

HB

50

(File 1)

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: January 21, 1999

FURTHER REFERRALS:

Date of Committee Action: 4/9/99

The FINANCE Committee considered:

HB 50

HOUSE BILL NO. 50

OPERATING BUDGET APPROPRIATIONS

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

recommends it be replaced with the following committee substitute C SHB 50 (Fin) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Alan Hurd</i>	MULDER	X			
<i>Gene Theriault</i>	Theriault	X			
<i>Van Bunde</i>	Bunde	✓			
<i>Eric Kohring</i>	Kohring				X
<i>Ellen Austerman</i>	Austerman			X	
<i>John J. Davis</i>	J. DAVIES				X
<i>Ben Grossindorf</i>	Grossindorf				X
<i>Walter Moses</i>	Moses				X
<i>John J. Davis</i>	J. Davis			X	
<i>William Williams</i>	Williams			X	
<i>Alan Foster</i>	Foster				X

CO-CHAIR'S SIGNATURE

Alan Hurd *Gene Theriault*
 mulder theriault

FY00 Operating Budget - Front Section Analysis

Disaster Relief

Sec: 8 Governor Total GF: 0.0 Total Non GF: 9,000.0

Dis Relief 9,000.0

Appropriates federal receipts received for disaster relief to the disaster relief fund (AS 26.23.300). \$9,000.0 has been included in Federal Funds in the Department of Military and Veterans Affairs in the back section of this bill.

Federal and Other Program Receipts

Sec: 9 Governor

Subsection (a) standard language that provides for additional funding authority for federal and other program receipts through the Legislative Budget and Audit Committee process. Note: this approach does not restrict the LB&A Committee to particular fund source consideration.

Subsection (b) standard language that if federal or other program receipts are greater than appropriated, then the appropriations from state funds (general fund) may be reduced if the reductions are consistent with applicable federal statutes.

Subsection (c) standard language that if federal and other receipts are less than the amount appropriated, the appropriation is reduced by the amount of the shortfall.

Federal Subsistence Funds

Sec: 10 Governor Total GF: 0.0 Total Non GF: 11,000.0

Fed Rcpts 11,000.0

Subsection (a) \$11,000.0 federal funding is appropriated to the US Department of the Interior and US Department of Agriculture for the State of Alaska. Alaskas receipt of the funding is contingent on the legislature adopting a constitutional amendment for ratification by Alaska voters to allow a rural subsistence priority.

\$11,000.0 is available to the state if the legislature satisfies the contingency by June 1, 1999.

\$10,000.0 is available to the state if the legislature satisfies the contingency after June 1, 1999 but before September 30, 1999.

Subsection (b) If subsection (a) is satisfied, the federal receipts are appropriated to the Department of Fish and Game to help implement a unified subsistence management system and provide support to decision-making groups in that effort. In the event Alaska meets the June 1, 1999 contingency as outlined in subsection (a), the appropriation made by this subsection is allocated as follows:

Support to the Board of Fisheries, Board of Game, regional advisory councils, and local advisory committees \$3,000.0

Biological research, monitoring, and management to ensure sustained yield and to improve utilization of fish and wildlife for subsistence, commercial and support purposes \$8,000.0

Subsection (c) if the June 1, 1999 contingency requirement is not met, the allocations outlined in subsection (b) are reduced proportionately.

FY00 Operating Budget - Front Section Analysis

Insurance Fees - Reappropriation

Sec: 15 Governor	Total GF:	1,500.0	Total Non GF:	0.0
GF/Prgm		1,500.0		

Reappropriates the June 30, 1999 balance of FY99 general fund program receipts (insurance fees) under AS 21.06.250 for FY00 Department of Commerce and Economic Development, Division of Insurance operating costs. The FY98 and FY99 carryforward amounts were \$1,700.0 and \$2,665.0 respectively. A safe estimate for the FY00 carryforward is \$1,500.0.

Land Disposal

Sec: 16 Governor	Total GF:	250.0	Total Non GF:	0.0
Gen Fund		250.0		

Appropriates general fund receipts in the fiscal years ending June 30, 2000 and June 30, 2001 from land sales at Naukati Bay on Prince of Wales Island (not to exceed \$50.0) and Valkenar Bay on Gravina Island (not to exceed \$200.0) to the Department of Natural Resources for land sale preparation costs. **This appropriation amount was not included in the total amount of the appropriations bill.**

Marine Highway System Fund

Sec: 17 Governor	Total GF:	0.0	Total Non GF:	27,509.5
Marine Hwy		27,509.5		

General fund appropriation to the Alaska marine highway system fund. The amount of the transfer can be found in the Marine Highway Stabilization Fund component of the DOT/PF budget. FY99 - \$27,358.1 and FY00 - \$27,509.5.

Motor Fuel Tax

Sec: 18 Governor	Total GF:	28,324.5	Total Non GF:	0.0
Gen Fund		28,324.5		

This section appropriates estimated amounts from the unreserved special accounts in the general fund to the general fund to be available operating funding from the following sources:

Special highway fuel tax account	\$23,924.5
Special aviation fuel tax account	\$ 5,400.0

This income is based on the existing 8 cents per gallon tax.

FY00 Operating Budget - Front Section Analysis

Occupational Licensing - Reappropriation

Sec: 19 Governor **Total GF: 1,000.0** **Total Non GF: 0.0**

GF/Prgm 1,000.0

Reappropriates the June 30, 1999 balance of FY99 general fund program receipts (occupational licensing fees) under AS 08.01.065 for FY00 Department of Commerce and Economic Development, Division of Insurance operating costs. The FY98 and FY99 carryforward amounts were \$1,386.4 and \$1,529.5 respectively. FY00 estimate \$1,000.0.

Oil and Hazardous Substance Release Prevention Account

Sec: 20 Governor **Total GF: 0.0** **Total Non GF: 10,900.0**

Oil/Haz Fd 10,900.0

Appropriates the balance of the unreserved special accounts in the general fund to the Oil and Hazardous Substance Release Prevention Account from:

Subsection 1 Prevention mitigation account AS 46.08.020(b) Estimated to be \$5,618.8

The prevention mitigation account receives money recovered from parties responsible for containment and cleanup of oil or other hazardous substances, as well as fines, penalties or damages as a result of prevention measures. The Governor did not include this estimated amount.

Subsection 2 Prevention surcharge levied under AS 43.55.300 Estimated to be \$10,900.0

The prevention account contains appropriations from the special account in the general fund to the OHSRPR fund from the 3 cent surcharge collected in the general fund during the prior year. (FY99 deposits are appropriated from the general fund for FY00 expenditures.)

Oil and Hazardous Substance Release Response Account

Sec: 21 Governor **Total GF: 0.0** **Total Non GF: 0.0**

Oil/Haz Fd 0.0

Appropriates the balance of the unreserved special accounts in the general fund to the Oil and Hazardous Substance Release Response Account from:

Subsection 1 Response mitigation account AS 46.08.020(b) Estimated to be \$416.1

The response mitigation account receives money recovered from parties responsible for containment and cleanup of oil or other hazardous substances, as well as fines, penalties or damages as a result of emergency response measures. The Governor did not include this estimated amount.

Subsection 2 Response surcharge levied under AS 43.55.300 Estimated to be \$0.0

The response account contains appropriations from the special account in the general fund to the OHSRPR fund from the 2 cent surcharge collected in the general fund during the prior year. This surcharge is only required when the balance of the OHSRRA drops below \$50 million.

FY00 Operating Budget - Front Section Analysis

Performance Measures

Sec: 22 Governor

The Governors intent language requests that the goals, strategies, and performance measures be stated in separate resolution. The concern is that the appropriations bill may not conform to Article II, Section 13 that requires that appropriations bills be confined to appropriations.

Real Estate Surety Fund

Sec: 23 Governor

Total GF: 0.0

Total Non GF: 0.0

Surety Fnd 0.0

Per AS 08.88.450, the balance of the real estate surety fund that exceeds \$500.0 is appropriated to the Department of Commerce and Economic Development, Division of Occupational Licensing for purposes relating to the real estate surety fund for the fiscal year ending June 30, 2000. The statute clearly states that amounts in the fund may not exceed \$500.0 and amounts in excess of \$250.0 may be appropriated for real estate educational purposes. See section 39 of this analysis.

Retained Fees

Sec: 24 Governor

This language addresses the need to appropriate vendor compensation and/or bankcard services fees that are not directly appropriated by the state for vendors or banking institutions that collect fees on behalf of the state. This originated from fish and game fishing, hunting and trapping license sales where the vendor retained a portion of the sale instead of the vendor submitting the full collection and the state reimbursing the vendor for expenses related to selling licenses. Agencies should be directed to include these fees in their annual budget requests.

Safety Advisory Council - Reappropriation

Sec: 25 Governor

Total GF: 100.0

Total Non GF: 0.0

GF/Prgm 100.0

Reappropriates Safety Council program receipts not expended in FY99 to be carried forward into FY00 for the governors safety conference. FY99 carryforward was \$130.0. FY00 estimated \$100.0.

FY00 Operating Budget - Front Section Analysis

Salary and Benefit Adjustments

Sec: 26 Governor

FY00 pay increases for University of Alaska employees. The amount (unknown) is the net amount for three items: salary adjustments, health benefit adjustments and changes in contribution rates for the Public Employees Retirement System.

Salmon Enhancement Tax

Sec: 27 Governor

Appropriates general fund salmon enhancement tax receipts to the Department of Commerce and Economic Development for payment in FY00 to qualified regional aquaculture associations. This amount is not included in the operating budget general fund spending totals. FY98 - \$4,072.7, FY99 - \$4,100.0 and FY00 - \$4,100.0. This is "pass-through" money.

Shared Taxes and Fees

Sec: 28 Governor

Total GF: 22,000.0

Total Non GF:

0.0

Gen Fund 22,000.0

Appropriates general funds to the Department of Revenue in the amounts necessary to refund local governments their share of taxes and fees collected for payment in FY99.

FY98 \$22,199.6, FY99 and FY00 are anticipated to be a similar amount.

State Debt and Other Obligations

Sec: 29 Governor

Total GF: 5,739.1

Total Non GF:

93,471.4

Gen Fund 5,739.1 Int Airprt 2,877.5 School Fnd 45,529.5 Debt Ret 45,064.4

This section provides for the states debt service obligations.

Subsection (a) interest on revenue anticipation notes is appropriated from the general fund to the Department of Revenue for payment of interest on notes.

Subsection (b) amount required to be paid by the state for principal and interest on state bonds is appropriated from the general fund to the state bond committee for payment on those bonds.

Subsection (c) \$5,739.1 from GF to Alaska Debt Retirement Fund

Subsection (d) \$16,287.8 from Debt Retirement Fund for trustee fees and lease payments related to certificates of participation for real property

Subsection (e) \$2,518.0 from Debt Retirement Fund for payment of debt service and trustee fees on general obligation bonds

Subsection (f) \$2,877.5 from International Airports Revenue Fund for payment of debt service and trustee fees on international airport revenue bonds

Subsection (g) \$71,788.1 from Debt Retirement Fund (\$26,258.6) and School Fund (\$45,529.5) to the Department of Education for state aid for costs of school construction

FY00 Operating Budget - Front Section Analysis

State Debt and Other Obligations

State Training and Employment Program

Sec: 30 Governor Total GF: 0.0 Total Non GF: 400.0

Empl Trng 400.0

The State Training and Employment Program is funded from the Employment and Training Program Account that is funded by a contribution of one-half of one percent from each employees wages. Unspent balances must be lapsed from this account into the unemployment compensation fund. For FY99 this language was changed so that unspent balances must be lapsed from this account into the employment assistance and training program account. FY00 estimated \$400.0.

Statutory Budget Reserve

Sec: 31 Governor

In the event that unrestricted revenues are less than necessary for FY00 appropriations, the amount necessary to balance revenue and general fund appropriations is appropriated to the general fund from any balance that may be available from the Statutory Budget Reserve Fund.

Storage Tank Assistance Fund

Sec: 32 Governor Total GF: 0.0 Total Non GF: 5,489.7

Storg Tank 5,489.7

Appropriates from the OHSRPR Fund, prevention account (non-general fund) to the Storage Tank Assistance Fund. FY98 - \$2,910.6, FY99 - \$4,364.8, FY00 - \$5,489.7. For FY98 language was included that allowed the legislature to capitalize the storage tank assistance fund with any general fund registration fees collected on underground petroleum storage tanks or tank systems. In SLA 98 the language was changed so that the fees collected would be considered unrestricted general fund revenue and are replaced with \$700.0 from the oil and hazardous substance release prevention account.

Student Loan Program

Sec: 33 Governor

The amount from student loan borrowers of the Alaska Commission on Postsecondary Education that is assessed for loan origination fees for the fiscal year ending June 30, 2000, is appropriated to the origination fee account within the student loan fund of the Alaska Student Loan Corporation.

FY00 Operating Budget - Front Section Analysis

Nonlapse of Appropriations

Sec: 38 Governor

Sections (1) AHFC, (8) Disaster Relief, (11a) Fish and Game Enforcement, (12) Four Dam Pool Transfer Fund, (13) Information Services Fund, (17) Marine Highway System Fund, (20) OHSRPA, (21) OHSRRA, (29c) State Debt and Other Obligations, (30) State Training and Employment Program, and (33) Student Loan Program, are for the capitalization of funds and do not lapse.

Retroactivity

Sec: 39 Governor

Subsection (a) section 23, Real Estate Surety Fund is retroactive to June 30, 1998. Two fiscal years retroactive would allow the Department of Commerce to receive and expend the balance greater than \$500.0 for FY98 and FY99, and unknown (see the language in section 23) for FY00.

Subsection (b) section 1(a)(1) AHFC is retroactive to June 30, 1999. Making this subsection retroactive to include FY99 deposits would decrease the amount deposited into the general fund (\$24.9 million) that is planned for FY99 expenditures. No AHFC receipts would be deposited into the general fund if the language in section 1 is approved for FY00.

FY00 OPERATING BUDGET - FRONT SECTION ANALYSIS INDEX

Governor

Title	Sec	Gen Fund	Non-GF	Total
Alaska Housing Finance Corporation	1	0.0	38,600.0	38,600.0
Alaska Permanent Fund Corporation	2	0.0	1,252,500.0	1,252,500.0
Alaska Public Utilities Commission	3	0.0	400.0	400.0
Alaska Science and Technology Foundation - Reappropriation	4	0.0	9,539.8	9,539.8
Alaska Seafood Marketing Institute - Reappropriation	5			0.0
Budget Reduction Requiring Legislation - Longevity Bonus Eligibility	6	-8,000.0	0.0	-8,000.0
Constitutional Budget Reserve Fund	7	0.0	0.0	0.0
Disaster Relief	8	0.0	9,000.0	9,000.0
Federal and Other Program Receipts	9			0.0
Federal Subsistence Funds	10	0.0	11,000.0	11,000.0
Fish and Game Enforcement	11	0.0	935.8	935.8
Four Dam Pool Transfer Fund	12	0.0	9,493.7	9,493.7
Information Services Fund	13	0.0	55.0	55.0
Insurance and Bond Claims - Catastrophe Reserve Account	14			0.0
Insurance Fees - Reappropriation	15	1,500.0	0.0	1,500.0
Land Disposal	16	250.0	0.0	250.0
Marine Highway System Fund	17	0.0	27,509.5	27,509.5
Motor Fuel Tax	18	28,324.5	0.0	28,324.5
Occupational Licensing - Reappropriation	19	1,000.0	0.0	1,000.0
Oil and Hazardous Substance Release Prevention Account	20	0.0	10,900.0	10,900.0
Oil and Hazardous Substance Release Response Account	21	0.0	0.0	0.0
Performance Measures	22			0.0
Real Estate Surety Fund	23	0.0	0.0	0.0
Retained Fees	24			0.0
Safety Advisory Council - Reappropriation	25	100.0	0.0	100.0
Salary and Benefit Adjustments	26			0.0
Salmon Enhancement Tax	27			0.0
Shared Taxes and Fees	28	22,000.0	0.0	22,000.0
State Debt and Other Obligations	29	5,739.1	93,471.4	99,210.5
State Training and Employment Program	30	0.0	400.0	400.0
Statutory Budget Reserve	31			0.0
Storage Tank Assistance Fund	32	0.0	5,489.7	5,489.7
Student Loan Program	33			0.0
Teacher Certification - Reappropriation	34	100.0	0.0	100.0
Test Fishery Receipts	35	0.0	0.0	0.0
Value-added Timber Sales	36	250.0	0.0	250.0
Lapse Date - Federal Subsistence Funds	37	0.0		0.0
Nonlapse of Appropriations	38			0.0
Retroactivity	39			0.0

FY00 OPERATING BUDGET - FRONT SECTION ANALYSIS INDEX

Governor

<u>Title</u>	<u>Sec</u>	<u>Gen Fund</u>	<u>Non-GF</u>	<u>Total</u>
		51,263.6	1,469,294.9	1,520,558.5

STATE OF ALASKA

Department of Revenue

Office of the Commissioner

Tony Knowles, Governor

P.O. Box 110400

Juneau, Alaska 99811-0400

Telephone: (907) 465-2300

Facsimile: (907) 465-2389

April 6, 1999

The Honorable Tony Knowles
Governor of Alaska
P.O. Box 110001
Juneau, Alaska 99811-0001

Dear Governor Knowles:

Since Prudhoe Bay production began more than 20 years ago, oil taxes and royalties have been the largest source of state revenue by a wide margin. That changed last year when state investment income overtook oil revenue as Alaska's largest source of income. Although oil prices have rebounded in recent weeks, softening the costly memory of this winter's sub-\$9-per-barrel price, it's our investment income, not oil, that will continue to provide the largest share of our projected revenue for Fiscal 2000 and beyond. And it's that investment income, not the prospects for higher oil prices, that will provide the largest piece for guaranteeing the state's fiscal future.

That said, I realize that as hard as it is to predict oil prices and production it's even harder to forecast stock market fluctuations, so this Spring 1999 Revenue Sources Book will concentrate on looking at oil revenues. Though our investment income is sizable, oil revenue still is important as we manage the state's finances for a balanced budget.

It wasn't that long ago that newspaper headlines conjured up images of doom and gloom when Alaska North Slope oil dropped below \$9 a barrel – reaching a record for the lowest price ever paid for Prudhoe Bay crude. And now, just a couple of months later, that same oil is flirting with the \$15 level, back up to within its historical range. That bounce in prices – while good news for the state treasury, oil producers and workers – is by itself not enough to return the state to the days of balanced budgets. North Slope production, now in its third decade, has fallen too far to ever again carry the entire state budget on its financial shoulders.

Looking at that combination of low prices and slipping production, FY 1999 is turning out to be the worst year for state oil revenue since FY 1979. Our production and price forecast for the remainder of the year suggests we will record our lowest annual production since FY 1978 (the first full year of Trans-Alaska Pipeline operation). This will occur at the same time as we record our lowest price ever for North Slope crude – projected to average \$12.11 a barrel for FY 1999. We expect FY 1999 general fund unrestricted revenue of \$1,338.1 million, a drop of almost \$66 million from our Fall 1998 forecast.

We believe, however, that the worst is over on the price front. Due in great part to the OPEC production cutbacks announced last month, the prospects have improved for higher oil prices over the next five years. We believe oil prices will average \$13.57 a barrel in FY 2000, steadily moving up to \$16 per barrel by 2003.

Unfortunately, due to delays in oil field projects caused by low prices, we have reduced our production forecast from what we had projected last fall. We now forecast North Slope production at 1.047 million barrels per day in FY 2000, a drop of 70,000 barrels a day from our Fall 1998 forecast. Those projects are delayed, not lost, and we expect new North Slope developments will help replace aging fields, holding total production pretty much steady through at least FY 2005.

Though stable production and rising prices will produce small increases in state revenues over the next several years, I refer back to our investment income as we talk seriously about balancing the state budget at a sustainable level. Our financial reserves continue to build, with our Permanent Fund and Constitutional Budget Reserve Fund projected to exceed a combined value of \$27.5 billion as of the end of this fiscal year. Our financial assets now produce nearly twice as much annual revenue as we receive from oil taxes and royalties.

As I noted in our Fall 1998 forecast, and as I will reiterate in this forecast, our savings accounts offer us the time to find sensible, permanent solutions for a long-term, balanced spending plan. I am ready to assist you and the Legislature as Alaska looks for the best answers to its financial questions.

Sincerely,

Wilson Condon
Commissioner



Alaska Permanent Fund Corporation

P.O. Box 25500 Juneau, Alaska 99802-5500
(907) 465-2047

MEMORANDUM

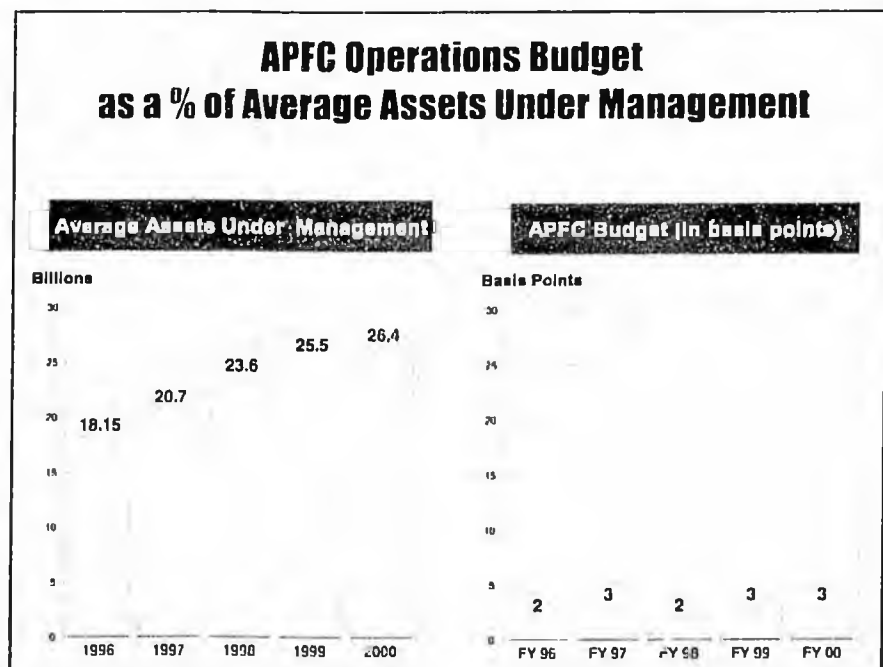
DATE: April 7, 1999
TO: Members, House Finance Committee
FROM: Byron I. Mallott *BIM*
Executive Director

SUBJECT: APFC Budget for FY 2000

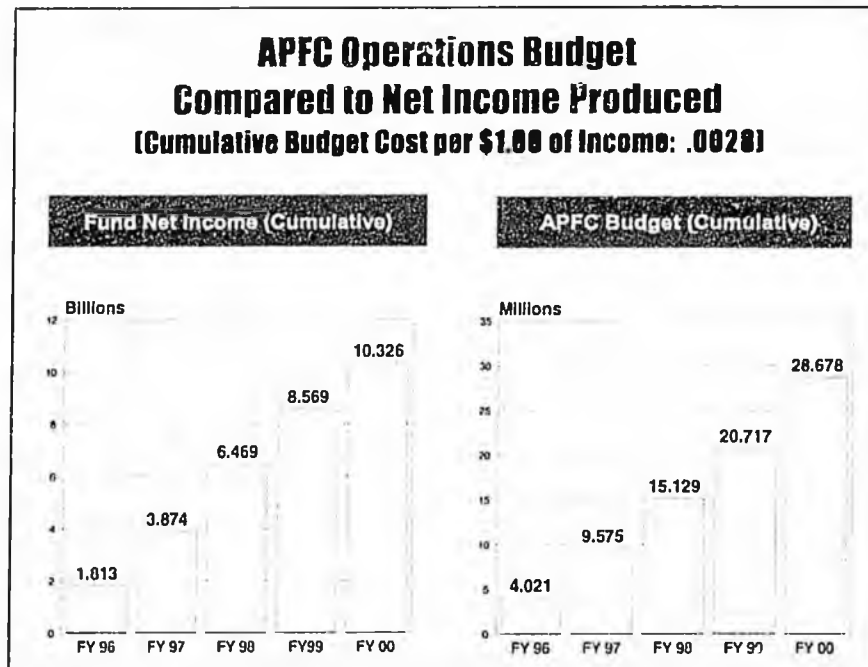
This is to request that the House Finance Committee fund the Alaska Permanent Fund Corporation's (APFC) fiscal 2000 budget substantially as requested. Here are five compelling reasons to support this position.

1. The proposed 10% reduction to the APFC operations budget would be counter-productive. It would directly reduce our ability to provide superior investment results. A case in point: the in-house bond portfolio, managed within the operations budget, beat the median manager for the two years ended Dec. 31, 1998 by 57 basis points; that value added amounted to an additional \$114 million in income.

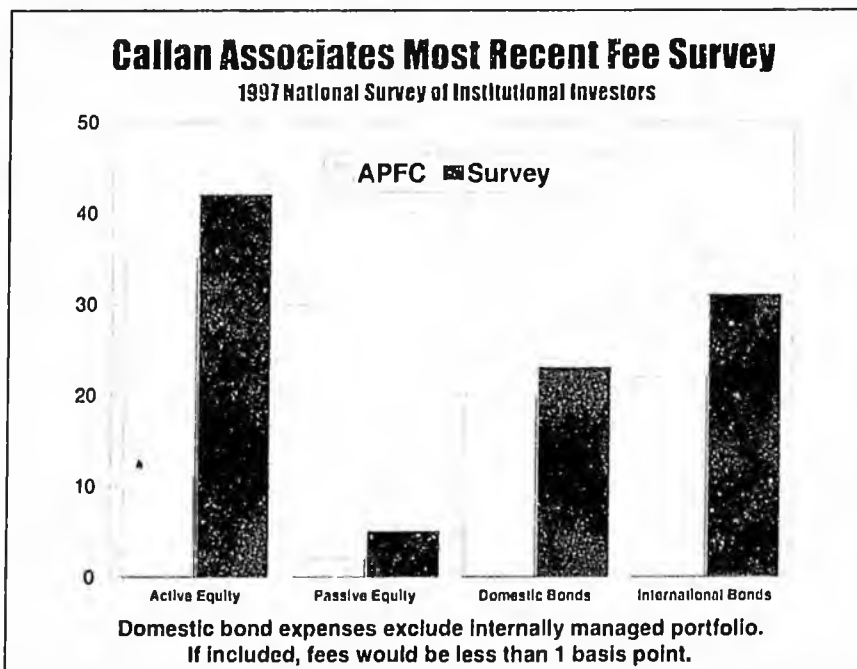
2. The growth of the APFC operations budget over the past five years doesn't reflect a budget out of control, it reflects a budget growth required to manage growing assets – and it has remained a consistent 2-3 basis points as a percentage of average assets under management.



3. Another way to measure APFC budget efficiency is the expense ratio. For the five fiscal years 1996 through 2000, the Fund will have earned \$10.3 billion of net income. The APFC operations budget required to produce that income (without any FY 2000 cuts) is \$28.7



million. Excluding manager and custody fees, it costs the APFC less than one-third of one cent to produce every dollar of income.



4. Relative to our institutional investment peers, the APFC is already the low-cost provider.

5. It is not necessary to cut the APFC budget to encourage operational efficiencies.

Without the cuts, the APFC staff, in just the past two years, has negotiated significantly lower management and custody fees, implemented new accounting and investment management systems, developed and initiated a new, more cost-effective travel policy, become a leader in the use of video conference technology and substantially improved the level and the timeliness of reporting.

In sum, the proposed reductions would not cut costs, but revenues.

**Testimony to the Legislature
Public Hearing – House Budget – FY00**

For the record my name is Nancy Cannington. I am currently the City Manager for the City of Kotzebue, a town of roughly 3,000 population. I was formerly City Manager in Unalakleet for over nine (9) years, a smaller community in rural Alaska with a population of 800. I am also a Commissioner on the Local Boundary Commission, having been appointed to that post in September, 1995. As a rural resident (by choice) in two remote communities of varying sizes, serviced primarily only by air transportation, I believe I have a fair understanding of the impact of state dollars on local services and residents.

For example, Kotzebue received \$323,789 in Municipal General Fund Revenues from State Revenue Sharing and Safe Community programs in FY99. Our General Fund Budget was \$3,553,356 for the same period of time, so you can see that the impact is about 10% of our Operating Budget. Personnel costs reflect over 61% of our budget, with this cut equating to roughly six (6) full-time, professional employees. Non-personnel costs cannot possibly be cut to such an extent needed to make up the difference. This means that some current full-time employees will have to be cut from the payroll, non-

Distributed by Rep. Richard Foster

personnel costs will have to be trimmed to bare minimums, and essential services such as police, fire, ambulance and road clearing and grading will suffer delayed response times. In a winter blizzard in Rural Alaska this can have serious consequences and even death if the City cannot afford to keep a minimal road crew on call during blizzards to plow the way for emergency crews to respond to fire, police or ambulance emergency calls. Deferred maintenance and planned improvements will have to wait.

The alternative that you force us, by this action, to bring forward is a personal property tax. The City of Kotzebue already has in place a 6% sales, accommodations and alcohol tax. The City does not have the benefit of shared fisheries taxes or a CDQ (Commercial Development Quota), or any other sources of general operating revenue except the sales, accommodations and alcohol taxes mentioned. To force the City to consider enacting both property and sales taxes is something even Anchorage and Fairbanks have not yet done. In FY99 the City received \$53,240 less than for FY98. That is approximately the equivalent of one full-time professional position vs. the equivalent of 6 FTE positions this proposed cut will cause! That equates to about thirty

(30) years of cuts if we sustained the same cuts as in the past five years!

I believe there is consensus among those in this room and those participating via teleconference from around the State that general public perception is skewed regarding the real fiscal gap! For as long as I can recall, the general public believes there is "too much government", yet fail to really be able to identify where the perceived "fat" is, while at the same time saying they do not want higher taxes! Likewise, the same constituency that told you to "cut the budget", really does not understand that what you are proposing to cut is essentially digging deeper into their pockets on the local tax level! Maybe local governments have not done our jobs well enough in getting out this word; maybe you, the legislature, is using this cut as a tool to guide the public to accept a cap on their Permanent Fund Dividends or consider a personal income tax; maybe there is substance to the perception that the Legislative Majority wants to make cuts in programs that largely hurt Rural Alaska. I prefer to believe that we are one state and own this fiscal deficit together. Rural Alaska contributes heavily to the State's economy, with the majority of resources, such as Prudhoe Bay, Red Dog Mine and Bristol Bay, Southeast Alaska and Bering Sea Fisheries located off the so-called Railbelt. I certainly don't need to remind you

of the benefits urban Alaska receives from rural Alaskans around the State who use the urban centers of Fairbanks, Anchorage and Juneau as centers for transportation and shopping. I have watched first hand the erosion of the quality of life in Rural Alaska over the last ten years as the State has cut back on goods and services to communities while enacting mandates for water/sewer/solid waste and other standards that must be met on the local level. The average resident of Kotzebue this year pays \$64.12 for water, \$23.34 for sewer, \$23.74 for garbage, and 6.67 sales tax for a total of \$117.87/month. There will be phased increases over the next two years that will culminate in FY2001 with a total of \$148.22/month for those services. Rural Alaska is also facing Power Cost Equalization (PCE) reductions and/or phase out! Gasoline is \$2.79/gal. currently in Kotzebue! Rents range from \$1,000 to \$1,450/mo. for a two bedroom apartment. Year-round jobs are difficult to come by and seasonal employment does not provide a level income stream to pay monthly utility services. This creates an additional collection burden for utilities.

It becomes a question of how much of the state operating budget can realistically be balanced on the backs of rural residents, and I assure

you that in smaller communities, the loss of State Revenue Sharing and Safe Communities funding will bring them to the brink, and I fear many small, local governments will simply turn off the lights and walk away. This will leave the State to grapple with multiple dissolutions of local governments, and will widen the gap of equity for all residents in this State.

I urge you to restore this funding and accept the responsibility of your elected capacity, face the public with the options before them, whether it be a statewide income tax, sales tax, a cap on the Permanent Fund Dividend or using earnings from the Permanent Fund.

The pendulum needs to be centered so that a quality of government service is established without drastic swings one way or the other. With a \$25 billion dollar rainy day fund, surely a responsible plan can be developed to accomplish this goal. We do not need to tax people or cut government "to the bone" to provide a positive level of services.

I urge you to act now and not pass chunks of the budget deficit to local governments to distribute for you under the veiled guise of accomplishing the public mandate of "cutting the budget".

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET
DIVISION OF BUDGET REVIEW

P.O. BOX 110020
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February 24, 1999

The Honorable Sean Parnell, Chair
Senate Finance Committee
State Capitol, Room 518
Juneau, AK 99801

Dear Senator Parnell:

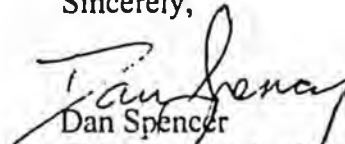
I have attached additional information about the 'front sections' to SB 30, the FY 2000 operating budget, to help answer questions posed by committee members during the February 17 overview.

Please note that the estimated dollar amounts shown here for several of the sections that appropriate unspecified amounts (such as Sec. 2(a) & (b), Permanent Fund Earnings Reserve) are different than the amounts shown in the Legislative Finance Division's analysis which committee members had before them during the meeting. As you know, these amounts are estimates; in most cases the appropriation language is general because the specific amount to be appropriated is not known until a particular date, such as June 30 for appropriations carrying forward balances from one fiscal year to the next. It is important to recognize that these estimates may vary from one day to the next, no matter who prepares the estimate.

We are still working on information for a few sections and we will provide that to you within the next several days.

Please call me if you have additional questions.

Sincerely,


Dan Spencer
Chief Budget Analyst

Attachments

cc: Representative Eldon Mulder
David Teal, Legislative Finance

GOVERNOR'S BUDGET COMPARISON FOR FY1999 - FY2000

FISCAL YEAR 1999

(dollars shown in millions)

FISCAL YEAR 2000

	General Funds			General Funds		
	without Designated Program Receipts	with Program Receipts A	Total Funds	without Designated Program Receipts	with Program Receipts A	Total Funds
Revenues						
Net Disposable Unrestricted Revenues - Full 98 forecast	1,377.6 ^B	\$1,415.0	\$1,415.0	1,289.7	1,328.3	1,328.3
Restricted Revenues (federal, corporate, UA receipts, etc.)	0.0	0.0	3,804.9	0.0	0.0	4,191.1
Total Revenues	1,377.6	1,415.0	5,219.9	1,289.7	1,328.3	5,519.4
Draw from Constitutional Budget Reserve	949.6	949.6	949.6	1,016.6	1,016.6	1,016.6
Funds Authorized to be Expended	2,327.2	2,364.6	6,169.5	2,306.3	2,344.9	6,536.0
Expenditures Including Supplementals						
Agency Operations	1,093.5	1,108.6	2,422.4	1,124.1	1,151.3	2,526.7 ^C
Formula Programs (Medicaid, Longevity Bonus, etc.)	1,064.9	1,064.9	1,569.0	1,080.5	1,080.5	1,659.8 ^C
Further Budget Balancing in FY2000				-15.0	-15.0	-15.0 ^D
Supplementals & Operating revised programs (LB&A)	16.5 ^E	17.7	29.3 ^E	15.4 ^F	15.4	15.4
Debt Service	46.0	46.0	91.5	5.7	5.7	155.4
Loans - Alaska Clean Water & Drinking Water Funds	3.8	3.8	23.0	3.1	3.1	18.6
Capital Appropriations & Revised Programs (LB&A)	85.4	106.5	1,204.3	81.5	90.5	934.3
Fiscal Notes to New Legislation				-5.3	-2.9	-2.9 ^G
Investments with Tobacco Settlement & Motor Fuel Tax			8.2			48.6 ^H
Permanent Fund Dividend/Special Approp./Fund Transfers	17.1	17.1	1,313.5	16.3	16.3	1,715.0
Total Expenditures	2,327.2	2,364.6	6,661.2	2,306.3	2,344.9	7,055.9
Less Duplicated Expenditures	0.0	0.0	-491.7 ^I	0.0	0.0	-519.9 ^I
Expenditures Net of Duplicated Appropriations	2,327.2	2,364.6	6,169.5	2,306.3	2,344.9	6,536.0
With Increases Requested by Court System				2,313.7 ^J	2,352.3 ^J	6,543.4 ^J

Constitutional Budget Reserve Fund projected year-end balances: FY99 \$2,943.3 million; FY2000 \$2,237.0 million.

Dept. of Revenue's Full 1998 Forecast "reference case" oil prices: \$13.03/bbl for FY99; \$13.27/bbl for FY2000.

FY99 expenditures include revised programs approved by Legislative Budget & Audit Committee through December 5 (\$1.2 million designated program receipts, \$14.5 million other).

The State also collects and passes shared tax receipts directly to municipalities (FY99: \$20.2 million, FY2000: \$19.2 million) and aquaculture associations (FY99 & FY2000: \$4.1 million).

NOTES (lettered by row from left to right):

- A. Designated Program Receipt columns reflect statutory changes made in SLA 97, Ch 59 (FY2000 SDPR, APUC & Test Fisheries = \$27.1 million operating / \$9 million capital).
- B. Dept. of Revenue Full forecast adjusted to accommodate legislature's FY99 treatment of dividends from AIDEA (+ \$16 million) and AHFC (- \$50 million) and carryforward authorization (+ \$11.5).
- C. FY2000 operating budget includes statutory increases in education (\$18 million) and child health (\$4.6 million); plus a \$5.6 million increase for the University.
- D. Further budget balancing through cost reductions, consolidations, efficiencies, technology, user pay, service reductions, etc.
- E. FY99 Supplemental allowance will not be adequate to cover all supplementals including disasters (over \$30 million), Cleary compliance (almost \$5 million) and Y2K.
- F. FY2000 supplemental allowance reduced to reflect funding leases fully in Agency Operations rather than partly in the supplemental budget.
- G. Fiscal impact of legislative proposals: Longevity Bonus income limit (-\$8.0 million); bonds for schools (+\$2.7 million); Pioneer Home/Housing Receipts (+\$2.4 million).
- H. Tobacco Settlement (\$8.2 million FY99; \$21.9 million FY2000) and increased Motor Fuel Tax (\$26.7 million) are treated as Other Funds to show they are not part of current general fund sources.
- I. Duplicated expenditures are in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided.
- J. The governor forwards budget requests of the other branches of government without modification. The Court System's FY2000 budget adds \$2.7 million operating and \$4.7 million capital.
- K. Budget Comparison document released December 15, 1998 (with technical corrections through December 23).

**SB 30/HB 50 FRONT SECTIONS
ALASKA HOUSING FINANCE CORPORATION**

Why is this item a front section (instead of an appropriation in the body or back of the general appropriation bill)?

Section 1(a) addresses the amount of funds AHFC returns to the state on an annual basis. This amount has been expressed in language that anticipates the funds being transferred by the direction of the board of directors of the corporation.

Section 1(b) describes the revenues of the corporation and appropriates these revenues back to the corporation.

Section 1(c) provides authorization for the estimated level of mortgage activity for AHFC during the upcoming fiscal year.

Can this item be accommodated in the body of the general appropriation bill? If so, how? If not, why?

Section 1(a) language can be placed in any portion of the general appropriation bill. For example, legislative intent statements are routinely placed in the body of the bill.

Section 1(b) needs to have a language appropriation in order to cover all AHFC revenues and receipts on an annual basis. This amount is difficult to anticipate, and requires broad authority to insure that there are no limitations on AHFC ability to collect receipts.

Section 1(c) could conceivably be accommodated in the body of the general appropriation bill, but it should not be combined with AHFC's operating budget appropriation or budget components. These authorizations should remain as separate appropriations. Under AS 18.56.089, the provisions of the Executive Budget Act are not otherwise applicable to authorizations for aggregate loan activity. Loan activity authorizations should not be confused with expenditures regarding the operations of the corporation.

What is the purpose of this front section?

Section 1(a) is intended to recognize and reflect in language in the agreement with the state (SB360 from the 1998 Session) regarding the annual transfer of funds from the corporation.

Section 1(b) is intended to avoid dispute whether AHFC would be in violation of the prohibition against the dedication of funds without an appropriation of its own revenues back to the corporation.

Section 1(c) is required under AS 18.56.089(a)(1)(D)&(E).

What is the unique history of this front section?

Section 1(a) reflects the agreement established last session in SB360. The 1998 Legislature adopted an Act (SB360) authorizing the issuance of up to \$224 million in bonds of the Corporation to finance projects of the state and municipalities. Section 1 of the 1998 Act provides as follows:

“The legislature intends to ensure the prudent management of the Alaska Housing Finance Corporation to protect its excellent debt rating by the nation’s financial community and to preserve it as a valuable asset of the state. To accomplish this goal, the sum of withdrawals for the repayment of bonds under sec. 2(c) of this Act, for transfer to the general fund, and for expenditures on corporate funded capital projects should not exceed the Corporation’s net income for the preceding fiscal year. The Alaska Housing Finance Corporation projects that \$103,000,000 will be available in each fiscal year beginning with 1999 through 2006, for a total amount during the seven-year period of \$721,000,000.”

Section 1(b) was established to avoid any potential conflicts with the prohibition against the dedication of funds under Article IX, Section 7 of the state constitution. A concern began to be expressed by the Department of Law in the early 1980’s regarding the prohibition on dedicated funds and AHFC revenues. While there was never a conclusive resolution to this legal question, this language has always been in the Front Section since 1986. It is necessary and advisable to continue using this language in order to avoid a requirement for disclosure to investors in AHFC bonds. Keeping this language will insure this is not an issue to worry about.

Section 1(c) represents a formalization of the process for AHFC to discuss and present its mortgage lending activities to the executive and legislative branches. In 1995, the legislature passed legislation that brought the corporation’s mortgage lending activities under the Executive Budget Act. Rather than create detailed appropriations or components in the budget regarding each mortgage program, the legislation requires an authorization for an aggregate amount of total loan activity. (The requirement for this section can be seen in AS 18.56.089(a)(1)(D) & (E).)

Explain how this appropriation works.

Section 1(a) is not written as an appropriation for the purposes of AHFC. The corporation’s board of directors will determine the amount made available. Once these funds are made available by AHFC, Section 1(a) does appropriate these dollars to the Alaska debt retirement fund. Based upon the agreement between AHFC and the state regarding the amount to be transferred, the amount of dollars to be determined by the board is known and can be anticipated.

Section 1(b) appropriates all revenue earned by the corporation back to the corporation. Through an agreement with the state, revenues earned in excess of the needs of the corporation are made available by the board of directors under Section 1(a).

Section 1(c) provides authorization for the aggregate of non-subsidized and subsidized mortgage loan activity of AHFC. In other words, these amounts represent a "cap" of the aggregate amount of mortgages purchased by AHFC under its loan programs. AHFC provides an estimate of loan activity anticipated for the upcoming fiscal.

How much is being appropriated by this section? Is this an estimate or known amount?

Section 1(a) refers to \$38,575,900 being made available by AHFC. This subsection further appropriates this amount to the Alaska debt retirement fund. This amount reflects the known balance of AHFC funds available for FY99 and FY2000 in all appropriation bills enacted or pending before the legislature on February 22, 1999. Any changes by the legislature to expenditures of AHFC funds in either fiscal year will require an adjustment in order to comply with the \$103 million agreement level.

Section 1(b) speaks to an estimated level of \$320 million of revenues for the corporation.

Section 2

APFC response:

Subsection (a) Dividend Appropriation.

- * In the front section because it is formula-based.
- * Cannot be accommodated in the body of the general appropriation bill because it is formula-based and does not appropriate a specific amount.
- * The appropriation for the dividend administrative costs and other purposes are in the back section of the general appropriation bill because they are specific amounts.
- * The dividend is split between front and back sections of the bill because (1) formula-based appropriations are in the front and (2) specific amounts are in the back.
- * The purpose of the front section is to accommodate appropriations for which the amount cannot be known at the time of appropriation.
- * The front section has always been used for the dividend as long as the Legislature has appropriated the amount that would be due under State law.
- * The appropriation refers to the appropriate sections of State law and appropriates the amount that would be due under the formula.
- * We estimate \$989 million.

Subsection (b) Inflation-Proofing.

- * In the front section because it is formula-based.
- * Cannot be accommodated in the body of the general appropriation bill because it is formula-based and does not appropriate a specific amount.
- * Inflation-proofing is not in the back section.
- * Inflation-proofing is not split between the front and back sections.
- * The purpose of the front section is to accommodate appropriations for which the amount cannot be known at the time of appropriation.
- * The front section has always been used for the inflation-proofing as long as the Legislature has appropriated the amount that would be due under State law.
- * The appropriation refers to the appropriate sections of State law and appropriates the amount that would be due under the formula.
- * We estimate \$287 million.

Subsection (c) Revenues Dedicated by Constitution/Statute.

- * In the front section because the amount cannot be known until it is received.
- * Cannot be accommodated in the body of the general appropriation bill because the amount cannot be known in advance.
- * Not in the back section.
- * Not split between the front and back sections.
- * The purpose of the front section is to accommodate appropriations for which the amount cannot be known at the time of appropriation.

- * The front section has been used for the dedicated revenues because some are dedicated by statute.
- * The appropriation refers to the amounts that have been received by the State.
- * We estimate \$111 million.

Subsection (d) Interest.

- * In the front section because the amount cannot be known until it is received.
- * Cannot be accommodated in the body of the general appropriation bill because the amount cannot be known in advance.
- * Not in the back section.
- * Not split between the front and back sections.
- * The purpose of the front section is to accommodate appropriations for which the amount cannot be known at the time of appropriation.
- * The front section has been used for the interest on dedicated revenues because State law implies but does not make specific reference to interest earned while dedicated revenues have been held in escrow, e.g., the section 8(g) escrow deposit.
- * The appropriation refers to the amount of interest received on escrowed funds.
- * We estimate \$ 4 million.

MEMORANDUM

State of Alaska

TO: Dan Spencer, Chief Budget Analyst
Office of Management and Budget
Office of the Governor

DATE: February 24, 1999

FILE NO:

TELEPHONE NO: 465-2506

FROM: Tom Lawson, Director
Division of Administrative Services
Department of Commerce and
Economic Development

SUBJECT: FY2000 Operating Budget
Front Section

At the February 17 meeting of the Senate Finance Committee, the committee reviewed the front section of the Governor's FY00 proposed operating budget. During the review, there were questions regarding some of the sections for the Department of Commerce and Economic Development. Following is additional information and clarification regarding these sections:

Section 3. Alaska Public Utilities Commission (APUC). The latest carryforward estimate is \$400.0. The primary source of the carry forward funds is regulatory cost charge (RCC) funds (AS² Section 42.05.254. Public utility regulatory cost charge). Regulatory cost charge fees are assessed to utilities *regulated* by the APUC for the funding of the operations of the APUC.

Regarding the question as to why \$75.0 CBR funds are requested in the Y2K project bill (SB 44), the proposed APUC Y2K project audits/assists *regulated* as well as *unregulated* utilities in dealing with Y2K issues. APUC will match the \$75.0 in CBR funds with \$75.0 in APUC receipts. There is arguably a concern by the APUC that use of RCC funds only might not be appropriate to pay completely for this project.

Section 4. Alaska Science and Technology Foundation. The estimated "unexpended and unobligated balance in the ASTF endowment earnings reserve on June 30, 1999," is projected by ASTF to be \$2,410.4. This figure is calculated as follows:

Endowment earnings reserve as of July 1, 1998

Plus: Anticipated earnings during FY1999

Less: Money appropriated to AK Aerospace Development Corp. (AADC) for FY1999

Less: Money appropriated to the University of AK by Legislature in FY1999

Less: Money appropriated to ASTF for administrative operations in FY1999

Less: Anticipated grant payments by ASTF during FY1999 (varies significantly)

Balance: The balance referred to in the Front Section language

Please note that Legislative Finance Division's analysis of this section which reports an estimate of \$9,539.8 is incorrect. When preparing the FY2000 budget request, the ASTF endowment earnings reserve (endowment) is reflected as a funding source in two sections of the operating

budget. First, the endowment is reflected in the back section of the budget as both ASTF's (FY2000 \$8,984.6) and AADC's (FY2000 \$555.2) funding source for their "routine" operating appropriations. The combined total is \$9,539.8. In addition, the University of Alaska is appropriated endowment funds (FY2000 \$2,630.0) in the back section of the budget.

Second, the endowment is identified as the funding source in the Operating Budget's Front Section (section 4) language that appropriates the "balance" of the endowment's earning reserve to ASTF for grants.

The two sections are different. In FY2000 ASTF and AADC would receive the \$9,539.8 and ASTF would also receive the balance of the endowment as of the end of FY99.

Section 23. Real Estate Surety Fund. As explained at the meeting, this is a new front section which implements our response to a legislative audit recommendation that the FY1998 RESF ending fund balance in excess of \$500.0 be lapsed to the General Fund. Instead, the section appropriates the FY1998 excess RESF balance of \$60.7 to the Division of Occupational Licensing for purposes relating to the RESF for FY2000. The department believes that it is inappropriate to lapse the excess RESF balance into the General Fund since real estate surety fees were collected specifically to be deposited into the RESF for real estate educational purposes and anticipated expenditures for claims against the RESF.

We certainly would support a proposal to remove the \$500.0 ceiling of the RESF from statute as long as the legislation would be retroactive to FY1998. If this occurred, there would be no need for front section 23.

FY2000 Operating Budget - Front Section Analysis

Alaska Public Utilities Commission

Operating Budget Sec 3

Monetary Value: 400.0 APUC Receipts (Estimate)

Statutory Authority: AS 42.05.254 & AS 42.06.286

The purpose of this section is to reappropriate the June 30, 1999 balance of APUC receipts to the Alaska Public Utilities Commission for FY2000 operations. A similar front section provision has been included since the FY95 operating budget. The annual amount of the carry forward has been reflected in the short forms only since FY97. The amounts carried forward into FY97, FY98 and FY99 were 198.4, 444.7, and 436.2 respectively.

APUC is funded principally by an annual regulatory cost charge in an amount not to exceed .8 percent of gross revenue derived from regulated operations. These receipts have been known as APUC receipts since the FY1998 operating budget. Prior to that time APUC was funded with GF Designated Receipts or GF Program Receipts. The proposed budget for FY2000 (without the carry forward amount) includes estimated revenues and total expenditures of 4,699.2.

This appropriation allows for the precise appropriation amount to be determined when the final information on lapse balances becomes available. Including this appropriation in the front section prevents over- or under- stating the budget for this program.

See also:

SLA 1998 ch 137 sec 4

SLA 1997 ch 98 sec 5

SLA 1996 ch 117 sec 6

SLA 1995 ch 94 sec 30

SLA 1994 ch 3 sec 31

FY2000 Operating Budget - Front Section Analysis

Alaska Seafood Marketing Institute

Operating Budget Section 5

Monetary Value: 200.0 to 500.0 GF/PR

Statutory Authority: AS 43.76.110 & AS 16.51.120

The purpose of this section is to reappropriate the June 30, 1999 balance of fiscal year 1999 general fund receipts from the salmon marketing tax and from the seafood marketing assessment to the Alaska Seafood Marketing Institute for marketing Alaska seafood products during FY2000. A similar front section provision has been included since the FY96 operating budget. The annual amount of the carry forward has been reflected in the short form since FY97. The amounts carried forward into FY97, FY98 and FY99 were 300.0, 200.0, and 0.0 respectively.

Statutes provide (see AS 43.76.110) that the salmon marketing tax be deposited in the general fund and may be appropriated by the legislature to the Alaska Seafood Marketing Institute for the purpose of supporting the Institute's salmon marketing program.

The appropriation allows for the precise appropriation amount to be determined when the final information on lapse balances becomes available. Including this appropriation in the front section prevents over- or under- stating the budget for this program.

See also:

SLA 1998 ch 137 sec 6

SLA 1997 ch 98 sec 6

SLA 1997 ch 100 sec 70

SLA 1997 ch 100 sec 47

SLA 1996 ch 117 sec 7

SLA 1995 ch 94 sec 31

Sec 8 Disaster Relief

- a. *Why is this item a front section (instead of an appropriation in the body or back of the general appropriation bill). To allow un-estimatable amounts of federal receipts received by the state for disaster relief to be appropriated directly to the disaster relief fund.*
- b. *Can this item be accommodated in the body of the general appropriation bill? If so, how? If not, why.* No, because the amount received over a given year is not known in advance.
- c. *If applicable, why is the appropriated amount shown in the front section and in the back section of the bill (i.e. Marine Highway System Fund)? Is this required or necessary?* Not applicable to this section.
- d. *If applicable, why are certain appropriations, from the same source of funding, split between front and back sections of the bill (i.e. Oil & Haz)? Is this required or necessary?* We estimate \$9,000,000 of federal receipts in the Disaster Planning and Control component, and use the language in the front section to accommodate the receipt of more if the level of disasters warrants.
- e. *What is the purpose of this front section?* See answer to item (a).
- f. *What is the unique history of this front section?* The legislature preferred having the appropriation language in the front section.
- g. *Explain how the appropriation language works.* Federal receipts associated with specific disasters are received and "deposited" in the disaster relief fund, where they are expended according to federal rules and regulations.
- h. *How much is being appropriated by this section; Is this an estimate or known amount?* There is no specific amount appropriated in this section, as the amount is unknown.

**Operating Budget: HB50/SB30
Front Section Analysis**

Section 10. Federal Subsistence Funds

This item appears in the front section of the bill because there is contingency language that must be met before the State can receive the funds. If the terms of the appropriation are met, this amount would become an annual appropriation that would be included in the back section of the bill in the appropriate section of the department's budget. This section has a lapse date of June 30, 2001 specified in section 37 because it is the start-up year of the program.

The \$11 million represents the amount the federal government anticipated would be required for it to duplicate the department's data collection and management system. As the situation stands, if there is a constitutional amendment put on the ballot, the \$11 million would be made available to the state. It would be used for the following purposes.

- 1) The department would use about \$3 million to get the Subsistence Division back to the kind of program it had prior to 1989. This would fund the collection and use of information on subsistence uses on federal lands (60% of the state), which allows the state boards to provide for subsistence uses without unnecessarily restricting commercial and recreational uses on federal lands. The federal government used to provide ANILCA reimbursement to the Subsistence Division to do this type of work; but the reimbursement ended with federal management. (Section 805 (e) (1) of ANILCA states that the Secretary of the Interior shall reimburse the state up to \$5 million for subsistence management and the regional council program.) Under this appropriation, the state is essentially taking this part of the program back again. This is not a program that will result in cuts elsewhere in the department's budget. This part of the \$11 million allows for updating information on subsistence use by Alaska residents using federal lands for areas where data collection last occurred prior to federal management.
- 2) Part of the \$11 million would be used to support the state's resumption of the regional council system. At least \$3 million would be needed to provide support and to provide information to the regional councils. This regional council system is an expanded system from the one previously used by the state, so it will cost more and needs to be integrated and coordinated with the existing advisory committee system.
- 3) Part of the \$11 million would go to resource assessment and harvest reporting programs. The federal programs have been doing wildlife resource assessment, some of it associated with subsistence management. There are many areas where we have not been doing wildlife assessment because of state fiscal cutbacks and the federal programs have been filling in the gap, only on federal lands. There are also fish and wildlife resources that do not get the attention they need because they are not high profile commercial or sport resources. For example, we know very little about the population or distribution of Yukon River Coho or Kuskokwim River Chinook, which are both significant subsistence species. Further, the federal and state programs have raised expectations that these assessment projects occur in

collaboration with regional and local organizations and communities. This federal money would enable cooperative agreements to happen.

Like all other federal funds received by the department, the funds for this program would be provided under the terms of a contractual agreement. The department would propose language that would exempt the state from any repayment of funds if we had made a good faith effort, but for some reason failed to fully comply with the federal law. The department will not propose any general fund reductions as a result of receiving this funding. As detailed above, the appropriation is intended to augment the department's current efforts. If no "solution" is reached, the department would continue to work with the federal government on specific contracts that provide a benefit to the state fish and wildlife management regime.

105th CONGRESS
2D SESSION

H.R. 4328

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 4328) "making appropriations for the Department of Transportation and related agencies for the fiscal year ending September 30, 1999, and for other purposes", having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate, and agree to the same with an amendment, as follows:

In lieu of the matter stricken and inserted by said amendment, insert:

DIVISION A—OMNIBUS CONSOLIDATED APPROPRIATIONS

That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the several departments, agencies, corporations and other organizational units of the Government for the fiscal year 1999, and for other purposes, namely:

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*NATURAL RESOURCE DAMAGE ASSESSMENT AND
RESTORATION*

NATURAL RESOURCE DAMAGE ASSESSMENT FUND

To conduct natural resource damage assessment activities by the Department of the Interior necessary to carry out the provisions of the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. 9601 et seq.), Federal Water Pollution Control Act, as amended (33 U.S.C. 1251 et seq.), the Oil Pollution Act of 1990 (Public Law 101-380), and Public Law 101-337; \$4,492,000, to remain available until expended. Provided, That unobligated and unexpended balances in the United States Fish and Wildlife Service, Natural Resource Damage Assessment Fund account at the end of fiscal year 1998 shall be transferred to and made a part of the Departmental Offices, Natural Resource Damage Assessment and Restoration, Natural Resource Damage Assessment Fund account and shall remain available until expended.

MANAGEMENT OF FEDERAL LANDS FOR SUBSISTENCE USES

SUBSISTENCE MANAGEMENT, DEPARTMENT OF THE

INTERIOR

For necessary expenses of bureaus and offices of the Department of the Interior to manage federal lands in Alaska for subsistence uses under the provisions of Title VIII of the Alaska National Interest Lands Conservation

Act (Public Law 95-487 et seq.) except in areas described in section 339(a)(1) (A) and (B) of this Act, \$8,000,000 to become available on September 30, 1999, and remain available until expended: Provided, That if prior to October 1, 1999, the Secretary of the Interior determines that the Alaska State Legislature has approved a bill or resolution to amend the Constitution of the State of Alaska that, if approved by the electorate, would enable the implementation of state laws of general applicability which are consistent with, and which provide for the definition, preference and participation specified in sections 803, 804; and 805 of the Alaska National Interest Lands Conservation Act, the Secretary of the Interior shall make an \$8,000,000 grant to the State of Alaska for the purpose of assisting that State in fulfilling its responsibilities under sections 803, 804, and 805 of that Act: Provided further, That if, on June 1, 1999, the Secretary is unable to make a determination that the Alaska State Legislature has approved a bill or resolution to amend the Constitution of the State of Alaska that, if approved by the electorate, would enable the implementation of state laws of general applicability which are consistent with and which provide for the definition, preference and participation specified in sections 803, 804, and 805 of the Alaska National Interest Lands Conservation Act, \$1,000,000 of these funds shall

609 .

become available on June 1, 1999, and shall remain available until expended (with expended amounts to be subtracted from the amount that could be granted to the State), for the Secretary to conduct data gathering and research on subsistence uses, and formulate plans for operational aspects and in-season management, but not to implement and enforce subsistence use management beyond those public lands which as of October 1, 1998, were subject to federal management for subsistence uses pursuant to Title VIII of the Alaska National Interest Lands Conservation Act.

ADMINISTRATIVE PROVISIONS

There is hereby authorized for acquisition from available resources within the Working Capital Fund, 15 aircraft, 10 of which shall be for replacement and which may be obtained by donation, purchase or through available excess surplus property: Provided, That notwithstanding any other provision of law, existing aircraft being replaced may be sold, with proceeds derived or trade-in value used to offset the purchase price for the replacement aircraft: Provided further, That no programs funded with appropriated funds in the "Departmental Management", "Office of the Solicitor", and "Office of Inspector General" may be augmented through the Working Capital Fund or the Consolidated Working Fund.

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MANAGEMENT OF NATIONAL FOREST LANDS FOR
SUBSISTENCE USES

SUBSISTENCE MANAGEMENT, FOREST SERVICE

For necessary expenses of the Forest Service to manage federal lands in Alaska for subsistence uses under the provisions of Title VIII of the Alaska National Interest Lands Conservation Act (Public Law 96-487 et seq.) except in areas described in section 339(a)(1)(A) and (B) of this Act, \$3,000,000 to become available on September 30, 1999, and remain available until expended: Provided, That if prior to October 1, 1999, the Secretary of the Interior determines that the Alaska State Legislature has approved a bill or resolution to amend the Constitution of the State of Alaska that, if approved by the electorate, would enable the implementation of state laws of general applicability which are consistent with, and which provide for the definition, preference and participation specified in sections 803, 804, and 805 of the Alaska National Interest Lands Conservation Act, the Secretary of Agriculture shall make a \$3,000,000 grant to the State of Alaska for the purpose of assisting that State in fulfilling its responsibilities under sections 803, 804, and 805 of that Act.

ADMINISTRATIVE PROVISIONS, FOREST SERVICE

Appropriations to the Forest Service for the current fiscal year shall be available for: (1) purchase of not to exceed 177 passenger motor vehicles of which 22 will be used

primarily for law enforcement purposes and of which 176 shall be for replacement; acquisition of 25 passenger motor vehicles from excess sources, and hire of such vehicles; operation and maintenance of aircraft, the purchase of not to exceed two for replacement only, and acquisition of sufficient aircraft from excess sources to maintain the operable fleet at 213 aircraft for use in Forest Service wildland fire programs and other Forest Service programs; notwithstanding other provisions of law, existing aircraft being replaced may be sold, with proceeds derived or trade-in value used to offset the purchase price for the replacement aircraft; (2) services pursuant to 7 U.S.C. 2225, and not to exceed \$100,000 for employment under 5 U.S.C. 3109; (3) purchase, erection, and alteration of buildings and other public improvements (7 U.S.C. 2250); (4) acquisition of land, waters, and interests therein, pursuant to 7 U.S.C. 428a; (5) for expenses pursuant to the Volunteers in the National Forest Act of 1972 (16 U.S.C. 558a, 558d, and 558a note); (6) the cost of uniforms as authorized by 5 U.S.C. 5901-5902; and (7) for debt collection contracts in accordance with 31 U.S.C. 3718(c).

≡ None of the funds made available under this Act shall be obligated or expended to abolish any region, to move or close any regional office for National Forest System administration of the Forest Service, Department of Agri-

fined petroleum product claims for direct restitution is allocated equitably among the claimants."

SEC. 338. Section 123(a)(2)(C) of the Department of the Interior and Related Agencies Appropriations Act, 1998 (111 Stat. 1566), is amended by striking "self-regulated tribes such as".

SEC. 339. (a) RESTRICTION ON FEDERAL MANAGEMENT UNDER TITLE VIII OF THE ALASKA NATIONAL INTEREST LANDS CONSERVATION ACT.—

(1) Notwithstanding any other provision of law, hereafter neither the Secretary of the Interior nor the Secretary of Agriculture may, prior to December 1, 2000, implement or enforce any final rule, regulation, or policy pursuant to title VIII of the Alaska National Interest Lands Conservation Act to manage and to assert jurisdiction, authority, or control over land, water, and wildlife, in Alaska for subsistence uses, except within—

(A) areas listed in 50 C.F.R. 100.3(b) (October 1, 1998) and

(B) areas constituting "public land or public lands" under the definition of such term found at 50 C.F.R. 100.4 (October 1, 1998).

(2) The areas in subparagraphs (A) and (B) of paragraph (1) shall only be construed to mean those

public land which as of October 1, 1998, were subject to federal management for subsistence uses pursuant to Title VIII of the Alaska National Interest Lands Conservation Act.

(b) *SUBSECTION (A) REPEALED.*—

(1) *The Secretary of the Interior shall certify before October 1, 1999, if a bill or resolution has been passed by the Alaska State Legislature to amend the Constitution of the State of Alaska that, if approved by the electorate, would enable the implementation of state laws of general applicability consistent with, and which provide for the definition, preference, and participation specified in sections 803, 804, and 805 of the Alaska National Interest Lands Conservation Act.*

(2) *Subsection (a) shall be repealed on October 1, 1999, unless prior to that date the Secretary of the Interior makes such a certification described in paragraph (1).*

(c) *TECHNICAL AMENDMENTS TO THE ALASKA NATIONAL INTEREST LANDS CONSERVATION ACT.*—Section 805 of the Alaska National Interest Lands Conservation Act (16 U.S.C. 3115) is amended—

(1) *in subsection (a) by striking "one year after the date of enactment of this Act,"*

Senate Finance Committee Questions regarding
FRONT SECTIONS
(Operating Budgets: HB 50/SB 30)

Section 11: Fish and Game Enforcement

- a. Why is this item a front section (instead of an appropriation in the body or back of the general appropriation bill)?

This front section appropriation transfers revenues deposited by the courts related to Fish and Wildlife Protection cases to the Fish and Game Fund to create a funding source to strengthen enforcement and prosecution of Alaska's fish and game laws and regulations.

- b. Can this item be accommodated in the body of the general appropriation bill? If so, how? If not, why?

There is no provision for inter-fund transfers in agency operating budgets. The front section is presently the only place in the operating bill that allows a mechanism to permit these types of transactions.

- c. If applicable, why is the appropriated amount shown in the front section and in the back section of the bill?

The front section transfers funding to the Fish and Game Fund. The Departments of Law and Public Safety still need operating appropriations from the legislature to expend these funds in the back section.

- d. If applicable, why are certain appropriations from the same source of funding, split between front and back sections of the bill? Is this required or necessary?

Not applicable to this section.

- e. What is the purpose of the front section?

To implement a policy of using criminal fines and forfeitures generated from enforcement, investigation and prosecution of fish and game cases to support these programs.

- f. What is the unique history of this front section?

In FY 98, the legislature approved an administration request to transfer receipts from criminal fines, penalties and forfeitures imposed for violation of AS 16 and its implementing regulations from the General Fund to the Fish and Game Fund. The goal was to provide a non-General Fund funding source to strengthen enforcement and prosecution of Alaska's fish and game laws and regulations by the Departments of Public Safety and Law.

- g. Explain how the appropriation language works;

The front section transfers receipts related to fish and game related criminal fines, penalties and forfeitures from the General Fund to the Fish and Game Fund. The Department of Law and the Department of Public Safety, Division of Fish and Wildlife Protection reflect operating appropriations funded in part by these Fish and Game Fund receipts.

- h. How much is being appropriated by this section? Is this an estimate or known amount?

Section 11 transfers all funds related to criminal fines, penalties and forfeitures imposed for violations of AS 16 and its implementing statutes from the prior fiscal year. The FY 2000 request is based upon FY 99 revenues. In FY 99, the department estimates \$777.6 in revenue collections plus a carry forward from FY 98 of \$399.6.

The funding source is an estimate based upon net fines shown on court judgements received by the Department of Public Safety and entered in the Alaska Public Safety Information Network (APSIN) database.

Back section appropriations depending upon this front section appropriation include:

Department of Public Safety – Fish and Wildlife Protection: \$1,060.7

Department of Law – Criminal Division: \$132.1

Senate Finance Committee Questions Regarding Front Sections of the Operating Budget Bills HB 50/SB 30

Department of Community and Regional Affairs (DCRA)

Sec. 12. FOUR DAM POOL TRANSFER FUND. The amount available in the four dam pool transfer fund (AS 42.45.050) during fiscal year 2000 is appropriated to the following funds in the following percentages for the purposes set out in AS 42.45.050:

Power cost equalization and rural electric capitalization fund (AS 42.45.100)	40 percent
Southeast energy fund (AS 42.45.040)	40 percent
Power project fund (AS 42.45.010)	20 percent

a./b. The four dam pool transfer fund consists of repayments of principal and income that would have been deposited in the former power development revolving loan fund under former AS 44.83.500. These funds are paid to DCRA from the Alaska Industrial Development and Export Authority (AIDEA), and represent revenues earned from the debt service portion of power sales generated by the four dam pool in the prior fiscal year.

This item is a front section item because the appropriation is for a percentage of an amount that has yet to be earned, let alone deposited, into the four dam pool transfer fund. Several factors determine the amount deposited into the fund. The first is the actual amount of power sold (measured by kilowatt hour) during the prior state fiscal year. The debt service portion of those revenues is calculated at .04 cents per kwh. The second factor is that the Agreement between the Alaska Energy Authority and the Power Management Committee (PMC) has a "self-help" clause that, if invoked, allows the PMC to keep up to 100 percent of the debt service revenues for maintenance and repairs of the dams and transmission lines. Based upon these factors, it is not possible to determine a dollar amount until after June 30 of the fiscal year.

e. The purpose of Section 12 of HB 50/SB 30 is to capitalize the power cost equalization, southeast energy, and power project funds by making the appropriation referenced in AS 42.45.050(b): "Subject to appropriation, the department shall transfer the balance of the four dam pool transfer fund...". Although DCRA would continue to receive funds from AIDEA and deposit them to the four dam pool transfer fund, without this appropriating language, DCRA would not be able to transfer any funds out.

f. Chapters 18 and 19, SLA 1993, transferred certain energy programs and funding from the Alaska Energy Authority to the Department of Community and Regional Affairs. Chapter 18, SLA 1993 created a new Chapter 45 under Title 42 "Rural and Statewide Energy Programs," and established within DCRA several power assistance funds. Specifically, in reference to this front section, the legislation established the power cost equalization and rural electric capitalization fund, the southeast energy fund, the power project fund, and the four dam pool transfer fund.

The first appropriation to transfer the balance of the four dam pool transfer fund was included in the FY 1995 operating appropriations bill as Section 33 of CCS HB 370, which was enacted as Chapter 3, SLA 1994. The language used then is identical to the language contained currently in Section 12 of HB 50/SB 30, and has been included in every operating appropriations bill since the 1994 legislative session.

g. Typically, DCRA receives the payment for the four dam pool transfer fund from AIDEA in July for revenues earned in the preceding fiscal year. The appropriation language in Section 12 of HB 50/SB 30 "...available in the four dam pool transfer fund (AS 42.45.050) during fiscal year 2000..." is interpreted to mean that the funds received from AIDEA in July of FY 2000 are from fiscal year 1999. Once those funds are deposited, DCRA has the number it needs to calculate the 40/40/20 split and initiate the revenue transfers to the other power assistance funds.

h. The current estimate of deposit to the four dam pool transfer fund in FY 2000 is \$9,493,720. The transfer would be as follows:

Power Cost Equalization & Rural Electric Capitalization Fund	\$3,797,488 = 40%
Southeast Energy Fund	\$3,797,488 = 40%
Power Project Fund	\$1,898,744 = 20%

f.1. The difference between the deposit in FY 1999 of \$5,144.8 and the projected deposit in FY 2000 of \$9,493.7 is due to invocation of the "self-help" clause mentioned under a/b above. The Power Management Committee retained \$5.5 million in FY 1999 for maintenance and repairs.

FY2000 Operating Budget – Front Section Analysis

Information Services Fund

Operating Budget Section 13

Monetary Value: 55.0 Statutory Des PR

Statutory Authority: AS 44.21.045

This section appropriates \$55.0 statutory designated program receipts into the information services fund (ISF). A front section is required to appropriate receipts from non-state entities into the ISF.

Per AS 44.21.045 funds received by the Department of Administration from state agencies as reimbursement for information services are to be deposited into the ISF. The Information Technology Group offers services to some entities other than state agencies or political subdivisions. In FY1999 the following non-state entities are projected to use ISF services: Tanana Chiefs Conference, Copper Valley Cellular, Kenai Peninsula Borough, Mat-Su Borough, Glenallen School District, Kenai TV, Municipal Light and Power (Anchorage), and US Government-FAA/NOAA.

This appropriation has been made in the front section since FY1995.

This is an estimate of the authorization necessary to cover non-state or political subdivision activity.

Division of Insurance

Operating Budget Section 15

Monetary Value: 2,500.0 GF/Program Receipts (Estimate)

Statutory Authority: AS 21.06.250

The purpose of this section is to reappropriate the June 30, 1999 balance of unexpended and unobligated fiscal year 1999 general fund program receipts from insurance licensing revenues for operating costs for the Division of Insurance in FY 2000. The department believes that it is inappropriate to lapse the excess general fund/program receipts into the General Fund since the receipts are collected from the insurance industry to cover the cost of regulating the insurance industry.

A similar front section has been included since the FY1997 operating budget. The annual amount of the carryforward has been included in the short form since FY1998. The carry forward amounts for FY1997, FY1998 and FY1999 were \$901.0, \$1,700.0 and \$2,665.0 respectively. Reductions to the division's operating budget have been made in the past two fiscal years in anticipation of the front section carry forward sections.

This appropriation allows for the precise appropriation amount to be determined when the final information on lapse balances becomes available. Including this appropriation in the front section prevents over- or under- stating the budget for this program. In addition, funds generated by this self-supporting program are prevented from lapsing into the General Fund. Without the front section provision, an increase to the back section appropriation for this program would be required to achieve the level of service proposed for FY2000.

Division of Occupational Licensing

Operating Budget Section 19

Monetary Value: \$1,000.0 GF/Program Receipts (Estimate)

Statutory Authority: AS 08.01.065

The purpose of this section is to reappropriate the June 30, 1999 balance of unexpended and unobligated fiscal year 1999 general fund program receipts from occupational licensing revenues for operating costs for the Division of Occupational Licensing in FY2000. The department believes that it is inappropriate to lapse the excess general fund/program receipts into the General Fund since the receipts are collected from the licensees to cover the cost of regulation.

A similar front section has been included since the FY1996 operating budget. The annual amount of the carryforward has been included in the short form since FY1998. The amounts carry forward for FY1997, FY1998 and FY1999 were \$1,386.4, \$1,480.0 and \$1,529.5 respectively. No authorization was posted for FY1996. Reductions to the division's operating budget have been made in the past two fiscal years in anticipation of the front section carry forward sections.

This appropriation allows for the precise appropriation amount to be determined when the final information on lapse balances becomes available. Including this appropriation in the front section prevents over- or under- stating the budget for this program. In addition, funds generated by this self-supporting program are prevented from lapsing into the General Fund. Without the front section provision, an increase to the back section appropriation for this program would be required to achieve the level of service proposed for FY2000.

Oil and Hazardous Substance Release Prevention Account and Response Account

Operating Budget: Sections 20(1)-(2) and 21(1)-(2)

Statutory Authority: AS 37.05.142

AS 46.08.010

AS 46.08.020

AS 46.08.025

AS 43.55.201

AS 43.55.300

The Oil and Hazardous Substance Release Prevention and Response Fund (Response Fund) was created by the Legislature in 1986 to provide a readily available funding source to investigate, contain, clean up and take other necessary action to protect public health and welfare and the environment from the release or threatened release of oil or a hazardous substance. Statutes governing the Response Fund were amended in 1989, 1990, 1991, and 1994. The 1994 amendment made major changes to the Response Fund structure by dividing the Response Fund into two separate accounts: the Prevention Account and the Response Account.

The Prevention Account is financed from two revenue sources:

- Fines, settlements, penalties, and fund interest (AS 46.08.020); and
- A three cent per barrel surcharge levied on each taxable barrel of oil produced in the State (AS 43.55.300).

Revenue received by the state under AS 46.08.020 is deposited in the general fund and maintained in a separate account for specific program expenditures as required by AS 37.05.142. The annual estimated balance in that account may be appropriated by the legislature to the Prevention Account in the Response Fund (e.g., a fund transfer). Section 20(1) in the front section of SB 30 is the required fund transfer mechanism. Since it is not possible to predict fines, settlements, penalties, and fund interest to be accrued by some future date, section 20(1) provides for the transfer of the estimated balance as of July 1, 1999. Likewise, revenue received by the state under AS 43.55.300 is deposited in the general fund and maintained in a separate account for specific program expenditures as required by AS 37.05.142. The annual estimated balance in that account may be appropriated by the legislature to the Prevention Account in the Response Fund (e.g., a fund transfer). Section 20(2) in the front section of SB 30 is the required fund transfer mechanism. The \$10.9 million included in section 20(2), page 7, line 8 of HB 50 for transfer into the Prevention Account in the Response Fund are the estimated earnings from the state's petroleum production tax and royalty revenue forecast based on the three cent per barrel surcharge. That amount is reflected on page 36 (Petroleum Production Tax and Royalty Revenue Forecast) of the Department of Revenue's fall 1998 Revenue Sources Book.

The Prevention Account may be used to respond to oil and hazardous substance releases that have not been declared a disaster by the governor. In addition, the Prevention Account may be used to fund Alaska's oil and hazardous substance release and prevention programs. The legislature appropriates money from the Prevention Account to support DEC and other state agencies for spill prevention and preparedness planning activities. Appropriations from the Prevention Account are reflected as fund sources for agency operations in the "back section" of the appropriations bill.

The Response Account is also financed from two revenue sources:

- Money recovered from responsible parties (AS 46.08.025(b)), and
- A two cents per barrel surcharge levied on each taxable barrel of oil produced in the State (AS 43.55.201). The surcharge is suspended when the Response Account balance reaches \$50 million. Suspension begins on the first day of the calendar quarter following a realized balance in excess of \$50 million.

Revenue received by the state under AS 46.08.025 is deposited in the general fund and maintained in a separate account for specific program expenditures as required by AS 37.05.142. The annual estimated balance in that account may be appropriated by the legislature to the Response Account in the Response Fund (e.g., a fund transfer). Section 21(1) in the front section of SB 30 is the required fund transfer mechanism. Since it is not possible to predict monies recovered or otherwise received from parties responsible for the containment and cleanup of oil or a hazardous substance to be accrued by some future date, section 21(1) provides for the transfer of the estimated balance as of July 1, 1999.

Revenue received by the state under AS 43.55.201 is deposited in the general fund and maintained in a separate account for specific program expenditures as required by AS 37.05.142. The annual estimated balance in that account may be appropriated by the legislature to the Response Account in the Response Fund (e.g., a fund transfer). The \$50 million balance was exceeded in December 1994, and the surcharge was suspended as of April 1995. Because the two cent surcharge suspension remains in effect as of this date, section 20(2) reflects no revenue estimate.

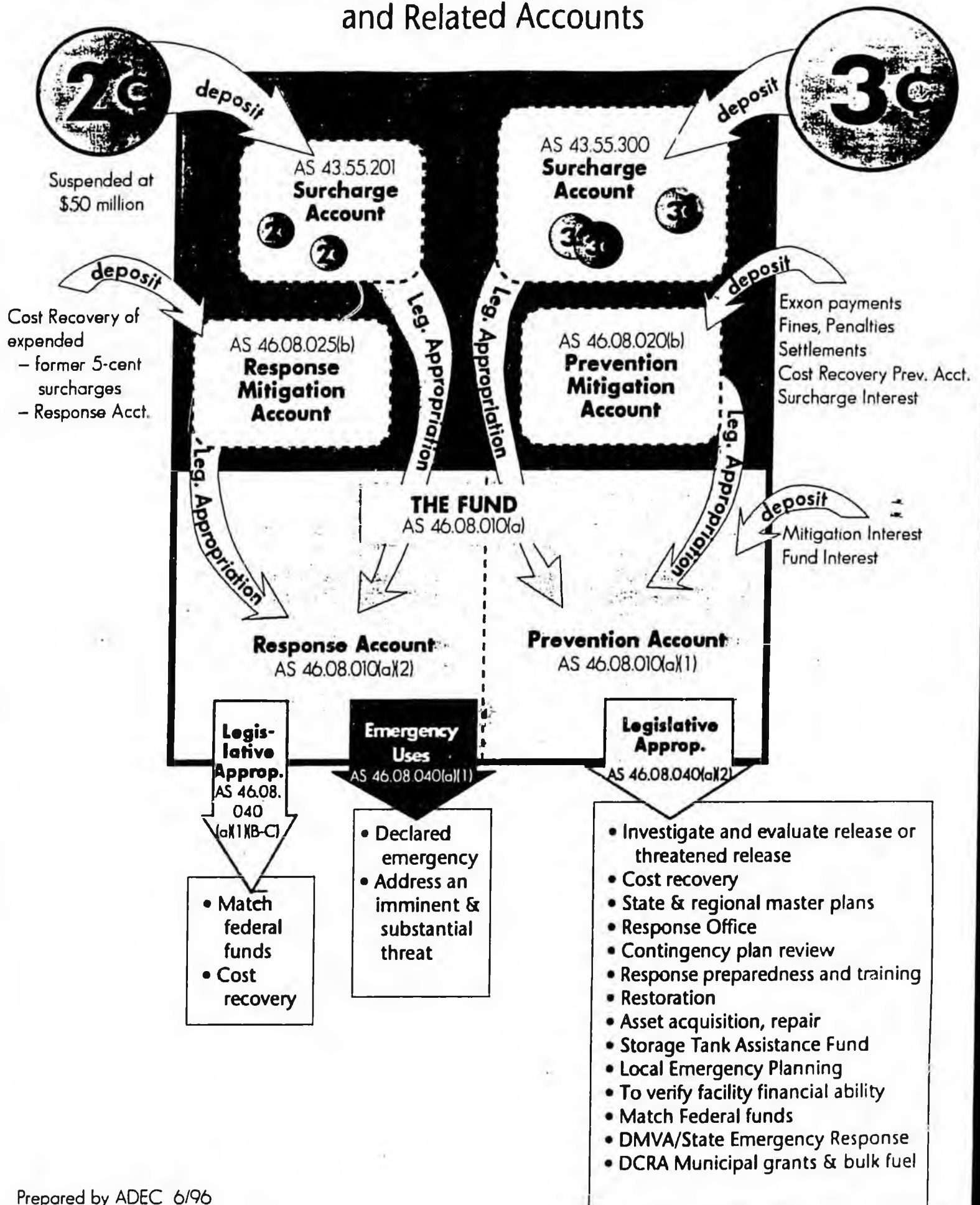
The Response Account may be used to finance the state's response to an oil or hazardous substance release disaster declared by the governor, or to address a release or a threatened release that poses an imminent and substantial threat to the public health or welfare, or to the environment. To access the Response Account for any incident other than a declared disaster, DEC must notify the governor and the Legislative Budget and Audit Committee within 120 hours of using the money from this account.

Front section language governing fund transfers into the Response Fund was first included in section 16 of Chapter 154 SLA 89.

A visual schematic of the fund transfer process is also attached.

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Oil & Hazardous Substance Release Prevention and Response Fund and Related Accounts



Department of Labor

Section 25 Safety Advisory Council

This section allows the department to bring any excess revenues from the previous year's annual Safety Advisory Conference budget, which were not needed to cover the expenditures necessary to plan and coordinate the conference, into the next fiscal year. If the revenues in any given year do not cover the expenses of that year, this transfer essentially becomes the safety net so that the conference can still be held. This component's sole purpose is to plan and coordinate this conference and it is fully funded with program receipts from the conference fees.

Salmon Enhancement Tax

Operating Budget Sec 27

Monetary Value: 4,100.0 General Fund (Estimate)

Statutory Authority: AS 43.76.010-040

The salmon enhancement tax is collected by the Department of Revenue on the sale of salmon in areas where regional aquaculture associations have been formed by local fishers, and those fishers have approved a tax. After the funds are appropriated by the legislature to the Department of Commerce and Economic Development, they are distributed to the regional aquaculture associations. Disbursement of the funds is accomplished through the review of annual budgets submitted by the regional associations. The actual tax receipts are appropriated in the front section as a formula funded program appropriation from the general fund. Neither the Department of Revenue or the Department of Commerce and Economic Development charge any administrative fee for the handling of the funds.

The front section language has been in the operating budget for several years.

Department of Education
FY2000 Front Section Items

Sec. 29 STATE DEBT AND OTHER OBLIGATIONS

(g) The sum of \$71,788,100 is appropriated to the Department of Education for state aid for costs of school construction under AS 14.11.100 from the following sources:

Alaska debt retirement fund (AS 37.15.011)	\$26,258,600
School fund (AS 43.50.140)	\$45,529,500

1. Why is this item a front section (instead of an appropriation in the body or back of the general appropriation bill);

The front section language captures all of the state debt obligations in one place in the appropriation bill.

2. Can this item be accommodated in the body of the general appropriation bill? If so, how? If not, why;

The appropriation for school debt reimbursement could be shown in the "back" section of the budget and would appear as other funds. However, there would still need to be sufficient funding deposited into the debt retirement fund if that funding source is used to fund school debt reimbursement.

3. What is the purpose of this front section;

The purpose of the front section is to clearly identify the amount of funds from the debt retirement fund that are being appropriated for all state debt obligations.

4. What is the unique history of this front section;

The debt retirement fund was established in Ch. 87, SLA 1991. Following is a listing of appropriations beginning in FY92:

FY92 – Ch. 73, SLA 1991, pg. 18, ln. 12 – back section - \$128,986,100 GF

FY93 – Ch. 137, SLA 1992, pg. 3, ln. 1-5 - \$127,603,200 GF to debt retirement fund, \$127,603,200 debt retirement fund to DOE. (bill funded DOE formula programs and school debt retirement)

FY94 – Ch. 5, SLA 1993, pg. 2, ln. 31 and pg. 3, ln. 1-4 - \$99,795,200 general fund to debt retirement fund, \$99,795,200 debt retirement fund to DOE (bill funded DOE formula programs and school debt retirement)

FY95 – Ch. 14, SLA 1994, pg 6, ln. 26-30 - \$103,345,264 general fund to debt retirement fund, \$103,345,264 debt retirement fund to DOE (bill funded DOE formula programs and school debt retirement)

Department of Education
FY2000 Front Section Items

FY96 – Ch. 94, SLA 1995, pg 7, ln. 27-30 - \$80,322,400 general fund to debt retirement fund, \$80,322,400 debt retirement fund to DOE (Sec. 27 front section of operating budget)

FY97 – Ch. 117, SLA 1996, pg. 8, ln. 27-30 – under state obligations - \$68,616,577 debt retirement fund to DOE (Sec. 24(g) front section of operating budget)

FY98 – Ch. 98, SLA 1997, pg 8, ln. 17-19 - under state obligations - \$62,288,400 debt retirement fund to DOE (Sec. 22(g) front section of operating budget)

FY99 – Ch. 137, SLA 1998, pg 11, ln. 14-17 - under state obligations - \$60,804,147 to DOE; \$26,804,147 debt retirement fund and \$34,000,000 school fund (Sec. 24(h) front section of operating budget)

An additional \$15,329,500 in school fund revenue was appropriated in FY99 in Ch. 139, SLA 1998, Sec. 29, pg. 12, ln. 15-17.

5. Explain how the appropriation language works;

The appropriation language sets out the amount from the specific fund source(s) for the purpose of reimbursing school districts for eligible bond costs. This appropriation is included in the authorized funding for the department.

6. How much is being appropriated by this section; is this an estimate or known amount?

The FY2000 request for school debt reimbursement is \$71,788,100; \$26,258,600 from the debt retirement fund and \$45,529,500 from the school fund. On October 15 each year, the department receives notification from eligible school districts of voter approval on bonds for school construction projects and estimated debt service related to the issuance and payment of bonds. This information is used to generate an annual budget for the debt service payments in accordance with AS 14.100.100.

7. Explain the source of receipts in the school fund

AS 43.50.140 provides that the proceeds derived from the payment of taxes, fees, penalties, and license fees received by the Department of Revenue shall be paid into a state fund entitled "School Fund." Funds shall be used exclusively for rehabilitation, construction and repair of the state's school facilities, and for the cost of insurance on school facilities.

DRAFT

Debt Service Cash Flow
(\$ millions)

	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>
State Obligated Debt Service - existing					
1 Existing General Obligation Debt	8.9	2.5			
2 School Debt Reimbursement	63.0	71.8	65.1	52.2	49.0
3 New AHFC Debt Service (\$B.360 assumes \$200 m bonds over 7 yrs)	7.9	15.8	20.0	33.2	33.2
4 Existing Lease Financing	15.5	16.3	16.4	16.0	15.9
5 New Prison Lease Financing (Anch + Delta/Greely)				3.3	6.5
6 Total Debt Service	95.3	106.4	101.5	104.7	104.6
Net General Fund Change from Prior Year					
7 Cigarette Tax Offset to School Debt Reimbursement from School Fund	(31.1)	(30.2)	(30.2)	(30.2)	(30.2)
8 AHFC Cash Dividend Offset*	(32.6)	(32.6)	(32.6)	(32.6)	(32.6)
9 Cigarette Tax & Other Carryforward in School Construction Fund		(15.3)			
10 AHFC Carryforward Balance in Debt Retirement Fund		(24.7)			
Balance in Debt Retirement Fund		(1.4)			
11 Net General Fund Requirement (FY99 is a budgeted number)	46.0	2.2	38.7	41.9	41.8
12 School Construction (\$63 m total)**		1.7	8.2	8.2	8.2
State Obligated Debt Service - proposed***					
13 Corrections (Palmer Fence and Butler Buildings - \$10 m)		0.4	0.8	0.8	0.8
15 Bethel Public Health Center (\$7.9 m)			1.1	1.1	1.1
14 DEC Food Safety Lab (\$18 m)		1.5	2.1	2.1	2.1
16 Alaska Psychiatric Institute (\$18.3 m)*****			2.6	2.6	2.6
17 Total Proposed		3.6	14.8	14.8	14.8

*Assumes that \$17.4 m appropriate for education in FY 99 continues indefinitely.

**Includes \$39 m major maintenance and \$24.1 m school construction. Carry on budget plan as a fiscal note.

***Assumes all projects except API and DEC are financed as a package at 5.5% for 20 yrs.

****Financed at 6% for 10 yrs.

*****Financed at 4.5% for 7 years.

Storage Tank Assistance Fund
Operating Budget: Section 32
Statutory Authority: AS 46.30.410

In 1984 Congress passed the Hazardous and Solid Waste Amendments to the Resource Conservation and Recovery Act. Those amendments required, in part, the U.S. Environmental Protection Agency (EPA) to develop regulations for the design, construction, and installation of new underground storage tanks that contain petroleum and hazardous substances, as well as the addition of leak detection, corrosion prevention, and spill and overflow protection to existing tanks. The EPA regulations went into effect in December 1988. Underground storage tanks installed on or before that date are considered "existing tanks," and those tanks installed after that date are considered "new installations." New installations must meet the performance standards set out in the regulations at the time of tank installation. Existing tanks were allowed to phase in these standards over a period of 10 years.

It was evident to lawmakers that Alaska businesses covered by EPA's underground storage tank regulations would be hard pressed to meet the new standards. Rather than relying solely on an enforcement program after problems developed, the legislature enacted Ch. 96 SLA 1990.

DEC promulgated regulations (18 AAC 78) on the general requirements for financial assistance eligibility, ineligible costs, project priority ranking procedures, application requirements, conditions of financial assistance, and grant payment procedures.

AS 46.03.410 requires the Storage Tank Assistance Fund consist of money appropriated to it by the legislature. In FY91 the Storage Tank Assistance Fund received an initial capitalization of \$6.0 million GF in fiscal year 1991 (Ch. 209 SLA 1991, sec. 36, page 78, line 14.) In FY99 the Storage Tank Assistance Fund was funded exclusively by a transfer from the Prevention Account of the Oil and Hazardous Substance Release Prevention and Response Fund (Response Fund). Section 32 in HB 50/SB 30 is the required fund transfer mechanism for FY00.

Summary of UST Financial Assistance Programs

PROGRAM	DESCRIPTION	ELIGIBLE COSTS	ASSISTANCE PROVIDED
Tank Cleanup Grant & Loan Program	Program active. Application period sunset June 30, 1994. * Funds currently allocated to the program through FY99.	Provides funds directly to the owner/operator specifically to cover costs of risk assessment, containment, corrective action, and cleanup.	Up to \$1 million per occurrence, and owner/operator is responsible for 10% of total cleanup costs (not to exceed \$25,000), which is excluded from the grant.
Tank Upgrade & Closure Grant Program	Program active. Application period sunset December 30, 1994. Funds currently allocated to the program through FY99.	Provides funds directly to the owner/operator specifically to cover costs of removal, upgrade, or replacement of UST system	Grants for upgrade, replacement or closure of an UST comprising up to sixty percent of the total eligible costs up to \$60,000.
Reimbursement Program	Program inactive, funding given lower priority by statute. Applications had to be submitted by March 5, 1991. To date, although \$3.4 million has been applied for, no funds have been allocated for the program.	Provides reimbursement for the costs of risk assessment, containment, cleanup, corrective action, upgrading or closure activities on or after December 22, 1988 and before September 5, 1990.	Total costs for reimbursement to an owner/operator under this program not to exceed \$200,000. The owner/operator must have applied for this program before March 5, 1991.

*Cleanup applications were accepted through June 30, 1996 for those applicants that had an upgrade and closure application on file on or before December 30, 1994 and discovered and reported contamination before July 1, 1996 and can prove that contamination occurred before December 22, 1993.

What is a Regulated Underground Storage Tank?

- Regulated tanks are predominantly motor fuel tanks.
- In general, gasoline, diesel and waste oil tanks greater than 110 gallons are regulated, although there are some exemptions.
- Heating oil tanks are NOT regulated.
- Residential motor fuel tanks less than 1,100 gallons for farm or residential use are NOT regulated.

Who is Eligible for Financial Assistance?

- Any commercial or private owner or operator of underground storage tanks regulated by the Underground Storage Tank Regulations (18 AAC 78) is eligible for financial assistance. Essentially, if a tank owner pays into the program through a registration fee, the tank is eligible for assistance.
- Village, city, borough, or municipally owned tanks are eligible.
- State and federal owned tanks are NOT eligible.

What Kind of Tanks are Eligible?

- Industrial, contracting, auto dealerships, car rental agencies, trucking and transportation firms comprise 26% of the eligible tanks.
- Nearly 20% of the eligible tanks are used for aircraft refueling, both commercial and private.
- Utilities, fire stations, police and ambulance services total approximately 19% of the eligible tanks.
- Less than 30% of the eligible tanks are fuel retailers such as gas and service stations.

How Are the Funds Allocated?

Fund appropriated by the legislature to the Storage Tank Assistance Fund are allocated annually by the Board of Storage Tank Assistance. The Board makes the annual allocations after taking into consideration the amount of money in the Fund, the money required to meet the needs for each program as supported by approved applications, and the requirement that the greatest priority be given to funding underground storage tanks that present the greatest threat or potential threat to human health.

STORAGE TANK ASSISTANCE FUND

OIL & HAZARDOUS SUBSTANCE
Release Prevention & Response Fund
Prevention Account
Uses under AS 46.08.040(a)(2)(G)

LEGISLATIVE APPROPRIATIONS

Storage Tank Assistance Fund

Ch. 96, SLA 1990

Board of Storage Tank Assistance

* Reviews, Writes and Adopts Financial Assistance Regulations, Reviews Cleanup Allowable Technologies

* Allocates Annual Legislative Appropriations to the three primary grant programs: Closure, Upgrade and Cleanup

* Appeal Board - Resolves disputes between DEC and Regulated Community

Closure Program

Upgrade Program

Cleanup Program

Department of Environmental Conservation

Awards grants and loans for closure, upgrade, and cleanup to tank owners and operators

Administers Financial Assistance Program, ranks grant applications based on Board criteria, approves technical regulations, provides oversight to tank activities

Registered Underground Petroleum Storage Tank Owners and Operators:

Retail Service Stations

Roadhouses, Lodges

Fleet Services, Construction

Fire Stations, Police, Ambulance

Utilities

Airports, Aircraft Refueling Facilities

Municipalities

Marinas, Harbors

Trucking, Transportation, Rental Car Companies

Department of Education
FY2000 Front Section Items

Sec. 33 STUDENT LOAN PROGRAM. The amount from the student loan borrowers of the Alaska Commission on Postsecondary Education that is assessed for loan origination fees for the fiscal year ending June 30, 2000, is appropriated to the origination fee account (AS 14.43.120(u)) within the student loan fund of the Alaska Student Loan Corporation for the purposes specified in AS 14.43.120(u).

1. Why is this item a front section (instead of an appropriation in the body or back of the general appropriation bill);

Use of this fee is specified as an offset of loan losses due to death, disability, bankruptcy and default of borrowers. The specific statutory cite is AS 14.43.120(u). These fees are appropriated in the front section of the bill so that, even though the losses for which the fees will eventually be an offset will occur in future years, the corporation can put the fees into the appropriate fund, record it on our financial statement as an offset against future losses and fully benefit from the collection of the fee as a positive influence on the corporation's cash flows. The cash flows are the mechanism whereby the corporation demonstrates its debt coverage and gains approval for its annual issuance of new debt through the bond sale. Because the amount of the fee is a percentage of loans made—it is difficult to reference a dollar amount. It is appropriate to include the language in the front section.

2. Can this item be accommodated in the body of the general appropriation bill? If so, how? If not, why;

Since there is no dollar amount attached, it would be difficult to include the language in the "back" section of the appropriation bill.

3. What is the purpose of this front section;

Explained in response to question number one.

4. What is the unique history of this front section;

AS 14.43.120(u) inserting a loan guarantee fee, was added through Ch. 63, SLA 1993 and became effective July 1, 1994. The specific front section language has been included in the following operating budgets:

*FY97 - Ch. 117, SLA 1996, Sec. 27;
FY98 - Ch. 98, SLA 1997, Sec. 26; and
FY99 - Ch. 137, SLA 1998, Sec. 28.*

5. Explain how the appropriation language works;

Department of Education
FY2000 Front Section Items

Explained in response to question number one.

6. How much is being appropriated by this section; is this an estimate or known amount?

No dollar amount is being appropriated.

7. What is the purpose of loan origination fees;

Explained in response to question number one.

8. Are they limited to covering costs associated with loan defaults

Explained in response to question number one.

Department of Education
FY2000 Front Section Items

Sec. 34 TEACHER CERTIFICATION. The unexpended and unobligated balance on June 30, 1999, of the Department of Education, teacher certification general fund program receipts from certification fees under AS 14.20.020© is appropriated to the Department of Education, teacher certification, for operating costs for the fiscal year ending June 30, 2000.

1. Why is this item a front section (instead of an appropriation in the body or back of the general appropriation bill);

Ch. 57, SLA 1997, required that the department establish fees sufficient to cover the cost of certifying and disciplining teachers in Alaska and that the program be self-supporting beginning July 1, 1998. The legislation also requires that applicants for teacher certification pass an examination in order to become licensed. Fees collected from applicants cover the Professional Teaching Practices Commission budget of \$187,400 and Teacher Certification of \$676,400.

The number of applications for teacher certification increase from April through June which makes it difficult to estimate the receipts for the fiscal year. In order to have funds available to make payroll on July 1, the department needs to have the authorization to carryforward prior year receipts. These receipts help to fund the program for the current year.

There is not sufficient history at this point to determine the appropriate fee structure and timing of receipts. There are many variables including the new teacher examination, education reform efforts, retirement incentive programs, and hiring practices that affect the number of applicants.

2. Can this item be accommodated in the body of the general appropriation bill? If so, how? If not, why;

No. There is no way to determine during the budget development how much will be available to carry forward.

3. What is the purpose of this front section;

Explained in response to question number one.

4. What is the unique history of this front section;

This language was included in the FY99 Operating Budget, Ch. 137, SLA 1998, Sec. 29, for the first time and allowed carry forward of unexpended, unobligated receipts from FY98.

Department of Education
FY2000 Front Section Items

5. Explain how the appropriation language works;

Explained in response to question number one.

6. How much is being appropriated by this section; is this an estimate or known amount?

There is no way to determine during budget development how much will be available to carry forward.

7. Why is this a front section?

Explained in response to question number one.

8. Estimate of FY99 carryforward

The estimate at this time is approximately \$70,000.

Section 35. Test Fishery Receipts

This item appears in the front section of the bill, with a corresponding back section appropriation included in section 41, page 21, line 27. The department is requesting an increment in the Commercial Fisheries, Westward Region component of \$2,647.5 in Test Fish Receipts (AS 37.05.146 (b)(4)(U)). The increment is intended to fund an onboard observer program for the opilio and red king crab fisheries conducted in the region.

The front section language is necessary because of the timing of the two fisheries; opilio occurs during the spring, and red king crab during the fall. The department has worked in conjunction with the Board of Fisheries and the industry to come up with the plan, and needs the ability to carry forward the revenue from the spring fishery to help fund the observer program in the subsequent year. Without this section, any unused revenue from the test fishery at June 30 would lapse into the general fund, and the program would quickly lose industry support.

Current estimates for revenue generation are 60% (about \$1.6 million) during the spring fishery and 40% (about \$1 million) during the fall fishery. This split is highly dependent on price and can vary from year to year. This language will be necessary each year, as long as the observer program for these crab fisheries continues. The actual dollar amount will continue to be reflected in the appropriate back section of the budget bill.