

**ALASKA LEGISLATURE**

**1431**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996**

1	(G) AR 37733-90 RS1080068 Thunderbir	47.18
2	(10) Department of Revenue	
3	(A) AR 15545-85 Permanent Fund Corporation	1,822.62
4	(B) AR 15573-86 Petroleum Revenue - Data	
5	and Word Processing	10.98
6	(C) AR 15550-89 Alaska Housing	
7	Finance Corporation	7.00
8	(D) AR 15545-90 Permanent Fund Corporation	9.30
9	(E) AR 15550-90 Alaska Housing	
10	Finance Corporation	8.00
11	(F) AR 15585-90 Treasury Management	15,176.74
12	(G) AR 15585-92 Treasury Management	20,230.42
13	(11) Department of Transportation and Public Facilities	
14	(A) AR 57746-85 Headquarters Planning	
15	Payroll Suspense	109,144.63
16	(B) AR 57701-86 Headquarters Planning	
17	Payroll Suspense	459,354.77
18	(C) AR 57702-90 Northern Region	
19	Planning Payroll Suspense	354.77
20	(D) AR 57744-85 Internal Review	
21	Payroll Suspense	2,489.08
22	(E) AR 57703-87 Internal Review	
23	Payroll Suspense	36,225.04
24	(F) AR 57704-87 Northern Region Internal Review	
25	Payroll Suspense	20,269.90
26	(G) AR 57704-88 Northern Region Internal Review	
27	Payroll Suspense	28.99
28	(H) AR 57751-85 Central Region	
29	Planning Payroll Suspense	11,404.56
30	(I) AR 57705-86 Central Region	
31	Planning Payroll Suspense	133,660.43

## WORK DRAFT

## WORK DRAFT

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1	(J) AR 57705-91 Central Region	
2	Planning Payroll Suspense	17,255.14
3	(K) AR 57707-91 EEO/Disadvantage	
4	Business Enterprise	5,881.11
5	(L) AR 57711-91 Statewide Aviation	
6	Payroll Suspense	9,519.53
7	(M) AR 58051-91 Statewide Information Systems	
8	Payroll Suspense	4,284.03
9	(N) AR 62095-91 Office of Strategic Management	
10	Payroll Suspense	5,220.88
11	(O) AR 57592-85 Southeast Region CIP Program	783,676.72
12	(P) AR 57532-86 Central Region CIP Program	744,332.17
13	(Q) AR 57561-86 Northern Region CIP Program	1,028,144.55
14	(R) AR 57592-86 Southeast Region CIP Program	932,666.02
15	(S) AR 57532-87 Central Region CIP Program	819,032.47
16	(T) AR 57505-85 Internal Review	3,543.70
17	(U) AR 57549-85 Western District	
18	Administration Services	94.47
19	(V) AR 57591-85 Data and Word Processing	4,961.28
20	(W) AR 57602-85 Southeast Shore Facilities	443,720.31
21	(X) AR 57512-87 Statewide Information System	26,234.70
22	(Y) AR 63191-86 Fish Creek Rehabilitation	2,000.00
23	(Z) AR 65157-87 Kodiak Armory Roof	489.40
24	(AA) AR 65123-15 MYC Floor/Lavatory Repair	754.84
25	(BB) AR 65214-92 Beaver Creek Hatchery	2,403.13
26	(CC) AR 65229-94 Hatchery Expansion	2,585.81
27	(DD) AR 63679-94 Technical Mainframe FY86	108,020.13
28	(EE) AR 61643-88 Technical Mainframe FY88	169,724.46
29	(FF) AR 63419-86 Juneau Mining Site Property	5.47
30	(GG) AR 65388-87 Fairbanks Armory	.02
31	(HH) AR 58686-15 PJ 56504 Chignik	

1	Road Improvements	827.45
2	(II) AR 58686-15 PJ 56506 Homer	
3	Asphalt Inspection	1,214.10
4	(JJ) AR 58904-15 PJ 56005 Matanuska	
5	Electric Association	1,434.99
6	(KK) AR 58904-15 PJ 56009 City of Kenai	
7	Utility Inspection	137.55
8	(LL) AR 58904-15 PJ 53587 Kodiak Near Island	
9	Bridge Telephone	24,999.89
10	(MM) AR 58904-15 PJ 53991 Dimond Boulevard	
11	Multivision	1,375.82
12	(NN) AR 58904-15 PJ 56049 Municipality	
13	of Anchorage Boniface Interchange	520.00
14	(OO) AR 60278-15 PJ 53828 Wasilla Urban Sewer	244.72
15	(PP) AR 61942-15 PJ 58594 Soldotna Senior Center	209.51
16	(QQ) AR 64790-15 PJ 57930 Anchorage Sewer Utility	143.59
17	(RR) AR 64790-15 PJ 53964 Church Road	
18	Improvements	3,992.00
19	(SS) AR 66209-15 PJ 55996 City of Homer	
20	Utility Permit	806.42

21 \* Sec. 15. LAPSE PROVISIONS. (a) The appropriations made by secs. 7(b) and 12 of  
22 this Act are for capital projects and lapse under AS 37.25.020.

23 (b) The appropriation made by sec. 9 of this Act is for the capitalization of a fund and  
24 does not lapse under AS 37.25.010.

25 \* Sec. 16. EFFECTIVE DATES. (a) Section 3(a) of this Act takes effect on the date that  
26 the attorney general provides the notification described in sec. 3(b) of this Act to the revisor  
27 of statutes and the office of management and budget.

28 (b) Except as provided in (a) of this section, this Act takes effect immediately under  
29 AS 01.10.070(c).

### Summary of Governor's FY 96 Supplemental Requests

(House Bill 468 / Senate Bill 260 Sectional)

Sec	Sub	Dept	Program/Description	General Fund Match	General Fund	General Fund Program Receipts	General Fund Mental Health	Federal Funds	Other Funds	TOTAL
✓	1	(a) Admin	Reduce Centralized Admin Services, Finance (49.0), to shift to Bethel Public Defender Office to meet increased caseloads \$49.0							0.0
✓	1	(b) Admin	Increased operating costs for Public Defender agency (Rule 39 receipts for representation)				217.0			217.0
✓	1	(c) Admin	Increased operating costs for the Office of Public Advocacy			356.4				356.4
✓	1	(d) Admin	Lease costs - \$1.2 million shortfall was anticipated during conference committee. Reduced need of approximately \$700.0 and \$96.0 to lease the Juneau subport from the Mental Health Trust Authority			870.0				870.0
✓	1	(e) Admin	Retirement and Benefits Program - Investment Management fees due to higher than expected asset growth (benefit system receipts)						450.0	450.0
✓	1	(f) Admin	Ratify FY 95 expenditure of \$23.1 for Longevity Bonus Grants from Senior Services, Administration							0.0
✓	2	Commerce	Office space costs in Tokyo for FY 96 and FY 97. The security deposit plus interest for existing lease will be refunded and deposited into GF 6/30/97. New lease will save state approx. \$50.0 annually.			61.2				61.2
✓	3	(a) Comm & Reg Aff	Decrease Training and Development to cover Revenue Sharing costs for Native Village of Kluti-Kaah for FY 95 (\$8.3)							0.0
✓	3	(b) Comm & Reg Aff	Lapse date extension for Rural Development Grants							0.0
✓	3	(c) Comm & Reg Aff	AIDEA purchase of Rural Development Initiative Loan Fund (RDILF) portfolio			650.0			-650.0	0.0
✓	3	(d) Comm & Reg Aff	Recapitalize RDILF			-650.0			650.0	0.0
✓	3	(e) Comm & Reg Aff	AIDEA authority to purchase RDILF loans							0.0

Sec	Sub	Dept	Program/Description	General Fund Match	General Fund	General Fund Program Receipts	General Fund Mental Health	Federal Funds	Other Funds	TOTAL
9	(c)(3)	Health & Social Svcs	Medicaid Facilities caseload reduction to fund the welfare reform proposal for Alaska Family Independence program	-3,500.0						-3,500.0
9	(d)	Health & Social Svcs	Alaska Family independence program emergency funds for FY 96 and FY 97 (part of Governor's welfare reform bill)		3,500.0 <i>Out</i>					3,500.0
9	(e)	Health & Social Svcs	Judgment in Helmuth v. State (API Employee Settlement)				426.9			426.9
10	(a)	Law	Judgments and Claims		130.4		13.6		225.3	369.3
10	New	Law	Toksook Bay v. State judgment		1,285.0					1,285.0
10	New	Law	Burger v. State judgment - case on sale of PFD checks (\$3,971.9 principal & interest of \$169.2 through 6/30/96)		4,141.1 <i>Out</i>					4,141.1
10	(b)	Law	Reduce FY 96 Oil and Gas Litigation to fund additional prosecutor in Bethel		-66.6					-66.6
10	(c)	Law	Bethel Prosecutor position for increased caseloads		66.6					66.6
11	(a)	Military & Vet Aff	Increased costs for the National Guard Retirement Fund based on updated actuarial reports		1,480.5					1,480.5
11	(b)	Military & Vet Aff	Disaster Relief - pay for disasters which have already been declared		557.3					557.3
12		Natural Resources	Fire Suppression - cover spring fire contracts and anticipated fire activity through end of fiscal year		5,258.6					5,258.6
13	(a)	Rev	Unanticipated lease costs for AHFC (since new consolidated office building construction wasn't authorized)						198.2	198.2
13	(b)	Rev	Alaska State Pension Investment Board (Increase Benefits Systems Receipts by \$67.0 / Reduce Public Employees Retirement Fund by \$67.0)							0.0
14	(a)	Trans	Highway and Bridge repair costs related to South-central flood disaster - Capital expenditure		1,010.0			3,000.0		4,010.0
14	(b)	Trans	Copper River Highway restoration per recent settlement - Capital expenditure		720.0					720.0

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services  
Department of Education  
State of Alaska

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✓	1	(f) Admin	Ratify FY 95 expenditure of \$23.1 for Longevity Bonus Grants from Senior Services, Administration							0.0
✓	2	Commerce	Office space costs in Tokyo for FY 96 and FY 97. The security deposit plus interest for existing lease will be refunded and deposited into GF 6/30/97. New lease will save state approx. \$50.0 annually.			61.2				61.2
✓	3	(a) Comm & Reg Aff	Decrease Training and Development to cover Revenue Sharing costs for Native Village of Kluti-Kaah for FY 95 (\$8.3)							0.0
✓	3	(b) Comm & Reg Aff	Lapse date extension for Rural Development Grants							0.0
✓	3	(c) Comm & Reg Aff	AIDEA purchase of Rural Development Initiative Loan Fund (RDILF) portfolio			650.0			-650.0	0.0
✓	3	(d) Comm & Reg Aff	Recapitalize RDILF			-650.0			650.0	0.0
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3	(f) & (g)	Comm & Reg Aff	Alaska Legal Services Grant in lieu of pending legal fees		200.0					200.0
4	(a)	Corr	Contempt of Court Fines for Cleary case for FY 95 and FY 96 (amount as of 10/95; to be updated)		712.5					712.5
4	(b)	Corr	Effective date language for fines							0.0
5	(a)(1)	Educ	Reduce School Foundation Program's anticipated lapse to fund federal disparity test grants		-1,224.9					-1,224.9
5	(a)(2)	Educ	Grants to 19 school districts to meet federal disparity test		1,224.9					1,224.9
5	(b)	Educ	Extend lapse date for K-12 education support to reduce need for one-time funds in FY 97							0.0
6	(a)	Env Cons	Storage Tank Assistance FY 96 grants - extend lapse date through FY 97							0.0
6	(b)	Env Cons	Storage Tank Assistance FY 93-95 prior year encumbered grants (\$2,498.0) - Extend lapse date through FY 97							0.0
7		Fish & Game	Exxon Valdez Oil Spill Trustee Council - Extend lapse date for approved EVOS projects to end of FY 97							0.0
8	(a)	Fish & Game	Additional vendor compensation for increased sales of fish and game licenses (Fish and Game fund)						32.7	32.7
8	(b)	Fish & Game	Change scope of Arctic-Yukon-Kuskokwim Salmon Fisheries Stock Assessment from "Equipment" to "Projects"							0.0
9	(a)(1)	Health & Social Svcs	Reduce Aid to Families with Dependent Children to fund other welfare reform programs (Public Assistance eligibility tracking system \$3,500; Child Care Benefits, Jobs Program \$1,000)	-4,000.0				-500.0		-4,500.0
9	(a)(2)	Health & Social Svcs	Increase Child Care Benefits - Jobs program support (funds shifted from AFDC)	500.0				500.0		1,000.0
9	(b)	Health & Social Svcs	Capital upgrades for the Eligibility Information System to meet federal welfare reform requirements (funds shifted from AFDC)							3,500.0
9	(c)(1)	Health & Social Svcs	Decrease Family and Youth Services (Southcentral \$110.0; Northern \$50.0; Southeastern \$80.0; Central Office \$10.0) to fund Youth Facilities							-250.0
9	(c)(2)	Health & Social Svcs	Increase Youth Facility Services (McLaughlin \$150.0; Johnson \$100.0)							250.0

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15	(a)	Univ	<del>1995 Monetary terms agreement with CEA</del> * TO SATISFY THE FY96 collective bargaining monetary terms of The Collective		455.6	Out		2.6	4.1	462.3
15	(b)	Univ	<del>1995 Monetary terms agreement with ACCFT</del> ↳		473.0	Out	1500.0 Agreement	2.2	31.2	506.4
16			Appropriation to OMB for small reserve to allow immediate response to anticipated FY 96 & FY 97 disasters and fires		1,500.0	Out				1,500.0
17	(a)	MISC	Miscellaneous Claims - general funds		95.5					95.5
17	(b) & (c)	MISC	Miscellaneous Claims - other funds						6.6	6.6
18	ALL		Prior Year Ratifications							0.0
19	(a)		Lapse Provisions for secs. 9(b) DHSS EIS; 14 Copper River Highway - Capital Projects							
19	(b)		Lapse Provisions for secs. 3(d) RDILF recapitalization and 11 DMVA Retirement and Disaster Relief funds							
19	(c)		Lapse provisions for sec. 9(d) Alaska Family Independence program emergency funds							
20	(a)		Effective date of 3(f) Alaska Legal Services Grant							
20	(b)		Effective date for sec. 4 relating to contempt of court fines							
20	(c)		Effective date for sec. 9(d) Alaska Family Independence Program emergency account							
20	(d)		Effective date for all sections not listed in (a)-(c) of this section.							
<b>Total</b>					<b>General Funds</b>	<b>19,964.6</b>		<b>3,004.8</b>	<b>948.1</b>	<b>23,917.5</b>

D

2/19/96

(11)

HOUSE COMMITTEE REPORT

Date Referred to Committee: February 2, 1996

FURTHER REFERRALS:

Re

Date of Committee Action: 2/16/96

The FINANCE Committee considered:

HB 468

HOUSE BILL NO. 468

APPROP: SUPPLEMENTAL & OTHERS

"An Act making supplemental appropriations for the expenses of state government and making and amending appropriations; ratifying certain state expenditures; and providing for an effective date."

recommends it be replaced with the following committee substitute [ ] SHB 468 (Fin) [ ] the same title [ ] a new title

[ ] additional referral to \_\_\_\_\_ Committee [ ] attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

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

[ ] zero fiscal note(s) [ ] zero fiscal note(s)

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
Richard J. Foster	(7) X			(3)
Mark Stanley Hanley	X			
Zey S. Gammert				X
Samuel Parnell	X			
Ceryl Martin	X			
Wilde Navarre				X
Jay Brown				✓
Walter Kelly	X			
Therriault	X			
Kohring	X			

CO-CHAIR'S SIGNATURE Mark Stanley Hanley Richard J. Foster

**WILLIAM M.  
MERCER**  
INCORPORATED

February 15, 1996

Mr. Bill Church  
Retirement Supervisor  
State of Alaska  
Department of Administration  
Division of Retirement & Benefits  
P.O. Box 110203  
Juneau, AK 99811-0203

**Re: NGNMRS**

Dear Bill:

As you requested, we have estimated the effect on the FY97/98 recommended contribution for the National Guard and Naval Militia Retirement System (NGNMRS) should a lump sum contribution be made to the System.

The following table presents the results:

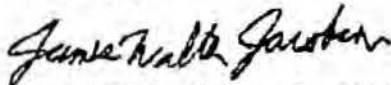
Lump Sum Contribution	FY87/88 Recommended Contribution	Accumulated Benefit Funding Ratio
\$5 million	\$1.9 million	53%
\$10 million	\$1.2 million	88%

For the purposes of this calculation, we have assumed that the lump sum injection was made as of July 1, 1994, the most recent valuation date.

Please note, Bill, that the recommended contribution amounts for FY99 and later may be higher or lower than these estimates. The System's actual experience will ultimately determine the recommended contribution amounts for future fiscal years.

Feel free to call with any questions or comments.

Sincerely,



James W. Jacobson, ASA, MAAA  
Actuarial Analyst

JWJ/PLG/jls  
AKA/CHURCH/WJ

Post-it* Fax Note	7671	Date	# of pages ▶
To	MAJ Capobianco	From	Bill Church
Co./Capt.		Co.	Ret & Ben
Phone #	4692	Phone #	5700
Fax #	3008	Fax #	3086

One Union Square Suite 3200  
600 University Street  
Seattle WA 98101 2137

206 292 7000

A Marsh & McLennan Company

# MEMORANDUM

## STATE OF ALASKA

Office of Management and Budget  
Division of Budget Review

To: Administrative Services Directors

Date: January 22, 1996

Phone: 465-4681

From: Nancy J. Slagle  
Director

Subject: Zero balance report

I am pleased to provide you with a copy of a Division of Audit and Management Services' report on the ratification process and on the outstanding requests for ratification of prior year overexpenditures or undercollection of revenues. The process to deal with these problems is very time consuming and we appreciate the time your fiscal staff spends on cleaning up the books. We hope to work with the Division of Finance to find some improvements to the system and I encourage you to also make recommendations on finding efficiencies where ever possible.

The Division of Finance has recently sent to you the current zero balance report. We are very interested in clearing terminated appropriations which did not zero balance and we would like to establish a timeline for accomplishing that action. Our desire is to determine the amount of time and the research necessary to eliminate the non-zero balances. It is our preference that these be done via revised program first, and then, only where necessary, submit prior year ratifications to the Legislature. I believe that it is not cost-effective to research the three years following the conversion to AKSAS due to a lack of documentation. I therefore would recommend ratification for any non-zero balances that occurred from FY85 through FY87.

We are drafting the supplemental bill to include the ratifications submitted to the Legislature last year with adjustments recommended by the Division of Audit and Management Services. As you may note in the attached report there is a potential for a great many more ratifications. As you come forward with requests for ratification, we will submit them to the Legislature as amendments to the supplemental bill.

Please provide this office with your estimated time frame for clearing these items. We appreciate the work you and your staff have put into this area.

cc: Don Wanie, Division of Finance  
Gary Anderson, DAMS Director  
Department Finance Officers

Before discussing our findings, we would like to acknowledge the efforts of the agencies and in particular the finance officers and staff who have been working to address the erred accounts. In particular, we commend the departments of Revenue (DOR) and Transportation and Public Facilities (DOTPF), whose 1995 requests were all-inclusive and who pursued every available means for correction prior to requesting ratification. We also noted that the Department of Public Safety maintained clean accounts without the need for ratification. In addition, the State Finance Officers Association and the Administrative Services Directors have formed a committee that is addressing outstanding appropriations and revising procedures to prevent future occurrences.

## FINDINGS

In its simplest form, a ratification is a retroactive supplemental. Its purpose is to increase authorization in *terminated* operating or capital budget appropriations reflected in the Alaska State Accounting System as overexpended. A ratification is often referred to as a 'paper transaction,' one which requires 'no new money,' or a request to correct 'an accounting error.' This is a true characterization in terms of the dollar affect on the current year's budgeted general fund authority; however, it is frequently not the case at the time the error occurred. Often, when the overexpenditure/undercollection of revenue took place, it resulted in an unauthorized expenditure of general fund dollars.<sup>1</sup>

In FY 92, the Office of Management and Budget (OMB) established the term 'ratification' to distinguish this type of transaction from a supplemental appropriation because each requires similar legislative action and accounting transactions. The important distinction is that ratifications are to cover expenditures that occurred in a terminated appropriation, whereas supplementals are a request for additional funding for *anticipated* expenditures. The ratification will not increase the current year budget's general fund authority as would a supplemental, instead it will increase the general fund authorization in AKSAS (in a terminated appropriation) by the amount of the overexpenditure. Appendix B provides a detailed review of the ratification process, including the accounting transactions involved.

It should be recognized that each agency is directly responsible for controlling expenditures and for collecting budgeted revenues. OMB and the Department of Administration's Division of Finance (DOF) each have their respective roles to play, but it is the departments—their management and their finance staff—that are responsible for management of the appropriations (see Appendix C for constitutional, statutory and administrative citations). The statutes, budget act and

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<sup>1</sup> In most cases, the general fund is used to balance accounts that have overexpenditures or revenue shortfalls. However, the fund affected depends on the appropriation funding source(s).

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
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ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services  
Department of Education  
State of Alaska

# MEMORANDUM

STATE OF ALASKA

Office of Management and Budget  
Division of Budget Review

To: Administrative Services Directors

Date: January 22, 1996

Phone: 465-4681

From: Nancy J. Slagle  
Director

Subject: Zero balance report

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cc: Don Wanie, Division of Finance  
Gary Anderson, DAMS Director  
Department Finance Officers

# MEMORANDUM

# STATE OF ALASKA

Office of the Governor  
Office of Management and Budget  
Division of Audit and Management Services  
Phone: 465-3568  
Fax: 465-3640

January 16, 1996

TO: Nancy Slagle, Director  
Division of Budget Review

THRU: Gary Anderson, Director  
Division of Audit & Management Services

FROM: Sandy Jones, Internal Auditor  
Ervin Jones, Internal Auditor  
Division of Audit & Management Services

SUBJECT: 1995 Ratification Review

In response to your request, we have conducted a review of the 1995 ratification request (Appendix A). This memo is intended to serve as a summary of our findings, with appendices providing detailed discussion of the ratification process in general, legal and management controls (citations), our shortfall testing of appropriations and the Department of Transportation and Public Facilities ratification request (including payroll suspense).

The overall purpose of our review was to determine if the underlying cause(s) of the \$8.1 million in overexpenditures and uncollected receipts submitted for ratification in 1995 were resolved. The 1995 ratification request mainly represented appropriations for FYs 85 - 93 that agencies identified as out of balance, and which they were unable to correct without legislative action. During our review, we also considered whether the 1995 ratification request included all out of balance conditions for all agencies for FYs 85 - 93 and whether these requests were indicative of a statewide problem.

While recognizing the effort put forth by agencies' finance staff in preparing the 1995 request, the Office of Management and Budget was not comfortable pursuing a ratification request of this size without having 1) a thorough understanding of the cause and magnitude of the accounting problems and 2) some reasonable assurance that the agencies corrected these problems and would not request similar ratifications in future years.

Before discussing our findings, we would like to acknowledge the efforts of the agencies and in particular the finance officers and staff who have been working to address the erred accounts. In particular, we commend the departments of Revenue (DOR) and Transportation and Public Facilities (DOTPF), whose 1995 requests were all-inclusive and who pursued every available means for correction prior to requesting ratification. We also noted that the Department of Public Safety maintained clean accounts without the need for ratification. In addition, the State Finance Officers Association and the Administrative Services Directors have formed a committee that is addressing outstanding appropriations and revising procedures to prevent future occurrences.

## FINDINGS

In its simplest form, a ratification is a retroactive supplemental. Its purpose is to increase authorization in *terminated* operating or capital budget appropriations reflected in the Alaska State Accounting System as overexpended. A ratification is often referred to as a 'paper transaction,' one which requires 'no new money,' or a request to correct 'an accounting error.' This is a true characterization in terms of the dollar affect on the current year's budgeted general fund authority; however, it is frequently not the case at the time the error occurred. Often, when the overexpenditure/undercollection of revenue took place, it resulted in an unauthorized expenditure of general fund dollars.<sup>1</sup>

In FY 92, the Office of Management and Budget (OMB) established the term 'ratification' to distinguish this type of transaction from a supplemental appropriation because each requires similar legislative action and accounting transactions. The important distinction is that ratifications are to cover expenditures that occurred in a terminated appropriation, whereas supplementals are a request for additional funding for *anticipated* expenditures. The ratification will not increase the current year budget's general fund authority as would a supplemental, instead it will increase the general fund authorization in AKSAS (in a terminated appropriation) by the amount of the overexpenditure. Appendix B provides a detailed review of the ratification process, including the accounting transactions involved.

It should be recognized that each agency is directly responsible for controlling expenditures and for collecting budgeted revenues. OMB and the Department of Administration's Division of Finance (DOF) each have their respective roles to play, but it is the departments—their management and their finance staff—that are responsible for management of the appropriations (see Appendix C for constitutional, statutory and administrative citations). The statutes, budget act and

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<sup>1</sup> In most cases, the general fund is used to balance accounts that have overexpenditures or revenue shortfalls. However, the fund affected depends on the appropriation funding source(s).

administrative manual envision an ongoing monitoring of the appropriations; however, they do not tell the manager or finance officer how to accomplish this task.

Our general conclusions are that:

1. DOR and DOTPF's 1995 ratification requests include all outstanding appropriations needing ratification. Our current estimate of the minimum ratification required to correct all other departments' outstanding appropriations is in the range of \$3.0 - 6.5 million.
2. The 1995 ratification request includes corrections of appropriation imbalances over a 10 year period beginning with the implementation of AKSAS. Although balancing appropriations was not given adequate attention in the past and a significant number of accounts still do not balance, the causes of the problems have been largely corrected. Department finance officers are more aware of the importance of timely review and correction of appropriation imbalances. If appropriations are properly managed there should not be any future ratification requests once this backlog and FY 94 and FY 95 are cleared.
3. The 1995 ratification request includes a significant number of out of balance appropriations which apparently resulted from the accounting system conversion in 1985. It is not practicable to research such errors to determine whether they could be corrected administratively. In fact, time spent researching allocations to determine whether an out of balance appropriation can be resolved with a revised program through OMB instead of a legislative ratification is probably not cost effective after several years have passed.

For a number of years, the Division of Legislative Audit has recommended that the State Accountant and the various agencies take action to balance appropriations. In FY 92, the Division of Finance created the 'zero balance' report. This report and what the finance officers and the DOF staff refer to as 'zero balancing' is at the very heart of solving the ratification problem. The report is run each year in December and provides the status for every outstanding appropriation. Appropriations with the error 'net available balance not equal to zero' are those needing timely correction, because they represent potential ratifications.

The DOF distributes the zero balance report to the departments accompanied by a memo outlining administrative measure(s) that may be taken to adjust the account to zero balance. These are the same steps the respective agencies could have taken earlier, sometimes on their own and sometimes with approval by OMB and/or DOF. This report is basically an annual reminder. After all administrative measures outlined are taken, and if there is still a balance in the terminated account, a ratification request is prepared by the department. We believe that the clean-up effort has and will result in each agency gaining a better understanding of how to balance accounts, thus minimizing future ratifications.

An accounting system cannot guarantee that agencies will properly record expenditures or revenues, or spend as appropriated by the Legislature. The Alaska State Accounting System does, however, provide the tools a manager needs to monitor compliance. These tools are adequate as long as agencies zero balance appropriations on an annual basis.

### CAUSE FOR RATIFICATION

In general, a department's failure to address issues before they become a problem and to *timely* correct accounting errors cause the need for a ratification (there are a few exceptions). This is not to say that researching the problems and determining the necessary corrective measures is an easy task—it is not. There are a number of scenarios that cause the zero balance report to state 'net available balance not equal to zero.' In most cases, it is impossible to determine the reason for the error message by reviewing on-line computer information. However, the overall cause can be determined by analyzing the appropriations' tolerance adjusted net available balance (TANAB), which will indicate that:

1. The expenditures exceed the authorization,
2. There is an undercollection of revenue, or
3. There are outstanding open items.

Additional research and analysis will be required in order to determine the exact cause of the problem. Based on our review, the main cause for this error message was an undercollection of revenue. In addition, we found that the need for agency ratifications was also a result of the following: (1) lack of training and procedures for FYE balancing, (2) errors caused by automated processes in AKSAS and (3) accounting system conversion problems.

### PROPOSED CHANGES TO THE 1995 RATIFICATION REQUEST

Based on our review, we are suggesting changes to the 1995 ratification request for the departments of Law and Natural Resources.

#### Department of Law

The Department of Law requested ratification in the amount of \$709,955.98. This amount represents outstanding DOTPF accounts as shown in Law's billing system. Law's current billing system does not reconcile with AKSAS, nor was it intended to do so. Therefore, the amount requested would not necessarily correct Law's authorizations in AKSAS.

Based on our AKSAS review, we have identified 38 appropriations (FY 85 - 93) that do not zero balance, eighteen of which will need legislative ratification totaling \$499,544.51 (given that no administrative remedy is sought). This represents a reduction of approximately \$210,000 in the 1995 ratification request. We are currently assisting the Department of Law in making improvements to their billing system.

### **Department of Natural Resources**

In FY 95, DNR submitted a ratification request for \$1,457,973.68. This amount represented unexpected firefighter overtime and standby pay for fighting fires on federal land as a result of a U.S. Department of Labor ruling (FLSA) in 1989. The department paid the mandated extra pay with every expectation that the above amount attributed to the federal agencies involved (BLM and USFS) would be reimbursed. During several years of discussion between DNR, the federal agencies and the Alaska Department of Law, the federal agencies have denied responsibility for the wage payments.

The state's collection efforts, however, are far from over. On September 29, 1995 the Attorney General filed a complaint in the U.S. Court of Claims, asking the court to order the federal agencies to pay the amounts in question. At the same time, the Attorney General served the two federal agencies with formal administrative claims. At this point, collection of the entire \$1.45 million is entirely possible, and it is premature to consider writing off any of the receivables as uncollectible. We believe and the department agrees that ratification is not appropriate while the complaint is in the U.S. Court of Claims.

### **SHORTFALL TESTING RESULTS**

To determine whether the FY 95 ratification request included all outstanding appropriations in need of ratification, we reviewed the status of each FY 85 - 93 terminated appropriation with the error 'net available balance not equal zero' listed on the FYE 94 zero balance report. We have not yet reviewed FY 94 or 95 appropriations, but we anticipate providing ratification information for these years during the next 30 days.

The following table presents the results of our FY 85 - 93 review, categorizing departments by the number of appropriations with shortfalls. A more detailed analysis appears in Appendix D.

TABLE 1  
FY 85 - 93 Appropriation Shortfalls by Department

Shortfall Appns	Departments	Characterization
0 - 10	DOA, DOC, DOE, DOR, DFG, DMVA, OOG and DPS	Had DOR's 1995 ratification request been approved, all outstanding appropriations would now be zero balanced (\$37,300). DPS does not have any appropriations with shortfalls.  These agencies have relatively few outstanding appropriations that do not balance. However, the shortfall amounts associated with the various departments potentially needing ratification range from \$0 to \$390,000 with a cumulative total of approximately \$892,000.
11 - 20	DCED, DCRA, LAW and DNR	The shortfall amounts associated with the various departments potentially needing ratification range from \$106,700 to \$2.4 million with a cumulative total of approximately \$3.7 million.
21 - 30	DEC, DOL and DOTPF	Had DOTPF's 1995 ratification and revised program requests been approved, all outstanding appropriations would now be zero balanced (\$5.9 million).  Even though the other two agencies have several appropriations with shortfalls their total potential ratification is approximately \$648,300.
62	DHSS	The number of erred appropriations indicates that this agency does not actively analyze and correct appropriations that do not zero balance in AKSAS. In this case the potential ratification exceeds \$5.0 million.

Except for DCRA, DHSS, DNR and Law, we did not research possible administrative solutions to shortfalls.

Based on our review, there are only three departments that have addressed all shortfall appropriations—DPS, DOR and DOTPF. The other departments have appropriations potentially needing ratification.

We characterize the ratification needs as 'potential' because we did not conduct all the research necessary to quantify the remaining ratification needs. The totals we did identify represent the maximum amount requiring ratification if agencies do not seek an administrative solution. Therefore, based on our findings, the total ratification necessary to balance all FY 85 - 93 outstanding appropriations could potentially reach \$16.2 million.

If agencies have exhausted all administrative remedies using information still appearing in AKSAS without identifying sufficient lapse, there is one additional step that can be taken. The departments need to determine if allocations that have dropped off AKSAS lapsed sufficient general fund dollars to cover the shortfall in remaining allocations reporting to the same appropriation. We did conduct such research on four allocations (in three departments) with apparent revenue

shortfalls. For these allocations the total apparent shortfall of \$3,060,000 could be offset by identified general fund lapse of \$891,000. The remaining \$2,169,000 will require legislative ratification to balance the appropriations.

### **DOTPF CONCERNS**

In response to your request, we followed up with DOTPF on the FY 93 Legislative Audit findings and recommendations as well as the questions raised in your memo.

In general, we found that DOTPF has made real progress in correcting long-standing problems. DOTPF has researched all of their out of balance accounts from 1985 forward; their 1995 ratification request represents those accounts for which there is no other solution. They have since established a process for annual zero balancing, and have completed that exercise for FYs 94 - 95, without need for ratification.

DOTPF's payroll suspense system is a workable method to allocate and properly charge payroll costs for capital improvement projects, as long as the necessary attention and priority is given to the time and equipment (T&E) information processing, and to the need to clear the suspense account each year. Their system, however, does appear unnecessarily cumbersome, with some duplication of effort. We believe that direct charging of the T&E information through the state payroll system would result in less effort and more timely reporting. According to the department finance officer, DOTPF is considering such a change as part of its administrative services initiative. Appendix E provides a detailed discussion and flowchart of the payroll suspense system. This appendix also includes a more complete discussion of DOTPF's progress in meeting the concerns raised by Legislative Audit and in your request.

**Appendix A**  
**1995 Ratification Request**

DEPT	YEAR(S)	DESCRIPTION	REQUESTED RATIFICATION		
			EXPENDITURE	REVENUE	TOTAL
DOA	FY94	Overexpenditure	\$ 3,215.00		\$ 3,215.00
DCRA <sup>1</sup>	FY90	Capital AR conversion problem	1,306.68		1,306.68
DOE	FY86-90	Overexpenditure	1,804.68		
	FY88	Conversion problem	40,000.00		
	FY94	Accounting error	225.00		
		Subtotal DOE	42,029.68		42,029.68
LAW	FY85-92	Accounts receivable—DOTPF		\$ 709,955.98	709,955.98
DNR <sup>2</sup>	FY91	Accounts receivable —BLM &USFS		1,457,973.93	1,457,973.93
DOR	FY85-92	Acctg, conversion and/or overexpenditure	37,265.06		37,265.06
DOTPF	FY85-92	Unbudgeted payroll suspense RSAs	517,455.22	297,637.64	815,092.86
	FY85-92	Budgeted CIP operating ARs		4,307,851.93	4,307,851.93
	FY85-92	Operating ARs (net of CIP)	12,258.48	466,295.98	478,554.46
	FY86	Unbudgeted RSA (net of payroll suspense RSAs)	2,000.00		2,000.00
	FY85-94	Unbudgeted capital RSAs	5.47	283,977.79	283,983.26
	FY 2015	Capital ARs, includes unpaid utility agreements		35,906.04	35,906.04
		Subtotal DOTPF	531,719.17	5,391,669.38	5,923,388.55
U of A	FY86	Overexpenditure	914.25		914.25
<b>Total 1995 Ratification Request</b>			<b>\$ 616,449.84</b>	<b>\$ 7,559,599.29</b>	<b>\$ 8,176,049.13</b>

<sup>1</sup> DCRA was requesting correction in wrong AR and term year.

<sup>2</sup> We do not believe ratification should go forward until the state's complaint in the U.S. Court of Claims is resolved.

## Appendix B Ratification Process in General

The following discussion provides background information to assist the reader in understanding what has come to be known as the 'ratification process.'

### Process

In FY 92, the Division of Finance, with the support of OMB developed a process for agencies to follow in order to minimize ratification requests. The majority of these steps can be avoided to the extent that agencies zero balance their appropriations timely. Agencies should exhaust the following steps prior to requesting a ratification:

1. Identify all terminated appropriations that do not zero balance (obtain chart of accounts on-line or use DOF zero balance report).
2. Perform the following test to determine if a shortfall exists:

Shortfall Test			
Step 1:	Total Authorization	—	Revenue Estimate = GF Authorization
Step 2:	Total Expenditures	—	Revenue Actuals = GF Expenditures
Step 3:	GF Authorization	—	GF Expenditures = Surplus or (Shortfall)

3. If shortfall is identified, determine cause and initiate correction for erred appropriation. The following are the most common reasons for erred appropriations and the recommended corrective action:

#### Cause

- a) Agency posted revenue incorrectly

#### Necessary Agency Action

If appropriations involved are still on-line, prepare adjusting journal entries to correct error (430-40).

If an appropriation that has dropped off the books is involved, provide DOF written justification and copies of the original accounting documents that illustrate incorrect posting and corrective action.

Cause (cont.)	Necessary Agency Action
b) Agency did not restrict revenue estimate to receipts	Submit AB 520-10 to DOF for RD 120 override correcting restricted amount to the exact amount necessary.
c) Agency did not liquidate or change retention on outstanding open item	Liquidate open items, changing retention to 'no'.  NOTE: Do not use same open item number each year for operating accounts. This prevents prior year appropriations from dropping off books.
d) System error due to conversion from PBA to AKSAS	Provide written justification to OMB along with request for ratification.
e) Agency overexpended appropriation	If overexpended at appropriation level, provide OMB written justification and request ratification.  If overexpended at allocation level, see step 4.

4. There are two causes of an 'overexpended appropriation': 1) the agency expended more than total authorization, and 2) the agency failed to collect sufficient revenue and, in effect, overexpended GF authorization. As discussed above, the correction is to request ratification. However, if the overexpenditure took place in an appropriation with *multiple* allocations and funding sources, and expenditures do not exceed total authorized, the following additional steps may be taken to correct the error:

- a) Determine if allocation(s) reporting to the same appropriation are on or off the system by obtaining chart of accounts for year in question. This may require copying DOF microfiche for allocations that dropped off the system.
- b) Perform shortfall test on all allocations to identify any lapsed GF dollars.

For allocations that have dropped off the system, agencies must review DOF lapse reports to determine GF lapse amount. Once original lapse entry is identified, it is important to review the succeeding two years to verify any additional lapse amounts (expenditures or revenues). If

expenditure lapse entry only, assume 100% GF lapse; if there are entries for expenditures and revenue (regardless of lapsing year), the difference between the entries is characterized as follows:

Equation	Lapse Result
Expenditure Authorization Lapse > Revenue Estimate Lapse	Difference is GF
Expenditure Authorization Lapse = Revenue Estimate Lapse	Zero GF

- c) If through this exercise, the agency identifies sufficient GF lapse dollars to cover, in whole or in part, the overexpended/uncollected amount in the erred allocation, the agency can request OMB to approve a retroactive revised program authorized budget transaction (AB 520-60) to move the funds between the allocations.

If insufficient lapse was identified, the agency would have to request ratification for the remaining overexpended balance.

### Recording Approved Ratification in AKSAS

When approved, the agency enters the ratifications in AKSAS the same as when a supplemental is booked—it is done with an authorized budget entry. Specifically,

1. The department processes an AB (520-60) with OMB signature approval and DOF transaction approval (RD 120 override) for terminated appropriation. This entry increases the terminated appropriation's GF authorization by the amount of the ratification.
2. The department restricts and defers the unrealized revenue (AB 520-10) with DOF approval (RD 120). This restricts the uncollected revenue authorization. In essence, the agency is restricting the revenue estimate by the ratification amount. Prior to DOF approving transaction, they conduct the shortfall test to determine if the agency overexpended general fund dollars. At this point the *total* authorization is higher by the amount of the ratification.
3. The final step to zero balance a terminated appropriation is that DOF lapses the revenue estimate (amount agency restricted in step 2). At this point, the net expenditure authority is back to the level of original authorization, thus authorization equals expenditures and revenue estimate equals collections (they zero balance).

## Appendix C Citations

There are both legal controls and management controls in place to help reduce the need for ratifications.

### Legal Controls

The primary legal control, based on the Alaska Constitution and statute, is the level at which the legislature sets appropriations. Although agencies, with OMB approval, can amend allocations within an appropriation through the revised program process, only the legislature can amend an appropriation. The general rule against "crossing appropriation lines" is a strong budgetary control.

### Alaska Statute

The Alaska Constitution, Article IX, Section 13 addresses the proper expenditure of state funds as follows:

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.

AS 37.25.010(b) states:

An indebtedness arising from a prior year for which the appropriation has lapsed shall be paid from the current year's appropriation, 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.

AS 37.05.170 prohibits payment of or obligations incurred unless the Department of Administration certifies a sufficient unencumbered balance is available in the fund for which appropriated.

### Budget Act

FY 96 Budget Act, Secs. 4 and 5 state:

Sec. 4 - Except as provided in sec. 5 of the Act, if federal or other program receipts as defined under AS 37.05.146 fall short of the estimates appropriated by this Act, the affected appropriation is reduced by the amount of the shortfall in receipts.

Sec. 5 - If the federal receipts under 42 U.S.C. 1397 - 1397f (Title XX of the Social Security Act) fall short of the estimate, the amount of the shortfall, not to exceed \$6,310,800, is appropriated from the general fund.

**Alaska Administrative Manual**

AAM 25.040 defines the annual appropriated budget as the expenditure authority created by appropriation bills that are signed into law, including related estimated revenues. This budget authorizes and provides the basis for control of financial operations during the fiscal year. The appropriations cannot legally be exceeded unless amended by the Legislature.

AAM 10.060 states that agencies are responsible for monitoring their appropriations to ensure overexpenditures do not occur.

## Appendix D Shortfall Testing Results

We reviewed whether 1) those departments participating in the FY 1995 ratification, requested accurate amounts and included all their outstanding appropriations and 2) those departments that did not submit a request were in need of ratification. We verified amounts by reviewing the status of all outstanding appropriations with the error 'net available balance not equal zero' listed on the FYE 1994 zero balance report with termination years 1985 - 1993. The following table provides the number of appropriations with such an error by department and those reflecting a shortfall:

Dept	Erred Appns	Shortfall Appns	Total FY 85 - 93 Shortfalls
DPS	1	0	\$ 0.00
DFG	1	1	1,655.05
DOC	5	4	94,541.33
DOE	5	5	42,073.74
DOA <sup>1</sup>	5	5	391,401.19
DOR	7	6	37,265.06
OOG	10	3	3,358.23
DCED	24	16	106,729.86
DMVA	29	10	286,963.39
DEC	30	26	226,068.46
LAW	38	18	499,554.51
DOL	42	26	422,349.08
DCRA	48	12	2,365,676.58
DNR	67	14	751,966.80
DOTPF	68	30	5,923,388.55
DHSS	279	62	5,038,613.35
Total Shortfall:			\$16,191,605.18

The difference between the erred appropriations and the shortfall appropriations are those that can be balanced by revenue restrictions.

<sup>1</sup> DOA's total shortfall amount includes \$914.25 that is needed to balance the University of Alaska's accounts.

The total shortfall represents the maximum amount requiring ratification if agencies do not seek an administrative solution. The method for administratively correcting shortfalls involves identifying sufficient lapse balances in other allocations within the same appropriation to offset the overexpended/undercollected allocation and then requesting retroactive revised programs. To the extent that insufficient lapsed funds are available within the same appropriation, then ratification of the remaining amount by the Legislature will be required.

Based on our review, the only department included in the FY 1995 ratification request that addressed all outstanding appropriations is the Department of Transportation and Public Facilities. Additionally, the only department that balanced all of their accounts without requiring a ratification is the Department of Public Safety. See attached schedule (page D-3) comparing the original 1995 ratification request, our recommended adjustments and our estimate of additional amounts requiring ratification for the period of FY 85 - 93.

FY 85 - 93 STATEWIDE SHORTFALLS

1995 RATIFICATION REQUEST

APPN TERM YR	DOA <sup>1</sup>	DCED	DCRA	DOC	DOE	DEC	DFG	DHSS	DOL	LAW	DMVA	DNR	OOG	DPS	DOR	DOTPF	TOTAL
1985										69,730.26					1,822.62	1,359,034.75	1,430,587.63
1986	914.25				1,151.12					86,111.22					10.98	3,300,163.41	3,387,436.73
1987										176,830.35						902,251.53	1,079,081.88
1988					40,000.00					112,385.19						169,753.45	322,138.64
1989										16,534.64					7.00		16,541.64
1990			1,306.68		653.56					19,093.13					15,194.04	354.77	436,602.18
1991										27,067.00						42,160.69	1,078,951.67
1992										163,111.14					20,230.42	2,403.13	185,744.69
1993										39,093.05		48,249.95					87,343.00
1994	3,215.00				225.00												110,605.94
2015																	36,660.88
95 Ratify	4,129.25		1,306.68		42,029.68					709,955.98		1,457,973.93			37,265.06	5,923,388.55	8,176,049.13

FY 85 - 93 ADDITIONAL SHORTFALLS

APPN TERM YR	DOA <sup>1</sup>	DCED	DCRA	DOC	DOE	DEC	DFG	DHSS	DOL	LAW	DMVA	DNR	OOG	DPS	DOR	DOTPF	TOTAL
1985	47,182.23	68,381.10	1,942,243.63	349.60			1,655.05	4,457.34	1,059.50	40,814.82	182,814.32	91,011.52					2,379,969.11
1986	654.29	1,707.71	998.32	415.20		43.50		620,948.06	23,026.59	215,234.62	1,419.79	39,892.61					904,250.69
1987		956.03	0.00			9,245.82		1,059,607.08	54.52	107,011.63	91,120.76	157,218.03					1,425,213.87
1988		0.00	73.17			60,186.64		1,092,071.28	20,443.12	56,268.96	7,500.00	31,101.44	3,358.23				1,271,002.84
1989		27,555.21	417,128.10			0.58		239,480.89	26,235.12	0.00	144.10	315,050.67					1,025,594.67
1990	1,980.56	645.87	0.00			15,494.59		549,892.78	14,139.71	70,488.70	3,964.42	117,782.53					774,389.16
1991	330,733.98	29.06	0.00			105,258.51		456,750.31	46,664.01	6,290.00		0.00					945,725.87
1992	6,720.88	2.07	640.68	93,776.53	44.06	10,005.62	2.07	190,407.11	32,106.70	1,981.44		0.00					335,685.09
1993		7,452.81	3,286.00			25,833.20		824,998.50	258,619.81	1,464.34		0.00					1,121,654.66
FY85-93:	387,271.94	106,729.86	2,364,369.90	94,541.33	44.06	226,068.46	1,655.05	5,038,613.35	422,349.08	499,554.51	286,963.35	751,966.80	3,358.23	0.00	0.00	0.00	10,183,485.96
ADJUSTMENTS:										(709,955.98) <sup>2</sup>		(1,457,973.93) <sup>3</sup>					(2,167,929.91)
TOTALS:	391,401.19	106,729.86	2,365,676.58	94,541.33	42,073.74	226,068.46	1,655.05	5,038,613.35	422,349.08	499,554.51	286,963.39	751,966.80	3,358.23	0.00	37,265.06	5,923,388.55	16,191,605.18

<sup>1</sup> DOA's FY 85 - 93 ratification need for TERM YR 1991 at \$330,733.98 is an ISF shortfall as opposed to CI shortfall and 1995 ratification includes \$914.25 needed to balance U of A accounts

<sup>2</sup> TOTAL S line does not include LAW's 1995 ratification request because it was based on their billing system as opposed to AKSAS shortfalls.

<sup>3</sup> TOTAL S line does not include DNR's 1995 ratification request because it represents a claim pending in the U.S. Court of Claims.

TOTAL S line DOES NOT take into consideration possible administrative actions (i.e. retro HIP's, ALE's)

## Appendix E DOTPF Ratification

In response to your request, we reviewed the progress made by the Department of Transportation and Public Facilities (DOTPF) on the following FY 93 Legislative Audit findings and recommendations. We also addressed the questions raised in your request. Our findings are keyed to the listing below:

### **FY 93 Legislative Audit findings**

1. Lack of monitoring appropriations,
2. Inadequate tracking of appropriate PCNs charged to RSAs,
3. Not charging payroll to capital appropriations,
4. Re-examination of labor rate calculations for non-budgeted payroll suspense accounts, and
5. Inadequate collection of revenues.

### **Additional Questions:**

6. What allows over expenditures to occur?
7. Has the system been fixed so that this (FY 93 Legislative Audit findings) will not occur again?
8. Have procedures been changed in the use of payroll suspense accounts?
9. Is the use of payroll suspense accounts and RSAs really the most appropriate method for tracking payroll costs charged to the capital budget?

### **1. Lack of monitoring appropriations**

In the three years following the implementation of AKSAS, like most agencies, DOTPF had problems with appropriation monitoring. Since FY 93, DOTPF has made real progress in balancing their appropriations. Their headquarters finance staff examined all appropriations still on the books as of the zero balance report in January 1995. They took all possible steps to correct accounting errors, transfer funds, initiate revised programs etc. to balance the appropriations. In some cases shortfalls remained after exhausting all administrative remedies, thus the ratification request. Approximately ninety percent of the request is due to a failure to reduce expenditure authorizations in circumstances where there is an undercollection of revenue. However, DOTPF staff states that:

Approximately \$4.3 million of the request is due to overcharging the federal government in earlier years. DOTPF agreed to compensate the federal government by deliberately undercharging them in later years but the

conversion from PBA to AKSAS left the department unable to transfer the revenues from the earlier years to the undercharged years.

Through the process of clearing out the FY 85 - 93 accounts, the staff has become very knowledgeable about the zero balancing process. The department indicated that they have zero balanced for both FY 94 and FY 95. We independently reviewed the 1994 zero balance report for the department, identifying 39 accounts that were out of balance and not covered by the ratification request. When provided with the list, DOTPF confirmed that each of these accounts was the subject of prior year revised programs, currently pending before OMB/DBR. The zero balance report for 1995 was distributed early January 1996. DOTPF had already taken all necessary actions to zero balance their accounts prior to the report coming out, in order to minimize the appropriations listed on the report as in error.

One area where DOTPF has consistently experienced problems is reconciling Department of Law bills for legal services. In an attempt to address such problems, DOTPF's Headquarters Finance has begun tracking Department of Law billings, implemented an aging report, and developed procedures to address bills that are not processed timely. DOTPF has also been working with the Department of Law to minimize future problems. Additionally, the Department of Law is working to improve their billing system.

## **2. Inadequate Tracking of PCNs to RSAs**

We did not conduct tests in this area because of the immaterial amounts involved. Although this is a problem that will potentially reoccur at any time, DOTPF has taken several steps to monitor and improve compliance. Headquarters Finance met with regional staff last year to explain and stress the importance of accurate time reporting. DOTPF internal review has begun sampling timesheets as part of their review of field operations, verifying that the appropriate employees are being charged to projects. Headquarters Finance now receives bimonthly reports of erred timesheets from the regions, enabling them to spot trouble areas and take prompt remedial action.

## **3. Not charging payroll to capital appropriations**

DOTPF is improving the process used to annually liquidate payroll suspense accounts (see later discussion of payroll suspense).

## **4. Re-examine labor rate calculations for non-budgeted payroll suspense accounts**

Headquarters Finance provided us a draft copy of their revised procedures for calculating the labor rate. DOTPF stated that they annually set the rate to undercollect, based on federal rules prohibiting overcharging. They then incorporate the undercharged amount (the payroll suspense balance) into the rate for the next year, theoretically clearing the accounts every year.

The rate methodology is annually verified by DOTPF internal review and the federal agencies. Due to a labor rate methodology error (corrected in the FY 96 rate), timesheet processing errors resulted in FY 93 - 95 payroll suspense shortfalls exceeding \$3 million. This represents undercollections of three percent compared to their total expenditures—generally, the undercollection is 1 - 2% of total expenditures. DOTPF has decided to recover this through adjustments to the rate over the next 3 years. Headquarters Finance now reviews the rate process and the results on a monthly basis, so that errors can be detected earlier—an important improvement.

#### **5. Inadequate collection of revenues**

In the past, DOTPF has not addressed undercollections in a timely manner. However, through their latest clean-up effort, they have gained the necessary knowledge to minimize future occurrence and clearly understand the importance of performing this exercise timely.

#### **6. What allows over expenditures to occur?**

Most of DOTPF's apparent overexpenditures fall into three categories: 1) those that resulted from AKSAS conversion problems, 2) payroll suspense problems, and 3) failure to adjust authorizations when anticipated revenues do not materialize.

#### **7. Has the system been fixed so that this (FY 93 Legislative Audit findings) will not occur again?**

We believe that the staff has made real progress. At the same time, they have special circumstances with their federal receipts, multiple projects, payroll suspense, etc. that most departments do not deal with. The DOTPF staff believes that although the amounts should be small, they may need an occasional ratification in the future. We believe that as long as the department monitors and clears the accounts annually, there should not be any significant future ratifications.

#### **8. Have procedures been changed in the use of payroll suspense accounts?**

The only change is that Headquarters Finance now monitors account balances on a regular basis. According to the finance officer, this topic is included in the department's internal administrative initiative for possible streamlining.

#### **9. Is the use of payroll suspense accounts and RSAs really the most appropriate method for tracking payroll costs charged to the capital budget?**

The payroll suspense RSA is the mechanism used to identify which personnel are supposed to be charged to projects and who is actually being charged. If Time and Equipment reports (T&Es) are input timely and accurately, erred T&Es are corrected timely, proper personnel are charged against the RSAs and the accounts are monitored such that they are zero balanced annually, then suspense accounts are an acceptable means of charging personal services to capital projects. We did note,

however, that the system is time-consuming and cumbersome, and have recommended to the finance officer that they pursue direct charging by account through the state payroll system (AKPAY). The rate process, whereby employees' time is charged at a rate different than that paid through AKPAY, makes this a complex undertaking, but as mentioned above, the subject is under discussion as part of the department's administrative review.

The following narrative and flowchart are provided to document the payroll suspense system—the accounts, the RSAs, the T&E system and the accounting entries.

### PAYROLL SUSPENSE RSAs

In accordance with AS 37.07.050(a)(3), agencies are required to list *all* positions and personal service costs in their operating budget, including those requested for capital improvement projects (CIP receipts).

Agencies with split funded positions submit unbudgeted reimbursable service agreements (KSAs) to DBR once the capital budget is approved. RSAs are set up for each budget component that has split funded positions, identifying those positions that are budgeted and paid from an operating component and are split funded. The RSA serves as a payroll clearing account where the actual personal services costs are charged and then cleared through the timesheet process (hours worked times hourly billing rate).

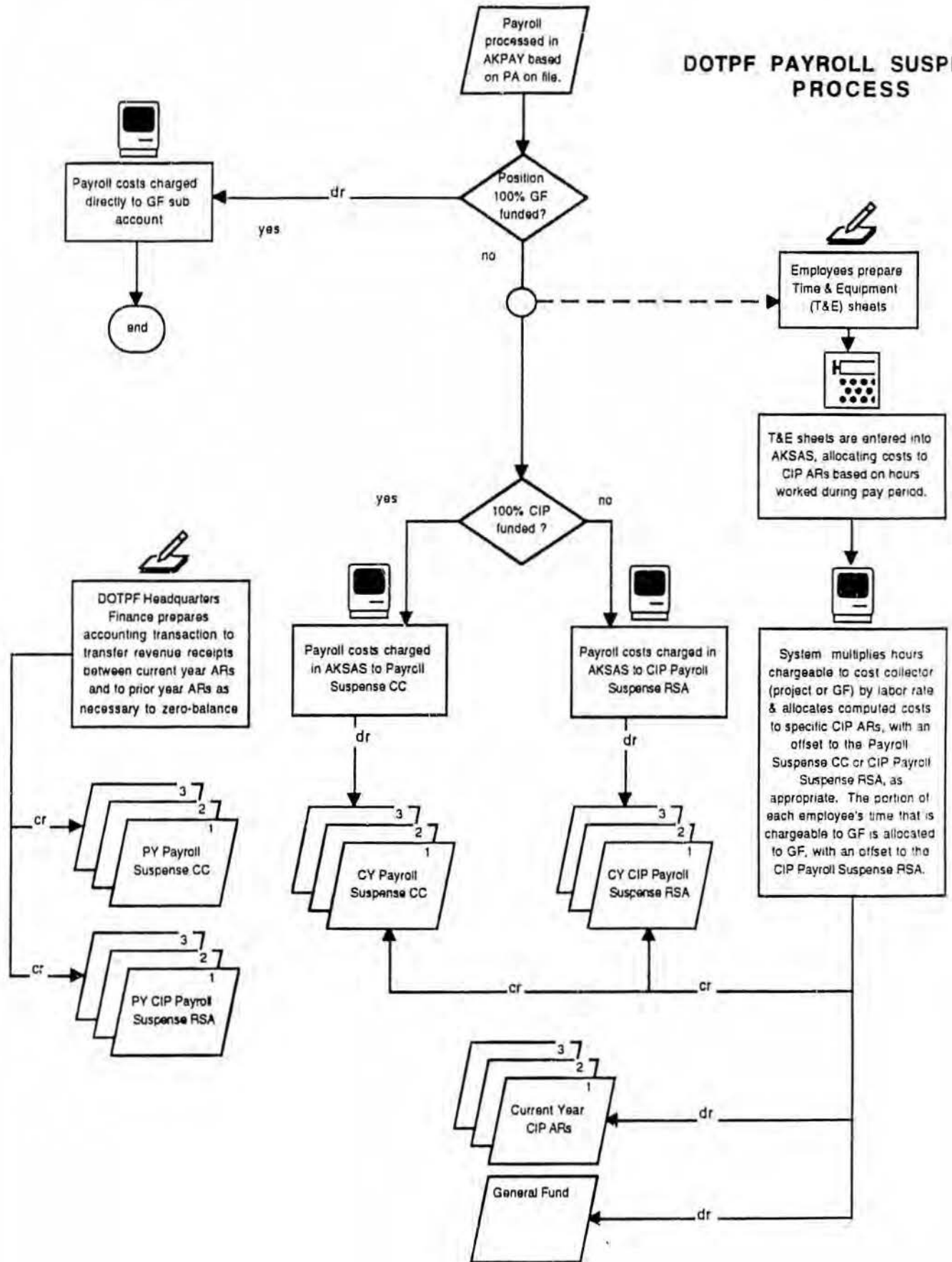
Positions that are 100% budgeted with CIP receipts do not require an RSA, but are budgeted in payroll suspense accounts (*collocation code*) which point to the operating appropriation.

The hours on the timesheets are charged out at a labor distribution rate approved by the federal government. DOTPF defines the labor rate as follows:

A cost distribution percentage which is developed according to Federal Highway Administration and Federal Aviation Authority guidelines for allowable personal service cost elements which can be distributed out to projects.

The rate includes base pay, benefits, health insurance, leave costs and an over/under variance for regular hours worked. DOTPF intentionally develops the rate so that an underrecovery occurs in the year in which it is applied. They believe this is necessary to guarantee that an overcollection does not occur. The resulting undercollection is used as a variance in calculating the next year's rate, with the related collected revenue being posted to the prior fiscal year. In theory, the account should clear after the second year.

### DOTPF PAYROLL SUSPENSE PROCESS



**FY 85 - 93 STATEWIDE SHORTFALLS**

#	DEPT	APPN/ ALLOC	TERM YR	DESCRIPTION	RATIFY
1	DOA	03583	1985	PPTY Mgmt Gen Fund	47,182.23
2	DOA	03581	1986	Retire & Bnfts Gen FD	654.29
3	DOA	03879	1990	Program Receipts	1,980.56
4	DOA	03589	1991	Telecommun Services	330,733.98
5	DOA	03879	1992	Program Receipts	6,720.88
6	DOA	03581	1994	Alaska Oil and Gas	3,215.00
	UofA	78496	1986	University of Alaska	914.25
<b>DOA &amp; UofA:</b>					<u>391,401.19</u>
1	OOG	01915	1988	Giccy RSA	417.42
2	OOG	01916	1988	APA/Policy RSA	2,827.45
3	OOG	01920	1988	DOTPF/OEEO RSA	113.36
<b>OOG:</b>					<u>3,358.23</u>
1	DOR	15545	1985	Permanent Fund Corp	1,822.62
2	DOR	15573	1986	Pet Rev/Data & Word	10.98
3	DOR	15550	1989	AK Housing Fin Corp	7.00
4	DOR	15545	1990	Permanent Fund Corp	9.30
5	DOR	15550	1990	AK Housing Fin Corp	8.00
6	DOR	15585	1990	Treasury Management	15,176.74
7	DOR	15585	1992	Treasury Management	20,230.42
<b>All ARs included in 95 Rat</b>					<u>DOR: 37,265.06</u>
1	DOE	18005	1986	PSEC - Veteran's Admin	1,126.12
2	DOE	18025	1986	PSEC - Federal Student Aid	25.00
3	DOE	19031	1988	PSEC - Student Loan Prgm	40,000.00
4	DOE	18041	1990	PSEC - Governor's Council	653.56
5	DOE	17666	1992	School Lunch Admin	44.06
6	DOE	17716	1994	Special & Supl Services	225.00
<b>DOE:</b>					<u>42,073.74</u>
1	DOL	27615	1985	Wage and Hour	1,059.50
2	DOL	27540	1986	Worker's Incentive	12,811.71
3	DOL	27570	1986	Management Services	10,175.80
4	DOL	27655	1986	Alaska Hire	39.08

**FY 85 - 93 STATEWIDE SHORTFALLS**

#	DEPT	APPN/ ALLOC	TERM YR	DESCRIPTION	RATIFY
5	DOL	27623	1987	U.I. Investigations	54.52
6	DOL	27505	1988	Emply Svcs Reg	243.00
7	DOL	27540	1988	Worker's Incentive	4,264.87
8	DOL	27585	1988	OSHA	15,935.24
9	DOL	27623	1988	U.I. Investigations	0.01
10	DOL	27505	1989	Emply Svcs Reg	5,997.74
11	DOL	27575	1989	Labor Market Info	4,553.38
12	DOL	27622	1989	OSHA	4,806.38
13	DOL	27657	1989	Unbudgeted DP OP's	10,877.62
14	DOL	27545	1990	Data Processing	533.73
15	DOL	27596	1990	Workers Comp Regular	166.76
16	DOL	27622	1990	OSHA	13,439.22
17	DOL	27540	1991	Worker's Incentive	22,280.28
18	DOL	27575	1991	Labor Market Info	4,705.75
19	DOL	27622	1991	OSHA	19,677.98
20	DOL	27505	1992	Emply Svcs Reg	12,749.47
21	DOL	27535	1992	U.I. Regular	19,015.14
22	DOL	27849	1992	AK Work Prog Reg	342.09
23	DOL	27505	1993	Emply Svcs Reg	10,009.38
24	DOL	27535	1993	U.I. Regular	228,832.72
25	DOL	27575	1993	Labor Market Info	11,431.15
26	DOL	27849	1993	AK Work Prog Reg	8,346.56
<b>DOL:</b>					<b>422,349.08</b>
1	DCED	29567	1985	AK Industrial Dev	16,513.00
2	DCED	30511	1985	08 Mining Loan Fund	427.10
3	DCED	31505	1985	21 Sterling Engine	51,441.00
4	DCED	30509	1986	08 APA Alt Engy Plan	23.41
5	DCED	31509	1986	21 Pt Alexander Wind	1,683.55
6	DCED	31517	1986	21 Solar Panel Demo	0.61
7	DCED	32111	1986	Kodiak Elect Plan	0.14
8	DCED	29527	1987	AK Real Estate Comm	956.03
9	DCED	29583	1989	OL AREC Satety Fund	27,351.48
10	DCED	30027	1989	Weigh Station Operation	203.73
11	DCED	29563	1990	AK Tourism Mktg Council	645.87

**FY 85 - 93 STATEWIDE SHORTFALLS**

#	DEPT	APPN/ ALLOC	TERM YR	DESCRIPTION	RATIFY
12	DCED	29568	1991	AK Seafood Mktg Inst	29.06
13	DCED	29561	1992	Tourism Development	2.07
14	DCED	29636	1993	AEA Agency Operation	7,017.91
15	DCED	30056	1993	Mongolian Coal-Fired	434.90
16	DCED	32383	1994	Bethel-Napaskiak Lin	89.00
94 AR not included in SS (pg D-3)				<b>DCED:</b>	<u>106,818.86</u>
1	DMVA	34512	1985	Fed Emerg Mgmt Pgm	40,844.18
2	DMVA	34532	1985	Fac Mntc/Army	126,661.01
3	DMVA	34537	1985	Air Training Support	15,218.98
4	DMVA	34538	1985	AK Military Academy	90.15
5	DMVA	34537	1986	Air Training Support	1,419.79
6	DMVA	34532	1987	Fac Mntc/Army	75,326.20
7	DMVA	34537	1987	Air Training Support	15,794.56
8	DMVA	34565	1988	Fed Community Asst	7,500.00
9	DMVA	34538	1989	State Active Duty	144.10
10	DMVA	34532	1990	Army Guard Fac/Maint	3,964.42
				<b>DMVA:</b>	<u>286,023.39</u>
1	DEC	48742	1986	WQM UST	0.05
2	DEC	48743	1986	PIO UST	11.81
3	DEC	48751	1986	A&SW Superfund	0.32
4	DEC	48757	1986	A&SW Air SP Proj 86	30.17
5	DEC	48761	1986	A&SW Spec Proj 85	0.65
6	DEC	48815	1986	RS 280 PM Student IN	0.50
7	DEC	48704	1987	WQM 205J	7,591.85
8	DEC	48732	1987	SCRO UST	0.31
9	DEC	48733	1987	PIO UST	0.66
10	DEC	48817	1987	RS 281 PM Audit Mgmt	1,653.00
11	DEC	48555	1988	CIP Allocation	60,186.52
12	DEC	48740	1988	WQ Non-PT 205J	0.12
13	DEC	48712	1989	CAA 105 Air Grant	0.06
14	DEC	48713	1989	Lust Trust RPL SFY89	0.14
15	DEC	48714	1989	EH/Pest Enf/RPF0159	0.38
16	DEC	48689	1990	SEC 28 SB 264 Corps	0.92

**FY 85 - 93 STATEWIDE SHORTFALLS**

#	DEPT	APPN/ ALLOC	TERM YR	DESCRIPTION	RATIFY
17	DEC	48789	1990	FY90 Xerox Costs RSA	13,959.91
18	DEC	48791	1990	RS: 00006 DEC/GOV	1,533.76
19	DEC	48550	1991	Env Quality Projects	105,258.51
20	DEC	48660	1992	EH Palmer Laboratory	4,818.62
21	DEC	49622	1992	FCO/HHS Util Mgmt Gr	3,282.00
22	DEC	49632	1992	RPL 18920086 - Coast	1,711.00
23	DEC	49750	1992	RS0920104 DMVA/SPAR	194.00
24	DEC	48130	1993	Regional Management	1,606.46
25	DEC	48380	1993	Air Quality Manageme	23,883.55
26	DEC	48660	1993	EH Palmer Laboratory	343.19
<b>DEC:</b>					<b>226,068.46</b>
1	DOC	50901	1985	NIC Grant	349.60
2	DOC	50955	1986	RSA DHSS Manillaq/PO	415.20
3	DOC	50525	1992	Fac-Cap Imp Unit	4,296.00
4	DOC	50545	1992	Statewide Programs	89,480.53
<b>DOC:</b>					<b>94,541.33</b>
1	Court	76600	1985	AASAP Services	800.00
2	Court	76650	1987	DWI Adjudication/Pub	21.41
<b>COURT:</b>					<b>821.41</b>
1	DCRA	52578	1985	National Forest Rece	320,806.28
2	DCRA	52609	1985	Grants Admin	1,621,085.35
3	DCRA	52740	1985	II-A SDA Training	352.00
4	DCRA	52533	1986	Trng/Field Ofc Alloc	998.32
5	DCRA	52580	1988	Statewide Assistance	73.17
6	DCRA	52630	1989	Admin Services	4,239.66
7	DCRA	52902	1989	Liheap RSA, FFY89	412,888.44
8	DCRA	55350	1990	WX/Energy Conservati	1,306.68
9	DCRA	52689	1992	Block Grants CIP	516.68
10	DCRA	52933	1992	REAA's School Board	124.00
11	DCRA	52566	1993	Training and Develop	300.36
12	DCRA	52573	1993	Statewide Assistance	2,985.64
<b>DCRA:</b>					<b>2,365,676.58</b>

**FY 85 - 93 STATEWIDE SHORTFALLS**

#	DEPT	APPN/ ALLOC	TERM YR	DESCRIPTION	RATIFY
1	DHSS	22750	1985	Fbnks DOE Food Svc	3,236.50
2	DHSS	22751	1985	Johnson Center Doc	151.84
3	DHSS	22783	1985	Laboratories 84	1,069.00
4	DHSS	22515	1986	Energy Assist Progm	0.82
5	DHSS	22521	1986	Medicaid	498,756.92
6	DHSS	22532	1986	Claims Process Oper	84,719.11
7	DHSS	22543	1986	Preventive Services	37,399.34
8	DHSS	22648	1986	Regional Administrat	71.64
9	DHSS	22640	1986	Gov Council Hand/Gft	0.23
10	DHSS	22515	1987	Energy Assist Progm	9,504.13
11	DHSS	22519	1987	Medicaid Facilities	1,012,390.37
12	DHSS	22646	1987	Administration	37,712.58
13	DHSS	22519	1988	Medicaid Facilities	1,026,636.69
14	DHSS	22557	1988	Work Incentive	45,178.52
15	DHSS	22612	1988	Communicable Disease	20.51
16	DHSS	22640	1988	Gov Council Hand/Gft	0.42
17	DHSS	22649	1988	Harborview Dev Ctr	20,024.57
18	DHSS	22752	1988	Substance Abuse Res	10.00
19	DHSS	22755	1988	Epidemiology-Traffic	200.56
20	DHSS	22788	1988	Fbks MH Facil Maint	0.01
21	DHSS	23031	1989	S Reg EMS Life-Pak	0.07
22	DHSS	22885	1989	EIS Phase I-Capital AR	0.80
23	DHSS	25061	1989	Medicaid Facilities	194,581.75
24	DHSS	25063	1989	PFD Hold Harmless	1,700.00
25	DHSS	25065	1989	General Relief Med	23,399.50
26	DHSS	25066	1989	State Facilities	16,513.78
27	DHSS	24649	1989	Harborview Dev Ctr	3,284.99
28	DHSS	22557	1990	Work Incentive	20,243.51
29	DHSS	22556	1990	Central Office	72,324.74
30	DHSS	22612	1990	Women, Infants&Child	98,736.15
31	DHSS	22617	1990	EMS Training&Licens	34,522.50
32	DHSS	24105	1990	Alcohol Abuse GT-GF	32,888.39
33	DHSS	24649	1990	Harborview Dev Ctr	274,938.80
34	DHSS	22753	1990	AK Trauma Registry	0.45

**FY 85 - 93 STATEWIDE SHORTFALLS**

#	DEPT	APPN/ ALLOC	TERM YR	DESCRIPTION	RATIFY
35	DHSS	22792	1990	MH Intervention Prog	80.00
36	DHSS	22796	1990	Human Svc Valdez Oil	11,853.13
37	DHSS	22797	1990	Child Nutrition Prog	4,305.11
38	DHSS	25060	1991	Medicaid Non-Facility	56,969.91
39	DHSS	25062	1991	Indian Health Service	0.11
40	DHSS	25066	1991	Medicaid State Prog	25,923.83
41	DHSS	22534	1991	Fraud Investigation	36,979.86
42	DHSS	22530	1991	Cert & Licensing	218,532.43
43	DHSS	22613	1991	Maternal,Child&FAMIL	76,944.06
44	DHSS	22615	1991	PH Admin Svcs	37,566.05
45	DHSS	22616	1991	Epidemiology	3,834.06
46	DHSS	25062	1992	Indian Health Service	0.56
47	DHSS	22528	1992	Eligibility Determin	14,130.80
48	DHSS	22556	1992	Central Office	13,947.49
49	DHSS	22576	1992	MNLQ-ED & Staff Dev	2,827.00
50	DHSS	22611	1992	Nursing	1,500.00
51	DHSS	22617	1992	EMS Training&Licens	54,440.20
52	DHSS	22618	1992	Aids Services	21,597.27
53	DHSS	24649	1992	Harborview Dev Ctr	67,463.77
54	DHSS	22713	1992	FY92 OAC Nutrition	0.02
55	DHSS	22724	1992	Inmate Hlt Care Xray	14,500.00
56	DHSS	25061	1993	Medicaid Facilities	725,838.01
57	DHSS	22532	1993	Ofc Hearings/Appeals	4,546.87
58	DHSS	22543	1993	Delinquency Prevent	7,785.38
59	DHSS	22552	1993	Northern Region	15,110.33
60	DHSS	22556	1993	DFYS Central Office	26,773.11
61	DHSS	22616	1993	Epidemiology	18,895.74
62	DHSS	22621	1993	Hlth Svcs/Medicaid	26,049.06
<b>DHSS:</b>					<b>5,038,613.35</b>
1	DNR	36911	1985	Historic Res Mgmt	91,011.52
2	DNR	36601	1986	Land & Water Public	39,372.00
3	DNR	36780	1986	Petroleum Management	430.61
4	DNR	36860	1987	Minerals/Mat Develop	38,999.03
5	DNR	36870	1987	Land & Public Safety	43,883.85

**FY 85 - 93 STATEWIDE SHORTFALLS**

#	DEPT	APPN/ ALLOC	TERM YR	DESCRIPTION	RATIFY
6	DNR	36960	1987	Direct Charge/OH CIP	74,335.15
7	DNR	36650	1988	Land Conveyances	18,239.97
8	DNR	36898	1988	Survey Dir Chg CIP	12,550.52
9	DNR	36670	1988	Minerals/Mat Develop	310.95
10	DNR	37700	1989	Historic Resource Mg	1,708.11
11	DNR	37880	1989	AG/Direct Charge CIP	1,004.80
12	DNR	36893	1990	Law Valdez Oil Spill	117,735.35
13	DNR	37733	1990	RS1080068 Thunderbir	47.18
DNR ZB AR 36593-89 @ \$312,337					<b>DNR:</b> 439,629.04
1	LAW	13806	1985	Dept of Revenue	1,239.94
2	LAW	13809	1985	Alaska Railroad Corp	39,574.88
3	LAW	13604	1986	Civil Div - Operations	215,234.62
4	LAW	13604	1987	Civil Div - Operations	99,028.38
5	LAW	13874	1987	Perm Fund Invest	7,188.65
6	LAW	13892	1987	CFEC Adjudicatns	424.60
7	LAW	13904	1987	PERS Class Study	370.00
8	LAW	13922	1988	Telecom Misc Legl	54,414.93
9	LAW	13948	1988	Function Sep.Opin	1,854.03
10	LAW	13604	1990	Civil Div - Operations	55,232.61
11	LAW	13615	1990	Admin & Support	15,111.09
12	LAW	13701	1990	Oil & Gas Operations	145.00
13	LAW	13831	1991	Osair Restoration	6,290.00
14	LAW	13821	1992	Medical Assistnce	1,925.75
15	LAW	13826	1992	Aidea Delong Leg	55.69
16	LAW	13701	1993	Oil & Gas Operations	18.28
17	LAW	13772	1993	Agency Coop Agree	958.25
18	LAW	13895	1993	Agency Coop Agree	487.81
					<b>LAW:</b> 499,554.51
1	DFG	42702	1985	NOAA US Canada #2 DFG:	1,655.05
					<b>GRAND TOTAL:</b> 9,956,789.28

From OMB to House Finance 1/31/96

**MEMORANDUM**

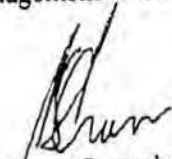
State of Alaska  
Department of Education

To: Annalee McConnell, Director  
Office of the Governor  
Office of Management & Budget

Date: January 31, 1996

Phone: 465-2800

File:

From:  Rick Cross, Deputy Commissioner  
Department of Education  
Division of School Finance

Subject: FY96 Projected lapse balances

This memorandum is in response to your request for information regarding FY96 projected lapse balances, if any, in the K-12 support appropriation and the FY96 school debt appropriation. Anticipated lapse projections for the K-12 Support appropriation are as follows:

\$643,401.9	FY96 authorized
<u>638,739.4</u>	FY96 actual based on first student count
4,662.5	Difference
(1,000.0)	Less optional count
(500.0)	Less Anchorage vocational adjustment
(123.0)	Less tuition RP
<u>(1,200.0)</u>	Less FY96 disparity fix
\$1,839.5	Anticipated foundation lapse to be carried forward and used to reduce funding from School Trust Fund

The FY96 projection for the school debt program will utilize the entire appropriation.

Please let me know if you require additional information.

cc: Jim Elliott, Acting Director  
DOE School Finance  
  
Karen Rehfeld, Director  
DOE Administrative Services

Post-it® Fax Note 7671

Date	# of pages 1
From	Just
To	Annalee
Co./Dept.	
Phone #	
Fax #	3008

# STATE OF ALASKA

## DEPARTMENT OF EDUCATION ADMINISTRATIVE SERVICES

TONY KNOWLES, GOVERNOR

GOLDBELT PLACE  
801 WEST 10TH STREET, SUITE 200  
JUNEAU, ALASKA 99801-1894

(907) 465-2800  
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February 14, 1996

The Honorable Mark Hanley, Co-Chair  
House Finance Committee  
Alaska State Legislature  
State Capitol, Room 507  
Juneau, AK 99801-1182

Dear Representative Hanley:

The following information is provided in response to questions of the department during the February 12 House Finance Committee meeting regarding HB468, the FY96 supplemental bill.

**Disparity** - The enclosed position paper outlines the disparity issue and various alternatives to address the issue. The Department of Education has requested a supplemental appropriation of \$1,224,950 in FY96 to provide named recipient grants to REAA school districts in order to bring the state within the 20% variance to comply with the federal standard. Funding for these grants is available in the current year Foundation Program appropriation based on the first student count data. The FY96 supplemental is a one-time "fix" for the problem. In FY97, the department has proposed legislation that will provide supplementary aid to REAA's while at the same time increasing the impact aid deduct from 90 to 95% which reduces the "windfall" to these districts at the low end of the disparity table.

Also enclosed is a spreadsheet that illustrates the impact of failing to meet the disparity standard by prorating the instructional unit value by \$2,750 based on FY96 first count data and the FY97 projection for the Foundation Program.

**Foundation Program** - The department discussed the issue of disparity with the legislature last year. At that time, the department proposed rewriting the current foundation formula to address disparity and several other areas. As you know, the State Board of Education appointed a School Funding Task Force that worked over the summer to rewrite the state's existing Foundation Program to deal with this and other issues. The Task Force was not able to reach consensus on a number of areas. In order to resolve some of the immediate issues, the State Board of Education has requested legislation to make short term changes to the Foundation Program that are included in HB 452 and SB 244. The State Board of Education is continuing their work on developing long term changes to the Foundation Program to ensure equity and adequacy of funding for all school districts.

Letter, Representative Hanley  
February 14, 1996  
Page 2 of 2

**Public School Trust Fund** - The FY97 budget request for the Foundation Program includes approximately \$3,400,000 in one-time revenues to the Public School Trust Fund. At the time the budget was prepared, the department did not have the first student count data analysis completed to determine if there would be funding available in the current year appropriation for carryforward. Since that time, the department has estimated that approximately \$1,800,000 would be available and the supplemental bill includes language to provide for that carryforward. If the department is able to reduce the revenue demand on the Public School Trust Funds in FY97, that funding will be available to offset the general fund need in FY98.

**Pupil Transportation** - During our overview before the House Finance Committee, you requested information on the 8% reduction to the Pupil Transportation component. The enclosed schedule provides an estimated allocation by school district based on the FY97 request.

I would be happy to discuss this information at your convenience. Please contact me if you have any questions.

Sincerely,

Karen J. Rehfeld  
Director

Enclosures

cc: House Finance Committee Members

ALASKA DEPARTMENT OF EDUCATION  
FOUNDATION PROGRAM

	Without Impact Aid	Change in Revenue	Without Impact Aid	Change in Revenue
FY96 FOUNDATION STATE AID	FY96 Prorated at \$58,220	FY96 Prorated less Actual FY96	FY97 FOUNDATION STATE AID	FY97 Prorated at \$58,630
ADAK	0	0	0	0
ALASKA GATEWAY	4,947,237	5,092,503	145,266	5,055,414
ALEUTIAN REGION	551,662	582,782	31,120	518,430
ALEUTIANS EAST	3,640,174	3,717,230	77,056	3,743,146
ANCHORAGE	179,345,277	174,169,534	(5,175,743)	181,243,565
ANNETTE ISLANDS	1,794,308	2,654,250	859,942	1,833,348
BERING STRAIT	15,590,932	18,583,824	2,992,892	16,969,751
BRISTOL BAY	1,703,279	1,763,106	59,827	1,873,234
CHATHAM	2,755,220	3,125,250	370,030	2,751,502
CHUGACH	1,699,778	1,768,724	68,946	1,729,510
COPPER RIVER	5,376,442	5,228,156	(148,286)	5,370,508
CORDOVA	2,534,470	2,403,112	(131,358)	2,684,679
CRAIG	2,355,229	2,270,923	(84,306)	2,335,826
DELTA/GREELY	5,212,513	5,716,040	503,527	4,571,810
DENALI	2,977,917	2,858,863	(119,054)	3,021,537
DILLINGHAM	3,089,488	3,228,230	138,742	3,839,005
FAIRBANKS	65,507,599	65,399,549	(108,050)	66,371,794
GALENA	1,376,768	1,404,111	27,343	1,537,153
HAINES	2,279,644	2,161,086	(118,558)	2,266,876
HOONAH	1,931,988	1,921,187	(10,801)	1,963,241
HYDABURG	957,444	917,124	(40,320)	977,873
IDITAROD	5,274,534	5,576,894	302,360	5,496,233
JUNEAU	22,176,639	20,874,095	(1,302,544)	21,852,487
KAKE	1,308,345	1,314,628	6,283	1,265,711
KASHUNAMIUT	1,793,366	2,107,564	314,198	1,980,254
KENAI	44,210,146	41,586,678	(2,623,468)	44,210,660
KETCHIKAN	9,911,225	9,291,820	(619,405)	9,754,055
KLAWOCK	1,499,611	1,578,400	78,789	1,506,757
KODIAK	13,391,816	13,632,947	241,131	13,742,286
KUSPUK	5,008,089	5,396,412	388,323	5,426,635
LAKE AND PENINSULA	6,764,787	6,654,750	(110,037)	6,789,934
LOWER KUSKOKWIM	36,346,582	39,050,483	2,703,901	38,315,241
LOWER YUKON	12,873,784	16,104,816	3,231,032	13,851,625
MAT-SU	56,461,364	53,511,051	(2,950,313)	56,163,766
NENANA	1,474,409	1,408,450	(65,959)	1,528,611
NOME	4,813,263	4,599,054	(214,209)	4,589,588
NORTH SLOPE	10,305,374	10,163,885	(141,489)	11,289,387
NORTHWEST ARCTIC	16,461,299	16,635,296	173,997	17,606,207
PELICAN	596,214	566,496	(29,718)	569,066
PETERSBURG	3,146,017	2,976,077	(169,940)	3,227,769
PRIBILOF	1,929,213	2,144,243	215,030	2,011,494
SITKA	6,845,632	6,511,014	(334,618)	6,666,245
SKAGWAY	712,196	663,296	(48,900)	761,123
SOUTHEAST	3,981,308	4,191,258	209,950	3,737,413
SOUTHWEST	6,313,927	6,924,105	610,178	6,758,688
ST. MARY'S	1,336,734	1,352,365	15,631	1,399,655
TANANA	1,083,964	1,085,119	1,155	1,178,033
UNALASKA	1,696,392	1,581,780	(114,612)	1,637,671
VALDEZ	3,411,802	3,196,617	(215,185)	3,419,496
WRANGELL	2,542,672	2,401,733	(140,939)	2,625,110
YAKUTAT	1,306,817	1,266,863	(39,954)	1,387,078
YUKON FLATS	5,664,489	6,029,263	364,774	5,515,969
YUKON/KOYUKUK	7,269,447	7,756,068	486,621	7,054,395
YUPIIT	3,951,742	4,600,544	648,802	4,266,823
STATE CCS	3,815,520	3,641,632	(173,887)	3,918,213
Mt. EDGE CUMBE	1,676,280	1,599,886	(76,394)	1,650,660
<b>TOTALS</b>	<b>\$612,982,368</b>	<b>\$612,941,166</b>	<b>(\$41,201)</b>	<b>\$623,812,540</b>
				<b>\$623,722,738</b>
				<b>(\$89,802)</b>

Note: This spreadsheet represents the prorated allocation of foundation state aid if the federal Impact Aid funds are not considered in the foundation formula program. The "Change in Revenue" column indicates the total change in revenue by district.

**Department of Education**  
**Briefing Paper**  
**PL81-874 Impact Aid: Disparity Requirement**  
**January 30, 1996**

**Summary of Issue**

Alaska's total receipt of federal Impact Aid is in excess of \$70,000,000 annually. The Alaska Public School Foundation Formula reduces the amount of state aid and limits local aid which a district can receive in accordance with a federally certified system of equalized support. The recognition of federal aid in the foundation formula reduced the FY95 state general fund requirement by over \$43,000,000. The estimated FY96 reduction in general fund obligation as result of recognition of Impact Aid received by districts is \$35,000,000.

**Statement of Why the Issue is Timely or Important**

The Impact Aid Program was reauthorized by Congress in 1994. The new statutes require calculation of current year disparity utilizing revenue data from two years prior. Because Alaska uses an instructional unit as the method of determining districts' foundation entitlements, disparity is a measure of relative value of each adjusted unit, ignoring the top and bottom 5%. In FY98 the maximum disparity allowed will be reduced from 25% to 20% and will rely on FY96 data. The Department's preliminary disparity test calculation for FY96 is over the maximum 20% allowed by federal law. Unless the federal statutorily required disparity test is met in FY98, it will take a general fund increment of about \$35,000,000 to replace the eligible Impact Aid recognized currently in the school foundation formula.

**Alternative Ways of Addressing Issue**

1. Seek Congressional relief from the FY98 disparity standard.
2. Prorate the instructional unit value in FY98 by \$2,850 under the existing statute due to state's failure to meet disparity test for FY96.
3. Devise method of increasing unit value of REAA districts to reduce disparity. The method recommended by the State Board of Education Task Force on School Funding and approved by the State Board is the proposed supplemental aid of \$500 per instructional unit to the REAAs for FY96 and the legislation proposed by Governor Knowles for subsequent fiscal years that changes the foundation formula by: (a) raising the Impact Aid deduct from present 90% to 95% for REAAs and (b) ensuring the state meets federal disparity requirements in the future by giving the Department of Education statutory authority to increase the amount of supplementary aid to these same districts *through the foundation formula*, an important federal criterion.

	A	B	C	D	E	F	G	H	I	J	K
1	ALASKA DEPARTMENT OF EDUCATION										
2	SCHOOL OPERATING FUND REVENUES										
3	COMPILED FROM FISCAL YEAR 1995 Budgets										
4	Impact aid disparity test computations based on FY95 Budgeted data and on foundation distributions and calculations.										
5	Includes single site appropriations.										
6	<b>Preliminary Disparity Test FY95 - Excludes Supplemental \$500 Unit Allocation to REAAs</b>										
7	SCHOOL DISTRICT	FY95 Actual Foundation Payments	Adjustments Based on budget	Budgeted State Tuition	Budgeted Other State Revenue	SUB-TOTAL STATE REVENUE	Budgeted City/Borough Appropriations	Budgeted Earnings on Investments	Budgeted Other Local Revenue	Budgeted In-Kind Services	SUB-TOTAL LOCAL REVENUE
10	NORTH SLOPE	10,003,231	0	0	40,000	10,043,231	27,063,000	0	50,000	0	27,913,000
11	VALDEZ	3,296,449	6,703	0	0	3,303,152	3,946,990	80,000	42,000	0	4,074,990
12	HOONAH	1,856,774	0	0	126,270	1,983,044	538,779	25,000	15,000	0	578,779
13	UNALASKA	1,686,016	5,552	0	200,690	1,892,258	1,385,800	20,000	35,936	0	1,441,736
14	HYDABURG	977,491	0	0	108,080	1,085,571	57,711	4,000	27,500	0	89,211
15	WRANGELL	2,638,591	0	0	151,890	2,790,481	1,086,168	5,000	15,000	29,000	1,135,168
16	SKAGWAY	656,726	0	0	119,560	816,286	488,574	6,000	0	0	494,574
17	KAKE	1,285,536	0	0	136,640	1,422,176	80,000	20,000	8,585	150,000	258,585
18	JUNEAU	22,481,943	0	110,000	0	22,591,943	12,776,000	0	83,032	0	12,859,032
19	SITKA	6,923,549	0	40,000	447,130	7,410,679	3,766,524	0	22,000	0	3,788,524
20	KENAI	44,172,161	0	272,800	0	44,444,961	20,601,573	0	75,000	5,995,064	26,671,637
21	PETERSBURG	3,196,745	0	1,818	199,470	3,398,033	1,429,406	15,000	4,000	0	1,448,406
22	HAINES	2,055,774	0	0	0	2,055,774	1,030,311	17,000	11,000	0	1,058,311
23	KETCHIKAN	9,624,799	0	40,000	28,500	9,693,299	6,347,993	14,000	10,154	280,000	6,652,147
24	BRISTOL BAY	1,522,798	0	0	0	1,522,798	933,421	20,000	15,000	200,000	1,168,421
25	NOME	4,724,803	0	13,645	264,740	5,003,188	1,117,906	30,000	117,290	0	1,265,196
26	KLAWOCK	1,520,331	0	0	166,460	1,686,791	97,500	35,000	56,452	32,400	221,352
27	FAIRBANKS	62,314,043	0	1,249,500	0	63,563,543	25,380,000	0	250,000	0	25,630,000
28	ALEUTIANS EAST	3,577,702	0	0	15,000	3,592,702	797,670	0	7,000	161,000	965,670
29	DILLINGHAM	2,944,758	0	10,000	250,100	3,204,858	685,054	30,000	157,000	0	872,054
30	TANANA	1,130,861	0	9,368	122,000	1,262,229	0	10,000	1,000	98,000	109,000
31	YAKUTAT	1,290,931	0	0	126,270	1,417,201	176,620	2,000	9,362	0	187,982
32	ANNETTE ISLAND	1,373,918	0	0	166,530	1,540,448	0	0	0	0	0
33	ANCHORAGE	179,878,890	0	960,000	983,500	181,822,390	71,773,335	1,751,500	1,099,000	0	74,623,835
34	GALENA	1,386,517	0	0	156,160	1,542,677	25,000	20,000	3,000	77,925	125,925
35	NENANA	1,497,731	0	0	164,090	1,661,821	58,514	5,000	5,272	0	68,786
36	CRAIG	2,275,901	0	0	151,890	2,427,791	296,273	20,000	2,395	40,618	359,286
37	MAT-SU	55,397,110	0	0	0	55,397,110	15,462,862	0	75,203	0	15,538,065
38	KASHUNAMIUT	1,728,969	0	0	206,180	1,935,149	0	0	0	0	0
39	PELICAN	544,061	0	0	56,730	600,791	53,179	3,000	10,500	0	66,679
40	ST. MARY'S	1,212,187	0	0	119,560	1,331,747	0	5,000	0	17,753	22,753
41	LAKE AND PENN.	6,741,477	0	0	0	6,741,477	50,000	135,000	20,000	0	905,000
42	CORDOVA	2,581,326	0	0	217,160	2,798,486	699,529	10,341	8,500	0	718,370
43	KODIAK	12,300,474	0	46,787	879,582	13,226,843	3,200,000	0	36,400	452,500	3,688,900
44	ADAK	0	0	0	0	0	0	0	0	0	0
45	NW ARCTIC	16,268,410	0	0	0	16,268,410	846,708	275,000	300,000	758,212	2,179,920
46	BERING STRAIT	14,408,678	0	0	0	14,408,678	0	0	0	0	0
47	CHATHAM	2,628,517	0	0	0	2,628,517	0	0	0	0	0
48	YUKON FLATS	5,619,605	0	0	0	5,619,605	0	0	0	0	0
49	AK GATEWAY	4,916,797	0	0	0	4,916,797	0	0	0	0	0
50	YUPIIT	3,769,090	0	0	0	3,769,090	0	0	0	0	0
51	DELTA/GREELY	5,646,127	0	0	0	5,646,127	0	0	0	0	0
52	SOUTHWEST	6,041,928	0	0	0	6,041,928	0	0	0	0	0
53	IDITAROD	5,193,156	0	0	0	5,193,156	0	0	0	0	0
54	PRIBILOF	1,821,059	0	0	0	1,821,059	0	0	0	0	0
55	YUKON/KOYUKUI	6,884,158	0	0	0	6,884,158	0	0	0	0	0
56	LOWER YUKON	11,558,409	0	0	0	11,558,409	0	0	0	0	0
57	LOWER KUSKO.	32,863,714	0	0	0	32,863,714	0	0	0	0	0
58	DENALI	3,046,313	0	0	0	3,046,313	346,011	12,000	0	0	358,011
59	COPPER RIVER	5,223,578	0	0	0	5,223,578	0	0	0	0	0
60	CHUGACH	1,577,779	0	0	0	1,577,779	0	0	0	0	0
61	ALEUTIAN REGIC	563,747	0	0	0	563,747	0	0	0	0	0
62	SOUTHEAST	4,194,007	0	0	0	4,194,007	0	0	0	0	0
63	KUSPUK	4,759,302	0	0	0	4,759,302	0	0	0	0	0
64	MI. EDGE CUMBE	1,727,520	0	0	0	1,727,520	0	0	0	0	0
65											
66											
67	TOTALS	\$595,552,467	\$12,255	\$2,753,918	\$5,604,182	\$603,922,822	\$204,098,411	\$2,569,841	\$2,578,581	\$8,292,472	\$217,539,305
68											
69											
70											

	L	M	N	O	P	Q	R	S	T	U
1	ALASKA DEPARTMENT OF EDUCATION									
2	SCHOOL OPERATING FUND REVENUES									
3	COMPILED FROM FISCAL YEAR 1995 Budgets									
4										
5			<b>Excludes Supplemental \$500 Unit Allocation to REAAs</b>							
6			REAA's	Adjusted						
7	SCHOOL		Budgeted	Deductible	Budgeted	SUB-TOTAL	Eudgeted	FY95 Budgeted	FY95	Revenue
8	DISTRICT		Other	Federal	Other Federal	FEDERAL	Fund	TOTAL	Adjusted	per Adjusted
9			Revenue	PL81-874	Revenue	REVENUE	Transfers In	REVENUES	Units	Unit
10	NORTH SLOPE		448,387		0	448,387	0	38,404,618	257.13	149,359
11	VALDEZ		24,269		0	24,269	0	7,402,411	83.81	83,324
12	HOONAH		99,705		0	99,705	0	2,661,528	33.59	79,236
13	UNALASKA		7,100		0	7,100	0	3,341,094	43.17	77,394
14	HYDABURG		2,603		0	2,603	89,272	1,266,657	16.44	77,047
15	WRANGELL		1,775		0	1,775	21,500	3,948,924	52.01	75,926
16	SKAGWAY		0		0	0	0	1,310,860	17.30	75,772
17	KAKE		63,179		0	63,179	6,684	1,750,624	23.24	75,328
18	JUNEAU		5,588		0	5,588	50,000	35,506,563	471.89	75,243
19	SITKA		96,865		0	96,865	0	11,296,068	150.53	75,042
20	KENAI		41,122		0	41,122	0	71,157,720	949.63	74,932
21	PETERSBURG		13,125		0	13,125	0	4,859,564	65.20	74,533
22	HAINES		9,815		0	9,815	0	3,123,900	42.01	74,361
23	KETCHIKAN		3,419		0	3,419	0	16,348,865	220.42	74,171
24	BRISTOL BAY		208,893		0	208,893	81,860	2,981,972	40.28	74,031
25	NOME		31,997		0	31,997	67,000	6,367,381	86.03	74,013
26	KLAWOCK		38,766		0	38,766	8,500	1,955,409	26.53	73,706
27	FAIRBANKS		4,279,980		125,000	4,404,980	100,000	93,698,523	1,313.15	71,354
28	ALEUTIANS EAST		334,692		0	334,692	64,000	4,957,064	69.95	70,866
29	DILLINGHAM		423,126		0	423,126	0	4,500,038	63.55	70,811
30	TANANA		63,775		0	63,775	0	1,435,004	20.32	70,620
31	YAKUTAT		38,638		0	38,638	0	1,643,821	23.43	70,159
32	ANNETTE ISLAND		60,000	1,263,722	160,000	1,423,722	0	3,024,170	43.24	69,939
33	ANCHORAGE		6,336,237		265,000	6,601,237	0	263,047,462	3,818.88	68,881
34	GALENA		135,368		0	135,368	0	1,803,970	26.22	68,801
35	NENANA		1,695		0	1,695	12,740	1,745,042	25.54	68,326
36	CRAIG		23,296		0	23,296	20,000	2,830,373	41.47	68,251
37	MAT-SU		13,725		0	13,725	150,000	71,098,900	1,042.00	68,233
38	KASHUNAMIUT		50,000	478,011	0	478,011	0	2,463,160	36.18	68,081
39	PELICAN		0		0	0	0	667,470	9.84	67,832
40	ST. MARY'S		85,830		0	85,830	0	1,440,330	21.57	66,775
41	LAKE AND PENN.		270,323		0	270,323	0	7,916,800	119.43	66,288
42	CORDOVA		24,734		0	24,734	35,000	3,576,590	54.19	66,001
43	KODIAK		1,448,364		0	1,448,364	64,000	18,423,107	280.71	65,648
44	ADAK		140,100	2,298,424	0	2,298,424	0	2,438,524	37.16	65,622
45	NW ARCTIC		1,193,884		0	1,193,884	415,168	20,057,382	306.43	65,455
46	BERING STRAIT		1,070,100	4,467,162	0	4,467,162	225,000	20,170,940	309.44	65,185
47	CHATHAM		40,000	588,013	100,000	688,013	24,000	3,380,530	52.73	64,110
48	YUKON FLATS		160,000	570,065	0	570,065	150,000	6,499,670	101.47	64,055
49	AK GATEWAY		95,000	444,493	0	444,493	140,000	5,596,290	87.89	63,674
50	YUPIIT		110,000	998,670	0	998,670	90,000	4,967,760	78.16	63,559
51	DELTA/GREELY		100,000	893,073	75,000	968,073	75,000	6,789,200	107.20	63,332
52	SOUTHWEST		235,000	967,582	0	967,582	0	7,244,510	114.91	63,045
53	IDITAROD		86,300	527,424	0	527,424	80,000	5,886,880	93.78	62,773
54	PRIBILOF		56,000	337,731	0	337,731	0	2,214,790	35.39	62,582
55	YUKON/KOYUKUK		105,000	979,352	0	979,352	80,000	8,048,510	128.91	62,435
56	LOWER YUKON		380,000	4,609,641	0	4,609,641	0	16,548,050	265.05	62,434
57	LOWER KUSKO.		850,000	5,240,546	0	5,240,546	0	38,954,260	624.66	62,361
58	DENALI		37,307		0	37,307	0	3,441,631	55.31	62,224
59	COPPER RIVER		93,000	126,732	0	126,732	7,500	5,450,810	87.71	62,146
60	CHUGACH		15,000	177,191	8,000	185,191	0	1,777,970	28.77	61,799
61	ALEUTIAN REGION		8,000	66,993	0	66,993	0	638,740	10.34	61,774
62	SOUTHEAST		47,800	483,473	0	483,473	10,669	4,735,949	76.68	61,763
63	KUSPUK		43,949	752,048	0	752,048	0	5,555,299	90.35	61,486
64	MI. EDGE CUMBE		0		0	0		1,727,520	28.32	61,000
65										
66										
67	TOTALS		\$3,745,249	\$42,077,928	\$733,000	\$42,810,928	\$2,067,893	\$870,086,197	12,309.54	HIGH 75,243
68									5%	LOW 62,361
69									615.48	DIFF 12,882
70										DISPARITY 20.66%

	A	B	C	D	E	F	G	H	I	J	K
1	ALASKA DEPARTMENT OF EDUCATION										
2	SCHOOL OPERATING FUND REVENUES										
3	COMPILED FROM FISCAL YEAR 1995 Budgets										
4											
5	<b>Preliminary Disparity Test FY95 - Includes Supplemental \$500 Unit Allocation to REAAs</b>										
6		FY95 Actual	Adjustments	Budgeted	Budgeted	SUB-TOTAL	Budgeted	Budgeted	Budgeted	Budgeted	SUB-TOTAL
7	SCHOOL	Foundation	Based on	State	Other State	STATE	City/Borough	Earnings on	Other Local	In-Kind	LOCAL
8	DISTRICT	Payments	budget	Tuition	Revenue	REVENUE	Appropriations	Investments	Revenue	Services	REVENUE
9											
10	NORTH SLOPE	10,003,231	0	0	40,000	10,043,231	27,863,000	0	50,000	0	27,913,000
11	VALDEZ	3,296,449	6,703	0	0	3,303,152	3,946,990	80,000	48,000	0	4,074,990
12	HOONAH	1,856,774	0	0	126,270	1,983,044	538,779	25,000	15,000	0	578,779
13	UNALASKA	1,686,016	5,552	0	200,690	1,892,258	1,385,800	20,000	35,936	0	1,441,736
14	HYDABURG	977,491	0	0	108,080	1,085,571	57,711	4,000	27,500	0	89,211
15	WRANGELL	2,638,591	0	0	151,890	2,790,481	1,086,168	5,000	15,000	29,000	1,135,168
16	SKAGWAY	696,726	0	0	119,560	816,286	488,574	6,000	0	0	494,574
17	KAKE	1,285,536	0	0	136,640	1,422,176	80,000	20,000	8,585	150,000	258,585
18	JUNEAU	22,481,943	0	110,000	0	22,591,943	12,776,000	0	83,032	0	12,859,032
19	SITKA	6,923,549	0	40,000	447,130	7,410,679	3,766,524	0	22,000	0	3,788,524
20	KENAI	44,172,161	0	272,800	0	44,444,961	20,601,573	0	75,000	5,995,064	26,671,637
21	PETERSBURG	3,196,745	0	1,818	199,470	3,398,033	1,429,406	15,000	4,000	0	1,448,406
22	HAINES	2,055,774	0	0	0	2,055,774	1,030,311	17,000	11,000	0	1,058,311
23	KETCHIKAN	9,624,799	0	40,000	28,500	9,693,299	6,347,993	14,000	10,154	280,000	6,652,147
24	BRISTOL BAY	1,522,798	0	0	0	1,522,798	933,421	20,000	15,000	200,000	1,168,421
25	NOME	4,724,803	0	13,645	264,740	5,003,188	1,117,906	30,000	117,290	0	1,265,196
26	KLAWOCK	1,520,331	0	0	166,460	1,686,791	97,500	35,000	56,452	32,400	221,352
27	FAIRBANKS	62,314,043	0	1,249,500	0	63,563,543	25,380,000	0	250,000	0	25,630,000
28	ALEUTIANS EAST	3,577,702	0	0	15,000	3,592,702	797,670	0	7,000	161,000	965,670
29	DILLINGHAM	2,944,758	0	10,000	250,100	3,204,858	685,054	30,000	157,000	0	872,054
30	TANANA	1,130,861	0	9,368	122,000	1,262,229	0	10,000	1,000	98,000	109,000
31	ANNETTE ISLAND	1,373,918	0	0	188,150	1,562,068	0	0	0	0	0
32	YAKUTAT	1,290,931	0	0	126,270	1,417,201	176,620	2,000	9,362	0	187,982
33	ANCHORAGE	179,878,890	0	960,000	983,500	181,822,390	71,773,335	1,751,500	1,099,000	0	74,623,835
34	GALENA	1,386,517	0	0	156,160	1,542,677	25,000	20,000	3,000	77,925	125,925
35	KASHUNAMIUT	1,728,969	0	0	224,270	1,953,239	0	0	0	0	0
36	NENANA	1,497,731	0	0	164,090	1,661,821	58,514	5,000	5,272	0	68,786
37	CRAIG	2,275,901	0	0	151,890	2,427,791	296,273	20,000	2,395	40,618	359,286
38	MAT-SU	55,397,110	0	0	0	55,397,110	15,462,862	0	75,203	0	15,538,065
39	PELICAN	544,061	0	0	56,730	600,791	53,179	3,000	10,500	0	66,679
40	ST. MARY'S	1,212,187	0	0	119,560	1,331,747	0	5,000	0	17,753	22,753
41	LAKE AND PENN.	6,741,477	0	0	0	6,741,477	750,000	135,000	20,000	0	905,000
42	ADAK	0	0	0	18,580	18,580	0	0	0	0	0
43	CORDOVA	2,581,326	0	0	217,160	2,798,486	699,529	10,341	8,500	0	718,370
44	BERING STRAIT	14,408,678	0	0	154,720	14,563,398	0	0	0	0	0
45	KODIAK	12,300,474	0	46,787	879,582	13,226,843	3,200,000	0	36,400	452,500	3,688,900
46	NW ARCTIC	16,268,410	0	0	0	16,268,410	846,708	275,000	300,000	758,212	2,179,920
47	CHATHAM	2,628,517	0	0	26,365	2,654,882	0	0	0	0	0
48	YUKON FLATS	5,619,605	0	0	50,735	5,670,340	0	0	0	0	0
49	AK GATEWAY	4,916,797	0	0	43,945	4,960,742	0	0	0	0	0
50	YUPIIT	3,769,090	0	0	39,080	3,808,170	0	0	0	0	0
51	DELTA/GREELY	5,646,127	0	0	53,600	5,699,727	0	0	0	0	0
52	SOUTHWEST	6,041,928	0	0	57,455	6,099,383	0	0	0	0	0
53	IDITAROD	5,193,156	0	0	46,890	5,240,046	0	0	0	0	0
54	PRIBILOF	1,821,059	0	0	17,695	1,838,754	0	0	0	0	0
55	YUKON/KOYUKUI	6,884,158	0	0	64,455	6,948,613	0	0	0	0	0
56	LOWER YUKON	11,538,409	0	0	132,525	11,690,934	0	0	0	0	0
57	LOWER KUSKO.	32,863,714	0	0	312,330	33,176,044	0	0	0	0	0
58	COPPER RIVER	5,223,578	0	0	43,855	5,267,433	0	0	0	0	0
59	CHUGACH	1,577,779	0	0	14,385	1,592,164	0	0	0	0	0
60	ALEUTIAN REGIC	563,747	0	0	5,170	568,917	0	0	0	0	0
61	SOUTHEAST	4,194,007	0	0	38,340	4,232,347	0	0	0	0	0
62	DENALI	3,046,313	0	0	0	3,046,313	346,011	12,000	0	0	358,011
63	KUSPUK	4,759,302	0	0	45,175	4,804,477	0	0	0	0	0
64	MI. EDGE CUMBE	1,727,520	0	0	0	1,727,520	0	0	0	0	0
65											
66											
67	TOTALS	\$595,552,467	\$12,255	\$2,753,918	\$6,809,192	\$605,127,832	\$204,098,411	\$2,569,841	\$2,578,581	\$8,292,472	\$217,539,305
68											
69											
70											

	L	M	N	O	P	Q	R	S	T	U	
1	ALASKA DEPARTMENT OF EDUCATION										
2	SCHOOL OPERATING FUND REVENUES										
3	COMPILED FROM FISCAL YEAR 1995 Budgets										
4											
5		REAA's	Adjusted	<b>Includes Supplemental \$500 Unit Allocation to REAAs</b>							
6		Budgeted	Deductible	Budgeted	SUB-TOTAL	Budgeted	FY95 Budgeted	FY95	Revenue		
7	SCHOOL	Other	Federal	Other Federal	FEDERAL	Fund	TOTAL	Adjusted	per Adjusted		
8	DISTRICT	Revenue	PL81-874	Revenue	REVENUE	Transfers In	REVENUES	Units	Unit		
9											
10	NORTH SLOPE		448,387	0	448,387	0	38,404,618	257.13	149,359		
11	VALDEZ		24,269	0	24,269	0	7,402,411	83.81	88,324		
12	HOONAH		99,705	0	99,705	0	2,661,528	33.59	79,236		
13	UNALASKA		7,100	0	7,100	0	3,341,094	43.17	77,394		
14	HYDABURG		2,603	0	2,603	89,272	1,266,657	16.44	77,047		
15	WRANGELL		1,775	0	1,775	21,500	3,948,924	52.01	75,926		
16	SKAGWAY		0	0	0	0	1,310,860	17.30	75,772		
17	KAKE		63,179	0	63,179	6,684	1,750,624	23.24	75,328		
18	JUNEAU		5,588	0	5,588	50,000	35,506,563	471.89	75,243	High	
19	SITKA		96,865	0	96,865	0	11,296,068	150.53	75,042		
20	KENAI		41,122	0	41,122	0	71,157,720	949.53	74,932		
21	PETERSBURG		13,125	0	13,125	0	4,859,564	65.20	74,533		
22	HAINES		9,815	0	9,815	0	3,123,900	42.01	74,361		
23	KETCHIKAN		3,419	0	3,419	0	16,348,865	220.42	74,171		
24	BRISTOL BAY		208,893	0	208,893	81,860	2,981,972	40.28	74,031		
25	NOME		31,997	0	31,997	67,000	6,367,381	86.03	74,013		
26	KLAWOCK		38,766	0	38,766	8,500	1,955,409	26.53	73,706		
27	FAIRBANKS		4,279,980	125,000	4,404,980	100,000	93,698,523	1,313.15	71,354		
28	ALEUTIANS EAST		334,692	0	334,692	64,000	4,957,064	69.95	70,866		
29	DILLINGHAM		423,126	0	423,126	0	4,500,038	63.55	70,811		
30	TANANA		63,775	0	63,775	0	1,435,004	20.32	70,620		
31	ANNETTE ISLAND	60,000	1,263,722	160,000	1,423,722	0	3,045,790	43.24	70,439		
32	YAKUTAT		38,638	0	38,638	0	1,643,821	23.43	70,159		
33	ANCHORAGE		6,336,237	265,000	6,601,237	0	263,047,462	3,818.88	68,881		
34	GALENA		135,368	0	135,368	0	1,803,970	26.22	68,801		
35	KASHUNAMIUT	50,000	478,011	0	478,011	0	2,481,250	36.18	68,581		
36	NENANA		1,695	0	1,695	12,740	1,745,042	25.54	68,326		
37	CRAIG		23,296	0	23,296	20,000	2,830,373	41.47	68,251		
38	M.T-SU		13,725	0	13,725	150,000	71,098,900	1,042.00	68,233		
39	PELICAN		0	0	0	0	667,470	9.84	67,832		
40	ST. MARY'S		85,830	0	85,830	0	1,440,330	21.57	66,775		
41	LAKE AND PENN.		270,323	0	270,323	0	7,916,800	119.43	66,288		
42	ADAK	140,100	2,298,424	0	2,298,424	0	2,457,104	37.16	66,122		
43	CORDOVA		24,734	0	24,734	35,000	3,576,590	54.19	66,001		
44	BERING STRAIT	1,070,100	4,467,162	0	4,467,162	225,000	20,325,660	309.44	65,685		
45	KODIAK		1,448,364	0	1,448,364	64,000	18,428,107	280.71	65,648		
46	NW ARCTIC		1,193,884	0	1,193,884	415,168	20,057,382	306.43	65,455		
47	CHATHAM	40,000	588,013	100,000	688,013	24,000	3,406,895	52.73	64,610		
48	YUKON FLATS	160,000	570,065	0	570,065	150,000	6,550,405	101.47	64,555		
49	AK GATEWAY	95,000	444,493	0	444,493	140,000	5,640,235	87.89	64,174		
50	YUPIIT	110,000	998,670	0	998,670	90,000	5,006,840	78.16	64,059		
51	DELTA/GREELY	100,000	893,073	75,000	968,073	75,000	6,842,800	107.20	63,832		
52	SOUTHWEST	235,000	967,582	0	967,582	0	7,301,965	114.91	63,545		
53	IDITAROD	86,300	527,424	0	527,424	80,000	5,933,770	93.78	63,273		
54	PRIIBILOF	56,000	337,731	0	337,731	0	2,232,485	35.39	63,082		
55	YUKON/KOYUKUK	105,000	979,352	0	979,352	80,000	8,112,965	128.91	62,935		
56	LOWER YUKON	280,000	4,609,641	0	4,609,641	0	16,680,575	265.05	62,934		
57	LOWER KUSKO.	850,000	5,240,546	0	5,240,546	0	39,266,590	624.66	62,861	Low	
58	COPPER RIVER	93,000	126,732	0	126,732	7,500	5,494,665	87.71	62,646		
59	CHUGACH	15,000	177,191	8,000	185,191	0	1,792,355	28.77	62,299		
60	ALEUTIAN REGION	8,000	66,993	0	66,993	0	643,910	10.34	62,274		
61	SOUTHEAST	47,800	483,473	0	483,473	10,669	4,774,289	76.68	62,263		
62	DENALI		37,307	0	37,307	0	3,441,631	55.31	62,224		
63	KUSPUK	43,949	752,048	0	752,048	0	5,600,474	90.35	61,986		
64	MI. EDGE CUMBE		0	0	0	0	1,727,520	28.32	61,000		
65											
66											
67	TOTALS	\$3,745,249	\$42,077,928	\$733,000	\$42,810,928	\$2,067,893	\$871,291,207	12,309.54	HIGH 75,243		
68								5%	LOW 62,861		
69								615.48	DIFF 12,382		
70									DISPARITY 19.70%		

DEPARTMENT OF EDUCATION  
PUPIL TRANSPORTATION  
FY97 PROJECTION  
UPDATED 2/13/96

DISTRICT	FY96 ESTIMATED ENTITLEMENT	FY97 ESTIMATED ENTITLEMENT	FY97 GOVERNOR'S BUDGET	DIFFERENCE
ADAK	\$0.00	\$0.00	\$0.00	\$0.00
ALASKA GATEWAY	482,824.89	485,660.95	441,406.90	(44,254.05)
ALEUTIANS EAST	46,574.91	46,848.49	42,579.60	(4,268.89)
ANCHORAGE	9,538,628.55	9,594,657.31	8,720,379.80	(874,277.51)
ANNETTE ISLAND	12,069.72	12,140.62	11,034.35	(1,106.27)
BERING STRAITS	37,094.59	37,312.48	33,912.52	(3,399.96)
BRISTOL BAY	208,129.47	209,352.00	190,275.57	(19,076.42)
CHATHAM	7,542.27	7,586.57	6,895.27	(691.30)
COPPER RIVER	548,300.85	551,521.50	501,266.15	(50,255.35)
CORDOVA	56,305.62	56,636.35	51,475.58	(5,160.78)
CRAIG	17,324.69	17,426.45	15,838.53	(1,587.92)
DELTA/GREELY	907,729.32	913,061.21	829,861.90	(83,199.31)
DENALI	285,967.01	287,646.75	261,436.01	(26,210.74)
DILLINGHAM	311,176.31	313,004.13	284,482.79	(28,521.34)
FAIRBANKS	4,990,899.93	5,259,875.88	4,780,589.23	(479,286.65)
GALENA	36,622.42	36,837.54	33,480.86	(3,356.68)
HAINES	162,070.03	163,022.01	148,167.23	(14,854.77)
HOONAH	36,366.21	36,579.82	33,246.62	(3,333.20)
HYDABURG	3,917.45	3,940.46	3,581.40	(359.06)
IDITAROD	44,733.50	44,996.26	40,896.14	(4,100.12)
JUNEAU	1,492,586.39	1,501,353.66	1,364,548.39	(136,805.28)
KAKE	26,407.61	26,562.72	24,142.29	(2,420.43)
KASHUNAMIUT	2,922.63	2,939.80	2,671.92	(267.88)
KENAI PENINSULA	3,217,102.75	3,235,999.62	2,941,131.18	(294,868.45)
KETCHIKAN	839,004.09	843,932.30	767,032.11	(76,900.20)
KLAWOCK	7,219.58	7,261.99	6,600.27	(661.72)
KODIAK	625,609.42	629,284.17	571,942.99	(57,341.18)
KUSPUK	104,782.44	105,397.92	95,793.93	(9,603.99)
LAKE & PENINSULA	104,888.14	105,504.24	95,890.56	(9,613.68)
LOWER KUSKOKWIM	258,665.79	260,185.16	236,476.76	(23,708.41)
LOWER YUKON	24,235.92	24,378.28	22,156.90	(2,221.38)
MAT-SU	5,686,803.40	5,692,439.00	5,173,736.64	(518,702.36)
NENANA	109,315.19	109,957.29	99,937.84	(10,019.45)
NOME	206,943.18	208,158.74	189,191.04	(18,967.69)
NORTH SLOPE	352,675.51	354,747.09	322,422.08	(32,325.01)
PELICAN	1,624.10	1,633.64	1,484.78	(148.86)
PETERSBURG	120,252.70	120,959.05	109,937.11	(11,021.94)
SITKA	370,355.05	372,530.47	338,585.01	(33,945.46)
SKAGWAY	5,964.47	5,999.50	5,452.82	(546.68)
SOUTHEAST ISLAND	166,426.30	167,403.87	152,149.82	(15,254.06)
SOUTHWEST REGION	61,844.61	62,207.88	56,539.42	(5,668.46)
TANANA	19,706.26	19,822.02	18,015.81	(1,806.21)
UNALASKA	165,246.62	166,217.26	151,071.33	(15,145.93)
VALDEZ	291,668.53	293,381.75	266,648.43	(26,733.32)
WRANGELL	121,758.96	122,474.16	111,314.16	(11,160.00)
YAKUTAT	55,748.82	56,076.29	50,966.54	(5,109.74)
YUKON FLATS	63,905.86	64,281.23	58,423.84	(5,857.39)
YUKON/KOYUKUK	104,247.93	104,860.27	95,305.27	(9,555.00)
GROWTH FACTOR*	500,000.00	500,000.00	454,439.36	(45,560.64)
TOTALS	\$32,842,190.00	\$33,244,056.14	\$30,214,815.00	(\$3,029,241.14)

\* GROWTH FACTOR IS AN ESTIMATED AMOUNT TO COVER ADDITIONAL COSTS DUE  
TO ENROLLMENT INCREASES, POPULATION SHIFTS AND NEW CONTRACTS.  
FAIRBANKS PROJECTED COST INCLUDES ONE NONPUBLIC BUS.

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

DIVISION OF ADMINISTRATIVE SERVICES

TONY KNOWLES, GOVERNOR

P.O. BOX 110208  
JUNEAU, ALASKA 99811-0208  
PHONE: (907) 465-2277  
FAX: (907) 465-2135

February 15, 1996

The Honorable Mark Hanley, Co-Chair  
House Finance Committee  
Alaska State Capitol  
Juneau, Ak 99801

Dear Representative Hanley:

You have asked for additional information about the Office of Public Advocacy supplemental request. You noted that our supplemental request added to FY 96 Authorized exceeds our FY 97 request by \$20.0. I appreciate the opportunity to correct what I believe is a misunderstanding.

In fact the numbers are as follows:

FY 96 Authorized	7,239.6
FY 97 Gobs Request	7,605.6
Variance	366.0
FY 96 Supplemental request	356.4

The misunderstanding may arise from the shortform. The pink sheets in front of the shortform correct or add to certain information in the white pages. Read alone the white pages would lead to your conclusion.

Our best projections at this time do indicate the need for the full \$356.4 supplemental request.

As to your question about whether the Governor's budget will fully fund OPA for FY 97, we are still carefully monitoring caseload trends, particularly in Anchorage and the MatSu. While we are not ready to request an additional increase to the OPA budget for FY 97, OPA may need additional funding if current trends continue.

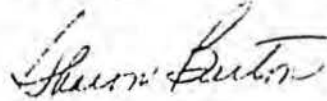
Representative Mark Hanley

-2-

February 15, 1996

Please let me know if you need any additional information.

Sincerely,



Sharon Barton  
Director

cc: House Finance Committee members

Mark Boyer  
Commissioner

Annalee McConnell  
Director  
Office of Management & Budget

Brant McGee  
Director/Office of Public Advocacy

LAW OFFICES OF  
ALASKA LEGAL SERVICES CORPORATION  
ANCHORAGE AND STATEWIDE OFFICE  
1016 WEST SIXTH AVENUE, SUITE 200  
ANCHORAGE, ALASKA 99501-1963  
TELEPHONE (907) 278-6282  
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February 15, 1996

Honorable Mark Hanley  
House of Representatives  
State Capitol  
Juneau, AK 99801-1182

Mail & Telefax

Re: Alaska Legal Services Corporation - Supplemental Appropriations HB 468

Dear Representative Hanley:

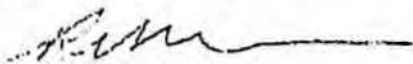
The presentation to the committee and apparently the back-up provided to the committee regarding the appropriation at Section 3(f) & (g) of the Supplemental were misleading.

The only issue in this bill is the willingness of both parties to agree to a reduced sum of money that will eliminate ongoing litigation. The liability to pay the fees and costs is not in question and the settlement of the fee dispute will have no bearing on other matters raised in any of the cases. The idea of the appropriation is to reduce the State's potential liability for fees and costs from about \$306,000 to \$200,000. The bargain from Alaska Legal Services Corporation's point of view, is that the work of representing other poor clients in other cases, can continue more quickly if the fee issues in *Sorenson*, *Quinhagak*, and *Decker* are bundled in a one time resolution. Also, if the federal government shares liability with the state for a portion of the fees in *Quinhagak*, the apportionment would be totally unaffected by this agreement.

I am unable to attend your hearing, if you have additional questions please call me at (907) 276-6282.

Very truly yours,

ALASKA LEGAL SERVICES CORPORATION



Robert K. Hickerson  
Executive Director

/rkh

**NATIONAL AVERAGE  
FACULTY SALARY FOR PUBLIC TO YEAR COLLEGES  
1994-1995\***

	NATIONAL AVG SALARY	NATIONAL AVG COMPENSATION
AAUP Category III (Two Year w/rank)	\$41,230	\$52,820

UA - ACCFT	UA AVERAGE SALARY	NATIONAL AVG. SAL	DIF	UA AVG. COMP	NATIONAL AVG. COMP	DIF
Anchorage (116)	\$50,139	\$41,230	122%	\$65,080	\$52,820	123%
Kenai (26)	\$50,288	\$41,230	122%	\$65,274	\$52,820	124%
Homer (3)	\$42,703	\$41,230	104%	\$55,428	\$52,820	105%
Kodiak (8)	\$55,977	\$41,230	136%	\$72,658	\$52,820	138%
Mat-Su (13)	\$51,405	\$41,230	125%	\$66,724	\$52,820	126%
PWSCC (6)	\$55,878	\$41,230	136%	\$72,530	\$52,820	137%
Bristol Bay (3)	\$45,416	\$41,230	110%	\$58,950	\$52,820	112%
Chukchi (3)	\$55,103	\$41,230	134%	\$71,524	\$52,820	135%
Kuskokwim (16)	\$54,202	\$41,230	131%	\$70,354	\$52,820	133%
Northwest (7)	\$53,835	\$41,230	131%	\$69,878	\$52,820	132%
Tanana Valley (18)	\$44,575	\$41,230	108%	\$57,858	\$52,820	110%
Juneau (7)	\$43,831	\$41,230	106%	\$56,893	\$52,820	108%
Ketchikan (5)	\$48,009	\$41,230	116%	\$62,316	\$52,820	118%
Fairbanks (1)	\$41,336	\$41,230	100%	\$53,654	\$52,820	102%
Interior/Aleutian (1)	\$35,771	\$41,230	87%	\$46,431	\$52,820	88%
Military (1)	\$28,285	\$41,230	69%	\$36,714	\$52,820	70%
<b>TOTAL - ACCFT (242)</b>	<b>\$49,661</b>	<b>\$41,230</b>	<b>120%</b>	<b>\$64,460</b>	<b>\$52,820</b>	<b>122%</b>

WILLIAM L. CORBETT, ARBITRATOR

IN THE MATTER OF THE ARBITRATION	)	
BETWEEN:	)	
ALASKA COMMUNITY COLLEGES'	)	
FEDERATION OF TEACHERS,	)	
LOCAL 2404,	)	
	)	DECISION AND AWARD
THE UNION,	)	
	)	
AND	)	
	)	
UNIVERSITY OF ALASKA,	)	
	)	
THE UNIVERSITY/EMPLOYER.	)	

Appearances:

For the Union:

William K. Jermain  
 Jermain, Dunnagan & Owens, P.C.  
 3000 A Street, Suite 300  
 Anchorage, AK 99503

For the Employer:

Thomas P. Owens Jr.  
 Owens & Turner, P.C.  
 1500 W. 33rd Avenue, #200  
 Anchorage, AK 99503

The arbitration hearing in this matter was held during a portion of the week of January 9-14, 1995, in Anchorage, Alaska. The parties stipulated to the jurisdiction of the arbitrator, presented evidence, argument, and agreed to file post-hearing briefs. Timely briefs were received from both parties.

## I. Issue and Background

### A. The Issue

The parties stipulated to the issue:

Did the adoption by the Board of Regents of Policies/Regulations regarding program assessment, financial exigency, compensation and governance violate the collective bargaining agreement and, if so, what is the appropriate remedy?

### B. Background

The University of Alaska is governed by a Board of Regents and administered by a president. In the 1970s the University of Alaska system consisted of three major campuses at Fairbanks, Anchorage and Juneau, as well as the community college system. Since the early 1970s, the Alaska Community Colleges' Federation of Teachers, Local 2404 ("the Union") has represented faculty at the community colleges.

In 1987, the Board of Regents was faced with a financial crisis and reorganized the University system. Of significance to the current dispute was the Regent's merger of twelve (12) of the thirteen (13) community colleges into the University system. The one exception was the Prince William Sound Community College located at Valdez, where there were seven bargaining unit members. The Board continued to recognize the Union as the bargaining representative of the seven Valdez employees, but after the reorganization, the Board considered the remainder of the community college faculty to be merged into the non-represented University faculty. The result of the reorganization was that the bargaining unit was reduced from three hundred (300)

to seven (7) employees.

The Union filed a series of grievances after the reorganization. The arbitrations of these grievances were conducted by Arbitrator Tim Bornstein and are referred to as Bornstein I, II and III.

In Bornstein I, the Union challenged the right of the Board to merge or eliminate the twelve (12) community college campuses, arguing that this change of policy conflicted with the collective bargaining agreement. In the old agreement, a provision existed similar to the one contained in the current agreement, Article 12, precluding policy changes which conflict with the agreement.

In Bornstein I, Arbitrator Bornstein ruled that the Board could change policy which resulted in the elimination of twelve (12) community colleges because the Union had agreed to a provision in the contract authorizing the Board to delete any community college campus.

In Bornstein II, the arbitrator ruled that the Board had violated the agreement by withdrawing recognition of the three hundred (300) community college faculty, and ordered the University to again bargain with the Union. Bornstein identified the bargaining group as a "teaching unit."

Bornstein III dealt with remedies resulting from the decision in Bornstein II.

Considerable time elapsed between these Bornstein decisions and it was not until May 8, 1992, that a new collective bargaining agreement was reached between the University and the

Union. Because no successor agreement has been negotiated, that contract remains in effect.

In 1994, the Board perceived another financial crisis. The Board adopted a process for evaluation from the report of a University task force. The process was incorporated into new Board policies (and regulations). In the current dispute, the Union challenges those new Board policies and regulations which affect: (1) program assessment, (2) financial exigency, (3) campus governance, and (4) compensation.

## II. Discussion

### A. Program Assessment and Financial Exigency---The Challenged Policies and/or Regulations--Changes Relating to Chapter IV of the Board's Policies and Regulations Referenced therein Are Permitted Under the Collective Agreement.

The Board's new policies affecting program assessment and financial exigency involve a portion of the collective agreement that incorporates specific Board policies.

The relevant portions of the collective agreement are Articles 6.1 and 6.5. The first, Article 6.1, titled "Faculty Member Appointment, Review, Promotion, Tenure and Sabbatical Leave," states:

The parties agree that the terms of Chapter IV of the Board of Regents policy entitled "Faculty Appointment, Review, Promotion, Tenure, and Sabbatical Leave" and all Regents policies and University regulations referenced there in as contained in the policies of the Board of Regents dated July 1, 1989, as amended to the date of this Agreement, shall apply to the Faculty Members. Additionally, the policies and regulations of the respective campuses implementing Chapter IV as approved by the Board of Regents as of the date of this Agreement shall apply to the Faculty Members based on the Faculty Member's corresponding campus assignment.

Notwithstanding the foregoing, the appeal processes provided for in such procedures shall not apply to Faculty Members, but instead, the provisions of Article 4 of the Agreement shall control.

The second provision, Article 6.5, titled "Nonretention and Termination," is identical to Article 6.1. The parties simply twice agreed to adopt Chapter IV of the Board's policies and all referenced policies and regulations.

The reason for repeating the paragraph was to make clear that Chapter IV governs both Faculty Member appointment, review, promotion, tenure and sabbatical leave and Faculty Member nonretention and termination. Both of these issues are affected by program assessment and by a declaration of financial exigency.

The relevant portions of Chapter IV which govern program assessment references, and thereby incorporates into the collective agreement, regulation 10.02.07. The relevant portion of Chapter IV which addresses financial exigency references, and thereby incorporates into the collective agreement, policy 04.06.09 and relevant regulations.

Chapter IV of the Board's policies, as it existed on the date the collective agreement was executed, May 8, 1992, contained a provision that specifically allowed the Board to amend the policies at its sole discretion:

Construction. These Policies shall constitute rules of the Board of Regents for the governance of the university system and the institutions therein, regulating the matters contained herein as authorized by law. Nothing contained in these Policies shall be construed to restrict the power of the Board of Regents to periodically alter, amend, revise or repeal the provisions hereof in whole or in part from time to time. (emphasis added).

The University argues that by agreeing to include a provision that authorizes the Board to periodically alter, amend, revise or repeal Chapter IV in whole or in part from time to time, the University and the Union agreed that the Board could make changes in Chapter IV. The University acknowledges that, pursuant to Article 12.1(B) of the collective agreement, any changes in Board policy may not "conflict" with the collective agreement.

Article 12.1(B) provides:

The University shall make no change of policy, regulation or rule conflicting with matters in this Agreement during the period that this Agreement is in force, except through agreement with the Union.

Thus, the University argues that the Board may change Article IV but that such changes may not "conflict" with the specific provisions of the collective agreement. Absent a specific conflict with contract language, the Board may change Article IV of its policies and the changes are, pursuant to Articles 6.1 and 6.5 of the collective agreement, read into the collective agreement.

The University argues that the purpose of the Article 12.1(B) language providing that the University may not make any "change of policy, regulation, or rule conflicting with matters in this Agreement . . ." meant only that where there was specific contract language, the Board could not change its policies, regulations or rules in a manner that conflicted with that contract language. It cited as an example of such a potential conflict, the provision in Articles 6.1 and 6.5 of the collective

agreement that states that the collectively bargained "appeal procedure" of Article 4 of the contract shall apply rather than the "appeal procedure" of Chapter IV of the Board's policy. The University acknowledges that the Board could not change its policies, regulations or rules in any manner that would conflict with this specific contract mandate.

The Union's interpretation of Articles 6.1, 6.5 and 12.1(B) of the collective agreement substantially differ from that of the University. The Union argued that Articles 6.1 and 6.5 were intended to incorporate Chapter IV of the Board's policies as it existed on the date the collective agreement was entered, and, while consistent with that language, the Board thereafter could make changes in Chapter IV policies only as long as such changes did not conflict with the existing language. Thus, the redrafting of Board policies and regulations could occur, and clarifications could be made, but the new language in the policies/regulations could not conflict with the prior language.

It is determined that the University's interpretation is correct.

Frequently, public sector collective bargaining agreements incorporate state or federal law, including policies and regulations of administrative agencies. This is done because the collective agreement must conform with state or federal law, or because the parties desire to incorporate external law as part of their collective agreement. When parties incorporate external law as part of their agreement, absent clear intent to the

contrary, the incorporated law should be construed in the same manner as in the absence of the contract. This assures that the external law, whether incorporated in a contract or not, is given a consistent construction.

In the instant case, it is undisputed that Chapter IV of the Board's policies allowed the Board to amend the policies at its sole discretion. When the parties incorporated Chapter IV into their collective agreement, the incorporation did not change that construction. Thus, Articles 6.1 and 6.5 of the parties' collective agreement, which incorporates Chapter IV of the Board's policies, are to be read to authorize the Board to amend its policies at its sole discretion. The intent of the parties was that whenever the Board changes Chapter IV, the collective agreement will automatically conform to those changes and be read consistent with those changes.

The parties, in Article 12(B) of their agreement, provided that the University may not make any change in policy, regulation or rule "conflicting with matters in this Agreement . . . ." When generally applied to the parties' collective agreement, the intent of this provision was to assure that the University could not, by policy, regulation or rule, unilaterally withdraw or nullify any rights accorded to unit members by the collective agreement. However, when the provision is applied to Articles 6.1 and 6.5, a slightly different interpretation is required because those two articles specifically provide that the Regents may change the policies contained in Chapter IV. The only

limitation on such a change is that the change may not conflict with specific provisions contained in the collective agreement. An example is the contract provision that states the method of "appeal" is to be pursuant to the contract grievance procedure rather than the appeal procedure established by Chapter IV.

Even if the collective agreement did not allow the University to change Chapter IV of its policies, it is determined that the new policy on Program Assessment does not conflict with the old. Alternatively, it is determined that the new policy on Financial Exigency does conflict, in part, with the former policy. These two issues will be discussed separately.

#### 1. Program Assessment

Even assuming that the above construction is incorrect, it is determined that the Board action regarding Program Assessment did not conflict with prior Board action.

As noted above, Article 6.5 of the collective agreement deals with faculty "Nonretention and Termination." That article adopts in whole (with the exception for grievances) Chapter IV of the Board's policies "and all Regent policies and University regulations referenced therein." Section 04.04.04(C)(5) of Chapter IV references Regulation 10.02.07, which is incorporated into Article 6.5 of the parties' collective agreement.

On June 3, 1994, the Board adopted Policy 10.02.07. It is undisputed that the Policy is to take precedence over Regulation 10.02.07, and constitutes an alternative to the program review process set forth in the Regulation. The issue is whether,

pursuant to Article 12.1(b) of the collective agreement, the Policy "conflicts" with the Regulation.<sup>1</sup>

While the words "conflict" and "conflicting" have, depending on their usage, many definitions, reference to Webster's Third New International Dictionary, Ballentine's Law Dictionary and Black's Law Dictionary reveals as synonymous "incompatible" or "irreconcilable." Using these terms, the issue is whether the Policy is incompatible or irreconcilable with the Regulation.

The Union argued that the Policy and the Regulation conflicted. The University acknowledged that while the Policy was more detailed than the Regulation it argued there was no conflict between the two. The University asserted that the only way a conflict could appear is if the Policy authorized something prohibited by the Regulation, or if the Policy prohibited something authorized by the Regulation. It claims that the Policy does neither.

The Union argued that the documents conflict because: (1) The purpose of the original regulation was for "budgeting and planning" whereas the purpose of the new policy is to achieve "sustainable spending reductions"; (2) The original regulation provided for review campus by campus, whereas the new policy includes systemwide review; (3) The process or review was

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<sup>1</sup> As noted, Article 12.1(B) of the collective agreement provides that "the University shall make no change of policy, regulation or rule conflicting with matters in this Agreement." The collective agreement incorporated the regulation. Any change in Board policy or regulation that conflicts with that regulation is prohibited by Article 12.1(B) of the collective agreement.

initiated by the Chancellors under the original regulation, whereas the new policy places that authority in the President;

(4) The stages of review, rather than mandated by each Chancellor, are now directed in the policy; (5) The criteria used in a review are different in the policy than those in the regulation; (6) apart from procedural changes, the substantive change is that the new policy will affect people differently than the regulation. While everything the Union alleges is to some extent true, it is determined that the policy does not authorize something prohibited by the regulation, nor does the policy prohibit something authorized by the regulation. Indeed, everything permitted by the policy may be accomplished under the regulation. The two are not incompatible or irreconcilable.

It is true that the purpose of the regulation was for "budgeting and planning," but included within the concept of "budgeting and planning" is the necessity, as stated in the regulation of "bring[ing] the University's programs into balance with its resources and enabl[ing] it to continue to meet its responsibilities to the people of the Alaska. . . ." The policy merely recognizes that "[t]he demands on the University of Alaska . . . have grown steadily during the last few years, while income has not kept pace. . . ." Because of this budgetary imbalance there is a need to "identify sustainable spending reductions." Given the current budgetary imbalance, achieving spending reductions is nothing more than "budgeting and planning" in the context of the current economic climate.

While the policy provides that the review process is initiated by the President, rather than the Chancellors, and that the review process now specifically includes a systemwide element, these changes do not authorize something prohibited by the regulation. The regulation placed the responsibility for program review with the Board of Regents. The policy continues to place this responsibility with the Board. Under the regulation the Board delegated the initial action to the Chancellors and directed the Chancellors to report their findings and recommendations to the Board, and the Board could have used those findings and conclusions as the basis for a systemwide review. Indeed, the suggested elements from the regulation that guide the review process require the Chancellors to address the program review "to the mission, needs and purpose of the university and the unit," "the statewide system," "the needs of the state and/or nation," and "comparable programs." Clearly, the Regents could use the Chancellors' reports to assess the entire system. The policy merely recognizes this fact and states a procedural process for doing so. The fact that the policy specifically draws upon the President to direct the process rather than the individual Chancellors is due to the increased awareness that "budgeting and planning" by the Regents must include systemwide review. Nothing in the regulation prohibits the Regents from engaging in such a review.

The Union correctly states that the stages of the review process are directed in the policy, and not, as under the

regulation, left to the Chancellors, and that the policy directs different review criteria than that specified in the regulation. However, these changes do not authorize something prohibited by the regulation or prohibit something authorized by the regulation.

The regulation states that "[e]ach chancellor shall be responsible for setting an academic program review process in place at his/her campus or unit." The policy specifically states that "[e]ach MAU is expected to adopt a review process that is appropriate . . . ." Thus, the review process under both the regulation and the policy is to be tailored on need. The only thing that the policy does that the regulation does not is to provide that there are four stages in the review process: Preparation, MAU Review and Recommendation, Systemwide Review and Recommendation, and Board of Regents' Action. Nothing in these steps authorize something prohibited by the regulation or prohibit something authorized by the regulation.

The preparation step is just that, preparation. The identification of programs, issues, and common data elements to be considered in the review. There is nothing in this step that is incompatible or irreconcilable with the regulation. The second step is the MAU review. The only direction regarding process at this step is that it should be "appropriate" and consider the recommendations of the constituents of the MAU. There is nothing incompatible or irreconcilable with the regulation.

The next step requires Systemwide Review and Recommendation. As noted above, the regulations authorize the Regents to consider systemwide review as an element of "budgeting and planning." A step in the review process that speaks to this activity is consistent with systemwide budgeting and planning.

The final step is "Board of Regents' Action." Clearly, there is nothing required by this step that is not required by the regulations. In total, the four step process from the policy is not incompatible or irreconcilable with the regulation.

There is no conflict between the regulation and the policy regarding the elements for evaluating academic programs. The regulation "suggests" certain elements that should be employed in the review process. Each of these suggested elements have been incorporated in the policy.<sup>2</sup> Thus, it can not be argued that the policy does not address the criteria from the regulation. Also the policy does not limit the consideration of other relevant criteria, because the policy notes that its criteria do "not include all considerations which may be applicable to individual programs." Therefore, the policy neither under represents the suggested criteria from the regulation, nor does

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<sup>2</sup> Suggested Element A from the regulation is incorporated into Elements 1(a), 1(b), 3(b) and 3(f) of the policy. Suggested Element B of the regulation is incorporated into Elements 1(d), 3(a), 3(e), 3(f), and 4(a) of the policy. Suggested Element C of the regulation is incorporated into Elements 1(c), 2(c), 2(d), 3(b), 3(c) and 4(b) of the policy. Suggested Element D of the regulation is incorporated into Element 1(e) of the policy. Suggested Element E of the regulation is incorporated into Elements 1(b), 2(d), 3(d) and 4(c) of the policy. Suggested Element F of the regulation is incorporated into Elements 1(e) and 3(b) of the policy.

it eliminate the flexibility found in the regulation to develop and apply appropriate criteria not specifically found in the policy.

Finally, the Union argued that apart from the procedural differences in the regulation and the policy, substantial substantive differences will result from the policy as compared to the regulation. While there may be substantive outcome differences under the policy compared with how the regulation was previously administered, the regulation contained enough flexibility that if it were administered to address sustained budgetary shortfalls, the outcome under the regulation could be identical or substantially similar to that under the policy. Anything that may be accomplished under the regulation, may be accomplished under the policy, and vice versa. There is no conflict.

## 2. Financial Exigency

The Board revised its financial exigency policy which is incorporated in the collective agreement under Articles 6.1 and 6.5. As discussed above, contract Articles 6.1 and 6.5 incorporate Chapter IV, and Policy 04.04.04(C)(7) incorporates Policy 04.09, the financial exigency policy. The other provisions of the collective agreement that are relevant to the revision of policies and regulations on financial exigency are: (1) Article 12.1(B)--the University shall make no change in policy or regulation that conflicts with the collective agreement; (2) Article 6.2(C)--employees terminated in the event

of financial exigency shall retain but no accrue seniority for the first three years following the termination; and (3) Article 6.2(D)--that an employee terminated based on financial exigency shall lose seniority and all reemployment rights after three years.

The changes begin with section 04.09.06.<sup>3</sup> This section, which was incorporated in to the collective agreement through Chapter IV, was rewritten to add a section emphasizing that the policy was controlling in the case of financial exigency, and to eliminate the requirement that the General Assembly be consulted 45 days prior to declaring a financial exigency.<sup>4</sup> Other changes include substituting the Board as the entity that determines financial exigency rather than the president;<sup>5</sup> recognition that financial exigency may exist in a major administrative unit or an academic or other unit of a major administrative unit;<sup>6</sup> revising

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<sup>3</sup> The Union cited the following changes: (1) who declared a financial exigency; (2) who was consulted in declaring a financial exigency; (3) what findings were necessary to declare a financial exigency; (4) the timing of such declaration; (5) the order of termination of positions; and (6) the grievance rights of terminated faculty.

<sup>4</sup> The new policy contains no notice to governing bodies.

<sup>5</sup> Whether the Board or the president declares financial exigency is not significant. It is very, very unlikely that a president would declare financial exigency without the backing of the Board.

<sup>6</sup> While the new policy provided that in addition to the "University," financial exigency may exist within a "unit" of the University, this change is not inconsistent with the prior policy. A determination that financial exigency exists within the University, does not necessarily result in the conclusion that any reduction must be systemwide. Even under the former policy a reduction may "impact" one unit more severely than others. The

the action that may be taken after a declaration of financial exigency;<sup>7</sup> modification regarding the "declaration" of financial exigency;<sup>8</sup> rewriting order for termination based on financial exigency;<sup>9</sup> and revising when and how the president may depart from the order for termination<sup>10</sup>.

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new policy merely give recognition to the conclusion.

<sup>7</sup> In addition to the reduction or elimination of services, programs or positions in a financial exigency, the new policy provides for modification, reduction or closure of major administrative units, academic or administrative units of major administrative units, and the recognition that such modifications, reduction and closures by require the unilateral reduction of employee salaries and modification of the terms of employee appointments. These changes certainly go beyond that previously provided.

<sup>8</sup> Of potential concern is the elimination of the word "appropriate" from 04.09.06(4). The prior policy required that prior to a reduction in services, programs and positions a "declaration" shall make a finding that "appropriate efforts" have been made to reduce costs without any such reductions. The new policy requires a declaration that "shall describe the efforts" taken to reduce costs. While the word "appropriate" is not included in the new policy, it is reasonable that the new policy language "description of efforts taken" implicitly speaks to "appropriate" efforts.

<sup>9</sup> The prior policy specifically included "persons employed less than 50% of full time" with in the first group facing elimination, the new policy does not specifically address this group of employees. The new policy groups together "term appointments" and "continuing appointments," groups that were treated separately and consecutively under the old policy. The last group facing elimination under the old policy was "full-time employees who have tenure," whereas, under the new policy the last group is "tenured faculty." Additionally, under the old policy the elimination of positions and the order in which employees would be terminated was not limited to "affected units."

<sup>10</sup> In the bargained policy, the order of priorities could be changed for "good cause," and that term was specifically defined. The new policy makes drafting changes regarding the right to depart from the priority order, but they do not conflict

Some of these changes certainly conflict with the prior policy. However, except for changes involving the grievance rights of terminated faculty, including the rights of faculty terminated because of financial exigency to retain but not accrue seniority, the changes do not conflict with specific provisions of the collective agreement. With regard to grievance rights, the specific provisions of the collective agreement prevail over the Regents' policy.

The University also revised the regulations implementing Policy 04.09. The Union argued that a conflict existed between the new and old regulations because the new regulation eliminated that portion titled "Determination of Financial Exigency." While the new regulation eliminates the three part test, the test is not critical. The first part of the test merely states that "financial exigency may result from many different causes" and lists examples. The elimination of this language is not significant. The second test provides that "financial exigency may originate anywhere within the University," and that it "affects the entire University." The recognition that financial exigency may originate anywhere within the University, merely states the obvious. The statement that financial exigency affects the entire University, may be properly construed as the recognition that exigency has an impact on the entire university. Not that financial exigency must be dealt with solely from the prospective of the university system, as opposed to a specific

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with the prior policy.

unit within the system. Finally, the test provides that financial exigency will be declared only after a determination that taking prudent management steps will not be sufficient to assure that services and programs may be continued in a sound and responsible manner within the budget. This step requires nothing that is not required in the Policy.

The Union also argued that the University made changes in that portion of the regulation providing for re-employment. Specifically it argued that the University eliminated those provision relating to "seniority for purpose of retrenchment and prior service credit."

The regulation does delete the clause which provides that an employee rehired in the first three years after a declaration of financial exigency retains seniority. The new regulation does not say that a rehired employee does not retain seniority: it is silent on the matter. There is no conflict. Clearly, the collective bargaining provision prevails on this issue. The collective agreement explicitly states that an employee who is terminated because of financial exigency will retain but not accrue seniority for the first three years following such termination,<sup>11</sup> and will lose seniority and all re-employment rights after three years.<sup>12</sup>

Alternatively, the Union appears to correctly state that the

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<sup>11</sup> Article 6.2(C)(3).

<sup>12</sup> Article 6.2(D)(4)

new regulation eliminated the "Prior Service Credit."

Regarding any alleged changes in the grievance procedure, Article 4 of the collective agreement sets out the procedure for grievances. The Article, however, applies only to:

any dispute or controversy between the University and the Union or between the University and any Faculty Member with respect to matters arising out of the application or interpretation of this Agreement. No other matters are subject to the grievance procedure.

A grievance such as is contemplated by Policy 04.09.08 or 04.09.09, challenging either a financial exigency declaration or a position elimination resulting from a financial exigency declaration, would not arise out of the application or interpretation of the collective agreement because the agreement does not address the declaration of a financial exigency or a position elimination following such a declaration. Such a grievance would be subject to the policy grievance procedures. On the other hand a grievance concerning a dispute about the right to retain seniority would clearly follow the grievance procedure, because this is a matter addressed in the collective agreement.

In total, while it is determined that some of the policy changes conflict with the prior policy, as noted above pursuant to Chapter IV or the Board's Policies, the Board could amend its policies to the extent that the new policies do not conflict with other specific contract provisions. No such conflict is found.

Those changes in policy that conflict with a specific contract provision are clearly superseded by a provision in the

contract. Thus the retention of seniority for Faculty members is controlled by section 6.2(C)(3). The grievance procedure for any dispute about section 6.2(D)(4) is governed by Article 4. There simply is no conflict between the collective agreement and the new financial exigency policy and regulation.

#### B. Campus Governance

Article 5.5 of the collective agreement, titled "Governance" provides: ". . . Faculty members will follow the procedure and practice in place on their respective campuses." At the time the collective agreement was reached, the Board of Regents had a policy titled, "Faculty, Staff and Student Governance." As previously noted, Article 12.1(B) of the collective agreement provides that the University shall make no change in policy "conflicting" with this agreement. In June 1994, the Regents adopted a new policy on governance. The issue is whether this new policy conflicts with the prior policy.

The former policy recognized a single constituent body at each major administrative unit and a systemwide governance body. At the local level, the local General Assembly consisted of representatives from the faculty, administrators, staff, students and alumni. The systemwide General Assembly consisted of representatives from the local General Assemblies. The local General Assembly conveyed its interests and recommendations to the statewide General Assembly. If the statewide General Assembly found those recommendations unacceptable, the Local Assembly could make a recommendation directly to the President of

the University.

The new policy continues to recognize local and systemwide governing bodies. The difference is that the new policy recognizes somewhat different bodies. The new policy recognizes four constituent bodies statewide: Systemwide organization for faculty, staff and students; an alliance of faculty senates; an alliance of classified and APT staff; an intercampus student network. The policy also recognizes appropriate local constituent organizations. Thus, faculty senates at each major administrative unit of the system report to the "Alliance of Faculty Senates, which reports to the President; the student governments at the local level report to the Coalition of Student Leaders, which reports to the President; the Classified Employees Council report to the Staff Alliance, which reports to the President; and finally, the local Assembly reports to the System Governance Council.

Under the old policy the local General Assembly spoke with one voice for faculty, administrators, staff, students, and alumni to the one statewide General Assembly. The new policy recognizes four separate statewide governing bodies, and separate local governing bodies. However, regardless of the organizational change, every campus governance group that existed under the old policy exists under the new policy, and every issue that previously could be addressed at the local and systemwide level of governance may be addressed under the new policy. The only difference is that there is a shift in the way the information is

carried forward.

The collective agreement recognizes that while the Regents may change the system of governance, the only limitation is that the new system of governance may not conflict with the prior system. Only if the new system of governance is incompatible or irreconcilable with the old, is there a conflict. Because the only real difference between the two systems of governance is the way information is carried forward, the new policy is not incompatible or irreconcilable with the old.

#### C. Compensation

Article 7.1 of the collective agreement states that "Faculty Members shall be compensated in a manner consistent with the provisions of Regents Policy and University Regulation 04.05.01 - 03 in effect as of the date of this Agreement." It is undisputed that, on the date the collective agreement was reached, Regents' policies 04.05.01 - 03 provided for an annual three percent (3%) raise.

At their June 3-4, 1993 meeting, the Regents suspended policy 04.05.01(B). Thereafter, on August 20, 1993, the Regents suspended indefinitely all the provisions of policy 04.05 concerning annual pay increases, including the three percent (3%) pay increase.

It is undisputed that the Union was aware of this Board action. However, this change in policy did not have any direct impact on unit members until July 1994 when the three percent (3%) pay increase became due and owing and was not paid. In

August 1993 the only faculty affected by the change in policy were those not within the bargaining unit.

The Union did not file a grievance protesting the failure of bargaining unit faculty to receive the pay raise until July 8, 1994. The contract grievance procedure requires that any grievance must be filed "within thirty (30) days from the time the aggrieved became aware or reasonably should have become aware of the event which gave rise to the alleged grievance."

The University argued that the grievance was untimely because it was filed approximately a year after the Board announced its suspension of the three percent (3%) pay raise policy.

The Union argued that its grievance was timely. It asserted that there was good reason why it waited until July 1994 to file the grievance, and that the thirty (30) day contract grievance period did not commence to run until the change in the Board policy "affected" the bargaining unit members, i.e. July 1, 1994, when they did not receive the pay raise provided for in their collective agreement.

The Union persuasively argued that at the time the Regents suspended policy 04.05, the effect was to merely suspend the pay raises for non-bargaining unit faculty. As for bargaining unit members, their collective agreement provided that they were entitled to the 3% pay increase effective in July 1994. Thus, the August 1993 suspension of the policy did not negate the University's obligation under the collective agreement to pay the

bargaining unit members a three percent (3%) pay increase.

At some time after the August 1993 suspension of the policy and before July 1, 1994, when the contract pay increase for bargaining unit members was to be paid, it became apparent to the Union that the Board intended to repudiate its pay increase obligation under the collective agreement. However, it is not clear when the Union first became aware that the University was not going to abide with the collective agreement and pay the unit members the 3% pay increase.

The parties correctly state the issue as whether the effective date of the action that gave rise to grievance occurred in August 1993 or on July 1, 1994.

As recognized by Elkouri and Elkouri, "It has been held that doubts as to the interpretation of contractual time limits or as to whether they have been met should be resolved against forfeiture of the right to process the grievance." See Elkouri and Elkouri, How Arbitration Works, 4th ed., p. 914. The authors also acknowledge that arbitrators have held that the date on which a contractual time limitation for filing a grievance commences is the date on which the "effect" of the employer's decision is felt rather than the date the decision is announced. Id. at 196, citing numerous cases. They state "[a] party sometimes announces its intention to do a given act but does not do or culminate that act until a later date." "Similarly, a party may do an act whose adverse effect upon another does not result until a later date." In such cases, it is the latter date

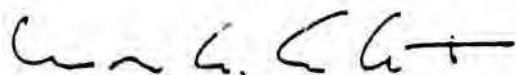
from which the time limitation for filing a grievance commences to run. Id.

Apart from this authority, in the instant case the Union has presented a reasonable explanation regarding why it waited to file the grievance. At the time the Board announced its decision not to pay the three percent (3%) increase, the Union reasonably believed that the decision would not affect the bargaining unit employees because their entitlement to a wage increase was governed by the collective agreement. The entitlement of the bargaining unit to that raise did not occur for some twelve months hence. Given this situation, it is reasonable that the Union did not file a grievance in August 1993.

#### AWARD

The University of Alaska prevails with regard to the issues of Program Assessment, Financial Exigency and Campus Governance; the Union prevails with regard to the issue of Compensation. Therefore, the University shall pay the bargaining unit members the pay increase provided by the collective agreement.<sup>13</sup>

DATED this 14th day of April, 1995.



William L. Corbett, Arbitrator

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<sup>13</sup> Jurisdiction is retained for 60 days.

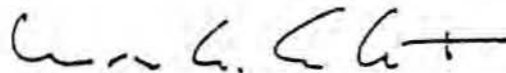
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ALASKA STATE LEGISLATURE  
LEGISLATIVE BUDGET AND AUDIT COMMITTEE  
Division of Legislative Finance



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MEMORANDUM

DATE: February 12, 1996

TO: Representative Terry Martin, Chairman  
House Subcommittee-University of Alaska

FROM: David Tonkovich, Fiscal Analyst  
Division of Legislative Finance

SUBJECT: University Issues and Questions

Jeanne Larson asked me to examine the FY97 University budget for issues which would help her prepare for your upcoming meeting with the Board of Regents. The following analysis highlights items which I believe are significant.

SALARY AND LABOR ISSUES

FY96 Supplemental

The University has requested supplemental funding to cover FY96 salary increases for the Classified Employees Association (CEA) and the Alaska Community College Federation of Teachers (ACCFT). The requests are \$462.3 total funds (\$455.6 GF) for CEA and \$506.4 total funds (\$473.0 GF) for the ACCFT. Funding was requested during the 1995 Legislature but it was not approved.

## FY97 Salary Adjustments

The salary adjustments in the Governor's FY97 budget include \$1,750.0 for the University of Alaska. The University submitted two requests for general fund increments related to salary issues. The first, for \$3,431.0, would provide funding for a staff salary schedule and a faculty compensation plan. The plans been approved by the Board of Regents with the intention of replacing an across the board approach to salar increases. This funding is directed to non-union employees, both faculty and non-faculty. The second increm for \$401.7, relates to monetary provisions of an agreement with the Alaska Classified Employees Associatio. The increment covers the FY97 costs of the CEA contract. The Governor's budget does not include funding to cover the FY97 costs for the Alaska Community College Federation of Teachers (ACCFT).

That agreement is being renegotiated and the FY97 impact is unknown at this time. While these increases are included in the University request the Governor's budget includes an offset in the form of an unallocated \$19,678.8. This reflects the denial of all general fund inc.ements (\$17,638.7) and an additional 1.2% unalloc reduction (\$2040.1).

## CAMPUS ALLOCATION

In the overview sessions before both the House and Senate Finance Committees members raised issues concerning the allocation of resources among the campuses. An underlying issue was the high cost of providing services at some campuses. While it is hard to know the fairest way to make these comparisons the costs per student appear to vary widely among campuses.

## STUDENT FEES AND TUITION

The "red book" that summarizes the Board of Regents budget request includes interesting statistics comparing trends in funding between FY91 and FY95. Over this period undergraduate tuition rates have increased by 63 percent while revenues have increased 52 percent. It would be interesting to explore why revenues have not kept pace with fee increases. Is it being driven by demographics or is it a response to the higher price of attending the University.

It would also be interesting to explore how the University has directed this increased fee revenue. For instance, direct instructional expense has increased much less in dollars terms than the increase in fees.

## MAINTENANCE AND EQUIPMENT REPLACEMENT

Budget documents indicate that the total building maintenance budget in FY96 was \$14.6 Million. They indicate that the calculated annual budget need is \$25 million. The Board of Regents has implemented a multi-year plan to fully fund building maintenance in the operating budget by the end of 2001. In the FY97 budget about \$6.3 million in general funds was requested for this purpose but funding was removed via the unallocated reduction.

If the \$25 million figure is adjusted by assuming 3 % inflation it would increase to about 30 million by 2001. Over that 5 year period the annual increase to current maintenance levels would have to be roughly 15% each year. The question is where will those resources come from?

### DENIED INCREMENTS

One of the GF increments (funding removed via the unallocated reduction) was for Legally mandated access for students with learning disabilities at UAA. The amount of funding involved was \$81.5. It would be useful to explore the consequences of not funding the request.

### NON-GENERAL FUNDS

One item that subcommittees were asked to examine was authorization of non-general funds. While general funds have declined, other fund sources have increased significantly since FY95. It would be helpful to talk to the University about possible reductions in any of these sources that are not needed.

Two attachments are included. One provides a description of University funding sources. The other shows a comparison of the Governor's proposal with FY95 Actual figures.