

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES
FY2016 HOUSE FINANCE BUDGET SUBCOMMITTEE NARRATIVE REPORT
February 25, 2016

SUBCOMMITTEE MEMBERS:

Rep. Steve Thompson, Chair	Rep. Foster	Rep. Kito
Rep. Chenault	Rep. Vazquez	Rep. Ortiz
Rep. Hughes		

RECOMMENDATIONS:

The House Finance Budget Subcommittee for the Department of Transportation & Public Facilities submits a recommended operating budget for FY2017 to the House Finance Committee as follows:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$ 228,045.1
Designated General Funds (DGF)	\$ 69,345.6
Other Funds	\$ 290,999.2
Federal Funds	\$ <u>2,036.3</u>
Total	\$590,426.2

The Unrestricted General Fund difference from FY16 Management Plan to the House Subcommittee budget recommendation is a reduction of \$ 15,969.3, which is an 6.5% percent change.

Positions:

Permanent Full-time	3098
Permanent Part-time	379
Temporary	<u>208</u>
Total	3685

BUDGET ACTION:

The House Finance Budget Subcommittee for the Department of Transportation & Public Facilities held 11 meetings with the Department. The Subcommittee reviewed the FY2017 budget request and took the following actions:

Accepted the Governor's endorsed proposal, which includes:

- Service Level and Staff reductions in all three regions of the State
- The transfer of funding from General Funds to Capital Improvement Program receipts in multiple positions and allocations
- Line Item identification of previous unallocated cut to the Department

In addition the committee reduced required contributions from the departments three Highways, Aviation and Facilities Divisions to the Statewide Equipment Fleets required contribution to replacement of vehicles by 10% resulting in a \$1.3 million dollar savings. A fund swap of \$2 million dollars was made to the Alaska Marine Highway System replacing General Funds with monies from the Alaska Marine Highway Fund.

ATTACHED REPORTS:

The House Finance Budget Subcommittee for the Department of Transportation and Public Facilities adopts the attached reports:

2015 Legislative Finance Division Reports – House Structure

1. Agency Totals – FY2017 Operating Budget
2. Allocation Summary (All Funds)
3. Allocation Summary (GF Only)
4. Transaction Compare between Adjusted Base (17Adj Base) and House Subcommittee (H Sub)
5. Transaction Compare between Governor Amended (Gov Amd) and House Subcommittee (H Sub)
6. Wordage Report – FY2017 Operating Budget

The Budget Action Worksheet (B.A. Sheet) is attached for informational purposes.

Respectfully submitted,



Representative Steve Thompson, Chair

House Finance Budget Subcommittee for the Department of Transportation & Public Facilities

**Department of Transportation and Public Facilities
FY2015 to FY2016 Comparison**

<u>Fund Type</u>	<u>FY2015 Mgt Plan</u>	<u>FY2016 Enacted</u>	<u>Difference</u>	<u>Percent Difference</u>
Unrestricted General Fund	\$278,604.6	\$244,014.4	-\$34,590.2	-12.4%
Designated General Fund	\$68,167.7	\$74,777.4	\$6,609.7	9.7%
Other	\$279,414.1	\$289,447.4	\$10,033.3	3.6%
Federal	<u>\$2,850.4</u>	<u>\$2,028.7</u>	<u>-\$821.7</u>	<u>-28.8%</u>
Total	\$629,036.8	\$610,267.9	-\$18,768.9	-3.0%

<u>Budgeted Positions</u>	<u>FY2015 Mgt Plan</u>	<u>FY2016 Enacted</u>	<u>Difference</u>	<u>Percent Difference</u>
Permanent Full-Time	3,186	3,148	-38	-1.2%

<u>Filled Positions</u>	<u>Dec 2014 Employees</u>	<u>July 2015 Employees</u>	<u>Difference</u>	<u>Percent Difference</u>
Permanent Full-Time	3,316	3,220	-96	-2.9%
Permanent Part-Time	28	24	-4	-14.3%
Non-Permanent	<u>121</u>	<u>272</u>	<u>151</u>	<u>124.8%</u>
Total	3,465	3,516	51	1.5%

Notable Changes

Various Administrative Divisions: The department will increase their ICAP rates (Federally Approved Indirect Cost Allocation Plan). This means that more federal funding will go towards department administration (replacing GF) and fewer federal funds will be available to use on actual capital projects. The capital pass through funding sources have both increased since FY2015 Management Plan to offset GF reductions through capital chargebacks:

- CIP Receipts: \$6,042.8 increase
- Highway Equipment Working Capital Fund: 1,596.2 increase

Alaska Marine Highway System (AMHS) \$9,798.4 UGF

AMHS is the highway of the southeast and improves commerce statewide. For instance, many fishing crews rely on AMHS to move fishing supplies and equipment to the Aleutians during fishing season. Although a \$5,163 Marine Highway fund increment was added to offset the UGF reduction, this increase has little impact due to the loss of the fuel trigger mechanism. Changes to the schedule are as follows:

- During October and November, the Malaspina won't run to Bellingham (Taku would have to run to both Prince Rupert and Bellingham these two months-service to both ports cut in half)

- During May and June, the Malaspina won't run Bellingham
- Two month additional layup for the Kennicott on cross-gulf run
- Two month additional layup for the Fairweather on Sitka and Angoon run

Since the system generates the bulk of its revenue in the summer, it must maintain as much of its summer service as possible (Serves Tourists rather than Alaskans). Further reductions to UGF will not be possible without service cuts as the balance of the Marine Highway Fund may run out. The system may not have the possibility of increasing revenue since it has increased fares by 4.5% twice in less than a year.

Highways, Aviation & Facilities \$15,357.3 UGF

This division is responsible for maintenance and operation of state owned assets including airports, highways, ferry terminals and other state owned facilities. Due to the elimination of 34 positions and reductions to overtime & commodities, service levels will be reduced significantly. Reductions will occur in winter snow removal, pothole repair, sign replacement, line painting, and cleaning vegetation off of highways. Generally, the public will see less road maintenance statewide. In a severe winter, timely road clearing will pose a serious challenge and could become a safety hazard. Non-international airport facilities will see greater delays, especially for morning flights, due to overtime reductions for runway staff. Response times for facility and road maintenance issues will be increased.