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STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNE 10, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HT 3-4-86 7AM

Introduced: 1/24/86
Referred: Transportation
and Finance

BY THE RULES COMMITTEE
BY REQUEST OF
THE LEGISLATIVE BUDGET
AND AUDIT COMMITTEE

1 IN THE HOUSE

2

HOUSE BILL NO. 505

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act eliminating the working capital fund; and

7

providing for an effective date."

8

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

9

* Section 1. AS 44.74.010 - 44.74.060 is repealed.

10

* Sec. 2. This Act takes effect July 1, 1987.

2/15
W. Atalla
Williamson
W. Allen
Adams
Deussen
Harrison
Martin

7/17 Deussen DOT
left message w/ Gann

2/18 W. Allen is DOT position? - Deussen says also being worked on

APR 23 1986

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

POUCH 2
JUNEAU, ALASKA 99811
PHONE: (907) 465-3900

OFFICE OF THE COMMISSIONER

April 21, 1986

The Honorable Bette Cato
Alaska House of Representatives
P. O. Box V
Juneau, Alaska 99811

Dear Representative Cato:

This is in response to an inquiry by the House Transportation Committee during Tuesday's hearing on HB 505. Enclosed is a copy of my letter to Representative Al Adams in response to his letter requesting the department's explanation for encumbrance activity on the Highway Working Capital Fund.

I trust when you review this letter you will see that the procedures being utilized by this department are standard procedures and indeed reflect improved management practices. The increased encumbrance activity is not the result of any overt or covert effort on the part of this department to remove funds from consideration for reappropriation from the Highway Working Capital Fund. I am concerned that the department's activities may be misunderstood and would appreciate your review of this record.

We have also compiled our records documenting our latest inventory of all SEF vehicles and the signed field survey reports from which they were compiled. It is my understanding that Daryl Methvin, Coordinator of the State Equipment Fleet has already sent a copy to your attention.

If you need additional information, please feel free to contact me directly.

Sincerely,



R. J. Knapp
Commissioner

Enclosure

cc: Susan Fleischhauer
Legislative Liaison

STATE OF ALASKA

APR 15 1986

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

POUCH 2
JUNEAU, ALASKA 99811
PHONE: (907) 465-3900

OFFICE OF THE COMMISSIONER

April 15, 1986

The Honorable Jay Kertulla
Alaska State Senate
P. O. Box V
Juneau, Alaska 99811

Re: Proposed Highway Working Capital Fund Legislation

Dear Senator Kertulla:

I am writing you at your request to state my position with respect to the future of the Highway Working Capital Fund.

The Department of Transportation and Public Facilities has a number of major objectives which it hopes to implement with respect to the management of the cash balances of the Highway Working Capital Fund:


1. We wish to have the cash balance kept to a minimum, retaining funds only necessary to meet following year replacement needs and a cushion for operating cash flow.
2. We wish to insure that legislative appropriations for vehicle replacement do not compete directly with other capital projects.
3. We firmly believe that the State of Alaska needs to have a vehicle replacement fund.

While there are a variety of ways in which these objectives can be met, both with the current legislation (AS 44.74) and any proposed new legislation, we feel that existing legislation with modifications, made administratively or legislatively, can achieve these objectives.

Current House Bills 505 and 504 have been drafted with similar objectives as to those noted above. However, as our Position Paper indicates, elimination of all current legislation and the redrafting of replacement fund enabling legislation can create problems while trying to accomplish the above objectives. It is our hope that any bill considered and passed by the legislature will support the mutual objectives noted above while avoiding the unwarranted problems we see in Bills such as 505 and 504.

I look forward to discussing this matter with you further if it is your desire.

Sincerely,



Richard J. Knapp
Commissioner

HB 402

The Judiciary Committee has considered HOUSE BILL NO. 402 (relating to military and overseas voters), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 402 (Judiciary):

"An Act relating to absentee voting."

and reports it back as follows: M.M. Miller (Chairman), Sund, Gruenbera, Taylor and Phillips recommend do pass.

HB 402 was referred to the Finance Committee.

HB 482

The Resources Committee has considered HOUSE BILL NO. 482 (relating to protection of natural rangelands) and reports it back as follows: Shultz (Co-chairman), Herrmann, Cato, Thompson, M.W. Miller, Wallis, Jenkins and Sund recommend do pass.

A zero fiscal note with analysis appears in House Journal Supplement No. 118.

HB 482 was referred to the Finance Committee.

HB 505 *file*

The Transportation Committee has considered HOUSE BILL NO. 505 (eliminating the working capital fund; effective date), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 505 (Transportation):

"An Act relating to state vehicles and equipment; eliminating the working capital fund; and providing for an effective date."

and reports it back as follows: Cato (Chairman), Pignalberi, Shultz, Davis and Furnace recommend do pass.

A zero fiscal note with analysis appears in House Journal Supplement No. 118.

HB 505 was referred to the Finance Committee.

HB 550

The State Affairs Committee has considered HOUSE BILL NO. 550 (extending the termination date of the Alcoholic Beverage Control Board; effective date), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 550 (State Affairs):

REPORTS OF STANDING COMMITTEES

The Resources Committee has considered the following Governor's appointments to the Guide Licensing and Control Board:

James Harrower, Anchorage

Poldine Carlo, Fairbanks

Edward J. Gamble, Sr., Anpoon

and reports back as follows: Shultz and Herrmann (Co-chairs), Cato, Thompson, M.W. Miller, Wallis, Jenkins and Sund recommend confirmation.

The Resources Committee has considered the following Governor's appointments to the Board of Game:

Brenda Johnson, Nome

Sarah Scanlan, Fairbanks

and reports back as follows: Herrmann (Co-chair), Cato, Thompson, Wallis and Sund recommend confirmation; Shultz (Co-chair) recommends do not confirm; M.W. Miller and Jenkins have no recommendation.

John "Jay" Massey, Girdwood

and reports back as follows: Shultz and Herrmann (Co-chairs), Cato, Thompson, M.W. Miller, Wallis, Jenkins and Sund recommend confirmation.

HB 342 *you*
The Transportation Committee has considered HOUSE BILL no. 342 (repealing taxes on moto: fuels) and reports it back as follows: Shultz and Marrou recommend do pass; Cato (Chairman) and Pignalberi recommend do not pass; Davis has no recommendation and signed "this bill costs a lot of \$".

Two fiscal notes appear in House Journal Supplement No. 118.

HB 342 was referred to the Finance Committee.

file

HB 505

REQUEST Page 1 of 2

Bill/Resolution No.: CS HB 505 (Trsp)
Title: State Vehicles & Equipment;
Eliminate HWCF

Sponsor: Pignatelli
Requestor: Cato
Date of Request: 4-15-86

FISCAL DETAIL

Agency Affected: DOT&PF
BRU: _____

Components: _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE						

FUNDING : (Thousands of Dollars)

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

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

See attached analysis

Prepared by: Daniel F. Malick, Director
Division: Management & Finance

Phone: 465-3911
Date: 4-15-86

Approved by Commissioner: R. B. K...
Agency: DOT&PF

Date: 4/15/86

CSHB 505(Trsp) Page 2 of 2

The Department of Transportation and Public Facilities has developed a fiscal note based upon the following assumption:

1. While the Highway Working Capital Fund is eliminated, the department expects there to be no dramatic changes in user agency attitude with respect to vehicle assignment.

2. Even though not specifically required by HB 505, the department will continue to operate State Equipment personnel and bill for maintenance and operations services, and set rates.

3. With the elimination of the Highway Working Capital Fund, alternative administrative procedures will be utilized to accomplish the same fiscal transactions.

HB 505 as currently written would eliminate the need for the State Equipment Fleet to coordinate annually with each user agency a fixed fee payment. In addition, the State Equipment Fleet would have to make arrangements for user agencies to reimburse the State Equipment Fleet for maintenance and operations through individually negotiated RSA agreements. While the department believes that staff requirements will be reduced in the case of the fixed fee billings now eliminated, an increase in staff requirements would be necessary to accomplish the usage rate billings and accounting. We believe these are counter-balancing impacts yielding a net zero.

The department however believes that there are other assumptions that should be considered. It is likely that a number of current users of State Equipment "wet" vehicles (fixed and usage fees), a number of these users will decide to not take these vehicles to State Equipment Fleet equipment shops and instead contract directly with the private sector. In anticipation for lower costs for this approach, user agencies may reduce their operating budgets to levels below what they are currently able to budget for "wet" usage rates. This will generate a near term operating budget decrease. However, this deferred maintenance which will be responded to with improperly maintained vehicles in some instances and increased cost to the state over the life of the vehicle either in increased operating costs or reduced vehicle life. It is the department's belief that reduced maintenance (deferred maintenance) has a higher life cycle cost to the state for a particular vehicle than the current policy of ongoing preventative maintenance. Thus, though the impact of the bill may be operating budget reductions in the initial years, over the life of the vehicles, (5 to 15 years) total cost to the state will increase.

While it is difficult at this time to estimate the percentage of users who would elect to defer maintenance, it would be very difficult to estimate in dollar terms the net increase in the life cycle cost of the fleet of vehicles which have had their maintenance deferred. However, current usage rates total for all vehicles to 50 million dollars, a ten percent increase in the life cycle cost of the vehicle for 10 years would approximate 15 million dollars. Thus, the deferred maintenance which could be encouraged by the passage of this bill has a large fiscal impact on the state.

**HOUSE
COMMITTEE REPORT**

(7)
Date referred: 1/24/86

FURTHER REFERRALS: FINANCE

DATE: _____

The TRANSPORTATION Committee has considered HB 505

"An Act eliminating the working capital fund; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS HB 505 (TRSP) same title
- new title

and recommends _____

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Betty Cato

W. L. Qualben

Dick Stutley

Mike ...

W. Furnace

Betty Cato
Chairman

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : CS HB 505
 Title : State Vehicles & Equipment;
Eliminate HWCF

 Sponsor : Pignalberi
 Requestor : Cato
 Date of Request : 4-15-86

FISCAL DETAIL

Agency Affected : DOT&PF
 BRU : _____

 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE						
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FUNDING : (Thousands of Dollars)


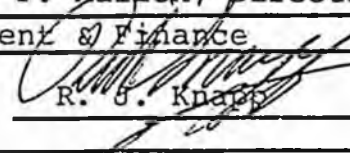
GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

See attached analysis

Prepared by:  Daniel F. Malick, Director Phone : 465-3911
 Division : Management & Finance Date : 4-15-86
 Approved by Commissioner :  R. G. Knapp Date : 4/15/86
 Agency : DOT&PF

Distribution (by Agency preparing fiscal note) :

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

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Number 394

Rep. Pignalberi asked if Commissioner Knapp ever considered the Hovercraft built in Anchorage that may be purchased for fast ferry service as he once had requested of him.

Dick Knapp said he hadn't been looking because they weren't ready to buy but he would.

Rep. Cato expressed some dissatisfaction over the payroll procedures and reservation system of the Alaska Marine Highway System.

Number 434

HB 505 was brought forth.

Rep. Pignalberi testified as chairman of the HB 505 subcommittee, "Rep. Davis, Rep. Shultz and myself have met and concurred on a set of amendments for HB 505. We met as recently as yesterday on some minor modifications. The amendments have been run by a variety of people in the legislative process that will have to act on them... and have general concurrence with all of these people. Basically what the amendments will do is rather than just wipe out the Highway Working Capital Fund, we will set up a new fund and close all the loopholes that allows the allows accumulation large excess balances of cash and that cash could be used for other programs..."

Rep. Shultz cautioned that Rep. Symanski in the Finance Committee "is looking at the \$46 million dollars in its entirety."

Dick Knapp informed the committee, "There ain't \$46 million dollars in funds. ...As of right now there's probably \$17 million you can probably lay your hands on. ...As of the first of July, last year, when all of the proceeds came in there was approximately \$46 million dollars registered in the fund. Last year there was \$11 million dollars appropriated out of the fund into the general fund...and the accounting transactions never showed that. In addition to that there was about \$13 to \$15 million dollar capital appropriation to the Department of Transportation that was put into our capital appropriation... So there really isn't that much money. However the Governor himself, is proposing to take \$25 million dollars out of the fund. The transaction would not take place until the first of July..." He continued to explain how the fund would work after the Governor took \$25 million dollars out.

Number 540

The meeting was adjourned at 8:26.

CS HB 505

SECTIONAL ANALYSIS

Section 1 & Section 2 pertain to Title 19 (Highways) and Title 35 (Public Buildings) respectively. Both sections are identical. The amendments require that money derived from sale of surplus property be deposited in the general fund instead of being deposited in any other fund.

Section 3 (44.68.050) is a new section to the statute, A.S. 44.68 (State Owned Vehicles). It gives state agencies the option of bringing their vehicles to local gas stations (private vendors) or to the State Equipment Fleet Shop. The rationale is that agency managers should be allowed to seek the cheapest most convenient maintenance provider.

Section 3 (44.68.060) establishes a Vehicle and Equipment Fund (VEF) in DOT/PF. (Original amendments had it in division of general services and supply in the department of administration.) The legislature appropriates money into the fund each year for the purpose of replacing retired vehicles and equipment. The fund balance may never exceed 110% of the budgeted replacement cost in any fiscal year.

Section 3 (44.68.070) is the mechanism by which the vehicle and equipment fund receives money. The amount of annual replacement costs for the VEF goes into the budget each year. Whenever the fund balance exceeds 110% of the annual replacement cost, the excess lapses into the general fund. New language requires specific record keeping to facilitate accounting and audit activities. In tandem with the above section, this provision serves to close the major loopholes that have allowed significant excesses to accumulate in the fund.

Section 4 is the original HB 505 which erases the HEWCF from statute.

Section 5 is an immediate effective date.



Official Business

Alaska State Legislature

House

*Rec'd
3/27
re*

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

March 20, 1986

TO: Representative Bette Cato

FROM: *MLP* Representative Pignalberi

RE: Subcommittee on HB505 amendments
(Representatives Davis, Shultz, and Pignalberi)

Your subcommittee on HB505 has met and unanimously agreed on amendments to HB505. The amendments have been explained to and have been given conceptual ratification by Elmer Lindstrom, House Finance, Senator Faiks, Senator Coghill, Jay Hogan, Jim Ayers, Roger Levine (Legislative Finance), and Merle Jensen and Bob Bilden (Legislative Budget & Audit). Additionally, Commissioner Knapp has received a personal briefing and Dan Malek has been kept apprised. In fact, the one year fund balance is his idea and we incorporated it into our amendments.

The following page consists of a sectional analysis and discussion of the amendments.

cc: referenced people

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

GENERAL REDUCTIONS:

1. SPREAD TRAVEL REDUCTION ACROSS THE BOARD.
2. REDUCE HIGHWAY WORKING CAPITAL FUND MAINTENANCE AND EQUIPMENT REPLACEMENT PROVISIONS BY PLACING PROGRAM ON CASH BASIS--ALL M&O COMPONENTS.
3. REDUCE FOR FUEL COSTS IN FACILITIES, M&O AND MARINE HIGHWAYS.
4. DELETE DIRECTOR POSITIONS FOR ADMIN SVCS IN REGIONS.

PROGRAM HIGHLIGHTS:

COMMISSIONER

SPREAD TRAVEL REDUCTION TO ALL COMPONENTS.

EQUAL EMPLOYMENT OPP

TRAVEL REDUCTION 8.8. MISC INCREASE OF 17.9.

MANAGEMENT & FINANCE

REDUCE TRAVEL. REDUCE CONTRACTUAL. ADD 2 POSITIONS FROM PLANNING, PROGRAMMING & BUDGETS.

STATEWIDE RESEARCH

ADD THREE POSITIONS APPROVED BY RP IN FY86 INCLUDING NEW DIRECTOR POSITION.

SOUTHEAST REGION M&O

ADD 150.0 GF AND 150.0 PGM RCTS FOR KLONDIKE HIGHWAY WINTER MAINTENANCE

→ MARINE MARKETING MGT

DELETE DIRECTOR & SECRETARY. CLOSE JUNEAU DOWNTOWN TICKET OFFICE. CHANGE 8 RES CLKS TO SEASONAL. OTHER REDUCTIONS.

→ SE VESSEL OPPTS/OVERHAUL

INCREASE FOR TRANSFER OF SEATTLE POSITIONS TO KETCHIKAN FOR NEW FACILITY.

*** DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES ***

SHORT FORM PAGE	BUDGET COMPONENT	85 ACT	86 AUTH	OMB REV GOVERNOR	OMB REV - GOVERNOR COMPARISON
2	TRANSPORTATION OFFICE OF THE COMMISSIONER	901.2	-584.1	612.0	799.4
4	COMMISSIONER'S OFFICE	147.0	892.5	253.4	-3.6
6	STATEWIDE DEPUTY COMMISSIONER			747.1	9.8
8	EQUAL EMPLOYMENT & CIVIL RIGHT	6.7	11.1		
10	DATA AND WORD PROCESSING	1317.0			
	UNBUDGETED RSA'S, AK RR TRANSF	2371.9	319.5	1612.5	805.6
	*** PROGRAM TOTAL ***			806.9	99.8%
14	STATEWIDE INTERNAL REVIEW	627.6	786.5	873.9	-5.9
16	INTERNAL REVIEW	6.4	6.4		
18	DATA & WORD PROCESSING	140.5	792.9	873.9	-0.7%
	UNBUDGETED RSA'S AUDIT P R SUS	774.5		879.8	
	*** PROGRAM TOTAL ***			879.8	-0.7%
22	STATEWIDE MANAGEMENT & FINANCE	3080.2	2444.8	2233.2	92.2
24	MANAGEMENT AND FINANCE	93.0	95.2		
26	DATA AND WORD PROCESSING	281.4	379.7	441.0	4.3%
	STATE EQUIPMENT FLEET	3454.6	2919.7	2674.2	92.2
	*** PROGRAM TOTAL ***			2582.0	3.6%
30	STATEWIDE INFORMATION SYSTEMS	2411.5	2745.9	2757.1	-27.7
32	INFORMATION SYSTEMS	98.9	2745.9	2757.1	-1.0%
	UNBUDGETED RSA'S, DP SVCS, N.R	2510.4		2784.8	-1.0%
	*** PROGRAM TOTAL ***			2784.8	-1.0%
36	STATE PLANS, PROGRAMS & BUDGET	1589.2	1754.4	1878.8	-5.4%
38	PLANS, PROGRAMS & BUDGET			253.5	-1.2%
40	STATEWIDE AVIATION PLANNING				
42	DATA AND WORD PROCESSING	155.0	100.0	250.5	
	UNBUDGETED RSA'S, HPR P R SUSP	684.1			
	*** PROGRAM TOTAL ***	2428.3	1854.4	2129.3	-111.0
	STATEWIDE RESEARCH			2240.3	-5.0%
46	STATEWIDE RESEARCH	1048.6	861.7	1143.0	292.3
50	STATEWIDE RESEARCH			850.7	34.4%
52	ENG & OPS STANDARDS	2618.0	2478.7	2311.4	-1.7%
54	DATA AND WORD PROCESSING	21.9	26.3		
	CIP PROGRAM	2803.5	3492.8	3497.5	-0.7%
	*** PROGRAM TOTAL ***	5443.4	5997.8	5808.9	-39.5
58	CENTRAL REGION ADMIN SERVICES	2331.6	2060.9	1809.3	-11.0%
60	ADMINISTRATIVE SERVICES	5748.0	6130.4	6132.1	
62	STATE EQUIPMENT FLEET	24.8	20.7		
64	DATA AND WORD PROCESSING	377.0	361.8	271.2	-7.7%
	AIRPORT LEASING	8481.4	8573.8	8212.6	-2.9%
	*** PROGRAM TOTAL ***			8459.3	
68	CENTRAL REGION PLANNING	1977.7	1550.9	1175.4	-54.7
70	PLANNING		274.5		
72	STATEWIDE AVIATION PLANNING	10.1	25.0	1230.1	-4.4%
	DATA AND WORD PROCESSING				

*** DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES ***

SHORT FORM PAGE	BUDGET COMPONENT	85 ACT	86 AUTH	OMB REV	GOVERNOR	OMB REV - GOVERNOR COMPARISON
74	UNDUDGETED RSA'S, HPR P.R. SUS	310.4	1850.4	1175.4	1230.1	-54.7 -4.4%
	*** PROGRAM TOTAL ***	2298.2				
78	CENTRAL REGION DESIGN & CONST.	3008.1	5095.3	5161.2	5251.4	-90.2 -1.7%
80	ENGINEERING MANAGEMENT	22.3	189.3			
82	DATA AND WORD PROCESSING	18614.7	23151.4	23139.0	23139.0	
	CIP PROGRAM	21645.1	28436.0	28300.2	28390.4	
	*** PROGRAM TOTAL ***					
86	CENTRAL REGION MAINT. & OPER.	26702.5	28423.8	27142.7	28520.4	-1377.7 -4.8%
88	HIGHWAYS AND AVIATION	741.0	826.0	826.0	826.0	
90	TRAFFIC SIGNAL MANAGEMENT	3209.4	3488.2	3395.7	3421.4	-25.7 -0.8%
92	FACILITIES	1247.1	1295.6	1229.4	1244.0	-14.6 -1.2%
94	ADMINISTRATION	2.8	3.1			
	DATA AND WORD PROCESSING	31902.8	30036.7	32593.8	34011.8	-1418.0 -4.2%
	*** PROGRAM TOTAL ***					
98	ANCHORAGE INT AIRPORT	2739.7	2852.4	3090.0	3090.0	
100	FIELD MAINTENANCE	2949.6	3650.7	3647.8	3647.8	
102	BUILDING MAINTENANCE	3442.7	4093.4	4063.0	4063.0	
104	SECURITY	2318.4	3391.9	3272.2	3272.2	
106	CUSTODIAL	1239.8	1159.5	1319.5	1319.5	
108	EQUIPMENT MAINTENANCE	2776.3	3353.0	3661.7	3661.7	
110	ADMINISTRATION	17.7	17.8	60.8	60.8	
	DATA AND WORD PROCESSING	15484.2	18518.7	19115.0	19115.0	
	*** PROGRAM TOTAL ***					
114	NORTH REGION ADMIN. SERVICES	1947.5	2007.3	1838.9	1983.1	-144.2 -7.3%
116	INTERIOR DIS. ADMIN. SERVICES	334.2	345.3	341.0	341.0	
118	WESTERN DIS. ADMIN. SERVICES	398.4	356.8	349.5	351.1	-1.6 -0.5%
120	SOUTHCENTRAL DIS. ADMIN. SVCS	185.8	38.5	38.5	38.5	
122	DATA AND WORD PROCESSING	6940.3	6817.4	7008.6	6811.6	197.0 2.9%
124	INTERIOR DIS STATE EQUIP FLEET	897.4	936.2	935.2	935.2	
126	WESTERN STATE EQUIP. FLEET	2013.7	2330.2	2328.3	2328.3	
	SC DISTRICT STATE EQUIP. FLEET	12717.3	12831.7	12840.0	12788.8	51.2 0.4%
	*** PROGRAM TOTAL ***					
130	NORTHERN REGION PLANNING	1125.0	1242.9	1700.8	1008.8	-8.0 -0.8%
132	PLANNING	.5	.5			
134	DATA AND WORD PROCESSING	194.0				
	UNDUDGETED RSA'S, HPR P.R. SUS	1319.5	1243.4	1000.8	1008.8	-8.0 -0.8%
	*** PROGRAM TOTAL ***					
138	NORTHERN REGION DESIGN & CONST	2607.7	3126.5	2994.1	3004.9	-10.8 -0.4%
140	ENGINEERING MANAGEMENT	173.9	217.5			
142	DATA AND WORD PROCESSING	17099.5	21239.7	21133.4	21133.4	
	CIP PROGRAM	19881.1	24583.7	24127.5	24138.3	
	*** PROGRAM TOTAL ***					
146	INTERIOR DISTRICT MAINT & OPER	22365.7	22982.2	21416.0	22625.7	-1209.7 -5.3%
148	HIGHWAYS & AVIATION	3941.9	4811.1	4682.2	4737.7	-55.5 -1.2%
150	FACILITIES	1098.3	1198.4	813.4	1045.4	-232.0 -22.2%
	ADMINISTRATION					

*** DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES ***

SHORT FORM PAGE	BUDGET COMPONENT	85 ACT	86 AUTH	OMB REV	GOVERNOR	OMB REV - GOVERNOR COMPARISON
	*** PROGRAM TOTAL ***	27405.9	28991.7	26911.6	28408.8	-1497.2 -5.3%
152	WESTERN DISTRICT MAINT & OPER FACILITIES	4023.1	4132.5	4033.9	4201.9	-168.0 -4.0%
154	HIGHWAYS AND AVIATION	635.3	782.8	710.0	710.0	
156	FACILITIES	324.4	338.3	195.5	319.8	-124.3 -38.9%
	ADMINISTRATION	4982.8	5253.6	4939.4	5231.7	-292.3 -5.6%
	*** PROGRAM TOTAL ***	6747.4	7283.6	7015.4	7283.6	-268.2 -3.7%
158	SOUTHCENTRAL DISTRICT M & O	1656.1	2093.0	2030.2	2033.8	-3.6 -0.2%
160	HIGHWAYS AND AVIATION	438.4	446.7	333.2	441.4	-108.2 -24.5%
162	FACILITIES	8841.9	9823.3	9378.8	9758.8	-380.0 -3.9%
	ADMINISTRATION					
	*** PROGRAM TOTAL ***	1406.4	1515.5	1694.1	1694.1	
166	FAIRBANKS INT AIRPORT	1099.7	1414.5	1432.3	1432.3	
168	FIELD MAINTENANCE	2371.0	2832.3	2717.9	2717.9	
170	BUILDING MAINTENANCE	558.6	721.1	683.1	683.1	
172	SECURITY	726.4	1110.0	1367.8	1170.7	197.1 16.8%
174	CUSTODIAL	6162.1	7593.4	7895.2	7698.1	197.1 2.6%
	ADMINISTRATION					
	*** PROGRAM TOTAL ***	1308.6	1315.8	1103.8	1198.5	-94.7 -7.9%
178	S.E. REGION ADMIN. SERVICES	19.4	9.8			
180	ADMINISTRATIVE SERVICES	1831.7	2032.6	2015.4	2015.4	
182	DATA AND WORD PROCESSING	3159.7	3358.2	3119.2	3213.9	-94.7 -2.9%
	*** PROGRAM TOTAL ***	683.9	583.2	379.4	381.9	-2.5 -0.7%
186	SOUTHEAST REGION PLANNING	20.5	15.1			
188	PLANNING	704.4	598.3	379.4	381.9	-2.5 -0.7%
	DATA AND WORD PROCESSING					
	*** PROGRAM TOTAL ***	1923.7	1681.3	1338.9	1338.9	
192	SOUTHEAST REGION DES. & CONST.	55.5	106.5			
194	ENGINEERING MANAGEMENT	7323.9	8721.7	8671.2	8671.2	
196	DATA AND WORD PROCESSING	822.0				
198	CIP PROGRAM	10125.1	10509.5	10010.1	10010.1	
	UNBUDGETED RSA'S SCH SUR/DSGN					
	*** PROGRAM TOTAL ***	8633.7	8037.0	7794.0	7888.2	-94.2 -1.2%
202	SOUTHEAST REGION M & O	4508.2	4891.6	4751.5	4852.9	-101.4 -2.1%
204	HIGHWAYS & AVIATION	364.4	409.6	397.5	404.6	-7.1 -1.8%
206	FACILITIES	934.4				
208	ADMINISTRATION	14440.7	13338.2	12943.0	13145.7	-202.7 -1.5%
	UNBUDGETED RSA'S (FAC MAINT & MARINE ADMINISTRATION					
	*** PROGRAM TOTAL ***	2372.1	2306.6	2320.8	2517.4	-196.6 -7.8%
212	ADMINISTRATION		94.0			
214	DATA AND WORD PROCESSING	2372.1	2400.6	2320.8	2517.4	-196.6 -7.8%
	*** PROGRAM TOTAL ***	373.2	461.4	433.0	433.0	
218	MARINE FACILITIES ENGINEERING	942.6	1350.7	1341.5	1341.5	
220	MANAGEMENT					
	CIP					

*** DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES ***

SHORT FORM PAGE	BUDGET COMPONENT	85 ACT	86 AUTH	OMB REV	GOVERNOR	OMB REV - GOVERNOR? COMPARISON
	*** PROGRAM TOTAL ***	1315.8	1812.1	1774.5	1774.5	
	MARINE MARKETING AND SERVICES					
224	MARKETING MANAGEMENT	935.4	1415.8	1649.4	1773.6	-124.2
226	SOUTHEAST SHORE FACILITIES	2416.0	2425.1	2472.6	2744.4	-271.8
228	SOUTHWEST SHORE FACILITIES	718.2	650.5	678.2	678.2	
230	DATA AND WORD PROCESSING	223.9	258.0			
	*** PROGRAM TOTAL ***	4293.5	4749.4	4800.2	5196.2	-396.0
	MARINE OPERATIONS					
234	MANAGEMENT	616.0	764.4	1047.8	830.6	217.2
236	SOUTHEAST VESSEL OPER/OVERHAUL	47580.7	49587.1	44765.1	47233.5	-2468.4
238	SOUTHWEST VESSEL OPER/OVERHAUL	9256.1	9626.0	9342.4	9342.4	
	*** PROGRAM TOTAL ***	57452.8	59977.5	55155.3	57406.5	-2251.2
	*** TRANSPORTATION TOTAL ***	273018.1	293972.1	283991.7	289879.0	-5887.3
	***** TOTAL AGENCY EXPENDITURES	273018.1	293972.1	283991.7	289879.0	-5887.3
	***** AGENCY FUNDING					
	FED RCPTS	1557.3	2707.0	3697.6	3697.6	
	GEN FUND	176277.4	177803.5	165895.6	172327.0	-6431.4
	OTHER FUNDS	95183.4	113461.6	114398.5	113854.4	544.1

***** DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES *****

BUDGET COMPONENT 86 AUTH GOVERNOR OMB REV EXPLANATION OF CHANGES (EXCEPT GENERAL REDUC

TRANSPORTATION				
OFFICE OF THE COMMISSIONER				
2	COMMISSIONER'S OFFICE	-584.1	-187.4	612.0
4	STATEWIDE DEPUTY COMMISSIONER	892.5	257.0	253.4
6	EQUAL EMPLOYMENT & CIVIL RIGHT	737.3	737.3	737.3
8	DATA AND WORD PROCESSING	11.1		
*** PROGRAM TOTAL ***				
		319.5	806.9	1612.5
STATEWIDE INTERNAL REVIEW				
12	INTERNAL REVIEW	786.5	879.8	873.9
14	DATA & WORD PROCESSING	6.4		
*** PROGRAM TOTAL ***				
		792.9	879.8	873.9
STATEWIDE MANAGEMENT & FINANCE				
18	MANAGEMENT AND FINANCE	2444.8	2141.0	2233.2
20	DATA AND WORD PROCESSING	95.2		
22	STATE EQUIPMENT FLEET	379.7	441.0	441.0
*** PROGRAM TOTAL ***				
		2919.7	2582.0	2674.2
STATEWIDE INFORMATION SYSTEMS				
26	INFORMATION SYSTEMS	2745.9	2784.8	2757.1
STATE PLANS, PROGRAMS & BUDGET				
30	PLANS, PROGRAMS & BUDGET	1754.4	1986.8	1878.8
32	STATEWIDE AVIATION PLANNING		253.5	250.5
34	DATA AND WORD PROCESSING	100.0		
*** PROGRAM TOTAL ***				
		1854.4	2240.3	2129.3
STATEWIDE RESEARCH				

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***** DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES *****

BUDGET COMPONENT	86 AUTH	GOVERNOR	OMB REV	EXPLANATION OF CHANGES (EXCEPT GENERAL REDUC
38 STATEWIDE RESEARCH	861.7	850.7	1173.8	Delete CF for positions funded with
STATEWIDE ENG & OPS STANDARDS				CIP Receipts in FY 86 (223.2)
42 ENG & OPS STANDARDS	2478.7	2350.9	2311.4	
44 DATA AND WORD PROCESSING	26.3			
46 CIP PROGRAM	3492.8	3497.5	3497.5	
*** PROGRAM TOTAL ***	5997.8	5848.4	5808.9	
CENTRAL REGION ADMIN SERVICES				
50 ADMINISTRATIVE SERVICES	2060.9	2033.4	1809.3	
52 STATE EQUIPMENT FLEET	6130.4	6132.1	6132.1	
54 DATA AND WORD PROCESSING	20.7			
56 AIRPORT LEASING	361.8	293.8	271.2	
*** PROGRAM TOTAL ***	8573.8	8459.3	8212.6	
CENTRAL REGION PLANNING				
60 PLANNING	1550.9	1230.1	1175.4	
62 STATEWIDE AVIATION PLANNING	274.5			
64 DATA AND WORD PROCESSING	25.0			
*** PROGRAM TOTAL ***	1850.4	1230.1	1175.4	
CENTRAL REGION DESIGN & CONST.				
68 ENGINEERING MANAGEMENT	5095.3	5251.4	5161.2	
70 DATA AND WORD PROCESSING	189.3			
72 CIP PROGRAM	23151.4	23139.0	23139.0	
*** PROGRAM TOTAL ***	28436.0	28390.4	28300.2	
CENTRAL REGION MAINT. & OPER.				
76 HIGHWAYS AND AVIATION	28423.8	28520.4	27142.7	

* * * * * DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES * * * * *

BUDGET COMPONENT	86 AUTH	GOVERNOR	OMB REV	EXPLANATION OF CHANGES (EXCEPT GENERAL REDUC
78	826.0	826.0	826.0	TRAFFIC SIGNAL MANAGEMENT
80	3488.2	3421.4	3395.7	FACILITIES
82	1295.6	1244.0	1229.4	ADMINISTRATION
84	3.1			DATA AND WORD PROCESSING

*** PROGRAM TOTAL *** 34036.7 34011.8 32593.8

ANCHORAGE INT AIRPORT

88	2852.4	3090.0	3090.0	FIELD MAINTENANCE
90	3650.7	3647.8	3647.8	BUILDING MAINTENANCE
92	4093.4	4063.0	4063.0	SECURITY
94	3391.9	3272.2	3272.2	CUSTODIAL
96	1159.5	1319.5	1319.5	EQUIPMENT MAINTENANCE
98	3353.0	3661.7	3661.7	ADMINISTRATION
100	17.8	60.8	60.8	DATA AND WORD PROCESSING
	18518.7	19115.0	19115.0	*** PROGRAM TOTAL ***

NORTH REGION ADMIN. SERVICES

104	2007.3	1983.1	1838.9	INTERIOR DIS. ADMIN. SERVICES
106	345.3	341.0	341.0	WESTERN DIS. ADMIN. SERVICES
108	356.8	351.1	349.5	SOUTHCENTRAL DIS. ADMIN. SVCS
110	38.5	38.5	38.5	DATA AND WORD PROCESSING
112	6817.4	6811.6	7008.6	INTERIOR DIS STATE EQUIP FLEET
114	936.2	935.2	935.2	WESTERN STATE EQUIP. FLEET
116	2330.2	2328.3	2328.3	SC DISTRICT STATE EQUIP. FLEET
	12831.7	12788.8	12840.0	*** PROGRAM TOTAL ***

NORTHERN REGION PLANNING

***** DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES *****

BUDGET COMPONENT	86 AUTH	GOVERNOR	OMB REV	EXPLANATION OF CHANGES (EXCEPT GENERAL REDUC
120 PLANNING	1242.9	1008.8	1000.8	
122 DATA AND WORD PROCESSING	.5			
*** PROGRAM TOTAL ***	1243.4	1008.8	1000.8	
NORTHERN REGION DESIGN & CONST				
126 ENGINEERING MANAGEMENT	3126.5	3004.9	2994.1	
128 DATA AND WORD PROCESSING	217.5			
130 CIP PROGRAM	21239.7	21133.4	21133.4	
*** PROGRAM TOTAL ***	24583.7	24138.3	24127.5	
INTERIOR DISTRICT MAINT & OPER				
134 HIGHWAYS & AVIATION	22982.2	22625.7	21416.0	
136 FACILITIES	4811.1	4737.7	4682.2	
138 ADMINISTRATION	1198.4	1045.4	813.4	
*** PROGRAM TOTAL ***	28991.7	28408.8	26911.6	
WESTERN DISTRICT MAINT & OPER				
140 HIGHWAYS AND AVIATION	4132.5	4201.9	4033.9	
142 FACILITIES	782.8	710.0	710.0	
144 ADMINISTRATION	338.3	319.8	195.5	
*** PROGRAM TOTAL ***	5253.6	5231.7	4939.4	
SOUTHCENTRAL DISTRICT M & O				
146 HIGHWAYS AND AVIATION	7283.6	7283.6	7015.4	
148 FACILITIES	2093.0	2033.8	2030.2	
150 ADMINISTRATION	446.7	441.4	333.2	
*** PROGRAM TOTAL ***	9823.3	9758.8	9378.8	
FAIRBANKS INT AIRPORT				

*** DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES ***

BUDGET COMPONENT	86 AUTH	GOVERNOR	OMB REV	EXPLANATION OF CHANGES (EXCEPT GENERAL REDUC
154 FIELD MAINTENANCE	1515.5	1694.1	1694.1	
156 BUILDING MAINTENANCE	1414.5	1432.3	1432.3	
158 SECURITY	2832.3	2717.9	2717.9	
160 CUSTODIAL	721.1	683.1	683.1	
162 ADMINISTRATION	1110.0	1170.7	1367.8	
*** PROGRAM TOTAL ***	7593.4	7698.1	7895.2	
S.E. REGION ADMIN. SERVICES				
166 ADMINISTRATIVE SERVICES	1315.8	1198.5	1103.8	
168 DATA AND WORD PROCESSING	9.8			
170 STATE EQUIPMENT FLEET	2032.6	2015.4	2015.4	
*** PROGRAM TOTAL ***	3358.2	3213.9	3119.2	
SOUTHEAST REGION PLANNING				
174 PLANNING	583.2	381.9	379.4	
176 DATA AND WORD PROCESSING	15.1			
*** PROGRAM TOTAL ***	598.3	381.9	379.4	
SOUTHEAST REGION DES. & CONST.				
180 ENGINEERING MANAGEMENT	1681.3	1338.9	1338.9	
182 DATA AND WORD PROCESSING	106.5			
184 CIP PROGRAM	8721.7	8671.2	8671.2	
*** PROGRAM TOTAL ***	10509.5	10010.1	10010.1	
SOUTHEAST REGION M & O				
188 HIGHWAYS & AVIATION	8037.0	7888.2	7794.0	
190 FACILITIES	4891.6	4852.9	4751.5	
192 ADMINISTRATION	409.6	404.6	397.5	
*** PROGRAM TOTAL ***	13338.2	13145.7	12943.0	

Original sponsor: Rules/Legislative Budget
and Audit Committee

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 505 ()
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state vehicles and equipment;
7 eliminating the working capital fund; and providing
8 for an effective date."

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

10 * Section 1. AS 19.05.060 is amended to read:

11 Sec. 19.05.060. SALE OF OBSOLETE EQUIPMENT AND MATERIAL. The
12 department may sell, exchange or otherwise dispose of obsolete
13 machinery, equipment and material no longer needed, required or useful
14 for construction or maintenance purposes. Money derived from the sale
15 of ~~the~~ property shall be deposited in the general fund [CREDITED TO
16 THE FUNDS FROM WHICH THE PURCHASE WAS ORIGINALLY MADE].

17 * Sec. 2. AS 35.20.060 is amended to read:

18 Sec. 35.20.060. SALE OF OBSOLETE EQUIPMENT AND MATERIAL. The
19 department may sell, exchange or otherwise dispose of obsolete
20 machinery, equipment and material no longer needed, required or useful
21 for construction or maintenance purposes. Money derived from the sale
22 of the property shall be deposited in the general fund [CREDITED TO
23 THE FUND FROM WHICH THE PURCHASE WAS ORIGINALLY MADE].

24 * Sec. 3. AS 44.68 is amended by adding new sections to read:

25 Sec. 44.68.050. REPAIR AND MAINTENANCE OF VEHICLES. A state
26 agency that obtains the use of a vehicle from the Department of Trans-
27 portation and Public Facilities is responsible for the repair and
28 maintenance of the vehicle. The agency may contract with persons in
29 the private sector or with the Department of Transportation and Public

Facilities for the repair and maintenance. Each agency shall include in its annual budget a request for an amount necessary to repair and maintain all vehicles it has obtained from the department.

Sec. 44.68.060. VEHICLE AND EQUIPMENT FUND. There is established in the Department of Transportation and Public Facilities the vehicle and equipment fund composed of money appropriated to the fund each fiscal year. Money from the fund shall be used by the department for the purchase of automotive and motorized vehicles, including construction equipment, for the use of state agencies. The unencumbered cash balance at fiscal year end shall not exceed 110% of the amount budgeted for replacement costs. Any amount which exceeds 110% of the budgeted replacement cost lapses into the general fund.

Sec. 44.68.070 CALCULATION OF VEHICLE REPLACEMENT COST.

Each year the commissioner of Transportation and Public Facilities shall prepare an estimate of replacement cost for all vehicles and equipment to be retired in the next fiscal year and * → submit the calculation to the governor to be included in the operating budget as an appropriation to the vehicle and equipment fund. The department shall maintain records for each vehicle and piece of equipment showing purchase cost, estimated life, replacement cost, depreciation schedule, maintenance and repair costs, and hours or miles of operation.

*Sec. 4. AS 44.74.010 - 44.74.060 are repealed.


*Sec. 5. This Act takes effect July 1, 1986.



Dept. of Transportation & Public Facilities

Position Paper

BILL NO: CS for House Bill 505

APPROVED: 
R. J. Knapp
Commissioner

TITLE: An Act relating to State vehicles and equipment; eliminating the working capital fund; and providing for an effective date. **DATE:** March 26, 1986

The Department of Transportation and Public Facilities offers the following comments on each of the sections proposed in CS HB 505:

Section 1 and 2. SALE OF OBSOLETE EQUIPMENT AND MATERIAL.

The impact of these sections would be to require the State Equipment Fleet (SEF) to increase its fixed fee rates over its current rate which now reflects credit to the user for an excessed vehicle's salvage value. Currently, the SEF retains salvage value funds received when a vehicle is sold in anticipation of its replacement. The anticipated salvage value receipt is credited to the user thereby reducing the cost basis upon which his fixed fee rate is calculated. The Department currently utilizes a 15% salvage value for its fixed fee calculations. Passage of this section would have the effect of increasing user operating budget requirements for fixed fee rates instead of allowing users to utilize salvage values received by SEF in future years for the funding of their vehicle replacements. The Department opposes Sections 1 and 2 since it increases current cash requirements unnecessarily.

Section 3. REPAIR AND MAINTENANCE OF VEHICLES.

This section would preclude the Department from utilizing its current vehicle type assignment policy. Current policy requires that all vehicles that have road access to a State Equipment Fleet maintenance shop be assigned to a user as a wet rental vehicle. Wet rentals require the user to pay a usage rate and to utilize SEF shops for all preventative and required repairs. The Department's current policy is based upon a firm conviction that it is in the state's best interest to insure effective preventative maintenance on all state equipment. The effect of this section would be to, in many cases, preclude the assurance of effective preventative maintenance with a resulting increase in the life cycle cost of the vehicle. A review of SEF's unit costs in comparison to private sector indicates a high degree of comparability.

For further information call Susan Fleischhauer at 465-3900.

While Section 3 may have the impact of reducing current year operating budgets for user agencies, this reduction is achieved solely by reducing levels of maintenance on equipment which would mean higher major repair bills later and shorter lives for vehicles. These later impacts would increase costs to the state for vehicle usage. The Department opposes section 3 since its impact would be to increase the cost to the State for vehicle services comparable to what is being achieved with current policy.

VEHICLE AND EQUIPMENT FUND.

CS HB 505 proposes a vehicle equipment fund similar to the current Highway Working Capital Fund. The proposed bill would force lapses from the fund should the fund balance exceed a 110% of the budgeted replacement cost in any fiscal year. The Department's main concern is that there be a vehicle and equipment replacement fund and that sufficient balances be insured to meet future replacement program needs and working capital requirements for the operating program. While the Department's major concerns are not jeopardized with the proposed wording we can see little benefit above that which can be accomplished with the current HWCF.

CALCULATION OF VEHICLE REPLACEMENT COST.

This portion of CS HB 505 requires that revenues to the Vehicle and Equipment Fund for vehicle replacement be budgeted in a lump sum in the capital budget. The lump sum amount must reflect a depreciation calculation which may not exceed 100% of its expected replacement cost. The concept of depreciation is based upon a loss in value of a vehicle's actual cost and does not necessarily include the recapture of monies necessary to replace the current vehicle with a future vehicle at a higher cost reflecting inflation. With fund balances being limited to a 110% of next years budget replacement cost, and revenues to the fund being limited by a depreciation calculation, there is a real concern that a given years depreciation calculation may not provide sufficient revenues to meet the following years replacement program in the event that a large number of expensive vehicles require replacement. The Department opposes both the lapsing requirement and the depreciation calculation for the vehicle and equipment funding since it does not assure a constant and sufficient flow of funding to meet required replacement programs based upon best available preventative maintenance and replacement technology.

In addition, the current procedure of user agencies requesting fixed fees for replacement in their annual operating budget provides the agency an annual review of its vehicle needs and provides a mechanisms for user agencies to collect costs against federal-aid reimbursement programs and projects. A single lump sum DOT&PF budget request does not require user agency reviews nor does it assist user agency to manage cost allocation records for a vehicles acquisition cost. For the Department of Transportation and Public Facilities, \$2 million is annually reimbursed by FHWA within its highway program, however, these funds would be redirected into highway construction requiring general fund monies to be budgeted to replace lost federal reimbursement for vehicle acquisition and replacement. For various "no lid" reimbursement programs, failure to record adequately vehicle acquisition expenses to federal-aid reimbursement eligible programs would cause a direct loss of federal reimbursement receipts and a corresponding direct increase in general fund expenditures. While these cost allocation needs may be achieved by an administrative system in addition to that required to that to manage the Vehicle and Equipment Fund, such a need would require additional system development, staff development, cost and paperwork.

Section 4. REPEAL OF AS 44.74.

This section would repeal all enabling legislation which allows the Department of Transportation and Public Facilities to operate the State Equipment Fleet and manage the Highway Working Capital Fund. Elimination of current enabling legislation would require the Department to redesign its systems of management to reflect the new requirements of CS HB 505 with subsequent cost for system development, staff development, and conversion inefficiencies.

Section 5. Effective Date.

This section would require the Department to manage the State Equipment Fleet based upon the guidelines and concepts in CS HB 505 at the start of FY87. With the exception of new systems for cost distribution related to federal-aid billings, achieving conversion into a vehicle and equipment fund as noted in CS HB 505 should be no problem.

Overall, the Department has numerous reservations on the proposed bill. Problems noted in the Department's current management of the State Equipment Fleet and the Highway Working Capital Fund can be accommodated and eliminated without statutes. The Department has a commitment to maintain the most cost effective maintenance for all vehicles with adequate controls to assure the highest utilization of its vehicles. The proposed bill introduces many new concepts which would have a tendency to increase the life cycle cost of the vehicle, remove incentives for high vehicle utilization, and potentially reduce federal reimbursement receipts, and increase general fund requirements.

SECTIONAL ANALYSIS

PROPOSED AMENDMENT TO HOUSE BILL 505

Section 1. Amends Highways and Ferries statute to require that money derived from sale of vehicles and property be deposited in general fund. Heretofore, money was deposited in Highway Equipment Working Capital Fund, or International Airport Revenue Fund.

Section 2. Amends Public Buildings statute to require that money derived from sale of vehicles and property be deposited in general fund. Heretofore, money was deposited in HEWCF or IARF.

Section 3. Amends Title 44, State Government, Chapter 68, State Owned Vehicles, by adding a new section making General Services and Supply in the Department of Administration the purchasing authority for all vehicles and equipment. (GSS already exists and performs this function but they are not set out in statute.)

Section 4. Amends Title 44 by transferring from DOT/PF to Department of Administration the authority to define proper use of state vehicles, and provide for proper marking of vehicles.

Section 5. Adds three new sections to Title 44.68:

44.68.050 Allows state agencies to use State Equipment Fleet facilities or private contractors (gas stations) to repair vehicles;

44.68.060 Establishes Vehicle Fund in Department of Administration to which is appropriated each year the depreciated amount for each vehicle which will be used to fund replacement of each vehicle. Provides for legislative approval of GSS shopping list each year before GSS can expend the money to replace vehicles.

44.68.70 Provides that GSS prepare a depreciation calculation each year for all vehicles and submit the calculations for legislative approval. Further provides that the Vehicle Fund cannot accumulate more than 100% of the replacement value. If vehicles are deleted and not replaced, the depreciation for that vehicle returns to the general fund.

Section 6. Amends 44.74 (Management and Disposition) Section 070 (Transfer to Political Subdivisions) to change DOT/PF to DOA for authority to transfer excess equipment to local governments.

STATE EQUIPMENT FLEET - MANAGEMENT IMPROVEMENTS

BACKGROUND

The State Equipment Fleet and its funding source the Highway Working Capital Fund (HWCF) have operated since 1960 as a revolving fund covering both vehicle replacement and vehicle operations and maintenance. The policies behind the State Equipment Fleet rates were to insure sufficient funds for vehicle replacement and sufficient HWCF balances to fund State Equipment Fleet maintenance operations. There never was an intent for the rates to be producing "profits," however, the original policy creating the HWCF as designed produces large HWCF balances.

In 1986, the HWCF balance is over \$47 million and rising. There have been four previous legislative deductions from the HWCF totalling over \$20 million. Many have felt that the large balances within the HWCF are inappropriate and reflect some failure on the part of the Department of Transportation and Public Facilities to appropriately manage the HWCF.

Historically, the policy for the fund was to insure sufficient HWCF balances which, when added to the salvage value estimates for all equipment, would produce a combination to sufficiently fund the replacement of all vehicles in the fleet. Currently, the State Equipment Fleet has on inventory approximately \$78 million of equipment, \$44 million of which has been depreciated through use leaving \$34 million in current estimated book (salvage) value. This \$34 million coupled with the \$47 million HWCF balance is adequate, but not overly so, to replace the current \$78 million in original assets at current inflated values. Overall, the large balances in the HWCF can be justified only if our historical policy of fully funding all vehicle depreciation and accumulating these reserves in the HWCF is still an acceptable policy.

RATE SETTING

There are currently two kinds of rates affecting the HWCF:

Operating Rates which are based upon usage, either miles or hours or months, and are calculated for classes of vehicle based upon experienced operating costs for vehicles within the class.

Fixed Replacement Rates which are assessed annually to users of vehicles in amounts sufficient to cover the average depreciation of vehicles within the class.

There have been a number of ways in which excess funds have been collected in the HWCF:

- ° Inflated fixed fees for replacement.
- ° Inflated usage rates.
- ° Retention of salvage values for non replaceable vehicles.
- ° Retention of replacement funds for excessed vehicles.
- ° Compounding receipts to cover inflation in the replacement program.
- ° Replacement fees which were not curtailed when the vehicle reached the end of its paper life.
- ° Over budgeting of replacement costs.

CURRENT MANAGEMENT PROPOSALS

The Department of Transportation and Public Facilities has developed a number of proposed changes to the management and operations of both the State Equipment Fleet and the Highway Working Capital Fund. These proposals fall into three basic categories:

1. Redefinition of the Replacement Fund Financing.
2. A New Rate Setting Policy.
3. A Cash Balance Cap.

Replacement Fund Financing

The Department recommends accumulating replacements funds solely to the extent necessary to meet cash flow demands for annual replacements of the fleet. Thus, the HWCF need not retain a balance which when added to projected salvage values equals the fleets total capitalization. Rather, revenues to the HWCF and balances retained would be reduced to within limits that are necessary to meet annual cash flow requirements for replacement expenditures and working capital reserves for the operation of the fleet. The proposed financial plan for the HWCF indicates that a one time reduction of \$30 million in FY'87 will place the HWCF and the State Equipment Fleet into a stable annual financing program with minimum cash balances.

Rate Setting Improvements

Rate setting within the State Equipment Fleet will be dramatically altered, partly supported by the new management information system recently implemented (EMS). The Headquarters of the State Equipment Fleet will maintain a posture of "a banker," financing for users individual equipment purchases. The following changes would be made:

- ° Fixed replacement rates would be calculated once at the time of the users acceptance of the vehicle and the annual rate would be unique to that vehicle, based upon its actual

cost of purchase and transportation, and be held consistent through the paper life of the vehicle. When a vehicle reaches its paper life, fixed fees stop. A financing percentage rate would be applied to cover anticipated inflation cost for the replacement vehicle. This percentage rate would be reassessed annually and apply to all future fixed replace costs financing contracts. The rate would be adjusted to assure sufficient, but not excess, positive balances in the HWCF. Initial estimates are that a 10% financing rate would be sufficient and if applied would immediately reduce fixed fee replacement rates on average 25% with a savings to users annually of \$4-5 million.

- Operating rates would be recalculated based upon the cost collected for vehicles within a class by the new equipment management system (EMS). User rates by class would be maintained. Classes are defined to separate users by agency and DOT&PF users by region. In specific cases where there are too few vehicles in a class and there are large operating cost differences between vehicles in that class, individual vehicle user rates may be calculated and applied. Use revenues collected annually in excess of actual operating expenditures will be lapsed to the General Fund.

Cash Balance Cap

Even with the proposed financing plan, it is possible that in certain unique years large cash balances may accumulate in HWCF. Under these circumstances, there should be a cap in place which by formula requires the HWCF to lapse a portion of its balance. This cap should be calculated based upon figures which can be audited by the State's accounting system. A reasonable proposal would be to have at the end of each fiscal year a calculation done which compares the total assets of the fleet to the amount that is held as the cash balance. Cash as a percentage of the entire fleet's assets should be limited to no more than 20%. All cash balances in excess of 20% should be lapsed from the General Fund.

SUMMARY

The HWCF and the State Equipment Fleet that it supports is an extremely valuable entity to the State of Alaska. Recent audits, while critical of the large excess balances in the HWCF, have all remarked on the high maintenance and productivity standards of equipment. The Department's safety records and servicability records for State Equipment Fleet vehicles is an envy of many states as a direct result of a highly effective equipment replacement program. Management improvements to the State Equipment Fleet have been directed at dealing specifically with the problems of having unnecessary General Fund monies "locked up" in the HWCF, the lack of user flexibility which limits using State Equipment Fleet vehicles for their funded productive purpose.

FUND ASSETS BY ACCOUNT	DATED @
22652 WORKING CAPITAL FUND	FUND
COA: 1986	
ENTITY NUMBER - DESCRIPTION	
S88 10000 TOTAL ASSETS	
S88 10040 CASH	40.00
S88 10100 RECEIVABLES	47,105,555
S88 10601 OTHER CURRENT ASSETS	32,783
S88 10610 INVENTORIES	2,757,539
S88 10640 FIXED ASSETS	
Machinery And Equipment at Cost (Note 4)	78,540,226
Less : Allowance for Depreciation (note 1)	(44,662,023)

	33,878,303
S88 10900 CONVERSION ACCOUNTS	49,895,877

	83,774,180
S88 20000 TOTAL LIABILITIES	
S88 21000 CURRENT LIABILITIES	(823,298)

NET FUND BALANCE = ASSETS LESS LIABILITIES	182,950,942

NOTE AKSAS CAN NOT BE USED DIRECTLY TO FIND FUND EQUITY UNTIL
AFTER REVENUE AND EXPENDITURE ACCOUNTS ARE CLOSED

Sample of HWC Rates

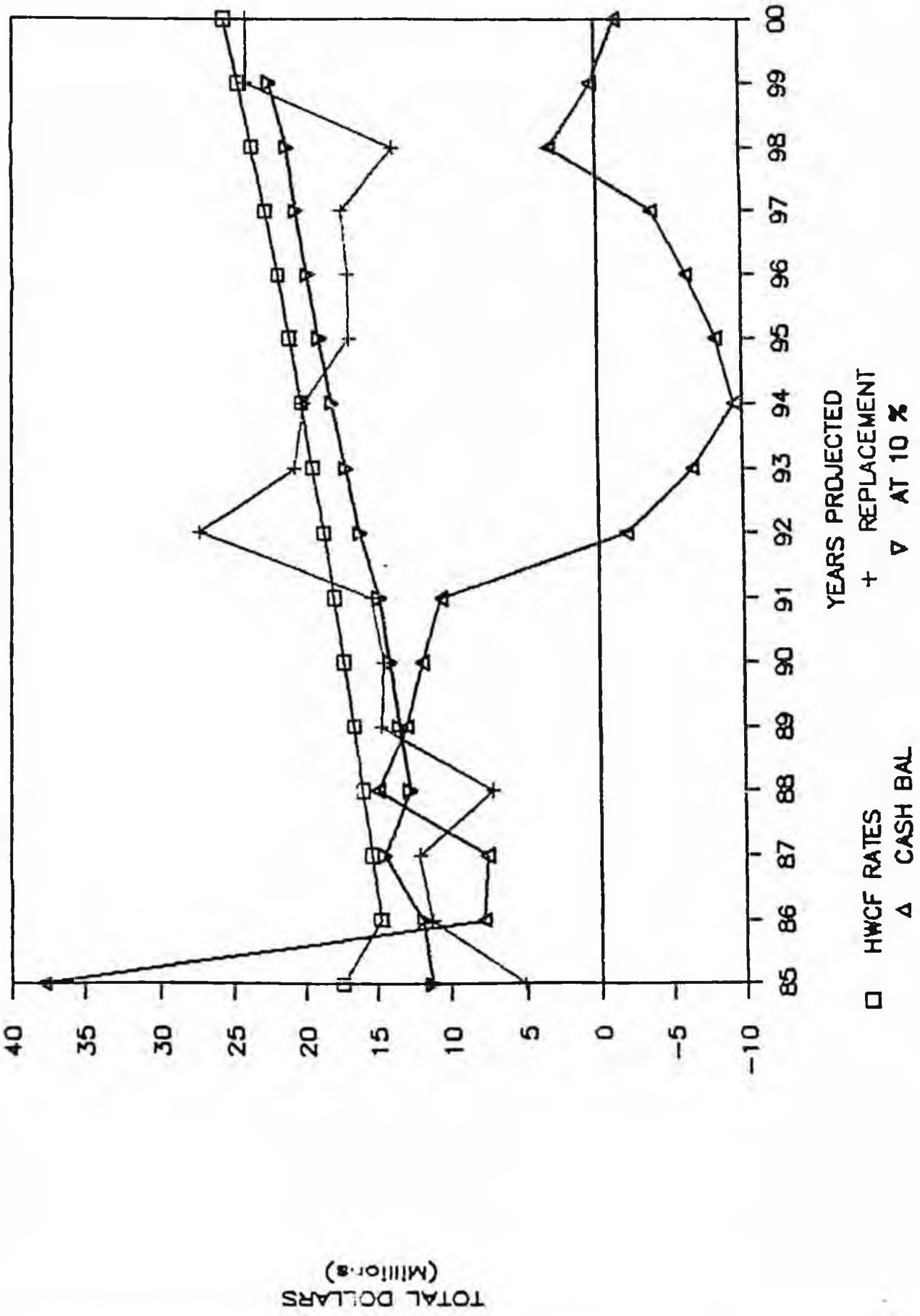
VEHICLE CLASS	ACQ DATE	REPLACE	PER AMOUNT	HWC RATE	1986 AM PAY	1987 AM PAY	1988 AM PAY	1989 AM PAY	1990 AM PAY	1991 AM PAY	1992 AM PAY	1993 AM PAY	1994 AM PAY	1995 AM PAY	1996 AM PAY	1997 AM PAY	1998 AM PAY
V-26695	1040	08/01/89	07/30/88	5	6,795	1,608	1,773	1,861	1,955	2,052	2,155	2,263	2,376	2,495	2,619	2,750	2,889
V-26696	1040	08/01/83	07/30/88	5	6,795	1,608	1,773	1,861	1,955	2,052	2,155	2,263	2,376	2,495	2,619	2,750	2,888
V-26710	1220	08/01/88	07/30/88	5	8,440	1,932	2,029	2,237	2,348	2,466	2,589	2,719	2,854	2,997	3,147	3,304	3,470
V-26711	1080	08/01/83	07/30/88	5	7,578	1,820	1,786	1,875	1,969	2,068	2,171	2,280	2,393	2,513	2,639	2,771	2,909
V-26712	1080	08/01/83	07/30/88	5	7,578	1,820	1,786	1,875	1,969	2,068	2,171	2,280	2,393	2,513	2,639	2,771	2,909
V-26713	1080	08/01/83	07/30/88	5	7,573	1,820	1,786	1,875	1,969	2,068	2,171	2,280	2,393	2,513	2,639	2,771	2,909
V-26714	1080	08/01/83	07/30/88	5	7,573	1,820	1,786	1,875	1,969	2,068	2,171	2,280	2,393	2,513	2,639	2,771	2,909
V-26715	1080	08/01/83	07/30/88	5	7,573	1,820	1,786	1,875	1,969	2,068	2,171	2,280	2,393	2,513	2,639	2,771	2,909
V-26717	1040	09/01/89	08/30/88	5	6,795	1,608	1,773	1,861	1,955	2,052	2,155	2,263	2,376	2,495	2,619	2,750	2,888
V-26718	1220	09/01/83	08/30/88	5	8,640	1,932	2,029	2,237	2,348	2,466	2,589	2,719	2,854	2,997	3,147	3,304	3,470
V-26741	1160	09/01/89	08/30/88	5	11,154	2,724	2,860	3,153	3,311	3,477	3,650	3,833	4,025	4,226	4,437	4,659	4,892
V-26745	1160	09/01/83	08/30/88	5	11,154	2,724	2,860	3,153	3,311	3,477	3,650	3,833	4,025	4,226	4,437	4,659	4,892
V-26746	1160	09/01/83	08/30/88	5	11,154	2,724	2,860	3,153	3,311	3,477	3,650	3,833	4,025	4,226	4,437	4,659	4,892
V-26773	1160	09/01/03	08/30/88	5	11,304	2,724	2,860	3,153	3,311	3,477	3,650	3,833	4,025	4,226	4,437	4,659	4,892
V-26812	1160	11/01/83	10/30/88	5	11,304	2,724	2,860	3,153	3,311	3,477	3,650	3,833	4,025	4,226	4,437	4,659	4,892

191,400	2,534	80,408	31,928	93,525	35,201	36,861	38,809	40,750	42,787	44,926	47,178	49,591	52,008	54,608
944	4,128	5,648	7,245	(5,204)	(5,797)	(9,949)	(2,009)	29	(5,806)	(7,399)	(5,040)	(2,564)	37	

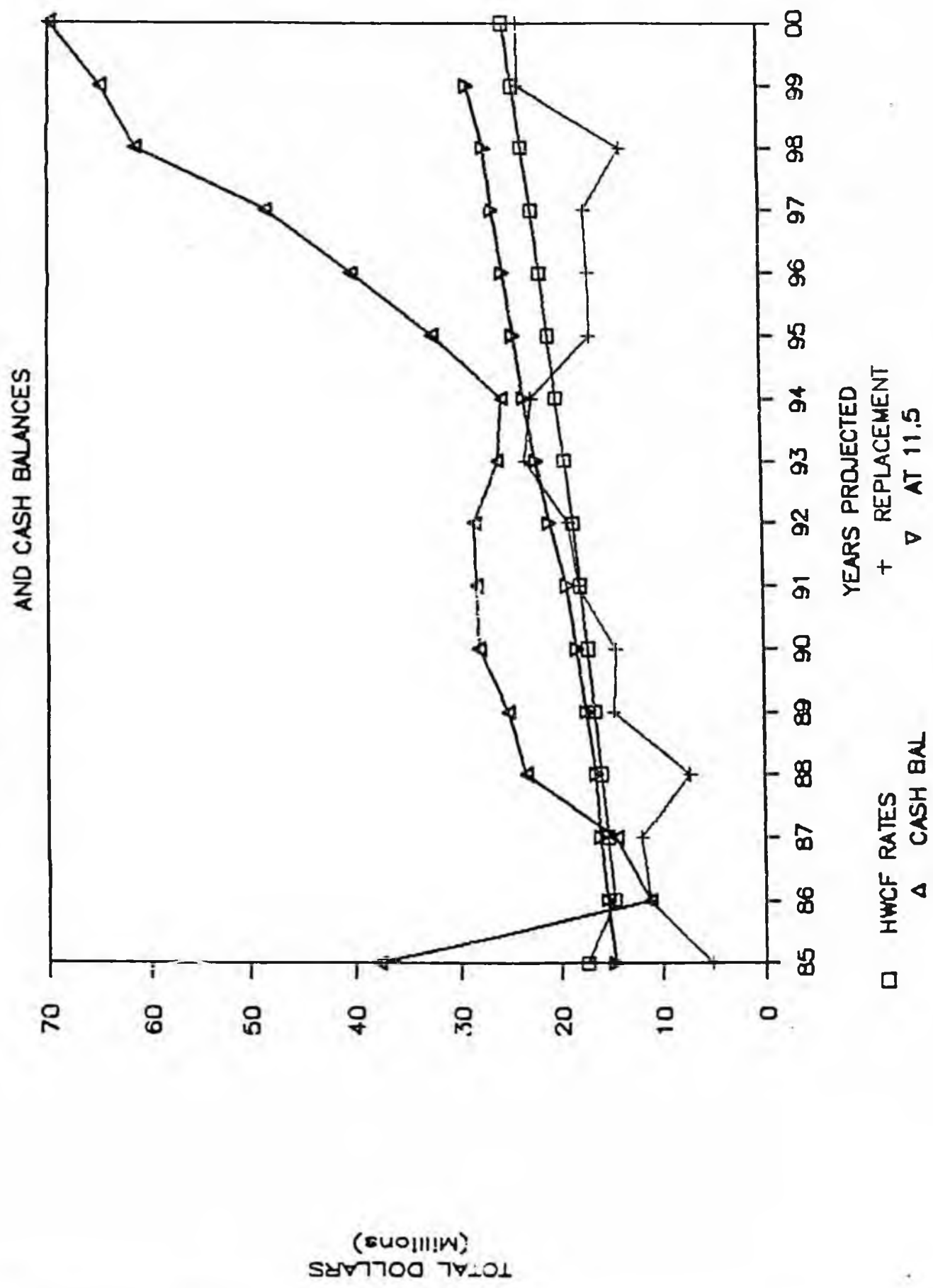
CENTRAL REGION EQUIPMENT FLEET RATE COMPUTATION (\$ IN THOUSANDS) FEBRUARY 14, 1956

Central Region Equipment Fleet Rate Computation 7487 Base	71000	72000	73000	74000	75000	76000	77000	78000	79000	80000	81000	82000	83000	84000	85000	86000	87000	88000	89000	90000	91000	92000	93000	94000	95000	96000	97000	98000	99000	100000							
	PLS SERV.	TRAVEL	COMMUNIC.	SUPPLY	EQUIPMENT	REPAIRS	MAINTENANCE	OPERATION	RECOVERY	ACTIVITY	RECOVERY	ACTIVITY	RECOVERY	ACTIVITY	RECOVERY	ACTIVITY	RECOVERY	ACTIVITY	RECOVERY	ACTIVITY	RECOVERY	ACTIVITY	RECOVERY	ACTIVITY	RECOVERY	ACTIVITY	RECOVERY	ACTIVITY	RECOVERY	ACTIVITY							
BUDGET COST TO RECOVER	28100	296	12493	19241	544	6924																															
ACTIVITIES FOR RECOVERY																																					
• PARTS																																					
• FUEL																																					
• SERVICE																																					
COMPUTATION (# in thousands)																																					
PERSONAL SERVICES	28100	227	3264																																		
SHOP FOREMAN																																					
TRAVEL																																					
FIELD TRAVEL	200	34	15																																		
IN-TOWN TRAVEL	36	36																																			
NON-EMPLOYE	110																																				
OPERATIONAL																																					
COMMUNICATIONS	110	95	125																																		
TRANSPORTATION	340	54	300																																		
TRANSPORTATION - SEE FEES	209	54	236																																		
ADVERTISING	15	25																																			
UTILITY SERVICES	25	25																																			
REPAIR & MAINTENANCE	70	72																																			
RENTAL FOR HAND, TOOL & SPACE	254	110	400																																		
RENTAL FOR MECHANICAL & EQUIP.	119	119																																			
OTHER EXPENDITURES & SERVICES	212	212																																			
SUPPLIES																																					
OFFICE & LIBRARY	150	150																																			
HOUSEHOLD & INSTANT SUPPLY	210	210																																			
DR SUPPLIES	114	114																																			
OTHER ONE. SUPPLIES	460	460																																			
REPAIR & MAINTENANCE	19247	19247																																			
EQUIPMENT																																					
VEHICLE TRAVEL EQUIP.	130	130																																			
SHOP PLANT & INSTRUMENTAL	214	214																																			
SUB-TOTAL	20861	3550	4350	10201	12665	3038																															
HEADQUARTERS		1548																																			
ADMIN ACTIVITY REALLOCATION		4875	480																																		
TOTAL ACTIVITY COST		1548	480																																		
RECOVERY COSTS																																					

HWCF ESTIMATED REVENUE, REPLACEMENT AND CASH BALANCES

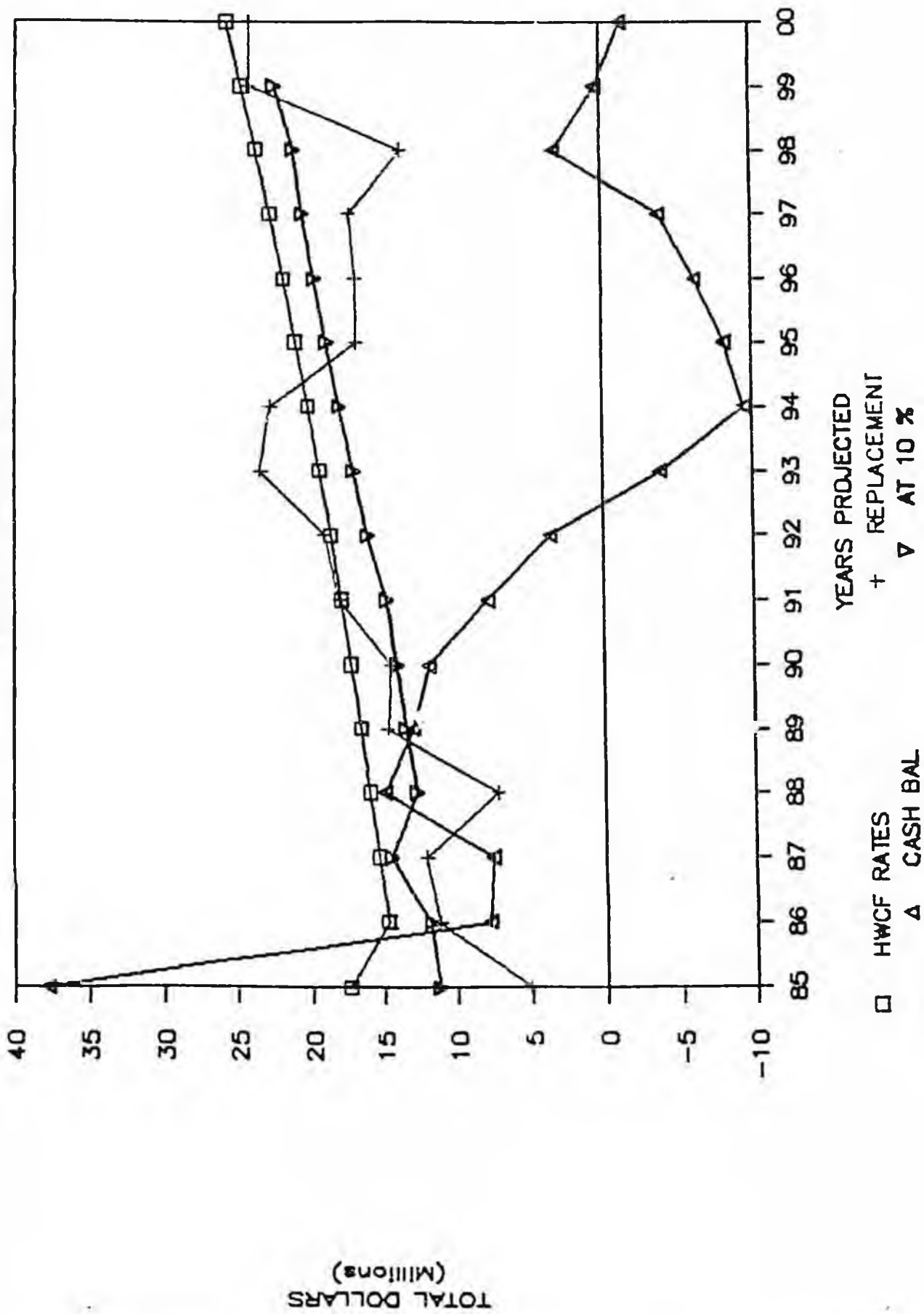


HWCFC ESTIMATED REVENUE, REPLACEMENT AND CASH BALANCES



HWCf ESTIMATED REVENUE, REPLACEMENT

AND CASH BALANCES





Dept. of Transportation & Public Facilities

Position Paper

BILL NO: House Bill 505

TITLE: An Act eliminating the working capital fund.

Wm S. Epule
APPROVED: R. J. Knapp
Commissioner

DATE: February 18, 1986

House Bill 505 would eliminate the State Equipment Fleet for all state agencies. As stated in Commissioner Knapp's response to the legislative audit which makes a recommendation similar to HB 505, the results of passage of HB 505 as written would be of little advantage and likely some harm to the State of Alaska. In the absence of having a State Equipment Fleet, experience within the State of Alaska and other states has shown that there would be an inability of various line agencies to appropriately schedule and successfully fund through the capital budget required replacements for critical pieces of equipment.

Failing to replace critical equipment in a timely fashion would not only reduce productivity but also vehicle safety and working conditions would reach levels unacceptable.

The department has currently redesigned the financial and administrative procedures of the State Equipment Fleet with the effect of substantially dropping rates, improving service to users and increasing efficiency of State Equipment Fleet operations. These benefits can be gained within the current enabling legislation for the State Equipment Fleet. Without a State Equipment Fleet, these gains would be lost and many costly impacts to state agencies may result.

This department strongly opposes HB 505, urges its rejection, and looks forward to review of its State Equipment Fleet financial and management improvement recommendations.

DEPARTMENT OF PUBLIC SAFETY

POSITION PAPER - HB 505

OPPOSED

February 3, 1986

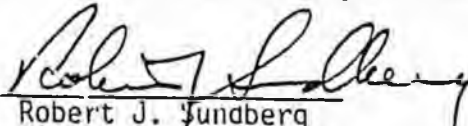
HB 505 - 'An Act eliminating the working capital fund; and providing for an effective date'.

HB505 removes the Department of Transportation from the control over the Highway Working Capital Fund (HWCF) which has been a "revolving fund" that has existed to finance fleet activities, provide a centralized purchasing organization and provide specialized repair facilities. By default, this legislation places these responsibilities with the user agency.

This legislation was submitted by the Rules Committee at the request of the Legislative Budget and Audit Committee in response to a report issued by the Division of Legislative Audit on the Highway Working Capital Fund (HWCF) dated November 15, 1985. The report's Recommendation No. 1 states that individual user agencies should request and budget for replacement vehicles on an as-needed basis. The need for the fund would no longer exist if this recommendation is adopted by passage of this legislation. The use of the HWCF provides a partial hedge against declining revenue impacting the quality of the fleet that can result from cutbacks in funding allocation. This will no longer exist if the fund is eliminated.

AST does not support passage of this bill due to the likelihood that the quality of the vehicles available to our law enforcement personnel will decline as the fleet competes more directly with other requests for state funding. Further, the elimination of DOT from the management, procurement and record keeping for the fleet will require AST to provide these services at considerable cost. (\$290,200 in FY87 - See Fiscal Note).

Not addressed specifically in this legislation is wording from the audit report indicating that replacements should be sought through the Capital Budget process. Currently, replacement fees are accumulated in the operating budget in the contractual line. It is anticipated that replacement vehicles will continue to be funded in the operating budget since equipment in this budget process is specifically for "Equipment purchased to substitute for existing equipment which is too old, worn out or cannot be repaired" as noted in the FY87 budget instructions, page A-7. Conversely, capital projects are normally items costing over \$25,000 each (AS 37.07.120 (4)). Further, in order to provide for a consistent expenditure pattern, provision for replacement vehicles should remain where historically they have always been.


Robert J. Sundberg
Commissioner

H2505
Fiscal Note Analysis

In the Department of Public Safety, the FY87 Operating Budget has requested funding for 425 vehicles of which 306 are in the Alaska State Trooper BRU. Accordingly, management and support of the fleet will be provided by a new component within AST which will provide these services both for the AST fleet and for the other vehicles spread throughout the five BRU's which presently utilize HWCF vehicles. Funding for operating costs and replacement costs will not be moved from the BRU and component where they are budgeted in order to continue to reflect an accurate cost of operating these entities. Only new costs associated with the changed management, administration, procurement and record keeping are being requested. Recently we have reviewed the lease option for operating the fleet. Initial indications revealed that it would not be advantageous. A more detailed study will be initiated in the coming year.

Based upon AST experience in fleet operations and close working relationship with DOT over the past several years we are able to accurately predict the staffing and other costs needed to provide an organization necessary to operate the fleet. The additional funding and positions are as follows:

Alaska State Troopers (BRU) Fleet Management (New Component)				
	Base Year	1/4 Yr	FY87	
Personal Services:				
1 State Trooper, Lieutenant	70.4			
1 Administrative Assistant	40.4			
1 Accounting Clerk I	31.9			
1 Clerk Typist II	30.4			
1 Data Control Clerk	<u>31.9</u>			
TOTAL PERSONAL SERVICES	\$205.0	25%	\$ 51.3	
Travel				
Travel and Per Diem for unit head to visit each Detachment Headquarters	2.5			
Fleet Management Course	<u>1.7</u>			
TOTAL TRAVEL	4.2	25%	1.0	
Contractual				
Vehicle Operating and Replacement Costs	8.7			
Telephone & Postage Costs	7.7			
Maintenance on Micro Computer	1.2			
Maintenance on Word Processor	1.2			
Miscellaneous Other Costs	<u>1.4</u>			
TOTAL CONTRACTUAL	20.2	25%	5.1	

HB505
 Fiscal Note Analysis
 (continued)

	Base Year	1/4 Yr	FY87
Supplies			
Uniform & Accessories for Lieutenant	1.9		
Consumable Vehicle Supplies	.7		
Office Supplies, Stationary, Forms, etc.	8.5		
Miscellaneous	<u>.7</u>		
TOTAL SUPPLIES	11.8	25%	3.0
Equipment			
Vehicle (115C)	12.0		
Micro Computer	12.0		
Word Processor	10.0		
Vehicle Related Equipment, Radio etc.	7.4		
Desks (5)	2.9		
Chairs	2.2		
Miscellaneous	<u>2.5</u>		
TOTAL EQUIPMENT	49.0	100%	49.0
TOTAL	<u>\$290.2</u>		<u>\$109.4</u>

Assumptions: The fiscal impact noted above is based upon no resources being transferred out by DOT/PF and that replacement vehicles will be ordered from presently appropriated contractual funding within the operating budget. FY87 funds are based upon the need to have the unit in place prior to the July 1, 1987 effective date to allow for training and familiarization in order to provide for a smooth transition from Department of Transportation to Department of Public Safety. Costs after FY87 are based upon the need for new equipment only in FY87 and a 6% inflation factor each year thereafter.

HB505
FORM 13 SUMMARY

	Base Year Funding					Total
	Lieutenant	Admin Ass't I	Clerk Typist II	Acctg Clerk I	Data Processing Clerk I	
Pers. Servcs.	70.4	40.4	30.4	31.9	31.9	205.0
Travel	4.2	-0-	-0-	-0-	-0-	4.2
Contractual	11.2	3.6	2.2	1.0	2.2	20.2
Supplies	3.3	2.5	2.0	2.0	2.0	11.8
Equipment	21.8	1.7	10.8	1.6	13.1	49.0
Total	110.9	48.2	45.4	36.5	49.2	290.2

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 505

The Department of Public Safety would need to continue to use of Department of Transportation & Public Facilities garages to ensure quality control. In addition, there is a need for mechanics to inspect vehicles upon receipt to ensure that specifications have been met. There are frequently problems when cars are received from the manufacturer, plus cars need to be outfitted with light bars, switching panels, door decals, shotgun holders, etc.

While the fiscal note includes funding for five positions for fleet management, the staff will experience a learning curve which will result in unavoidable inefficiencies as Public Safety develops its internal expertise needed for fleet management.

The Department of Public Safety will potentially be in a position where replacement vehicles would not be funded because replacement vehicle costs would compete in the Capital Budget with other equipment needs. In the past, the Department of Public Safety has been successful in raising concerns to DOT&PF which has adjusted rates downward and has minimized increases as well as made available special rates to meet the Department's needs. The Department has over a million dollars requested in the Operating Budget for vehicle replacement, and this is projected to meet the approximately 28% vehicle replacement needed by the Department in FY 87.

The Department of Public Safety would need to have a Police Vehicle Replacement Fund (revolving and continuing) with a separate component in each major budget to ensure that law enforcement vehicles receive a priority attention they deserve because of their operational needs. If the revolving fund is not approved, the replacement amount will be requested and included in the operating budget each year under the Equipment line item of each component.

quiries or complaints
 on or agency filed with
 mission is administra-
 dsman have been pro-
 which regulates entry
 qualified applicants to
 es, including affirma-
 th by the board, com-
 e area of activity or
 budgeting or other
 rd or commission to
 ply with the factors
 gram assigned to it
 hall, not later than
 ort to the presiding
 ary of the findings
 rd, commission or
 section, together
 e as to each of the
 hat the programs
 are intended to
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 , and its antici-
 g similar, con-
 g the purposes
 he board, com-
 another pro-
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program. No more than one board, commission, or agency program shall be continued or reestablished in any legislative bill, and the board, commission, or agency program shall be mentioned in the title of the bill. (§ 3 ch 149 SLA 1977)

Sec. 44.66.060. Existing claims. This chapter shall not cause the termination or dismissal of a claim or right of a citizen against a board, commission or program of an agency terminated under this chapter which is subject to litigation. Claims and rights shall be assumed by the department to which the board or commission terminated under this chapter was attached for administrative purposes. (§ 3 ch 149 SLA 1977)

Part 6. State Property.

Chapter

68. State-Owned Vehicles (§§ 44.68.010 — 44.68.040)

71. Surplus Property (§§ 44.71.010 — 44.71.040)

74. Management and Disposition (§§ 44.74.010 — 44.74.090)

Chapter 68. State-Owned Vehicles.

Section

10. Use of state-owned vehicles

20. Regulations regarding the use of state-owned vehicles

Section

30. Exemptions

40. Violations

Sec. 44.68.010. Use of state-owned vehicles. State-owned vehicles may be used only in the conduct of state business. A state officer or employee may not use or permit the use of a state-owned vehicle except in the conduct of state business. (§ 1 ch 178 SLA 1959)

Collateral references. — 72 Am. Jur. 2d States, Territories and Dependencies, § 66.

Applicability to public officials or employees of motor vehicle regulations. 19 ALR 459; 23 ALR 418.

Responsibility of public officer for negligence of subordinate in operation of vehicle, 3 ALR 149.

Sec. 44.68.020. Regulations regarding the use of state-owned vehicles. The Department of Transportation and Public Facilities shall adopt regulations that

(1) define what is the use of state-owned automotive and mechanical vehicles in the conduct of state business and distinguish this use from misappropriation for private use;

(2) prescribe use governing the storage of state-owned vehicles in those locations where storage space, under the jurisdiction of the Department of Transportation and Public Facilities, is available for storage of state-owned vehicles;

(3) provide for the marking of state-owned vehicles as property of the state and for the use of distinctive license tags for state-owned vehicles. (§ 2 ch 178 SLA 1959; am § 1 ch 12 SLA 1960; am § 50 ch 127 SLA 1974; am E.O. No. 39, § 11 (1977))

Sec. 44.68.030. Exemptions. This chapter does not apply to the use of vehicles by the governor. (§ 3 ch 178 SLA 1959)

Sec. 44.68.040. Violations. A state officer or employee who violates this chapter or a regulation adopted under this chapter is subject to dismissal from state employment upon hearing as provided for other dismissals for cause. (§ 4 ch 178 SLA 1959)

Chapter 71. Surplus Property.

Article

- 1. Disposition of Surplus State Property (§ 44.71.010)
- 2. Acquisition of Federal Surplus Property (§§ 44.71.020 — 44.71.040)

Article 1. Disposition of Surplus State Property.

Section

- 10. Disposition of obsolete or surplus state property

Sec. 44.71.010. Disposition of obsolete or surplus state property. The Department of Administration shall take possession of obsolete or surplus property of the state for which there is no immediate or prospective use, except abandoned or obsolete school buildings and other school property. It shall also take possession of property remaining in the control of a commission or board of the state government after the commission or board stops functioning. The Department of Administration shall sell, lease, license, or dispose of the property on the terms it considers for the best interests of the state. (§ 2 ch 24 SLA 1953)

Collateral references. — 1 and 2 Am. Jur. 2d, Administrative Law, § 1 et seq.; 63 Am. Jur. 2d, Public Officers and Employees, § 22; 72 Am. Jur. 2d, States, Territories and Dependencies, § 66 et seq.; 81A C.J.S., States, § 145 et seq.

Article 2. Acquisition of Federal Surplus Property.

Section

- 20. Authority and duty of Department of Administration

Section

- 30. Financing surplus property service
- 40. Authorization to accept property

Sec. 44.71.020. Authority and duty of Department of Administration. (a) The Department of Administration may

(1) acquire from the United States under The Federal Property and Administrative Services Act of 1949 as amended, referred to in AS

44.71.020 — Federal statute et seq.) property of the United States: (including educational and armed services authorized by

(2) warehouses
(3) distribution hospitals, clinics, universities in hospitals, clinics, from taxation Code of 1954, provisions of the state institutions engaged to the armed : eligible under

(b) The Department from the eligible the state government of federal surplus expression of v authorities of t for the property suitability of tl the processing personal property Act.

(c) The Department and prescribe th sary to administration and benefit to e

(d) The Department the expenditure undertakings i agreements wit between them o by the other, rec by law or regul disposal of real p of personal pro States.

(e) The Department information for e of this section an

Chapter 74. Management and Disposition.

Article

- 1. Equipment Maintenance and Operation of Supply Depots (§§ 44.74.010 — 44.74.060)
- 2. Transfer to Political Subdivisions (§§ 44.74.070 — 44.74.090)

Article 1. Equipment Maintenance and Operation of Supply Depots.

Section

- 10. Working capital fund
- 20. Use of fund
- 30. Receipts for equipment rental, repairs, and supplies

Section

- 40. Records of working capital fund
- 50. Additions and replacements to fund
- 60. Governor's approval of rates

Sec. 44.74.010. Working capital fund. A working capital fund is established in the state treasury for the use of the Department of Transportation and Public Facilities. (§ 1 ch 120 SLA 1960; am § 13 ch 49 SLA 1963; am E.O. No. 39, § 11 (1977))

Collateral references. — 63 Am. Jur. 2d, Public Funds, § 1 et seq.

Sec. 44.74.020. Use of fund. The department shall use the fund for necessary expenses resulting from the centralization of equipment maintenance and for the operation of supply depots. (§ 1 ch 120 SLA 1960)

Sec. 44.74.030. Receipts for equipment rental, repairs, and supplies. Receipts from rental fees and surcharges to the various departments for equipment rental, repair and supplies shall be deposited in the working capital fund. The departments of the state government shall include in their annual budgets the rental fees, equipment repairs and supplies. (§ 2 ch 120 SLA 1960)

Sec. 44.74.040. Records of working capital fund. The Department of Transportation and Public Facilities shall maintain cost accounting records showing the income and expenses of the fund. The department shall submit a report on the operation of the fund to the governor and the legislature at the time of submission of the departmental budget. (§ 3 ch 120 SLA 1960; am § 14 ch 49 SLA 1963; am E.O. No. 39, § 11 (1977))

Sec. 44.74.050. Additions and replacements to fund. Additions to capital equipment, replacements of capital equipment or improvements paid from the working capital fund are subject to annual appropriation by the legislature and shall be detailed in the executive budget. (§ 3 ch 120 SLA 1960)

Sec. 44.74.060. Governor's approval of rates. Rental and surcharge rates charged by the department are subject to annual review and approval by the governor. (§ 3 ch 120 SLA 1960)

Article

Section

- 70. Transfer of equipment divisions

Sec. 44.74.070. (a) The may transfer dir a village organiz title to automotiv the maintenance (b) Equipment state requirement use, to some exte (c) The commis sioner's judgment regard to (b) of th (d) The commis allocated in the be necessary regulat ch 106 SLA 1962:

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Sec. 19.05.060. Sale of obsolete equipment and material. The department may sell, exchange or otherwise dispose of obsolete machinery, equipment and material no longer needed, required or useful for construction or maintenance purposes. Money derived from the sale of the property shall be credited to the funds from which the purchase was originally made. (§ 3 art IV title IV ch 152 SLA 1957)

Sec. 19.05.070. Vacating and disposing of land and rights in land. (a) The department may vacate land, or part of it, or rights in land acquired for highway purposes, by executing and filing a deed in the appropriate recording district. Upon filing, title to the vacated land or interest in land inures to the owners of the adjacent real property in the manner and proportion considered equitable by the commissioner and set out by him in the deed.

(b) If the department determines that land or rights in land acquired by the department are no longer necessary for highway purposes the department may:

(1) transfer the land or rights in land to the Department of Natural Resources for disposal, or

(2) sell, contract to sell, lease, or exchange land or rights in land according to terms, standards and conditions established by the commissioner.

(c) Proceeds received from disposal of land or rights in land as authorized by this section shall be credited to the funds from which the purchase of the land was made originally. (§ 4 art IV title IV ch 152 SLA 1957; am § 4 ch 35 SLA 1971)

Article 2. Acquisition of Property

Section

- 80. Acquisition of land, rights-of-way, and materials by purchase or eminent domain
- 90. Declaration of taking
- 100. Acquisition of excess lands
- 110. Authority to condemn or acquire

Section

- publicly owned property for the purpose of exchange
- 120. Authority to purchase property for the purpose of exchange
- 122. Utility corridor for extension of the Alaska Railroad

Sec. 19.05.080. Acquisition of land, rights-of-way, and materials by purchase or eminent domain. The department on behalf of the state and as part of the cost of constructing or maintaining a highway may purchase, acquire, take over, or condemn under the right and power of eminent domain land in fee simple or easements which it considers necessary for present public use, either temporary or permanent, or which it considers necessary and reasonable for the public use. By the same means, the department may obtain material, including clay, gravel, sand, or rock, or the land necessary to obtain material, including access to it. The department may acquire the land or materials notwithstanding the fact that title to it is vested in the

Collateral references. — 39 Am. Jur. 2d, Highways, Streets, and Bridges, § 1 et seq.
39A C.J.S., Highways, § 1 et seq.

Sec. 44.42.010. Commissioner of transportation and public facilities. The principal executive officer of the Department of Transportation and Public Facilities is the commissioner of transportation and public facilities. (E.O. No. 39, § 2 (1977))

Sec. 44.42.020. Powers and duties. (a) The department shall

(1) plan, design, construct and maintain all state modes of transportation and transportation facilities and all docks, floats, breakwaters, buildings and similar facilities;

(2) study existing transportation modes and facilities in the state to determine how they might be improved or whether they should continue to be maintained;

(3) study alternative means of improving transportation in the state with regard to the economic costs of each alternative and its environmental and social effects;

(4) develop a comprehensive, long-range intermodal transportation plan for the state;

(5) study alternatives to existing modes of transportation in urban areas and develop plans to improve urban transportation;

(6) cooperate and coordinate with and enter into agreements with federal, state and local government agencies and private organizations and persons in exercising its powers and duties;

(7) manage, operate, and maintain state transportation facilities and all docks, floats, breakwaters and buildings, including all state highways, vessels, railroads, pipelines, airports, and aviation facilities;

(8) study alternative means of transportation in the state, considering the economic, social, and environmental impacts of each alternative;

(9) coordinate and develop state and regional transportation systems, considering deletions, additions, and the absence of alterations;

(10) develop facility program plans for transportation and state buildings, docks and breakwaters required to implement the duties set out in this section, including but not limited to (A) functional performance criteria; and (B) schedules for completion;

(11) supervise and maintain all state automotive and mechanical equipment, aircraft, and vessels, except vessels and aircraft used by the Department of Fish and Game or the Department of Public Safety;

(12) supervise aeronautics inside the state, under AS 02.10;

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(13) complete and maintain a current inventory of public facilities, including a projection of the serviceability of the facilities and projections of replacements and additions to facilities needed to provide the level of services programmed by the various user agencies, for municipalities with populations of less than 12,000 and for unincorporated communities, and perform those duties on a cooperative basis with larger municipalities;

(14) adopt energy performance standards for public facilities of the state, the construction of which begins after July 1, 1980; the standards shall be based on thermal and lighting energy standards established by the American Society of Heating, Refrigeration and Air Conditioning Engineers as adapted for application in high latitude, cold climate environs;

(15) provide planning assistance, including but not limited to energy audits and related technical services, to school districts and regional educational attendance areas to develop and implement

(A) standards for the design, construction and operation of rural educational facilities; and

(B) energy conservation measures for rural educational facilities.

(b) The department may

(1) engage in experimental projects relating to available or future modes of transportation and any means of improving existing transportation facilities and service;

(2) exercise the power of eminent domain, including the declaration of taking as provided in AS 09.55. (E.O. No. 39, § 2 (1977); am § 13 ch 168 SLA 1978; am § 12 ch 83 SLA 1980; am E.O. No. 50, § 10 (1981))

Cross references. — For the responsibility and authority of the supreme court over state court facilities, see AS 22.05.025.

Effect of amendments. — The 1980 amendment added paragraphs (14) and (15) to subsection (a).

The 1981 amendment, in subsection (a), deleted "communication facilities" following "transportation facilities" in paragraph (1), deleted "and communication facilities" following "modes and facilities" in paragraph (2), deleted "and communication" following "improving

transportation" in paragraph (3), deleted "communication facilities" following "transportation facilities" in paragraph (7), deleted "and communication facilities" following "plans for transportation" in paragraph (10), deleted "and" at the end of paragraph (11), deleted "and communications" following "aeronautics" and substituted a semicolon for a period near the end of paragraphs (12) and (13). The amendment also deleted "and communication" following "facilities and service" in paragraph (1) of subsection (b).

Sec. 44.42.030. Regulations. The department may adopt regulations under the Administrative Procedure Act (AS 44.62) to implement, interpret, or make more specific its powers and duties. (E.O. No. 39, § 2 (1977))

Sec. 44.42.040. Departmental organization. The commissioner shall establish regions within the state. The functions of the department within each region shall be performed, to the maximum extent

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and a copy of the declaration of taking is filed in the office of the recorder located in the recording district where the land is located. The department may pay or have paid, from the appropriate fund, into court the amount it considers represents a reasonable valuation for the lands, easement or materials taken. (§ 1 art I title IV ch 152 SLA 1957)

This section and AS 35.20.010 grant eminent domain proceedings. Tallman v. State, Sup. Ct. Op. No. 862 (File No. 1612), 306 P.2d 679 (1973). to the Department of Public Works eminent domain powers, as well as the right to employ a declaration of taking in

Sec. 35.20.030. Acquisition of excess lands. When a part of a parcel of land is taken and the remainder is in such shape or condition as to be of little value to its owner, or gives rise to claims or litigation concerning severance or other damage, the department may acquire the whole parcel and may sell the remainder or exchange it for other property needed for public works. (§ 2 art I title IV ch 152 SLA 1957; added by § 3 ch 122 SLA 1960)

Sec. 35.20.040. Authority to condemn or acquire publicly owned property for the purpose of exchange. When property which is devoted to or held for another public use for which the power of eminent domain may be exercised is taken for purposes set out in this title, the department may, with the consent of the person or agency in charge of the other public use, condemn the real property to be exchanged for the real property so taken. This section shall not limit the authorization of the department to acquire, other than by condemnation, property for those purposes in any other manner. (§ 2 art I title IV ch 152 SLA 1957; added by § 3 ch 122 SLA 1960)

Sec. 35.20.050. Authority to purchase property for the purpose of exchange. When the commissioner formally declares that it is in the best public interest of the state to do so, the department may acquire by purchase or otherwise privately or publicly owned land or an interest in it for the purpose of exchanging it for privately or publicly owned land which the department is authorized by law to acquire. (§ 2 art I title IV ch 152 SLA 1957; added by § 3 ch 122 SLA 1960)

Sec. 35.20.060. Sale of obsolete equipment and material. The department may sell, exchange or otherwise dispose of obsolete machinery, equipment and material no longer needed, required or useful for construction or maintenance purposes. Money derived from the sale of the property shall be credited to the fund from which the purchase was originally made. (§ 3 art IV title IV ch 152 SLA 1957)

Sec. 35.20.070. Vacating of lands or rights in land. The department may vacate land, or part of it, or rights in land acquired for public work purposes by executing and filing a deed in the appropriate

HOUSE BILL NO. 505

DRAFT

For an Act entitled: "An Act improving the fiscal controls on the size and use of the working capital fund; and providing for an effective date."

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

* Section 1. AS 44.74 is amended by adding a new section to read:

Sec. 44.74.070 Required Fund Lapse.

The size of the Highway Working Capital Fund's cash balance is limited by the following conditions:

a) All annual fees for vehicle or equipment replacement accumulated in the Fund for a vehicle which has been exceeded shall be lapsed to the general fund on 7/1 of each year if not previously credited to the user agency for the purchase of a vehicle or equipment serving the budgeted function of the user agency.

SALVAGE VALUE # 375...

b) All salvage sale receipts deposited in the Fund for vehicles which have been exceeded shall be lapsed to the general fund on 7/1 of each year if not previously credited to the user agency for the purchase of vehicle or equipment serving the budgeted function of the user agency.

THIS TO BE DONE IN FISCAL YEAR

c) Any funds accumulated in Fund during the fiscal year representing an excess of usage fees collected when compared to the actual cost of operation and maintenance shall be lapsed into the general fund on 7/1 of each year.

d) The cash balance of the Fund shall be limited to a maximum not to exceed 20% of the Fund's fixed assets plus accumulated depreciation, the excess of 7/1 of each year shall be lapsed into the general fund.

net book value (\$78M)

* Sec. 2. This Act takes effect July 1, 1987.

A M E N D M E N T

Offered in the HOUSE

By Pignalberi

TO: HB 505

Page 1, line 6:

Delete "eliminating the working capital fund" and insert "relating to state-owned vehicles and equipment"

Page 1, after line 8, insert the following new bill sections to read:

"* Section 1. AS 19.05.060 is amended to read:

Sec. 19.05.060. SALE OF OBSOLETE EQUIPMENT AND MATERIAL. Except as provided in AS 44.68.005, the [THE] department may sell, exchange or otherwise dispose of obsolete machinery, equipment and material no longer needed, required or useful for construction or maintenance purposes. Money derived from the sale of the property shall be deposited in the general fund [CREDITED TO THE FUNDS FROM WHICH THE PURCHASE WAS ORIGINALLY MADE].

* Sec. 2 AS 35.20.060 is amended to read:

Sec. 35.20.060. SALE OF OBSOLETE EQUIPMENT AND MATERIAL. Except as provided in AS 44.68.005, the [THE] department may sell, exchange or otherwise dispose of obsolete machinery, equipment and material no longer needed, required or useful for construction or maintenance purposes. Money derived from the sale of the property shall be deposited in the general fund [CREDITED TO THE FUND FROM WHICH THE PURCHASE WAS ORIGINALLY MADE].

* Sec. 3. AS 44.68 is amended by adding a new section to read:

Sec. 44.68.005. PURCHASE AND DISPOSAL OF STATE OWNED VEHICLES. (a) The division of general services and supply in the Department of Administration shall purchase all automotive and mechanical vehicles, including construction equipment, for the use of state agencies. An obsolete or surplus vehicle shall be delivered by the state agency using it to the division of general services and supply for use by another agency or disposal as determined by the division. Money from the sale or other disposal of a vehicle by the division shall be deposited in the general fund.

(b) The purchase of additional vehicles or construction equipment for the use of an agency shall be paid for from appropriations to that agency for that purpose. The purchase to replace vehicles or construction equipment shall be paid for from the vehicle fund. The division of general services and supply shall encourage state agencies to use vehicles for as long as possible before requesting replacement.

* Sec. 4. AS 44.68.020 is amended to read:

Sec. 44.68.020. REGULATIONS REGARDING THE USE OF STATE-OWNED VEHICLES. The Department of Administration [TRANSPORTATION AND PUBLIC FACILITIES] shall adopt regulations that

(1) define what is the use of state-owned automotive and mechanical vehicles, including construction equipment, in the conduct of state business and distinguish this use from misappropriation for private use;

(2) [PRESCRIBE USE GOVERNING THE STORAGE OF STATE-OWNED VEHICLES IN THOSE LOCATIONS WHERE STORAGE SPACE, UNDER THE JURISDICTION OF THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, IS AVAILABLE FOR STORAGE OF STATE-OWNED VEHICLES;

(3)] provide for the marking of state-owned automotive and mechanical vehicles, including construction equipment, as property of the state and for the use of distinctive license tags for state-owned vehicles.

* Sec. 5. AS 44.68 is amended by adding new sections to read:

Sec. 44.68.050. REPAIR AND MAINTENANCE OF VEHICLES. A state agency that obtains the use of a vehicle from the division of general services and supply is responsible for the repair and maintenance of the vehicle. The agency may contract with persons in the private sector or with another state agency for the repair and maintenance. Each department shall include in its annual budget a request for an amount necessary to repair and maintain all vehicles it has obtained from the division of general services and supply.

Sec. 44.68.060. VEHICLE FUND. There is established in the Department of Administration the vehicle fund composed of money appropriated to the fund each fiscal year. Money from the fund shall be used by the division of general services and supply for the replacement of automotive and motorized vehicles, including construction equipment, for the use of state agencies. Replacement of vehicles and construction equipment determined essential by the division is subject to annual appropriation by the Legislature and shall be detailed in the executive budget.

Sec. 44.68.070. CALCULATION OF VEHICLE DEPRECIATION. Each year the division of general services and supply shall prepare a depreciation calculation for all state-owned vehicles, including construction equipment, and submit the calculations to the governor to be included in the budget as an appropriation to the vehicle fund. A depreciation calculation for a vehicle may not exceed 100 percent of its value. Funded depreciation relating to vehicles that are not replaced will revert to the general fund at the end of each fiscal year.
* Sec. 6. AS 44.74.070(a) is amended to read:

(a) The commissioner of administration [TRANSPORTATION AND PUBLIC FACILITIES] may transfer directly to a political subdivision of the state, including a village organized under 25 U.S.C. 461 - 479 or 48 U.S.C. 362, the title to automotive and construction equipment that [WHICH] can be used in the maintenance or construction of roads and airports."

Renumber the following bill sections accordingly.

Page 1, line 9, before "AS 44.74.010 - 44.74.060"

Insert: "AS 44.42.020(a)(11) and"

Delete: "is"

Insert: "are"

A M E N D M E N T

Offered in the HOUSF

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TO: HB 505

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(2) [PRESCRIBE USE GOVERNING THE STORAGE OF STATE-OWNED VEHICLES IN THOSE LOCATIONS WHERE STORAGE SPACE, UNDER THE JURISDICTION OF THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, IS AVAILABLE FOR STORAGE OF STATE-OWNED VEHICLES;

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Renumber the following bill sections accordingly.

Page 1, line 9, before "AS 44.74.010 - 44.74.060"

Insert: "AS 44.42.020(a)(11) and"

Delete: "is"

Insert: "are"

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No.: HB 504
 Title: "An Act transferring appropriations from the working capital fund to the general fund..."
 Sponsor: Rules Committee
 Requestor: H. Transportation
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Public Safety
 BRU: Alaska State Troopers

 Components: _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		0	0	0	0	0

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by: Kathy Niles *Kathy Niles*
 Division: Commissioner's Office
 Phone: 465-4336
 Date: 2/05/86

Approved by Commissioner: [Signature]
 Agency: Public Safety
 Date: 2/5/86

- Distribution (by Agency preparing fiscal note):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)

DEPARTMENT OF PUBLIC SAFETY

POSITION PAPER

Opposed

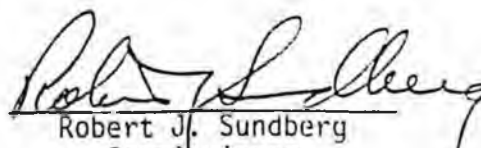
February 4, 1986

HB504 "An Act transferring appropriations from the working capital fund to the general fund; and providing for an effective date."

HB504 transfers the funds built up by operating budget contributions to replace fleet vehicles when they have reached the end of their useful lives. This is the companion bill to HB505 which eliminates the Highway Working Capital Fund. Both are in response to a Legislative Audit Report on the fund dated November 15, 1985. HB504 adopts Recommendation No. 3 transferring the remaining cash balance in the fund to the General Fund.

By transferring accumulated funds to the general fund, the user agencies will be forced to request replacements in budget competition with other needs of the state government and the public. Ultimately, this may result in a deterioration in the quality of the fleet available to our law enforcement officers.

See Position Paper for HB505 for related discussion.


Robert J. Sundberg
Commissioner

Bette -

I didn't do a summary of what is going on with these bills for the members today as the bills are pretty short and to the point and the performance report from Legislative Budget and Audit is easy reading and relates directly to the bills.

Basically -

Legislative Budget and Audit feels that the Highway Working Capital Fund can be eliminated and agencies would then budget for the replacement vehicle as they would budget for any other item. This would also ensure the highest degree of legislative oversight since replacement purchases would be reviewed and defended on an agency-by-agency basis rather than as a lump sum appropriation from the Highway Equipment Working Capital Fund.

DOTPF disagrees with this recommendation because as it stands now, the Legislature reviews expenditures by the State Equipment Fleet twice throughout the capital budgeting process and annually (4-6 times depending upon the life of the vehicle) in the operating budget. Plus the fact that the annual appropriation process occurs too late to replace critical vehicles in a timely fashion and over budgeting vehicle replacement would be duplicated by these agencies, thus increasing the cost of vehicles to the state through early an unwarranted replacement and repairs.

Legislative Budget and Audit feels that the cash balance of the Highway Equipment Working Capital Fund should be transferred to the General Fund.

DOTPF generally agrees that portions of the fund should be transferred to the General Fund. However, they also commented that all funds now in the cash balance of the Highway Equipment Working Capital Fund are already within the General Fund and earning interest for use as an unrestricted General Fund. Also, DOT noted that the department has both supported the re-appropriation of funds so as to minimize the adverse effects of holding unnecessary General Funds within the HEWCF and has adjusted rates downwards for both FY 85 and FY 86 to avoid future excess balances.

At the time of this typing (4:30 p.m.) all I have to give you is the audit report and DOT's comments contained in the back of that report. Susan was doing her best to get us a position paper and fiscal note, but so far nothing.

Gerald Wilkerson, head of Legislative Budget and Audit will be present to testify on as a sort of sponsor of this bill at my request.

It is also my understanding that Commissioner Knapp will also be here.

A PERFORMANCE REPORT ON THE
DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
HIGHWAY EQUIPMENT WORKING CAPITAL FUND

November 15, 1985

Audit Control Number

25-1228-86-R

Commissioner, Department of
Transportation and Public Facilities

Richard J. Knapp

Deputy Commissioners, Department of
Transportation and Public Facilities

H. Glenzer, Jr.
John Olson (Acting)
John Scribner
Warren Sparks

STATE OF ALASKA

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

November 20, 1985

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska
Statutes, the attached report is submitted for your review.

A PERFORMANCE REPORT ON THE
DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
HIGHWAY EQUIPMENT WORKING CAPITAL FUND

November 15, 1985

Audit Control Number

25-1228-86-R



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

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PURPOSE OF THE REPORT

In accordance with Title 24 of the Alaska Statutes, we conducted a performance review of the Highway Equipment Working Capital Fund to review the efficiency and economy of the Fund's activities.

The policy and audit approach utilized by the Division of Legislative Audit for performance reports can best be described as "audit by exception."

This methodology focuses audit effort on areas of an auditee's operations that have been identified by a preliminary survey as having a high degree of probability for needing improvements.

Therefore, by design, finite audit resources are used to identify where and how improvement can be made and little time is devoted to reviewing well-run operations or programs. Consequently, this report highlights those areas needing improvement and does not emphasize those operations and programs that are properly functioning.

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Organizational History and Fund Designation

In 1960, the Highway Equipment Working Capital Fund (HEWCF) was established by AS 44.74 to be used by the Department of Transportation and Public Facilities (DOTPF). The Department was charged with using the Fund for the necessary expenses resulting from the centralization of equipment maintenance and for the operation of supply depots. Receipts from rental fees and surcharges to the various departments for equipment rental, repair, and supplies were designated as deposits to HEWCF.

Intragovernmental Service Funds (also termed Revolving Funds or Working Capital Funds) are established in order to finance, administer, and account for the provision of goods or services by one department of a government to another. Charges to other departments and agencies for services provided by such a Fund are normally intended to recoup the cost of services and are not generally designed to produce any significant profits or cash balances. Intragovernmental Service Funds are established to provide continuing services on as closely as possible break-even basis. Many goods and services, such as that provided by the State Equipment Fleet, that are financed through Intragovernmental Service Funds are available on a commercial basis. Therefore, one of the benefits of accounting for equipment and services through an Intragovernmental Service Fund is the ability to compare the cost of the same services if procured commercially.

Organizational Structure

Presently, HEWCF is structured similarly to the Department of Transportation and Public Facilities. This structure is regional in nature in order to provide better response to regional concerns. However, it has been noted by HEWCF personnel that this structure impedes the centralized type of service that HEWCF provides to other agencies - many of which are centralized. Those personnel also note that the reason for regionalization does not apply to HEWCF since they provide service to agencies and not to the general public. Other departmental personnel feel that, as a part of DOTPF, HEWCF should be structured similarly.

Organizational Functions

The Highway Equipment Working Capital Fund (HEWCF) collects two major categories of fees - fixed fees and operating fees. Fixed fees allocate the cost of a replacement vehicle over the vehicle's life span. Thus, an agency will request an appropriation to purchase a vehicle or equipment item when needed and then pay a monthly fee over the estimated useful life of the vehicle or equipment item for its eventual replacement. The original acquisition is a capital budget item while the monthly replacement fee is contained in the user agency's operating budget and may not receive the legislative scrutiny afforded other capital requests. At the end of the vehicle's useful life, the vehicle is replaced by HEWCF using the fees accumulated during the vehicle's life. Instead of vehicle and equipment purchases being reviewed and defended to the Legislature on an individual basis by the agency in need, HEWCF requests a lump sum dollar amount for a fiscal year's replacement program. These requests are based on the assumption that all vehicles whose "paper life" has been reached will be replaced in that fiscal year's replacement program. As shown by Exhibit A, this method of budgeting has overstated equipment needs by as much as \$12 million in one fiscal year.

As shown on Exhibit A, there is a surprising trend of increasing fixed fee revenues (obtained from other agencies' operating budgets), increasing HEWCF expenditure authorizations for replacement vehicles and decreasing actual expenditures. For Fiscal Years 1981-1985, the figures show:

<u>Fiscal Year</u>	<u>HEWCF Fixed Fee Revenues</u>	<u>Vehicle Replacement Authorizations</u>	<u>Actual Expenditures</u>
1981	\$15,095,523	\$10,253,800	\$10,252,798
1982	16,924,817	11,278,100	9,400,780
1983	18,146,126	14,254,000	8,285,292
1984	21,412,988	17,600,000	5,549,185
1985	<u>18,856,530</u>	<u>19,183,800</u>	<u>6,338,210</u>
Total	<u>\$90,435,984</u>	<u>\$72,569,700</u>	<u>\$39,826,265</u>

As shown above, \$90 million in fixed fees were assessed other agencies over five years for the replacement program while \$40 million was expended/encumbered to meet replacement needs (creating a \$50 million excess of revenues over expenditures). This compares to legislative authorization requests of \$72.5 million. This is the main reason for the substantial amount of cash reserves accumulated by HEWCF.

Another cause for the increase in cash is that if an agency decides it does not want to replace a vehicle or no longer needs one, it has already provided HEWCF with sufficient funds to replace it. Those funds remain within HEWCF and do not revert to the General Fund from which they were originally appropriated. As noted by HEWCF personnel, this and the high fixed fees themselves, in part, has lead to the accumulation of a greater than \$40 million cash balance in HEWCF.

The second category of fees collected by HEWCF, operating fees, allocates the cost of operating a vehicle over the standard usage of the vehicle. Thus, an agency pays a mileage, hourly, or monthly rate on a vehicle's use in return for fuel and maintenance provided by HEWCF personnel. The past high operating fees, according to HEWCF personnel, have been the other means by which a \$40 million cash balance has been accumulated in HEWCF.

As part of its operating functions, HEWCF has 36 maintenance shops statewide, regionalized as follows:

Central Region:	11 shops, 3 parts locations, 23 fuel depots
Interior Region:	13 shops, 1 parts location, 26 fuel depots
Southeast Region:	6 shops, 1 parts location, 11 fuel depots
Western Region:	1 shop, 1 parts location, 5 fuel depots
Southcentral Region:	5 shops, 2 parts locations, 10 fuel depots

As of June 1985, the shops statewide had 157 permanent full-time positions and 13 seasonal positions.

Financial Activity

As stated previously, HEWCF has a greater than \$40 million cash balance. This cash balance is comprised of General Fund appropriations made to agencies requiring maintenance or replacement of their State vehicles. According to HEWCF personnel, the Fund has accumulated an excess cash balance through a combination of high operating fees and replacement funds that have not reverted to the General Fund even though the replacement of vehicles did not occur. The Legislature has recognized and has, to some extent, compensated for this by reappropriating funds from HEWCF to the General Fund over a three year period (FY 83 - FY 85) in an amount exceeding \$25 million (Exhibit B). Despite the legislative reappropriations, the HEWCF cash balance has remained in excess of \$34 million, and will increase to approximately \$44 million in spite of a budgeted funding adjustment for FY 86 of approximately \$12 million. The result of this is that unneeded funds were appropriated to agencies and passed to HEWCF, thereby restricting the amount of General Funds that could be made available for other purposes. As shown on Exhibits C and D, cash balances of HEWCF with and without legislative reappropriations are and would have been:

<u>Fiscal Year</u>	<u>Actual Cash Balances With Reappropriations</u>	<u>Cash Balances if Not Reappropriated</u>
1981	\$22,469,507	\$22,469,507
1982	24,663,123	24,663,123
1983	34,390,388	38,390,388
1984	38,507,627	53,828,627
1985	45,952,793	71,273,793
1986 (as projected)	43,811,539	80,912,839

User Agencies' Concerns

We met with and/or conducted surveys by telephone with representatives of the Departments of Administration, Law, Revenue, Education, Health and Social Services, Labor, Commerce and Economic Development, Natural Resources, Fish and Game, Public Safety, Corrections, Military and Veterans Affairs, and Environmental Conservation. We also met with the State's purchasing agency - Division of General Services and Supply - and held discussions with the regional offices of the State Equipment Fleet and the Department of Transportation and Public Facilities regional offices of the Division of Maintenance and Operations. Our interviews and discussions generally were held with budgetary/policy-making individuals, or their representatives, and were not designed to discuss financial and budget matters with custodians or assignees of vehicles.

There is a general dissatisfaction with the current operations of HEWCF and how it services the needs of these State agencies. While a number of agencies felt it was more convenient to deal with HEWCF, a majority are concerned with the cost.

It has been mentioned by HEWCF personnel that the present data system does not accumulate data in a manner to make accurate comparisons between the service provided by HEWCF and that provided by private industry. It has also been noted that few measures of performance have been established and analyzed to indicate the performance level of HEWCF. HEWCF is presently negotiating for an Equipment Management System (EMS) to provide more accurate cost information.

Presently, there is some confusion among users as to what service is being provided to them by HEWCF and for what their agencies are being charged. This confusion seems to stem from the lack of an updated HEWCF policies and procedures manual which should be disseminated to user agencies.

Vehicle Fleet Composition

There is a trend developing which is shifting the composition of the State's Equipment Fleet. As shown on Exhibit E in FY 81, 70% of the fleet was comprised of "wet" vehicles, in which user agencies paid HEWCF a monthly operating rate for gasoline and maintenance in addition to the monthly "fixed fee" replacement funds. In FY 85, 59% of the fleet comprised the "wet" category. Conversely, the number of "non" vehicles (those purchased by agencies outside of HEWCF) has risen from 23% in FY 81 to 32% in FY 85 as shown in the following schedule.

Vehicle Rental Type

<u>Fiscal Year</u>	<u>HEWCF Vehicles</u>				<u>Non-HEWCF Vehicles</u>		<u>Total</u>
	<u>Wet</u>		<u>Dry</u>		<u>No.</u>	<u>%</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>			
1981	3,053	70%	309	7%	986	23%	4,348
1982	2,991	64%	442	9%	1,248	27%	4,681
1983	3,003	59%	457	9%	1,613	32%	5,073
1984	3,000	58%	449	9%	1,716	33%	5,165
1985	3,424	59%	523	9%	1,856	32%	5,803

Report Conclusion

The historical method of planning and budgeting for State vehicle and equipment needs through the Highway Equipment Working Capital Fund has resulted in the following:

1. User agencies requesting capital replacement funds through the operating budget.
2. Reduced legislative oversight of agencies' capital requests.
3. HEWCF capital expenditure requests exceeding actual capital expenditures by approximately \$33 million in a five year period.
4. HEWCF replacement revenues exceeding replacement expenditures in excess of \$50 million in the same five year period.
5. Accumulation of a cash reserve of \$44 million by FY 86 despite legislative reappropriations in excess of \$37 million from FY 83 - FY 86.
6. Excessive HEWCF fees restricting the amount of General Funds that could be made available for other purposes.
7. Little management/performance information regarding vehicle condition and operating costs.
8. User agency dissatisfaction with HEWCF services and costs.
9. Loss of agency replacement fees paid previously when replacement of vehicles does not occur.
10. Decrease in State agency use of the fund.

We believe there are viable alternatives to the current system of meeting the State of Alaska's equipment needs and recommend the Legislature consider the following.

Recommendation No. 1

Effective with Fiscal Year 1987, all agency vehicle and equipment needs should be requested and budgeted for on an as-needed basis through individual Department Capital Budget requests, and AS 44.74.010-.060 should be repealed.

We believe a preferable method to replacing State vehicles would be to require the agencies to budget for the replacement vehicle as they would budget for any other item. This would ensure the highest degree of legislative oversight since replacement purchases would be reviewed and defended

on an agency-by-agency basis rather than as a lump sum appropriation from HEWCF. It would also eliminate agency capital needs being requested in the operating budget. This method may result in fluctuations in fiscal year budgets, and if requests were not approved, the condition of state vehicles could deteriorate. However, this method of replacement budgeting should also create a higher degree of agency involvement by encouraging program vehicle need reevaluation and stimulating an agency's direct interest in the care and maintenance of their vehicles. Under this method, vehicle replacement would still be coordinated with HEWCF personnel to obtain quantity discounts through General Services and Supply. However, no excess funds would accumulate in the HEWCF and unneeded funds would remain with the General Fund.

Recommendation No. 2

Vehicle and equipment maintenance responsibility should remain with the Department of Transportation and Public Facilities (DOTPF); however, the use of maintenance shops should be at the option of the user agency.

The preferred method for vehicle and equipment maintenance and repair would be for each agency with vehicles to enter into a Reimbursable Services Agreement with DOTPF. During budget preparation, DOTPF should provide agencies with estimated costs for repairs, maintenance, and fuel, much as it now does for operating and fixed fees. However, it would be incumbent upon DOTPF to provide competitively priced services as user agencies would have the option to determine whether better alternatives are available elsewhere and to use those alternatives if they choose to do so.

Recommendation No. 3

The cash balance of the Highway Equipment Working Capital Fund should be transferred to the General Fund.

With the repeal of AS 44.74.010-.060 and agencies budgeting for their own vehicle and equipment requirements as recommended above, the cash remaining with HEWCF should be returned to the General Fund.

The cash balance at fiscal year end 1985 was approximately \$46 million. The projected cash balance at fiscal year end 1986 is estimated to be nearly \$44 million.

We recommend that HEWCF return \$35-40 million to the General Fund. Based on projections, this would leave \$3-8 million within the Fund, which at fiscal year end 1986, could be transferred to the General Fund to coincide with the recommended changes in budgeting for vehicles and equipment.

EXHIBITS

Exhibit A

Replacement Program Comparison (Dollars in Millions)

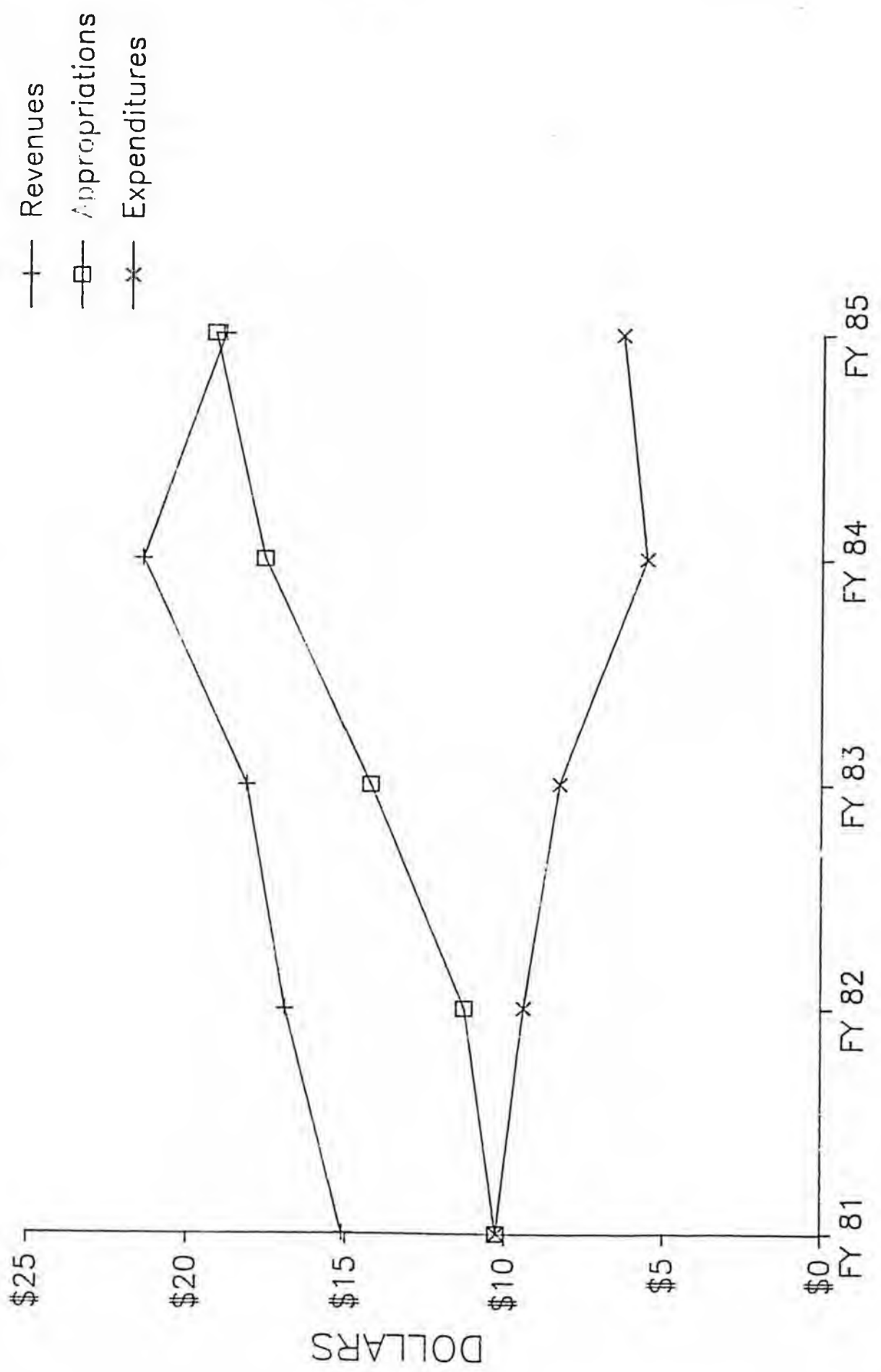


Exhibit B

HEWCF FUNDING ADJUSTMENT TREND (Dollars in Millions)

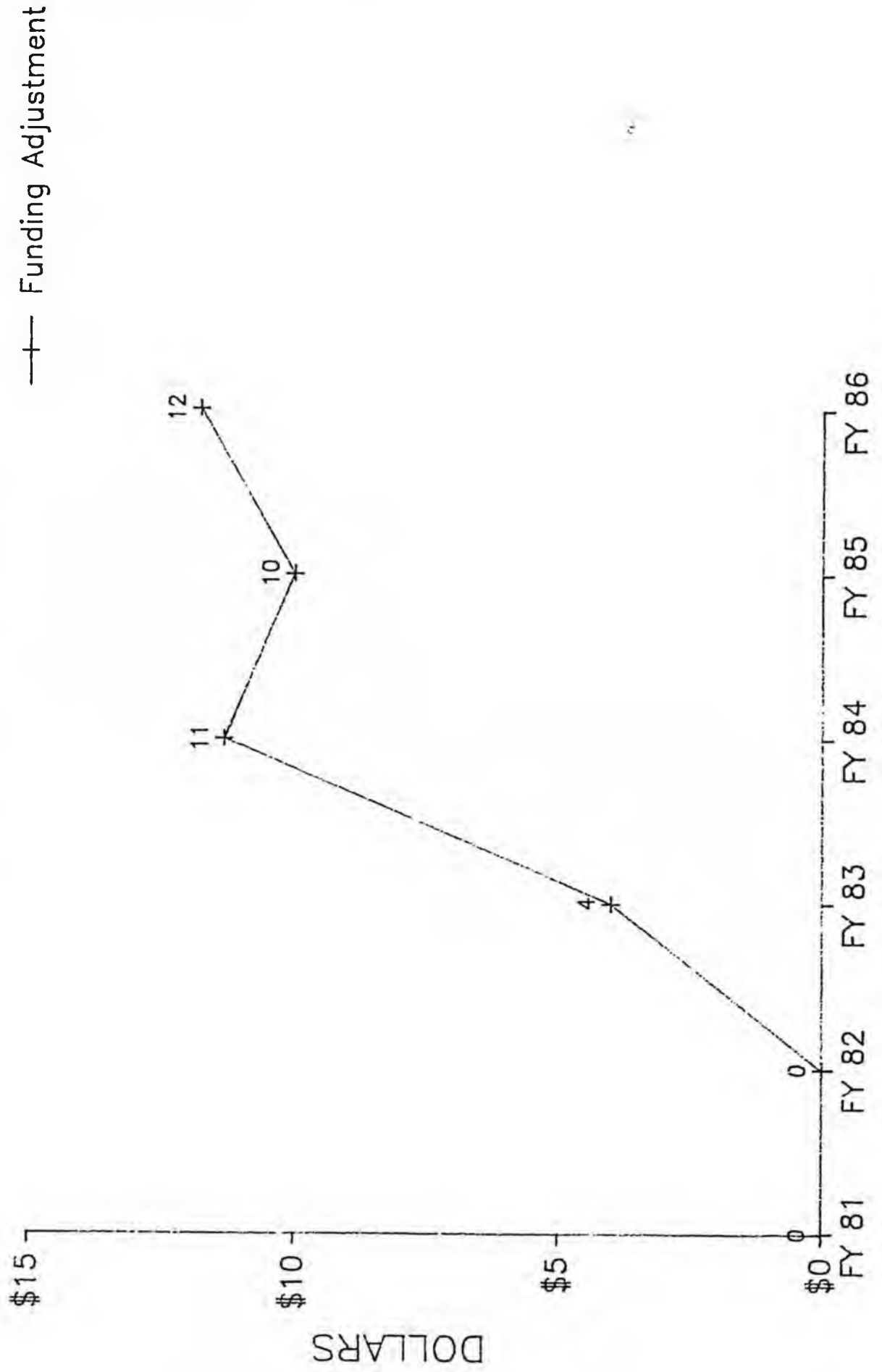


Exhibit C

HEWCF CASH TREND

(Dollars in Millions)

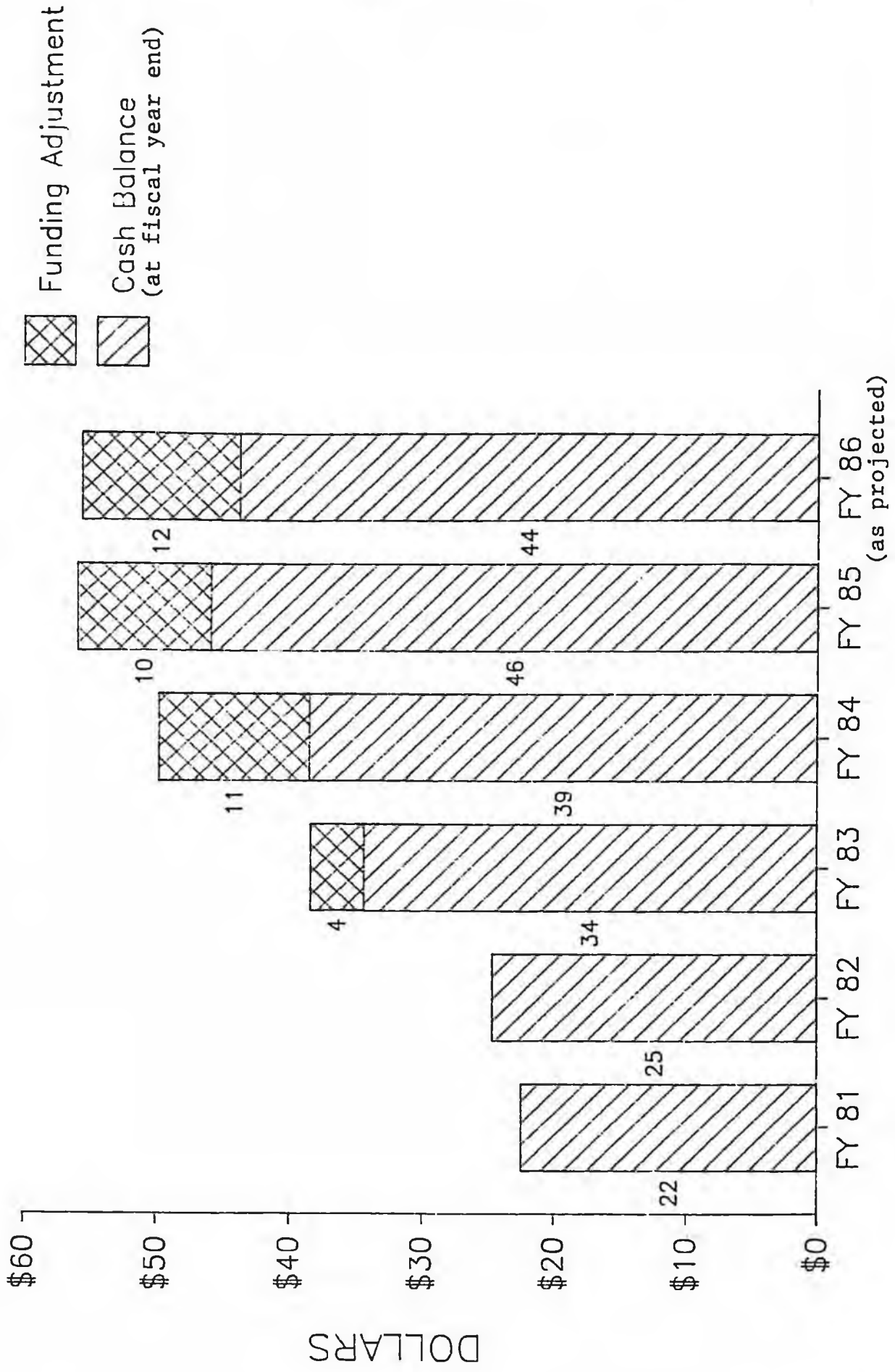


Exhibit D

HEWCF CASH TREND (Without Funding Adjustments)

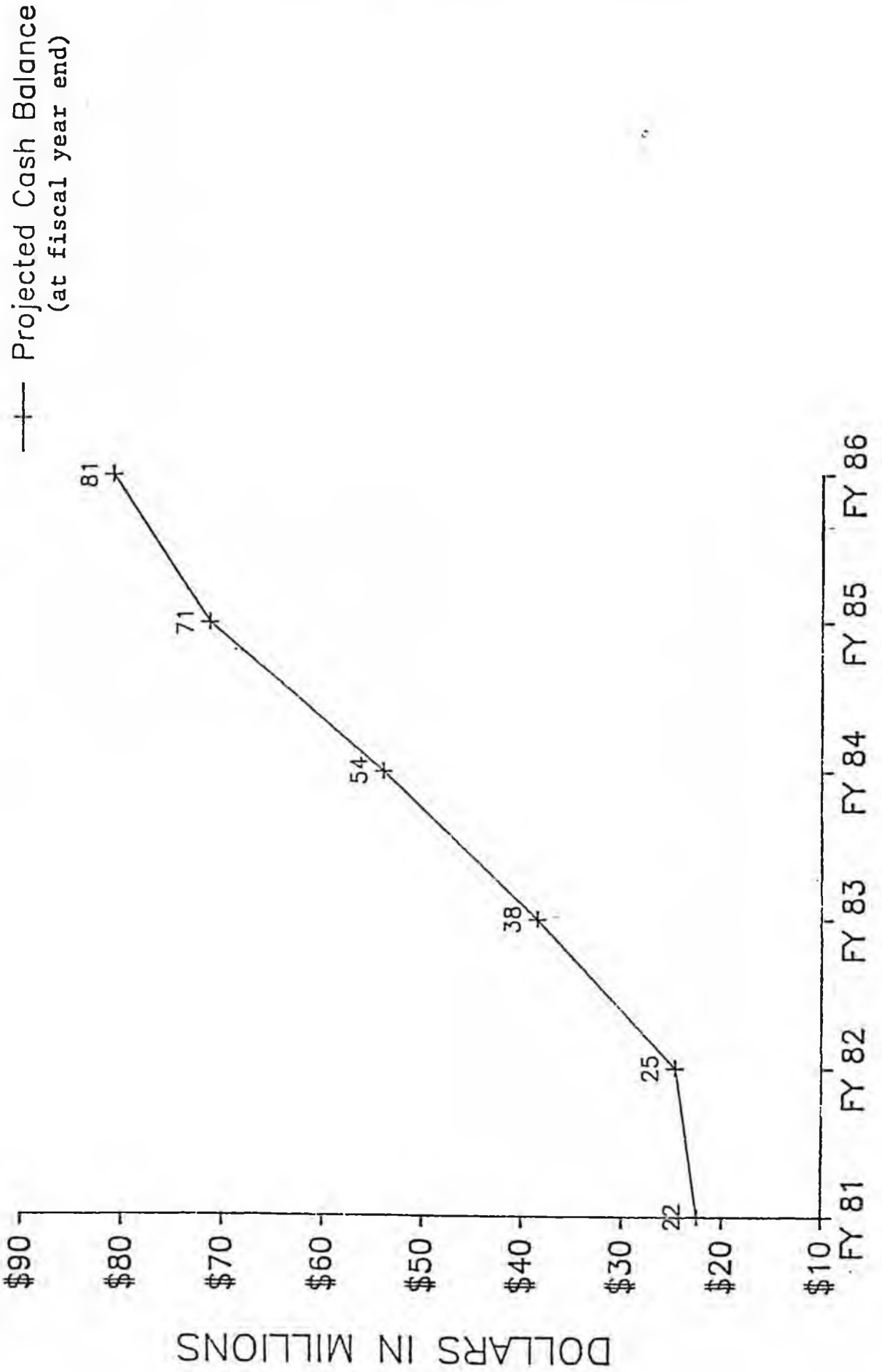
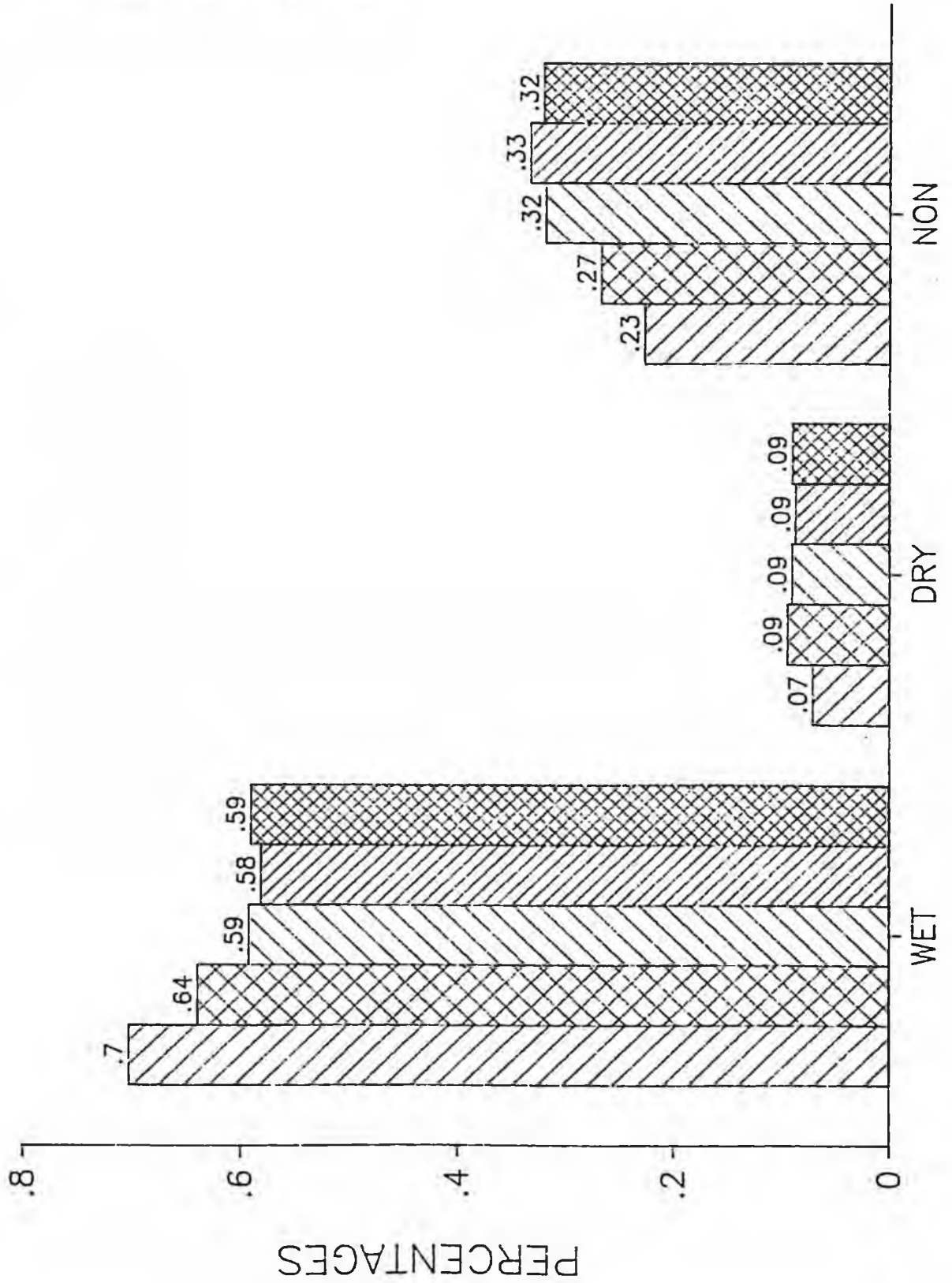


Exhibit E

HEWCF VEHICLE GROWTH (by rental rate category)



STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

POUCH Z
JUNEAU, ALASKA 99811
PHONE: (907) 465-3900

OFFICE OF THE COMMISSIONER

December 31, 1985



Mr. Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit
P.O. Box W
Juneau, AK 99811

Dear Mr. Wilkerson:

Thank you for the opportunity to again review your Performance Report on the Highway Equipment Working Capital Fund (HEWCF). Your audit report recommends not continuing the Highway Equipment Working Capital Fund concept. We strongly disagree with your main recommendation and, if implemented, we feel it will move this State backwards many years in the equipment field. Equipment which is in the HEWCF is typically in better condition, has a longer useful life, and is in a safer operating condition than equipment which is not in the HEWCF and is the responsibility of the user agency. We often receive complaints from legislators about the poor condition of equipment at remote airports and villages. Typically when we review the status of this equipment we find that it is already in the program you are proposing. It is not in the HEWCF and therefore does not have an organized review process for replacement or, even if it was recommended for replacement, a ready source of funding. In addition, your recommendation of turning the equipment over to each user agency for budgeting and choice of maintenance facility would cause the loss of cost information by vehicle and class of vehicle; if that information is not captured it would be difficult if not impossible to evaluate cost effectiveness of the various options.

When I became Commissioner of DOT&PF I realized that a major overhaul of the accounting and rate establishment process for the HEWCF was required. I instituted a series of steps which would achieve greater efficiencies for the State, provide incentives for users to maximize the use of the equipment, and provide incentives for prudent care and use.

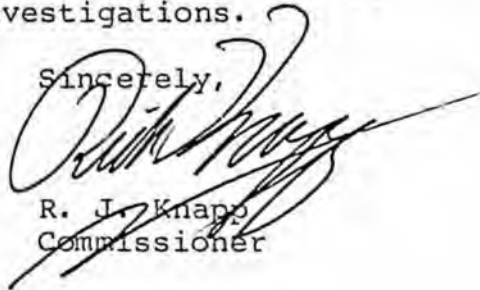
I believe that professional management of the State's vehicle equipment fleet is required if long term cost savings are going to be realized. We have instituted reduced fee schedules, substantial rental savings if vehicles are used longer than their "paper life" and agency specific operating rental rates. We have also instituted a program of more stringent review of equipment which is considered for replacement. One of the very immediate impacts of these management changes was the extension of the length of time vehicles were used. This reduced our replacement program significantly during 1984, 1985 and 1986. We are now being criticized for making better use of our equipment because we did not spend the funds appropriated for equipment replacement.

Another point which I feel should be made is that the General Fund does make use of what you call "excess cash balances" in the HEWCF. The General Fund receives all interest earned, can use any cash for its own cash flow needs and, if decided by the Legislature, appropriate amounts from the HEWCF into the General Fund.

Our additional comments are as noted in the enclosure which is keyed directly to your report conclusions as listed on page 9 and your recommendations on pages 9 and 10.

Again, thank you very much for your close working relationship with our department and the more than ample opportunity we have had to respond to your investigations.

Sincerely,



R. J. Knapp
Commissioner

Enclosure

cc: Warren S. Sparks, Deputy Commissioner, Headquarters
Douglass R. Goldbach, Management and Finance, Headquarters
Robert W. Janes, Chief of Internal Review, Headquarters
Daniel F. Malick, Director, Management and Finance, Headquarters
Daryl Methvin, State Equipment Fleet, Headquarters

Comments to Legislative Audit Performance Report
on the Highway Equipment Working Capital Fund

1. User agencies requesting capital replacement funds through the operating budget.

This department feels your comment is not an accurate reflection of the fiscal activity of agencies with respect to the HEWCF. Annual legislative appropriations through the operating budgets to agencies for fixed fees are not sufficient authorization to result in a capital expenditure for either the acquisition of an original vehicle or its replacement. Thus, while the fixed fee is designed to accumulate funds in the HEWCF for eventual vehicle replacement, it does not authorize vehicle replacement and therefore does not have the same effect as a capital appropriation. To characterize an operating budget appropriation of vehicle fixed fees as a capital item is inappropriate.

2. Reduced legislative oversight of agencies' capital requests.

The department also disagrees with this conclusion. Legislative oversight of expenditures by the State Equipment Fleet occur at three major points in the life cycle of the vehicle:

- a) A capital appropriation to the user agency for the vehicle's original acquisition.
- b) Annual appropriations to the user agency during each year of the vehicle's useful life for its fixed fee and operating costs.
- c) A capital appropriation to the State Equipment Fleet for the vehicles replacement if warranted.

Thus, legislative oversight on a vehicle-by-vehicle basis occurs twice throughout the capital budgeting process and annually (4 to 6 times depending upon the life of the vehicle) in the operating budget. We feel this is substantial legislative oversight activity on a vehicle-by-vehicle basis and can hardly be characterized as reflecting reduced legislative oversight.

3. HEWCF capital expenditure requests exceeding actual capital expenditures by approximately \$33 million in a five year period.

The department generally agrees with this conclusion, however we feel that the \$33 million not spent is a savings to the state over and above what standard paper-life estimates for the vehicles would require for replacement. The \$33 million reduction in expenditures over appropriations is a problem with HEWCF budgeting. The department has reduced rates and will continue to institute procedures to bring its annual budget request for vehicle replacement in-line with its replacement experience, rather than paper life estimates, to eliminate this budgeting issue.

4. HEWCF replacement revenues exceeding replacement expenditures in excess of \$50 million in the same five year period.

Again, the department agrees generally with your conclusions, however there is great potential for an "apples to pears" comparison here. Those replacement fees collected in any given year are rarely intended to be spent that same year. In other words, the replacement fees collected in the HEWCF account are intended to replace vehicles in two to five years in the future. With a relatively new fleet with vehicle life experience exceeding paper-life estimates one would reasonably expect HEWCF balance accumulations. A comparison of annual revenues to annual replacement expenses therefore is not valid.

However, the department does agree with the general conclusion that we are accumulating balances faster than necessary to meet expected replacement needs. It is the department's position, that we will be more than willing to request the legislature to reappropriate monies now in the HEWCF to the unrestricted General Fund if they prove to be in excess of reasonable replacement cost expectations. The department will provide an annual report to the legislature with the appropriate calculations. These calculations were not done within your audit and therefore we cannot fully support this finding.

5. Accumulation of a cash reserve of \$44 million by FY 86 despite legislative reappropriations in excess of \$37 million from FY 83 - FY 86.

This conclusion is similar to the one above. Our response is noted above.

6. Excessive HEWCF fees restricting the amount of General Funds that could be made available for other purposes.

In general we agree with this conclusion. The department has both supported the reappropriation of funds so as to minimize the adverse effects of holding unnecessary General Funds within the HEWCF and has adjusted rates downwards for both FY85 and again for FY86 to avoid future excess balances.

7. Little management/performance information regarding vehicle condition and operating costs.

As of last month, the HEWCF has installed an Equipment Management System (EMS) which tracks each vehicle's operating costs and condition throughout its life and will report that information directly to HEWCF management. While your observation may be correct for the operation of the fleet during the past year, it is not appropriate for any comments on the current condition of the fleet or its probable condition in near future.

8. User agency dissatisfaction with HEWCF services and costs.

We do not agree with this conclusion. Your analysis includes no statistically valid survey. Your interviews with user agencies are intended to uncover areas where improvement is needed and should not be construed by you as a statistical sampling of user satisfaction with our services. Indeed, the growth of the fleet and the increasing use of our wet-rental services by user agency should be indicative of the fact that the State Equipment Fleet is maturing and is becoming a more effective administrative service provided by this department to other user agencies. We would not like to see this conclusion taken any further in your legislative audit unless substantiated by statistical sampling of users.

9. Loss of agency replacement fees paid previously when replacement of vehicles does not occur.

Under some circumstances this conclusion is correct. However, during any given fiscal year, the State Equipment Fleet maintains an accounting of these excess fees and currently allows user agencies to use them as a credit against vehicle upgrades. The department agrees that this is one of the primary ways in which funds in excess of expected replacement needs are accumulated within the HEWCF. This department will take action to annually report these excess collections to the legislature and will recommend their reappropriation by the legislature from the HEWCF back into the General Fund.

10. Decrease in State agency use of the fund.

This conclusion can not be substantiated by the data. The size of the State Equipment Fleet has been increasing steadily over the years with more vehicles being brought into the fleet at the request of the user agencies. In our review of the analysis presented in your audit, we can find no place in which this particular conclusion can be substantiated.

In addition to commenting on your conclusions, I would also like to make a couple of notes concerning your recommendations.

Recommendation No. 1 - Effective with Fiscal Year 1987, all agency vehicle and equipment needs should be requested and budgeted for on an as-needed basis through individual Department Capital Budget requests, and AS 44.74.010 - .060 should be repealed.

The department does not agree with this recommendation. As you can see from our review of your conclusions above, the department feels there are many positive aspects to your observations and for those items that we agree need improvement, the department has already or is willing now, to commit itself to corrective action. The experience of many states,

has indicated that the revolving fund as authorized by current legislation is a key ingredient for assuring that the state continue to have adequate equipment available to provide essential services throughout our transportation system. This recommendation in our view is "throwing the baby out with the bath water."

Alaska's and other state's experience in the absence of a revolving fund clearly demonstrates that the annual appropriation process occurs too late to replace critical vehicles in a timely fashion. In addition, funding for critical vehicle replacement would compete with many other program and capital budget needs and the small size and sometimes apparently insignificant nature, of these requests often is over-looked, at the serious detriment to the states' commitment to provide critical services.

Our department's position is that it is unwise from a fiscal, safety, and public service standpoint to trade the potential of having excess funds accrue in the HEWCF for the almost certain probability that critical vehicle needs (e.g., snow removal equipment at airports) cannot be met. Excess funds in the HEWCF can, and have been annually reviewed, removed and made available for our other General Fund appropriations. Hardly would the benefits of avoiding this annual review justify the State of Alaska incurring higher costs, the deterioration and safety, and the failure of the state to provide critical services which most certainly would result from an annual review by the legislature of vehicle- y-vehicle requests for vehicle replacements.

In addition, the SEF's experience with over budgeting vehicle replacement would be duplicated by the user agencies and thereby increase the cost of vehicles to the state through early and unwarranted replacement and repairs. Your estimate of this cost is \$33 million over the past five years!

Recommendation No. 2 - Vehicle and equipment maintenance responsibility should remain with the Department of Transportation and Public Facilities; however, the use of maintenance shops should be at the option of the user agency.

In a minority of cases, user agencies utilize the option of leasing vehicles dry from the private sector and contract with the private sector for maintenance. We don't believe that we could be responsible for the maintenance yet let the users choose their own maintenance facility and schedule maintenance as they desired. Any process which allowed users to be responsible for all aspects of their maintenance should at least have requirements for periodic safety inspections to protect the State from liability claims.

The department does not agree with the recommendation that individual RSA agreements be negotiated between the State Equipment Fleet and user agencies on a vehicle-by-vehicle basis. The paperflow, the lack of uniform policy, and the inability for both the State Equipment Fleet and user agencies to plan for these expenditures would over-burden the State Equipment Fleet's administrative operations with no clear benefit to either party.

Recommendation No. 3 - The cash balance of the Highway Equipment Working Capital Fund should be transferred to the General Fund.

In general, we agree with your conclusion that portions of the HEWCF should be transferred to the General Fund, similarly to what has been accomplished in two prior fiscal years. However, your recommendation that the entire fund balance be transferred would be inconsistent with the concept of having a revolving fund. I'm sure that you are aware that failure to have not only the funds, but also the expenditure authority will preclude timely replacement of State Equipment Fleet vehicles. It should also be noted that all funds now in the cash balance of the HEWCF are already within the General Fund and earning interest for use as an unrestricted General Fund. The department proposes to annually report to the legislature the minimum fund balance needed to meet projected replacement needs based upon a far more realistic estimate of need and fixed replacement rates. We feel our proposal will fully meet all the objectives of your recommendation No. 3 while eliminating the highly likely potential of serious adverse impacts to the general public (e.g., no snow plow at the airport and therefore no aviation activity).

COPIES
4/9/86 ✓

Original sponsor: Rules/Legislative Budget
and Audit Committee

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 505 ()
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state vehicles and equipment;
7 eliminating the working capital fund; and providing
8 for an effective date."

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

10 * Section 1. AS 44.68 is amended by adding new sections to read:

11 Sec. 44.68.050. REPAIR AND MAINTENANCE OF VEHICLES. A state
12 agency that obtains the use of a vehicle from the Department of Trans-
13 portation and Public Facilities is responsible for the repair, mainte-
14 nance, and an annual safety inspection of the vehicle. The agency may
15 contract with persons in the private sector or with the Department of
16 Transportation and Public Facilities for the repair, maintenance, and
17 annual safety inspection. Each agency shall include in its annual
18 budget a request for an amount necessary to repair, maintain, and
19 annually inspect all vehicles it has obtained from the department.

20 Sec. 44.68.060. VEHICLE AND EQUIPMENT FUND. There is estab-
21 lished in the Department of Transportation and Public Facilities the
22 vehicle and equipment fund composed of money deposited in the fund
23 each fiscal year by state agencies. Money from the fund shall be used
24 by the department for the purchase of automotive and motorized vehi-
25 cles, including construction equipment, for the use of state agencies.
26 Any balance in the fund at the end of a fiscal year that exceeds 110
27 percent of the expected replacement cost of state-owned vehicles to be
28 purchased by the department during the next fiscal year lapses into
29 the general fund.

1 Sec. 44.68.070. VEHICLE DEPRECIATION. (a) Each year the com-
2 missioner of transportation and public facilities shall prepare a
3 depreciation schedule for all state-owned vehicles purchased by the
4 Department of Transportation and Public Facilities, including con-
5 struction equipment. Annual depreciation reflected in the schedule
6 shall be calculated by dividing the expected replacement cost by the
7 expected number of years the vehicle will be in use. Total deprecia-
8 tion for a vehicle may not exceed 100 percent of its expected replace-
9 ment cost.

10 (b) The Department of Transportation and Public Facilities shall
11 submit the annual depreciation calculation for each vehicle used by a
12 state agency to that agency to be included in the agency budget as an
13 appropriation for deposit by the agency to the vehicle and equipment
14 fund. The agency shall separately list in the budget each vehicle for
15 which a depreciation calculation is included in the appropriation.

16 Sec. 44.68.080. SALE OF OBSOLETE VEHICLES. Upon replacement of
17 a vehicle, including a piece of construction equipment, by the Depart-
18 ment of Transportation and Public Facilities for the use of a state
19 agency, the obsolete vehicle shall be returned by the agency to the
20 department. The department may sell, exchange, or otherwise dispose
21 of obsolete vehicles, including construction equipment, returned under
22 this section. Notwithstanding AS 19.05.060 and AS 35.20.060, money
23 derived from the sale of a vehicle under this section shall be de-
24 posited in the general fund.

25 * Sec. 2. AS 44.42.020(a)(11) and AS 44.74.010 - 44.74.060 are repeal-
26 ed.

27 * Sec. 3. This Act takes effect July 1, 1986.
28
29

April 9, 1986

SECTIONAL ANALYSIS OF CSHB505

*Section 1 adds a new section, .050, Repair and Maintenance, to Title 44.68 (State-Owned Vehicles). It gives state agencies the option of bringing their vehicles to local gas stations (private vendors) or to the State Equipment Fleet shop. The rationale is that agency managers should be allowed to seek the cheapest, most convenient maintenance provider.

Section 1 also adds a new section, 44.68.060, Vehicle and Equipment Fund. The fund receives money from state agencies in order to purchase replacement vehicles and equipment. The fund may not retain more than 110% of the expected replacement cost for the next fiscal year. Any amount in excess of 110% of the replacement cost lapses into the general fund at the end of the fiscal year.

Section 1 also adds a new section, 44.68.070, Vehicle Depreciation, which requires the commissioner of DOT/PF to prepare an annual depreciation schedule. The total depreciation for any vehicle may not exceed 100% of its expected replacement cost. User agencies will include their respective depreciation cost for each vehicle in their budget for expenditure to the Vehicle Equipment Fund.

Section 1 also adds a new section, 44.68.080, requiring that money from the sale of obsolete vehicles and equipment shall be deposited in the general fund instead of the Vehicle Equipment Fund.

*Section 2 is the original HB505 which erases the HEWCF from statute.

*Section 3 is an effective date coinciding with the start of FY87.

Original sponsor: Rules/Legislative Budget
and Audit Committee

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 505 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state vehicles and equipment;
7 eliminating the working capital fund; and providing
8 for an effective date."

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

10 * Section 1. AS 44.68 is amended by adding new sections to read:

11 Sec. 44.68.050. REPAIR AND MAINTENANCE OF VEHICLES. A state
12 agency that obtains the use of a vehicle from the Department of Trans-
13 portation and Public Facilities is responsible for the repair, mainte-
14 nance, and an annual safety inspection of the vehicle. The agency may
15 contract with persons in the private sector or with the Department of
16 Transportation and Public Facilities for the repair, maintenance, and
17 annual safety inspection. Each agency shall include in its annual
18 budget a request for an amount necessary to repair, maintain, and
19 annually inspect all vehicles it has obtained from the department.

20 Sec. 44.68.060. VEHICLE AND EQUIPMENT FUND. There is estab-
21 lished in the Department of Transportation and Public Facilities the
22 vehicle and equipment fund composed of money deposited in the fund
23 each fiscal year by state agencies. Money from the fund shall be used
24 by the department for the purchase of automotive and motorized vehi-
25 cles, including construction equipment, for the use of state agencies.
26 Any balance in the fund at the end of a fiscal year that exceeds 110
27 percent of the expected replacement cost of state-owned vehicles to be
28 purchased by the department during the next fiscal year lapses into
29 the general fund.

1 Sec. 44.68.070. VEHICLE DEPRECIATION. (a) Each year the com-
2 missioner of transportation and public facilities shall prepare a
3 depreciation schedule for all state-owned vehicles purchased by the
4 Department of Transportation and Public Facilities, including con-
5 struction equipment. Annual depreciation reflected in the schedule
6 shall be calculated by dividing the expected replacement cost by the
7 expected number of years the vehicle will be in use. Total deprecia-
8 tion for a vehicle may not exceed 100 percent of its expected replace-
9 ment cost.

10 (b) The Department of Transportation and Public Facilities shall
11 submit the annual depreciation calculation for each vehicle used by a
12 state agency to that agency to be included in the agency budget as an
13 appropriation for deposit by the agency to the vehicle and equipment
14 fund. The agency shall separately list in the budget each vehicle for
15 which a depreciation calculation is included in the appropriation.

16 Sec. 44.68.080. SALE OF OBSOLETE VEHICLES. Upon replacement of
17 a vehicle, including a piece of construction equipment, by the Depart-
18 ment of Transportation and Public Facilities for the use of a state
19 agency, the obsolete vehicle shall be returned by the agency to the
20 department. The department may sell, exchange, or otherwise dispose
21 of obsolete vehicles, including construction equipment, returned under
22 this section. Notwithstanding AS 19.05.060 and AS 35.20.060, money
23 derived from the sale of a vehicle under this section shall be de-
24 posited in the general fund.

25 * Sec. 2. AS 44.42.020(a)(11) and AS 44.74.010 - 44.74.060 are repeal-
26 ed.

27 * Sec. 3. This Act takes effect July 1, 1986.
28
29