

Department of Transportation and Public Facilities

FY22 Subcommittee Book - Significant Transactions

(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Administration and Support / Statewide Administrative Services	Delete Authority No Longer Needed Based on Prior Year Actuals and Operational Plans	Total: (\$507.1) (\$0.1) GF/Prgm (DGF) (\$507.0) Marine Hwy (DGF)	This is a technical adjustment and reflects a substantial decrease in the amount of available Marine Highway funds. In FY19 the allocation expended \$1.1 million in Marine Highway fund receipts and that has dropped to \$0.6 million in FY20. This lowers the allocation's authority to \$0.7 million in FY22.
2	Administration and Support / Various	Transfer to Various Allocations From Information Systems and Services for Employee Based Rates Funding - OIT	Total: \$3,390.8 \$501.8 Gen Fund (UGF) \$70.0 HwyCapital (Other) \$244.5 IntAirport (Other) \$2,325.0 CIP Rcpts (Other) \$249.5 Marine Hwy (DGF)	There were multiple transfers from Information System Services to fund Department of Administration's Office of Information Technology rates which have been incorporated into individual positions located throughout the Department's many divisions.
3	Administration and Support / Various	Transfers to Various Allocations from Human Resources to Fund Employee Based Rates DOPLR/IRIS HRM	Total: \$2,209.2 \$531.0 Gen Fund (UGF) \$92.7 HwyCapital (Other) \$206.7 IntAirport (Other) \$1,265.3 CIP Rcpts (Other) \$113.5 Marine Hwy (DGF)	There were multiple transfers from Human Resources to fund Division of Personnel and Labor Relations and Integrated Resource Information System Human Resource Management rates which have been incorporated into individual positions throughout the Department's divisions.
4	Division of Facilities Services / Various	Consolidate Facilities Services in New Division of Facilities Services	n/a	The State of Alaska is transitioning from the decentralized method of facility maintenance to the shared services method. By centralizing this function within the Department of Transportation and Public Facilities (DOT&PF), the process of maintaining public facilities could become more effective and efficient. With added accountability between the Department of Transportation and Public Facilities (as the service provider) and customer agencies (the facilities owner), the process of maintaining these buildings can be streamlined and may result in savings.

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4	Division of Facilities Services / Various	Consolidate Facilities Services in New Division of Facilities Services	n/a	<p>(continued)</p> <p>The Facilities Services allocation was moved from the Highways, Aviation, & Facilities appropriation into the new Facilities Services appropriation.</p> <p>Additionally, the following allocations were moved from the Department of Administration into the new Facilities Services appropriation:</p> <ul style="list-style-type: none"> -Leases -Lease Administration -Facilities -Facilities Administration -Non-Public Building Fund Facilities
5	Highways, Aviation and Facilities / Various	One-Time Fund Source Swap to Utilize FAA CARES Act Funding and Displace Unrestricted General Fund	<p>Net Zero</p> <p>\$14,600.8 Fed Rcpts (Fed) (\$14,600.8) Gen Fund (UGF)</p>	<p>Approximately \$10 billion in grants for airports is available under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, of which the State of Alaska Rural Airport System was allocated approximately \$49 million. Funds provided under the grant agreement must only be used for purposes directly related to airports. Such purposes can include the reimbursement of an airport's operational and maintenance expenses.</p> <p>A one-time fund source change will allow the utilization of Federal Aviation Administration CARES Act revenue in the following allocations:</p> <p>Central Region Facilities \$1,122.8 Fed/ (\$1,122.8) UGF Northern Region Facilities \$2,621.0 Fed/ (\$2,621.0) UGF Southcoast Region Facilities \$1,569.2 Fed/ (\$1,569.2) UGF Central Region Aviation \$1,875.5 Fed/ (\$1,875.5) UGF Northern Region Aviation \$4,638.5 Fed/ (\$4,638.5) UGF Southcoast Region Aviation \$2,773.8 Fed/ (\$2,773.8) UGF</p>
6	Highways, Aviation and Facilities / Various	One-time Use of FAA CARES Act Federal Funding to Cover Aviation Fuel Tax Shortfall	<p>Net Zero</p> <p>\$276.4 Fed Rcpts (Fed) (\$276.4) AvFuel Tax (Other)</p>	<p>Approximately \$10 billion in grants for airports is available under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, of which the State of Alaska Rural Airport System was allocated approximately \$49 million. Funds provided under the Grant Agreement must only be used for purposes directly related to airports. Such purposes can include the reimbursement of an airport's operational and maintenance expenses. Federal receipt authority is required to expend increased federal revenues related to CARES Act.</p> <p>The fund source change took place in the following allocations: Central Highways & Aviation: \$86.5 Fed/ (\$86.5) Aviation Fuel Tax</p>

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6	Highways, Aviation and Facilities / Various	One-time Use of FAA CARES Act Federal Funding to Cover Aviation Fuel Tax Shortfall	Net Zero \$276.4 Fed Rcpts (Fed) (\$276.4) AvFuel Tax (Other)	(continued) Northern Highways & Aviation: \$141.5 Fed/ (\$141.5) Aviation Fuel Tax Southcoast Highways & Aviation: \$48.4 Fed/ (\$48.4) Aviation Fuel Tax
7	Highways, Aviation and Facilities / Various	One-time Fund Source Swap to Address Projected Motor Fuel Tax Shortfall	Net Zero \$502.8 Gen Fund (UGF) (\$502.8) Motor Fuel (DGF)	The projected motor fuel tax revenue shortfall is based on pre-COVID revenue projections and the Department of Revenue's assumption that revenues will return to pre-COVID levels by FY22. This fund source change takes place in the following allocations: Central Highways & Aviation: \$138.8 UGF/ (\$138.8) Motor Fuel Tax Northern Highways & Aviation: \$269.5 UGF / (\$269.5) Motor Fuel Tax Southcoast Highways & Aviation: \$94.5 UGF/ (\$94.5) Motor Fuel Tax Fiscal Analyst Comment: The department's revenue from Motor Fuel tax dropped by over \$2.6 million dollars between FY19 and FY20, which only included a few months of COVID-19 related decreases from March to June. While a portion of this fund source change may be reversible in the future, it is unknown if motor fuel tax receipts will return to pre-COVID levels given the downward trend in motor fuel tax receipts due to increased fuel efficiency in vehicles, increases in hybrid and electric vehicle ownership, and a reduction in driving overall. Even with this reduction there is still a \$1.8 million shortfall between what is being appropriated to the Department and what the Department of Revenue projects the motor fuel tax will generate in FY22.
8	Highways, Aviation and Facilities / Various	Add Authority to Cover Uncollectable State Equipment Fleet Collective Bargaining Unit Increases	\$716.0 Gen Fund (UGF)	Salary adjustments were included in the FY19 and FY20 budget in the State Equipment Fleet (SEF) allocation increasing the authority to collect receipts for services but with no corresponding adjustment to the allocations which are paying fees to SEF for services in order to accommodate the increased cost. This effectively made the salary adjustment in SEF fee authority an uncollectible fund source. Increments are requested in the following allocations to allow them to pay SEF for those increased service costs: Central Highways & Aviation: \$252.0 (UGF) Northern Highways & Aviation \$464.0 (UGF) Fiscal Analyst Comment: The Department was able to accommodate this shortfall in fee revenue over the last two years, but has determined that an increment from a collectible fund source is now

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8	Highways, Aviation and Facilities / Various	Add Authority to Cover Uncollectable State Equipment Fleet Collective Bargaining Unit Increases	\$716.0 Gen Fund (UGF)	(continued) necessary. The salary adjustment was the last major unfunded cost increase added to these allocations' budgets, and therefore is the easiest to point to as a cause for their budget shortfall.
9	Marine Highway System / Marine Vessel Operations	Reduce Authorization to FY2021 Governor's Proposed Levels to Provide Essential Service	Total: (\$8,338.3) (\$3,589.0) Gen Fund (UGF) (\$4,749.3) Marine Hwy (DGF)	<p>The Governor's FY21 budget proposed an increase of \$3.3 million UGF, which would have added 8.8 weeks of service. The legislature added an additional \$16.8 million UGF (spread across multiple allocations), which would have significantly reduced gaps in service. The Governor subsequently vetoed \$12.7 million UGF of that addition (all located in the Vessel Operations allocation), for a net increase of \$7.3 million UGF over FY20 funding levels. The Governor's FY22 proposed budget would bring the Alaska Marine Highway System (AMHS) budget back to the Governor's initial proposed FY21 budget level and remove all increases included by the Legislature in the FY21 budget. This would bring the budget for AMHS down to \$50.4 million UGF and \$48.8 million DGF.</p> <p>The AMHS plans to absorb this decrement through a reduction in port calls, and service gaps during seasons with minimal demand. The administration asserts that this authorization will allow for an essential level of service.</p> <p>AMHS operations in the first half of FY21 were significantly impacted by the COVID-19 emergency, along with mechanical failures that substantially reduced service. This meant that some costs such as fuel usage decreased, but the pandemic has further lowered already reduced passenger usage and an increased reliance upon AMHS passenger receipts will mean considerable draw down from the Marine Highway fund balance. Some operational costs in FY20 and FY21 were met through the use of Federal CARES act funding for a total of \$10 million over two years, but this does not come close to making up for the added costs and reduced revenue caused by the pandemic. Early projections indicate that the entire Marine Highway fund will be drawn down in FY21. This is primarily caused by self-generated revenue falling from \$50.8 million in FY19 to \$28.2 million in FY20. Current projections estimate FY21 revenue further reduced to only \$25 million. This will cause the AMHS to run at a \$29.7 million deficit in FY21. The Alaska Marine Highway Fund is projected to only have \$23 million in available funding in FY21.</p> <p>The table on the last page of this summary section provides historical AMHS budget information along with projected AMHS fund balances.</p> <p>Fiscal Analyst Comment: As can be seen from the table, the projected FY21 ending balance is negative \$6.6 million and AMHS will likely require an FY21 supplemental appropriation of UGF</p>

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9	Marine Highway System / Marine Vessel Operations	Reduce Authorization to FY2021 Governor's Proposed Levels to Provide Essential Service	Total: (\$8,338.3) (\$3,589.0) Gen Fund (UGF) (\$4,749.3) Marine Hwy (DGF)	(continued) to sustain operations. Given this known shortfall in FY21 it is likely that considerable reductions in service would be necessary to operate at the Governor's FY22 proposed funding level, which relies heavily upon AMHS revenues. Those revenues have not materialized in the previous two fiscal years. This greatly increases the likelihood of a substantial FY22 supplemental appropriation being necessary.
10	Marine Highway System / Various	Transfer from Marine Vessel Fuel to Align System Authority with Location of Governor's Reduction	n/a	In FY21 the legislature restored funding for the Alaska Marine Highway System (AMHS) back to FY19 levels in a number of allocations. Specifically there was an increment of \$3.7 million in the Marine Vessel Fuel allocation. The FY22 proposed budget transfers \$3,715.6 in Marine Highway fund authority from the Marine Vessel Fuel allocation into the Marine Vessel Operations allocation in order to offset the proposed reduction noted above. Fiscal Analyst Comment: This brings the Marine Vessel Fuel allocation down to \$12.7 million, including \$7.8 million UGF. This remaining authority should be sufficient to meet short term needs, given the reduced need for fuel over the last two fiscal years. However, any increase in vessel sailings will also increase fuel costs provided fuel prices remain steady. In FY19 AMHS fuel costs were \$19.5 million; well above the proposed FY22 level.