

State of Alaska

FY2003 Governor's Operating Budget

Summaries for All Departments

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State of Alaska FY2003 Governor's Operating Budget

Department of Administration

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Department Mission

The mission of the Department of Administration is to:

- provide centralized management and technology services to state agencies;
- provide legal and advocacy services for indigent Alaskans;
- provide programs that promote the independence of Alaska's seniors;
- provide vehicle licensing and registration.

Department Goals and Strategies

Gain passage of HB 88 / SB 55, the Governor's Pioneers and Veterans Home legislation introduced in 2001. Combining the Pioneers' Home tradition with the concept of a state veterans' home will maximize the use of the state's existing infrastructure. Veterans will receive the recognition they deserve as the Pioneers' Homes become the *Alaska Pioneers' and Veterans' Homes*.

Implementation of the Telecommunications Partnering project. The Information Technology Group (ITG) has given notice of intent to award a contract to Alaska Communications System Group to provide comprehensive telecommunications services for the State of Alaska. Upon signing the contract, the Department will enter into the implementation phase, incorporating the new partner into the day-to-day operations of the state's telecommunications environment. Our goal is to make this transition as seamless as possible to the State of Alaska user.

Create affordable health insurance purchasing opportunities for child care workers and non-profit entities. The Governor is proposing legislation that will expand the Department of Administration's authority for group health insurance purchasing to include non-governmental entities that receive state funding directly or indirectly to provide child care, home health care or any other public service. There will be no cost to the state for making this insurance available.

Adult day care services for frail and cognitively impaired elderly Alaskans are a growing industry as our population ages. There currently are no licensing requirements for adult day care homes so we can insure these services are provided in a safe environment. The department's Division of Senior Services will work to develop means to ensure the continued safe delivery of adult day care services in Alaska.

The State of Alaska Employee Pay plan is rigidly constrained by the classification system. This has resulted in the state falling behind the private sector and other states in compensation for professionals and executive positions. We are evaluating options to establish pilot programs to provide for incentives to aid in recruitment and retention.

Key Department Issues for FY2002 – 2003

Pioneers Homes: Alaska is one of only three states without a veterans' home program. The governor has proposed legislation (HB 88 & SB 55) to provide for a veterans' preference for Pioneers' Home admissions. The proposed statutory change gives special recognition of veterans in the Pioneers' Homes by renaming the Homes the 'Pioneers' and Veterans' Homes'. We currently project that 125 beds will be filled by veterans once this change is in place, including more than 80 beds not currently filled because of budget constraints.

Pioneers' Homes: The Pioneers' Homes program must develop some means of addressing ongoing deferred facilities maintenance issues. The backlog of maintenance issues has continued to grow as existing funding levels have only allowed maintenance for immediate threats to the health and safety of residents, with virtually no funding for proactive maintenance. The Governor will propose legislation to address the state's deferred maintenance backlog including funding for the Pioneers' Homes ongoing deferred facilities maintenance needs.

Labor Relations: The State's labor agreements with all twelve bargaining units expire on June 30, 2003. The State will need to select bargaining teams and begin preparing for negotiations. Negotiations will need to start shortly after a new governor takes office in December, 2002. Current statutory provisions require the submission of monetary terms to the legislature by the 45th day of the legislative session which means negotiations will need to be completed by mid-February, 2003, if any monetary terms are to be implemented at the start of new labor contracts.

Division of Finance: The State's accounting and payroll systems are aging, stand-alone programs that will need to be replaced within the next several years. Both products run under ADABAS database management software, which is rapidly becoming an older technology not well supported by the marketplace. Vendor support for the payroll system is being phased out and additional programmers are needed just to keep the system running. The accounting system is a 16 years old customized product that cannot be adapted to newer accounting requirements. Replacing these systems with a more functional, integrated product is a major, expensive undertaking for any large, complex organization such as the State of Alaska and is likely to require several years from the start of planning through final implementation. The Governor's capital budget includes funding to get this process started in FY2003.

Public Defender and Office of Public Advocacy: Both of these programs continue to be funded at levels far below projected costs. This threatens to create a situation where these two offices are unable to keep pace with the rest of the criminal justice system thus slowing down progress on many initiatives started over the past several years as the agencies struggle to provide minimal levels of service. Children's programs such as Smart Start and programs such as the anti-bootlegging initiative suffer as a result of this underfunding.

Information Services: The department has entered a partnership with Alaska Communications System Group to provide improved and cost-effective telecommunications services to the state through a single network that combines voice, data, and video and gives the state more 'bang for the buck'. A major focus of the Information Technology Group during the coming year will be to work with the vendor and all state agencies to fully implement the partnership and provide improved services to all state offices throughout the state.

Information Services: The Information Technology Group has issued a request for proposals (RFP) to select a vendor to assist the state in developing an enterprise-wide strategic plan and planning process. The goal of the plan is to provide a vision for information technology that can be used to guide future efforts and evaluate future technology proposals and costs.

Homeland Security: Recent events have heightened the need for additional security for all critical data and telecommunications systems. In particular, we need to secure our telecommunications and radio systems so that state and local communications are maintained in event of an emergency.

Major Department Accomplishments in 2001

In partnership with the Alaska State Employees Association, converted the General Government Unit health insurance program to a union managed health trust effective July 1, 2001.

Successful negotiation of a partnering contract with Alaska Communications Systems Group resulting in a cost-effective public/private partnership for the delivery of telecommunications services to support state agency operations.

Implementation of the Public Building Fund legislation including the transfer of building management responsibility (maintenance and operations) from DOT/PF to DOA for all office buildings and the Governor's House in Juneau, the Atwood Building in Anchorage, and the Fairbanks Regional Office Building.

The Division of Personnel and Labor Relations in conjunction with AFCSME Local 52/ASEA have developed a joint supervisor-steward training project. The goal for the training is to develop working relationships based on mutual respect and understanding of the roles and responsibilities of both parties under the terms of the collective bargaining agreement, state law and the policies of the employer. To date approximately 500 stewards and supervisors have received training in 11 sessions in 4 locations throughout the state. Since the training began last April, the union reports that filing of grievances is down 30%.

Training of family and friends as guardians has always been a statutory responsibility of the Office of Public Advocacy (OPA), but due to workload constraints this training has never received any attention. The OPA has dedicated an employee to this training for the past year, with an aggressive outreach program. Meetings have been conducted throughout the state, including public presentations, training of service providers and meetings with the court personnel in communities from Barrow to Ketchikan. Training sessions are held in Anchorage every other week. A website has been developed as a resource for people who are or are contemplating being a guardian at www.state.ak.us/guardianship/. These efforts have diverted individuals from the public guardian caseloads.

Successful implementation of the boat registration program in the Division of Motor Vehicles, including a transfer of all boat registration previously performed by the Coast Guard and the registration of all powered and non-powered vessels over 10 feet utilizing Alaskan waters.

Governor's Key Department-wide Performance Measures for FY2003

Measure:

Improve telecommunications services for state agencies and provide increased telecommunications access to all Alaskan communities.

Alaska's Target & Progress:

The department set out to develop a partnership with the private sector that would provide cost effective telecommunications services to all state agencies, enable the state to take advantage of technological changes, and that would ultimately lead to improved telecommunications services for all Alaskan communities by providing for a statewide telecommunications infrastructure.

A five year telecommunications partnering contract with Alaska Communications Services Group (ACS) was signed on December 10, 2001. ACS will invest more than \$29 million in telecommunications technology and equipment for state agencies, at no additional cost to the state.

Benchmark Comparisons:

Alaska is the only state to have entered into a partnership agreement with a private vendor to provide virtually all telecommunications services for state business.

Background and Strategies:

State agencies have not been able to take full advantage of telecommunications technology changes for a variety of reasons, including long lag times between technology changes and the appropriations process, lack of funding for infrastructure and equipment, and many services not being available in rural areas.

Private enterprise is better able to quickly respond to technology changes, and may be better able to provide telecommunications infrastructure if the state is available as an anchor tenant.

Making the same level of services available to all state offices may mean a significant increase in technology available to rural areas that are currently underserved by the telecommunications industry.

By combining many types of services in one contract, Alaska can leverage savings in some services into overall technology improvements at no net cost to the state budget.

Measure:

Employee disputes resolved at the lowest level of the contractual grievance process.

Alaska's Target & Progress:

Employee/employer disputes are inherent to any large organization. The objective for both parties is to reduce the number of disputes and resolve any grievances at the lowest possible level in the organization. The target is to reduce by 50% the number of grievances advancing to the Commissioner of the Department of Administration and to reduce by 50% the number of grievances that ultimately go to arbitration by 50%.

The Alaska State Employees Association (AFCSME/ASEA Local 52) reports that initial filings are down 30% over the past year.

Benchmark Comparisons:

Grievances filing statistics from 1996-2000 will be used as benchmarks.

Background and Strategies:

Over the years the relationship between the state and its largest employee union, AFCSME/ASEA Local 52, was so adversarial that employee grievances and complaints could not be effectively resolved and contract negotiations were measured in years not months. This dysfunctional relationship affected employee productivity, employee retention, and the quality of services to the public.

In January, 2001 the state and the union committed to establishing a working relationship built on mutual respect and understanding of the respective roles and responsibilities of both parties under the terms of the collective bargaining agreement, state law and the policies of the Employer. State labor relations staff, state agency human resource managers, union staff, and the Federal Mediation and Conciliation Service (FMCS) met and developed a "Labor Relations Covenant of Good Faith" which lays out this commitment. The objective of this covenant is to assure that employee disputes are resolved at the lowest possible level.

Recognizing that the project could not be successful without the commitment of all players in the business of employee dispute resolution, the covenant calls for joint training of all state supervisors and union stewards. Some 600 state supervisors and union stewards have been trained since then, and another 1,400 will be trained in joint sessions throughout the state over the next 16 months. These training sessions are being held in various locations throughout the state and are partially funded by a grant from the FMCS.

Annual training/workshops will be held with union staff, state labor relations staff, and human resource managers, the parties to the original covenant, to keep the relationship on track.

Measure:

Protect the state's investment in facilities by performing timely maintenance of state-owned buildings in the Public Buildings Fund.

Alaska's Target & Progress:

The department intends to schedule and perform routine maintenance on state-owned facilities to minimize the amount of deferred maintenance issues and associated risk of building or building-systems failure.

The Public Buildings Fund has been established and is used to cover the management and maintenance costs for eight buildings in Juneau, Anchorage, and Fairbanks. Responsibility for management and maintenance of the other state-owned facilities in Juneau was transferred from the Department of Transportation and Public Facilities (DOT/PF) to the Department of Administration (DOA) during 2001 by agreement between the two agencies. This transfer was included in the FY2002 budget approved by the legislature. Although these additional buildings are not yet part of the Public Buildings Fund, DOA has proposed including them in the fund.

DOA and DOT/PF are working to transfer responsibility for all other state-owned buildings throughout the state from DOT/PF to DOA beginning in FY2003.

As a result of these initiatives, DOA has been able to begin to proactively address some facilities needs, such as exterior cleaning, renewing vapor seals, non-emergency roof repair and renewal, and proactive maintenance on

elevators.

Benchmark Comparisons:

Comparisons with other states are not available at this time. However, we do know that many other states use an internal services fund and cost allocation plan methodology similar to the Public Buildings Fund to provide ongoing funding for maintenance and facilities management.

Background and Strategies:

Funding for routine building maintenance and management has been very difficult to obtain in the past because the source of funds has been primarily requested from the general fund which has a host of other, higher priority programs to support. As a result, the deferred maintenance backlog at state-owned buildings has grown to the point that the state has identified hundreds of millions of dollars of deferred maintenance needs in our facilities. This need has been confirmed and reiterated many times by all branches of government and was the subject of a legislative task force several years ago.

The state developed the plan to fund ongoing maintenance by using a cost allocation plan methodology whereby all tenant agencies pay occupancy costs, much as they would if they were leasing space from a private vendor. This allows the state to charge a significant amount of the cost to non-general fund programs, including federally funded programs, thereby leveraging the few general fund dollars available.

Although this program addresses ongoing maintenance issues, the huge list of deferred maintenance problems cannot be resolved without additional funding. To address this, the Governor is proposing to take care of the most significant problems by using Certificates of Participation as a funding mechanism. This takes advantage of the current low interest rates to fund more than \$100 million of repairs without requiring a huge, one-time outlay of general funds. This funding, or some other means of addressing the deferred maintenance backlog is urgently needed. Even though we now have in place a means to fund routine maintenance, this will not long defer the failure of outdated, badly worn out, or seriously damaged building components.

Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures												
Special Systems	1,111.5	0.0	0.0	1,111.5	1,168.9	0.0	0.0	1,168.9	1,168.9	0.0	0.0	1,168.9
Longevity Bonus	54,829.9	0.0	0.0	54,829.9	52,558.6	0.0	0.0	52,558.6	48,538.3	0.0	0.0	48,538.3
Non-Formula Expenditures												
Centralized Admin. Services	9,285.1	344.3	29,182.6	38,812.0	9,436.4	403.8	30,694.6	40,534.8	9,775.2	409.5	31,897.9	42,082.6
Leases	22,189.9	0.0	10,505.1	32,695.0	19,500.2	0.0	10,490.4	29,990.6	22,236.7	0.0	10,649.6	32,886.3
DMV Leases-Dowling/Benson	0.0	0.0	0.0	0.0	1,044.9	0.0	0.0	1,044.9	0.0	0.0	0.0	0.0
DMV Leases-Fairbanks Street	0.0	0.0	0.0	0.0	64.4	0.0	0.0	64.4	0.0	0.0	0.0	0.0
DMV Leases-Downtown Core Area	0.0	0.0	0.0	0.0	28.5	0.0	0.0	28.5	0.0	0.0	0.0	0.0
DMV Leases-Eagle River Office	0.0	0.0	0.0	0.0	26.6	0.0	0.0	26.6	0.0	0.0	0.0	0.0
Facilities	0.0	0.0	5,687.8	5,687.8	1,129.6	0.0	7,438.3	8,567.9	1,033.9	0.0	6,153.4	7,187.3
State Facilities Rent	464.6	0.0	0.0	464.6	440.8	0.0	0.0	440.8	504.3	0.0	0.0	504.3
Information Technology Group	100.4	0.0	19,783.4	19,883.8	300.0	0.0	21,049.1	21,349.1	300.0	0.0	33,896.9	34,196.9
Information Services Fund	0.0	0.0	0.0	0.0	325.0	0.0	55.0	380.0	325.0	0.0	55.0	380.0
Public Communications Services	3,910.5	0.0	416.0	4,326.5	4,660.7	0.0	1,223.7	5,884.4	4,660.7	0.0	1,223.7	5,884.4
AIRRES Grant	76.0	0.0	0.0	76.0	76.0	0.0	0.0	76.0	76.0	0.0	0.0	76.0
Risk Management	0.0	0.0	23,243.2	23,243.2	0.0	0.0	23,353.8	23,353.8	0.0	0.0	24,362.8	24,362.8
Alaska Longevity Programs	22,428.1	0.0	13,050.7	35,478.8	22,857.6	0.0	12,970.8	35,828.4	23,512.9	0.0	12,907.9	36,420.8

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Senior Services	10,140.1	6,861.0	3,010.2	20,011.3	11,135.9	8,846.4	4,059.8	24,042.1	12,055.8	8,865.6	3,820.6	24,742.0
AK Oil & Gas	0.0	100.0	2,606.2	2,706.2	0.0	102.7	3,317.3	3,420.0	0.0	105.0	4,046.2	4,151.2
Conservation Comm												
Legal & Advocacy Services	20,086.1	50.0	1,905.8	22,041.9	19,323.9	51.2	1,247.3	20,622.4	23,387.7	52.1	616.4	24,056.2
Alaska Public Offices Comm	801.9	0.0	5.3	807.2	752.6	0.0	0.0	752.6	880.6	0.0	0.0	880.6
Division of Motor Vehicles	9,281.5	0.0	642.7	9,924.2	9,272.4	0.0	436.6	9,709.0	9,424.7	0.0	437.1	9,861.8
Pioneers' Homes	0.0	0.0	2,673.5	2,673.5	0.0	0.0	2,125.0	2,125.0	0.0	0.0	2,125.0	2,125.0
FacilitiesMaint General Srvcs	0.0	0.0	25.9	25.9	0.0	0.0	39.7	39.7	0.0	0.0	39.7	39.7
Facilities Maint.												
AOGCC Facilities Maintenance	0.0	0.0	26.8	26.8	0.0	0.0	34.0	34.0	0.0	0.0	0.0	0.0
ITG Facilities Maintenance	0.0	0.0	6.8	6.8	0.0	0.0	23.0	23.0	0.0	0.0	23.0	23.0
Totals	154,705.6	7,355.3	112,772.0	274,832.9	154,103.0	9,404.1	118,558.4	282,065.5	157,880.7	9,432.2	132,255.2	299,568.1

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	7,011.0	9,000.3	9,022.7
1003 General Fund Match	1,166.6	1,291.4	1,296.5
1004 General Fund Receipts	132,519.8	131,814.0	135,242.1
1005 General Fund/Program Receipts	6,637.4	6,279.5	6,362.7
1007 Inter-Agency Receipts	45,976.9	45,244.0	46,267.3
1017 Benefits Systems Receipts	16,752.1	17,285.7	17,435.1
1023 FICA Administration Fund Account	112.9	112.7	143.0
1029 Public Employees Retirement Fund	4,644.1	5,188.4	5,674.1
1033 Surplus Property Revolving Fund	344.3	403.8	409.5
1034 Teachers Retirement System Fund	1,852.6	2,048.6	2,252.9
1037 General Fund / Mental Health	14,325.9	14,718.1	14,979.4
1042 Judicial Retirement System	24.8	25.1	28.4
1045 National Guard Retirement System	92.2	95.4	100.5
1053 Investment Loss Trust Fund	701.0		
1061 Capital Improvement Project Receipts	31.5	130.9	131.4
1081 Information Service Fund	19,783.4	21,049.1	33,896.9
1092 Mental Health Trust Authority Authorized Receipts	1,909.6	2,748.0	2,262.0
1108 Statutory Designated Program Receipts	611.9	1,491.2	1,492.1
1118 Pioneers' Homes Receipts	55.9		
1147 Public Building Fund	5,174.1	6,951.4	5,654.7
1156 Receipt Supported Services	12,498.7	12,870.6	12,870.6
1162 Alaska Oil & Gas Conservation Commission Rcpts	2,606.2	3,317.3	4,046.2
Totals	274,832.9	282,065.5	299,568.1

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	1,376	1,415
Permanent Part Time	116	106
Non Permanent	100	112
Totals	1,592	1,633

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Payroll and Accounting System Replacement Analysis	600,000	0	0	600,000
Driver License Testing Machines	300,000	0	0	300,000
Labor Contract Negotiations	461,000	0	0	461,000
Pioneers' Homes Emergency Repair and Maintenance	800,000	0	0	800,000
License Plates, Tabs and Manuals	281,000	0	0	281,000
Emergency Maintenance Projects for Facilities Outside the Public Building Fund	800,000	0	0	800,000
Adult Day Facility Modifications	250,000	0	0	250,000
Fixed Asset Accounting System	85,000	0	170,000	255,000
Public Defender Integrated Computer System	175,000	0	0	175,000
Public Facilities Maintenance and Repairs	0	0	2,500,000	2,500,000
Senior Services Data Integration Project - Phase 2	0	0	238,000	238,000
Alaska Gas Development Study	0	0	500,000	500,000
Electronic Permitting Initiative	0	0	500,000	500,000
Combined Retirement Benefits Calculation System	0	0	436,000	436,000
Information Technology Group Equipment Replacement	0	0	5,904,400	5,904,400
Department Total	3,752,000	0	10,248,400	14,000,400

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

The Department of Administration has sixteen divisions that provide a broad range of services to both the general public and state agencies. This overview highlights the most significant changes in the budget for FY2003. A detailed description of all changes is available in the budget for each of the Department's programs.

SERVICES TO THE PUBLIC

Budget increases are proposed for the Division of Senior Services to cover the new daily reimbursement rate to assisted living homes for vulnerable adults mandated by legislation passed during the 2000 legislative session; a fund source change to general funds to offset the loss of MHTAAR funds used during the first two years of the assisted living rate increase; and funding for the continued caseload growth in the general relief program which provides care for vulnerable adults throughout the state.

The Office of Public Advocacy budget is increased to continue funding for the Smart Start and Balloon Project programs so child protection cases are not delayed, and to fund other OPA operations at the level currently forecast for this fiscal year.

The Public Defender Agency budget is increased to ensure that it is able to keep pace with continuing caseload growth, continues the Smart Start and "Balloon Project" programs, and meets its responsibilities for legislation that passed last session, such as the Alcohol Initiative, which was not adequately funded via fiscal notes.

The Information Technology Group budget is increased to handle pass-through moneys from other state agencies to the state's new telecommunications partner. This increase does not fund any services in ITG, it simply allows the division to make one payment on behalf of the state to the provider, Alaska Communications System Group.

The Alaska Public Offices Commission has additional funding to convert its one part-time staff in Juneau to full time and to allow the APOC to handle the extra workload during the upcoming statewide elections.

The Alaska Oil and Gas Conservation Commission budget is increased to provide additional personnel to respond to increased oil and gas development activity.

SERVICES TO STATE AGENCIES

The Facilities program budget includes funding to offset projected utility cost increases and other operating costs, such as janitorial and risk management.

The Leasing budget has been historically underfunded by the Legislature, with full funding provided via supplemental appropriations. This FY2003 budget is fully funded based upon the estimated funding needed for the current fiscal year.

The Division of Finance budget will allow the Division to hire additional programmers to keep the aging payroll system functional.

The Division of Retirement and Benefits budget is increased due to continued growth in its customer population and increasing actuarial, audit, and legal services costs.

The Risk Management program's budget is increased to partially offset known increases in worker's compensation, and liability costs. These cost increases will be paid for by client state agencies.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	154,103.0	9,404.1	118,558.4	282,065.5
Adjustments which will continue current level of service:				
-Centralized Admin. Services	113.2	5.7	148.7	267.6
-Leases	836.5	0.0	159.2	995.7
-DMV Leases- Dowling/Benson	-1,044.9	0.0	0.0	-1,044.9
-DMV Leases- Fairbanks Street	-64.4	0.0	0.0	-64.4
-DMV Leases- Downtown Core Area	-28.5	0.0	0.0	-28.5
-DMV Leases- Eagle River Office	-26.6	0.0	0.0	-26.6
-Facilities	-95.7	0.0	25.5	-70.2
-State Facilities Rent	23.5	0.0	0.0	23.5
-Information Technology Group	0.0	0.0	197.8	197.8
-Risk Management	0.0	0.0	9.0	9.0
-Alaska Longevity Programs	655.3	0.0	0.7	656.0
-Senior Services	516.1	19.2	-492.1	43.2
-AK Oil & Gas Conservation Comm	0.0	2.3	48.3	50.6
-Legal & Advocacy Services	889.3	0.9	-630.9	259.3
-Alaska Public Offices Comm	18.0	0.0	0.0	18.0
-Division of Motor Vehicles	152.3	0.0	0.5	152.8
Proposed budget decreases:				
-Facilities	0.0	0.0	-1,991.1	-1,991.1
-Longevity Bonus	-4,020.3	0.0	0.0	-4,020.3
-Alaska Longevity Programs	0.0	0.0	-113.6	-113.6
-Senior Services	0.0	0.0	-0.2	-0.2
-AOGCC Facilities Maintenance	0.0	0.0	-34.0	-34.0
Proposed budget increases:				
-Centralized Admin. Services	225.6	0.0	1,054.6	1,280.2
-Leases	1,900.0	0.0	0.0	1,900.0
-Facilities	0.0	0.0	680.7	680.7
-State Facilities Rent	40.0	0.0	0.0	40.0
-Information Technology Group	0.0	0.0	12,650.0	12,650.0
-Risk Management	0.0	0.0	1,000.0	1,000.0
-Alaska Longevity Programs	0.0	0.0	50.0	50.0
-Senior Services	403.8	0.0	253.1	656.9
-AK Oil & Gas Conservation Comm	0.0	0.0	680.6	680.6
-Legal & Advocacy Services	3,174.5	0.0	0.0	3,174.5
-Alaska Public Offices Comm	110.0	0.0	0.0	110.0
FY2003 Governor	157,880.7	9,432.2	132,255.2	299,568.1

State of Alaska FY2003 Governor's Operating Budget

Department of Community & Economic Development

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Department Mission

The mission of the Department of Community and Economic Development (DCED) is to promote independent communities and economic development in Alaska.

Department Goals and Strategies

STRENGTHEN RURAL COMMUNITIES

- Increase the capacity of local government to effectively provide essential public services by providing communities training and onsite technical assistance.
- Enhance the availability and quality of basic local government services by providing financial assistance that supplements local revenue generation (State Revenue Sharing, Safe Communities, shared State Fisheries Business Tax, shared Federal National Forest Receipts, Federal Payment-in-Lieu-of-Taxes).
- Promote local economic development by providing technical and financial support for community infrastructure critical to economic development and small business startup.
- Provide assistance, through coordinated response partnerships, to communities experiencing sudden economic dislocation as a result of major economic disruptions.
- Improve the safety and cost effectiveness of energy sources for power generation and heating in rural Alaska by constructing and repairing bulk fuel storage facilities.
- Protect the State's investments in rural electric power systems through training of the local operators and administrators, and by providing technical and financial assistance to prevent disasters.

WORK WITH RURAL COMMUNITIES AND THE PRIVATE SECTOR IN CREATING NEW JOBS FOR ALASKANS.

- Ensure that residents of small rural communities in western Alaska get the maximum benefits from their participation in the Community Development Quota (CDQ) program, a fisheries development initiative.
- Partner with other state agencies, private businesses, ANCSA corporations, tribes, and local governments to identify and develop opportunities for rural, regional and local economic development.
- Facilitate the exchange of information between Alaska exporters and potential customers through business intelligence services and trade practice assistance.
- Identify and assist in planning and developing new tourism opportunities to expand Alaska's tourist season and increase visits to rural Alaska.
- Encourage new international and domestic air carriers to use Alaska as a passenger and freight delivery point.
- Increase independent visitors on Alaska's highways and roads.
- Work with the Governor's Jobs Cabinet in seeking solutions and strategies for improving the economic climate in rural Alaska.

MARKETING ALASKA-SELL ALASKA'S GOODS AND SERVICES THROUGHOUT THE WORLD.

- In partnership with a private industry association, raise national and international awareness of Alaska as a tourist destination, and increase the consumption of Alaska seafood products through generic and targeted marketing.
- Organize and conduct business trade missions to expand product sales in current markets and develop new markets.
- Participate in special promotions and presentations, trade shows and seminars to raise the visibility of Alaska as a good place to do business.
- Continue the Governor's Business Opportunities Program under which the Governor, Commissioner and other Alaskans visit corporate boardrooms to solicit investment in Alaska.
- Make information on Alaska's economy, goods and services, investment opportunities, and departmental databases available on the Internet.
- Expand the public's ability to obtain department services through the Internet.

MAINTAIN A FAIR AND CONSISTENT BUSINESS REGULATORY ENVIRONMENT IN THE STATE.

- Expedite the conversion of Alaska's telecommunications industry from a monopoly-based to a competitive, market-based industry structure, while guaranteeing universal access to service.
- Assist businesses and consumers by placing the database of licensed professionals, corporations, and insurance carriers on the Internet, including information about disciplinary actions.
- Create simple, self-explanatory securities, corporations, insurance, and occupational licensing applications and forms available on the Internet to improve service to the public and reduce requests for staff assistance.

Key Department Issues for FY2002 – 2003

GENERAL

- Alaska's economy may be negatively impacted by events surrounding the terrorist attacks of September 11, 2001. In October 2001, Governor Knowles appointed a task force, co-chaired by the commissioner of DCED, to examine the impact of terrorism on Alaska's economy and make a report in 60 days. Concerns have been expressed by businesses in several key industries, such as tourism, oil and gas, and air cargo, about what recent events mean to Alaska's economy. The group will also make recommendations on legislation or administrative actions that can be taken to mitigate the impacts on businesses and Alaska's workforce.
- The Department is increasingly encountering the recruitment/retention difficulties faced by all state agencies. Recruitment for positions requiring specialized technical expertise is becoming more and more difficult due to lack of qualified in-state candidates coupled with non-competitive salaries within those fields. State employee salaries and benefits generally are no longer as competitive as is necessary to attract quality candidates for many state positions. A contributing factor is the out-dated state classification system. Many job class specifications are 20 or more years old with restrictive minimum qualifications and do not produce sufficient applicant pools. A further contributing factor is the "graying" of the workforce, a nationwide phenomenon where the "baby boomer" generation of workers is reaching retirement age. Younger replacement workers are not only far fewer in numbers, they do not share the prior generations' notion of staying with the same employer for years. Even if quality replacement workers are found, the state currently does not have the tools/ability to provide retention incentives.

COMMUNITY AND BUSINESS DEVELOPMENT

- Many cities in Alaska are struggling to maintain basic services. This is especially true for some of the smaller municipalities that may have only several hundred residents and a very limited tax base. This situation threatens the state's investment in essential community facilities and poses a threat to the health and well being of Alaska's residents.
- While offering promise, tourism development in rural Alaska faces significant problems and will require development assistance. Rural communities lack the staff and resources necessary to prepare for and attract tourism development in their communities. They are requesting information about the effects of tourism development, both positive and negative, that would allow community residents to make informed choices about development.
- Currently, information about Alaska's economy, labor force and industrial sectors is widely scattered among various agencies and organizations. The Alaska Economic Information System (AEIS) has been developed and is designed to provide user-friendly access to all this information at a one-stop portal on the Web. The initial AEIS development was funded with a one time grant but additional funds are necessary to keep the system current.
- As a result of an increasing work load, the State Assessor is not able to review the property assessment practices used by municipalities on a timely basis. The State Assessor's review of local assessment practices is critical to assuring the integrity of the Full and True Value Determination (FTVD) that is made for property in each municipality. The State Assessor's Full and True Value Determination serves as the State's independent assessment of the full and true value of all taxable property within a given locality. Because of continuing fiscal pressures, many municipalities feel a need to maximize their efforts to obtain state financial assistance. One of the results of these local fiscal pressures has been an increase in localities "pushing the envelope" of acceptable assessment practices. Additional staff is needed to provide support to the State Assessor, which will enable thorough and timely review of local assessment practices and property value determinations. This in turn will insure that all municipal school districts receive the amount of funding to which they are entitled.

INTERNATIONAL TRADE AND MARKET DEVELOPMENT

- Having established trade representation early on in markets like Japan, Korea, Taiwan and Sakhalin, Alaska exports to those markets have grown substantially. Alaska's worldwide exports were \$2.5 billion in 2000. In

addition to maintaining a strong trade presence in these traditional markets, the state should now take steps to establish trade representation in China, an emerging market with significant potential for Alaska's goods and services.

- In order to expand and diversify the economy, Alaska must attract new industry and investment to the state. Doing so will help expand employment opportunities for Alaskans and diversify the tax base. Business and investment recruitment is a highly competitive endeavor. Cities, counties and states across America compete to attract business to their communities. In reality, the competition is global. American communities often find themselves competing with overseas locales for new business and investment. If Alaska is to succeed in attracting its fair share, sufficient resources will need to be deployed to enable an effective, pro-active recruitment program.

QUALIFIED TRADE ASSOCIATION CONTRACT

- Beginning in FY 03, state law requires the qualified trade association contractor to increase its contribution to the marketing program from 30 to 60 percent. Unless additional funds are generated from private sector companies, the state's match will be reduced.
- Alaska's public funding for tourism marketing has declined from over \$10 million in FY92 to \$4.6 million in FY02. While other states have increased their funding by 25 percent in the past five years, Alaska has slipped from 7th to 29th place in the total amount spent on tourism programs, and now ranks 36th in the amount of public sector funds allocated to tourism. This decline in state funding requires industry to find ways to more effectively utilize its marketing money.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

- Begin sustained production of Alaska's first seafood manufacturing facility, Alaska Seafood International in Anchorage.
- Resolve issues surrounding future usage of the Healy Clean Coal Project.

ALASKA ENERGY AUTHORITY

- Increased funding from the Denali Commission offers a rare opportunity to upgrade both fuel storage facilities and electric utility systems in rural Alaska on a broad scale. A key issue for AEA is to provide sufficient management resources and accelerate the pace of project development so that rural communities can realize as much benefit as possible from this opportunity.
- The need to reduce energy costs in rural Alaska has become more urgent due to the sharp increase in fuel prices that has occurred during the past year. Strategies to reduce these costs through energy production efficiencies, energy production alternatives, and energy conservation need to be clearly identified, developed, and aggressively implemented.

POWER COST EQUALIZATION

- The FY02 amount available from the PCE endowment appropriation is based on 7% of the market value of the fund on February 1, 2001 or \$7,062,156.58. This amount was inadvertently not appropriated to the PCE Rural Electric Capitalization fund for use in FY02. Corrective action will be requested in the FY02 supplemental.
- The endowment is expected to generate approximately \$12 million for PCE in future years beginning in FY03 after the proceeds from Four Dam Pool divestiture are deposited. Based on the \$15.7 million appropriation level for FY02, the program has been prorated to 92% for community participants. In addition to the PCE endowment earnings, \$2.14 million in other funds must be appropriated to the PCE fund to maintain the PCE program at the \$15.7 million funding level in FY03.
- Because of increased fuel costs, the PCE program is expected to cost \$16.96 million in FY03 to operate the program at the statutorily established level.

ALASKA SCIENCE AND TECHNOLOGY FOUNDATION

- The ASTF endowment (\$101 million principal) is co-invested with the Permanent Fund and generates earnings. The earnings have been used for legislative appropriations, large grants, ASTF operations (primarily staff), partner organizations (economic development infrastructure), and technology, knowledge, and teacher grants. Annual earnings have declined from \$14 million in FY98 to \$5.2 million in FY2001. Earnings have declined primarily due to weaker stock market performance and a smaller earnings base. Over the last five years, ASTF's earnings base has eroded due to cumulative appropriations of \$13.1 million for the University of Alaska (UA) and \$2.7 million for Alaska Aerospace Development Corporation (AADC). For the past 2 years, ASTF has been

limited in its ability to fund new grant proposals. At a time when Alaska's economy is growing more slowly than the national economy, and our faster growing technology sector is still relatively small compared to other states, this lessened ability of ASTF to provide seed capital and finance group projects with industry merits concern. The ASTF Board believes the long-term solution is to replace ASTF funding for the annual UA and AADC appropriations beginning in FY03. In addition, the UA and AADC appropriations of ASTF funding may be reduced through the FY02 supplemental.

ALASKA SEAFOOD MARKETING INSTITUTE

- The seafood industry, Alaska's largest private sector employer, is suffering from severely depressed salmon marketing prices. These depressed market prices are, in large part, being driven by a flood of farmed salmon. As a result, average ex-vessel prices for Alaskan wild salmon are low. Revenue generated by the 1% Salmon Marketing Tax is expected to decline from FY02 levels by at least \$700.0. This reduction will have a significant impact on ASMI's marketing efforts.
- The Alaska salmon industry faces many serious challenges in the years ahead due to the increasing worldwide production of low priced, high-quality farmed salmon and the imminent mass production of farmed halibut. ASMI must identify appropriate research and implementation strategies to encourage the improvement in quality and value of Alaska salmon and increase our marketing presence in the US and foreign markets.

INSURANCE OPERATIONS

- Last session, legislation was passed to bring the Alaska insurance regulatory scheme into compliance with the requirements of the federal Gramm-Leach-Bliley Act (GLBA). As part of this legislation, the Division was authorized to adopt regulations defining the amount of personal health and financial information that insurance companies may share with affiliates and other third parties. The Division will be faced with balancing the privacy rights of individual insurance customers against the companies' interests in ease of commercial transactions, and adopting regulations defining when the sharing of personal information is appropriate.

OCCUPATIONAL LICENSING

- An Attorney General's opinion stating that division files related to investigations of occupational license holders may be public documents has resulted in lengthy reviews of voluminous investigative files. Witnesses' rights to privacy and public rights to government records must be weighed for each document in a file. The division expects the number of public record requests to increase as employers and parties to lawsuits become aware that investigative information is available. The division is having difficulty responding to the public record workload and other division activities are adversely affected.

Major Department Accomplishments in 2001

COMMISSIONER'S OFFICE

- Participated in the Governor' Rural Construction Working Group which resulted in a precedent setting agreement between unions, contractors, the state, and non-profit natives corporations regarding capital project construction in rural Alaska. Related activities designed and implemented by DCED to assist rural residents to better position themselves for the multi-million dollar public construction projects scheduled for the next three years include: 1) development of Job Summits, to increase local/regional employment; 2) Community Resumes, which increased the utilization of community assets on construction jobs, and 3) development of a public construction database for all projected work scheduled for the next three years.
- Formalized a process to respond to economic disasters in Alaska by utilizing a coordinated response partnership and making resources accessible to affected regions and communities.

ADMINISTRATIVE SERVICES

- Developed, improved and implemented a variety of data search and retrieval systems that provide access to public information over the Internet. These include the Business License Database, Occupational License Database, Insurance Producers Database, Corporations and Trademark Databases as well as others.
- Developed, with Division of Community and Business Development, the Alaska Photo Library Web site which provides high quality, royalty free images of Alaska for promotional and educational uses.
- Worked with Division of Occupational Licensing to (1) make Big Game Guide Use Area maps available online; maps can be viewed and printed from the internet, or downloaded by print shops for printing on large format

printers; and (2) develop an online license renewal system for the Architects, Engineers and Land Surveyors.

COMMUNITY AND BUSINESS DEVELOPMENT

- Conducted with DF&G the first ever multi-species allocation Community Development Quota (CDQ) process during the fall of 2000. All quota including groundfish, halibut and crab species were allocated during the two-year Community Development Plan (CDP) cycle of 2001-2002.
- Helped secure funding for a value-added salmon marketing grant. These funds were provided through a special congressional appropriation that will provide grants for direct marketing by fishermen and processors who have a market-accepted value-added salmon product.
- Researched and prepared economic sector profiles for the Alaska Economic Information System (AEIS). The profiles are a compilation and analysis of data and information that identify resource and development opportunities and issues in the state's 27 census areas.
- Worked with other agencies to secure federal funds for geologic mapping, airborne geophysical surveys, and baseline water quality surveys. This information is essential to attracting exploration activity.
- Coordinated efforts with agencies and rural groups to produce standardized community profile maps for the public. Partnerships have been underway this year with the Interior Rivers Resource Conservation and Development Council, the Northwest Arctic Borough and the state's Village Safe Water Program.

INTERNATIONAL TRADE AND MARKET DEVELOPMENT

- Organized Governor's Mission to China with stops in Hong Kong, Shanghai and Beijing. Results: Alaska company entered into a joint venture with the Chinese pipeline and oil company, SINOPEC; and seafood sales nearly doubled in latter half of 2000. Mission afforded opportunity to thank existing customers and introduce Alaska's resource and service exports to potential buyers.
- Organized Governor's Mission to Japan with approximately two dozen high-level private sector participants. Raised profile while initiating and renewing business ties with Alaska's major trading partner.
- Continued introduction of fresh Alaska seafood to Korean hotel restaurants and other high-end customers - to the benefit of seafood and air cargo industries. Missions and promotions resulted in nearly \$1,000,000 in direct sales by Alaska seafood companies to five major hotels in Korea. Business meeting with Korean Air resulted in airline's decision to promote travel to Alaska by "Destination Alaska" in-flight video and cover article for carrier's in-flight magazine.
- Promoted Alaska oil spill preparedness and response companies/agencies to Taiwan Coast Guard, Taiwan EPA, Chinese Petroleum Corp., Taiwan Legislative Yuan. Result: an Alaska environmental services company is currently in negotiations with Taiwan EPA for an oil spill response training contract.
- Following the demise of Reeve Aleutian Airways, sponsored Alaska-RFE Aviation Roundtable, bringing stakeholders together to rebuild RFE routes, which in turn led Evergreen International Airlines to announce intent to start Sakhalin service in 2002; Mavial expanded its Anchorage-Magadan route to include Kamchatka; and Alaska-Chukotka flights picked up.

QUALIFIED TRADE ASSOCIATION CONTRACT

- National cable television returned to the marketing program after Alaska was "off the air" for 1 full year. Total buy in FY02: \$1.2 million.
- Increased and expanded the selection of marketing services to businesses. New programs included: advertising on specialty websites featuring adventure/ecotourism; sportfishing and cultural tourism; online travel specials on website to allow businesses to promote short-term special offers to consumers; electronic newsletter which allows follow-up marketing to consumers.

INVESTMENTS

- Supported the Volunteer Tax and Loan Program (VTLP) through a contract for fisheries business development to the Alaska Business Development Center, Inc. (ABDC). Seventeen trips were made during FY01 to assist 33 communities in five Alaskan regions (Interior, Western, Southeast, Bristol Bay and Kodiak). Teams comprised of advanced accounting students, IRS tax supervisors and ABDC consultants traveled to each community to provide tax preparation and loan package assistance as well as business and financial counseling. Overall, ABDC's VTLP assisted 2,938 individuals and prepared 1,388 returns. The Division received national recognition in August of 2001 when the VTLP was selected by the National Association of Development Organizations (NADO) to receive a 2001 Innovation award.

ALASKA AEROSPACE DEVELOPMENT CORPORATION

- Successfully launched Air Force Quick Reaction Launch Vehicle (QRLV-1) in March 2001.
- Successfully launched KODIAK STAR for Lockheed Martin Corporation in September 2001.
- Supported Army Strategic Target Systems (STARS) effort for November 2001 launch.
- Awarded contract for Launch Support Services to local Alaskan Company.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

- Purchased approximately \$9.9 million in loan participations originated through financial institutions for businesses and projects in Alaska, helping to expand Alaska's economic base and create jobs in Alaska. As of June 30, 2001, had approved loan participation purchase commitments for an additional \$18 million.
- Issued \$16.1 million in conduit financing for private sector and non-profit projects.
- Helped the Alaska Seafood International manufacturing facility (ASI) owners negotiate an organizational restructuring to provide operating capital and a new owner-operator. ASI is restarting operations and is processing orders. In full production, ASI will provide 450 year-round manufacturing jobs, result in hundreds of indirect jobs, and stimulate the local economies of fishing communities by providing a reliable market for their product.
- Oversight of the Healy Clean Coal Project (HCCP) was transferred to Golden Valley Electric Association (GVEA) under a settlement agreement during the prior year. The settlement agreement ended two years of litigation between AIDEA and GVEA. During this post-settlement period, AIDEA and GVEA are exploring financing alternatives to complete a retrofit of the Project, to allow the resumption of power generation.

ALASKA ENERGY AUTHORITY RURAL ENERGY OPERATIONS

- Completed bulk fuel storage consolidations and upgrades in 5 communities totaling \$13.3 million. An additional 5 bulk fuel consolidations, totaling \$14 million, will be completed in calendar year 2001.
- Started preliminary design work on 21 additional bulk fuel storage projects.
- Completed rural power system upgrades in 5 communities totaling \$4.1 million. Started preliminary design of rural power system upgrades in 6 villages with total estimated construction costs of \$9.9 million.

ALASKA SCIENCE AND TECHNOLOGY FOUNDATION

- ASTF grantee Alaska Manufacturing Contractors (AMC) has completed building 40 manufactured homes at its facility at Point McKenzie from its patented design. These homes can be leveled using only 3 points, have improved heating and cooling, and demonstrate a superior arctic design. The project employs 50 workers, many from villages that will receive the housing (Mountain Village, Unalakleet, Emmonak, Nome, St. Michaels, and Shaktoolik). AMC production has replaced an out-of-state manufacturer. Afognak Native Corporation purchased 51% of AMC.
- Anchorage Muni's Geotechnical Committee has draft microzone maps prepared by a UAF seismologist for local soil conditions from tremor data from 25 sensors around the Anchorage Bowl. The committee will now consider changes to building codes to increase safety and prevent over or under design of new structures. A major USGS grant was received that will allow continued and expanded operation of the sensors.
- Alaska Growth Capital (AGC) BIDCO capitalization reports it has made loans or equity investments to 25 organizations that have created or retained 366 jobs. Originally capitalized by ASTF and Arctic Slope Regional Corporation at \$6 million, AGC now has over \$11 million to do pre-bankable deals. Key projects include initial financing of Wrangell Seafood plant, Adak Seafood, and smaller technology companies. ASTF and AGC co-financed a new product line for the Omega Sea plant in Sitka and equipment for a garnet mine in the Interior.

ALASKA SEAFOOD MARKETING INSTITUTE

- Alaska Seafood was ranked #3 of the top ten brands in the top 500 restaurant chains in the United States. Building the Alaska Seafood brand is the best way to raise the products from a commodity status to a recognized brand similar to Idaho Potatoes and Washington Apples.
- A Salmon Index was established for the U.S. market. This is a monitoring index composed of several measurements that are weighed together to create a composite number. Such measurements include attitude and awareness, media exposure, positive associations with Alaskan Salmon, price/value relationships, awareness of industry issues, and farmed salmon issues. Having established a quantifiable baseline in Year 1, ASMI will measure change over the subsequent years.

OCCUPATIONAL LICENSING

- Issued or renewed 5,000 business licenses through the Internet.
- Developed online program for renewal of architect, engineer and land surveyor licenses.

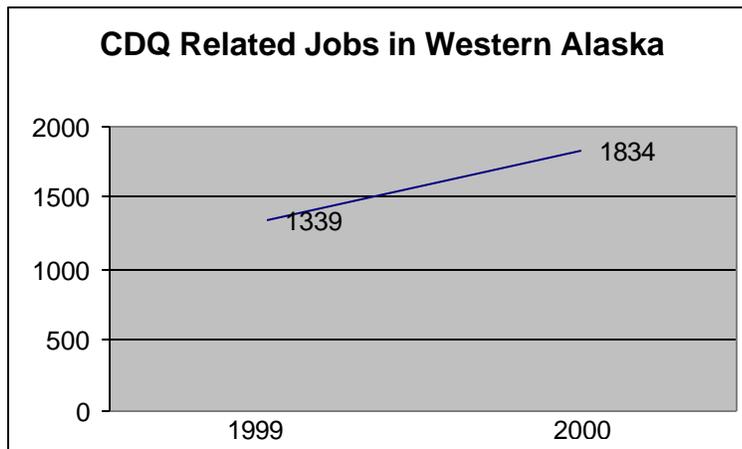
Governor's Key Department-wide Performance Measures for FY2003

Measure:

The change in the number of CDQ-related (community development quota related) jobs in Western Alaska.
 Sec 24(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

There were 1834 CDQ related jobs created in 2000, an increase from 1339 in 1999. The employment include positions on offshore factory trawlers, onshore processing plants, CDQ halibut and salmon plants, local halibut fisheries, and various management and administrative jobs within the six CDQ groups.



FY03 target: The division expects the number of seafood industry jobs in the CDQ program to increase again in FY03 primarily due to increasing CDQ ownership in groundfishing vessels. In addition, better recruitment and placement of employees by the CDQ groups in the processing and harvesting sectors and in administrative and management positions within the groups themselves, have made more employment opportunities available for residents in western Alaska.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

The data for this Measure was taken from the 2000 CDQ Quarterly Reports.

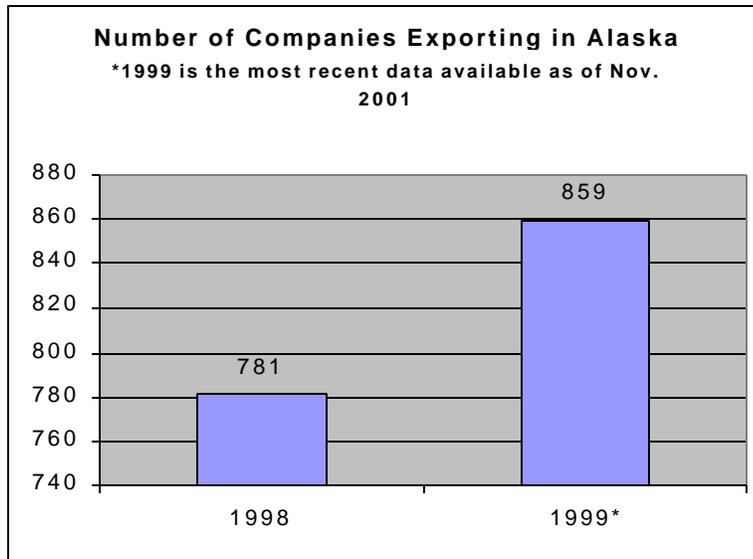
Measure:

The increase in the number of Alaska firms that export products and services.
 Sec 25(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

According to the U.S. Department of Commerce ("A Profile of U.S. Exporting Companies, 1998-1999"), in 1999, the most recent year for which figures are available, the number of Alaska-based exporters was 859. This number represents a 10% increase from 1998.

Target proposal: Meet or exceed the national rate of growth of the number of exporting companies.



Benchmark Comparisons:

During the 1998 to 1999 period, the national rate of growth of the number of exporting companies was 7.5%, based on information collected and reported by the U.S. Department of Commerce.

Background and Strategies:

Diversifying markets is beneficial to Alaska companies and Alaska's economy. The division assists export-ready companies to begin and expand export markets.

- Provide trade information and services to export-ready Alaska companies.
- Assist smaller and new-to-export firms to "test the waters" overseas through relatively inexpensive means such as Alaska Products Catalogs distributed to trade groups, and shared Alaska booths at targeted trade shows.
- With private sector interest and support, organize and conduct trade missions matching industries with potential markets to expand sales in current markets and develop new markets.

Measure:

Increase visitation from domestic and foreign markets.

Alaska's Target & Progress:

Target is to increase overall visitation by 3% in Summer and 3% in Fall/Winter.

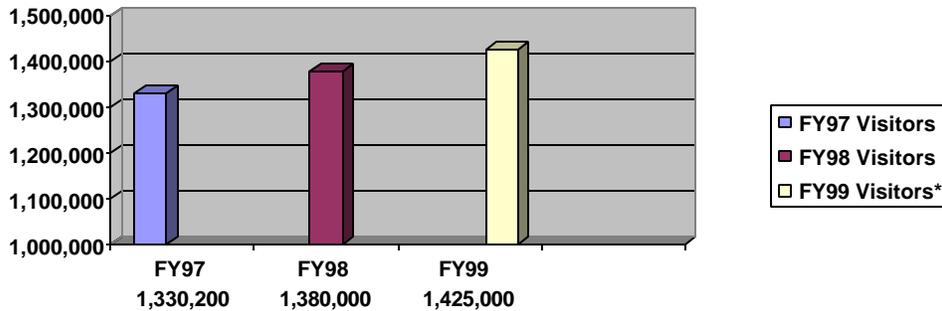
Summer 2001: Progress will not be known until the Alaska Visitor Statistics Program (AVSP) Summer 2001 report is released by the Department. However, in an informal poll of Alaska tourism businesses over 40% of respondents reported business was down for summer of 2001 compared to previous years.

Fall/Winter 2001: Early indicators show that this goal was exceeded by a significant amount. Preliminary data from the AVSP Fall/Winter 2000/01 estimates arrivals were 10-15% higher than in fall/winter 1998-99 (the last year for which information is available).

DCED is updating the Alaska Visitor Statistics Program IV (AVSP), which will provide critical data on Alaska visitors. This information will be used as a benchmark for tracking actual visitation patterns for FY03 and in future years. Once completed, this study will also provide benchmark information for the number of repeat visitors.

The AVSP 1999 Summer Arrivals study shows that visitor traffic growth has slowed over the past several years. In 1996, visitor volume grew by 10%; in 1997, by 5%; and in 1998, by 4%.

YEAR-ROUND ALASKA VISITATION



*No AVSP Fall/Winter arrivals data was collected for 1999/2000 so 1998/1999 figures were used for comparison.

Events of 9/11: The tragic events of September 2001 have altered the course of travel for the foreseeable future. Travel and tourism is one of the hardest hit sectors of the economy and one of the areas where consumer confidence will take the longest time to return. Massive layoffs and bankruptcies are erupting throughout the industry. As a result urgent short term measures have been undertaken by the federal government to generate cash flow and assist the travel industry in regaining its footing. A number of cities and states have begun emergency marketing campaigns to attract consumers who are willing to travel. In Alaska the major impact will occur in the coming months as we head into the peak booking cycle and summer season. Alaska is expected to be particularly hard hit since many consumers are now afraid to fly, and Alaska's primary mode of travel is by air.

Benchmark Comparisons:

According to the Travel Industry Association (TIA), U.S. domestic travel for 2000 grew by 1% over 1999, while the Pacific region of the U.S. saw an increase of 5% over the previous year. International travel was up 4.9% with cruise industry traffic increasing 16.8%. TIA originally forecasted a 1.8% increase in domestic/international travel for 2002, although these projections are now being re-evaluated due to the terrorist attacks.

Background and Strategies:

Alaska needs to become more competitive in the marketplace; given current funding, this is very difficult to do. In comparison to other states, Alaska ranks 36th in the amount of state funds allocated to tourism marketing. This greatly diminishes the state's ability to compete for visitors. The average state tourism marketing budget for 2001 was \$13.7 million compared to Alaska's \$7.3 million budget. Another important point of reference is that 35 of 50 state tourism marketing programs receive 100% of their funding from the public sector.

International visitors continue to come primarily from Japan, Germany, the United Kingdom and Australia. Based on reports from tour operators, cruise lines and airline sources the 2001 season brought approximately 25,000 visitors from Germany, 23,000 from Japan, 15,000 from the United Kingdom and 12,000 from Australia.

Marketing strategies being implemented to compete for visitors include:

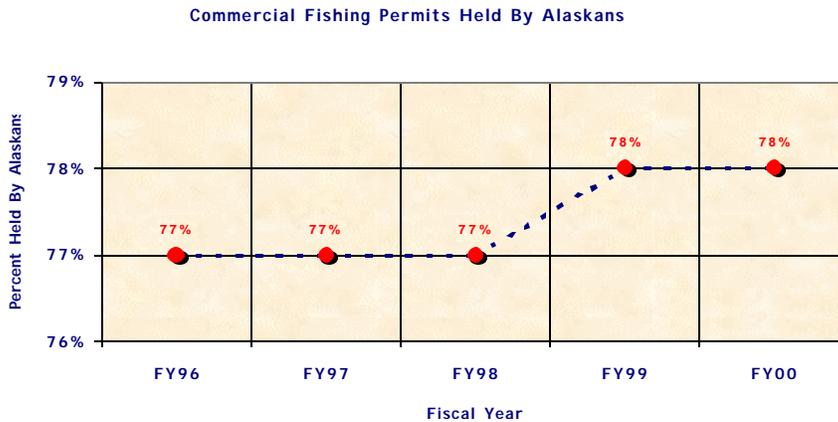
- Adding national cable television.
- Expanding and promoting Official Alaska State Travel Website (www.travelalaska.com) in order to maintain the monthly average of 90,000 visitor sessions and 23.5 million total hits to the site for the year.
- Bolstering Public Relations efforts to include aggressive outreach to travel writers, editors and producers in order to increase national media exposure for Alaska.
- Increasing the level of knowledge regarding Alaska with travel trade and tour operators.

Measure:

Whether the division maintains the proportion of commercial fishing permits held by Alaskans at 75% or higher through the Commercial Fishing Revolving Loan Fund.
 Sec 27(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY99 and FY00 (the most recent figures available), the proportion of permits held by Alaskans was 78%. From FY96 to FY98, the proportion of permits held by Alaskans was 77%.



Benchmark Comparisons:

Other than our twenty-five year loan history, there are no other programs similar to this loan program.

Background and Strategies:

The commercial fishing industry continues in flux as world markets adapt to the changing supply of fish from fish farms as well as the more traditional fishing fleets. The salmon markets have been significantly affected, and as a result, they have been extremely volatile for the past several years. It is important that Alaska maintains its place in the worldwide salmon market during these changing times to assure our place for the future. This loan program offers a relatively modest financing program for Alaska resident commercial fishing harvesters. The division's effort is to maintain the proportion of commercial fishing permits held by Alaskans at 75% or higher. To achieve this goal this division will:

- Work with Alaska resident fishermen requesting financing for the purchase of permits.
- Work with Alaska resident fishermen requesting financing for gear, vessel upgrades and/or improvements.
- Travel to fishing communities all over the state to assist them in their planning for financing their on-going fishing businesses.
- Travel to fishing communities all over the state to assist them in solving tax related problems.
- Continue to work with the Alaska Business Development Center, assisting fishermen through our Fisheries Business Assistance Contract.

Measure:

AIDEA -- The number of permanent jobs created.
 Sec 29(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY 2001 AIDEA funded loan participations totaling approximately \$9.9 million, creating approximately 185 construction jobs and 163 new jobs, and guaranteed one loan for \$150,000, creating 6 new jobs. In FY2002

AIDEA will purchase between \$50 and \$65 million in loan participations. This is expected to be a record amount and not a figure that is sustainable. In FY 2003, AIDEA will purchase approximately \$30.0 million in loan participations with financial institutions; and guarantee \$2.0 million in small business loans. The number of jobs created is one of the factors in AIDEA's determination to participate in a loan financing; however, AIDEA has not traditionally projected the number of jobs to be created by its financing participations. After a loan is approved AIDEA is able to track that information. On average, over 285 permanent jobs are created annually by AIDEA's loan participations and guarantees.

	Jobs Created/Retained	
	Construction	Permanent
1992	77	34
1993	191	568
1994	334	349
1995	268	215
1996	298	128
1997	504	176
1998	600	500
1999	381	442
2000	506	275
2001	185	169

The number of "permanent jobs created" dropped from FY00 to FY01 primarily due to a drop in loans funded, from \$30.9 million in FY00 to \$9.9 million in FY01. The drop in fundings is in part due to large new construction projects that AIDEA committed to but were not completed within the fiscal year. There is often a lag time between approved loans and funded loans, possibly 60 days to a year. FY02 will reflect the statistics for completed projects that AIDEA committed to in FY01.

Benchmark Comparisons:

No other state in the nation has a public development corporation identical to AIDEA.

Background and Strategies:

AIDEA provides the financing mechanisms necessary to participate in long-term commercial loans, guarantee small business loans, including export transactions, to own projects that promote economic development and to provide conduit financing of projects owned by others that promote economic development.

AIDEA will continue to work with the private sector to develop infrastructure projects that AIDEA can own and lease to the private sector, complimenting private sector investment. AIDEA will also continue to work with the private sector to provide conduit revenue bond financings of projects owned by private sector investments that promote economic development.

Measure:

The percentage of technology project grantees in business because of ASTF grants.
Sec 32(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

67% (31 out of 46) reported being in business because of their ASTF grant.

Target: 50% in business because of their ASTF grant.

Benchmark Comparisons:

Annually, ASTF prepares an Alaska science and technology innovation index which can be downloaded from ASTF's website at:

<http://www.astf.org/admin/files/data/docs/TechIndex2001.pdf>.

This index includes historical trends and comparisons with selected other states and the U.S. average. The index represents a snapshot in understanding areas where Alaska is either doing well, average, or poorly in terms of its economy and science and technology innovation and potential.

Background and Strategies:

ASTF co-invests in new business concepts in a portfolio of both new and existing firms. Most Alaskan firms cannot afford R&D projects or risk. New firms offer exciting growth possibilities. Existing firms seeking to add a new business line offer business experience and infrastructure, managerial and financial depth, and support services.

Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures												
State Revenue Sharing	28,493.4	5,556.8	1,403.6	35,453.8	12,855.2	15,830.0	1,000.0	29,685.2	12,855.2	15,830.0	1,150.0	29,835.2
Fish Enhancement	5,302.2	0.0	0.0	5,302.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax Receipts												
Rural Energy Programs	0.0	0.0	16,091.6	16,091.6	0.0	0.0	15,700.0	15,700.0	0.0	0.0	0.0	0.0
Non-Formula Expenditures												
Language Sections	2,190.0	0.0	0.0	2,190.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Executive Admin	2,526.8	235.0	2,246.9	5,008.7	1,532.1	0.0	1,457.2	2,989.3	1,456.1	0.0	1,502.5	2,958.6
Comm Assist & Ec Dev	4,271.4	1,773.2	2,840.1	8,884.7	5,742.1	1,372.6	3,602.1	10,716.8	6,431.0	1,405.4	3,438.3	11,274.7
Safe Communities Program	0.0	0.0	0.0	0.0	16,775.5	0.0	0.0	16,775.5	16,775.5	0.0	0.0	16,775.5
Qualified Trade Assoc. Contract	4,800.0	0.0	0.0	4,800.0	4,605.1	0.0	50.1	4,655.2	4,005.1	0.0	0.0	4,005.1
Investments	0.0	0.0	3,150.6	3,150.6	0.0	0.0	3,399.4	3,399.4	0.0	0.0	3,482.0	3,482.0
Alaska Aerospace Devel Corp	0.0	0.0	4,724.6	4,724.6	0.0	0.0	13,649.2	13,649.2	0.0	0.0	14,612.5	14,612.5
AIDEA	0.0	0.0	5,910.9	5,910.9	0.0	0.0	7,170.8	7,170.8	0.0	0.0	6,539.5	6,539.5
Rural Energy Programs	387.9	22.6	1,759.9	2,170.4	489.7	166.0	1,895.3	2,551.0	0.0	0.0	0.0	0.0
Alaska Energy Authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	495.6	168.3	20,427.3	21,091.2
AK Science & Tech Foundation	0.0	0.0	5,360.2	5,360.2	0.0	0.0	10,491.9	10,491.9	0.0	0.0	10,518.6	10,518.6
Alaska Seafood Marketing Inst	0.0	1,643.2	6,945.1	8,588.3	0.0	3,500.0	7,730.2	11,230.2	0.0	3,500.0	7,081.8	10,581.8
Banking, Securities, and	0.0	0.0	1,809.0	1,809.0	0.0	0.0	1,903.2	1,903.2	0.0	0.0	2,199.4	2,199.4

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Corp Insurance	0.0	0.0	3,936.7	3,936.7	0.0	0.0	4,619.6	4,619.6	0.0	0.0	4,791.8	4,791.8
Occupational Licensing	527.4	0.0	5,534.2	6,061.6	545.0	0.0	6,456.4	7,001.4	556.9	0.0	7,029.1	7,586.0
Reg Comm of Ak	0.0	0.0	5,258.2	5,258.2	0.0	0.0	5,871.3	5,871.3	0.0	0.0	6,003.1	6,003.1
DCED State Facilities Rent	496.3	0.0	0.0	496.3	359.9	0.0	178.0	537.9	571.1	0.0	220.9	792.0
Totals	48,995.4	9,230.8	66,971.6	125,197.8	42,904.6	20,868.6	85,174.7	148,947.9	43,146.5	20,903.7	88,996.8	153,047.0

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	9,230.8	20,868.6	20,903.7
1003 General Fund Match	608.2	607.9	617.2
1004 General Fund Receipts	46,422.2	41,718.7	41,939.4
1005 General Fund/Program Receipts	1,965.0	578.0	589.9
1007 Inter-Agency Receipts	8,275.0	7,601.7	7,833.8
1025 Science & Technology Endowment Income	5,915.4	11,058.1	10,518.6
1035 Veterans Revolving Loan Fund	93.6	107.4	61.7
1036 Commercial Fishing Loan Fund	2,502.3	2,698.8	2,898.2
1040 Real Estate Surety Fund	85.3	273.8	253.0
1051 Rural Economic Development Loan Fund	99.8		
1053 Investment Loss Trust Fund	287.2		
1057 Small Business Loan Fund	3.3	3.4	3.5
1061 Capital Improvement Project Receipts	2,045.0	1,378.8	2,233.8
1062 Power Project Loan Fund	802.5	807.5	835.2
1067 Mining Revolving Loan Fund	5.0	5.1	5.2
1068 Child Care Revolving Loan Fund	5.8	6.0	6.2
1069 Historical District Revolving Loan Fund	2.5	2.5	2.5
1070 Fisheries Enhancement Revolving Loan Fund	333.0	332.6	340.7
1071 Alternative Energy Revolving Loan Fund	151.7	151.7	144.9
1074 Bulk Fuel Revolving Loan Fund		49.3	51.0
1089 Power Cost Equalization Fund	15,700.0	15,700.0	16,960.0
1101 Alaska Aerospace Development Corporation Receipts	3,133.2	12,900.6	13,854.7
1102 Alaska Industrial Development & Export Authority Receipts	3,457.9	4,055.3	4,147.6
1107 Alaska Energy Authority Corporate Receipts	791.2	1,051.9	1,067.1
1108 Statutory Designated Program Receipts	12.5	60.0	260.0
1111 Fishermans Fund Income		115.0	115.0
1115 International Trade and Business Endowment Income		496.4	496.4
1141 RCA Receipts	5,252.2	5,871.3	6,003.1
1156 Receipt Supported Services	18,017.2	20,404.5	20,818.7
1164 Rural Development Initiative Fund		43.0	44.0
1170 Small Business Economic Development Revolving Loan Fund			41.9
Totals	125,197.8	148,947.9	153,047.0

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	479	506
Permanent Part Time	6	5
Non Permanent	1	0
Totals	486	511

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Electronic Document Imaging, Storage and Retrieval System	0	0	1,125,000	1,125,000
Loan Servicing Software Replacement	0	0	550,000	550,000
Federal Community Development Grants	280,000	3,000,000	0	3,280,000
Community Block Grants	0	9,000,000	0	9,000,000
Language Section: National Petroleum Reserve Alaska Impact Program	0	1,680,000	0	1,680,000
Language Section: Trans-Alaska Pipeline Liability Fund	0	2,150,000	0	2,150,000
Bulk Fuel Systems Upgrades	0	0	1,600,000	1,600,000
Rural Power Systems Upgrades	500,000	0	0	500,000
Language Section: Electrical Emergencies	0	0	350,000	350,000
Diesel Efficiency and Alternative Energy Program	500,000	0	0	500,000
Federal Energy Projects	0	30,000,000	0	30,000,000
Arctic Winter Games Team Alaska	75,000	0	0	75,000
Delta Junction Missile Defense Test Bed Impact Mitigation Projects	0	10,000,000	0	10,000,000
Department Total	1,355,000	55,830,000	3,625,000	60,810,000

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

COMMUNITY AND BUSINESS DEVELOPMENT

- Alaska Economic Information System.** A general fund increment is requested to establish four new positions and related expenses for the Alaska Economic Information System (AEIS). The AEIS is designed to provide user-friendly access to all this information at a one-stop portal on the Web. This system will be a tremendous development resource for businesses, communities and individuals - saving them significant time and effort in collecting the information on which to base development plans. Users will be able to view a map of Alaska on line, click on a census area, and quickly get the picture of that area's basic economic industries such as tourism, oil and gas, mining, and seafood. Comprehensive information will also be provided for the critical infrastructure elements of transportation, energy, and utility sectors that support long-term viable economic development. Users will be able to "drill down" through the Web site to get to greater levels of detail about their specific areas of interest, including graphs and working spreadsheets that users can download to their own computers for further analysis. As a portal, the AEIS will also contain a host of links to other Web sites relevant to an understanding of the Alaska economy. The positions would be responsible for working with other state, federal and regional organizations to develop data and protocols to ensure that the information in the AEIS database is as up-to-date, accurate and comprehensive as possible, and to continually expand the information resources contained in the AEIS. Positions will also be responsible for developing detailed, sub-regional economic analyses of specific public policies or development projects.
- Assistant State Assessor.** A general fund increment for an assistant state assessor position and related expenses is requested to review the property assessment practices used by municipalities on a timely basis. The State Assessor's review of local assessment practices is critical to assuring the integrity of the Full and True Value Determination (FTVD) that is made for property in each municipality. The State Assessor's Full and True Value Determination serves as the State's independent assessment of the full and true value of all taxable property within a given locality.
- Fisheries Development Position.** An increment for a second fisheries development position and related expenses is requested to work on projects such as salmon industry revitalization, new fisheries development, groundfish industry issues and implementation of seafood in USDA programs. Funding would come from the Commercial Fishing Revolving Loan Fund.

INTERNATIONAL TRADE AND MARKET DEVELOPMENT

- China Trade Representation.** An increment is requested to provide contract trade representation in the People's Republic of China (PRC) to promote China's import of Alaska goods and services.

QUALIFIED TRADE ASSOCIATION CONTRACT

- Reduce Uncollectable I/A Authorization.** When the BRU for the Qualified Trade Association was established in FY 2001 from the former Division of Tourism, interagency receipts were transferred from the division. The Division of Tourism collected these receipts from the Department of Transportation for Tourism North and Scenic Byways projects. Since QTA is not a state agency, these funds cannot be collected as interagency receipts.
- Reduce Authorization.** When tourism marketing was transferred to a qualified trade association (QTA) by statute in 1999, 30% of the marketing budget was to be raised by the QTA. By statute (AS 44.33.125(a)), this percentage increases to 60% in the FY03 contract. Assuming the tourism industry can generate the contribution assumed under the Millennium Plan, based on the Plan's projected total budget of \$10 million, the State's share of the budget will be reduced from \$4.6 million to \$4.0 million.

ALASKA AEROSPACE DEVELOPMENT CORPORATION

- New Positions.** Continued growth and future launch contracts has determined the need for four staff positions and related expenses to be added to support the administration, operations, and maintenance demands of the corporation. Increments are requested that would fund two positions in Anchorage, an Accounting Technician and a Contracts Manager. The remaining two positions would be a Deputy Director and a Health and Safety Manager at the Kodiak Launch Complex. Funding source is AADC corporate receipts.
- ASTF to CIP Funding Source Change.** The earnings from ASTF's endowment have dropped significantly the last two years. Endowment earnings have dropped from \$10.4 million in Fiscal Year 2000 to \$5.2 million in Fiscal Year 2001. As a result, the portion of ASTF earnings that went to non-ASTF programs including AADC, increased from 31 to 62 percent. This significantly reduced funding for ASTF and its mission. A fund source change moves

that portion of AADC funding that was from the ASTF Endowment funding to CIP Receipts.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

- **New Positions.** AIDEA requests an increment in personal services to hire three CIP positions. The funding source is I/A receipts from the Alaska Energy Authority (AEA). These positions are needed due to the increase of Denali Commission funded projects managed by AEA rural energy operations.

ALASKA ENERGY AUTHORITY

- **Energy Operations.** AEA is occasionally requested to perform contractual services on behalf of private entities. AEA requests authorization to receive statutory designated program receipts to cover these contracts. AEA expects Sandia Labs to request contractual services to be performed in FY03 for the energy storage into distributed resource electricity supply systems. In addition, due to the increase in Denali Commission funds and projects, an increment for contractual expenditures with CIP receipts as the funding source is requested. A corresponding increment in personal services for three CIP positions is requested in the AIDEA operations component.

BANKING, SECURITIES AND CORPORATIONS

- **New Investigator.** One new fee-supported position is requested. The division needs an Investigator III to assist the examiners in investigating alleged violations of law and in compiling and organizing evidence to support enforcement action. Securities complaints have increased 75% in the last two years. Examiners who must set aside other responsibilities to conduct the investigation now conduct investigations, but have little or no formal training in investigation techniques. This position will give the division trained investigative staff to process cases more quickly and efficiently through to resolution. The position is to be funded with fees through receipt supported services.
- **Securities Database Maintenance.** The division seeks an increment to provide funds for the maintenance/upgrade agreement with the securities database vendor. The database will be purchased in FY02 with a FY02 capital appropriation, and regular vendor support is required to fix problems and provide updates to reflect changes in federal and state laws and procedures. This request is to be funded with fees through receipt supported services.
- **Legal Services.** The division seeks an increment to provide funds for an RSA with the Department of Law for legal services of a half-time attorney. The division has no attorney on staff and needs the Department of Law to develop and provide expertise in banking, corporation, and securities law. Administrative orders, hearings, and other activities subject the State to legal proceedings that require the division to obtain expert legal support, similar to that of the other regulatory agencies in the department. This request is to be funded with fees through receipt supported services.
- **State Banking Program Accreditation.** The division seeks an increment to provide funds to obtain accreditation of the division's bank examination program and certification of examination staff by the Conference of State Bank Supervisors (CSBS). Currently 44 jurisdictions in the U.S. are accredited by CSBS, and accreditation assures the State that other state and federal regulators will accept examination reports by the division's examiners. Without this assurance, industry could be subject to increase regulatory burdens. This request is to be funded with fees through receipt supported services.

INSURANCE

- **Create New Market Conduct Examiner Position.** Currently the Market Conduct Section is composed of only 3 positions, one of which is supervisory. In the past the Alaska Division of Insurance had six Market Conduct Insurance Analysts (examiners) plus a supervisor. Gradually, the section was redesigned and moved entirely to Anchorage, and through attrition and other factors, the section was reduced to one person. Adding a Market Conduct position to Juneau results in closer proximity for the conduct of specialized market conduct examinations of surplus lines brokers, the majority of whom are Seattle based. Alaska is probably the one state that depends most heavily upon the specialty surplus lines markets to provide for the insurance needs of much of our small and mid-sized commercial risks. The market conduct section of the division has been a longstanding resource for the resident and non-resident surplus lines brokerage houses alike, and has been instrumental in developing and maintaining a level regulatory playing field. This market is vital to the economic well being of our economy.

OCCUPATIONAL LICENSING

- **Strengthening Investigative Unit.** The primary goal of the division in FY03 will be to restructure and support the Investigative Unit. The Investigative Unit has grown from six investigators to fourteen as the number of licensing

programs, the number of license holders and the complexity of cases have expanded. The growth of the Investigative Unit and its responsibilities means that the Chief Investigator can no longer directly supervise all investigators and give each case the necessary oversight. Supervision is important because of the impact of investigative decisions on the life of the accused and the safety of the public. The legislature recognized the importance of the Investigative Unit when it created a budget measure focused on investigative efficiency. The division would like to establish a senior investigator position to oversee the work of a section of the unit. The division also requests a technician position to assist all the investigators in tracking and organizing their caseload. Funding would be from receipt supported services.

- **Revision of Licensing Staff Classification for Pay Equity.** The class specifications and compensation for Occupational Licensing Examiners have not been significantly adjusted or reviewed in over twenty-five years. The work descriptions in the specifications hearken back to the era of typewriters and depict the work in clerical terms that may reflect gender bias. Today, Occupational Licensing Examiners generally serve as the primary staff person for one or more statewide licensing programs and the sole support for licensing boards. The Department of Administration expects to complete a classification study of the Occupational Licensing series in November. Funding would be from receipt supported services.
- **Board of Nursing Support.** The Board of Nursing licenses over 10,000 nurses, advanced nurse practitioners and certified nurse aides, representing over 25% of the division's licensees. Board responsibilities have become increasingly complex and challenging due to the mobility of the workforce, changes in healthcare delivery, public protection expectations and expansion of the nurse aides certification program. The Board cannot meet the needs of the healthcare industry and fulfill its public safety responsibilities without reorganization and expansion of its staff. The Board has requested the following increments:
 - Establish and fund an Investigator III to create a second nurse investigator. 106 new Board of Nursing investigations opened during FY01.
 - Establish and fund a Nurse III to assist the executive administrator of the Board of Nursing at a professional level and provide focus on nurses impaired by substance abuse.
 - Establish and fund a Licensing Examiner (range 14B) to certify the increasing number of nurse aides and to handle the additional work when temporary nurse aide certification is created to provide time for criminal justice fingerprint checks.
 - Provide funding for Criminal justice reports on nurse and nurse aide applicants based on fingerprint checks by DPS and the FBI. The Department of Public Safety charges \$59 for each state/federal fingerprint check. The Board of Nursing believes that criminal background checks are necessary to protect the public and will, therefore, adopted regulations requiring fingerprint checks during its September 19 meeting.
 - Funding would be from receipt supported services.
- **Establish a Nurse III Position to Directly Administer the Colleagues in Caring Program.** The University of Alaska through an RSA currently administers the program for the division. In FY01, the division received 140.0 in expenditure authority to support Colleagues in Caring, which is a consortium of nursing employers, educators and regulators dedicated to ensure an adequate supply of properly trained nursing professionals. The Board believes it can deliver the best program by bringing Colleagues in Caring directly under the Board, following the model of other states. 78.9 will remain in contractual services to support Board Colleagues in Caring activities.
- **Increase Existing Part-time Real Estate Licensing Examiner to Full time.** The real estate industry has been consolidating, resulting in an increased number of transfers between offices, broker changes and other actions requiring license processing. The nature of the business and the amounts of money involved in transactions mean that rapid response by the division is demanded. The Real Estate Commission decided at its September 14 to reallocate a portion of the Real Estate Surety Fund expenditure authority to its licensing function to make the licensing examiner a full-time position.
- **Public Accountancy Exam Price Increase.** The organization that writes the national Certified Public Accountancy Examination has announced that the price the division is charged for each copy of the exam will double in FY03. The division spent \$30.3 purchasing CPA exams in FY01 and anticipates spending \$60.6 in FY03. Applicants for licenses pay the division for the exams, but the division expenditure authority needs to be increased to cover this expense.

DCED STATE FACILITIES RENT ADJUSTMENTS

- **Increments.** Increments for the Divisions of Occupational Licensing and Banking, Securities, & Corporations are requested to cover rent increases in FY03. An increment for the DCED State Facilities Rent Component is requested to receive the rent payments, in the form of interagency receipts and general funds to cover rent increases for divisions funded by general funds.
- **Transfers.** The Divisions of Investments, Insurance, Banking, Securities, and Corporations, and Occupational

Licensing in late FY02 are moving from leased space in the Frontier Building to the State owned Atwood Building. Lease monies from the Department of Administration will be transferred to this component to cover FY03 Atwood Building rent expenses.

- **Correction.** When general funds were allocated to the departments to cover lease costs of the Community Building, the footage of the DCED was transposed with the footage of the Department of Education and Early Development (DEED). A transfer of funds from DEED to this component corrects the error.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	42,904.6	20,868.6	85,174.7	148,947.9
Adjustments which will continue current level of service:				
-Executive Admin	-76.0	0.0	45.3	-30.7
-Comm Assist & Ec Dev	248.9	32.8	-126.6	155.1
-State Revenue Sharing	0.0	0.0	150.0	150.0
-Investments	0.0	0.0	82.6	82.6
-Alaska Aerospace Devel Corp	0.0	0.0	46.2	46.2
-AIDEA	0.0	0.0	-871.3	-871.3
-Rural Energy Programs	-489.7	-166.0	-17,595.3	-18,251.0
-Alaska Energy Authority	489.7	166.0	18,647.2	19,302.9
-AK Science & Tech Foundation	0.0	0.0	26.7	26.7
-Alaska Seafood Marketing Inst	0.0	0.0	51.6	51.6
-Banking, Securities, and Corp	0.0	0.0	53.9	53.9
-Insurance	0.0	0.0	112.3	112.3
-Occupational Licensing	11.9	0.0	122.4	134.3
-Reg Comm of Ak	0.0	0.0	131.8	131.8
-DCED State Facilities Rent	197.1	0.0	0.0	197.1
Proposed budget decreases:				
-Comm Assist & Ec Dev	0.0	0.0	-112.2	-112.2
-Qualified Trade Assoc. Contract	-600.0	0.0	-50.1	-650.1
-Alaska Seafood Marketing Inst	0.0	0.0	-700.0	-700.0
-Occupational Licensing	0.0	0.0	-4.0	-4.0
Proposed budget increases:				
-Comm Assist & Ec Dev	440.0	0.0	75.0	515.0
-Alaska Aerospace Devel Corp	0.0	0.0	917.1	917.1
-AIDEA	0.0	0.0	240.0	240.0
-Alaska Energy Authority	5.9	2.3	1,780.1	1,788.3
-Banking, Securities, and Corp	0.0	0.0	242.3	242.3
-Insurance	0.0	0.0	59.9	59.9
-Occupational Licensing	0.0	0.0	454.3	454.3
-DCED State Facilities Rent	14.1	0.0	42.9	57.0
FY2003 Governor	43,146.5	20,903.7	88,996.8	153,047.0

State of Alaska FY2003 Governor's Operating Budget

Department of Corrections

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Department Mission

To protect the public and encourage offender rehabilitation through humane, safe, and cost-effective confinement and supervision. The department will respect the rights of victims and recognize the dignity inherent in all human beings as it pursues this mission.

Department Goals and Strategies

1. MANAGE OFFENDERS IN A WAY THAT PROTECTS PUBLIC SAFETY.

To do this, the Department will:

- Continue to implement its long-range population management plan to prevent overcrowding in the in-state correctional facilities, including maintaining high utilization of community residential center (CRC) beds, and expanding the use of alternatives to incarceration, such as electronic monitoring and CRC Supervision (home furlough) programs.
- Supervise offenders on probation or parole commensurate with their risk and program needs, including neighborhood-based community supervision services and enhanced supervision of felony DWI offenders on probation.

Performance measures for these goals include:

- Maintaining inmate populations within the maximum capacity of each institution;
- Minimizing the number of major incidents;
- Increasing probation and parole supervision of offenders through increased monitoring and accountability programs.

2. PROVIDE SERVICES AND PROGRAMS THAT AFFECT POSITIVE CHANGE, STRUCTURE OFFENDER TIME, AND FACILITATE SUCCESSFUL REINTEGRATION OF OFFENDERS INTO SOCIETY.

To do this, the Department will:

- Work cooperatively with the Mental Health Trust Authority and the Boards to provide services to the beneficiaries who are in the Department's custody or under the Department's supervision;
- Continue in-prison residential treatment programs for offenders who have chronic substance abuse problems;
- Expand the Department's Youth Offender Initiative;
- Using principles of community justice, improve corrections-based victims' services.

Performance measures for these goals include:

- Increase substance abuse (alcohol and other drug) interventions for offenders;
- Increase education services for offenders in institutions.

3. PROVIDE EFFECTIVE CORRECTIONAL ADMINISTRATION THROUGH STRATEGIC PLANNING, TRAINING, QUALITY ASSURANCE, AND THE USE OF AUTOMATION AND NEW TECHNOLOGIES.

To do this, the Department will:

- Continue to implement and refine the Department's management information system;
- Implement the Department's strategic health care plan;
- Provide training, including victims' services training, for staff.

Performance measures for these goals include:

- Expand the management information system to include medical, clinical, inmate accounting, and programmatic data.

Key Department Issues for FY2002 – 2003

CONSTRUCTION OF A NEW ANCHORAGE JAIL - Department staff continue to be involved on a daily basis in the planning and construction of a new Anchorage Jail. This year, the Department must recruit, hire, and train staff for the facility, as well as adopt operational policies for the facility.

PRISON AND JAIL OVERCROWDING - Alaska's institutions can only hold 2,786 inmates, forcing the state to send 800 inmates out-of-state. Furthermore, the daily average number of inmates imprisoned in Alaska continues to increase (from 3,337 in FY 94 to 4,151 in FY 99 to 4,261 in FY 00 to 4,362 in FY01 and is projected to be 4,622 by FY03). The department will address this by continuing to implement its long-term population management plan. Part of this is the governor's statewide regional expansion plan.

YOUTH OFFENDER INITIATIVE - Juvenile offenders, between the ages of 15 and 22, currently account for more than 16% of the department's in-state institutional population. While the Department opened its Spring Creek Youth Offender Unit in FY2001, it must also develop and implement a plan for youth pretrial felons.

COMMUNITY CORRECTIONS' FELONY DWI ACCOUNTABILITY INITIATIVE - The department will establish specialized caseloads for Probation Officers trained in managing the risk DWI offenders present to the safety of our communities.

STANDARDS AND ACCREDITATION INITIATIVE - Though the Department was relieved of court-monitoring, the Department must continue to develop its own initiative to ensure that its institutions continue to operate in a safe and secure manner. Toward this end, the department is seeking accreditation by the American Correctional Association (ACA) for its institutions.

NEW OFFENDER TRACKING AND INFORMATION SYSTEM (OTIS) - The department will need general funds to provide long-term operational support of the new Offender Tracking Information System which was started with federal grants.

HEALTH CARE INITIATIVE -- The Department is completing implementation of its strategic health care initiative, which refocuses on inmate services health care planning, negotiating medical contracts and introduction of a medical module for the delivery of physical health care services to prisoners.

Major Department Accomplishments in 2001

CLEARLY PROGRESS - In FY2001, the court released the department from monitoring requirements resulting from the Cleary class action law suit. The department is seeking accreditation by the American Correctional Association (ACA) for its institutions.

RESIDENTIAL SUBSTANCE ABUSE TREATMENT (RSAT) PROGRAM FOR MEN - The Wildwood Correctional Center RSAT Program has admitted 68 men, graduated 21 and maintains a waiting list 15. It is a twelve-month program for male inmates needing intensive substance abuse treatment.

SERVICES FOR VICTIMS - Expanded services for victims by providing a "1-800" contact telephone line at DOC central office; compilation and distribution of a Victim Resource Directory; conducting community victims' education classes in Nome and Bethel; continue Victims' Advisory Committees in Kenai, Fairbanks, Anchorage, Juneau, and Palmer; completed revision of Victim Impact manuals.

ANCHORAGE JAIL CONSTRUCTION - The Department has continued its successful partnership with the Municipality of Anchorage to construct a new 400-bed jail, scheduled to open in spring 2002. The project has met every benchmark to date and is on time and within budget.

AMERICAN CORRECTIONAL ASSOCIATION ACCREDITATION – Several facilities applied for accreditation with the American Correctional Association (ACA), which offers the opportunity to evaluate their operations against national standards, remedy deficiencies, and improve the quality of their programs and services. Two facilities fully prepared for the audit in FY2001 and will appear before the Commission on Accreditation in January 2002. At that time, full accreditation will likely be granted.

STRATEGIC HEALTH CARE INITIATIVE - The Department evaluated, and initiated a multi-year process to refocus services on inmate services health care planning. This includes continuing utilization review and cost control efforts, uniform medical records, and improved nursing procedures.

Governor's Key Department-wide Performance Measures for FY2003

Measure:

Maintain inmate populations within the emergency capacity of each institution.

Alaska's Target & Progress:

In FY2002, the Department has experienced a fairly dramatic housing shortage for the first time since November 1999, causing an increase in our percentage of days over emergency capacity. This appears to be due to a large increase in pre-trial detainees who are remaining incarcerated pending disposition for longer periods of time.

Benchmark Comparisons:

The final order in Cleary, nearly a decade ago, required the Department to bring its population under emergency capacities established in the class action lawsuit. The Department has been working to comply since then.

Background and Strategies:

Due to increased state population, more criminal enforcement and longer sentences, the State's prison population has increased. The Department has developed and implemented a long-term plan. In FY2000, the court reduced the scope of monitoring in the Cleary class action by ending the monitoring of both women and the population in House One at Spring Creek. In August 2001, the provisions of the Cleary Settlement Enforcement were suspended and court ordered monitoring ceased.

Measure:

Minimize the number of major incidents.

Alaska's Target & Progress:

The target is to have no major incidents. During FY2001 there were two major incidents in our state institutions. There had previously not been a major incident since 1995. The two major incidents resulted in fatalities, one while incarcerated at Sixth Avenue Correctional Center and one at Ketchikan Correctional Center.

Benchmark Comparisons:

The State has established its own benchmark by not having any major incidents for many years prior to these incidents.

Background and Strategies:

Maintaining in-state institutions below their emergency capacities and ensuring an adequate number of properly trained staff are critical components to preventing major incidents. As the State responds to decreasing revenues, it is important to ensure that public safety is not compromised.

Measure:

Increase probation and parole supervision of offenders through increased monitoring and accountability programs.

Alaska's Target & Progress:

The FY 2001 department-wide average monthly supervision caseload was 4543; the annual number of pre-sentence reports was 1282. General supervision caseloads per Probation Officer (P.O.);

- Anchorage, 6 of 14 caseloads exceed 90 medium/maximum offenders (these P.O.'s do not write pre-sentence reports).
- Palmer, 3 of 5 caseloads exceed 90 medium/maximum offenders.
- Fairbanks, 2 of 8 caseloads exceed 90 medium/maximum offenders (these P.O.'s do not write pre-sentence reports).

Benchmark Comparisons:

Based on Alaska caseload experience and information obtained from other areas:

- Establish optimal monthly caseloads of a Probation Officer who is not preparing pre-sentence reports at 70-75 offenders.
- Establish optimal monthly caseloads of a Probation Officer who is preparing pre-sentence reports at 60-65 offenders.
- Establish optimal monthly specialized caseloads of a Probation Officer for DWI, Sex Offender and Mental Health cases at 45-50 offenders.

Background and Strategies:

The number of offenders on probation/parole during the last four fiscal years has increased by 411 felons, primarily in the Anchorage, Palmer and Fairbanks areas.

1998 Average monthly caseload statewide: 4132

1999 Average monthly caseload statewide: 4388

2000 Average monthly caseload statewide: 4492

2001 Average monthly caseload statewide: 4543

As the number of offenders on probation/parole continues to increase, it will become necessary to increase the number of probation officers providing supervision.

Caseloads over the benchmark standard for supervision make it more difficult to protect public safety.

Measure:

Increase Substance Abuse (Alcohol and Other Drug) Interventions for Offenders.

Alaska's Target & Progress:

On October 16, 2000 the Men's Residential Substance Abuse Treatment (RSAT) program opened at Wildwood Correctional Center. The 42-bed in-prison long term residential treatment program is currently filled to capacity. The waiting list, limited to 15, is maintained continually. Population surveys reveal a minimum of 85 offenders at any given time would qualify for the program. Since opening, the program has admitted 84 men.

In Alaska, the Women's Residential Substance Abuse Treatment (RSAT) program opened Nov. 1, 1998. It is an in-prison long-term residential treatment program. As of Sept. 30, 2001, 206 women have been admitted to this intensive level of care. Currently there is no wait list for this program.

Benchmark Comparisons:

Many jurisdictions are showing success, measured by reduced recidivism, by implementing in-prison residential treatment programs that address addiction issues in conjunction with life skills and behavioral changes.

Background and Strategies:

Many chronically addicted offenders who have a history of substance abuse related crimes need the services of a 6-12 month residential treatment program that addresses addiction issues in conjunction with life skills and behavioral changes. Without such intervention, they inevitably return to their substance abuse and criminal behavior. In order to improve substance abuse interventions for offenders, the Department is striving to increase the number of offenders participating in RSAT programs while incarcerated.

Measure:

Increase education services for offenders in institutions.

Alaska's Target & Progress:

The department has improved education services for offenders in the areas of secondary and post-secondary programming for youth offenders and through distance education during FY 2001.

In partnership with the Kenai Peninsula School District, the Department provides a comprehensive education program for youth offenders at the Spring Creek Youth Offender Program. This program offers youth offenders the opportunity to earn their high school diploma. In FY 2001, the Department obtained a Workplace and Community Transition Grant that will be used to assist youthful offenders with the costs of post-secondary academic and vocational education or related services. The grant will cover services for up to 40 offenders, defined as offenders under 26 who are within five years of release or parole eligibility. Offenders in the Spring Creek YOP will be the first beneficiaries of these funds; however, other offenders throughout the system will be eligible in following year, as stipulated by the grant.

In FY 2001, the Department began its second year as a partner state with the Corrections Learning Network. Distance learning satellite equipment was installed at most of the correctional facilities during the year and education staff were trained in the use of equipment and availability of programs to supplement existing services.

Benchmark Comparisons:

Although scientifically based research in the area is limited; there is some indication of a positive relationship between correctional education and post-release success. Negative behavior within the correctional system also may be positively impacted by such participation.

Background and Strategies:

In 1990, the Correctional Education Association estimated that 75% of adult American inmates were illiterate. Other researchers estimate the average reading level to be at or below the fifth grade and that more than half of all prison inmates have not finished high school. Limited studies conducted on Alaskan inmates indicate that the adult inmates and the youth offenders experience these same limitations, including the need for special education services.

Educational services are severely limited within the Department's institutions. In FY 2001, the department obtained a workplace and community transition grant that will enable youth offenders to enroll in post-secondary academic and vocational programming. Vocational programming continues to be limited for those offenders who do not meet the criteria established through the grant.

Measure:

Expand the Management Information System to include medical, clinical and programmatic data.

Alaska's Target & Progress:

The new core information modules for tracking and monitoring offenders in Institutions and Community Corrections

went on line November 12, 2001. The essential elements of the medical, clinical and programmatic data expansion will be operational in the new Management Information System by the second quarter of FY2003.

Benchmark Comparisons:

Prior to 1995, there was no department-wide LAN/WAN network infrastructure for information and communication systems. In order to modernize the management information system for Institutions and to develop an information system for Community Corrections and Medical, a department-wide microcomputer based LAN/WAN infrastructure was implemented in FY1997 and FY1998. A client server management information system was procured through a competitive bid process, which resulted in a multi-state collaboration development contract.

Background and Strategies:

The Department has recognized its need for more accurate data to track recidivism and for other data driven functions. To this end the Department has been working since 1995 toward the development and implementation of the network infrastructure and the new core management information system.

Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Administration & Operation	111,859.8	2,578.6	16,715.6	131,154.0	118,718.8	4,134.0	18,158.7	141,011.5	125,092.5	3,438.9	20,525.5	149,056.9
Parole Board	0.0	0.0	0.0	0.0	476.1	0.0	0.0	476.1	581.2	0.0	0.0	581.2
Community Residential Centers	12,245.2	1,713.2	1,629.1	15,587.5	13,379.0	1,717.8	1,985.0	17,081.8	14,803.9	0.0	1,985.0	16,788.9
Out of State Contracts	15,998.7	2,666.7	0.0	18,665.4	15,432.2	2,666.7	0.0	18,098.9	17,603.4	0.0	0.0	17,603.4
Point MacKenzie	2,154.3	0.0	10.0	2,164.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Food Services	0.0	95.9	0.0	95.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Apprenticeship Alternative	166.4	0.0	0.0	166.4	167.4	0.0	0.0	167.4	167.4	0.0	0.0	167.4
Institutional Hsg												
VPSO Parole Supervision Program	95.0	0.0	0.0	95.0	95.0	0.0	0.0	95.0	0.0	0.0	0.0	0.0
Totals	142,519.4	7,054.4	18,354.7	167,928.5	148,268.5	8,518.5	20,143.7	176,930.7	158,248.4	3,438.9	22,510.5	184,197.8

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	7,054.4	8,518.5	3,438.9
1003 General Fund Match	129.6	129.6	129.6
1004 General Fund Receipts	136,320.4	141,842.0	153,575.5
1005 General Fund/Program Receipts	1,804.6	1,825.4	28.0
1007 Inter-Agency Receipts	7,927.4	8,309.1	8,272.1
1037 General Fund / Mental Health	4,264.8	4,471.5	4,515.3
1050 Permanent Fund Dividend Fund	2,928.9	3,615.1	4,257.9
1053 Investment Loss Trust Fund	523.3		
1059 Correctional Industries Fund	3,940.2	4,150.6	4,150.6
1061 Capital Improvement Project Receipts	509.3	221.4	217.1
1092 Mental Health Trust Authority Authorized Receipts	252.5	522.5	458.1
1108 Statutory Designated Program Receipts	244.1	168.4	1,965.8
1156 Receipt Supported Services	2,029.0	3,156.6	3,188.9
Totals	167,928.5	176,930.7	184,197.8

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	1,463	1,479
Permanent Part Time	3	3
Non Permanent	0	0
Totals	1,466	1,482

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Computer Network Hardware Replacement and Computer Upgrades	400,000	0	0	400,000
Deferred Maintenance, Renewal, Replacement, Renovation and Repairs	800,000	0	0	800,000
Correctional Institutions Roof Repairs and Siding Replacement	1,000,000	0	0	1,000,000
Corrections Security System and Life Safety Equipment Replacement	900,000	0	0	900,000
Community Jails Safety, Security Renovations and Equipment	100,000	0	0	100,000
Historical Offender Data Conversion	600,000	0	0	600,000
Department Total	3,800,000	0	0	3,800,000

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

Changes in various components include additional funding to maintain current levels of services. These items include increased fuel costs, Parole Board operational costs, Therapeutic Courts, Liquor License Applicant Check/Training to support increased inmate populations. Also, a fund source change in Community Corrections for the VPSO Program.

Data and Word Processing

A decrement in the amount of \$745.4 to reduce authorization for unrealizable Federal, CIP and IA Receipts is being offset by an increment to replace these fund sources and increase general fund authorization for this component. Department systems were previously developed, implemented and maintained with federal funds. In order to continue to maintain the existing staff necessary to operate the offender information system and the 35 network sites, the Department need to replace the loss of funding.

Facility-Capital Improvement Unit

A decrement to reduce funds authorized for the Department to enter into a twenty-year agreement predicated on an agreement with a private third-party contractor who would construct and operate a private prison facility by providing custody, care and discipline for persons held by the Commissioner of Corrections under authority of state law. The community of Kenai voted to deny support of a private prison in the area.

Inmate Health Care

\$2,000.0 (\$1,655.0 GF and \$345.0 PFD) will be used to assist with the increased cost of providing medical care to sentenced and un-sentenced offenders. This has resulted from continued inflation of pharmacy costs, staff salaries and contract physician and hospital care.

Sixth Avenue Correctional Center

All funds in the Sixth Avenue Correctional Center are being transferred to the new Anchorage Jail component to support operations.

Anchorage Jail

In addition to the transfer of all funds from Sixth Avenue Correctional Center, an increment in the amount of \$1,895.5 of state general funds will cover the initial operating cost increases of the new replacement Anchorage Jail. These funds will be used to cover the full 12 months of personal service costs of the 83 full-time positions allotted in FY2002 and to further support day-to-day operations.

Inmate Programs

Child Protection – Children with Incarcerated Parents - \$515.0 (\$250.0 GF and \$265.0 PFD) will be used to identify at risk children and their incarcerated parents and link them with a home visitation model. Home visitation with trained para-professionals provide early identification, prevention and intervention as well as provide linkages with community resources for these families.

Community Jails

An increment of \$400.0 GF will provide an 8% inflationary adjustment to the contract and enable the communities to stabilize their infrastructure and workforce so that they can continue to provide local short-term incarceration for state prisoners. Funding for these contracts has remained static for the period FY1996 to FY2002 at which time the legislature approved an increase of \$126,200 to cover 15 jail contracts.

Southcentral Region Probation

Child Protection – Dual Diagnosis Probationers and Parolees with Children – An increment of \$500.0 (\$471.2 GF and \$28.8 PFD) will provide the necessary staffing and contractual accountability program to increase specialized caseloads for dual-diagnosed offenders (both genders) with children. Correctional staff will collaborate with the Department of Health and Social Services and community agencies to provide services to children and parents.

Community Residential Center BRU

Increment/Decrement requests in individual components will provide for replacement of Violent Offender Incarceration Federal Grant Funds. The five-year VOI/TIS program is over and federal funds will not be awarded for FY2003.

Out-of-State Contractual

Increment/Decrement requests in this BRU/component will provide replacement of Violent Offender Incarceration Federal Grant Funds and State Criminal Alien Assistance Program funds. The five year VOI/TIS program is over and federal funds will not be awarded in FY2003 and the availability of SCAAP funds have been decreasing over the last few years as other States have submitted application for funds from the program.

VPSO Parole Supervision Program

The Department of Corrections is transferring \$95.0 GF to the Department of Public Safety related to the Bristol Bay Native Association (BBNA) Village Public Safety Officer (VPSO) Probation and Parole Services grant.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	148,268.5	8,518.5	20,143.7	176,930.7
Adjustments which will continue current level of service:				
-Administration & Operation	-36.0	41.1	1,749.7	1,754.8
-Parole Board	5.1	0.0	0.0	5.1
-Out of State Contracts	4.5	0.0	0.0	4.5
-VPSO Parole Supervision Program	-95.0	0.0	0.0	-95.0
Proposed budget decreases:				
-Administration & Operation	-174.5	-736.2	-49.7	-960.4
-Community Residential Centers	0.0	-1,717.8	0.0	-1,717.8
-Out of State Contracts	0.0	-2,666.7	0.0	-2,666.7
Proposed budget increases:				
-Administration & Operation	6,584.2	0.0	666.8	7,251.0
-Parole Board	100.0	0.0	0.0	100.0
-Community Residential Centers	1,424.9	0.0	0.0	1,424.9
-Out of State Contracts	2,166.7	0.0	0.0	2,166.7
FY2003 Governor	158,248.4	3,438.9	22,510.5	184,197.8

State of Alaska FY2003 Governor's Operating Budget

Department of Education and Early Development

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Department Mission

The mission of the Department of Education & Early Development is to support the development of lifelong learners.

Department Goals and Strategies

- 1. To have culturally and developmentally appropriate high quality early care and education programs that improve the well being of young children statewide, ages 0-4, in which children, families, and communities are active partners.**
 - . Strengthen family connections between the program and home.
 - . Prepare parents to recognize the opportunities and responsibilities they have for the care and learning of their children.
 - . Increase community involvement and promote cooperative services for young children and their families.
 - . Provide professional development to improve the knowledge and skills of providers of early care and education programs and require that they be held to high standards.
 - . Develop rigorous, standards-based licensing programs for early care and education providers.
 - . Develop incentives for child care providers and facilities to become licensed.

- 2. To have clear, rigorous, credible student standards and assessments.**
 - . Provide state student performance standards in reading, writing, and mathematics.
 - . Provide assistance to school districts in aligning curriculum to state standards.
 - . Provide a developmental profile for each child entering kindergarten or first grade.
 - . Provide standards-based assessments in reading, writing, and mathematics at grades 3, 6, and 8.
 - . Provide norm-referenced testing in grades 4, 5, 7 and 9.
 - . Provide the High School Graduation Qualifying Examination.

- 3. To have a credible system of academic and fiscal accountability for students, professionals, schools and districts.**
 - . Award Quality Schools/Learning Opportunity Grants so schools and communities can determine local solutions to improve student learning such as summer school, individual tutoring, lower class size, special classes, and before and after school programs.
 - . Develop school designations based on student performance and other measures.
 - . Provide support to schools and assistance in developing school improvement plans.
 - . Establish criteria for consistent allocation of instructional costs and uniform reporting of school district financial data.

- 4. To have highly qualified school professionals who have met rigorous and credible standards and assessments.**
 - . Provide rigorous educator standards by which school districts will evaluate professionals.
 - . Develop and administer a standards-based licensure system for educators.
 - . Provide professional development opportunities for standards-based instruction.
 - . Encourage local school boards to adopt culturally responsive educator standards.
 - . Encourage efforts towards recruitment and retention of quality teachers.
 - . Encourage efforts towards quality mentoring systems for new teachers and administrators.

- 5. To have schools in which students, staff, families, business, and communities are active partners in learning.**
 - . Promote research-based family involvement models and community orientations.
 - . Promote and support school-based Family Involvement Centers.
 - . Encourage and support business and school partnerships.

6. To have an adequate, stable and secure source of funding for schools.

- Secure adequate funding to develop and maintain an accountable system of high quality public schools.
- Secure adequate funding to meet school districts' construction and major maintenance needs.
- Analyze differences in the costs of operating schools taking into consideration school size and location.
- Analyze and recommend better business practices to local school boards of education and superintendents.

Key Department Issues for FY2002 – 2003

QUALITY SCHOOLS INITIATIVE www.eed.state.ak.us/qschools/

The Quality Schools Initiative (QSI) is designed to increase the quality of public education. The QSI is based on high student academic standards and assessment, safe and respectful schools and communities, quality professional standards, and school excellence based on standards.

All Alaskan schools have adopted state-mandated academic standards in reading, writing, and mathematics. Schools will test each child early and often in these subjects throughout their school careers to make sure they are on target to meet the standards. Schools are required to test students at the 3rd, 6th, and 8th grades. If they are falling behind, schools will provide special help to children so they can catch up. The state assessment system also includes norm-referenced tests in grades 4, 5, 7, and 9, so we know how our students perform compared to national rankings. The final part of the comprehensive student assessment system is the High School Graduation Qualifying Examination. This assessment system will give the state and communities solid information to hold schools and communities accountable for the academic achievement of children. Each year, all schools will report certain information to their communities and state about their progress.

Closing the Achievement Gap

The Quality Schools Initiative has created tremendous change to the state's public schools; they are becoming increasing performance based. In order for QSI to fulfill its promise to all children, targeted resources need to be aimed at low performing children. If not accomplished, QSI will fall short and the achievement gap will persist. For this to happen, the state needs to fully fund the recommendations of the Governor's Education Funding Task Force. On October 31, 2001, the Task Force forwarded its Year Two recommendation to the Governor. In short, recommendations urge funding all Year Two items from the Task Force's original five-year plan, and items from the Year One plan the legislature did not fund. In addition to increases to the foundation program, two items in particular are key to closing the achievement gap: funding on an ongoing basis for a Center for School Excellence to help low performing schools improve; and direct funding for providing intervention activities for low performing students. The state needs to fund all recommendations in the report to close the achievement gap.

High School Graduation Qualifying Exam (HSGQE)

Alaska's education reform movement is on the right track. We are raising academic standards, seeking new resources and demanding accountability. Through the combined efforts of the governor and the legislature, the high-stakes consequences of the High School Graduation Qualifying Exam will be implemented for students graduating in the spring of 2004 rather than 2002.

During the last legislative session, there was significant discussion about what our students are being tested on and how well they are being asked to perform in these areas in order to receive a high school diploma. The legislature was very clear in passing SB 133, Chapter 94, SLA 2001, that the competency exam is to measure the "minimum competency in essential skills" for all high school graduates.

The commissioner convened a committee of approximately 45 educators to work with the department and the department's test contractor, CTB McGraw-Hill, in refocusing the High School Graduation Qualifying Exam on essential skills. Subcommittees in each of the content areas, reading, writing, and mathematics, reviewed test items that could potentially be used to measure essential skills. This refocusing will require that new test questions be field-tested in the spring of 2002 and that new cut scores be determined in summer of 2002. Additional resources will be needed in the FY2003 budget to accomplish these tasks.

The delay of the high stakes consequences of the HSGQE until the spring of 2004, while continuing to administer the benchmark exams in grades 3, 6, and 8, will give us the tools and the time needed to be sure the standards reflect

what Alaskans think is important, the test is a good measure and students are adequately prepared. The additional time will assure that all students, including those with learning disabilities and those in highly mobile families who move in and out of our schools, will have had a reasonable opportunity to learn what's tested.

School Accountability

Parents, community leaders, state legislators and many other Alaskans want to know about the quality of education in their local schools. They also want to be able to improve the schools that need help and to ensure that each and every school is accountable for producing results. Beginning in August of 2002, the Alaska School Designators system will be implemented. Enacted into law in 1998 the system will label every public school in Alaska as distinguished, successful, deficient, or in-crisis.

The designator system is a critically important part of our Quality Schools Initiative, which aims to improve the academic achievement of all our children. QSI establishes new standards for our students, our educators and our schools.

Alaska's school designators system will be based on measurable student achievement and improvements in test scores year to year. While graduation rates, drop-out rates and statistics on the number of students going on to college have traditionally served as indicators of a school's performance, the new designation system will focus on how students measure up against academic standards.

While all Alaskans support school accountability, and making sure that all children are meeting state standards, our ability to collect meaningful data is limited by the assessment data that we have been able to collect over the past two years. With the refocusing of the high school graduation qualifying exam and new cut scores, the data from the 2000 and 2001 assessments will not be comparable to the new test information that will be available in the spring of 2002. The Governor will be introducing legislation to link the school accountability system with the high stakes consequences of the exit exam to begin in 2004.

Teacher Recruitment and Retention

There is a nationwide shortage of education professionals that is making it increasingly difficult for Alaska school districts to attract and retain highly qualified teachers. Even with the most optimistic projections, Alaska's university system will only be able to supply a quarter of our teachers over the next five to ten years. Given that three-quarters of our teaching work force will need to come from outside of Alaska, we must be able to compete with other states who are offering a number of incentives to new teachers including signing bonuses and housing allowances.

The State Board of Education and Early Development has implemented an incentive package that includes lowering fees for teacher certification and renewal, paying for national board certification, reciprocity with other states, assisting with mentorship programs for new educators, and teaching certificates suitable for framing and display in classrooms. In addition, the board is considering financial incentives including a loan assumption program.

PUBLIC SCHOOL FUNDING PROGRAM

The governor's budget fully funds the FY2003 public school foundation program. In addition, the Governor is supporting the year two recommendations of the Education Funding Task Force to increase the base student allocation from the current \$4,010 to \$4,118 per adjusted ADM. The Governor will introduce legislation to increase the base student allocation at a cost of approximately \$23 million. Schools need resources to help students meet higher academic standards in reading, writing, and mathematics and to be held accountable for their students performance.

Quality Schools Grants

The Quality Schools Grant is part of the state's public school funding program to help students meet higher academic standards in reading, writing, and mathematics. Student achievement needs to be measured against rigorous standards in these areas at appropriate age levels. The Quality Schools Grants provide resources to schools and school districts to develop intervention plans and programs for students at risk of not meeting these standards. If a student is not making adequate progress, swift and intensive intervention is needed to get the student back on track.

The Governor will request an increase in the statutory amount of the Quality Schools Grant from \$16 to \$74 per adjusted Average Daily Membership. This recommendation comes from the Education Funding Task Force A+ Amended report and is based on the one-time funding approved by the legislature in FY2002 for learning opportunity

grants. Improvement in student performance requires a continuous commitment to providing the resources to ensure that all students meet high academic standards. Including this funding in the annual foundation program will allow school districts to plan for and provide meaningful programs to ensure that students at risk of not meeting standards will be able to reach them at the appropriate age levels.

EARLY DEVELOPMENT www.eed.state.ak.us/EarlyDev/

The combination of early development and education programs in the 1999 departmental merger legislation recognized the importance of assuring every child the best possible start in life by creating a comprehensive system of early care and learning in Alaska.

Research has clearly shown that early development and learning creates the foundation for later achievement. Approximately 60% of Alaska's preschool-age children have working parents. The great majority of children receive some or most of their care outside of their homes by the time they are three years old. Access to quality child care and preschool programs that provide safe, healthy developmental and learning experiences is essential for a child's readiness for school and capacity for further learning. The department is working to ensure that quality childcare and preschool programs are available for Alaska's children.

Early Literacy – Ages 0-8

The department is launching an initiative to enhance the literacy of children ages 0-8. This is being done primarily for two reasons: Alaska now requires children to learn to higher standards and students are tested in these areas with the benchmark exams and the high school graduation qualifying exam. In addition, it's time to apply new research about the brain development of young children and its relationship to learning. The department is seeking funding for one position to coordinate this initiative. The department will pool resources from existing programs to train parents, caregivers, educators, and paraprofessionals in age appropriate early literacy instruction. Family literacy and community engagement will be major components. Programs targeted for participation include Head Start, Even Start, Right Start, Title I School Improvement, Special Education, Safe and Drug Free Schools, Bilingual, Migrant, Reading Excellence Act, Vocational Education, and other programs. Each of these programs focuses on improving learning for disadvantaged children.

Improving Child Care Programs

To better support children and families, the department is moving forward with its early learning initiatives including:

creating benchmarks for measuring the success of programs and services for children from birth through 8 years old;

Working with schools to implement a developmental profile for kindergarten and first grade students. This profile reveals the skill levels for each child and helps determine the appropriate instructional program.

Creating a comprehensive system of education and training for early childhood educators in collaboration with the University of Alaska;

Improving child care programs through grants and higher standards for child care providers. It is collaborating with Alaska tribes to benefit from best practices, building on the rich cultural diversity reflected by our children.

The governor will introduce legislation to improve early care for children enrolled in child care programs. One measure proposes to create a Child Care Rating System that parents can use to select a care facility for their children.

Preschool Pilot

The State Board of Education & Early Development adopted a resolution to support funding for voluntary preschool for all three and four year old children in Alaska. The department is evaluating how this concept could be addressed in a pilot preschool program in four to seven communities with low achievement scores, high poverty, and lack of access to Head Start or other early development programs.

Major Department Accomplishments in 2001

Conducted second administration of the High School Graduation Qualifying Exam and Benchmark Assessments in March and October of 2001.

Reported the results of the HSGQE and Benchmark Assessments to students, parents, schools, school districts, the legislature and the public. The state presented disaggregated data for the state and school districts in the fall of 2001.

Successfully refocused the HSGQE to assess student achievement of essential skills to align with legislation passed in 2001 that delays implementing the high states consequences of the HSGQE until the Spring of 2004.

Worked with the governor's Education Funding Task Force in developing a five-year financing plan for providing school districts with the resources to ensure that all our students are meeting high academic standards. This plan was utilized extensively during the 2001 legislative session.

Completed statutorily required reports to the legislature on implementing the public school funding program passed in 1998. The new formula substantially changed how funding is allocated among school districts in Alaska. The reports include a comparison on the per school funding in the new formula to the use of funding communities in the old funding formula including a thorough review of educational adequacy in the schools of Alaska.

Directed school districts to use Learning Opportunity Grant funds to provide direct student intervention programs to improve student achievement and required measures of student academic gain to assess impact and effect of these funds.

Secured a \$2.5 million federal Teacher Recruitment and Retention Grant to assist school districts in efforts to recruit and retain high quality teachers. This grant is renewable for up to 5 years.

Secured a 3 year \$8.5 million federal Reading Excellence Act grant to fund early literacy efforts in targeted communities and schools.

Refined the Developmental Profile for students entering school at kindergarten or first grade and provided guidelines and materials to school districts to better ensure consistent application and understanding.

Completed the transition of childcare licensing from the Department of Health and Social Services. A statewide licensing staff has been assembled and trained, new childcare regulations have been adopted that improve quality, support school readiness, and provide safer environments for children.

Provided childcare subsidy in over 30 Alaskan communities through local non-profit or municipal program administrators and subsidized childcare costs for approximately 5,400 children per month.

Supported child care providers in improving their staff training programs or facility through the child care grant program.

Governor's Key Department-wide Performance Measures for FY2003

Measure:

the percentage of students who meet the proficiency level in benchmark assessments in grades 3, 6, and 8; Sec 50(b)(1) Ch 90, SLA 2001(HB 250)

Alaska's Target & Progress:

Percent Proficient in Reading, Writing and Mathematics on Benchmark Examinations, Spring 2001

Grade	Reading	Writing	Mathematics
3rd	71.2	53.5	66.3
6th	69.4	73.0	62.9
8th	82.5	67.9	39.5

Benchmark Comparisons:

Benchmark examinations were administered for the first time in March of 2000. The State Board of Education and Early Development set the proficiency level for each grade. These proficiency levels are Advanced; Proficient; Below Proficient; and, Not Proficient. Proficiency is defined as the sum of students who scored at the Advanced and Proficient levels on the Benchmark exams. The following chart illustrates the percentage of students who have met the proficiency levels in the two administrations of the benchmarks, Spring 2000 and 2001, the October 1 enrollment, and the participation rate in the assessments.

		Grade 3					
Subject	Test Year	Advanced/Proficient		Below/Not Proficient		October 1 Enrollment	Participation Rate ²
		Count	Percentage ¹	Count	Percentage ¹		
READING	2000	7,220	72.5%	2,740	27.5%	10,706	93.0%
	2001	7,065	71.2%	2,855	28.8%	10,700	92.7%
WRITING	2000	4,851	48.8%	5,084	51.2%	10,706	92.8%
	2001	5,302	53.5%	4,617	46.5%	10,700	92.7%
MATHEMATICS	2000	6,453	65.0%	3,478	35.0%	10,706	92.8%
	2001	6,550	66.3%	3,326	33.7%	10,700	92.3%

		Grade 6					
Subject	Test Year	Advanced/Proficient		Below/Not Proficient		October 1 Enrollment	Participation Rate ²
		Count	Percentage ¹	Count	Percentage ¹		
READING	2000	6,958	69.9%	3,001	30.1%	10,574	94.2%
	2001	6,912	69.4%	3,043	30.6%	10,623	93.7%
WRITING	2000	7,180	72.2%	2,760	27.8%	10,574	94.0%
	2001	7,265	73.0%	2,687	27.0%	10,623	93.7%
MATHEMATICS	2000	6,161	62.2%	3,752	37.8%	10,574	93.7%
	2001	6,241	62.9%	3,681	37.1%	10,623	93.4%

		Grade 8					
Subject	Test Year	Advanced/Proficient		Below/Not Proficient		October 1 Enrollment	Participation Rate ²
		Count	Percentage ¹	Count	Percentage ¹		
READING	2000	7,993	83.2%	1,613	16.8%	10,575	90.8%
	2001	7,824	82.5%	1,660	17.5%	10,377	91.4%
WRITING	2000	6,479	67.5%	3,125	32.5%	10,575	90.8%
	2001	6,420	67.9%	3,040	32.1%	10,377	91.2%
MATHEMATICS	2000	3,724	39.0%	5,815	61.0%	10,575	90.2%
	2001	3,711	39.5%	5,675	60.5%	10,377	90.5%

¹ Percent Proficient and Percent Not Proficient rates only include students that participated in the exams.

² Participation rate is calculated by dividing the total count of students tested by the October 1, 2000 enrollment.

Background and Strategies:

State law requires a comprehensive system of student assessments including a developmental profile for students entering kindergarten or first grade, benchmark assessments in reading, writing, and mathematics at grades 3, 6, and 8, taking the Terra Nova at grades 4, 5, 7, and 9, and passage of the High School Graduation Qualifying Exam in order to receive a high school diploma beginning in 2004. The department has:

1. Provided school districts with state performance standards in reading, writing, and mathematics at the appropriate grade levels.
2. Developed the benchmark examinations in reading, writing, and mathematics for grades 3, 6, and 8.
3. Provided professional development opportunities for standards based instruction.
4. Provided technical assistance to school districts in aligning curriculum to state standards.

The department continues to:

1. Work with school districts to develop programs that provide students with opportunities to learn in order to reach the state standards at the appropriate age/grade levels.
2. Develop intervention strategies to assist students that fail to meet standards or are at risk of failing to meet

- standards at the appropriate age/grade levels.
3. Work with school districts to target staff development and teacher in-service opportunities to support standards-based instruction and assessments.
 4. Target federal grant dollars to support increased student performance in reading, writing, and mathematics.
 5. Administer a norm-referenced assessment, linked to Alaska performance standards, at grades 4, 5, 7, and 9.

Measure:

the percentage of students performing above the national average on state-adopted norm-referenced tests; Sec 50(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The following data shows the percentage of students performing above the national average on the California Achievement Test, Version 5 (CAT/5) for school year 2000-2001

Grade	Reading	Language	Math
4th	58	55	62
7th	58	56	64

Benchmark Comparisons:

The following chart contains information on the Grade 4 results for the CAT/5 in school years 1998-1999, 1999-2000, and 2000-2001, including the percentage of students scoring in the top and bottom quartile and the percentile ranking for those students scoring above the national average. The same information is included for Grade 7, except for the 1998-1999 school year when the CAT/5 was not required for Grade 7.

GRADE 4

School Year	READING			LANGUAGE			MATH		
	Top Quartile	Bottom Quartile	Percentile Rank	Top Quartile	Bottom Quartile	Percentile Rank	Top Quartile	Bottom Quartile	Percentile Rank
1998-1999	31.0	23.0	57	29.2	25.2	52	35.3	22.2	60
1999-2000	31.9	21.9	58	30.7	24.5	53	37.3	20.5	62
2000-2001	33.0	20.8	59	31.1	23.0	55	37.8	18.9	63

GRADE 7

School Year	READING			LANGUAGE			MATH		
	Top Quartile	Bottom Quartile	Percentile Rank	Top Quartile	Bottom Quartile	Percentile Rank	Top Quartile	Bottom Quartile	Percentile Rank
1998-1999	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1999-2000	31.9	21.2	58	31.7	22.6	57	38.1	17.5	63
2000-2001	31.2	20.9	59	31.6	21.1	57	40.5	16.3	65

Background and Strategies:

The department used the CAT/5 norm-referenced test for the past 5 years. The department has entered into a new contract to administer the TerraNova-CAT/6 test in grades 4, 5, 7, and 9 beginning in the 2001-2002 school year. The addition of norm-referenced tests at grades 5 and 9 will provide a transition to an assessment system with capabilities not now available. Under the new system, students will be assessed each year from grades 3 to 10 using a combination of Benchmark, HSGQE and norm-referenced tests, which will allow for a measure of student academic growth from year-to-year. The ability to track student growth will allow the department to implement in 2002, a school rating system that will assign a designation of distinguished, successful, deficient or in-crisis to each public school in the state as required by AS 14.03.123.

Measure:

the percentage of students who took and passed the state high school graduation qualifying exam in the current school year; and
 Sec 50(b)(3) Ch 90, SLA 2001(HB 250)

Alaska's Target & Progress:

Results of Spring 2001 High School Graduation Qualifying Exam

Reading	65.9%
Writing	46.6%
Mathematics	44.0%

This data will be updated as soon as the results from the October 2001 administration of the High School Graduation Qualifying Exam are available.

Benchmark Comparisons:

The High School Graduation Qualifying Examination (HSGQE) was administered for the first time in March of 2000. The State Board of Education & Early Development set the proficiency level for the exam. The exam is offered in October and March of each school year to provide additional opportunities for high school sophomores, juniors, and seniors to take the exam. The following chart illustrates the HSGQE results comparing the Grade 10 students in the spring of 2000 to the 10th Grade Students in the spring of 2001:

READING

Test Date	Number Proficient	Percent Proficient ¹	Number Not Proficient	Percent Not Proficient ¹	October 1 Enrollment	Participation Rate ²
Spring 2000	6,178	74.6%	2,098	25.4%	10,217	81.0%
Spring 2001	5,469	65.9%	2,831	34.1%	10,110	82.1%

WRITING

Test Date	Number Proficient	Percent Proficient ¹	Number Not Proficient	Percent Not Proficient ¹	October 1 Enrollment	Participation Rate ²
Spring 2000	3,924	47.6%	4,319	52.4%	10,217	80.7%
Spring 2001	4,039	46.6%	4,625	53.4%	10,110	85.7%

MATHEMATICS

Test Date	Number Proficient	Percent Proficient ¹	Number Not Proficient	Percent Not Proficient ¹	October 1 Enrollment	Participation Rate ²
Spring 2000	2,717	33.3%	5,454	66.7%	10,217	80.0%
Spring 2001	3,807	44.0%	4,852	56.0%	10,110	85.6%

¹ Percent Proficient and Percent Not Proficient rates only include students that participated in the exams.

² Participation rate is calculated by dividing the total count of students tested by the October 1, 2000 enrollment.

Background and Strategies:

State law requires a comprehensive system of student assessments including a developmental profile for students entering kindergarten or first grade, Benchmark assessments in reading, writing, and mathematics at grades 3, 6, and 8, and passage of the High School Graduation Qualifying Exam in order to receive a high school diploma beginning in 2004. The department has:

1. Provided school districts with state performance standards in reading, writing, and mathematics.
2. Developed the graduation qualifying examination in reading, writing, and mathematics.
3. Provided professional development opportunities for standards based instruction.
4. Provided technical assistance to school districts in aligning curriculum to state standards.

During the last legislative session, there was significant discussion about what our students are being tested on and how well they are being asked to perform in these areas in order to receive a high school diploma. The legislature was very clear in passing SB 133, Chapter 94, SLA 2001, that the competency exam is to measure the "minimum competency in essential skills" for all high school graduates.

This direction requires that the test be reviewed and refined to determine test items to be used to measure essential skills in reading, writing, and math. This refocusing will require that new test questions be field-tested in the spring of 2002 and that new cut scores be determined in summer of 2002.

Measure:

the percentage of students in a high school grade level who pass the state high school graduation qualifying exam on a cumulative basis;

Sec 50(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The following chart illustrates the percentage of students in the class of 2002 that have passed the three parts of the HSGQE based on October 2000 enrollment data. These numbers will be updated to include the October 2001 enrollment information and the results from the October 2001 administration of the HSGQE:

	Number Proficient	Percent Proficient	October 2000 Enrollment
Reading	7,495	84.3%	8,887
Writing	5,365	60.4%	8,887
Mathematics	4,495	50.6%	8,887

Benchmark Comparisons:

The following chart illustrates the results for the class of 2002 for each administration of the High School Graduation Qualifying Exam beginning with the first administration in the spring of 2000. This information will be updated to include the October 2001 results as soon as the data becomes available. Similar cumulative data will be available for each class.

**STATEWIDE HSGQE
CLASS OF 2002**

HSGQE Student Test Results: Spring 2000, Fall 2001 and
Spring 2001

READING

Grade	Test Date	Number Proficient	Percent Proficient	Number Not Proficient	Percent Not Proficient	October 1 Enrollment
Grade 10	March 2000	6,178	74.6%	2,098	25.4%	10,217
Grade 11	October 2000	994	43.6%	1,286	56.4%	8,887
Grade 11	March 2001	323	24.2%	1,009	75.8%	8,887

7,495

WRITING

Grade	Test Date	Number Proficient	Percent Proficient	Number Not Proficient	Percent Not Proficient	October 1 Enrollment
Grade 10	March 2000	3,924	47.6%	4,319	52.4%	10,217
Grade 11	October 2000	897	22.6%	3,066	77.4%	8,887
Grade 11	March 2001	544	21.3%	2,014	78.7%	8,887

5,365

MATH

Grade	Test Date	Number Proficient	Percent Proficient	Number Not Proficient	Percent Not Proficient	October 1 Enrollment
Grade 10	March 2000	2,717	33.3%	5,454	66.7%	10,217
Grade 11	October 2000	1,022	21.2%	3,788	78.8%	8,887
Grade 11	March 2001	756	23.1%	2,518	76.9%	8,887

4,495

Background and Strategies:

Alaska's education reform movement is on the right track. We are raising academic standards, seeking new resources and demanding accountability. The high-stakes consequences of the High School Graduation Qualifying Exam will be implemented for students graduating in the spring of 2004 rather than 2002.

During the last legislative session, there was significant discussion about what our students are being tested on and how well they are being asked to perform in these areas in order to receive a high school diploma. The legislature was very clear in passing SB 133, Chapter 94, SLA 2001, that the competency exam is to measure the "minimum competency in essential skills" for all high school graduates.

The commissioner convened a committee of approximately 45 educators to work with the department and the department's test contractor, CTB McGraw-Hill, in refocusing the High School Graduation Qualifying Exam on essential skills. Subcommittees in each of the content areas, reading, writing, and mathematics, reviewed test items that could potentially be used to measure essential skills. This refocusing will require that new test questions be field-tested in the spring of 2002 and that new cut scores be determined in summer of 2002. Additional resources will be needed in the FY2003 budget to accomplish these tasks.

The delay of the high stakes consequences of the HSGQE until the spring of 2004, while continuing to administer the Benchmark exams in grades 3, 6, and 8 as well as the revised and refocused HSGQE, will give us the tools and the time needed to be sure the standards reflect what Alaskans think is important, the test is a good measure and students are adequately prepared. The additional time will assure that all students, including those with learning disabilities and those in highly mobile families who move in and out of our schools, will have had a reasonable opportunity to learn what's tested.

Measure:

the percentage change in the number of children served in licensed and in registered child care facilities;
 Sec 51(b)(1) Ch 90, SLA 2001(HB 250)

Alaska's Target & Progress:

Children served (capacity) in licensed care from FY00 to FY01 decreased 6% or 996 spaces
 Children served (capacity) in registered care from FY00 to FY01 decreased 11% or 700 spaces

Benchmark Comparisons:

	FY2000	FY2001
No. of Licensed Facilities	609	580
Capacity/Served	16,505	15,509
No. of Registered Facilities	2,028	1,456
Capacity/Served	6,524	5,824

Effective July 1, 2001, the Department of Education & Early Development took over the statewide responsibility for licensing child care facilities. New child care regulations have been adopted that will improve quality care and move facilities from a category of registered care to licensed care. Registered care is limited to having no more than 4 children in care, including the provider's own children, and is not eligible for the child care grant program.

This combination of factors contributed to the slight decrease in the capacity served from FY2000 to FY2001 as shown in the above chart, i.e.: program transition to different agency and changes in licensing regulations.

Data currently available does not specifically address the measure of number of children served, but rather the capacity, or the number of spaces, for child care available in Alaska. With implementation of new licensing regulations, the number of licensed facilities will increase as the provision for registered care is eliminated. As of January 1, 2002, no new registered facilities will be approved and those facilities will have a transition period to become licensed.

Background and Strategies:

Child care licensing provides consumer protection through quality assurance. Minimum licensing standards should be the floor and not the ceiling. The high percentage of children in licensed facilities indicates that parents, as consumers of child care at all income levels, are seeking quality child care. Incentives are being developed to encourage more providers to pursue licensing.

A high percentage of states have moved to tiered reimbursement rates, paying more for higher quality care. Licensing is usually used to identify the lowest level of quality acceptable for funding, with some states ruling out programs with poor licensing records. There are different ways to distinguish between levels of quality. So far, most states have two levels: licensing and facilities that are both licensed and accredited.

To achieve Alaska's goal of high quality, safe child care, the department is:

1. Revising standards through regulation to reflect the higher expectations of the system.
2. Continuing to provide technical assistance to unlicensed facilities to meet minimum licensing standards.
3. Re-structuring the payment system to provide incentives for achieving and maintaining high quality care.

Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures												
K-12 Support	651,403.2	20,791.0	8,415.6	680,609.8	672,107.2	20,791.0	11,812.8	704,711.0	665,814.9	20,791.0	12,478.5	699,084.4
Pupil Transportation	42,413.5	0.0	4,400.0	46,813.5	50,564.0	0.0	0.0	50,564.0	53,933.8	0.0	0.0	53,933.8
Non-Formula Expenditures												
School Debt Reimbursement	0.0	0.0	52,653.9	52,653.9	0.0	0.0	57,020.5	57,020.5	0.0	0.0	56,378.4	56,378.4
Executive Administration	123.5	0.0	551.1	674.6	94.1	0.0	446.4	540.5	96.5	0.0	604.9	701.4
Teaching and Learning Support	4,767.7	76,114.6	3,824.1	84,706.4	6,123.4	91,090.2	2,637.4	99,851.0	7,267.7	93,483.2	2,152.4	102,903.3
Early Development Alaska	8,592.2	36,756.9	18,947.7	64,296.8	8,784.8	48,028.7	17,237.4	74,050.9	9,405.1	44,409.1	24,426.4	78,240.6
Community Service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	78.9	2,825.2	70.7	2,974.8
Education Support Services	2,136.3	0.0	1,336.4	3,472.7	2,089.2	0.0	1,421.3	3,510.5	2,118.8	110.0	1,439.6	3,668.4
Alyeska Central School	91.2	0.0	4,281.7	4,372.9	91.2	0.0	4,933.8	5,025.0	91.2	0.0	5,009.3	5,100.5
Commissions and Boards	463.8	456.3	265.1	1,185.2	462.7	594.4	312.9	1,370.0	515.3	597.1	339.2	1,451.6
Children's Trust Programs	0.0	0.0	352.4	352.4	0.0	100.0	473.0	573.0	0.0	0.0	0.0	0.0
Kotzebue Technical Center	609.0	0.0	548.0	1,157.0	600.0	0.0	500.9	1,100.9	600.0	0.0	500.9	1,100.9
AK Vocational Technical Center	3,345.5	116.7	3,749.2	7,211.4	3,380.4	275.0	3,449.9	7,105.3	3,447.6	275.0	3,574.7	7,297.3
Mt. Edgecumbe Boarding School	2,418.6	0.0	2,443.2	4,861.8	2,571.2	0.0	1,995.7	4,566.9	2,580.7	0.0	2,032.5	4,613.2
State Facilities	260.7	0.0	1,558.4	1,819.1	260.7	0.0	1,653.9	1,914.6	253.9	0.0	1,794.7	2,048.6

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Maintenance Alaska Library and Museums	5,735.2	575.8	203.3	6,514.3	5,876.6	775.5	315.1	6,967.2	5,969.1	825.5	295.3	7,089.9
Alaska Postsecondary Education	1,444.0	62.8	8,286.0	9,792.8	1,444.2	76.1	8,166.3	9,686.6	1,507.3	77.7	8,721.1	10,306.1
Totals	723,804.4	134,874.1	111,816.1	970,494.6	754,449.7	161,730.9	112,377.3	1,028,557.9	753,680.8	163,393.8	119,818.6	1,036,893.2

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	113,921.8	140,637.2	142,297.5
1003 General Fund Match	3,868.6	4,173.1	4,512.3
1004 General Fund Receipts	719,350.8	749,633.6	748,501.9
1005 General Fund/Program Receipts	473.7	532.1	555.0
1007 Inter-Agency Receipts	33,880.6	29,539.0	37,264.8
1014 Donated Commodity/Handling Fee Account	161.3	302.7	305.3
1030 School Fund (Cigarette Tax)	29,337.3	29,049.1	29,006.3
1037 General Fund / Mental Health	111.3	110.9	111.6
1043 Impact Aid for K-12 Schools	20,791.0	20,791.0	20,791.0
1044 Debt Retirement	23,316.6	27,971.4	27,372.1
1053 Investment Loss Trust Fund	83.6	100.0	
1061 Capital Improvement Project Receipts	67.4	129.2	129.8
1066 Public School Fund	8,415.6	11,812.8	12,478.5
1092 Mental Health Trust Authority Authorized Receipts		100.0	100.0
1098 Children's Trust Fund Earnings	352.4	473.0	
1102 Alaska Industrial Development & Export Authority Receipts	4,400.0		
1106 Alaska Post-Secondary Education Commission Receipts	7,736.0	7,853.2	8,371.1
1108 Statutory Designated Program Receipts	401.6	566.1	543.5
1145 Art in Public Places Fund	75.6	75.6	75.6
1150 ACPE Dividend	200.0	313.1	
1151 Technical Vocational Education Program Account	1,629.9	1,684.9	1,684.9
1156 Receipt Supported Services	1,919.5	2,709.9	2,792.0
Totals	970,494.6	1,028,557.9	1,036,893.2

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	373	420
Permanent Part Time	114	114
Non Permanent	3	3
Totals	490	537

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Yuut Elitnaurviat People's Learning Center - Phase 1 Construction	900,000	0	0	900,000
Head Start Health and Safety Repairs	0	0	500,000	500,000
Department Total	900,000	0	500,000	1,400,000

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

Public School Funding Program

The governor's budget fully funds the FY2003 public school funding program. The FY03 adjusted average daily membership is projected to increase by only 482.23. Although the basic need and other formula adjustments increase by \$867.1, the level of state aid is reduced due to an increase in required local contribution of (\$5,916.6) and the continuing erosion of the funding floor at (\$1,143.9), for a total reduction of (\$6,193.4) from FY02 Authorized. An increase in Public School Trust Fund revenues available in FY03 of \$665.7 further reduces the general funds needed to fund the current entitlement under the public school funding program.

Based on the year 2 recommendations of the Education Funding Task Force, the governor is proposing legislation to increase the base student allocation in the public school funding program and the amount of learning opportunity grants within the school funding program. This legislation will invest \$23 million in education and include funding for direct student intervention programs, approximately \$12.3 million, within the formula so that school districts can plan and implement effective intervention programs on an annual basis. If such legislation is not passed nor the fiscal note financed, the \$12.3 million one-time funding for learning opportunity grants is retained in the language section of the Governor's FY03 operating budget request.

The following chart highlights the changes in the Public School Funding Program from FY2002 Authorized to FY2003 Projected Entitlements.

	FY2002 Authorized	FY2003 Projected	Difference
Regular ADM	123,627.62	123,821.09	193.47
Correspondence ADM	9,676.85	9,634.25	(42.60)
Total ADM	133,304.47	133,455.34	150.87
Adjusted ADM	211,439.92	211,922.15	482.23
Basic Need	\$849,043.4	\$849,807.8	\$764.4
Required Local Effort	(156,051.8)	(161,968.4)	(5,916.6)
Deductible Impact Aid	(50,817.5)	(50,722.6)	94.9
Supplemental Funding Floor	12,359.6	11,215.7	(1,143.9)
Quality Schools Grant	3,383.0	3,390.8	7.8
Military Flow Through and Other	26,096.1	26,096.1	0.0
Totals	\$684,012.8	\$677,819.4	(\$6,193.4)
Funding Sources			
1004 General fund	651,409.0	644,549.9	(6,859.1)
1043 P/L 81-874	20,791.0	20,791.0	-
1066 Public School	11,812.8	12,478.5	665.7
Total	684,012.8	677,819.4	(6,193.4)
Learning Opportunity Grants	12,372.0	12,372.0	0.0

Tuition Students

An increase in the number of children who are wards of the state is projected to increase the funding necessary to compensate individual school districts for loss of revenue in serving those students. The governor's budget includes an additional \$400,000 in FY2003 for a total of \$2,625,000 for tuition students.

Schools for the Handicapped

The \$150,000 increase under Schools for the Handicapped provides funding for the cost of the educational program

at out-of-state institutions serving seriously disturbed youth who cannot receive appropriate treatment in state.

Pupil Transportation

The Pupil Transportation increase of \$3,369,800 fully funds school district pupil transportation reimbursements. The increase is due to a number of factors including contract COLA increases, additional routes, fuel increases, and new bus purchases.

School Debt Reimbursement

State debt obligation includes reimbursement of municipal bonds for approved school construction and major maintenance projects. The governor's FY2003 budget includes a decrement of \$642.1 for a total request of \$56,378.4 based on the estimated 70% reimbursement of debt service related to the issuance and payment of bonds.

Special and Supplemental Services

Early Literacy

Funding will support a new Education Specialist II, position in Juneau to coordinate efforts to improve the literacy of children ages 0-8. The coordinator will pool resources from existing programs to train parents, caregivers, educators, and paraprofessionals in age appropriate early literacy instruction. \$100.0

Federal Reading Excellence Act

The department has received a federal grant award from the U.S. Department of Education under the Reading Excellence Act (REA). Nearly all of the 2nd and 3rd year funds (\$5.0 million) will be granted to Alaska schools that need to improve the reading levels of their students. Grant activities include: the issuance of grant awards to schools to improve reading levels of students; professional development for teachers, administrators and parent; establishment of family literacy programs; and an evaluation.

Fetal Alcohol Syndrome

Through the Fetal Alcohol Syndrome (FAS) project, department staff will work with schools to raise awareness of Fetal Alcohol Syndrome. Staff will travel to communities and provide training through presentations, workshops, conferences and teleconferences. This project also funds grants and contracts that will be awarded to provide FAS related services to schools. \$500,000 is transferred by Reimbursable Service Agreement from the Department of Health and Social Services.

Quality Schools

Correspondence Program Monitoring & Review

The number of students enrolling in statewide correspondence programs has increased dramatically over the past several years. The department does not have the resources to adequately review the applications from school districts to operate these programs or follow up on monitoring and evaluating these programs. Additional oversight is necessary to ensure instructional and fiscal accountability. The department is requesting an Education Specialist II and an Education Program Assistant. \$175.0

Distance Delivered Courses

This funding will provide distant delivered courses in core content areas to small schools that do not have access to certified staff in specific content areas such as math and language arts. Access to these courses is a critical element in closing the achievement gap for all kids. The Education Funding Task Force recommended \$1.0 million for distance delivered courses.

Statewide Data Collection & Analysis

The Education Funding Task Force recommended that the department expand its capacity to provide statewide data collection and analysis as a critical element of school accountability. \$730,000 is included for 4 new data collection & analysis staff to address and respond to State Assessment Program issues. A comprehensive statewide assessment program is being implemented that includes: the developmental profile at kindergarten or grade 1; norm-referenced testing at grades 4, 5, 7, and 9; state benchmark assessments at grades 3, 6, and 8; the high school graduation qualifying examination beginning at grade 10; the collection of data for school level report cards; and a system of school designators, beginning in 2002. This comprehensive statewide assessment program generates a large amount of school and student data that must be collected, analyzed and reported. The department receives numerous requests for this data in a variety of configurations from Legislators, school staff, educational agencies,

other state departments, and the public. Current staffing levels are inadequate to address these many requests for information and to accurately and adequately collect, analyze, and report assessment data in a timely fashion. \$730.0

Department of Defense - Troops to Teachers

A national project to provide educational opportunities for retired military personnel to become teachers. Funding for this project will support two new positions, a Program Coordinator, and an Administrative Clerk II, both positions will be located in Anchorage. \$250.0

Head Start

Federal funds for Head Start Programs are expected to increase and be available directly to Head Start grantees in Alaska. The governor's budget includes an additional \$500,000 in state general funds that will help grantees meet the 20% matching requirement, strengthen existing program, expand service to additional children and families, and assist programs in meeting federal Head Start performance requirements.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	754,449.7	161,730.9	112,377.3	1,028,557.9
Adjustments which get you to start of year:				
-K-12 Support	12,372.0	0.0	0.0	12,372.0
Adjustments which will continue current level of service:				
-K-12 Support	-12,372.0	0.0	0.0	-12,372.0
-Executive Administration	2.4	0.0	8.5	10.9
-Teaching and Learning Support	-45.8	-2,857.0	-985.0	-3,887.8
-Early Development	120.3	-2,381.6	3,329.9	1,068.6
-Alaska Community Service	63.9	2,825.2	70.7	2,959.8
-Education Support Services	29.6	110.0	18.3	157.9
-Alyeska Central School	0.0	0.0	75.5	75.5
-Commissions and Boards	2.6	2.7	3.2	8.5
-AK Vocational Technical Center	67.2	0.0	34.8	102.0
-Mt. Edgecumbe Boarding School	9.5	0.0	36.8	46.3
-State Facilities Maintenance	-6.8	0.0	24.8	18.0
-Alaska Library and Museums	92.5	0.0	-19.8	72.7
-Alaska Postsecondary Education	63.1	1.6	-157.7	-93.0
Proposed budget decreases:				
-K-12 Support	-6,859.1	0.0	665.7	-6,193.4
-School Debt Reimbursement	0.0	0.0	-642.1	-642.1
-Teaching and Learning Support	-814.9	0.0	0.0	-814.9
-Early Development	0.0	-1,238.0	0.0	-1,238.0
Proposed budget increases:				
-K-12 Support	566.8	0.0	0.0	566.8
-Pupil Transportation	3,369.8	0.0	0.0	3,369.8
-Executive Administration	0.0	0.0	150.0	150.0
-Teaching and Learning Support	2,005.0	5,250.0	500.0	7,755.0
-Early Development	500.0	0.0	3,859.1	4,359.1
-Alaska Community Service	15.0	0.0	0.0	15.0
-Commissions and Boards	50.0	0.0	23.1	73.1
-AK Vocational Technical Center	0.0	0.0	90.0	90.0
-State Facilities Maintenance	0.0	0.0	116.0	116.0
-Alaska Library and Museums	0.0	50.0	0.0	50.0
-Alaska Postsecondary Education	0.0	0.0	712.5	712.5
FY2003 Governor	753,680.8	163,393.8	119,818.6	1,036,893.2

State of Alaska FY2003 Governor's Operating Budget

Department of Environmental Conservation

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Department Mission

Protect human health and the environment.

Department Goals and Strategies

1) PROTECT PUBLIC HEALTH AND PROMOTE ECONOMIC DEVELOPMENT AND JOBS THROUGH UPGRADES IN ALASKA'S WATER, WASTEWATER AND SOLID WASTE INFRASTRUCTURE.

- Provide financial aid and technical assistance to communities for upgrading water, sewage, and solid waste systems.
- Provide the training, education, and technical assistance necessary for communities to properly operate, maintain, and manage water and sewerage systems to safeguard health and the state's investment in sanitation facilities.
- In collaboration with the engineering community, establish and implement design standards for domestic wastewater systems that can successfully treat sewage over time with proper maintenance.

2) IMPROVE PERMIT APPLICATION, APPROVAL AND TRACKING.

- Expand internet services for on-line permitting, application and information.
- Where appropriate, increase usage of general permits and "permit by rule" to expedite and reduce costs of permitting.
- Implement recommendations of the stakeholder workgroup on wastewater permitting.

3) IMPROVE AQUATIC HABITAT AND ECONOMIC USES OF ALASKA WATERS.

- Reduce pollutants to waters through implementation of non-point source water pollution strategies.
- Assist local watershed activities and promote watershed protection by providing public outreach, education, and financial support.
- Improve water quality conditions in impaired water bodies to support multiple uses.
- Reduce pollutants to waters from cruise ship waste disposal.
- Participate in an interdisciplinary, collaborative Alaska team that includes federal, state and local governments; native organizations; non-governmental organizations; and concerned citizens and coordinate activities to examine and develop factual information on persistent organic pollutants (arctic contaminants).

4) DEVELOP AND PRESENT MEASURES TO HELP THE PUBLIC JUDGE ALLOCATION OF RESOURCES.

- Collect data to report on performance measures, and report results and outcomes where data exists.
- Present to the legislature, department stakeholders, and the general public a program priority funding matrix which illustrates the allocation of general funds to services.
- Prepare and present funding projections for the oil and hazardous waste response fund to continue discussions on how to address impacts of the rapidly declining available funds.

Key Department Issues for FY2002 – 2003

The department deals with the most basic environmental health programs – food, water, sewage and garbage. Adequate laboratory capacity to test food for the presence of biological or chemical contaminants, and to certify private laboratories for accurate testing of public water supplies is a critical component of this state's public health infrastructure. The recent events of September 11th heighten the need for adequate laboratory capacity and accurate

testing. Replacing the existing Seafood and Food Safety Laboratory with a new facility that meets the safety standards continues as a top priority issue.

The department is responsible for managing the Oil and Hazardous Waste Response Fund to address state spill prevention and response priorities. There has been a significant decline in revenue due to decreasing flow through the Trans-Alaska Pipeline System. Revenues from the Exxon settlement ended in September 2001. In order to sustain the state's long-term spill prevention, preparedness, response and cleanup ability annual funding requests will have to be consistent with the revenue generated by the surcharge.

This department is evolving from a strictly regulatory agency to one where citizens and stakeholders are involved partners. A human resources management program has been established to provide managers with a framework for making staffing decisions based on our organization's mission, strategic plan, and set of desired workforce competencies. This workforce planning requires strong management leadership; clearly articulated visions, mission, and strategic objectives; and cooperative supportive efforts at all levels within the organization. The challenge is to work with all hiring managers to assist them identify the competencies required of a particular position, how to weigh technical skills and behavioral competencies, how to recruit and identify candidates with those competencies for today's workforce, and to prepare for those competencies needed in the future.

Major Department Accomplishments in 2001

DOING IT RIGHT - Three key principles of Doing it Right are sound science; prudent management; and meaningful public involvement that brings all stakeholders to the table. In cooperation with regulated industry, citizens in affected communities, and other governmental agencies, the Department of Environmental Conservation

- Delegated to the City of Valdez the domestic wastewater program, except installer certifications;
- Adopted the Alaska Clean Water Action plan to ensure state resources are directed to the highest priority needs to protect and enhance clean water for Alaskans;
- Adopted a "permit by rule" to streamline permitting requirements for portable oil and gas well drilling operations;
- Conducted Prince William Sound sea trials to enhance escort system capability and resolve preparedness issues;
- Conducted drills on the North Slope in the Beaufort sea open water and broken ice conditions to evaluate contingency plans; and
- Coordinated the usage rather than disposal of over 200,000 pounds of various waste product which would have ended up in Alaska's landfills.

HEALTHY AND SAFE COMMUNITIES - In partnership with regulated industry, citizens in affected communities, and other governmental agencies, the Department of Environmental Conservation

- Increased by 4 percent the number of rural households with access to running sewer and water;
- Implemented the cruise ship environmental compliance program;
- Completed actions to remove Harding Lake in Fairbanks and Swan Lake in Sitka from the state's polluted waters list;
- Implemented risk focused inspections for higher risk food service establishments;
- Approved an alternative way for the geoduck industry to safely market their product; and
- Coordinated the collection and safe disposal of household hazardous waste in 10 Yukon River communities and in Southeast Alaska.

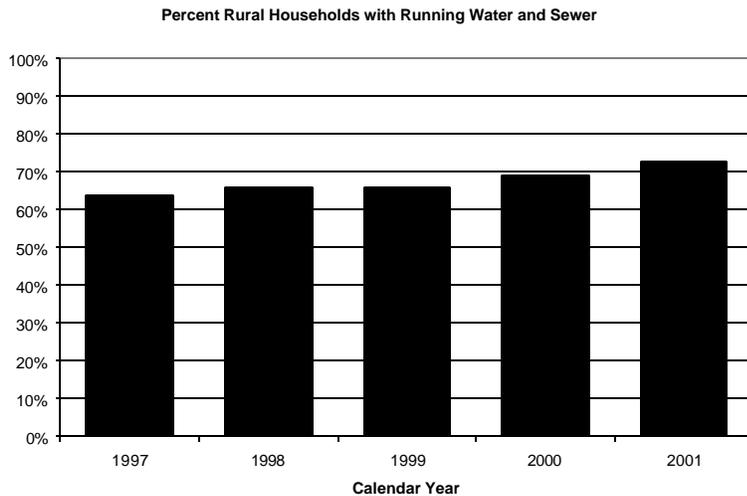
Governor's Key Department-wide Performance Measures for FY2003

Measure:

The percentage of households with improved sanitation systems.
Sec 67 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The goal is an average 4 percent annual increase in the number of rural households with access to running water and sewer systems. The percentage of rural households with access to running water and sewer increased 4 percent in the last year growing from 69 percent in 2000 to 73 percent in 2001.



Benchmark Comparisons:

External comparisons are not available.

Background and Strategies:

Strategies for accomplishing this goal are:

- To secure federal grant funds for rural sanitation projects;
- To make grants to rural communities with capacity to operate and maintain sanitation utilities for design and construction of water and sewer systems; and
- To work directly with rural communities to plan and construct water and sewer systems that can be operated and maintained locally.

Measure:

The number of critical violations in inspected public or private facilities that significantly affect the health or safety of the public.

Sec 61 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The goal is to achieve incremental decreases in the number of critical violations in inspected facilities while increasing the frequency of inspections. Progress on this measure is listed in the table below.

	Calendar Year			
	1997	1998	1999	2000
Pesticide Product Removals	5	6	2	12
Food facilities	825	751	592	753

Benchmark Comparisons:

External comparisons are not available.

Background and Strategies:

To meet this goal we will:

- Place the highest priority on inspections for critical violations that affect health or safety;

- Increase inspection and monitoring of high risk public or private facilities;
- Peer reviews and inspections performed by the affected industry; and
- Educate inspected facilities regarding the impacts of and how to avoid critical violations.

Measure:

The number of oil spills greater than one gallon per year compared to the number of spills requiring a response.
 Sec 66 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The number of oil spills greater than one gallon requiring a state response each year has continued to decrease. This may reflect both a decrease in the overall number of spills and a decrease in the percentage of those spills that require a response. A response is defined as a field visit or telephone follow up action. Responses are undertaken to spills having the greatest threat to human health or the environment. Of the 1,592 oil spills over one gallon reported in FY 2001, a state response was required for 529 spills.

Performance Measure	FY01	FY 96-00 Average
Total Number of Spills Reported (includes both oil spills and hazardous substance releases)	2,431	2,467
Number of Oil Spills requiring a response	529	945

The target is to continue to reduce both the number and amount of spills. For the five year period from FY 1996 – FY 2000 an average of 219,605 gallons were spilled each year. In FY 2001, 187,985 gallons of oil were spilled.

Benchmark Comparisons:

External comparisons are not available.

Background and Strategies:

To meet this goal we will implement a prevention plan which includes:

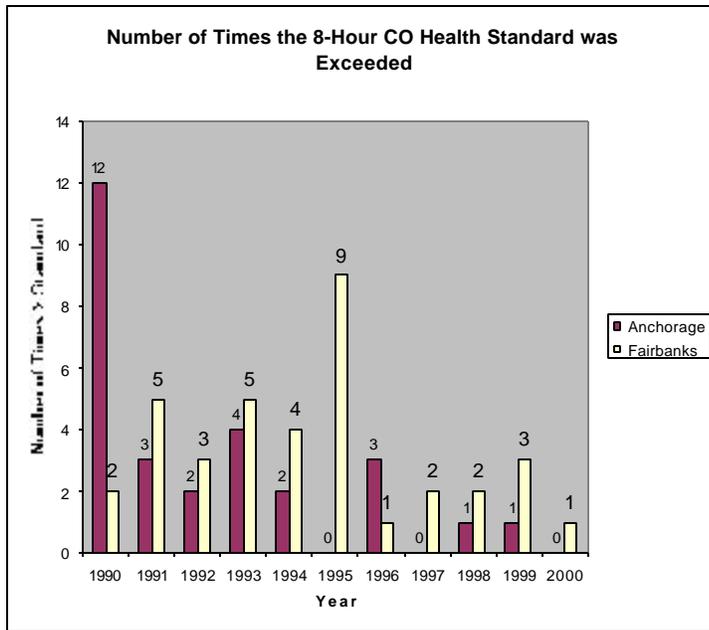
- Risk reduction measures;
- Technical assistance, legal actions, and/or public outreach, educational approaches;
- Education of commercial fuel tank owners and operators in proper spill prevention and response methods and technologies; and
- Technical assistance to tank owners and operators to ensure compliance with federal regulations.

Measure:

Whether the carbon monoxide levels in Fairbanks and Anchorage meet health standards.
 Sec 65 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

For the past four winters Anchorage has met the health standard. In 2000, Fairbanks met the standards. The federal health standard provides for one event per year above the 9 part per million exposure level – the second is considered a health violation. Under federal law, a community must meet the standard for two contiguous years to qualify as attaining the standard.



Benchmark Comparisons:

External comparisons are not available.

Background and Strategies:

The department is working closely with the Fairbanks Borough, the Municipality of Anchorage and the EPA to finalize required attainment plans. The Fairbanks plan was submitted in September 2001. The Anchorage plan will be submitted in January 2002.

Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Administration	1,211.3	1,037.8	4,422.9	6,672.0	1,106.0	997.4	1,978.4	4,081.8	1,131.6	1,020.0	1,375.8	3,527.4
Environmental Health	6,184.7	2,732.5	552.0	9,469.2	7,189.8	3,505.6	405.6	11,101.0	7,928.9	3,719.5	424.7	12,073.1
Statewide Public Services	138.6	514.3	752.3	1,405.2	170.5	823.7	896.5	1,890.7	298.4	838.0	1,084.7	2,221.1
Air and Water Quality	3,060.3	3,565.9	3,416.7	10,042.9	3,539.9	3,806.5	3,610.8	10,957.2	5,303.2	3,463.9	3,924.3	12,691.4
Non-Pt Source Pollution Contrl	0.0	1,712.7	0.0	1,712.7	0.0	2,269.4	0.0	2,269.4	0.0	1,715.4	0.0	1,715.4
Spill Prevention and Response	0.0	0.0	7,527.8	7,527.8	0.0	3,162.7	12,631.0	15,793.7	695.2	3,207.4	12,751.5	16,654.1
Contaminated Sites Program	0.0	2,562.9	4,199.6	6,762.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local Emergency Planning Comm	0.0	0.0	401.7	401.7	0.0	0.0	423.4	423.4	0.0	0.0	326.1	326.1
Facility Constr. & Op.	1,009.9	1,140.4	2,384.0	4,534.3	1,032.9	1,658.5	3,095.0	5,786.4	1,042.7	1,660.6	3,147.4	5,850.7
Totals	11,604.8	13,266.5	23,657.0	48,528.3	13,039.1	16,223.8	23,040.7	52,303.6	16,400.0	15,624.8	23,034.5	55,059.3

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	13,266.5	16,223.8	15,624.8
1003 General Fund Match	2,893.3	2,788.5	2,992.9
1004 General Fund Receipts	6,101.1	6,994.5	10,224.5
1005 General Fund/Program Receipts	2,610.4	3,256.1	3,182.6
1007 Inter-Agency Receipts	5,365.8	1,096.2	1,166.2
1018 Exxon Valdez Oil Spill Settlement	65.4	632.8	13.2
1036 Commercial Fishing Loan Fund	175.0	175.0	175.0
1052 Oil/Hazardous Response Fund	12,259.0	13,567.5	14,575.1
1053 Investment Loss Trust Fund	137.6	32.5	
1061 Capital Improvement Project Receipts	1,811.2	2,245.9	2,461.8
1075 Alaska Clean Water Loan Fund	373.6	462.8	469.4
1079 Storage Tank Assistance Fund	919.3	957.0	
1093 Clean Air Protection Fund	2,105.0	2,266.4	2,857.5
1100 Alaska Drinking Water Fund	418.2	527.2	535.2
1108 Statutory Designated Program Receipts	26.9	1,077.4	77.4
1166 Commercial Passenger Vessel Environmental Compliance Fund			703.7
Totals	48,528.3	52,303.6	55,059.3

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	483	509
Permanent Part Time	7	9
Non Permanent	4	4
Totals	494	522

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Village Safe Water Feasibility Studies	0	2,488,800	830,300	3,319,100
Village Safe Water Projects	0	48,607,900	16,203,800	64,811,700
Village Safe Water Project Administration	0	1,505,500	501,800	2,007,300
Municipal Water, Sewer and Solid Waste Matching Grant Projects	11,538,200	8,517,800	3,865,900	23,921,900
Statewide Municipal Solid Waste Regionalization Plan	150,000	0	0	150,000
Statewide Contaminated Sites Cleanup	0	0	5,000,000	5,000,000
Spill Prevention - Best Available Technology Analysis	0	0	250,000	250,000
Corrosion Monitoring and Control - Best Management Practices	0	0	200,000	200,000
Petroleum Storage Tank Spill Prevention Standards Review	0	0	50,000	50,000
Language Section: Alaska Drinking Water Fund	600,000	8,052,500	1,010,500	9,663,000
Language Section: Alaska Clean Water Fund	0	8,100,000	1,620,000	9,720,000
Fine Particulate Monitoring	0	375,000	0	375,000
Department Total	12,288,200	77,647,500	29,532,300	119,468,000

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

OIL SAFETY AND DEVELOPMENT INITIATIVE

Alaska is experiencing a significant increase in the level of oil and gas exploration and development. Areas west of the Kuparuk River in the National Petroleum Reserve Alaska are being aggressively explored. During the winter of 2001-2002, 45 exploration wells are planned, versus 26 last year and 8 the year before. Oil companies from outside Alaska are moving forward with plans to drill in the foothills of the Brooks Range. Exploration and development of Cook Inlet reserves is increasing as the result of significant recent discoveries. New seismic technology that has a high exploratory drilling success rate is spurring interest to conduct re-exploration of existing oil and gas production areas and may lead to additional exploratory drilling and development. The Minerals Management Service is proceeding with plans to hold lease sales in the offshore frontier areas of the Beaufort Sea, Chuckchi Sea, Norton Sound, and Cook Inlet during the next five years (2002 – 2007). Additional state and federal acreage on the North Slope and Cook Inlet will be leased for oil and gas exploration. Significant interest in the development of potential shallow natural gas and coalbed methane deposits exists and is increasing. The state has so far authorized exploration for these new resources in Northwest Alaska, the Tanana Basin, and on the Kenai Peninsula.

DEC is not keeping pace with the current level of oil and gas activities in Alaska and cannot keep up with the expected increased level of exploration and development activities.

- Oil and gas facilities are seldom inspected for compliance with state environmental laws.
- The effects of oil and gas waste discharges to the air, land and water are not being monitored or measured.
- Too many permits are issued after long delays, uncertainty, and disagreement.
- There is little communication or collaboration with industry and concerned stakeholders on the planning and design of projects to minimize environmental problems and take advantage of opportunities to promote environmentally responsible development.

The oil safety and development initiative funds new and enhanced services in the Divisions of Spill Prevention and Response, Air and Water Quality, and Statewide Public Service. Services fall in three areas 1) environmental planning, design and consultation; 2) permitting; and 3) inspection and compliance.

Environmental Planning, Design and Consultation

DEC will:

- work proactively to identify potential environmental and public health issues early in the lease sale planning process when changes can be most effective in preventing future pollution problems.
- review plans and statements for lease sale plans to identify and avoid or mitigate potential air, land and water quality effects.
- identify and resolve potential environmental and public health issues early when changes to project designs can be most effective in preventing future pollution problems.
- identify potential improvements to streamline permit approvals.
- review and prepare a single coordinated and consolidated response.
- develop and implement assessments of the cumulative effects of oil and gas activities on Alaska's environment.
- increase its participation with stakeholder workgroups to resolve disagreements on what it means to "do it right".

AIR QUALITY

- with the assistance of private contractors, develop air permit procedures, forms and regulation changes to implement the findings of the 2000 air permitting benchmarking study jointly done by the department and Alaska Oil and Gas Association to eliminate permit backlogs and provide predictability in the timing of permit issuance.
- examine policy options and technology retrofits that would reduce emissions of global warming greenhouse and avoid pollution increases from expanded oil and gas operations in the National Petroleum Reserve and Arctic National Wildlife Refuge.

WATER QUALITY

- evaluate best available technologies to reduce waste quantity and toxicity.

SPILL PREVENTION AND RESPONSE

- streamline contingency plan requirements through development of standardized technical manuals, scenario guidelines and assumptions.
- provide additional technical assistance and develop contingency plan submittal guidelines to prevent problems and expedite the approval process by initiating early action on potential issues.
- provide technical assistance to industry and consultants.
- develop educational materials and conduct stakeholder outreach.

Permitting and Plan Approvals

DEC will:

AIR QUALITY

- reduce air permit processing time by 50%, from a four-year average of 253 days to 126 days.
- eliminate the average 3-month permit queue and begin work immediately upon receipt of application.
- maintain permit quality by ensuring that permits are carefully drafted to minimize avoidable permit change requests.

WATER QUALITY

- evaluate baseline conditions prior to issuing new wastewater permits
- reduce the time it takes to issue oil and gas related individual wastewater permits by 56 days, or roughly 30 percent.
- conduct pre-work field inspections at approximately 10% of the projects to evaluate potential alternatives, or methods of operation that may result in less surface fill, less run-off pollution and greater protection of sensitive areas.

SPILL PREVENTION AND RESPONSE

- improve the timeliness of reviews for new, amended, and renewed oil spill contingency plans resulting from increased oil and gas activities and improve resolution of issues that prevent plan approvals in a timely manner.

Inspection, Monitoring and Compliance

DEC will:

- open a full-time North Slope field office with four staff.

AIR QUALITY

- increase the number of oil and gas air permit inspections. Only 25% of the current 88 permitted air facilities are inspected while no exploratory operations are inspected. We expect to increase the number of these inspections to 50% and inspect 20% of the exploration drill sites.
- audit 10% of air facility reports to fully evaluate operational compliance. Reports are not currently audited against the raw data on which they are based.
- Use private contractors to complete an independent ambient air quality monitoring project to evaluate cumulative ground level air quality conditions around oil field operations.

WATER QUALITY

- conduct water inspections and provide compliance assistance to North Slope facilities.
- increase inspection rates for high priority wastewater discharges from 50% to 100%.
- increase inspections for pad and road construction projects from 0% to 50% (approximately 50 projects).
- conduct independent verification of effluent quality and verification of facility self-reporting on discharge monitoring reports.
- evaluate ambient water quality through sampling and analyses.

SPILL PREVENTION AND RESPONSE

- increase the number of drills and exercises conducted to test and determine compliance with oil discharge prevention and contingency plans.
 - increase the number of on-site inspections conducted to determine compliance with discharge prevention and response equipment and resource requirements, including personnel training and corrosion detection.
 - investigate complaints on lack of proper oil and hazardous substance discharge prevention, preparedness, and cleanup.
 - increase on-site monitoring and oversight of cleanups and field responses to significant spills.
 - utilize third-party inspectors to assess leak detection and corrosion monitoring practices through term contracts.
- utilize third-party subject matter experts to assess and aid in correction of aging infrastructure-related problems through term contracts.

OTHER CHANGES IN SERVICE

ADMINISTRATION

Administration sets department policy to protect public health and the environment while promoting economic development and jobs in Alaska. Administration facilitates changes and innovations in department operations by anticipation in state, federal, and departmental initiatives.

No significant changes are anticipated in this BRU.

ENVIRONMENTAL HEALTH

Environmental Health promotes public health through safe water, safe food, and healthy communities. The division continues its focus on education and outreach on public health protection through good sanitary practices as well as the successful implementation of the mandatory hazard analysis critical control point program for seafood.

Additional funding being sought:

1. 175.0 GF to fully implement needed improvements to address critical children's environmental health needs. Since 1997, there have been 747 drinking water violations in our public schools, the majority of which were for failure to test the water for bacteria. Since welfare reform began, the number of children who spend some portion of their day in child care has increased greatly, yet child care sanitation regulations have not been updated since 1982. Updating and implementation is best accomplished with an interactive process with the regulated industry. This increment will also fund coordination with other agencies, monitoring of national children's health initiatives and legislation, and development and distribution of training tools for child care centers and schools on food service, drinking water, pesticide use, indoor air quality and wastewater.
2. 154.9 GF and 154.9 Federal to clear the backlog in several critical areas including the large number of water systems that are out of compliance with testing rules, have not completed sanitary surveys, or completed groundwater under the influence of surface water determinations. Program staff will work with owners and operators of water systems to come into and stay in compliance in these three areas, which EPA has determined threatens the safety and reliability of water supplies in many Alaskan communities.
3. 274.0 GF and 50.0 Inter-agency Receipts to continue testing of Alaska's wild seafood resources for contaminants. We will test a variety of fish species from all areas of the state and build a publicly accessible database that will provide answers regarding the presence of persistent bioaccumulative toxins. We will develop trend data to prevent our wild seafood from being negatively impacted.

STATEWIDE PUBLIC SERVICES

Statewide Public Services protects public health and the environment by assisting individuals, businesses, and communities to assess, solve and prevent their environmental problems. Statewide Public Services helps small communities and businesses which lack expertise and funds to address their environmental problems. The voluntary compliance services offered by this division build capability to tackle the environmental problems most serious to community health and environment.

Additional funding is requested to coordinate issues involving a gasline project between DEC, the Gas Pipeline Office, and a pipeline sponsor to ensure timely, effective permitting activity. This includes: permitting, authorization and oversight of a gas pipeline during pre-construction and construction; permitting and authorization of air emissions from construction and initial operation of a gas pipeline; identification of air emission requirements and issues during project preconstruction; establishing and meeting project permitting schedules; reviewing permit applications; and producing permits required for construction and initial operation.

AIR AND WATER QUALITY

Air and Water Quality protects public health and the environment by identification and prevention of pollution of the state's air and water. This includes monitoring programs, non-point source protection programs, and permitting programs.

A funding change will implement the new Commercial Passenger Vessel Environmental Compliance Program (HB260). Program staff will provide technical assistance and risk analysis; initiate air emission (smoke opacity) and perform ambient air and water monitoring; and develop the superior environmental performance program.

Additional funding is being requested, 57.5 GF and 42.0 GFPR, to perform reviews of stormwater pollution prevention plans. On April 16, 2001 the Environmental Protection Agency issued a stormwater multi-sector general permit for industrial activities. For a company to operate under the terms of the new EPA general permit, DEC must first review and approve a site specific stormwater pollution prevention plan. Stormwater pollution is a major cause of water pollution in Alaska. These plan reviews will assure that local conditions and locally applied mitigation designs are incorporated to adequately protect Alaska's waters. DEC expects to receive up to 400 engineering plans for review and approval.

SPILL PREVENTION AND RESPONSE

Spill Prevention and Response protects public health and the environment through the reduction of unlawful oil and hazardous substance contamination. This includes preventing, preparing for, responding to and ensuring the cleanup of unauthorized discharges of oil and hazardous substances and ensuring that the best spill prevention technology is used in the production, storage and transportation of oil and hazardous substances.

As listed for the second year of the approved fiscal note for SB16, 219.7 is needed for review and approval of contingency plans for all self-propelled non-tank vessels exceeding 400 gross registered tonnage and for railroad tank cars. Associated program staff will register primary response action contractors and provide technical assistance to stake holders in gaining compliance with the new regulations.

FACILITY CONSTRUCTION AND OPERATION

Facility Construction and Operation promotes public health and environmental protection through financial and technical assistance to communities for the construction and operation of water, wastewater, and solid waste management facilities.

No significant changes are anticipated in this BRU.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	13,039.1	16,223.8	23,040.7	52,303.6
Adjustments which will continue current level of service:				
-Administration	25.6	22.6	19.7	67.9
-Environmental Health	136.2	59.0	1.6	196.8
-Statewide Public Services	2.9	14.3	15.5	32.7
-Air and Water Quality	448.9	-342.6	60.1	166.4
-Spill Prevention and Response	0.0	44.7	-99.2	-54.5
-Facility Constr. & Op.	9.8	2.1	52.4	64.3
Proposed budget decreases:				
-Administration	0.0	0.0	-622.3	-622.3
-Environmental Health	-1.0	0.0	-32.5	-33.5
-Air and Water Quality	-31.6	0.0	-300.0	-331.6
-Non-Pt Source Pollution Contrl	0.0	-554.0	0.0	-554.0
-Local Emergency Planning Comm	0.0	0.0	-97.3	-97.3
Proposed budget increases:				
-Environmental Health	603.9	154.9	50.0	808.8
-Statewide Public Services	125.0	0.0	172.7	297.7
-Air and Water Quality	1,346.0	0.0	553.4	1,899.4
-Spill Prevention and Response	695.2	0.0	219.7	914.9
FY2003 Governor	16,400.0	15,624.8	23,034.5	55,059.3

State of Alaska FY2003 Governor's Operating Budget

Department of Fish and Game

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Department Mission

To protect, maintain, and improve the fish, game, and aquatic plant resources of the state, and manage their use and development in the best interest of the economy and the well-being of the people of the state, consistent with the sustained yield principle.

Department Goals and Strategies

1. PROVIDE OPPORTUNITIES FOR SUSTAINABLE USE AND ENJOYMENT OF ALASKA'S FISH AND WILDLIFE RESOURCES.

- Provide and expand sustainable opportunities for subsistence use of fish and game as the priority use.
- Provide and expand sustainable opportunities for economically viable commercial fisheries.
- Provide and expand sustainable opportunities for sport fishing, hunting and wildlife viewing.

2. MANAGE ALASKA'S FISH AND WILDLIFE RESOURCES BASED ON SOUND SCIENCE, GOOD MANAGEMENT PRINCIPLES, AND A FAIR AND OPEN PUBLIC PROCESS.

- Manage Alaska's fish and game for sustained yield, following objectives established by department managers and the Boards of Fisheries and Game.
- Engage in focused research and monitoring programs, using best available technology and information, to ensure well-informed, sustainable fisheries management.
- Ensure efficient functioning of the Boards of Fisheries and Game to provide a fair and impartial, cost-effective public process for making allocation decisions.
- Help the fishing industry respond to changing market conditions.

3. MAINTAIN, RESTORE, OR ENHANCE ALL HABITAT IMPORTANT TO ALASKA'S FISH AND WILDLIFE RESOURCES.

- Encourage and support development that maintains healthy habitat, especially anadromous fish habitat, wetlands, and important uplands.
- Work with municipalities as well as timber, tourism, oil and gas, and mining industries to ensure projects meet legal requirements and adequately protect fish and wildlife resources.
- Coordinate with the Departments of Transportation & Public Facilities, Natural Resources and Environmental Conservation, and with federal land managers to ensure resource sustainability and multiple uses when planning timber sales, oil and gas leases, mining, transportation, and tourism projects.
- Protect traditional public access to fish and wildlife resources.

Key Department Issues for FY2002 – 2003

The main issue facing the department is our ability to recruit and retain employees in the biological job classes. State salaries and benefits have eroded to the point where the department is no longer competitive with other employers. During the past two years, twenty-five biologists or other scientists have left the department for more attractive employment opportunities elsewhere, primarily with the federal government. It is imperative that the department address this issue in order to maintain the best fish and wildlife management program in the world.

Commercial Fisheries

The Division of Commercial Fisheries is increasingly involved in new tasks related to dual state-federal management of subsistence fisheries in the general categories of management coordination, regulatory coordination, and

cooperative research and monitoring.

Several division staff participate on a Steller Sea Lion Restoration Team, which was formed to assess the factors leading to the decline in Steller sea lion populations, the need for restrictions to commercial fisheries in order to protect and restore sea lion populations, and recommendations for research to test whether such restrictions are necessary, beneficial or harmful.

Market conditions for Alaska salmon are very poor and not likely to improve in the near future. Salmon prices in general are depressed primarily because of the abundance of farmed fish. In this competitive global market, the fishing industry must find ways to reduce costs and consistently produce high quality products. Division staff will assist in identifying ways to address the challenges facing the industry.

In recent years there has been a growth in the exploitation of under-utilized species, such as sea cucumbers, sea urchins, and clams. These growing industries, however, are exploiting stocks not normally assessed or managed by the division. To take advantage of these development opportunities, more assessment and management planning is required. The division, in cooperation with the industry, the Board of Fisheries and the Legislature, is developing policies that will guide new fisheries development. These policies will address sustainable harvest strategies, funding, markets, product quality, resident employment, and distribution of benefits.

Poor salmon returns to western Alaska in recent years have resulted in severe hardships for residents of the area. The division is developing federally-funded collaborative research plans that will assist in understanding and anticipating major changes in salmon production.

Allocation of fisheries resources among users continues to be a significant issue, which increases in complexity and scope. The division lacks adequate funding to gather and analyze the data needed to adequately address these more complex issues, nor does it have the funds needed to carry out management actions that require new or expanded programs for implementation.

The division has five large research and support vessels and four small aircraft, with a total replacement value in excess of \$12 million. These vessels and aircraft require regular maintenance and periodic overhaul. They are integral to a variety of finfish, shellfish, and groundfish stock assessment programs, and also provide platforms for in-season management of several specific fisheries. Maintenance must be provided to protect this capital investment, to assure efficient operations, and meet department and federal safety requirements.

Sport Fish

The key challenge for the Sport Fish Division is to assure sport fisheries quality and sustainability. Specific issues include a decrease in resident license sales during the late 1990s, conservation of important stocks of coho and chinook salmon, allocation of harvest between various resource users, and maintaining sport fishing access.

Recent declines in production of sockeye in Cook Inlet and Bristol Bay are having a significant effect on sport fisheries. The division closed sport fishing by emergency order in 2000 and 2001. The division will be addressing the management plan for the Kenai River in 2002 to manage sport fishing in the face of declining stocks. Allocation between various users in Cook Inlet and Bristol Bay requires increasingly intensive stock assessment and harvest monitoring.

Management of chinook sport fisheries in Southeast is made more complex by the U.S./Canada Treaty, Endangered Species Act (ESA), and allocation conflicts. Precise harvest monitoring is needed. Chinook enhancement and stock assessment projects are the primary means of increasing angling opportunity and harvest.

Halibut are an important sport fishing resource. The North Pacific Fisheries Management Council manages halibut fishing. In April 2001 this federal management body adopted an Individual Fishing Quota (IFQ) program for charter vessels in Southeast and Southcentral, and a subsistence halibut program, both of which will have direct and indirect effects on sport fishing.

The division contracted-out the operation of Crystal Lake Hatchery for FY2001 – FY2003, to the Southern Southeast Regional Aquaculture Association. Contract renewal is dependant upon ongoing funding. Contracting hatchery operations has resulted in benefits to the state and cost savings to the division.

Wildlife Conservation

Key major policy issues facing the Division of Wildlife Conservation are increased hunting demand, increased costs and complexities of managing for a state subsistence preference and other uses, public demands for a conservation education program, more wildlife viewing opportunities, and management of endangered species.

The division's ability to maintain healthy populations of wildlife is related to the ability of Alaska's land and water resources to support these populations. Loss or serious alteration of important wildlife habitats can have direct and long-term economic impacts on the state by reducing the sustainable yield. Because of increasing human populations and the need for an expanded and more diversified economy, the division must work closely with development interests and other agencies. We must mitigate effects of development through programs that ensure adequate protection of wildlife and continued public use.

Predation by wolves and bears has a major impact on many wildlife populations in Alaska. The division will work to develop methods to regulate predator populations that are biologically sound, acceptable to the public, and cost effective.

Programs are designed to provide for population recovery and preventing the need for additional listings under the endangered species act. Listing species as threatened or endangered can have adverse economic impacts.

Beginning in FY2002, the division began receiving funds from the new federal program entitled Wildlife Conservation and Restoration Program (WCRP), formerly called CARA. These funds are for wildlife education, wildlife viewing, and management of species that are not hunted. In FY2002, Alaska was allocated \$2,425.0 in WCRP funds and the legislature authorized expenditure of \$1.6 million. The division will receive \$4.0 million in FY2003 under this program.

Subsistence

The Division of Subsistence continues to lead the department's liaison effort with the federal subsistence program. Federal subsistence fisheries management has created additional work for division staff, who work within the department to develop protocols for interaction, serve on research coordination and planning teams and proposal review work groups, and provide fisheries information to the dual management program.

Attempts to resume state management of fish and wildlife on federal lands are likely to continue as important issues in FY2003. Division data and expertise will be called upon to provide the factual basis and the necessary analysis that may contribute to a resolution of the present management impasse.

Other key issues include implementing the Millennium Agreement with Federally Recognized Tribes in Alaska, and providing staff support to the governor's Subsistence Summit Drafting Committee.

Habitat

The greatest challenge the Habitat and Restoration Division faces is maintaining important habitats for fish and wildlife while facilitating responsible resource development. Ensuring adequate staff time to work with development interests during project planning phases is the most cost-effective method for protecting Alaska's resources and providing for economic growth and development.

Reauthorization of the TAPS lease; construction of a gas pipeline from Prudhoe Bay; highway expansions; oil and gas development in Cook Inlet and the North Slope including NPRA; and development of ore deposits in the Interior continue to pose challenges. Maintaining experienced permitting staff to work on these projects is increasingly difficult due to the department wide challenges of recruitment and retention.

Many road culverts in salmon streams are blocking fish passage. The division will continue to prioritize problem culverts for replacement and has already initiated an assessment of stream crossings on the road system in cooperation with DOTPF and the USFWS. The division will also continue working with private landowners by conducting inventories and helping to renovate or replace problem culverts.

Protecting Alaskans' access to fish and wildlife on public lands remains a challenge. The department will continue to

review RS 2477 and 17(b) easements to protect public access to state lands. The department will continue to address increasing pressures on key state rivers and watersheds, and will conduct habitat restoration projects along major salmon spawning and rearing areas associated with these fisheries.

Administrative Services

The main issue facing the Division of Administrative Services is to provide adequate support in procurement, personnel management, accounting, budget, information technology and compliance with federal programs. A growing list of technology projects geared toward automating processes and enhancing customer service is facing the division, with only limited staff resources to address them.

A deferred maintenance backlog of over \$4 million on state-owned facilities continues to be a critical issue. The department has numerous facilities statewide ranging from offices to warehouses to bunkhouses. Many are old and in need of repair and/or modification to make them structurally sound, code compliant, and ADA accessible. A capital project to address the most pressing deficiencies is part of the budget request.

The division will continue its automation efforts by developing Internet applications for acquiring permits issued by the department. In response to federal funding requirements and prior year audit findings, we will also be working on an improved timekeeping system for department employees.

Boards

As the federal agencies implement subsistence management, the department is designing a system for state-federal board interaction. In keeping with trends, we anticipate an increase in all types of regulatory coordination issues for the boards during the 2002/2003 meeting cycle. A major challenge has been to adequately involve local fish and game advisory committees in the work of the Boards of Fisheries and Game. Current funds allow only one advisory committee meeting per year for many committees where travel costs are high, and limited travel to attend board meetings.

Major Department Accomplishments in 2001

Commercial Fisheries

The 2001 Alaska commercial salmon catch of 173.4 million fish was well above the forecast of 142 million. This was the 7th highest harvest during the last 123 years but the ex-vessel value of \$210 million was well below average due to depressed fish prices. Overall salmon returns to the AYK Region were poor for the fourth consecutive year, but some runs improved and subsistence needs were generally achieved.

The division began a federally-funded cooperative research plan process that will assist in understanding and anticipating major changes in salmon production in the Norton Sound and AYK areas, where salmon returns have been very poor.

New federal and private funds have been obtained to continue the division's efforts to develop new fishing opportunities that will strengthen and broaden the economic base of Alaska's commercial fisheries.

The State manages groundfish in the 0 to 3 mile territorial sea in concert with federal actions. The department, in concert with local communities, the industry, and the Board of Fisheries, has developed some small fisheries that will benefit coastal communities.

Efforts continue to promote efficiencies and achieve cost savings by reprogramming resources toward the highest priority issues, consolidating or eliminating programs, utilizing staff attrition to downsize the workforce, and developing cooperative resource assessment projects with private entities.

Sport Fish

The division used stock assessment data to establish escapement goals for all major chinook salmon producing rivers of SE Alaska. These were then accepted by the U.S./Canada Chinook Technical Committee. The division

implemented several new wild stock indicator projects to improve inseason coho management.

The department and Board of Fisheries developed an in-river management plan for Kvichak River sockeye. This was timely, in that despite a second year of poor returns in 2001, the plan helped avoid a total closure of the fishery.

Staff worked with the Board of Fisheries in revising the Kuskokwim Chinook Management Plan and developed a strategic research plan for the fishery. This cross-divisional effort resulted in a research plan that will focus on a drainage-wide estimate of chinook abundance. Staff also initiated development of a grayling management plan.

Wildlife Conservation

The division provided opportunities to over 100,000 people to participate in hunting, with over 30,000 hunting licenses and approximately 70,000 combination (i.e. Resident Sport Fish/Hunt/Trap) licenses sold. License and tag sales generated nearly \$10 million in revenue to the state.

104,000 applications were received for drawing and Tier II hunts and 25,000 permits were issued generating over \$500.0 in revenue.

Division programs trained 1,250 new hunters in basic hunter education, and 900 hunters in advanced hunter education; provided hunting clinics for about 600 hunters to improve their skills; provided information packets to over 5,000 non-resident hunters that planned to hunt in Alaska; responded to over 80,000 in-person and over 160,000 telephone inquiries about hunting, trapping, and observing wildlife.

Many visitors came to the following refuges and sanctuaries: Stan Price (Pack Creek) Bear Sanctuary – 1,400; McNeil River Falls - 230; Potter's Marsh, between 30,000 - 40,000. At Creamer's Refuge 30,000+ visitors used the trail system and several thousand unrecorded visitors viewed waterfowl from the parking lot.

Subsistence

Division staff completed four technical papers, fifteen special reports and CD-ROMs, a video, and periodic updates to the Community Profile Database, the Map Catalog Database, and the Historic Salmon Harvest Database. The technical papers and special projects reports included subsistence harvest and use profiles in selected communities, resource-specific analyses of harvests of salmon, marine mammals and migratory birds throughout the state, and Exxon Valdez oil spill impact related studies.

Information on subsistence use was presented to a cabinet working group developing a response to the Western Alaska Fisheries Disaster. A joint effort with DEC will gather information on wild food consumption at specified locations, to develop procedures to evaluate potential health risks at contaminated sites. The division took the lead in objecting to the federal rural determination of the entire Kenai Peninsula; this resulted in the Federal Subsistence Board reversing its determination.

Habitat

Projects started in FY01 include an ecological assessment of log transfer facilities in Southeast; road culvert assessment for efficient fish passage in the Matanuska-Susitna Valley and in portions of the Kenai Peninsula; fish habitat restoration projects in the Matanuska-Susitna Valley, Copper River Basin, and Anchorage Borough; forest practices regulations for the Interior; and an assessment of ATV impacts to fish spawning and rearing habitat in the lower Kenai Peninsula. The conversion of the Southeast Anadromous Waters Catalog into a GIS format was 95% complete, bringing the overall conversion to approximately 80% of the cataloged water bodies within the state. Conversion to GIS will allow electronic distribution to other agencies, the public and to industries that require efficient access.

In FY01 the division provided applicants with assistance on 3,266 projects statewide, to meet project objectives while avoiding or minimizing impacts to fish and wildlife. Numerous habitat restoration projects were completed in cooperation with other agencies, municipalities, and private organizations and individuals throughout Southcentral with a continued focus on the Kenai River and the Matanuska-Susitna Valley. The division successfully resolved numerous construction issues with the oil industry in the Cook Inlet Basin and North Slope and continued its work at Red Dog, Fort Knox and Green's Creek.

Administrative Services

The division sold 11,300 licenses, stamps and tags over the Internet generating revenue of approximately \$1 million. Registering for big game drawing permit hunt applications was also available over the Internet with 4,767 applicants registering for 17,055 hunts. The division continued to work with fish and game license vendors to maintain unaccounted license stock at less than 1%. The division completed reconciliation of all fish and game licensing accounts for 2000 within six months of the end of the calendar year.

The division once again operated a personnel "clearinghouse" in 2001 to hire hundreds of seasonal employees with a focus on local hire. Vendor payment time for all invoices was maintained within 30 days. Deferred maintenance issues at eight different locations around the state were addressed.

Boards

In January 2001, the Board of Fisheries began to implement the statewide Sustainable Salmon Fisheries Policy, through evaluation of proposals in the Bristol Bay, Arctic-Yukon-Kuskokwin, and Alaska Peninsula/Aleutian Islands areas. This is a significant policy that aims to evaluate and rebuild the states salmon stocks, and will continue to shape salmon fisheries management in the future.

The Board of Game coordinated with the department in oversight of the unit 19-D East Wildlife Management team's work on developing an adaptive management plan to rebuild moose populations in this area.

Governor's Key Department-wide Performance Measures for FY2003

Measure:

100% of contracted research reports on Stellar Sea Lions are submitted by the end of the federal contract completion date.

Alaska's Target & Progress:

The department is responsible for assessing the factors underlying the decline of the Steller sea lion and developing a science based recovery strategy. Development of a recovery strategy has advanced considerably in the past year in the areas of research and the application of that research. New studies have begun, guided by a team of state and federal scientists. The department has convened a sea lion recovery team that has begun to apply new information to sea lion protection plans. State and federal regulatory boards are using the information to protect sea lions with minimal effect on fisheries. Some information suggests the sea lion population may be stabilizing.

Benchmark Comparisons:

Progress will be evidenced initially by the department's ability to gain new information on the life history, habitat, and nutritional needs of the Steller sea lion. Further evidence of progress will be that this information is used in a federal recovery plan for sea lions that minimally affects those activities, including fishing, that are unrelated to sea lion recovery. Ultimately, success will be measured by the extent population surveys demonstrate sea lion populations have recovered and are no longer listed as endangered.

Background and Strategies:

BACKGROUND: The Western Gulf of Alaska and Bering Sea population of the Steller sea lion is listed as an endangered species under the federal Endangered Species Act. By court order, trawl fisheries in the vicinity of sea lion haul outs have been closed.

STRATEGIES: The department has provided information to National Marine Fisheries Service on all state-managed fisheries in the vicinity of sea lion concentrations. The department has applied for federal funds needed to engage in sea lion biological and ecological studies. The department will develop a research program designed to specify sea lion nutritional and habitat needs; the resulting information will be incorporated into the federal sea lion recovery plan.

Measure:

Maintain U.S./Canada trans-boundary salmon stocks at or above the escapement levels recorded in the 1999, 2000, and 2001 seasons.

Alaska's Target & Progress:

The department has responsibility to maintain, enhance and restore Pacific Northwest trans-boundary salmon stocks in accordance with the U.S./Canada Pacific Salmon Treaty. Restoration of these stocks has largely been accomplished. The current overall goal for these stocks is to establish management plans to prevent a recurrence of the previous declines. The department has complied with treaty requirements including necessary research to better enumerate and manage trans-boundary stocks. Management plans are based on establishing an annual abundance-based goal and managing harvests so as not to exceed that goal. These annual goals have been met in recent years.

Benchmark Comparisons:

Progress on meeting treaty requirements will be represented by the development of research and economic development strategies and plans consistent with the goals of the treaty and subsequent funding initiatives.

Background and Strategies:

BACKGROUND: The Pacific Salmon Treaty was successfully renegotiated and amended in 1999. Since then, additional federal treaty implementation funds for scientific research and economic development have become available.

STRATEGIES: The department will focus on developing and implementing a procedure whereby state agency staff and stakeholders will identify salmon research and economic development projects and priorities. These projects will be included in research and economic development plans for the region. Among the new projects will be a Taku River fish stock assessment, region-wide fish habitat gap analysis, and development of an improved chinook abundance model.

Measure:

Percentage of cooperative research plans implemented for the Yukon, Kuskokwim and Norton Sound drainages.

Alaska's Target & Progress:

The department is responsible for developing a program to regulate, manage, research and monitor the chronically depleted chum and chinook salmon stocks of Western Alaska. Success of this program is demonstrated by a substantial increase in research effort directed toward depressed stocks in the AYK region. For the first time, regional groups and the department have established cooperative research plans for these fish stocks and geographic areas. These research plans and their results will be used in part as a basis for all AYK pre-season management plans, as well as regulatory action by the Board of Fisheries in 2003 and 2006.

Benchmark Comparisons:

Progress toward meeting this measure will primarily be represented in the information compiled by the department and the actions of the Board of Fisheries in the course of the board's regulatory cycle.

Background and Strategies:

BACKGROUND: The Board of Fisheries and the department adopted the Sustainable Salmon Fisheries Policy for Alaska in March 2000, as a means to ensure sustainable salmon fishing and fisheries management. Implementation takes place primarily through the Board of Fisheries regulatory process, although the principles and criteria in the policy may apply more broadly to many department functions and initiatives.

STRATEGIES: The department prepares stock status reports on those salmon stocks being considered by the Board of Fisheries at each regular meeting. The department will identify stocks of concern, recommend new or modified management plans, and work with the board to develop action plans and research plans as needed. The department will consider the principles and criteria in the course of identifying research and other goals, apart from the board process.

Measure:

At least two new Invasive Species Action Plans will be developed annually.

Alaska's Target & Progress:

The department is responsible for developing a program to maintain, monitor and protect the health of Alaska's oceans and watersheds and their resources and habitat, for long-term viability and use. For each of the next five fiscal years, the department expects to produce at least two invasive species action plans.

Benchmark Comparisons:

Progress toward meeting the goals of the overall program will initially be represented by the extent to which project deadlines are met for critically important projects. In the coming year the department will focus on two projects: (1) invasive species (with an initial focus on Atlantic Salmon) and (2) identification of important marine fish habitat sites. Near-term goals include development of an Invasive Species Policy for the department, an Aquatic Nuisance Plan, and a Marine Protected Areas strategy. A specific long term goal is the development of 2 new Invasive Species Action Plans per year.

Background and Strategies:

BACKGROUND: The Office of the Governor, working with state resource agencies including ADF&G, developed the Oceans and Watersheds Initiative with the goal of protecting coastal and upland habitats with a focus on fish resources and habitat. The following principles will guide decisions and actions relating to Alaska's oceans and watersheds. A. Fisheries management shall ensure the conservation of fish and wildlife and the protection of important habitat. B. The health of Alaska's waters and marine ecosystems shall be maintained and protected for the benefit and use of all Alaskans. C. The health of Alaska's wild and traditional food sources shall be maintained and protected. D. State agencies shall manage Alaska's oceans and watersheds consistent with ecosystem-based management.

STRATEGIES:

As its part in the governor's Oceans and Watersheds Initiative the department has committed to completing a suite of projects in the areas of monitoring key environmental indicators, water quality, in-stream flow, invasive species, resource inventory, resource protection, data base development, and fisheries research. The time frame for completing these projects extends for the next several years, with emphasis on completing or making significant progress on key projects in the next 12 months.

Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Commercial Fisheries	24,314.7	8,585.0	5,838.3	38,738.0	24,644.4	12,183.2	11,197.2	48,024.8	25,039.4	12,299.3	11,974.7	49,313.4
Sport Fisheries	0.0	11,255.3	11,931.4	23,186.7	20.0	13,577.4	13,289.0	26,886.4	20.0	14,282.3	14,274.6	28,576.9
Crystal Lake Hatchery	0.0	0.0	191.5	191.5	0.0	0.0	192.7	192.7	0.0	0.0	192.7	192.7
Wildlife Conservation Administration and Support	269.5	8,704.3	11,547.7	20,521.5	253.7	12,302.6	12,285.5	24,841.8	256.0	15,901.9	11,786.8	27,944.7
State Facilities	2,035.1	1,077.6	4,161.3	7,274.0	2,092.7	1,567.4	3,270.9	6,931.0	2,131.1	1,584.9	3,550.2	7,266.2
Commissioner's Office	169.6	0.0	930.5	1,100.1	169.6	0.0	1,090.4	1,260.0	189.8	0.0	1,090.4	1,280.2
Subsistence	549.0	201.4	162.7	913.1	551.2	222.7	86.8	860.7	562.4	227.7	89.0	879.1
Subsistence	218.5	889.5	352.4	1,460.4	219.3	2,081.7	479.0	2,780.0	1,148.1	2,253.5	977.4	4,379.0
Research & Monitori	900.0	0.0	350.8	1,250.8	906.7	0.0	491.6	1,398.3	0.0	0.0	0.0	0.0
Habitat	1,767.4	623.9	6,088.3	8,479.6	2,049.7	1,175.0	8,737.7	11,962.4	2,600.9	1,189.4	9,077.6	12,867.9
Commercial Fisheries Entry Com	0.0	0.4	2,629.2	2,629.6	0.0	110.2	2,786.5	2,896.7	0.0	111.6	2,906.9	3,018.5
Totals	30,223.8	31,337.4	44,184.1	105,745.3	30,907.3	43,220.2	53,907.3	128,034.8	31,947.7	47,850.6	55,920.3	135,718.6

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	31,337.4	43,220.2	47,850.6
1003 General Fund Match	620.5	680.8	685.3
1004 General Fund Receipts	29,573.5	30,214.6	31,250.5
1005 General Fund/Program Receipts	29.8	11.9	11.9
1007 Inter-Agency Receipts	7,609.5	9,250.6	10,221.4
1018 Exxon Valdez Oil Spill Settlement	3,650.9	5,091.8	4,783.9
1024 Fish and Game Fund	25,063.5	24,854.7	24,880.8
1053 Investment Loss Trust Fund	207.9		
1055 Inter-agency/Oil & Hazardous Waste	46.8	96.5	97.5
1061 Capital Improvement Project Receipts	4.5	2,782.5	4,025.9
1108 Statutory Designated Program Receipts	2,068.1	3,236.1	3,244.9
1109 Test Fisheries Receipts	2,336.9	4,010.8	4,032.5
1114 Exxon Valdez Oil Spill Restoration Fund	99.7	32.1	
1156 Receipt Supported Services	3,096.3	4,552.2	4,633.4
Totals	105,745.3	128,034.8	135,718.6

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	855	894
Permanent Part Time	904	889
Non Permanent	139	138
Totals	1,898	1,921

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Language Section: Receipts from Sale of Research Vessel Montague	200,000	0	0	200,000
Statewide Facilities Repair, Maintenance, and Replacement	400,000	0	0	400,000
Vessel and Aircraft Repair and Maintenance	300,000	0	0	300,000
Research Vessel Montague Replacement	600,000	0	0	600,000
Dock Repairs, Maintenance and Replacement Phased Project	250,000	0	0	250,000
Feasibility Study to Address Building Deficiencies at the Kodiak Fish and Game Office	50,000	0	0	50,000
Restoration and Upgrade of Kodiak Fish Passes and Weirs	150,000	0	0	150,000
Kenai River Sonar Facility	325,000	0	0	325,000
Bendix Sonar Systems Replacement	300,000	0	0	300,000
Black River Sonar - Chignik Area, Upper Aleutian Peninsula	175,000	0	0	175,000
Chilkoot Lake Weir Improvements	75,000	0	0	75,000
Environmental Cleanup	400,000	0	0	400,000
Waterfowl Conservation and Enhancement Program	150,000	0	0	150,000
Wildlife Conservation Modular Office in McGrath	0	0	150,000	150,000
Sport Fishing and Recreational Boating Public Access and Facility Development	0	750,000	250,000	1,000,000
Transient Boat Moorage Facility Development	0	500,000	0	500,000
Equipment for Wildlife Conservation Programs Statewide	0	0	100,000	100,000
Kachemak Bay Research Reserve Facilities Construction - Final Phase	0	1,000,000	0	1,000,000
Anchor Point and Fish Creek Estuary Protection Project	0	960,000	0	960,000
Department Total	3,375,000	3,210,000	500,000	7,085,000

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

The department's overall budget request will increase by \$7,683.8 for FY2003, primarily in non-general fund sources. A summary of the changes by funding source is listed below.

Federal Funds increase	\$4,630.4
CIP Receipt increase	\$1,243.4
General Fund increase	\$1,040.4
I/A Receipts increase	\$970.8
Other Misc. increases	\$138.7
EVOS decrease	-\$340.0

Funding for the third year of employee contracts totals approximately \$1.6 million with \$495.1 in general funds, \$477.4 in federal funds, \$282.4 in fish and game funds, and \$334.4 in other funds.

Major federal fund increases are included in Wildlife Conservation (\$2.5 million for WCRP; and federal aid \$972.3), Sport Fish (federal aid \$549.4) and Subsistence (\$150.0).

The department is also adding \$1,243.4 in CIP receipts in several components throughout the budget to reflect the cost of positions being charged to capital projects.

General fund increases totaling \$525.1 are included to fund three projects in Habitat and Restoration; \$100.0 for addressing the growing number of permit applications on the south Kenai Peninsula, \$222.6 for Oil and Gas permitting, and \$202.5 to establish a permitting and restoration center in the Mat-Su Valley similar to the one currently operated on the Kenai River.

There are also a number of other smaller funding source adjustments. The detail for all of the changes listed above is included in the component detail sections of the budget.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	30,907.3	43,220.2	53,907.3	128,034.8
Adjustments which will continue current level of service:				
-Commercial Fisheries	395.0	116.1	86.6	597.7
-Sport Fisheries	0.0	155.5	151.4	306.9
-Wildlife Conservation	2.3	632.1	-349.0	285.4
-Administration and Support	38.4	17.5	52.9	108.8
-State Facilities	12.2	0.0	0.0	12.2
-Commissioner's Office	11.2	5.0	2.2	18.4
-Subsistence	928.8	21.8	498.4	1,449.0
-Subsistence Research & Monitori	-906.7	0.0	-491.6	-1,398.3
-Habitat	26.1	14.4	109.1	149.6
-Commercial Fisheries Entry Com	0.0	1.4	70.4	71.8
Proposed budget decreases:				
-Commercial Fisheries	0.0	0.0	-32.1	-32.1
-Sport Fisheries	0.0	0.0	-15.8	-15.8
-Wildlife Conservation	0.0	0.0	-149.7	-149.7
-Habitat	0.0	0.0	-346.5	-346.5
Proposed budget increases:				
-Commercial Fisheries	0.0	0.0	723.0	723.0
-Sport Fisheries	0.0	549.4	850.0	1,399.4
-Wildlife Conservation	0.0	2,967.2	0.0	2,967.2
-Administration and Support	0.0	0.0	226.4	226.4
-State Facilities	8.0	0.0	0.0	8.0
-Subsistence	0.0	150.0	0.0	150.0
-Habitat	525.1	0.0	577.3	1,102.4
-Commercial Fisheries Entry Com	0.0	0.0	50.0	50.0
FY2003 Governor	31,947.7	47,850.6	55,920.3	135,718.6

State of Alaska FY2003 Governor's Operating Budget

Office of the Governor

Commissioner: Jim Ayers**Tel:** (907) 465-3500 **Fax:** (907) 465-3532 **E-mail:** Jim_Ayers@gov.state.ak.us**Administrative Services Director: Michael A. Nizich****Tel:** (907) 465-3876 **Fax:** (907) 465-1641 **E-mail:** Mike_Nizich@gov.state.ak.us**Department Mission**

Ensure that state government is responsive to the needs of the citizens of Alaska, and that compelling needs within the state are recognized and addressed appropriately by providing support to the Governor and Lieutenant Governor in the policy issues and management of the Executive Branch of state government.

Department Goals and Strategies

The overall goals and strategies of the Knowles/Ulmer administration are outlined in the Governor's Priorities section of the Executive Budget Summary.

This departmental summary focuses on the agencies which are administratively located in the Governor's Office. Each agency's goals are listed below. For strategies to implement these goals, see the agency's detail budget.

ALASKA STATE COMMISSION FOR HUMAN RIGHTS

- Enforce the Human Rights Law to prevent and eliminate discrimination through impartial investigation of complaints, conciliation, administrative hearings, public education, and community outreach.

TRIBAL AFFAIRS

- Improve communication and cooperation between tribal and state governments.
- Improve public understanding of, and appreciation for, the importance of tribal-state relations.

OFFICE OF EQUAL EMPLOYMENT OPPORTUNITY

- Ensure executive branch compliance with federal and state laws relating to equal employment opportunity and affirmative action.
- Increase awareness of fair employment practices in the executive branch of Alaska state government by reaching out to key constituencies, including minority and women's groups, community organizations and state agencies.

OFFICE OF MANAGEMENT AND BUDGET

- Work toward a long-term plan to balance the budget.
- Improve public understanding of the state budget.
- Continue to make the state budget process more effective and efficient.

DIVISION OF GOVERNMENTAL COORDINATION

- Streamline and coordinate permit reviews for development projects.
- Upgrade community-based coastal planning and development programs with Coastal Policy Council (CPC) oversight.
- Provide liaison to federal land and resource agencies to ensure that state interests are protected in federal decision making under the Coastal Management Program, the Alaska National Interest Lands Conservation Act, National Forest management, federal oil and gas development, and other federal programs.
- Improve technical expertise to address emerging coastal issues.

DIVISION OF ELECTIONS

- Increase the efficiency, security, and convenience of the electoral process.
- Improve accuracy of the voter registration list.
- Plan and prepare for the 2002 Primary and General elections.
- Encourage higher voter participation.

Key Department Issues for FY2002 – 2003

ALASKA STATE COMMISSION FOR HUMAN RIGHTS

- During fiscal year 2001, over 4000 Alaskans contacted the agency to inquire about their rights and responsibilities. In recent years an increased demand for services and corresponding rise in complaint inventory caused delays in processing cases. In response the Commission revised its procedures and regulations, and with the assistance of the Governor and Legislature, secured additional resources. These efforts resulted in the elimination of the agency's backlog. The Commission continues to direct its resources to reducing the time to complete investigations and present cases at public hearing.
- The public's demand for information on preventing and eliminating discrimination is on the rise. Business and community groups seek assistance from the agency to better educate those they work with as well as those they serve. The Commission plans to seek the resources needed to meet this demand.

TRIBAL AFFAIRS

- Successful tribal-state relations will require strong efforts by all branches of government and will lead to improved services and benefits for all Alaskans.
- It will be essential to increase educational opportunities for all state employees regarding cross-cultural matters, tribal governments, and mechanisms for improving communication and cooperation between tribal and state governments. This will help improve tribal-state relations, and assist individual departments in developing policies and practices that fully implement the spirit and letter of the Millennium Agreement.

OFFICE OF EQUAL EMPLOYMENT OPPORTUNITY

- Select software and complete statewide Affirmative Action Plan.
- Complete software repairs on the Equal Employment Opportunity Reporting System (EEORS).
- Devise guidelines to assist departments in preparing their Affirmative Action Plans.

OFFICE OF MANAGEMENT AND BUDGET

- Regardless of the price of oil, the state needs a long-range fiscal plan which balances the budget while maintaining stability for the Alaska economy and reliable services for Alaskans.
- The growing backlogs of school construction and deferred maintenance for schools and state facilities must be addressed with a plan that provides long-term financing.
- Performance measures need to be integrated with trend indicator data available in departments to facilitate results-based budgeting.
- Improved security measures, public health capacity, and emergency communications will require significant public investments to ensure that Alaska is well-prepared for threatened or actual terrorism incidents.

DIVISION OF GOVERNMENTAL COORDINATION

- Congress appropriated \$150M for Coastal Impact Assistance to oil producing states. Alaska's portion is \$12.2M (by law, 35% will be distributed directly to boroughs and coastal resource service areas). DGC will propose language in the FY2002 supplemental bill to convert the entire appropriation from an operating budget item to a capital project.
- Project consistency review regulations were promulgated in 1984 and, with minor exceptions, have remained substantially unchanged since that time. Although forward thinking for their time, they could not anticipate the array of project review issues that have emerged over the past 17 years. Revisions are under development that will address a number of issues detailed in the component summary.
- Like the current consistency review regulations, over half of the more than 30 coastal district plans are outdated. These coastal plans do not provide districts with adequate tools for managing the coastal issues of today. District program regulations, which govern plan development and approval, were revised and streamlined in early FY2000. In FY2002 federal dollars were provided to eight districts for update of their coastal district plans. In FY2003 another eight will be funded for update.
- Criteria used during consistency reviews to evaluate projects proposed within Alaska's coastal zone were promulgated in 1978. Project applicants and state resource agencies have asked the Coastal Policy Council to review and propose amendments to these criteria addressing air, land, and water quality, and geophysical hazards. As state agencies and coastal districts have increased demand and application of Geographic Information Systems (GIS), DGC is using federal dollars to develop GIS protocols and improve DGC's database, web site, and GIS capabilities.
- DGC has participated in the Alaska Clean Water Actions (ACWA) partnership with the state resource agencies to

unite public and private efforts to protect and restore Alaska's water resources and aquatic habitat.

DIVISION OF ELECTIONS

- The division is faced with the ongoing difficulty of managing and maintaining our voter registration system (VREMS). To ensure that the 16-year-old system will be able to handle the 2001 reapportionment of voters, the processing of initiative petition signatures, increasing voter registration demands and election preparations, the division has contracted out the task of programming and maintaining VREMS. The division will research available election management software this fiscal year to determine feasibility of replacing the 16-year-old system.
- The recruitment of election workers becomes more difficult each year. During the primary and general elections, an estimated 2,500 workers will be hired. The level of compensation, the need to take time off work to be trained and to serve, and the nature of the tasks make voters less willing to serve. When election workers cannot be found, the division must close the polling place and provide an absentee voting official in the community. The division is seeking legislative approval to give election workers a \$2.00 per hour raise, the first in 20 years.
- The number of absentee and questioned ballots continues to increase dramatically. In order to manage the increase, the division received statutory authority to change the schedule for counting ballots, increased the number of public members on the review boards, and revised procedures to make the process more efficient. The division requests funding to increase the number of temporary employees and election workers to process these ballots.
- The division will be verifying signatures on potentially 6 initiative petitions for possible placement on the 2002 general ballot.

Major Department Accomplishments in 2001

ALASKA STATE COMMISSION FOR HUMAN RIGHTS:

- The Commission continues to reduce the time required to process a complaint of discrimination.
- Eighty-five percent of those who take advantage of the Commission's mediation program settle. Those who participate without reaching resolution still evaluate the program positively.
- Conducted a fair housing education and outreach program across Alaska with the funds from the U. S. Department of Housing and Urban Development (HUD).

TRIBAL AFFAIRS

- Helped negotiate the Millennium Agreement signed in April by the governor and more than 70 tribes, which provides a framework for establishing government to government relationships between the state and the federally-recognized tribes in Alaska.
- Coordinated initial phases of implementation of the Millennium Agreement throughout the executive branch and with the signatory tribes.

OFFICE OF EQUAL EMPLOYMENT OPPORTUNITY

- Improved quality of quarterly workforce reports by working with departments to correct job code problems with EEORS data; began process of software repairs on EEORS; selected contractor to prepare statistical analysis for statewide Affirmative Action Plan.
- Maintained outreach to employees and community groups through many events around the state. Through collaboration with federal and local agencies, our office increased the number and quality of our presentations.

OFFICE OF MANAGEMENT AND BUDGET:

- Improved and reorganized the use of performance measures in department budgets and key indicators in major interdepartmental program areas.
- Helped organize the Governor's Terrorism Disaster Policy Cabinet to assess the security needs of state government and the people of Alaska, following the terrorist events of September 11.
- Helped coordinate the response of the Governor's Disaster Policy Cabinet to the salmon fisheries economic disaster in western Alaska in the summer of 2001.
- Developed a legislative proposal to eliminate a large portion of the deferred maintenance backlog for state facilities using certificates of participation.

- Worked with the legislative Fiscal Policy Caucus on efforts to increase public understanding of the need for a long-range fiscal plan for Alaska, including the development of fiscal and economic information for the series of town meetings held across Alaska in 2001.
- Helped develop initiatives and budget proposals for the Governor in the areas of alcohol treatment, oil and gas protection, and services for children.
- Improved public information on the cost of legislation by implementing electronic fiscal notes and making them available over the Internet on the Legislature's bill status system.
- Made substantial improvements to the computerized Alaska Budget System, both in functionality and user documentation.
- Notified recipients of all state financial assistance about audit requirements before the due date and worked with granting agencies to resolve audit findings within the required timeframe.

DIVISION OF GOVERNMENTAL COORDINATION:

- Coordinated approximately 372 multi-permit coastal project reviews in FY2001.
- Secured \$2,520,000 in federal funds for FY2002 coastal management
- Provided assistance to eight coastal communities working on updating their coastal district plans.
- Provided state response to all Outer Continental Shelf Lands Act and Alaska National Interest Lands Conservation Act Conservation System Unit activities.
- Continued to upgrade Internet access to the Alaska Coastal Management Program and permitting review information. Digitized coastal district boundaries and have made the data and metadata available online.
- Continued work with the Alaska Coastal Management Program Working Group and the Department of Law to develop draft 6 AAC 50 regulations to present to the resource agencies and coastal districts for further refinement before presentation to the Coastal Policy Council.
- Completed the revision to the ACMP Enhancement Grants Program Assessment and Strategy, which outlines projects to accomplish improvements to the ACMP and enables the ACMP to receive about \$2,500,000 in federal non-match dollars during FY02-06.
- Completed *Guidebook 6. Implementation. Putting a District Coastal Management Program to Work*. This sixth guidebook in a series of six provides step-by-step guidance to coastal district on topics ranging from how to set up and manage your coastal management office to how to effectively comment on project reviews.
- Submitted Alaska's Coastal Clean Water Plan, pursuant to Sec. 6217 of the Coastal Zone Management Act, to NOAA and EPA for federal approval.

DIVISION OF ELECTIONS

- The division successfully conducted two large consolidation elections in 2001: the Ketchikan consolidation in July and the Fairbanks consolidation in August. Both elections were conducted by mail.
- The mainframe based voter registration and election management system (VREMS) was tested, thoroughly reviewed, and updated to prepare for reapportionment duties.
- The division successfully conducted and certified 19 REAA elections, four CRSA elections, and four special elections.
- GIS mapping software was purchased and tested for use in working with the Redistricting Board's files.
- The division conducted the third annual list maintenance effort since passage of the National Voter Registration Act in 1995. List maintenance allows the division to remove voters from our master active registration list. As a result of the effort, over 33,000 voters were moved to inactive status.

Governor's Key Department-wide Performance Measures for FY2003

Measure:

Performance measures in departments' budgets are integrated with trend data available from departments to facilitate the development of performance measures in the future, and the assessment of whether performance has achieved the target levels.

Alaska's Target & Progress:

The Governor's Executive Budget Summary (EBS) for FY1997 included a few key performance measures for each department. One of the FY97 measures was for OMB to design and implement a new statewide budget system.

Performance measures are now an integral part of the budget system. Three years ago, the legislature began working on missions and performance measures with departments. At the same time, the executive branch was expanding its use of performance measures as well as targeting their use to program areas where tracking progress, or the lack of it, is vital. To help bring focus to the goals and objectives of the Governor and the legislature, the reporting of performance measures in the Alaska budget system was simplified. The most significant Governor's performance measures are now presented at the department level in budget submissions, all legislative performance measures are presented at the budget request unit level. Performance measures are not repeated at the component level.

Benchmark Comparisons:

Other states vary in the number of key performance measures they track. Several that started with hundreds of measures eventually reduced the number to focus on the most important areas. The State of Alaska has gone through this process as well, and is also simplifying and reorganizing its use of performance measures. The purpose is so measures of special concern to lawmakers, the public, and agencies can be easily identified and tracked, as well as linked to broader indicators of change in selected program areas.

Background and Strategies:

In FY 2003, the use of performance measures will be taken a step farther, to link the assessment of performance as proposed in the budget to the use of trend indicator data which will help evaluate the degree to which progress has been accomplished. One aspect of this will be integration with the Department of Community and Economic Development's outstanding new online Alaska Economic Information System (currently in prototype development). With these new tools, trend indicator information will be much more easily available to the public and agencies.

Other states have learned that the process develops best when the executive and legislative branches work together to identify areas needing measures, agree on data needs and constraints, set targets for improvement that are aggressive but achievable, and adjust targets if necessary to meet the funding levels which are ultimately appropriated. The Knowles/Ulmer Administration is committed to working with the legislature to continue establishing viable performance measures and using the results to help evaluate budget needs and program effectiveness.

Measure:

DGC will bring affected local coastal districts and state and federal agencies together within 50 days to resolve issues for coastal projects requiring multi-agency permits.

Alaska's Target & Progress:

In FY2001, the average project review time for completed project reviews was 48 days, which is less than the required 50 days under regulation 6 AAC 50.

Background and Strategies:

A coordinated consistency review involves a review of multiple permits and the bringing together of a number of stakeholders to resolve any conflicts and issues. As the coordinator of this process, the Division identifies any systemic bottlenecks and seeks long term solutions that will improve the total time to complete a consistency review.

Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Commissions/Special Offices	1,330.8	162.2	0.0	1,493.0	1,338.4	188.7	0.0	1,527.1	1,514.2	128.7	0.0	1,642.9
Executive Operations	8,685.6	101.3	97.5	8,884.4	10,086.0	110.0	0.0	10,196.0	9,504.9	0.0	14.6	9,519.5
Gov State Facilities Rent	429.5	0.0	0.0	429.5	416.0	0.0	0.0	416.0	453.9	0.0	0.0	453.9
Office of Management & Budget	1,521.7	0.0	230.1	1,751.8	1,761.5	0.0	0.0	1,761.5	1,649.0	0.0	0.0	1,649.0
Governmental Coordination	1,429.4	2,592.4	43.0	4,064.8	1,480.9	3,213.9	0.0	4,694.8	1,588.5	3,474.9	450.1	5,513.5
Elections	3,932.3	0.0	0.0	3,932.3	3,213.8	0.0	0.0	3,213.8	4,662.0	0.0	0.0	4,662.0
Office of International Trade	387.4	0.0	300.0	687.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Totals	17,716.7	2,855.9	670.6	21,243.2	18,296.6	3,512.6	0.0	21,809.2	19,372.5	3,603.6	464.7	23,440.8

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	2,855.9	3,512.6	3,603.6
1003 General Fund Match	1,270.3	1,304.0	1,328.2
1004 General Fund Receipts	16,428.6	16,987.7	18,039.4
1005 General Fund/Program Receipts	17.8	4.9	4.9
1007 Inter-Agency Receipts	107.8		14.6
1053 Investment Loss Trust Fund	237.0		
1061 Capital Improvement Project Receipts			450.1
1108 Statutory Designated Program Receipts	25.8		
1115 International Trade and Business Endowment Income	300.0		
Totals	21,243.2	21,809.2	23,440.8

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	175	186
Permanent Part Time	3	2
Non Permanent	37	55
Totals	215	243

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
AccuVote System - Payment 5 of 6	387,789	0	0	387,789
Expansion of AccuVote Elections System	298,600	0	0	298,600
Pacific Coastal Salmon Recovery Fund/Pacific Salmon Treaty	0	28,500,000	0	28,500,000
Department Total	686,389	28,500,000	0	29,186,389

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

Establish the Tribal Affairs component to provide the resources to implement the Millennium Agreement.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	18,296.6	3,512.6	0.0	21,809.2
Adjustments which will continue current level of service:				
-Commissions/Special Offices	26.9	1.7	0.0	28.6
-Executive Operations	-1,321.1	-110.0	0.0	-1,431.1
-Gov State Facilities Rent	9.4	0.0	0.0	9.4
-Office of Management & Budget	-112.5	0.0	0.0	-112.5
-Governmental Coordination	28.2	-89.0	104.2	43.4
-Elections	-1,108.5	0.0	0.0	-1,108.5
Proposed budget decreases:				
-Commissions/Special Offices	0.0	-61.7	0.0	-61.7
Proposed budget increases:				
-Commissions/Special Offices	148.9	0.0	0.0	148.9
-Executive Operations	740.0	0.0	14.6	754.6
-Gov State Facilities Rent	28.5	0.0	0.0	28.5
-Governmental Coordination	79.4	350.0	345.9	775.3
-Elections	2,556.7	0.0	0.0	2,556.7
FY2003 Governor	19,372.5	3,603.6	464.7	23,440.8

State of Alaska FY2003 Governor's Operating Budget

Department of Health and Social Services

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Department Mission

To promote and protect the health and well being of Alaskans.

Department Goals and Strategies

FOCUS ON HELPING CHILDREN AND FAMILIES STAY HEALTHY AND SAFE.

- Continue to improve the State's response to child abuse and neglect by responding to more reports of harm; ensuring that children in State care are placed in safe, quality homes; and moving children in foster care to placement homes more quickly.
- Expand the system for surveillance, screening and diagnosis of FAS/FAE; prevent occurrence of FAS/FAE; develop services needed by persons affected by FAS/FAE and their families; and link clients to those services.
- Refine strategies to advance welfare reform by modifying or repealing the number of exemptions under state law and developing criteria to identify persons who should be exempted from the 60-month time limit for receiving temporary assistance.
- Work with Department of Education and Early Development to improve access to childcare.

HELP ALASKANS LIVE HEALTHIER LIVES AND HAVE ACCESS TO BASIC HEALTH CARE, RESULTING IN REDUCED INCIDENCE OF CHRONIC AND PREVENTABLE DISEASE.

- Continue to provide basic health care for Alaskans by maintaining full funding of the Medicaid program.
- Strengthen public health infrastructure by increasing core capacity in laboratory, epidemiology and public health nursing services.
- Strive for full immunization of 90% of two-year-olds.
- Develop Alaska's rural health infrastructure to improve access to health care.
- Eliminate waitlists for adult and juvenile alcohol treatment and expand the underage drinking initiative.
- Work with community partners and state agencies to expand and improve the tobacco control program.
- Bring the State into compliance with federal "Synar" requirements, which are federal targets for State enforcement of laws prohibiting sales of tobacco to minors.
- Continue the Healthy Alaskans 2010 health status assessment effort.

ASSIST ALASKANS WHO EXPERIENCE DEVELOPMENTAL DISABILITIES AND/OR MENTAL ILLNESS TO ATTAIN THEIR HIGHEST LEVEL OF INDEPENDENCE.

- Streamline the Medicaid Waivers process to simplify the process for clients to receive in-home or community care.

- Replace the worn-out Alaska Psychiatric Institute facility and strengthen community services to prevent inappropriate hospitalization.
- Improve licensing and investigation of adult facilities and enhance community services for vulnerable adults.
- Work with the statewide suicide prevention council to develop a suicide prevention plan.
- Assess the treatment needs of youth who must currently be cared for in out-of-state residential facilities and develop a plan for building in-state service capacity to allow them to be cared for in Alaska.
- Improve the Alaska Youth Initiative (AYI) program and other community mental health services.
- Develop mechanisms to better integrate delivery of mental health and substance abuse services.

INCREASE INCENTIVES AND OPPORTUNITIES FOR COMMUNITIES TO COLLABORATE WITH THE DEPARTMENT TO IMPROVE RESULTS FOR CHILDREN AND FAMILIES.

- Review and revise statutory and regulatory framework and processes for awarding grants.
- Institutionalize and expand the State's capacity to address environmental health issues.

IMPROVE DHSS STAFF KNOWLEDGE AND SKILLS AND MAINTAIN HIGH MORALE TO CONTINUALLY IMPROVE PERFORMANCE AND SERVICES FOR ALASKANS.

- Identify and develop effective strategies to assure continuity of effective management and service delivery by improving employee recruitment and retention.
- Identify and remedy deficiencies in basic infrastructure by completing outstanding leasing and building projects, and implementing the computer maintenance management system.

Key Department Issues for FY2002 – 2003

Families receiving Temporary Assistance benefits since the welfare reform program began in July 1997 will reach their 60-month lifetime limit in 2002. The more vulnerable families will receive an extension of benefits, while others will lose their Temporary Assistance benefits. Loss of cash assistance could force more families to move out of current housing into less stable shelter options.

The Department's recent projections of the number of Medicaid beneficiaries expected to need medical services and the projected costs related to those services indicate an average growth rate of 17%. The department is proposing a budget request that is dependent on refinancing programs, a Congressional fix to the federal match participation rates (FMAP), and restoration of state general funds to replace public Hospital ProShare payments.

Prevention and intervention in the transmission of communicable diseases statewide are top public health issues, as is reducing the tragic toll taken by high rates of unintentional injury fatalities, suicides, and post neonatal deaths. To retain effectiveness in the coming decade, DHSS is developing plans and strategies, including *Healthy Alaskans 2010* and the *Comprehensive Integrated Mental Health Plan*.

The State has been developing strategies for a bioterrorist event for several years under a grant from the Centers for Disease Control. But events following September 11, including anthrax cases on the East Coast and anthrax scares here in Alaska, made it evident that we need to increase our level of preparedness to respond to incidents related to weapons of mass destruction, including the use of bioterrorism.

The Information Age presents myriad challenges for the State of Alaska, one of which is the accurate and appropriate management of data. DHSS is continuing to implement a Computerized Maintenance Management System. DHSS is also developing case management information systems for its family and youth services and juvenile justice programs, and needs to procure a Medicaid Management Information System for its Medical Assistance programs.

It is becoming harder to recruit and retain qualified employees as State jobs become less competitive with private sector wages and benefits. Maintaining adequate facilities in the tough climates of Alaska is also a challenge.

The abuse of alcohol and other drugs continues to take a toll on Alaskans, including a high rate of domestic violence, child abuse, and suicide. Waitlists for treatment beds exist for all levels of service. Reducing the waitlist through prevention and treatment is an important goal. The Department will also continue to advance tobacco prevention and control efforts statewide to lessen the impact of tobacco use on all Alaskans. Additionally, the Department will participate in the newly established Suicide Prevention Council.

Alaska has one of the highest known incidences of fetal alcohol syndrome (FAS) in the world, ranks first in the nation for alcohol-related deaths, and suffers from a rate of alcohol dependence and alcohol abuse -- 14 percent of the population -- that is twice the national average. To prevent FAS and provide improved services and support to those with fetal alcohol spectrum disorders and their caregivers, the Office of FAS is working to improve data collection, educate the public about FASD, and link people with services that can improve their quality of life.

Foster parents are currently receiving reimbursement for the basic ongoing costs of raising a child, but this reimbursement, based on the 1993 federal poverty guidelines, does not reflect the overall cost of living increase of 23.54% that has occurred since 1993. The Department is requesting a base rate increase to 1997 guidelines. This increase brings payments to foster care providers to just 90.7% of the 2001 federal poverty guidelines.

Children and families under stress are requiring more intensive intervention to preserve or support the family unit. Alaska's child welfare law, along with new federal laws, requires services to be delivered in a time-limited manner. This increases the intensity of services required. Other factors, such as parental substance abuse, also greatly impact the success of intervention. Responding to these issues with a professional workforce of social workers who are fairly and adequately compensated for their services remains a challenge.

Aggressive efforts are called for to address the backlog of children in state protective custody. Additional adoptive homes or other permanent placements are needed for children who cannot be safely returned to their own homes. Continuation of resources for programs such as Adoption Placement (Balloon Project) and Project SUCCEED are needed to achieve speedy legal resolution of child protection cases, increase the number of adoptive homes available, and implement permanent placements.

Major Department Accomplishments in 2001

- ✓ To provide better service to the public and meet emerging needs in public health, opened the new Alaska Public Health Laboratory and Office of the State Medical Examiner in Anchorage in January, 2001. Tested scores of samples for anthrax at Alaska Public Health Laboratory, rather than sending them Outside for testing as would previously have been necessary.
- ✓ Worked with federal, state, and private funders to fund Phase 1 of the Code Blue project, which will provide emergency medical services equipment and training in rural Alaska.
- ✓ Continued an aggressive immunization campaign to vaccinate all school children and those in day care to meet new requirements.
- ✓ Increased the documented Early Periodic Screening Diagnosis and Treatment screening rate from 36% of eligible children to 68% in the current report year.
- ✓ Obtained changes to Temporary Assistance Program with federal law exempting Alaska Native villages with high unemployment from the five-year limit; exempting two-parent families with severely disabled children from seasonal benefit cuts; and allowing for uniform application of seasonal two-parent benefits cuts in response to a court decision.
- ✓ Alaska ranked 8th in the nation for the percentage of adults in unsubsidized employment and in the average number of hours for adults in unsubsidized employment. Only one state ranked higher in both of these critical measures of welfare reform success.
- ✓ The Temporary Assistance for Needy Families caseload declined to 7,421 families in 2001. The average Temporary Assistance caseload was 39% below FY1997, the year before welfare reform was implemented.
- ✓ Provided Medicaid coverage through FY2003 for treatment of eligible women who have been diagnosed with breast or cervical cancer.
- ✓ Increased efficiencies and streamlined programs and services by consolidating several DHSS offices into the Frontier Building in Anchorage.

- ✓ Established a Suicide Prevention Council in statute, with responsibility to develop a statewide suicide prevention plan.
- ✓ Began the design-build process to replace the worn-out Alaska Psychiatric Institute facility.
- ✓ Through 60+ grantee agencies and an array of for-profit services, provided mental health services to over 20,000 people suffering from mental illness or severe emotional dysfunction.
- ✓ Eliminated the Infant Learning Program waiting list.
- ✓ The Subsidized Adoption and Guardianship program, which provides permanent homes for children who have been placed in the State's permanent custody, has been very successful. From FY1992 to FY2001, the number of children removed from the foster care system and placed in a permanent home increased 348%, from 338 to 1,515.
- ✓ Through the Balloon Project (which provides funding for DFYS and partner legal agencies to focus on moving children on the "transition list" from the foster care system into permanent homes), reduced the growth of the foster parent caseload. In FY1999, the caseload increased by 16.4%; in FY2001, it decreased only 6.2%.
- ✓ Provided more thorough training to new child protection social workers through a joint project with the University of Alaska called the Family and Youth Services Training Academy. Approximately 73 new workers completed the primary two-week training course in FY2001.
- ✓ Worked with incarcerated kids to provide thousands of community service hours to various agencies and organizations.
- ✓ Collected about \$20,000 for the Alaska Children's Trust fund through the sale of heirloom birth certificates. Heirloom marriage certificates went on sale in the fall.
- ✓ Through the Office of FAS, participated in the development of community diagnostic teams, provided community grants for programs to prevent FAS and support people with FAS and their families, improved data collection, provided information and technical support.
- ✓ Together with state and local partners, supported legislation to establish the Tobacco Use Education and Cessation Fund under AS 37.05.580, which provides for 20% of the Master Settlement to be set aside for tobacco education.
- ✓ Established Juvenile Alcohol Safety Action Programs around the state and increased outpatient alcoholism treatment capacity in some locations in Alaska.

Governor's Key Department-wide Performance Measures for FY2003

Measure:

The percentage of the Alaska Temporary Assistance Program (ATAP) (AS 47.27) families meeting federal work participation rates.

Sec 77(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In September 2001, 43% of all Temporary Assistance families were in countable work activities and had sufficient hours to meet the federal participation rate requirements. At that time, almost 52% of Temporary Assistance families were in countable work activities but not all had enough hours of participation to count in the federal participation rate.

Benchmark Comparisons:

According to the U.S. Department of Health and Human Services Third Annual Report to Congress on the TANF program, Alaska ranks 8th nationwide for adults in employment and 7th in the average number of hours for adults in employment. No state ranked higher in both measures of success. The Fourth Annual Report to Congress will be released by Spring 2002.

Federal law requires that states meet work participation requirements:

	Federal Rate All Families	Caseload Reduction Credit	Adjusted Target Rate	Alaska Rate Achieved
FFY 1998	30%	3%	27%	42%
FFY 1999	35%	18%	17%	46%
FFY 2000	40%	29%	11%	39%
FFY 2001	45%	37%	8%	42%
FFY 2002	50%	40%	10%	

FFY 01 Rate Achieved not yet federally verified as of 10/23/01.

FFY 02 Caseload reduction credit and adjustment target rate are estimated.

Every state's federal work participation rate is adjusted by a caseload reduction credit that reflects the state's success in moving families off of assistance and into employment. In FFY 2001, Alaska's caseload reduction credit was 37%. Based on the caseload reduction credit, Alaska's work participation target was 8%. Thus Alaska more than met the adjusted federal participation requirement.

Background and Strategies:

Temporary Assistance is a work-focused program designed to help Alaskans plan for self-sufficiency and to make a successful transition from welfare to work. Federal law requires the state to meet work participation requirements. Failure to meet federal participation rates results in fiscal penalties.

As Alaska's TA caseload declines, a growing portion of the families require more intensive services just to meet minimal participation requirements. Enhancement of TA Work Services will serve to identify and address client challenges to participation.

Measure:

The percentage of providers who are participating in the Medical Assistance program by region.

Sec 78(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Provider Type	Providers Licensed by State of Alaska		Providers Paid at Least Once Medicaid Claim		Percent of Participating Providers	
	FY00	FY01	FY00	FY01	FY00	FY01
Physicians**	1,287	1,282	662	650	51%	51%
Dentists	412	431	221	216	53%	50%
Pharmacies	97	115	74	81	76%	70%
Hospitals	16	16	16	16	100%	100%
Nursing Facilities	15	15	15	15	100%	100%

** The total number of unduplicated physicians who had at least one paid claim during FY01 was 815. The discrepancy between the total of 815 and the 662 licensed physicians charted above can, at least in part, be attributed to the exclusion of Indian Health Services (IHS) physicians in the Occupational Licensing database. IHS physicians are not required to be licensed by the State of Alaska.

We feel we are making progress in our goal of increasing provider participation, but are still unable to measure any success effectively.

Benchmark Comparisons:

There are no comparisons to other states.

Background and Strategies:

This is a measure of Alaska's medical assistance clients' access to medical services through the same network of medical providers available to the balance of the State's population.

The Division continues to work towards complying with this Performance Measure requirement. However, we have had some difficulties.

To provide geographical information on providers, each provider must be matched by city. Therefore, the definition of each region needs to be defined clearly and each city pointed to a region to establish a total.

In addition, provider enrollment data in MMIS has not been purged since 1979. The number of enrolled providers exceeds 8,000. A data purge would be a lengthy and expensive undertaking, and for that reason, has not been done. This means MMIS fiscal year claim payment data must be compared to Occupational Licensing data - two separate databases without comparable data parameters. For instance, a provider may have several Medicaid provider ID's, one for each rendering address, each in a different region, but only one address within the Occupational Licensing file. A further complication arises because physicians practicing in the Medicaid program through the Indian Health Services need not be licensed with the State of Alaska and will not be included in the Occupational Licensing database.

It is also extremely difficult to identify unduplicated providers within a region and match them with comparable claims paid data. For example, a physician licensed to practice in the State of Alaska may do so through several different facilities in several different regions.

The division will continue to define and refine its methodology to respond to this measure in the most effective way possible.

Measure:

The percentage of legitimate reports of harm that are investigated.
Sec 79(b)(8) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The target for this measure is 100 percent of all legitimate reports of harm will be investigated.

FY1997	73.6 percent
FY1998	77.3 percent
FY1999	78.1 percent
FY2000	88.8 percent
FY2001	90.7 percent

Benchmark Comparisons:

There is no national standard.

Background and Strategies:

Background

Reports of harm are prioritized according to the immediate or potential risk of harm to the child. A priority 1 rating is the most serious and must be responded to within 24 hours from the time the Division receives the report. Priority 2 reports of harm must be responded to within 72 hours of receipt of the report. Priority 3 reports are considered low risk and must be responded to within one week of receiving the report.

Not enough staff seriously affects the Division's ability to respond to all legitimate reports of harm. More staff is needed to reduce caseloads.

Strategies

- *More efficient work processes are needed.* The division is working on a new MIS system.
- *Increase the use of non-profit providers to respond to reports of harm.* The Division will continue the Early Intervention for Family Support or Dual Track grant program. The program provides funding to a partner agency to perform intervention and follow-up work for cases that DFYS has assessed as low risk. This program will enable social workers more time to investigate higher priority reports of harm.
- *Improvements in worker and supervisor training continue.* Workers receive training prior to being assigned cases, and then receive specialized and advanced training annually. In FY2001 the Family Services Training Academy delivered 44 training session, representing 252 days of in-service training to DFYS workers. Trained workers are necessary to respond to reports of harm.
- *Implementation of Transcription Services.* Transcription Services, a telephone dictation service, allows social workers to maintain current, accurate case files without increasing the need for internal clerical support. The Division anticipates that workers using the service spend on average 7.5 hours per week less completing paperwork.

Measure:

The rate of recidivism of youth in the juvenile justice system by region and by race.
Sec 80(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The following table reflects the rate of recidivism of youth in the juvenile justice system by region and by race.

Division of Juvenile Justice Institutional Recidivism By Region FY2001			
Facility	Baseline*	%	#
Bethel Youth Facility	70%	75%	8
Fairbanks Youth Facility	65%	32%	19

Johnson Youth Center**	NA	NA	NA
McLaughlin Youth Facility	47%	59%	106
Total	65%	56%	133

*The baseline for youth facilities was established by averaging the rates of recidivism for each facility. For McLaughlin Youth Center there is more than ten years of data available. For all of the other facilities there is less data and comparisons should be viewed with caution. Additionally there are wide variations from year to year with McLaughlin data and the overall trend is more significant than any one year of data.

The target for the facilities is to maintain or decrease recidivism from the established baseline which was established at a re-offense rate of 65% in FY 2000 for all DJJ facilities.

**The treatment unit at Johnson Youth Center opened April 1999 and did not release youth until FY2000.

Division of Juvenile Justice Institutional Recidivism By Race FY2001		
Race	%	#
Caucasian	50%	78
African American	69%	13
Native American	66%	32
Asian/Pacific Islander	40%	5
Unknown	80%	5
Total	56%	133

These percentages should be interpreted with caution as they are based on a small number of occurrences. No statistically significant differences exists in the rate of recidivism by race.

The benchmark for this measure is a re-offense rate of 65%. This was the Alaska statewide average re-offense rate in FY2000.

The Division of Juvenile Justice engaged in a series of involved internal discussions on re-offense measures before establishing the criteria used to produce this performance measure. Setting the benchmark to trigger the re-offense count at the point of conviction or subsequent adjudication eliminated those contacts with law enforcement which were dismissed or never pursued by the prosecutor. The established benchmark also excluded minor violations such as fish and game and traffic offenses which are not necessarily always indicative of criminal behavior. The two-year time frame set a stringent standard for the Division, but with this time frame as the benchmark, the Division felt the measure was a reliable indicator as to the effectiveness of the Division's efforts to positively impact the non-re-offense rates by those who went through our programs. There is no single, nationally accepted re-offense standard or definition. Jurisdictions around the country vary widely in the way they measure re-offense data. Alaska's definition and re-offense outcome measure was structured in a fashion which the Division believes strikes a balance between what we believe can be reasonably measured while assessing criteria which give the Division, the Legislature and the public a meaningful measure to assess the effectiveness of the Division's programs and services.

Background and Strategies:

This measure consists of the re-offense rates of youth who have been released from a Juvenile Justice long-term treatment facility. A recidivist is a youth who, within 24 months of release from a long-term treatment facility, has obtained either: a new juvenile institutional order or, a new juvenile adjudication or an adult conviction.

Measure:

The percentage of two-year-old children in the state who are fully immunized.
Sec 81(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The percentage of fully immunized 2-year-olds for calendar year 2000 was 77%. 69% were immunized by the end of 1996.

Background and Strategies:

In 1997, the Department launched a major initiative to increase the rate of fully immunized two-year-olds. In three years, we have jumped up 20 positions, going from 48th to 28th in national rankings. Now, over 75% of our two-year-old children have received their recommended vaccines. Alaska's comprehensive public-private initiative to increase childhood immunization rates will be extended through 2002 to achieve the highest possible immunization rates and to assure that Alaska children in school and daycare will have all required immunizations by the fall of 2002. The Department successfully implemented the new daycare and school immunization requirements in the fall of 2001, vaccinating all school children against hepatitis A and hepatitis B and all daycare attendees against hemophilus influenza type b and chickenpox.

Measure:

The rate of tuberculosis cases by race and region.
 Sec 81(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The rate of tuberculosis cases by race and region.

Region	FY 2000 Rate per 100,000 Population	Cases
Anchorage/Mat-Su	11.7	37
Gulf Coast	6.8	5
Interior	7.1	7
Northern	76.3	18
Southeast	4.1	3
Southwest	98.8	38
TOTAL	17.4	108

Race for 108 cases – 11 white; 9 black; 71 Alaska Native; 17 Asian or Pacific Islander

Benchmark Comparisons:

1996 Alaska TB rate = 16.0/100,000 population

Background and Strategies:

Tuberculosis has been a long-standing problem in Alaska and was the cause of death for 46% of all Alaskans who died in 1946. Major efforts, which included 10% of the entire state budget in 1946, led to one of the state's most visible public health successes-major reductions in TB across the state. Now this disease is reemerging and with it the threat of treatment-resistant strains of the disease. Inadequate resources to monitor and educate those most at risk have resulted in outbreaks in three geographic areas this past year. Significant new resources are needed to do the case finding, diagnostic tests and treatment follow-up required to keep the disease in check.

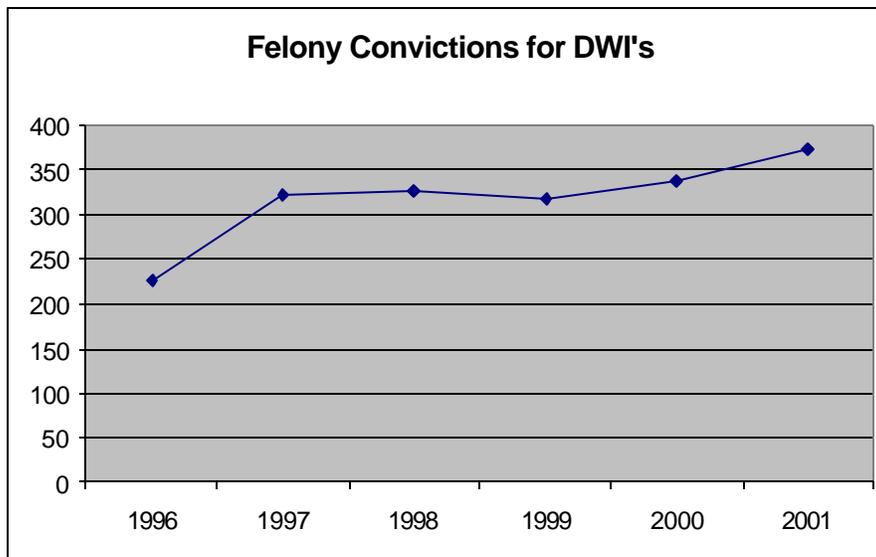
Measure:

The number of new convictions and the number of repeat convictions in state district and superior courts on charges of driving while intoxicated (DWI).

Sec 82(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Felony DWI cases (repeat offenders) showed a slight decrease since 1997. For 1997 and 1998 convictions were 322 and 326 respectively. Convictions for 1999 were 317; for 2000, 337; and for 2001, 373.



Background and Strategies:

Driving while under the influence of alcohol (DWI) is one of the strongest indicators of the negative consequences associated with alcohol misuse. Recent DWI data for shows that approximately 45 - 48 percent of all automobile accident fatalities had alcohol or drugs as the major contributing factor. Driving while under the influence of alcohol impacts lives, not only in accidents, injuries, and deaths, but also in family suffering, employment problems, and social functioning.

DWI conviction data are collected and maintained by the State of Alaska Court System. Felony DWI data are included as a separate conviction category in regularly published reports. Misdemeanor DWI conviction data (which includes most first time offenses), however, are included with other misdemeanor traffic violations. To improve the measurement of this indicator misdemeanor DWI data should be collected as a separate category.

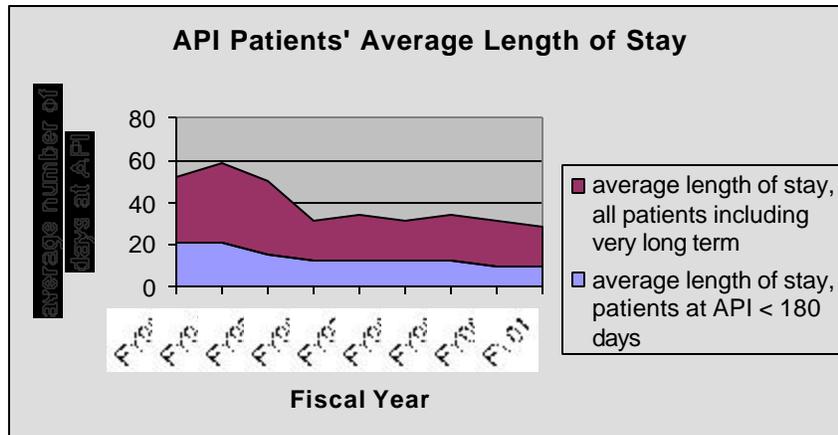
There are many variables that have an impact on a reduction in the number of DWI convictions, including enforcement efforts and prosecutor caseloads. However, we know that reductions in DWI also correlate with successful prevention efforts, particularly in terms of public awareness of the consequences of DWI. Other strategies used by the Division include but are not limited to: distribution of useful and effective information to targeted populations; identification of people with problems as early as possible and referral for appropriate services; improvement of interdisciplinary coordination and collaboration at local, regional and statewide levels.

Measure:

The average length of stay at the Alaska Psychiatric Institute.
Sec 83(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Significant data has been compiled on API over the past few years, as a part of the evaluation of the federally funded Community Mental Health/API Replacement Project. As a result, it has become clear that community mental health providers would prefer that API be able to retain patients experiencing chronic mental illnesses for longer periods of time, so that the patients were more adequately or fully stabilized prior to their discharge back to their community and the community mental health center (CMHC) program with which they are associated. These providers would clearly prefer an average length of stay (ALOS) of more than 10 days.



API's ALOS for FY01 was 10 days for persons at API with stays of 180 days or less. When you include all persons being treated at API, including those with stays in excess of 180 days, the ALOS rises to 19 days. However, the number of persons at API with stays over 180 days totaled just 34, so it is clear that an ALOS of 10 days applies to the vast majority of the 1,544 patients admitted to API in FY01.

In FY01, API length of stay (LOS) data shows the following:

- 29% of all persons admitted were discharged from API within one day.
- 21% were discharged within two or three days
- 22% were discharged within four to 12 days
- 18% were discharged within 13 to 30 days
- 7% were discharged within 31 to 60 days
- 3% were discharged after 60 days.

Thus, 50% of all persons admitted to API were discharged within 3 days, many of whom were first time admits with substance abuse as well as acute psychiatric concerns at the time of admission.

Another 22% were discharged within 12 days. Hospitalizations of under two weeks are viewed as inadequate for some patients with chronic mental illnesses. From a CMHC's perspective, short stays not only fail to provide sufficient treatment time but also do not allow for adequate discharge planning between API, the patient, and the community provider.

At this time, while local capacity for hospitalization of persons experiencing a mental health crisis is in fact increasing in certain parts of the State (specifically in Juneau and Fairbanks), without similar local capacity in private, community hospitals in Anchorage (the major source of API admissions - 72% in FY01), we believe API's length of stay will continue near what it was in FY01.

Benchmark Comparisons:

There is not good data on lengths of stay at other public psychiatric hospitals across the country. While a national database containing such data is presently under development, through the auspices of the National Association of State Mental Health Program Director's Research Institute (or NRI), NRI has yet to produce ALOS data for State psychiatric hospitals. The vast majority of public psychiatric hospitals in the nation are reporting a variety of performance measurement data to NRI, but lengths of stay is not yet one of the performance areas that the NRI is measuring. It may be possible over the next year to seek this information from NRI, but determinations as to data reports are controlled by the mental health commissioners/directors of the 50 states, so it does take some time to get agreement on new initiatives. However, we know the NRI databank already has the necessary data points to calculate individual hospital average lengths of stay, so it might not be too difficult to get such information in the near future.

Finally, we are also well aware that API's very short ALOS is **highly unusual** for a state psychiatric hospital. The majority of public psychiatric hospitals do not accept emergency admissions, as API does 24/7. Most state hospitals only accept admissions during the day and during the normal business week.

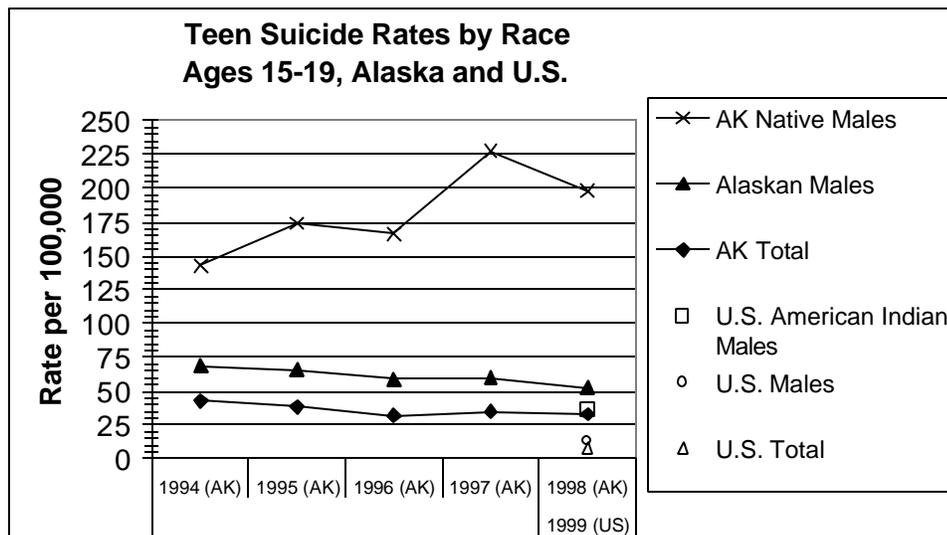
Background and Strategies:

The Community Mental Health/API Replacement Project was specifically designed to meet the long-term goal of converting API to a secondary or tertiary care facility. The project is presently entering its third year. Its strategy is to create or enhance existing community mental health services in the Anchorage area, thereby reducing admission pressure at API. This approach over time should reduce the use of API for mental health crises. Reducing the number of emergency admissions provides opportunities for more individualized patient care while creating the ability to work more closely with community mental health centers and their/our patients in a treatment program that maximizes a recovery approach to treatment.

Measure:

Decrease teen suicide rate (per 100,000 aged 15-19 years).

Alaska's Target & Progress:



Source: Alaska Bureau of Vital Statistics and National Center for Health Statistics. Data for Alaska is based on a 3-year average with the years indicated at the bottom of the chart representing the middle year of each three-year period.

- ❖ The overall teen suicide rate declined in Alaska by over 23%, from a three-year average of 43.1 per 100,000 in 1993-1995 to 33.0 per 100,000 in 1997-1999. Nevertheless, Alaska's teen suicide rate for 1997-1999 was four times the national teen suicide rate for 1999.
- ❖ The male teen suicide rate in Alaska declined by 23.4%, from 68.7 in 1993-1995 to 52.6 in 1997-1999. Alaska's average suicide rate for male teens for the three-year period 1997-1999 was nearly four times the national rate of 13.9 (for 1999).
- ❖ The suicide rate of male Alaska Native teens for the period 1997-1999 was 197.5, which was 5.4 times that of the group with the highest suicide rate reported nationally in 1999 (male American Indian teens).
- ❖ The suicide rate of male Alaska Native teens climbed by 38.8% from 1993-1995 to 1997-1999. There were at least 43 suicides by Alaska Native teens in any consecutive three-year period between 1993 and 1999, resulting in suicide rates ranging from 142.6 per 100,000 (1993-1995) to 227.8 per 100,000 (1996-1998).

Benchmark Comparisons:

For 1996 the Alaska total teen (age 15-19) suicide rate was 38.3 per 100,000 teen population.

Background and Strategies:

Teen suicide continues to be a major concern in Alaska, being nearly four times the U.S. rate of 9.5 per 100,000 (the level for Alaskans of all ages is 23.7 in 1998, about twice the U.S. rate of 10.3). Numerous activities at the state and local level over the past several years have been directed specifically to identifying youth at risk and providing the individual and group education and intervention needed to help prevent/reduce teen suicides. The Department will participate in the newly established Suicide Prevention Council which is charged with developing a strategy to address suicide in Alaska.

Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures												
Public Assistance	89,891.4	13,195.2	23,824.3	126,910.9	86,144.8	18,870.7	25,015.1	130,030.6	88,676.4	17,468.4	20,763.9	126,908.7
Medical Assistance	152,791.1	387,431.9	43,670.6	583,893.6	155,907.0	382,667.7	23,022.2	561,596.9	182,302.0	583,672.1	73,136.4	839,110.5
Catastrophic & Chronic Illness	4,304.4	0.0	0.0	4,304.4	4,000.0	0.0	0.0	4,000.0	4,000.0	0.0	0.0	4,000.0
Public Assistance Admin	3,000.0	26,245.6	0.0	29,245.6	3,000.0	30,102.0	0.0	33,102.0	3,000.0	30,102.0	0.0	33,102.0
Medical Assistance Admin	538.7	1,338.7	405.0	2,282.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Children's Health Eligibility	0.0	0.0	0.0	0.0	889.1	1,338.7	405.0	2,632.8	889.1	1,338.7	405.0	2,632.8
Purchased Services	21,773.6	6,868.8	464.0	29,106.4	21,459.5	8,325.1	1,129.4	30,914.0	26,073.1	9,270.2	1,629.4	36,972.7
Non-Formula Expenditures												
Public Assistance	0.0	11,312.7	0.0	11,312.7	0.0	12,000.0	0.0	12,000.0	0.0	12,011.4	0.0	12,011.4
Public Assistance Admin	19,366.7	27,190.8	3,650.9	50,208.4	18,957.8	32,007.2	2,619.2	53,584.2	19,960.0	33,056.3	2,818.5	55,834.8
Medical Assistance Admin	8,837.7	27,009.0	47.9	35,894.6	9,914.0	29,372.8	101.4	39,388.2	9,831.4	29,733.9	102.5	39,667.8
Fraud Investigations	0.0	0.0	0.0	0.0	583.5	652.1	0.0	1,235.6	0.0	0.0	0.0	0.0
Purchased Services	13,372.0	3,143.6	2,267.5	18,783.1	14,978.8	5,566.2	1,625.0	22,170.0	15,288.4	6,566.2	8,112.8	29,967.4
Front Line Social Workers	9,445.8	9,603.0	1,846.7	20,895.5	10,602.6	8,693.8	1,628.7	20,925.1	0.0	0.0	0.0	0.0
Family and Youth Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15,682.6	12,566.4	2,881.8	31,130.8
Family and Youth Services	1,426.2	2,467.3	430.9	4,324.4	1,443.7	2,459.4	455.6	4,358.7	0.0	0.0	0.0	0.0

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Mngmt Family and Youth Services Staff	436.5	654.7	4.8	1,096.0	436.5	797.0	0.0	1,233.5	0.0	0.0	0.0	0.0
Balloon Project	0.0	0.0	0.0	0.0	0.0	1,546.6	0.0	1,546.6	0.0	0.0	0.0	0.0
Juvenile Justice	27,699.7	3,127.3	1,102.4	31,929.4	29,105.4	3,782.8	1,024.7	33,912.9	30,515.3	3,810.4	1,033.3	35,359.0
Child Protection Legal Assist.	440.0	0.0	0.0	440.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Children's Trust Programs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.0	544.9	574.9
Human Svcs Comm Matching Grant	410.9	0.0	1,306.0	1,716.9	410.9	0.0	1,306.0	1,716.9	410.9	0.0	1,306.0	1,716.9
Maniilaq	3,022.8	0.0	33.0	3,055.8	0.0	0.0	0.0	0.0	3,045.3	0.0	0.0	3,045.3
Norton Sound	2,442.6	0.0	17.6	2,460.2	0.0	0.0	0.0	0.0	2,357.2	0.0	0.0	2,357.2
SEARHC	556.8	0.0	11.0	567.8	0.0	0.0	0.0	0.0	565.7	0.0	0.0	565.7
Kawerak Social Services	372.7	0.0	0.0	372.7	0.0	0.0	0.0	0.0	372.7	0.0	0.0	372.7
Tanana Chiefs Conference	1,227.5	0.0	16.5	1,244.0	0.0	0.0	0.0	0.0	1,255.1	0.0	0.0	1,255.1
Tlingit-Haida	198.4	0.0	0.0	198.4	0.0	0.0	0.0	0.0	198.5	0.0	0.0	198.5
Yukon-Kuskokwim Health Corp	2,742.2	0.0	31.9	2,774.1	0.0	0.0	0.0	0.0	2,742.2	0.0	0.0	2,742.2
State Health Services	26,307.4	37,919.1	17,576.7	81,803.2	32,534.7	54,114.5	22,721.1	109,370.3	30,212.2	55,492.7	28,797.3	114,502.2
Alcohol & Drug Abuse Svcs	17,928.8	10,736.8	1,450.9	30,116.5	22,999.9	16,880.7	2,032.4	41,913.0	29,457.7	15,821.9	1,878.0	47,157.6
Community Mental Health Grants	25,565.9	1,353.0	2,901.3	29,820.2	29,262.0	4,373.9	4,375.5	38,011.4	28,438.4	3,873.9	2,896.3	35,208.6
Community DD Grants	18,462.5	0.0	1,481.3	19,943.8	18,674.5	185.1	1,222.4	20,082.0	18,746.7	185.1	1,027.4	19,959.2
Institutions & Administration	7,163.3	2,264.6	15,048.9	24,476.8	9,212.3	1,612.4	13,259.4	24,084.1	11,692.4	2,224.5	12,951.3	26,868.2
Mental Health Trust Boards	632.8	974.3	837.7	2,444.8	648.6	1,635.3	880.7	3,164.6	663.7	1,646.4	1,068.4	3,378.5
Administrative Services	3,445.8	1,863.5	2,146.9	7,456.2	3,788.6	2,031.4	1,963.7	7,783.7	3,761.8	2,306.9	2,018.4	8,087.1
Facilities Maintenance	449.3	175.7	0.0	625.0	452.2	237.2	2,584.9	3,274.3	452.2	290.9	2,584.9	3,328.0
Totals	464,253.5	574,875.6	120,574.7	1,159,703.8	475,406.4	619,252.6	107,372.4	1,202,031.4	530,591.0	821,468.3	165,956.5	1,518,015.8

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	574,873.6	619,250.6	821,466.3
1003 General Fund Match	168,836.1	193,545.8	220,793.8
1004 General Fund Receipts	164,278.0	168,004.5	188,414.9
1005 General Fund/Program Receipts	2,005.0	2,021.7	2,134.7
1007 Inter-Agency Receipts	50,005.0	50,598.3	57,821.3
1013 Alcoholism & Drug Abuse Revolving Loan	2.0	2.0	2.0
1037 General Fund / Mental Health	108,211.3	111,346.5	119,247.6
1050 Permanent Fund Dividend Fund	15,536.0	16,147.3	13,007.9
1053 Investment Loss Trust Fund	703.8		
1061 Capital Improvement Project Receipts	542.2	1,079.5	1,110.4
1092 Mental Health Trust Authority Authorized Receipts	7,190.1	6,502.2	4,824.0
1098 Children's Trust Fund Earnings			473.0
1108 Statutory Designated Program Receipts	45,574.1	29,447.9	80,368.5
1119 Tobacco Settlement	20,923.1	487.9	
1156 Receipt Supported Services	1,023.5	1,085.1	1,223.8
1168 Tobacco Use Education and Cessation Fund		2,512.1	7,127.6
Totals	1,159,703.8	1,202,031.4	1,518,015.8

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	2,341	2,453
Permanent Part Time	59	58
Non Permanent	26	30
Totals	2,426	2,541

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Child Protection Information System - Phase 2	0	2,522,300	2,522,300	5,044,600
Federal Health Insurance Portability and Accountability Act Compliance	1,316,250	438,750	0	1,755,000
Deferred Maintenance, Renewal, Replacement and Equipment	800,000	800,000	0	1,600,000
Safety and Support Equipment for Public Health Nurses, Probation Officers, Social Workers and Front Line Staff	600,310	714,244	0	1,314,554
Implementation of Child Protection Risk Assessment Process	95,000	25,000	0	120,000
Emergency Medical Services Equipment Grants - Match for Code Blue Project	425,000	0	0	425,000
Brother Francis Shelter Replacement	0	0	500,000	500,000
Substance Abuse Treatment Facilities for Women and Children	22,300	0	727,700	750,000
Alaska Psychiatric Institute Stop-Gap Repairs	379,500	0	0	379,500
Crisis Respite Facility Replacement - Phase 1	350,000	0	0	350,000
Essential Program Equipment Grants to Service Providers for Trust Beneficiaries	50,000	0	250,000	300,000
Rural Facility Renovation and Deferred Maintenance	400,000	0	400,000	800,000
Deferred Maintenance of Rural Facilities for Substance Abuse or Substance Abuse/Mental Health Programs	400,000	0	400,000	800,000
Housing Modifications for Trust Beneficiaries and People with Disabilities	0	0	250,000	250,000
Mental Health Provider Resource Sharing and Coordination	0	0	150,000	150,000
Department Total	4,838,360	4,500,294	5,200,000	14,538,654

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

The FY2003 Operating Budget for the Department of Health and Social Services is based on the following initiatives:

- 1) Smart Start/Strong Future: Health, Safety and Success for Alaska's Children,
- 2) Maintain Services-finish what we have started,
- 3) Prevent Alcohol Abuse,
- 4) Provide essential Mental Health Services,
- 5) Support the Safety Net/Formula programs, and
- 6) Special appropriations for Homeland Security.

Smart Start/Strong Future: Health, Safety and Success for Alaska's Children has been developed by the Children's Cabinet as a second phase to Governor Knowles Smart Start initiative. The DHSS portion of Smart Start/Strong Future includes almost \$7 million of new GF and over \$7 million of non-GF funds for a total effort of over \$14 million. The initiative encompasses three primary goals:

- ◆ *Improve Child Health* includes \$4.1 million of tobacco cessation funds, \$1.2 million GF to provide alcohol treatment for women with children, \$839.1 to expand the Juvenile Alcohol Intervention and treatment program, \$470.0 for Inhalant Abuse Prevention and Intervention, \$200.0 for environmental contaminants, \$90.0 for Child Health Indicators, \$1,278.4 for Federal Farmers Market and WIC program, \$86.0 for Mental Health clinicians to help foster parents with special needs children; \$200.0 for the Infant Learning program to enhance services for difficult to serve children; and \$500.0 to expand suicide prevention grants to additional communities.
- ◆ *Provide Child Safety* includes \$1,000.0 federal funds to expand child advocacy centers to new communities, \$50.0 GF and \$600.0 in other funds to continue mental health stabilization homes for children returning to Alaska or in need of stable environment; \$750.0 GF in grants to establish family visitation centers so that parents are able to visit children in custody in a neutral safe setting; \$500.0 to expand the number of juvenile probation officers in Kenai, Valdez, Kodiak, Dillingham, Barrow, and Anchorage; \$975.0 to expand the Family Assessment Response (Dual Track) program beyond the pilot site of Mat-Su; \$145.1 GF to establish a Health Passport project statewide so that all children in custody will have standard health information and assessment available; \$909.5 GF to increase the Foster Care Base rate by \$3.00 per day to bring it up to the 1997 poverty level; and \$50.0 GF to begin a pilot project to establish one relative navigator who can assist finding relatives of children in custody for appropriate placement.
- ◆ *Promote Successful Children*-primarily through the Department of Education and Early Development.

Maintain Services-Finish what we have Started includes \$2.4 million GF to continue services started in FY02:

- ◆ \$369.3 in GF to open new facilities including the Ketchikan Regional Youth Facility and the Bethel Public Health Nurse Center;
- ◆ An annualization amount of \$295.7 GF for fiscal notes for Alcohol programs that were partially funded in FY02;
- ◆ A fund source shift of \$1.0 million to maintain Anchorage Detox beds and Dual Diagnosis capacity.
- ◆ Fuel cost increases of \$24.9 for institutions;
- ◆ \$50.0 to pay for 40% increase in charge back costs for EMS communications;
- ◆ \$440.0 in GF to pay for new DFYS leases in Mat-Su and Anchorage;
- ◆ \$100.0 for GF/Program receipts to support specialty clinics for Maternal, Child, & Family Health.

Prevent Alcohol Abuse includes \$4.5 million GF for the Governor's Alcohol Initiative including:

- ◆ \$470.0 to Stabilize Alcohol Safety Action Programs in Anchorage, Fairbanks, Juneau, Mat-Su, Kenai, Dillingham, Homer, Ketchikan, Kotzebue, Bethel, and Nome;
- ◆ \$1.4 million to provide treatment services to Dual Diagnosis (substance abuse/mental health) persons who are on the waitlist or are discharged from Corrections;
- ◆ Eliminate the waitlist for adult residential substance abuse treatment by providing \$471.8 in grants;
- ◆ \$1.1 million to provide a minimum level of funding (\$150.0) for small rural substance abuse programs in Galena, McGrath, Craig, Valdez, Cordova, East Aleutians, Aleutian Pribilof, Copper Center, Wrangell, Petersburg, Nenana, Aniak and Fort Yukon;
- ◆ \$250.0 GF and \$300.0 from the Mental Health Trust for up to 8 beds for transitional housing for substance abusers;
- ◆ Add 20 additional village counselors with \$867.7 funded in the Rural Human Services program.

Provide Essential Mental Health Services includes over \$3.8 million in GF/MH to continue vital mental health services with general funds where either federal or Mental Health Trust funds are being phased out. The general fund projects are:

- ◆ Continuing the Alaska Birth Defects Registry with \$150.0 GF because federal funds are not available anymore;
- ◆ Continuing the Substance Abuse Women and Children collaboration project with \$50.0 GF and reducing \$50.0 in MHTAAR;
- ◆ Switch the Substance Abuse program for Rural Women with Children from \$250.0 MHTAAR to \$250.0 GF;
- ◆ Continue the Enhanced Crisis Respite program in Anchorage for \$495.6 GF/MH as federal SAMHSA funds are being reduced;
- ◆ Use \$952.8 GF/MH for the third and final year of the Assisted Living Rate Increase up to \$70.00 per day;
- ◆ Switch funding of \$120.0 to GF/MH from MHTAAR for Developmental Disabilities infrastructure grants;
- ◆ Improve safety and quality assurance for consumers of mental health and developmental disability services with \$360.5 GF/MH;
- ◆ Switch funding from loss of Mental Health Trust funds and federal DSH for API in the amount of \$1.2 million GF/MH to continue services at the state psychiatric hospital;
- ◆ Switch funding of \$125.0 from MHTAAR to GF/MH for the Suicide Prevention Council.

Support for Safety Net/Formula Programs provides funds for entitlement programs, which include caseload driven increases for basic cash supports and health coverage for poor Alaskans. Increases in this category include:

- ◆ Provide \$2.5 million GF for the Adult Public Assistance program, which provides a cash supplement for those on SSI who are poor, elderly, blind or disabled. The APA caseload is projected to grow at 4.2% in FY03;
- ◆ Provide modest increases for Foster Care programs in FY03 of approximately \$1.0 million GF;
- ◆ Increase in the Subsidized Adoption and Guardianship program of over \$3.0 million GF which reflects caseload growth of 14% in FY03;
- ◆ In the Medicaid program replace \$18.7 million designated program receipts with general funds due to federal changes which limit Alaska's (and other states) ability to generate revenue from the current Pro-Share program;
- ◆ Medicaid growth in expenditures is expected to grow on average of 17% during this time period, which would have produced a GF formula growth, not including FMAP and Proshare need, of \$64 million in FY03. However, the department has reduced the request to \$8 million assuming that the Medicaid program will be able to refinance \$56 million in general funds through the Alaska Medicaid Fair-Share program and private hospital refinancing. Conceptually the re-financing programs should be acceptable, but the State does not yet have federal approval and will continue to evaluate the feasibility during the legislative session. Additionally, the state FMAP is budgeted at 59.8% based on the expectation that Alaska's Congressional delegation will secure this rate or higher through congressional action. If this does not occur, the FMAP will fall to 58.27% (estimate for October 2002), causing an additional Medicaid need of approximately \$10.8 million in general funds.

Homeland Security funds are requested in a separate appropriation bill, but are particularly essential to support the State's Public Health infrastructure and protect citizens from bioterrorism. Over \$4 million is requested for the Division of Public Health to support the lab, epidemiology and public health nursing as they contend with impacts on their ability to manage disease outbreaks as well as threats from bioterrorism.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	475,406.4	619,252.6	107,372.4	1,202,031.4
Adjustments which will continue current level of service:				
-Public Assistance	0.0	11.4	0.0	11.4
-Medical Assistance	18,518.6	413.4	-18,733.7	198.3
-Public Assistance Admin	418.7	397.0	59.3	875.0
-Medical Assistance Admin	-82.6	-295.9	1.1	-377.4
-Purchased Services	-1,465.4	0.0	0.0	-1,465.4
-Family and Youth Services	1,732.0	496.2	49.6	2,277.8
-Balloon Project	0.0	-1,546.6	0.0	-1,546.6
-Juvenile Justice	782.2	27.6	8.6	818.4
-Children's Trust Programs	0.0	-70.0	71.9	1.9
-Maniilaq	3,045.3	0.0	0.0	3,045.3
-Norton Sound	2,357.2	0.0	0.0	2,357.2
-SEARHC	565.7	0.0	0.0	565.7
-Kawerak Social Services	372.7	0.0	0.0	372.7
-Tanana Chiefs Conference	1,255.1	0.0	0.0	1,255.1
-Tlingit-Haida	198.5	0.0	0.0	198.5
-Yukon-Kuskokwim Health Corp	2,742.2	0.0	0.0	2,742.2
-State Health Services	-3,445.2	178.2	780.8	-2,486.2
-Alcohol & Drug Abuse Svcs	-1,452.1	-1,058.8	-454.4	-2,965.3
-Community Mental Health Grants	-2,272.0	-500.0	-50.0	-2,822.0
-Community DD Grants	72.2	0.0	-120.0	-47.8
-Institutions & Administration	863.1	512.1	110.9	1,486.1
-Mental Health Trust Boards	15.1	11.1	-54.6	-28.4
-Administrative Services	-26.8	57.4	-66.0	-35.4
Proposed budget decreases:				
-Public Assistance	0.0	-1,402.3	-4,341.2	-5,743.5
-Purchased Services	0.0	0.0	-200.0	-200.0
-Community Mental Health Grants	0.0	0.0	-1,008.7	-1,008.7
-Community DD Grants	0.0	0.0	-100.0	-100.0
-Mental Health Trust Boards	0.0	0.0	-52.4	-52.4
-Administrative Services	0.0	0.0	-21.5	-21.5
Proposed budget increases:				
-Public Assistance	2,531.6	0.0	90.0	2,621.6
-Medical Assistance	7,876.4	200,591.0	68,847.9	277,315.3
-Public Assistance Admin	0.0	0.0	140.0	140.0
-Medical Assistance Admin	0.0	657.0	0.0	657.0
-Purchased Services	6,388.6	1,945.1	7,187.8	15,521.5
-Family and Youth Services	1,467.8	120.0	747.9	2,335.7
-Juvenile Justice	627.7	0.0	0.0	627.7
-State Health Services	1,122.7	1,200.0	5,295.4	7,618.1
-Alcohol & Drug Abuse Svcs	7,909.9	0.0	300.0	8,209.9
-Community Mental Health Grants	1,448.4	0.0	-420.5	1,027.9
-Community DD Grants	0.0	0.0	25.0	25.0
-Institutions & Administration	1,617.0	100.0	-419.0	1,298.0
-Mental Health Trust Boards	0.0	0.0	294.7	294.7
-Administrative Services	0.0	218.1	142.2	360.3

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
-Facilities Maintenance	0.0	53.7	0.0	53.7
FY2003 Governor	530,591.0	821,468.3	165,956.5	1,518,015.8

State of Alaska FY2003 Governor's Operating Budget

Department of Labor and Workforce Development

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Department Mission

The mission of the Department of Labor and Workforce Development is to promote safe and fair working conditions and to advance opportunities for employment.

Department Goals and Strategies

1) PUT ALASKANS TO WORK.

- Increase marketing of employment services to Alaska employers including the opportunity for them to post their job orders directly to Alaska's Job Bank through use of the Internet.
- Provide partial income replacement to insured workers during periods of temporary unemployment through an efficient and convenient application process.
- Provide Adult Basic Educational Services to assist Alaskans' transition into higher education, vocational education, and ultimately into employment.
- Reduce jobless rate among Alaskans with disabilities.

2) ENSURE THAT ALASKAN WORKERS ARE: PROVIDED SAFE AND HEALTHY WORKPLACES AND COMMUNITIES; PROTECTED FROM ECONOMIC HARDSHIP WHEN INJURED ON THE JOB; RECEIVE WAGES AND OVERTIME PAY IN ACCORDANCE WITH THE ALASKA WAGE AND HOUR ACT.

- Maintain the FY 01 levels of health and safety consultations at 471 visits per year, and training of employers and workers at 1,587 students per year.
- Prioritize both assistance and compliance activities for high-hazard industries.
- Increase utilization of the Fishermen's Fund through outreach to fishermen and providers.
- Increase efforts to educate employers about child labor laws and prioritize child labor law enforcement to prevent employment of minors in hazardous occupations.

3) UTILIZE TECHNOLOGY TO IMPROVE SERVICE TO THE PUBLIC.

- Design and implement improvements to the Worker Profiling and Reemployment Services (WPRS) program that serves and tracks clients.
- Continue to increase the amount of demographic and labor market information available through the department's website.

Key Department Issues for FY2002 – 2003

The department needs to prepare and plan to facilitate the maximum use of Alaska's resident workforce for the construction and operation of any potential Alaska gas line, ANWR development and/or missile defense installation.

The Occupational Safety and Health program will be in the fifth year of the five-year strategic plan. Meeting the objectives set out in the Federal Fiscal Year 2001 Annual Performance Plan and the five-year Strategic Plan as

approved by the Federal Occupational Safety and Health Administration will be a major effort on the part of the program staff.

The Training and Vocational Education Program (TVEP) diverts money from the UI Trust Fund and has been used for capital improvements. To this point TVEP has not targeted UI eligible recipients, nor are there any performance standards attached to the current usage. With the adoption of regulations we anticipate that TVEP will complement and enhance the State Training and Employment Program (STEP).

The federal Resource Justification Model (RJM) will be implemented in February 2002 and begin gathering data. This data will be used in a new formula for allocating federal funds to administer the Unemployment Insurance program. The results of the RJM will be applied for the first time when the federal FY 2004 grant budget is developed.

Recruitment and retention of data processing staff continues as a critical problem. Projects will continue as prioritized but overall available staff and their level of training and experience will limit progress.

Due to the Supreme Court decision in Arctic Bowl v Second Injury Fund as well as other causes there has been an increase in the number of approvals for recovery from the Fund. Budget increases in FY 2001 and FY 2002 were granted to deal with this issue, but this needs to be followed closely to assure that there are sufficient funds to cover increased liabilities.

Efforts to decrease the boiler and pressure vessel inspection backlog continue. With the requested addition of two new inspectors in the Mechanical Inspection section, and assuming the ability to retain current staff, the section estimates that the backlog could be significantly reduced, if not eliminated, by FY 2006.

The department is addressing a need to provide greater capacity in the One-Stop delivery system to effectively serve people with disabilities and will continue the advancement of Informed Choice in all facets of Vocational Rehabilitation services.

Major Department Accomplishments in 2001

In 2000, 3,984 more Alaskans were employed than in 1999 and wages earned by Alaskans increased by \$389.2 million. The number of nonresident workers remained virtually the same as 1999, with an additional 160 nonresidents working in Alaska in 2000 over 1999. Wages paid to nonresident workers increased by \$52.9 million in 2000 over 1999. Residency was based upon Permanent Fund Dividend data.

The Occupational Safety & Health program enrolled three Alaskan employers in the Voluntary Protection Program (VPP); one was reapproved from Merit to Star level and two were new to the program (one Star and one Merit). In the Safety and Health Achievement Recognition Program (SHARP), OSH reapproved one employer and reviewed and approved another for a total of two SHARP awards.

A total of \$114.4 million in unemployment benefits was paid to 51,074 insured workers.

Excluding self-service customers, 11,147 job seekers entered employment through Alaska Job Center Network staff efforts.

The Alaska Labor Relations Agency applied streamlined unit clarification procedures, which reduced the backlog of petitions on the supervisory status of State employees. Emphasis was placed on resolving older cases that were filed prior to 1999, while conducting investigations on new cases filed. Most of the oldest cases have been resolved. The number of open petitions has not changed substantially, as 21 cases were filed and 22 cases were concluded in FY2001. Approximately half of the cases filed in FY2001 have been resolved, thereby improving the average amount of time for resolution.

5,310 full-time adult learners were served through Adult Basic Education programs.

The reporting backlog was eliminated and the department was brought into compliance with all federal reporting time frames.

The Labor Market Information component developed and implemented an interactive data inquiry system on the Internet to enable public access to the most current 2000 Census information available.

The department promulgated regulations governing the Alaska Human Resource Investment Council and the State Training Employment Program.

There continue to be reductions in the number of uninsured workplace injuries as a result of investigative efforts by the department that identify and contact potentially uninsured employers prior to an injury occurring.

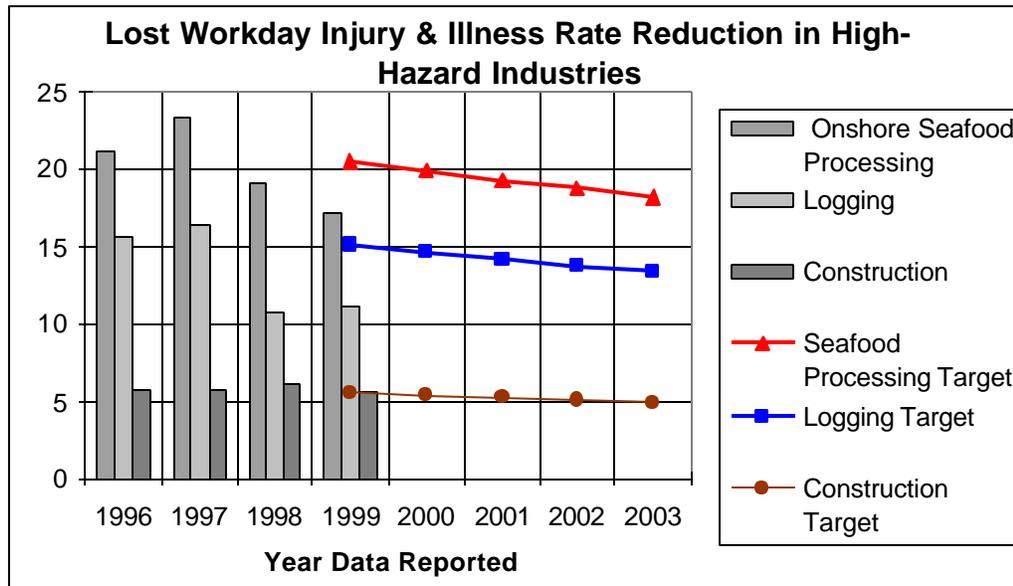
The Alaska Division of Vocational Rehabilitation expanded its presence in Alaska Job Centers throughout the state and incorporated more accessible technology to determine the aptitudes and interests of people with disabilities in their career planning and community based job assessments.

Governor's Key Department-wide Performance Measures for FY2003

Measure:

The number of lost workdays in high-hazard industries, including seafood processing, logging, and construction. Sec 91(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:



The target is to reduce injuries and illnesses in each of three high hazard industries by 15% over five years (~3% per year) by focusing on those workplaces with the highest injuries and illnesses. Targeted industries are construction, logging, and seafood processing.

Bureau of Labor Statistics Lost Workday Injury & Illness Rates for Selected Industries

	1996	1997	1998	1999	%Change 1996-1999
All Private Sector	4.1	4.2	3.9	3.8	(7.3%)
Construction	5.7	5.7	6.1	5.6	(1.8%)
Logging	15.6	16.4	10.8	11.1	(28.8%)
Onshore Seafood Processing	21.2	23.3	19.1	17.1	(19.8%)

Bureau of Labor Statistics (BLS) statistics reflect the previous calendar-year activity, not the previous budget-year

activity. Because the data is reported in December of the following year, the lag is nearly two years. Targets were derived using 1996 data (latest available at that time) reduced by 3% to set the 1999 target and applying a 3% reduction to each following year. The above injury and illness rates are per 100 full time workers and all data is based on calendar years.

Benchmark Comparisons:

We have been unsuccessful in obtaining useful comparison statistics from other states. Other states use different target industries. Even though we use the same industries as the federal government, they obtain their statistics on a different set of specific criteria, which makes a comparison invalid at this time. The targets shown are the federal grant performance measures for the department.

Background and Strategies:

The Alaska Occupational Safety & Health program is involved in on-going efforts to integrate compliance assistance with enforcement strategies in order to better direct the resources of the program toward high-hazard industries and workplaces, and toward the particular hazards and issues that cause accidents or represent recognized threats to worker safety and health. Success in this area will result in reductions in lost workdays due to job-related illness or accidents.

The department wishes to work with the legislature to revise this measure. As stated in statute this measure calls for the number of lost workdays. The department would like this to be revised to measure incidence rates. This change would align the measure with the program's federal grant performance measure. Also the department and federal government utilize rates in all other reporting and measuring functions.

Measure:

The number of registered clients who enter employment after receiving services through an Alaska Job Center. Sec 87(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Increase to 37% the number of registered clients who entered employment after receiving service through an Alaska Job Center. For State FY2001, 36.3% of served clients have entered employment.

Benchmark Comparisons:

The benchmark was established at 31.6% by averaging the last two completed fiscal years (2000 and 2001). The percentage was lower in FY00 (28.5%) than in FY01 (34.7%), as it is economy driven. Success in reaching this target will require our adopting new and additional strategies and applying further resources to the goal.

Note: This benchmark is based on Alaska averaging because the U.S. Department of Labor did not have ES Performance Standards in prior years.

Background and Strategies:

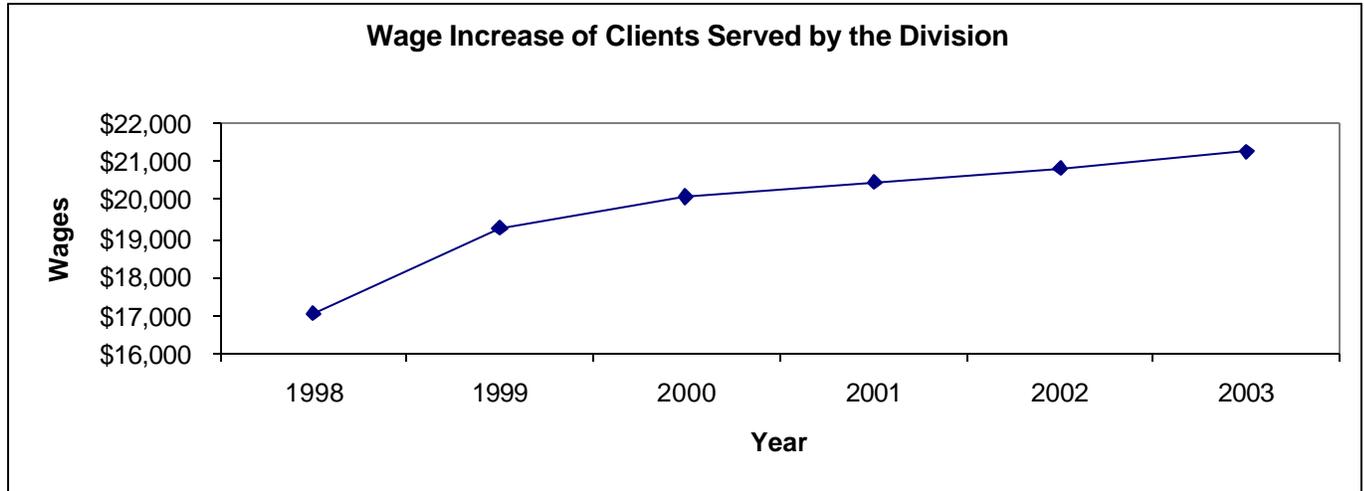
Staff-assisted service is necessary to increase the probability of a registered client entering employment. Emphasis will be placed on the following strategies:

1. Staff-assisted job search support, such as referrals, resume writing, case management, interviewing techniques and other workshops and activities that will help clients enter employment;
2. Tracking of services provided in the statewide management information system;
3. Outreach to employers and rural job seekers;
4. Marketing services to employers, job seekers, and communities.
5. Surveys to employers and job seekers to gauge their satisfaction, and continuously improve services.

Measure:

The increase in wages of clients who are served by the Vocational Rehabilitation Division.
 Sec 92(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:



Increase the annual wages of clients served. The average annual wage earned by Alaskans with disabilities that received services increased from \$20,084 in FY00 to \$20,425 in FY01. For FY02 and FY03 the program will work to increase the average annual wage by 2% each year. This would be to \$20,834 in FY02 and \$21,250 in FY03.

Benchmark Comparisons:

In FY98 the program established a base amount of \$17,062 for the average annual earnings of individuals with disabilities placed in the workforce.

Background and Strategies:

The program will consider that an individual has achieved an employment outcome when the following have been met:

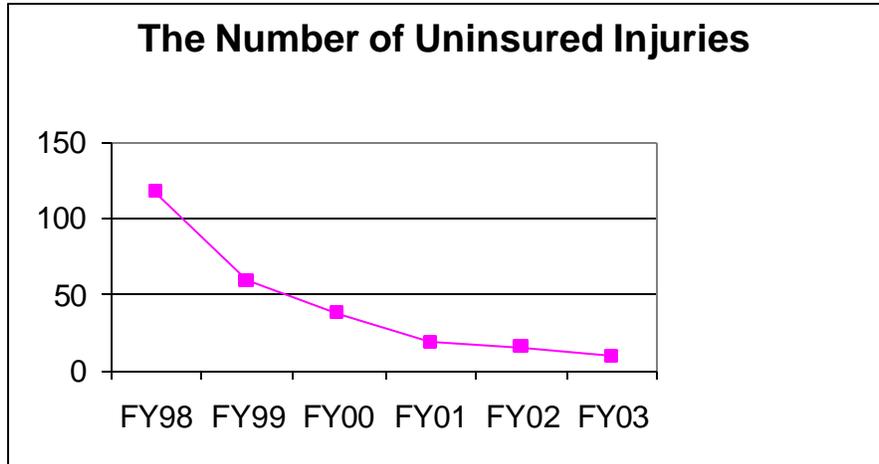
- a) The provision of services under the individual's Individual Plan for Employment (IPE) contribute to the achievement of the employment.
- b) The employment is in the most integrated setting possible and is consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.
- c) The individual has maintained the employment for a period of at least 90 days.

Counselors will emphasize placing clients in well paying jobs with employee benefits.

Measure:

The number of uninsured workplace injuries.
 Sec 90(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:



Reduction of uninsured injuries

- FY98 - 117
- FY99 - 59
- FY00 - 38
- FY01 - 19
- FY02 - 15 (projections)
- FY03 - 10 (projections)

Benchmark Comparisons:

Since the law says that all employers must insure all their employees the benchmark for this must be zero uninsured injuries.

Background and Strategies:

Because of the rise of uninsured injuries the Division hired an investigator in FY99. The investigator performs investigations and promotes legal compliance through computer generated information inquiries, letters to uninsured employers, on site investigations, cease and desist orders, accusations before the Workers' Compensation Board, testimony before the Board which leads to stop orders and fines, and presentation of evidence and testimony in criminal prosecutions through the Department of Law. These activities have been greatly enhanced by the new computer system.

Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Employment Security	2,364.5	42,418.7	12,175.7	56,958.9	2,320.0	53,932.0	11,510.4	67,762.4	2,340.8	55,857.7	11,418.3	69,616.8
Administrative Services	1,293.5	6,712.7	3,764.0	11,770.2	1,315.5	7,674.1	3,849.1	12,838.7	1,308.2	8,428.0	4,075.9	13,812.1
Office of the Commissioner	711.8	0.0	640.8	1,352.6	685.6	80.5	530.0	1,296.1	702.3	0.0	1,069.8	1,772.1
Workers' Compensation	1,370.4	0.0	4,963.7	6,334.1	785.6	0.0	6,258.8	7,044.4	173.5	0.0	6,931.0	7,104.5
Labor Standards and Safety	3,267.4	1,790.9	972.7	6,031.0	3,011.1	1,852.3	1,300.7	6,164.1	3,388.6	1,942.3	1,697.5	7,028.4
Vocational Rehabilitation	3,984.3	14,225.0	1,040.6	19,249.9	4,110.3	18,716.9	1,186.7	24,013.9	4,143.2	17,753.4	1,176.9	23,073.5
Totals	12,991.9	65,147.3	23,557.5	101,696.7	12,228.1	82,255.8	24,635.7	119,119.6	12,056.6	83,981.4	26,369.4	122,407.4

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	65,147.3	82,255.8	83,981.4
1003 General Fund Match	3,251.2	3,037.7	2,734.8
1004 General Fund Receipts	8,863.4	8,235.7	8,349.8
1005 General Fund/Program Receipts	877.3	954.7	972.0
1007 Inter-Agency Receipts	12,522.6	10,673.7	11,242.8
1031 Second Injury Fund Reserve Account	3,155.4	3,173.8	3,177.6
1032 Disabled Fishermans Reserve Account	746.4	1,307.8	1,312.2
1049 Training and Building Fund	581.6	682.6	692.7
1053 Investment Loss Trust Fund	90.8		
1054 State Employment & Training Program	4,468.7	5,150.1	5,165.6
1061 Capital Improvement Project Receipts		75.0	157.4
1108 Statutory Designated Program Receipts	327.5	638.5	639.6
1117 Vocational Rehabilitation Small Business Enterprise Fund	174.3	365.0	365.0
1157 Workers Safety and Compensation Administration Account	1,490.2	2,569.2	3,616.5
Totals	101,696.7	119,119.6	122,407.4

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	793	852
Permanent Part Time	70	59
Non Permanent	10	9
Totals	873	920

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Electronic Data Interchange Expansion to the Workers' Compensation Computer System	60,000	0	0	60,000
Home Modifications and Assistive Technology for Individuals with Disabilities	200,000	0	0	200,000
Department Total	260,000	0	0	260,000

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

EMPLOYMENT SECURITY

This BRU assesses and collects Unemployment Insurance (UI) tax, pays UI benefits, provides labor exchange services and provides access to state and employer sponsored training.

There is a reduction of \$750.0 of interagency receipt authorization included in the Job Training Programs component. This is the result of an administrative change that eliminated the need for an RSA and does not reflect a change in any services.

Services Changes:

The Employment Service Component will develop an automated skills inventory program for Western Alaska. This will be funded through a \$750.0 RSA from the University of Alaska.

The Job Training Programs Component will increase services to rural Alaskans through Denali Commission grants. A federal authorization increase of \$2,000.0 is included to fund these activities.

The Adult Basic Education Component will implement and focus on the new GED test beginning January 2002.

The Unemployment Insurance Component will implement employer telephonic registration that will substantially reduce the follow up required on incomplete paper registration forms.

ADMINISTRATIVE SERVICES

The BRU provides fiscal and personnel management; fund accounting; administrative services; employment, wage, population, demographic and economic information; and data processing support.

OFFICE OF THE COMMISSIONER

This BRU provides direction in the administration of the department's programs and facilitates the resolution of disputes between organized labor and public employers.

Service Changes:

The Alaska Human Resource Investment Council (AHRIC) will be taking over the management and technical assistance of the post secondary Carl Perkins Program going to six regional community colleges as well as taking over the management, assessment and technical assistance responsibilities for the certification of the post secondary vocational education institutions.

The AHRIC will also operate WorkStar which is an initiative by the Governor to recognize the outstanding welfare to work employers and employees. Gaining an understanding of the needs of welfare recipients moving into employment and monitoring concerns of employers are important issues for the AHRIC.

The Commissioner's Office added a Gas Pipeline Liaison position in the FY 2002 Management Plan. The position will represent the department in all inter- and intra-agency deliberations; provide liaison and outreach to external stakeholders with regard to employment and training of Alaskan workers and socio-economic impacts in general; and provide for appropriate review of mechanical, electrical and health and safety issues attendant to the application process.

WORKERS' COMPENSATION

The BRU administers the state's Workers' Compensation Act, the Fishermen's Fund and the Second Injury Fund to aid Alaskans with employment related injuries and illnesses.

A fund source change of \$625.4 from General Funds to the Workers Safety & Compensation Administration Account is included in this budget. With the exception of a small (\$143.6) general funded grants program for preexisting injuries, this completes the conversion of this component to fee based funding.

LABOR STANDARDS AND SAFETY

This BRU provides assistance and oversight relating to the laws governing employment practices and occupational safety and health; training, licensing or certification; and enforcement of various construction contractors, electrical and mechanical administrators, electricians, plumbers, blasters and individuals who work with toxic or hazardous substances.

A fund source change of \$343.5 from General Fund Match to the Workers Safety & Compensation Administration Account is included in this budget. This completes the conversion of federal grant matching funds from general fund match to fee based funding.

Service Changes:

With the requested addition of two new technician positions, the Wage and Hour program anticipates improved enforcement levels of minimum wage, overtime, and child labor and public contract laws state-wide with available resources.

The Mechanical Inspection program anticipates a reduction in the inspection backlog with the requested addition of new positions. Inspections should increase by approximately 2,400 per year, with a corresponding increase in certificates issued and revenues earned.

With the requested addition of a new position, the Occupational Safety and Health (OSH) program anticipates a 10% increase in the number of cases handled in the program.

Under the FY 2003 Oil Safety and Development Initiative, OSH will take on more responsibility for monitoring and inspection of facilities associated with development and remediation of on-shore drilling sites, in order to ensure safe and healthy working conditions for employees associated with these activities.

VOCATIONAL REHABILITATION

The BRU assists individuals with disabilities to overcome barriers to employment and encourage independence and integration into their community.

Federal authorization of \$747.9 for the Access to Alaska and \$350.0 for the Transition Initiative is being deleted as these grants are not expected in FY 2003.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	12,228.1	82,255.8	24,635.7	119,119.6
Adjustments which will continue current level of service:				
-Employment Security	20.8	-24.7	107.9	104.0
-Administrative Services	19.3	565.9	228.4	813.6
-Office of the Commissioner	16.7	-80.5	97.2	33.4
-Workers' Compensation	-612.1	0.0	672.2	60.1
-Labor Standards and Safety	-279.4	40.0	373.8	134.4
-Vocational Rehabilitation	32.9	151.9	7.8	192.6
Proposed budget decreases:				
-Employment Security	0.0	-49.6	-200.0	-249.6
-Administrative Services	-26.6	0.0	-45.9	-72.5
-Vocational Rehabilitation	0.0	-1,115.4	-17.6	-1,133.0
Proposed budget increases:				
-Employment Security	0.0	2,000.0	0.0	2,000.0
-Administrative Services	0.0	188.0	44.3	232.3
-Office of the Commissioner	0.0	0.0	442.6	442.6
-Labor Standards and Safety	656.9	50.0	23.0	729.9
FY2003 Governor	12,056.6	83,981.4	26,369.4	122,407.4

State of Alaska FY2003 Governor's Operating Budget

Department of Law

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Department Mission

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

Department Goals and Strategies

CRIMINAL DIVISION:

PROTECT THE PUBLIC THROUGH EFFECTIVE PROSECUTION SERVICES.

- Assist law enforcement agencies with criminal investigations by providing legal and tactical advice.
- Serve as legal advisor to grand juries and represent the state in all phases of criminal trial and appellate proceedings.
- Effectively prosecute domestic violence and crimes against children.
- Effectively prosecute those who drive while under the influence of alcohol or drugs.
- Reduce the number of alcohol-related offenses through the prosecution of those who import alcohol into dry communities.
- Reduce fraud in benefit programs.

CIVIL DIVISION:

PROVIDE EFFECTIVE LEGAL ADVICE AND REPRESENTATION OF THE STATE.

- Protect Alaska's children and youth by handling child abuse, neglect, and delinquency cases expeditiously.
- Ensure the state receives its correct share of oil and gas taxes and royalties; clarify and improve the rules governing taxpayers to reduce disputes and litigation.
- Resolve questions of state versus federal control and management of natural resources, lands, and waters.
- Increase collections of money owed the state by businesses and individuals for child support, fines, loans, and other unpaid obligations.
- Collect judgments for victim restitution and make payments to victims of crimes.
- Ensure that the department's legal review of regulations projects continues to be efficient, timely, and responsive to the needs of agencies and the public.

Key Department Issues for FY2002 – 2003

CRIMINAL DIVISION:

MAINTAIN FOCUS ON PROSECUTION OF FAMILY VIOLENCE

The Knowles Administration has changed the way domestic violence and child abuse are handled by the police, the courts, and the agencies that are responsible for the welfare of children. Studies and experience have shown that children in homes where there is domestic violence by an adult are often victims of abuse and neglect. Studies have also shown that the children suffer emotionally by witnessing the domestic violence. These cases are often difficult to prosecute because pressure is brought to bear on victims to recant. Moreover, testifying in court can be traumatic for child victims of abuse and neglect. Because prosecution of these offenses is important for the safety of victims, the Criminal Division policy is to prosecute if there is sufficient evidence to convict, even when the victim is unable to testify or does not want the offender prosecuted.

INCREASED DRUG AND ALCOHOL PROSECUTION

The Criminal Division has participated in planning projects for drug courts, therapeutic courts, mental health courts, and other special programs with the court system, law enforcement, the Public Defender Agency, and the Department of Corrections.

Everyone recognizes that alcohol is at the root of a number of serious social problems in Alaska. The correlation between alcohol and crime is significant, and alcohol is implicated in an extremely high percentage of criminal and accidental deaths and injuries. In addition, many children are born with FAS or FAE because their mothers consumed alcohol during pregnancy. Experience has shown that the rate of crime can be decreased if alcohol availability is decreased. State law gives municipalities the option of banning or limiting alcohol in their communities, and many villages have voted for that local option. In areas that go completely dry (by banning possession of alcohol), the level of crime falls immediately and significantly, until bootleggers start to return alcohol to the region. Enforcement of local option laws is difficult, but the Criminal Division is actively working with the Alaska State Troopers and federal authorities to deal more aggressively with bootlegging, by increasing our alcohol interdiction efforts through the addition of prosecutors specifically assigned to those cases. Federal funds provided through an Reimbursable Service Agreement with the Department of Public Safety funds a FY 2002 increased level of funding for heightened efforts in the area of alcohol interdiction. The future of this funding source is uncertain at this time.

CIVIL DIVISION:

CHILD PROTECTION

Child protection workloads continue to be of concern to the department. Statutory changes at the state and federal level have necessitated changes in how long children may remain in the child protection legal system, and when certain actions must occur, and they define parental responsibility more concretely. These changes move cases to conclusion faster to ensure that when reunification with the family is not in the child's best interest, the child can be made legally eligible for placement in a permanent home more quickly. The accelerated schedules severely impact attorney workloads. Maintenance of our existing resources for child protection is absolutely critical in order for us to effectively manage this important responsibility. In FY 2002, for example, we had to cut half of an attorney position in the Human Services component due to a reduction in the Balloon Project funding received by DHSS. This cut has had a direct impact on the Anchorage Human Services section, resulting in an increase in the per attorney caseload. Another key issue for this component is the need for paraprofessional support to assist our Fairbanks Human Services section.

VICTIM RESTITUTION

A key issue for the Collections and Support section in FY 2002 – 2003 is the adoption and implementation of new regulations and procedures for the collection of restitution awarded to victims in criminal and juvenile delinquency proceedings in Alaska. Effective January 1, 2002, the collections unit will begin collecting restitution on behalf of victims in criminal and juvenile delinquency proceedings.

CONSUMER PROTECTION AND ANTITRUST ENFORCEMENT

Alaska is a target state for many types of consumer fraud, among them telemarketing, prizes and sweepstakes, deceptive home business opportunity sales, automobile sales and service, and a variety of retail sales and services. Under the terms of the Alaska Consumer Protection Act, the Attorney General's office is authorized to investigate and bring enforcement action against businesses that engage in unfair or deceptive trade practices. Because of current

funding levels, enforcement activities are directed to situations affecting a large number of consumers or involving large dollar amounts, and often there are not enough resources for those cases. However, we have been able to increase enforcement activity because of additional statutory designated program receipt resources appropriated to the civil division in FY 2000. Using existing resources, the division refined and expanded its consumer protection web page that is assisting consumers in identifying and protecting against consumer fraud. The division will continue to take appropriate steps to ensure receipt of SDPR on a regular basis in FY 2003 to help fund the consumer protection and antitrust enforcement program.

Major Department Accomplishments in 2001

CRIMINAL DIVISION:

- The Criminal Division successfully led the effort that gained the State an additional \$1.4 million in federal funds for the Alcohol Interdiction project. The intent of the proposal is to significantly reduce violent crime, accidental deaths and incidence of FAS and FAE by cutting off the easy availability of alcohol through aggressive investigation and prosecution of bootlegging offenses. Of the \$1.4 million, \$500,000 funds the prosecution effort and commences in FY 2002.
- The Criminal Division continues in the effort to assist victims and witnesses by better informing and preparing them to testify, especially in cases involving sex crimes and domestic violence, and by providing them with important safety plans and informing them of their rights. This project also involves training for attorneys and paralegals to assist them in their efforts to reduce the incidence of these types of crimes. At the grassroots level, the Volunteer Legal Advocacy program, trains volunteers in Alaskan communities and villages to coordinate with domestic violence prosecution efforts. Both aspects of this heightened effort are funded by federal funds RSA'd to the Criminal Division by the Department of Public Safety, Council on Domestic Violence and Sexual Assault.
- The Criminal Division's Medicaid Fraud unit collected more than \$2.5 million in Medicaid fines during FY 2001, an increase of approximately \$1.5 million over FY 2000. In addition to straight fraud cases, the unit prosecutes offenders who commit other crimes while defrauding Medicaid. The most notable example is the case of a Fairbanks doctor who was convicted of 73 felony offenses. The conduct underlying the charges involved sexual assault and abuse of female patients, stealing money from the Alaska Medicaid Fund by submitting false billings for patient services, and issuing dozens of prescriptions without a legitimate medical necessity.
- Additional accomplishments for the Criminal Division are shown in the Performance Measures section of the budget, at the BRU level.

CIVIL DIVISION:

- Child Protection: The Civil Division continued its participation in the interagency Balloon Project to reduce the backlog of children in foster care longer than new state and federal laws permit. As of September 15, 2001, 89 percent of the 662 children in foster care the longest were in a permanent placement, and in another 8 percent of the cases, the legal work to free these children for adoption is complete. The project now has five phases including more than 1,600 children, of whom 72 percent now have permanent homes, and another 14 percent are legally free for adoption.
- Collections: The division collected over \$3.9 million in FY 2001 in criminal fines, cost of appointed counsel, cost of imprisonment, and civil judgments owed the state. This was a record amount, surpassing the prior year's collections by more than \$1 million.
- Governmental Affairs: Successfully concluded a mediation with the Bank of America in which the bank agreed to pay the state and affected agencies and municipalities a total of \$35.6 million in compensation for mismanagement of public funds held in trust.
- Environmental: Recovered almost \$2 million for state costs and penalties related to contaminated sites, obtained cleanup agreements with polluters with an estimated value of over \$500,000, and recovered approximately \$3,886,000 for EXXON VALDEZ oil spill related matters.

- Alaska Native Law Developments: Continued clarification of the relationship between Alaska Natives and the state, in particular, the law concerning tribal recognition and the scope of tribal jurisdiction and authority following the Venetie decision which held that ANCSA lands are not Indian country.
- Oil and Gas: Continued work on litigation involving oil and gas, bringing into the state treasury approximately \$80.5 million in back taxes and royalties owed by oil and gas companies. Also, successfully defended at hearing the Department of Revenue's \$3 billion property tax assessment of the Trans Alaska Pipeline.
- Consumer Protection and Antitrust Enforcement: Successfully resolved a number of significant consumer protection cases involving payment of several hundred thousand dollars to the state and restitution to consumers.
- Roadless Litigation: Filed a major lawsuit in federal court challenging the Forest Service's Roadless Rule.
- Submerged Lands: Began hearings before the Special Master appointed by the United States Supreme Court in the state's original action in the Supreme Court to quiet title to all lands underlying marine waters in Southeast Alaska, including those within Glacier Bay National Park and the Tongass National Forest.

Governor's Key Department-wide Performance Measures for FY2003

Measure:

Percentage of other child abuse and neglect cases that are resolved within the statutory deadline of no more than 21 months of out-of-home placement;
 Sec 96 (b) (7) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

(2) New statutory deadlines for legal action in child abuse and neglect cases became effective on September 14, 1998; thus the department looked at 164 children's cases opened in October and November of that year as the benchmark. Of 164, 91 percent had the required legal action taken in their cases within 21 months, and in 2 percent, the required legal action took between 21 and 23 months to complete. Seven percent are still pending. This year the department looked at 116 children's cases opened in December 1998 and January 1999. Of those cases, 83 percent had the required legal action taken within 21 months of the child's entry into foster care. In 13 percent of the cases, the required legal action took more than 21 months, and 4 percent of the cases are still pending.

Background and Strategies:

With the passage of Ch. 99, SLA 98, the new state child protection law and the new federal Adoption and Safe Families Act, important changes were made as to how long children may remain in the child protection legal system, and when certain actions must occur. These new statutory changes at the state and federal level more concretely define parental responsibility and the changes move cases to conclusion faster to ensure that when reunification with the family is not in the child's best interest, the child can be made legally eligible for placement in a permanent home more quickly. The large number of cases placed on the accelerated schedules when the legislation became effective severely impacted attorney workloads.

Measure:

Monetary value of the criminal and civil judgments collected, including indigent defense costs, costs of incarceration for offenders convicted of driving while intoxicated, and other fines and costs owed to the state and the number of civil and criminal judgments satisfied in full;
 Sec 96 (b) (3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

	Amount Collected	Judgments Satisfied
FY 1997	\$2,278,500	Not available
FY 1998	\$2,469,900	8,569
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FY 1999	\$3,111,000	10,125
FY 2000	\$2,769,600	8,805
FY 2001	\$3,993,590	15,981

In the FY 2002 Governor's budget, it was anticipated that FY 2001 collections would be unusually high. As predicted, one of the reasons for the high dollar amount and number of collections related to catching up on a backlog that had built up due to staffing vacancy. Additionally, implementation of the unit's new EXCEL database allowed the capturing of two years of minor offense fines and related court and collection costs that had previously been uncollectable because there was no way to track and match them for the PFD attachment. The unit oversees 81,565 unpaid judgments at this time.

Background and Strategies:

The function of the collections unit is to collect money owed to the state in criminal, civil, and some administrative cases. The criminal cases include the cost of imprisonment in driving while intoxicated or refusal cases, cost of appointed counsel in cases where a public defender or public advocate appointment is made to represent a defendant, and outstanding fines and bond forfeitures. While the courts can collect on fines and bond forfeitures (these cases are only transferred to the collections unit if they are overdue to the court) the cost of appointed counsel cases are automatically transferred to the unit. Civil case collections must have a judgment in excess of \$250 entered with the court and the money collected must be free for deposit into the general fund.

There are a number of factors that affect the amount collected. The most important factor is the amount and number of judgments transferred by the courts. If a judgment is not transferred, it is unlikely the unit will receive voluntary payments and cannot seize money from a permanent fund dividend. The second factor is the number and dollar value of voluntary payments made by defendants. The only recourse the department has for nonpayment is the potential to seize the obligor's permanent fund dividend. Additional factors include the actual amount of the permanent fund dividend, the number of defendants applying for dividends; the number of defendants determined to be eligible for dividends; and other agencies or cases with statutory priority to seize dividends before our seizures are possible.

Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Criminal Division	12,941.6	361.3	1,164.8	14,467.7	13,581.4	480.4	1,639.9	15,701.7	14,308.9	488.4	1,647.2	16,444.5
Civil Division	8,452.5	0.0	16,403.8	24,856.3	7,850.5	0.0	15,752.5	23,603.0	8,104.4	0.0	17,063.2	25,167.6
Statehood Defense	919.8	0.0	6.5	926.3	1,095.4	0.0	0.0	1,095.4	1,116.8	0.0	0.0	1,116.8
Oil and Gas Litigation & Legal	3,311.6	0.0	1,477.0	4,788.6	3,313.8	0.0	1,477.0	4,790.8	3,174.1	0.0	1,477.0	4,651.1
Administration and Support	889.9	0.0	593.7	1,483.6	896.0	0.0	679.8	1,575.8	934.8	0.0	691.7	1,626.5
Totals	26,515.4	361.3	19,645.8	46,522.5	26,737.1	480.4	19,549.2	46,766.7	27,639.0	488.4	20,879.1	49,006.5

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	361.3	480.4	488.4
1003 General Fund Match	120.3	158.6	164.0
1004 General Fund Receipts	25,943.2	26,122.5	27,002.8
1005 General Fund/Program Receipts	387.9	392.2	407.0
1007 Inter-Agency Receipts	16,929.6	16,966.6	18,280.8
1037 General Fund / Mental Health	64.0	63.8	65.2
1053 Investment Loss Trust Fund	118.7		
1055 Inter-agency/Oil & Hazardous Waste	450.0	470.8	481.1
1066 Public School Fund	43.3		
1105 Alaska Permanent Fund Corporation Receipts	1,477.0	1,477.0	1,477.0
1108 Statutory Designated Program Receipts	504.1	507.8	511.0
1134 Fish & Game Duplicated Expenditures	123.1	127.0	129.2
Totals	46,522.5	46,766.7	49,006.5

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	467	474
Permanent Part Time	20	19
Non Permanent	1	0
Totals	488	493

Overview of Departmental Budget Changes

CRIMINAL DIVISION

The 3rd Judicial-Anchorage component is requesting an increment to annualize costs and another to fully fund positions that were underfunded in the FY 2002 budget. The annualization increment is for \$168,400 to address full-year costs for new prosecutors in Anchorage to handle the increased drunk driving prosecutions as a result of the 0.08% DWI law and the changes to the "look-back" periods for repeat DWI and felony DWI. The full-funding increment is for \$33,300 for costs for the therapeutic court prosecutors.

An annualization increment is requested in the 4th Judicial component for \$70,900 to provide full-year funding for the therapeutic court prosecutor for Bethel, which was funded for only six months in the FY 2002 budget.

Statutes mandate that the prosecution advise victims of the dates and times of all court proceedings. The prosecution must also notify witnesses of dates and times of proceedings where they must testify. A federal grant of \$25,000 has been received to partially fund the purchase of a telephone software program that will provide automatic notification of court events to victims and witnesses. The Criminal Justice Litigation component requests \$40,000 in general funds to fund the annual operating costs.

CIVIL DIVISION

\$98,700 in general funds is requested to support the work of the Fairbanks Human Services section in child abuse and juvenile delinquency cases. The section has no paraprofessional support; the heavy caseload of the 4 attorneys in the office and the broad geographical coverage of the office (including Barrow) demand this support. This is a cost-effective way to enable staff attorneys to more effectively manage their caseloads and deadlines.

\$106,500 in general funds is requested for the Collections & Support component to enable the division to fully implement the Victim Restitution project.

\$148,300 in general funds is requested for an attorney in the Anchorage Human Services section. This increment fully funds the therapeutic court's fiscal note for the Civil Division that accompanied the legislation in 2001. The addition of a superior court judge in Anchorage for the therapeutic court has negatively impacted the ability of the attorneys in the Human Services section to cover on-going court proceedings and cases, necessitating the need for another position in the section.

A total of \$210,600 in interagency receipts is requested to fund attorneys in Juneau to handle the increased workloads in the Divisions of Retirement and Benefits and Banking and Securities.

\$120,000 in general funds is requested by the Commercial Component to continue funding outside counsel in Washington D.C. to represent Alaska by responding to telecommunications issues raised by or before the Federal Communications Commission and the Congress where Alaska is impacted.

DEPARTMENT WIDE

The Department of Law implemented a reclassification of its legal support positions at the end of FY 2001. The study was undertaken primarily because recruitment of legal secretaries was becoming increasingly difficult. The study was completed in the late spring of FY 2001 and approved by the Division of Personnel in June. The reclassification called for higher salary ranges for nearly all positions involved in the study. The timing of the completion and approval of the study did not allow for inclusion in the FY 2002 budget request; however the department did make known the likely effects anticipated by the study to the legislature. Nearly all Criminal and Civil components were affected by the implementation of this study, and as a result, this budget request includes an increment for this purpose in each component. The total amount of funds requested, across all funding sources, is \$345,500.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	26,737.1	480.4	19,549.2	46,766.7
Adjustments which will continue current level of service:				
-Criminal Division	286.4	6.3	4.5	297.2
-Civil Division	-290.7	0.0	280.0	-10.7
-Statehood Defense	19.1	0.0	0.0	19.1
-Oil and Gas Litigation & Legal	-150.0	0.0	0.0	-150.0
-Administration and Support	38.8	0.0	11.9	50.7
Proposed budget decreases:				
-Criminal Division	-6.5	0.0	0.0	-6.5
-Civil Division	0.0	0.0	-6.5	-6.5
Proposed budget increases:				
-Criminal Division	447.6	1.7	2.8	452.1
-Civil Division	544.6	0.0	1,037.2	1,581.8
-Statehood Defense	2.3	0.0	0.0	2.3
-Oil and Gas Litigation & Legal	10.3	0.0	0.0	10.3
FY2003 Governor	27,639.0	488.4	20,879.1	49,006.5

State of Alaska FY2003 Governor's Operating Budget

Department of Military and Veterans Affairs

Commissioner: Phillip Oates

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Department Mission

Provide strategically positioned, relevant, and ready military forces capable of homeland defense, rapid deployment, joint operations, and mission accomplishment in the state or throughout the world; and provide organizations capable of performing emergency services, training at-risk juveniles, coordinating veterans' programs, and assisting other state and federal agencies in suppressing the use of illegal drugs. (Differs from Sec99, CH90, SLA2001)

Department Goals and Strategies

1. Ensure the safety of the citizens of Alaska by preparing the state to detect, prevent, and recover from any act of terrorism.
 - Establish an Office of Homeland Security to provide a focal point for all state activities in the fight against terrorist attacks, including any attack using biological, chemical, radiological, nuclear, or high explosive weapons.
 - Improve emergency management and response capabilities for both local and state governments by developing plans for Weapons of Mass Destruction (WMD) prevention and response.
 - Exercise terrorist attack response plans with local, private and state entities to identify areas of weakness and update plans accordingly.
2. Provide a National Guard force that fulfills state and federal military missions, and continues to educate leaders and help build communities.
 - Increase the current capability and structure of the Army and Air National Guard by acquiring the new missions of space surveillance and security at Clear Air Station; a role in the Alaska North American Aerospace Defense Command (NORAD) operations center; strategic airlift; missile defense; and domestic preparedness against weapons of mass destruction.
 - Build new and maintain existing facilities and reduce the deferred maintenance backlog (by 5% a year) in order to support the state and federal missions of the Alaska Guard.
 - Improve recruitment, retention, and education levels through a partnership with the University of Alaska and full use of military education tools and distance learning capabilities.
 - Staff the Space and Missile Defense Site Activation Command with qualified Alaska National Guard soldiers.
 - Continue expansion of the Army guard presence in rural Alaska to increase Native Alaskans' opportunities to learn marketable skills and strengthen leadership abilities.
3. Develop a statewide-integrated emergency management system to protect the lives and property of Alaskans in time of emergencies and disasters.
 - Continue to provide communities with a mechanism to assist one another through the State Emergency Coordination Center.
 - Expand the State of Alaska Emergency Management System (AEMS) that defines the organizational structures for and between state, borough, and local offices for response to emergency and disaster incidents; and coordinates the management of these response resources.

Maintain state capability to form and deploy interagency incident management teams to manage all types of hazards.

Maintain a comprehensive recovery program to acquire and manage all possible federal resources available for disasters.

Continue the work on the Division of Emergency Services (DES) community profile database to develop a statewide resource database structure.

Increase capacity to prevent or mitigate potential emergencies or disasters.

Develop a standard multi-agency/multi-incident logistics system to track all requests for resources.

4. Help Alaska's "at-risk" youth gain an education and learn self-discipline.

Encourage "at-risk" youth to complete high school and establish career goals through attendance at the Alaska Military Youth Academy.

Maintain education and prevention efforts of the Drug Demand Reduction Program.

Aggressively recruit Military Youth Academy graduates into the Army and Air Guard.

5. Advocate for veterans' benefits to recognize the sacrifices and achievements of Alaska's veterans and their families

Develop solutions that will help meet the long-term care needs of Alaska's veterans, including providing more housing for senior veterans in the Pioneer Homes.

Provide an interface and advocacy for veterans and veterans' organizations to identify and resolve problems related to veterans' affairs. Establish the Alaska Veterans Advisory Council in statute.

Monitor the outreach and assistance services provided by the Veterans Service Organizations.

Provide a contact point for access to veterans' benefits and programs.

Expand efforts for veterans in Alaska's rural communities.

Recognize the sacrifices and achievement of veterans by establishing a veterans memorial endowment fund to maintain and construct memorials and monuments.

Allow use of Army Guard armories statewide as places for veterans to access veterans' program information.

Key Department Issues for FY2002 – 2003

Homeland Security:

After the terrorist attacks on September 11, the nation was forced to recognize a new reality. Not since the civil war has mainland America suffered a "killing field" on its own soil. We have not had to focus so closely on the security of our citizens and our infrastructure. We need to improve our ability to detect and prevent terrorism in our state. We need to assure Alaskan citizens that their government is prepared to respond to terrorist events if necessary. The Homeland Security bill introduced by the Governor in November includes a funding request for establishment of an Office of Homeland Security. The Office could provide a focal point for all state activities in the fight against terrorist attacks, including any attack using biological, chemical, radiological, nuclear, or high explosive weapons.

The Office could coordinate the improvement of emergency management and response capabilities for both local and state governments by developing plans for WMD prevention and response, and exercising these plans with all

affected groups in order to identify areas for improvement.

Facilities:

The Deferred Maintenance, Replacement and Renewal list continues to grow for both the Army and Air Guard facilities. The deferred maintenance backlog of Army Guard Facilities is currently \$21.8 million, and the Air Guard Facilities backlog is \$10.8 million. It is unlikely that the goal to reduce deferred maintenance by 5% a year will be reached without additional resources.

Further complicating the issue, is the length of time it takes to obtain federal approval for replacement of facilities. Because of the shrinking national military budget for new facilities, it is difficult to replace facilities before they become extremely expensive to maintain.

Construction continues at both Air National Guard bases (ANGB). Because Kulis ANGB is a relatively old base and Eielson is much newer, each base faces different problems when approaching building operations and maintenance. 16 of the 18 structures at Eielson were built since 1990. The average age of these facilities is 6.8 years. The remaining two structures are 1950's vintage; one of which was remodeled in 1998 and the other has very little modification. The average facility age at Kulis, in contrast, is 19 years. This 12-year difference is reflected in the share of deferred maintenance at each base. 94% of ANG deferred maintenance is at Kulis. Kulis is faced both with expensive maintenance of older structures and also completing new construction to replace obsolete facilities. Two facilities at Kulis - a composite support facility and a corrosion control facility were completed this year. No new construction occurred at Eielson. Maintenance was performed at both bases with the funding provided; however, the rate at which maintenance from normal wear and tear is accruing exceeds our ability to repair. Our ability to train and operate in our arctic environment is directly linked to our structures. Continued funding of maintenance will bring operational results that benefit both the state and the federal government.

Replacement of the Juneau Readiness Center is a priority of the Department. The Alaska Mental Health Trust owns the land and leases the property to the State. However, the Trust is interested in developing the property and would prefer a more beneficial use. DMVA has presented and the federal government has approved a Joint Use Facility with the University of Alaska.

In order to more efficiently house the existing students and to increase the number of students admitted to the Alaska Military Youth Academy, the department is discussing plans for a facility that would reduce the staff to student ratio needed at night. If the Academy could plan for a facility that would house students in the most efficient manner, more funds would be available to increase enrollment.

Existing Youth Academy facilities need extensive renovation and remodeling in order to bring them to a condition that would present an orderly, functional atmosphere for the young adults. Presently, renovation and remodeling requirements at the Camp Carroll facility include insulation and siding, new heating and air ventilation systems, a secure meeting place for mentors and a refurbished dining hall.

Division of Emergency Services:

Maintenance of the 24-hour State Emergency Coordination Center (SECC) that coordinates all State response requests and activities is a high priority as we develop a statewide-integrated emergency management system to protect lives and property. This Multi-agency SECC provides a focal point for statewide emergency contacts and improves the overall efficiency of State government. Additional State and Federal agencies need to be part of this effort. Funding for support aspects of the SECC is critical.

Local Emergency Planning Committees (LEPC) are responsible for all-hazards planning and response. To date, little money has been available specifically for all-hazards planning. In the FY 2003 budget, new resources have been allocated to the LEPCs to replace diminishing revenues from the Oil and Hazardous Substance Response Fund. This will provide LEPCs the resources to develop some all-hazard planning as envisioned in statute.

Major funding for the LEPCs is primarily based upon 3% of the balance of the Oil and Hazardous Substance Release Prevention and Response Fund. The Fund manager has indicated that there will be a reduction in the level of 470 funds. Money in the fund is restricted from being used for any purposes other than oil and hazardous substance

release prevention and response. The State Emergency Response Commission (SERC) and LEPCs are all hazard tasked (i.e. earthquake, tsunami, terrorism, etc.). With the addition of general funds, LEPCs have been able to start to address hazards other than oil and hazardous substances. All hazard preparedness by the LEPCs is heavily dependent upon continued availability of general funds.

The Division continues to respond to the needs of residents in the Yukon Kuskokwim Norton Sound (YKN) fish disaster area. This is the third year in a row that fishing has been poor in the YKN increasing the detrimental effects on the citizens in this area. The State is focusing on coordinating assistance to this area from federal sources.

Air National Guard:

Transfer of the 611 Air Defense Battle Control Center is proceeding on course. Upon program approval, the Air Guard will begin a four-year transition process to replace almost 150 Active Component personnel with Air Guard members. After completion of the transfer, America's air defense sectors will be completely managed by the Air National Guard. This mission is still planned to encompass personnel only. All facilities and maintenance will be the responsibility of the US Air Force. This arrangement provides real growth for the Alaska Air National Guard with no associated expense for the State of Alaska budget.

Integration of the Clear Air Force Station Ballistic Missile Early Warning System is proceeding on track. U.S. Space Command and National Guard Bureau have validated operations concepts and phased personnel transition plans. This mission is vital to the future continued incorporation of the Alaska Air Guard into space operations. This initiative is currently under final review. As with the 611th, the ANG will be responsible only for personnel. The US Air Force will perform all facilities and maintenance. This arrangement provides real growth for the Alaska Air National Guard with no associated expense for the State of Alaska budget.

The Alaska Air National Guard is continuing to track the federal initiative to purchase new C-17 aircraft and locate them in Alaska under the control of the Air National Guard. Federal monies have been provided to Headquarters, Pacific Air Forces, to perform a feasibility study for basing options. The Air Guard is participating with the Hawaii and Mississippi Air National Guards to identify issues and concerns with a potential deployment of C-17's to Alaska.

Army National Guard:

A key issue of the Army National Guard is to continue training the Civil Support Team (CST) in preparation for a chemical, biological, radiological, nuclear or high yield explosive threat. The goal is to achieve certification of the 103rd CST early in 2002.

The Alaska Army National Guard's federally funded CST consists of 22 full-time Army and Air Guard personnel. Equipment allocations have been received with the exception of two critical vehicles manufactured especially for CSTs. Delivery is expected in early 2002.

The CST, a stand-alone unit, is located within the Anchorage National Guard Readiness Center but is fully air transportable via C-130.

Space and Missile Defense:

The United States pursuit of a Space and Missile Defense system to protect the United States from accidental ballistic missile launch or limited launch by a rogue nation has expanded to a multiple level Space and Missile Defense System. The expanded program continues to identify Alaska as the centerpiece of the ground-based system, a key component of America's Homeland Security plan. When the ground-based system is fielded in Alaska, the Alaska Army National Guard will staff a significant number of positions and operate the system. The new missile defense program will involve the Kodiak Launch Facility in the program testing phase. Test launches from Kodiak may generate new missions for both the Army and Air National Guard.

Alaska Army National Guard personnel are engaged with the programmatic aspects of the Space and Missile Defense program, particularly in the areas of staffing, force structure, quality of life issues and stationing.

The Alaska Army Guard has obtained a federally funded full-time authorization for an Action/liaison officer to work Army peculiar Space and Missile Defense issues on a full time basis. Alaska Guard personnel are participating and

involved in the Space and Missile Defense simulations and tests being conducted for command and control in Colorado Springs, CO. To date they have participated in multiple successful simulations. Additionally, the 2001 Legislature authorized a new Assistant Adjutant General for Space and Missile Defense in the Army National Guard. Authority to fill that authorization has been received from National Guard Bureau and a new Army National Guard Brigadier General will be on board in early 2002.

Search And Rescue

The 207th Aviation Battalion, Army National Guard is at the forefront of the U.S. Army's Combat Search and Rescue (CSAR) program. Members of the unit are developing training methods and operational procedures to fulfill this critical mission niche. As a result of acquiring specialized equipment for some of its UH-60L Blackhawk helicopters and CSAR unique training for its aircrews and some ground troops, Alaska's citizens are benefiting from significantly enhanced in-state search and rescue capabilities.

Airport Security

Following terrorist attacks on September 11, 2001 the Governor ordered the Alaska National Guard to duty at 19 airports around the state. The Army and Air National Guard staffed Passenger Screening Points with uniformed, armed Guardsmen and women to ensure traveler confidence in the screening process and to oversee the screening points. The mission length was initially established at 179 days.

Military Youth Academy:

A key issue for FY03 is the loss of the post-graduation stipend of \$2,200 per graduate. The total funding for the post-graduation stipend (\$440,000) was transferred to pay for the staff's salary requirements and to fully fund other line-items. Part of the reason for this is the growing number of female cadets requiring us to staff up with full-time permanent Team Leaders instead of using fill-in non-permanent staff. The other reason is the loss of federal funds due to the lower percentage of match funding and one-time plus up funds from other states unused federal funds. The loss of the post graduation stipend will have a negative impact on our ability to track these graduates and for them to have resources to enroll in continued education.

The Youth Academy is not able to adequately address the growing demand of "at-risk" youths that are ready to attend the Academy. In order to enroll more cadets, additional space and resources are necessary. The cadets are located in small dorms that require 24-hour supervision. If a larger facility were available, fewer staff would be needed on a 24-hour basis and more cadets could be enrolled.

One of the reasons the Youth Academy is successful is the timing of enrollment in the program. If we are not capable of reacting when these young men and women decide it is time to change their lives, we have lost the opportunity to help these youths help themselves. Unfortunately, the result of this failure is usually a return to their previous activities and a higher cost to society in crime and drug abuse.

This fall, 207 young men and women applied to enter the Youth Academy and 159, the facility limit, were accepted. The demand for this program continues to grow and without a larger facility and funding the program does not have the resources to react timely to this most vulnerable period in their lives. For some, this will be the last chance they have to be a successful, responsible member of society.

Retirement Benefits

This year the state's contribution for the Guard Retirement System increased as a result of receiving an update actuarial study. The key change in the study was the update of the mortality tables from 1984 to 1998.

Educational Benefits

Continued support of educational opportunities for Guard and Naval Militia members is critical in order to meet recruitment and retention goals. The Guard has mandatory educational requirements to enter and advance. Furthermore, as the Guard missions become more technical, educational opportunities will allow Guard members to obtain the training they need to compete for jobs that are being considered for Alaska (Space and missile Defense,

Space surveillance).

Veterans Services

The Federal Veterans Administration meets far fewer of the long-term care needs of Alaska's veterans in comparison to the rest of the nation. Part of the gap comes from the fact that Alaska does not have a veterans' nursing home and is one of only three states without a State Veterans' Home.

The State has proposed a combined Pioneers and Veterans Home as the first step to providing veterans with the in-state services they now lack. Legislation is now before the House and Senate, which proposes this first step.

The Alaska Veterans' Advisory Council provides the Department with information and advice on veterans needs in the State. In order to continue this valuable service, legislation is before the House and Senate to establish the Council in statute.

Major Department Accomplishments in 2001

- During 2001, the Facilities Management Division awarded five Federal Scout Readiness Centers for construction. Construction is nearly completed for the new Anchorage Combined Support and Maintenance Shop. With the receipt of additional Energy Funds from the National Guard Bureau, various energy-saving projects throughout the State were completed.
- As of September 30, 2001, 1094 cadets have graduated from the Military Youth Academy, and are now productive members of their community. The graduates represent a substantial cost avoidance in the areas of juvenile and adult crimes, rehabilitation and correction costs, and welfare and other entitlement costs. The Alaska Military Youth Academy graduated 94 cadets from Class 00-2 and 100 cadets from Class 01-1.
- The United Service Organizations (USO) honored the AMYA as part of its annual "Volunteer Services to Education" awards program in a ceremony in the U.S. Senate Building. This award honored the Academy for its outstanding technical and work related training programs for cadets. These programs include skills development through the Academy's technical training center, on-site carpentry and culinary arts training, and a broad range of work experience and placement programs.
- The Alaska Air National Guard completed a successful KC-135 avionics conversion that modernized outdated navigational and flight instruments. The KC-135's of the 168th Air Refueling Wing also operated mishap-free from Fairbanks International Airport and Ft Wainwright Army Airfield during the closure of the Eielson AFB runway this summer.
- The 210th Rescue Squadron continued international rescue diplomacy with participation in Arctic SAREX 2000 in St. Petersburg, Russia. This dynamic yearly joint exercise continues to build understanding and teamwork between the United States, Russia, and Canada. Next year's SAREX will be held in Alaska. The 210th Rescue Squadron and the Rescue Coordination Center also participated in 289 rescue missions resulting in 100 lives saved. Alaska Air National Guard units also completed their first round of deployments in support of the Air Force Air Expeditionary Forces (AEF).
- From July 2000 to July 2001, the Division of Emergency Services (DES) monitored or responded to a total of 94 emergency management events as part of the Alaska Emergency Management System. So far in SFY 02, DES has monitored or responded to a total of 20 emergency management events.
- During SFY 01 DES representatives responded on-site to the Kake Dam/Water System Failure, North Slope Borough Storm, Shishmaref Mini-Radio Test, Eureka Avalanche, and the Middle Yukon Flood Disaster. A multi-agency Incident Management Team was deployed for the Middle Yukon Flood Disaster and managed the response efforts from Galena for the communities of Nulato and Koyukuk.
- The Division of Emergency Services hosted an Emergency Management Symposium in Anchorage from April 17

to 20. The first day and a half of the conference was devoted to a presentation about school violence at Columbine High School by a Littleton, Colorado team. It was followed by a State Directors Meeting for Emergency Managers, a Local Emergency Planning Association Meeting and a round table discussion on "Are We Prepared." The quarterly State Emergency Response Commission meeting occurred on April 19th.

- DES participated in numerous exercises during SFY 01 with our State/Federal/Local partners. Assisted the Corps of Engineers with two exercises dealing with Public Works and Engineering for an earthquake response in the Anchorage area. Participated with the Municipality of Anchorage in two Weapons of Mass Destruction exercises. One dealt with chemical terrorism and other with biological events. Participated in an U.S. Coast Guard/State agency/local community exercise dealing with cruise ship incidents in SE Alaska. DES helped design and execute the Municipality of Anchorage Hillside Fire Exercise in the spring 2001. DES assisted the U.S. Coast Guard and Federal Aviation Administration in designing and executing the Northern Response III transportation exercise simulating an earthquake in SE Alaska. Canadian emergency management and transportation agencies also participated in this exercise in conjunction with their U.S. counterparts.
- The Gulf Storm Disaster Fast-Track Hazard Mitigation Grant Program projects for Cordova and Valdez are progressing well. Cordova's relocation is complete with all homes in the Red Zone relocated. Phase IV (conversion into a park for perpetuity) is in the planning stage. Valdez is approximately 40% complete. Valdez was selected as the 2001 Project Impact Community focusing on moving homes out of the Avalanche Blue Zone Hazard Area. The community has matched Project Impact funds sufficiently to move all interested families out of the Blue Zone well away from avalanche danger.
- During this past year, \$29.0 million (\$53 for every \$1 spent on the program) was secured for Alaskan veterans improving veterans' access to health care, housing and other services vital to their quality of life. The DMVA Veterans' program provided \$540,000 to Veterans Service Officers in the state to use to advocate for veterans' federal benefits. Without these Veteran Service Officers, it would be much more difficult for individual Alaskan veterans to obtain the benefits due to them.
- The National Guard Counterdrug Support Program assisted in 192 operations during 2001. These operations resulted in the seizure of 11,294 marijuana plants; 83.26 pounds of processed marijuana; 119.5 pounds of cocaine; 17.34 pounds of methamphetamine; 170 weapons; 192 gallons of illegal alcohol; \$1,152,357.00 in currency and 119 arrests. The total value of drugs removed from the marketplace as a result of these operations was \$2,047,739.00. Additionally, CDSP assisted in the training of 692 Law Enforcement Officers and reached 10,262 people through support of 21 Community Based Organizations in Drug Awareness Programs.

Governor's Key Department-wide Performance Measures for FY2003

Measure:

Whether the division closed out disasters within an average of 18 months.
Sec 100(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

At the present time the Division is working with FEMA to close the 1995 Southcentral Flood Disaster by December 2001 and 1996 Millers Reach Fire Disaster by April of 2002. The 2000 Central Gulf Coast Storm Disaster will be closed within an estimated 18 months. The Division of Emergency Services is simultaneously working to closeout all existing State Disasters. We anticipate closing five State Disasters by the end of SFY02.

Benchmark Comparisons:

There is no current benchmark for disaster close-outs to use as a comparison; however, the State is currently on track with this Legislative measure for the 2000 Central Gulf Coast Storm Disaster.

Background and Strategies:

Each Disaster will have a different time frame for close-out depending on the size of the disaster and the number of people and communities impacted. The overall objective is to close disasters as soon as possible so the impacted parties will have closure and any remaining funds will be returned to the Federal Government or to the Disaster

Relief Fund.

Measure:

Air Guard & Army Guard - The percentage reduction in accrued deferred maintenance projects.
Sec 104(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Air Guard:

SFY 01 maintenance requirements were \$10.8 million. 20 projects totaling \$734,200 were completed during the fiscal year. In addition, \$454,485 in new projects were added to the maintenance requirements, resulting in a net reduction in deferred maintenance of 2.6%.

Army Guard:

The deferred maintenance backlog is \$21.8 million as of September 2001. With available resources, it is unlikely DMVA will achieve a 5% reduction in the backlog.

Benchmark Comparisons:

Warranty and manufacturers' guides to replace, repair, maintain and renew building components.
Reduce Deferred Maintenance Backlog by 5%.

Background and Strategies:

Air Guard:

The Air Guard Facility Maintenance Division's deferred maintenance program amounts to \$10.8 million. The combined effects of aging buildings and insufficient repair resources have caused this amount to increase yearly. We are operating much as do consumers who make only minimum payments on high-interest rate credit cards - their balance never decreases. More significantly, an adequate nexus between actual projects and funding has not been established. If a Capital Improvement Project is significant enough in size, the possibility exists that it will not be accomplished because it would use up most or all of the state funds allocated for that FY. For example, there are three projects on our current deferred maintenance list that total \$4.3 million. None of these projects can be completed, because sufficient state match does not exist. A one-time appropriation for large (in excess of \$600,000) projects would result in an immediate and dramatic reduction in the size of the deferred maintenance amount.

At Eielson 16 of the 18 structures were built since 1990. The average age of these facilities is 6.8 years. The remaining two structures are 1950's vintage; one of which was remodeled in 1998 and the other which has very little modification. The average facility age at Kulis, in contrast, is 19 years. This 12-year difference is reflected in the share of deferred maintenance at each base. 94% of ANG deferred maintenance is at Kulis.

The contractual agreement between the State of Alaska and the federal government requires the State to provide matching funds for operation and maintenance (O&M) of federal National Guard facilities. This is calculated at a rate of one state dollar to every three federal dollars. The federal government provides matching funds on the expectation that the state will match the federal contribution. All state portion funding will result in federal matching funds and any funding below a maintenance level causes deferred maintenance of these facilities to increase. Deferred maintenance results in accelerated deterioration and obsolescence of these facilities

Scheduled renewal items are those that assist the building in meeting current requirements, whether for increased personnel, updating to current standards or complying with new codes. Examples include providing more electrical outlets for current computer needs, energy upgrades, and modifications for code compliance i.e., ADA & fuel tank upgrades, GFI circuit breakers; and upgrading building insulation.

Army Guard:

The Deferred Maintenance, Replacement and Renewal list continues to grow for the Army Guard facilities. With the completion of various on-going construction projects, upgrades and new Federal Scout Armories, the deferred maintenance backlog of Army Guard Facilities is currently \$21.8 million for FY01.

Based upon our 2000 Facility Statistical report the average age of the Alaska Army Guard buildings is 30 years. The oldest buildings are Training Sites. There are 63 Training Site buildings with the average age of 34 years.

Scheduled Replacement deals with the life expectancy of a part or building. Included are the following: roofs - life expectancy 20 years, boiler - life 25 years, carpets - life 7 years. Many of these items also involve preventative maintenance to reach that specific life expectancy.

With regards to buildings, NGB regulations inform us that if a project exceeds 50% of the buildings replacement value, NGB will not fund it.

The Air and Army Guard's strategies for meeting our goal:

Performing Preventative Maintenance in accordance with manufacturers' recommendations. By doing this, DMVA is able to extend the life expectancy of various buildings, components and machinery. Preventative Maintenance reduces the possibility of costly emergency repairs or replacements.

Review the Project Inventory and Evaluation Report (PIER) and address the most damaging projects on the maintenance, renewal or replacement list. With the Alaska terrain and weather, the most costly of the maintenance projects are usually foundations, roofs and insulation. With the age of the buildings, more of these items need attention each year.

At the time it becomes more expensive to replace or renew facility components, the facility is removed from the PIER and placed on the major construction list for replacement of the total facility.

Measure:

Alaska Military Youth Academy - Percentage of cadets who receive their high school diplomas or equivalencies by completion of Phase III.

Sec 105(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Out of the 100 graduates from Class 01-1, 83.0% received their GED. Class 00-2 had 78% of its graduates receive a GED.

Benchmark Comparisons:

Nationwide average is 64.0% as reported in the National Guard Youth ChalleNGe Program Annual report, 2000.

Background and Strategies:

The primary focus of the educational portion of the Academy is to achieve educational excellence by utilizing a focused curriculum in writing skills, social studies, science, literature & arts, and mathematics. This is accomplished by using our certified military instructors, our partnership with the State certified teachers of the Alyeska Central School, and the use of our computer based learning programs.

Measure:

The change in the estimated monetary value of benefits obtained.

Sec 106(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The recovery of benefits has continually increased over the 17 years of the programs existence:

American Legion: \$ 5.8 million

VFW: \$14.0 million

DAV: \$10.0 million

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

Reporting of this statistic provides important information in determining whether the state is receiving a fair return for the money allocated to this service. Each year the Grantee provides information to DMVA on the total amount of benefits provided to Alaska veterans through the VSO's. Numbers for FY 2001 will be reported at the end of the year.

Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures												
Alaska National Guard Benefits	879.8	0.0	0.0	879.8	879.8	0.0	0.0	879.8	1,322.5	0.0	0.0	1,322.5
Non-Formula Expenditures												
Disaster Planning & Control	472.0	1,724.0	1,346.5	3,542.5	681.9	2,484.2	1,364.6	4,530.7	694.3	2,161.5	1,728.4	4,584.2
Local Emergency Planning Commit	0.0	0.0	401.7	401.7	19.8	0.0	473.4	493.2	167.1	0.0	326.1	493.2
Alaska National Guard	6,257.2	13,701.6	2,463.3	22,422.1	6,283.8	14,598.8	2,852.7	23,735.3	6,525.3	16,237.9	2,629.5	25,392.7
Alaska National Guard Benefits	28.5	0.0	0.0	28.5	28.5	0.0	0.0	28.5	301.0	0.0	0.0	301.0
Veterans' Affairs	627.0	0.0	0.0	627.0	623.7	0.0	0.0	623.7	626.0	0.0	0.0	626.0
Totals	8,264.5	15,425.6	4,211.5	27,901.6	8,517.5	17,083.0	4,690.7	30,291.2	9,636.2	18,399.4	4,684.0	32,719.6

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	15,425.6	17,083.0	18,399.4
1003 General Fund Match	2,153.0	3,664.4	3,857.4
1004 General Fund Receipts	6,083.1	4,824.7	5,750.4
1005 General Fund/Program Receipts	28.4	28.4	28.4
1007 Inter-Agency Receipts	2,540.6	2,436.4	2,751.2
1053 Investment Loss Trust Fund	122.2	50.0	
1055 Inter-agency/Oil & Hazardous Waste	944.6	922.8	825.5
1061 Capital Improvement Project Receipts	59.0	320.3	139.8
1108 Statutory Designated Program Receipts	545.1	961.2	967.5
Totals	27,901.6	30,291.2	32,719.6

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	251	259
Permanent Part Time	3	3
Non Permanent	8	1
Totals	262	263

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Army Guard Facilities Deferred Maintenance	600,000	600,000	0	1,200,000
Air Guard Facility Deferred Maintenance	250,000	0	0	250,000
Juneau Readiness Center Joint Venture with University	1,344,900	1,208,000	0	2,552,900
Facilities Spill Prevention Control and Countermeasures	26,700	78,300	0	105,000
Federal Scout Readiness Centers Energy Projects	0	290,000	0	290,000
Federal Scout Readiness Centers Construction	0	1,700,000	0	1,700,000
Army Guard Construction, Contingency and Planning	0	1,500,000	0	1,500,000
Department Total	2,221,600	5,376,300	0	7,597,900

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

- Added \$212.7 in funding for new Air Guard facilities that will come on-line; in FY2003 these funds will be needed for the additional operation and maintenance costs (\$56.9 in GFM and \$155.8 Fed).
- Increased tuition assistance for National Guard Members by \$22.5 in GF for "other" educational institutions, and continued the \$250.0 credits at the Univ. of Alaska system program by switching the FY02 approved Post Secondary Education Funding to general fund in FY03.
- Added \$442.7 GF in the Retirement Benefits Program to pay for the increased actuary cost as a result of an update of the mortality tables from 1984 to 1998.
- The Local Emergency Response Committees (LEPC) funding changes are: 1) switch \$97.3 from the Oil & Hazardous Response Fund to general funds; and 2) switch \$50.0 from Investment Loss Trust Funds to General Fund.
- Added \$60.0 in general fund for a Retirement Record position to deal with the retirement service records of both the Army and Air Guard.
- Alaska Military Youth Academy - \$203.1 reduction of unrealized federal and interagency receipt authorization.
DOE - Migrant Education Program - \$70.0 I/A authorization reduction
National Challenge Grant - \$133.1 Federal authorization reduction.
- The Air Guard's budget has been increased to pay the cost of the Joint Airport Use Agreement at Stevens International Airport - \$41.0 GF, and \$122.8 Fed.
- Increased federal authority \$350.0 in the Army Guard's Facility Maintenance budget for Telecommunication cost - attributed to increase cost of line charges and the Distance Learning Initiative.
- Increased federal authority \$800.0 in the Army Guard's Facility Maintenance budget for "Plus-Up" projects. The National Guard Bureau (NGB) may have additional funds available after the mid-point of a fiscal year. The funds are available to states that have outstanding projects and which are able to expedite the projects in a short amount of time. The \$800.0 authorization in the contractual services line item is then available to accommodate these "last-minute" federal budget adjustments and to complete Real Property Operations and Maintenance projects.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	8,517.5	17,083.0	4,690.7	30,291.2
Adjustments which will continue current level of service:				
-Disaster Planning & Control	12.4	-322.7	363.8	53.5
-Local Emergency Planning Commit	147.3	0.0	-147.3	0.0
-Alaska National Guard	84.3	343.6	-153.2	274.7
-Alaska National Guard Benefits	250.0	0.0	0.0	250.0
-Veterans' Affairs	2.3	0.0	0.0	2.3
Proposed budget decreases:				
-Alaska National Guard	-0.7	-133.1	-70.0	-203.8
Proposed budget increases:				
-Alaska National Guard	157.9	1,428.6	0.0	1,586.5
-Alaska National Guard Benefits	465.2	0.0	0.0	465.2
FY2003 Governor	9,636.2	18,399.4	4,684.0	32,719.6

State of Alaska FY2003 Governor's Operating Budget

Department of Natural Resources

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Department Mission

Develop, conserve, and maximize the use of Alaska's natural resources consistent with the public interest.

Department Goals and Strategies

1. Encourage resource development that creates Alaska jobs and ensures economic growth in all regions of the state.
 - Convey oil and gas rights by conducting four competitive oil and gas lease sales and issuing oil and gas exploration licenses and shallow gas leases.
 - Provide management and oversight for three new oil and gas units, four new participating areas, three unit or participating area expansion/contractions, and 43 plans of development.
 - Sustain Alaska's mineral industry investments by completing geophysical/geological mineral inventory survey of 1,000 square miles of Alaska lands and publish the associated maps.
 - Identify new areas capable of hosting major oil and gas discoveries.
 - Increase Alaska's market share of world exploration dollars and increase mining employment, by continued encouragement and providing services that facilitate development of the mining industry.
 - Transfer title for the Denali Block from BLM to the State to allow for mining activity.
 - Complete the Northern Southeast Area plan that identifies approximately a million acres for timber and other resources development as well as for recreational, habitat and settlement purposes.
 - Facilitate special interagency project reviews through an interagency project team process for such projects as: Pogo Mine, Green's Creek, True North, and Red Dog expansions.
 - Process new mining claims within three weeks of filing; and efficiently administer the existing 50,000 claims; efficiently process 10 new mining leases and 1,000 new mineral prospecting sites.
 - Process over 600 permit applications for commercial and guided recreation use on state park lands.
 - Seek a concession contract operator for adaptive re-use of the historic buildings at Independence Mine State Historic Park as a year around visitor destination.
 - Convey up to 12,000 acres of land to qualifying municipalities, and prepare the process to convey another 60,000 acres in FY04.
 - Generate state revenues and local economic development by offering up to 45.9 million board feet of timber with emphasis on value added products.
 - Increase revenues generated from Alaska Mental Health Trust Lands over time in a manner consistent with trust management principles.
 - Provide an expanded agriculture base by preparing 14 land disposal parcels with 4,200 acres, and continue management of 17 grazing leases opportunities on grassland areas.
 - Process 500 land use permit applications, including commercial guides permits, access to mining claims and logging areas, cross-country travel, placer mining permits, exploration permits, trapping cabin permits, and tideland permits.
 - Process approximately 150 applications for material sales, shore fishery leases, upland and tideland leases, lease renewals, rights-of-way, and interagency land management assignments.
 - Respond to all Native allotment and ANCSA conveyance decisions by the federal government to reserve access to state land.
 - Create employment opportunities in rural Alaska by conducting enhanced geological surveys of Alaska's historical placer mining districts incorporating remote sensing technologies to identify new prospective areas.
 - Process the typical new water right applications within 60 days, the typical new temporary water use authorization within 20 days. Process roughly one-fifth of the priority water right backlog.

- Utilize local construction contractors to complete 12 park construction projects valued at \$14 million.
 - Continue contracting for private operation of 12 state park facilities and for large concession contracts at three additional sites.
 - Continue to diligently audit oil and gas royalty payers.
 - Complete 20 trail projects associated through federally funded National Recreation Trail Grant program.
2. "Doing it Right": Ensure resource development planning, management and new project approvals are based on 1) sound science, 2) prudent management, and 3) responsive, meaningful public involvement.
- Oversee the construction of three new, and operation of ten existing common carrier petroleum pipelines on the North Slope, and report on the oversight.
 - Collect data and information for land status, hydrology, and geological hazards along the most probable route of a gas pipeline.
 - Protect popular trails of regional significance by securing trail easements from willing private property owners and dedicating those trails on land status plats.
 - Develop draft ground-motion site-response maps and a draft seismic soil-class map for Anchorage for use with building codes to design more earthquake-resistant buildings.
 - Coordinate state oversight of TAPS with the U.S. Bureau of Land Management, to ensure safe, efficient transportation of North Slope oil to market so that TAPS remains available to bring North Slope crude to market.
 - Supervise the safety inspection of approximately 15 dams and test emergency action plans for three high-risk dams.
 - Evaluate areas subject to major hazards like floods, earthquakes, volcanic eruptions, and landslides to help predict likelihood and severity of future major events.
 - Conduct 1,400 produce inspections, including local field inspections, military and commercial; seed certification, and issue certificates for export products.
 - Maintain inventory of historic and archaeological sites for use by developers, land managers and planners.
 - Implement recommendations from the Spruce Bark Beetle Strategy Task Force with other landowners on the Kenai.
 - Coordinate, through the Natural Resource Conservation and Development Board, programs to obtain federal funding for agriculture related conservation and erosion control in Alaska.
 - Complete the master plan revisions for Wood-Tikchik State Park, the Alaska Chilkat Bald Eagle Preserve, and add Chena River State Recreation Area.
 - Provide overall logistical coordination and management for a major expansion of the Alaska Volcano Observatory volcano eruption monitoring capabilities that will improve safety in Alaska's air routes.
 - Support regular meetings of 14 park advisory boards.
3. Ensure resource sustainability and multiple use, including recreational enjoyment of the resource base.
- Operate 121 state park units and maintain park access for 4.0 million visits.
 - Manage 500-600 wildfires of varying sizes.
 - Reforest all state land harvested for timber.
 - Provide management oversight to 2.6 million acres of legislatively designated public use, recreation areas, trails, and 15 special use areas; and provide co-management oversight of 5.4 million acres of legislatively designated game refuges, critical habitat areas, sanctuaries, and wildlife ranges.
 - Offer 2,500 subdivision parcels of land for sale to Alaskans by lottery and maintain the unsold parcels for sale over-the counter; maintain the existing 2,500 parcel inventory of subdivision parcels for sale to Alaskans; and offer 250 parcels for sale under the remote recreational cabin program ("the stake-it-yourself program").
 - Cooperate with local, state and federal agencies, private and public organizations and individuals to develop and deliver nationally approved, effective, and relevant boating safety education programs, with a focus on children and high-risk boaters.
 - In cooperation with the Alaska State Snowmobile Association, develop and implement a statewide snowmobile & avalanche safety education program.
 - Provide 10 snowmobile trail grants and five safety and education grants to local snowmobile clubs and agencies.

4. Streamline natural resource leasing, sales, and permitting processes.
- Identify information, requirements and time frames necessary for a right-of-way and permits for a gasline from the North Slope to market.
 - Streamline and improve the Recorder's Office operations to better meet the workload and user demand by incorporating current technology, such as the imaging of documents.
 - Consolidate related business operations so that customers can complete all the needed transactions in one place; for example, allow new mining claim rental payments at the Recorder's Office.
 - Deploy an enterprise Geographic Information System (GIS) based on DNR land records – re-invent the State Status Plat to work as an interactive digital product using relational database. Advance the goal of Enterprise GIS across state agencies.
 - Provide DNR staff and the public with a more integrated view of land information by linking the business transactions with the mapping systems on a desktop as much as possible.
 - Maintain the state's land database through the notation of 20,000 state resource transactions affecting 6,000 townships; reduce notation cycle time. Make the information available to the public over the Internet.
 - Continue efforts to utilize on-line application, notice and receipt of comment for state land sales, land offerings, and permit applications.
 - Provide rapid responses to requests for technical assistance or information on engineering geology issues and geologic hazards in Alaska associated with land leases, sales, or permitting processes.
 - Move Uniform Commercial Code Filings to a fully electronic and paperless operation; implement new UCC national standards.
 - Absorb the three court recording offices into DNR operations and eliminate the dual administration of recording functions in those offices.
 - Reduce the cost of interagency reviews by using on-line document access and electronic processing of comments, for example, Annual Placer Mining Applications.

Key Department Issues for FY2002 – 2003

- Making workforce development a priority, to deal with on-going difficulties in recruiting and retention of qualified staff.
- Completion of classification studies of DNR job classes and acquire funding for pay changes.
- Lost and deferred revenues from delayed issuance of oil and gas leases. Delays of up to eight months in issuing oil and gas leases, resulting in equivalent delays in receiving bonus and rental payments -- nearly \$9 million in FY 01.
- Implementation of the Shallow Gas and Exploration Licensing Oil & Gas programs.
- Continue to work with affected owners of property overlying state oil and gas leases proposed for exploration and/or development.
- Transfer of title for the Denali Block from BLM to the State.
- The rate of transferring state lands to municipalities under Municipal Entitlement Program
- Pre-planning for a Natural Gas Pipeline application.
- Parks have \$42 million in deferred maintenance backlog.
- Park operations sufficient to provide safe, clean, and well-maintained facilities for 4.0 million visits.
- Implement HB185: develop a water rights fee system that reflects the reasonable direct cost of processing applications; and ensure that the water rights adjudication system can process typical new water rights within 60 days, and typical temporary water use authorizations within 20 days.
- Strengthen our Water rights administration through changes to legislation, updating of the regulations, information systems, and adjusting staffing to workload.
- Implement the land disposal targets of SB 283, passed in 2000.
- Upgrading of our main database systems such as the Land Administration System and the Land Status Geographic Information System.
- Applying modern information technology to expand, organize, preserve, and disseminate the geologic resource knowledge base of Alaska.

- Expansion of customer service by accepting mining rental payments in the recording office, eliminating an extra stop for the miners.
- Bringing the remaining three court recording offices under DNR administration.
- Limitation of forest management options due to weak markets, especially in bark beetle areas.
- Review of Region II (south-central Alaska) forest practices standards for riparian management.
- Administration and recordation of RS2477 rights-of-way.
- Protect public access to key recreational trails and recreation areas of state and regional significance.
- Implementation of boating and snowmobile/avalanche safety programs to reduce outdoor recreation related fatalities.
- The renewal of the right-of-way lease for TAPS, for a large number of facilities ancillary to TAPS, and for five common carrier pipelines on the North Slope due to expire in less than three years.
- Pending are assignments for the Alpine Oil Pipeline Right-of-Way Lease and Milne Point pipeline right-of-way leases. Also pending are guaranties for the Milne Point pipelines, Northstar pipelines, Badami pipelines, and Endicott Pipeline.
- Working with the Lessees on the as-builts for Badami, Alpine and Northstar as required in the AS 38.35 pipeline right-of-way leases.
- Settlement of the School Trust Lands valuation issue to determine the appropriate amount to be deposited into the School Trust Fund annually.
- Erosion of the Agricultural Revolving Loan Fund through funding of non-ARLF functions in the state budget.
- Management, review, and termination of Sec. 17(b) of ANCSA easements to Alaska Native corporations.
- Initiation of the construction at the Plant Material Center of Seed Lab and Post Entry Plant Quarantine Facility funded through USDA.
- Plan for, possibly negotiate and implement a North Slope royalty in-kind natural gas sale in response to proposals for North Slope gas pipelines.
- Begin environmental review, begin trail design, and identify the preferred route for the Upper Copper River Trail.
- Sustaining the Park volunteer/campground host program in light of a national downturn in available campground hosts.

Major Department Accomplishments in 2001

1. Encourage resource development that creates Alaska jobs and ensures economic growth in all regions of the state.
 - Collected and accounted for \$1.1 billion in O&G royalty, settlement, rental, federal share and bonus revenues.
 - Leased 1.8 million acres in five oil and gas lease sales.
 - Issued the first exploration license, totaling 318,756 acres. Issued the first four shallow natural gas leases totaling 23,040 acres.
 - Provided technical and policy support to the Governor's gas pipeline policy group and the Legislature's gas pipeline review committees.
 - Exploratory drilling from the newly installed Osprey Platform in Cook Inlet resulted in estimated recoverable reserves of up 50 million bbls.
 - Permitting of 1,465 square miles of 3D seismic lines shot on the North Slope, about 3½ times the amount shot the previous year.
 - First oil from the Alpine Field in December 2000.
 - Six right-of-way leases for pipelines have been executed in the last two years, reducing the number of pending applications and increasing the number of pipeline operations that the department oversees to 18.
 - Offered approximately 3,000 acres of land to individuals in 294 parcels of which 210 parcels were sold.
 - Disposed of 6,445 acres of ARLF agricultural property for \$2.25 million; disposed of 5,080 acres of agricultural interest land for \$1.38 million.
 - Transferred 16,677 acres of land to 10 municipalities under municipal entitlement laws.
 - Local contractors completed \$4.1 million in construction at 16 Parks recreation facilities.
 - Generated \$365.0 from sale of forest products, offered ~ 35.7 million board feet of timber, sold 65 timber sales, administered 156 active sales, issued 458 personal use wood permits, and replanted 1,671 acres.

- Increased revenues generated from Alaska Mental Health Trust Lands from \$3.7 million to \$7.2 million.
- Acquired and made available to the public geophysical maps and data for 1,032 square miles of prospective mineral terrains in southwest Alaska.
- Prudhoe Bay West End development permitted, and two new drill sites and related pipelines constructed.
- Completed 800 square miles of geologic mapping in prospective mineral and oil and gas terrains.

2. "Doing it Right": Ensure resource development planning, management and new project approvals are based on 1) sound science, 2) prudent management, and 3) responsive, meaningful public involvement.

- Provided technical and policy support to the Governor's gas pipeline policy group and the Legislature's gas pipeline review committees.
- Continued legal and permitting activities leading to commencement of drilling and production from the Northstar field Drilling commenced at the Northstar production island in the Beaufort Sea.
- Twenty-five winter exploration well approvals issued.
- Permitted the Meltwater North field development.
- Conducted a statewide "Firewise" conference to reduce fire dangers around private residences.

3. Ensure resource sustainability and multiple use, including recreational enjoyment of the resource base.

- Collected \$2.3 million in park user fees and provided recreational opportunities for 4.0 million park visits.
- Completed the first recreational trail easement acquisition for a trail of regional significance with the University of Alaska at Clam Gulch for snowmobile trail access to the Caribou Hills.
- Working with the Alaska Marine Safety Education Association, developed Alaska's first nationally approved boating safety education training course.
- Provided 13 Snowmobile and 33 National Recreation Trail grants to local clubs and government agencies.
- 700 Park volunteers contributed almost 100,000 hours of service.
- Provided grants to 12 communities for tree planting, conservation education, and program development.
- Trained 13 tree stewards in Fairbanks to provide volunteer tree care to community trees.
- Awarded \$131,282 in grants to six ANCSA corporations for forest stewardship plans on 30,022 acres, and completed 37 forest stewardship plans for individual landowners on 2,399 acres.
- Managed and responded to a total of 299 wildland fire occurrences on 134 million acres.
- Through collaboration with NASA guided the acquisition of high-resolution digital elevation data for the proposed natural gas pipeline corridor between Fairbanks and the Yukon, Canada border.
- Utilized the Tazlina Type 1, and Matsu and Kenai EFF Crews for hazard tree removal, firebreak improvement, and other hazard fuel work reducing the potential of a serious wildland fire on the Hillside are in the Municipality of Anchorage and on the Kenai Peninsula.
- Issued the first four shallow natural gas leases, totaling 23,040 acres.
- Collaborated with the U. S. Geological Survey and the University of Alaska to expand the Alaska Volcano eruption-monitoring network from 20 to 21 volcanoes with the addition of Great Sitkin Volcano near Adak.

4. Streamline natural resource leasing, sales, and permitting processes.

- The Recorder's Office initiated a digital document imaging and bar-code system; replaced their microfiche document system; and provided public access via the Internet to statewide recording and Uniform Commercial Code index.
- Eliminated the Mining Claim backlog through computerized processing business changes and new information systems.
- Reinstated platting of State Prospecting Permits using automation.
- Combined Federal land plats and surveys with state platting and survey system; ~ 100,000 plats available on-line, eliminating the need for aperture card distribution and filings.
- Made all Division of Geological and Geophysical Surveys geologic maps and reports available on-line, eliminating the need to order printed copies or to be on site to use the documents.

Governor's Key Department-wide Performance Measures for FY2003**Measure:**

Commissioner's Office - The revenue generated by the development and sale of natural resources.
Sec 108(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY01 \$1.1 billion was received in total revenues.

Benchmark Comparisons:

There is no specific benchmark as we try to maximize the revenues to the state given the price of the commodity.

Background and Strategies:

The department's mission is to develop, conserve, and enhance natural resources for present and future Alaskans. This means that we try to meet the demand of the resource development in a responsible way and optimize our return in today's market but also by keeping an eye out for the future.

Measure:

Recorder's Office - The percentage of maintained daily entry and weekly verification of the on-line grantor/grantee and location indexing process for all documents accepted in the recorder's offices.
Sec 108(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Current status: During FY01 the mission and measures for the Recorder's Office were changed by the legislature to reflect the fact that it is unrealistic to achieve full input and verification functions in all offices on the same day that documents are recorded due to the number of remote office locations. Because the new measure (shown above) differs substantially from the indexing measure utilized in the prior three quarters of FY01, the following percentages are provided based only on fourth quarter compliance with the revised indexing measure.

During the fourth quarter of FY01 **the objective of daily input was performed** as follows against a target of 100%:

UCC Central 97%; Fairbanks 95%; Ketchikan 92%; Bethel 92%; Sitka 98%; Anchorage 27%; Palmer 86%; Kenai 97%; and Homer 97%;

Meeting the target were: Juneau 100%; Nome 100%; and Kodiak 100%.

During the fourth quarter of FY01 **the objective of weekly verification completion** was performed as follows against a target of 100%:

Bethel 98%; Nome 97%; and Anchorage 98%;

Meeting the target were: UCC Central 100%; Fairbanks 100%; Juneau 100%; Ketchikan 100%; Sitka 100%; Palmer 100%; Kenai 100%; Homer 100%; and Kodiak 100%.

Benchmark Comparisons:

Many recording facilities in other jurisdictions are able to meet this daily indexing goal as a result of implementing imaging technology.

Background and Strategies:

In order to provide the greatest service to the public, indexing of the public record information needs to be fully complete at the end of each business day. Many recording facilities in other jurisdictions are able to meet this daily indexing goal as a result of implementing imaging technology. Our new indexing system implemented in 1999 allows indexing information to be made available to the public upon input (our prior system did not contain this feature). The Anchorage office has had the most difficulty meeting the daily input standard due to near record high recording volumes.

A new indexing system implemented in 1999 enabled the component to resolve the massive indexing backlogs that had accrued under the prior system while still processing incoming work at peak levels. Throughout FY00 and FY01, significant improvement occurred in meeting this performance objective. Factors preventing 100 percent compliance in all locations included near record recording volumes, staff shortages, late day recordings, lengthy legal descriptions, communication line problems, heavy customer traffic, and late mail deliveries. While the component has no control over the volume of incoming work, it will continue to strive for improvements in this area.

Measure:

The annual volume of state timber offered for in-state companies and converted to value-added products. Sec 110(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Target:

32.5 MMBF offered for in-state companies and converted value-added products.

Progress:

From FY97 through FY01, DNR sold over 240 timber sales to more than 120 different in-state purchasers to be processed wholly or partially in-state. These sales totaled over 80 MMBF of timber (see table).

Number of state timber sales to Alaskan businesses							
Area	FY 97	FY 98	FY 99	FY 00	FY 01	Total FY97-01	# Different Purchasers
Southern SE	17	25	14	13	6	75	36
Northern SE	1	7	1	5	13	27	15
Kenai-Kodiak	0	0	1	4	0	5	4
MatSu/SW	4	2	1	4	6	17	10
Fairbanks	21	10	10	19	21	81	46
Delta	7	7	4	10	8	36	14
Tok	0	0	1	4	2	7	6
Statewide Total	50	51	32	59	56	248	128

Note: Some purchasers bought timber from more than one area, therefore the statewide total for the number of different purchasers is less than the sum of the areas.

Benchmark Comparisons:

There is no standard for this measure.

Background and Strategies:

The DNR timber sale program focuses on supporting Alaskan jobs by making timber available for local processors. Competitive and negotiated sales are offered in sizes and locations needed by local processors throughout the state. In Southern Southeast Alaska, all offerings were sold. In most other areas, more timber was offered than was sold. Unsold timber remains available over-the-counter or is re-offered.

Some state timber is exported. Salvaged wood in spruce bark beetle areas will mostly go to export chip markets. A portion of the timber in Southern Southeast value-added sales is pulp or utility wood with no local market. The pulp and utility wood may be exported, while the higher-grade wood is processed in-state.

Measure:

The percentage of fires in full and critical protection categories that are held to less than 10 acres.
 Sec 110(b)(7) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Target:

Contain 90% of fires in full and critical protection categories at 10 acres or less.

Progress:

First quarter FY02 on track. In fire season 2001, 271 of 277 fires (99%) of fires in full and critical protection were kept to 10 acres or less. In fire season 2000, 236 of 241 fires (98%) reached the target.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The Division of Forestry responds to an average of 423 wildland fires annually in its protection area with the exact number and location being unknowns. The most cost-effective response requires adequate preparedness and coordination with the Division's numerous cooperators. The occurrence of wildland/urban interface fires will continue to increase as the population moves to the wooded areas of the state, climatic changes result in longer fire seasons, and serious insect/disease infestations add to the hazardous fuels problem.

Strategies include providing immediate, aggressive initial attack in coordination with cooperating local government, structure fire departments and federal agencies. This strategy includes creating and maintaining cooperative agreements to enhance initial attack response effectiveness. Additional strategies include media coverage of fires to expand public awareness of the impact of human caused fires, support of fire prevention activities, and increased public education on how to create survivable space around private property.

Measure:

Oil & Gas - The number of resident and nonresident private sector jobs in the oil and gas industry in the state.
 Sec 111(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

According to the State Department of Labor, the statistics on employment in Alaska for oil and gas extraction have increased. Below are annual averages since 1998:

2001 (Jan-Aug)	11,200
2000	10,300
1999	9,400
1998	9,300

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

These figures are available at this site:

http://www.labor.state.ak.us/research/emp_ue/ak95prs.htm

Measure:

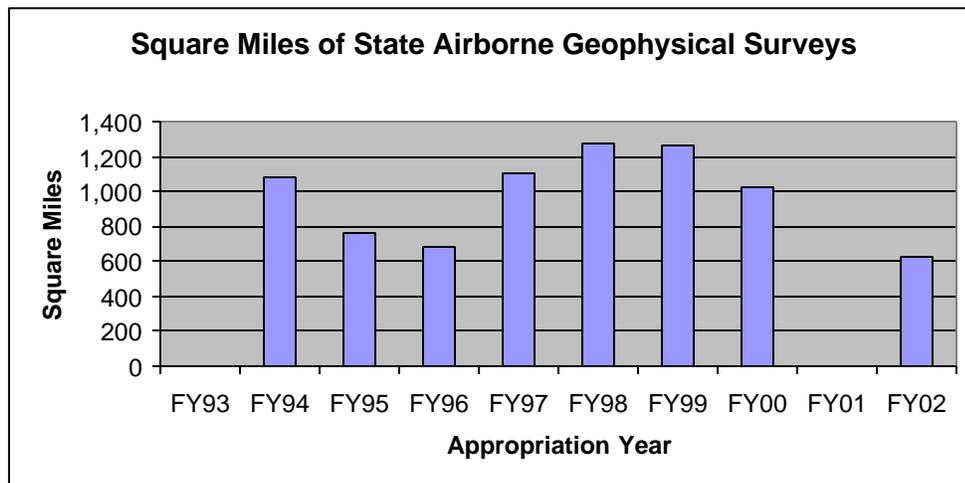
Geological Development - The number of completed geophysical/geological mineral surveys of at least 1000 square miles of Alaska land.

Sec 113(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The 1000 square mile is a challenging target given the staff size and funding available to DGGs. In FY2001, DGGs completed 1240 square miles of federally sponsored airborne geophysical surveys and 808 square miles of geological ground-truth mapping.

Because of an approximately 40 percent increase in the cost of airborne geophysical contracts, DGGs will be able to secure only 630 square miles of new airborne geophysical data on state land in 2002. DGGs is on track to release 1000 square miles of combined mineral and energy ground-truth geologic mapping in 2002.

**Benchmark Comparisons:**

There is no benchmark for this measure.

Background and Strategies:

DGGs intends to maintain this performance measure unchanged for FY2003. We are pursuing complementary federal funding and cooperative agreements with federal agencies in an attempt to acquire resources needed to increase the square miles of geologic ground-truth mapping in geophysical survey tracts that can be completed in a fiscal year. The magnitude of the square miles of airborne geophysical surveys that can be completed in one year is a function of CIP appropriations. A tract of 1000 square miles is in good balance with historic funding, public expectations, and a level of commitment that is effective in catalyzing investment in Alaska's mineral industry. Costs of conducting both airborne geophysical surveys and ground-truth geologic surveys have escalated sharply in the last 18 months, in large part because of increased helicopter contract costs. In FY01 the airborne geophysical CIP appropriation was below the threshold needed to conduct a cost efficient survey. Thus no predominantly state-owned mineral tract was surveyed in FY01. DGGs was able to secure a commitment of federal funds to geophysically survey about 1240 square miles of a mixed ownership (federal - Native Corporation - state) land in southwest Alaska. Because of the ownership pattern of that land, however, we do not believe that this airborne geophysical data will have the same impact on exploration investment, as would a survey over predominantly state lands where access is more open and right of tenure is more certain.

Measure:

Parks Management - The level of deferred maintenance in state parks.
Sec 114(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

To steadily reduce the identified \$42 million in deferred maintenance and ADA upgrades in the park system.

Inventory of Deferred Maintenance in state parks:

1998 - \$35 million in deferred maintenance identified in division facility summary

2001 - \$42 million in deferred maintenance identified in division facility summary

Funding to address this Deferred Maintenance:

1996 - No funds for maintenance

1997 - \$150.0 in CIP for emergency repairs

1998 - \$200.0 in CIP for emergency repairs

1999 - \$200.0 in CIP for emergency repairs

2000 - \$200.0 in CIP for emergency repairs

2001 - \$286.0 in CIP for emergency repairs

2001 - \$168.0 in CIP for Park upgrades

2002 - \$286.0 in CIP for emergency repairs

At the current rate of funding our inventory of deferred maintenance will continue to grow.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

Parks has been unable to address this growing backlog due to lack of CIP funds. For the years 1996 to 2002, Parks averaged only \$212.0 annually in the capital budget for deferred maintenance and then only for those repairs tied to health and human safety. Some facilities that are along a highway corridor can be upgraded with Federal Highway -TEA 21 funds so long as we fit the TEA 21 criteria. Campgrounds CANNOT be built or upgraded with TEA 21 funds. Parks has been successful in addressing some of its needs through this channel and will continue to do so. Facilities that involve powerboat and angler access can be fixed with our partnership with ADF&G for federal sportfish access funds for boat launch ramps.

Funds from TEA 21 and ADF&G, however, do not cover the majority of our deferred maintenance needs. Parks needs significant funds dedicated to this problem. The use of federal Land & water Conservation fund moneys can only be used for facility development if the state provides a 50% match. In addition to LWCF, Parks could address these problems through funds raised by bonds.

Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Management and Administration	2,035.7	0.0	1,961.4	3,997.1	2,058.1	150.4	2,575.5	4,784.0	2,107.1	151.0	2,168.8	4,426.9
Information/Data Management	4,568.8	58.4	753.1	5,380.3	2,198.7	30.6	3,322.0	5,551.3	2,232.6	230.9	3,934.5	6,398.0
Resource Development	999.7	0.0	1,496.1	2,495.8	294.3	0.0	1,733.2	2,027.5	294.3	0.0	1,733.2	2,027.5
Forestry Management and Develop	6,971.0	867.3	2,227.0	10,065.3	7,020.1	1,161.9	753.7	8,935.7	7,133.2	1,175.4	1,047.4	9,356.0
Oil and Gas Development	4,003.1	27.1	3,655.2	7,685.4	4,235.0	180.5	4,861.8	9,277.3	4,886.7	182.2	7,148.9	12,217.8
Minerals, Land, and Water Dev.	9,761.4	1,858.4	3,448.8	15,068.6	9,447.0	2,294.0	4,684.6	16,425.6	9,887.1	2,326.9	5,090.2	17,304.2
Parks & Recreation Mgmt	5,687.0	122.0	3,535.8	9,344.8	5,750.1	399.9	2,912.9	9,062.9	6,599.6	403.8	3,084.8	10,088.2
Agricultural Development	9.1	1,146.5	1,378.1	2,533.7	16.0	1,676.9	1,670.2	3,363.1	26.0	2,055.9	1,728.4	3,810.3
Agr Revolving Loan Pgm Admin	0.0	0.0	565.0	565.0	0.0	0.0	707.9	707.9	0.0	0.0	743.9	743.9
Statehood Defense	99.4	0.0	0.0	99.4	115.0	0.0	0.0	115.0	415.0	0.0	0.0	415.0
Facilities Maintenance	1,349.8	0.0	192.7	1,542.5	1,372.2	0.0	1,103.2	2,475.4	1,372.2	0.0	1,204.8	2,577.0
Statewide Fire Suppression	14,259.6	10,072.1	18.5	24,350.2	3,195.9	7,321.0	0.0	10,516.9	3,229.6	7,321.8	0.0	10,551.4
Language Section Appropriations	449.9	0.0	15.3	465.2	0.0	0.0	325.4	325.4	0.0	0.0	0.0	0.0
Totals	50,194.5	14,151.8	19,247.0	83,593.3	35,702.4	13,215.2	24,650.4	73,568.0	38,183.4	13,847.9	27,884.9	79,916.2

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	14,151.8	13,215.2	13,847.9
1003 General Fund Match	408.3	415.2	422.1
1004 General Fund Receipts	42,847.8	30,718.3	32,869.1
1005 General Fund/Program Receipts	6,938.4	4,568.9	4,892.2
1007 Inter-Agency Receipts	5,857.8	4,694.5	5,052.6
1018 Exxon Valdez Oil Spill Settlement	811.5	1,596.4	1,075.3
1021 Agricultural Loan Fund	1,576.9	1,846.9	1,906.5
1053 Investment Loss Trust Fund	303.5		
1055 Inter-agency/Oil & Hazardous Waste	29.5	95.8	97.3
1061 Capital Improvement Project Receipts	3,318.6	2,843.2	5,260.7
1066 Public School Fund	15.3	325.4	
1092 Mental Health Trust Authority Authorized Receipts	762.1	983.2	983.2
1105 Alaska Permanent Fund Corporation Receipts	1,065.5	2,129.0	2,153.3
1108 Statutory Designated Program Receipts	3,549.4	4,652.0	4,427.3
1114 Exxon Valdez Oil Spill Restoration Fund	47.9		
1153 State Land Disposal Income Fund	1,909.0	2,601.0	3,022.4
1154 Shore Fisheries Development Lease Program			308.0
1155 Timber Sale Receipts		280.0	330.7
1156 Receipt Supported Services		2,603.0	3,267.6
Totals	83,593.3	73,568.0	79,916.2

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	579	656
Permanent Part Time	237	235
Non Permanent	93	101
Totals	909	992

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Land Use Data Base System Upgrade for Improved Access	390,000	0	0	390,000
Land and Water Conservation Grants for State Parks Upgrades	500,000	500,000	0	1,000,000
State Park Emergency Repairs	250,000	0	0	250,000
Seismic Data Acquisition and Interpretation to Promote Oil Exploration and Leasing	155,000	0	0	155,000
Oil and Gas Electronic Signature for Lease Assignments and Payments	150,000	0	0	150,000
Oil and Gas Leasing and Unit Database and Mapping Upgrade	410,000	0	0	410,000
Fire Truck Replacements	400,000	0	0	400,000
Snowmachine Trail Development and Program Grants	200,000	0	0	200,000
Airborne Geological and Geophysical Mineral Inventory	500,000	0	0	500,000
Alaska Boating Safety	200,000	600,000	0	800,000
Kenai River Boat Wake Erosion Study	200,000	0	0	200,000
Fire Suppression Retardant Equipment Upgrades	250,000	0	0	250,000
Oil & Gas Document Imaging	200,000	0	0	200,000
Forest Inventory for Timber Sale Planning in Southern Southeast Area	100,000	0	0	100,000
Recorder's Office Equipment Upgrades and Records Preservation	0	0	300,000	300,000
Recorder's Office Imaging of Prior Five Years' Index for Customers	0	0	200,000	200,000
Alaska Minerals Information At Risk Program: Mining and Land Records Integration	0	650,000	0	650,000
Aquatic Farming Site Identification	0	0	144,600	144,600
Historic Preservation and Restoration Projects - United States Army Public Works Program	0	600,000	0	600,000
National Historic Preservation Fund Federal Grant Program	50,000	1,200,000	0	1,250,000
Independence Mine Historic Preservation Grant for Building Restoration	0	1,500,000	0	1,500,000
Mental Health Trust Land Development	0	0	800,000	800,000
Abandoned Mine Lands Reclamation Federal Program	0	1,600,000	0	1,600,000
Parcel Purchases by Exxon Valdez Oil Spill Trustees	0	0	291,000	291,000
National Fire Plan Federal Initiative	0	1,200,000	0	1,200,000
Promoting Agriculture in Alaska	0	295,000	0	295,000
Forest Legacy Federal Grant Program	0	500,000	0	500,000
Land and Water Conservation Fund Federal Grants	0	500,000	0	500,000
National Recreational Trails Federal Program	0	695,000	0	695,000
Department Total	3,955,000	9,840,000	1,735,600	15,530,600

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

The following are the key proposed budget increases:

Oil and Gas Development component - \$750.4 GF:

Oil Safety & Development Initiative - \$500.0 GF:

DNR's participation in this initiative are by Oil & Gas and Mining, Land and Water staff for the following activities:

- Due to competitive areawide leasing, the addition of the exploration license program, and the unexpected popularity of the shallow gas-leasing program, it is currently taking the division up to a year to conduct title reviews and issue leases. The division's goal is to be able to issue leases 3-4 months following a lease sale or receipt of application.
- Shallow gas leases are currently being issued in areas where there are dense numbers of surface owners. This could lead to potential conflicts between surface owners and industry, which can be mitigated, in part, through public education and the division taking a more visible role in conducting on-site inspections. With additional staff requested, the division expects to be more proactive in conducting inspections on the Kenai Peninsula and the Mat-Su Valley.

Oil & Gas Royalty Valuation - \$250.4 GF

Over the last year, the division's commercial workload increased substantially as the division initiated renegotiations of existing royalty settlement agreements, delved into gasline issues, and sought to resolve long-standing royalty disputes. Central to these issues are pipeline tariffs. Small differences in the allowed tariffs on state royalty production means millions of dollars differences in the amount of royalty dollars received by the state. For example, a five-cent per barrel change in the TAPS tariff means a difference of \$40 million per year to the state treasury. Understanding and negotiating these tariffs is a very specific professional skill. The division requires pipeline expertise for the potential North Slope gas pipeline and several common carrier pipelines including TAPS, Northstar, Alpine, and the Milne Point products pipeline, as well as new pipelines constructed to carry production from new fields.

Minerals, Land, and Water Development BRU - \$350.0 GF:

Denali Block Mgt - Claims, Permits and Leases Component - \$160.0 GF

The Denali Block is the unofficial name given to about 5 million acres of largely federal land along the Denali Highway between Paxson and Cantwell. Over the last few years there has been a great deal of mineral exploration in the area that indicate the potential for a significant deposit of platinum. The area is also used for recreation and camping and is important for sport hunting and subsistence. The Denali Block also includes the Tangle Lakes Archaeological district, containing more than 400 sites. DNR has placed 235,000 acres (less than 5% of the total area) on its conveyance priority list to accelerate mineral exploration. With ownership of this land, however, comes the responsibility to actively manage the land.

Oil Safety & Development Initiative - Claims, Permits and Leases Component - \$110.0 GF

The Division of Mining, Land & Water is an active participant in the management of oil and gas leases and actively manages the surface activities outside of the lease boundaries. In addition to other O&G activity, DNR received over 300 shallow gas applications last year. Many of these applications are in more urban settings, creating conflicts with use. With the introduction of Shallow Gas Leasing and the expansion of exploration into new and more remote areas of the North Slope, current staffing levels are inadequate to address these programs.

Oil Safety & Development Initiative - Title Acquisition & Defense Component - \$80.0 GF

The state may only lease land where it owns the subsurface rights. Therefore, before a lease may be issued in accordance with AS 38.05.180(f) and (m), DNR must conduct a title search. With current staffing DMLW has a 6-month backlog for O&G lease sale title reports. With the addition of one Natural Resource Officer II, the division will be able to stay on track with DNR's scheduled O&G activities.

Parks & Recreation Management component - \$760.9 GF:

Parks Improved Maintenance, Safety, and Fee Collection - \$700.0 (450.0 GF, \$250.0 GFPR)

Parks has reached a critical juncture where they can no longer provide adequate staffing and maintenance attention necessary to keep the parks safe and clean. Existing park operations and maintenance staff, 57% of whom work less than 12 months, are unable to keep up. This has led to a reduced ability to manage volunteers. It creates a challenge for safeguarding user fees. And it forces critical staff to often work alone.

The maintenance needs of park facilities and fee collection will be improved. The maintenance needs that will be addressed include painting of outhouses, picnic tables, and other structures, maintenance on water systems and wells, clearing hiking and ATV trails, and fixing leaking roofs. Additional support is included for collecting, counting, and safe guarding fees in Mat-Su, Kenai, and Fairbanks where existing staff cannot keep up with the increase dollars raised through park user fees.

- **Parks two-way radio circuit increases - \$40.7 GF**
- **Parks fuel cost increases \$20.2 GF**

Statehood Defense BRU - RS 2477 Easement Management - \$300.0 GF:

This request is in response to significant public demand for DNR action following passage of AS 19.30.400-.415. Conflicts among users and landowners of the more than 650 known RS 2477 rights-of-way is an increasing problem. Resolution is time-consuming. In addition, the law requires that DNR use great care in vacating an RS 2477 right-of-way. In practice, this often involves lengthy interviews with landowners, surveyors, and other interested parties to determine: 1) Whether an RS 2477 has been asserted or if not, whether evidence indicates that a public right exists; 2) how certain the physical location is and whether a survey needs to be performed (surveys require DNR review and approval); and 3) whether the owners want a realignment of the right-of-way (on their own property) or to vacate the right-of-way altogether.

Other GF changes are:

- Agricultural Development component -Increase in Soil & Water Board expenses - \$10.0 GF.
- Switch in Water Development component program from GF(\$84.0) to Receipt Supported Services \$84.0.

Key budget decreases are in:

Management and Administration - EVOS Trustee Council Projects - (\$528.2) EVOS Funds.
Resource Development - Mental Health Lands Administration - (\$20.2) MHTAAR Funds.

For all non-general funded budget changes see individual component write-ups for more detail. The summary of key changes are:

Recorder's Office Component:

- Taking over the remaining three Court Offices - \$60.0 Receipt Supported Services.
- Data Base Administration and IT support - \$80.0 Receipt Supported Services.
- Facilities Rent payments - \$266.2 Receipts Supported Services.
- Classification of Recorder's Series - State Internal Alignment - \$120.0 Receipt Supported Services.

Information Resource Management Component:

- BLM's Integrated Data Framework for Electronic Delivery - \$200.0 Federal Funds.

Forest Management Component:

- Overcoming Barriers to Value-Added Timber Sales - \$50.0 Timber Receipts.
- Hazard Fuels Assessment and Mitigation Projects - \$230.0 (\$60.0 I/A, and \$170.0 CIP).

Water Management Component:

- Dam Safety Projects - \$45.0 SDPR reimbursement from applicants.
- Dam Safety - FEMA - \$10.0 Federal Funds.

Land Sales & Municipal Entitlements Component:

- Increase the rate of transfer of state land to Municipalities - \$210.0 Land Disposal Income Fund.

Parks Management Component:

- Increase participation in the F&G Dingle Johnson Grant projects - \$115.0 I/A.

North Latitude Plant Material Center Component:

- Alaska Seed Grower Assistance Program - \$350.0 Federal Receipts.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	35,702.4	13,215.2	24,650.4	73,568.0
Adjustments which will continue current level of service:				
-Management and Administration	49.0	0.6	31.5	81.1
-Information/Data Management	33.9	0.3	66.3	100.5
-Resource Development	0.0	0.0	20.2	20.2
-Forestry Management and Develop	113.1	13.5	13.7	140.3
-Oil and Gas Development	-98.7	1.7	96.8	-0.2
-Minerals, Land, and Water Dev.	90.1	22.9	154.8	267.8
-Parks & Recreation Mgmt	88.6	3.9	56.9	149.4
-Agricultural Development	0.0	29.0	32.8	61.8
-Agr Revolving Loan Pgm Admin	0.0	0.0	6.0	6.0
-Statewide Fire Suppression	33.7	0.8	0.0	34.5
-Language Section Appropriations	0.0	0.0	-325.4	-325.4
Proposed budget decreases:				
-Management and Administration	0.0	0.0	-528.2	-528.2
-Resource Development	0.0	0.0	-20.2	-20.2
-Minerals, Land, and Water Dev.	0.0	0.0	-58.0	-58.0
Proposed budget increases:				
-Management and Administration	0.0	0.0	90.0	90.0
-Information/Data Management	0.0	200.0	546.2	746.2
-Forestry Management and Develop	0.0	0.0	280.0	280.0
-Oil and Gas Development	750.4	0.0	2,190.3	2,940.7
-Minerals, Land, and Water Dev.	350.0	10.0	308.8	668.8
-Parks & Recreation Mgmt	760.9	0.0	115.0	875.9
-Agricultural Development	10.0	350.0	25.4	385.4
-Agr Revolving Loan Pgm Admin	0.0	0.0	30.0	30.0
-Statehood Defense	300.0	0.0	0.0	300.0
-Facilities Maintenance	0.0	0.0	101.6	101.6
FY2003 Governor	38,183.4	13,847.9	27,884.9	79,916.2

State of Alaska FY2003 Governor's Operating Budget

Department of Public Safety

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Department Mission

The mission of the Department of Public Safety is to ensure public safety and enforce fish and wildlife laws.

Department Goals and Strategies

The Department's Goal is to help ensure a safe, orderly, and positive environment, so children and families can work, live, and learn without fear of violence. This commitment is delivered through statewide police, emergency response, fire safety, and other vital public safety services including search and rescue. There are three basic strategies to meet our goal.

1. Preserve the public peace, prevent and detect crime, apprehend offenders, protect life and property and Alaska's fish and wildlife resources.
 - Improve public safety through continued community policing efforts aimed at improving communication and cooperation between communities and the Department.
 - Hold offenders responsible for their criminal actions through consistent and aggressive investigation of domestic violence and sexual assault, provision of expert major crimes investigators able to respond statewide, and participation in multi-agency task forces targeting bootlegging, drug dealing, and other organized criminal activities.
 - Deter fatal traffic accidents by a combination of speed enforcement, DWI enforcement, public education, and accident analysis.
 - Deter fish and game violations through increased investigations, educational activities and field contacts with resource users by Fish and Wildlife Troopers.
2. Provide statewide criminal justice training, Information, identification and forensic services.
 - Continue to automate and link criminal justice information systems to support Alaska's 4,500 criminal justice professionals who are conducting investigations or are making decisions on arrests, sentencing, release from custody, employment, licensing and other important public safety related matters.
 - Provide quality training for village public safety officers, municipal police officers, and State Troopers.
 - Support rapid identification and apprehension of violent offenders through continued crime laboratory participation in the national DNA registry, DNA analysis, and completion of Alaska Automated Fingerprint Identification System upgrades.
3. Protect life and property against fire and explosion.
 - Work with local fire prevention agencies and the media to educate the public on fire safety issues.
 - Work with the Alaska fire service to develop a statewide fire suppression initiative which includes clarifying responsibilities and identifying resources needed to save lives and property from fire and explosion.

Key Department Issues for FY2002 – 2003

TROOPER STRENGTH - While resources have remained relatively constant, public expectations of the Division of Alaska State Troopers (AST) continue to increase. AST staffing strength is less than half the 2.5 full-time officers per 1000 population average for all law enforcement agencies nationwide. To accomplish their assigned mission, Troopers have 244 commissioned officers in 32 posts across the state. Troopers provide some level of service to everyone statewide but also serve as the only police agency for more than 200,000 Alaskans.

HOMELAND SECURITY – The events of September 11, 2001 have increased demands on the Alaska State Troopers. In addition to providing police protection and response capabilities, Troopers have provided heightened security for crucial infrastructure within the state, such as the pipeline.

COURT SECURITY – There are insufficient Court Services Officers (CSOs) to provide adequate court security, move prisoners and serve court papers. The number of CSOs has not increased to keep up with the increased numbers of criminal and civil cases, judges and court facilities statewide.

BALANCING RESOURCE PROTECTION WITH PUBLIC SAFETY - Preparing and managing FWP Troopers for both the public's safety and resource protection will become more challenging particularly in light of recent terrorist acts and the potential for them to occur in Alaska. This potential creates a higher expectation and complexity of service that can, understandably, interrupt resource protection duties.

Preventative measures of intelligence gathering, threat recognition and a trained, well-equipped patrol component are critical to assuring Alaskan's safety. In a state this large and broadly mapped with potential targets, Commissioned Officers in FWP must be as trained and prepared for these responsibilities as State Troopers. With ever increasing frequency, Fish and Wildlife Protection Troopers are the sole State law enforcement representatives in many rural communities and regions.

REPLACEMENT EQUIPMENT NEEDS - Due to insufficient equipment funding over the last several years, critical FWP patrol needs have not been met and trooper effectiveness has been reduced. Essential off-road patrol vehicles are aged and badly in need of replacement. These and many small patrol vessels have been extended so long they are no longer a reliable means for patrols. These and other resources are absolutely critical to the varied missions of Fish and Wildlife Protection Troopers.

RESIDENTIAL FIRE LOSS – Fire injury and fatality rates in Alaska continue to be among the highest in the nation, with 78 % of fatalities and 70% of property loss occurring in residences. With no enforcement authority in single family homes, public education is the best tool to help reduce the loss of life and property.

ANTI-TERRORISM TRAINING – Since the events of 9/11/01, there has been an increased demand for training of first responders. The current schedule may not be adequate to meet demand, causing a shift in priorities for the Fire Service Training component.

RURAL FIRE TRAINING – Basic fire prevention or suppression training is lacking in many rural communities. Continued cooperation in projects such as the Alaska Village Initiatives is necessary to provide basic equipment and training in rural locations. Fire prevention programs that deal with the unique issues of small rural communities need to be delivered.

CRIMINAL JUSTICE INFORMATION SYSTEMS - Initiatives to upgrade and integrate agency information systems will continue. These improvements are required to provide state, local and federal law enforcement, criminal justice agencies and licensing authorities complete, timely and accurate information. These systems help identify criminals, assist in locating persons or property involved in a crime, provide the courts with criminal history information to guide sentencing decisions, and contain information used by licensing authorities to screen persons applying for positions which involve routine contact with children and protected adults.

COMPLIANCE WITH ADULT CRIMINAL FINGERPRINT LAW - Efforts to improve compliance with mandatory fingerprinting of adult criminals will continue. Since 1996, compliance has improved to 76%, but 100% compliance is needed to support criminal history records. DPS will continue to coordinate improvement efforts with the Department of Corrections and the Courts.

Major Department Accomplishments in 2001

DIVISION OF ALASKA STATE TROOPERS

Major Investigative Cases:

The Alaska State Troopers investigated thirteen homicides, eight in rural communities and five in more urban areas. All 13 homicides have been solved. These homicide investigations were in addition to over 83,000 other offenses investigated by Troopers in FY01.

Illegal Drug and Alcohol Enforcement:

Troopers lead coordinated efforts to enforce drug and alcohol laws. Interdiction efforts have helped stem the flow of alcohol to western Alaska. The Anchorage Airport Interdiction Team seized more than 80 pounds of cocaine.

Domestic Violence:

Domestic Violence investigation training has been expanded to include dispatchers and municipal police department "call takers". Troopers continued to sponsor Sexual Assault Response Team training to promote a multidisciplinary approach to sexual assault investigations.

Sex Offender Registration:

The Department's Sex Offender Registry now has over 4,200 convicted sex offenders in its database that is available to the public on an upgraded web site. Each month, city police departments, the Department of Corrections, and trooper detachments are supplied with an updated list of registered sex offenders and an exception listing of those who require registration or are out of compliance.

Drug Abuse Resistance Education (D.A.R.E.):

As the lead agency, Troopers provide D.A.R.E. training to all federal, state, city and borough police officers. Last fiscal year, 81 police officers received basic or specialty training. D.A.R.E. Alaska, Inc., a non-profit organization was established this year to coordinate the program statewide.

In-Service Training:

An in-service training schedule allowed 40 hours of continuing education for all Troopers in alternate years. Necessary certifications such as use of force and other professional training were presented to half of all 237 Troopers in various locations statewide.

Rural Enforcement Effort:

Oversight Troopers from VPSO Support and the Detachments BRU provided the following contacts and support for rural enforcement officers: 1,353 Village Public Safety Officer visits, 712 Village Police Officer visits, 1,013 investigative visits to villages, 727 overnight trips, and 799 hours of training.

Special Events:

All detachments conducted special patrols including construction zone patrols for the Department of Transportation and an extensive seatbelt enforcement program. Increased patrols were provided for special situations such as "raves" as well as for large-scale public events like state fairs.

DIVISION OF FISH & WILDLIFE PROTECTION

Commercial Fishing Enforcement:

The Bristol Bay Red Salmon Season continues to be the largest single enforcement program, even while fishing opportunities have declined during the last two years. Troopers patrolling the area in aircraft or vessels equipped with Global Positioning System equipment have found fewer violations resulting in fewer citations. Troopers investigated 196 incidents mostly for fishing during a closed period or in closed waters, then issued 140 citations and gave 21 warnings.

Major cases illustrate that resource criminals, if not detected, receive substantial financial benefits from their actions. One commercial crab vessel was cited for illegal operation of pot gear during the 2000 Tanner Crab season. Forfeiture of the value of the catch was \$218,479 and the Captain was fined \$15,000.

Another vessel was cited for illegal operation of pot gear during the 2000 Red King Crab Season. The forfeited catch was valued at \$16,550. The Captain of the vessel was fined \$15,000. This was the first case in the Bering Sea where FWP caught fisherman using a time-release device to keep buoys submerged during the illegal fishing.

Sport Fishing Enforcement:

Public effort or participation was considered in enforcement planning, and subsequently specific patrol emphasis was given to areas of high angler activity such as the Bristol Bay Watershed, Anchorage area, Mat-Su Valley, Kenai Peninsula, and the Yakutat area.

Continued monitoring at Ship Creek helped maintain an orderly fishery in the middle of downtown Anchorage with very few complaints about the lack of FWP Trooper presence. The Kenai Peninsula received increased enforcement emphasis due to the vast number and locations of sport fish and personal use fisheries that occur in a relatively short time period. Troopers from Palmer, Cantwell, and Fairbanks increased local enforcement, which was appreciated by many resource users.

Wildlife Investigation Bureau:

This small investigative unit focuses on commercial violations and direct assistance to other detachments. At the request of the Department of Fish and Game, a substantial effort was made to curtail sportfishing charter logbook violations. The bureau documented over 400 violations for delinquent or unsubmitted records.

Other cases involved illegal sale of animal parts, illegal helicopter use, hunting in closed areas or during a closed season, waste of big game and taking undersized game. In addition, the bureau investigated unlicensed guiding activity.

General Hunting Enforcement:

King Salmon FWP cited and convicted an out-of-state violator for wanton waste in western Alaska. He was sentenced to 7 days in jail, and forfeited the antlers of his catch and his rifle. The actor had a professional film crew documenting the hunt for later release.

Search & Rescue:

In many rural communities, the availability and capability of FWP Troopers in emergency situations is literally a matter of life or death. Three hunters were rescued by R44 helicopter near Dillingham during a storm that destroyed their airplane and tent. After his boat swamped in a lake, a lost villager was located by use of a Supercub. A recreational boater was rescued in a patrol skiff after the victim's boat capsized at a logjam on the Tanana River.

FWP responsiveness is also important during recovery operations. After a plane crash in the Brooks Range, a Trooper stationed in Coldfoot landed his Supercub on a ridge top to investigate the crash and recover the bodies of four victims.

Education Efforts:

FWP Troopers made 122 formal presentations, totaling over 330 hours, to schools, clubs, and organizations. These public information efforts improved resource law understanding among many community groups. Troopers also made 90 village visits in western Alaska to discuss resource law with village residents. This helped them to gain information regarding local problems and issues.

DIVISION OF FIRE PREVENTION

Deputy Fire Marshals inspected 1,144 buildings, completed 846 plan reviews and provided fire prevention information to 13,419 Alaskans.

Deputies also investigated 29 serious fires; many involved fatalities.

For the 4th consecutive year, Fire Service Training received a federal grant and provided anti-terrorism training to first responders in various geographic areas of the state. This has provided many local fire departments with basic awareness level training for these types of events.

Completed fire and life safety inspections of 100% of TAPS facilities, including the Valdez Marine Terminal. This is the first complete inspection conducted in several years.

DIVISION OF ADMINISTRATIVE SERVICES

To maintain Alaska's law enforcement access to criminal justice information from other jurisdictions, Information Systems staff completed analysis, design and programming to meet the National Crime Information Center's deadline to connect the Alaska Public Safety Information Network (APSIN) to the FBI's upgraded NCIC 2000 System.

Automated processing was implemented in APSIN to flag persons required by law to provide a DNA sample to facilitate follow-up action by law enforcement or correctional staff. APSIN now provides automatic notices to the Division of Family and Youth Services about warrants, arrests and other criminal history changes for foster care licensees to help prevent harm to children under their care. The public is provided more prompt notices about sex offenders because law enforcement agencies can now update APSIN as soon as an offender registers.

To help ensure that each criminal record entry is based upon a positive identification, submissions of arrest fingerprints required by law have continued to increase by a cumulative total to 76% since 1996.

ALASKA POLICE STANDARDS COUNCIL

The Council funded basic recruit training for 49 recruits at the Alaska Law Enforcement Training Academy in Sitka and for 11 municipal jail officers. APSC also provided funding for in-service training for 876 officers. For the year, APSC funded approximately 60,000 hours of basic and advanced officer training.

VIOLENT CRIMES COMPENSATION BOARD

The Board awarded 339 claims that paid \$972,600 to eligible victims of violent crimes such as assault, homicide, sexual abuse, child abuse and drunken driving.

COUNCIL ON DOMESTIC VIOLENCE AND SEXUAL ASSAULT

The Council provided funding to 21 domestic violence and sexual assault agencies statewide. In turn, these agencies provided comprehensive services to victims including over 50,000 nights of safety in shelters and safe homes, 24-hour crisis lines that handled over 10,000 calls, and counseling services to over 30,000 individuals and groups.

The Council recognizes the critical need for continued prevention education activities. During the last year, we initiated sexual assault prevention activities aimed at youth, aged 11 to 19 years old, including peer group counseling programs, youth-generated community education programs and youth retreats to learn about sexual assault. A sexual assault prevention video for teens was developed to use in school presentations and for victim program libraries for their education outreach efforts. We created and aired nine domestic violence and sexual assault radio public service announcements on 33 radio stations throughout Alaska. In addition we developed and implemented two public services announcements running statewide during April for Sexual Assault Awareness Month.

Governor's Key Department-wide Performance Measures for FY2003

Measure:

Hunter contacts made by the division.
Sec 117 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

First Quarter FY2002: 7,562 hunter contacts were made by FWP.

First Quarter FY2001: 7,880 hunter contacts were made by FWP. For the full Fiscal Year, 16,772 hunter contacts were made.

Benchmark Comparisons:

There is no comparative data from other jurisdictions.

Background and Strategies:

The Division of Fish and Wildlife Protection protects Alaska's wildlife resources by deterring violations or criminal activity through a combination of uniformed patrols, investigations and educational efforts. There are many

difficulties associated with resource law enforcement and the Division routinely adjusts to address these challenges in the most productive manner.

Troopers devoted to wildlife law enforcement cannot provide the level of visibility in all fisheries and hunting areas to assure that resource users comply with Fish and Game regulations. Resource user contacts is one way to track basic deterrence which depends on a clear enforcement presence.

Carefully structured regional enforcement programs heighten presence by uniformed patrols in an area one season but target another area the next. Undercover operations might be selected as an enforcement strategy in one problem area, while education might be selected to focus on another area where particularly complex regulations have recently changed.

Measure:

The number of fire prevention educational contacts made by the division.
Sec 118 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Make 15,000 contacts for fire prevention education.

First Quarter FY2002: 21,337 contacts were made. 142% of goal achieved.

First Quarter FY2001: 5,418 contacts made.

Total FY2001 Results: There were 13,419 educational contacts. This was 89.46% of our goal.

Benchmark Comparisons:

Data from other states or departments are unavailable at this time.

Background and Strategies:

We have exceeded our goal, as we are able to field a full staff to conduct inspections and participate in a greater number of public forums to educate the public.

Measure:

Homicides and the percent solved per year.
Sec 119 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Our target is to solve 100% of homicide cases.

Within Alaska State Trooper primary jurisdiction:
CY2000 - 9 homicides; 100% solve rate
CY1999 - 25 homicides; 96% solve rate (or 24 cases)

The Division of Alaska State Troopers target for calendar year 2001 is to maintain the rate of homicides solved at 100%.

Benchmark Comparisons:

Calendar year 1999 is the benchmark year for the number of homicides and the percent solved per year. The national solve rate: AST solve rate:

2000	63%	100%
1999	69%	96%

Background and Strategies:

As directed by the Finance subcommittee, the Division of Alaska State Troopers will be measuring the number of homicides by calendar year within Alaska State Trooper primary jurisdiction and calculating the solve rate. Alaska State Trooper homicide solve rate will be compared to the national average solve rate as provided by the U.S. Department of Justice, Federal Bureau of Investigation. Through the Uniform Crime Report (U.C.R.) all States report their data to the Department of Justice.

Measure:

Rapes and the percent solved per year.
Sec 119 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Our target is to meet or exceed the national solve rate.

Within Alaska State Trooper primary jurisdiction:

- CY2000 - 146 rapes occurred with a 53% solve rate (or 78 cases)
- CY1999 - 156 rapes occurred with a 54% solve rate (or 85 cases)

Benchmark Comparisons:

Calendar year 1999 is the benchmark year for the number of rapes and the percent solved per year. The national solve rate:

	<u>AST solve rate:</u>	
2000	46.9%	53%
1999	49%	54%

Background and Strategies:

As directed by the Finance subcommittee, the Division of Alaska State Troopers will be measuring the number of rapes by calendar year within Alaska State Trooper primary jurisdiction and calculating the solve rate. Alaska State Trooper rape solve rate will be compared to the national average solve rate as provided by the U.S. Department of Justice, Federal Bureau of Investigation. Through the Uniform Crime Report (U.C.R.) all States report their data to the Department of Justice. **Rape** is defined as carnal knowledge of a female forcibly and against her will. Attempts to commit rape by force or threat of force are also included.

Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Fish and Wildlife Protection	15,321.7	0.0	1,584.6	16,906.3	15,700.2	0.0	1,291.2	16,991.4	16,238.1	0.0	1,811.3	18,049.4
Dalton Highway Protection	91.1	0.0	0.3	91.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fire Prevention	1,302.6	95.0	1,026.6	2,424.2	1,611.1	160.0	1,302.3	3,073.4	2,153.6	160.0	1,465.2	3,778.8
AK Fire Standards Council	0.0	0.0	0.0	0.0	0.0	0.0	221.5	221.5	0.0	0.0	223.5	223.5
Alaska State Troopers	8,076.8	3,309.9	761.7	12,148.4	8,136.4	5,725.6	1,097.4	14,959.4	9,487.1	5,884.5	1,030.6	16,402.2
Alaska State Trooper Detachment	33,234.9	10.5	821.5	34,066.9	33,644.5	30.0	539.2	34,213.7	35,746.1	30.0	634.5	36,410.6
Village Public Safety Officers	7,515.2	0.0	104.3	7,619.5	8,539.0	0.0	196.1	8,735.1	8,887.6	0.0	0.0	8,887.6
AK Police Standards Council	0.0	0.0	847.6	847.6	0.0	0.0	959.8	959.8	0.0	0.0	967.0	967.0
Violent Crimes Comp Board	0.0	61.0	1,112.0	1,173.0	0.0	408.4	1,170.7	1,579.1	0.0	408.6	1,175.7	1,584.3
Domestic Viol/Sexual Assault	1,232.7	2,908.1	5,131.4	9,272.2	558.9	3,486.2	5,665.9	9,711.0	567.2	3,488.6	5,669.4	9,725.2
Batterer's Intervention Program	119.4	0.0	200.0	319.4	120.0	0.0	200.0	320.0	120.0	0.0	200.0	320.0
Statewide Support	5,685.0	367.2	2,515.8	8,568.0	5,723.4	1,128.9	2,953.3	9,805.6	5,826.7	1,131.4	3,324.1	10,282.2
Laboratory Services	2,108.2	11.6	167.2	2,287.0	2,375.0	80.7	51.6	2,507.3	2,429.0	80.7	61.2	2,570.9
Facility Maintenance	0.0	0.0	608.8	608.8	0.0	0.0	608.8	608.8	0.0	0.0	608.8	608.8
DPS State Facilities Rent	88.7	0.0	0.0	88.7	113.0	0.0	0.0	113.0	122.2	0.0	0.0	122.2

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Victims for Justice	246.0	0.0	0.0	246.0	246.0	0.0	0.0	246.0	246.0	0.0	0.0	246.0
Totals	75,022.3	6,763.3	14,881.8	96,667.4	76,767.5	11,019.8	16,257.8	104,045.1	81,823.6	11,183.8	17,171.3	110,178.7

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	6,763.3	11,019.8	11,183.8
1003 General Fund Match	454.8	458.6	469.5
1004 General Fund Receipts	74,330.9	76,062.4	81,163.0
1005 General Fund/Program Receipts	236.6	246.5	191.1
1007 Inter-Agency Receipts	5,505.1	6,203.2	6,373.3
1050 Permanent Fund Dividend Fund	4,816.8	5,375.5	5,380.5
1053 Investment Loss Trust Fund	332.4	50.0	
1055 Inter-agency/Oil & Hazardous Waste	45.7	49.0	49.0
1061 Capital Improvement Project Receipts	258.8		352.4
1108 Statutory Designated Program Receipts	650.2	754.2	825.0
1134 Fish & Game Duplicated Expenditures	998.2	998.3	1,007.2
1152 AK Fire Standards Council Receipts		221.5	223.5
1156 Receipt Supported Services	2,274.6	2,606.1	2,960.4
Totals	96,667.4	104,045.1	110,178.7

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	742	759
Permanent Part Time	20	20
Non Permanent	1	1
Totals	763	780

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Language Section: Public Safety Aircraft and Parts Sales	800,000	0	0	800,000
Aircraft and Vessel Repair and Maintenance	1,872,200	0	0	1,872,200
Helicopter Replacement	750,000	0	0	750,000
Bethel Hangar Fuel Tank Replacement and Rural Trooper Housing Water and Sewer Systems	89,000	0	0	89,000
Fish and Wildlife Statewide Law Enforcement Equipment Replacement	300,000	0	0	300,000
Trooper Law Enforcement Equipment	400,000	0	0	400,000
Public Safety Academy Shooting Range Completion	191,000	0	60,000	251,000
Crime Lab Improvement	65,900	0	0	65,900
Fish and Wildlife Enforcement Replacement Vessels	2,340,000	0	0	2,340,000
Secure, Store and Maintain Seized Vessels	90,000	0	0	90,000
Council on Domestic Violence and Sexual Assault Shelter Grants	500,000	0	0	500,000
Rural Law Enforcement Support	0	600,000	0	600,000
Marine Fisheries Patrol Improvements	0	1,001,450	0	1,001,450
Illegal Drug and Alcohol Use Initiative	0	2,000,000	0	2,000,000
Department Total	7,398,100	3,601,450	60,000	11,059,550

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

Fire Prevention: \$500.0 GF and three positions under Oil & Gas Protection initiative for fire and life safety inspections of all oil and gas production facilities throughout the state.

Fire Prevention: \$149.5 Interagency Funds for Gas Pipeline Activities.

Alaska State Troopers/Detachments: \$825.0 GF for five Troopers to promptly investigate cases involving sexual assault of minors, serious physical assaults of minors, and criminal exploitation.

Alaska State Troopers/Search & Rescue: \$750.0 GF for avalanche warning system, equipment, and public education.

Alaska State Troopers/Director's Office: \$85.0 GF for federal grant compliance position and costs.

Alaska State Troopers/Special Projects: \$110.0 Fed. for Statewide Drug Abuse Resistance Education (DARE) coordinator's office.

Annualized cost of programs begun during FY2002: \$287.0 GF (\$194.8 Regional Public Safety Officers and \$92.2 SE Communications Upgrade operating cost).

Statewide Support/Alaska Criminal Records & ID: \$300.0 Receipt Supported Services to process an increased number of criminal history records checks for foster parents, day care providers, teachers, and others who work in positions of authority over children.

Increased fuel and State Equipment Fleet rate increase costs: \$537.3 GF (\$328.6 fuel, \$208.7 SEF rate)

Increased facilities, utilities, and other costs: \$291.0 GF (\$105.0 Rural Trooper Housing, \$70.0 prisoner transportation, \$40.0 emergency guard, \$30.0 victim exams, \$20.0 Academy facilities expenses, \$15.0 video arraignment maintenance, and \$11.0 rent)

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	76,767.5	11,019.8	16,257.8	104,045.1
Adjustments which will continue current level of service:				
-Fish and Wildlife Protection	383.3	0.0	10.1	393.4
-Fire Prevention	42.5	0.0	13.4	55.9
-AK Fire Standards Council	0.0	0.0	2.0	2.0
-Alaska State Troopers	216.4	48.9	-136.8	128.5
-Alaska State Trooper Detachment	848.5	0.0	95.3	943.8
-Village Public Safety Officers	147.7	0.0	-101.1	46.6
-AK Police Standards Council	0.0	0.0	7.2	7.2
-Violent Crimes Comp Board	0.0	0.2	5.0	5.2
-Domestic Viol/Sexual Assault	8.3	2.4	3.5	14.2
-Statewide Support	81.9	2.5	75.5	159.9
-Laboratory Services	54.0	0.0	0.0	54.0
-DPS State Facilities Rent	8.7	0.0	0.0	8.7
Proposed budget decreases:				
-Village Public Safety Officers	0.0	0.0	-95.0	-95.0
-Statewide Support	0.0	0.0	-40.0	-40.0
Proposed budget increases:				
-Fish and Wildlife Protection	154.6	0.0	510.0	664.6
-Fire Prevention	500.0	0.0	149.5	649.5
-Alaska State Troopers	1,134.3	110.0	70.0	1,314.3
-Alaska State Trooper Detachment	1,253.1	0.0	0.0	1,253.1
-Village Public Safety Officers	200.9	0.0	0.0	200.9
-Statewide Support	21.4	0.0	335.3	356.7
-Laboratory Services	0.0	0.0	9.6	9.6
-DPS State Facilities Rent	0.5	0.0	0.0	0.5
FY2003 Governor	81,823.6	11,183.8	17,171.3	110,178.7

State of Alaska FY2003 Governor's Operating Budget

Department of Revenue

Commissioner: Wilson Condon

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Department Mission

The mission of the Department of Revenue is to collect and invest funds for public purposes.

The department provides administrative support for the following independent boards and corporations:

- Alaska Permanent Fund Corporation
- Alaska Housing Finance Corporation
- Alaska Mental Health Trust Authority
- Alaska Municipal Bond Bank Authority
- Alaska State Pension Investment Board
- Alcoholic Beverage Control Board

Department Goals and Strategies

Commissioner's Office

- One of the largest tasks over the next year will be to help lead the state's efforts to promote commercialization of the North Slope's enormous natural gas reserves. Lower 48 market growth has increased the possibility that construction could begin in a couple of years on a gasline to bring Alaska natural gas to mid-America. The state needs to respond quickly and with complete information as North Slope oil and gas producers, pipeline operators, potential investors and others review different options for commercializing Alaska's natural gas reserves. The department's goal is ensuring a fair return to the state treasury from the public resource.

Tax Division

The division's goals are intended to ease the filing burden on taxpayers and include:

- Streamline and simplify the fisheries business tax licensing and filing process to reduce the administrative burden on taxpayers and promote tax compliance.
- Design and implement software to eliminate unnecessary examination efforts currently being performed on 70% of corporate returns filed.
- Create a cost-effective web-based electronic filing and licensing application development process.

Treasury Division

The division will assist state agencies with conversion to electronic remittances of revenues and related information.

- Automate collection of retirement contributions, unemployment insurance and workers compensation payments, oil and gas and court systems payments via Automated Clearing House.
- Work with agencies to clear receipts within 15 days to reduce CBRF borrowing for cash flow.

Child Support Division

The division is committed to increasing its cost-effectiveness ratio -- the total operating budget vs. total collections. To this end, the division will:

- Automate processes to locate noncustodial parents.
- Increase information on the computer so automated enforcement actions will be taken.
- Utilize automated financial data matches.

Permanent Fund Dividend Division

- The division is starting its first-ever internal audit program to randomly select several hundred dividend applications each year to verify the eligibility information provided by the applicants. The commissioner's office will assist the division in setting criteria for its eligibility audit program, which is intended to help ensure the

integrity of the dividend program and provide a very public deterrent to fraud.

Alcoholic Beverage Control Board

In a concerted effort to help reduce alcohol-related accidents and deaths, the ABC Board will:

- Partner with state troopers and local police departments to curb alcohol shipping to dry communities.
- Oversee training of bartenders to ensure that drunken patrons are not served.
- Help state troopers and police respond to complaints of liquor establishments serving drunken patrons.

Key Department Issues for FY2002 – 2003

Commissioner's Office

- The commissioner's office will devote a substantial amount of its resources to assisting the Office of the Governor and the Legislature in developing a long-term fiscal plan for the state. This will include research and analysis of revenue issues and proposals, and assisting in presenting that information to the public.

Child Support Division

- Child support is critical as more families continue to leave public assistance. The bulk of child support is distributed to families that were formerly on public assistance. The division will continue to focus on getting child support to all parents as quickly as possible, while, at the same time, being responsive and fair to non-custodial parents.
- Recent changes in federal regulations require child support agencies to change the way medical support orders are enforced. This means we must revise state laws and change procedures. We will also educate employers and parents about the new requirements.

Permanent Fund Dividend Division

- The 2001 version of the online web based application fell short of the expectations to bring to applicants a user-friendly, quick and easy method of filing for a Permanent Fund dividend on the internet. The division is working on a version that will be simple to use and will allow applicants to use both PC and Mac computers. This new application system will go online in January 2002.

Alaska Municipal Bond Bank Authority

- Fiscal Years 2001 and 2002 represent one of the most active periods in the Bond Bank's history. Outstanding debt has increased by over 27% during this time frame, to a balance of \$214.5 million. The Bond Bank will continue to seek to maintain the diversity of the borrowers in the pool, including attempts to attract stronger credits in order to maintain overall credit strength.

Alaska Permanent Fund Corporation

- Ensure investment policies maintain the delicate balance between the fund's competing mandates of protecting the principal to benefit future generations and producing income to benefit current generations.

Alaska Housing Finance Corporation

- A plan was established in 1995 for AHFC to transfer some of its assets to the state to help meet budgetary needs. That plan called for a "dividend" to the state of \$50 million per year, along with an annual capital budget contribution from AHFC of \$53 million. Although the transfer plan has successfully achieved a consistent payment amount, the \$103 million has exceeded the corporation's net income over the past few years. Discussions should occur to bring the total transfer in line with the corporation's net income.
- Due to recent changes in federal housing programs, AHFC is able to take advantage of new program funding that becomes available. AHFC has applied for and received 430 new Section 8 Housing Choice vouchers. The program helps eligible low-income Alaska families lease privately owned rental units from participating landlords in 11 communities throughout Alaska. Increments using available federal funds have been requested to cover administrative expenses.
- AHFC has developed a Fiscal 2003 budget strategy to fund the deferred maintenance and major renovation of public housing facilities owned and operated by the corporation. The strategy would complete the list of projects covered under AHFC's 10-year modernization plan by combining federal funds and corporate receipts toward the issuance of tax-exempt bonds.

Alaska Mental Health Trust Authority

- In light of the stock market changes and volatility, the Mental Health Trust Authority wants to key on maintaining a principal reserve account balance sufficient to protect the disbursement rate over time so as to allow the comprehensive integrated mental health program budget to remain funded at a constant level.

Alcoholic Beverage Control Board

- Investigator staffing remains at levels below what was available before construction of the Trans-Alaska Pipeline. Inadequate staffing increases the chances of underage drinking and alcohol-related accidents and deaths. The ABC Board is seeking a budget increment to add one investigator to its two-investigator Anchorage staff.

Major Department Accomplishments in 2001

Tax Division

- The Tax Division, working with the commissioner's office, embarked on a major revision to its twice-yearly state revenue forecast booklets. The expanded format is intended to acknowledge the growing role in Alaska's budget filled by federal funding and investment earnings, and to help educate policy makers and the public on the state's fiscal future. The fall 2000 and spring 2001 forecast books were a good start in this effort, which will continue through Fiscal 2002.

Treasury Division

- The following funds exceeded their benchmarks in Fiscal 2001: the General Fund, Alaska Children's Trust, Constitutional Budget Reserve Fund, Exxon Valdez Oil Spill Trust Fund, Retiree Health Insurance Long-term Care and Major Medical Funds, Public School Trust, and International Airports Revenue and Construction Funds.
- Implemented a master lease program to allow tax-exempt financing of smaller purchases that were previously financed at taxable rates or purchased for cash.

Child Support Division

- The division collected a record \$91 million in Fiscal 2001, almost \$5.5 million more than in Fiscal 2000.
- The division reduced backlogs in all sections. Most notably, at the end of Fiscal 2000, the accounting section had more than 3,000 actions more than 30 days old. At the end of Fiscal 2001, there were fewer than 300 cases more than 30 days old.
- Automating employment data collected through a new federal system allowed the division in Fiscal 2001 to automatically send out wage-withholding orders to out-of-state employers. This has increased collections.
- Federally required changes to the financial portion of the division's computer system were completed.
- The division helped establish a new family pro-se center opened by the Court System.
- The division implemented a new receipt imaging system that reduces the turnaround time for recording payments and mailing checks, and improves accounting controls.

Alaska Municipal Bond Bank Authority

- The Bond Bank in Fiscal 2001 completed six bond issuances for a total of almost \$51 million. The communities benefiting from these issuances include the Northwest Arctic Borough, Kenai Peninsula Borough, Kodiak Island Borough, Lake and Peninsula Borough, Wrangell, Nome, Petersburg, Saint Paul and Seward.

Alaska State Pension Investment Board

- In 2001 the Public Employees and Teachers Retirement Systems both exceeded their benchmark returns.

Permanent Fund Corporation

- Each Permanent Fund Corporation portfolio -- stocks, bonds and real estate -- beat its respective benchmark.

Alaska Housing Finance Corporation

- The U.S. Department of Housing and Urban Development awarded AHFC a score of 100% in the annual Public Housing Assessment. The score measures performance in four areas of management of the 1,365 public housing units owned by AHFC:

Alaska Mental Health Trust Authority

- The Mental Health Trust Authority used trust land and income for a plan to downsize and build the new state psychiatric hospital while improving the Southcentral community-based services to allow for the reduced number of patient beds.

Governor's Key Department-wide Performance Measures for FY2003**Measure:**

Child Support Enforcement Division: Total collections.

Alaska's Target & Progress:

- The division has made consistent progress in increasing its total collections.
- Fiscal 2001: \$90,902,600
- Fiscal 2000: \$85,430,700
- Fiscal 1999: \$80,940,400

Measure:

Permanent Fund Dividend Division: Number of applicants who select direct deposit, as a percentage of total applications.

Alaska's Target & Progress:

- The division continues to promote the use of direct deposit, with applicants selecting the option in greater numbers every year.
- October 2001 dividend: 75%
- October 2000 dividend: 73%
- October 1999 dividend: 69%

Measure:

Tax Division: Number of tax returns filed electronically.

Alaska's Target & Progress:

- The division started with the Motor Fuel Tax and Oil and Gas Production Tax programs in Fiscal 2001, and will continue expanding its electronic filing option to include additional tax programs.
- Fiscal 2001: 98.92% of all Oil and Gas Production Tax returns were filed electronically, and 10.19% of Motor Fuel Tax returns were delivered to the department electronically.

Measure:

Commissioner's Office: The average time taken to respond to complaints and questions that have been elevated to the commissioner's office.

Sec 136 (b) (2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

- The average time for a written response to dividend complaints and questions addressed to the commissioner's office was 7.7 calendar days in Fiscal 2001. This follows closely the Fiscal 2000 response time of 6.6 days.

- The average time for a written response to child support complaints and questions addressed to the commissioner's office was 11.5 calendar days in Fiscal 2001. This is consistent with the 11.23 days it took for a response in Fiscal 2000.

Measure:

Commissioner's Office: The average time taken to issue decisions in child support and Permanent Fund dividend appeals.

Sec 136 (b) (3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

- The average time to issue a child support formal appeal decision is 20 days after the hearing.
- The average time to issue a dividend formal appeal decision is 30 days after the hearing.

Measure:

Administrative Services: The cost of administrative services as compared to total personnel costs for the department.

Sec 137 (b) (3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

- Fiscal 2002 - Administrative Services budget is \$1,072.4 vs. the department's personal services budget of \$49,063.9
- Fiscal 2002 - Administrative Services total budget is 2.20% of total agency personal services.
- Fiscal 2001 - Administrative Services total budget was 2.28% of total agency personal services.

Measure:

Tax Division: The percentage of taxes collected as compared to the percentage of taxes due.

Sec 135 (b) (2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

- Division collections: \$1,344.4
- Division assessments: \$1,355.6
- Percentage of taxes collected: 99.2%

Measure:

Child Support Enforcement Division: The number of cases where adjustment is overdue by 30 days or more.

Sec 128 (b) (4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

- At June 30, 2001, the number of cases where adjustments were overdue by 30 days or more was 267.

Benchmark Comparisons:

- This is a dramatic reduction from last year at the same time when the number of cases where adjustments were overdue by 30 days or more was 3,150. The backlog was more than 6,000 cases in late fall 1999.

Background and Strategies:

- Continue to reduce backlog numbers in the accounting section.

Measure:

Child Support Enforcement Division: The percentage of cases in which there are child support orders.
Sec 128 (b) (5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

- At September 30, 2001, the number of cases with orders established was 78% of the division's total caseload.

Benchmark Comparisons:

- The national rate was 61%, per the 2001 Federal Office of Child Support Enforcement Preliminary Data Report.

Background and Strategies:

- The division will work to further increase its percentage of cases with child support orders by working toward improving its production standards in the case establishment section.

Measure:

Permanent Fund Dividend Division: The percentage of dividend payments sent out on time to eligible applicants.
Sec 138 (b) (1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

- In 2001, 95% of applicants (563,491) were paid in the October dividend distribution period vs. 93% (544,940) of eligible applicants in 2000.

Background and Strategies:

- As we gain efficiencies in reviewing cases, we will be able to increase the number of dividends sent out in October.

Measure:

Alaska Permanent Fund Corporation: The corporation's investment expenses compared to the investment expenses of other large institutional funds.
Sec 131 (b) (1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

- The Permanent Fund has four asset classes that can be evaluated: 1) domestic equities management fees; 2) non-domestic equities management fees; 3) domestic fixed-income management fees; and 4) non-domestic fixed-income management fees.
- As of June 30, 2001 the asset classes compared as follows: 1) domestic equities fees were lower than 63% of the funds surveyed; 2) non-domestic equities fees were lower than 67% of funds surveyed; 3) domestic fixed-income fees were lower than 90% of funds surveyed; and 4) non-domestic fixed-income management fees were lower than 59% of funds surveyed.

Benchmark Comparisons:

- Callan Associates Inc. 1999 Fund Sponsor Cost of Doing Business Survey.

Measure:

Alaska Housing Finance Corporation: The administrative costs per dollar of investment.
Sec 132 (b) (1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

- FY01: 4.77% (Operating Expenses/Mortgage Purchases)
- FY00: 5.82% (Operating Expenses/Mortgage Purchases)
- FY99: 5.21% (Operating Expenses/Mortgage Purchases)
- FY98: 7.65% (Operating Expenses/Mortgage Purchases)

Benchmark Comparisons:

- AHFC is using the prior year's total "actual" operating expenses divided by the mortgages purchased for the fiscal year as its benchmark. The total "actual" expenses include corporate, federal and CIP receipts used in all AHFC programs.

Measure:

Alaska Housing Finance Corporation: The percentage of AHFC-owned housing compared to privately owned housing in the marketplace.

Sec 132 (b) (3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

- Fiscal 2001 Market Share: 48.6%
- Fiscal 2000 Market Share: 43.0%
- Fiscal 1999 Market Share: 33.0%
- Fiscal 1998 Market Share: 30.0%

Benchmark Comparisons:

- AHFC is using the prior year's "market share" for the fiscal year as its benchmark. The "market share" is calculated by dividing AHFC's loan purchases by Alaska's total mortgage loans made within the fiscal year.

Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Child Support Enforcement	3,270.2	15,025.2	139.6	18,435.0	3,079.5	15,091.4	0.0	18,170.9	3,407.5	15,506.6	0.0	18,914.1
Alcohol Beverage Control Board	677.8	0.0	86.0	763.8	696.0	0.0	0.0	696.0	845.1	0.0	0.0	845.1
Municipal Bond Bank Authority	0.0	0.0	494.4	494.4	0.0	0.0	521.2	521.2	0.0	0.0	522.7	522.7
Permanent Fund Corporation	0.0	0.0	5,995.7	5,995.7	0.0	0.0	7,703.0	7,703.0	0.0	0.0	7,364.8	7,364.8
PFC Custody and Management Fees	0.0	0.0	34,739.6	34,739.6	0.0	0.0	47,585.8	47,585.8	0.0	0.0	47,585.8	47,585.8
Alaska Housing Finance Corp	0.0	17,351.2	18,659.0	36,010.2	0.0	20,218.6	19,269.3	39,487.9	0.0	21,012.6	22,047.5	43,060.1
AHFC Anch. State Office Bldg.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,228.1	1,228.1
Mental Health Trust Authority	0.0	0.0	1,023.5	1,023.5	0.0	0.0	1,040.3	1,040.3	0.0	0.0	1,532.0	1,532.0
Revenue Operations	7,556.8	0.0	32,388.4	39,945.2	7,847.8	0.0	39,495.1	47,342.9	7,837.4	0.0	5,969.2	13,806.6
ASPIB Bank Custody & Mgmt Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27,913.6	27,913.6
Administration and Support	754.9	743.7	750.9	2,249.5	924.7	780.5	1,177.2	2,882.4	759.2	845.5	784.8	2,389.5
Permanent Fund Dividend	0.0	0.0	4,962.4	4,962.4	0.0	0.0	5,131.2	5,131.2	0.0	0.0	5,276.7	5,276.7
Totals	12,259.7	33,120.1	99,239.5	144,619.3	12,548.0	36,090.5	121,923.1	170,561.6	12,849.2	37,364.7	120,225.2	170,439.1

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1001 Constitutional Budget Reserve Fund	121.7	125.0	125.0
1002 Federal Receipts	29,521.7	32,471.0	33,610.2
1004 General Fund Receipts	7,554.0	8,000.2	7,843.4
1005 General Fund/Program Receipts	4,584.0	4,422.8	4,880.8
1007 Inter-Agency Receipts	4,613.6	3,013.8	3,849.4
1011 Alaska Advance College Tuition Payment Fund	21.2	28.5	
1016 Federal Incentive Payments	2,553.0	2,537.9	2,607.9
1017 Benefits Systems Receipts	90.7	99.0	99.0
1027 International Airport Revenue Fund	31.3	31.6	38.6
1029 Public Employees Retirement Fund	19,586.2	23,936.7	20,276.3
1034 Teachers Retirement System Fund	10,099.5	12,505.6	10,534.7
1042 Judicial Retirement System	168.2	268.4	275.4
1045 National Guard Retirement System	57.2	99.4	102.4
1046 Student Revolving Loan Fund	22.2	22.5	27.2
1050 Permanent Fund Dividend Fund	4,930.4	5,099.2	5,244.7
1053 Investment Loss Trust Fund	131.7	17.6	22.4
1061 Capital Improvement Project Receipts	1,388.4	1,513.8	1,626.4
1066 Public School Fund	57.2	154.6	164.2
1089 Power Cost Equalization Fund	23.0	86.1	
1094 Mental Health Trust Administration	939.9	1,040.3	1,178.0
1098 Children's Trust Fund Earnings	34.3	43.2	52.7
1103 Alaska Housing Finance Corporation Receipts	15,527.8	17,168.2	16,862.2
1104 Alaska Municipal Bond Bank Receipts	494.4	521.2	522.7
1105 Alaska Permanent Fund Corporation Receipts	40,973.1	55,525.9	55,193.0
1108 Statutory Designated Program Receipts	0.2	694.3	
1133 Indirect Cost Reimbursement	1,045.4	1,081.6	1,146.6
1139 AHFC Dividend			4,000.0
1142 Retiree Health Ins Fund/Major Medical	17.5	19.9	23.4
1143 Retiree Health Ins Fund/Long-Term Care Fund	31.5	33.3	36.8
1169 PCE Endowment Fund			95.7
Totals	144,619.3	170,561.6	170,439.1

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	810	828
Permanent Part Time	25	39
Non Permanent	56	50
Totals	891	917

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Child Support Enforcement Caseload Management System - Phase 2	510,000	990,000	0	1,500,000
Child Support Enforcement Computer Replacement Project - Phase 3	66,300	128,700	0	195,000
Permanent Fund Divident Electronic Imaging Server Upgrade	0	0	80,000	80,000
AHFC Public Housing Division Construction Program	0	0	55,249,800	55,249,800
AHFC Supplemental Housing Development Program	0	0	4,500,000	4,500,000
AHFC Low Income Weatherization	0	1,800,000	4,000,000	5,800,000
AHFC Senior Citizens Housing Development Program	0	0	1,975,200	1,975,200
AHFC Senior and Statewide Deferred Maintenance and Renovation	0	500,000	0	500,000
AHFC Pacific Terrace Replacement - Phase 1	0	500,000	0	500,000
AHFC Housing and Urban Development Capital Fund Program	0	500,000	0	500,000
AHFC Housing and Urban Development Federal HOME Grant	0	3,159,000	750,000	3,909,000
AHFC Federal and Other Competitive Grants	0	3,000,000	1,250,000	4,250,000
AHFC Competitive Grants for Public Housing	0	750,000	250,000	1,000,000
AHFC Energy Efficiency Monitoring Research	0	0	300,000	300,000
AHFC State Energy Program Special Projects	0	150,000	30,000	180,000
AHFC Central Terrace and Fairmont Renovation Phase 4 (Anchorage)	0	750,000	0	750,000
AHFC Homeless Assistance Program	0	0	1,000,000	1,000,000
AHFC Beneficiary and Special Needs Housing	0	0	800,000	800,000
Department Total	576,300	12,227,700	70,185,000	82,989,000

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

Treasury Division

The division is requesting two increments for Fiscal 2003:

- \$27.5 to increase a half-time unclaimed property worker to full-time to increase the recovery of assets belonging to Alaskans and, subsequently, to increase deposits to the General Fund. This would include increased work with banks and other financial institutions to ensure property is turned in to Alaska and not other states.
- \$200.0 (\$150.0 ASPIB and other funds and \$50.0 General Funds) to fund salary increases approved for investment officers and other personnel. In past years, Treasury has taken from other budget categories to cover personal services in past years but can no longer absorb the cost. The state must remain competitive with its salaries if it is to attract and retain quality investment personnel to manage the public's multi-billion-dollar portfolio. The Treasury Division determined a fair and reasonable salary level for its investment officers after surveying other operations in Alaska and consulting national averages.

Child Support Enforcement Division

- The division is requesting \$294.2 for five new positions (Range 14 caseworkers). This would be \$194.2 federal money and \$100.0 from the state General Fund program receipts. Even with improvements in recent years, the division is still short of providing quality service to thousands of parents and their children. Caseloads average more than 1,000 per worker, which does not allow enough time for personal assistance that the public deserves. By comparison, caseloads in Washington State average about 600 per child support worker.
- The division also is requesting a \$100.0 to increase its Reimbursable Service Agreement (RSA) with the Department of Law (\$66.0 federal and \$34.0 state General Fund program receipts). This increment is a function of our increased caseload and the number of cases going to court, and would provide for filling one additional position at Law. The existing RSA is \$1.35 million. The seven attorneys covered under the existing RSA each handle about 80 to 100 open cases at a time.

Alaska Housing Finance Corporation

AHFC's budget increment and transfer requests include:

- Add CIP funding to cover personal services costs.
- Add federal funding to administer 430 new Section 8 vouchers.
- Add inter-agency funding for Low-Income Home Energy Assistance Program activities.
- Add federal funding for temporary laborers and student hires.
- Transfer federal funding for line-item transfers.

Alaska Mental Health Trust Authority

- The Mental Health Trust Authority is requesting an \$87.3 increment in trust funds to cover increased personal services costs. This increment would cover restoration of the cut from FY2002 and a graduate-student intern. It also includes funding to cover higher salaries. The trust authority absorbed the salaries in its FY 2002 budget but requests funding for FY 2003.
- The authority also request a \$30.0 increment in trust funds to pay for contractual work for a major regulations project in 2003, as required by AS 47.30.031. The regulations must address the following issues: procedures for aggrieved persons or groups to apply to the Mental Health Trust for redress, provisions that encourage trust-funded services to be integrated with services funded from other sources, provisions for long-range planning for the trust, and criteria for determining the nature and extent of services to be funded from the trust.

Alcoholic Beverage Control Board

- The ABC Board is requesting a \$96.0 increment in personal services, contractual and travel for one additional investigator position. The additional position would be added to the Anchorage office, where just two investigators are responsible for enforcing Alaska's liquor license laws for more than 1,000 license holders in the Southcentral area. Increased public concern over the enforcement of liquor license laws has stretched the two-person office beyond its ability to effectively respond to complaints, investigations and license renewal issues. The ABC Board maintains one-person offices in Fairbanks and Juneau to cover the rest of the state.

- The board also is requesting a \$35.0 increment in contractual (\$16.0) and travel (\$19.0) to pay for the additional costs of an increasing number of formal hearings on license actions. As the ABC Board takes more actions against license holders, the number of formal hearings also increases. The increment would pay for contract hearing officers and travel costs associated with holding hearings in the communities where the licensees are located.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	12,548.0	36,090.5	121,923.1	170,561.6
Adjustments which get you to start of year:				
-Alaska Housing Finance Corp	0.0	0.0	4,000.0	4,000.0
Adjustments which will continue current level of service:				
-Child Support Enforcement	75.6	144.9	0.0	220.5
-Alcohol Beverage Control Board	15.2	0.0	0.0	15.2
-Municipal Bond Bank Authority	0.0	0.0	1.5	1.5
-Permanent Fund Corporation	0.0	0.0	94.6	94.6
-Alaska Housing Finance Corp	0.0	528.2	525.5	1,053.7
-Mental Health Trust Authority	0.0	0.0	19.0	19.0
-Revenue Operations	-90.7	0.0	-141.0	-231.7
-Administration and Support	-169.6	16.8	22.3	-130.5
-Permanent Fund Dividend	0.0	0.0	75.1	75.1
Proposed budget decreases:				
-Child Support Enforcement	0.0	-89.7	0.0	-89.7
-Permanent Fund Corporation	0.0	0.0	-432.8	-432.8
-AHFC Anch. State Office Bldg.	0.0	0.0	-756.6	-756.6
-ASPIB Bank Custody & Mgmt Fees	0.0	0.0	-5,800.0	-5,800.0
-Administration and Support	0.0	0.0	-498.6	-498.6
Proposed budget increases:				
-Child Support Enforcement	252.4	360.0	0.0	612.4
-Alcohol Beverage Control Board	133.9	0.0	0.0	133.9
-Alaska Housing Finance Corp	0.0	265.8	237.4	503.2
-Mental Health Trust Authority	0.0	0.0	472.7	472.7
-Revenue Operations	80.3	0.0	328.7	409.0
-Administration and Support	4.1	48.2	83.9	136.2
-Permanent Fund Dividend	0.0	0.0	70.4	70.4
FY2003 Governor	12,849.2	37,364.7	120,225.2	170,439.1

State of Alaska FY2003 Governor's Operating Budget

Department of Transportation/Public Facilities

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Department Mission

To improve the quality of life for Alaskans by cost effectively providing, operating and maintaining safe, environmentally sound and reliable transportation systems and public facilities.

Department Goals and Strategies

Improve the way Alaska builds and maintains its transportation system, with a significant commitment to public participation in development of the State Transportation Improvement Program (STIP) and capital budget.

- Bring Alaska's portion of the National Highway System up to national design standards.
- Competitively select community transportation projects on a statewide-needs basis through an objective system, developed with community participation.
- Evaluate new transportation segments that might support significant economic development.
- Incorporate trails, recreational facilities, scenic enhancements and visitor services in our transportation program.
- Propose the use of bonding for additional large construction projects.

Protect Alaska's investment in infrastructure by maintaining and operating over 13,000 lane miles of state roads, almost 700 buildings, 261 rural airports and 76 ports and harbors.

- Invest federal construction funds in projects that reduce maintenance costs.
- Use regional maintenance equipment pools, directed to the highest need, to reduce the number of maintenance vehicles.
- Implement a management structure which will identify and transfer cost saving maintenance techniques to other regions.
- Encourage local governments to assume ownership of local facilities.
- Work toward implementing a stable funding base for operation, maintenance and improvements of facilities.

Operate the Alaska Marine Highway System to meet the surface transportation needs of Southeast, Southwest and Southcentral Alaska communities.

- Refurbish and maintain vessels to allow for continued operation.
- Reduce financial losses for vessel services that are not required for safety reasons.
- Work with communities to promote system use.
- Develop and implement regional plans, which increase efficiency while improving services to the public.

Maintain, operate and promote Anchorage and Fairbanks International Airports, which are vital to the state's economy.

- Maintain and construct infrastructure to give Alaska a competitive market advantage, especially for international and domestic cargo traffic and tourism.
- Maintain and construct infrastructure to meet both required safety standards and capacity demands.
- Promote passenger service between Alaska and international destinations.
- Provide facilities that support efficient operations and continued economic growth.
- Provide a safe airport environment for both air and ground operations

Key Department Issues for FY2002 – 2003

Departmentwide:

In 1998 the Transportation Equity Act for the 21st Century (TEA-21) was enacted which lays out transportation entitlement funding for 6 years. The level of Alaska's basic entitlements will grow from the previous Act's \$200 million to over \$300 million during those years. Various discretionary funds were created in which Alaska can request

participation including ferry, border crossing, public lands and bridge and corridor funding. Work has already begun on the next reauthorization legislation for the Federal Highway Program. The Department is taking an active role to preserve the State's funding levels.

The Airport Improvement Program under the Federal Aviation Administration (FAA) was reauthorized in the spring of 2000. The new AIP includes a growth of state entitlement funding from \$90 to \$145 million. Other changes implemented by the FAA include a requirement that 90% of all projects over 4 years of age must be closed or future funding will be withheld, and a requirement that 10% of all eligible reimbursements will be withheld until a project is closed. This has prompted a review of the Department's project closure processes.

Security is now a major issue following the events of September 11. Requirements for security are changing daily for the airports, marine highway terminals and vessels, and other surface infrastructure including tunnels and bridges. Additional resources are needed to perform mandated functions such as security management, inspection, law enforcement, access control, parking area and perimeter patrols, and administrative functions. The department must be able to respond to these changing priorities.

The Governmental Accounting Standards Board statement No. 34 adopted in June 1999 requires the reporting of infrastructure in the state's annual financial reports. Decisions need to be made and implementation plans formulated to meet this reporting requirement. Requirement analysis is needed to determine what data and systems currently exist that can be used to meet these requirements. Finally, a process should be developed for documenting and reporting the costs of infrastructure assets.

Maintenance and Operations:

The State Equipment Fleet (SEF) operates 44 shops and has more than 150 employees that provide general and preventative maintenance and all parts supply. There are approximately 7,600 vehicles accounted for in the fleet information system, with 4,800 vehicles comprised of light duty, heavy duty and attachments under SEF management. The Department contracted with a private fleet management-consulting firm to take a broad review and a detailed performance and productivity evaluation of the delivery of fleet services. In January 2001, an in-depth status report on the management and maintenance of the State's fleet and list of recommendations was completed. Implementation of approved recommendations will take time and resources, but should result in more efficient fleet operations.

Measurement Standards and Commercial Vehicle Enforcement:

The department has received Federal Highway Administration funding to develop intelligent transportation systems for commercial vehicle operations (ITS/CVO). The ITS/CVO program is focused on the use of technology to streamline state regulatory, enforcement and motor carrier practices increasing levels of safety and productivity for both states and carriers. A business plan has been developed and has been approved by the Federal Motor Carrier Safety Administration. Funding has been identified for bringing commercial vehicle safety information to commercial vehicle inspectors at the roadside, developing a system to enable motor carriers to submit applications for oversize and overweight permits electronically, and installing weigh in motion systems at the Glenn Outbound and Potter Weigh/Inspection Stations.

Alaska Marine Highway System:

Inadequate general fund revenues to support the AMHS have caused rapid depletion of the Marine Highway Fund. Last year's fire and lay-up of the Columbia did not help this situation. The Department needs to take a more aggressive approach towards revenue generation to support the system. An independent marketing and fee study was completed that identified 80,000 potential customers available to the AMHS. Recommendations in the study will be analyzed and implemented where possible. Web based ticket procurement will be further refined during this fiscal year. The preliminary steps towards implementation of the Southeast Transportation Plan, are underway which will eventually result in greater efficiency, and reduced costs.

International Airport System:

The "Gateway Alaska" program at the Ted Stevens Anchorage International Airport is a revitalization program to improve access to the airport. Of significant statewide importance, the Gateway Alaska initiative includes the airport terminal project and infrastructure improvements on roads leading to the airport. The system will focus on its cargo marketing effort to maintain and enhance international cargo business.

Major Department Accomplishments in 2001

- During the first full year of operating the Whittier Tunnel, vehicle traffic met the predicted revenue collection goals.
- The Department delivered a comprehensive program of bid ready designs and contract documents for projects across the state and, as a result, received an additional \$2.2 million in Federal Highway Administration funding.
- Coordinated with borough governments to "Pave and Transfer" small roads. Traded maintenance responsibilities for 35.2 road miles with local city and borough governments to more efficiently sand and plow snow, paint streets, and clean out storm drains.
- Successfully tested and put into practice electronic payments to contractors and other large vendors.
- Implemented an email capability on each AMHS vessel and provided for email delivery when near a wireless bridge.
- Received FHWA approval of Internal Annual Assurances/Affirmative Action Plan with no findings.
- Increased Commercial Vehicle Safety field inspection personnel, trained all personnel to perform North American Standard (NAS) driver and vehicle inspections, achieved National Certification of all field personnel by the Commercial Vehicle Safety Alliance (CVSA); trained all personnel to perform hazardous materials inspections and cargo tank inspections.
- Re-established recognition of the Metrology Laboratory (weights and measures) by the National Institute for Standards and Technology (NIST).
- Emphasized safety awareness through greater communication with public, through various forms of media (public exhibits, workshops, newspaper advertisements). The Department entered into agreements with local police departments for officer presence at construction sites during peak traffic hours, enforcing compliance with speed limits.
- Applied chip seal, hot mix, or high float asphalt to 206.7 lane miles of road.
- Completed feasibility study to define a maintenance management system that will best meet the department's current and future needs.
- 13.4 billion pounds (all cargo landed weight) transited or transferred through Ted Stevens Anchorage International Airport with current cargo landings 11-12% higher per month than this time last year.
- After two years of non-stop negotiations, new operating agreement language between the international airports and major air carriers was finalized in late spring.
- A new Alaska Marine Highway System reservations building was constructed to house the Juneau Reservations and Ticket office and to provide a more convenient location and greater accessibility for the public and employees.
- Completed development of the Prince William Sound/Copper River Area Plan.
- Implementation of SE Alaska Transportation Plan is on track. The plan encompasses construction of new roads, ferries, and terminals to enhance transportation in SE Alaska. As part of the plan, an RFP was developed for the first fast vehicle ferry in Alaska.
- The Department received eight awards for the design and construction of the Whittier Tunnel including;
 - The 2000 Excellence in construction Award from the Associated General Contractors of Alaska,
 - The Total Program Excel Award for Public Involvement from the American Association of State Highway Transportation Officials (AASHTO),
 - The Portland Cement Association 2000 Concrete Bridge Award Recognizing Excellence in Design and Construction of Concrete Bridges,
 - The 2001 Design Build Institute of America's Best Project (public sector over \$15 million),
 - The F.W. Dodge Award for Outstanding Engineering Design Project and Outstanding Heavy/Highway Project,
 - The Glove Award for Excellence in Environmental Protections and Mitigation by the American Road and Transportation Builders Association,
 - The 2001 Grand Award from the American Consulting Engineers Council, and
 - The prestigious American Society of Civil Engineers 2001 Outstanding Civil Engineering Achievement Award.
- Tom Moses, project manager for the Whittier Tunnel project received the AASHTO President's Award for Highways and the Western Association of State Highway & Transportation Officials' Hewes Award.
- Two team awards have been received from AASHTO Team Recognition Program. Southeast Region's repatriation of bodies interred in Sitka (called The Journey Back Home) received the Exemplary Partner award and the Headquarters led Quality Financial Management Initiative Team on Indirect Cost Allocation Plan

Implementation received the Trailblazer award.

Governor's Key Department-wide Performance Measures for FY2003

Measure:

Design and Engineering Services - The percentage of federal highway funds obligated in the previous federal fiscal year.

Sec 144(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

100% of federal highway funds were obligated. The Division's performance placed the Department in a position to receive an additional \$ 2.2 million in funding from the Federal Highway Administration compared to an additional \$1.5 million in FY2000. The additional funds were available because other states were not as well prepared and were unable to obligate their full allocation of federal-aid.

Benchmark Comparisons:

All states attempt to achieve 100%.

Background and Strategies:

The Division strives to obligate all federal funds that are available to the state for highway projects. The staff continue to work diligently on that front, reporting regularly on their projects to the Division management, and through a computerized management reporting system, to ensure that projects are delivered on time.

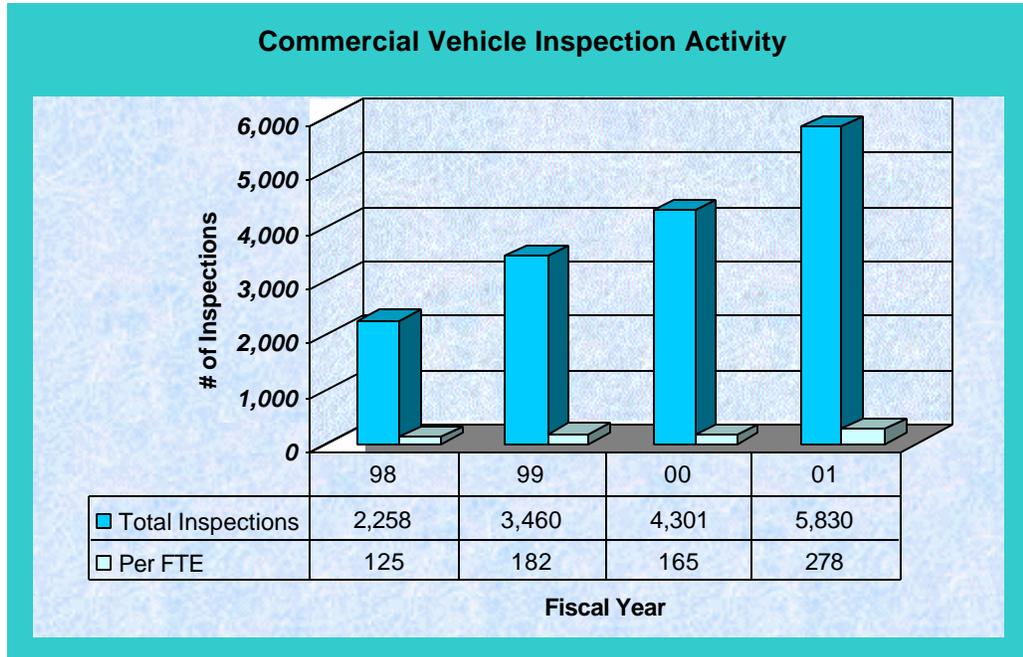
Measure:

Measurement Standards and Commercial Vehicle Safety - Commercial vehicle safety inspections per full-time equivalent employee of the division.

Sec 148(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

During FY2001 actual performance was 278 inspections per full-time-equivalent employee of the division compared to 165 per full-time-equivalent employee in FY00. The Division completed 5,830 inspections during FY2001.



Benchmark Comparisons:

To date, there is no established national standard for this performance measure, although the Department's goal is to reach 8,000 – 10,000 inspections per year.

Background and Strategies:

The division anticipates further efficiencies through streamlining the inspection process by implementing electronic inspection reporting at the field level. Two laptops were deployed in September to test this new electronic reporting system and five more were deployed throughout the fiscal year. In addition nine out of the ten fixed weigh stations are now testing this new electronic inspection reporting system. During FY01 six employees were trained in motorcoach safety inspection, five in compliance review, five in hazardous materials, three in motor carrier safety grants management and five on the Safetynet program.

Measure:

The percentage of highway and airport lane miles per full-time-equivalent employee compared to the average of member states of the Western Association of State Highway and Transportation Officials Sec 149(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Northern Region Maintenance and Operations, Highways and Aviation maintains highway and airport lane miles with 42.2 lane miles per full time equivalent position. Southeast Region averages 35.3 highway and airport lane miles per full time equivalent. And, Central Region M&O maintains highway and airport lane miles with an average of 37.0 lane-miles per FTE position.

Benchmark Comparisons:

Fifteen states average 29.3 lane miles per full time equivalent position (Data Source: OKDOT Survey, 1999 & 2001 results from 15 WASHTO States) as follows:

Arizona	29.89	
California	10.33	(1999)
Colorado	15.98	(1999)
Hawaii	8.86	(1999)

Idaho	29.50		
Montana	35.25		
Nevada	33.30		
New Mexico	30.39		
North Dakota	46.55	(1999)	
Oklahoma	39.30		
Oregon	16.77		
South Dakota	42.86		
Texas	40.61		
Utah	41.59		
Washington	18.49	(1999)	Average: 29.31

Background and Strategies:

At the current levels of lane miles per full-time equivalent, the Department is not able to provide an adequate level of service. There is a long list of "deferred maintenance" work – jobs that have not been completed due to lack of personnel and other resources. Staff are required to concentrate on critical needs, such as snow removal, rock slides, flooding, and erosion of roadbeds, and are able to devote less attention to preventive maintenance, such as crack sealing, ditching, and brush cutting. Work on priority maintenance items is scheduled when time and resources permit, and federal funds are used to improve the transportation infrastructure to minimize future maintenance needs.

The Department plans to implement an Alaskan maintenance management system that will establish specific maintenance criteria (roadway surface, drainage, snow & ice control, traffic services, etc.) with defined service levels and associated cost to identify to the public and legislature meaningful performance measures. Use of the maintenance management system will identify specific maintenance areas (e.g., guardrail repair, brush cutting, etc.) lacking in necessary resources. To reduce the average lane miles per employee, lane miles could be eliminated from state highway and aviation systems by transferring to communities, or new fund sources could be developed such as FHWA making more maintenance items eligible under the federal aid highway program.

Measure:

Whether the department maintains the pavement condition index (PCI) at 70 for runways and 60 for taxiways and aprons at every applicable rural airport 99 percent of the time.

Sec 150(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Out of those runways, aprons and taxiways inspected, 48% in Central Region, 51% in Northern Region and 96% in Southeast Region have exceeded the pavement condition index identified in this measure. The actual PCI by airport is extremely variable depending upon where the airport is and when it was last upgraded. For example, the Skagway airport has recently been reconstructed and, as the paved areas are all new, PCI scores would be at or near 100. On the other hand, Yakutat has a PCI of 50 and will not be surveyed until a major reconstruction project is completed. That project will begin in 2002. All State and Municipal airports in the Northern Region have current surveys. Rehabilitation paving has taken place on the airports in Nome and Gambell since the last survey. This percentage does not reflect that work.

Benchmark Comparisons:

PCI 70 for runways; PCI 60 for taxiways and aprons, based on FAA standards.

Background and Strategies:

The PCI is a quantitative indicator of overall pavement condition that, as part of a pavement management system, helps us to determine maintenance and rehabilitation needs at airports. It also helps us to determine priorities when scheduling major pavement projects. However, a PCI score is only part of the story. The Department's goal is to maintain airports' required operational capability through effective staffing, equipment, maintenance, and management practices that ensure our airports are safe and open for business whether they have new pavement or are due for rehabilitation.

These inspections note deficiencies for a broad range of inspection criteria and differ each year depending on FAA focus. Other areas that should be monitored are the existence of repeat discrepancies and attaining 100% correction of deficient areas that do not require a CIP project.

Measure:

Alaska Marine Highway System - The revenue per rider mile divided by the operational costs per rider mile.
Sec 151(B)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The ratio of revenue per rider mile to cost per rider mile for FY 01 was .48. This was obtained by dividing the revenue per rider mile of \$.64 by the cost per rider mile that was \$1.34. Rising fuel costs have increased operational costs significantly since FY99. In fact, fuel prices jumped 47% between FY99 and FY00. This problem was compounded when the price per gallon climbed an additional 30% between FY00 and FY01. This drove the cost per rider mile up 9.5% and pushed the ratio of revenue per rider mile down 6.5%.

Benchmark Comparisons:

The Washington State Ferry System reports a ratio of .60. The British Columbia Ferry Corporation reports a ratio of .81. Their cost per rider mile is about the same as the Alaska Marine Highway System. However, their revenue per mile is much higher since they adjust their tariffs to reflect increased expenditures.

Background and Strategies:

The Alaska Marine Highway System is on par when compared to the other ferry systems. The exception is the AMHS has lower revenue per rider mile when compared to the British Columbia system. Along these lines, the AMHS implemented a tariff increase effective May 1, 2001. However, the potential revenue from this increase was offset by three factors. First, the highest revenue producing vessel Columbia, could not be returned to service in FY01 as planned. Second, the Malaspina had to be rerouted from the North Lynn Canal (NLC) to cover for the Columbia. This caused a revenue reduction in NLC. Third, the Malaspina has a much smaller car deck capacity and fewer staterooms than the Columbia and consequently could not capture the full financial benefit from the most lucrative route.

This performance measure is influenced by several variables, i.e. seasonal demand, service routes, number of voyages per week between ports and the fluctuation in fuel prices.

Measure:

Alaska Marine Highway System - The total ridership, including passengers and vehicles, compared to the five-year ridership average.
Sec 151(B)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The AMHS established a goal to increase ridership by 3% per year. The five-year passenger average for FY96 to FY00 is 359,169 and the vehicle average is 102,097. In FY01, ridership was 339,290 and vehicles totaled 97,596. This represents a passenger decrease of 5.5% and a vehicle decrease of 4.4%. In each case, the decrease is attributable to reduced operating weeks and the Columbia being off line for the summer because of fire damage.

Benchmark Comparisons:

There is no good benchmark for this performance measure. The BC Ferries and Washington State Ferries carry substantially more passengers and vehicles because both are short haul and commuter type systems.

Background and Strategies:

The Alaska Marine Highway System brought a ninth vessel on line and introduced cross Gulf service in FY99. This measure is a ridership comparison with a nine vs. eight-vessel fleet. A marketing manager was hired in FY 01 to increase ridership. Many marketing efforts are being undertaken to promote Marine Highway ridership. Unfortunately, there are events beyond the Department's control that can and have resulted in ridership reductions (e.g., blockades, strikes, fires, etc.).

Measure:

The total construction cost of the annual highway and aviation programs should be within 5% of the contract bid amount.

Alaska's Target & Progress:

Out of a representative random sample of 105 projects completed in FY01, the total percentage change from contract bid to completion was approximately 6.1%. This is an improvement over FY00, which was 7%. Central Region Construction and CIP Support reported for FY01 an aggregate percentage change from contract bid to final contract of 2.4%.

Benchmark Comparisons:

No benchmark is known. A review of other states will be conducted to determine if similar information is collected and used for management purposes.

Background and Strategies:

Currently, the department is working on over 441 active construction projects that span several construction seasons. Significant to the cost of urban projects are traffic maintenance costs necessary for a project to have a minimal impact on the travelling public, heavy public input during the construction of a project, and safety, pedestrian, and environmental considerations. Scope changes during construction are rare, and are undertaken only where there is a substantial advantage to the public, the potential of a significant lost opportunity, a safety consideration and/or a major environmental issue.

Contracts allow specific relief for changed conditions that could not be foreseen, forces of nature, and/or unusually severe weather. Due to these factors, specific projects will occasionally have cost overruns. To decrease contract overruns, some combination of the following is necessary: improve estimating quantities in bid documents, make more field changes that reduce quantities and costs, make fewer field changes that increase quantities or cost, or decline performing extra work requested by others (e.g., local governments, other agencies).

It is also important to note that because large-dollar projects generally take longer to build and usually have more significant environmental and community impacts than the majority of federal-aid highway projects, they have greater potential to experience substantial cost increases and lengthy construction delays. The Public Facilities Branch typically provides design and construction administration services for other state client agencies. During the course of construction these client agencies may direct additional work be performed, making the stated performance measure out of the control of Department personnel.

Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Administration and Support	1,002.6	0.0	585.9	1,588.5	1,118.6	0.0	538.4	1,657.0	1,143.2	0.0	866.0	2,009.2
Equal Employment/ Civil Rights	306.5	0.0	232.6	539.1	307.2	0.0	295.6	602.8	313.8	0.0	367.6	681.4
Internal Review	130.2	0.0	494.7	624.9	58.7	0.0	680.6	739.3	59.2	0.0	697.0	756.2
Administrative Services	3,925.1	0.0	5,687.2	9,612.3	3,903.2	0.0	5,553.5	9,456.7	4,046.4	0.0	6,201.7	10,248.1
Regional Support Services	1,776.7	0.0	2,251.4	4,028.1	1,914.7	0.0	2,124.5	4,039.2	1,969.5	0.0	2,179.5	4,149.0
Statewide Aviation	438.0	0.0	223.3	661.3	451.6	0.0	226.0	677.6	462.0	0.0	231.2	693.2
Planning	342.2	0.0	5,173.0	5,515.2	342.7	0.0	5,548.3	5,891.0	346.7	0.0	5,860.3	6,207.0
Design & Eng Services	1,777.6	0.0	31,998.8	33,776.4	1,920.4	0.0	33,175.3	35,095.7	1,956.0	0.0	35,972.5	37,928.5
Construction/CI P Support	740.9	0.0	26,607.4	27,348.3	742.9	0.0	29,027.7	29,770.6	854.2	0.0	31,291.6	32,145.8
Statewide Facility M&O	12,539.2	35.4	5,169.5	17,744.1	11,429.3	81.8	2,947.1	14,458.2	12,372.6	167.8	2,967.5	15,507.9
State Equipment Fleet	0.0	0.0	18,356.3	18,356.3	0.0	0.0	19,568.7	19,568.7	0.0	0.0	20,346.4	20,346.4
Measure Stnds & Comm Veh. Enf.	1,941.8	0.0	2,101.6	4,043.4	2,016.4	0.0	2,629.5	4,645.9	2,056.2	0.0	2,891.7	4,947.9
Highways and Aviation	0.0	0.0	0.0	0.0	73,133.4	1,634.6	2,968.7	77,736.7	78,716.8	1,655.6	9,019.3	89,391.7
Statewide Highways	257.6	0.0	0.0	257.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Snowplowing												
Statewide Highways and Aviation	500.0	0.0	971.4	1,471.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
North Kenai	0.0	0.0	0.0	0.0	385.4	0.0	0.0	385.4	0.0	0.0	0.0	0.0

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Maintenance Station International Airports	0.0	0.0	305.5	305.5	0.0	0.0	375.0	375.0	0.0	0.0	381.2	381.2
Central Region Hwys & Aviation	26,710.7	310.3	3,367.1	30,388.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Whittier Access & Tunnel	0.0	0.0	450.0	450.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ted Stevens Airport	0.0	0.0	0.0	0.0	0.0	0.0	32,789.7	32,789.7	0.0	100.0	34,226.8	34,326.8
Fairbanks International Airp.	0.0	0.0	9,580.4	9,580.4	0.0	0.0	10,202.8	10,202.8	0.0	0.0	10,732.5	10,732.5
Northern Reg Hwys & Aviation	36,172.5	384.9	4,898.4	41,455.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Southeast Reg Hwys & Aviation	8,615.5	0.0	1,267.5	9,883.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Marine Highway System	410.0	0.0	78,449.3	78,859.3	0.0	0.0	79,514.4	79,514.4	0.0	0.0	85,397.5	85,397.5
Front Section Anchorage International Airp.	28,091.0	0.0	0.0	28,091.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	32,832.1	32,832.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Totals	125,678.1	730.6	231,003.4	357,412.1	97,724.5	1,716.4	228,165.8	327,606.7	104,296.6	1,923.4	249,630.3	355,850.3

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	730.6	1,716.4	1,923.4
1003 General Fund Match	74.9		
1004 General Fund Receipts	122,381.7	94,022.5	100,433.8
1005 General Fund/Program Receipts	3,221.5	3,702.0	3,862.8
1007 Inter-Agency Receipts	9,124.3	4,476.0	4,562.1
1026 Highway Working Capital Fund	22,900.8	22,588.1	23,662.1
1027 International Airport Revenue Fund	43,551.2	45,275.3	47,048.8
1052 Oil/Hazardous Response Fund	700.0	700.0	350.0
1053 Investment Loss Trust Fund	363.4		
1061 Capital Improvement Project Receipts	72,629.9	71,776.9	83,143.5
1076 Marine Highway System Fund	78,188.2	80,461.0	86,369.8
1108 Statutory Designated Program Receipts	711.5	1,082.2	1,095.5
1147 Public Building Fund	1,082.6		
1156 Receipt Supported Services	1,751.5	1,806.3	3,398.5
Totals	357,412.1	327,606.7	355,850.3

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	2,874	2,985
Permanent Part Time	634	600
Non Permanent	9	12
Totals	3,517	3,597

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Alaska Marine Highway System - Vessel Overhaul and Rehabilitation	5,500,000	0	0	5,500,000
Safety Inspection of State Owned High Risk Facilities	200,000	0	0	200,000
Material Stockpiles - Dalton Highway, Glenn Highway and Tok Cutoff	600,000	0	0	600,000
Airport Deferred Maintenance	1,500,000	0	0	1,500,000
Emergency and Non-Routine Repairs	1,000,000	0	0	1,000,000
Facilities Deferred Maintenance and Critical Repairs	800,000	0	0	800,000
Harbor Deferred Maintenance	1,000,000	0	0	1,000,000
Highway Deferred Maintenance	1,500,000	0	0	1,500,000
Weights and Measures Testing Unit Replacement	525,100	0	0	525,100
Corps of Engineers - Harbors Program Formulation	200,000	0	0	200,000
Moose Pass Maintenance Station Closure and Site Clean-up	600,000	0	0	600,000
State Equipment Fleet Replacement	0	0	11,800,000	11,800,000
Statewide Federal Programs	52,649,700	20,650,000	21,406,600	94,706,300
Airport Improvement Program	0	117,519,900	1,500,000	119,019,900
Surface Transportation Program	0	354,330,000	150,000	354,480,000
Department Total	66,074,800	492,499,900	34,856,600	593,431,300

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

Highway Maintenance and Operations:

The Whittier Tunnel opened for operation in July 2000. This was the first design, build and operate construction project ever developed in Alaska. The contract for the operation of the tunnel will expire in April 2002. At that time the DOT&PF will take over responsibility for its ongoing operations. The Department's FY03 budget request includes the necessary receipt and expenditure authority for the facility whether it is performed through a contractor or a state workforce.

The FY03 Statewide Equipment Fleet (SEF) rates are based on FY01 actuals. The rates for FY03, combined operating and replacement, are increasing a total (net) of \$2.9 million. Increases on the replacement side are due to a greater number of new vehicles and higher replacement costs. The operating side increases represent the independent consultant's review costs and COLA increases, a reallocation from the capital (replacement) side to the operating, and an elimination of credit for prior year gains (overcollection). These gains were distributed (credited against the rates) over a three year period. This year the rates are up from last year because the gains have been fully distributed, and the full costs are now back in the rates.

Alaska Marine Highway System

The purpose of the Alaska Marine Highway Fund, established in Alaska Statute 19.65.050, is to provide a funding mechanism for the Alaska Marine Highway System (AMHS) that is steady, stable, dependable and predictable. The depletion of the Marine Highway Fund is imminent. The Fund provided stability during times of transition and unexpected events. In the past AMHS has experienced several events that resulted in additional expenditures and lost revenues (e.g., strikes, blockades, etc.). The use of the Fund prevented the loss of several weeks of service and total system disruption. Predictable service was possible. The Department is taking various actions to deal with the depletion problem. Unfortunately, actions intended to generate revenue take time to implement and the fund is in need of immediate general fund support. The addition of \$17 million is necessary to keep the fund balanced, and to provide needed increases to service levels to return to the planned FY99/FY00 levels.

Administrative Services

The work being done by department employees have inherent safety risks whether on our roadways, airports, vessels, harbors or facilities. Each year DOT&PF spends approximately \$2 million in workers compensation claims. The department pays other costs related to motor vehicle accidents/claims. We need to closely examine these risks, emphasize safety in the workplace and make changes in the way we do business to minimize risk. A safety officer for the department will provide direction and coordinate an appropriate safety program to deal with these issues.

Departmentwide:

Security is now a major issue following the events of September 11. Requirements for security are changing daily for the airports, marine highway terminals and vessels, and other surface infrastructure including tunnels and bridges. Additional resources are needed to perform mandated functions such as security management, inspection, law enforcement, access control, parking area and perimeter patrols, and administrative functions.

The Department has been experiencing a growth in federal highway and airport construction programs since their reauthorizations and due to the addition of specially designated congressional appropriations. In an effort to meet the needs of the design and construction programs, 46 new positions are being requested. These positions will provide oversight to the increasing number of design and construction contractors and deal with more complex construction projects that incorporate advances in technology. In FY99 the Department eliminated 68 positions within the design and construction programs due to a combination of department reorganization and budget cuts.

The position count for the department shows an increase of 63 full-time positions. The following is a brief explanation for the increase:

New Positions

- 1 - Statewide Construction Coordinator – oversight and standardization of department construction activities
- 1 - Department Safety Officer – coordinate workplace safety needs and manage workers compensation cases

- 1 - Planner - STIP and AIP federal programs - (federal funds)
- 20 - Design Engineers - manage and supervise design contracts (federal funds)
- 27 - Construction Engineers - manage and supervise construction contracts (federal funds)
- 2 - State Equipment Fleet Mechanics – maintain vehicles being converted from dry to wet
- 1 - Measurement Standards and Commercial Vehicle Enforcement Microcomputer Network Technician – support the ongoing office needs of this division
- 3 - Ted Stevens Anchorage International Airport Capital Project Engineers – manage construction projects (CIP receipts)
- 4 - Alaska Marine Highway – crew needed for the new Metlakatla shuttle
- 2 - Gas Pipeline Engineer and Right of Way Agent - coordination of department gas pipeline activities and right of way permitting for pipeline construction
- 1 - Equal Employment Officer- implement Alaska Unified Certification program

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	97,724.5	1,716.4	228,165.8	327,606.7
Adjustments which will continue current level of service:				
-Administration and Support	24.6	0.0	14.6	39.2
-Equal Employment/ Civil Rights	6.6	0.0	7.0	13.6
-Internal Review	0.5	0.0	16.4	16.9
-Administrative Services	91.1	0.0	111.6	202.7
-Regional Support Services	54.8	0.0	55.0	109.8
-Statewide Aviation	10.4	0.0	5.2	15.6
-Planning	4.0	0.0	225.2	229.2
-Design & Eng Services	35.6	0.0	838.5	874.1
-Construction/CIP Support	11.3	0.0	667.0	678.3
-Statewide Facility M&O	206.2	1.0	20.4	227.6
-State Equipment Fleet	0.0	0.0	430.8	430.8
-Measure Stnds & Comm Veh. Enf.	39.8	0.0	62.2	102.0
-Highways and Aviation	1,966.5	21.0	-299.4	1,688.1
-North Kenai Maintenance Station	-385.4	0.0	0.0	-385.4
-International Airports	0.0	0.0	6.2	6.2
-Ted Stevens Airport	0.0	0.0	647.9	647.9
-Fairbanks International Airp.	0.0	0.0	290.7	290.7
-Marine Highway System	0.0	0.0	1,648.7	1,648.7
Proposed budget increases:				
-Administration and Support	0.0	0.0	313.0	313.0
-Equal Employment/ Civil Rights	0.0	0.0	65.0	65.0
-Administrative Services	52.1	0.0	536.6	588.7
-Planning	0.0	0.0	86.8	86.8
-Design & Eng Services	0.0	0.0	1,958.7	1,958.7
-Construction/CIP Support	100.0	0.0	1,596.9	1,696.9
-Statewide Facility M&O	737.1	85.0	0.0	822.1
-State Equipment Fleet	0.0	0.0	346.9	346.9
-Measure Stnds & Comm Veh. Enf.	0.0	0.0	200.0	200.0
-Highways and Aviation	3,616.9	0.0	6,350.0	9,966.9
-Ted Stevens Airport	0.0	100.0	789.2	889.2
-Fairbanks International Airp.	0.0	0.0	239.0	239.0
-Marine Highway System	0.0	0.0	4,234.4	4,234.4
FY2003 Governor	104,296.6	1,923.4	249,630.3	355,850.3

State of Alaska FY2003 Governor's Operating Budget

University of Alaska

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Department Mission

The mission of the University of Alaska is to respond to the educational needs of all Alaskans and to enhance Alaska's economy by fostering and promoting

- (1) a high quality postsecondary educational system;
- (2) appropriate vocational education development and training;
- (3) advancement and extension of knowledge, learning, and culture; and
- (4) the application of new knowledge and emerging technologies to meet the needs of the state.

Sec. 152, Ch 90, SLA 2001(HB250)

The University of Alaska inspires learning, and advances and disseminates knowledge through teaching, research, and public service, emphasizing the North and its diverse peoples.

(Board of Regents' Policy 10.01.01)

Department Goals and Strategies

The UA FY03 Operating Budget Request focuses on activities necessary for UA to continue as a catalyst for economic development and diversification in Alaska. Over the past three years UA has set a compelling standard for accountability to Alaska's citizenry in its investment of state resources and UA continues to be committed to that high standard of accountability.

UA's FY03 state funding increment request of \$17 million is expected to leverage an additional \$50.6 million from external funding sources. The primary emphasis for this increment investment is to attract more of Alaska's college-bound students, provide the necessary training/retraining opportunities to build Alaska's existing workforce, and with primarily external funding, develop faculty expertise in areas of strategic importance to Alaska's economic future, including education, global climate change, Alaska Native language and culture, global logistics and health sciences. UA is requesting state funding and non-general fund authority in the following categories:

	General Funds	Non-General Fund Auth.
Maintaining a Solid Foundation	\$9.5M	\$ 8.3M
Keeping Pace with Technology	\$0.8M	\$ 0.3M
Attracting and Retaining Alaska's Students	\$1.7M	\$ 1.3M
Meeting Alaska's Employment Needs	\$3.4M	\$10.4M
Preparing for Alaska's Economic Success	\$1.6M	\$30.3M

Of specific note in this request is UA's renewed ability to carry an increasing portion of the costs associated with base services; maintaining a solid foundation and keeping pace with technology. Over the four year period FY00-FY03 UA's increment request is \$2 million less from general fund for these base requirements while UA expects to cover \$5.2 million more from external sources. Specific to salary maintenance requirements, UA's state funding increment request in FY03 is only \$50 thousand higher than UA's state request in FY00. But, UA, through non-general fund sources will cover an additional \$2.1 million of the salary increment requirement.

Attracting and retaining Alaska students is a significant goal for UA and is evident in this request. UA has experienced significant success in the last two years in attracting Alaska's college-bound students. Specific to UA Scholars and classic first-time freshmen, UA's numbers have increased more than 10% annually for the last two years. Fall 2001 enrollment figures show UA has 371 new scholars, which represents 41% of those eligible. This is approaching UA's

goal of enrolling 50% of eligible UA scholars. Taking a strategic approach to enrollment management by targeting programs and students is expected to increase total enrollment in FY03 by another 5%. In Fall 2000, UA experienced its first total overall enrollment growth in six years, up 1%. Growth has continued this fall with an estimated 3.2% increase over last fall.

Requests for meeting Alaska employment needs continue to focus on initiative programs that are responsive to job needs in the state. Due to UA's FY02 state appropriation, many of the programs included in this FY03 request are programs requested last year, but that UA was unable to fund. UA's FY02, state appropriation was \$4 million below the FY02 request.

In addition to the general fund and non-general fund authority requests for meeting Alaska's employment need, continuation of UA workforce development funding (via SB137) is presented. The SB137 funding is not incremental; funding continues for FY03 at a level similar to that appropriated in FY02. This funding is directed to Alaska Human Resources Council identified high priority program areas. Of the 24 individual programs proposed in the areas of information technology, transportation, health, education, and trades and technology, thirteen were FY02 program requests funded using SB137 funds, and nine are programs being quick started in FY02 with SB137 funding. Because SB137 legislation provides multi-year funding, the university has invested this into workforce development programs requiring long-term commitments. This is different from the one-time equipment and other items funded utilizing Workforce Development Funding via SB289 (FY01)

The most exciting category with the highest leverage capability is preparing for Alaska's economic success. Program requests in this category focus on emerging policy and economic opportunities vital to improving Alaska's future and are characterized by extensive federal, state and industry partnerships. Three of the program increments in this area are almost entirely funded through private or federal funds. One program, the experimental program to stimulate competitive research (EPSCoR) demonstrates success as a result of the state's initial investment in this program in FY01. The incremental non-general authority request of \$3 million in FY03 is in addition to the \$3 million non-general fund authority and \$1 million of state funding originally committed to the program in FY01.

In summary, full funding of UA's increment request is an essential step to improving Alaska's future. The UA instruction and research programs, student services, enrollment and external funding aligned with areas important to Alaska become the catalyst for building and sustaining economic success.

Key Department Issues for FY2002 – 2003

Key issues facing the University of Alaska to support Alaska's economic development and diversification include:

Leadership and Partnerships:

- The university must take a leadership role within the state to define and address the human resource and technology requirements to enable Alaska to take full advantage of economic opportunity. The university is doubling the investment towards studying and presenting policy alternatives and resulting implication on the state's economy, environment and culture. Industry, state government, and the university must work in close partnership to create the policies and environment within Alaska for sustained economic success.

Urgency:

- Preparing for success requires developing and refining responsive instructional and research programs, recruiting students, recruiting and retaining faculty and staff through competitive compensation and a positive working environment, and building the necessary information technology and facilities infrastructure. Economic opportunity can be generated in Alaska. The university needs the state's support to build its capacity to prepare Alaskans to take full advantage of this opportunity.

- In order to prepare for and meet the educational requirements for economic development, the university and the state need to start now. It takes five years to graduate an engineer. On the fastest track, it takes four years from funding to final construction to build the facilities necessary for emerging programs. Emerging programs and

anticipated program growth are requiring more modern and sophisticated space. Planning, design and phase 1 construction on new science facilities are essential in order to take advantage of the opportunities Alaska will see this decade.

Aligning University Programs to Meet State Needs:

- UA is focused on programs for occupations with high worker demand including teacher education, nursing, allied health, information technology and other technical career training. The university will continue to work with industry consortia to create programs that are responsive to current worker shortages. The university is being efficient by prioritizing investments in programs meeting the highest demand. Refining the program offerings and recruiting and retaining students in these programs will be key to UA's success.

- Meeting Alaska's teacher demand is a very high priority for the university and the state. Although UA's program expansion in teacher education is moving forward, the solution for meeting the state's teacher demand does not rest solely with university programs. Because many other states are also experiencing teacher shortages, Alaska must compete to attract and keep teachers in state. State policy and incentives may be a necessary part of this solution. Discussions between the university, school districts and the Department of Education and Early Development must continue to fully implement solutions to meet the state's need for qualified teachers. The Alaska Center for Excellence in Schools is a positive undertaking that can create the partnerships necessary to solve the teacher shortage and school quality issues on a holistic basis.

- UA is also focused on enhancing programs necessary for worker training in occupations related to the state's large-scale projects likely to develop in the near future. These programs include engineering and environmental science for a pending gas line, finance and e-commerce for an emerging investment management industry, natural resources and fisheries management and geospatial data analysis. These are long-term programs that started in FY02 (some only partially funded). These programs will be enhanced and refined in FY03 and beyond.

Demonstrating Responsible Stewardship of Public Resources:

- The university is demonstrating the highest level of accountability for funding provided by the state. All initiative programs funded with the state's investment in FY01 and FY02 are being closely monitored. Status reports for all programs are required regularly. The status of faculty and staff hires, course enrollment, program offerings and funding are included. The heightened level of accountability provides public confidence in the university stewardship of resources.

- In addition to monitoring new and expanded programs the university continues to track its progress on performance measures implemented jointly with the legislature.

Major Department Accomplishments in 2001

The additional funding provided by the state has enabled the university to take significant steps toward its goal of supporting Alaska's economic diversification and development.

- Student enrollment increased 3.2% this fall and 1% in FY01. The enrollment increase this fall was again fueled by a twelve percent increase in classic first-time freshmen enrollment. First year retention also increased for a second year in a row.

- In FY01, with a state appropriation increase of 9%, UA invested heavily into programs responsive to state needs resulting in total initiative program investments of \$21 million (of which \$10 million was funded with incremental state funding, \$1.7 from SB289 work force program funding and the remaining from partnerships, tuition, and realignment of existing resources). Overall, UA experienced a 14% increase in revenue largely due to increasing commitments from federal, state, corporate and private partnerships.

- The UA Scholars Program continues to be a success. A total of 829 UA Scholars are enrolled at the University of Alaska. Biology is the most popular four-year degree program for UA scholars. The number of new UA scholars increased from 343 in Fall 2000 to 371 in Fall 2001. This fall the program attracted 41% of all eligible students.

- UA's nursing program expansion in Fairbanks and Kodiak continues to have full cohorts of students pursuing their associate nursing degree. In Fairbanks, 24 students are enrolled and 8 students are enrolled in Kodiak. In Anchorage the number of nursing students has also significantly increased. Figures indicate a 25% increase from Fall '99 to Fall '00.

- UA implemented and institutionalized creative new programs including the UA Corporate Program, the Alaska College Savings Trust, and online distance education services. Distance education course offerings have increased significantly. The Alaska College Savings Trust program is an innovative higher education savings program which UA developed in partnership with T. Rowe Price in FY01. To date, savings participants have invested over \$100 million in the program.

- The process technology program delivered in Anchorage, Fairbanks, and Kenai established in partnership with the Alaska Process Industry Careers Consortium will graduate its first students in December. Industry has provided scholarship and employment opportunities for process technology students and all graduates will be employed.

- National Science Foundation funding for the Experimental Program to Stimulate Competitive Research (EPSCoR) was announced. The funding is three million dollars per year for three years and an expected additional three million starting in FY03. The Alaska Science and Technology Foundation also committed \$500,000 each year to EPSCoR related projects. The finance issues ASTF is facing need to be monitored, as ASTF's commitment is crucial for meeting the terms of the EPSCoR funding agreement. The EPSCoR program is designed to create capacity for research in areas that can be applied to state economic development. UA has been successful in attracting additional applied research funding from Department of Defense, National Institutes of Health and Department of Energy based on the original EPSCoR designation.

- The university instituted a system-wide early childhood education program that meets the federal Head Start mandate for associate degree training. The early childhood education program is available via distance delivery as well as on-site in several locations throughout the state; degree program enrollment increased 20% from Fall 2000 to Fall 2001. The university has also leveraged federal funding to expand program offerings.

Governor's Key Department-wide Performance Measures for FY2003

Measure:

The number and percentage of total Alaska high school graduates who attend the University of Alaska.
Sec 152 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Goal: Within 3 years (fall 2003) enroll 26% of Alaska's high school graduates.

Of recent high school graduates fall 2001, 23% attended UA as first-time freshmen.

Benchmark Comparisons:

Several sources report projections on high school graduates with widely varying estimates. The projected number of Alaska high school graduates for the class of 2003 using WICHE is 7,261; at 26% of the high school graduates attending UA this equates to 1888 recent high graduates attending in fall 2003. Using another source (NCES Projections of Education Statistics to 2011), an estimated 1,940 students would attend UA in fall 2003. Nationally, the percentage of high school graduates who attend college soon after graduation has declined from 67% in 1996 to 63.3% for fall 2000 (Opportunity, May 2001). Forty-five percent of recent high school graduates enroll at public institutions in their home state. The University of Alaska expects to enroll 40% within six more years (fall 2007) nearly 3000 recent high school graduates.

Background and Strategies:

Recruitment efforts are important to increasing the number of full-time freshmen. A major part of recruitment is the breadth of programs available, the faculty quality, and services provided. UA is pursuing program expansions, faculty recruitments, enhanced student service and student recruitment efforts to attract this sector of traditional-aged students to curb Alaska's brain drain. The UA Scholars program has proved very successful with 371 new students enrolled and 829 total for the Fall 2001. UA has also increased the number of UA Foundation Scholarships by 28% in the last two years from \$5.5 million in awards to \$6.5M in awards. However, state policy can have a significant positive effect on this measure by funding the UA Scholars program. Nationally, 7% of state appropriations go to higher education grant programs. Currently, Alaska is the only state that does not provide need-or merit-based student aid. Providing need-or merit-based aid for in-state attendance would also help to keep Alaska students in-state. The table below shows the percentage of recent high school graduates who attend UA has increased from 18% in 1997 to 23% in fall 2001.

Strategy: Attracting and Retaining Alaska's Students (ongoing initiative)
UA Scholars Program

Number of Recent Alaska High School Graduates who attend UA as First-time Freshmen by Year

Year	AK HS Graduates	UA FTF who are Recent AK HS Graduates (Fall Semester)	% of AK HS Grads who are UA FTF
1997	6,175	1,097	18%
1998	6,496	1,360	21%
1999	6,826	1,486	22%
2000	6,668	1,498	22%
2001	6,812	1,558	23%

Measure:

The number and percentage of total Alaska high school graduates who attend the University of Alaska as Alaska Scholars.

Sec 152 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Goal: Increase the percentage of eligible UA Scholars who choose to attend UA to 50% within three years (fall 2003).

Benchmark Comparisons:

In Fall 2001, 371 (41%) of the 897 eligible UA Scholars attended the University of Alaska.

In Fall 1999, 33% (270) of the 811 eligible UA Scholars attended the University of Alaska.

Background and Strategies:

This program is designed specifically to increase the number, quality, and percentage of Alaska high school graduates attending UA. The UA Scholars Program offers a four year \$11,000 scholarship to the top 10 percent of the graduates from qualified Alaska high schools each year. Students are designated by their high school based on their academic standing at the end of their junior year.

To use the Award, the Scholar must enroll at a UA campus within 16 months of high school graduation. This means the Scholar may take time off after graduation to work, travel, or even try a school outside before enrolling at the University of Alaska. Once enrolled, the Scholar will receive \$1375 per semester for eight semesters provided that the Scholar remains in good standing.

The percent of eligible scholars attending the University of Alaska has increased since the start-up of the program in 1999 from 33% to 41% (see table below). The WICHE projection of the number of high school graduates in the

class of 2003 is 7,261. The goal of enrolling 50% of eligible UA scholars is lofty and using WICHE's projection of graduates, the number of UA scholars enrolling would be as high as 470 by the Fall of 2003. UA is enrolling almost four times as many top 10% students than prior to the UA Scholars Program. In 1998 it was estimated that a maximum of 14% of high school graduates in the top 10% attended UA prior to the program, or about 100 students, compared to the 2001 actual achievement of 371.

Number of Eligible UA Scholars and the Attendance Rate by Fall Term

Fall Term	Number Eligible	Number Attended	Percent Attended
1999	811	270	33%
2000	875	343	39%
2001	897	371	41%
2003 *	* 958	* 470	* 50%
* Goal			

Strategy: Attracting and Retaining Alaska's Students
UA Scholars Program

Measure:

The number and percentage of total Alaska high school graduates who stay in Alaska one year, five years, and 10 years after graduation from the University.
Sec 152 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Goal: Retention of UA baccalaureate degree graduates in Alaska at 79% residency for one year after graduation and 69% residency five years after graduation.

For UA baccalaureate graduates from 1990 to 1999 the average residency one year after graduation is 79% and 68% residency five years after graduation.

78% of 1999 graduates reside in-state one year after graduation.

65% of 1995 graduates reside in-state five-years after graduation

Benchmark Comparisons:

For UA baccalaureate graduates from 1990 to 1998 the average residency one year after graduation is 79% and 69% residency five years after graduation.

Background and Strategies:

The University of Alaska and the Alaska Department of Labor have tracked the University's baccalaureate degree recipients from fiscal year 1990 to 2000 in a joint study. The study did not distinguish between those degree recipients who were Alaska high school graduates and high school graduates from outside of Alaska; this parameter will be added next year. Of all the degree recipients currently residing in Alaska in 2000, 87% were employed. The university not only fosters learning and research, but contributes to diversifying Alaska's economy by contributing to an educated and trained workforce.

The availability of positions in the degree recipient's chosen profession will, in part, determine the continued residency in Alaska. The most recent five-year residency figure, however, is of concern as it represents the largest negative change in residency of graduates observed to date; from 68% of the 1994 class residing in Alaska to 65% for the class of 1995. Availability of various occupations is necessary to retain these trained graduates. This is a significant state policy issue and essential for economic diversification. In addition to aligning program offerings with high demand job areas, UA is investing external funding to study and present economic policy options that may help expand the availability of more diverse, well-paying occupations within the state.

The table below shows the percentage of baccalaureate degree recipients from the University of Alaska who resided in Alaska one, five, and ten years after graduating based on their Alaska permanent fund dividend status. On average, 79% of baccalaureate degree recipients resided in Alaska one year after graduation (1992-1999

graduating classes) and 68% resided in Alaska five years after graduation (1990-1995 graduating classes). Note, the actions UA and the state are taking today will favorably impact the five-year residency of the students who start between fall 1999 and fall 2002 and become part of the graduating class of spring 2007. Measuring the five-year residency impact in 2012 will best evaluate our success in this area. This demonstrates why action must start today.

**Percent of Baccalaureate Degree Recipients who are Alaska Residents by
Graduation Year, and Length of Residency**

Graduation Year	% Residency 1 year later	% Residency 5 years later	% Residency 10 years later
1990		69%	63%
1991		69%	
1992	80%	70%	
1993	82%	68%	
1994	82%	68%	
1995	80%	65%	
1996	77%		
1997	77%		
1998	78%		
1999	78%		

Strategy: Attracting and Retaining Alaska's Students
Meeting Alaska's Employment Needs
Preparing for Alaska's Economic Success

Measure:

The percentage of students graduating with degrees in teacher education, health careers, process technology, transportation and logistics, information technology and other high-demand job areas
Sec 152 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Goal: Using FY00 as the base, increase graduates by 5% over the next two years and 10% over the next 4 years in the job areas specified.

The University awarded 1,377 degrees in FY01 in high-demand job areas. Given the enrollment drop between 1994 and 1999, it is unlikely to meet the 5% goal by FY02. With enrollment on the rebound, especially in many of these programs, it is very aggressive but possible to reach the 10% target by FY04.

Benchmark Comparisons:

FY2000 - 1,530 University of Alaska degrees were conferred for high-demand job areas as defined by the Alaska Department of Labor.

Background and Strategies:

There is a lag between enrollment and completion as the programs require from two to four years to complete; therefore, enrollment in the specified programs must increase from fall 2000 before an increase in graduation from two year programs can be measured. The table below shows the number of degrees awarded in ADOL high-demand and specified occupational areas as well as enrollment. Between FY00 and FY01, enrollment

increased by at least 10% in 6 programs and by at least 5% in 11 of the high demand programs. Preliminary Fall 2001 enrollment data shows positive trends in engineering , business services, early childhood development and information technology. An area of short-term success is in the early childhood development program (education assoc/cert level) where preliminary fall 2001 enrollment shows a 20% increase across the system. As final enrollment figures become available, this will be updated. The FY01 enrollment increases will begin impacting the number of graduates in FY03 through FY06.

Number of Degrees Awarded in each Fiscal Year and Fall Headcount by Job Area and Degree Level

Job Area and Degree Level	Enrollment* FY00-FY01	Degrees Awarded (FY)			
		1998	1999	2000	2001
Air Transportation					
Assoc/Cert	Down 5 - 10%	48	44	46	43
Business Services					
Assoc/Cert	Down 5 - 10%	108	100	107	144
Baccalaureate	Down > 10%	13	7	13	17
Masters	Up 0 - 5%	9	17	22	18
Engineering					
Assoc/Cert	Up 5 - 10%	35	47	11	27
Baccalaureate	Down 5 - 10%	104	75	75	59
Masters	Down > 10%	20	21	28	14
Finance, Insurance, and Real Estate					
Baccalaureate	Down 5 - 10%	80	82	103	95
Health					
Assoc/Cert	Up > 10%	221	176	198	191
Baccalaureate	Up 0 - 5%	124	122	123	105
Masters	Down 5 - 10%	62	55	44	40
Information Technology					
Assoc/Cert	Up 5 - 10%	82	71	92	66
Baccalaureate	Up 5 - 9.9%	44	30	44	56
Masters	Up > 10%	10	2	5	7
Management					
Baccalaureate	Down 0 - 5%	118	93	116	112
Masters	Up > 10%	54	73	49	50
Natural Resources					
Assoc/Cert	Down > 10%	1	4	1	1
Baccalaureate	Up 5 - 10%	57	55	45	37
Doctoral	Up 5 - 10%	2	1	3	2
Masters	Down > 10%	43	27	37	22
Process Technology *					
Assoc/Cert	Up > 10%	19	19	16	14
Teacher Education					
Assoc/Cert	Up > 10%	23	26	22	22
Baccalaureate	Down > 10%	231	199	158	131
Masters	Up > 10%	121	160	172	104
Total		1,629	1,506	1,530	1,377

* In addition to the process technology program students, students enrolled in power plant, industrial technology and petroleum technology are included in this category.

Strategy: Attracting and Retaining Alaska's Students
Meeting Alaska's Employment Needs
Preparing for Alaska's Economic Success

Measure:

The number of University of Alaska graduates, by community of origin and by community of current employment, who are new teachers.

Sec 152 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Goal: Maintain current employment rate through 2003 and then increase the percentage of UA graduates filling teaching vacancies each year in the state by 5% per year. By 2010, place over 50% of the teachers needed each year in Alaska.

FY00 information reported by the Alaska Teachers Placement (ATP), shows 9% of vacancies in FY01 were filled by new UA graduates compared to 12%. In 1999, ATP reported that new graduates and UA alumni filled 32% of vacancies. There is not comparable information for 2000 for UA alumni placement. However, maintaining the employment rate of 32% over the next four years is not likely given the 5th year teacher program just started in FY01 and the overhaul of the baccalaureate education programs has just been accomplished this year (FY02). The baccalaureate education program enrollment is still decreasing from its elimination in 1999 with the first increase anticipated in fall 2002. The BLA and BAS enrollment in content degree areas for advancement after graduation into the 5th year teacher program is currently 230; however, not all of these students will pursue education. Beyond the yet modest education program enrollments, there is also a lack of interest of many qualified individuals to remain in the teacher profession and a lack of interest on the part of new graduates to become teachers due to pay and other working conditions.

Benchmark Comparisons:

In 1999, UA new graduates 12% of total vacancies.

In 1999, UA new graduates and Alumni filled 32% of total vacancies.

Background and Strategies:

Alaska Teacher Placement tracks the supply and demand as well as employment of teachers and administrators for Alaska school districts. This measure addresses the teacher section of the data while the next measure addresses the administrative portion (principals and superintendents).

The table below shows the total number of teaching vacancies by region and the percentage of the vacancies that were filled by UA graduates. New UA graduates are first-year teachers. In FY01 the 5th year teacher education program was first funded and in FY02 funding was invested for the redefined and more responsive baccalaureate teacher education program. Additional funding is requested in FY03 to fully fund the baccalaureate program request of FY02. The baccalaureate program enrollment is still declining with the first increase expected in the Fall 2002. UA's participation in the Alaska Center for Excellence in Schools will address both education and professional issues to improve performance in this area.

Number of Teacher Vacancies and Percent of UA Graduate Hires by Region

Region	1999		2000	
	Total Vacancies	% New UA Graduates	Total Vacancies	% New UA Graduates
Interior	227	7%	134	6%
Northwest	172	6%	171	6%
Southcentral	592	16%	359	11%

Southeast	170	11%	112	13%
Southwest	255	10%	289	9%
Total	1416	12%	1,065	9%

Strategy: Meeting Alaska's Employment Needs
Preparing for Alaska's Economic Success

Measure:

The number of University of Alaska graduates, by community of origin and by community of current employment, who are new principals or new superintendents.

Sec 152 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Goal: In the next three years (by 2003) place over 50% of the administrative (principal and superintendents) vacancies in Alaska school districts.

In 2000, 42% of administrative vacancies were filled by UA graduates. Reaching 50% is an aggressive goal; however, the strong enrollment increases shown in the preliminary figures this fall in the education leadership program is a positive indicator.

Benchmark Comparisons:

Using Alaska Teacher Placement (ATP) statistics 38% of the 1999 administrative (principal and superintendent) vacancies were filled with UA graduates and alumni.

Total Administrative Vacancies and Percent filled by UA Graduates

	Total Vacancies	% UA Graduates
1999	98	38%
2000	64	42%

Strategy: Meeting Alaska's Employment Needs
Preparing for Alaska's Economic Success

Background and Strategies:

Alaska Teacher Placement statistics track the supply and demand as well as employment of teachers and administrators in Alaska school districts. Administrators data includes both principals and superintendents so the portions of the measure for principals and superintendents have been combined in this analysis.

Using Alaska Teacher Placement (ATP) statistics the number of administrative vacancies filled with UA graduates and alumni has increased from 38% in 1999 to 42% in 2000 as shown in the table. Enrollment in the education leadership program has increased this fall in part due to initiative investment in FY01.

Measure:

The number and percentage of total credit hours and courses offered by distance delivery.
Sec 152 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Goal: Increase the number of credit hours and courses offered by distance delivery by 10% over the next three years (from Fall 2000).

Preliminary Fall 2001 information indicates there are 697 distance education courses available through the University's 15 campuses, a significant increase over last fall. Improved reporting capability overstates the growth in courses indicating more than a 50% increase, but it is likely a true increase of 20%.

Benchmark Comparisons:**Distance Education Courses Offered and Credit Hours Produced**

		# of Distance Ed Courses Offered	% of MAU Total Courses Offered	Distance Ed Student Credit Hours	% of MAU Total Student Credit Hours
Fall 97	UA Anchorage	52	1.82%	3,233	2.52%
	UA Fairbanks	205	11.95%	6,441	8.73%
	UA Southeast	77	10.49%	2,445	10.34%
	UA Systemwide	334	6.30%	12,119	5.37%
Fall 98	UA Anchorage	60	2.07%	2,810	2.16%
	UA Fairbanks	195	11.22%	6,806	10.17%
	UA Southeast	84	11.54%	2,454	11.05%
	UA Systemwide	339	6.32%	12,070	5.50%
Fall 99	UA Anchorage	87	3.21%	4,008	3.12%
	UA Fairbanks	225	13.71%	7,136	10.73%
	UA Southeast	132	18.28%	4,226	19.34%
	UA Systemwide	444	8.75%	15,370	7.08%
Fall 00	UA Anchorage	68	2.56%	3,962	3.04%
	UA Fairbanks	248	14.57%	7,301	10.81%
	UA Southeast	131	17.56%	3,159	14.70%
	UA Systemwide	447	8.75%	14,422	6.58%

*Does not include yearlong correspondence students at the Center for Distance Education.

Background and Strategies:

The University of Alaska system has made significant progress in building capacity to serve students at a distance. A standardized course management system (BlackBoard) has been deployed throughout the system. Such standardization makes it possible to target faculty training and development efforts, facilitate cross-MAU instruction, and assist students in transitioning from one MAU distance course to another without having to learn a new electronic learning environment. Moreover, the University of Alaska has implemented a system-wide set of instructional tools (Adobe Acrobat, Macromedia, Fireworks, etc.) that faculty can incorporate within their electronic learning environment. This "faculty toolbox," along with a standardized course management system, was funded partially through the FY02 state appropriation increment.

In FY01 faculty development resources were allocated to assist faculty in the integration of technology and appropriate instructional strategies so that the University can increase the number of courses and programs delivered at a distance. New courses were developed in a number of areas including library science, rural

development, and business administration. The priority in distance education is to transition from individual course offerings to full program/degree programs where appropriate and applicable. An example of such a model is the MA in Education Technology offered through the University of Alaska Southeast (UAS), the BA in Early Childhood Development cooperatively offered through both UAS and the University of Alaska Fairbanks, and the Micro Support Specialist AAS cooperatively offered by all three MAU's.

FY02 efforts include the development, deployment, and maintenance of the University of Alaska Distributed Education Gateway (www.online.alaska.edu). The Gateway provides a one-stop service center that enables students to identify and locate available course offerings from any campus within the University system. Prior to this service, students often contacted a number of campuses in search of a particular course or courses. The University will also integrate into the Gateway its online student services so that students may select distance education courses and register for them completely online. The University is allocating considerable time and effort toward enhancing UA's ability to share and sequence courses and programs between campuses.

Distance education is defined as any academic course whereby the instructor can provide education to students in different physical locations through any number of teaching strategies and technologies. The primary means of distance delivery are audioconference, correspondence, telecourses, and satellite telecasts. The University is also expanding the number of courses available via the Internet, CD-ROM, and/or video/audio tape. Distance education is administered at UAF by the Center for Distance Education and Independent Learning, and at UAA by Academic Technology Services. At UAS distance education is fully integrated within the University and administered through the office of the Dean of Instruction. The table in the Benchmark Comparisons section shows the number of courses that were offered at each MAU with a total for the UA System and the number of student credit hours produced, as well as the percentage of all courses and credit hours at the University of Alaska from fall 1997 to fall 2000.

Strategy: Meeting Alaska's Employment Needs

Measure:

The cost per credit hour delivered by distance delivery.
Sec 152 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY01 nearly \$6.0 million of expenditures could be directly associated with the infrastructure, program support, student services, and faculty salaries used to offer courses via distance. Based on the student credit hours in distance courses, that equates to \$165 per student credit hour. For on-site instruction that figure varies from a low of \$90 per credit hour to as much as \$300 for specialized graduate programs. Due to the number of variables and various methods being developed around the country, the university is still working on arriving at a viable, consistent method. Once a method is accepted an appropriate target will be developed.

Benchmark Comparisons:

This costing method is just now emerging. Many universities are struggling with the same cost identification issues. In many cases the line between distance and on-site instruction cost is blurred as they are often conducted simultaneously. The method used above likely will change as industry standards are accepted and adopted.

Background and Strategies:

Distance education is a rapidly growing sector in higher education. Here in Alaska, distance education is especially useful as UA tries to make higher education available across the state's varied locations. It is also used to share specialized faculty among different campuses. The activities mentioned in the distance delivery credit hour measure above emphasize the effort UA is taking to expand distance-delivered program offerings in an efficient manner.

In assessing the cost of distance education, the University of Alaska has employed a cost analysis model developed by Western Cooperative for Educational Telecommunications (WCET) and National Center for Education Management Systems (NCHEMS).

Measure:

The pre-training wage as compared to the post-training wage for vocational education graduates.
Sec 152 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Goal: Maintain average salary increases of 15% for vocational education students after training.

For students who took vocational classes in 1999:

Wages increased by 20% after attendance over pre-training earnings:
\$6,489 per quarter vs. \$5,427 per quarter.

(Employment and wage information from the DOL for 2000 students will be available in January 2002.)

Benchmark Comparisons:

The university participates in an annual statewide vocational education outcome study by the Alaska Department of Labor published in January of each year. The study began in 1998.

Background and Strategies:

The University participates in an annual statewide vocational education outcome study produced by the Alaska Department of Labor and published each January. The second report (2000) was extended to contain pre- and post-training earnings information.

This report can be accessed at: <http://www.alaska.edu/oir/voced.html>. For the second report the University provided a list of over 5,900 students who participated in vocational education in FY99 and did not return in FY00. During the third and fourth quarters after exiting a vocational program, 70.3% of the participants were employed and the average quarterly earnings after training exceeded pre-training earnings by 20%. This compares favorably with the 15% increase observed for FY98 students, which is the benchmark for the goal above. Vocational education students' average quarterly earnings rose from \$5,427 in months 7 to 12 of the fiscal year prior to enrollment to \$6,489 per quarter in months 7 to 12 after exiting the program.

Strategy: Meeting Alaska's Employment Needs

Measure:

The amount of research grants in arctic biology, climate change, resource development, fisheries and ocean science, logistics, geosciences, and atmospheric sciences.
Sec 152 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Goal: Increase research grant funding commitments brought into the university in areas important to Alaska.

In FY02 UA anticipates a 10% increase in funding commitments of new grants awarded.

Benchmark Comparisons:

In FY01, there were 173 new grants awarded with total committed funding of \$45.3 million in the areas of arctic biology, climate change, resource development, fisheries and ocean science, logistics, geosciences, and atmospheric sciences.

Background and Strategies:

UA conducts research in several areas important to the state. In Alaska, unlike other states, the University carries out the bulk of Research and Development (R&D) activity. In other states, industry carries out 71% of the R&D effort while universities do 13%. In Alaska, 52% of the state's R&D effort is carried out by UA. However, Alaska conducts very little R&D. Only 0.5% of Alaska's gross state product is invested in research compared to

2.5% for other states. Two reasons that may explain why Alaska is dependent on UA to support R&D are the lack of a mature manufacturing industry base and some industry R&D efforts are largely conducted out-of-state (oil and tourism, for example). Regardless of the reason, Alaska must invest strongly in R&D for future economic development and UA is the engine to fuel state R&D. Fortunately, UA leverages every \$1 of state funded research with \$4 of external funding. This is a significant return of state investment for research and provides a much greater R&D impact for the state.

The university has developed a database of research activity that will provide a consistent listing for comparison purposes from year to year. Many grants are multi-year awards; the table below shows the number of new grants and award amounts from FY99 to FY01 in the areas targeted in the measure. The number of new grant-funded research projects has increased by 9% from fiscal year 1999 to 2001 and the amount increased by 64% during this same time period. In total, there are 850 active grant-funded research projects for a total award commitment (multi-year) of \$366 million. In FY01, on new and existing awards, there was \$70 million dollars of grant-funded research performed. New research being conducted at the University ranges from projects like the Studies of Immune Function in Steller Sea Lions, Modeling Terrestrial Ecosystems, Mendenhall Glacier Dynamics, and the Effect of Herring Egg Distribution and Ecology on Year-class Strength and Adult Distribution.

**Number and Amount of New Organized Research
Projects by Research Category
Fiscal Year 1999 – 2001**

Category	New Awards	Award Amt. (x\$1000)
Areas of Significant Importance to Alaska		
Resource Development	33	1,980.0
Biological Sciences & Arctic Health	46	14,279.0
Environmental Sciences	6	825.0
Geosciences	18	5,423.0
Marine & Ocean Sciences	57	8,556.0
Atmospheric Sciences	12	5,261.0
EPSCoR	<u>1</u>	<u>9,000.0</u>
Areas of Significant Importance - Subtotal	173	45,324.0
Additional Research Areas	<u>181</u>	<u>32,566.0</u>
Total 2001	354	77,890.0
Total 2000	286	56,263.0
Total 1999	325	47,598.0
% Change FY99-FY01	9%	64%

Strategy: Preparing for Alaska's Economic Success

Measure:

The number of graduate students whose education is funded by research grants.
Sec 152 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Goal: Increase the number of grant-funded graduate students by 10% over the next two years.

189 graduate students were employed in fall 2001.

Benchmark Comparisons:

Based on the University's federal reporting date, 164 graduate students were employed on grant-funded research in fall 1998, 192 in fall 1999, and 183 in fall 2000. Using the last three-year average (180), a 10 percent increase would result in 200 graduate students employed with research funding in fall 2002.

Background and Strategies:

At the University of Alaska during fall 2001 there were 189 graduate students funded through 118 research grants. The enrollment of graduate students increased by 9.5% from fall 1998 to fall 2001. Of the graduate students, the number of first-time master's students increased during the same time period by 13.2%.

Number of Graduate Students Funded on Research Grants

	Fall Semester			
	1998	1999	2000	2001
Number of Graduate Students	164	192	183	189
Percent of Total Graduate Students	13%	15%	14%	14%

Measure:

The occurrences of applied research benefiting the state's economy.
Sec 152 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Goal: Increase the number of applied research projects specifically benefiting the economy of Alaska.

Due to the number of variables and various methods being developed around the country, the university is still working on arriving at a viable, consistent method. Once a method is accepted an appropriate target will be developed.

Benchmark Comparisons:

Establishing an appropriate benchmark for this measure will take additional time. There were 306 applied research projects reported as benefiting Alaska's economy. Next year an additional definition of economic benefit that includes patents, business start-up, and product development will be added. Projects under this more direct definition will help refine and categorize the applied research projects reported as benefiting Alaska's economy.

Background and Strategies:

Performance in this area is challenging to measure but of critical importance to the University and to the economic development and diversification of the state. Demonstration of progress on this performance measure is shown in the form of a selected listing of specific projects with their corresponding contribution to the state. There were a total of 306 projects reported with potential economic benefit to Alaska during the last three years. Additionally, the state's funding match and the National Science Foundation award to UA for the Experimental Program to Stimulate Competitive Research (EPSCoR) is enhancing UA's capacity in areas of applied research focused on Alaska's needs. The following table outlines a few of the applied research projects benefiting the state's economy.

Selected Applied Research Projects Benefiting Alaska's Economy

Project Title, Status, and School	Contribution to the State
UA Anchorage	
Tourism and Recreation in Southcentral Alaska: Patterns and prospects Funded by USDA/USFS Complete	Examines the continuing prospects for growth in what was Alaska's fastest-growing basic industry (as measured by jobs created) in the 1990s.

Project Title, Status, and School	Contribution to the State
CBPP, ISER Planning and Operating Small Fish-Processing Plants in Villages Complete CBPP, ISER	Details the complexities involved for small villages attempting to start small fish-processing plants; many coastal communities are considering such plants as a means of creating jobs and income.
Telemaintenance for Utility Services in Rural Alaska Villages Funded by AT&T Foundation Active CBPP, ISER	Costs of operating and maintaining Alaska's small rural utilities are very high; this project will assess whether telecommunications can sometimes be used to help local residents diagnose problems, reducing the need for utilities to fly people and equipment into villages.
Virtual Enterprise Manufacturing Funded by Small Business Innovation Research Engineering Company Active CBPP, SBDC	Qualified 42 Alaska companies to participate in the manufacturing of aging weapon systems for the Department of Defense, such as tank wheel sprockets, engine helicopter mounts, etc.
UA Fairbanks	
Utilizing Alaska's by-catch: Developing processes for textured, cooked minces for food service application Funded by USDA/CREES Active School of Fisheries and Ocean Sciences/Fishery Industrial Technology Center	Complete utilization of catch is not only economically desirable, but is becoming a legal requirement. This project is exploring value-added products using Alaska fish by-catch.
Horticultural Plant Production in Alaska Completed School of Agriculture and Land Resources Management/Agricultural and Forestry Experiment Station	This research is used to identify hardy perennials, disease resistant annual flowers and high quality vegetables for home and commercial use. The cosmos/photoperiod study will lengthen the commercial production season for producers of field-grown cut flowers.
Tree Species Growth & Yield and Site Productivity for the Alaska Northern Forest Active School of Agriculture and Land Resources Management/Agricultural and Forestry Experiment Station	Forest growth and yield data, essential for sustainable management of the forest resource, are being collected. The new data coupled with initial stocking are becoming available to assist managers to make better decisions regarding initial silvicultural treatments to obtain adequate regeneration. With this data, Alaska Forest Refinery, Inc. is pursuing finances to construct a wood refinery in the Tok area, where unemployment is chronic. The major product is ethanol to meet the biofuel demand.
Center for Nanosensor Technology (CNT) Funded by U.S. Department of Defense Microelectronic Activity Active College Science Engineering and Mathematics (CSEM)	Develop technology that creates several high paying professional jobs and attracts industry to Alaska. The sensors will be used for monitoring human health and the environment within the state.
UA Southeast	
Effects of Total Dissolved Solids on Salmonids Funded by North Coast, Inc. Active Natural Sciences and JCSFOS	Research funded by ASTF to help ADF&G and ADEC to set regulations for the levels of total dissolved solids that can be discharged by industry into state waters. Research is investigating the effects of dissolved salts on the short- and long-term effects on developing salmonids.
Rapid Assessment of Floating Kelps in Alaska Proposed Natural Sciences	Research funded by NASA to develop a mapping technique for floating kelps in SE Alaska. Results will allow ADF&G to manage the kelp resources for commercial harvest.
Regulation of molting in the snow crab Active Natural Sciences	Research funded by ADF&G to determine whether male crabs that are morphometrically and reproductively mature can be induced to molt. Information will be used to develop harvesting guidelines for snow crab

Project Title, Status, and School	Contribution to the State
Diving behavior of sea otters in southeastern Alaska Current Natural Sciences	This study is analyzing data on the foraging ecology of sea otters. The data will help predict and assess impacts of sea otters on shellfish populations in Alaska.

Measure:

The quality of research as measured by annual citation and significant publications in referred journals.
Sec 152 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Goal: Maintain the number and quality of publications by UA faculty.

In 2000, 415 publications were tabulated in two major indexes and, since 1999, units within the University reported a total of 856.

Benchmark Comparisons:

The university is currently working on a benchmark.

Background and Strategies:

There are two ways in which to display the number of publications produced by UA faculty; one is by searching databases of publication indexes and the other a list of the number of faculty publishing and the journals in which they are publishing.

The table below shows the result of searches done on two major indexes for journal publications of University of Alaska faculty and research staff in 1999 and 2000. The Institute for Scientific Information (ISI) index includes scholarly publications in the social sciences, sciences and the arts and humanities. The number of publications has increased by 3% in Cambridge Scientific Abstracts (CSA) and by 20% in ISI from 1999 to 2000.

Number of Publications by Index and Year of Publication

Index	1999	2000
Cambridge Scientific Abstracts (CSA)		
Aquatic Sciences and Fisheries Abstracts (ASFA)	44	36
Biological Sciences	52	61
Environmental Sciences and Pollution Management	45	53
MEDLINE	25	31
Oceanic Abstracts	29	23
Plant Science	10	13
TOXLINE	5	
Total CSA	210	217
Institute for Scientific Information (ISI) Total	346	415

The table below shows a summarization from the units that 260 faculty per year published 856 journal articles since 1999 in at least 90 different publications including Nature, Zoology, Critical Care Nurse, Journal of Cold Regions Engineering, ARCTIC, and Teacher Education and Practice. Some of the publications included books or chapters for books.

Number of Published Faculty and Number of Publications by MAU and School/College Since 1999

School/College	Number of Publications
Released December 15th 12/13/2001 05:55	FY2003 Governor University of Alaska

UAA	CBPP	6
	CBPP / ISER	11
	Center for Alcohol & Addiction Studies	2
	Center for Human Development	2
	Education	13
	Engineering	13
	Justice Center	7
	School of Nursing	4
	School of Social Work	6
	UAA Total	64
UAF	College of Liberal Arts	91
	College of Science, Engineering & Mathematics	0
	Geophysical Institute	194
	Institute of Arctic Biology	110
	Institute of Northern Engineering	56
	International Arctic Research Center	46
	Library	2
	Museum	22
	School of Agriculture and Land Resources Mgt	71
	School of Fisheries and Ocean Sciences	149
	School of Management	21
	School of Mineral Engineering	10
	UAF Total	772
UAS	Govt.	4
	History	4
	Public Admin.	2
	Sociology	2
	Other	8
	UAS Total	20
UA Total		856

Measure:

The graduation and retention rate of full-time-equivalent students in degree programs.
Sec 152 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

This data addresses the graduation rate portion of this measure.

Goal: Starting with the 1999-2000 first-time freshmen class, increase six-year graduation rates (by 2006) for baccalaureate degree-seeking first-time freshmen to 30%.

The six-year graduation rate for the class of 1994 is 21.2%.

Benchmark Comparisons:

The latest information available for six-year graduation rates are for the class of 1993 showing 26% of the first-time freshmen graduated within six years.

Background and Strategies:

The participation in the Consortium for Student Retention Data Exchange (CSRDE), a national survey which tracks the retention of first-time full-time baccalaureate degree-seeking freshmen from fall to fall, also tracks the graduation rate of those students. Retention rates drive the graduation rates and UA is closely monitoring retention. Improved programs that were put in place during the last three years will affect the six-year graduation

rate for the 1999 cohort with the results available in summer 2006. The most recent rates available from CSRDE show a six-year graduation rate for the cohort of first-time full-time baccalaureate degree-seeking freshmen that started fall 1994 at UA is 21.2% compared to the 33.1% average graduation rate at 92 less selective institutions (indicating open admissions and high part-time enrollment). Students note that program availability is a primary reason for changing institutions. In the last three years UA has invested significantly in expanding program breadth and having adequate upper-division course offerings. These actions coupled with the effort of retaining students will impact this measure positively.

Year	Headcount	Six-Year Graduation Rate	CSRDE Less Selective Six-Year Graduation Rate
1993-94	846	26.5%	33.6%
1994-95	903	21.2%	33.1%

UA anticipates a graduation rate of 30% with the 1999-00 class. By 2006 there will be 302 graduates from this cohort compared to 191 from the 1994-95 cohort.

Measure:

The graduation and retention rate of full-time-equivalent students in degree programs.
Sec 152 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

This data addresses the retention portion of this measure.

Goal: Over three years (from 2000), increase retention rate for baccalaureate degree-seeking first-time freshmen to 71%.

UA system wide retention rate of first-time full-time baccalaureate degree-seeking freshmen in 2000-2001 is 67.8%.

Benchmark Comparisons:

The University participates in the Consortium for Student Retention Data Exchange (CSRDE), a national survey which tracks the retention of first-time full-time baccalaureate degree seeking freshmen from fall to fall. In the most recent CSRDE survey (May 2001) 92 institutions described as less selective (indicating open admissions and high part-time enrollment) had an average retention rate for the 1993 - 1999 cohorts from the first year to second of 68.7%. Other studies have shown lower retention rates, but for a less well-defined group of students. For example, in the August 2001 Opportunity, the average persistence rate to the second year for freshmen who began in fall 1999 was 60.6% for 152 four-year institutions with an open admissions policy.

Background and Strategies:

A National Center for Education Statistics report (August 2001) found that the strongest predictor of degree attainment, and thus retention, was the academic preparation from high school. Nationally, in general, the retention rate to the second year has been decreasing. The table below shows the retention rate for UA as well as the CSRDE less selective institutions from 1993 through 2001. UAS exceeded the 71% goal this fall by retaining nearly 72% of first-time full-time baccalaureate degree seeking students from fall 2000 to fall 2001 compared to 59% from fall 1999 to fall 2000. In addition the number of students enrolled in this well-defined cohort has increased by 33% from 1993 to 2000.

UA Retention Rate of First-time full-time, Baccalaureate Degree-Seeking Freshmen:

Year	Headcount	Percent Retained to 2nd Year	CSRDE Less Selective Retention Rate to 2nd Year
1993-94	846	66.4%	68.2%
1994-95	903	62.9%	67.1%
1995-96	827	67.0%	67.9%
1996-97	913	67.8%	69.0%
1997-98	871	64.8%	70.2%
1998-99	1,015	62.9%	69.5%
1999-00	1,008	67.6%	68.7%
2000-01	1,127	67.8%	
% Change 93 - 01	33%		
% Change 98 - 01	11%		

** Data for 1993 - 1998 may differ from previously reported numbers as that information was updated using consistent methodologies with current definitions.

Strategy: Attracting and Retaining Alaska's Students

Measure:

The comparative scores of students who take professional examinations.
Sec 152 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Goal: Meet or exceed the appropriate national average on scoring or pass rates for students who take professional exams, shown on the table in the Background and Strategies section.

Benchmark Comparisons:

For programs requiring exit or professional exams, the benchmark is appropriate national or state scores and/or pass rates.

Background and Strategies:

The university is in the process of identifying and collecting the scores and pass rates of students on the professional exams administered. This is not a single measure, but rather a listing of programs that administer professional exams and the resultant scores or pass rates as appropriate. The table below lists the name of the test, the number of students who were administered the test, the average score and/or pass rate at UA, as well as the national comparison when it was available. Out of the 34 tests results reported, 17 have national comparisons and 16 of 17 programs show results above national average. For 7 of the 17 tests without a national comparison, UA students completed with a 100% pass rate. In general, UA students meet or exceed the national scores and pass rates.

Number of Students Taking Professional Exams by MAU and School, Exam Type, and Pass Rates (Both UA and National)

MAU/School	Examination Type	Test Date	UA Students Tested	UA Pass Rate	National Pass Rate
UAA-CBPP	CPA	November 1999	13	23% ¹	14% ²

MAU/School	Examination Type	Test Date	UA Students Tested	UA Pass Rate	National Pass Rate
UAA-CBPP	CPA	May & Nov. 2000	20	25%	17%
UAA, CHESW	RN Licensure BS Nursing	Summer 2001	22	100% ³	86%
UAA, CHESW	RN Licensure AAS Nursing	Summer 2001	24	96%	86%
UAA, CHESW	RN Licensure BS Nursing	Summer 2000	23	87%	86%
UAA, CHESW	RN Licensure AAS Nursing	Summer 2000	17	88% ⁴	86%
UAA, CHESW	RN Licensure BS Nursing	Winter 1999	25	96%	86% ⁵
UAA CTC	ASCP-MLT	January 2000	15	93%	NA
UAA CTC	CDA-Dental Assisting	August 1999	15	86%	NA
UAA CTC	National CMA-Medical Assisting Exam	January 2001	1	100%	NA
UAA CTC	Certificate in Medical Assisting	June 2001	8	NA	NA
UAA CTC	National Dental Hygiene Exam	April 2001	12	92%	91%
UAA CTC	Regional Boards-Clinical	May 2001	12	92%	91%
UAA CTC	Regional Boards-Anesthesia	May 2001	12	100%	80%
UAA CTC	Registered Dietician Exam	Open Testing	28	100%	NA
UAA CTC	National Restaurant Association	Spring 2001	30-40	95%	85%
UAA CTC	Massage Therapy	August 2000	9	100%	NA
UAA CTC	Pharmacy Technician	AY 2001	5	100%	NA
UAA CTC	Certified Nursing Assistant	October 2000	32	66%	NA
UAA CTC	ABE GED Testing	AY 2000	621	81%	69%
UAF, CLA	ACAT - Social Work	April 2000	14	68%	NA
UAF, CLA	ACAT - Social Work	April 2001	15	59%	NA
UAF, CSEM	FE - Civil Engineering	April 2000	11	65%	NA
UAF, CSEM	FE - Civil Engineering	April 2001	11	89%	74%
UAF, CSEM	FE - Electrical Engineering	April 2000	5	100%	NA
UAF, CSEM	FE - Electrical Engineering	April 2001	1	100%	80%
UAF, CSEM	FE - Mechanical Engineering	April 2000	10	100%	NA
UAF, CSEM	FE - Mechanical Engineering	April 2001	4	100%	84%
UAF, SME	FE - Fundamentals of Engineering	April 2000	7	43%	77%
UAF, SME	FE - Fundamentals of Engineering	April 2001	12	50%	NA
UAS	National Cert. Exam for Health Info. Mgmt.	2000	5	80%	~ 67%
UAS	National Cert. Exam for Health Info. Mgmt.	2001	3	100%	
UAS	Nursing Aide Registry (CNA)		11	91%	NA
UAS	CISCO Certified Academy Institute (CCAI)		1	100%	NA
UAS	Water and Wastewater Operator Cert.			83% ⁶	64% ⁷

1 This number represents the percent of individuals from UA taking the CPA exam for the first time who passed all four sections of the test in one sitting.

2 This number represents the national percentage of individuals taking the CPA exam for the first time who passed all four sections in one sitting.

3 2001 Pass rate to date = 98%; 2000 Pass rate overall = 88%

4 Four of the five who were initially unsuccessful have since passed the exam; the fifth has not yet re-attempted the exam.

5 2000 Pass rate; Winter 1999 graduates actually took the exam in 2000.

6 UA average since 1998.

7 Pass rate at state level.

Measure:

Over the next three years, increase enrollments by 5%.

Alaska's Target & Progress:

Preliminary Fall 2001 enrollment figures indicate an increase of 3.2% in FTE over Fall 2000 and 4.5% over Fall 1999.

Fall Semester

-Student FTE 1999: 14,784

-Student FTE 2000: 14,939

-Student Headcount 1999: 30,249

-Student Headcount 2000: 30,480

(Fall 2000 reflects the current status, as Fall 2001 final fall semester data will not be available until Jan. 2002).

Benchmark Comparisons:

Student FTE Fall Semester 1997: 14,784

Student FTE Fall Semester 1998: 14,939

Headcount Fall Semester 1997: 31,184

Headcount Fall Semester 1998: 31,106

Background and Strategies:

The University, as the provider of community college and university higher education mission for the state, serves both traditional and non-traditional aged students. Traditional students make up 35% of student headcount and are focused more on baccalaureate programs. Non-traditional age students make up 65% of UA's student headcount and are more focused on graduate instruction, associate degrees, and other professional development.

The University is increasing the student population by expanding degree program offerings in areas targeted as most important to the economy of the state, including information technology, nursing, education, finance, e-commerce, and wildlife. Currently, UA offers less than half of the degree programs of other western states with smaller populations. In the last year, however, with the investment of initiative funding, the Board of Regents has approved 28 new degree programs, while eliminating 5 programs for a net increase of 23 degree programs. Having the appropriate breadth of relevant degree programs in the state is key to increasing the student headcount. Another area UA is pursuing to increase the number of students is enhanced student services in recruitment, retention, financial aid, advising, and standard electronic student services.

UA has budgeted for a 5% percent increase in enrollment in FY03. Enrollment increases contribute to tuition, which in turn helps fund programs, salary maintenance, and fixed cost increases. Continued program growth and base investment is necessary to reach this enrollment target.

Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
University of Alaska Systemwide	0.0	0.0	0.0	0.0	11,363.1	20,945.9	7,068.0	39,377.0	21,619.7	14,863.0	31,097.7	67,580.4
Statewide Programs & Services	12,037.8	0.0	22,493.3	34,531.1	14,086.7	2,005.6	28,255.7	44,348.0	15,671.6	2,058.0	29,419.9	47,149.5
Univ of Alaska Anchorage	67,099.1	15,150.2	69,733.8	151,983.1	66,046.5	15,145.9	79,547.9	160,740.3	69,553.8	17,913.3	84,548.6	172,015.7
Univ of Alaska Fairbanks	89,217.5	48,691.5	118,310.1	256,219.1	88,613.0	54,119.7	133,556.9	276,289.6	93,406.5	71,193.7	134,694.5	299,294.7
Univ of Alaska Southeast	15,782.5	1,539.8	12,060.0	29,382.3	15,390.7	1,898.9	15,089.1	32,378.7	16,868.1	2,951.0	14,891.4	34,710.5
Totals	184,136.9	65,381.5	222,597.2	472,115.6	195,500.0	94,116.0	263,517.6	553,133.6	217,119.7	108,979.0	294,652.1	620,750.8

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	65,381.5	94,116.0	108,979.0
1003 General Fund Match	2,777.3	2,777.3	2,777.3
1004 General Fund Receipts	181,158.8	192,521.9	214,141.6
1007 Inter-Agency Receipts	33,513.4	43,476.7	47,607.2
1010 University of Alaska Interest Income	3,833.7	3,928.3	4,950.7
1015 U/A Dormitory/Food/Auxiliary Service	31,320.7	35,334.4	38,893.5
1025 Science & Technology Endowment Income	2,630.0	2,630.0	
1037 General Fund / Mental Health	200.8	200.8	200.8
1038 U/A Student Tuition/Fees/Services	50,414.8	55,041.1	59,408.8
1039 U/A Indirect Cost Recovery	18,608.2	22,937.7	25,191.2
1048 University Restricted Receipts	76,515.1	91,624.2	111,628.7
1061 Capital Improvement Project Receipts	1,878.3	3,576.3	3,966.3
1092 Mental Health Trust Authority Authorized Receipts	102.0	100.0	136.8
1150 ACPE Dividend	2,000.0	2,000.0	
1151 Technical Vocational Education Program Account	1,781.0	2,868.9	2,868.9
Totals	472,115.6	553,133.6	620,750.8

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	3,511	3,736
Permanent Part Time	239	229
Non Permanent	0	0
Totals	3,750	3,965

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Primary Administrative Host Computing System Replacement - Phase 2 of 2	0	0	1,500,000	1,500,000
Small Business Development Center	450,000	0	0	450,000
Small Project Development and Construction	0	2,000,000	2,000,000	4,000,000
Statewide Construction Planning	0	1,500,000	1,500,000	3,000,000
Department Total	450,000	3,500,000	5,000,000	8,950,000

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

UA's budget request is focused on recruiting and retaining Alaska students, offering academic programs directed at training Alaskans to fill the jobs in highest demand today and in the future, and building the technological capacity of the state. The state's commitment to an increasing investment in UA is essential to preparing Alaska for sustainable economic success. In following the principle of exceptional stewardship of state resources, UA's state appropriation request is \$221 million with incremental funding for FY03 requested in the following areas:

- .. Maintaining a Solid Foundation-\$9.5 million
- .. Keeping Pace with Technology -\$0.8 million
- .. Attracting and Retaining Alaska's Students-\$1.7 million
- .. Meeting Alaska Employment Needs-\$3.4 million
- .. Preparing for Alaska's Economic Success-\$1.6 million

Maintaining a Solid Foundation includes funding for contract and policy mandated salary obligations for UA employees, non-discretionary fixed cost increases composed of facilities maintenance and repair, extraordinary fixed cost increases including library and license agreement increases, other inflationary cost increases and administrative program support. Over the four-year period FY00-FY03 UA's increment request is \$2 million less from general fund for these base requirements while UA expects to cover \$5 million more from external sources. Specific to salary maintenance requirements, UA's state funding increment request in FY03 is only \$50 thousand higher than UA's state request in FY00 and through non-general fund sources UA will carry an additional \$2 million of the salary increment requirement.

Keeping Pace with Technology includes funding requests for four specific programs necessary to maintain UA's technology position for academic and administrative functions. The programs include providing a standard level of access for campus environments through ubiquitous computing, utilizing existing information resources to improve processes and administrative functions with integration specialists, continuation of the video over IP project and investing in document imaging for business process solutions.

Attracting and Retaining Alaska's Students includes funding for a comprehensive strategy for enrollment management. UA expects a 5% enrollment increase in FY03 through existing retention and recruitment efforts. Sustaining enrollment growth in the 3-5% range in high demand job areas, professional and continuing training, and other programs over the next five years is necessary to meet state workforce demand and industry opportunities. Funding will be directed to recruitment, first-year programs, retention, advising, and campus-based integrated marketing. In addition to funding requested in the initiatives, the university is also requesting \$800.0 for the UA Scholars program through other legislative means.

Meeting Alaska's Employment Needs include program requests that continue the university's focus to offer programs necessary to meet current high demand workforce needs. Workforce assessments from the Alaska Department of Labor, Alaska's Human Resource Investment Council, and the Alaska Department of Education, industry consortiums and corporations show highest workforce demands exist for teachers, health care workers, information technology specialists and trained technical workers. There are only a few new programs requested, most are continuation of programs only partially funded in FY02 (including finance, education, allied health, and distance education), expansion of existing initiative programs, and resources to meet current student demand. Project management and web-based vocational teacher education are examples of new program requests.

Preparing for Alaska's Economic Success requests are focused in two areas: addressing Alaska's community and policy issues and enhancing UA leadership in strategic areas. These programs are characterized by extensive external funding with relatively modest requirements for state funding. Addressing community and policy programs focus on service and outreach including economic policy research, the Alaska Center for Excellence in Schools and attracting nationally recognized senior faculty in disciplines key to Alaska's future. Enhancing UA leadership in strategic areas includes: expansion of UA's successful EPSCoR program funding entirely through external sources, developing a center for nanosensor technology that could in the long-term transform into a full scale manufacturing industry for Alaska and start-up funding for relevant research programs such as sea-air-land monitoring observation in Prince William Sound, bio-informatics, monitoring Alaska's sanitation systems, and the geographic information network of Alaska.

Service Changes

The increase in UA's FY02 state funding and the workforce development funding from SB137 allowed for full or phased implementation of several additional program initiatives. These include a redefined baccalaureate education program, expansion of allied health training, finance education, engineering program expansion, and information technology training. Significant progress has been made in making courses and programs available via distance to maximize access. Additional recruiters, student advisors, and on-line admissions, registration and financial aid services for students have been implemented. These programs contributed to an enrollment increase this fall of 3.2% and will result in a FY02 tuition revenue increase of nearly 6.5%. The complete list and status of programs implemented as a result of the FY01 and FY02 state funding is available at <http://www.alaska.edu/swacad/current.html>.

By aligning new programs with state needs, partnerships with state agencies, industry and federal agencies are expanding. Grant funding, scholarship opportunities and endowment increases have been significant and will continue to grow at a rate faster than state funding increases.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	195,500.0	94,116.0	263,517.6	553,133.6
Adjustments which will continue current level of service:				
-University of Alaska Systemwide	-6,733.1	-20,945.9	-11,698.0	-39,377.0
-Statewide Programs & Services	1,584.9	52.4	1,164.2	2,801.5
-Univ of Alaska Anchorage	3,507.3	2,767.4	5,000.7	11,275.4
-Univ of Alaska Fairbanks	4,793.5	17,074.0	1,100.8	22,968.3
-Univ of Alaska Southeast	1,477.4	1,052.1	-197.7	2,331.8
Proposed budget decreases:				
-University of Alaska Systemwide	-400.0	0.0	0.0	-400.0
Proposed budget increases:				
-University of Alaska Systemwide	17,389.7	14,863.0	35,727.7	67,980.4
-Univ of Alaska Fairbanks	0.0	0.0	36.8	36.8
FY2003 Governor	217,119.7	108,979.0	294,652.1	620,750.8