



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Corrections

Commissioner's Office

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March 31, 2017

Honorable Representative Paul Seaton
House Finance Co-Chair
Alaska State House
State Capitol, Room 515
Juneau, Alaska 99801

Honorable Representative Neal Foster
House Finance Co-Chair
Alaska State House
State Capitol, Room 505
Juneau, Alaska 99801

Dear Co-Chairs of Finance:

Below you will find the department's response to unanswered questions from the March 30th House Finance Committee hearing held on House Bill 115: INCOME TAX; PFD CREDIT; PERM FUND INCOME in regard to the Department of Corrections fiscal note for the Physical Health Care component number 2952.

Why are the PFD Criminal Funds categorized as "other" funds on the fiscal note?

The PFD Criminal Fund category was changed from Designated General Funds to "other" in January 2017 by the Division of Legislative Finance. Please see enclosed report from Legislative Finance for further detail. Please see attachment.

Why are Alaska Capital Income funds being used to replace the unavailable PFD Criminal Funds?

The Alaska Capital Income Fund was identified as an available fund source to maintain the FY2018 Physical Health Care budget necessary to meet the medical care needs of the incarcerated population.

Sincerely,

A handwritten signature in blue ink that reads "April A. Wilkerson".

April A Wilkerson
Director Administrative Services

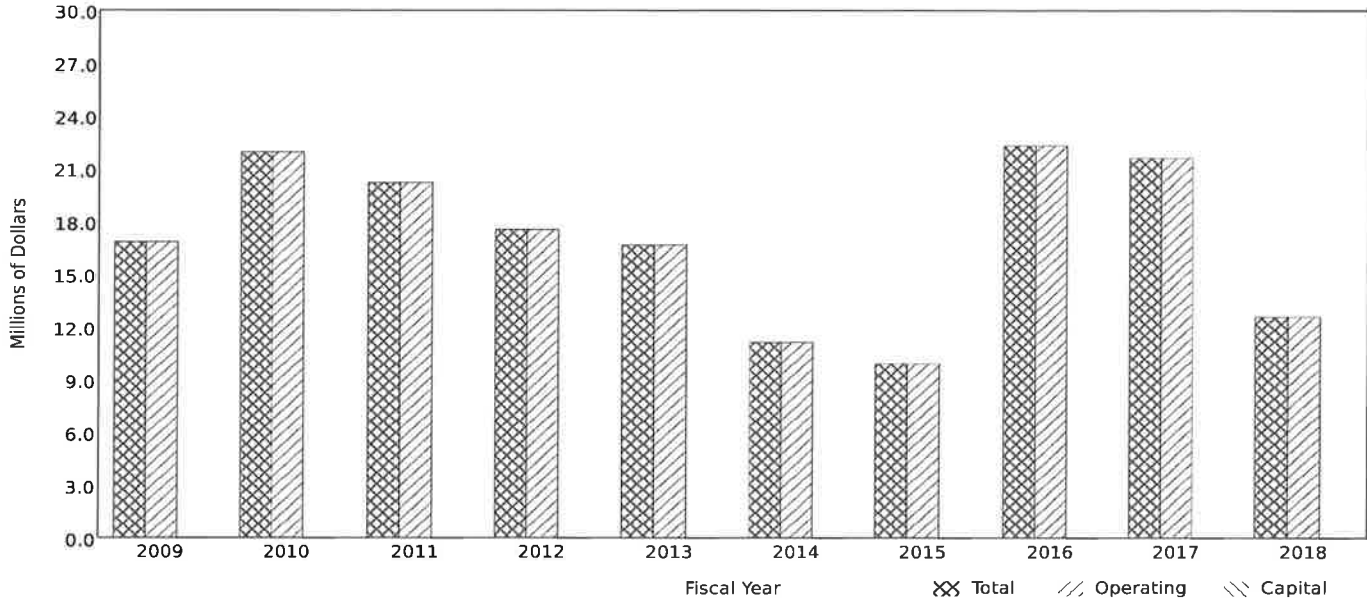
Fund Source Report

1171 PFD Crim

PFD Appropriations in lieu of Dividends to Criminals

Year Authorized 2003	Year Repealed	Active? Yes	Mental Health? No	Duplicated? Yes	Fund Group Other Designated
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Operating and Capital Appropriations



Legal Authority

AS 43.23.005(d)

Source of Revenue

Permanent Fund Earnings Reserve Account.

Restrictions on Use

Appropriations from the dividend fund in excess of the amount determined by the Department of Corrections must be reported on PFD stubs.

Description and History

Alaskans incarcerated for felonies (or multiple misdemeanors) are ineligible for Permanent Fund Dividends. The Department of Corrections reports the number of ineligible prisoners annually. This number multiplied by the amount of that year's PFD determines the amount of PF Criminal funds available for expenditure for purposes other than paying dividends. Code 1171 is appropriated from the Permanent Fund Dividend Fund (after money for dividends is transferred there from the Permanent Fund Earnings Reserve Account).

Available funds were used to support the budgets of several programs that assist victims of crime or sexual violence, and in the Department of Corrections, including:

- Department of Administration for the Violent Crimes Compensation Board
- Department of Corrections
- Department of Public Safety for domestic counseling
- Legislature for the Office of Victims' Rights

Related codes:

- Permanent Fund Earnings Reserve Account (1041)
- Permanent Fund Dividend Fund (1050)

June 2012

In FY12, there was an effort to reduce annual substitution of general funds for PF Criminal funds, or vice versa, caused by annual changes in the amount of dividends and the number of incarcerated individuals. Beginning in FY12, appropriations go only to the Crime Victim Compensation Fund and to the Department of Corrections for inmate health care. The intention was to have a fixed amount go to the Crime Victim Compensation Fund so

Fund Source Report

that volatility was limited to the Department of Corrections.

December 2016

As noted in the description of fund code 1041, the ERA is available to spend for any purpose at any time. By definition, the ERA is unrestricted general funds. Its classification as DGF was due to (1) tradition limiting use of the ERA to paying dividends and inflation-proofing and (2) potential distortion associated with reporting earnings of the permanent fund as general fund revenue while also classifying the earnings as "not available for spending." Under any statute or plan that envisions payouts to the general fund, the ERA must be classified as UGF.

Implications of this change include:

1. Appropriations from the ERA (other than to the PF corpus) are classified as UGF regardless of whether an appropriation is directly from the ERA or passes through the general fund.
2. Distortion in reporting a surplus/deficit is avoided by reporting an amount equal to ERA appropriations (except to the PF corpus) as UGF revenue. Note that neither the available balance of the ERA nor unappropriated current earnings are to be reported as revenue.
3. Appropriations from the ERA to the corpus are inter-fund transfers and do not appear as revenue or appropriations.
4. Codes 1171 (PFD appropriations in lieu of dividends to criminals) and 1197 (capital income fund) are secondary appropriations of UGF and must be classified as "other duplicated."