

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**February 02, 2004**  
**10:03 AM**

**TAPES**

SFC-04 # 4, Side A

**CALL TO ORDER**

Co-Chair Lyda Green convened the meeting at approximately 10:03 AM.

**PRESENT**

Senator Lyda Green, Co-Chair  
Senator Gary Wilken, Co-Chair  
Senator Con Bunde, Vice Chair  
Senator Fred Dyson  
Senator Lyman Hoffman  
Senator Donny Olson  
Senator Ben Stevens

**Also Attending:** CHERYL FRASCA, Director, Office of Management and Budget, Office of the Governor; JOAN BROWN, Chief Budget Analyst, Office of Management and Budget, Office of the Governor.

**Attending via Teleconference:** There were no teleconference participants.

**SUMMARY INFORMATION**

SB 283-APPROP: REVERSE 2003 CBR SWEEP

The Committee heard from the Office of Management and Budget. The bill was held in Committee.

#SB283

SENATE BILL NO. 283

"An Act making an appropriation to reverse the deposit of money available for appropriation in the general fund at the end of fiscal year 2003 into the constitutional budget reserve fund; making an appropriation under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Green noted the purpose of this meeting is to gather information on the accounts that normally carryover from one fiscal year to the next, but were not allocated from the Constitutional Budget Reserve (CBR) Fund by the legislature during the previous session.

CHERYL FRASCA, Director, Office of Management and Budget overviewed the sub-accounts that were "swept". She reminded that at the end of the previous legislative session, a number of these sub-accounts within the general fund were swept into the CBR fund, and that historically the major appropriation legislation contains a provision to reverse this sweep to restore the funds to their respective sub-accounts. She explained such a provision was not included in the FY 04 appropriation legislation. She noted that the FY 04 budget legislation contained several appropriations that relied on the availability of these revenues for expenditure during the fiscal year.

Ms. Frasca informed that during the previous summer she contacted the co-chairs of the House of Representatives and Senate Finance Committees to garner whether the intent was to implement the affected programs for the period of time before the legislature reconvened in January, as stipulated in the FY 04 budget appropriation, and was verbally instructed to continue the delivery of services.

Ms. Frasca detailed a handout titled "CBR Sweep Summary - DRAFT" [copy on file] listing the aforementioned accounts. She noted the following four items did not require a reversal.

**FHWA** Airspace leases  
Amount Swept: \$19,049  
Minimum Reverse Amount: \$0  
Fall 2003 Potential Sweep Balance: \$19,049

Ms. Frasca informed that these one-time revenues were initially received several years prior and that the funding source was not recurrent.

State Forestation Fund  
Amount Swept: \$194  
Fall 2003 Potential Sweep Balance: \$194

Ms. Frasca noted that in addition to the small dollar amount, this fund has not been accessed for several years.

AMHS [Alaska Marine Highway System] Replacement Fund  
Amount Swept: \$0  
Fall 2003 Potential Sweep Balance: \$0

Education Facility Maintenance/Construction Fund  
Amount Swept: \$0  
Fall 2003 Potential Sweep Balance: \$0

Ms. Frasca stated that because the balance of the two accounts is zero, there is no need to reverse the funding.

Ms. Frasca continued outlining those items in which a reversal was necessary to support FY 04 appropriation level and future year spending as follows.

Voc Rehab Small Business Enterprise Revolving Loan Fund  
FY 04 Appropriation: \$365,000  
FY 04 Revenue: \$230,000  
FY 04 Revenue Shortfall: \$135,000  
Amount Swept: \$121,587  
Minimum Reverse Amount: \$121,587  
Fall 2003 Potential Sweep Balance: \$0  
Reversal of full amount will make the funding available to pay FY 05 costs and ease fund cash flow.  
If Revenue not equal to Appropriation: \$13,413 Shortage does not appear to be a problem; actual expenditures are lower than authorization.

Ms. Frasca told of proceeds from vending machine facilities to be utilized to aid blind and severely handicapped licensees who operate the vending machines. She stated the balance of this sub-account is accumulated to allow for larger projects, such as remodeling of facilities. She said the specific funds are intended for construction at the Atwood Building.

Alaska Historical Commission  
FY 04 Appropriation: \$0  
FY 04 Revenue: \$0  
FY 04 Revenue Shortfall: \$0  
Amount Swept: 85,302  
Minimum Reverse Amount: \$0  
Fall 2003 Potential Sweep Balance: \$85,302  
Department requests full amount be reversed to support future year spending.  
If Revenue not equal to Appropriation:

Ms. Frasca noted this funding is generally utilized for special projects and the funds are accumulated over time.

Senator Dyson asked the proposed projects.

Ms. Frasca exemplified a commemoration of the 50 year anniversary of Alaska statehood.

Oil/Haz Substance Release Accounts  
FY 04 Appropriation: \$20,171,600  
FY 04 Revenue: \$9,232,900  
FY 04 Revenue Shortfall: \$10,938,700  
Amount Swept: \$18,349,829  
Minimum Reverse Amount: \$10,938,700  
Fall 2003 Potential Sweep Balance: \$7,411,129  
Department requests full amount be reversed to support future year spending; annual revenue not sufficient to maintain current spending level.  
If Revenue not equal to Appropriation: Extra sweep supports future appropriations.

Ms. Frasca explained these funds are utilized to support capital projects and cover operating expenses in the Department of Environmental Conservation and the Department of Transportation and Public Facilities.

Ms. Frasca also noted this reversal request includes reversal of prior year balances.

Co-Chair Green clarified this request is not unusual.

Ms. Frasca affirmed a number of these items carry forward from one year to the next.

Employment Assistance & Training (STEP)  
FY 04 Appropriation: \$5,639,700  
FY 04 Revenue: \$4,650,000  
FY 04 Revenue Shortfall: \$989,700  
Amount Swept: \$1,947,655  
Minimum Reverse Amount: \$0  
Fall 2003 Potential Sweep Balance: \$4,547,743  
Since fund is a diversion of workers compensation tax monies assessed against insured and self-insured employers, reverse full amount.

Ms. Frasca remarked that funds in this sub-account are used to fund various training programs.

Workers Safety/Comp Account  
FY 04 Appropriation: \$4,139,400  
FY 04 Revenue: \$4,139,400  
FY 04 Revenue Shortfall: \$0  
Amount Swept: \$4,547,743  
Minimum Reverse Amount: \$0  
Fall 2003 Potential Sweep Balance: \$4,547,743  
Since fund is a diversion of workers compensation tax monies assessed against insured and self-insured employers, reverse full amount.

Ms. Frasca noted this is a diversion of workers compensation contributions that are used to fund the Division of Workers Compensation, and Occupational Safety and Health programs. She assured that failure to provide reversal of these funds in FY 04 would cause no pending crisis.

Commercial Passenger Vessel Env. Compliance Fund  
FY 04 Appropriation: \$706,900  
FY 04 Revenue: \$706,900  
FY 04 Revenue Shortfall: \$0  
Amount Swept: \$1,099,965  
Minimum Reverse Amount: \$706,900  
Fall 2003 Potential Sweep Balance: \$393,065  
Reversal of full amount will make the funding available to pay FY 05 costs and ease fund cash flow.  
If Revenue not equal to Appropriation: -\$706,900 Revenue received late in year and funds FY 05

Ms. Frasca explained these funds are collected from cruise ships to address emissions and discharges. She stated that this program does not have a revenue shortfall in the current fiscal year.

JOAN BROWN, Chief Budget Analyst, Office of Management and Budget, Office of the Governor, interjected that a portion of these revenues are received at the end of the fiscal year and therefore the sweep has caused cash flow issues.

Ms. Frasca furthered that funds collected in May and June 2002 were swept into the CBR and thus unavailable for expenditure.

Tobacco Ed/Cessation Fund  
FY 04 Appropriation: \$5,395,600  
FY 04 Revenue: \$4,295,600  
FY 04 Revenue Shortfall: \$1,100,000  
Amount Swept: \$1,260,524  
Minimum Reverse Amount: \$1,100,000

Fall 2003 Potential Sweep Balance: \$160,524  
Reversal of full amount will make the funding available to pay  
FY 05 costs and ease fund cash flow.  
If Revenue not equal to Appropriation: Extra sweep supports  
future appropriations.

Ms. Frasca reminded these funds represent 20 percent of the Tobacco  
Settlement funds annually received by the State and utilized to  
fund grants for tobacco cessation programs both within the  
Department of Health and Social Services and outside organizations.

Bldg Safety Account  
FY 04 Appropriation: \$1,603,700  
FY 04 Revenue: \$1,508,000  
FY 04 Revenue Shortfall: \$95,700  
Amount Swept: \$95,700  
Minimum Reverse Amount: \$92,843  
Fall 2003 Potential Sweep Balance: \$0  
If Revenue not equal to Appropriation: \$2,857 Small shortfall  
is not a problem.

Ms. Frasca stated this sub-account is utilized to fund the  
Department of Labor and Workforce Development mechanical inspection  
activities. She remarked that this program has a "shortfall" of  
approximately \$96,000 as a result of the sweep.

Alcohol/Drug Abuse Trtmnt/Prevention Fund  
FY 04 Appropriation: \$21,400,000  
FY 04 Revenue: \$15,300,000  
FY 04 Revenue Shortfall: \$6,100,000  
Amount Swept: \$6,191,229  
Minimum Reverse Amount: \$6,100,000  
Fall 2003 Potential Sweep Balance: \$91,229  
Reversal of full amount will make the funding available to pay  
FY 05 costs and ease fund cash flow.  
If Revenue not equal to Appropriation: Extra sweep supports  
future appropriations.

Ms. Frasca explained this sub-account represents 50 percent of the  
proceeds of the alcoholic beverage tax and is utilized to fund  
grants for nonprofit organizations as well as some capital  
projects.

Co-Chair Green asked if these grants are awarded to "an agency".

Ms. Frasca replied that the alcohol tax revenues are utilized for  
several purposes, including construction of the Nome Youth  
Detention Facility, Medicaid expenses, suicide prevention programs,

the Department of Corrections, and the Alaska Council on Domestic Violence and Sexual Assault.

Land Disposal Income Fund

FY 04 Appropriation: \$7,818,500

FY 04 Revenue: \$4,318,500

FY 04 Revenue Shortfall: \$3,500,000

Amount Swept: \$5,048,544

Minimum Reverse Amount: \$3,500,000

Fall 2003 Potential Sweep Balance: \$1,548,554

Department requests full amount be reversed to support FY 04 and FY 05 costs, including FY 05 debt.

If Revenue not equal to Appropriation: Extra sweep supports future appropriations.

Ms. Frasca requested the full amount be reversed to make the balance available in FY 05.

AMHS Fund

FY 04 Appropriation: \$86,945,400

FY 04 Revenue: \$82,945,400

FY 04 Revenue Shortfall: \$4,000,000

Amount Swept: \$9,277,305

Minimum Reverse Amount: \$4,000,000

Fall 2003 Potential Sweep Balance: \$5,277,305

If Revenue not equal to Appropriation: The extra sweep amount is to load the fund for FY 05. FY 05 will be shortfunded without full reversal.

Ms. Frasca stated \$4 million is necessary to fund operations for the remainder of FY 04 with the balance available to support the system in FY 05.

The Office of Management and Budget recommends the following two items be reversed "to Restore Balance - So Available in FY 05".

Debt Retirement Fund

FY 04 Appropriation: \$53,820,600

FY 04 Revenue: \$61,747,107

FY 04 Revenue Shortfall: \$0

Amount Swept: \$7,926,507

Minimum Reverse Amount: \$7,926,507

Fall 2003 Potential Sweep Balance: \$0

Reversal will make the funding available to pay FY 05 debt costs.

If Revenue not equal to Appropriation: -\$7,926,507 the extra sweep amount is to load the fund for FY 05. FY 05 will be shortfunded without full reversal.

Ms. Frasca emphasized the funds are not necessary for FY 04, but rather would be needed for FY 05.

Ak Tech Voc Ed Pgm Fund (TVEP)  
FY 04 Appropriation: \$4,561,500  
FY 04 Revenue: \$4,561,500  
FY 04 Revenue Shortfall: \$0  
Amount Swept: \$913,590  
Minimum Reverse Amount: \$913,590  
Fall 2003 Potential Sweep Balance: \$0  
Since fund is a diversion of monies that would otherwise go into the unemployment insurance trust fund, reverse full amount.  
If Revenue not equal to Appropriation: -\$913,590

Ms. Frasca explained these funds are utilized for University of Alaska programs, the Kotzebue Technical Center, the Alaska Vocational Technical Center, and the Galena Project Educational Vocational Training Center.

The Office of Management and Budget categorized the following item in the handout as "Reverse to Restore Prior Year Account Balances over \$999 to Communities".

Municipal Capital Matching Grants (sum of 2 grant programs)  
Amount Swept: \$2,301,844  
Minimum Reverse Amount: \$2,158,525  
Fall 2003 Potential Sweep Balance: \$143,319  
If Revenue not equal to Appropriation: -\$2,158,525 Expenditure would require a supplemental appropriation. Potential sweep amount affects accounts less than \$1000.

Ms. Frasca noted these funds represent the balance held by a number of smaller communities in their capital matching grants accounts. She stated that reversal of this item would restore the funds to each community.

This Office of Management and Budget noted this final item as a "Policy Call".

Railbelt Energy Fund  
Amount Swept: \$29,571,811  
Fall 2003 Potential Sweep Balance: \$29,571,811

Ms. Frasca stated the FY 04 budget does not contain an appropriation that is dependant upon these funds; however, the

Office of Management and Budget requests the funds be reversed.

Senator Hoffman asked the purpose of reversing these funds.

Ms. Frasca responded this would restore the account to allow future legislatures to utilize the funds.

Ms. Frasca relayed that departmental managers were "resting easier" with the knowledge that the legislature was considering reversal of these accounts.

Ms. Frasca pointed out that the FY 04 budget did not contain a necessary \$120,000 appropriation to the Department of Revenue to manage the CBR. She requested these funds be appropriated.

Co-Chair Green ordered the bill HELD in Committee.

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**ADJOURNMENT**

Co-Chair Lyda Green adjourned the meeting at 10:22 AM