

Leg. Finance - Finance Comte Files (1971-72) 8879

SCR 28, SB 7

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RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James Smith
Signature of Camera Operator

4/4/89
Date

Introduced: 3/9/71
Referred: Finance

1 IN THE SENATE

BY RAY AND GROH

2 SENATE CONCURRENT RESOLUTION NO. 28

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 Relating to jurors' fees under
6 Rule 17(a), Rules Governing the
7 Administration of all Courts.

8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 WHEREAS, to promote the fair administration of justice and lessen the
10 burden of jury service on individuals, it is necessary to provide them a
11 reasonably adequate fee; and

12 WHEREAS, with the implementation of 1970 House Concurrent Resolution
13 No. 1, requesting the Alaska Supreme Court to raise jurors' fees from \$10
14 to \$21, the court has found that jury costs have reached too high a level;
15 and

16 WHEREAS Rule 17(a), Rules Governing the Administration of all Courts,
17 sets out the fee for jurors, and art. IV, sec. 15 of the Alaska Constitution
18 distinguishes between these rules and rules governing practice and procedure,
19 and the history of that section indicates that only the latter type may be
20 changed by the legislature;

21 BE IT RESOLVED that the Alaska Supreme Court is urged to amend
22 Rule 17(a), Rules Governing the Administration of all Courts, by reducing
23 the fee for persons called for jury service but actually serving less than
24 a full day in a trial or in a grand jury inquiry.

25
26
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28
29
SCR 28 am



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James D. Smith
Signature of Camera Operator

4/4/89
Date

MEMORANDUM

State of Alaska

TO: Honorable John Butrovich
Chairman, Senate Finance Committee
Alaska State Legislature

DATE: February 14, 1972

FILE NO: 00-3077

SUBJECT: SB 7

FROM: B. A. Campbell
Commissioner
Department of Highways



In the event SB 7 is scheduled for hearing by you and your committee we would appreciate the opportunity to present our testimony.

*Rich - Better keep this
but I don't expect to bring
SB 7 out.*



Sec. 37.25.020.

Unexpended balances of appropriation for capital projects. An appropriation made for a capital project is valid for the life of the project and the unexpended balance may [SHALL] be carried forward to subsequent fiscal years in accordance with the following provisions:

- (1) Between July 1 and August 31 of each fiscal year, a statement justifying the carry forward of any unexpended balance shall be prepared by the state agency responsible for each project, and shall be forwarded to the division of budget and management;
- (2) The division of budget and management shall determine whether the unexpended balances shall be lapsed or carried forward based upon the statements submitted by each agency;
- (3) The division of budget and management shall submit an annual report of all lapses and carry forwards to the legislative finance division by December 31.

AS 24.30.030

"Bills for appropriations shall be confined to appropriations and shall include the amount involved and the purpose, method, manner and other related conditions of payment.

b. SB 292 - Interest on income w

c. HB 153 - Capital budgeting

Recommend: Expansion

- ① Senator's comments - problems, dis-satisfaction
- ② Legislation to remedy these (SB 7?)
- ③ B & M & Admin. statements as to how they would implement suggested legis (to avoid another prog. budget fiasco)
- ④ Journal supplement outlining legis. intent if unable to get in statutes as definitively as desired because of ~~the~~ need for support by whole house.

| | Initials | Date |
|-------------|----------|------|
| Prepared By | | |
| Approved By | | |

HB 153 & SB 7

1. Each capital improvement appropriation shall include a completion date at which time any remaining funds lapse.

~~Incompleted projects for which funds have lapsed may be~~

2. If ~~any~~ funds are lapsed for an incompleted capital improvement project, these funds ~~may be~~ ^{may be} reappropriated ~~by the legislature in order that~~ ^{by the legislature in order that} ~~be submitted to restore the lapsed funds~~ ^{and any additional funds which may be} ~~required to complete the project may be~~ ^{completed.}

3. ~~If additional~~ If appropriated funds are inadequate to complete a capital improvement project, ~~additional funds~~ ^{may} additional funding may be made available ~~by~~ ^{through} a supplemental appropriation.

CAPITAL PROJECTS

| PROBLEMS | ALTERNATIVE SOLUTIONS |
|---|--|
| 1. <u>a.</u> Transfer of funds between projects. | 1. Passage of HB 475 and subject all future bonding measures to requirements of AS 37.07.085. |
| 2. Lack of legislative control regarding compliance with intent due to lump sum appropriation by <u>classes</u> of projects rather than by specific projects. | 2. <u>a.</u> Precise drafting of projects authorization legislation down to level of control desired. <u>b.</u> <i>Inclusion of intent language within appropriation bill. (1)</i> |
| 3. Non-lapse of funds upon project completion (inadequate justification and analysis). | 3. <u>a.</u> Effective administration of AS 37.25.020 by Department of Administration; or <u>b.</u> Amend AS 37.25.020 to require annual report to Finance Committees justifying continuation of funding for all projects with unexpended balances; or <u>c.</u> Amend AS 37.25.020 to require lapse of funds within 6 months of project completion (based upon occupancy or operational date); or <u>d.</u> Amend AS 37.25.020 as in SB 7. |
| 4. Disposition of lapsed balances. | 4. Amend AS 37.25.020 as in SB 7. |
| 5. Excessive delay in start or completion of projects. | 5. Amend AS 37.25.020 as in SB 7. |
| 6. Inadequate definition of "capital project" and "effective date." | 6. Amend AS 37.25.020 to include definitions. |

(1) Refer to AS 24.30.030 ; Dictionary

MEMORANDUM

TO: Myrton Charney, Director
Budget and Management
Department of Administration

DATE: January 20, 1972

FROM: Rich Guthrie
Senate Fiscal Analyst *RG*

SUBJ: Fiscal Note, SB 7

Please furnish the supporting statements which justify the continued funding for each capital project showing an un-obligated balance available in the Annual Financial Report, FY 1971 (pp. 75, 78, 81, 84, 91-93).

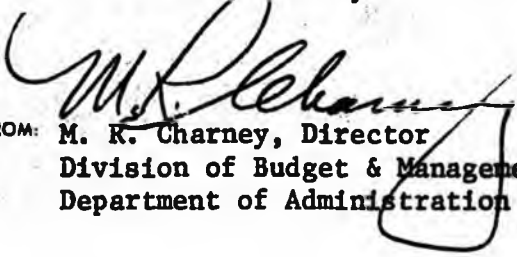
Return of this information by January 31, 1972 is requested.

RG/ds

MEMORANDUM**State of Alaska**

TO: Rich Guthrie
Senate Fiscal Analyst

DATE : February 1, 1972

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

SUBJECT: SB - 7 - Justification for
Continuing Accounts

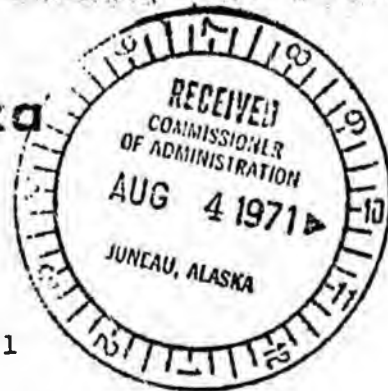
Each year in accordance with AS 37.25.020 agencies are required to justify continuing accounts. In response to your request of January 20, 1972, we are transmitting copies of justifications as filed with the Division of Finance in compliance with their July 1971 directive (copies attached). Any further detailed information concerning specific projects should be obtained from the agency to which the appropriation was made.

A review of these continuing accounts has been made by the Division of Finance and they are in the process of recommending the disposition of several small account balances from appropriations for which projects have been completed.

Please contact us if we can be of further assistance.

MEMORANDUM

State of Alaska



TO: The Honorable Joseph R. Henri
Commissioner
Department of Administration

DATE : August 2, 1971

FROM: Robert P. Isaac *RIP*
Assistant to the Commissioner
Department of Education

SUBJECT: Justification for Continuing
Accounts

In reference to your memorandum dated July 19, 1971, various capital improvement programs are funded through the following accounts:

05-92-01-00 State-Operated Elementary and Secondary Schools
Ch 170, SLA 1970, Sec. 1 - \$9,200,000 (bond issue)
Current Balance -0-

As bonds are sold the receipts for this program are credited to this account and expended for the program. This account should remain active until all bonds are sold and funds expended.

05-92-02-00 Regional and Boarding Schools
Ch 170, SLA 1970, Sec. 2 - \$11,100,000
Current Balance -0-

Same as above except funds are for regional and boarding schools.

05-92-90-00 Bond Sale Costs
Current Balance -0-

Items funded under this account pertain to bond sale costs.

05-95-99-00 General Fund Construction - Metlakatla High School
Ch 126, SLA 1970 - \$1,155,000
Current Balance -0-

These funds have been transferred to the Division of Buildings for expenditure.

General Fund Construction
Ch 131, SLA 1971 - \$3,703,000

| | | |
|-----------------|--------|-----------|
| 05-94-01-00 | Haines | \$750,000 |
| Current Balance | | 750,000 |
| 05-94-02-00 | Nenana | \$850,000 |
| Current Balance | | 850,000 |
| 05-94-03-00 | Calena | \$150,000 |
| Current Balance | | 150,000 |

August 2, 1971

| | | |
|-----------------|-------|-----------|
| 05-94-04-00 | Healy | \$400,000 |
| Current Balance | | 400,000 |

| | | |
|-----------------|------|-------------|
| 05-94-05-00 | None | \$1,553,000 |
| Current Balance | | 1,553,000 |

All of the above accounts (projects) are active and, with the exception of Galena, are not scheduled for completion until 1972-73.

District G.O. Bond Construction
Ch 207, SLA 1968 - \$6,000,000

| | | |
|-----------------|--|-----------|
| 05-93-01-00 | | |
| Current Balance | | \$361,765 |

The balance of this fund has been reserved for various district projects. This account should be kept active until fund is expended.

RPI:mg

cc: Mr. Jack Penrod

File: 040.1

MEMORANDUM

State of Alaska

TO: Richard W. Freer
Deputy Commissioner
Department of Administration

DATE : September 23, 1971

FROM: Wallace H. Nierenberg *W. N.*
Commissioner
Department of Fish and Game

SUBJECT: Continuing Appropriations
AS 37.45.020

Commercial Fisheries Programs:

Public Law 88-309 (Extended after July 1, 1969 by Public Law 90-551)

Commercial Fisheries Research and Development Act of 1964 (16 U.S.C. 779-779f; Public Law 88-309; 78 Stat. 197) provides under Section 5(b) "So much of any apportionment for any fiscal year which is not obligated during any year remains available for obligation to carry out the purpose of this Act until the close of the succeeding fiscal year, and, if unobligated at the end of that year, the sum is returned to the Treasury of the United States."

In order to be eligible for these Federal monies the State portion of this program must also remain available for matching purposes.

1. Fiscal years 1970 and 1971, 11-17-99-00

This program completed during fiscal year 1971.

2. Fiscal years 1971 and 1972, 11-15-99-00

\$48,986.64 balance on June 30, 1971 (less payments for prior year obligations through August 31, 1971) should be carried forward into fiscal year 1972.

Capital Improvement Programs:

1. Hood Lake Hangar, 11-71-01-00

Project completed during fiscal year 1971.

2. Kitoi Bay Hydropower, 11-71-02-00

Project terminated at the end of fiscal year 1971.

3. Anan Creek Ladder, 11-71-03-00

Project terminated at the end of fiscal year 1971.

4. Frazier Lake Ladder, 11-71-04-00

Project advertised for bid, construction starts spring of 1972, completion estimated spring of 1973.

5. Warehouse Float and Putersburg Dock Repair, 11-71-05-00

Dock repair completed, warehouse float project will be completed during fiscal year 1972.

6. Eyak Lake Dam, 11-71-06-00

Consultant study indicated funds appropriated were insufficient to complete project.

7. Bond Fish Hatchery Program, 11-72-01-00

Page 92
Work on this project is on schedule with construction started on both of the two sites selected in September, 1970. One site, upgrading of Fort Richardson Rearing Facility, is in the final construction phase and will be rearing fish before the end of September. The completion of upgrading is scheduled for November. The second fiscal project, Crystal Lake Hatchery, has site construction commenced and final construction scheduled for next season, becoming operational in the fall of 1972.

8. Cost Bonds Sale, 11-72-96-00

Terminated at end of fiscal year 1971.

9. Bear Lake Holding, 11-73-01-00

Project completed, hold open for any late billings during fiscal year 1972.

10. Fish Evaluation, 11-73-02-00

Project completed, hold open for any late billings during fiscal year 1972.

11. Auke Creek Hatchery, 11-73-03-00

Terminated at end of fiscal year 1971.

12. Hatchery Land Fairbanks, 11-73-04-00

Terminated at end of fiscal year 1971.

13. Fire Lake, Eagle River, 11-73-05-00
Project in final stage of completion, will be completed during fiscal year 1972.
14. Fish Handling Facilities, 11-73-06-01
Project in process, final completion estimated fiscal year 1974.
15. Bear Lake Rehabilitation, 11-73-07-00
Project completed fiscal year 1971.
16. Fire Lake Modification, 11-73-08-00
Project will be completed during fiscal year 1972.
17. Weir Structure, 11-73-09-00
Project will be completed during fiscal year 1972.
18. King Salmon Facilities, 11-73-10-00
Estimate completion fall of 1972.
19. Fairbanks Headquarters, 11-73-11-00
Estimate completion of project during fiscal year 1972.

STATE
OF ALASKA

MEMORANDUM

DEPARTMENT OF COMMERCE
Administrative Services
586-6090

TO: Russell Phillips
State Accountant
Department of Administration

DATE: August 30, 1971

FROM: *Reuben I. Hanson*
Reuben I. Hanson
Administrative Officer

SUBJECT: Justification for
Continuing Accounts
Remote Housing

The Remote Housing Program (See Chapter 180, SLA 1970) should be continued. The Department of Commerce was originally allocated the funds and Alaska State Housing Authority is continuing construction of remote housing and we will continue their reimbursment of costs to this program.

This is submitted in accordance with the requirements of AS 37.25.020 and memo dated July 19, 1971 from Joseph R. Henri, Commissioner of the Department of Administration.

We do not anticipate any lapse in the Remote Housing funds.

STATE
OF ALASKA

MEMORANDUM

Russell

TO: [Joseph R. Henri, Commissioner
Department of Administration

DATE: August 30, 1971

FROM: Frederick McGinnis, Commissioner
Department of Health & Social ServicesSUBJECT: Justification for
Continuing Accounts

As requested in your memorandum of July 19, 1971 and as provided in AS 37.45.030, the following capital project balances should be carried forward to the 1971-72 fiscal year:

Water and Sewer Construction \$6,210,454.43. Balance should be carried forward and probably transferred to the Department of Environmental Conservation.

Health and Medical Facilities \$109,760.33. Total amount required for completion of construction.

Hospital Construction \$1,592,978.38. Balance has been allocated for local hospital construction projects in various parts of the State.

Nome Jail Improvement \$16,000. As noted in our August 1970 report, this balance is not required and should be lapsed.

Vocational Rehabilitation addition to Harborview Memorial Hospital, Valdez, \$77,200.00. Total amount required for project.

Kodiak Health and Welfare Center \$115,071.15. Project partially completed. Estimate that total balance will be required.

Natanuska-Susitna Child Care Center \$350,000.00. Total appropriation encumbered for construction.

1970-71 fiscal year appropriations were made for the following projects which are in various stages of completion and the total balances are estimated to be required for completion:

| | |
|--|--------------|
| API Recreation Center | \$ 31,900.00 |
| Harborview Landscaping | 100,000.00 |
| Southeastern Regional Jail Paving and Fencing | 35,200.00 |

The following programs, although not of a capital nature, were authorized for periods extending beyond June 30, 1971, and the unexpended balances should be carried forward to the 1971-72 fiscal year:

- Hospital Improvement Project
- Hospital Staff Development
- Rural Areas Social Services Project
- Juvenile Rehabilitation Project 70343
- Store Front Project
- Residential Care Unit
- Corrections Planning Project
- Probation Project 63902
- Vocational Training - Juneau
- Careers Project - Fairbnaks
- Research Systems Planning
- Southcentral Regional Correctional Institution Planning
- Adult Camp Shop Equipment

If you have any questions, contact Mr. Herman Trivette, Budget Officer, 586-5431.

RCL:HFT:as

MEMORANDUM

State of Alaska

TO: Joseph R. Henri, Commissioner
Department of Administration

DATE: August 6, 1971

FILE NO: 00-2802

SUBJECT: Continuing Accounts

FROM: B. A. Campbell, Commissioner
Department of Highways

In accordance with your instructions of July 19, 1971 the following accounts are requested to be carried forward into fiscal year 1971-72:

- 1) Construction and Engineering Program, Account 14-43. Unencumbered balance as of June 30, 1971 was \$208,662,390.24. The Department of Highways is allocated approximately \$51,500,000 each year for the construction or reconstruction of highways. The appropriations made by the State Legislature are generally for a period of two years in advance of the Federal Allocation in order to be placed before the voters of Alaska to get approval to issue General Obligation Bonds to match the federal dollar. Unused portions are carried forward from year to year until used. The balance is required to complete current and future projects.
- 2) Off System Road Authorizations, Account 14-46. The unencumbered balance as of June 30, 1971 was \$182,146.59. The Department of Highways was appropriated \$3,000,000 from various Highways Bonds to construct or reconstruct roads not included in the Highway system. The balance is needed to complete current projects.
- 3) Special Appropriation, Account 14-48. The unencumbered balance June 30, 1971 was \$2,359,669.54. The original appropriation in the amount of \$1,657,200 covered the Knik Arm Crossing Study \$350,000; Knik River Road \$1,200,000 and Chitina Maintenance Camp \$125,200. Also included in this account is the supplemental appropriation Chapter 68 SLA 1971; \$972,000 for Anchorage Complex; \$134,000 for Fairbanks Complex; and \$50,000 for South Fork Lodge. All of the projects are incomplete and the balance is requested to be carried forward.



MEMORANDUM

State of Alaska
DEPARTMENT OF NATURAL RESOURCES

TO: Russell Phillips
Division of Finance
Department of Administration

DATE : January 28, 1972

FROM: Harry S. Aase
Departmental Administrative Officer

SUBJECT: Continuing Accounts

Reference our discussions and your request of January 27, 1972 that we provide a reply to the second portion of the Commissioner of Administration's July 19, 1971 memorandum with subject: Reports from Departments, which concerns continuing accounts.

Following are the accounts which must be continued because the projects have not been completed:

| <u>Code</u> | <u>Balance 6-30-71</u> | <u>Name of Program</u> |
|-------------|----------------------------|---------------------------------|
| 10-36-03-00 | 50,000 | Haines State Fair Building |
| 10-36-04-00 | 50,000 | Ninilchik Fair Building |
| 10-36-05-00 | 50,000 | Matanuska Fair Building |
| 10-36-06-00 | 50,000 | Tanana Fair Building |
| 10-51-00-00 | 729,276 | 66 Recreational Facilities Fund |
| 10-54-00-00 | 647,422 | 70 Recreational Facilities Fund |
| 10-52-00-00 | 29,980 | Historic Preservation |
| 10-53-01-00 | 7,979 | Eklutna Bridge |
| 10-53-02-00 | 25,000 | Valdez Park |
| 10-53-03-00 | 64,219 | Wayside Park Water |
| 10-53-04-00 | 59,860 | Chilkoot Lake Wayside |

1-28-72

MEMORANDUM

State of Alaska

TO: (

Mr. Joseph R. Henri
Commissioner
Department of Administration

DATE : September 2, 1971

FROM:

Mr. George W. Easley
Commissioner
Department of Public Works

SUBJECT: Reports from Departments

In accordance with your request of July 19, 1971, "Justification for Continuing Accounts", the following is submitted:

Division of Aviation

All capital project appropriations which are currently open and valid are either under design or construction. All unexpended funds are needed and no funds should be lapsed.

Division of Marine Transportation

(Please refer to attached copy of memorandum, dated August 18, 1971 from Captain H. J. Lockert.)

Division of Water and Harbors

At the close of the 1970-71 fiscal year an unexpended balance of \$1,750,557 remained in the Water and Harbors program account. This amount must be carried forward to the new fiscal year to complete outstanding contract obligations. All 1970-71 fiscal year capital improvement projects as authorized by the Legislature are either presently under contract or have been completed.

Division of Buildings

All projects are incomplete and no lapsing of funds is anticipated.

Attachment

TO: George W. Bealey
Commissioner
Department of Public Works

DATE : August 18, 1971

FROM: Captain H. J. Leckert
Director
Division of Marine Transportation

SUBJECT: Justification of
Continuing Accounts

The following is the status of the Division of Marine Transportation's Capital Improvement appropriations.

1966 Ferry Bond issue:

1/20/71
\$13,469.19 remains of this appropriation. Special equipment for the WICKERSHAM consisting of a Lub oil purifier and valve seat grinder have been on order for several months and are expected to cost approximately \$12,500.00. When this equipment has been received and paid for the balance remaining in this account can be lapsed.

1969-70 General Fund appropriation:

Modify MALASPINA class vessels, unexpended \$198,735.48.

1. Modify side port loading doors \$45,000.00.
A small amount has been expended on this project in the way of preliminary work and exploration of a satisfactory means of establishing a weather tight seal around the doors. A method has now been devised that appears feasible and it is expected the work will be completed during the 1971-72 winter overhaul period for each vessel.
2. Stateroom modification \$105,000.00.
This appropriation was intended to completely redesign the deluxe staterooms on the MALASPINA class vessels. No work has been performed yet as we are awaiting the outcome of the bids for lengthening one or two of the vessels under the 1970 Ferry bond issue. At a maximum only two vessels will be lengthened, leaving the third vessel in need of modification to the existing deluxe staterooms. A new concept of modular staterooms is being developed for the lengthened vessels. After the modular staterooms are in production it is anticipated that the same design can be applied to the third vessel at considerable savings to the State. However this may require a completion date of two years hence.
3. New reclining chairs \$50,500.00.
No purchase has been instituted as yet. A new chair design is being developed for the lengthened MALASPINA class vessels. To maintain consistency of equipment and interior decor purchase will be held in abeyance until the new chairs have been selected. At that time chairs will be purchased for the remaining vessels which will be fully utilized in the lengthened vessels. Purchase date is expected in mid 1972,

August 18, 1971

4. Miscellaneous Modifications

Majority of this work has been completed and will be fully completed after 1971-72 winter overhaul period. Funds remaining by the end of fiscal 72 will be lapsed.

5. Generator set for WICKERSHAM and modify M/V BARTLETT unexpended \$9,525.78. Generator set has been ordered and received awaiting next shipyard period of WICKERSHAM to obtain necessary connecting wires and prove operations. Small additional expenditures may be necessary. Modifications to BARTLETT will be completed during 1971-72 winter overhaul period.

1970 Ferry Bond Issue \$21,000,000.00

This program is now in the design stages with plans and specifications being prepared by the Naval architect. Due to size of construction program approximately three to four years will be required for completion. No funds will be lapsed during the 1972 fiscal year.

SIA 83, 1971. (H3245) Sale of WICKERSHAM \$7,000,000.00

This appropriation is to augment the 1970 Ferry Bond Issue pending repayment to the general fund from the proceeds of the sale of the WICKERSHAM. It is anticipated the funds will be required in fiscal 73. Pending a decision by the Treasury Division the funds have not been withdrawn from the General fund. All cost of the construction program to date have been paid from the 1970 Ferry bond issue.

It is respectfully requested that all Capital Improvement appropriations now authorized for the Division of Marine Transportation be continued during the current fiscal year.

ASSOCIATE COMPTROLLER FOR RESEARCH



UNIVERSITY OF ALASKA
COLLEGE, ALASKA 99701

Mr. William Mullin
Director of Finance
Department of Administration
State of Alaska
Pouch C
Juneau, Alaska 99801

Dear Mr. Mullin:

Year ending June 30, 1971, the 1966, 1968 and 1970 University of Alaska
General Obligation Bond Funds shall remain active.

The unexpended balance required to complete the projects for which the
initial appropriation was made shall be carried forward to subsequent
fiscal year.

Sincerely,

A handwritten signature in cursive script, appearing to read "A. B. Frol".

A. B. Frol
Associate Comptroller

tls

PLEASE REPLY BY AIRMAIL

Accounts and Codes: The Divisions of Finance and Data Processing, in conjunction with agency personnel, have been working since April, 1971, to design revisions in the State's coding system. This effort has several purposes, including a general upgrading of the State's expenditure reporting and control system, support for the revised budget structure, and improved agency cost-accounting capability. Design work is nearing completion and the new system will be installed on July 1, 1972.

Budget and Program Execution: Frequently states' efforts to improve their budget processes concentrate on budget preparation and review and ignore or overlook the critical subject of budget and program execution -- i.e. monitoring and control of expenditures after the appropriations bill is enacted. This is not the case in Alaska. The program performance reporting system described above will, when fully operational, contribute greatly. In addition, however, certain other changes will be implemented in FY 73. The original MAC report pointed out a number of possible budget execution measures that could be employed -- flexible authorization controls, revisions in the authority required for various types of authorization transfers, more analysis of revised program receipts (federal funds), and selective and flexible usage of various expenditure controls (e.g. allotments, reserves, encumbrances and object controls). This subject is still under study.

Commencing July 1, 1972, various changes will be made in budget and program execution procedures with the objective of strengthening central control over major policy matters and a corresponding decentralization of operating controls to provide agencies with the managerial flexibility essential for increased program effectiveness.

Capital Budgeting: Several improvements have already been made in the preparation and review of capital items in the State's FY 73 budget:

- The definition of a "capital" item has been changed to read as follows: "A capital item is any expenditure on land acquisition, equipment, structural improvement, or construction that equals or exceeds \$10,000. This includes purchase of several units of like or related equipment whose unit cost may be less than \$10,000 if the total amount of the purchase equals or exceeds \$10,000."
- Capital requests were prepared and submitted along with operating budget requests; both operating and capital items were reviewed at the same time by the Budget Review Committee, and the future operating cost consequences of capital proposals were explicitly considered.

Much remains to be done. Planned improvements include:

STATE OF ALASKA
BUDGET DOCUMENT SUPPLEMENT

FY 1972-73

- Closer coordination and utilization of the respective skills of staff from the Divisions of Budget and Management and Planning and Research.
- Substantial improvements in the quality and quantity of analytic supporting data provided by agencies as backup to capital requests.
- Introduction of systematic capital project status monitoring procedures.
- Closer surveillance of financial management aspects of capital budget execution both to ensure stricter cost control and to provide improved data for cash and investment management and bond management.
- Design and installation of procedures to establish and maintain an approved six-year capital improvement program, to be eventually automated. This will serve many purposes, assisting in program planning, financial management, and economic policy formulation.

Automated Budget Review: The State has already achieved extensive computerization of its financial management procedures, and further improvements are planned as noted above. Virtually all the steps in the budget cycle are now automated - with the exception of budget review.

The steps in the budget preview phase will, of necessity, continue to be done manually, although much of the necessary data will be available from the State's computer (cash flow forecasts, tax revenue predictions, etc.). Similarly, agency preparation of budget requests will continue to be largely a manual operation, again drawing upon information available from the computer system.

The Divisions of Data Processing, Finance, and Budget and Management will jointly study the feasibility of automating the central budget review process. If feasible, a computer program will be written so that: (a) Agency requests can be entered as soon as they are received; (b) Changes made by the Budget Review Committee can be entered throughout the period of budget review; (c) At any time, a print-out can be obtained showing the up-to-date status of the budget. This capability will greatly facilitate budget review by reducing the clerical workload, freeing analysts for more important staff duties, and providing a day-to-day picture of the total budget as it evolves. It will be particularly valuable during the crucial last days when recommendations to the Governor are being prepared; the effects of any proposed changes could be rapidly tested and evaluated. The preparation of summary cross-tabulations of many kinds will also be made possible.

CAPITAL PROJECTS

Legislation & Regulations

The Constitution of the State of Alaska - Article IX, Finance & Taxation State Debt. Section 8. No state debt shall be contracted unless authorized by law for capital improvements and ratified by a majority of the qualified voters of the State who vote on the question. The State may, as provided by law and without ratification, contract debt for the purpose of repelling invasion, suppressing insurrection, defending the State in war, meeting natural disasters, or deeming indebtedness outstanding at the time this constitution becomes effective.

Expenditures. Section 13. No money shall be withdrawn from the treasury except in accordance with appropriations made by law. No obligation for the payment of money shall be incurred except as authorized by law. Unobligated appropriations outstanding at the end of the period of time specified by law shall be void.

Title 37 - Public Finance - Sec. 37.25.020 Unexpended balances of appropriations for capital projects.

An appropriation made for a capital project is valid for the life of the project and the unexpended balance shall be carried

forward to subsequent fiscal years. Between July 1 and August 31 of each fiscal year, a statement supporting the amount of the unexpended balance required to complete the projects for which the initial appropriation was made and the amount that may be lapsed shall be recorded with the Department of Administration. (P 2 ch 113 SLA 1962)

Title 35 - Public Buildings, Works, and Improvements, Article 3,
Financial Provisions,

Section 35.10.130. Construction within appropriations and limits imposed by legislature. Each public work shall be constructed in a completed manner withⁱⁿ the appropriation and limits imposed by the legislature. (P 1 art V title III ch 152 SLA 1957)

CAPITAL PROJECTS

Department of Administration

Fiscal Memos

Fiscal Memorandum #66-16, dated June 27, 1966

". . . 4. Reappropriations:

a. Continuing appropriations: The unexpended balance of a continuing appropriation does not lapse. The entire unexpended balance as of June 30 will be reappropriated on July 1. No further reappropriation will be made unless there is an adjustment made to the June 30 balance.

. . . e. Justification for continuing account balances:

Section 37.25.020, Alaska Statutes is quoted for your review, 'Unexpended balances of appropriations for capital projects.

An appropriation made for a capital project is valid for the life of the project and the unexpended balance shall be carried forward to the subsequent fiscal years. Between July 1 and August 31 of each fiscal year, a statement supporting the amount of the unexpended balance required to complete the project for which the original appropriation was made and the amount that may be lapsed shall be recorded with the Department of Administration.' (Under-scoring added). There are other programs, although not of a capital nature, for which appropriations are continued by special statutes. In keeping with the intent of the above, you are

requested to also submit a statement supporting the amount of the unexpended balance required to continue or complete these programs with a notification of the amount that may be lapsed. All reports are required no later than August 15.

f. Final reappropriation report: As soon after the close of the reappropriation period (July 1-August 31) as possible, the Division of Finance will prepare and distribute a complete, comprehensive reappropriation report to include all detail of reappropriations. This report will be the permanent record of reappropriations and the previous semi-monthly reports can be destroyed.

" . . . 5. Year End Adjustments and Corrections:

. . . b AV for Reappropriation: This voucher will require new fiscal year coding and a 002 transaction code to "update" the June 30 unexpended balance on the reappropriation report. Where such adjustments affect continuing accounts, they will also update the amount reappropriated.

" . . . 6. Reconciliation - Reserve Accounts:

Each department that administers programs financed in whole or in part by Reserve Accounts will be contacted as soon as possible after the end of the fiscal year by the Division of Finance for the purpose of reconciliation of the reserve account."

Fiscal Memorandum #68-10, dated June 20, 1968

" . . . Year End Adjustments

. . . Adjustment vouchers for reappropriation, which in

the past had been coded with an 002 transaction code, will not be required.

Reappropriations

The entire unexpended balance of a continuing appropriation on June 30 will appear as an additional authorization on July 1. . . . There will be no special reappropriation reports for the new fiscal year. Unexpended balances as of June 30, 1968, will be shown on the report distributed to the agencies on July 1.

CAPITAL PROJECTS

Division of Buildings

Fiscal Instructions

Fiscal Instructions - Fiscal Year 1963-64, Supplement #17

"Building Division - Fiscal & Budgetary Procedures

1. General

The work program of the Division of Buildings, Department of Public Works is determined by appropriations made by the State Legislature:

. . . c. From bond construction funds.

2. Accounting Principles and Procedures of the Division

. . . c. Maximum utilization will be made of the project ledgers for all expenditures of the division.

3. Authorization

. . . c. Bond Construction Funds

Capital projects which are to be financed by bond construction funds should be initially coded to the Division of Buildings. The Division of Buildings will directly cost all its expenditures to the bond construction program. In addition, the Division of Buildings will control the rate of expenditures in the bond construction funds and coordinate with the appropriate department the equipment to be purchased.

. . . f. A service fee of 2% shall be charged against all appropriations and funds for the preliminary work, investigation,

planning, general administration, work performed prior to the appropriation and for indirect general administrative expenses.

. .4. Construction Revolving Account

This account heretofore known as the construction revolving fund consists of a principal of \$110,000 created by appropriation actions. There is no record of any construction revolving fund in the Alaska statutes as such. Therefore, this account shall be contained as a reserve account in the general fund. At the end of the fiscal year, this account may have an account balance greater than the \$110,000 due to service charges made. However, it is noted that the service fee of 2% charged against appropriations for capital projects and bond funds will stretch over the life of these capital projects. In preparation of the budget this will be taken into account each fiscal year.

..13. Project Ledger

The project ledger is a subsidiary ledger to all the funds appropriated directly to the Division of Buildings or administered by the Division of Buildings. A series of project numbers will be established to meet the requirements of this Division by the fiscal section, Department of Public Works.

These codes may be broken down into administration - Contract projects, contract guaranteeing enforcements, technical consultation and services, administration, direct construction,

projects, administration in general, and a suspense project code, which may be further broken down to standing encumbrances, payroll suspense and accounts payable suspense."

CAPITAL PROJECTS

Alaska Administrative Code

Alaska Administrative Code

Title 15. Revenue

Chapter 3. Receipt, Custody, Investment and Management
of State Funds (no regulations filed).

CAPITAL PROJECTS
RESERVE FOR CONTINUING PROGRAMS
DEPT. OF ADMIN. PROCEDURES

Per Russ Phillips, State Accountant, 1/7/69 & 1/9/69

Each department is contacted at fiscal year end as required by 37.25.020 for a statement concerning continuing program funds and amounts that may be lapsed; funds are lapsed if not needed. Follow up on receipt of this information is often by oral communication.

The State Accountant was asked if he felt that funds in a "reserve for continuing programs" was actually used for the initial purposes if funds which were dormant for some time became active. He responded that sometimes additional construction was planned earlier but delayed for some reason. He also stated that he had no knowledge whether funds were used for projects other than authorized in the initial purpose. However, legislation generally did not specify such limits.

The State Accountant was asked where he would lapse bond construction funds if available. He stated that they would be put in the bond redemption fund.

He was also questioned on the investment of cash in these funds, as many of the funds showed no balance in the investment accounts. He stated that the funds were invested along with the cash in bank for all funds by the Treasury. All interest on these investments goes to the General Fund.

The State Accountant stated that the annual reporting requirements of AS 37.25.020 is satisfied through the Annual Report.

CAPITAL PROJECTS
DIV. OF BLDGS PROCEDURES

Per Madeline Sturm, Div. Accountant, 1/8/69

The Division of Buildings maintains project ledgers on capital projects. Invoices (an encumbering documents) are coded by the Division, and sent to the Department of Public Works Fiscal Section for vouchering. They are then sent to the Department of Administration for payment. After payment, the Division of Buildings receives a copy of the paid voucher and enters the payment information in the project ledger. The initial entry of encumbrances and/or expenditures is made to the ledger at the time of coding. Payment data is then entered as described previously. Entry prior to payment (on an accrual basis) is necessary to keep advised on available funds because of possible delay in payment.

The project ledgers are comprised of standard multiple column ledger sheets in standard ledger binders. Several projects are in each binder and the sheets for each project are coded to identify the project. The date, amount of encumbrance and/or expenditure, description and account breakdown by type of expenditure are shown thereon. The information is hand posted and is accumulative for the life of the project.

The accountant was asked how often the ledgers were balanced to the IBM information in the Department of Administration. She responded that the goal was once a month but that they are often not balanced for several months. She also stated that they were balanced annually at June 30.

When asked what surveillance was given to expenditures on projects to ensure that the expenditure was applicable to the initial purpose, the accountant stated that invoices are reviewed in that section for applicability to the construction project, and that some invoices have been questioned and occasionally rejected. According to the accountant, the provisions of Sec. 37.25.020 have not been interpreted in the Division of Buildings as applicable to bond construction funds. However, a hand written worksheet of the status of each bond construction fund is furnished to the Department of Administration at the end of each fiscal year. This statement indicates the authorization, expenditures and remaining funds and reserves but makes no mention of funds available for lapse nor is it supported by any justification for the continued need for "continuing program" or "lapseable" funds. This statement is stated to be the summary and reconciliation of the project ledger as mentioned earlier.

It was stated that the bond construction funds are assumed to be available for continuing programs and no funds have been lapsed

to her knowledge in the past. She stated; however, that each is reviewed annually (which appears to be by means of the statement mentioned above) with the State Accountant. Apparently the state agency for which the construction is being undertaken is not contacted regarding the lapse of any funds. However, the Building Division Accountant referred to the fact that the statements required by 37.25.020 are requested from all departments.

When asked if the funds of a bond construction fund which were "left over" at the end of construction could or would be used for other construction, the reply was "no." However, funds left over are usually used later "for additional work."

Where construction programs involve several locations as in the 1962 school construction fund, separate project numbers are given to each location. The Building Division Accountant is not aware of any "statement" to the Legislature regarding expenditures of certain bond construction funds as provided for in some of the legislation. Use is made of House Journals and/or other documents which outline the intended use of the funds.

January 13, 1969

Legislative Audit Committee

SUBJECT: Unencumbered Balances in
Bond Construction Funds

Gentlemen:

In accordance with the provisions of AS 24.20.150-370, and your request of December 5, 1968, we have prepared this special report to outline the current practices relating to the control exercised over unencumbered balances in bond construction funds.

Legislation authorizing bond issues is relatively uniform in stating that the purpose of the issue is for paying part or all of the cost of acquiring, constructing, equipping and making necessary capital improvements to a specific project within a stated amount. The legislation appropriating the funds is often separately enacted and may state certain conditions for the use of the funds provided by the bond issue, but neither act of legislation ordinarily includes language that sets a definitive time limit, definition of construction limits, nor disposition of funds if the initial estimate of construction is overstated. Some legislation defines the construction program in general terms such as "in accordance with the Capital Improvement Program" or as "fixed by the governor".

Each fiscal year the legislature is presented with a budget document outlining the plans and programs of the governor for the ensuing fiscal year, including programs utilizing bond construction funds.

Section 37.25.020, Alaska Statutes, states that an appropriation made for a capital project is valid for the life of the project and the unexpended balance is to be carried forward to subsequent fiscal years. At each fiscal year-end, however, a statement is required to be recorded with the Department of Administration supporting the amount of the unexpended balance required to complete the project for which the initial appropriation was made, and stating the amount that may be lapsed. Furthermore, bond construction fund legislation often contains a requirement for a annual statement of expenditures until exhaustion of the fund. This requirement is presumably satisfied by the Annual Financial Report prepared by the Department of Administration.

House journals of the legislative finance committees occasionally contain suggestions and/or intent for the use of surplus funds of bond construction funds. Otherwise, legisla-

tion and regulations appear to be silent on the disposition, administration and surveillance of unencumbered balances in bond construction funds.

Our review prompts us to make the following observations and recommendations regarding the creation and administration of these funds:

- 1) Although legislation clearly describes the intended purpose of the bond construction fund, it does not set out definitive limits within which the fund must operate. It is recommended that legislation include a reference to the intended time-span of construction, making allowance for a possible amendment of that provision, if required, and that the funds be limited to the specific proposal which prompted the creation of the fund.

We also recommend that the act include reference to the intended disposition of surplus funds at the completion of the initial construction project.

Our observation indicates that accounting for the use and the surveillance of bond construction funds is hampered by the absence of these definitive intents of the legislature. Consequently, the unencumbered balances of bond construction funds may linger on the books with sporadic use which must necessarily go unchallenged so long as those responsible for the project indicate in a general manner that they intend to use the remaining funds.

- 2) The responsibility for the surveillance and financial administration of bond construction funds is not assumed by one central authority. Although accounting reports sufficiently describe the status of funds by means of various financial media, the provisions of Section 37.25.020 are not adequately satisfied in furnishing justification for the continued use of funds or lapsing of funds which are in excess of the requirement of the initial construction program. We recommend that the Department of Administration utilize the provisions of 37.25.020 in full force and effect and in sufficient detail as a means to ascertain the need for the funds, to judge the merits of the justification, and that the justification be challenged in those cases where the facts do not seem to warrant continued use of the funds. We also recommend that written policy be established which encourages the continued surveillance and suggested lapsing of

unencumbered balances in bond construction funds.

- 3) Legislation does not provide for the fiscal disposition of lapsed balances of bond construction funds. It is recommended that a written policy be established that any funds which are lapsed from a bond construction fund be added to the corresponding bond construction redemption fund.

- 4) Current fiscal policy requires that project ledgers be maintained by the Division of Buildings, Department of Public Works, for each construction project that they administer. Hand posted ledgers seemingly duplicate information maintained by the Department of Administration's computer accounting operation. We recommend that a systems review be conducted with the goal of effecting an economy by the elimination of this apparent duplication.

Respectfully submitted,



James E. Allen
Division of Legislative Audit

February 25, 1970

Legislative Audit Committee

SUBJECT: Lapsing of Unexpended
Appropriation Balances

Gentlemen:

In accordance with the provisions of AS 24.20.150-370 and your request of January 10, 1970, we have prepared this special report on the controls existing and exercised over unexpended and unencumbered appropriation balances.

Following is the statute relating to one year or operating appropriations:

"Sec. 37.25.010. Unexpended balances of one-year appropriations. (a) The unexpended balance of a one-year appropriation authorized in an appropriation bill lapses on June 30 of the fiscal year for which appropriated. However, a valid obligation (encumbrance) existing on June 30 is automatically reappropriated for the fiscal year beginning on the succeeding July 1 if it is recorded with the Department of Administration by August 31 of the succeeding fiscal year.

(b) An indebtedness arising from a prior year for which the appropriation has lapsed shall be paid from the current year's appropriations, if (1) this expenditure does not exceed the balance lapsed; and (2) the original obligation date is not more than two years from the requested date of disbursement."

Control over lapsing of one year appropriations has not been as effective in the past as it might have been or should have been. However, during the last several years a system of checks and balances has gradually been developed and incorporated into the accounting system, with certain changes being made as recently as the beginning of the current fiscal year. We believe that the present plan of control is fully adequate, and that it should produce the desired results.

Appropriations for capital improvements projects, both from the general fund and from bond funds, which by their very nature, cannot be restricted to a fiscal year, are another matter.

Following is the statute covering such appropriations:

"Sec. 37.5.029. Unexpended balances of appropriations for capital projects. An appropriation made for a capital project is valid for the life of the project and the unexpended balance shall be carried forward to subsequent fiscal years. Between July 1 and August 31 of each fiscal year, a statement supporting the amount of the unexpended balance required to complete the projects for which the initial appropriation was made and the amount that may be lapsed shall be furnished to the Department of Administration."

In accordance with the above, the Department of Administration sends a memorandum to all departments at the end of the fiscal year, requesting the departments "to submit a statement supporting the amount of the unexpended balance required to continue or complete these programs including a statement as to the amount that may be lapsed."

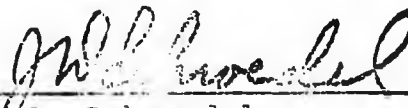
This method has proven to be ineffective. The file in the Department of Administration, Division of Finance, contains a list of projects to which a response was anticipated. The response was incomplete in that some projects were omitted and that the justification for continuing the appropriation was too general, sometimes simply stating that the balance of the appropriation was needed to complete the project in the next fiscal year. We were informed by the Division of Finance that follow up on omitted items is usually verbal and that they obtain some kind of response on every item. The area of the greatest neglect are those projects which are being carried on by the Department of Public Works, but for which the request was initiated by some other department for its benefit. Apparently the Department of Public Works expects that the benefited department will take any necessary action to continue the appropriation and eventually lapse the balance, and vice versa.

In order to effect a timely closure of capital improvement projects and prompt lapsing of remaining balances, it is recommended that the present statute (quoted above) be amended to provide that:

1. Each capital improvement budget request shall specify a completion date on which the unencumbered balance shall lapse, whether the project is funded from the general fund or from a bond fund, making allowance for a possible amendment to the completion date, if necessary.

2. Responsibility for promptly lapsing the balance should be incumbent upon the benefited department, whether the project is being accomplished by the department itself or through the Department of Public Works.
3. Appropriations of bond construction funds should provide that any remaining balance that is lapsed shall be added to the corresponding bond redemption fund.

Respectfully submitted,



J. D. Schroedel
Division of Legislative Audit

MEMORANDUM

State of Alaska

TO: All Departments

DATE : July 21, 1969

FROM: *B. N. McVay*
Thomas K. Dunne, Commissioner
Department of Administration

SUBJECT: Reports from Departments

Narrative Report of Activities

The Department of Administration is required by law to prepare an annual report showing the financial condition and the results of operations of the State.

AS 37.05.090 requires each department to submit a short narrative summary of its operations, not exceeding 1,000 words, to supplement the Annual Financial Report prepared by the Department of Administration.

Before August 22, 1969 please give us a narrative report of the activities of your department for the 1968-69 fiscal year. To minimize the task of editing, please comply with the 1,000 word limitation.

Justification for Continuing Accounts

AS 37.45.020 provides as follows:

"An appropriation for a capital project is valid for the life of the project and the unexpended balance shall be carried forward to the subsequent fiscal years. Between July 1 and August 31 of each fiscal year, a statement supporting the amount of the unexpended balance required to complete the project for which the original appropriation was made and the amount that may be lapsed shall be recorded with the Department of Administration."

There are other programs, although not of a capital nature, for which appropriations are continued by special statutes. In keeping with the intent of the above cited statute, you are requested to also submit a statement supporting the amount of the unexpended balance required to continue or complete these programs including a statement as to the amount that may be lapsed.

These reports should reach this office on or before August 22, 1969.

JUL 22 5 21 AM '69
DEPT. OF ADMIN.
OFFICE OF THE COMMISSIONER

STATE OF ALASKA

KEITH H. MILLER, GOVERNOR

DEPARTMENT OF HEALTH AND WELFARE
DIVISION OF ADMINISTRATIVE SERVICES

Pouch H - Juneau 99801

MEMORANDUM

TO: T. K. Downes, Commissioner
Department of Administration

THRU: J. W. Betit, Commissioner
Department of Health and Welfare

FROM: V. L. Iverson, Director
Division of Administrative Services

DATE: August 21, 1969

SUBJECT: Continuing Account - North Star Borough Hospital

Chapter 7, F.S.S., SLA 1967 appropriated \$400,000 for matching funds for the construction of a hospital within the North Star Borough.

The Fairbanks Memorial Hospital project is now in the final stage, and should be ready for bid within the next few months.

We request that the \$400,000 authorization be carried forward on the State's accounting records for the 1970 fiscal year.

VLI:HFT:lp

cc: R. W. Freer
R. C. Phillips
L. W. Swartz

STATE OF ALASKA

KEITH H. MILLER, GOVERNOR

DEPARTMENT OF ADMINISTRATIVE SERVICES
DIVISION OF ADMINISTRATIVE SERVICES

Pouch H - Juneau 99301

MEMORANDUM

TO: T. K. Domes, Commissioner
Department of Administration

THRU: J. W. Betit, Commissioner
Department of Health and Welfare

FROM: V. L. Iverson, Director
Division of Administrative Services

DATE: August 19, 1969

SUBJECT: Justification for Continuing Accounts



The following information is furnished in response to your memorandum of July 21, 1969 relative to continuing capital projects and other accounts:

1. Capital projects which were incomplete as of June 30, 1969. The total unexpended balances should be carried forward as the amounts required to complete the projects is not known:

| Project | Amount |
|---------------------------|-------------|
| Juneau Jail Equipment | \$35,535.74 |
| Adult Camp Shop Equipment | 20,000.00 |
| Nome Jail Improvement | 16,000.00 |
| Hospital Construction | 208,941.57 |

2. Other programs. The following are federal programs or projects for which funding is available beyond June 30, 1969.

| Project | Amount |
|----------------------------|--------------|
| Office of Aging | \$190,730.08 |
| Rural Area Social Services | 237,428.57 |
| School Social Worker | 7,265.97 |
| Recruitment & Personnel | 3,967.26 |

The Work Experience and Training project has expired, and the unexpended balance of \$62,190.87 should be lapsed.

The narrative report of activities will be forwarded separately within a few days.

VLI:HFT:lp

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MEMORANDUM

State of Alaska

21

TO: Thomas K. Downes, Commissioner
Department of Administration

DATE : August 18, 1969

FROM: Office of the Governor
Margaret C. Clark
Accountant

SUBJECT: JUSTIFICATION FOR CONTINUING
ACCOUNTS.

The Continuing Accounts under the jurisdiction of the Office of the Governor are the Municipal Urban Renewal, the Criminal Justice Commission, Mainstream Program, and the Neighborhood Youth Corp. Each of these has balances that will be used in the new fiscal year to complete projects started in 1968-69, and not yet completed. These projects are each in progress, and the funds to be continued will be used to complete the jobs.



MEMORANDUM

State of Alaska
DEPARTMENT OF FISH AND GAME



TO: Thomas K. Downes, Commissioner
Department of Administration

DATE : August 15, 1969

FROM: W. H. Koorenberg
Acting Commissioner

SUBJECT: Continuing appropriations
AS 37.45.020

CAPITAL IMPROVEMENT PROGRAMS

NOTE: Current year code listed first; prior year code in brackets

- 1. Hood Lake Hangar 11-71-01-00-602 (11-71-02-01)

Supplemental funding for substantially upgrading this facility was provided by the 1969 legislature. The Division of Buildings has engaged an architect to prepare the construction plans and specifications. The total development will be put under contract and construction is estimated to be completed in FY 70.

- 2. Kitoi Bay Hydropower 11-71-02-00-601 (11-75-04-44)

This project construction has been completed. Approximately \$600 remaining should be continued to cover any miscellaneous small bills.

- 3. Anan Creek Ladder 11-71-03-00-190 (11-77-05-38)

This project is substantially completed as planned. Minor finishing up adjustments in water flow require attention in FY 70. About \$700 remaining should be continued.

- 4. Bond Fish Hatchery Program 11-72-01-00-604 (11-76-01-01)

Work on this five-year program is just getting underway. Biological and engineering studies are programmed for FY 70 with first phases of construction estimated for FY 71.

- 5. Bear Lake 11-73-01-00-478 (11-72-02-62)

Construction items are substantially completed with the remaining work in progress for completion in FY 70.

C-1
1/1

6. Fish Evaluation Facilities 11-73-02-00-476 (11-73-00-00)
The bulk of the construction items are under contract and purchase requisition at this time. Completion is anticipated during FY 70.
7. Auke Creek Hatchery 11-73-03-00-477 (11-74-00-00)
This project has been delayed pending acquisition of the site in fee title.
8. Fairbanks Land Acquisition 11-73-04-00-603 (11-78-00-00)
Acquisition of this fish hatchery land is still held up pending settlement of the Jamis Estate. Completion of this item is contingent upon legal determinations.
9. Fire Lake Hatchery Improvements 11-73-05-00-475 (11-79-02-23)
This four-year construction program is in its third year, with completion projected for FY 71. The heavy dollar volume of construction items are underway at this time.

COMMERCIAL FISHERIES PROGRAMS

1. Public Law 88-309 - Account Code 11-14-99-00
(Extended after July 1, 1969 by Public Law 90-551)

Commercial Fisheries Research and Development Act of 1964 (16 U.S.C. 779-779f; Public Law 88-309; 78 Stat. 197) provides under Section 5(b) "So much of any apportionment for any fiscal year which is not obligated during any year remains available for obligation to carry out the purpose of this Act until the close of the succeeding fiscal year, and, if unobligated at the end of that year, the sum is returned to the Treasury of the United States."

In order to be eligible for these Federal monies the State portion of this program must also remain available for matching purposes.

All the balance of Commercial Fisheries Program 11-14 should be carried over. This would be the balance available June 30, 1969 of \$66,005.46 less payments for prior year obligations through August 31st.

August 15, 1969

COMMERCIAL FISHERIES PROGRAMS (continued)

1. Public Law 88-309

This money will be available, according to Federal Regulations, for new projects during the current fiscal year or for expanding existing projects already in progress in the current fiscal year.

2. Federal Non-matching - Account Code 11-13-09-99

These are small Federal grants given under the Saltonstall-Kennedy program and through agreements with the Bureau of Commercial Fisheries for special programs such as Salmon Hark Recovery and King Crab Tag Recovery. These grants are given for work on these projects. At the end of June 1969 there was a balance of \$13,724.81. As work on these small projects has been completed the balance can be lapsed.

8 February 1971

Honorable C. R. Lewis
Senate Finance Committee
State Capitol Building
Harrisburg, Pa. 17103

Dear Senator Lewis:

Transmitted herewith is a memorandum regarding Senate Bill No. 7, 1971, which State Legislature. It is by Co. Director of Administration Richard H. H. from the Director of the Division of Finance, Administration, William C. Mullin. While this Bill attempts to furnish a legislative goal for executive accomplishment of projects, it presents certain difficulties which Mr. Mullin outlines.

From my personal experience on the State Bond Committee I can endorse what Mr. Mullin says on page two of his memorandum, in the phrase "Effective Date." In the bond sale just completed (2 February 1971) we sought to raise proceeds for a number of projects, although the funding will not be complete for all of them. In other words, the bond proceeds obtained from the concerned agencies the cash flow requirements, and bonds were sold to satisfy these through June 1971. The rationale for this procedure is to defer the incurrence of debt until the funds are needed. In May the Bond Committee will sell 1971 Series B Bonds to accommodate agency cash needs through July, and so forth through the year. It may well be that bonds for some certain project, instead of all being sold at once, are sold in increments over the period of a year, as the Capitol Project progresses and requires the added funds.

If the attached memorandum is not sufficient for your Committee purposes, we will be glad to make available to you Mr. Mullin, Mr. Freed or myself, or whomever you may request - at your convenience.

With kind regards, I am

Sincerely yours,

JOSEPH P. KRUMHOLTZ
Director

MEMORANDUM

State of Alaska

TO: Richard W. Freer
Deputy Commissioner
Department of Administration

DATE : February 1, 1971

FROM: William C. Mullin, Director *WM*
Division of Finance
Department of Administration

SUBJECT: Senate Bill No. 7

The following are comments on provisions of Senate Bill No. 7.

Project

The meaning of the word "project" might cause some difficulty in the application of the proposed statute. For instance, is a project the sum total of all the work to be accomplished by a capital outlay appropriation or is it part of the work? Stated differently, is each facility a project in an appropriation for construction of ferry facilities?

I assume that each facility is a project. It should be noted that in some cases projects are clearly indicated in appropriation acts and in other cases they are not. Moreover, even within an appropriation projects may vary in size from those under \$500,000 to those over \$2,500,000.

The bill may assume a measure of project control that is not being exercised by the Department of Administration. As a general rule this department does not keep records of project appropriations and costs. In view of the way funds are currently being appropriated and accounted, this department does not have the ability to determine, to account and to control projects within appropriations.

Capital

SB No. 7 pertains to capital projects. There is a question also with regard to the meaning of the word "capital". For example, is an appropriation to grant funds to a municipality for part of the cost of waste treatment works considered a "capital" appropriation? We do not have a uniform definition of the word "capital".

Project Life

The bill provides for measuring project life from effective date. The effective date of an appropriation could be any date. It may be a day following the date a bill is signed by the Governor, a specified date, a date after the Legislature adjourns, the date approved by general election, etc. Project life would have to be monitored constantly.

February 1, 1971

It would be somewhat better if project life were defined as June 30 following one, two or three years from the effective date. Even then we would have some deep problems in attempting to comply with the provisions of this bill. For instance, in a three million dollar appropriation for capital outlay would we permit an agency to enter into a contract (encumber the appropriation) for a \$250,000 project after one year from the effective date?

Effective Date

If passed in its present form and signed by the Governor, Senate Bill No. 7 will be effective on July 1. It will apply to all capital project appropriations that become effective on or after July 1, 1971.

At the last general election the voters authorized \$146,000,000 in bond issues. Most of these issues have already been appropriated but the bonds will be sold at various times over the next three or four years. There is a question as to the effective dates of those appropriations.

More than likely the effective date is the date that bonds are sold. Before the date that bonds are sold there is no money in a bond fund, and therefore no resources to appropriate. In any event it is possible that there might be more than one appropriation for a specific project.

Present AS 37 25.020

In administering AS 37.25.020 as it presently exists, the division looks to the whole appropriation and not to a project within an appropriation. Furthermore, "capital project" is taken to mean any continuing appropriation regardless of whether it is to be spent for capital purposes or for operating purposes. As of June 30 each year, agencies are required to submit an estimate of the unexpended balances that are needed in the following fiscal year. With few exceptions, agencies indicate that the money is needed.

Conclusion

Senate Bill No. 7 raises more questions than it answers. There is no doubt in my mind that we should review the way capital outlay funds are appropriated, controlled and accounted. In part, MAC recommendations will be of assistance in this area. I believe the Department of Administration should oppose Senate Bill No. 7 at this time.

TO: The Honorable William A. Egan, Governor
State of Alaska

DATE: November 29, 1971

FROM: Joseph R. Henri, Commissioner
Department of Administration

SUBJECT: Department of Public Works
Reallocation of Capital Appropriation

The Department of Public Works, Division of Aviation, request your approval to make the following transfer between capital projects:

| | Total Authorized | Adjustment | Adjusted Total |
|---------------------------------------|---------------------|------------|-------------------|
| <u>Anchorage Terminal Expansion</u> | \$500,000 | (\$70,000) | \$430,000 |
| <u>Anchorage Fire/Rescue Building</u> | 90,000 | 70,000 | 160,000 |
| | \$590,000 | -0- | \$590,000 |

This adjustment will delete some low priority work on the terminal and allow construction of the Fire Rescue Building that is considered a higher priority item by the Department of Public Works.

I recommend your approval of this request to transfer capital funds between two approved projects.

Joseph R. Henri
Joseph R. Henri, Commissioner
Department of Administration

Approved this 6 day of December 1971.

William A. Egan
William A. Egan, Governor
State of Alaska

TO: Honorable William A. Egan, Governor
State of Alaska

DATE : June 7, 1971

FROM: Joseph R. Henri, Commissioner
Department of Administration

SUBJECT: Department of Public Works,
Division c. Buildings; Request
to Transfer \$3,100 between
capital appropriations.

~~The Department of Public Works, Division of Buildings requests your approval to utilize \$3,100 of the funds appropriated for ventilation of the State Museum for the final payment to the contractor for repairs to the Erskine House in Kodiak. Funding for both of these projects was appropriated by Chapter 250, SIA 1970, however preliminary engineering on the Museum project indicated that the \$35,000 appropriated for it was insufficient to even start the project. Reallocation of the \$3,100 will bring the total for the Erskine House to \$23,100.~~

Possible lapse?

I recommend your approval of the requested transfer under the authority of AS - 37.07.080(e).

Approved this ^{July} 2nd day of June, 1971

Joseph R. Henri
Joseph R. Henri, Commissioner
Department of Administration

William A. Egan
William A. Egan, Governor
State of Alaska

MEMORANDUM

State of Alaska

72-14

The Honorable William A. Egan, Governor
State of Alaska

DATE: July 15, 1971

FROM: Joseph R. Henri, Commissioner
Department of Administration

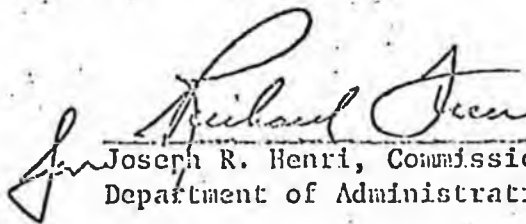
SUBJECT: Department of Public Works,
Division of Aviation, Request
to transfer funds between
projects.

~~The Department of Public Works, Division of Aviation, requests your approval to transfer \$266,301 from the Anchorage North/South Runway Project to the King Salmon Apron (\$10,894) and the Nome Runway Improvement (\$165,407) Projects.~~ Completion of the design work on the King Salmon and Nome Projects indicates that additional funding is required and new funding for the Anchorage Project has been provided by the revenue bonds.

The original appropriation for the Anchorage Runway Project was under Chapter 12, SLA 1969. The King Salmon Project was authorized under Chapter 202, SLA 1970, and the Nome Runway Project was also provided under Chapter 12, SLA 1969. Both acts appropriated funds from the 1968 Airport Bond Construction fund and Federal matching funds.

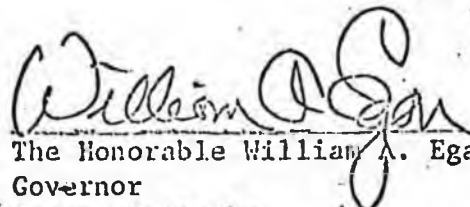
Since these transfers do not require additional State funding your approval is recommended in accordance with the provisions of AS 37.35.080 (e) (Executive Budget Act of 1970).

JS
W


Joseph R. Henri, Commissioner
Department of Administration

Approved this 20th day of July, 1971.




The Honorable William A. Egan,
Governor
State of Alaska

MEMORANDUM

State of Alaska

72-24

RECEIVED
AUG 10 1971
GOVERNOR'S OFFICE

The Honorable William A. Egan, Governor
State of Alaska

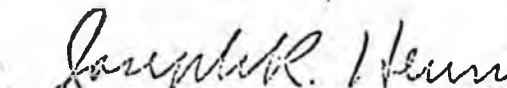
DATE: July 28, 1971

FROM: Joseph R. Henri, Commissioner
Department of Administration

SUBJECT: Dept. of Public Works
Division of Aviation
Request to reallocate funds
between capital projects.


The Department of Public Works, Division of Aviation requests your approval to reallocate \$25,000 from the Fairbanks Paving project to the Master Plan project. This will provide funding for a study involving a possible change in location of the taxiway at the Fairbanks International Airport.

I recommend your approval per Section 37.07.080 (e) of the Executive Budget Act, Chapter 188, SLA 1970.



Joseph R. Henri, Commissioner
Department of Administration

Approved this 16th day of August, 1971.



William A. Egan, Governor
State of Alaska

Handwritten scribbles

RP 72-5!

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

DATE: September 10, 1971

FROM: *[Signature]*
Mr. George W. Easley
Commissioner
Department of Public Works

SUBJECT: Request for Program Change

Attached for your action are the original and one copy of budget documents which are self-explanatory, to establish two positions in this office.

Funding for the two positions are available from the following sources:

Code 13.31.99.00.600 \$5,000
Saving was realized in Kopsi Boat Launching Facilities.
~~The project was allotted \$98,000 in the program for which a contract was let in the amount of \$64,320.~~

Possible lapse?

Code 13.11.13.00.100 \$5,200
Saving will be realized in PCM 1-96, Electrical Engineer, which is vacant and will not be filled for the first six months. Half salary will be charged for this program change.

Code 13.51.01.00.300 \$4,000
Inactivity at Valdez Airport due to delay in oil pipeline, delay will only require \$46,000 instead of the \$50,000 proposed to be spent at that location.

Code 13.53.99.00.500 - \$7,000
Partial substitution of Item 18, Step-Van truck has been approved leaving balance of \$9,350 available for this program change.

Code 13.54.99.00.100 \$4,400
PCM 5-387 Admin Officer I will not be filled by October 1 making three months salary saving.

Code 13.81.00.00.100 \$7,200
Vacancy in three Clerk V positions at Petersburg, Skagway and Wrangell for the Period July 1 through September 15 will make the above amount available.

TO: [The Honorable William A. Egan, Governor
State of Alaska

DATE: September 22, 1971

FROM: Joseph R. Henri, Commissioner
Department of Administration

SUBJECT: Allocation of funds for repair of
existing Nome Highway District shop
facilities

~~Your approval is requested to utilize \$75,000 of the funds authorized by
Chapter 250 SL 1970 for the construction of a District Highway Complex
and Office Building in Nome to maintain the existing Nome highway mainte-
nance shop~~

~~Plans to construct the District Highway Complex have been delayed and it
is anticipated that the existing shop facilities will continue to be used
for the foreseeable future. The shop facilities require repairs to the
roof, walls, septic tank, shop wiring, and water and sewer lines if they
are to be maintained in useable condition.~~

*Possible
lapse of
balance?*

JB

The Departments of Highways and Public Works have signed a working agree-
ment which would have the Department of Highways accomplish the needed
repairs. The Department of Highways would be reimbursed for the work
involved by the Department of Public Works out of funds appropriated for
the now delayed construction of the new Nome District Highway Complex.

I recommend your approval of the adjustment as outlined above in
accordance with the provisions of AS 37.07.080 (e), Executive Budget Act
of 1970.

Joseph R. Henri
Joseph R. Henri, Commissioner
Department of Administration

October
Approved this 6th day of September, 1971

William A. Egan
William A. Egan, Governor
State of Alaska

1/12

Jack Baker will
check for recent audits
re: this ac'y.

1/12

Russ Phillips 307

Russ Phillips:

Phone call 1/12/72

Present procedure:

1. Funds lapsed if project completed. However, agencies typically will not release funds. Want to use money for continuing additions & improvements
2. Need for contingency funds
3. If funds lapsed to gen. fund, money placed in bond redemption fund for debt service charges. (done only a couple of times according to Russ)
4. Alt. - ^{Direct Finance to} Have B & M determine when bldg. completed. ^{mgmt.} (b) Return money to bond redemp. fund ~~()~~
(c) Annual report to legislative fin. committees.
(d) B & M develop ^{internal} procedural guidelines in order to ensure legislature that adequate control being exercised.
5. NOTE: Present law requires that AS 37.25.010 " Between July 1 and Aug 31 of each fiscal year, a statement supporting the amount of the unexpended balance required to complete the projects for which the initial appropriation was made and the amount that may be lapsed shall be recorded with the Dept. of Admin.
Request copies of these statements.

DEPARTMENT: MILITARY AFFAIRS
 AMOUNT OF GRANT: \$115,000

GRANTING DEPARTMENT AUTHORITY TO RECEIVE AND EXPEND \$115,000 FEDERAL FUNDS FOR CONNECTION OF KULIS ANG BASE TO THE ANCHORAGE BOROUGH SEWER SYSTEM.

APPROVED BUDGET & AUDIT COMMITTEE 8-11-71.

CAPITAL PROJECTS

72-24

✓ DEPARTMENT: PUBLIC WORKS -- DIVISION OF AVIATION
 AMOUNT OF TRANSFER: \$25,000

TRANSFERS \$25,000 FROM FAIRBANKS AIRPORT PAVING PROJECT TO THE MASTER PLAN PROJECT TO FUND A STUDY INVOLVING "A POSSIBLE CHANGE IN LOCATION OF THE TAXIWAY AT THE FAIRBANKS AIRPORT."

CAPITAL PROJECT

72-33

DEPARTMENT: PUBLIC WORKS - DIVISION OF BUILDINGS
 AMT. OF GRANT: \$178,800

GRANTS DEPARTMENT THE AUTHORITY TO RECEIVE AND EXPEND 30% OF THE FEDERAL GRANT FOR CONSTRUCTION OF THE BELTZ SCHOOL ADDITION AT NOME.

MONEY ALREADY RECEIVED; NO STATE FUNDS REQUIRED.

APPROVED BY BUDGET & AUDIT COMMITTEE AUGUST 25, 1971.

Capital Project

DEPARTMENT: PUBLIC WORKS - DIVISION OF BUILDINGS
AMT. OF TRANSFER: \$13,000

AUTHORIZES DEPARTMENT TO EXPEND FUNDS RECEIVED UNDER AGREEMENT WITH ASHA FOR ARCHITECTURAL AND DESIGN SERVICES ON REMODELING OF THE DIVISION'S NEW QUARTERS AT THE JUMEAU BUILDERS BUILDING.

APPROVED BUDGET & AUDIT COMMITTEE AUGUST 24, 1971.

CAPITAL PROJECT

Dept: Health & Social Services
Amt. of Grant: \$64,000

Authorizes the department to receive and expend federal Mentally Retarded program funds for paving and landscaping at Harborview Memorial Hospital in Valdez. Original authorization(\$100,000) was in 1970, but the project was not initiated during the 1970 and 1971 construction seasons because federal matching funds have not been available until now.

approved Budget & Audit Committee, November 18, 1971

Capital Project

DEPARTMENT: HEALTH & SOCIAL SERVICES
AMT. OF GRANT: \$1,200,000

AUTHORIZES DEPARTMENT TO RECEIVE AND EXPEND HILL-BURTON HOSPITAL MODERNIZATION AND CONSTRUCTION FUNDS. STATE MATCHING FUNDS WERE PROVIDED BY CHAPTER 190, SLA 1970, WHICH AUTHORIZED A \$5.6 MILLION BOND ISSUE.

SEE EXECUTIVE ORDER REQUEST MEMO FOR ALLOCATION OF FUNDS.

APPROVED BUDGET & AUDIT COMMITTEE SEPTEMBER 25, 1971.

Dept: Public Works, Admin. Serv. Div.
Amt. of Transfer: \$32,000

✓ Authorizes transfer from all 5 districts of the department to the Office of the Comptroller for the support of an Anchorage Office and two new positions of staff as:

| Title | Grade |
|----------------------------|-------|
| Exec. Asst. to Comptroller | 28 |
| Secretary II | 11 |

\$32,800 of transfers to be expended for personal services.

Availability of Funds:

- ✓ 1) \$4,000 transferred from capital project (Nome Coal Launching Facility), Division of Waters & Harbors
- 2) Vachney Savings
- 3) Equipment substitutions & out back
- ✓ 4) Out back in funds to be expended at Valdez Airport

See revised program request memo for further information.

(over)

10/20/71

Capital Project

72-59

✓ Dept.: Highways
Amt. of Transfer: \$75,000

Authorizes the department to utilize \$75,000 authorized for construction of the Nome District Highway Complex & Office Building (SLA 70, Chap. 250) for repair of the existing Nome Highway Maintenance Shop.

The revised program request memo states that the construction project will be delayed so that these funds can be utilized in this manner. No statement is made regarding possible return of these funds to the project for which they were originally intended.
Approved by Governor Egan on October 6, 1971.

This last office is shown as a maintenance item in the FY 73 departmental request and represents a \$3,100 increase over the FY 72 authorized.

72-51

72-76

Dept: Highways

Amt. of Transfer: \$459,705

Authorizes the department to reimburse their CIP appropriation by receipts from cities, boroughs, etc., resulting from construction and engineering work funded from the CIP.

Approved by the Budget and Audit Committee November 18, 1971.

DEPARTMENT: PUBLIC WORKS--DIVISION OF BUILDINGS

AMOUNT OF TRANSFER: \$3,100

AUTHORIZATION TO EXPEND \$3,100 FROM THE \$35,000 APPROPRIATED FOR VENTILATION OF THE STATE MUSEUM UNDER SLA 70, CHAP. 250, FOR THE FINAL PAYMENT TO THE CONTRACTOR FOR REPAIRS TO ERSKINE HOUSE IN KODIAK.

THE DEPARTMENT OF PUBLIC WORKS HAS STATED THAT THE \$35,000 APPROPRIATED FOR THE MUSEUM VENTILATION PROJECT IS NOT SUFFICIENT TO EVEN BEGIN THE JOB.

CHAP. 250, SLA 70, APPROPRIATED \$20,000 TO THE DIVISION OF BUILDINGS FOR SPRINKLER AND HEATING SYSTEMS AT ERSKINE HOUSE--THIS TRANSFER BRINGS THE TOTAL EXPENDED ON THIS PROJECT TO \$23,100.

CAPITAL PROJECT

72-13

✓ DEPARTMENT: MILITARY AFFAIRS

AMT. OF TRANSFER: \$9,250

SLA 1970 APPROPRIATED \$40,000 FOR THE JUNEAU CAP COMBINED HANGAR AND OFFICE FACILITIES AT JUNEAU MUNICIPAL AIRPORT. THE 1970-71 BUDGET DOCUMENT STATES THAT THE BUILDING "COST IS ESTIMATED AT \$60,000 . . . ONLY \$40,000 IS REQUIRED BECAUSE ARRANGEMENTS ARE BEING MADE FOR A 33% DONATION OF MATERIALS. CAP VOLUNTEERS WILL ALSO DONATE LABOR. . ."

THE MILITARY AFFAIRS DEPARTMENTAL FY 72 REQUEST FOR CAP WAS \$123,100 OF WHICH THE LEGISLATURE ALLOWED \$92,600.

THIS EO AUTHORIZES THE TRANSFER OF \$9,250 FROM THE CAP BUDGET TO A CAPITAL EXPENDITURES ACCOUNT TO "MAKE UP THE DIFFERENCE BETWEEN THE LOWEST BID FOR CONSTRUCTION (\$48,594) AND THE CONSTRUCTION FUNDS APPROPRIATED (\$40,000).

THE REVISED PROGRAM REQUEST MEMO STATES "THE CIVIL AIR PATROL WILL BE ABLE TO ABSORB THIS CAPITAL EXPENDITURE IN THEIR EXISTING BUDGET."

APPROVED BY THE BUDGET AND AUDIT COMMITTEE JULY 21, 1971.

~~CAPITAL PROJECT~~

~~72-14~~

DEPARTMENT: PUBLIC WORKS - DIVISION OF AVIATION

AMOUNT OF TRANSFER: \$266,301

✓ AUTHORIZES TRANSFER OF \$266,301 FROM THE ANCHORAGE NORTH/SOUTH RUNWAY PROJECT TO:

KING SALMON AIRPORT . . . \$100,894
NOME RUNWAY IMPROVEMENT 165,407.

THE ANCHORAGE PROJECT AND THE NOME PROJECT WERE AUTHORIZED BY SLA 69, CHAPTER 12, TO BE FUNDED BY 1968 AIRPORT BOND CONSTRUCTION FUNDS. NO AMOUNT IS SPECIFIED FOR THIS PROJECT. THE KING SALMON PROJECT IS AUTHORIZED BY CHAPTER 202, SLA 70, TO BE FUNDED BY 1968 AIRPORT BOND CONSTRUCTION FUNDS (NO DOLLAR AMT. SPECIFIED.)

THE REVISED PROGRAM REQUEST STATES THAT ADDITIONAL MONIES ARE NEEDED FOR THE NOME AND KING SALMON PROJECTS AND "NEW FUNDING FOR THE ANCHORAGE PROJECT HAS BEEN PROVIDED BY THE REVENUE BONDS."

1/10/72

Phone call to Myrt Cherney:

PROBLEMS WITH THIS BILL:

1. Conservation emphasis - causing excessive delays due to legal action over which state has little control
2. Dept Highways - continuing fund. Enactment of bill would create ~~some~~ additional problems due to exceptions that would be necessary.
3. Federal reimbursement delays - especially troublesome if state gen. fund monies already expended. Might ~~also~~ ~~result~~ cause loss of state funds already expended.

PRESENT CONTROLS:

1. Budget & Management
 - a. Frequent review of projects balances (?)
 - b. Placing funds in reserve if not required any longer (i.e., construction completed)
 - c. Lapping funds at end of year
2. Finance
 - a. Reappropriation (continuation) of project funds as required.

(Cont'd.)

(2)

ALTERNATIVE:

1. Request Dept Admin to:

- a. Outline present procedures of review & control
- b. Furnish justification for ~~all~~ continuation of all projects that have been extended beyond the project life schedule of SB 7.

1 IN THE SENATE

RULES COMMITTEE BY REQUEST OF THE
LEGISLATIVE AUDIT COMMITTEE

2

SENATE BILL NO. 7

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SEVENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to appropriations for capital

7

improvement projects; and providing for an effective

8

date."

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

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* Section 1. AS 37.25.020 is repealed and re-enacted to read:

11

Sec. 37.25.020. APPROPRIATIONS FOR CAPITAL PROJECTS. (a) An appropriation made for a capital project, whether from the general fund, a special fund, a bond construction fund or other fund account, is valid for the life of the project, provided the project is encumbered within the following time schedule:

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Project Appropriation

Project Life-From Effective Date

17

(1) Under \$500,000

one year

18

(2) \$500,000 to \$2,500,000

two years

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(3) \$2,500,000 and over

three years

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(b) Unless extended by amendment, an appropriation made for a capital project lapses in accordance with the schedule in (a) and project funds unexpended or unencumbered revert to the fund from which the appropriation was made. However, lapsed capital project appropriations from bond construction funds shall revert to the corresponding bond redemption fund.

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(c) An appropriation made for a capital project may be extended by the passage and approval of an Act amending the original appropriation.

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* Sec. 2. This Act takes effect on July 1, 1971, and applies to all

1 capital project appropriations that become effective on or after July 1,
2 1971.

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12/9/71

Donna Spragg will
contact Bill Mullin to
see if any specific
suggestions will be
submitted.

Rich G

CAPITAL BUDGETING

As indicated in previous sections of this Chapter, we recommend that the capital and operating budgets be developed together. This section discusses the advantages of integrating capital and operating budgets, and also presents some additional recommendations that apply only to capital items.

The separation of operating and capital budgeting has its roots in the different sources of financing available for each. Generally, outlays for operations are supported by current revenues while capital spending is additionally financed through borrowing. Highway construction, for example, is financed by bonds, federal grants, and current revenues. There is a need to maintain separate accounts for capital and operating expenditures but, in the development of program and financial policy, the Governor and the legislature should consider all proposed programs together, regardless of the manner in which they are to be financed.

It takes a combination of operating and capital investments to accomplish state purposes. It is not the hospital building alone nor the doctor alone who provides for the medically ill patient, but rather the combination of buildings, supplies, people, equipment, and the other factors that constitute a program. When the Governor or legislature make health policy, they should have before them the full picture of all proposed activities and expenditures.

Moreover, capital outlays often generate operating expenses in the future. The hospital which is built this year will have to be staffed and maintained next year. It is essential, therefore, to have information on the operating costs of proposed programs when capital decisions are made.

Finally the same public objective can often be accomplished either through investment or operating alternatives. Again the field of health offers an illustration: A program to provide health services

to a community may be implemented by building a neighborhood clinic or by subsidizing the care of indigents in private facilities. Although the same objective is served in both cases, analysis of these alternative approaches is impeded by the fact that one is a capital program and the other an operating program.

For the above reasons, we recommend the following:

1. Preparation and review of capital and operating budgets should be completely integrated. The Governor's Program and Fiscal Preview would consider both capital and operating items; Program Allowances would apply to capital requests as well as operating requests; the Budget Manual would contain guidance on both capital and operating budget preparation and provide the necessary forms for both types of requests; operating and capital budget requests would be submitted together to the Division of Budget and Management, and reviewed together by the Budget Review Committee, the Governor and the legislature.
2. Specific capital project requests would be supported in considerably more detail than is now the case. Details would be provided on (a) the objectives to be served by the project; (b) a comparison with alternative methods of achieving the objectives; (c) full costs and timing of the expenditures, including the operating consequences of the project both now and in the future; (d) details on the target group served by the project.
3. The status of all capital projects would be reviewed annually. Agencies would submit status reports for each project indicating (a) year authorized,

(b) amount authorized, (c) amount expended to date, (d) amount to be expended each year until completion, (e) originally estimated and revised costs and completion dates. The Division of Budget and Management would approve reauthorization of appropriations for a capital project only after the Budget Review Committee is satisfied that the project continues to fulfill program objectives and priorities.

4. More systematic control would be exercised over capital projects throughout the year. As discussed in the next Chapter, consideration should be given to a quarterly allotment procedure for capital projects.
5. As discussed in the next Chapter, agencies would submit Work Plans before the beginning of each fiscal year; the Work Plans would include monthly cash-flow projections for the ensuing fiscal year - including cash flows for capital projects (for new projects, and for reauthorized continuing projects following approval based on the status reports described in (3) above). Cash-flow forecasts would be updated at least quarterly. It may be necessary to require monthly up-dates from certain agencies that have responsibility for a significant volume of capital projects - for example, Highways and Public Works. Improved information on the estimated magnitude and timing of all cash-flows, including capital items, will be of particular benefit to the Department of Revenue.

6. The State would have, at all times, a currently approved Capital Program. As part of the capital portion of the budget submission, each agency would submit its plans for capital projects for at least four years beyond the budget year, in addition to its request for approval of specific projects for the budget year itself. The Budget Review Committee would therefore consider (a) the agency's proposed five-year Capital Program, in broad terms, and (b) the specific new projects (and continuation of previously authorized projects) requested for the budget year, in detailed terms. The Division of Budget and Management would maintain records of the State's currently approved Five-Year Capital Program. These records would be automated to facilitate review. The capital programming process would be viewed not only as a program planning, expenditure control, and cash management device, but also as a tool of State economic policy. Expansion or contraction of the State's Capital Program, and acceleration or slowing down of individual projects, would be used to stimulate or dampen the State's economy.

Reauthorizations: We recommend no major changes in the methods presently used to accomplish year-end reauthorizations of unencumbered operating authorizations. However, we do recommend that careful scrutiny be given to continuing capital budget authorizations. This is discussed in the Capital Budgeting section of Chapter III.

Expenditure Controls

Recommendations are presented with respect to the following types of expenditure controls: Allotments and reserves, encumbrances, and object controls.

Allotments: We recommend that the Division of Budget and Management institute quarterly allotments on a selective basis, with the allotments to be based on forecasts contained in the agency work plans. The quarterly allotment procedure should be imposed wherever circumstances such as the following increase the likelihood of over-expenditure - inadequate agency controls, programs typically subject to fluctuating expenditures, new programs for which a pattern of expenditures has not been established.

Unencumbered end-of-quarter balances can be treated in one of three ways:

- (a) Allowed to lapse
- (b) Placed in reserve
- (c) Continued into the next quarter.