

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2396 SCOMM 101 LONG RANGE FINANCIAL PLANNING COMMISSION, 1995

What is an appropriate level of reserves for Alaska?

Revenues for the next year's state budget are based on the mid case projection of oil prices and production. In any given year there is a substantial chance that oil revenues will be hundreds of millions of dollars less than the mid case projection. The consequences to the state's economy of addressing such a large shortfall exclusively with budget cuts in a single year would be to severely aggravate an already difficult economic downturn. In 1986-87, the combination of low oil prices and sharply curtailed state spending threw the state into a severe recession, with the following impacts:

- Alaska lost 22,000 jobs — 10 percent of the work force;
- Anchorage's population dropped by 29,000 residents (about 9 percent);
- Over 10,000 residential properties were foreclosed on statewide; and
- At the worst point there were over 90 bankruptcies per month in Anchorage.

One potential policy for use of reserve funds is: if anticipated revenues drop more than a predetermined percentage from the mid case projection, a combination of budget cuts and use of reserves should be put into place. The appropriate mix will depend on several factors, such as how late in the fiscal year the revenue drop occurs, private sector economic conditions, the amount of cuts already budgeted for the year and the expected duration of the problem.

To avoid excessive impacts on the economy, it would be prudent to avoid budget cuts (beyond the cuts already planned in the budget) of more than 3-5 percent per year. A 5 percent cut in the total general fund operating budget is equivalent to about \$120 million. For each \$1 per barrel decline in the price of oil, the state loses about \$120 million in revenues. Therefore, cutting \$120 million from the state budget in a single year would offset an oil price decline of only \$1 dollar per barrel. Under this potential reserves policy, a drop in oil prices of more than \$1 per barrel would need to be covered by reserve funds.

How much insurance against oil price declines should the state maintain in the form of reserve funds? One reasonable benchmark would be for the state to be prepared to offset a drop in oil prices from the mid case projection for a given year, to the historical low point in oil prices over the last ten years. This ten-year low point was reached in FY 94 in terms of inflation-adjusted oil prices, with an average for the year of \$14.22 per barrel.

If this benchmark were applied to the FY 96 budget, with a mid case oil price projection of \$16.52 per barrel, the potential drop in revenues to be offset would be about \$275 million. If \$120 million of this amount could be offset by budget cuts, this would leave about \$155 million to be covered from reserve funds. Since lower-than-forecast oil prices could occur in two consecutive years, it may be prudent to maintain about twice this amount, or \$300 million, to offset oil price fluctuations. This amount would also be sufficient to provide cash necessary to handle a major natural disaster or other emergency requiring immediate and extensive state action.

"Shock
Absorber"

only fill
lowcase to
midcase

23

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Other reserve fund issues

To ensure that reserves are replenished, a repayment mechanism is required. The commission believes that the repayment provision of the current Constitutional Budget Reserve is not as clear and workable as it should be. For instance, it does not make sense to completely drain capital replacement funds (for highways, ferries, state equipment, etc.) at the end of the year in order to pay back the CBR. The very purpose of these funds is to provide a rational, planned source of funds to replace aging equipment and facilities.

An alternative approach would be to repay reserves with year end balances in the general fund and future oil revenue increases. As oil revenues are restored, any amount over the mid case projection should be returned to reserves at year end along with any balances from the general fund appropriation. Any settlement income or other "windfall" should also be deposited in reserves. Any changes to the Constitutional Budget Reserve provisions will require a constitutional amendment.

Another potential reserves policy would be that if reserves build up to a level which is more than 1.5 times the amount required under the general rule, the legislature should consider depositing the excess in the corpus of the Permanent Fund. However, an automatic deposit may not be advisable, because under the circumstances it may be more fiscally prudent to build up somewhat larger reserves.

Our experience from the years of dramatic oil price increases tells us that it is absolutely critical that the state not increase spending just because revenues have taken an upturn. This only leads to a level of spending which cannot be sustained when prices return to their more accustomed level, let alone when they drop below the mid case level. Additional revenues from price spikes should be used to replenish reserves or as an addition to the corpus of the Permanent Fund.

How can we stabilize the state's revenues?

INSERT discussion of Cremo plan and other stabilization strategies

Budget Process Improvements

The public, executive branch and legislature will be better served in the budget process if a number of changes are made to improve the quality of information, ease of understanding and accountability. Process improvements under consideration by the commission are briefly noted below:

- Develop a budget format and executive summary that are more understandable to the general public and legislature.
- Establish and track progress on performance measures that relate to the effectiveness of all state services and assets.

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Alaska State Legislature



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Drue Pearce
President of the Senate

June 30, 1995

Mr. Brian Rogers, Chairman
Long Range Financial Planning Commission

Dear Chairman Rogers and Members of the Commission:

The issue of implementation of the Constitutional Budget Reserve Fund (CBR) provisions is one of the more important issues facing Alaska as we look for ways to manage future state spending.

There are a number of issues that need to be resolved before the CBR can work as was intended by the Legislators who voted to put the amendment language on the ballot.

For example, Article IX, Sec. 17(c) states that an appropriation from the budget reserve fund may be made to any public purpose upon affirmative vote of three-fourths of the members of each house of the legislature. When the Constitutional Amendment was drafted, the requirement for a three-fourths vote seemed like the perfect way to avoid frivolous actions by the legislature. The effect has been just the opposite.

It is a nearly impossible to imagine a time in Alaska when one political party may hold three-fourths of the seats in each house. Therefore, under the current provisions it is necessary for members of the minority party to cooperate to access the CBR. The drafters of the constitutional amendment and the voters who adopted the CBR wanted to make it difficult to appropriate the money from the fund and believed that the requirement for a three-fourths vote would protect the fund. I doubt that anyone envisioned that members of the minority could hold access to the CBR hostage in exchange for concessions and special interest projects, the effect of which is a larger state budget rather than a reduced one.

To Long Range Financial Planning Commission
July 12, 1995
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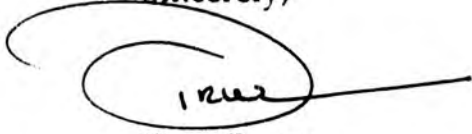
In addition, a number of other issues remain:

1. The "amount available for appropriation" has not been clearly defined.
2. The repayment provision has no implementation guidelines.
3. The court has not given sufficient guidance to identify specific funds included in either "funds available" or the section 17(d) payback requirement.
4. Does section 17(d) need to be implemented by law?

I request that the Long Range Financial Planning Commission schedule discussion of proper implementation of the Constitutional Budget Reserve at one of its meetings and that it include a recommendation in its report to correct this barrier to effective financial management and smaller state budgets.

Thank you for your attention to this matter. Feel free to contact me with any questions you might have.

Sincerely,

A handwritten signature in dark ink, appearing to read "Drue Pearce", is written over a large, loopy circular flourish.

Drue Pearce
Senate President

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keep

CONSTITUTIONAL BUDGET RESERVE

History

The Alaska Legislature enacted SJR 5 during the 1990 session, placing a ballot measure before the voters to consider a constitutional amendment to establish a budget reserve fund --which the voters subsequently approved at the November 1990 general election.

The approved ballot measure was incorporated in the Alaska Constitution as Article IX, Section 17 and became effective on January 2, 1991, establishing the constitutional budget reserve as a separate fund in the state treasury. It provides for the deposit of of certain tax and mineral revenue dispute settlements into the fund, established limitations on the appropriation of monies from the fund, and required that such amounts withdrawn from the fund be repaid.

In implementing the provision for the deposit of funds, the Department of Revenue requested an attorney general's opinion to define the term "administrative proceeding" as it is used in Section 17. Specifically, the opinion asked whether the term applied to informal conferences and audits or only to formal hearings and court proceedings. The April 24, 1992 attorney general opinion determined that Section 17 applied only to administrative actions that were similar to litigation, i.e. the formal hearings held by the Department of Revenue. In conformance with the opinion, the Department deposited in the general fund (rather than the budget reserve fund), all settlement monies received as a result of informal tax conferences. These receipts have been generally referred to as "administrative settlement" receipts.

The Governor relied on this opinion in submitting his fiscal year 1994 budget request to the 1993 legislative session, and included these settlement monies as a part of the overall spending plan, i.e., within the amounts available for appropriation in the normal course of the budget process. The Legislature, during the 1993 session thus included \$1.006 billion of these "administrative settlement" monies in the FY93/94 spending plan as available for appropriation.

On July 12, 1993, the Senate majority filed suit seeking judicial review of the attorney general opinion regarding these administrative settlement receipts. On November 19, 1993, the superior court issued its decision which concluded that the term "administrative proceeding" did apply to informal administrative proceedings. The superior court held that an administrative proceeding

commences with the issuance of a tax assessment to a taxpayer, thus invalidating the Attorney General's April 24, 1992 opinion. As a result, those settlement amounts which were reached by virtue of an informal conference should have been deposited in the budget reserve fund.

The superior court decision was appealed to the supreme court, which upheld the lower court and ordered restoration of the amounts it determined properly due to the budget reserve fund with interest payable from the date of receipt of the settlements. The court order put the state in a position in which the general fund did not contain a balance sufficient to repay the amount due to the constitutional budget reserve and provide adequate funding for the FY94/95 budgets.

One part of the proposed solution to the repayment and budget gap problem took the form of HB58, enacted as Ch. 5, SLA 94. It amended Title 37, The Executive Budget Act, to provide guidance in the administration of the constitutional budget reserve fund, particularly in relation to providing definitions of the broad terms used in Section 17, e.g. "administrative proceeding" and "amount available for appropriation." The legislation defined the "amount available for appropriation" as the annually recurring unrestricted general fund revenues, plus general fund program receipts, and any general fund balance carried forward from the previous fiscal year. The courts subsequently found that this definition did not measure up to its view of the constitutional amendment even though this definition had longstanding use in the state budget process and state financial reporting.

The repayment issue was resolved in separate legislation, HB505 enacted as Ch. 14, SLA 94, in the form of a "round trip" appropriation which transferred the amount due from the general fund to the constitutional budget reserve fund (\$1,055.6 million) and then from the constitutional budget reserve fund back to the general fund. It appears this satisfied the courts.

The appropriation out of the CBR was accomplished under the provisions of sec. 17(c) which require a 3/4 vote majority of each body of the legislature as opposed to sec. 17(b) whereby funds may be withdrawn with a simple majority vote. The superior court decision as affirmed by the supreme court states that the sec. 17(b) withdrawal provision is not available to the legislature because the funds available test had not been met, i.e., the legislation failed to include all funds the court would consider available--and the courts have not defined what all those funds may be.

The extent of the judicial guidance is that the supreme court has found that the "amount available for appropriation" includes all monies over which the legislature has retained the power to appropriate and which requires further appropriation before expenditure.

Within this meaning, the court has included and specifically mentioned as available for appropriation such funds as:

- trust receipts, e.g. federal funds
- Railbelt Energy Fund (and by its reasoning, also other energy funds like the Power Cost Equalization fund)
- Educational Facilities and Maintenance Construction Fund
- Marine Highway System Vessel Replacement Fund (and by its reasoning, other funds in the general fund like the Marine Highway fund for system operations)
- Permanent Fund Earnings Reserve Account because appropriations may be made from it and is not subject to expenditure without legislative action.

With respect to the Earnings Reserve Account, the court also held that it must be considered as "available for appropriation", but is not to be included in the Section 17(d) repayment provision because it is not in the general fund. The supreme court in its May 27, 1994 decision, did provide some guidance regarding the Section 17(d) repayment provision: "we see no reason to give 'available for appropriation' a different meaning in subsection (d) than we did in subsection (b). We recognize, however, that the **payback provision in section 17(d) is limited only to those funds which are 'available for appropriation' and 'in the general fund'.**" Thus available funds that are not in the general fund, such as the permanent fund earnings reserve account, need not be deposited in the budget reserve.

The supreme court has excluded from its definition of "funds available":

- monies which already have been validly committed by the legislature for some purpose.
- illiquid assets owned by the state that are not available so long as they remain illiquid

Under this definition, and by this reasoning, the court says that the oil and hazardous substance release response fund is not counted as available because the entire balance may be expended at any time without further appropriation [once it is in the hands of the commissioner of the department of environmental conservation].

Remaining Issues

1. Is the repayment provision to be implemented by automatic "sweep" of the subject monies by the state accountant or through specific enactment of appropriations to the budget reserve?

2. Does the court give sufficient guidance to further identify specific funds included in either "funds available" and the section 17(d) payback requirement?

The court left it to the executive and legislative branch officials (emphasis added, their words) to apply its general definition to every fund within the treasury of the State of Alaska--who are these officials?

3. To what extent does section 17(d) need to be implemented by law--and how much will the interested parties and the courts allow?

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MEMORANDUM

December 7, 1993

SUBJECT: Budget Reserve Fund (Work Order No. 8-LS1412)

TO: Senator Drue Pearce
Co-chair, Senate Finance Committee

Senator Steve Frank
Co-chair, Senate Finance Committee

FROM: Tamara Brandt Cook
Director

You have asked how money may be appropriated by the legislature from the Budget Reserve Fund established under article IX, sec. 17 of the state constitution. Under subsection (a) it is provided: "Money may be appropriated from the fund only as authorized under (b) or (c) of this section." I take this to mean that these two methods whereby the legislature may appropriate money are entirely independent from each other.

Under subsection (b) a formula is set out under which a determination is made as to whether, and how much, money may be appropriated from the budget reserve fund based upon the amount of appropriation made in the previous calendar year for the previous fiscal year. In other words, supplemental appropriations will generally be disregarded. If the amount available for appropriation for a fiscal year is less than the amount appropriated for the past fiscal year, the amount of shortfall may be appropriated from the budget reserve fund. No special vote requirement is needed for appropriations under this subsection.

Under subsection (c) the legislature may appropriate money from the budget reserve fund upon approval of three-fourths of the members of each house. Other than the special vote requirement, no other restrictions apply.

Under article IX, section 17(b) of the state constitution amounts may be appropriated from the budget reserve fund when ". . . the amount available for appropriation for a fiscal year is less than the amount appropriated for the previous fiscal year. . . ." You have asked specifically how the amount available for appropriation is to be determined.

Senators Pearce and Frank
December 7, 1993
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Unfortunately, since the matter has not yet been considered by the court, any answer I provide to your question will be speculative at best.

At the very least this language includes the balance in the unrestricted general fund available at the beginning of a fiscal year plus revenue received by the general fund during that year and money lapsed into the general fund during that year.

In addition, there are certain statutory funds within the general fund with restrictions on expenditure. Money in these funds may be appropriated, either for the limited uses set out in the statute or for other uses by amending the restrictions contained in the statute or relying upon the legislature's "power of the purse" and ignoring the restrictions. (For the proposition that statutorily imposed restrictions on appropriations from a fund violate the prohibition on dedicated funds, see Sonneman v. Hickel, 836 P.2d 936 (1992)) Since these funds may be appropriated, I believe a court would tend to conclude that amounts in them are "available for appropriation" under section 17(b). An example of such a fund is the Railbelt Energy Fund (AS 37.05.520).

Likewise, federal funds are made available to the state for restricted uses but can only be expended if appropriated. I would think a court would find these to be "available for appropriation," albeit for the limited uses permitted under federal law.

However, because subsection (b) is not limited to money that is available for appropriation from the general fund while subsection (d) specifically requires repayment only from general fund money, I would think that a court would find that money available for appropriation under subsection (b) is not limited to general fund money. If it were, like subsection (d), it could have said so. Therefore, all of the income of the Permanent Fund could be considered available for appropriation. Once a portion of it is appropriated to the dividend fund, that money, I would think, should not be counted as available for appropriation again, since the Department of Revenue has authority to distribute it without further legislative action. You will recall that under article IX, section 16, the earnings of the permanent fund are to be deposited in the general fund unless otherwise provided by law, and the legislature has so provided by denominating the earnings reserve as an account in the permanent fund. Yet the legislature has also regularly made appropriations from the earnings reserve account, so it would seem difficult for a court to find that that money, is not "available for appropriation." On the other hand, the principal of the permanent fund is certainly not "available for appropriation." Article IX, section 15 states specifically that the principal may only be used for income-producing investments.

There are dozens of other accounts and funds established by statute, ranging from loan funds to trust funds to funds required under federal law. Other accounts have been established by administrative agencies. To the extent that those funds contain unencumbered and unobligated balances, they may provide a resource for reappropriation

Senators Pearce and Frank
December 7, 1993
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purposes, but because they are typically appropriated to the fund for a specific program and can still be expended under the original appropriation, a fair argument could be made for the proposition that they are not balances "available for appropriation" within the terms of the constitution and do not become available until the original purpose is accomplished and the remaining funds are lapsed or the program is repealed.

You have also asked me whether it is possible to make up shortfalls in the FY 1994 budget from the Budget Reserve Fund when the legislature convenes again under article IX, sec. 17(b). The subsection sets limits upon which fiscal year money may be appropriated for (based upon the amount available for appropriation from other sources during that same fiscal year), and sets limits upon the amount that may be appropriated from the fund (based upon the amount appropriated within a specific time period for the prior fiscal year, which was intended to exclude most "supplemental" appropriations). It does not set a limit upon when the money for a fiscal year may be appropriated. In short, the legislature could make a supplemental appropriation just before the end of a fiscal year for that same year and fund it from the Budget Reserve Fund if the mathematical condition is met. So, for example, if state revenue continues to be less than projections for FY 1994 and if the court orders the state to transfer \$900,000,000 during FY 1994 to the Budget Reserve Fund, it may be that some amount of money could be appropriated for FY 1994 under article IX, sec. 17(b) after the legislature convenes this January.

As I pointed out, in determining whether the legislature may make an appropriation from the Budget Reserve Fund for a given fiscal year under section 17(b) it may be necessary to consider amounts available in the state treasury outside of the unrestricted general fund balance as well as the amount of that balance. This figure must then be compared to the amount actually appropriated for the previous fiscal year from all sources, excluding amounts that may have been appropriated after December 31 of that previous fiscal year. So, despite declining revenue received by the state during FY 1994 it is possible, that upon considering other funds available in various accounts, the total amount "available for appropriation" will not be less than the total of relevant appropriations made for FY 1993, in which case the legislature will not be able to appropriate money from the Budget Reserve Fund for FY 1994 under sec. 17(b).

By the way, according to Mike Greany, Director of Legislative Finance, the relevant level of FY 1993 appropriations is just over \$2.7 billion. Repayment to the Budget Reserve Fund from the earnings reserve account would substantially deplete that account, by far the largest source of money available for appropriation outside of the general fund revenue stream. If oil prices stay low, the actual revenue stream for FY 1994 may be around \$1.9 billion. With additional funds, other than the earnings reserve money, taken into account, it looks possible that money available for appropriation in FY 1994 could be around \$2 billion, which would enable the legislature to appropriate up to \$.7 billion for FY 1994

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from the Budget Reserve. Obviously, these are very rough calculations, but they serve as a concrete example of the way sec. 17(b) could come into play for FY 1994.

Despite the foregoing discussion, which I expect was the way sec. 17(b) was intended to function, there is an ambiguity created by the last phrase of that subsection. That phrase states that the amount of appropriations that may be made from the Budget Reserve Fund may only "... provide for total appropriations equal to the amount of appropriations made in the previous calendar year for the previous fiscal year." (Emphasis added.) The calendar year previous to what? If this refers, not to calendar year 1992 with respect to FY 1993, but to the calendar year previous to the year the appropriation from the Budget Reserve Fund is proposed to be made, an entirely different result occurs. For example, if in the calendar year 1994 an appropriation is to be made for FY 1994, do we look to appropriations made in calendar year 1993 (the calendar year previous to 1994) for FY 1993 (the fiscal year previous to 1994)? If so, only supplemental appropriations made for FY 1993 may be considered, so the amount available for appropriation for FY 1994 would have to be less than the \$40 or \$50 million in supplementals enacted during calendar 1993 for FY 1993. This reading appears to lead to an absurd practical result, but the literal language of the constitution could be so interpreted.

TBC:mi
93-166.mai

BRF

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MEMORANDUM

May 16, 1994

SUBJECT: Effect of failure by one house to adopt by three-quarter vote appropriations from the budget reserve fund included in the budget

TO: Senator Drue Pearce
Co-chair, Senate Finance Committee

FROM: Tamara Brandt Cook
Director TBC

You have asked whether the failure of the House to adopt, by three-quarter vote, appropriations from the budget reserve fund included in the budget invalidates the budget as a whole when those appropriations have already been adopted by the Senate. The Attorney General has concluded that, in this situation, the budget bill is invalid because identical legislation has not passed both bodies. (Letter, May 12, 1994) While it is quite possible that the Attorney General is correct, this is not a foregone conclusion. The court has not considered the matter.

There are two situations involving supermajority vote requirements that the court has treated as requiring action separate from that taken on the rest of a bill. Failure by one house to adopt an effective date or to change a court rule does not invalidate the bill as a whole.

With respect to a difference in effective dates, in 1980 in connection with the enactment of ch. 177, SLA 1980 (SCS HB 207 am S (H fld eff date)) the bill adopted by the Senate included an effective date and the bill adopted by the House did not. In that instance, the bill was enrolled and transmitted to the Governor. On July 1, 1980, the Attorney General advised the Governor that the House and Senate did not pass the same bill and the Governor, acting on that advice, returned the bill to the House unsigned. The Governor's transmittal letter is set out in the 1980 Senate Journal at page 1781. Legislative counsel advised that under art. II, secs. 17 and 18, Constitution of Alaska, the bill became law without the Governor's signature, with an effective date of October 5, 1980. By judgment dated March 19, 1981, in Alaska Legislative Council v. Hammond, Case No. 4FA-80-1689, the Superior Court for the

Senator Drue Pearce
May 16, 1994
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Fourth Judicial District upheld the validity of the enactment. It is true that an ingredient in this ruling was the fact that the failure of or change to an effective date is not an amendment to the substantive provisions of the bill. This is certainly not true in the case of differences in the budget involving an appropriation from the budget reserve fund.

However, in considering whether failure to adopt a court rule change by one house invalidated the bill as a whole, the court did not focus on the fact that substantive provisions of the bill do not differ (they do), but on the fact that a different vote is required for the enactment of legislation than the vote required to change a court rule. The court did not conclude that statutes purporting to change court rules but not receiving a two-thirds majority in each house are invalid, only that they are ineffective in changing the court rule. (Leege v. Martin, 379 P.2d 447 (Alaska 1963)) In a later case, the court cited AS 01.10.030 for the proposition that legislation purporting to change a court rule but failing to receive the vote required in both houses is severable from the rest of the Act. (Galbraith v. State, 693 P.2d 880 (Alaska 1985) at 883, footnote 4)

The Attorney General in the letter based his opinion, at least in part, on the lack of evidence that the legislature intended the CBRF appropriations to be severable from the budget as a whole. AS 01.10.030 provides that evidence.

Clearly, the possibility that the failure of one house to adopt an appropriation from the CBRF by the required three-fourths vote could be deemed to amount to failure to adopt identical legislation is a matter of great concern with the budget itself at issue. The risk of this result could be avoided by refraining from co-mingling appropriations that require different vote levels. However, on balance I believe that a fairly strong argument could be made for the validity of the Act, without the CBRF appropriations, and, I think it is more likely than not that such an argument would prevail.

TBC:pl
94-396.plm

SCOMM

101:31

LRFPC User Fees

Agency	Division	Nature of Fees	1991 Collections	Source of Fees
DOT/PF	Administrative Services	Airport Fees etc	\$24,148,724	Other
Public Safety	Motor Vehicles	Vehicle Registration	\$17,572,608	Statutory
ADF&G	Administration	License & Tag Fees	\$11,474,010	Statutory
Fish & Game	Comm Fish Entry Commission	Entry Permit Fees	\$5,912,800	Regulation
Public Safety	Motor Vehicles	Drivers Licenses	\$3,611,473	Statutory
Commerce	Occupational Licensing	All Occupations	\$2,540,490	Regulation
Commerce	Insurance	Insurer Fees	\$2,022,700	Regulation
Court System	All Courts	Filing Fees	\$1,828,800	Other
Commerce	Occupational Licensing	Business Licenses	\$1,538,000	Statutory
Commerce	Occupational Licensing	Gaming Licenses	\$1,526,000	Statutory
Revenue	ABC Board	Liquor Licenses	\$1,482,700	Statutory
Commerce	Banking Securities & Corps	Security Registration	\$707,438	Regulation
Commerce	Measurement Standards	Oversize/Overweight Vehicles	\$681,900	Regulation
DHSS	Public Health	Vital Statistics	\$612,029	Other
Env. Cons.	Spill Prevention	UST Fees	\$500,000	Statutory
Commerce	Insurance	Agents, Licenses	\$467,800	Regulation
Public Safety	Fire Protection	Plan Review	\$388,400	Regulation
ADF&G	Wildlife Conservation	Permit Hunt Application	\$380,395	Statutory
Commerce	Banking Securities & Corps	Broker Dealers	\$310,790	Regulation
DOT/PF	Administrative Services	Utility Permits	\$272,199	Regulation
Education	Educational Finance	Teacher Certification	\$224,625	Regulation
Commerce	Banking Securities & Corps	Articles of Incorporation	\$223,650	Regulation
Labor	Labor Standards & Safety	Plumber & Electricians		
Commerce	Investments	Certificate of Fitness	\$216,000	Statutory
		Late Fees	\$208,500	Regulation
Labor	Labor Standards & Safety	Boiler & Pressure		
Revenue	ABC Board	Vessel Fees	\$208,000	Regulation
Education	Vocational Rehabilitation	License Application	\$201,400	Regulation
		Vendor Fees	\$200,000	Other
Commerce	Banking Securities & Corps	Agents & Investment Advisors	\$186,030	Regulation
Public Safety	Criminal Records	Fingerprint Processing	\$110,480	Regulation
Governor	Lt. Governor	Notaries Public	\$109,137	Statutory
Other	Statutory Fees	Not listed above	\$2,318,058	Statutory
Other	Fees set by Regulation	Not listed above	\$4,966,345	Regulation
Other	Fees not Statutory or Regulatory	Not listed above	\$10,488,682	Other
Total Fees Listed			\$79,865,078	
Total Other Fees not listed			\$17,773,095	
Total Fees			\$97,638,173	

*Reduction Categories / Copy
Paste*

Program	Estimated Savings by FY 2000	Amt Remaining in Program
Scenario 1		
Grants that Benefit Individuals:	-\$100,002	
Longevity Bonus (eliminate)	-72,152.6	0.0
Permanent Fund Dividend	0.0	556,000.0
Public Assistance Programs	-10,163.1	91,468.0
Medical Assistance Programs	-15,035.6	135,320.2
Permanent Fund Dividend	0.0	556,000.0
Alaska National Guard Benefits	-226.6	906.3
Day Care Assistance	-1,017.3	10,193.8
Other Programs	-1,406.8	1,781.9
Grants to Local Governments:	-\$228,072.4	
K-12 Funding	-66,030.9	594,278.5
Human Services Matching Grants	-1,769.6	0.0
Senior Citizens Property Tax Relief	-1,500.0	0.0
Revenue Sharing	-26,271.7	0.0
Municipal Assistance	-31,959.0	0.0
Community Jails	-218.7	4,156.0
Capital Matching Grants	-20,000.0	0.0
School Debt Reimbursement	-80,322.4	0.0
Employee Salary/Benefit Reforms and Streamlining Programs:	-\$96,150.8	
State Agency Programs	-74,037.9	1,166,246.3
Court System	-2,292.1	43,550.3
Legislature	-3,084.6	27,761.0
University	-16,736.2	160,625.5
Privatization Opportunities:	-\$54,217.4	
Pioneer Homes	-29,842.3	0.0
Ratnet	-794.8	0.0
Alaska Council on the Arts	-564.0	0.0
Vocational Technical Schools	-5,106.3	0.0
Harborview	-4,550.0	0.0
Alaska Tourism Marketing Council	-5,365.3	0.0
Alaska Seafood Marketing Institute	-7,994.7	0.0

Competitive Contracting Out Opportunities: -\$11,799.7

Park Management	-1,672.1	3,941.0
Motor Vehicles	-2,062.5	6,187.3
DOT Maintenance	-5,050.1	95,951.3
Corrections	-2,968.1	115,161.9
Other Programs	-47.0	141.2

Consolidate/Eliminate Programs: -\$19,296.8

Alcohol Beverage Control Board	-479.5	159.8
Alaska Public Offices Commission	-475.4	158.4
Cultural Program Grants	-88.4	0.0
Agricultural Development	-1,034.2	0.0
Rural Development Grants	-1,119.4	0.0
General Obligation Debt (obligations fulfilled)	-16,100.0	0.0

Grants to Organizations to Provide Services: -\$11,837.7

Senior Programs	-954.1	6,678.5
Alaska Public Broadcasting Grants	-1,109.1	3,327.5
Regional Non-Profit Corporations	-1,068.7	9,618.1
Health Grants	-698.7	6,288.0
Alcohol and Drug Abuse Grants	-1,435.9	13,823.2
Community Mental Health Grants	-2,583.8	23,254.0
Community Developmentally Disabled Grants	-2,056.2	18,596.2
Council on Domestic Violence Grants	-224.4	4,262.7
Child Care Grants	-269.1	2,553.7
Other Programs	-1,437.7	25,644.6

Total -521,376.9

Scenario 2**Grants that Benefit Individuals: -\$235,988.0**

Longevity Bonus (estimated savings if needs-based)	-14,152.6	58,000.0
Public Assistance Programs	-10,163.1	91,468.0
Medical Assistance Programs	-15,035.6	135,320.2
Permanent Fund Dividend	-278,000.0	278,000.0
Alaska National Guard Benefits	-226.6	906.3

Day Care Assistance	-1,017.3	10,193.8
Other Programs	-1,406.8	1,781.9

Grants to Local Governments: No Reductions

K-12 Funding	0.0	660,309.4
Human Services Matching Grants	0.0	1,769.6
Senior Citizens Property Tax Relief	0.0	1,500.0
Revenue Sharing	0.0	26,271.7
Municipal Assistance	0.0	31,959.0
Community Jails	0.0	4,374.7
Capital Matching Grants	0.0	20,000.0
School Debt Reimbursement	0.0	80,322.4

Employee Salary/Benefit Reforms

and Streamlining Programs: -\$96,150.8

State Agency Programs	-74,037.9	1,166,246.3
Court System	-2,292.1	43,550.3
Legislature	-3,084.6	27,761.0
University	-16,736.2	160,625.5

Privatization Opportunities: -\$54,217.4

Pioneer Homes	-29,842.3	0.0
Ratnet	-794.8	0.0
Alaska Council on the Arts	-564.0	0.0
Vocational Technical Schools	-5,106.3	0.0
Harborview	-4,550.0	0.0
Alaska Tourism Marketing Council	-5,365.3	0.0
Alaska Seafood Marketing Institute	-7,994.7	0.0

Competitive Contracting Out Opportunities: -\$11,799.8

Park Management	-1,672.1	3,941.0
Motor Vehicles	-2,062.5	6,187.3
DOT Road Maintenance/Fleet Maintenance	-5,050.1	95,951.3
Corrections	-2,968.1	115,161.9
Other Programs	-47.0	141.2

Consolidate/Eliminate Programs: -\$19,296.9

Alcohol Beverage Control Board	-479.5	159.8
Alaska Public Offices Commission	-475.4	158.4
Cultural Program Grants	-88.4	0.0

Agricultural Development	-1,034.2	0.0
Rural Development Grants	-1,119.4	0.0
General Obligation Debt (obligations fulfilled)	-16,100.0	0.0

Grants to Organizations to Provide Services: -\$11,837.7

Senior Programs	-954.1	6,678.5
Alaska Public Broadcasting Grants	-1,109.1	3,327.5
Regional Non-Profit Corporations	-1,068.7	9,618.1
Health Grants	-698.7	6,288.0
Alcohol and Drug Abuse Grants	-1,435.9	13,823.2
Community Mental Health Grants	-2,583.8	23,254.0
Community Developmentally Disabled Grants	-2,056.2	18,596.2
Council on Domestic Violence Grants	-224.4	4,262.7
Child Care Grants	-269.1	2,553.7
Other Programs	-1,437.7	25,644.6

Total	-513,304.6	
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Scenario 3

Grants that Benefit Individuals: -\$556,000.0

Permanent Fund Dividend	-556,000.0	0.0
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Total	-556,000.0	
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Work Papers for Reduction Scenarios

Scenario 1											
Program	How Savings Achieved	FY 96 Amount	General Fund Savings by FY 2000	Salary/Benefit Reforms, Pgm Consolidation	Still Remains	Eliminate Program	Grants that benefit Individuals	Grants to Non Profits	Impact on Local Gov	Privatize	Contract Out
Office of the Governor											
Human Rights Commission	12.5% savings estimated from salary/benefit reforms and streamlining operations	1,086.6	-135.8	-135.8	950.8						
Executive Operations	12.5% savings estimated from salary/benefit reforms and streamlining operations	7,338.5	-917.3	-917.3	6,421.2						
Office of Management and Budget	12.5% savings estimated from salary/benefit reforms and streamlining operations	4,206.8	-525.9	-525.9	3,681.0						
Elective Operations	12.5% savings estimated from salary/benefit reforms and streamlining operations	1,972.0	-246.5	-246.5	1,725.5						
					0.0						
Department of Administration											
Longevity Bonus	Scenario 1-Eliminate; Scenario 2-Make needs based (estimated savings)	72,152.6	-72,152.6		0.0		-72,152.6				
Pioneer Homes	Privatize	29,842.3	-29,842.3							-29,842.3	
Other Senior Services Programs	12.5% savings estimated from salary/benefit reforms and streamlining operations; additional revenues could offset some of the reduction by charging/increasing fees for services	7,632.6	-954.1					-954.1			
Public Defender Agency	5% savings from salary/benefit reforms; streamlining operations	8,104.3	-405.2	-405.2	7,699.1						
Office of Public Advocacy	5% savings from salary/benefit reforms; streamlining operations	7,199.6	-360.0	-360.0	6,839.6						
Centralized Administrative Services	20% savings from salary/benefit reforms; streamline operations	14,814.0	-2,962.8	-2,962.8	11,851.2						
Alaska Oil and Gas Conservation Commission	10% savings from salary/benefit reforms; contract out	1,658.7	-207.3	-207.3	1,451.4						
Alaska Public Offices Commission	Consolidate with Div. of Elections; 75% savings	633.8	-475.4			-475.4					
RATNET	Privatize	794.5	-794.8							-794.8	
Public Broadcasting Radio/TV	25% reduction; consolidate/privatize operations	4,436.5	-1,109.1					-1,109.1			
Leases	20% savings from salary/benefit reforms and streamlining operations; reduced workforce should require less office space	23,171.0	-4,634.2	-4,634.2	18,536.8						

Work Papers for Reduction Scenarios

		Scenario 1										
	Program	How Savings Achieved	FY 96 Amount	General Fund Savings by FY 2000	Salary/Benefit Reforms, Pgm Consolidation	Still Remains	Eliminate Program	Grants that benefit Individuals	Grants to Non Profits	Impact on Local Gov	Privatize	Contract Out
Department of Law												
	Prosecution	5% savings from salary/benefit reforms and streamlining operations	11,519.6	-579.6	-579.6	10,940.0						
	Legal Services	20% savings from salary/benefit reforms; streamline operations	7,306.2	-1,461.2	-1,461.2	5,845.0						
Department of Revenue												
	Permanent Fund Dividend		556,000.0	0.0		556,000.0						
	Child Support Enforcement	5% savings from salary/benefit reforms and streamlining operations	1,854.6	-92.7	-92.7	1,761.9						
	Alcohol Beverage Control Board	Transfer to local community along with authority to collect fees to pay for enforcement or merge responsibility with Gaming; 75% reduction	639.3	-479.5			-479.5					
	Revenue Operations	10% savings from salary/benefit reforms and streamlining operations	8,681.3	-868.1	-868.1	7,813.2						
	Administration and Support	20% savings from salary/benefit reforms; streamline operations	854.0	-170.8	-170.8	683.2						
						0.0						
Department of Education						0.0						
	K-12 Foundation funding	10% savings based on local school district personnel system reforms; merger of some school districts	660,309.4	-66,030.9						-66,030.9		
	School Finance	20% savings from salary/benefit reforms; streamline and eliminate some programs	1,074.6	-214.9	-214.9	859.7						
	Education Program Support	20% savings from salary/benefit reforms, streamline/eliminate some operations; privatize Alaska Career Information System	3,348.6	-669.7	-669.7	2,678.9						
	Executive Administration	20% savings from salary/benefit reforms; streamline operations	2,331.9	-466.4	-466.4	1,865.5						
	Professional Teaching Practices Commission	Contract out (20% estimated savings)	188.2	-47.0								-47.0
	Arts Council	Privatize	564.0	-564.0							-564.0	
	Kotzebue Technical Center	Privatize	734.0	-734.0							-734.0	
	Alaska Vocational Technical Center	Privatize	4,372.3	-4,372.3							-4,372.3	
	Mt. Edgecumbe Boarding School	10% savings from salary/benefit reforms and streamlining operations	2,312.1	-231.2	-231.2	2,080.9						
	Vocational Rehabilitation	12.5% savings from salary/benefit reforms and streamlining operations; reduce grants	4,776.6	-597.1	-597.1	4,179.5						

Work Papers for Reduction Scenarios

				Scenario 1								
Program	How Savings Achieved	FY 96 Amount	General Fund Savings by FY 2000	Salary/Benefit Reforms, Pgm Consolidation	Still Remains	Eliminate Program	Grants that benefit Individuals	Grants to Non Profits	Impact on Local Gov	Privatize	Contract Out	
Alaska State Library	12.5% savings from salary/benefit reforms; streamline operations; eliminate specific cultural programs grants	5,514.0	-689.3	-600.9	4,824.7	-88.4						
Postsecondary Education Commission	12.5% reduction in programs and number of new students	1,926.2	-240.8				-240.8					
Department of Health and Social Services												
Assistance Payments	10% overall reduction; Expected federal changes provide opportunity to reform all public assistance programs, including ways to control	101,631.1	-10,163.1				-10,163.1					
Medical Assistance	10% overall reduction; Expected federal changes provide opportunity to reform Medicaid programs, including ways to control costs.	150,355.8	-15,035.6				-15,035.6					
Public Assistance Administration	12.5% savings from salary/benefit reforms and streamlining operations	10,160.9	-2,395.1	-2,395.1	7,765.8							
Medical Assistance Administration	12.5% savings from salary/benefit reforms and streamlining operations	6,623.8	-828.0	-828.0	5,795.8							
Purchased Services	10% savings from salary/benefit reforms; consolidate and streamline programs	23,321.5	-2,332.2				-1,166.1	-1,166.1				
Family and Youth Services	5% savings from salary/benefit reforms; streamline operations	20,859.5	-1,043.0	-1,043.0	19,816.5							
Youth Facility Services	5% savings from salary/benefit reforms; streamline operations	14,349.9	-717.5	-717.5	13,632.4							
Human Services Community Matching Grants	Eliminate	1,769.6	-1,769.6						-1,769.6			
Regional Non-Profit Grants	10% reduction in grant amounts	10,686.8	-1,068.7					-1,068.7				
State Health Services	10% savings from salary/benefit reforms and streamlining operations; implement/increase fees to offset some of the reductions	23,103.9	-2,310.4	-2,310.4	20,793.5							
Health Grants	10% savings from salary/benefit reforms; grantees streamlining operations; implementation and/or increase of fees to offset some of the reductions	6,986.7	-698.7					-698.7				
Alcohol and Drug Abuse Services	10% savings from salary/benefit reforms; grantees streamlining operations; implementation and/or increase of fees to offset some of the reductions	15,359.1	-1,535.9	-100.0	13,823.2			-1,435.9				

Work Papers for Reduction Scenarios

Scenario 1												
Program	How Savings Achieved	FY 96 Amount	General Fund Savings by FY 2000	Salary/Benefit Reforms, Pgm Consolidation	Still Remains	Eliminate Program	Grants that benefit Individuals	Grants to Non Profits	Impact on Local Gov	Privatize	Contract Out	
Community Mental Health Grants	10% savings from salary/benefit reforms; grantees streamlining operations; implementation and/or increase of fees to offset some of the reductions	25,837.8	-2,583.8					-2,583.8				
Medicaid Community Mental Health Grants	10% savings from salary/benefit reforms; grantees streamlining operations; implementation and/or increase of fees to offset some of the reductions	1,000.0	-100.0					-100.0				
Community DD Grants	10% savings from salary/benefit reforms; grantees streamlining operations; implementation and/or increase of fees to offset some of the reductions	20,562.4	-2,056.2					-2,056.2				
Institutions and Administration	Privatize Harborview; 5% reduction in APH from salary reforms and streamlining operations; 20% cut in other areas	15,160.9	-5,610.4	-1,060.4	9,550.5					-4,550.0		
Mental Health Trust Boards	20% savings from salary/benefit reforms; streamlining operations	710.8	-142.2	-142.2	568.6							
Administrative Services	20% savings from salary/benefit reforms; streamlining operations	3,718.3	-743.7	-743.7	2,974.6							
					0.0							
Department of Labor					0.0							
Employment Security	12.5% savings from salary/benefit reforms and streamlining operations	1,355.9	-169.5	-169.5	1,186.4							
Office of the Commissioner	20% savings from salary/benefit reforms and streamlining operations	7,821.3	-1,835.4	-1,835.4	5,985.9							
					0.0							
Department of Commerce and Economic Development					0.0							
Measurement Standards	12.5% savings from salary/benefit reforms; additional savings from potential to contract out some activities	2,879.3	-359.9	-359.9	2,519.4							
Banking, Securities, Corporations	12.5% savings from salary/benefit reforms and streamlining operations	1,631.5	-203.9	-203.9	1,427.6							
Insurance	12.5% savings from salary/benefit reforms and streamlining operations	4,002.0	-500.3	-500.3	3,501.8							
Occupational Licensing	Eliminate licensing some occupations; target 25% savings	3,986.3	-996.6	-996.6	2,989.7							
Alaska Public Utilities Commission	12.5% savings from salary/benefit reforms and streamlining operations	3,515.9	-439.5	-439.5	3,076.4							

Work Papers for Reduction Scenarios

Program	How Savings Achieved	FY 96 Amount	General Fund Savings by FY 2000	Scenario 1					Impact on Local Gov	Privatize	Contract Out
				Salary/Benefit Reforms, Pgm Consolidation	Still Remains	Eliminate Program	Grants that benefit Individuals	Grants to Non Profits			
Executive Administration and Development	20% savings from salary/benefit reforms; streamline operations	4,601.0	-920.2	-920.2	3,680.8						
Tourism Development	12.5% savings from salary/benefit reforms and streamlining operations	3,037.5	-379.7	-379.7	2,657.8						
Alaska Tourism Marketing Council	Privatize	5,365.3	-5,365.3							-5,365.3	
Alaska Seafood Marketing Institute	Privatize	7,997.7	-7,994.7							-7,994.7	
Department of Military and Veterans Affairs											
Alaska National Guard	5% savings from salary/benefit reforms and streamlining operations	4,667.6	-233.9	-233.9	4,433.7						
Alaska National Guard Benefits	Eliminate retirement and education benefits for new members; estimate 20% savings	1,132.9	-226.6		906.3		-226.6				
Veterans' Services	12.5% reduction in grants	480.0	-60.0					-60.0			
			0.0		0.0						
Department of Natural Resources											
			0.0		0.0						
Management and Administration	10% savings from salary/benefit reforms	7,045.6	-704.6	-704.6	6,341.0						
Resource Development	7.5% savings from salary/benefit reforms; streamline operations	25,515.5	-19,136.6	-19,136.6	6,378.9						
Parks and Recreation Management	Contract out management; 25% targeted savings	5,613.1	-1,672.1								-1,672.1
Agricultural Development	Eliminate; transfer responsibility to Department of Commerce and Economic Development	1,034.2	-1,034.2			-1,034.2					
Statewide Fire Suppression	7.5% savings from salary/benefit reforms and streamlining operations	3,510.0	-263.3	-263.3	3,246.8						
Department of Fish and Game											
Commercial Fisheries/Sport Fisheries	7.5% savings from salary/benefit reforms and streamlining operations	30,376.4	-2,296.7	-2,296.7	28,079.7						
Wildlife Conservation	7.5% savings from salary/benefit reforms and streamlining operations	428.6	-32.1	-32.1	396.5						
Administration and Support	20% savings from salary/benefit reforms; streamline operations	3,439.3	-687.9	-687.9	2,751.4						
Subsistence	7.5% savings from salary/benefit reforms and streamlining operations	1,297.1	-97.3	-97.3	1,199.8						
Habitat	7.5% savings from salary/benefit reforms and streamlining operations	2,126.8	-159.5	-159.5	1,967.3						
Limited Entry Program Administration	7.5% savings from salary/benefit reforms and streamlining operations	2,606.9	-195.5	-195.5	2,411.4						

Work Papers for Reduction Scenarios

Scenario 1											
Program	How Savings Achieved	FY 96 Amount	General Fund Savings by FY 2000	Salary/Benefit Reforms, Pgm Consolidation	Still Remains	Eliminate Program	Grants that benefit Individuals	Grants to Non Profits	Impact on Local Gov	Privatize	Contract Out
Department of Public Safety											
Fish and Wildlife Protection	5% savings from salary/benefit reforms and streamlining operations	14,769.9	-738.5	-738.5	14,031.4						
Fire Prevention	7.5% savings from salary/benefit reforms and streamlining operations	1,804.3	-135.3	-135.3	1,669.0						
Motor Vehicles	Contract out; 25% savings estimated	8,249.8	-2,062.5								-2,062.5
Alaska State Troopers	5% savings from salary/benefit reforms and streamlining operations	40,049.1	-2,002.5	-2,002.5	38,046.6						
Village Public Safety Officer	5% reduction in contract amount	6,685.0	-344.3	-344.3	6,340.8						
Alaska Police Standards Council	12.5% savings from salary/benefit reforms and streamlining operations	494.0	-61.8	-61.8	432.3						
Council on Domestic Violence and Sexual Assault	5% reduction in grants; some savings from salary/benefit reforms	4,487.1	-224.4					-224.4			
Statewide Support	10% savings from salary/benefit reforms and streamlining operations	8,194.3	-819.4	-819.4	7,374.9						
Department of Transportation/Public Facilities											
Statewide Programs	10% savings from salary/benefit reforms and streamlining operations; contract out fleet maintenance, highway maintenance; explore other options	101,001.4	-10,100.1	-5,050.1	90,901.3						-5,050.1
Marine Highway Subsidy	10% savings from salary/benefit reforms and streamlining operations; potential to increase fees to offset some of reduction	28,263.2	-2,826.3	-2,826.3	25,436.9						
Department of Environmental Conservation											
Administration	20% savings from salary/benefit reforms; streamlining operations	1,139.8	-228.0	-228.0	911.8						
Environmental Quality	10% reduction from salaries/benefits reforms and streamlining operations	14,662.0	-1,466.2	-1,466.2	13,195.8						
Facility Construction and Operations	12.5% reduction from salaries/benefits reforms and streamlining operations	2,126.6	-265.8	-265.8	1,860.8						
					0.0						
Department of Community and Regional Affairs											
Administration and Support	20% savings from salary/benefit reforms; streamline operations	2,737.5	-547.5	-547.5	2,190.0						
Senior Citizens/Disabled Vets Tax Relief	Eliminate; make local option	1,500.0	-1,500.0						-1,500.0		

Work Papers for Reduction Scenarios

Scenario 1												
Program	How Savings Achieved	FY 96 Amount	General Fund Savings by FY 2000	Salary/Benefit Reforms, Pgm Consolidation	Still Remains	Eliminate Program	Grants that benefit Individuals	Grants to Non Profits	Impact on Local Gov	Privatize	Contract Out	
State Revenue Sharing	Eliminate	26,271.7	-26,271.7						-26,271.7			
Municipal Assistance	Eliminate	31,959.0	-31,959.0						-31,959.0			
Local Government Assistance	12.5% reduction from salaries/benefits reforms	3,195.9	-399.5	-399.5	2,796.4							
Child Care Grants	12.5% savings from salary/benefit reforms and streamlining operations; reduce grants to Day Care operators	2,152.8	-269.1					-269.1				
Day Care Assistance Program	10% reduction; adjust income guidelines	10,172.9	-1,017.3				-1,017.3					
Head Start Grants	5% reduction from salaries/benefits and streamlining operations; consolidate grantees; reduce grants	2,232.8	-111.6					-111.6				
Rural Development Grants	Eliminate programs	1,119.4	-1,119.4			-1,119.4						
Rural Energy Program	12.5% savings from salary/benefit reforms; streamline operations	2,314.7	-289.3	-289.3	2,025.4							
Department of Corrections												
Administration and Support	10% reduction from salaries/benefits; privatize correctional academy	5,952.1	-595.2	-595.2	5,356.9							
Statewide operations	5% reduction from salaries/benefits and streamlining operations; increase contracting out for care and housing of prisoners	118,723.6	-5,936.2	-2,968.1	112,787.4							-2,968.1
Community Jails	5% reduction	4,374.7	-218.7						-218.7			
University of Alaska												
Systemwide	10% reduction from salaries/benefits reforms and streamlining operations; consolidate and eliminate some programs	167,361.7	-16,736.2	-16,736.2	150,625.5							
Court System												
Systemwide	5% reduction from salaries/benefits savings and streamlining operations	44,996.6	-2,292.1	-2,292.1	42,704.5							
Legislature												
	10% savings from salary/benefit reforms; streamline operations	30,845.6	-3,084.6	-3,084.6	27,761.0							
Operating Budget Estimated Savings:			-404,954.4	-96,150.8	1,384,997.0	-3,196.9	-100,002.0	-11,837.7	-127,750.0	-54,217.4	-11,799.7	

Work Papers for Reduction Scenarios

Scenario 1												
Program	How Savings Achieved	FY 96 Amount	General Fund Savings by FY 2000	Salary/Benefit Reforms, Pgm Consolidation	Still Remains	Eliminate Program	Grants that benefit Individuals	Grants to Non Profits	Impact on Local Gov	Privatize	Contract Out	
Reductions in Capital/Debt Appropriations												
Capital Matching Grants program	Eliminate	20,000.0	-20,000.0						-20,000.0			
School debt reimbursement	Eliminate (savings is FY 96 amount)	80,322.4	-80,322.4						-80,322.4			
G.O. debt savings	Eliminate (obligations will be fulfilled)	16,100.0	-16,100.0			-16,100.0						
	Capital/Debt Estimated Savings:		-116,422.4			-16,100.0			-100,322.4			
Total Estimated Savings:												
			-521,376.8	-96,150.8	1,384,997.0	-19,296.9	-100,002.0	-11,837.7	-228,072.4	-54,217.4	-11,799.7	

**APPENDIX ONE,
CATALOG OF CHOICES TO FILL THE FISCAL GAP
PART 1, TAXES**

Spending Cuts

The Legislature directed the Commission to develop a list of spending cuts that equal the current fiscal gap. This means identifying how to cut \$500 million, or 15 percent, from state spending.

Budget cutting is a painful, divisive undertaking.

It does, however, provide us who live in Alaska the opportunity to re-think our expectations of government. It helps us consider what we believe government should provide and how it can be provided at less cost. It forces us to decide what services we are willing to do without and what services we are willing to pay for.

**It requires us to redefine the common good in the best interest of all
of the people of Alaska.**

The following scenarios of \$500 million in spending cuts are in response to the charge by the Legislature to do so. The Subcommittee does not recommend that the fiscal gap could or should be filled by budget cuts to government operations alone.

The Commission agrees to the following conclusions:

- *1. Spending cuts are an important and necessary tool to solve the fiscal gap.**

- 2. **The State has been accomplishing actual budget cuts by holding the budget flat.**
- 3. **Additional budget cuts, over and above a flat budget, will be necessary to solve the fiscal gap.**
- 4. **It would be devastating to the economy to solve the fiscal gap by budget cuts to government operations alone.**
- 5. **Any significant reduction plan should be phased to the year 2000.**
- 6. **Spending cuts should be governed by announced fiscal policy goals.**

Note: It should be pointed out that individual Commission members would choose different percentages or even different programs for cutting, if such drastic reductions were required. The following scenarios of spending cuts are to demonstrate that each option has its own set of consequences.

Rules of the Road

- Spending cuts were made only to programs supported by the State general fund. This means potential reductions in programs funded from other sources (such as Power Cost Equalization, student loans, etc.) were not identified as potential reductions. An option is to reduce such programs and have the savings go into the general fund to help bridge the gap.
- For purposes of discussion, the Commission agreed to bring appropriations of Permanent Fund earnings "on budget" since they are an expenditure of state funds.

The question of the future of the earnings is central to Alaska's long range fiscal policy.

- The spending cuts discussed here underestimate the impact on local and state economies and services because they do not reflect the anticipated reductions to federal funds.

Current State Spending Philosophies

The state budget reflects how the Governor and Legislature believe Alaska's revenues should be shared. To date, spending of Alaska's oil revenues has resulted in three public policies that, as state revenues decline, compete against each other. These policies are:

- Alaska's revenues are used by state government to provide services to Alaskans and their communities.
- Alaska's revenues are shared with local governments so they can provide services that meet local priorities.
- Alaska's revenues are shared with individual Alaskans so they can make decisions about their individual priorities.

One way to cut \$500 million ~~would be~~^{is} to chose one of these philosophies at the expense of the other two. For example:

- **Direct Alaska's revenues to state government.** If this ~~were~~^{is} the goal, the top priority is to protect the money that goes to state agencies to continue to deliver services.

—Current state jobs would be protected from elimination

pg #5

—Non-needs based grants to individuals would be eliminated (Longevity Bonus and Permanent Fund Dividend) with the savings going to the general fund.

—State aid to municipalities would be eliminated with the savings going to the general fund.

- **Share Alaska's revenues with local governments.** If this were the goal, the priority is to protect, or increase, the amount of funding to local communities. This funding is in lieu of services the state provides.

—Drastic reductions in the number of state employees and state funded services.

—Priority-setting and allocation of funds ~~would~~ shift from the state to local governments in such areas as education, public protection, road maintenance, and capital projects.

- **Grant Alaska's revenues to individual Alaskans.** If this were the goal, free money to Alaskans is protected from cuts.

—Permanent fund dividends and grants to individuals, such as Longevity Bonus, ~~would~~ not be reduced and, in fact, ~~might~~ ^{may} be increased. *ACE*

—The number of current state and municipal employees are dramatically cut, but salary levels remain intact.

—Drastic reductions are made in funding to local governments and in state programs that do not provide direct services to individuals.

—State government services and programs are severely reduced or eliminated in education, health, employment,

Salaries and Benefits

Significant savings are realized from reforms to the public employee compensation system. These reforms apply not only to state employees, but also to those employed by local governments and school districts. Such cost-saving reforms could include:

✕ Establishing a different health benefit package for all employees and different retirement package for new hires. This reduces current benefit costs and future retirement costs for new hires.

✕ Implement a retirement incentive program to reduce the number of current high-cost employees, cut the overall number of employees, and establish a lower cost for all new employees.

✕ Changing the current compensation system to better reward individual performance and limit increases in personal services expenses.

• *Service Delivery Options*

Cost-saving delivery options include:

✕ Contracting with non-profit and private sector organizations to provide services.

✕ Privatizing the service by selling off an asset for a private entity to operate.

✕ Providing eligible individuals with a voucher by which they can purchase a service from a private sector vendor. Is there an example other than schooling??

Service Elimination:

— Human Services Matching Grants	-\$1.7 million
— Agricultural Development	-\$1.0 million
— Rural Development Grants	-\$1.1 million
Consolidation, reorganizations	
— State Agencies and University	-\$64.3 million
— School Districts	-\$31.5 million

Other Service Delivery Options

Privatize:

— Pioneer Homes	-\$29.8 million
— Tourism/Seafood Marketing	-\$13.4 million
— Vocational Education	-\$5.7 million
Contracting Out	-\$4.3 million

Capital Budget

Reduce 15% of remaining	-\$12.9 million
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Total	\$498.1 million
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- Scenario 2:**
- **Major consolidation and privatization of programs at the state level.**
 - **State jobs protected with the trade-off of reductions in salary and benefits.**
 - **Non-needs based payments to individuals eliminated.**
 - **Cap Permanent Fund Dividend payments at 50% and distribute the funds to local governments for community needs (\$278 million based on 1994 dividend amount).**

Grants to Individuals

Longevity Bonus (non-needs based)	-72.2 million
Reduce Permanent Fund Dividend	-\$278.0 million

Salary and Benefit Reforms

- \$62.8 million

Program Consolidation / Elimination

G.O. Debt (obligations fulfilled)	-\$16.1 million
Service Elimination:	
— Agricultural Development	- \$1.0 million
Consolidation, reorganizations	-\$64.3 million

*Other Service Delivery Options**Privatize*

— Pioneer Homes	-\$29.8 million
— Tourism/Seafood Marketing	-\$13.4 million
— Vocational Education	-\$5.7 million
Contracting Out	-\$4.3 million

Total - \$536.2 million

The following reductions taken in scenario 1 are not necessary because revenues from capping the dividend are allocated to local communities:

Municipal Assistance/Revenue Sharing	\$58.2 million
School Debt Reimbursement	\$80.0 million
Senior Citizens Property Tax Relief	\$1.5 million
Capital Matching Grants	\$20.0 million
Human Services Matching Grants	\$1.7 million
 Rural Development Grants	 \$1.1 million
K-12 Funding	\$66.0 million
Additional funds to provide lost state services/ meet other local priorities	\$49.5 million

Total

\$278.0 million

- Scenario 3:**
- **Minimal change in services at state or local government levels.**
 - **Minimal reduction in funds to local governments**
 - **State and municipal jobs protected.**
 - **Non-needs based payments to individuals eliminated.**

Grants to Individuals

Permanent Fund Dividends -\$578.0 million

Longevity Bonus \$72.2 million

Total

-\$650.2 million

- Scenario 4:**
- **Commission Members:
Insert your worksheet here**

Even if cuts of this magnitude are made, the fiscal gap will still grow by another \$500 million in the next ten years.

Over those next ten years, Alaska's population is expected to grow by another XX%, and services are necessary. While the Commission believes spending cuts can and will play a significant role in the solution to Alaska's financial problems, spending cuts alone are not the answer to the problem of the fiscal gap.

All of these scenarios have a significant negative effect on Alaska's economy. State spending is an important part of the economy.

State spending directly and indirectly accounts for close to one-third of all jobs statewide, more than one-fourth of all private sector jobs, almost one-half of local government jobs, and 30% of all personal income in the state.

| On the other hand, any significant negative effect on Alaska's economy may happen regardless of what actions are taken — removing money from individual Alaskans' pockets through taxation or reduced Permanent Fund Dividends to maintain needed state services has a similar effect on the economy as cutting state spending.

Rapid spending cuts or rapid increases in individual taxation hurt all Alaskans. The 1986-88 Alaska recession, brought on by the drop in oil prices and the resultant cuts in state and oil company spending, wreaked havoc on Alaska's economy: the state lost 22,000 jobs (10% of the total workforce in the state), the Anchorage population dropped by 29,000 (9%), Anchorage assessed property declined in value by \$7.2 billion (46%), and statewide there were 10,429 residential properties foreclosed upon between January '85 and March '88.

Cuts to state spending required increased property taxes at the local level.

Three Ways to Cut \$500 Million—or 15% of the Budget

To accomplish the assigned task of cutting \$500 million, the above principles were considered as part of three scenarios.

- Scenario 1:**
- **Major consolidation and privatization of programs at the state level.**
 - **Drastic reduction in funds to local governments.**
 - **State jobs protected with the trade-off of reductions in salary and benefits.**
 - **Non-needs based payments to individuals eliminated, except for Permanent Fund Dividends.**

The following \$500 million in reductions occur when the basic principles are coupled with Scenario 1's guidelines:

→ Grants to Individuals

Longevity Bonus (non-needs based)	-\$72.2 million
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Grants to Local Governments

Municipal Assistance/Revenue Sharing	-\$58.2 million
School Debt Reimbursement	-\$80.0 million
Senior Citizens Property Tax Relief	-1.5 million
Capital Matching Grants	-\$20.0 million

Salary and Benefit Reforms

State Government	-\$62.8 million
School Districts	-\$37.7 million

Program Consolidation / Elimination

337-0740

**Long Range Financial Planning Committee
Expenditures Subcommittee Report**

July 14, 1995

The Legislature asked this Commission to develop a list of spending cuts which total the existing fiscal gap. This means identifying how to cut \$500 million, or 20 % , from current state spending.

Budget cutting is a painful, divisive undertaking, but it does give all of us who live in Alaska the opportunity to re-think what we want government to do . It helps us to decide what services we believe government should provide and how they could be provided at less cost. It forces us to decide what services we are willing to do without and what services we are willing to pay for. Finally, and perhaps most importantly, it requires us to re-define the common good - what are each of us is willing to give up or pay for - in the best interest of all of the people of Alaska.

The following scenerios of spending cuts of \$500 million are in response to the charge by the Legislature to do so. The Committee does not recommend that the fiscal gap could or should be filled by budget cuts alone.

The Committee agrees to the following conclusions:

- 1. Spending cuts are an important and necessary tool to solve the fiscal gap.**
- 2. The State has been accomplishing actual budget cuts by holding a flat budget.**
- 3. Additional budget cuts, over and above a flat budget, will be necessary to solve the fiscal gap.**
- 4. It would be devastating to the economy and poor public policy to attempt to solve the fiscal gap by budget cuts alone.**
- 5. Any significant reduction plan should be phased to the year 2000.**
- 6. Spending cuts should be determined by announced fiscal policy goals.**

Note: It should be pointed out that individual Committee members would choose different percentages or even different programs for cutting, if such a drastic reduction were required. The following scenarios of spending cuts are to demonstrate that there are approaches to reduce the budget; that each approach has its own set of consequences.

Rules of the Road

o Spending cuts were made only to programs supported by the State's general fund. This means potential reductions in programs funded from other sources, (such as

Power Cost Equilization , student loans, etc.)were not addressed. One option is to reduce such programs and have the savings go into the general fund to help bridge the gap.

o For purposes of discussion, the Commission agreed to bring Permanent Fund dividends "on budget" since they re an expenditure of state funds. Under Alaska law the legislature would have to vote to use part or all of the earnings for a purpose other than paying dividends. While the Commission is not at this point advocating use of the dividends to fill the fiscal gap, the question of the future of the dividends is central to Alaska's long range fiscal policy.

Current State Spending Philosophies

The state budget reflects the how the Governor and Legislature believe Alaska's revenues should be shared. To date, this spending of Alaska's oil wealth has resulted in three public policy goals which, as state revenues decline, compete against each other. These goals are:

- Alaska's wealth should be shared with the state government so it can provideservices to Alaskans and its communities.
- Alaska's wealth should be shared with local governments so they can provide services that meet local priorities.
- Alaska's wealth should be shared with individual Alaskans so they can make personal decisions about their individual priorities.

One way to cut \$500 million would be to chose one of these philosophies, at the expense of the other two. For example:

- *Alaska's revenues should be shared with the State government* means the top priority would be protecting the amount of money that goes to state agencies so they can continue to deliver the same services the same way as they do now . This would mean:
 - Current state jobs would be protected from elimination (salary and benefits, however, would be reduced in order to maintain as many state jobs as possible).
 - Non-needs based grants to individuals would be cut (Longevity Bonus and Permanent Fund Dividend with the savings going to the general fund to maintain the same level of state services).
- *Alaska's revenues should be shared with local communities* means the priority would be to protect, or increase, the amount of funding that goes to local communities. Local governments would then decide what services their residents want. Such funding and services would not be in addition to what the state provides--it would be in place of what the state has provided. This means:
 - Significant reductions in the number of state employees and state funded services.

- Priority-setting and allocation of funds would shift from the state to local governments in areas such as education, public protection, road maintenance, and capital projects.

- *Alaska's revenues should be shared with individual Alaskans* means the priority would be to protect payments to Alaskans from reduction. This means:

- Permanent fund dividends and grants to individuals would not be reduced.
- Current state employee salary and benefit levels would remain intact.
- Reductions would be made in funding to local governments and in state programs that do not provide a direct service to individuals.

A Practical Approach

Selecting any one of the above options would mean extreme consequences to current programs and services, to every community and to every Alaskan. Instead, a fourth approach could be:

- Alaska's revenues should be shared in such a way that the state can protect and promote the common good of its citizens, our communities can provide the level of services its residents need and are willing to pay for, and individual Alaskans can benefit from receiving necessary services at a reasonable cost.

This more practical approach, and the following principles, were then applied to the current Fiscal Year 1996 budget to reach the assigned task of identifying \$500 million in spending cuts that would be achieved by the Fiscal Year 2000:

Grants and Services to Individuals

- Eligibility for grants to individuals should be based on financial-need.

Grants to Organizations and Local Governments

- Administrative and other costs should be reduced by consolidation of grantee organizations and local governments and school districts. This will stretch the amount of funds available for direct services.
- State funds to local governments will be tied to providing specific services as opposed to general block grants for local services.

(State and local governments should charge for services at a similar rate to that paid in other states. Collection of these increased fees will help offset reduced state funding.

Salaries and Benefits

Significant savings could be realized from reforms to the public employee compensation system. These reforms apply not only to state employees, but also to those employed by local governments and school districts. Reducing the cost of employees will protect current jobs and significantly absorb some of the effects of overall reduced spending. Such cost-saving reforms could include:

- Establishing a different retirement benefit package for new hires. This will reduce current benefit costs for new hires and significantly reduce their future retirement costs.
- Implement a retirement incentive program which will reduce the number of current high-cost employees, cut the overall number of employees, and establish a lower cost for all new employees.
- Changing the current merit system's annual 3.5% increase to a one-time bonus paid annually for outstanding performance. This eliminates continuous build up of an employee's base salary.

Service Delivery Options

Once government agrees certain services should be provided, it doesn't mean government is the only one who can deliver those services. Cost-saving delivery options include:

- Contracting with non-profit and private sector organizations to provide services.
- Privatizing the service by the state selling off an asset for a private entity to operate.
- Providing eligible individuals with a voucher by which they can purchase a service from a private sector vendor.

By applying the above goals and principles, the following savings occur:

Grants to Individuals

Longevity Bonus (non-needs based)	- \$72 million
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Grants to Local Governments

Municipal Assistance/Revenue Sharing	-58.2 million
School Debt Reimbursement	-80.0 million
Capital Matching Grants	-20.0 million

Salaries and Benefit Reforms

-100.5 million

Program Consolidation/Elimination

G.O. Debt (obligations fulfilled)	-16.1 million
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Service Elimination:

-- Human Services Matching Grants	-1.7 million
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Service Delivery Options

Privatize:

-- Pioneer Homes	-29.8 million
-- Tourism/Seafood Marketing	-13.4 million
-- Vocational Education	-5.7 million
Contracting Opportunities	-4.3 million

General Fund Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2000	Amount Remaining
Scenario 1			
\$500 million cut from programs currently funded by general funds.			
Office of the Governor			
Human Rights Commission	10% savings from salary/benefit reforms	-108.7	977.9
Executive Operations	10% savings from salary/benefit reforms and streamline/curtail operations	-733.9	6,604.7
Office of Management and Budget	10% savings from salary/benefit reforms and streamline/curtail operations	-420.7	3,786.1
Elective Operations	10% savings from salary/benefit reforms	-197.2	1,774.8
Department of Administration			
Longevity Bonus	Eliminate	-72,152.6	0.0
Pioneer Homes	Privatize	-29,842.3	0.0
Other Senior Services	10% savings from salary/benefit reforms; grantees charge fees for services	-763.3	6,869.3
Public Defender Agency	5% savings from salary/benefit reforms; contract out	-405.2	7,699.1
Office of Public Advocacy	5% savings from salary/benefit reforms; contract out	-360.0	6,839.6
Centralized Administrative Services	20% savings from salary/benefit reforms; streamline and curtail operations	-2,962.8	11,851.2

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ALASKA OIL & GAS ASSOC.

FAX NO. 9072798114

P. 06/15

General Fund Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2000	Amount Remaining
Alaska Oil and Gas Conservation Commission	5% savings from salary/benefit reforms; contract out	-82.9	1,575.8
Alaska Public Offices Commission	Consolidate with Div. of Elections; 50% savings	-316.9	316.9
RATNET	Privatize	-794.8	0.0
Public Broadcasting Radio/TV	50% reduction; consolidate/privatize operations	-2,218.3	2,106.8
Leases	20% savings from salary/benefit reforms and streamlining operations; reduced workforce should require less office space; contract out management of some leases	-4,634.2	18,536.8
Department of Law			
Prosecution	5% savings from salary/benefit reforms	-579.6	11,012.0
Legal Services	20% savings from salary/benefit reforms; streamline and curtail operations	-1,534.3	5,771.9
Department of Revenue			
Child Support Enforcement	5% savings from salary/benefit reforms	-92.7	1,761.9
Alcohol Beverage Control Board	Transfer to local community with authority to collect fees to pay for enforcement or merge responsibility with gaming monitoring	-639.3	0.0
Revenue Operations	10% savings from salary/benefit reforms	-868.1	7,813.2
Administration and Support	20% savings from salary/benefit reforms; streamline and curtail operations	-170.8	683.2

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ALASKA OIL & GAS ASSOC.

FORM NO. 90/2/1981

P. 07/15

General Fund Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2000	Amount Remaining
Department of Education			
K-12 Foundation funding	10% reduction based on local school district personnel system reforms; merge some school districts; shift focus to student achievement with cash incentives that reward success	-66,030.9	594,278.5
School Finance	20% savings from salary/benefit reforms; streamline and curtail some operations	-214.9	859.7
Education Program Support	20% savings from salary/benefit reforms, streamline/curtail some operations ; privatize Alaska Career Information System	-669.7	2,678.9
Executive Administration	20% savings from salary/benefit reforms; streamline and curtail some operations	-466.4	1,865.5
Professional Teaching Practices Commission	Privatize or contract out (50% estimated savings)	-376.1	376.1
Arts Council	Privatize	-564.0	0.0
Kotzebue Technical Center	Privatize	-734.0	0.0
Alaska Vocational Technical Center	Privatize	-4,372.3	0.0
Mt. Edgecumbe Boarding School	10% savings from salary/benefit reforms	-231.2	2,080.9
Vocational Rehabilitation	10% savings from salary/benefit reforms	-477.7	4,298.9
Alaska State Library	10% savings from salary/benefit reforms; streamline and curtail some operations; eliminate specific cultural programs grants	-551.4	4,963.0
Postsecondary Education Commission	10% savings from salary/benefit reforms; reduce services	-192.6	1,733.6

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ALASKA OIL & GAS ASSOC.

FAX NO. 9072798114

P. 08/15

General Fund Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2000	Amount Remaining
Department of Health and Social Services			
Assistance Payments	10% overall reduction; in light of expected federal changes, public assistance program should be reformed with goal of significant cost controls of future growth	-10,163.1	91,468.0
Medical Assistance	10% overall reduction; in light of expected federal changes, medicaid program should be reformed with goal of significant cost controls on future growth	-15,035.6	135,320.2
Public Assistance Administration	10% savings from salary/benefit reforms	-1,916.1	17,244.8
Medical Assistance Administration	10% savings from salary/benefit reforms	-662.4	5,961.4
Purchased Services	10% savings from salary/benefit reforms; consolidate/streamline programs	-2,332.2	20,989.4
Family and Youth Services	10% savings from salary/benefit reforms; consolidate/streamline program	-1,043.0	1,042.5
Youth Facility Services	5% savings from salary/benefit reforms	-717.5	13,632.4
Human Services Community Matching Grants	Eliminate	-1,769.6	0.0
Regional Non-Profit Grants	10% savings from salary/benefit reforms; consolidation	-1,068.7	9,618.1
State Health Services	10% savings from salary/benefit reforms; implement sliding fee scale	-2,310.4	20,793.5
Health Grants	10% reduction; implement sliding fee scale	-698.7	6,288.0
Alcohol and Drug Abuse Services	10% reduction; implement sliding fee scale	-1,535.9	13,823.2
Community Mental Health Grants	10% reduction; implement sliding fee scale	-2,583.8	23,254.0
Medicaid Community Mental Health Grants	10% reduction; implement sliding fee scale	-100.0	900.0
Community DD Grants	10% reduction; implement sliding fee scale	-2,056.2	18,596.2

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General Fund Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2000	Amount Remaining
Institutions and Administration	Privatize Harborview; 5% reduction in APH from salary reforms; 20% cut in other areas	-5,610.4	9,550.5
Mental Health Trust Boards	20% savings from salary/benefit reforms; streamline operations	-142.2	568.6
Administrative Services	20% savings from salary/benefit reforms; streamline and curtail some operations	-743.7	2,974.6
Department of Labor			
Employment Security	10% savings from salary/benefit reforms	-135.6	1,220.3
Office of the Commissioner	20% savings from salary/benefit reforms; streamline and curtail some operations	-1,835.4	5,985.9
Department of Commerce and Economic Development			
Measurement Standards	10% savings from salary/benefit reforms; potential to contract out inspections	-287.9	2,591.4
Banking, Securities, Corporations	10% savings from salary/benefit reforms	-163.2	1,468.4
Insurance	10% savings from salary/benefit reforms	-400.2	3,601.8
Occupational Licensing	Eliminate licensing some occupations; target 20% savings	-797.3	3,189.0
Alaska Public Utilities Commission	10% savings from salary/benefit reforms	-351.6	3,164.3
Executive Administration and Development	20% savings from salary/benefit reforms; streamline and curtail some operations	-920.2	3,680.8
Tourism Development	10% savings from salary/benefit reforms	-303.8	2,733.8
Alaska Tourism Marketing Council	Privatize	-5,365.3	0.0
Alaska Seafood Marketing Institute	Privatize	-7,994.7	0.0

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ALASKA OIL & GAS ASSOC.

FAX NO. 9072798114

P. 10/15

General Fund Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2000	Amount Remaining
Department of Military and Veterans Affairs			
Alaska National Guard	5% savings from salary/benefit reforms	-233.9	4,443.7
Alaska National Guard Benefits	10% savings from salary/benefit reforms	-113.3	1,019.6
Veterans' Services	10% reduction	-48.0	432.0
Department of Natural Resources			
Management and Administration	5% savings from salary/benefit reforms	-1,409.1	5,636.5
Resource Development	5% savings from salary/benefit reforms; streamline and curtail some operations	-1,275.8	24,239.7
Parks and Recreation Management	Contract Out; 25% targeted savings	-1,337.7	4,275.4
Agricultural Development	Eliminate; leave to private sector	-1,034.2	0.0
Statewide Fire Suppression	5% savings from salary/benefit reforms	-175.5	3,334.5
Department of Fish and Game			
Commercial Fisheries/Sport Fisheries	5% savings from salary/benefit reforms	-1,531.2	28,845.2
Wildlife Conservation	5% savings from salary/benefit reforms	-21.4	407.2
Administration and Support	20% savings from salary/benefit reforms; streamline and curtail some operations	-687.9	2,751.4
Subsistence	5% savings from salary/benefit reforms	-64.9	1,232.2
Habitat	5% savings from salary/benefit reforms	-106.3	2,020.5
Limited Entry Program Administration	5% savings from salary/benefit reforms	-130.3	2,476.6

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ALASKA OIL & GAS ASSOC.

FAX NO. 907/2798114

P. 11/15

General Fund Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2000	Amount Remaining
Department of Public Safety			
Fish and Wildlife Protection	5% savings from salary/benefit reforms	-738.5	14,031.4
Fire Prevention	5% savings from salary/benefit reforms	-90.2	1,714.1
Motor Vehicles	Contract out; 25% savings projected	-2,062.5	6,367.4
Alaska State Troopers	5% savings from salary/benefit reforms	-2,002.5	38,046.6
Village Public Safety Officer	5% savings	-344.3	6,540.8
Alaska Police Standards Council	5% savings from salary/benefit reforms	-24.7	469.3
Council on Domestic Violence and Sexual Assault	5% reduction	-224.4	4,262.7
Statewide Support	10% savings from salary/benefit reforms	-819.4	7,374.9
Department of Transportation/Public Facilities			
Statewide Programs	10% savings from salary/benefit reforms; contract out fleet maintenance and highway maintenance	-10,100.1	90,901.3
Marine Highway Subsidy	10% savings from salary/benefit reforms; increased fees	-2,826.3	25,436.9
Department of Environmental Conservation			
Administration	20% savings from salary/benefit reforms; streamline and curtail some operations	-228.0	911.8
Environmental Quality	5% reduction from salaries/benefits reforms	-733.1	13,928.9
Facility Construction and Operations	10% reduction from salaries/benefits reforms	-212.7	1,913.9

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ALASKA OIL & GAS ASSOC.

FAX NO. 9072798114

P. 12/15

General Fund Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2000	Amount Remaining
Department of Community and Regional Affairs			
Administration and Support	20% savings from salary/benefit reforms; streamline and curtail some operations	-547.5	2,190.0
Senior Citizens/Disabled Vets Tax Relief	Eliminate; make local option	-1,500.0	0.0
State Revenue Sharing	Eliminate	-26,271.7	0.0
Municipal Assistance	Eliminate	-31,959.0	0.0
Local Government Assistance	10% reduction from salaries/benefits reforms	-319.6	2,876.3
Child Care Grants	10% savings from salary/benefit reforms; grant reductions	-215.3	2,607.5
Day Care Assistance Program	10% general reduction based on adjusting income guidelines	-1,017.3	10,193.8
Head Start Grants	10% reduction from salaries/benefits and program consolidation	-223.3	2,009.7
Rural Development Grants	Eliminate	-1,119.4	0.0
Rural Energy Program	10% savings from salary/benefit reforms; streamline and curtail some operations	-231.5	2,083.2
Department of Corrections			
Administration and Support	10% reduction from salaries/benefits; privatize correctional academy	-595.2	5,356.9
Statewide operations	5% reduction from salaries/benefits; increase contracting out for care and housing of prisoners	-5,936.2	112,787.4
Community Jails	5% reduction	-218.7	4,156.0

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ALASKA OIL & GAS ASSOC.

FAX NO. 907/2198114

P. 13/15

General Fund Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2000	Amount Remaining
University of Alaska			
Systemwide	10% reduction from salaries/benefits reforms; consolidation and elimination of some programs	-16,736.2	150,625.5
Court System			
Systemwide	5% reduction from salaries/benefits savings	-2,292.1	43,550.3
Legislature			
Other reductions	10% savings from salary/benefit reforms; streamline operations	-3,084.6	27,761.0
	Operating Budget Estimated Savings:	-384,647.5	
Capital/Debt Appropriation Savings			
	Eliminate Capital Matching Grants Funding to local communities	-20,000.0	
	Eliminate school debt reimbursement (FY 96 amount)	-80,322.4	
	G.O. debt savings (FY 96 amount)	-16,100.0	
	Capital/Debt Estimated Savings:	-116,422.4	
	Total Estimated Savings:	-501,069.9	

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JUL-13-95 THU 15:52

ALASKA OIL & GAS ASSOC.

FAX NO. 907/2798114

P. 14/15

General Fund Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2000	Amount Remaining
Scenario 2			
Permanent Fund Dividend pool is capped at 50% (\$278 million based on amount in 1994 dividends)			
These funds are distributed to local communities to offset reductions made in scenario one			
Scenario 3			
Permanent Fund Dividend is repealed			
Funds flow into general fund			
Scenario one reductions are not necessary as \$500 million gap is filled			

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Potential Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2000	Amount Remaining
Office of the Governor			
Human Rights Commission	10% savings from salary/benefit reforms	-108.7	977.9
Executive Operations	20% savings from salary/benefit reforms and streamline/curtail operations	-733.9	6,604.7
Office of Management and Budget	20% savings from salary/benefit reforms and streamline/curtail operations; go to biennial budget	-841.4	3,365.4
Elective Operations	10% savings from salary/benefit reforms	-197.2	1,714.8
Department of Administration			
Longevity Bonus	Eliminate (or if needs-based, will save)	-72,152.6	0.0
Pioneer Homes	Privatize	-29,842.3	0.0
Other Senior Services	10% savings from salary/benefit reforms; grantees charge fees for services	-763.3	6,869.3
Public Defender Agency	5% savings from salary/benefit reforms; contract out	-405.2	7,699.1
Office of Public Advocacy	5% savings from salary/benefit reforms; contract out	-360.0	6,839.6
Centralized Administrative Services	20% savings from salary/benefit reforms; streamline and curtail operations	-2,962.8	11,851.2
Alaska Oil and Gas Conservation Commission	5% savings from salary/benefit reforms; contract out	-82.9	1,575.8
Alaska Public Offices Commission	Eliminate; file reports with Div. of Elections	-633.8	0.0
RATNET	Privatize	-794.8	0.0
Public Broadcasting Radio/TV	Phased 50% reduction	-2,218.3	2,106.8

Potential Expenditure Reductions

Program	How Savings Achieved	Gas Fund Savings in FY 2000	Amount Remaining
Leases	20% savings from salary/benefit reforms and streamlining operations; reduced workforce should require less office space; contract out management of some leases	-4,634.2	18,536.8
Department of Law			
Prosecution	5% savings from salary/benefit reforms	-579.6	11,012.0
Legal Services	20% savings from salary/benefit reforms; streamline and curtail operations	-1,534.3	5,771.9
Department of Revenue			
Child Support Enforcement	5% savings from salary/benefit reforms	-92.7	1,761.9
Alcohol Beverage Control Board	Transfer to local community with authority to collect fees or merge with gaming monitoring	-639.3	0.0
Revenue Operations	10% savings from salary/benefit reforms	-868.1	7,813.2
Administration and Support	10% savings from salary/benefit reforms; streamline and curtail operations	-170.8	683.2
Department of Education			
K-12 Foundation funding	10% reduction based on local school district personnel system reforms; merge some school districts; shift focus to student achievement with rewards for success	-66,030.9	594,278.5
School Finance	20% savings from salary/benefit reforms; streamline and curtail some operations	-214.9	859.7

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7/12/95

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JUL-13-95 THU 07:56

ALASKA OIL & GAS ASSOC.

FAX NO. 9072798114

P. 02/09

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7/12/95

Potential Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2000	Amount Remaining
Education Program Support	20% savings from salary/benefit reforms, streamline/curtail some operations ; privatize Alaska Career Information System	-669.7	2,678.9
Executive Administration	20% savings from salary/benefit reforms; streamline and curtail some operations	-466.4	1,865.5
Professional Teaching Practices Comm/Arts Council	Privatize or contract out	-752.2	0.0
Arts Council	Privatize	-564.0	0.0
Kotzebue Technical Center	Privatize	-734.0	0.0
Alaska Vocational Technical Center	Privatize	-4,372.3	0.0
Mt. Edgecumbe Boarding School	10% savings from salary/benefit reforms	-231.2	2,080.9
Vocational Rehabilitation	10% savings from salary/benefit reforms	-477.7	4,298.9
Alaska State Library	10% savings from salary/benefit reforms; streamline and curtail some operations; eliminate specific cultural programs grants	-551.4	4,963.0
Postsecondary Education Commission	10% savings from salary/benefit reforms; reduce services	-192.6	1,733.6
Department of Health and Social Services			
Assistance Payments	10% overall reduction; in light of expected federal changes, public assistance program should be reformed with goal of significant cost controls of future growth	-10,163.1	91,468.0
Medical Assistance	10% overall reduction; in light of expected federal changes, medicaid program should be reformed with goal of significant cost controls on future growth	-15,035.6	135,320.2
Public Assistance Administration	10% savings from salary/benefit reforms	-1,916.1	17,244.8

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Potential Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2009	Amount Remaining
Medical Assistance Administration	10% savings from salary/benefit reforms	-662.4	5,961.4
Purchased Services	10% savings from salary/benefit reforms	-2,332.2	20,989.4
Family and Youth Services	10% savings from salary/benefit reforms	-1,043.0	1,042.5
Youth Facility Services	5% savings from salary/benefit reforms	-717.5	13,632.4
Human Services Community Matching Grants	Eliminate	-1,769.6	0.0
Regional Non-Profit Grants	10% savings from salary/benefit reforms; consolidation	-1,068.7	9,618.1
State Health Services	10% savings from salary/benefit reforms; implement sliding fee scale	-2,310.4	20,793.5
Health Grants	10% reduction; implement sliding fee scale	-698.7	6,288.0
Alcohol and Drug Abuse Services	10% reduction; implement sliding fee scale	-1,535.9	13,823.2
Community Mental Health Grants	10% reduction; implement sliding fee scale	-2,583.8	23,254.0
Medicaid Community Mental Health Grants	10% reduction; implement sliding fee scale	-100.0	900.0
Community DD Grants	10% reduction; implement sliding fee scale	-2,056.2	18,596.2
Institutions and Administration	Privatize Harborview; 5% reduction in APH; 20% cut in other areas	-5,610.4	9,550.5
Mental Health Trust Boards	20% savings from salary/benefit reforms; streamline and curtail some operations	-142.2	568.6
Administrative Services	20% savings from salary/benefit reforms; streamline and curtail some operations	-743.7	2,974.6

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7/12/95

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JUL-13-95 THU 07:58

ALASKA OIL & GAS ASSOC.

FAX NO. 9072798114

P. 04/09

Potential Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2000	Amount Remaining
Department of Labor			
Employment Security	10% savings from salary/benefit reforms	-135.6	1,220.3
Office of the Commissioner	20% savings from salary/benefit reforms; streamline and curtail some operations	-1,835.4	5,985.9
Department of Commerce and Economic Development			
Measurement Standards	10% savings from salary/benefit reforms; contract out inspections	-287.9	2,591.4
Banking, Securities, Corporations	10% savings from salary/benefit reforms	-163.2	1,468.4
Insurance	10% savings from salary/benefit reforms	-400.2	3,601.8
Occupational Licensing	Eliminate licensing some occupations; target 20% savings	-797.3	3,189.0
Alaska Public Utilities Commission	10% savings from salary/benefit reforms	-351.6	3,164.3
Executive Administration and Development	20% savings from salary/benefit reforms; streamline and curtail some operations	-920.2	3,680.8
Tourism Development	10% savings from salary/benefit reforms	-303.8	2,733.8
Alaska Tourism Marketing Council	Privatize	-5,365.3	0.0
Alaska Seafood Marketing Institute	Privatize	-7,994.7	0.0
Department of Military and Veterans Affairs			
Alaska National Guard	5% savings from salary/benefit reforms	-233.9	4,443.7
Alaska National Guard Benefits	10% savings from salary/benefit reforms	-113.3	1,019.6
Veterans' Services	10% reduction	-48.0	432.0

Potential Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2000	Amount Remaining
Department of Natural Resources			
Management and Administration	5% savings from salary/benefit reforms	-1,409.1	5,636.5
Resource Development	5% savings from salary/benefit reforms; streamline and curtail some operations	-1,275.8	24,239.7
Parks and Recreation Management	Contract Out; 25% targeted savings	-1,337.7	4,275.4
Agricultural Development	Eliminate; leave to private sector	-1,034.2	0.0
Statewide Fire Suppression	5% savings from salary/benefit reforms	-175.5	3,334.5
Department of Fish and Game			
Commercial Fisheries/Sport Fisheries	5% savings from salary/benefit reforms	-1,531.2	28,845.2
Wildlife Conservation	5% savings from salary/benefit reforms	-21.4	407.2
Administration and Support	20% savings from salary/benefit reforms; streamline and curtail some operations	-687.9	2,751.4
Subsistence	5% savings from salary/benefit reforms	-64.9	1,232.2
Habitat	5% savings from salary/benefit reforms	-106.3	2,020.5
Limited Entry Program Administration	5% savings from salary/benefit reforms	-130.3	2,476.6
Department of Public Safety			
Fish and Wildlife Protection	5% savings from salary/benefit reforms	-738.5	14,031.4
Fire Prevention	5% savings from salary/benefit reforms	-90.2	1,714.1
Motor Vehicles	Contract out; 25% savings projected	-2,062.5	6,367.4
Alaska State Troopers	5% savings from salary/benefit reforms	-2,002.5	38,046.6
Village Public Safety Officer	5% savings	-344.3	6,540.8
Alaska Police Standards Council	5% savings from salary/benefit reforms	-24.7	469.3
Council on Domestic Violence and Sexual Assault	5% reduction	-224.4	4,262.7
Statewide Support	5% savings from salary/benefit reforms	-409.7	7,784.6

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Potential Expenditure Reductions

Program	How Savings Achieved	Gas Fund Savings in FY 2000	Amount Remaining
Department of Transportation/Public Facilities			
Statewide Programs	10% savings from salary/benefit reforms; contract out fleet maintenance and highway maintenance	-10,100.1	90,901.3
Marine Highway Subsidy	10% savings from salary/benefit reforms; increased fees	-2,826.3	25,436.9
Department of Environmental Conservation			
Administration	20% savings from salary/benefit reforms; streamline and curtail some operations	-228.0	911.8
Environmental Quality	5% reduction from salaries/benefits reforms	-733.1	13,928.9
Facility Construction and Operations	5% reduction from salaries/benefits reforms	-106.3	2,020.3
Department of Community and Regional Affairs			
Administration and Support	20% savings from salary/benefit reforms; streamline and curtail some operations	-547.5	2,190.0
Senior Citizens/Disabled Vets Tax Relief	Eliminate; make local option	-1,500.0	0.0
State Revenue Sharing	Eliminate; replace new program tied to services	-26,271.7	0.0
Municipal Assistance	Eliminate; replace new program tied to services	-31,959.0	0.0
New Revenue Sharing/Assistance Program	Replaces previous programs	25,000.0	25,000.0
Local Government Assistance	10% reduction from salaries/benefits reforms	-319.6	2,876.3
Child Care Grants	Eliminate grants to day care operators; 20% savings from salary/benefit reforms	-2,272.8	550.0

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Potential Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2000	Amount Remaining
Day Care Assistance Program	Replace with vouchers to individuals; adjust income levels; target 25% savings	-2,543.2	8,667.9
Head Start Grants	10% reduction from salaries/benefits; reduce grants 10% urging consolidation of programs; prioritizing areas	-223.3	2,009.7
Rural Development Grants	Eliminate program	-1,119.4	0.0
Rural Energy Program	20% savings from salary/benefit reforms; streamline and curtail some operations	-462.9	1,851.8
Department of Corrections			
Administration and Support	10% reduction from salaries/benefits; privatize correctional academy	-595.2	5,356.9
Statewide operations	5% reduction from salaries/benefits; increase contracting out for care and housing of prisoners	-5,936.2	112,787.4
Community Jails	5% reduction	-218.7	4,156.0
University of Alaska			
Systemwide	10% reduction from salaries/benefits reforms	-16,736.2	150,625.5
Court System			
Systemwide	5% reduction from salaries/benefits savings	-2,292.1	43,550.3
Legislature			
60 day legislative session		-3,000.0	

Potential Expenditure Reductions

Program	How Savings Achieved	Gen Fund Savings in FY 2000	Amount Remaining
Other reductions	20% savings from salary/benefit reforms; streamline and curtail some operations	-6,169.1	21,676.5
	Operating Budget Estimated Savings:	-370,144.7	
Capital/Debt Appropriation Savings			
Eliminate Capital Matching Grants Funding to local communities		-20,000.0	
Eliminate school debt reimbursement (FY 96 amount)		-80,322.4	
G.O. debt savings (FY 96 amount)		-16,100.0	
	Capital/Debt Estimated Savings:	-116,422.4	
	Total Estimated Savings:	-486,567.1	

facsimile
TRANSMITTAL

to: Melissa Aber Fouse
fax #: 907-258-9869|
re: Rev. Subcom. agenda
date: June 20, 1995
pages: 1, including cover sheet.

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MESSAGE:

Melissa: I should appreciate your faxing around to the subcommittee members and everyone else who will be on line the agenda I have prepared:

1. Enterprise funds (AHFC, AIDEA etc.) contributions to general fund *bonding*
2. Excise tax raises and new excise taxes
3. User fees and charges; program receipts
4. Consideration of draft report; consideration of proposed recommendations
5. Editing of report - grammar,
phraseology, etc.
6. Format of report; executive summary;
presentation

If we get through this, we should be able to circulate a draft that will be nearly in presentable form. Thanks.

From the desk of...

Mary A. Nordale
Of Counsel
Birch, Horton, Bittner & Cherot
100 Cushman Street, Suite 311
Fairbanks, Alaska 99701

907-452-1666
Fax: 907-456-5055

**IF YOU DO NOT RECEIVE ALL PAGES OR ENCOUNTER ANY PROBLEMS,
PLEASE CONTACT SENDER AT (907) 452-1666 or, in Alaska only, (800) 478-1666.**

1. Enterprise

RR-yes / AHE/AIDEA? ^{now?} ^{minor-consistent approach}
^{rational allocation causing}
^{return original capital to}
^{state}

LG-performance standard.

enumerate auxiliary inventory

Brad will do

MN-Classes

• coops

• rev. loans

• Retirement funds



• expenditure committee should be looking at
retirement funds. Rating view as well funded.

EXP COMM
review
refined
only needed
\$0

LG: issues of exceptions/discounts
resource/taxation

• limited entry permits / liquor licenses
can be bought and sold.

licensee's share of bonded license represented for
becoming private property

BP-language - limited entry fish royalty tax - portion of value
of catch.

AAROUND

BRAD DO COUPLE PARAGRAPHS ON AHE/AIDEA RE ISSUES SURROUNDING

2. EXCISE TAXES

• OTHER RECOMMENDATIONS IE HICKEL SUMMIT

• COMPARISONS W OTHER STATES.

• DOR doing MAJOR REVIEW TAXES. AUG 26 MTC PRESENTATION

• USER FEES/CHARGES/PROGRAM RECEIPTS, ANY HANDLE?
- Brad, yes, draft categorization

TH SHOULD SERVICES BE SELF SUPPORTING IE USER FEES
OR LICENSE FEES.

ALSO MEMO FM LEG RESEARCH
RE USER FEES

[POLICY STATEMENT GUIDELINE, NOT INSPECT INDIVIDUALLY]

ISSUES AROUND APPLICATION OF USER FEES

**SECOND NOTICE
AGENDA FOLLOWS**

21 JUNE 95, MONDAY

FROM: MELISSA FOUSE

TO: REVENUE SOURCES SUBCOMMITTEE:

Identify potential sources of state revenue, estimate their impacts.
Examine earnings of the permanent fund.

Mary Nordale, Chair 452-1666/Fax 452-5055

Pat Pourchot 465-4021/Fax 465-3147

Lee Gorsuch 786-1437/Fax 786-6123

Marie Westfall 225-3561/Fax 225-8731

Nawane STAFF

Staff: Melissa Fouse/Bob Walsh-Anchorage LIO

Brad Pierce 465-4677

**THERE IS A TELECONFERENCED MEETING OF THE
REVENUE SUBCOMMITTEE SCHEDULED FOR 8:30 TO 10:30
AM, THURSDAY, 22 JUNE 95.**

**IF YOU ARE LOCATED OUTSIDE OF ANCHORAGE, CALL
1-800-478-7612**

**IF YOU ARE LOCATED IN ANCHORAGE, EITHER COME
TO THE LIO OR CALL 700-222-1000. IF YOU ARE NOT
CONNECTED WITH ALASCOM, YOU WILL NEED TO DIAL THE
ACCESS CODE 10866 FIRST.**

**CC: Chairman Rogers
Fax 456-2531**

**CC: Vice Chair Brady
Fax: 279-8111**

**CC: Brad Pierce, OMB
1-907-465-3008**

#3a Bonding?

• GO BONDS for public works

[FORREST BROWN 465-3750]

• STATUTORY LIMIT FOR LOCAL GOVT BONDING?

• % of valuation?

• % of income?

OTHER ISSUE

OIL & GAS TAXATION:

• Routine going to come up w numbers

REPORT

"Potential recommendations"

• local govt revenues -

current capacity + use

AS29 - ^{mandatory} exemptions for property tax - increase local govt issue

LOCAL GOVT TAXATION PRINCIPLES

PROPERTY TAX -

SALES TAX -

LG: 3 TIER

• REMITTANCE actual collection

• equalization to local county

• State revenue sources.

• Incentives for organizing ie. no sales tax remittance

• or LG act as org brought.

* teleconf 29th 8³⁰ 10³⁰
Thurs.

MEETING ANNOUNCEMENT
WEDNESDAY, 12 JULY 1995, 10:30 AM

EXPENDITURES SUBCOMMITTEE:

Examine budget expenditures and make recommendations as to methods or principles by which to reduce or increase expenditures.

Judy Brady, Chair 272-1481/Fax 258-1566
Hugh Motley 595-1430
Mike O'Conner 561-3200/Fax 562-5860
Bruce Ludwig 586-2334/Fax 463-4980
Robert Loescher 586-9231

Brian Rogers 452-2463
Brad Pierce 465-4677

Please dial teleconference bridge #1-800-478-7612 from outside of Anchorage or 700-222-1000 (if not on Alascom, dial access code 10866)

Cancelled.

FAX COVER

**TO:
EXPENDITURES SUBCOMMITTEE
LONG RANGE FINANCIAL PLANNING
COMMISSION**

**Judy Brady, Chair
Hugh Motley
Mike O'Conner
Bruce Ludwig
Bob Loescher**

**FROM:
MELISSA FOUSE
STAFF, LONG RANGE FINANCIAL PLANNING
COMMISSION**

**PHONE: 258-8165
FAX: 258-9869**

**FOLLOWING IS THREE PAGE MEMO FROM
BRAD PIERCE FOR TOMORROWS
TELECONFERENCE SUBCOMMITTEE MEETING
AT 8:30 AM**

MEMORANDUM**State of Alaska**

*Office of the Governor
Office of Management and Budget*

June 7, 1995

TO: LRFPC Budget Process Subcommittee

FROM: Brad Pierce
Senior Policy Analyst

SUBJECT: Expenditure Subcommittee Draft Principles

Judy asked me to draft a set of principles that the subcommittee might offer to the commission as a whole for inclusion in the interim report. Of course the basic problem is to determine what the commission might offer that is useful but doesn't duplicate the work of the legislative finance committees or OMB. As you all know from the materials that have been sent out, several analytical screens have been applied to the state budget to search for what are "essential services" – listings of pre- and post oil programs; matrices of programs that are constitutionally or statutorily required; identification of unique Alaska programs; etc. None of these exercises has been very relevant in guiding the legislature to make budget cuts.

Because of the specific charge in the enabling resolution to come up with cuts sufficient to fill a \$500 million gap, we will have to at least go through a cutting exercise, though this could be primarily demonstrative rather than substantive. For example, eliminating Permanent Fund dividends would generate about \$558 million. Likewise, eliminating all of Alaska's unique or nontraditional programs would free up something on the order of \$350 million (see workbook for list). Per the decision of the commission at the last meeting, I am developing a budget cutting worksheet for members to make their own stab at \$500 million worth of cuts. Once this exercise has been completed, hopefully we can move on to more cogent issues. The panel of former budget directors at the next commission meeting will also provide a reality check on what is possible in the way of budget cutting.

Draft Principles/Assumptions/Observations

- Spending reductions must be realistic – it is not feasible politically or practically to cut hundreds of millions from the budget.
- State spending supports nearly one third of total jobs in the economy, 25% of private sector jobs and half of local government jobs. Large budget cuts could have very serious economic consequences, similar to the mid-80's recession, when Anchorage lost 9% of its population and housing values declined by 46%.

- Distributional effects, long-term social consequences and fairness to the groups or individuals who will bear the brunt of cuts must be considered.
- Major revamping of state work processes can probably yield further savings but the easy cuts have long since been made. The commission could safely assume some level of efficiency gain, perhaps 5% – 10% over its 10 year time horizon.
- Ideas such as regulatory reform and/or restructuring agencies may increase government efficiency over the long term but are unlikely to yield substantial spending reductions as long as government is required to perform all of the functions it is currently required by law to do.
- Budget cuts should not be viewed in isolation; there may be up front investments in efficiency that will result in long-term savings in the future.
- Across the board cuts or "unallocated reductions" should be avoided because they just make all of government less efficient.
- Eliminating programs and/or pruning functions is a better approach than across-the-board percentage reductions.
- The commission may want to highlight what has already been done, e.g., agency operations have absorbed the lion's share of budget cuts during the past five years – 24% in nominal terms and 32% in inflation adjusted terms. (A few formula programs have taken major cuts, e.g., municipal assistance and revenue sharing have been cut over 55% during the past 10 years.)
- Formula programs continue to be the main engine of growth in operations spending and offer the greatest opportunity for controlling long-term costs.
- Adding a means test to entitlement programs with broad eligibility requirements is often cited in fiscal policy forums as a legitimate approach to cost cutting.
- Nontraditional or unique Alaska programs should have a high priority in any review of programs for possible elimination or modification.
- Are there lines of business that the state no longer needs to be in?
 - Are there state functions we might pass on to local governments?
 - Are there additional opportunities for privatization?

End Game Concepts/Themes/Ideas

In the interest of moving the dialogue forward, Judy also asked me to develop some themes or concepts that articulate the linkage between expenditures and other issues that commission is wrestling with. These are ideas that the commission might want to include as conclusions in the final report.

Perhaps the most important thing the commission has to offer is a long-term perspective extending beyond the standard political time horizon. For example, one idea that the subcommittee might offer is that a long-term goal of state fiscal policy should be to reestablish the connection between the menu of public services that are provided and what citizens are willing to pay for. Another goal might be that development of nonpetroleum resources (and economic development in general) should result in a revenue return to the public over and above management, regulatory and promotional costs to the state.

The commission might want to emphasize the state-local government partnership in providing public services. As we realign the respective responsibilities of state and local governments to meet future fiscal requirements, it is important to realize that both share the same constituency and a common potential revenue base. The commission might want to recommend that any shift of responsibilities from the state to local governments be accompanied with a specific revenue source (e.g., shared fuel taxes) or an opportunity to piggyback onto the Department of Revenue administrative apparatus (e.g., a statewide sales tax).

Finally, the subcommittee might want to recognize that a reasonable reserves policy is the keystone to the entire fiscal gap issue. Once the commission determines a minimum level of ready reserves necessary to meet anticipated year to year volatility in revenues, it sets a benchmark for the governor and legislature to use in enforcing expenditure discipline and a threshold for when to employ the revenue side fiscal tools (e.g., an income tax or use of Permanent Fund earnings).

Post-It™ brand fax transmittal memo 7671		# of pages > 1
To: <i>Melissa Fouse</i>	From: <i>Brad Pierce</i>	
Co.	Co.	
Dept.	Phone # <i>465-4677</i>	
Fax # <i>258-5511</i>	Fax # <i>465-3008</i>	

State of Alaska
Long Range Fiscal Planning Commission

Expenditure Subcommittee

June 8, 1995

8:30 a.m.

Agenda

Purpose of Meeting: To agree on a recommended course of action to propose to the Commission on how to meet the requirements of Task 4: *Identify and prioritize major reductions in state expenditures, to include formula and non-formula programs, and to include proposed consolidation, transfer, or elimination of governmental services or programs; the reductions identified and prioritized under this paragraph must at least equal the current fiscal gap between recurring revenue and recurring expenditures.*

- I. **Review previous attempts to "identify and prioritize major reductions in state expenditures".**

Assigned to Brad Pierce

Purpose: To avoid remaking the wheel.

There have been several serious attempts to identify and prioritize budget reductions through the years. What information was useful? What was a waste of time? What worked?

2. **Identify goal options to meet Task 4.**

Purpose: To see if we can agree on how to tackle the expenditure question in a way that would be credible and useful. If we can agree on goals, the next step will be to identify strategies to accomplish the goals.

Examples of possible goals:

- o To develop an orderly process by which expenditures can be brought down to appropriate levels.

Page 01 of 03 WED 11/14/03 HENSHAW OIL & GAS ASSOC. FILE NO. 9072796114 P. 03/03

Note: This goal requires a definition of "expenditures" and a definition of "appropriate levels".

- o To develop principles which would guide expenditures of state funds.*

Note: We would develop the principles, then run the budget against them and see what falls out. (For instance, "grants to individuals shall be needs based", if adopted as a principle, would solve the current budget gap.)

- o To develop standards of appropriate government service that could be used as a guide in prioritizing spending.*

- o To develop benchmarks of efficient public service that could be used as a mechanism to restore public confidence in government spending.*

3. To develop a budget cutting exercise with specific learning targets.

Purpose: We are required to do a reduction of \$500+ million--which could either be an enormous waste of time or could have enormous benefit (well, okay...some benefit).

If we can identify what we hope to get out of such an exercise it could be enormously useful.

Examples of possible learning targets:

- o To identify the problems in getting the information necessary to make policy-driven budget reductions.*

- o To identify what kinds of information people believe is necessary to make policy-driven budget reductions.*

- o To identify what funds are routinely scrutinized and what funds are rarely, if ever, scrutinized in the budget process.*

- o To identify the differences in how government goes about budget cutting and how the private sector goes about budget cutting.*

- o To identify successful budget cutting techniques.*

*Not
Changes made*

STATE OF ALASKA
LONG RANGE FINANCIAL PLANNING COMMISSION
716 West Fourth Avenue, Anchorage, Alaska 99501
Phone: (907)258-8170, Fax (907)258-5511
Internet: LRFPC%legis@state.ak.us
Staff: Melissa Aber Fouse

MEETING SUMMARY
EXPENDITURES SUBCOMMITTEE
10 MAY 1995

Subcommittee Chair Judy Brady called the meeting to order at 10:00 am. In attendance were Judy Brady, Robert W. Loescher, Hugh Motley, Mike O'Conner, staff Melissa Fouse and Bob Walsh representing Representative Richard Foster. Attending by teleconference were Commission Chair Brian Rogers and staff Brad Pierce.

Legislative Resolve 6, the enabling legislation of the commission has in its charge to the commission, subparagraph (4) that states *identify and prioritize major reductions in state expenditures, to include formula and nonformula programs, and to include proposed consolidation, transfer, or elimination of governmental services or programs; the reductions identified and prioritized under this paragraph must at least equal the current fiscal gap between recurring revenue and recurring expenditures.*

Subcommittee Chair Judy Brady explained that the subcommittee was formed to discuss (4) and to present options to the full commission for satisfying the tasks contained in it. She went on to say that the commission's overall goal of finding a sustainable level of spending would include the elements contained in (4). It was her opinion that the commission would probably recommend systemic ways or processes make budget reductions rather than specific targets. Specific recommendations for cuts could become targets for criticism ~~and~~ thereby damaging the positive parts of any plan.

Brian Rogers suggested that the commission should agree on a basic set of principles or a philosophy under which the legislature should examine reductions in budget expenditures, such as standard

versus unique services provided by the state or spending per capita compared to the national average. An example of a recommendation for capital spending would be to recommend that repairs be made to existing state assets before others are built.

Hugh Motley stated that if we try to recommend cuts now, there is no way they would be acceptable to the media and the commission would be pounded on. These issues do need to be addressed however.

Judy Brady referred to the Alaska Municipal League list of services and suggested that a priority list of basic spending, followed by lists of other services with trigger mechanisms for cutting the other services would be an avenue to explore.

Robert W. Loescher suggested that the commission needed to define its objective, i.e., is a balanced budget a goal and if so, when? He suggested that the commission define how much time there is left before an actual fiscal crisis occurs. Also the commission needs to explore intermediate budgeting mechanisms such as forward funding, capping the dividend, and freezing expenditure levels. He felt that the notion of raiding trust funds and public corporations probably was not supportable, but that the commission needed to make a recommendation about such raids anyway. He said also that a reduction of expenditures may require a restructuring of government.

Chairman Rogers said that there were some real opportunities in restructuring. Merging some divisions or agencies could result in up to \$30 million in savings.

Brad Pierce said that the current estimation of the fiscal gap was \$555 million and change.

Judy Brady asked how the commission should look at expenditures i.e., what is on the table? Should permanent fund dividend spending be included and should capital spending be included? She suggested that there be a list of the items the commission needed to agree on.

Robert W. Loescher suggested that there be a panel convened to discuss prior administrations' budgeting assumptions. Names suggested for the panel were Shelby Stasney, Alison Elgee, Cheryl Frasca, and Mike Greany.

Judy Brady said that they should further discuss assumptions made in past years about the permanent fund and other spending patterns and whether or not these assumptions had validity.

Brad Pierce said that there had been a budget policy series done in the mid 80s, and there had been an efficiency review study for Governor Hickel. Currently there was a strategic directions initiative being undertaken by the Knowles administration. Part of that initiative was a benchmarking exercise that asks the question "Where do we want to be in the year 2010".

Brian Rogers commented that this legislative session demonstrates the difficulty of cutting budgets.

Robert W. Loescher said we need to take an unemotional and analytical look at soft landing points, but that we need more current information to do that.

Brad Pierce said that the Workbook will contain current information.

Robert W. Loescher said that during the process our task should be to identify safe landing points. We need to look at intermediate and long term problems.

Brian Rogers said that the new workbook will give us a good idea of what is in the toolshed and what the issues are, such as how big is the gap. He expects that by June, the commission will have reached agreement on the size of the problem. That will take that item off the table and enable the commission to move on.

Robert W. Loescher suggested that the commission be provided with a worst case scenario, i.e., revenues if oil goes to \$12.00 per barrel. What does government look like at that point?

Judy Brady agreed that the base case could actually be better or worse than assumptions.

Robert W. Loescher said the commission needs different kinds of analysis.

Brian Rogers suggested that we could request a sensitivity analysis on assumptions.

Robert W. Loescher said that the commission should examine the list of funds and accounts to determine whether or not any of them should be sunsetted or terminated.

^{NOTED}
Brian Rogers ~~suggested~~ that many of those accounts were set up to receive user fees from the different agencies.

Robert W. Loescher said he did not see any way to delink state government from local government. Also, all special funds should be on the table.

Brian Rogers said also that many of the funds listed received income related to provision of services, were built into the constitution from before statehood, or were the mechanism for shared taxes, such as aquaculture association dollars. He suggested that the commission may be interested in a list of funds by category, those related directly to services and those not directly related to the provision of services and available for other purposes. A possible statement of philosophy for the commission could be that user fees should go for program support.

The question was asked as to what information the subcommittee and the full committee needed to move ahead with its decision making process.

Judy Brady said that agreement was needed on what kinds of cuts should be made and how those cuts should be prioritized.

Robert W. Loescher suggested a paper that describes the philosophy behind the various reserve funds, why they are needed,

and why we do not have reserve funds enough for a calamity as well as define how much is needed.

Judy Brady referred to Fiscal Policy Paper #9 (ISER) and asked why not use reserves first.

Judy Brady asked if there was anything the subcommittee wishes not to do.

Robert W. Loescher said it was too early to take anything off the table.

Hugh Motley commented that in private industry everything is on the table. Among the issues that should be on the table is the question of compensation and benefits for state employees and should we have the highest welfare payments of any of the states.

Mike O'Conner commented that benefit packages for state employees should be on the table as well.

Judy Brady said that any program or policy that was considerably different than any of the other states should automatically go on the list for discussion.

Hugh Motley suggested a report of how public salaries compare with private salaries, as well as the costs of teachers and administrators by district.

Brad Pierce asked for a list of the information wanted by the subcommittee.

Judy Brady suggested that the commission explore getting a telephone 800 number that Alaskans could call to talk about what makes them mad and ask for information about it. She further said that among the principles that should be considered by the committee the question of whether or not the state can ask for taxes when it is giving money away at the same time. Also, should programs be based on need rather than a perceived entitlement?

It was decided that after the full commission meeting in May that the subcommittee will develop a work plan. Subcommittee chair Judy Brady suggested that subcommittee members may want to keep their questions in mind as they go through the workbook.

MEMORANDUM

State of Alaska
Office of the Governor
Office of Management and Budget

May 24, 1995

TO: LRFPC Expenditure Subcommittee

FROM: Brad Pierce
Senior Policy Analyst

SUBJECT: Ideas for next meeting

At the May 16 and 17 meeting, it was suggested that members of the expenditure subcommittee submit their ideas on how to approach a \$500 million budget cut as the commission is charged with in its enabling resolution. One idea that will be fleshed out is to eliminate PFDs. Another would be to eliminate all unique or nontraditional Alaska programs. Annalee and I will also work with the administrative services directors of each department to go through a "cut your budget by 20%" exercise that identifies which programs would be cut and the resulting impacts. (We will make sure that this is not a Washington monument scenario.) If you have additional suggestions for budget cutting approaches to take, please give me a call at 465-4677 or fax your ideas to 465-3008 as soon as possible. I will touch base with Judy sometime in the next few days about an appropriate teleconference date and time for our next meeting.

TO: BECKY, Junkan

465.2864

LONG RANGE FINANCIAL PLANNING COMMISSION
MEETING ANNOUNCEMENT

THURSDAY 13 JULY 1995, 7:30 AM
TELECONFERENCE or CONFERENCE CALL

EXPENDITURES SUBCOMMITTEE:

Examine budget expenditures and make recommendations as to methods or principles by which to reduce or increase expenditures.

Judy Brady, Chair 272-1481/~~Fax 258-1566~~

Hugh Motley 595-1430

~~Mike O'Conner 561-3200/Fax 562-5860~~

Bruce Ludwig 586-2334/~~Fax 463-4980~~

Robert Loescher ~~586-9231/Fax 586-2304~~ HOME: 586-2311

Brian Rogers 452-2463-~~HAIR~~

Brad Pierce 465-4677

Please dial teleconference bridge #1-800-478-7612 from outside of Anchorage or 700-222-1000 (if not on Alascom, dial access code 10866)

*****THIS MEETING MAY BE CONDUCTED BY CONFERENCE CALL
INSTEAD, IF IT IS I WILL SEND A FURTHER FAX GIVING
DIRECTIONS*****MAF

ALSO:

FRIDAY, 14 JULY 1995, 8:00 AM
COMMISSION OFFICE, ROOM 470, ANCHORAGE LIO