

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
FY20 - Summary of Significant Budget Issues

Governor's Budget Items Approved as Requested

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
1	Various Appropriations/ Various Allocations	Executive Branch 50% Travel Reductions	(\$596.9) UGF	<p>The Governor proposed 50% travel reductions to allocations within all agencies for the FY20 budget. The legislature accepted only the UGF travel reductions within DOT&PF. Subsequently, the Governor vetoed the non-UGF fund source reductions as originally proposed (see Item #12). A summary of reductions by appropriation follows:</p> <p>Administration and Support - (\$41.3) Design, Engineering and Construction - (\$15.8) Highways, Aviation and Facilities - (\$539.8)</p>
2	Various Appropriations/ Various Allocations	Delete Receipt Authority No Longer Needed for Contractual Agreements	Total: (\$3,160.2) (\$2,691.1) Other (\$469.1) Fed	<p>Hollow receipt authority was removed from various allocations that was no longer needed for contractual agreements with other agencies or the federal government. This was essentially cleaning up the budget and removing excess authority from prior budget years. A total of \$3.2 million of the following fund sources was deleted:</p> <p>Interagency (I/A) Receipts - (\$2,328.6) Capital Improvement Project (CIP) Receipts - (\$212.5) Statutory Designated Program Receipts (SDPR) - (\$150.0) Federal Receipts - (\$469.1)</p>
3	Highways, Aviation, and Facilities/ Facilities Services	Receipt Authority to Allow Collection of Revenue for Facilities Maintenance and Operations	\$42,000.0 I/A Receipts (Other) Inc	<p>Beginning in FY15, the Office of Management and Budget created an executive committee of multiple agencies to study and provide recommendations for centralized facilities maintenance. By the FY19 budget, the Division of Facilities Services was officially established within DOT&PF to provide a shared services type platform for all state agency facilities maintenance. Agencies will be brought into the program in phases. This increment provides the receipt authority for agencies brought on during FY19 and FY20.</p>

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Governor's Budget Items Approved as Requested (continued)

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
4	Highways, Aviation, and Facilities/ Central, Northern and Southcoast Region Highways and Aviation	Replace Airport Leasing Receipts with UGF to Avoid Potential Revenue Shortfall	Net Zero \$1,985.5 UGF (\$1985.5) Airport Receipts (Other)	Rural airport leasing receipts have been insufficient to fill budgeted needs within the three regions of Highways and Aviation for several years and the agency has been filling the difference with prior year carry-forward receipts. In FY19 all prior year carry-forward balances were exhausted and FY20 was showing a revenue shortfall of nearly \$2 million. These fund source changes will replace the airport receipt authority with UGF to alleviate the budget problem. The breakout by region follows: Central Region Highways and Aviation - \$547.9 UGF, (\$547.9) Airport Receipts Northern Region Highway and Aviation - \$1,097.1 UGF, (\$1,097.1) Airport Receipts Southcoast Region Highways and Aviation - \$340.5 UGF, (\$340.5) Airport Receipts
5	Highways, Aviation, and Facilities/ Central and Northern Region Highways and Aviation	Airport Maintenance Contracts and Insurance	\$421.4 UGF	DOT&PF manages rural airports that rely on contract workers to provide airport maintenance and operations. The costs for these contracts have risen over the years. Without a budget increase, other services elsewhere in the budget would have to be reduced to absorb the cost increases. Increments were provided to offset cost increases as follows: Central Region Highways and Aviation - \$119.3 UGF Northern Region Highway and Aviation - \$302.1 UGF
6	Highways, Aviation, and Facilities/ Southcoast Region Highways and Aviation	Delete Capital Budget Receipt Authority and Increase UGF for Adak Airport Operations	Total: (\$114.0) \$146.0 UGF (\$260.0) CIP Receipts (Other)	DOT&PF took ownership of the Adak airport in 2004 from the U.S. Department of Defense (DOD). DOD provided \$10 million to operate the airport. That federal funding, along with funding in the capital budget, provided for operations until the FY19 budget cycle. In the FY19 budget, \$690.0 UGF was added to the Southcoast Region base operating budget for continued operations of the Adak airport. In the FY20 budget cycle \$146.0 UGF was added in order to meet historic spending levels. In addition, \$260.0 of CIP receipts were removed from the budget.
7	Highways, Aviation, and Facilities/ Whittier Access and Tunnel	Reduce Authority as a Result of Construction Loan Payoff	(\$207.5) Whittier Tunnel Receipts (Other)	A final payment to the Alaska Transportation Infrastructure Bank toward the Whittier Tunnel construction loan occurred in the FY19 Supplemental budget. This allows for a DOT&PF debt payment reduction in the FY20 operating budget of \$207.5 (also see item # 18).

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Governor's Budget Items Approved with Modifications

Item #	Approp/Allocation	Description	Amount/Fund Source Requested	Amount/Fund Source Approved	Comment
8	Alaska Marine Highway System Budget Various Appropriations/ Various Allocations	Alaska Marine Highway Service Level Reduction	Total: (\$97,988.8) (\$64,179.7) UGF (\$33,809.1) Marine Highway Funds (DGF) Multiple Decrements	Total: (\$43,602.5) (\$40,003.3) UGF (\$3,627.4) Marine Highway Funds (DGF) \$28.4 CIP Receipts	<p>The Governor's proposed FY20 budget included unprecedented reductions to UGF budgets in most agencies. The Alaska Marine Highway System (AMHS) was no exception; UGF was proposed to be reduced from \$86 million in FY19 to \$21.8 million in FY20 (a 75% reduction).</p> <p>The budget did not specify the service impacts of the reduction; along with his requested reductions, the Governor proposed that an outside consultant conduct a study to ascertain alternative operating plans for AMHS. The legislature immediately rejected the initial proposal by the Governor, but in the end came to a compromise reduction to the system totaling \$40 million UGF (a 46.5% reduction).</p> <p>The still significantly reduced budget is intended to maximize "fare box recovery" creating a budget that is approximately 50% UGF and 50% Alaska Marine Highway revenue.</p> <p>The budget is intended to provide service to all ports, albeit at a much reduced level. The operational weeks of service for AMHS will drop from 345.9 to 288.8.</p>

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Governor's Budget Items Denied by the Legislature

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
9	Highways, Aviation, and Facilities/ Central, Northern and Southcoast Region Highways and Aviation	Replace Motor and Aviation Fuel Tax with UGF to Avoid Potential Revenue Shortfall	Net Zero Change \$1,264.9 UGF (\$1,264.9) Motor and Aviation Fuel Taxes (DGF/Other)	The Governor's budget included proposals to replace Motor and Aviation Fuel taxes within the Highways and Aviation appropriation with UGF as a result of potentially expected revenue shortfalls. The legislature chose to not approve these fund changes as the Department of Revenue's revenue projections were deemed sufficient and any revenue shortfalls, if they materialize, could be addressed with a supplemental appropriation.
10	Highways, Aviation, and Facilities/ Central and Northern Region Highways and Aviation	Replace Portion of Vehicle Rental Taxes with UGF to Avoid Potential Revenue Shortfall	Net Zero \$3,761.1 UGF (\$3,761.1) Vehicle Rental Tax (DGF)	Vehicle Rental Tax (VRT) receipts have been budgeted within the Highways, Aviation and Facilities appropriation for several years. The Governor's budget proposed using a portion of those receipts in the capital budget toward an appropriation to the Alaska Travel Industry Association (ATIA). Using the receipts for ATIA would have created a budget hole in DOT&PF which was proposed to be filled with UGF in the Governor's budget. The legislature denied these budget actions and maintained the VRT receipts within the DOT&PF budget.

Legislative Additions

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
11	Highways, Aviation, and Facilities/ Southcoast Region Highways and Aviation	Utilize Projected Available Vehicle Rental Tax Receipts	(\$829.8) UGF \$829.8 Vehicle Rental Tax (DGF)	During the FY20 budget process, additional projected Vehicle Rental Tax Receipts were identified as available by comparing the DOR Revenue Sources book to what was budgeted in all agencies. The additional receipts were used to supplement UGF in the Southcoast Region Highways and Aviation allocation.

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Governor's Vetoes

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
12	Various Appropriations/ Various Allocations	Executive Branch 50% Travel Reductions	Total: (\$1,023.2) (\$97.2) DGF (\$922.0) Other (\$4.0) Fed	The legislature approved a portion of the Governor's FY20 request to reduce travel in various appropriations and allocations (See Item #1). The legislature chose to focus on UGF reductions, and did not accept proposed decrements of DGF, Federal, and Other fund sources. In most cases, the Governor chose to veto the amounts added back by the legislature to the level he originally proposed. The vetoes by appropriation are summarized below: Administration and Support - (\$250.8) Design, Engineering and Construction - (\$191.9) State Equipment Fleet - (\$258.6) Highways, Aviation and Facilities - (\$173.2) International Airports - (\$148.7)
13	Highways, Aviation, and Facilities/ Central, Northern and Southcoast Region Highways and Aviation	Reduce Cost of Rural Airport Maintenance	(\$46.9) UGF	The Governor's budget included decrements to the three regions within Highways and Aviation for reducing costs of rural airports. The justification was to divest airports, reclassify them to "backcountry" or transfer the management/ ownership of the airports. The legislature did not pass these decrements, but the Governor chose to veto the budget to his proposed level.
14	Highways, Aviation, and Facilities/ Northern Region Highways and Aviation	Reopen Chitna Maintenance Station	(\$185.0) UGF	The Senate Finance Committee included an increment that passed the full legislature to reopen the Chitina Maintenance Station in the FY20 budget. The Chitina Maintenance Station was closed as a result of funding reductions in the FY17 budget. The Governor vetoed this legislative addition.
15	Highways, Aviation, and Facilities/ Northern Region Highways and Aviation	Add Seasonal Position for Dalton Highway Maintenance Station	(\$50.0) UGF	Given the rough conditions on the Dalton Highway as a result of budget reductions in recent years, the Senate Finance Committee included an increment that passed the legislature to add a seasonal position for maintaining the Dalton Highway. The Governor vetoed this legislative addition.
16	Marine Highway System/ Marine Vessel Operations	Additional \$5 million for AMHS	(\$5,000.0) UGF	Included in the secondary operating bill (HB 2001) was an additional \$5 million UGF to increase Alaska Marine Highway System operations beyond what was included in the primary operating bill (HB 39). The Governor had agreed upon a funding level with the legislature for AMHS (see item #8), and therefore vetoed this legislative increase.

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FY19 Supplementals

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
17	Highways, Aviation, and Facilities/ Central, Northern and Southcoast Region Highways and Aviation	Contingent: Replace Motor/ Aviation Fuel Tax Funding Source with UGF if Receipts are Insufficient	Net Zero \$884.9 UGF (\$884.9) Motor/ Aviation Fuel Tax (DGF/ Other)	Projected Motor and Aviation Fuel Taxes were insufficient to cover budgeted amounts in the FY19 budget (similar to the FY20 request - see item # 9). The Governor proposed language to backfill any FY19 shortfalls with UGF. This language was approved by the legislature with an estimated amount of \$884.9.
18	Highways, Aviation, and Facilities/ Whittier Access and Tunnel	Whittier Tunnel Project Loan Payoff	\$390.3 Whittier Tunnel Receipts (Other)	A final payment to the Alaska Transportation Infrastructure Bank toward the Whittier Tunnel construction loan was made in the FY19 Supplemental budget. This allows for a debt payment reduction to the FY20 operating budget of \$207.5 (see item # 7).