

The Fiscal Year 2019 Budget:

Legislative Fiscal Analyst's Overview of the Governor's Request



Legislative Finance Division
www.legfin.akleg.gov

The Legislative Finance Division has a professional, non-partisan staff that provides general budget analysis for members of the legislature and specifically supports the Legislative Budget and Audit Committee and the House and Senate standing finance committees. Each fiscal analyst is assigned agency areas of responsibility. Per AS 24.20.231 the duties of the office are to:

- (1) analyze the budget and appropriation requests of each department, institution, bureau, board, commission, or other agency of state government;
- (2) analyze the revenue requirements of the state;
- (3) provide the finance committees of the legislature with comprehensive budget review and fiscal analysis services;
- (4) cooperate with the Office of Management and Budget in establishing a comprehensive system for state budgeting and financial management as set out in AS 37.07 (Executive Budget Act);
- (5) complete studies and prepare reports, memoranda, or other materials as directed by the Legislative Budget and Audit Committee;
- (6) with the governor's permission, designate the legislative fiscal analyst to serve ex officio on the governor's budget review committee;
- (7) identify the actual reduction in state expenditures in the first fiscal year following a review under AS 44.66.040 resulting from that review and inform the Legislative Budget and Audit Committee of the amount of the reduction; and
- (8) not later than the first legislative day of each first regular session of each legislature, conduct a review in accordance with AS 24.20.235 of the report provided to the division under AS 43.05.095.

LEGISLATIVE FINANCE DIVISION FISCAL ANALYST/BUDGET ASSIGNMENTS

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DESIGNATED FUNDING USED FOR NON-DESIGNATED PURPOSES

With few exceptions, the Alaska Constitution prohibits dedication of revenue. The reason for the prohibition is to ensure that all programs compete on equal footing for annual funding. Over the years, the legislature has statutorily designated--not dedicated--some revenue sources for specific purposes. Although it is widely known that the legislature may appropriate designated funding for any purpose, using the funding for other than statutory purposes is typically avoided on grounds that "misuse" conflicts with legislative intent. In response to recent pressure to reduce Unrestricted General Fund (UGF) spending, the legislature and the Governor have replaced UGF with other funds that (typically) don't count as UGF. This tends to distort comparisons of expenditures and can make it difficult to calculate "true UGF" spending.

Legislative Finance tracks fund codes that are used for non-designated purposes. The following categories reflect potential dangers of "misusing" funds:

- (1) Use of **Statutorily Designated Funds** for non-designated purposes--no danger; the legislature can appropriate these funds for any purpose.
- (2) Use of **Program Receipts** outside the program that generates the receipts--mild danger; statute prohibits use of receipts outside the program that generates the receipts.
- (3) Uses **Potentially Violating Federal Law**--risk of lawsuit.

The FY19 Governor's budget request contains a total of \$33.9 million of fund sources identified as outside the statutory purpose (vs. \$62.6 million appropriated in FY18). In addition, the Governor requested \$44.4 million of FY18 supplemental appropriations outside of the statutory purpose. In order to align appropriations with statutory intent, the legislature would need to take the following actions:

- replace the fund sources with UGF (or other appropriate fund sources);
- change statute to align funding sources with current usage;
- decrement all funding appropriated for non-statutory purposes; or
- use certain funds in the statutorily intended year.

Funding Categories

Category 1. Funds Not Used for Statutorily Designated Purposes. Various legislatures have statutorily designated some revenue sources (including endowments or other funds created by the legislature) for specific purposes. Since no legislature can bind a future legislature, the revenue/funds can be appropriated for any purpose at any time.

Fund Code	Fund Code Name	19Gov	FY18 Supp
1021	Agricultural Revolving Loan Fund (DGF)	75.0	-
1066	Public School Trust Fund (Other)	125.4	-
1076	Alaska Marine Highway System Fund (DGF)	3,287.4	-
1087	Municipal Capital Project Matching Grant Fund (DGF)	-	400.0
1134	Fish and Game Criminal Fines and Penalties (DGF)	400.0	-
1168	Tobacco Use Education and Cessation Fund (DGF)	102.9	-
1169	Power Cost Equalization Endowment Fund Earnings (DGF)	-	44,000.0
1180	Alcohol and Other Drug Abuse Treatment & Prevention Fund (DGF)	1,018.0	-
1200	Vehicle Rental Tax Receipts (DGF)	8,510.5	-
1216	Boat Registration Fees (DGF)	196.9	-
1226	Alaska Higher Education Investment Fund (DGF)	5,816.0	-
1248	Alaska Comprehensive Health Insurance Fund (DGF)	1,000.0	-

Category 2. Program Receipts Used Outside the Program that Generates the Receipts. Per AS 37.05.144, program receipts may be appropriated "to state agencies to administer the programs generating the program receipts, to implement the laws related to the functions generating the program receipts, or to cover costs associated with the collection of the program receipts."

Per statute, "program receipts" means fees, charges, income earned on assets, and other state money received by a state agency in connection with the performance of its functions. AS 37.05.146(b) lists program receipts that are to be accounted for separately, with appropriations from these receipts not made from the unrestricted general fund.

The FY19 Governor's budget request contains appropriations of program receipts that are appropriated to divisions for work not "in connection with the performance of its functions."

Fund Code	Fund Code Name	19Gov	FY18 Supp
1105	Permanent Fund Corporation Gross Receipts (Other)	8,670.0	-
1201	Commercial Fisheries Entry Commission Receipts (DGF)	3,933.4	-

Category 3. Fund Sources Used for Purposes that may Violate Federal Law. In the following cases, limitations on use of revenues/funds are not merely designated uses proposed by the legislature; federal law limits use of certain receipts under the Interstate Commerce clause of the U.S. Constitution. Appropriations of the following fund codes may violate federal limits, leaving expenditures subject to legal challenge.

Fund Code	Fund Code Name	19Gov	FY18 Supp
1166	Commercial Passenger Vessel Environmental Compliance Fund (Other)	437.8	-
1205	Berth Fees for the Ocean Ranger Program (Other)	308.0	-