7			-484.8	-484.8
UNDUPLICATED EXPENDITURES	2,328.4	1,470.2	2,424.9	5,223.5	2,386.0	1,581.0	2,073.6	6,040.6
From Constitutional Budget Reserve (6)	1,088.9			1,088.9	1,104.7			1,104.7

Revenue Assumptions:	Price \$/BBL	Production MMbd
FY99 Updated Fall 98 Forecast	11.58	1.177
Y00 Updated Fall 98 Forecast	12.50	1.117

Notes:

- (1) Shared Taxes and Fishery Enhancement Tax Receipts are not included-these items are off-budget.
- (2) Supplemental figures are estimates. Note that the \$16.5 million estimate of FY99 general fund supplemental needs appears to be unrealistically low. The footnotes to the "Governor's Budget Comparison for FY99 - FY00" state that the administration's estimate of FY99 supplemental needs is \$35 million plus an unspecified amount for the Y2K compliance effort.
- (3) The "Governor's Budget Comparison for FY99-FY00" includes a reduction of \$5.3 million in general funds resulting from the estimated cost of selected pieces of legislation that the Governor intends to sponsor. We will incorporate the costs of the Governor's legislation as it is introduced and fiscal notes are prepared.
- (4) Total appropriation figures do not include RPLs.
- (5) FY00 total appropriations figures do not include the \$15.0 million in general fund budget reductions reflected in the "Governor's Budget Comparison for FY99 - FY00". We will incorporate those reductions into this document as specific amendments to the budget and/or legislation are proposed.
- (6) Further legislative action will be required to withdraw any amount greater than \$700 million from the CBR for FY99

legislative fiscal analyst overview of the governor's request

POSITION COMPARISON

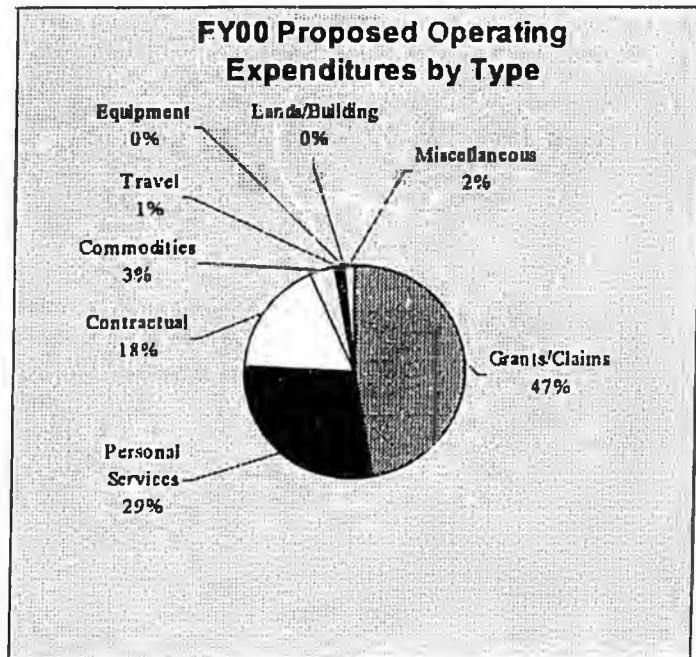
Department	FY99	FY00	Change PFT	FY99	FY00	Change PPT
	Authorized PFT	Authorized PFT		Authorized PPT	Authorized PPT	
Administration	1262	1372	110	114	106	-8
Commerce & Economic Dev.	343	370	27	10	8	-2
Community & Regional Affairs	168	185	17	3	3	0
Corrections	1360	1405	45	1	0	-1
Education	465	479	14	104	108	4
Environmental Conservation	488	503	15	5	5	0
Fish and Game	805	820	15	879	914	35
Office the Governor	187	181	-6	5	5	0
Health and Social Services	2073	2250	177	58	68	10
Labor	564	561	-3	111	96	-15
Law	443	451	8	14	14	0
Military and Veterans Affairs	210	219	9	1	3	2
Natural Resources	556	578	22	247	243	-4
Public Safety	757	746	-11	28	27	-1
Revenue	782	790	8	32	30	-2
Transportation/Public Facilities	2735	2821	86	647	645	-2
University Alaska	3387	3446	59	233	233	0
Alaska Court System	665	671	6	50	53	3
Legislature	218	218	0	271	271	0
TOTALS	17468	18066	598	2813	2832	19

legislative fiscal analyst overview of the governor's request

OPERATING BUDGET

The Governor proposes a total operating budget of \$4.2 billion for FY00. This request is \$166 million more than FY99 Authorized. The Governor proposes a general fund increment of \$73 million for a \$2.2 billion total general fund operating budget in FY00.

Expenditure by Type	<u>FY00</u>
Personal Services	\$1,219.7
Travel	45.5
Contractual	737.9
Commodities	142.4
Equipment	19.4
Lands/Building	0.3
Grants/Claims	1,970.9
Miscellaneous	<u>55.5</u>
Total Operating	4,191.7



Because the operating budget includes money for purposes other than state operations, it is useful to separate expenditures into two categories shown below.

Formula Programs include payments to municipalities, non-profits and individuals. They generally require increases proportionate with Alaska's population.

Agency Operations (non-formula) include costs associated with management and implementation of the state's services as required by federal law, state statute or regulation. Some programs are conducted at the request of the Governor.

	FY98	FY99	FY00	FY99 Auth –
	Actuals	Auth	Gov	FY00 Gov
Formula Programs	1,054,656.9	1,064,362.1	1,088,168.9	23,806.8
Agency Operations	1,076,176.4	1,095,033.0	1,144,054.4	48,421.4
Operating GF Total	2,130,833.3	2,159,395.1	2,232,223.3	72,228.2

In the Governor's FY00 request, general funds make up approximately 66% of the total formula program funding and 46% of the agency operations funding. For comparison, general funds made up approximately 69% of the total formula program funding and 52% of the agency operations funding in the FY95 authorized budget.

legislative fiscal analyst overview of the governor's request

CAPITAL BUDGET

The Governor's FY00 budget proposes total capital spending of approximately \$939 million, a reduction of approximately \$264 million from FY99. This overall reduction is due to the absence of the \$200 million AHFC and \$179 million International Airport bond packages appropriated in the FY99 capital bill. The reduction is offset by proposed increases in the amounts of federal receipts, general funds, AIDEA corporate receipts, and International Airport Revenue Funds included in the FY00 capital budget.

The Governor's FY00 capital budget proposes to increase capital spending from general fund sources by approximately \$27.5 million (from 85.4 million to 112.9 million) from the FY99 level. As noted in previous sections of this overview, the Legislative Finance Division classifies revenue and expenditures from the proposed increase in the motor fuel tax as general funds. Of the proposed \$50.6 million appropriation to the Department of Transportation and Public Facilities for federal highway project match, \$26.7 million is predicated on proceeds of the increased motor fuel tax.

The proposed use of \$18.8 million in AIDEA corporate receipts for capitalization of the Municipal and Unincorporated Capital Matching Grant Funds and other capital projects is a noteworthy change from past capital budgets. Direct appropriation of this funding source for capital projects and grants would preclude its use as a source of revenue to the general fund. The Legislature may wish to review this proposal in the context of significantly reduced forecasts of unrestricted general fund revenues for FY00.

Project details for federal highway projects are expected to change when the Statewide Transportation Improvement Program (STIP) has been completed and reviewed by the public.