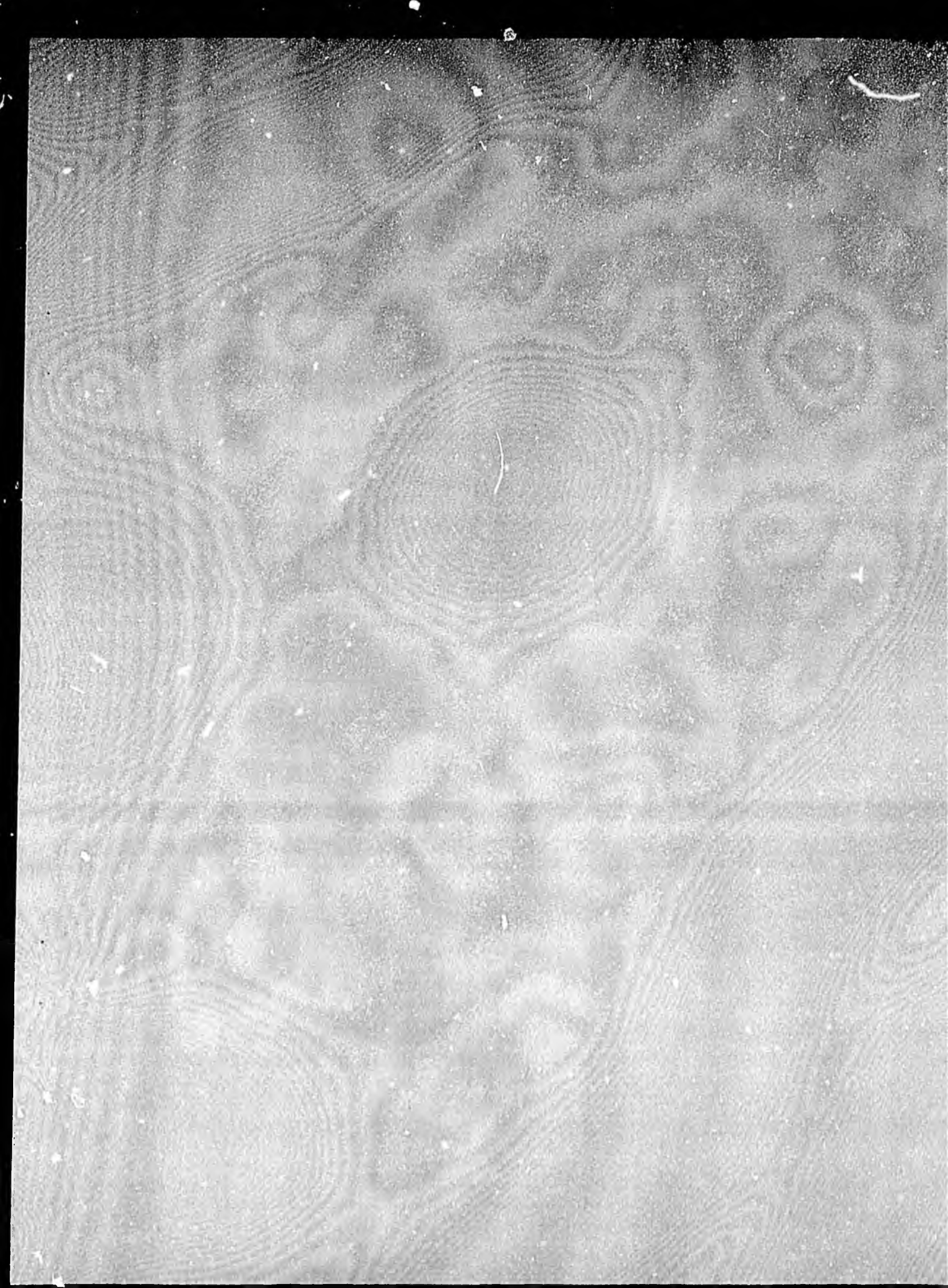


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Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

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;
- 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

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

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. Because the budget is developed cooperatively, the Governor's request typically makes few 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 Base Budgeting: FY09 is the first year for zero-base budgeting of MHTAAR - meaning that all MHTAAR in state agencies was removed from the FY09 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 FY09 Mental Health Budget

The Trustees approved five focus areas for the FY09 budget cycle, with the goals affecting significant system changes in the areas of:

- Affordable, Appropriate Housing for Trust Beneficiaries;
- Bring the Kids Home;
- Justice for Persons with Disabilities;
- Trust Beneficiary Group Initiatives; and
- Workforce Development

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

OPERATING

The net increase in state-controlled funding from FY08 to FY09 is approximately \$25.3 million, primarily due to GF/MH funded projects contained in the Governor's budget proposal but not yet included as part of the Mental Health Trust recommendations for FY09. The Authority and OMB are discussing the differences and it's possible that the budget and the Authority's plan will become more closely aligned. Major differences at this point involve general fund increases due to:

- the discontinuation of the ProShare program;
- the reduction in the Federal Medical Assistance Percentage (FMAP) rate;
- projected cost increases for Medicaid program growth; and
- inclusion of approximately \$8 million for various programs in the Governor's operating budget.

Significant changes occurred in the following allocations:

Department of Health and Social Services		
Behavioral Health Medicaid Services		\$8,420.5
Behavioral Health Grants		\$9,223.2
Behavioral Health Administration		\$2,801.8
Services to the Seriously Mentally Ill		\$3,524.9

Statewide Total Appropriations for Mental Health Programs

	FY05	FY06	FY07	FY08	AMHTA FY09 Request	FY09 Gov
State-Controlled	111,554.1	114,437.6	127,712.4	137,834.5	14,127.4	163,120.0
MH Trust	10,056.5	11,566.1	13,184.5	14,130.8	14,497.8	15,229.5
Total Operating	\$121,610.6	\$126,003.7	\$140,896.9	\$151,965.3	\$28,625.2	\$178,349.5
State-Controlled	3,300.0	9,049.2	12,200.0	13,600.0	9,900.0	12,550.0
MH Trust	4,080.0	3,100.0	2,650.0	2,300.0	2,500.0	5,000.0
Total Capital	\$7,380.0	\$12,149.2	\$14,850.0	\$15,900.0	\$12,400.0	\$17,550.0

CAPITAL

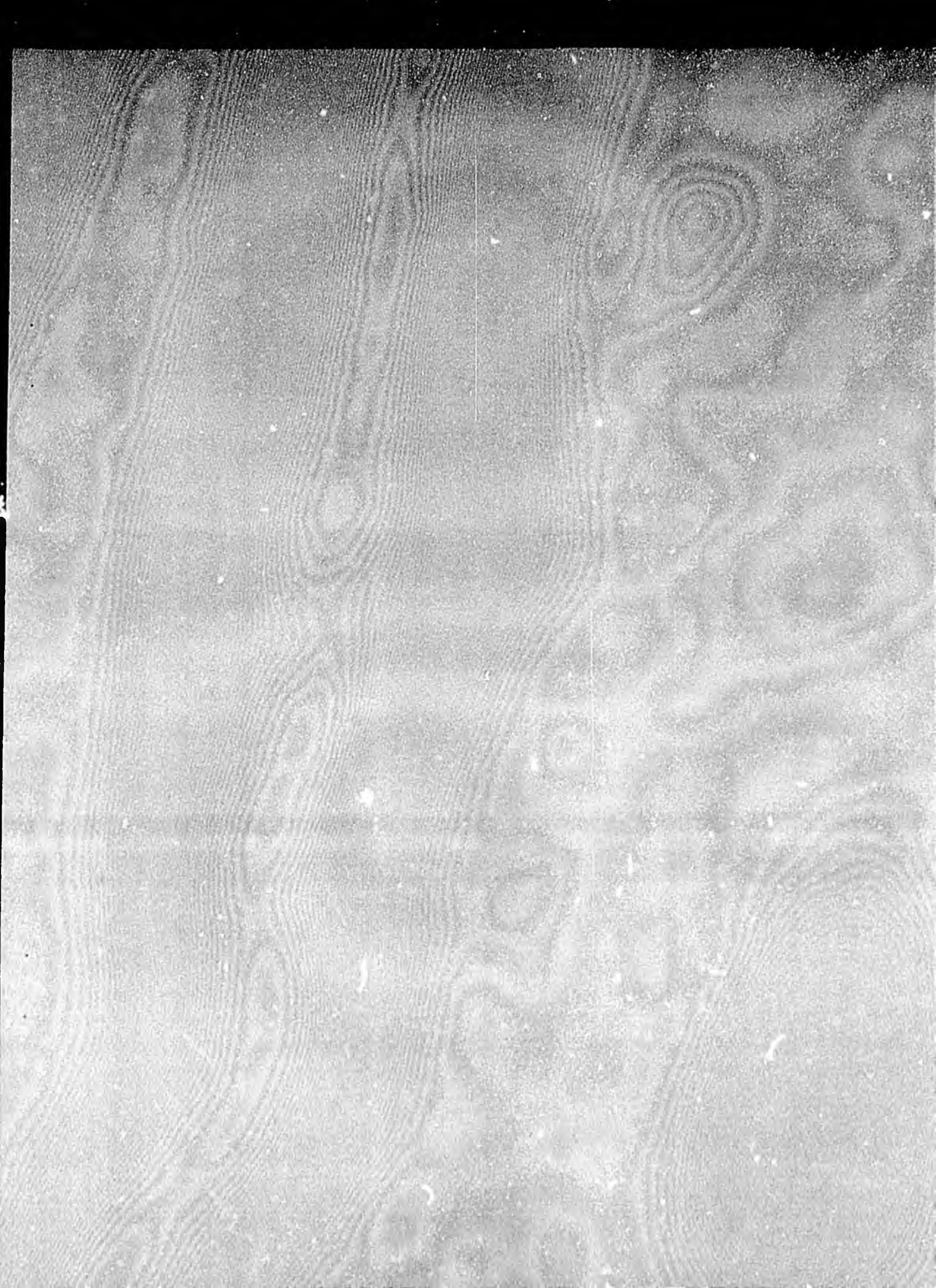
The Governor's FY09 Capital Budget Request for Mental Health programs is \$10.0 million above the Alaska Mental Health Trust Authority's recommendations (\$2.5 million MHTAAR, \$2.5 million GF/MH, \$2.5 million SDPR, and \$2.5 million AHFC Div).

The purpose of the AHFC Housing Trust capital project is to create a trust that would assist programs that provide housing for the homeless, prevent homelessness, and create long-term affordable housing.

The Governor's mental health capital expenditures total \$17.6 million. This is an increase of nearly \$1.7 million from FY08. Below are some of the significant single projects:

AHFC Housing Trust (ED 99)	\$10.0 million
AHFC Homeless Assistance Program (ED 99)	\$2.0 million
AHFC Beneficiary and Special Needs Housing (ED 99)	\$1.8 million
MH Coordinated Transportation and Vehicles (ED 99)	\$1.1 million

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Agency Narratives and Funding Summaries

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Department of Administration				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$62,804.1			
FY08 Fiscal Notes	250.0			
Reappropriations				
Special Appropriations				
Multi-Years (from prior fiscal years)	1,447.9			
Agency Transfers	(1,866.1)			
08 Contractual Salary Adjustments	138.9			
08 Salary Fund Changes	569.3			
Misc Adjustments				
FY 08 Management Plan (GF only)	\$63,344.1	\$540.0	0.9%	
One-time Items removed	(1,640.1)			
Transfers between Agencies (nets zero statewide)	(406.2)			
FY09 Contractual Salary and Health Increases	711.5			
FY 09 Adjusted Base Budget (GF only)	\$62,009.3	(\$1,334.8)	-2.1%	
FY 09 Unrealizable Salary Fund Source Changes	1,196.1			4
FY 09 Governor's GF Increments/Decrements/Fund Changes	1,808.9			
FY 09 Governor's Request (GF only)	\$65,014.3	\$3,005.0	4.8%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Allocation			\$1,808.9	
DOA Leases	1,529.8	1,779.8	250.0	2
Finance	5,174.0	5,954.7	780.7	1
Central Mail	31.1	29.0	(2.1)	
Facilities	97.4	1,059.4	962.0	3
Violent Crimes Compensation Board	181.7	0.0	(181.7)	
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Changes	FY09 Governor's Request	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	2,825.4	2,775.4	(50.0)	
Other funds (all allocations)	200,249.8	204,619.1	4,369.3	
Total Non-General Funds (all allocations)	\$203,075.2	\$207,394.5	\$4,319.3	
Position Changes (From FY08 Management Plan to Gov)	1,697	1,105	8	
PFT	1,042	1,050	8	
PPT	23	23	0	
Temp	32	32	0	
Governor's Capital Request	GF	Fed Rcpts	Other	See Note:
Information Systems and Technology	6.4		10,118.6	
Maintenance and Repairs	250		10,118.0	
New Construction and Land Acquisition	15,725.0			5
Planning and Research	400.0		1,500.0	5
Capital Projects Subtotal by Fund Source	\$16,381.4	\$0.0	\$21,736.6	
TOTAL CAPITAL BUDGET		\$38,118.0		

Legislative Fiscal Analyst's Overview of the Governor's FY09 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 all 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 and 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 following notes correspond to numbers on the preceding spreadsheet.

1. **Finance operations: \$780.7 GF.** Aging technology used in statewide accounting, payroll, and human resources systems will soon become obsolete. An increment (\$530.7 General Fund) is requested to move the ALDER (Alaska Data Enterprise Reporting) financial and human resource/payroll system from the development stage into full operation and production. The increment will fund two analyst/programmer positions and cover system support and software costs.

In 2004, HB 494 required the state to move payments to electronic methods. The division is implementing new infrastructure to allow vendors to research their payment information over the web by June 2008. An increment (\$250.0 General Fund Program Receipts) is proposed to offset increases in the cost of supporting centralized electronic payments and to enable the Division of Finance to continue renovation of systems.
2. **DOA Leases: \$250.0 GF.** Additional funding is requested for increased lease costs for the Department of Administration. Factors contributing to lease cost increases include consumer price index (CPI) provisions of many lease contracts and expiring leases being replaced at higher costs. Increments in other agencies reflect the increased need for funds to match FY09 projected lease increases. The statewide total requested for lease cost increases is estimated to be \$1 million.
3. **State Owned Facilities occupied space: \$962.0 GF.** Additional facility costs related to the newly acquired Palmer State Office Building and the Atwood Parking Garage have prompted a \$962.0 General Fund increment request in the Facilities allocation. This funding would cover increased costs for janitorial, security, snow removal and other facility maintenance costs. Both facilities are new to the state-owned facilities cost pool.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

4. 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 24 for further discussion of this issue.

ORGANIZATIONAL CHANGES

There are no significant changes requested.

CAPITAL BUDGET

5. In addition to operating increases, the department's capital request is \$38.1 million, including \$16.4 million GF, attributable to four projects. The most significant of those GF projects is the construction of the Palmer State Office Building from a facility previously known as the old Valley Hospital. When the re-building is complete, it is anticipated that all judicial-related agencies will be located in the same facility (which is within one block of the Palmer Courthouse Building). Prior to the FY09 request, \$10.0 million was appropriated in FY07 to purchase the facility and to begin renovations

Legislative Fiscal Analyst Comment: Two planning projects are included in the Governor's request that may be more appropriately placed in the operating budget—(1) the AOGCC Reservoir Depletion Studies project funded by the AK Capital Income Fund, and (2) the Statewide Cost of Living Survey contract costs.

Legislative Fiscal Analyst Comment: As in FY08, 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. Direct appropriations for retirement include:

- (a) *\$162,392.3 GF for the teachers' retirement system defined benefit plan account;*
- (b) *\$246,000.0 GF for the public employees' retirement system as partial payment of the FY09 participating public employees' retirement system employers' contribution;*

In addition, the Governor requested a \$450,000.0 GF deposit into the defined benefit plan account in the teachers' retirement system. Funds for this deposit come from the FY08 revenue surplus and are intended to reduce the unfunded TRS liability.

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Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Department of Commerce, Community, and Economic Development				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$10,658.1			
<i>FY08 Fiscal Notes</i>	-			
<i>Reappropriations</i>	-			
<i>Special Appropriations</i>	-			
<i>Multi-Years (from prior fiscal years)</i>	-			
<i>Agency Transfers</i>	142.7			
<i>08 Contractual Salary Adjustments</i>	-			
<i>08 Salary Fund Changes</i>	-			
<i>Misc Adjustments</i>	-			
FY 08 Management Plan (GF only)	\$10,800.8	\$142.7	1.3%	
<i>One-time Items removed</i>	-			
<i>Transfers between Agencies (nets zero statewide)</i>	(27.7)			
<i>FY09 Contractual Salary and Health Increases</i>	106.1			
FY 09 Adjusted Base Budget (GF only)	\$10,879.2	\$78.4	0.7%	
<i>FY 09 Unrealizable Salary Fund Source Changes</i>	101.2			4
<i>FY 09 Governor's GF Increments/Decrements/Fund Changes</i>	(319.0)			
FY 09 Governor's Request (GF only)	\$10,661.4	(\$217.8)	-2.0%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 /adj Base to FY09 Governor's Request	See Note:
Allocation			(\$319.0)	
Administrative Services	1,205.0	1,280.0	75.0	
Community & Regional Affairs	2,004.6	2,081.1	76.5	
Office of Economic Development	355.4	434.9	79.5	
Qualified Trade Association Contract	5,005.1	4,205.1	(800.0)	1
Alaska Seafood Marketing Institute	500.0	750.0	250.0	2
Non-General Fund Agency Summary	FY09 Adjusted Base + PERS/HEALTH & FUEL	FY09 Governor's Request	Change from FY09 Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	50,502.7	53,682.0	3,179.3	
Other funds (all allocations)	96,015.2	102,166.0	6,150.8	3
Total Non-General Funds (all allocations)	\$146,517.9	\$155,848.0	\$9,330.1	
Position Changes	516	532	16	
PFT	509	515	6	
PPT	3	1	(2)	
Temp	4	16	12	
Governor's Capital Request	GF	Fed Rcpts	Other	See Note:
Information Systems and Technology			2,550.0	
Maintenance and Repairs	250.0		80.4	
New Construction and Land Acquisition	3,500.0	49,600.0	21,000.0	
Planning and Research	3,670.0			6
Other	876.4	6,836.4		5
Capital Projects Subtotal by Fund Source	\$8,296.4	\$56,436.4	\$23,630.4	
TOTAL CAPITAL BUDGET		\$88,363.2		

Legislative Fiscal Analyst's Overview of the Governor's FY09 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 loan programs;
- manages programs aimed at key economic sectors such as electric power generation, tourism, aerospace, mining, and fishing;
- participates in the domestic and international 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, utility management and power cost equalization, energy development, public planning processes, land use planning, and capital project planning.

SIGNIFICANT ISSUES

The following notes correspond to numbers on the preceding spreadsheet.

1. **Qualified Trade Association (QTA) Contract: \$800.0 decrement of Vehicle Rental Tax Receipts.** The QTA contract is awarded annually to the Alaska Travel Industry Association (ATIA) for travel marketing campaigns. According to the agency, the decrement is prompted by the inability of ATIA to meet the 50 percent match requirement of the grant. The Governor's FY09 capital budget contains a \$3 million grant to ATIA—with no match requirement—for travel marketing campaigns. That capital project includes up to \$1.5 million of unspent and unobligated vehicle rental tax receipts.

Legislative Fiscal Analyst Clarification: There is a common misconception that the Vehicle Rental Taxes (VRT) account has a large unspent balance. That misconception appears to be prompted by the cash flow mechanics of the account. Rather than base appropriations on an estimate of current-year revenue (and thereby overspend if revenue is less than anticipated), appropriations from the account are limited to the amount of tax actually collected in the most recently closed fiscal year. This two-year lag is simply a means to prevent overspending; the money expended in each year actually comes from current-year revenue. The belief that revenue from prior closed fiscal years is available is false; there is not a carryforward balance of vehicle rental taxes accumulating in the general fund.

Legislative Fiscal Analyst Comment: The \$3 million grant to the ATIA in the capital budget is overstated by approximately \$1 million if the Governor's proposed operating budget is adopted. The \$3 million includes:

- \$800.0 that will be made available through an anticipated reduction of the FY08 appropriation to the QTA Contract;
- \$800.0 from the FY09 reduction to the QTA Contract;
- approximately \$1,200.0 of available FY09 revenue; and
- approximately \$1 million of nonexistent prior balances.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

The funding and the match requirements for tourism marketing have changed during the past few years, as follows:

- In FY06, match requirements for the QTA contract dropped from 60 percent to 50 percent. [Chapter 180, SLA 04 (SB 254)].
- Since FY07, grant funding (with no match requirement) has been included in the operating budget as QTA Independent Traveler Grants (\$893.2 in the FY09 request).

Legislative Fiscal Analyst Comment: ATIA successfully matched the entire \$5 million QTA contract in FY07. The legislature may want to explore why the ATIA is unable to match the \$5 million appropriation made in FY08 and why ATIA now requests a shift to appropriations that require no match.

2. **Alaska Seafood Marketing Institute: \$2,641.6 of RSS, Fed, GF, & SDPR.** ASMI has requested three increments, two of which are highlighted below:

- \$1,641.6 (\$500.0 SDPR & \$1,141.6 RSS) is being requested for the expansion of the **Domestic Seafood Marketing campaign**. The SDPR funding is actually federal funds that ASMI receives through the Alaska Fisheries Marketing Board.

Legislative Fiscal Analyst Comment: ASMI received a \$2 million supplemental (\$1.4 million of GF) in FY07 for a similar purpose.

- \$1,000.0 is being requested to **expand the Overseas Seafood Marketing campaigns** currently occurring in 20 foreign countries. The request includes \$500.0 in federal funds and \$500.0 in State match (\$250.0 GF and \$250.0 RSS).

Legislative Fiscal Analyst Comment: Due to a decline in federal (and other) funds, ASMI received general funds in FY07 for the first time in many years. The legislature cut \$500.0 GF from the FY08 budget (commensurate with their increased revenue estimate). RSS is expected to increase by \$800.0 in FY09.

3. **Power Cost Equalization: \$1.4 million PCE Funds.** This increment fully funds the PCE formula program at \$28.160.0. Although it may appear that increases in PCE program expenditures do not affect general funds, \$9.8 million of the FY09 PCE Fund capitalization comes from general funds.

Legislative Fiscal Analyst Comment: An FY07 appropriation of \$183 million to the PCE Endowment was expected to fully fund the PCE program—at \$25 million annually—beginning in FY11, when the impact of the deposit on the three-year average balance of the endowment will be fully realized. However, program costs continue to increase with the price of fuel, and general funds may be required if fuel prices remain high.

For more information on the Power Cost Equalization program, please see the discussion on Sections 23(c)-(f) in the "Language Sections of the Governor's FY09 Operating Budget" in this publication.

4. 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 24 for further discussion of this issue.

ORGANIZATIONAL CHANGES

- The "Community Advocacy" allocation's name has been changed to "Community and Regional Affairs" to more accurately reflect the functions of this division.
- In response to a recommendation in DCCED's Transition Report, a new allocation called the Office of Consumer Affairs & Investigations has been created under the Corporations, Business and Professional Licensing appropriation (CB&PL). The purpose of this office is two-fold: to provide

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

more efficient investigative services to the boards and commissions, and to emphasize consumer protection and other consumer issues.

- To eliminate volatility in budget comparisons between fiscal years, Legislative Finance moved the **Local Government Support** allocation outside of DCCED. Because revenue sharing has traditionally been counted in the operating budget, LFD did not follow the Governor's lead in placing the program in the capital budget.
- A new allocation called **Statewide Project Development, Alternative Energy and Efficiency** has been created under Alaska Energy Authority to accurately reflect and emphasize statewide energy work. The funding for this allocation comes from a transfer of \$557.1 from AEA Rural Energy Operations.

CAPITAL BUDGET

The Governor's **\$88.3 million (\$8.3 million GF) capital budget for DCCED** includes \$17.5 million to expand the Kodiak Launch Complex Infrastructure, \$10 million of G/O Bonds for the Port of Anchorage Intermodal Expansion Project, and the following:

5. **\$1.6 million (1/2 general funds and 1/2 federal funding) for the Manufacturing Extension Program.** The Manufacturing Extension Program (MEP) is a nationwide network of not-for-profit centers in nearly 350 locations nationwide, whose sole purpose is to provide help to small and medium sized manufacturers.

Legislative Fiscal Analyst Comment: If approved, almost \$3.7 million of state funds (\$5.9 million total funds) will have been appropriated for this program over a four-year period—yet, as of 1/3/08, only \$2,140,806 of the state funds had been spent or obligated (leaving \$1.6 million still available).

Legislative Fiscal Analyst Comment: Because this appears to be an ongoing program, an operating budget appropriation may be more appropriate.

6. **Grant to the Alaska Travel Industry Association: \$3 million of Vehicle Rental taxes.** This appropriation includes \$1 million of Vehicle Rental tax receipts that may not be available. Please see comment #1 for more information on grants to ATIA and vehicle rental taxes

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Department of Corrections				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$198,147.5			
FY08 Fiscal Notes	3.0			
Reappropriations				
Special Appropriations				
Multi-Years (from prior fiscal years)				
Agency Transfers	322.3			
08 Contractual Salary Adjustments	362.3			
08 Salary Fund Changes				
Misc Adjustments				
FY 08 Management Plan (GF only)	\$198,835.1	\$687.6	0.3%	
Ono-time Items removed	(701.7)			
Transfers between Agencies (nots zero statewide)	63.9			
FY09 Contractual Salary and Health Increases	4,393.3			
FY 09 Adjusted Base Budget (GF only)	\$202,590.6	\$3,755.5	1.9%	
FY 09 Unrealizable Salary Fund Source Changes	76.5			7
FY 09 Governor's GF Increments/Decrements/Fund Changes	10,148.9			
FY 09 Governor's Request (GF only)	\$212,816.0	\$10,225.4	5.0%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Allocation			\$10,148.9	
Office of the Commissioner	1,202.6	1,302.9	100.3	
Administrative Services	2,409.4	2,498.5	89.1	
Information Technology MIS	1,606.9	1,782.7	175.8	
Research and Records	278.7	458.7	180.0	
DOC State Facilities Rent	259.0	289.9	30.9	
Prison System Expansion	502.7	682.7	180.0	1
Offender Habilitation Programs	3,650.4	5,040.5	1,390.1	5,6
Out-of-State Contractual	21,121.7	21,614.7	493.0	1,5
Institution Director's Office	617.1	714.9	97.8	
Anchorage Correctional Complex	17,141.3	18,616.8	1,475.5	3,4
Anvil Mountain Correctional Center	5,075.0	5,139.1	64.1	3
Combined Hilland Mountain Correctional Center	9,842.4	9,860.5	18.1	3
Fairbanks Correctional Center	10,240.1	10,344.5	104.4	3
Ketchikan Correctional Center	3,711.3	3,752.0	40.7	3
Lemon Creek Correctional Center	7,769.0	7,904.7	135.7	3
Mat-Su Correctional Center	3,791.9	3,821.2	29.3	3
Palmer Correctional Center	11,599.5	12,642.2	1,043.7	1,3
Spring Creek Correctional Center	18,658.3	19,856.2	1,197.9	1,3
Wildwood Correctional Center	10,901.1	12,378.5	1,477.4	1,3
Yukon-Kuskokwim Correctional Center	5,328.3	5,420.4	92.1	3
Point MacKenzie Correctional Farm	3,082.8	3,197.5	114.7	3
Community Residential Centers	15,827.6	16,827.6	1,000.0	1
Probation and Parole Director's Office	722.7	633.6	(89.1)	
Statewide Probation and Parole	12,725.9	12,937.3	211.4	6
Inmate Health Care	21,577.2	22,073.2	496.0	2
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Changes	FY09 Governor's Request	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	3,918.2	2,918.2	(1,000.0)	
Other funds (all allocations)	24,426.1	30,227.8	5,801.7	
Total Non-General Funds (all allocations)	\$28,344.3	\$33,146.0	\$4,801.7	
Position Changes (from FY08 Management Plan to Gov)	1,517	1,529	12	
PFT	1,513	1,524	11	
PPT	4	5	1	
Temp	0	0	0	
Governor's Capital Request	GF	Fed Rcpts	Other	See Note:
Equipment and Materials	1,133.7			
Information Systems and Technology	1,750.0			
Maintenance and Repairs	3,000.0		8,678.0	
Renovation	200.0			
Capital Projects Subtotal by Fund Source	\$6,083.7	\$0.0	\$8,678.0	
TOTAL CAPITAL BUDGET	\$14,761.7			

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Department of Corrections

The mission of the Department of Corrections (DOC) is to protect the public by incarcerating and supervising offenders. The department is responsible for public safety through the administration of correctional services including:

- twelve prisons and jails that provide secure incarceration, electronic monitoring and rehabilitation programs for felons and misdemeanants;
- community residential center beds and offender supervision program;
- supervision and case management of probationers and parolees in the community; and
- oversight of 15 small community jails.

Also included in the department is the Alaska Board of Parole, a quasi-judicial Board that makes all parole related decisions.

SIGNIFICANT ISSUES

The following paragraphs correspond to numbered notes on the preceding spreadsheet.

1. **Prison population** increases continue 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 decline in the offender population. The department addresses the prison population issue with several increments.
 - **Inmate Housing and Added Funding for Positions: \$2,068.9 GF and \$878.9 in one-time (OTI) GF increments.** To assist with in-state offender population management, the Department is requesting funding for additional beds, temporary housing units, and positions for the Palmer, Spring Creek and Wildwood Correctional Centers. The OTI's in each of the facilities represent set up costs that will not be needed in future years.
 - An increment for Palmer totaling \$1,041.1 GF (\$35.1 OTI) adds two units (40 beds) and nine positions. Three temporary units were added in FY08.
 - An increment for Spring Creek totaling \$489.5 GF (\$225.6 OTI) adds one temporary housing unit (20 beds) and three positions.
 - Wildwood is requesting \$1,417.2 (\$302.2 OTI) to convert two existing buildings into housing for 80 offenders and to add 13 positions.
 - **Community Residential Centers (CRC): \$1,000.0 GF.** Additional funding is requested to pay the six CRC providers the contractually negotiated annual rate increase, based on increases in the Anchorage CPI. According to the agency, contracts guarantee payment for 602 beds in FY07 and 614 in FY08. The average number of beds filled was 516 and 567 (first quarter only) for FY07 and FY08 respectively.
 - **Increased contractual costs for Arizona: \$343.0 GF.** The department is requesting funding for a \$1.21/bed/day contract rate increase at the Red Rock Arizona facility that houses Alaska's overflow prisoners. DOC is budgeted for 900 beds; there are currently 854 offenders being housed at the facility.
 - **Prison System Expansion: \$180.0 GF.** This request is for annual operating support for successful planning and coordination of prison system expansion (statewide). According to DOC, current authorization on the non-personal service lines is insufficient to meet the contractual and travel obligations associated with prison expansion planning and coordination.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Legislative Fiscal Analyst Comment: *The department renamed the Mega Prison Project (established by the legislature in FY08) to Prison System Expansion to address expansion needs of all institutional facilities.*

Legislative Fiscal Analyst Comment: *As a result of Chapter 160, SLA 04 (SB 65), the department is going through extensive prison expansion including: Spring Creek Correctional Center \$1,755.6, Yukon-Kuskokwim Correctional Center \$951.8, and Point MacKenzie Correctional Center \$14,626.0. The projects appear as reimbursement of debt issued by respective city/boroughs at each of the facility locations. Subcommittees may wish to discuss the impact expansion plans—and alternative means of addressing prison crowding—may have on future operating costs.*

2. **Inmate Health Care** cost increases are primarily due to increasing inmate population. The department is requesting several increments to address various aspects of inmate health care.
 - **Increased Inmate Health Care Costs: \$2,126.9 PFD Criminal.** Funding is requested to address rising costs due to the aging inmate population. According to the agency, there has been a sharp increase in the number of offenders requiring dialysis, cancer treatment and other expensive medical procedures.
 - **Mental Health Services: \$446.0 GF.** DOC is requesting funding to provide staffing to deal with the increased numbers of inmates with mental health issues. DOC processes approximately 33,000 bookings annually; nearly 14,000 of these have a mental health diagnosis.
 - **Mental Health Transition Assistance: \$50.0 GF/MH.** The department is asking for additional mental health funding to expand the Assess, Plan, Identify, Coordinate (APIC) model. APIC was initially funded in FY06 with \$35.0 GF/MH and reached \$224.0 in FY08. The model connects offenders re-entering the community with treatment providers to develop and secure treatment transition plans for newly released offenders.
 - **Health Program Manager: \$106.7 PFD Criminal.** DOC is requesting funding for a Health Program Manager to provide administrative and financial support to the Inmate Health Care Component. This will free up the Medical Officers, allowing them to provide more hands-on medical oversight and care.
3. **Reduce Institution Vacancy Rate: \$1,853.5 GF.** DOC is requesting funding to reduce vacancy rates in the 24-hour correctional facilities. The department's approach to meeting staffing requirements has been to hold positions vacant and use the vacancy savings to pay overtime. The department now hopes to meet staffing requirements by filling all vacant positions to reduce excessive overtime and improve staffing structure at the facilities. According to the agency, paying the current level of overtime is expensive, causes employee burnout, and is inefficient.

Legislative Fiscal Analyst Comment: The department will be requesting a supplemental in FY08 to cover high overtime costs. The amount of the supplemental is unknown at this time, but should be less than the increment requested here. Subcommittees may wish to discuss the overtime/vacancy/recruitment/retention issue in detail.
4. **Replace Lost Federal Revenue: \$1,000.0 GF.** DOC is requesting GF to replace federal receipts lost due to a decline in the number of federal prisoners housed in state correctional facilities. Last session, the legislature appropriated \$1 million GF in the FY07 supplemental for a similar purpose.
5. **Offender Habilitation Programs:** Due to the new management strategy of the Palin Administration, the following offender rehabilitation programs are being expanded or restored.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

- **Substance Abuse Program: \$451.80 GF/\$349.2 PFD Criminal Funds.** The department is requesting an increase in funding to provide treatment to incarcerated offenders and those on electronic monitoring.
 - **Sex Offender Treatment: \$460.0 GF.** Funding is requested to re-establish a basic sex offender treatment program. Inmates entering the program will receive an offense-specific assessment and psycho-educational programming on basic sexual offender issues.
 - **Education Program: \$30.0 GF.** This request is to provide additional educational and apprenticeship materials to offenders.
 - **Chaplaincy Program: \$128.0 GF.** This increment funds two Chaplain positions to enhance prisoner rehabilitation by encouraging responsible behavior and promoting spiritual growth and moral development. The positions will be located in Anchorage and Seward.
 - **Residential Substance Abuse Treatment (RSAT): \$331.8 PFD Criminal Funds.** The department is requesting increased funds due to the high cost of maintaining the current level of service for the RSAT program at the Combined Hiland Mountain and Wildwood Correctional Centers. The RSAT program addresses criminal thinking and behavior as an integral part of addiction treatment for offenders. The women's RSAT program at Hiland Mountain is a 32-bed therapeutic community that opened in 1998. The men's RSAT at Wildwood has 42 beds and opened in 2000.
6. **Current Sex Offender and other legislation.** In response to the passage of legislation relating to periodic polygraph testing of all sex offenders on probation or parole [Ch 14 SLA06 (SB 218)], the agency is requesting the following:
- Two Anchorage probation/parole officers to manage the increasing sex offender caseloads (\$282.2 GF); and
 - Polygraph examination costs of sex offender parolees (\$470.3 GF).
7. 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 2^a for further discussion of this issue.

ORGANIZATIONAL CHANGES

DOC is requesting a separate allocation for the Electronic Monitoring program in FY09. The Electronic Monitoring (EM) program provides a secure detention alternative in a residential environment for adult offenders. Currently, the program operates out of four institutions and DOC would like to consolidate the program into one EM unit to better manage and expand the program throughout all institutions as well as incorporate probation violators into the program. Funding for the EM program is currently under the Classification and Furlough allocation.

To reflect the statewide institutional expansion, the Mega Prison Project allocation established in the FY08 budget was renamed the Prison System Expansion allocation in FY09.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Department of Education & Early Development				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$986,070.0			
FY08 Fiscal Notes	3.0			
Reappropriations				
Special Appropriations	34,550.4			
Multi-Years (from prior fiscal years)				
Agency Transfers	114.1			
08 Contractual Salary Adjustments	62.3			
08 Salary Fund Changes				
Misc Adjustments	(1,234.4)			
FY 08 Management Plan (GF only)	\$1,019,565.4	\$33,495.4	3.4%	
One-time Items removed	(975,803.0)			1
Misc Adjustments	886,333.7			1
Transfers between Agencies (nets zero statewide)				
FY09 Contractual Salary and Health Increases	345.1			
FY 09 Adjusted Base Budget (GF only)	\$930,441.2	(\$89,124.2)	-8.7%	
FY 09 Unrealizable Salary Fund Source Changes	344.9			8
FY 09 Governor's GF Increments/Decrements/Fund Changes	3,192.9			
FY 09 Governor's Request (GF only)	\$933,979.0	\$3,537.8	0.4%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Allocation			\$3,192.9	
Alaska Challenge Youth Academy	5,709.0	6,082.1	373.1	5
Student and School Achievement	5,395.3	6,609.3	1,214.0	2
Early Learning Programs	7.1	307.1	300.0	6
Mt. Edgecumbe Boarding School	2,976.4	3,452.4	476.0	3
EED State Facilities Rent	1,635.2	1,885.2	250.0	
Library Operations	4,262.3	4,327.3	65.0	
Archives	845.1	927.8	82.7	
WWAMI Medical Education	1,698.0	2,130.1	432.1	4
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Changes	FY09 Governor's Request	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	214,786.9	215,116.9	330.0	
Other funds (all allocations)	33,739.4	37,798.0	4,058.6	7
Total Non-General Funds (all allocations)	\$248,526.3	\$252,914.9	\$4,388.6	
Position Changes (From FY08 Management Plan to Gov)	346	343	(3)	
PFT	331	329	(2)	
PPT	15	14	(1)	
Temp	0	0	0	
Governor's Capital Request	GF	Fed Rcpts	Other	See Note:
Information Systems and Technology			40.0	
Maintenance and Repairs			14,112.3	
New Construction and Land Acquisition			19,099.6	
Planning and Research			4,500.0	9
Renovation			68,504.1	
Capital Projects Subtotal by Fund Source	\$0.0	\$0.0	\$106,256.0	
TOTAL CAPITAL BUDGET		\$106,256.0		

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Department of Education & Early Development

The Department of Education & Early Development (DE&ED) 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 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;
- Develop and administer a standards and performance-based educator licensure system to ensure high quality and student achievement;
- 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, E&ED State Facilities Maintenance, and Alaska Library and Museums.

SIGNIFICANT ISSUES

The following notes correspond to numbers on 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 \$832 million for the foundation program is \$88.3 million less than the FY08 Management Plan. However, the Management Plan included \$69.1 million for one-time costs (for school improvement grants and revised geographic differentials) that are excluded from the Governor's request.

An Education Task Force charged with reviewing K-12 funding will provide its recommendations to the legislature in January. The Governor presented a three-year education plan that closely follows the Task Force recommendations. Money to implement statutory changes will be appropriated through a fiscal note, which the Governor claims will be \$135 million. That amount would bring FY09 general funds for the foundation formula to \$967 million, which is \$47 million more than in FY08.

Section 11(a) of the Governor's operating budget bill appropriates \$1.575 billion of the anticipated FY08 general fund surplus to the Public Education Fund. In addition, the Governor requests \$1 billion GF for the Public Education Fund in FY09, bringing the projected year-end balance of the fund to \$2.5 billion, which is \$1.4 billion more than is required to meet the legislative goal of funding K-12 education one year in advance.

Legislative Fiscal Analyst Comment: Appropriations directly to retirement accounts as partial payment of school district retirement costs are not reflected in the DE&ED budget. However, Legislative Finance includes these costs in agency summary reports to ensure that national and

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

other budget comparisons do not understate Alaska's spending on K-12 education by the amount of the direct retirement payments. The actuarially required contribution for school district employees in FY09 is \$206 million more than the amount built into the DE&ED budget.

2. **Student and School Achievement: \$1,214.0 GF.** General Fund increments in this area are divided into three requests:

(a) \$750.0 for the Standards Based Assessment and High School Graduation Qualifying Exam Contractual Increases;

(b) \$414.0 for the WorkReady/CollegeReady Initiative—a statewide program designed to ensure that Alaska students have the skills required for successful post-secondary education and/or the workforce after high school—administered in partnership with the Alaska Department of Labor & Workforce Development; and

(c) \$50.0 GF/MH plus an additional \$50.0 MHTAAR funds for the Governor's Council for Rural Secondary Transition—a project which identifies the skills of rural residents and seeks to team those residents with youth and communities in transition planning and service delivery.

Legislative Fiscal Analyst Comment: In addition to the General Fund increments requested, the Governor requests a total of \$845.0 in ASLC Dividend funds for Student and School Achievement, in two areas:

- *\$610.0 for the Alaska Longitudinal Data System—the Governor's request would replace federal funds in order to provide continued support for this program. The intent is to improve student performance through enhanced reporting of data for decision makers.*
- *\$235.0 for School District Improvement Plan Implementation—funding will be used to provide school districts with technical assistance and coordination of district improvement activities in order to meet Adequate Yearly Progress (AYP), a statewide accountability system mandated by the No Child Left Behind Act of 2001.*

Legislative Fiscal Analyst Comment: State corporation dividends are typically used for capital projects because they are considered a one-time funding source when used in the operating budget. If the requested funds are for a continuing need, the legislature may want to use general funds in order to avoid revisiting the issue in FY2010.

3. **Mt. Edgecumbe Boarding School: \$476.0 GF.** Both food services and dormitory management services are up for new contracts in FY09. Based on the steady, annual increase under the current contracts, Mt. Edgecumbe anticipates that new contracts will cost \$450.0 more than in FY08. The balance of the increment (\$26.0 GF) is for residency program support.

4. **WWAMI Medical Education: \$432.1 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, 345 students have been enrolled in this program which to date has a 95% graduation rate.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

5. **Alaska Challenge Youth Academy (ACYA): \$373.1 GF.** The academy is operated by the Department of Military and Veterans Affairs and is funded through a Reimbursable Services Agreement with DE&ED in accordance with AS 14.30 740. With this increment, the total general fund budget for the ACYA will be \$6,082.1.

Legislative Fiscal Analyst Comment: The legislature may wish to revisit this formula program in conjunction with the Joint Legislative Education Funding Task Force bill that will be presented in January. The current statutory program support formula provides seven times the base student allocation for ACYA residential students plus a smaller non-resident formula. As the base student allocation has increased, this formula appears to provide more money than is required by the program.

6. **Early Learning Programs: \$300.0 GF.** In FY08, the Legislature appropriated \$400.0 GF for these new programs that were developed and endorsed by statewide stakeholders as well as by the State School Board as one-time items. Funding was divided into three areas:

- (a) \$150.0 for Early Learning Guidelines Funding;
- (b) \$150.0 for the Development of a Statewide Plan for Voluntary Early Childhood Education; and
- (c) \$100.0 for Ready to Read, Ready to Learn Administrative and Council Support.

The Governor requests a \$300.0 GF increment for continuing development and administration of the early learning guidelines.

7. **Statewide Mentoring Program: \$500.0 non-GF.** The Governor's FY09 budget includes an increment of \$500.0 ASLC Dividends to increase capacity for the Statewide Mentoring Program and bring the overall budget to \$5 million. Funded in FY07 with \$4.5 million (primarily one-time, non-GF funding), the program evolved in FY08 when that funding was replaced with \$3.9 million GF (the \$600.0 I/A Receipts was retained). Initially the program included 22 mentors working with 339 teachers in 31 school districts. Now the program will include 28 mentors who will work with 367 beginning teachers in 177 schools within 40 school districts; plus 11 coaches who will provide services to 80 principals within 30 school districts and provide services to 12 new superintendents as well.

Legislative Fiscal Analyst Comment: Due to the one-time nature of the ASLC Dividends, the Legislature may want to replace these funds with GF to provide program continuity.

8. The Governor's budget proposes using general funds to replace a portion of other funding sources that could be used to pay for contractual wages 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 24 for further discussion of this issue.

ORGANIZATIONAL CHANGES

There are no significant changes requested.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

CAPITAL BUDGET

9. In addition to school construction grants and school district major maintenance grants totaling over \$100 million, the Department of Education & Early Development's FY09 capital budget includes \$4.5 million Misc. Earnings for planning and design of a new facility to house the Alaska State Library, Archives and State Museum. The plan is to consolidate the collections into one building by expanding the existing Alaska State Museum located in Juneau. This project is a continuation of a FY06 appropriation of \$1.4 million that was used to develop a needs assessment and pursue preliminary design work. The current estimate for project completion is \$75 million.

Legislative Fiscal Analyst Comment: The school debt reimbursement program is discussed in a separate section of this overview that addresses debt obligations (see page54)).

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Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Department of Environmental Conservation				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$17,755.3			
FY08 Fiscal Notes				
Reappropriations				
Special Appropriations				
Multi-Years (from prior fiscal years)				
Agency Transfers	127.5			
08 Contractual Salary Adjustments	10.2			
08 Salary Fund Changes				
Misc Adjustments				
FY 08 Management Plan (GF only)	\$17,893.0	\$137.7	0.8%	
One-time Items removed	(134.4)			
Transfers between Agencies (nets zero statewide)	45.2			
FY09 Contractual Salary and Health Increases	557.9			
FY 09 Adjusted Base Budget (GF only)	\$18,361.7	\$468.7	2.6%	
FY 09 Unrealizable Salary Fund Source Changes	29.4			
FY 09 Governor's GF Increments/Decrements/Fund Changes	261.8			
FY 09 Governor's Request (GF only)	\$18,652.9	\$291.2	1.6%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Allocation			\$261.8	
Drinking Water	1,505.2	1,767.0	261.8	1
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Changes	FY09 Governor's Request	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	20,744.7	21,006.6	261.9	
Other funds (all allocations)	29,759.1	32,342.4	2,583.3	2
Total Non-General Funds (all allocations)	\$50,503.8	\$53,349.0	\$2,845.2	
Position Changes (From FY08 Management Plan to Gov)	532	536	4	
PFT	527	531	4	
PPT	1	1	0	
Temp	4	4	0	
Governor's Capital Request	GF	Fed Rcpts	Other	See Note:
New Construction and Land Acquisition	36,062.1	78,728.5	500.0	
Planning and Research	372.9			
Renovation	5,665.5			
Capital Projects Subtotal by Fund Source	\$42,100.5	\$78,728.5	\$500.0	
TOTAL CAPITAL BUDGET		\$121,329.0		

Legislative Fiscal Analyst's Overview of the Governor's FY09 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 that allow for sustainable economic growth;
- 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 following notes correspond to numbers on the preceding spreadsheet.

1. **Primacy for the public drinking water system: \$261.8 GFM, \$261.9 Fed.** For the past several years, federal grant funding has been insufficient to fully implement Alaska's drinking water program. In FY08, additional staff (five permanent, full-time positions) and resources were added to obtain and maintain full primacy. The department believes that state regulation of public drinking water systems will enhance their performance in protecting the public from unsafe drinking water. The 2007 legislature proposed a three-year plan for obtaining and implementing primacy and funded the first year (\$564.8 total funds split between GF and Fed) to ensure that Alaska's public water systems will be regulated by the state Drinking Water Program and not the EPA. In FY08, second year funding was approved (\$605.9 total funds split between GF and Fed). The FY09 request seeks funding for the third and final year of the three-year plan. Four new permanent, full-time positions are also requested.

In addition to providing technical support, state primacy allows:

- Issuance of monitoring waivers to reduce the cost of routine monitoring;
- Issuance of variances or exemptions that allow public drinking water systems to achieve compliance over time, while still providing public health protection; and
- Issuance of construction and operation approvals that reflect local knowledge, experience and an understanding of arctic engineering principles.

2. **Ocean Ranger Program Implementation: \$2.6 million Vessel Compliance Funds.** In August 2006, Alaska voters passed a ballot initiative that imposed a tax on large cruise ships in order to pay for vessel services. In addition, a \$4 per passenger tax was imposed to provide funds for state-employed marine engineers (Ocean Rangers) licensed by the Coast Guard to observe health, safety and wastewater treatment and discharge operations.

During the 2007 cruise ship season, the department implemented a transitional program that included

- development of initial inspection protocols and checklists;
- analysis of training needs and initial development of an Ocean Ranger training program; and
- an on-board presence by environmental professionals and marine engineers on portions of 114 voyages.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

All 27 cruise ships regularly operating in Alaska waters were boarded at least once.

Department plans for the 2008 cruise ship season include vessel oversight by Ocean Rangers to the fullest extent funded by the ballot initiative. In FY08 the legislature provided \$1.2 million in Commercial Passenger Vessel Environmental Compliance Funds (CPVECF) for program startup. For FY09 the Governor's budget includes the base amount of \$1.2 million plus \$2.6 million in CPVECF for implementation of the Ocean Ranger program. The \$3.8 million annual cost of the program equals the department's estimate of fees that will be collected.

ORGANIZATIONAL CHANGES

There are no significant changes requested.

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Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Department of Fish and Game				
All Dollars in Thousands				
	(GF On'y)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$39,773.7			
FY08 Fiscal Notes	-			
Reappropriations	-			
Special Appropriations	-			
Multi-Years (from prior fiscal years)	-			
Agency Transfers	277.0			
08 Contractual Salary Adjustments	7.4			
08 Salary Fund Changes	2.7			
Misc Adjustments	-			
FY 08 Management Plan (GF only)	\$40,060.8	\$287.1	0.7%	
One-time Items removed	(111.6)			
Transfers between Agencies (nets zero statewide)	77.2			
FY09 Contractual Salary and Health Increases	918.0			
FY 09 Adjusted Base Budget (GF only)	\$40,944.4	\$883.6	2.2%	
FY 09 Unrealizable Salary Fund Source Changes	2,154.3			1
FY 09 Governor's GF Increments/Decrements/Fund Changes	2,242.3			
FY 09 Governor's Request (GF only)	\$45,341.0	\$4,396.6	10.7%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Allocation			\$2,242.3	
Southeast Region Fisheries Management	4,322.5	4,412.5	90.0	
Headquarters Fisheries Management	7,028.0	7,440.5	412.5	5
Wildlife Conservation	3,131.7	4,698.3	1,566.6	2,3,4
Hunter Education Public Shooting Ranges	125.6	0.0	(125.6)	2
State Subsistence	1,627.3	1,926.1	298.8	6,7
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Changes	FY09 Governor's Request	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	62,546.5	61,919.1	(627.4)	
Other funds (all allocations)	65,097.6	65,575.0	477.4	2
Total Non-General Funds (all allocations)	\$127,644.1	\$127,494.1	(\$150.0)	
Position Changes (From FY08 Management Plan to Gov)	1,703	1,702	(1)	
PFT	863	878	15	
PPT	782	766	(16)	
Temp	58	58	0	
Governor's Capital Request	GF	Fed Rcpts	Other	See Note:
Equipment and Materials	100.0			
Information Systems and Technology	127.4		350.0	
Maintenance and Repairs	1,000.0		400.0	
New Construction and Land Acquisition	5,450.0	4,725.0	7,375.0	8
Planning and Research	150.0	22,000.0		
Renovation	225.0		1,288.0	
Capital Projects Subtotal by Fund Source	\$7,052.4	\$26,725.0	\$9,413.0	
TOTAL CAPITAL BUDGET		\$43,190.4		

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Department of Fish and Game

The Department of Fish and Game (DFG) has a mandate to manage, protect, maintain, improve and extend the fish, game, and aquatic plant resources of Alaska in the interest of the economy and for the general well-being of the State. The Boards of Fisheries and Game adopt regulations to conserve and develop these resources. The commissioner and the department conduct management and research functions necessary to support these goals. The department includes the Commercial Fisheries Entry Commission, a quasi-judicial agency which promotes resource conservation and sustained yield management by regulating entry into Alaska's commercial fisheries. The department also includes the Exxon Valdez Oil Spill Trustee Council, which oversees restoration of the injured ecosystem through the use of the \$900 million civil settlement.

SIGNIFICANT ISSUES

The following notes correspond to numbers on the preceding spreadsheet.

1. 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 24 for further discussion of this issue.
2. **Declining Fish and Game Fund Balances.** For many years the Sport Fisheries and Wildlife Conservation appropriations had virtually no general funds in their budgets. Activities were supported primarily by the Fish and Game Fund and federal funds. There was a long-term trend of annual appropriations exceeding annual revenue, which slowly drained surpluses that had accumulated in the Fish and Game Fund.

In recent years, the agency has addressed this decline by:

- spending less than the amounts authorized. For instance, in FY07, Wildlife Conservation spent only \$7.4 million of the \$10.2 million authorized;
- postponing approved capital projects; and
- requesting general funds for operating costs. In FY06, the legislature recognized that Wildlife's portion of the Fish and Game Fund balance was insufficient to cover increased retirement costs while maintaining services. Rather than cut programs, the legislature decided to appropriate general funds for these increases. For similar reasons, in FY07 and FY08 the legislature appropriated general funds for both Sport Fisheries and Wildlife Conservation.

The FY08 operating authorization exceeded FY08 revenue by about \$1 million for the Wildlife portion of the Fund, while the Sportfish portion of the Fund's FY08 revenues are about equal to the FY08 operating authorization.

The FY09 budget attempts to preserve Fish & Game Fund balances in the following ways:

- **The Sport Fish Division's** goal is to maintain a balance of \$3.5 million in the Fish and Game Fund by the end of FY10. According to the agency, this balance will provide sufficient funding to cover the July through November timeframe (the division receives its annual preliminary Sport Fish Restoration apportionment in November). To achieve this goal, the Sport Fisheries FY09 operating budget request supplants \$264.4 of Fish and Game Funds with general funds to pay for contractual salary and health benefits increases.
- **The Wildlife Division's** goal is to maintain a balance in the Fish and Game Fund that is 20 to 25 percent of the annual revenue (or \$2.2 million). The agency contends that this balance is necessary as a cushion against a downward revenue trend (revenue has fallen by 6.2% between FY01 and FY07). The FY09 budget request addresses the problem by:

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- supplanting \$213.4 of Fish and Game Funds with general funds (primarily to pay for contractual salary and health benefits increases); and
- reducing authorization to spend Fish and Game Funds by \$150.0.

Legislative Fiscal Analyst Comment: The measures the department has taken to address the revenue/appropriation imbalance in the Wildlife portion of the Fund are having an impact. The FY08 estimated year-end balance is \$1.7 million, up from \$1.1 million in FY05.

3. **Wildlife's Game Management Activities: \$1,068.0 GF.** Wildlife Conservation is requesting an increment of \$1,068.0 to sustain its game and predator management activities. The request replaces capital funding that the legislature provided for this purpose during recent years (\$1.6 million in FY07 and \$2 million in FY08). The department internally allocated these funds over a three-year time frame; however, much of the funding has been spent to implement the program. No FY09 capital request is included in the Governor's request.

Under Act 05.255, the department is charged with carrying out intensive game management programs adopted into regulation by the Board of Game. Under these regulations, five such programs are currently underway to boost the harvestable surpluses of moose and caribou populations.

4. **Increase Wildlife Conservation's Endangered Species Act (ESA) response capabilities: \$373.0 GF.** The department received \$473.3 of GF in the FY08 capital budget for this purpose and, according to the capital backup, was anticipating capital requests of \$463.3 in FY09 and FY10. Given the fact that the Endangered Species Act is not likely to be repealed, it seems reasonable to place this in the operating budget as an ongoing item. No FY09 capital request is included in the Governor's FY09 budget.

5. **Restructuring Private Nonprofit (PNP) and Mariculture Planning and Permitting functions in Commercial Fisheries/Headquarters: \$261.5 GF.** The PNP/Mariculture Section currently has a total of five employees, and a budget of \$467.3. The agency contends that the growing nonprofit hatchery and mariculture industries place increasing demands on staff.

This increment adds funding for three employees (one is a range 22 supervisor/senior policy leader) to the existing PNP/Mariculture Section and restructures the existing section so that the Fish Pathology Laboratory and the Mark and Tag Laboratory are combined with the PNP/Mariculture Section under the supervision of the new Senior Policy Leader. The agency claims that this will provide a unified information source—and better and faster service—for permits and other issues associated with fish and shellfish marking and tagging, fish and shellfish health, salmon hatcheries, and aquatic farming.

6. **State Subsistence Data Assessment and Database Accessibility projects: \$156.0 GF.** This increment request is for two purposes:

- \$63.0 GF is requested to make the existing subsistence salmon harvest database accessible in an integrated web-based interface so information is readily accessible to managers, the Board of Fisheries, and the public.

Legislative Fiscal Analyst Comment: The agency agrees that this request can be considered start-up costs and should be removed from the base FY10 budget.

- \$93.0 GF is requested to support a state function previously funded in part by federal dollars, to produce the *Alaska Subsistence Salmon Fisheries Annual Report* and annually update and maintain the web-accessible database. This report is the sole compilation of all subsistence harvest data for each fisheries management area and is the Division's most requested report.

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7. **State Subsistence Assessment and Evaluation of Fish Harvest and Trends: \$142.8 GF.**

- \$70.0 GF is being requested to support a state monitoring function previously funded in part by federal dollars. This will enable the agency to continue the Division's ongoing harvest monitoring. In the past, a federal program was willing to fund a portion of state harvest monitoring projects because these projects occurred adjacent to federal lands. However, with cutbacks in federal funds, this is no longer the case.
- \$72.8 GF is being requested to annually assess and evaluate fish harvests and trends to improve management and harvest opportunities in the Bristol Bay, Kuskokwim, Yukon, and Southeastern areas (the areas where 60% of the State's subsistence salmon harvest occurs). It appears that subsistence harvesting may be declining in these areas. Without the ability to monitor and analyze harvest trends, the fish allocated for subsistence cannot be reallocated for other purposes.

ORGANIZATIONAL CHANGES

There are no significant organizational changes.

CAPITAL BUDGET

The Governor's \$43.2 million capital budget for the Department of Fish and Game includes the following:

8. **Sport Fisheries Hatchery Construction: \$6 million in investment earnings** from the Alaska Sport Fishing Construction Account. In 2005, the legislature authorized the sale of \$68 million in bonds to be paid off by a surcharge on sport fish licenses. Proceeds from the sale of the bonds (and interest earned on the proceeds) were to be used for building a hatchery in Fairbanks for \$25 million and one in Anchorage for \$45 million (total cost of \$70 million).

Updated cost estimates for the original plans are now \$144 million for the two facilities, but a more solid construction cost estimate for the Anchorage hatchery will be available March 1. Although the funding is now insufficient to construct both hatcheries, the department is proceeding with the Fairbanks hatchery (at cost of \$46 million). The department has decided to move forward with this project because the ground work has been completed at a cost of \$2.1 million and \$13.8 million has been encumbered. That 49,000 square foot hatchery should be producing fish by 2010.

The department will be working with the legislature and the Governor's Office to determine the size and the funding mechanism for the Anchorage hatchery. The \$6 million in investment earnings will be an integral part of the financing plan, expected to be submitted during the 2008 legislative session.

Legislative Fiscal Analyst Comment: The Legislature denied a similar request in the Governor's FY08 capital budget request. The bond proceeds are sufficient to complete the Fairbanks hatchery.

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Office of the Governor				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$16,945.8			
FY08 Fiscal Notes	132.8			
Reappropriations	2,355.1			
Special Appropriations	24,000.0			2
Multi-Years (from prior fiscal years)	23.4			
Agency Transfers	(11,940.5)			2
08 Contractual Salary Adjustments				
08 Salary Fund Changes				
Misc Adjustments				
FY 08 Management Plan (GF only)	\$31,516.6	\$14,570.8	86.0%	
One-time Items removed	(14,398.5)			2
Transfers between Agencies (nets zero statewide)	85.0			
FY09 Contractual Salary and Health Increases	27.1			
FY 09 Adjusted Base Budget (GF only)	\$17,230.2	(\$14,286.4)	-45.3%	
FY 09 Unrealizable Salary Fund Source Changes				
FY 09 Governor's GF Increments/Decrements/Fund Changes	28,530.4			
FY 09 Governor's Request (GF only)	\$45,760.6	\$28,530.4	165.6%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Allocation			\$16,530.4	
Executive Office	8,259.5	8,611.7	352.2	3
Governor's House	397.6	356.5	(41.1)	3
Lieutenant Governor	916.8	943.4	26.6	3
Unallocated (Fuel Costs)		12,000.0	12,000.0	2
Elections	2,438.7	6,631.4	4,192.7	1
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Changes	FY09 Governor's Request	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	179.0	179.0	0.0	
Other funds (all allocations)	1,385.9	1,336.0	(49.9)	4
Total Non-General Funds (all allocations)	\$1,564.9	\$1,515.0	(\$49.9)	
Position Changes (From FY08 Management Plan to Gov)	0	0	31	
PFT			3	
PPT			(1)	
Temp			29	1
Governor's Capital Request	GF	Fed Rcpts	Other	See Note:
Renovations			100.0	
Capital Projects Subtotal by Fund Source	\$0.0	\$0.0	\$100.0	
TOTAL CAPITAL BUDGET		\$100.0		

Legislative Fiscal Analyst's Overview of the Governor's FY09 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 request reveals no significant changes in policy.

The following notes correspond to numbers on the preceding spreadsheet.

1. **Elections: \$4,192.7 GF.** The Division of Elections is requesting funds for the 2008 statewide primary and general elections (\$2,736.5) and for presidential year election activity (\$160.6). The increment includes funds for 29 temporary employees.

With the passage of Senate Bill 172 in 2006 (Ch. 38, SLA06), additional requirements were placed on processing ballot initiatives. Election-year budgets vary based on initiatives qualifying for primary or general ballot placement. The Division of Elections estimated a need for \$720.0 for this purpose.

Increased postage rates (\$37.2), polling place rental costs (\$16.5), and overall increased division workload to handle federal and state mandates (\$521.9 plus three new PFT positions) comprise the balance of this request.

Legislative Fiscal Analyst Comment: Elections is expected to request supplemental general funds (about \$65.0) for election activity that requires an early start. Except for the \$521.9 work-load increment, the entire amount of the FY09 request will be backed out of the FY10 budget.

2. **Special Fuel/Utility Cost Adjustment: \$24 million GF contingency funding.** The Governor's FY09 budget includes an appropriation (Section 20 of the Governor's Operating Budget bill) of up to \$24 million (depending on the year-to-date average price of crude oil) to be distributed to agencies to cover increased fuel costs.

A \$24 million appropriation for increased FY08 fuel costs has been distributed to agencies in two payouts of \$12 million each. The first payout occurred on August 1, 2007. These funds were transferred to state agencies and included in their respective FY08 Management Plans. The transfers were considered one-time items and were removed from agencies' FY09 base budgets. A second \$12 million disbursement was made on December 1, 2007. Because this distribution occurred after the FY08 Management Plan was set, the funds appear in the Governor's Office rather than in individual agencies. The \$12 million distributed in December was removed from the FY09 base budget of the Governor's Office.

Legislative Fiscal Analyst Comment: There are three issues worthy of note (also see discussion under Section 20 of the Language portion of the Governor's bill):

- a. *Although contingent appropriations have traditionally been excluded from budget reports, OMB included the appropriation in its budget transmittal. Legislative Finance concurs that the contingent circumstances are highly probable and that the \$24 million appropriation should be included in budget reports.*
- b. *Because the second round distribution occurred after determination of agency Management Plans, \$12 million of the increase in the Governor's Office budget is misleading. (Similarly, a \$2.3 million reduction due to the inclusion of reappropriations in Management Plan is misleading.)*
- c. *The amount of the appropriation is insufficient to cover fuel cost increases that have occurred since FY06.*

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3. **Executive Office: \$337.7 GF.** Changes reflected in Executive Office functions include
 - a. An increment of \$352.2 for full-year activities related to the Alaska Gas Inducement Act (AGIA) (HB177), Chapter 22, SLA07. Funding is required to support a state gas pipeline coordinator, an inter-governmental coordinator, and an executive secretary as well as related travel, services, and commodities.
 - b. An increment of \$26.6 to increase funding to offset anticipated expenditures in the Lieutenant Governor's office (\$16.6 personal services and \$10.0 contractual services).
 - c. A decrement of \$41.1 in the Governor's House for the elimination of a part-time position (personal services only).
4. **CIP Receipts Reduction: (\$49.9) CIP.** Two budgets within the Office of the Governor reflect a decrease in CIP Receipt Authority.
 - a. Statehood Celebration Commission eliminates \$8.4 excess CIP authorization in Travel.
 - b. Elections also deletes \$41.5 of excess authority split between personal services (\$12.4) and Travel (\$29.1).

ORGANIZATIONAL CHANGES

There are no significant changes requested.

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Department of Health and Social Services				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$791,297.5			
FY08 Fiscal Notes	863.5			
Reappropriations				
Special Appropriations				
Multi-Years (from prior fiscal years)	1,132.5			
Agency Transfers	879.8			
08 Contractual Salary Adjustments	404.0			
08 Salary Fund Changes	27.9			
Misc Adjustments				
FY 08 Management Plan (GF only)	\$794,605.2	\$3,307.7	0.4%	
One-time Items removed	(3,182.5)			
Transfers between Agencies (nets zero statewide)	190.5			
FY09 Contractual Salary and Health Increases	7,994.8			
FY 09 Adjusted Base Budget (GF only)	\$799,608.0	\$5,002.8	0.6%	
FY 09 Unrealizable Salary Fund Source Changes	363.8			
FY 09 Governor's GF Increments/Decrements/Fund Changes	138,513.4			
FY 09 Governor's Request (GF only)	\$938,485.2	\$138,877.2	17.4%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Appropriation			\$138,513.4	
Alaskan Pioneer Homes	31,985.3	32,249.7	264.4	1
Behavioral Health	105,215.7	136,871.0	31,655.3	1, 3
Children's Services	64,983.7	68,713.4	3,729.7	1, 3, 4
Adult Preventative Dental Medicaid Services	529.4	3,518.7	2,989.3	1
Health Care Services	231,931.4	258,723.0	26,791.6	1, 3
Juvenile Justice	42,025.2	45,438.6	3,413.4	1, 3
Public Assistance	111,673.5	132,262.6	20,589.1	2
Public Health	29,343.5	32,807.3	3,463.8	1, 3
Senior and Disabilities Services	158,491.0	179,590.3	21,099.3	1, 3, 5
Departmental Support Services	21,667.9	46,185.4	24,517.5	1
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Changes	FY09 Governor's Request	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	1,020,528.5	1,040,289.4	19,760.9	
Other funds (all allocations)	148,742.5	168,412.4	19,669.9	
Total Non-General Funds (all allocations)	\$1,169,271.0	\$1,208,701.8	\$39,430.8	
Position Changes (From FY08 Management Plan to Gov)	3,625	3,680	55	
PFT	3,367	3,447	80	
PPT	103	98	(5)	
Temp	155	135	(20)	
Governor's Capital Request	GF	Fed Rcpts	Other	See Note:
Equipment and Materials	1,425.0	87.8		
Information Systems and Technology	4,912.8	1,667.0		
Maintenance and Repairs	2,650.0	89.2	7,110.0	
New Construction and Land Acquisition	797.9			
Planning and Research	151.7	48.3		
Renovation	20,003.7		750.0	
Capital Projects Subtotal by Fund Source	\$ 29,941.1	\$ 1,892.3	\$ 7,860.0	0
TOTAL CAPITAL BUDGET		\$39,693.4		

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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 residential assisted living in a safe environment;
- Providing an integrated behavioral health system;
- Promoting stronger families, and safer children;
- Managing health care coverage for Alaskans in need;
- Addressing juvenile crime by promoting accountability, public safety, and skill development;
- Promoting self-sufficiency and providing basic living expenses to Alaskans in need;
- Promoting independence of Alaska seniors and people with physical and developmental disabilities; and
- Providing quality administrative services supporting the department's programs.

SIGNIFICANT ISSUES

The department's mission of promoting and protecting the well-being of Alaskans comes at a high cost. The majority of the department's \$138.5 million GF increase for FY09 is related to Medicaid programs. Several Alaska Medicaid studies have attempted to provide a roadmap for improving efficiencies and/or containing costs. The challenge for the department will be planning and implementing program changes that maintain the delivery of quality services while program costs and enrollments increase and federal receipts decline.

Medicaid is the nation's largest health care program, providing health and long-term services to low-income pregnant women, children, people with disabilities, and seniors. Medicaid is an "entitlement program" created by the federal government, but administered by the state, for those who meet income and asset standards and other specific eligibility criteria.

The FY09 cost increases in Alaska's Medicaid programs are due

- Reductions in the Federal Medicaid Assistance Percentage (FMAP) reimbursement rate;
- Increased utilization by program participants;
- Rising enrollment due to an increasing senior and disabled population; and
- Projected increases in the payment rates for Medicaid service providers.

Additional decreases in federal receipts are attributable to:

- Discontinuation of the Private ProShare Medicaid program (resulting in the need for general funds to replace federal funds in order to maintain service levels). The estimated FY09 cost to Alaska is \$16.0 million in GF to continue non-Medicaid grants that are not reflected in the Medicaid budget but in the individual programs providing grant funding.
- Possible reductions in the availability of federal funding allotments for State Children's Health Insurance (SCHIP). The estimated FY09 cost to Alaska is \$1.9 million in GF.

Significant increases in the Governor's budget are discussed below. Numbering corresponds to notes on the preceding spreadsheet.

1. **Medicaid increments: \$77.4 million in GF.** Medicaid increments are included in the Alaskan Pioneer Homes, Behavioral Health, Children's Services, Adult Preventative Dental Medicaid Services, Health Care Services, Juvenile Justice, Public Health, and Senior/Disabilities Medicaid appropriations.

- **FFY09 Federal Medical Assistance Percentage (FMAP) Rate Change: \$28.7 million GF.** This request replaces federal revenues that will be unavailable due to:
 - a 5.1 percentage point reduction in the portion of program costs paid by the federal government that affects the first quarter of state FY09; and

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- o a 1.95 percentage point reduction in the portion of program costs paid by the federal government that will take effect on October 1, 2008, and will affect three-quarters of state FY09.

The latter reduction of the FMAP rate is expected to increase the state share of costs by \$4 to \$5 million in FY10, as the rate reduction will be in effect for the entire fiscal year. Because Alaska's FMAP is nearing the minimum reimbursement rate of 50%, future changes (if any) in the FMAP rate will have less impact than for previous years.

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.

From FFY07 to FFY09, the FMAP rate (which is the percentage of program expenses reimbursed by the federal government) has decreased by 7.05 percentage points, while health care costs continue to increase.

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.

Without the increment the state would be forced to tighten eligibility or reduce services currently provided to low-income children, pregnant women, persons with disabilities, and the elderly.

- **Medicaid Growth: \$26.4 million GF.** This increment requests fund increases in Medicaid service costs due to increases in enrollment and utilization. According to the department, this increment request is necessary to maintain the current level of health services in Medicaid.

Cost containment efforts begun in FY04 have successfully dampened the rate of growth in recent years. As an example, Behavioral Health Medicaid claims grew by 9% from FY04 to FY05, but only 4-5% annually from FY05 to FY09.

- **Comprehensive Rate Increase Across All Programs: \$20.4 million GF.** This proposed funding is to implement the recommendations of Myers and Stauffer, who have been retained to review rates for various programs, including several components of the Medicaid program. According to the department, the results will provide departmental decision makers with data to answer questions, such as:
 - How long has it been since a particular rate has been adjusted?
 - What is a reasonable rate?
 - How will the department best equalize rates across all programs?

Legislative Fiscal Analyst Comment: It does not appear that the rate review has been completed. The subcommittee may wish to review the results of the study before approving an appropriation to pay for rate increases.

The total GF increment request is \$24.4 million. An estimated \$4.0 million of the GF increase is for non-Medicaid programs, according to the department.

- **Federal reduction in State Children's Health Insurance Program (SCHIP) allotments: \$1.9 million GF.** The requested general funds replace lost federal receipts for the State Children's Health Insurance Program (SCHIP), a part of Alaska's Medicaid program operated through Denali KidCare.

The federal and state governments jointly fund SCHIP. The amount of federal funding depends on the federal SCHIP allotment, which has not kept pace with SCHIP expenditures. Although Alaska receives a higher reimbursement rate for SCHIP than for regular Medicaid, the enhanced

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reimbursement is capped at the SCHIP allotment. If costs exceed available SCHIP funds, claims are reimbursed at the lower, regular FMAP rate, resulting in reduced federal receipts (meaning more GF is needed). Alaska will have only 43% of the federal SCHIP funding needed to cover program expenditures in FY09, exhausting its SCHIP funds in the second quarter. When it reverts to regular Medicaid, the difference in federal reimbursement rates means that Behavioral Health Medicaid Services and the Health Care Services Medicaid Services components will need additional GF in FY09.

Legislative Fiscal Analyst Comment: Because legislation before congress could fully fund the current program and negate the need for this increment, a contingent or supplemental appropriation for FY09 may be appropriate.

2. **Senior Benefits Program: \$20.3 million GF.** This increment will provide funding for the new Senior Benefits Payment Program. In FY09, an estimated 11,000 seniors will qualify for cash assistance under the Senior Benefits Payment Program. This request includes \$19,662.3 for cash payments to seniors and \$683.1 for the administrative costs of operating the program, which includes six positions (added in Management Plan) needed to support the initial and ongoing determination of eligibility.

As adopted by the legislature (SB 4) in the June 2007 special session, and signed into law by the Governor, aid to seniors increases to a range of \$125 to \$250 a month from the previous \$120 a month maximum. The maximum qualifying income levels were also raised to \$22,347 for individuals and \$29,960 for couples.

Following legislative intent contained in SB 4, the department temporarily transferred funding from the Adult Public Assistance program to the General Relief Assistance program in FY08. The funding will cover benefits and administrative costs until the legislature passes a supplemental appropriation bill to provide funding for a new allocation under the Public Assistance appropriation.

3. **Private Proshare Discontinuation of Federal Receipts: \$16.2 million GF.** To maintain services at the current level, this general fund request is needed to replace federal funding lost due to the federally mandated discontinuation of the Private ProShare Medicaid program.

ProShare began in FY04 when the Division of Medical Assistance (now Health Care Services) made payments (of general and federal funds) for certain medical assistance services to qualified private hospitals. The hospitals, in turn, granted funds to qualified community service providers to secure medical services in remote areas and to provide medical care for children in juvenile justice facilities. The general funds saved through refinancing these grants/services were removed from the agency's budgets and replaced with federal funds. Since 2004, the state has saved approximately \$34 million in GF through ProShare refinancing. With the termination of ProShare, the services will again have to be funded through GF grant programs.

4. **Continued Support for Child Advocacy Centers (CAC): \$1.3 million GF.** This request asks for \$1.3 million in general funds to maintain the current level of CAC support in FY09.

Child Advocacy Centers provide services for child sexual abuse and severe physical abuse victims, ages 0 through 18, and their non-offending parents. This includes a safe, child-friendly place to interview, 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. CAC interviews are legally sound and neutral; and they coordinate fact-finding to avoid duplicative interviews.

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Legislative Fiscal Analyst Comment: It appears a five-year federal grant has ended. The subcommittee may wish to explore further why GF is being requested. A supplemental appropriation for FY09 may be more appropriate.

5. **Personal Care Attendant Cost Containment: \$3.0 million Reduction in GF.** Medicaid spending for personal care attendant (PCA) services grew by 42.2% per year between 1998 and 2004. The personal care cost containment initiatives for the program have been some of the most successfully implemented cost containment measures to date. Between FY00 and FY05, the PCA program grew from \$8 million to \$80 million. Since implementing regulation changes in FY06, the department has cut costs by \$5.0 million in FY07 and \$7.0 million in FY08. This request removes another \$3.0 million for FY09.

ORGANIZATIONAL CHANGES

Public Health Appropriation:

- **Injury Prevention/Emergency Medical Services:** This newly named allocation encompasses the budget and positions that were previously in the Community Health/Emergency Medical Services allocation. The title change more accurately describes the program responsibilities for this allocation.

Senior and Disabilities Services Appropriation:

- **General Relief/Temporary Assisted Living:** This newly named allocation derived its funding from the previously called Protection and Community Services allocation to more accurately reflect the program that is administered from this allocation.

Departmental Support Services Appropriation:

- **Public Affairs:** This newly created allocation was previously functioning as a team within the department's Information Technology allocation. The Public Affairs allocation responsibilities include public information releases, publications, web-based communications, legislative management, and regulatory development.
- **Health Strategies Planning Council:** The Governor's Administrative Order Number 232 established a new created allocation responsible for developing strategies, including performance measures, to provide health care access for all Alaskans by 2014, with the goal of making Alaskans the healthiest population in the nation.
- **Quality Assurance and Audit:** The third newly created allocation in this year's budget will focus on meeting and exceeding department and federal standards and requirements related to protecting program assets and assuring quality services. Funding of \$1.1 million and 8 PFT positions were transferred from the Office of Program Review.

CAPITAL BUDGET

The Agency's \$39.7 million capital budget includes the following:

6. \$19.5 million of GF is requested for Phase 1 of 4 for renovation of the McLaughlin Youth Center. This phase includes construction of a new outdoor recreation area, a new detention unit, the relocation of the parking area, and a remodel of the intensive treatment unit. Phases 2 through 4 would occur in FY12 – FY14 and are expected to cost \$52.9 million.

The McLaughlin Youth Center is located in Anchorage and is the State's oldest and largest place of juvenile incarceration. The structures are 40 years old and, according to the department, are simply worn out and need significant upgrades. In some cases, security components do not consistently lock cell doors, and staff are unable to view isolated corners or release emergency exit doors. Pipes and light fixtures are accessible to residents who could tie off clothing or bed sheets with the intent of committing suicide.

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Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Department of Labor and Workforce Development				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$22,405.7			
FY08 Fiscal Notes	850.0			
Reappropriations				
Special Appropriations				
Multi-Years (from prior fiscal years)				
Agency Transfers	85.6			
08 Contractual Salary Adjustments	24.0			
08 Salary Fund Changes	14.9			
Misc Adjustments				
FY 08 Management Plan (GF only)	\$23,380.2	\$974.5	4.3%	
One-time Items removed	(1,005.3)			
Transfers between Agencies (nets zero statewide)	(216.5)			
FY09 Contractual Salary and Health Increases	289.3			
FY 09 Adjusted Base Budget (GF only)	\$22,447.7	(\$932.5)	-4.0%	
FY 09 Unrealizable Salary Fund Source Changes	2,117.2			
FY 09 Governor's GF Increments/Decrements/Fund Changes	1,270.5			
FY 09 Governor's Request (GF only)	\$25,835.4	\$3,387.7	15.1%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Allocation			\$1,270.5	
Business Services	2,315.3	3,150.3	835.0	1
Alaska Vocational Technical Center	4,665.2	4,800.2	135.0	1
Labor Market Information	1,150.1	1,260.1	110.0	1
Office of Citizenship	65.6	159.5	93.9	2
All Other Increments	2,508.5	2,605.1	96.6	
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Changes	FY09 Governor's Request	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	86,476.2	85,676.2	(800.0)	
Other funds (all allocations)	52,073.9	54,819.2	2,745.3	
Total Non-General Funds (all allocations)	\$138,550.1	\$140,495.4	\$1,945.3	
Position Changes (From FY08 Management Plan to Gov)	987	984	(3)	
PFT	835	835	0	
PPT	106	105	(1)	
Temp	46	44	(2)	
Governor's Capital Request	GF	Fed Rcpts	Other	See Note:
Information Systems and Technology	5,210.7			
Maintenance and Repairs	3,900.0		1,486.0	
New Construction and Land Acquisition	6,350.0	2,000.0		3,4
Other	3,500.0			5
Capital Projects Subtotal by Fund Source	\$18,960.7	\$2,000.0	\$1,486.0	
TOTAL CAPITAL BUDGET		\$22,446.7		

Legislative Fiscal Analyst's Overview of the Governor's FY09 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 through the following core services:

- Resolving disputes between organized labor and public employers;
- Administering programs and funds for workers' compensation, second injury, fishermen's fund, and unemployment insurance;
- Providing labor standards and safety programs;
- Providing employment services including job centers, job referral and training, vocational rehabilitation, and technical education; and
- Providing information on the current condition of the state's labor market and economy.

SIGNIFICANT ISSUES

The following notes correspond to the numbers on the preceding spreadsheet.

1. AGIA Training Program Implementation: \$1.1 million GF.

With the passage of HB 177, the Alaska Gasline Inducement Act (AGIA), the Commissioner of DOLWD was charged with developing a statewide training program for an Alaskan workforce capable of managing, constructing, operating, and maintaining a gasline.

Business Services Allocation, \$835.0 GF:

- \$593.0 of this increment will finance
 - training and related instruction of at least 70 apprentices at regional centers; and
 - the development of cooperative training agreements with businesses and industry for registered apprentices and on-the-job training for 125 workers.
- \$192.0 of the increment is to assist two or more of Alaska's regional training centers in obtaining national accreditation, and to provide technical assistance to all regional training centers to meet skill standards and to be recognized as Centers of Excellence.
- \$50.0 will fund the development of a web and print based Alaska Training Program guide. The guide will identify training programs (i.e. Regional Training Centers, State Training Centers, University of Alaska, Registered Apprenticeships, the Pipeliner Training facility, etc) throughout the state and will be available to all schools and job centers.

Alaska Vocational Technical Center, \$135.0 GF:

Quality training programs are now available in Alaska and, according to the agency, employers are demanding highly trained workers. In order to achieve full capacity of current training programs, the Agency contends that an extensive recruitment effort is needed. A full time professional staff person is requested to recruit, intake, orient prospective students, and perform eligibility screening and assessments to increase rural and Native Alaskan enrollment in state training programs by 150 students. The Department requests \$110.0 for this purpose.

The agency contends that there is a lack of qualified and experienced vocational instructors in the State of Alaska. In order to help meet the current need and to lay the ground work for meeting future needs relating to AGIA, the agency believes that more instructors need to be trained. Alaskans with trade and craft experience will be recruited and enrolled in the distance-delivered Career & Technical Education Associates Degree program, currently offered by the partnership of AVTEC and Alaska Pacific University. Incentives and grants will be offered to qualified Alaskans. AVTEC will offer professional development for at least 10 instructors at regional training centers in order to meet this demand. The Department requests \$25.0 for this purpose.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Labor Market Information (LMI), \$110.0 GF:

This increment is requested to develop and disseminate regional employment data products that were recommended by the department's AGIA steering committee. Using existing data, the research section will:

- analyze regional industry and occupation employment trends;
- develop regional economic reports;
- produce Geographic Information System representations of occupational skill sets by locality; and
- improve existing data quality as needed.

2. Office of Citizenship Assistance, \$93.9 GF.

This funding request would continue the level of funding appropriated by the legislature as one-time funding for FY08. The funding would maintain services at the current level within two Job Centers located in Juneau and Kodiak.

ORGANIZATIONAL CHANGES

There are no organizational changes requested.

CAPITAL PROJECTS

The Governor's \$22.4 million capital budget for DOLWD includes \$5.4 million for AVTEC deferred maintenance and \$5.2 million in information technology projects and the following:

3. A \$5.0 million GF request to construct and equip a replacement facility for AVTEC's Alaska Culinary Academy (ACA). After several architectural and engineering inspections, the building was found to be unsound and it was recommended that it be demolished, as the cost of upgrades is greater than the cost of replacement.
4. \$3.4 million (\$2.0 million Fed Repts and \$1.4 million in G/F Match) in funding for AVTEC to construct a Maritime Safety Training Facility in Seward. Most maritime workers employed in the state are non-residents. This program seeks to train Alaskans for maritime professions.
5. \$3.5 million GF to continue the Alaska Construction Academies to train 1,000 high school students and 300 adults for employment in the construction industry and as preparation for gas pipeline employment opportunities.

Legislative Fiscal Analyst Comment: Subcommittee members may want to explore moving this request from capital to operating. The \$3.5 million is for continuation of a training program. If the training program is expected to be on-going, which it appears to be, the program does not fit the traditional definition of a capital project.

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Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Department of Law				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$38,828.6			
<i>FY08 Fiscal Notes</i>				
Reappropriations	350.0			
Special Appropriations				
Multi-Years (from prior fiscal years)				
Agency Transfers	78.8			
08 Contractual Salary Adjustments				
08 Salary Fund Changes				
Misc Adjustments				
FY 08 Management Plan (GF only)	\$39,257.4	\$428.8	1.1%	
One-time Items removed	(350.0)			
Transfers between Agencies (nets zero statewide)	48.7			
FY09 Contractual Salary and Health Increases	544.9			
FY 09 Adjusted Base Budget (GF only)	\$39,501.0	\$243.6	0.6%	
FY 09 Unrealizable Salary Fund Source Changes	3.0			5
FY 09 Governor's GF Increments/Decrements/Fund Changes	2,322.9			
FY 09 Governor's Request (GF only)	\$41,826.9	\$2,325.9	5.9%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Allocation			\$2,322.9	
Second Judicial District	1,301.3	1,407.5	106.2	2
Third Judicial District: Anchorage	5,442.2	6,072.4	630.2	1,3,4
Third Judicial District: Outside Anchorage	3,726.1	3,886.1	160.0	1
Fourth Judicial District	4,521.4	4,761.4	240.0	1
Criminal Appeals/Special Litigation	2,458.7	2,896.7	438.0	1,2
Collections and Support	790.3	1,001.8	211.5	1,2
Human Services Child Protection	4,658.2	4,758.2	100.0	1
Labor and State Affairs	2,159.8	2,331.6	171.8	2
Timekeeping and Litigation Support	86.1	351.3	265.2	2,4
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Changes	FY09 Governor's Request	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	3,176.2	3,054.6	(121.6)	
Other funds (all allocations)	24,126.8	32,831.4	8,704.6	
Total Non-General Funds (all allocations)	\$27,303.0	\$35,886.0	\$8,583.0	
Position Changes (From FY08 Management Plan to Gov)	546	553	7	
PFT	537	544	7	
PPT	9	9	0	
Temp	0	0	0	
Governor's Capital Request	GF	Fed Rcpts	Other	See Note:
Information Systems and Technology	200.0			
Capital Projects Subtotal by Fund Source	\$200.0	\$0.0	\$0.0	
TOTAL CAPITAL BUDGET		\$200.0		

Legislative Fiscal Analyst's Overview of the Governor's FY09 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 following notes correspond to numbers on the preceding spreadsheet.

1. **Replace I/A with GF: \$874.0.** The department is requesting general funds in several allocations to replace funding that will no longer be provided by other agencies because of reduced federal funding in those agencies.
 - \$114.0 is for the Federal Alcohol and Drug Use Offender program run by the Department of Public Safety. Federal funding for the program ends in FY08.
 - \$400.0 is for the Federal Rural Alcohol Interdiction Program run by the Department of Public Safety. Federal funding for this program is expected to end in FY08.
 - \$260.0 is for the Federal Juvenile Accountability Block Grant received by DHSS. Federal funding for this program is ending in FY08.
 - \$100.0 is for the Federal Title IV E Grant (Federal Payments for Foster Care and Adoption Assistance) received by DHSS. Federal reductions in this program will reduce the fees paid to the Department of Law for CINA (Child in Need of Aid) work.

Legislative Fiscal Analyst Comment: With the exception of the Alcohol Interdiction Program, DPS and DHSS have not requested increments to replace reductions in the above federal grants. Subcommittees may wish to ask the department why they are requesting funding to continue their support of these programs when the involved agencies do not appear to be continuing the programs. If support from Law is required, subcommittees may wish to put the general funds with the agencies that operate the programs (with continued I/A to Law), so that program costs are easier to track.

2. **Expand Services: \$779.0 GF.** The department requests additional positions as a result of high case loads.
 - The Second Judicial District requests a full time Victim/Witness Paralegal in Barrow (\$106.2). Barrow is a single attorney office with a high caseload and the department must have a Victim/Witness Paralegal on staff to comply with statutory requirements regarding assisting victims and witnesses of violent crimes.
 - The Criminal Appeals/Special Litigation allocation requests an Appellate Attorney V (\$171.8)

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

and an Office Manager (\$106.2) for the Office of Special Prosecution (OSP). The number of appeals filed by the Public Defender Agency and Office of Public Advocacy creates a corresponding increase in the workload in the OSP. The office manager position is being requested to facilitate the administration of the office as a result of increased attorney staffing.

- The **Collections and Support** allocation requests an Associate Attorney (\$111.5) to assist with adult restitution cases. Currently, one associate attorney is handling 4,000 open cases and the unit frequently hires temporary staff to assist with backlogs.
- The **Labor and State Affairs** allocation requests an Indian Law and Ethics Attorney (\$171.8) to assist in handling day-to-day inquiries and opinions, train the executive branch on matters related to Indian law and ethics, and work on investigations.
- The **Timekeeping and Litigation Support** allocation requests an Associate Attorney (\$111.5) to process electronic records and discovery requests. Many discovery requests involve use of new software packages that require additional in-house expertise to make full use of the software functionality.

3. **Special Offenders Unit: \$343.6 GF.** The Criminal Division, Third Judicial District in Anchorage is requesting an increment to establish a Special Offenders Unit, including two new attorneys, to prosecute serious violent offenders. This unit will work with the Anchorage Police Department targeting offenders (primarily gang members) and recidivists with dangerous criminal records.

Legislative Fiscal Analyst Comment: The subcommittee may wish to ask the department why the special unit requires new positions instead of transfers.

4. **Space costs: \$204.7 GF.** The department requests increments to cover increased lease and maintenance costs due to contract renegotiations and inflation adjustments.
5. 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 24 for further discussion of this issue.

ORGANIZATIONAL CHANGES

There are no significant changes requested.

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Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Department of Military and Veterans Affairs				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$11,687.5			
FY08 Fiscal Notes				
Reappropriations				
Special Appropriations				
Multi-Years (from prior fiscal years)				
Agency Transfers	492.3			
08 Contractual Salary Adjustments	44.9			
08 Salary Fund Changes	99.8			
Misc Adjustments				
FY 08 Management Plan (GF only)	\$12,324.5	\$637.0	5.5%	
One-time Items removed	(470.4)			
Transfers between Agencies (nets zero statewide)	13.6			
FY09 Contractual Salary and Health Increases	151.2			
FY 09 Adjusted Base Budget (GF only)	\$12,018.9	(\$305.6)	-2.5%	
FY 09 Unrealizable Salary Fund Source Changes	-			
FY 09 Governor's GF Increments/Decrements/Fund Changes	735.9			
FY 09 Governor's Request (GF only)	\$12,754.8	\$735.9	6.1%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Allocation			\$735.9	
Retirement Benefits	1,737.4	2,473.3	735.9	1
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Charges	FY09 Governor's Request	Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	20,733.1	21,173.2	440.1	3
Other funds (all allocations)	10,636.1	12,748.9	2,112.8	2
Total Non-General Funds (all allocations)	\$31,369.2	\$33,922.1	\$2,552.9	
Position Changes (From FY08 Management Plan to Gov)	287	287	0	
PFT	284	284	0	
PPT	2	2	0	
Temp	1	1	0	
Governor's Capital Request	GF	Fed Rcpts	Other	
Information Systems and Technology	800.0	3,200.0		
Maintenance and Repairs	3,750.0	9,519.9	6,142.0	4
Planning and Research	500.0			
Other		9,600.0		
Capital Projects Subtotal by Fund Source	\$5,050.0	\$22,319.9	\$6,142.0	
TOTAL CAPITAL BUDGET		\$33,511.9		

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Department of Military and Veterans Affairs

The mission of the Department of Military and Veterans Affairs (DMVA) is to provide Army and Air National Guard military forces, a State Defense Force and a Navy Militia that are fully prepared to protect Alaska from any threat, disaster or emergency. The department accomplishes this mission by providing:

- emergency management;
- homeland security;
- Alaska National Guard command;
- training/education of juveniles through the STARBASE and Challenge programs;
- veterans' assistance and rural Alaska Elder programs; and
- support to other state and federal agencies in suppressing the use of illegal drugs.

SIGNIFICANT ISSUES

The following notes correspond to numbers on the preceding spreadsheet.

1. **Alaska National Guard Retirement Benefits: \$735.9 GF.** Due to new actuarial estimates, the department requests an increment for \$735.9 GF for increased retirement benefit contributions. This 42.4% increase over FY08 (from \$1,737.4 in FY08 to \$2,473.3 in FY09) is due to lower-than-expected turnover among non-vested active participants.
2. **Alaska Military Youth Academy formula: \$373.1 I/A.** 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). General funds appropriated to the Department of Education and Early Development are transferred to AMYA.

In FY09, the AMYA formula generated \$6,082.0, which is \$373.1 more than the funding received in FY08. However, the legislature reduced AMYA funding by \$2 million in FY08 because the formula generated more money than the program required for operations. That reduction prompts questions regarding the alignment of formula funding and operational requirements in FY09. The following tables provide subcommittees with information that may help them determine the proper FY09 level of funding for AMYA.

Table 1 shows that:

- (1) The number of residential students declined by 51 and the number of non-residential students increased by 91.
- (2) The change in student count reduces formula funding by \$1,626,912.
- (3) The legislature reduced AMYA funding by \$2 million in FY08.

The bottom line is that the agency is requesting \$373.1 more than was received in FY08 despite a decline in enrollment and FY08 legislative reductions that indicate operating costs could be reduced by \$1.6 million.

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Table 1. AMYA Funding in FY08 and FY09				
	FY08		FY09	FY08 to FY09
# Residential Students	257		206	-51 (1)
x Base Student Allocation	\$5,380		\$5,380	
x 7 (in AMYA formula)	7		7	
Total Residential Student Amount	\$9,678,620		\$7,757,960	(\$1,920,660)
# Non-Residential Students	203		294	91 (1)
x Base Student Allocation	\$5,380		\$5,380	
x 60% (in AMYA formula)	0.6		0.6	
Total Non-Residential Student Amount	\$655,284		\$949,032	\$293,748
Less Federal Receipts Received	-2,625,000		-2,625,000	
Total Formula Funding	\$7,708,904		\$6,081,992	(\$1,626,912) (2)
Less Legislative Reduction	-2,000,000 (3)		0	
Amount Received in FY08 and Amount Requested in FY09	\$5,708,904		\$6,081,992	\$373,088

The relevance of the AMYA funding formula has been suspect for years. It produced too little revenue when the program was expanding and too much revenue when the residential student count exceeded 250 in FY08.

One way to analyze program needs is to compare funding on a dollars per student basis. Table 2 shows that providing the FY08 per student amount in FY09 would reduce FY09 funding by \$1.3 million. This comparison ignores economies of scale that may have been lost with the decline in enrollment.

Table 2—FY09 Funding if the Dollars per Student are held at the FY08 Level							
	FY08 Allocation of Funding	FY08 # of Students	FY08 Allocation Per Student	FY09 # of Students	FY09 Count times FY08 Per Student Allocation	FY09 Request	Difference
Residential	\$5,346,896	257	\$20,805	206	\$4,285,830		
Non-Residential	\$362,008	203	\$1,783	294	\$524,202		
Total	\$5,708,904	460	\$22,588	500	\$4,810,032	\$6,081,992	(\$1,271,960)

Legislative Fiscal Analyst Comment: Legislative Finance is not recommending a funding reduction for AMYA at this time. Subcommittees may wish to discuss plans for future enrollment and estimates of operating costs at various student counts. The legislature may wish to consider replacing formula funding through the Department of Education and Early Development (DE&ED) with direct appropriations to AMYA.

3. **Homeland Security and Emergency Management: \$440.1 Federal.** The agency is requesting two initiatives as a direct result of increased federal funding in the FFY 2007 Emergency Management Performance Grant Supplemental. Homeland Security will develop a Statewide Disaster Debris Management Plan that will provide the framework and guidance for Alaska's urban communities for future disasters and develop supplemental plans or annexes to the State Emergency Response Plan to address deficiencies identified as a result of lessons learned from Hurricane Katrina.

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ORGANIZATIONAL CHANGES

There are no significant changes requested.

CAPITAL BUDGET

The Governor's \$33.5 million capital budget for the Department of Military and Veterans Affairs includes the following:

4. **Military Youth Academy Deferred Maintenance: \$1,000.0 GF.** The agency is requesting funding to perform maintenance on Challenge Academy facilities including upgrading the shower, toilet and laundry rooms, updating classrooms and other interior facilities, and renovating all buildings to be ADA compliant. There have been no significant maintenance upgrades since AMYA took over the facilities in 1994.

Legislative Fiscal Analyst Comment: AMYA proposed using \$1 million of FY08 formula funding for a deferred maintenance project. The legislature eliminated the excess AMYA funding as discussed in #2 above and appropriated \$1 million GF in the capital budget for the same project.

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Department of Natural Resources				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$63,718.0			
FY08 Fiscal Notes	246.2			
Reappropriations				
Special Appropriations				
Multi-Years (from prior fiscal years)	6,750.3			
Agency Transfers	362.7			
08 Contractual Salary Adjustments	90.2			
08 Salary Fund Changes	12.8			
Misc Adjustments				
FY 08 Management Plan (GF only)	\$71,180.2	\$7,462.2	11.7%	
One-time Items removed	(8,299.7)			
Transfers between Agencies (nets zero statewide)	67.3			
FY09 Contractual Salary and Health Increases	1,582.2			
FY 09 Adjusted Base Budget (GF only)	\$64,530.0	(\$6,650.2)	-9.3%	
FY 09 Unrealizable Salary Fund Source Changes	259.2			
FY 09 Governor's GF Increments/Decrements/Fund Changes	5,175.3			
FY 09 Governor's Request (GF only)	\$69,964.5	\$5,434.5	8.4%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Appropriation			\$5,175.3	
Oil & Gas Development	6,667.1	9,058.0	2,390.9	1, 5
Fire Suppression Preparedness	13,630.7	14,487.6	856.9	2
North Latitude Plant Material Center	770.0	1,270.0	500.0	3
Parks Management	4,444.7	4,944.7	500.0	4
All Other Increments	20,115.9	21,043.4	927.5	
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Changes	FY09 Governor's Request	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	16,434.9	15,659.7	(775.2)	
Other funds (all allocations)	44,190.7	45,586.6	1,395.9	
Total Non-General Funds (all allocations)	\$60,625.6	\$61,246.3	\$620.7	
Position Changes (From FY08 Management Plan to Gov)	1,114	1,128	14	
PFT	786	806	20	
PPT	252	247	(5)	
Temp	76	75	(1)	
Governor's Capital Request	GF	Fed Rcpts	Other	See Note:
Equipment and Materials	1,590.0			
Information Systems and Technology	4,726.0	2,000.0	380.0	
Maintenance and Repairs	1,315.0	1,500.0	6,673.0	
New Construction and Land Acquisition		600.0	23,277.0	
Planning and Research	3,725.0	8,076.5	8,706.5	6
Renovation	370.0			
Other		6,200.0	1,000.0	
Capital Projects Subtotal by Fund Source	\$11,726.0	\$18,376.5	\$40,036.5	
TOTAL CAPITAL BUDGET		\$70,139.0		

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Department of Natural Resources

The Department of Natural Resources (DNR) develops, conserves, and maximizes the use of Alaska's natural resources consistent with public interest by providing the following core services:

- Oil and gas development;
- Land, water, and habitat management;
- Alaska coastal and oceans management;
- Forestry and parks management and development;
- State historical preservation administration;
- Fire preparedness and suppression; and
- Agricultural development and revolving loan fund administration.

SIGNIFICANT ISSUES

The following notes correspond to the numbers on the preceding spreadsheet:

1. **Oil and Gas Initiatives: \$1.1 million GF.**

The Division of Oil and Gas Development is adding a total of five positions to support new Production Tax (PT) and Alaska Gasline Inducement Act (AGIA) initiatives, and to increase wages for Oil & Gas staff in order to assist in the recruitment and retention of qualified professionals.

- **PT, \$464.4 GF:** Two new oil and gas revenue audit master positions are requested. These senior level auditors are expected to have extensive oil and gas auditing experience and their salaries are expected to be consistent with market comparables for the industry.
- **AGIA, \$391.7 GF:** Three new staff positions are being requested to review and coordinate all state and federal permits and processes to ensure that all state and federal environmental requirements related to AGIA have been completed. These positions will also assist with title work for natural gas transportation projects in Alaska and, according to the department, the positions will sunset one year after commencement of gas pipeline commercial activities.
- **Wage Increases, \$216.7 GF:** The division is requesting a salary adjustment for their exempt service professionals in the fields of geosciences and law as well as individuals with commercial oil and gas experience. The proposal would bring the salaries in line with their counterparts in the Alaska Oil and Gas Conservation Commission.

2. **Fire Suppression Preparedness – Aviation Contracts: \$856.9 GF.**

The department's aviation contracts are expiring and, due to a major shortage of air tankers and the falling value of the dollar, contract costs have risen as much as fifty percent.

Air tankers and helicopters are typically procured through five-year, annually renewable contracts for a set period of usage, usually 90 days. Using five-year contracts allows the department to lock in lower long-term rates.

3. **North Latitude Plant Material Center – AK State Seed Lab: \$500.0 GF.**

This increment request will replace lost federal funding from Congressional earmarks and provide for the continued operation of the Official Alaska State Seed Lab.

The Plant Material Center (PMC) serves the seed growers of the state and is charged with encouraging and developing a healthy seed industry in Alaska. Seed growers provide seed to in-state construction companies, DOT/PF for roadside erosion control and re-vegetation projects, the mining industry for reclamation projects, and a multitude of other state and federal agencies. According to the department, PMC is the only source for this seed.

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4. **Parks Management – Preventative Maintenance: \$500.0 GF.** The department is using a two-pronged approach of operating and capital funding requests to focus on preventative and deferred maintenance in the State Park system.

The proposed operating increment will finance an increase in staff, with a focus on preventative and minor deferred maintenance items. Two permanent full-time positions will be added and 4 permanent part-time positions will be switched to permanent full-time positions.

DNR's proposed capital budget includes several projects (totaling \$6.5 million) that focus on a lengthy list of deferred maintenance items. The total estimated cost associated with the backlog of deferred maintenance is over \$52 million. The capital budget will be used to complete major deferred maintenance projects.

5. **Oil and Gas Allocation: Technical Adjustment for \$1.3 million GF.** Over the past few years (since FY05) the Division of Oil and Gas has received "one-time" funding to meet additional workload requirements due to anticipated increases in industry exploration and development, and to AGIA and PT. Although the legislature appropriated \$1.3 million as a "one-time" increment in FY08, the agency argues that this funding should be in the agency's base. Because the money was appropriated as one-time funding, Legislative Finance removed the item from the agency's base and put it back in as an increment. The legislature may want to explore putting this funding in DNR's base budget.

ORGANIZATIONAL CHANGES

The department changed the name of the Alaska Coastal Management Program to the Alaska Coastal and Ocean Management (DCOM) program. The new DCOM office was split apart from the Office of Project Management and Permitting due to the workload and complexities of the individual programs. The new division continues the work of the Alaska Coastal Management Program as well as a focus on ocean-related issues within the department's jurisdiction.

The Citizen's Advisory Commission on Federal Areas (CACFA) allocation was added under the State Public Domain & Public Access appropriation. This independent Commission will assist citizens with state and federal land management issues by advising and commenting on the department's draft regulations and policies and aid in avoiding public conflict of land management use.

CAPITAL PROJECTS

The Department's \$70.1 million capital budget includes the following project:

6. \$4.0 million of Alaska Capital Income Fund for consultants and contractors with expertise in construction and the use of geologic and engineering models used to evaluate oil and gas reservoirs. The study will require assimilation and processing of data and measurements from over 2,000 penetrations and thousands of surveillance measurements in the Prudhoe Oil Pool.

The total estimated cost of the project is \$10.0 million—In addition to this \$4 million, another \$4 million of GF is expected to be requested in FY10 and \$2 million in FY11.

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Department of Public Safety				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$107,199.4			
FY08 Fiscal Notes	865.5			
Reappropriations				
Special Appropriations				
Multi-Years (from prior fiscal years)				
Agency Transfers	231.5			
08 Contractual Salary Adjustments	39.8			
08 Salary Fund Changes				
Misc Adjustments				
FY 08 Management Plan (GF only)	\$108,336.2	\$1,136.8	1.1%	
One-time Items removed	(443.6)			
Transfers between Agencies (nets zero statewide)	75.4			
FY09 Contractual Salary and Health Increases	1,152.7			
FY 09 Adjusted Base Budget (GF only)	\$109,120.7	\$784.5	0.7%	
FY 09 Unrealizable Salary Fund Source Changes	213.6			6
FY 09 Governor's GF Increments/Decrements/Fund Changes	4,786.1			
FY 09 Governor's Request (GF only)	\$114,120.4	\$4,999.7	4.6%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Allocation			\$4,786.1	
Fire & Life Safety Operations	1,031.3	1,360.8	329.5	1
Training and Education Bureau	625.5	885.1	259.6	1,4
Special Projects	0.0	870.0	870.0	4
AK Bureau of Judicial Services	6,898.7	7,433.5	534.8	2
Prisoner Transportation	1,656.7	2,111.7	455.0	1
Rural Trooper Housing	1,279.3	1,426.4	147.1	1
AST Detachments	42,009.4	43,929.1	1,920.7	1,2
AK Bureau of Alcohol and Drug Enforcement	2,483.1	2,519.8	36.7	1
Alaska Wildlife Troopers	14,444.9	15,272.0	827.1	1,2
Alaska Wildlife Troopers Aircraft	4,183.9	4,415.2	231.3	1
Alaska Wildlife Troopers Marine	2,766.0	2,832.0	66.0	1
Alaska Wildlife Troopers Investigation	864.4	1,081.2	216.8	2
Alaska Police Standards Council	0.8	0.0	(0.8)	
Domestic Violence/Sexual Assault	2,686.8	1,345.3	(1,341.5)	3
Training Academy	1,614.6	1,622.8	8.2	1
Administrative Services	2,711.1	2,720.3	9.2	1
Alcoholic Beverage Control Board	1,261.5	1,263.4	1.9	1
Alaska Public Safety Information Network	1,695.8	1,800.4	104.6	5
Alaska Criminal Records and ID	1,596.1	1,660.7	64.6	5
Laboratory Services	4,182.5	4,227.8	45.3	1
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Changes	FY09 Governor's Request	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	12,693.7	11,573.7	(1,120.0)	
Other funds (all allocations)	21,475.7	23,034.7	1,559.0	
Total Non-General Funds (all allocations)	\$34,169.4	\$34,608.4	\$439.0	
Position Changes (From FY08 Management Plan to Gov)	862	875	13	
PFT	833	846	13	
PPT	17	17	0	
Temp	12	12	0	
Governor's Capital Request	GF	Fed Rcpts	Other	See Note:
Equipment and Materials	1,700.0	1,000.0		
Information Systems and Technology	8,500.0	2,000.0		
Maintenance and Repairs	1,350.0		1,640.0	
New Construction and Land Acquisition	3,000.0		100,000.0	7
Planning and Research			75.0	
Renovation	395.0			
Other		2,000.0		
Capital Projects Subtotal by Fund Source	\$14,945.0	\$5,000.0	\$101,715.0	
TOTAL CAPITAL BUDGET		\$121,660.0		

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Department of Public Safety

The Department of Public Safety (DPS) is the state's primary law enforcement agency for federal, state, and local laws. The mandate of the department is to prevent loss of life and property as a result of illegal or unsafe acts. The department

- enforces criminal laws, traffic laws, and state fish and game laws,
- provides public protection programs for fire and traffic safety, and
- serves as the umbrella agency for the Council on Domestic Violence and Sexual Assault, the Alaska Police Standards Council, the Alaska Fire Standards Council and the Alcoholic Beverage Control Board.

SIGNIFICANT ISSUES

The following notes correspond to the numbers on the preceding spreadsheet.

1. **Departmental Overhead and Service Costs: \$2,555.7 GF.** The department is requesting increments to pay increased overhead and service costs throughout the agency. Overhead costs include fuel, utilities, lease, and vehicle costs. Service costs include training, transportation, and dispatch costs.

Legislative Fiscal Analyst Comment: State agencies receive fuel increments through an appropriation to the Governor's Office, which allocates money to agencies based on justification of need. Subcommittees may want to discuss why the department needs fuel increments in excess of the need they are expected to justify to the Governor's Office.

2. **Law Enforcement Activities.** The Alaska State Troopers (AST) division is charged with statewide law enforcement, prevention of crime, pursuit and apprehension of offenders, service of civil and criminal process, prisoner transportation, and search and rescue. Increments have been requested as follows:

- **Prisoner Transportation: \$656.3 GF.** As a result of a recent court settlement between the DPS and the Municipality of Anchorage, Public Safety has been assigned responsibility for prisoner transportation within Anchorage. This request provides for annualized costs for six new Court Service Officer positions. The positions were filled in mid-FY08 and the department will be requesting supplemental funding for FY08 costs.
- **Alaska State Trooper Investigator Positions: \$422.2 GF.** DPS is requesting an increment to hire two Investigators to work solely on internal personnel investigation. Current department investigators are handling both criminal and internal personnel investigations and this is causing a backlog in investigation caseloads.

Legislative Fiscal Analyst Comment: Subcommittees may want to identify capital outlay (\$93.2) and other first-year costs as a one-time increment.

- **Alaska Wildlife Troopers: \$860.0 GF.** As part of a continuing effort to add additional Wildlife Troopers, the department requests funding to add three officers in FY09 (two under Alaska Wildlife Troopers and one under Wildlife Troopers Investigation) as well as provide full funding for five positions added in FY08. The two new positions will be located in Fairbanks and Cooper Landing. In the FY08 budget, the legislature provided 50% of full year funding for the positions (\$550.0 of \$1,058.9) because the positions were not expected to be filled until mid-year.
3. **Council on Domestic Violence and Sexual Assault.** This request replaces \$1,341.5 GF with PFD Criminal Funds (PFD appropriations in lieu of dividends to

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

incarcerated felons). As permanent fund dividends increase, more PFD Criminal Funds are available for program costs.

4. **Replace Federal Funds with GF: \$1,120.0 GF.** The department is requesting GF increments in the following allocations to replace federal and other funds:
 - **Training and Education Bureau: \$250.0 GF.** This request replaces unrealizable federal funds for the Alaska Office of Rural Fire Protection. Many rural communities (124 communities to date) were initially equipped and trained through "Project Code Red." The federal project does not provide funding for maintenance-level training. The goal of the office is to provide long-term oversight, logistical fire assistance and training to rural communities to maintain the viability of local fire response units.
 - **Alaska State Troopers: \$870.0 GF.** This request replaces federal funds for the Rural Alcohol Interdiction Program, Alcohol Interdiction Team. The team is comprised of five state troopers and one criminal justice technician. The focus of the team is to keep alcohol out of dry communities. The positions were funded through an annual federal earmark that is no longer available.
5. **Statewide Support: \$169.2 GF.** This division provides support to state and local law enforcement agencies throughout the state. Positions provide information on criminal history, arrest, fingerprint, and DNA information as well as forensic crime scene and laboratory services. Additional law enforcement efforts have increased the volume of support work. The department requests the following positions:
 - **Database Specialist: \$104.6 GF.** This position will be responsible for managing the departmental IT server. Currently the server holds all the department's key databases including Alaska Public Safety Information Network (APSIN), Sex Offender Registry, National Sex Offender Registry, Automated Fingerprint Identification, DPS Help Desk System, and other specialized systems.
 - **Criminal Justice Technician I: \$64.6 GF.** This position will be responsible for fingerprint card processing and in-court disposition processing. The volume of fingerprint cards received over the last ten years has increased 55 percent, and the number of requests for criminal history background checks for employment or licensing purposes has increased over 120 percent. The legislature funded a Criminal Justice Technician I in FY08 for the same purpose.
6. 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 24 for further discussion of this issue.

ORGANIZATIONAL CHANGES

There were no significant structural changes.

CAPITAL BUDGET

7. **Crime Lab Replacement: \$100 Million G/O Bonds.** This project would fund a new crime laboratory building. The current crime lab facility was constructed in 1986 and, according to the agency, it is no longer physically capable of housing the personnel and instrumentation necessary to meet the state's forensic analysis demands.

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Department of Revenue				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$40,034.5			
FY08 Fiscal Notes	-			
Reappropriations	-			
Special Appropriations	-			
Multi-Years (from prior fiscal years)	419.3			
Agency Transfers	119.0			
08 Contractual Salary Adjustments	-			
08 Salary Fund Changes	-			
Misc Adjustments	-			
FY 08 Management Plan (GF only)	\$40,572.8	\$538.3	1.3%	
One-time Items removed	(25,419.3)			1a
Transfers between Agencies (nets zero statewide)	(161.3)			
FY09 Contractual Salary and Health Increases	512.1			
FY 09 Adjusted Base Budget (GF only)	\$15,504.3	(\$25,068.5)	-61.8%	
FY 09 Unrealizable Salary Fund Source Changes	16.4			
FY 09 Governor's GF Increments/Decrements/Fund Changes	2,060.1			
FY 09 Governor's Request (GF only)	\$17,580.8	\$2,076.5	13.4%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Allocation			\$2,060.1	
Tax Division	12,331.5	14,265.6	1,934.1	1b
Treasury Division	1,415.2	1,541.2	126.0	2
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Changes	FY09 Governor's Request	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	37,012.9	37,024.3	11.4	
Other funds (all allocations)	187,767.8	208,611.6	20,843.8	3,4,5
Total Non-General Funds (all allocations)	\$224,780.7	\$245,635.9	\$20,855.2	
Position Changes (From FY08 Management Plan to Gov)	926	940	14	
PFT	860	873	13	
PPT	49	50	1	
Temp	17	17	0	
Governor's Capital Request	GF	Fed Rcpts	Other	See Note:
Information Systems and Technology	4,210.8	128.0	2,278.9	6,7
Maintenance and Repairs		9,150.0	7,035.0	
New Construction and Land Acquisition		7,000.0	25,750.0	
Planning and Research		150.0	2,030.0	
Renovation		2,000.0	6,700.0	
Other	3,000.0	3,750.0	10,750.0	
Capital Projects Subtotal by Fund Source	\$7,210.8	\$22,178.0	\$54,544.9	
TOTAL CAPITAL BUDGET		\$83,933.7		

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Department of Revenue

The Department of Revenue's responsibilities include the following:

- 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;
- 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 following notes correspond to numbers on the preceding spreadsheet.

1. **Petroleum Profits Tax (PPT) Revisions:** Several revisions to the Department's budget are a result of the passage of HB 2001 (Chapter 1, SSSLA 2007) in the recent special session.

a. **Oil and Gas Tax Credit Fund:** Section 46 of HB 2001 established the Oil and Gas Tax Credit Fund. In FY08, a \$25 million appropriation for tax credit refunds appeared in the Tax Division operating budget, thereby distorting the amount of funding necessary for division operations. Establishing a separate fund avoids that distortion. The Governor's budget removes \$25 million in general funds from the Tax Division and proposes a \$200 million appropriation to capitalize the tax credit fund in order to pay FY09 refunds. A supplemental request totaling \$125 million is expected for FY08 refunds.

b. **New Positions and Contractual Assistance: \$1,934.1 GF**

- **Audit Master Positions: \$920.9 GF.** Section 10 of HB 2001 creates the new Oil and Gas Audit Master exempt position class to be employed by the departments of Revenue and Natural Resources. Legislative intent limits the numbers of Audit Masters to six total (four in Revenue and two in Natural Resources). As outlined in the fiscal note, the Governor is requesting \$800.0 for the four audit master positions in Revenue. Additionally, an Analyst Programmer V is being added to manage the new oil and gas production tax database system (see Capital Budget below). \$120.9 GF is requested for that position.
- **Contract Audit Assistance: \$1,013.2 GF.** Also outlined in the fiscal note was over \$1 million for contractual audit assistance. Anticipated delay in auditor recruitment and the need to ensure proper and timely audits is driving this request.

Legislative Fiscal Analyst Comment: Although likely justifiable, the calculations for the contract audit assistance are not entirely clear. Further analysis by a subcommittee may be warranted. The increment could also be identified as a one-time item.

2. **"In-house Investment Management": \$360.0 (\$126.0 GF).** In June of 2006, the Alaska Retirement Management Board (ARMB) voted to terminate the contract with BlackRock Asset Management, an external fixed income manager for state retirement assets. The termination came after review showing the Treasury Division's internal fixed-asset managers performing at a comparable level for considerably less cost. A budget decrement last session reduced external management fees by \$1.26 million. The Treasury Division now requests additional funds for a new

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fixed-income investment officer position to assist with the growing asset base under management—at considerably less cost than the external contract. The increment also includes an additional equity investment officer position. The increasing volume and complexity of investments is driving this request.

3. **Alaska Housing Finance Corporation (AHFC): \$285.7 AHFC Receipts.**

AHFC proposed several adjustments to their budget, including a \$180.0 increment for implementation of a continuous five-year computer/printer replacement schedule; a \$505.7 increment for increased IT training, data communications upgrades, corporate awareness marketing, an online training/education system and numerous other minor adjustments; and a \$400.0 *decrement* due to private tenant lease expiration in the Atwood Building.

Legislative Fiscal Analyst Comment: The increment for \$505.7 has many different components. Subcommittees may wish to break down the AHFC request into several different increment transactions to clarify the adjustments being made.

The increment for the computer replacement schedule would add funding to the AHFC base operating budget. The Permanent Fund Dividend Division has a similar technology replacement schedule. However, that funding is budgeted annually as a capital request (\$125.0 is in the FY09 request). Perhaps consistency across agencies/divisions would be prudent and the AHFC request should be moved to the capital budget. The converse is also an option.

4. **Alaska Permanent Fund Corporation (APFC): \$880.1 APFC Receipts.**

The APFC has several budget changes, with a net increase of \$880.1 and five new permanent full-time positions. Most notable is the request for \$180.9 to add an attorney position to reside within the corporation and work solely on corporate legal issues. There is an associated \$175.0 reduction in contractual services for reduced assistance from the Department of Law.

Legislative Fiscal Analyst Comment: Per the APFC, the Department of Law has been unable to successfully retain a lawyer for APFC legal counsel. Staff proposed that APFC may be more successful in hiring an attorney and the Attorney General approved the concept based on the workload expected at the APFC.

5. **APFC Management Fees: \$18,615.0 APFC Receipts.** Although this is a sizable increment, it reflects the sheer magnitude of the Alaska Permanent Fund. At nearly \$40 billion, a 5% return would generate \$2 billion dollars. \$18.6 million is less than 1% of that amount, well within the range of acceptable asset management benchmarks.

ORGANIZATIONAL CHANGES

There are no significant changes requested.

CAPITAL BUDGET

The department's capital budget is primarily that of the Alaska Housing Finance Corporation (94% of the request). AHFC has over \$79 million in their capital budget request for their housing programs. This includes \$22 million federal receipts, almost \$48 million of the AHFC Dividend, and approximately \$14 million of general funds and Mental Health Trust funds for certain mental health housing programs. A few of the larger projects include

- the Supplemental Housing Development Program (\$8 million AHFC Dividend),
- the Senior Citizen's Housing Development Program (\$6 million AHFC Dividend);
- the Low Income Weatherization Program (\$6 million AHFC Dividend); and

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- a new Housing Trust program within AHFC funded with four equal contributors at \$2.5 million each - the state (general funds), AHFC (AHFC Dividend), the Mental Health Trust (trust receipts), and non-state partners (Statutory Designated Program Receipts). The intent is to coordinate resources between the housing industry and the social service industry to provide affordable housing and effective solutions to homelessness.

Projects internal to the department include **\$4.2 million to the Tax Division for tax systems replacement.**

6. **Oil and Gas Production Tax System Replacement: \$2,620.8 GF.** Changes made to the oil and gas tax system have resulted in a need for a new data system. The old system based on the production tax (or ELF system) is not compatible with the requirements of a tax on profit. The intent is to build a module capable of multiple features that would enhance data collection and forecasting and allow for ready comparisons to the old ELF taxation system.
7. **Corporate, Motor Fuel and Mining Tax Systems Replacement: \$1,590.0 GF.** These systems have been deemed inadequate and in need of major revision to meet current technological standards. The existing integrated tax system will be expanded to allow for the corporate, motor fuel and mining tax elements.

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Department of Transportation & Public Facilities				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$193,102.9			
FY08 Fiscal Notes	-			
Reappropriations	-			
Special Appropriations	(125.0)			
Multi-Years (from prior fiscal years)	-			
Agency Transfers	9,194.0			
08 Contractual Salary Adjustments	3,183.3			
08 Salary Fund Changes	116.2			
Misc Adjustments	-			
FY 08 Management Plan (GF only)	\$205,471.4	\$12,368.5	6.4%	
One-time Items removed	(9,030.0)			1
Transfers between Agencies (nets zero statewide)	117.6			
FY09 Contractual Salary and Health Increases	1,391.6			
FY 09 Adjusted Base Budget (GF only)	\$197,950.6	(\$7,520.8)	-3.7%	
FY 09 Unrealizable Salary Fund Source Changes	1,470.4			
FY 09 Governor's GF Increments/Decrements/Fund Changes	8,958.1			
FY 09 Governor's Request (GF only)	\$208,379.1	\$10,428.5	5.3%	
↓				
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Allocation			\$8,958.1	
Transportation Management and Security	381.9	423.9	42.0	
Statewide Information Systems	1,461.0	1,771.0	310.0	2
Leased Facilities	1,958.8	1,972.1	13.3	8
Central Support Services	621.1	665.7	44.6	
Northern Support Services	791.9	971.4	179.5	
Southeast Support Services	269.9	312.5	42.6	
Program Development	125.7	170.0	44.3	
Measurement Standards	1,967.7	2,037.7	70.0	
Statewide Public Facilities	-	100.0	100.0	9
Statewide Design and Engineering Services	818.7	1,168.7	350.0	3
Central Region Facilities	5,015.1	5,864.5	849.4	4a-e,
Northern Region Facilities	8,059.9	8,593.1	533.2	4b, 4c, 4e
Southeast Region Facilities	1,152.8	1,228.3	75.5	4a, 4b, 4e
Traffic Signal Management	1,433.8	1,633.8	200.0	
Central Highways and Aviation	37,747.6	38,328.0	580.4	5, 6
Northern Highways and Aviation	52,183.1	53,081.0	897.9	5, 6
Southeast Highways and Aviation	11,751.3	11,759.1	7.8	5, 6
Marine Vessel Operations	66,618.8	71,236.4	4,617.6	7
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Changes	FY09 Governor's Request	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	3,776.5	4,376.5	600.0	
Other funds (all allocations)	295,165.3	288,891.2	(6,274.1)	7
Total Non-General Funds (all allocations)	\$298,941.8	\$293,267.7	(\$5,674.1)	
Position Changes (From FY08 Management Plan to Gov)	3,820	3,851	31	
PFT	3,174	3,191	17	
PPT	447	446	(1)	
Temp	199	214	15	
Governor's Capital Request	GF	Fed Rcpts	Other	See Note:
Equipment and Materials	5,466.0	18,855.0	16,800.0	
Information Systems and Technology	-	6,590.0	-	
Maintenance and Repairs	25,786.0	3,900.0	13,938.0	
New Construction and Land Acquisition	64,088.0	119,343.5	22,180.0	
Planning and Research	2,500.0	88,435.0	2,440.0	
Renovation	53,500.0	252,243.7	1,1864.0	
Other	-	26,200.0	6,000.0	
Capital Projects Subtotal by Fund Source	\$151,340.0	\$515,567.2	\$213,222.0	
TOTAL CAPITAL BUDGET		\$880,120.2		

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Department of Transportation & 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 29 ports and harbors. In addition, the department owns and operates the Alaska Marine Highway System. 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 7,500 light and heavy duty vehicles and attachments.

SIGNIFICANT ISSUES

The following notes correspond to numbers on the preceding spreadsheet.

1. High oil prices and other inflationary pressures continue to be a budgetary concern for the department. Maintaining the "status quo" is ever more expensive. In the last two fiscal years, the legislature has addressed a substantial portion of this cost pressure with a contingent triggered appropriation that is based on the average price of oil. The Governor retained the trigger methodology in her proposed budget and DOT&PF would receive a maximum of \$18 million in two installments at today's prices.

Legislative Fiscal Analyst Comment: This "trigger" approach to budgeting does not build the current high oil prices into the base budget. If oil prices are expected to remain high for several years, it would be reasonable to accept a new higher level of oil prices and increase the base budget.

If the legislature retains the trigger approach, an adjustment to the total amount distributed may be in order. Expanding the oil price ceiling to \$81/bbl (the FY08 average price to date) and maintaining the same growth rate (\$500.0 distributed for each dollar change in the price of oil), would increase the total appropriation to \$46 million (an increase of \$21 million). At this level and allocation (DOT&PF currently receives a maximum of 75% of the total amount distributed), DOT&PF would receive a maximum of \$34.5 million, (\$16.5 million over what they will receive in FY08).

The department expects to require a FY08 supplemental appropriation for fuel costs. The magnitude of the request—which is unknown at this time—will be a good gauge of potential changes to the trigger in FY09.

2. **IT Support and Licensing: \$310.0 GF.** The Statewide Information Systems allocation is requesting \$180.0 and two positions to provide desktop and network support to 400 DOT&PF employees in Anchorage and the surrounding area. Currently these end-users are under served, which is causing considerable inefficiencies. A \$130.0 increase is also budgeted for software licensing that was determined to be ineligible for federal funding.

Legislative Fiscal Analyst Comment: The problems that occur from information technology (IT) "hiccups" are understood first hand by most. The amount of time associated with e-mail issues, problems logging on to networks, and other IT failures is significant.

3. **Bridge Inspection Program: \$350.0 GF.** Two increments are budgeted under Statewide Design and Engineering Services to fund a bridge inspection program for structures that are ineligible for federal funding. \$150.0 will be used as start-up funding to identify structures around the state requiring inspection. This is added as an "IncOTT" (or one time increment). \$200.0 is requested to be added to the base budget to maintain the program.

4. **Facilities Adjustments: \$1,458.1 GF.** Beyond inflationary increases to cover costs of electricity, water/sewer, and heating oil (that should be covered by the trigger appropriation

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

mentioned in Note 1), the Governor proposes several budgetary adjustments to the regional facilities allocations.

- a. **New Facilities Added to Inventory: \$401.4 GF.** Eighteen new facilities (mostly snow removal equipment buildings) will come on-line in the Central and Southeast Region by FY09. Also, two bunkhouses in Paxson and a U.S. Airforce building in Galena are being added to the inventory. Additional operating costs accompany the new buildings. Funding for electricity, heating fuel, water/sewer, insurance and maintenance is requested.

Legislative Fiscal Analyst Comment: This increment request is based on cost estimates at today's inflation adjusted rates. In order to maintain consistency throughout the department, this increment might be revised downward to the unadjusted base rates used elsewhere.

- b. **New Maintenance Contracts and Contract Increases: \$375.0 GF.** The cost of maintenance contracts is indirectly tied to energy inflation. As service providers pay more to provide their services, they increase the fees for their services. Numerous contracts for semi-skilled labor (lawn maintenance, window washing etc.) have expired and been re-bid, resulting in an 11% cost increase. New contracts have also been established for facilities such as the Chena Pump Campground and the Fox Spring drinking facility (a one-time increment from last year).
- c. **New Maintenance Positions: \$358.0 GF.** Five new maintenance positions will be added to the Central and Northern regions. The new facilities added to the inventory are driving the demand for additional maintenance personnel.
- d. **FY08 Budget Cut Restoration: \$173.5 GF.** The Governor recommended a \$123.5 reduction in facility maintenance in the FY08 budget cycle. These reductions were apparently unworkable, as they are being reinstated in the FY09 budget request. This increment includes money for additional janitorial service, snow removal, lawn maintenance and window washing in the Central Region. The Governor is also restoring the \$50.0—for snow removal equipment and building heating fuel—that was removed from the FY08 budget.
- e. **Risk Management Premiums: \$150.2 GF.** Property values are driving risk management premiums higher. Funding is budgeted in the three regions to cover these increases.

5. **Equipment Operator Apprenticeship Program: \$950.0 GF (15 temporary positions).** *The department is having difficulty in recruiting experienced equipment operators. Private employers are paying significantly higher hourly wages. The workforce is aging. Over 30% of existing operators will be eligible to retire within the next five years.* That quote is from a document put out by DOT&PF. It succinctly states a pressing issue they're facing. This new program is being backed by labor unions and the Department of Labor & Workforce Development.

Legislative Fiscal Analyst Comment: A concern that may materialize is "newly trained operator" retention. What kind of assurance does the agency have that these operators will remain with the department? The incentive exists for a person to get trained as an apprentice within the agency, and then move to the private sector where the pay for skilled operators is superior. Perhaps the operator pay scale needs to be addressed. Like many positions in state government, pay is not competitive with the private sector.

6. **Rural Certificated Airport Security Cost Share: (\$470.0) GF.** The FY08 budget had an increase of \$1,216.1 GF to implement the TSA security requirement that law enforcement officers be present during screening at rural certificated airports. DOT&PF has applied for, and is expecting to receive, federal funding to supplement the cost of this federal requirement. Decrements totaling \$470.0 occur in the three regional Highways and Aviation allocations.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

7. **Alaska Marine Highway System (AMHS): \$4,617.6 GF.** AMHS is expecting a substantial revenue drop in FY09 due to rescheduling in Southwest Prince William Sound. The *Tustumena* is scheduled to go into a five-month capital improvement overhaul that will force the *Kennicott* to serve in its place. The *Kennicott* will provide two-week-on/two-week-off service. Revenues will decline as a result of this decreased service. The higher operating costs of the *Kennicott* compound the budgetary problem. AMHS has requested \$4.4 million in general funds to supplant the lost AMHS revenue and an additional \$217.6 due to operating cost increases.

Legislative Fiscal Analyst Comment: Perceived short-comings in AMHS scheduling has raised much clamor. From the standpoint of the AMHS, the unknown level of funding they will receive in a fiscal year prevents them from scheduling/operating efficiently. Consideration should be given to implementing a funding mechanism that would provide stability to both customers and operators of the system.

ORGANIZATIONAL CHANGES

8. **Leased Facilities:** The department has created this new allocation within the Administration and Support appropriation. Funding will be transferred from several allocations. It will house all the department's lease agreements and be managed by the Statewide Administrative Services staff.
9. **Statewide Public Facilities:** The department has created this new allocation within the Design, Engineering and Construction Appropriation. Funding will be transferred from the Central Region Construction allocation. The intent is to consolidate the department's public facilities function and create a more powerful voice for the Public Facilities portion of the department. Most states have a centralized public facilities component and the Governor's transition team recommended creating one in Alaska.

Legislative Fiscal Analyst Comment: Also mentioned in the transition report is the fact that facility responsibility is fragmented between agencies. This may make sense with certain facilities such as correctional institutions and armories (due to their unique nature), but fragmentation of responsibilities between the Departments of Administration and DOT&PF does not enhance efficiency or ensure that facilities get the funding required to protect the state's \$3.5 billion investment.

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 summary on page 59 for further details.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

University of Alaska				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$287,437.3			
<i>FY08 Fiscal Notes</i> <i>Reappropriations</i> <i>Special Appropriations</i>				
<i>Multi-Years (from prior fiscal years)</i>	2,000.0			
<i>Agency Transfers</i>	1,320.0			
<i>08 Contractual Salary Adjustments</i>				
<i>08 Salary Fund Changes</i>				
<i>Misc Adjustments/Language</i>	1.0			
FY 08 Management Plan (GF only)	\$290,758.3	\$3,321.0	1.2%	
<i>One-time Items removed</i> <i>Transfers between Agencies (nets zero statewide)</i> <i>FY09 Contractual Salary and Health Increases</i>				
FY 09 Adjusted Base Budget (GF only)	\$289,438.3	(\$1,320.0)	-0.5%	
<i>FY 09 Unrealizable Salary Fund Source Changes</i> <i>FY 09 Governor's GF Increments/Decrements/Fund Changes</i>				
FY 09 Governor's Request (GF only)	\$308,463.0	\$19,024.7	6.6%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Allocation			\$19,024.7	
Statewide Services	14,681.9	15,345.6	663.7	
Office of Information Technology	3,840.4	10,066.7	226.3	
Anchorage Campus	88,314.7	95,147.5	6,832.8	
Kenai Peninsula College	6,810.3	7,193.6	383.3	
Kodiak College	2,507.8	2,627.8	120.0	
Matanuska-Susitna College	3,808.5	4,107.4	298.9	
Prince William Sound Community College	2,781.4	2,943.4	162.0	
Cooperative Extension Service	3,655.6	3,806.4	150.8	
Bristol Bay Campus	1,050.0	1,238.3	188.3	
Chukchi Campus	808.3	854.7	46.4	
Fairbanks Campus	97,412.0	102,712.5	5,300.5	
Fairbanks Organized Research	18,947.1	20,930.0	1,982.9	
Interior-Aleutians Campus	1,518.4	1,624.1	105.7	
Kuskokwim Campus	2,781.5	2,967.2	185.7	
Northwest Campus	1,450.3	1,523.0	72.7	
College of Rural & Community Development	4,368.7	4,791.5	426.8	
Tanana Valley Campus	4,452.0	5,031.1	580.1	
Juneau Campus	19,355.9	20,332.9	977.0	
Ketchikan Campus	2,225.0	2,336.8	111.8	
Sitka Campus	2,666.5	2,875.5	209.0	
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Changes	FY09 Governor's Request	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	152,660.9	155,871.0	3,210.1	
Other funds (all allocations)	351,603.3	371,365.2	15,761.9	
Total Non-General Funds (all allocations)	\$504,264.2	\$527,236.2	\$18,967.0	
Position Changes (From FY08 Management Plan to Gov)	4,871	4,915	44	
PFT	4,650	4,693	43	
PPT	221	222	1	
Temp	0	0	0	
Governor's Capital Request	GF	Fed Rcpts	Other	See Note:
Equipment and Materials		45,000.0		
Maintenance and Repair			41,000.0	
New Construction and Land Acquisition			27,900.0	
Other	550.0			
Capital Projects Subtotal by Fund Source	\$550.0	\$45,000.0	\$68,900.0	
TOTAL CAPITAL BUDGET		\$114,450.0		

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

University of Alaska

The major goals of the University are to respond to the educational needs of all Alaskans and to enhance Alaska's economy 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
- application of new knowledge and emerging technologies to meet the needs of the State.

SIGNIFICANT ISSUES

According to the University, the program enhancements in the University's FY09 budget are critical to meeting the Board of Regents' goals in the following growth priorities:

- Preparation Alaskans for Jobs;
- University Research Investment;
- Student Success; and
- Cooperative Extension, Public Service and Outreach.

The University of Alaska Board of Regents requested a total increase of \$57,941.6 (\$26,783.6 in GF and \$31,158.0 in non-GF). The Governor's budget mirrors the Regents' request in several categories.

Legislative Fiscal Analyst Comment: The Compensation Increase request submitted by the Governor includes salary increases for union-represented groups and for non-represented faculty and staff. It is based on projections of contractual increases; none of the contracts has been ratified.

In addition, the projected amount of salary increases is understated because reduced retirement contributions (\$1.4 million) have been subtracted from anticipated contractual increases.

The Legislature may wish to consider action based on the following "traditional" budget process:

(1) Increments covering terms of bargaining agreements are usually added to the budget only after agreement has been reached. A budget amendment (or in some cases a supplemental appropriation) is the normal means of assuring that funding matches the terms of a contract; and

(2) Normally, savings associated with a particular issue are shown as identifiable decrements—not netted out against increments.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

The Governor made cuts to some areas as shown in the table below:

UNIVERSITY OF ALASKA	FY09 Board of Regents Request			Difference between Board of Regents and FY09 Governor's Request		
	GF	non-GF	TOTAL	GF	non-GF	TOTAL
FULLY FUNDED BY GOVERNOR						
Compensation Increases (All Represented & Non-Represented Faculty & Staff including Executives) (No Health Increase requested; ORP savings of <\$1 412.9> is netted out within the compensation increases)	\$9,002.7	\$5,977.1	\$14,979.8	No Differences		
Other Cost Increases Categorized as Fixed (by the University)						
Utility Cost Increases	\$1,320.0	\$1,320.0	\$2,640.0			
Library, Information Technology and Operating Costs Increases	\$1,128.9	\$4,571.8	\$5,700.7			
Risk Management/Insurance Fees	\$400.0	\$400.0	\$800.0			
Facilities Maintenance	\$1,020.0	\$1,180.0	\$2,200.0			
New Facility Operating and Maintenance Costs (Lena Point - UAF)	\$411.0	\$274.0	\$685.0			
Other Cost Increases Subtotal	\$4,279.9	\$7,745.8	\$12,025.7	No Differences		
PARTIALLY FUNDED BY GOVERNOR						
Priority Program Enhancement and Growth	GF	non-GF	TOTAL	GF	non-GF	TOTAL
Preparing Alaskans for Jobs	\$5,775.7	\$3,014.7	\$8,790.4	(\$1,000.0)	\$85.0	(\$915.0)
Health	\$2,512.8	\$1,204.7	\$3,817.5			
Engineering and Construction Management	\$2,162.9	\$810.0	\$2,972.9			
Fisheries	\$1,000.0	\$1,000.0	\$2,000.0			
University Research Investment	\$3,589.7	\$11,851.9	\$15,441.6	(\$2,623.3)	(\$10,771.1)	(\$13,394.4)
Climate Impact and Alaska's Natural Resources	\$966.4	\$1,080.8	\$2,047.2			
Engineering, Transportation and Energy	\$1,000.0	\$3,400.0	\$4,400.0			
Biomedical, Health and Competitive Research	\$1,623.3	\$7,371.1	\$8,994.4			
Student Success	\$2,330.6	\$918.5	\$3,249.1	(\$2,330.6)	(\$509.9)	(\$2,840.5)
Meeting Student Demand	\$830.6	\$388.4	\$1,219.0			
Workforce Start-Ups and Equipment (TVEP)*	\$0.0	\$408.6	\$408.6			
Student Success Initiatives	\$1,500.0	\$121.5	\$1,621.5			
Cooperative Extension, Public Service and Outreach	\$1,805.0	\$1,650.0	\$3,455.0	(\$1,805.0)	(\$995.0)	(\$2,800.0)
Priority Program Enhancement and Growth Subtotal	\$13,501.0	\$17,435.1	\$30,936.1	(\$7,758.9)	(\$12,191.0)	(\$19,949.9)
TOTAL INCREASES	\$26,783.6	\$31,158.0	\$57,941.6	(\$7,758.9)	(\$12,191.0)	(\$19,949.9)

*The University classifies TVEP funding as a "State Appropriation" which is mainly GF. Legislative Finance considers TVEP funding to be non-GF.

In addition to compensation increases, increments supported by both the Governor and the Board of Regents include the following:

- **Utility Cost Increases** – Total \$2,640.0 (\$1,320.0 GF, \$1,320.0 non-GF) This increase is intended to cover projected FY09 utility and fuel oil cost increases (estimated at a 10% increase over FY08). The increment assumes that the State will provide base funding for FY07 and FY08 utility increases;

Legislative Fiscal Analyst Comment: As in 2008, the Governor has included a contingent appropriation in the operating budget to offset increased fuel and utility costs of agencies. The University request is in addition to the contingent funding in the Governor's budget and reflects anticipated costs that exceed the University's anticipated share of the contingent appropriation. The contingency mechanism uses FY06 as a base year and covers cost increases through FY07 only. The University expects to submit a supplemental request to cover fuel costs for FY08. See additional discussion under Language Section 20.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

- **Library, Information Technology, and Other Operating Fixed Costs** – Total \$5,700.7 (\$1,128.9 GF, \$4,571.8 non-GF). Requested funds will address costs for electronic library materials, digital library licensing, and will also support instructional programs that rely on IT infrastructure. A generic 1.5% overall increase is also included in contractual services and commodities;
- **Risk Management/Insurance Fees** – Total \$800.0 (\$400.0 GF, \$400.0 non-GF) This increase includes general insurance, risk assessment, and operation increases;
- **Facilities Maintenance** – Total \$2,200.0 (\$1,020.0 GF; \$1,180.0 non-GF). The University's annual maintenance and repair budget is calculated at a minimum 1.5% of current building value. Each Major Administrative Unit (MAU) is asked annually to increase its operating budget dedicated to facilities maintenance to keep pace with its ever increasing building value. This increment covers that increase; and
- **New Facility Operating and Maintenance Costs** – Total \$685.0 (\$411.0 GF; \$274.0 non-GF). This request covers the maintenance requirement and anticipated new facility operating costs which includes UAF's Lena Point Facility in Juneau.

The Governor's request does not include the entire Board of Regents' proposal. A total of \$19,949.9 (\$7,758.9 GF and \$12,191.0 non-GF) was cut from the Board of Regents' FY09 operating budget submittal. Partial program funding is included in the Governor's budget for the following:

- **Preparing Alaskans for Jobs** – Total \$7,875.4 (\$4,775.7 GF, \$3,099.7 non-GF)
 - Funding in this category is intended to enhance programs in the health, engineering and construction, and fisheries areas. Existing programs and other high demand fields would also be accommodated and/or strengthened. Examples of specific program investments as proposed include expanding:
 - the nursing program and other health program expansions in Anchorage;
 - the paramedic program, health sciences faculty at Sitka;
 - the engineering programs in Anchorage and Fairbanks; and
 - regional mining workforce development at the Juneau Campus.
 - The Governor's funding level does not include the Fisheries portion of this request.
- **University Research Investment** – Total \$2,047.2 (\$966.4 GF, \$1,080.8 non-GF)
 - The Governor's request focuses on climate impact and Alaska's natural resources. The University presents the funding request as a means to build its climate change research base and leverage opportunities associated with the 4th International Polar Year.
 - Research funds requested by the Board of Regents for Engineering, Transportation and Energy as well as those for Biomedical, Health and Competitive Research were not included in the Governor's FY09 budget.
- **Student Success** – Total \$408.6 (all non-GF)
 - Workforce Start-Ups and Equipment—University requests for Training and Vocational Education Program (TVEP) funds were included in the Governor's FY09 budget. This funding will be dedicated to priority program start-up, short-term expansion and equipment costs in high-demand areas, which may include process technology, occupational safety, aviation training, health, and education.
 - Funding for Board of Regents' priorities in the areas entitled Meeting Student Demands and Student Success Initiatives were not included in the Governor's request.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

- **Cooperative Extension, Public Service and Outreach – Total \$655.0 (all non-GF)**
 - The Governor's budget includes the University's request for funds for the Alaska Teacher Placement (ATP) program. This program was established in 1978 as a partnership between school districts and the University of Alaska to serve as a statewide education job clearinghouse for Alaska. ATP is home to the Future Educators of Alaska program, a statewide effort to recruit college students into the teaching profession. The Governor requests Alaska Student Loan Corporation Dividends (\$255.0) to pay for the program. Spending of these receipts for continuing programs is generally avoided.
 - Also included within this area are University Receipt funds (\$400.0) for overall cooperative extension support. These funds come through the University's land grant trust fund.
 - No general funds were included in the Governor's request for Cooperative Extension, Public Service and Outreach programs.

The Governor's University of Alaska FY09 budget adds 44 new positions (43 PFT and 1 PFT).

Legislative Fiscal Analyst Comment: In addition to 44 new positions associated with increments, a total of 723 position adjustments (683 PFT and 40 PPT) were made in the FY08 Management Plan. Historically, the University of Alaska has used TERM (as in "short-TERM") positions funded through their overall labor pool instead of assigning PCNs to employees who may have an employment span of 1-3 years on grants and contracts or other specific programs where funding may not be guaranteed. The University budget now includes TERM positions.

ORGANIZATIONAL CHANGES

There are no significant changes requested. One allocation, Statewide Networks (OIT), is renamed as the Office of Information Technology.

CAPITAL BUDGET

The only General Fund project in the University's FY09 capital budget is the Alaska Small Business Development Center (ASBDC) (\$550.0), which is a statewide business assistance program. Federal Receipt Authority (\$45 million) and Other Receipt Authority (\$68.9 million) is also included for non-state funded projects including the Alaska Regional Research Vessel.

The Board of Regents' additional capital priorities including UAF's BioSciences Facility, UAA's Health Sciences Building and funding to pay down the accumulated backlog of major Renewal and Renovation projects are not included in the FY09 Governor's request.

Legislative Fiscal Analyst Comment: Although the ASBDC has received funding through the capital budget since it was transferred to the University of Alaska's budget from the Department of Commerce in the early 1990s, the legislature may wish to consider relocating this support to the operating budget.

Legislative Fiscal Analyst Comment: \$40 million of the \$68.9 million "Other Receipts" for University Renewal and Renovation priorities comes from the Alaska Capital Income Fund. The Governor's capital budget contains about \$100 million in projects that would normally require general funds, but which are funded from this source. This is possible because \$95 million of general fund projects vetoed by the Governor flowed into the capital income fund. The money now shows as "other fund" expenditures rather than as general funds.

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Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Alaska Court System				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$77,362.4			
FY08 Fiscal Notes				
Reappropriations				
Special Appropriations				
Multi-Years (from prior fiscal years)				
Agency Transfers				
08 Contractual Salary Adjustments				
08 Salary Fund Changes				
Misc Adjustments				
FY 08 Management Plan (GF only)	\$77,362.4	\$0.0	0.0%	
One-time Items removed	(273.0)			
Transfers between Agencies (nets zero statewide)				
FY09 Contractual Salary and Health Increases	224.1			
FY 09 Adjusted Base Budget (GF only)	\$77,313.5	(\$48.9)	-0.1%	
FY 09 Unrealizable Salary Fund Source Changes				
FY 09 Governor's GF Increments/Decrements/Fund Changes	6,708.5			
FY 09 Governor's Request (GF only)	\$84,022.0	\$6,708.5	8.7%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Allocation			\$6,708.5	
Appellate Courts	5,825.7	6,174.6	348.9	2,3,6
Trial Courts	62,184.3	67,839.9	5,655.6	1,2,3,4,6,7
Administration and Support	8,123.5	8,727.8	604.3	3,5
Commission on Judicial Conduct	325.6	329.3	3.7	
Judicial Council	854.4	950.4	96.0	3
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Changes	FY09 Governor's Request	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	1,675.6	1,675.6	0.0	
Other funds (all allocations)	506.0	1,243.8	737.8	
Total Non-General Funds (all allocations)	\$2,181.6	\$2,919.4	\$737.8	
Position Changes (From FY08 Management Plan to Gov)	818	862	44	
PFT	726	774	48	
PPT	61	56	(5)	
Temp	31	32	1	
Governor's Capital Request	GF	Fed Rcpts	Other	
Maintenance and Repairs	300.0		3,276.0	
Equipment and Materials	150.0			
Information Systems and Technology	1,500.0			
Renovation	4,550.0			8
Capital Projects Subtotal by Fund Source	\$6,500.0	\$0.0	\$3,276.0	
TOTAL CAPITAL BUDGET		\$9,776.0		

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Alaska Court System

The Alaska Court System constitutes the Judicial Branch of the state's government. Alaska has a unified, centrally administered, and totally 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 following notes correspond to numbers on the preceding spreadsheet.

1. **Improve Public Service: \$2,507.3 GF.** The Court System requests the following increments to improve services in the courts.
 - \$2,248.6 GF: Courts is experiencing difficulty in recruiting and retaining qualified in-court staff. The lack of in-court staff may result in delayed court proceedings, which add to the backlog of cases. The Court System is requesting the following positions to alleviate pressure on existing staff and to help expedite the processing of paperwork resulting from court proceedings:
 - 17 in-court clerks (range 12) to provide one clerk for each courtroom in the state. According to the agency, the clerks are responsible for all courtroom equipment and technology, work long hours, and are subject to frequent and unscheduled overtime.
 - 7 court clerk supervisors (range 14) to provide a supervisor for every seven clerks. These positions will also provide in-court training and can assist in the courtroom when necessary.
 - 9 deputy clerks (range 10) so larger courts can place an additional clerical position in court during high-volume proceedings such as arraignments, calendar calls, and changes of plea hearings.
 - \$99.2 GF: Change four part-time court clerk positions to full-time in order to improve accessibility to the courts and customer service. The current status of the positions has resulted in high turnover and reduced court hours. The positions are located in Craig, Haines, Aniak and Chevak.
 - \$76.0 GF: Fund a full-time custody investigator in Juneau. According to the agency, the current increase in domestic relations caseloads in Juneau and Sitka courts supports the need for this position. Custody investigators provide reports to the judges to determine the placement of children.
 - \$83.5 GF: Fund a full-time computer technician for the Fairbanks courts. There is presently one programmer/analyst position serving all the Fairbanks courts; this request would add another position to meet the IT demand in the area. The new position will be responsible for installation, routine repair, and maintenance of computer equipment.

Legislative Fiscal Analyst Comment: In FY07, the legislature approved 50% of Trial Court's \$773.9 request to improve services to courts; a \$664.7 request in FY08 for the same purpose was denied.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

2. **Eliminate Personal Services Vacancy Cost Factor for Judicial Positions: \$1,089.1 GF.** Courts is requesting an increment to fill judge positions as soon as they are vacated. In order to stay within their current budget, open judicial positions are being held vacant for a 30-day period—contributing to a backlog in court cases.
3. **Court System Salary Schedule Revisions: \$600.5 GF.** In accordance with AS 22.20.037(c), the Court System is required to conduct an annual salary survey to ensure that court employees receive salaries consistent with those paid to classified and partially exempt executive branch employees. Based on this survey, the Court System is requesting additional salary costs for magistrate job classes (\$304.5) and an additional salary step (commonly referred to as the "G" step) for positions above range 14 (\$296.0) to regain parity with classified employees in the executive branch. The 2007 classification study included magistrate, standing master, and committing magistrate job classes.

Legislative Fiscal Analyst Comment: The Courts requested the "G" step for all employees in FY08, however, the legislature funded the new step only for ranges 14 and below. This request is for a "G" step for ranges 15 and above.

4. **Therapeutic and Mental Health Courts: \$550.0 GF.** The therapeutic courts in Anchorage, Fairbanks, Bethel, Juneau, and Ketchikan receive significant grant funding from the Alaska Office of Highway Safety as part of that agency's mission to reduce drunk driving. Under the terms of the grant program, the Court System is expected to increase the proportion of state funding for these projects each year. In response to these terms, the Court System is seeking \$300,000 to replace the grant funding used to pay for attorney services (prosecutor and defense attorney) for the Fairbanks Wellness Court, the Juneau Therapeutic Court, and the Ketchikan Wellness Court. The Court System is also requesting \$250,000 to provide treatment services for participants in the Fairbanks Wellness Court. This funding would replace a one-time grant that the Court System received from the Alaska Mental Health Trust Authority to build treatment capacity for therapeutic justice projects.
5. **Improve Administrative Services: \$519.6 GF.** Courts is requesting funding for the following positions to improve service and streamline administrative functions:
 - Two Case Management System (CMS) analysts to develop, support and maintain ongoing conversions of CourtView (the software used for case management) and implement other CMS related initiatives;
 - A contracts and leasing manager to manage statewide leases and other service contracts for the Court System's 42 court facilities;
 - One security manager to oversee statewide security management and public relations;
 - One shop technician in Information Services to support ongoing and new projects using infrastructure technologies supported by technical staff;
 - One senior accounting clerk position to handle increased demands for management of accounting records associated with grants, reimbursable services agreements, contracts and general audit requirements.

Legislative Fiscal Analyst Comment: The legislature denied Court's \$516.7 request for similar increments in FY08.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

6. **Equipment and Court Security: \$393.5 GF.** Courts is requesting an increment for Ketchikan Court Security Screening Services (\$100.0). As part of a statewide multi-year project, screening costs have already been funded for courts in Anchorage, Fairbanks, Palmer, Kenai, Juneau and Bethel.

Courts is also requesting increments for lifecycle replacement of computer systems (\$250.0), and ergonomically correct workstations and furniture (\$43.5).

7. **Anchorage Juror Parking: \$288.0 GF.** Unlike other areas within the state, jurors in the Anchorage area must pay for parking. Previously, parking was available at a reduced rate through an agreement with the Municipality of Anchorage. With the ongoing construction of the new state parking garage, these municipal parking spaces have been committed to state employees in the Atwood Building. For statewide parity in the treatment of jurors, the Court System began providing parking for its jurors in Anchorage and is requesting this amount to continue to provide free parking to jurors. The FY09 parking rate will increase from \$8 to \$12 per day.

Legislative Fiscal Analyst Comment: The Court System received one-time payments of \$192.0 in FY07 and FY08 during building construction.

ORGANIZATIONAL CHANGES

There are no significant changes requested.

CAPITAL BUDGET

The Governor's \$9.8 million capital budget for the Alaska Court System includes the following:

8. **Anchorage Campus Project Phase 1: \$4,550.0 GF.** Funding requested is for a major remodel to all floors of the Boney Courthouse (Anchorage) and a minor remodel in the Nesbett Courthouse (Anchorage) to accommodate additional judges, provide safe prisoner transport to additional courtrooms in the Boney Courthouse, provide spaces that are more conducive to efficient customer service for the public, and to address seismic and safety concerns. The FY10 request is estimated at \$18,957.6.

Legislative Fiscal Analyst's Overview of the Governor's FY09 Request

Alaska Legislature				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
FY08 Conference Committee (GF Only)	\$53,340.2			
FY08 Fiscal Notes	83.5			
Reappropriations	7,374.9			
Special Appropriations	-			
Multi-Years (from prior fiscal years)	-			
Agency Transfers	59.3			
08 Contractual Salary Adjustments	-			
08 Salary Fund Changes	-			
Misc Adjustments	-			
FY 08 Management Plan (GF only)	\$60,857.9	\$7,517.7	14.1%	
One-time Items removed	-			
Transfers between Agencies (nets zero statewide)	27.3			
FY09 Contractual Salary and Health Increases	93.1			
FY 09 Adjusted Base Budget (GF only)	\$60,978.3	\$120.4	0.2%	
FY 09 Unrealizable Salary Fund Source Changes	-			
FY 09 Governor's GF Increments/Decrements/Fund Changes	(205.7)			
FY 09 Governor's Request (GF only)	\$60,772.6	(\$205.7)	-0.3%	
FY09 Governor's Increments, Decrements and Fund Changes Less Unrealizable Salary Fund Source Changes	FY09 Adjusted Base Budget + Salary Fund Changes (GF Only)	FY09 Governor's Request (GF only)	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Allocation			(\$205.7)	
Session Expenses	8,577.8	8,560.1	(17.7)	
Office of Victims Rights	365.9	177.9	(188.0)	
Non-General Fund Agency Summary	FY09 Adjusted Base Budget + Salary Fund Changes	FY09 Governor's Request	Change from Revised FY09 Adj Base to FY09 Governor's Request	See Note:
Federal Funds (all allocations)	0.0	0.0	0.0	
Other funds (all allocations)	762.9	968.6	205.7	
Total Non-General Funds (all allocations)	\$762.9	\$968.6	\$205.7	
Position Changes (From FY08 Management Plan to Gov)	0	0	0	
PFT			0	
PPT			0	
Temp			0	
Governor's Capital Request	GF	Fed Rcpts	Other	See Note:
Capital Projects Subtotal by Fund Source	\$0.0	\$0.0	\$0.0	
TOTAL CAPITAL BUDGET		\$0.0		

Legislative Fiscal Analyst's Overview of the Governor's FY09 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. In addition to the sixty members and their office staffs, the legislature includes the following appropriations and allocations:

- Legislative Budget and Audit Committee
 - Legislative Audit
 - Ombudsman
 - Legislative Finance
 - Legislature State Facilities Rent
- Legislative Council (Legislative Affairs Agency)
 - Administrative Services
 - Legal and Research Services
 - Select Committee on Ethics
 - Office of Victims Rights

Legislative Fiscal Analyst Comment: The legislative budget traditionally appears in preliminary form in the Governor's request. The request is not reviewed by legislative leadership until later in the budget process, so does not necessarily indicate what the final budget will include. Following tradition, reappropriations of FY07 money into FY08 (\$7.4 million in general funds) remain in the FY09 request.

ORGANIZATIONAL CHANGES

There are no significant changes requested.

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