

HOUSE BILL NO. 1005

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SPECIAL SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 5/9/96

Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act making, amending, and repealing appropriations; making appropriations
2 under art. IX, sec. 17(c), Constitution of the State of Alaska, from the
3 constitutional budget reserve fund; and providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** LEGISLATIVE FINDINGS AND INTENT. (a) The legislature finds that

6 (1) the members of the Long Range Financial Planning Commission (LRFPC)
7 who were jointly appointed by the governor and the legislature, conducted hearings across the
8 state, raising the awareness of and educating Alaskans about the fiscal gap;

9 (2) the state has spent more than it has collected in annually recurring revenues
10 during six of the past nine fiscal years;

11 (3) the state's fiscal year 1996 fiscal gap between revenues and expenditures
12 is estimated to be \$238,000,000;

13 (4) petroleum revenue currently accounts for about 80 percent of unrestricted
14 general funds and Alaska's petroleum production is projected to decline by one-third during

1 the next 10 years;

2 (5) the fiscal gap is projected to grow steadily if the state does not effectively
3 address annually recurring revenues and expenditures in the context of a long range plan;

4 (6) without changes in projected revenues and expenditures, current reserves
5 in the Constitutional Budget Reserve fund may be depleted by fiscal year 2000;

6 (7) the LRFPC and other fiscal policy forums around the state have identified
7 various fiscal tools that can be employed in a long range plan, including expenditure
8 reductions, revenue increases, use of reserves, and use of permanent fund earnings;

9 (8) in these fiscal policy forums, the conclusion has been that no single tool
10 is sufficient to address the fiscal gap and that several tools must be used in combination in
11 any viable plan to bring about state economic stability;

12 (9) the Alaska permanent fund is a cornerstone of the state's economic future
13 and should continue to grow as well as to provide reliable dividends to the general public.

14 (b) The legislature intends that a ten year plan to address the state's budget gap will

15 (1) put the state on firm fiscal ground for at least the next 10 years (fiscal year
16 1997 through 2006) and strike a balance between current public service needs and protection
17 of the permanent fund for future generations;

18 (2) close the fiscal gap between annually recurring revenues and expenditures
19 by the end of fiscal year 2001;

20 (3) use a combination of fiscal tools such as budget cuts, new development
21 revenues, income tax, other taxes, and use of reserves and permanent fund earnings;

22 (4) disclose and review all funding sources, not just general funds.

23 (5) deposit \$1,288,000,000 from the permanent fund earnings Reserve to the
24 fund's principal;

25 (6) fully inflation-proof the principal of the permanent fund;

26 (7) maintain Permanent Fund dividends;

27 (8) consider future use of permanent fund earnings with a vote of the people
28 in 1998;

29 (9) cut the budget not less than \$100,000,000 during fiscal years 1997-99,
30 acknowledging the additional impact of absorbing inflation;

31 (10) use the Alaska Department of Labor's population and inflation estimates

1 and Department of Education's school enrollment projections;

2 (11) fully fund the equivalent of the current K-12 foundation formula,
3 including increases for enrollment;

4 (12) recommend streamlining measures and legislation each year as part of the
5 budget process;

6 (13) endorse a six year capital plan that addresses schools, transportation, water
7 and sewer, prisons and other basic needs with a stable level of funding from year to year;

8 (14) plan for adequate maintenance of facilities and other infrastructure;

9 (15) use Department of Revenue mid-case projections for existing revenues
10 such as oil and gas revenues and, corporate taxes;

11 (16) include new development revenues beginning in fiscal year 1998;

12 (17) diversify state revenues to reduce dependence on volatile oil and gas
13 revenues through measures such as increased user fees, income tax, and increased excise taxes;

14 (18) dedicate fuel taxes;

15 (19) maintain a balance of at least \$1,500,000,000 in the Constitutional Budget
16 Reserve until the budget gap is eliminated and then conduct a policy review of the state's
17 reserve level to ensure that an appropriate amount of liquid reserves is available to deal with
18 revenue volatility and emergencies;

19 (20) include projections for new oil and gas settlements of \$800,000,000 to be
20 deposited in the reserve over the next four years;

21 (21) manage the reserve with a goal of achieving at least a 6.5 percent return
22 in fiscal year 1997;

23 (22) fix the reserve's sweep and payback provisions through constitutional
24 amendment; and

25 (23) develop a cash management and reserves policy to be implemented by
26 statute in 1997.

27 (c) The legislature intends to work with the governor and with all parties to implement
28 this long range financial plan and meet the needs of Alaskans.

29 (d) The legislature urges all Alaskans to become knowledgeable about Alaska's fiscal
30 situation and to support actions necessary to close the fiscal gap.

31 (e) The legislature thanks all members of the Long Range Financial Planning

1 Commission for their hard work and efforts to address the state's fiscal future and assist the
2 legislature and governor in addressing the economic challenges we face as a state.

3 * **Sec. 2.** (a) Amounts equal to the deposits in the budget reserve fund (art. IX, sec. 17,
4 Constitution of the State of Alaska) for fiscal year 1996, that were made by operation of art.
5 IX, sec. 17(d) to repay appropriations from the budget reserve fund are appropriated from the
6 budget reserve fund to the funds and accounts from which they were transferred.

7 (b) If the unrestricted state revenue available for appropriation in fiscal year 1997 is
8 insufficient to cover the general fund appropriations made for fiscal year 1997, the amount
9 necessary to balance revenue and general fund appropriations is appropriated to the general
10 fund from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska).

11 (c) The appropriations made by (a) and (b) of this section are made under art. IX,
12 sec. 17(c), Constitution of the State of Alaska.

13 * **Sec. 3.** The sum of \$739,511 is appropriated from the general fund to the Department
14 of Transportation and Public Facilities, Alaska Marine Highway System, to implement the
15 monetary terms of the collective bargaining agreement with the Inland Boatmen's Union of
16 the Pacific, representing the unlicensed marine unit, for the period October 10, 1994 through
17 May 31, 1996.

18 * **Sec. 4.** The sum of \$80,847 is appropriated from the general fund to the Department of
19 Transportation and Public Facilities, Alaska Marine Highway System, to implement the
20 monetary terms of the collective bargaining agreement with the International Organization of
21 Masters, Mates, and Pilots, Pacific Maritime Region, representing the Masters, Mates, and
22 Pilots Unit, for the period April 1, 1994 through June 30, 1996.

23 * **Sec. 5.** The sum of \$864,657 is appropriated to the University of Alaska to satisfy the
24 monetary terms of the 1995 collective bargaining agreement between the University and the
25 Alaska Classified Employees Association for the fiscal years ending June 30, 1995, and
26 June 30, 1996, from the following funding sources:

| | | |
|----|--------------------------------------|-----------|
| 27 | General fund receipts | \$852,095 |
| 28 | Federal receipts | 4,819 |
| 29 | U/A dormitory/food/auxiliary service | 2,899 |
| 30 | Student fees | 2,225 |
| 31 | University receipts | 2,619 |

1 * **Sec. 6.** The sum of \$499,108 is appropriated to the University of Alaska to satisfy the
2 monetary terms of the collective bargaining agreement between the University and the Alaska
3 Community College Federation of Teachers for the fiscal year ending June 30, 1996, from the
4 following funding sources:

| | | |
|---|-----------------------|-----------|
| 5 | General fund receipts | \$466,207 |
| 6 | Federal receipts | 2,099 |
| 7 | Student fees | 26,302 |
| 8 | University receipts | 4,500 |

9 * **Sec. 7.** The sum of \$720,000 is appropriated from the general fund to the Department
10 of Transportation and Public Facilities for Copper River Highway restoration and other costs
11 required by the consent decree in United States v. State of Alaska Department of
12 Transportation and Public Facilities (A92-24CIV).

13 * **Sec. 8.** The sum of \$250,000 is appropriated from the general fund to the Alaska Marine
14 Highway System fund (AS 19.65.060).

15 * **Sec. 9.** (a) The unexpended and unobligated balance, not to exceed \$1,500,000 of the
16 general fund appropriation made in sec. 47, ch. 94, FSSLA 1995, page 22, line 10 and
17 allocated on line 20 is reappropriated to the Department of Health and Social Services to be
18 used for an interdepartmental initiative to improve home and community care for the elderly,
19 for operating costs for the fiscal year ending June 30, 1997.

20 (b) The unexpended and unobligated balance, not to exceed \$1,500,000, of the general
21 fund appropriation made to medical assistance in the department of Health and Social Services
22 in sec. 47, ch. 94, FSSLA 1995, page 22, line 10 and allocated on line 11 lapses into the
23 general fund June 30, 1997.

24 (c) The sum of \$3,500,000 is appropriated to the Department of Health and Social
25 Services, division of medical assistance, Medicaid program to restore occupational therapy,
26 optometrist service & eyeglasses, speech, hearing and language disorders, and adult dental
27 services from the Medicaid services list (AS 47.07.035) for mental health trust beneficiaries
28 for the fiscal year ending June 30, 1997, from the following sources:

| | | |
|----|-------------------------------|-------------|
| 29 | Mental Health Trust | |
| 30 | Authority authorized receipts | \$1,000,000 |
| 31 | Federal receipts | 2,500,000 |

1 * **Sec. 10.** (a) The sum of \$11,008,900 is appropriated to the Office of the Governor,
2 office of management and budget, to implement the monetary terms of the collective
3 bargaining agreements listed in (b) of this section and for salary adjustments for executive-
4 branch employees who are not members of a bargaining unit for the fiscal year ending June
5 30, 1997, from the following funding sources:

| | | |
|----|---|-------------|
| 6 | Federal receipts | \$1,310,200 |
| 7 | General fund match | 319,600 |
| 8 | General fund | 5,249,400 |
| 9 | General fund program receipts | 484,100 |
| 10 | Inter-agency receipts | 621,600 |
| 11 | Alaska advance college tuition payment fund | 100 |
| 12 | Federal incentive payments | 23,000 |
| 13 | Benefit system receipts | 16,200 |
| 14 | Agricultural loan fund | 9,400 |
| 15 | State corporation receipts | 215,000 |
| 16 | FICA administration fund account | 600 |
| 17 | Fish and game fund | 170,400 |
| 18 | Science and technology endowment | 10,300 |
| 19 | Highway working capital fund | 168,000 |
| 20 | International airport revenue fund | 351,500 |
| 21 | Public employees retirement fund | 17,700 |
| 22 | Second injury fund reserve account | 1,800 |
| 23 | Disabled fisherman's reserve account | 1,800 |
| 24 | Surplus property revolving fund | 2,300 |
| 25 | Teachers' retirement system fund | 16,300 |
| 26 | Veterans revolving loan fund | 1,500 |
| 27 | Commercial fishing loan fund | 13,800 |
| 28 | General fund/mental health | 199,200 |
| 29 | Real estate surety fund | 900 |
| 30 | Judicial retirement system | 400 |
| 31 | Public Law 81-874 | 1,000 |

| | | |
|----|--|---------|
| 1 | National guard retirement system | 300 |
| 2 | University receipts | 300 |
| 3 | Training and building fund | 7,700 |
| 4 | Permanent fund dividend fund | 36,900 |
| 5 | Rural development initiative fund | 900 |
| 6 | Oil/hazardous prevention/response | 67,500 |
| 7 | Investment loss trust fund | 100 |
| 8 | Interagency receipts/oil and hazardous waste | 13,000 |
| 9 | Capital improvement project receipts | 955,100 |
| 10 | Power project loan fund | 4,400 |
| 11 | Public school fund | 600 |
| 12 | Mining revolving loan fund | 100 |
| 13 | Fisheries enhancement revolving loan fund | 500 |
| 14 | Residential energy conservation loan fund | 100 |
| 15 | Bulk fuel revolving loan fund | 600 |
| 16 | Alaska clean water loan fund | 2,100 |
| 17 | Marine highway system fund | 573,200 |
| 18 | Gifts/grants/bequests | 1,200 |
| 19 | Storage tank assistance fund | 9,000 |
| 20 | Information services fund | 125,800 |
| 21 | Mental health trust settlement income | 3,400 |

- 22 (b) This section applies to the following collective bargaining agreements:
- 23 (1) Alaska State Employees Association, for the General Government Unit;
- 24 (2) Alaska Public Employees Association, for the Supervisory Unit;
- 25 (3) Public Employees Local 71, for the Labor, Trades, and Crafts Unit;
- 26 (4) Inland Boatmen's Union of the Pacific, representing the unlicensed marine
- 27 unit;
- 28 (5) International Organization of Masters, Mates, and Pilots, Pacific Maritime
- 29 Region, for the Masters, Mates, and Pilots Unit;
- 30 (6) Public Safety Employees Association, representing state troopers and other
- 31 commissioned law enforcement personnel;

1 (7) Alyeska Correspondence School Education Association, representing
2 teachers at the Alyeska Central School;

3 (8) Alaska Vocational Technical Center Teachers' Association, representing
4 teachers at the Alaska Vocational Technical Center.

5 * **Sec. 11.** The sum of \$592,000 is appropriated from the general fund to the Alaska Court
6 System to satisfy the monetary terms of the collective bargaining agreement with the
7 International Brotherhood of Electrical Workers, representing nonjudicial, nonsupervisory,
8 classified employees of the Alaska Court System for the fiscal year ending June 30, 1997.

9 * **Sec. 12.** The sum of \$1,202,600 is appropriated from the general fund to the Alaska
10 Court System for salary adjustments for employees of the court system who are not members
11 of a collective bargaining unit for the fiscal year ending June 30, 1997.

12 * **Sec. 13.** The sum of \$320,000 is appropriated from the general fund to the Alaska State
13 Legislature for salary adjustments for legislative employees who are not members of a
14 bargaining unit for the fiscal year ending June 30, 1997.

15 * **Sec. 14.** The sum of \$224,100 is appropriated to the University of Alaska to satisfy the
16 monetary terms of the collective bargaining agreement between the University and the Alaska
17 Classified Employees Association for the fiscal year ending June 30, 1997, from the following
18 funding sources:

| | | |
|----|--------------------------------------|-----------|
| 19 | General fund receipts | \$220,900 |
| 20 | Federal receipts | 1,200 |
| 21 | U/A dormitory/food/auxiliary service | 800 |
| 22 | Student fees | 600 |
| 23 | University receipts | 600 |

24 * **Sec. 15.** The sum of \$1,013,189 is appropriated to the University of Alaska to satisfy the
25 monetary terms of the collective bargaining agreement between the University and the Alaska
26 Community College Federation of Teachers for the fiscal year ending June 30, 1997, from the
27 following funding sources:

| | | |
|----|-----------------------|-----------|
| 28 | General Fund Receipts | \$946,400 |
| 29 | Federal Receipts | 4,261 |
| 30 | Student Fees | 53,393 |
| 31 | University Receipts | 9,135 |

1 * **Sec. 16.** The sum of \$1,389,600 is appropriated from the general fund to the University
2 of Alaska for salary adjustments for University employees who are not members of a
3 bargaining unit for the fiscal year ending June 30, 1997.

4 * **Sec. 17.** The unexpended and unobligated balances of the allocation made in SLA 80,
5 ch. 50, page 63, line 23 (Fairbanks Youth Facility - \$200,000); the appropriation made in SLA
6 80, ch. 50, page 82, line 15 (Rural Airport Improvements Airport Lighting - \$4,719,000); the
7 appropriation made in SLA 84, ch. 24, page 14, line 4 (Ruby Runway Improvements -
8 \$350,000); the appropriation made in SLA 86, ch. 128, page 12, line 17 (Payment of
9 Construction Claims - \$100,000); the appropriation made in SLA 90, ch. 208, page 69, line
10 14 (Glennallen Combined Office Facility Replacement - \$327,200); the allocation made in
11 SLA 90, ch. 208, page 109, line 4 (Whittier Breakwaters Repairs - \$1,500,000); and the
12 appropriation made in SLA 90, ch. 208, page 109, line 10 (Lemon Road Seal Coat - \$200,000)
13 are repealed and reappropriated to the Department of Transportation and Public Facilities for
14 Bethel seawall construction.

15 * **Sec. 18.** The sum of \$650,000 is reappropriated from the Power Project Fund otherwise
16 subject to lapse into the general fund as of June 30 and August 10, 1994, in accordance with
17 former AS 44.83.170(g), to the Department of Transportation and Public Facilities for Bethel
18 seawall construction.

19 * **Sec. 19.** The fund balance in the Rural Electrification Revolving Loan Fund on
20 June 30, 1996, otherwise subject to lapse into the general fund (AS 42.45.020(g)), is
21 appropriated to the Department of Transportation and Public Facilities for Bethel seawall
22 construction.

23 * **Sec. 20.** The unexpended and unobligated balance, not to exceed \$1,000,000 of the
24 general fund appropriation made by sec. 47, ch. 94, SLA 1995, page 21, line 32 (Department
25 of Health and Social Services, Assistance Payments - \$176,370,000) and allocated on line 33
26 (Aid to Families with Dependent Children) is reappropriated to the Department of Health and
27 Social Services for final design, site preparation and construction of the Johnson Youth Center
28 treatment facility.

29 * **Sec. 21.** An amount not to exceed \$2,500,000, representing reimbursement received by
30 the State of Alaska from the federal government for the state's overpayment of its Medicaid
31 matching money related to services previously paid by the state and provided by Alaska public

1 schools to Medicaid-eligible children, is appropriated from the federal receipts to the principal
2 of the Alaska Children's Trust (AS 37.14.200).

3 * **Sec. 22.** The unexpended and unobligated balance on June 30, 1996, not to exceed
4 \$300,000, of the appropriation made in sec. 47, ch. 94, SLA 1995, page 15, line 29 (Longevity
5 Bonus Grants - \$72,152,600) is reappropriated to the Department of Administration, division
6 of personnel, to continue personnel records automation and developing changes to the state's
7 personnel management system for the fiscal year ending June 30, 1997.

8 * **Sec. 23.** The unexpended and unobligated balance, not to exceed \$250,000, of the general
9 fund appropriation made to Medical Assistance in the Department of Health and Social
10 Services in sec. 47, ch. 94, FSSLA 1995, page 22, line 10 and allocated on line 12 is
11 reappropriated to the Department of Corrections for conversion of Harborview to correctional
12 facility.

13 * **Sec. 24.** (a) Legislative Findings and Purpose. The legislature finds that

14 (1) as a result of the judgment entered by the United States District Court in
15 the criminal case United States of America v. Exxon Shipping Company and Exxon
16 Corporation, No. A90-015 CR, the state received \$50,000,000 in restitution “to be used by the
17 State of Alaska . . . exclusively for restoration projects, within the State of Alaska, relating
18 to the Exxon Valdez oil spill”;

19 (2) the judgment defines restoration as including “restoration, replacement, and
20 enhancement of affected resources; acquisition of equivalent resources and services, and long-
21 term environmental monitoring and research programs directed to the prevention, containment,
22 cleanup and amelioration of oil spills;

23 (3) the money received by the state in restitution is held in the Exxon Valdez
24 oil spill restoration fund, established by the Department of Revenue, to implement the form
25 of the judgment;

26 (4) the appropriation in (b) of this section is made in order to achieve the
27 purposes in the court's restitution order.

28 (b) The sum of \$750,000 of the interest accrued before June 30, 1997, on the
29 restitution payment described in (a) of this section is appropriated to the Department of
30 Administration for payment as a grant under AS 37.05.315 to the Kenai Peninsula Borough
31 for the construction of the Kenai River Center in Soldotna, Alaska.

1 * **Sec. 25.** The unexpended and unobligated balance, not to exceed \$100,000, of the Alaska
2 Debt retirement fund (AS 37.15.011) is appropriated to the Department of Natural Resources,
3 for the state land status geographic information system.

4 * **Sec. 26.** The sum of \$400,000 is reappropriated from the unexpended and unobligated
5 balance of the appropriation made in sec. 47, ch. 94, SLA 1995, page 15, line 12 (Executive
6 Operations - \$7,441,300) to the Office of the Governor, executive office, for operations for
7 the fiscal year ending June 30, 1997.

8 * **Sec. 27.** The balance on June 30, 1996, of the Alaska Public Utilities Commission
9 designated program receipts account for regulatory cost charges under AS 42.05.254 and
10 AS 42.06.286 for fiscal year 1996 is appropriated to the Alaska Public Utilities Commission
11 to meet its duties under the Federal Telecommunications Act of 1996 (P.L. 104-104).

12 * **Sec. 28.** Notwithstanding the failure of the vote on the effective date to the final version
13 of an Act making appropriations for the operating and loan program expenses of state
14 government (HB 412, Nineteenth Legislature, Second Session), the appropriations enacted in
15 that Act take effect July 1, 1996.

16 * **Sec. 29.** To meet federal compliance requirements under Public Law 81-874 for
17 educational support

18 (1) section 104(a), ch. 103, SLA 1995, is amended to read:

19 (a) The sum of 709,917,745 [\$711,150,120] is appropriated from the general
20 fund and from other funds in the amounts listed to the Department of Education for
21 the purposes expressed and allocated in the amounts listed for operating expenditures
22 for the fiscal year ending June 30, 1996:

| 23 | FUND SOURCE | AMOUNT |
|----|---|--------------------------------------|
| 24 | General fund | <u>\$651,003,445</u> [\$652,235,820] |
| 25 | General fund/mental health | 8,073,600 |
| 26 | Public School Trust fund (AS 37.14.110) | 5,394,700 |
| 27 | School fund (AS 43.50.140) | 2,655,000 |
| 28 | Federal receipts - P.L. 81-874 | 20,791,000 |
| 29 | Federal receipts - other than P.L. 81-874 | 22,000,000 |
| 30 | PURPOSE | ALLOCATION |
| 31 | Foundation program | <u>\$642,169,525</u> [\$643,401,900] |

| | | |
|---|---------------------------------------|------------|
| 1 | Child nutrition/student lunch program | 22,000,000 |
| 2 | Cigarette tax distribution | 2,655,000 |
| 3 | Tuition students | 1,731,200 |
| 4 | Boarding home grants | 185,900 |
| 5 | Youth in detention | 800,000 |
| 6 | Public pupil transportation | 32,842,190 |
| 7 | Schools for the handicapped | 3,705,200 |
| 8 | Community schools | 600,000 |
| 9 | Additional district support | 3,228,730 |

10 (2) The sum of \$1,232,375 is appropriated from the general fund to the Department
 11 of Education for the fiscal year ending June 30, 1996 and allocated to the following school
 12 districts in the amounts listed:

| 13 | SCHOOL DISTRICT | ALLOCATION AMOUNT |
|----|----------------------------------|-------------------|
| 14 | Alaska Gateway School District | \$ 45,040 |
| 15 | Aleutian Region School District | 5,005 |
| 16 | Annette Island School District | 22,795 |
| 17 | Bering Strait School District | 159,600 |
| 18 | Chatham School District | 26,840 |
| 19 | Chugach School District | 15,190 |
| 20 | Copper River School District | 45,935 |
| 21 | Delta/Greely School District | 49,090 |
| 22 | Iditarod School District | 47,895 |
| 23 | Kashunamiut School District | 18,100 |
| 24 | Kuspuk School District | 46,345 |
| 25 | Lower Kuskokwim School District | 335,370 |
| 26 | Lower Yukon School District | 138,310 |
| 27 | Pribilof Islands School District | 19,655 |
| 28 | Southeast Island School District | 35,995 |
| 29 | Southwest Region School District | 61,195 |
| 30 | Yukon Flats School District | 53,700 |
| 31 | Yukon/Koyukuk School District | 66,610 |

