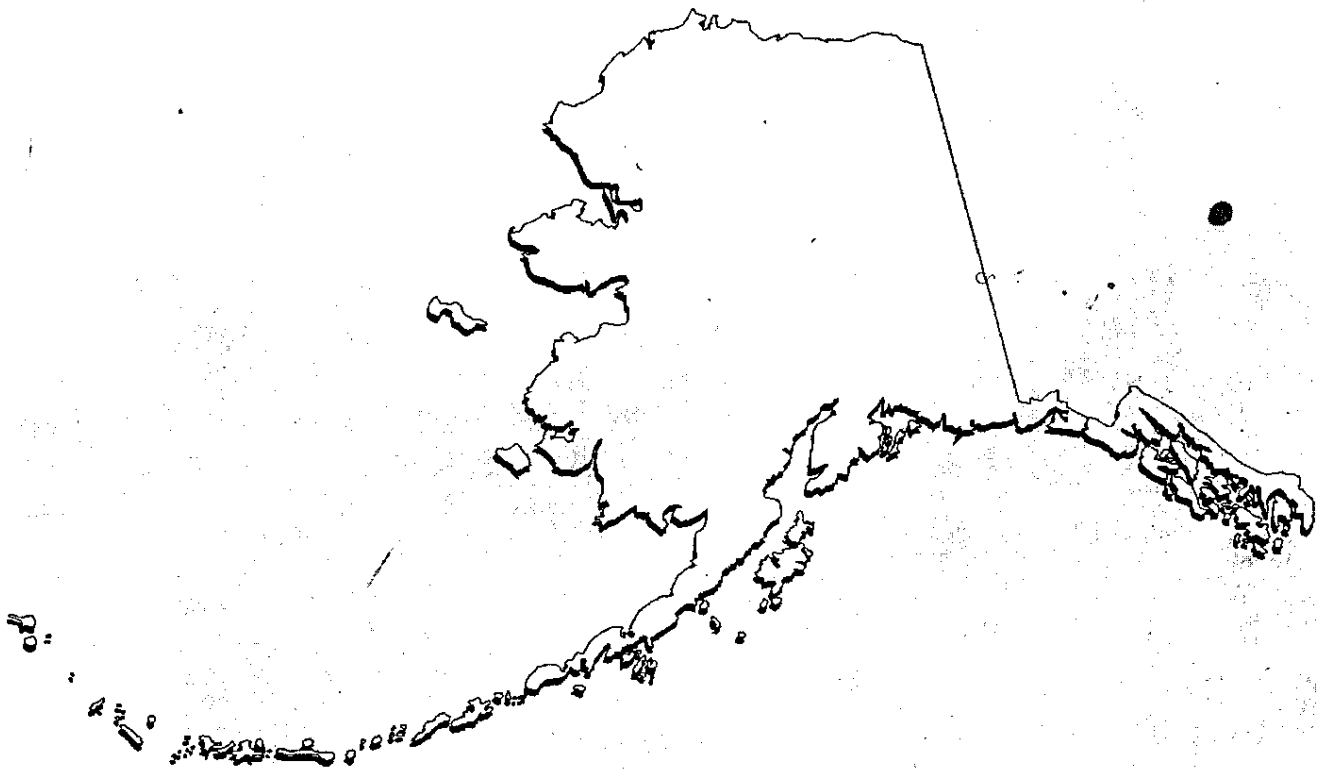


**1/28/09
OVERVIEW:
GOVERNOR'S
FY10
OPERATING
BUDGET**

<target><bill></bill><subject>1-28-09 OVERVIEW GOVERNOR'S
FY10 OPERATING BUDGET</subject><comm>HFIN26</comm></target>

The Fiscal Year 2010 Budget: Legislative Fiscal Analyst's Overview of the Governor's Request



Legislative Finance Division

<http://www.legfin.state.ak.us/>

The Legislative Fiscal Analyst Office has a professional, non-partisan staff that provides general budget analysis for members of the legislature and specifically supports the Legislative Budget and Audit Committee and the House and Senate standing finance committees. Each fiscal analyst is assigned agency areas of responsibility. Duties of the office are to:

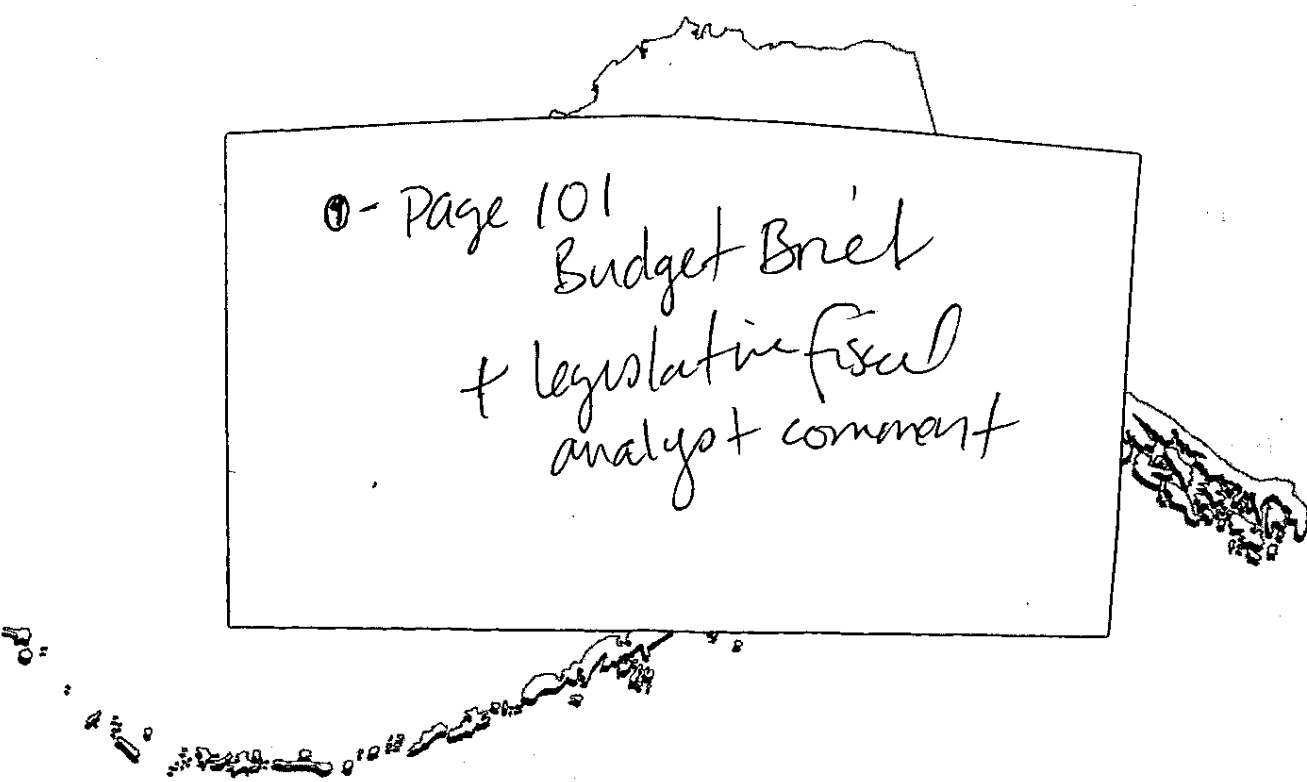
- (1) analyze the budget and appropriation requests of each department, institution, bureau, board, commission or other agency of state government;
- (2) analyze the revenue requirements of the state;
- (3) provide the finance committees of the legislature with comprehensive budget review and fiscal analysis services;
- (4) cooperate with the Office of Management and Budget in establishing a comprehensive system for state budgeting and financial management as set out in the Executive Budget Act (AS 37.07);
- (5) complete studies and prepare reports, memoranda or other materials as directed by the Legislative Budget and Audit Committee;
- (6) with the Governor's permission, designate the legislative fiscal analyst to serve ex officio on the Governor's budget review committee. [AS 24.20.231]

Legislative Finance Budget System. The system tracks budget transactions and provides comparative reports for committees and subcommittees. In addition, the system is used to produce the Governor's budget request books, the general appropriations bills, Conference Committee reports and a breakdown of the capital budget by House district.

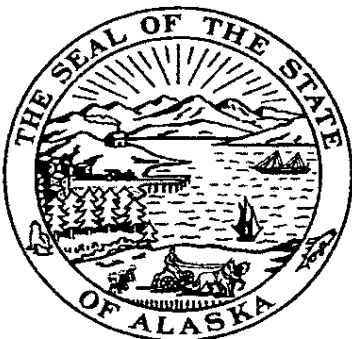
LEGISLATIVE FINANCE DIVISION FISCAL ANALYST/BUDGET ASSIGNMENTS

Fiscal Analyst	Agency/Assignment	Phone
David Teal	Governor, Legislature, Fiscal Summary	465-3002
Cat Downing	Commerce, Community, and Economic Development, Fish & Game, Labor and Workforce Development, Natural Resources	465-5411
Danith Watts	Administration, Education and Early Development, Environmental Conservation, University of Alaska	465-5435
Gary Zepp	Health and Social Services, Operating Budget Coordinator, Supplemental Budget	465-5410
Kelly Cunningham	Corrections, Courts, Law, Public Safety, Military and Veterans Affairs	465-3821
Rob Carpenter	Transportation and Public Facilities, Revenue, Capital Budget Coordinator, Revenue Analysis	465-5413

The Fiscal Year 2010 Budget: Legislative Fiscal Analyst's Overview of the Governor's Request



① - Page 101
Budget Brief
& legislative fiscal
analyst comment



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TABLE OF CONTENTS

Table of Contents	<i>i</i>
Introduction	1
Fiscal Summary	4
Operating Budget	11
Agency Summary – FY2010 Operating Budget – All Funds	13
Agency Summary – FY2010 Operating Budget – General Funds Group	14
Position Comparison	15
Non-Duplicated State Funding	16
Agency Summary – FY2010 Operating Budget – Non-Duplicated State Funds	17
Fund Source Changes for Salary Adjustments	18
Language Sections of the Governor's FY2010 Operating Budget	20
Debt Summary Table	47
Capital Budget	49
Capital Budget Summary Table	55
Language Sections of the Governor's FY2010 Capital Budget	56
Comprehensive Integrated Mental Health Program	63
Department of Administration	68
Department of Commerce, Community, and Economic Development	72
Department of Corrections	76
Department of Education and Early Development	80
Department of Environmental Conservation	86
Department of Fish and Game	90
Office of the Governor	94

TABLE OF CONTENTS (Cont.)

Department of Health and Social Services.....	98
Department of Labor and Workforce Development.....	106
Department of Law	112
Department of Military and Veterans Affairs.....	116
Department of Natural Resources	120
Department of Public Safety	126
Department of Revenue	132
Department of Transportation and Public Facilities	138
University of Alaska	142
Alaska Court System.....	148
Alaska Legislature.....	152

Introduction

As required by law, the Governor released her FY2010 budget proposal to the public and the legislature on December 15, 2008. The Legislative Finance Division prepared this Overview of the Governor's proposal and "subcommittee books" for each agency in accordance with AS 24.20.211-231.

Alaska's Fiscal Situation

For the first time in five years, State Senators and Representatives will begin a legislative session facing the prospect of a fiscal gap. Although the fiscal summary prepared at the end of the 2008 session anticipated a surplus of \$350 million for FY09, an unprecedented drop in oil prices since then has turned a projected surplus into a projected \$360 million deficit. And that projection is based on an average FY09 oil price of \$78/barrel. If oil averages \$40/barrel for the remainder of FY09, the deficit will be almost \$2 billion—after paying \$745 million as a resource rebate and depositing \$1 billion into the Constitutional Budget Reserve Fund. (See the FY09 Sensitivity Chart on page 2.)

The FY2010 fiscal situation is equally sensitive to oil prices. The official Department of Revenue projection is that oil will average \$74/barrel during FY2010. At that price, revenue will be sufficient to support the budget proposed by the Governor; as shown on line 46 of the fiscal summary on page 4, a pre-savings surplus of about \$150 million is projected.

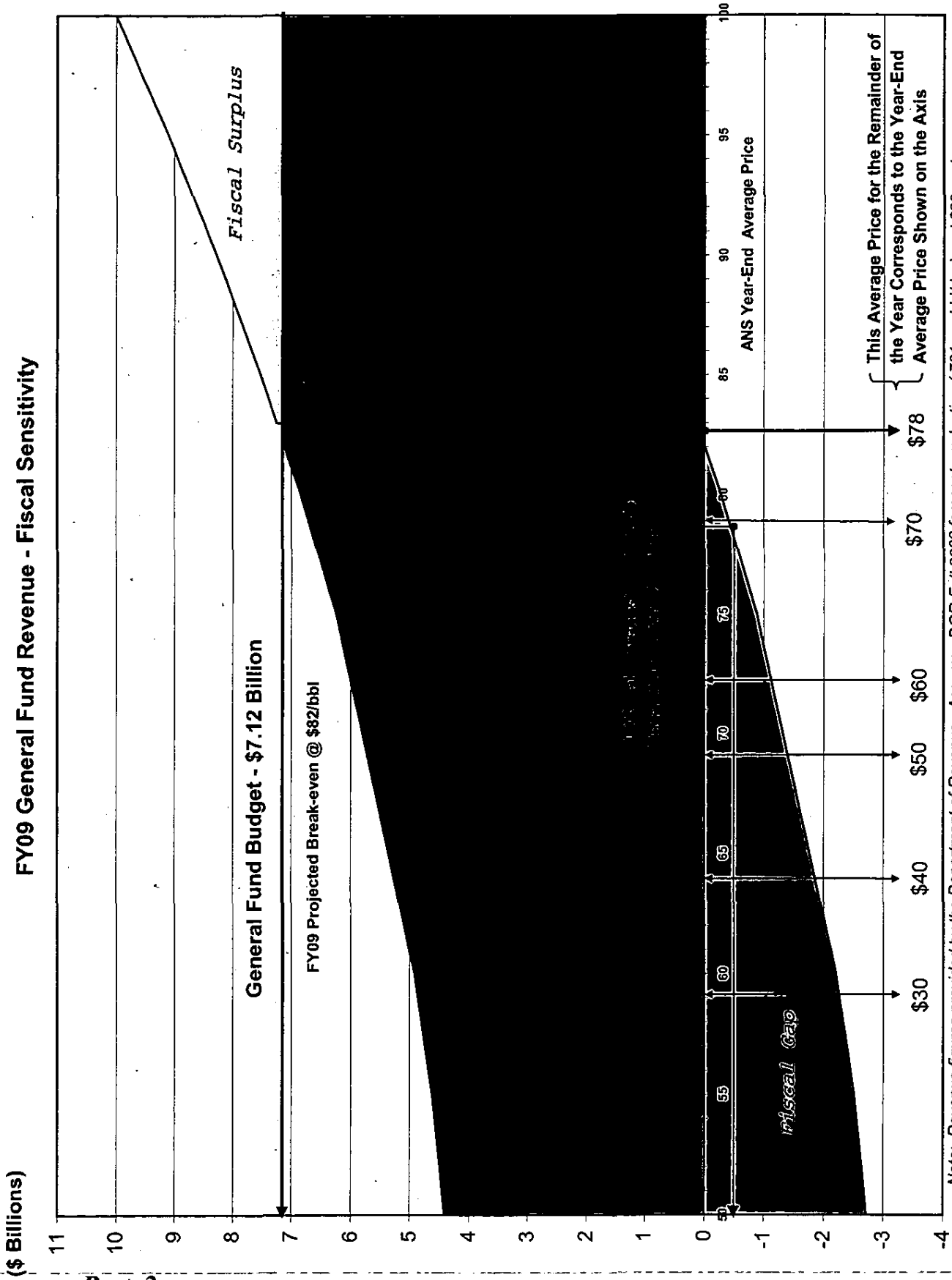
With oil now selling at less than \$40/barrel, some legislators have questioned whether the official revenue forecast (\$74/barrel oil) for FY2010 is a useful planning tool. Legislative Finance has used the official forecast for years, but finds a sensitivity chart to be a more useful tool than a specific dollar projection. The FY2010 Sensitivity Chart on page 3 shows how the surplus/deficit situation changes with oil prices (assuming adoption of the Governor's proposed spending level of \$5.13 billion general funds):

- \$74 oil (the official forecast) produces a surplus of \$148 million;
- \$73 oil produces a balanced budget;
- \$55 oil produces a deficit of about \$2 billion; and
- \$35 to \$40 oil produces a deficit of about \$3.5 billion.¹

In summary, Alaska may be challenged with unprecedented levels of deficits (or budget reductions) unless and until oil prices rebound significantly. The combined deficit for FY09 and FY2010 could reach \$5 billion.

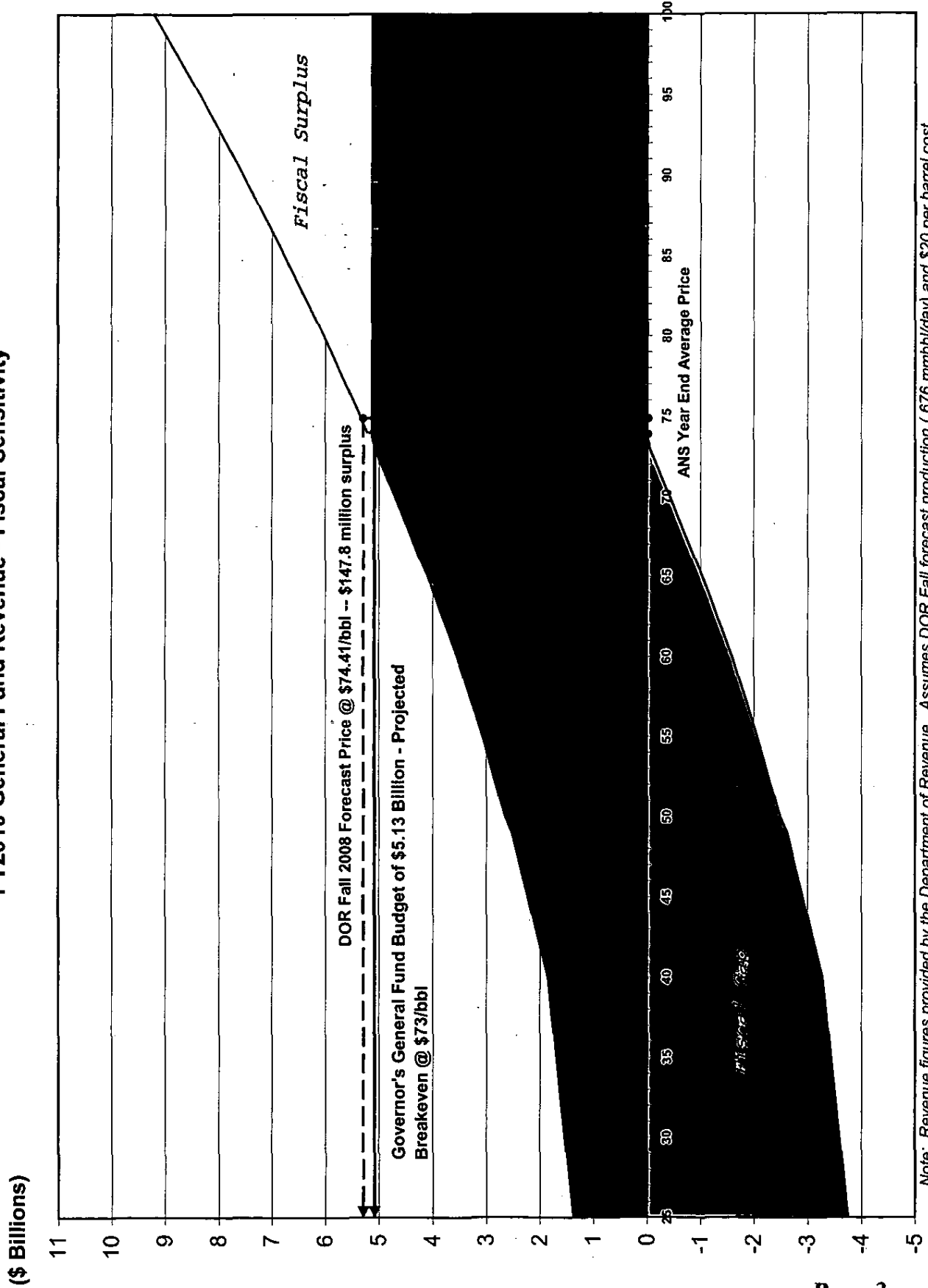
Perhaps the only good news related to oil prices is that historically high prices in recent years allowed Alaska to develop an unprecedented level of reserves. As an example of the massive savings effort in recent years, consider the status of the Constitutional Budget Reserve Fund (CBRF). Withdrawals from the CBRF have been used to fill budget gaps almost every year since 1991, and it took 15 years to accrue a general fund debt to the CBRF of \$5.2 billion. The legislature repaid over \$4.6 billion of that liability since oil prices began climbing. Even with

¹ The sensitivity charts are vast oversimplifications of revenue forecasting techniques. They show only average oil prices for the year, while revenue at any average price is affected significantly by month-to-month price volatility because of the progressive nature of the tax. Although the charts can easily misstate annual revenue by \$100 million or more at any price point, they are useful as a guide to determining the surplus/deficit at various oil prices.



Note: Revenue figures provided by the Department of Revenue. Assumes DOR Fall 2008 forecast production (.701 mmbbl/day) and \$20 cost estimates. Revenue figures include sources not directly affected by oil prices. Budget figures include operating, capital and savings.

FY2010 General Fund Revenue - Fiscal Sensitivity



Note: Revenue figures provided by the Department of Revenue. Assumes DOR Fall forecast production (.676 mmbbl/day) and \$20 per barrel cost estimates. Revenue figures include sources not directly affected by oil prices. Budget figures include operating and capital.

State of Alaska Fiscal Summary

(\$ millions)

	FY09 Authorized				FY2010 Governor's Proposed				GF Change	
	GF	Federal	Other	Total	GF	Federal	Other	Total	\$	%
1 REVENUE (Excludes Permanent Fund Earnings)	6,765.5	2,561.5	3,836.7	13,163.7	5,275.4	2,803.8	3,384.7	11,463.9	(1,490.1)	-22.0%
2 Unrestricted General Fund Revenue (Fall 2008) (1)	6,751.4			6,751.4	5,275.4			5,275.4	(1,476.0)	-21.9%
3 Unrestricted General Fund Revenue (2008 Interim) (1)	0.0			0.0	0.0			0.0		
4 Unrestricted General Fund Revenue (Spring 2009) (1)	0.0			0.0	0.0			0.0		
5 Carryforward (2)	14.1	4.6	1.4	20.0				0.0		
6 Net Corporate Dividends (3)			87.6	87.6			84.5	84.5		
7 Federal and Other Funds		2,556.9	3,747.7	6,304.6		2,803.8	3,300.1	6,103.9		
8 APPROPRIATIONS										
9 TOTAL OPERATING APPROPRIATIONS	5,273.4	1,754.0	1,093.9	8,121.3	4,572.5	1,699.9	954.4	7,226.8	(700.9)	-13.3%
10 Agency Operations	3,427.9	1,713.4	991.9	6,133.2	3,569.9	1,667.9	987.1	6,224.9	141.9	4.1%
11 Current Fiscal Year Appropriations	3,427.9	1,713.4	991.9	6,133.2	3,519.9	1,667.9	987.1	6,174.9	81.9	2.7%
12 Agency Operations (Non-Formula)	1,775.8	869.8	968.0	3,613.7	1,800.1	840.4	966.3	3,606.8	24.3	1.4%
13 K-12 Formula	1,003.3	20.8	14.3	1,038.4	1,054.6	20.8	12.9	1,088.3	51.3	5.1%
14 Other Formula Programs	648.9	810.8	9.2	1,468.8	640.2	806.7	7.8	1,454.7	(8.6)	-1.3%
15 Amendments	0.0	12.0	0.3	12.3	20.0	0.0	0.0	20.0		
16 New Legislation (other than those affecting K-12 Foundation)	0.0	0.0	0.0	0.0	5.0	0.0	0.0	5.0		
17 Duplicated Authorization (non-additive) (4)	0.0	0.0	705.7	705.7	0.0	0.0	708.9	708.9		
18 Supplemental Appropriations (placeholder)	0.0	0.0	0.0	0.0	50.0	0.0	0.0	50.0	50.0	
19 Statewide Operations	1,845.4	40.7	102.0	1,988.1	1,002.6	32.0	(32.6)	1,002.0	(842.8)	-45.7%
20 Current Fiscal Year Appropriations	1,845.4	40.7	102.0	1,988.1	1,002.6	32.0	(32.6)	1,002.0	(842.8)	-45.7%
21 Debt Service	144.3	13.1	74.1	231.4	157.0	12.0	76.8	245.8	12.7	8.8%
22 Fund Capitalization	791.5	27.6	28.0	847.1	34.5	20.0	(109.4)	(55.0)	(757.1)	-95.6%
23 Direct Appropriations to Retirement	449.6	0.0	0.0	449.6	451.2	0.0	0.0	451.2	1.6	0.3%
24 Revenue Sharing	60.0	0.0	0.0	60.0	60.0	0.0	0.0	60.0	0.0	0.0%
25 Oil & Gas Investment Credits	400.0	0.0	0.0	400.0	300.0	0.0	0.0	300.0	(100.0)	-25.0%
26 Duplicated Authorization (non-additive) (4)	0.0	0.0	136.2	136.2	0.0	0.0	0.0	0.0		
27 Supplemental Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
28 Debt Service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
29 Fund Capitalization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
30 Local Government Support	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
31 Deposits to Retirement Accounts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
32 Oil & Gas Investment Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
33 TOTAL CAPITAL APPROPRIATIONS	669.0	807.4	276.8	1,753.2	555.1	1,103.9	247.2	1,906.3	(113.8)	-17.0%
34 Current Fiscal Year Appropriations	669.0	807.4	276.8	1,753.2	535.1	1,103.9	247.2	1,886.3	(133.8)	-20.0%
35 Project Appropriations & RPLs (Revised Programs)	529.0	807.3	248.7	1,585.0	415.1	1,103.9	219.2	1,738.3	(113.8)	-21.5%
36 Fund Capitalization	140.0	0.1	28.0	168.1	120.0	0.0	28.0	148.0	(20.0)	-14.3%
37 Projects Funded w/ General Obligation Bonds (non-add) (5)	0.0	0.0	315.1	315.1	0.0	0.0	0.0	0.0		
38 Projects Funded w/ Other Debt Proceeds (non-additive) (5)	0.0	0.0	28.6	28.6	0.0	0.0	24.3	24.3		
39 Capital Vetoes (non-additive)	(71.4)	0.0	(43.3)	(114.7)	0.0	0.0	0.0	0.0		
40 Duplicated Authorization (non-additive) (4)	0.0	0.0	529.7	529.7	0.0	0.0	310.2	310.2		
41 Supplemental Appropriations	0.0	0.0	0.1	0.1	20.0	0.0	0.0	20.0		
42 Capital Projects (net of Duplication)	0.0	0.0	0.1	0.1	20.0	0.0	0.0	20.0		
43 Capital Project Vetoes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
44 Fund Capitalization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
45 Pre-Savings Authorization (unduplicated)	5,942.3	2,561.5	1,370.7	9,874.5	5,127.6	2,803.8	1,201.7	9,133.1	(814.7)	-13.7%
46 Pre-Savings Surplus (Draw From CBRF)	823.1	12%	of Revenue		147.8	3%	of Revenue			
47 SAVINGS	1,181.3	0.0	0.0	1,181.3	(234.8)	0.0	0.0	(234.8)	(1,416.1)	-120%
48 Current Fiscal Year Appropriations	1,181.3	0.0	0.0	1,181.3	(234.8)	0.0	0.0	(234.8)	(1,416.1)	-119.8%
49 Constitutional Budget Reserve Fund	1,000.0	0.0	0.0	1,000.0	0.0	0.0	0.0	0.0	(1,000.0)	-100.0%
50 Statutory Budget Reserve Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
51 Public Education Fund	175.3	0.0	0.0	175.3	9.6	0.0	0.0	9.6	(165.7)	-94.5%
52 Cruise Ship Gambling Tax Receipts	6.0	0.0	0.0	6.0	(6.0)	0.0	0.0	(6.0)	(12.0)	-200.0%
53 AHFC Savings Account	0.0	0.0	0.0	0.0	(238.4)	0.0	0.0	(238.4)	(238.4)	
54 Supplemental Savings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
55 Constitutional Budget Reserve Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
56 Statutory Budget Reserve Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
57 Community Revenue Sharing Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
58 Post-Savings Authorization (unduplicated)	7,123.6	2,561.5	1,370.7	11,055.8	4,892.8	2,803.8	1,201.7	8,898.3	(2,230.9)	-31.3%
59 Post-Savings Surplus (Draw From CBRF)	(358.2)	-5%	of Revenue		382.6	7%	of Revenue			
60 Permanent Fund Appropriations	0.0	0.0	2,468.0	2,468.0	0.0	0.0	2,183.0	2,183.0		
61 Permanent Fund Dividends	0.0	0.0	1,286.0	1,286.0	0.0	0.0	1,311.0	1,311.0		
62 Permanent Fund Inflation Proofing	0.0	0.0	1,180.0	1,180.0	0.0	0.0	872.0	872.0		
63 Other Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
64 Total Authorization (unduplicated)	7,123.6	2,561.5	3,836.7	13,521.8	4,892.8	2,803.8	3,384.7	11,081.3	(2,230.9)	-31.3%
65 FISCAL YEAR SUMMARY	7,123.6	2,561.5	1,370.7	11,055.8	4,892.8	2,803.8	1,201.7	8,898.3	(2,230.9)	-31.3%
66 Agency Operations	3,427.9	1,713.4	991.9	6,133.2	3,569.9	1,667.9	987.1	6,224.9	141.9	4.1%
67 Statewide Operations	1,845.4	40.7	102.0	1,988.1	1,002.6	32.0	(32.6)	1,002.0	(842.8)	-45.7%
68 Total Operating	5,273.4	1,754.0	1,093.9	8,121.3	4,572.5	1,699.9	954.4	7,226.8	(700.9)	-13.3%
69 Capital	669.0	807.4	276.8	1,753.2	555.1	1,103.9	247.2	1,906.3	(113.8)	-17.0%
70 Savings	1,181.3	0.0	0.0	1,181.3	(234.8)	0.0	0.0	(234.8)	(1,416.1)	-119.8%

Notes:

January 15, 2009

- (1) The Fall 2008 revenue forecast for FY09 is 0.701 mmbd at \$77.66 per barrel; the FY2010 forecast is 0.676 mmbd at \$74.41/bbl.
- (2) Carryforward is money that was appropriated in a prior year that is made available for spending in FY09 via multiyear appropriations or reappropriations.
- (3) Corporate dividends include funds made available to the State by the boards of AHFC, AIDEA, and ASLC. Dividends retained by AHFC for debt service on state capital project bonds are excluded from the stated amount. Net dividends for FY09 and FY2010, respectively, are AHFC-\$59.7 million and \$65.5, AIDEA-\$23.8 million and \$22.7 million, and ASLC-\$4.1 million and \$0.0 million.
- (4) Duplicated authorizations 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. Duplicated authorization also includes the expenditure of bond proceeds when debt service on bonds (which includes repayment of principal) will be reflected in future operating budgets.
- (5) The state is responsible for future debt service payments on airport revenue bonds and GO bonds. Bond proceeds are included on line 36 and 37 and are deducted on line 40.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

recent investment losses, the balance in this savings account exceeds \$6 billion. The legislature has added to other savings accounts as well:

- \$1 billion to the Statutory Budget Reserve Fund;
- \$1.1 billion to the Public Education Fund; and
- \$300 million to the AHFC Capital Corporation savings account.

Without these reserves, Alaska's FY2010 budget could resemble a list of catastrophic spending reductions. Alaska's more than \$8 billion in reserves (excluding money held by the Permanent Fund) allows the state to take a studied approach to the fiscal situation—turning what could be a short-term crisis into a longer-term planning challenge.

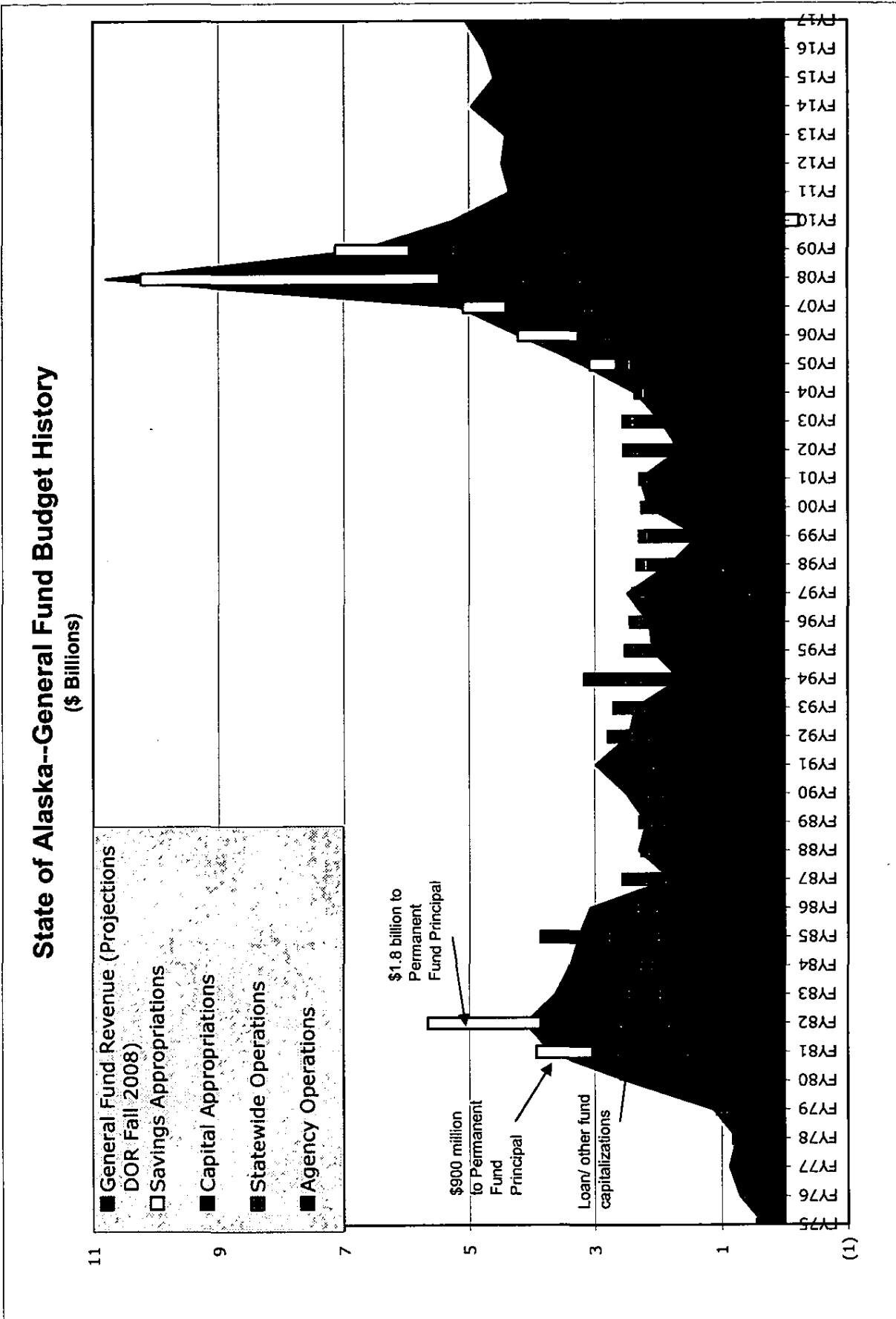
The Governor's Response to the Fiscal Situation

This discussion focuses on what the Governor proposed in her budget, not on whether the Governor's budget shows too much or too little response to the fiscal situation. That topic will undoubtedly be fodder for legislative debate; this review is intended to give context to that debate by dividing the budget into four topics:

1. **Agency operating budgets** are perhaps the best description of the public perception of "the budget"—they include money for Medicaid, K-12 education and other grant programs as well as the money to operate all public agencies. Because they are often perceived as providing necessary public services, agency operating budgets are notoriously difficult to cut, even in response to declining revenue.
2. **Statewide operations** include some items that are sticky in the sense that they depend on prior commitments and are difficult to change in the short term. These items include debt service and retirement system costs. Other items—community revenue sharing and the resource rebate, for example—are designed to spend money only when money is available. This part of the budget can be more responsive to changes in revenue.
3. **Capital budgets** act as shock absorbers in many states; capital spending increases when revenue is available and decreases—in some cases to little more than the matching amount required to receive federal grants—when state revenue declines. In Alaska, capital spending is sometimes perceived as more desirable than operating spending because it "brings the money home" to the people that want infrastructure and economic development.
4. **Savings** is the portion of the budget that is most responsive to revenue spikes. That status does little to reduce controversy; "How much should be saved?" was certainly a topic when oil revenue spiked. Similarly, revenue declines are sure to lead to questions/debate: "Should we withdraw from savings or focus on cutting expenses?" "Which savings account should be the source of withdrawals?" "How long will savings last if we....?".

The graph on page 6 breaks Alaska's general fund budgets into the four topics described above. There are a few patterns worth noting:

- Agency budgets grew rapidly during the revenue spikes in the early 1980s and 2005-2008, but were stable when revenue did not support growth.
- Statewide operations were a decreasing part of the budget as GO bonds were repaid by FY00. The recent increase is due primarily to the cost of retirement contributions, capital expense credits against oil and gas production taxes, and the FY09 resource rebate.



Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

- Capital budgets jump during periods of surplus revenue and fade to little more than the minimum required for federal match when money is tight.
- Savings occur only during revenue spikes.

This review focuses on general funds, not because other funds are unimportant, but because the difference between unrestricted general fund spending and unrestricted general fund revenue defines the fiscal gap.²

1. **Agency operating budget** growth was \$336 million (11%) from FY08 to FY09. The Governor's proposed increase from FY09 is less than one-third as large—\$92 million (2.7%).

- Most of the increase in agency operations can be categorized as “unavoidable”.
 - \$51 million is due to K-12 education formula changes that were specified in advance,
 - \$31 million is associated with salary increases for state employees, and
 - \$3 million is associated with a Governor's bill that reduced business license fees.

The sum of these items may appear to imply that the Governor's budget contains few increases other than “unavoidable” items. But there were some items in FY09 agency operating budgets that are not repeated in the FY2010 request. These items understate the FY2010 increase by \$43 million.

- Funding for Power Cost Equalization was increased by \$23 million for FY09 due to extraordinarily high fuel prices. The FY09 funding was a short-term fix and the issue is to be readdressed this session; it will be interesting to see the Governor's proposal for permanent changes to the program.
- Funding for increased fuel and utility costs was \$44 million in FY09, and is \$24 million in FY2010. Given current fuel prices, the reduction is not out of line. It is, however, inconsistent with the official oil price forecast (see discussion of section 13 of the Governor's proposed language). At the official forecast, the fuel appropriation should be \$7 million higher in order to match the schedule used in FY09.

Beyond a few large items, attempting to classify increases as “unavoidable” or “discretionary” is not particularly productive; opinions will always vary. But reviewing recent budget growth can help put the FY2010 budget in perspective. The 2.7% increase in agency operations in FY2010 is the smallest in several years. Since FY05, agency operating costs have increased between ten and 15% annually.

2. **The statewide operating budget** proposed for FY2010 is \$843 million less than the statewide operating budget for FY09. This decline does not indicate any significant change in policy direction; the decline is due to:

- Elimination of the \$1,200 per person one-time resource rebate—\$745 million.

² State unduplicated funds should arguably be the focus of any multi-year budget analysis. That fund group is more comprehensive, more consistently defined and more informative than the general fund group. Finance Committee Co-chairs have indicated an interest in reviewing the budget reporting system in order to provide clearer, more meaningful information on state spending and revenue.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

- A reduction in anticipated claims for oil and gas development credits—\$100 million.
- Elimination of one-time capitalization of loan funds—\$16 million (\$11 million for fuel purchases and \$5 million for improved safety electronics in private aircraft).

There is a \$13 million increase in debt service, almost all of it associated with the sale of \$315 million in general obligation bonds for FY09 capital projects and an increase in debt for correctional centers.

Retirement contributions offer substantial flexibility. Actuarial recommendations allow the state to reduce retirement contributions by about \$160 million in FY2010. The Governor proposed no reduction of contributions. But there is more to this story:

- State retirement systems have an unfunded liability of several billion dollars. Although there is considerable flexibility in determining a repayment schedule, the liability must eventually be disposed of.
- The legislature has avoided actions that would have reduced state retirement contribution rates—essentially opting to pay down the unfunded liability when revenue was high.
- The fiscal situation has changed—the outlook is for deficits rather than surpluses.
- Maintaining savings balances offers a more flexible planning environment than can be achieved by paying down retirement system unfunded liability. In the current fiscal situation, the legislature may wish to reexamine its policy positions on “extra” retirement payments and on making changes (to actuarial methods) that could modify the shape of the long-term curve representing required retirement contributions.

3. **Capital budgets** are put together under a different concept than operating budgets. While operating budgets are incremental—meaning that each year there are increments (and more rarely, decrements) to a base budget that moves forward from one year to the next—capital budgets start over every year. Compared to operating budgets, capital budgets are often far more responsive to changes in revenue.

The Governor's capital budget proposal is \$114 million (20%) less than the FY09 capital budget adopted by the legislature. It is perhaps more useful/interesting to compare the FY2010 proposal with the FY09 proposal. In that regard, the FY2010 proposal is \$194 million greater in general funds and \$310 million greater in federal funds than the Governor's FY09 proposal. Other funds are down \$416 million; the FY09 Governor's budget proposed spending \$300 million in bond proceeds and \$168 million from the capital income fund. Please see the capital budget discussion in this *Overview* for additional details.

4. **Savings** is the portion of the Governor's budget that most clearly exhibits a policy position. Saving for the future was one of the Governor's two major policy initiatives in FY09. She proposed making deposits to a transportation endowment, an energy fund, the Permanent Fund and the Public Education Fund. While few of these plans came to fruition, the legislature deposited nearly \$1.2 billion to savings in FY09 (along with over \$5 billion of FY08 revenue).

As shown in the fiscal summary (line 47), the Governor's proposed budget spends \$235 million from savings accounts. Given a pre-savings surplus of \$148 million (line 46), withdrawing from savings accounts is a peculiar policy decision. After withdrawing from savings accounts, there is a projected FY2010 surplus of \$383 million (line 59) that (absent an appropriation to the contrary) will be swept into the Constitutional Budget

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Reserve Fund (CBRF) at year end. Effectively, the proposed budget transfers \$235 million from other savings accounts to the CBRF.

- The proposed budget spends \$238 million from the Alaska Housing Capital Corporation account—a savings account the legislature created with a \$300 million general fund deposit in FY07. The Legislative Finance fiscal summary shows this item as a withdrawal from the savings account and a corresponding increase in general fund expenditures. The Governor shows the item as an expenditure of “other” funds rather than of general funds. Further, the expenditure is classified in the Governor’s budget as a duplicated expenditure so it shows as a net zero item.
- Section 18(w) of the Governor’s operating budget bill appropriates \$1.062 billion from the general fund to the Public Education Fund (PEF) in FY2010. This amount is \$9.5 million more than required to fund K-12 education in FY2010, so the fiscal summary shows a \$9.5 million deposit to savings.

But there has been an effort to forward fund K-12 education in recent years. The concept of forward funding is that the amount appropriated in a given year will be the amount required in the following year. In this regard, the Governor’s \$1.062 billion appropriation is \$50 million short of forward funding the anticipated \$1.112 billion cost of K-12 education in FY2011.

Although the Governor’s action leaves the Public Education Fund with a balance (nearly) sufficient to fund anticipated FY2011 K-12 expenditures, this is possible only because the balance of the Public Education Fund included a surplus that was intended to provide a cushion in case expenditures exceed expectations. While not technically a withdrawal from savings, the Governor’s proposal reduces the PEF balance by \$50 million compared to the forward funding concept adopted by the legislature.

- The Governor’s budget also calls for spending \$12 million of proceeds from the Cruise Ship Gambling Tax. The Governor classifies the revenue as “other” funds despite their inclusion (by the Department of Revenue) in the forecast of unrestricted general funds. To further complicate the matter, the FY2010 budget spends revenue from both FY09 and FY2010 (\$6 million from each year). The Legislative Finance fiscal summary shows the use of gambling tax proceeds as a \$6 million savings deposit in FY09 offset by a \$6 million withdrawal in FY2010 (line 52).

Further Analysis

Although the fiscal summary provides a concise statement (and comparison) of projected revenue, appropriations and the size of the anticipated surplus or deficit, it has the limitation of being Alaska’s budget-on-a-page. This *Overview* contains more detailed discussions of the proposed FY2010 budget:

- Agency summaries (operating budget on pages 11 & 12 and capital budget beginning on page 49) provide a quick comparison of the Governor’s proposed budget with FY09 spending.
- Greater detail is available in the discussions of the operating budget (and subtopics) and the agency write-ups beginning on page 67.

Also, subcommittee members will want to review the detailed agency books available in the Finance Committee rooms.

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Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Operating Budget

The fiscal summary provides a “big picture” of the budget, including not only the operating budget, but also the capital budget, revenue, debt service, transfers and new legislation. This introduction to the operating budget focuses on how to put the Governor’s operating request in perspective.

Budget comparisons across fiscal years are always difficult—there are so many adjustments required to get an “apples-to-apples” comparison that a complete discussion would push the limits of the term “overview.” These details are better left to subcommittees. The agency discussions in this overview serve as a starting point for subcommittee discussion, and subcommittee books provide more detailed information.

Each subcommittee book compares the Governor’s request to two scenarios: FY09 Management Plan and FY2010 Adjusted Base. The advantages and disadvantages of using each of the comparisons are discussed in the paragraphs below. The following table highlights items included throughout each stage of the budget.

	GF Only	Change from FY09 Mgt Plan	Change from FY2010 Adj Base
FY2009 Management Plan (GF Only)	3,428,123.5		
<i>One-Time Items removed</i>	(142,788.3)		
<i>Transfers between Agencies (nets zero statewide)</i>	-		
<i>FY2010 Contractual Salary and Health Increases</i>	26,917.0		
<i>Misc Adjustments</i>	50,408.6		
FY2010 Adjusted Base Budget (GF Only)	3,362,660.8	(65,462.7)	
<i>FY2010 Unrealizable Salary Fund Source Changes</i>	3,886.6		
<i>FY2010 Governor's GF Increment/Decrements/Fund Changes</i>	128,335.0		
FY2010 Governor's Request (GF Only)	3,494,882.4	66,758.9	132,221.6

FY09 Management Plan to the Governor’s request: \$66.8 million.

Management Plan is the most accurate picture of the previous year’s budget. It incorporates all appropriations that can be spent in FY09, including reappropriations and carryforward from multi-year appropriations, and reflects the latest estimates for open-ended language appropriations. Management Plan excludes supplemental appropriations (because they have not yet occurred) but any FY2010 supplemental appropriations that may occur are also excluded, so there is no distortion from this source.

However, the Governor’s FY2010 budget does not include reappropriations and carryforward from multi-year appropriations, so comparing the FY09 Management Plan to the Governor’s FY2010 request tends to understate spending in FY2010 relative to FY2009. The amount carried forward to FY09 was about \$20 million.

One-time items are a far larger source of distortion. For example, a \$23 million appropriation to Power Cost Equalization is included in the FY09 Management Plan, but it is not expected to be repeated in FY2010. The PCE appropriation makes the FY2010 budget \$23 million lower than the FY09 budget.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

FY2010 Adjusted Base to Governor's request: \$132.2 million. The adjusted base attempts to reduce distortion in comparing budgets across fiscal years. It is the first FY2010 budget scenario and can be described as the "cost of doing the same functions in FY2010 as in FY09." The adjusted base is the starting point for subcommittee discussion of the Governor's request.

- It removes one-time appropriations, reappropriations, and carryforward of multi-year appropriations that were included in the FY09 Management Plan.
- It incorporates the FY2010 nondiscretionary increases that the legislature may accept or reject on a statewide basis. If the legislature rejects these nondiscretionary increases, such as contractual salary increases, the costs of these increases will have to be absorbed by the agencies.

The FY2010 Adjusted Base includes increases for the salary adjustments below:

- **Contractual Wage and Health Insurance Increases for Bargaining Units**—Negotiated agreements for covered employees for contractual salary increases (which vary by bargaining unit) and increased health insurance costs add \$56.6 million statewide (\$31.7 million GF, \$5.6 million Federal Receipts and \$19.3 million in Other Funds).

The **Governor's column** includes program increments and fund source changes that the legislature may wish to consider on an individual basis. Note that the concept of adjusted base is useful only for agency operating budgets. Savings deposits and statewide items—debt service, fund transfers, retirement contributions, etc.—are not budgeted on an incremental basis and are not reviewed by subcommittees.

The following summary tables make the comparisons discussed above. Note that Agency Summary reports include duplicated fund sources, while the fiscal summary removes these items from the operating portion of the budget. Also note that the adjusted base is set at the Governor's request for items other than agency operating budgets.

Please see the agency narratives for details on significant issues in each agency's budget.

In addition to summaries of agency budgets, the *Overview* contains discussions of fund source changes for increased salary costs (general funds replacing federal and "other" fund sources), position changes and details of debt obligations.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Agency Summary - FY 2010 Operating Budget - Total Funds										
Agency	08 Actual	09 CC	09 Auth.	09 MPR Rev.	Adj Base	Gov	09 MPR Rev to Gov.	Adj Base to Gov.		
Administration	257,686.3	278,564.8	282,368.1	282,301.3	282,162.8	292,249.9	9,948.6	10,087.1	3.5%	3.6%
Commerce, Community & Economic Dev	142,580.5	165,993.7	195,643.5	195,643.5	172,035.8	187,618.1	-8,025.4	15,582.3	-4.1%	9.1%
Corrections	232,269.9	244,460.5	246,337.5	244,577.5	245,180.4	248,963.4	4,385.9	3,783.0	1.8%	1.5%
Education & Early Development	1,260,266.0	304,663.1	1,308,954.5	1,308,786.7	1,358,470.4	1,358,553.2	49,766.5	82.8	3.8%	0.0%
Environmental Conservation	64,924.2	73,369.0	73,486.0	73,375.0	73,861.6	74,135.0	760.0	273.4	1.0%	0.4%
Fish and Game	150,397.5	179,723.3	180,044.5	179,816.7	179,218.3	180,079.0	262.3	860.7	0.1%	0.5%
Office of the Governor	18,989.2	75,580.5	27,546.0	78,836.8	21,157.3	48,631.7	-30,205.1	27,474.4	-38.3%	129.9%
Health & Social Services	1,772,116.1	2,083,489.5	2,097,286.2	2,095,506.2	2,070,422.5	2,101,336.6	5,830.4	30,914.1	0.3%	1.5%
Labor & Workforce Development	141,237.3	170,238.9	173,485.0	172,521.4	170,259.1	175,185.1	2,663.7	4,926.0	1.5%	2.9%
Law	71,379.6	78,237.5	83,652.2	80,152.2	72,969.8	80,472.4	320.2	7,502.6	0.4%	10.3%
Military & Veterans Affairs	44,858.0	45,349.1	46,348.3	45,388.2	45,364.9	46,230.1	841.9	865.2	1.9%	1.9%
Natural Resources	122,536.4	129,722.4	143,820.4	142,085.6	127,444.4	136,421.0	-5,664.6	8,976.6	-4.0%	7.0%
Public Safety	137,740.3	149,261.2	158,261.8	157,458.5	153,939.9	163,355.0	5,896.5	9,415.1	3.7%	6.1%
Revenue	239,215.7	263,041.7	269,653.2	268,432.2	262,159.9	270,142.6	1,710.4	7,982.7	0.6%	3.0%
Transportation & Public Facilities	507,907.0	504,126.8	543,918.1	510,918.1	505,253.0	513,953.3	3,035.2	8,700.3	0.6%	1.7%
University of Alaska	716,481.6	839,086.0	842,956.7	838,116.7	851,268.2	822,063.8	-16,052.9	-29,204.4	-1.9%	-3.4%
Alaska Court System	81,539.9	87,655.2	87,655.2	87,655.2	89,098.1	92,319.0	4,663.8	3,220.9	5.3%	3.6%
Legislature	49,077.8	62,919.6	65,212.1	65,212.1	66,293.0	67,085.5	1,873.4	792.5	2.9%	1.2%
Debt Service	346,019.9	367,601.2	367,601.2	367,601.2	395,914.3	395,914.3	28,313.1	0.0	7.7%	0.0%
Fund Capitalization	1,468,316.9	1,459,381.9	1,389,081.9	1,389,081.9	1,256,497.4	1,256,497.4	-132,584.5	0.0	-9.5%	0.0%
Direct Approps to Retirement	454,992.3	449,622.5	449,622.5	449,622.5	451,172.5	451,172.5	1,550.0	0.0	0.3%	0.0%
Special Appropriations	48,685.6	235,000.0	1,204,000.0	1,204,000.0	360,000.0	360,000.0	-844,000.0	0.0	-70.1%	0.0%
Savings	808,552.3	1,995,292.9	2,375,292.9	2,375,292.9	643,150.2	643,150.2	-1,732,142.7	0.0	-72.9%	0.0%
Total - Operating Budget	9,137,770.3	10,242,381.3	12,612,207.8	12,612,382.4	9,853,293.8	9,965,529.1	-2,646,853.3	112,235.3	-21.0%	-1.1%
General Funds	3,792,386.1	4,390,238.8	6,468,653.5	6,468,828.1	4,136,403.1	4,268,624.7	-2,200,203.4	132,221.6	-34.0%	3.2%
Federal Receipts	1,455,062.8	1,737,903.7	1,742,039.4	1,742,039.4	1,726,721.5	1,699,916.0	-42,123.4	-26,805.5	-2.4%	-1.6%
Other Funds	3,890,321.4	4,114,238.8	4,401,514.9	4,401,514.9	3,990,169.2	3,996,988.4	-404,526.5	6,819.2	-9.2%	0.2%

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Agency Summary - FY 2010 Operating Budget - General Funds										
Agency	08 Actual	09 CC	09 Auth	09MP Rev	Adj Base	Gov	09MP Rev to Gov	Adj Base to Gov		
Administration	65,754.2	70,025.4	73,701.4	73,634.6	71,775.9	73,172.5	-462.1	-0.6%	1,396.6	1.9%
Commerce, Community & Economic Dev	9,986.3	9,687.0	38,161.9	38,161.9	14,798.0	19,627.0	-18,534.9	-48.6%	4,829.0	32.6%
Corrections	206,334.9	210,910.0	212,787.0	211,027.0	211,944.0	214,041.4	3,014.4	1.4%	2,097.4	1.0%
Education & Early Development	1,035,855.9	53,476.4	1,057,642.4	1,057,474.6	1,107,118.3	1,108,404.5	50,929.9	4.8%	1,286.2	0.1%
Environmental Conservation	18,290.3	18,888.7	19,002.4	18,891.4	18,893.1	19,140.5	249.1	1.3%	247.4	1.3%
Fish and Game	45,519.3	57,790.0	58,105.8	57,878.0	56,214.1	58,726.4	848.4	1.5%	2,512.3	4.5%
Office of the Governor	17,376.5	73,805.1	25,381.4	76,672.2	20,005.3	47,751.6	-28,920.6	-37.7%	27,746.3	138.7%
Health & Social Services	783,199.8	903,387.5	917,186.4	915,426.4	902,263.0	950,020.4	34,594.0	3.8%	47,757.4	5.3%
Labor & Workforce Development	23,488.6	29,278.8	30,786.4	29,822.8	25,992.6	31,001.0	1,178.2	4.0%	5,008.4	19.3%
Law	43,134.0	51,053.4	55,539.3	52,039.3	45,021.1	52,174.3	135.0	0.3%	7,153.2	15.9%
Military & Veterans Affairs	12,975.8	11,312.6	12,288.5	11,328.4	11,096.9	11,276.9	-51.5	-0.5%	180.0	1.6%
Natural Resources	66,194.4	67,997.8	81,509.8	79,775.0	66,959.7	71,233.6	-8,541.4	-10.7%	4,273.9	6.4%
Public Safety	110,584.5	114,631.5	119,868.3	119,065.0	118,936.3	123,186.6	4,121.6	3.5%	4,250.3	3.6%
Revenue	40,960.6	17,176.2	19,105.2	17,884.2	17,118.5	21,240.8	3,356.6	18.8%	4,122.3	24.1%
Transportation & Public Facilities	224,888.6	209,286.5	245,472.9	212,472.9	205,345.1	216,837.7	4,364.8	2.1%	11,492.6	5.6%
University of Alaska	295,807.6	308,985.5	312,675.5	307,835.5	316,933.0	321,476.9	13,641.4	4.4%	4,543.9	1.4%
Alaska Court System	79,488.6	84,485.8	84,485.8	84,485.8	86,916.5	89,627.1	5,141.3	6.1%	2,710.6	3.1%
Legislature	48,357.7	61,956.0	64,248.5	64,248.5	65,329.4	65,943.2	1,694.7	2.6%	613.8	0.9%
Debt Service	120,424.0	144,274.7	144,274.7	144,274.7	156,957.8	156,957.8	12,683.1	8.8%	0.0	0.0%
Fund Capitalization	40,086.6	31,914.5	47,514.5	47,514.5	34,461.8	34,461.8	-13,052.7	-27.5%	0.0	0.0%
Direct Approps to Retirement	454,992.3	449,622.5	449,622.5	449,622.5	451,172.5	451,172.5	1,550.0	0.3%	0.0	0.0%
Special Appropriations	48,685.6	235,000.0	1,204,000.0	1,204,000.0	360,000.0	360,000.0	-844,000.0	-70.1%	0.0	0.0%
Savings	0.0	1,175,292.9	1,195,292.9	1,195,292.9	-228,849.8	-228,849.8	-1,424,142.7	-119.1%	0.0	0.0%
Total - Operating Budget	3,792,386.1	4,390,238.8	6,468,653.5	6,468,828.1	4,136,403.1	4,268,624.7	-2,200,203.4	-34.0%	132,221.6	-3.2%

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Position Comparison

The Governor's FY2010 operating budget request increases permanent full-time (PFT) positions by 45 from the FY09 Revised Management Plan. In addition, 70 PFTs were added during FY09 to the number authorized by the legislature, so the total increase from the FY09 authorized level is 115. Overall, the Governor's FY2010 statewide budget contains 24,496 total positions (full-time, part-time, and temporary).

AS 39.25 (State Personnel Act) establishes the system of personnel administration within the state and describes the governor's authority to create and appoint positions within the executive branch. Positions (i.e. Position Control Numbers – PCNs) do not necessarily equate to the number of actual employees. More than one person can fill a single PCN, and many PCNs are vacant.

Permanent Full-time Positions Only						
Agency	FY09 Authorized	FY09 Revised Management Plan	FY2010 Governor	Positions Added by Agencies in FY09	Additional Positions Requested in FY2010	TOTAL Change from FY09 to FY2010
Administration	1,048	1,068	1,068	20	-	20
Commerce, Community and Economic Development	521	523	525	2	2	4
Corrections	1,512	1,513	1,513	1	-	1
Education and Early Development	332	332	332	-	-	-
Environmental Conservation	529	531	532	2	1	3
Fish and Game	915	917	910	2	(7)	(5)
Office of the Governor	157	160	160	3	-	3
Health and Social Services	3,437	3,436	3,465	(1)	29	28
Labor and Workforce Development	835	833	825	(2)	(8)	(10)
Law	548	551	552	3	1	4
Military and Veterans Affairs	283	283	283	-	-	-
Natural Resources	759	778	780	19	2	21
Public Safety	837	844	844	7	-	7
Revenue	871	875	867	4	(8)	(4)
Transportation and Public Facilities	3,188	3,197	3,202	9	5	14
University of Alaska	4,694	4,694	4,697	-	3	3
Alaska Court System	728	729	754	1	25	26
Legislature	246	246	246	-	-	-
TOTAL -- ALL Agencies	21,440	21,510	21,555	70	45	115

Non-Duplicated State Funding

Traditionally, comparisons of the Governor's operating budget have been made using two "Agency Summary" reports—a report comparing *total funds* (includes all federal, general, and other funds) and a report comparing only *general funds*.

This Overview includes a third report comparing differences in *non-duplicated state funding*. Over the years, several fund sources have moved from the general funds (GF) group to the "other funds" group. Although transferring funding from GF to the "other fund" group does not affect total spending, it does make it more difficult to see the true level of overall state spending.

The *State Funds* report shows all non-duplicated funds except federal receipts. Duplicate counting occurs when money is appropriated more than once. For example, an appropriation of general funds may be used to capitalize the Debt Retirement fund, and money in the Debt Retirement Fund may then be appropriated to pay debt service. Appropriations from the Debt Retirement Fund are classified as "duplicated." Reports using this fund group will not match the appropriations bill because the appropriations bill includes duplicated appropriations.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Agency	08 Actual		09 CC		09 Auth		09MP Rev		Adj Base		Gov		09MP Rev to Gov		Adj Base to Gov	
Administration	110,098.1	117,918.0	121,700.6	121,633.8	120,310.4	127,240.8	5,607.0	4.6%	6,930.4	5.8%						
Commerce, Community & Economic Dev	56,543.7	65,913.5	94,932.2	94,932.2	71,590.5	72,715.5	-22,216.7	-23.4%	1,125.0	1.6%						
Corrections	212,927.3	218,999.5	220,776.5	219,016.5	219,590.3	222,074.2	3,057.7	1.4%	2,483.9	1.1%						
Education & Early Development	1,061,562.8	82,666.8	1,086,953.0	1,086,785.2	1,136,253.8	1,136,116.8	49,331.6	4.5%	-137.0	0.0%						
Environmental Conservation	28,427.3	32,461.8	32,575.5	32,464.5	32,552.0	32,802.4	337.9	1.0%	250.4	0.8%						
Fish and Game	85,228.2	104,986.7	105,303.4	105,075.6	103,777.8	105,701.7	626.1	0.6%	1,923.9	1.9%						
Office of the Governor	18,020.8	74,553.8	26,150.9	77,441.7	20,100.3	47,846.6	-29,595.1	-38.2%	27,746.3	138.0%						
Health & Social Services	848,815.6	981,767.5	995,576.1	993,816.1	972,589.3	1,029,050.6	35,234.5	3.5%	56,461.3	5.8%						
Labor & Workforce Development	48,039.2	61,030.9	64,259.5	63,295.9	59,716.3	65,471.1	2,175.2	3.4%	5,754.8	9.6%						
Law	46,368.4	54,666.6	59,152.5	55,652.5	48,679.6	55,857.8	205.3	0.4%	7,178.2	14.7%						
Military & Veterans Affairs	13,053.5	11,760.0	12,736.0	11,775.9	11,544.4	11,724.4	-51.5	-0.4%	180.0	1.6%						
Natural Resources	92,327.5	101,879.1	115,974.5	114,239.7	99,300.7	107,737.8	-6,501.9	-5.7%	8,437.1	8.5%						
Public Safety	115,363.1	120,863.7	126,100.5	125,297.2	125,242.2	129,468.6	4,171.4	3.3%	4,226.4	3.4%						
Revenue	191,857.9	211,359.8	217,911.3	216,690.3	209,344.3	215,630.5	-1,059.8	-0.5%	6,286.2	3.0%						
Transportation & Public Facilities	353,973.1	339,933.5	379,370.0	346,370.0	337,853.1	348,829.0	2,459.0	0.7%	10,975.9	3.2%						
University of Alaska	536,983.1	605,336.5	610,207.3	605,367.2	616,518.7	617,514.3	12,147.1	2.0%	995.6	0.2%						
Alaska Court System	79,713.0	85,558.6	85,558.6	85,558.6	87,001.5	90,222.4	4,663.8	5.5%	3,220.9	3.7%						
Legislature	48,357.7	61,956.0	64,248.5	64,248.5	65,329.4	65,943.2	1,694.7	2.6%	613.8	0.9%						
Debt Service	201,426.8	218,353.2	218,353.2	218,353.2	233,742.8	233,742.8	15,389.6	7.0%	0.0	0.0%						
Fund Capitalization	1,438,132.8	1,431,881.9	1,361,481.9	1,361,481.9	1,236,038.2	1,236,038.2	-125,443.7	-9.2%	0.0	0.0%						
Direct Approps to Retirement	454,992.3	449,622.5	449,622.5	449,622.5	451,172.5	451,172.5	1,550.0	0.3%	0.0	0.0%						
Special Appropriations	48,685.6	235,000.0	1,204,000.0	1,204,000.0	360,000.0	360,000.0	-844,000.0	-70.1%	0.0	0.0%						
Savings	808,000.0	1,995,292.9	2,375,292.9	2,375,292.9	643,150.2	643,150.2	-1,732,142.7	-72.9%	0.0	0.0%						
Total - Operating Budget	6,898,897.8	7,663,662.8	10,028,237.4	10,028,411.9	7,261,398.3	7,406,051.4	-2,622,360.5	-26.1%	144,653.1	2.0%						
General Funds	3,792,386.1	4,390,238.8	6,468,653.5	6,468,828.1	4,136,403.1	4,268,624.7	-2,200,203.4	-34.0%	132,221.6	3.2%						
Other Funds	3,106,511.7	3,273,424.0	3,559,583.8	3,559,583.8	3,124,995.2	3,137,426.7	-422,157.1	-11.9%	12,431.5	0.4%						

Fund Source Changes for Salary Adjustments

The Governor's FY2010 budget includes increases for rising insurance costs and negotiated salary agreements. There is a two-step process for allocating these cost increases among the various fund sources that pay the salaries and benefits of state employees.

- **Step One: allocate costs in proportion to current funding.** This allocation of costs goes in the *adjusted base* column—meaning that the costs are considered unavoidable and that there will be a single decision to incorporate the costs in the FY2010 budget. If the Finance Committee Chair decide to incorporate the cost increases at a statewide level, subcommittees will not be discussing the associated increments.
- **Step Two: replace “unavailable” fund sources with general funds.** Fund change transactions that reallocate costs among fund sources appear in the *Governor* column—meaning that subcommittees will be discussing the requested fund changes on an agency-by-agency basis.

The Governor's request replaces \$3.9 million of federal and “other” funds with general funds. There are several reasons a fund source may be replaced. Finance Subcommittees need to examine each agency's fund source changes to determine whether the changes are justified. The following discussion highlights issues around some of the fund source changes, followed by questions subcommittees may want to consider to help them make decisions.

Fund source changes for programs supported by revenue, fund balances, or grants.

- **Revenue.** Many programs are supported by revenue generated by the programs. For instance, fees for use of the state parks are used to support the parks. If salary costs increase, should fees be increased to cover these costs? Or, due to statutory or other considerations, is a fee increase desirable?
- **Funds and accounts with “low” balances.** Some examples are the Fish and Game Fund, Commercial Fisheries Entry Commission receipts, Agricultural Revolving Loan Fund and the Oil/Hazardous Release Prevention & Response Fund. These funds are (or have been) spending at an unsustainable rate.
- **Grants that don't increase when costs increase.** Many grants are a set amount that does not increase as costs increase. Other grants have limits on overhead costs.

Fund source examples for the **revenue, fund balances, and grants** issues:

1002 Fed Rcpts	1027 IntAirport	1109 Test Fish	1180 A/D T&P Fd
1014 Donat Comm	1052 Oil/Haz Fd	1141 RCA Rcpts	1189 SeniorCare
1016 CSSD Fed	1053 Invst Loss	1153 State Land	1194 F&G NonDed
1005 GF/Prgm	1054 STEP	1154 Shore Fish	1201 CFEC Rcpts
1018 EVOS Trust	1055 IA/OIL HAZ	1155 Timber Rcp	
1021 Agric RLF	1076 Marine Hwy	1156 Rcpt Svcs	
1024 Fish/Game	1092 MHTAAR	1157 Wrkrs Safe	

Questions subcommittees may want to ask agencies:

- Is there a possibility of collecting more revenue for the program/project?

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

- If a fund balance exists, is it possible (or desirable) to draw more from the fund?
- Should the program absorb the cost of the salary adjustments?
- Should the state use GF for this program?
- Should the state subsidize a program that has been self-sustaining?

Fund source changes for contractual services.

- **Statutorily Designated Program Receipts (SDPR) (1108)** consists of program receipts for projects initiated by a third party that are outside the scope of an agency's normal business.
 - If a third party is contracting with the state to do something outside the scope of the agency's normal business, should the contract reflect the full costs of doing the third party's work?
- **Interagency (I/A) Receipts (1007)** consists of amounts transferred between appropriations under contractual Reimbursable Services Agreements (RSAs). For example, the Department of Labor and Workforce Development (Labor) may contract with the Department of Administration (DOA) for human resources services. Because Labor is primarily funded with federal funds, federal funds are used to pay DOA (it shows in DOA's budget as I/A Receipts). When general funds replace I/A receipts in DOA's budget, the state pays for the federal government's fair share of the cost of providing human resources to Labor.
- **Highways Equipment Working Capital Fund (Hwy Capital) (1026)** are receipts from rental fees and surcharges to various departments for equipment rental, repair and supplies.

The following questions apply to SDPR, I/A, and HwyCapital:

- When the cost of doing business rises, should the agency receiving services pay for the increment with the appropriate fund source?
- Would it be preferable to appropriate GF to the recipient of services rather than the provider of services? An increment in the receiving agency makes the budget clearer.

Fund source changes for Capital Improvement Project (CIP) Receipts

- **CIP Receipts (1061)** consist of amounts transferred from capital projects to the operating budget for project operating costs. As a project's operating costs increase, are additional CIP receipts available?

Language Sections of the Governor's FY2010 Operating Budget

Section Deleted; appeared in FY09 Operating Budget

LEGISLATIVE INTENT. (a) It is the intent of the legislature that the amounts appropriated by this Act are the full amounts that will be appropriated for those purposes for the fiscal year ending June 30, 2009.

Legislative Fiscal Analyst Comment: In recent years the legislature has taken steps to reduce the need for routine supplemental appropriations. The intent of this section was to emphasize that supplemental operating appropriations are designed to be limited to needs that are truly unanticipated.

(b) It is the intent of the legislature that money appropriated from the general fund be expended conservatively. If an appropriation includes the unexpended and unobligated balance of program receipts collected in a prior fiscal year, it is the intent of the legislature that the program receipts be expended, as allowed, before the expenditure of other money appropriated from the general fund. It is the intent of the legislature that the office of management and budget and the Department of Administration assist the legislature in carrying out this intent.

Legislative Fiscal Analyst Comment: The legislature may wish to discuss the impact of this section, in terms of both general fund savings and accounting headaches. The legislature may wish to consider revising the language to allow a limited amount of carryforward of program receipts in those programs in which carryforward acts as a cushion against fluctuations in receipts.

Section Deleted; appeared in FY09 Operating Budget

COSTS OF JOB RECLASSIFICATIONS. The money appropriated in this Act includes the amount necessary to pay the costs of personal services due to reclassification of job classes during the fiscal year ending June 30, 2009.

Legislative Fiscal Analyst Comment: This section was added by the legislature several years ago in response to agency requests for supplemental appropriations to cover the costs of reclassification of selected job classes that the legislature was not informed of in advance. The section clarifies that the cost of reclassifying positions is to be absorbed in an agency's existing budget.

Section Deleted; appeared in FY09 Operating Budget

PERSONAL SERVICES TRANSFERS. It is the intent of the legislature that agencies restrict transfers to and from the personal services line. It is the intent of the legislature that the office of management and budget submit a report to the legislature on January 15, 2009, that describes and justifies all transfers to and from the personal services line by executive branch agencies during the first half of fiscal year 2009. It is the intent of the legislature that the office of management and budget submit a report to the legislature on August 1, 2009, that describes and justifies all transfers to and from the personal services line by executive branch agencies during the second half of fiscal year 2009.

* Sec. 4. ALASKA AEROSPACE DEVELOPMENT CORPORATION. Federal receipts and other corporate receipts of the Alaska Aerospace Development Corporation received during the

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

fiscal year ending June 30, 2010, that are in excess of the amount appropriated in sec. 1 of this Act are appropriated to the Alaska Aerospace Development Corporation for operations during the fiscal year ending June 30, 2010.

Legislative Fiscal Analyst Comment: *This section is intended to maximize the AADC's ability to attract launch activity by eliminating all questions regarding the corporation's ability to accept and spend receipts in a timely manner.*

Funding: The estimated impact of this section is zero. Historically, the appropriations to AADC in section 1 have been sufficient to avoid application of this section.

* **Sec. 5. ALASKA PERMANENT FUND CORPORATION.** (a) The amount authorized under AS 37.13.145(b) for transfer by the Alaska Permanent Fund Corporation on June 30, 2010, is appropriated from the earnings reserve account (AS 37.13.145(a)) to the dividend fund (AS 43.23.045(a)) for the payment of permanent fund dividends and administrative and associated costs for the fiscal year ending June 30, 2010.

Subsection a appropriates funds from the earnings reserve account to the dividend fund for payment of dividends and administrative and associated costs. Earnings in FY2010 (as calculated on the last day of the fiscal year) will be used to pay PFDs in FY2010 and associated costs throughout FY2010.

Funding: The projected amount of dividend transfer for FY2010 is \$1.168 billion including administrative and associated costs. Administrative and associated costs for FY2010 are reflected in section 1 of the budget. They include the cost of operating the PFD Division; hold-harmless provisions that affect people served by the Department of Health & Social Services; and "cost recovery" programs in various departments.

(b) After money is transferred to the dividend fund under (a) of this section, the amount calculated under AS 37.13.145(c) to offset the effect of inflation on the principal of the Alaska permanent fund during fiscal year 2010 is appropriated from the earnings reserve account (AS 37.13.145(a)) to the principal of the Alaska permanent fund.

Subsection b is an "inflation proofing" provision, which transfers money from the Earnings Reserve Account to principal.

Funding: The projected amount of inflation proofing for FY2010 is \$872 million.

(c) The amount required to be deposited under AS 37.13.010(a)(1) and (2) during fiscal year 2010 is appropriated to the principal of the Alaska permanent fund in satisfaction of that requirement.

Subsection c appropriates 25% of mineral lease rentals, royalties, royalty sales, etc. to the principal of the Permanent Fund as required by constitution or statute.

Funding: These deposits to the Permanent Fund do not appear in the bill summary or in Legislative Finance reports because the deposits are constitutionally dedicated rather than appropriated. The Permanent Fund projects that dedicated deposits will be \$659 million during FY2010.

* **Sec. 6. DEPARTMENT OF ADMINISTRATION.** The amount necessary to fund the uses of the state insurance catastrophe reserve account described in AS 37.05.289(a) is appropriated from that account to the Department of Administration for those uses during the fiscal year ending June 30, 2010.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

This section references the statute that allows up to \$5 million to be swept from lapsing general fund appropriations for the catastrophe reserve account. It appropriates funds from the catastrophe reserve account to the Department of Administration to obtain insurance, establish reserves for the self-insurance program, and to satisfy claims or judgments arising under the program.

Legislative Fiscal Analyst Comment: This section re-emphasizes the state's authority to expend funds from the state insurance catastrophe reserve account described in AS 37.05.289(a). The language may not be necessary, but it does no harm.

Legislative Fiscal Analyst Comment: The catastrophe reserve account sweeps lapsing general fund appropriations annually to maintain a balance not to exceed \$5 million. If these funds were not available, two opportunities would remain for meeting catastrophic situations: 1) supplemental appropriations by the legislature, and 2) judgment legislation. Delays that could occur with legislative remedies would cause difficulty in situations that require immediate action.

Funding: This provision has no FY2010 fiscal impact; it allows money appropriated elsewhere to be transferred/spent but does not increase total appropriations.

* **Sec. 7. DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT.** (a) The unexpended and unobligated balance of federal money apportioned to the state as national forest income that the Department of Commerce, Community, and Economic Development determines would lapse into the unrestricted portion of the general fund June 30, 2010, under AS 41.15.180(j) is appropriated as follows:

(1) up to \$170,000 is appropriated to the Department of Transportation and Public Facilities, commissioner's office, for road maintenance in the unorganized borough, for the fiscal year ending June 30, 2010;

(2) the balance remaining after the appropriation made by (1) of this subsection is appropriated to home rule cities, first class cities, second class cities, a municipality organized under federal law, or regional educational attendance areas entitled to payment from the national forest income for the fiscal year ending June 30, 2010, to be allocated among the recipients of national forest income according to their pro rata share of the total amount distributed under AS 41.15.180(c) and (d) for the fiscal year ending June 30, 2010.

Subsection 1 appropriates \$170,000 of National Forest Receipts to DOT&PF for road maintenance in the unorganized borough.

Subsection 2 appropriates any remaining balance to be paid as grants to local governments in the unorganized borough.

Legislative Fiscal Analyst Comment: National Forest receipts consist of national forest income received by DCCED for the portion of national forests located within the unorganized borough. By law, 75 percent of the income is allocated to public schools and 25 percent for maintenance of public roads in the unorganized borough.

Legislative Fiscal Analyst Comment: AS 41.15.180(j) states that the amount in the national forest receipts fund remaining at the end of the fiscal year lapses into the general fund and shall be used for school and road maintenance in the affected areas of the unorganized borough for which direct distribution has not been made. The amount appropriated in subsection 1 (\$170.0) has not changed for several years.

Legislative Fiscal Analyst Comment: Subsection 2 appears to change the intended purpose of lapsing receipts. Under AS 41.15.180(j) lapsing money must be spent in areas

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

that do not receive money under AS 41.15.180(c) and (d). Subsection 2 takes money that would otherwise be spent in unorganized areas and appropriates it to local governments!

(b) An amount equal to the salmon enhancement tax collected under AS 43.76.010 - 43.76.028 in calendar year 2008 and deposited in the general fund under AS 43.76.025(c) is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for payment in fiscal year 2010 to qualified regional associations operating within a region designated under AS 16.10.375.

Funding: These "pass through" amounts are excluded from Legislative Finance reports on the operating bill!

(c) An amount equal to the seafood development tax collected under AS 43.76.350 - 43.76.399 in calendar year 2008 and deposited in the general fund under AS 43.76.380(d) is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for payment in fiscal year 2010 to qualified regional seafood development associations.

Funding: These "pass through" amounts are excluded from Legislative Finance reports on the operating bill!

(d) If the amount necessary to pay power cost equalization program costs without proration from the power cost equalization and rural electric capitalization fund (AS 42.45.100) exceeds the amount appropriated in sec. 1 of this Act, the amount necessary to pay those costs is appropriated from the power cost equalization and rural electric capitalization fund (AS 42.45.100) to the Department of Commerce, Community, and Economic Development, Alaska Energy Authority, power cost equalization allocation, for the fiscal year ending June 30, 2010.

NEW SUBSECTION: Subsection d makes the appropriation from the power cost equalization (PCE) fund to the PCE open-ended; if program costs exceed the amount appropriated in section 1, Subsection d authorizes additional transfers up to the amount required to fully fund PCE!

Funding: The estimated impact of this section is zero!

Legislative Fiscal Analyst Comment: Subsection d addresses the (fairly common) problem of a shortage in the PCE program despite the availability of money in the PCE fund. However, it goes beyond addressing that situation when combined with the language in section 18(c), which is an open-ended appropriation that ensures the PCE formula is fully funded!

Section Deleted; appeared in FY09 Operating Budget

DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT. The sum of \$4,800,000 is appropriated from the general fund to the Department of Education and Early Development for the school incentive program for the fiscal year ending June 30, 2009.

Legislative Fiscal Analyst Comment: The legislature decided not to extend the pilot program!

* **Sec. 8.** DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT. (a) If the amount necessary to pay benefit payments from the fishermen's fund (AS 23.35.060) exceeds the amounts appropriated in sec. 1 of this Act, the additional amount necessary to pay those benefit payments is appropriated from that fund to the Department of Labor and Workforce Development, fishermen's fund allocation, for the fiscal year ending June 30, 2010.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

This section allows benefit payments to exceed the amount appropriated in section 1, ensuring that expenditure authorization will be sufficient to pay benefits required by law!

Funding: The estimated impact of this section is zero!

(b) If the amount necessary to pay benefit payments from the second injury fund (AS 23.30.040(a)) exceeds the amount appropriated in sec. 1 of this Act, the amount necessary to make those benefit payments is appropriated from the second injury fund to the Department of Labor and Workforce Development, second injury fund allocation, for the fiscal year ending June 30, 2010.

This section allows benefit payments to exceed the amount appropriated in section 1, ensuring that expenditure authorization will be sufficient to pay benefits required by law!

Funding: The estimated impact of this section is zero!

(c) If the amount necessary to pay benefit payments from the workers' compensation benefits guaranty fund (AS 23.30.082) exceeds the amount appropriated in sec. 1 of this Act, the additional amount necessary to pay those benefit payments is appropriated from that fund to the Department of Labor and Workforce Development, workers' compensation benefits guaranty fund allocation, for the fiscal year ending June 30, 2010.

This section allows benefit payments to exceed the amount appropriated in section 1, ensuring that expenditure authorization will be sufficient to pay benefits required by law!

Funding: The estimated impact of this section is zero!

* **Sec. 9. DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS.** Five percent of the market value of the average ending balances in the Alaska veterans' memorial endowment fund (AS 37.14.700) for the fiscal years ending June 30, 2007, June 30, 2008, and June 30, 2009, is appropriated from the Alaska veterans' memorial endowment fund to the Department of Military and Veterans' Affairs for the purposes specified in AS 37.14.730(b) for the fiscal year ending June 30, 2010.

Funding: Endowment payout is expected to be about \$12,500. Proceeds may be used for maintenance, repair and construction of monuments to the military!

* **Sec. 10. DEPARTMENT OF NATURAL RESOURCES.** Federal receipts received for fire suppression during the fiscal year ending June 30, 2010, are appropriated to the Department of Natural Resources for fire suppression activities for the fiscal year ending June 30, 2010.

This section appropriates an open-ended amount of federal receipts received for fire suppression to the Department of Natural Resources!

Funding: A \$2 million federal receipts estimate for fire suppression has been used for several years!

Section (b) Deleted; appeared in FY09 Operating Budget

The sum of \$523,000 is appropriated from the general fund to the Department of Natural Resources for the petroleum systems integrity office for the fiscal year ending June 30, 2009.

Legislative Fiscal Analyst Comment: The Governor's FY2010 budget includes this item in section 1!

* **Sec. 11. DEPARTMENT OF PUBLIC SAFETY.** (a) The sum of \$1,393,200 is appropriated from the general fund to the Department of Public Safety, division of Alaska state troopers, narcotics task force, for drug and alcohol enforcement efforts during the fiscal year ending June

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

30, 2010.

Subsection a appropriates \$1.4 million in general funds for drug and alcohol enforcement efforts.

(b) If the amount of federal receipts received by the Department of Public Safety from the justice assistance grant program during the fiscal year ending June 30, 2010, for drug and alcohol enforcement efforts exceeds \$1,289,100, the appropriation in (a) of this section is reduced by the amount by which the federal receipts exceed \$1,289,100.

Subsection b is contingency language that requires a dollar-for-dollar reduction of the previous subsection's general funds if DPS receives over \$1.3 million in federal grants for drug and alcohol enforcement efforts.

Legislative Fiscal Analyst Comment: The FY09 operating budget included similar language. DPS received \$1,560,940 of federal funds for this purpose resulting in a reduction of \$271,840.

Funding: Because the amount of federal funds for FY2010 is unknown, Legislative Finance is estimating the cost of the section to be the full \$1.4 million in general funds.

(c) The sum of \$1,270,000 is appropriated from the general fund to the Department of Public Safety, division of Alaska state troopers, special projects, for rural alcohol interdiction efforts during the fiscal year ending June 30, 2010.

Subsection c appropriates \$1.3 million in general funds for rural alcohol interdiction efforts.

(d) If federal receipts are received by the Department of Public Safety for the rural alcohol interdiction program during the fiscal year ending June 30, 2010, the appropriation in (c) of this section is reduced by the amount of the federal receipts.

Subsection d is contingency language that requires a dollar-for-dollar reduction of the previous subsection's general funds if DPS receives over \$1.3 million in federal grants for drug and alcohol enforcement efforts.

Legislative Fiscal Analyst Comment: The FY09 operating budget included similar language. DPS received \$715.5 of federal funds for this purpose resulting in an equal reduction of general funds.

Funding: Because the amount of federal funds for FY2010 is unknown, Legislative Finance is estimating the cost of the section to be the full \$1.3 million in general funds.

* **Sec. 12. DEPARTMENT OF REVENUE.** (a) The minimum amount of program receipts received during the fiscal year ending June 30, 2010, by the child support services agency that is required to secure the federal funding appropriated from those program receipts for the child support enforcement program in sec. 1 of this Act is appropriated to the Department of Revenue, child support services agency, for the fiscal year ending June 30, 2010.

Subsection a permits an unspecified amount of program receipts collected by the Child Support Services Division (CSSD) to be spent to capture the federal receipts appropriated in section 1.

Legislative Fiscal Analyst Comment: The Federal Deficit Reduction Act of 2005 changed the way states could use money earned from federal incentives. In the past, state child support programs could use federal incentive receipts as part of the required 34%

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

match to federal receipts; this practice reduced the amount of state funds needed to maximize the federal receipts. Effective in federal fiscal year 2008, federal rules prohibit using federal incentive receipts as matching funds for federal receipts from the child support program. As a result, the division requested \$1.9 million of general funds in section 1. This section is unlikely to have any effect. The section could be deleted, but it does no harm.

Funding: The estimated impact of this section is zero.

(b) Program receipts collected as cost recovery for paternity testing administered by the child support services agency, as required under AS 25.27.040 and 25.27.165, and as collected under AS 25.20.050(f), are appropriated to the Department of Revenue, child support services agency, for the fiscal year ending June 30, 2010.

Subsection b appropriates (to CSSD) receipts collected to recover the costs of paternity testing.

Funding: The Department estimates that paternity testing will generate \$47,000 in program receipts.

* **Sec. 13. OFFICE OF THE GOVERNOR.** (a) If the 2010 fiscal year-to-date average price of Alaska North Slope crude oil exceeds \$35 a barrel on August 1, 2009, the amount of money corresponding to the 2010 fiscal year-to-date average price, rounded to the nearest dollar, as set out in the table in (b) of this section is appropriated from the general fund to the Office of the Governor for distribution to state agencies to offset increased fuel and utility costs.

(b) The following table shall be used in determining the appropriation amount in (a) of this section:

2010 FISCAL YEAR-TO-DATE AVERAGE PRICE OF ALASKA NORTH SLOPE CRUDE OIL	AMOUNT
\$60 or more	\$24,000,000
59	23,500,000
58	23,000,000
57	22,000,000
56	21,000,000
55	20,000,000
54	19,000,000
53	18,000,000
52	17,000,000
51	16,000,000
50	15,000,000
49	14,000,000

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

48	13,000,000
47	12,000,000
46	11,000,000
45	10,000,000
44	9,000,000
43	8,000,000
42	7,000,000
41	6,000,000
40	5,000,000
39	4,000,000
38	3,000,000
37	2,000,000
36	1,000,000
35	0

(c) It is the intent of the legislature that a payment under (a) of this section be used to offset the effects of higher fuel and utility costs for the fiscal year ending June 30, 2010.

(d) The governor shall allocate amounts appropriated in (a) of this section as follows:

(1) to the Department of Transportation and Public Facilities, 65 percent of the total plus or minus 10 percent;

(2) to the University of Alaska, eight percent of the total plus or minus three percent;

(3) to the Department of Health and Social Services and the Department of Corrections, not more than five percent each of the total amount appropriated;

(4) to any other state agency, not more than four percent of the total amount appropriated;

(5) the aggregate amount allocated may not exceed 100 percent of the appropriation.

Subsection a appropriates up to \$24 million depending on the year-to-date average price of crude oil on August 1, 2009. This funding is to be distributed to agencies to offset increased fuel and utility costs.

Subsection b indicates, based on the price of oil, how much funding is appropriated in subsection a.

Subsection c states legislative intent that the funding is to offset fuel and utility cost increases.

Subsection d provides guidelines for allocating the money among agencies.

Funding: OMB included a \$24 million appropriation for fuel in its budget transmittal.

Legislative Fiscal Analyst Comment: Similar trigger mechanisms appear to have

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

functioned as designed—providing funding for fuel during the past few years without permitting high fuel costs to become part of the base budget—and the legislature may wish to continue the concept. Note, however, that the above schedule is inconsistent with the official oil price forecast; the schedule shows oil prices up to \$60 while the official oil forecast is \$74. In theory, the schedule should extend beyond the forecast price. Extending the schedule to the official forecast would add \$7 million to the estimate of the appropriation. Extending the schedule beyond the forecast price adds nothing to the estimated appropriation, but it would cover the contingency of higher-than-anticipated oil prices.

Subsection Deleted; appeared in FY09 Operating Budget

(e) The sum of \$3,670,800 is appropriated from the general fund to the Office of the Governor, division of elections, for costs associated with conducting the statewide primary and general elections for the fiscal year ending June 30, 2009.

Subsection e appropriates general funds to cover the costs of 2008 statewide elections.

Legislative Fiscal Analyst Comment: This one-time funding for elections was removed from the FY2010 base.

* **Sec. 14. UNIVERSITY OF ALASKA.** The amount of the fees collected under AS 28.10.421(d) during the fiscal year ending June 30, 2009, for the issuance of special request university plates, less the cost of issuing the license plates, is appropriated from the general fund to the University of Alaska for support of alumni programs at the campuses of the university for the fiscal year ending June 30, 2010.

Funding: The University expects to receive about \$2,000 under this section.

* **Sec. 15. BOND CLAIMS.** The amount received in settlement of a claim against a bond guaranteeing the reclamation of state, federal, or private land, including the plugging or repair of a well is appropriated to the agency secured by the bond for the fiscal year ending June 30, 2010, for the purpose of reclaiming the state, federal, or private land affected by a use covered by the bond.

This section is standard language that appropriates claims against bonds for land reclamation to the agencies that will direct the reclamation.

Funding: The Department of Natural Resources estimates the impact of this section to be \$25,000.

* **Sec. 16. GAS PIPELINE DEVELOPMENT.** The following amounts are appropriated to the named department and components from the following sources in the amounts stated for work associated with development of a natural gas pipeline for the fiscal year ending June 30, 2010:

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

DEPARTMENT AND COMPONENT	SOURCE	APPROPRIATION AMOUNT
(1) Fish and Game		
Habitat and restoration	Interagency receipts	\$180,000
(2) Labor and Workforce Development		
(A) Labor market information	General fund	145,000
(B) Business services	General fund	585,000
(C) Alaska Workforce		
Investment Board	General fund	130,000
(3) Law		
Oil, gas, and mining	General fund	1,250,000
(4) Natural Resources		
(A) Oil and gas development	General fund	391,700
(B) Pipeline coordinator	Statutory designated	
	Program receipts	2,500,000
(5) Revenue		
Natural gas commercialization	General fund	771,000

NEW SECTION: This section appropriates funding to multiple departments for development work associated with the natural gas pipeline.

Legislative Fiscal Analyst Comment: In FY09, the legislature consolidated oil and gas development funding requests in the Office of the Governor, with direction to distribute the one-time funding of \$7.3 million GF to the departments of Labor and Workforce Development, Natural Resources, Law, and Revenue as needed for work associated with the Natural Gas Pipeline. Consolidation was intended to increase flexibility and track how much was being appropriated for gasline work. OMB did not take advantage of the flexibility provided, and consolidation in section 16 has the advantage of correctly identifying each appropriation with an agency.

* Sec. 17. FEDERAL AND OTHER PROGRAM RECEIPTS. (a) Federal receipts, designated program receipts as defined in AS 37.05.146(b)(3), information services fund program receipts as described in AS 44.21.045(b), Exxon Valdez oil spill trust receipts described in AS 37.05.146(b)(4), receipts of the Alaska Housing Finance Corporation, receipts of the Alaska marine highway system fund described in AS 19.65.060(a), receipts of the University of Alaska as described in AS 37.05.146(b)(2), and receipts of the Alaska Fire Standards Council described in AS 37.05.146(b)(5) that are received during the fiscal year ending June 30, 2010, and that

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

exceed the amounts appropriated by this Act, are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

(b) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) that are received during the fiscal year ending June 30, 2010, exceed the amounts appropriated by this Act, the appropriations from state funds for the affected program shall be reduced by the excess if the reductions are consistent with applicable federal statutes.

(c) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) that are received during the fiscal year ending June 30, 2010, fall short of the amounts appropriated by this Act, the affected appropriation is reduced by the amount of the shortfall in receipts.

Subsection a provides open-ended appropriations of the types of receipts listed. Although the appropriations are conditioned on review by the Legislative Budget and Audit Committee, the Governor can increase authorization for listed fund sources without the approval of the Committee.

NEW FUND SOURCE LISTED: Receipts of the University of Alaska is a FY2010 addition to the list of funds that can be increased upon LB&A committee review. There is no indication of the reason for the addition.

Subsection b is standard language that permits state authorization to be reduced if unanticipated money is received for projects funded by general funds. There is no formal process for tracking potential reductions.

Subsection c is standard language that automatically limits authorization of federal and other receipts to the amount actually received.

Funding: Although requests for approval to spend additional receipts will almost certainly be received, there is no way to determine where the increases will be, how much they will be, or what fund sources would be appropriate. Legislative Finance reports place no dollar value on appropriations made in this section.

* **Sec. 18. FUND TRANSFERS.** (a) The following amounts are appropriated to the Alaska debt retirement fund (AS 37.15.011):

- (1) the sum of \$118,670,100 from the general fund;
- (2) the sum of \$12,007,700 from federal receipts for state-guaranteed transportation revenue anticipation bonds, series 2003B;
- (3) the sum of \$2,837,400 from the investment earnings on the bond proceeds deposited in the capital project funds for the series 2003A general obligation bonds;
- (4) the sum of \$877,400 from the investment earnings on the bond proceeds deposited in the capital project fund for the state guaranteed transportation revenue anticipation bonds, series 2003B;
- (5) the sum of \$26,000 from the investment loss trust fund (AS 37.14.300);
- (6) if the debt retirement fund balance is insufficient to pay the debt service obligations on the State of Alaska general obligation bonds, series 2003A and 2009A, the amount necessary is appropriated from the general fund.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Subsection a is summarized below:

Capitalization of the Debt Retirement Fund			
Subsec	Fund Source	FY2010 Debt Service	Details
1	General Funds	118,670.1	Non-specific capitalization
2	Federal Receipts	12,007.7	Federal receipts to pay series 2003B GO Bonds
3	Capital Project Fund	2,837.4	Investment earnings receipts to pay series 2003A GO Bonds
4	Capital Project Fund	877.4	Investment earnings receipts to pay series 2003B GO Bonds
5	ILTF	26.0	Non-specific capitalization
6	General Funds	.0	Contingency funding for GO Bonds
TOTAL DEPOSITS:		\$134,418.6	

New Subsection a (6) is an open-ended appropriation that appears to be intended to ensure that there is sufficient money to pay GO bond debt service!

Legislative Fiscal Analyst Comment: The provision makes sense on the surface, given that the series 2009 bonds have not yet been sold, so the amount of debt service is unknown. However, because the various appropriations to the fund are not tied to specific debt service payments, the effect is that any shortage in the fund could be attributed to debt service on GO bonds. The weakness of this funding method is that it allows the amount of general fund capitalization to be understated. This situation could be avoided by specifying what type of debt service each appropriation to the fund is intended for, but that approach runs the risk of underfunding debt service. The legislature may prefer to simply deposit enough money to the debt retirement fund to leave a margin of safety!

(b) The sum of \$20,892,700 from the power cost equalization endowment fund (AS 42.45.070) is appropriated to the power cost equalization and rural electric capitalization fund (AS 42.45.100).

Subsection b capitalizes the PCE Fund with seven percent of the average value of the PCE Endowment (\$20.9 million).

(c) The amount necessary, estimated to be \$10,379,300, is appropriated from the general fund to the power cost equalization and rural electric capitalization fund (AS 42.45.100) for payment of power cost equalization for the fiscal year ending June 30, 2010.

Subsection c capitalizes the PCE Fund with \$10.4 million in general funds. When combined with the appropriation in (b) this appropriation provides the \$32.2 million needed to fully fund the PCE program appropriations made in section 1.

Legislative Fiscal Analyst Comment: The appropriation in (c) is open-ended. This appropriation, in combination with section 7(d), ensures full funding of the PCE formula. The PCE program is up for review this session; section 18(c) will provide full funding under any changes made to the formula.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

(d) The federal funds received by the state under 42 U.S.C. 6506a(l) or former 42 U.S.C. 6508 not appropriated for grants under AS 37.05.530(d) are appropriated as follows:

(1) to the principal of the Alaska permanent fund and the public school trust fund (AS 37.14.110), according to AS 37.05.530(g)(1) and 37.05.530(g)(2); and

(2) to the principal of the Alaska permanent fund, the public school trust fund (AS 37.14.110), and the power cost equalization and rural electric capitalization fund (AS 42.45.100), according to AS 37.05.530(g)(3).

Subsection d (per AS 37.05.530(g)) **appropriates the lapsing balance of NPR-A grants. No lapsing balance is anticipated!**

Funding: The estimated fiscal impact of this section is zero!

(e) An amount calculated under AS 43.55.028(c), not to exceed \$300,000,000 is appropriated from the general fund to the oil and gas tax credit fund (AS 43.55.028(a)).

Legislative Fiscal Analyst Comment: The amount appropriated to this fund—which is used to purchase transferable tax credit certificates and production tax certificates—in FY09 was \$400 million. The legislature may wish to ask the Department of Revenue to describe cash flows into and out of the fund!

(f) The following amounts of revenue collected during the fiscal year ending June 30, 2010, are appropriated to the fish and game fund (AS 16.05.100):

(1) receipts from the sale of crewmember fishing licenses (AS 16.05.480(a)) that are not deposited into the fishermen's fund under AS 23.35.060;

(2) range fees collected at shooting ranges operated by the Department of Fish and Game (AS 16.05.050(a)(15));

(3) fees collected at boating and angling access sites described in AS 16.05.050(a)(6) and managed by the Department of Natural Resources, division of parks and outdoor recreation, under a cooperative agreement;

(4) receipts from the sale of waterfowl conservation stamp limited edition prints (AS 16.05.826(a));

(5) fees collected for sanctuary access permits (AS 16.05.050(a)(15)).

Subsection f appropriates revenue generated by the named licenses and fees into the Fish and Game Fund. Appropriations from this revenue source use the Fish and Game Nondedicated Receipts fund code (1194) to differentiate these appropriations (which are essentially GF appropriations) from the dedicated portion of the Fish and Game Fund!

Funding: The estimated fiscal impact of this subsection is \$2.3 million!

(g) The following amounts are appropriated to the oil and hazardous substance release prevention account (AS 46.08.010(a)(1)) in the oil and hazardous substance release prevention and response fund (AS 46.08.010) from the sources indicated:

(1) the balance of the oil and hazardous substance release prevention mitigation account (AS 46.08.020(b)) in the general fund on July 1, 2009, not otherwise appropriated by this Act;

(2) the amount collected for the fiscal year ending June 30, 2009, estimated to be \$11,100,000, from the surcharge levied under AS 43.55.300.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Subsection g is standard language appropriating (to the Oil and Hazardous Substance Release Prevention Account) the balance of the Release Prevention Mitigation Account and the FY09 collections from the 4 cent per barrel surcharge on oil produced in the state. Amendments effective April 1, 2006 changed the per barrel surcharge from \$0.03 to \$0.04.

(h) The following amounts are appropriated to the oil and hazardous substance release response account (AS 46.08.010(a)(2)) in the oil and hazardous substance release prevention and response fund (AS 46.08.010) from the following sources:

(1) the balance of the oil and hazardous substance release response mitigation account (AS 46.08.025(b)) in the general fund on July 1, 2009, not otherwise appropriated by this Act;

(2) the amount collected for the fiscal year ending June 30, 2009, from the surcharge levied under AS 43.55.201;

Subsection h is standard language appropriating (to the Oil and Hazardous Substance Release Response Account) the balance of the Release Response Mitigation Account and the FY09 collections from the \$0.01 cent per barrel surcharge on oil produced in the state. Amendments effective April 1, 2006 changed the per barrel surcharge from \$0.02 to \$0.01.

Funding: Based on a five-year average, the projected balance of the response mitigation account that will be transferred under this section is approximately \$600,000. The surcharge collected under paragraph (2) became effective when the balance of the Response Account dropped below \$50 million. The drop in the balance is due to a Department of Law request for \$8.8 million to investigate two oil spills which occurred in 2006 from transit pipelines operated by BP in Prudhoe Bay oil field.

Legislative Fiscal Analyst Comment: Based on the current balance and annual collections of \$2.3 million from the one cent surcharge, the surcharge may be in effect for a few more years.

(i) The portions of the fees listed in this subsection that are collected during the fiscal year ending June 30, 2010, are appropriated to the Alaska children's trust (AS 37.14.200):

(1) fees collected under AS 18.50.225, less the cost of supplies, for the issuance of birth certificates;

(2) fees collected under AS 18.50.272, less the cost of supplies, for the issuance of heirloom marriage certificates;

(3) fees collected under AS 28.10.421(d) for the issuance of special request Alaska children's trust license plates, less the cost of issuing the license plates.

Subsection i appropriates (to the Alaska Children's Trust) net receipts collected during FY2010 from sales of heirloom birth certificates, heirloom marriage certificates and Trust license plates.

The Alaska Children's Trust was created by Chapter 19, SLA 88. The legislature appropriated \$6 million from the investment loss trust fund to the principal of the trust in Chapter 123, SLA 96. The trust was established to provide a continuing source of revenue for grants to community-based programs for the prevention of child abuse and neglect.

Funding: OMB projects \$39.5 net proceeds from the sale of certificates/plates.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

(j) The loan origination fees collected by the Alaska Commission on Postsecondary Education for the fiscal year ending June 30, 2010, are appropriated to the origination fee account (AS 14.43.120(u)) within the education loan fund (AS 14.42.210) of the Alaska Student Loan Corporation for the purposes specified in AS 14.43.120(u).

Subsection j appropriates origination fees charged on student loans to the origination fee account within the student loan fund. The fees are intended to offset loan losses due to death, disability, bankruptcy and default.

Funding: The amount of the loan origination fee is capped by regulation at 5% and set annually by the corporation. For FY2010, the Alaska Commission on Postsecondary Education has indicated that the maximum fee of 5% will be set. It is currently set at 3%. Because the appropriation earmarks money within a fund, there is no impact on state expenditures.

(k) The amount of federal receipts received for disaster relief during the fiscal year ending June 30, 2010, is appropriated to the disaster relief fund (AS 26.23.300).

Subsection k is standard language appropriating federal receipts for disaster relief to the Disaster Relief Fund. The Governor needs no specific appropriations to spend money in the Disaster Relief Fund; money can be spent upon declaration of a disaster.

Funding: A \$9 million estimate for federal disaster relief receipts has been used for several years.

(l) The sum of \$7,500,000 is appropriated from the general fund to the disaster relief fund (AS 26.23.300).

Subsection l capitalizes the Disaster Relief Fund with \$7.5 million of general funds. FY09 capitalization was \$16 million.

(m) The balance of the mine reclamation trust fund income account (AS 37.14.800(a)) on June 30, 2009, and money deposited in that account during the fiscal year ending June 30, 2010, is appropriated to the mine reclamation trust fund operating account (AS 37.14.800(a)) for the fiscal year ending June 30, 2010. The amount necessary for the purposes specified in AS 37.14.820 for the fiscal year ending June 30, 2010, is appropriated from the mine reclamation trust fund operating account (AS 37.14.800(a)) to the Department of Natural Resources.

Subsection m authorizes an internal transfer of funds from the income account to the operating account, where it is available to DNR to spend without further appropriation.

Funding: The agency estimates the amount needed for mine reclamation expenditures is about \$75,000.

(n) The sum of \$6,000,000 is appropriated to the Alaska clean water fund (AS 46.03.032) for the Alaska clean water loan program from the following sources:

Alaska clean water fund revenue bond receipts	\$1,000,000
Federal receipts	5,000,000

(o) The sum of \$7,660,000 is appropriated to the Alaska drinking water fund (AS 46.03.036) for the Alaska drinking water loan program from the following sources:

Alaska drinking water fund revenue bond receipts	\$1,660,000
Federal receipts	6,000,000

Subsections n and o provide money to develop sewer and water systems in Alaska communities through revolving loan programs. The state typically issues short-term

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

bonds that are repaid with earnings from the loan programs, and uses the bond proceeds to match federal money!

(p) The amount of municipal bond bank receipts determined under AS 44.85.270(h) to be available for transfer by the Alaska Municipal Bond Bank Authority for the fiscal year ending June 30, 2009, is appropriated to the Alaska municipal bond bank authority reserve fund (AS 44.85.270(a)).

Subsection p appropriates earnings of the Bond Bank to its earnings reserve fund!

Funding: Earnings for FY09 were \$250,000 and a similar amount is expected in FY2010!

(q) The bulk fuel revolving loan fund fees established under AS 42.45.250(j) and collected under AS 42.45.250(k) from July 1, 2008, through June 30, 2009, estimated to be \$45,000, are appropriated from the general fund to the bulk fuel revolving loan fund (AS 42.45.250).

Subsection q attempts to appropriate fee revenues to the bulk fuel revolving loan fund!

Legislative Fiscal Analyst Recommendation: If the legislature chooses to capitalize the loan fund, the subsection should begin with "An amount equal to..." in order to clarify that this is an appropriation of FY2010 general funds. The effective date of the section is July 1, 2009, which means that the specified FY09 collections will no longer be accessible. The associated budget transaction uses FY2010 general funds to capitalize the loan fund!

(r) The sum of \$8,400,000 is appropriated from the Alaska sport fishing enterprise account (AS 16.05.130(e)) in the fish and game fund (AS 16.05.100) to the Alaska fish and game revenue bond redemption fund (AS 37.15.770).

Subsection r transfers the amount collected under the surcharge on sport fish licenses (created by SB 147 (Ch 94, SLA 2005)) from the sport fish enterprise account, where the revenue is deposited, to the bond redemption fund. The transfer is for payment of debt service on bonds authorized for hatchery construction. As both funds are subfunds of the Fish and Game Fund, this section has no fiscal impact; it is an attempt to preempt legal issues associated the fisheries revenue bonds!

(s) An amount equal to the federal receipts deposited in the Alaska sport fishing enterprise account (AS 16.05.130(e)), not to exceed \$1,584,200, as reimbursement for the federally allowable portion of the principal balance payment on the sport fishing revenue bonds series 2006 is appropriated from the Alaska sport fishing enterprise account (AS 16.05.130(e)) to the fish and game fund (AS 16.05.100).

Subsection s clarifies that the Department chooses to use \$1.58 million of current federal funding as reimbursement. They may use federal operating receipts as reimbursement for a portion of debt service payments on the "Sportfish Bonds" issued in 2006 (see Section 23(u))!

Legislative Fiscal Analyst Comment: The Department's action increases flexibility in the use of existing federal receipts, by placing federal money in the sport fishing enterprise account. Once there, the money can be used for sport fishing facilities intended to directly benefit license purchasers!

Funding: The section simply transfers funds between accounts within the Fish and Game Fund; there is no direct fiscal impact!

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

NEW SUBSECTION

(t) The sum of \$459,200 is appropriated from the permanent fund dividend (PFD) appropriation in lieu of dividends to criminals account within the dividend fund (AS 43.23.045(a)) to the crime victim compensation fund (AS 18.67.162).

NEW SUBSECTION

(u) An amount received under AS 18.67.162, during the fiscal year ending June 30, 2010, is appropriated from the applicable fund source to the crime victim compensation fund (AS 18.67.162).

Subsection t capitalizes the Crime Victim Compensation Fund with \$459.2 of "PFD in lieu of Dividends to Criminals" receipts.

Subsection u capitalizes the Crime Victim Compensation Fund with "money from donations, recoveries of or reimbursements for awards made from the fund, income from the fund, and other program receipts."

Legislative Fiscal Analyst Comment: Chapter 112 SLA 2008 added language to the effect that money appropriated to the fund "may include donations, recoveries of, or reimbursements for awards made by the fund, income from the fund, and other program receipts." The fund source cited in subsection t is not mentioned in AS 18.67.182, but lack of mention does not preclude the legislature from appropriating PFD criminal funds for this purpose.

(v) An amount equal to 20 percent of the revenue collected under AS 43.55.011(g), not to exceed \$60,000,000, is appropriated from the general fund to the community revenue sharing fund (AS 29.60.850).

Subsection v appropriates 20% of receipts from the progressive portion of the oil and gas production tax, to a limit of \$60 million, for revenue sharing.

Legislative Fiscal Analyst Comment: The revenue sharing fund was established with an FY08 supplemental appropriation of \$180 million. Per AS 29.60.850, 1/3 of the FY08 year end balance (\$60 million) was distributed to communities in FY09. The amount distributed was replaced by \$60 million of FY09 revenue from the progressive portion of the oil and gas production tax. The FY2010 distribution to communities will be \$60 million (1/3 of the FY09 year end balance). As long as oil prices are high enough to generate more than \$60 million from the progressive production tax, the cycle of \$60 million annual deposits/distribution will continue. At prices less than about \$60/barrel, the progressive tax generates no revenue and annual distributions will decline. If there is no progressive tax revenue in FY2010, the year end fund balance will be \$120 million and the amount available for distribution in FY2011 will be \$40 million. If there is no progressive tax revenue in FY2011, the year end fund balance will be \$80 million and the amount available for distribution in FY2012 will be \$27 million. If the fund balance falls below \$60 million (as it would in FY2012 if oil remains below about \$60/barrel) there would be no distribution in FY2013.

Funding: The full \$60 million potential amount of the appropriation is included in all Legislative Finance and OMB reports.

(w) The sum of \$1,062,127,700 is appropriated from the general fund to the public education fund (AS 14.17.300).

Subsection w appropriates \$1.062 billion to the Public Education Fund (PEF).

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Legislative Fiscal Analyst Comment: The legislature began making deposits to the PEF in FY06, with the expectation of making continued deposits until reaching the goal of a balance sufficient to fund K-12 education one year in advance. The goal was reached last year, and FY2010 education was "forward funded". The concept of forward funding is that the amount appropriated in a given year will be the amount required in the following year. In this regard, the Governor's \$1.062 billion appropriation is \$50 million short of forward funding the anticipated \$1.112 billion cost of K-12 education in FY2011.

Although the Governor's proposal leaves the Public Education Fund with a balance (nearly) sufficient to fund anticipated FY2011 K-12 expenditures, this is possible only because the balance of the Public Education Fund included a surplus that was intended to provide a cushion in case expenditures exceed expectations. While not technically a withdrawal from savings, the Governor's proposal reduces the PEF balance by \$50 million compared to the forward funding concept adopted by the legislature.

Section Deleted; appeared in FY09 Operating Budget

The sum of \$5,000,000 is appropriated from the general fund to the information services fund (AS 44.21.045(a)).

Legislative Fiscal Analyst Comment: The Information Services Fund is capitalized in the capital appropriations bill.

Section Deleted; appeared in FY09 Operating Budget

The sum of \$19,099,558 is appropriated from the Alaska capital income fund (AS 37.05.565) to the school construction grant fund (AS 14.11.005).

Legislative Fiscal Analyst Comment: The fund is not capitalized in the Governor's budget proposal.

Section Deleted; appeared in FY09 Operating Budget

The sum of \$80,702,477 is appropriated from the Alaska capital income fund (AS 37.05.565) to the major maintenance grant fund (AS 14.11.007).

Legislative Fiscal Analyst Comment: The fund is capitalized in the capital appropriations bill.

* **Sec. 19. RETAINED FEES AND BANKCARD SERVICE FEES.** (a) The amount retained to compensate the collector or trustee of fees, licenses, taxes, or other money belonging to the state during the fiscal year ending June 30, 2010, is appropriated for that purpose to the agency authorized by law to generate the revenue. In this subsection, "collector or trustee" includes vendors retained by the state on a contingency fee basis.

Subsection a allows the state to compensate vendors that collect fees on behalf of the state. The provision originally addressed Fish and Game fishing, hunting and trapping license sales in which the vendor retained a portion of the sale. It also applies to several programs in the Department of Administration, Department of Natural Resources and Trial Courts.

Funding: These fees do not appear in the bill summary or in Legislative Finance reports on the grounds that the state has no effective control over the money.

(b) The amount retained to compensate the provider of bankcard or credit card services to the state during the fiscal year ending June 30, 2010, is appropriated for that purpose to each agency of the executive, legislative, and judicial branches that accepts payment by bankcard or credit card for licenses, permits, goods, and services provided by that agency on behalf of the

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

state, from the funds and accounts in which the payments received by the state are deposited.

Subsection b allows credit card service providers to retain fees charged for using a credit card.

Funding: These fees do not appear in the bill summary or in Legislative Finance reports on the grounds that the state has no effective control over the money.

(c) The amount retained to compensate the provider of bankcard or credit card services to the state during the fiscal year ending June 30, 2010, is appropriated for that purpose to the Department of Law for accepting payment of restitution in accordance with AS 12.55.051 by bankcard or credit card, from the funds and accounts in which the restitution payments received by the Department of Law are deposited.

Subsection c allows credit card service providers to retain fees charged for using a credit card for payment of restitution.

Funding: These fees do not appear in the bill summary or in Legislative Finance reports on the grounds that the state has no effective control over the money.

* **Sec. 20. RETIREMENT SYSTEM FUNDING.** (a) The sum of \$206,300,000 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the teachers' retirement system as an additional state contribution for the fiscal year ending June 30, 2010, under AS 14.25.085.

(b) The sum of \$241,600,000 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the public employees' retirement system as an additional state contribution for the fiscal year ending June 30, 2010, under AS 39.35.280.

Legislative Fiscal Analyst Comment: During the past five years, Alaska's retirement systems accrued a multi-billion dollar unfunded liability due to a combination of investment losses, escalating health care costs, modification of actuarial assumptions and capped contribution rates. Beginning in FY08, the state began making direct contributions to retirement systems in order to stabilize employer contribution rates while repaying that unfunded liability. Actuarial rates for both TRS and PERS declined for FY2010, which means that required contributions decline as well. As shown below, the appropriations in subsections a and b contribute about \$135 million "extra" to PERS and about \$23 million extra to TRS. With the decline in state revenue, the legislature may wish to consider reducing extra contributions to retirement systems.

Direct Payments to Retirement Systems (\$ millions)								
Retirement System	Fiscal Year	Estimated Salary Base	Actuarial Rate	Employer Share	State Share	Direct Payments	Amount Appropriated	Suplus Direct Payment
PERS	FY09	\$ 1,813	35.22%	22.00%	13.22%	\$ 239.7	\$ 241.6	\$ 1.9
	FY2010	\$ 1,886	27.65%	22.00%	5.65%	\$ 106.5	\$ 241.6	\$ 135.1
TRS	FY09	\$ 652	44.17%	12.56%	31.61%	\$ 206.2	\$ 206.3	\$ 0.1
	FY2010	\$ 678	39.53%	12.56%	26.97%	\$ 182.9	\$ 206.3	\$ 23.4
Joint	FY09	\$ 2,465	79.39%	34.56%	44.83%	\$ 445.9	\$ 447.9	\$ 2.0
	FY2010	\$ 2,564	67.18%	34.56%	32.62%	\$ 289.5	\$ 447.9	\$ 158.4

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

(c) The sum of \$1,722,500 is appropriated from the general fund to the Department of Military and Veterans' Affairs for deposit in the defined benefit plan account in the Alaska National Guard and Alaska Naval Militia retirement system for the purpose of funding the Alaska National Guard and Alaska Naval Militia retirement system under AS 26.05.226.

Legislative Fiscal Analyst Comment: A \$10 million FY08 supplemental appropriation to the retirement fund was intended to payoff the unfunded liability of the system. The appropriation in subsection c may not be necessary, except for recent investment losses; the system has little unfunded liability.

(d) The sum of \$1,550,000 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the judicial retirement system for the purpose of funding the judicial retirement system under AS 22.25.046.

Legislative Fiscal Analyst Comment: A \$49 million FY08 supplemental appropriation to the retirement fund was intended to payoff the unfunded liability of the system. The appropriation in subsection d may not be necessary, except for recent investment losses; the system has little unfunded liability. Repayment of the unfunded liability reduced the actuarial rate that applies to the retirement system, permitting a reduction in the contribution rate paid by the Court System. FY2010 decrements totaling \$3.5 million are reflected in the Court's budget request in section 1.

* **Sec. 21. SALARY AND BENEFIT ADJUSTMENTS.** (a) The operating budget appropriations made in sec. 1 of this Act include amounts for salary and benefit adjustments for public officials, officers, and employees of the executive branch, Alaska Court System employees, employees of the legislature, and legislators and to implement the terms for the fiscal year ending June 30, 2010, of the following ongoing collective bargaining agreements:

- (1) Alaska Public Employees Association, for the confidential unit;
- (2) Alaska State Employees Association, for the general government unit;
- (3) Alaska Public Employees Association, for the supervisory unit;
- (4) Alaska Vocational Technical Center Teachers' Association – National Education Association, for the employees of the Alaska Vocational Technical Center;
- (5) Public Safety Employees Association, representing the regularly Commissioned public safety officers unit.

(b) The operating budget appropriations made to the University of Alaska in this Act include amounts for salary and benefit adjustments for the fiscal year ending June 30, 2010, for university employees who are not members of a collective bargaining unit and for implementing the monetary terms of the collective bargaining agreements including the terms of the agreement providing for the health benefit plan for university employees represented by the following entities:

- (1) Alaska Higher Education Crafts and Trades Employees;
- (2) University of Alaska Federation of Teachers;
- (3) United Academics;
- (4) United Academics-Adjuncts.

(c) If a collective bargaining agreement listed in (b) of this section is not ratified by the

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

membership of the respective collecting bargaining unit, the appropriations made by this Act that are applicable to that collective bargaining unit's agreement are reduced proportionately by the amount for that collective bargaining agreement, and the corresponding funding source amounts are reduced accordingly.

Legislative Fiscal Analyst Comment: "collecting" should be replaced with "collective" on the second line.

Funding: This section appropriates no money; it specifies that various salary adjustments are funded with money appropriated in section 1.

* **Sec. 22. SHARED TAXES AND FEES.** (a) The amount necessary to refund to local governments their share of taxes and fees collected in the listed fiscal years under the following programs is appropriated to the Department of Revenue from the general fund for payment to local governments in fiscal year 2010:

REVENUE SOURCE	FISCAL YEAR COLLECTED
Commercial passenger vessel excise tax (AS 43.52.230(a))	2009
Fisheries business tax (AS 43.75)	2009
Fishery resource landing tax (AS 43.77)	2009
Aviation fuel tax (AS 43.40.010)	2010
Electric and telephone cooperative tax (AS 10.25.570)	2010
Liquor license fee (AS 04.11)	2010

Funding: These "pass through" amounts are excluded from Legislative Finance reports on the operating bill.

(b) The amount necessary, estimated to be \$55,000, to pay to municipalities that amount of aviation fuel tax proceeds to which the municipalities would have been entitled under AS 43.40.010(e) for aviation fuel taxes that would have been due under AS 43.40.410 during the fiscal year ending June 30, 2010, but were not collected during a suspension from July 1, 2009 through August 31, 2009, of motor fuel taxes imposed under AS 43.40.010 is appropriated from the general fund to the Department of Revenue for the fiscal year ending June 30, 2010, for payment to municipalities of the amounts to which the municipalities would have been entitled to under AS 43.40.010(e) had the motor fuel tax not been suspended.

NEW SUBSECTION: Subsection b appropriates money to offset the loss of aviation fuel tax receipts that (if collected by the state) would have been distributed to municipalities under subsection a. The tax is suspended until August 31, 2009.

(c) It is the intent of the legislature that the payments to local governments set out in (a) and (b) of this section may be assigned by a local government to another state agency.

Subsection c is intended to allow a municipality to assign a payment under subsection a to a state agency. For example, the City of Homer might receive Fisheries Business tax payments under subsection a, but owe the Department of Administration contributions for PERS. Homer could assign the payment to DOA, thus avoiding cash flow from the state

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

to the city and back to the state.

* **Sec. 23. STATE DEBT AND OTHER OBLIGATIONS.** (a) The amount required to pay interest on any revenue anticipation notes issued by the commissioner of revenue under AS 43.08 during the fiscal year ending June 30, 2010, is appropriated from the general fund to the Department of Revenue for payment of the interest on those notes.

Subsection a appropriates general funds to pay interest on any revenue anticipation notes that may be issued during the year.

Legislative Fiscal Analyst Comment: No notes are expected to be issued.

(b) The amount required to be paid by the state for principal and interest on all issued and outstanding state-guaranteed bonds is appropriated from the general fund to the Alaska Housing Finance Corporation for the fiscal year ending June 30, 2010, for payment of principal and interest on those bonds.

Subsection b appropriate general funds to pay principal and interest on state-guaranteed bonds (veterans mortgage bonds) if the revenue stream from the mortgage loans is insufficient to make those payments. The only purpose of the state general obligation pledge is to gain tax-exempt status for the bonds. Because the bonds are general obligations of the state, they must be authorized by law, ratified by the voters, and approved by the State Bond Committee.

Funding: The revenue stream from mortgage loans is expected to be sufficient to cover bond payments, so the expected fiscal impact of this subsection is zero. However, a potential general fund obligation exists.

(c) The sum of \$30,455,300 is appropriated to the state bond committee from the Alaska debt retirement fund (AS 37.15.011) for payment of debt service, accrued interest, and trustee fees on outstanding State of Alaska general obligation bonds, series 2003A, for the fiscal year ending June 30, 2010.

(d) The sum of \$14,200 is appropriated to the state bond committee from State of Alaska general obligation bonds, series 2003A bond issue premium, interest earnings, and accrued interest held in the debt service fund of the series 2003A bonds for the fiscal year ending June 30, 2010, for payment of debt service, accrued interest, and trustee fees on outstanding State of Alaska general obligation bonds, series 2003A.

Subsections c and d appropriates \$30.5 million from the debt retirement fund and \$14,200 from bond premiums and interest, respectively, to pay debt service on series 2003A general obligation bonds. The bonds were authorized by the voters in 2002, for construction of schools and university facilities.

(e) The sum of \$11,275,000 is appropriated to the state bond committee from the Alaska debt retirement fund (AS 37.15.011) for payment of debt service, accrued interest, and trustee fees on outstanding State of Alaska general obligation bonds, series 2009A, for the fiscal year ending June 30, 2010.

Subsection e appropriates \$11.3 million from the debt retirement fund to pay debt service on series 2009A general obligation bonds. The bonds were authorized by voters in 2009 for road and harbor construction/renovation.

(f) If the amount necessary to pay the debt service obligations on the outstanding State of Alaska general obligation bonds, series 2003A and 2009A, exceed the amounts appropriated in (c), (d), or (e) of this section, the additional amount necessary is appropriated from the Alaska debt retirement fund (AS 37.15.011) for payment of those obligations for the fiscal year ending

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

June 30, 2010.

NEW SUBSECTION f ensures full payment of debt service on GO bonds.

(g) The sum of \$12,885,100 is appropriated to the state bond committee from the Alaska debt retirement fund (AS 37.15.011) for payment of debt service, accrued interest, and trustee fees on outstanding state-guaranteed transportation revenue anticipation bonds, series 2003B, for the fiscal year ending June 30, 2010.

(h) The sum of \$1,300 is appropriated to the state bond committee from state-guaranteed transportation revenue anticipation bonds, series 2003B bond issue premium, interest earnings, and accrued interest held in the debt service fund of the series 2003B bonds for the fiscal year ending June 30, 2010, for payment of debt service and trustee fees on outstanding state-guaranteed transportation revenue anticipation bonds, series 2003B.

Subsections g and h appropriate \$12.9 million from the debt retirement fund and \$1,300 from bond premiums and interest, respectively, to pay debt service on series 2003B state guaranteed transportation revenue anticipation bonds. The bonds were authorized by voters in 2002 for road and harbor construction/renovation.

Legislative Fiscal Analyst Comment: Although these bonds were issued with a GO pledge by the state, they are more appropriately referred to as GARVEE bonds. The majority of the debt service is paid using eligible federal-aid highway formula funding coupled with a state matching component.

(i) The sum of \$50,028,700 is appropriated to the state bond committee for the fiscal year ending June 30, 2010, for payment of debt service and trustee fees on outstanding international airports revenue bonds from the following sources in the amounts stated:

SOURCE	AMOUNT
International Airports Revenue Fund (AS 37.15.430)	\$46,828,700
Passenger facility charge	3,200,000

Subsection i appropriates funding for payment of debt service and fees on outstanding international airport revenue bonds.

(j) The sum of \$1,005,000 is appropriated from interest earnings of the Alaska clean water fund (AS 46.03.032) to the Alaska clean water fund revenue bond redemption fund (AS 37.15.565) for payment of principal and interest, redemption premium, and trustee fees, if any, on bonds issued by the state bond committee under AS 37.15.560 during the fiscal year ending June 30, 2010.

(k) The sum of \$1,670,000 is appropriated from interest earnings of the Alaska drinking water fund (AS 46.03.036) to the Alaska drinking water fund revenue bond redemption fund (AS 37.15.565) for payment of principal and interest, redemption premium, and trustee fees, if any, on bonds issued by the state bond committee under AS 37.15.560 during the fiscal year ending June 30, 2010.

Subsections j and k appropriate the interest earnings of the clean water and drinking water funds to their respective bond redemption funds. Both funds are capitalized annually with federal receipts for drinking and clean water bond receipts (see sections 18(n) and (o)). The federal receipts require a state match. Federal restrictions on the loan funds, however, limit their use to making loans and paying debt service. This section takes advantage of the ability to use the funds to pay debt service. Issuing short-term bonds (secured by the assets of the loan fund) allows the "restricted" earnings of the

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

funds to be used to pay off the bonds. Essentially, the earnings of the funds are used as match.

(l) The sum of \$8,036,300 is appropriated from the Alaska debt retirement fund (AS 37.15.011) to the state bond committee for the fiscal year ending June 30, 2010, for trustee fees and lease payments relating to certificates of participation issued for real property.

Subsection l appropriates funds from the debt retirement fund to the state bond committee for payment of trustee fees and lease payments related to state-issued certificates of participation. Certificates of participation (COPs) are sold by the state to finance construction or purchase of state facilities. COPs represent fractional interest in the ownership of the lease payments that are paid over time by the state. Eventually, the state owns the facility outright.

(m) The sum of \$3,467,100 is appropriated from the general fund to the Department of Administration for the fiscal year ending June 30, 2010, for payment of obligations to the Alaska Housing Finance Corporation for the Robert B. Atwood Building in Anchorage.

Subsection m appropriates \$3.5 million for obligations associated with the Atwood Building. AHFC purchased the Robert B. Atwood Building for approximately \$39 million in cash and then issued revenue bonds secured by the building itself and lease payments from the state. The state will own the building at the end of the lease.

(n) The sum of \$25,968,100 is appropriated from the general fund to the Department of Administration for the fiscal year ending June 30, 2010, for payment of obligations and fees for the following facilities:

FACILITY	ALLOCATION
(1) Anchorage Jail	\$5,103,900
(2) Spring Creek Correctional Center	2,102,400
(3) Goose Creek Correctional Center	17,810,000
(4) Yukon-Kuskokwim Correctional Center	951,800

Subsection n appropriates \$5.1 million to pay lease costs for the Anchorage Jail. Anchorage issued municipal bonds to pay for the construction of the Anchorage Jail, which the state leases.

Legislative Fiscal Analyst Comment: In common language, the contract with the Municipality of Anchorage is a lease, but terms of the contract are such that Governmental Accounting Standards Board's (GASB) rule #34 classifies it as a Capital Lease. This means that a default on lease payments could affect the state's credit rating. Because of the potential impact on credit rating, the obligation is categorized as debt.

Legislative Fiscal Analyst Comment: Chapter 160, SLA 2004 (SB 65) authorized lease-purchase agreements for the Spring Creek Correctional Center (SCCC) expansion, the Yukon-Kuskokwim Correctional Center (YKCC) expansion, and the Goose Creek Correctional Center construction. Upon renovation, the state will pay the debt service and utilize the facilities (a capital lease arrangement). SCCC is a \$22 million project with projected FY2010 debt service of \$2.1 million (25 year term @ 5.25%). YKCC is a \$12.5 million project with projected FY2010 debt service of \$952,000 (25 year term @ 5.25%).

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

The latest construction cost estimates for the 1,536 bed Point McKenzie jail project, named Goose Creek Correctional Center, range from \$257 to \$259 million. The 25-year state lease is capped in statute at \$11,600 per bed, and annual debt service is limited to \$17.8 million. In order to remain within these financing parameters, bond rates would have needed to be about 4.75%. The administration proposed putting up \$20 million as "gap" funding so that only \$240 million would need to be raised through bond proceeds. The bonds were finally issued in that amount on December 22nd, 2008 at 5.95%. At this rate and term, annual debt service is expected to be in the \$17.6 million range (\$200 thousand less than the amount requested for FY2010).

(o) The sum of \$3,303,500 is appropriated from the general fund to the Department of Administration for the fiscal year ending June 30, 2010, for payment of obligations to the Alaska Housing Finance Corporation for the Linny Pacillo Parking Garage in Anchorage.

Subsection o appropriates \$3.3 million for obligations associated with the Linny Pacillo parking garage. The obligation is a lease purchase similar to the obligation for the Robert B. Atwood Building.

(p) The sum of \$98,937,100 is appropriated to the Department of Education and Early Development for state aid for costs of school construction under AS 14.11.100 from the following sources:

Alaska debt retirement fund (AS 37.15.011)	\$75,937,100
School fund (AS 43.50.140)	23,000,000

Subsection p appropriates funds for municipal school debt reimbursement. AS 14.11.100 authorizes the state to reimburse municipalities for selected bonds issued for school construction (from 60-90% of principal and interest depending on the authorization). The amount of this appropriation is the projected need for full reimbursement.

(q) The sum of \$5,548,923 is appropriated from the general fund to the following agencies for the fiscal year ending June 30, 2010, for payment of debt service on outstanding debt authorized by AS 14.40.257, AS 29.60.700, and AS 42.45.065, respectively, for the following projects:

AGENCY AND PROJECT	APPROPRIATION AMOUNT
(1) University of Alaska	\$1,412,615
Anchorage Community and Technical College Center	
Juneau Readiness Center/UAS Joint Facility	
(2) Department of Transportation and Public Facilities	
(A) Nome (port facility addition and renovation)	127,500
(B) Matanuska-Susitna Borough (deep water port and road upgrade)	755,120
(C) Aleutians East Borough/False Pass (small boat harbor)	101,840

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

AGENCY AND PROJECT (Cont.)	APPROPRIATION AMOUNT (Cont.)
(D) Lake and Peninsula Borough/Chignik (dock project)	117,844
(E) City of Fairbanks (fire headquarters station replacement)	872,115
(F) City of Valdez (harbor renovations)	225,743
(G) Aleutians Ease Borough/Akutan (small boat harbor)	303,948
(H) Fairbanks North Star Borough (Eielson AFB Schools, major maintenance and upgrades)	337,343
Department of Transportation and Public Facilities Subtotal	2,841,453
(3) Alaska Energy Authority	
(A) Kodiak Electric Association (Nyman combined cycle cogeneration plant)	943,676
(B) Copper Valley Electric Association (cogeneration projects)	351,179
Alaska Energy Authority subtotal	1,294,855

Subsection q appropriates \$5.5 million to various state agencies for reimbursement to municipalities and public entities for debt service on projects authorized in Ch. 115, SLA 2002 (HB 528). This level of reimbursement is lower than that enacted for FY09 (\$8.0 million). The level of reimbursement is discretionary.

(r) The sum of \$8,900,000 is appropriated from the Alaska fish and game revenue bond redemption fund (AS 37.15.770) to the state bond committee for payment of debt service, accrued interest, and trustee fees on outstanding sport fish hatchery revenue bonds. It is the intent of the legislature that the sum of \$3,600,000 of the appropriation made by this subsection be used for early redemption of the bonds.

Subsection r appropriates the majority of the surcharge levied on sport fish licenses authorized under Ch 94, SLA 2005—and transferred to the bond redemption fund in Section 18(r) of this bill—for payment of debt service on bonds issued for sport fish hatchery development. The appropriation exceeds the debt service due on the bonds, allowing the bonds to be paid off ahead of schedule.

* **Sec. 24. CONSTITUTIONAL BUDGET RESERVE FUND.** (a) Deposits in the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) for fiscal year 2009 that are made from subfunds and accounts other than the operating general fund (state accounting system fund number 11100) by operation of art. IX, sec. 17(d), Constitution of the State of Alaska, to repay appropriations from the budget reserve fund are appropriated from the budget reserve fund to the subfunds and accounts from which those funds were transferred.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Subsection a is "sweep reversal language." The Constitution requires that year-end general fund balances be used to repay withdrawals from the CBRF. All general fund subaccounts are "swept" into the CBRF; this provision reverses that action.

(b) Unrestricted interest earned on investment of the general fund balances for the fiscal year ending June 30, 2010, is appropriated to the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska). The appropriation made by this subsection is intended to compensate the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) for any lost earnings caused by use of the fund's balance to permit expenditure of operating and capital appropriations in the fiscal year ending June 30, 2010, in anticipation of receiving unrestricted general fund revenue. The amount appropriated by this subsection may not exceed an amount equal to the earnings lost by the budget reserve fund as the result of the use of money from the budget reserve fund to permit expenditure of operating and capital appropriations in the fiscal year ending June 30, 2010, in anticipation of receiving unrestricted general fund revenue.

Subsection b appropriates general fund earnings to the CBRF as compensation for earnings lost by the CBRF as a result of draws to meet the Treasury's cash flow requirements.

(c) The sum of \$1,673,000 is appropriated from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) to the Department of Revenue, treasury division, for operating costs related to management of the budget reserve fund for the fiscal year ending June 30, 2010.

Subsection c appropriates \$1.7 million from the budget reserve fund to the Department of Revenue, Treasury Division, for investment management fees for FY2010.

(d) The appropriations made by (a) and (c) of this section are made under art. IX, sec. 17(c), Constitution of the State of Alaska.

Subsection d stipulates that appropriations made from the CBRF must be approved by at least three-quarters of the members of each house of the legislature.

Legislative Fiscal Analyst Comment: The bill contains no language appropriating funds from the CBRF to cover any shortfall in unrestricted revenue.

* **Sec. 25. NONLAPSE OF APPROPRIATIONS.** The appropriations made by secs. 5, 18, 20, 23(j), and 23(k) of this Act are for the capitalization of funds and do not lapse.

* **Sec. 26. RETROACTIVITY.** Those portions of the appropriations made in sec. 1 of this Act that appropriate either the unexpended and unobligated balance of specific fiscal year 2009 program receipts or the unexpended and unobligated balance on June 30, 2009, of a specified account are retroactive to June 30, 2009, solely for the purpose of carrying forward a prior fiscal year balance.

* **Sec. 27.** Section 26 of this Act takes effect June 30, 2009.

* **Sec. 28.** Except as provided in sec. 27 of this Act, this Act takes effect July 1, 2009.



Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Debt Summary Table

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10Gov	FY09 to FY010	Comments
Alaska Debt Retirement Fund (ADRF)											
Capitalization											
General Funds	33,678.4	8,000.0	2,702.4		45,784.1	41,491.9	102,298.0	107,043.3	118,670.1	11,626.8	
Federal Receipts			3,884.5	8,008.4	8,043.1	9,295.1	11,788.0	13,055.2	12,007.7	(1,047.5)	
Investment Loan Trust Funds		100.0	2,500.0	104.0	77.8	12.7	376.5	171.9	26.0	(145.8)	
Municipal Bond Bank Receipts (Earnings)			725.0	775.0	250.0	250.0		458.7		(458.7)	
AHFC Dividend	6,000.0	18,700.0	8,861.1	27,568.0	18,854.6	17,441.7					
ALDEA Dividend					8,812.0	16,049.5					
ASLC Dividend		783.1			19,637.4						
ASLC Bonds				24,815.0	22,000.0						
Statutory Designated Program Receipts	723.0										
State Land Fund			2,500.0								
Chugach Intertitle Earnings (Misc. Earnings)			30,469.0								
International Trade and Business Endowment			4,382.0								
Lease Payment Accounts Residual (Misc. Earnings)				109.8							
AATP Bond Proceeds (Misc. Earnings)				436.6							
GO Bond Interest - Series 2003A (Misc. Earnings)				2,473.1	3,720.3	6,829.8	5,173.0	2,837.4	2,837.4		
GO Bond Interest - Series 2003B (Misc. Earnings)					1,196.9	2,367.0	1,434.7	877.4	877.4		
GO Bond Interest - Series 2003B (Misc. Earnings)				78,727.3	111,833.8	94,397.7	121,070.2	120,729.1	134,418.6	13,689.5	
Total	40,401.4	27,563.1	55,084.0	78,727.3	111,833.8	94,397.7	121,070.2	120,729.1	134,418.6	13,689.5	
DEBT SERVICE/ REIMBURSEMENT											
ADRF Debt Payments											
GO Bonds - School Bonds (Series 2003A)				19,705.2	31,772.1	31,470.9	31,148.6	30,803.3	30,455.3	(348.0)	
GO Bonds - GARVEES (Series 2003B)			4,194.5	9,045.0	9,241.0	11,662.0	13,222.7	13,062.5	12,885.1	(177.4)	
GO Bonds - Transportation (Series 2009A)			15,751.4	17,990.7	13,782.1	13,147.6	11,170.1	8,061.3	8,036.3	(25.0)	
Certificates of Participation (COPs)	15,979.4	17,842.1	15,751.4	17,990.7	13,782.1	13,147.6	11,170.1	8,061.3	8,036.3	(25.0)	
School Debt Reimbursement	27,971.4	27,372.1	37,824.1	51,670.1	59,463.5	66,955.0	70,497.0	73,621.2	75,937.1	2,315.9	
Administrative Systems Replacement					400.0		2,302.0				
AMHS Vessel Overhaul					764.0						
Subtotal	43,950.8	45,014.2	57,370.0	97,712.0	115,422.7	123,215.5	128,340.4	125,546.3	138,588.8	13,040.5	
Other Debt Payments (Including GF)											
GO Bonds - School Bonds (Series 2003A)			15,192.6	12,009.3	98.8	44.5	11.4	13.6	14.2	0.6	GO Bond Premium and Interest
GO Bonds - GARVEES (Series 2003B)			28,907.3	31,357.9	4,545.3	1,860.1	56.3	6.9	1.3	(5.6)	GO Bond Premium and Interest
International Airport Revenue Bonds	16,750.0	17,444.0	1,640.0	1,630.0	33,125.9	45,426.3	49,085.7	50,027.4	50,028.7	1.3	IARF and PFC's
Clean Water Fund Bonds	1,680.0	1,680.0	1,680.0	1,630.0	1,630.0	1,599.3	831.8	2,050.0	1,005.0	(1,045.0)	ACWF Receipts
Drinking Water Fund Bonds	850.0	1,060.5	1,040.0	1,030.0	1,105.0	1,075.3	1,109.8	1,115.0	1,670.0	555.0	ADWF Receipts
School Fund - School Debt Reimbursement	29,049.1	29,006.3	28,600.0	30,000.0	27,000.0	27,000.0	24,500.0	23,400.0	23,000.0	(400.0)	School Fund
Sport Fish Hatchery Revenue Bonds			2,818.7	2,736.0	3,634.1	8,219.0	7,000.0	7,500.0	8,900.0	1,400.0	Sport Fish License Surcharge
GF - Capital Project Reimbursement (H8 928)	3,549.4	3,549.4	3,549.4	3,549.4	3,549.4	3,467.1	3,467.1	3,467.1	3,467.1		GF
Alwood Parking Garage							3,443.0	3,303.5	3,303.5		GF
Anchorage Jail (Capital Lease)	3,555.7		5,264.5	5,274.1	5,275.1	5,081.8	5,102.0	5,091.2	5,103.9	12.7	GF
Shing Creek Correctional Center								1,755.6	2,102.4	346.8	GF
Yukon-Katikorum Correctional Center								951.8	951.8		GF
Goose Creek Correctional Center											
AHFC State Capital Project Bonds	45,000.0	51,000.0	56,001.7	53,892.5	59,895.4	31,935.0	6,138.6	6,139.6	17,810.0	11,671.4	Diversed AHFC Dividends
NTSC Tobacco Settlement Bonds (off budget)	19,900.0	20,000.0	17,100.0	16,800.0	16,400.0	16,400.0	27,600.0	28,300.0	27,400.0	(600.0)	Diversed Tobacco Settlement
Subtotal	120,334.2	129,003.0	160,114.2	164,424.8	155,855.0	152,288.3	138,804.7	141,157.9	156,446.7	15,288.8	
TOTAL DS/ Reimbursement	164,285.0	174,017.2	217,484.2	262,136.8	271,277.6	275,483.8	267,145.1	266,706.2	295,035.5	28,329.3	
Debt Payments by Type											
GO Bonds			19,387.1	46,406.1	45,653.2	45,037.5	44,439.0	43,886.3	54,630.9	10,744.6	COP's, Alwood Building/ Garage, Anchorage Jail/ Correct. Centers
Lease-Purchase Financing	23,084.5	26,454.3	24,565.3	26,114.2	22,606.6	21,706.5	23,182.2	22,630.5	40,775.0	18,144.5	International Airport, Sport Fish
Revenue Bonds	16,750.0	17,444.0	28,907.3	31,357.9	33,125.9	33,845.3	36,095.7	37,527.4	58,929.7	1,401.3	School Debt, Municipal Capital Debt
Debt Reimbursement	57,020.5	56,378.4	68,842.8	84,606.1	90,681.6	104,144.9	105,456.0	105,057.4	104,486.0	(571.3)	AHFC, NTSC
Corporate Debt for State Capital Projects	64,900.0	71,000.0	73,101.7	70,782.5	75,895.4	48,335.0	33,738.6	34,439.6	33,539.9	(899.7)	Clean and Drinking Water, Master Lease LOC
Short Term Financing/ Credit Line	2,530.0	2,740.5	2,860.0	2,860.0	3,135.0	2,814.6	4,243.6	3,165.0	2,875.0	(489.0)	

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Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Capital Budget

The Governor has proposed capital projects of \$1.9 billion and a total capital budget of \$2.02 billion for FY2010.³ The budget includes \$535 million in general funds, \$1.1 billion in federal funds, and \$380 million of other state funds.⁴ Compared with the budget proposed last year (on 12/15/2007), it is \$194 million greater in general funds, \$310 million greater in federal funds, but down \$416 million in other state funds for a \$88 million net increase over the Governor's FY09 proposal.

Funding

General Funds

General funds are up \$194 million over the Governor's FY09 proposal. This amount includes money from a savings account set aside by the legislature in FY07. The legislature placed \$300 million of general funds in a sub-corporation of AHFC, with the intent that the money be used for future capital projects. The Governor proposes using \$238.4 million of the \$300 million (plus approximately \$45 million of earnings) available.

Other State Funds

The large drop in other state funds is attributable to:

- The inclusion of much more bond funding in FY09. A total of \$300 million of general obligation and Alaska Student Loan bonds were proposed. This year, only airport bonds (\$24.3 million) are included as a bond fund source.
- A substantial reduction in expenditures from the Alaska Capital Income Fund. Last year's appropriation level was supported by infusions of cash into the fund.⁵ The fund was essentially drained in FY09 and the FY2010 budget contains roughly the amount of income expected in FY2010 (approximately \$28 million).

The Governor's FY2010 proposal includes over \$39 million in cruise-ship-related projects funded from the Commercial Passenger Vessel Tax Fund. Last year the legislature appropriated \$25 million from this fund, of which \$10 million was vetoed by the Governor.

Federal Funds

Federal receipt authority is up over \$300 million. Much of this is attributable to two projects:

- DNR's \$58 million Coastal Impact Assistance Program and
- the University's \$100 million Arctic Research Vessel.

The remaining increase is in the DOT&PF Airport Improvement and Surface Transportation programs. Due to the very complex environment for federal funding (see *Issues* later in this section), the DOT&PF capital budget appears to include some "extra" projects. This is not an uncommon strategy by DOT&PF; it provides the flexibility to manage federal programs so as to best capture available federal funding. Once a new federal transportation authorization bill is

³ The total budget includes fund transfer appropriations which, as duplicated appropriations, do not actually put more "money on the street." The Capital Budget Summary table on page 62 reflects this best. The report differs from the depiction on the Fiscal Summary, in which all duplicate funds are removed.

⁴ The Fiscal Summary shows FY2010 GF spending of \$555 million. That figure includes a \$20 million placeholder for FY2010 supplemental projects which is excluded here.

⁵ In FY07, a general fund sweep provision caused over \$140 million to be swept into the fund. In FY08, over \$50 million of corporate dividends was placed into the fund.

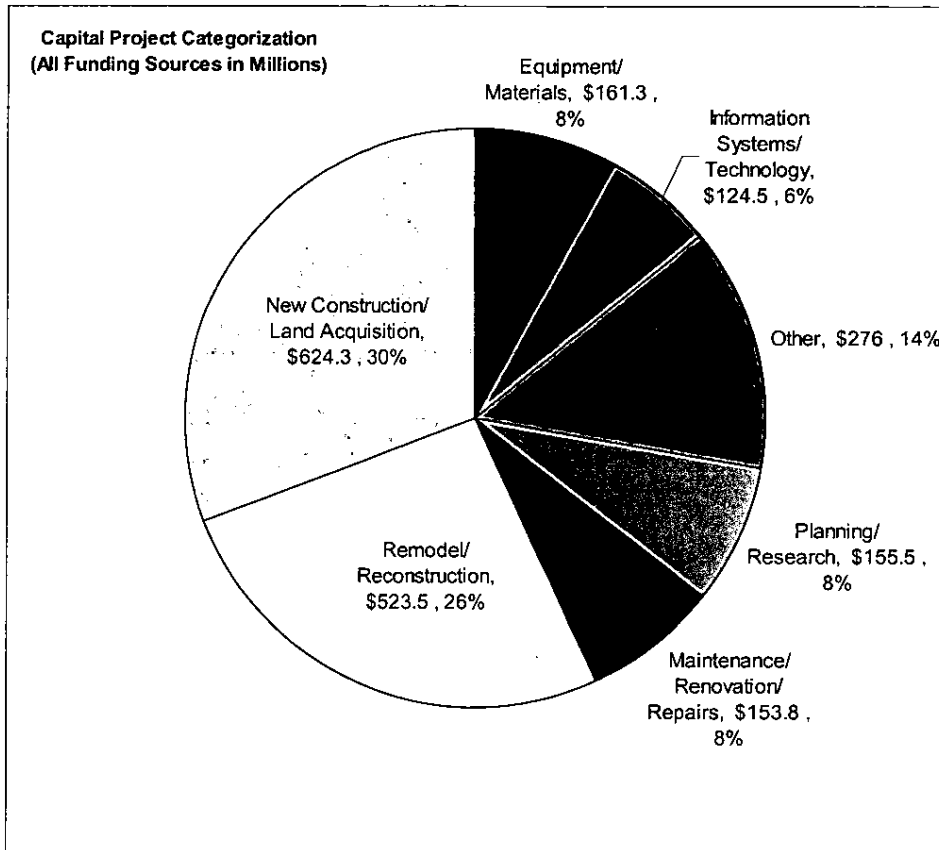
Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

passed and plans for economic stimulus are revealed, the direction of future federal funding will be clearer.

Budget Composition

The pie chart below provides a categorical breakdown of the proposed capital spending plan.⁶ Further project details may be addressed in the individual agency narratives.

Figure 1



Construction

Construction projects—both new and remodel—comprise over 56% of the Governor's proposed capital budget. New construction involves adding infrastructure to the state's capital stock, and includes both new roads and new square footage. Reconstruction involves modifying or changing the function of existing roads or space. The Surface Transportation Program and the Airport Improvement Program within DOT&PF make up the majority of the construction budget at \$602 million. Other significant construction projects are in the Village Safe Water and Waste Water Program and the Municipal Water Sewer Matching Grants Program at \$110 million. Large, stand-alone *state funded* construction appropriations include:

- \$20 million (AHCC Funds) - Goose Creek Correctional Center gap funding
- \$20 million (AHCC Funds) - AVTEC 3rd Avenue Dorm Replacement

⁶ Please see the last page of this section for the methodology of the project categorization.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

- \$12 million (AHCC Funds) - AVTEC Heavy Equipment and Diesel Shop
- \$15 million (University Receipts) – UAF Energy Technology Building
- \$20.6 million (University Receipts) – UAF Life Sciences Facility
- \$50 million (GF) – Federal Aid Highway/ Aviation State Match
- \$10.8 million (GF) – School Major Maintenance Projects

Maintenance/Renovation/Repairs

This category includes deferred/scheduled maintenance or repair projects for agency facilities, state parks, harbors, highways, bridges, rural airports, aircraft and vessels. The category accounts for 8% of the total capital budget. Notable projects include:

- \$32 million (GF) – School Major Maintenance Projects
- \$9.8 million (GF) – AMHS Vessel/Terminal Overhaul
- \$18 million (Federal) – AMHS Mainline Ferry Refurbishment
- \$11.4 million (Federal) – Richardson Highway Flood Repairs
- \$10 million (GF) – UA Annual Facility Maintenance, Renewal/Renovation
- \$32.9 million (various) – Various Agency Facility Maintenance Projects

Planning/Research

Another 8% of the budget is for the planning/research category, primarily federal highway and airport pre-construction appropriations. At \$45 million and \$18 million, respectively, these highway and airport projects fund the preliminary design, engineering, environmental analysis, right-of-way and utility work for the federal Airport Improvement Program and Surface Transportation Program. Other sizable projects include:

- \$4.2 million (AHCC Receipts) – DEC Girdwood Wastewater Treatment Facility
- \$22 million (Federal) – DF&G Pacific Coastal Salmon Recovery Fund
- \$3 million (AHCC) – DNR Gas Pipeline Implementation
- \$6 million (AHCC) – DNR Reservoir Studies Oil and Gas Resources
- \$5 million (AHCC) – DOR Gas Spur Line Development
- \$2 million (AHFC Dividend) – AHFC Energy Efficiency Monitoring Research

Information Systems/Technology

Information technology projects make up a significant portion of the budget at 6%. This is substantial given that the funding is made up of almost entirely state funds. Spread throughout state agencies, projects include network upgrades/replacements, security projects, document imaging projects, and two notable projects comprising over half the category:

- \$23.4 million (AHCC/Gamble Tax) – DOR Tax Management System
- \$50 million (AHCC) - DOA Statewide System Replacement (accounting and payroll system)

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Equipment/Materials

This category, totaling \$161 million, is much larger than normal because it includes \$100 million of federal receipt authority for the UAF Alaska Region Research Vessel project. This funding, along with \$80 million of previous authority, will allow for construction of a 236 foot ice-capable research vessel. Other significant equipment/ materials projects include:

- \$15 million (Hwy Working Capital Funds) – State Equipment Fleet Replacement
- \$13.6 million (Federal) – Snow Removal Equipment
- \$2.3 million (AHCC Receipts) – Fairbanks Pipeline Training Center Equipment

Other

The Other category, 14% of the budget, is comprised of projects outside the other project categories. They include projects of economic assistance, training, safety grants/ programs, fund capitalizations and others. Notable projects include:

- \$58 million (Federal) – DNR Coastal Impact Assistance Program
- \$10 million (various) – AHFC Homeless Assistance Program
- \$11.5 million (Federal) – DOT&PF Statewide Safety Program
- \$20 million (AHCC) – AGIA Reimbursement Fund

ISSUES

Federal Funding

Last summer the Congressional Budget Office projected a Federal Highway Trust Fund shortfall of \$3.3 billion for 2009. This shortfall was addressed by Congress, albeit temporarily, by an \$8 billion infusion from the general treasury. Current projections have the Trust Fund remaining solvent through federal fiscal year 2009. The infusion fixes the immediate shortfall in funding, but does not address the structural problem with regard to the Trust Fund. Congress will need to address the funding mechanism of the fund on a long-term basis in the transportation authorization bill to follow SAFETEA-LU.

An unprecedented fiscal stimulus package is expected soon after the inauguration of President Obama. How it will affect Alaska is unknown at this time. Conjecture has Alaska receiving upwards of \$300 million dollars very soon after the package is signed into law. The stimulus is intended to be very swift, and strings are likely to be attached. There is speculation that projects must be fully vetted through the normal federal rules and be “shovel ready” in short order, or states may lose the funding to a state that is ready to move more rapidly.

The Governor has submitted a \$140 million request to the Alaska Congressional Delegation that some regard as less-than-sufficient given the situation. On the list were three gas pipeline infrastructure projects and one for Central Region general surface repairs. It is expected that these projects would come off the top of the \$300 million, leaving approximately \$160 million for statewide ready-to-build projects.

In order to avoid losing “stimulus funds,” DOT&PF may use the new money for projects currently scheduled to receive regular federal program funding. They would then replace the projects removed from the regular funding list with projects scheduled for later years. A supplemental bill addressing the stimulus package is expected from the administration. Fast tracking the bill may be in order to maximize the federal funds. Environmental infrastructure, the Alaska Railroad and other infrastructure may also be included.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Gas Pipeline Infrastructure

The Department of Transportation and Public Facilities previously outlined \$2 billion in transportation infrastructure projects that are deemed necessary in order to build the gas pipeline. "Every day, week, month or year that we wait to complete infrastructure will add cost to the project (gas pipeline) and could in fact be the main reason that this project doesn't get built," Federal Pipeline Coordinator Drue Pearce recently said. With only five construction seasons remaining before planned pipeline construction, the 86 identified projects along the Dalton, Elliot, Richardson, Parks, Glenn and Alaska Highways will need to be screened for "mission critical" items. The \$2 billion estimate came when oil was over \$100/bbl. In this \$30-\$40/bbl environment, projects may be limited to "must haves" for the safe and efficient construction of the pipeline. The governor has included one pipeline transportation infrastructure project, Dalton Highway MP 9-11 (\$26.3 million), in her current bill.

Distribution by House District

The pie charts on the following page (Figures 2 & 3) detail the proportional breakdown of the budget by house district on an "impact" basis.⁷ Figure 2 contains all funding sources, while Figure 3 is state funds only. As can be seen, the majority of projects are assigned to the "Statewide" House District. Projects falling under this assignment are generally broad appropriations that span multiple regions or the state. The types of projects included are large deferred maintenance projects, information technology projects, and federal grant programs. The Capital Budget Summary table on page 62 breaks out the funding sources by fund group (general, federal and other funds) for each house district. Project detail reports by House District (along with project back-up) can be found on the Legislative Finance website.

Project Categorization Methodology

The pie chart beginning this section and the spreadsheets accompanying each agency narrative categorize the capital budget by project groups. The groupings have been developed with the intent of creating a mutually exclusive set. This allows for the totaling of projects into a Project Group Summary report that reflects the entire capital budget without duplication. As with any task of categorization, subjectivity exists.

The rules used to define the projects in each group are provided in the table below.

Project Group	Description
Planning and Research	Projects involving planning, design, engineering, research, or studies
Maintenance, Renovation and Repairs	Projects involving the repair of deteriorated conditions, restoration, bringing back to a preexisting or improved state
Remodel and Reconstruction	Projects modifying existing space, changing the function of existing space
New Construction and Land Acquisition	Projects involving the addition of new space
Information Systems and Technology	Projects related to information technology regardless of whether they are in a planning phase or construction (programming) phase - segregated due to their unique nature
Other	Projects that do not fit elsewhere

⁷ Legislative Finance assigns two house districts to each project: 1) by the house districts impacted by a project, and 2) by the geographic location of a project.

Figure 2

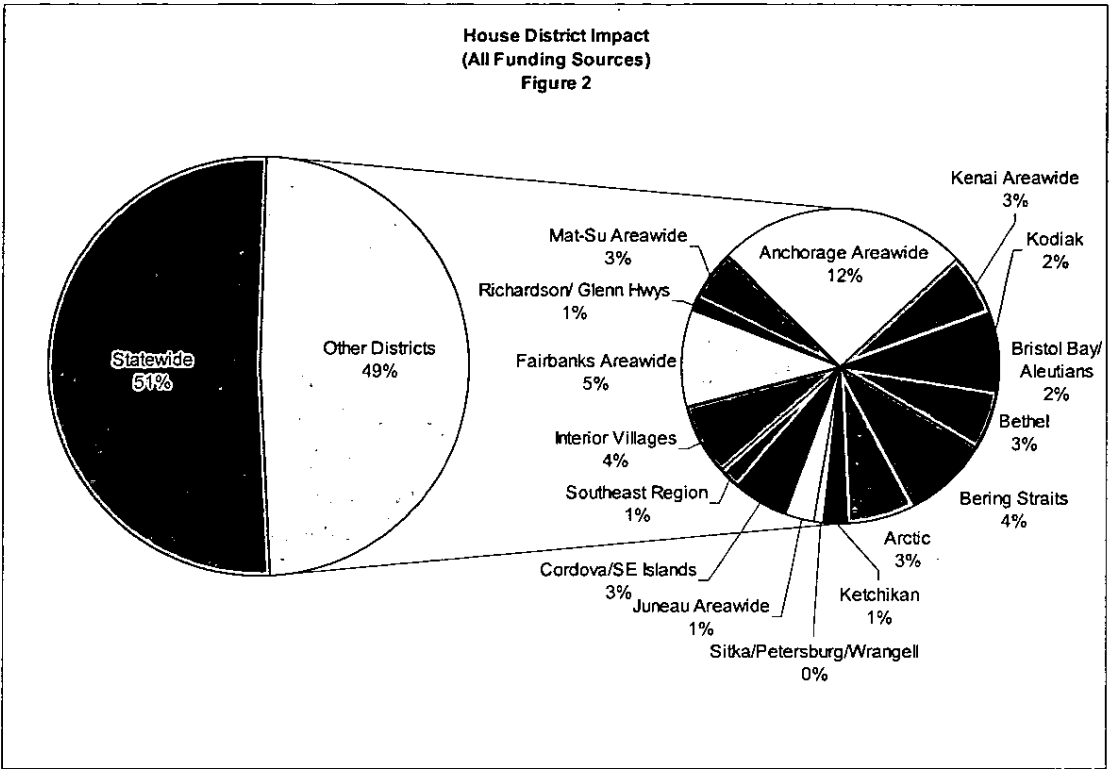
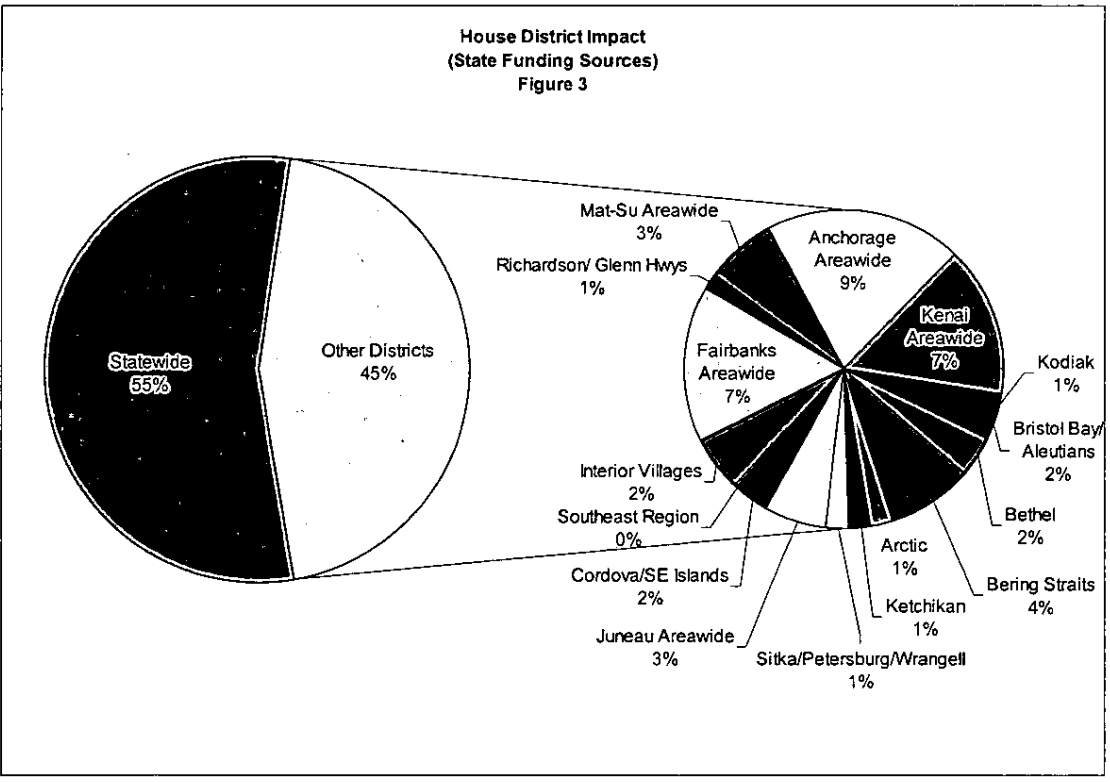


Figure 3



Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Capital Budget Summary								
Agency	Agency Comparison - All Funds (Includes MH)		FY2010 Governor by House District					
	FY09 Governor (12/15/2007)	FY2010 Governor (12/15/2008)	Change FY09 FY2010	House District	HD #	General Funds	Federal Funds	Other Funds
Administration	38,118,000	65,325,000	27,207,000	Ketchikan	1	4,171,984	15,104,817	3,842,164
Commerce, Community & Econ Dev	88,282,802	138,311,401	50,028,599	Sitka/Petersburg/Wrangell	2	2,636,306	641,322	5,126,513
Corrections	14,761,700	27,690,400	12,928,700	Juneau Areawide	3-4	13,437,695	4,700,000	8,790,000
Education and Early Development	106,256,035	42,514,065	(63,741,970)	Cordova/SE Islands	5	815,575	39,325,231	12,161,763
Environmental Conservation	121,328,992	120,605,996	(722,996)	Southeast Region	1-5	275,000	18,600,000	-
Fish and Game	43,190,400	30,918,000	(12,272,400)	Interior Villages	6	7,038,489	49,899,688	12,581,618
Office of the Governor	100,000	12,185,183	12,085,183	Fairbanks Areawide	7-11	15,905,164	34,480,476	40,407,600
Health and Social Services	39,693,400	21,254,277	(18,439,123)	Richardson/ Glenn Hwys	12	13,255	6,263,360	4,875,000
Labor and Workforce Development	22,446,700	39,178,100	16,731,400	Mat-Su Areawide	13-16	25,414,260	23,250,000	-
Law	200,000	-	(200,000)	Anchorage Areawide	17-32	22,021,700	162,294,950	48,744,141
Military and Veterans Affairs	33,511,915	13,400,000	(20,111,915)	Kenai Areawide	33-35	47,100,923	6,433,428	6,500,000
Natural Resources	70,139,000	97,682,000	27,543,000	Kodiak	36	3,743,180	24,625,097	3,236,143
Public Safety	121,660,000	13,072,500	(108,587,500)	Bristol Bay/Aleutians	37	8,562,103	32,522,464	619,965
Revenue	83,933,700	114,526,000	30,592,300	Bethel	38	13,274,139	42,303,356	1,110,259
Transportation & Public Facilities	880,129,150	966,718,791	86,589,641	Bering Straits	39	10,545,596	47,607,247	20,366,140
University of Alaska	114,450,000	164,697,000	50,247,000	Arctic	40	7,372,827	56,315,014	-
Alaska Court System	9,776,000	2,500,000	(7,276,000)	Statewide	1-40	252,801,862	537,556,791	182,964,108
Fund Capitalization (1)	10,000,000	20,000,000	10,000,000					
Total Capital - "Money on the Street" (3)	1,797,977,794	1,890,578,713	92,600,919			435,130,058	1,103,923,241	351,525,414
Fund Transfers (2)	132,902,036	128,014,065	(4,887,970)	Statewide	1-40	100,014,065	-	28,000,000
Total - Including Fund Transfers	1,930,879,829	2,018,592,778	87,712,949			535,144,123	1,103,923,241	379,525,414
General Funds	341,337,982	535,144,123	193,806,141					
Federal Funds	794,323,817	1,103,923,241	309,599,424					
Other State Funds	795,218,030	379,525,414	(415,692,616)					

Notes:

1) Fund Capitalization in this context refers to funding appropriated to a program not requiring further appropriation for expenditure (e.g. - Harbor Facility Grant Fund, AGIA Reimbursement Fund).

2) Fund Transfers is the funding appropriated from one "fund" to another "fund," not actually adding any new capital project funding to the total.

3) "Money on the Street" is the total amount of funding for capital projects, net of fund transfers. Duplicated fund sources are not removed. Doing so would underestimate the actual amount of funding going toward capital projects. This is the opposite of operating budget duplicate funds, whereby the duplicate fund sources would double the actual money paying for services.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Language Sections of the Governor's FY2010 Capital Budget

* **Sec. 10. ENTERPRISE INFORMATION TECHNOLOGY PROJECTS.** (a) The sum of \$7,564,659 is appropriated to the Office of the Governor from the following sources in the amounts stated and allocated for department information technology security projects:

DEPARTMENT AND PROJECT	SOURCE	ALLOCATION BY SOURCE	PROJECT TOTAL ALLOCATION
(1) Administration Enterprise security projects	Information services fund	\$5,000,000	\$5,000,000
(2) Health and Social Services			
(A) Personal information protection data encryption	Federal receipts General fund match	81,814 736,327	818,141
(B) Health insurance portability and accountability compliance	Federal receipts General fund match	668,724 668,724	1,337,448
(C) Disaster recovery	Federal receipts General fund match	40,907 368,163	409,070

(b) The sum of \$4,160,800 is appropriated to the Office of the Governor from the following sources in the amounts stated and allocated for department information technology imaging and document management projects:

DEPARTMENT AND PROJECT	SOURCE	ALLOCATION BY SOURCE	PROJECT TOTAL ALLOCATION
(1) Administration Document management system – microfilm conversion phase 1	General fund Group health and life benefits fund FICA administration fund account Public employees retirement trust fund Teachers retirement trust fund Judicial retirement system National guard retirement system	\$4,600 94,500 2,000 160,100 63,200 400 3,200	\$328,000

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

DEPARTMENT AND PROJECT	SOURCE	ALLOCATION BY SOURCE	PROJECT TOTAL ALLOCATION
(2) Commerce, Community, and Economic Development			
(A) Banking and securities management systems	Receipt supported services	890,000	890,000
(B) Community and regional affairs imaging	General fund	690,000	690,000
(C) Banking and securities imaging	Receipt supported Services	580,000	580,000
(3) Health and Social Services			
Contract management automation system	Federal receipts General fund match	47,300 425,500	472,800
(4) Natural Resources DNR document management system phase 2 or 2	General fund	1,200,000	1,200,000

(c) The distribution to the respective state agencies of the appropriations allocated in (a) and (b) of this section is contingent on the respective state agencies signing an agreement to participate in the Department of Administration's enterprise collaboration model for information technology projects.

Subsection a appropriates \$7.6 million to the Office of the Governor for information technology security projects. There are four allocations to various departments.

Subsection b appropriates \$4.2 million to the Office of the Governor for information technology imaging and document management projects. There are six allocations to various departments.

Subsection c limits distribution of project funding to agencies that agree to meet unspecified requirements regarding collaboration.

Although details are not yet available, the Enterprise Investment Board (EIB) recently voted to establish a model of collaboration between agencies for IT projects of common scope. The intent is to "leverage opportunities in integration and take advantage of efficiencies and economies of scale." The EIB also voted to group similar projects into appropriations to the Office of the Governor, the intent of which is to compel collaborative work; OMB will hold the purse strings until agencies sign Project Charter Agreements identifying scope, timelines, etc. The minutes from the October 30, 2008 EIB meeting are available online and provide additional information on the topic.

Legislative Fiscal Analyst Comment: While collaboration is a laudable goal, there may be alternative appropriation language that achieves the same end while allowing the projects to be formally associated the applicable agency.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

* **Sec. 11. FEDERAL AND OTHER PROGRAM RECEIPTS.** (a) Federal receipts, designated program receipts as defined in AS 37.05.146(b)(3), information services fund program receipts as defined in AS 44.21.045(b), receipts of the University of Alaska as described in AS 37.05.146(b)(2), receipts of commercial fisheries test fishing operations under AS 37.05.146(c)(21), corporate receipts of the Alaska Housing Finance Corporation, corporate receipts of the Alaska Aerospace Development Corporation, Exxon Valdez oil spill trust receipts as defined in AS 37.05.146(b)(4), and receipts of the Alaska Fire Standards Council under AS 37.05.146(b)(5), that exceed the amounts appropriated by this Act are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

Subsection a lists types of unanticipated additional receipts that are appropriated subject to review by the Legislative Budget and Audit (LB&A) Committee. Corporate receipts of the AHFC have been added to the list since FY08.

Legislative Fiscal Analyst Comment: This standard language permits requests for additional capital authorization to be submitted to the LB&A committee for approval. Similar language in the operating budget applies only to operating authorization. The operating language excludes test fisheries receipts and corporate receipts of the Alaska Aerospace Development Corporation.

(b) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) exceed the estimates appropriated by this Act, the appropriations from state funds for the affected program may be reduced by the excess if the reductions are consistent with applicable federal statutes.

Subsection b permits state authorization to be reduced if unanticipated money is received for projects funded by state funds. There is no formal process for tracking potential reductions.

(c) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) fall short of the estimates appropriated by this Act, the affected appropriation is reduced by the amount of the shortfall in receipts.

Subsection c automatically limits authorization of federal and other receipts to the amount actually received. The language applies to all appropriations in the Act, not merely to appropriations subject to LB&A review.

* **Sec. 12. FUND TRANSFERS.** (a) The income earned during fiscal year 2010 on revenue from the sources set out in AS 37.13.145(d) is appropriated to the Alaska capital income fund (AS 37.05.565).

Subsection a appropriates the FY2010 earnings associated with the State vs Amerada Hess settlement (held within the Permanent Fund) to the Alaska Capital Income Fund. This fund was established in FY05 and is customarily appropriated for capital projects.

Funding: The Amerada Hess settlement portion of the Permanent Fund is "fenced off" from the rest of the Permanent Fund principal. The earnings on this \$425 million portion have historically been projected at \$28 million per year based on the expected rate of return on Permanent Fund investments. Historically, earnings have averaged almost \$35 million per year, and FY09 earnings are currently projected at \$18 million.

(b) The interest earned on amounts in the election fund are appropriated to the election fund required by the federal Help America Vote Act.

(c) The following appropriations are made from the general fund to the following funds in the amounts stated:

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

FUND	APPROPRIATION
(1) Information services fund (AS 44.21.045(a))	\$9,500,000

This subsection capitalizes the Information Services Fund for capital projects in Section 1. Typically, project appropriations equal the amount capitalizing the fund!

Legislative Fiscal Analyst Comment: This cumbersome method of funding projects is intended to identify and track projects so that expenditures can be recouped via IT service charges. Given the high level of IT chargeback rates and the pushback from agencies on rate increases, it is doubtful that capital investments will be recouped!

Funding: The projects in Section 1 utilizing the Information Services Fund (ISF) total \$10.8 million. This exceeds the capitalization by \$1.3 million!

Legislative Fiscal Analyst Comment: Spending in excess of the capitalization of the fund begs questions concerning the available cash balance in the ISF. The balance is approximately \$28 million, but the amount of that balance free of future replacement obligations is unknown at this time. Finance committees may wish to examine this issue!

(2) Renewable energy grant fund (AS 42.45.045(a))	50,000,000
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This subsection capitalizes the Renewable Energy Grant Fund created last session in HB 152 (Chapter 31, SLA 2008) and capitalized at \$50 million. The fund was capitalized with an additional \$50 million in HB4001, the special session appropriation bill!

Legislative Fiscal Analyst Comment: Despite intent to distribute \$100 million during the interim, most of the FY09 deposits remain in the fund. Requests for grants are expected to be part of the regular capital budget process!

(d) The sum of \$40,514,065 is appropriated from Alaska housing capital corporation receipts to the major maintenance grant fund (AS 14.11.007).

This subsection capitalizes the Major Maintenance Grant Fund set up in statute for school maintenance projects. Projects are scored and ranked by the Department of Education and Early Development (DEED). This amount would fund projects 1-23 on the DEED Major Maintenance List. The list contains 138 approved projects of which the state's share amounts to \$269.6 million (approximately 75% of the total estimated cost)!

Funding: The Alaska Housing Capital Corporation fund source refers to a \$300 million general fund appropriation to a subcorporation established within the Alaska Housing Finance Corporation!

Legislative Fiscal Analyst Comment: The AHCC savings account is a "parking spot" for surplus revenue. The account was created within AHFC in FY07 because doing so made the balance exempt from the annual sweep of unspent general funds to the Constitutional Budget Reserve Fund. Legislative Finance classifies withdrawals from the savings account as general funds; the Governor classifies them as duplicated funds!

Legislative Fiscal Analyst Comment: Note that the proposed budget does not address capitalization of—or spending from—the School Construction Grant Fund. The school construction list contains 32 schools projects that have an estimated state cost of \$475 million!

Legislative Fiscal Analyst Comment: Legislative Finance prefers the Major Maintenance and School Construction Grant Funds be capitalized in the numbers section of the capital bill. The appropriation can go directly to the specific fund in DEED with the projects listed as allocations. Last year, this change was made in the capital bill (see

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

page 136, line 13 through page 138 line 17, Section 13, Chapter 29, SLA 2008. The advantages of the FY09 approach are reduced fund source duplication in the budget (which adds clarity), and faster bill writing and modification.

(e) The sum of \$20,000,000 is appropriated from Alaska housing capital corporation receipts to the Alaska Gasline Inducement Act reimbursement fund (AS 43.90.400(a)) for the natural gas pipeline project construction inducement under AS 43.90.110(a)(1).

This section appropriates \$20 million to the AGIA reimbursement fund for expenses associated with the \$500 million inducements provided to TransCanada Alaska with the issuance of the AGIA license. \$30 million from the general fund was appropriated to the fund in the special session authorizing the license.

* **Sec. 13. INSURANCE CLAIMS.** The amounts to be received in settlement of insurance claims for losses and the amounts to be received as recovery for losses are appropriated from the general fund to the

- (1) state insurance catastrophe reserve account (AS 37.05.289(a)); or
- (2) appropriate state agency to mitigate the loss.

This section allows an agency to receive insurance claim settlement payments directly from a third party. Without this provision, settlements would remain in the general fund and would not be available to offset an agency's loss without a specific appropriation.

* **Sec. 14. NATIONAL PETROLEUM RESERVE - ALASKA IMPACT GRANT PROGRAM.** The amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530) under 42 U.S.C. 6506a(l) or former 42 U.S.C. 6508 by August 31, 2009, estimated to be \$22,500,000, is appropriated from that fund to the Department of Commerce, Community, and Economic Development for capital project grants under the National Petroleum Reserve - Alaska impact grant program.

This section appropriates the entire amount received (estimated at \$22.5 million for FY2010) from the revenue shared by the federal government from sales, rentals, bonuses, and royalties on leases issued within the NPR-A to the NPR-A Impact Grant Program. Grants are awarded to municipalities impacted by oil and gas development in the NPR-A. AS 37.05.530(g) states that receipts not appropriated as grants are to be distributed as follows: 25% to Permanent Fund Principal, 1/2% to the Public School Trust Fund, and any remaining amount to the Power Cost Equalization and Rural Electric Capitalization Fund.

Legislative Fiscal Analyst Comment: The FY09 capital bill contained an itemized listing of all grantees and the projects to be funded. The benefits of listing the grantees in the bill include the ability to search for specific grant recipients.

* **Sec. 15. RURAL ELECTRIFICATION REVOLVING LOAN FUND; ELECTRICAL EMERGENCIES PROGRAM.** (a) Notwithstanding AS 42.45.020(g), the balance of the rural electrification revolving loan fund (AS 42.45.020) on June 30, 2009, estimated to be \$80,400, is appropriated to the Department of Commerce, Community, and Economic Development, Alaska Energy Authority, for the electrical emergencies program.

This section is effectively a general fund appropriation; it makes an FY09 supplemental appropriation of the balance of the Rural Electrification Revolving Loan fund to AEA before the receipts are deposited into the general fund. The balance consists of the loan payments on the remaining loans outstanding. These loan payments totaled approximately \$330,000 annually until recently, when several loans accounting for over 70% of the outstanding balance were paid in full. The remaining loan payments will total

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

approximately \$80,000 (\$80,400 for FY2010) until 2020, when they will drop to approximately \$65,000.

(b) The sum of \$250,000 is appropriated from the general fund to the Department of Commerce, Community, and Economic Development, Alaska Energy Authority, for the electrical emergencies program.

The \$250,000 is the difference between the \$330,000 customary amount appropriated for electrical emergencies and the energy loan repayments of \$80,000 appropriated in subsection a.

Legislative Fiscal Analyst Comment: Scooping a lapsing balance may have made sense when no additional appropriation was necessary, but the legislature may wish to consider deleting this section in favor of a numbers section appropriation of \$330,000 general funds.

* **Sec. 16. CLIMATE CHANGE IMPACT MITIGATION PROGRAM.** Section 10, ch. 11, SLA 2008, page 57, lines 30 - 31, is amended to read:

ALLOCATIONS	APPROPRIATION ITEMS	GENERAL FUND	OTHER FUNDS
Climate Change Impact	1,400,000	1,400,000	
Mitigation Program (HD 1-40)	[1,100,000]	[1,100,000]	

This section adds \$300,000 from the general fund to the listed appropriation.

Legislative Fiscal Analyst Comment: Unless a supplemental adjustment is required, there is no need to amend the original appropriation. This project can be moved to the numbers section of the bill, which would then include a new project in the amount of \$300,000 for Climate Change Impact Mitigation. If the section was intended to have a supplemental effective date, it can remain in language, but the effective date clause would need to be revised.

* **Sec. 17. LAPSE.** (a) The appropriations made by secs. 12 and 13(1) of this Act are for the capitalization of funds and do not lapse.

(b) The appropriations made by secs. 10 and 14 - 16 of this Act are for capital projects and lapse under AS 37.25.020.

This section states that the projects lapse under AS 37.25.020 which provides that the appropriation is for the life of the project. The belief that capital appropriations have a five-year lapse is a common misunderstanding.

(c) A grant awarded in secs. 1 - 16 of this Act to a named recipient under AS 37.05.316 is for a capital project, unless specifically identified in this Act as an operating grant, and lapses under AS 37.25.020 unless otherwise stated or designated for a fiscal year.

This new subsection is included to clarify that all grants under AS 37.05.316 are to be considered capital projects and are to lapse like other capital projects. There has been confusion in the past on whether some grants are intended to be operating grants with a one-year lapse. This language should clarify the situation.

* **Sec. 18.** Section 15(a) of this Act takes effect June 30, 2009.

This effective date makes the \$80,000 appropriation for electrical emergencies in section 15 (a) an FY09 supplemental appropriation.

* **Sec. 19.** Except as provided in sec. 18 of this Act, this Act takes effect July 1, 2009.

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Comprehensive Integrated Mental Health Program

The Alaska Mental Health Trust Authority (Authority) administers the Mental Health Trust established in perpetuity. The Authority has a fiduciary responsibility to enhance and protect the Trust and to provide leadership in advocacy, planning, implementation, and funding of a comprehensive integrated mental health program (CIMHP) to improve the lives and circumstances of its beneficiaries. **The Trust's beneficiaries include:**

- People with mental illness;
- People with developmental disabilities;
- People with chronic alcoholism; and
- People with Alzheimer's disease and related disorders.

The Trust

The Mental Health Lands Trust Settlement reconstituted the Trust established by the Alaska Mental Health Enabling Act of 1956 with trust land totaling approximately 930,000 acres. **The settlement required the state to:**

- provide a cash payment of \$200 million into a newly created mental health trust fund;
- establish a Trust Authority;
- return the principal of the trust fund to the Authority; and
- perpetually use the income of the trust to pay for trust administration costs and ensure improvements and continuation of the integrated, comprehensive mental health program.

Chapter 6, SLA 1994 appropriated \$200 million to the mental health trust fund from the following sources:

Mental health trust income account	\$33,000.0
DNR mental health trust income in the general fund	\$11,700.0
Proceeds from sale of DNR land sale contract portfolio	\$25,000.0
Budget reserve fund	\$130,300.0

This appropriation was finalized after the superior court of the State of Alaska made its final determination that the state had satisfied its obligation to reconstitute the Mental Health Trust.

Management of the Trust: The Permanent Fund Corporation manages the trust principal, the Mental Health Trust Lands Office (Dept. of Natural Resources) manages the land, and the Mental Health Trust Authority (Dept. of Revenue) and its Board make recommendations for program funding.

Mental Health Funding: The Trust Authority sources of income for annual spending include:

- a percentage of net asset value of the Trust Fund Corpus (Principal);
- lapsed funds from the prior year;
- income from the Trust's account in the treasury; and
- income from rents, fees, purchase contract interest, and 15% of timber sales from the Trust Land Management.

The Mental Health Budget Process

Separate Appropriation Bill: AS 37.14.001 establishes the responsibilities and authority for management of the Mental Health Trust. The statute requires the Governor to submit a separate appropriation bill limited to appropriations for the state's integrated comprehensive mental health program. If appropriations in the bill submitted by the Governor or the bill approved by the legislature differ from those proposed by the Authority, the bills must be accompanied by a report explaining the reasons for the differences from the Trust's recommendations.

Mental Health Trust Authority Authorized Receipts: The Mental Health Trust generates revenue from the investment earnings on the \$200 million trust, land sale/lease proceeds, and land use royalties. Mental Health Trust income, identified in the appropriation bill as MHTAAR or Mental Health Trust Authority Authorized Receipts, provides approximately \$10 million per year for CIMHP funded programs and mental health trust administrative costs.

A unique provision of the settlement grants the Authority the power to spend mental health trust income without legislative approval. This provision does not, however, remove the legislature from spending decisions. The Trust's spending plans typically allocate substantial money to state agencies, which cannot spend the money without legislative authorization.

This approach to budgeting requires extensive cooperation between the Authority and the agencies that receive MHTAAR. The Authority considers requests from relevant agencies and beneficiary boards, and then submits a list of approved projects and funding proposals to the Governor. Although the budget is developed cooperatively, the Governor's request makes changes in MHTAAR funding without the approval of the Authority. Similarly, the legislature typically works with the Authority on any revisions to the Authority's plan.

Zero-Based Budgeting: FY2010 is the second year of zero-based budgeting of MHTAAR for the Trust, meaning that all MHTAAR in state agencies was removed from the FY2010 adjusted base budget. This approach emphasizes that MHTAAR funding is not based on prior year appropriations, but is an independent decision made by the Authority each year. The approach has the advantage (from the Authority's perspective) of specifying the purpose of all MHTAAR that appears in the budget. In prior years, the purpose of continuing funding was not stated in budget transactions.

Other Funds Appropriated in the Mental Health Budget: Other state funds and federal funding are typically included in the CIMHP. These might include general funds, AHFC Dividend funds, and Alcohol and Other Drug Abuse Treatment & Prevention Funds. The Authority does not exercise as much control over this portion of the Mental Health budget. Although the Authority is typically consulted about expenditure of non-MHTAAR for mental health purposes, the Authority cannot dictate where other funds may or may not be used. Allocation of state and federal funding for mental health purposes is similar to the process that applies to the regular operating and capital budgets; state agency operating requests show changes to appropriations made the previous fiscal year. Capital requests are typically independent of prior year appropriations.

The FY2010 Mental Health Budget

The Trustees approved five focus areas for the FY2010 budget cycle, with the goals affecting significant system changes in the areas of:

- Bring The Kids Home;
- Affordable, Appropriate Housing for Trust Beneficiaries;
- Disability Justice for Trust Beneficiaries;

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

- Trust Beneficiary Group Initiatives; and
- Workforce Development

OPERATING

The net increase in state-controlled funding (**GF/MH**) from FY2009 to FY2010 is approximately \$12.5 million. Mental Health Trust recommendations do not typically address all Mental Health funding. The Governor's budget request includes the following items not addressed by the Trust:

- FY2009 GF/MH funding included in the base for FY2010; and
- FY2010 Salary Wage and Health Insurance increases.

The FY2010 Trust **MHTAAR** recommended budget totals \$12.7 million. The following items are Trust recommendations that are not yet included in the Governor's FY2010 budget request:

- New student loan repayment program to be used as a recruitment and retention tool for providers serving Trustee beneficiaries;
- Pilot program to provide coordinated services to individuals with traumatic brain injury, and their families not otherwise eligible for such services from other agencies or programs; and
- Support for a rural secure treatment provider program under Title 47, which provides for involuntary commitment of clients incapacitated by alcohol and/or drugs. Title 47 client services are the highest level of treatment and the most expensive in providing secure treatment services.

Statewide Total Appropriations for Mental Health Programs

	FY06	FY07	FY08	FY09	AMHTA FY2010 Request	FY2010 Gov
State-Controlled	114,652.0	127,712.4	131,568.6	159,818.2	17,918.6	172,269.9
MH Trust	10,063.5	11,446.4	12,308.7	13,714.2	12,698.4	12,143.9
Total Operating	124,715.5	139,158.8	143,877.3	173,532.4	30,542.0	184,413.8
State-Controlled	9,049.2	12,200.0	13,600.0	10,050.0	18,816.8	16,209.7
MH Trust	3,100.0	2,650.0	2,500.0	3,500.0	2,780.0	2,330.0
Total Capital	12,149.2	14,850.0	16,100.0	13,550.0	21,596.8	18,539.7

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

CAPITAL

The Governor's FY2010 Capital Budget Request of \$18.5 million for Mental Health programs is \$3.1 million less than the Trust's recommendations of \$21.6 million. The Trust's recommendations include \$2.7 million MHTAAR, \$6.1 million GF/MH, and \$12.8 million AHFC Dividends. Below are some of the significant projects contained in both the Trust's recommendations and the Governor's Mental Health budget (funding levels shown below are from the Governor's budget):

- MH AHFC Homeless Assistance Program (ED 99) \$10.0 million
- MH AHFC Beneficiary and Special Needs Housing (ED 99) \$1.8 million
- MH Coordinated Transportation and Vehicles (ED 99) \$1.1 million
- MH Home Modification and Upgrades to Retain Housing \$1.1 million

Agency Narratives and Funding Summaries

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Administration				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$70,025.4			
FY09 Fiscal Notes	2,144.9			
Carry Forward	1,450.6			
Special Appropriations	7.5			
Agency Transfers (excludes fuel/utility & gasoline)	-			
09 Contractual Salary Adjustments	6.2			
09 Salary Fund Changes	-			
Misc Adjustments	-			
Vetoed	-			
FY09 Revised Management Plan (GF only)	\$73,634.6	\$3,609.2	5.2%	
One-time Items removed	(3,175.3)			
Transfers between Agencies (nets zero statewide)	-			
FY10 Contractual Salary and Health Increases	1,316.6			
Misc Adjustments	-			
FY10 Adjusted Base Budget (GF only)	\$71,775.9	(\$1,858.7)	-2.5%	
FY 10 Unrealizable Salary Fund Source Changes	1,095.1			4
FY 10 Governor's GF Increments/Decrements/Fund Changes	301.5			
FY10 Governor's Request (GF only)	\$73,172.5	\$1,396.6	1.9%	
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$301.5	
Finance	6,111.0	6,251.0	140.0	2
Retirement and Benefits	419.6	169.4	(250.2)	
Elected Public Officers Retirement System Benefits	1,778.1	1,898.1	120.0	3
Enterprise Technology Services	8,103.3	8,403.3	300.0	1
Violent Crimes Compensation Board	8.3	-	(8.3)	
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	2,782.4	2,782.4	-	
Other funds (all allocations)	206,509.4	216,295.0	9,785.6	
Total Non-General Funds (all allocations)	\$209,291.8	\$219,077.4	\$9,785.6	
Position Changes (From FY09 Management Plan to Gov)	1,121	1,121	0	
PFT	1,068	1,068	-	
PPT	20	20	-	
Temp	33	33	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance, Renovation, and Repairs	3,050.0	-	3,050.0	
Remodel and Reconstruction	-	-	-	
New Construction and Land Acquisition	-	-	-	
Equipment and Materials	-	-	-	
Information Systems and Technology	62,275.0	-	62,275.0	
Other	-	-	-	
TOTAL CAPITAL	\$65,325.0	\$0.0	\$65,325.0	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Administration

The mission of the Department of Administration (DOA) is to provide consistent and efficient support services to state agencies so that they may better serve Alaskans. As a liaison between the Governor's Office and the Legislature, DOA steps in to establish policies and coordinate services among divisions. DOA provides statewide leadership and policy direction in the following areas:

- finance and accounting;
- payroll;
- information technology;
- human resources;
- labor relations;
- procurement, including final administrative decisions on statewide procurement appeals;
- facility leasing and management;
- risk management; and
- employee and retiree benefits programs for state and local governments.

Direct public services are provided through the Division of Motor Vehicles, Public Defender Agency, Office of Public Advocacy, and the Office of Administrative Hearings. The Department also oversees administrative functions of four independent boards and commissions (the Alaska Public Broadcasting Commission, the Alaska Public Offices Commission, the Alaska Oil and Gas Conservation Commission, and the Violent Crimes Compensation Board).

SIGNIFICANT ISSUES

The FY2010 Department of Administration general fund operating budget as submitted by the Governor is \$462.1 below the FY09 Revised Management Plan (which excludes fuel/utility & gasline one-time funding of \$66.8). The Governor's net GF change from Adjusted Base is \$1,396.6.

The following notes correspond to numbers in the last column on the preceding spreadsheet:

1. **Enterprise Technology Services: \$300.0 GF.** Additional funding is requested to pay cost increases associated with operation and maintenance of the State of Alaska Telecommunications System (SATS) microwave transmission network. The cost increases include fuel and power for SATS microwave sites and transportation costs, including costs for helicopter access to remote sites. This increment will assist in maintaining the physical operations of the SATS Microwave Network System and telephonic and network communications outside the Anchorage area. These sites are important to daily operations of state agencies, including the Alaska State Troopers. Areas of the state that rely on the SATS Microwave System include Kodiak, the Anchorage-Fairbanks-Delta-Tok-Glennallen highway corridors, the Kenai Peninsula, Valdez and Cordova.
2. **Finance Operations: \$140.0 GF/Program Receipts.** The Governor requests additional authority to spend receipts anticipated under a new contract with U.S.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Bank for *One Card*. During FY09, the budgeted credit card rebate was increased by \$250.0 for a new total of \$463.2. Current projections suggest a rebate of between \$550.0 and \$600.0 will be available under the new contract with U.S. Bank in FY2010. The Department is asking for the authority to spend these receipts to partially offset cost increases related to supporting the Alaska Data Enterprise Reporting (ALDER) Data Warehouse (\$100.0) and to provide for vacancy factor reduction (\$40.0).

Per AS 37.05.142-144: Program receipts may not be collected unless authorized by law. An appropriation is required before funds may be expended, and expenditures are restricted to the lesser of the amount collected or amount authorized. Program receipts may be used to administer the program generating the receipts, implement the laws related to the functions generating the receipts, or cover the cost of collecting the receipts. They may not be used directly for programs other than the program that generates the receipts. Because it is not clear that receipts generated by a credit card program can be used for a data warehouse or vacancy factor reduction, subcommittees may wish to consider changing the fund source to GF.

3. **Elected Public Officers Retirement System (EPORS) Benefits: \$120.0 GF.** EPORS currently has 39 members (25 retirees and 14 surviving dependents) who are receiving benefits. Increased costs are due to mandatory benefit increases based upon the salaries of the positions from which members retire. Another contributing factor for this increment is the projected rise in the cost of health insurance, which is also a member benefit.
4. **Salary Fund Source Changes: \$1,095.1 GF.** The Governor's budget proposes using general funds to replace a portion of other funding sources that could be used to pay for contractual wage and health benefits increases. Subcommittees should carefully examine each of these salary adjustment fund changes. Please see *Fund Source Changes for Salary Adjustments* on page 18 for further discussion of this issue. Within the Department of Administration, \$1.1 million in GF fund changes have been included to replace Inter-agency Receipts that are "not available" in customer agency budgets. The largest of these fund switches are in Personnel (\$472.2) and Enterprise Technology Services (\$415.9). As an alternative to these fund source changes, DOA could charge agencies for services and let any necessary fund source changes occur in the agencies. The latter approach would provide more information regarding agencies that are unable to pay for DOA services using existing fund sources.

ORGANIZATIONAL CHANGES

There are no significant changes requested.

CAPITAL REQUEST

The Governor's 2010 capital budget contains \$50 million from the Alaska Housing Capital Corporation (AHCC) "savings account" to continue the massive undertaking of replacing accounting (AKSAS) and payroll (AKPAY) systems. The accounting and payroll systems are nearing the end of their useful lives and the Department is attempting to replace them while they are still functioning. Previous appropriations for this project total \$41 million. The future anticipated GF requests from FY11 through FY15 would add another \$105 million.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Legislative Fiscal Analyst Comment: The AHCC fund source is classified as GF in Legislative Finance Division's view of the world. The Governor classifies these receipts as "Other" Funds, leading to a discrepancy in how the Department of Administration's largest capital project—the Statewide System Replacement—is classified.

Section 10 of the capital budget appropriates \$11.7 million in Information Technology Projects to the Governor's Office. Two of these projects are allocated to the Department of Administration:

- Administration Enterprise security projects for \$5 million funded through the Information Services Fund, and
- Administration Document Management System – Microfilm Conversion Phase 1 for \$328,000 funded by a variety of retirement system accounts and a small amount of GF.

The Information Services Fund is capitalized by a \$9.5 million GF appropriation in Section 12(c)(1) of the Governor's bill.

The capital request presented by the Governor also includes \$930.0 GF for four smaller projects. The most significant of those GF projects is the Lease Management System that will replace the existing systems currently used to project lease and facility costs (in service since approximately July 2002) with one that will interface with the state accounting system. The Department's goal for managing statewide leases, facilities information, and budgets is to provide effective space management, cost tracking, reporting, and projections for leases and facilities.

Legislative Fiscal Analyst Comment: As in FY09, direct appropriations for costs associated with public employees' retirement systems are segregated from the Department's budget in order to avoid overstating the Department of Administration's budget. A total of \$451.2 million in direct appropriations for retirement include:

(a) \$206,300.0 GF for the teachers' retirement system defined benefit plan account;

(b) \$241,600.0 GF for the public employees' retirement system defined benefit plan account;

(c) \$1,722.5 GF for the Department of Military and Veterans' Affairs AK National Guard and Alaska Naval Militia defined benefit plan account; and

(d) \$1,550.0 GF for the judicial retirement system defined benefit plan account.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Commerce, Community, and Economic Development				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$9,687.0			
FY09 Fiscal Notes	5,310.9			
CarryForward	-			
Special Appropriations	23,164.0			
Agency Transfers (excludes fuel/utility & gasline)	-			
09 Contractual Salary Adjustments	-			
09 Salary Fund Changes	-			
Misc Adjustments	-			
Vetoed	-			
FY09 Revised Management Plan (GF only)	\$38,161.9	\$28,474.9	293.9%	
One-time Items removed	(23,450.0)			
Transfers between Agencies (nets zero statewide)	-			
FY10 Contractual Salary and Health Increases	86.1			
Misc Adjustments	-			
FY10 Adjusted Base Budget (GF only)	\$14,798.0	(\$23,363.9)	-61.2%	
FY 10 Unrealizable Salary Fund Source Changes	132.9			4
FY 10 Governor's GF Increments/Decrements/Fund Changes	4,696.1			
FY 10 Governor's Request (GF only)	\$19,627.0	\$4,829.0	32.6%	
↓				
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$4,696.1	
Administrative Services	1,256.2	1,258.5	2.3	
Community and Regional Affairs	1,839.0	4,204.3	2,365.3	1
Office of Economic Development	624.8	639.8	15.0	
Alternative Energy & Efficiency	340.1	771.4	431.3	3
Alaska Seafood Marketing Institute	785.3	2,667.5	1,882.2	2
Non-General Fund Agency Summary				
	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	54,503.8	64,377.2	9,873.4	
Other funds (all allocations)	102,578.9	103,613.9	1,035.0	
Total Non-General Funds (all allocations)	\$157,082.7	\$167,991.1	\$10,908.4	
Position Changes (From FY09 Management Plan to Gov)	535	539	4	
PFT	521	525	4	
PPT	2	2	-	
Temp	12	12	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	690.0	-	690.0	
Maintenance, Renovation, and Repairs	250.0	-	250.0	
Remodel and Reconstruction	12,125.0	-	12,125.0	
New Construction and Land Acquisition	47,525.0	56,500.0	104,025.0	
Equipment and Materials	-	-	-	
Information Systems and Technology	10,565.0	-	10,565.0	
Other	4,026.4	6,630.0	10,656.4	
TOTAL CAPITAL	\$75,181.4	\$63,130.0	\$138,311.4	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Commerce, Community, and Economic Development

The Department of Commerce, Community, and Economic Development (DCCED) provides a wide range of development services to private businesses, aids in protecting the public by regulating certain industries, and provides services to communities. The Department:

- provides general assistance and access to capital markets for businesses;
- coordinates numerous state grant and loan programs;
- manages programs aimed at key economic sectors such as electric power generation, tourism, aerospace, mining, and fishing;
- participates in the marketing of Alaskan products and visitor attractions;
- regulates banking, securities and corporations, insurance, occupations and public utilities;
- provides services to local governments and unincorporated communities in the form of grants and direct technical assistance; and
- administers programs offering assistance in the areas of government and financial management, utilities, planning, and energy management.

SIGNIFICANT ISSUES

The FY2010 Department of Commerce, Community, and Economic Development general fund operating budget submitted by the Governor is \$18.5 million less than the FY09 Revised Management Plan (which excludes fuel/utility and gasline one-time funding). In FY09, the legislature made a special appropriation of \$23.0 million GF for distribution through the Power Cost Equalization Program. This amount is included in the FY09 Management Plan but is removed from the FY2010 base. The Governor's net GF increase from Adjusted Base is \$4.8 million, comprised of salary fund source changes and several increments described in the numbered paragraphs below.

Power Cost Equalization (PCE). PCE was an issue in the special session when the legislature raised the cap on subsidies for rural electric rates in response to higher fuel costs. This was intended to be a one-year solution that would be readdressed during the 2009 session. The Governor's FY2010 request reflects a return to FY08 parameters. The FY2010 funding level is \$32.8 million—down from \$51.1 million in FY09. PCE is not typically addressed by subcommittees.

Core Service Increases. The Department's request includes several increments for "Core Services." According to the Department, the core services increment in the Commissioner's Office is primarily to record *intra-agency* charges, while the core services increments in various divisions are primarily to record *inter-agency* costs.

Most of the \$171.0 I/A Receipts increment in the Commissioner's Office reflects indirect cost plan charges that have been collected (but not budgeted) for years. The request is not so much an increment as a clarification of the budget. According to the Department, the core services increments in various divisions cover FY09 and FY2010 increased charges (imposed by the Departments of Administration and Law) that the Department cannot absorb. Subcommittees may

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

wish to ask the Department to provide additional detail on all the core service increments, including where the money comes from, where it will go and what it will purchase.

Federal Program Funding for National Forest Receipts and Payment in Lieu of Taxes (PILT), \$9.9 million Federal Funding. The Department anticipates receiving and distributing (to local governments) \$6.3 million in National Forest Receipts and \$3.6 million through the PILT formula.

The following notes correspond to the numbers in the last column of the preceding spreadsheet:

1. Community and Regional Affairs: \$2.36 million GF.

- **Fund Change, \$2 million GF.** Passage of HB 111 (effective 10/1/09), reduced business license fees to \$50/year (from \$100/year). The approved fiscal note for HB111 showed replacement of lost Business License Receipts revenue with general funds. This appropriation implements the fiscal note. In FY09, \$6.26 million of Business License and Corporation Fees was spent to support Community and Economic Development and Operations on issuing licenses. Receipts in FY2010 are expected to be about \$4.4 million. Thus, \$1.97 million GF funding will be needed to maintain services at current levels.
- **Alaska Legal Services: \$200.0 GF.** The Department did not remove this one-time item from the base budget for FY2010. The Department seeks to continue FY09 one-time funding for the Alaska Legal Services Program. Legislative Finance removed the amount from the base, and then added an increment in order to match the Governor's request.
- **Grant Administrators: \$164.0 GF.** Two grant administrators were added as a one-time item in FY09 in response to an increasing number of grants appearing in the budget as oil prices (and state revenue) climbed from FY06 through FY09. The Department is requesting these positions be continued in the FY2010 budget. The number of grants distributed/monitored by the Department remains high and the grant administrators are needed to provide technical assistance to recipients. The subcommittee may wish to explore adding these positions to the base budget if the number of grants administered by the Department remains at current levels. On the other hand, if revenue reductions result in a significant reduction in the number of grants appropriated, retaining the one-time designation may be appropriate.

2. Alaska Seafood Marketing Campaign: \$1,882.2 GF. The Department's Seafood Marketing program seeks to replace \$1,500.0 in Federal grants (\$500.0 in direct federal funds and \$1 million SDPR from the Alaska Fisheries Marketing Board (AFMB)—federal funds passed through the AFMB). In addition, ASMI claims that \$378.0 of authority to receive and spend revenue from fish taxes will be uncollectible and requests that this amount be replaced with general funds. Subcommittees may wish to examine the reasons for declining receipts in this program and the desirability of adding general funds to the base budget.

3. Statewide Project Development, Alternative Energy Efficiency: \$431.3 GF.

- **Support for Energy Planning: \$150.0 GF.** This request is intended to provide the resources necessary to fund support staff for energy planning.
- **AEA Executive Director for Statewide Energy Coordination: \$210.3 GF.** The AEA Executive Director/Statewide Energy Coordinator was funded in FY09 with

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

CIP receipts from a statewide energy plan capital project. Because the need for this position will not end when the statewide energy plan is completed, the agency is requesting base funding in the FY2010 budget.

- **Renewable Energy Fund/Task Force: \$71.0 GF.** The fiscal note for HB 152 identified \$71.0 as a one-time FY09 appropriation. The Department did not remove this amount from the base budget for FY2010. Legislative Finance added an increment in order to match the Governor's request, but subcommittees should consider deleting the start-up costs from the budget request.

4. **Fund Changes for salary adjustments: \$132.9 GF.** Three fund changes have been requested to "correct unrealizable fund sources in the salary adjustment for bargaining units." The Department states that additional I/A Receipts funds are not available for programs and requests a replacement with GF. Please see *Fund Source Changes for Salary Adjustments* on page 18 for further discussion of this issue.

ORGANIZATIONAL CHANGES

There are no significant organizational changes.

CAPITAL REQUEST

DCCED's total capital budget is nearly \$140 million; \$63 million of which is federal money. The budget consists of a diverse mix of grants and capital projects, most of which are more clearly described as *passing through DCCED* rather than *to DCCED*. The pass-through projects include rural power and transportation systems, community economic assistance, port expansion and cruise ship industry enhancements. Projects requested by DCCED include:

- \$17.5 million to build two facilities at the Kodiak Launch complex: a dedicated rocket motor storage facility and an additional launch pad.
- Several information technology projects, including \$565.0 appropriated directly to the Department and \$2.2 million for imaging and management systems appropriated through the Governor's Office.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Corrections				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$210,910.0			
FY09 Fiscal Notes	-			
Carry Forward	45.0			
Special Appropriations	-			
Agency Transfers (excludes fuel/utility & gasoline)	-			
09 Contractual Salary Adjustments	72.0			
09 Salary Fund Changes	-			
Misc Adjustments	-			
Vetoed	-			
FY09 Revised Management Plan (GF only)	\$211,027.0	\$117.0	0.1%	
One-time Items removed	(552.2)			
Transfers between Agencies (nets zero statewide)	-			
FY10 Contractual Salary and Health Increases	1,469.2			
Misc Adjustments	-			
FY10 Adjusted Base Budget (GF only)	\$211,944.0	\$917.0	0.4%	
FY 10 Unrealizable Salary Fund Source Changes	14.9			
FY 10 Governor's GF Increments/Decrements/Fund Changes	2,082.5			
FY10 Governor's Request (GF only)	\$214,041.4	\$2,097.4	1.0%	
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$2,082.5	
Research and Records	298.8	478.8	180.0	3
Out-of-State Contractual	21,485.0	21,866.1	381.1	1
Wildwood Correctional Center	12,494.7	12,796.9	302.2	1
Community Residential Centers	16,827.6	17,546.8	719.2	1
Inmate Health Care	25,728.1	26,228.1	500.0	2
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	3,003.4	3,174.4	171.0	3
Other funds (all allocations)	30,233.0	31,747.6	1,514.6	2
Total Non-General Funds (all allocations)	\$33,236.4	\$34,922.0	\$1,685.6	
Position Changes (From FY09 Management Plan to Gov)	1,516	1,516	0	
PFT	1,513	1,513	-	
PPT	3	3	-	
Temp	-	-	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance, Renovation, and Repairs	2,500.0	-	2,500.0	
Remodel and Reconstruction	2,550.0	-	2,550.0	
New Construction and Land Acquisition	20,000.0	-	20,000.0	
Equipment and Materials	890.4	-	890.4	
Information Systems and Technology	1,750.0	-	1,750.0	
Other	-	-	-	
TOTAL CAPITAL	\$27,690.4	\$0.0	\$27,690.4	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Corrections

The mission of the Department of Corrections (DOC) is to provide secure confinement, reformative programs, and a process of supervised community reintegration to enhance the safety of Alaskan communities. The Department:

- provides secure confinement;
- provides reformative programs; and
- provides supervised re-entry.

SIGNIFICANT ISSUES

The FY2010 Department of Corrections general fund operating budget as submitted by the Governor is \$3,014.4 above the FY09 Revised Management Plan (which excludes fuel/utility & gasline one-time funding of \$1,760.0). The Governor's net GF change from Adjusted Base is \$2,097.4.

The following notes correspond to the numbers in the last column of the preceding spreadsheet:

- 1. Prison population** has declined recently; however, population increases during the past few years have continued to drive departmental costs upward. The state prisoner population typically exceeds 100% of approved institutional emergency capacity. With increased law enforcement by local and state agencies, the Department has no expectation of a long-term decline in the offender population. The Department addresses the prison population issue with several increments;

Legislative Fiscal Analyst Comment: Subcommittee members may wish to inquire about the unprecedented decrease (roughly 5%) in the Department's in and out-of-state prisoner count (from December 2007 to present) and what impact these latest statistics have on costs.

- **Community Residential Centers (CRC): \$719.2 GF.** Funding is requested for 43 additional regular beds to assist in managing the in-state offender population. In FY2008, the DOC contracted for 710 CRC beds (602 regular beds and 108 per-diem beds) of which approximately 50% of the per-diem beds were funded. DOC used 93% of available funding. In FY2009, DOC received funding for 710 CRC beds but was able to contract for 733 (625 regular beds and 108 per-diem beds) of which approximately 70% of the per-diem beds are funded.
- **Increased contractual costs for Arizona: \$381.1 GF.** The Department is requesting funding for a \$1.23/bed/day contract rate increase at the Red Rock Arizona facility that houses Alaska's overflow prisoners. As of October 31, 2008, out-of-state institutional capacity was at 98% (882 of 900 beds filled) with no expectation of a decline in offender population. The DOC anticipates continuing to place prisoners in the contract facility throughout the next fiscal year.
- **Wildwood Correctional Center: \$302.2 GF.** In FY09, the Department received a one-time increment of \$302.2 to convert two existing buildings in order to house 80 prisoners. The housing units are scheduled to become available in late FY09. The Department also received \$1.1 million to cover $\frac{1}{4}$ of FY09 operating costs of the new housing units. The \$1.1 million remains in the FY2010 base, and an increment for

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

\$353.3 (for ¼ year operating costs) was expected. Instead, the Department request retains the \$302.2 one-time funding and adds it to the base budget. The DOC intends to manage the new units at the requested funding level.

- **Goose Creek Correctional Center: \$218.6 GF Transfer.** The Department is transferring two positions from the Prison System Expansion component to the new Goose Creek Correctional Center component that is expected to open in FY2012. In anticipation of future staffing needs, the Training Academy has established an annual schedule consistent to meet the needs of the new prison that will be located at Point MacKenzie.

2. Inmate Health Care cost increases are primarily due to increased costs for medical services and are associated with the degree of care that is being required for chronic conditions (i.e. dialysis, cardiac, oncology, geriatrics, diabetes, etc). The Department is requesting the following increments to address rising costs and expansion of services:

- **Substance Abuse Treatment Programs: \$500.0 GF.** This request provides funding for a second year of expansion of the institutional out-patient treatment programs. This increment would implement two institutional out-patient treatment programs at Anchorage Correctional Complex and Anvil Mountain Correctional Center. In FY09, the Department received \$801.0 GF to implement five intensive outpatient treatment programs at Spring Creek Correctional Center, Palmer Correctional Center, Fairbanks Correctional Center, Yukon-Kuskokwim Correctional Center, Lemon Creek Correctional Center, and the Anchorage Community Residential Treatment Centers.
- **Mental Health Services: \$444.8 PFD Criminal.** Additional funding is requested to support the increase in Mental Health Trust beneficiaries committed to the custody of the Department. Of the 38,000 bookings processed annually by DOC, 14,000 have a mental health diagnosis. In FY09, the legislature approved a \$246.0 increment (\$123.0 GF/\$123.0 MHTAAR) for this purpose.
- **Sex Offender Treatment: \$200.0 PFD Criminal.** This increment is requested to establish an institutional sex offender treatment program within the Wildwood Correctional Center. The sex offender treatment program will enhance community safety by providing more offenders with intensive, offense-specific assessment and treatment prior to release.

Legislative Fiscal Analyst Comment: As part of the new management strategy of the Palin administration, the agency is working to restore or expand many offender rehabilitation programs. Subcommittees may wish to inquire about the effectiveness of these programs on recidivism.

- **Criminal Sentencing and Polygraphing: \$485.3 PFD Criminal.** This request is the third year of funding associated with the passage of legislation relating to periodic polygraph testing and treatment of all sex offenders on probation or parole [Ch 14 SLA06 (SB 218)]. Previous appropriations for these activities total \$786.8 GF in FY08 and \$752.5 GF in FY09.

Legislative Fiscal Analyst Comment: The amount of PFD Criminal funds available varies with the amount of the Permanent Fund dividend and the number of felons incarcerated. Recent investment losses are likely to reduce PFDs in the future, with a

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

corresponding decrease in PFD Criminal funds available. The likely result is future requests to replace PFD Criminal funds with general funds.

3. Administration and Support has requested the following two increments:

- **Research and Records: \$180.0 GF.** This increment replaces one-time funding in the Department's FY09 budget for a File Imaging Program in order to manage the increasing number of criminal records. According to the Department, continued funding is necessary to fully implement the program as well as maintain files as imaged records rather than as hard-copies.
- **Information Technology MIS: \$183.9 Federal Receipts.** The Department is requesting authority to receive one-time funding for the second year of the Statewide Automated Victim Information and Notification (SAVIN) grant through the United States Department of Justice/Bureau of Justice Assistance (BJA). The Department will use the grant to enhance Alaska's existing automated victim notification system (VINES) which provides self-registered victims with information regarding the custody status of a given offender. DOC received the first year of funding (\$122.6 in FY09) through RPL #20-9-0010.

The Department will use their existing GF operating appropriation to fund their matching portion (50%) of this grant as required by the BJA.

ORGANIZATIONAL CHANGES

The Department has moved the Correctional Academy and Prison System Expansion allocations from Administration and Support to the Population Management Appropriation. The Substance Abuse Treatment and Sex Offender Programs have been relocated from Offender Habilitation / Population Management to the Inmate Health Care Appropriation.

CAPITAL REQUEST

The Agency's \$27.7 million capital budget is primarily comprised of a \$20 million dollar appropriation for the Goose Creek Correctional Center scheduled to begin construction in calendar year 2009. With the recent collapse of financial markets, the cost of selling bonds for this project has increased significantly. The Department of Corrections has responded by cutting back elements of construction where possible, however, the gap between the revised construction budget and the bond sale is still short by approximately \$20 million. This request to support the construction and occupancy of the new prison utilizes Alaska Housing Capital Corporation (AHCC) Receipts.

Legislative Fiscal Analyst Comment: Legislative Finance classifies the Alaska Housing Capital Corporation savings account as general funds. The Governor classifies the account as "other" funds.

Some of the Department's other large capital projects include:

- Annual Facilities Maintenance and Repairs: **\$2.5 million GF**
- Combined Hiland Mountain Correctional Center Lead Abatement and Buffer Fence: **\$2.0 million GF**
- Medical Information System: **\$1.5 million PFD Criminal**

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Education & Early Development				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$53,476.4			
FY09 Fiscal Notes	700.2			
CarryForward	-			
Special Appropriations	-			
Agency Transfers (excludes fuel/utility & gasline)	-			
09 Contractual Salary Adjustments	5.2			
09 Salary Fund Changes	-			
Misc Adjustments	1,003,292.8			1
Vetoed	-			
FY09 Revised Management Plan (GF only)	\$1,057,474.6	\$1,003,998.2	1877.5%	
One-time Items removed	(1,003,322.8)			1
Transfers between Agencies (nets zero statewide)	-			
FY10 Contractual Salary and Health Increases	404.2			
Misc Adjustments	1,052,562.3			1
FY10 Adjusted Base Budget (GF only)	\$1,107,118.3	\$49,643.7	4.7%	
FY 10 Unrealizable Salary Fund Source Changes	174.8			
FY 10 Governor's GF Increments/Decrements/Fund Changes	1,111.4			
FY'10 Governor's Request (GF only)	\$1,108,404.5	\$1,286.2	0.1%	
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$1,111.4	
Foundation Program	992,268.5	994,268.5	2,000.0	2
Boarding Home Grants	1,340.8	1,690.8	350.0	8
Special Schools	3,132.8	3,127.5	(5.3)	
School Performance Incentive Program	4,800.0	-	(4,800.0)	11
Alaska Challenge Youth Academy	6,243.9	6,429.1	185.2	3
Executive Administration	1,307.7	2,131.9	824.2	4
School Finance & Facilities	1,512.8	1,732.7	219.9	10
Student and School Achievement	8,033.4	8,583.4	550.0	6
Early Learning Coordination	6,999.7	7,799.7	800.0	5
Professional Teaching Practices Commission	22.9	275.0	252.1	9
EED State Facilities Rent	1,835.2	2,045.8	210.6	
WWAMI Medical Education	2,130.1	2,654.8	524.7	7
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	214,572.0	214,958.5	386.5	
Other funds (all allocations)	36,605.3	35,190.2	(1,415.1)	
Total Non-General Funds (all allocations)	\$251,177.3	\$250,148.7	(\$1,028.6)	
Position Changes (From FY09 Management Plan to Gov)	347	347	0	
PFT	332	332	-	
PPT	15	15	-	
Temp	-	-	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance, Renovation, and Repairs	31,753.3	-	31,753.3	
Remodel and Reconstruction	10,760.8	-	10,760.8	
New Construction and Land Acquisition	-	-	-	
Equipment and Materials	-	-	-	
Information Systems and Technology	-	-	-	
Other	-	-	-	
TOTAL CAPITAL	\$42,514.1	\$0.0	\$42,514.1	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Education and Early Development

The Department of Education and Early Development (DEED) is committed to ensuring quality standards-based instruction to improve academic achievement for all students. The Department is responsible for funding and regulating the state's K-12 schools as well as administering school debt reimbursement and grants for school construction/major maintenance. Core services include the following:

- Provide and evaluate a Comprehensive Student and School Standards, Assessment and Accountability System for all students and schools in Alaska that is based on student, school, educator, and culturally responsive standards and state and federal requirements;
- Provide and support standards-based professional development and mentoring for Alaska's educators to ensure high quality and student achievement;
- Provide a statewide program to ensure all students have the foundational skills required for a successful transition to college and/or the workforce after high school;
- Secure and award state, federal, and private educational funding to school districts and other educational organizations to result in higher student achievement; and
- Provide high quality data to school districts and stakeholders through the use of the Alaska Statewide Longitudinal Data System.

The Department also houses Commissions and Boards (including the Professional Teaching Practices Commission, the Alaska State Council on the Arts and the Alaska Postsecondary Education Commission) and is responsible for Mt. Edgecumbe Boarding School, EED State Facilities Maintenance, and Alaska Library and Museums.

SIGNIFICANT ISSUES

The FY2010 Department of Education and Early Development general fund operating budget as submitted by the Governor is \$50,929.9 above the FY09 Revised Management Plan (which excludes fuel/utility & gasoline one-time funding of \$167.8). The Governor's net GF change from Adjusted Base is \$1,286.2.

The following notes correspond to the numbers in the last column of the preceding spreadsheet:

- 1. K-12 Education Formula Funding.** Because education funding changes are likely to come through legislation rather than subcommittee action, the discussion here is brief and general. The Governor's general fund request of \$994.3 million for the foundation program is \$49.5 million more than the FY09 Management Plan.

Last year the Governor presented a three-year education plan that closely followed the legislative Education Task Force recommendations. The legislature approved HB 273 (Ch. 9, SLA 2008) with fiscal notes that provided for GF appropriations to capitalize the Public Education Fund for increases to the Foundation Program and Pupil Transportation. On the basis of this legislation, the Base Student Allocation (BSA) will increase \$100/student/year for FY09, FY2010, and FY2011. There are also approximately 2,000 intensive-needs students in Alaska who experience health conditions and disabilities requiring daily monitoring and assistance with their school day activities. The second

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

year of a three-year phase-in with significantly higher payments to school districts to educate and care for these students is also included in the Governor's request.

Section 18(w) of the Governor's operating budget bill appropriates \$1.062 billion from the general fund to the Public Education Fund for FY2010. This amount is \$9.5 million more than required to fund K-12 education in FY2010, but is \$50 million less than required to fund education in FY2011.

The concept of forward funding is that the amount appropriated in a given year will be the amount required in the following year. In this regard, the Governor's budget is \$50 million short of forward funding K-12 education. However, the Public Education Fund target balance is 3% above the anticipated cost of K-12 in the following year. By using the "cushion" in the fund, the Governor's budget is only about \$1 million short of funding anticipated FY2011 K-12 needs.

2. **Pre-Kindergarten Pilot Program: \$2,000.0 GF.** Initial program implementation funds are included for an "Age 4 Pre-Kindergarten Pilot Program". According to the Department, this new preschool program would provide a voluntary, comprehensive, half-day for four-year olds and early five-year olds based on the standards set forth in the Alaska Early Learning Guidelines. Participating school districts would be funded through a competitive grant process. It is anticipated that the preschools would serve 500 children statewide.
3. **Alaska Challenge Youth Academy (ACYA): \$185.2 GF.** The academy is operated by the Department of Military and Veterans Affairs and is funded through a Reimbursable Services Agreement with DEED in accordance with AS 14.30.740. With this increment, the total general fund budget for the ACYA will be \$6,429.1.

Legislative Fiscal Analyst Comment: The legislature may wish to revisit this formula program. The current statutory program support formula provides seven times the base student allocation for ACYA residential students plus a smaller non-resident amount. The legislature may wish to consider a direct appropriation to DMVA, as DEED has no legal responsibility for the ACYA and, therefore, should not act as a pass-through agency.

4. **Executive Administration: \$824.2 GF.** The Executive Administration allocation includes a request for additional funds (\$600.0 GF) aimed at district improvement support services. According to the Department, specialist contracts in the amount of \$600.0 are needed to meet the mandate in legislation passed last session (SB285—Ch. 70, SLA2008) which provides for DEED to work toward district improvement in the areas of math, science, arts, IT, culture, and social studies. A second increment (\$224.2 GF) funds implementation of school improvement plans and district interventions on a statewide basis.
5. **Early Learning Coordination: \$800.0 GF.** An increase of \$800.0 GF for Head Start Grants would serve approximately 60-80 additional children. Approximately 1,000 Alaska children remain on wait lists for this program. The legislature increased funding for Head Start by \$600.0 in FY09. With approval of this FY2010 increment, overall funding for Head Start grants would be \$7,393.3 (GF \$7,353.3/Fed \$40.0).

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

- 6. Student and School Achievement: \$550.0 GF.** General Fund increments in this area are divided into three requests:
- (a) \$250.0 for the Alaska Comprehensive System of Statewide Assessments Contractual Increase based on current contract change order costs plus a 4% annual anticipated increase;
 - (b) \$150.0 (GF/MH) for the GF match portion of the Mental Health Trust Authority's recommendation for an Autism Resource Center. This on-going project to provide education, consultation, and support to families plus resources for mental health community members is managed by DEED through a contract with the Special Education Service Agency. An additional increment of \$200.0 Mental Health Trust Authority Authorized Receipts (MHTAAR) provides Trust Authority funding; and
 - (c) \$150.0 GF/MH funds for the Governor's Council for Rural Secondary Transition—a project managed by DEED to identify the skills of rural residents and seeks to team those residents with youth and communities in transition planning and service delivery. This FY2010 request continues the momentum of the project from FY09 which is currently funded with \$50.0 MHTAAR plus \$50.0 GF/MH.
- 7. WWAMI Medical Education: \$524.7 GF.** In the spring of 2007, the Alaska WWAMI program expanded class size to 20 incoming students per year. This increment is required under Alaska's contract with the University of Washington School of Medicine (UWSM). The basis for the funding structure is determined by the partnership contract between the UWSM, the University of Alaska, and the State of Alaska. Students attend the first year of training at the University of Alaska, Anchorage campus, before continuing training at the UWSM in Seattle, Washington. The Postsecondary Education Commission acts as the state's fiscal agent and administers WWAMI participants' services agreements/loans. Funds are used for education and administrative costs for second, third and fourth year students, which average over \$40,000 per student per year. In addition, the program provides support for clinical sites in Alaska. WWAMI program administration and community clinical unit costs run about \$300,000 per year. Since the inception of the program in 1971, approximately 400 students have been enrolled in this program which to date has a 95% graduation rate.
- 8. Boarding Home Grants: \$350.0 GF.** In accordance with regulation, Galena City School District is requesting an increase in funding for an additional 55 beds (from 120 to 175 students) for the Galena Boarding Home Residential Program. The capacity increase is due to continued growth of the program and increased dormitory capacity.
- 9. Professional Teaching Practices Commission: \$252.1 GF.** The Governor's FY2010 budget includes a funding switch from Receipt Supported Services to GF in the amount of \$252.1. For the most part, in the past the Professional Teaching Practices Commission (PTPC) has received their revenue from receipts collected through Teacher Certification fees. The fees collected from Teacher Certification services also support the Teacher Certification allocation. For FY2010, the Department has determined that in order to remain self-supporting, the Teacher Certification program no longer has the ability to distribute a portion of their receipts to the PTPC, which has resulted in the increment request. There is neither a plan to increase Teacher Certification fees, nor are additional applications expected.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

- 10. School Finance & Facilities: \$219.9 GF.** General Fund increments in this area are divided into three requests:
- (a) \$24.7 for the FY2010 School Bus Transportation contract, which increased due to negotiated CPI adjustments;
 - (b) \$45.2 for school bus driver training program increases; and
 - (c) \$150.0 to provide additional auditors for intensive students. The Department states that these funds will allow for contracts for auditors to review *new* claims regarding intensive students. Currently new claims are backlogged as staff focus on federal programs and current claims. These contracts would take place regionally in Juneau, Anchorage and Fairbanks.
- 11. School Performance Incentive Program: (\$4,800.0) GF:** *Decrement* to remove funding for the School Performance Incentive Program, which was initially authorized as a three-year program (FY07 – FY09) and which will sunset at the completion of the FY09 incentive award distributions.

ORGANIZATIONAL CHANGES

There are no significant changes requested.

CAPITAL REQUEST

In addition to school district major maintenance grants totaling over \$40 million, the Department of Education and Early Development's FY2010 capital budget includes \$2 million GF for continued work on deferred maintenance and construction projects from the Mt. Edgecumbe High School six-year plan. Specific projects are determined by an annual review including verification that the school is performing maintenance and operation tasks in accordance with the requirements of AS 14.11.011.

Legislative Fiscal Analyst Comment: The school debt reimbursement program is shown in a separate section of this overview that addresses debt obligations (see table on page 47).

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Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Environmental Conservation				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$18,888.7			
FY09 Fiscal Notes	-			
CarryForward	-			
Special Appropriations	-			
Agency Transfers (excludes fuel/utility & gasline)	-			
09 Contractual Salary Adjustments	2.7			
09 Salary Fund Changes	-			
Misc Adjustments	-			
Vetoes	-			
FY09 Revised Management Plan (GF only)	\$18,891.4	\$2.7	0.0%	
One-time Items removed	(184.0)			
Transfers between Agencies (nets zero statewide)	-			
FY10 Contractual Salary and Health Increases	185.7			
Misc Adjustments	-			
FY10 Adjusted Base Budget (GF only)	\$18,893.1	\$1.7	0.0%	
FY 10 Unrealizable Salary Fund Source Changes	63.4			
FY 10 Governor's GF Increments/Decrements/Fund Changes	184.0			
FY10 Governor's Request (GF only)	\$19,140.5	\$247.4	1.3%	
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$184.0	
Air Quality	1,440.3	1,624.3	184.0	1
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	21,497.6	21,497.6	-	
Other funds (all allocations)	33,407.5	33,496.9	89.4	2, 3
Total Non-General Funds (all allocations)	\$54,905.1	\$54,994.5	\$89.4	
Position Changes (From FY09 Management Plan to Gov)	537	538	1	2
PFT	531	532	1	
PPT	1	1	-	
Temp	5	5	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	4,474.6	877.7	5,352.2	
Maintenance, Renovation, and Repairs	5,000.0	-	5,000.0	
Remodel and Reconstruction	-	-	-	
New Construction and Land Acquisition	58,256.4	51,247.4	109,503.8	
Equipment and Materials	750.0	-	750.0	
Information Systems and Technology	-	-	-	
Other	-	-	-	
TOTAL CAPITAL	\$68,481.0	\$52,125.0	\$120,606.0	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Environmental Conservation

The Department of Environmental Conservation (DEC) is responsible for protecting human health and the environment. This agency provides the following core services:

- develop and enforce standards for protection of the environment;
- provide controls and enforcement for the prevention and abatement of pollution to the environment; and
- provide controls and enforcement to protect citizens from unsafe sanitary practices.

SIGNIFICANT ISSUES

The FY2010 Department of Environmental Conservation general fund operating budget submitted by the Governor is \$249.1 GF above the FY09 Revised Management Plan (which excludes fuel/utility and gasoline one-time funding of \$111.0). The Governor's net GF change from Adjusted Base is \$247.4, comprised of salary fund source changes and one GF increment in Air Quality.

The following notes correspond to the numbers in the last column of the preceding spreadsheet:

- 1. Climate Change Sub-Cabinet Activity: \$184.0 GF.** The Department anticipates that during 2009 and 2010, The Alaska Sub-Cabinet on Climate Change will provide climate change mitigation and adaptation recommendations to the Governor. These recommendations will require coordination between the public and private sectors, between state agencies, and within the Department of Environmental Conservation. The 2008 Legislature added a one-time \$184.0 GF increment associated with the Climate Impact Work Group (as part of the Alaska Climate Change Sub-Cabinet established by Administrative Order #238). The Sub-Cabinet's work is not yet done, and the Department requests funds in Air Quality for its completion. Currently, over one hundred Alaskans are serving on various advisory and technical committees providing recommendations to the Sub-Cabinet. The draft strategy is scheduled to be available in late 2009 for public comment before submission to the Governor for approval. The requested funding would pay for contractual costs for preparing final recommendations, public meeting participation costs, advisor travel costs, and a small amount for commodities and personal services. The subcommittee may wish to consider classifying the increment as a one-time item.
- 2. Oversight of Activities Associated with Increased Mining Activity: \$145.0 Inter-Agency Receipts.** Because mining activities have increased during the last few years, the Division of Water requests funding to provide additional oversight by adding one permanent, full-time Environmental Engineer position (as well as funding for part-time positions) to work with federal agencies to complete a viable and protective mine permitting framework. The receipts come from existing Department of Natural Resources funds within the Large Project Permitting allocation, Resource Development appropriation.
- 3. Continuation of Ocean Ranger Program: \$4.0 million Ocean Ranger Funds.** The 2008 Legislature approved \$4.0 million and implemented a new FY09 fund source code to track expenditures for the Ocean Ranger program and other oversight measures as called for by a ballot initiative passed in August 2006. The

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

FY2010 Governor's request continues funding for this program. During the 2008 cruise ship season, the Department implemented a full Ocean Ranger program on large cruise ships. Ocean Rangers rode approximately 89% of voyages while a ship was in Alaskan waters. The other vessel voyages were covered using in-port inspections. The \$4.0 million annual cost of the program equals the Department's estimate of fees that will be collected from a \$4 per berth tax imposed to provide funds for the State to hire or retain Coast Guard licensed marine engineers (Ocean Rangers) to observe health, safety, and wastewater treatment and discharge operations.

ORGANIZATIONAL CHANGES

There are no significant changes requested.

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Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Fish and Game				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$54,916.9			
FY09 Fiscal Notes	59.8			
CarryForward	-			
Special Appropriations	-			
Agency Transfers (excludes fuel/utility & gasoline)	2,899.9			
09 Contractual Salary Adjustments	1.4			
09 Salary Fund Changes	-			
Misc Adjustments	-			
Vetoed	-			
FY09 Revised Management Plan (GF only)	\$57,878.0	\$2,961.1	5.4%	
One-time Items removed	(2,306.7)			
Transfers between Agencies (nets zero statewide)	-			
FY10 Contractual Salary and Health Increases	642.8			
Misc Adjustments	-			
FY10 Adjusted Base Budget (GF only)	\$56,214.1	(\$1,663.9)	-2.9%	
FY 10 Unrealizable Salary Fund Source Changes	708.6			5
FY 10 Governor's GF Increments/Decrements/Fund Changes	1,803.7			
FY 10 Governor's Request (GF only)	\$58,726.4	\$2,512.3	4.5%	
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$1,803.7	
AYK Region Fisheries Mgmt.	5,421.2	5,501.2	80.0	3
Westward Region Fisheries Mgmt.	6,692.4	7,486.1	793.7	2
Wildlife Conservation Special Projects	912.9	1,842.9	930.0	1
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	55,114.5	54,612.5	(502.0)	
Other funds (all allocations)	67,181.1	66,920.1	(261.0)	4
Total Non-General Funds (all allocations)	\$122,295.6	\$121,532.6	(\$763.0)	
Position Changes (From FY09 Management Plan to Gov)	1,739	1,739	0	
PFT	910	910	-	
PPT	767	767	-	
Temp	62	62	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	2,455.0	22,000.0	24,455.0	
Maintenance, Renovation, and Repairs	1,850.0	-	1,850.0	
Remodel and Reconstruction	-	-	-	
New Construction and Land Acquisition	775.0	2,325.0	3,100.0	
Equipment and Materials	-	-	-	
Information Systems and Technology	763.0	-	763.0	
Other	750.0	-	750.0	
TOTAL CAPITAL	\$6,593.0	\$24,325.0	\$30,918.0	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Fish and Game

The Department of Fish and Game (ADF&G) is charged with protecting and improving the fish, game, and aquatic plant resources of the state, and managing their use and development in the best interests of the economy and the people of the state, consistent with the sustained yield principle.

Core Services:

- Provide opportunity to utilize fish and wildlife resources;
- Ensure sustainable and harvestable surplus of fish and wildlife resources;
- Provide information to all customers;
- Involve the public in management of fish and wildlife resources; and
- Protect the state's sovereignty to manage fish and wildlife resources.

Goals:

- Optimize habitats and economic benefits from fish and wildlife resources;
- Optimize public participation in fish and wildlife pursuits; and
- Increase public knowledge and confidence about management of fish and wildlife.

SIGNIFICANT ISSUES

The FY2010 Department of Fish & Game general fund operating budget submitted by the Governor is \$848.4 above the FY09 Revised Management Plan (which excludes fuel/utility and gasline one-time funding of \$227.8). The Governor's net GF change from Adjusted Base is \$2,512.3 comprised of salary fund source changes and a limited number of increments described in the numbered paragraphs below.

The Department of Fish and Game's request for FY2010 does not indicate any significant policy changes. The following are noteworthy items reflected in the budget request:

Use of Loan Funds. The Department of Commerce, Community, and Economic Development remains concerned about the long-term health of the Commercial Fisheries Revolving Loan Fund (CFRLF), which the Department of Fish and Game has used as a funding source for several years. Because loan interest rates are linked to the prime rate, and prime rate has fallen to an all-time low, fund income is in decline. Continuing to withdraw money from the loan fund for purposes not related to lending will eventually limit the ability to make loans. Subcommittees may wish to replace \$1.3 million of CFRLF receipts used by the Department of Fish and Game with general funds. However, it should be noted that the CFRLF will receive no less than \$10 million in direct payments from assignments of Exxon Valdez Oil Spill (EVOS) settlements in FY2011. Subcommittees may wish to examine use of Commercial Fisheries Entry Commission receipts as well.

Federal Funding Issues. For the past four fiscal years, the Department has budgeted federal receipts in excess of actual revenue by an average of \$10.7 million per year. The Department states it is making efforts to reduce surplus federal authority for FY2010. The Governor's budget contains decrements that cut surplus federal funding authority by \$572.0. Subcommittees may wish to request the Department to further reduce surplus federal authority.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

The following notes correspond to the numbers in the last column of the preceding spreadsheet:

1. **Wildlife Conservation (W.C.) Special Projects: \$930.0 GF.** In FY09, the legislature made a one-time appropriation of \$1,180.0 GF for Pinniped Research (stellar sea lion, harbor seal, ice seals). The Department now requests that a portion of this funding be continued in FY2010. The ADF&G marine mammal program hopes to continue the research and data collection project, which the Department states has provided critical information on commercial fisheries, predation, oil and gas activities, and environmental variability as well as marine mammal populations protected under the Endangered Species Act (ESA).
2. **Commercial Fisheries, Westward Region Fisheries Mgmt.: \$793.7 GF.** This general fund increment replaces a portion of a \$1,043.7 one-time amount added in FY09 to support the Bering Sea crab research program. The Department states this funding is needed so the division can continue to provide supervision and perform data collection and analyses needed for abundance-based management of commercial king and Tanner crab stocks throughout the Bering Sea and Aleutian Islands area.
3. **Commercial Fisheries, AYK Region Fisheries: Mgmt.: \$80.0 GF.** The Department is requesting GF to replace lost federal receipts that had been part of the funding for two subsistence programs in the AYK Region through the Office of Subsistence Management.
4. **Increased Specific Capital Receipt Authority from Pacific Coastal Salmon Recovery Fund (PCSRF) Program to fund CIP Position Costs in Commercial Fisheries Special Projects: 600.0 CIP.** The Division of Commercial Fisheries has additional PCSRF projects that will be funded in the FY10 budget which will require an additional \$600.0 of CIP receipt authority to fund positions in the Special Projects Component.
5. **Fund Source Changes.** The Department is seeking \$708.6 GF as fund source changes for Salary Adjustments. Subcommittees may wish to examine these fund source changes carefully to ensure that the funds being replaced with general funds are truly unavailable. Please see *Fund Source Changes for Salary Adjustments* on page 18 for further discussion of this issue.

ORGANIZATIONAL CHANGES

The Office of Habitat Management and Permitting (OHMP) of the Alaska Department of Natural Resources became the Division of Habitat, a part of the Alaska Department of Fish and Game, effective July 1, 2008, as a result of Executive Order 114. As part of this reorganization, special area planning, permitting functions, and staff, became part of the Division of Habitat, and offices have physically relocated.

CAPITAL REQUEST

The Department of Fish and Game's capital budget is primarily comprised of the following larger projects:

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

- **Pacific Coastal Salmon Recovery Fund: \$22.0 million Federal Receipts.** Federal fiscal year 2009 (FFY09) appropriations legislation contains funding for the Pacific Coastal Salmon Recovery Fund (PCSRF). The Alaska portion of the federal appropriation is estimated to be up to \$22.0 million. Funding comes to the state through a Memorandum of Understanding with the U.S. Department of Commerce designating the Alaska Department of Fish and Game as the program manager. This program seeks to maintain salmon populations for sustainability.
- **Genetic Analysis: \$1.5 million GF.** This project proposes to continue the use of genetic stock identification to identify the stock composition of western Alaska chum and sockeye salmon fisheries. Upon completion, ADF&G and the stakeholders will have unprecedented information on the numbers and distribution in space and time of the various stocks of AYK (Alaska Yukon Kuskokwim) salmon to allow improved estimation of productivity and fishery impacts on a stock-specific basis.
- **Hazardous Site Cleanup: \$750.0 GF.** The Department of Fish and Game has identified several sites across the state that have known, or suspected, hazardous substances contained at the location. This project provides funds to contract for hazardous substances/contamination site assessments and cleanup designs, and (pending funding) follow up with the actual site cleanup contracts. The funds would be allocated approximately as follows: Glennallen \$250,000, Kodiak \$250,000, and other smaller ADF&G facilities across the state \$250,000.
- **Annual Maintenance and Repair: \$1.1 million GF.** This request provides for repair, maintenance and renovation of department facilities statewide and vessel and aircraft repair and maintenance. This is an annual ongoing request.
- **Wildlife Conservation Response Team: \$750.0 GF.** This project adds teams of trained wildlife technicians to take responsibility for the public education, proactive enforcement, and incidence responses regarding the increased interactions with wildlife in populated areas of the state. A Wildlife Conservation Response Team will be piloted for Anchorage, Kenai/Soldotna, Palmer, and Southeast communities beginning during the spring of 2010. The goal of the team is to save wildlife and work with the public to reduce inappropriate behaviors and practices that serve to entice wildlife into populated areas.
- **Sport Fish Recreational Access: \$3.1 million (\$2.3 million federal funds & \$775.0 Fish/Game Funds).** This annual request authorizes the Division of Sport Fish to continue to construct and upgrade boating and sport fish access facilities statewide from funds comprised of 75% federal assistance and 25% Fish and Game Fund state match. Projects include: boat launches, mooring floats, parking lots, restrooms, fish cleaning facilities, and other services for recreational boaters.

The remainder of ADF&G's request is in seven projects totaling \$791.0 in the areas of software development, salmon assessment, and interagency cooperation resources.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Office of the Governor				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$73,805.1			
FY09 Fiscal Notes	92.3			
Carry Forward	2,769.8			
Special Appropriations	10.0			
Agency Transfers (excludes fuel/utility & gasoline)				
09 Contractual Salary Adjustments	-			
09 Salary Fund Changes	-			
Misc Adjustments	-			
Vetoes	(5.0)			
FY09 Revised Management Plan (GF only)	\$76,672.2	\$2,867.1	3.9%	
One-time Items removed	(57,083.5)			2, 4
Transfers between Agencies (nets zero statewide)	-			
FY10 Contractual Salary and Health Increases	416.6			
Misc Adjustments	-			
FY10 Adjusted Base Budget (GF only)	\$20,005.3	(\$56,666.9)	-73.9%	
FY 10 Unrealizable Salary Fund Source Changes	3.7			
FY 10 Governor's GF Increments/Decrements/Fund Changes	27,742.6			
FY10 Governor's Request (GF only)	\$47,751.6	\$27,746.3	138.7%	
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$27,742.6	
Human Rights Commission	1,743.5	1,918.5	175.0	1
Redistricting Planning Commission	-	1,000.0	1,000.0	3
Executive Office	9,745.3	11,091.6	1,346.3	1
Governors House	378.9	478.9	100.0	1
Contingency Fund	710.0	800.0	90.0	1
Lieutenant Governor	1,001.0	1,201.0	200.0	1
Facilities Rent	422.9	526.2	103.3	1
Leasing	447.2	532.6	85.4	1
Office of Management and Budget	2,333.5	2,560.0	226.5	1
Elections	3,226.7	3,642.8	416.1	1
Branch-wide Fuel	-	24,000.0	24,000.0	2
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	187.6	187.6	-	
Other funds (all allocations)	964.4	692.5	(271.9)	
Total Non-General Funds (all allocations)	\$1,152.0	\$880.1	(\$271.9)	
Position Changes (From FY09 Management Plan to Gov)	205	183	(22)	
PFT	160	160	-	
PPT	-	-	-	
Temp	45	23	(22)	4
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance, Renovation, and Repairs	-	-	-	
Remodel and Reconstruction	-	-	-	
New Construction and Land Acquisition	-	-	-	
Equipment and Materials	-	-	-	
Information Systems and Technology	11,320.9	864.3	12,185.2	
Other	-	-	-	
TOTAL CAPITAL	\$11,320.9	\$864.3	\$12,185.2	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Office of the Governor

The Governor's Office is responsible for the operation of the executive branch of Alaska State government, with fiscal and policy duties conferred by the Alaska Constitution and statutes.

SIGNIFICANT ISSUES

The Governor's Office request for FY2010 reveals no significant changes in policy.

The practices of placing branch-wide appropriations (fuel costs and gasline development) in the Governor's Office and removing one-time items from the base budget make year-to-year budget comparisons difficult. Note that the FY09 budget of \$76.7 million includes \$57 million that is not carried into the FY2010 base budget. The result is that comparing the FY2010 request with the FY09 budget shows a decrease of \$19 million, while comparing the request with the adjusted base shows an increase of \$27.7 million. A more meaningful comparison focuses only on the FY2010 base increments; these include \$2.7 million for various purposes (see the discussion of carryforward below) and \$1 million for redistricting.

The following notes correspond to the numbers in the last column of the preceding spreadsheet:

- 1. Use of Carryforward from FY08.** The Governor's Office has been permitted to carry forward unexpended operating appropriations for several years. Over \$2.7 million of Governor's Office general funds was carried forward into FY09. The Governor's Executive Contingency Fund is the allocation that has been used in recent years to record the annual carryforward appropriation, which has historically been used by the Governor's Office for operational and unanticipated expenditures. Carryforward is considered to be a one-time item and is backed-out of the budget each year.

Last year, legislative leadership suggested that the annual carryforward appropriation should be eliminated and that the FY2010 Governor's Office budget should reflect appropriate funding levels in all allocations. The Governor's budget request shows FY09 Executive Contingency funds (\$2.7 million) being carried forward into FY2010 and then transferred to various allocations within the Office of the Governor as follows:

Human Rights Commission	\$175.0
Executive Office	1,346.3
Governors House	100.0
Contingency Fund	90.0
Lieutenant Governor	200.0
Facilities Rent	103.3
Leasing	85.4
Office of Management and Budget	226.5
Elections	416.1

Because the carryforward appropriation lapses at the end of FY09, the \$2.7 million is not available for carryforward or transfer in FY2010. Legislative Finance replaced the

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Governor's transfers with increments in order to match the amounts appearing in the Governor's request. Subcommittees may wish to ask the Governor's Office to provide information regarding the purpose of each amount in the table above.

- 2. Special Fuel/Utility Cost Adjustment: \$24 million GF contingency funding.** Section 13 of the Governor's operating budget bill appropriates up to \$24 million (depending on the price of crude oil) to be distributed to agencies to cover increased fuel costs in FY2010.

An FY09 appropriation of \$44 million for increased fuel costs was distributed to agencies. The transfers were considered one-time items and were removed from agencies' FY2010 base budgets. The practice of including one-time branch-wide fuel appropriations in the Governor's Office budget inflates the apparent growth in the Governor's Office budget by \$24 million; money appropriated via the fuel trigger will be spent by other agencies.

Legislative Fiscal Analyst Comment: The maximum amount of the appropriation corresponds to an average oil price of \$60 per barrel. The table in section 13 is truncated before it reaches the projected FY2010 price of \$74 per barrel. For further discussion, see section 13 of the review of language provisions in the Governor's operating bill.

- 3. Redistricting Planning Committee: \$1,000.0 GF.** Chapter 4, SLA 1999 (now AS 15.10.300) established a Redistricting Planning Committee to make advance preparations for the Redistricting Board, which convenes in September of 2010. The Committee may obtain office space, staff and equipment, and procure a computerized system of data and maps for use by the Redistricting Board. This request kicks off the planning process for redistricting per the 2010 census.
- 4. Elections: \$3,670.8 GF Reduction.** The entire amount of the FY09 increment for general elections has been removed from the FY2010 budget. The reduction includes 29 temporary employees.

CAPITAL REQUEST

The Governor's Office capital budget contains several Information Technology projects that are to be allocated to various agencies. These projects are discussed in the reviews of the various agencies. The Governor's Office has no capital projects that apply to that Office.

ORGANIZATIONAL CHANGES

There are no structural changes, but several allocations no longer have funding. These include:

- the Statehood Celebration Commission,
- Arctic Wildlife Refuge, and
- Alaska Resources Marketing and Development.

In addition, \$200.0 GF for the State Energy Coordinator has been moved to the Alaska Energy Authority.

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Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Health and Social Services				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$903,387.5			
FY09 Fiscal Notes	(42.0)			
Carry Forward	-			
Special Appropriations	12,002.9			
Agency Transfers (excludes fuel/utility & gasoline)	-			
09 Contractual Salary Adjustments	78.0			
09 Salary Fund Changes	-			
Misc Adjustments	-			
Vetoed	-			
FY09 Revised Management Plan (GF only)	\$915,426.4	\$12,038.9	1.3%	
One-time Items removed	(17,610.6)			
Transfers between Agencies (nets zero statewide)	-			
FY10 Contractual Salary and Health Increases	4,447.2			
Misc Adjustments	-			
FY10 Adjusted Base Budget (GF only)	\$902,263.0	(\$13,163.4)	-1.4%	
FY 10 Unrealizable Salary Fund Source Changes	123.5			
FY 10 Governor's GF Increments/Decrements/Fund Changes	47,633.9			
FY10 Governor's Request (GF only)	\$950,020.4	\$47,757.4	5.3%	
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$47,633.9	
Behavioral Health Grants	9,114.0	13,608.2	4,494.2	1, 4
Services for Severely Emotionally Disturbed Youth	9,445.2	11,645.2	2,200.0	7
Front Line Social Workers	24,644.8	29,155.7	4,510.9	2
Family Preservation	4,075.0	6,698.8	2,623.8	2, 5, 8
Subsidized Adoptions and Guardianship	10,192.3	12,153.1	1,960.8	5
Infant Learning Programs	5,167.4	7,182.3	2,014.9	5, 7
Adult Preventative Dental Medicaid Services	-	2,602.0	2,602.0	1
Child Care Benefits	8,918.9	12,224.3	3,305.4	6
Energy Assistance Program	3.6	5,003.6	5,000.0	3
Senior and Disabilities Medicaid Services	156,993.2	171,612.6	14,619.4	1
All Other Increments	673,832.1	678,134.6	4,302.5	
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	1,003,436.4	987,422.6	(16,013.8)	1, 2, 8
Other funds (all allocations)	164,599.6	163,893.6	(706.0)	
Total Non-General Funds (all allocations)	\$1,168,036.0	\$1,151,316.2	(\$16,719.8)	
Position Changes (From FY09 Management Plan to Gov)	3,641	3,671	30	
PFT	3,436	3,465	29	
PPT	94	95	1	
Temp	111	111	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance, Renovation, and Repairs	4,750.0	203.9	4,953.9	
Remodel and Reconstruction	10,550.0	-	10,550.0	
New Construction and Land Acquisition	2,200.0	-	2,200.0	
Equipment and Materials	1,974.3	540.8	2,515.1	
Information Systems and Technology	820.2	215.2	1,035.4	
Other	-	-	-	
TOTAL CAPITAL	\$20,294.5	\$959.8	\$21,254.3	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Health and Social Services

The Department of Health and Social Services (DHSS) promotes and protects the health and well-being of Alaskans through the following core services:

- providing the highest quality of life in a safe home environment for older Alaskans and veterans;
- providing an integrated and comprehensive behavioral health system based on sound policy, effective practices, and open partnerships;
- promoting stronger families, and safer children;
- managing health care coverage for Alaskans in need;
- holding juvenile offenders accountable for their behavior, promoting the safety and restoration of victims and communities, and assisting offenders and their families in developing skills to prevent crime;
- promoting self-sufficiency and providing basic living expenses to Alaskans in need;
- protecting and promoting the health of Alaskans;
- promoting independence of Alaska seniors and people with physical and developmental disabilities; and
- providing quality administrative services supporting the Department's mission.

SIGNIFICANT ISSUES

The FY2010 Department of Health and Social Services general fund operating budget as submitted by the Governor is \$34.6 million above the FY09 Revised Management Plan (which excludes fuel/utility and gasoline one-time funding of \$1,760.0). The Governor's net GF change from Adjusted Base is \$47.8 million. This is the smallest increase requested since FY2005.

The Department is targeting five program areas in meeting their theme of, "helping individuals and families create safe and healthy communities." The targeted areas include:

1. Substance Abuse;
2. Health and Wellness;
3. Health Care Reform;
4. Long-Term Care Programs; and
5. Protecting Vulnerable Alaskans.

The largest general fund cost increases in the Governor's FY2010 budget are for the following:

- Medicaid costs—\$35.5 million, with reductions of \$21.2 million, for a net increase of \$14.3 million for Medicaid;
- Children's Services programs and Child Care programs—\$7.1 million;
- Alaska Heating Assistance Program—\$5.0 million; and
- Substance Abuse and Mental Health programs—\$4.5 million GF.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Some requested increases in general funds are attributable to decreases in federal receipts (resulting in the need for general funds to replace federal funds in order to maintain service levels):

- Temporary Assistance for Needy Families (TANF)—the estimated FY2010 cost to continue assisting families with children is \$5.1 million GF; and
- Child Advocacy Centers (including the cost of establishing two new centers)—the estimated FY2010 cost is \$1.1 million GF.

Significant increases in the Governor's budget are discussed below. The following notes correspond to the numbers in the last column of the preceding spreadsheet:

1. Medicaid Increments: \$35.5 million GF. Medicaid-related increases appear in the Behavioral Health, Adult Preventative Dental Medicaid Services, Health Care Services, and Senior/Disabilities Medicaid appropriations. Increases in Medicaid programs are attributable to the additional capacity expected as a result of the completion of new facilities and to proposed increases in provider reimbursement rates. Additional funding requests include the re-enrollment and updating of provider information in the Department's current Medicaid information system (required by the Federal Centers for Medicare and Medicaid Services), and adding new positions for performing eligibility assessments for Medicaid recipients.

The Department's request includes the following reductions, which give a net overall Medicaid increase of \$14.3 million:

- Cost containment measures and reduced Medicaid authorizations (\$13.5 million). Reductions in this year's budget are due to expanding the use of a Preferred Drug List, requiring prior authorization for certain medical services, and the continued use of the supplemental rebate program; and
- FFY2010 Federal Medical Assistance Percentage (FMAP) rate increase of 0.9 percentage point (\$7.7 million). The rate change reduces GF and increases federal funds in the Behavioral Health, Children's Services, Health Care Services, and the Senior and Disabilities Services appropriations. The rate change affects three-quarters of state FY2010.

The federal fund reimbursement rate is set by the Centers for Medicare and Medicaid and is outside the control of state government. The FMAP rate is based on the state's national rank of per capita personal income but can be no less than 50%. The amount of federal funds the state receives for its Medicaid program depends on a complex array of reimbursement rates, some of which change each October 1st with the start of a new federal fiscal year.

This is the first FMAP rate increase since FFY2004. During the period from FFY2004 through FFY2009, the FMAP rate (which is the percentage of program expenses reimbursed by the federal government) decreased by 10.81 percentage points, which shifted a larger share of increasing health care costs to the state.

The FMAP rate change also affects the State Children's Health Insurance Program (SCHIP) and the Breast and Cervical Cancer program (BCC), both of which are part of Alaska's Medicaid program. Eligible claims for SCHIP and BCC are reimbursed at an enhanced FMAP rate which reduces the state share of costs by 30% over the regular FMAP.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Legislative Fiscal Analyst Comment: According to the "check write" information available on-line, the FY09 authorization may exceed Medicaid projections by as much as \$40 million. Subcommittees may wish to discuss Medicaid expenditure projections and whether further GF surpluses may exist in the FY2010 budget.

2. **Temporary Assistance for Needy Families (TANF): \$5.1 million**

GF. General funds are requested to replace lost federal receipts for the state's TANF program within the Children's Services Appropriation (Front Line Social Workers and Family Preservation allocations). The availability of TANF funding has diminished due to the effects of:

- elimination of TANF high performance bonuses (Alaska earned over \$12 million in four years) and limiting the extension of supplemental grants to states with high population growth through FFY2009 (Alaska's annual high population grant is about \$7 million);
- slower growth in the number of families on temporary assistance; and
- reductions in Alaska's annual TANF block grant as more Tribal TANF programs are established.

Under the welfare reform legislation of 1996 (the Personal Responsibility and Work Opportunity Reconciliation Act), TANF replaced the welfare program known as Aid to Families with Dependent Children (AFDC). The TANF block grant is designed and operated to accomplish:

- assisting needy families so that children can be cared for in their own homes;
- reducing the dependency of needy parents by promoting job preparation, work, and marriage;
- preventing out-of-wedlock pregnancies; and
- encouraging the formation and maintenance of two-parent families.

Alaska's temporary assistance program uses a "Work First" approach, which focuses on getting a job, then developing skills and work habits on the job in order to advance sufficiently to leave temporary assistance.

3. **Alaska Heating Assistance Program: \$5.0 million GF.** The requested GF would be added to the base operating budget of the Energy Assistance Program allocation to maintain services beyond FY09. Last year's enacted budget included \$10.0 million GF in one-time funding.

In FY09, the legislature appropriated \$10.0 million GF and established a state heating assistance program that extended the federal Low-Income Home Energy Assistance Program (LIHEAP). LIHEAP program eligibility is capped at 150% of the federal poverty level and benefit amounts are based on a point system that considers household size and income, fuel costs and the type of housing. The state program provides home heating assistance to households with income levels between 150% and 225% of the federal poverty guidelines for Alaska. The Department estimates that as many as 8,800 households could qualify for the program in FY2010.

4. **Substance Abuse Programs: \$4.5 million GF.** The increments requested provide funding in the Behavioral Health Grants allocation to various community based

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

grantees, the Palmer Mental Health Court participants, and the new Fairbanks Enhanced Detoxification Center. The funding would provide assessment and treatment of Alaskans with substance abuse and/or mental health illnesses. Increments include:

- \$1.8 million GF for hard-to-serve adults with severe and persistent mental health illnesses, substance abuse problems, as well as repeated hospitalization, incarceration, and homelessness. Funding would provide treatment capacity for nursing care, 24 hour/day case manager support, daily medication administration, residential dual diagnosis, and transportation to services;
- \$1.8 million GF for a 9% increase in statewide grant funding for substance abuse treatment services. The request would provide funding to agencies that are not able to bill Medicaid (due to Medicaid-related exclusions and non-eligible populations);
- \$500.0 GF to cover the costs for Alaskans who don't have Medicaid or private insurance coverage. The funding fills the gap (for the new Fairbanks Enhanced Detoxification Center) between total operating costs and the amount of revenue that can be generated from Medicaid and other third-party billings;
- \$419.2 GF for grant programs providing prevention and treatment services for substance abuse and mental health clients. The intent is to enhance community based models by recruiting and retaining a qualified workforce; and
- \$75.0 GF to continue treatment capacity for Therapeutic Court Participants with co-occurring disorders (mental health and substance abuse), and providing assessment and treatment services (Palmer Mental Health Court program).

5. Children's Services Grantee and Rate Increases: \$3.8 million GF.

The GF increments include both grantee cost-of-operating increases and provider rate increases within the Family Preservation, Subsidized Adoptions and Guardianship, Residential Child Care, and Infant Learning Program allocations.

- \$863.7 GF to address a 4.6% increase in grantee operating costs. According to the Department, without this increment, existing grant funds would need to be used to cover overhead costs, thereby reducing the services currently being provided to vulnerable Alaskans.
- \$1.4 million GF for adoption subsidies to foster care base rate levels. Subsidized adoption rates are negotiated using the foster care base rate as the cap. According to the Department, most rates are negotiated at about 85% of the foster care base rate. In FY09 the foster care base rate increased by 28.9%, which affects subsidized adoption rates negotiated since FY06.
- \$1.5 million GF increase for Early Intervention/Infant Learning Program (EI/ILP) provider rate increases. The intent of the funding is to adjust for inflation from 2003 for increases in therapy services, travel, fuel and personnel costs. The request is expected to recover up to 20 providers and one training coordinator. The EI/ILP program was not included in last year's provider rate increases.

In 2003, Congress reauthorized the Child Abuse and Prevention and Treatment Act (CAPTA). This required a referral for all children under the age of three with a substantiated report of abuse or neglect to the EI/ILP. Since 2003, EI/ILP has seen a 50% increase in referrals and a corresponding increase in children eligible for services. The federal reauthorization mandate did not include funding for the increase in referrals or services.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

6. Child Care Provider Rate Increases: \$3.3 million GF. This GF increase in the Child Care Benefits allocation is for adjusting the Child Care Provider Rates and grantee cost-of-operating increases for the Anchorage Bowl area. Increments include:

- \$3.0 million GF to increase Child Care Rates to bring the state subsidy rates closer to the 75th percentile, as recommended by the federal government. The rates are currently at the 50th percentile, according to the Department's 2007 Child Care Market Rate Survey. The Department plans to conduct another Child Care Market Rate Survey in March of 2009. The information will be used in conjunction with the Department's comprehensive rate study to develop standardized methodologies for calculating child care rates and recommendations for the FY2010 rate increase.

Legislative Fiscal Analyst Comment: The requested increment, as stated by the Department, is an estimate of the cost to bring the rates closer to the 75th percentile. However, the next scheduled Child Care Market Rate Study is not expected to be completed until March of 2009. The subcommittees may wish to explore postponing the increment request until the March 2009 Child Care Market Rate Study is completed and a more accurate figure is calculated.

- \$305.4 GF to maintain service levels and avoid service reductions for grantees in the Anchorage Bowl area. Eligibility determinations for Child Care Assistance, Child Care Resource and Referral services, and Child Care Licensing in the Anchorage Bowl are provided through community grantees. The inflation adjustment is estimated to be 4.6% in FY2010.

7. Youth Experiencing Serious Emotional Disturbances (SED): \$2.2 million GF. Increment requests within the Services for Severely Emotionally Disturbed Youth and Infant Learning Program allocations focus on reducing the need for more costly residential level services for youth experiencing serious emotional disturbances. General fund increments include the following:

- \$1.1 million to expand grant funding to Community Behavioral Health Centers for enhancing outpatient services using innovative programs and training. The emphasis will be for youth from birth to age six with Fetal Alcohol Syndrome;
- \$500.0 for continued care of youth experiencing SED who are not qualified under Medicaid or need non-Medicaid eligible services to stay at lower levels of care and avoid more costly Residential Psychiatric Treatment Centers (RPTC);
- \$400.0 to assist in establishing treatment services for SED children in rural areas and to support tribal expansion in the delivery of this health service; and
- \$200.0 to establish an early childhood mental health learning network, add a state coordinator, and provide grant funding for early childhood screening and intervention services at day care programs and Head Start programs to intervene early with youth at-risk of experiencing SED. The funding is part of the Bring-The-Kids Home Initiative in intervening early with youth at risk and avoiding placements in costly out-of-state RPTCs.

8. Support for Child Advocacy Centers (CAC): \$1.1 million GF. This request for \$1.1 million in general funds is to replace lost federal receipts to operate existing centers and support new centers in Homer and Glenallen.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

A federal grant from the United States Department of Justice, Office of Juvenile Justice and Delinquency Prevention, provided funding to establish Alaska's Child Care Advocacy Centers over the last five years. At the end of FY09, this federal funding will be exhausted. According to the Department's latest data, reports of child sexual abuse and physical abuse increased 7% from FY07 to FY08.

During the five-year period, Alaska established Child Advocacy Centers in Anchorage, Wasilla, Juneau, Bethel, Nome, Fairbanks, and Dillingham. Child Advocacy Centers provide services for child sexual abuse victims and severe physical abuse victims, ages 0 through 18, and their non-offending parents. This includes a safe, child-friendly place to interview and receive forensic medical examinations and mental health services or referrals. Each victim is assigned a specialized family advocate who will remain with the child and family throughout the investigative process.

ORGANIZATIONAL CHANGES

Behavioral Health Appropriation:

- **Alaska Psychiatric Institute Advisory Board:** In July of 2008, the Governor established the Alaska Psychiatric Institute Advisory Board (Administrative Order Number 241). The advisory board will provide advice and recommendations to the Department's commissioner for meeting the needs of the state and the institute's patients and their families.
- **Alaska Mental Health & Alcohol & Drug Abuse Boards:** According to a Department press release, the above entity will move from the Boards and Commissions appropriation to the Behavioral Health appropriation to more closely align the constituent groups represented by the board or commission.

Health Care Services Appropriation:

- **Health Facilities Survey:** The new allocation's core service is to have certification and licensing surveyors inspect health care facilities in the state to determine whether they meet state and federal standards, and investigate complaints made against care providers. The purpose of the inspection is to determine a care provider's ability to offer services that are safe and meet acceptable standards. The Health Facility Survey program was previously housed in the Certification and Licensing allocation in FY09.

Public Health Appropriation:

- **Preparedness Program:** This newly created allocation's focus will be on the coordination and management of public health and emergency medical disaster preparedness activities such as planning, training, exercises and resource development. The program will provide expertise and funding for public health and emergency medical disaster preparedness to the Municipality of Anchorage, Alaska Native Tribal Health Consortium, all Alaska hospitals, nursing homes and primary care clinics.

Senior and Disabilities Services:

- **Governor's Council on Disabilities and Special Education and the Alaska Commission on Aging:** According to a Department press release, the above entities

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

will move from the Boards and Commissions appropriation to the Senior and Disabilities appropriation to more closely align the constituent groups represented by the board or commission.

CAPITAL REQUEST

The agency's \$21.3 million capital budget includes the following:

- Phase 1 of 4 for renovating the Johnson Youth Center (\$9.5 million GF). This phase includes renovation and expansion of the detention unit, new medical suite, and new admissions and police entry areas. Phases 2 through 4 would occur in FY12 – FY14 and are expected to cost an additional \$8.1 million GF.
- The Johnson Youth Center is located in Juneau and is the State's fourth oldest facility. According to the Department's 2007 Assessment Study, threats to safety and security in this facility are a result of aging infrastructure, overcrowding, and an increase in behavioral health issues. The original structure is 50 years old and, according to the Department, needs safety and security issues addressed in order to expect positive results from the staff. Examples of deficiencies include antiquated door locking systems and design flaws that prevent adequate observation of the residents.

Section 10 of the Governor's capital budget appropriates \$11.7 million in Information Technology Projects to the Governor's Office. Four of these projects are allocated to the Department of Health and Social Services for \$2.2 million GF and \$838.7 Federal Receipts as follows:

- Personal Information Protection Data Encryption, \$736.3 GF/\$81.8 Federal Receipts;
- Health Insurance Portability and Accountability Act Compliance, \$668.7 GF/\$668.7 Federal Receipts;
- Disaster Recovery, \$368.2 GF/\$40.9 Federal Receipts/\$40.9 Federal Receipts; and
- Contract Management Automation System, \$425.5 GF/\$47.3 Federal Receipts.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Labor and Workforce Development				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$29,278.8			
FY09 Fiscal Notes	148.6			
Carry Forward	395.4			
Special Appropriations	-			
Agency Transfers (excludes fuel/utility & gasoline)	-			
09 Contractual Salary Adjustments	-			
09 Salary Fund Changes	-			
Misc Adjustments	-			
Vetoed	-			
FY09 Revised Management Plan (GF only)	\$29,822.8	\$544.0	1.9%	
One-time Items removed	(4,115.4)			
Transfers between Agencies (nets zero statewide)	-			
FY10 Contractual Salary and Health Increases	285.2			
Misc Adjustments	-			
FY10 Adjusted Base Budget (GF only)	\$25,992.6	(\$3,830.2)	-12.8%	
FY 10 Unrealizable Salary Fund Source Changes	308.6			
FY 10 Governor's GF Increments/Decrements/Fund Changes	4,699.8			
FY10 Governor's Request (GF only)	\$31,001.0	\$5,008.4	19.3%	
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$4,699.8	
Data Processing	501.1	526.1	25.0	
Labor Market Information	1,325.2	1,470.2	145.0	4
Occupational Safety & Health	22.8	12.6	(10.2)	7
Workforce Investment Board	5.1	135.1	130.0	5
Business Services	2,329.3	2,914.3	585.0	2
SW AK Voc Educ Ctr Ops Grant	-	195.0	195.0	3
Construction Academy Training	-	3,500.0	3,500.0	1
Client Services	4,127.1	4,257.1	130.0	6
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	86,594.7	85,751.6	(843.1)	
Other funds (all allocations)	57,363.2	58,432.5	1,069.3	
Total Non-General Funds (all allocations)	\$143,957.9	\$144,184.1	\$226.2	
Position Changes (From FY09 Management Plan to Gov)	962	963	1	
PFT	825	825	-	
PPT	114	115	1	
Temp	23	23	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance, Renovation, and Repairs	-	-	-	
Remodel and Reconstruction	1,500.0	-	1,500.0	
New Construction and Land Acquisition	32,000.0	-	32,000.0	
Equipment and Materials	2,310.5	-	2,310.5	
Information Systems and Technology	3,367.6	-	3,367.6	
Other	-	-	-	
TOTAL CAPITAL	\$39,178.1	\$0.0	\$39,178.1	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Labor and Workforce Development

The Department of Labor and Workforce Development (DOLWD) is responsible for providing safe and legal working conditions and advancing employment opportunities. It has also been charged with developing a statewide training program for an Alaskan workforce capable of managing, constructing, operating, and maintaining a gasline. To accomplish these goals the Department provides the following core services:

- Employment Assistance;
- Training and Education;
- Workforce and Economic Development;
- Injured Worker and Unemployment Compensation;
- Statutory and Regulatory Assistance and Enforcement; and
- Assistance to people with disabilities to obtain and maintain employment.

SIGNIFICANT ISSUES

The FY2010 Department of Labor and Workforce Development's general fund operating budget submitted by the Governor is \$1,178.2 more than the FY09 Revised Management Plan (which excludes fuel/utility and gasline one-time funding of \$963.6). The Governor's net GF change from Adjusted Base is an increase of \$5,008.4 million, which is comprised of salary fund source changes and the increments described in the numbered paragraphs below. The Department's request for FY2010 does not indicate any significant policy changes. The following notes correspond to the numbers in the last column of the preceding spreadsheet:

1. **Construction Academy Training: \$3,500.0 GF.** The Alaska Construction Academy received funding in the capital budget in FY07 and FY08, and in FY09 funding was moved to the operating budget. This request seeks to continue the appropriation that was received in FY09 as a one-time item. The Department states that an aging workforce and lack of available training opportunities for young Alaskans leave the construction, mining, transportation and energy industries with a significant shortage of skilled workers. The Department believes the shortage can be remedied in part through continuation of this program. The training takes place in existing facilities throughout the state.
2. **Workforce Development Business Services: \$585.0 GF: \$575.1 STEP Funds, & \$128.5 Votech Ed Funds.** A requested GF one-time increment of \$585.0 reestablishes one-time funds received in FY09 as part of the Department's Gasline Training Program. The increment is intended to provide:
 - Training to at least 70 apprentices at Regional Training Centers for gasline related occupations (\$180.1);
 - Funding for cooperative training agreements with business and industry for registered apprentices and on-the-job training for approximately 125 workers (\$321.7); and
 - Funding for Division of Business Partnerships staff assigned to assist in development of this project (\$83.2).

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

The Business Services Unit is also requesting base increments of State Training & Employment Program (STEP) (\$575.1) funds for training and Technical Vocational Education Program Receipts (TVEP) (\$128.5) funds for administrative functions.

3. **SW AK Vocational Education Center Ops Grant: \$195.0 GF.** The proposed Governor's budget seeks to reestablish one-time funds of \$195.0 GF, received in FY09, by Southwest Alaska Vocational and Education Center (SAVEC). The Department says these funds represent approximately one-quarter of the current SAVEC annual operating budget and that a loss of the funds would present SAVEC with significant challenges to continued operations and services. As submitted, the increment would be added to base budgets in future years.
4. **Labor Market Information, Gasline Training Program Guide: \$145.0 GF.** The Department requests continuation of a one-time FY09 appropriation for development of a web and print-based Alaska Training Program guide and for development and dissemination of regional employment data products. The guide is intended to identify training programs including Regional Training Centers, State Training Centers, University of Alaska, Registered Apprenticeships, the Pipeliner Training facility and associated career opportunities. The subcommittee may wish to inquire why the guide is not yet completed and to determine how much more time and money are needed to complete and maintain the Program Guide.
5. **Workforce Investment Board – AGIA Training Program: \$130.0 GF.** The Department seeks to continue a FY09 one-time appropriation as part of the Department's Gasline Training Program. These funds will support an existing Education Specialist II position and associated costs. The Education Specialist will serve as the education skills coordinator for the Department of Labor and Workforce Development, to implement vocational education strategies contained in the Department's Gasline Training Strategic Plan. The Department requests that the increment be added to base budgets in future years.
6. **Client Services, Voc Rehab Lease Cost Increase: \$130.0 GF.** The University of Alaska chose not to renew the lease for the space occupied by the Vocational Rehabilitation Office on University Lake Drive in Anchorage. That lease expires February 28, 2009. An agreement for new space was reached with the Municipality of Anchorage. However, the new space will cost \$387,000 per year as compared to \$257,000 for the space being vacated. Without this additional \$130.0 GF funding, the Department states it may need to layoff a counselor, serving approximately 115 individuals, to pay the additional lease amount.
7. **Workers' Compensation Fund Change, (\$10.2) GF, Occupational Safety and Health, Mech. Inspection Program Fund Change: \$294.5 Workers' Safety Account (WSA).** The Department is proposing a change to the funding source for a portion of the elevator, boiler/pressure vessel, electrical and plumbing inspections. This change is dependent on approval of a requested \$294.5 increase to WSA funding in the OSH component. Inspections are currently fee-supported, but revenue is not sufficient to cover all program and training costs. Nearly all mechanical inspections provide a significant degree of workplace safety. Consequently, the Department proposes to fund a portion of all inspection costs from the Workers' Safety Account instead of from the Building Safety Account. The statutory authority for WSA funding is maintained by the Occupational Safety and Health (OSH) component.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Through a reimbursable services agreement, OSH will contract with Mechanical Inspection to provide these inspections in places of employment.

ORGANIZATIONAL CHANGES

The Construction Academy Training was a separate appropriation in FY09. The FY2010 proposed structure makes it an allocation under the Workforce Development appropriation. Subcommittees may wish to consider retaining this program as a separate appropriation.

CAPITAL REQUEST

The Department of Labor and Workforce Development's capital budget totals \$39.2 million, of which \$36.1 is GF. These projects are:

- **AVTEC Dormitory Replacement: \$20 million Alaska Housing Capital Corporation (AHCC) funds.** The Department requests these funds for replacement of an existing 120-bed facility that has several Americans with Disabilities Act (ADA) code and life-and-safety-deficiencies. The new facility will be fully accessible and reflect the current style dorm preferred by prospective students and will have handicap access.

Legislative Fiscal Analyst Comment: The AHCC fund source is classified as GF in Legislative Finance Division's view of the budget. The Governor classifies these receipts as "Other" Funds, leading to a discrepancy in how the capital project is classified.

- **AVTEC Heavy Equipment Shop and Pipe Welding Program: \$12.0 million AHCC funds.** The Department seeks funding to add a 16,000 square foot steel fabricated building to AVTEC's Applied Tech campus to house the Heavy Equipment and Diesel programs. The Heavy Equipment program relocation will facilitate the demolition of the existing building which has Americans with Disabilities Act (ADA) code and life-and-safety deficiencies.
- **Fairbanks Pipeline Training Center: \$2.3 million AHCC funds.** The Department requests equipment funding for the Fairbanks Pipeline Training Center. With this additional equipment, the center will have the capacity to train up to 200 students per year initially, increasing to 400 per year during the peak construction phase of the natural gas pipeline.
- **AVTEC Deferred Maintenance and Expansion: \$1.5 million GF.** This funding is requested for deferred maintenance in order to obtain materials and equipment for ongoing work performed by AVTEC's maintenance staff, or contractors, especially in the Industrial Electric training facility. Ability to take care of deferred maintenance allows AVTEC to provide safe environments for AVTEC students receiving training for future employment in Alaska.
- **Social Security and Employment Data Interface: \$275.4 GF.** Funds are requested for the Division of Vocational Rehabilitation to create an electronic interface between the Division's management information system, the Social Security Administration's (SSA) beneficiary database housed in the Department of Health and Social Services and the unemployment insurance database in the Department of Labor and Workforce Development. The interface is needed to process state reimbursement

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

claims under SSA's Ticket to Work program and to help clients become more economically self-sufficient.

- **WC Computer Application/Platform Upgrade: \$3.1 million Workers Safety funds.** The Workers' Compensation system, at the direction of the Department of Administration, needs to be upgraded to the ".Net" programming application because the old platform "VB6" will no longer be supported by Microsoft. The upgrade appears essential to the program's continued efficient functioning.

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Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Law				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$51,053.4			
FY09 Fiscal Notes	428.8			
Carry Forward	700.0			
Special Appropriations	-			
Agency Transfers (excludes fuel/utility & gasoline)	-			
09 Contractual Salary Adjustments	-			
09 Salary Fund Changes	-			
Misc Adjustments	-			
Vetoed	(142.9)			
FY09 Revised Management Plan (GF only)	\$52,039.3	\$985.9	1.9%	
One-time Items removed	(8,400.0)			
Transfers between Agencies (nets zero statewide)	-			
FY10 Contractual Salary and Health Increases	1,381.8			
Misc Adjustments	-			
FY10 Adjusted Base Budget (GF only)	\$45,021.1	(\$7,018.2)	-13.5%	
FY 10 Unrealizable Salary Fund Source Changes	16.3			
FY 10 Governor's GF Increments/Decrements/Fund Changes	7,136.9			
FY10 Governor's Request (GF only)	\$52,174.3	\$7,153.2	15.9%	
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$7,136.9	
Third Judicial District: Anchorage	6,370.1	6,721.3	351.2	2
Deputy Attorney General's Office	508.6	748.1	239.5	2
Oil, Gas and Mining	3,443.2	9,802.4	6,359.2	1
Statehood Defense	879.8	1,066.8	187.0	3
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	3,233.7	3,233.7	-	
Other funds (all allocations)	24,715.0	25,064.4	349.4	
Total Non-General Funds (all allocations)	\$27,948.7	\$28,298.1	\$349.4	
Position Changes (From FY09 Management Plan to Gov)	559	559	0	
PFT	551	552	1	
PPT	8	7	(1)	
Temp	-	-	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance, Renovation, and Repairs	-	-	-	
Remodel and Reconstruction	-	-	-	
New Construction and Land Acquisition	-	-	-	
Equipment and Materials	-	-	-	
Information Systems and Technology	-	-	-	
Other	-	-	-	
TOTAL CAPITAL	\$0.0	\$0.0	\$0.0	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Law

The mission of the Department of Law is to provide legal services to state government and to prosecute crime. The Department represents the state in:

- prosecuting violators of state criminal laws;
- representing the state in legal actions;
- providing legal services in the resolution of tax and royalty disputes;
- providing consumer protection;
- providing legal services for extraordinary proceedings such as oil and gas litigation; and
- advising state agencies in areas of legal concern, including promulgating regulations and drafting legislation.

The Criminal Division protects the public by prosecuting all violations of state criminal law committed by adults and juveniles, and by placing them under appropriate controls. The Civil Division serves the interest of Alaska's citizens by providing legal counsel to the executive branch in all civil actions. The Administrative Services Division provides the core administrative services that are essential to the day-to-day operation of the Department and to managing the resources of the Department.

SIGNIFICANT ISSUES

The FY2010 Department of Law GF operating budget as submitted by the Governor is \$135.0 above the FY09 Revised Management Plan (which excludes fuel/utility & gasline one-time funding of \$3.5 million). The Governor's net GF change from Adjusted Base is \$7,153.2, which is comprised primarily of increments in the Oil, Gas and Mining appropriation.

The following notes correspond to the numbers in the last column of the preceding spreadsheet:

1. Oil, Gas and Mining: \$6,359.2 GF. The Department is requesting funds in order to continue to play a role in the Governor's top priority project (the construction of a gas pipeline and bringing natural gas to market). Additionally, the Department has a number of other major projects underway that will continue to require outside counsel and experts beyond the funding included in the Department's base budget.

- **\$5,109.2 GF** added to the base budget for ongoing oil and non-gas pipeline matters including Pt. Thomson Litigation, proceedings before the Federal Energy Regulatory Commission, TransAlaska Pipeline Service tariff issues, and two major corporate income tax matters.
- **\$1,250.0 GF** one-time increment to assist the Department in the preparation of legislation and implementation of a comprehensive plan to commercialize North Slope gas.

In FY09, the Department received \$3.0 million dollars for "Gas Pipeline and Other Oil & Gas Projects" as one-time funding as well as \$3.5 million dollars through an Oil and Gas Development transfer from the Governor's Office. Subcommittees may wish to ask the following questions of the Department:

- How were the one-time increments (totaling \$6.5 million) in FY09 broken out between gasline and non-gasline work?

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

- When does the agency anticipate resolution to the litigation issues mentioned in this request (i.e. Pt. Thomson)? Should the \$5.1 million be added to the base budget?
2. **Lease Costs: \$590.7 GF.** Additional funding is requested to cover increased lease costs, the largest factors of which are the Whale and Brady buildings in Anchorage. Lease expenses are expected to rise 34% between FY08 and FY2010, primarily due to higher rates per square foot.
 - **\$351.2 GF:** Third Judicial District: Anchorage
 - **\$239.5 GF:** Deputy Attorney General's Office
 3. **Statehood Defense: \$187.0 GF.** In FY08 the Department of Law reduced its general fund budget for Statehood Defense by \$167.0. The reduction had no operational impact because an FY04 reappropriation of \$350.0 (lapsing balance from the legislature) was available for statehood defense. The reappropriation was a multi-year appropriation with a lapse date of FY09, and none of the available funding was spent through FY07. The Department is seeking general funds in the FY2010 budget to cover the costs of an attorney assigned to statehood defense issues. The increment would be included in the base budget in future years. The subcommittee may wish to ask for an explanation of statehood defense issues, with focus on whether this increment should be added to the base budget or be identified as an increment tied to a specific project with an end date in sight.

ORGANIZATIONAL CHANGES

There are no significant changes requested.

CAPITAL REQUEST

The Department of Law has no capital projects for FY2010.

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Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Military and Veterans Affairs				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$11,312.6			
<i>FY09 Fiscal Notes</i>	-			
<i>CarryForward</i>	-			
<i>Special Appropriations</i>	-			
<i>Agency Transfers (excludes fuel/utility & gasoline)</i>	-			
<i>09 Contractual Salary Adjustments</i>	15.8			
<i>09 Salary Fund Changes</i>	-			
<i>Misc Adjustments</i>	-			
<i>Vetoed</i>	-			
FY09 Revised Management Plan (GF only)	\$11,328.4	\$15.8	0.1%	
<i>One-time Items removed</i>	-			
<i>Transfers between Agencies (nets zero statewide)</i>	(328.5)			
<i>FY10 Contractual Salary and Health Increases</i>	97.0			
<i>Misc Adjustments</i>	-			
FY10 Adjusted Base Budget (GF only)	\$11,096.9	(\$231.5)	-2.0%	
<i>FY 10 Unrealizable Salary Fund Source Changes</i>	-			
<i>FY 10 Governor's GF Increments/Decrements/Fund Changes</i>	180.0			
FY10 Governor's Request (GF only)	\$11,276.9	\$180.0	1.6%	
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$180.0	
Veterans' Services	987.6	1,037.6	50.0	2
Retirement Benefits	750.8	880.8	130.0	1
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	21,435.3	21,935.3	500.0	4
Other funds (all allocations)	12,832.7	13,017.9	185.2	3
Total Non-General Funds (all allocations)	\$34,268.0	\$34,953.2	\$685.2	
Position Changes (From FY09 Management Plan to Gov)	286	286	0	
PFT	283	283	-	
PPT	2	2	-	
Temp	1	1	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	250.0	-	250.0	
Maintenance, Renovation, and Repairs	1,750.0	1,750.0	3,500.0	
Remodel and Reconstruction	-	-	-	
New Construction and Land Acquisition	-	-	-	
Equipment and Materials	-	-	-	
Information Systems and Technology	-	-	-	
Other	50.0	9,600.0	9,650.0	
TOTAL CAPITAL	\$2,050.0	\$11,350.0	\$13,400.0	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Military and Veterans Affairs

The mission of the Department of Military and Veterans Affairs (DMVA) is to provide military forces to accomplish military missions in the state or around the world; provide homeland security and defense; emergency response; veterans' services; and youth military training and education. The Department accomplishes this mission by providing core services for the following:

- Alaska National Guard Joint Forces Headquarters;
- National Guard Support;
- Homeland Security and Emergency Services Management & Coordination;
- Alaska Statewide Emergency Communications (IT);
- Veterans' Services;
- Alaska Military Youth Academy;
- Administrative Services Support; and
- Special Operations.

SIGNIFICANT ISSUES

The FY2010 Department of Military and Veterans Affairs GF operating budget as submitted by the Governor is \$51.5 below the FY09 Revised Management Plan (which excludes fuel/utility & gasline one-time funding of \$960.1). The Governor's net GF change from Adjusted Base is \$180.0.

The following notes correspond to the numbers in the last column of the preceding spreadsheet:

- 1. National Guard Retirement Normal Cost Administrative Fees: \$130.0 GF.** As with other state retirement plans, employer contributions to the Alaska National Guard and Naval Militia Retirement System (NGNMRS) are identified as "normal" costs (the cost of future benefits for current employees) and "unfunded liability" (the cost associated with bringing the fund balance to the actuarially recommended level). DMVA pays the normal costs of the system while the state makes direct contributions to the retirement fund to pay down the unfunded liability.

For FY2010, the Alaska Retirement Management (ARM) Board recommends the same amount of contributions made in FY09, with the addition of a \$130.0 GF "expense load" that is equal to a two-year average of the administrative costs incurred by the Department of Administration. In the past, normal contributions did not include administrative costs.

Legislative Fiscal Analyst Comment: During the last session, the legislature appropriated \$10 million to pay off the unfunded liability of the NGNMRS. Although this payment permits the state to eliminate direct payments to the retirement fund, the ARM Board recommends that the state make the same direct contribution (\$1,722.5) that was made in FY09. While the recommendation may fail to account for the \$10 million contribution, the legislature may wish to make the recommended contribution in order to offset investment losses.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

2. **Expand Outreach to Veterans: \$50.0 GF.** These funds will be used to expand the information delivery system on issues pertaining to veterans' benefits and eligibility criteria in order to ensure that Alaskan veterans are receiving benefits to which they are entitled.
3. **Alaska Military Youth Academy formula: \$185.2 I/A Receipts.** The Alaska Military Youth Academy (AMYA) ChalleNGe program is a military school program for at-risk youth. The program is funded by a formula set in statute (AS 14.30.740), with general funds appropriated to the Department of Education and Early Development (DEED) and transferred to AMYA.

The formula was originally designed to produce a specific dollar amount at a specific point in time. It provides seven times the base student allocation (BSA set forth by the Department of Education and Early Development) for each AMYA ChalleNGe program residential student.

In FY2010, the BSA increased \$100 dollars per student (to \$5,580) which brings the Department's FY2010 request to \$6.4 million (\$185.2 more than the amount appropriated in FY09).

Legislative Fiscal Analyst Comment: Subcommittees may wish to discuss plans for future enrollment and estimates of operating costs at various student counts. The legislature may wish to consider a direct appropriation to DMVA as DEED has no legal responsibility for the AMYA and, therefore, should not act as a pass-through agency.

4. **Army Guard Facilities Maintenance: \$500.0 Federal Receipts.** The Department is requesting additional federal authorization for ongoing operating maintenance costs such as snow removal, utilities, general day-to-day maintenance, etc. The federal fund increase reflects the anticipated amount of receipts for army guard facilities eligible for 100% funding from the National Guard Bureau. The Department does not have adequate operating federal authorization to utilize these available funds to meet costs.

ORGANIZATIONAL CHANGES

There are no significant changes requested.

CAPITAL REQUEST

A few of the larger projects included in the Governor's \$13.4 million capital request for the Department of Military and Veterans Affairs are:

- **State Homeland Security Grant Program: \$9.5 million Federal Receipts.** The 100% federally funded State Homeland Security grant program is annually awarded by the U.S. Department of Homeland Security. Programs include homeland security planning, equipment, training, and exercises to support local first responders, private sector critical infrastructure and state preparedness. This funding has been requested to assist in life-safety citizen preparedness.
- **Army Guard Facilities Project: \$2.5 million (\$1.75 million Federal Receipts/\$750.0 GF Match).** With 237 Alaska Army National Guard buildings at 96 various locations with an average age of approximately 30 years, deferred

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

maintenance, renewal and replacement are a high priority. Alaska National Guard preventative maintenance is performed on a schedule, yet building components have a limited life requiring eventual renewal and replacement.

- **Military Youth Academy Deferred Maintenance: \$1.0 million GF.** The Alaska Military Youth Academy (AMYA) operates at Camp Carroll on Fort Richardson. The campus currently has 23 buildings totaling 61,805 sq ft. with an average building age of 35+ years. Inadequacies include basic life-safety issues, outdated and inefficient heating/ventilation systems, restrooms, showers, and laundry facilities. This request will fund the modification of the Academy's Challenge facilities to improve safety and living conditions (in compliance with ADA regulations), as well as improve technical training and educational training platforms.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Natural Resources				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$70,870.9			
FY09 Fiscal Notes	114.0			
Carry Forward	6,088.6			
Special Appropriations	5,500.0			
Agency Transfers (excludes fuel/utility & gasoline)	(2,899.9)			
09 Contractual Salary Adjustments	19.7			
09 Salary Fund Changes	-			
Misc Adjustments	-			
Vetoes	(92.9)			
FY09 Revised Management Plan (GF only)	\$79,600.4	\$8,729.5	12.3%	
One-time Items removed	(13,313.6)			
Transfers between Agencies (nets zero statewide)	-			
FY10 Contractual Salary and Health Increases	672.9			
Misc Adjustments	-			
FY10 Adjusted Base Budget (GF only)	\$66,959.7	(\$12,640.7)	-15.9%	
FY 10 Unrealizable Salary Fund Source Changes	99.1			
FY 10 Governor's GF Increments/Decrements/Fund Changes	4,174.8			
FY10 Governor's Request (GF only)	\$71,233.6	\$4,273.9	6.4%	
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$4,174.8	
Oil & Gas Development	7,489.0	9,898.8	2,409.8	1
Claims, Permits, & Leasing	7,043.0	7,093.0	50.0	6
Title Acquisition & Defense	1,365.5	1,665.5	300.0	4
Geological Development	3,948.3	4,548.3	600.0	3
N. Latitude Plant Material Ctr	882.8	1,607.8	725.0	2
Fire Suppression Preparedness	15,030.4	15,120.4	90.0	5
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	15,894.3	15,804.3	(90.0)	
Other funds (all allocations)	44,491.3	49,383.1	4,891.8	
Total Non-General Funds (all allocations)	\$60,385.6	\$65,187.4	\$4,801.8	
Position Changes (From FY09 Management Plan to Gov)	1,096	1,102	6	
PFT	778	780	2	
PPT	245	246	1	
Temp	73	76	3	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	14,077.0	2,360.0	16,437.0	
Maintenance, Renovation, and Repairs	5,780.0	3,900.0	9,680.0	
Remodel and Reconstruction	3,200.0	-	3,200.0	
New Construction and Land Acquisition	3,750.0	600.0	4,350.0	
Equipment and Materials	850.0	-	850.0	
Information Systems and Technology	215.0	-	215.0	
Other	1,000.0	61,950.0	62,950.0	
TOTAL CAPITAL	\$28,872.0	\$68,810.0	\$97,682.0	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Natural Resources

The Department of Natural Resources (DNR) develops, conserves, and maximizes the use of Alaska's natural resources on state-owned land consistent with public interest by providing the following core services:

- provide opportunities to utilize state land and water resources;
- acquire and provide hydrologic, geologic, geographic, historical site, and other land record and natural resource information;
- acquire land;
- make land available for sale to the public, and transfer land to municipalities;
- preserve and enhance the value of state land and water resources and Alaska's coastal areas;
- mitigate potential disasters and hazards; and
- comply with federal regulations and programs related to natural resources.

SIGNIFICANT ISSUES

The FY2010 Department of Natural Resources general fund operating budget submitted by the Governor is \$8,366.8 million *less* than the FY09 Revised Management Plan (which excludes fuel/utility and gasline one-time funding of \$1,904.4). The Governor's net GF change from Adjusted Base is an increase of \$4,273.9 million, which is comprised primarily of salary fund source changes and the increments described in the numbered paragraphs below. The Department's request for FY2010 does not indicate any significant policy changes.

The following notes correspond to the numbers in the last column of the preceding spreadsheet:

- 1. Oil & Gasline Initiatives: \$2.4 million GF.** The Division of Oil and Gas Development is seeking to stabilize its base funding for Oil and Gas Development and to enhance its capacity to collect royalty revenues for the state. It is requesting the addition of previous one-time items, which have been renewed, to its base budget. Some of these items are as follows:
 - **Workload Base Adjustment: \$1.3 million GF.** The Division of Oil and Gas is requesting that this funding, which has been one-time funding each year for five years, be added to the base operating budget. This annual funding has been utilized since FY05 to address workload issues in the Division of Oil and Gas. This money is not related to any specific project and is not related to gasline coordination.
 - **Royalty Valuation Litigation: \$500.0 GF.** This request is to pay the costs of outside legal counsel and consultants to develop and defend the state's position in royalty disputes and to represent the state in the reopening of royalty arbitration proceedings. (This funding was requested as a capital project in FY09 but was approved as an operating appropriation.) The Department seeks to add this amount to its base budget.
 - **Contract Royalty Auditors: \$200.0 GF.** The Department is requesting a base increment to cover the ongoing cost of outside auditors to reduce or eliminate the

backlog of royalty and net profit share lease audits. The increment would be added to the base budget in future years. The increment continues a one-time increment of \$200.0 GF appropriated in FY09 with the understanding that use of contract auditors solved an anticipated problem with filling auditor positions in the agency. Subcommittees may wish to inquire about the continued use of contract auditors.

- **Gas Pipeline Coordination: \$391.0 GF.** This request is made to provide ongoing funding for gasline coordination in DNR's budget. This funding was included in the FY09 operating budget as a one-time distribution from the Governor's Office. DNR is now requesting this funding as part of the base budget. Subcommittees may wish to consider continuing to segregate gasline startup costs from the base budget.

2. **North Latitude Plant Material Center (PMC) – AK State Seed Lab: \$725.0 GF.** In FY09, the PMC received one-time funding to maintain the state's foundation seed program after a loss of federal funds, and to provide certified and pathogen-free seed potatoes to local farmers. The foundation seed program ensures the availability of healthy native seed stock in Alaska, which growers use to supply seeds to construction companies, state and federal agencies, the mining industry, and others tasked with reseeding/revegetation projects. The PMC is the only source of native plant seed stocks.

3. **Geological Development – Mineral Survey and Volcano Observatory, \$600.0 GF as follows:**

- **Alaska Geophysical and Geological Mineral Inventory Fund Source Change: \$350.0 GF.** The Department requests a fund source change of \$350.0 for its geological survey program. The FY09 operating budget included \$450.0 from GF and \$350.0 authorization from industry (SDPR) for surveys. Collection of funding from industry was only marginally successful, despite the Department's claim that an increased interest in precious metals has increased the demand for survey data. The Department states that in order to contract for surveys, including airborne mapping, it is necessary to replace the \$350.0 SDPR authorization with general funds. The general funds would remain in the base budget in future years.
- **Alaska Volcano Observatory Fund Source Change: \$250.0 GF.** The Department requests a fund source change (to replace the expected federal funding decrease in FY2010) to allow functions of the observatory to continue at current levels. The observatory monitors volcanic activity and ash clouds potentially affecting aeronautic conditions for aircraft traffic and local communities along the Aleutian and Cook Inlet volcanic chain and sends alerts as necessary. The general funds would remain in the base budget in future years.

4. **Title Acquisition and Defense – Statehood Entitlement Transfers: \$300.0 GF.** The Department requests funding for the final stages of the Bureau of Land Management (BLM) 2009 Conveyance Project. The state will receive approximately eleven million acres still owed to the state under the Statehood Act. The project will also result in the transfer of over eight million acres of federal land to Alaska Native Corporations formed under Alaska Native Claims Settlement Act (ANCSA). Special attention must be given to these conveyances to protect state ownership interests and public access and ensure that the state receives clear title. The federal government provided money in FY06 for implementation of the transfers, and positions were created, but federal funds were reduced and are no longer available to address public access and

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

state ownership interests (such as navigable waters). Subcommittees may wish to discuss the status of the land transfers, with a focus on whether the appropriation should be part of the base budget in future years or be identified as project funding with an end in sight.

5. **Fire Suppression Preparedness – Interagency Cost Increases: \$90.0 GF.** The Alaska Interagency Coordination Center (AICC), located on Ft. Wainwright, serves as the focal point for initial attack resource coordination, logistics support, and predictive services for all state and federal agencies involved in wildland fire management and suppression in Alaska. Cooperators include the Bureau of Land Management, DNR, USDA Forest Service, National Park Service, Bureau of Indian Affairs, and the Fish and Wildlife Service. This funding will cover DNR's share of cost increases of the AICC, including lightning detection and weather station costs.
6. **Resource Development – Guide Service Initiative: \$50.0 GF.** At the request of the guiding industry, the Department is seeking funds to develop a big game guide program that would establish a prospectus review procedure to allocate leased guide areas to specific guides for big game guide services on state land. The money is intended to cover the cost of drafting related regulations and statutes. Subcommittees may wish to consider identifying the funding as a one-time item.

ORGANIZATIONAL CHANGES

The Office of Habitat Management and Permitting (OHMP) of the Alaska Department of Natural Resources became the Division of Habitat, a part of the Alaska Department of Fish and Game (ADF&G), effective July 1, 2008, as a result of Executive Order 114.

CAPITAL REQUEST

DNR has requested a total capital budget of \$97.7 million, of which \$68.8 is Federal Funds. The budget consists of a diverse mix of capital projects from snowmobile trail development to parks maintenance, coastal management, fire suppression, bear viewing, technology upgrades, boating access, and trails, among others. Through the Governor's Office, DNR has also requested a \$1.2 million GF Document Management System. A few of the larger DNR capital projects are:

- **Coastal Impact Assistance Funds: \$58 million federal receipts.** The Division of Coastal and Ocean Management is the lead state agency to administer the approximately \$29 million annually in Coastal Impact Assistance Program (CIAP) funding disbursed under the Energy Policy Act of 2005 (R.R. 6). As required by law, 35% of these funds will be paid to the coastal districts of the state, and the remaining 65% will be allocated as identified in the approved program. The \$58 million reflected in the FY2010 amount includes the amount allocated but not yet received in FY09, as well as the FY2010 amount.
- **Gas Pipeline Implementation: \$3.2 million GF.** Implementing the Alaska Gasline Inducement Act (AGIA) will involve contracting with numerous experts and specialists to advise the state on such issues as pipeline engineering, pipeline commercial terms, including analysis of and advice on tariffs, tariff terms, pipeline access, and terms for addressing cost overruns, royalty valuation methodology, enforcement, and remedies. Success of the initial and subsequent open seasons will

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

depend on the Department's ability to retain these services. This project may be more appropriately placed in the operating budget.

- **Reservoir Studies to Evaluate Oil and Gas Resources on the N. Slope, Phase 2 of 2: \$6 million GF.** The primary purpose of this phase of reservoir studies is to determine the best way to maximize remaining Prudhoe oil recovery while optimizing gas for a North Slope gas pipeline. Qualified consultants will be hired through the Request for Proposals (RFP) process to work on the project. Results will enable the state to make informed technical decisions with regards to the impact of gas production on the recovery of remaining Prudhoe Bay oil reserves. This project may be more appropriately placed in the operating budget.

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Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Public Safety				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$114,631.5			
FY09 Fiscal Notes	434.4			
Carry Forward	-			
Special Appropriations	-			
Agency Transfers (excludes fuel/utility & gasline)	-			
09 Contractual Salary Adjustments	4,168.1			
09 Salary Fund Changes	31.0			
Misc Adjustments	-			
Vetoed	(200.0)			
FY09 Revised Management Plan (GF only)	\$119,065.0	\$4,433.5	3.9%	
One-time Items removed	(2,704.2)			
Transfers between Agencies (nets zero statewide)	-			
FY10 Contractual Salary and Health Increases	1,919.2			4
Misc Adjustments	656.3			
FY10 Adjusted Base Budget (GF only)	\$118,936.3	(\$128.7)	-0.1%	
FY 10 Unrealizable Salary Fund Source Changes	96.2			
FY 10 Governor's GF Increments/Decrements/Fund Changes	4,154.1			
FY10 Governor's Request (GF only)	\$123,186.6	\$4,250.3	3.6%	
▼				
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$4,154.1	
Special Projects	37.1	1,433.6	1,396.5	1
AK Bureau of Judicial Services	8,170.0	8,258.0	88.0	3
Rural Trooper Housing	1,279.3	1,706.6	427.3	2
Narcotics Task Force	812.1	2,205.3	1,393.2	1
AST Detachments	46,933.0	47,561.1	628.1	2
Alaska Wildlife Troopers	16,061.7	16,155.7	94.0	2
Laboratory Services	4,349.7	4,476.7	127.0	2
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	11,636.0	15,191.2	3,555.2	6
Other funds (all allocations)	23,367.6	24,977.2	1,609.6	5, 7
Total Non-General Funds (all allocations)	\$35,003.6	\$40,168.4	\$5,164.8	
Position Changes (From FY09 Management Plan to Gov)	875	874	(1)	
PFT	844	844	-	
PPT	16	16	-	
Temp	15	14	(1)	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance, Renovation, and Repairs	3,007.0	-	3,007.0	
Remodel and Reconstruction	-	-	-	
New Construction and Land Acquisition	2,500.0	-	2,500.0	
Equipment and Materials	1,200.0	-	1,200.0	
Information Systems and Technology	3,865.5	-	3,865.5	
Other	-	2,500.0	2,500.0	
TOTAL CAPITAL	\$10,572.5	\$2,500.0	\$13,072.5	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Public Safety

The mission of the Department of Public Safety (DPS) is to ensure public safety and enforce fish and wildlife laws. The Department's core services include the following items:

- perform criminal and traffic law enforcement and investigations;
- manage and perform search and rescue operations for lost and missing persons;
- provide wildlife law enforcement and investigations;
- provide support to rural law enforcement entities;
- provide security to the Alaska Court System, transport inmates to and from court and between correctional institutions, and perform extradition of wanted persons to and from the state;
- provide criminal laboratory and forensic services, administer the statewide breath alcohol program, maintain Alaska's DNA identification system, and provide expert testimony in court proceedings;
- maintain accurate and complete Alaska criminal records and information for use by law enforcement agencies in Alaska and elsewhere;
- manage building and fire codes (development, adoption, interpretation, and review), conduct building plan reviews of commercial buildings and 4-plex and larger housing units, conduct fire and life safety inspections of priority facilities; and
- enforce alcoholic beverage laws.

SIGNIFICANT ISSUES

The FY2010 Department of Public Safety general fund operating budget as submitted by the Governor is \$4,121.6 above the FY09 Revised Management Plan (which excludes fuel/utility & gasline one-time funding of \$803.3). The Governor's net GF increase from Adjusted Base is \$4,250.3.

The following notes correspond to the numbers in the last column of the preceding spreadsheet:

1. Drug Enforcement and Rural Alcohol Interdiction: \$2,789.7 GF.

According to the Department, alcohol and drug enforcement remains a significant challenge, particularly with tenuous federal funding. The Department requests continued one-time funding, which could be restored based upon the amount of federal money received by DPS.

- **\$1,393.2 GF (Language):** Narcotics Task Force
- **\$1,270.0 GF (Language):** Rural Alcohol Interdiction Program (includes \$400.0 for prosecution efforts by the Department of Law).

Legislative Fiscal Analyst Comment: The legislature has included "reduce general funds if federal funds are forthcoming" language for the Narcotics Task Force Program since FY07. Similar language was added for the Rural Alcohol Interdiction Program in FY09. Because the language may imply that federal funds are anticipated, there may be an expectation that these increments will have no GF

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

impact. The majority of federal funds have not materialized (\$271,840 in FY08 and \$715,479 in FY09 were returned to the general fund as a result of these language sections) and the subcommittees may wish to consider placing both funding items into the base budget (numbers section of the operating bill) with intent language stating that the general funds are not to be used if federal funding is received!

- **\$126.5 GF: Alaska State Troopers Special Projects** requests funding to replace a federal grant for reducing illegal drug and alcohol use. The grant is no longer available. A portion of this increment will be used to fund cold case homicide investigations.

2. **Departmental Overhead and Service Costs: \$1,276.4 GF.** The Department is requesting increments to pay increased overhead and service costs throughout the agency. Overhead costs include utilities, leases, housing, and medical and laboratory services and supplies. Increments have been requested as follows:

- **Rural Trooper Housing: \$427.3 GF.** The Department requests funding to cover the increased cost of housing Alaska State Troopers (AST) located in rural posts. This increment request is for higher lease and utility costs and will assist in the leasing of eight replacement trooper units in Galena and Aniak. The Public Safety Employees Association (PSEA) bargaining unit contract states that troopers are required to pay a portion of their salary for rent with the remaining costs to be borne by the state.
- **Rising Lease Costs: \$318.4 GF.** The Department is requesting an increment of \$230.3 to cover rising office lease expenses for the AST Detachment component in the following communities: Aniak, Galena, King Salmon, Cooper Landing, Seward, and Wasilla.

Additionally, \$88.1 GF is requested for office and aircraft hangar lease increases in the Wildlife Troopers allocation.

- **Statewide Dispatch Services: \$208.3 GF.** The Department is requesting funds for increased costs of contracts with local police departments to provide dispatch services in Wasilla and Kodiak partially funded in a similar increment request in FY09.
- **Ammunition and Uniforms: \$31.4 GF.** Additional base funding is requested for the Alaska State Troopers (\$25.5) and Wildlife Troopers (\$5.9)
- **Medical Exams: \$164.0 GF.** Additional funding in the AST Detachment allocation is also requested to offset the rising expense of medical forensic exams of victims of sexual assault and sexual abuse of a minor. Actual costs for these mandated services (AS 18.68.040) have exceeded authorization by roughly \$164.0 per year since FY08.
- **Laboratory Services: \$127.0 GF.** Overhead expenses for the Scientific Crime Detection Laboratory have increased significantly since FY07. Included in this increment are:
 - **\$40.0** for the purchase of enough DNA reagent kits to process 400 additional violent crime and property crime cases and 6,000 Combined DNA Index System (CODIS) cases per year
 - **\$40.0** to cover freight and courier service costs to return evidence to the submitting agency to be available for trial and to free up limited laboratory storage space.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

3. **Prisoner Transportation: \$88.0 GF.** In FY09, the legislature approved a \$656.3 GF increment for six new Court Service Officer positions (attributable to a court settlement between DPS and the Municipality of Anchorage that transferred responsibility for prisoner transportation to the Department). A Legislative Finance error in recording conference committee action omitted the funding from the FY09 operating budget (a supplemental request should be expected). The amount was added to the FY2010 adjusted base. The Department requests an additional \$88.0 for increased transportation costs.
4. **Corrected FY09 PSEA Salary Adjustments: \$50.5 GF.** The Public Safety Employees Association (PSEA) contract negotiations for FY09 occurred late in the 2008 session and a portion of the monetary terms for uniform allowances was omitted from the budget request. This amount has been added to the FY2010 base budget; however, the Department could request supplemental funding for FY09 costs.
5. **Council on Domestic Violence and Sexual Assault (CDVSA): \$1,677.9 PFD Criminal.** In FY09, the legislature replaced \$1,341.5 GF with PFD Criminal Funds (PFD appropriations in lieu of dividends to incarcerated felons). As permanent fund dividends increase, more PFD Criminal funds are available for program costs.

Legislative Fiscal Analyst Comment: The amount of PFD Criminal funds available varies with the amount of the Permanent Fund dividend and the number of felons incarcerated. Recent investment losses are likely to reduce PFDs in the future, with a corresponding decrease in PFD Criminal funds available. The likely result is future requests to replace PFD Criminal funds with general funds.

6. **Department Carryforward: \$3,660.2 Federal Receipts.** Beginning in FY08, the department received a \$5,000.0 federal multi-year appropriation for domestic violence and sexual assault prevention programs which lapses on June 30, 2010. This amount represents the unspent balance of that appropriation as of July 1, 2008.
7. **State Oversight of Hazardous Pipeline Facilities: \$142.0 I/A Receipts.** Funding is requested to staff the new Office of Oil and Gas Systems Facilities within the Department via interagency receipts from the Department of Natural Resources (DNR). This office will provide one-stop servicing for fire inspection, plan review, fire investigation, fire detection and suppression system maintenance, and review of emergency response plans and fire response training for the whole oil and gas industry, statewide, to include onshore and offshore facilities. The new office will be located with the Joint Pipeline Office within DNR and will act as liaison supporting governmental oversight agencies for Trans-Alaska Pipeline System (TAPS) and all hazardous pipeline facilities located throughout the state.

ORGANIZATIONAL CHANGES

There are no significant changes requested.

CAPITAL REQUEST

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Some of the larger projects in the Governor's \$13.1 million capital budget for the Department of Public Safety are:

- Anchorage Aircraft Hangar Replacement – Phase II: \$2.5 million (\$2.43 million AHFC Receipts and \$.07 million GF)
- Marine Fisheries Patrol Improvements: \$2.5 million Federal
- Alaska Public Safety Information Network (APSIN) Redesign: \$2.0 million GF
- Statewide Facilities Maintenance, Repairs, and Improvements: \$1.5 million GF
- Aircraft and Vessel Repair and Maintenance: \$1.5 million GF

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Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Revenue				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$17,176.2			
<i>FY09 Fiscal Notes</i>	8.0			
<i>Carry Forward</i>	-			
<i>Special Appropriations</i>	700.0			
<i>Agency Transfers (excludes fuel/utility & gasoline)</i>	-			
<i>09 Contractual Salary Adjustments</i>	-			
<i>09 Salary Fund Changes</i>	-			
<i>Misc Adjustments</i>	-			
<i>Vetoes</i>	-			
FY09 Revised Management Plan (GF only)	\$17,884.2	\$708.0	4.1%	
<i>One-time Items removed</i>	(1,247.0)			
<i>Transfers between Agencies (nets zero statewide)</i>	-			
<i>FY10 Contractual Salary and Health Increases</i>	481.3			
<i>Misc Adjustments</i>	-			
FY10 Adjusted Base Budget (GF only)	\$17,118.5	(\$765.7)	-4.3%	
<i>FY 10 Unrealizable Salary Fund Source Changes</i>	34.3			
<i>FY 10 Governor's GF Increments/Decrements/Fund Changes</i>	4,088.0			
FY 10 Governor's Request (GF only)	\$21,240.8	\$4,122.3	24.1%	
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$4,088.0	
Tax Division	13,383.4	14,228.4	845.0	4, 5
Treasury Division	1,575.9	2,147.9	572.0	3
Child Support Services Division	174.7	2,074.7	1,900.0	1
Natural Gas Commercialization	-	771.0	771.0	2
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	37,903.4	39,588.3	1,684.9	6
Other funds (all allocations)	207,103.7	209,313.5	2,209.8	7,8,9
Total Non-General Funds (all allocations)	\$245,007.1	\$248,901.8	\$3,894.7	
Position Changes (From FY09 Management Plan to Gov)	942	925	(17)	
PFT	875	867	(8)	
PPT	50	41	(9)	
Temp	17	17	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	7,000.0	-	7,000.0	
Maintenance, Renovation, and Repairs	10,450.0	6,500.0	16,950.0	
Remodel and Reconstruction	14,992.5	2,640.0	17,632.5	
New Construction and Land Acquisition	27,250.0	5,000.0	32,250.0	
Equipment and Materials	-	-	-	
Information Systems and Technology	24,850.8	142.7	24,993.5	
Other	9,800.0	5,900.0	15,700.0	
TOTAL CAPITAL	\$94,343.3	\$20,182.7	\$114,526.0	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Revenue

The Department of Revenue's responsibilities include:

- administration and enforcement of Alaska's tax laws;
- management of the treasury;
- administration of the Permanent Fund Dividend Program;
- collection and distribution of child support; and
- administrative support to the following independent boards and corporations:
 - Alaska Permanent Fund Corporation;
 - Alaska Housing Finance Corporation;
 - Alaska Municipal Bond Bank Authority;
 - Alaska Natural Gas Development Authority;
 - Alaska Retirement Management Board; and
 - the Alaska Mental Health Trust Authority.

SIGNIFICANT ISSUES

The Governor's FY2010 general fund operating budget for the Department of Revenue (DOR) is \$3,356.6 above the FY09 Revised Management Plan (excludes fuel/ utility & gasline one-time funding of \$1,221.0). The net GF change from Adjusted Base is \$4,122.3.

The following notes correspond to the numbers in the last column of the preceding spreadsheet:

1. **Child Support Services Division Match: Fund Change \$1,900.0 GF Match/(\$1,900.0) Receipt Supported Services (RSS).** Continued decline in receipts received by the division, as a result of the decline in Temporary Assistance for Needy Families (TANF) cases, is expected to result in a shortfall of state matching funds. General funds are requested to supplement the shortfall.

Legislative Fiscal Analyst Comment: TANF cases continue to decline for a variety of reasons (see H&SS analysis). The Child Support Services Division (CSSD) retains child support when a family is on TANF and splits the funding with the federal government (the state retains 47% as RSS). The retained funding is then utilized by the agency and counted toward the 34% state match. During the last two years, CSSD has been authorized to carry forward prior year receipts, thereby reducing the need for an alternate matching fund source. That funding source has been exhausted.

2. **Natural Gas Pipeline Development: \$771.0 GF.** For FY09, DOR received \$1,221.0 for gas line development. This was the amount identified in the fiscal note to HB 177 or the Alaska Gasline Inducement Act (AGIA). The agency continues to follow that fiscal note and is requesting the \$771.0 itemized for FY2010.

Legislative Fiscal Analyst Comment: Considering that the fiscal note was written almost two years ago, it seems unlikely that the agency's expenditure plan remains

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

exactly as written. Subcommittees may wish to ask the Department for further information regarding this request.

3. Treasury Revised Cost Allocation Plan: Net Increase \$572.0 GF/(\$420.0) Other.

Many agencies utilize federal program revenue for state retirement contributions. The Treasury Division invests these funds and has recently received federal approval of a new cost allocation plan. The plan requires a reallocation of funding sources to be in compliance. According to the Department, the plan will be used to develop budgets and agreements for charging users of Treasury services, and for allocating costs equitably among each fund/trust/client agency. The method is devised to address all costs and all users in a consistent, easily-administered manner, utilizing actual, quantifiable statistics.

Legislative Fiscal Analyst Comment: The FY2010 cost allocation plan is based on fund net asset value at year end FY08. The plan is effective retroactive to July 1, 2008, making it effective for all of FY09. Adjustments in the supplemental process should be expected.

4. Contract Audit Assistance: \$540.0 GF.

Last session, Revenue requested just over \$1 million for contractual audit assistance during the recruitment of four Audit Master positions. A one-time increment of \$540.0 was intended to fund two contract auditors and associated overhead. The Department did not remove this one-time item from the base budget for FY2010. Legislative Finance removed the amount from the base and added an increment in order to match the Governor's request. Contract audit assistance was identified in the fiscal note to AGIA (the oil production tax legislation) as a four-year need at over \$1 million per year. The purpose is to supplement auditor functions during recruitment and provide training to less experienced staff. Subcommittees may want to examine the continued use of contract auditing.

5. Fourth Audit Master: \$200.0 GF.

Funding was requested last session for four Audit Master positions created during revision of the oil production tax. Funding for three of the positions (\$600.0) was approved in anticipation of a recruitment lag. Funding for the final position is requested for FY2010.

6. Federal "Moving to Work" Program Adjustments: \$1,634.0

Federal Receipts/(\$674.3) Other. The Alaska Housing Finance Corporation (AHFC) has recently become a Federal Housing and Urban Development (HUD) "Moving to Work (MTW)" eligible agency. This does not entitle AHFC to receive any additional federal funding per se, but it does allow considerable flexibility regarding how funding is programmed and accounted for. \$674.3 of AHFC Receipts are being reclassified as federal receipts (per a rule change in FY08, these were changed from Federal Receipts to AHFC Receipts) while significant other federal funding is essentially being reprogrammed and brought on budget.

7. Constitutional Budget Reserve (CBR) Fees: \$1,673.0 CBR Funds.

As a result of high oil prices, the CBR has grown substantially. As a consequence of higher balances, additional funding for management fees are required (fees are typically a percentage of asset value). For FY09, \$4.3 million was budgeted for fees. This amount exceeded the FY09 requirements and expenditure authority is expected to lapse. The amount requested for FY2010 reflects anticipated needs.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

- 8. Independent Actuary Audit: \$300.0 Other Funds.** A one-time increment for an independent audit of the state's actuary was included in the FY09 budget. Per AS 37.10.220(10), an audit is to be performed not less than once every four years. The Department did not remove this one-time item from the base budget for FY2010. Legislative Finance removed the amount from the base, then added an increment in order to match the Governor's request. Subcommittees may wish to delete this increment.
- 9. Mental Health Trust Zero-based Budgeting: \$2,650.0 Other Funds.** The Alaska Mental Health Trust Authority has implemented zero-based budgeting for all of their programs. The goal of the Trust is to be able to identify how Trust funding is being allocated on a year-by-year basis. Yearly increments will be clearly identifiable as Trust recommended programs.

Legislative Fiscal Analyst Comment: This concept works very well for Trust targeted program funding. However, there is no benefit to zero-based budgeting of the Trust's own administrative budget. The Trust may wish to return to incremental budgeting of administrative costs.

ORGANIZATIONAL CHANGES

There are no significant changes requested.

CAPITAL REQUEST

The Alaska Housing Finance Corporation capital budget makes up the majority of DOR's annual request (74% of the budget for FY2010). AHFC has over \$84 million budgeted for their housing programs, including \$20 million of federal receipts, and almost \$63 million of the \$68.7 million AHFC dividend to the state. A few of the larger projects are:

- the Supplemental Housing Development Program (\$10 million AHFC Dividend);
- the Senior Citizen's Housing Development Program (\$7.5 million AHFC Dividend);
- the Homeless Assistance Program (\$6 million AHFC Dividend); and
- the Loussac Manor Renovation and Replacement Phase 3 (\$8.5 million AHFC Dividend).

The remainder of DOR's request is primarily two large projects totaling \$28.5 million:

Gas Spur Line: \$5,000.0 AHCC Funds. The Alaska Natural Gas Development Authority (ANGDA) is working to develop a spur line off the future gas pipeline from the North Slope. The intended route is from Delta Junction to Cook Inlet. During the special session last year, ANGDA had requested \$25 million for this project, but received no funding. Current estimates for the spur line vary from \$1 to 1.5 billion, depending on timing and other factors. This \$5 million will allow efforts for right-of-way acquisition and engineering/ design to continue.

Legislative Fiscal Analyst Comment: The ownership structure of the spur line is presently unclear. It may be prudent to identify ownership rights, revenue flow, and operational aspects before additional state funding is allocated to this project.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Tax Revenue Management System: \$23.4 million GF. DOR received \$3.9 million in the FY09 capital budget for tax system(s) replacement. This project will create a single, comprehensive management system that will accommodate all tax types. The prior year funding will be combined with this funding to cover anticipated total project cost of just over \$27 million.

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Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Transportation and Public Facilities				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$209,286.5			
FY09 Fiscal Notes	157.5			
Carry Forward	328.2			
Special Appropriations	2,297.6			
Agency Transfers (excludes fuel/utility & gasoline)	-			
09 Contractual Salary Adjustments	396.2			
09 Salary Fund Changes	6.9			
Misc Adjustments	-			
Vetoes	-			
FY09 Revised Management Plan (GF only)	\$212,472.9	\$3,186.4	1.5%	
One-time Items removed	(7,570.9)			1,9
Transfers between Agencies (nets zero statewide)	-			
FY10 Contractual Salary and Health Increases	443.1			
Misc Adjustments	-			
FY10 Adjusted Base Budget (GF only)	\$205,345.1	(\$7,127.8)	-3.4%	
FY 10 Unrealizable Salary Fund Source Changes	1,015.2			10
FY 10 Governor's GF Increments/Decrements/Fund Changes	10,477.4			
FY10 Governor's Request (GF only)	\$216,837.7	\$11,492.6	5.6%	
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$10,477.4	
Leased Facilities	1,972.1	1,930.1	(42.0)	
Program Development	369.2	400.3	31.1	
Central Region Facilities	5,892.6	5,945.3	52.7	3
Northern Region Facilities	8,415.5	8,666.7	251.2	3,4
Southeast Region Facilities	1,243.8	1,267.8	24.0	4
Central Region Highways and Aviation	38,551.2	39,051.2	500.0	2
Southeast Region Highways and Aviation	11,817.0	12,062.2	245.2	2,5
Whittier Access and Tunnel	100.0	2,600.0	2,500.0	7
Marine Vessel Operations	66,875.4	73,790.6	6,915.2	9
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	4,157.0	4,157.0	-	
Other funds (all allocations)	294,735.7	295,458.6	722.9	6,7,8
Total Non-General Funds (all allocations)	\$298,892.7	\$299,615.6	\$722.9	
Position Changes (From FY09 Management Plan to Gov)	3,837	3,845	8	
PFT	3,197	3,202	5	
PPT	441	444	3	
Temp	199	199	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	9,327.3	91,469.0	100,796.3	
Maintenance, Renovation, and Repairs	28,591.9	32,670.0	61,261.9	
Remodel and Reconstruction	67,118.6	395,612.1	462,730.8	
New Construction and Land Acquisition	90,651.0	172,753.4	263,404.4	
Equipment and Materials	24,688.0	27,050.0	51,738.0	
Information Systems and Technology	1,265.5	2,250.0	3,515.5	
Other	400.0	22,871.9	23,271.9	
TOTAL CAPITAL	\$222,042.3	\$744,676.5	\$966,718.8	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Department of Transportation and Public Facilities

The Department of Transportation and Public Facilities (DOT&PF) is responsible for planning, research, design, construction, operation, maintenance, and protection of all state transportation systems and many public facilities. This includes approximately 258 state-owned airports and seaplane bases, 6,000 miles of state roads, 700 buildings ranging from maintenance shops to state office complexes, and 25 ports and harbors. In addition, the Department owns and operates the Alaska Marine Highway System (AMHS). The Department also owns and operates the State Equipment Fleet, which provides full maintenance support and replacement activities for all departments and state agencies, including 7,800 light and heavy duty vehicles and attachments.

SIGNIFICANT ISSUES

The Governor's FY2010 general fund operating budget for the Department of Transportation and Public Facilities is \$4,364.8 above the FY09 Revised Management Plan (excludes fuel/ utility & gasline one-time funding of \$33 million). The net GF change from Adjusted Base is \$11,492.6.

The following notes correspond to numbers in the last column on the preceding spreadsheet:

- 1. Commodities Market: (\$33,000.0) GF.** The last three budget cycles have seen unprecedented commodity price inflation that has affected every family, business, organization and government unit in the state. The recent collapse of commodity prices—particularly fuel prices—relieves considerable budgetary pressure on DOT&PF.

The fuel "trigger" appropriation created by the legislature performed as intended. By making fuel appropriations one-time items, and backing them out of base budgets each year, the legislature has avoided excessive base budget build-up due to high fuel prices.

The Governor's budget retains a fuel trigger appropriation for FY2010, even with fuel prices far below the levels of FY09. Legislative Finance believes a trigger mechanism to be prudent given the volatility of markets, but suggests that the table (in section 13 of the Governor's operating bill) extend at least as high as the official forecast of \$74 per barrel of oil. Limiting the trigger price to \$60 per barrel may provide insufficient funding if oil prices rebound. If oil prices remain low, there is no harm in a higher cap.

DOT&PF received \$33 million of the fuel appropriation for FY09. This is their maximum allocation (75%) of the \$44 million appropriated. Under the Governor's proposal, DOT&PF would receive a maximum of \$18 million in FY2010.

Legislative Fiscal Analyst Comment: As of this writing, Alaska North Slope is trading near \$30 per barrel. If oil stays at this level for the rest of the fiscal year, the year-end average price will be near \$60 per barrel (see Fiscal Sensitivity on page 18). This price level would have provided DOT&PF with \$18 million for fuel in FY09. The legislature may wish to explore the potential for supplemental appropriations that recover/reallocate a portion of the FY09 fuel appropriation.

- 2. Sidewalk Snow Removal: \$547.1 GF.** \$1.25 million was approved in the FY09 capital budget to purchase snow removal equipment for sidewalks on state roads, specifically those in the Anchorage Bowl. The sidewalk snow removal equipment was a legislative addition after discussion in the DOT&PF subcommittee last year revealed the lack of necessary tools to clear the sidewalks. Now part-time man-power is requested to run the equipment. An increment of \$500.0 and eight part-time positions is requested for

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

snow removal operations in Central Region Highways and Aviation. An additional \$47.1 is requested for the Southeast Region.

- 3. Specialized Contracting Services: \$170.0 GF.** The costs of various specialized contracting services in the Northern and Central Regions are increasing. An additional \$110.0 in the Northern Region is requested for new Direct Digital Control (DDC) systems coming online, along with other specialized contract services such as elevator maintenance and insulation services. An increment was approved in FY09 for a position to maintain all of the DDC systems in the Northern Region. In FY2010 \$60.0 is requested for similar Central Region contract cost increases.
- 4. Janitorial Contracts: \$165.2 GF.** Northern and Southeast Regions are requesting additional funding for janitorial contracts. In prior years, the cost for janitor contracts has been absorbed. The agency contends that contract prices have reached the point where they require additional funding.
- 5. Striping Contracts: \$169.3 GF.** Southeast Region Highways and Aviation is requesting funding for increased costs associated with highway and airport runway striping. The current budget for striping in the region is \$180.7. Recent striping costs put the required amount near \$350.0.
- 6. Motor Carrier Safety Assistance Program Expansion: \$250.0 Receipt Supported Services (RSS).** Through DOT&PF, Alaska became a Unified Carrier Program (UCR) state during FY09. This federal program authorized in SAFETEA-LU, allows states to mandate commercial motor vehicle registration under the UCR program. Program revenue is required to be used for increased motor carrier safety and motor carrier enforcement along with any administrative costs related to the program. This increment request would allow for expenditure of the additional revenue for motor carrier safety and enforcement activities.
- 7. Whittier Tunnel Extended Operating Hours: \$500.0 Cruise Ship Gambling Tax.** Last session, a special \$500.0 appropriation was made in the capital bill for extended operating hours at the Whittier Tunnel. The extended hours were to benefit cruise ship passengers and industry merchants. An increment is being requested to maintain those extended hours during FY2010. In addition to the increment, a \$2 million fund source change is requested from CIP Receipts (via federal capital projects) to gambling tax revenue.

Legislative Fiscal Analyst Comment: The funding used in FY09 was from the Regional Cruise Ship Impact Fund established by the cruise ship head tax initiative passed in 2006. Present legal opinion is that the head tax revenue may be used only to mitigate cruise ship impacts or to benefit cruise ship passengers (in order to avoid violation of U.S. Constitution Commerce/Tonnage Clauses). The FY2010 request uses cruise ship gambling tax proceeds. Although this revenue source was also created as part of the head tax initiative, use of the fund source is not restricted by the same legal issues. Legislative Finance and the Department of Revenue classify the head tax as restricted Other State Funds, and the gambling tax revenue as part of the unrestricted general fund. Using the same funding source as FY09 may be warranted.

Legislative Fiscal Analyst Comment: Upon completion of the Whittier Tunnel, the Federal Highway Administration agreed to partially fund operation and maintenance of the tunnel until such time that it could be self-supporting. This contract expires in February of 2009. The switch from federal funds to state funds appears, however, to be a

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

state choice. The federal government is not mandating the fund source change and federal funding may still be available as an option for tunnel operations. That said, using federal funds for tunnel operations makes them unavailable for road construction projects.

8. International Economic Impacts on International Airports: (\$2,153.0) International Airport Revenue Funds. The global financial situation has caused considerable pressure on both passenger and cargo airlines. The airline association has asked DOT&PF to reduce landing fees given this operating environment. FY09 year-to-date combined cargo/passenger landing weight is approximately 16% below FY08. International Airport revenue is expected to be lower commensurately. The airport system is planning reductions for the FY2010 budget totaling over \$2 million. Cost containment has already begun in FY09 and supplemental budget reductions are expected.

9. Alaska Marine Highway System Maintenance Budget: \$8,865.2 GF. AMHS received two one-time appropriations for FY09. They have requested a continuation of that funding for FY2010 and beyond. \$4.6 million was added during the operating budget process as a one-time fleet reconfiguration cost increase during Tustemena and other vessel overhaul. Additionally, \$4.2 million was added in the capital bill as a one-time expansion of service to Southwest Alaska during the Tustemena overhaul.

Legislative Fiscal Analyst Comment: FY2010 will require a different mix of vessels and likely have a different cost structure to maintain the same service level. The finance committees may wish to evaluate whether maintaining the same funding level is appropriate.

10. Salary Fund Source Changes: \$1,015.2 GF. The Governor's budget proposes using general funds to replace a portion of other funding sources that could be used to pay for contractual wage and health benefits increases. Subcommittees should carefully examine each of these salary adjustment fund changes. Please see **Fund Source Changes for Salary Adjustments** on page 18 for further discussion of this issue.

ORGANIZATIONAL CHANGES

There are no significant changes requested.

CAPITAL BUDGET

The DOT&PF capital budget comprises the majority of the statewide capital budget each year. Typical programs include the Surface Transportation Program (receipts from the Federal Highway Administration) and the Airport Improvement Program (receipts from the Federal Aviation Administration). Both programs require a state match component that are usually budgeted separately to allow for agency flexibility. The budget also typically has appropriations from the general fund for facility, harbor, airport, highway and Alaska Marine Highway vessel/terminal deferred maintenance, and for the stockpiling of materials for construction. The Governor's proposal contains elements of all of the aforementioned. See the capital budget section on page 49 for further details.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

University of Alaska				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$308,985.5			
FY09 Fiscal Notes	-			
CarryForward	-			
Special Appropriations	-			
Agency Transfers (excludes fuel/utility &gasline)	-			
09 Contractual Salary Adjustments	-			
09 Salary Fund Changes	-			
Misc Adjustments	-			
Vetoed	(1,150.0)			
FY09 Revised Management Plan (GF only)	\$307,835.5	(\$1,150.0)	-0.4%	
One-time Items removed	(95.0)			
Transfers between Agencies (nets zero statewide)	328.5			
FY10 Contractual Salary and Health Increases	8,864.0			
Misc Adjustments	-			
FY10 Adjusted Base Budget (GF only)	\$316,933.0	\$9,097.5	3.0%	
FY 10 Unrealizable Salary Fund Source Changes	-			
FY 10 Governor's GF Increments/Decrements/Fund Changes	4,543.9			
FY'10 Governor's Request (GF only)	\$321,476.9	\$4,543.9	1.4%	
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$4,543.9	
Statewide Services	14,364.1	14,714.1	350.0	
Anchorage Campus	97,697.1	99,470.4	1,773.3	
Small Business Development Center	257.2	807.2	550.0	
Fairbanks Campus	104,897.1	105,296.9	399.8	
Fairbanks Organized Research	20,849.5	21,349.5	500.0	
Cooperative Extension Service	3,902.5	4,314.1	411.6	
Interior-Aleutians Campus	1,813.9	1,909.6	95.7	
College of Rural & Community Development	4,831.2	4,912.9	81.7	
Tanana Valley Campus	5,792.0	5,886.3	94.3	
Juneau Campus	21,014.9	21,302.4	287.5	
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	156,076.9	131,558.5	(24,518.4)	
Other funds (all allocations)	378,258.3	369,028.4	(9,229.9)	
Total Non-General Funds (all allocations)	\$534,335.2	\$500,586.9	(\$33,748.3)	
Position Changes (From FY09 Management Plan to Gov)	4,916	4,919	3	
PFT	4,694	4,697	3	
PPT	222	222	-	
Temp	-	-	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	500.0	-	500.0	
Maintenance, Renovation, and Repairs	10,000.0	-	10,000.0	
Remodel and Reconstruction	-	-	-	
New Construction and Land Acquisition	35,925.0	15,000.0	50,925.0	
Equipment and Materials	1,072.0	100,000.0	101,072.0	
Information Systems and Technology	-	-	-	
Other	2,200.0	-	2,200.0	
TOTAL CAPITAL	\$49,697.0	\$115,000.0	\$164,697.0	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

University of Alaska

The major goals of the University are to inspire learning, and to advance and disseminate knowledge through teaching, research, and public service, emphasizing the North and its diverse peoples by fostering and promoting the following:

- a high quality postsecondary educational system;
- appropriate vocational education development and training;
- advancement and extension of knowledge, learning, and culture; and
- the University as the state's primary research facility with focus on the application of new knowledge and emerging technologies.

SIGNIFICANT ISSUES

The FY2010 University of Alaska operating budget as submitted by the Governor is \$13,641.4 GF above the FY09 Revised Management Plan (which excludes fuel/utility & gasline one-time funding of \$4.8 million). The Governor's net GF change from Adjusted Base is \$4,543.9 (which includes, a requested fund source change, switching FY09 Business License & Corporation Filing Fees and Taxes funding to \$550.0 GF for FY2010).

According to the University, the program enhancements in the University's FY2010 budget are critical to meeting the Board of Regents' goals in the following growth priorities:

- K-12 Outreach;
- Energy, Engineering, Climate;
- Health Programs; and
- Workforce and Campus Programs.

The University of Alaska Board of Regents requested an overall increase of \$11.6 million (a net result of a \$32.3 million GF increase and a net *decrease of \$20.7 million* in non-GF). The Governor's budget mirrors the Regents' request in several categories but the end result is less than the Board of Regents' request by \$24.6 million (\$16.2 million GF and \$8.4 million non-GF). (see following table)

- **Compensation Increases** – The compensation package requested by the University and submitted by the Governor includes salary increases for all union-represented groups and for non-represented faculty and staff totaling \$14.5 million (including \$8.9 million GF). It is based on projections of contractual increases for current employee agreements. This request includes a reduction for the University's Optional Retirement Program (ORP) for FY2010 of \$2.4 million (\$1.3 million of which is GF). It further includes a reduction of \$234.4 GF for a one-time workforce development stipend of \$800 per retained Alaska Community Colleges' Federation of Teachers member. As with similar salary adjustments in other agencies, compensation increases were added to the base budget.

The Governor made cuts to some areas as shown in the table on the next page:

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

UNIVERSITY OF ALASKA	FY10 Board of Regents Request			FY10 Governor's Request			Difference between Board of Regents and FY10 Governor's Request		
	GF	non-GF	TOTAL	GF	non-GF	TOTAL	GF	non-GF	TOTAL
FULLY FUNDED BY GOVERNOR									
Compensation Increases with decrements for ORP (\$1.3 million GF/\$1.1 million non-GF) and one-time ACCFT Stipend reflected (\$.2GF) (All Represented & Non-Represented Faculty & Staff including Executives) (No Health increase requested for FY10)	\$8,864.0	\$5,676.5	\$14,540.5	\$8,864.0	\$5,676.5	\$14,540.5			No Differences
PARTIALLY FUNDED BY GOVERNOR									
Other Cost Increases Categorized as Fixed (by the University)									
Non-Personnel Services Fixed Cost Increases	\$3,214.9	\$7,614.3	\$10,829.2	\$0.0	\$7,614.3	\$7,614.3	(\$3,214.9)	\$0.0	(\$3,214.9)
Compliance Mandates (personnel)	\$654.0	\$400.0	\$1,054.0	\$0.0	\$400.0	\$400.0	(\$654.0)	\$0.0	(\$654.0)
Utility Cost Increases	\$1,700.0	\$1,100.0	\$2,800.0	\$0.0	\$0.0	\$0.0	(\$1,700.0)	(\$1,100.0)	(\$2,800.0)
New Facility Operating and Maintenance Costs	\$2,790.5	\$344.3	\$3,134.8	\$350.0	\$344.3	\$694.3	(\$2,440.5)	\$0.0	(\$2,440.5)
Other Cost Increases Subtotal	\$8,359.4	\$9,458.6	\$17,818.0	\$350.0	\$8,358.6	\$8,708.6	(\$8,009.4)	(\$1,100.0)	(\$9,109.4)
Priority Program Enhancement and Growth									
K-12 Outreach	\$2,628.1	\$846.6	\$3,474.7	\$800.0	\$230.0	\$1,030.0	(\$1,828.1)	(\$616.6)	(\$2,444.7)
Bridging Programs, Tech Prep and Career Awareness	\$1,490.0	\$305.0	\$1,795.0	\$800.0	\$230.0	\$1,030.0			
Outreach, Testing, Placement and Teacher Preparation	\$1,138.1	\$541.6	\$1,679.7	\$0.0	\$0.0	\$0.0			
Energy, Engineering, Climate	\$3,823.4	\$7,120.0	\$10,943.4	\$1,000.0	\$3,968.1	\$4,968.1	(\$2,823.4)	(\$3,151.9)	(\$5,975.3)
Energy and Cooperative Extension Service	\$1,438.4	\$3,968.1	\$5,406.5	\$1,000.0	\$3,968.1	\$4,968.1			
Engineering	\$1,560.0	\$651.9	\$2,211.9	\$0.0	\$0.0	\$0.0			
Climate	\$825.0	\$2,500.0	\$3,325.0	\$0.0	\$0.0	\$0.0			
Health Programs	\$3,073.2	\$3,213.5	\$6,286.7	\$1,843.9	\$299.5	\$2,143.4	(\$1,229.3)	(\$2,914.0)	(\$4,143.3)
Biomed Capacity	\$1,229.3	\$2,914.0	\$4,143.3	\$0.0	\$0.0	\$0.0			
Academic Programs	\$1,843.9	\$299.5	\$2,143.4	\$1,843.9	\$299.5	\$2,143.4			
Workforce and Campus Programs	\$2,341.8	\$819.9	\$3,161.7	\$0.0	\$0.0	\$0.0	(\$2,341.8)	(\$819.9)	(\$3,161.7)
Workforce Programs	\$1,216.5	\$290.4	\$1,506.9	\$0.0	\$0.0	\$0.0			
Advanced Indigenous Studies	\$335.3	\$215.0	\$550.3	\$0.0	\$0.0	\$0.0			
Student Achievement	\$790.0	\$114.5	\$904.5	\$0.0	\$0.0	\$0.0			
Priority Program Enhancement and Growth Subtotal	\$11,866.5	\$11,800.0	\$23,666.5	\$3,643.9	\$4,497.6	\$8,141.5	(\$8,222.6)	(\$7,302.4)	(\$15,525.0)
TOTAL INCREASES	\$29,089.9	\$26,935.1	\$56,025.0	\$12,857.9	\$18,532.7	\$31,390.6	(\$16,232.0)	(\$8,402.4)	(\$24,634.4)

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

In addition to (fully supported) compensation increases, Board of Regents' increments partially supported by the Governor include the following:

- **Non-Personnel Services Fixed Cost Increases** – \$7,614.3 non-GF. This increase is intended to cover:
 - projected FY2010 travel for intercollegiate athletic teams at UAA and UAF, as well as academic and research travel, to offset airline travel costs that have risen 30%;
 - annual maintenance and repair calculated at a minimum 1.5% of current building value and other increases in non-discretionary costs (estimated at 2% of contractual services and commodities).
- **Compliance Mandates (personnel)** – \$400.0 non-GF. This area includes risk management increases to support required insurance, risk assessment, and operation increases.
- **New Facility Operating and Maintenance Costs** – Total \$694.3 (\$350.0 GF, \$344.3 non-GF) Additional funding in this area would cover:
 - the Bragaw Building Lease Expense in Anchorage for space expansion related to Development, Corporate Programs, Risk and Land Management functions;
 - the Integrated Science Building (ISB) East Campus Parking Garage; and
 - ISB support positions funding.

Legislative Fiscal Analyst Comment: As in 2009, the Governor has included a contingent appropriation in the operating budget to offset increased fuel and utility costs of agencies. The University Board of Regents requested funds in excess of that contingency (estimating that costs will rise another 10% for FY2010), but that increment was not included in the Governor's budget submission. The University anticipates a possible supplemental request to cover excess fuel costs for FY09.

The Governor's request does not include the entire Board of Regents' proposal in Priority Program Enhancement and Growth. A total of \$15,525.0 (\$8,222.6 GF and \$7,302.4 non-GF) was cut from the Board of Regents' FY2010 operating budget submittal in these areas. Partial program funding is included in the Governor's budget for the following:

- **K-12 Outreach** – Total \$1,030.0 (\$800.0 GF, \$230.0 non-GF) Funding in this category is intended to support partnerships with the Department of Education and Early Development and school districts, as well as summer camps, career awareness, outreach, special education teacher training, and early testing, assessment and placement. Examples of proposed program investments include expanding the following:
 - UAA Engineering Bridging Activities/Summer Camps;
 - UAA Alaska Native Science and Engineering Program;
 - UAF Alaska Summer Research Academy Engineering Components;
 - UAF Interior Aleutians Campus Early College High School Initiative;
 - UAF Individual Technology Based Math and Summer Bridge Programs; and
 - UAS Summer Bridge, Early College Advising and Programs.
- **Energy, Engineering, Climate** – Total \$4,968.1 (\$1,000.0 GF, \$3,968.1 non-GF)

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

- The Governor's request focuses on funding to address solutions to the state's most pressing energy issues, including outreach through the Alaska Cooperative Extension Service.
- Operating support for energy is intended to provide the core expertise and support to address the needs expressed through state plans, including a plan prepared by the Alaska Energy Authority.
- **Health Programs** – Total \$2,143.4 (\$1,843.9 GF, \$299.5 non-GF)
 - This priority program request is designed to support the University's next step in building strong health occupation training programs. Specific examples include:
 - Anchorage Campus – Clinical Rotations/Health Pipeline partnering with industry leaders to encourage Alaskans in health careers and support health students to select employment in underserved areas and with underserved populations; UAA distance social work program in partnership with the Alaska Mental Health Trust Authority; Human Services Practicum Coordination to meet accreditation guidelines; faculty/liaisons in the areas of pharmacy careers and physical therapy; and, expansion of the Physician Assistant Program;
 - Fairbanks Campus – increased funding for the UAF Psychology Clinic as the training site and behavioral health research facility for doctoral student clinicians;
 - College of Rural and Community Development – UAF Rural Human Services Faculty to work toward a culturally appropriate training program designed for rural human service workers;
 - Tanana Valley Campus – addition of a tenure-track faculty position to the Allied Health/Medical Assisting Certificate and Associate of Applied Science (AAS) program to expand the Medical Assisting program to rural locations; and
 - Juneau Campus – addition of a UAS Career and Health Coordinator to work with the Health Distance Education Partnership, Student Success Coordinator to work with students prior to and after enrollment in any regional health occupation program, and a biological sciences laboratory technician for the Sitka-based program.

Although the Board of Regents had requested funds for Workforce and Campus Programs, no funds were included in the Governor's request for that purpose.

The Governor's University of Alaska FY2010 budget adds three new PFT positions for a total of 4,919 (4,697 PFT and 222 PPT) positions.

ORGANIZATIONAL CHANGES

For FY2010, the Governor's Office is supporting a single appropriation structure for the University of Alaska. Although this was the structure maintained for many years, in FY09 the legislature determined that seven appropriations would allow more oversight and control from a legislative perspective.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

In addition to the single University of Alaska appropriation, an allocation for the Small Business Development Center (SBDC) has been created. In FY09, an appropriation was set up to allow movement of the SBDC from the capital budget to the operating budget. For FY2010, this program is also singled out with a transfer of \$337.2 (\$257.2 GF, \$80.0 non-GF) from the Anchorage Campus operating budget (which supplemented the capital budget appropriation each year) to a newly created allocation which adds to and continues the FY09 funding of \$550.0. The University's intent is to keep this allocation complete and separate to track all SBDC activities for the federal match requirements, BuyAlaska and the Procurement Technical Assistance Program.

CAPITAL REQUEST

There are two general fund projects in the University's FY2010 capital budget:

- (1) \$10 million GF to maintain existing facilities (renewal and renovation annual requirement), and
- (2) \$2.2 million GF designed as a pass thru to Providence Alaska Medical Center for the Alaska Family Medicine Residency Program which trains medical school graduates who intend to practice family medicine in Alaska. This is the only residency program in the Northwest that does not receive annual direct state appropriations from their state university or higher education system.

Legislative Fiscal Analyst Comment: Prior funding for this program was provided in the Department of Commerce, Community and Economic Development as a Grant to a Named Recipient (\$2.0 million each in FY08 and FY09). If funding for this purpose is approved, the legislature may wish to add it to the operating budget as an ongoing appropriation.

One other item in the University's capital request is funded by AHCC Receipts – \$1,072.0 for University of Alaska Gasline Workforce Development to enable acquisition of a machinery simulator package that would support training for any occupation utilizing heavy equipment. The AHCC fund source is classified as GF by Legislative Finance. The Governor classifies these receipts as "Other" Funds.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Alaska Court System				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$84,485.8			
FY09 Fiscal Notes	-			
CarryForward	-			
Special Appropriations	-			
Agency Transfers (excludes fuel/utility & gasline)	-			
09 Contractual Salary Adjustments	-			
09 Salary Fund Changes	-			
Misc Adjustments	-			
Vetoed	-			
FY09 Revised Management Plan (GF only)	\$84,485.8	\$0.0	0.0%	
One-time Items removed	-			
Transfers between Agencies (nets zero statewide)	-			
FY10 Contractual Salary and Health Increases	2,430.7			
Misc Adjustments	-			
FY10 Adjusted Base Budget (GF only)	\$86,916.5	\$2,430.7	2.9%	
FY 10 Unrealizable Salary Fund Source Changes	-			
FY 10 Governor's GF Increments/Decrements/Fund Changes	2,710.6			
FY10 Governor's Request (GF only)	\$89,627.1	\$2,710.6	3.1%	
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$2,710.6	
Appellate Courts	6,522.4	6,306.6	(215.8)	1,2,3
Trial Courts	69,934.7	72,221.8	2,287.1	1,2,3,4,6,7
Administration and Support	9,366.1	9,928.0	561.9	1,2
Commission on Judicial Conduct	359.0	362.6	3.6	1
Judicial Council	943.9	1,017.7	73.8	5
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	1,675.6	1,675.6	-	
Other funds (all allocations)	506.0	1,016.3	510.3	7
Total Non-General Funds (all allocations)	\$2,181.6	\$2,691.9	\$510.3	
Position Changes (From FY09 Management Plan to Gov)	819	843	24	
PFT	729	754	25	
PPT	62	61	(1)	
Temp	28	28	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance, Renovation, and Repairs	-	-	-	
Remodel and Reconstruction	2,500.0	-	2,500.0	
New Construction and Land Acquisition	-	-	-	
Equipment and Materials	-	-	-	
Information Systems and Technology	-	-	-	
Other	-	-	-	
TOTAL CAPITAL	\$2,500.0	\$0.0	\$2,500.0	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Alaska Court System

The Alaska Court System constitutes the Judicial Branch of the state's government. Alaska has a unified, centrally administered, and completely state-funded judicial system. The mission of the Alaska Court System is to provide an accessible and impartial forum for the just resolution of all cases that come before it, and to decide such cases in accordance with the law, expeditiously and with integrity.

There are four levels of courts in the Alaska Court System, each with different powers, duties and responsibilities. The four levels of courts are the Supreme Court, the Court of Appeals, the Superior Court, and the District Court. The Supreme Court and the Superior Court were established in the Alaska Constitution. The District Court was established by state statute in 1959. The Court of Appeals was established by state statute in 1980. Jurisdiction and other areas of the judicial responsibility for each level of court are set out in Title 22 of the Alaska Statutes.

The Alaska Court System budget is presented in three appropriation requests - the Alaska Court System, the Commission on Judicial Conduct, and the Judicial Council.

SIGNIFICANT ISSUES

The FY2010 Alaska Court System GF operating budget as submitted by the Alaska Court System is \$5,141.3 above the FY09 Revised Management Plan (which excludes fuel/utility & gasoline one-time funding). The net GF change from Adjusted Base is \$2,710.6.

The following notes correspond to the numbers in the last column of the preceding spreadsheet:

1. **Improve Public Service: \$3,202.0 GF.** The Court System has been experiencing difficulty in recruiting and retaining qualified staff to manage the department's increased caseloads throughout the state. The agency has addressed this problem by adding twenty-five full-time positions to the FY2010 request. Increments for these purposes include:
 - **\$2,085.0 GF:** Adding judicial, clerical, and administrative support positions where appropriate in communities with the largest need and expanding some positions from part-time to full-time;
 - **\$474.0 GF:** Increasing salaries for Magistrates and Pro Tem Judges and Justices in an effort to maintain parity with employees in the classified and partially exempt state service;
 - **\$639.4 GF:** Eliminating vacancy factors that currently exacerbate the number of backlogged caseloads by forcing delays in filling judgeships; and
 - **\$3.6 GF:** Reducing personal services underfunding in the office of Judicial Conduct.
2. **Operating Expenses: \$2,045.1 GF.** Operating costs are increasing for the Court System in the areas of lease costs, building maintenance, utilities, service contracts, office supplies and equipment, information technology and travel. Increments for these purposes include:
 - **\$725.0 GF:** Utilities and service contracts to keep up with the rising cost of fuel and building service contractors (snow removal, janitorial and security services);

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

- **\$492.8 GF:** Update operating systems and replace outdated equipment in addition to the purchase and maintenance of critical software licenses;
 - **\$297.5 GF:** Office and library products including paper, toner and other consumable supplies;
 - **\$268.3 GF:** Public Building Fund increases in Palmer and Juneau as well as increased lease costs for the other 22 facilities leased through private landlords;
 - **\$236.5 GF:** Increased travel costs, largely due to an 8.1% rise in domestic airfares from the second quarter of 2007; and
 - **\$25.0 GF:** Replacement of aging workstations and furniture.
- 3. Judicial Retirement System Savings: \$3,529.9 GF Reduction.** During the last session, the legislature appropriated \$49 million to pay off the unfunded liability of the Judicial Retirement System (JRS). This reduction of debt enabled the Alaska Retirement Management (ARM) Board to reduce the contribution rate from 57.7% to 26.2%. This rate is expected to be stable for the foreseeable future; individual benefit costs under the Judicial Retirement System are more than twice the cost of individual benefit costs under the Public Employees Retirement System.
- 4. Transcript Costs for Criminal Proceedings: \$125.0 GF.** With an increase in criminal caseloads, the demand for transcripts has dramatically increased. Coupled with this increased demand, fewer contractors are willing to accept work from the court because the payment rates are below market standards. The Court System is currently paying a per page rate of \$2.65 - \$3.05, while federal courts are paying a per page rate of \$3.65 - \$4.85.
- 5. Judicial Selection: \$63.6 GF.** This increment will assist the Commission on Judicial Conduct in meeting its workload requirements in the judicial application and selection processes.
- 6. Juror Mileage Reimbursement: \$35.0 GF.** By court rule, jurors must reside in excess of 30 miles away from the court to be entitled to receive mileage reimbursement. The Court System is seeking a rule change to permit mileage expenses to be reimbursed after the juror has driven more than 60 miles to perform their service as a juror. This change is particularly important for jurors serving multiple days in rural locations.
- 7. Mental Health Programs: \$510.3 MHTAAR and \$747.1 GF/MH.** FY2010 will be the second year of zero-base budgeting for Mental Health Trust Authority Authorized Receipts (MHTAAR) – meaning that all MHTAAR funding in state agencies is removed from the adjusted base and reconsidered by the Mental Health Trust Authority each fiscal year.
- For FY2010, The Mental Health Trust is recommending \$510.3 (\$477.5 less than FY09 Authorized) in MHTAAR funding for the MH Trust Disability Justice Initiative. The majority of the funding is for:
- preventative treatment for youth intended to avoid future costs of more expensive treatment services associated with the adult correctional and judicial systems; and

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

- developing court ordered treatment plans that address clients treatment needs and are monitored by the court, thus reducing risk of future contacts with the criminal justice system.

The proposed reductions in MHTAAR authorization would be offset by a \$747.1 increase in GF/MH funding for additional Disability Justice Initiative programs. Replacement of \$647.7 MHTAAR authorization with GF/MH will ensure continued access to treatment services for existing and new therapeutic courts. The remainder of the GF/MH increase will replace FY2009 MHTAAR authorization for the Anchorage Mental Health Court (\$99.4).

ORGANIZATIONAL CHANGES

There are no significant changes requested.

CAPITAL REQUEST

Anchorage Campus Project – Phase II: \$2.5 Million GF. The Court System's sole capital project included in the Governor's request is a major remodel to all floors of the Boney Courthouse and a minor remodel in the Nesbett Courthouse to accommodate additional judges, provide safe prisoner transport to additional courtrooms in the Boney Courthouse, and provide spaces that are more conducive to efficient customer service.

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Alaska Legislature				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY09 Conference Committee (GF Only)	\$61,956.0			
FY09 Fiscal Notes	-			
Carry Forward	2,292.5			
Special Appropriations	-			
Agency Transfers (excludes fuel/utility & gasline)	-			
09 Contractual Salary Adjustments	-			
09 Salary Fund Changes	-			
Misc Adjustments	-			
Vetoed	-			
FY09 Revised Management Plan (GF only)	\$64,248.5	\$2,292.5	3.7%	
One-time Items removed	(292.5)			
Transfers between Agencies (nets zero statewide)	-			
FY10 Contractual Salary and Health Increases	1,373.4			
Misc Adjustments	-			
FY10 Adjusted Base Budget (GF only)	\$65,329.4	\$1,080.9	1.7%	
FY 10 Unrealizable Salary Fund Source Changes	-			
FY 10 Governor's GF Increments/Decrements/Fund Changes	613.8			
FY10 Governor's Request (GF only)	\$65,943.2	\$613.8	0.9%	
FY10 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY10 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY10 Governor's Request (GF only)	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Allocation			\$613.8	
Council and Subcommittees	3,288.4	3,580.9	292.5	2
Office of Victims Rights	287.2	108.5	(178.7)	3
Legislative Operating Budget	11,137.4	11,637.4	500.0	1
Non-General Fund Agency Summary	FY10 Adjusted Base Budget + Salary Fund Changes	FY10 Governor's Request	Change from Revised FY10 Adj Base to FY10 Governor's Request	See Note:
Federal Funds (all allocations)	63,329.4	65,943.2	2,613.8	
Other funds (all allocations)	963.6	1,142.3	178.7	3
Total Non-General Funds (all allocations)	\$64,293.0	\$67,085.5	\$2,792.5	
Position Changes (From FY09 Management Plan to Gov)	526	526	-	
PFT	246	246	-	
PPT	280	280	-	
Temp	-	-	-	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance, Renovation, and Repairs	-	-	-	
Remodel and Reconstruction	-	-	-	
New Construction and Land Acquisition	-	-	-	
Equipment and Materials	-	-	-	
Information Systems and Technology	-	-	-	
Other	-	-	-	
TOTAL CAPITAL	\$0.0	\$0.0	\$0.0	

Legislative Fiscal Analyst's Overview of the Governor's FY2010 Request

Alaska Legislature

The Alaska State Legislature sets policy through the adoption of laws and has the power of appropriation as provided in the Alaska Constitution and in state statute. The legislature includes the following appropriations and allocations:

- Legislative Budget and Audit Committee
 - Legislative Audit
 - Legislative Finance
 - Committee Expenses
 - Legislature State Facilities Rent
- Legislative Council
 - Legislative Salaries and Allowances
 - Administrative Services
 - Session Expenses
 - Council and Subcommittees
 - Legal and Research Services
 - Select Committee on Ethics
 - Office of Victims Rights
 - Office of the Ombudsman
- Legislative Operating Budget

SIGNIFICANT ISSUES

The budget submitted to the Governor is traditionally a preliminary draft that has not been formally reviewed by legislative leadership. The FY2010 submittal is essentially identical to the FY09 budget, with the exception of salary adjustments and the following:

1. An increment of \$500.0 general funds for potential cost increases during interims.
2. Two one-time appropriations that were carried forward into the FY2010 budget—\$100.0 for the Legislative Outdoor Heritage Caucus and \$192.5 for a Council of State Governments meeting – lapse at the end of FY09. In keeping with a legislative policy decision (made last session) to minimize carryforward, the legislature may wish to delete these FY09 one-items from the FY2010 budget.
3. A fund change that replaces \$178.7 of general funds with PFD Criminal funds.

Legislative Fiscal Analyst Comment: The amount of PFD Criminal funds available varies with the amount of the Permanent Fund dividend and the number of felons incarcerated. Recent investment losses are likely to reduce PFDs in the future, with a corresponding decrease in PFD Criminal funds available. The likely result is future requests to replace PFD Criminal funds with general funds.

There are no capital projects or organizational changes requested.

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**Military and Veterans Affairs
House Finance Overview
Presented by Commissioner Campbell
January 28, 2009**

- **Department Overview & Introductions**
- **FY2009 Status Report**
- **FY2010 Budget Overview / Significant Changes**
- **HB 125 Long Range Fiscal Plan – Executive Summary**

akole822@yahoo.com

Military & Veterans Affairs

Baseline Budget Growth

(thousands \$)

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Total Appropriations	80,260.1	60,130.1	75,579.7	71,024.8	71,473.7	71,926.5	72,468.1	67,928.8	68,393.5	68,862.1	69,334.7
General Fund	17,646.3	10,419.6	15,934.4	16,040.1	16,146.7	16,254.3	16,362.9	12,392.5	12,503.0	12,614.4	12,726.9
General Fund Match	6,184.3	3,407.3	3,505.8	3,540.2	3,574.8	3,609.8	3,645.0	3,680.5	3,716.4	3,752.5	3,789.0
Federal Funds	43,634.3	33,285.3	43,086.3	38,355.9	38,628.0	38,902.5	39,284.3	38,623.8	38,905.8	39,190.4	39,477.4
Other State Funds	12,795.2	13,017.9	13,053.2	13,088.6	13,124.2	13,159.9	13,195.9	13,232.0	13,268.3	13,304.8	13,341.4
Operations	46,348.3	46,230.1	48,429.7	48,874.8	49,323.7	49,776.5	50,318.1	50,778.8	51,243.5	51,712.1	52,184.7
General Fund	9,654.2	8,619.6	8,724.4	8,830.1	8,936.7	9,044.3	9,152.9	9,262.5	9,373.0	9,484.4	9,596.9
General Fund Match	2,634.3	2,657.3	2,755.8	2,790.2	2,824.8	2,859.8	2,895.0	2,930.5	2,966.4	3,002.5	3,039.0
Federal Funds	21,264.6	21,935.3	23,896.3	24,165.9	24,438.0	24,712.5	25,074.3	25,353.8	25,635.8	25,920.4	26,207.4
Other State Funds	12,795.2	13,017.9	13,053.2	13,088.6	13,124.2	13,159.9	13,195.9	13,232.0	13,268.3	13,304.8	13,341.4
Formula Programs	750.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8
General Fund	750.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Formula Detail											
AK National Guard Benefits	750.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8
General Fund	750.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-formula Programs	45,597.5	45,349.3	47,548.9	47,994.0	48,442.9	48,895.7	49,437.3	49,898.0	50,362.7	50,831.3	51,303.9
General Fund	8,903.4	7,738.8	7,843.6	7,949.3	8,055.9	8,163.5	8,272.1	8,381.7	8,492.2	8,603.6	8,716.1
General Fund Match	2,634.3	2,657.3	2,755.8	2,790.2	2,824.8	2,859.8	2,895.0	2,930.5	2,966.4	3,002.5	3,039.0
Federal Funds	21,264.6	21,935.3	23,896.3	24,165.9	24,438.0	24,712.5	25,074.3	25,353.8	25,635.8	25,920.4	26,207.4
Other State Funds	12,795.2	13,017.9	13,053.2	13,088.6	13,124.2	13,159.9	13,195.9	13,232.0	13,268.3	13,304.8	13,341.4
Capital	33,911.8	13,900.0	27,150.0	22,150.0	22,150.0	22,150.0	22,150.0	17,150.0	17,150.0	17,150.0	17,150.0
General Fund	7,992.1	1,800.0	7,210.0	7,210.0	7,210.0	7,210.0	7,210.0	3,130.0	3,130.0	3,130.0	3,130.0
General Fund Match	3,550.0	750.0	750.0	750.0	750.0	750.0	750.0	750.0	750.0	750.0	750.0
Federal Funds	22,369.7	11,350.0	19,190.0	14,190.0	14,190.0	14,190.0	14,190.0	13,270.0	13,270.0	13,270.0	13,270.0
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1. Baseline wage and benefit increases are handled in the statewide spreadsheet.

Notes for FY09 Baseline Appropriations and department assumptions for FY10 and beyond
See detailed spreadsheet



Military & Veterans Affairs

Initiatives (Except Gasline)
(thousands \$)

	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Total Appropriations	0.0	0.0	0.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0
General Fund	0.0	0.0	0.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operations	0.0	0.0	0.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0
Formula Programs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-formula Programs	0.0	0.0	0.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0
General Fund	0.0	0.0	0.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Describe department assumptions for new initiatives (except gasline) appropriations estimates
See attached spreadsheet

2

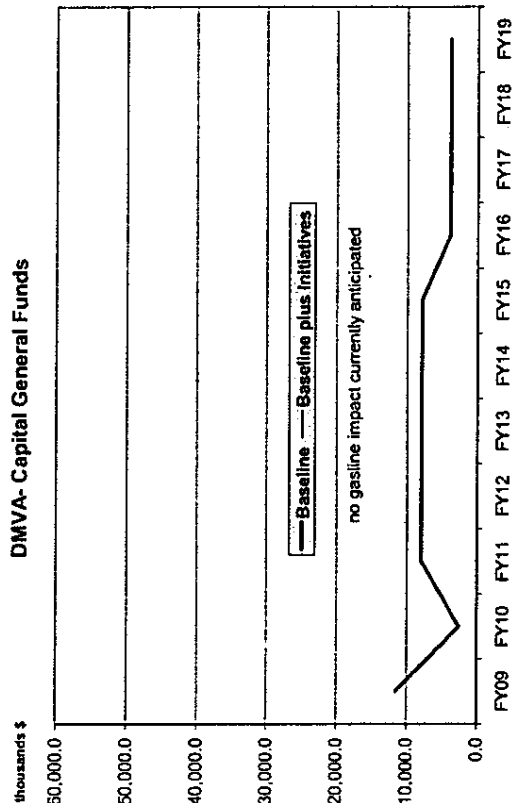
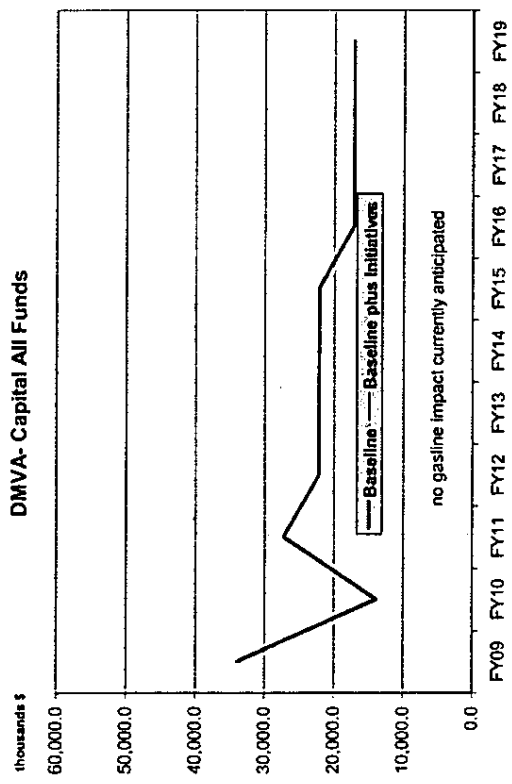
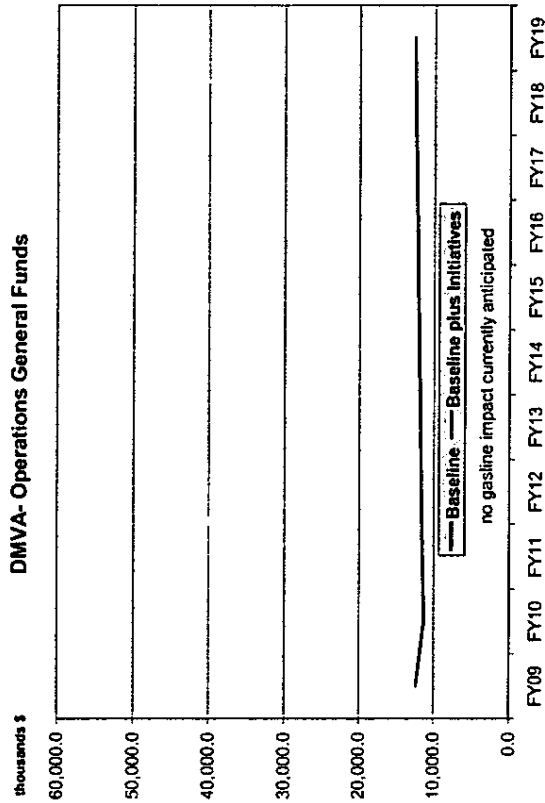
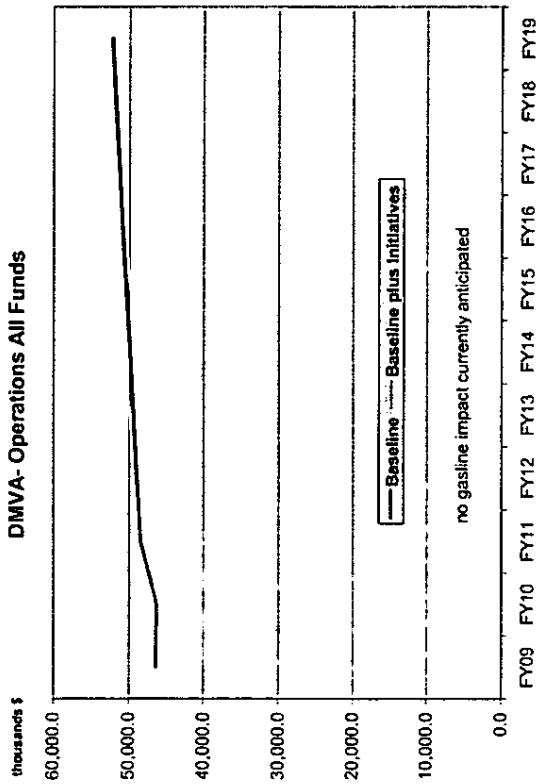
Military & Veterans Affairs

Baseline plus Initiatives (thousands \$)

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Total Appropriations	80,260.1	60,130.1	75,579.7	71,274.8	71,723.7	72,176.5	72,718.1	68,178.8	68,643.5	69,112.1	69,584.7
General Fund	17,646.3	10,419.6	15,934.4	16,290.1	16,396.7	16,504.3	16,612.9	12,842.5	12,753.0	12,864.4	12,976.9
General Fund Match	6,184.3	3,407.3	3,505.8	3,540.2	3,574.8	3,609.8	3,645.0	3,680.5	3,716.4	3,752.5	3,789.0
Federal Funds	43,634.3	33,285.3	43,086.3	38,355.9	38,628.0	38,902.5	39,264.3	38,623.8	38,905.8	39,190.4	39,477.4
Other State Funds	12,795.2	13,017.9	13,053.2	13,088.6	13,124.2	13,159.9	13,195.9	13,232.0	13,268.3	13,304.8	13,341.4
Operations	46,348.3	46,230.1	48,429.7	49,124.8	49,573.7	50,026.5	50,568.1	51,028.8	51,493.5	51,962.1	52,434.7
General Fund	9,654.2	8,619.6	8,724.4	9,080.1	9,186.7	9,294.3	9,402.9	9,512.5	9,623.0	9,734.4	9,846.9
General Fund Match	2,634.3	2,657.3	2,755.8	2,790.2	2,824.8	2,859.8	2,895.0	2,930.5	2,966.4	3,002.5	3,039.0
Federal Funds	21,264.6	21,935.3	23,896.3	24,165.9	24,438.0	24,712.5	25,074.3	25,353.8	25,635.8	25,920.4	26,207.4
Other State Funds	12,795.2	13,017.9	13,053.2	13,088.6	13,124.2	13,159.9	13,195.9	13,232.0	13,268.3	13,304.8	13,341.4
Formula Programs	750.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8
General Fund	750.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Formula Detail	750.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8
AK National Guard Benefits	750.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8
General Fund	750.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8	880.8
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-formula Programs	45,597.5	45,349.3	47,548.9	48,244.0	48,692.9	49,145.7	49,687.3	50,148.0	50,612.7	51,081.3	51,553.9
General Fund	8,903.4	7,738.8	7,843.6	8,199.3	8,305.9	8,413.5	8,522.1	8,631.7	8,742.2	8,853.6	8,966.1
General Fund Match	2,634.3	2,657.3	2,755.8	2,790.2	2,824.8	2,859.8	2,895.0	2,930.5	2,966.4	3,002.5	3,039.0
Federal Funds	21,264.6	21,935.3	23,896.3	24,165.9	24,438.0	24,712.5	25,074.3	25,353.8	25,635.8	25,920.4	26,207.4
Other State Funds	12,795.2	13,017.9	13,053.2	13,088.6	13,124.2	13,159.9	13,195.9	13,232.0	13,268.3	13,304.8	13,341.4
Capital	33,911.8	13,900.0	27,150.0	22,150.0	22,150.0	22,150.0	22,150.0	17,150.0	17,150.0	17,150.0	17,150.0
General Fund	7,992.1	1,800.0	7,210.0	7,210.0	7,210.0	7,210.0	7,210.0	3,130.0	3,130.0	3,130.0	3,130.0
General Fund Match	3,550.0	750.0	750.0	750.0	750.0	750.0	750.0	750.0	750.0	750.0	750.0
Federal Funds	22,369.7	11,350.0	19,190.0	14,190.0	14,190.0	14,190.0	14,190.0	13,270.0	13,270.0	13,270.0	13,270.0
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

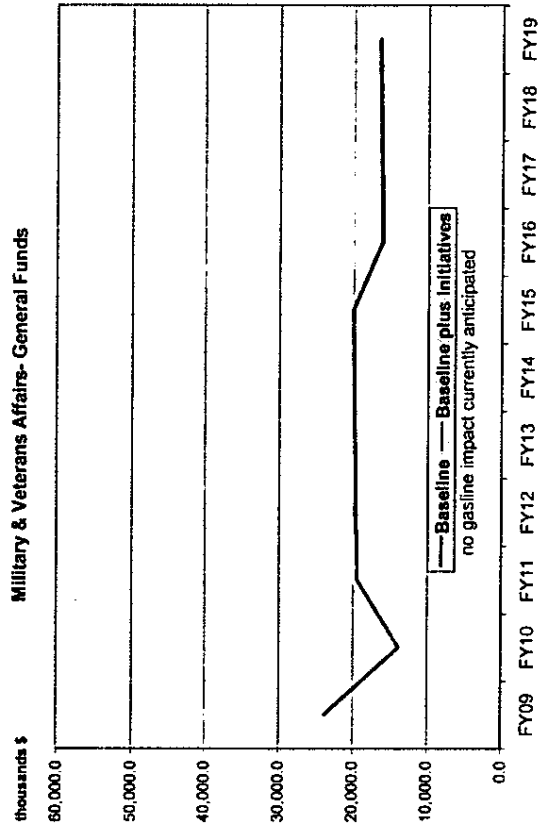
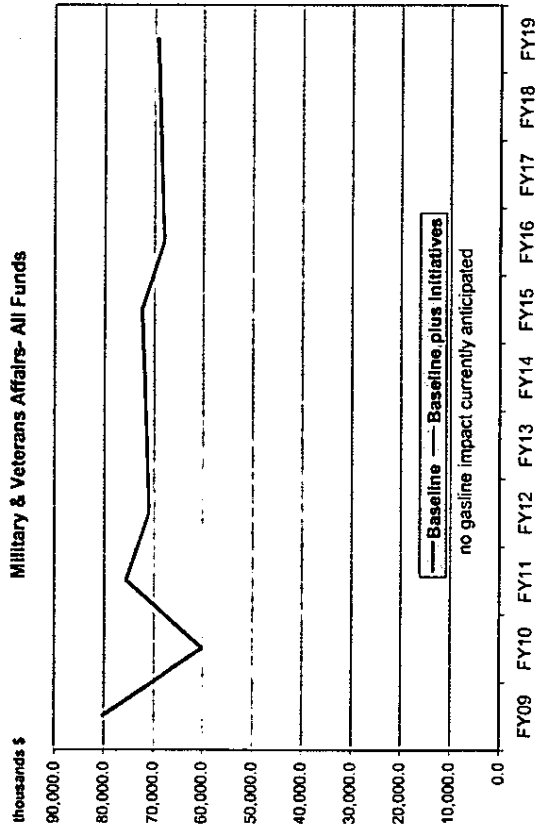


Military & Veterans Affairs



4

Military & Veterans Affairs



5

Description	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
C FY2010 Transfer UA Tuition Assistance Waiver Program Funding to the UofA		(328.5)									
GF											
Federal											
Other											
Total		(328.5)									
C Increased Fed Auth for Homeland Security & Emerg Svcs / Other (Note: The additional receipt authority will allow for one-time federal funding requests, that cannot continue to be absorbed with existing authority levels in future years.			1,500.0								
GF											
Federal											
Other			1,500.0								
Total			1,500.0								
C Operating Costs Related to Bethel Amory Replacement anticipated to be open summer of 2010 (may be FY2010 budget amendment rather than FY2011 increment, 75% fed; \$25% GF Match (Does not include any personal services)			64.6								
GF/Match											
Federal			64.6								
Other			193.7								
Total			258.3								
C Increased operating costs related to new USPFO, Camp Denali building of 40,000 sq. feet. (No personal services) 100% federal							84.8				
GF											
Federal							84.8				
Other											
Total							84.8				
C FY2011 and future annual 0.99% inflation increase from 2010 starting point (split of 8% go/match; 25.9% GF; and 66.1% fed based on FY2010 Gov split of the three funding sources. Reflect increased cost of doing business in travel, contractual, and supply costs. Note: Personal Services wage/benefit increases and fuel increases are not included as OMB is reflecting in Statewide numbers.			85.1	86.7	87.6	88.5	89.3	90.2	91.1	92.0	
GF											
Federal			26.3	26.8	27.1	27.4	27.6	27.9	28.2	28.5	
Other			217.2	219.3	223.7	225.9	228.1	230.4	232.7	235.0	
Total			328.6	331.8	338.4	341.8	345.0	348.5	352.0	355.5	
C Annual inflation increase of 1/2 percent to offset absorbing costs related to employee merit increases; new LOA service steps; meeting bargaining unit promotional rules on step placement; unrealizable vacancy factor, etc. Based on FY2010 Gov PS and Post Vacancy Funding split. Note: Other funds may not be realizable if paying entities don't receive increase as well.			27.4	27.5	27.7	27.8	28.0	28.1	28.2	28.4	28.5
GF											
Federal			50.1	50.3	50.6	50.8	51.1	51.4	51.6	51.9	52.1
Other			35.3	35.4	35.6	35.7	36.0	36.1	36.3	36.5	36.6
Total			112.8	113.2	113.9	114.3	115.1	115.6	116.1	116.8	117.2
Non Formula Change Subtotal	960.1	(248.2)	2,199.7	445.0	448.9	452.7	541.7	460.6	464.6	468.8	472.7
Total	960.1	(118.2)	2,199.7	445.0	448.9	452.7	541.7	460.6	464.6	468.8	472.7

C = Current Service Levels

Operating Summary Continuation Level	FY2009*	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
General Funds	960.1	(1,011.6)	203.4	140.0	141.2	142.5	143.9	145.0	146.3	147.7	149.0
Federal		670.7	1,961.0	269.6	272.1	274.5	361.8	279.5	282.0	284.6	287.1
Other Funds		222.7	35.3	35.4	35.6	35.7	36.0	36.1	36.3	36.5	36.6
Total	960.1	(118.2)	2,199.7	445.0	448.9	452.7	541.7	460.6	464.6	468.8	472.7

* Fuel Supplemental Allocation added into FY2009 then backed out of FY2010 as a One-Time item per OMB instructions. Without that in FY09 based, net GF difference is (\$51.5) between FY09 and FY2010.

7

Description	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
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NOTE: Each column represents only the difference from the previous year total and is assumed continued in base unless otherwise backed out below in future years.

Operating Summary New Initiatives	FY2009*	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
N Operating costs for new Interior Veterans Cemetery - 100% GF				250.0							
Federal											
Other											
Total				250.0							

N = New Initiative

Description	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
-------------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

Capital numbers are portrayed as the total request for each year, not cumulative or incremental.

Capital Budget

Army Guard Facilities Projects (FY2010 and out years \$1,750.0 GF Fed / \$750.0 GFM)	750.0	750.0	750.0	750.0	750.0	750.0	750.0	750.0	750.0	750.0	750.0
Federal	750.0	1,750.0	1,750.0	1,750.0	1,750.0	1,750.0	1,750.0	1,750.0	1,750.0	1,750.0	1,750.0
Other											
Total	1,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0

Interior Alaska Veterans Cemetery Design & Planning \$750.0 GF Required up front to obtain federal construction funding of \$5 million in FY2011

GF	750.0										
Federal			5,000.0								
Other											
Total	750.0	5,000.0									

Military Youth Academy Deferred Maintenance, Renewal & Replacement GF

GF	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
Federal											
Other											
Total	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0

NG Counter drug Support and ROPES Program (FY 2010 and out \$100.0 Fed / \$50.0 GF)

GF	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Federal	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Other											
Total	100.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0

State Homeland Security Grant Program (Federal Receipts)

GF	9,500.0	9,500.0	9,500.0	9,500.0	9,500.0	9,500.0	9,500.0	9,500.0	9,500.0	9,500.0	9,500.0
Federal											
Other											
Total	9,500.0	9,500.0	9,500.0	9,500.0	9,500.0	9,500.0	9,500.0	9,500.0	9,500.0	9,500.0	9,500.0

Deferred Maintenance (FY2009 SB 221 Funding \$7.9 mil / \$1.8 GF Fed & \$6.1 GF)(Future years split 23% Fed & 77% State)

GF	6,092.1	-	6,160.0	6,160.0	6,160.0	6,160.0	6,160.0	6,160.0	6,160.0	6,160.0	6,160.0
Federal	1,819.7		1,840.0	1,840.0	1,840.0	1,840.0	1,840.0	1,840.0	1,840.0	1,840.0	1,840.0
Other											
Total	7,911.8	-	8,000.0	8,000.0	8,000.0	8,000.0	8,000.0	8,000.0	8,000.0	8,000.0	8,000.0

Improved Communications for Emerg Response (ICER) - FY09 \$3.2 million Fed / \$800.0 GF (Future years 100% Federal)

GF	800.0	-	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
Federal	3,200.0										
Other											
Total	4,000.0	-	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0

FY09 CIP Ak Aviation Safety Project (any future year funding in DOT/PP) (GF)

GF	500.0										
Federal											
Other											
Total	500.0										

FY09 CIP Anchorage Armory Roof Replacement (\$ 2 Mil Fed/ \$2 Mil GF)

GF	2,000.0										
Federal	2,000.0										
Other											
Total	4,000.0										

Description	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
FY09 CIP Compliance Clean-up Site Restoration (Note: FY2010 fed auth amendment potential.)											
GF											
Federal	5,000.0										
Other											
Total	5,000.0										
FY 09 CIP Emergency Response Plans - GF											
GF											
Federal	400.0										
Other											
Total	400.0										
Total	33,911.8	13,900.0	27,150.0	22,150.0	22,150.0	22,150.0	22,150.0	17,150.0	17,150.0	17,150.0	17,150.0
Capital Summary	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
General Funds	11,542.1	2,550.0	7,960.0	7,960.0	7,960.0	7,960.0	7,960.0	3,880.0	3,880.0	3,880.0	3,880.0
Federal	22,369.7	11,350.0	19,190.0	14,190.0	14,190.0	14,190.0	14,190.0	13,270.0	13,270.0	13,270.0	13,270.0
Other Funds											
Total	33,911.8	13,900.0	27,150.0	22,150.0	22,150.0	22,150.0	22,150.0	17,150.0	17,150.0	17,150.0	17,150.0

**2009 HOUSE FINANCE
COMMITTEE ATTENDANCE**

DATE: 1-28-08

Circle Meeting Chair: Hawker Stoltze

MEMBER

PRESENT

ABSENT

RF	REP. FOSTER		
AA	REP. AUSTERMAN	/	
MK	REP. KELLY	/	
AF	REP. FAIRCLOUGH	/	
MH	CO-CHAIR HAWKER	/	
BS	CO-CHAIR STOLTZE	/	
BT	VICE-CHAIR THOMAS	/	
LG	REP. GARA	/	
HC	REP. CRAWFORD	/	
WS	REP. SALMON	/	
RJ	REP. JOULE	/	

Alaska State Legislature
HOUSE FINANCE COMMITTEE

Agenda
1:30 PM

Wednesday, January 28, 2009

Budget Overviews:

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

- William Hogan, Dept Commissioner, Family, Community, & Integrated Services, DHSS
- Alison Elgee, Assistant Commissioner, Finance and Management Services, DHSS

Teleconference Questions:

- William Streur, Deputy Commissioner, Medicaid & Health Care Policy, DHSS

MILITARY AND VETERANS AFFAIRS

- Craig Campbell, Adjutant General, Commissioner, Military & Veterans Affairs

Questions:

- John Cramer, Deputy Commissioner, Division of Administrative Services, DMVA
- Susan Colligan, Director, Division of Administrative Services, DMVA
- Laura Baker, Deputy Director, Division of Administrative Services, ~~DHSS~~ DMVA

- Brewer (OMB) ask AF what she was referring to
 Anna Kimm? (sp) DH: Health & Human Services Gov Spec. Assistant

Faren Perdue - HAS.

Jay Butler - CDC epidemiology

Beverly Willy - MUNI -

Alaska State Legislature
HOUSE FINANCE COMMITTEE

Agenda
1:30 PM

Wednesday, January 28, 2009

Budget Overviews:

Department of Health and Social Services
Military and Veterans Affairs

Campbell -



Alaska Department of Health and Social Services

2009 PRIORITIES



The overriding theme for future direction for the Alaska Department of Health and Social Services is *helping individuals and families create safe and healthy communities.*

Substance Abuse

Substance abuse affects every family and community in Alaska. It is a contributing factor in suicides, crime, unemployment, domestic violence, child abuse, school dropouts, juvenile delinquency, etc. We need to prevent, intervene early, treat and help people recover from substance abuse through public/private partnerships and long-term strategies.

Major strategies include:

- **Prevention:** Implement Prevention of Underage Drinking Initiative; target substance abuse and suicide prevention programs to those communities most in need.
- **Early Intervention:** Integrate primary care with behavioral health (mental health and substance abuse); screen all youth in the juvenile justice system for substance abuse.
- **Treatment:** Develop and implement family-based treatment services (based on the California SHIELDS for FAMILIES project); submit substance abuse Medicaid Waiver targeting adults; implement involuntary treatment and secure detoxification services.
- **Recovery:** Support array of recovery services using performance-based standards and funding. Continue to integrate mental health and substance abuse services into a behavioral health system.

Health and Wellness

Many Alaskans lead less happy and less productive lives, and many die prematurely each year, because of disability and death caused by tobacco, alcohol abuse, injuries, obesity, diabetes, cancer, heart disease, and sexually transmitted diseases. The economic impact of chronic disease alone in Alaska is staggering: an estimated \$600 million is spent annually on direct medical services and \$1.9 billion in lost productivity. Most of this is attributable to personal choice involving diet, physical activity and tobacco use — and is preventable. We can do a better job of screening, diagnosing and treating these conditions.

Major strategies include:

- **Prevention:** Implement evidence-based, population-based health promotion efforts. Increase primary prevention approaches, including those targeting increased self responsibility, improved policies and environmental

supports that encourages healthy choices. Educate about and improve methods for screening, diagnosis, and early treatment of conditions and behaviors most detrimental to the physical and mental health of Alaskans. Implement Early Childhood Comprehensive System recommendations (including a focus on early childhood mental health).

- **Access:** Grow the health care workforce and expand the number of Alaskans with health insurance.
- **Trauma system:** Develop a statewide trauma system.
- **Emergency Response Planning and Preparedness:** Work with communities to prevent health emergencies and prepare for pandemics and natural disasters.
- **Environmental Health Impacts:** Assess, guide and mitigate environmental impacts on health in Alaska. Develop expertise in performing health impact assessments.

Health Care Reform

Alaska's health care system continues to be fragmented and uncoordinated and doesn't produce the kinds of outcomes we expect. By strategically focusing on care management, reforming Medicaid, creating a Health Care Commission and growing our health care workforce, we can transform our health care system.

Major strategies include:

- **Care Management:** Improve care coordination; implement disease management program for chronic diseases and explore use of primary care case management strategy for most disabled populations; complete planning for the Bring the Kids Home Initiative.
- **Medicaid Reform:** Develop legislative and systemic recommendations for reforming Medicaid aimed at improving Medicaid sustainability.
- **Health Care Commission:** Establish a commission in order to build public awareness and define the future roles of the state, business, providers and individuals regarding health care funding and delivery.
- **Health Care Workforce:** Partner with the federal government and other states to increase training capacity and expand training programs for health care professions.

Continued ...

Alaska Department of Health and Social Services

2 0 0 9 P R I O R I T I E S

Long-Term Care

Seniors represent the fastest growing population in Alaska and it is our responsibility to determine what kinds of services we want for our aging parents (and grandparents) in order to keep them at home in their own communities. We need to develop a long-term care plan, improve services to those with Alzheimer's Disease and related disorders, and promote the expansion of aging and disability resource centers.

Major strategies include:

- **Long-Term Care Plan:** Develop an immediate and sustainable long-term care plan. DHSS has contracted with HCBS Strategies to develop this plan, which includes:
 - support for family caregivers;
 - improved service arrays and definitions of future roles of residential settings, e.g., the Pioneer Homes and nursing homes;
 - development of the workforce to meet long-term care needs; and
 - interdisciplinary departmental planning to provide quality assurance, provider training, audit and compliance coordination.
- **Long-Term Care and Services for Alaska Natives:** Work with the Alaska Native Tribal Health Consortium to identify and implement long-term care services.
- **Alzheimer Disease and Related Disorders Waiver:** Submit Waiver.
- **Aging and Disability Resource Centers:** Promote expansion of these centers.

Vulnerable Alaskans

We need to ensure that both kids and communities are safe, that developmentally disabled kids and adults have access to quality services and supports, and that individuals and families get the kind of financial and vocational supports they need to be contributing members of society. By focusing on family-centered services and through the use of performance-based standards and funding, we can better meet the needs of our most vulnerable citizens and their families.

Major strategies include:

- **Family-Centered Services Project:** Expand this project, which is designed to help families leave the public assistance rolls and find employment.
- **Performance-Based Standards:** Implement use of performance-based standards and funding for grantees.
- **Licensing, Certification and Training Standards:** Ensure providers comply with these standards.
- **Social Service Workforce:** Recruit and retain a qualified social services workforce using evidence-based practices to design and implement a department-wide approach.

Department of Health & Social Services

Overview of 10 Year Plan

January 27, 2009

MAJOR UNKNOWNNS

- Federal funds – e.g. general erosion of funding, cost shifting, unfunded mandates
- Tighter federal and state budgets
- Increasing scrutiny and accountability, especially for Medicaid
- Broad economic problems – e.g. financial markets, energy costs, mortgage defaults, medical inflation
- Environmental problems – e.g. climatic/demographic changes, aging infrastructure, infectious disease outbreak
- Paradigm shifts in program operations – e.g. fewer medical professionals, IT efficiencies, cross- dept working groups

BASELINE ASSUMPTIONS

OMB –

- Non-formula program costs should reflect the FY09 level of service
- If adjusting for inflation, use 2.75% or a generally recognized source appropriate for the type of expense
- If adjusted for population, use ADOL&WD's mid-case population scenario

HSS –

- Non-formula programs were inflation adjusted using OMB's rate of 2.75%/year
- Medicaid service costs were estimated using MESA, a sophisticated forecasting model that incorporates many factors
- Medicaid School Based Administrative Claims were adjusted for inflation (2.75%) and trends in federal participation
- Children's Services were adjusted based on established historical trends
- Health Care Services were adjusted by program based on historical trends and projected population changes

BASELINE RESULTS

Total Cost

- From FY08 to FY19, total costs increase by 71% (or 5.5% per year, compounded)
- Formula based programs consume an ever larger percentage of total departmental costs

Operating Costs

Formula Programs – *such as Medicaid, Public Assistance, Child Care, Foster Care, Temporary Assistance*

- Over 10 years, formula-based program costs increase by 89% (6.6%/year, compounded), rising from 68% of total HSS costs in FY08 to 75% of total HSS costs in FY19
- Medicaid costs alone increase by 7.2%/year, gradually rising from 58% of total HSS costs in FY08 to 69% in FY19

Non-formula Programs – *such as Public Health activities, Child Protective Services, department administration*

- Over 10 years, non-formula program costs increase by 29% (2.7%/year, compounded) and decline as a percentage of total HSS costs (from 31% in FY08 to 24% in FY19)

Capital Costs

- Over 10 years, deferred maintenance of existing facilities increases 49% (4.1%/year, compounded) – est. \$10 MM/year
- Capital grant programs for Trust beneficiaries

GASLINE ALTERNATIVE

- No gas line alternative was prepared due to the difficulty in quantifying social impacts
- TAPS experience leads HSS to expect an INCREASED need for Department services due to higher alcohol and drug abuse, as well as in-migration of job seekers from other states impacting public assistance roles

NEW INITIATIVES

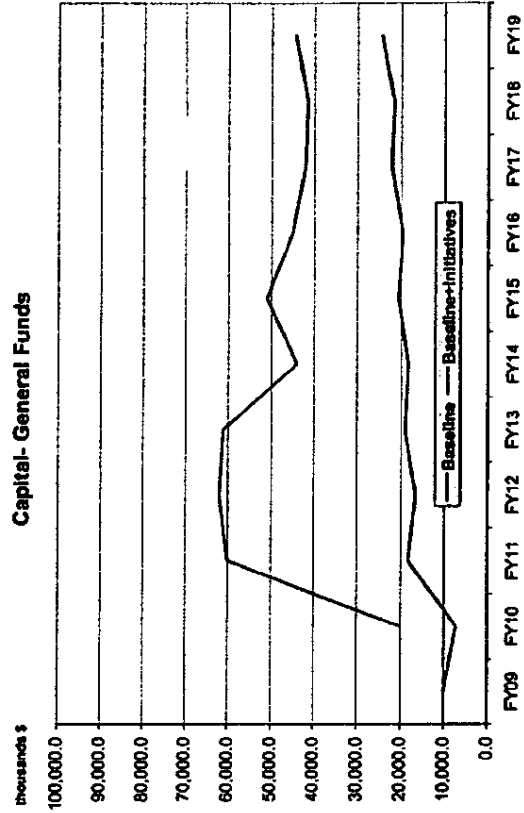
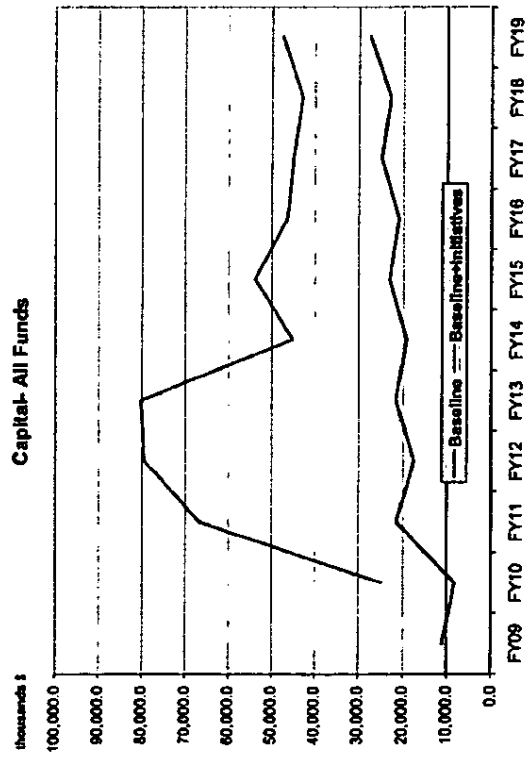
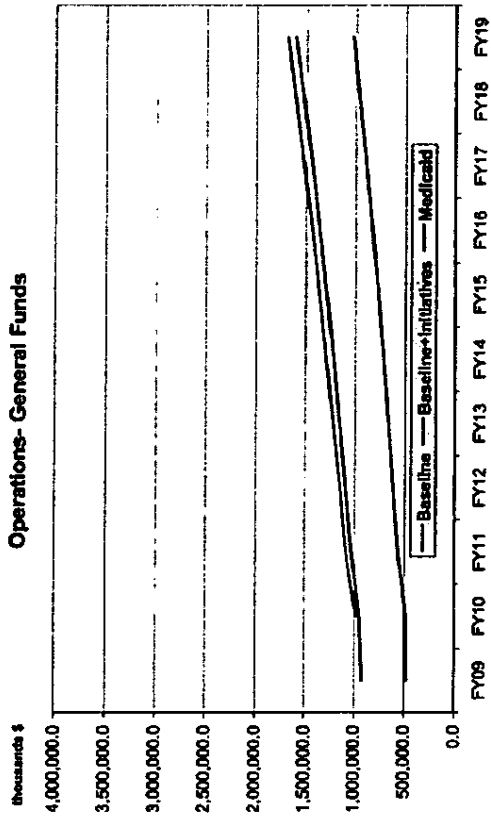
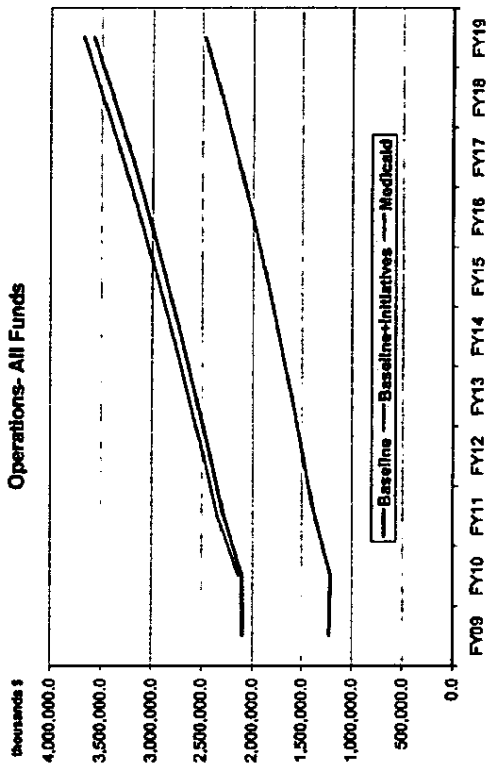
Cost

- The average annual cost for New Initiatives is \$110.6Million (roughly 6.2% of HSS Baseline)
- \$7.7 MM (7%) for formula programs; \$70.4 MM (64%) for non-formula programs; \$32.5 MM (29%) for capital projects

Description

- Formula Programs – *Improvements in foster care and adoption subsidies beginning FY10, FY11, and FY12*
- Non-formula Programs – *For grant programs in DBH, DSDS, and OCS (excluding Medicaid) increase inflation from OMB's 2.75% rate to the BLS Anchorage CPI rate of 4.6%*
- Capital Projects –
Public Assistance IT system replacement (EIS) in FY11-13; Juvenile Justice facility improvements in FY11-16
From FY17-FY19 a placeholder was added for projects not yet specifically identified

Health & Social Services



Health & Social Services

Baseline Budget Growth 1/ (thousands \$)

	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Total Appropriations	2,108,243.2	2,109,571.2	2,308,309.5	2,436,750.3	2,581,077.5	2,725,420.9	2,883,866.7	3,047,396.9	3,226,163.5	3,407,911.7	3,606,338.3
General Fund	467,951.3	492,217.0	388,905.9	397,861.6	411,391.8	421,988.2	435,943.6	446,865.8	461,590.8	473,471.2	489,075.4
General Fund Match	459,285.1	464,918.4	659,331.0	707,709.1	759,089.2	813,022.9	870,087.1	932,053.2	997,570.7	1,066,797.7	1,140,018.0
Federal Funds	1,008,392.0	987,992.2	1,098,538.9	1,168,191.8	1,241,973.2	1,319,425.5	1,401,184.9	1,488,935.3	1,581,600.6	1,679,451.9	1,782,845.0
Other State Funds	172,614.8	164,443.6	161,533.7	162,987.7	168,623.5	170,984.3	176,641.1	179,542.5	185,401.3	188,190.9	194,400.0
Operations	2,097,286.2	2,101,336.6	2,286,866.5	2,419,324.1	2,559,513.3	2,706,215.0	2,860,736.3	3,026,521.2	3,201,178.6	3,385,052.7	3,578,938.5
General Fund	466,161.0	485,640.5	371,755.0	382,395.8	393,510.9	404,894.1	416,518.8	428,429.2	440,644.0	453,105.0	465,927.4
General Fund Match	451,025.4	464,379.9	658,336.1	706,678.9	758,021.2	811,914.4	868,935.3	930,849.8	996,312.7	1,065,481.8	1,138,640.8
Federal Funds	1,008,215.0	987,422.6	1,097,841.7	1,167,261.6	1,241,007.7	1,318,422.2	1,400,141.1	1,487,849.6	1,580,470.6	1,678,274.9	1,781,618.3
Other State Funds	171,864.8	163,893.6	159,133.7	162,987.7	166,973.5	170,984.3	175,141.1	179,392.5	183,751.3	188,190.9	192,750.0
Formula Programs	1,438,803.9	1,427,894.6	1,598,587.3	1,712,117.2	1,832,858.2	1,959,576.9	2,093,565.7	2,238,253.4	2,391,233.5	2,552,834.0	2,723,831.9
General Fund	187,127.2	190,459.1	79,517.6	82,121.8	84,979.4	87,878.0	90,784.7	93,737.5	96,748.2	99,752.1	102,857.3
General Fund Match	403,606.7	414,754.3	608,265.8	655,231.7	705,159.2	757,598.7	813,125.9	873,505.6	937,391.5	1,004,940.4	1,078,434.5
Federal Funds	794,920.2	780,877.1	877,004.4	940,556.8	1,008,068.5	1,079,077.1	1,154,214.0	1,235,159.6	1,320,831.6	1,411,485.8	1,507,502.8
Other State Funds	53,149.8	41,804.1	33,799.6	34,206.9	34,651.2	35,023.2	35,441.1	35,850.7	36,262.1	36,845.7	37,037.3
Formula Detail											
Behavioral Health Medicaid Svc	172,459.8	154,512.3	174,414.6	188,317.7	203,088.6	218,651.1	235,114.1	252,933.4	271,800.3	291,776.2	312,926.6
General Fund	42,625.3	42,625.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General Fund Match	28,450.5	27,068.5	79,654.5	86,262.6	93,283.2	100,680.3	108,504.3	117,010.9	126,016.1	135,548.7	145,639.5
Federal Funds	98,984.0	82,418.5	93,060.2	100,355.1	108,105.4	118,270.9	124,909.8	134,222.6	144,084.2	154,527.5	165,587.1
Other State Funds	2,400.0	2,400.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0
Children's Medicaid Services	16,145.7	16,145.7	15,717.3	16,937.4	18,233.1	19,597.7	21,040.8	22,601.8	24,254.0	26,002.7	27,853.6
General Fund	6,220.4	6,220.4	610.6	626.4	642.7	659.4	676.6	694.2	712.2	730.7	749.7
General Fund Match	1,705.8	1,688.9	7,084.3	7,659.7	8,270.9	8,914.9	9,596.1	10,336.7	11,120.7	11,950.6	12,829.1
Federal Funds	8,219.5	8,236.4	8,022.4	8,651.3	9,319.4	10,023.3	10,768.1	11,570.9	12,421.1	13,321.3	14,274.8
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adult Prev Dental Medicaid Svc	10,108.8	6,133.8	6,866.7	7,414.1	7,995.6	8,608.3	9,256.5	9,958.0	10,700.8	11,487.3	12,319.9
General Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General Fund Match	1,877.0	2,602.0	2,855.5	3,088.4	3,335.9	3,596.6	3,872.4	4,172.6	4,490.3	4,826.6	5,182.6
Federal Funds	6,831.8	3,531.8	4,011.2	4,325.7	4,659.7	5,011.7	5,384.0	5,785.5	6,210.5	6,660.7	7,137.4
Other State Funds	1,400.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Medicaid Services	677,227.1	662,336.3	753,965.5	814,066.2	877,918.3	945,192.8	1,016,359.5	1,093,389.5	1,174,947.7	1,261,300.4	1,352,729.9
General Fund	43,354.5	43,354.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General Fund Match	188,389.6	185,858.0	271,078.8	293,698.6	317,730.4	343,051.1	369,831.6	399,013.2	429,902.9	462,598.7	497,204.7
Federal Funds	423,583.2	422,052.1	478,136.6	515,617.6	555,437.9	597,391.8	641,777.9	689,626.2	740,294.8	783,951.7	850,775.2
Other State Funds	21,889.8	11,071.7	4,750.0	4,750.0	4,750.0	4,750.0	4,750.0	4,750.0	4,750.0	4,750.0	4,750.0

Health & Social Services

Baseline Budget Growth 1/ (Thousands \$)

	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Senior/Disabilities Medicaid											
General Fund	346,139.6	367,581.3	422,989.7	456,707.4	492,529.8	530,272.1	570,198.0	613,413.4	659,169.2	707,614.8	758,908.6
General Fund Match	19,153.2	19,153.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	136,118.5	152,459.4	201,897.7	218,447.1	236,029.6	254,554.8	274,149.5	295,447.7	317,994.7	341,862.5	367,128.0
Other State Funds	185,888.1	192,216.5	219,012.3	236,180.5	254,420.4	273,637.4	293,968.7	315,885.8	339,094.7	363,672.5	389,700.7
	2,879.8	3,752.2	2,079.8	2,079.8	2,079.8	2,079.8	2,079.8	2,079.8	2,079.8	2,079.8	2,079.8
Medicaid School Based Claims											
General Fund	6,243.8	6,243.8	6,415.5	6,591.9	6,773.2	6,959.5	7,150.9	7,347.5	7,549.6	7,757.2	7,970.5
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	6,243.8	6,243.8	6,415.5	6,591.9	6,773.2	6,959.5	7,150.9	7,347.5	7,549.6	7,757.2	7,970.5
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foster Care Base Rate											
General Fund	17,246.0	17,246.0	17,267.5	17,975.5	18,802.3	19,373.5	20,032.2	20,633.1	21,190.2	21,571.6	21,959.9
General Fund Match	7,287.6	7,287.6	7,708.9	8,024.9	8,394.1	8,746.6	9,044.0	9,315.3	9,566.8	9,799.1	9,914.4
Federal Funds	3,902.8	3,902.8	4,128.4	4,297.7	4,495.4	4,589.8	4,745.8	4,888.2	5,020.2	5,110.5	5,202.5
Other State Funds	3,512.9	3,512.9	2,881.9	2,861.9	2,815.7	2,874.9	2,972.6	3,061.6	3,144.5	3,201.1	3,258.7
	2,542.7	2,542.7	2,844.3	2,961.0	3,097.2	3,162.2	3,269.7	3,367.8	3,456.7	3,521.0	3,584.4
Foster Care Augmented Rate											
General Fund	2,276.1	2,276.1	2,419.8	2,519.1	2,634.9	2,702.4	2,794.2	2,878.1	2,955.8	3,009.0	3,063.1
General Fund Match	500.0	500.0	528.9	550.6	575.9	600.1	620.5	639.1	656.4	668.2	680.2
Federal Funds	1,237.6	1,237.6	1,308.1	1,362.8	1,425.5	1,455.4	1,504.9	1,550.1	1,591.9	1,620.6	1,649.8
Other State Funds	538.5	538.5	581.8	605.6	633.5	646.8	666.8	688.9	707.5	720.2	733.2
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foster Care Special Need											
General Fund	6,163.3	6,163.3	6,866.3	7,154.7	7,512.4	7,850.5	8,198.0	8,515.6	8,864.7	9,201.5	9,551.2
General Fund Match	2,109.0	2,109.0	2,349.8	2,448.2	2,570.6	2,686.3	2,801.8	2,913.9	3,033.4	3,148.6	3,268.3
Federal Funds	1,531.5	1,531.5	1,706.2	1,777.8	1,866.7	1,950.7	2,034.6	2,116.0	2,202.8	2,288.5	2,373.4
Other State Funds	1,027.7	1,027.7	1,144.9	1,193.0	1,252.7	1,309.0	1,365.3	1,419.9	1,478.1	1,534.3	1,592.6
	1,495.1	1,495.1	1,665.6	1,735.6	1,822.4	1,904.4	1,986.3	2,065.7	2,150.4	2,232.1	2,316.9
Sub Adoptions & Guardianship											
General Fund	21,539.1	24,541.3	22,873.7	23,263.2	23,844.8	24,417.0	24,978.6	25,553.1	26,115.3	26,689.8	27,303.7
General Fund Match	7,057.9	9,018.7	7,429.7	7,622.8	7,813.4	8,000.9	8,185.0	8,373.2	8,557.4	8,745.7	8,946.8
Federal Funds	3,134.4	3,134.4	3,299.5	3,385.3	3,469.9	3,553.2	3,634.9	3,718.5	3,800.3	3,883.9	3,973.3
Other State Funds	11,346.8	12,388.2	11,944.5	12,255.0	12,561.4	12,862.9	13,158.7	13,461.4	13,757.5	14,060.2	14,383.6
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Catastrophic & Chronic Illness											
General Fund	1,471.0	1,471.0	1,652.8	1,752.0	1,857.1	1,968.5	2,086.6	2,211.8	2,344.6	2,485.2	2,634.3
General Fund Match	1,471.0	1,471.0	1,652.8	1,752.0	1,857.1	1,968.5	2,086.6	2,211.8	2,344.6	2,485.2	2,634.3
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Health & Social Services

Baseline Budget Growth 1/
(thousands \$)

	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
ATAP											
General Fund	26,631.8	26,631.8	30,131.8	30,131.8	30,131.8	30,131.8	30,131.8	30,131.8	30,131.8	30,131.8	30,131.8
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	16,445.9	16,445.9	16,445.9	16,445.9	16,445.9	16,445.9	16,445.9	16,445.9	16,445.9	16,445.9	16,445.9
Other State Funds	8,175.9	8,175.9	11,675.9	11,675.9	11,675.9	11,675.9	11,675.9	11,675.9	11,675.9	11,675.9	11,675.9
	2,010.0	2,010.0	2,010.0	2,010.0	2,010.0	2,010.0	2,010.0	2,010.0	2,010.0	2,010.0	2,010.0
Adult Public Assistance											
General Fund	56,866.0	56,370.0	57,231.4	58,820.8	60,570.4	62,372.5	64,228.7	66,140.5	68,109.8	70,138.1	72,227.2
General Fund Match	51,773.0	51,277.0	52,138.4	53,727.8	55,477.4	57,279.5	59,135.7	61,047.5	63,016.8	65,045.1	67,134.2
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other State Funds	1,030.0	1,030.0	1,030.0	1,030.0	1,030.0	1,030.0	1,030.0	1,030.0	1,030.0	1,030.0	1,030.0
	4,063.0	4,063.0	4,063.0	4,063.0	4,063.0	4,063.0	4,063.0	4,063.0	4,063.0	4,063.0	4,063.0
Child Care Benefits											
General Fund	48,334.5	51,729.1	51,352.6	51,545.4	51,743.5	51,947.0	52,156.1	52,371.0	52,591.8	52,818.7	53,051.8
General Fund Match	2,581.4	5,887.0	5,651.6	5,844.4	6,042.5	6,246.0	6,455.1	6,670.0	6,890.8	7,117.7	7,350.8
Federal Funds	6,325.1	8,337.3	6,317.8	6,317.8	6,317.8	6,317.8	6,317.8	6,317.8	6,317.8	6,317.8	6,317.8
Other State Funds	39,428.0	39,504.8	39,383.2	39,383.2	39,383.2	39,383.2	39,383.2	39,383.2	39,383.2	39,383.2	39,383.2
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General Refuel Assistance											
General Fund	2,993.9	1,555.4	1,447.2	1,524.6	1,605.6	1,690.5	1,779.4	1,872.4	1,969.8	2,071.8	2,178.5
General Fund Match	2,993.9	1,555.4	1,447.2	1,524.6	1,605.6	1,690.5	1,779.4	1,872.4	1,969.8	2,071.8	2,178.5
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tribal Assistance											
General Fund	13,372.7	13,372.7	13,372.7	13,372.7	13,372.7	13,372.7	13,372.7	13,372.7	13,372.7	13,372.7	13,372.7
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	12,488.0	12,488.0	12,488.0	12,488.0	12,488.0	12,488.0	12,488.0	12,488.0	12,488.0	12,488.0	12,488.0
Other State Funds	884.7	884.7	884.7	884.7	884.7	884.7	884.7	884.7	884.7	884.7	884.7
PFD Hold Harmlless											
General Fund	13,584.7	13,584.7	13,802.1	14,022.9	14,244.2	14,469.1	14,697.6	14,929.7	15,165.5	15,405.1	15,648.5
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other State Funds	13,584.7	13,584.7	13,802.1	14,022.9	14,244.2	14,469.1	14,697.6	14,929.7	15,165.5	15,405.1	15,648.5
Non-formula Programs											
General Fund	658,462.3	673,442.0	685,279.2	707,206.8	726,655.0	746,638.1	767,170.6	788,267.8	809,945.2	832,218.6	855,104.7
General Fund Match	279,033.8	295,181.4	292,237.4	300,274.0	308,531.5	317,016.1	325,734.1	334,691.8	343,895.8	353,352.9	363,070.1
Federal Funds	47,418.7	49,625.6	50,070.3	51,447.2	52,862.0	54,315.7	55,809.4	57,344.2	58,921.1	60,541.5	62,206.4
Other State Funds	213,294.8	206,545.5	220,637.3	226,704.9	232,939.2	239,345.1	245,927.1	252,690.0	259,639.0	266,779.1	274,115.5
	118,715.0	122,089.5	125,334.1	128,780.8	132,322.3	135,961.1	139,700.1	143,541.8	147,489.2	151,545.2	155,712.7

Health & Social Services

Baseline Budget Growth 1/ (thousands \$)

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Capital	10,977.0	8,234.6	21,443.0	17,426.2	21,564.2	19,205.9	23,120.4	20,875.7	24,984.9	22,859.0	27,401.8
General Fund	1,790.3	6,576.5	17,150.9	15,465.8	17,880.7	17,094.1	19,424.8	18,436.6	20,946.8	20,366.1	23,148.0
General Fund Match	8,259.7	538.5	994.9	1,030.2	1,068.0	1,108.5	1,151.8	1,203.4	1,258.1	1,315.9	1,377.1
Federal Funds	177.0	569.6	897.2	930.2	965.5	1,003.3	1,043.8	1,085.7	1,130.0	1,177.0	1,226.6
Other State Funds	750.0	550.0	2,400.0	0.0	1,650.0	0.0	1,500.0	150.0	1,650.0	0.0	1,650.0

1. Baseline wage and benefit increases are handled in the statewide spreadsheet.

Notes for FY09 Baseline Appropriations and department assumptions for FY10 and beyond

Summary of changes made in January 2009

Baseline Scenario >> Capital - Projects not funded in FY09 moved to out one year

New Initiatives >> Capital - Placeholders entered for projects not yet identified from FY17-FY19; Operating cost - On-going expenses added back into analysis (most recent version did not include these costs in either Baseline or New Initiatives)

Health & Social Services

Initiatives (Except Gasline)

(thousands \$)

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Total Appropriations	31,616.4	51,443.3	99,564.2	123,269.2	132,328.2	105,119.5	118,217.9	118,225.3	115,689.3	119,278.0	122,583.2
General Fund	28,089.7	37,615.1	79,415.3	72,523.7	78,721.7	82,744.4	89,527.8	88,448.4	85,124.7	87,316.4	89,505.2
General Fund Match	659.7	6,545.1	11,227.1	27,861.8	29,666.4	13,854.3	14,922.6	15,256.3	15,745.4	16,268.9	16,788.9
Federal Funds	1,667.0	4,196.6	8,241.3	22,142.2	23,523.7	7,672.1	12,688.7	13,088.9	13,604.1	14,169.1	14,726.5
Other State Funds	1,200.0	3,086.5	680.5	741.5	426.4	848.7	1,078.8	1,451.8	1,215.1	1,521.5	1,562.6
Operations	1,900.0	34,926.4	54,249.9	61,216.7	73,657.3	79,195.9	87,542.8	92,774.2	95,689.3	99,276.0	102,583.2
General Fund	1,900.0	27,183.8	39,695.1	44,220.4	52,878.9	57,143.3	59,175.2	62,997.3	65,124.7	67,316.4	69,505.2
General Fund Match	0.0	3,914.0	9,024.9	10,623.7	13,247.3	13,695.2	14,763.5	15,256.3	15,745.4	16,268.9	16,788.9
Federal Funds	0.0	2,842.1	4,849.4	5,631.0	7,104.6	7,508.7	12,525.3	13,088.9	13,604.1	14,169.1	14,726.5
Other State Funds	0.0	886.5	680.5	741.5	426.4	848.7	1,078.8	1,451.8	1,215.1	1,521.5	1,562.6
Formula Programs	0.0	2,270.0	5,306.3	6,199.6	8,317.0	8,541.5	8,772.0	9,009.0	9,252.2	9,502.0	9,738.5
General Fund	0.0	1,410.0	4,423.1	5,292.5	7,045.4	7,235.6	7,430.9	7,631.6	7,837.7	8,049.3	8,246.6
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	0.0	860.0	883.2	907.1	1,271.6	1,305.9	1,341.1	1,377.4	1,414.5	1,452.7	1,491.9
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Formula Detail											
Behavioral Health Medicaid Svc	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Children's Medicaid Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adult Prev Dental Medicaid Svc	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Medicaid Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Senior/Disabilities Medicaid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Medicaid School Based Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foster Care Base Rate	0.0	0.0	2,975.0	3,055.3	3,137.8	3,222.5	3,309.5	3,398.9	3,490.7	3,584.9	3,681.7
General Fund	0.0	0.0	2,975.0	3,055.3	3,137.8	3,222.5	3,309.5	3,398.9	3,490.7	3,584.9	3,681.7
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foster Care Augmented Rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foster Care Special Need	0.0	0.0	0.0	750.0	2,270.3	2,331.6	2,394.5	2,459.2	2,525.5	2,593.7	2,663.7
General Fund	0.0	0.0	0.0	750.0	1,930.3	1,982.4	2,035.9	2,090.9	2,147.3	2,205.3	2,264.8
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	0.0	0.0	0.0	0.0	340.0	349.2	358.6	368.3	378.2	388.4	398.9
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Health & Social Services

Initiatives (Except Gasline)

(thousands \$)

	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
<i>Sub Adoptions & Guardianship</i>	0.0	2,270.0	2,331.3	2,394.3	2,908.9	2,967.4	3,068.0	3,150.9	3,236.0	3,323.4	3,413.1
General Fund	0.0	1,410.0	1,448.1	1,487.2	1,977.3	2,030.7	2,085.5	2,141.8	2,199.7	2,259.1	2,320.1
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	0.0	860.0	883.2	907.1	931.6	956.7	982.5	1,008.1	1,036.3	1,064.3	1,093.0
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Catastrophic & Chronic Illness</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>ATAP</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Adult Public Assistance</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Child Care Benefits</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>General Relief Assistance</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Tribal Assistance</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>PFD Hold Harmless</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Non-formula Programs</i>	1,900.0	32,656.4	48,943.6	55,017.1	66,340.3	70,854.4	78,770.8	83,785.2	86,437.1	89,774.0	92,844.7
General Fund	1,900.0	25,773.8	35,272.0	38,927.9	45,833.5	49,907.7	51,744.3	55,365.7	57,287.0	59,267.1	61,258.6
General Fund Match	0.0	3,914.0	9,024.9	10,623.7	13,247.3	13,895.2	14,783.5	15,256.3	15,745.4	16,268.9	16,788.9
Federal Funds	0.0	2,082.1	3,986.2	4,723.9	5,833.0	6,202.8	11,184.2	11,691.5	12,189.6	12,716.4	13,234.6
Other State Funds	0.0	886.5	680.5	741.5	426.4	848.7	1,078.8	1,451.8	1,215.1	1,521.5	1,562.6
<i>Capital</i>	29,716.4	16,516.9	45,314.4	62,052.6	58,671.0	25,923.6	30,875.1	25,451.1	20,000.0	20,000.0	20,000.0
General Fund	26,189.7	10,431.3	39,720.2	28,303.3	25,842.8	25,601.1	30,352.6	25,451.1	20,000.0	20,000.0	20,000.0
General Fund Match	659.7	2,631.1	2,202.2	17,238.1	16,409.1	159.1	159.1	0.0	0.0	0.0	0.0
Federal Funds	1,667.0	1,254.5	3,392.0	16,511.2	16,419.1	163.4	163.4	0.0	0.0	0.0	0.0
Other State Funds	1,200.0	2,200.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Describe department assumptions for new initiatives (except gasline) appropriations estimates below:
 FY09: Includes one-time Resource Rebate held harmless of \$1,900.0

Health & Social Services

Baseline plus Initiatives (Thousands \$)

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Total Appropriations	2,139,859.8	2,161,014.5	2,407,873.7	2,560,019.5	2,713,405.7	2,830,540.4	3,002,074.6	3,165,622.2	3,341,852.8	3,527,187.6	3,728,921.5
General Fund	496,041.0	529,832.1	468,321.2	470,385.3	490,113.3	504,732.5	525,471.4	535,314.2	546,715.5	560,787.6	578,580.6
General Fund Match	459,944.8	471,483.5	670,558.1	735,571.0	768,745.8	828,877.3	885,098.7	947,309.5	1,013,316.2	1,083,066.6	1,156,806.9
Federal Funds	1,010,059.0	992,188.8	1,066,780.3	1,190,334.0	1,265,486.9	1,327,097.5	1,413,873.6	1,502,004.2	1,595,204.7	1,693,621.0	1,797,571.5
Other State Funds	173,814.8	167,530.1	162,214.1	163,729.2	168,049.9	171,833.0	177,719.9	180,994.3	186,616.4	189,712.4	195,962.6
Operations	2,089,166.2	2,136,283.0	2,341,116.3	2,480,540.7	2,633,170.5	2,785,410.9	2,948,279.1	3,119,295.4	3,296,667.9	3,484,328.7	3,681,518.8
General Fund	468,061.0	512,824.3	411,450.1	426,616.2	446,389.8	462,037.4	475,694.0	491,426.5	505,768.7	520,421.5	535,432.6
General Fund Match	451,025.4	468,293.9	667,361.0	717,302.7	771,268.5	825,609.7	883,698.8	946,106.1	1,012,058.1	1,081,750.7	1,155,429.7
Federal Funds	1,008,215.0	990,364.7	1,102,481.1	1,172,892.6	1,248,112.3	1,325,930.8	1,412,666.4	1,500,918.5	1,594,074.7	1,692,444.0	1,796,344.9
Other State Funds	171,864.8	164,780.1	159,814.1	163,729.2	167,399.9	171,833.0	176,219.9	180,644.3	184,966.4	189,712.4	194,312.6
Formula Programs	1,438,803.9	1,430,164.6	1,603,863.6	1,718,316.8	1,841,175.2	1,968,118.4	2,102,337.7	2,247,282.4	2,400,485.7	2,562,336.0	2,733,570.4
General Fund	187,127.2	191,869.1	83,940.7	87,414.3	92,024.8	95,113.6	98,215.6	101,369.1	104,565.9	107,801.4	111,103.9
General Fund Match	403,606.7	414,754.3	608,265.8	655,231.7	705,159.2	757,598.7	813,125.9	873,505.6	937,391.5	1,004,940.4	1,076,434.5
Federal Funds	794,920.2	781,737.1	877,887.6	941,483.9	1,009,340.1	1,080,383.0	1,155,555.1	1,236,537.0	1,322,246.1	1,412,948.5	1,508,994.7
Other State Funds	53,149.8	41,804.1	33,789.6	34,206.9	34,651.2	35,023.2	35,441.1	35,850.7	36,262.1	36,645.7	37,037.3
Formula Detail											
Behavioral Health Medicaid Sv	172,459.8	154,512.3	174,414.6	188,317.7	203,088.6	218,651.1	235,114.1	252,933.4	271,800.3	291,776.2	312,826.6
General Fund	42,625.3	42,625.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General Fund Match	28,450.5	27,068.5	79,854.5	86,262.6	93,283.2	100,680.3	108,504.3	117,010.9	126,016.1	135,548.7	145,839.5
Federal Funds	98,984.0	82,418.5	93,060.2	100,355.1	108,105.4	116,270.9	124,809.8	134,222.6	144,084.2	154,527.5	165,587.1
Other State Funds	-2,400.0	2,400.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0
Children's Medicaid Services	16,145.7	16,145.7	15,717.3	16,937.4	18,233.1	19,597.7	21,040.8	22,601.8	24,254.0	26,002.7	27,853.6
General Fund	6,220.4	6,220.4	610.6	626.4	642.7	658.4	676.6	694.2	712.2	730.7	749.7
General Fund Match	1,705.8	1,686.9	7,084.3	7,659.7	8,270.9	8,914.9	9,596.1	10,336.7	11,120.7	11,950.6	12,828.1
Federal Funds	8,219.5	8,238.4	8,022.4	8,651.3	9,319.4	10,023.3	10,768.1	11,570.9	12,421.1	13,321.3	14,274.8
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adult Prev Dental Medicaid Sv	10,108.8	6,133.8	6,866.7	7,414.1	7,995.6	8,608.3	9,256.5	9,958.0	10,700.6	11,487.3	12,319.9
General Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General Fund Match	1,877.0	2,602.0	2,855.5	3,088.4	3,335.9	3,596.6	3,872.4	4,172.6	4,490.3	4,826.6	5,182.6
Federal Funds	6,831.8	3,531.8	4,011.2	4,325.7	4,659.7	5,011.7	5,384.0	5,785.5	6,210.5	6,660.7	7,137.4
Other State Funds	-1,400.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Medicaid Services	677,227.1	682,336.3	753,965.5	814,066.2	877,918.3	945,192.8	1,016,359.5	1,093,389.5	1,174,947.7	1,261,300.4	1,352,729.9
General Fund	43,354.5	43,354.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General Fund Match	188,389.6	185,858.0	271,078.8	293,698.6	317,730.4	343,051.1	369,831.6	399,013.2	429,902.9	462,598.7	497,204.7
Federal Funds	423,593.2	422,052.1	478,136.8	515,617.6	555,437.9	597,391.6	641,777.9	689,626.2	740,294.8	793,951.7	850,775.2
Other State Funds	21,889.6	11,071.7	4,750.0	4,750.0	4,750.0	4,750.0	4,750.0	4,750.0	4,750.0	4,750.0	4,750.0

Health & Social Services

Baseline plus Initiatives (thousands \$)

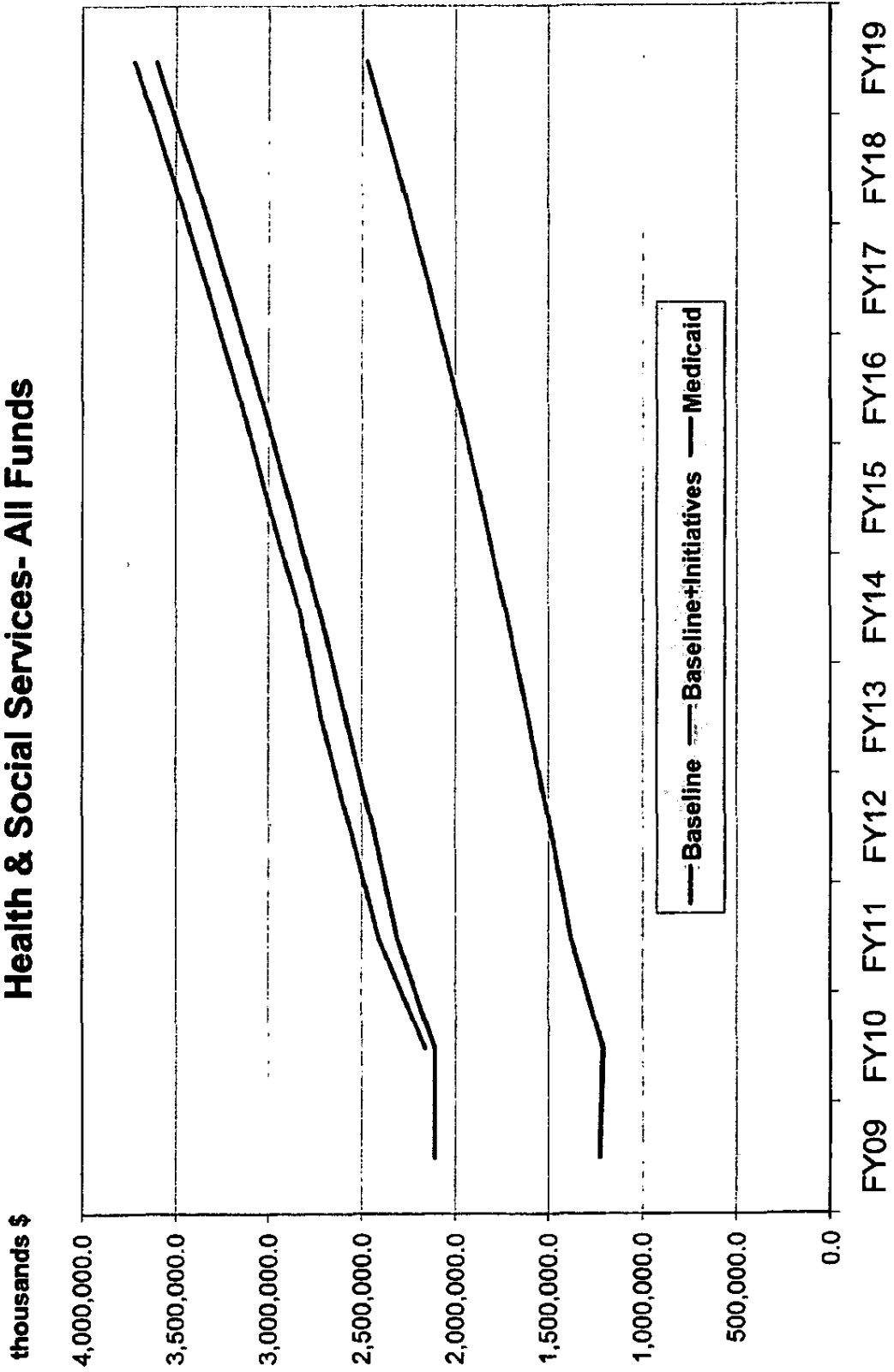
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Senior/Disabilities Medicaid											
General Fund	348,139.6	387,581.3	422,989.7	456,707.4	492,528.8	530,272.1	570,198.0	613,413.4	659,169.2	707,614.8	758,908.6
General Fund Match	19,153.2	119,153.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	138,118.5	152,459.4	201,897.7	218,447.1	236,029.6	254,554.8	274,149.5	295,447.7	317,994.7	341,862.5	367,129.0
Other State Funds	185,988.1	192,216.5	219,012.3	236,180.5	254,420.4	273,637.4	293,968.7	315,885.8	339,094.7	363,672.5	389,700.7
	2,879.8	3,752.2	2,079.8	2,079.8	2,079.8	2,079.8	2,079.8	2,079.8	2,079.8	2,079.8	2,079.8
Medicaid School Based Claims											
General Fund	6,243.8	6,243.8	6,415.5	6,591.9	6,773.2	6,959.5	7,150.9	7,347.5	7,549.6	7,757.2	7,970.5
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other State Funds	6,243.8	6,243.8	6,415.5	6,591.9	6,773.2	6,959.5	7,150.9	7,347.5	7,549.6	7,757.2	7,970.5
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foster Care Base Rate											
General Fund	17,246.0	17,246.0	20,242.5	21,030.8	21,940.1	22,596.0	23,341.7	24,032.0	24,680.9	25,156.5	25,621.6
General Fund Match	7,287.6	7,287.6	10,683.9	11,080.2	11,531.9	11,989.1	12,353.5	12,714.2	13,057.5	13,324.0	13,576.1
Federal Funds	3,902.8	3,902.8	4,128.4	4,297.7	4,495.4	4,599.8	4,745.8	4,888.2	5,020.2	5,110.5	5,202.5
Other State Funds	3,512.9	3,512.9	2,585.9	2,691.9	2,815.7	2,874.9	2,972.6	3,061.8	3,144.5	3,201.1	3,258.7
	2,542.7	2,542.7	2,844.3	2,961.0	3,097.2	3,162.2	3,269.7	3,367.8	3,459.7	3,521.0	3,584.4
Foster Care Augmented Rate											
General Fund	2,276.1	2,276.1	2,419.8	2,519.1	2,634.9	2,702.4	2,784.2	2,878.1	2,955.8	3,009.0	3,063.1
General Fund Match	500.0	500.0	528.9	550.6	575.9	600.1	620.5	639.1	656.4	668.2	680.2
Federal Funds	1,237.6	1,237.6	1,309.1	1,362.8	1,425.5	1,455.4	1,504.9	1,550.1	1,591.9	1,620.6	1,649.8
Other State Funds	538.5	538.5	581.8	605.6	633.5	646.8	668.8	688.9	707.5	720.2	733.2
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foster Care Special Need											
General Fund	6,163.3	6,163.3	6,886.3	7,904.7	9,782.7	10,182.1	10,582.5	10,974.8	11,390.2	11,795.2	12,214.9
General Fund Match	2,109.0	2,109.0	2,349.6	3,198.2	4,500.9	4,668.7	4,837.7	5,004.8	5,180.7	5,353.9	5,531.1
Federal Funds	1,531.5	1,531.5	1,706.2	1,777.8	1,866.7	1,950.7	2,034.6	2,116.0	2,202.8	2,286.5	2,373.4
Other State Funds	1,027.7	1,027.7	1,144.9	1,193.0	1,592.7	1,658.2	1,723.9	1,788.2	1,856.3	1,922.7	1,991.5
	1,495.1	1,485.1	1,665.6	1,735.6	1,822.4	1,904.4	1,986.3	2,065.7	2,150.4	2,232.1	2,316.9
Sub Adoptions & Guardianship											
General Fund	21,539.1	26,811.3	25,005.0	25,657.5	26,753.7	27,404.4	28,046.6	28,704.0	29,351.3	30,013.2	30,716.8
General Fund Match	7,057.9	10,428.7	8,877.8	9,110.0	9,780.7	10,031.6	10,270.5	10,515.0	10,757.1	11,004.8	11,266.9
Federal Funds	3,134.4	3,134.4	3,299.5	3,385.3	3,469.9	3,553.2	3,634.9	3,718.5	3,800.3	3,883.8	3,973.3
Other State Funds	11,346.8	13,248.2	12,827.7	13,162.1	13,493.0	13,819.6	14,141.2	14,470.5	14,793.8	15,124.5	15,476.6
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Catastrophic & Chronic Illness											
General Fund	1,471.0	1,471.0	1,652.8	1,752.0	1,857.1	1,968.5	2,086.6	2,211.8	2,344.6	2,485.2	2,634.3
General Fund Match	1,471.0	1,471.0	1,652.8	1,752.0	1,857.1	1,968.5	2,086.6	2,211.8	2,344.6	2,485.2	2,634.3
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Health & Social Services

Baseline plus Initiatives
(thousands \$)

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
ATAP											
General Fund	28,631.8	26,631.8	30,131.8	30,131.8	30,131.8	30,131.8	30,131.8	30,131.8	30,131.8	30,131.8	30,131.8
General Fund Match	16,445.9	16,445.9	16,445.9	16,445.9	16,445.9	16,445.9	16,445.9	16,445.9	16,445.9	16,445.9	16,445.9
Federal Funds	8,175.9	8,175.9	11,875.9	11,875.9	11,875.9	11,875.9	11,875.9	11,875.9	11,875.9	11,875.9	11,875.9
Other State Funds	2,010.0	2,010.0	2,010.0	2,010.0	2,010.0	2,010.0	2,010.0	2,010.0	2,010.0	2,010.0	2,010.0
Adult Public Assistance											
General Fund	58,866.0	56,370.0	57,231.4	58,820.8	60,570.4	62,372.5	64,228.7	66,140.5	68,109.8	70,136.1	72,227.2
General Fund Match	51,773.0	51,277.0	52,138.4	53,727.8	55,477.4	57,279.5	59,135.7	61,047.5	63,016.8	65,045.1	67,134.2
Federal Funds	1,030.0	1,030.0	1,030.0	1,030.0	1,030.0	1,030.0	1,030.0	1,030.0	1,030.0	1,030.0	1,030.0
Other State Funds	4,063.0	4,063.0	4,063.0	4,063.0	4,063.0	4,063.0	4,063.0	4,063.0	4,063.0	4,063.0	4,063.0
Child Care Benefits											
General Fund	48,334.5	51,729.1	51,352.6	51,545.4	51,743.5	51,947.0	52,156.1	52,371.0	52,591.8	52,818.7	53,051.8
General Fund Match	2,581.4	5,887.0	5,851.6	5,844.4	6,042.5	6,248.0	6,455.1	6,670.0	6,890.8	7,117.7	7,350.8
Federal Funds	6,325.1	6,337.3	6,317.8	6,317.8	6,317.8	6,317.8	6,317.8	6,317.8	6,317.8	6,317.8	6,317.8
Other State Funds	39,428.0	39,504.8	39,363.2	39,363.2	39,363.2	39,363.2	39,363.2	39,363.2	39,363.2	39,363.2	39,363.2
General Relief Assistance											
General Fund	2,993.9	1,555.4	1,447.2	1,524.6	1,605.6	1,690.5	1,779.4	1,872.4	1,969.8	2,071.8	2,178.5
General Fund Match	2,993.9	1,555.4	1,447.2	1,524.6	1,605.6	1,690.5	1,779.4	1,872.4	1,969.8	2,071.8	2,178.5
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other State Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tribal Assistance											
General Fund	13,372.7	13,372.7	13,372.7	13,372.7	13,372.7	13,372.7	13,372.7	13,372.7	13,372.7	13,372.7	13,372.7
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	12,488.0	12,488.0	12,488.0	12,488.0	12,488.0	12,488.0	12,488.0	12,488.0	12,488.0	12,488.0	12,488.0
Other State Funds	884.7	884.7	884.7	884.7	884.7	884.7	884.7	884.7	884.7	884.7	884.7
PFD Hold Harmless											
General Fund	13,584.7	13,584.7	13,802.1	14,022.9	14,244.2	14,469.1	14,697.6	14,929.7	15,165.5	15,405.1	15,648.5
General Fund Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other State Funds	13,584.7	13,584.7	13,802.1	14,022.9	14,244.2	14,469.1	14,697.6	14,929.7	15,165.5	15,405.1	15,648.5
Non-formula Programs											
General Fund	680,362.3	706,098.4	737,222.7	762,223.9	791,995.3	817,292.5	845,941.4	872,033.0	896,382.3	921,992.6	947,949.4
General Fund Match	280,933.8	320,955.2	327,509.5	339,201.9	354,365.0	368,923.8	377,478.4	390,057.4	401,182.8	412,620.0	424,328.7
Federal Funds	47,418.7	53,539.6	59,095.2	62,071.0	66,109.3	68,011.0	70,572.9	72,800.5	74,866.6	76,810.4	78,695.3
Other State Funds	213,294.8	208,627.6	224,803.5	231,428.7	238,772.2	245,547.8	251,111.3	264,381.5	271,828.8	279,495.5	287,350.2
Capital											
General Fund	40,693.4	24,751.5	66,757.4	79,478.8	80,235.2	45,129.5	53,795.5	46,326.6	41,964.9	42,859.0	47,401.6
General Fund Match	27,980.0	17,007.8	56,871.1	43,769.1	43,723.5	42,695.2	46,777.4	43,687.7	40,946.8	40,366.1	43,148.0
Federal Funds	8,919.4	3,169.6	3,197.1	18,268.3	17,477.1	1,267.6	1,310.9	1,203.4	1,258.1	1,315.9	1,371.1
Other State Funds	1,844.0	1,824.1	4,289.2	17,441.4	17,384.6	1,166.7	1,207.2	1,065.7	1,130.0	1,177.0	1,226.6
Other State Funds	1,950.0	2,750.0	2,400.0	0.0	1,650.0	0.0	1,500.0	150.0	1,650.0	0.0	1,650.0

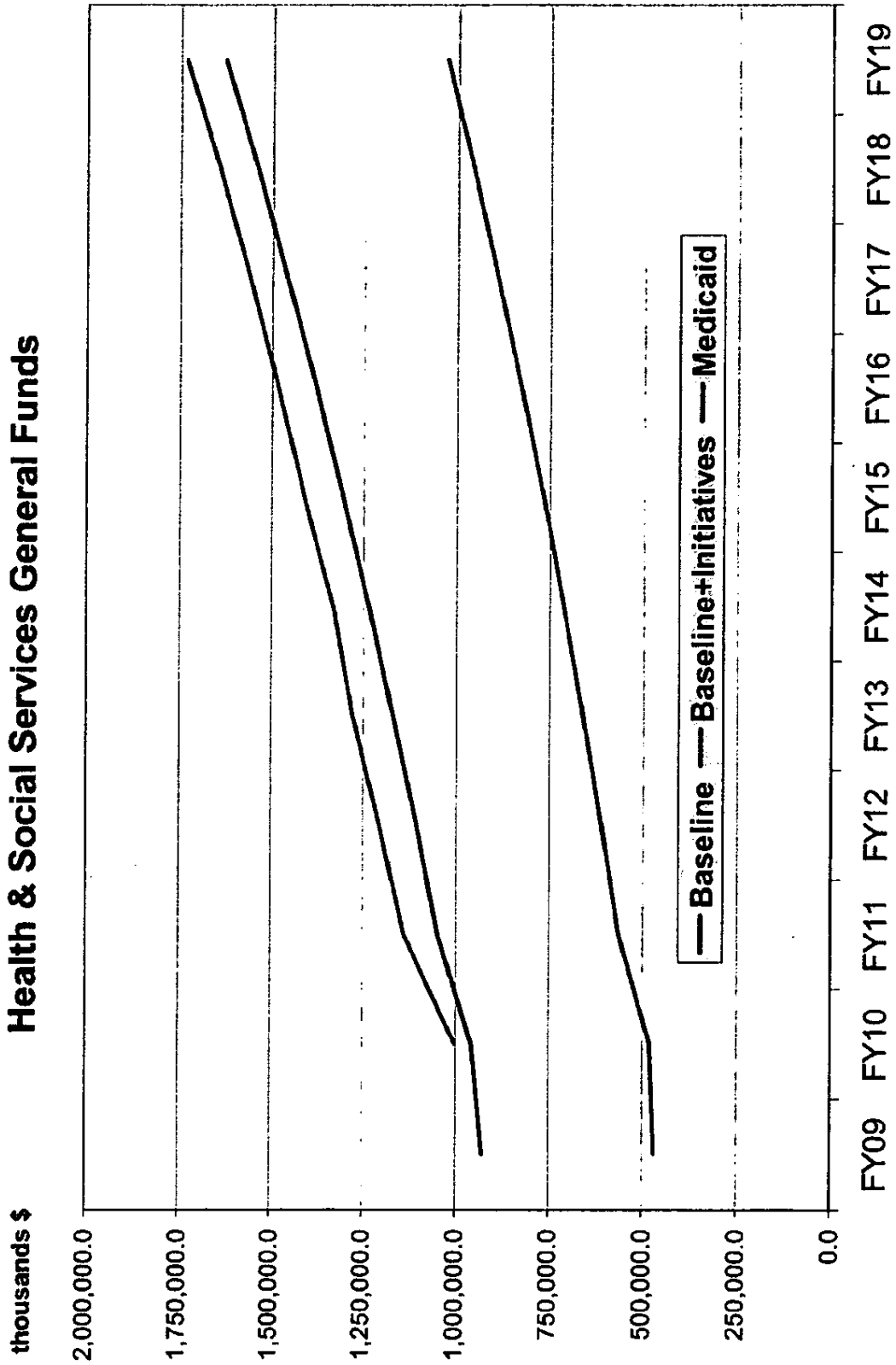
Health & Social Services- All Funds



FY2010 10-year plan

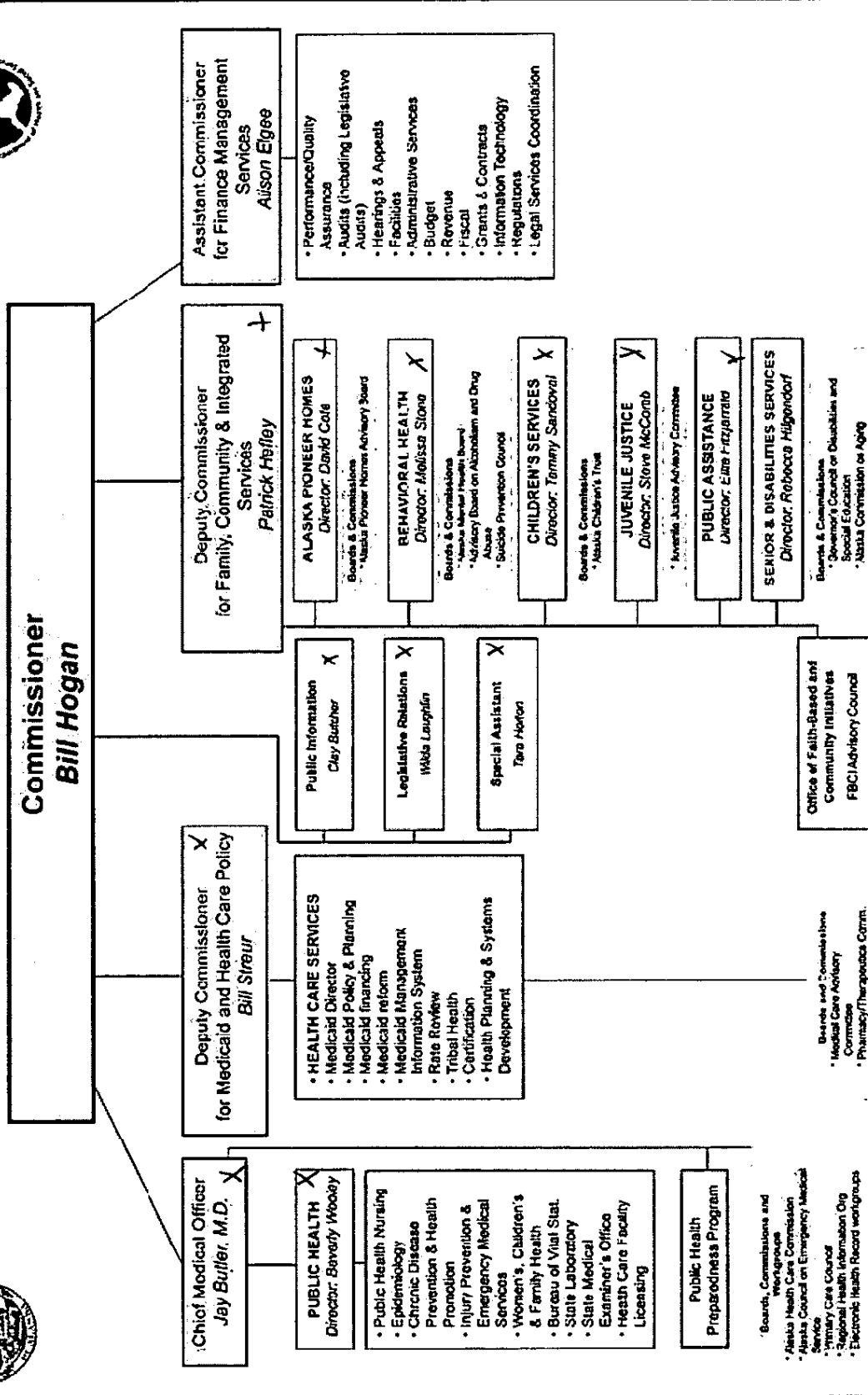
Office of Management and Budget

Health & Social Services General Funds



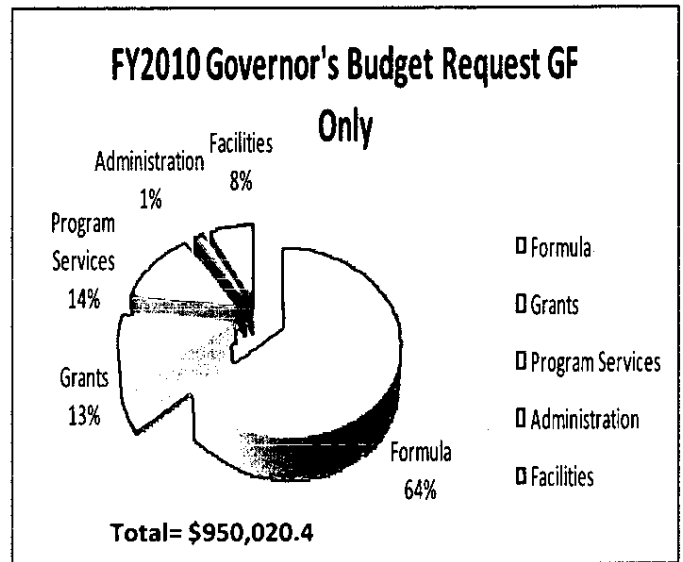
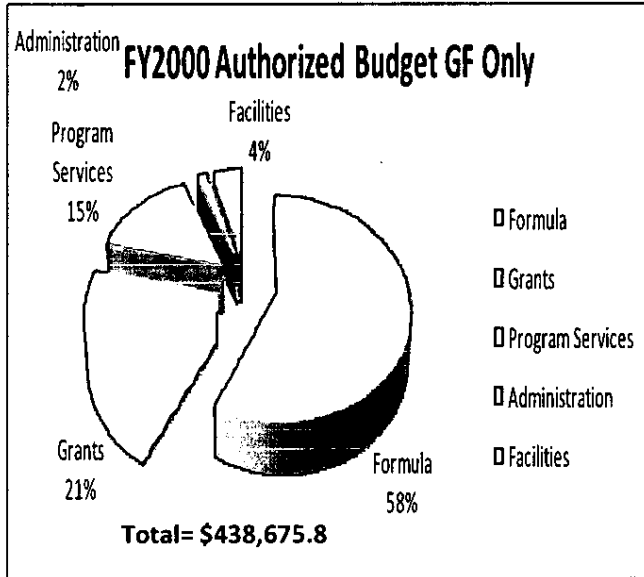
Department of Health and Social Service

Alaska Department of Health and Social Services Organization Chart



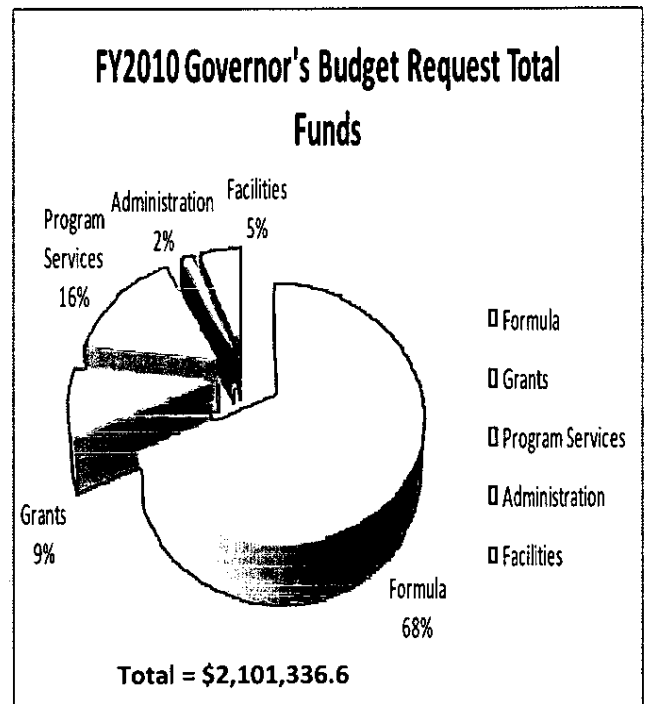
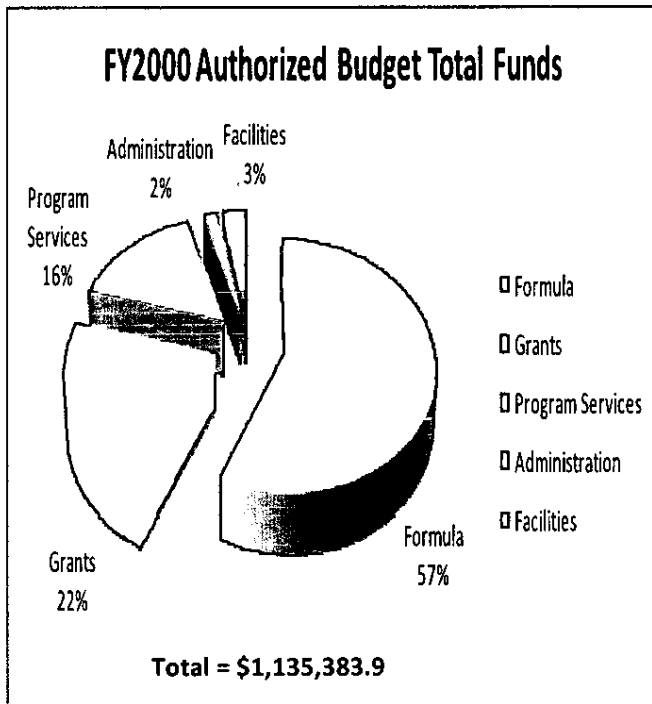
Effective Jan. 1, 2009, Rev. Jan. 21, 2009

Expenditures Category Comparisons of general fund Authorization



Formula programs comprised approximately 58% of the department's FY2000 general fund budget in comparison to 64% of the FY2010 general fund budget.

Expenditure category Comparisons of Total Funds Authorization



Formula programs comprised approximately 58% of the department's FY2000 general fund budget in comparison to 64% of the FY2010 general fund budget.

Department of Health and Social Service

The department has over 3,600 positions budgeted under Direct Field work, Program Support Services and Administrative Management Services. The table on the right indicates the geographical locations with their coordinating position count.

Direct Field Workers

115	Public Health Nurses Social Workers &
287	Children's Service Specialists
308	Eligibility Determination Staff Youth
283	Detention/Treatment Workers
92	Juvenile Probation Officers
257	API Staff
652	Pioneer Homes Staff
1,994	TOTAL

Program Support Services

108	Behavioral Health Programs
126	Senior and Disability Programs
422	Public Health Programs
223	Children's Services
124	Juvenile Programs
10	Facilities Management
389	Benefit Payments/Systems
1,402	TOTAL

Administrative/Management Support

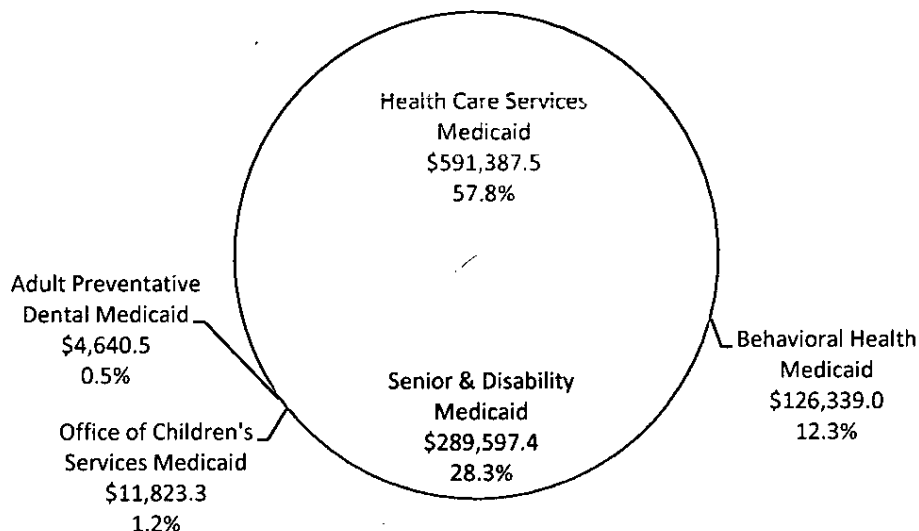
135	Information Technology
139	All Other Centralized Admin/Mgmt
274	TOTAL

3,670 **FY2010 GRAND TOTAL**

FY2010 Position Summary by Location

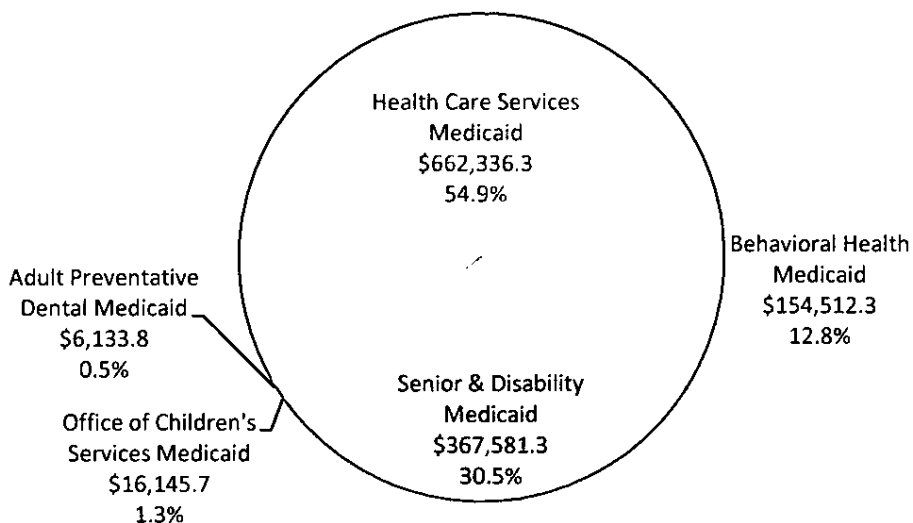
Location	Total Position Counts
Anchorage	1,780
Aniak	3
Barrow	9
Bethel	97
Cordova	2
Craig	6
Delta Junction	7
Dillingham	11
Eagle River	1
Fairbanks	378
Fort Yukon	1
Galena	3
Glenallen	3
Haines	2
Homer	17
Juneau	657
Kenai	84
Ketchikan	137
King Salmon	2
Kodiak	16
Kotzebue	10
Mat-Su Area-wide	14
McGrath	3
Nome	41
Palmer	142
Petersburg	4
Saint Mary's	5
Seward	3
Sitka	101
Soldotna	1
Tok	2
Unalaska	1
Valdez	5
Wasilla	120
Wrangell	2
Totals	3,670

FY 2008 Medicaid Direct Services Expenditures by Division (thousands)



Source: AKSAS data

FY 2010 Medicaid Direct Services Expenditures by Division (thousands)



Source: Medicaid Budget Group using AKSAS Budget System Data

Department of Health and Social Service

Medicaid Direct Services Expenditures by Division, FY 2008 (in thousands)

Total Medicaid Direct Services	\$ 1,023,787.7
Health Care Services Medicaid	\$ 591,387.5
Hospital Services	\$ 224,313.5
Physician Services	\$ 112,968.6
Pharmacy Services	\$ 70,673.9
Dental Services	\$ 25,095.9
Transportation	\$ 44,228.7
Other Medicaid Direct Services	\$ 49,142.1
Non-MMIS Services	\$ 41,097.2
Medicaid Refinancing	\$ 23,394.4
Medicaid (State-only)	\$ 473.2
Adult Preventative Dental Medicaid	\$ 4,640.5
Adult Preventative Dental	\$ 4,640.5
Seniors & Disabilities Medicaid	\$ 289,597.4
Personal Care Services	\$ 72,272.7
Nursing Homes	\$ 74,659.0
Adults with Disabilities Waiver	\$ 21,551.6
Children with Complex Medical Conditions	\$ 9,618.5
Mental Retardation/Developmental Disabilities	\$ 76,806.1
Older Alaskans Waiver	\$ 33,502.5
Other Services	\$ 1,187.0
Behavioral Health Medicaid	\$ 126,339.0
Residential Psychiatric Treatment Centers	\$ 47,393.5
Inpatient Psychiatric Hospitals	\$ 16,485.7
General Mental Health Services	\$ 60,038.7
Other Services	\$ 2,421.1
Office of Children's Services Medicaid	\$ 11,823.3
Behavioral Rehabilitation Services	\$ 10,627.2
Beh. Rehabilitation Services-BTKH	\$ 1,196.1

Source: Medicaid Budget Group using AKSAS and ABS data.