

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
FY19 - Summary of Significant Budget Issues

Governor's Budget Items Approved as Requested

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
1	Administration and Support/ Statewide Aviation; Program Development and Statewide Planning	Ineligible Federal Aviation Administration Planning Costs	Net Zero Change (\$1,030.0) CIP Receipts (Other) \$1,030.0 Rural Airport Receipts (Other)	Fund source changes occur within the Program Development & Planning and the Statewide Aviation allocations in the amounts of \$653.1 and \$376.9, respectively. A recent FAA audit deemed use of CIP Receipts for Airport Improvement Program planning costs improper. Additional airport leasing revenue is available to replace the CIP Receipts and is being utilized for FY19.
2	Design, Engineering and Construction/ Harbor Program Development	Eliminate Harbor Program Development Allocation and absorb Program Duties within Southcoast Region Design and Engineering	(\$320.1) UGF (1) PFT Position	The Harbor Program Development allocation was eliminated. Duties of the program will be absorbed within Southcoast Region Design and Engineering Services. Grants for the program will still occur (funding is typically provided in the DOT&PF capital budget), but technical support to program applicants will be diminished.
3	Highways, Aviation, and Facilities/ Central and Southcoast Region Highways and Aviation	Winter and Summer Overtime Reductions	(\$175.0) UGF	Two decrements are included in the appropriation for Highways, Aviation and Facilities - the Central Region allocation is reduced \$100.0 and the Southcoast Region is reduced \$75.0. Winter overtime activity will be curtailed in both regions along with summer overtime activity curtailment in the Southcoast Region.
4	International Airports/ Fairbanks Airport Facilities	24/7 Building Maintenance Position	\$194.7 International Airport Revenue Funds (Other)	The Airport Facilities allocation has an increment for a new journeyman plumber and general maintenance specialist. Current staff work the day shift and after hours issues require costly call-out or overtime pay. In addition, the new baggage handling system will require airport staff for any issues after hours. Although Transportation Security Administration (TSA) staff have recently handled minor issues with the system, a TSA audit has highlighted that this work was inappropriate for TSA staff.

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
FY19 - Summary of Significant Budget Issues

Governor's Budget Items Approved as Requested (continued)

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
5	International Airports/ Fairbanks Airport Safety	Law Enforcement Training and Safety Operational Cost Increases	\$262.3 International Airport Revenue Funds (Other)	The Airport Safety allocation includes \$42.0 for Law Enforcement Officer Training previously funded by Alaska Police Standards Council (APSC) sponsorships. Those sponsorships are no longer available given budget reductions to the APSC. In addition, \$220.3 is requested to backfill safety operational costs previously reimbursed by TSA. The reimbursement agreement has been reduced over time from \$500.0 to the current \$131.0 causing a shortfall within the allocation.
6	Marine Highway System/ Marine Vessel Operations	Replace One-time Use of AMHS Fund Balance (Capitalized in FY18 Language Section)	Net Zero Change \$40,000.0 UGF (\$40,000.0) Marine Highway (DGF)	The FY18 budget included a one-time fund source change replacing \$40 million of UGF with Alaska Marine Highway System (AMHS) funds. The AMHS fund was capitalized with FY17 supplemental appropriations totaling \$39.4 million to cover the FY18 fund source change. However, a portion (\$23.9) of the supplemental capitalization did not materialize because higher-than-anticipated FY17 Medicaid payments consumed the money intended for the AMHS Fund. The result was a shortfall in the FY18 AMHS budget, which was addressed through a FY18 supplemental appropriation (see supplemental fund transfers below). This transaction reverses the one-time action in FY18 and returns the budget to the previous (FY17) level of UGF.
7	Marine Highway System/ Marine Vessel Operations	Discontinue Winter Driver Discount Program	Net Zero Change (\$300.0) UGF \$300.0 Marine Highway (DGF)	A fund source change is included for FY19 relating to elimination of the Winter Driver Discount Program. \$300.0 of UGF is removed and \$300.0 of new AMHS revenue is added to the budget as a result of eliminating the discount. This action was instigated by FY18 legislative intent asking AMHS to consider revisions to all their discounted tariffs.
8	Marine Highway System/ Marine Vessel Operations and Marine Vessel Fuel	Multiple Transactions Increasing Service from 337.7 to 345.9 Weeks	Total: \$3,128.1 \$4,364.5 UGF (\$1,236.4) Marine Highway (DGF)	The FY19 AMHS budget is very similar to the FY18 budget level. While the UGF is up \$3.1 million over the FY19 Adjusted Base, the overall budget is down \$740.7 from the FY18 Management Plan. The operating weeks of service are increasing from 337.7 to 345.9 (8.2 additional weeks). This is primarily the result of a less expensive mix of vessels available to operate in FY19 compared to FY18. Three transactions adjust the funding amounts and sources for the FY19 service level: <ul style="list-style-type: none"> • UGF increments of \$3,994.7 in Vessel Operations and \$369.8 in Vessel Fuel; and • A decrement of \$1,236.4 of AMHS Funds in Vessel Operations.

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
FY19 - Summary of Significant Budget Issues

Legislative Additions and Deletions

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
9	Highways, Aviation, and Facilities/ Southcoast Region Highways and Aviation	Base Increment Transferring Adak Airport Operating Costs from Capital Budget to Operating Budget	\$690.0 UGF	The Governor's capital budget included an appropriation to continue Adak airport operations. This has been funded historically in the capital budget since 2003, when the U.S. Navy provided \$10 million and transferred ownership of the airport to the State. In order to provide a long-term continuous source for operating the airport, the legislature included a base operating budget increment and denied the capital appropriation request.
10	Highways, Aviation, and Facilities/ Southcoast Region Highways and Aviation	One-time Increment Transferring Adak Airport Operating Costs from Capital Budget to Operating Budget	\$52.0 Adak Air (Federal Receipts)	Also included for the Adak airport was a one-time increment utilizing remaining earnings generated from the initial \$10 million infusion of capital from the Navy. This funding will likely need to be replaced in the FY20 operating budget to maintain the same level of service.
11	Fund Transfers/ Marine Highway System	FY19 Balance of Large Passenger Vessel Gambling Tax Account to Alaska Marine Highway Fund	\$8,700.0 UGF	The capital budget (SB 142) includes a language section appropriation which transfers the gambling taxes collected in FY19 in the Large Passenger Vessel Gambling Tax Account to the Alaska Marine Highway Fund. Marine Highway Funds were utilized in the capital budget for the AMHS Vessel Overhaul capital project. This fund transfer is intended to partially pay for those expenditures.

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
FY19 - Summary of Significant Budget Issues

FY18 Supplemental Appropriations

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
12	Fund Transfers/ Marine Highway System	FY18 Deposit from the General Fund in the FY19 Operating Budget (HB 321)	\$23,918.2 UGF	The AMHS fund was capitalized with FY17 supplemental appropriations totaling \$39.4 million to cover a FY18 fund source change from UGF to Marine Highway Funds. However, a portion (\$23.9) of the supplemental capitalization did not materialize because higher-than-anticipated FY17 Medicaid payments consumed the money intended for the AMHS Fund. The result was a shortfall in the FY18 AMHS budget. This issue was brought to the attention of the legislature shortly after the start of the fiscal year and a supplemental appropriation totaling the \$23.9 million was requested by the Governor and approved by the legislature.
13	Fund Transfers/ Marine Highway System	FY18 Deposit from the General Fund in the FY19 Capital Budget (SB 142)	\$20,000.0 UGF	Also included in the capital budget (SB 142) was a supplemental UGF appropriation of \$20 million to the Marine Highway Fund. There was no clear intent for the funding other than to further capitalize the fund for future AMHS use.