

SCOMM

101:51

Long Range
Financial
Planning Commission

Finance Panel
Presentation

Cheryl Frasca
June 16, 1995

1991-1994
Budget Reform Efforts

- **Policy Budget** Page 1-4
 - Three year plan to reduce the budget
 - Criteria by which to rethink mix and level of government services:
 - Role of government
 - Program authority
 - Delivery options
 - Funding options

- **Budget Information Presentation ("CF" forms)** Page 5- 7
 - Eliminate incremental dollar-tracking information
 - Replace with more "macro" information which associates a program's cost with benefits (outcomes)

Other Issues:
Designated Fund Sources

- **General funds and non-general funds** Page 8-10

Current fiscal
Year

over 3 years the changes in
funding levels that would occur to
achieve new
funding level

FY93 POLICY BUDGET

COMPONENT ACTIVITY DESCRIPTION

① Component Serial No./Name:
Activity/Project No./Name:

② Authority:

③ {

Fund Source	FY92 Authorized	FY93 Budget Request	FY94 Estimated	FY95 Estimated
A	B	C	D	E
Component Total				
PFT				
PPT				

Program Changes:

Described programmatic changes over 3 years

Changes in Authority:

state laws or regulations that would have to be
changes

Changes in Funding:

potential new funding sources

Changes in Delivery:

centralized delivery vs. regional
contracting out, privatizing

Principles for providing services

FY 93

ATTACHMENT A

DECISION CRITERIA: FY95 LEVEL AND MIX OF SERVICES

As agencies develop three year budget plans, current programs will be analyzed to determine if the services should be reduced, expanded or eliminated. Questions to be asked concerning current programs include:

- Is the program a government responsibility or would the services be better provided through the marketplace?
- What is the authority for providing the program?
- Are there alternatives to the current delivery system?
- Is the current method of funding the program appropriate or do alternatives exist?

The following information should provide a common framework for responding to these questions and for assisting agencies to consider the level and mix of state services to be provided in FY95.

Role of Government:

Several general principles exist for determining if a good or service should be provided by government rather than the private sector. There is wide spread agreement that government is best equipped to:

1. Provide "public goods"--goods/services that can be used by all without reducing the amount available. Public goods generally won't be provided by the marketplace because people who don't pay for the service can't be excluded from using the service (clean air, dams)
2. Provide goods/services that generate spillover benefits to non-users (basic education, vaccination programs)
3. Correct negative or harmful by-products of goods/services provided by the market (pollution control)

Other, less generally accepted criteria for government action include the need to:

1. Promote competition in the private sector
2. Ensure economic stability
3. Provide goods which enhance the general quality of life (libraries, public art)

In determining whether or not a current program is the responsibility of government, attention should also be paid to the minimum level of government best equipped to provide the service. A general rule here is that the service should be provided by that level of government closest to the group being served. In some cases, equity concerns may dictate funding from a higher level of government; however, even in such cases, service delivery should be left to the most appropriate governmental level.

Program Authority:

Current programs provided by the state operate under various levels of authority. Some services are specified in the state constitution; others exist because of state regulation or executive order. Agencies should specify the authority under which each current program operates. The following list ranks authority in priority order:

1. Constitutional responsibility
2. Court mandate
3. Federal mandate
4. State statute
5. State regulation
6. Executive Order
7. Executive Policy Statement
8. Federal statute (optional, not mandated)
9. Tradition ("We have always done it")

All current activities conducted by the agency--regardless of authority--should be the subject of review for possible modification, reduction or elimination. However, agencies should clearly state what changes in authority, if any, will be necessary to allow the agency to meet its proposed target for individual programs. Even where programs are mandated by the constitution, court order or the federal government, cost-saving or cost-containment changes in program delivery are often possible and must be considered.

Delivery Options:

Although a program may be a clear state responsibility, options for delivery may exist. For example, many services are currently contracted out to third parties. The following options to the current mode of delivery should be examined:

1. Reorganization of state services
2. Centralization/Decentralization of state services
3. Privatization
 - a. private, for-profit options
 - b. non-profit service organization options
4. Regionalization
5. Shift to local government
6. Return to federal government

Funding Options:

Agencies should examine alternatives means as well as levels of program funding. For example, some current services are available to everyone, regardless of income. Should these services be based on ability to pay? The following are possible alternatives to current practice:

1. Needs-based (financial need) rather than open to all
2. Sliding scale fee for services
3. User fee--same for all users (Note: if a program can be totally funded by user fees, it may be a likely candidate for privatization.)
4. Increased federal participation (for example, Medicaid is used in some states to fund services which are currently totally state-funded in Alaska)
5. Local government or other grantee participation (matching fund alternative)

The above listing is not exhaustive. Agencies may develop further criteria for evaluating current programs. However, a discussion of role, authority, delivery and funding will be required for each program as part of policy budget.

ok
ge #

Transaction Summary for SENATE - FY96 Operating Budget

	Type	GHS	Total	GF Total	G/F Match	Gen Fund	GF/Prm	GF/MH	Federal	Other	PFI	PPI	Imp
*** Component Total ***			21,887.1					0.0		21,887.1			
*** BRU Total ***			21,887.1					0.0		21,887.1			

Energy Assistance Program

6	<u>Energy Assistance Program</u>												
	Conference Committee	ConfCom	GHS	7,005.0				0.0	7,005.0		3	12	
	Reduction in federal blk grant	Dec	GHS	-357.2				0.0	-357.2				
	*** Component Total ***			6,647.8				0.0	6,647.8		3	12	
	*** BRU Total ***			6,647.8				0.0	6,647.8		3	12	

Medical Assistance

7	<u>Medicaid Non-Facility</u>												
	Conference Committee	ConfCom	GHS	134,361.8	66,460.6	61,446.6	838.0	4,176.0	66,792.1	1,109.1			
	Ch 102 SLA 1994 Support Orders	FisNot	GHS	-549.2	-274.6	-274.6		0.0	-274.6				
	Ch 102 SLA 1994 Support Orders	TrIn	GHS	80.0	40.0	40.0		0.0	40.0				
	To Med Fac/Cost shift Opt Svcs	TrOut	GHS	-858.6	-429.3	-429.3		0.0	-429.3				
	Reverse transfer	TrIn	GHS	858.6	429.3	429.3		0.0	429.3				
	Contingency fee contract esti.	LIT	GHS					0.0					
	To Waivers Svc/Chng allocation	TrOut	GHS	-405.2	417.1			417.1		-822.3			
	Entitlement Formula	Inc	GHS	19,422.4	9,711.2	8,711.2	1,000.0	0.0	9,711.2				
	Incr grants, decr contractual	LIT	GHS					0.0					
	Restore Optional Medicaid Svcs	Inc	GHS	4,000.0	2,000.0		2,000.0	0.0	2,000.0				
	Correct SB366 Fiscal Note	TrOut	GHS	-80.0	-40.0	-40.0		0.0	-40.0				
	To Medicaid Facilities	TrOut	GHS	-7,780.8	-3,890.4	-3,890.4		0.0	-3,890.4				
	FY96 Entitlement Formula Decr	Dec	GHS	-4,757.4	-2,378.7	-2,378.7		0.0	-2,378.7				
	State Labs Medicaid Work	Dec	GHS	-350.0	-175.0	-175.0		0.0	-175.0				
	Mental Health Fund Change	FndChg	GHS					0.0					
	Deny Optional Medicaid funding	Dec	HS	-4,000.0	-2,000.0		-2,000.0	0.0	-2,000.0				
	Allow 11% growth	Dec	HS	-2,423.2	-1,211.6	-1,211.6		0.0	-1,211.6				
	No rate incr:Phys. or dentists	Dec	HS	-2,000.0	-1,000.0	-1,000.0		0.0	-1,000.0				
	Refinancing fr mental health	FndChg	HS		-1,000.0	-1,000.0		0.0		1,000.0			
	Allow 10.6% growth	Dec	HS	-185.0	-185.0	-185.0		0.0					
	*** Component Total ***			135,333.4	66,473.6	60,042.5	0.0	1,838.0	4,593.1	67,573.0	1,286.8		

8 Medicaid Facilities

	Conference Committee	ConfCom	GHS	125,387.3	62,925.4	50,249.8	422.5	12,253.1	62,461.9				
	Fr Med N-Fac/Cost shift Opt Sv	TrIn	GHS	858.6	429.3	429.3		0.0	429.3				
	Reverse transfer	TrOut	GHS	-858.6	-429.3	-429.3		0.0	-429.3				

incremental budget
information

CONTACT:

COMPONENT GOALS:

EXPENDITURES:

Personal Services
Other Program Costs
Total

FY 95 AUTHORIZED

FY 96 GOVERNOR

FUNDING SOURCES:

Federal Receipts
General Fund Match
General Fund
GF Program Receipts
GF Mental Health Trust
Other State Funds
Total

STAFFING:

Permanent Full-Time
Permanent Part-time
Temporary

DESCRIPTION OF COMPONENT SERVICES:

services and changes, as proposed
in Governor's budget, are described
in words — not numbers or "inputs"

DESCRIPTION OF COMPONENT CHANGES:

CF1
COMPONENT GOALS
AND SERVICES

Revised 7/27/94

AGENCY

BRU

COMPONENT

Page 1 of 1

Revised Date:

FY 96

CONTACT:

OBJECTIVES AND ACCOMPLISHMENT MEASURES:

Describe benefits, or "outcomes", based on
dollars requested so public and policy
makers would know what they are buying

STATUTORY/REGULATORY CITATIONS

CF2
COMPONENT
OBJECTIVES AND
ACCOMPLISHMENT
MEASURES
REVISED 7/27/94

AGENCY _____

BRU _____

COMPONENT _____

Page 1 of 1

Revised Date:

FY 96

②

Appendix G Funding Source Codes

2K2
Designated Fund Sources

<u>DBR Code</u>	<u>AKSAS Code</u>	<u>Short Name</u>	<u>Long Name</u>
1000	51005	Restrtd GF	Restricted General Fund
1002	51010	Fed Rcpts	Federal Receipts
1003	68510	* G/F Match	General Fund Match
1004	68515	* GF Receipt	General Fund Receipts
1005	51060	* GF/PRGM	General Fund/Program Receipts
1006	51340	* GF/MHTIA	General Fund/Mental Health Trust
1007	51015	I/A Rcpts	Interagency Receipts
1008	51020	G/O Bonds	General Obligation Bonds
1009	51025	Rev Bonds	Revenue Bonds
1010	51030	UA/INT INC	U/A Interest Income
1011	51376	AACTP Fund	Alaska Advance College Tuition Payment Fund
1012	51265	Rail Enrgy	Railbelt Energy Fund
1013	51377	A/D RLF	Alcoholism & Drug Abuse Revolving Loan Fund
1014	51120	DC/HF Acct	Donated Commodity/Handling Fee Account
1015	51290	UA/DFA SVC	U/A Dormitory/Food/Auxiliary Service
1016	51378	Fed Incent	Federal Incentive Payments
1017	51390	Ben Sys	Benefits Systems Receipts
1018	51392	EV Oil Set	Exxon Valdez Oil Spill Settlement Fund
1019		Reforest	Reforestation Fund
1020	51345	Grain Fund	Grain Reserve Loan Fund
1021	51035	Agric Loan	Agricultural Loan Fund
1022	51320	Corp Rcpts	State Corporation Receipts
1023	51040	FICA Acct	FICA Administration Fund Account
1024	51045	Fish/Game	Fish and Game Fund
1025	51375	Endow Inc	Science & Technology Endowment Income
1026	51050	Hwy Capitl	Highway Working Capital Fund
1027	51055	Int Airprt	International Airport Revenue Fund
1029	51065	P/E Retire	Public Employees Retirement Fund
1030	60180	School Fnd	School Fund (Cigarette Tax)
1031	51075	Sec Injury	Second Injury Fund Reserve Account
1032	51080	Dis Fisher	Disabled Fisherman's Reserve Account
1033	51085	Surpl Prop	Surplus Property Revolving Fund

* = General Funds

all others are non-general funds

FY 96 Budget Instructions

<u>DBR Code</u>	<u>AKSAS Code</u>	<u>Short Name</u>	<u>Long Name</u>
1034	51090	Teach Ret	Teachers' Retirement System Fund
1035	51095	Vet Loan	Veterans' Revolving Loan Fund
1036	51100	C/F Loan	Commercial Fishing Loan Fund
1037	51379	Child Trst	Children's Trust Fund
1038	51110	UA/STF SVC	U/A Student Tuition/Fees/Services
1039	51115	UA/ICR	U/A Indirect Cost Recovery
1040	51360	R E Surety	Real Estate Surety Fund
1041	51373	PF Earning	Permanent Fund Earnings Reserve Account
1042	51125	Jud Retire	Judicial Retirement System
1043	51130	P/L 81-874	Public Law 81-874
1044	51391	Debt R Fnd	Debt Retirement Fund
1045	51135	Nat Guard	National Guard Retirement System
1046	51140	Stdnt Loan	Student Revolving Loan Fund
1047	51145	Title 20	Title 20
1048	51150	Univ Rcpt	University Receipts
1049	51155	Trng/Bldg	Training and Building Fund
1050	51160	PFD Fund	Permanent Fund Dividend Fund
1051		Rural Dev	Rural Development Initiative Fund
1052	51370	Oil Resp	Oil/Hazardous Response Fund
1053	51393	ILT FUND	Investment Loss Trust Fund
1054	51394	Empl Trng	State Employment & Training Program
1055	51395	IA/OIL HAZ	Inter-agency Rcpts/Oil & Hazardous Waste
1056	51396	ES Ext Fnd	Electrical Service Extension Fund
1057	51180	Small Bus	Small Business Loan Fund
1058	51185	Trsm Loan	Tourism Revolving Loan Fund
1059	51190	Corr. Ind.	Correctional Industries Fund
1060		OF(Pre'84)	Other Funds (Pre-FY 84 Only)
1061	51200	CIP Rcpts	Capital Improvement Project Receipts
1062	51350	PPL Fund	Power Project Loan Fund
1063	51210	NPR Fund	National Petroleum Reserve Fund
1064	51215	House Loan	Housing Assistance Loan Fund
1065	51355	RERL Fund	Rural Electrification Revolving Loan Fund
1066	51225	P/S Fund	Public School Fund
1067	51230	MRL Fund	Mining Revolving Loan Fund
1068	51235	CCRL Fund	Child Care Revolving Loan Fund
1069	51240	HDRL Fund	Historical District Revolving Loan Fund
1070	51245	FERL Fund	Fisheries Enhancement Revolving Loan Fund
1071	51250	AERL Fund	Alternative Energy Revolving Loan Fund
1072	51255	RECL Fund	Residential Energy Conservation Loan Fund
1073	51260	PDRL Fund	Power Development Revolving Loan Fund

<u>DBR Code</u>	<u>AKSAS Code</u>	<u>Short Name</u>	<u>Long Name</u>
1074	51270	BFRL Fund	Bulk Fuel Revolving Loan Fund
1075	51205	AKCWL Fund	Alaska Clean Water Loan Fund
1076	51380	AMHS Fund	Marine Highway System Fund
1077	51381	IFC GGB	Indv/Foundt'n/Corp Gifts/Grants/Bequests
1078	51382	Sr Hsg Ln	Senior Housing Loan Fund
1079	51383	Storg Tank	Storage Tank Assistance Fund
1080	51384	Sch Const	School Construction Fund
1081	51385	IS Fund	Information Services Fund
1082	51386	VR Fund	Vessel Replacement Fund

FY 96 operating budget bill (HB 100):

1,502.9	General Funds (51%)
670.8	Federal Funds (23%)
765.5	non-gen funds (26%)

2939.2* total all funds

* Does not include: K-12 funding (in other legislation) or PF Dividends

6.5% Spending
Decrease Each Year:

	96	97	98	99	00	01
	2275.8	FY 92	FY 93	FY 94	FY 95	FY 96

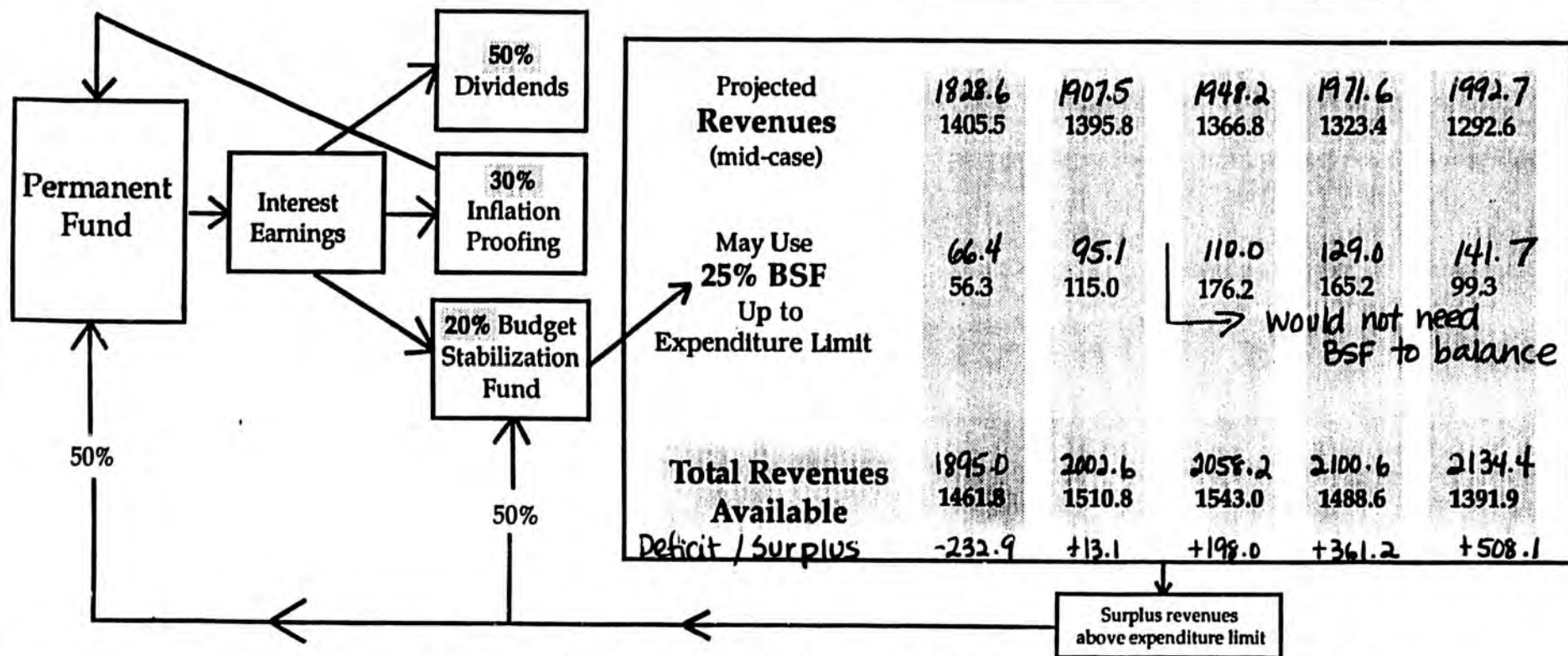
GOAL

The Budget

1/91 Legislature Establishes	2127.9	1989.6	1860.2	1739.3	1626.3
Expenditure Limit	1821.2	1702.8	1592.1	1488.6	1391.9

**\$1.4
Billion
6/81/96**

Can be exceeded by
3/4 vote each House, voter approval or for natural disaster



How "50-30-20" and "ERP" Work -- SSSJR 5

Prepared by Senator Ian Faiks

It 2.5 to spending
decrease each year:

97 98 99 00 01
FY 92 FY 93 FY 94 FY 95 FY 96

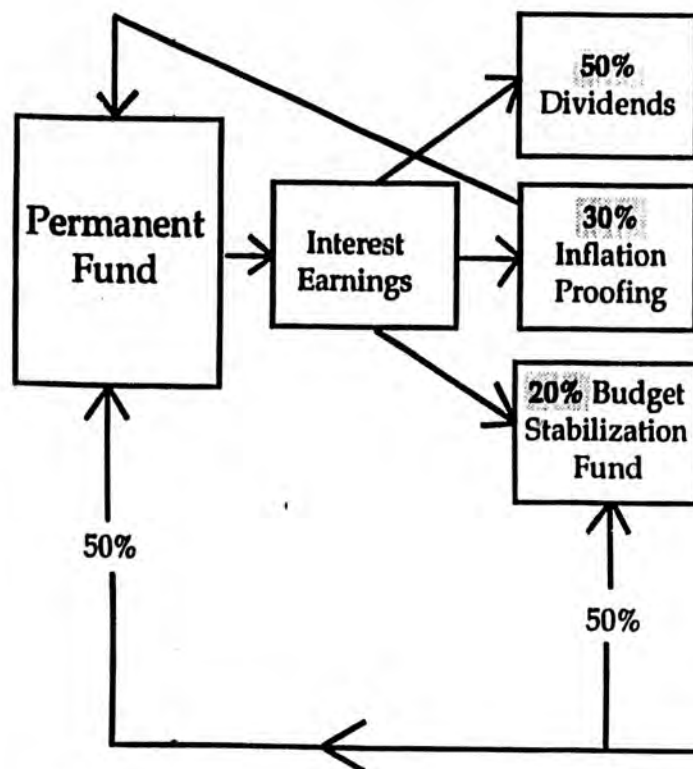
GOAL

The Budget

1/91 Legislature Establishes	2218.9	2163.4	2109.3	2056.6	2005.2
Expenditure Limit	1821.2	1702.8	1592.1	1488.6	1391.9

\$1.4
Billion
6/31/96

Can be exceeded by
3/4 vote each House, voter approval or for natural disaster



Projected Revenues (mid-case)	1828.6 1405.5	1907.5 1395.8	1948.2 1366.8	1971.6 1323.4	1992.7 1292.6
May Use 25% BSF Up to Expenditure Limit	66.4 56.3	95.1 115.0	110.0 176.2	129.0 165.2	141.7 99.3
Total Revenues Available	1895.0 1461.8	2002.6 1510.8	2058.2 1543.0	2100.6 1488.6	2134.4 1391.9
Deficit/Surplus	-324.0	-160.8	-51.1	+43.9	+129.2

would not need
All of Available BSF

Surplus revenues
above expenditure limit

How "50-30-20" and "ERP" Work -- SSSJR 5

Prepared by Senator Ian Falke

As proposed in
1989:

The Budget

FY 92

FY 93

FY 94

FY 95

FY 96

GOAL

1/91 Legislature
Establishes
Expenditure Limit

1821.2

1702.8

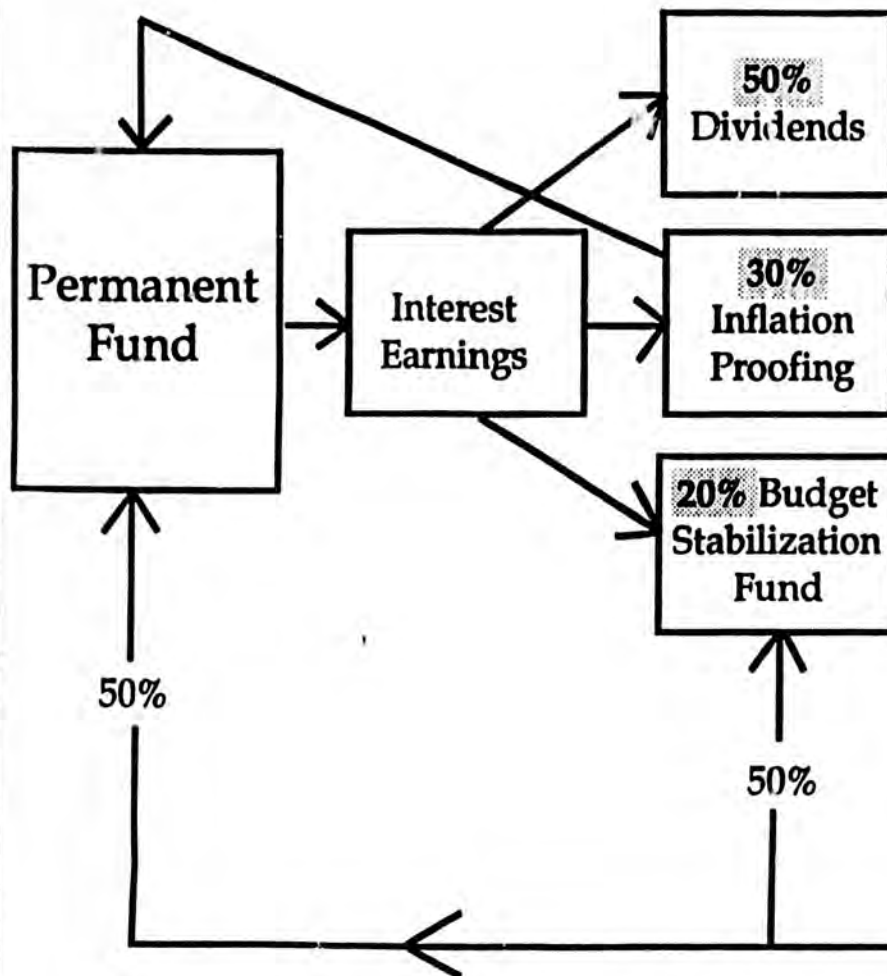
1592.1

1488.6

1391.9

**\$1.4
Billion
6/31/96**

Can be exceeded by
3/4 vote each House, voter approval or for natural disaster



Projected
Revenues
(mid-case)

1405.5

1395.8

1366.8

1323.4

1292.6

May Use
25% BSF
Up to
Expenditure Limit

56.3

115.0

176.2

165.2

99.3

**Total Revenues
Available**

1461.8

1510.8

1543.0

1488.6

1391.9

Surplus revenues
above expenditure limit

How "50-30-20" and "ERP" Work -- SSSJR 5

Prepared by Senator Jan Faiks

It 2.5 to spending
decrease each year:

97
FY 92

98
FY 93

99
FY 94

00
FY 95

01
FY 96

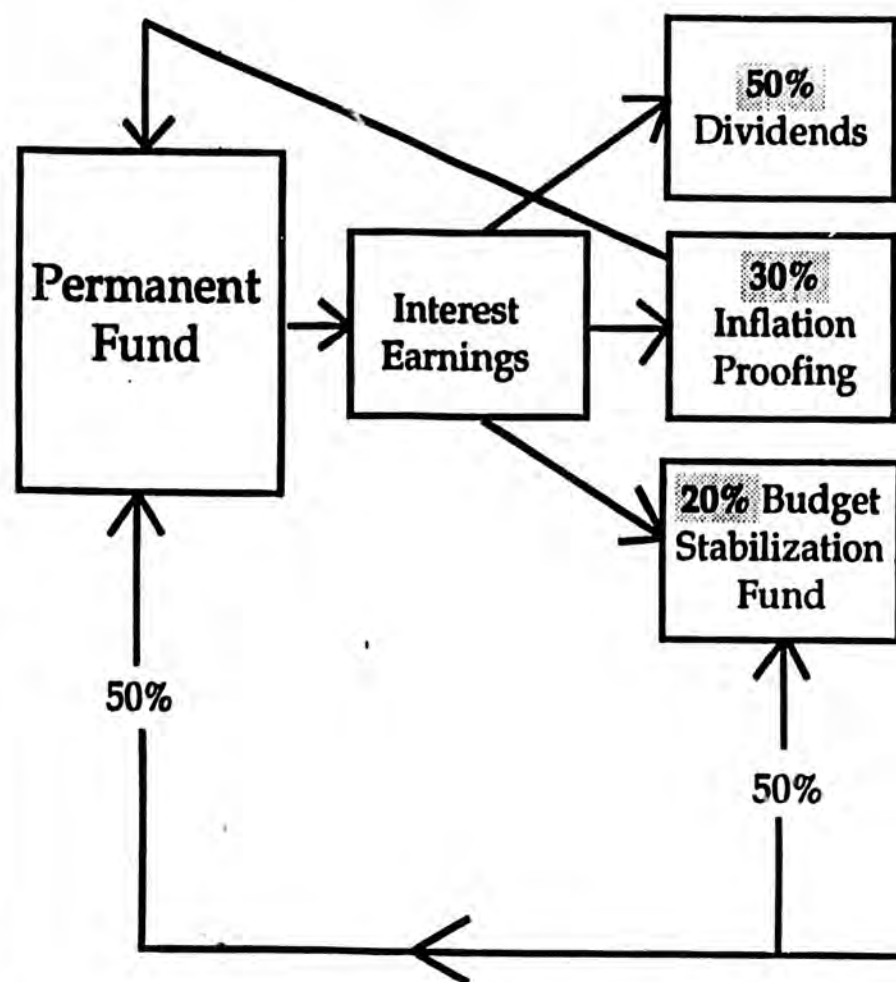
GOAL

The Budget

1/91 Legislature Establishes	2218.9	2163.4	2109.3	2056.6	2005.2
Expenditure Limit	1821.2	1702.8	1592.1	1488.6	1391.9

\$1.4
Billion
6/31/96

Can be exceeded by
3/4 vote each House, voter approval or for natural disaster



Projected Revenues (mid-case)	1828.6 1405.5	1907.5 1395.8	1948.2 1366.8	1971.6 1323.4	1992.7 1292.6
May Use 25% BSF Up to Expenditure Limit	66.4 56.3	95.1 115.0	110.0 176.2	129.0 165.2	141.7 99.3
Total Revenues Available	1895.0 1461.8	2002.6 1510.8	2058.2 1543.0	2100.6 1488.6	2134.4 1391.9
Deficit/Surplus	-324.0	-160.8	-51.1	+43.9	+129.2

would not need
All of Available BSF

Surplus revenues
above expenditure limit

How "50-30-20" and "ERP" Work -- SSSJR 5

Prepared by Senator Ian Faiks

6.5% Spending
Decrease Each Year:

96
2275.8

97
FY 92

98
FY 93

99
FY 94

00
FY 95

01
FY 96

GOAL

The Budget

1/91 Legislature
Establishes
Expenditure Limit

2127.9

1989.6

1860.2

1739.3

1626.3

1821.2

1702.8

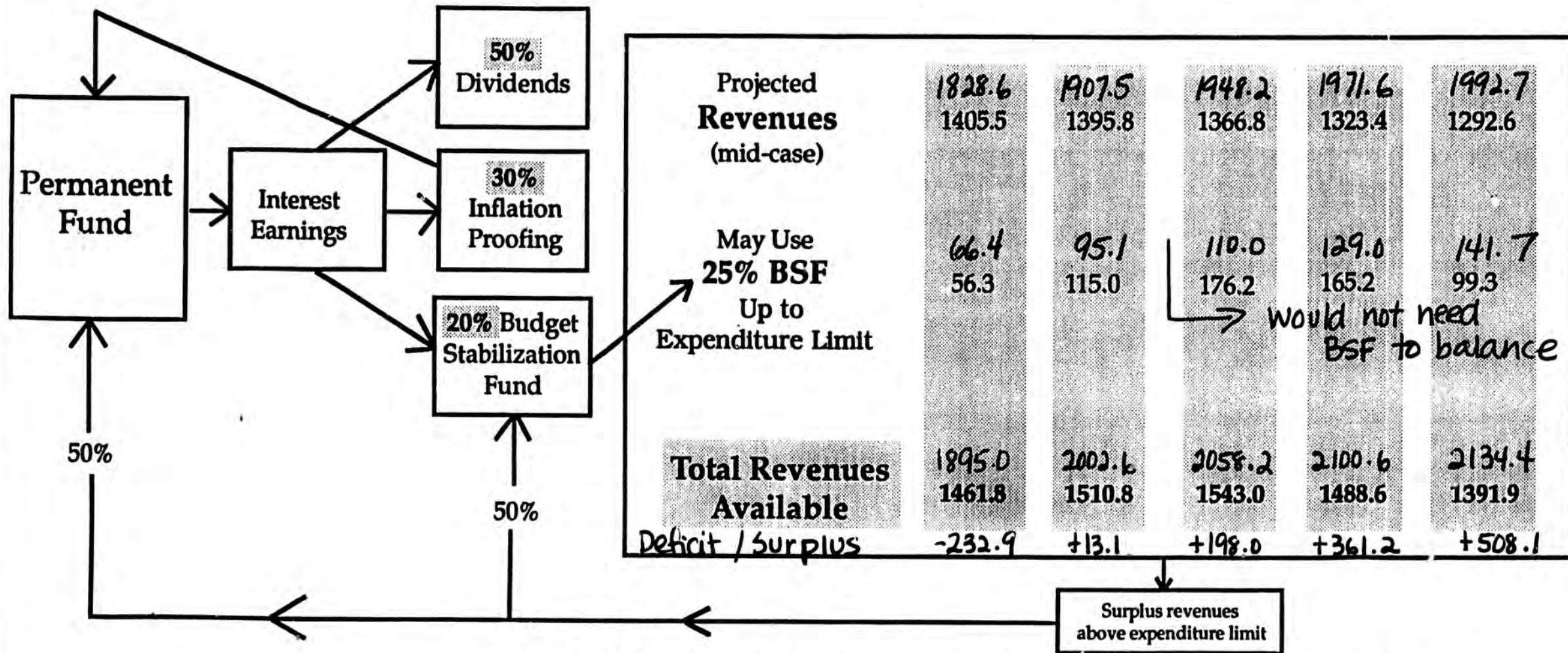
1592.1

1488.6

1391.9

\$1.4
Billion
6/31/96

Can be exceeded by
3/4 vote each House, voter approval or for natural disaster



How "50-30-20" and "ERP" Work -- SSSJR 5

Prepared by Senator Ian Faiks