

H B

4 6 6

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: January 30, 1984

REQUEST  
Bill/Resolution No.: HB 456  
Title: Act relating to...fiscal  
procedures of the U of A  
Sponsor: Rep. Martin  
Requestor: House HESS committee  
Date of Request: January 27, 1984

FISCAL DETAIL  
Agency Affected: University of Alaska  
Program Category Affected: Education  
BRU, Program or Subprogram(s) Affected:  
All University programs

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not applicable

ANALYSIS: Attach a separate page for analysis

Prepared By: Frank Sparco Phone: 474-7593  
Division: Statewide Budget Office, U of Alaska Date: January 30, 1984

Approved by: ~~Commissioner~~ Exec. Vice President Sherman Carter Date: January 30, 1984  
Agency: University of Alaska

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

Alaska State Legislature

REPRESENTATIVE  
**TERRY MARTIN**

DISTRICT 8  
CHAIRMAN—LABOR AND COMMERCE COMMITTEE  
PHONE 465-3873



3960 REKA DRIVE—D6  
ANCHORAGE, AK 99504  
PHONE 333-6990

DURING LEGISLATURE  
POUCH V  
STATE CAPITOL  
JUNEAU, AK 99811  
PHONE 465-3784

MEMORANDUM

To: House HESS Committee

From: Representative Terry Martin *MM*

Date: January 24, 1984

Subject: HB 466

"An Act relating to appropriations to and fiscal procedures of the University of Alaska; and providing for an effective date."

This bill will enable the University to legally invest state general funds and federal funds, and to place income derived from these investments directly into the working capital reserve fund without a specific appropriation by the legislature. Although the University has been making such investments, there is no clear legal authority for it to do so.

This legislation has been recommended by the Commission on Postsecondary Education, and is strongly endorsed by the University. It will enable the University to receive and expend funds, such as tuition receipts, without waiting weeks for legislative approval. Some good examples of the problems this causes are set out on page 2 of the attached letter from Dr. Jay Barton to Don Abel, President of the Board of Regents, and in Dr. Carter's letter to Representative Goll.

Your positive action on this bill will greatly relieve the operational problems experienced by the University administration. I urge you to pass HB 466.



# Alaska State Legislature

## House of Representatives

Al Adams

Chairman

Committee on Finance

WHILE IN SESSION

Pouch V

State Capitol

Juneau, Alaska 99811

(907) 465-3706

OUT OF SESSION

P.O. Box 333

Kotzebue, Alaska 99752

(907) 442-3320

1024 W. 6th

Anchorage, Alaska 99501

(907) 274-0615



Official Business

### M E M O R A N D U M

TO: Terry Martin  
Chairman  
University of Alaska Budget Subcommittee  
House Finance Committee

FROM: Elmer A. Lindstrom  
Professional Aide  
House Finance Committee

DATE: November 4, 1983

SUBJ: University of Alaska bill drafts 13-1543 and 13-1587

Enclosed are the two bill drafts you requested. The following is a sectional analysis of each bill.

" An Act relating to appropriations to and fiscal procedures of the University of Alaska; and providing for an effective date."

Section 1. This section allows the University of Alaska to invest general funds and federal funds in addition to other funds.

Section 2. This section allows the University to place income derived from the investments allowed under AS 14.40.250 (see section 1 above) into the Working Capital Reserve Fund without an appropriation to the fund by the legislature. This conforms with the current practice of the University although in the opinion of legislative counsel it does raise the question of a dedicated fund (see attached memo from Keith Levy, Legislative Counsel).

Section 3. This section allows the University to make transfers between objects of expenditures, e.g., personal services, travel, etc., and transfers between allocations without the approval of the Office of Management & Budget. This is similar to the legislative intent contained in the FY 84 General Appropriations Act.

Section 4. This section allows the University to receive and expend additional federal or program receipts during the course of a fiscal year without the approval of the Office of Management & Budget and the Legislative Budget & Audit Committee. This is similar to the legislative intent contained in the FY 84 General Appropriations Act.

Section 5. This section allows the University to carry forward all non-general funds and those general funds designated by the legislature for "organized research" from one fiscal year to another.

"An Act making special appropriations to the University of Alaska working capital reserve fund and to the University of Alaska to pay obligations from past fiscal years; and providing for an effective date."

Section 1. At the present time AS 14.40.296 states that the Working Capital Reserve Fund consists of money appropriated by the legislature. To date the legislature has appropriated \$5,000,000 to the fund. The fund balance, however, is \$7,564,522. The difference consists of investment income deposited in the fund without a legislative appropriation. This section appropriates the interest income to the fund.

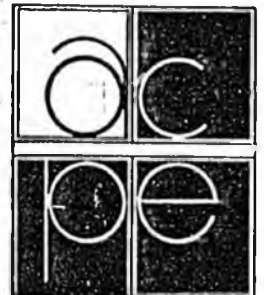
Section 2. This section appropriates \$3,799,754 from the Working Capital Reserve Fund to the University in order to remove from the University's books the liability that exists from over expenditures in FY 77 and FY 79.

**Alaska Commission on Postsecondary Education**

**Review  
of the  
University of Alaska  
FY 1984  
Operating and Capital Budgets**

**Submitted to the  
Governor  
and the  
Thirteenth Alaska State Legislature**

**December 10, 1982**



Recommendation 2: THE UNIVERSITY SHOULD BE ABLE TO ACCEPT GRANTS AND CONTRACTS DURING THE COURSE OF A FISCAL YEAR WITHOUT WAITING TO CLEAR SUCH ACCEPTANCE THROUGH THE GOVERNOR'S OFFICE AND THE LEGISLATIVE BUDGET AND AUDIT COMMITTEE.

Hearings held throughout the state revealed that there was a great deal of criticism raised regarding the inability of the University to respond quickly to requests for special courses, workshops, seminars, and even research projects when the requesting group or agency was willing to pay for the service. By the time all required approvals had been obtained, need may have passed, the funds may have been lost, or the interest may have waned.

For the university system to be able to meet these demands and thereby provide services to the state, more flexibility must be allowed. One of the detriments to this flexibility is the requirement which states that the University must go through the same Revised Program (RP) process as all the other state agencies when contracts exceed their budgetary authority. This is an extremely time-consuming process and is one which was not required of the university system until the last few years.

There was a time when fiscal accountability of the university system was justifiably called into question. That time has now passed, and the University has demonstrated sound fiscal practice to the satisfaction of nearly all observers. The Commission would like to see some flexibility returned to the University budgeting

procedure; this could be brought about by adding a section to the appropriation bill.<sup>?</sup> In the 1978 appropriation bill (FCCSSCSCSHB 627), the following language was included:

"Federal or other program receipts available to the University of Alaska which exceed the amounts appropriated in this Act are appropriated and available for expenditure under procedures established by the Board of Regents."

The Commission recommends that such flexibility be returned to the Board of Regents.

This would require an amendment to AS 37.07



# UNIVERSITY OF ALASKA, ANCHORAGE

100 Hammond Drive  
Anchorage, Alaska 99504

November 29, 1983

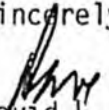
The Honorable Terry Martin  
3960 Reka Drive, 36  
Anchorage, AK 99504

SUBJECT: Proposed Legislation

Dear Terry,

Please be advised that the UAA Executive Council has reviewed and expressed enthusiastic support for your proposed legislation redefining the fiduciary rights of the University of Alaska. I concur with their recommendation. Enactment of the proposed legislation would be an important benefit to the University of Alaska. Thank you for your continued interest and support.

Sincerely,

  
David L. Outcalt  
Chancellor

/mah

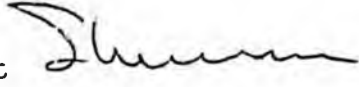


Sherman Carter  
Executive Vice President  
474-7448

University of Alaska  
Fairbanks, Alaska 99701  
October 27, 1983

TO: Don Abel, President and  
Members of the Board of Regents

THROUGH: Jay Barton  
President

FROM: Sherman Carter  
Executive Vice President 

SUBJECT: Possible Changes in Legislation Affecting Fiscal  
Administration of the University

Several provisions in existing legislation impede efficient fiscal administration of the University of Alaska.

For example, as you know, the university has a need during the course of a fiscal year to be able to receive program receipts, such as tuition, in amounts greater than what was initially budgeted without waiting weeks for prior approval to be able to do that.

During the last legislative session, an attempt was made to correct this problem by an expression of legislative intent as follows:

"Notwithstanding the provisions of AS 37.07.080(h), federal or other program receipts available to the University of Alaska which exceed the amounts appropriated in this act are appropriated and available for expenditure under procedures established by the Board of Regents and the Office of Management and Budget. The university shall provide the Legislative Budget and Audit Committee with quarterly reports detailing additional federal or program receipts accepted under this provision."

However, subsequently I was told that a provision such as the above could not properly be handled by an intent statement -- that legislation to make this change was required. Also, it would be far more advantageous to get things such as this corrected in continuing legislation rather than to hope each year that such needed provisions are included in appropriation bills, since sometimes they get included and sometimes, inadvertently, they do not.

University of Alaska

Don Abel and Members of the Board of Regents

Page 2

October 27, 1983

There are several other problems which the university has perennially, unnecessarily, which keep us from doing a more efficient job for the state, for example, current provisions in law providing that the university may invest program receipts but not general fund money. This is not sensible in that the university draws money from the state monthly and pays its employees every two weeks. Consequently, the university does have temporary cash in excess to its needs from time to time and should not simply leave that in banks without earning interest. There is a need to change legislation so that the fact that the university may also invest general fund money is permissible. Now we simply do this anyway, and occasionally the state tells us that legally we may not. Meanwhile, the interest we are earning in temporary, secure cash investments permits us this fiscal year to decrease our request for general fund money in the amount of \$1.8 million. Obviously, the present law prohibiting the university from investing state and federal money is absurd and needs to be changed, in the state's own best interest.

Another problem has to do with organized research. Various research projects continue past the end of a fiscal year and state money for them, which along with federal money which does not lapse, finances such research and should not need to be lapsed precisely at the end of a fiscal year any more than capital funds for a building project, which will take several years, need to lapse at the end of each fiscal year. Right now, this is on a hit and miss basis; that is, sometimes legislation appropriating money for organized research provides for a lapse of such money at the end of the calendar rather than the fiscal year and sometimes legislation making funds available for organized research does not.

Another problem the university has relates to the lapsing of program receipts. Unspent general fund money may continue to be lapsed. However, various classes of program receipts should not lapse. As one illustration, consider university bookstores. They try to break even, but they can never do that exactly. Some years they may come out slightly ahead or slightly behind a break even point, depending upon sales, losses and all kinds of factors. If bookstores are required to lapse money when they end up in the black and then incur uncovered, illegal deficits when they end up in the red, this is obviously an unfair problem, like expecting them to go to bat with two strikes against them to begin with. The university can and will provide full disclosure to the executive and legislative branches on its holdings of program receipts.

University of Alaska

Don Abel and Members of the Board of Regents

Page 3

October 27, 1983

Several weeks ago, Representative Terry Martin indicated to me that he wanted to propose certain legislative changes to correct problems as noted above. He asked me for information concerning them and my suggestions, which information and suggestions I provided to him. In answer to a letter I received from him yesterday, asking for my comments on his proposed bill, I have sent to him the attachment. Today I am having a copy of it taken to Gene Dusek, the associate director in the Office of Management and Budget in Juneau. I also plan to provide this information to other legislators.

SFC/pe

Attachment

cc: The Honorable Terry Martin, w/o attachments ✓

Mr. Peter McDowell

Chancellors Biggerstaff, Melican, O'Rourke, Outcalt, Paradise  
Office of Regents' Affairs



Sherman Carter  
Executive Vice President  
474-7448

University of Alaska  
Fairbanks, Alaska 99701  
January 5, 1984

The Honorable Peter Goll  
State of Alaska  
House of Representatives  
Pouch V  
Juneau, AK 99811

Dear Peter:

This is to answer your letter, a copy of which is attached for convenient reference. Regarding your points which I have marked --

1. Any reasonable limitation would cause no problem. What we are talking about is strictly temporary, secure investments of cash. All such investments to date have been made in or through Alaskan banks or savings and loan associations and have been 100 percent collateralized, so that there is no possibility whatsoever of principal being lost. We are not talking about investing in equities or in other ways. All investments of any state general funds and federal funds held by the university will continue to be limited by the university with or without legislation specifically requiring that.

If legislation were going to specify the types of investments which could be made with state general funds and federal funds, I would like it to be broad enough to make clear the fact that investments in such things as treasury bills are permissible and that such investments may be made through brokers if the university should elect to do so. If a limitation on the type of investments to be made must go into the legislation, I would suggest the limitation include the following types of investments, if this is not too cumbersome. Right now we have no need to invest in some of these, but some time in the future, such investments may be advisable, being completely prudent and offering higher yields than such things as collateralized CDs.

- . Certificates of deposit in Alaska banking organizations
- . Obligations of the U.S. Government
- . Federal funds bank repurchase agreements
- . Deposits in savings or other accounts in commercial banks, savings and loan associations, and federal credit unions in the state of Alaska
- . Commercial paper, of prime or equivalent grade

2. This point of yours is also an excellent one. We here at the university are extremely careful about the use of non-budgeted program receipts. When we receive such things as tuition or interest income, beyond what was initially budgeted, this is invariably spent for one-time projects that do not continue any obligation whatsoever beyond the current fiscal year, and often

University of Alaska

The Honorable Peter Goll

Page 2

January 5, 1984

in ways to decrease appropriation requests from the state in future years. I can conceive of increased program receipts carrying obligations beyond a current fiscal year. For example, a federal grant or contract could be signed which would involve expenditures into the next year. But, again, we take special care to ensure that the financing of any such continuing expenditures is absolutely assured.

We have never caused the state any problem in these respects. Our difficulty with handling non-budgeted program receipts is that decisions must be made promptly. In granting the university authority to accept non-budgeted program receipts as is proposed in the draft legislation I sent to you, the state is not giving up any control that it now actually has. That might not seem to be true but is really the case. Units may expeditiously clear virtually any amount of program receipts by placing those into a budget request initially and having those "appropriated." In fact, this is a continuing problem. It is easy for units to overbudget their program receipts and avoid later delays in getting increased receipts approved. This encourages bad management, because we then need continually to decrease appropriation and spending authority already allocated in line with money actually being received. The university must have the authority to accept non-budgeted program receipts promptly and needs to be entrusted with the responsibility for assuring that no such receipts require uncovered obligations into future fiscal years.

The acceptance and expenditure of program receipts above those initially budgeted invariably results in a net financial gain to the university. With respect to your request that I document that point, one illustration is the fact that the university submitted a request to the state on October 4, 1983 for authority to expend \$100,000 of excess program receipts to do emergency repair work on the Seward Marine Center. There is a problem there with land eroding away into the ocean and the university needs to build a gabion wall and place armor rock along Armstrong Road for a distance of about 30 feet. Delay in performing this construction will eventually result in demolition of the docking facility needed for research vessels. I am still awaiting authority from the state to make the expenditure from money which the university has in hand. This same request to the state, awaiting action, asked for authority to cover other pressing needs, such as roof repairs which will cost about \$60,000. These things will all eventually get done and will end up costing more than would have been the case without the delay.

University of Alaska

The Honorable Peter Goll

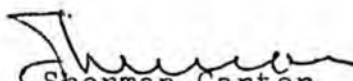
Page 3

January 5, 1984

One other example of the fact that program receipts result in a gain to the university is a case which I may or may not have previously mentioned to you. A few years ago, the university had an opportunity to accept about one-half million dollars of federal money to provide student financial aid. The money had to be accepted and expended promptly. Accordingly, I did that and then reported to the state what I had done. However, proceeding in that way was not in accordance with instructions from the state as to how we here should have proceeded. If I had done it the correct way, students would have lost about one-half million dollars which got accepted and spent in Alaska without costing the state one dime. I could document case after case of the fact that program receipts in addition to those initially budgeted result in a gain to the university and to the state. Indeed, I cannot now think of one single example of the university's use of such receipts when that has not been the case.

I have enjoyed our talks and exchange of correspondence, and I thank you again for your continuing confidence and for what you do to help the University of Alaska. To keep other people who are interested informed about these matters, I am taking the liberty to send copies of these papers to persons listed below.

Sincerely,

  
Sherman Carter

SFC/pe

Attachment

cc: The Honorable Terry Martin  
Regents' Finance Committee  
President Jay Barton  
Mr. Elmer Lindstrom



STATE OF ALASKA  
HOUSE OF REPRESENTATIVES

December 30, 1983

Mr. Sherman Carter  
Executive Vice President  
University of Alaska  
Fairbanks, Alaska 99701

Dear Sherman:

Thank you for your thoughtful letter of December 22.

I am in full support of the principles outlined therein.

Thank you too for the information to support efforts in behalf of university research. I will try to put it to good use. Keep in touch as needed.

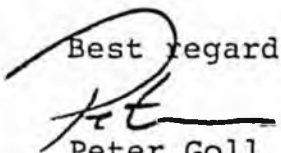
① Terry Martin's bill draft seems very good. Should there be resistance to its passage, possibly a limit on the sort of investments which can be made with general funds would allay concern.

② Regarding your point number one on accepting of non-budgeted program receipts, can you advise me on the actual impact of this policy? That is: If you accept program receipts which are not in the budget, and hire extra staff as a result, will you generally expect a net financial gain or loss to the university? If a gain, can you document this? In any case, if you have the funds to hire the extra personnel, I would certainly support your serving the additional students. I am reminded of the Cordova situation.

Incidentally, thank you very much for your support in that matter. John Devons has handled himself quite well, and I believe the matter is resolved. I am working to help the citizens of Cordova coordinate their efforts in support of funding with John in order to insure that those efforts benefit the FY85 budget development.

Should you be in Juneau, I would enjoy meeting with you.

Best regards,

  
Peter Goll