

The Fiscal Year 2021 Budget: Legislative Fiscal Analyst's Overview of the Governor's Request



Legislative Finance Division

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Legislative Finance Division

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The Legislative Finance Division has a professional, non-partisan staff that provides general budget analysis for members of the legislature and specifically supports the Legislative Budget and Audit Committee and the House and Senate standing finance committees. Each fiscal analyst is assigned agency areas of responsibility. Per AS 24.20.231 the duties of the office are to:

- (1) analyze the budget and appropriation requests of each department, institution, bureau, board, commission, or other agency of state government;*
- (2) analyze the revenue requirements of the state;*
- (3) provide the finance committees of the legislature with comprehensive budget review and fiscal analysis services;*
- (4) cooperate with the Office of Management and Budget in establishing a comprehensive system for state budgeting and financial management as set out in AS 37.07 (Executive Budget Act);*
- (5) complete studies and prepare reports, memoranda, or other materials as directed by the Legislative Budget and Audit Committee;*
- (6) with the governor's permission, designate the legislative fiscal analyst to serve ex officio on the governor's budget review committee;*
- (7) identify the actual reduction in state expenditures in the first fiscal year following a review under AS 44.66.040 resulting from that review and inform the Legislative Budget and Audit Committee of the amount of the reduction; and*
- (8) not later than the first legislative day of each first regular session of each legislature, conduct a review in accordance with AS 24.20.235 of the report provided to the division under AS 43.05.095.*

For Legislative Finance Division fiscal analyst assignments see the web site at:

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Short Fiscal Summary - FY20/ FY21 Governor's Budget

	(\$ Millions) (Non-duplicated Funds)	FY20		FY21		Change in UGF		Change in All Funds	
		UGF	All Funds	UGF	All Funds				
1	Revenue	5,158.9	10,734.3	5,059.0	10,778.0	(99.9)	-2%	43.7	0%
2	UGF Revenue (Fall 2019 forecast)	2,116.3	2,116.3	1,967.5	1,967.5	(148.8)	-7%	(148.8)	-7%
3	POMV Draw	2,933.1	2,933.1	3,091.5	3,091.5	158.4	5%	158.4	5%
4	Misc/Adjust/Non-UGF Revenue	109.5	5,684.9	-	5,719.0	(109.5)		34.1	1%
5	Appropriations	5,505.4	10,861.6	6,537.2	12,253.0	1,031.8	19%	1,391.5	13%
6	Operating Budget	4,218.5	8,650.4	4,396.5	8,864.4	178.0	4%	214.0	2%
7	Agency Operations	3,739.1	7,874.5	3,897.5	8,141.5	158.5	4%	267.0	3%
8	Statewide Items	479.4	780.2	499.0	722.9	19.5	4%	(57.3)	-7%
9	Supplemental Appropriations	-	(4.4)	-	-				
10	Capital Budget	146.8	1,142.3	135.6	1,315.6	(11.2)	-8%	173.3	15%
11	Current Year Appropriations	144.3	1,137.9	135.6	1,315.6	(8.7)	-6%	177.8	16%
12	Supplemental Appropriations	2.5	4.4	-	-				
13	Permanent Fund	1,140.2	1,068.9	2,005.1	2,073.0	864.9	76%	1,004.1	94%
14	Permanent Fund Dividends	1,068.9	1,068.9	2,005.1	2,005.1			936.2	88%
15	Inflation Proofing/Other Deposits	5,014.3	5,014.3	-	67.9				
16	Pre-Transfer Surplus/(Deficit)	(346.5)		(1,478.2)					
17	Fund Transfers	(272.4)	(269.2)	69.2	72.4				
18									
19	Post- Transfer Surplus/(Deficit)	(74.1)		(1,547.4)					
				Reserve Balances (EOY)					
				FY20	FY21			FY20	FY21
				SBR	-			-	-
				CBR	2,275.1			2,275.1	835.0
				ERA	14,040.2			14,040.2	15,533.7

Projected Fund Balances -- FY20 and FY21
(\$ millions)

	FY20			FY21			
	BoY Balance	In	Out	EoY Balance	In	Out	EoY Balance
Total Budget Reserves and Designated Funds	22,322.6	5,164.3	9,686.7	17,800.2	6,127.5	6,065.7	17,862.1
Undesignated Reserves	2,321.6	343.0	389.3	2,275.3	107.3	1,547.4	835.3
Constitutional Budget Reserve Fund	2,149.0	343.0	216.9	2,275.1	107.3	1,547.4	835.0
Statutory Budget Reserve Fund	172.4	-	172.4	0.0	-	-	0.0
Alaska Housing Capital Corporation Fund	0.2	-	-	0.2	-	-	0.2
Select Designated Funds	20,001.0	4,821.3	9,297.4	15,524.9	6,020.2	4,518.3	17,026.8
Total Excluding Permanent Fund	1,521.7	113.0	150.2	1,484.6	162.6	154.1	1,493.1
Alaska Capital Income Fund	7.5	27.0	33.4	1.1	41.5	41.8	0.8
Alaska Higher Education Investment Fund	347.1	21.4	22.5	346.0	21.3	22.5	344.7
Community Assistance Fund	90.0	-	30.0	60.0	28.9	20.0	68.9
Power Cost Equalization Endowment	1,077.2	64.6	64.3	1,077.6	70.9	69.8	1,078.7
Permanent Fund Earnings Reserve Account	18,479.2	3,465.4	7,904.3	14,040.2	4,614.7	3,121.2	15,533.7
Unrestricted General Fund Appropriations				5,233.0			6,606.4
Reserves Ratio (Undesignated Reserves / Pre-Transfer Budget)				43%			13%
Pre-Transfer Deficit				(346.5)			(1,478.2)
Years of Deficit Coverage (Undesignated Reserves / Pre-Transfer Deficit)				6.57			0.57
Permanent Savings							
Permanent Fund Principal -- Market Value (no appropriations allowed)	47,820.7	5,986.0	0.0	53,806.7	200.4	0.0	54,007.0

Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

State of Alaska Detailed Fiscal Summary--FY20 and FY21
(\$ millions)

	FY20 Management Plan + Governor's Supplementals					FY21 Governor					Change in UGF	
	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	\$	%
REVENUE												
1 Unrestricted General Fund Revenue (Fall 19 Forecast) (1)	5,158.9	982.1	801.2	3,792.2	10,734.3	5,059.0	1,108.6	760.5	3,917.8	10,845.9	(99.9)	-1.9%
2 Royalties Beyond 25% Constitutional Dedication (2)	2,116.3	-	-	-	2,116.3	1,967.5	-	-	-	1,967.5		
3 POMV Payout from ERA	2,933.1	-	-	-	2,933.1	3,091.5	-	-	-	3,091.5		
4 Carryforward, Repeals, and Reappropriations (3)	38.2	30.4	2.0	0.5	71.1	-	-	-	-	-		
5 Restricted Revenue (4)	-	951.7	799.2	3,791.6	5,542.5	-	1,040.7	760.5	3,917.8	5,719.0		
APPROPRIATIONS												
TOTAL OPERATING APPROPRIATIONS	4,218.5	939.3	727.6	2,765.0	8,650.4	4,396.5	894.4	707.6	2,865.9	8,864.4	178.0	4.2%
Agency Operations	3,739.1	822.7	621.7	2,686.7	7,870.2	3,897.5	801.3	609.0	2,833.8	8,141.5	158.5	4.2%
9 Current Fiscal Year Appropriations	3,739.1	819.9	621.7	2,693.9	7,874.5	3,897.5	801.3	609.0	2,833.8	8,141.5	158.5	4.2%
10 Agency Operations (Non-Formula)	1,796.1	768.7	591.8	973.6	4,130.2	1,837.5	734.3	592.4	969.5	4,103.7	41.5	2.5%
11 K-12 Foundation and Pupil Transportation (Formula) (5)	1,279.8	-	22.0	20.8	1,322.6	1,260.5	0.9	30.3	20.8	1,311.6	(19.3)	-1.5%
12 Medicaid Services (Formula)	516.3	0.9	7.9	1,596.6	2,121.7	644.3	0.9	15.5	1,748.2	2,408.9	128.0	24.8%
13 Other Formula Programs	146.8	50.2	-	95.7	292.8	155.3	47.7	-	95.3	298.3	8.4	5.7%
14 Revised Programs Legislatively Approved (RPLs)	-	-	-	7.2	7.2	(0.1)	18.3	0.8	-	19.1	(0.1)	-
15 Fiscal Notes (FY20 notes are included in MF)	-	-	-	-	893.8	-	-	872.3	-	872.3	-	-
16 Duplicated Authorization (non-additive) (6)	-	-	-	(7.2)	(4.4)	-	-	-	-	-	-	-
17 Supplemental Appropriations (Agency Operations)	-	2.8	-	-	-	-	-	-	-	-	-	-
Statewide Items	479.4	116.6	105.9	78.3	780.2	499.0	93.1	98.6	32.2	722.9	19.5	4.1%
19 Current Fiscal Year Appropriations	479.4	116.6	105.9	78.3	780.2	499.0	93.1	98.6	32.2	722.9	19.5	4.1%
20 Debt Service	149.8	16.5	40.3	5.2	211.8	135.0	15.9	39.3	5.2	195.4	(14.8)	-9.9%
21 Fund Capitalizations	21.7	12.7	31.4	31.2	97.0	18.4	40.7	26.4	26.9	112.4	(3.3)	-15.3%
22 Community Assistance	-	-	-	-	-	-	28.7	-	-	28.7	-	-
23 REAA School Fund	19.7	-	-	-	19.7	18.4	-	-	-	18.4	(1.3)	-6.7%
24 Other Fund Capitalization	2.0	12.7	31.4	31.2	77.3	0.0	11.9	26.4	26.9	65.3	(2.0)	-98.5%
25 State Payments to Retirement Systems	307.9	33.9	34.2	-	307.9	345.6	-	32.9	-	345.6	37.6	12.2%
26 Shared Taxes	-	53.5	-	41.8	95.4	-	-	-	-	95.4	-	-
27 Alaska Comprehensive Insurance Program	-	-	730.8	-	730.8	-	-	16.0	-	16.0	-	-
28 Duplicated Authorization (non-additive) (6)	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL APPROPRIATIONS	146.8	39.8	71.3	1,027.1	1,142.3	135.6	75.5	52.7	1,051.8	1,315.6	(11.2)	-7.6%
29 Current Fiscal Year Appropriations	146.8	39.8	71.3	1,027.1	1,142.3	135.6	75.5	52.7	1,051.8	1,315.6	(11.2)	-7.6%
30 Project Appropriations & RPLs	1.5	37.9	71.3	1,027.1	1,137.9	135.6	75.5	52.7	1,051.8	1,315.6	(8.7)	-6.0%
31 Direct from the Constitutional Budget Reserve (7)	142.8	-	-	1,022.1	1,132.9	135.6	-	-	-	1,315.6	(142.8)	-
32 Revised Programs Legislatively Approved (RPLs)	-	-	-	5.0	5.0	-	-	-	-	-	-	-
33 Duplicated Authorization (non-additive) (6)	-	-	21.5	-	21.5	-	-	27.1	-	27.1	-	-
34 Supplemental Appropriations (Capital)	2.5	1.9	-	-	4.4	-	-	-	-	-	-	-
35 Money on the Street (includes all fund sources) (8)	146.8	39.8	92.9	1,027.1	1,306.6	135.6	75.5	79.8	1,051.8	1,342.8	(2.5)	-
Pre-Permanent Fund Authorization (unduplicated)	4,365.3	979.1	798.9	3,792.2	9,935.5	4,532.1	969.9	760.3	3,917.8	10,180.0	166.8	3.8%
37 Revenue less operating and capital appropriations	793.6	-	-	-	-	526.9	-	-	-	-	166.8	3.8%
Permanent Fund Appropriations	1,140.2	-	-	-	1,140.2	2,005.1	67.9	-	-	2,073.0	864.9	75.9%
39 Permanent Fund Dividends from GF	886.5	-	-	-	886.5	2,005.1	-	-	-	2,005.1	1,108.6	123.7%
40 Permanent Fund Dividends from SBR	172.4	-	-	-	172.4	-	-	-	-	-	-	-
41 Inflation Proofing Deposits to Principal	4,943.0	-	-	-	4,943.0	-	-	-	-	-	-	-
42 Inflation Proofing Deposits from ERA	(4,943.0)	-	-	-	(4,943.0)	-	-	-	-	-	-	-
43 Royalty Deposits over 25% (2)	71.3	-	-	-	71.3	-	67.9	-	-	67.9	-	-
Pre-Transfers Authorization (unduplicated)	5,505.4	979.1	798.9	3,792.2	11,075.7	6,537.2	1,037.8	760.3	3,917.8	12,253.0	1,031.8	18.7%
45 Pre-Transfer Balance to/from the CBR (9)	(346.5)	Revenue =	93.7% of Appropriations	Revenue =	Revenue =	(1,478.2)	Revenue =	77.4% of Appropriations	Revenue =	Revenue =	Revenue =	Revenue =
46												

January 15, 2020

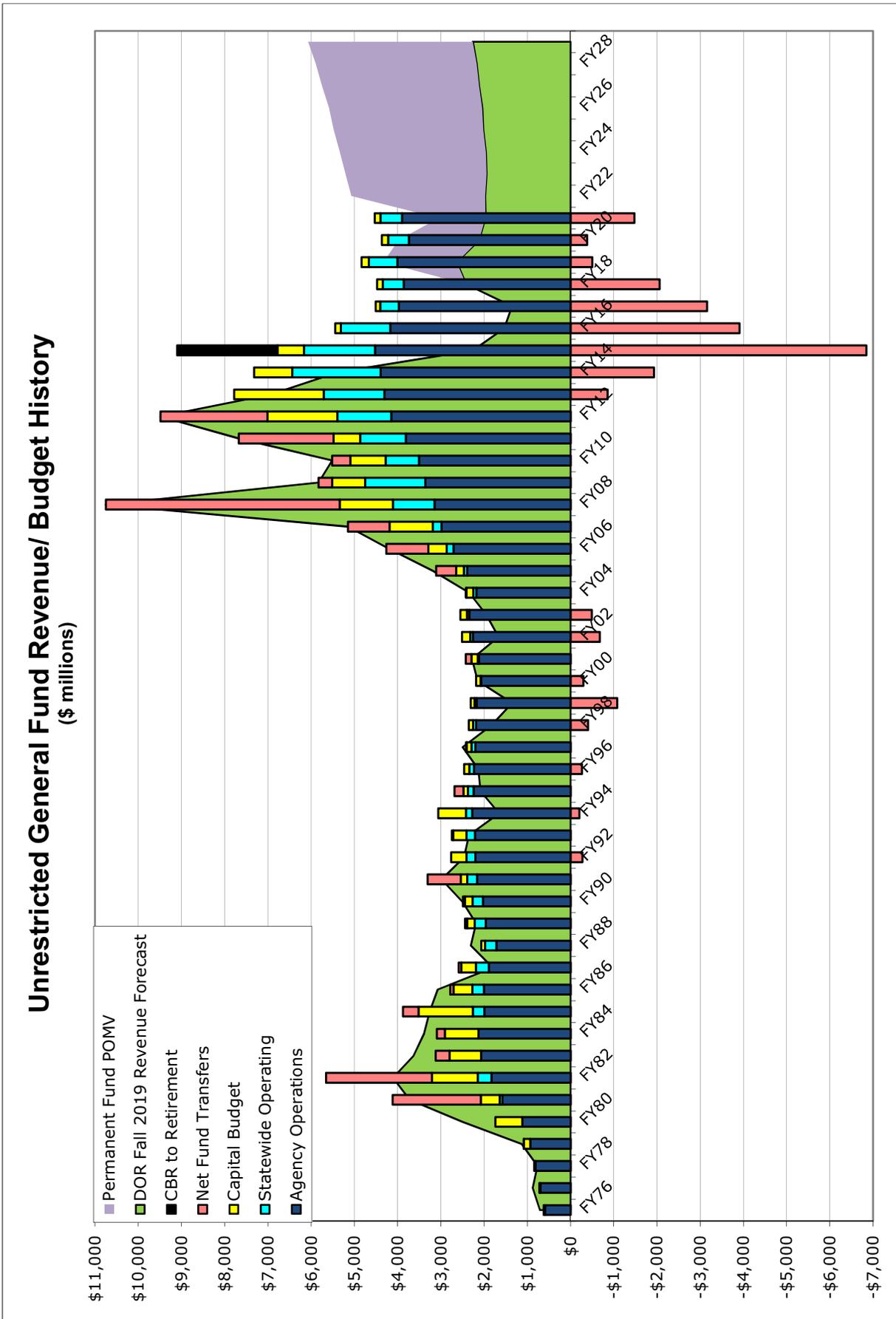
State of Alaska Detailed Fiscal Summary--FY20 and FY21
(\$ millions)

	FY20 Management Plan + Governor's Supplementals					FY21 Governor					Change in UGF	
	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	\$	%
Fund Transfers (9)	(272.4)	2.9	0.2	-	(269.2)	69.2	2.9	0.2	-	72.4	341.6	
Current Fiscal Year Transfers	(272.4)	2.9	0.2	-	(269.2)	69.2	2.9	0.2	-	72.4	341.6	
Constitutional Budget Reserve Fund (7)	(142.8)	-	-	-	(142.8)	-	-	-	-	-	142.8	
Statutory Budget Reserve Fund	(172.4)	-	-	-	(172.4)	-	-	-	-	-	172.4	
AMHS Fund	-	-	-	-	-	16.1	-	-	-	16.1	16.1	54.8%
Alaska Capital Income Fund	27.0	1.9	-	-	27.0	41.8	-	-	-	41.8	14.8	0.6%
Oil & Hazardous Substance Fund	15.5	1.9	-	-	17.4	15.6	-	-	-	15.6	0.1	
Other Fund Transfers	0.3	1.0	0.2	-	1.6	(4.3)	1.0	0.2	-	(3.0)	(4.6)	
Votes (non-additive)	-	-	-	-	-	-	(0.5)	-	-	(0.5)	-	
Post-Transfers Authorization (unduplicated)	5,233.0	982.1	799.2	3,792.2	10,806.4	6,606.4	1,040.7	760.5	3,917.8	12,325.4	1,373.4	26.2%
Post-Transfer Balance to/from the CBR (10)	(74.1)	Revenue =	98.6% of Appropriations			(1,547.4)	Revenue =	76.6% of Appropriations				
FISCAL YEAR SUMMARY	5,233.0	982.1	799.2	3,792.2	10,663.6	6,606.4	1,040.7	760.5	3,917.8	12,325.4	1,373.4	26.2%
Agency Operations	3,739.1	822.7	621.7	2,686.7	7,870.2	3,897.5	801.3	609.0	2,833.8	8,141.5	158.5	4.2%
Statewide Items	479.4	116.6	105.9	78.3	780.2	499.0	93.1	98.6	32.2	722.9	19.5	4.1%
Permanent Fund Earnings Reserve	1,140.2	-	-	-	1,140.2	2,005.1	67.9	-	-	2,073.0	864.9	75.9%
Total Operating	5,358.6	939.3	727.6	2,765.0	9,790.5	6,401.6	962.3	707.6	2,865.9	10,937.4	1,042.9	19.5%
Capital	146.8	39.8	71.3	1,027.1	1,142.3	135.6	75.5	52.7	1,051.8	1,315.6	(11.2)	-7.6%
Transfers	(272.4)	2.9	0.2	-	(269.2)	69.2	2.9	0.2	-	72.4	341.6	

Notes:

- (1) The Department of Revenue's Fall 2019 oil forecast for FY20 is 0.508 mbd at \$63.54 per barrel; the FY21 forecast is 0.506 mbd at \$59.00 per barrel.
- (2) The Constitution mandates that 25% of mineral royalties be deposited in the Permanent Fund. These dedicated royalties are excluded from both revenue and expenditures. Non-mandatory deposits to the Permanent Fund may occur by appropriation. Prior to FY21, these were counted differently depending on whether they were appropriated to the Permanent Fund. Beginning in FY21, these are counted as designated general fund regardless of their disposition.
- (3) Carryforward is money that was appropriated in a prior year that is made available for spending in a later year via multiyear appropriations. Repeals increase revenue by reducing prior year authorization. Total carryforward into FY21 will be unknown until the close of FY20. Reappropriations to operating budget funds are counted as UGF revenue.
- (4) Restricted revenue equals spending for each category. Designated general funds include 1) program receipts that are restricted to the program that generates the receipts and 2) revenue that is statutorily designated for a specific purpose. Other funds have stricter restrictions on usage, and federal funds originate from the federal government and can be used only for a particular purpose.
- (5) The figure for FY20 K-12 funding includes \$30 million outside the formula that is subject to an ongoing lawsuit between the legislative and executive branches.
- (6) Duplicated authorization is in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided. Duplicated authorization also includes the expenditure of bond proceeds when debt service on bonds will be reflected in future operating budgets.
- (7) Direct appropriations from the Constitutional Budget Reserve (CBR) are classified as unrestricted general funds.
- (8) Including duplicated fund sources in the amount of capital spending provides a valuable measure of "money on the street" because it includes projects funded with bond proceeds and other duplicated fund sources.
- (9) "Fund Transfers" refer to appropriations that move money from one fund to another within the Treasury. Although transfers are not true expenditures, they reduce the amount of money available for other purposes so must be included in the calculation of the surplus/deficit. For reserve accounts, a positive number indicates a deposit and a negative number indicates a withdrawal. When money is withdrawn and spent, the expenditure is included in the operating or capital budget, as appropriate.
- (10) Based on language in FY20's capital budget and the FY21 proposed Governor's operating budget, the post-transfer deficit for FY20 and FY21 will be drawn from the Constitutional Budget Reserve Fund.

January 15, 2020



Executive Summary

As required by law, the Governor released his FY21 budget proposal to the public and the legislature by December 15th, 2019. The Legislative Finance Division prepared this overview of the Governor's proposal and "Subcommittee Books" for each agency in accordance with AS 24.20.231. The overview provides a starting point for legislative debate over the state budget and provides a general framework of the fiscal situation in Alaska.

As is typical in most states, the focus of debate in Alaska has been on the level of general fund revenue and appropriations and specifically for Alaska - **Unrestricted General Funds (UGF)**. As the naming indicates, UGF is not restricted in any manner. There are no statutory designations or other contractual or federal requirements for how the revenue can be appropriated. Other state revenue sources, including Designated General Funds (DGF), are of less debate primarily because there are fewer annual decisions to make in their regard. **For all practical purposes, these non-UGF funding sources are less likely to get out of balance since the expenditures are controlled by available receipts or existing fund balances.**

While DGF is general funds from a constitutional perspective (meaning the legislature could appropriate them for any purpose), they have been designated or "ringfenced" for specific uses in statute. On the fiscal summary, DGF, Other State Funds and Federal Funds appropriations equate to revenue and do not factor into balancing the budget.

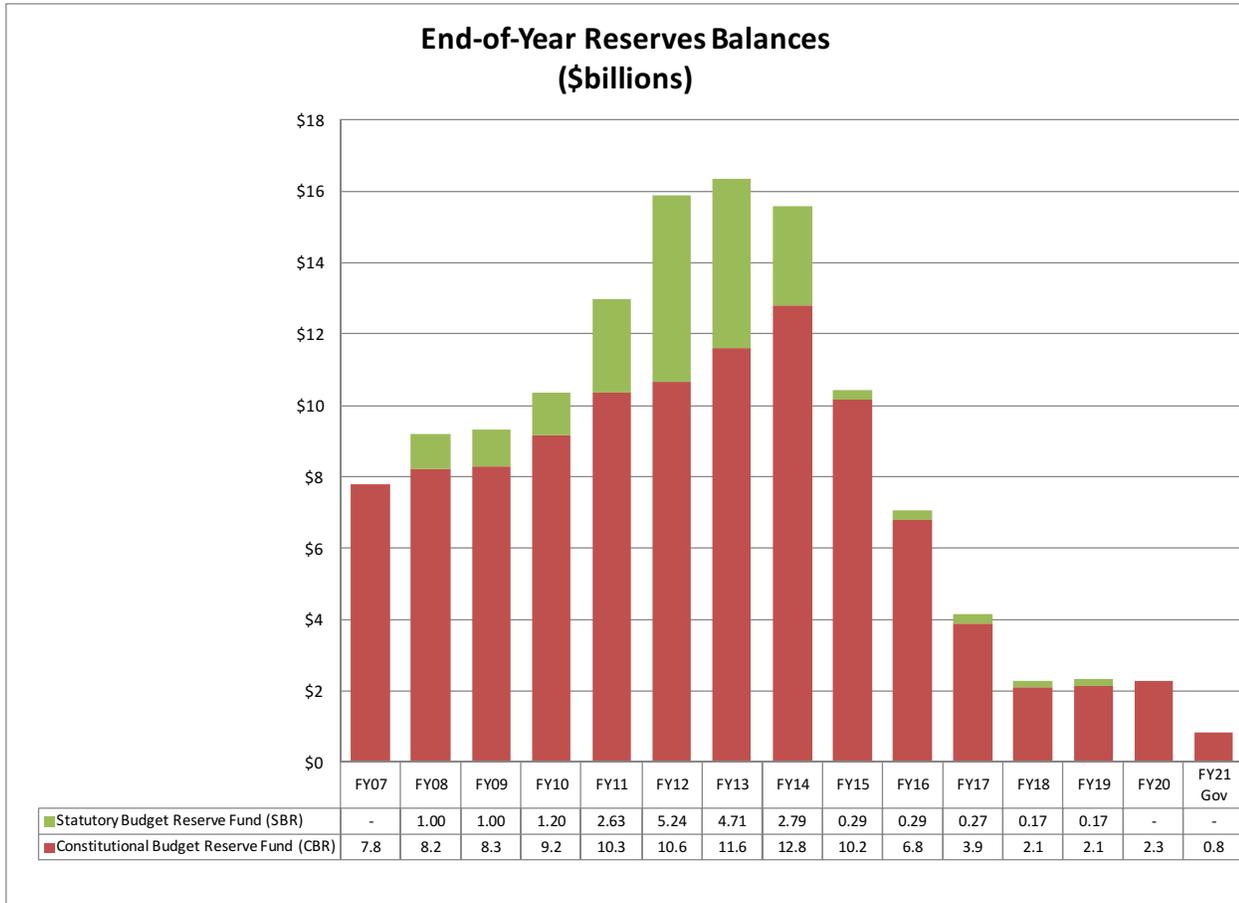
Where have we been?

As can be seen in the Budget History Graph, multiple legislatures and governors have been dealing with a monumentally difficult fiscal climate that has been evolving since oil prices and UGF revenue began declining in FY13 and had plummeted by FY15. Traditional UGF revenue (revenue prior to the addition of the Percent of Market Value (POMV) distribution from the Permanent Fund Earnings Reserve Account (ERA)) has dropped from \$9.5 billion in FY12 to \$1.5 billion in FY16 (FY20 is expected to be \$1.97 billion). During that span, excluding appropriations for Permanent Fund Dividends, the UGF budget has declined from nearly \$7.8 billion in FY13 to \$4.4 billion in FY20 – a decrease of 44%. Budget deficits have averaged approximately \$2.6 billion, or nearly half (44%) of the UGF budget each year.

Those budget deficits have been filled using our budget reserve funds (Constitutional Budget Reserve Fund – CBR; and Statutory Budget Reserve Fund – SBR), which have declined from a peak of \$16.3 billion in FY13 to a projected \$2.2 billion by the end of FY20 (prior to supplemental appropriations). See table on next page.

Last Session

The Governor proposed an FY20 operating budget (Agency Operations and Statewide Items) that was approximately \$980 million UGF lower than the FY19 Management Plan level of funding. This proposal included a directly offsetting increase to the Permanent Fund Dividend (funding it to the statutory formula level) which required an additional \$992 million and reduced the amount of the POMV payout available to the general fund.



At the conclusion of legislative work, Agency Operations and Statewide Items had been reduced by \$146 million UGF. In other words, of the proposed \$980 million in UGF reductions, the legislature accepted \$146 million from FY19. The Governor then proceeded to veto an additional \$205 million UGF from what the legislature had passed. This resulted in an FY20 UGF operating budget that was \$351 million below FY19. The major UGF reductions included:

- Health and Social Services - \$176 million UGF (Medicaid accounts for \$145 million)
- Alaska Marine Highway System - \$38 million
- University of Alaska - \$25 million (per compact agreement)
- School Debt Reimbursement - \$49 million (reduced 50%)
- REAA Fund Cap - \$20 million (reduced 50% to correspond with School Debt)
- Oil and Gas Tax Credits - \$100 million (one-time item in FY19 and excluded from FY20)

Where are we now?

In short, our traditional budget reserves are nearly depleted, and the budget plan proposed by the Governor provides a deficit consuming \$1.5 billion (65%) of the remaining CBR with no revenue measures or significant budget reductions. If this plan were implemented, the CBR would have a projected ending FY21 balance of \$835 million (before any FY20 supplementals) and would not be repeatable in FY22 without ad hoc draws from the ERA.

Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

The proposed UGF operating budget is \$178 million greater than the FY20 Management Plan. A significant portion of the increase is \$128 million partially restoring the reductions made to Medicaid Services in FY20 (a \$120 million FY20 Supplemental has also been identified). In addition, other major changes and potential items of interest are outlined in the following table.

Major UGF Changes FY20 Management Plan to FY21 Governor

UGF (thousands)	20MgtPln	21Gov	\$Diff	%Diff	Notes
DOA	63,286.4	66,528.0	3,241.6	5%	Increases in OPA, fund changes for HB49 fiscal notes
DCCED	8,522.5	7,916.3	(606.2)	-7%	Economic Development replaced with AK Development Team
DOC	299,636.7	351,633.9	51,997.2	17%	HB49 second year costs and out-of-state contractual services
DEED	1,330,427.9	1,310,833.4	(19,594.5)	-1%	K-12 formula costs up, \$30 million one-time funding removed
DEC	15,397.2	15,080.6	(316.6)	-2%	
DFG	51,351.3	50,159.5	(1,191.8)	-2%	
Gov	24,020.5	23,816.1	(204.4)	-1%	
DHSS	971,106.4	1,104,853.4	133,747.0	14%	Restores bulk of FY20 cuts, offset w/ \$11.4m fund change to DGF
DLWD	20,846.6	18,606.0	(2,240.6)	-11%	\$1.4m fund change to GF/PR and efficiency decrements
LAW	51,228.8	52,475.6	1,246.8	2%	
DMVA	23,341.9	22,761.6	(580.3)	-2%	
DNR	69,821.0	65,595.0	(4,226.0)	-6%	ASTAR multi-year ends in FY20
DPS	169,223.0	182,019.3	12,796.3	8%	Alaska State Troopers, Crime Lab Staff, Anchorage Emergency Ctr
DOR	25,514.5	27,382.6	1,868.1	7%	\$2.2 million increment for Tax Revenue Mgmt. System
DOTPF	141,949.7	145,899.9	3,950.2	3%	AMHS weeks of service increased
UA	302,033.5	277,033.5	(25,000.0)	-8%	Year two of multi-year compact agreement reduction
Courts	107,213.7	110,371.8	3,158.1	3%	
LEG	64,129.2	64,577.4	448.2	1%	
Statewide	479,413.9	498,953.9	19,540.0	4%	State Assistance to Retirement increase offset by other reductions
Total Operating	4,218,464.7	4,396,497.8	178,033.1	4%	
Capital Budget	135,639.2	144,298.8	8,659.6	6%	
Dividends	1,139,970.0	2,005,100.0	865,130.0	76%	PFDs increased to full statutory level
Total Budget	5,494,073.9	6,545,896.6	1,051,822.7	19%	

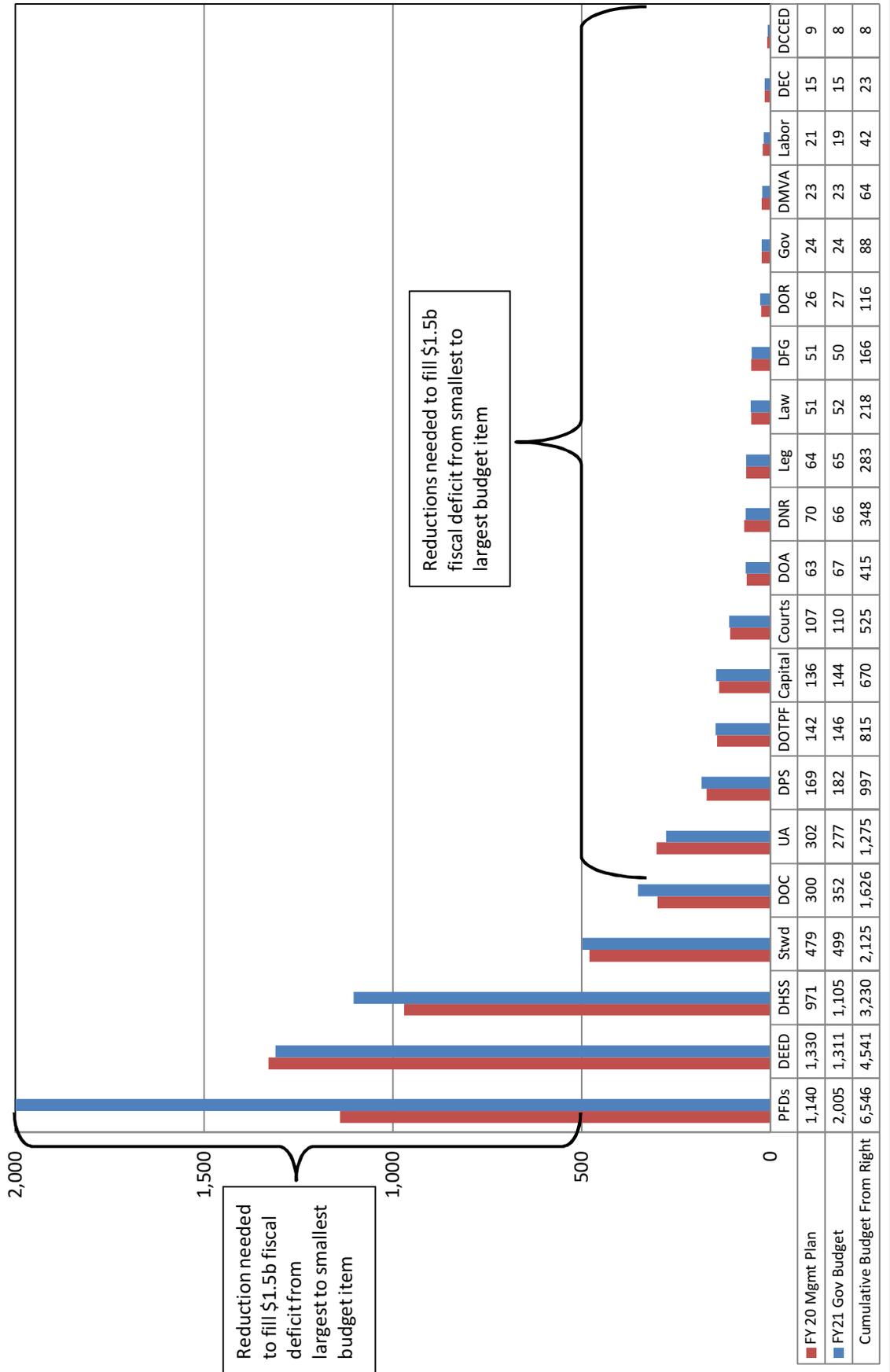
Swoop Graph

On the following page is what is commonly known as the “Swoop Graph.” This version compares the Governor’s FY21 proposed UGF appropriations by state agency and category to the FY20 enacted budget, and sorts them from largest to smallest. The Permanent Fund Dividend program is the largest by a significant degree. Changes outlined in the previous table are also evident – the large add back for Medicaid and the increases to the Departments of Corrections and Public Safety.

To demonstrate the magnitude of the \$1.5 billion fiscal deficit built into the Governor’s FY21 budget, the graph includes two sets of brackets showing how much of the budget would need to be reduced to balance with projected revenue and eliminate the fiscal deficit. Starting from the smallest budget component to the largest, sixteen agencies would need to be eliminated from DCCED to the University (and a portion of Corrections). Starting from the largest budget component to the smallest, the reduction would exclusively impact the PFD program, leaving approximately \$500 million for distribution.

Line 37 of the Fiscal Summary (page 4) denotes total authorization for what has customarily been considered the state budget (total operating, capital and statewide appropriations before appropriations for PFDs). The summary is displayed in this manner for informational purposes only as it has been a common question from legislators: What is the fiscal surplus/(deficit) before payment of PFDs? As demonstrated on line 38, prior to appropriations for PFDs there would be a projected surplus of \$527 million – for a dividend of approximately \$766 per Alaskan.

Swoop Graph - UGF Only FY20 to FY21 Budget (Millions)



Progression - FY19 Management Plan to FY21 Governor's Request

Included on the following two pages is an Agency Summary Report which outlines the progression of the UGF operating budget from FY19 to the FY21 Governor's budget. The report may appear overwhelming at first glance, but a brief definition of each column and comparison will provide clarity.

Column 1 – is the FY19 budget, the starting place prior to this administration and any actions from last session.

Column 2 – is the Governor's proposed FY20 budget.

Column 3 – compares FY19 to the Governor's proposed FY20 budget.

Column 4 – is the FY20 budget passed by the legislature before final vetoes.

Column 5 – compares FY19 to what the legislature appropriated – this shows acceptance of \$146 million of the Governor's proposed FY20 operating budget reductions.

Column 6 – identifies the final FY20 vetoes.

Column 7 – is the FY20 budget.

Column 8 – compares FY19 to FY20 showing the total reduction of \$351 million.

Column 9 – is the Governor's proposed FY21 budget.

Column 10 – compares the FY20 budget to the Governor's FY21 budget showing an increase of \$178 million over FY20.

Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

Multi-year Agency Summary - Operating Budget - FY 2021 Governor Structure
 Progression - FY19 Management Plan to FY21 Governor's Request

Numbers and Language
 Fund Groups: Unrestricted General

Agency	ID=> Sessions=> Column=>	[1] 2019 19MgtPIn	[2] 2019 20GovAmd+	[2] - [1] 19MgtPIn to 20GovAmd+	[4] 2020 Approp	[5] LegCuts	[6] 2020 20Vetos	[7] 2020 20MgtPIn	[7] - [1] 2019 19MgtPIn to 20MgtPIn	[9] 2020 20MgtPIn	[9] - [7] 2020 20MgtPIn to 21Gov
Agency Operations											
Administration		65,632.7	61,431.6	-4,201.1 -6.4 %	66,672.5	1,039.8	-3,386.1	63,286.4	-2,346.3 -3.6 %	3,241.6	5.1 %
Commerce, Community & Econ Dev		10,101.6	40,093.9	29,992.3 296.9 %	8,522.5	-1,579.1	0.0	8,522.5	-1,579.1 -15.6 %	-606.2	-7.1 %
Corrections		291,108.0	272,995.1	-18,112.9 -6.2 %	299,636.7	8,528.7	0.0	299,636.7	8,528.7 2.9 %	51,997.2	17.4 %
Education & Early Dev		1,322,008.9	1,013,433.3	-308,575.6 -23.3 %	1,330,475.2	8,466.3	-47.3	1,330,427.9	8,419.0 0.6 %	-19,594.5	-1.5 %
Environmental Conservation		15,391.8	15,019.7	-372.1 -2.4 %	15,433.5	41.7	-36.3	15,397.2	5.4	15,080.6	-2.1 %
Fish and Game		51,583.3	50,410.2	-1,173.1 -2.3 %	52,888.3	1,305.0	-1,537.0	51,351.3	-232.0 -0.4 %	50,159.5	-2.3 %
Governor		27,683.2	24,654.3	-3,028.9 -10.9 %	24,020.5	-3,662.7	0.0	24,020.5	-3,662.7 -13.2 %	23,816.1	-0.9 %
Health & Social Services		1,146,733.1	837,703.2	-309,029.9 -26.9 %	1,039,011.0	-107,722.1	-67,904.6	971,106.4	-175,626.7 -15.3 %	1,104,853.4	13.8 %
Labor & Workforce Dev		20,697.2	20,402.7	-294.5 -1.4 %	20,853.4	156.2	-6.8	20,846.6	149.4 0.7 %	18,606.0	-10.7 %
Law		51,589.8	49,826.2	-1,763.6 -3.4 %	51,753.6	163.8	-524.8	51,228.8	-361.0 -0.7 %	1,246.8	2.4 %
Military & Veterans' Affairs		23,854.9	22,956.5	-898.4 -3.8 %	23,566.9	-288.0	-225.0	23,341.9	-513.0 -2.2 %	-580.3	-2.5 %
Natural Resources		65,154.5	66,748.6	1,594.1 2.4 %	70,021.0	4,866.5	-200.0	69,821.0	4,666.5 7.2 %	-4,226.0	-6.1 %
Public Safety		161,708.4	158,446.2	-3,262.2 -2.0 %	172,723.0	11,014.6	-3,500.0	169,223.0	7,514.6 4.6 %	12,796.3	7.6 %
Revenue		25,287.4	25,349.0	61.6 0.2 %	25,518.7	231.3	-4.2	25,514.5	227.1 0.9 %	27,382.6	7.3 %
Transportation		179,988.8	122,788.0	-57,200.8 -31.8 %	147,231.6	-32,757.2	-5,281.9	141,949.7	-38,039.1 -21.1 %	145,899.9	2.8 %
University of Alaska		327,033.5	193,105.0	-133,928.5 -41.0 %	322,033.5	-5,000.0	-20,000.0	302,033.5	-25,000.0 -7.6 %	277,033.5	-8.3 %
Executive Branch-wide Approps		0.0	30,914.6	30,914.6 >999 %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Judiciary		105,444.9	108,936.7	3,491.8 3.3 %	107,672.4	2,227.5	-458.7	107,213.7	1,768.8 1.7 %	110,371.8	2.9 %
Legislature		64,132.4	64,779.2	646.8 1.0 %	64,129.2	-3.2	0.0	64,129.2	-3.2	64,577.4	0.7 %
Total		3,955,134.4	3,179,994.0	-775,140.4 -19.6 %	3,842,163.5	-112,970.9	-103,112.7	3,739,050.8	-216,083.6 -5.5 %	158,493.1	4.2 %
Statewide Items											
Debt Service		199,995.4	100,692.6	-99,302.8 -49.7 %	201,962.0	1,966.6	-52,208.7	149,753.3	-50,242.1 -25.1 %	134,987.0	-9.9 %
State Retirement Payments		271,101.1	307,936.1	36,835.0 13.6 %	307,936.1	36,835.0	0.0	307,936.1	36,835.0 13.6 %	345,567.4	12.2 %
Fund Capitalization		143,709.0	2,030.0	-141,679.0 -98.6 %	71,419.0	-72,290.0	-49,694.5	21,724.5	-121,984.5 -84.9 %	18,399.5	-15.3 %
Total		614,805.5	410,658.7	-204,146.8 -33.2 %	581,317.1	-33,488.4	-101,903.2	479,413.9	-135,391.6 -22.0 %	498,953.9	4.1 %
Total Agency and Statewide Operations		4,569,939.9	3,590,652.7	-979,287.2 -21.4 %	4,423,480.6	-146,459.3	-205,015.9	4,218,464.7	-351,475.2 -7.7 %	4,396,497.8	4.2 %

Computed Column Definitions: [5]=[4]-[1]

**Multi-year Agency Summary - Operating Budget - FY 2021 Governor Structure
Progression - FY19 Management Plan to FY21 Governor's Request**

**Numbers and Language
Fund Groups: Unrestricted General**

Agency	ID=> Sessions=> Column=>	[1] 2019 19MgtPIn	[2] 2019 20GovAmd+	[2] - [1] 2019 20GovAmd+	[4] 2020 Approp	[5] LegCuts	[6] 2020 20Vetos	[7] 2020 20MgtPIn	[7] - [1] 2020 20MgtPIn	[9] 2020 20MgtPIn	[9] - [7] 2020 20MgtPIn to 21Gov
Permanent Fund											
Permanent Fund		1,023,487.2	2,015,300.0	991,812.8 96.9 %	1,139,970.0	116,482.8	0.0	1,139,970.0	11.4 %	865,130.0	75.9 %
Total		1,023,487.2	2,015,300.0	991,812.8 96.9 %	1,139,970.0	116,482.8	0.0	1,139,970.0	11.4 %	865,130.0	75.9 %
Statewide Total		5,593,427.1	5,605,952.7	12,525.6 0.2 %	5,563,450.6	-29,976.5	-205,015.9	5,358,434.7	-4.2 %	1,043,163.1	19.5 %
Funding Summary											
Unrestricted General (UGF)		5,593,427.1	5,605,952.7	12,525.6 0.2 %	5,563,450.6	-29,976.5	-205,015.9	5,358,434.7	-4.2 %	1,043,163.1	19.5 %
Non-Additive Items											
Fund Transfers		31,210.0	-6,737.5	-37,947.5 -121.6 %	-272,427.2	-303,637.2	0.0	-272,427.2	-972.9 %	341,602.2	-125.4 %
Total		31,210.0	-6,737.5	-37,947.5 -121.6 %	-272,427.2	-303,637.2	0.0	-272,427.2	-972.9 %	341,602.2	-125.4 %

LFD Fiscal Model and Status Quo

The Legislative Finance Division's (LFD) fiscal model provides legislators with a projection tool that is designed to show the impact of policy changes on the State's fiscal situation. By default, it uses the Department of Revenue's revenue forecast, inflation and investment earnings rates from Callan (the State's investment consultant), and assumptions based on the current budget.

The scenario included on the following page provides projections of what would happen given model input assumptions and the Governor's FY21 budget adopted as-is with no additional budget cuts or revenue. **This scenario is presented to show the magnitude of the fiscal problem that needs to be addressed, based on current forecasts.** LFD is policy neutral regarding the method of addressing the issue and therefore leaves any possible scenarios for fiscal improvement at the request of legislative committees or individual legislators.

Under these fiscal conditions, the Constitutional Budget Reserve would be empty in FY22, requiring additional draws from the Earnings Reserve Account (ERA) to balance the budget. As a result, the ERA's balance would quickly erode, leaving the State without any reserves by FY30.

The FY21 budget deficit is projected to be \$1.6 billion (including \$50 million for supplementals). Statute dictates that the Percent of Market Value (POMV) draw will decline from 5.25% to 5% in FY22. This will reduce the POMV by approximately \$200 million, resulting in larger projected out-year deficits ranging from \$1.8 to \$2 billion. **Over the model time span, fiscal deficits total over \$17 billion.** That is the size of the issue that must be addressed through further budget reductions or revenue measures.

The Governor did provide six potential alternate fiscal scenarios in the statutorily required 10-year plan (though none were endorsed). With nearly identical inputs, the LFD model results are similar to the output provided in the Governor's six scenarios. The LFD model has slightly higher baseline spending assumptions, which is due to two items: future supplemental appropriations (LFD assumes \$50 million per year) and payment of tax credit bond debt (LFD assumes \$70 million per year).

The next section of this document provides further discussion of the revenue requirements of the State and potential options for revenue measures.

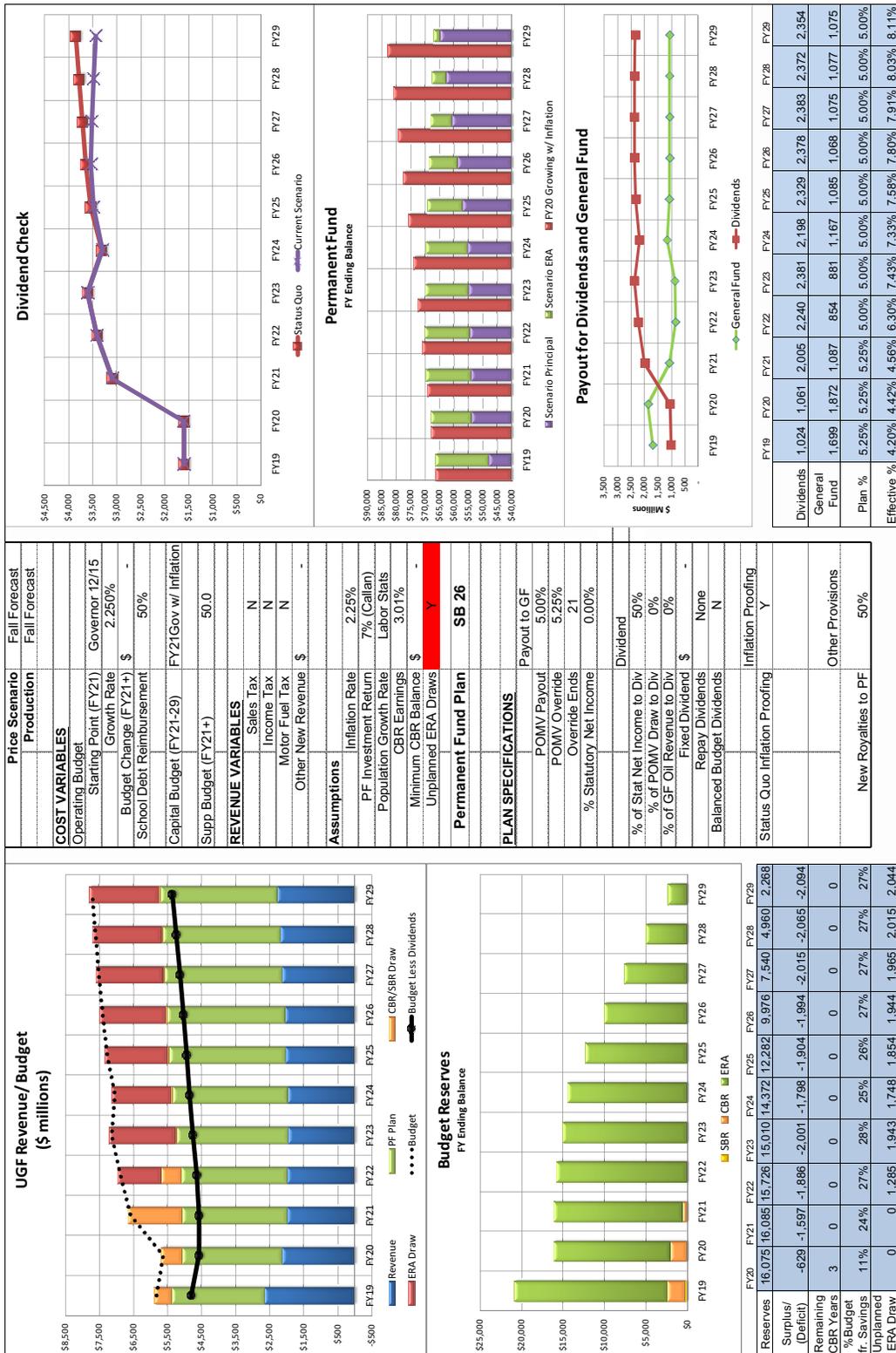
Guide to LFD Fiscal Model Output

The middle columns show variables and assumptions that can be modified in the model. The inputs included in the example use LFD's default assumptions as outlined above.

Left side: the top graph shows UGF revenue compared to the UGF budget, and which fund sources would be used to fill deficits. The next graph shows budget reserve balances, including the CBR, SBR, and ERA. The table on the bottom provides data on the total reserve balances, the size of the deficits, and how much of the deficit is being filled by the ERA.

Right side: the top graph shows a comparison of the Permanent Fund Dividend per recipient under model assumptions vs. the statutory calculation. The middle graph compares the Permanent Fund's balance in the scenario to the end-of-FY20 balance, growing with inflation. The final graph shows the payouts from the ERA for dividends and the general fund. The bottom table summarizes the draws from the ERA.

Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request



Revenue Requirements

AS 24.20.231(2) provides that the Legislative Finance Division analyze the revenue requirements of the State. The following provides a brief analysis along with potential revenue sources and any issues therein.

To quickly summarize, the revenue requirements for the Governor's proposed budget are insufficient. Unrestricted General Fund revenue is approximately \$1.5 billion less than what is needed to balance proposed appropriations with projected revenue. AS 37.07.020(c) Responsibilities of the Governor, states that "proposed expenditures may not exceed estimated revenue for the succeeding fiscal year." **This statute implies that the Governor's proposed December 15th budget must be balanced with sufficient revenue to meet appropriations.**

New Revenue Options

To raise additional revenue, the State could increase existing taxes or impose new ones. Alaska is the only state without a statewide broad-based tax, so existing taxes are primarily resource-based taxes or excise taxes on certain consumer items such as motor fuels, alcohol, and tobacco. Increasing existing taxes may cause Alaska to have higher rates than other states, but increases could bring in revenue quickly with minimal administrative costs. New taxes would take longer to set up and would require additional administrative costs. However, significant revenue could be generated with new broad-based taxes.

The items below are presented to give legislators an idea of what options are available. Equity, economic impacts, efficiency, and other considerations are not presented here but should be addressed if the legislature explores revenue options.

Modify Existing Taxes

Oil and Gas Production Tax: Alaska's oil and gas production tax is projected to bring in \$328.1 million in FY21. Past proposals to increase this tax have included raising the tax "floor" from 4% of gross revenue to 5% or higher; capping the per-taxable barrel credit at \$5; or more complex changes proposed in the House version of Chapter 3, SSLA 17 (HB 111) or the proposed Alaska North Slope Oil and Gas Production Tax Increase Initiative. At the high end, the proposed initiative is estimated to bring in up to \$1.2 billion in revenue per year, assuming no changes in production.

Corporate Income Tax: The petroleum and non-petroleum corporate income taxes are projected to bring in a combined \$340 million in FY21. Alaska's 9.4% top marginal rate is the fourth highest in the US.¹ Alaska is one of two states with a corporate income tax but no individual income tax (along with Florida), which results in C corporations paying taxes but S corporations not paying taxes (as their income flows through to the owners and personal income is not taxed). The Department of Revenue does not have the data to accurately assess the impact of taxing S corporations, but the Legislative Finance Division estimates it would be at least \$30 million.

Other Resource Taxes: Alaska's Mining License Tax is estimated to bring in \$50.0 million in FY21. The Fisheries Business and Fishery Resource Landing taxes are estimated to bring in \$27.1 million in UGF revenue and an additional \$31.4 million that is shared with municipal governments. National comparisons for these taxes are difficult.

¹ All national comparisons in this document are according to the Federation of Tax Administrators data for tax year 2019.

Excise Taxes: Alaska imposes excise taxes on several consumer goods. The largest of these are:

- Tobacco taxes (estimated FY21 revenue is \$58.0 million, of which \$39.9 million is UGF and \$18.1 million is DGF): Alaska's cigarette tax of \$2 per pack ranks 16th nationwide. The tax on other tobacco products is 75% of wholesale price, which ranks 8th nationwide.
- Alcoholic beverage tax (\$42.0 million, split equally between UGF and DGF): Alaska's tax is designed to tax all alcoholic beverages equally on a per-drink basis. The \$12.50 per gallon tax on liquor and \$2.50 per gallon tax on wine are the highest in the country, and the \$1.07 per gallon tax on beer is second highest.
- Motor fuel tax (\$33.8 million, all DGF) - Alaska's \$0.08 per gallon tax ranks 50th nationwide. Tripling Alaska's tax to the national median of \$0.24 would bring in an additional \$67.6 million.
- Marijuana taxes (\$27.1 million, of which \$6.8 million is UGF and \$20.3 million is DGF): Alaska taxes \$50/ounce for flowers, \$15/ounce for stems and leaves, and \$25/ounce for immature flowers/buds. National comparisons are challenging because many states have a mix of per-ounce and excise taxes. Ten states currently permit and tax retail marijuana sales.

New Taxes

Income Tax

40 states have income taxes (plus two states tax dividends and interest only). Alaska had an income tax from statehood until 1980, when it was repealed. Thirty-one of those 40 states have progressive income taxes, and the remaining nine have flat taxes. At the time of its repeal, Alaska's income tax brackets ranged from 3% to 14.5% and brought in \$117 million in FY79. Adjusted for inflation and population, that is equivalent to about \$600 million in 2019.

The most recent income tax bill considered in Alaska, HB 115 (introduced in the 2017 session), had a progressive tax rate ranging from 2.5% to 7% and was estimated to bring in about \$700 million per year. HB 115 called for implementation in the following January, so the first fiscal year would only see half a year of revenue.

Sales Tax

45 states have statewide sales taxes, four states have no sales tax at all, and Alaska is the only state that has no statewide sales tax but allows municipal sales taxes. Of the 45 states with a statewide sales tax, 37 have additional municipal sales taxes. In Alaska, sales taxes may be levied at the city or borough level. As of 2018, 103 of Alaska's 129 taxing municipalities imposed sales taxes, at rates ranging from 1.5% to 7.5%.

The most recent statewide sales tax proposed in Alaska was HB/SB 5004 (introduced in 2016), which would have imposed a 3% sales tax with exemptions for groceries. It was projected to bring in \$500 million per year. Like an income tax, a sales tax would likely take at least six months to implement.

Property Tax

All 50 states have property taxes that are applied by either local or municipal governments. Alaska has a statewide property tax for oil and gas property, but other property is taxed only at the municipal level. Fifteen of Alaska's nineteen boroughs levy personal property taxes, plus 21 cities (some of which are within boroughs). Some boroughs rely very heavily on property tax revenue, and Alaska's average property tax burden ranks 23rd nationwide despite not being universally applied.

Alaska could impose a statewide property tax on non-oil and gas property. Implementing such a tax would be administratively challenging because property values would have to be determined in any area of the state that does not already have a property tax. Unlike most states, Alaska does not require that real estate sale prices be reported publicly to ensure accurate assessments.

Payroll Tax or Head Tax

Alaska had a \$10 per worker "head tax" to pay for a portion of the education budget until 1980. Such taxes are a flat amount per person rather than a percentage of income. No other state currently imposes a head tax.

Several pieces of legislation have proposed graduated head taxes or other payroll taxes. Such taxes could build on the existing payroll tax administered for worker's compensation so they could be implemented with fewer additional resources. However, these taxes would have a narrower base than an income tax because they exclude dividend and investment income, so their revenue-raising potential is more limited.

FY20 Budget and Vetoes Discussion

The FY20 budget process was unusually convoluted, involving multiple operating and capital appropriation bills and multiple rounds of vetoes. Initially, the legislature passed the operating budget in HB 39 and the Mental Health budget in HB 40. The capital budget, SB 19, funded UGF appropriations directly from the CBR, but the required 3/4 CBR vote failed so the legislature passed a capital budget devoid of UGF. The Governor then vetoed \$416 million from all three bills. The legislature then passed additional operating items (veto restorations plus the Permanent Fund Dividend) in HB 2001 and capital items (with a successful CBR vote) in SB 2002. The Governor's final vetoes from all bills (net of duplicates) totals \$270.6 million. The following tables summarize this process (all numbers in millions of dollars).

	UGF	Agency Operations	Statewide Items	Capital Budget	Total
Round 1	Legislature HB 39/40 (op), SB 19 (cap)	3,826.0	554.3	13.2	4,393.5
	Vetoes	(264.7)	(103.1)	(11.7)	(379.5)
	Enacted HB 39/40 (op), SB 19 (cap)	3,561.4	451.2	1.5	4,014.0
Round 2	Legislature HB 2001 (op), SB 2002 (cap)	187.3	103.1	173.1	463.5
	Vetoes	(82.4)	(101.9)	(30.3)	(214.7)
	Enacted HB 2001 (op), SB 2002 (cap)	104.9	1.2	142.8	248.9
Total	Enacted	3,727.9	452.4	144.3	4,324.6
	Non-duplicated, non-reversed vetoes	(103.1)	(101.9)	(34.9)	(239.9)

	All funds	Agency Operations	Statewide Items	Capital Budget	Total
Round 1	Legislature HB 39/40 (op), SB 19 (cap)	8,841.5	1,453.0	1,173.9	11,468.4
	Vetoes	(290.6)	(103.1)	(22.5)	(416.2)
	Enacted HB 39/40 (op), SB 19 (cap)	8,551.0	1,349.8	1,151.4	11,052.2
Round 2	Legislature HB 2001 (op), SB 2002 (cap)	291.3	140.6	179.7	611.6
	Vetoes	(99.6)	(101.9)	(34.9)	(236.4)
	Enacted HB 2001 (op), SB 2002 (cap)	191.8	38.7	144.8	375.3
Total	Enacted	8,742.8	1,388.6	1,296.2	11,427.5
	Non-duplicated, non-reversed vetoes	(122.9)	(101.9)	(45.8)	(270.6)

Vetoes made in the first round were not overridden within the constitutional timeframe. Vetoes from the second round could be overridden in the first five days of the 2020 legislative session. Those vetoes total \$236.4 million. For the most part, vetoes from the first round were either restored in HB 2001/SB 2002 or were vetoed again. The major exception is the University of Alaska – HB 2001 only restored \$110 million of the initial \$130 million veto, and the Governor did not veto the University of Alaska funding a second time.

In addition to the veto totals listed above, the Governor vetoed forward-funding of the K-12 Foundation Program and K-12 Pupil Transportation Formula programs for FY21. This veto can also be overridden in the first five days of the 2020 legislative session, but does not appear on FY20 budget reports.

FY20 Supplementals and CBR Headroom

What is the CBR “Headroom”?

Most state budgets are balanced by anticipated revenues meeting the planned expenditures. Alaska is unique in that the legislature has typically filled any anticipated revenue shortfall with available budget reserves (savings). In previous years, Constitutional Budget Reserve (CBR) access was provided for any appropriations in a fiscal year. In recent years, however, access to the CBR (for deficit filling) has been limited to the appropriation bills passed during the legislative session where CBR access was authorized. This was essentially done to prevent unlimited supplemental appropriations in the following session that could be funded from the CBR.

As a compromise to allow room for supplemental appropriations of some amount the following session, the “CBR Headroom” was implemented. During the prior session when the CBR access vote occurred (requiring super majority vote), an additional provision was included, which allowed an additional amount be drawn for any other appropriations in that fiscal year (supplemental appropriations) up to a capped limit. For example, the CBR access appropriation for FY20 (Section 17, Chapter 1, SSSLA 2019) included deficit filling language for the bills passed in the 2019 regular and special sessions (Section 17(b)) and language for any additional FY20 effective appropriations (Section 17(c)) up to a limit of \$250 million. This additional limited access is referred to commonly as the CBR “headroom” as it describes the additional amount of appropriations that can be made without new CBR access authorization.

FY20 “Likely” and Other Expected Supplementals

The Governor’s December budget release included a single operating supplemental and two capital supplementals totaling \$7.3 million (\$2.5 million UGF and \$4.8 million DGF). It also included placeholders for what were termed “likely” supplementals. These totaled \$225.5 million: Medicaid - \$120 million; Fire Suppression - \$94.5 million; Alaska Psychiatric Institute (API) - \$6 million; and, Pioneers Homes - \$5 million. These alone consume nearly all of the available CBR Headroom for FY20.

Other potential supplementals include an amount of at least \$6 million for the Alaska Marine Highway System (AMHS) (an RPL for \$6 million was sent to the LB&A Committee in December 2019 only to be withdrawn after LFD identified technical issues); \$30 million for Community Assistance; potentially another \$8 million for spring fire suppression; and, possibly some amount for Oil & Gas Tax Credits. Just the addition of the \$36 million for AMHS and Community Assistance alone pushes through the \$250 million headroom to \$261.5 million. This excludes other unknowns, but likely supplemental budget requests could conceivably necessitate an additional CBR access vote.

Operating Budget

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Language Sections of the Governor's FY21 Operating Budget

DELETED SECTION: Legislative Intent Regarding Supplemental Appropriations

It is the intent of the legislature that the amounts appropriated by secs. 1 - 3 and 16 - 38 of this Act are the full amounts that will be appropriated for those purposes for the fiscal year ending June 30, 2020.

Legislative Fiscal Analyst Comment: In recent years the legislature has taken steps to reduce the need for routine supplemental appropriations. The purpose of this deleted section was to emphasize that supplemental operating appropriations are expected to be limited to needs that are truly unanticipated. Similar supplemental intent language has been retained in recent Governor's budget requests.

This (deleted) language is intended to resolve the conflict between two operating budget philosophies: "manage your program to fit your budget" and "spend as much as you believe is necessary to run your program."

DELETED SECTION: Legislative Intent Regarding Supplemental Education Funding

It is the intent of the legislature that the Department of Education and Early Development immediately distribute the full amount of the appropriation made in sec. 21(c), ch. 19, SLA 2018, to school districts as appropriated by the legislature.

Legislative Fiscal Analyst Comment: The \$20 million additional education funding was distributed to school districts as appropriated by the legislature on June 10, 2019, which was the date that the intent language was passed by the legislature.

Sec. 4. COSTS OF JOB RECLASSIFICATIONS. The money appropriated in this Act includes the amount necessary to pay the costs of personal services because of reclassification of job classes during the fiscal year ending June 30, 2021.

Legislative Fiscal Analyst Comment: This section was added by the legislature several years ago in response to agency requests for supplemental appropriations to cover the costs of reclassifying selected job classes that the legislature was not informed of in advance. The section clarifies that the cost of reclassifying positions is to be absorbed in an agency's existing budget.

DELETED SECTIONS: FY19 Supplemental Appropriations (HB 39 Sections 9-15 and HB 2001

Section 7)

Legislative Fiscal Analyst Comment: The Governor typically submits a separate bill requesting supplemental appropriations. During the 2019 legislative session, several supplemental appropriations were rolled into the operating bill.

The Governor's operating bill includes a single FY20 Supplemental request (see section 10(h)). Supplemental requests are typically submitted as a group by the 15th day of each session, as outlined in AS 37.07.070 and AS 37.07.100.

Sec. 5. ALASKA AEROSPACE CORPORATION. Federal receipts and other corporate receipts of the Alaska Aerospace Corporation received during the fiscal year ending June 30, 2021, that are in excess of the amount appropriated in sec. 1 of this Act are appropriated to the Alaska Aerospace Corporation for operations for the fiscal year ending June 30, 2021.

Section 5 is intended to maximize the Alaska Aerospace Corporation's (AAC) ability to attract launch activity by eliminating all questions regarding the corporation's ability to accept and spend receipts in a timely manner.

Funding: In FY21, the estimated impact of this section is zero. From FY12 to FY15, the AAC received general fund appropriations for operating and maintenance costs. All general funds were eliminated in FY16. There are no changes to the level of authorization requested in the FY21 Governor's budget.

Sec. 6. ALASKA HOUSING FINANCE CORPORATION. (a) The board of directors of the Alaska Housing Finance Corporation anticipates that \$45,600,000 of the adjusted change in net assets from the second preceding fiscal year will be available for appropriation for the fiscal year ending June 30, 2021.

Subsection (a) is not an appropriation; it merely specifies the amount of corporate receipts that will be made available to the State as a return of capital (commonly called a dividend). The amounts available for dividends in FY18, FY19, and FY20 were \$30.5 million, \$29.4 million and \$39.0 million, respectively.

Legislative Fiscal Analyst Comment: The statutory dividend is the lesser of \$103 million or 75 percent of the Alaska Housing Finance Corporation's (AHFC) change in net assets in the most recently completed fiscal year [AS 18.56.089(c)]. AHFC's net income declined precipitously after 2008 due to a declining market share as federal mortgage programs offered mortgages at low rates. The dividend has increased again in recent years, rebounding from a low of \$10.6 million in FY14 to \$45.6 million.

(b) The Alaska Housing Finance Corporation shall retain the amount set out in (a) of this section for the purpose of paying debt service for the fiscal year ending June 30, 2021, in the following estimated amounts:

- (1) \$1,000,000 for debt service on University of Alaska, Anchorage, dormitory construction, authorized under ch. 26, SLA 1996;**
- (2) \$7,210,000 for debt service on the bonds described under ch. 1, SSSLA 2002;**
- (3) \$3,790,000 for debt service on the bonds authorized under sec. 4, ch. 120, SLA 2004.**

Subsection (b) makes no appropriation; it informs the legislature that AHFC will retain \$12.0 million of the FY21 dividend in order to pay debt service on three capital projects for which AHFC issued debt on behalf of the State, as authorized by past legislatures, leaving \$33.6 million of the dividend available for appropriation.

(c) After deductions for the items set out in (b) of this section and deductions for appropriations for operating and capital purposes are made, any remaining balance of the amount set out in (a) of this section for the fiscal year ending June 30, 2021, is appropriated to the general fund.

Subsection (c) appropriates any unappropriated portion of the dividend to the general fund. After subtracting the debt service listed in subsection (b), the net dividend is \$33.6 million. The Governor's request spends \$13.4 million of the dividend for capital projects, leaving a \$20.3 million appropriation to the general fund.

Legislative Fiscal Analyst Comment: The entire net dividend (\$33.6 million) is identified as unrestricted general fund revenue. However, the language in subsection (c) allows AHFC to retain (and invest) dividends until the money is required to cover expenses associated with capital projects funded by dividends. Investment earnings contribute to AHFC's bottom line.

While appropriating the entire net dividend to the general fund would allow investment earnings to accrue to the general fund rather than to AHFC, the corporation has successfully argued for retention of the current method of accounting for dividends.

(d) All unrestricted mortgage loan interest payments, mortgage loan commitment fees, and other unrestricted receipts received by or accrued to the Alaska Housing Finance Corporation during the fiscal year ending June 30, 2021, and all income earned on assets of the corporation during that period are appropriated to the Alaska Housing Finance Corporation to hold as corporate receipts for the purposes described in AS 18.55 and AS 18.56. The corporation shall allocate its corporate receipts between the Alaska housing finance revolving fund (AS 18.56.082) and senior housing revolving fund (AS 18.56.710(a)) under procedures adopted by the board of directors.

Subsection (d) appropriates certain FY21 receipts of AHFC to the corporation and permits the corporation to allocate those receipts to the AHFC Revolving Loan Fund and the Senior Housing Revolving Fund.

Funding: The corporate receipts used for purposes other than operating costs do not appear in the bill summary or in Legislative Finance Division reports. Corporate operating costs are appropriated in section 1.

(e) The sum of \$800,000,000 is appropriated from the corporate receipts appropriated to the Alaska Housing Finance Corporation and allocated between the Alaska housing finance revolving fund (AS 18.56.082) and senior housing revolving fund (AS 18.56.710(a)) under (d) of this section to the Alaska Housing Finance Corporation for the fiscal year ending June 30, 2021, for housing loan programs not subsidized by the corporation.

(f) The sum of \$30,000,000 is appropriated from the portion of the corporate receipts appropriated to the Alaska Housing Finance Corporation and allocated between the Alaska housing finance revolving fund (AS 18.56.082) and senior housing revolving fund (AS 18.56.710(a)) under (d) of this section that is derived from arbitrage earnings to the Alaska Housing Finance Corporation for the fiscal year ending June 30, 2021, for housing loan programs and projects subsidized by the corporation.

Subsections (e) and (f) appropriate bond proceeds and arbitrage earnings to various housing programs.

Legislative Fiscal Analyst Comment: Because AHFC has statutory authority to issue bonds and transfer arbitrage earnings to its loan programs, subsections (e) and (f) could be removed. However, they do no harm and are informative. The amounts are not reflected in reports prepared by the Legislative Finance Division.

Sec. 7. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY. The sum of \$14,475,000, which has been declared available by the Alaska Industrial Development and Export Authority board of directors under AS 44.88.088, for appropriation as the dividend for the fiscal year ending June 30, 2021, is appropriated from the unrestricted balance in the Alaska Industrial Development and Export Authority revolving fund (AS 44.88.060) and the Alaska Industrial Development and Export Authority sustainable energy transmission and supply development fund (AS 44.88.660) to the Alaska marine highway system fund (AS 19.65.060(a)).

Section 7 informs the legislature that the anticipated annual Alaska Industrial Development and Export Authority (AIDEA) corporate dividend to the State will be \$14.5 million. Dividends for FY18, FY19, and FY20 were \$12.3 million, \$4.8 million, and \$10.3 million respectively. By statute (AS 44.88.088), the dividend made available should not be less than 25 percent and not

more than 50 percent of the base year statutory net income. The FY21 AIDEA dividend is 50 percent of the base year statutory net income.

Sec. 8. ALASKA PERMANENT FUND.

Legislative Fiscal Analyst Recommendation: The order of subsections under Alaska Permanent Fund should be changed to be consistent with logical cash flows. A) dedicated revenue, b) additional deposits, c) Percent of Market Value payout, d) dividends, e) capital income fund.

(a) The amount authorized under AS 37.13.145(b) for transfer by the Alaska Permanent Fund Corporation, estimated to be \$2,005,100,000, is appropriated from the earnings reserve account (AS 37.13.145) to the dividend fund (AS 43.23.045(a)) for the payment of permanent fund dividends and for administrative and associated costs for the fiscal year ending June 30, 2021.

Subsection (a) appropriates approximately \$2.005 billion from the Earnings Reserve Account (ERA) to pay dividends and associated expenses in FY21. This equals about 65 percent of a statutory 5.25 percent total payout from the ERA and will provide a dividend of about \$3,100 per person.

Legislative Fiscal Analyst Comment: The fiscal summary shows this transfer from the ERA as unrestricted general fund revenue. FY20 dividends were paid for from the unexpended and unobligated balance of the Statutory Budget Reserve (SBR) fund and the general fund.

The Division of Finance transferred only \$165.1 million of the \$172.4 million SBR balance to the Permanent Fund Dividend Fund for payment of the FY20 dividend. This appears to have been an accounting error. As a result, the FY20 dividend of \$1,606 was short by about \$10 per person. The Division of Finance should transfer the remaining balance of the SBR to the Dividend Fund to be added to the FY21 dividend distribution. Legislative Finance Division has requested clarification, however, the Division of Finance is waiting to respond until they receive final audited financial statements.

(b) The sum of \$3,091,492,927 calculated under AS 37.13.140(b), less the amount appropriated in (a) of this section, is appropriated from the earnings reserve account (AS 37.13.145) to the general fund for the fiscal year ending June 30, 2021.

The statutory 5.25 percent POMV payout is \$3.1 billion in FY21. Subsection (b) appropriates \$1.086 billion (or 35 percent of the POMV payout) from the ERA to the general fund to fund state services. Subsection (a) appropriates \$2.005 billion from the ERA to the dividend fund for dividends.

Legislative Fiscal Analyst Comment: The fiscal summary shows this transfer from the ERA as unrestricted general fund revenue.

(c) The amount required to be deposited under art. IX, sec. 15, Constitution of the State of Alaska, estimated to be \$276,300,000, during the fiscal year ending June 30, 2021, is appropriated to the principal of the Alaska permanent fund in satisfaction of that requirement.

Subsection (c) identifies an amount of oil revenue that goes into the Permanent Fund. Because the constitution mandates that at least 25 percent of royalties be deposited in the Permanent Fund, that dedicated revenue flows directly to the Permanent Fund. Dedicated deposits to the Permanent Fund are excluded from general fund revenue and from appropriations reported by the Legislative Finance Division. Arguably, appropriation of dedicated revenue is not necessary, but it does no harm and the language is informative.

(d) After the appropriation made in (c) of this section, the additional amount required to be deposited under AS 37.13.010(a)(2), estimated to be \$67,900,000, during the fiscal year ending June 30, 2021, is appropriated from the general fund to the principal of the Alaska permanent fund.

Subsection (d) identifies an amount of oil revenue that goes into the Permanent Fund. This subsection reflects the additional 25 percent of royalties from oil fields newer than 1979 to be deposited into the Permanent Fund. The non-mandated deposits require appropriation and are reflected as additional designated general fund revenue. Both revenue and expenditures are included in reports prepared by Legislative Finance Division.

Legislative Fiscal Analyst Comment: Beginning in FY21, this royalty deposit is identified using fund code 1262 (Non-mandatory Royalty Deposits to the Permanent Fund) as a Designated General Fund appropriation. Legal advice from Legislative Legal Services and the Department of Law confirm that this deposit is subject to appropriation, and therefore should be counted as statutorily designated revenue.

(e) The income earned during the fiscal year ending June 30, 2021, on revenue from the sources set out in AS 37.13.145(d), estimated to be \$30,000,000, is appropriated to the Alaska capital income fund (AS 37.05.565).

Subsection (e) appropriates FY20 earnings associated with the State vs. Amerada Hess settlement (that are held within the Permanent Fund) to the Alaska Capital Income Fund. The Alaska Capital Income Fund was established in FY05 and, per Chapter 88, SLA 2018, is designated for capital deferred maintenance projects.

Legislative Fiscal Analyst Comment: The Amerada Hess settlement resulted in the creation of a “fenced off” portion of the Permanent Fund that was intended to ensure that Alaska juries would not be personally affected (via Permanent Fund Dividends) by lawsuits involving revenue to the Permanent Fund.

DELETED SECTIONS: FY18 and FY19 Non-Mandated Deposits to the Permanent Fund

The amount necessary, when added to the appropriation made by sec. 24(a), ch. 1, SSSLA 2017, to satisfy the deposit described under AS 37.13.010(a)(2) during the fiscal year ending June 30, 2018, plus interest, estimated to be \$99,800,000, is appropriated from the earnings reserve account (AS 37.13.145) to the general fund.

The amount necessary, when added to the appropriation made by sec. 24(a), ch. 1, SSSLA 2017, to satisfy the deposit described under AS 37.13.010(a)(2) during the fiscal year ending June 30, 2018, plus interest, estimated to be \$99,800,000, is appropriated from the general fund to the principal of the Alaska permanent fund.

The amount necessary, when added to the appropriation made by sec. 9(a), ch. 17, SLA 2018, to satisfy the deposit described under AS 37.13.010(a)(2) during the fiscal year ending June 30, 2019, estimated to be \$80,000,000, is appropriated from the earnings reserve account (AS 37.13.145) to the general fund.

The amount necessary, when added to the appropriation made by sec. 9(a), ch. 17, SLA 2018, to satisfy the deposit described under AS 37.13.010(a)(2) during the fiscal year ending June 30, 2019, estimated to be \$80,000,000, is appropriated from the general fund to the principal of the Alaska permanent fund.

Legislative Fiscal Analyst Comment: The Constitution mandates that 25 percent of certain mineral royalties and other mineral revenues be deposited into the Permanent Fund. This revenue is dedicated by the Constitution and must be deposited into the corpus of the Permanent Fund.

The above deleted sections address a statutory provision that provides for an additional deposit of revenue to the Permanent Fund. The Department of Law, Legislative Legal Services and Legislative Finance Division have concluded that these deposits are statutory, not Constitutional, and are subject to appropriation. However, Legislative Audit considers the statutory language to be a dedication and will issue an audit finding if this (and future) statutory deposits are not appropriated.

Based on Legislative Audit's findings, the FY18 and FY19 statutory deposits to the Permanent Fund were appropriated by the legislature last session. The Governor vetoed these appropriations.

DELETED SECTIONS: Inflation Proofing and Additional Deposits to the Permanent Fund

The amount calculated under AS 37.13.145(c), after the appropriation made in (h) of this section, estimated to be \$943,000,000, is appropriated from the earnings reserve account (AS 37.13.145) to the principal of the Alaska permanent fund to offset the effect of inflation on the principal of the Alaska permanent fund for the fiscal year ending June 30, 2020.

Legislative Fiscal Analyst Comment: FY20 inflation proofing was consistent with statute. FY21 does not include inflation proofing due to the additional deposit in FY20 (see below) which included legislative intent language that the additional deposit be used to satisfy the inflation proofing statutory requirement for the next eight fiscal years.

After the appropriations made in (a) - (i) of this section, the remaining balance of the earnings reserve account (AS 37.13.145), not to exceed \$9,400,000,000, is appropriated from the earnings reserve account (AS 37.13.145) to the principal of the Alaska permanent fund.

It is the intent of the legislature that the amount appropriated in this subsection (1) not include associated unrealized gains; and (2) be used to satisfy the inflation proofing requirement under AS 37.13.145(c) for the next eight fiscal years.

Legislative Fiscal Analyst Comment: This section was vetoed to \$4.0 billion (from \$9.4 billion). The legislative intent could not be vetoed, but the \$4.0 billion appropriation is not sufficient to satisfy eight years of inflation proofing requirements under AS 37.13.145(c).

Sec. 9. DEPARTMENT OF ADMINISTRATION. (a) The amount necessary to fund the uses of the state insurance catastrophe reserve account described in AS 37.05.289(a) is appropriated from that account to the Department of Administration for those uses for the fiscal year ending June 30, 2021.

Subsection (a) references the statute that allows up to \$5 million to be swept from lapsing general fund appropriations into the Catastrophe Reserve Account. It appropriates funds from the Catastrophe Reserve Account to the Department of Administration to obtain insurance, establish reserves for the self-insurance program, and to satisfy claims or judgments arising under the program.

Funding: This provision has no fiscal impact; it allows money appropriated elsewhere to be transferred and spent but does not increase total appropriations.

Legislative Fiscal Analyst Comment: This section re-emphasizes the State's authority to expend funds from the State Insurance Catastrophe Reserve Account described in AS 37.05.289(a). The language may not be necessary, but it does no harm.

The Catastrophe Reserve Account sweeps lapsing general fund appropriations annually to maintain a balance not to exceed \$5 million. If these funds were not available, two opportunities would remain for meeting catastrophic situations: 1) supplemental appropriations by the legislature; and 2) judgment legislation. Delays that could occur with legislative remedies would cause difficulty in situations that require immediate action.

(b) The amount necessary to fund the uses of the working reserve account described in AS 37.05.510(a) is appropriated from that account to the Department of Administration for those uses for the fiscal year ending June 30, 2021.

Subsection (b) appropriates funds from the Working Reserve Account to the Department of Administration (DOA) to pay leave cash-out, terminal leave, unemployment insurance contributions, workers compensation, and general liability claims.

Funding: This provision has no fiscal impact; it allows money appropriated elsewhere to be transferred to and spent by the DOA, but it does not increase total appropriations.

FY19 actual usage was \$41.7 million. DOA's projected need is \$43.1 million for FY20 and \$44.2 million for FY21. If the projections are accurate, the departments will need to absorb an additional \$1.4 million in FY20, and an additional \$2.5 million in FY21.

Legislative Fiscal Analyst Comment: This section re-emphasizes the State's authority to expend funds from the Working Reserve Account described in AS 37.05.510. The language may not be necessary, but it does no harm.

The Working Reserve Account consists primarily of money appropriated to agencies (for the listed purposes) as a portion of personal services costs. The Department of Administration allocates money from each agency to the Working Reserve Account as part of the payroll process. If the amount in the account is insufficient to cover expenses, the Department of Administration may sweep lapsing personal services appropriations in order to cover expenses.

(c) The amount necessary to have an unobligated balance of \$5,000,000 in the working reserve account described in AS 37.05.510(a) is appropriated from the unencumbered balance of any appropriation enacted to finance the payment of employee salaries and benefits that is determined to be available for lapse at the end of the fiscal year ending June 30, 2021, to the working reserve account (AS 37.05.510(a)).

Subsection (c) appropriates funds from the Working Reserve Account to the Department of Administration to pay leave cash-out, terminal leave, unemployment insurance contributions, workers compensation, and general liability claims.

Legislative Fiscal Analyst Comment: This section re-emphasizes the State's authority to scoop lapsing balances to the Working Reserve Account described in AS 37.05.510. The language may not be necessary, but it does no harm.

(d) The amount necessary to have an unobligated balance of \$10,000,000 in the group health and life benefits fund (AS 39.30.095), after the appropriations made in (b) and (c) of this section, is appropriated from the unencumbered balance of any appropriation that is determined to be available for lapse at the end of the fiscal year ending June 30, 2021, to the group health and life benefits fund (AS 39.30.095).

Funding: This provision has no fiscal impact; it allows money appropriated elsewhere to be transferred to the Group Health and Life Benefits Fund, but it does not increase total appropriations.

Legislative Fiscal Analyst Comment: In FY17, the Governor requested a deposit of \$20 million UGF into the Group Health and Life Benefits Fund. The fund balance was declining rapidly due to an increase in insurance claims and was anticipated to be exhausted by the end of FY17. The legislature appropriated \$7.5 million UGF into the fund and accepted non-UGF increments associated with increasing employer rates for AlaskaCare members.

More recent changes in employer and employee rates will increase the balance of the fund. The Division of Retirement and Benefits' benefit consultant (Segal) indicates that there is sufficient funding for FY21.

(e) If the amount necessary to cover plan sponsor costs, including actuarial costs, for retirement system benefit payment calculations exceeds the amount appropriated for that purpose in sec. 1 of this Act, after all allowable payments from retirement system fund sources, that amount, not to exceed \$500,000, is appropriated from the general fund to the Department of Administration for that purpose for the fiscal year ending June 30, 2021.

Subsection (e) appropriates general funds to pay for costs of retirement system benefit calculations that exceed the \$79,600 appropriated to the Department of Administration in section 1.

Legislative Fiscal Analyst Comment: The pension and retiree health plans are trust funds and must adhere to federal and state rules regarding benefit trusts. The rules make a clear distinction between expenses that are for the benefit of the plan participants and expenses that are for the benefit of the plan sponsor. The expenses that benefit the plan sponsor are called settlor expenses or costs. Costs that benefit the plan sponsor cannot be paid for by retiree health trust funds as these expenses are for the benefit of the plan sponsor.

(f) The amount necessary to cover actuarial costs associated with bills introduced by the legislature, estimated to be \$0, is appropriated from the general fund to the Department of Administration for that purpose for the fiscal year ending June 30, 2021.

Subsection (f) appropriates general funds in FY21 to pay for actuarial costs associated with bills introduced by the legislature. As with settlor expenses, trust funds cannot be used for costs that do not benefit the trustees.

Sec. 10. DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT.

(a) The unexpended and unobligated balance of federal money apportioned to the state as national forest income that the Department of Commerce, Community, and Economic Development determines would lapse into the unrestricted portion of the general fund on June 30, 2021, under AS 41.15.180(j) is appropriated to home rule cities, first class cities, second class cities, a municipality organized under federal law, or regional educational attendance areas entitled to payment from the national forest income for the fiscal year ending June 30, 2021, to be allocated among the recipients of national forest income according to their pro rata share of the total amount distributed under AS 41.15.180(c) and (d) for the fiscal year ending June 30, 2021.

Subsection (a) appropriates any remaining balance of National Forest Receipts to be paid as grants to local governments in the unorganized borough.

Legislative Fiscal Analyst Comment: National Forest Receipts consist of national forest income received by the Department of Commerce, Community, and Economic Development (DCCED) for the portion of national forests located within the unorganized borough. By law, 75 percent of the income is allocated to public schools and 25 percent for maintenance of public roads in the unorganized borough.

AS 41.15.180(j) states that the amount in the national forest receipts fund remaining at the end of the fiscal year lapses into the general fund and shall be used for school and road maintenance in the affected areas of the unorganized borough for which direct distribution has not been made.

Under AS 41.15.180(j), lapsing money must be spent in areas that do not receive money under AS 41.15.180(c) and (d). Subsection (a) takes money that would otherwise be spent in unorganized areas within the unorganized borough and appropriates it to local governments within the unorganized borough.

(b) If the amount necessary to make national forest receipts payments under AS 41.15.180 exceeds the amount appropriated for that purpose in sec. 1 of this Act, the amount necessary to make national forest receipts payments is appropriated from federal receipts received for that purpose to the Department of Commerce, Community, and Economic Development, revenue sharing, national forest receipts allocation, for the fiscal year ending June 30, 2021.

Subsection (b) is an open-ended appropriation intended to ensure that all federal funding received for the National Forest Receipts program is disbursed expeditiously to communities.

Funding: The estimated impact of this section is unknown. The \$600,000 appropriated in section 1 for this program is the best estimate at this time.

Legislative Fiscal Analyst Comment: Although the National Forest Receipts (NFR) program was scheduled to sunset in FY08, the program continued to be reauthorized for several years. Historical NFR and Secure Rural Schools (SRS) revenue levels averaged \$13.9 million annually from FY10 through FY16. In FY17, the Secure Rural Schools program was not extended by Congress so NFR Payments reverted to the original distribution formula of about \$600,000. The program was reauthorized in FY18 and FY19 bringing the distribution back up to \$9.4 million.

Legislative Fiscal Analyst Recommendation: Retain subsections (a) and (b) despite the outlook for FY21. If there is no program, the language does no harm; if the program is reauthorized, Alaska will be ready to distribute money to communities.

(c) If the amount necessary to make payments in lieu of taxes for cities in the unorganized borough under AS 44.33.020(a)(20) exceeds the amount appropriated for that purpose in sec. 1 of this Act, the amount necessary to make those payments is appropriated from federal receipts received for that purpose to the Department of Commerce, Community, and Economic Development, revenue sharing, payment in lieu of taxes allocation, for the fiscal year ending June 30, 2021.

Subsection (c) is intended to ensure that all federal funding received for the Payment in Lieu of Taxes (PILT) program is disbursed to communities expeditiously.

Funding: The estimated impact of this section is zero. The \$10.4 million appropriated in section 1 for this program should be sufficient.

(d) The amount necessary for the purposes specified in AS 42.45.085(a), estimated to be \$29,855,000, not to exceed the amount determined under AS 42.45.080(c)(1), is appropriated from the power cost equalization endowment fund (AS 42.45.070(a)) to the Department of Commerce, Community, and Economic Development, Alaska Energy Authority, power cost equalization allocation, for the fiscal year ending June 30, 2021.

Subsection (d) appropriates money from the Power Cost Equalization Endowment Fund to the Alaska Energy Authority (AEA) for the Power Cost Equalization (PCE) program. As of June 30, 2019, the endowment fund balance was \$1.1 billion.

Funding: Total program cost is projected to be \$29.9 million in FY21 (a reduction of \$2.5 million from FY20).

Legislative Fiscal Analyst Comment: See the Department of Commerce, Community, and Economic Development's Summary of Budget Changes for additional details.

(e) The amount of federal receipts received for the reinsurance program under AS 21.55 during the fiscal year ending June 30, 2021, is appropriated to the Department of Commerce,

Community, and Economic Development, division of insurance, for the reinsurance program under AS 21.55 for the fiscal years ending June 30, 2021, June 30, 2022, and June 30, 2023.

Subsection (e) is an open-ended appropriation that allows FY21 federal receipts to be expended at any time through FY23 on the Alaska Comprehensive Insurance Program.

(f) The sum of \$360,346 is appropriated from the civil legal services fund (AS 37.05.590) to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to Alaska Legal Services Corporation for the fiscal year ending June 30, 2021.

Subsection (f) is a named recipient grant to the Alaska Legal Services Corporation.

Legislative Fiscal Analyst Comment: The capitalization of the Civil Legal Services Fund occurs under Fund Transfers in section 22(c).

Legislative Fiscal Analyst Recommendation: Since this appropriation is a fixed amount, the appropriation should be moved to section 1.

(g) The amount received in settlement of a claim against a bond guaranteeing the reclamation of state, federal, or private land, including the plugging or repair of a well, estimated to be \$150,000, is appropriated to the Alaska Oil and Gas Conservation Commission for the purpose of reclaiming the state, federal, or private land affected by a use covered by the bond for the fiscal year ending June 30, 2021.

Subsection (g) permits the Alaska Oil and Gas Conservation Commission (AOGCC) to collect on a performance bond, should that action become necessary.

Legislative Fiscal Analyst Comment: AOGCC reported some difficulty in working with an operator during FY13 and requested the language as a precautionary measure. Until FY13, similar language was not considered necessary because there was little concern that reclamation efforts would be required. Similar language in section 16(c) applies to the Department of Natural Resources.

NEW SUBSECTION: FY20 Supplemental

(h) The sum of \$2,843,600 is appropriated from the capstone avionics revolving loan fund (AS 44.33.655) to the Department of Commerce, Community, and Economic Development for the Alaska Development Team program for the fiscal years ending June 30, 2020, June 30, 2021, June 30, 2022, and June 30, 2023.

Subsection (h) appropriates Capstone Avionics Revolving Loan Funds to the Office of Economic Development as a multi-year supplemental appropriation (FY20 - FY23).

Legislative Fiscal Analyst Comment: The Capstone Avionics Revolving Loan Fund was established by the legislature in 2008 (AS 44.33.655) and is scheduled to sunset on July 1, 2020. As of March 2, 2018, the balance of the revolving loan fund was approximately \$5.1 million and had five outstanding loans totaling \$165,300. Updated details on the revolving loan fund have been requested from DCCED.

The Governor's budget requests to use \$4,790,200 directly from the revolving loan fund for this appropriation as well as \$1,946,600 supplemental capital appropriation to the Department of Transportation and Public Facilities for federal-aid aviation match.

See the Department of Commerce, Community, and Economic Development's Summary of Budget Changes in this publication for additional details on the request to establish the Alaska Development Team.

Legislative Finance Division has several issues with this appropriation:

1. **Creating future potential holes:** Using a one-time funding source for on-going operating appropriations may create a potential hole that will need to be addressed in the following fiscal year(s).
2. **Risk of over appropriating the fund:** The risk of over appropriating funding increases when funding is split between multiple operating and capital appropriations.
3. **Misused fund source:** While the legislature may appropriate a statutorily designated fund source for any purpose, the use of this funding source is outside the scope of this fund's statutory purpose.
4. **Lack of transparency:** Use of a statutory designated fund source for appropriations (especially operating) understate the cost of government.

Legislative Fiscal Analyst Recommendation: Many of the above problems would be addressed if the legislature (1) reappropriated the unexpended and unobligated balance of the Capstone Avionics Revolving Loan Fund to the general fund, then appropriated unrestricted general funds for these purposes; or (2) appropriated the "excess" balance in the capital budget.

DELETED SECTION: Supplemental Multi-year Appropriation of Federal Receipts to the Alaska Seafood Marketing Institute

The amount of federal receipts received for the agricultural trade promotion program of the United States Department of Agriculture during the fiscal year ending June 30, 2020, estimated to be \$5,497,900, is appropriated to the Department of Commerce, Community, and Economic Development, Alaska Seafood Marketing Institute, for agricultural trade promotion for the fiscal years ending June 30, 2020, June 30, 2021, and June 30, 2022.

Sec. 11. DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT. (a) An amount equal to 50 percent of the donations received under AS 43.23.230(b) for the fiscal year ending June

30, 2021, estimated to be \$488,200, is appropriated to the Department of Education and Early Development to be distributed as grants to school districts according to the average daily membership for each school district adjusted under AS 14.17.410(b)(1)(A) - (D) for the fiscal year ending June 30, 2021.

Subsection (a) appropriates half of all donations made to the dividend raffle during FY21 to the Department of Education and Early Development for school grants.

Legislative Fiscal Analyst Comment: After taking half of the donations to pay for the aforementioned grants, the remaining donations are distributed equally to the Education Endowment Fund and Dividend Raffle Fund. The education grants are distributed to school districts according to the adjusted average daily membership for each district.

NEW SUBSECTION

(b) The unexpended and unobligated balance of federal revenue on June 30, 2020, received by the Department of Education and Early Development, Education Support and Administrative Services, Student and School Achievement from the United States Department of Education for grants to educational entities, and nonprofit and nongovernment organizations in excess of the amount appropriated in sec. 1 of this Act, is appropriated to the Department of Education and Early Development, education support and administrative services, student and school achievement for that purpose for the fiscal year ending June 30, 2021.

Subsection (b) appropriates any additional prior year federal revenue not appropriated in section 1 of this act for the purpose of reimbursing federal grant funding to educational entities as well as nonprofit and nongovernmental organizations.

Legislative Fiscal Analyst Comment: The majority of federal grants in the Student and School Achievement component operate on overlapping 27-month grant cycles. Sub-grantees are able to expend grant awards across multiple state fiscal years. In order to accommodate the ability of grantees to expend from multiple concurrent grants, Student and School Achievement requires authority to collect and expend federal revenue awarded in prior years. The current practice of carrying this necessary authority in the numbers section has artificially raised the Department of Education & Early Development's budget. By placing this authority in the language section, the department can avoid carrying over ten million in excess authority in a given year.

Sec. 12. DEPARTMENT OF FISH AND GAME. After the appropriation made in sec. 21(r) of this Act, the remaining balance of the Alaska sport fishing enterprise account (AS 16.05.130(e)) in the fish and game fund (AS 16.05.100), not to exceed \$500,000, is appropriated to the Department of Fish and Game for sport fish operations for the fiscal year ending June 30, 2021.

Section 12 appropriates up to \$500,000 from the Alaska Sport Fish Enterprise Account in the Fish and Game Fund to the Department of Fish and Game for the Division of Sport Fish

operations after appropriations in section 21(r) for payment of debt service, accrued interest, and trustee fees on outstanding sport fish hatchery revenue bonds have occurred. [For more information on appropriations from this account, see comments under section 21(r).]

Sec. 13. DEPARTMENT OF HEALTH AND SOCIAL SERVICES. The amount necessary to support full bed capacity at the Alaska Psychiatric Institute, after the appropriation made in sec. 1 of this Act, not to exceed \$9,366,400, is appropriated to the Department of Health and Social Services, Alaska Psychiatric Institute, for the fiscal year ending June 30, 2021, from the following sources:

- (1) \$5,149,000 from interagency receipts;
- (2) \$1,688,200 from designated program receipts (AS 37.05.146(b)(3));
- (3) the amount necessary, after the appropriations made in (1) and (2) of this subsection, not to exceed \$2,529,200, from the general fund.

Section 13 appropriates up to \$9,366,400 to the Alaska Psychiatric Institute (API) and is contingent on the number of beds available for patient treatment exceeding 79. See section 30 for contingency language.

Legislative Fiscal Analyst Comment: The Alaska Psychiatric Institute facility has 80 physical beds. However, operational capacity at any specific time is determined by the acuity level of patients, level of staffing available to meet the needs of the patients, and possible other extenuating circumstances. Over the past couple of years, API capacity has been running at approximately 47 beds.

DELETED SECTION: Vaccine Assessment Account Appropriation to Health & Social Services

The amount necessary to purchase vaccines through the statewide immunization program under AS 18.09.200, estimated to be \$12,500,000, not to exceed the balance of the vaccine assessment account (AS 18.09.230), is appropriated from the vaccine assessment account (AS 18.09.230) to the Department of Health and Social Services, public health, epidemiology, for the fiscal year ending June 30, 2020.

Legislative Fiscal Analyst Comment: This appropriation was contingent upon SB 37 not passing. Chapter 17, SLA 2019 (SB 37) was adopted and this appropriation was not enacted.

Sec. 14. DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT. (a) If the amount necessary to pay benefit payments from the workers' compensation benefits guaranty fund (AS 23.30.082) exceeds the amount appropriated for that purpose in sec. 1 of this Act, the additional amount necessary to pay those benefit payments is appropriated for that purpose from the workers' compensation benefits guaranty fund (AS 23.30.082) to the Department of Labor and

Workforce Development, workers' compensation benefits guaranty fund allocation, for the fiscal year ending June 30, 2021.

Subsection (a) allows benefit payments to exceed the amount appropriated in section 1, ensuring that expenditure authorization will be sufficient to pay benefits required by law.

Funding: The estimated impact of this section is zero; the \$779,500 appropriation in section 1 is expected to be sufficient.

(b) If the amount necessary to pay benefit payments from the second injury fund (AS 23.30.040(a)) exceeds the amount appropriated for that purpose in sec. 1 of this Act, the additional amount necessary to make those benefit payments is appropriated for that purpose from the second injury fund (AS 23.30.040(a)) to the Department of Labor and Workforce Development, second injury fund allocation, for the fiscal year ending June 30, 2021.

Subsection (b) allows benefit payments to exceed the amount appropriated in section 1, ensuring that expenditure authorization will be sufficient to pay benefits required by law.

Funding: The estimated impact of this section is zero; the \$2,852,100 appropriation in section 1 is expected to be sufficient.

(c) If the amount necessary to pay benefit payments from the fishermen's fund (AS 23.35.060) exceeds the amount appropriated for that purpose in sec. 1 of this Act, the additional amount necessary to make those benefit payments is appropriated for that purpose from the fishermen's fund (AS 23.35.060) to the Department of Labor and Workforce Development, fishermen's fund allocation, for the fiscal year ending June 30, 2021.

Subsection (c) allows benefit payments to exceed the amount appropriated in section 1, ensuring that expenditure authorization will be sufficient to pay benefits required by law.

Funding: The estimated impact of this section is zero; the \$1,409,900 appropriation in section 1 is expected to be sufficient.

(d) If the amount of contributions received by the Alaska Vocational Technical Center under AS 21.96.070, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, and AS 43.77.045 during the fiscal year ending June 30, 2021, exceeds the amount appropriated to the Department of Labor and Workforce Development, Alaska Vocational Technical Center, in sec. 1 of this Act, the additional contributions are appropriated to the Department of Labor and Workforce Development, Alaska Vocational Technical Center, Alaska Vocational Technical Center allocation, for the purpose of operating the center, for the fiscal year ending June 30, 2021.

Subsection (d) provides open-ended authority to spend program receipts, thereby eliminating all questions regarding Alaska Vocational Technical Center's (AVTEC) ability to accept and spend Technical Vocational Education Program (TVEP) receipts in a timely manner.

Funding: The estimated impact of this section is zero; the \$1,934,800 appropriation in section 1 is expected to be sufficient.

Sec. 15. DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS. Five percent of the average ending market value in the Alaska veterans' memorial endowment fund (AS 37.14.700) for the fiscal years ending June 30, 2018, June 30, 2019, and June 30, 2020, estimated to be \$10,866, is appropriated from the Alaska veterans' memorial endowment fund (AS 37.14.700) to the Department of Military and Veterans' Affairs for the purposes specified in AS 37.14.730(b) for the fiscal year ending June 30, 2021.

Section 15 appropriates the payout from the endowment to the Department of Military and Veterans' Affairs. The payout may be used for maintenance, repair, and construction of monuments to the military.

Sec. 16. DEPARTMENT OF NATURAL RESOURCES. (a) The interest earned during the fiscal year ending June 30, 2021, on the reclamation bond posted by Cook Inlet Energy for operation of an oil production platform in Cook Inlet under lease with the Department of Natural Resources, estimated to be \$150,000, is appropriated from interest held in the general fund to the Department of Natural Resources for the purpose of the bond for the fiscal years ending June 30, 2021, June 30, 2022, and June 30, 2023.

Subsection (a) appropriates the interest earned on the bond posted by Cook Inlet Energy to the Department of Natural Resources (DNR) for the purpose of the bond.

Legislative Fiscal Analyst Comment: This situation is atypical for reclamation bonding. In 2009, Pacific Energy Resources, Ltd. declared bankruptcy and abandoned the Redoubt Unit in Cook Inlet. Their bond was transferred to Department of Natural Resources (DNR) for reclamation of the site. Cook Inlet Energy (CIE) then purchased the Redoubt Unit, which meant that DNR did not need to perform further site reclamation work and that the State was holding cash from the Pacific Energy Resources bond. That cash was applied to the reclamation bond requirements imposed on Cook Inlet Energy. As a cost saving measure, the proceeds from the Pacific Energy Resources bond were retained in the general fund. This section appropriates the earnings on the bond to DNR to cover potential reclamation activity in the future.

Legislative Fiscal Analyst Recommendation: The legislature should restrict the language to fiscal year 2021 as the references to fiscal years ending June 30, 2022, and June 30, 2023 are unnecessary.

(b) The amount necessary for the purposes specified in AS 37.14.820 for the fiscal year ending June 30, 2021, estimated to be \$30,000, is appropriated from the mine reclamation trust fund operating account (AS 37.14.800(a)) to the Department of Natural Resources for those purposes for the fiscal year ending June 30, 2021.

Subsection (b) appropriates money from the Mine Reclamation Trust Fund operating account to DNR for the purposes specified in AS 37.14.820 (mine reclamation activities).

Funding: The agency estimates the amount needed for mine reclamation expenditures is about \$30,000. The money is spent in the Claims, Permits and Leases allocation for reclamation of land use permits and leases on state lands.

Legislative Fiscal Analyst Comment: This section may not be required but does no harm; the appropriation contained in section 22(j)—an internal transfer of funds from the income account to the operating account—appears to satisfy the appropriation requirement of AS 37.14.800(b). Once that internal transfer occurs, expenditures require no further appropriation per AS 37.14.820.

(c) The amount received in settlement of a claim against a bond guaranteeing the reclamation of state, federal, or private land, including the plugging or repair of a well, estimated to be \$50,000, is appropriated to the Department of Natural Resources for the purpose of reclaiming the state, federal, or private land affected by a use covered by the bond for the fiscal year ending June 30, 2021.

Subsection (c) appropriates receipts associated with bonds for land reclamation to the agencies that will direct the reclamation activities.

Funding: The Department of Natural Resources estimates the impact of this section to be \$50,000, \$25,000 for reclamation associated with land use permits and leases on state lands in the Mining, Land and Water allocation, and \$25,000 for reclamation bonds associated with timber sales on state lands in the Forest Management and Development allocation.

Legislative Fiscal Analyst Comment: Similar language in section 10(g) applies to the Alaska Oil and Gas Conservation Commission in the Department of Commerce, Community, and Economic Development.

(d) Federal receipts received for fire suppression during the fiscal year ending June 30, 2021, estimated to be \$8,500,000, are appropriated to the Department of Natural Resources for fire suppression activities for the fiscal year ending June 30, 2021.

Subsection (d) appropriates an open-ended amount of federal receipts received for fire suppression to the Department of Natural Resources.

Legislative Fiscal Analyst Comment: See the Department of Natural Resources' Summary of Budget Changes in this publication for additional discussion of the UGF portion of the fire suppression activity.

Legislative Fiscal Analyst Recommendation: This estimate should be increased; the actual amount for this item has exceeded \$8.5 million annually since FY05. Over the past ten years, the average is \$20.5 million.

DELETED SECTION: Appropriation of Bonds from the Alaska Tax Credit Certification Bond Corporation

DEPARTMENT OF REVENUE. The amount determined to be available in the Alaska Tax Credit Certificate Bond Corporation reserve fund (AS 37.18.040) for purchases, refunds, or payments under AS 43.55.028, estimated to be \$700,000,000, is appropriated from the Alaska Tax Credit Certificate Bond Corporation reserve fund (AS 37.18.040) to the Department of Revenue, office of the commissioner, for the purpose of making purchases, refunds, or payments under AS 43.55.028 for the fiscal year ending June 30, 2020.

This section was an open-ended FY20 appropriation, estimated to be \$700 million, of bond proceeds to fund tax credit purchases, refunds or payments.

Legislative Fiscal Analyst Comment: A lawsuit seeking to prevent the sale of bonds remains active, so the impact of this section is unknown. If the bond sale is not successful, the legislature may choose to name an alternative funding source for the statutory calculation of the deposit to the Tax Credit Fund (\$166 million) for FY21. The Governor proposed no contingency funding source to purchase tax credit certificates.

Debt service payment for these bonds was estimated to be \$27 million in FY20 and is excluded from the Governor's budget in FY21.

Sec. 17. OFFICE OF THE GOVERNOR. The sum of \$1,847,000 is appropriated from the general fund to the Office of the Governor, division of elections, for costs associated with conducting the statewide primary and general elections for the fiscal years ending June 30, 2021, and June 30, 2022.

Legislative Fiscal Analyst Comment: Beginning in FY17, the cost of holding elections every two years was divided in half to reduce volatility in the final authorized budget of the Office of the Governor while allowing for sufficient funding to conduct elections. Note that section 17 appropriates money for a two-year period, so money not spent in FY21 will be available in FY22.

Sec. 18. BANKCARD SERVICE FEES. (a) The amount necessary to compensate the collector or trustee of fees, licenses, taxes, or other money belonging to the state during the fiscal year ending June 30, 2021, is appropriated for that purpose for the fiscal year ending June 30, 2021, to the agency authorized by law to generate the revenue, from the funds and accounts in which the payments received by the state are deposited. In this subsection, "collector or trustee" includes vendors retained by the state on a contingency fee basis.

Subsection (a) allows the State to compensate vendors that collect fees on behalf of the State. The provision originally addressed Fish and Game fishing, hunting, and trapping license sales in which the vendor retained a portion of the sales. It now applies to several programs in multiple departments.

Funding: These fees do not appear in the bill summary or in Legislative Finance Division reports on the grounds that the State has no effective control over the money.

(b) The amount necessary to compensate the provider of bankcard or credit card services to the state during the fiscal year ending June 30, 2021, is appropriated for that purpose for the fiscal year ending June 30, 2021, to each agency of the executive, legislative, and judicial branches that accepts payment by bankcard or credit card for licenses, permits, goods, and services provided by that agency on behalf of the state, from the funds and accounts in which the payments received by the state are deposited.

Subsection (b) allows credit card service providers to retain fees charged for using a credit card.

Funding: These fees do not appear in the bill summary or in Legislative Finance Division reports on the grounds that the State has no effective control over the money.

Sec. 19. DEBT AND OTHER OBLIGATIONS. (a) The amount required to pay interest on any revenue anticipation notes issued by the commissioner of revenue under AS 43.08 during the fiscal year ending June 30, 2021, estimated to be \$0, is appropriated from the general fund to the Department of Revenue for payment of the interest on those notes for the fiscal year ending June 30, 2021.

Subsection (a) appropriates general funds to pay interest on any revenue anticipation notes (RANs) that may be issued during the year. This has been precautionary language; revenue anticipation notes have not been issued by the State for at least 30 years.

Legislative Fiscal Analyst Comment: No notes are currently expected to be issued in FY21 but the administration has discussed the possible use of RANs for cash flow purposes when the CBR becomes insufficient and to manage the timing of POMV draws from the ERA. This adds an element of risk that may not have been previously considered by the legislature and should be evaluated prior to including this language.

(b) The amount required to be paid by the state for the principal of and interest on all issued and outstanding state-guaranteed bonds, estimated to be \$0, is appropriated from the general fund to the Alaska Housing Finance Corporation for payment of the principal of and interest on those bonds for the fiscal year ending June 30, 2021.

Subsection (b) appropriates general funds to pay principal and interest on state-guaranteed bonds (veterans' mortgage bonds) if the revenue stream from the mortgage loans is insufficient to make those payments. The primary purpose of the state general obligation pledge is to gain tax-exempt status for the bonds, but it also enhances the credit pledge and marketability of the bonds. The veterans' mortgage bonds have achieved the best credit rating (triple A) on their own and there have been no draws upon the State's general obligation pledge for payment. Because the bonds are general obligations of the State, they must be authorized by law, ratified by the voters, and approved by the State Bond Committee.

Funding: The revenue stream from mortgage loans is expected to be sufficient to cover bond payments as it has been in all prior years, so the expected fiscal impact of this subsection is zero; however, a potential general fund obligation exists.

(c) The amount necessary for payment of principal and interest, redemption premium, and trustee fees, if any, on bonds issued by the state bond committee under AS 37.15.560 for the fiscal year ending June 30, 2021, estimated to be \$2,004,500, is appropriated from interest earnings of the Alaska clean water fund (AS 46.03.032(a)) to the Alaska clean water fund revenue bond redemption fund (AS 37.15.565).

(d) The amount necessary for payment of principal and interest, redemption premium, and trustee fees, if any, on bonds issued by the state bond committee under AS 37.15.560 for the fiscal year ending June 30, 2021, estimated to be \$2,204,500, is appropriated from interest earnings of the Alaska drinking water fund (AS 46.03.036(a)) to the Alaska drinking water fund revenue bond redemption fund (AS 37.15.565).

Subsections (c) and (d) appropriate the interest earnings of the clean water and drinking water funds to their respective bond redemption funds. Both funds are capitalized annually with federal receipts that require a state match. Federal rules do not permit investment earnings of the loan funds to be used to pay state match. However, money borrowed by the funds can be used as state match. Investment earnings in the fund are then used to pay back the borrowed funds.

These subsections avoid general fund match appropriations by taking advantage of the ability to use earnings on the funds to pay debt service. Alaska issues short-term bonds (secured by the assets of the loan fund) and uses the proceeds to meet the required federal match. The bonds are then paid off with "restricted" earnings. Effectively, earnings are used to match federal receipts.

(e) The sum of \$1,220,150 is appropriated from the general fund to the following agency for the fiscal year ending June 30, 2021, for payment of debt service on outstanding debt authorized by AS 14.40.257 for the following project:

AGENCY AND PROJECT	APPROPRIATION AMOUNT
University of Alaska	\$1,220,150
Anchorage Community and Technical College Center	
Juneau Readiness Center/UAS Joint Facility	

Subsection (e) appropriates \$1.2 million to the University for reimbursement of debt service based on authorization in Chapter 115, SLA 2002 (HB 528).

Legislative Fiscal Analyst Comment: The Governor's amended FY20 budget excluded an appropriation of reimbursement for these authorized projects. The legislature included the funding in their budget which was subsequently vetoed. During special session the funding was again added back by the legislature. The Governor did not veto the final appropriation as it was part of a compact agreement with the University on a three-year \$70 million funding reduction plan.

DELETED SUBSECTION: Appropriations for Reimbursement of Debt Service

Department of Transportation and Public Facilities

(A) Matanuska-Susitna Borough	712,513
(deep water port and road upgrade)	
(B) Aleutians East Borough/False Pass	166,400
(small boat harbor)	
(C) City of Valdez (harbor renovations)	210,375
(D) Aleutians East Borough/Akutan	215,308
(small boat harbor)	
(E) Fairbanks North Star Borough	333,193
(Eielson AFB Schools, major maintenance and upgrades)	
(F) City of Unalaska (Little South America (LSA) Harbor)	365,695

Alaska Energy Authority

(A) Kodiak Electric Association	943,676
(Nyman combined cycle cogeneration plant)	
(B) Copper Valley Electric Association	351,180
(cogeneration projects)	

Legislative Fiscal Analyst Comment: The Governor's amended FY20 budget excluded an appropriation of reimbursement for these authorized projects. The legislature included the funding in their budget which was subsequently vetoed. During special session, the funding was added back by the legislature and then vetoed by the Governor a second time. An amount for FY21 reimbursement is again not proposed by the Governor. The final payment on the Kodiak Electric Association bonds occurred in FY20.

(f) The amount necessary for payment of lease payments and trustee fees relating to certificates of participation issued for real property for the fiscal year ending June 30, 2021, estimated to be \$2,889,750, is appropriated from the general fund to the state bond committee for that purpose for the fiscal year ending June 30, 2021.

Subsection (f) appropriates \$2.9 million for trustee fees and to make payments on State of Alaska Certificates of Participation (COPs) that funded the Alaska Native Medical Center housing project [authorized in Chapter 63, SLA 2013 (SB 88)]. The Alaska Native Medical Center project is the only outstanding COP.

(g) The sum of \$3,303,500 is appropriated from the general fund to the Department of Administration for the purpose of paying the obligation of the Linn Pacillo Parking Garage in Anchorage to the Alaska Housing Finance Corporation for the fiscal year ending June 30, 2021.

Subsection (g) appropriates \$3.3 million for a state lease-purchase obligation facilitated by the Alaska Housing Finance Corporation for the downtown Anchorage parking garage.

(h) The following amounts are appropriated to the state bond committee from the specified sources, and for the stated purposes, for the fiscal year ending June 30, 2021:

A total of \$77.2 million general funds and \$4.85 million federal funds are appropriated for debt service on general obligation bonds. For FY20, \$66.6 million of state funding, and \$4.85 million of federal receipts were budgeted.

DELETED SUBSECTIONS: Series 2009A General Obligation Bonds

the sum of \$100,084 from the investment earnings on the bond proceeds deposited in the capital project funds for the series 2009A general obligation bonds, for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2009A;

the sum of \$5,900,000 from the State of Alaska general obligation bonds held in the 2009 series A construction fund, for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2009A;

the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2009A, after the payments made in (1) and (2) of this subsection, estimated to be \$1,915,116, from the general fund for that purpose;

Legislative Fiscal Analyst Comment: In FY12, the legislature changed the fund source for \$150 million of capital projects from GO bond proceeds to general funds. The authority to issue bonds was reduced by \$150 million at the same time.

In 2015, \$100.6 million of the callable 2009A series was advanced refunded by Series 2015B bonds to attain \$8.8 million in cost savings. The amount budgeted for FY20 was the final debt service payment on the remainder of the non-callable 2009A bonds.

(1) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2010A, estimated to be \$2,194,004, from the amount received from the United States Treasury as a result of the American Recovery and Reinvestment Act of 2009, Build America Bond credit payments due on the series 2010A general obligation bonds;

(2) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2010A, after the payments made in (1) of this subsection, estimated to be \$4,560,935, from the general fund for that purpose;

(3) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2010B, estimated to be \$2,227,757, from the amount received from the United States Treasury as a result of the American Recovery and Reinvestment Act of 2009, Qualified School Construction Bond interest subsidy payments due on the series 2010B general obligation bonds;

(4) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2010B, after the payment made in (3) of this subsection, estimated to be \$176,143, from the general fund for that purpose;

The 2010 general election authorized issuance of \$397 million in GO bonds to finance educational facilities. The Department of Revenue issued \$200 million of bonds in three series in 2010, taking advantage of federal stimulus programs. Series A were issued using Build America Bonds (receiving an original 35% federal subsidy on interest expense); Series B were issued as

Qualified School Construction Bonds (receiving a federal subsidy on interest expense of nearly 100%); and Series C were issued as standard tax exempt bonds (paid off in 2015).

Legislative Fiscal Analyst Comment: All authorized bonds are not sold at the same time because IRS rules (for tax exempt status) require complete expenditure of bond proceeds within three years of bond issuance. Furthermore, in recent years there has been a cost in over-issuing bonds as bond proceeds have earned rates that are lower than the interest rate on the bonds themselves. Bonds are issued in specific series as cash is needed for projects. Sequestration subsequently reduced the federal reimbursement rates on the Series A and Series B bonds, reducing the effective subsidy to near 32.5% and 93%, respectively.

(5) the sum of \$35,979 from the State of Alaska general obligation bonds, series 2012A bond issue premium, interest earnings, and accrued interest held in the debt service fund of the series 2012A bonds, for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2012A;

(6) the amount necessary, estimated to be \$17,599,696, for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2012A, from the general fund for that purpose;

Series 2012A bonds refinanced the 2003A bonds for cost savings:

2003A general obligation bonds were authorized by voters in 2002 for construction of schools and university facilities (\$236.8 million) and for transportation projects (\$124 million); and

Series 2003B general obligation bonds were authorized by voters in 2002 for road construction (\$102.8 million).

Legislative Fiscal Analyst Comment: Although the 2003B bonds were issued with a general obligation pledge by the State, they are more appropriately referred to as Grant Anticipation Revenue Vehicle (GARVEE) bonds. Approximately 93% of the debt service was paid using eligible federal-aid highway formula funding which was coupled with a state matching component derived from investment earnings on the borrowed money prior to expenditure that provided for the remaining 7% of debt service. The 2003B bonds were fully repaid on July 15, 2013.

(7) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2013A, estimated to be \$427,658, from the amount received from the United States Treasury as a result of the American Recovery and Reinvestment Act of 2009, Qualified School Construction Bond interest subsidy payments due on the series 2013A general obligation bonds;

(8) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2013A, after the payments made in (7) of this subsection, estimated to be \$33,181, from the general fund for that purpose;

(9) the sum of \$506,545 from the investment earnings on the bond proceeds deposited in the capital project funds for the series 2013B general obligation bonds, for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2013B;

(10) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2013B, after the payments made in (9) of this subsection, estimated to be \$15,664,180, from the general fund for that purpose;

The remaining 2010 authorization (for educational facilities) of \$197 million was used when 2013A and 2013B bonds were sold.

Legislative Fiscal Analyst Comment: The Department of Revenue issued two series of bonds to fund the balance of the 2010 Act and take advantage of the State's remaining Qualified School Construction Bond allocation. Series A were issued as Qualified School Construction Bonds (receiving an initial federal subsidy on interest expense of 100%); and Series B were issued as standard tax exempt bonds. All authorized bonds have been sold at this time. Sequestration subsequently reduced the federal reimbursement rates on the Series A by 7.2 points, reducing the effective subsidy to about 93%.

(11) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2015B, estimated to be \$12,087,375, from the general fund for that purpose;

Subsection 11 appropriates an estimated \$12.1 million from the general fund for payment of debt service on series 2015B bonds. The 2015B bonds refinanced a portion of the 2009A bonds for \$8.8 million of savings; the 2015B debt service is less in every year than the original 2009A debt service.

(12) the sum of \$9,846 from the State of Alaska general obligation bonds, series 2016A bond issue premium, interest earnings, and accrued interest held in the debt service fund of the series 2016A bonds, for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2016A;

(13) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2016A, after the payment made in (12) of this subsection, estimated to be \$10,816,029, from the general fund for that purpose;

(14) the sum of \$1,632,081, from the investment earnings on the bond proceeds deposited in the capital project funds for the series 2016B general obligation bonds, for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2016B;

(15) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2016B, after the payment made in (14) of this subsection, estimated to be \$9,020,669, from the general fund for that purpose;

The 2012 general election authorized issuance of \$453.5 million in GO bonds to finance transportation projects. Subsections 12 through 15 appropriate an estimated \$21.5 million from the general fund for the payment of debt service on series 2016A and 2016B Bond Series issued for those projects.

Legislative Fiscal Analyst Comment: Initial bonding for this authorization utilized short-term Bond Anticipation Notes (BANs) to capture the very low short-term interest rate environment. The BAN program was further used due to the uncertainty and often delayed project expenditure expectations on transportation projects, thereby avoiding the cost of having higher interest, long-dated borrowed funds idle in the project fund, and complying with IRS project expenditure requirements.

The 2016A general obligation bonds refinanced most of the 2015 general obligation bond anticipation note (BAN). The par amount of the 2016A bonds was \$134.8 million which along with bond issue premium generated \$159.5 million. The combination of the 2013, 2014, and 2015 BAN issues along with the 2016A issue has generated cumulative project funding of \$187.9 million. The 2016B general obligation bonds were issued in the par amount of \$128.3 million, which along with bond issue premium generated \$155.3 million. The cumulative project funding to date through the prior issues is \$343 million leaving \$110.5 million of remaining bond authorization.

DELETED SUBSECTIONS: Series 2019A General Obligation Bond Debt Service

the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2019A, estimated to be \$5,000,000, from the general fund for that purpose;

Legislative Fiscal Analyst Comment: The FY20 budget included a \$5 million debt service payment for an expected 2019 issue of approximately \$80 million of the remaining \$110 million in the 2012 authorization for transportation projects. The bonds were not issued and are not planned to be issued in FY20 (see next item).

NEW SUBSECTION

(16) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2020A, estimated to be \$5,000,000, from the general fund for that purpose;

Legislative Fiscal Analyst Comment: As mentioned in the previous item, approximately \$80 million of the remaining \$110 million in 2012 transportation project authorization is planned to be issued in 2020. This appropriation would fund the FY21 debt service payment.

(17) the amount necessary for payment of trustee fees on outstanding State of Alaska general obligation bonds, series 2010A, 2010B, 2012A, 2013A, 2013B, 2015B, 2016A, 2016B, and 2020A, estimated to be \$3,000, from the general fund for that purpose;

Subsection 17 appropriates an estimated \$3,000 for trustee fees on all outstanding GO Bonds.

Legislative Fiscal Analyst Comment: These fees have previously been included in the debt service appropriation for each series of bonds. Trustee fees have been separated from other costs of issuing debt because they are annual costs that last for the life of the bonds. Most other costs of issuing debt are one-time costs paid at closing. That may change if rating agencies are successful in their effort to make their fees annual rather than one time.

(18) the amount necessary for the purpose of authorizing payment to the United States Treasury for arbitrage rebate on outstanding State of Alaska general obligation bonds, estimated to be \$50,000, from the general fund for that purpose;

Subsection 18 appropriates money that must be remitted to the federal government when earnings on the proceeds of tax-exempt bonds exceed interest costs. This appropriation applies primarily to the extraordinarily low interest rate 2013C, 2014, and 2015 Bond Anticipation Notes. The provision is also likely to apply to the 2014A Qualified School Construction Bonds. The payment of these funds is offset by prior year investment earnings.

(19) if the proceeds of state general obligation bonds issued are temporarily insufficient to cover costs incurred on projects approved for funding with these proceeds, the amount necessary to prevent this cash deficiency, from the general fund, contingent on repayment to the general fund as soon as additional state general obligation bond proceeds have been received by the state; and

Subsection 19 is intended to prevent construction delays by permitting short-term borrowing from the general fund.

(20) if the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds exceeds the amounts appropriated in this subsection, the additional amount necessary to pay the obligations, from the general fund for that purpose.

Subsection 20 is a safety measure to ensure that the State can meet its general obligation pledge if unforeseen circumstances or miscalculations leave the appropriations in this section short of debt service requirements.

(i) The following amounts are appropriated to the state bond committee from the specified sources, and for the stated purposes, for the fiscal year ending June 30, 2021:

(1) the amount necessary for debt service on outstanding international airports revenue bonds, estimated to be \$10,000,000, from the collection of passenger facility charges approved by the Federal Aviation Administration at the Alaska international airports system;

(2) the amount necessary for debt service and trustee fees on outstanding international airports revenue bonds, estimated to be \$398,820, from the amount received from the

United States Treasury as a result of the American Recovery and Reinvestment Act of 2009, Build America Bonds federal interest subsidy payments due on the series 2010D general airport revenue bonds;

(3) the amount necessary for payment of debt service and trustee fees on outstanding international airports revenue bonds, after the payments made in (1) and (2) of this subsection, estimated to be \$19,310,300, from the International Airports Revenue Fund (AS 37.15.430(a)) for that purpose; and

(4) the amount necessary for payment of principal and interest, redemption premiums, and trustee fees, if any, associated with the early redemption of international airports revenue bonds authorized under AS 37.15.410 - 37.15.550, estimated to be \$10,000,000, from the International Airports Revenue Fund (AS 37.15.430(a)).

Subsection (i) appropriates funding for payment of debt service and fees on outstanding international airport revenue bonds.

Legislative Fiscal Analyst Comment: The Alaska International Airport System (AIAS) and the State Bond Committee have implemented a multi-year and multi-prong restructuring of the AIAS revenue bond debt to lower debt service from approximately \$49.5 million to \$35.0 million annually. This reduction allows AIAS to more effectively compete with other cargo airports and reduce passenger traffic cost. Through the use of refinancing savings and the slight extension of amortization to more closely match assets' useful life in 2016 combined with a multi-year use of cash on hand to optionally redeem callable bonds, the goal is largely met. The (i)(4) appropriation of \$10.0 million of AIAS receipts to optionally redeem bonds in fiscal year 2021 combined with a potential refinancing of approximately \$139 million of bonds for savings in calendar year 2020 are the final actions for full plan implementation.

(j) If federal receipts are temporarily insufficient to cover international airports system project expenditures approved for funding with those receipts, the amount necessary to prevent that cash deficiency, estimated to be \$0, is appropriated from the general fund to the International Airports Revenue Fund (AS 37.15.430(a)), for the fiscal year ending June 30, 2021, contingent on repayment to the general fund, plus interest, as soon as additional federal receipts have been received by the state for that purpose.

(k) The amount of federal receipts deposited in the International Airports Revenue Fund (AS 37.15.430(a)) necessary to reimburse the general fund for international airports system project expenditures, plus interest, estimated to be \$0, is appropriated from the International Airports Revenue Fund (AS 37.15.430(a)) to the general fund.

Subsections (j) and (k) were added to the budget beginning in FY17. The language addresses any potential cash-flow issues related to federal international airport projects and allows for temporary general fund borrowing and repayment. Subsection (j) appropriates general funds

contingent upon repayment (plus interest). Subsection (k) appropriates the amount of federal receipts to repay the general fund.

(l) The amount necessary for payment of obligations and fees for the Goose Creek Correctional Center, estimated to be \$16,166,913, is appropriated from the general fund to the Department of Administration for that purpose for the fiscal year ending June 30, 2021.

Subsection (l) appropriates funds to pay lease costs for the Goose Creek Correctional Center (GCCC). The State of Alaska authorized the Department of Administration to enter into a lease for GCCC with the Mat-Su Borough, and for the borough to pledge those lease payments to a revenue bond issue, the proceeds of which built GCCC. During the term of the bonds the State leases GCCC from the borough, and those payments pay for the borough's revenue bond debt service. At the term of the bonds the State will own the GCCC.

Legislative Fiscal Analyst Comment: In common language, the contract with the Mat-Su Borough is a lease, but terms of the contracts are such that the Governmental Accounting Standards Board's (GASB) rule #34 classifies them as capital leases. Further, the State's future lease payments were securitized in a Matanuska Lease Revenue Bond issuance that was authorized by law. This means that a default on lease payments could affect the State's credit rating. Because of the potential impact on credit rating, the obligation is categorized as "subject to appropriation" debt.

(m) The amounts appropriated to the Alaska fish and game revenue bond redemption fund (AS 37.15.770) during the fiscal year ending June 30, 2021, estimated to be \$6,135,800, are appropriated to the state bond committee for payment of debt service, accrued interest, and trustee fees on outstanding sport fish hatchery revenue bonds and for early redemption of those bonds for the fiscal year ending June 30, 2021.

Subsection (m) appropriates the majority of a surcharge levied on sport fish licenses authorized under Chapter 94, SLA 2005—and appropriated to the bond redemption fund in subsections 22(r) and (s) of this bill—for payment of sport fish hatchery debt. Annually, up to \$500,000 of the surcharge may be retained for Sport Fish Division operations. That amount is appropriated to the Department of Fish and Game in section 12.

The appropriation in subsection (m) typically exceeds the required debt service payments due on the bonds, allowing the bonds to be paid off ahead of schedule.

This appropriation in conjunction with prior transfers to the revenue bond redemption fund are anticipated to be sufficient to redeem the remaining outstanding bonds. Upon final repayment of the bonds the legal authority to collect a surcharge on sportfishing license will be extinguished.

(n) The following amounts for state aid for costs of school construction under AS 14.11.100 are appropriated to the Department of Education and Early Development for the fiscal year ending June 30, 2021, from the following sources:

(1) \$15,820,400 from the School Fund (AS 43.50.140);

(2) \$34,256,700 from the general fund.

Subsection (n) appropriates funding for municipal school debt reimbursement. AS 14.11.100 authorizes the State to reimburse municipalities for selected bonds issued for school construction (from 60-90% of principal and interest depending on the statutory authorization).

Funding: Per the DOR Fall 2019 Revenue Sources Book, FY21 cigarette tax collections (School Fund) are projected at \$15.8 million, down from \$16.4 million (projected) in FY19. As cigarette tax revenues decrease, the general fund portion of school debt reimbursement increases.

<p>Legislative Fiscal Analyst Comment: Full reimbursement of municipal debt requires \$84.3 million from the general fund in addition to the amount available in the School Fund. The Governor has proposed a budget of 50% of the amount to fully fund the program.</p>

Sec. 20. FEDERAL AND OTHER PROGRAM RECEIPTS. (a) Federal Receipts designated program receipts under AS 37.05.146(b)(3), information services fund program receipts under AS 44.21.045(b), Exxon Valdez oil spill trust receipts under AS 37.05.146(b)(4), receipts of the Alaska Housing Finance Corporation, receipts of the Alaska marine highway system fund under AS 19.65.060(a), receipts of the vaccine assessment account under AS 18.09.230, receipts of the University of Alaska under AS 37.05.146(b)(2), receipts of the highways equipment working capital fund under AS 44.68.210, and receipts of commercial fisheries test fishing operations under AS 37.05.146(c)(20) that are received during the fiscal year ending June 30, 2021, and that exceed the amounts appropriated by this Act are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

Section 20 provides appropriation of any of the listed receipts that are collected in FY21 beyond the amounts appropriated in the act. Although the appropriations are conditioned on review by the Legislative Budget and Audit Committee (LB&A), the Governor can increase authorization for listed fund sources without the approval of the Committee, subject to the statutory requirements. Similar language in the capital budget applies only to appropriations in the capital bill.

Funding: Although requests for approval to spend additional receipts will almost certainly be received, there is no way to determine where the increases will be, how much they will be, or what fund sources would be appropriate. The Legislative Finance Division reports place no dollar value on appropriations made in this section.

Legislative Fiscal Analyst Comment: The appropriation language specifically reads that only receipts received in FY21 beyond the amounts appropriated in the act are appropriated conditioned on the statutory requirements. The statute, AS 37.07.080(h), further limits the increase of an appropriation by “additional federal or other program receipt...”

This became an issue in December 2019 when the Department of Transportation and Public Facilities submitted a Revised Program Legislative (RPL) request utilizing a previously existing balance of the Alaska Marine Highway Fund, not additional Alaska Marine Highway System receipts collected in FY20 beyond those appropriated. The Legislative Finance Division pointed out the technical issue surrounding the RPL and it was withdrawn by the Administration.

In order to access existing fund balances in the RPL process, both this appropriation language and AS 37.07.080(h) would need to be modified.

(b) If federal or other program receipts under AS 37.05.146 and AS 44.21.045(b) that are received during the fiscal year ending June 30, 2021, exceed the amounts appropriated by this Act, the appropriations from state funds for the affected program shall be reduced by the excess if the reductions are consistent with applicable federal statutes.

Subsection (b) reduces state authorization when unanticipated money is received for projects funded with state funds and when federal statutes allow a reduction of state funds. There is no formal process for tracking potential reductions.

(c) If federal or other program receipts under AS 37.05.146 and AS 44.21.045(b) that are received during the fiscal year ending June 30, 2021, fall short of the amounts appropriated by this Act, the affected appropriation is reduced by the amount of the shortfall in receipts.

Subsection (c) automatically limits authorization of federal and other receipts to the amount actually received.

NEW SUBSECTION

(d) The amount of designated program receipts under AS 37.05.146(b)(3) appropriated in this Act includes the unexpended and unobligated balance on June 30, 2020, of designated program receipts collected under AS 37.05.146(b)(3) for that purpose.

Subsection (d) allows all Statutory Designated Program Receipts (SDPR) collected and not expended in FY20 to be carried forward into FY21.

Legislative Fiscal Analyst Comment: While Legislative Finance Division attempts to accurately represent SDPR, this fund source may not be properly categorized in all agencies. Additional review and discussion of the impacts of this section should be completed.

Sec. 21. FUND CAPITALIZATION. (a) The portions of the fees listed in this subsection that are collected during the fiscal year ending June 30, 2021, estimated to be \$15,200, are appropriated to the Alaska children's trust grant account (AS 37.14.205(a)):

- (1) fees collected under AS 18.50.225, less the cost of supplies, for the issuance of heirloom birth certificates;**
- (2) fees collected under AS 18.50.272, less the cost of supplies, for the issuance of heirloom marriage certificates;**
- (3) fees collected under AS 28.10.421(d) for the issuance of special request Alaska children's trust license plates, less the cost of issuing the license plates.**

Subsection (a) appropriates (to the Alaska Children's Trust grant account) net receipts collected during FY20 from sales of heirloom birth certificates, heirloom marriage certificates, and Trust license plates.

Legislative Fiscal Analyst Comment: Before FY12, these receipts were deposited to principal; the Children's Trust board may now spend from the grant account without further appropriation.

The Alaska Children's Trust was created by Chapter 19, SLA 1988. The legislature appropriated \$6 million from the investment loss trust fund to the principal of the trust in Chapter 123, SLA 1996. The trust was established to provide a continuing source of revenue for grants to community-based programs for the prevention of child abuse and neglect. During recent fiscal years, the principal of the endowment was granted to the Friends of the Children's Trust.

(b) The amount received from fees assessed under AS 05.25.096(a)(5) and (6), civil penalties collected under AS 30.30.015, the sale of vessels under AS 30.30, and donations and other receipts deposited under AS 30.30.096 as program receipts during the fiscal year ending June 30, 2021, less the amount of those program receipts appropriated to the Department of Administration, division of motor vehicles, for the fiscal year ending June 30, 2021, estimated to be \$58,600, is appropriated to the derelict vessel prevention program fund (AS 30.30.096).

Subsection (b) appropriates receipts collected and donations received to the Derelict Vessel Prevention Program Fund.

Legislative Fiscal Analyst Comment: To address an increasing number of derelict and abandoned vessels throughout Alaska's coasts and rivers, the legislature passed Chapter 111, SLA 2018 (SB 92). This legislation established the Derelict Vessel Prevention Program Fund. The funds do not lapse and may be used by the Department of Natural Resources to address derelict vessels and may be expended without further appropriation.

Legislative Fiscal Analyst Recommendation: The operating budget makes four separate appropriations totaling \$605,500 using Boat Registration Fees (fund code 1216):

- 1) \$196,900 to the Alaska Marine Safety Education Association as a Named Recipient Grant
- 2) \$300,000 to Parks Management & Access for the Boating Safety Program
- 3) \$50,000 to Division of Motor Vehicles for administrative costs
- 4) Estimate of \$58,600 to be deposited into the Derelict Vessel Prevention Program Fund after appropriations made to the Division of Motor Vehicles

The revenue projection for FY21 is \$530,000, however, the FY21 budget proposes using \$605,500. This language should be clarified to first appropriate to all agencies, not just the Division of Motor Vehicles, then deposit the remainder into the fund. In addition, this estimate should be reduced to \$0 and appropriations should be reduced to equal the amount available for appropriation based on the revenue projection.

(c) The amount of federal receipts received for disaster relief during the fiscal year ending June 30, 2021, estimated to be \$9,000,000, is appropriated to the disaster relief fund (AS 26.23.300(a)).

Subsection (c) appropriates federal receipts for disaster relief to the Disaster Relief Fund. The Governor needs no specific appropriations to spend money deposited in the Disaster Relief Fund; money can be spent upon declaration of a disaster.

Funding: A \$9 million estimate for federal receipts for disaster relief has been used for several years.

DELETED SUBSECTION: Capitalization of Disaster Relief Fund with General Funds

The sum of \$2,000,000 is appropriated from the general fund to the disaster relief fund (AS 26.23.300(a)).

Legislative Fiscal Analyst Comment: During the 2019 legislative session, the legislature appropriated \$41.9 million UGF as an FY19 supplemental to address the 2018 Cook Inlet Earthquake and address any potential FY20 disasters. As of October 23, 2019 the Disaster Relief Fund had an unobligated balance of \$25.4 million.

(d) Twenty-five percent of the donations received under AS 43.23.230(b), estimated to be \$244,100, is appropriated to the dividend raffle fund (AS 43.23.230(a)).

Subsection (d) appropriates a quarter of all donations made to the dividend raffle into the Dividend Raffle Fund.

Legislative Fiscal Analyst Comment: Under AS 43.23.230(d) a total of 15 percent of the Dividend Raffle Fund balance will be paid out amongst four prize recipients and the remaining balance will roll into the next year.

(e) The amount of municipal bond bank receipts determined under AS 44.85.270(h) to be available for transfer by the Alaska Municipal Bond Bank Authority for the fiscal year ending June 30, 2020, estimated to be \$0, is appropriated to the Alaska municipal bond bank authority reserve fund (AS 44.85.270(a)).

Subsection (e) appropriates earnings of the Municipal Bond Bank to its Alaska Municipal Bond Bank Authority Reserve Fund.

(f) If the Alaska Municipal Bond Bank Authority must draw on the Alaska municipal bond bank authority reserve fund (AS 44.85.270(a)) because of a default by a borrower, an amount equal to the amount drawn from the reserve is appropriated from the general fund to the Alaska municipal bond bank authority reserve fund (AS 44.85.270(a)).

Subsection (f) provides a moral obligation pledge of general funds if a default causes a draw on reserves of the bank. The intent of this section is to increase the credit rating of the bank and reduce the cost of borrowing money.

(g) The sum of \$28,731,500 is appropriated from the power cost equalization endowment fund (AS 42.45.070(a)) to the community assistance fund (AS 29.60.850).

Subsection (g) capitalizes the Community Assistance Fund with Power Cost Equalization Endowment (PCE) funds in FY21, allowing a FY22 payout of \$22.9 million.

Legislative Fiscal Analyst Comment: AS 42.45.085(d) provides statutory guidelines for uses of excess earnings of the PCE Fund. The amount of excess earnings is determined by subtracting anticipated PCE program costs from earnings in the most recently closed fiscal year. Of the excess earnings, 70 percent are available for appropriation as follows:

- (1) First, up to \$30.0 million is allocated to the Community Assistance program,
- (2) Second, up to \$25.0 million is allocated to Rural Energy programs.

FY18 earnings were \$76.6 million, making \$30.0 million available for Community Assistance funding in FY20 (affecting distribution during FY21). However, the legislature instead used the PCE fund to pay for fiscal notes and capitalized the Community Assistance Fund with UGF. The appropriation to the Community Assistance Fund was vetoed by the Governor.

FY19 earnings were \$74.1 million, making \$28.7 million available for the Community Assistance Fund in FY21. The Governor's budget appropriates the entire amount to the Community Assistance Fund (see section 21(g)).

The Governor's capital budget also appropriates \$10.5 million of PCE Funds for Alaska Energy Authority projects. This additional spending is above the allowable spending amount in AS 42.45.085.

Legislative Fiscal Analyst Recommendation: The estimated cost for the FY20 PCE program within the Department of Commerce, Community, and Economic Development is \$3.3 million higher than the FY19 actual cost and \$2.5 million higher than FY21 estimated cost. Adjusting the FY20 estimate downward would be more accurate and would increase the amount of "excess" earnings to allow for a full \$30 million appropriation to the Community Assistance Fund. An alternative would be to backfill the Community Assistance program with UGF to fully fund the program in FY21.

(h) The amount necessary to fund the total amount for the fiscal year ending June 30, 2021, of state aid calculated under the public school funding formula under AS 14.17.410(b), estimated to be \$1,213,278,400, is appropriated to the public education fund (AS 14.17.300) from the following sources:

(1) \$29,774,153 from the public school trust fund (AS 37.14.110);

(2) the amount necessary, after the appropriation made in (1) of this subsection, estimated to be \$1,183,504,247, from the general fund.

(i) The amount necessary, estimated to be \$76,997,682, to fund transportation of students under AS 14.09.010 for the fiscal year ending June 30, 2021, is appropriated from the general fund to the public education fund (AS 14.17.300).

Subsections (h) and (i) capitalize the Public Education Fund with the amount necessary for the K-12 Foundation and Pupil Transportation formula in FY21.

Legislative Fiscal Analyst Comment: The legislature included the FY21 appropriation of forward funding for K-12 Foundation and Pupil Transportation formula in FY20 appropriation bills. The Governor vetoed the language in both HB 39 and HB 2001.

Forward funding for FY20 was included in Chapter 6, SLA 2018 (HB 287), which also included \$30 million in additional funding outside of the formula funding. The Governor disagreed with the legality of this forward funding and excluded the \$30 million in the Office of Management and Budget's FY20 reporting. The Legislative Finance Division has included this funding, leading to a \$30 million discrepancy in reporting for FY20.

Subsection (h)(1) appropriates the Public School Trust Fund amount previously included in the numbers section of the bill. This change allows for a single yearly draw at the discretion of the Department of Revenue which can provide them with maximum flexibility in timing cash flow to plan investments. It is not clear if this will result in increased investment earnings, but it will remove unnecessary administrative steps at both the Department of Education and Early Development and Department of Revenue as they will no longer need to coordinate multiple yearly draws from the fund.

(j) The sum of \$18,369,500 is appropriated from the general fund to the regional educational attendance area and small municipal school district school fund (AS 14.11.030(a)).

Subsection (j) appropriates \$18.4 million to the Regional Educational Attendance Area and Small Municipal School District (REAA) School Fund, which was created to assist in funding school construction projects in regional education attendance areas. Per the consent decree and settlement agreement of *Kasayulie vs. State of Alaska*, the creation of the fund and adoption of the funding mechanism set forth in AS 14.11.025 provides a remedy for perceived constitutional violations.

Legislative Fiscal Analyst Comment: The Governor vetoed 50 percent of the amount necessary to fully capitalize the REAA fund in the FY20 budget. The Governor proposes another 50 percent reduction in FY21. The amount necessary to fully capitalize the REAA fund in FY21 is \$36,739,000. This amount necessary is calculated based on the amount appropriated for school bond debt reimbursement for urban school districts. The Governor has also reduced funding for school bond debt reimbursement by 50 percent (section 19(n)).

The calculation in AS 14.11.025 links the amount for REAA fund capitalization to the school bond debt reimbursement amount from two years prior. Historically, when the school debt amount is lowered, the REAA amount is also lowered in the same fiscal year. When portions of bond debt were vetoed in both FY17 and FY20, the REAA amount was lowered by the same percentage, in the same year, rather than waiting two years to reduce the REAA percentage.

(k) The amount necessary to pay medical insurance premiums for eligible surviving dependents under AS 39.60.040 and the costs of the Department of Public Safety associated with

administering the peace officer and firefighter survivors' fund (AS 39.60.010) for the fiscal year ending June 30, 2021, estimated to be \$30,000, is appropriated from the general fund to the peace officer and firefighter survivors' fund (AS 39.60.010) for that purpose.

Subsection (k) deposits general funds into the Peace Officer and Firefighter Survivors' Fund for FY21.

Legislative Fiscal Analyst Comment: Chapter 14, SLA 2017 (HB 23) established this fund to provide payments for certain medical insurance premiums for surviving dependents of certain peace officers and firefighters who die in the line of duty.

(l) The amount of federal receipts awarded or received for capitalization of the Alaska clean water fund (AS 46.03.032(a)) during the fiscal year ending June 30, 2021, less the amount expended for administering the loan fund and other eligible activities, estimated to be \$9,600,000, is appropriated from federal receipts to the Alaska clean water fund (AS 46.03.032(a)).

(m) The amount necessary to match federal receipts awarded or received for capitalization of the Alaska clean water fund (AS 46.03.032(a)) during the fiscal year ending June 30, 2021, estimated to be \$2,000,000, is appropriated from Alaska clean water fund revenue bond receipts to the Alaska clean water fund (AS 46.03.032(a)).

(n) The amount of federal receipts awarded or received for capitalization of the Alaska drinking water fund (AS 46.03.036(a)) during the fiscal year ending June 30, 2021, less the amount expended for administering the loan fund and other eligible activities, estimated to be \$8,310,000, is appropriated from federal receipts to the Alaska drinking water fund (AS 46.03.036(a)).

(o) The amount necessary to match federal receipts awarded or received for capitalization of the Alaska drinking water fund (AS 46.03.036(a)) during the fiscal year ending June 30, 2021, estimated to be \$2,200,000, is appropriated from Alaska drinking water fund revenue bond receipts to the Alaska drinking water fund (AS 46.03.036(a)).

Subsections (l), (m), (n), and (o) provide money to develop sewer and water systems in Alaskan communities through revolving loan programs. The State typically issues short-term bonds that are repaid with earnings from the loan programs, and uses the bond proceeds to match federal money. See sections 20(c) and (d) for further discussion.

Legislative Fiscal Analyst Comment: In FY16, the legislature replaced specific appropriation amounts with open-ended language.

(p) The amount received under AS 18.67.162 as program receipts, estimated to be \$70,000, including donations and recoveries of or reimbursement for awards made from the crime victim compensation fund (AS 18.67.162), during the fiscal year ending June 30, 2021, is appropriated to the crime victim compensation fund (AS 18.67.162).

Subsection (p) capitalizes the Crime Victim Compensation Fund with money from donations and recoveries of, or reimbursements for, awards made from the fund. The Violent Crimes Compensation Board may order that compensation (from the fund) be paid to victims of crime (and their dependents) without further appropriation.

Legislative Fiscal Analyst Comment: Chapter 112, SLA 2008 (HB 414) added language to the effect that money appropriated to the fund “may include donations, recoveries of or reimbursements for awards made by the fund, income from the fund, and other program receipts.” The language of subsection (p) does not appropriate income from the fund, so income will remain in the general fund.

(q) The sum of \$1,448,500 is appropriated from that portion of the dividend fund (AS 43.23.045(a)) that would have been paid to individuals who are not eligible to receive a permanent fund dividend because of a conviction or incarceration under AS 43.23.005(d) to the crime victim compensation fund (AS 18.67.162) for the purposes of the crime victim compensation fund (AS 18.67.162).

Subsection (q) capitalizes the Crime Victim Compensation Fund (CVCF) with a portion of the Restorative Justice Account (formerly known as “PFD Criminal Funds”). The Violent Crime Compensation Board may order that compensation (from the fund) be paid to victims of crime (and their dependents) without further appropriation. The Governor’s budget includes a proposal to transfer the Violent Crimes Compensation Board from the Department of Administration to the Department of Public Safety.

Legislative Fiscal Analyst Comment: Per AS 43.23.005(d), individuals are ineligible to receive a dividend if sentenced for or convicted of a felony or a combination of misdemeanors and a felony. With the passage of Chapter 21, SLA 2018 (HB 216), funding from Permanent Fund Dividends that would have been paid to individuals ineligible for a dividend should be used for the following purposes.

- (1) Provide services for and payments to crime victims and operating costs of the Violent Crimes Compensation Board;
- (2) Pay restitution owed to crime victims;
- (3) Grants to nonprofits for services for crime victims, mental health and substance abuse treatment for offenders;
- (4) Provide funds for the Office of Victims' Rights;

(5) Provide funds to the Council on Domestic Violence and Sexual Assault for the operation of domestic violence and sexual assault programs; and

(6) Reimburse some of the costs imposed on the Department of Corrections related to incarceration or probation of those individuals.

Between FY12 and FY18, PFD Criminal Funds were concentrated in only two appropriations: the Crime Victim Compensation Fund; and, Inmate Health Care in the Department of Corrections. The intent was to minimize the many confusing fund source changes (swapping UGF and PFD Criminal Funds) caused by year-to-year volatility in the amount of available funding. In the FY20 budget, the funding is appropriated for statutory purposes to the Department of Corrections, Department of Health and Social Services, Department of Public Safety, the Legislature, and to the Crime Victims Compensation Fund.

(r) The amount required for payment of debt service, accrued interest, and trustee fees on outstanding sport fish hatchery revenue bonds for the fiscal year ending June 30, 2021, estimated to be \$4,068,194, is appropriated from the Alaska sport fishing enterprise account (AS 16.05.130(e)) in the fish and game fund (AS 16.05.100) to the Alaska fish and game revenue bond redemption fund (AS 37.15.770) for that purpose.

(s) After the appropriations made in sec. 12 of this Act and (r) of this section, the remaining balance of the Alaska sport fishing enterprise account (AS 16.05.130(e)) in the fish and game fund (AS 16.05.100), estimated to be \$2,067,600, is appropriated from the Alaska sport fishing enterprise account (AS 16.05.130(e)) in the fish and game fund (AS 16.05.100) to the Alaska fish and game revenue bond redemption fund (AS 37.15.770) for early redemption of outstanding sport fish hatchery revenue bonds for the fiscal year ending June 30, 2021.

(t) If the amount appropriated to the Alaska fish and game revenue bond redemption fund (AS 37.15.770) in (s) of this section is less than the amount required for the payment of debt service, accrued interest, and trustee fees on outstanding sport fish hatchery revenue bonds for the fiscal year ending June 30, 2021, federal receipts equal to the lesser of \$102,000 or the deficiency balance, estimated to be \$0, are appropriated to the Alaska fish and game revenue bond redemption fund (AS 37.15.770) for the payment of debt service, accrued interest, and trustee fees on outstanding sport fish hatchery revenue bonds for the fiscal year ending June 30, 2021.

Several subsections appropriate funding to pay Sport Fish Hatcheries debt service, trustees fees, and early redemption of the bonds. The following outlines the mechanics of the surcharge/debt service:

(1) All proceeds from a surcharge levied on sport fishing licenses are deposited into the enterprise account within the Fish and Game Fund (F&G Fund). At present, temporarily holding money associated with the revenue bonds is the only purpose of the account.

- (2) Subsection 21(r) transfers the amount required to make the minimum required debt service payments from the enterprise account to the bond redemption account.
- (3) Subsection 19(m) appropriates the amount necessary (estimated to be \$6.14 million) from the Alaska Fish and Game Revenue Bond Redemption Fund to the State Bond Committee to pay the minimum debt service, trustee fees, and for early redemption of the sport fish hatchery bonds.
- (4) Once the amount required to make the minimum debt service payment is transferred, section 12 appropriates the balance of the enterprise account (not to exceed \$500,000) from the enterprise account to Sport Fish so it can be used for Sport Fish Division operations.
- (5) Subsection 21(s) transfers any remaining balance in the enterprise account (including earnings) to the bond redemption account to be used for early redemption of the bonds.
- (6) If proceeds from the surcharge are insufficient to make the required debt service payments, subsection 21(t) is intended to clarify that the department may use up to \$102,000 of current federal operating funding as reimbursement for debt service payments on sport fish revenue bonds.

Funding: Total debt service appropriations are \$6.1 million, appropriated in subsection 21(r). The FY21 required debt service payment is estimated to be \$4.1 million, with an additional \$2 million for early redemption of the bonds.

(u) An amount equal to the interest earned on amounts in the election fund required by the federal Help America Vote Act, estimated to be \$35,000, is appropriated to the election fund for use in accordance with 52 U.S.C. 21004(b)(2).

Subsection (u) allows the Election Fund to retain interest earned. The purpose of the fund is to make election administration improvements (primarily equipment and accessibility aids).

(v) The amount of statutory designated program receipts received by the Alaska Gasline Development Corporation for the fiscal year ending June 30, 2021, not to exceed \$20,000,000, is appropriated to the Alaska liquefied natural gas project fund (AS 31.25.110).

Subsection (v) appropriates Statutory Designated Program Receipts from third-party investments to the Alaska Liquefied Natural Gas Project Fund.

Legislative Fiscal Analyst Comment: Identical language was included in FY20. Money appropriated to the fund does not lapse and may be spent with no further appropriation.

(w) The vaccine assessment program receipts collected under AS 18.09.220, estimated to be \$11,800,000, are appropriated to the vaccine assessment account (AS 18.09.230).

Subsection (w) appropriates Vaccine Assessment Program Receipts, estimated to be \$11.8 million, to the Vaccine Assessment Account.

Legislative Fiscal Analyst Comment: Previously, program receipts collected for the purpose of purchasing vaccines were transferred into the Vaccine Assessment Fund and required a separate appropriation to purchase the vaccines. This additional step could potentially limit the Department of Health and Social Services' ability to execute the program. With the passage of Chapter 17, SLA 2019 (SB 37) the Vaccine Assessment Account is now capitalized with program receipts and money may be spent without further appropriation.

Sec. 22. FUND TRANSFERS. (a) The federal funds received by the state under 42 U.S.C. 6506a(l) or former 42 U.S.C. 6508 not appropriated for grants under AS 37.05.530(d) are appropriated as follows:

(1) to the principal of the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska) and the public school trust fund (AS 37.14.110(a)), according to AS 37.05.530(g)(1) and (2); and

(2) to the principal of the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska), the public school trust fund (AS 37.14.110(a)), and the power cost equalization and rural electric capitalization fund (AS 42.45.100(a)), according to AS 37.05.530(g)(3).

Subsection (a) appropriates the lapsing balance of NPR-A grants [per AS 37.05.530(g)]. No lapsing balance is anticipated.

Funding: The estimated fiscal impact of this section is zero.

Legislative Fiscal Analyst Recommendation: Remaining balances should not be appropriated to the Power Cost Equalization and Rural Electric Capitalization Fund, which is no longer active. The intent of AS 37.05.530(g)(3) would be most closely followed by appropriating remaining balances to the Power Cost Equalization Endowment Fund (AS 42.45.070(a)). AS 37.05.530(g) should also be revised. As noted, no lapsing balance is anticipated.

(b) The loan origination fees collected by the Alaska Commission on Postsecondary Education for the fiscal year ending June 30, 2021, are appropriated to the origination fee account (AS 14.43.120(u)) within the education loan fund (AS 14.42.210(a)) of the Alaska Student Loan Corporation for the purposes specified in AS 14.43.120(u).

Subsection (b) appropriates origination fees charged on student loans to the origination fee account within the Education Loan Fund. The fees are intended to offset loan losses due to death, disability, bankruptcy, and default.

Funding: The amount of the loan origination fee is capped by regulation at 5 percent and set by the corporation. The Alaska Commission on Postsecondary Education set the origination fee at 0 percent for FY20, and has no plans to introduce a fee in FY21. Because the appropriation earmarks money within a fund, there is no impact on state expenditures.

(c) An amount equal to 10 percent of the filing fees received by the Alaska Court System during the fiscal year ending June 30, 2019, estimated to be \$349,966, is appropriated from the general fund to the civil legal services fund (AS 37.05.590) for the purpose of making appropriations from the fund to organizations that provide civil legal services to low-income individuals.

Per AS 37.09.17.020(j), the court shall require that 50 percent of individuals' punitive damage awards received during the previous closed fiscal year be deposited into the general fund. Subsection (c) appropriates 10 percent of the filing fees received by the Alaska Court System in FY20 into the Civil Legal Services Fund. A separate appropriation in section 10(f) appropriates funding from the Civil Legal Services Fund to the Department of Commerce, Community, and Economic Development for payment of a grant to the Alaska Legal Services Corporation.

(d) The following amounts are appropriated to the oil and hazardous substance release prevention account (AS 46.08.010(a)(1)) in the oil and hazardous substance release prevention and response fund (AS 46.08.010(a)) from the sources indicated:

(1) the balance of the oil and hazardous substance release prevention mitigation account (AS 46.08.020(b)) in the general fund on July 1, 2020, estimated to be \$1,200,000, not otherwise appropriated by this Act;

(2) the amount collected for the fiscal year ending June 30, 2020, estimated to be \$7,000,000, from the surcharge levied under AS 43.55.300; and

Subsections (d)(1) and (2) appropriate (to the Oil and Hazardous Substance Release Prevention Account) the balance of the Release Prevention Mitigation Account and the FY20 collections from the \$0.04 per barrel surcharge on oil produced in the state. Amendments effective April 1, 2006, changed the per barrel surcharge from \$0.03 to \$0.04.

(3) the amount collected for the fiscal year ending June 30, 2020, estimated to be \$6,800,000, from the surcharge levied under AS 43.40.005.

Subsection (d)(3) appropriates revenue collected by the motor fuel surcharge to the Oil and Hazardous Substance Release Prevention Account.

(e) The following amounts are appropriated to the oil and hazardous substance release response account (AS 46.08.010(a)(2)) in the oil and hazardous substance release prevention and response fund (AS 46.08.010(a)) from the following sources:

(1) the balance of the oil and hazardous substance release response mitigation account (AS 46.08.025(b)) in the general fund on July 1, 2020, estimated to be \$700,000, not

(2) the amount collected for the fiscal year ending June 30, 2020, from the surcharge levied under AS 43.55.201, estimated to be \$1,750,000.

Subsection (e) appropriates (to the Oil and Hazardous Substance Release Response Account) the balance of the Release Response Mitigation Account and the FY20 collections from the \$0.01 per barrel surcharge on oil produced in the state. Amendments effective April 1, 2006 changed, the per barrel surcharge from \$0.02 to \$0.01.

Legislative Fiscal Analyst Comment: Per AS 43.55.221(d), the surcharge is suspended when the balance of the response account exceeds \$50 million. The Commissioner of the Department of Revenue reported that the surcharge was suspended effective January 1, 2013. The surcharge was re-imposed effective July 1, 2013, and remains in place today. In the report for the quarter ending December 31, 2019, the balance was \$29.4 million. The fund is not expected to exceed \$50 million in FY21.

DELETED SUBSECTION: Transfer to Renewable Energy Grant Fund

The sum of \$454,000 is appropriated from the power cost equalization endowment fund (AS 42.45.070) to the renewable energy grant fund (AS 42.45.045).

Legislative Fiscal Analyst Comment: This appropriation was vetoed by the Governor in FY20. The legislature revised statutory guidelines (Chapter 43, SLA 2016 (SB 196)) for using earnings of the Power Cost Equalization (PCE) Endowment Fund in order to make excess earnings available for Community Assistance and rural energy programs. If endowment earnings in the prior closed fiscal year exceed anticipated PCE program costs, up to 70 percent of the difference may be appropriated from endowment earnings for the following purposes: up to \$30 million for Community Assistance and up to \$25 million for rural energy programs. The amount available for appropriation in FY21 is \$28.7 million and the Governor's request capitalizes it in the Community Assistance program (section 21(g)).

DELETED SUBSECTION: Transfer to Vaccine Assessment Account

The vaccine assessment program receipts collected under AS 18.09.220 estimated to be \$12,500,000, are appropriated to the vaccine assessment account (AS 18.09.230).

Legislative Fiscal Analyst Comment: The fund transfer was replaced with a fund capitalization in section 21(w) due to passage of Chapter 17, SLA 2019 (SB 37).

(f) The unexpended and unobligated balance on June 30, 2020, estimated to be \$978,000, of the Alaska clean water administrative income account (AS 46.03.034(a)(2)) in the Alaska clean water administrative fund (AS 46.03.034) is appropriated to the Alaska clean water administrative operating account (AS 46.03.034(a)(1)) in the Alaska clean water administrative fund (AS 46.03.034).

(g) The unexpended and unobligated balance on June 30, 2020, estimated to be \$710,000, of the Alaska drinking water administrative income account (AS 46.03.038(a)(2)) in the Alaska drinking water administrative fund (AS 46.03.038) is appropriated to the Alaska drinking water administrative operating account (AS 46.03.038(a)(1)) in the Alaska drinking water administrative fund (AS 46.03.038).

The Department of Environmental Conservation (DEC) has been collecting a 0.5 percent fee on all loans made from the clean water and drinking water funds since December 2000. The June 30, 2014 balances of the administrative funds for the Clean Water and Drinking Water Administrative Funds were \$7.3 million and \$4.2 million respectively.

Beginning in FY15, the department began requesting what is expected to be an annual appropriation from the income account to the operating account, making money available to administer the clean water and drinking water programs. Because the appropriations in subsections (f) and (g) simply transfer money within the clean water and drinking water administrative funds, no transactions are shown in the budget. Appropriations from the operating accounts to allocations in DEC appear in section 1.

Funding: The Governor's budget uses \$1,282,600 of Clean Water funds and \$474,300 of Drinking Water funds in FY21. At the end of FY20, the balance of the Clean Water Administrative Fee Account is expected to be \$5.5 million and an anticipated balance of \$5.6 million in the Drinking Water Administrative Fee Account.

(h) An amount equal to the interest earned on amounts in the special aviation fuel tax account (AS 43.40.010(e)) during the fiscal year ending June 30, 2021, is appropriated to the special aviation fuel tax account (AS 43.40.010(e)).

Subsection (h) authorizes the Aviation Fuel Tax Account to retain earnings. The amount of interest earned is expected to be negligible. This appropriation is in response to an FAA requirement that all airport revenue (including earnings on revenue) be spent on the airport system.

(i) An amount equal to the revenue collected from the following sources during the fiscal year ending June 30, 2021, estimated to be \$1,032,500, is appropriated to the fish and game fund (AS 16.05.100):

(1) range fees collected at shooting ranges operated by the Department of Fish and Game (AS 16.05.050(a)(15)), estimated to be \$500,000;

(2) receipts from the sale of waterfowl conservation stamp limited edition prints (AS 16.05.826(a)), estimated to be \$2,500;

(3) fees collected for sanctuary access permits (AS 16.05.050(a)(15)), estimated to be \$130,000; and

(4) fees collected at boating and angling access sites managed by the Department of Natural Resources, division of parks and outdoor recreation, under a cooperative agreement authorized under AS 16.05.050(a)(6), estimated to be \$400,000.

Subsection (i) appropriates revenue from a variety of sources to the Fish and Game (F&G) Fund.

<p>Legislative Fiscal Analyst Comment: Because the boating and angling access sites were constructed with F&G Funds, the federal government has indicated that facility user fees must be appropriated to the F&G Fund.</p>
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(j) The amount necessary for the purposes specified in AS 37.14.820 for the fiscal year ending June 30, 2021, estimated to be \$30,000, is appropriated from the mine reclamation trust fund income account (AS 37.14.800(a)) to the mine reclamation trust fund operating account (AS 37.14.800(a)).

Subsection (j) authorizes a transfer of funds from the income account to the operating account (both within the Mine Reclamation Trust Fund), where it is available to the Department of Natural Resources for mine reclamation activity under AS 37.14.820.

Funding: The agency projects a transfer of approximately \$30,000. The authorization to spend will go to the Mining, Land and Water allocation (see section 16(b)).

(k) Twenty-five percent of the donations received under AS 43.23.230(b), estimated to be \$244,100, is appropriated to the education endowment fund (AS 43.23.220).

Subsection (k) authorizes a transfer of funds to the Education Endowment Fund from donations made to the Permanent Fund dividend raffle.

NEW SUBSECTION

(l) The balance of the large passenger vessel gaming and gambling tax account (AS 43.35.220) on June 30, 2021, estimated to be \$11,800,000, is appropriated to the Alaska capital income fund (AS 37.05.565).

Subsection (l) appropriates the balance, estimated to be \$11.8 million, of the Large Passenger Vessels Gaming and Gambling Tax Account (a UGF fund source) to the Alaska Capital Income Fund (a DGF fund source).

Legislative Fiscal Analyst Comment: For purposes of budget clarity and transparent comparisons, the Legislative Finance Division discourages transfers of UGF into designated funds.

Legislative Fiscal Analyst Recommendation: Delete this subsection and appropriate funding from the Large Passenger Vessel Gaming and Gambling Tax Account directly for capital projects.

NEW SUBSECTION

(m) The unexpended and unobligated balance of the investment loss trust fund (AS 37.14.300) on June 30, 2020, estimated to be \$1,613,947, is appropriated to the Alaska marine highway system fund (AS 19.65.060(a)).

Subsection (m) appropriates the balance, estimated to be \$1,613,947, of the Investment Loss Trust Fund (which is a UGF fund source) to the Alaska Marine Highway System Fund (which is a DGF fund source).

Legislative Fiscal Analyst Comment: For purposes of budget clarity and transparent comparisons, the Legislative Finance Division discourages transfers of UGF into designated funds.

Legislative Fiscal Analyst Recommendation: Delete this subsection and appropriate funding from the Investment Loss Trust Fund directly for capital projects.

Sec. 23. RETIREMENT SYSTEM FUNDING. (a) The sum of \$203,585,000 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the public employees' retirement system as an additional state contribution under AS 39.35.280 for the fiscal year ending June 30, 2021.

(b) The sum of \$134,976,000 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the teachers' retirement system as an additional state contribution under AS 14.25.085 for the fiscal year ending June 30, 2021.

Subsection (a) provides \$203,585,000 as an additional state contribution to the Public Employees' Retirement System (PERS). Subsection (b) provides \$134,976,000 as an additional state contribution to the Teachers' Retirement System (TRS).

Legislative Fiscal Analyst Comment: PERS and TRS contribution rates are capped in statute at 22% and 12.56% respectively. This means PERS employers pay only 22% of payroll toward retirement for their employees and likewise TRS employers pay 12.56%. This is the case regardless of the rates determined by the systems' actuary to fund the retirement plans. Any cost exceeding the capped rates are paid for as an additional state contribution.

For FY21, the Alaska Retirement Management Board (ARMB) set the PERS and TRS rates at 30.85% and 30.47%. So in effect, the State is paying the difference between the actuarial rate and the statutory cap (8.85% for PERS (AS 39.35.280) and 17.91% for TRS (AS 14.25.085)). The additional cost as a result of paying the amount over the capped rate amounts is \$203.6 million and \$135.0 million for PERS and TRS respectively.

The preliminary June 30, 2019, actuarial valuation has the PERS funded ratio at 78.2% and the TRS ratio at 85.8%. This equates to a total unfunded liability between the two of \$6.2 billion (\$4.8 billion for PERS and \$1.4 billion for TRS).

The preliminary valuation encompasses improved results in the healthcare trusts that are now actually slightly over funded (primarily due to favorable FY19 medical claims experience), and slightly decreased funding in the pension trusts (primarily due to greater-than-expected FY19 salary and PRPA/COLA increases). Also, the funded status of the pension and healthcare trusts is slightly decreased versus last year because the actual rate of return for FY19 was 6.4%, which was less than the actuarial 7.38% expected rate return.

(c) The sum of \$5,145,000 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the judicial retirement system for the purpose of funding the judicial retirement system under AS 22.25.046 for the fiscal year ending June 30, 2021.

Subsection (c) provides \$5,145,000 to pay benefits to those eligible under the Judicial Retirement System (JRS).

Legislative Fiscal Analyst Comment: JRS was established in 1963 as a retirement system for judges, justices and the administrator of the Court System. The appropriation is based on the June 30, 2018, actuarial recommendation.

DELETED SUBSECTION: Alaska National Guard and Alaska Naval Militia Retirement System Payment

The sum of \$860,686 is appropriated from the general fund to the Department of Military and Veterans' Affairs for deposit in the defined benefit plan account in the Alaska National Guard and Alaska Naval Militia retirement system for the purpose of funding the Alaska National Guard and Alaska Naval Militia retirement system under AS 26.05.226 for the fiscal year ending June 30, 2020.

Legislative Fiscal Analyst Comment: The National Guard and Naval Militia Retirement System (NGNMRS) pays a benefit upon separation from the Alaska Army Guard, Air Guard, or Naval Militia.

The NGNMRS Actuarial Valuation Report as of June 30, 2018, identifies the FY21 contribution amount for the Normal Cost and Expense load as \$725,551 and the funding ratio as 187.1 percent. Legislative intent language included in section 25(h), Chapter 17, SLA 2018 directed the Alaska Retirement Management Board to consider the funding ratio when recommending an amount for deposit in the defined benefits plan. However, the Alaska Retirement Management Board's FY21 contribution amount in Resolution 2019-13 was set for \$725,551. The Governor's budget excludes an appropriation for the FY21 contribution amount. With the funding ratio above 100 percent, an additional contribution is unnecessary.

(d) The sum of \$1,861,360 is appropriated from the general fund to the Department of Administration to pay benefit payments to eligible members and survivors of eligible members earned under the elected public officers' retirement system for the fiscal year ending June 30, 2021.

Subsection (d) provides \$1,861,360 to pay benefits to those eligible under the Elected Public Officers' Retirement System (EPORS).

Legislative Fiscal Analyst Comment: EPORS was a retirement system for elected state officials (Governor, Lieutenant Governor, and Legislators) and began January 1, 1976. It was repealed by referendum in the 1976 general election; however, the Alaska Supreme Court subsequently ruled that those who served in 1976 were entitled to continue to be covered under the terms of the system.

(e) The amount necessary to pay benefit payments to eligible members and survivors of eligible members earned under the Unlicensed Vessel Personnel Annuity Retirement Plan, estimated to be \$0, is appropriated from the general fund to the Department of Administration for that purpose for the fiscal year ending June 30, 2021.

Subsection (e) provides an amount, estimated to be zero, to pay benefits to those eligible under the Unlicensed Vessel Personnel Annuity Retirement Plan (UVPARP).

Legislative Fiscal Analyst Comment: UVPARP was a union-sponsored retirement plan offered to Department of Transportation and Public Facilities employees who were working aboard Alaska Marine Highway vessels in the 1960s. Most members of this small retirement system converted their service and contributions to PERS in 1992 and the Division of Retirement and Benefits assumed the role of plan administrator for the remaining members who elected to remain under the UVPARP. This language is included annually because the Division of Retirement and Benefits may locate survivors of members who are deceased but are still eligible for benefits.

Sec. 24. SALARY AND BENEFIT ADJUSTMENTS. (a) The operating budget appropriations made in sec. 1 of this Act include amounts for salary and benefit adjustments for public officials, officers, and employees of the executive branch, Alaska Court System employees, employees of the legislature, and legislators and to implement the monetary terms for the fiscal year ending June 30, 2021, of the following ongoing collective bargaining agreements:

- (1) Alaska State Employees Association, for the general government unit;**
- (2) Teachers' Education Association of Mt. Edgecumbe, representing the teachers of Mt. Edgecumbe High School;**
- (3) Confidential Employees Association, representing the confidential unit;**
- (4) Public Safety Employees Association, representing the regularly commissioned public safety officers unit;**
- (5) Public Employees Local 71, for the labor, trades, and crafts unit;**
- (6) Alaska Public Employees Association, for the supervisory unit;**
- (7) Alaska Correctional Officers Association, representing the correctional officers unit.**

(b) The operating budget appropriations made to the University of Alaska in sec. 1 of this Act include amounts for salary and benefit adjustments for the fiscal year ending June 30, 2021, for university employees who are not members of a collective bargaining unit and to implement the monetary terms for the fiscal year ending June 30, 2021, of the following collective bargaining agreements:

- (1) United Academics - Adjuncts - American Association of University Professors, American Federation of Teachers;**
- (2) United Academics - American Association of University Professors, American Federation of Teachers;**
- (3) Alaska Higher Education Crafts and Trades Employees, Local 6070.**

Subsections (a) and (b) appropriate no money; they specify that various salary adjustments are funded with money appropriated in section 1. The list changes from year to year, depending on which employees are affected by salary and benefit adjustments.

Legislative Fiscal Analyst Comment: Legislative adoption of subsections (a) and (b) is equivalent to legislative approval of bargaining agreements with the listed organizations.

(c) If a collective bargaining agreement listed in (a) of this section is not ratified by the membership of the respective collective bargaining unit, the appropriations made in this Act applicable to the collective bargaining unit's agreement are adjusted proportionately by the amount for that collective bargaining agreement, and the corresponding funding source amounts are adjusted accordingly.

(d) If a collective bargaining agreement listed in (b) of this section is not ratified by the membership of the respective collective bargaining unit and approved by the Board of Regents of the University of Alaska, the appropriations made in this Act applicable to the collective bargaining unit's agreement are adjusted proportionately by the amount for that collective bargaining agreement, and the corresponding funding source amounts are adjusted accordingly.

Subsections (c) and (d) appropriate no funding; they ensure that funding is removed from the budget if collective bargaining unit agreements listed in subsections (a) and (b) are not ratified.

Sec. 25. SHARED TAXES AND FEES. (a) An amount equal to the salmon enhancement tax collected under AS 43.76.001 - 43.76.028 in calendar year 2019, estimated to be \$6,900,000, and deposited in the general fund under AS 43.76.025(c), is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for payment in the fiscal year ending June 30, 2021, to qualified regional associations operating within a region designated under AS 16.10.375.

Funding: These "pass-through" amounts, estimated to be \$6.9 million, were excluded from budget reports until FY20. They are counted as Other funds using the Statutory Designated Program Receipts fund code 1108.

(b) An amount equal to the seafood development tax collected under AS 43.76.350 - 43.76.399 in calendar year 2019, estimated to be \$3,800,000, and deposited in the general fund under AS 43.76.380(d), is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for payment in the fiscal year ending June 30, 2021, to qualified regional seafood development associations for the following purposes:

(1) promotion of seafood and seafood by-products that are harvested in the region and processed for sale;

(2) promotion of improvements to the commercial fishing industry and infrastructure in the seafood development region;

(3) establishment of education, research, advertising, or sales promotion programs for seafood products harvested in the region;

(4) preparation of market research and product development plans for the promotion of seafood and their by-products that are harvested in the region and processed for sale;

(5) cooperation with the Alaska Seafood Marketing Institute and other public or private boards, organizations, or agencies engaged in work or activities similar to the work of the organization, including entering into contracts for joint programs of consumer education, sales promotion, quality control, advertising, and research in the production, processing, or distribution of seafood harvested in the region;

(6) cooperation with commercial fishermen, fishermen's organizations, seafood processors, the Alaska Fisheries Development Foundation, the Fishery Industrial Technology Center, state and federal agencies, and other relevant persons and entities to investigate market reception to new seafood product forms and to develop commodity standards and future markets for seafood products.

Funding: These "pass-through" amounts, estimated to be \$3.8 million, were excluded from budget reports until FY20. They are counted as Other funds using the Statutory Designated Program Receipts fund code 1108.

(c) An amount equal to the dive fishery management assessment collected under AS 43.76.150 - 43.76.210 during the fiscal year ending June 30, 2020, estimated to be \$800,000, and deposited in the general fund is appropriated from the general fund to the Department of Fish and Game for payment in the fiscal year ending June 30, 2021, to the qualified regional dive fishery development association in the administrative area where the assessment was collected.

Funding: These "pass-through" amounts, estimated to be \$800,000, were excluded from budget reports until FY20. They are counted as Other funds using the Statutory Designated Program Receipts fund code 1108.

(d) The amount necessary to refund to local governments and other entities their share of taxes and fees collected in the listed fiscal years under the following programs is appropriated from the general fund to the Department of Revenue for payment to local governments and other entities in the fiscal year ending June 30, 2021:

	FISCAL YEAR	ESTIMATED
REVENUE SOURCE	COLLECTED	AMOUNT
Fisheries business tax (AS 43.75)	2020	\$24,100,000
Fishery resource landing tax (AS 43.77)	2020	7,300,000
Electric and telephone cooperative tax (AS 10.25.570)	2021	4,300,000
Liquor license fee (AS 04.11)	2021	900,000
Cost recovery fisheries (AS 16.10.455)	2021	0

Subsection (d) ensures that the Department of Revenue has the authorization to disburse taxes and fees collected on the behalf of local governments to those entities. The concept applies equally to prior year collections (fisheries receipts) and to current year receipts.

Funding: These “pass-through” taxes, estimated to be \$36.6 million, were excluded from budget reports until FY20. They are counted as Designated General Funds using the Shared Taxes fund code 1261.

(e) The amount necessary, estimated to be \$100,000, to refund to local governments the full amount of an aviation fuel tax or surcharge collected under AS 43.40 for the fiscal year ending June 30, 2021, is appropriated from the proceeds of the aviation fuel tax or surcharge levied under AS 43.40 to the Department of Revenue for that purpose.

Subsection (e) ensures that the Department of Revenue has the authorization to disburse the local government share of aviation fuel taxes.

Funding: This “pass-through” tax, estimated to be \$100,000, was excluded from budget reports until FY20. It is now counted using the Aviation Fuel Tax Account fund code 1239.

Legislative Fiscal Analyst Comment: Note that the subsection specifically identifies proceeds of the aviation tax as the source of the payments.

The 40 percent share of aviation tax proceeds retained by the State is dedicated to airport operating and capital expenses. Fund code 1239 was created in the 2016 session to track budgeted aviation fuel tax revenue.

(f) The amount necessary to pay the first seven ports of call their share of the tax collected under AS 43.52.220 in calendar year 2019 according to AS 43.52.230(b), estimated to be \$21,300,000, is appropriated from the commercial vessel passenger tax account (AS 43.52.230(a)) to the Department of Revenue for payment to the ports of call for the fiscal year ending June 30, 2021.

Subsection (f) appropriates \$21.3 million of Commercial Vessel Passenger “Head” Tax receipts to the first seven ports of call.

Funding: This “pass-through” tax was excluded from budget reports until FY20. It is now counted using the Commercial Passenger Vessel Tax fund code 1206.

Legislative Fiscal Analyst Comment: The legislature amended the statutes for the Commercial Vessel Passenger Head Tax effective October 31, 2010. The head tax was reduced from \$46 to \$34.50, with \$5 shared with the first seven ports of call (previously five ports) and the Regional Impact Fund was eliminated.

The current allocation of the head tax to ports of call directs almost \$25 per passenger to Juneau and Ketchikan, which impose local head taxes that are deducted from the \$34.50 state tax. That leaves about \$10 per passenger to be allocated to five ports of call other than Juneau and Ketchikan. Essentially, the amount allocated to ports of call exceeds revenue for every ship with four or more ports of call (including Juneau and Ketchikan). The FY20 end-of-year balance of the Commercial Vessel Passenger Account is estimated to be \$5.5 million. The Department of Revenue's 2019 Fall Revenue Forecast estimates FY21 revenue as \$26.4 million and the pass-through amount as \$21.3 million. The FY21 Governor's capital budget request includes \$3.1 million for a dock replacement in Seward, leaving a balance of \$7.5 million available for appropriation.

(g) If the amount available for appropriation from the commercial vessel passenger tax account (AS 43.52.230(a)) is less than the amount necessary to pay the first seven ports of call their share of the tax collected under AS 43.52.220 in calendar year 2020 according to AS 43.52.230(b), the appropriation made in (f) of this section shall be reduced in proportion to the amount of the shortfall.

Subsection (g) is intended to prorate pass-through funding to the first seven ports of call if revenue is less than the calculated amount of pass-through.

Legislative Fiscal Analyst Comment: While the need to prorate is unlikely, the subsection does no harm.

Sec. 26. RATIFICATION OF SMALL AMOUNTS IN STATE ACCOUNTING SYSTEM. The appropriation to each department under this Act for the fiscal year ending June 30, 2021, is reduced to reverse negative account balances in amounts of \$1,000 or less for the department in the state accounting system for each prior fiscal year in which a negative account balance of \$1,000 or less exists.

Section 26 allows departments to use money appropriated for FY21 to clean up small negative account balances (or ratifications) from prior fiscal years. This section removes the need for minuscule ratifications.

DELETED SECTION: Repeal Curriculum Best Practice Deposit made in SLA 2018

Section 27(c), ch. 19, SLA 2018, is repealed.

Legislative Fiscal Analyst Comment: Chapter 73, SLA 2018 (SB 104) established the Curriculum Improvement and Best Practices Fund and appropriated \$19.5 million into the fund with a delayed effective date of FY20. The Governor proposed and the legislature accepted the repeal of this appropriation during 2019 legislative session.

Sec. 27. CONSTITUTIONAL BUDGET RESERVE FUND. (a) Deposits in the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) for fiscal year 2020 that are made from subfunds and accounts of the operating general fund by operation of art. IX, sec. 17(d), Constitution of the State of Alaska, to repay appropriations from the budget reserve fund are appropriated from the budget reserve fund to the subfunds and accounts from which those funds were transferred.

Subsection (a) is “sweep reversal language” that restores money from funds and accounts that are swept into the Constitutional Budget Reserve (CBR) Fund at year-end. The Constitution requires that several year-end general fund and subaccount balances be used to repay withdrawals from CBR.

(b) If the unrestricted state revenue available for appropriation in fiscal year 2021 is insufficient to cover the general fund appropriations that take effect in fiscal year 2021, the amount necessary to balance revenue and general fund appropriations, after the appropriations made in sec. 8 of this Act, is appropriated to the general fund from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska).

(c) The appropriations made in (a) and (b) of this section are made under art. IX, sec. 17(c), Constitution of the State of Alaska.

Subsection (b) provides for filling the budget deficit in FY21 with the CBR.

Subsection (c) stipulates that appropriations made from the CBR must be approved by at least three-quarters of the members of each house of the legislature.

Legislative Fiscal Analyst Comment: In past years, deficit-filling language from the CBR has limited the draw to appropriations made during the current legislative year plus a capped amount of supplementals (often referred to as “headroom”). This language does not cap supplemental appropriations that could come out of the CBR. For additional information on the CBR headroom, see the analysis and discussion on FY20 Supplementals and CBR Headroom in this publication.

Sec. 28. LAPSE OF APPROPRIATIONS. The appropriations made in secs. 8(c) - (e), 9(c) and (d), 19(c) and (d), 21, 22, and 23(a) - (d) of this Act are for the capitalization of funds and do not lapse.

Section 28 ensures that money deposited into various funds will not lapse at the end of FY20.

Sec. 29. RETROACTIVITY. The appropriations made in sec. 1 of this Act that appropriate either the unexpended and unobligated balance of specific fiscal year 2020 program receipts or the unexpended and unobligated balance on June 30, 2020, of a specified account are retroactive to June 30, 2020, solely for the purpose of carrying forward a prior fiscal year balance.

Section 29 is standard language to ensure that revenue attached to appropriations or allocations with carryforward language does not lapse at the end of FY20.

Sec. 30. CONTINGENCY. The appropriation made in sec. 13 of this Act is contingent on the number of available beds for patient treatment exceeding 79 at the Alaska Psychiatric Institute in the fiscal year ending June 30, 2021.

Section 30 identifies the appropriation made to the Department of Health and Social Services in section 13 as contingent.

Sec. 31. Section 29 of this Act takes effect immediately under AS 01.10.070(c).

Sec. 32. Section 10(h) of this Act takes effect June 30, 2020.

Section 32 provides an FY20 supplemental effective date for the appropriation made in 10(h) to the Department of Commerce, Community, and Economic Development for the Alaska Development Team program.

Sec. 33. Except as provided in secs. 31 and 32 of this Act, this Act takes effect July 1, 2020.

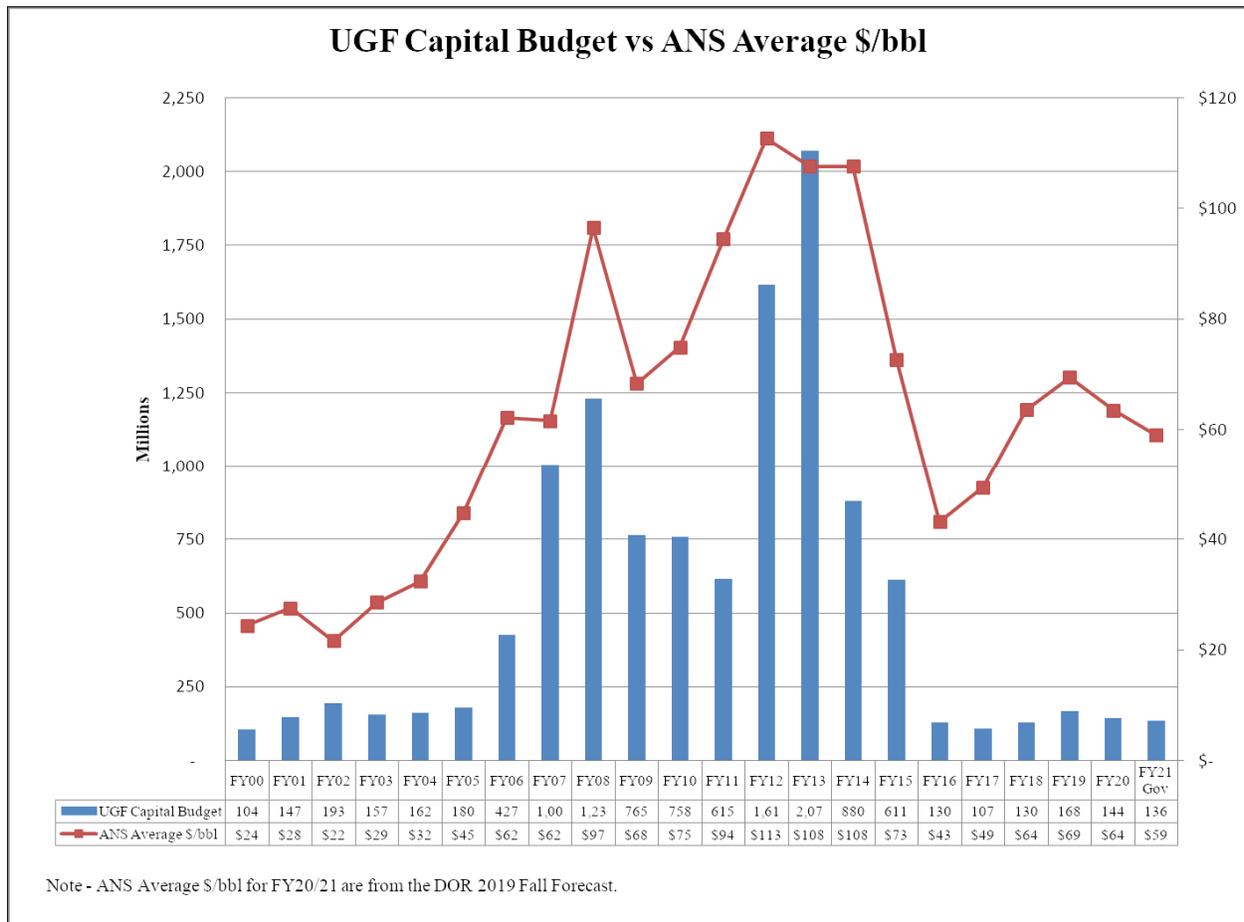
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Capital Budget

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Capital Budget Overview

The Governor's FY21 capital budget submission totals \$135.6 million of unrestricted general funds (UGF). This is comparable to capital budgets from FY16-FY20, which averaged \$135.8 million (including supplementals). The graph below shows the relationship between oil prices and capital budgets.



As illustrated in the graph, the years FY06-FY15 saw unprecedented capital investment. During that ten-year span, over \$25 billion of state and federal funding was appropriated for capital projects. This includes nearly \$10 billion of UGF. As those projects were completed, lapsing balances were available for re-appropriation to new projects, so the true decline in capital spending may have been less dramatic than the data indicates. From FY16-FY19, the budget included an average of \$55.6 million of UGF reappropriations.

By FY20, few of the projects from the boom years remained on the books and the legislature only reappropriated \$9.4 million of UGF - \$6.3 million of which was vetoed by the Governor. The Governor's FY21 budget reappropriates \$10.9 million of past UGF balances to federal highway match.

The Governor's FY21 Capital Budget

The FY16-FY20 capital budgets have primarily included projects that leveraged other money. The Governor's FY21 capital budget again focuses on leveraging federal transportation and Village Safe Water funding, but includes some additional items that are important to the Governor. The following table summarizes the Governor's budget in thousands of dollars.

Agency	UGF	DGF	Other	Federal	All Funds
Administration	12,470.0	-	6,176.4	-	18,646.4
Community & Economic Dev	3,590.3	15,500.0	3,100.0	39,100.0	61,290.3
Corrections	1,310.0	-	-	-	1,310.0
Environmental Conservation	12,080.0	-	4,000.0	58,250.0	74,330.0
Fish and Game	1,000.0	500.0	4,640.0	20,500.0	26,640.0
Governor*	2,500.0	30,000.0	-	-	32,500.0
Health & Social Services	2,050.0	3,949.3	850.0	-	6,849.3
Judiciary	1,551.1	1,551.2	-	-	3,102.3
Labor & Workforce Dev	447.4	185.0	-	-	632.4
Military & Veterans Affairs	3,981.8	5,799.5	-	6,620.0	16,401.3
Natural Resources	4,885.9	1,500.0	6,305.6	20,536.8	33,228.3
Public Safety	1,290.0			1,100.0	2,390.0
Revenue	16,950.0		1,750.0	13,250.0	31,950.0
Transportation & Facilities	71,532.8	18,446.6	63,858.3	875,975.2	1,029,812.9
University of Alaska	2,500.0	-		16,500.0	19,000.0
Total	138,139.2	77,431.6	90,680.3	1,051,832.0	1,358,083.1

* Includes \$2.5 million UGF for redistricting that was submitted as a supplemental item.

Major items in the Governor's capital budget include:

1. Federal program match
2. Deferred maintenance
3. Statewide IT upgrades

1. Federal Program Match

\$78.8 million (58%) of the UGF in the Governor's capital budget is used to match federal funding totaling \$1.05 billion. The major federal match projects are:

- Federal-Aid Highway Match (Department of Transportation and Public Facilities) - \$65 million (\$54.1 million UGF plus \$10.9 million reappropriation) to match \$650 million of federal funds;
- Federal-Aid Aviation State Match (Department of Transportation and Public Facilities) - \$10.8 million (\$8.9 million UGF, \$1.9 million Capstone Avionics Fund (DGF)) to match \$214.4 million of federal funds; and
- Village Safe Water and Wastewater Infrastructure Projects (Department of Environmental Conservation) - \$12.1 million UGF to match \$52.3 million of federal funds.

The Governor's capital budget follows the practice of the past three years in the structure of the Surface Transportation Program (STP) and Airport Improvement Program (AIP) appropriations. Starting in FY18, the capital budget has done away with allocations to particular projects and instead has appropriated a lump sum. This practice has also been followed for the Village Safe Water and Wastewater programs since FY12.

To be eligible to receive funding in either the STP or AIP program, a project must appear on a federally approved capital improvement plan. For highways, this means the Surface Transportation Improvement Program (STIP). For rural airports, it means the AIP. These plans follow federal requirements for project ranking and public involvement and, historically, determined the allocations that made up the appropriations.

Legislative Fiscal Analyst Comment: With the consolidated approach, the budget more closely reflects actual spending. Under the previous approach, DOT&PF carried extra authorization to ensure that there was room to redirect funds if a project was delayed. Without allocations, DOT&PF can freely move money from one project to another without requiring surplus authorization.

The disadvantage of the consolidated approach is a loss of information about which projects are funded. To mitigate this, the department has provided quarterly reports on funding to the Finance Committee co-chairs.

2. Deferred Maintenance

Deferred maintenance is self-explanatory; it is maintenance that has been deferred to another time, usually as a consequence of insufficient funding. The most recent estimates by the Office of Management and Budget provide a deferred maintenance backlog totaling just over \$1.9 billion (see the table on the following page). Two-thirds of this backlog (\$1.3 billion) is within the University of Alaska.

In FY11, the Parnell administration began a five-year initiative to address the deferred maintenance backlog. Over those five years an average of \$123 million was appropriated to deferred maintenance, and the backlog shrunk from \$2.3 billion to \$1.6 billion. However, since FY16, lower funding has caused the backlog to gradually increase again.

To address this, the legislature passed SB 107 (Chapter 88, SLA 2018), which designated the Alaska Capital Income Fund for deferred maintenance. This provides a steady source of funding for deferred maintenance – roughly \$30 million per year – although this alone is not sufficient to eliminate the backlog. In 2018, the executive branch launched the statewide Division of Facilities Services to integrate state agency maintenance and prioritize deferred maintenance needs. Since FY18, the bulk of deferred maintenance funding has gone to a centralized appropriation to the Office of Management and Budget to distribute funds to the highest-priority needs statewide.

Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

Agency	FY20 Total DM Backlog	% of Total DM Backlog	% of Total DM excl. University
Administration	98.7	5.1%	15.2%
Corrections	45.2	2.4%	7.0%
Court System	2.5	0.1%	0.4%
Education & Early Dev	14.2	0.7%	2.2%
Fish & Game	5.3	0.3%	0.8%
Health & Social Services	40.2	2.1%	6.2%
Labor & Workforce Dev	20.5	1.1%	3.2%
Military & Veterans Affairs	5.5	0.3%	0.8%
Natural Resources	65.2	3.4%	10.1%
Public Safety	9.3	0.5%	1.4%
Transportation & Public Facilities	341.2	17.8%	52.7%
<i>Facilities</i>	<i>38.1</i>	<i>2.0%</i>	<i>5.9%</i>
<i>Highways</i>	<i>222.1</i>	<i>11.6%</i>	<i>34.3%</i>
<i>Aviation</i>	<i>57.6</i>	<i>3.0%</i>	<i>8.9%</i>
<i>Harbors</i>	<i>18.7</i>	<i>1.0%</i>	<i>2.9%</i>
<i>Marine Highways</i>	<i>4.7</i>	<i>0.2%</i>	<i>0.7%</i>
Total Excluding University	647.6	33.7%	100.0%
University of Alaska	1,273.2	66.3%	N/A
Total	1,920.8	100.0%	100.0%

The Governor's FY21 capital budget spends \$41.8 million on deferred maintenance: \$30 million to the statewide appropriation, and the remaining \$11.8 million directly to projects in state agencies.

Legislative Fiscal Analyst Comment: The Governor's budget transfers \$11.8 million from the Large Passenger Vessel Gambling Tax (a UGF fund source) into the Capital Income Fund (a DGF fund source).

The Governor's budget does not include specific funding for the University of Alaska's deferred maintenance backlog, which makes up the vast majority of the State's total backlog. The University of Alaska typically allocates a portion of its budget to deferred maintenance, but the legislature has often supplemented that funding to address the sizeable backlog. In FY20, the Governor vetoed a \$2.5 million appropriation to the University of Alaska for deferred maintenance.

In addition to state-owned facilities, there are substantial deferred maintenance backlogs in school facilities and rural water and sewer facilities that receive maintenance funding from the State. Water and sanitation facility maintenance is funded through the Village Safe Water program, which is divided between new projects and maintenance of existing service. As of 2018, the total funding need for necessary upgrades was about \$575 million. School district deferred maintenance is funded through the Major Maintenance Grant Fund. The FY21 list includes \$148 million of projects submitted by districts.

3. Statewide IT Upgrades

The Governor's budget includes six major IT upgrades, totaling \$12.5 million in UGF funding. These projects are all in the Department of Administration.

The largest (\$7.1 million) is an upgrade to the Integrated Resources Information System (IRIS), the statewide enterprise resource planning system, which handles the State's accounting, procurement, timekeeping, and payroll systems. IRIS was funded in three phases from FY05-12, totaling \$118.4 million. The FY19 capital budget included \$4.5 million to upgrade the state to version 3.11.X. However, version 4.X was subsequently released which includes upgrades that will improve functionality. The additional \$7.1 million would allow the State to upgrade to the latest version and minimize disruptions from repeated upgrades.

The remaining five projects, totaling \$5.4 million, are for:

- Automated Performance Evaluations and Onboarding System Setup - \$320.0
- Electronic Timekeeping - \$1 million
- OIT Upgrade to Cloud Servers - Phase I - \$1.25 million
- Software for the Shared Services Initiatives – \$1.8 million
- Uniform Ticketing System Upgrade - \$1 million

Other Items of Note

- The budget does not include funding for School Construction or Major Maintenance. The FY20 budget did not include School Construction funding, but did include \$7.4 million to fund the top project on the Major Maintenance priority list.

Legislative Fiscal Analyst Comment: HB 212 (Chapter 79, SLA 2018) allowed the Regional Education Attendance Area (REAA) fund to be used for major maintenance in addition to school construction. While this provides an additional fund source to address maintenance needs, the FY20 budget and the Governor's FY21 proposal both fund half of the statutory calculation for the REAA fund deposit. There may be insufficient funding available from this source alone.

- Funding is included to upgrade and repair the Alaska Land Mobile Radio (ALMR) system, which enables emergency communications across the state. The Governor's request is for \$7.7 million (\$3.2 million UGF, \$4.5 million Capital Income Fund) to replace infrastructure and upgrade 911-dispatch systems. The ALMR program is currently managed by the Department of Administration, but the Governor's budget proposes to transfer it to the Department of Military and Veterans' Affairs.
- Four Alaska Energy Authority (AEA) projects are funded with \$3.2 million of UGF, \$10.5 million from the Power Cost Equalization (PCE) fund, and \$20.0 million of federal funds. These AEA projects are for bulk fuel upgrades, the electrical emergencies program, rural power system upgrades, and a statewide Railbelt energy plan.

Legislative Fiscal Analyst Comment: This is not a designated use of PCE funds and is above the statutory direction for sustainable spending from the fund.

- The Governor requests a \$5 million grant to the Alaska Travel Industry Association (ATIA) using vehicle rental tax revenue. In FY20, the ATIA received \$7.4 million of UGF.

Legislative Fiscal Analyst Comment: This use of the fund is in line with its statutory guidelines, but the Governor's combined operating and capital budgets spend \$15.6 million of vehicle rental taxes against \$11.4 million in revenue. While there is a carryforward balance available, this level of appropriations from the fund is unsustainable. Past practice has been to appropriate an amount equal to revenue in the prior year.

- The capital budget also includes a \$2.5 million UGF supplemental appropriation for redistricting costs.

Legislative Fiscal Analyst Recommendation: This item should be in the FY21 operating budget rather than a capital budget supplemental. The costs associated with the Redistricting Board are primarily operating items and were funded in the operating budget in the 2010-11 redistricting process.

Language Sections of the Governor's FY21 Capital Budget

NEW SECTION: Named Recipient Grant

Sec. 7. DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT. (a) The amount of the fees collected under AS 28.10.421(d) during the fiscal years ending June 30, 2017, June 30, 2018, June 30, 2019, June 30, 2020, for the issuance of special request Blood Bank of Alaska plates, less the cost of issuing the license plates, estimated to be \$2,265, is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Blood Bank of Alaska for support of their mission for the fiscal year ending June 30, 2021.

Section 7(a) provides an appropriation of \$2,265 of unrestricted general funds to the Blood Bank of Alaska. While this section is designated as a subsection (a) of section 7, there are no additional subsections to section 7.

Legislative Fiscal Analyst Comment: AS 28.10.421 provides ten license plate types that generate revenue specifically designated to particular grantees. The Governor's operating budget appropriates receipts from two other license plates (Alaska Children's Trust and University of Alaska).

This appropriation is UGF and represents the amount of license plate receipts that were collected. The amounts collected in FY17-FY20 were not appropriated and lapsed to the general fund. The Governor's budget does not appropriate the projected revenue in FY21 (estimated to be \$500).

Sec. 8. FEDERAL AND OTHER PROGRAM RECEIPTS. Federal receipts, designated program receipts under AS 37.05.146(b)(3), information services fund program receipts under AS 44.21.045(b), Exxon Valdez oil spill trust receipts under AS 37.05.146(b)(4), receipts of the Alaska Housing Finance Corporation, receipts of the Alaska marine highway system fund under AS 19.65.060(a), receipts of the vaccine assessment account (AS 18.09.230), receipts of the University of Alaska under AS 37.05.146(b)(2), receipts of the highways equipment working capital fund under AS 44.68.210, and receipts of commercial fisheries test fishing operations under AS 37.05.146(c)(20) that are received during the fiscal year ending June 30, 2021, and that exceed the amounts appropriated by this Act are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

Section 8 provides appropriation of any of the listed receipts that are collected in FY21 beyond the amounts appropriated in the act. Although the appropriations are conditioned on review by the Legislative Budget and Audit Committee (LB&A), the Governor can increase authorization for listed fund sources without the approval of the Committee subject to the statutory requirements. Similar language in the operating budget applies only to appropriations in the operating bill.

Funding: Although requests for approval to spend additional receipts will almost certainly be received, there is no way to determine where the increases will be, how much they will be, or

what fund sources would be appropriate. The Legislative Finance Division reports place no dollar value on appropriations made in this section.

Legislative Fiscal Analyst Comment: The appropriation language specifically reads that only receipts received in FY21 beyond the amounts appropriated in the act are appropriated conditioned on the statutory requirements. The statute, AS 37.07.080(h), further limits the increase of an appropriation by “additional federal or other program receipt...”

This became an issue in December 2019 when the Department of Transportation and Public Facilities submitted a Revised Program Legislative (RPL) request utilizing a previously existing balance of the Alaska Marine Highway Fund, not additional Alaska Marine Highway System receipts collected in FY20 beyond those appropriated. Legislative Finance Division pointed out the technical issue surrounding the RPL and it was withdrawn by the Administration.

In order to access existing fund balances in the RPLs process, both this appropriation language and AS 37.07.080(h) would need to be modified.

Sec. 9. INSURANCE CLAIMS. The amounts to be received in settlement of insurance claims for losses and the amounts to be received as recovery for losses are appropriated from the general fund to the

(1) state insurance catastrophe reserve account (AS 37.05.289(a)); or

(2) appropriate state agency to mitigate the loss.

Section 9 allows an agency to receive insurance claim settlement payments directly from a third party. Without this provision, settlements would remain in the general fund and would not be available to offset an agency’s loss without a specific appropriation.

Sec. 10. NATIONAL PETROLEUM RESERVE - ALASKA IMPACT GRANT PROGRAM. The amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530(a)) under 42 U.S.C. 6506a(I) or former 42 U.S.C. 6508 by August 31, 2020, estimated to be \$13,100,000, is appropriated from that fund to the Department of Commerce, Community, and Economic Development for capital project grants under the National Petroleum Reserve - Alaska impact grant program.

Section 10 appropriates the entire amount received (estimated to be \$13.1 million for FY21) from the revenue shared by the federal government from sales, rentals, bonuses, and royalties on leases issued within the NPR-A to the NPR-A Impact Grant Program. Grants are awarded to municipalities impacted by oil and gas development in the NPR-A. AS 37.05.530(g) states that receipts not appropriated as grants are to be distributed as follows: 25 percent to Permanent Fund Principal, 0.5 percent to the Public School Trust Fund, and any remaining amount to the Power Cost Equalization and Rural Electric Capitalization Fund.

Legislative Fiscal Analyst Comment: Recent capital bills contained a list of grantees and the projects to be funded. Providing this information allows it to be entered into the budget system so that it is available for future queries regarding grants.

The estimated revenue figure does not match the estimate made by the Department of Revenue in the Fall 2019 Revenue Sources Book, which is \$11.3 million

Legislative Fiscal Analyst Recommendation: Grantees and a short description of projects should appear in the bill. Grantees are typically selected during the session and a list is often submitted as part of the amendment process.

The estimate in the bill and in the Revenue Sources Book should match. The Office of Management and Budget and agencies should coordinate efforts and present a single agreed-upon forecast in future budget requests.

NEW SECTION: Supplemental Reappropriations

Sec. 11. DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES. (a) The unexpended and unobligated general fund balances, estimated to be a total of \$10,858,331, of the following appropriations are reappropriated to the Department of Transportation and Public Facilities, federal-aid highway match:

(1) sec. 1, ch. 82, SLA 2006, page 87, line 25, and allocated on page 88, lines 13 – 14 (Department of Transportation and Public Facilities, statewide federal programs, federal-aid highway state match - \$63,910,630), estimated to be \$2,498,805;

(2) sec. 7, ch. 43, SLA 2010, page 33, lines 4 - 7, as amended by sec. 4, ch. 1, TSSLA 2017 (Department of Public Safety, public safety academy driver training facility, land acquisition and construction), estimated to be \$1,058,962; and

(3) sec. 7(b)(2), ch. 5, SLA 2012, (Department of Commerce, Community, and Economic Development, upgrade and extension of the Anchorage to Fairbanks power transmission line intertie to a southern terminus in the Point MacKenzie area), estimated to be \$7,300,564.

(b) If the amount appropriated in sec. 1 of this Act and (a) of this section for federal-aid highway match is less than \$65,000,000, the amount necessary to appropriate \$65,000,000 to federal-aid highway match, estimated to be \$0, is appropriated from the general fund to the Department of Transportation and Public Facilities for federal-aid highway match.

Subsection (a) reappropriates past capital money for federal highway match. Subsection (b) is backstop language ensuring that federal highway match is fully funded if the reappropriation ends up being less than the estimate.

Legislative Fiscal Analyst Comment For additional information on the Constitutional Budget Reserve (CBR) headroom, see the analysis and discussion on FY20 Supplementals and CBR Headroom in this publication.

Legislative Fiscal Analyst Recommendation: The backstop language in (b) is effective in FY20 and therefore is an unrestricted general fund supplemental appropriation subject to CBR headroom limitations. The legislature could prevent a potential shortfall of CBR headroom by changing the effective date to FY21.

The estimate in (b) should be \$1, as the appropriation in subsection (a) plus the appropriation in section 1 add up to \$64,999,999.

(c) The sum of \$1,946,600 is appropriated from the Alaska capstone avionics revolving loan fund (AS 44.33.655) to the Department of Transportation and Public Facilities for federal-aid aviation match.

Subsection (c) appropriates a portion of the balance of the Alaska capstone avionics revolving loan fund (which sunsets on June 30, 2020) to federal-aid aviation match. The legislature for the last several sessions has been cleaning up old capital appropriations and fund balances and appropriating the balances for Fed-Highway State Match. The Governor's budget appears to be following suit.

Sec. 12. LAPSE.

(a) The appropriations made in secs. 1, 4, 7, 9(2), 10, and 11 of this Act are for capital projects and lapse under AS 37.25.020.

Legislative Fiscal Analyst Comment: The capital project lapse provision under AS 37.25.020 was amended during the 2014 session by Chapter 61, SLA 2014 (HB 306). The new lapse provision was modeled after the lapse provision for Grants to Municipalities (AS 37.05.315) whereby "substantial and ongoing work" must have begun within five years of the effective date of the appropriation. As long as substantial and ongoing work continues, the capital appropriation will not lapse. Previous to this change, capital appropriations were effective for the "life" of the capital project. This provided excessive ambiguity and allowed agencies to retain funding for capital projects with little, or no, legislative oversight.

Legislative Fiscal Analyst Recommendation: Section 7 is for a grant to a named recipient rather than a capital project so it should be removed from this section.

(b) The appropriation made in sec. 9(1) of this Act is for the capitalization of a fund and does not lapse.

(c) A grant awarded in this Act to a named recipient under AS 37.05.316 is for a capital project and lapses under AS 37.05.316 unless designated for a specific fiscal year.

Legislative Fiscal Analyst Comment: This provision ensures that grants to named recipients are treated as capital projects. Prior to including this provision, the Department of Commerce, Community, and Economic Development included grants in their operating budget, thereby distorting the amount spent on day-to-day operations.

Sec. 13. Sections 4 and 11 of this Act takes effect June 30, 2020.

Section 13 identifies that sections 4 and 11 take effect prior to the end of FY20. All reappropriations of prior capital project funding take effect so as to avoid the potential lapse of funding.

Sec. 14. Except as provided in sec. 13 of this Act, this Act takes effect July 1, 2020.

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Agency Narratives and Funding Summaries

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Brief Summary of FY21 Agency Budget Changes

The following is a quick listing of FY21 budget changes by agency. Further details and analysis are provided for each agency following this section.

(Reflects the change from FY20 Management Plan to FY21 Governor)

DOA (\$3,241.6 UGF / -\$2,715.4 Total)

1. Transfer Alaska Land Mobile Radio (ALMR) from DOA to DMVA
2. Transfer State of Alaska Telecommunications (SATS) from DOA to DMVA
3. Transfer Violent Crimes Compensation Board from DOA to DPS
4. \$1.57 million - Office of Public Advocacy 10 PFTs, Public Guardians and travel

DCCED (-\$606.2 UGF / -\$17,132.0 Total)

1. Power Cost Equalization (PCE) fully funded with PCE Endowment (reduced \$2.5 million per formula)
2. (\$546.6 UGF) Eliminate Economic Development funding and replace it with the new Alaska Development Team Program
3. \$2.8 million DGF Multi-year appropriation using balance of Capstone Avionics Revolving Loan Fund for a new Alaska Development Team Program
4. \$125.0 - Transfer International Trade Support from Governor's Office to DCCED

DOC (\$51,997.2 UGF / \$24,976.3 Total)

1. \$17.8 million UGF for Out-of-State Contractual services
2. \$26.8 million UGF related to increased population anticipated as the result of HB 49
3. (\$15.4 million) and (6 PFTs) related to the decision not to reopen Palmer Correctional Center
4. \$5.8 million UGF in Physical Health Care to replace reduced Restorative Justice Account funds
5. (\$5.2 million) UGF is replaced with Recidivism Reduction funds
6. \$415.7 UGF and 4 PFTs to photocopy inmate mail

DEED (-\$19,594.5 UGF / -\$27,073.9 Total)

1. \$19.1 million UGF - Formula driven increase to the Public Education Fund over FY20
2. (\$30 million UGF) - Remove One-time FY20 Additional formula funding
3. \$900.2 UGF - Add Residential Programs for North Slope Borough and Lower Yukon
4. (\$232.9) UGF - Eliminate video conference system funding in Online with Libraries program
5. (\$474.7) - Transfer Parents as Teachers program funding to DHSS
6. (\$4.6 million) PSTF/ \$4.6 million UGF - Fund source change -Mt. Edgecumbe High School (MEHS)
7. \$650.0 GFPR - Add receipt authority to pay for MEHS Aquatic Center operations using fees
8. (\$5 million) UGF - Remove one-time multi-year FY19-FY20 Pre-K grants

DEC (-\$316.6 UGF / \$37.8 Total)

1. \$375.0 Oil/Hzd Fund - Adding personal services authority for Emergency Responses.
2. (\$454.6) UGF / \$454.6 Vessel Com - Replace UGF to regulate wastewater in port communities
3. (\$179.6) UGF - Eliminate testing and regulation of dairies

DFG (-\$1,191.8 UGF / -\$817.5 Total)

1. (\$1,030.7) UGF and (1) PFT, (1) PPT reduction to Commercial Fisheries assessments
2. (\$250.0) UGF reduction to Sport Fish Division related to license modernization

Governor (-\$204.4 UGF / -\$354.4 Total)

1. (\$125.0) - Transfer International Trade Support from Governor's Office to DCCED

DHSS (\$133,747.0 UGF / \$312,059.4 Total)

1. \$128.3 million - Medicaid (includes \$8.3 million for Adult Dental)
 - a. FY20 Supplemental for \$120 million likely
2. \$7,471.2 to Public Assistance to reverse reduction associated with Medicaid MOE methodology
 - a. FY20 Supplemental for a similar amount probable
3. \$5 million to Pioneer Homes/Payment Assistance
 - a. FY20 Supplemental for \$5 million likely
4. \$11.4 million fund change from UGF to MET (DGF) in Behavioral Health Treatment & Recovery
5. \$2.5 million UGF for API Language appropriation contingent upon availability of all 80 beds
 - a. FY20 Supplemental of \$6 million likely

DLWD (-\$2,240.6 UGF / -\$1,052.8 Total)

1. \$1.4 million fund change from UGF to GF/PR in Labor Standards and Safety/Wage & Hour Admin
2. (\$776.6) UGF and (9) PFTs decrement associated with efficiencies

Law (\$1,246.8 UGF / \$283.8 Total)

1. \$1.6 million UGF to replace PCE funds provided under HB 49 for Criminal Justice Litigation
2. \$500.0 UGF and 3 PFTs under Criminal Appeals/Special Litigation for rural prosecutions
3. \$300.0 Statutory Designated Program Receipt authority to fully reopen Utqiagvik DA's office

DMVA (-\$580.3 UGF / -\$2,347.6 Total)

1. Transfer Alaska Land Mobile Radio (ALMR) to DMVA from DOA
2. Transfer State of Alaska Telecommunications (SATS) to DMVA from DOA
3. (\$400.0) UGF Match - Reduce federal matching authority because of efficiencies

DNR (-\$4,226.0 UGF / -\$3,683.0 Total)

1. \$94.5 million UGF Fire Suppression supplemental likely – no change in FY21 funding level
2. \$595.0 UGF - Project Management and Permitting to provide federal review and coordination

DPS (\$12,796.3 UGF / \$12,925.0 Total)

1. \$10.3 million UGF and 36 PFTs to increase capacity within the Alaska State Troopers
2. Transfer Violent Crimes Compensation Board to DPS from DOA
3. \$872.8 UGF and 7 PFTs for a new Anchorage Emergency Communications Center
4. \$1 million UGF for Laboratory Services staffing needs

DOR (\$1,868.1 UGF / -\$25,561.1 Total)

1. \$2.2 million UGF for Tax Management System maintenance contract
2. (\$5 million) - ARMB management fee savings
3. \$978.2 APFC Receipts - APFC Staff Retention and new Real Estate Manager position
4. (\$1.1 million) APFC Receipts - APFC Operational Efficiencies
5. (\$21.1 million) APFC Receipts - APFC Investment Management Fee Savings

DOTPF (\$3,950.2 UGF / \$6,072.8 Total)

1. \$4.7 million (\$3.3 million UGF/ \$1.4 million DGF) - Increase AMHS weeks of service from 254.3 to 263.1 (8.8 weeks)

UA (-\$25,000.0 UGF / -\$25,015.0 Total)

1. (\$9.54 million) UGF - University of Alaska Anchorage reduction
2. (\$13.75 million) UGF - University of Alaska Fairbanks reduction
3. (\$1.75 million) UGF - Statewide Services

Judiciary (\$3,158.1 UGF / \$1,959.6 Total)

1. \$250.0 UGF to support targeted and essential operations on Friday afternoons
2. \$364.5 UGF to address Court of Appeals backlog of criminal appeals
3. \$220.5 UGF for Court System maintenance and operating costs in 40 court system buildings

Legislature (\$448.2 UGF / \$231.4 Total)

1. \$231.4 UGF - Legislative Audit 40-hour work week for supervisory positions

Statewide Items

1. Permanent Fund - \$2 billion direct from ERA to PFD Fund for full statutory dividends
 - a. \$3.1 billion POMV amount reduced by the \$2 billion to ERA for PFDs, leaving \$1.1 billion to GF
2. Debt Service
 - a. Excludes capital project debt reimbursement
 - b. Maintain 50% School Debt Reimbursement - \$50.1 million (\$15.8 million School Fund/ \$34.3 million UGF)
 - c. Excludes Debt Service payments for a Oil & Gas Tax Credit Bonds
3. Retirement
 - a. Overall increase of \$37.6 million UGF over FY20
4. Fund Caps
 - a. Disaster Relief Fund - deposits \$9 million Federal and no UGF deposit
 - b. Community Assistance Fund - deposits \$28.7 million PCE Endowment funds for FY20 and there is no FY20 Supplemental deposit
 - c. Excludes funding for capitalizing the Oil & Gas Tax Credit Fund – essentially no Tax Credit funding in the budget
 - d. REAA Fund - deposits \$18.4 million UGF (reduced commensurately with 50% School Debt Reimbursement)

Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

**2020 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

Numbers and Language

Agency: Department of Administration

Appropriation	[1] 20 CC	[2] 20 Auth	[3] 20MgtP1n	[4] 21Adj Base	[5] 21Gov	[5] - [3] 20MgtP1n to 21Gov	[5] - [4] 21Adj Bas to 21Gov		
Centralized Admin. Services	89,894.4	90,277.2	90,277.2	89,860.4	90,234.1	-43.1	373.7		0.4 %
Shared Services of Alaska	79,204.6	79,201.5	79,201.5	79,289.0	77,469.0	-1,732.5	-1,820.0	-2.2 %	-2.3 %
Office of Information Tech	74,635.0	74,635.0	74,635.0	74,872.2	71,803.9	-2,831.1	-3,068.3	-3.8 %	-4.1 %
Admin State Facilities Rent	506.2	506.2	506.2	506.2	506.2	0.0	0.0		
Public Communications Services	3,596.1	879.5	879.5	879.5	879.5	0.0	0.0		
Risk Management	40,779.5	40,779.5	40,779.5	40,784.7	40,784.7	5.2	0.0		
Legal & Advocacy Services	55,158.8	56,482.7	56,482.7	56,536.0	58,280.5	1,797.8	1,744.5	3.2 %	3.1 %
Alaska Public Offices Comm	949.3	949.3	949.3	949.3	949.3	0.0	0.0		
Motor Vehicles	17,682.1	17,716.5	17,716.5	17,804.8	17,804.8	88.3	0.0	0.5 %	
Agency Total	362,406.0	361,427.4	361,427.4	361,482.1	358,712.0	-2,715.4	-2,770.1	-0.8 %	-0.8 %
Funding Summary									
Unrestricted General (UGF)	66,270.9	63,286.4	63,286.4	62,887.5	66,528.0	3,241.6	3,640.5	5.1 %	5.8 %
Designated General (DGF)	25,938.1	27,966.3	27,966.3	28,071.0	26,075.4	-1,890.9	-1,995.6	-6.8 %	-7.1 %
Other State Funds (Other)	269,097.2	269,075.2	269,075.2	269,418.9	265,003.9	-4,071.3	-4,415.0	-1.5 %	-1.6 %
Federal Receipts (Fed)	1,099.8	1,099.5	1,099.5	1,104.7	1,104.7	5.2	0.0	0.5 %	

Department of Administration

Summary of Budget Changes

(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Various	Bar Dues for Licensed Alaska Bar Attorneys	\$116.0 Gen Fund (UGF)	<p>The Governor's budget requests increases totaling \$116.0 UGF across five allocations to pay Alaska State Bar Association dues on behalf of employees who are licensed Alaska attorneys. This is intended to help fill and retain attorneys. The cost is \$660 per year per employee and would cover 175 positions annually.</p> <p>The increases are:</p> <ul style="list-style-type: none"> -Administrative Hearings: \$1.7 -Office of the Commissioner: \$6.3 -Labor Relations: \$3.5 -Office of Public Advocacy: \$38.1 -Public Defender Agency: \$66.4 <p>Fiscal Analyst Comment: The Department of Law plans to pay bar dues for its attorneys in FY20 as a pilot program utilizing existing funding. The program may continue if funding is available, but the Governor's budget does not request continuing funding for this item. The legislature should consider making this practice consistent across State agencies.</p>
2	Various	Structure Change: Transfers of Four Components to Other Agencies		<p>The Governor's budget proposes transferring four components from the Department of Administration to other departments. The components are:</p> <ol style="list-style-type: none"> 1. Alaska Oil & Gas Conservation Commission to the Department of Commerce, Community and Economic Development (due to Administrative Order #307) 2. Alaska Land Mobile Radio to the Department of Military and Veterans Affairs 3. State of Alaska Telecommunications System to the Department of Military and Veterans Affairs 4. Violent Crimes Compensation Board to the Department of Public Safety <p>Fiscal Analyst Comment: Legislative budget subcommittees should coordinate action on these items to avoid unintentionally duplicating or deleting one of these components.</p>
3	Centralized Administrative Services / Finance	Delete Human Resource Technician (02-4093) and Funding to Realize Consolidation Efficiencies	(\$111.1) Gen Fund (UGF) (1) PFT Position	<p>This reduction realizes efficiencies due to automation of programs and consolidation of human resources services.</p>

Department of Administration
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Centralized Administrative Services / Personnel	Automated Performance Evaluations and Onboard Licensing	\$275.0 I/A Rcpts (Other)	This increment funds anticipated licensing costs for converting the current manual performance evaluation and onboarding processes to an automated process. Fiscal Analyst Comment: The interagency receipt increase will be absorbed by all agencies.
5	Centralized Administrative Services / Personnel	Classification Section Revitalization Plan	\$220.2 I/A Rcpts (Other) 2 PFT Positions	This increment adds two full-time Human Resource Consultants to process high priority classification requests from agencies. This effort is intended to reduce the backlog of requests. Fiscal Analyst Comment: In FY18, three Human Resource Consultant positions and associated funding were deleted from this allocation. The deleted funding was UGF but this increment is funded with interagency receipts, so the costs will be absorbed by other agencies.
6	Centralized Administrative Services / Personnel	Delete Vacant Positions and Authority to Realize Consolidation Efficiencies	(\$660.0) I/A Rcpts (Other) (5) PFT Positions (1) PPT Position	The Governor's budget deletes five vacant full-time positions and one vacant part-time position as a result of realized efficiencies from the consolidation of human resources services. These positions are all Human Resources Technicians and Office Assistants. Fiscal Analyst Comment: The interagency funding from this reduction will reduce costs to all State agencies.
7	Office of Information Technology / Alaska Division of Information Technology	Delete Long-Term Vacant Network Positions and Realize Contract Savings	(\$3,068.3) Info Svc (Other) (11) PFT Positions	This reduction is due to two factors: 1. Contract savings due to negotiating enterprise-wide software licenses. 2. Deleting 11 vacant positions to consolidate the division's staff.
8	Legal and Advocacy Services / Office of Public Advocacy	Add Positions and UGF Funding for Social Security Administration Compliance	\$1,235.0 Gen Fund (UGF) 10 PFT Positions	The federal Social Security Administration (SSA) recently banned for-profit payee service businesses that assist beneficiaries who have no one else to act as a payee. Without a private option, the Office of Public Advocacy is obligated to ensure that wards of the State continue to receive benefits. Ten new positions are required to take on this new duty.
9	Legal and Advocacy Services / Office of Public Advocacy	Increase Funding to Fill and Retain Public Guardian Positions	\$250.0 Gen Fund (UGF)	This increment replaces lost interagency funding with general funds. The additional funding will ensure that the division can fill Public Guardian positions to assist with unsustainable caseloads on current employees.

Department of Administration
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Legal and Advocacy Services / Office of Public Advocacy	Increase Funding for Office of Public Advocacy Travel	\$120.0 Gen Fund (UGF)	<p>The division runs the risk of being held in contempt of court and being fined if it fails to meet statutory obligations to meet with wards and Guardian Ad Litem children.</p> <p>Fiscal Analyst Comment: In the FY20 budget, the Governor vetoed \$91.9 of travel funding in this component. In the FY20 management plan, the Governor transferred \$35.5 from services to the travel line to partially offset the veto.</p>
11	Legal and Advocacy Services / Various	FY21 Fund Changes from PCE to UGF Associated with Ch. 4, FSSLA 19 (HB 49)	Net Zero Change \$1,995.6 Gen Fund (UGF) (\$1,995.6) PCE Endow (DGF)	<p>During the 2019 session, the legislature elected to fund the first year (FY20) of new legislation primarily with Power Cost Equalization Endowment funds. To more closely align with the original UGF funding intent of all impacted legislation, the Governor's FY21 request includes fund changes to replace continued funding with UGF.</p> <p>In DOA, the fund changes are \$694.7 in the Office of Public Advocacy and \$1,300.9 in the Public Defender Agency.</p>
12	Legal and Advocacy Services / Public Defender Agency	Increase Funding for Public Defender Agency Travel	\$35.0 Gen Fund (UGF)	<p>The Governor's budget adds funding for Public Defender Agency (PDA) travel to address workload throughout the state, avoid contracting out cases at considerable expense, and minimize delays in case disposition. PDA attorneys need to travel to jurisdictions throughout the state to meet its obligation for constitutionally mandated services.</p> <p>Fiscal Analyst Comment: In the FY20 budget, the Governor vetoed \$180.1 of travel funding in this allocation. In the FY20 Management Plan the Governor transferred \$242.7 to the travel line item. This increment would increase travel in FY21 by \$97.6 over the pre-veto level.</p>
13	Motor Vehicles / Motor Vehicles	Real ID Funding		<p>Fiscal Analyst Comment: In 2017, the legislature passed HB 16, which authorized the implementation of REAL ID. The federal government announced that REAL IDs will be necessary for air travel in the fall of 2020. The fiscal notes to HB 16 provided a \$1.5 million capital project in FY18 to cover the capital costs of implementing REAL ID. The operating costs were expected to be covered by a \$528.7 increment in the FY19 operating budget.</p>

Department of Administration
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
13	Motor Vehicles / Motor Vehicles	Real ID Funding		<p>(continued)</p> <p>However, the Governor's budget request did not ask for this operating funding in either the FY19 or FY20 budgets. The legislature also did not add it. The Governor proposed a travel reduction of \$37.8 in FY20 to DMV, which the legislature accepted.</p> <p>REAL IDs have a higher fee than other drivers licenses, which would more than offset the cost of implementation. In FY19, the DMV collected \$37.2 million more than it spent. There is sufficient program receipt revenue available for REAL ID implementation if the department receives sufficient receipt authority to expend the receipts collected.</p>

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**2020 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

Numbers and Language

Agency: Department of Commerce, Community and Economic Development

Appropriation	[1] 20 CC	[2] 20 Auth	[3] 20MgtP1n	[4] 21Adj Base	[5] 21Gov	[5] - [3] 20MgtP1n to 21Gov	[5] - [4] 21Adj Bas to 21Gov
Executive Administration	6,064.4	6,064.4	6,064.4	6,090.2	5,663.2	-401.2 -6.6 %	-427.0 -7.0 %
Banking and Securities	4,025.7	4,025.7	4,025.7	4,052.8	4,052.8	27.1 0.7 %	0.0
Community and Regional Affairs	11,269.3	11,269.3	11,269.3	11,325.5	11,176.7	-92.6 -0.8 %	-148.8 -1.3 %
Revenue Sharing	14,128.2	14,128.2	14,128.2	14,128.2	14,128.2	0.0	0.0
Corp, Bus & Prof Licensing	14,572.2	14,577.5	14,577.5	14,652.3	14,652.3	74.8 0.5 %	0.0
Economic Development	546.6	546.6	546.6	546.6	0.0	-546.6 -100.0 %	-546.6 -100.0 %
Investments	5,408.5	5,408.5	5,408.5	5,441.4	5,303.9	-104.6 -1.9 %	-137.5 -2.5 %
Insurance Operations	7,864.7	7,864.7	7,864.7	7,903.6	7,832.9	-31.8 -0.4 %	-70.7 -0.9 %
AK Oil & Gas Conservation Comm	7,756.8	7,756.8	7,756.8	7,762.3	7,762.3	5.5 0.1 %	0.0
Alcohol and Marijuana Control	3,868.7	3,868.7	3,868.7	3,889.0	3,865.3	-3.4 -0.1 %	-23.7 -0.6 %
AK Gasline Development Corp	9,685.6	9,685.6	9,685.6	9,685.6	3,431.6	-6,254.0 -64.6 %	-6,254.0 -64.6 %
Alaska Energy Authority	42,004.0	42,004.0	42,004.0	42,004.0	38,354.0	-3,650.0 -8.7 %	-3,650.0 -8.7 %
AIDEA	15,589.0	15,589.0	15,589.0	15,589.0	15,194.0	-395.0 -2.5 %	-395.0 -2.5 %
Alaska Seafood Marketing Inst	26,367.8	26,158.2	26,158.2	20,360.3	20,360.3	-5,797.9 -22.2 %	0.0
Regulatory Commission of AK	9,289.5	9,289.5	9,289.5	9,327.2	9,327.2	37.7 0.4 %	0.0
DCCED State Facilities Rent	1,359.4	1,359.4	1,359.4	1,359.4	1,359.4	0.0	0.0
Agency Total	179,800.4	179,596.1	179,596.1	174,117.4	162,464.1	-17,132.0 -9.5 %	-11,653.3 -6.7 %
Funding Summary							
Unrestricted General (UGF)	8,522.5	8,522.5	8,522.5	8,566.1	7,916.3	-606.2 -7.1 %	-649.8 -7.6 %
Designated General (DGF)	87,825.4	87,830.7	87,830.7	88,066.2	84,787.4	-3,043.3 -3.5 %	-3,278.8 -3.7 %
Other State Funds (Other)	56,345.7	56,136.1	56,136.1	56,161.6	48,736.9	-7,399.2 -13.2 %	-7,424.7 -13.2 %
Federal Receipts (Fed)	27,106.8	27,106.8	27,106.8	21,323.5	21,023.5	-6,083.3 -22.4 %	-300.0 -1.4 %

Department of Commerce, Community and Economic Development
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Executive Administration / Commissioner's Office	Transfer International Trade Support from the Office of the Governor for Better Alignment	\$125.0 Gen Fund (UGF)	In FY20, funding associated with the Office of International Trade supported a Development Specialist II position (PCN 01-023X). This position has recently been vacated and the Executive Branch is currently assessing whether the workload justifies a full position, or whether other existing positions could be dedicated to supporting the Office of International Trade. In FY21, the Department of Commerce, Community & Economic Development will be working with Select USA to enhance foreign direct investment (FDI) in Alaska, as well as continuing to host consulates and dignitaries visiting Alaska.
2	Community and Regional Affairs / Community and Regional Affairs	Eliminate Kawerak Inc. Named Recipient Grant Due to Direct Federal Funding with No Match Requirement	(\$200.0) Gen Fund (UGF)	<p>The federal Department of Transportation Essential Air Service (EAS) program ensures small communities are served by certificated air carriers with subsidies, if necessary. Previously, Diomedé was the only community in the Essential Air Service (EAS) Air Transportation to Noneligible Places (ATNEP) program. ATNEP did not provide local air carriers a federal subsidy and required a 50% local match. Since FY13, this match has been provided by the State of Alaska as a named recipient grant to Kawerak, Inc. to ensure regular passenger air service to Little Diomedé continued.</p> <p>Due to recent reauthorization of the FAA Reauthorization Act of 2018, Diomedé is now included as a subsidized community in the federal program. As a "full EAS community," a local match will no longer be required after the current agreement ends June 30, 2020.</p>
3	Economic Development / Economic Development	Eliminate Economic Development Funding to be Replaced by Alaska Development Team Appropriation	(\$546.6) Gen Fund (UGF)	<p>Eliminate unrestricted general funds for the Economic Development allocation and replace it with an appropriation for the Alaska Development Team (ADT) three-year pilot program from the sunseting Alaska Capstone Avionics Fund. During the pilot, ADT will work to establish a 501(c)(3) to outsource economic development functions to the private sector similar to the tourism marketing model.</p> <p>Fiscal Analyst Comment: See Item 4 for additional information on the Capstone Avionics Revolving Loan Fund.</p>

Department of Commerce, Community and Economic Development
Summary of Budget Changes
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Economic Development / Economic Development	Alaska Development Team Pilot Program (FY20-FY23)	\$2,843.6 Capstone (DGF) MultiYr	<p>The Alaska Development Team (ADT) will be responsible for diversifying Alaska's economy through growing Alaska's existing industries and attracting new industries and investment to the State of Alaska. Over the course of the four-year pilot, the ADT, under the general direction of the Commissioner of the Department of Commerce, Community, and Economic Development, and the ADT advisory board, will work to establish a 501(c)(3) and by FY24, the economic development functions will be outsourced to the private sector. The general fund appropriation and unbudgeted reimbursable service agreements with the Office of the Governor will be replaced by a multi-year appropriation (FY20-FY23) from the Alaska Capstone Avionics fund. Two budget proposals implement this strategy: a decrement of the general fund base funding in the amount of \$546.6 and a multi-year appropriation for four years (FY20-FY23) of \$2,843.6.</p> <p>Fiscal Analyst Comment: The Capstone Avionics Revolving Loan fund was established by the legislature in 2008 (AS 44.33.655) and is scheduled to sunset on July 1, 2020. As of March 2, 2018, the balance of the revolving loan fund was approximately \$5,100.0 and had five outstanding loans totaling \$165.3. Updated details on the revolving loan fund have been requested from DCCED.</p> <p>The Governor's budget requests to use \$4,790.2 directly from the revolving loan fund for the following purposes:</p> <ol style="list-style-type: none"> 1) \$2,843.6 supplemental operating appropriation to the Department of Commerce, Community & Economic Development's Alaska Development Team. 2) \$1,946.6 supplemental capital appropriation to the Department of Transportation and Public Facilities for federal-aid aviation match. <p>While the legislature may appropriate a designated fund source for any purpose, Legislative Finance Division recommends lapsing the unexpended and unobligated balance to the general fund and appropriating unrestricted general funds to new projects. This preserves the legislature's option of reauthorizing the</p>

Department of Commerce, Community and Economic Development
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Economic Development / Economic Development	Alaska Development Team Pilot Program (FY20-FY23)	\$2,843.6 Capstone (DGF) MultiYr	(continued) revolving loan fund, as well as removes the potential for over-appropriation of the revolving loan fund. In addition, appropriating a one-time fund source may create a potential hole that will need to be addressed in the following fiscal year.
5	Investments / Investments	Eliminate Alaska Capstone Avionics Revolving Loan Fund Due to Sunset	(\$137.5) Capstone (DGF)	Eliminate Alaska Capstone Avionics Revolving Loan fund authorization as the program is scheduled to sunset effective July 1, 2020. Authorization within the Investments allocation was used for administration and management of the loans. Fiscal Analyst Comment: See Item 4 for additional information on the Capstone Avionics Revolving Loan Fund.
6	Alaska Oil and Gas Conservation Commission / Alaska Oil and Gas Conservation Commission	Transfer AOGCC from the Department of Administration		Per Administrative Order 307, transfer the Alaska Oil and Gas Conservation Commission from the Department of Administration to the Department of Commerce, Community, and Economic Development. This structure change transfers \$7,756.8 in total authority (\$120.0 Federal Receipts / \$150.0 Statutory Designated Program Receipts / \$7,486.8 AOGCC Receipts) and 33 PFT positions and is reflected in the FY20 Management Plan.
7	Alaska Gasline Development Corporation / Alaska Gasline Development Corporation	Reduce Alaska Gasline Development Corporation Operational Expenditures	(\$6,254.0) AGDC-LNG (Other) (10) PFT Positions (1) TMP Position	This reduction includes the deletion of 10 full-time and 1 temporary positions, as well as reduction in staff overhead expenditures by eliminating office space, reducing contracts, travel, and commodity purchases. The Alaska Gasline Development Corporation's (AGDC's) statutory mission will continue to be carried out at the reduced spending level with the remaining resources. The remaining authority in AGDC's budget totals \$3,431.6 AGDC-LNG and 15 full-time positions. Fiscal Analyst Comment: The Governor's request also includes a deposit of Statutory Designated Program Receipts, not to exceed \$20 million, received by AGDC into the Alaska Liquefied Natural Gas Project fund.
8	Alaska Energy Authority / Alaska Energy Authority Power Cost Equalization	Power Cost Equalization and Endowment Funding for FY21	(\$2,500.0) PCE Endow (DGF)	The Alaska Energy Authority (AEA) is reducing grant authority by \$2.5 million, from \$32.4 million to \$29.9 million, based on historical averages and similar trends in fuel costs. Power Cost Equalization (PCE) grant disbursements were \$31.6 million in FY16; \$26.4

Department of Commerce, Community and Economic Development
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
8	Alaska Energy Authority / Alaska Energy Authority Power Cost Equalization	Power Cost Equalization and Endowment Funding for FY21	(\$2,500.0) PCE Endow (DGF)	<p>(continued)</p> <p>million in FY17; \$26.2 million in FY18; and estimated to be \$28.7 million in FY19. PCE disbursements are expected to remain relatively stable in FY21. Program costs are impacted by the "PCE floor" calculated by the Regulatory Commission of Alaska (RCA). In FY18, because of increases in the cost of power in urban Alaska, the PCE floor was raised, lowering the overall cost of the program. AEA does not expect the program payments to exceed \$29.5 million in FY21. However, changing factors can cause this estimate to be higher or lower than actual costs.</p> <p>The PCE program provides economic assistance to communities and residents in rural areas, where the cost of electricity can be three to five times higher than for customers in more urban areas of the state. The program was created to equalize power cost per kilowatt-hour (kWh) statewide at a cost close to or equal to the mean of the cost per kWh in Anchorage, Fairbanks, and Juneau.</p> <p>Under Alaska Statutes 42.45.100-170, the RCA determines if a utility is eligible to participate in the program and calculates the amount of PCE per kWh payable to the utility. AEA determines eligibility of community facilities and residential customers and authorizes reimbursement to the electric utility for the PCE credits extended to customers.</p>

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Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

**2020 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

Numbers and Language

Agency: Department of Corrections

<u>Appropriation</u>	<u>[1] 20 CC</u>	<u>[2] 20 Auth</u>	<u>[3] 20MgtP1n</u>	<u>[4] 21Adj Base</u>	<u>[5] 21Gov</u>	<u>[5] - [3] 20MgtP1n to 21Gov</u>	<u>[5] - [4] 21Adj Bas to 21Gov</u>		
Facility Capital Improvement	1,550.7	1,550.7	1,550.7	1,558.5	1,558.5	7.8	0.5 %	0.0	
Administration and Support	9,307.0	9,482.0	9,482.0	9,375.3	9,962.1	480.1	5.1 %	586.8	6.3 %
Population Management	256,554.3	277,464.9	277,464.9	259,716.7	293,206.5	15,741.6	5.7 %	33,489.8	12.9 %
Health and Rehab Services	72,486.9	76,532.2	76,532.2	76,958.3	85,710.1	9,177.9	12.0 %	8,751.8	11.4 %
Offender Habilitation	1,569.1	1,569.1	1,569.1	1,576.4	1,576.4	7.3	0.5 %	0.0	
Recidivism Reduction Grants	501.3	1,501.3	1,501.3	501.3	1,501.3	0.0		1,000.0	199.5 %
24 Hr. Institutional Utilities	11,224.2	11,662.6	11,662.6	11,662.6	11,224.2	-438.4	-3.8 %	-438.4	-3.8 %
Agency Total	353,193.5	379,762.8	379,762.8	361,349.1	404,739.1	24,976.3	6.6 %	43,390.0	12.0 %
Funding Summary									
Unrestricted General (UGF)	299,636.7	299,636.7	299,636.7	299,709.2	351,633.9	51,997.2	17.4 %	51,924.7	17.3 %
Designated General (DGF)	9,652.7	35,222.0	35,222.0	17,440.9	13,915.7	-21,306.3	-60.5 %	-3,525.2	-20.2 %
Other State Funds (Other)	32,074.4	32,074.4	32,074.4	32,179.3	25,944.8	-6,129.6	-19.1 %	-6,234.5	-19.4 %
Federal Receipts (Fed)	11,829.7	12,829.7	12,829.7	12,019.7	13,244.7	415.0	3.2 %	1,225.0	10.2 %

Department of Corrections
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Various	Eliminate a Portion of the Funding for Palmer Correctional Center Due to Policy Decision Not to Reopen the Facility	Total: (\$15,367.5) (\$14,137.4) Gen Fund (UGF) (\$1,230.1) PCE Endow (DGF) (110) PFT Positions	<p>Per HB 49 fiscal notes, the department would require a total of \$16,561.9 in funding to operate the Palmer Correctional Center in FY21, assuming the facility was reopened in FY20. This includes costs of operating and staffing the facility, utilities, and medical staff located at the facility.</p> <p>This does not include physical health care costs that are calculated based on an average daily rate per inmate using the department's HB 49 fiscal note projections for the number of new inmates that would enter the state system in FY20 and FY21. The FY20 physical health care costs based on HB 49 inmate count projections were funded at \$3,345.0. For FY21, the governor followed the HB 49 fiscal note guidance with a \$8,722.4 UGF increment (see Item 10).</p> <p>Due to the decision not to reopen the Palmer facility in FY20, the department has requested the following FY21 reductions:</p> <p>Population Management / Palmer Correctional Center: (\$14,137.4) UGF and (104) PFT Positions This represents the total HB 49 fiscal note FY21 funding amount for the operation of the facility. FY20 funding was originally appropriated as Power Cost Equalization Endowment funds in a language section, which must be reversed in the FY21 adjusted base. The Governor's FY21 request included the second year funding as a UGF increment and then simultaneously deleted the funding, opting instead for additional funding in Out-of-State Contractual (see Item 7).</p> <p>Health and Rehabilitation Services / Physical Health Care: (\$791.7) PCE Endow (DGF) and (6) PFT Positions This reduction deletes only six positions out of the twelve that were authorized in FY20 to provide medical staff at the Palmer Correctional Center. The remaining six PFT positions are retained in the FY21 budget under Physical Health Care.</p> <p>24 Hour Institutional Utilities / 24 Hour Institutional Utilities: (\$438.4) PCE Endow (DGF)</p>

Department of Corrections
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Various	Eliminate a Portion of the Funding for Palmer Correctional Center Due to Policy Decision Not to Reopen the Facility	Total: (\$15,367.5) (\$14,137.4) Gen Fund (UGF) (\$1,230.1) PCE Endow (DGF) (110) PFT Positions	<p>(continued)</p> <p>HB 49 fiscal note funding included \$438.4 in FY20 for half of a year of utilities at the Palmer Correctional Center, and increased that funding amount to \$876.8 in FY21 when the facility was anticipated to be fully operational for an entire fiscal year. The Governor's FY21 request did not include the second year fiscal note funding, and instead decremented the FY20 amounts, for a net reduction of \$438.4 PCE Endow (DGF).</p> <p>Fiscal Analyst Comment: On October 15, 2019 the Commissioner of the Department of Corrections announced a decision not to reopen the Palmer Correctional Center, and on October 22, 2019 the department issued a Request for Proposals (RFP) to house up to 500 prisoners in private facilities outside of Alaska. The department does not have sufficient funds in the Out-of-State Contractual allocation to fund the RFP in the FY20 budget, and may require a supplemental appropriation in order to fund a contract in FY20.</p> <p>AS 37.07.080(g) addresses situations where the legislature appropriates funds for a specific purpose and the administration later determines that it cannot be executed.</p> <p>Fiscal Analyst Comment: The legislature provided an increment of \$3,345.3 in FY20 for physical health care costs based on the department's HB 49 fiscal note projection for additional inmates in FY20.</p> <p>This funding was calculated using a marginal daily rate of \$18.98 for inmates that would be housed within existing facilities, and a full daily rate of \$36.86 for inmates that would exceed the current capacity and be housed at the Palmer Correctional Center. Due to the decision not to reopen the Palmer facility, the basis for this calculation is no longer valid, and should be revised to reflect the marginal daily rate as additional inmates are currently being housed in existing facilities. This could result in an FY20 supplemental reduction.</p>

Department of Corrections
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Various	Eliminate a Portion of the Funding for Palmer Correctional Center Due to Policy Decision Not to Reopen the Facility	Total: (\$15,367.5) (\$14,137.4) Gen Fund (UGF) (\$1,230.1) PCE Endow (DGF) (110) PFT Positions	(continued) Please see related Item 10 regarding the Governor's proposed FY21 increment of \$8,722.4 UGF for HB 49 physical health care costs. This amount is also based on fiscal note calculations that assumed the reopening of the Palmer facility and used the full daily rate of \$36.86 per inmate. This calculation should also be revised to reflect the Governor's FY21 plan for housing inmates that exceed the system's capacity.
2	Various	Replace Funding Source to Align with Anticipated Revenue	Net Zero Change (\$5,200.0) Gen Fund (UGF) \$5,200.0 RedvsmFund (DGF)	The department anticipates an increased availability of Recidivism Reduction funds in FY21, which are funds generated through taxation on the marijuana industry. The FY21 proposal includes increased Recidivism Reduction fund authority with corresponding general fund reductions in the following appropriations and allocations for a net zero effect: Health and Rehabilitation Services: \$3,278.6 total Substance Abuse Treatment Program - \$1,103.6 Sex Offender Management Program - \$2,000.0 Domestic Violence Program - \$175.0 Offender Habilitation: \$1,420.1 total Education Programs - \$814.1 Vocational Education Programs - \$606.0 Recidivism Reduction Grants: \$501.3 total Recidivism Reduction Grants - \$501.3 Fiscal Analyst Comment: The Recidivism Reduction fund is a potentially unstable fund source, as revenue generated through taxation on the marijuana industry may fluctuate from year to year. This fund source may need to be replaced in future years depending on the availability of the funds.
3	Population Management / Institution Director's Office	Second Year Costs for Crimes; Sentencing; Drugs; Theft; Reports (Ch4 FSSLA2019 (HB49))	\$14,810.8 Gen Fund (UGF)	The HB 49 fiscal note for the Institution Director's Office identified costs related to the projected increase in the number of inmates that would need to be housed in state facilities, and excluded costs related to reopening the Palmer Correctional Center as well as physical health care for all additional inmates. The projection was calculated by using a lower marginal daily rate for inmates that could be absorbed within existing facilities, and a full daily rate for inmates that

Department of Corrections
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Population Management / Institution Director's Office	Second Year Costs for Crimes; Sentencing; Drugs; Theft; Reports (Ch4 FSSLA2019 (HB49))	\$14,810.8 Gen Fund (UGF)	(continued) would exceed the current capacity and were planned to be housed at the Palmer facility. Fiscal Analyst Comment: The calculation that supports this second year fiscal note funding should be revisited and potentially revised based on the Administration's decision not to reopen the Palmer Correctional Center. The HB 49 fiscal note projects that the state system would exceed total capacity in FY20, and that the department will see an additional increase of 699.8 inmates in FY21. It is unclear what capacity the department will have to house additional inmates in existing open facilities in FY21. If existing facilities are at capacity, this funding could also be used for other purposes within the Population Management appropriation, including Out-of-State Contractual services or expanding/reopening existing in-state facilities.
4	Population Management / Institution Director's Office	Add Positions and Authority for Copying Incoming Inmate Mail	\$415.7 Gen Fund (UGF) 4 PFT Positions	This expanded program function includes funding for four permanent full-time employees who would photocopy incoming inmate mail and provide inmates with the photocopies instead of originals in order to reduce the transmittal of contraband. The funding includes \$248.4 UGF in personal services for the four employees and \$167.3 UGF for services.
5	Population Management / Institution Director's Office	Add Authority for Additional Drug Dog to Combat Contraband	\$253.2 Gen Fund (UGF)	Added UGF authority will provide annual services related to a new drug dog that will be employed in an effort to reduce the trafficking of contraband in Alaska state prisons. The department currently has one drug dog in service, and this increment would allow the department to expand the existing program to add a second drug dog. Fiscal Analyst Comment: Please see Item 6 regarding added federal receipt authority for revenues generated under the Equitable Sharing Program. The addition of a second drug dog creates the potential for greater participation in the Equitable Sharing Program, which in turn may generate revenue through liquidated seized assets and asset forfeiture.

Department of Corrections
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Population Management / Institution Director's Office	Add Authority for Potential Equitable Sharing Program Revenue	\$150.0 Fed Rcpts (Fed)	<p>Under the Equitable Sharing Program, the state is eligible to receive funds that are generated through liquidated and seized assets resulting from state assistance with federal law enforcement.</p> <p>Fiscal Analyst Comment: On October 31, 2019, the Legislative Budget and Audit Committee approved an FY20 Revised Program Legislative (RPL) in the Institution Director's Office allocation for \$150.0 in federal receipts to allow the department to receive and expend funds through the Equitable Sharing Program. The legislature also approved an FY19 supplemental for the same amount and purpose. This increment would establish the federal receipt authority in the department's base budget, avoiding the need for an RPL or supplemental in the future.</p> <p>Please see Item 5 regarding the Governor's FY21 request for \$253.2 UGF for a second drug dog (in addition to one drug dog already in service within the department), which may increase participation in the Equitable Sharing Program, thereby generating additional federal revenues.</p>
7	Population Management / Out-of-State Contractual	Add Authority for Out-of-State Contract Housing	\$17,800.0 Gen Fund (UGF)	<p>The Governor's request includes funding to send an unspecified number of inmates to private prisons outside of Alaska.</p> <p>Fiscal Analyst Comment: The department issued a Request for Proposals (RFP) on October 22, 2019 to house up to 500 inmates at private prisons outside of Alaska, but the FY20 budget provides only \$300.0 UGF for existing Out-of-State Contractual services. The department could request an FY20 supplemental appropriation in order to fund a contract in FY20. It is unclear at the time of publication of this analysis whether a suitable vendor will be identified, what services would be included in the contract, or when these services could be initiated.</p>
8	Population Management / Electronic Monitoring	Eliminate Electronic Monitoring Appropriation and Restore as an Allocation Under Population Management Appropriation		<p>This structure change transfers \$3,310.9 in total funding and 18 PFT positions from the Electronic Monitoring appropriation into an Electronic Monitoring allocation within the Population Management appropriation.</p>

Department of Corrections
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
8	Population Management / Electronic Monitoring	Eliminate Electronic Monitoring Appropriation and Restore as an Allocation Under Population Management Appropriation		(continued) Fiscal Analyst Comment: This action reverses the legislature's FY20 decision to move Electronic Monitoring out of Population Management and establish it in a new appropriation to prevent the transfer of funds outside of the program.
9	Population Management / Community Residential Centers	Eliminate Community Residential Centers Appropriation and Restore as an Allocation under Population Management		This structure change transfers \$16,812.4 in total funding from the Community Residential Centers appropriation into a Community Residential Centers allocation within the Population Management appropriation. There are no positions associated with this program, as services are contracted through external vendors. Fiscal Analyst Comment: This action reverses the legislature's FY20 decision to move Community Residential Centers out of Population Management and establish it in a new appropriation to prevent the transfer of funds outside of the program.
10	Health and Rehabilitation Services / Physical Health Care	Second Year Costs for Crimes; Sentencing; Drugs; Theft; Reports (Ch4 FSSLA2019 (HB49))	\$8,722.4 Gen Fund (UGF)	The HB 49 fiscal note for second year costs related to physical health care is based on the department's projections for the number of new inmates that would enter state facilities in FY21. The fiscal note was calculated based on the assumption that the average daily cost of physical health care for inmates that exceed the current system capacity is \$36.86, and assumed that these inmates would be housed at the Palmer Correctional Center. Fiscal Analyst Comment: With the state correctional system nearing capacity, and the decision not to reopen the Palmer facility, it is unclear how much space will be available in state facilities in FY21, and whether these funds will be used to support inmates housed in a newly-opened or expanded state facility, or whether this funding would provide health care for inmates housed in private prisons outside of Alaska. The underlying calculations that support these costs should be revisited and potentially revised according to FY21 plans for housing additional inmates.

Department of Corrections
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
11	Health and Rehabilitation Services / Physical Health Care	Replace Funding Source to Align with Anticipated Revenue	Net Zero Change \$5,800.1 Gen Fund (UGF) (\$5,800.1) Rest Just (Other)	<p>The amount of Restorative Justice Account funds (formerly known as Permanent Fund Dividend Criminal funds) available for appropriation in FY21 is significantly less than the FY20 amount due to low inmate counts from the Department of Corrections in the 2018 calendar year.</p> <p>Fiscal Analyst Comment: The amount of Restorative Justice Account funds available for appropriation is outlined under AS 43.23.048. The calculation is based on Department of Corrections counts of incarcerated felons and misdemeanants, and Department of Public Safety counts of sentenced felons. These counts represent individuals who are ineligible for a Permanent Fund Dividend based on their criminal convictions, in accordance with AS 43.23.005(d). Those forfeited funds are then available in the subsequent budget cycle for appropriation to eligible agencies, including the Department of Corrections. The Restorative Justice Account fund has historically demonstrated significant volatility based on fluctuations in the number of ineligible Alaskans, and in the amount of the Permanent Fund Dividend that is distributed each year.</p>
12	Health and Rehabilitation Services / Reentry Unit	Establish a New Reentry Unit Program with Added Positions and Authority	\$746.1 Gen Fund (UGF) 6 PFT Positions	<p>This proposal adds four new PFT positions and transfers in two existing PFT positions (without funding) from other appropriations/allocations. All six positions will be funded with the \$746.1 UGF increment.</p> <p>Add: 2 PFT Program Coordinators 1 PFT Criminal Justice Tech II 1 PFT Project Manager</p> <p>Transfer In (without funding): 1 PFT Project Manager from the Office of the Commissioner 1 PFT Program Coordinator I from Goose Creek Correctional Center</p> <p>Fiscal Analyst Comment: It may be appropriate to delete the funding associated with the two transferred positions out of their original allocations since all six</p>

Department of Corrections
Summary of Budget Changes
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
12	Health and Rehabilitation Services / Reentry Unit	Establish a New Reentry Unit Program with Added Positions and Authority	\$746.1 Gen Fund (UGF) 6 PFT Positions	(continued) positions will be funded with a UGF increment in the Reentry Unit.

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Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

**2020 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

Numbers and Language

Agency: Department of Education and Early Development

Appropriation	[1] 20 CC	[2] 20 Auth	[3] 20MgtP1n	[4] 21Adj Base	[5] 21Gov	[5] - [3] 20MgtP1n to 21Gov	[5] - [4] 21Adj Bas to 21Gov		
K-12 Aid to School Districts	1,322,635.1	1,322,635.1	1,322,635.1	1,292,635.1	1,311,555.3	-11,079.8	-0.8 %	18,920.2	1.5 %
K-12 Support	12,094.1	12,094.1	12,094.1	12,094.1	12,991.3	897.2	7.4 %	897.2	7.4 %
Education Support and Admin	261,117.7	266,175.6	266,175.6	260,959.9	249,868.1	-16,307.5	-6.1 %	-11,091.8	-4.3 %
AK State Council on the Arts	3,869.6	3,869.6	3,869.6	3,869.6	3,862.3	-7.3	-0.2 %	-7.3	-0.2 %
Commissions and Boards	259.5	253.4	253.4	253.5	253.5	0.1		0.0	
Mt. Edgecumbe Boarding School	12,967.4	12,681.2	12,681.2	12,742.9	13,392.9	711.7	5.6 %	650.0	5.1 %
State Facilities Rent	1,068.2	1,068.2	1,068.2	1,068.2	1,068.2	0.0		0.0	
Libraries, Archives & Museums	12,576.0	12,558.8	12,558.8	12,599.6	12,486.7	-72.1	-0.6 %	-112.9	-0.9 %
Alaska Postsecondary Education	21,042.0	20,947.6	20,947.6	20,947.6	20,412.1	-535.5	-2.6 %	-535.5	-2.6 %
AK Performance Scholarship Awd	11,750.0	11,750.0	11,750.0	11,750.0	11,750.0	0.0		0.0	
AK Student Loan Corporation	11,742.8	11,742.8	11,742.8	11,742.8	11,062.1	-680.7	-5.8 %	-680.7	-5.8 %
Agency Total	1,671,122.4	1,675,776.4	1,675,776.4	1,640,663.3	1,648,702.5	-27,073.9	-1.6 %	8,039.2	0.5 %
Funding Summary									
Unrestricted General (UGF)	1,325,227.0	1,330,427.9	1,330,427.9	1,295,191.6	1,310,833.4	-19,594.5	-1.5 %	15,641.8	1.2 %
Designated General (DGF)	25,131.0	24,889.0	24,889.0	24,868.8	25,669.6	780.6	3.1 %	800.8	3.2 %
Other State Funds (Other)	64,403.2	64,233.0	64,233.0	64,336.7	66,687.4	2,454.4	3.8 %	2,350.7	3.7 %
Federal Receipts (Fed)	256,361.2	256,226.5	256,226.5	256,266.2	245,512.1	-10,714.4	-4.2 %	-10,754.1	-4.2 %

Department of Education and Early Development
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	K-12 Aid to School Districts / Foundation Program	Transition Public School Trust Fund to Language Section to Maximize Investment Returns	(\$21,537.4) Pub School (Other)	<p>Remove Public School Trust Fund (PSTF) from a direct numbers section appropriation to pay foundation payments and operational costs at Mt. Edgecumbe High School (MEHS) and replace with a language section transfer to the Public Education Fund (PEF).</p> <p>Fiscal Analyst Comment: PSTF is currently used to offset the amount of UGF needed in the PEF. This change will have a net zero effect on the amount of PSTF or UGF in the budget, but it will remove unnecessary administrative challenges for multiple departments, and have the potential to increase revenue from the fund and further lower UGF expenditures. While the MEHS funding source change will have the most impact on the Department of Revenue's (DOR) ability to manage the PSTF, movement to the language section will have some impact as well by limiting the number of draws to the fund. DOR has indicated that limiting the PSTF to a single yearly draw provides predictability and is considered best practice under the funds new Percent of Market Value model. (Also see Item 10 for additional information on the MEHS fund source change)</p>
2	K-12 Aid to School Districts / Foundation Program	Foundation Program Expenditures from Public Education Fund	Total: \$1,213,278.4 \$1,183,504.2 Gen Fund (UGF) \$29,774.2 Pub School (Other)	<p>Under AS 14.17.300(b) funds may be expended from the Public Education Fund without further appropriation. In order to reflect the anticipated need in the Foundation Program, a miscellaneous adjustment is used to track appropriations. The FY21 Foundation Program estimate includes a base student allocation of \$5,930.</p> <p>Fiscal Analyst Comment: The estimated necessary amount increased \$19 million or 1.6% from FY20 levels. While overall student count decreased by 695 this year, the foundation formula includes a number of other factors such as number of students identified with special education intensive needs (this number increased by 342 students or 13% from FY20). In FY20 the legislature included \$30 million in additional foundation funding in the form of grants calculated using the formula. The Governor has withheld this funding pending resolution of a legal dispute associated with forward funding. Without additional grant funding included in FY21, districts will see the</p>

Department of Education and Early Development
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	K-12 Aid to School Districts / Foundation Program	Foundation Program Expenditures from Public Education Fund	Total: \$1,213,278.4 \$1,183,504.2 Gen Fund (UGF) \$29,774.2 Pub School (Other)	(continued) equivalent of a \$116 reduction to the Base Student Allocation amount.
3	K-12 Aid to School Districts / Pupil Transportation	Pupil Transportation Expenditures from Public Education Fund	\$76,997.7 Gen Fund (UGF)	Under AS 14.17.300(b) funds may be expended from the Public Education Fund without further appropriation. In order to reflect the anticipated need in Pupil Transportation, a miscellaneous adjustment is used to track estimated appropriations. The anticipated need is based on projected average daily memberships, excluding Mt. Edgecumbe High School. Fiscal Analyst Comment: Pupil Transportation cost estimates decreased by \$216.9 or 0.3% from FY20 levels, due to reduced student counts. Student counts went down to 128,924. This was a decrease of 695 students since FY20.
4	K-12 Support / Residential Schools Program	Add Residential Programs for North Slope Borough School District and Lower Yukon School District	\$900.2 Gen Fund (UGF)	Add authority for two new residential programs in the North Slope Borough School District and the Lower Yukon School District both with 50 beds. Alaska Statute 14.16.100 allows districts to apply to the department to establish and operate residential schools. When approved they are eligible for reimbursement of a per-pupil monthly stipend and one round-trip ticket per student, by the least expensive means. Fiscal Analyst Comment: The North Slope Borough School District first submitted its application in May of 2016, but associated funding was subject to appropriation. Lower Yukon submitted its application in May 2019.
5	Education Support and Administrative Services / Executive Administration	Add Authority for State Board of Education In-Person Meetings and Related Support	\$137.0 Gen Fund (UGF) 1 PFT Position	Add authority for the State Board of Education to move from quarterly meetings to a formal monthly meeting schedule and related additional administrative support position to arrange public notices, minutes, travel, and other support functions.
6	Education Support and Administrative Services / Student and School Achievement	Comprehensive Literacy State Development Federal Grant (FY21-FY25)	\$3,945.9 Fed Repts (Fed) 1 PFT Position IncT	Add authority to accommodate a new U.S. Department of Education grant for the Alaska Comprehensive Literacy State Development Program and a full-time Education Specialist to oversee and manage the program. The grant period is from October 1, 2019

Department of Education and Early Development
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Education Support and Administrative Services / Student and School Achievement	Comprehensive Literacy State Development Federal Grant (FY21-FY25)	\$3,945.9 Fed Rcpts (Fed) 1 PFT Position IncT	(continued) through September 20, 2024. Fiscal Analyst Comment: The Legislative Budget and Audit Committee approved RPL 05-2020-0045 in October of 2019 for \$6,500.0 in Federal Receipt authority for the same purpose in FY20.
7	Education Support and Administrative Services / Student and School Achievement	Reduce Excess Federal Authority and Reflect Federal Grant Authority in a Language Section Appropriation	(\$14,700.0) Fed Rcpts (Fed)	Transition U.S. Department of Education multi-year federal grant authority to a language appropriation to better reflect an accurate projection of federal expenditures while also following proper accounting practices. Fiscal Analyst Comment: The current budgeting of overlapping 27-month federal grant cycles artificially inflates the department's yearly budget. The department is forced to carry millions of dollars in excess authority that it regularly lapses. The new language section in the bill allows the department to carry forward and expend any prior year federal grant revenue received. By placing the necessary federal authority in the language section the department can more clearly reflect its actual yearly budget needs.
8	Education Support and Administrative Services / Early Learning Coordination	Transfer the Parents as Teachers Program to the Department of Health and Social Services for Better Alignment	(\$474.7) Gen Fund (UGF)	Transfer the Parents as Teachers Program (PATP) to the Department of Health and Social Services (H&SS), Women, Children and Family Health allocation for better program alignment. Fiscal Analyst Comment: The department is currently sending PATP funding to H&SS through a Reimbursable Services Agreement for the administration of grants to eligible recipients. This move aligns the funding with the department that is actually administering the grants and removes an unnecessary administrative step.
9	Education Support and Administrative Services / Pre-Kindergarten Grants	Reverse Additional Support for Pre-Kindergarten Grant Program Sec21b Ch19 SLA2018 P30 L30 (SB142) (FY19-FY20)	(\$5,045.7) Gen Fund (UGF)	Reverse the carry forward of the unexpended balance of the multi-year appropriation made in FY19 for additional support for pre-kindergarten grants. Fiscal Analyst Comment: The two-year \$6 million in additional Pre-K grants is ending, resulting in a 71% drop in Pre-K grant funding from FY20 levels. There will be \$2 million in Pre-K Grants in the FY21 base budget.

Department of Education and Early Development
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Mt. Edgecumbe Boarding School / Mt. Edgecumbe Boarding School	Replace Funding Source to Maximize Investment Earnings	Net Zero Change \$4,639.1 Gen Fund (UGF) (\$4,639.1) Pub School (Other)	Replace Public School Trust Fund (PSTF) authority with UGF to maximize the earning potential of the PSTF. Fiscal Analyst Comment: The use of the PSTF for the purpose of funding Mt. Edgecumbe Boarding School began in FY18. The FY18 budget included intent language that it only be a one-time change. Any PSTF not currently used in Mt. Edgecumbe is used to offset the amount of UGF needed in the Public Education Fund. This fund change will have a net zero effect on the amount of PSTF or UGF in the overall state budget. However, it will remove unnecessary administrative challenges for multiple departments, and have the potential to increase revenue from the fund, further lowering UGF expenditures. (Also see Item 1 for additional information on the movement of the PSTF into the language section)
11	Mt. Edgecumbe Boarding School / Mt. Edgecumbe Boarding School Facilities Maintenance	Add Authority to Maintain Mt. Edgecumbe High School Aquatic Center Operations and Maintenance	\$650.0 GF/Prgm (DGF)	The Mount Edgecumbe High School (MEHS) Aquatic Center provides swimming classes to MEHS students, open swims to the public, and other services to entities that have agreements with the pool. The pool was shut down in 2019 due to lack of sufficient funding for operating and maintenance costs. The Governor previously vetoed all of the authority necessary to receive fees for use of the pool in FY20 and stated the administration's intent to divest of the building. The pool had been operating using one-time funding which expired in FY20. Fiscal Analyst Comment: While there is no harm in adding additional receipt authority, it is unlikely that usage agreements and door receipts alone can generate enough revenue to make the aquatic center self-sufficient. For comparison, the two Juneau city pools are able to cover about 25% of their operational costs using various self generated receipts while serving a population about three times larger. They also bring in around \$750.0 combined.
12	Alaska State Libraries, Archives and Museums / Museum Operations	Carryforward wordage added for Program Receipts from Museum Gate Receipts	Net Zero Change	New wordage was included in the Governor's request to allow for carry forward of receipts specific to museum entry. The wordage is as follows:

Department of Education and Early Development
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
12	Alaska State Libraries, Archives and Museums / Museum Operations	Carryforward wordage added for Program Receipts from Museum Gate Receipts	Net Zero Change	(continued) The amount allocated for Museum Operations includes the unexpended and unobligated balance on June 30, 2020, of program receipts from museum gate receipts. Fiscal Analyst Comment: The department anticipates the carryforward amount to be around \$100.0 in FY21.
13	Alaska State Libraries, Archives and Museums / Online with Libraries (OWL)	Eliminate Online with Libraries Video Conference System	(\$232.9) Gen Fund (UGF)	Eliminate the Online with Libraries (OWL) video conference system due to the high cost of replacing the system hardware and minimal usage of the system. The OWL program has two components: (1) grants to assist libraries with paying for internet services; and (2) a video conferencing system installed in public libraries throughout the State. Fiscal Analyst Comment: Usage of the OWL video conference network has been continually declining. During FY19, usage declined to 271 video conference sessions, resulting in a video conference operating cost of approximately \$860 per conference. Libraries with sufficient bandwidth are able to use considerably less expensive web-based video conferencing in lieu of OWL video conferencing equipment.
14	Alaska Commission on Postsecondary Education / Program Administration & Operations	Outsource Federal Family Education Loan Program Servicing	(\$586.3) I/A Rcpts (Other) (6) PFT Positions	Reduce authority and positions associated with outsourcing the Alaska Student Loan Corporation's Federal Family Education Loan Program loans to a new servicer - the Pennsylvania Higher Education Assistance Agency. Fiscal Analyst Comment: This reflects a reduction of Alaska Commission on Postsecondary Education's authority to spend Alaska Student Loan Corporation (ASLC) receipts. There is a corresponding reduction of (\$586.3) in ASLC receipts reflected in the Alaska Student Loan Corporation appropriation.

Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

**2020 Legislature - Operating Budget
Allocation Summary - Governor Structure**

Numbers and Language

Agency: Department of Environmental Conservation

Allocation	[1] 20 CC	[2] 20 Auth	[3] 20MgtP1n	[4] 21Adj Base	[5] 21Gov	[5] - [3] 20MgtP1n to 21Gov	[5] - [4] 21Adj Bas to 21Gov		
Administration									
Office of the Commissioner	1,024.7	1,014.7	1,014.7	1,017.6	1,017.6	2.9	0.3 %	0.0	
Administrative Services	5,864.1	5,853.1	5,853.1	5,886.1	5,751.4	-101.7	-1.7 %	-134.7	-2.3 %
State Support Services	3,278.6	3,278.6	3,278.6	3,278.6	3,278.6	0.0		0.0	
Appropriation Total	10,167.4	10,146.4	10,146.4	10,182.3	10,047.6	-98.8	-1.0 %	-134.7	-1.3 %
DEC Bldgs Maint & Operations									
DEC Bldgs Maint & Operations	646.6	646.6	646.6	652.5	652.5	5.9	0.9 %	0.0	
Appropriation Total	646.6	646.6	646.6	652.5	652.5	5.9	0.9 %	0.0	
Environmental Health									
Environmental Health	17,497.9	17,271.0	17,271.0	17,380.0	17,200.4	-70.6	-0.4 %	-179.6	-1.0 %
Appropriation Total	17,497.9	17,271.0	17,271.0	17,380.0	17,200.4	-70.6	-0.4 %	-179.6	-1.0 %
Air Quality									
Air Quality	10,629.9	10,597.9	10,597.9	10,968.2	10,968.2	370.3	3.5 %	0.0	
Appropriation Total	10,629.9	10,597.9	10,597.9	10,968.2	10,968.2	370.3	3.5 %	0.0	
Spill Prevention and Response									
Spill Prevention and Response	20,137.7	20,137.7	20,137.7	20,250.4	19,606.3	-531.4	-2.6 %	-644.1	-3.2 %
Appropriation Total	20,137.7	20,137.7	20,137.7	20,250.4	19,606.3	-531.4	-2.6 %	-644.1	-3.2 %
Water									
Water Quality Infrastructure	22,818.1	19,337.3	19,337.3	19,126.7	19,699.7	362.4	1.9 %	573.0	3.0 %
Appropriation Total	22,818.1	19,337.3	19,337.3	19,126.7	19,699.7	362.4	1.9 %	573.0	3.0 %
Agency Total	81,897.6	78,136.9	78,136.9	78,560.1	78,174.7	37.8		-385.4	-0.5 %
Funding Summary									
Unrestricted General (UGF)	15,433.5	15,397.2	15,397.2	15,471.0	15,080.6	-316.6	-2.1 %	-390.4	-2.5 %
Designated General (DGF)	25,234.5	25,144.5	25,144.5	25,294.2	24,879.6	-264.9	-1.1 %	-414.6	-1.6 %
Other State Funds (Other)	17,382.6	13,924.6	13,924.6	14,011.1	14,233.3	308.7	2.2 %	222.2	1.6 %
Federal Receipts (Fed)	23,847.0	23,670.6	23,670.6	23,783.8	23,981.2	310.6	1.3 %	197.4	0.8 %

Department of Environmental Conservation
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Environmental Health / Environmental Health	Replace Commercial Passenger Vessel Environmental Compliance Fees and Reduce Commercial Shellfish Testing Subsidy	Net Zero Change \$228.8 Gen Fund (UGF) \$228.9 GF/Prgm (DGF) (\$457.7) Vessel Com (Other)	Replace Commercial Passenger Vessel Environmental Compliance (CPVEC) fees with a combination of general funds and program receipts. In FY21, the department is charging commercial shellfish operations fees for testing services provided. The department plans to phase in fee increases for regulatory testing in future years and to reduce the industry's general fund subsidy. Fiscal Analyst Comment: The current use of the CPEVC for shellfish testing is not a designated use of the fund. Shellfish and shellfish growing waters would require testing whether or not there was a cruise ship industry, and the tests are required regardless of whether there is nearby cruise ship activity.
2	Environmental Health / Environmental Health	Eliminate Dairy Program	Total: (\$179.6) (\$164.6) Gen Fund (UGF) (\$15.0) Stat Desig (Other) (1) PFT Position	Eliminate the regulation and testing of commercial dairies in Alaska. According to the department, eliminating the dairy program will not increase risk to public health as unregulated milk will not enter the market. Raw, local milk could still be purchased through a cow-share program. Fiscal Analyst Comment: The department has statutory authority to charge dairies for direct costs but believes that any meaningful fee would be an undue hardship on the dairies due to the small-scale of the industry. There is currently only one cow dairy in operation in Alaska, and a small goat dairy was recently permitted.
3	Spill Prevention and Response / Spill Prevention and Response	Add Authority to Support Transparent Budgeting of Emergency Responses	\$375.0 IA/OIL HAZ (Other)	Add authority to improve transparency by budgeting use of the Response Account of the Oil and Hazardous Substance Release Prevention and Response Fund. The department can use this funding without an appropriation in the event of a release or threatened release posing an imminent and substantial threat to human health and the environment. These expenditures are reflected as Oil/Haz interagency receipts. This adds a portion of personal services to the budget based on recent actuals to more accurately reflect costs.

Department of Environmental Conservation
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Spill Prevention and Response / Spill Prevention and Response	Reduce staffing levels and eliminate Class II Facilities Unit to Avoid Revenue Shortfall	Total: (\$1,019.1) (\$375.6) Fed Rcpts (Fed) (\$643.5) Oil/Haz Fd (DGF) (7) PFT Positions	<p>The Class II Facilities Unit, including two positions, will be eliminated and regulation of Alaska's expanding inventory of Class II aboveground storage tank facilities will be terminated.</p> <p>An additional five positions will also be reduced and the department anticipates the duties of all five positions will be performed by existing staff.</p> <p>-Two Environmental Program Specialists in the Training & Guidance unit responsible for developing and providing preparedness and response training and assisting with drafting regulations changes for the division.</p> <p>-One Engineering Associate and one Environmental Program Technician in the Contaminated Sites program.</p> <p>-One Office Assistant that is part of the division's overall administrative team.</p> <p>Fiscal Analyst Comment: Without a reduction in the use of the Prevention Account of the Oil and Hazardous Substance Release Prevention and Response Fund, projections show the fund running out as early as FY24. Class II facilities are non-residential, non-crude storage tanks that have a capacity between 1,000 and 420,000 gallons. It is a non-regulatory program that focuses on spill prevention.</p>
5	Water / Water Quality, Infrastructure Support & Financing	Add Authority for Alaska Pollutant Discharge Elimination Systems Permitting and Compliance Program	\$573.0 Fed Rcpts (Fed) 4 PFT Positions	<p>Add authority to support the work of four new Environmental Program Specialist positions for the Alaska Pollutant Discharge Elimination System (APDES) compliance and enforcement program, which is the primacy program enforcing portions of the Clean Water Act, as well as additional travel required to conduct inspections and improve program performance. The department has sufficient Federal grant revenue to cover the costs, but needs authority to expend those funds.</p> <p>Fiscal Analyst Comment: The Legislative Budget and Audit Committee approved RPL 18-2020-0364 in</p>

Department of Environmental Conservation
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Water / Water Quality, Infrastructure Support & Financing	Add Authority for Alaska Pollutant Discharge Elimination Systems Permitting and Compliance Program	\$573.0 Fed Rcpts (Fed) 4 PFT Positions	(continued) December of 2019 for a \$430.0 increase in federal receipt authority for the same purpose in FY20.
6	Water / Water Quality, Infrastructure Support & Financing	Use Commercial Passenger Vessel Environmental Compliance Fees to Regulate Wastewater in Port Communities	Net Zero Change (\$454.6) Gen Fund (UGF) \$454.6 Vessel Com (Other)	Change fund source from General Fund to Commercial Passenger Vessel Environmental Compliance Fund in the Division of Water for expenditures related to regulating wastewater systems in port communities visited by cruise ships. Fiscal Analyst Comment: This is a questionable use of this fund source. Under the federal interstate commerce clause the use of such fees for activities not directly related to the vessels is a misuse of revenue collected from those vessels. Port communities would require wastewater testing regardless if there was a cruise ship in port. Recent litigation regarding the Juneau passenger head tax has highlighted the importance of this distinction.
7	Water / Water Quality, Infrastructure Support & Financing	Collection of Ocean Ranger Fees		In FY20, the Governor proposed elimination of the Ocean Ranger program. The Legislature included funding for the program in its budget (HB39), but it was vetoed by the Governor. The Legislature again appropriated the funding in the House Bill 2001, but it was vetoed again. The Governor did not include funding in the FY21 budget, and has not put forward an alternative use of the funding, or replacement of the program. Fiscal Analyst Comment: In the absence of legislation repealing the Ocean Ranger fee, the fee will continue to be collected and will accrue in the Commercial Vessel Compliance Fund as use of the fees are restricted by federal law. According to the agency, the legislature would have to add funding back at the very beginning of session in order for the program to be up and running in time for cruise ship season. This could be accomplished by either overriding the Governor's veto of HB 2001 funding, or in a FY20 supplemental.

Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

2020 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Department of Fish and Game

Allocation	[1] 20 CC	[2] 20 Auth	[3] 20MgtP1n	[4] 21Adj Base	[5] 21Gov	[5] - [3] 20MgtP1n to 21Gov	[5] - [4] 21Adj Bas to 21Gov		
Commercial Fisheries									
SE Region Fisheries Mgmt.	14,039.3	13,770.4	13,770.4	13,808.0	13,406.3	-364.1	-2.6 %	-401.7	-2.9 %
Central Region Fisheries Mgmt.	11,322.4	11,081.3	11,081.3	11,115.7	11,068.5	-12.8	-0.1 %	-47.2	-0.4 %
AYK Region Fisheries Mgmt.	9,902.5	9,598.6	9,598.6	9,621.5	9,321.9	-276.7	-2.9 %	-299.6	-3.1 %
Westward Region Fisheries Mgmt	14,629.0	14,411.9	14,411.9	14,455.0	14,331.8	-80.1	-0.6 %	-123.2	-0.9 %
Statewide Fisheries Management	19,113.8	19,101.7	19,101.7	19,147.9	18,988.9	-112.8	-0.6 %	-159.0	-0.8 %
Commercial Fish Entry Commissi	3,128.4	3,125.7	3,125.7	3,125.7	3,125.7	0.0		0.0	
Appropriation Total	72,135.4	71,089.6	71,089.6	71,273.8	70,243.1	-846.5	-1.2 %	-1,030.7	-1.4 %
Sport Fisheries									
Sport Fisheries	43,285.9	43,285.9	43,285.9	43,278.5	43,028.5	-257.4	-0.6 %	-250.0	-0.6 %
Sport Fish Hatcheries	5,894.0	5,894.0	5,894.0	5,869.6	5,869.6	-24.4	-0.4 %	0.0	
Appropriation Total	49,179.9	49,179.9	49,179.9	49,148.1	48,898.1	-281.8	-0.6 %	-250.0	-0.5 %
Wildlife Conservation									
Wildlife Conservation	49,433.1	49,293.1	49,293.1	49,431.1	49,431.1	138.0	0.3 %	0.0	
Hunter Ed Public Shooting Rang	1,002.7	1,002.7	1,002.7	1,006.7	1,006.7	4.0	0.4 %	0.0	
Appropriation Total	50,435.8	50,295.8	50,295.8	50,437.8	50,437.8	142.0	0.3 %	0.0	
Statewide Support Services									
Commissioner's Office	1,161.9	1,161.9	1,161.9	1,161.9	1,161.9	0.0		0.0	
Administrative Services	11,586.7	11,581.6	11,581.6	11,750.8	11,750.8	169.2	1.5 %	0.0	
Boards of Fisheries and Game	1,224.1	1,224.1	1,224.1	1,226.9	1,202.4	-21.7	-1.8 %	-24.5	-2.0 %
Advisory Committees	536.1	536.1	536.1	538.7	538.7	2.6	0.5 %	0.0	
EVOS Trustee Council	2,383.7	2,379.4	2,379.4	2,379.4	2,379.4	0.0		0.0	
State Facilities Maintenance	5,100.8	5,100.8	5,100.8	5,100.8	5,100.8	0.0		0.0	
Appropriation Total	21,993.3	21,983.9	21,983.9	22,158.5	22,134.0	150.1	0.7 %	-24.5	-0.1 %
Habitat									
Habitat	5,662.4	5,442.3	5,442.3	5,463.8	5,439.8	-2.5		-24.0	-0.4 %
Appropriation Total	5,662.4	5,442.3	5,442.3	5,463.8	5,439.8	-2.5		-24.0	-0.4 %
State Subsistence Research									
State Subsistence Research	5,528.5	5,271.8	5,271.8	5,293.0	5,293.0	21.2	0.4 %	0.0	
Appropriation Total	5,528.5	5,271.8	5,271.8	5,293.0	5,293.0	21.2	0.4 %	0.0	
Agency Total	204,935.3	203,263.3	203,263.3	203,775.0	202,445.8	-817.5	-0.4 %	-1,329.2	-0.7 %
Funding Summary									
Unrestricted General (UGF)	52,888.3	51,351.3	51,351.3	51,497.7	50,159.5	-1,191.8	-2.3 %	-1,338.2	-2.6 %
Designated General (DGF)	14,282.7	14,235.4	14,235.4	14,257.0	14,257.0	21.6	0.2 %	0.0	
Other State Funds (Other)	68,075.0	68,032.7	68,032.7	68,194.0	67,903.0	-129.7	-0.2 %	-291.0	-0.4 %
Federal Receipts (Fed)	69,689.3	69,643.9	69,643.9	69,826.3	70,126.3	482.4	0.7 %	300.0	0.4 %

Department of Fish and Game
Summary of Budget Changes
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Commercial Fisheries / Various	Eliminate Various Services and Assessments	(\$1,030.7) Gen Fund (UGF) (1) PFT Position (1) PPT Position	<p>The Governor's FY21 proposal includes several reductions within the Commercial Fisheries Division.</p> <p><u>Southeast Region Fisheries Management: (\$401.7) UGF total and (1) PPT Position</u> Close Wrangell Office - (\$66.2) UGF and (1) PPT Position. The Wrangell office employs two positions: an Assistant Area Management Biologist PFT position which will be relocated to the Petersburg office, and a PPT Fish and Game Program Technician which will be deleted.</p> <p>Reduce Dive Fishery Stock Assessment - (\$19.9) UGF. The Southeast Alaska Regional Dive Fisheries Association (SARDFA) is a private non-profit organization that pays a self-assessed tax to the Department of Revenue in order to support Fish and Game dive fishery stock assessments (as well as DEC laboratory testing services). This reduction removes UGF support, and relies on SARDFA to generate funding for the stock assessments required to open those fisheries.</p> <p>Eliminate Southeast Red King Crab Assessment - (\$315.6) UGF. This stock assessment supports both commercial and personal use harvest opportunities. Without the assessment, these fisheries cannot be opened.</p> <p><u>Central Region Fisheries Management: (\$47.2) UGF total</u> Eliminate Pike Suppression - (\$47.2) UGF. This project utilizes existing resources at the Chelatna, Larson, and Judd weirs to employ gear designed to target and remove invasive pike from the water system in order to reduce predation on immature salmon species.</p> <p><u>AYK Region Fisheries Management: (\$299.6) UGF total</u> Reduce Bering Sea Salmon Research - (\$299.6) UGF. The department will replace this function by relying on National Oceanic and Atmospheric Administration (NOAA) research, and possibly leveraging federal grant funding.</p>

Department of Fish and Game
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Commercial Fisheries / Various	Eliminate Various Services and Assessments	(\$1,030.7) Gen Fund (UGF) (1) PFT Position (1) PPT Position	<p>(continued)</p> <p><u>Westward Region Fisheries Management: (\$123.2) UGF total</u></p> <p>Reduce Management of Frazer Lake Fish Pass - (\$23.2) UGF. This reduction will lead to more conservative management of sockeye stocks at Frazer Lake fish pass, which could result in reduced harvest opportunity.</p> <p>Reduce Westward Region Facilities Maintenance - (\$100.0) UGF. This funding represents a portion of the operating costs associated with the Kodiak office. The department will need to identify an alternate funding source to maintain its current level of operations.</p> <p><u>Statewide Fisheries Management: (\$159.0) UGF total and (1) PFT Position</u></p> <p>Reduce Aquaculture Planning and Permitting - (\$159.0) UGF and (1) PFT Position. This reduction eliminates a filled position in the aquaculture section. This section oversees all mariculture, hatcheries, and aquatic farming activity in the state, and is responsible for reviewing and issuing permits for these activities. The section's staffing levels have been reduced from 8 to 5 positions in recent years despite an increase in permit applications.</p>
2	Sport Fisheries / Sport Fisheries	Reduce Support for License Modernization	(\$250.0) Gen Fund (UGF)	<p>The Sport Fish Division is currently collaborating with the Division of Administrative Services and the Division of Wildlife Conservation on licensing modernization efforts, including the development of a mobile application that will provide licensing, harvest reporting, and geospatially-based harvest regulation information.</p> <p>Fiscal Analyst Comment: The department issued a Request for Proposals (RFP) on November 11, 2019 to build a mobile licensing and harvest reporting application for hunters, trappers, and anglers. The Division of Administrative Services has approximately \$300.0 UGF in unspent capital authority for licensing modernization that can leverage federal Pittman-Robertson funds, and be used to fund the RFP.</p> <p>The RFP for a mobile application describes the Sport Fish Division's past use of contracted services to</p>

Department of Fish and Game
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	Sport Fisheries / Sport Fisheries	Reduce Support for License Modernization	(\$250.0) Gen Fund (UGF)	<p>(continued)</p> <p>examine online and mobile methods of presenting regulatory information to users, and to conduct a stakeholder survey to determine how to make sport fishing regulations more accessible and understandable for users. The division is also in the development stages for a Content Management System (CMS) that uses geospatial data to render regulatory (and statutory) information to the mobile application.</p> <p>While the division's background work will support the development of the mobile application, the Governor's FY21 request would reduce UGF authority for this purpose going forward, and impact the amount of work that could be accomplished in the RFP. The division may need to identify an alternate funding source in order to maintain certain activities related to licensing modernization.</p>

Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

**2020 Legislature - Operating Budget
Allocation Summary - Governor Structure**

Numbers and Language

Agency: Office of the Governor

Allocation	[1] 20 CC	[2] 20 Auth	[3] 20MgtP1n	[4] 21Adj Base	[5] 21Gov	[5] - [3] 20MgtP1n to 21Gov	[5] - [4] 21Adj Bas to 21Gov
Commissions/Special Offices							
Human Rights Commission	2,448.2	2,448.2	2,448.2	2,448.2	2,448.2	0.0	0.0
Appropriation Total	2,448.2	2,448.2	2,448.2	2,448.2	2,448.2	0.0	0.0
Executive Operations							
Executive Office	10,818.7	10,818.7	10,818.7	10,818.7	10,693.7	-125.0 -1.2 %	-125.0 -1.2 %
Governor's House	735.5	735.5	735.5	735.5	735.5	0.0	0.0
Contingency Fund	250.0	250.0	250.0	250.0	250.0	0.0	0.0
Lieutenant Governor	1,073.7	1,073.7	1,073.7	1,073.7	1,073.7	0.0	0.0
Appropriation Total	12,877.9	12,877.9	12,877.9	12,877.9	12,752.9	-125.0 -1.0 %	-125.0 -1.0 %
Office of Gov State Fac Rent							
Gov Office Facilities Rent	596.2	596.2	596.2	596.2	596.2	0.0	0.0
Governor's Office Leasing	490.6	490.6	490.6	490.6	490.6	0.0	0.0
Appropriation Total	1,086.8	1,086.8	1,086.8	1,086.8	1,086.8	0.0	0.0
Office of Management & Budget							
Office of Management & Budget	5,920.9	5,920.9	5,920.9	5,920.9	5,770.9	-150.0 -2.5 %	-150.0 -2.5 %
Appropriation Total	5,920.9	5,920.9	5,920.9	5,920.9	5,770.9	-150.0 -2.5 %	-150.0 -2.5 %
Elections							
Elections	6,008.1	6,087.5	6,087.5	6,008.1	6,008.1	-79.4 -1.3 %	0.0
Appropriation Total	6,008.1	6,087.5	6,087.5	6,008.1	6,008.1	-79.4 -1.3 %	0.0
Agency Total	28,341.9	28,421.3	28,421.3	28,341.9	28,066.9	-354.4 -1.2 %	-275.0 -1.0 %
Funding Summary							
Unrestricted General (UGF)	23,941.1	24,020.5	24,020.5	23,941.1	23,816.1	-204.4 -0.9 %	-125.0 -0.5 %
Other State Funds (Other)	4,171.8	4,171.8	4,171.8	4,171.8	4,021.8	-150.0 -3.6 %	-150.0 -3.6 %
Federal Receipts (Fed)	229.0	229.0	229.0	229.0	229.0	0.0	0.0

Office of the Governor
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Executive Operations / Executive Office	Transfer International Trade Support to Department of Commerce, Community, and Economic Development for Better Alignment	(\$125.0) Gen Fund (UGF)	In FY20, funding associated with the Office of International Trade supported a Development Specialist II position (PCN 01-023X). This position has recently been vacated and the Executive Branch is currently assessing whether the workload justifies a full position, or whether other existing positions could be dedicated to supporting the Office of International Trade. In FY21, the Department of Commerce, Community & Economic Development will be working with Select USA to enhance foreign direct investment (FDI) in Alaska, as well as continuing to host consulates and dignitaries visiting Alaska.
2	Elections / Elections	Costs Associated with Statewide Primary and General Elections (FY21-FY22)	\$1,847.0 Gen Fund (UGF) MultiYr	Beginning in FY17, the cost of holding elections every two years was divided in half in order to reduce volatility in the final authorized budget of the Office of the Governor while allowing for sufficient funding to conduct biennial elections. Note that section 17 of the Governor's operating bill appropriates money for a two-year period, so money not spent in FY21 will be available in FY22. Similarly, money not spent in FY20 will be available in FY21.

Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

**2020 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

Numbers and Language

Agency: Department of Health and Social Services

<u>Appropriation</u>	<u>[1] 20 CC</u>	<u>[2] 20 Auth</u>	<u>[3] 20MgtP1n</u>	<u>[4] 21Adj Base</u>	<u>[5] 21Gov</u>	<u>[5] - [3] 20MgtP1n to 21Gov</u>	<u>[5] - [4] 21Adj Bas to 21Gov</u>
Alaska Pioneer Homes	102,889.6	102,889.6	102,889.6	103,501.7	98,501.7	-4,387.9 -4.3 %	-5,000.0 -4.8 %
Alaska Psychiatric Institute	45,606.2	46,292.9	46,292.9	46,010.2	55,376.6	9,083.7 19.6 %	9,366.4 20.4 %
Behavioral Health	98,038.2	93,989.4	93,989.4	91,397.4	91,347.5	-2,641.9 -2.8 %	-49.9 -0.1 %
Children's Services	169,179.9	169,253.2	169,253.2	169,905.6	172,605.6	3,352.4 2.0 %	2,700.0 1.6 %
Health Care Services	19,115.7	19,107.8	19,146.7	20,149.0	20,149.0	1,002.3 5.2 %	0.0
Juvenile Justice	60,745.1	58,745.1	58,745.1	59,255.7	59,255.7	510.6 0.9 %	0.0
Public Assistance	276,044.5	268,101.8	268,101.8	268,770.4	276,241.6	8,139.8 3.0 %	7,471.2 2.8 %
Senior Benefits Payment Progra	20,786.1	20,786.1	20,786.1	20,786.1	20,786.1	0.0	0.0
Public Health	128,534.1	116,749.9	116,749.9	116,929.2	118,749.7	1,999.8 1.7 %	1,820.5 1.6 %
Senior and Disabilities Svcs	61,883.8	61,834.7	61,834.7	62,038.4	69,569.3	7,734.6 12.5 %	7,530.9 12.1 %
Departmental Support Services	46,236.8	46,236.8	46,197.9	45,616.7	46,258.6	60.7 0.1 %	641.9 1.4 %
Human Svcs Comm Matching Grant	1,387.0	1,387.0	1,387.0	1,387.0	1,387.0	0.0	0.0
Community Initiative Grants	861.7	861.7	861.7	861.7	861.7	0.0	0.0
Medicaid Services	2,182,940.7	2,126,901.6	2,126,901.6	2,120,542.1	2,414,106.9	287,205.3 13.5 %	293,564.8 13.8 %
Agency Total	3,214,249.4	3,133,137.6	3,133,137.6	3,127,151.2	3,445,197.0	312,059.4 10.0 %	318,045.8 10.2 %
Funding Summary							
Unrestricted General (UGF)	1,039,068.0	971,106.4	971,106.4	971,987.5	1,104,853.4	133,747.0 13.8 %	132,865.9 13.7 %
Designated General (DGF)	103,022.1	86,729.9	86,729.9	84,829.0	93,536.8	6,806.9 7.8 %	8,707.8 10.3 %
Other State Funds (Other)	164,310.9	165,451.7	165,451.7	162,304.8	174,547.8	9,096.1 5.5 %	12,243.0 7.5 %
Federal Receipts (Fed)	1,907,848.4	1,909,849.6	1,909,849.6	1,908,029.9	2,072,259.0	162,409.4 8.5 %	164,229.1 8.6 %

Department of Health and Social Services
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Alaska Pioneer Homes / Alaska Pioneer Homes Payment Assistance	Add UGF Funding for Alaska Pioneer Homes Payment Assistance	\$5,000.0 Gen Fund (UGF)	<p>During the 2019 session, the Governor proposed a Pioneer Homes rate increase accompanied with a \$12.3 million UGF reduction to the Pioneer Homes appropriation. The reduction was intended to be offset by increased general fund program receipts and inter-agency receipts. Additionally, all UGF in the appropriation was segregated in the new Payment Assistance allocation. Due to the uncertainty of how much in additional receipts would be realized, the legislature added \$5 million UGF to the Governor's request in the Payment Assistance allocation and replaced \$2.4 million of inter-agency receipts with Recidivism Reduction funds (DGF) in the Pioneer Homes allocation.</p> <p>Excluding program receipts, the Governor's FY21 request would restore general fund levels close to the FY19 Management Plan (pre-rate increase).</p> <p>Fiscal Analyst Comment: It is still unclear at this time what behavior implications will result from the rate increases. The level of state subsidy to Pioneer Homes residents fluctuates depending on how many elders are self-pay, participating in payment assistance, or are on Medicaid at a given time. The Governor has indicated a correlating supplemental request is likely.</p>
2	Alaska Pioneer Homes / Pioneer Homes	Reduce Unrealizable Authority to Align with Anticipated Revenue	Total: (\$10,000.0) (\$2,592.2) GF/ Prgm (DGF) (\$6,300.0) I/A Rcpts (Other) (\$1,107.8) Stat Desig (Other)	<p>This decrement removes hollow receipt authority from the Pioneer Homes' budget. In recent years, the Pioneer Homes has been unable to collect and expend 100% of their non-UGF fund sources which include:</p> <ul style="list-style-type: none"> - GF Program Receipts - billing residents for room, board, and other charges; - Inter-agency Receipts - billing Medicaid for eligible residents; - Statutory Designated Program Receipts - revenue from third-party insurance payments for pharmaceuticals; - Federal Receipts - billing the Veteran's Administration for services provided to qualifying Veteran residents.

Department of Health and Social Services

Summary of Budget Changes

(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Alaska Psychiatric Institute / Alaska Psychiatric Institute	Add Authority to Achieve Full Capacity at the Alaska Psychiatric Institute	Total: \$9,366.4 \$1,094.2 Gen Fund (UGF) \$5,149.0 I/A Rcpts (Other) \$1,435.0 GF/MH (UGF) \$1,688.2 Stat Desig (Other)	<p>A joint team of Alaska Psychiatric Institute (API) and Wellpath Recovery Solutions employees are currently managing daily operations of the facility. Wellpath is under contract to provide hospital administration services on a month-to-month basis through March 31, 2020. The monthly cost to support the WellPath contract was reduced from \$1 million/month to \$700.0/month beginning in September, 2019.</p> <p>This funding request is contingent upon the availability of beds for patient treatment exceeding 79. The facility has been operating on a reduced capacity of approximately 47 beds due to limited staff and the complexity of the patients being treated there.</p> <p>Fiscal Analyst Comment: The Governor has indicated a supplemental request of \$6 million UGF is likely.</p>
4	Behavioral Health / Behavioral Health Treatment and Recovery Grants	Replace UGF with Marijuana Education and Treatment Funding (DGF)	Net Zero Change (\$11,400.0) GF/MH (UGF) \$11,400.0 MET Fund (DGF)	<p>OMB projects \$13.5 million of Marijuana Education and Treatment (MET) funding to be available in FY21. This includes \$6.7 million of prior-year carryforward plus \$6.8 million in new FY21 revenue. Of this amount, \$2.5 million is appropriated (Ch. 73, SLA 2018 SB104) in the base budgets of Public Health Administration and Behavioral Health Administration, leaving a projected available balance of \$11 million.</p> <p>Fiscal Analyst Comment: When the Department of Revenue releases its 2019 Annual Tax Report (anticipated at the end of January), the amount of this fund change should be more closely aligned with available funding.</p>
5	Children's Services / Front Line Social Workers	Add Federal Authority for Staff Retention and Wellness Initiatives	\$1,500.0 Fed Rcpts (Fed)	Additional federal authority is needed to support salaries related to prevention casework and to cover costs related to fewer vacancies and faster, more effective recruitments.
6	Children's Services / Family Preservation	Add Federal Authority for Title IV-E Reimbursement for Legal Representation for Parents	\$1,200.0 Fed Rcpts (Fed)	New federal guidance (effective July 1, 2019) expands Title IV-E reimbursement to include legal representation for parents in Child in Need of Aid proceedings. Previously, Title IV-E reimbursement for legal representation was only provided for the child welfare agency (Office of Children's Services).

Department of Health and Social Services
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Public Assistance / Adult Public Assistance	Restore Adult Public Assistance Payment Maintenance of Effort Requirements	\$7,471.2 GF/ Match (UGF)	<p>Maintenance of Effort (MOE) requires a state -- as a condition of eligibility for federal funding -- to maintain a level of state support for a particular program. Failure to meet that requirement can prompt significant federal penalties, such as the loss of some, or all, federal funding associated with that program.</p> <p>Alaska's Adult Public Assistance program was established in the early 1980's with the intent to provide a state funded and administered program to supplement benefits provided by Social Security Income (SSI). The SSI and APA programs use similar eligibility criteria. State expenditures from the Adult Public Assistance program are then used to satisfy MOE in order for Alaska to receive federal reimbursement for Medicaid. The state may use one of two methods to meet Medicaid MOE:</p> <ol style="list-style-type: none"> 1. maintain prior year APA spending levels (approximately \$56 million UGF in FY18 & FY19); or 2. maintain combined supplementary income payment levels at or above 1983 levels. <p>Under this method, reverting to 1983 funding levels was projected to result in an approximate \$14.7 million UGF reduction to APA's annual budget. This projection influenced the following actions during the 2019 legislative session:</p> <ol style="list-style-type: none"> 1. The Governor proposed a \$14.7 million UGF reduction in the 2/13/19 budget request; 2. The legislature denied the decrement; and 3. The Governor vetoed ~50% of the amount (\$7,471.2) after the Social Security Administration informed the State that this program change can only take effect at the beginning of a calendar year, or half of the fiscal year. <p>Subsequently, more information has emerged. In early December, 2019, the department announced that during the implementation of the change to Medicaid MOE, a second issue was discovered. The Centers for Medicare & Medicaid Services (CMS) alerted the department that Alaska had been using an incorrect calculation for APA benefits since 1995.</p>

Department of Health and Social Services
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Public Assistance / Adult Public Assistance	Restore Adult Public Assistance Payment Maintenance of Effort Requirements	\$7,471.2 GF/ Match (UGF)	(continued) To come into compliance with federal regulations, a new payment standard was required to correct the decades-long miscalculations. It became apparent that implementing both changes at the same time would reduce payments for some individuals to an unacceptable amount. As a result, the Governor is reversing the change to the Medicaid MOE methodology and restoring the vetoed funds in the FY21 proposal. Fiscal Analyst Comment: A supplemental for both the Medicaid MOE (\$7,471.2) issue plus the decades-long miscalculation issue (amount unknown) is likely.
8	Public Health / Women, Children and Family Health	Transfer Parents as Teachers Program from the Department of Education and Early Development for Better Alignment	\$474.7 Gen Fund (UGF)	The Department of Education and Early Development currently sends Parents as Teachers Program funding to H&SS through a Reimbursable Services Agreement to administer the grants to eligible recipients. This move aligns funding within the department that is actually administering the grants and removes an unnecessary administrative step.
9	Public Health / Emergency Programs	Second Year Costs for Medical Provider Incentives/Loan Repayment (Ch15 SLA2019 (SB93))	\$1,270.8 Stat Desig (Other)	SB 93 replaced the Supporting Health Access Repayment Program (SHARP) 2 program with a revised SHARP 3 program. The primary difference is the new SHARP 3 program will not use UGF and is 100% funded with receipts paid to the division by participating employers. Under SHARP 3, health care professionals could receive payments such as cash incentives (taxable), or payments to lender institutions for student loan repayments (not taxable), or there can be a combination of the two types of payments. The Division of Public Health will act as the broker for the contract and funds in the ongoing effort to attract more medical professionals to underserved areas in Alaska.
10	Senior and Disabilities Services / Early Intervention/Infant Learning Programs	Add Authority for Children and Families Preschool Development Grant	\$7,000.0 Fed Rcpts (Fed)	Increased authority is requested to administer the federal Children and Families Preschool Development Grant. States are not to create new programs, but rather help coordinate existing early childhood programs and services according to the identified needs of the state. The match requirement for this grant is 30% and can be met with existing state funds within the Infant Learning Program. In addition to the Early Intervention/Infant Learning Program (Individuals with Disabilities Education Act (IDEA) Part C), existing

Department of Health and Social Services
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Senior and Disabilities Services / Early Intervention/Infant Learning Programs	Add Authority for Children and Families Preschool Development Grant	\$7,000.0 Fed Rcpts (Fed)	(continued) eligible programs include: - Early Head Start programs 0-3; - Parents as Teachers (PAT) programs; - Family Nurse Partnership (Maternal, Infant, and Early Childhood Home Visiting program (MIECHV) nurse home visiting); - Head Start 3-5, Special Needs preschool services (Individuals with Disabilities Education Act (IDEA) Part B); - Child Care centers administered through DPA's Child Care Program Office; - Help Me Grow (referral/screening source); - Early Childhood Comprehensive Systems programs (Nome, Kodiak, Mat-Su); - Women's, Children's and Family Health (WCFH) supports and services; - Early and Periodic Screening Diagnostic and Treatment (EPSDT) services; - Governor's Council on Disabilities and Special Education (GCDSE); - Interagency Coordinating Council (ICC); - Alaska Early Childhood Coordinating Council (AECCC); and - Learn and Grow, Imagination Library.
11	Senior and Disabilities Services / Senior and Disabilities Services Administration	Add Authority for Electronic Visit Verification Maintenance and Operation	Total: \$550.0 \$412.5 Fed Rcpts (Fed) \$137.5 GF/Match (UGF)	Last session, the division received capital funding (Ch. 3, SLA 2019 (SB19)) to implement a federally required Electronic Visit Verification system to more closely monitor in-home service delivery. This increment represents the ongoing maintenance and operations costs.
12	Departmental Support Services / Commissioner's Office	Add Positions (06-#217, 06-#218, 06-219 and 06#220) and Authority to the Commissioner's Office for Reorganization	Total: \$632.9 \$253.2 Fed Rcpts (Fed) \$379.7 Gen Fund (UGF) 4 PFT Positions	This increment requests one new Deputy Commissioner, one Special Assistant to the Commissioner, and two Project Coordinators to support a new unit to provide direct oversight and leadership to the Office of Children's Services and the Division of Juvenile Justice. The federal and UGF distribution of costs is attributed to the department's federally approved Public Assistance Cost Allocation Plan; the "Office of the Commissioner Cost Center" (which includes the Commissioner, Deputy Commissioners, and

Department of Health and Social Services
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
12	Departmental Support Services / Commissioner's Office	Add Positions (06-#217, 06-#218, 06-219 and 06#220) and Authority to the Commissioner's Office for Reorganization	Total: \$632.9 \$253.2 Fed Rcpts (Fed) \$379.7 Gen Fund (UGF) 4 PFT Positions	(continued) Administrative Staff) historically sees a 40% Federal/ 60% State split between fund sources due to allocations to multiple federal and state programs.
13	Medicaid Services / Medicaid Services	Add Authority for Emer. Medical Transport Service Payments (Ch34 SLA2018 (HB176))	Total: \$21,891.2 \$11,163.4 Fed Rcpts (Fed) \$10,727.8 Stat Desig (Other)	Add authority for Emergency Medical Transport Service Payments based on the bill's fiscal note. This legislation directed the department to develop a program to provide supplemental reimbursement to eligible ground/air/water emergency medical transportation service providers for the cost of providing services to Medicaid recipients. The department received approval to the State Plan Amendment (SPA) from CMS on November 7, 2019. Regulations are currently being updated and are anticipated to be in place by July 2020 for a FY21 implementation.
14	Medicaid Services / Medicaid Services	Add UGF and Federal Authority to Cover Anticipated FY21 Medicaid Shortfall	Total: \$263,400.0 \$143,400.0 Fed Rcpts (Fed) \$120,000.0 GF/ Match (UGF)	Medicaid cost containment measures presented during the 2019 session have not materialized as projected. The FY20 UGF budget for the Medicaid Services appropriation (not including Adult Preventative Dental) is down \$151 million from the FY19 Final Budget, which included a \$15 million UGF supplemental. Moving into FY21, this requested increment would bridge a large portion of the funding gap and bring FY21 funding levels more in line with recent years' Medicaid budgets. Fiscal Analyst Comment: A FY20 supplemental request of a similar amount is likely. Medicaid is an entitlement program; anyone meeting state eligibility requirements can obtain the services of a Medicaid health care provider and the State and the federal government must pay for those services. The department has recently contracted with PCG Consulting to pursue unexplored short-term savings as well as develop a long-term, strategic road map for both the Medicaid and Public Assistance programs.

Department of Health and Social Services
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
15	Medicaid Services / Adult Preventative Dental Medicaid Services	Restore Adult Preventive Dental Program	\$8,273.6 GF/ Match (UGF)	<p>During the 2019 legislative session, the Governor proposed eliminating Adult Preventative Dental Medicaid services as part of Medicaid cost containment. The legislature denied the decrement -- \$8,273.6 UGF and \$18,370.9 Federal -- as well as added intent language to maintain the program. The Governor vetoed the funding, however, due to an error in the signed/vetoed bill, only the UGF portion, \$8.3 million, was vetoed while the \$18.3 million in federal authority remained.</p> <p>Additionally, there were legal issues with CMS that prevented the program from ending on July 1, 2019. DHSS issued a statement that benefits would continue through the first quarter and be discontinued on October 1, 2019.</p> <p>The Governor has now reversed the decision to terminate Adult Preventative Dental benefits and requests that the vetoed funding be restored.</p> <p>Fiscal Analyst Comment: A supplemental request for a similar amount is anticipated.</p>

**2020 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

Numbers and Language

Agency: Department of Labor and Workforce Development

Appropriation	[1] 20 CC	[2] 20 Auth	[3] 20MgtP1n	[4] 21Adj Base	[5] 21Gov	[5] - [3] 20MgtP1n to 21Gov	[5] - [4] 21Adj Bas to 21Gov
Commissioner and Admin Svcs	18,840.3	18,840.3	18,840.3	35,025.9	34,840.9	16,000.6 84.9 %	-185.0 -0.5 %
Workers' Compensation	11,210.2	11,226.3	11,226.3	10,869.0	11,269.0	42.7 0.4 %	400.0 3.7 %
Labor Standards and Safety	11,230.7	11,202.8	11,202.8	11,322.9	11,195.5	-7.3 -0.1 %	-127.4 -1.1 %
Employment & Training Services	69,099.8	70,099.8	70,099.8	52,897.6	52,724.4	-17,375.4 -24.8 %	-173.2 -0.3 %
Vocational Rehabilitation	25,383.0	25,383.0	25,383.0	25,500.1	25,415.8	32.8 0.1 %	-84.3 -0.3 %
AVTEC	14,836.5	14,836.5	14,836.5	14,832.9	15,090.3	253.8 1.7 %	257.4 1.7 %
Agency Total	150,600.5	151,588.7	151,588.7	150,448.4	150,535.9	-1,052.8 -0.7 %	87.5 0.1 %
Funding Summary							
Unrestricted General (UGF)	20,853.4	20,846.6	20,846.6	20,654.4	18,606.0	-2,240.6 -10.7 %	-2,048.4 -9.9 %
Designated General (DGF)	36,418.4	36,413.4	36,413.4	36,093.5	38,143.5	1,730.1 4.8 %	2,050.0 5.7 %
Other State Funds (Other)	17,131.9	17,131.9	17,131.9	17,131.6	17,390.7	258.8 1.5 %	259.1 1.5 %
Federal Receipts (Fed)	76,196.8	77,196.8	77,196.8	76,568.9	76,395.7	-801.1 -1.0 %	-173.2 -0.2 %

Department of Labor and Workforce Development
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Various	UGF Savings Associated with Administrative Efficiencies and Positions No Longer Needed	(\$776.6) Gen Fund (UGF) (9) PFT Positions	<p>UGF decrements associated with administrative efficiencies and positions no longer needed in the following appropriations total \$776.6 and include:</p> <p>Commissioner and Administrative Services Commissioner's Office, (\$35.0) - legal expense savings Management Services, (\$45.0) and 1 PFT - delete Admin. Asst. position Data Processing, (\$45.0) - shift focus to non-UGF funding sources Labor Market Information, (\$40.0) and 1 PFT - delete Office Asst. position</p> <p>Labor Standards & Safety Wage and Hour, (\$124.4) and 1 PFT - delete vacant Office Asst. position Occupational Safety and Health, (\$3.0)</p> <p>Employment and Training Services Unemployment Insurance, (\$173.2) and 2 PFTs - delete vacant Accounting Tech and Employment Security Analyst positions</p> <p>Vocational Rehabilitation Client Services, (\$84.3) and 2 PFTs - close Kodiak field office and eliminate two Vocational Rehab positions</p> <p>Alaska Vocational Technical Center (AVTEC) AVTEC, (\$226.7) and 2 PFTs - delete Maritime Instructional Aide and AVTEC instructor positions</p>
2	Various	Transfer Grants Unit Authority from Workforce Development to the Workforce Investment Board		<p>To eliminate the need for a reimbursable services agreement, the following grants unit authority, totaling \$16,380.0 and including 11 PFTs, is being transferred from the Workforce Development appropriation to the Workforce Investment Board in the Commissioner and Administrative Services appropriation:</p> <ul style="list-style-type: none"> - \$4,952.5 Federal Receipts - \$1,245.1 UGF - \$5,923.7 Employment Assistance and Training Program Account (STEP) (DGF) - \$4,258.7 Technical Vocational Education Program Receipts (TVEP) (DGF) <p>Fiscal Analyst Comment: The TVEP program is scheduled to sunset on June 30, 2020 and reauthorization is anticipated. The Governor's FY21</p>

Department of Labor and Workforce Development
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	Various	Transfer Grants Unit Authority from Workforce Development to the Workforce Investment Board		(continued) budget proposal holds TVEP funding flat from FY20 based on the following factors: - Due to the upcoming sunset, TVEP program allocations may be modified by the legislature and the distribution percentages beginning in FY21 are unknown at this time; - Currently, the actuarial analysis of the fund projects a FY21 balance to be materially similar to the current year. The department is holding the distribution steady until more information is available.
3	Labor Standards and Safety / Wage and Hour Administration	Replace UGF with GF/PR to Correct Categorization of Certified Payroll Filing Fees	Net Zero Change (\$1,400.0) Gen Fund (UGF) \$1,400.0 GF/Prgm (DGF)	The Wage and Hour Administration component collects certified payroll fees from contractors in Alaska under AS 36.05.045. Historically, the department has collected these fees and deposited them directly into the general fund, then requested unrestricted general fund appropriations. These receipts meet the definition of program receipts under AS 37.05.146(a). This change is necessary to correctly reflect certified payroll filing fee revenue as general fund program receipts.
4	Alaska Vocational Technical Center / Alaska Vocational Technical Center	Add Authority to Reflect Tuition and Fee Increases	\$250.0 GF/Prgm (DGF)	Add authority to collect and expend revenue from tuition and fee increases at the Alaska Vocational Technical Center (AVTEC). AVTEC is pursuing revenue generation opportunities to keep charges aligned with increasing instructional costs while still remaining more affordable than comparable post-secondary training providers in Alaska. AVTEC is increasing tuition rates by four percent as well as fees for student consumables and services related to technical instruction where expenditures are not fully supported by fee collection.
5	Alaska Vocational Technical Center / Alaska Vocational Technical Center	Add Authority for Contract Training in Response to Industry	\$234.1 Stat Desig (Other)	Additional authority is necessary to allow AVTEC to continue working with industry to provide focused, timely training to further develop Alaska's workforce, and to expend receipts collected from those non-state entities to conduct contracted trainings and support program operations.
6	Workers' Compensation / Second Injury Fund	LFD Adjustment to Restore Fiscal Note OTI Ch. 91 SLA 2018 (HB79) to Match the Governor's Bill	Net Zero Change	(\$400.0) Second Injury Fund (DGF) / \$400.0 Second Injury Fund (DGF) When HB 79 (Ch. 91, SLA 2018, Omnibus Workers'

Department of Labor and Workforce Development
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Workers' Compensation / Second Injury Fund	LFD Adjustment to Restore Fiscal Note OTI Ch. 91 SLA 2018 (HB79) to Match the Governor's Bill	Net Zero Change	<p>(continued)</p> <p>Compensation) was passed during the 2018 legislative session, the Second Injury Fund (SIF) provided a fiscal note stating that the fund could reduce expenditure authority for grants and benefits over five years until the expenditure authority was zeroed out. After further review, it has become clear that the fiscal note did not consider that 95% of SIF claims are for permanent total disability, meaning the claim will be paid for the life of the claimant. It will likely take decades for the fund liabilities to be fully absolved, and the division will require expenditure authority to make payments.</p> <p>Offsetting transactions of \$400.0 reflect both the projected savings presented to the legislature at the time of the bill's consideration, as well as the retained funding included in the Governor's FY21 proposal.</p> <p>Fiscal Analyst Comment: The referenced fiscal note also projected additional annual reductions of (\$400.0) through FY24. Based on the department's update that the Second Injury Fund will not be phased out in the near future, these reductions are not anticipated to occur.</p>
7	Commissioner and Administrative Services / Labor Market Information	Eliminate Training Clearinghouse Service	(\$45.0) Gen Fund (UGF)	The department is eliminating the Alaska Training Clearing House service, an online tool for exploring post secondary training available in Alaska. Currently, Labor Market Information (LMI) maintains the Clearinghouse online; however, most information is publicly available on the internet. LMI does not have a statutory or regulatory requirement to collect or provide this data.

Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

2020 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Department of Law

Allocation	[1] 20 CC	[2] 20 Auth	[3] 20MgtP1n	[4] 21Adj Base	[5] 21Gov	[5] - [3] 20MgtP1n to 21Gov	[5] - [4] 21Adj Bas to 21Gov		
Criminal Division									
First Judicial District	2,148.9	2,068.9	2,068.9	2,074.4	2,074.4	5.5	0.3 %	0.0	
Second Judicial District	2,227.0	2,129.3	2,129.3	2,136.0	2,436.0	306.7	14.4 %	300.0	14.0 %
Third Judicial: Anchorage	7,927.8	7,847.1	7,847.1	7,869.1	7,869.1	22.0	0.3 %	0.0	
Third JD: Outside Anchorage	5,565.4	5,473.4	5,473.4	5,492.0	5,492.0	18.6	0.3 %	0.0	
Fourth Judicial District	6,818.1	6,735.6	6,326.0	6,346.0	6,346.0	20.0	0.3 %	0.0	
Criminal Justice Litigation	2,354.4	3,957.1	4,160.5	4,170.2	4,170.2	9.7	0.2 %	0.0	
Criminal Appeals/Special Lit	7,265.2	7,173.3	7,379.5	7,416.8	7,916.8	537.3	7.3 %	500.0	6.7 %
Appropriation Total	34,306.8	35,384.7	35,384.7	35,504.5	36,304.5	919.8	2.6 %	800.0	2.3 %
Civil Division									
Dep. Attny General's Office	285.4	285.4	285.4	285.4	285.4	0.0		0.0	
Child Protection	7,473.2	7,473.2	7,473.2	7,496.9	7,496.9	23.7	0.3 %	0.0	
Commercial and Fair Business	5,892.5	5,892.5	5,717.5	5,703.5	5,703.5	-14.0	-0.2 %	0.0	
Environmental Law	1,740.4	1,740.4	1,922.9	1,926.0	1,926.0	3.1	0.2 %	0.0	
Human Services	3,212.3	3,212.3	3,262.3	3,271.1	3,271.1	8.8	0.3 %	0.0	
Labor and State Affairs	4,916.0	4,916.0	4,986.0	4,987.7	4,987.7	1.7		0.0	
Legislation/Regulations	1,534.8	1,534.8	1,464.8	1,310.5	1,310.5	-154.3	-10.5 %	0.0	
Natural Resources	8,520.8	9,003.4	8,820.9	8,042.1	7,817.3	-1,003.6	-11.4 %	-224.8	-2.8 %
Opinions, Appeals and Ethics	2,598.2	2,598.2	2,398.2	2,399.2	2,399.2	1.0		0.0	
Reg Affairs Public Advocacy	2,839.2	2,839.2	2,839.2	2,847.5	2,847.5	8.3	0.3 %	0.0	
Special Litigation	1,211.6	1,211.6	1,586.6	1,587.4	1,587.4	0.8	0.1 %	0.0	
Information & Project Support	2,013.2	2,013.2	2,013.2	2,021.7	2,021.7	8.5	0.4 %	0.0	
Torts & Workers' Compensation	4,184.0	4,184.0	4,134.0	4,142.4	4,142.4	8.4	0.2 %	0.0	
Transportation Section	2,627.1	2,627.1	2,627.1	2,631.4	2,631.4	4.3	0.2 %	0.0	
Appropriation Total	49,048.7	49,531.3	49,531.3	48,652.8	48,428.0	-1,103.3	-2.2 %	-224.8	-0.5 %
Administration and Support									
Office of the Attorney General	504.5	504.5	504.5	959.6	959.6	455.1	90.2 %	0.0	
Administrative Services	3,146.2	3,146.2	3,146.2	3,158.4	3,158.4	12.2	0.4 %	0.0	
Law State Facilities Rent	846.3	846.3	846.3	846.3	846.3	0.0		0.0	
Appropriation Total	4,497.0	4,497.0	4,497.0	4,964.3	4,964.3	467.3	10.4 %	0.0	
Agency Total	87,852.5	89,413.0	89,413.0	89,121.6	89,696.8	283.8	0.3 %	575.2	0.6 %
Funding Summary									
Unrestricted General (UGF)	51,271.0	51,228.8	51,228.8	50,872.9	52,475.6	1,246.8	2.4 %	1,602.7	3.2 %
Designated General (DGF)	2,907.7	4,510.4	4,510.4	4,518.5	2,691.0	-1,819.4	-40.3 %	-1,827.5	-40.4 %
Other State Funds (Other)	32,155.1	32,155.1	32,155.1	32,204.0	32,504.0	348.9	1.1 %	300.0	0.9 %
Federal Receipts (Fed)	1,518.7	1,518.7	1,518.7	1,526.2	2,026.2	507.5	33.4 %	500.0	32.8 %

Department of Law
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Criminal Division / Second Judicial District	Add Authority and Positions for Utqiagvik District Attorney's Office	\$300.0 Stat Desig (Other) 2 PFT Positions	<p>This increment provides an Attorney III and a Law Office Assistant I for the Utqiagvik District Attorney's Office using statutory designated program receipt (SDPR) authority. This receipt authority will allow the department to use funding from the North Slope Borough to support the operations of the Utqiagvik office.</p> <p>Fiscal Analyst Comment: The department operated an office in Utqiagvik with two prosecutors and two support staff until it was closed in 2016. In the FY20 budget, the legislature provided \$533.5 UGF and 2 PFT positions (an Attorney IV, and a V/W Paralegal II) to reopen the Utqiagvik District Attorney's Office. The Governor's FY21 proposal would return the office to its pre-2016 staffing levels.</p>
2	Criminal Division / Criminal Justice Litigation	Maintain Ongoing Activities for Crimes; Sentencing; Drugs; Theft; Reports (Ch4 FSSLA2019 (HB49))	Net Zero Change \$1,602.7 Gen Fund (UGF) (\$1,602.7) PCE Endow (DGF)	During the 2019 session, the legislature elected to fund the first year (FY20) of new legislation primarily with Power Cost Equalization Endowment funds. To more closely align with the original UGF funding intent of all impacted legislation, the Governor's FY21 request includes fund changes to replace continued funding with UGF.
3	Criminal Division / Criminal Appeals/ Special Litigation	Expand Prosecutions in Rural Alaska	\$500.0 Fed Rcpts (Fed) 3 PFT Positions	<p>Increased federal receipt authority will allow the department to receive grant money from the U.S. Department of Justice for the purpose of adding two Attorney IVs and one Law Office Assistant I who will focus on felony crimes including felony sexual assault in rural Alaska. The federal grant agreement between the U.S. Department of Justice and the Department of Law will maintain a \$500.0 funding level over a three-year period and does not require any state match.</p> <p>Fiscal Analyst Comment: This fund source may need to be replaced after the conclusion of the federal grant agreement, as future availability of these funds is unknown.</p>
4	Civil Division / Natural Resources	Delete Alaska Oil and Gas Conservation Commission Receipts No Longer Needed	(\$224.8) AOGCC Rct (DGF)	The department will be reimbursed for legal services provided to the Alaska Oil and Gas Conservation Commission (AOGCC) through a reimbursable services agreement using existing budgeted interagency receipt authority.

Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

2020 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Department of Military and Veterans' Affairs

Allocation	[1] 20 CC	[2] 20 Auth	[3] 20MgtP1n	[4] 21Adj Base	[5] 21Gov	[5] - [3] 20MgtP1n to 21Gov	[5] - [4] 21Adj Bas to 21Gov
Military and Veterans' Affairs							
ALMR	4,263.1	4,263.1	4,263.1	4,263.1	4,263.1	0.0	0.0
SATS	4,724.0	4,724.0	4,724.0	4,759.5	4,795.0	71.0 1.5 %	35.5 0.7 %
Office of the Commissioner	6,775.9	6,677.0	6,677.0	6,690.2	5,993.0	-684.0 -10.2 %	-697.2 -10.4 %
Homeland Security & Emerg Mgt	10,495.7	10,495.7	10,495.7	10,528.5	9,824.9	-670.8 -6.4 %	-703.6 -6.7 %
Local Emergency Planning Comm	225.0	0.0	0.0	0.0	0.0	0.0	0.0
Army Guard Facilities Maint.	11,803.0	11,803.0	11,803.0	11,862.0	10,660.7	-1,142.3 -9.7 %	-1,201.3 -10.1 %
Air Guard Facilities Maint.	7,014.3	7,014.3	7,014.3	7,086.0	7,036.5	22.2 0.3 %	-49.5 -0.7 %
Alaska Military Youth Academy	9,729.2	9,729.2	9,729.2	9,782.9	9,782.9	53.7 0.6 %	0.0
Veterans' Services	2,214.5	2,214.2	2,214.2	2,216.8	2,216.8	2.6 0.1 %	0.0
State Active Duty	325.0	325.0	325.0	325.0	325.0	0.0	0.0
Appropriation Total	57,569.7	57,245.5	57,245.5	57,514.0	54,897.9	-2,347.6 -4.1 %	-2,616.1 -4.5 %
Alaska Aerospace Corporation							
Alaska Aerospace Corporation	4,270.4	4,228.1	4,228.1	4,228.1	4,228.1	0.0	0.0
AAC Facilities Maintenance	6,776.2	6,564.3	6,564.3	6,564.3	6,564.3	0.0	0.0
Appropriation Total	11,046.6	10,792.4	10,792.4	10,792.4	10,792.4	0.0	0.0
Agency Total	68,616.3	68,037.9	68,037.9	68,306.4	65,690.3	-2,347.6 -3.5 %	-2,616.1 -3.8 %
Funding Summary							
Unrestricted General (UGF)	23,566.9	23,341.9	23,341.9	23,442.0	22,761.6	-580.3 -2.5 %	-680.4 -2.9 %
Designated General (DGF)	178.4	178.4	178.4	178.4	178.4	0.0	0.0
Other State Funds (Other)	11,323.6	11,195.7	11,195.7	11,234.3	9,763.8	-1,431.9 -12.8 %	-1,470.5 -13.1 %
Federal Receipts (Fed)	33,547.4	33,321.9	33,321.9	33,451.7	32,986.5	-335.4 -1.0 %	-465.2 -1.4 %

Department of Military and Veterans' Affairs
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Military and Veterans' Affairs / Alaska Land Mobile Radio	Transfer Alaska Land Mobile Radio from the Department of Administration for Better Alignment		<p>This structure change transfers \$4,261.3 in total authority [\$1,900.0 Fed/ \$2,303.1 UGF/ \$60.0 GF/ Prgm].</p> <p>One of the purposes of the Alaska Land Mobile Radio System (ALMR) is to communicate emergency notices with outlying communities. The transfer of ALMR from the Department of Administration (DOA) to the Department of Military and Veterans' Affairs (DMVA) may provide better mission alignment.</p> <p>Fiscal Analyst Comment: In FY06, ALMR was transferred from DOA to DMVA and then transferred back to DOA's Enterprise Technology Services allocation in FY07.</p>
2	Military and Veterans' Affairs / State of Alaska Telecom System	Transfer State of Alaska Telecommunications System from Dept. of Admin for Better Alignment		<p>This structure change transfers \$4,795.0 in total authority [\$4,705.0 UGF/ \$90.0 GF/Prgm] and 24 PFT positions.</p> <p>One of the purposes of the State of the Alaska Telecommunication System (SATS) is to communicate emergency notices with the public and government. Transfer of SATS from the Department of Administration (DOA) to the Department of Military and Veterans' Affairs (DMVA) may provide better mission alignment.</p> <p>Fiscal Analyst Comment: The 24 positions being transferred with this program do not include administrative support positions. It is not clear how much support was provided previously in DOA, or if DMVA has the administrative capacity to handle the increase in administrative work load required.</p>
3	Military and Veterans' Affairs / Homeland Security and Emergency Management	Reduce Matching Funding Due to Business Process Realignment and Efficiencies	(\$400.0) GF/Match (UGF)	<p>Efficiencies include: maximizing the utilization of federal Emergency Management Performance Grant (EMPG) funding to cover costs that are currently being covered with state funds; reducing travel, services and commodities costs; and restructuring payments and workflows between the Division of Homeland Security and Emergency Management and the Division of Administrative Services.</p>

Department of Military and Veterans' Affairs
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Military and Veterans' Affairs / Army Guard Facilities Maintenance	Reduce Authority Due to Armory Divestiture Maintenance Savings	(\$50.0) Gen Fund (UGF)	<p>The Alaska Army National Guard is undergoing a long-term process of divesting properties that are no longer used by the National Guard. This reduction in funding is for the maintenance cost savings resulting from the divestiture of ten additional armories.</p> <p>Fiscal Analyst Comment: This modest reduction in operating costs reflects the minimal maintenance provided for these facilities in recent years. The main savings from divestiture will be realized in avoided major maintenance costs in later years.</p>
5	Military and Veterans' Affairs / Army Guard Facilities Maintenance	Reduce Authority Due to Janitorial Contract Savings	Total: (\$501.3) (\$378.3) Fed Rcpts (Fed) (\$123.0) Gen Fund (UGF)	Janitorial cost savings will result from janitorial contract changes such as reducing the frequency of visits and focusing on common areas only, for all buildings on Joint Base Elmendorf-Richardson and Eielson Air Force Base.

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Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

2020 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Department of Natural Resources

Allocation	[1] 20 CC	[2] 20 Auth	[3] 20MgtP1n	[4] 21Adj Base	[5] 21Gov	[5] - [3] 20MgtP1n to 21Gov	[5] - [4] 21Adj Bas to 21Gov	[5] - [4] to 21Gov	[5] - [4] to 21Gov
Administration & Support									
Commissioner's Office	1,706.1	6,486.1	6,486.1	1,506.8	1,506.8	-4,979.3	-76.8 %	0.0	
Project Management & Permittin	6,076.1	6,076.1	6,076.1	6,076.7	6,671.7	595.6	9.8 %	595.0	9.8 %
Administrative Services	3,684.2	3,684.2	3,684.2	3,694.8	3,694.8	10.6	0.3 %	0.0	
Information Resource Mgmt.	3,813.2	3,813.2	3,813.2	3,694.2	3,694.2	-119.0	-3.1 %	0.0	
Interdepartmental Chargebacks	1,331.8	1,331.8	1,331.8	1,331.8	1,331.8	0.0		0.0	
Facilities	2,592.9	2,592.9	2,592.9	2,592.9	2,592.9	0.0		0.0	
Recorder's Office/UCC	3,795.9	3,630.0	3,630.0	3,645.1	3,645.1	15.1	0.4 %	0.0	
EVOS Trustee Council Projects	163.5	163.5	163.5	163.5	163.5	0.0		0.0	
Public Information Center	651.2	651.2	651.2	767.8	767.8	116.6	17.9 %	0.0	
Mental Health Trust Land Admin	4,504.5	4,504.5	4,504.5	4,504.5	4,425.6	-78.9	-1.8 %	-78.9	-1.8 %
Appropriation Total	28,319.4	32,933.5	32,933.5	27,978.1	28,494.2	-4,439.3	-13.5 %	516.1	1.8 %
Oil & Gas									
Oil & Gas	21,069.5	21,069.5	21,069.5	21,113.7	20,895.7	-173.8	-0.8 %	-218.0	-1.0 %
Appropriation Total	21,069.5	21,069.5	21,069.5	21,113.7	20,895.7	-173.8	-0.8 %	-218.0	-1.0 %
Fire, Land & Water Resources									
Mining, Land & Water	28,527.4	27,527.4	27,527.4	27,645.1	27,931.2	403.8	1.5 %	286.1	1.0 %
Forest Management & Develop	7,869.0	7,869.0	7,869.0	7,888.2	7,970.1	101.1	1.3 %	81.9	1.0 %
Geological/Geophysical Surveys	9,027.9	9,027.9	9,027.9	9,061.4	9,086.4	58.5	0.6 %	25.0	0.3 %
Fire Suppression Preparedness	19,656.6	19,656.6	19,656.6	19,744.9	19,744.9	88.3	0.4 %	0.0	
Fire Suppression Activity	27,101.4	27,101.4	27,101.4	27,101.4	27,101.4	0.0		0.0	
Agricultural Development	1,532.8	1,532.8	1,532.8	1,535.8	4,811.5	3,278.7	213.9 %	3,275.7	213.3 %
Appropriation Total	93,715.1	92,715.1	92,715.1	92,976.8	96,645.5	3,930.4	4.2 %	3,668.7	3.9 %
Parks & Outdoor Recreation									
Parks Management & Access	13,296.4	13,296.4	13,296.4	13,351.7	13,461.7	165.3	1.2 %	110.0	0.8 %
History & Archaeology	2,464.9	2,464.9	2,464.9	2,474.8	2,554.8	89.9	3.6 %	80.0	3.2 %
Appropriation Total	15,761.3	15,761.3	15,761.3	15,826.5	16,016.5	255.2	1.6 %	190.0	1.2 %
Agriculture									
N. Latitude Plant Material Ctr	3,255.5	3,255.5	3,255.5	3,275.7	0.0	-3,255.5	-100.0 %	-3,275.7	-100.0 %
Agr Revolving Loan Pgm Admin	319.6	0.0	0.0	0.0	0.0	0.0		0.0	
Appropriation Total	3,575.1	3,255.5	3,255.5	3,275.7	0.0	-3,255.5	-100.0 %	-3,275.7	-100.0 %
Agency Total	162,440.4	165,734.9	165,734.9	161,170.8	162,051.9	-3,683.0	-2.2 %	881.1	0.5 %
Funding Summary									
Unrestricted General (UGF)	65,041.0	69,821.0	69,821.0	65,000.0	65,595.0	-4,226.0	-6.1 %	595.0	0.9 %
Designated General (DGF)	35,518.1	35,032.6	35,032.6	35,174.1	35,497.2	464.6	1.3 %	323.1	0.9 %
Other State Funds (Other)	36,526.2	36,526.2	36,526.2	36,602.0	36,495.1	-31.1	-0.1 %	-106.9	-0.3 %
Federal Receipts (Fed)	25,355.1	24,355.1	24,355.1	24,394.7	24,464.6	109.5	0.4 %	69.9	0.3 %

Department of Natural Resources

Summary of Budget Changes

(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Administration & Support Services / Office of Project Management & Permitting	Add Funding for Federal Plans Review and Coordination	\$595.0 Gen Fund (UGF)	<p>This increment would fund the review of federal plans, including major revisions to allow oil and gas exploration in the Arctic National Wildlife Refuge. The funding would enable the State to engage with federal agencies and comment on federal proposals.</p> <p>A portion of the increment would pay for activities that are currently funded by the Arctic Strategic Transportation and Resources capital project, which is nearly expended. The funding would be used for positions within the Office of Project Management and Permitting and for the participation of other divisions within DNR or other agencies. It also includes \$100.0 for travel.</p>
2	Fire Suppression, Land & Water Resources / Mining, Land & Water	Land Sales Fairbanks Project Development Team	\$98.8 State Land (DGF) 1 PFT Position	The Governor's budget adds a new Natural Resource Specialist position in Fairbanks to prepare Final Finding and Decision documents for land sales. This additional position will allow for more state land to be sold to Alaskans.
3	Fire Suppression, Land & Water Resources / Mining, Land & Water	Aquatic Farm Application Processing	\$187.3 GF/Prgm (DGF)	The aquatic farming industry in Alaska has expanded in recent years. Prior to 2017, the division received an average of two aquatic farm lease applications per year. From 2017-2019, the department received 46 applications. The department reprioritized two existing positions to support this industry, but before that a single employee processed all aquatic farm lease applications. This increment will utilize program receipts to fund the additional employees to reduce processing time.
4	Fire Suppression, Land & Water Resources / Fire Suppression Activity	Estimated FY20 Fire Suppression Supplemental	\$94,500.0 Gen Fund (UGF)	<p>The calendar year 2019 fire season was the most expensive in Alaska's history, totaling \$224.9 million (\$142.1 million UGF, \$82.8 million federal). That cost is spread across fiscal years 19 and 20. Federal funding for fire suppression comes from an open-ended language appropriation, but the UGF comes from a variety of sources.</p> <p>Per AS 26.23.020(j), when a fire disaster is declared the Governor may expend whatever is necessary to protect life and property. If appropriated funding for fire suppression activity runs out, expenditures will continue and will be submitted as a ratification (for closed fiscal years) or a future supplemental appropriation. A ratification of approximately \$25</p>

Department of Natural Resources
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Fire Suppression, Land & Water Resources / Fire Suppression Activity	Estimated FY20 Fire Suppression Supplemental	\$94,500.0 Gen Fund (UGF)	<p>(continued) million is necessary for FY19 and will be submitted when the number is finalized. In FY20, UGF spending authorizations have exceeded the budgeted amount by \$94.5 million. This funding has largely already been spent and the legislature will need to appropriate that funding as an FY20 supplemental appropriation. The Governor's fiscal summary includes \$94.5 million as a placeholder for a likely supplemental request.</p> <p>Fiscal Analyst Comment: The \$94.5 estimate does not include costs for the spring 2020 fire season. The \$7.9 million supplemental in FY19 was based on a 10-year average of spring costs, bringing the estimated supplemental need closer to \$102.5 million. Appropriating only the amount already expended and neglecting the need for the remainder of the year would not be consistent with transparent budgeting practices.</p>
5	Fire Suppression, Land & Water Resources / Agricultural Development	Transfer Agricultural Development allocation from Agriculture appropriation to Fire, Land & Water Resources approp		<p>In FY20, there was an appropriation for Agriculture that included two allocations: Agricultural Development and the North Latitude Plant Materials Center. The Governor's budget transfers all funding and positions into a single allocation, Agricultural Development, and moves that allocation to the Fire Suppression, Mining, Land & Water Resources appropriation.</p> <p>Fiscal Analyst Comment: The justification for the change is that the combined structure will be more efficient to administer. Combining allocations and appropriations typically has the drawback of decreased legislative control over agency spending and reduced clarity on how the funds are spent.</p>

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Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

**2020 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

Numbers and Language

Agency: Department of Public Safety

<u>Appropriation</u>	<u>[1] 20 CC</u>	<u>[2] 20 Auth</u>	<u>[3] 20MgtP1n</u>	<u>[4] 21Adj Base</u>	<u>[5] 21Gov</u>	<u>[5] - [3] 20MgtP1n to 21Gov</u>	<u>[5] - [4] 21Adj Bas to 21Gov</u>		
Fire and Life Safety	5,400.3	5,400.3	5,400.3	5,423.6	5,859.7	459.4	8.5 %	436.1	8.0 %
Alaska State Troopers	144,561.0	144,561.0	144,561.0	144,789.8	155,059.8	10,498.8	7.3 %	10,270.0	7.1 %
Village Public Safety Officers	14,055.7	11,055.7	11,055.7	11,058.1	11,058.1	2.4		0.0	
AK Police Standards Council	1,300.7	1,300.7	1,300.7	1,305.5	1,305.5	4.8	0.4 %	0.0	
Domestic Viol/Sexual Assault	26,039.5	25,789.5	25,789.5	25,799.7	26,729.5	940.0	3.6 %	929.8	3.6 %
Violent Crimes Comp Board	3,183.8	3,183.8	3,183.8	3,185.4	2,518.5	-665.3	-20.9 %	-666.9	-20.9 %
Statewide Support	27,329.5	27,422.0	27,422.0	27,489.9	29,106.9	1,684.9	6.1 %	1,617.0	5.9 %
Agency Total	221,870.5	218,713.0	218,713.0	219,052.0	231,638.0	12,925.0	5.9 %	12,586.0	5.7 %
Funding Summary									
Unrestricted General (UGF)	172,723.0	169,223.0	169,223.0	169,571.5	182,019.3	12,796.3	7.6 %	12,447.8	7.3 %
Designated General (DGF)	8,500.7	8,843.2	8,843.2	8,799.6	8,737.9	-105.3	-1.2 %	-61.7	-0.7 %
Other State Funds (Other)	13,987.2	13,987.2	13,987.2	14,009.6	13,209.5	-777.7	-5.6 %	-800.1	-5.7 %
Federal Receipts (Fed)	26,659.6	26,659.6	26,659.6	26,671.3	27,671.3	1,011.7	3.8 %	1,000.0	3.7 %

Department of Public Safety
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Fire and Life Safety / Fire and Life Safety	Add Three Building Plans Examiners and One Admin Assistant to Improve Building Plan Review Turnaround Time	Total: \$436.1 \$219.0 Gen Fund (UGF) \$217.1 GF/Prgm (DGF) 4 PFT Positions	The current turnaround time for building plan review and inspection is between eight and twelve weeks and the department aspires to reduce this turnaround time to two weeks, with the exception of larger more complex facilities which inherently require a longer review period.
2	Alaska State Troopers / Various	Expand Alaska State Troopers Program with Added Positions and Authority in Various Allocations	\$10,333.0 Gen Fund (UGF) 36 PFT Positions	<p>The Governor's FY21 request includes funding and positions in various allocations throughout the Alaska State Troopers appropriation to address crime in Alaska, with a focus on stationing Alaska State Troopers in rural communities.</p> <p><u>Alaska Bureau of Judicial Services: \$171.2 UGF total and 1 PFT Position</u> Add Authority to Reduce Vacancy - \$86.2 UGF Add Office Assistant II in Anchorage - \$85.0 UGF and 1 PFT Position</p> <p><u>AST Detachments: \$9,100.0 UGF total and 31 PFT Positions</u> Add Authority to Reduce Vacancy - \$2,152.6 UGF Add 15 State Troopers, 5 Court Service Officers, 3 Aircraft Pilots, and 8 Technical and Administrative Staff Positions - \$6,947.4 UGF and 31 PFT Positions</p> <p><u>Alaska Bureau of Investigation: \$287.4 UGF total and 2 PFT Positions</u> Add Authority to Reduce Vacancy - \$25.0 UGF Add a Data Processing Manager II and a V/W Paralegal I in Anchorage - \$262.4 and 2 PFT Positions</p> <p><u>Alaska Wildlife Troopers: \$470.1 UGF total</u> Add Authority to Reduce Vacancy - \$470.1 UGF</p> <p><u>Alaska Wildlife Troopers Aircraft Section: \$140.5 UGF and 1 PFT Position</u> Add an Aircraft Pilot III in Anchorage - \$140.5 UGF and 1 PFT Position</p> <p><u>Alaska Wildlife Troopers Marine Section: \$163.8 UGF and 1 PFT Position</u> Add a Boat Officer III in Anchorage - \$163.8 UGF and 1 PFT Position</p>

Department of Public Safety
Summary of Budget Changes
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	Alaska State Troopers / Various	Expand Alaska State Troopers Program with Added Positions and Authority in Various Allocations	\$10,333.0 Gen Fund (UGF) 36 PFT Positions	<p>(continued)</p> <p>Fiscal Analyst Comment: This request includes \$7,599.1 in UGF authority to add 36 positions, as well as \$2,733.9 in UGF authority to reduce vacancy in the Alaska State Troopers (AST) appropriation. The Office of Management and Budget (OMB) provides guidelines that recommend a vacancy factor between 4% and 7% for an agency with 51 or more employees. OMB also provides exceptions for certain circumstances.</p> <p>The largest transaction to reduce vacancy is for \$2,152.6 UGF in the AST Detachments. This would reduce the allocation's budgeted vacancy factor from 4.44% to 1.53%. This reduction to the budgeted vacancy factor would imply that nearly all currently budgeted positions are filled, with very little expectation of any turnover. The AST Detachments allocation includes 389 budgeted positions in the FY20 Management Plan, and 346 were filled as of January 15, 2020. The allocation's FY19 Actual expenditures for personal services exceeded the FY19 Management Plan by \$4,396.5 UGF, which includes \$2,285.4 UGF for a classification increase, for a net of \$2,111.1 UGF.</p> <p>The department reports using AST Detachment vacancy funding to pay for the salaries of recruits who are enrolled in the AST Academy, and that the number of recruits in FY19 and FY20 significantly exceeds prior year numbers. These trainees are not included in the allocation's filled position count, and it may be appropriate to track these costs separately in the agency's budget.</p> <p>The legislature may determine whether budgeted positions in the AST Detachments and AST Academy training classes are filled to a degree that warrants this increment, otherwise the added personal services funding could lapse or be spent for other purposes. The legislature does have the ability to restrict the amount of funding that can be transferred out of the personal services line using wordage.</p>

Department of Public Safety
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	Alaska State Troopers / Various	Expand Alaska State Troopers Program with Added Positions and Authority in Various Allocations	\$10,333.0 Gen Fund (UGF) 36 PFT Positions	<p>(continued)</p> <p>This request also includes \$470.1 UGF to reduce vacancy for the Alaska Wildlife Troopers, an agency with 124 budgeted positions in the FY20 Management Plan. This increment would reduce the program's vacancy factor from 4.81% to 2.63%.</p> <p>Please also see Item 3 regarding a line item transfer of \$868.8 UGF from services to personal services in order to further reduce the Alaska Wildlife Troopers vacancy. If both of these transactions are accepted, the Alaska Wildlife Troopers budget will be overfunded by \$303.1 for personal services costs and have no vacancy factor.</p>
3	Alaska State Troopers / Alaska Wildlife Troopers	Align Authority with Anticipated Expenditures		<p>In order to reduce vacancy, \$868.8 UGF is transferred from the services line to the personal services line.</p> <p>Fiscal Analyst Comment: The department can transfer these funds in the FY21 Management Plan and does not require legislative approval for this line item transfer. However, it is important to note that the Alaska Wildlife Troopers have a current vacancy factor of 4.81% or \$1,035.8. This transfer would reduce their vacancy factor to 0.78% or \$167.0 for FY21 based on this transaction alone.</p> <p>Please also see Item 2 regarding the request for an additional \$470.1 UGF to further reduce the Alaska Wildlife Troopers vacancy. If both of these transactions were accepted, the Alaska Wildlife Troopers budget would be overfunded by \$303.1 for personal services costs, leaving no vacancy factor.</p>
4	Various	Reduce Authority to Align with Anticipated Revenue	Total: (\$737.1) (\$70.2) Rest Just (Other) (\$666.9) Crime VCF (Other)	<p>The FY21 proposal includes two decrements in the Department of Public Safety related to the Restorative Justice Account, formerly known as Permanent Fund Dividend (PFD) Criminal funds. The amount of Restorative Justice Account funds available for appropriation in FY21 is significantly less than the FY20 amount due to low inmate counts from the Department of Corrections in the 2018 calendar year.</p> <p>The Violent Crimes Compensation Board allocation includes a decrement of (\$666.9) in Crime Victim Compensation funds. This fund is capitalized with</p>

Department of Public Safety
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Various	Reduce Authority to Align with Anticipated Revenue	Total: (\$737.1) (\$70.2) Rest Just (Other) (\$666.9) Crime VCF (Other)	(continued) Restorative Justice Account funds, hence the reduced amount of funds available for appropriation. The Council on Domestic Violence and Sexual Assault allocation also includes a decrement of (\$70.2) in Restorative Justice Account funds. Fiscal Analyst Comment: The amount of Restorative Justice Account funds available for appropriation is outlined under AS 43.23.048. The calculation is based on Department of Corrections counts of incarcerated felons and misdemeanants, and Department of Public Safety counts of sentenced felons. These counts represent individuals who are ineligible for a Permanent Fund Dividend based on their criminal convictions, in accordance with AS 43.23.005(d). Those forfeited funds are then available in the subsequent budget cycle for appropriation to eligible agencies, including the Department of Public Safety. The Restorative Justice Account fund has historically demonstrated significant volatility based on fluctuations in the number of ineligible Alaskans, and in the amount of the Permanent Fund Dividend that is distributed each year.
5	Violent Crimes Compensation Board / Violent Crimes Compensation Board	Transfer Violent Crimes Compensation Board from Department of Administration to Department of Public Safety		This structure change transfers \$3,185.4 in total authority [\$1,000.0 Fed/ \$2,185.4 Crime VCF (Other)] and three PFT positions from the Department of Administration and establishes the program within the Department of Public Safety. The transfer of this program to the Department of Public Safety is designed to facilitate collaboration between the Violent Crimes Compensation Board and the Council on Domestic Violence and Sexual Assault.
6	Council on Domestic Violence and Sexual Assault / Council on Domestic Violence and Sexual Assault	Add Authority for Victims of Crime Act Grant	\$1,000.0 Fed Rcpts (Fed)	Added federal receipt authority will allow the Council on Domestic Violence and Sexual Assault (CDVSA) to access and distribute increased Victims of Crime Act (VOCA) funding available through the federal formula grant. The FY21 Governor's detail book explains that funding will be focused on three categories that were not funded or received minimal funding in the past: legal assistance for victims of violent crimes, mental health counseling for child and youth victims and witnesses, and Child Advocacy Centers. CDVSA

Department of Public Safety
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Council on Domestic Violence and Sexual Assault / Council on Domestic Violence and Sexual Assault	Add Authority for Victims of Crime Act Grant	\$1,000.0 Fed Rcpts (Fed)	(continued) issued a Request for Proposals (RFP) in FY20, and plans to distribute funds to successful applicants in FY21 and FY22.
7	Statewide Support / Information Systems	Add Authority to Implement New Anchorage Emergency Communications Center and Support Staff	\$872.8 Gen Fund (UGF) 7 PFT Positions	<p>This authority will be used to establish a new program in Anchorage that will expand the availability of enhanced "9-1-1" services to callers outside of urban centers. Currently, when dispatchers receive "9-1-1" calls from individuals who are not connected to the Fairbanks, Wasilla, Soldotna or Ketchikan dispatch centers, the process of connecting the call causes the loss of location information, reducing the ability of dispatchers to direct timely assistance to the caller.</p> <p>The State of Alaska does not own the dispatch centers in Wasilla or Soldotna and engages in services contract agreements with the City of Wasilla and the Kenai Peninsula Borough to access those resources. For that reason, the Department of Public Safety cannot institute the desired technology updates at those facilities, and is proposing to consolidate resources at the Anchorage Emergency Communications Center.</p> <p>This increment includes \$767.8 UGF for seven new PFT positions including three information technology personnel and four emergency service dispatchers, as well as \$105.0 UGF for annual services costs.</p> <p>Fiscal Analyst Comment: The department reports that it does not anticipate a need for an increment to expand the program in FY22, but will transfer seven PFT positions from the Ketchikan dispatch center and eight PFT positions from the Soldotna dispatch center to build up the new Anchorage facility. While the Soldotna facility is not state owned, the eight employees are PFT state employees working at that location in accordance with the services contract agreement.</p> <p>The department also plans to discontinue its current dispatch services contract with the City of Wasilla and</p>

Department of Public Safety
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Statewide Support / Information Systems	Add Authority to Implement New Anchorage Emergency Communications Center and Support Staff	\$872.8 Gen Fund (UGF) 7 PFT Positions	(continued) plans to use the funds (estimated to be between \$1.5 and \$1.9 million) to supplement operating expenses at the new Anchorage facility starting in FY22. It's unclear what portion of those funds will be required at the new facility and whether there will be any savings. The department has not stated whether the Fairbanks or Ketchikan facilities will be closed as a result of this consolidation, or if the contract with the Kenai Peninsula Borough will be discontinued.
8	Statewide Support / Laboratory Services	Add Three Forensic Scientists and One Forensic Technician to Address Staffing Needs in State Crime Laboratory	\$744.2 Gen Fund (UGF) 4 PFT Positions	The State Crime Laboratory continues to experience a backlog of test work, and requires additional staff in order to meet operational needs. Fiscal Analyst Comment: HB 49 added statutory requirements for the timeframe in which certain State Crime Laboratory services must be completed. The HB 49 fiscal note funding provided \$278.8 in FY21 to maintain two PFT positions added in FY20. The proposed FY21 increment for Laboratory Services will fund four new PFT positions at the State Crime Laboratory in an effort to address the ongoing backlog of required test work. This is related to Item 9 regarding the Governor's request for UGF funding to replace Power Cost Equalization Endowment funding for the two PFT positions added in FY20 based on the HB 49 fiscal note.
9	Statewide Support / Laboratory Services	Maintain Ongoing Activities for Crimes; Sentencing; Drugs; Theft; Reports (Ch4 FSSLA2019)	Net Zero Change \$278.8 Gen Fund (UGF) (\$278.8) PCE Endow (DGF)	The HB 49 fiscal note outlined continued funding of \$278.8 for FY21 costs related to two positions added in FY20. During the 2019 session, the legislature elected to fund the first year (FY20) of new legislation primarily with Power Cost Equalization Endowment funds. To more closely align with the original UGF funding intent of all impacted legislation, the Governor's FY21 request includes fund changes to replace continued funding with UGF. Fiscal Analyst Comment: Please see Item 8 regarding an increment for three additional PFT positions for Laboratory Services.

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Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

**2020 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

Numbers and Language

Agency: Department of Revenue

<u>Appropriation</u>	<u>[1] 20 CC</u>	<u>[2] 20 Auth</u>	<u>[3] 20MgtP1n</u>	<u>[4] 21Adj Base</u>	<u>[5] 21Gov</u>	<u>[5] - [3] 20MgtP1n to 21Gov</u>	<u>[5] - [4] 21Adj Bas to 21Gov</u>
Taxation and Treasury	94,853.9	94,641.7	94,641.7	94,725.8	90,501.6	-4,140.1 -4.4 %	-4,224.2 -4.5 %
Child Support Services	25,939.6	25,939.6	25,939.6	26,021.6	25,721.6	-218.0 -0.8 %	-300.0 -1.2 %
Administration and Support	4,106.5	4,106.5	4,106.5	4,111.0	3,479.5	-627.0 -15.3 %	-631.5 -15.4 %
Mental Health Trust Authority	5,508.5	5,504.3	5,504.3	5,504.3	5,645.8	141.5 2.6 %	141.5 2.6 %
AK Muni Bond Bank Authority	1,009.3	1,009.3	1,009.3	1,009.6	1,009.6	0.3	0.0
AK Housing Finance Corporation	99,472.4	99,472.4	99,472.4	99,472.4	99,972.4	500.0 0.5 %	500.0 0.5 %
AK Permanent Fund Corporation	173,595.4	168,299.1	168,299.1	168,299.1	147,081.3	-21,217.8 -12.6 %	-21,217.8 -12.6 %
Agency Total	404,485.6	398,972.9	398,972.9	399,143.8	373,411.8	-25,561.1 -6.4 %	-25,732.0 -6.4 %
Funding Summary							
Unrestricted General (UGF)	25,518.7	25,514.5	25,514.5	25,587.9	27,382.6	1,868.1 7.3 %	1,794.7 7.0 %
Designated General (DGF)	2,622.0	2,622.0	2,622.0	2,626.3	2,626.3	4.3 0.2 %	0.0
Other State Funds (Other)	296,170.8	290,662.3	290,662.3	290,700.4	263,471.7	-27,190.6 -9.4 %	-27,228.7 -9.4 %
Federal Receipts (Fed)	80,174.1	80,174.1	80,174.1	80,229.2	79,931.2	-242.9 -0.3 %	-298.0 -0.4 %

Department of Revenue
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Taxation and Treasury / Tax Division	Add Funding for Tax Revenue Management System Maintenance and Support Costs	\$2,221.6 Gen Fund (UGF)	<p>The Tax Revenue Management System (TRMS) was developed starting with a \$34.7 million capital project in FY12. The system is fully operational and capital project funds are fully expended. This increment is required to pay ongoing costs to maintain this system.</p> <p>The Governor's budget also includes a reduction of \$571.6 in Capital Improvement Project receipts from that expired capital project.</p> <p>Fiscal Analyst Comment: TRMS has allowed the Tax Division to transition from paper tax returns to a digital system, which will increase audit efficiency and reduce administrative burdens. From FY16 through the FY21 Governor's budget, the Tax Division has eliminated 21 positions for a combined reduction of \$2.4 million (excluding changes to the Economic Research Group).</p>
2	Taxation and Treasury / Tax Division	Consolidate Fish Tax Group into Excise Tax Group and Delete Publications Specialist	(\$346.6) Gen Fund (UGF) (3) PFT Positions	The Governor's budget combines the Fish Tax group into the larger Excise Tax group, eliminating a supervisory position and an auditor position. The budget also deletes a Publications Specialist that is no longer needed due to business process efficiencies.
3	Taxation and Treasury / Alaska Retirement Management Board Custody and Management Fees	Reduce Authority to Reflect Management Fee Savings	Total: (\$5,000.0) (\$151.1) Group Ben (Other) (\$3,224.0) PERS Trust (Other) (\$1,579.4) Teach Ret (Other) (\$40.0) Jud Retire (Other) (\$5.5) Nat Guard (Other)	The Treasury Division has increased internal management of assets, allowing for reduced use of higher-cost external managers.
4	Taxation and Treasury / Permanent Fund Dividend Division	Delete Positions and Authority as a Result of Technology Enhancements	(\$527.6) PFD Fund (Other) (6) PPT Positions	Paper applications for the Permanent Fund Dividend can now be scanned and read by Optical Character Recognition. As a result, six seasonal employees are no longer needed to manually enter information from these applications into computer systems.

Department of Revenue
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Child Support Services / Child Support Services Division	Reduce Funding Due to Anticipated Legal Services Cost Savings	Total: (\$300.0) (\$198.0) Fed Rcpts (Fed) (\$102.0) GF/Match (UGF)	This reduction in legal costs is due to three changes over the past five years: 1. The Child Support Services Division (CSSD) eliminated paper files as well as automated and standardized processes. 2. CSSD attorneys no longer provide services for non-custodial parents who are seeking order modifications for court orders. 3. CSSD no longer pursues contempt orders for not filling out a PFD application as it is not cost-effective unless it is done in combination with other enforcement actions.
6	Alaska Permanent Fund Corporation / APFC Operations	Add Authority for Staff Retention	\$720.7 PF Gross (Other)	The Governor's budget adds funding for retention adjustments to help the Alaska Permanent Fund Corporation (APFC) retain staff to ensure effective in-house investing and oversight of external managers. Fiscal Analyst Comment: APFC received similar increments for staff retention of \$216.0 in the FY17 budget and \$198.0 in the FY14 budget.
7	Alaska Permanent Fund Corporation / APFC Operations	Add Authority for Real Estate Asset Manager	\$257.5 PF Gross (Other) 1 PFT Position	This increment adds a Real Estate Asset Manager and funding to increase internal management of APFC's real estate assets. APFC's Board of Trustees estimates that bringing this position in-house will save \$2.5 million in external advisory fees.
8	Alaska Permanent Fund Corporation / APFC Operations	Reduce Authority Due to Operational Efficiencies	(\$1,097.9) PF Gross (Other)	The Board of Trustees identified budgetary savings in travel, contractual services, and commodities.
9	Alaska Permanent Fund Corporation / APFC Investment Management Fees	Reduce Authority to Reflect Management Fee Savings	(\$21,098.1) PF Gross (Other)	This reduction in management fees is due to the termination of the External Chief Investment Officer (CIO) program. This program was put in place in 2009 to partner with "best in class" institutional asset investment management firms. The aim of the program was to produce superior returns and to provide Trustees and staff the opportunity to work and learn from the external CIOs. The program was ended in 2018 as the Corporation determined that the program no longer met the needs and priorities of APFC given the development of APFC's portfolio and internal management and the evolution of the market environment since the inception of the program.

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**2020 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

Numbers and Language

Agency: Department of Transportation and Public Facilities

Appropriation	[1] 20 CC	[2] 20 Auth	[3] 20MgtP1n	[4] 21Adj Base	[5] 21Gov	[5] - [3] 20MgtP1n to 21Gov	[5] - [4] 21Adj Bas to 21Gov		
Administration and Support	56,732.7	56,481.9	56,481.9	52,339.8	50,477.3	-6,004.6	-10.6 %	-1,862.5	-3.6 %
Design, Engineering & Constr	112,031.4	111,839.5	111,839.5	117,987.5	116,785.9	4,946.4	4.4 %	-1,201.6	-1.0 %
State Equipment Fleet	34,765.5	34,506.9	34,506.9	34,830.3	34,830.3	323.4	0.9 %	0.0	
Highways/Aviation & Facilities	205,676.0	205,220.9	205,220.9	205,937.7	205,812.4	591.5	0.3 %	-125.3	-0.1 %
International Airports	89,741.0	89,592.3	89,592.3	91,382.2	91,470.9	1,878.6	2.1 %	88.7	0.1 %
Marine Highway System	96,366.7	96,366.7	96,366.7	96,213.5	100,704.2	4,337.5	4.5 %	4,490.7	4.7 %
Agency Total	595,313.3	594,008.2	594,008.2	598,691.0	600,081.0	6,072.8	1.0 %	1,390.0	0.2 %
Funding Summary									
Unrestricted General (UGF)	142,231.6	141,949.7	141,949.7	143,152.2	145,899.9	3,950.2	2.8 %	2,747.7	1.9 %
Designated General (DGF)	96,466.3	96,369.1	96,369.1	96,768.7	97,615.6	1,246.5	1.3 %	846.9	0.9 %
Other State Funds (Other)	354,994.3	354,072.3	354,072.3	357,146.8	354,942.3	870.0	0.2 %	-2,204.5	-0.6 %
Federal Receipts (Fed)	1,621.1	1,617.1	1,617.1	1,623.3	1,623.2	6.1	0.4 %	-0.1	

Department of Transportation and Public Facilities
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Highways, Aviation and Facilities / Central Region Highways and Aviation	Equate Available Revenues Proportionate to Share of Overhead Costs	Net Zero Change (\$55.0) Gen Fund (UGF) \$55.0 WhitTunnel (Other)	The Whittier Tunnel represents approximately 10 percent of the total Central Region maintenance and operations program. This fund change would utilize available receipts from the Whittier Tunnel to more proportionately pay the overhead salaries of the maintenance and operations chief, and the manager and administrative support staff. Fiscal Analyst Comment: Carry-forward receipts of the Whittier Tunnel are increasing and have grown from \$450.6 in FY17 to \$696.0 in FY20. The federal restrictions on use of the tolls provides limited opportunity for expenditure beyond direct and indirect cost of operating and maintaining the tunnel.
2	Highways, Aviation and Facilities / Various	Replace UGF with Available Airport Receipts	Net Zero Change (\$500.0) Gen Fund (UGF) \$500.0 AirprtRcpts (Other)	Last session, rural airport leasing revenue combined with carry-forward of prior year receipts was projected to be short of budgeted amounts. The FY20 budget included fund source changes totaling \$2 million in the three regions replacing airport receipts with UGF. Given new updated projections for carry-forward and revenues, along with the actions in FY20, the proposed FY21 budget includes fund changes reversing \$500.0 of the \$2,000.0 as follows: Central Region Highways and Aviation - (\$160.8) UGF, \$160.8 Airport Receipts Northern Region Highway and Aviation - (\$248.0)UGF, \$248 Airport Receipts Southcoast Region Highways and Aviation - (\$91.2) UGF, \$91.2 Airport Receipts Fiscal Analyst Comment: Carry-forward receipts from FY19 into FY20 were approximately \$1.7 million. If the \$500.0 fund source change were to occur in the FY21 budget, carry-forward into FY22 would be projected at \$1.4 million.
3	Marine Highway System / Various	Add Authority to Reduce Service Gaps and Increase Weeks of Service from 254.3 to 263.1 (8.8 week increase)	Total: \$4,735.2 \$3,302.7 Gen Fund (UGF) \$1,432.5 Marine Hwy (DGF)	The FY20 budget for AMHS incurred a UGF reduction of \$40 million. This was a compromise reduction from what the Governor had proposed and was intended to roughly equate the expected AMHS revenue to the UGF subsidy - each would pay approximately 50% of the total AMHS budget. The operating plan included service to all Alaska ports, albeit at a much reduced level.

Department of Transportation and Public Facilities
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Marine Highway System / Various	Add Authority to Reduce Service Gaps and Increase Weeks of Service from 254.3 to 263.1 (8.8 week increase)	Total: \$4,735.2 \$3,302.7 Gen Fund (UGF) \$1,432.5 Marine Hwy (DGF)	<p>(continued)</p> <p>Implementation of the FY20 plan has been rife with pitfalls. In December 2019, a RPL was submitted to the LB&A Committee for \$6 million which ended up being withdrawn due to technical concerns from LFD. The RPL pointed out numerous unexpected costs arising from the Inlandboatmen's Union (IBU) strike; the higher costs of operating the Columbia instead of the Matanuska due to project delays of the Matanuska; additional wages, travel, and per diem costs of the Matanuska project; and the Angoon ferry ramp repairs. AMHS also identified funding needs in its operating plan to provide service for the ALCAN snowmobile race, to continue service to Prince Rupert by covering the cost of the Royal Canadian Mounted Police, to cover the costs of the reshaping study, to operate the Tazlina in Southeast Alaska, to cover the unexpected lengthy overhaul of the LeConte, and to cover an average fuel cost of \$2.59/gallon versus the approved base fuel budget of \$2.36/gallon. A supplemental budget request for at least \$6 million will likely be forthcoming to cover these expenses.</p> <p>For FY21, the Governor's budget includes a total increase of \$4.7 million to increase service and reduce gaps in the schedule. The "Fare Box Recovery Rate," defined as the ratio of AMHS revenue to the total AMHS budget, would equate to 47% - Additional details are provided in the transaction notes provided by OMB.</p> <p>The table on the following page provides historical AMHS budget information along with projected AMHS Fund balances.</p> <p>Fiscal Analyst Comment: As can be seen from the table, the projected ending FY21 balance is \$41.2 million. This is an increase of approximately \$16 million as a result of Governor proposed deposits into the AMHS Fund from the AIDEA Dividend (\$14.75 million) and \$1.6 million from the Investment Loss Trust Fund unexpended balance.</p> <p>There has been concern from LFD for many years on the mixing of AMHS Revenue (DGF) and UGF</p>

Department of Transportation and Public Facilities
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Marine Highway System / Various	Add Authority to Reduce Service Gaps and Increase Weeks of Service from 254.3 to 263.1 (8.8 week increase)	Total: \$4,735.2 \$3,302.7 Gen Fund (UGF) \$1,432.5 Marine Hwy (DGF)	<p>(continued)</p> <p>Deposits in the AMHS Fund. The concern grew larger when a FY19 supplemental appropriation of \$20 million UGF was deposited into the AMHS Fund for a future indeterminate use. After the 2019 session, LFD created a new fund code to differentiate the DGF in the fund (code 1076) from the UGF deposits being made. The new fund code (code 1259 -- AMHS UGF) has not been used to date, but should be considered by the finance committees when appropriating money from the AMHS Fund.</p> <p>Years ago, other UGF had been appropriated to the AMHS Fund with intent language that it be accounted for separately. That money is still accounted for separately today in a subaccount within the AMHS Fund called the AMHS Capitalization Account. Given the nature and indeterminate future use provided for the \$20 million deposit, LFD believes that money and any future UGF deposits should be accounted for separately within the Capitalization Account and any appropriation from the account be coded fund code 1259.</p> <p>To prevent a budget problem if a revenue shortfall was to occur, a language section could be included in the budget to backfill any shortfall with a draw from the Capitalization Account.</p>

Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

AMHS Cash Flow/Fund Balance

	A	B	J	K	N	O	P	Q	R	S	T
	(thousands)		Actual	Actual	Actual	Actual	Projected	Projected			
	Description		FY16	FY17	FY18	FY19	FY20	FY21Gov			
3	Service Weeks		355.9	329.5	317.5	329.1	254.3	263.1			
4	Revenue Ratio (Fare Box Recovery) - Revenue/Costs		32%	34%	33%	33%	45%	47%			
5			67%	66%	66%	67%	53%	52%			
7	Cash Flow										
8	Sources										
9	AMHS Generated Revenues		47,158.0	45,759.0	47,316.0	50,804.0	45,326.9	48,478.8			
10	Restricted Revenues (CIP Rcpts)		603.0	659.0	977.0	399.0	1,921.9	849.2			
11	UGF Appropriations (base budget)		94,958.0	89,263.0	41,949.0	85,991.0	46,002.2	49,905.4			
12	DGF - Motor Fuel Tax (current statute)		-	-	3,552.4	3,617.1	3,617.1	3,617.1			
14	Fuel Trigger Appropriation		-	-	-	-	-	-			
15	Excess Fuel Trigger Appropriation		-	-	-	-	-	-			
16	Total Sources		142,719.0	135,681.0	93,794.4	140,811.1	96,868.1	102,850.5			
18	Uses										
19	Vessel Operations (less fuel)		106,661.0	99,029.0	102,272.0	102,849.0	70,696.2	74,461.7			
20	Vessel Fuel Base		16,634.0	15,299.2	18,895.4	19,540.0	12,057.2	12,640.3			
22	Shoreside/ Other		18,606.0	17,320.0	17,556.2	15,279.0	13,613.3	13,602.2			
23	Operating Expenses		141,901.0	131,648.2	138,723.6	137,668.0	96,366.7	100,704.2			
24	Support Services-DOT/DOA		3,280.9	3,280.9	3,287.4	3,204.0	3,282.6	2,460.7			
25	Annual Vessel Overhaul (Cap Bud)		-	-	-	13,500.0	-	-			
26	Annual Vessel Overhaul (Sup Cap)		-	-	-	1,400.0	-	-			
28	Total Uses		145,181.9	134,929.1	142,011.0	155,772.0	99,649.3	103,164.9			
30	Suplus/(Deficit)		(2,462.9)	751.9	(48,216.6)	(14,960.9)	(2,781.2)	(314.4)			
31	Traditional Fund - Draw		2,462.9	-	48,216.6	14,960.9	2,781.2	314.4			
32	Remaining Deficit		-	-	-	-	-	-			
33	Capitalization Acct - Draw		-	-	-	-	-	-			
34	Remaining Deficit		-	-	-	-	-	-			
36	Fund Balances										
37	Traditional Fund										
38	BOY Balance		20,907.1	18,444.2	28,660.9	10,444.3	5,546.4	2,765.2			
39	Deposits		-	751.9	6,081.8	10,063.0	-	-			
40	Supplemental Deposits		-	9,464.8	23,918.2	-	-	-			
41	Subtotal		20,907.1	28,660.9	58,660.9	20,507.3	5,546.4	2,765.2			
42	Withdrawals		(2,462.9)	-	(48,216.6)	(14,960.9)	(2,781.2)	(314.4)			
43	EOY Balance		18,444.2	28,660.9	10,444.3	5,546.4	2,765.2	2,450.8			
44											
45	Capitalization Acct										
46	BOY Balance		2,644.0	2,630.1	2,630.1	2,630.1	22,630.1	22,630.1			
47	Deposits		-	-	-	20,000.0	-	16,088.9			
48	Withdrawals		(13.9)	-	-	-	-	-			
49	EOY Balance		2,630.1	2,630.1	2,630.1	22,630.1	22,630.1	38,719.0			
50	Total Fund Balance		21,074.3	31,291.0	13,074.4	28,176.5	25,395.3	41,169.9			
52											
53											
54											
55											
56											

Analyst:
 SB 142, Sec 16 \$20 million UGF
 transfer for indeterminate
 future use

Analyst:
 Governor proposed Sections 7
 and 22(m) UGF to AMHS Fund

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Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

**2020 Legislature - Operating Budget
Allocation Summary - Governor Structure**

Numbers and Language

Agency: University of Alaska

Allocation	[1] 20 CC	[2] 20 Auth	[3] 20MgtP1n	[4] 21Adj Base	[5] 21Gov	[5] - [3] 20MgtP1n to 21Gov	[5] - [4] 21Adj Bas to 21Gov
University of Alaska							
Systemwide Reduction/Additions	-5,131.1	-25,131.1	1.0	1.0	1.0	0.0	0.0
Statewide Services	34,302.2	34,302.2	38,556.3	38,556.3	36,831.3	-1,725.0 -4.5 %	-1,725.0 -4.5 %
Office of Information Technolo	17,065.1	17,065.1	17,165.1	17,165.1	17,165.1	0.0	0.0
Anchorage Campus	265,995.8	265,995.8	255,925.7	255,910.7	246,385.7	-9,540.0 -3.7 %	-9,525.0 -3.7 %
Small Business Development Ctr	3,684.6	3,684.6	3,684.6	3,684.6	3,684.6	0.0	0.0
Fairbanks Campus	268,535.4	268,535.4	250,219.3	250,219.3	236,469.3	-13,750.0 -5.5 %	-13,750.0 -5.5 %
Fairbanks Organized Research	143,289.6	143,289.6	140,789.6	140,789.6	140,789.6	0.0	0.0
UA Foundation	3,987.7	3,987.7	4,263.9	4,263.9	4,263.9	0.0	0.0
Education Trust of Alaska	1,625.4	1,625.4	2,749.2	2,749.2	2,749.2	0.0	0.0
Kenai Peninsula College	16,301.6	16,301.6	16,207.7	16,207.7	16,207.7	0.0	0.0
Kodiak College	5,600.0	5,600.0	5,564.1	5,564.1	5,564.1	0.0	0.0
Matanuska-Susitna College	13,315.4	13,315.4	13,381.2	13,381.2	13,381.2	0.0	0.0
Prince William Sound College	6,277.1	6,277.1	6,252.4	6,252.4	6,252.4	0.0	0.0
Bristol Bay Campus	4,052.6	4,052.6	4,052.6	4,052.6	4,052.6	0.0	0.0
Chukchi Campus	2,185.4	2,185.4	2,185.4	2,185.4	2,185.4	0.0	0.0
College of Rural & Comm Dev	9,211.2	9,211.2	9,211.2	9,211.2	9,211.2	0.0	0.0
Interior Alaska Campus	5,259.0	5,259.0	5,239.0	5,239.0	5,239.0	0.0	0.0
Kuskokwim Campus	6,042.8	6,042.8	5,969.1	5,969.1	5,969.1	0.0	0.0
Northwest Campus	4,930.7	4,930.7	5,030.4	5,030.4	5,030.4	0.0	0.0
UAF Community and Tech College	13,205.4	13,205.4	13,305.0	13,305.0	13,305.0	0.0	0.0
Ketchikan Campus	5,401.1	5,401.1	5,240.3	5,240.3	5,240.3	0.0	0.0
Sitka Campus	7,563.5	7,563.5	7,299.0	7,299.0	7,299.0	0.0	0.0
Juneau Campus	43,982.5	43,982.5	44,390.9	44,390.9	44,390.9	0.0	0.0
Appropriation Total	876,683.0	856,683.0	856,683.0	856,668.0	831,668.0	-25,015.0 -2.9 %	-25,000.0 -2.9 %
Agency Total	876,683.0	856,683.0	856,683.0	856,668.0	831,668.0	-25,015.0 -2.9 %	-25,000.0 -2.9 %
Funding Summary							
Unrestricted General (UGF)	322,033.5	302,033.5	302,033.5	302,033.5	277,033.5	-25,000.0 -8.3 %	-25,000.0 -8.3 %
Designated General (DGF)	331,824.1	331,824.1	331,824.1	331,824.1	331,824.1	0.0	0.0
Other State Funds (Other)	82,599.5	82,599.5	82,599.5	82,584.5	82,584.5	-15.0	0.0
Federal Receipts (Fed)	140,225.9	140,225.9	140,225.9	140,225.9	140,225.9	0.0	0.0

University of Alaska
Summary of Budget Changes
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	University of Alaska / Various	University Compact Agreement Reduction	(\$25,000.0) Gen Fund (UGF)	<p>The FY20 Governor's budget included a proposed reduction of \$154 million in UGF to the University of Alaska. The Legislature did not accept the full proposed reduction, and only reduced UGF by \$5 million. The Governor then vetoed an additional \$130 million UGF. The Legislature then restored \$110 million UGF in HB 2001. In August of 2019, the University of Alaska and the Governor signed a compact agreement to reduce the University's UGF budget over a three-year period by \$70 million. The Governor agreed not to veto more from the University's budget in HB 2001. This resulted in a final FY20 UGF reduction of \$25 million (7.6%).</p> <p>In FY21, the Governor's budget includes another \$25 million dollar reduction, and per the compact the Governor has agreed to support a single appropriation and not to seek additional reductions through veto. In FY22, the compact proposes an additional \$20 million UGF reduction.</p> <p>The FY21 \$25 million reduction represents an 8.3% reduction to the University's UGF budget and has been allocated as follows: Anchorage Campus (\$9,525.0) Fairbanks Campus (\$13,750.0) Statewide Services (\$1,725.0)</p> <p>Fiscal Analyst Comment: In FY20, the Legislature accepted the Governor's proposal to divide the University of Alaska into two separate appropriations. The Governor limited his veto amount to the University of Alaska appropriation and chose not to veto from the Community Campuses appropriation. As a part of the compact agreement, in FY21 the Governor agreed to support the University's preferred single appropriation model that allows for maximum flexibility to the UA Board of Regents (BOR) in where to take planned reductions.</p> <p>The Governor included the proposed \$25 million UGF reduction in FY21 in three specific allocations (listed above) rather than letting the BOR decide where to take the reduction across the whole system. After the</p>

University of Alaska
Summary of Budget Changes
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	University of Alaska / Various	University Compact Agreement Reduction	(\$25,000.0) Gen Fund (UGF)	(continued) passage of a budget the BOR may select anywhere in the University system to take the proposed reductions, provided that the University's budget structure maintains the single appropriation in FY21 as the Governor's budget proposes.

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Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

**2020 Legislature - Operating Budget
Allocation Summary - Governor Structure**

Numbers and Language

Agency: Judiciary

Allocation	[1] 20 CC	[2] 20 Auth	[3] 20MgtP1n	[4] 21Adj Base	[5] 21Gov	[5] - [3] 20MgtP1n to 21Gov	[5] - [4] 21Adj Bas to 21Gov		
Alaska Court System									
Appellate Courts	7,217.2	6,882.5	6,882.5	6,920.3	7,284.8	402.3	5.8 %	364.5	5.3 %
Trial Courts	85,874.3	87,072.8	87,072.8	87,509.5	88,093.9	1,021.1	1.2 %	584.4	0.7 %
Administration and Support	10,638.2	10,638.2	10,638.2	10,720.5	10,720.5	82.3	0.8 %	0.0	
Appropriation Total	103,729.7	104,593.5	104,593.5	105,150.3	106,099.2	1,505.7	1.4 %	948.9	0.9 %
Therapeutic Courts									
Therapeutic Courts	5,855.0	5,731.0	5,731.0	5,737.9	6,172.9	441.9	7.7 %	435.0	7.6 %
Appropriation Total	5,855.0	5,731.0	5,731.0	5,737.9	6,172.9	441.9	7.7 %	435.0	7.6 %
Commission on Judicial Conduct									
Commission on Judicial Conduct	449.8	449.8	449.8	452.7	452.7	2.9	0.6 %	0.0	
Appropriation Total	449.8	449.8	449.8	452.7	452.7	2.9	0.6 %	0.0	
Judicial Council									
Judicial Council	1,337.6	1,337.6	1,337.6	1,346.7	1,346.7	9.1	0.7 %	0.0	
Appropriation Total	1,337.6	1,337.6	1,337.6	1,346.7	1,346.7	9.1	0.7 %	0.0	
Agency Total	111,372.1	112,111.9	112,111.9	112,687.6	114,071.5	1,959.6	1.7 %	1,383.9	1.2 %
Funding Summary									
Unrestricted General (UGF)	107,672.4	107,213.7	107,213.7	107,804.4	110,371.8	3,158.1	2.9 %	2,567.4	2.4 %
Designated General (DGF)	518.0	1,716.5	1,716.5	1,716.5	518.0	-1,198.5	-69.8 %	-1,198.5	-69.8 %
Other State Funds (Other)	2,206.1	2,206.1	2,206.1	2,191.1	2,206.1	0.0		15.0	0.7 %
Federal Receipts (Fed)	975.6	975.6	975.6	975.6	975.6	0.0		0.0	

Judiciary
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Alaska Court System / Appellate Courts	Additional Resources for the Court of Appeals	\$232.8 Gen Fund (UGF)	<p>The Court of Appeals is facing a significant backlog of criminal appeals. Following a review of the pending caseload by the Clerk of the Appellate Courts, the court implemented several operational and staffing changes aimed specifically at reducing the backlog and managing the increasing pace of newly-filed criminal appeals.</p> <p>The review determined that through a combination of hiring pro tem judges to decide a number of pending appeals and contracting with attorneys to help with particular appellate matters, the backlog of criminal cases could be reduced.</p>
2	Alaska Court System / Appellate Courts	Staff Attorney for the Court of Appeals	\$131.7 Gen Fund (UGF) 1 PFT Position	Additional steps to reduce the Court of Appeals backlog (see Item 1) also include retaining a permanent staff attorney to manage the increasing pace of newly-filed criminal appeals.
3	Alaska Court System / Appellate Courts	LFD Adjustment: Court System Request Restoring Funding to the FY20 Pre-veto Level	Net Zero Change	<p>The Governor vetoed \$334.7 UGF from the Court System's FY20 budget and the Court System requested that the funds be restored in FY21.</p> <p>Fiscal Analyst Comment: A request to restore funding in the FY21 budget was put forward to the Governor to include in the budget, but was omitted. Legislative Finance Division has included budget transactions netting to zero to highlight and provide record of the Court's request which will allow the legislature to make a conscious decision on whether to provide funding or not.</p>
4	Alaska Court System / Trial Courts	Targeted and Essential Operations for Court Business on Friday Afternoons	\$250.0 Gen Fund (UGF)	Although courts continue to be closed for regular business on Friday afternoons, the Court System is requesting limited funding to support targeted and essential operations on Friday afternoons. The amount requested in this increment is a fraction of the amount saved by closing courts on Friday afternoons (approximately \$2 million), but would reduce some of the pressure and inconvenience caused by the reduction in court hours and allow courts to better manage their workload.
5	Alaska Court System / Trial Courts	Facility Maintenance and Operating Expenses	\$220.5 Gen Fund (UGF)	The Court System occupies 40 facilities across the state and requires additional funding for increased expenses associated with higher costs of facility leases, the increased cost of utilities in many locations, and the

Judiciary
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Alaska Court System / Trial Courts	Facility Maintenance and Operating Expenses	\$220.5 Gen Fund (UGF)	(continued) increased costs for service contracts for janitorial, snowplowing, and facility maintenance.
6	Alaska Court System / Trial Courts	Additional Costs for Executive Branch Services	\$113.9 Gen Fund (UGF)	<p>The Executive Branch manages the insurance needs for all State agencies and all three branches of State government. According to the Division of Risk Management, while other insurance costs have decreased, the State's projected cost for general liability claims has increased from \$3.6 million in FY19 to just over \$9.0 million in FY20. Risk Management operates like a risk pool which means as agencies experience an increase in paid liability claims, the cost is spread across all agencies, as well as the Judicial and Legislative branches. The net increase for the Court System's share of this cost is \$75.8 thousand.</p> <p>In addition, the Executive Branch has informed Judiciary that it will begin charging a proportional share of the cost for the Court System's assigned Office of Management and Budget analyst, as well as for storage of archived records. For the Court System, this FY21 cost is estimated to be \$38.1 thousand.</p>
7	Alaska Court System / Trial Courts	FY21 Fund Changes from PCE to UGF Associated with Ch. 4, FSSLA 19 (HB 49)	Net Zero Change \$1,198.5 Gen Fund (UGF) (\$1,198.5) PCE Endow (DGF)	During the 2019 session, the legislature elected to fund the first year (FY20) of new legislation primarily with Power Cost Equalization Endowment funds. To more closely align with the original UGF funding intent of all impacted legislation, the Governor's FY21 request includes fund changes to replace continued funding with UGF.
8	Therapeutic Courts / Therapeutic Courts	Continuation of Grant-Funded Therapeutic Court Operations in the Mat-Su Valley	\$290.0 GF/MH (UGF) 2 PFT Positions (1) PPT Position	<p>This request can be broken into two parts:</p> <p>1. \$110 thousand - continue funding a probation officer serving the Palmer Wellness Court (PWC). A three-year federal grant supporting this position is ending in FY20. The incumbant in the grant-funded position was appointed to an unbudgeted, non-permanent position. Rather than add a new position, the Court System is requesting to convert a part-time unfunded position to full-time. As of September 2019, this court is at 93% capacity and has achieved a 71% successful completion rate. The PWC claims it would be unable to operate without a probation officer and it is a critical position for assuring that defendants are accountable and for working with the other team members towards rehabilitation of the defendants.</p>

Judiciary
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
8	Therapeutic Courts / Therapeutic Courts	Continuation of Grant-Funded Therapeutic Court Operations in the Mat-Su Valley	\$290.0 GF/MH (UGF) 2 PFT Positions (1) PPT Position	(continued) 2. \$180 thousand - the Mat-Su Health Foundation will be decreasing its grant funding for the Palmer Families Infants and Toddlers (PFIT) court in FY21. The PFIT Court works to achieve permanency within a 12-month period for infants and toddlers whose families are involved in a child-in-need-of-aid case, and to reunify young children with their families when appropriate. In the last two years, this court has served the needs of over 50 parents and children and as of September 2019, it is at 108% capacity. Funding is required to pay: - full cost of the PFIT Project Coordinator; - partial costs for a Social Worker III (from the Children's Services program); and - partial costs for a Urinalysis Technician (the technician is shared with the Palmer Wellness Court).
9	Therapeutic Courts / Therapeutic Courts	Therapeutic Court Operations - Deputy Statewide Coordinator	\$130.0 Gen Fund (UGF) 1 PFT Position	A new Deputy Statewide Coordinator would assist in overseeing the 12 existing therapeutic courts throughout the state.

Legislative Fiscal Analyst's Overview of the Governor's FY2021 Request

**2020 Legislature - Operating Budget
Allocation Summary - Governor Structure**

Numbers and Language

Agency: Legislature

Allocation	[1] 20 CC	[2] 20 Auth	[3] 20MgtP1n	[4] 21Adj Base	[5] 21Gov	[5] - [3] 20MgtP1n to 21Gov	[5] - [4] 21Adj Bas to 21Gov		
Budget and Audit Committee									
Legislative Audit	5,931.1	5,931.1	5,931.1	6,162.5	6,162.5	231.4	3.9 %		0.0
Legislative Finance	7,255.5	7,255.5	7,255.5	7,255.5	7,255.5	0.0			0.0
Committee Expenses	1,909.7	1,909.7	1,909.7	1,909.7	1,909.7	0.0			0.0
Appropriation Total	15,096.3	15,096.3	15,096.3	15,327.7	15,327.7	231.4	1.5 %		0.0
Legislative Council									
Administrative Services	12,674.6	12,674.6	12,674.6	12,674.6	12,674.6	0.0			0.0
Council and Subcommittees	682.0	682.0	682.0	682.0	682.0	0.0			0.0
Legal and Research Services	4,566.9	4,566.9	4,566.9	4,566.9	4,566.9	0.0			0.0
Select Committee on Ethics	253.5	253.5	253.5	253.5	253.5	0.0			0.0
Office of Victims Rights	971.6	971.6	971.6	971.6	971.6	0.0			0.0
Ombudsman	1,319.0	1,319.0	1,319.0	1,319.0	1,319.0	0.0			0.0
LEG State Facilities Rent	1,529.8	1,529.8	1,529.8	1,529.8	1,529.8	0.0			0.0
Appropriation Total	21,997.4	21,997.4	21,997.4	21,997.4	21,997.4	0.0			0.0
Legislative Operating Budget									
Leg Salaries and Allowances	8,434.9	8,434.9	8,434.9	8,434.9	8,434.9	0.0			0.0
Legislative Operating Budget	11,126.3	11,126.3	11,126.3	11,126.3	11,126.3	0.0			0.0
Session Expenses	9,685.8	9,685.8	9,685.8	9,685.8	9,685.8	0.0			0.0
Appropriation Total	29,247.0	29,247.0	29,247.0	29,247.0	29,247.0	0.0			0.0
Agency Total	66,340.7	66,340.7	66,340.7	66,572.1	66,572.1	231.4	0.3 %		0.0
Funding Summary									
Unrestricted General (UGF)	64,129.2	64,129.2	64,129.2	64,360.6	64,577.4	448.2	0.7 %	216.8	0.3 %
Designated General (DGF)	327.7	327.7	327.7	327.7	327.7	0.0		0.0	
Other State Funds (Other)	1,883.8	1,883.8	1,883.8	1,883.8	1,667.0	-216.8	-11.5 %	-216.8	-11.5 %

Legislature
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Budget and Audit Committee / Legislative Audit	Performance Reviews Required by Statute	Net Zero Change	<p>AS 44.66.020 tasks the Division of Legislative Audit with performance review of specific programs and agencies as listed in the statute. After the initial performance reviews of the Department of Corrections and the Department of Health and Social Services in 2014 and 2015, the Legislature removed funding for all remaining department reviews listed in the statute.</p> <p>Fiscal Analyst Comment: Given the statute for performance reviews still exists, the Legislative Auditor feels it is appropriate to request funding to complete the reviews if they are deemed warranted by the legislature. A request of \$1,852.2 UGF and three positions was put forward to the Governor to include in his budget, however it was omitted. The Legislative Finance Division has included budget transactions netting to zero to highlight and provide record of the Legislative Audit request which will allow the legislature to make a conscious decision of whether to provide funding for the statutory requirement.</p>
2	Budget and Audit Committee / Legislative Audit	Reduce Division Vacancy	Net Zero Change	<p>Another item omitted from the Governor's request, but put forward by the Legislative Audit Division is \$100.0 UGF to reduce vacant positions and retain funded positions. The Legislative Finance Division has again included net zero transactions to reflect record of the request for funding.</p>
3	Legislative Council / Office of Victims Rights	Replace Funding Source to Align with Anticipated Revenue	Net Zero Change \$216.8 Gen Fund (UGF) (\$216.8) Rest Just (Other)	<p>Reduce Restorative Justice Fund (also known as Permanent Fund Dividend Criminal Funds) authority based on projected revenue, and replace with UGF to maintain Office of Victims Rights activities.</p>

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