

COMMITTEE REPORT

SENATE

FURTHER:

4/30/86

Date 5/6/86

Mr. President

The Committee on FINANCE considered CSHB 241(Fin)am relating to fiscal administration of the University of Alaska; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt SCS for CS HB 241 (Fin)
- new title
- same title and recommends "DO PASS"
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
@ UFA
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING

DO PASS

Rick Haddad
Paul Fink
DeLisson
Hackett

MEMBERS HAVING

OTHER RECOMMENDATIONS

J. Kottick No. Pass
J. Ferguson NR

Chairman
Chairman recommendation

STATE OF ALASKA. 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSAB 241 (Fin)
 Title: "An Act relating to the fiscal procedures ..."
 Sponsor: Rules/Governor
 Requestor: _____
 Date of Request: 2/22/85

FISCAL DETAIL

Agency Affected: University of Alaska
 Program Category Affected: _____
 BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES		0				
200 TRAVEL		0				
300 CONTRACTUAL		0				
400 SUPPLIES		0				
500 EQUIPMENT		0				
600 LAND & STRUCTURES		0				
700 CRANTS, CLAIMS		0				
800 MISCELLANEOUS		0				
TOTAL OPERATING		0				
CAPITAL						
REVENUE		0				

FUNDING: (Thousands of Dollars)

GENERAL FUND	0				
FEDERAL FUNDS	0				
OTHER	0				
TOTAL	0				

POSITIONS:

FULL-TIME	N/A				
PART-TIME					
TEMPORARY					

ANALYSIS: Attach a separate page if necessary See Attached

Prepared By: Sherman Carter, Executive Vice President Phone: 474-7593
 Division: University of Alaska Date: _____

Approved by Commissioner: Sherman Carter Date: 2/21/85
 Agency: _____

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

7/1/84

STATEMENT OF FISCAL IMPACT

AS 282

Agency Comments

No additional funding will be required as a result of this legislation. This bill codifies present investment and operating procedures and provides additional flexibility in fiscal planning which will allow the University of Alaska to better cope with adverse financial conditions during periods of revenue instability.

It will permit increased efficiency; and, by providing full disclosure will not decrease the governor's or legislature's control over the university. The Board of Regents endorsed this legislation as indicated in the following resolution: "The Board of Regents reaffirms its endorsement of the legislation to clarify fiscal procedures of the University of Alaska and urges adoption of a bill to do this to be introduced by the governor."

Offered: 4/24/86
For Today's Calendar

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 SCS CS FOR HOUSE BILL NO. 241 (Finance) am
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 fiscal administration of the
7 University of Alaska; and providing for an effective
8 date."

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

10 * Section 1. AS 14.40.170(b) is amended to read:

11 (b) The Board of Regents may

12 (1) adopt reasonable rules, orders, and plans with reason-
13 able penalties for the good government of the university and for the
14 regulation of the Board of Regents;

15 (2) determine and regulate the course of instruction in the
16 university with the advice of the president;

17 (3) set student tuition and fees;

18 (4) receive and spend university receipts in accordance
19 with the Executive Budget Act (AS 37.07).

20 *Sec. 2. AS 14.40.210 is amended to read:

21 Sec. 14.40.210. POWERS OF PRESIDENT OF THE UNIVERSITY. The
22 president of the University of Alaska may

23 (1) give general direction to the work of the University of
24 Alaska in all its departments subject to the approval of the Board of
25 Regents; [.]

26 (2) appoint the deans, heads of departments, professors,
27 assistants, instructors, tutors, and other officers of the University
28 of Alaska to the positions established by the Board of Regents;

29 (3) establish procedures for receipt, expenditure, and

1 fiscal year reporting of university receipts.

2 * Sec. 3. AS 14.40.250 is amended to read:

3 Sec. 14.40.250. REGENTS TO ACT AS TRUSTEES AND ADMINISTER MONEY
4 OR PROPERTY [FROM SOURCES OTHER THAN LEGISLATURE OR FEDERAL APPROPRIA-
5 TION]. The Board of Regents may receive, manage, and invest money or
6 other real, personal, or mixed property [IN ANY MANNER RECEIVED FROM
7 SOURCES OTHER THAN THE STATE LEGISLATURE OR FEDERAL APPROPRIATION] for
8 the purpose of the University of Alaska, its improvement or adornment,
9 or the aid or advantage of students or faculty, and, in general, may
10 act as trustee on behalf of the University of Alaska for any of these
11 purposes. The [HOWEVER, THE] regents shall make a written report to
12 the legislature, in accordance with AS 14.40.190, as to the adminis-
13 tration and disposition of money [FUNDS] received under this section.

14 * Sec. 4. AS 14.40 is amended by adding a new section to read:

15 Sec. 14.40.255. INVESTMENT OF SURPLUS MONEY. If the Board of
16 Regents determines that there is a surplus of money, received in the
17 form of state and federal appropriations, above the amount sufficient
18 to meet current and projected cash expenditure needs of the unive:si-
19 ty, the surplus must be invested in the same instruments set out in
20 AS 37.10.070 approved for investment of state treasury surplus, ~~except~~
21 ~~that funds may not be invested in the stocks, bonds, securities or~~
22 ~~other obligations of a corporation or other business firm that has~~
23 ~~outstanding loans with, or is engaged directly or indirectly in man-~~
24 ~~ufacturing, assembling, warehousing, or other substantial business~~
25 ~~operations (1) within the Republic of South Africa until the Board of~~
26 ~~Regents determines that apartheid in the Republic of South Africa has~~
27 ~~been eliminated, or (2) within the Union of Soviet Socialist Republics~~
28 ~~until the Board of Regents determines that oppression in the Union of~~
29 ~~Soviet Socialist Republics has been eliminated. Interest income earned~~

1 on investments made under this section may be retained by the univer-
2 sity and expended in accordance with the Executive Budget Act
3 (AS 37.07).

4 * Sec. 5. AS 14.40 is amended by adding a new section to read:

5 R.H → Sec. 14.40.325. REALLOCATION ^{WITHIN} ~~OF~~ STATE APPROPRIATIONS. Notwith-
6 standing the provisions of AS 37.07.080(e), each appropriation to the
7 University of Alaska is subject to reallocation by the university
8 administration under procedures established by the Board of Regents
9 and the division of budget review in the Office of the Governor.
10 Transfers may not be made between appropriations except as provided in
11 an Act making transfers between appropriations.

12 * Sec. 6. AS 14.40 is amended by adding a new section to article 3 to
13 read:

14 Sec. 14.40.455. UNIVERSITY RISK MANAGEMENT FUND. (a) There is
15 established in the general fund the University of Alaska risk manage-
16 ment fund. The fund consists of money appropriated by the legislature
17 for the purpose of providing a nonlapsing collateral fund for payment
18 of uninsured losses of the University of Alaska in excess of pre-
19 established loss assumption levels.

20 (b) The fund may be used only for the purposes of making pay-
21 ments as a result of

22 (1) civil suits;

23 (2) claims, damages, or losses to real and personal proper-
24 ty owned by or in the actual or constructive possession of the Univer-
25 sity of Alaska;

26 (3) losses of income from real and personal property; and

27 (4) expenses, attorney fees, and claims investigation costs
28 associated with claims or losses.

29 (c) The legislature may appropriate into the fund earnings

1 derived from temporary investment of collateral fund assets, recover-
2 ies of losses previously charged to the fund, and restoration of funds
3 utilized for specified claims. The amount of the fund may not exceed
4 the amount necessary and prudent based on independent actuarial deter-
5 minations. The University of Alaska may request that University of
6 Alaska funds be deposited into the risk management collateral fund
7 under AS 37.07.080(h).

8 (d) The Department of Administration and the University of
9 Alaska shall determine the loss assumption levels at the beginning of
10 each fiscal year for the purpose of assessing the risk management
11 collateral fund. The loss assumption levels shall be established at
12 the amount necessary and prudent based on independent actuarial deter-
13 minations.

14 (e) An annual report of the activity of the fund and loss as-
15 sumption levels shall be submitted by the Department of Administration
16 to the Office of Management and Budget and the Legislative Budget and
17 Audit Committee.

18 * Sec. 7. AS 14.40 is amended by adding a new section to read:

19 Sec. 14.40.490. DEFINITION FOR AS 14.40.120 - 14.40.490. For
20 purposes of AS 14.40.120 - 14.40.490, "university receipts" includes

- 21 (1) student fees, including tuition;
- 22 (2) receipts from university auxiliary services;
- 23 (3) recovery of indirect costs of university activities;
- 24 (4) sales and rentals of university property;
- 25 (5) gifts, grants, and contracts;
- 26 (6) sales, rentals, and services of educational activities.

27 * Sec. 8. AS 37.25.010 is amended by adding new subsections to read:

28 (c) University receipts received on or before June 30 of a
29 fiscal year in excess of the amount expended for that year may be

1 expended in the succeeding fiscal year if an appropriation of univer-
2 sity receipts has been made for the succeeding fiscal year. The
3 amount of university receipts expended in a fiscal year may not exceed
4 the amount of university receipts appropriated for that year.

5 (d) The University of Alaska shall report the amount of univer-
6 sity receipts received in one year and expended in the succeeding
7 fiscal year to the Department of Administration and the Legislative
8 Budget and Audit Committee by September 30 of the succeeding fiscal
9 year.

10 (e) In this section, "university receipts" has the meaning given
11 in AS 14.40.490.

12 * Sec. 9. This Act takes effect immediately in accordance with AS 01.-
13 10.070(c).

James ✓
5/7/86

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 241 (Finance)

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 fiscal administration of the
7 University of Alaska; and providing for an effective
8 date."

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8 the purpose of the University of Alaska, its improvement or adornment,
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19 ty, the surplus must be invested in the same instruments set out in
20 AS 37.10.070 approved for investment of state treasury surplus.
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22 retained by the university and expended in accordance with the Execu-
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29 Regents and the division of budget review in the Office of the

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29 Alaska shall determine the loss assumption levels at the beginning of

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22 sity receipts has been made for the succeeding fiscal year. The
23 amount of university receipts expended in a fiscal year may not exceed
24 the amount of university receipts appropriated for that year.

25 (d) The University of Alaska shall report the amount of univer-
26 sity receipts received in one year and expended in the succeeding
27 fiscal year to the Department of Administration and the Legislative
28 Budget and Audit Committee by September 30 of the succeeding fiscal
29 year.

1 (e) In this section, "university receipts" has the meaning given
2 in AS 14.40.490.

3 * Sec. 9. This Act takes effect immediately in accordance with AS 01.-
4 10.070(c).

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SECTIONAL ANALYSIS FOR CS HB 241 (Finance)am

An Act relating to fiscal administration of the University of Alaska and providing for an effective date

Section 1

Amends the chapter relating to the Duties of the Board of Regents. This sections adds language which states that the Board of Regents may:

- set student tuition and fees
- receive and spend university receipts in accordance with the Executive Budget Act

Section 2

Provides the President of the University with the authority to establish procedures for receipt and expenditure of university receipts.

Section 3

Under current law, the Board of Regents may invest all funds that are received by the University except those appropriated by the Legislature or Congress at the federal level. This section would eliminate that distinction and give the University control over all funds received.

Section 4

Would authorize the University to invest surplus funds consistent with the Executive Budget Act except that they could not invest in South Africa the Soviet Union.

Section 5

Gives the Board of Regents the specific authority to reallocate funds within a specific legislative appropriation.

Section 6

Establishes a Risk Management Fund for the University which would consist of money appropriated by the Legislature and be used as a collateral fund. It would cover the payment of uninsured losses of the University resulting from: civil suits, claims, damages or losses to real or personal property of the University, losses of income from real or personal property and expenses, attorney fees and claims investigation costs.

Section 7

Definitions section

Section 8

Amends that section of the Executive Budget Act which relates to lapsed funds and encumbrances. It adds another subsection which would give the University the authority to expend surplus monies in the succeeding fiscal year. It would also require the University to report to the Department of Administration and Legislative Budget and Audit Committee, the amount of University receipts and expenditures by September 30th of the succeeding fiscal year.

Section 9

Immediate effective date.

STATE OF ALASKA 1985 LEGISLATIVE SESSION

FISCAL NOTE

HB 242

HB 242 #2

Revision Date:

155

REQUEST

Bill/Resolution No.:

Title: "An Act relating to the fiscal procedures ..."

Sponsor: Rules/Governor

Requestor:

Date of Request: 2/22/85

FISCAL DETAIL

Agency Affected: University of Alaska

Program Category Affected:

BRU, Program or Subprogram(s) Affected:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES		0				
200 TRAVEL		0				
300 CONTRACTUAL		0				
400 SUPPLIES		0				
500 EQUIPMENT		0				
600 LAND & STRUCTURES		0				
700 GRANTS, CLAIMS		0				
800 MISCELLANEOUS		0				
TOTAL OPERATING		0				

CAPITAL						
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REVENUE		0				
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FUNDING: (Thousands of Dollars)

GENERAL FUND		0				
FEDERAL FUNDS		0				
OTHER		0				
TOTAL		0				

POSITIONS:

FULL-TIME		N/A				
PART-TIME						
TEMPORARY						

ANALYSIS:

No additional funding will be required as a result of this legislation. This bill codifies present investment and operating procedures and provides additional flexibility in fiscal planning which will allow the University of Alaska to better cope with adverse financial conditions during periods of revenue instability.

It will permit increased efficiency; and, by providing full disclosure will not decrease the governor's or legislature's control over the university. The Board of Regents endorsed this legislation as indicated in the following resolution: "The Board of Regents reaffirms its endorsement of the legislation to clarify fiscal procedures of the University of Alaska and urges adoption of a bill to do this to be introduced by the governor."

Prepared By: Sherman Carter, Executive Vice President Phone: 474-7593
 Division: University of Alaska Date:

Approved by Commissioner: Sherman Carter Date: 2/21/85
 Agency:

A M E N D M E N T

Offered in the Senate

By P. Fischer

TO: CSHB 241 (Fin)

Page 5, after line 11, insert new bill sections to read:

"* Sec. 9. AS 39.27 is amended by adding a new section to read:

Sec. 39.27.042. SALARY LIMIT FOR UNIVERSITY EMPLOYEES. (a)
Notwithstanding the provisions of the Public Employment Relations Act (AS 23.40) and AS 39.27.040, the university may not pay an officer or employee, including an officer or employee in an academic or research position, a basic monthly salary that is greater than the monthly salary of the governor set out in AS 39.20.010.

(b) For purposes of this section, "basic monthly salary" is a person's monthly salary before the addition of adjustments including cost-of-living adjustments, overtime compensation, geographical differentials, length-of-service increases, hazardous duty pay, travel per diem, and travel allowances.

* Sec. 10. Nothing in this Act terminates or modifies a collective bargaining agreement or other contract if the agreement or contract is in effect on the effective date of this Act. An officer or employee who is receiving a basic monthly salary higher than the limit set out in AS 39.27.042 on the effective date of this Act is entitled to continue receiving the higher salary while employed in that position."

Renumber the following bill section accordingly.

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill clarifying and codifying fiscal procedures for the University of Alaska.

This bill will settle three university fiscal issues:

- 1) administration of university receipts;
- 2) university authority to invest money and spend the interest earned on it; and
- 3) reallocation of state appropriations to the university.

1. Administration of university receipts:

Because it is a public, higher-education corporation established under the state constitution, the University of Alaska has several unique sources of revenue. Unlike the heads of other state agencies, members of the Board of Regents are trustees; they administer university money and property, and, while serving in that capacity, are accountable for all university receipts.

The university receives money from a variety of sources. In addition to state general fund appropriations, the university generates income from student tuition and fees; auxiliary enterprises; gifts, grants, and contracts; federal educational and research projects; sales and rentals of university educational properties; sales, rentals, and services of educational activities; and recovery of indirect costs of university activities.

Section 1 of the bill clarifies the Board of Regents' ability to receive and spend these sources of income. Section 2 requires the university president to establish procedures for receipt, expenditure, and reporting of university

receipts. Section 5 defines "university receipts." Section 8 allows the university to carry forward unexpended balances of these university receipts.

2. Investment of university money:

Unlike other state agencies, the university maintains a separate treasury, drawing cash from the state treasury in monthly installments. The university deposits money in interest-bearing accounts pending payment of payrolls and other obligations. While the university has received annual budget authority to receive and spend the interest earned, the attorney general has opined that the university has no statutory authority to do so.

The university and my administration agreed to clarify this statutory authority, using four fundamental principles:

- 1) the university should be encouraged to prudently manage its resources;
- 2) university cash balances should not sit idle, but should be temporarily deposited in interest-bearing accounts;
- 3) the university should be strictly accountable for money entrusted to it; and
- 4) there should be clear statutory rules for university investment.

Section 3 of the bill authorizes the university to invest money it receives, regardless of the source. Section 4 of the bill requires the university to invest certain surplus money, and restricts that investment to the same instruments provided for state general fund surplus under AS 37.10.070. If appropriated by the legislature, or approved under the revised program procedures of AS 37.07.080(h), the university may spend earnings from these investments.

Last year the legislature attempted to appropriate prior years' interest income to the University of Alaska working capital reserve fund (AS 14.40.296). I vetoed that appropriation because the statutory authority for both the receipt of interest income and its deposit to the working capital reserve fund were unclear. Amendments to the working capital reserve fund contained in sec. 6 of this bill would take care of last year's problem.

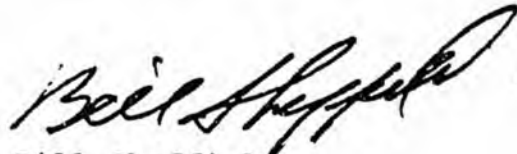
3. Reallocation of state appropriations:

AS 37.07.080(e) establishes procedures for the division of budget review, in the Office of the Governor, to reallocate

money authorized by legislative appropriations. In past years, the legislature has authorized the Office of the Governor to establish procedures for reallocations within university appropriations. Section 7 of this bill gives the division of budget review and the Board of Regents the authority to establish procedures for reallocation within appropriations. Transfers between appropriations would continue to require authorization by law.

The University of Alaska is working closely with my administration on budget and financial matters. This bill settles several issues that have damaged university-state relations in past years. Therefore, I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Sheffield".

Bill Sheffield
Governor