

COMMITTEE REPORT

1-28-75

SENATE

Mr. President:

Date 2/18/75

The Committee on Finance has had 33 87

Sub approx to Dept of Highways
under consideration. A Majority of the members of the Committee

- recommends it DO PASS
- recommends it DO NOT PASS
- recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- reports it back WITHOUT RECOMMENDATION
- "other"

Members signing the Majority report:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

[Signature] Chairman

MEMORANDUM

TO: Senator Genie Chance

DATE: February 22, 1975

FROM: Jay Hogan
Fiscal Analyst

SUBJ: CSSB 67
Highways Supplemental

The supplemental appropriation to the Department of Highways contains two sections:

SECTION 1

\$336,300 is appropriated from the General Fund to the Department of Highways to cover increased charges for space rental of various highway department facilities. The buildings the Department of Highways occupies throughout the State are in large part constructed and maintained through the Highway Working Capital Fund. To receive monies to maintain and operate the buildings, the Highway Working Capital Fund charges rental to the using agency. In this particular case, building rental rates were adjusted upward during the current fiscal year and the Department of Highways is thus required to pay higher rentals for space than planned for in their budget. This appropriation makes up that difference.

SECTION 2

The General Appropriation Act of 1974 is amended by this section to allow a portion of this year's Highway Working Capital Fund appropriation to be used to cover FY 74 over expenditures. During the closing days of the 1974 legislative session, the Department of Highways, due to inflated maintenance parts and fuel requirements, came to the free conference committee on budget with increased budget requests for maintenance and the Highway Working Capital Fund. \$501,000 of the revised request was to go for 1974 expenses, the remainder was to be used during FY 75. The language authorizing this split use was not inserted in the appropriation bill thus the money was not technically available for expenditure to cover FY 74 costs. Section 2 of this act allows the use of \$386,600 (the amount fixed as the actual FY 74 cost overrun) to cover the FY 74 over expenditures.

Introduced: 1/28/75
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 67

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a supplemental appropriation to the
7 Department of Highways; and providing for an
8 effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. The sum of \$1,124,300 is appropriated from the following
11 sources to the Department of Highways for the fiscal year ending June 30,
12 1975 to be allocated as follows:

	General Fund	Highway Working Capital Fund
Administration, for increased space rental	\$336,300	
Working Capital Fund, for fiscal year 1974 cost overruns		\$788,000
	<hr/>	<hr/>
	\$336,300	\$788,000

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21 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
22 10.070(c).
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Original sponsor: Rules Committee by
request of the Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 67

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a supplemental appropriation to the
7 Department of Highways; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. The sum of \$336,300 is appropriated from the general fund
11 to the Department of Highways for the fiscal year ending June 30, 1975, to
12 fund increased space rental costs.

13 * Sec. 2. So much of ch. 147, sec. 17(a), SLA 1974 as pertains to HWCF
14 Rental Increase is amended to read:

15	HWCF Rental Increase**	3,727,600	3,378,400	349,200
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16 **The sum of \$336,600 is allocated from this appropriation to cover
17 costs incurred in fiscal year 1974 cost overruns.

18 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
19 070(c).

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MEMORANDUM

State of Alaska

TO: Jay Hogan
Director
Legislative Finance

DATE: February 4, 1975

FILE NO: 10-004

TELEPHONE NO: 364-2121 Ext. 130, 122

FROM: Dick Chitty
Administrative Director
Department of Highways

SUBJECT: Senate Bill 67
Supplemental Appropriation

The Highways Working Capital Fund is a fund established by the Legislature to provide for centralized equipment management. The fund derives all of its income from State agencies based on rental rates for equipment, Highways buildings, optical equipment, reproduction and signs. The rates are established far in advance of any particular fiscal year, are approved by the Governor, and are used to budget useage and ownership - costs incurred by all departments.

In F.Y. '74 inflation hit every area of operation in the fund. Fuel for over 3,000 vehicles, parts and labor all increased dramatically. In the final moments of the last session, the Legislature appropriated 3.7 million to the Department of Administration for distribution to the user agencies. Of this amount, \$501,000 was for F.Y. '74. Due to an apparent error in wording, the Working Capital Fund was not allowed to increase its authorization to spend this amount.

As a service agency, however, there are no means available to discontinue service. To complicate the matter, an error was recorded in the Department of Administration accounting records which allowed an overexpenditure to occur in F.Y. '74.

Costs attributable to F.Y. '74 were closely kept, although it was necessary to use F.Y. '75 authorization. In computing the financial statement, these costs were shown in the proper year. In order to keep F.Y. '75 on a correct basis, from the authorization point of view, the supplemental for \$788,000 in Working Capital Fund expenditure authorization is necessary, \$386,600 is for F.Y. '74 and \$401,400 is for F.Y. '75. In actuality the fund should be on a continuing program since all of its revenue is generated by service demands of other departments which in themselves are subject to Legislative review and appropriation. An adjustment, up or down, in succeeding years' rental rates would eliminate the problems of bookkeeping now encountered with the "double" appropriation.

The attached copy of the reviews by the State Internal Auditor and the Legislative Auditor shed additional light on the situation.

The supplemental in the Administrative and Support budget for \$336,300 is to cover costs of billings by the Working Capital Fund. A rate study was instituted which showed that existing rates on district highway buildings (complexes, storage, maintenance camps, etc.) were too low. New rates were established effective July 1, 1974 for F.Y. '75. A comparison of these new rates to rates within the private sector showed them to be realistic and still less than comparable rates. The Administration and Support appropriation bears the expenses of these building rates, and in order to prevent imbalances in the Working Capital Fund, must provide this additional amount.

Attachment

MEMORANDUM

State of Alaska

TO: Commissioner Bruce A. Campbell
Department of Highways

DATE: July 26, 1974

FILE NO:

TELEPHONE NO:

FROM: Richard A. Smith *RS*
Acting Commissioner
Department of Administration

SUBJECT: Legislation - HWCF

Commissioner Freer reviewed the attached memorandum before he left. This resulted, of course, from the review made jointly with the Division of Legislative Audit, who reported separately to you.

Circumstances and results are unfortunate but we will comply with legislation as passed and interpreted.

RAS/mjc
Enclosure
CC: M. R. Charney

MEMORANDUM

State of Alaska

TO: Commissioner Richard W. Freer
Department of Administration

DATE: July 24, 1974

FILE NO:

TELEPHONE NO:

FROM: Richard A. Smith *RAS*
State Internal Auditor
Department of Administration

SUBJECT: Highway Working Capital Fund

Pursuant to your request on July 12, 1974, we have examined the issues surrounding an appropriation entitled "HWCF Rental Increases" in Chapter 147 of the 1974 Session Laws of Alaska.

The purpose of our involvement was to determine if a portion of the appropriation was intended by the Free Conference Committee and Chapter 147 to be allocated to fiscal year 1974 and, if so, the manner of allocation.

During fiscal year 1974 the Highway Working Capital Fund experienced significant increases in operating costs principally as a result of two occurrences:

1. New contracts between the State of Alaska and both the Alaska Public Employees' Association and the Alaska Tri-Trades Public Service Council providing for increases in employee salary and benefits.

2. An unusually high rate of inflation and the "fuel crisis."

The Second Session, Eighth Alaska Legislature appropriated \$3,727,600 in the general appropriation bill to deal with these problems. The legislature's intended allocation of this appropriation is inconsistent with the period covered by the General Appropriation Bill. As a result the Department of Highways and the Division of Budget and Management are not in agreement on how funds should be allocated.

PROBLEM NO. 1.

The Highway Working Capital Fund needed additional spending authorization and cash to pay increased personal services costs caused by the Alaska Tri-Trades Public Service Council contract for fiscal year 1974.

7/24/74

POSITION OF DIVISION OF BUDGET AND MANAGEMENT

This need was funded by Senate Bill 451 which was passed as Chapter 19, SLA 1974.

POSITION OF DEPARTMENT OF HIGHWAYS

Chapter 19, 1974 SLA appropriated \$201,900 which provided sufficient funding for personal services but did not provide relief in the areas of travel, contractual services, or commodities where the effects of rapid inflation required additional funding.

PROBLEM NO. 2.

The Highway Working Capital Fund needs additional spending authority and cash to pay higher costs in object groups other than personal services, mainly commodities, generated as a result of unforeseen "double digit" inflation and the "fuel crisis."

POSITION OF DIVISION OF BUDGET AND MANAGEMENT

The legislature, whether intentionally or unintentionally, did not provide funding for fiscal year 1974 increased costs due to inflation.

The appropriation in Chapter 147 indicates the entire amount is to fund 1975 increases. The Governor's transmittal letter on SB 514, which ultimately became a part of the \$3,727,600 appropriation, related the additional funding for the Highway Working Capital Fund to salary increases only.

POSITION OF THE DEPARTMENT OF HIGHWAYS

The need for additional funding in fiscal year 1974 caused by rapid inflation was presented to members of the 1974 Free Conference Committee on several occasions. The Committee members were sympathetic with this need and agreed to provide the necessary funding. The testimony of the Free Conference Committee members on this appropriation supports this understanding. The minutes of the Free Conference Committee meeting of April 23, 1974 state:

"Working capital fund. Senator Ray said that there needs to be additional money in the working capital fund. Increases are due to two things: wage increases and increased costs in commodities. He said that the new figure would be \$3,727,600, of which \$3,378,400 is general fund. He said that this would have the same effect as passage of Senate Bills 513 and 514. Senator Groh moved the \$3,727,600 figure. No objection, so ordered."

7/24/74

The direct reference to both "commodities" and "wage increases" cost problems, as well as the fact that SB 514 referred to in the testimony was a supplemental appropriation bill for fiscal year 1974 indicate clearly the Committee's intention to fund the inflationary induced cost increases as well as salary increases. The fact that the Governor's transmittal letter on SB 514 was restrictive, in that it indicated the supplemental appropriation was necessitated by salary increases, is not in agreement with the legislative action that followed. The testimony of the Free Conference Committee and page 167 of the Free Conference Committee Report support the fact that the legislature intended to solve both the personal services increase problem and the commodities increase problem. The Highway Working Capital Fund needed an additional \$501,000 for fiscal year 1974 and \$3,266,600 for fiscal year 1975. It was definitely not the Committee's intent to ignore increased commodities cost for fiscal year 1974 merely because the total amount needed for fiscal years 1974 and 1975 were combined and incorporated into the fiscal year 1975 budget act.

RECOMMENDATIONS

A strict and technical interpretation of the budget act precludes the Division of Budget and Management from allocating a portion of the \$3,727,600 appropriation to fiscal year 1974. The position of the Division of Budget and Management on this matter complies with the terms of the act as it was passed by the 1974 legislature.

We believe the Department of Highways exercised due diligence in communicating their fiscal year 1974 needs to the legislature and in good faith believed their needs would be funded accordingly. The Department of Administration, including the Division of Budget and Management, is responsible for providing specialized administrative services to all other State agencies. A measure of responsibility for the failure to provide funds to the Highway Working Capital Fund for fiscal year 1974 as legislative intent indicated, and was later contradicted by the budget act, must rest with the Division of Budget and Management.

As a result of this problem the Highway Working Capital Fund will report overexpenditures in fiscal year 1974 of approximately \$535,000.

7/24/74

We recommend the \$3,727,600 be allocated to the user agencies by the Department of Administration for fiscal year 1975 as indicated in the budget act. We further recommend that the Annual Financial Report of the State of Alaska, Highway Working Capital Fund section, be footnoted to state: This overexpenditure, caused by the inflationary pressures of the fuel crisis, was to be funded by a supplemental appropriation requested by the Department of Highways. This request received favorable consideration, but in combining bills and compiling the budget, the request was inadvertently not funded.

RAS/PH/mjc

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W--ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF--STATE CAPITOL

JUNEAU 99801

July 22, 1974

Mr. B. A. Campbell, Commissioner
Department of Highways
Box 589
Douglas, AK 99824

24 JUL 10 1974

Dear Mr. Campbell:

On July 16, 1974 you formally requested our assistance in clarifying the legislative intent, as outlined on Page 167 of the 1974 Free Conference Committee Report, related to an appropriation in the amount of \$3,792,600 to the Department of Administration to fund increased rental rates required to cover increased costs of the Highway Working Capital Fund. Specifically, you requested clarification of the intent surrounding the \$501,000 allocated to the 1974 Fiscal Year.

The appropriation to the Department of Administration to fund the increased rental rates was approved by the Legislature in CH. 147, SLA 1974. Although the Free Conference Committee Report states that \$501,000 of the total appropriation was to be allocated to the 1974 Fiscal Year, CH. 147, SLA 1974 does not allocate any portion of the funds to the 1974 Fiscal Year.

Section 17 of CH. 147 states, "The following allocations and appropriation items, unless otherwise noted, are for operating expenditures for the Fiscal Year beginning July 1, 1974, and ending June 30, 1975."

\$3,792,600 was appropriated to the Department of Administration under Section 17, with no notation that any of the funds were to be allocated to the 1974 Fiscal Year. CH. 147 takes precedence over the Free Conference Committee Report, and without a legal opinion to the contrary, the \$501,000 cannot be allocated to the 1974 Fiscal Year.

We realize that this opinion does not specifically address itself to your request for clarification of the legislative intent of the Free Conference Committee Report. However, the discrepancy between CH. 147 and the Free Conference Committee Report is an over-riding issue and further efforts expended in

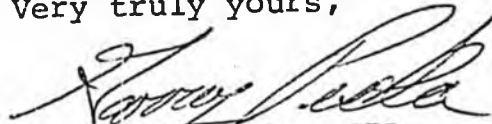
Mr. B. A. Campbell

Page 2

July 22, 1974

clarifying legislative intent, at this point, would be of little benefit. As there is now a legal question involved we can only recommend that you contact the Attorney General's Office.

Very truly yours,



Garrey M. Peska, CPA
Supervisor
Division of Legislative Audit

cc: Richard Freer, Commissioner, Dept. of Administration

SB67

MEMORANDUM

State of Alaska

TO: M. R. Charney, Director
Division of Budget & Management
Department of Administration

DATE: December 12, 1974

FILE NO: 11-004

TELEPHONE NO:

FROM: Frank Baxter, Deputy Director
Division of Administration
Department of Highways

SUBJECT: Highways Working Capital
Fund - Supplemental
Appropriation

RECEIVED
DEC 17 1974
BUDGET & MANAGEMENT

The Department of Highways Equipment Working Capital Fund requests Supplemental Appropriations in the amount of \$788,900.00 for unanticipated expenditures. \$386,600.00 to cover fiscal year 1973-74 and \$401,400.00 to cover fiscal year 1974-75.

SUPPLEMENTAL

STATE OF ALASKA
Dept. of Administration
Budget & Management Div.

REVISED PROGRAM
COST ANALYSIS SUMMARY
by BUDGET COMPONENT

FISCAL YEAR ENDING JUNE 30, 1975

SUPPLEMENTAL

AGENCY	CATEGORY	code	09	General Government
HIGHWAYS	PROGRAM	95		Highway W.C.F.
DIVISION	SUB-PROGRAM	09		Services to State Agencies
	ELEMENT			
	SUB-ELEMENT			

CODE	EXPENDITURE BY OBJECT	PRESENT AUTHORIZATION	REVISION INCREASE, (DECREASE)	AMENDED AUTHORIZATION
100	PERSONAL SERVICES	4,809,100		4,809,100
200	TRAVEL	84,300	900	85,200
300	CONTRACTUAL SERVICES	1,957,600	158,900	2,116,500
400	COMMODITIES	3,421,100	218,900	3,640,000
500	EQUIPMENT	125,800	22,700	148,500
600	LANDS, BUILDINGS, NON-STRUCTURAL IMPROVEMENTS			
700	GRANTS, CLAIMS, SHARED REVENUE			
800	MISCELLANEOUS	6,227,700		6,227,700
	INTER-AGENCY TRANSFERS (INCLUDED ABOVE)			
	TOTAL	16,625,600	401,400	17,027,000
NEW CODE	FEDERAL RECEIPTS			
	REQUIRED GENERAL FUND MATCHING			
	OTHER GENERAL FUND			
	INTER-AGENCY TRANSFERS			
	OTHER: HWCF	16,625,600	401,400	17,027,000
	TOTAL	16,625,600	401,400	17,027,000
	PERMANENT FULL-TIME POSITIONS			
	PERMANENT PART-TIME POSITIONS			
	TEMPORARY (FULL-TIME EQUIVALENTS)			
	NUMBER OF MAN MONTHS			

(CURRENT F)

	FY ____	FY ____	FY ____	FY ____	FY ____	FY ____
EXPENDITURES - TOTAL						
SOURCE OF FUNDS						
FEDERAL						
REQ. G.F. MATCH						
OTHER G.F.						
OTHER (SPECIFY)						

STATE OF ALASKA
 Dept. of Administration
 Budget & Management Div.

SUPPLEMENTAL
 REVISED PROGRAM
 COST ANALYSIS SUMMARY
 by BUDGET COMPONENT

For Fiscal Year Ending June 30, 1975

AGENCY	HIGHWAYS	CATEGORY	08	Transportation
		PROGRAM	81	Highways
DIVISION		SUB-PROGRAM	1	Administration and
	Administrative	ELEMENT		Support
		SUB-ELEMENT		

CODE	EXPENDITURE BY OBJECT	9/30/74 PRESENT AUTHORIZATION	REVISION INCREASE, (DECREASE)	AMENDED AUTHORIZATION
100	PERSONAL SERVICES	4,242,800		4,242,800
200	TRAVEL	125,400		125,400
300	CONTRACTUAL SERVICES	1,386,000	336,300	1,722,300
400	COMMODITIES	97,200		97,200
500	EQUIPMENT	19,100		19,100
600	LANDS, BUILDINGS, NON-STRUCTURAL IMPROVEMENTS			
700	GRANTS, CLAIMS, SHARED REVENUE			
800	MISCELLANEOUS			
	INTER-AGENCY TRANSFERS (INCLUDED ABOVE)	475,000	336,300	811,300
	TOTAL	5,870,500	336,300	6,206,800
NEW CODE				
	FEDERAL RECEIPTS			
	REQUIRED GENERAL FUND MATCHING			
004	OTHER GENERAL FUND	5,461,500	336,300	5,797,800
005	INTER-AGENCY TRANSFERS (HWCF)	409,000		409,000
	OTHER:			
	TOTAL	5,870,500	336,300	6,206,800
	PERMANENT FULL-TIME POSITIONS	220.0		220.0
	PERMANENT PART-TIME POSITIONS	1.0		1.0
	TEMPORARY (FULL-TIME EQUIVALENTS)	3.5		3.5
	NUMBER OF MAN MONTHS	2,696		2,696

(CURRENT FY)
 ↓

	FY 75	FY ____	FY ____	FY ____	FY ____	FY ____
EXPENDITURES - TOTAL	336.3					
SOURCE OF FUNDS						
FEDERAL						
REQ. G.F. MATCH						
OTHER G. F.	336.3					
OTHER (SPECIFY)						

STATE OF ALASKA
 Dept. of Administration
 Budget & Management Div.

REVISED PROGRAM SUMMARY
 by
 APPROPRIATION

		code	
AGENCY	HIGHWAYS	08	Transportation
		81	Highways
DIVISION		1	Administration and
Administrative			Support

For the Fiscal Year Ending June 30, 1975

APPROPRIATION COMPONENTS	PRESENT AUTHORIZATION	REVISION INCREASE (DECREASE)	AMENDED AUTHORIZATION
Central District (1-101)	1,093,600	65,500	1,159,100
Interior District (1-201)	891,900	161,000	1,052,900
Southeastern District (1-301)	481,400	51,200	535,600
Western District (1-401)	181,700	19,400	205,100
South Central District (1-501)	611,900	39,200	652,100
Headquarters & State Lab (1-xxx)	2,602,000		2,602,000
TOTAL	5,870,500	336,300	6,206,800
SOURCE OF FUNDS			
FEDERAL RECEIPTS			
REQUIRED GENERAL FUND MATCHING			
OTHER GENERAL FUND	5,461,500	336,300	5,797,800
INTER-AGENCY TRANSFERS (HWCF)	409,000		409,000
OTHER			
TOTAL	5,870,500	336,300	6,206,800
PERMANENT FULL-TIME POSITIONS			
PERMANENT PART-TIME POSITIONS			
TEMPORARY (FULL-TIME EQUIVALENTS)			
NUMBER OF MAN MONTHS			

27

EXPLANATION

FY 74

For Fiscal Year Ending June 30, 1975

AGENCY	HIGHWAYS	CATEGORY	code	
			08	Transportation
		PROGRAM	81	Highways
DIVISION		SUB-PROGRAM	1	Administration and
Administrative		ELEMENT		Support
		SUB-ELEMENT		

Buildings rental rates charged by the Working Capital Fund have been increased due to inflation, salary increase, increased cost of utilities, and maintenance materials.

"An Act making a supplemental appropriation to the Department of Military Affairs, Alaska National Guard; and providing for an effective date."

COMMITTEE REPORT

6/4/75

HOUSE

Mr. Speaker:

Date May 29, 1975

The Committee on FINANCE has had 35 85

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

"and" recommends it BE REFERRED TO THE _____

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>H. Malone</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

H. Malone Chairman