

ALASKA LEGISLATURE COMMITTEE FILE 1985-1986 86/2

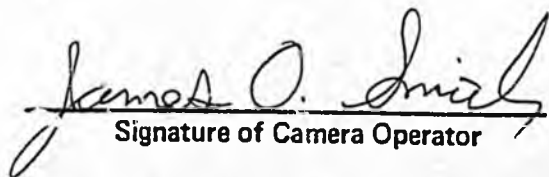
3214.28 HCRA HB 452 - HB 487 28

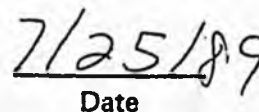


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Signature of Camera Operator


Date

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4 5 2

REP. TERRY MARTIN

ELECTIVE DISTRICT 13
MOUNTAIN VIEW
RUSSIAN JACK SPRINGS
KUMAKA VALLEY
ELMENDORF AFB
CREEKSIDE
EAST ANCHORAGE

HOME
3960 REKA DRIVE B6
ANCHORAGE, AK 99508
PHONE 333-6990

DURING SESSION
POUCH
STATE CAPITOL BUILDING
JUNEAU, AK 99811
PHONE 465-3783

Alaska House of Representatives

MEMORANDUM

Date: February 14, 1986

To: Representative Peter Goll, Chairman
House Community and Regional Affairs Committee

From: Representative Terry Martin *TM*

Re: HB 452

"An Act relating to restricting the use of grant funds."

In order to increase a grantee's accountability for grant funds, HB 452 specifies that no more than 10% of a grant may be used for indirect costs.

Since we make grants for specific purposes, it makes good sense to require that the grantee be able to directly account for the vast majority of funds received. Since indirect costs are a kind of "miscellaneous" category for costs that are difficult to break out, ease of bookkeeping dictates the necessity for an indirect cost category. However, we leave this category open for abuse and reduce grantee accountability if we don't place a limit or "cap" on how much of a grant can be spent on "miscellaneous" expenses.

Here's an example. If you've ever gone to a lawyer, you know that the sound accounting system of a law office traces every phone call or every letter typed back to your account; your lawyer simply makes a notation that so many minutes or hours were spent on your case (e.g., 15 minutes, phone call to defendant, client Joe Blow). This is the type of practice that would reduce the necessity for a large indirect cost, enabling the grantee to trace costs with a minimum of extra bookkeeping. Yet provision is made for those categories that are difficult to break out in an organization receiving funding from more than one source (janitorial services, for example, or the basic monthly service fee for a telephone).

Your support and thoughtful consideration of this measure are greatly appreciated.



STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST
Bill/Resolution No.: H.B. 452
Title: An Act Relating to Restricting
The Use Of Grant Funds

FISCAL DETAIL
Agency Affected: Department of Administration
BRU: Administrative Services

Sponsor: Martin
Requestor: House; C&RA; Finance
Date of Request: _____

Components: Municipal Grants

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

Passage of this bill would have no fiscal impact upon the Department of Administration.

Prepared By: Gary Bader *Gary M. Bader*
Division: Administrative Services

Phone: 465-2277
Date: January 24, 1986

Approved by Commissioner: Eleanor Andrews *Eleanor Andrews*
Agency: Department of Administration

Date: _____

Distribution (by Agency preparing fiscal note):

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

Senior Citizen Homeowner Exemption
From Real Property Taxes
(FY84)

<u>Boroughs</u>	<u>Population</u>			<u>Assessed Value (\$000)</u>		
	<u>Total</u>	<u>Exemption</u>	<u>%Exempt</u>	<u>Total</u>	<u>Exempt</u>	<u>%Exempt</u>
Anchorage	244,030	2,139	0.88	13,199,355	173,133	1.31
Bristol Bay	1,271	7	0.55	112,215	390	0.35
Fairbanks	69,633	607	0.87	3,627,908	39,658	1.09
Haines	1,847	54	2.92	88,882	2,792	3.14
Juneau	28,941	420	1.45	1,493,919	35,596	2.38
Kenai Peninsula	38,919	522	1.34	3,102,640	37,718	1.21
Ketchikan	14,314	299	2.08	711,341	20,556	2.88
Kodiak Island	13,479	111	0.82	651,444	9,074	1.39
Mat-Su	34,030	464	1.36	1,773,384	38,497	2.17
North Slope	12,359	24	0.19	12,354,883	1,343	0.10
Sitka	8,221	129	1.56	756,351	10,232	1.35
Totals	467,044	4,776	1.02	37,872,322	368,989	.97
<u>Cities</u>						
Cordova	2,520	36	1.42	121,884	2,161	1.77
Craig	907	7	0.77	28,381	383	1.34
Dillingham	2,026	23	1.13	112,645	2,603	2.31
Nenana	547	18	3.29	11,233	421	3.74
Nome	3,732	52	1.39	207,050	2,093	1.01
Pelican	213	3	1.40	9,143	103	1.12
Petersburg	3,137	94	2.99	161,668	7,254	4.48
Skagway	790	25	3.16	63,333	1,550	2.44
Unalaska	1,922	6	0.31	95,670	400	0.41
Valdez	3,687	22	0.59	1,720,125	1,631	0.09
Whittier	273	6	2.19	18,510	144	0.77
Wrangell	2,376	77	3.24	106,435	3,956	3.71
Yakutat	462	11	2.38	17,949	516	2.87
Totals	22,592	380	1.68	2,674,026	23,215	.87

Introduced: 1/13/86
Referred: Community & Regional
Affairs and Finance

1 IN THE HOUSE

BY MARTIN

2

HOUSE BILL NO. 452

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to restricting the use of grant
funds."

7

8

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

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* Section 1 AS 37.05.321 is amended by adding a new subsection to

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(b) Not more than 10 percent of a grant made under AS 37.05.-

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315 - 37.05.317 may be used to pay for indirect costs. In this sub-

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section, the term "indirect costs" means administrative and operating

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costs that are not directly identifiable with the purpose for which

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the grant was made.

"An Act relating to restricting the use of grant funds."

Analysis

The proposed legislation would apply only to grants made under AS 37.05.315 - 37.05.317 and would allow not more than 10% of such a grant to be used to pay for indirect costs. The Department of Health and Social Services (DHSS) awards grants under several statutory bases only one of which is AS 37.05.316 (AS 37.05.315 and AS 37.05.317 do not apply to DHSS grants).

One general comment in relation to this bill is that, if passed into law, for a number of entities now receiving AS 37.05.316 grants it would either force drastic reduction or permit dramatic increase of indirect rates currently authorized. For example:

- a. The department has historically recognized the federally negotiated indirect cost rate for grants. So, for instance, two large, private, nonprofit, Native human services corporations receive grants under AS 37.05.316 and are authorized their most recently negotiated federal indirect cost rates of 27.5% and 29.9%, respectively of their direct program costs, excluding certain costs such as for equipment, contracts and renovations. Other grantees under AS 37.05.316 receive no indirect costs, because they have no federally negotiated rate.
- b. Capital project grants for health and social services facilities under AS 37.05.316 are allowed no indirect costs but are permitted direct administrative costs for staff and services to support/manage the project. The language of the bill which reads, "...the term "indirect costs" means administrative and operating costs that are not directly identifiable with the purpose for which the grant was made..." would appear to permit payment of up to an indirect cost rate of 10% over and above the limited administrative costs now being allowed by DHSS as direct costs for capital project grants.

Another general comment applicable to HB 452 is that it would not apply to the majority of operating grants administered by DHSS which are currently governed by 7 AAC 78. Under 7 AAC 78, grantees are authorized indirect costs if they have a federally negotiated rate. If the grantee has a rate that has been authorized by the federal government, the most recent such rate is included in the grant award. If the grantee has not negotiated a rate with the federal government, that grantee is permitted to budget only those costs as direct costs that can be shown as attributable to the program.

The unequal treatment that would be generated by HR 452 would not be conducive to the amicable State grantor versus grantee relationship that is desirable to achieve maximum productivity.

An analysis of FY85 DHSS grants revealed that of the grantees who were allowed indirect costs, the total indirect costs of \$3,800,000 amounted to an average of 13% of the total of about \$29,260,000 granted to such grantees. The average percentage of the total cost of grants that was allowed as indirect costs to municipalities was 9.6% and for private nonprofit agencies was 14.9%. However, many grantees, together awarded a total of about \$18,500,000 for FY85, received no indirect costs.

Recommendation

The Department of Health and Social Services favors an indirect cost rate schema that would be uniformly applicable and equitable for all State grantees.

An entity whose funding source, exclusive of voluntary contributions, for its operating program(s) includes a federal or State source(s) should be allowed:

- (1) the latest indirect cost rate negotiated with the federal government, or
- (2) if no federally negotiated rate exists, the grantee should be permitted to:
 - a. Budget and charge as direct costs those administrative/management costs that can be shown as attributable to the State grant program; or
 - b. Submit a cost allocation plan on forms furnished by the State to apply for and obtain an indirect cost rate to be established by a central State agency charged with this responsibility.

An entity receiving a capital project grant should not be allowed to budget or charge indirect costs. All administrative/management costs attributable to the capital project should be budgeted and charged as direct costs.

Recommended by: Joanne C. Clark
Joanne C. Clark, Director
Division of Budget & Finance

Dated: February 17, 1986

Approved by: John R. Pugh
John R. Pugh, Commissioner
Department of Health &
Social Services

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : HB 452
 Title : An Act relating to restricting the use of grant funds.
 Sponsor : Rep. Martin
 Requestor : Rep. Goll
 Date of Request : 2/13/86

FISCAL DETAIL

Agency Affected : Department of Health & Soc. Sv
 BRU : Various
 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

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

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

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

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Joanne C. Clark *Joanne C. Clark* Phone : 465-3082
 Division : Division of Budget & Finance Date : 2/14/86

Approved by Commissioner : John R. Poy *John R. Poy* Date : 2/14/86
 Agency : Department of Health & Social Services

Distribution (by Agency preparing fiscal note):

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

FISCAL NOTE ANALYSIS


There will be no additional costs to the Department of Health and Social Services (DHSS) if this bill becomes law. If a grant affected by this change is currently funded allowing less than 10% of the total grant in indirect costs, the increase in indirect costs would be granted at the expense of decreased direct costs with attendant reduction in the program services or construction delivered under the grant. Conversely, if an affected grant is currently funded allowing more than 10% of the total grant in indirect costs, the decrease in indirect costs would be granted as increased direct costs for provision of additional program services or construction delivered under the grant.

Alaska
MUNICIPAL
League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

To: Representative Peter Goll, Chairman
Members of the House Community and Regional Affairs Committee

From: Scott A. Burgess, Executive Director 

Date: February 14, 1986

Subject: HB 452 - Indirect Costs

I apologize for not being present at your hearing on HB 452 but I was out of town. I am unaware of any abuses by municipalities regarding administrative costs on grants under AS 37.05.315 that would call for such legislation. However, recent grant regulations proposed by OMB and the Department of Administration included such a limit. I will be happy to provide the Committee with the comments on the indirect cost restrictions from the public hearings on the regulations.

The League opposed the proposed grant regulations (resolution attached) and, in general, the League does not support such arbitrary limits which do not allow for variations in complexities and costs of projects or programs funded under AS 37.05.315 - 317.

RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE

RESOLUTION 86-18

A RESOLUTION OPPOSING THE PROPOSED
GRANT ADMINISTRATION REGULATIONS BY THE
ALASKA DEPARTMENT OF ADMINISTRATION 2 AAC 95.

WHEREAS, the State of Alaska is proposing regulations dealing with grant administration, and

WHEREAS, the proposed grant regulations would be applicable to all non-profit corporations, State agencies, political subdivisions, Regional Education Attendance Areas (REAA's), Coastal Resources Service Areas (CRSAs), traditional and IRA councils, and for-profit entities and individuals eligible for state grant funds, and

WHEREAS, the proposed grant regulations will impose meaningless, conflicting, costly and impractical regulations on the State government itself and all grant recipients, and

WHEREAS, the State has recently adopted regulations for single audit standards for all State grants, these audit standards require the grant recipients be responsible and accountable, and that the grant funds are expended for and consistent with the overall intent of the grant, and

WHEREAS, there are significant messages given by the State of Alaska by these proposed State grant regulations of major concern to the citizens of Alaska, to wit:

- a. State government would grow in order to effectively administer the details involved in these regulations.
- b. Traditional and IRA councils must offer a waiver of sovereign immunity in order to receive a grant.
- c. The State laws governing employee personnel rules and compensation should apply in all cases where State grant funds are used.
- d. The State would hold grantees liable for actions arising from the administration of State grant funds, even when those projects are administered on behalf of the State.



RECORDS CERTIFICATION



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James O. Smith
Signature of Camera Operator

7/25/89
Date

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Introduced: 1/13/86
Referred: Community & Regional
Affairs and Finance

1 IN THE HOUSE

BY MARTIN

2

HOUSE BILL NO. 459

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to interest earned on grant money;
7 and providing for an effective date."

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

9 * Section 1. AS 37.05 is amended by adding a new section to read;

10 Sec. 37.05.323. INTEREST EARNED ON GRANT MONEY. Interest earned
11 on money appropriated or allocated as a grant to an agency, municipal-
12 ity, or other recipient shall be, at the option of the recipient,

13 (1) retained by the recipient and used for purposes for
14 which the grant money may be used; or

15 (2) delivered by the recipient to the state for deposit in
16 the general fund.

17 * Sec. 2. AS 37.05.325 is amended to read:

18 Sec. 37.05.325. DEFINITIONS FOR AS 37.05.315 - 37.05.323
19 [AS 37.05.315 - 37.05.317]. In AS 37.05.315 - 37.05.323 [AS 37.05.-
20 315 - 37.05.317], "allocation" and "appropriation" have the meanings
21 given in AS 37.07.120(2) and (3).

22 * Sec. 3. This Act takes effect July 1, 1986.

REP. TERRY MARTIN

ELECTIVE DISTRICT 13
MOUNTAIN VIEW
RUSSIAN JACK SPRINGS
KUNAKA VALLEY
WENDORF AFB
CREEKSIDE
EAST ANCHORAGE



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DURING SESSION
POUCH V
STATE CAPITOL BUILDING
JUNEAU, AK 99811
PHONE 465 3783

Alaska House of Representatives

MEMORANDUM

To: Representative Peter Coll, Chairman
House Community and Regional Affairs Committee

From: Representative Terry Martin *TMM*

Date: April 10, 1986

Re: HB 459

An Act relating to interest earned on grant money"

For years, our legislative auditors have been urging the legislature to clarify whether a grantee is entitled to interest income resulting from investment of state grants. (I have attached the relevant portions of four different audits as examples.) There is no question that grantees can gain significant amounts of unrestricted revenue through investment of grants. In a Legislative Audit review of the 1981 Municipal Aid appropriations, it was pointed out that "...as of December 31, 1984, Anchorage had accrued interest earnings on Municipal Aid funds totally approximately \$15,650,000..."

Municipalities and other grantees insist that they have a right to do whatever they like with interest income, since there is no law restricting its use. The state attorney general, however, found, in a Memorandum of Advice dated March 18, 1985 (copy attached), that "...Use of public grant money for investment capital constitutes a diversion from the purpose assigned by the legislature..." and that "...Use of the money to generate further revenue for the grant recipient, absent specific statutory authority, would be an unauthorized use of public money."

In the same vein, it is also pointed out in the Memorandum that "...the federal comptroller general has consistently held that interest earned by a grantee on money advanced by the United States under a grant agreement belongs to the United States rather than to the grantee."

It is incumbent upon the Legislature to make clear how we intend interest income to be used. HB 459 specifies that such income be used toward the



project for which the grant was made, or returned to the state general fund. The bill makes clear our intent that grant funds are not provided so that the grantee can fund activities which have not been specifically approved and funded by the legislature; nor can funds, including interest income, be comingled without prior legislative approval.

The bill does encourage wise investment practices as a means of inflation-proofing a grant or as a means of alleviating cost overruns. It promotes fiscal responsibility and retains legislative oversight.

This bill will help protect the integrity of the legislative appropriation process. Your strong support and swift passage of HB 459 will clarify and strengthen our state grant programs.

jfh
attachments

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST
Bill/Resolution No.: H.B. 459
Title: An Act Relating to Interest
Earned On Grant Money

FISCAL DETAIL
Agency Affected: Department of Administration
BRU: Administrative Services

Sponsor: Martin
Requestor: House; C&RA; Finance
Date of Request: _____

Components: Municipal Grants

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

It is anticipated that most grantees would apply interest earnings to the grant. Therefore, no fiscal impact is anticipated to result from the return of the funds to the State. There would be a reduction in the number of audits conducted since audits would have to be expanded to track the application of interest earnings.

Prepared By: Gary Bader *Gary M. Bader* Phone: 465-2277
Division: Administrative Services Date: January 24, 1986

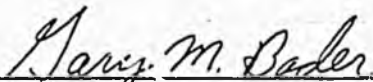
Approved by Commissioner: Eleanor Andrews Date: _____
Agency: Department of Administration

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

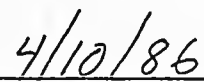
POSITION PAPER
HB 459

This bill would establish the requirement for municipal grant recipients to use interest money earned on investments of municipal grants for the purposes for which the grants were appropriated or return the earnings to the state for deposit in the general fund. This requirement would remove the incentive municipalities currently have to delay using grant funds in order to earn interest for purposes other than those associated with the grant and would provide an incentive to proceed with grant projects in a timely fashion.

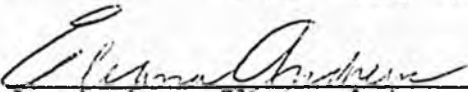
The Department of Administration supports passage of the bill.



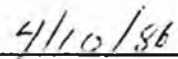
Gary M. Bader
Director
Division of Administrative Services
Department of Administration



Date



Commissioner Eleanor Andrews
Department of Administration



Date

MEMORANDUM

State of Alaska

TO: Hon. John Pugh, Commissioner
Department of Health &
Social Services

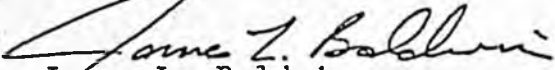
DATE: March 18, 1985

FILE NO: 366-341-85

TELEPHONE NO: 465-3600

FROM: Norman C. Gorsuch
Attorney General

SUBJECT: Payment of lump sum
appropriations for
hospital construc-
tion


By: James L. Baldwin
Assistant Attorney General
Governmental Affairs-Juneau

You have asked if it is permissible for the Department of Health and Social Services (DHSS) to pay money granted to the City of Cordova for hospital construction in a lump sum. [The city admits that it is not prepared to begin work on the hospital project. The city is requesting this advance in the form of an endowment so that it can invest the money and obtain interest income.] The city believes it can, through investment of the endowment, increase the amount ultimately available for hospital construction.

[We believe that the investment of public grant money during a delay pending implementation of the purpose of the grant is an unauthorized use.] The appropriation was made to DHSS to finance renovation and repair of various public health facilities. Sec. 4, Ch. 24, SLA 1984, p. 55, l. 15. The department finances grants for the construction of health care facilities under AS 18.25 from accounts credited with amounts from the appropriation. [We believe the legislature did not intend to appropriate money to capitalize an investment program for the grant recipient. Use of public grant money for investment capital constitutes a diversion from the purpose assigned by the legislature for the appropriation made to finance the grant.] A state certifying officer who authorizes a payment voucher for the disbursement of money to a grantee with knowledge that the grantee intends a diversion is subject to the duties imposed by AS 37.10.030(3), 37.10.040 and the criminal penalties imposed by AS 44.21.050.

We recognize that it is reasonable for a grantee to temporarily secure grant money in some way pending disbursement for the purpose of the grant. [It would be wasteful to penalize grantees for productive use of the money pending disbursement. However, it is not proper for a grantee to unduly delay the disbursement of grant money in its possession.] Traditionally, interest earned on advances of public grant money during a period of "undue" delay is considered property of the grantor. 1 R. Cappalli, Federal Grants and Cooperative Agreements § 5.11

Hon. John Pugh, Commissioner
Department of Health &
Social Services

March 18, 1985
Page #2
366-341-85

(1982). In his treatise, Cappalli observes: "Nothing preordains this result except its historical respectability." *Id.*, ch. 5, p. 23. This view is probably one that will be adopted by the Alaska courts. Some indication of the Alaska Supreme Court's philosophy may be found in Ellis v. City of Valdez, 686 P.2d 700 (Alaska 1974). In Ellis, the court declared "discretion to spend or not to spend within the parameters set by the legislature, rests with the agency for whose use the funds have been appropriated." 686 P.2d at 705 (citation omitted). By this the court meant that the power to choose the means to accomplish the purpose assigned by the legislature is up to the administering state agency. This places squarely upon the administering agency the responsibility to prevent the diversion of an appropriation for unauthorized purposes.

The legislative purpose assigned by law for the Cordova Hospital is "DHSS renovation and repair." Sec. 4, ch. 24, SLA 1984, p. 55, line 15. [Use of the money to generate further revenue for the grant recipient, absent specific statutory authority, would be an unauthorized use of public money.] If the money in the state treasury exceeds the amount necessary to finance obligations, the commissioner of revenue invests it in accordance with AS 37.10.070. The interest income earned is credited to the treasury and is considered an unrestricted receipt available for appropriation for any purpose.

State court decisions precisely on this issue were not located. It is probable that fiscal procedures and interpretations applied by the federal government constitute persuasive authority because nearly all of the statutes applicable to government fund accounting are derived from the days when Alaska was a federal territory. [The federal comptroller general has consistently held that interest earned by a grantee on money advanced by the United States under a grant agreement belongs to the United States rather than to the grantee. All interest is required to be accounted for as money of the United States, and must be deposited in the treasury as miscellaneous receipts] under 31 U.S.C. 484. 42 Comp. Gen. 289 (1962); 40 Comp. Gen. 81 (1960).

[This general rule applies whether the grantee is a public or private agency.] Exceptions to this rule may only be authorized by law. For example, states are specifically permitted by 42 U.S.C. 4213 to retain interest earned on grant money held awaiting disbursement. [The rationale for the prohibition is that statutes authorizing grant programs contemplate that recipients may not profit other than in the manner and to the extent provided by law. Money paid to a grantee is not to be held, but is to be applied promptly to the grant purposes.] 1 Comp. Gen. 652

Hon. John Pugh, Commissioner
Department of Health &
Social Services

March 18, 1985
Page #3
366-341-85

(1922). [In other words, money is paid out to a grantee to accomplish the grant purposes, not for the grantee to invest the money and earn interest at the expense of the treasury.]

Care should be taken when applying the advice given in this opinion to other grant programs established under authority other than AS 18.25. It appears that AS 37.05.315(d) authorizes advance payment of a municipal grant. The department is required to disburse 20 percent of the grant upon execution of the grant agreement. Further disbursements are payable based upon the previous month's expenditures. Another provision allows the department to make lump sum payment of a grant. However, [our conclusion regarding the ownership of interest earned on advances of municipal grant money remains the same.] The intent of the lump sum payment authorization is to accommodate municipalities making bulk purchases of materials and equipment to meet transportation and delivery schedules dictated by weather conditions. For each request for lump sum payment of municipal grant money, the commissioner of administration must determine that the money will be disbursed by the grantee without undue delay. A state agency may disburse grant money only if it determines that the grantee has an intent to proceed with execution of the purpose of the grant.

The Department of Health and Social Services has adopted 7 AAC 78.210 which appears to apply to the grant now under review. This regulation confers broad powers on a grantee to retain grant income if it is spent for the purposes of the grant. However, the term "grant income" is defined to mean "income earned by a grant project during the grant period." 7 AAC 78.320(10)(emphasis added). The regulations apparently do not authorize investment activity separate from that earned by the project financed by the grant. Rather, 7 AAC 78.190 requires monthly or quarterly disbursements of grant money to a grantee and makes no provision for advance payment of grant money. From this we conclude that existing regulations would not permit the disbursement requested by Cordova. We recommend that your department carry out its responsibility required by AS 18.25.100(2) and amend 7 AAC 78 to specifically establish fiscal and accounting procedures and controls necessary to prevent the investment activity proposed by the city and other similarly situated grantees.

We hope this memo has answered your question. Please call if you need further assistance.

JLB/pjg

Hon. John Pugh, Commissioner
Department of Health &
Social Services

March 18, 1985
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366-341-85

cc: Hon. Lisa Rudd, Commissioner
Department of Administration

Hon. Loren H. Lounsbury, Commissioner
Department of Commerce &
Economic Development

Hon. Emil Notti, Commissioner
Department of Community &
Regional Affairs

Hon. Harold Reynolds, Sr., Commissioner
Department of Education

Hon. William A. Ross, Commissioner
Department of Environmental Conservation

Hon. Don W. Collinsworth, Commissioner
Department of Fish & Game

Hon. Esther Wunnicke, Commissioner
Department of Natural Resources

Hon. Robert Sundberg, Commissioner
Department of Public Safety

AUDITOR'S NOTE

AS 37.05.315 requires DOA to advance twenty percent of a municipal grant to a municipality within ten days after execution of a grant agreement. Interest earned on those monies not needed for cash flow purposes are often expended for purposes other than as specified in the grants. The law is silent on whether interest earned on grant monies should be spent only for projects specified by grant agreements.

Audit Control Number 02-4154-83-5

*"A Special Report on the Department of Administration
City of Valdez Municipal Grant"*

For the period 8/4/80 to 12/16/82

AUDITOR'S CONCLUSIONS

As stated in the Purpose of the Report, we reviewed the Municipality of Anchorage's compliance with the provisions of the Municipal Aid Program legislation, Chapter 60, SLA 1981, and the terms and conditions contained in the Entitlement Agreements.

In our opinion, the Municipality has not been in total compliance with the requirements of the Municipal Aid Program. As discussed in more detail in the Findings and Recommendations section of this report, our review showed that the Municipality expended \$1 million of Municipal Aid funds on the Sullivan Sports Arena project without obtaining voter approval.

Additionally, we have questioned certain expenditures charged to various projects and have recommended that the Department of Administration make a determination as to the allowability of the charge.

We also reviewed the Municipality's policies relating to interest earnings and identified the interest earned on funds advanced to the Municipality.

The Municipality's policy on interest earnings on capital projects states, in part, that interest earnings shall accrue throughout the design and construction phase of a project. Interest earnings may be used for unanticipated project overruns. When determined that the project is within its programmed budget and additional funds are not needed for completion of the project or other contingencies, the interest earnings may then be used as an alternate contract unit and/or for facility furnishings and equipment.

The expenditure of accrued interest earnings requires the Mayor's prior approval and is subject to normal appropriation procedures. All unexpended interest earnings, upon the final completion of a project, will revert to the Capital Projects Fund balance for use on other projects.

As of December 31, 1984, Anchorage had accrued interest earnings on Municipal Aid funds totalling approximately \$15,650,000, as shown in Appendix C of this report.

Audit Control Number 02-4011-85-S April 5, 1985
*"A Special Report on the Department of Administration
Municipal Aid Program, Municipality of Anchorage"*

Recommendation No. 2

CDVSA should fill staff positions at the salary levels intended by the Legislature.

CDVSA has increased the salary ranges of three administrative staff members from those indicated on the fiscal note that was attached to the establishing legislation (HB 91; Chapter 101, SLA 1981).

The fiscal note indicated that CDVSA would have three full-time staff members. The estimated personal services costs for the staff was \$106,400 based on salary ranges of 18, 16, and 7 for the positions of project coordinator, research analyst, and clerk-typist, respectively.

The positions were filled by an executive director (range 24), a program coordinator (range 20), and a secretary (range 10). This unilateral increase in salary ranges represents an increase in salary and benefit costs in excess of \$30,000 annually.

CDVSA and the Department of Public Safety compound this circumvention of legislative intent when they represent on their FY 1983 budget documents that the higher ranges are the current authorized levels.

Position levels, and appropriations to fund those positions, represent legislative intent. The Legislature considers the merits and appropriates funds accordingly, based on the budgetary information presented. By presenting the new salary ranges as established current year levels, the legislative review process is hampered.

Recommendation No. 3

CDVSA should develop a policy to advise grantees on the appropriate disposition of income generated by the investment of State grant funds.

Three of the grantees visited in the course of the audit were able to generate adequate cash flow to allow investment of CDVSA grant proceeds prior to their expenditure. In each case, the grantee retained whatever income was generated by these investments for use on non-grant activities.

It is a prudent act on the part of the grantee to invest excess cash until it is needed. However, CDVSA should adopt a policy which specifies that grantees use investment proceeds only for activities that are within the purview of the original grant conditions.

Audit Control Number 11-072 - 0066-5 3/31/82
"A Special Review of the Department of Public Safety
Council on Domestic Violence and Sexual Assault"

Recommendation No. 3 - (To ADFG)

ADFG should make the verification of water use permits an integral part of the hatchery permit review process.

The operator of a proposed hatchery must obtain a water use permit from the Department of Natural Resources (DNR). Currently, it is the position of ADFG that it is the responsibility of the applicant to obtain the appropriate water use permits, a process separate and distinct from obtaining a hatchery permit. However, based on our review of all the aspects of the State's regulation and funding of private non-profit hatcheries, we believe that ADFG should take on the responsibility of verifying that the necessary final water use permits are in place and properly approved.

The problems surrounding NSRAA's Medvejie Creek facility (see discussion in NSRAA Hatcheries section of this report) were to a large extent attributable to ADFG's reliance on a preliminary water use permit; rather than verifying and requiring that a final water use permit be obtained prior to the granting of a hatchery permit. Additionally, ADFG's Habitat Protection Division should be included in the overall hatchery permit review process. Since the Division's decision can influence DNR's water use permit allocations, their concerns over a site's water use should be included in ADFG's review.

By not assuring themselves that water use permits are finalized and performed, ADFG is creating the possibility of issuing a permit for a technically and economical infeasible project. A permit holder, financed with State loans, could find their final water use permit will not allow a production capacity large enough to provide for adequate cost recovery. If ADFG would integrate a review of the water use permits into the hatchery permit granting process, it would better assure the permits are in order, and the commitment of the State's financial resources are not unduly jeopardized.

Recommendation No. 4 - (To DCED)

DCED should further define the appropriate use of income generated by the interest on aquaculture association reserve accounts.

In FY'83 NSRAA paid Dawson & Associates \$13,749 for services that, in part, included lobbying the Alaska State Legislature. NSRAA's executive director said the payments were made out of the association's unrestricted income from reserve account interest.

According to 3 AAC 89.040 aquaculture associations may budget a reserve account in which they can deposit any

Audit Control Number 08-11-4176-83-S 9/30/83
*"A Special Report on the Dept. of Commerce and Economic Development,
Dept. of Fish & Game, and Northern Southeast Regional Aquaculture Association"*
STATE OF ALASKA -13- DIVISION OF LEGISLATIVE AUDIT

Fisheries Enhancement Tax appropriations they receive in excess of what they need to operate. Essentially, this provision allows them to save these funds in an interest bearing account jointly controlled by DCED and the association.

Currently, 3 AAC 89.040(c) allows interest earned by money held in the reserve account to be treated as "unrestricted income". NSRAA has interpreted this regulation to mean that interest proceeds are not subject to the standard restrictions attached to State contracts. Major standard restrictions include prohibitions against using State funds to lobby or contribute to political campaigns.

Better definition of the "unrestricted income" or more specific policy directives by DCED would help associations avoid using State funds for prohibited expenditures.

Recommendation No. 5 - (To DCED)

The Division of Investments (DOI) should document compliance with administrative regulations governing the disbursement of Fisheries Enhancement Tax appropriations.

NSRAA is one of three associations that received legislative appropriations of Fisheries Enhancement Taxes the past three fiscal years (FY'81 - FY'83). Disbursement of these appropriations are governed by Chapter 89 of the Alaska Administrative Code and specific contractor performance provisions.

NSRAA and other associations are required to submit various financial reports to DOI. The following is a list of some of the required reports:

1. An annual budget [per 3 AAC 89.020(2)]
2. Quarterly cash flow projections [3 AAC 89.020(1)]
3. Quarterly expenditure statements [3 AAC 89.080]
4. A final report of all expenditures [3 AAC 89.090]
5. An independent audit report [3 AAC 89.110]
6. An annual financial report [3 AAC 89.120]

The above regulations were adopted in June of 1982, however, they essentially reflect contractor performance provisions that had been written into the prior years' contracts.

During our review we attempted to satisfy ourselves that NSRAA had met these requirements. Of the 18 documents or sets of records that were required over the last 3 years and could reasonably be expected to be found on file at the time of field work, only 7 documents or sets could be located. Most notably missing were quarterly expenditure reports that were required by each year's contract. We could not find a complete set of quarterly reports for any of the three years reviewed.

Column 1 shows how much money was appropriated for education; Column 2 shows how much interest was accrued on that money ~~and~~ spent for education. CITIES/COMMUNITIES SHOWING A ZERO AMOUNT IN COLUMN 2 KEPT THE EARNINGS FOR PURPOSES OTHER THAN EDUCATION (See asterisks below)

ALASKA DEPARTMENT OF EDUCATION
SCHOOL OPERATING FUND REVENUES
FISCAL YEAR 1986 BUDGETED
CITY & BOROUGH SCHOOL DISTRICTS

SCHOOL DISTRICT	CITY/BOROUGH TAX APPROP.	EARNINGS ON INVESTMENTS	OTHER LOCAL REVENUE	IN KIND SERVICES	FOUNDATION SUPPORT	STATE PUPIL TRANSPORTATION	STATE TUITION
ANCHORAGE	\$60,745,588	\$1,950,000	\$480,000	\$0	\$141,965,000	\$7,415,000	\$4,815,000
BRISTOL BAY	\$40,000	\$90,000	\$2,500	\$0	\$2,277,225	\$125,843	\$3,000
CORIOVA	\$501,195	\$30,000	\$21,410	\$4,500	\$1,987,400	\$43,997	\$100,000
CRAIG	\$0	\$20,000	\$5,767	\$36,997	\$1,106,171	\$0	\$0
DILLINGHAM	\$30,000	\$100,000	\$10,000	\$0	\$3,851,540	\$115,500	\$0
*FAIRBANKS	\$21,000,000	\$0	\$150,000	\$0	\$54,135,335	\$3,408,000	\$4,362,400
FAIRBANKS ON-BASE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
GALENA	\$2,700	\$25,033	\$53,518	\$0	\$1,517,670	\$28,942	\$6,000
*HAINES	\$297,532	\$0	\$500,000	\$0	\$2,454,828	\$186,924	\$9,000
HOONAH	\$0	\$25,000	\$10,000	\$10,000	\$1,369,830	\$8,190	\$9,000
HYDABURG	\$0	\$1,100	\$1,000	\$4,100	\$933,940	\$0	\$0
*JUNEAU	\$7,350,000	\$0	\$20,000	\$0	\$17,970,000	\$890,000	\$42,000
KAKE	\$30,000	\$10,000	\$0	\$0	\$1,528,779	\$27,590	\$41,745
*KENAI	\$13,177,251	\$0	\$1,000	\$4,136,885	\$33,964,944	\$2,886,319	\$23,614
*KETCHIKAN	\$4,247,783	\$0	\$30,000	\$0	\$8,892,244	\$405,000	\$50,000
KING COVE	\$10,000	\$37,500	\$5,600	\$0	\$1,054,276	\$29,443	\$4,748
KLAWOCK	\$0	\$30,000	\$20,000	\$0	\$1,182,171	\$0	\$0
*KODIAK	\$2,110,749	\$0	\$10,700	\$0	\$12,817,884	\$396,667	\$400,000
*KAT-SU	\$14,081,726	\$0	\$18,000	\$0	\$33,912,608	\$4,025,202	\$65,000
NENANA	\$30,000	\$40,000	\$881,600	\$0	\$1,157,280	\$102,771	\$300
NOME	\$228,555	\$94,000	\$211,500	\$0	\$5,954,739	\$159,931	\$10,000
*NORTH SLOPE	\$13,650,000	\$0	\$0	\$0	\$10,300,000	\$100,000	\$0
PELICAN	\$14,000	\$5,000	\$0	\$0	\$614,460	\$0	\$0
PETERSBURG	\$626,837	\$20,000	\$0	\$0	\$2,530,811	\$88,533	\$10,000
*SAND POINT	\$20,000	\$0	\$0	\$8,000	\$951,847	\$19,188	\$0
SITKA	\$2,978,379	\$80,000	\$0	\$0	\$6,124,233	\$307,820	\$0
SKAGWAY	\$27,800	\$8,000	\$0	\$0	\$752,255	\$4,654	\$0
ST. MARY'S	\$0	\$30,000	\$0	\$0	\$1,709,840	\$0	\$0
TANANA	\$0	\$36,000	\$500	\$2,000	\$1,028,230	\$0	\$1,500
UNALASKA	\$0	\$12,000	\$16,000	\$0	\$1,261,168	\$110,000	\$0
VALDEZ	\$3,188,390	\$70,000	\$7,580	\$0	\$3,981,600	\$328,310	\$250,000
WRANGELL	\$390,000	\$11,256	\$0	\$0	\$2,211,750	\$57,790	\$0
YAKUTAT	\$30,000	\$11,000	\$3,000	\$0	\$1,281,381	\$47,322	\$24,500
TOTALS	\$144,808,485	\$2,737,889	\$2,459,675	\$4,202,482	\$362,781,439	\$21,318,936	\$10,227,807
GRAND TOTALS	\$144,808,485	\$6,376,052	\$3,684,462	\$4,202,482	\$502,806,145	\$23,396,487	\$10,227,807

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700

949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508
PHONE: (907) 563-1073

April 10, 1986

POSITION PAPER

RE: HB 459

SPONSOR: Representative Martin

Program Effects of Bill

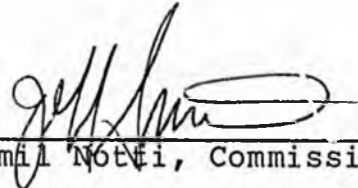
This measure requires that interest earned on State grants to municipalities and other recipients be retained by the recipient for purposes of the grant or be returned to the State general fund.

Comments

This bill would have little, if any, effect on grants administered by this Department under AS 37.05.315-37.05.317. The Department has established a policy to base the release of funds on the demonstrable intent for the expenditure of funds within 120 days. There is no automatic release of 20% of grant funds or any other arbitrary level.

Grants administered by this Department primarily go to unincorporated communities. The relatively small size of our grants compared to multi-million dollar awards to large municipalities do not lend themselves to vast interest earnings, thus our experience with the problem this bill is designed to address is quite limited.

The Department does not object to the passage of this bill given the existing policy in place for the release of grant funds.


Emil Notari, Commissioner

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : HB 459
 Title : An Act relating to interest earned on grant money; and providing for an effective date.
 Sponsor : Representative Martin
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Community & Regional Affairs
 BRU : Local Government Assistance
 Components : Grants Administration

EXPENDITURES/REVENUES : (Thousands of Dollars)

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

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

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

POSITIONS :

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Doug Griffin, Deputy Director *Griffin* Phone : 465-4750
 Division : Municipal & Regional Assistance Date : 04/08/86

Approved by Commissioner : Emil Nott *Nott* Date : 4/9/86
 Agency : Community & Regional Affairs

Distribution (by Agency preparing fiscal note) :

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

REP. TERRY MARTIN

ELECTIVE DISTRICT 13
MOUNTAIN VIEW
RUSSIAN JACK SPRINGS
NUNAKA VALLEY
ELMENDORF AFB
CREEKSIDE
EAST ANCHORAGE



HOME
3960 REKA DRIVE B6
ANCHORAGE, AK 99508
PHONE 333-6990

DURING SESSION
POUCH V
STATE CAPITOL BUILDING
JUNEAU, AK 99811
PHONE 465-3783

Alaska House of Representatives

MEMORANDUM

To: Representative Peter Goll, Chairman
House Community and Regional Affairs Committee

From: Representative Terry Martin *TMM*

Date: April 10, 1986

Re: HB 459

An Act relating to interest earned on grant money"

For years, our legislative auditors have been urging the legislature to clarify whether a grantee is entitled to interest income resulting from investment of state grants. (I have attached the relevant portions of four different audits as examples.) There is no question that grantees can gain significant amounts of unrestricted revenue through investment of grants. In a Legislative Audit review of the 1981 Municipal Aide appropriations, it was pointed out that "...as of December 31, 1984, Anchorage had accrued interest earnings on Municipal Aid funds totally approximately \$15,650,000..."

Municipalities and other grantees insist that they have a right to do whatever they like with interest income, since there is no law restricting its use. The state attorney general, however, found, in a Memorandum of Advice dated March 18, 1985 (copy attached), that "...Use of public grant money for investment capital constitutes a diversion from the purpose assigned by the legislature..." and that "...Use of the money to generate further revenue for the grant recipient, absent specific statutory authority, would be an unauthorized use of public money."

In the same vein, it is also pointed out in the Memorandum that "...the federal controller general has consistently held that interest earned by a grantee on money advanced by the United States under a grant agreement belongs to the United States rather than to the grantee."

It is incumbent upon the Legislature to make clear how we intend interest income to be used. HB 459 specifies that such income be used toward the



project for which the grant was made, or returned to the state general fund. The bill makes clear our intent that grant funds are not provided so that the grantee can fund activities which have not been specifically approved and funded by the legislature; nor can funds, including interest income, be comingled without prior legislative approval.

The bill does encourage wise investment practices as a means of inflation-proofing a grant or as a means of alleviating cost overruns. It promotes fiscal responsibility and retains legislative oversight.

This bill will help protect the integrity of the legislative appropriation process. Your strong support and swift passage of HB 459 will clarify and strengthen our state grant programs.

jfh
attachments

**HOUSE
COMMITTEE REPORT**

Date referred: 1/13/86

FURTHER REFERRALS: FINANCE

DATE: 4-29-86

The COMMUNITY AND REGIONAL AFFAIRS Committee has considered HB 459

"An Act relating to interest earned on grant money; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS HB 459 (CRA) same title
- new title

and recommends _____

further referral to the _____ Committee

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

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

AGM MARROU

Mark Gumbert No rec
Mike ... No rec
Mike ... no rec

[Signature]
Chairman

Introduced: 1/13/86
Referred: Community & Regional
Affairs and Finance

1 IN THE HOUSE

BY MARTIN

2

HOUSE BILL NO. 459

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to interest earned on grant money;

7

and providing for an effective date."

8

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

9

* Section 1. AS 37.05 is amended by adding a new section to read;

10

Sec. 37.05.323. INTEREST EARNED ON GRANT MONEY. Interest earned

11

on money appropriated or allocated as a grant to ^{a delete} ~~an agency~~, municipal-

12

ity, or other recipient shall be, at the option of the recipient,

13

(1) retained by the recipient and used for purposes for

14

which the grant money may be used; or

15

(2) delivered by the recipient to the state for deposit in

16

the general fund.

17

* Sec. 2. AS 37.05.325 is amended to read:

18

Sec. 37.05.325. DEFINITIONS FOR AS 37.05.315 - 37.05.323

19

[AS 37.05.315 - 37.05.317]. In AS 37.05.315 - 37.05.323 [AS 37.05.-

20

315 - 37.05.317], "allocation" and "appropriation" have the meanings

21

given in AS 37.07.120(2) and (3).

22

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

Cook
4/22/86

Original sponsor: Martin

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 459 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to interest earned on grant money by
7 municipalities; and providing for an effective date."

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

9 * Section 1. AS 37.05.315 is amended by adding a new subsection to
10 read:

11 (e) Interest earned on money appropriated or allocated as a
12 grant to a municipality, ^{or other recipient} that has been disbursed to the municipality
13 ^{or other recipient} shall be, at the option of the ^{recipient} municipality,

14 (1) retained by the ^{recipient} municipality and used for purposes for
15 which the grant money may be used; or

16 (2) delivered by the ^{recipient} municipality to the state for deposit
17 in the general fund.

18 * Sec. 2. This Act takes effect July 1, 1986.

Cook
4/22/86

Original sponsor: Martin

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 459 (C&RA)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION
5 A BILL

6 For an Act entitled: "An Act relating to interest earned on grant money by
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13 ^{or other recipient} shall be, at the option of the ^{recipient} municipality,

14 (1) retained by the ^{recipient} municipality and used for purposes for
15 which the grant money may be used; or

16 (2) delivered by the ^{recipient} municipality to the state for deposit
17 in the general fund.

18 * Sec. 2. This Act takes effect July 1, 1986.

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Cook
4/21/86 ✓

Original sponsor: Martin

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 459 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to interest earned on grant money;
7 and providing for an effective date."

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

9 * Section 1. AS 37.05 is amended by adding a new section to read;

10 Sec. 37.05.323. INTEREST EARNED ON GRANT MONEY. Interest earned
11 on money appropriated or allocated as a grant to an agency, municipal-
12 ity, or other recipient that has been disbursed to the recipient shall
13 be, at the option of the recipient,

14 (1) retained by the recipient and used for purposes for
15 which the grant money may be used; or

16 (2) delivered by the recipient to the state for deposit in
17 the general fund.

18 * Sec. 2. AS 37.05.325 is amended to read:

19 Sec. 37.05.325. DEFINITIONS FOR AS 37.05.315 - 37.05.323
20 [AS 37.05.315 - 37.05.317]. In AS 37.05.315 - 37.05.323 [AS 37.05.-
21 315 - 37.05.317], "allocation" and "appropriation" have the meanings
22 given in AS 37.07.120(2) and (3).

23 * Sec. 3. This Act takes effect July 1, 1986.



RECORDS CERTIFICATION

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

James O. Smith
Signature of Camera Operator

7/25/89
Date

H B

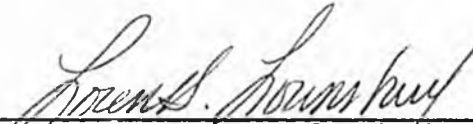
4 7 6

CSHB 476: "An Act relating to automobile insurance premiums."


The department is in favor of this legislation. This proposal is intended to correct a deficiency in Ch 62 SLA 1984. The sponsor of that bill was attempting to provide an appeal mechanism for persons aggrieved by automobile insurance rate increases resulting from surcharges for an accident or violation appearing on that person's driving record, and which is alleged to be inappropriate.

Alaska Statute 21.36.420(d) was structured to require a notice of all premium increases by an insurer. The notice gives a reason for the increase and the right to an appeal under AS 21.39.090. It is not clear whether a notice of reason and notice of right to appeal is required on increases resulting from other than a change in the individual driving record. Such increases are subject to rate review and approval by the State before use and we believe that a right to appeal on top of the review process would be unduly wasteful of state resources.

This bill would clarify the requirement for notice by specifying the circumstances in which the notice is necessary and the scope of notice required. It does provide recourse for surcharges or increases that are not appropriate because a person was not convicted of a violation or at fault in an accident. We do not object to the notice of premium increase on approved rate filings because it is a fair thing to do. It does generate additional cost for the insurer which will ultimately be passed along to the consumer. It is, however, a reasonable and fair requirement.


Loren H. Lounsbury, Commissioner
Department of Commerce & Economic
Development

Date: 3/3/86


John E. George, Director of Insurance

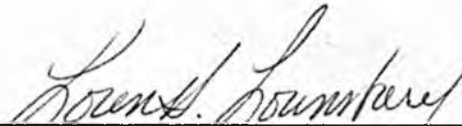
Date: 3/3/86

HB 476: "An Act relating to automobile insurance premiums."

The Department is in favor of this legislation. This proposal is intended to correct a deficiency in Ch 62 SLA 1984. The sponsor of that bill was attempting to provide an appeal mechanism for persons aggrieved by automobile insurance rate increases resulting from surcharges for an accident or violation appearing on that person's driving record, and which is alleged to be inappropriate.

AS 21.36.420(d) was structured to require a notice of all premium increases by an insurer. It is not clear whether a notice is required on increases resulting from other than a change in the individual driving record. Such increases are subject to rate review and approval by the State before use.

This bill would clarify the requirement for notice by specifying the circumstances in which the notice is necessary. It does provide recourse for surcharges or increases that are not appropriate because a person was not convicted of a violation or at fault in an accident.



Loren H. Lounsbury, Commissioner
Department of Commerce & Economic
Development

Date: 3/3/86



John L. George, Director of Insurance

Date: 3/3/86

MEMORANDUM

TO: Representative Peter Goll
Chairman of Community and Regional Affairs Committee

FROM: Michael L. Lessmeier

RE: HB 476

DATE: March 3, 1986

I am writing this memorandum on behalf of State Farm Insurance Company and Allstate Insurance Company regarding A.S. 21.36.420, which was added by the legislature in 1984 via HB 16. This statute deals with premium increases in automobile insurance policies and provides as follows:

(a) An insurer may not increase the premium on an automobile policy unless the increase applies to all insurers of the same class.

(b) An insurer may not increase the premium or add a surcharge to an automobile insurance policy because of the issuance of a citation for a moving traffic violation unless the insured or another person who resides in the insured's household and is covered by the policy has been convicted of the violation.

(c) The director shall adopt regulations to determine circumstances under which an insurer may increase the premium or add a surcharge to an automobile insurance policy.

(d) An insurer that increases the premium or adds a surcharge to an automobile insurance policy shall give written notice of the increase or surcharge at least fifteen (15) days before it takes effect, stating the reason for the change and the right of appeal under A.S. 21.39.090.

A.S. 21.36.42(a)-(d). The difficulty presented by this legislation is the ambiguity in subsection (d). If subsection (d) is read literally, it could be interpreted to require an insurer to send an insured a statement of reasons for a change in premium and a statement of notice of the right to appeal under A.S. 21.39.090 every time a premium is increased, regardless of the reason for the premium increase.

Such an interpretation would require an insurer to send a statement of reasons for the change and a notice of right to appeal whenever a general rate increase is approved by the Division of Insurance, or whenever an insured adds cars, increases coverage, or adds a driver. We do not believe this is what the legislature intended when enacting this statute.

The legislative history we have been able to obtain indicates the focus of the original bill was where an insurer increased the premium of an insured because the insured was either involved in an at fault accident or because of a citation for a moving violation. We found nothing to indicate the legislative intent was to create a blanket requirement of notice and right to appeal any time an insurance premium is increased. Such a requirement would have a significant practical effect on our ability to provide the kind of service we seek to provide. For example, if subsection (d) were interpreted to require written notice of the increase at least fifteen (15) days before it takes effect, stating the reason for the change and the right of appeal, we would be unable to provide immediate coverage for our policy holders who wanted to add a new driver, increase their present coverage, or purchase a new car. If we were to follow the literal interpretation of the present statute, we would not be able to accept coverage in either instance until at least fifteen (15) days after the request in order to assure our insured was informed of his or her proper statutory rights.

Another instance in which difficulties are created is where there is a general rate increase approved by the Division of Insurance. In such a case, it would be illegal for us to charge our insured anything but the filed and approved rate. To suggest by the means of a notice that our insured has a right to appeal a general rate increase is

misleading and could potentially generate wasteful litigation and/or administrative hearings.

In an effort to clarify this ambiguity, we discussed this problem with Representative Miller, and HB 476 was introduced. After discussing this with you and your staff, we have prepared a Committee Substitute for HB 476 which in effect requires an insurer to give written notice of a premium increase at least (15) days before the increase takes effect in all situations except where our insured initiates the change in premium. The notice and the statement of the insured's right of appeal is required in all situations except when a rate increase is approved by the Division of Insurance or where the increase results from a change requested by an insured.

We are only aware of two situations in which an insurer would unilaterally increase a premium because of the driving experience of the insured, i.e., where the increase is based upon an accident or a conviction of a moving traffic violation. However, the Committee Substitute for HB 476 would require notice and the statement of the right of appeal in not just these two situations, but any increase except an increase resulting from a change requested by an insured or a rate increase approved by the Division of Insurance. We believe this Committee Substitute will resolve the ambiguity that presently exists in A.S. 21.36.420(d) without in any way effecting the purpose the statute was intended to accomplish. We urge its prompt passage.

MLL/mf
0426M

CS FOR HOU. BILL NO. 476

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to automobile insurance premiums."

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

Section 1. AS 21.36.420(d) is amended to read:

(d) An insurer that increases the premium or adds a surcharge to an automobile insurance policy shall give written notice of the increase or surcharge at least fifteen days before it takes effect, stating the reason for the change and the right of appeal under AS 21.39.090. This subsection shall not apply to increases in premium resulting from a change requested by an insured or to rate increases approved by the Division of Insurance if written notice of the rate increase is given at least fifteen days before it takes effect.

Bannister
3/3/86 ✓

Original sponsor: M.M.Miller by request

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 476 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to automobile insurance premiums."

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

8 * Section 1. AS 21.36.420(d) is amended to read:

9 (d) An insurer that increases the premium or adds a surcharge to
10 an automobile insurance policy shall give written notice of the in-
11 crease or surcharge at least 15 days before it takes effect, stating
12 the reason for the change and the right of appeal under AS 21.39.090.

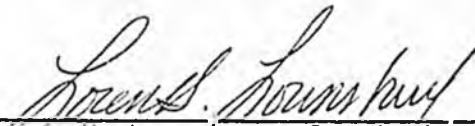
13 This subsection does not apply to a premium increase resulting from an
14 automobile insurance policy change requested by ^{the} an insured, ^{where} or to a
15 rate increase approved by the director if the insurer gives written
16 notice of the rate increase to the insured at least 15 days before the
17 rate increase takes effect.
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CSHB 476: "An Act relating to automobile insurance premiums."

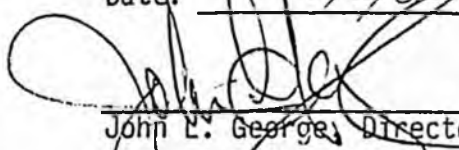
The department is in favor of this legislation. This proposal is intended to correct a deficiency in Ch 62 SLA 1984. The sponsor of that bill was attempting to provide an appeal mechanism for persons aggrieved by automobile insurance rate increases resulting from surcharges for an accident or violation appearing on that person's driving record, and which is alleged to be inappropriate.

Alaska Statute 21.36.420(d) was structured to require a notice of all premium increases by an insurer. The notice gives a reason for the increase and the right to an appeal under AS 21.39.090. It is not clear whether a notice of reason and notice of right to appeal is required on increases resulting from other than a change in the individual driving record. Such increases are subject to rate review and approval by the State before use and we believe that a right to appeal on top of the review process would be unduly wasteful of state resources.

This bill would clarify the requirement for notice by specifying the circumstances in which the notice is necessary and the scope of notice required. It does provide recourse for surcharges or increases that are not appropriate because a person was not convicted of a violation or at fault in an accident. We do not object to the notice of premium increase on approved rate filings because it is a fair thing to do. It does generate additional cost for the insurer which will ultimately be passed along to the consumer. It is, however, a reasonable and fair requirement.


Loren H. Lounsbury, Commissioner
Department of Commerce & Economic
Development

Date: 3/3/86


John E. George, Director of Insurance

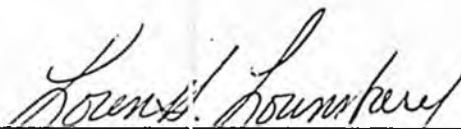
Date: 3/3/86

HB 476: "An Act relating to automobile insurance premiums."

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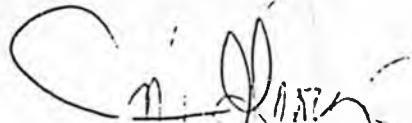
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This bill would clarify the requirement for notice by specifying the circumstances in which the notice is necessary. It does provide recourse for surcharges or increases that are not appropriate because a person was not convicted of a violation or at fault in an accident.



Loren H. Lounsbury, Commissioner
Department of Commerce & Economic
Development

Date: 3/3/86



John L. George, Director of Insurance

Date: 3/3/86

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

ATTORNEYS AT LAW

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JUNEAU, ALASKA 99801

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CABLE ADDRESS: DENALI
TELECOPIER: 274-7525
TELEX: 090-26367

590 UNIVERSITY AVE., SUITE 200
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200 CHENEGA STREET
P.O. BOX 767
VALDEZ, ALASKA 99688
TELEPHONE (907) 835-2988

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RICHARD O. GANTZ
JAMES M. POWELL
BRIAN J. BRUNDIN
MARCUS R. CLAPP*
KENNETH F. JACOBUS
GARY W. GANTZ
JERRY E. MELCHER
JOE M. HUDDLESTON
SIGURD E. MURPHY
RICHARD D. THALER
CARL J. D. BAUMAN
FRED B. ARVIDSON
DENNIS M. BUMP*
MARY K. HUGHES
FRANK A. PFIFFNER
RALPH R. BEISTLINE*
GORDON J. TANS
R. CRAIG HESSER
ROBERT L. MANLEY
JAMES M. GORSKI
TIMOTHY R. BYRNES
JAMES M. SEEDORF

RONALD E. NOEL*
FREDERICK J. ODSER
MICHAEL L. LESSMEIER**
STEVEN S. TERVOOREN
MATTHEW K. PETERSON
JOSEPH R. D. LOESCHER
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EARL M. SUTHERLAND
LESLIE A. MORRILL
JOHN B. THORSNESS
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JOHN V. ACOSTA*
DONNA P. WALKER***
WILLIAM M. WALKER***
DANIEL M. WOLD
CALVIN P. VANCE
DAVID S. CARTER
MARILYN MAY
JOHN G. FRANK**
JAMES N. BARKELEY
THOMAS R. LUCAS
CHARLES R. PENGILLY*
TIMOTHY R. REDFORD

* FAIRBANKS OFFICE
** JUNEAU OFFICE
*** VALDEZ OFFICE

March 3, 1986

Representative Peter Goll
Chairman of Community and
Regional Affairs Committee
Alaska State Legislature
Pouch Y (MS 3100)
Juneau, Alaska 99811

Re: HB 476

Dear Representative Goll:

Pursuant to Michael Lessmeier's instructions, enclosed
herewith please find a memorandum regarding HB 476, as well as
eight additional copies.

Yours truly,

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

Michelle Funston
Michelle Funston, Secretary
For Michael Lessmeier

Encl.
/mf
0427M

Introduced: 1/15/86
Referred: Community & Regional
Affairs and Judiciary

BY M.M.MILLER
BY REQUEST

1 IN THE HOUSE

2 HOUSE BILL NO. 476

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to automobile insurance premiums."

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

8 * Section 1. AS 21.36.420(d) is amended to read:

9 (d) An insurer that increases the premium or adds a surcharge to
10 an automobile insurance policy under (b) of this section or because of
11 an accident in which the insured or a person covered by the policy was
12 at fault shall give written notice of the increase or surcharge at
13 least 15 days before it takes effect, stating the reason for the
14 change and the right of appeal under AS 21.39.090.

HOUSE
COMMITTEE REPORT

3/5

Date referred: 1/15/86

FURTHER REFERRALS: JUDICIARY

DATE: _____

The COMMUNITY AND REGIONAL AFFAIRS Committee has considered HB 476

"An Act relating to automobile insurance premiums."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with C.S. HB 476 (C+RA) same title
- new title

and recommends do pass

further referral to the _____ Committee

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

SIGNING DO PASS: FIRST

SIGNIN . OTHER RECOMMENDATIONS:

F. Kuykallin

Alto Dupon

Peter J. ...

W.M. MARCOU

RODD E. PADD

Walt Furmate

Peter J. ...

 Chairman

H B

4 8 7

LETTER OF INTENT
CSHB 487

It is the intent of the Community and Regional Affairs Committee that use of the words fiscal note on line 13 of Section 1. AS 24.08.030 (b) will include the operating and maintenance cost of the project and not be limited to the cost of obligation to the State of Alaska.

Peter Goll
Chairman

12/19/85

STATE OF ALASKA -- CAPITAL PROJECT DETAIL

14 - DEPARTMENT OF TRANSPORTATION/PUBLIC FACILITIES RECORD KEY: 14454DOT03 15:45
 CLASSIFICATION: 00 000 00 00 LOCATION CODE/PRIORITY: / PROGRAM: HIGHWAYS 52410725
 ITEM#: 40

PROJECT TITLE	LOCATION	ELECTION DIST	AGENCY PRIORITY	--- PROJECT --- START DURATION	PFT POSITIONS	BCN
OLD RICH HWY SHOULDER & WIDEN	FAIRBANKS	18	143	FY87 0 MOS.		
				OPERATING COSTS		
1004 GENERAL FUND	REQUESTED	REVISED		18.0		
***** TOTAL COSTS	620.0			18.0		

PROJECT DESCRIPTION:

APPROPRIATED TO STATE AGENCY

- 1 WIDEN AND PAVE SHOULDERS FROM APPROXIMATELY 12 MILE VILLAGE TO FLOOD CONTROL PROJECT. THE ROAD IS THE MAIN ROUTE FOR REFINERY TRUCKS AND INTERSECTS WITH THE ACCESS TO THE NEW NORTH POLE HIGH SCHOOL. THIS PROJECT IS SUPPORTED BY THE LOCAL GOVERNMENT.
- 2 THE CITY OF NORTH POLE HAS EXPERIENCED RAPID GROWTH AND DEVELOPMENT ON BOTH SIDES OF THE OLD RICHARDSON DURING THE PAST 2 YEARS (NORTH POLE REFINERY EXPANSION, NEW HIGH SCHOOL, RESIDENTIAL DEVELOPMENT, ETC). THE EXISTING 20' ROADWAY IS INADEQUATE TO HANDLE THE INCREASED COMMUNITY AND TRUCK TRAFFIC. COMMUNITY AND SAFETY CONCERNS MAKE THIS A HIGH LOCAL PRIORITY.
- 3 THE WIDENED ROADWAY AND FORECASTED TRAFFIC INCREASES ARE EXPECTED TO INCREASE MAINTENANCE REQUIREMENTS ON THIS SECTION.

Dierdorff
01/27/86

Original sponsors: Davis, Koponen,
Hurley, et al

1 IN THE HOUSE

2 CS For HOUSE BILL NO. 487 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to projected operating and mainte
7 nance costs of capital improvements."

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

9 * Section 1. AS 24.08.030 is amended by adding a new subsection to
10 read:

11 (b) Before an appropriation bill containing an appropriation for
12 a capital improvement is reported from the committee of first refer-
13 ral, there shall be attached to the bill a fiscal note containing the
14 projected operating and maintenance costs of the proposed capital
15 improvement.

16 * Sec. 2. AS 37.07.030 is amended to read:

17 Sec. 37.07.030. RESPONSIBILITIES OF THE LEGISLATURE. The legis-
18 lature shall

19 (1) provide for a budget review function;

20 (2) analyze the comprehensive operating and capital im-
21 provements programs and financial plans recommended by the governor;

22 (3) adopt legislation to authorize implementation of the
23 governor's comprehensive operating and capital improvements programs
24 and financial plans or appropriate alternatives to those plans;

25 (4) provide for a post-audit function, to cover financial
26 transactions, program accomplishment, and compliance with legislative
27 intent;

28 (5) adopt or revise the estimate or receipts required to
29 balance the succeeding fiscal year's budget in order that proposed

1 plan, preliminary drawings, and architect's or engineer's total
2 cost estimate for the project;

3 (B) a summary of projects previously authorized and
4 not yet completed;

5 (C) a summary, listed by agency, of all previously
6 proposed projects which have been deferred beyond the six years
7 covered by the plan and the year in which construction has been
8 rescheduled to begin;

9 (D) a forecast of the debt structure of the state and
10 the various debt ratios over the life of the state's bonds out-
11 standing, bonds authorized and to be issued, and bond authoriza-
12 tions recommended in the plan;

13 (E) a description of additional revenue measures
14 needed to finance the plan in lieu of debt;

15 (F) bond election bills to authorize the bonds re-
16 quired to fund the projects scheduled for the first three years
17 of the plan;

18 (G) projections of population of the state and its
19 regions and communities;

20 (H) economic data and projections necessary for the
21 evaluation of the plan, including projected operating and mainte-
22 nance costs of the capital improvements;

23 (4) a summary of state receipts in the last fiscal year, a
24 revised estimate for the current fiscal year, and an estimate for the
25 succeeding fiscal year;

26 (5) a summary of expenditures during the last fiscal year,
27 those authorized for the current fiscal year, and an estimate for the
28 succeeding fiscal year;

29 (6) any additional information which will facilitate

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

Dierdorff
01/27/86

Original sponsors: Davis, Koponen,
Hurley, et al

1 IN THE HOUSE

2 CS For HOUSE BILL NO. 487 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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17 Sec. 37.07.030. RESPONSIBILITIES OF THE LEGISLATURE. The legis-
18 lature shall

- 19 (1) provide for a budget review function;
- 20 (2) analyze the comprehensive operating and capital im-
21 provements programs and financial plans recommended by the governor;
- 22 (3) adopt legislation to authorize implementation of the
23 governor's comprehensive operating and capital improvements programs
24 and financial plans or appropriate alternatives to those plans;
- 25 (4) provide for a post-audit function, to cover financial
26 transactions, program accomplishment, and compliance with legislative
27 intent;

28 (5) adopt or revise the estimate or receipts required to
29 balance the succeeding fiscal year's budget in order that proposed

expenditures do not exceed estimated receipts for that fiscal year;

(6) adopt, revise, or initiate revenue measures in order to balance the succeeding fiscal year's budget and the capital improvements section of the budget for the succeeding six years;

(7) consider the projected operating and maintenance costs of capital improvements submitted in legislation.

* Sec. 3. AS 37.07.060(b) is amended to read:

(b) The governor shall present the proposed comprehensive operating and capital improvements programs and financial plans in a message to a joint session of the legislature before the fourth legislative day following the convening of the legislature in regular session. The message shall be accompanied by an explanatory report which summarizes recommended goals, plans, and appropriations. The report shall contain

(1) the coordinated program goals and objectives which the governor recommends to guide the decisions on the proposed program plans and budget appropriations;

(2) the governor's operating program and budget recommendations for the succeeding fiscal year organized by agency as required by AS 37.07.020(a);

(3) the governor's capital improvements program and budget recommendations for the succeeding fiscal year and capital improvements program for the succeeding six fiscal years which shall include

(A) a description of each project, its estimated cost for the year construction is to start and the estimated cost of the project adjusted for inflation over the estimated period of construction, and the source of financing for the project; the project description for a new building or a new facility or for a major addition to a building or facility should include a site

1 plan, preliminary drawings, and architect's or engineer's total
2 cost estimate for the project;

3 (B) a summary of projects previously authorized and
4 not yet completed;

5 (C) a summary, listed by agency, of all previously
6 proposed projects which have been deferred beyond the six years
7 covered by the plan and the year in which construction has been
8 rescheduled to begin;

9 (D) a forecast of the debt structure of the state and
10 the various debt ratios over the life of the state's bonds out-
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12 tions recommended in the plan;

13 (E) a description of additional revenue measures
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15 (F) bond election bills to authorize the bonds re-
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17 of the plan;

18 (G) projections of population of the state and its
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20 (H) economic data and projections necessary for the
21 evaluation of the plan, including projected operating and mainte-
22 nance costs of the capital improvements;

23 (4) a summary of state receipts in the last fiscal year, a
24 revised estimate for the current fiscal year, and an estimate for the
25 succeeding fiscal year;

26 (5) a summary of expenditures during the last fiscal year,
27 those authorized for the current fiscal year, and an estimate for the
28 succeeding fiscal year;

29 (6) any additional information which will facilitate

1 understanding of the governor's proposed programs and financial plans
2 by the legislature and the public.
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Introduced: 1/20/86
Referred: Community & Regional
Affairs and Finance

1 IN THE HOUSE

BY DAVIS, KOPONEN, HURLEY,
GOLL AND MARROU

2

HOUSE BILL NO. 487

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to projected operating and maintenance costs of capital improvements."

7

8

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

9

* Section 1. AS 37.07.030 is amended to read:

10

Sec. 37.07.030. RESPONSIBILITIES OF THE LEGISLATURE. The legislature shall

11

12

(1) provide for a budget review function;

13

(2) analyze the comprehensive operating and capital improvements programs and financial plans recommended by the governor, and include in the analysis projected operating and maintenance costs of the capital improvements;

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(3) adopt legislation to authorize implementation of the governor's comprehensive operating and capital improvements programs and financial plans or appropriate alternatives to those plans;

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(4) provide for a post-audit function, to cover financial transactions, program accomplishment, and compliance with legislative intent;

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(5) adopt or revise the estimate or receipts required to balance the succeeding fiscal year's budget in order that proposed expenditures do not exceed estimated receipts for that fiscal year;

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(6) adopt, revise, or initiate revenue measures in order to balance the succeeding fiscal year's budget and the capital improvements section of the budget for the succeeding six years.

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* Sec. 2. AS 37.07.060(b) is amended to read:

1 (b) The governor shall present the proposed comprehensive
2 operating and capital improvements programs and financial plans in a
3 message to a joint session of the legislature before the fourth
4 legislative day following the convening of the legislature in regular
5 session. The message shall be accompanied by an explanatory report
6 which summarizes recommended goals, plans, and appropriations. The
7 report shall contain

8 (1) the coordinated program goals and objectives which the
9 governor recommends to guide the decisions on the proposed program
10 plans and budget appropriations;

11 (2) the governor's operating program and budget
12 recommendations for the succeeding fiscal year organized by agency as
13 required by AS 37.07.020(a);

14 (3) the governor's capital improvements program and budget
15 recommendations for the succeeding fiscal year and capital
16 improvements program for the succeeding six fiscal years which shall
17 include

18 (A) a description of each project, its estimated cost
19 for the year construction is to start and the estimated cost of
20 the project adjusted for inflation over the estimated period of
21 construction, and the source of financing for the project; the
22 project description for a new building or a new facility or for a
23 major addition to a building or facility should include a site
24 plan, preliminary drawings, and architect's or engineer's total
25 cost estimate for the project;

26 (B) a summary of projects previously authorized and
27 not yet completed;

28 (C) a summary, listed by agency, of all previously
29 proposed projects which have been deferred beyond the six years

1 covered by the plan and the year in which construction has been
2 rescheduled to begin;

3 (D) a forecast of the debt structure of the state and
4 the various debt ratios over the life of the state's bonds
5 outstanding, bonds authorized and to be issued, and bond
6 authorizations recommended in the plan;

7 (E) a description of additional revenue measures
8 needed to finance the plan in lieu of debt;

9 (F) bond election bills to authorize the bonds
10 required to fund the projects scheduled for the first three years
11 of the plan;

12 (G) projections of population of the state and its
13 regions and communities;

14 (H) economic data and projections necessary for the
15 evaluation of the plan, including projected operating and
16 maintenance costs of the capital improvements;

17 (4) a summary of state receipts in the last fiscal year, a
18 revised estimate for the current fiscal year, and an estimate for the
19 succeeding fiscal year;

20 (5) a summary of expenditures during the last fiscal year,
21 those authorized for the current fiscal year, and an estimate for the
22 succeeding fiscal year;

23 (6) any additional information which will facilitate
24 understanding of the governor's proposed programs and financial plans
25 by the legislature and the public.
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League of Women Voters of Alaska

January 24, 1986

Representative Al Adams
Chair
House Finance Committee
Juneau, Alaska

Re: House Bill 487

Dear Representative Adams:

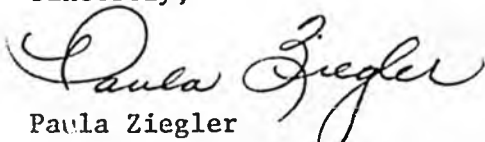
Based on our Capital Budget Process position adopted in 1985, after two years of statewide study, the League of Women Voters of Alaska supports passage of House Bill 487.

Future operating and maintenance costs should be an integral part of all considerations relating to capital projects. Requiring a projection of what these costs are estimated to be is a step in the right direction.

We are hopeful for a favorable consideration of this bill by your committee.

Thank you.

Sincerely,



Paula Ziegler
127 N. Franklin Street #909
Juneau, Alaska 99801