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Inactive Funds and HB 223

House Ways and Means Committee
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Legislative Finance Division

Outline

- Overview of Inactive Funds
- Impact of CBR Sweep on Fund Balances
- History of Funds Contained in HB 223

Differentiating Funds and Fund Codes

- Each fund source spent in the budget has a “fund code” – a four-digit identifier assigned by Legislative Finance that starts with a 1. Fund codes start at 1001 (Constitutional Budget Reserve) and the newest is 1272 (Oil/Hazardous Release Prevention Fund Revenue).
- These fund sources often come from a particular fund within the State treasury (such as 1243, the SBR Fund). However, sometimes they are used to identify revenue sources that are not kept in a fund (such as 1007, Interagency Receipts).
- Each fund within the treasury also has a code. Funds that are spent in the budget have the same budget and accounting codes. Funds that are not spent in the budget typically have four-digit codes starting with a 3.

Inactive Funds and Fund Codes

- Of the 272 fund codes LFD has assigned, 106 are currently marked “inactive.” Inactivating a fund code is as easy as clicking a box in our budget system.
- In some cases, inactive funds are repealed by the legislature. For example, code 1090 (Four Dam Pool Transfer Fund) was repealed in 1999.
- Some funds are established in statute and remain even after the underlying program or original purpose no longer exist. Occasionally, these funds retain some balance.
- While the administrative burden associated with most of these funds are low, there may be some efficiencies and some balances to recover if they are repealed.

Not All Inactive Funds Can Be Repealed

- Some inactive funds still have ongoing obligations, even though they have not been used in many years.
- For example, no loans have been made from the Mining Revolving Loan Fund (code 1067) since 1986, but the fund retains about \$200,000 for a foreclosure reserve for a single remaining asset in its portfolio.
- Others still have ongoing past capital appropriations that pose a complication for their repeal.

Impact of 2021 CBR Sweep

- Some inactive funds are subject to Article IX, Section 17(d) of the Alaska Constitution, commonly called the CBR sweep.
- These funds cannot be spent by agencies without further appropriation and are subaccounts of the general fund.
- When the CBR sweep was not reversed at the end of FY21, these funds were emptied.
- Non-sweepable inactive funds may still retain balances.

Inactive Funds Swept in FY21

Fund Code	Fund Name	Estimated Amount Swept
1012	Railbelt Energy Fund	\$3,464,826
1019	State Land Reforestation Fund	\$194
1059	Correctional Industries Fund	\$ -
1083	Educational Facilities Maintenance And Construction Fund	\$45
1087	Municipal Capital Project Matching Grant Program	\$243,395
1088	Unincorporated Community Capital Project Matching Grant Program	\$ -
1189	Senior Care Fund	\$ -
3205	Alaska Historical Commission Receipts Account	\$26,832
3221	Originator Surety Fund	\$1,119,054
Total		\$4,854,345

Inactive Funds not Subject to Sweep

Fund Code	Fund Name	Estimated Balance
1044	Alaska Debt Retirement Fund	\$29,937
1053	Investment Loss Trust Fund	\$117,293
1067	Mining Revolving Loan Fund	\$4,950
1071	Alternative Energy Conservation Revolving Loan Fund	\$171,733
1209	Alaska Capstone Avionics Revolving Loan Fund	\$3,198,691
1213	Alaska Housing Finance Corporation - Alaska Capital Fund ("AHCC Account")	\$1,867,832
3206	Fuel Emergency Fund	\$22,524
3210	Fund For The Improvement Of School Performance	\$21,749
		Total \$5,434,709

Funds Proposed for Repeal in HB 223

After the FY21 CBR sweep, none of these funds have remaining balances. The funds proposed for repeal in HB 223 are:

- Code 1012, Railbelt Energy Fund
- Code 1065, Rural Electrification Revolving Loan Fund
- Code 1086, Southeast Energy Fund
- Code 1260, Curriculum Improvement And Best Practices Fund
- Code 3205, Alaska Historical Commission Receipts Account
- Code 3206, Fuel Emergency Fund
- Exxon Valdez Oil Spill Unincorporated Rural Community Grant Fund
- Alaska Affordable Energy Fund

Code 1012, Railbelt Energy Fund

- Subject to CBR sweep, so fund balance is currently zero.
- Established in 1986 for the purpose of meeting Railbelt energy needs, including projects for retrofitting state-owned buildings and facilities for energy conservation. \$412.6 million appropriated to the fund across several years, but it has no ongoing source of revenue.
- The full balance of the fund was appropriated in FY2012. As capital projects lapsed back to the fund, it rebuilt a balance until the FY21 CBR sweep.
- As a fund with no ongoing source of revenue, it is essentially an empty endowment.

Code 1065, Rural Electrification Revolving Loan Fund

- Established in the Alaska Energy Authority in 1981 with a \$6.5 million capitalization.
- The intent was to make loans available to rural utilities that did not have access to the Rural Electrification Administration (REA) loan programs or that were experiencing difficulty obtaining REA loans because of federal reductions in the REA program.
- This loan program was largely supplanted by the Electrical Service Extension Fund in the 1990s,.
- Payments on outstanding loans continued until FY08 but were typically appropriated for electricity-related capital projects rather than back to the fund for new loans. No outstanding funds or loans remain.

Code 1086, Southeast Energy Fund

- Created from 40% of the Four Dam Pool Fund, which consisted of loan payments from the Alaska Energy Authority.
- In 1999, the legislature redirected these payments to the Power Cost Equalization (PCE) Endowment Fund.
- A single grant was made from these funds in 1996 for the Swan Lake-Tyee intertie. The remaining balance of the fund was appropriated to the general fund in 2006.
- This fund no longer has a source of revenue or a fund balance.

Code 1260, Curriculum Improvement And Best Practices Fund

- Created in 2018 through a one-time capitalization to fund a three-year pilot program to test the appropriateness and effectiveness of curricula.
- The fiscal note called for a \$19.5 million capitalization in FY19. On the House floor in the 2018 session, this capitalization was given a delayed effective date to FY20. In 2019, the legislature repealed the capitalization of the fund at the Governor's request.
- The fund was therefore never capitalized and never used.

Code 3205, Alaska Historical Commission Receipts Account

- Subject to CBR sweep, so fund balance is currently zero.
- Formerly used to track expenditures of the Alaska Historical Commission within DNR. No longer in use by the Commission.

Code 3206, Fuel Emergency Fund

- Balance estimated to be \$22,524.
- Used in the 1990s when the governor determined that a shortage of fuel is sufficiently severe to justify state assistance to make grants to a political subdivision to purchase emergency supplies of fuel.
- In 2000, the Disaster Relief Fund statute was amended to add fuel shortages as an allowable use, making this fund unnecessary.

Exxon Valdez Oil Spill Unincorporated Rural Community Grant Fund

- Established in 1992 with the payment of \$29.7 million from Alyeska Pipeline Company to the State of Alaska stemming from the Exxon Valdez Oil Spill.
- These funds are distinct from the criminal fines paid by Exxon, which are maintained for long-term purposes.
- The Unincorporated Rural Community Grant Fund was fully expended and no funds remain to distribute.

Alaska Affordable Energy Fund

- Designated to receive 20% of royalties from an Alaska Liquefied Natural Gas (AKLNG) project for the purpose of developing energy infrastructure for areas that do not have access to the AKLNG line.
- No AKLNG project has yet been constructed, so this fund has never been used.

Questions?

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